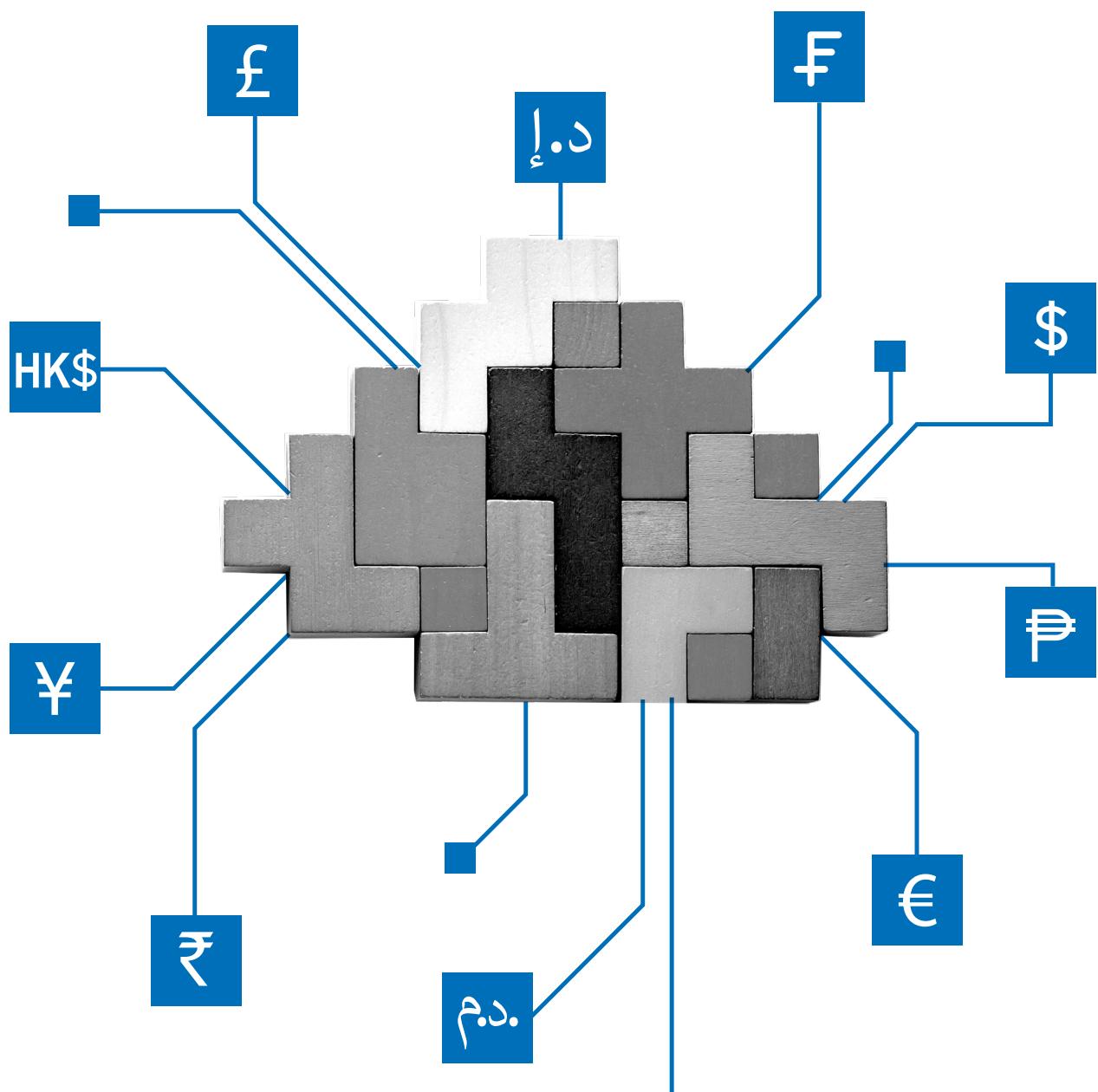


Data in detail

Financial services M&A global trends



Introduction

Despite the global health and financial crisis, 2020 has turned out to be a record year on some measures for M&A in the financial services ("FS") sector. While the inherent robustness of this sector isn't surprising, continuing high levels of deal activity within this sector is definitely a stand-out feature and an indication that deal-makers remain confident in this sector despite the challenges. In some ways, the pandemic has turned out to be a catalyst to accelerate the on-going disruption and offer further opportunities for consolidation.

