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# Where this wild market is headed next

M&A Dealmakers Forum

Tuesday, April 19, 2022

Patrick McCurdy, Partner

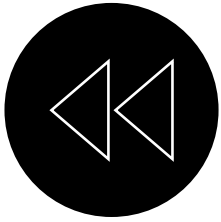
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# Where have we been? where are we going? and what have we learned?

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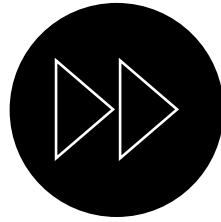
## Looking back (2020 and 2021)

2021 was a banner year for M&A;  
\$5.9T deployed

North America now accounts for  
>50% of global M&A deal value

Private equity accounts for ~25%  
of deal value (\$1.5T)

COVID was an M&A accelerant



## Looking ahead (2022 and 2023)

Market fundamentals and  
economy remain solid

PE still has dry-powder to deploy

Sustainability has arrived

Uncertainty is rising (e.g.,  
COVID, inflation, geo-politics)



## What have we learned to increase our odds of success?

Through-cycle mindsets succeed

Programmatic M&A strategies  
continue to outperform

M&A should be treated like a  
capability

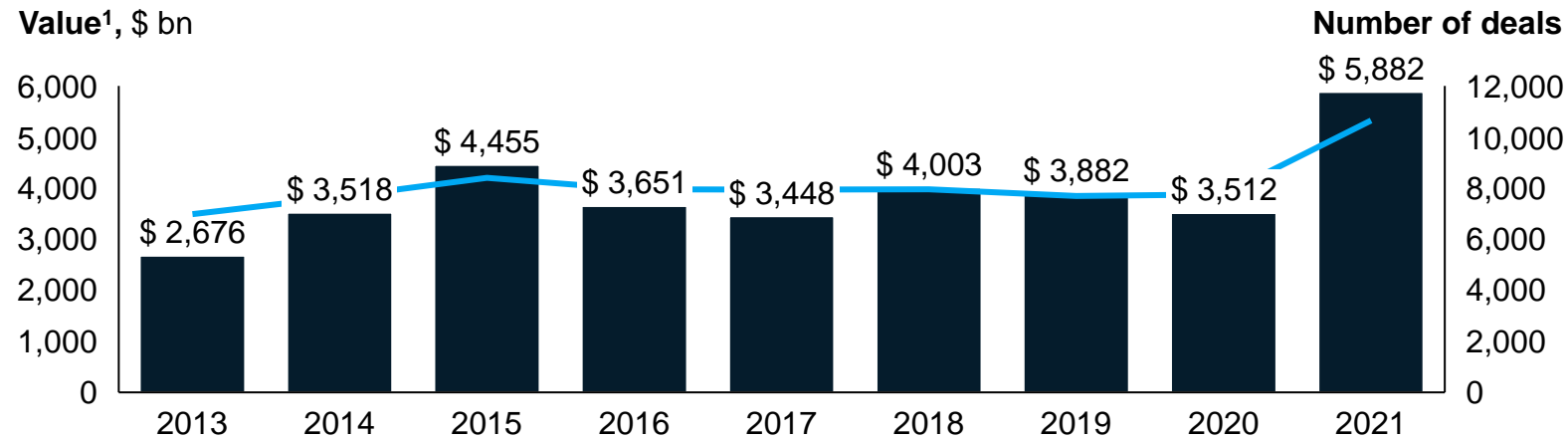
Acquisition is not the only way to  
grow inorganically

# 2021 was a banner year for M&A; \$5.9T deployed

Global M&A market, 2013-21

■ Value, \$ bn — Number of deals

## Announced deals<sup>1</sup>



<b>Deal value (\$ bn)</b>	2,676	3,518	4,455	3,651	3,448	4,003	3,882	3,512	5,882
% change		31%	27%	-18%	-6%	16%	-3%	-10%	67%
<b>Number of deals</b>	6,977	7,648	8,404	7,956	7,932	7,953	7,694	7,746	10,649
% change		10%	10%	-5%	0%	0%	-3%	1%	37%
<b>Average deal value (\$ mn)</b>	383	460	530	459	435	503	505	453	552
% change		20%	15%	-13%	-5%	16%	0%	-10%	22%

