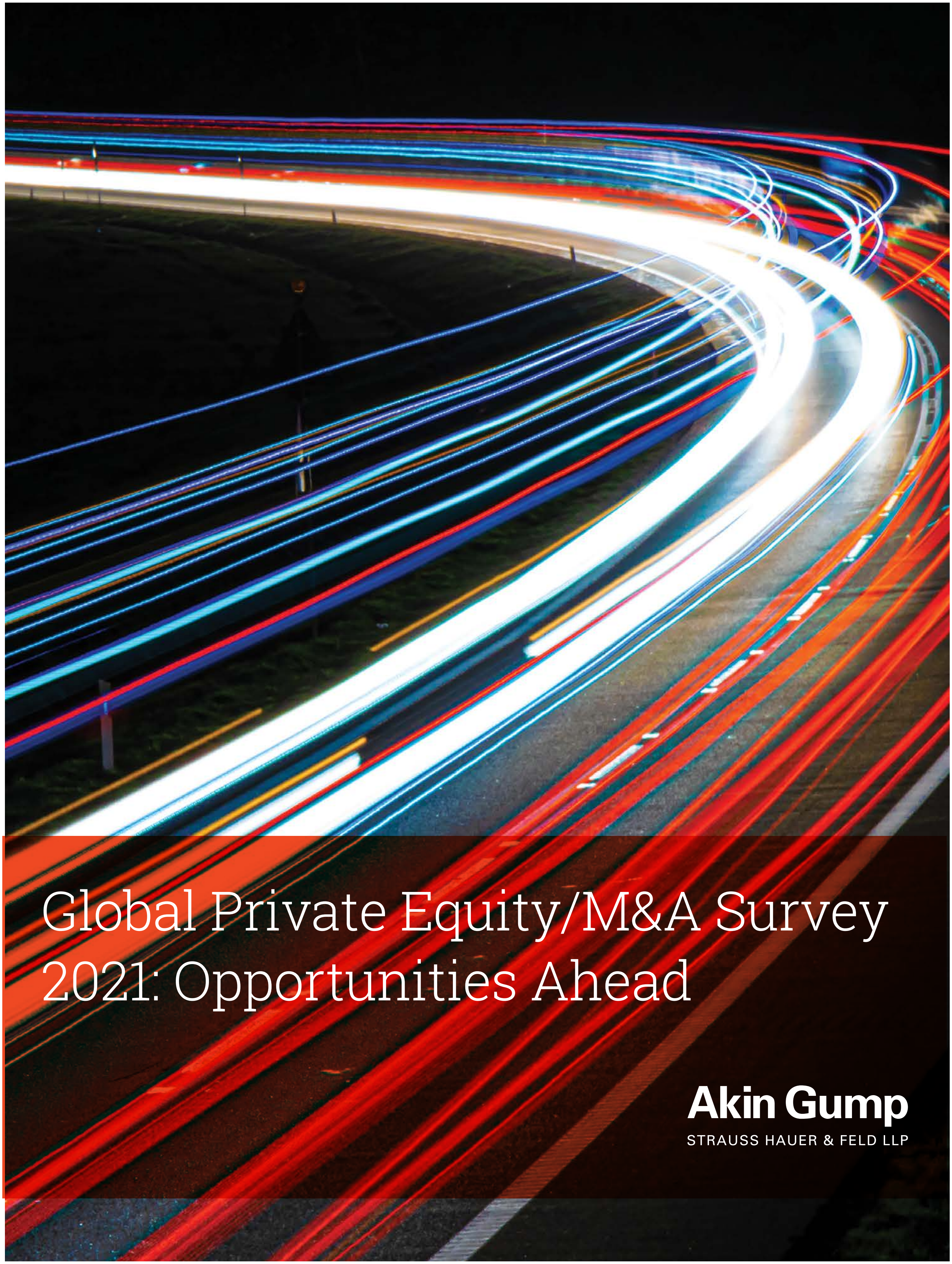

# Global Private Equity/M&A Survey 2021: Opportunities Ahead

Akin Gump
STRAUSS HAUER & FELD LLP

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# Introduction

Welcome to the Akin Gump Global Private Equity/M&A Survey 2021: Opportunities Ahead.

The last 12 months have been hugely challenging for dealmakers around the world but, after an initial period of disruption following COVID-19 lockdowns, activity has rebounded and merger and acquisition (M&A) investors are looking forward to 2021 with renewed optimism.

Dealmaking has changed during the pandemic, but M&A participants have been resilient and flexible. Dealmakers have adapted to remote due diligence, identified the sectors that offered the most value upside through (and in some cases because of) the COVID-19 dislocation period and recognized the need to sell and acquire assets to reshape business models in a post-pandemic world.

The recovery of stock markets, the rollout of COVID-19 vaccine programs, supportive central bank monetary policy and the large war chests available to private equity (PE) investors and special purpose acquisition companies (SPACs) all point to a buoyant M&A market in 2021.

In this report, we present the findings of a wide-ranging global survey of senior private equity and corporate dealmakers on their expectations for 2021 and share our outlook on the themes that will drive M&A over the next 12 months.

**Key Findings**

- The vast majority of survey respondents are optimistic about prospects for M&A activity. Close to 75 percent of our survey participants are either positive or very positive about the outlook for deals in the next 12 to 18 months.

- Almost 70 percent of survey respondents expect M&A valuations to be higher or unchanged despite the fallout from the pandemic. This will narrow the gap between vendor and buyer expectations in deal processes and facilitate transactions.

- There is substantial pent-up demand for exits going into 2021. More than half of the survey respondents have delayed a planned exit as a result of COVID-19, but close to 70 percent say delays will only be for six to 12 months.

