



The Future of M&A: How will deals change as COVID continues?

September 24, 2020

Speakers:

Joe Mantone, News Desk Manager
Nathan Stovall, Principal Analyst,
Financial Institutions Research
Scott Denne, Senior Analyst,
451 Research

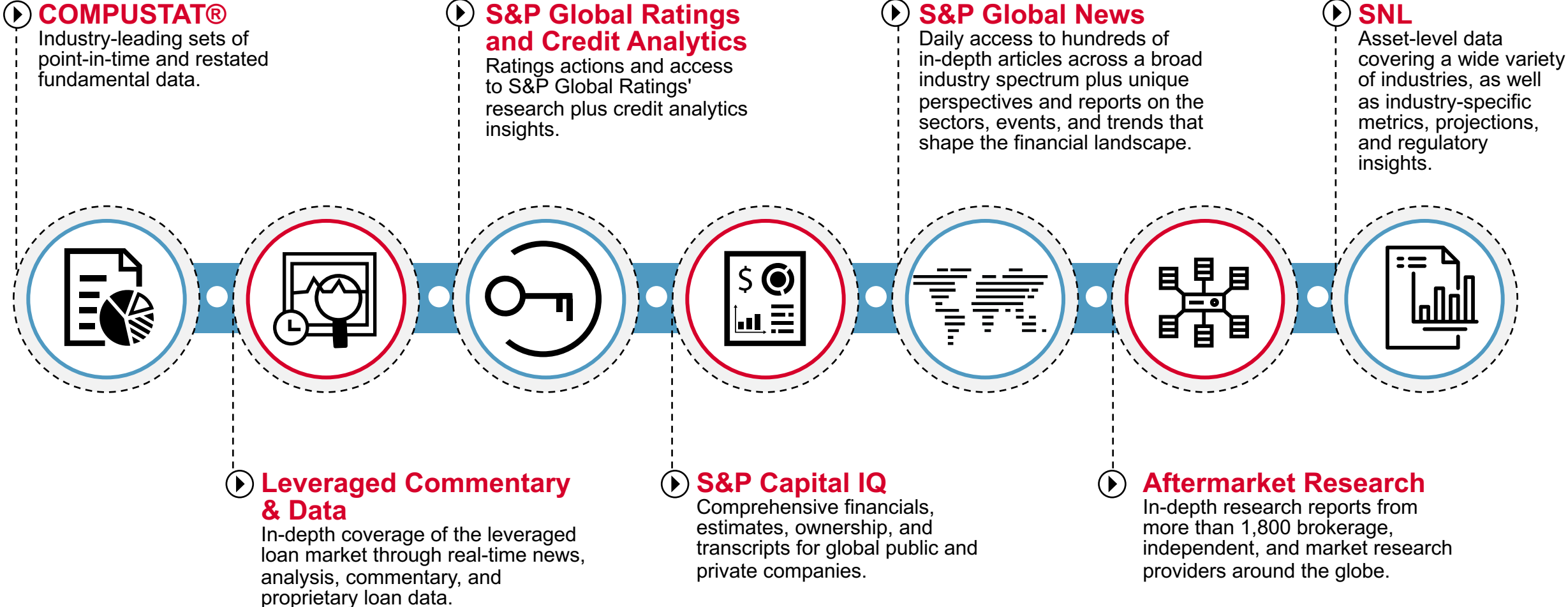
Lawrence Choy, Director, Corporates
Product Management

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Today's Speakers



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Scott Denne
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Lawrence Choy
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**S&P Global Market
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Agenda

- M&A data insights from our deep transactions coverage
- Views from the challenged Banking sector
- Areas of opportunities in the Technology space
- Perspectives on the changing M&A landscape

POLLING QUESTION

On a year-over-year basis, is the total announced value of third-quarter U.S. M&A deals:

- a) Up
- b) Down
- c) Relatively Flat

The 2020 M&A Landscape

Joe Mantone

News Desk Manager

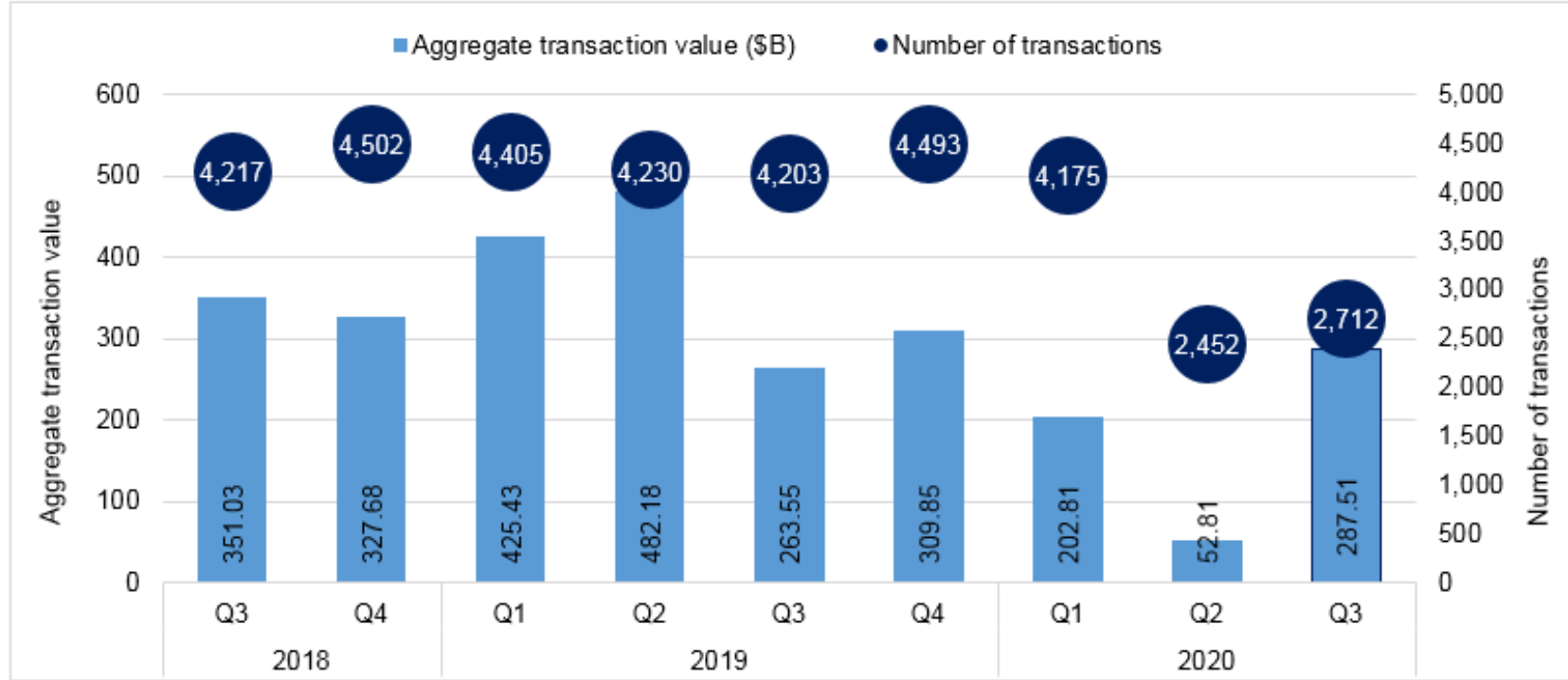
S&P Global Market Intelligence

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Market Intelligence

M&A volumes pick up in Q3

US M&A activity since Q3'18



Data compiled Sept. 18, 2020.

