

Deal Drivers: Americas Q1 2022

A spotlight on mergers and
acquisitions trends in 2022

Foreword: A more cautious start to proceedings

Dealmaking in the Americas has been on the descent in recent months. Q1 2022 saw activity fall from the previous quarter, though, all things considered, it was hardly a debilitating decline. Annually there was a more marked drop-off, but that doesn't make for a fair comparison, either, given that 2021 was the most explosive year for M&A in history in much of the world.

With this in mind, it is better to view Q1 2022 as a reversion to the mean after an outstanding run, rather than a disconcerting decline, at least for the time being.

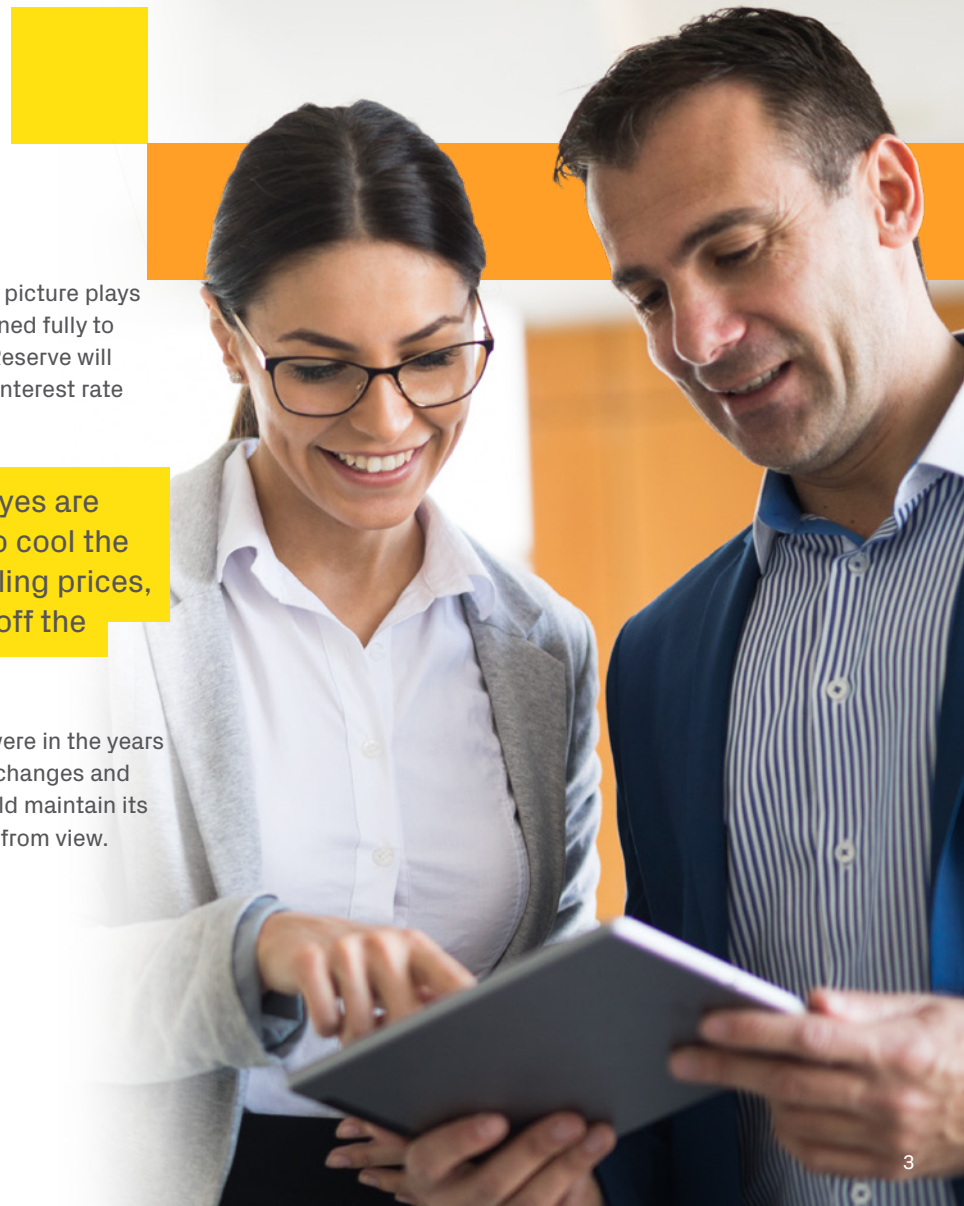
It is difficult to predict with confidence what comes next. It appears that the worst of COVID-related risks have, if not dissipated, become more manageable and baked into day-to-day business activity in the US.

Central bank guidance

What is less certain is how the macroeconomic picture plays out. Investors' attention now seems to have turned fully to inflation and what intervention by the Federal Reserve will mean for growth. Estimates vary on how many interest rate increases 2022 will feature.

Tightening is now in play and all eyes are on whether the Fed will manage to cool the US economy, bringing down spiraling prices, or overshoot the mark and choke off the post-pandemic recovery.

For now, dealmakers remain as active as they were in the years prior to the pandemic. Until something drastic changes and there is good reason not to transact, M&A should maintain its momentum as the pandemic continues to fade from view.



Outlook: Americas heat chart

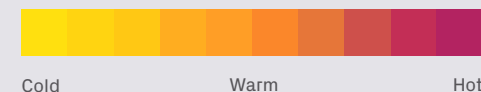
According to our forward-looking heat chart, which illustrates the distribution of ‘companies for sale’ stories on the Mergermarket intelligence tool, ever-popular TMT is the sector in which dealmakers should expect to see the most activity in the Americas. Between the start of July and end of December 2021, the intelligence tool logged 628 stories about TMT companies coming to market in the Americas, representing almost a quarter of the 2,630 stories overall. After TMT, albeit quite a way behind from the leader, pharma, medical & biotech (PMB) logged the second most ‘for sale’ stories with 363 (14%), closely followed by business services with 348 (13%).

