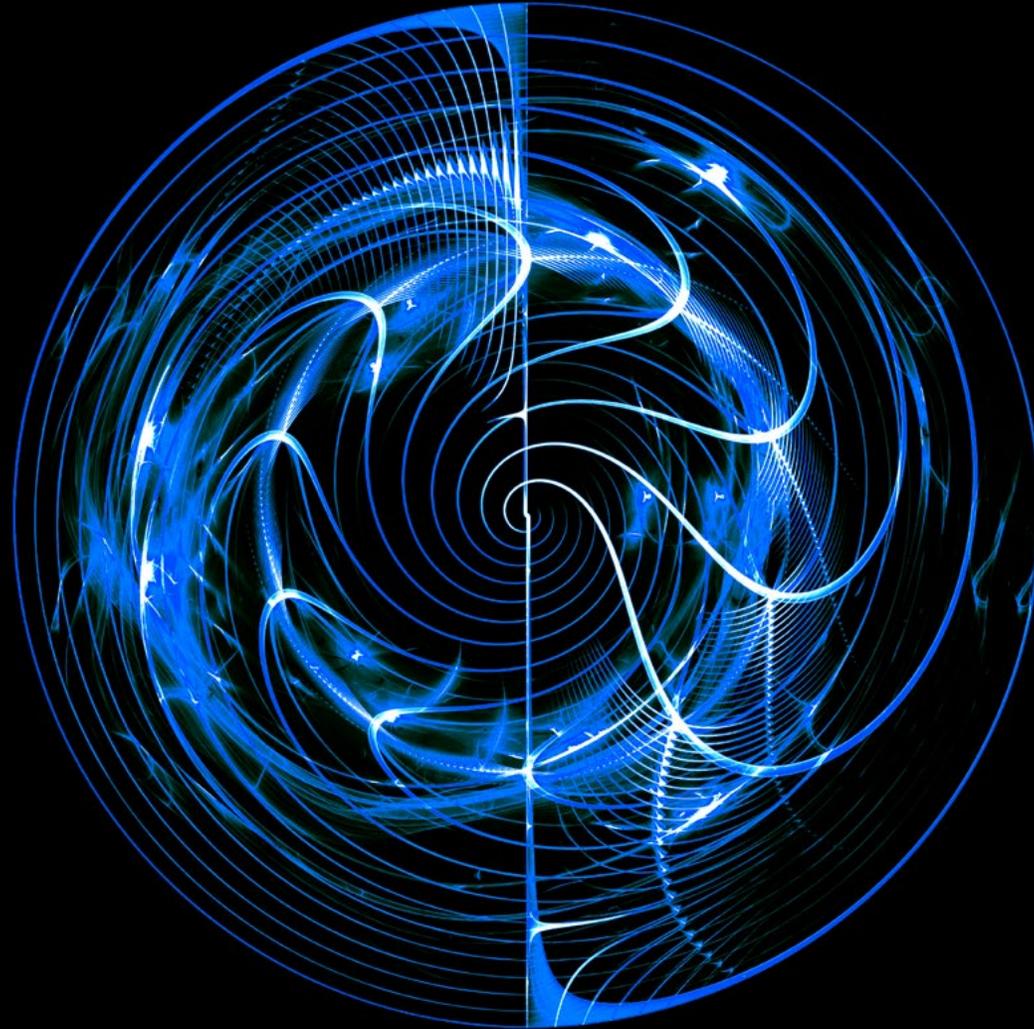


Deloitte.



The future of M&A
2022 M&A Trends Survey

January 2022

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Key findings

Adapting, anticipating, and innovating

M&A executives are sending clear and strong signals that deal-making activity—acquisitions, divestitures, and alternative M&A strategies—will provide important levers for businesses as they continue to navigate regulatory tightening and an evolving economic environment.

Deloitte's 2022 *Future of M&A Trends Survey* polled 1,300 executives at corporations and private equity investor (PEI) firms from August 26 through September 7, 2021 to glean insights about current deal activity and expectations for the next 12 months.

Merger, acquisition, and divestiture activity

There is more to today's M&A activity than just acquisitions. Divestitures are also on the rise, and more executives report they are open to alternative strategies.

92%

of respondents expect deal volume to increase or stay the same over the next 12 months.

32%

of corporate respondents say they are considering a divestiture.

57%

of corporate respondents have engaged in a divestiture in the past 12 months.

Challenges and solutions keep evolving

Corporate strategy, M&A strategy, and operating model limitations all intersect in different ways. Executives say aligning all those forces into a coherent approach is one of their greatest challenges. But there are new tools to help: digitally enabled, virtual, and hybrid management of the M&A process is more prevalent than before. So is interest in international deal-making.

54%

of responding dealmakers think the tightening regulatory environment will spur more deal activity, as they race to beat implementation of more challenging obstacles.

68%

say they are taking a greater interest in international deal-making over the coming year.



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Key findings

Transformation and restructuring

Companies are aiming for more transformational change and many are focused on achieving that transformation during the transaction.

53%

More than half of the companies surveyed have restructured (including changes to working capital, reorganization, cost reduction, and legal entity restructuring) since the beginning of the pandemic.

44%

say they are considering restructuring over the next 12 months.

63%

The most common reasons for restructuring were digital transformation, process simplification, and automation. Nearly two-thirds of respondents report that the success of their M&A activity is moderately or highly dependent on a successful transformation.

34%

of surveyed companies say they are implementing transformational restructuring while their deals are underway.

M&A looks to the future

As deal activity and volume stay robust, dealmakers continue to embrace new ways to get the work done. Data and analytics capabilities continue to make inroads into processes like diligence and monitoring.

69%

of respondents report they are using data analytics in their diligence and monitoring right now.

27%

are considering adding those capabilities.

Digital tools and virtual settings are gaining prominence in M&A, with mutually reinforcing effects that have the potential to speed and alter the process.

Playing both sides of the ball

Depending upon the pressure they are under and the amount of room they have to act, many companies are approaching M&A strategy through the lens of offensive and defensive strategies. Evaluating moves this way can help determine whether a company needs to protect the position it has, seek gains, or aim for transformative progress. This year, respondents indicated their organizations are moving to put in place more offensive strategies.



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More, bigger, different: deal-making in 2022



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M&A market activity

The impressions, predictions, and glimpses of strategy that our survey respondents shared stand alongside a record-setting pace in the market itself. US M&A activity recovered to pre-pandemic levels by the summer of 2020 and steadily accelerated in 2021 (Figure 1). As Trevear Thomas, US leader for Mergers, Acquisitions, and Restructuring Services, Deloitte Consulting LLP said, “The trends we are seeing in this very active market indicate that we are just at the start of the next M&A run.”

That is consistent with the findings of a separate Deloitte survey. Just over half the CFOs who took part in our third-quarter *2021 CFO Signals* survey said they expected M&A to drive as much as half their companies' growth over the next three years.

It is against this dynamic backdrop that respondents shared the perspectives that make up our *2022 M&A Trends Report*.

Figure 1: Monthly US M&A activity: Dec. 2019–Dec. 2021 ● Value ● Volume



Source: Based on Deloitte's analysis of M&A data generated via the Refinitiv database on January 6, 2022. Figures based on Announcement Date.

More, bigger, different: deal-making in 2022



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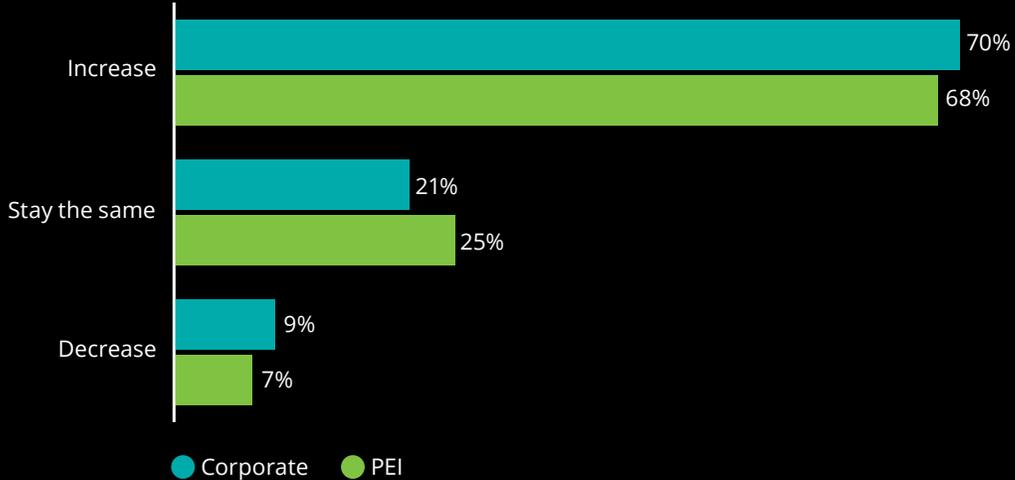
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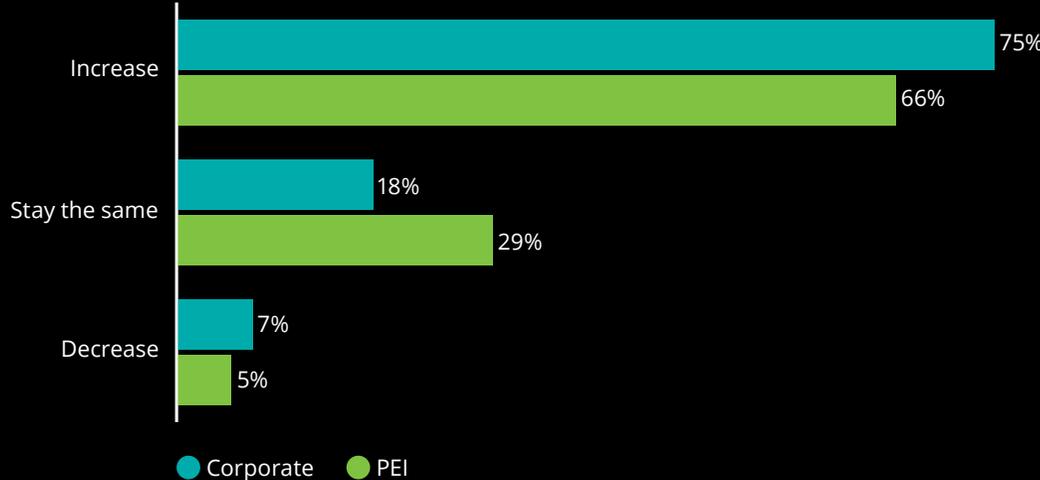
Expectations for the year ahead

Surveyed dealmakers in both corporate and PEI settings say they anticipate continued increases in both deal size and deal volume. Corporate respondents had slightly higher expectations than their PEI counterparts, but few in either category see decreases on the horizon.

Do you expect the average number of deals that your organization closes, to increase or decrease over the next 12 months?



Do you expect the enterprise size of your organization's deals to increase or decrease over the next 12 months?



More, bigger, different: deal-making in 2022

Divestitures on the rise

More than half of responding executives (57%) have engaged in a divestiture in the past 12 months. Another third of them (32%) are considering at least one right now.