- Dealmakers have vast capital at their disposal and are eager to put deployment schedules back on track. Private equity firms are sitting on $2.5 trillion of dry powder[1] and, according to PitchBook, SPACs raised a record $81 billion in 2020[2] that will need to be invested during the next two years.

- Deal activity clustered around resilient sectors throughout the course of 2020 and is expected to continue bifurcating on sector lines in 2021. Private equity respondents consistently rank technology, health care and consumer goods as their top three target sectors. More than half of PE investors put real estate and retail at the bottom.

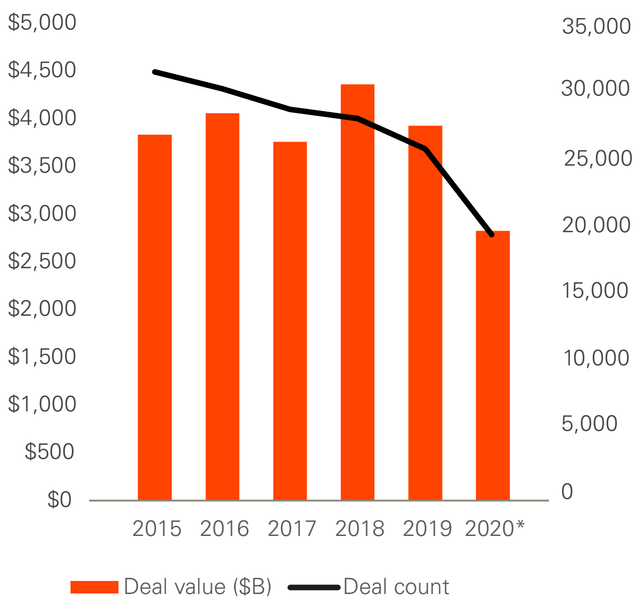
> "Optimism about M&A is well founded. There's a lot of dry powder and pent-up demand."
>
> **- Gavin Weir, Partner**

1 https://www.bain.com/insights/the-2-5-trillion-question-pod-cast/
2 https://www.spacresearch.com/newsletter

# M&A Outlook

M&A activity has inevitably felt the effects of stock market volatility, lockdowns and travel restrictions throughout the course of COVID-19 disruptions. Global deal volumes fell 24 percent to 19,554 deals in 2020, and deal value dropped 28 percent to $2.825 trillion.

## Global M&A activity by year




Source: Akin Gump/PitchBook Survey

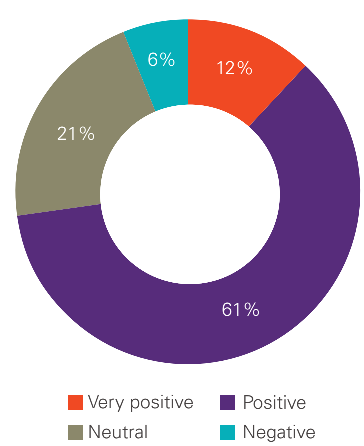
Yet despite the disruption to dealmaking in Q2 2020, a strong start to the year prior to lockdowns coming into force saw H1 2020 deal volume and value outpace figures for H2 2020. According to PitchBook, global deal volume and value totaled 9,390 deals worth $1.311 trillion in H2 2020, down 7.6 percent and 13.3 percent, respectively, from H1 2020. The market did, however, see a strong comeback in Q4 to counterbalance the drop in activity in March, April and May.

Respondents to our survey expect this momentum to continue throughout 2021. Just under three-quarters of those polled (73 percent) are either positive or very positive about the outlook for M&A activity over the next 12 to 18 months.

> "There is familiarity now with how the pandemic has impacted businesses. Professional investors are comfortable making investment decisions based on this information, and there is no longer a sense of fear of the complete unknown."
>
> **- David D'Urso, Partner**

Clear signals of increasing deal momentum were already emerging in the final quarter of 2020, with a series of megadeal announcements before Christmas. Cloud CRM platform Salesforce, for example, agreed to a deal valuing the direct messaging service Slack at $27.7 billion[3] in December, and in November, the board of U.K. insurer RSA gave its blessing for a £7.2 billion ($8.7 billion) takeover by Canada's Intact Financial and Denmark's Tryg[4].

## What is your outlook for M&A deal activity over the next 12 to 18 months?




Source: Akin Gump/PitchBook Survey

3 https://investor.salesforce.com/press-releases/press-release-details/2020/Salesforce-Signs-Definitive-Agreement-to-Acquire-Slack/default.aspx
4 https://www.cityam.com/insurer-rsa-receives-huge-7-2bn-takeover-bid/

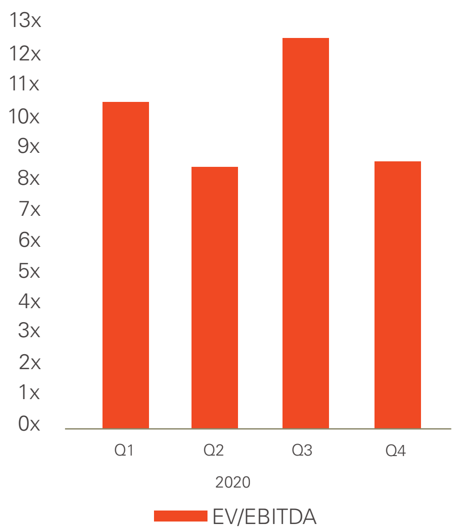
 

## Valuations Forecast to Hold in 2021

Confidence that there is more clarity and stability around deal valuations are among the key drivers behind this bullish sentiment. More than two-thirds of the dealmakers polled in our survey (69 percent) expect deal valuations to remain unchanged or track higher during the next 12 to 18 months.

