



M & A REPORT

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The **M&A Report** is a biannual publication issued by the ZEW – Leibniz Centre for European Economic Research und Bureau van Dijk. It uses the Zephyr database to report on current topics and developments in global mergers and acquisitions. The Zephyr database, which is updated on a daily basis, contains detailed information on over one million M&As, IPOs and private equity transactions around the world.

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ZEW-ZEPHYR M&A Index Stabilises as Negative Trend May Come to an End

The ZEW-ZEPHYR M&A Index – established in 2005 to measure merger and acquisition (M&A) transactions involving German companies – is showing signs of stabilisation and currently stands at 91 points. Since 2019, the number of M&A transactions by and with German firms has steadily declined. Brexit, the trade war between the USA and China, and most recently the COVID-19 pandemic have made companies hesitant.

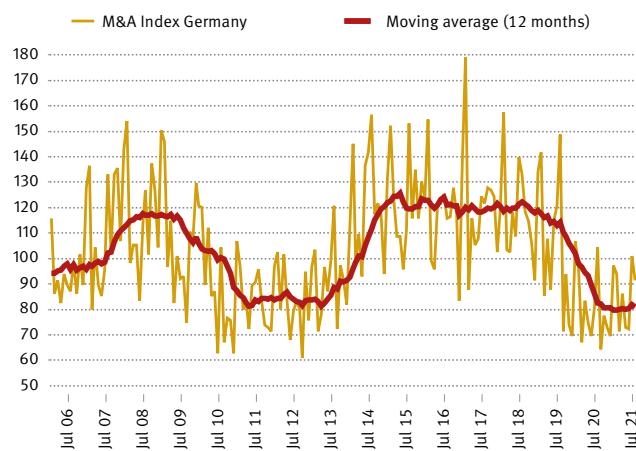
There are signs that the negative trend may be coming to an end. The twelve-month moving average has stabilised at its lowest level since 2011. The similarities between the current movement of the twelve-month moving average and that during the last global financial crisis are striking. Judging by the movement pattern of the index so far, it is quite possible that the negative trend is over. Nevertheless, it could still take a while before a positive trend emerges.

In the last six months, German firms were involved in some highly valued deals. One of the most notable transactions was the acquisition of US cancer treatment specialist Varian Medical Systems by the Germany-based company Siemens Healthineers for almost 13.68 billion euros. This is the largest M&A deal in the health care sector so far this year. The combined company would account for 70 per cent of the world's cancer treatment equipment.

Another notable deal was the takeover of US-based truck manufacturer Navistar International Corporation by German truck maker Traton SE for 3.12 billion euros. Volkswagen's truck division, Traton SE, which manufactures the Scania and MAN truck brands among others, hopes to increase its presence in the Chinese market through the acquisition. Both deals were already announced in 2020.

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ZEW-ZEPHYR M&A INDEX GERMANY

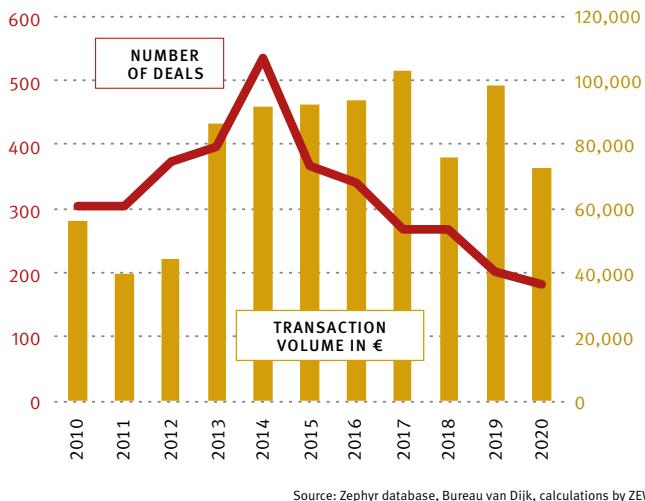


The **ZEW-ZEPHYR M&A-Index** measures the number of M&A transactions completed in Germany each month. It considers only mergers and acquisitions by and with German companies. It does not differentiate between the country of origin of the buyer or partner. This means that both domestic and international buyer companies are considered, provided that the target companies are active in Germany. The M&A Report is a biannual publication issued by ZEW and Bureau van Dijk. It uses the Zephyr database to report current topics and developments in global mergers and acquisitions. The Zephyr database,

