



Global Acquirer Trends

H1 2023

Overview

This is the 10th edition of our Global Acquirer Trend (GAT) analysis and every year it provides some interesting insights into cross-border deal-flows, but H1 2023 displays some of the clearest changes in investment stances that have presented themselves since we started in 2017.

Overall Deal Volumes

Despite what one might expect given the narratives on M&A in mainstream news channels, overall deal volumes almost doubled globally in H1 2023 compared to the

same period last year. This was driven significantly by dramatic growth in investment within our Rest of World category, predominantly made up of Africa and South America. Historically a small part of the deal set, the dramatic increase in investment within and between the two continents means in future we will be justified and indeed required to separate them out to understand these regional trends more fully. Amongst other markets, the UK&I and North America both saw meaningful uplifts in deal volumes year on year, with North America seeing 16% growth in domestic M&A activity and 15%

in inward investment from other regions. The UK saw inward investment up 12% and a big step up in internal market transactions (+45%), resulting in deal volumes in total rising almost 30%. Various major investment programmes in the US, in particular the Inflation Reduction Act (which on many measures is larger in real terms than the New Deal credited with helping the US out of the Great Depression) have contributed clearly to the attractiveness of North America. However, the reasons for the UK's strong performance are less clear. It is possible that the increased domestic political stability versus the multiple government leadership contests in 2022 has removed a break on some investments. Possibly a weak sterling following none the less, against the backdrop of limited growth and sustained inflation, the uplift will be surprising to many.

Focus on the UK&I

While overall inbound investment and domestic investment were both up, the most active inward investors and the most active sectors remained consistent year on year. North America represented 46.6% of all inbound investments to the UK (versus 46.5% in the comparator period) and Continental Europe 21.1% (22.6%). On an industry sector basis, all performed well but the major transacting sectors remained consistent year on year, with Software (379 deals, +28%); Other Services (275 deals, +37%) and Financial Services (160 deals, +13%) all performing well. Despite the pressure on consumer spending, the Food sector, and to a lesser degree. Consumer Markets overall, showed a good uplift in investments. Encouragingly, UK Manufacturing also saw a significant uplift in transaction volumes, albeit most of the uplift appears to be within the electronics market, where deal volumes trebled, perhaps driven by supply-chain related factors.

Asian Volume Regression

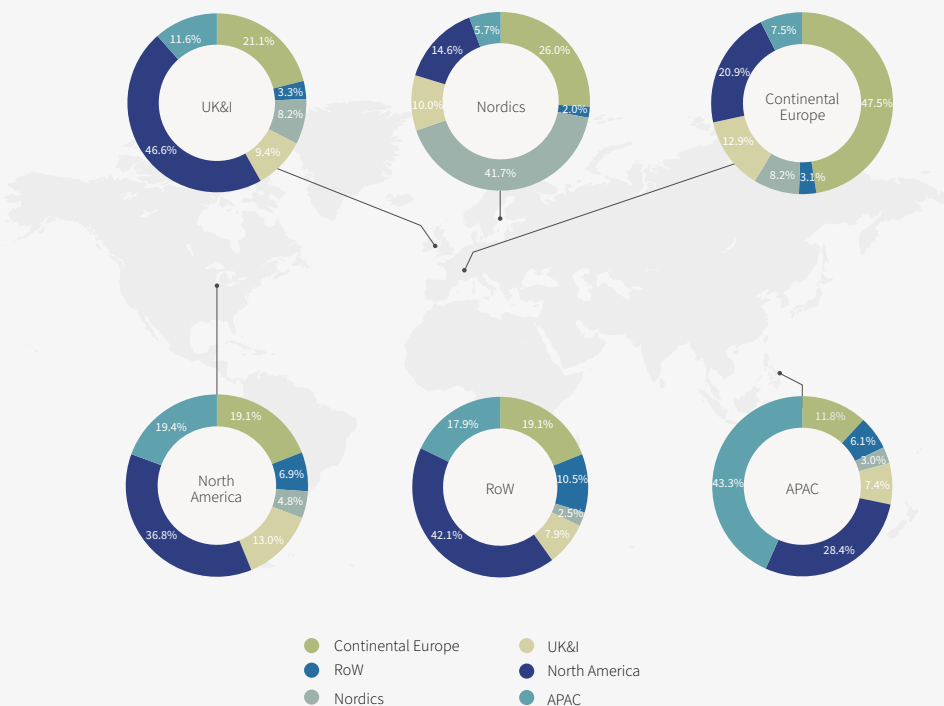
The most profound trend in our data however relates to the APAC region. This is a huge region economically and has consistently grown more and more important to international trade and economic influence. Indeed the UK's most significant trade deal since Brexit has been its joining the Pacific-centric CPTPP whose members include Japan, Malaysia and Vietnam as well as several key markets in South and Central America.

The region is dominated by China, with an economy over four times the size of Japan (3rd largest economy) in GDP terms in 2022. Our data shows a significant decline of external investment into APAC (down 20%) overall and within APAC (also down almost 20%). The biggest factor appears to be a huge drop-off in investment from North America and UK&I, down 43% and 42% respectively from H1 2022 to H1 2023. While we have not analysed the data country by country here, it is reasonable to assume that the primary driver of this has been the difficult geopolitical position between the USA and China and the significant increases in regulatory and national security-driven barriers to trade generally and M&A specifically transactions. Ironically, despite increased barriers to investment into Western Europe, APAC investment into continental Europe and North America was marginally above the same period last year, and investment from the region into UK&I, robustly so.

Liz Truss's ill-fated premiership in Q4 2023 has also contributed to the UK attractiveness as a destination.

Once again the GAT data has proven its value in separating the investment reality from the frequently unduly negative media noise but inevitably it also raises many more areas for further analysis than we can enter into within the scope of this report. If you do wish to understand any of this in more detail however, please do feel free to reach out to us and we will be delighted to share what we can.

Where are the buyers coming from?





GRAHAM CARBERRY
MANAGING DIRECTOR

T: +44 20 7484 4728

E: graham.carberry@rothschildandco.com



ROSEMARIE LAMANNO
MARKETING DIRECTOR

T: +44 20 7484 4729

E: rosemarie.lamanno@rothschildandco.com



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