This confidence stands in stark contrast to volatile multiples in the aftermath of the pandemic. According to PitchBook, multiples oscillated through 2020, sliding from 10.7x EBITDA in Q1 to 8.2x in Q2, before surging to 12.4x in Q3 and then settling back 8.3x in Q4.

### Global M&A EV/EBTIDA Multiples by quarter in 2020

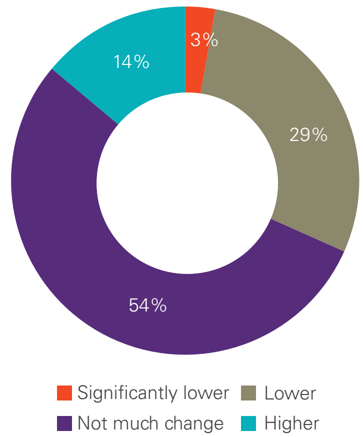



Source: Akin Gump/PitchBook Survey

The spikes and falls in multiples meant that valuation expectations between buyers and sellers diverged. Vendors did not want to crystalize deals at multiples significantly lower than those available pre-pandemic, and buyers were reluctant to pay high prices in an uncertain market, putting the brakes on deal flow.

Stable deal pricing will give vendors the confidence to launch sales processes with realistic expectations of achieving targeted realizations, while buyers are better positioned to assess how assets have traded through the COVID-19 dislocation period and get comfortable with meeting vendor pricing expectations.

### What are your expectations for M&A deal valuations over next 12 to 18 months?




Source: Akin Gump/PitchBook Survey

> "Certain companies currently have sky-high valuations - the Covid Premium - because they continued to do well despite the pandemic. That includes health care and tech-based companies.  There are also companies in other sectors that have received a valuation bump based simply on the fact that their business stood strong through the pandemic."
>
> - Tom McCaffrey, Partner

## Diversification Will Drive Dealmaking

Deal activity in 2021 will also be boosted by the broad pool of market participants that will turn to M&A for operational and financial reasons.

Close to 90 percent of survey respondents either agree or strongly agree that the range of M&A market participants will be materially affected by the COVID-19 aftermath and plan to enter deal markets to realign strategically or acquire necessary resources.

One obvious consequence of COVID-19 on business strategy has been the acceleration of digitalization across all sectors, prompting corporates to turn to M&A to accelerate digital capability.

In the retail space, for example, U.S. retailer Target acquired the technology assets of same-day delivery platform Deliv to boost online capability[5].

Companies will also pursue M&A to either strengthen and secure supply chains via vertical integration, as observed in deals such as Home Depot's purchase of key supplier HD Supply in a $9.1 billion deal[6]; or focus on core business and strengthen balance sheets, as seen in transactions such as BP's exit of its petrochemicals division in a $5 billion carve-out to chemicals group Ineos[7].

> "The nature of M&A investors is shifting. It's not just about corporates versus PE any more. We are seeing a lot of mainstream M&A activity from special situations funds, family offices and sovereign wealth investors."
>
> - David Antheil, Partner

Do you see COVID-19 as materially affecting the types of organizations that will do M&A deals over the next 12 to 18 months (as compared to the preceding 12 to 18 months)?

| | Percentage |
|---|---|
| Agree | 71% |
| Strongly agree | 18% |
| Disagree | 11% |
| Strongly disagree | 0% |

Source: Akin Gump/PitchBook Survey

Environmental, social and governance (ESG) is another key driver for M&A activity, as institutional investors pay more attention to ESG criteria when judging investability. Inflows into ESG exchange traded funds (ETFs) hit record levels in 2020[8], and corporates have taken steps to attract these capital flows. Dominion Energy, for example, sold its natural gas transmission and storage assets to Warren Buffett's Berkshire Hathaway in a deal valued at $10 billion, including debt, as part of its plans to become a utility provider focused exclusively on clean energy[9].

**Akin Gump's Commitment to ESG**

We are focused on assisting clients with their environmental, social and corporate governance concerns and we have experience both in green and sustainability-linked financings, as well as impact investing.

8 https://www.cnbc.com/2020/09/19/esg-sees-record-inflows-in-2020-top-issuer-talks-staying-power.html
9 https://www.cnbc.com/2020/07/05/warren-buffetts-berkshire-buys-dominion-energy-natural-gas-assets-in-10-billion-deal.html

## Private Equity and SPACs to Spur Deal Activity

In addition to the diverse strategic reasons that will drive M&A, private equity firms and SPACs will also accelerate deal activity in 2021.

Private equity firms have $2.5 trillion of dry powder to invest and are already moving to catch up on time lost during 2020, when their focus shifted to triaging the health of current investments and stewarding portfolios through the pandemic.

Firms now have better visibility of their own portfolios as well as how target companies have performed through the course of the pandemic, giving a clearer picture of future earnings and deal values.

With this foundation in place, and the clock ticking on unspent capital, private equity firms have returned to dealmaking with enthusiasm. After falling to $201.8 billion in Q2 2020, the lowest quarterly total for private equity buyouts since Q2 2013, private equity activity has rebounded strongly. Q3 2020 and Q4 2020 deal values of $270.2 billion and $292.3 billion respectively, represent the best two-quarter rebound since Q3 2009 to Q1 2010, with a 154 percent increase in deal value.

As 2020 drew to a close, a number of high-profile jumbo buyouts were announced, including Apollo's $1.9 billion take-private of Toronto-listed gaming business Great Canadian Gaming Corp[10].

