



ALLEN & OVERY

M&A Insights

Q3 2021

Rethinking priorities as
transactions boom

Contents



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of interactivity throughout

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Global M&A Q3 2021 snapshot

● Value of deals (USD)

● Number of deals



Increase in global deal value
Q3 2021 vs Q3 2020

▲
92%

Increase in global deal volume
Q3 2021 vs Q3 2020

▲
28%

Note: Figures represent deals announced between 1 January and 30 September 2021.

Data provided by

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Record-breaking run continues at pace

Dealmaking across the globe continues to break records, as investors take advantage of benign market conditions to deploy capital at an accelerating pace.

Reflecting on the second quarter of last year, when deals ground to a near standstill as the pandemic struck, it seemed inconceivable at the time that the market would recover so quickly and so strongly.

Yet Q3 of 2021 marks the fifth consecutive quarter in which the global value of deals has exceeded USD1 trillion, a run not seen since the financial crisis struck in 2007/8.

Global market conditions favour transactions

Investors are still cash-rich and debt financing at affordable rates remains readily available. While there are lingering concerns that central banks will raise interest rates to keep rising inflation in check, so far this is not deterring dealmakers.

Against that backdrop and despite a quieter August, particularly in North America, global deal value rose in Q3 2021 by 92%, while the number of deals announced was up by 28%.

Cross-border activity continues to recover strongly, having been depressed last year, with the value of these deals rising by 99% and volume up by 39%. But domestic activity remains equally strong, up by 88% in value and 24% in volume.

Private equity (PE) investors are deploying high levels of accumulated capital at a faster pace and we have seen strong growth in both leveraged buy-outs and trade sales.

However, with auction processes attracting strong competition, deal multiples are once again rising rapidly, which may give some investors pause for thought.

Growth across most regions

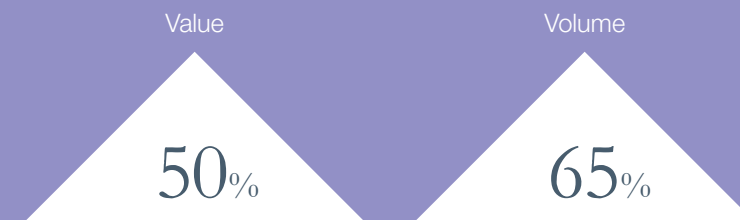
Almost all regions are seeing strong growth, with the exception of Eastern Europe/Central Asia, where we saw a 5% increase in deal volumes and a 19% decline in transaction values.


Megadeals once again feature heavily as values rise across the board:

Transactions worth more than USD5 billion



Transactions worth more than USD10 billion





Standout performers included Latin America, where values and volumes climbed by 258% and 46% respectively, driven mostly by a burst of activity in Brazil. Deal values in Sub-Saharan Africa were up by 624%, although this is largely attributable to Prosus and its voluntary share exchange offer to Naspers shareholders.

TMT sector continues to shine

Telecoms, media and technology deals (TMT) continue to outperform the market, with the value of deals up by 114% and volumes climbing by 39%. A number of megadeals have underpinned this performance, including the spinoff of VMware by Dell and the Discovery/Warner Media transaction.

The life sciences sector continues to be busy, with values up by 112%. However, we are seeing fewer megadeals than in the past in favour of more medium-sized deals and alliances, particularly in the biotech and pharma segments.

And some sectors are proving far more resilient than might have been expected at the height of the pandemic. Consumer and retail is a case in point, with deal values up by 49% and volumes rising by 33%.

Outlook

This time last year market watchers were wondering if the strong, but still nascent, recovery in transactions could be sustained.

That question has been clearly answered in the quarters since.

Potential hazards do lie ahead, not least from the ongoing economic impact of Covid-19. But for now there are good grounds to believe the M&A market will continue to power ahead in the autumn and into 2022.

Software, connectivity, data and fintech dominate M&A in Silicon Valley

As transaction activity in the tech sector continues to power ahead, new challenges and opportunities are confronting Silicon Valley companies and setting the global agenda for the industry.

