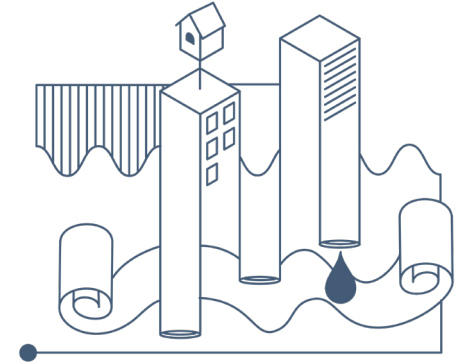
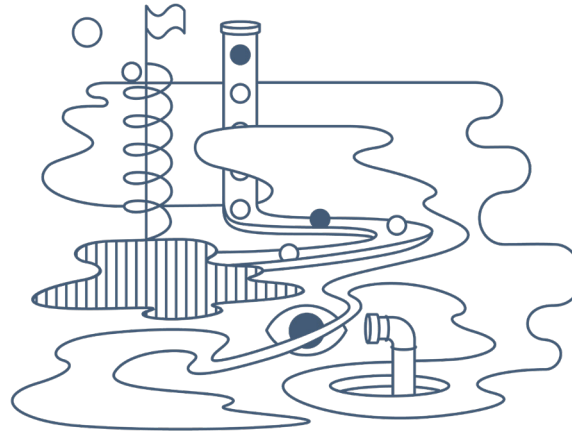


PUBLIC M&A IN SURREAL TIMES

The operation of stock exchanges has been disrupted by Covid-19, and market participants are working through the changes. If you could be party to a public takeover in this unusual deal landscape, here are 8 key themes to note.

1 VALUATIONS ARE THE BIGGEST HURDLE

Covid-19's interruption of long-term cashflows complicates valuations for many businesses - although interim results season in August will provide clarity on H1 Covid-affected trading. This uncertainty, plus the expectation gap caused by PLCs recent higher share prices means target board recommendations may be harder to obtain.

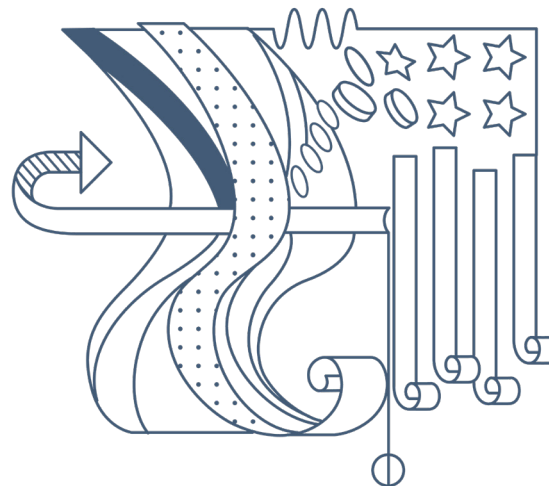


2 PRIVATE EQUITY INTEREST IN P2PS TO ACCELERATE IN H2

AG's survey of PE houses identified three interlinked factors behind "public-to-private" activity: (1) scarcity of quality businesses for sale, (2) increased competition among PE houses, and (3) PLCs providing better value proposition. Covid-19 exacerbated these factors, and PE interest will remain a systemic feature of the deal landscape.

3 "CHEAP STERLING" WON'T BE A KEY DRIVER OF PE ACTIVITY

One common 2019 narrative was 'cheap sterling' will cause a US-led deal frenzy. Our survey showed 80% of financial advisers and 55% of PE houses named the UK as the source of P2P interest. The key commercial drivers above will dominate and favourable exchange rates will remain a relevant, but subsidiary, factor.



4 ACQUISITION FUNDING NEEDS TO OPEN UP

Lenders have focussed on their existing customers and loans: for M&A to be unlocked, the scope of lending must widen and commercial terms will shift in lenders' favour to reflect valuation uncertainties. Given their unutilised cash reserves, debt funds are likely to pick up the lending baton first.





5

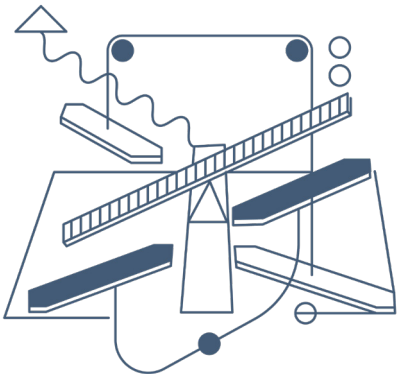
DISTRESSED AUCTIONS ON THE RISE

There has been minimal takeover activity during lockdown - but several distressed PLCs have entered offer periods having put themselves up for sale through a formal auction process, as part of a multi-limbed strategy while they also consider alternative strategic and funding options.

7

BREXIT IMPACT ON DEAL CONDITIONALITY

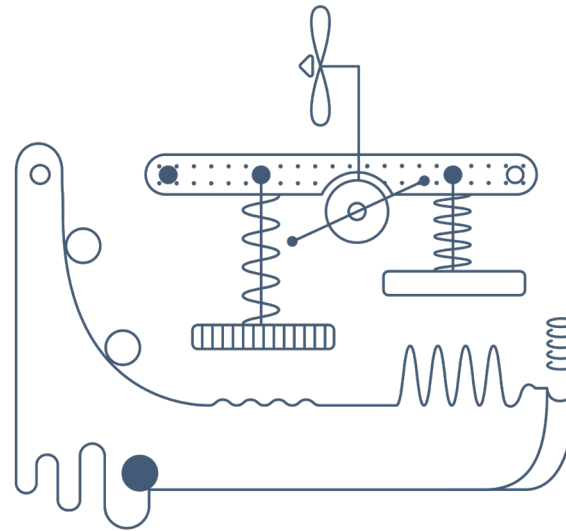
Away from Covid-19, the Code's conditions regime must be amended to address the anomaly, which is particularly evident in a post-Brexit world, that EU antitrust conditions receive special treatment under the Code when invoked compared to those in other jurisdictions. This playing field will be levelled.



6

CHANGING M&A MARKET PRACTICES

AG is working on innovative solutions to combat some of the headwinds offer participants face in the current deal environment - bespoke solutions, like contingent value rights and insurance, will receive more regulatory scrutiny. Expert guidance through the Code's regulations will be critical.



ADDLESHAW GODDARD HAS LED OVER 15% OF ALL PUBLIC TAKEOVERS IN 2018 & 2019

If you would like a more comprehensive view of what we're seeing in the current environment and what steps you should take to maximise your chances of success, please get in touch.

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8

FOREIGN DIRECT INVESTMENT

The new FDI regime introduces a new complexity into the deal clearance process, with the possibility of parallel reviews with the CMA and inconsistent timetables and outcomes as a consequence. More transactions will require regulatory approval and uncertainties around deliverability will increase.