Analysis includes U.S. M&A deals announced between July 1, 2018, and Sept. 18, 2020. Excludes terminated deals.

Transaction value is as of announcement date. Deal value used when transaction value is not available.

Transaction value = deal value paid for equity, plus the value of any assumed long-term debts.

Source: S&P Global Market Intelligence

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Good quarter for big M&A deals

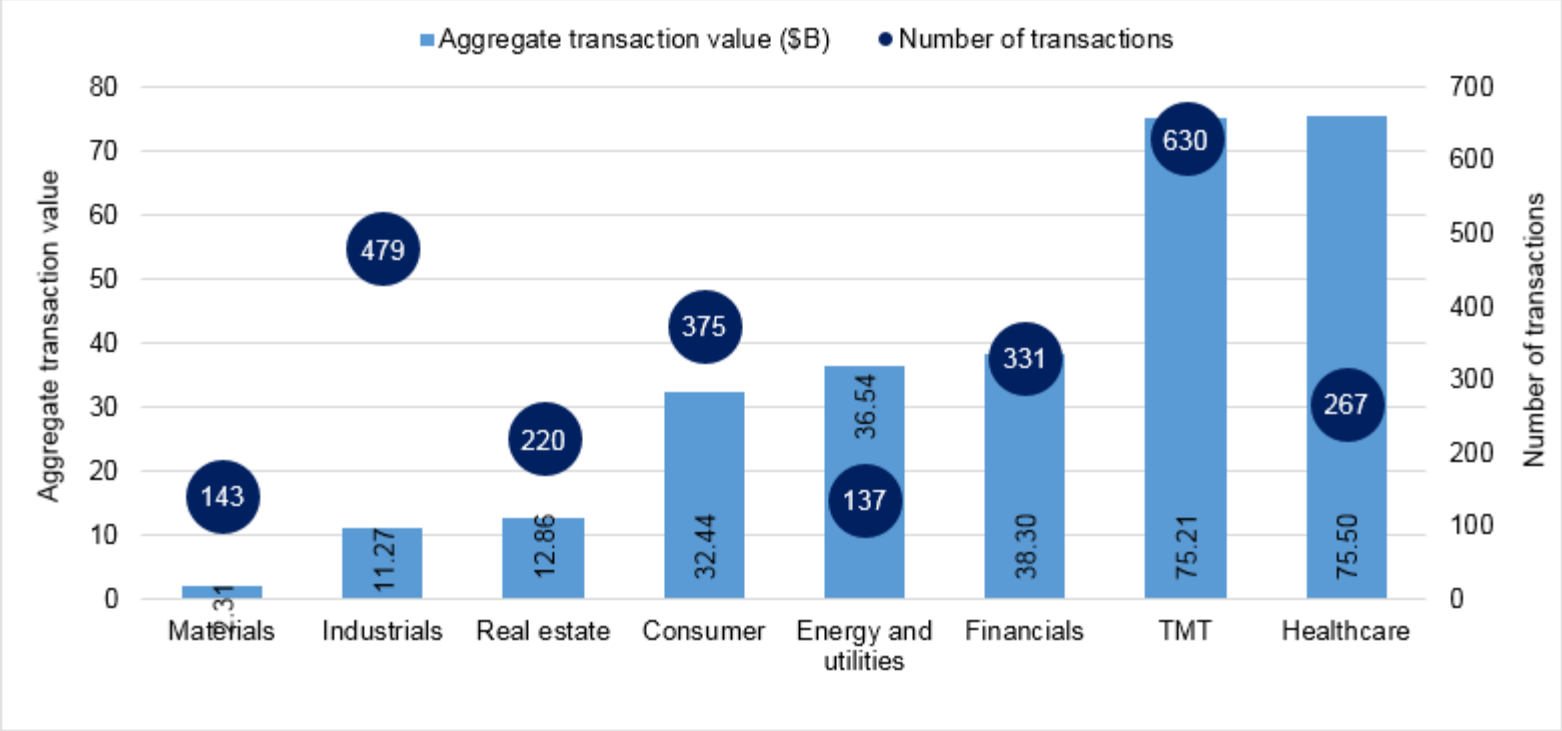
Pending, completed transactions announced with a value of at least \$10B for U.S. targets

Quarter	Deals	
	Announced	Total value (\$M)
Q3'20	8	133,518.05
Q2'20	0	-
Q1'20	2	36,022.27
Q4'19	3	67,685.38
Q3'19	3	47,818.76
Q2'19	10	266,039.34
Q1'19	7	254,528.88
Q4'18	3	66,339.57
Q3'18	4	108,332.82

Data compiled Sept. 18, 2020. Excludes terminated deals
Source: S&P Global Market Intelligence

Healthcare, TMT seeing the biggest deals

US M&A deals in Q3'20 by sector



Data compiled Sept. 18, 2020.

Analysis includes U.S. M&A deals announced between July 1, 2018, and Sept. 18, 2020. Excludes terminated deals.

Transaction value is as of announcement date. Deal value used when transaction value is not available.

