Deal Flow Predictor

Our quarterly prediction of future trends in the global M&A market

Forecast of global M&A activity through Q4 2022

Contents

EDITOR'S NOTE

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Pre-Announced Global M&A Activity in Q4 2022: Market Pulse Check

After a relatively flat global growth period in early-stage mergers and acquisitions (M&A) deal volume since Q3 2021, Q2 2022 saw a resurgence in pre-announced M&A activity. While the quality of assets, financing challenges and global geopolitical issues are certainly impairing the economic landscape, from our vantage point the markets have been unyielding in utilizing inorganic strategies to face these challenges.

Since Q2 2021, we began to see moderate, but nominal levels of decline in early-stage volume in succeeding quarters, with the confluence of ongoing challenges coming to a head in Q1 2022. Our global forecast for Q4 2022 M&A volume is a neutral outlook compared to Q4 2021, with a growth range toward the flat or nominally negative end of the floor. This should be kept in perspective: Q4 2022 volume is anticipated to surpass Q4 2020 volume by low double digits. Global volume on a quarter-over-quarter (QoQ) basis (Q4 announced vs. Q3), is forecasted toward the higher end of our overperform outlook.

These proprietary insights into early-stage activity flowing through our global deal desks give us confidence that dealmakers worldwide are aggressively taking growth positions and taking advantage of exit opportunities. Inflation and financing issues probably rise to the top in terms of deal challenges. Borrowing costs are taking a tight toll on acquirers, and strategics relying on credit facilities for day-to-day cash flow requirements are equally tightening spending and growth requirements that may make exits and synergy plays more attractive in the current environment. Sponsors with locked-in capital commitments are also being aggressive actors in this environment, with dry powder at par with historical levels through the end of last year.

What we will keep a keen eye on through the coming quarters is the quality of assets coming to market and the resulting valuations that will certainly face more contest than the trailing 24 months. We are anticipating that current conditions are geared toward favoring acquirers, with many assets that experienced significant to material growth during the pandemic facing stagnating headwinds in this inflationary environment.

Sellers are lining up to sell assets at a record-keeping pace this quarter — let's see if the buyers are biting, and if so, how are exit multiples and premiums impacted through this harsher financing landscape.

Next up:
Overview

Overview

IPOs and Restructuring

Early-stage initial public offerings (IPO) volume was significantly impaired against 2021 globally. While we saw pockets of strength on a QoQ basis in Asia Pacific (APAC) and Europe, the Middle East and Africa (EMEA), catching the tail of 2021 was a hard feat to follow. All regions saw double-digit negative movement on a quarter-over-quarter-yearly (QoQY) basis.

Restructuring and bankruptcies were also down globally QoQY outside of North America (NA). NA did not establish moratoriums or regulatory pillars that minimized bankruptcies through the COVID-19 pandemic, and we are seeing a resurgence in distressed M&A/bankruptcy filings through our global deal desks QoQ and QoQY.

IPO	QoQY	QoQ
Asia Pacific	-17%	26%
Europe, the Middle East and Africa	-47%	50%
Latin America	-78%	-60%
North America	-85%	-42%

Bankruptcy/Restructuring	QoQY	QoQ
Asia Pacific	-62%	67%
Europe, the Middle East and Africa	-69%	97%
Latin America	-95%	-98%
North America	117%	86%

* We are not providing any volume-forecasting guidance for IPOs or bankruptcies. Our data is only reflective of pre-announced IPO and bankruptcy deals that come to us for pricing.

Global Forecast

Our global M&A forecast for Q4 2022 is neutral QoQY and expected to overperform QoQ. A strong rebound in pre-announced market activity in Q2 is anticipated to provide material uplift to global numbers. We expect these tailwinds to manifest globally, meeting previous resistance levels seen last year and materially rebounding from Q3 2022 announced volume.

