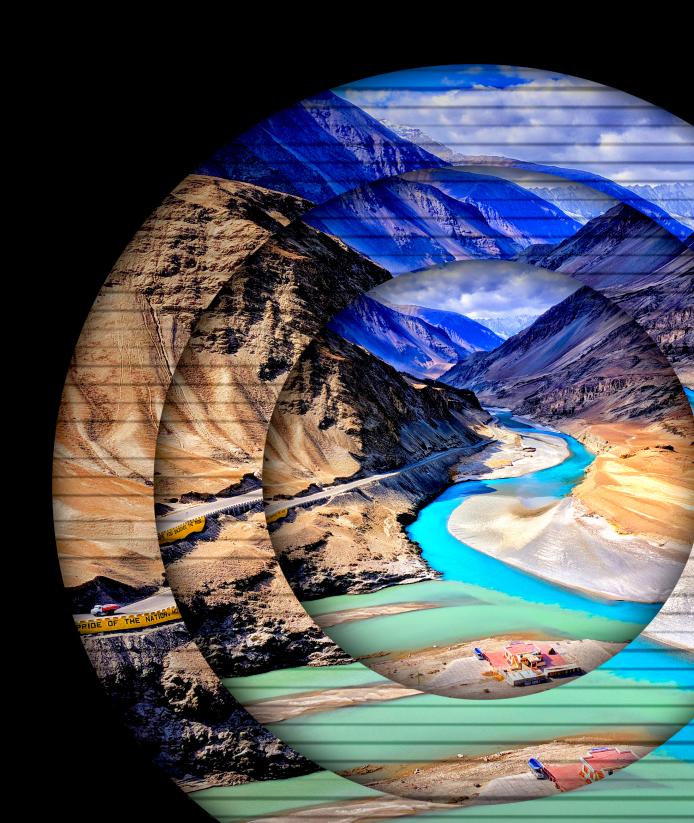
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Mergers & Acquisitions

Tax & Legal support throughout the deal lifecycle

January 2021





The global economic impact of COVID-19 has fundamentally reshaped how companies do business, and it is inevitable that the deal making environment will also significantly change. Many companies are looking to M&A as a catalyst to transform and digitize their business models, strengthen their supply chain, and increase access to data, customers, and markets. Beyond traditional M&A, today companies need to deploy a wide range of inorganic growth strategies such as partnerships with their peers, co-investments with private equity, investment in disruptive technologies, cross-sector alliances with specialists, and partnership with government to thrive.

M&A activities will have a strong influence in shaping the post-pandemic "next normal" business environment. The S&P 1200 companies, for example, have a record US \$3.8 trillion in cash reserves and the ability to service debt in a 'dovish' monetary environment¹. The private equity sector also has US \$2.5 trillion worth of funding ready to be deployed on opportunities.

At Deloitte we expect to see broader recognition of social and environmental responsibilities driving not just scrutiny of deals but also reshaping portfolios through acquisitions and disposals. The announced or planned IPOs in EMEA are clear, evidence that there is money in the market with investors actively looking for opportunities, in particular private equity firms.

Deal strategies in a complex climate

As organizations try to reshape their business, raise capital, and drive competitive advantage, deals will remain an important part of the recovery equation. A combination of defensive and offensive M&A strategies should emerge as companies strive to drive transformation amid the current climate².

Defensive M&A

- M&A to salvage value. Companies that have been severely impacted by the crisis and are in a financially vulnerable position, will need to take decisive measures to secure their survival.
 Some will turn to portfolio optimization to identify assets that lack strategic fit and could be divested. Others will take radical actions including distressed asset sales to salvage value from loss-generating divisions.
- M&A to safeguard markets to maintain competitive parity.
 Companies where the impact has been less severe, will need to build financial resilience by extracting deep synergies from recent deals. Many will consider alliances or co-investment opportunities to reduce risk and capital outlay in their core business.

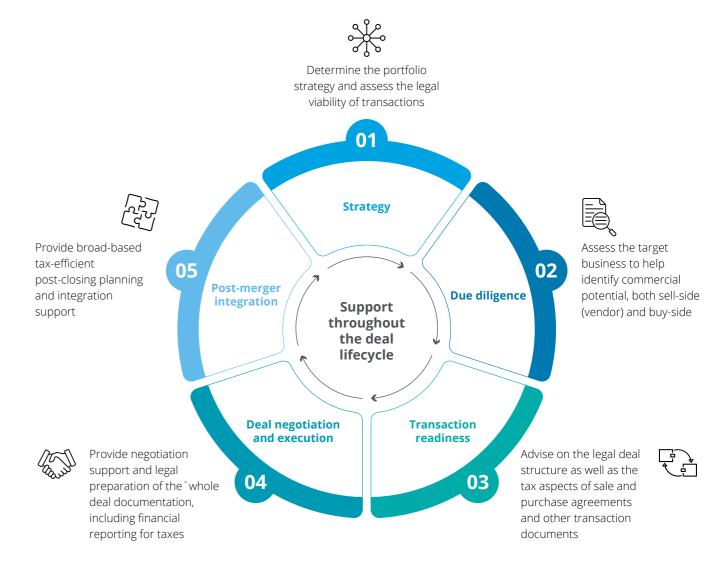
Offensive M&A

- M&A to transform business and safeguard the future. Companies
 with a strong balance sheet but expecting a significant degree
 of structural disruption to their sector would use M&A to safeguard their customer base and supply chain. While others will
 explore acquisitions and alliances to close gaps in their portfolio
 and accelerate long-term transformation to their business
 models
- M&A to change the game. A select few resilient and strategically well-placed companies should use M&A and other investment activities to capture unassailable market leadership. It would require alliances that includes both large specialist partners as well as start-ups from the innovation ecosystem. They also need to use M&A to acquire disruptive companies at the edge of their existing businesses and use those as the springboard to launch new offerings that will shape their sectors in the future.



Tax and legal support throughout the deal lifecycle

Deloitte offers differentiated solutions to help companies identify M&A opportunities, assess risks and exposures, understand the tax synergies that can be captured in transactions, and deploy offensive and defensive M&A strategies to navigate uncertainty and rebuild profitability. With a potentially busy transactional period ahead, companies will need support in several different areas throughout the deal lifecycle.



Deloitte advises businesses in determining strategic approaches to grow or rationalize their portfolio or take out costs to drive shareholder value. We focus on delivering value to clients throughout their journey and bring an industry perspective to transactions.

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¹ Deloitte, M&A and COVID-19: Charting new horizons, 2020, p.4

² Deloitte, M&A and COVID-19: Charting new horizons, 2020, p.7

Contacts:

Deloitte can provide a full range of advice (strategy, finance, tax and legal) before, during and after a transaction, negating the need for separate advisors. Our international footprint provides global, regional and local expertise where the client deal is done.

If you would like to discuss any issues relating to a corporate transaction, please call your usual Deloitte partner or:



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