TMT = technology, media and telecommunications

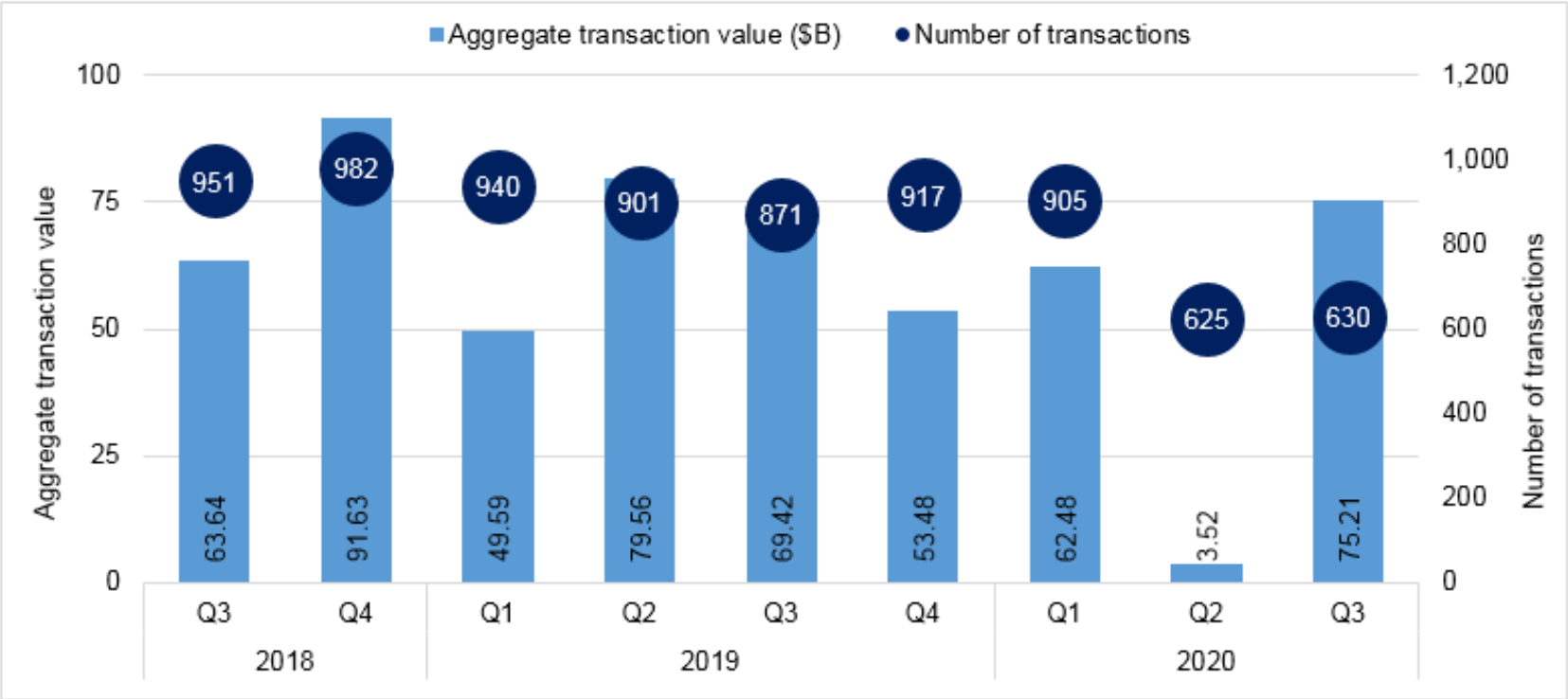
Transaction value = deal value paid for equity, plus the value of any assumed long-term debts.

Source: S&P Global Market Intelligence

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TMT's deal value blip

US M&A deals since Q3'18 – technology, media & telecommunications



Data compiled Sept. 18, 2020.

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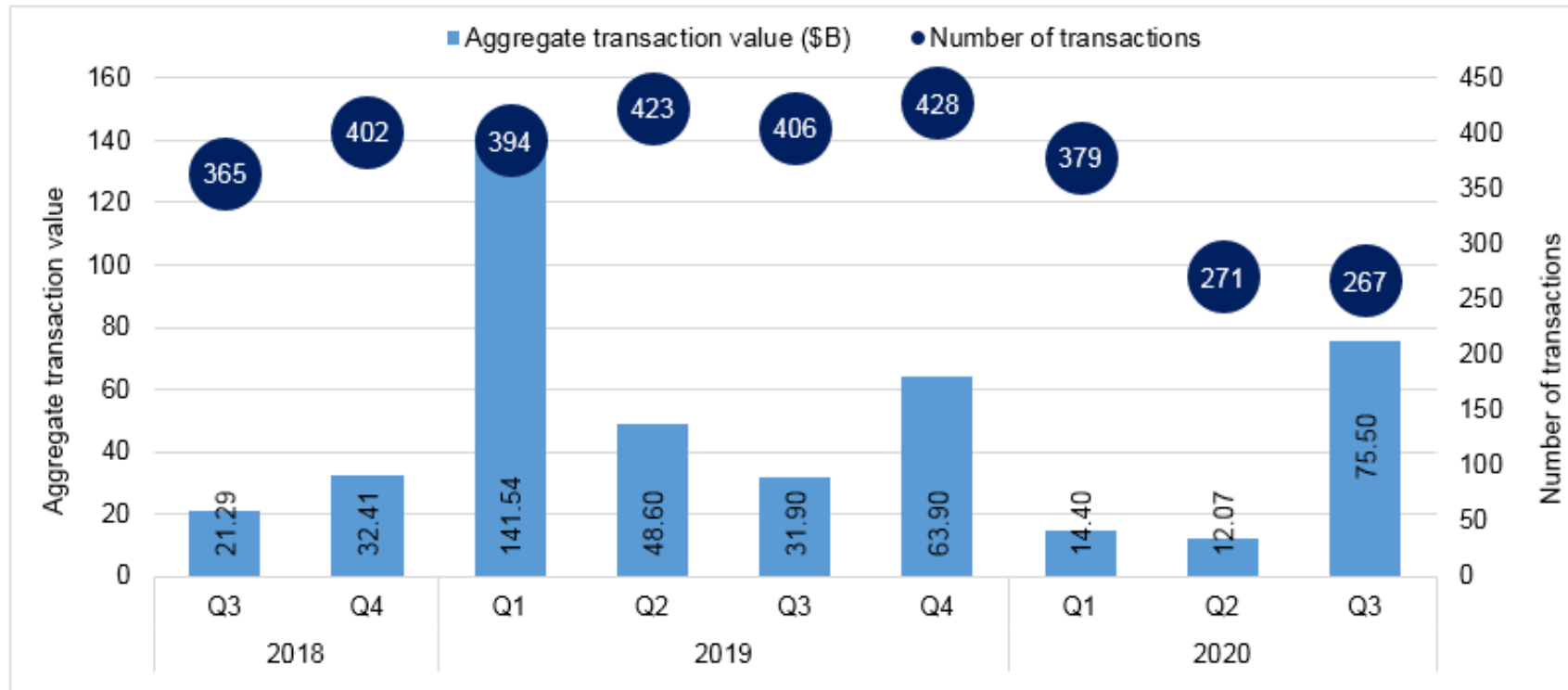
Transaction value = deal value paid for equity, plus the value of any assumed long-term debts.

