



Datasite Forecaster

2H 2022 Global Outlook

Trends based on Datasite's proprietary, aggregated, and anonymized transaction data



Trying times

Stock market turbulence. Inflation. Currency declines. Gas prices. The Ukraine-Russia war. Recession fears. As this publication goes to press, the financial outlook looks grim.

But when it comes to mergers and acquisitions (M&A), reasons for optimism persist. The resilience of private markets, creative deal structures, and the never-ending need to deploy cash continue to propel activity forward.

Bullish and bearish outlooks abound. But what does the data say? This report provides a look at our own proprietary transaction data, aggregated, anonymized, and scrubbed by our data scientist team to ensure data privacy and accuracy.

We face forward with a market forecast based on our analysis of deals that haven't closed yet. And we look back at due diligence benchmarks on closed M&A deals, to provide M&A practitioners' insight into future deal behavior.

Methodology

We have compiled data from deals conducted through Datasite, aggregated and anonymized to protect client confidentiality. We host more than 13,000 projects a year, and have over 50 years' experience in M&A, so we can present data of the greatest possible scope and objectivity.

From this data we have produced:

- 1) Informed estimates about future deal volumes
- 2) Benchmark data drawn from historical deals

We cleaned and prepared our data using the R statistical programming environment. Then we defined a 'typical' Datasite-hosted project using three criteria. Firstly, we used the median (rather than the mean). Secondly, we based our benchmarks on sell-side deals only, but included all M&A activity in our current reviews and forecasts. Thirdly, in order to compare timeframes consistently, we broke these into two parts: days from project creation to launch ('prep time') and days from launch to close ('due diligence time'). We excluded projects that were never launched or still open.

We used the same methodology for forecasts relating to specific sectors, scenarios, and Datasite products. We reviewed sector breakdowns only in countries with 100+ transactions a year, and we reported on countries only where our sample size was 40+ transactions a year.

The Forecaster Report is for informational purposes only. All information contained within is not intended to provide, and should not be relied upon, for legal, tax, financial, investment recommendations, or any other type of advice.

13k+
transactions annually

80k+
logins monthly

170
countries covered

50+
years of experience

Robust M&A activity suggests strong close to 2022

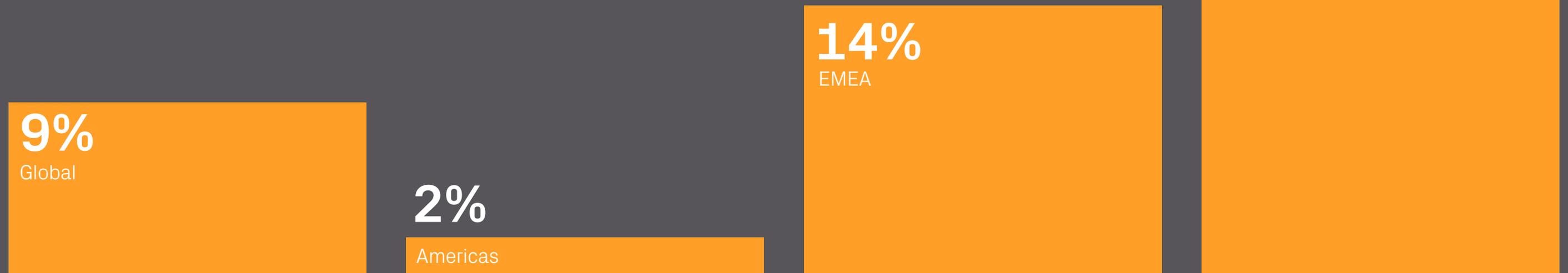
Based on our proprietary data, globally, M&A volume is up 9% in 1H 2022 compared to 1H 2021, despite fraught market conditions and following a banner year for M&A in 2021.*

This suggests that despite market volatility, M&A inventory is high, and we can expect a robust number of deal announcements in 2H 2022.

Asia-Pacific (APAC) leads the way, boosted by skyrocketing real estate, life sciences and healthcare, and technology deals.

EMEA is showing remarkable resilience despite the Russia-Ukraine war, coming in strong with 14% M&A growth YoY. Real estate activity is spiking in EMEA, which also is experiencing large YoY gains in the business services, industrials, transport, and defense industries.

Finally, Americas M&A activity is taking the most punches, particularly in Latin America. The business services, leisure, and real estate industries are keeping deal volume afloat, however, while consumer deal activity is shrinking by 7% YoY to date.



1H 2022 M&A deal volume year-over-year (YoY)

*Data includes all active asset sales, asset purchases, and mergers on Datasite's platform.

TMT most active overall – industrials climbs steadily

The technology, media, and telecoms (TMT) sector takes the top global spot as a percentage of all M&A volume. Industrials¹ edges out healthcare² activity, gaining 1% total market share since 2021. Together, TMT and industrials now account for almost 40% of all M&A activity, both benefiting from ongoing technology disruption.