At the start of each year, we launch our global FS M&A trends report. In this report, we analyse the published data on M&A deal activity within the broader FS sector from the previous year and set out our views on market trends and expectations for the near future.

However, in the beginning of 2020, when we were in the middle of finalising our report on the basis of data from 2019, the world as we knew started to change dramatically due to the on-going COVID-19 pandemic. We therefore decided to wait until end of H1 2020 to report on the deal data which reflected the immediate effect of the pandemic.

Our H1 2020 trends report provided us with a better insight into how the pandemic was affecting the deal activity across the various sub-sectors (within the broader FS space) and geographies. Along with our own experience of working on a number of FS M&A deals during such time, the reported deal data from H1 2020 gave us an indication on how the FS sector was performing relatively and what reasonable inferences could be drawn for deal activity in H2 2020 and beyond.

With the benefit of now having analysed the full year 2020 deal data, in this addendum we reflect back on some of our findings from H1 2020 and report on the uncertain (but unusually good) year it has been for FS sector M&A.

2020 FS M&A highlights

FS sector not isolated from the pandemic but holds-up well – H1 2020 data suggested that while there was a drop in the overall M&A deal activity (see below re. deal numbers), FS sector M&A held up much better overall as compared to the other hard hit sectors. Full year 2020 data confirmed this trend. For example, deal numbers in 2020 were down almost 25% within the consumer sector as compared to 2019 and the same figure was around 20% less for the broader industrials sector. Some interesting observations that we noted were: (a) while the deal numbers within the FS sector dropped during 2020, the drop was not as significant as other sectors; and (b) unlike any other major sector, the aggregate deal value of FS sector deals increased in 2020. This is reflective of the resilience of the FS sector and confidence of deal makers in this sector despite the widely reported uncertainties caused by the pandemic.

Please [click here](#) to access our
H1 2020 Global FS M&A trends report.



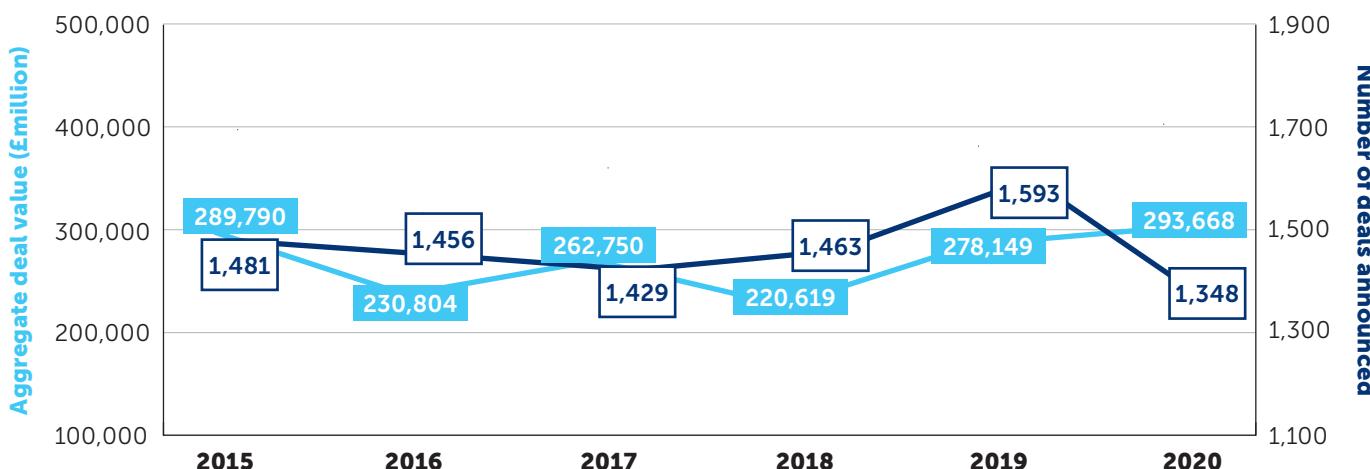
A decline in overall deal numbers but strong year end recovery showing optimism for times ahead – The deal data from 2019 and H1 2020 suggested that while 2019 was a stellar year for M&A in the FS sector, H1 2020 saw the deal numbers decline sharply (falling by about 25% from 2019). However, as we had predicted on the basis of the H1 2020 deal data, deal numbers seem to have gathered significant pace in H2 2020 and overall 2020 numbers fared much better than H1 2020 figures if the latter were extrapolated on full year basis.

