

GLI – Mergers & Acquisitions 2023 USA Chapter

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Overview

The year 2022 started strong but proved to be a mixed year for M&A in what could be described as a return to earth after the record-setting year that was 2021. The U.S. M&A market alone exceeded \$2 trillion in 2021 – a staggering figure that crushed (by nearly 30%) the then-existing record established in 2015. And while 2021's M&A volume was spectacular, its exponentially increasing valuations, rising stock prices, low interest rates, and post-pandemic economic recovery turned into rising interest rates, war in Ukraine, inflation, tax law changes, equity market volatility, and regulatory scrutiny in 2022, combining to slow the M&A market in the same year, particularly the second half, with the U.S. being no exception.

Taking stock, 8,468 M&A deals were announced in the U.S. in 2022, worth approximately \$1.6 trillion in the aggregate. Those totals represent close to a 10% decline in aggregate deal volume and a 38% decline in aggregate deal value compared to 2021's blockbuster year. But perhaps it is not fair to compare 2022 solely to the record year that was 2021. If 2021 figures were removed, 2022 would have been a record year for U.S. deal volume; however, the global market produced its fourth-lowest deal volume since 2010.

Domestic M&A market volume was, as has been the trend in recent years, aided by a large number of “mega-deals” early in the first half of 2022, particularly in the technology sector, including two deals valued in excess of \$65 billion each: Microsoft Corporation's \$69 billion bid to merge with leading videogame developer Activision Blizzard, Inc., announced in January 2022 (we note that this transaction has not closed as of the date of publication of this chapter, as regulators in both the U.S. and U.K are seeking to block the deal; this development is further discussed below); and Broadcom Inc.'s \$71.6 billion offer for renowned cloud-computing and virtualisation technology company VMware, Inc., announced in May 2022. Megadeals continued after May 2022, but not at the same pace or volume: Johnson & Johnson's nearly \$17 billion offer for medtech company Abiomed; Amgen, Inc.'s purchase of Horizon Pharma plc for approximately \$27.8 billion; and General Electric's purchase of a majority of GE HealthCare Technologies, Inc. for approximately \$22 billion. Large-cap deals, such as the above, accounted for approximately 40% of the overall value of M&A activity in 2022 – a figure largely in line with 2021. However, the average U.S. deal size in 2022 decreased by 29% from 2021, and from \$122.4 million in 2021 to

\$86.4 million in 2022. The number of transactions in excess of \$1 billion involving U.S. companies fell by 52% in 2022, from 594 such deals in 2021 to 288 in 2022, and total deal value decreased by 43%. Further, M&A levels continued to fall throughout 2022, each quarter showing a decline in deal volume and value from the prior quarter. Small and mid-sized transactions made up for some of the decrease, but not all.

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Assistance provided by Brencis Navia, Valeria Smith, Mark Wilhelm, and Ethan Zook.

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