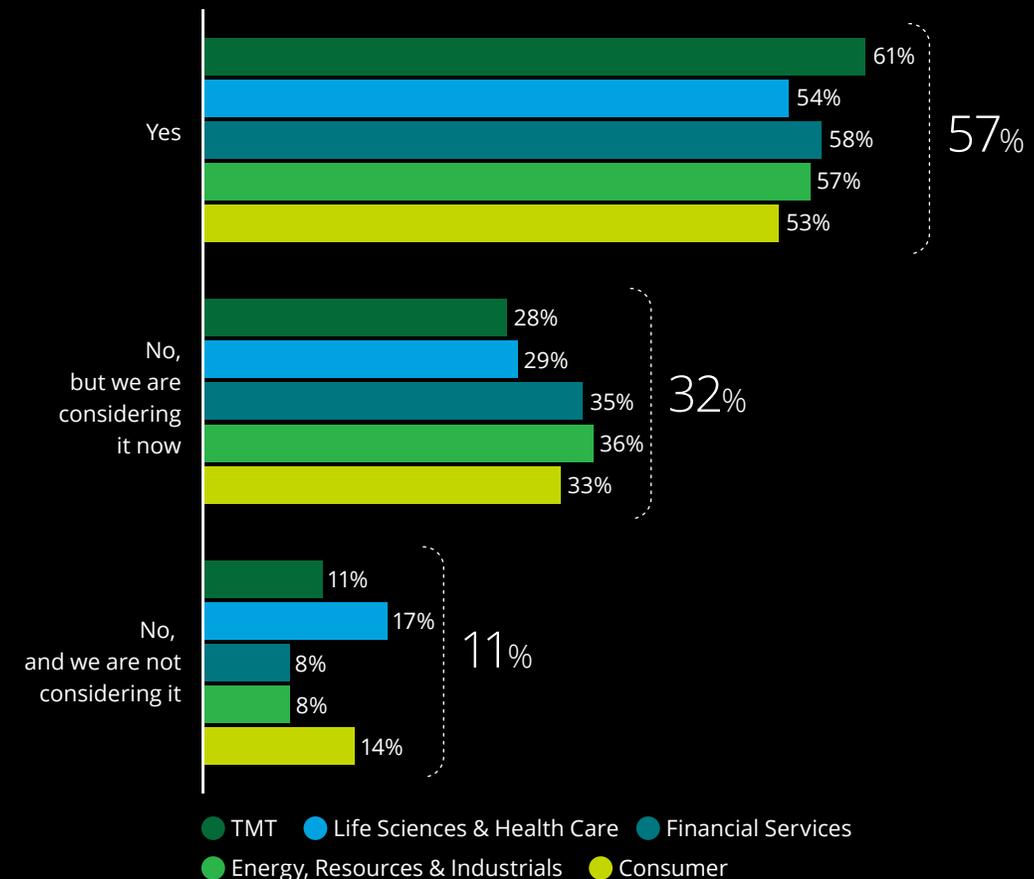
Among industry groups, more than three in five Technology, Media, and Telecommunications (TMT) respondents (61%) say they completed at least one divestiture in the past 12 months—the highest of any category. Many of those businesses are divesting non-core assets to access capital in order to acquire businesses aligned with their core strategies.

The industries most likely to be weighing possible divestitures now are Financial Services (35%) and Energy, Resources & Industrials (36%).

Industries are converging more than ever and companies are continuously evaluating their portfolios to align with their long term strategy, while established dealmakers continue to shed non-core assets that drive operational complexity.

Has your organization engaged in any divestitures in the past 12 months?

(Corporate only, by industry)



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More, bigger, different: deal-making in 2022

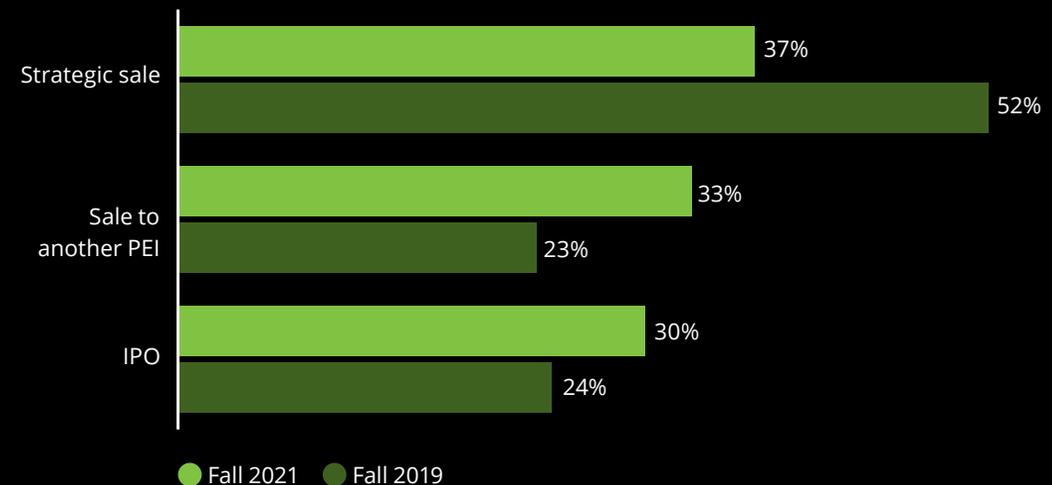
PEIs shift to more IPOs and sales to other financial buyers

While divestitures increase, strategic sales in the PEI sphere declined from the 2019 Trends Survey to 2021—from more than half to just over one-third of all portfolio exits. As Deloitte & Touche LLP partner Brian Kunisch noted, “This shift from strategic sales to sale to another PE, and to IPOs, is not surprising given the increased amounts of dry powder held by private equity funds and a hot IPO market.”

Strategic sales remain the primary form of PEI market exit; however, IPOs and sales to other PEIs both increased in frequency.

What do you expect to be the primary form of portfolio exits in the market as a whole over the next 12 months?

(PEI only)



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Responding to a more stringent environment



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How economic and regulatory trends are shaping M&A

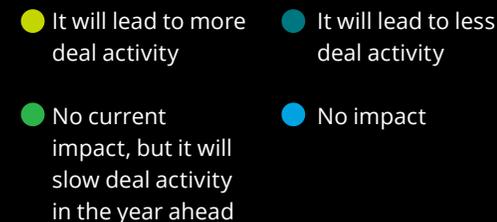
Countries around the world, including the United States, are setting higher regulatory hurdles and even intervening to question specific potential deals. A recent Deloitte report, *Regulatory realities amid the M&A market's momentum*, makes clear that in light of these moves, companies that expect to pursue M&A activity need to be alert to the implications of potential regulatory intervention, political opposition, and even consumer or activist involvement.

Does that appear to contradict predictions of heightened M&A activity? Not to our respondents. More than half (54%) said they believe a tightening regulatory environment will lead to more deal activity, not less, over the next 12 months. We believe part of the reason for that response may be that many dealmakers are looking to “beat the clock” before new, more restrictive regulations or laws are put into place and deals become harder to complete.

Alongside regulatory pressure, the economic environment is also shaping M&A approaches. Respondents said the top three challenges to their M&A success under current conditions were the competitive deal environment (26%), translating business strategic needs into an M&A strategy (24%), and the limits that operating models and current structures place on deal-making (23%).

How do the prospects of a tightening regulatory environment impact your interest and ability to do deals over the next 12 months?

(Corporate and PEI)



Note: Numbers may not add to 100% due to rounding.

Responding to a more stringent environment

Beat the clock

“In the US, there is the added motivation to complete deals before potential changes to tax law come to prevail. Dealmakers are keeping a close eye on this dynamic legislative environment as well as the continued momentum around Environmental, Social, and Governance (ESG), because these forces will play important roles in M&A strategy, tax due diligence, and driving tax synergies for integration, disposition, or separation.”

—**Brian Pinto**

Global M&A Tax & Legal Leader
Deloitte Tax LLP



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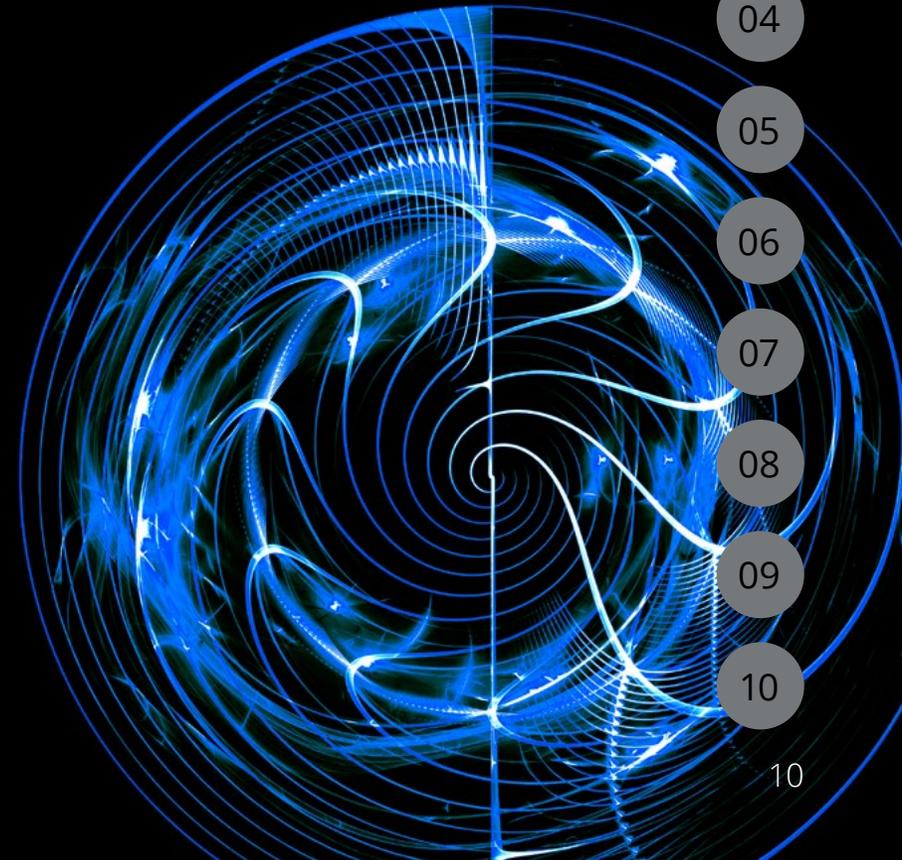
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Responding to a more stringent environment

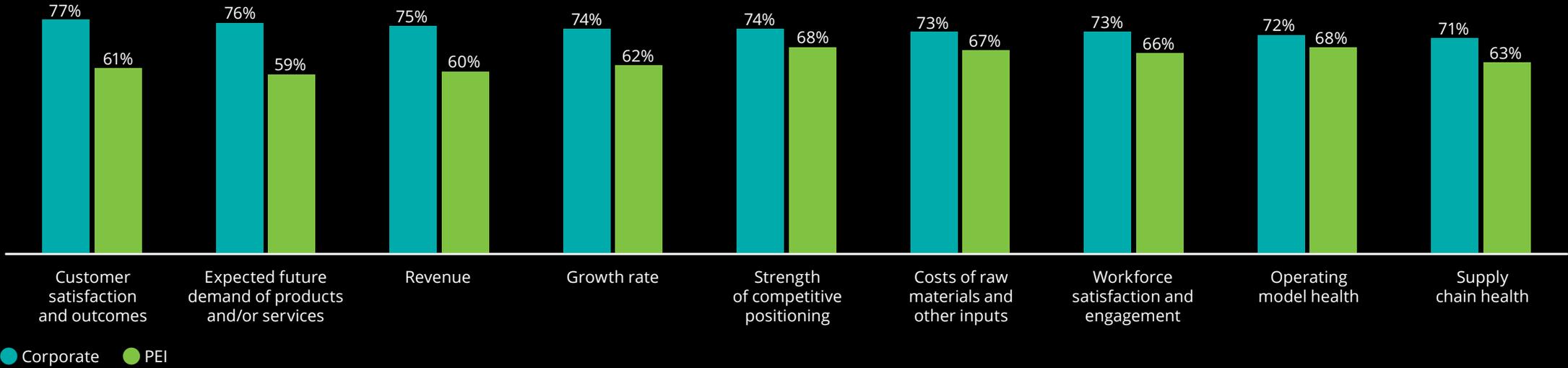
Dealing from a stronger position

Despite broad increases in the cost of raw materials, most corporate respondents still believe the current economic environment has had a positive impact on revenue, growth rate, expected demand, and customer and workforce satisfaction.

Responding companies feel they are in stronger positions. More than half report increases in operating model health, competitive position, and supply chain health.

PEI respondents were less enthusiastic than their corporate counterparts; but overall, they expressed the same general results: increased costs tempered by increased financial outcomes and market positioning.

The chart below represents the percentage of respondents who indicated the economic environment impacted or significantly impacted each of the following areas.