In 2020, there were 1,348 deals reported within the FS sector. This translates into a decline of around 15% from the overall deal numbers in 2019. Compared to the position in H1 2020 when deal numbers were down by 24.51% vs. H1 2019, this reflects a significant bounce back.

2020 the biggest year in FS M&A on deal value with average deal value up by 25% – One of the interesting finds of our H1 2020 report was that in contrast to what was largely expected, the aggregate deal value for all the FS sector deals in H1 2020 saw an increase compared to H1 2019 despite the decline in the number of deals announced. We are happy to report that this trend seems to have continued in H2 2020 with reported data suggesting that aggregate deal value of all FS sector deals in year 2020 have increased by approx. 5.58% as compared to 2019 making it the biggest year for value in FS M&A since the financial crisis.

High aggregate deal value and low deal numbers reflect a concentration of higher value deals (with average deal value per deal in 2020 being up by approx. 25% as compared to 2019). This suggests that dealmakers remained bullish for high-value FS targets despite supposed inability to predict the effect of the pandemic on target businesses and value.

Year-on-year (2015 – 2019)



*Source: Mergermarket data.

Deals by sector in 2020 (£)

Key

- * Figure from 2019
- ↑ Figure up on 2019
- ↓ Figure down on 2019
- = Figure same on 2019

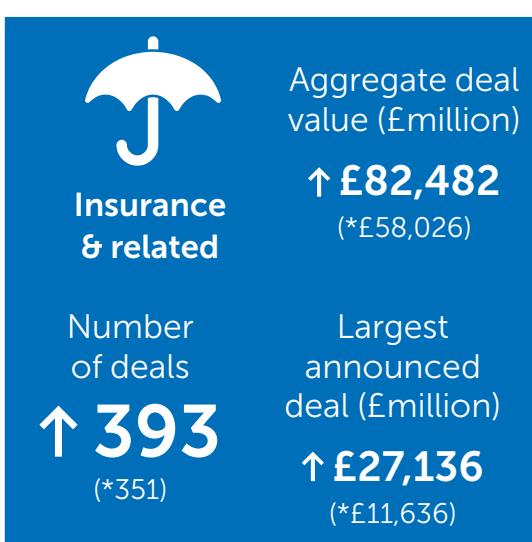
Sub-sector trends

As we had reported at the end of H1 2020, **insurance sub-sector dominated the FS sector deals in 2020** accounting for about 30% of the total number of deals and the biggest single deal by deal value. This represents the continuing consolidation activity in the market.

Insurance was followed by the fund/asset management sub-sector that very narrowly overtook the banking sub-sector in terms of number of deals. This represents the M&A drive benefitting the fund management industry primarily arising due to legacy issues (such as pressure on margins, regulatory pressures, technological advancements etc.) which seem to have continued during 2020 and increasing involvement of financial sponsor investors within this sub-sector.

Banking sub-sector deals showed the biggest drop in deal activity in 2020 for a major sub-sector though market expectations are that this sub-sector may see a bounce back due to the banking sub-sector being ripe for consolidation in various geographies in Europe and also in some of the emerging markets. However, due to high value nature of the transaction in this sub-sector, banking sub-sector deals continued to dominate the top deals by value in 2020.