which is updated on a daily basis, contains detailed information on over 1.9 million mergers and acquisitions, IPOs, and private equity transactions around the world.

Oil Industry Consolidating at Rapid Pace as Number of M&A Deals Hits All-Time Low

M&A ACTIVITIES IN THE OIL INDUSTRY



The number of mergers and acquisitions in the oil industry reached a new low in 2020. In the early 2010s, oil companies were increasingly active on the global takeover market. Activity peaked in 2014 when oil prices began to fall dramatically. Since

then, the number of M&A deals in the industry has been declining, reaching an all-time low last year. On the other hand, deal values have skyrocketed – the average deal value in 2020 (906 million euros) was more than twice the average value in 2014 (340 million euros). The combination of the two trends suggests that the industry is consolidating at a fast pace.

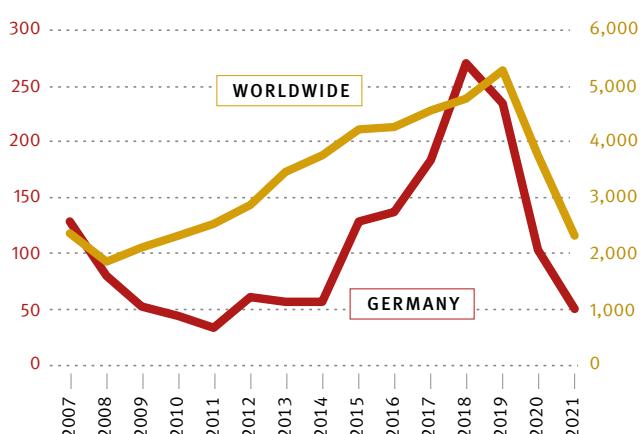
Decline in M&A deals due to global efforts to switch from dirty to clean energy sources

The coronavirus pandemic hit the oil industry hard, with the collapse in oil demand leading to net losses for many oil companies. While the pandemic may provide an explanation for the development of M&A activity in 2020, it does not explain the overall trend. The overall trend reflects global efforts to shift from dirty energy sources to cleaner ones. Advancing efforts to electrify the transportation sector pose a major risk to the oil industry – transport accounted for 65 per cent of oil consumption in the European Union in 2019. Falling demand for oil coupled with the rising demand for clean energy is fuelling consolidation in the industry. More high-value deals are expected to take place in the coming years.

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Pandemic Slows M&A Announcements in the German Real Estate Sector

M&A ANNOUNCEMENTS IN THE REAL ESTATE SECTOR



In May 2021, German real estate giant Vonovia publicly announced a merger with Berlin-based Deutsche Wohnen. It took three attempts, but at the beginning of October the deal was finally sealed: Vonovia managed to secure a majority shareholding in its competitor Deutsche Wohnen, thus completing one of the largest takeovers in the history of the German real estate industry.

The German Federal Cartel Office had already declared in June that it had no objections to the merger. The purchase was valued at approximately 18 billion euros and will make the merged company Europe's largest residential real estate group. Together, the two companies own more than 500,000 flats, most of them in Germany, as well as residential properties in Sweden and Austria.

Although the Vonovia deal is one of the largest real estate deals ever, M&A activity in the German real estate sector and worldwide has slowed down in the last two years. The number



of announced M&A deals involving a German company peaked in 2018 with 269 announced M&A deals. Since the coronavirus pandemic, M&A deal announcements in the real estate sector have stalled and are close to the levels recorded during the global financial crisis and the European debt crisis.