Healthcare is slower relative to TMT and industrials activity. Digital healthcare investment spiked during the Covid years, with areas like telehealth taking off. The slow-down is likely a result of digestive troubles, as the industry recovers from accelerated growing pains.

The energy³ sector has been the hardest hit in 1H YoY, likely as a result of gas prices and the Russia-Ukraine war.



Total global M&A deal volume by industry 1H 2022

TMT: 22%

Industrials: 18%

Healthcare: 14%

Business Services: 9%

Consumer: 11%

Financial Services: 14%

Energy: 7%

Real Estate: 6%

Leisure: 1%

1. Industrials includes the transport and defense industries; 2. Healthcare includes life sciences; 3. Energy includes energy, mining, oil & gas.

What's hot, on hold, and gone cold

Setting total industry numbers aside, where do we see the most relative activity by region and industry? And which areas are cooling compared to last year?

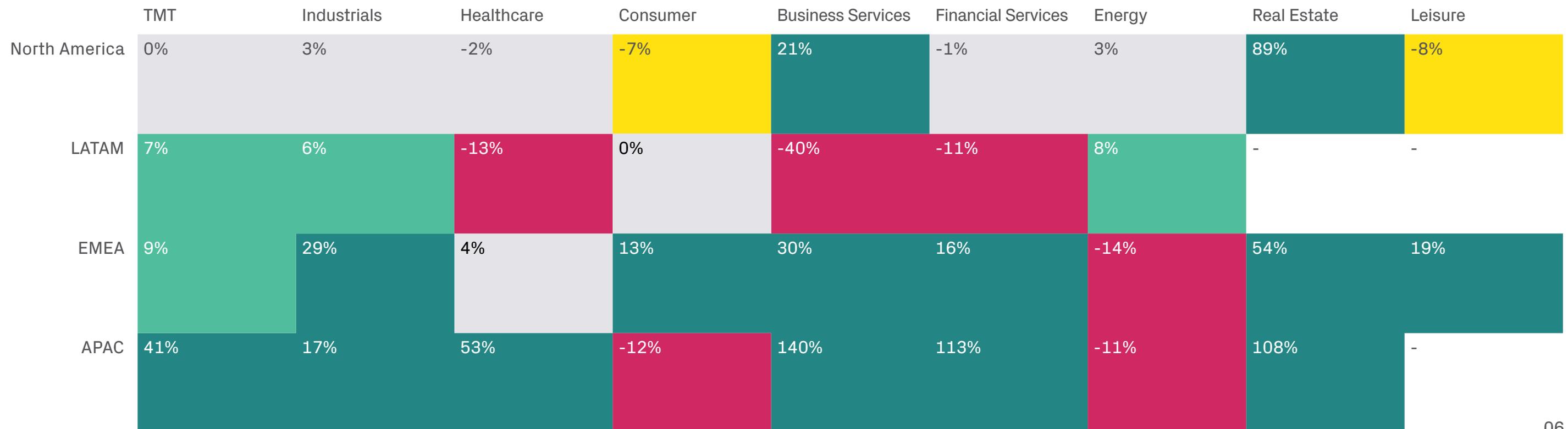
APAC is booming. Activity has doubled for business, financial services, and real estate, and it's also the strongest region for both healthcare and TMT.

EMEA activity is also surprisingly strong, despite the Ukraine crisis. Industrials, business services, and real estate are thriving, due in part to higher defense funding, and investors fleeing to hard assets. Consumer and leisure are also up YoY, despite inflation.

By comparison, North America and Latin America are lukewarm. Inflation is hitting discretionary spending, which hurts consumer and leisure. Even TMT and healthcare, the North America stalwarts, are in neutral to negative growth.

