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THE VIEW FROM NEW YORK



KWM Public M&A Partner Nicola Charlston and private capital / M&A Partner Anthony Boogert recently returned from International Bar Association's annual M&A conference in New York, discussing everything from global M&A trends, outlook, hot topics, Private Equity, governance and activism, healthcare and life sciences, geopolitics and competition policy and plenty more.

Below is a lightly-edited transcript of their podcast discussion of what they learned.

ANTHONY BOOGERT

Nicola what were the top takeaways for you?

NICOLA CHARLSTON

Focusing on the good news, it seemed to be that the consensus view is that M&A activity is likely to continue its rebound from the relative low of last year, with strategic M&A players in particular leading that charge. The message we got from our meetings and from the conference was also that financial sponsors are expected to re-enter the market as debt markets reopen. Valuation gaps are starting to contract. For equity markets and IPOs, not overly positive still, but certainly some observations that equity markets, because valuations are high, that does support M&A by strategic players, especially where they are looking to provide share or scrip consideration and can get access to acquisition financing.

So what we've heard is that there's predictions for a strong first quarter in 2025, FY 2025, for IPOs. It would be great if that translated down to the Australian market as well.

It was interesting to hear the US domestic view on the upcoming election and how that might play into M&A generally or transactional activity, but also to some of those particular sectors like infrastructure and tech.

ANTHONY BOOGERT

Interestingly, we heard that the US election is not expected to have a material impact on M&A and the capital markets activity. Most people we spoke to felt that while the election was creating a lot of noise, it's unlikely to have a major impact on M&A - given the uncertainty was already priced in, and the business community had already experienced both a Biden and a Trump presidency. There's also broad bipartisan support for infrastructure spending, so that area is expected to be strong, regardless of who wins this election. Finally, there seemed to be a consistent view that we're going to see more activity in tech M&A as the regulators' attention on big tech softens.

NICOLA CHARLSTON

Yes, that was really interesting to hear about the upcoming changes in the US merger clearance process and how the information requirements and applications are going to become even more onerous and lengthy. I think a lot of foreign lawyers would think that they're already relatively onerous and lengthy as they are. And of course, we're also gearing up here in Australia for changes in our merger clearance laws.

ANTHONY BOOGERT

One interesting presentation came from Anu Aiyengar, global head of M&A JP Morgan. She talked about the three Ds. Do you want to run through them?

Listen here on



NICOLA CHARLSTON

A really interesting presentation from Anu, definitely one of the highlights of the conference. What she was talking about in terms of the three Ds were: deglobalization, decarbonization and digitization.

Deglobalization, she was highlighting this trend around on or near shoring to protect supply chains and infrastructure investment, also noting that infrastructure is one of the fastest growing private asset classes, and this seemed to be particularly relevant in the US, where infrastructure is aging and the investment need into physical infrastructure is critical for the US. Second D, decarbonization, she had an interesting statistic that global investment in energy transition grew around three times, just from 2019 to 2023, to US \$1.8 trillion, and a stat that 50% of global investors aim to invest in climate solutions to reduce portfolio emissions. The other interesting point I thought on decarbonisation was energy transition expected to be 70% to 80% privately funded, but an observation that government's contribution will be critical, as well as both a financial and policy catalyst for that investment. And then the Third D, digitization, and of course, AI in particular.

ANTHONY BOOGERT

Wow - We've been talking about how long we haven't mentioned AI yet!?

NICOLA CHARLSTON

Well, it's clearly not an earnings call, because one of the other interesting statistics from a news presentation was from a Stanford University report that looked at earnings calls in 2023. It found that 2796 mentions were made of AI in 2023 earnings calls, which was backed up by 81 point 6 billion USD in investment. And that's just in the US so AI, huge focus.

Interesting way that she described it as a technology infrastructure and an energy challenge

ANTHONY BOOGERT

Interesting that the climate side of that is just, you know, becoming increasingly important, not just the digitization.

Okay Nicola, final question: What does everything we've heard mean for our M&A markets?

NICOLA CHARLSTON

Well, it might be overly optimistic, but I am definitely hopeful, based on what we heard in the last week, that some of those factors we've touched on around opening of debt markets, the contraction of the valuation gap, means that M&A activity will continue to trend upwards over the second half of this calendar year, hopefully those buyer and seller price expectations continue to converge, which seems to have stifled quite a lot of M&A activity in this market, at least with some failed deals or deals on the go slow and if not maybe some creative deal structuring can overcome any of those gaps.

One area that we did hear about over and over was the ongoing and increasing complexity of the regulatory landscape. We're hoping that that doesn't unduly impede transactions that would otherwise make sense, because it's certainly top of mind for a lot of the deal doers that we spoke to.

What about you, Anthony, what were your key takeaways?

ANTHONY BOOGERT

On equity markets, they continue to be puzzling. The IPO market still appears to be shut globally, which was interesting - it's not just an Australian problem. Although, there does seem to be a consensus that there'll be a strong Q1 in 2025, with the preparatory work commencing now. As you mentioned earlier, equity markets continue to be high and this is supporting M&A by strategics - using share consideration for acquisition.

It sounds like we're going to see a rebound in tech M&A as some of the regulatory scrutiny starts to ease and the valuation gap contracts. Health care continues to be challenged, though, with cost pressures continuing to be a global problem.

NICOLA CHARLSTON

Yes that sector still has some issues facing it - but still one of the most active sectors, in JP Morgans presentation it was flagged as healthcare and life sciences as the third most active sector globally from an M&A perspective over the last 12 months.

All very interesting. A few things to ponder there for anyone interested in transactional activity and M&A. Thank you, Anthony, you're a great travel partner as always.

ANTHONY BOOGERT

Thank you, Nicola likewise.



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