Uncertainty over the new government's political course

The sharp drop in announcements is mainly due to uncertainty about what the real estate market will look like in the fu-

ture. The COVID-19 pandemic has brought about many changes, for example in how and where people work and live. While some changes will be short-lived, some could be permanent. In the case of Germany, the decline could also be due to the federal election in autumn 2021, which was marked by great uncertainty regarding the political course of the new government. Affordable housing is one of the most important issues for German voters and the new coalition government might take a more hostile stance towards the real estate sector.

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Uncertainty Stalls M&A Announcements by German Acquirers in the Automotive Industry

The effects of the COVID-19 pandemic are also clearly felt in the automotive sector. Announcements of mergers and acquisitions in the industry have declined significantly worldwide in the first half of 2020.

Announcements by German acquirers have halved, from an average of 20 announcements per half-year to only ten announcements since 2020. Compared to China and the US, where acquisitions appear to have returned to pre-pandemic levels, M&A announcements by German acquirers remain at their lowest level since 2010.

The situation is very similar with car sales, which have also recovered much quicker in China and the US than in Europe. While car sales in China and the USA have largely returned to pre-pandemic levels, they are still 25 per cent below the levels seen before the pandemic in Europe.

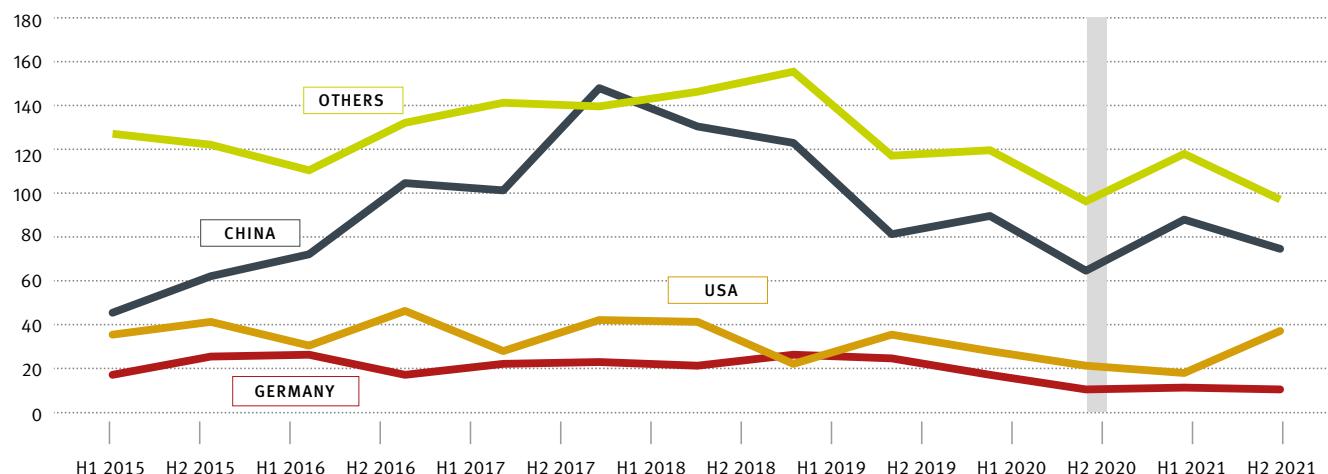
In addition to the disruptions caused by the coronavirus pandemic, such as a drop in demand and supply bottlenecks for electronic components, the German automotive industry also faces uncertainties regarding the decarbonisation policy of the future government coalition against the backdrop of the Bundestag elections in autumn 2021.

Decarbonisation policy of the future government coalition will be decisive

Now that the German elections are over, the new government will have to decide what these policies will look like. Therefore, car manufacturers might want to wait with their M&A plans until the political course of the new government is clear.

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M&A ANNOUNCEMENTS BY COUNTRY



Source: Zephyr database, Bureau van Dijk, calculations by ZEW