In addition to insurance and fund management, **principal finance and securities/commodities broking also reflected a growth in deal numbers and deal values as compared to 2019.**



*Source: Mergermarket data.

Key

- * Figure from 2019
- ↑ Figure up on 2019
- ↓ Figure down on 2019
- = Figure same on 2019



Investment Banking

Aggregate deal value (£million)

↑ £9,108
(*£6,931)

Number of deals

↓ 42
(*47)

Largest announced deal (£million)

↑ £3,208
(*£1,525)



Investment Broking

Aggregate deal value (£million)

↓ £5,825
(*£27,930)

Number of deals

↓ 66
(*78)



Principal Finance

Number of deals

↑ 112
(*110)

Largest announced deal (£million)

↓ £1,496
(*£22,507)

Aggregate deal value (£million)

↑ £10,814
(*£8,397)

Largest announced deal (£million)

↑ £3,969
(*£1,952)



Other

Number of deals

↓ 118
(*292)

Number of deals

↑ 41
(*30)

Aggregate deal value (£million)

↑ £5,504
(*£4,106)



Private Equity

Number of deals

↓ 24
(*29)

Aggregate deal value (£million)

↑ 3,020
(*£1,753)

Largest announced deal (£million)

↑ £2,066
(*£563)

Deals by location in 2019 - 2020

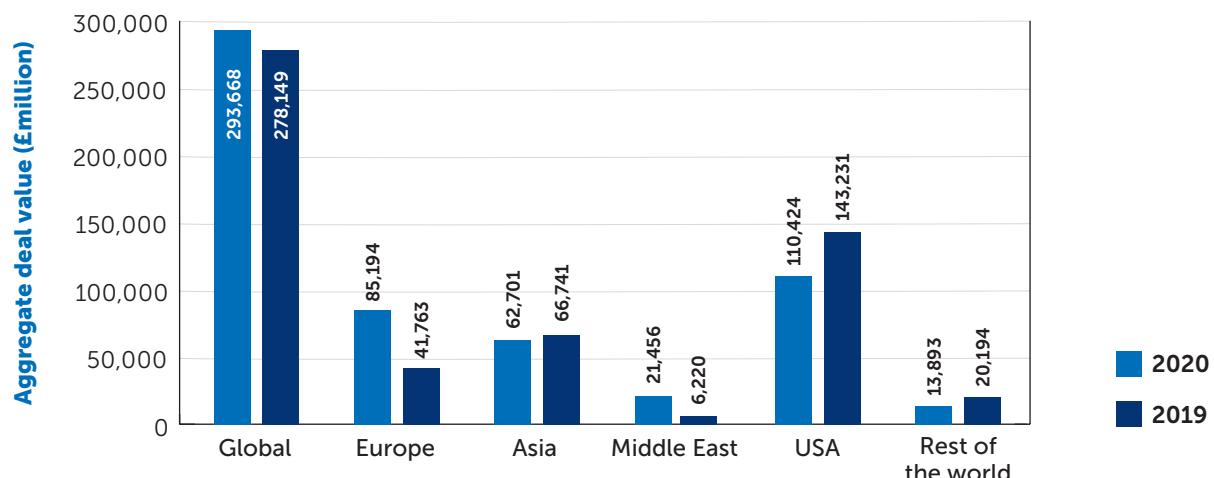
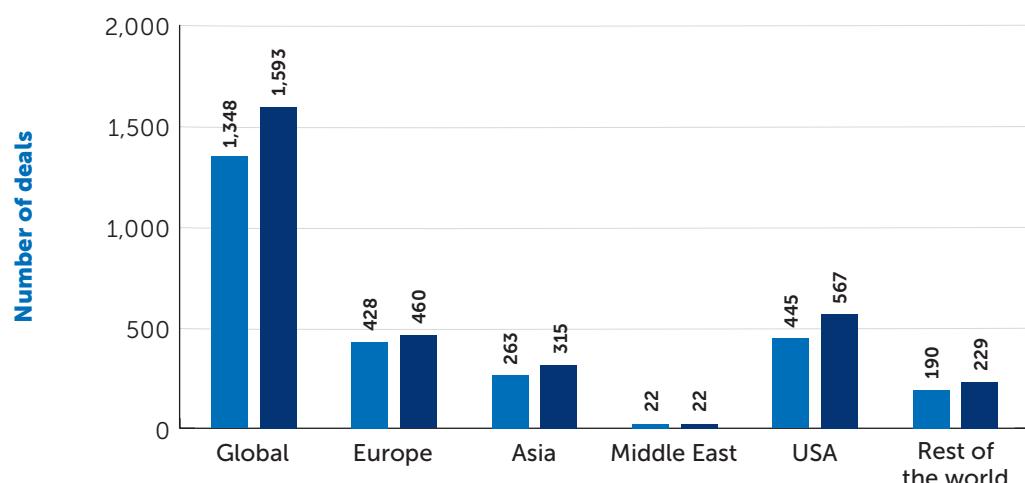
Geographic trends