These buyouts serve as a precursor for the sustained private equity deal appetite anticipated through the course of 2021.

SPACs, specialist acquisition vehicles that raise capital on stock markets and then invest in reverse acquisitions, also have vast sums of cash to deploy. SPACs raised a record $81 billion in 2020, more than six times the sum secured in 2019. SPAC terms usually require these vehicles to secure a deal within two years or return cash to investors, so SPAC sponsors will be actively seeking deals through the next 24 months to avoid having to hand money back to shareholders.

Sovereign wealth funds, family offices, special situations investors and hedge funds have also become increasingly active in the M&A market, seeking out opportunities to take a long-term view on companies that have been hard hit financially during the pandemic, but are otherwise financially sound. Many of them stepped in as white knight buyers to save businesses from failing or falling into the hands of creditors.

One such example is long-haul airline Virgin Atlantic, which was able to secure creditor support for a rescue deal that saw majority owner Virgin Group inject £200 million into business alongside the provision of £170 million of the additional debt funding by a U.S. hedge fund.

### Global PE activity in 2020 by quarter


Source: Akin Gump/PitchBook Survey

10 https://financialpost.com/news/fp-street/apollo-casino-deal-is-approved-after-bid-lifted-to-1-9-billion

## An Improved Backdrop

In addition to the various microeconomic factors driving various parties back to deals, the macroeconomic outlook is also vastly improved.

Stock markets have recovered, with the Dow Jones moving back into the black by the end of 2020 as it crested record highs in the final quarter of the year following successful COVID-19 vaccine trials and rollouts. Interest rates across the world remain at near-record lows, and gross domestic product (GDP) outlook is positive for 2021, with Morgan Stanley forecasting GDP growth of 6.4 percent for the year[11], after record levels of decline in 2020.

Meanwhile, the successful transition to a new administration in the U.S., the world's largest M&A market, removes a layer of uncertainty that would have muted deal activity levels. Indeed, many vendors may choose to bring exit timetables forward to 2021 ahead of any anticipated increases in capital gains and corporation tax under a Biden administration and Democrat-controlled House and Senate.

After a difficult year for M&A in 2020, the foundation is in place for a much more promising year ahead in 2021.

11 https://tinyurl.com/ybncgewc

## Regional Expectations

Travel restrictions and lockdowns have proven particularly challenging for cross-border M&A over the last 12 months, with cross-border deal value down by 28 percent year-on-year as investors focused on domestic deals. Domestic deals accounted for 68 percent of total deal value in 2020.

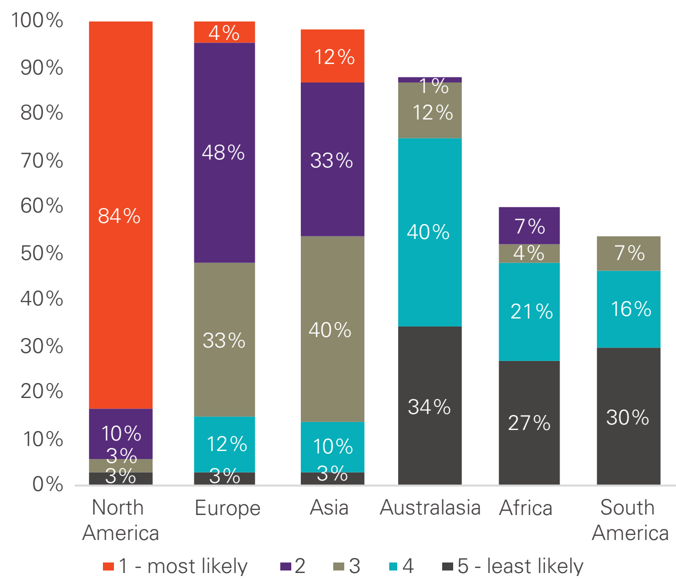
Cross-border deal activity, however, recovered towards the end of 2020, and the outlook for outbound and inbound M&A is positive now that dealmakers have the bandwidth to look beyond local markets for the best opportunities. Transatlantic deal activity certainly revived in Q4 2020, with U.S. private equity firm Lone Star paying £647 million for U.K. care home provider McCarthy & Stone[12], and Cisco acquiring IMImobile in a $730 million transaction[13]. More cross-border dealmaking across all regions is anticipated in 2021.

Respondents are predominantly optimistic about North America for near-term M&A activity, with the region ranking first for deal flow expectations and last in terms of a challenging environment for M&A. Asia was the next most popular jurisdiction, followed by Europe, with little interest beyond these three core geographies.

There are, however, nuances around the appetite for deals within the top three regions. For example, survey respondents identified China as a market that was both challenging and promising.

12 https://www.penews.com/articles/lone-star-agrees-final-647m-deal-to-buy-uks-mccarthy-stone-20201207
13 https://newsroom.cisco.com/press-release-content?-type=webcontent&articleId=2130728

### Which regions are likely to drive the most M&A activity in the next 12 to 18 months? Rank from most likely (1) to least likely (5).




Source: Akin Gump/PitchBook Survey

This sentiment reflects the country's long-term growth outlook, but acknowledges the heightened geopolitical tensions between China and the West. It is also indicative of the tighter national security criteria that governments across the world are applying to incoming overseas M&A investment.

Navigating these national security hurdles will prove challenging for dealmakers, but, with appropriate preparation and gating measures, M&A investors will continue to pursue strategic cross-border M&A activity.

# Industry Expectations

The bifurcation of M&A activity by sector has been one of the most striking features of the market during the COVID-19 disruption.