Source: S&P Global Market Intelligence

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Healthcare total value rebounding better than number of deals

US M&A deals since Q3'18 – healthcare



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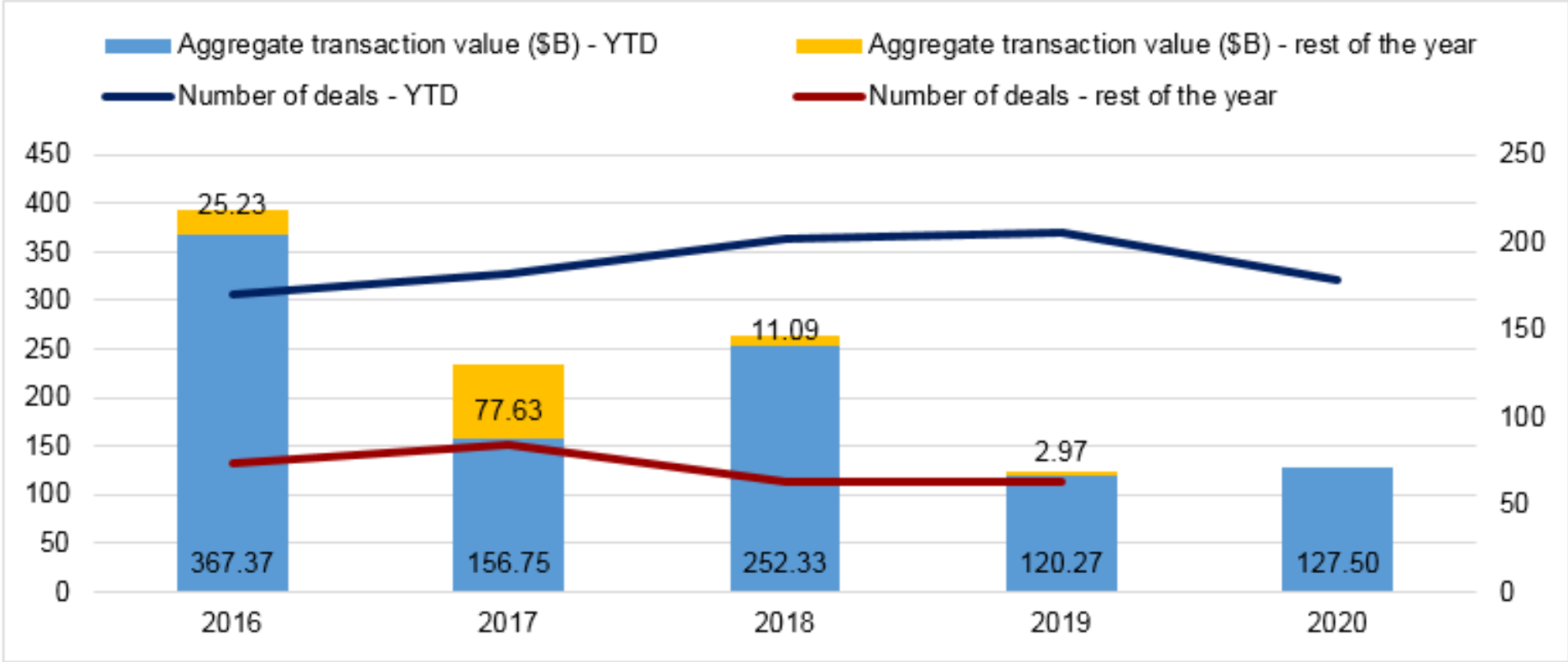
Source: S&P Global Market Intelligence

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Stimulus slows deal terminations

US terminated deals since 2016

Year-to-date (YTD) is through June 15 each year



Data compiled Sept. 16, 2020.

Analysis includes U.S. whole company and minority deals that were terminated between Jan. 1, 2016, and Sept. 15, 2020. Includes deals that were terminated at bid stage.

Transaction value = deal value paid for equity and in cash plus the value of assumed current liabilities, net of current assets

Source: S&P Global Market Intelligence

POLLING QUESTION

Which U.S. financial institutions subsector has produced the great decline in M&A activity in 2020?

- a) Banking
- b) Insurance
- c) Financial Services
- d) Fintech

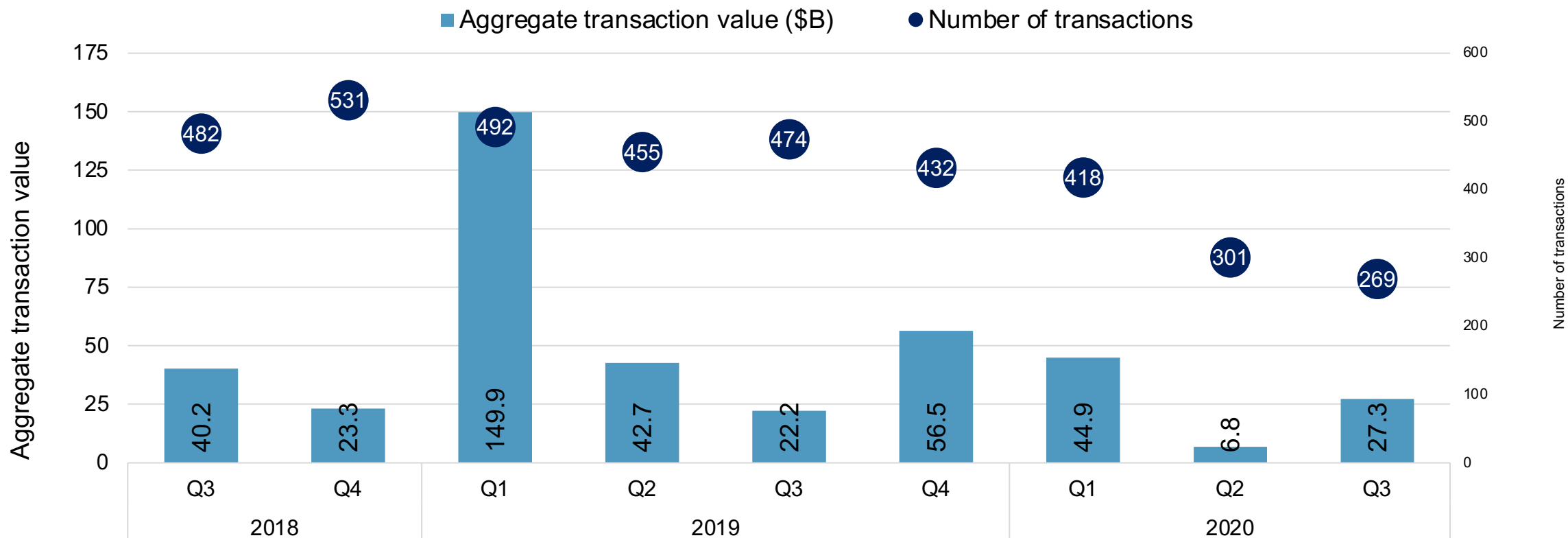
Challenging Times: M&A in the Banking Sector

Nathan Stovall

Principal Analyst, Financial Institutions Research

S&P Global Market Intelligence

US M&A deals since Q3'18 – Financials



Data compiled Sept. 4, 2020.

Analysis includes U.S. financials sector M&A deals publicly announced between July 1, 2018, and Sept. 3, 2020. Excludes terminated deals.