The US dominates the heat chart. Taken together, the four US sub-regions contributed 1,997 ‘for sale’ stories, representing more than three-quarters of the total in the Americas. The previously mentioned predominant sectors are all indicating red-hot activity in the US, especially in the Northeast of the country.

There are pockets of potential in other markets, too. In both Brazil and Latin America & the Caribbean at large, noteworthy volumes of ‘for sale’ stories about financial services companies emerged, and the former is also home to notable TMT activity. Canada, by comparison, looks lukewarm.

Heat chart based on potential companies for sale

	Canada	Western US	Midwestern US	Southern US	Northeastern US	Brazil	Latin America & the Caribbean	TOTAL
TMT	32	154	46	97	161	93	45	628
Pharma, medical & biotech	11	77	50	96	115	12	2	363
Business services	15	78	36	65	102	37	15	348
Financial services	9	44	28	46	66	69	56	318
Industrials & chemicals	22	52	52	79	66	19	4	294
Energy, mining & utilities	19	41	18	64	40	33	12	227
Consumer	11	52	31	46	46	20	5	211
Leisure	2	7	10	10	13	23	9	74
Transportation		9	8	8	11	14	9	59
Real estate	7	6	7	4	9	7	2	42
Construction	2	3	1	12	5	6		29
Agriculture	8	4	2	3	5	3		25
Defense		3		7	2			12
TOTAL	138	530	289	537	641	336	159	2,630



Note: The Intelligence Heat Charts are based on ‘companies for sale’ tracked by Mergermarket in the respective regions between October 01, 2021 and March 31, 2022. Opportunities are captured according to the dominant geography and sector of the potential target company.

Summary: Markets remain resilient, for now

The Americas have seen dealmaking activity ease off in Q1 2022, continuing a trend observable since mid-2021. Aggregate deal value amounted to US\$545bn in the opening quarter of this year, 16% down from Q4 2021 and a full 25.2% short of the same period last year. Deal volume was also down on Q4 2021's figures by 5.8% to 1,857 transactions, 27.5% less than Q1 2021.

These year-on-year drops are striking. However, the pandemic experience makes it difficult to draw like-for-like comparisons, given that the lifting of government-mandated lockdowns and subsequent release of pent-up demand caused never-before-seen gyrations in deal activity.

Zooming out and taking the appropriate perspective, deal activity is actually as healthy as it has ever been and, at least at the surface level, reasons for optimism remain.

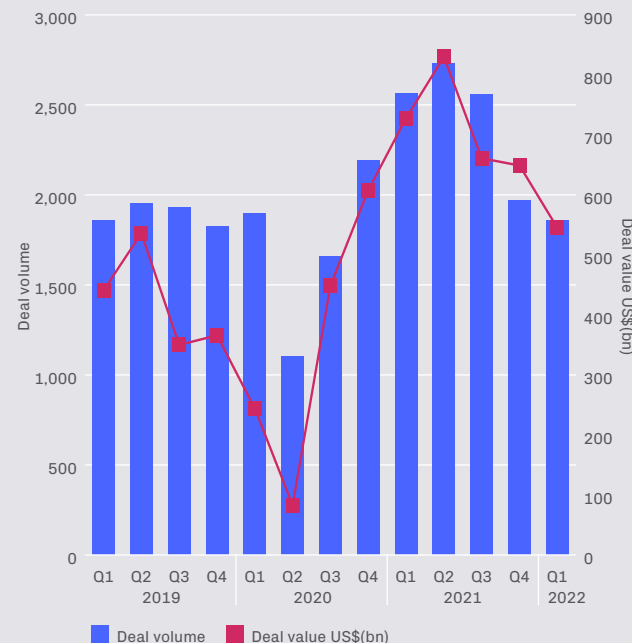
Tread carefully

Baseline growth remains positive, even if it is showing signs of slowing. In April, the International Monetary Fund downgraded its global growth forecast for 2022 by 0.8 percentage points—due largely to Russia's invasion of Ukraine—to 3.6%, with the same projected for 2023.

By comparison, the US, the world's largest M&A market, is anticipated to enjoy economic expansion of 3.7% in 2022, just 0.3 percentage points lower than the previous forecast published in January, suggesting that the country is relatively well insulated from the effects of Europe's geopolitical crisis.

This is more than enough of a tailwind to encourage dealmakers, while taking the appropriate amount of care. Investors will have to be judicious about how and where their capital is put to work. Notably, growth assets have suffered on stock markets, weakened by persistent inflation and monetary tightening as money has flocked to real assets.

Americas M&A activity, 2019-Q1 2022



Source: Mergermarket

No stopping tech

In spite of the turmoil, TMT continues to be the runaway leader in the M&A arena, a trend cemented during the pandemic amid higher spending digitalization and connectivity. The sector accounted for 36% (669) of all the transactions announced in the Americas in Q1, and 42% (US\$227bn) of the region's aggregate deal value. This includes four of the 10 largest deals overall, including the titanic US\$75bn takeover of Activision Blizzard by Microsoft.

This ongoing tech bias continues to favor the Western US sub-region, which remains the highest-value deal market in the Americas, and this shows few signs of changing any time soon. Private markets seem largely unfazed by the recent equity sell-off, which has created a buying opportunity, especially for tech-focused and cash-rich financial sponsors.