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Beyond the basics



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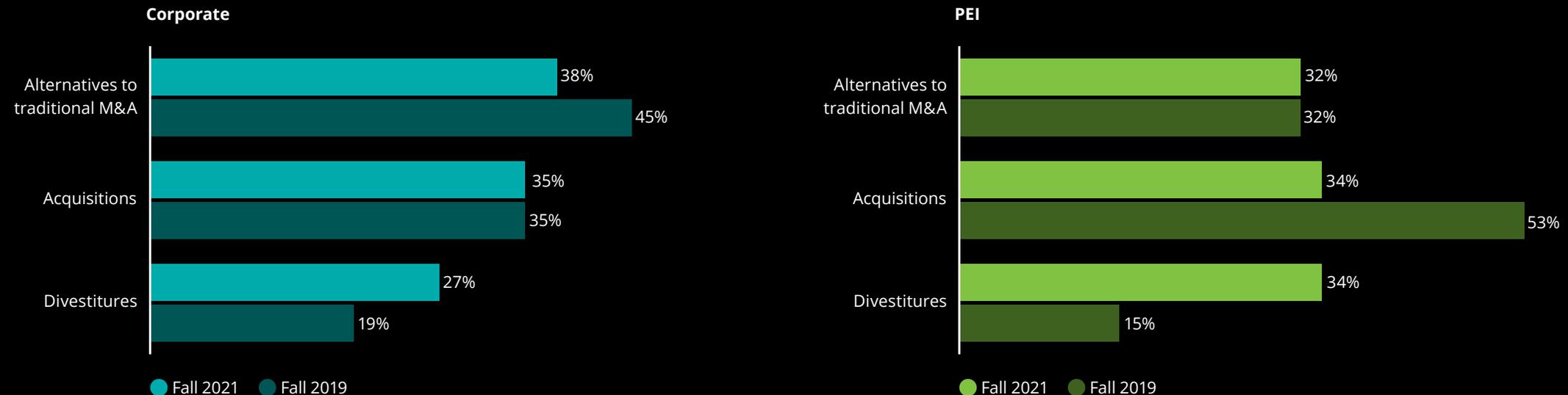
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Alternative deals share the spotlight with more traditional approaches

Many companies are expanding their traditional M&A approaches to include a multifaceted, expansive view geared to achieve a wider range of growth strategies. This is a systemic change, not an incremental one. M&A alternatives such as strategic alliances, partnerships, joint ventures, and special purpose acquisition companies (SPACs) expand the strategic role M&A can play for businesses.

To the extent that your company is currently pursuing transactions, which of the following are you most interested in exploring?



Beyond the basics



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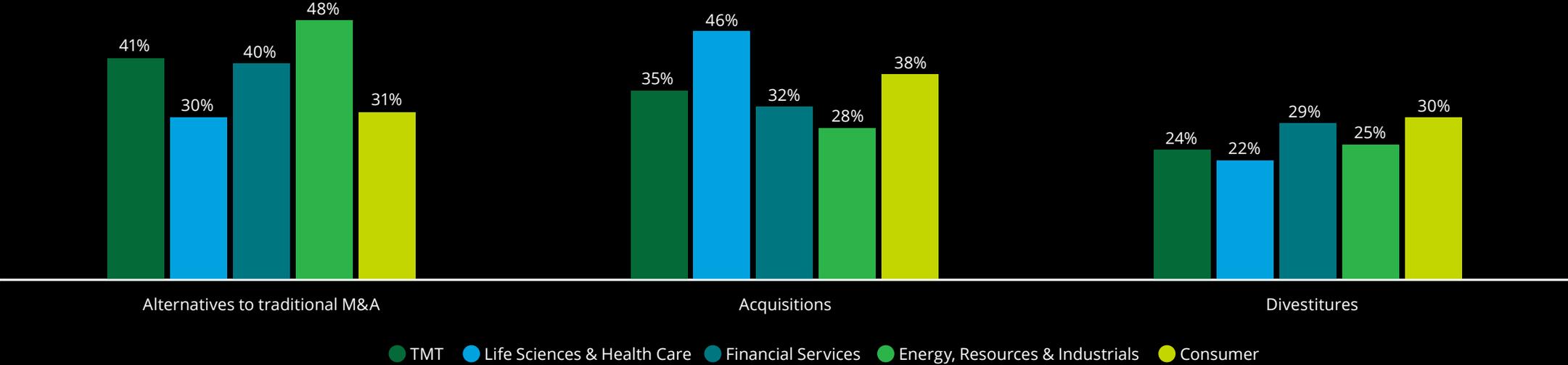
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It is true that alternative M&A strategies in corporate settings declined from the 2021 survey, but this appears to reflect the increase in divestitures. Alternatives still outpace traditional acquisitions, which remained steady year to year. Among different industry categories, Energy, Resources & Industrials respondents had a comparatively greater interest in pursuing M&A alternatives, while Life Sciences & Health Care respondents remained more focused on acquisitions.

To the extent that your organization is currently pursuing transactions, which of the following are you most interested in exploring?

(Corporate only, by industry)



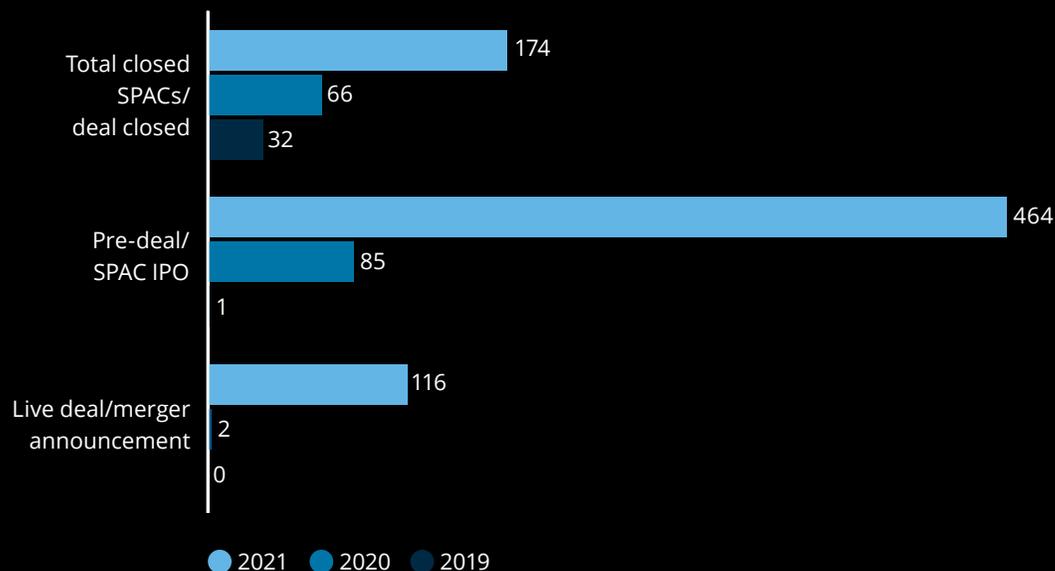
Beyond the basics

Continued SPAC activity

SPACs have become increasingly popular—a trend our survey suggests is likely to continue.

US SPAC activity

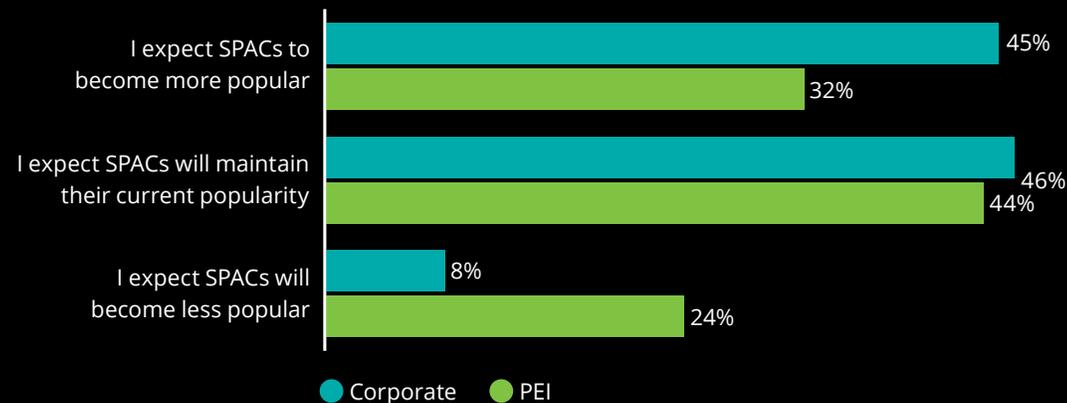
November 2019–November 2021



Deloitte's analysis of data generated via the SPAC Research database on December 3, 2021.
Note: 2021 figures are through November 30, 2021.

As capital-raising entities, they are pools of capital in search of assets to acquire and they generally must refund their investors if they do not do so within two years. To satisfy that requirement can mean choosing between a public offering or a private equity sale. It will be worth watching how many of the newly funded SPACs have to make those exit decisions under deadline pressure and whether increased regulatory scrutiny will reduce their appeal.

Do you expect SPACs will continue to be a popular exit strategy over the next 12 months?



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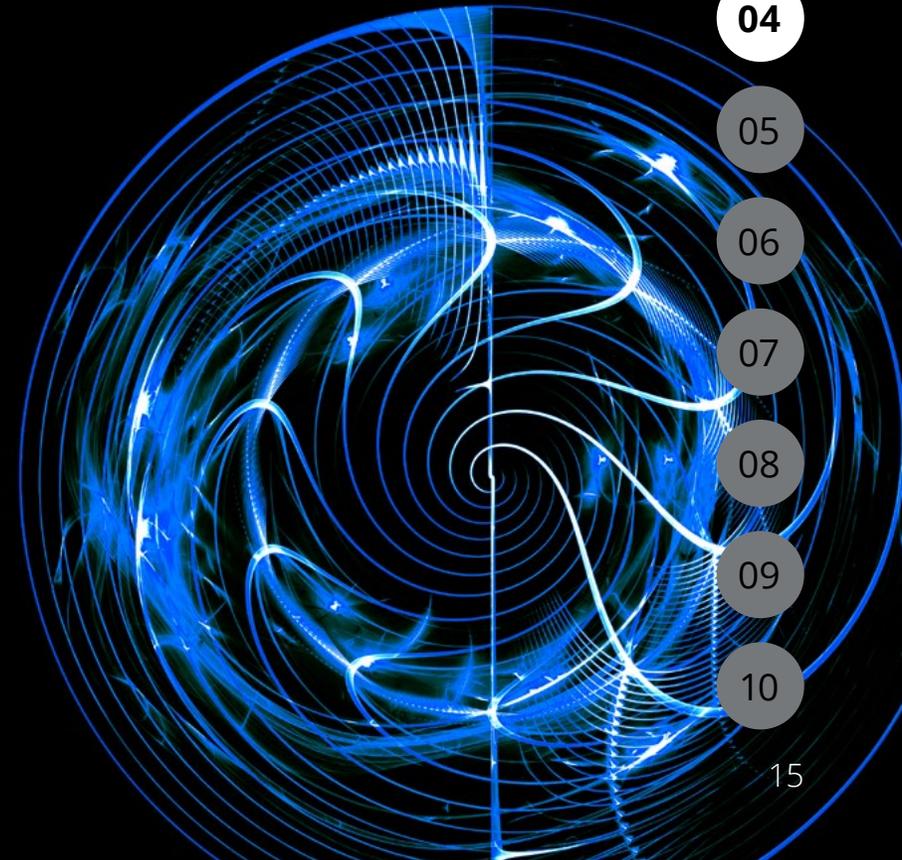
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Braking while accelerating

“The survey results are surprising. I expect SPAC IPOs to slow down but the rush for existing SPACs to find a deal will continue.”