Q4 2022 Global M&A Volume Forecast

Region	QoQY	QoQ
Global	Neutral	Overperform
North America	Neutral	Overperform
Latin America	Neutral	Overperform
Europe, the Middle East and Africa	Neutral	Overperform
Asia Pacific	Neutral	Market perform

Rating legend

- Overperform: >10%
- Market perform: > 5% to 10%
- Neutral: -5% to 5%
- Underperform: < -5%

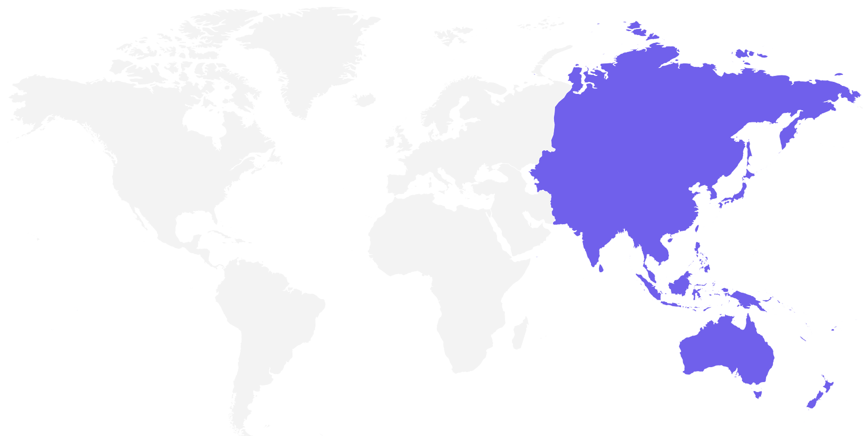
Our ratings indication forecasts the range against announced Refinitiv M&A volume for the stated period.

* Quarter-over-quarter yearly (QoQY) will be our forecast for announced M&A volume in Q4 2022 compared to the same period last year.

* Quarter-over-quarter (QoQ) will be our forecast for announced M&A volume in Q4 2022 compared to Q3 2022.

* Our regional highlights do not forecast announced volume but indicate deal volume as seen by SS&C Intralinks in Q2 2022 for the specific industries and deal types, compared against the stated periods.

Asia Pacific



Asia Pacific (APAC) found its sea legs through the challenging quarters and saw moderate growth in Q3 2022 compared to the previous quarter. Major markets such as China and South Korea saw signs of stabilization and overperformance compared to previous periods. Although mainland China still faces headwinds from climate, supply-chain and lockdown challenges, Q2 pre-announced activity should provide the market some confidence that acquisition opportunities are still abundant in the region's largest economy.

Australia

	QoQY:	QoQ:
M&A	Neutral	Overperform
IPO	Underperform	Underperform
Bankruptcy	Underperform	Overperform

China

	QoQY:	QoQ:
M&A	Overperform	Overperform
IPO	Underperform	Underperform
Bankruptcy	Neutral	Neutral

Hong Kong

	QoQY:	QoQ:
M&A	Underperform	Neutral
IPO	Overperform	Overperform
Bankruptcy	Neutral	Neutral

For detailed information or information on other countries in APAC, please contact your SS&C Intralinks sales rep.

India

	QoQY	QoQ
M&A	Underperform	Neutral
IPO	Underperform	Neutral
Bankruptcy	Underperform	Neutral

Japan

	QoQY	QoQ
M&A	Neutral	Underperform
IPO	Overperform	Overperform
Bankruptcy	Neutral	Neutral

New Zealand

	QoQY	QoQ
M&A	Underperform	Overperform
IPO	Neutral	Neutral
Bankruptcy	Neutral	Neutral

Singapore

	QoQY	QoQ
M&A	Underperform	Market perform
IPO	Underperform	Underperform
Bankruptcy	Underperform	Underperform

South Korea

	QoQY	QoQ
M&A	Market perform	Overperform
IPO	Overperform	Overperform
Bankruptcy	Neutral	Neutral

Next up:
APAC Key Sector Data

For detailed information or information on other countries in APAC, please contact your SS&C Intralinks sales rep.

APAC M&A – Key Sector Data

Australia	QoQY	QoQ
Energy	Underperform	Underperform
Finance	Underperform	Overperform
Retail	Overperform	Overperform

China	QoQY	QoQ
Biotech	Underperform	Underperform
Finance	Overperform	Underperform
Manufacturing	Underperform	Neutral

Hong Kong	QoQY	QoQ
Banking	Underperform	Underperform
Manufacturing	Overperform	Overperform
Retail	Underperform	Neutral

India	QoQY	QoQ
Banking	Overperform	Overperform
Biotech	Underperform	Neutral
Energy	Underperform	Overperform

Japan	QoQY	QoQ
Finance	Overperform	Underperform
Manufacturing	Underperform	Underperform
Technology	Overperform	Overperform

New Zealand	QoQY	QoQ
Finance	Neutral	Overperform
Healthcare	Neutral	Neutral
Technology	Neutral	Neutral