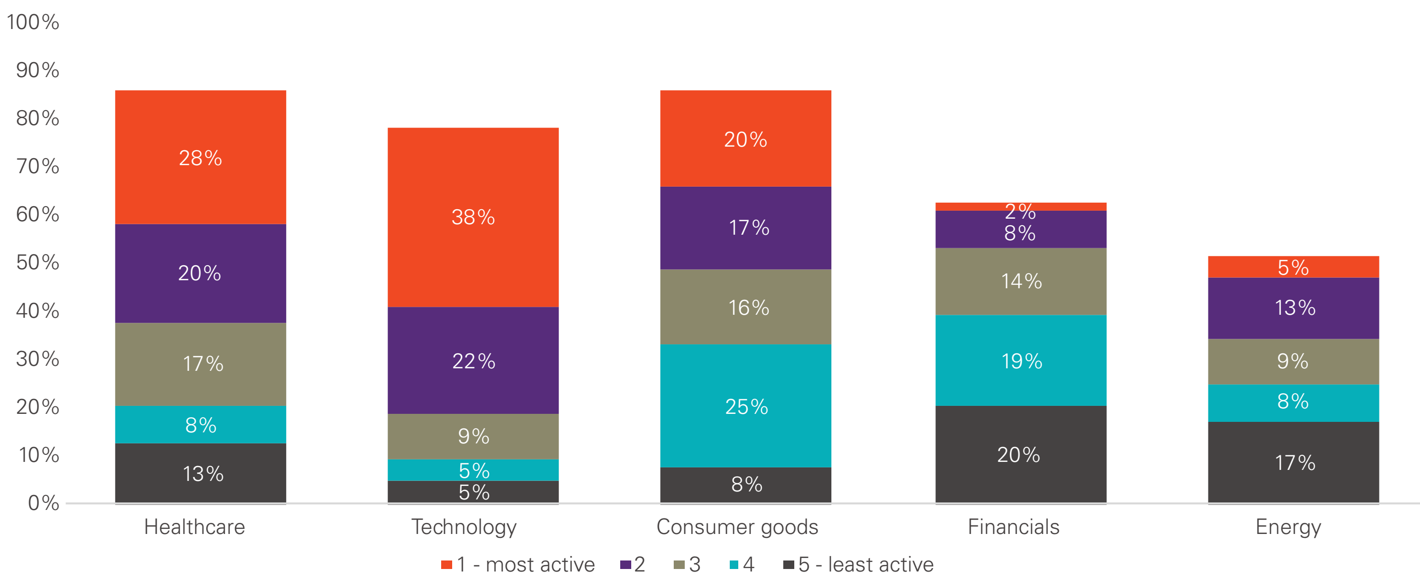
Dealmakers quickly identified sectors such as technology and health care as the most resilient and clustered around high-quality assets in these selected industries.

According to PitchBook, technology M&A activity decreased at a relatively slow rate through the course of 2020, falling from 4,708 deals worth $635.9 billion in 2019 to 4,052 deals (-17 percent) worth $526.5 billion in 2020 (-14 percent). Health care M&A volume and value also declined at similar rates, from 2,544 deals valued at $516.3 billion in 2019 to 2,129 transactions (-16 percent) worth $447.5 billion in 2020 (-13 percent). This compares to a 24 percent decline in overall deal volume and a 28 percent fall in overall value in 2020.

This trend has been mirrored across stock markets. The Dow Jones U.S. Technology Index, for example, was up more than 45 percent for 2020[14], while the Dow Jones U.S. Health Care Index also recorded double-digit gains for the year[15]. Both indexes have outperformed the Dow Jones Industrial Average[16].

The popularity of sectors such as health care and technology reflects their position at the core of the response to the pandemic. COVID-19 accelerated the shift towards widespread adoption of digital solutions for shopping, work, logistics, entertainment and education, opening up huge opportunities for investors and dealmakers in industries that would otherwise have taken longer to unlock the growth potential of going digital.

## Which industry sectors do you expect to be most active for PE investment in the next 12 to 18 months? Rank from most active (1) to least active (5) *.




* The figures in the above graph do not reach 100% because not all respondents selected those sectors from a longer list of options.

Source: Akin Gump/PitchBook Survey

14 https://www.marketwatch.com/investing/index/djustc?countrycode=xx
15 https://www.marketwatch.com/investing/index/djushc?countrycode=xx
16 https://www.marketwatch.com/investing/index/djia

Indeed, technology and health care deals continued apace at the peak of pandemic volatility. In April, for example, Facebook went ahead with a $5.7 billion deal for a 9.99 percent stake in India-based technology and telecoms conglomerate Reliance Jio[17], and in May, U.S. pharma group Alexion paid $1.4 billion to acquire Portola Pharmaceuticals[18].

This pivot towards deals in technology and health care came through strongly in the survey results, with respondents expecting these two industries to be the most active for M&A in the next 12 to 18 months. Well over one-third of respondents (38 percent) picked technology as the sector likely to be the most active, with 28 percent selecting health care.

Momentum behind these sectors carried into Q4 2020, with jumbo deals in both industries. AstraZeneca, for example, announced a $39 billion deal to acquire Alexion in December[19], and in October, computing and graphics group AMD made a $35 billion swoop for datacenter operator Xilinx[20].

The relative health of technology and health care for M&A stands in stark contrast to the depressed appetite for sectors that were already under pressure pre-pandemic, such as physical retail, energy and real estate. Retail deal value for 2020 was down 46 percent, with energy and real estate deal value falling by 54 percent and 30 percent, respectively.

Earnings in these struggling industries and others directly impacted by lockdowns, such as aviation and leisure and entertainment, have been hit hard, and companies have been burning through cash to survive. Dealmakers have generally put activity in these industries on hold until a clearer picture of COVID-19's long-term effect on business models and valuations emerges.