—**Jeff Bergner**

Partner, M&A Transaction Services
Deloitte & Touche LLP



Beyond the basics



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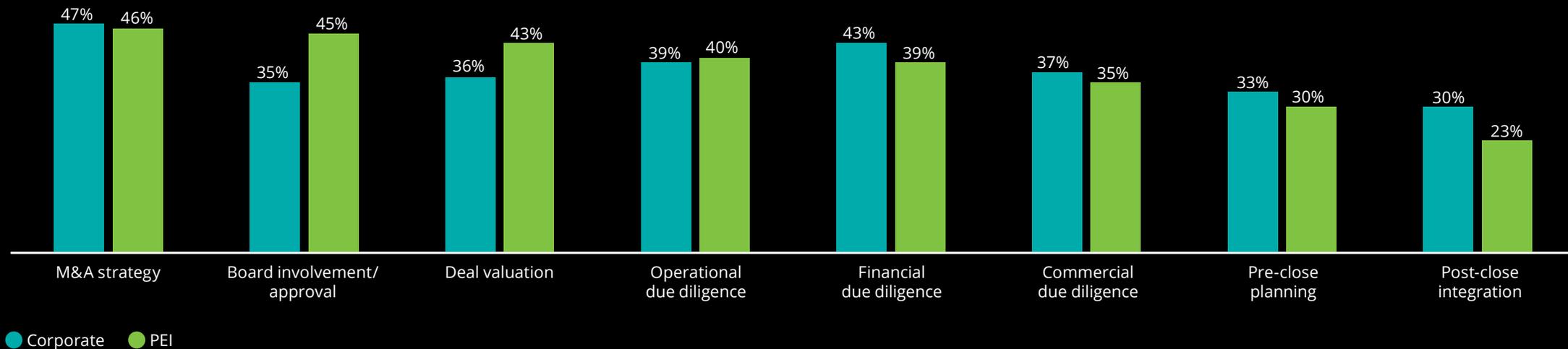
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Stages of success: what makes M&A deals work

M&A deals proceed through a familiar lifecycle. Each is necessary—but which ones have the greatest influence on the eventual value a deal creates? According to our respondents, the earlier stages are the most

important ones in crafting a successful M&A deal. In their ranking, pre-close and post-close had less importance. But that is not the same as saying they have none.

How important are each of the following elements in achieving a successful M&A deal?



Beyond the basics



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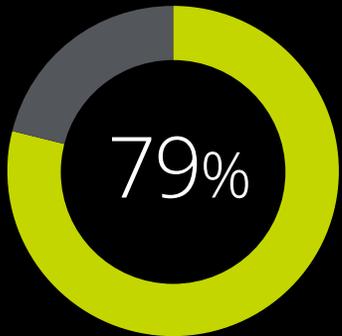
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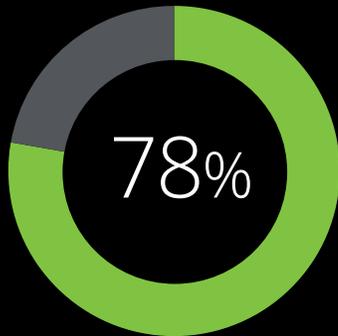
What other attitudes shape M&A strategy?

Each of these sentiments found more than three-quarters of our respondents in agreement.

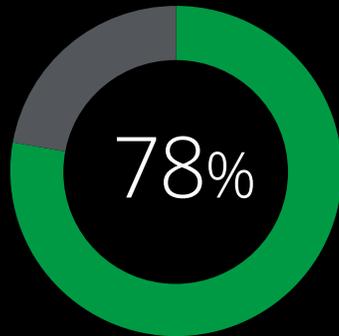
(Corporate and PEI)



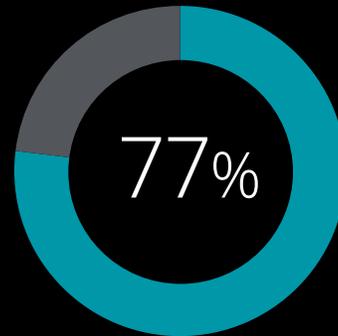
My organization determines a successful acquisition as one that serves our customers better than our competitors.



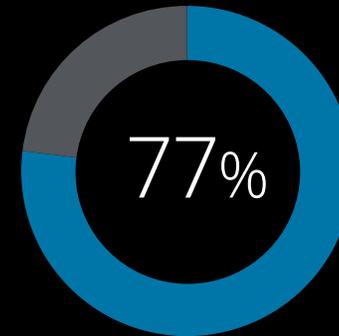
My organization has an active watchlist of the most important deals we are pursuing and is prepared to act when a priority target becomes available.



My organization is prepared to launch post-merger integration activities following the announcements of a major deal.



Investor reactions to deal announcements matter.



My organization determines a successful acquisition as one that rewards our investors.

Beyond the basics



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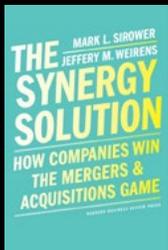
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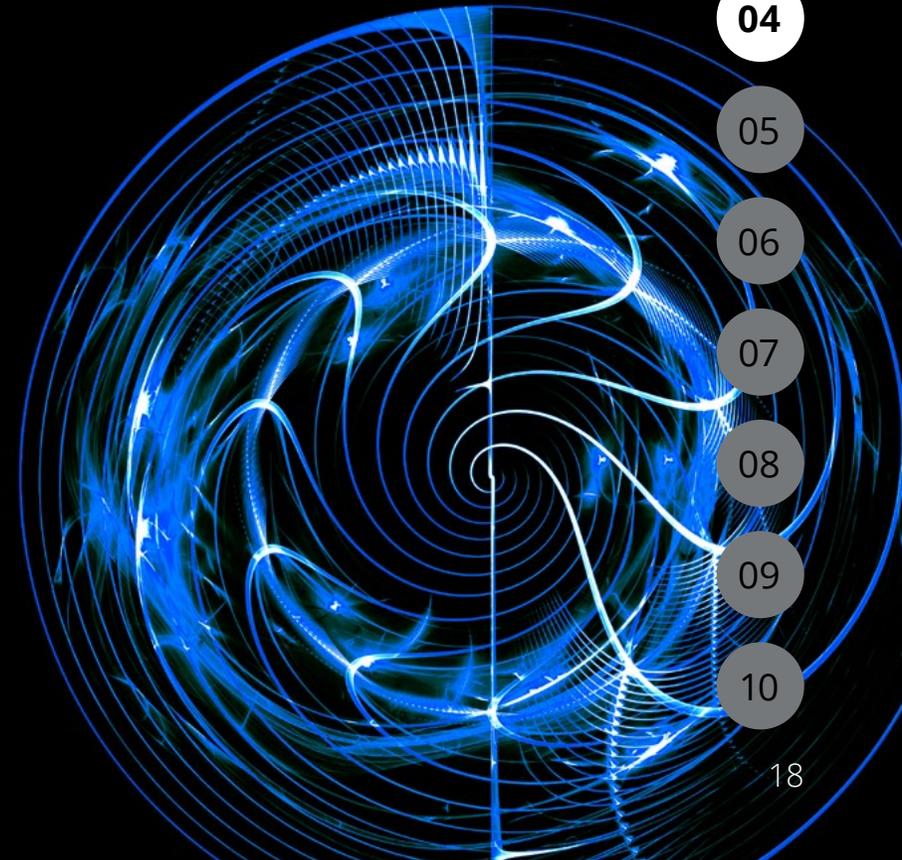
What is a priority? Everything

“M&A strategy tops the list—which is how a deal begins. Companies, however, should not lose sight of the importance of pre-close planning and post-close integration. Deals are complex, thousands of decisions need to be made and executed, there are opportunities for deal leakage, and there is an imperative to deliver on the performance promises of the deal.”



—Mark Sirower

Principal, M&A and Restructuring Services
Deloitte Consulting LLP, and co-author of the
forthcoming new book, *The Synergy Solution*.



Beyond the basics

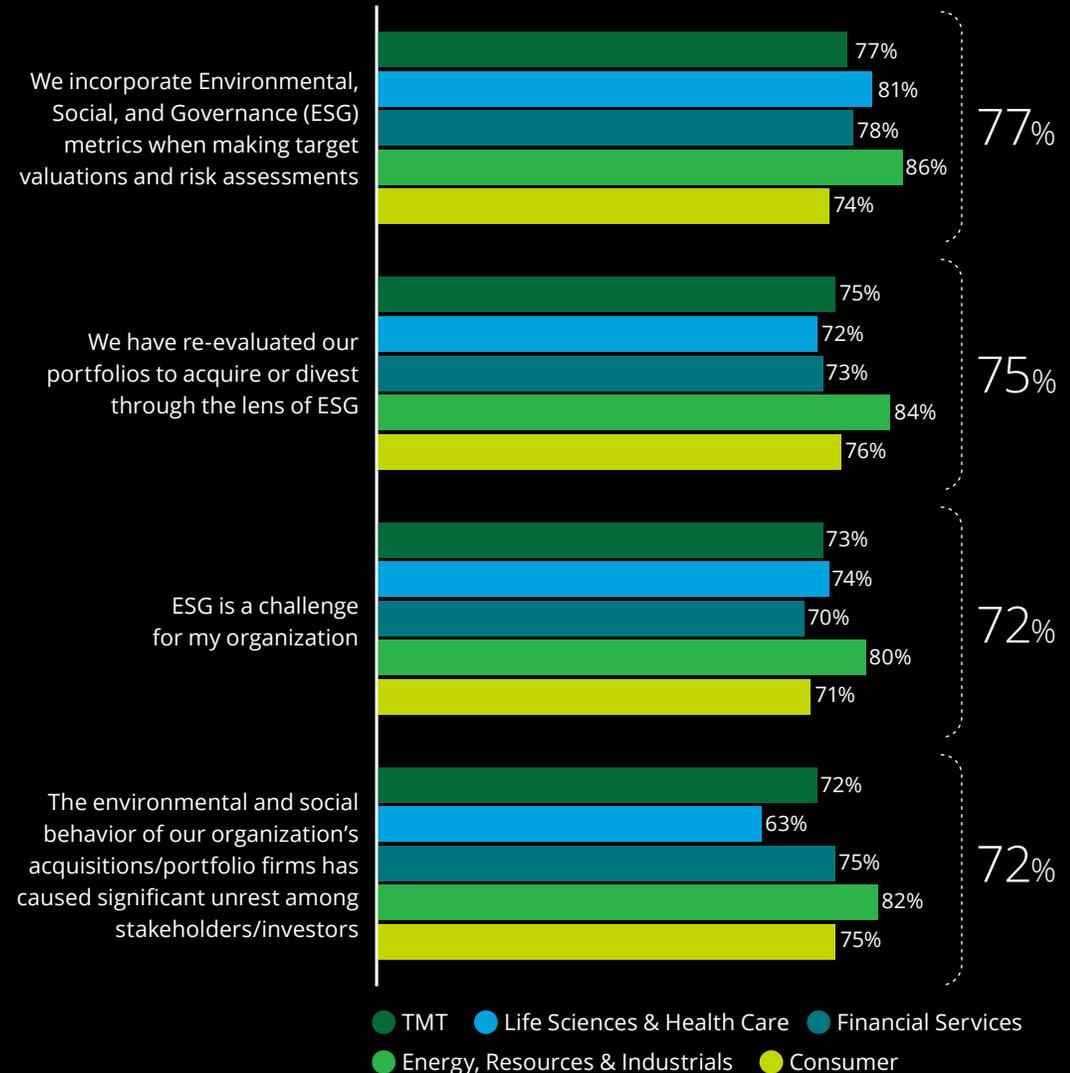
Behaving the way to value: ESG in M&A

Environmental, social, and governance (ESG) has become a more prominent factor in the way customers and society evaluate companies. What about potential acquirers? More than 70% of responding organizations report that they incorporate ESG metrics into target valuations and have re-evaluated their portfolio through the lens of ESG. In spite of incorporating ESG metrics, the same number also agree that ESG remains a challenge for their organizations. Many companies struggle to balance it within their overall organizational structures. Anecdotally, to date it has more often been a boardroom topic than one management has spent time on, but that may be changing.

Nevertheless, 54% of survey respondents said the ESG focus would drive more M&A deal activity, not less. Fifteen percent of respondents indicated ESG and sustainable purpose elements were drivers in increased or decreased interest in foreign markets, ranking them as the fourth most important element after access to technology, market expansion, and product or market diversification. As the accompanying chart illustrates, Energy, Resources & Industrials companies have a keener focus on these issues than those in other sectors we surveyed.

Please rate your agreement with the following:

(Corporate only, by industry)



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Transformation and restructuring



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New approaches for the “next normal”— and their influence on M&A

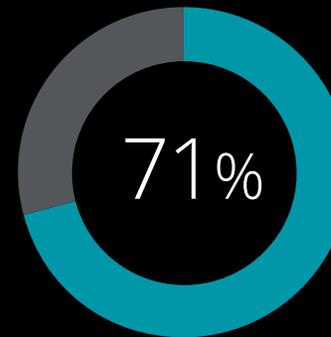
More than half (53%) of the companies we surveyed have restructured since the beginning of the pandemic and another 44% say they are considering it over the next 12 months.