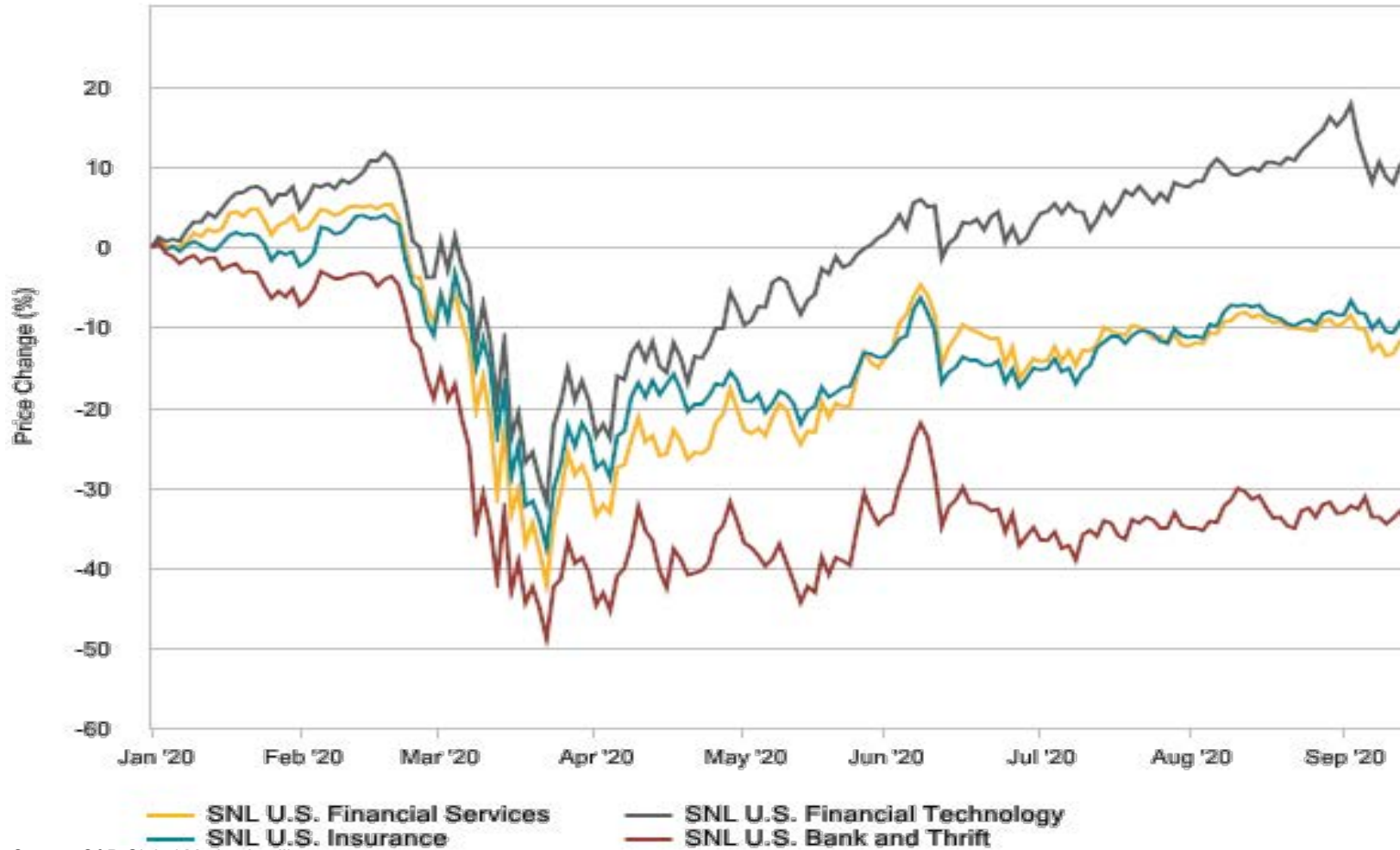
Transaction value is as of announcement date. Deal value used when transaction value is not available.

Transaction value = deal value paid for equity, plus the value of any assumed long-term debts.

Source: S&P Global Market Intelligence

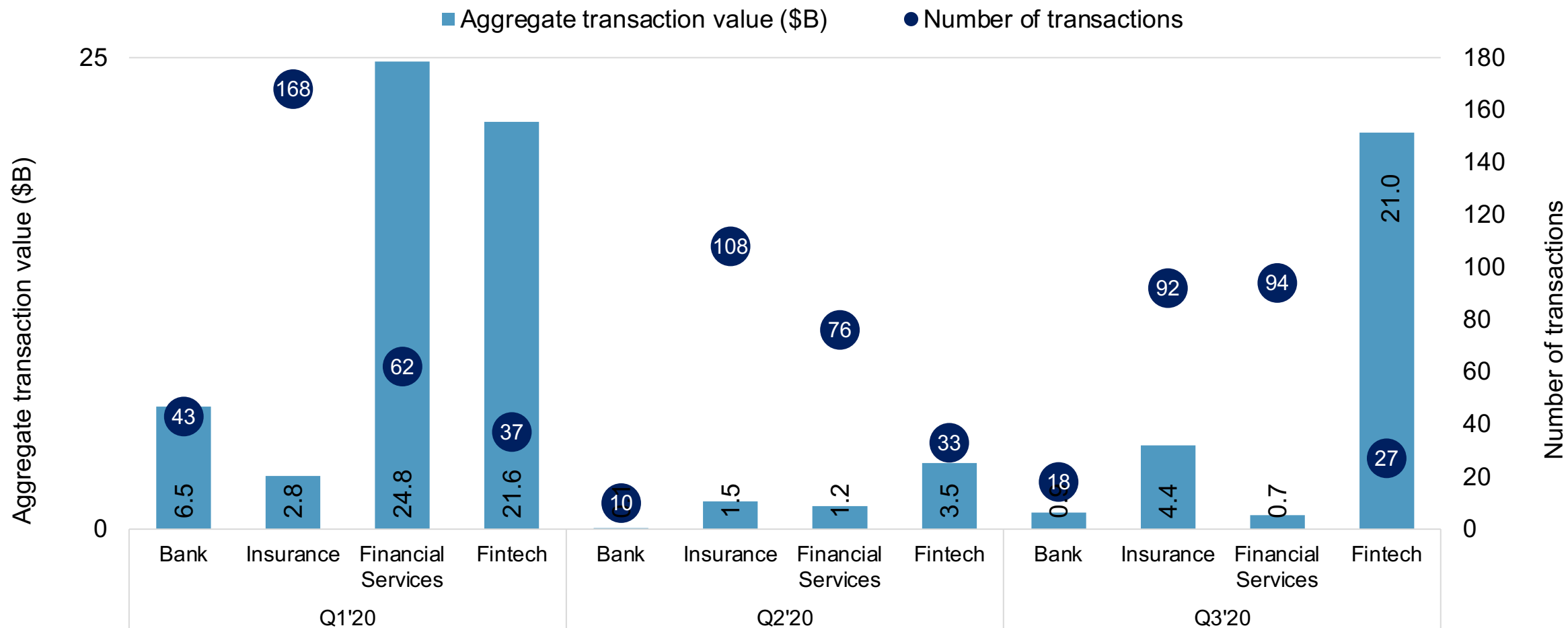
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Valuations have diverged across the financial institutions sector



Source: S&P Global Market Intelligence
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US M&A deals since Q3'18 – Financials by subsectors