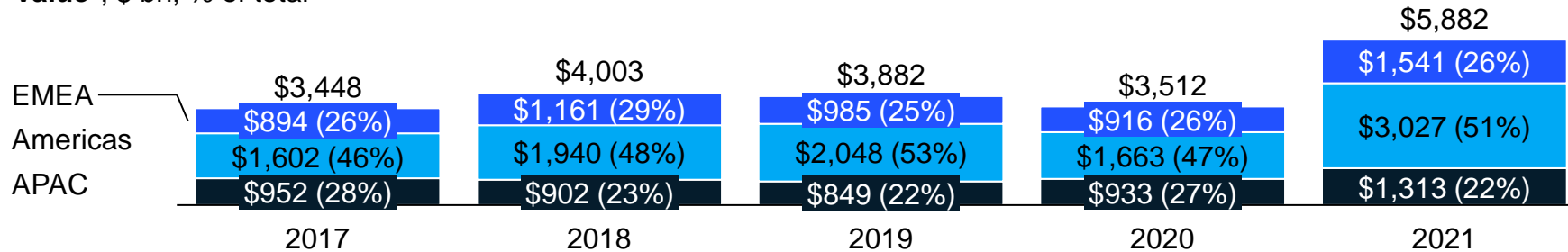
- In 2021, **global M&A activity leaped to ~\$5.9 tn (67%)**
- This was the **highest level of activity in the past years**
- **Number of deals increased by 37%**
- **Average deal size increased by 22%**

# North America now accounts for >50% of global M&A deal value

Global M&A deals by region and size, 2017-2021

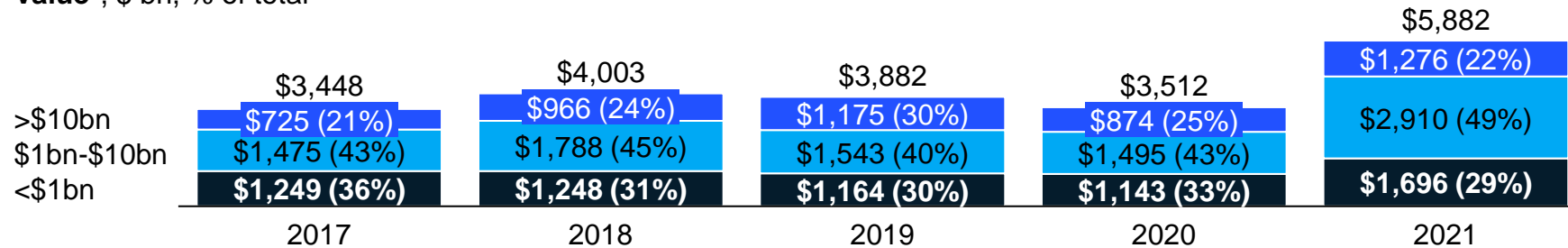
## Deals by geography

Value<sup>1</sup>, \$ bn, % of total



## Deals by size

Value<sup>1</sup>, \$ bn, % of total



## Number of deals per size bracket

>\$10bn	32	41	45	45	60
\$1bn-\$10bn	595	682	615	574	1,107
<\$1bn	7,305	7,230	7,034	7,127	9,482

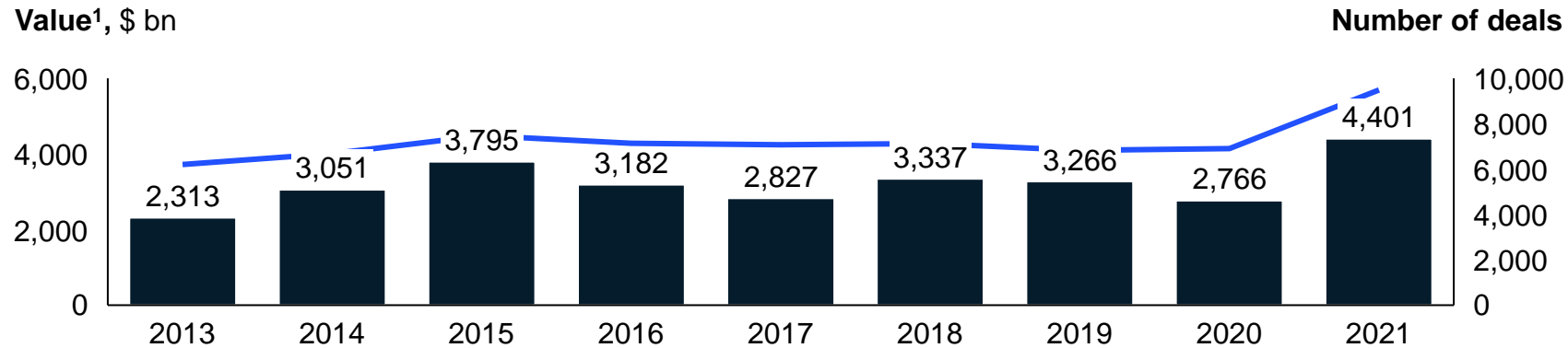
1. Includes announced deals (not withdrawn) more than \$25 mn only

- Regions maintained their **position** and showcased an **overall increase in deal value**
- Americas' fractional contribution rose by 4 ppt** in 2021
- EMEA's fractional contribution remained the same** as 2020. **APAC's contribution fell by 4 ppt** in 2021
- Mega deals **decreased their contribution by 3 ppt**
- Medium deals(\$1-\$10bn) **increased in contribution by 6 ppt** and Small deals (<\$1bn) **decreased in contribution by 4 ppt**. Value wise **growth seen in all three ranges**