Global M&A activity 1H 2022 deal flow YoY

Key: ■ 11%+ ■ 5%+ ■ 0% ■ -5% ■ -11%+



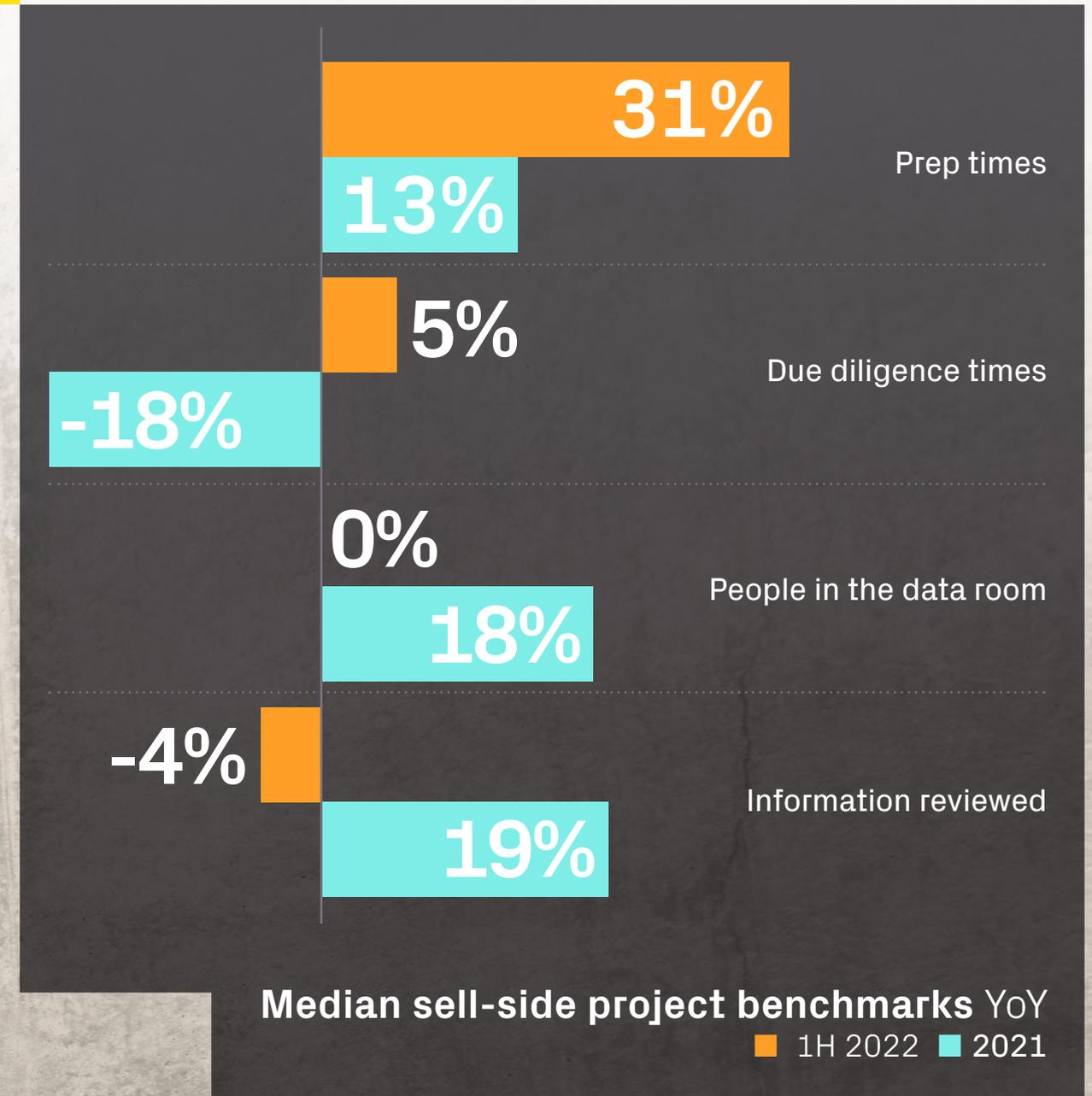
Sell-side processes are taking longer in 1H 2022

Industry activity is one thing. But what's going on behind the scenes? Reviewing closed sell-side deal activity provides insights into how dealmakers are approaching sell-side processes in the current market environment.

In 2021, deals got harder. Dealmakers ran larger, more complex processes in shorter time frames compared to 2020. Median prep time increased by 13% – but due diligence times overall dropped by 18%. Meanwhile, dealmakers managed 18% more people and a 19% uptick in information per median sell-side due diligence process.

By contrast, sell-side processes are taking longer to complete in 1H 2022. Dealmakers are spending a staggering 31% more time on prep and 5% longer on due diligence as they navigate choppy market conditions – and recover from 2021 burnout.

Meanwhile, dealmakers are managing less information per median deal than before, but the same number of people. People and information in the data room is a loose proxy for deal size, suggesting that although deal volume is active, the market is shifting away from larger, more complex transactions.