Embattled industries, however, could deliver defensive and distressed transactions in 2021, as observed in recent transactions such as energy company ConocoPhilips bidding $9.7 billion for Concho Resources[21] to build an independent energy player with the scale to maintain profitability against a backdrop of prolonged low oil prices and a $520 million bid for newspaper publisher Tribune Publishing by a U.S. hedge fund. In another deal in the oil and gas space, Chrysaor, backed by private equity firm Harbour Energy, undertook a reverse takeover of Premier Oil, which had been seeking to raise equity to deleverage and restructure debt[22].

Distressed and special situations deal activity is expected to rise even further in 2021, as government financial support measures unwind and more clarity forms around where value exists in capital structures.

"Some industries are less appealing to the majority of investors - retail, restaurants and healthclubs. Still, professional investors are always looking for investment opportunities, and those industries could be attractive to distressed investors where there will be less competition chasing deals in 2021."

- Gavin Weir, Partner

17 https://edition.cnn.com/2020/04/22/tech/facebook-india-reliance-jio/index.html
18 https://ir.alexion.com/news-releases/news-release-details/alexion-completes-acquisition-portola
19 https://www.cnbc.com/2020/12/12/astrazeneca-to-buy-alexion-for-39-billion-to-expand-in-immunology.html
20 https://www.forbes.com/sites/davealtavilla/2020/10/28/amds-35-billion-acquisition-of-xilinx-is-another-stroke-of-strategic-brilliance/?sh=13979c151c9f

21 https://uk.reuters.com/article/us-concho-resources-m-a-conocophillips/conocophillips-to-buy-concho-resources-for-9-7-billion-in-2020s-top-shale-deal-idUKKBN2741E0
22 https://www.ft.com/content/5289be40-7a45-4598-b16b-8357775aa6dc

# Finding the Exits

Private equity exit activity was muted in 2020, with exit deal count falling 31.7 percent to 1,749 exits. This represents the lowest annual total for private equity exits since 2009. Exit deal value was down 8.4 percent to $734.5 billion, the lowest annual total for exit value since 2013.

The slowdown in exit activity highlights the fact that private equity firms skewed towards protecting value within existing portfolios rather than positioning businesses for sale. Well over half of the survey respondents (57 percent) said they had delayed planned exits, reflecting the reluctance of financial sponsors to sell assets at reduced valuations or run the risk of a broken auction in a volatile market.

The delays to exit timetables, however, have created pent-up exit pipelines, and private equity firms are expected to resume exit plans in 2021. Two-thirds of respondents will not delay exits by more than 12 months.

The lockdown period has afforded financial sponsors the opportunity to get very close to their portfolios. More than a third of survey participants (36 percent) have focused on improving operational performance, and over a fifth (21 percent) implemented cost-cutting strategies. Locking in growth through add-on acquisitions was a focus for 18 percent.

## Which of the following best describes your strategy for the investments you will exit later than planned?

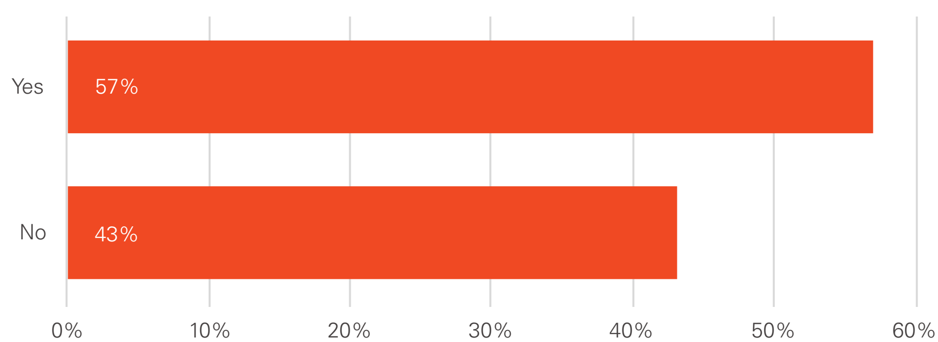
| | Percentage |
|---|---|
| Improving operational performance | 36% |
| Implementing new cost-cutting measures | 21% |
| Growing through add-on acquisitions | 18% |
| Focusing on reworking the company's capital structure | 14% |
| Other | 9% |
| Selling off noncore assets or carveouts | 2% |

Source: Akin Gump/Pitchbook Survey

The combination of recovering M&A multiples and investment in portfolio management will put companies in good positions to attract buyers through 2021. High-profile exits, such as L Catterton's $800 million sale of hot sauce maker Cholula to strategic buyer McCormick & Company[23], will give other financial sponsors the confidence to launch sales processes.

After a lull in sales through 2020, exit activity is forecast to accelerate over the next 12 months as buyout firms move to make up for lost time.

## In the last 12 months, have you delayed any of your planned portfolio investment exits?




Source: Akin Gump/Pitchbook Survey

23 https://eu.usatoday.com/story/money/2020/11/24/mccormick-acquires-cholula-hot-sauce-brand-800-million/6407485002/

# How M&A Has Adapted and Evolved

Travel restrictions, lockdowns and volatility across capital markets have obliged dealmakers to reappraise strategies, assess financing options and apply creative processes to due diligence and deal structuring to get transactions over the line.

## Investment Strategies

Despite large-scale disruption, M&A investors have resisted knee-jerk reactions and taken a long-term view on investment strategy.