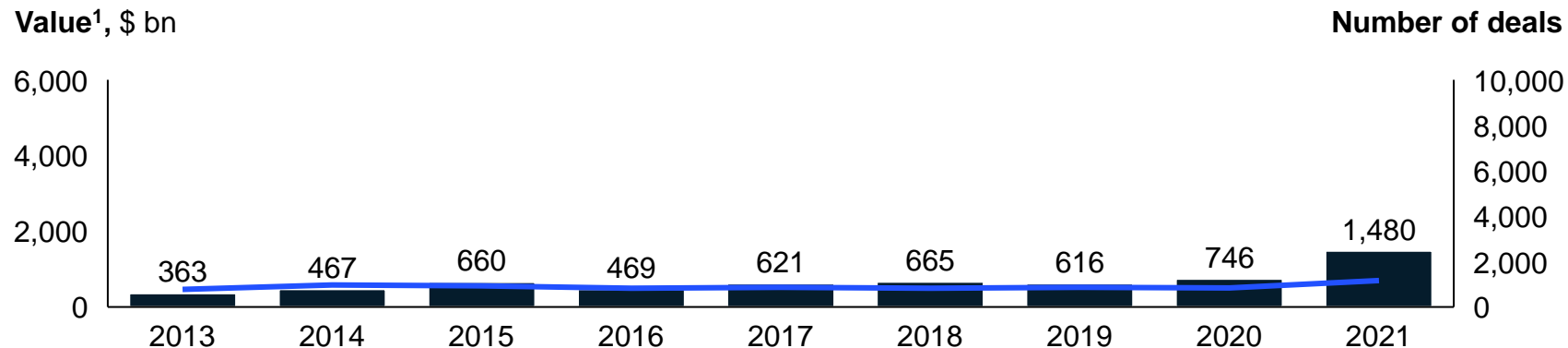
# Private equity accounts for ~25% of global deal value (\$1.5T)

Global Corporate and PE M&A in 2013-2021

## Global Corporate M&A volume



## Global PE M&A volume



1. Announced deals (not withdrawn), includes deals above \$25 mn only

## Comments

- **Corporate/Strategic acquisitions still account for majority, ~75%, of deal activity, lowest ever share**
- **Corporate volumes rose sharply to ~\$4.4 tn in 2021**
- **Average corporate deal size and PE deal size rose in 2021**
- **PE volumes rose sharply, by 98%, in 2021 (\$1,480 bn) vs 2020 when they were \$746 bn**
- **Average PE deal at \$1,273 mn in 2021, almost 50% higher than the 2020 average of \$886 mn**

# Looking ahead – what might M&A activity look like in 2022-2023?

## Tailwinds



Market fundamentals and economy remain healthy



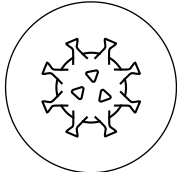
Investors still need to deploy capital



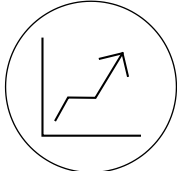
Sustainability has arrived



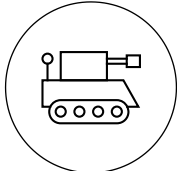
## Headwinds



(Still) unclear how the pandemic will play out



Inflation is real



Geo-political tension high

# What do we know (and learned) about M&A?

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M&A is one of the most **visible signs of strategy**, and a measurable metric of resource reallocation and management conviction

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M&A is an important reason for the launch of activist campaigns. **25% of activist demands are M&A or strategy related**<sup>1</sup>

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M&A accounted for **\$5.9 trillion USD of capital deployment** in 2021 alone

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M&A is a large contributor of topline growth among the largest companies – **“Where to compete” portfolio momentum and M&A drives 75% of growth**<sup>2</sup>

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M&A performance is terribly understood and rife with anecdotes – **“M&A failure rate of 70-90%” – HBR**

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1. For companies over \$10 Billion USD in size

2. Based on 834 companies in the Growth Decomposition database

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**Being good at  
M&A is critical to  
the successful  
long-term  
agenda  
of every large  
corporate client**

# M&A segments differentiate performance

M&A programs for Global 2000<sup>1</sup> in Jan 2010, % of sample

Program type	16%	14%	44%	26%
	Large deals	Programmatic	Selective	Organic
<b>Definition</b>	≥1 deal where target market cap was ≥30% of acquirer market cap	>2 small/mid-sized deals/year, with meaningful total market cap acquired (median of 19%)	≤2 deals/year, where cumulative value of deals is >2% of acquirer market cap (and not organic)	≤1 deals every 3 years, where cumulative value of deals is <2% of acquirer market cap
<b>Median # deals/year</b>	1.4	3.6	0.6	0.1
<b>Median market cap acquired</b>	91%	20%	9%	0%