In other words, only a handful have gone from the emergence of COVID-19 until now without some kind of restructuring on the table. These moves are taking different forms—including changes to working capital, reorganization, cost reduction, and legal entity restructuring—and they both affect and are affected by the M&A strategies the companies are pursuing.

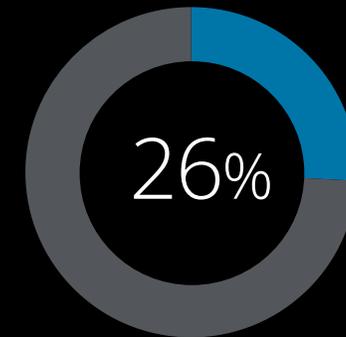
The survey respondents offered glimpses into the ways their organizations view restructuring:

Cash management

(Corporate and PEI)



In response to the pandemic, almost three-quarters have put in place measures such as net working capital optimization, staffing reductions, cash flow forecasting, or other cash management steps.



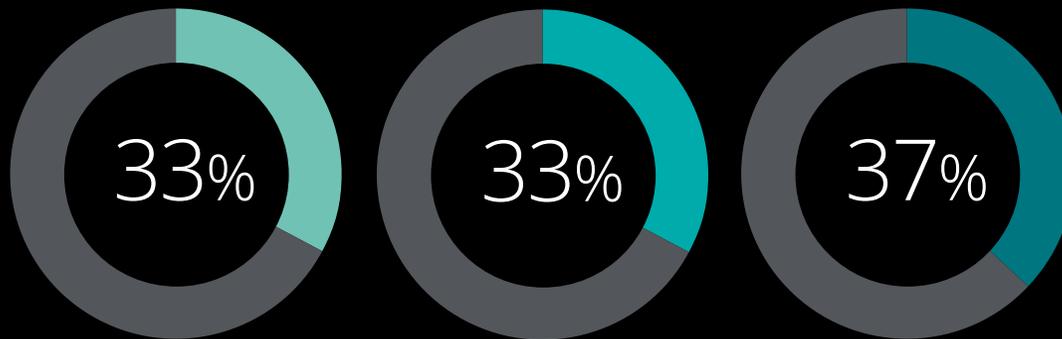
Just over one quarter are considering these measures now.

Transformation and restructuring

Other restructuring actions

Over the next 12 months:

(Corporate and PEI)



One-third will focus on expanding margin by rethinking pricing strategy, product portfolio, market segments, or geographies.

One-third will rebalance their financial and tax positions, strengthen their balance sheet, or make better use of available capital.

In addition, 37% will make other operating changes specifically in response to pandemic-related challenges.

Restructuring targets

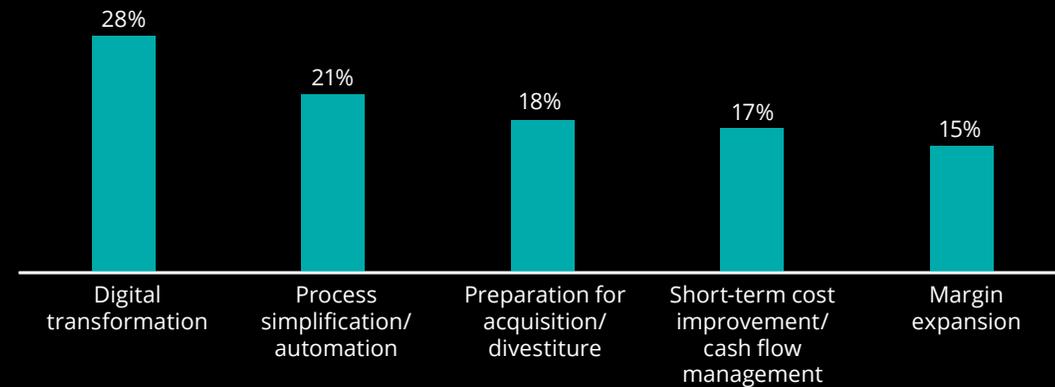
Most respondents (87%) are targeting 10% or more in improvement through restructuring. About one-third of respondents are going after improvements of more than 20%.

Reasons for restructuring

Why take on these additional challenges? The most common reasons for restructuring among our respondents were digital transformation, process simplification, and automation.

What is/will be the key reason for restructuring your business?

(Corporate and PEI)



Note: Numbers may not add to 100% due to rounding.



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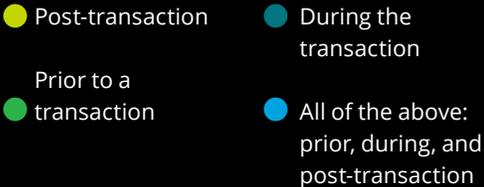
Transformation and restructuring

When transformation and M&A interact

M&A is a complex process. Transformation is another. What happens when both are necessary? The timing is a strategic decision that sets the stage for many others.

In the context of a transaction, is transformation (e.g., working capital, cost reduction, and revenue growth) something your organization typically completes prior, during or post-transaction?

(Corporate and PEI)



Note: Numbers may not add to 100% due to rounding.

When to transform

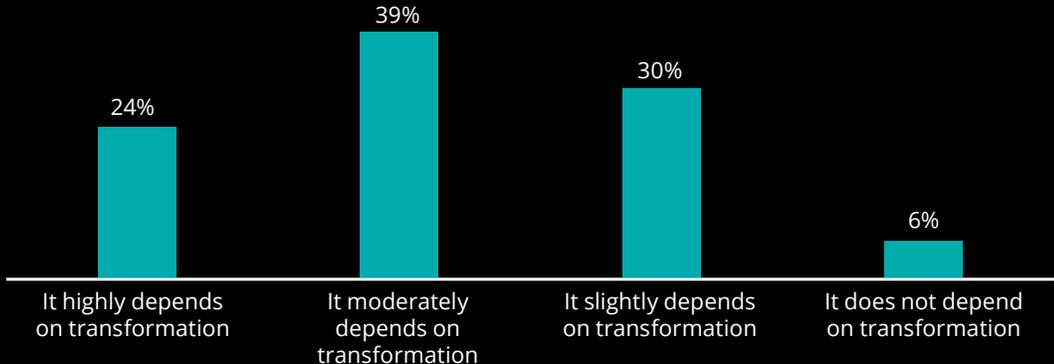
The most popular approach among our respondents has been to transform during the transaction (34%). Completing a transformation either before or after a transaction—or a mixed approach that spans the M&A lifecycle—were all roughly equal to each other in popularity.

The value of transformation

Nearly two-thirds of respondents (63%) report that the success of their M&A activity is moderately or highly dependent on a successful transformation.

To what degree is the value of your transaction dependent on a successful transformation?

(Corporate and PEI)



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Managing M&A today: digital tools, virtual environments

Two separate but related evolutions continue to shape the process

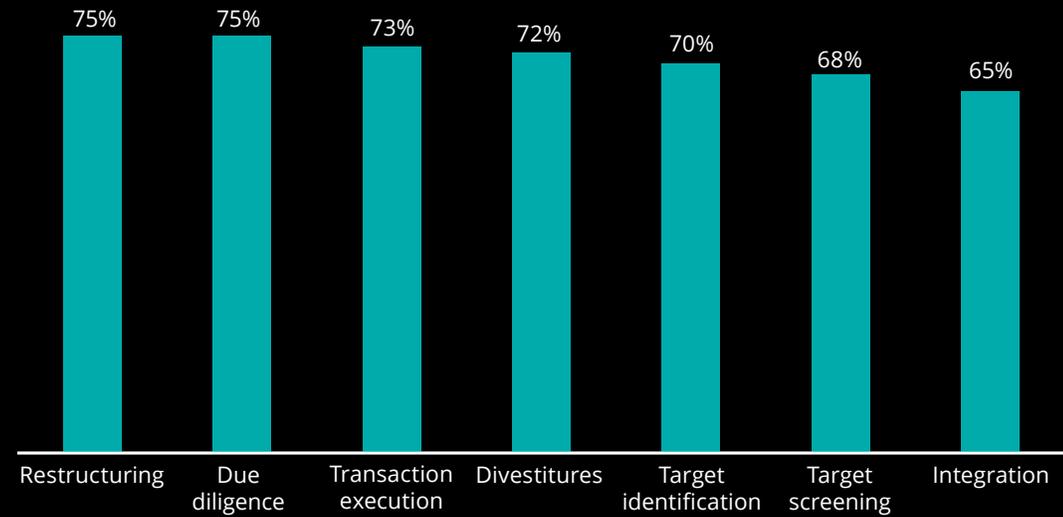
Digital tools have been making inroads into business processes for years, and M&A is no exception. In parallel, the ability to connect participants virtually—either altogether, or in a hybrid arrangement that also includes some face-to-face interaction—has been another mounting phenomenon, one that accelerated greatly in response to the pandemic. Our survey shows both developments remain prominent in the deal-making process.

Digital

A strong majority of respondents say their organizations have developed processes and tools to digitally enable many deal elements across the M&A lifecycle. Some of the digital means that are making the greatest impression on M&A include advanced analytics and data science to draw insights from external and proprietary company information during HR and culture diligence, digital platforms that support complex program management for global fast-moving deals, and cloud-based solutions that support both clean room operations and analytics.

To what degree is the value of your transaction dependent on a successful transformation?

(Corporate and PEI)



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Managing M&A today: digital tools, virtual environments

Lessons from afar

“The hybrid work environment is here to stay. Companies are looking for ways to be more nimble. Digital tools and assets allow global teams to work and collaborate more efficiently, reducing time spent on transaction activities, and ultimately completing engagements in less total time and with fewer resources.”

—**Karima Porter**
Principal
Deloitte Consulting LLP



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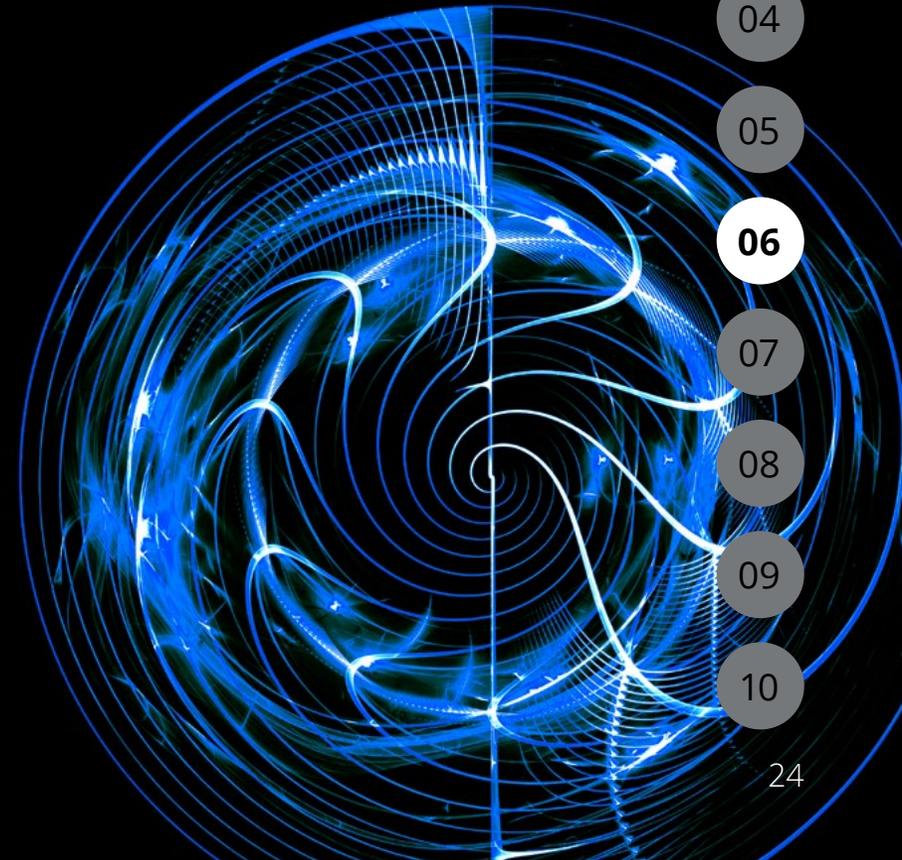
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Managing M&A today: digital tools, virtual environments