US remained the biggest geography in terms of the deal numbers in 2020 accounting for more than a third of the total number of deals and aggregate deal value. However, US did see a steeper drop in the deal numbers in 2020 as compared to 2019. This could be attributed to a bigger relative impact of the pandemic on the US economy and also potentially on 2020 being a historic election year in the US. Interestingly, FS targets were one of the biggest beneficiaries of the rise in acquisitions by special purpose acquisition companies (SPACs) in the US suggesting that this sector still remains a favourite for deal-makers.

Europe became the rising global star in FS M&A with deal numbers in 2020 remaining similar to 2019. This was despite: (a) a drop in activity in H1 2020 due to pandemic;

and (b) Brexit which changed the course of strategy for many European FS businesses towards preservation of cash and managing post-Brexit market access to Europe and UK. European deal values (both aggregate and average per deal) were significantly higher in 2020 as compared to 2019. The general market view is that European FS businesses remain ripe for consolidation as most of the sub-sectors remain fragmented. Additionally, as has been the case with US based financial sponsors, more and more European financial sponsors are now actively pursuing opportunities within the FS sector driving up activity and deal values.

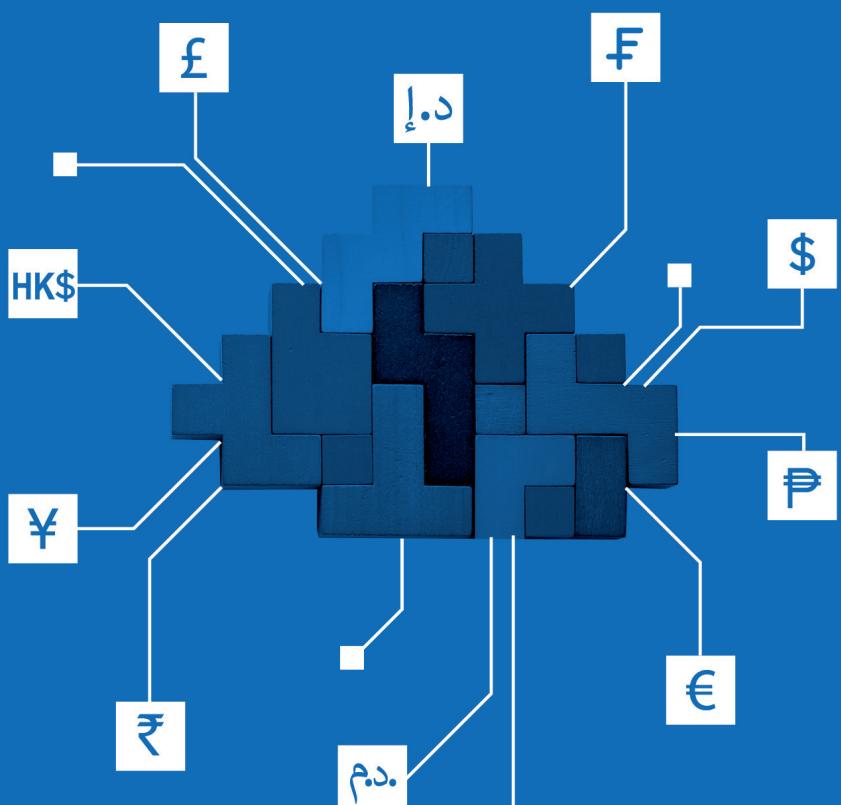
Elsewhere the deal activity in 2020 has stayed relatively stable though signs from H2 2020 suggest an upward trend and therefore, a revival of growth.