Transactions in the technology sector continue to outpace the rest of the market, with Silicon Valley remaining an important and powerful engine driving deals globally.

Over the summer, we have seen Silicon Valley tech companies continue to invest through acquisitions or preparing the runway for their next round of fundraising.

The U.S. boom in special purpose acquisition companies (SPACs) in the last two years has also added a new dimension to the deal calculus. A high proportion of SPACs have a stated aim to invest in technology. SPACs provide an alternative route for a company to access the public markets instead of a traditional IPO or a direct listing.

Taken together, transaction activity looks set to be very busy in the months ahead.

Covid-19 has energised the tech M&A

Technology-focused transactions have proven far more resilient than those in other sectors, thanks in part to the way the pandemic has accelerated the adoption of technology right across society from online shopping, to banking, telemedicine and tools to facilitate remote working.

Many of the deals we are now seeing are focused on software or software-enabled technologies, often powered by the latest advances in AI, analytics and deep tech.

In the aftermath of the pandemic, connectivity is a particular focus, as players seek to bring increasingly powerful services to market, such as workplace collaboration tools. We've also witnessed a shift to cloud/as-a-service models and the increased use of automation.



“Challenger banks have put technology at the heart of their offering, giving their customers new ways to manage their accounts online.”

In bringing these new solutions to market, companies have three basic options:

- **build the technology**
- **buy it through M&A deals or otherwise license it from others**
- **collaborate with others through joint ventures or alliances**

The latter option is a major feature of dealmaking in Silicon Valley with so many innovative companies clustering together in what is still the world's most important technology centre. Such alliances might, for instance, see one company bringing its enhanced software solutions to another's technology platform, providing an improved overall experience for the companies' common customers.

It's notable that eight of the top ten tech deals in our data are software related, covering an increasingly broad range of applications, with all the biggest tech companies investing heavily in this area.

Salesforce, the cloud-based software company, is an example, buying Acumen for USD570 million, then Slack in a USD27.2bn deal, and Servicetrace for an undisclosed sum, in short order.

Fintech and the humanisation trend

Fintech continues to be a segment seeing massive innovation and growth, once again spurred on by the way the pandemic has normalised the use of online and mobile technologies.

It's also an area that illustrates a growing trend across the tech sector towards the humanisation of technology, that means offering end users greater control over all the disparate pieces of technology they rely on in their lives.

Challenger banks have put technology at the heart of their offering, giving their customers new ways to manage their accounts online, and we are seeing a burst of creative fintech solutions coming to market.

Top 10 tech deals



“Ten years ago, it would have been inconceivable that data considerations could knock an M&A deal off the table. Today, it very well could.”



Traditional banks are exploring a number of ways to find innovative customer solutions, including bolt-ons, outsourcing and consultancy arrangements, and also in-house solutions, developed via either the buy or build model.

Silicon Valley remains a powerhouse in fintech. But this is one segment of the market where competition is particularly fierce in other markets, notably New York, London, Singapore and China. There, tech companies are thriving as they respond to specific demands in these major financial centres.

The importance of data

Where Silicon Valley deals are concerned, the exchange of data, what is shared and what is not, can be almost as important as the financial terms of the transaction.

Most of this is due to the rapid increase in the amount of data we share and the value companies can derive by inventing new ways to monetise its use or to improve the experience of their users.

But it is also a result of increasingly tough regulation of the use, storage and distribution of data. The global data obligations are growing in complexity as key countries deepen their regulatory frameworks and harmonisation grows more challenging.

In Europe, the EU's General Data Protection Regulation (GDPR) has driven the agenda. With the introduction of the California Consumer Privacy Act (CCPA), and with the California Privacy Rights Act passed and coming into full force over the next 15 months, U.S. law is moving in similar directions on key issues such as rights to:

- **correct inaccurate information**
- **put limits on the amount of data collected on individuals**
- **restrict additional purposes for which data may be used in the future**

In Asia, a raft of [new data regulations](#) in China highlights its data approach. This has been particularly accentuated by the investigation into Didi's data practices.