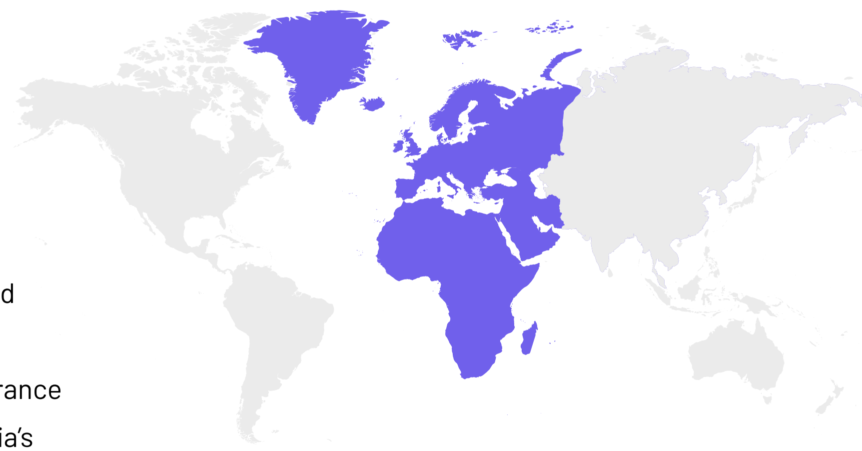
Singapore	QoQY	QoQ
Finance	Neutral	Overperform
Manufacturing	Underperform	Overperform
Technology	Underperform	Underperform

South Korea	QoQY	QoQ
Finance	Underperform	Overperform
Manufacturing	Neutral	Underperform
Technology	Neutral	Neutral

Next up:
EMEA Market Prediction

For detailed information or information on other countries in APAC, please contact your SS&C Intralinks sales rep.

Europe, the Middle East and Africa



We're anticipating moderate to neutral growth in Europe, the Middle East and Africa (EMEA) on a QoQY basis, but material growth QoQ. Like APAC, major economies found solid footing to keep or outpace previous quarters, with France and Italy leading the way. With the territory facing frontline impacts of Russia's invasion of Ukraine, the region's deal flow should provide the market confidence that dealmakers are still heavily investing in EMEA.

Austria

	QoQY	QoQ
M&A	Overperform	Overperform
IPO	Neutral	Neutral
Bankruptcy	Neutral	Neutral

France

	QoQY	QoQ
M&A	Market perform	Overperform
IPO	Underperform	Neutral
Bankruptcy	Underperform	Neutral

Germany

	QoQY	QoQ
M&A	Underperform	Neutral
IPO	Underperform	Overperform
Bankruptcy	Overperform	Overperform

For detailed information or information on other countries in EMEA, please contact your SS&C Intralinks sales rep.

Israel

	QoQY	QoQ
M&A	Overperform	Underperform
IPO	Underperform	Underperform
Bankruptcy	Overperform	Overperform

Italy

	QoQY	QoQ
M&A	Overperform	Overperform
IPO	Overperform	Overperform
Bankruptcy	Overperform	Overperform

Netherlands

	QoQY	QoQ
M&A	Underperform	Overperform
IPO	Underperform	Underperform
Bankruptcy	Neutral	Neutral

Saudi Arabia

	QoQY	QoQ
M&A	Underperform	Underperform
IPO	Underperform	Underperform
Bankruptcy	Neutral	Neutral

South Africa

	QoQY	QoQ
M&A	Underperform	Overperform
IPO	Underperform	Underperform
Bankruptcy	Neutral	Underperform

Spain

	QoQY	QoQ
M&A	Underperform	Overperform
IPO	Underperform	Underperform
Bankruptcy	Neutral	Neutral

For detailed information or information on other countries in EMEA, please contact your SS&C Intralinks sales rep.

Sweden

	QoQY	QoQ
M&A	Underperform	Underperform
IPO	Underperform	Neutral
Bankruptcy	Neutral	Neutral

Switzerland

	QoQY	QoQ
M&A	Underperform	Neutral
IPO	Underperform	Neutral
Bankruptcy	Neutral	Neutral

UAE

	QoQY	QoQ
M&A	Market perform	Underperform
IPO	Neutral	Neutral
Bankruptcy	Underperform	Neutral

United Kingdom

	QoQY	QoQ
M&A	Underperform	Neutral
IPO	Underperform	Overperform
Bankruptcy	Underperform	Underperform

Next up:
EMEA Key Sector Data

For detailed information or information on other countries in EMEA, please contact your SS&C Intralinks sales rep.

