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 climate.

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 portfolios 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.

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.

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