Many tech companies would like to see greater harmonisation as it would reduce escalating compliance costs and complexity. But these laws differ in significant ways, and the dream of globally agreed rules remains a distant one in the current climate.

That presents companies operating across borders with considerable operational and deal-related challenges, forcing them, at times, to take a jurisdiction-by-jurisdiction approach to compliance.

Economically, it would make sense to store data in one central server farm. But in some countries there may be a requirement that, if data is being collected on a national basis, that data must be stored in country and not housed in another jurisdiction. Localising data in this way has big cost implications and creates significant complexity for those designing data governance processes and systems architecture.

Other challenges abound, not least how companies manage and account for the data they hold in countries where

the state demands far greater access to personal information than would be allowed elsewhere.

In a deal setting, this marks a significant change. Ten years ago, it would have been inconceivable that data considerations could knock an M&A deal off the table. Today, it very well could.

Global demand for chips grows

Shortages in the supply of semiconductors have emerged as a significant challenge for tech companies this year and problems look set to persist.

That's down to soaring demand. The Semiconductor Industry Association has said that year-on-year global chip sales grew by over 29% to USD44.5bn in June this year.

Supply chain disruptions, in part exacerbated by the trade stand-off and political tensions between the U.S. and China, have led to major delays in getting products from manufacturer to market.



In addition, semiconductors are now fully in the focus of governments and antitrust regulators as an important strategic concern, likely to impinge on national security.

Any attempt to buy a chipmaker is likely to be reviewed in many jurisdictions, no matter how small, as we saw with the attempted takeover of Newport Wafer Fab in Wales by Nexperia, a Chinese-owned company based in the Netherlands.

For that reason, efforts to fix the shortage of chips are more likely to involve supply-chain engineering and commercial arrangements to obtain materials and manufacturing capacity rather than strategic transactions, such as M&A.

Cybersecurity – deals and diligence

The pandemic has exposed major weaknesses in corporate and government information systems with a huge spike in serious cyberattacks.

But, as companies across sectors undergo digital transformation, cybersecurity is provoking tougher action by regulators

as more and more organisations – some in critical areas such as energy supply – become targeted for attack.

Dealmakers in whatever sector must now carry out far deeper and more searching vendor due diligence around cyber risks.

However, the weaknesses exposed during the pandemic, with hybrid workforces challenging the old notion of an IT fortress protecting company security, have had another effect.

This year has seen an explosion of investment in new cyber technologies, such as so-called “zero trust” systems, both by venture capital funds and by PE and other financial investors.

Notable deals include:

- **Bain’s USD900m acquisition of ExtraHop**
- **TPG’s USD1.4bn deal to buy Thycotic, which it immediately merged with Centrify, another recent cybersecurity investment**

We fully expect this activity to continue.

China and U.S. trade tensions continue

Hopes that the Biden Administration would usher in a new era of warm trade relations between the U.S. and China now look particularly naïve. The complexity of the relationship, including technology leadership rivalry and views on human rights issues, complicate the fact that both countries rely on an interconnected supply chain. The Committee on Foreign Investment in the United States (CFIUS) remains a robust hurdle for investment into the U.S. Meanwhile, China continues to court foreign investment even as it is embarking on the re-shaping of its domestic environment through initiatives such as the “Common Prosperity” initiative, domestic antitrust actions on Big Tech and a range of new regulatory actions. In the IPO space, Hong Kong looks to be the winner for Chinese companies seeking to list over the traditional U.S. markets.

Outlook for the Valley

Silicon Valley not only remains a driving force in global technology transactions but an important indicator of both the opportunities and challenges facing the sector globally.

The evidence so far this year is that investors remain highly confident and ready to deploy growing amounts of capital in the sector. We fully expect the Valley and the remainder of the tech industry to continue dominating M&A league tables in the months ahead.



Is sustainability really changing the deal landscape?