Our 2020 deals

A few of our deal highlights from 2020 include advising:

- FLEETCOR in its acquisition of Associated Foreign Exchange, Inc., one of the world's largest non-bank cross-border payment solutions providers
- Currency Holdings Limited on the purchase of the entire issued share capital of EarthportFX Limited from Earthport Limited, a Visa company
- Royal London Mutual Insurance Society Limited on the acquisition of Police Mutual Assurance Society
- on the sale of Specialist Risk Group to US private equity house HGGC
- Empower Retirement in its \$2.35 billion acquisition of MassMutual's retirement services business
- Voya Financial on the \$1.25 billion sale of its individual life insurance business to Resolution Life Group Holdings
- Allium Lending Group Limited to Tandem as part of Tandem's fundraising round and the issue of new warrants to Tandem
- Aston Lark on a number of specialist insurance acquisitions
- Aryza Group on the acquisitions of Hubsolv and Anchor Computer Systems
- on the merger of Al Ahlia for Cooperative Insurance into the Gulf Union Cooperative Insurance Co.



Concluding remarks from Eversheds FS M&A team

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FS M&A has been on an upward trend over the past few years. Whilst last year took a hit on the whole (based on deal volumes) much of that can be attributed to the impacts of the pandemic, with many deals pausing during the lockdown. The ingredients for a busy year this year are all there and we expect this year to be extremely busy – especially in the insurance and asset management sectors.

Paul Pugh, Co-lead FS M&A

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“

While the FS sector was not totally isolated from the ill-effects of the pandemic, this sector did continue to perform significantly better than some of the others perhaps due to the unique opportunities created (or accelerated) because of the pandemic.

It is pleasing to note that as we had predicted at the end of H1 2020, deal making in the FS sector continued to grow at pace during H2 2020 which recovered some of the steep decline at the beginning of the pandemic. While a lot will depend on how quickly the health and financial effects of pandemic are managed, we expect that 2021 will likely be another bumper year for FS M&A with a lot of drivers for deal making (such as the desire to achieve diversity and scale, technological transformation, innovation in business models, pressure on earnings/margins, changes in consumer behaviour, regulatory changes, slowdown in other major sectors etc.) still at play.

Ankit Chhabra, Legal Director (FS M&A, London)

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Eversheds Sutherland's global presence