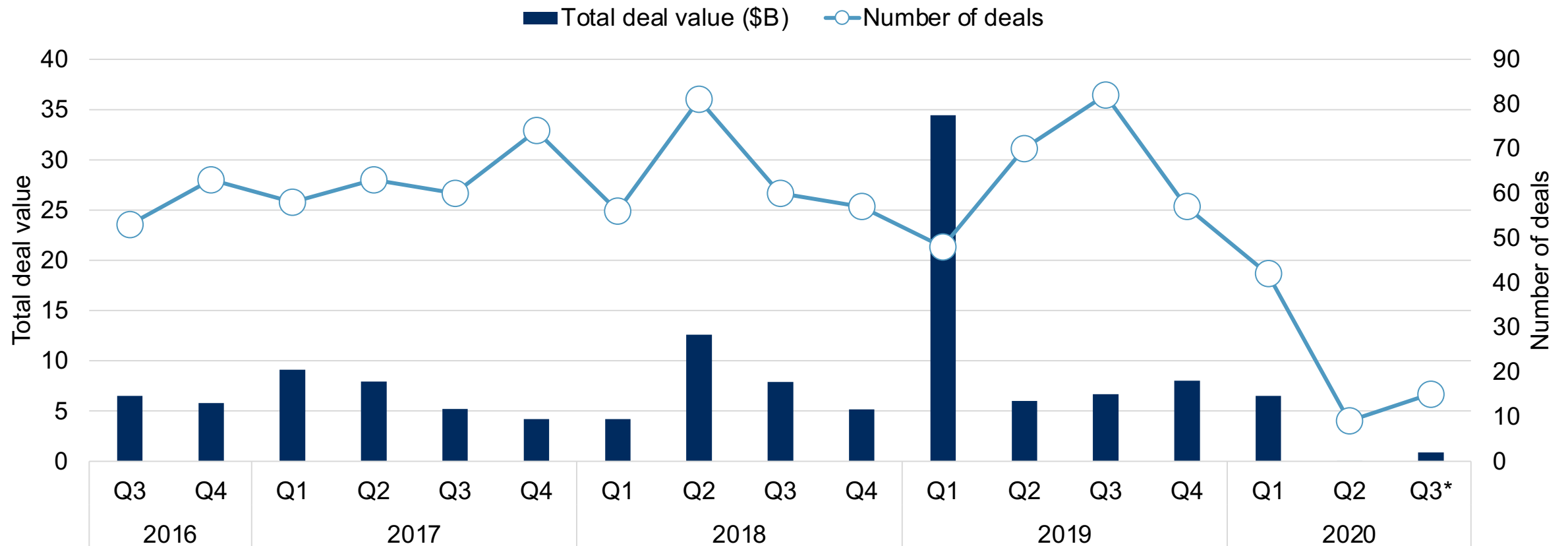


Analysis includes U.S. banking, insurance, financial services and fintech sector M&A deals publicly announced between Jan. 1, 2020, and Sept. 3, 2020. Excludes terminated deals. Transaction value is as of announcement date. Deal value used when transaction value is not available. Transaction value = deal value paid for equity, plus the value of any assumed long-term debts.

Source: S&P Global Market Intelligence

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Just nine bank deals announced in Q2'20 amid economic uncertainty



Data compiled Sept. 4, 2020.

Includes U.S.-based whole company and minority stake bank and thrift deals that were announced between July 1, 2016 and Aug. 31, 2020.

Analysis includes thrift merger conversions, but excludes branch, government-assisted and terminated deals.

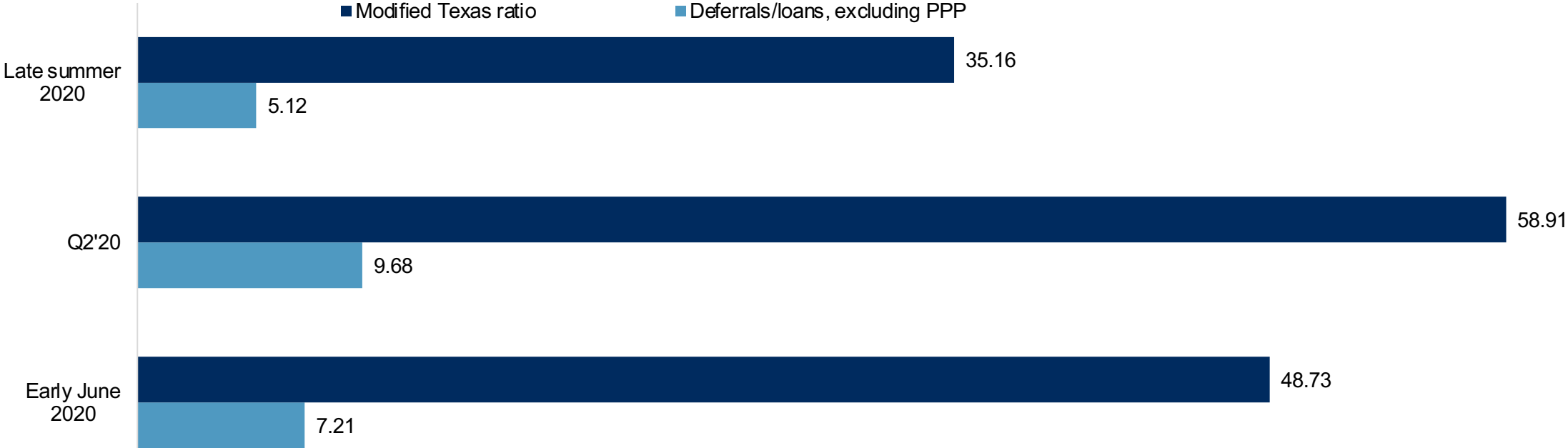
* Quarter-to-date through Aug. 31, 2020.

Deal values are as of the deal announcement date.

Source: S&P Global Market Intelligence Data Journalism Team.

Loan deferrals have declined notably in recent months

Modified Texas ratio, COVID-19 deferrals across the banking industry (%)



Data compiled Sept. 23, 2020.

PPP = Paycheck Protection Program

Modified Texas ratio = Loans deferrals plus nonperforming assets plus loans 90 days or more past due/ tangible common equity plus loan loss reserves.

Loans, including PPP loans, nonperforming assets, loans 90 days or more past due, tangible common equity and loan loss reserves based on the most recent quarter's data.

Balance sheet metrics used for the analysis in early June were based on first-quarter data, which did not include PPP loans. Balance sheet metrics used in the analysis for Q2'20 and late summer 2020 are based on second-quarter data. Analysis based on disclosures of publicly-traded banks compiled from sell-side research reports and public filings.

The median disclosure date for the 80 banks driving the late summer 2020 analysis was Aug. 31, 2020. The analysis for Q2'20 was based on disclosures from 387 publicly traded banks. The analysis for early June 2020 was based on disclosures from 150 publicly traded banks as of June 8.