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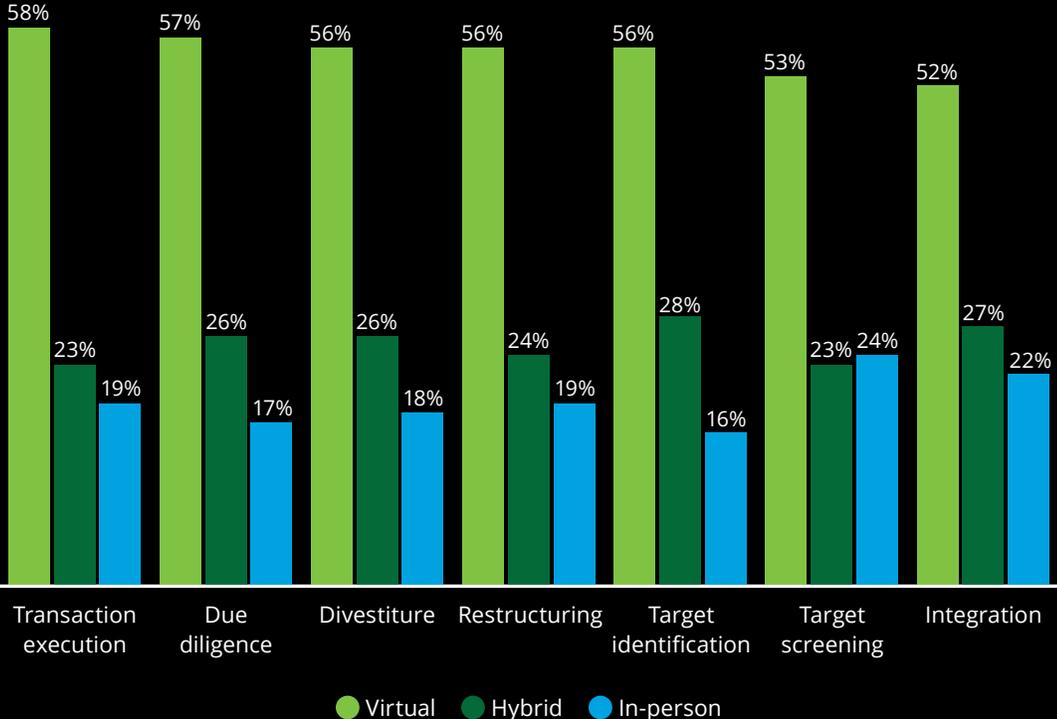
Looking ahead to the next 12 months, surveyed organizations plan to continue to manage M&A deal-making in a predominantly virtual manner, but hybrid approaches that mix virtual and traditional interaction also remain popular.

There is some variation from one part of the M&A lifecycle to another. As the accompanying chart indicates, fully in-person approaches are the least likely option at every stage except target screening, in which it is incrementally more prevalent than hybrid interaction.

Because digitalization and virtualization rely on similar capabilities and have the potential to mutually enable one another, their development is likely to continue to play out in tandem.

How do you expect to manage the following deal elements over the next 12 months?

(Corporate and PEI)



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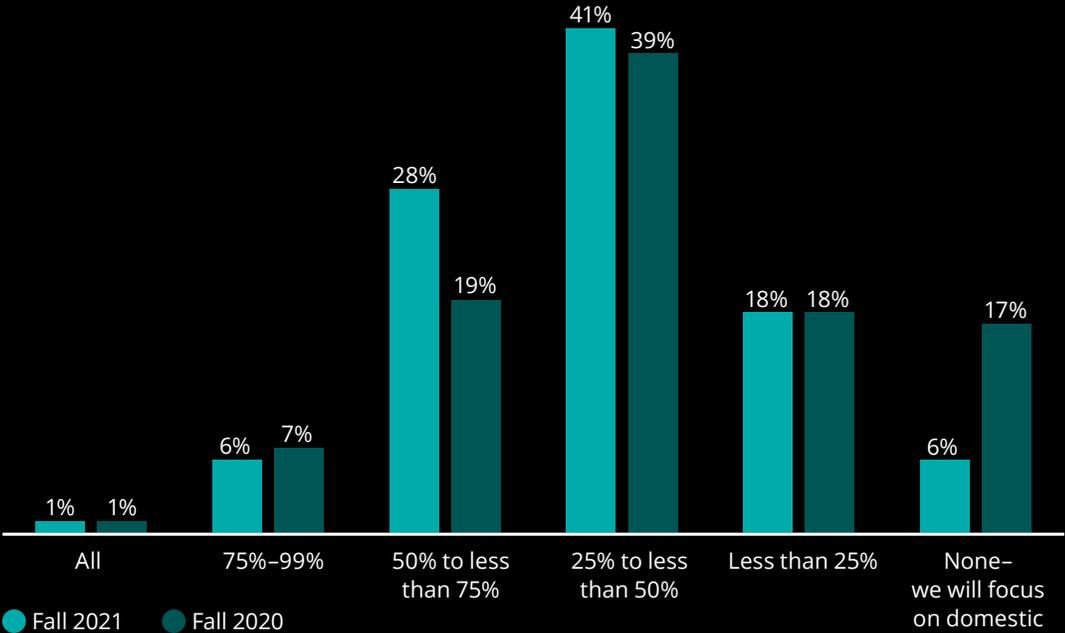
Cross-border M&A

A mix of forces drives dealmakers to look abroad

Even though the last two years have significantly reduced travel prospects, the perspective of M&A targeting appears to be growing more international, not less. More than two-thirds of respondents (68%) expect their companies to increase their interest in foreign markets over the coming year, while only 6% will focus purely on domestic transactions in the coming year—an 11 percentage point decrease from last year’s survey.

In the current economic environment, what proportion of your organization’s deal-making involves acquiring targets operating primarily in foreign markets?

(Corporate and PEI)



Note: Numbers may not add to 100% due to rounding.



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Cross-border M&A



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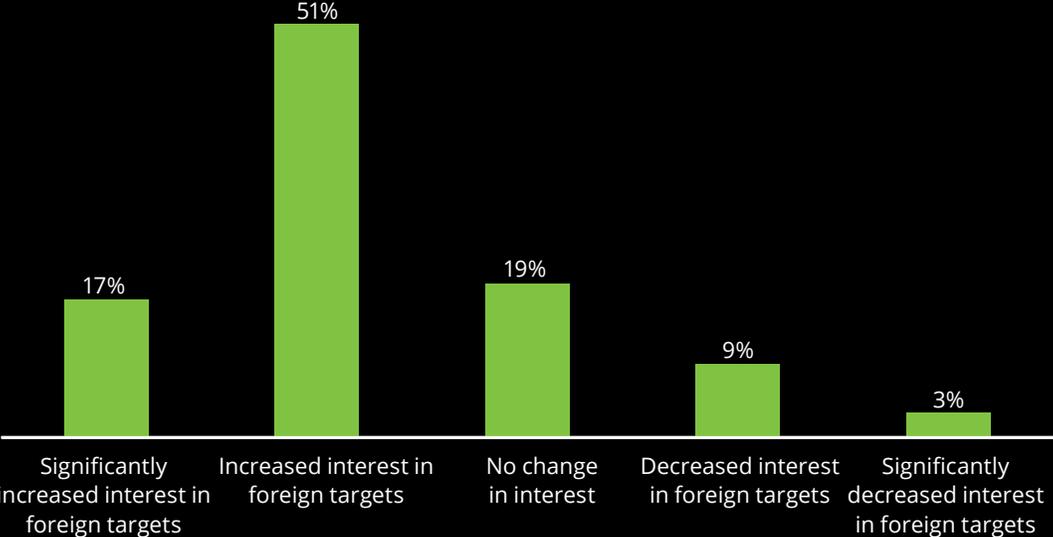
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Access to technology was the most prevalent reason that executives cited for this overseas targeting. Market expansion, diversification of products or markets, and ESG concerns were also among the top reasons.

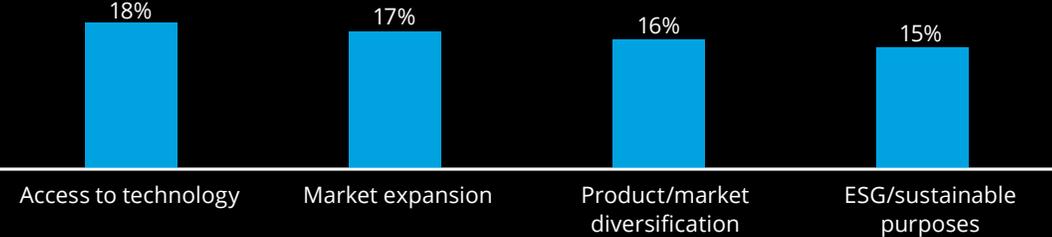
Looking ahead, how do you expect your organization's interest in acquiring foreign targets to change over the next 12 months?

(Corporate and PEI)



What is driving your organization's increased/decreased interest in foreign targets?

(Corporate and PEI)



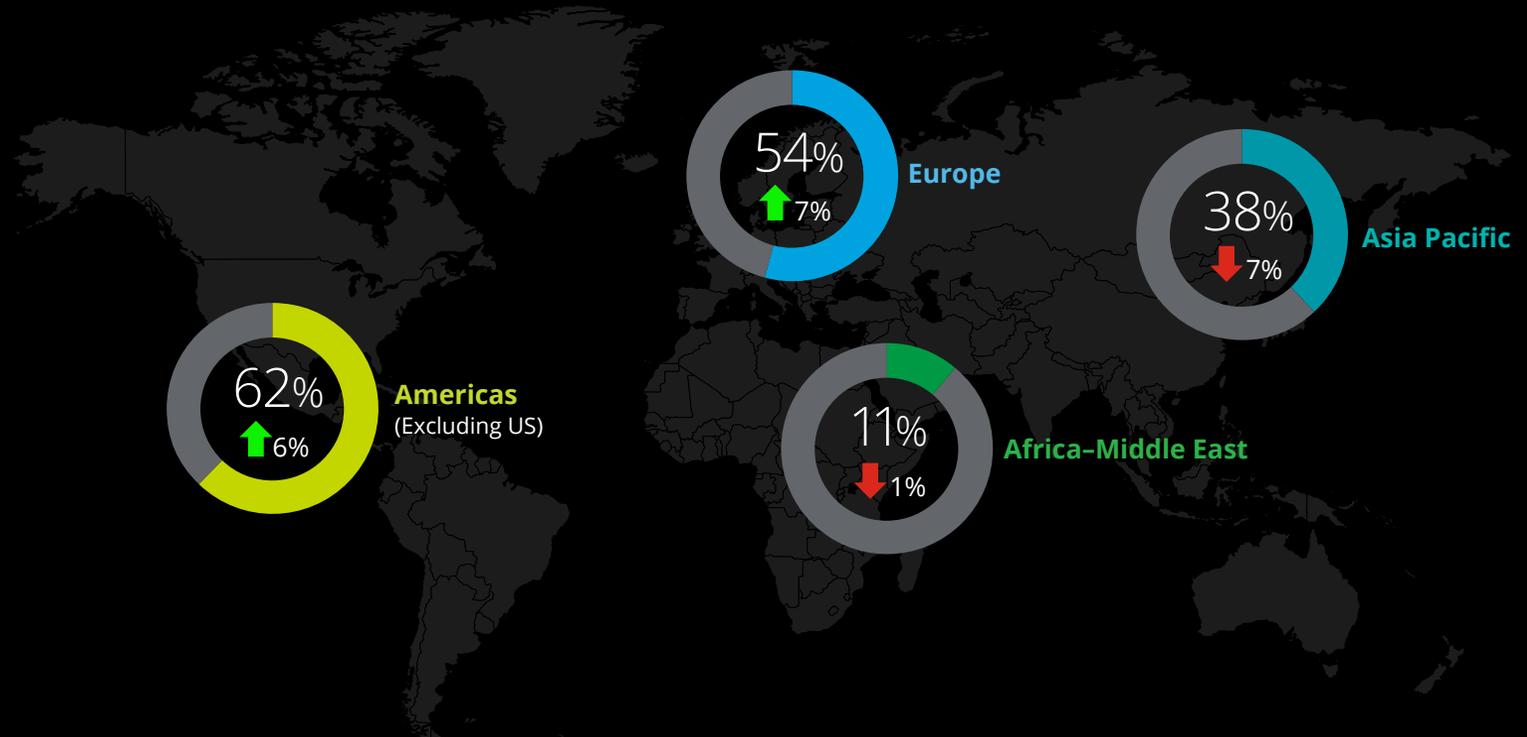
Cross-border M&A

Cross-border deal focus

In 2021, survey respondents (all of whom are based in the US) showed increased interest in the Americas and Europe as target geographies for their cross-border deal activity. Sixty-two percent of respondents indicated their primary focus of deal targets was the Americas, up 6% from the previous year. Fifty-four percent targeted Europe, up 7% from last year. In contrast, they expressed less interest in doing cross-border deals in Asia Pacific, down 7% from last year. Respondents' interest in cross-border deals centered on Africa and the Middle East declined marginally (down 1% from last years' survey).