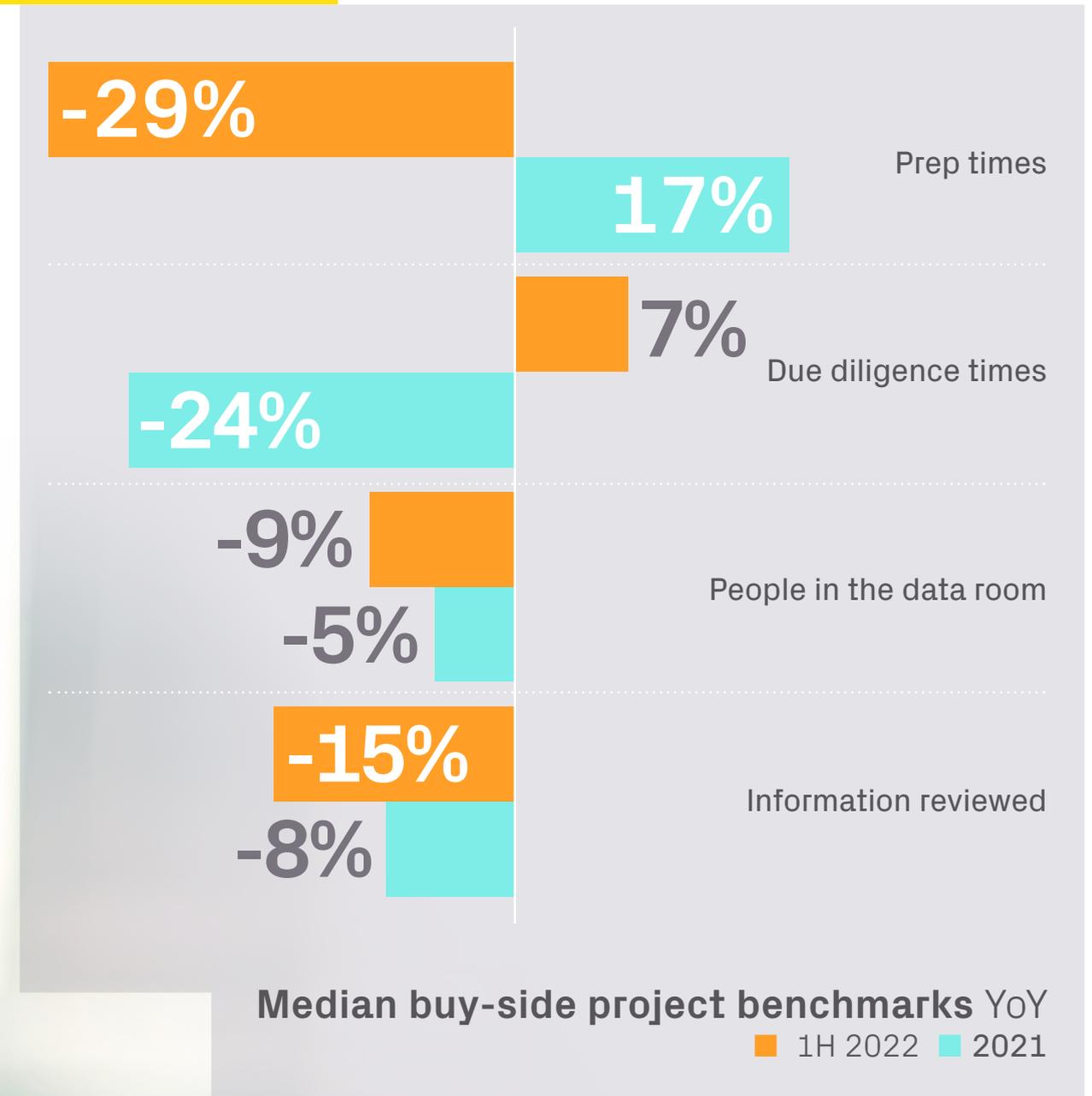


Buyers spend less time on prep and more time on due diligence

Uncertain market conditions are shifting negotiating power back to buyers. And buyers are taking advantage, according to closed asset purchases on Datasite.*

In 2021, buyer-led transactions took 17% longer to prep – and 24% less time in due diligence, spurred on by competitive market conditions. The acquisitions buyers chased were less complex than the year before. The median buyer-led process had 5% less people and 8% less information.

This year, buyer-led deal complexity continues to drop, with 9% less people and 15% less information. However, buyers no longer appear to be prepping in advance to speed up due diligence. Instead, prep times have dropped by 29% – and due diligence has lengthened by 7%. This suggests buyers are more comfortable taking their time on the backend of the process – and less worried about competitors swooping in to steal their deal.



*Based on Datasite Insight; Buyer-run processes tend to be one-on-one acquisitions or roll-ups. Prep and due diligence times differ, which is why we have broken them out from sell-side transactions.

5 takeaways from our 2H 2022 Global Outlook

1

The M&A pipeline leading into 2H 2022 is up YoY, so expect a wave of deal announcements to hit before year-end.

2

M&A in APAC, EMEA, and heavyweight industries TMT and industrials remain robust. Smaller sectors like real estate and business and financial services are hot spots globally.

3

Activity in the Americas is lukewarm. The energy, consumer, and leisure sectors are the hardest hit from global market turmoil.

4

Dealmakers are taking longer to prep and close sale processes as they wait to see the impact from market fallout.

5

Buyers are spending less time on prep and taking more time for due diligence, leaning into the time benefits of a buyer's market.

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