the past year, reflecting the robust rally increasingly alarmed that ballooning

Deal frenzy driven by what's coming next

Could the most frantic year of deal making since the GFC be about to get even crazier?

It was hard to avoid that sense yesterday when about $10 billion of deals were announced across the property, gaming, financial services, energy and mining sectors.

The mergers and acquisitions boom of 2021 is on pace to set fresh records.

Numbers from Goldman Sachs showed deal volumes were running at $160 billion in early August, putting the record for annual deal volumes – $215.2 billion in 2007 – firmly in sight.

What's particularly notable is that yesterday's M&A madness – led by Aristocrat's $3.9 billion acquisition of Britain's Playtech, a $3.2 billion merger between retail trusts HomeCo Daily Needs REIT and Aventus, and the surprise $845 million takeover bid for oil and gas junior Senex by Korean group Posco – took place against a backdrop of rising fears about inflation and slowing GDP growth in China.

James Thomson

But while there's a certain logic to the idea that market nervousness could lead boards to press the button on deals sooner rather than later, those inside deal-making circles suggest there is no sign of skittishness.

Instead, confidence remains robust among chief executives and chairmen. "All we are hearing is growth, growth, growth," one veteran adviser said yesterday.

To be clear, this is not about chasing short-term opportunities, but rather using deals to reset growth strategy for the next five to 10 years, which will look very different to the past decade.

Consider Aristocrat's acquisition. CEO Trevor Croker is paying a full price for Playtech, which provides technology to the online gambling sector, but he can see a decade of growth in the United States, where cash-strapped state governments are steadily deciding to allow online sports betting and casinos.

Buying Playtech gives Aristocrat the digital equivalent of picks and shovels in a gold rush.

Or take the merger between David Di Pilla's HomeCo Daily Needs REIT and Aventus. Di Pilla's aggressive growth strategy is designed to lift funds under management across his broader HomeCo empire by tapping the trends that will shape society over the next decade. Health and wellness for an ageing population is one, e-commerce is another.

Yesterday's deal will put the merged entity's shopping centres within 10 kilometres of 12 million Australians, helping to solve the last-mile logistics challenge that has Australia Post and other logistics providers groaning under the weight of a parcel avalanche.

GPT's acquisition of a $681.7 million portfolio of 23 logistics properties from Ascot Capital (plus one office building) speaks to the potential challenges of a post-COVID world.

As one of the biggest office landlords in the country, GPT remains

Aggressive growth strategy: David Di Pilla, of HomeCo.

unsurprisingly upbeat about the outlook for the traditional beating heart of corporate life.

But as those e-commerce tailwinds blow, GPT has been moving to lift the proportion of its portfolio in logistics from 23 per cent at June 30, to 30 per cent; the Ascot deal gets it to 26 per cent.

What we saw yesterday simply continues what we've seen all year: a desire among companies to get scale in the right areas, at the right time - that is, before the full impact is felt from post-pandemic trends, such as increased digitisation, personalisation and flexibility.

This is not unlike what we saw in the years after the GFC, when businesses used the crisis as a catalyst from strategic reassessment. But corporate Australia's starting position is so much better this time around, with balance sheets robust and fiscal stimulus still coursing through the economy's veins.

The other strategic imperative driving deals this year is the increasing focus on environmental, social, and corporate governance issues.

The merger of Woodside with BHP's petroleum business, and Woolworths' Endeavour Drinks spinoff, are two prominent examples, as are Santos' merger with Oil Search, and South 32's copper acquisition.

This is also about positioning for the decade to come – either by getting big to build the financial firepower to weather the storm in sectors such as energy, or getting out before ESG issues become all-consuming.

The history of M&A says there will be no shortage of transactions that fail to live up to lofty expectations in the class of 2021, but for now, advisers say that beyond a few particularly pricey deals in the property sector, there are few signs of irrationality or deals sparked by FOMO.

But investors should be on guard. The duds are always difficult to spot in real time, and booms don't usually end happily for everyone.