A broad range of sustainability issues are now clearly affecting the way some investors assess potential M&A deals and allocate capital. But many are only just getting to grips with the fast-evolving environmental, social and governance (ESG) agenda.

It's almost a truism to say that ESG issues are rising to the top of boardroom and investment committee agendas.

The combination of political and regulatory pressure is beginning to have a significant impact on the allocation of capital and that impact is only likely to grow.

The challenge defining ESG

Against that backdrop, it's not surprising that ESG now increasingly dominates boardroom agendas.

But dig a little deeper behind the many company pronouncements and it is clear that we are still at the very early stages of this shift in boardroom thinking.

The difference is that now these issues are being viewed holistically, rather than in isolation, as was often the case in the past.

Indeed, ESG is a catch-all term covering the whole gamut of what it means for a company to operate in a truly sustainable way and in the broadest terms. And it calls for businesses to take a much deeper and wider approach to assessing assets and deciding where to allocate capital.

Increasingly, investments will be measured by looking at the whole range of interlinked sustainability measures. An investment in a solar energy project, for example, may tick all the boxes from an environmental perspective, but not if the target has questionable employment practices or operates in a jurisdiction where bribery and corruption are rife.

In the absence of a common approach to this kind of assessment, many investors are only just beginning to get to grips with this need to shift perspective and re-order investment priorities.

PE and financial investors lead the way

Thanks to a high volume of ESG-related regulation targeted at the financial services sector, PE funds and other financial investors are moving faster to address the sustainability agenda than many trade buyers.

Many funds are seeing the opportunity that lies in addressing ESG risk within their portfolio companies.

The impact they can have on addressing these long-term issues is significant even if the time horizon of their investment remains relatively short, typically between five and seven years.

Where M&A transactions are concerned, action on ESG matters is currently limited to two main areas of change:

- **PE investors have stepped up their use of scientific modelling to assess climate impacts on assets they are considering buying. They may, for instance, be looking at the likely impact of a 1° or 2° increase in temperatures when,**

say, assessing infrastructure or other assets, vulnerable to climate, in the knowledge that such impacts are now being felt in the near term.

- **under pressure from much tougher regulation, they are also focusing much more intently on supply chain due diligence. Here, they are broadening out their assessment of risk beyond traditional areas such as bribery and corruption to encompass wider ESG factors such as human rights and climate. The Covid-19 pandemic has only accelerated this trend, raising the awareness of economic and human vulnerability to unexpected, high-impact events.**

We are not seeing the same level of activity in non-financial sectors, where the weight of regulation is, so far, much lighter.

However, this is very likely to change in the near future, not least because the pressure on banks and other financial investors to justify their green investments is beginning to have a waterfall effect on the wider corporate sector.

And we are not yet seeing ESG factors derail proposed private M&A deals, despite that being suggested by some commentators, although governance issues might on their own knock a transaction off course. By contrast, sustainability has become an issue in some public M&A deals and in equity capital market fundraisings.

Focus on ESG is here to stay

Where the transactions market is concerned, we are still in the early stages of seeing an ESG impact.

But increasingly, political pressure and regulatory change will bring buyers into the market who see an opportunity to create value by moving towards a more sustainable and holistic way of assessing assets and deploying capital. Change in law risk invariably stimulates transaction activity.

In that sense, ESG is sure to have an increasingly significant and long-term impact on M&A markets.

“Funds are seeing the **opportunity that lies in addressing ESG risk** within their portfolio companies.”

M&A litigation – a case of back to the future

An expected tidal wave of Covid-related M&A litigation has not materialised, but the current spate of deals and rising prices could see disputes spike and investors turn once again to the courts.

This time last year, many expected to see a deluge of M&A litigation specifically linked to the pandemic, as investors tested areas of the law rarely used in the past.

That conviction was based on the sheer volume of organisations that, in the early part of 2020, with the pandemic in its first devastating phase, were seeking pre-litigation advice.

Would they be able to invoke measures such as material adverse effect (MAE) clauses or use other tools such as ordinary course of business covenants, to either alter the price of the transaction or to get out of it altogether?