TMT plays a far smaller role outside the US, and this is especially true south of the border. In Latin America, more deal value is being generated by financial services and energy, mining & utilities (EMU). On energy, this is being driven by Brazil's ongoing privatization efforts, as well as demand for assets following Russia's invasion of Ukraine. Europe is desperate to wean itself off Russian gas, which is bullish for gas development and infrastructure elsewhere in the world. Financial services, meanwhile, continues to be disrupted by fintechs, consumers having gravitated to digital-only services during the pandemic.

Americas top sectors by value | Q1 2022

	US\$(m)
TMT	227,119
Financial services	62,251
Industrials & chemicals	49,947
Energy, mining & utilities	46,849
Pharma, medical & biotech	38,930

Americas top sectors by volume | Q1 2022

	Deal count
TMT	669
Pharma, medical & biotech	231
Industrials & chemicals	211
Business services	181
Financial services	169

Americas top bidders by value | Q1 2022

	US\$(m)
USA	424,257
Canada	42,283
Mexico	19,717
Brazil	12,853
United Kingdom	7,828

Americas top bidders by volume | Q1 2022

	Deal count
USA	1,381
Canada	102
Brazil	76
United Kingdom	49
Japan	37

Scanning the horizon

While it is true that the US and global economies are growing, concerns are rising over the trajectory this takes over the next 18 months in light of the Fed's quantitative tightening.

Some believe the yield curve inversion that came in Q1 portends a recession in the near future. That view assumes that current inflation will, ultimately, be deflationary by eroding demand. If one adds rate hikes to the equation, a downturn could come as soon as H2 2023, as Deutsche Bank predicted in April, citing the Fed's hawkish turn.

For others, history is not an accurate barometer because unprecedented stimulus has distorted signals and means we are now playing by different rules. Provided there is not a shock sell-off in equities in 2022, this year has the potential to perform well by historic standards. However, topping last year's performance is almost guaranteed to be out of reach.

Americas top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	18-Jan-22	Microsoft Corporation	Activision Blizzard, Inc. (100% Stake)	TMT		75,069
2	31-Jan-22	Vista Equity Partners Management, LLC; Evergreen Coast Capital	Citrix Systems, Inc. (100% Stake)	TMT		16,613
3	11-Jan-22	Isatek	Banco Nacional de Mexico, S.A. (consumer, small business and middle market banking operations) (100% Stake)	Financial services	Citigroup Inc.	16,000
4	29-Mar-22	Brookfield Business Partners L.P.; Evergreen Coast Capital	Nielsen Holdings plc (100% Stake)	TMT		15,344
5	24-Jan-22	Acacia Research Corporation	Kohl's Corp (100% Stake)	Consumer		13,810
6	28-Feb-22	TD Bank Group	First Horizon National Corporation (100% Stake)	Financial services		13,350
7	10-Jan-22	Take-Two Interactive Software, Inc.	Zynga, Inc. (100% Stake)	TMT		12,222
8	21-Mar-22	Berkshire Hathaway Inc.	Alleghany Corporation (100% Stake)	Financial services		11,473
9	28-Feb-22	Healthcare Realty Trust Inc.	Healthcare Trust of America, Inc. (100% Stake)	Real estate		11,249
10	18-Feb-22	Celanese Corporation	DuPont de Nemours (Mobility & Materials unit) (100% Stake)	Industrials & chemicals	DuPont de Nemours, Inc.	11,000

An aerial photograph of the San Francisco skyline at sunset. The sky is a mix of orange, pink, and purple. The Transamerica Pyramid is prominent on the left. A yellow banner with the text "Western US" is overlaid on the left side. A white square is positioned in the center of the image, overlapping the city buildings.

Western US

TMT hogs the limelight in Silicon Valley's backyard

The Western sub-region of the US is known for being the epicenter of tech investment globally, Silicon Valley being the focal point of the country's rich venture capital ecosystem. And with tech commanding huge valuations, this part of the country inevitably scores well above any other regional market in North America.

In Q1, US\$197bn was invested across 544 deals, declines of 16.1% and 23.4% from the same period in 2021. This aggregate value is a far more impressive showing than can be seen elsewhere in Q1 and is thanks almost entirely to a surging TMT sector, which claimed no less than 75.3% of all M&A value across the Western US.

While tech has fallen out of favor on stock markets as public investors have rotated into commodities and other sectors with inflation immunity, corporates and PE firms are still ploughing ahead with a longer-term view.

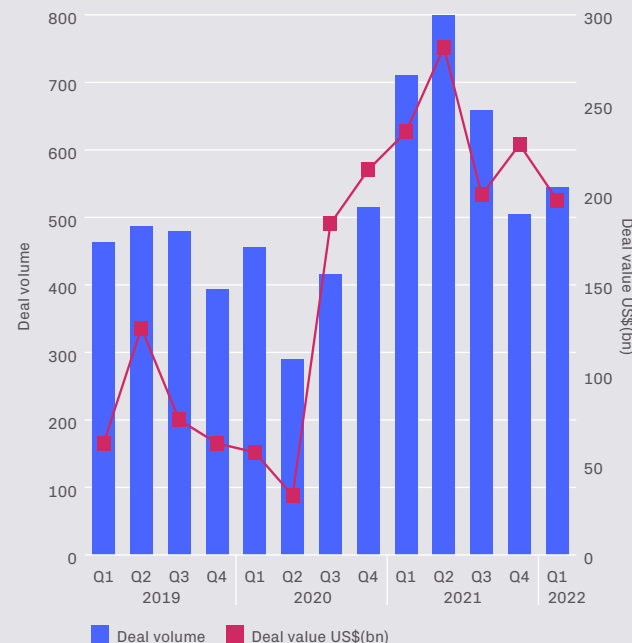
Epic proportions

Just over half of the TMT deal value recorded is attributable to a single transaction: Microsoft's mammoth US\$75bn takeover of games developer Activision Blizzard. The deal, which has come under close FTC scrutiny over labor and consumer data concerns, brings a large number of Activision titles to Game Pass for Xbox and PC and may, some believe, give the Windows giant a foothold in the burgeoning metaverse space.