EMEA M&A – Key Sector Data

Austria	QoQY	QoQ
Banking	Overperform	Neutral
Manufacturing	Neutral	Neutral
Technology	Neutral	Underperform

France	QoQY	QoQ
Banking	Underperform	Neutral
Retail	Underperform	Underperform
Technology	Underperform	Overperform

Germany	QoQY	QoQ
Consumer Retail	Underperform	Underperform
Energy	Neutral	Neutral
Real Estate	Underperform	Neutral

Israel	QoQY	QoQ
Manufacturing	Neutral	Neutral
Retail	Underperform	Underperform
Technology	Underperform	Underperform

Italy	QoQY	QoQ
Banking	Underperform	Underperform
Manufacturing	Overperform	Underperform
Utilities	Overperform	Overperform

Netherlands	QoQY	QoQ
Banking	Underperform	Underperform
Energy	Neutral	Overperform
Technology	Neutral	Neutral

Saudi Arabia	QoQY	QoQ
Banking	Underperform	Neutral
Energy	Underperform	Neutral
Retail	Neutral	Underperform

South Africa	QoQY	QoQ
Energy	Underperform	Neutral
Manufacturing	Overperform	Overperform
Transportation	Underperform	Neutral

Spain	QoQY	QoQ
Banking	Underperform	Overperform
Energy	Underperform	Neutral
Retail	Overperform	Overperform

For detailed information or information on other countries in EMEA, please contact your SS&C Intralinks sales rep.

EMEA M&A – Key Sector Data

Sweden	QoQY	QoQ
Banking	Underperform	Underperform
Finance	Neutral	Neutral
Retail	Underperform	Neutral

Switzerland	QoQY	QoQ
Banking	Overperform	Overperform
Finance	Underperform	Overperform
Utilities	Overperform	Overperform

UAE	QoQY	QoQ
Banking	Underperform	Underperform
Energy	Overperform	Overperform
Retail	Neutral	Neutral

United Kingdom	QoQY	QoQ
Banking	Neutral	Market perform
Retail	Underperform	Overperform
Technology	Underperform	Underperform

For detailed information or information on other countries in EMEA, please contact your SS&C Intralinks sales rep.

Next up:
LATAM Market Prediction

Latin America

Latin America saw a strong bounce back compared to early-stage Q1 activity. In Q4 2022, we're forecasting solid double-digit growth in volume compared to Q3 2022 volume. Facing multiple transitionary events this year, including Argentina's continuing debt crisis and presidential and legislative elections in Brazil and Colombia, the region still managed to follow global trends and see strong uplift in M&A activity.

Argentina

	QoQY	QoQ
M&A	Overperform	Overperform
IPO	Neutral	Neutral
Bankruptcy	Neutral	Neutral

Brazil

	QoQY	QoQ
M&A	Market perform	Overperform
IPO	Underperform	Underperform
Bankruptcy	Underperform	Neutral

Chile

	QoQY	QoQ
M&A	Underperform	Neutral
IPO	Neutral	Neutral
Bankruptcy	Neutral	Neutral

For detailed information or information on other countries in Latin America, please contact your SS&C Intralinks sales rep.

Colombia

	QoQY	QoQ
M&A	Overperform	Overperform
IPO	Neutral	Underperform
Bankruptcy	Neutral	Neutral

Mexico

	QoQY	QoQ
M&A	Underperform	Neutral
IPO	Neutral	Neutral
Bankruptcy	Neutral	Underperform

Next up:
LATAM Key Sector Data

For detailed information or information on other countries in Latin America, please contact your SS&C Intralinks sales rep.

LATAM M&A – Key Sector Data

Argentina	QoQY	QoQ
Energy	Overperform	Overperform
Retail	Overperform	Overperform
Technology	Neutral	Neutral

Brazil	QoQY	QoQ
Banking	Overperform	Market perform
Energy	Neutral	Neutral
Technology	Neutral	Underperform

Chile	QoQY	QoQ
Finance	Underperform	Neutral
Manufacturing	Neutral	Neutral
Utilities	Overperform	Neutral