US

Atlanta
Austin
Chicago
Houston
New York
Sacramento
San Diego
Washington DC

Europe

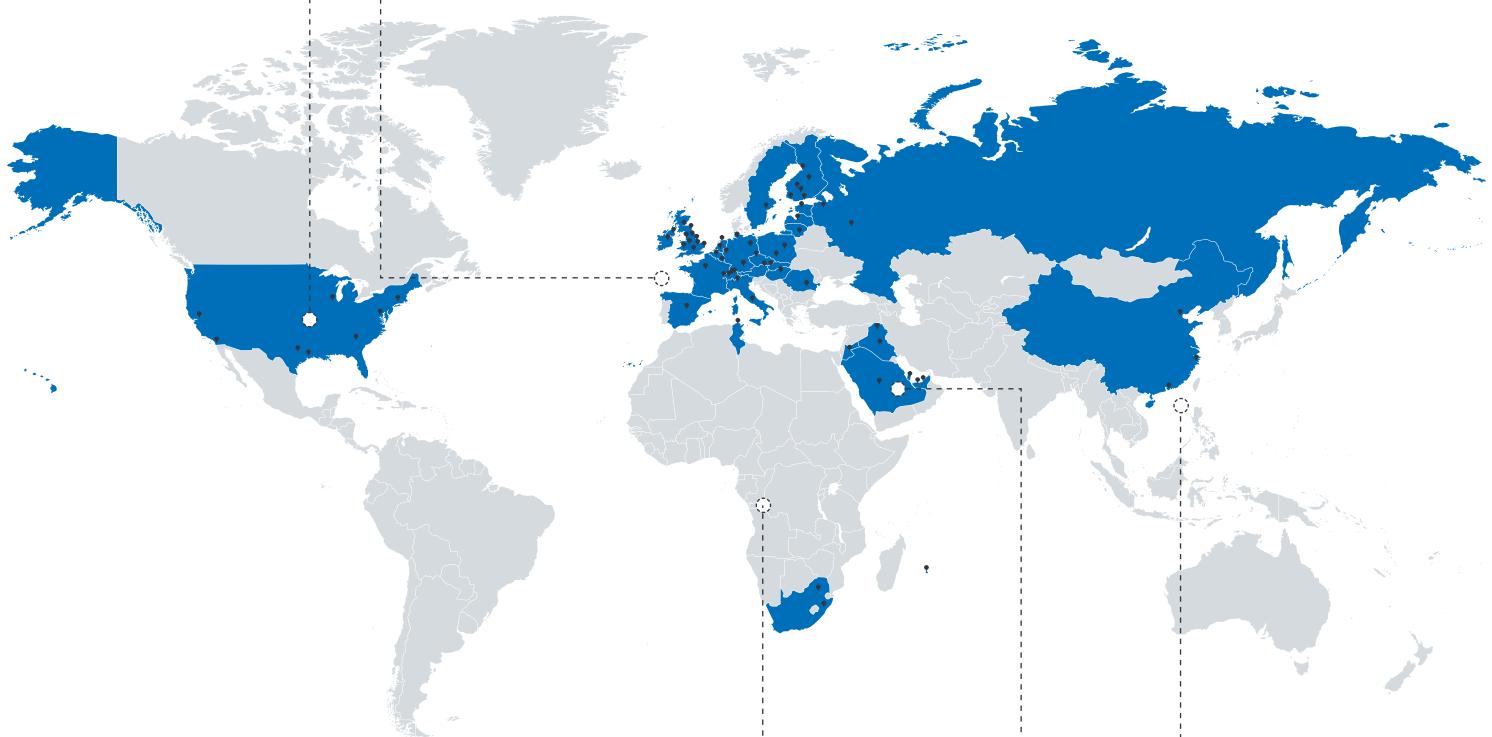
Austria
Vienna
Belgium
Brussels
Czech Republic
Prague
Estonia
Tallinn
Finland
Hämeenlinna
Helsinki
Jyväskylä
Oulu
Tampere
Turku

France
Paris
Germany
Berlin
Düsseldorf
Hamburg
Hungary
Budapest
Ireland
Dublin
Italy
Milan
Rome

Latvia
Riga
Lithuania
Vilnius
Luxembourg
Luxembourg City
Netherlands
Amsterdam
Rotterdam
Poland
Warsaw
Romania
Bucharest

Russia
Moscow
St Petersburg
Slovakia
Bratislava
Spain
Madrid
Sweden
Stockholm
Switzerland
Berne
Geneva
Zug
Zurich

United Kingdom
Belfast
Birmingham
Cambridge
Cardiff
Edinburgh
Ipswich
Leeds
London
Manchester
Newcastle
Nottingham



Africa

South Africa
Durban
Johannesburg
Tunisia
Tunis
Mauritius
Port Louis

Middle East

Iraq
Baghdad
Erbil
Jordan
Amman
Qatar
Doha

Saudi Arabia
Riyadh
United Arab Emirates
Abu Dhabi
Dubai

Asia

China
Beijing
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Shanghai

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The data in this document was compiled from Mergermarket data of reported deals with target's primary sector being financial services. Wherever the H1 2020 data has been reflected or represented as "on a simple extrapolated basis", it is meant that such H1 2020 data has been simply doubled to come up with a projected figure for the whole of 2020.