Even stripping this deal out of the data, TMT blew all other sectors out of the water, besting PMB, the second largest, by a factor of 10. It also monopolized the list of top-10 deals for the sub-region, claiming no fewer than eight positions.

The second-largest deal in the Western US was not only a TMT transaction but yet another gaming play, valued at US\$12.2bn. Take-Two Interactive acquired Zynga, the mobile games developer behind titles such as FarmVille, Empires & Puzzles and Harry Potter: Puzzles and Spells.

Western US M&A activity, 2019-Q1 2022



Source: Mergermarket

Numbers game

If it wasn't enough for TMT to dominate the market in value terms, it also left all other industries in its dust in volume terms, and just outpaced its own performance in Q1 of last year. There were 266 TMT deals announced in Q1 in the Western US, with PMB a distant second (57). Among the other notable tech transactions was Thoma Bravo's US\$10.7bn buyout of Anaplan, a software-as-a-service financial planning tool. Thoma Bravo, a software specialist PE firm, has been especially acquisitive of late, the Anaplan transaction taking its deal count since the start of 2021 to 13 with a combined value of US\$42.2bn.

After TMT, PMB was responsible for US\$7.5bn worth of deals, though none of those transactions broke into the list of the 10 largest in the sub-region, the mean deal size coming in at just US\$131m. PMB continues to benefit from strong pandemic tailwinds, which has put pressure on companies to develop their drug portfolios and has ushered in investor capital.

Though large pure-play PMB deals were absent in the first months of the year in the Western US, the sub-region's third biggest transaction in Q1, a real estate deal, was adjacent to the sector. Healthcare Realty Trust paid US\$11.2bn for Healthcare Trust of America, the enlarged REIT creating the biggest medical office landlord in the country. As demand for healthcare services rises amid demographic pressures and the added burden of the pandemic, so too will the need for real estate to accommodate care provision.

W-US top sectors by value | Q1 2022

	US\$(m)
TMT	148,145
Real estate	11,370
Energy, mining & utilities	7,550
Pharma, medical & biotech	7,469
Industrials & chemicals	4,781

W-US top sectors by volume | Q1 2022

	Deal count
TMT	266
Pharma, medical & biotech	57
Business services	44
Industrials & chemicals	43
Consumer	40

W-US top bidders by value | Q1 2022

	US\$(m)
USA	178,970
Japan	5,777
Switzerland	3,305
Spain	1,742
Belgium	1,636

W-US top bidders by volume | Q1 2022

	Deal count
USA	439
Japan	20
United Kingdom	16
Canada	14
France	7
Switzerland	7

Asset rich

The outlook for the Western US remains bullish, not least because it has such a deep supply of technology assets in Silicon Valley that remain in private hands after successive funding rounds. The significance of the PE and venture capital ecosystem cannot be underestimated. It is also home to California, the largest state economy in the country, which, if it were a sovereign state, would be the fifth largest economy in the world, just behind Germany.

In 2021, California's GDP grew by an impressive 7.8%, the third fastest rate of recovery seen across the US. Given this assured rebound and the quality and depth of potential deal flow, the Western US sub-region should remain highly active through the year, provided the global M&A market does not succumb to further shocks.

Western US top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	18-Jan-22	Microsoft Corporation	Activision Blizzard, Inc. (100% Stake)	TMT		75,069
2	10-Jan-22	Take-Two Interactive Software, Inc.	Zynga, Inc. (100% Stake)	TMT		12,222
3	28-Feb-22	Healthcare Realty Trust Inc.	Healthcare Trust of America, Inc. (100% Stake)	Real estate		11,249
4	20-Mar-22	Thoma Bravo, LLC	Anaplan, Inc. (100% Stake)	TMT		10,670
5	08-Mar-22	Alphabet Inc. (parent of Google Inc. among others); Google LLC	Mandiant Inc. (100% Stake)	TMT		5,395
6	11-Jan-22	Aptiv PLC	Wind River Systems Inc. (100% Stake)	TMT	TPG Capital L.P.	4,300
7	10-Jan-22	R1 RCM Inc.	CloudMed LLC (100% Stake)	TMT	New Mountain Capital, LLC	4,100
8	07-Mar-22	Oasis Petroleum Inc.	Whiting Petroleum Corporation (100% Stake)	Energy, mining & utilities		3,612
9	31-Jan-22	Sony Corporation; Sony Interactive Entertainment Inc.	Bungie, Inc. (100% Stake)	TMT		3,600
10	06-Jan-22	Stryker Corporation	Vocera Communications, Inc. (100% Stake)	TMT		3,491

An aerial photograph of a city skyline at sunset. The sky is a mix of blue and orange. Several tall skyscrapers are visible, with one prominent glass skyscraper in the center-right reflecting the sunset light. A yellow rectangular overlay is positioned across the middle of the image, containing the text "Midwestern US".

Midwestern US

America's industrial heartland proves its mettle

The Midwest is the smallest of the four US sub-regions as measured by GDP, but is a bigger economy than either Brazil or Canada. The recovery seen across the US in 2021 has been felt in the Midwest too, with Michigan especially showing one of the strongest state rebounds across the country in H1 2021.