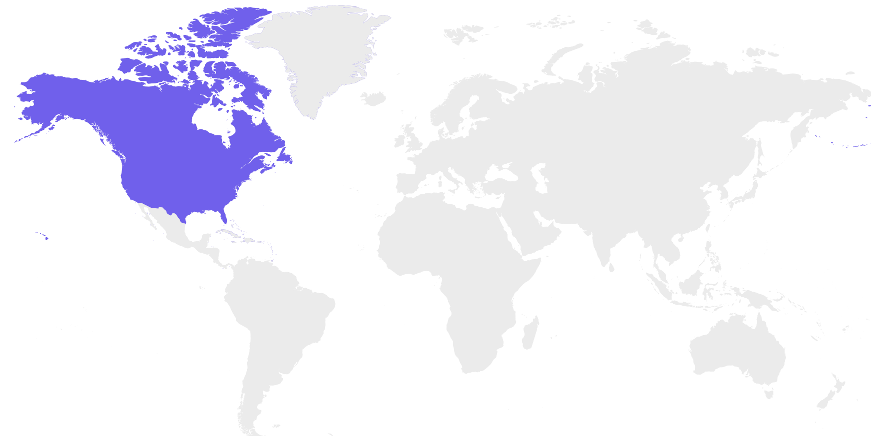
Colombia	QoQY	QoQ
Banking	Neutral	Neutral
Energy	Underperform	Neutral
Insurance	Neutral	Neutral

Mexico	QoQY	QoQ
Banking	Underperform	Overperform
Energy	Underperform	Neutral
Manufacturing	Neutral	Underperform

For detailed information or information on other countries in Latin America, please contact your SS&C Intralinks sales rep.

Next up:
North America Market Prediction

North America



We are forecasting a double-digit recovery in North American volume in Q4, both compared against Q3 2022 and Q4 2021. The U.S. saw a strong resurgence in Q2 which eclipsed two quarters of 2021 deal flow. Canada also outpaced volume compared to all of 2021, as Q2 saw a material uptick compared to every quarter last year as well as Q1 2022.

Canada

	QoQY	QoQ
M&A	Overperform	Overperform
IPO	Overperform	Overperform
Bankruptcy	Neutral	Neutral

United States

	QoQY	QoQ
M&A	Neutral	Overperform
IPO	Underperform	Underperform
Bankruptcy	Overperform	Overperform

Next up:
North America Key Sector Data

For detailed information or information on other countries in North America, please contact your SS&C Intralinks sales rep.

North America M&A – Key Sector Data

Canada	QoQY	QoQ
Banking	Overperform	Overperform
Energy	Underperform	Neutral
Retail	Neutral	Underperform

United States	QoQY	QoQ
Biotech	Overperform	Overperform
Energy	Overperform	Overperform
Manufacturing	Neutral	Market perform

Next up:
The State of Private Equity Amid Global Economic Turbulence

For detailed information or information on other countries in North America, please contact your SS&C Intralinks sales rep.

The State of Private Equity Amid Global Economic Turbulence

Despite rising interest rates and the looming recession, private equity dealmaking is showing incredible resilience. But for how long?

After an initial dip in sponsor activity, as the global economy regrouped in the aftermath of the financial crisis of 2009, private equity (PE) has proven an incredibly resilient asset class amidst all the turmoil that the world has since faced.

Throughout the COVID-19 pandemic, PE funds globally have been busily engaged in originating and closing deals, while at the same time closely working with their portfolio companies on adjusting business plans to the challenges of lockdowns and the shift to working-from-home. Many were also successfully raising funds, engaging with established investors and attracting new ones.

According to Refinitiv data cited in the Financial Times, PE funds announced deals valued at a record breaking USD 1.2 trillion during 2021[1]. Adding to this, Josh Kosman, a writer with a longstanding career reporting on private equity, notes that in 2021, private equity firms also raised USD 387 billion for leveraged buyouts, giving them USD one trillion in money raised but still not yet invested in buyouts — meaning that new records may soon be broken[2].

Coffers full of cash from recent fundraising activities and — at least until very recently — easy access to cheap debt financing, coupled with the ability to move with great speed, PE funds have increasingly been able to outbid even the most deal-experienced, savvy and acquisition-hungry corporates. There are

[1] "US Trustbusters: Why Joe Biden Is Taking on Private Equity" | Financial Times
[2] Josh Kosman | Author

many stories about corporate dealmakers having to bow out of a deal once they got a whiff of private equity interest in a target. They argue that they no longer want to spend resources, both in terms of cash and time, on a transaction in which they will be outbid by a PE fund. Too many, it seems, have been burned in this high-stakes game of dealmaking.

That was then, this is now

However, storm clouds are brewing and more questions are being raised about how long this asset class winning streak can continue.