Sources: S&P Global Market Intelligence; Raymond James; Piper Sandler; Stephens; Janney Montgomery Scott; Hovde; Compass Point Research & Trading; Keefe Bruyette & Woods; proprietary estimates

Stimulus, forbearance soften the economic blow but cloud the outlook

- Congress passes \$3 trillion stimulus package, supporting unemployment insurance, small business lending.
- Fed has nearly doubled its balance sheet, launching virtually every program from 2007-2009 and many new lending facilities.
- Unprecedented forbearance, Paycheck Protection Program, stimulus have propped up consumers, businesses but support is waning.
- As relief ends, economies continue to open, companies will gain greater comfort over asset values, prospects for future growth, helping restart M&A activity.

Data compiled Sept. 15, 2020.
Source: S&P Global Market Intelligence,

POLLING QUESTION

How do you think overall tech M&A spending in 2020 will compare to 2019?

- a) Down more than 25%
- b) Down 1-25%
- c) Flat
- d) Up 1-25%
- e) Up more than 25%

Areas of Opportunity: M&A in the Tech Space

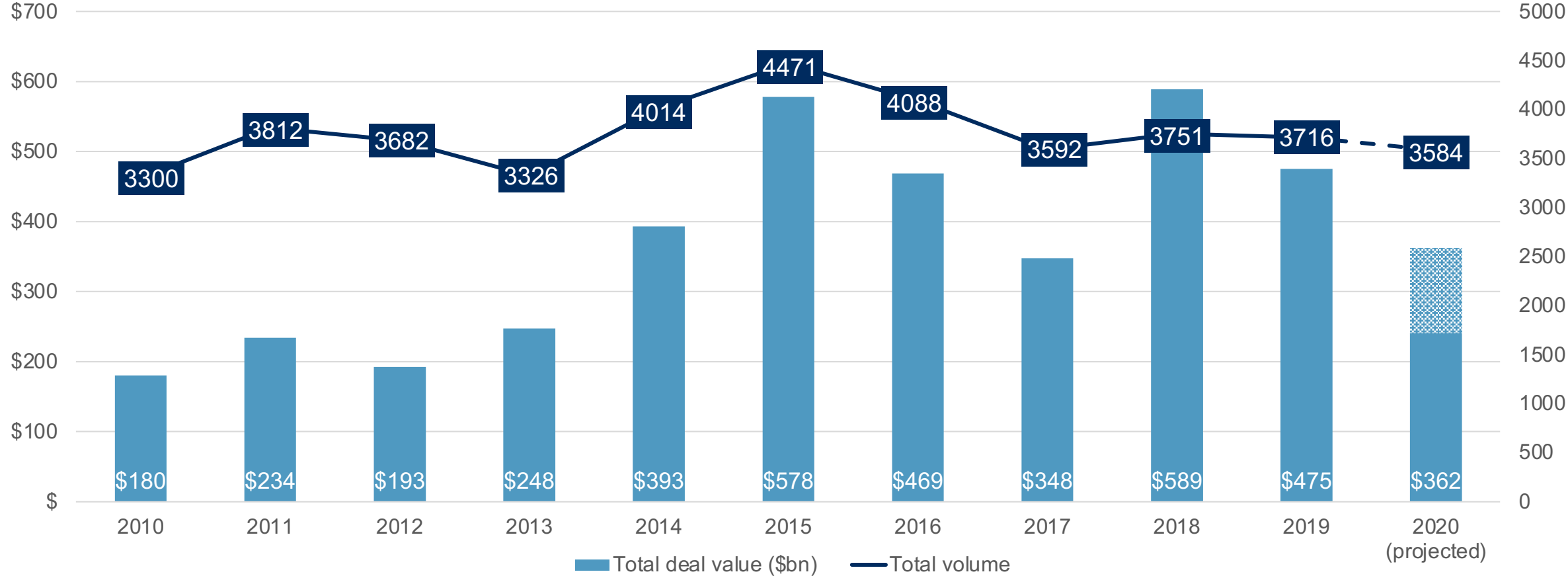
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Tech M&A