The Creighton University Mid-America Business Conditions index, meanwhile, rose to 71.3 in March from an already strong 64 in February, marking the 22nd consecutive month that it has risen above growth neutral, spelling continued expansion ahead.

This recovery spurred an impressive run of dealmaking in 2021, though this did lose momentum in H2 of the year. This deceleration carried over into Q1 2022 amid the broader shift in risk sentiment that has defined M&A markets the world over.

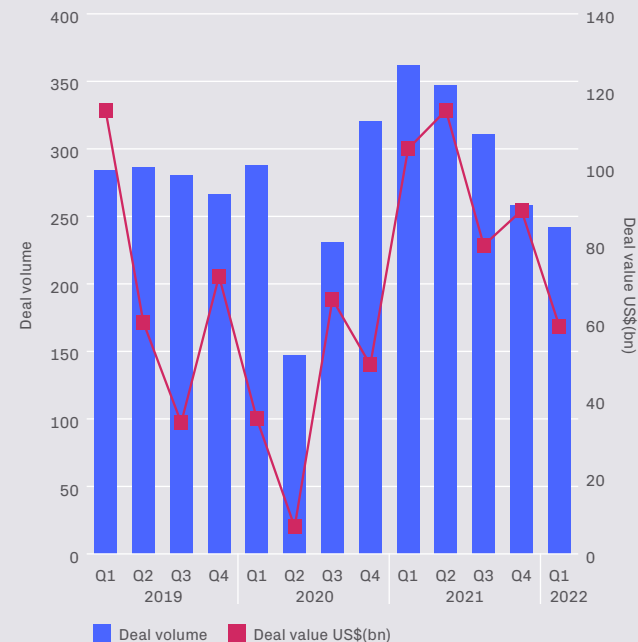
Manufacturing base

There was US\$59bn invested across 242 deals in Q1 in the Midwest, representing declines of 43.6% and 33.1%, respectively, from the same period last year. This is a starker fall than across the Americas as a whole, which saw value down by 25.2% and volume short by 27.5% compared to Q1 2021. There are also fewer expected deals in the pipeline compared with other parts of the country, with Mergermarket's heat chart tracking 289 'companies for sale' stories in the sub-region, almost 250 less than the Western US.

The Midwest is known for farming, mining, and manufacturing, and this inevitably shapes dealmaking activity. It is the only market in the Americas, for example, where I&C led in value terms in Q1, with US\$20.1bn worth of activity, an 8% annual gain.

Five of the 10 largest M&A deals in the Midwest in Q1 were I&C plays, including the second largest, namely the US\$6.3bn take-private of Tenneco by PE firm Apollo. The ailing NYSE-listed auto parts maker has struggled in the face of supply chain disruptions, including constraints on steel and semiconductors. Tenneco's share price has never recovered to its IPO levels from three years ago, though it's hoped Apollo's turnaround expertise will work its magic away from the prying eyes of public markets.

Midwestern US M&A activity, 2019-Q1 2022



Source: Mergermarket



Climate conscious

The next largest I&C deals were in third and fourth position in the top 10. These included another auto deal, specifically the US\$3.7bn acquisition of Meritor, a supplier of drivetrain, mobility, braking, and electric powertrain components, by diesel engine manufacturer Cummins. The deal has an ESG twist, Cummins being motivated to expand its product line to address more effectively the transition of commercial trucks away from diesel to electric powertrains.

Of a similar size and with a similarly climate-conscious slant was the US\$3.2bn takeover of biodiesel production company Renewable Energy Group (REG) by Chevron, in what is a major bet on alternative fuel sources by the energy giant. Chevron has said it will grow its renewable fuels production capacity to 100,000 bpd by 2030, the deal combining its large manufacturing, distribution, and commercial marketing position with REG's growing renewable fuels production. REG operates 12 biorefineries and a feedstock processing facility.

Not only did I&C come out on top in deal value terms, but it also accounted for more transactions than any other industry (55, just ahead of TMT's 50), which, again, speaks to the make-up of the Midwest's economy.

MW-US top sectors by value | Q1 2022

	US\$(m)
Industrials & chemicals	20,089
Consumer	14,203
Business services	5,143
TMT	4,935
Financial services	4,581

MW-US top sectors by volume | Q1 2022

	Deal count
Industrials & chemicals	55
TMT	50
Pharma, medical & biotech	39
Business services	32
Financial services	26

MW-US top bidders by value | Q1 2022

	US\$(m)
USA	53,646
Canada	1,376
Netherlands	1,125
Finland	1,000
Germany	860

MW-US top bidders by volume | Q1 2022

	Deal count
USA	204
Canada	9
United Kingdom	6
Japan	4
Australia	3

MW-US top bidders by volume also saw 3 deals from France and Germany.

Retail therapy

The largest deal of Q1 could not be much further from industrials if it tried. A group led by Acacia Research, which is controlled by activist hedge fund Starboard Value, bid US\$13.8bn to acquire department store operator Kohl's, a Wisconsin institution. The company has been circled by activist investors for a while now due to its poor stock performance.

At the time of writing, the bid had not been accepted and Franchise Group, which owns and operates retail stores including The Vitamin Shoppe and Buddy's Home Furnishings, had thrown its hat in the ring.

Regardless of where the various offers may land, the scale of the Acacia proposal means that consumer came in as the second-highest value sector in the Midwest in Q1 with US\$14.2bn, a 122% gain from the same period last year. This also means that without the Kohl's deal, the sector would have barely registered.