Since PE funds greatly rely on debt financing to fund their deals, it is fair to assume that rising interest rates will affect them adversely, particularly at the larger end of the deal spectrum that can involve significant amounts of leverage.

When this challenge was put to private equity practitioners at a recent conference, most swatted away the suggestion that it would have a significant impact on deal flow, explaining that their industry had moved away from the "pure financial engineering" approach to value creation in their portfolio companies. They indicated that they are now focused more on improving operations, broadening market reach as well as buy-and-build strategies to generate growth and returns on investment.

Is this true for all funds? Probably not. But for now, it would appear true that rising interest rates have not put a damper on activity levels. Data certainly supports the confidence expressed by practitioners.

Similarly concerning as interest rates are changes in the political and regulatory landscape in the U.S. where the Biden administration has appointed a cohort of not-necessarily pro-private-equity industry thinkers to positions that will have a significant impact on this asset class's ability to do deals in the somewhat unencumbered manner it has done in recent years.

Jonathan Kanter was appointed to head of the Department of Justice's anti-trust unit, Lina Khan as chair of the Federal Trade Commission and Tim Wu will be advising the White House on competition policy. This trio shares similar attitudes to what anti-competitive behavior should look like and is expected to change the approach to competition from the long-held mantra of "anything goes as long as consumers are not harmed" to a more interventionist stance.

Recognizing the influence that private equity has on the U.S. economy — the breadth and depth of many funds now in fact, resembles the conglomerate corporate structure they dismantled via acquisitions — many industry observers agree that regulators should be keeping a much closer eye on these new and increasingly complex industrial behemoths.

SPOTLIGHT

Conclusion

Against this backdrop, the industry remains, as always, one to watch. The opportunities for private equity to buy up corporate orphans or provide growth capital to businesses keen to grow remain seemingly limitless, even if more challenges are ahead for the industry.

After facing many historical challenges, the industry has gone from strength to strength. We should now all have learned our lesson — private equity, with its ability to continually reinvent itself, is a force to contend with during all economic conditions.

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The *SS&C Intralinks Deal Flow Predictor* provides Intralinks' perspective on the level of early-stage M&A activity taking place worldwide during any given period. The statistics contained in this report reflect the volume of VDRs opened or proposed to be opened, through Intralinks and other providers for conducting due diligence on proposed transactions, including asset sales, divestitures, equity private placements, financings, capital raises, joint ventures, alliances and partnerships. These statistics are not adjusted for changes in Intralinks' share of the VDR market or changes in market demand for VDR services.

These statistics may not correlate to the volume of completed transactions reported by market data providers and should not be construed to represent the volume of transactions that will ultimately be consummated during any period nor of the revenue or M&A deal volume that Intralinks may generate for any financial period. Indications of future completed deal activity derived from the *SS&C Intralinks Deal Flow Predictor* are based on assumed rates of deals going from the due diligence stage to completion. In addition, the statistics provided by market data providers regarding announced M&A transactions may be compiled with a different set of transaction types than those set forth above.

To verify the predictive nature of the *SS&C Intralinks Deal Flow Predictor*, we compared the data underlying the *SS&C Intralinks Deal Flow Predictor* with subsequent announced deal volume data reported by Refinitiv to build an econometric model (using standard statistical techniques appropriate for estimating a linear regression model) to predict the future reported volume of announced M&A transactions two quarters ahead, as recorded by Refinitiv. We engaged Analysis & Inference ("A&I"), an independent statistical consulting and data science research firm, to assess, replicate and evaluate this model. A&I's analysis showed that our prediction model has a very high level of statistical significance, with a more than 99.9 percent probability that the *SS&C Intralinks Deal Flow Predictor* is a statistically significant six-month predictive indicator of announced deal data, as subsequently reported by Refinitiv. We plan to periodically update the independent statistical analysis to confirm the *SS&C Intralinks Deal Flow Predictor's* continuing validity as a predictor of future M&A activity.

The *SS&C Intralinks Deal Flow Predictor* is provided "as is" for informational purposes only. Intralinks makes no guarantee regarding the timeliness, accuracy or completeness of the content of this report. This report is based on Intralinks' observations and subjective interpretations of due diligence activity taking place or proposed to take place, on Intralinks' and other providers' VDR platforms for a limited set of transaction types. This report is not intended to be an indicator of Intralinks' business performance or operating results for any prior or future period. This report is not intended to convey investment advice or solicit investments of any kind whatsoever.

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