Just under half of the survey respondents (49 percent) took a long-term view and stayed the course with existing investment strategies, and 18 percent proceeded with plans to launch new strategies. Only 8 percent abandoned a new strategy.

Private capital investors, however, are open to investment opportunities that could emerge post-pandemic, with more than a quarter (26 percent) exploring new strategies to build on to existing investment platforms.

PitchBook data, for example, shows that fundraising for distressed debt and special situations funds accounted for 34 percent of total debt fundraising in 2020, up on the 19.1 percent share of these strategies in 2019.

Expect sponsors to remain focused on opportunities to tap markets for new investment strategies that present themselves in 2021.

### Which of the following impacts has the pandemic and economic downturn had on your overall investment strategy?

| | Percentage |
|---|---|
| Stayed the course with existing strategies | 48% |
| Explored a new strategy | 26% |
| Pursued a planned new strategy | 18% |
| Abandoned a planned new strategy | 8% |

Source: Akin Gump/PitchBook Survey

"Investors and advisers have adapted very quickly and taken a long term view. Agility and patience will pay off."

- David D'Urso, Partner

## Deal Structuring and Deal Types

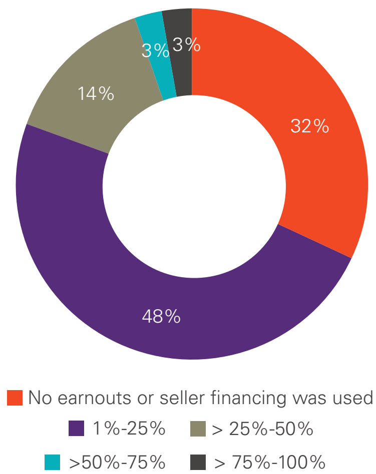
Uncertainty around valuations and business performance has required a creative approach to deal structuring to give buyers the necessary comfort on future performance and allow vendors to lock in acceptable prices.

More than two-thirds of respondents (68 percent) reported using earnouts over the past 12 months, though the majority of them comprised less than 25 percent of the purchase price.

Respondents have used other tools at their disposal, including increased rollover from sellers and catch-up provisions for certain private equity transactions. Price kickers linked to commodity prices, non-priced convertible debt and rental guarantees have been some of the other terms included in deal documentation.

Deal types have also shifted through the pandemic, with financial sponsors, in particular, demonstrating the flexibility to explore minority investments, ambitious take-private deals and private-investment-in-public-equity (PIPE) deals.

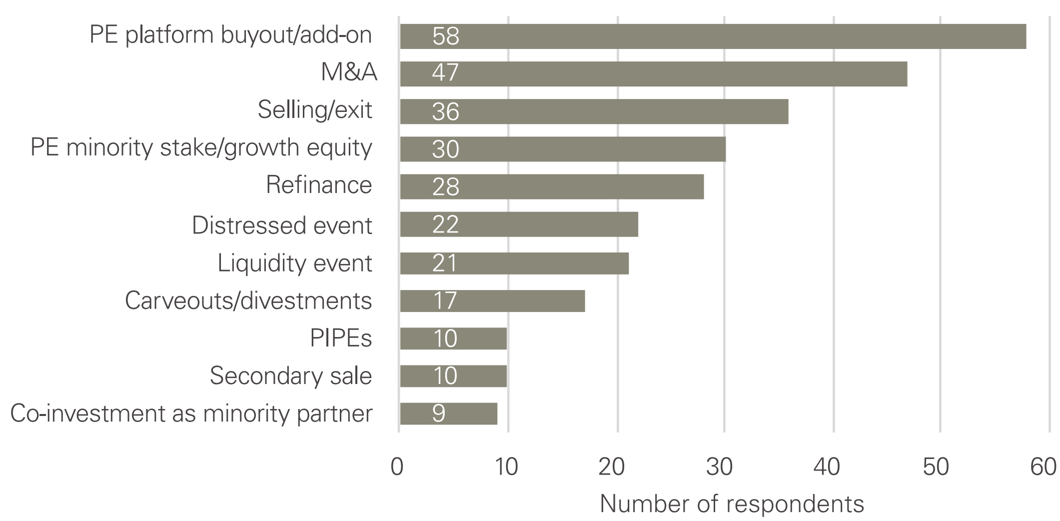
### When making investments in the previous 12 months, what percentage of the purchase price comprised earnouts or seller financing?




Source: Akin Gump/PitchBook Survey

As markets have stabilized, however, the survey findings indicate that dealmakers will shift back towards core deal types in 2021. Both strategic and private equity buyers chose M&A and platform buyouts/add-ons as the types of deals their organizations were most likely to pursue during the next 12 to 18 months.

### In what types of deals are you or your organization most likely to be involved over the next 12 to 18 months?



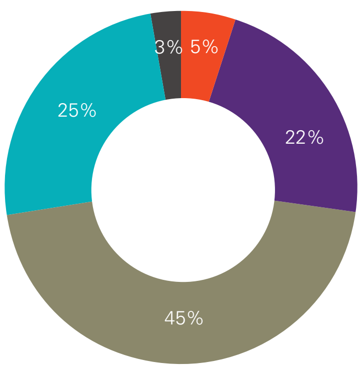

Source: Akin Gump/PitchBook Survey

## The Rise of Direct Lending

Direct lending proved to be an important source of deal financing in 2020, and respondents ranked direct lenders as the most likely source of debt capital to finance deals during the next 12 to 18 months, ahead of banks and credit funds.

Direct lenders have been able to offer fixed terms and pricing on day one, allowing borrowers to avoid the risk of loans being flexed or failing to syndicate in volatile leveraged finance markets. The uncertainties of the pandemic have also favored the relationship-based approach of direct lenders, which hold debt rather than selling down through syndications.