Midwestern US top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	24-Jan-22	Acacia Research Corporation	Kohl's Corp (100% Stake)	Consumer		13,810
2	23-Feb-22	Apollo Global Management, LLC	Tenneco Inc. (100% Stake)	Industrials & chemicals		6,297
3	22-Feb-22	Cummins Inc.	Meritor, Inc. (100% Stake)	Industrials & chemicals		3,710
4	28-Feb-22	Chevron Corporation	Renewable Energy Group, Inc. (100% Stake)	Industrials & chemicals		3,166
5	07-Jan-22	Blackstone Infrastructure Partners	Invenergy Renewables LLC	Energy, mining & utilities	Caisse de Depot et Placement du Quebec; Invenergy LLC	3,000
6	24-Feb-22	Carvana Co.	ADESA, Inc.(Physical auction business) (100% Stake)	Business services	KAR Global	2,200
7	31-Jan-22	Talcott Resolution Inc.; Sixth Street Partners, LLC	Principal Financial Group, Inc. (retail fixed annuity and secondary guarantee universal life insurance liabilities) (100% Stake)	Financial services	Principal Financial Group, Inc.	2,000
8	03-Mar-22	Pentair Plc	Welbilt, Inc. (Manitowoc Ice business) (100% Stake)	Industrials & chemicals	Welbilt, Inc.	1,600
9	10-Jan-22	Owens & Minor, Inc.	Apria, Inc. (100% Stake)	Pharma, medical & biotech		1,580
10	14-Feb-22	Zurn Water Solutions Corp	Elkay Manufacturing Company (100% Stake)	Industrials & Chemicals		1,564

An aerial photograph of a city skyline at sunset. The sky is a mix of blue and orange, with wispy clouds. Several tall skyscrapers are visible, including a prominent green glass tower on the left and a large, ornate golden tower in the center. In the foreground, there are lower-rise buildings, parking lots, and a multi-lane highway with traffic. A yellow rectangular box is overlaid on the left side of the image, containing the text "Southern US".

Southern US

Value holds up in America's third largest deal market

Deal activity has held up remarkably well in the Southern US sub-region, particularly on a value basis, almost tying the performance of the Northeastern US. This makes it the third largest M&A market by value in the Americas as a whole.

A total of US\$112bn was invested in Q1 across 364 deals, representing year-on-year declines of 8.1% and 33.9%, respectively. This also means the Southern US had the second-largest average transaction size in the Americas, bested only by the Western US, which is defined by pricey tech deals.

The largest deal in the period was also the second-highest-value transaction cross the entire Americas. For US\$16.6bn, Vista Equity Partners and Evergreen Coast Capital conducted the take-private of cloud computing company Citrix Systems, which will be combined with Vista's data analytics firm TIBCO Software.

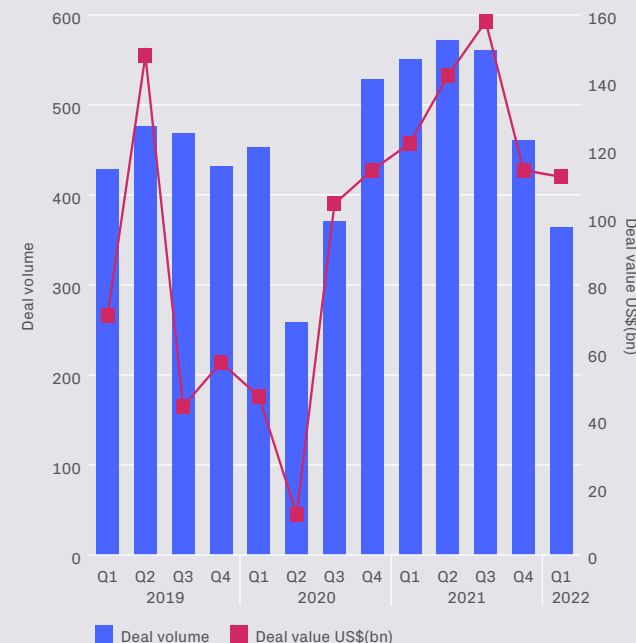
Clouded judgment

Citrix's financial sponsors believe the public markets did not appropriately value the company's annual recurring revenue growth and believe there is potential to cross-sell with TIBCO's products. This and the sub-region's third biggest deal, concerning TEGNA, made TMT the highest-value sector in Q1 2022 with US\$33.3bn invested. It was also the highest-volume sector in the Southern US with 111 deals recorded, nearly a third (30.5%) of the sub-region's total deal flow.

TEGNA, acquired by Standard General for US\$8.7bn, is a broadcast, digital media and marketing services company. It operates 64 news brands in 51 markets, along with networks, while Standard General owns four TV stations. TEGNA also owns Premion, a platform that places advertisements alongside long-form and live streaming content across networks.

The deal is indicative of the ongoing consolidation in the US media space amid massive disruption as it moves to better compete, attract subscriptions and appeal to advertisers as consumption habits shift. This shake-up is evidenced by the actions of Big Tech companies, illustrated most notably by the closing of Amazon's US\$8.5bn takeover of MGM, the studio behind the James Bond film franchise, which will help build out Amazon Prime's content.

Southern US M&A activity, 2019-Q1 2022



Source: Mergermarket



Southward expansion

In a distant second place to TMT was financial services, which soundly trounced the previous year's showing. There were US\$15.9bn worth of financial services deals announced in Q1, though with the tally reaching only 29 this was one of the quieter sectors in the Southern US. Those figures represent an almost 13-fold gain in value but a 35.6% fall in volume from the same period last year.