Few proceedings issued outside the U.S.

Yet (outside of the U.S.) little of the huge flurry of advisory work has translated into court proceedings, with the exception of one or two high-value deals.

The WEX/Travelport transaction was one of the few that resulted in a hearing before the English High Court. Travelport turned to the courts to force WEX to proceed with an agreed deal to buy eNett and Optal, a deal WEX had tried to walk away from, citing the effects of the pandemic and an MAE provision in the SPA.

Although Travelport did not succeed on a key preliminary issue, the deal did eventually go through, although at a value of just USD577.5m, less than a third of the originally agreed price.

But this case was an exception rather than the rule. We saw many more disputes resolved without legal proceedings being issued. Instead, buyers and sellers tried, and in many cases managed, to resolve issues by negotiation.





“In Europe, the pandemic had a significant impact on the value of deals but with few buyers and sellers resorting to litigation.”

Uncertain times are often a catalyst for litigation. But in the UK, investors seemed unwilling to add to the extraordinary levels of uncertainty created by Covid-19 by resorting to legal action with its unpredictable outcome.

Elsewhere in Europe, we saw a similar picture, with the pandemic having a significant impact on the value of deals but with few buyers and sellers resorting to litigation.

By contrast, we have seen a high level of litigation outside of M&A, including around lease agreements, with many retailers, forced to close stores by government lockdown restrictions, coming into dispute with landlords and suppliers. There has also been action around commitments to supply Covid-19 vaccines and test equipment that were not fulfilled.

Lessons from U.S. litigation

The pandemic spurred a number of “busted deal” lawsuits in Delaware by sellers seeking to enforce M&A agreements signed before the onset of Covid-19.

With the Delaware courts reaffirming the high bar for demonstrating an MAE, buyers were largely unsuccessful in seeking to avoid closing on the basis of a claimed MAE.

While resolution of the issue is fact-specific and dependent upon the language employed in the agreement, the cases reflect that an MAE claim will face an uphill battle in the absence of long-lasting and substantial financial declines that disproportionately affect the target's business in comparison to other companies in the industry.

Another category of litigation involved claims by buyers that the target's response to the Covid-19 pandemic breached ordinary course covenants.

In one particularly noteworthy decision, the Delaware Court of Chancery found that the target failed to operate its business in the ordinary course consistent with past practice even if the target's actions were “ordinary during the pandemic”.

While the court rejected the buyer's argument that an MAE occurred, the court ruled that the buyer was excused from closing due to the seller's breach of the ordinary course covenant.

China's recovery dampens appetite for litigation

China too saw relatively few disputes being decided by the courts. This was partly because, although the economic impact of the pandemic was severe at first, it was shorter-lived, with recovery coming more quickly than in other jurisdictions.

There have been a number of disputes around valuation, not least for companies that have prospered in the short term through supplying Covid-related products such as testing kits. In one case, the buyer has brought a challenge against the seller's request to pay the consideration according to a pre-pandemic stipulation linked to the valuation of the target company because a spike in the earnings of the target company skewed profit forecasts and, therefore, the valuation of the business. The buyer claimed that the surged profit earnings represented a substantial change of

circumstances surrounding the transaction. If established, this would be a statutory ground under PRC law* for a party to request a court or an arbitral tribunal to terminate a deal or adjust its consideration. The proceeding is still ongoing.

A more pressing concern for investors, though, is the Chinese government's tightened control over some specific sectors such as technology and private education. The efforts are to reign in the key players in the sectors and ensure that these sectors can develop in a healthier way as the government sees fit.

The campaigns do not specifically target foreign investment, but investors across the globe have witnessed the ripple effects of these actions as some contemplated deals are terminated for good or being suspended for now. It is still too early to say whether disputes will arise later this year or in 2022 over deals that have been agreed but not yet completed in these sectors.

Classic issues return

Although the initial increase in advisory work did not translate into a similar volume of litigation in most jurisdictions, we may still see more disputes arising out of the longer-term impacts of the pandemic, which remain hard to predict.