In the current economic environment, which foreign market(s) are your organization's primary focus of deal targets?

(Corporate and PEI)



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The boardroom

Taking M&A to the boardroom level

Sometimes corporate management takes the lead in M&A decisions and execution. Sometimes the board is more hands-on. What factors are most likely to get the board's attention? In general, responding dealmakers report that boards step in to focus on company strategy and to guide the engagement of external due diligence advisors. Our survey highlighted some other common reasons for the shift in control—and all but one of the top five reasons was less prevalent than in last year's survey.

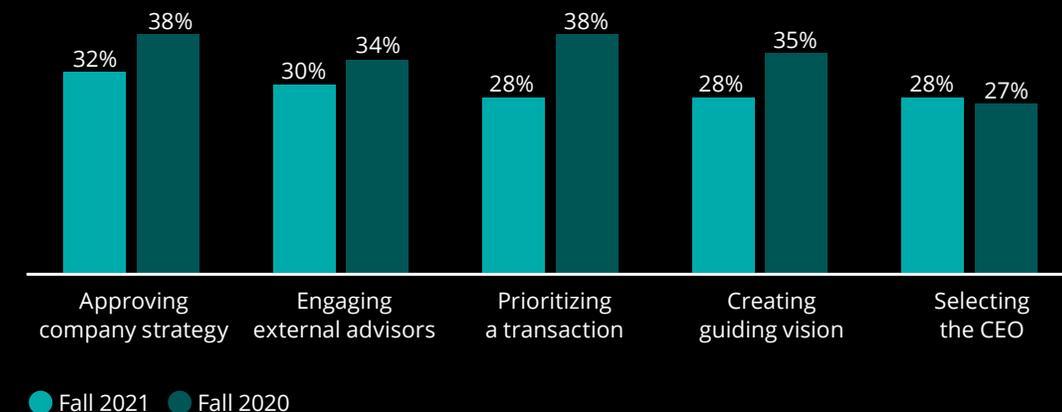
These findings come with a caveat: this year's survey included a new response option—Responding to activist investor pressure—which ranked below the ones seen here but may still have kept year-to-year comparisons from being as direct as they otherwise might have been.

These responses are fairly consistent with those from another recently published survey by Deloitte—*On the Board Agenda: Director Survey: How the Pandemic Has Set New M&A Priorities*, which surveyed board members as opposed to management. Directors report a shift in their M&A role and a narrower focus on the earlier part of the deal life cycle, and their

management teams perceive this as a lower overall level of involvement. It may also be that competing issues added to the board agenda due to the pandemic or the attention to ESG factors or other events have indeed left directors less involved in M&A matters.

In the current economic environment, in which of the following areas are you seeing the board of directors, rather than management, take the lead during an M&A transaction?

(Corporate only)



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The boardroom

Competing priorities

“The level and nature of board involvement varies amongst survey participants and may be more varied in this year’s survey due to a shift in board focus around the pandemic, as board members consider, among other things, internal Covid response strategies, strategic shifts to resilience, focus on cost transformations, increase in focus on corporate purpose including Diversity, Equity and Inclusion and Environmental, Social and Governance.”

—**Joel Schlachtenhaufen**

Principal, M&A Consultative Services
Deloitte Consulting LLP



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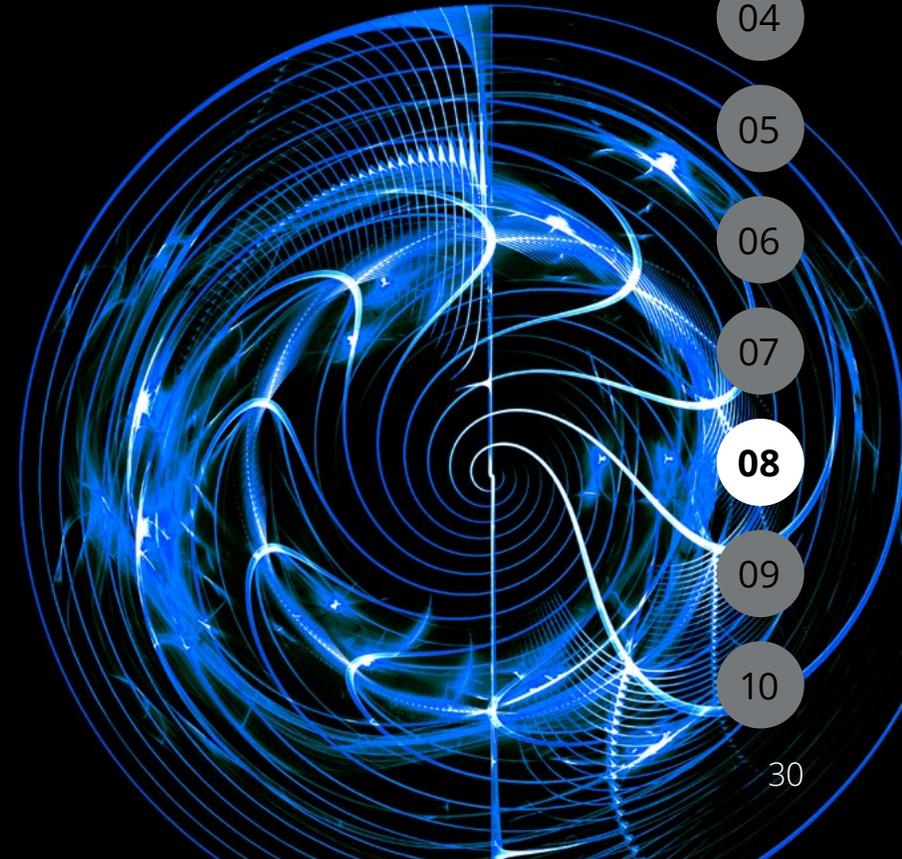
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What is your place on the playing field? M&A offensive vs. defensive strategies

Another recent Deloitte study, *Charting new horizons*, plotted a combination of M&A strategies that have emerged as dealmakers aimed to safeguard existing markets, accelerate recovery, and position themselves to capture market leadership as a result of the COVID-19 pandemic. Choosing from among these strategies will depend on a combination of strategic urgency coupled with how capable the organization is to take appropriate action given marketplace and operational considerations. It can be helpful to think of these strategies as “offensive” and “defensive”—and there are different ways to approach each.

We are also suggesting that the definition of M&A has historically been too narrowly focused on either the acquisition or disposition of assets and in *Charting New Horizons* we posited a broader view to include alliances, partnerships, ecosystems and platforms—which have been accelerated by the disruption caused by the pandemic. As a result, M&A can be viewed as a broader portfolio of inorganic options that can be considered across possible offensive and defensive actions.

M&A can be viewed as a broader portfolio of inorganic options that can be considered across possible offensive and defensive actions.



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What is your place on the playing field? M&A offensive vs. defensive strategies

The diagram below summarizes the four broad strategies that align under offensive and defensive, which are framed by the level of systemic change as compared with an organization's ability to act. We have outlined the CEO priorities that correspond to each one, the actions that may apply, and the deal archetypes that represent examples of these strategies in action based on our more expansive view of M&A options.



Future of M&A framework

	CEO priorities	Potential resources	M&A deal archetypes
Defensive M&A	Salvage value	Identify ways to raise capital	Divest noncore or distressed assets
		Improve operational efficiency or increase business flexibility	Wind down underperforming businesses
	Safeguard markets to maintain competitive parity	Adjust operating models in response to competitive dynamics	Identify rapid turnaround situations to optimize portfolio
		Prepare the business for the "new world order"	Explore JVs and alliances with suppliers and partners
Offensive M&A	Transform the business to safeguard the future	Rebalance your portfolio	Pursue deep synergies from recent acquisitions
		Capture additional revenue in adjacencies	Develop partnerships for noncore capabilities
	Change the game	Define the "new world order" through power of networks	Pursue coinvestment opportunities for capital-intensive projects
		Invest to scale at the "edge"	Pursue opportunistic deals to safeguard core markets
			Pursue acquisitions to facilitate vertical integration
			Close gaps in portfolio through strategic acquisitions
	Orchestrate a web of multilateral partnerships and alliances		
	Curate a portfolio of investments on the "edge" of your core business		



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What is your place on the playing field? M&A offensive vs. defensive strategies

Offensive strategies

This year, surveyed organizations are moving to embrace more of the offensive M&A strategies that can help them advance their positions and rewrite the game to suit their plans. Corporate and PEI respondents both indicated that the top offensive tactic in their arsenals is to acquire new capabilities.

How is your organization prioritizing and focusing its efforts on the following offensive M&A tactics?

Corporate In terms of the highest-priority offensive M&A options, corporate respondents rank the following:	Acquiring capabilities to accelerate digital market or internal operating gaps	79%
	Acquiring capabilities to fill in significant market or internal gaps	78%
	Exploring acquisitions in adjacent markets	77%
	Establishing new partnerships and alliances	77%
	Pursuing transformational acquisitions	75%
	Taking advantage of disruptive opportunities to secure future positioning	76%
	Taking advantage of disruptive opportunities to extend offerings and capabilities	76%
	Taking advantage of disruptive opportunities to enter new markets/business areas	76%
PEI In terms of the highest-priority offensive M&A options, PEI respondents rank the following:	Acquiring capabilities to fill in significant market or internal operating gaps	68%
	Taking advantage of disruptive opportunities to extend/expand offerings and capabilities	68%
	Exploring acquisitions in adjacent markets	65%
	Enhancing deal value from tax attributes	64%
	Exploring minority investments	64%
	Pursuing capabilities to accelerate digital transformation	64%
	Acquiring small technology acquisitions to bolster the core	64%
	Pursuing transformational acquisitions	64%
	Establishing new partnerships and alliances	64%