The largest financial services deal, and in fact the only transaction in the sector to break into the South's list of 10 largest overall, was the US\$13.4bn takeover of First Horizon National by Toronto's TD Bank Group. The deal is an expansion play for TD, giving it instant reach into First Horizon's Southern foothold, accelerating its US growth. The combined entity will become the sixth largest bank in the country. In Q4 2021 and Q1 2022, TD Bank opened three Florida branches and plans are underway for 30 additional branches in the state over the next five years.

S-US top sectors by value | Q1 2022

	US\$(m)
TMT	33,268
Financial services	15,869
Pharma, medical & biotech	12,979
Energy, mining & utilities	11,685
Industrials & chemicals	9,611

S-US top sectors by volume | Q1 2022

	Deal count
TMT	111
Pharma, medical & biotech	55
Business services	44
Industrials & chemicals	42
Financial services	29

S-US top bidders by value | Q1 2022

	US\$(m)
USA	91,634
Canada	14,919
United Kingdom	3,185
Denmark	915
Luxembourg	450

S-US top bidders by volume | Q1 2022

	Deal count
USA	324
Canada	10
United Kingdom	9
Japan	3
Spain	3

Home is where the heart is

PMB came a close third as measured by invested dollars, racking up US\$13bn worth of activity. As with the financial services sector, only one of these PMB deals made it into the top 10 for the sub-region overall, specifically the US\$6.1bn purchase of LHC Group by UnitedHealth Group, the country's largest health insurer.

LHC provides healthcare services at home for older patients dealing with chronic illness and injuries. Demand for these domiciliary services continues to grow, accelerated by the pandemic as patients prefer to access vital services from the comfort of their own homes. LHC will be combined with UnitedHealth's Optum unit, which manages drug benefits and offers healthcare data analytics services. Despite deals on this scale being few and far between, PMB scored the second most deals by volume (55) after TMT in the Southern US.

Across the industry, capability-driven deals have become more relevant in the face of the recent health crisis. This ranges from expanding homecare services as demographic challenges pile pressure on healthcare providers, to pharmaceutical companies bolstering their R&D to help restock vaccine and other medicine pipelines.

Southern US top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	31-Jan-22	Vista Equity Partners Management, LLC; Evergreen Coast Capital	Citrix Systems, Inc. (100% Stake)	TMT		16,613
2	28-Feb-22	TD Bank Group	First Horizon National Corporation (100% Stake)	Financial services		13,350
3	22-Feb-22	Standard General L.P.	TEGNA Inc. (100% Stake)	TMT		8,688
4	07-Feb-22	Frontier Airlines Inc.	Spirit Airlines, Inc. (100% Stake)	Transportation		6,150
5	29-Mar-22	UnitedHealth Group, Inc.; Optum, Inc.	LHC Group, Inc. (100% Stake)	Pharma, medical & biotech		6,050
6	14-Feb-22	Apollo Global Management, LLC	Novolex	Industrials & chemicals	The Carlyle Group	6,000
7	07-Mar-22	Clayton, Dubilier & Rice, LLC	Cornerstone Building Brands, Inc. (51% Stake)	Construction		4,873
8	28-Feb-22	KPS Capital Partners, L.P.	Oldcastle BuildingEnvelope, Inc. (100% Stake)	Construction	CRH Plc	3,800
9	17-Feb-22	Ares Management Corporation	Capital Automotive L.P. (100% Stake)	Real estate	Brookfield Asset Management Inc.	3,800
10	10-Jan-22	Enterprise Products Partners L.P.	Navitas Midstream Partners, LLC (100% Stake)	Energy, mining & utilities	Warburg Pincus LLC	3,250

Northeastern US



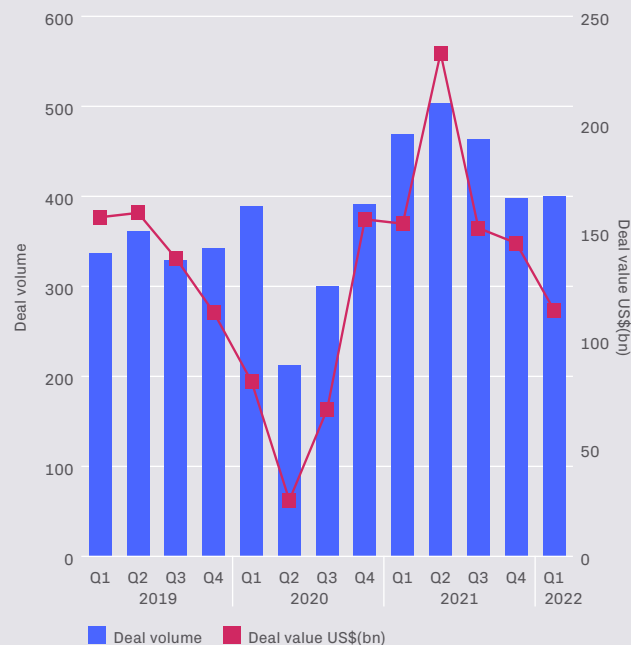
Packed pipelines hold promise despite modest slowdown

The Northeastern US M&A market once again took second place behind the Western US for deal value, in spite of a steep drop-off in financial services activity compared with the same period last year.

Deal value was down by 26% to US\$114bn in Q1 2022 from US\$154bn a year prior. At the same time, volume slipped by 14.7% to 400 transactions from 469 in Q1 2021.

Pipelines appear to be well stocked in the sub-region. Mergermarket's heat chart illustrating 'companies for sale' stories suggests there are more potential deals in the making in the Northeast than anywhere else in the Americas. Time will reveal the extent to which this potential activity comes to fruition.