Transaction activity is now running at full pelt, with dealmaking returning with intensity at the end of summer 2020, and multiples rising sharply as a result. We expect to see an increased number of disputes if these deals do not deliver the returns that buyers expect: the market dynamics currently at play classically give rise to disputes around pricing mechanisms and warranties a year or two down the track.

We also think there are a number of other areas where M&A-related disputes are likely to emerge or increase.

For example:

- **the long-awaited wave of distressed M&A deals and restructurings has been postponed, in part thanks to government support programmes. Once these unwind, we could see distressed deals pick up significantly, with the possibility of disputes amongst stakeholders.**
- **disputed claims under Warranty and Indemnity Insurance policies are starting to emerge, exacerbated by the prevalence of the product and the lower pricing and expanded coverage which has developed over the last few years.**

One continuing area of focus is whether, post-Brexit, parties will question the use of English law and the English courts to resolve disputes arising in connection with cross-border M&A transactions.

With the UK no longer a party to the European frameworks on jurisdiction and enforcement of judgments, courts of other member states have the ability to apply their local rules when asked to enforce English judgments.

Whilst we think it more likely we will see “business as usual”, it is interesting to note that some jurisdictions, for instance the Netherlands, are trying to become more attractive to foreign investors by offering an English speaking forum to resolve disputes.

“We expect to see an increased number of disputes if [recent] deals do not deliver the returns that buyers expect.”

* Content in relation to the laws of the People's Republic of China has been contributed by Melody Wang, partner of Shanghai Lang Yue Law Firm, Allen & Overy LLP's joint operation firm in China.



Japan's shifting attitudes change market dynamics

Driven by changing attitudes and economic priorities, Japan remains a powerful outbound investor and is becoming an increasingly popular destination for inbound transactions.

Japan's transaction market, brought to a near standstill when the Covid-19 pandemic struck, as were so many other jurisdictions, has recovered strongly this year with both outbound and inbound investment gathering pace.

But that recovery masks a number of significant changes in attitudes and economic priorities that, together, have transformed the dynamics of this market in important ways.

Outbound investment – the focus shifts

The impetus for Japanese companies to complete outbound deals remains familiar:

- **businesses are constrained by a shrinking domestic market and need to look overseas for growth**
- **in doing so, they are focusing much more intently on – top – rather than bottom-line growth and know they can find that most quickly in faster-growing economies**

Bolstered by big reserves of cash, ready access to debt finance at affordable rates and a highly supportive banking system, they continue to look for outbound opportunities.

But the focus of these investments has shifted, away from a concentration on traditional manufacturing assets towards softer targets. It's notable that the two biggest outbound deals this year have been by Hitachi and Panasonic, both targeting U.S. software developers.

It remains to be seen if this change of direction is short lived. Is it, for example, down to the difficulty of doing more traditional deals while Covid-related travel restrictions made the job of assessing manufacturing sites much more difficult?

That is possible. But the likelihood is that this trend will continue, not least as Japan tries to catch up with its competitors in making the transition from traditional manufacturing to a digital economy.

The U.S. remains a key outbound market for Japanese investment, accounting for some 40% of overseas transactions, as does Western Europe.

But the focus on Asian markets also continues to intensify, where investment in low-cost manufacturing has shifted from China to other countries, such as Vietnam. Japan is increasingly ready to invest in Asian economies with an expanding middle class, although it appears to favour ASEAN countries over China, in this regard.

Climate change is also forcing Japan to reassess its energy needs and current dependence on imported fossil fuels such as coal and LNG, a trend that is likely to propel significant infrastructure investment at home and abroad.

With public opinion still opposed to nuclear, following the Fukushima disaster, there is a strong move towards renewables, including solar, onshore and offshore wind, and, potentially, imported hydrogen – a fuel that Toyota, unlike many of its competitors, sees as the future of mobility.

Inbound investment on the rise

In the past, strategic investors into Japan have often struggled to secure much needed synergies from the businesses they buy.