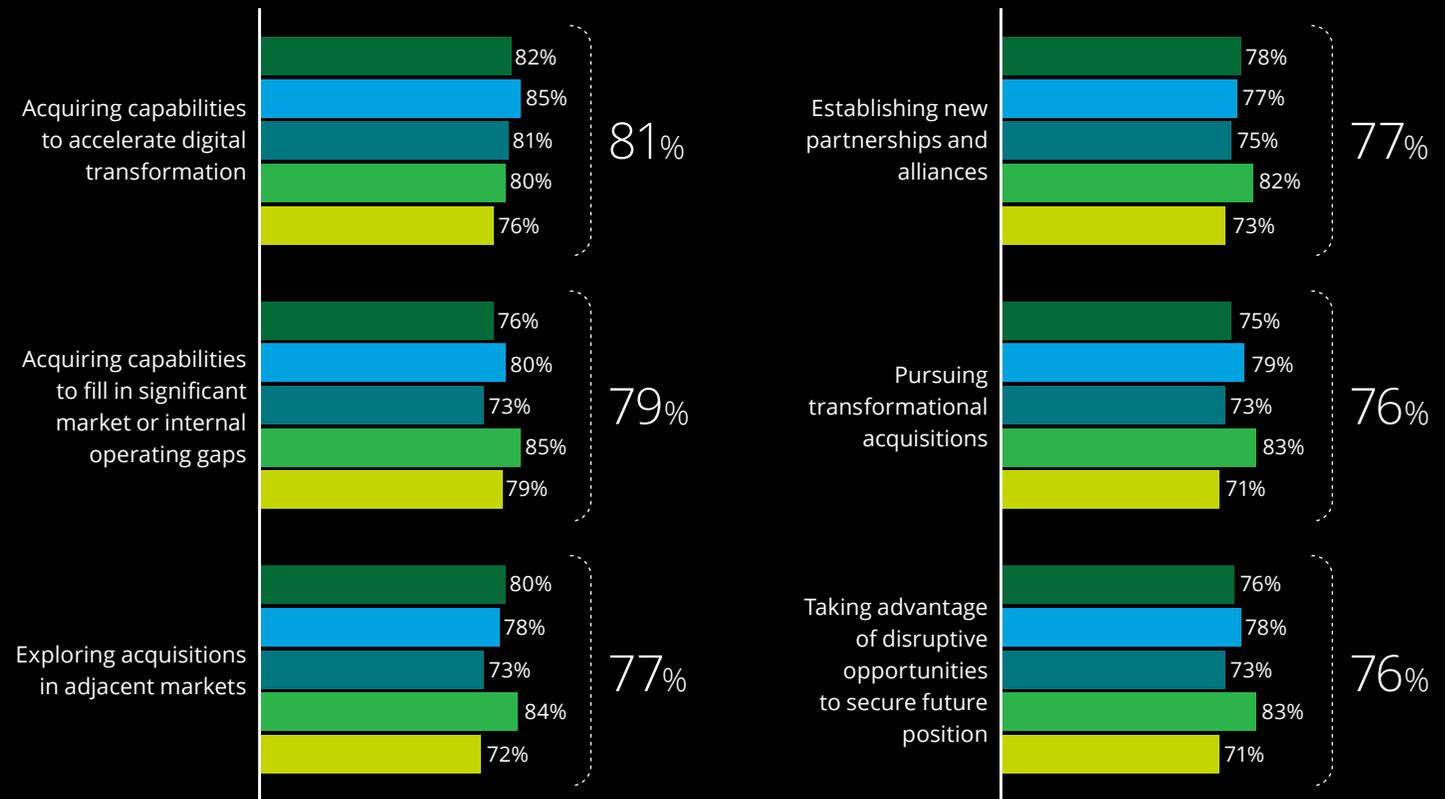
What is your place on the playing field? M&A offensive vs. defensive strategies

How industries see the playing field

Among the different sectors our survey executives represent, one standout was Energy, Resources & Industrials—which shows more commitment to most offensive strategies than other industries, with the exception of digital transformation capabilities. In contrast, the Consumer sector was the least committed to these strategies in all but one category. But these are comparative measures. Overall, each of the offensive M&A strategies we identified found support from at least three-quarters of the respondents, and none fell below 70% acceptance in any industry.

How is your organization prioritizing and focusing its efforts on the following offensive M&A tactics? (Corporate only, by industry)

(Corporate only, by industry)



● TMT ● Life Sciences & Health Care ● Financial Services ● Energy, Resources & Industrials ● Consumer



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What is your place on the playing field? M&A offensive vs. defensive strategies

Defensive strategies

Defensive M&A strategies are all about preserving value and position where it exists. Early in the pandemic period, when uncertainty and risk were broad and not sharply understood, these were commonplace approaches. As companies have become more stable in the “next normal,” companies have shifted their defensive investments into building marketplace and operational resiliency rather than using them to just create “breathing room”.

How is your organization prioritizing and focusing its efforts on the following defensive M&A tactics?

Corporate For the highest-priority defensive M&A options, corporate respondents rank the following:	Acquiring capabilities (get into a new market or stay competitive in an existing one)	79%
	Considering alternatives to M7A, including alliances and joint ventures	78%
	Focusing on liquidity/cash flow/working capital	77%
	Identifying rapid turnaround situations	76%
	Pursuing opportunistic deals to safeguards core markets	76%
	Pursuing synergies from recent acquisitions	75%
PEI For the highest-priority defensive M&A options, PEI respondents rank the following:	Pursuing synergies from recent acquisitions	70%
	Pursuing opportunistic deals to safeguard core markets	69%
	Divesting via sale to other PEIs, corporations, or through IPOs	67%
	Focusing on liquidity/cash flow/working capital	65%
	Identifying rapid turnaround situations	65%
	Waiting for debt markets to improve	65%
	Acquiring capabilities (get into a new market or stay competitive in an existing one)	65%



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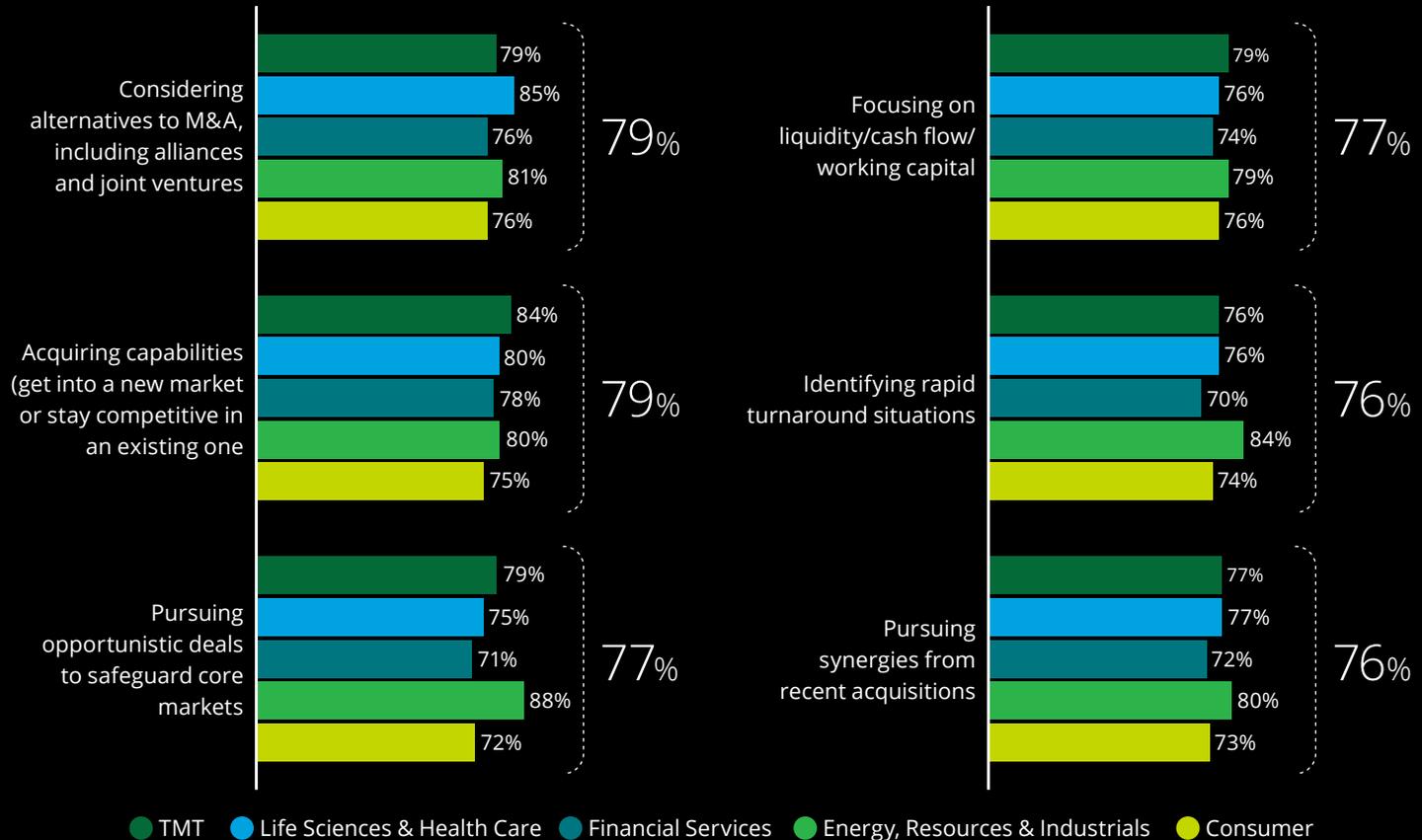
What is your place on the playing field? M&A offensive vs. defensive strategies

Defensive approaches by industry

If the array of offensive strategies found broad adoption across industries, the same is true but only more so for defensive ones. In no sector did any of them receive less than 70% affirmation from our respondents. As with the offensive category, Energy, Resources & Industrials was again conspicuous in its commitment to these approaches. TMT and Life Sciences & Health Care sectors were also frequently among the top adopters.

How is your organization prioritizing and focusing its efforts on the following defensive M&A tactics? (Corporate only, by industry)

(Corporate only, by industry)



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What is your place on the playing field? M&A offensive vs. defensive strategies



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The significance of offensive and defensive M&A strategies

As we noted, the construct of offensive and defensive strategies is not a new reality or a new set of tactics. It is a new lens—a way to see the M&A challenge that has emerged in response to new pressures. Like a literal lens, it works in two directions: it can help companies shape their approaches, and also help dealmakers understand and put in context the moves they observe in the marketplace. The opportunity here is to look at this as a portfolio that frames broader optionality and ways to consider adding greater strategic value across the enterprise.

What is next

As we enter the third calendar year marked by the global effects of COVID-19, it is understandable if people are wary of any pronouncements that claim to sound definitive. The changes and aftereffects keep coming. They will probably continue to unfold.

On one level, then, our *2022 M&A Trends Report* is a still photo of a moving subject. It finds decision-makers across a host of major sectors sensitive to new pressures, energetic in crafting responses, and focused on moving forward—not backward—to meeting the future and its pressures with more vigorous solutions, not by retrenching. This is clear from the most fundamental predictions about deal volume and size and emerges more fully in light of our respondents' embrace of new deal shapes and tactics.

We are not in a “post”-COVID world yet, and the world is coming to terms with the fact that this new reality has impacted much of how business is conducted and has created challenges to which dealmakers have learned to adapt.

On another level, this is a chronicle of shifts that may become permanent—or, at the least, that show every sign of continuing to move along their present trajectories. It is unlikely the penetration of digital tools and virtual work will ever reverse. The innovative alternatives to traditional acquisition will eventually shed the label “new,” but not their usefulness. And the lens of playing offense, defense, or both at the same time appears to have a lot of useful work ahead of it.

We are not in a “post”-COVID world yet, and the world is coming to terms with the fact that this new reality has impacted much of how business is conducted and has created challenges to which dealmakers have learned to adapt. M&A has always been a useful tool to help companies grow, reach, and achieve beyond their present-day organic means. The more challenging the environment becomes, the more vital that tool will be.



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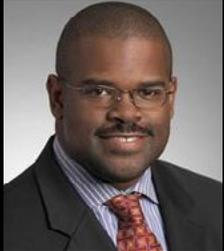
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About the survey

Between August 26 and September 7, 2021, a Deloitte survey conducted by OnResearch, a market research firm, polled precisely 1,300 executives—1050 at US-headquartered corporations and 250 at domestic-based private equity firms—to gauge their expectations for M&A activity in the upcoming 12 months as well as their experiences with recent transactions. All survey participants work either for private or public companies with revenues in excess of \$10 million, or private equity firms. The participants hold senior ranks (director level or higher at the corporations). More than half of all respondents sit within the C-suite. This year, more respondents were Owners, CEOs, Directors, and Vice Presidents with fewer CFOs. All respondents are involved in M&A activity. The corporate respondents represent a variety of industries: technology, consumer, energy, financial services, and life sciences among them. The majority of corporate respondents (72%) work for privately held companies. More than a quarter (29%) work at a company with more than \$1 billion in revenue, and 15% work in a company with revenue less than \$250 million. The rest are in the middle. The private equity respondents are in firms with a variety of different sized primary funds: 40% of respondents were in the \$1 billion—\$3 billion range, up 19% from last year, with close to a third (32%) of respondents working at funds with more than \$3 billion in assets. Only 8% work at funds with less than half a billion dollars to invest.



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