Northeastern M&A activity, 2019-Q1 2022



Source: Mergermarket

Media metrics

TMT again led the vanguard. The US\$30.8bn invested in Q1 in fact represents a small gain of 3.8% from the same period last year, albeit that a single deal (the fourth largest across the Americas overall through the first three months of 2022) mopped up around half of that total. This was the US\$15.3bn buyout of TV ratings giant Nielsen Holdings by a consortium of investors led by hedge fund Elliott Management. Nielsen had rejected an initial gambit from Elliott and Brookfield Business Partners before the twosome upped its offer.

Activist investor Elliott had previously pressured Nielsen for a sale three years prior, which forced the market research company to consider splitting into two publicly traded firms a year later. However, that strategy was abandoned in 2020 and Nielsen instead sold off its consumer goods data unit for US\$2.7bn, honing its attention on its core media business.

Despite TMT deals being numerous and the sector racking up the most value, this was the only TMT deal to make it into the top 10 in the Northeastern US. Overall, 153 TMT transactions were announced, good enough for a 1.3% year-on-year gain, and represented 38.3% of all deal flow in the sub-region in Q1.

NE-US top sectors by value | Q1 2022

	US\$(m)
TMT	30,796
Real estate	19,047
Financial services	16,634
Pharma, medical & biotech	12,385
Industrials & chemicals	12,156

NE-US top sectors by volume | Q1 2022

	Deal count
TMT	153
Pharma, medical & biotech	52
Financial services	44
Industrials & chemicals	44
Business services	41

NE-US top bidders by value | Q1 2022

	US\$(m)
USA	87,036
Canada	15,872
India	3,590
Denmark	2,850
Sweden	1,300

NE-US top bidders by volume | Q1 2022

	Deal count
USA	323
Canada	15
United Kingdom	11
France	7
China	5

NE-US top bidders by volume also saw 5 deals from Sweden and Japan.

Inflation proof

Third in value terms was the financial services sector. This was helped in great part by Berkshire Hathaway's US\$11.5bn acquisition of insurance company Alleghany Corporation, which was the second-largest deal in the Northeast and eighth largest across the Americas in Q1.

Warren Buffett said in his most recent and widely read annual letter that insurance is one of his company's 'four giants' that deliver most of its value. He also noted that such insurance

businesses tend to outperform in the face of rising prices, the likes of which the US has not seen for four decades, saying: 'The product will never be obsolete, and sales volume will generally increase along with both economic growth and inflation.'

The only other financial services deal to make it into the top 10 biggest Northeastern plays was the US\$3bn purchase by Carlyle Group's credit arm of iStar's net lease business, accelerating the PE firm's growth in real estate credit.



Northeastern US top 10 announced deals, Q1 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	29-Mar-22	Brookfield Business Partners L.P.; Evergreen Coast Capital	Nielsen Holdings plc (100% Stake)	TMT		15,344
2	21-Mar-22	Berkshire Hathaway Inc.	Alleghany Corporation (100% Stake)	Financial services		11,473
3	18-Feb-22	Celanese Corporation	DuPont de Nemours (Mobility & Materials unit) (100% Stake)	Industrials & chemicals	DuPont de Nemours, Inc.	11,000
4	24-Feb-22	JPMorgan Chase & Co.; The Infrastructure Investments Fund	South Jersey Industries, Inc. (100% Stake)	Energy, mining & utilities		7,638
5	30-Jan-22	Land and Buildings Investment Management LLC	Lexington Realty Trust (formerly Lexington Corporate Properties Trust) (100% Stake)	Real estate		5,945
6	25-Feb-22	Monarch Alternative Capital L.P.	Paramount Group, Inc. (94.43% Stake)	Real estate		5,787
7	25-Jan-22	Standard General L.P.	Bally's Corporation (78.98% Stake)	Leisure		4,555
8	24-Jan-22	Blackstone Real Estate Income Trust, Inc.	Resource Real Estate Opportunity REIT, Inc. (100% Stake)	Real estate	C-III Capital Partners LLC	3,700
9	27-Feb-22	Biocon Limited; Biocon Biologics India Limited	Viartis Inc. (Biosimilars business) (100% Stake)	Pharma, medical & biotech	Viartis Inc.	3,335
10	02-Feb-22	The Carlyle Group	iStar Inc. (net lease business) (100% Stake)	Financial Services	iStar Inc.	3,000

An industrial titan divests

After leaders TMT, real estate, and financial services, PMB and I&C were neck and neck, recording US\$12.4bn and US\$12.2bn worth of transactions apiece. For PMB, this represents a year-on-year fall of 14.7%, but an increase of 34.9% for I&C. Each sector contributed one transaction to the list of the 10 largest deals in the Northeast in Q1.

The larger of these saw DuPont sell most of its cyclical mobility and materials business to Celanese Corp for US\$11bn as it doubles down on its electronics and water solutions businesses. Celanese believes the asset, which drew interest from PE firms Carlyle and Apollo, will help it realize synergies of US\$450m within the first four years. Overall, I&C tallied 44 deals, putting it on an equal footing with financial services (44) and business services (41), but a little way behind PMB (52).

The biggest PMB deal in the sub-region was considerably smaller, at US\$3.3bn, than I&C's top transaction. This saw pharma company Viartis unload its biosimilar business to Biocon Biologics. Biosimilars are biologic medical products that are almost identical replicas of a product manufactured by a different company, which can be made when the original product's patent expires.

PMB remains a rich source of deal flow in the sub-region, reflecting Boston's status as the top US pharmaceutical hub. Indeed, PMB in Northeastern US has one of the highest volumes of 'for sale' stories on Mergermarket's heat chart, which speaks to the strength of this specific market.