But there are clear signs that investors are looking afresh at this market and gaining a far greater insight into the workings and attractions of Japan as an attractive investment destination. A pre-pandemic surge in tourism to Japan has brought greater global attention and only served to reinforce this view.

Other factors are at play, including:

- **while trade tensions between China and the U.S. persist, investors with dedicated resources to invest in Asia are diverting their spending away from China, with Japan emerging as an important alternative**
- **a growing number of big U.S. PE funds – including Bain, KKR and Carlyle – have made significant and successful acquisitions in Japan and are betting that its transaction market will continue to recover strongly, opening up further opportunities**

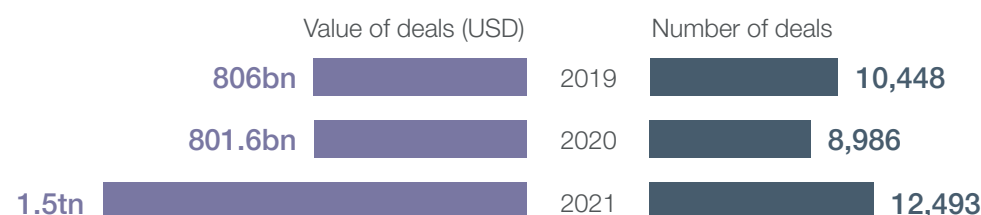
That's particularly true as Japan's giant conglomerates continue to reorganise their balance sheets, revise their strategies and dispose of non-core businesses.

Here, Hitachi in particular has led the way, but others, particularly in the electronics sector, continue to follow suit. NEC, for example, has transformed itself from a consumer electronics company into a software infrastructure business.

This move towards restructuring reverses a tradition in Japanese commerce, where business disposals were once viewed as a sign of failure. Now, the commercial logic of transforming the business to focus on core assets is widely recognised in the market and activity is picking up.

Hitachi's USD8bn sale of its chemicals business to Showa Denko in 2020 is a case in point. Now Showa Denko is itself rationalising its own portfolio with the sale of its aluminium business to PE buyers.

Japan cross-border M&A activity, Q3





Financial investors in the lead

PE funds and other financial investors are welcoming the change in corporate attitudes and are at the forefront of inbound investment for two clear reasons:

- **they have a massive amount of firepower which they are under pressure to invest**
- **they do not need to look for synergies in the target company, unless they are specifically pursuing a buy-and-build strategy**

Attitudes to PE investors have transformed in recent years, in recognition that they have an important role to play in increasing the efficiency of Japanese companies.

By contrast, in the early 2000s, they were often thought of in the same way as a group of aggressive activist shareholders who were widely regarded as vulture capitalists.

Interestingly, having largely failed to gain traction with shareholders in the past, activists have also changed their approach. Their preference now is to negotiate behind the scenes with boards rather than mount damaging and highly public campaigns.

Strategic investors are also involved and the experience of other markets is being repeated here: where financial investors lead, strategic buyers tend to follow.

Auction processes are preferred over bilateral deals, and they are attracting high levels of competition from funds and strategic buyers, pushing multiples up.

U.S. PE funds have successfully acquired some big-name businesses. The acquisition of Toshiba's semiconductor business in 2017 by a consortium led by Bain Capital is a prime example. Bain is now looking for opportunities to grow its presence in the chip market.

But inbound interest in the Japanese market is coming from other parts of Asia too, notably Singapore, China, Thailand, Taiwan and South Korea.

Indeed, companies like Foxconn, which bought Sharp's TV monitor business, Lenovo's joint venture with NEC to make PCs, and Haier, which bought Sanyo's white goods business, were amongst the earliest to spot opportunities as Japanese conglomerates disposed of non-core assets.

One other significant cultural change is in attitudes towards hostile bids, once seen as very unwelcome in the market.

Following several domestic hostile takeovers, these are now seen as more acceptable. Gradually, the market is also beginning to warm to the idea of inbound unsolicited offers.

Global presence

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