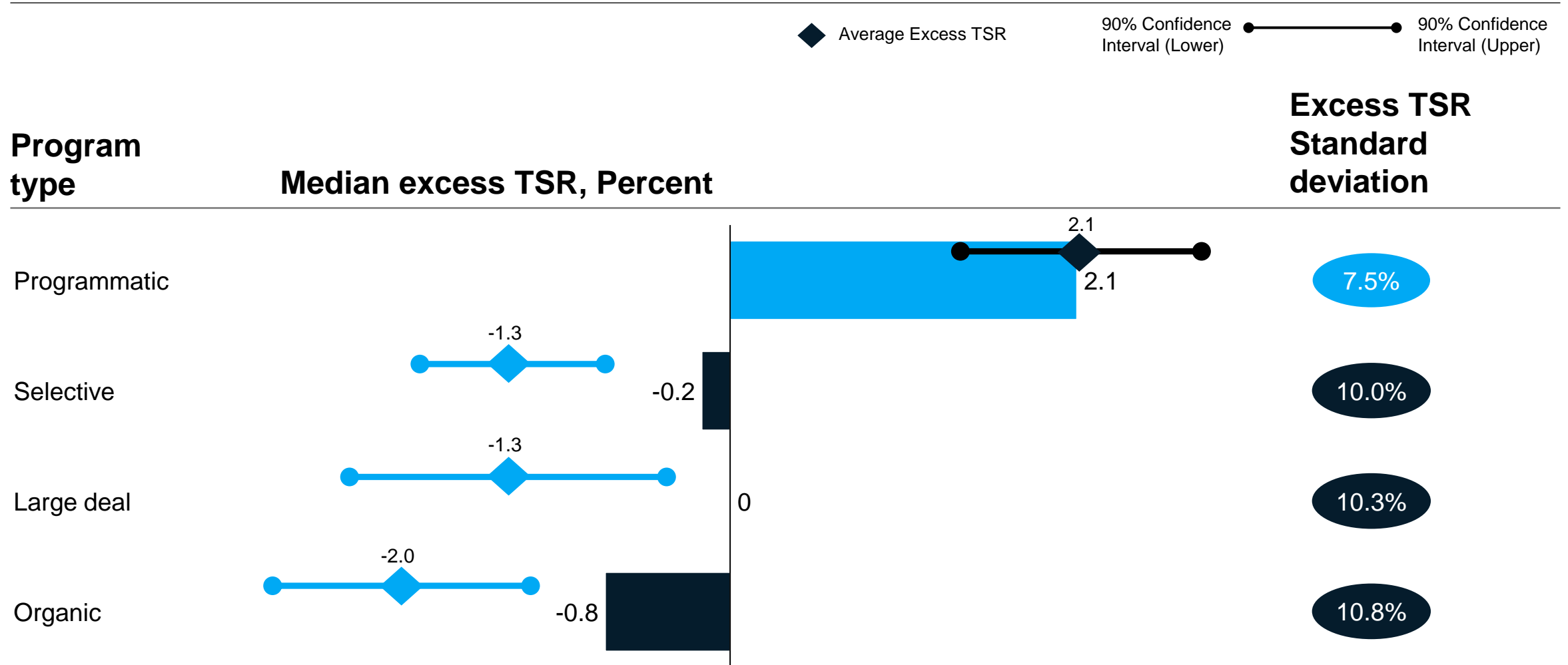
1. Companies that were among the top 2000 companies by market cap at December 31st, 2009 (>\$2.0bn) and were still trading as of Dec 31st, 2019; Excludes companies headquartered in Latin America and Africa

Source: CPA; Capital IQ; Deal Patterns 2019



# Programmatic strategies win again, big deals are big bets, and organic is not safe

Global 2000<sup>1</sup> median excess TSR by program type (Jan 2010 – Dec 2019)



1. Companies that were among the top 2000 companies by market cap at December 31st, 2009 (>\$2.0bn) and were still trading as of Dec 31st, 2019; Excludes companies headquartered in Latin America and Africa

# Though-cycle mindset:

# The 3Cs

Three characteristics of sustained  
winning M&A programs



## 1 Competitive Advantage

Reassess competitive advantage given shocks on the economy, their industry, their strategy, and their “M&A blueprint”

## 2 Capacity

Assess financial and operational capacity to finance, structure, execute and integrate M&A transactions in a complex and changed environment

## 3 Conviction

Create organizational conviction on M&A in light of new competing priorities and ready yourself for action

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**Thank you!**

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*“How one approach to M&A is more likely to create value than all others” – McKinsey.com, Q4 2021*