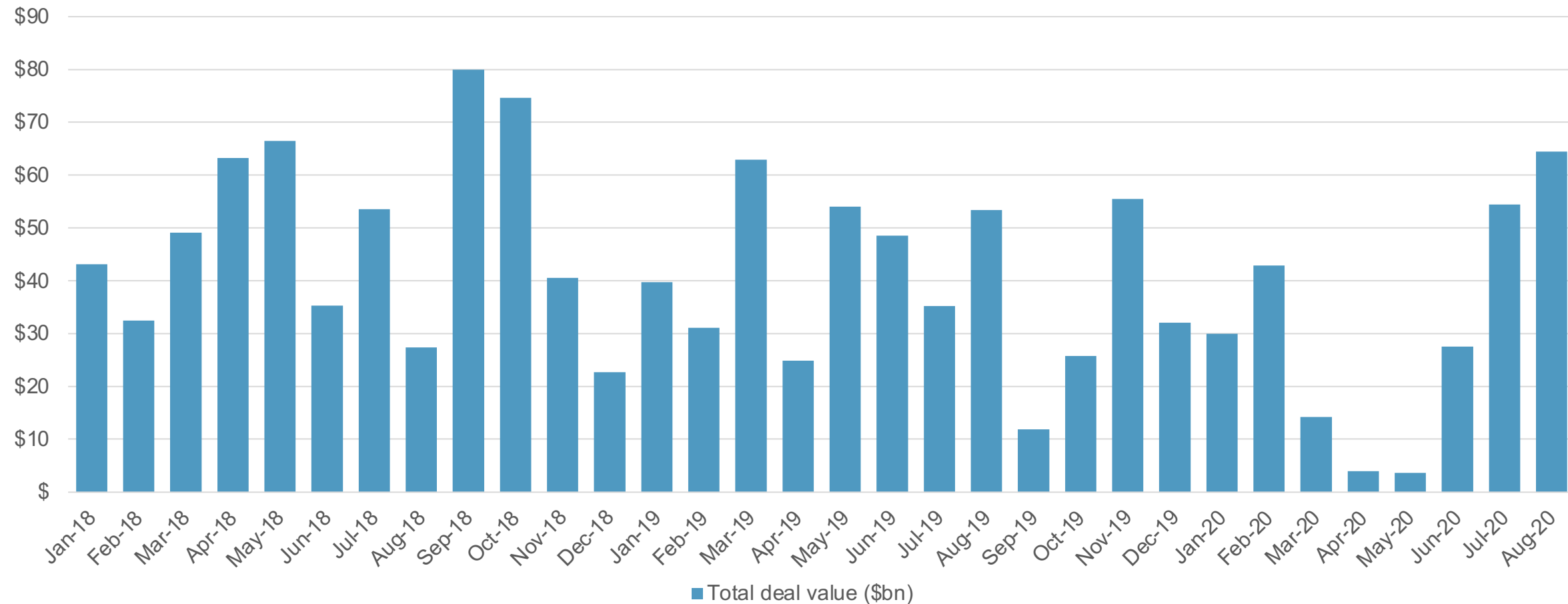
Annual worldwide tech deal flow



Source: 451 Research's M&A KnowledgeBase
Retrieved on 9/1/20

Tech M&A

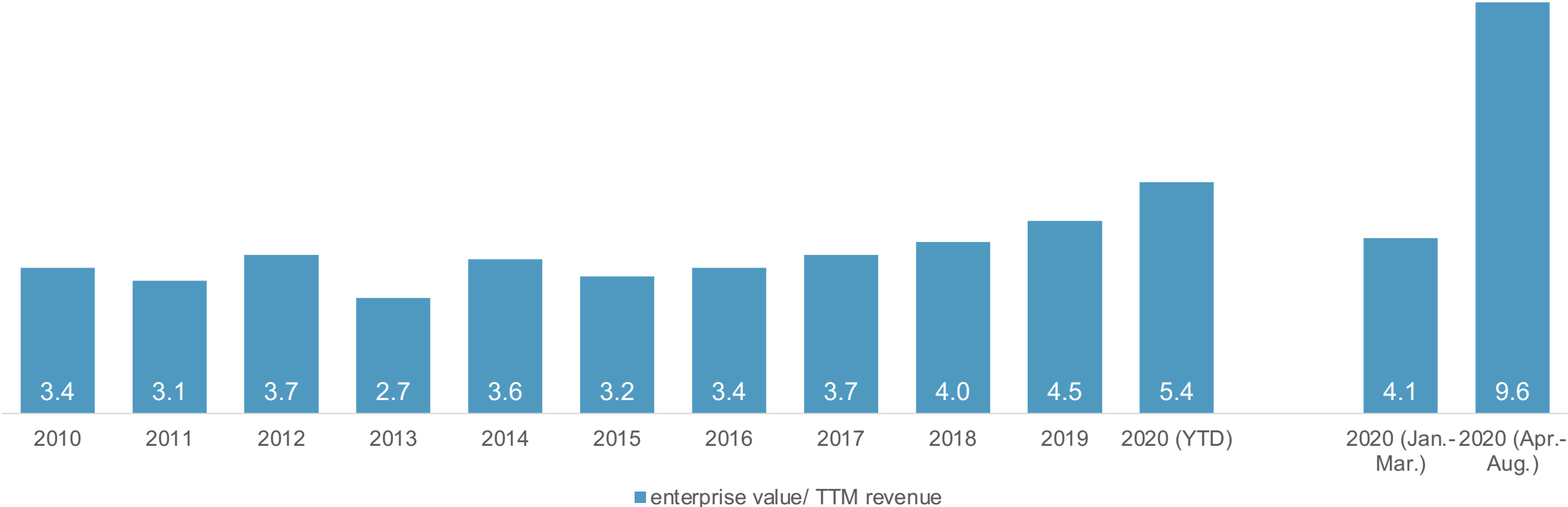
Monthly worldwide tech deal flow



Source: 451 Research's M&A KnowledgeBase
Retrieved on 9/1/20

Rising valuations in tech M&A market

Median valuation for tech acquisitions worth \$1bn or more



Source: 451 Research's M&A KnowledgeBase
Retrieved on 9/1/20

Notable tech deals since April

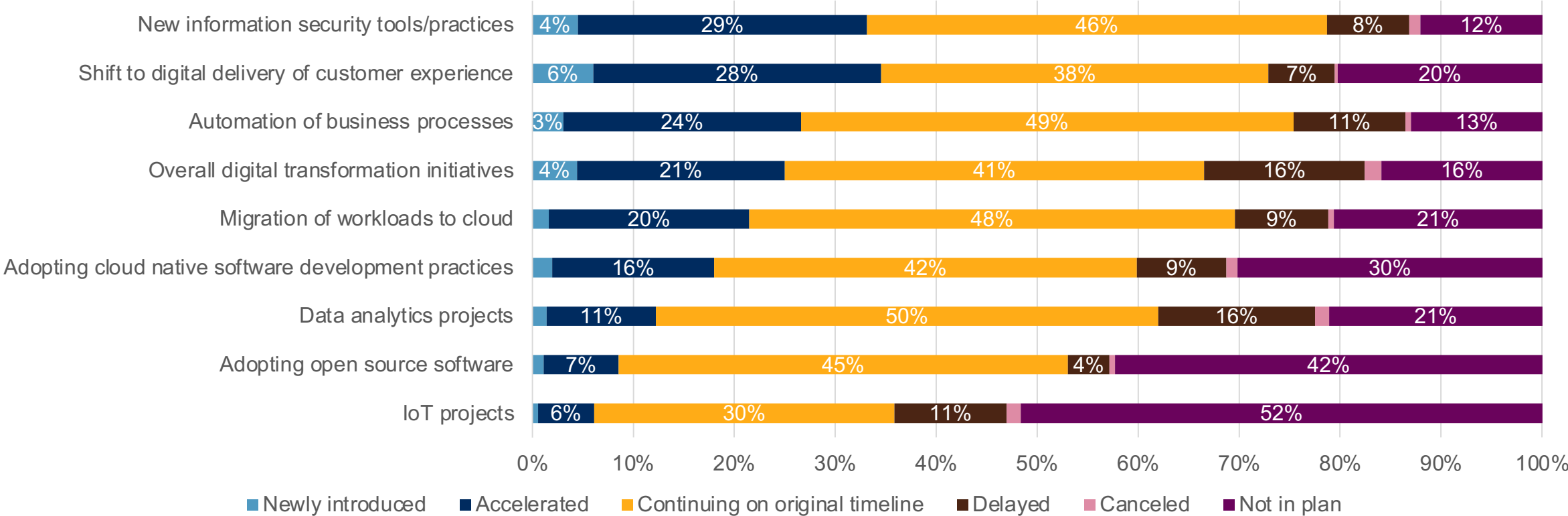
Acquirer	Target	Deal value	% paid in stock	price/rev.
Teladoc	Livingo	\$18.5bn	90%	88x
Just Eat Takeaway	Grubhub	\$7.1bn	100%	5x
Uber Technologies	Postmates	\$2.6bn	100%	6x*
Zynga	Peak Games	\$1.8bn	50%	3x*
Fastly	Signal Sciences	\$775m	74%	31x
dMY Technology Group	Rush Street Gaming	\$1.5bn	100%	24x
FinTech Acquisition Corp. III	Paya	\$1.3bn	46%	6x

Source: 451 Research's M&A KnowledgeBase and S&P Global Market Intelligence's Capital IQ
Retrieved on 9/9/20

* EV/ LQA revenue; all others EV/ TTM revenue

COVID-19's impact on technology spending

Q. For each of the following types of technology initiatives, please indicate how they were affected at your organization by coronavirus, if at all.



Source: 451 Research's Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey, June 2020
Retrieved on 9/8/20

Q&A

Please take the post-event survey!

Thank you for joining us.

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