### When making investments in the next 12 to 18 months, what percentage of the purchase price do you expect to fund with third-party debt?




Source: Akin Gump/PitchBook Survey

Direct lending has also provided an alternative to traditional bank finance. Banks have been tasked with disbursing large volumes of various government-backed support loans and have also faced large drawdowns from the revolving credit facilities of existing clients. According to Standard & Poor's (S&P), more than $220 billion was drawn down from credit revolvers in March and April in the U.S. alone[24]. With banks stretched and focused on existing clients, direct lenders have stepped in to fill the gap.

### Who are the most likely sources of debt capital/finance to support your (or your client's) deals over the next 12 to 18 months?

| | Rank |
|---|---|
| Direct lenders | 1 |
| Banks | 2 |
| Credit funds | 3 |
| PE investors | 4 |
| Special situations funds | 5 |
| Family offices | 6 |

Source: Akin Gump/PitchBook Survey

Direct lenders have also been able to underwrite increasingly sizeable credits. According to PitchBook, direct lenders have $241 billion of capital available to deploy after a bumper period for direct lending between 2017 and 2019, when direct lenders raised some $213 billion.

The provision of a £1.875 billion unitranche loan by Ares Management to HPS Investment Partners and PE-backed insurance broker Ardonagh in June 2020 was the largest unitranche facility in history[25] and demonstrates the growing ability of direct lenders to fund jumbo credits. As deal activity rebounds, direct lenders will play an important role in funding deals.

Almost 95 percent of respondents expect to use third-party debt over the next 12 to 18 months. Most respondents (67 percent) expect to borrow less than 50 percent of the purchase price, but a sizable portion, almost 25 percent, expect to borrow between 50 percent and 75 percent.

Akin Gump will be diving into this topic further in an upcoming report focused on the private debt investment landscape.

24 https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/coronavirus-related-revolving-credit-drawdowns-grow-to-222b-via-414-issuers-58013811

25 https://www.businesswire.com/news/home/20200622005618/en/Ares-Management-Corporation-Leads- percentC2 percentA31.875-Billion-Commitment-to-The-Ardonagh-Group-in-Largest-Ever-Unitranche-Financing-Transaction

# Conclusion

Our survey findings show that, despite profound disruption and uncertainty in capital markets in the first half of 2020, M&A activity has remained resilient and is well positioned going into 2021.

Deal activity has clustered around high-quality assets in sectors that have sat at the core of the response to the pandemic, such as technology and health care, but opportunities to invest in distressed companies directly impacted by pandemic restrictions at attractive valuations have also emerged.

Despite continuing uncertainty around the length of time it will take before economies fully reopen and recover, the past year has shown the resilience of investors to adjust to these uncertainties and forge ahead. Dealmakers have adapted to social distancing and travel restrictions and turned to technology to facilitate interaction, due diligence and complete transactions. Although the timing of a return to "normal" (or even what normal will mean) remains as unclear as ever, market pressures such as high levels of liquidity and dry powder, a backlog of planned exits, continued strength in stock markets and rising distressed M&A opportunities point to a busy year for dealmaking in 2021.

> "Despite profound disruption and uncertainty M&A investors are well-positioned for 2021 and beyond."
>
> \- Gavin Weir, Partner

# Methodology

Akin Gump and PitchBook completed a global survey of more than 120 senior investment professionals in Q4 2020 on their views of M&A and expectations for the year ahead.

The majority of respondents were senior deal executives with more than 10 years of M&A experience. Just under half of survey participants were in the PE industry, each one representing (on average) funds with more than $5 billion in assests under management (AUM).

Akin Gump has donated $5,000 to the Global Fund for Children (GFC) on behalf of survey participants. The GFC is a global nonprofit dedicated to finding, funding and coaching local organizations that empower young people worldwide.

global fund for children

**Commitment to Diversity and Inclusion**

Akin Gump's commitment to diversity and inclusion is steadfast. We value our culture of inclusiveness, where differences are seen as strengths, where varied perspectives are welcomed and where our workforce reflects the diversity in our world. Our diversity and inclusion efforts include a deep commitment to partnering with our clients. In our view, there is no better way to enhance success in diversity and inclusion than working hand in hand with our clients to create opportunities, hold ourselves accountable and create relationships that flourish. For further information on the firm's diversity and inclusion efforts, please click here.

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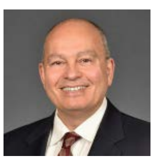

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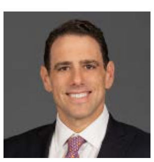

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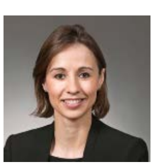

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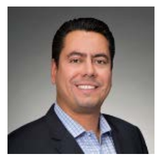

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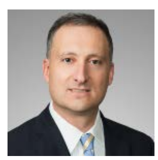

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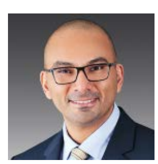

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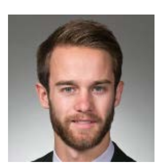

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Akin Gump Strauss Hauer & Feld LLP is a leading global law firm providing innovative legal services and business solutions to individuals and institutions. Founded in 1945 by Richard Gump and Robert Strauss with the guiding vision that commitment, excellence and integrity would drive its success, the firm focuses on building lasting and mutually beneficial relationships with its clients. Our firm's clients range from individuals to corporations and nations. We offer clients a broad-spectrum approach, with over 85 practices that range from traditional strengths such as appellate, corporate and public policy to 21st century concentrations such as climate change, intellectual property litigation and national security.

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