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Transportation highlights
Global Capital Confidence Barometer

EY Building a better working world

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A note from Kristin Ringland, EY Global Mobility Transaction Advisory Services Leader

Transportation companies cautious about M&A, though fundamentals support deals

Our latest EY *Capital Confidence Barometer* indicates that transportation executives are solidly optimistic, both about the global economy and the global transactions environment. Ninety-five percent of our respondents say the global economy is improving or stable, and 98% see corporate earnings and the global M&A market as improving or stable.

However, deal intentions have slowed, with 36% of survey respondents expecting to pursue acquisitions in the next 12 months – the lowest level in four years. Regulatory, geopolitical and policy uncertainty, and disruptive digital forces have been recognized by executives as headwinds to business growth and dealmaking in the near term.

The reduction in deal appetite is more likely a pause than a full stop. We may see fewer deals in the near term, and the next 12 months will likely not be as strong as the last 12. But M&A remains a strategic tool for growth. For now, regulation and trade policy uncertainty is giving some executives pause for thought, as is the need to fully integrate and properly digest acquisitions made to date.

Heightened risks of disruption, increasing policy uncertainty accelerating portfolio reviews
In an era of rapid technological disruption, geopolitical tension and policy uncertainty, transportation executives indicate they are accelerating their portfolio reviews in order to prepare for medium- to long-term growth. Transportation companies have increased the frequency of their portfolio reviews, citing the threat to their business from digitally enabled competitors and startups, as well as increasing pressures from investors to maintain or improve margins. In addition, potential changes to global trade policies are becoming an increasingly pressing issue in company boardrooms.

Transportation companies are planning to sell underperforming or at-risk assets in order to raise capital to invest in the right technologies and right geographies. Executives are looking to identify strategic gaps in their portfolio. Unless these gaps are filled, many companies may find themselves at a competitive disadvantage. Understanding the full breadth of their competitive ecosystem is more critical than ever.

Cross-border deals undeterred by political uncertainty and geopolitical tensions
With global trade and tariff policy becoming more uncertain, transportation executives are still planning cross-border deals to counter negative impacts on their operations, gain access to new markets and protect supply chains. For transportation companies, dealing in a globalized market is a necessity, and executives should remain agile in their approach to geopolitical disruption and be prepared to reimagine their global footprint.

Top five investment destinations

1 US
2 Canada
3 Australia
4 UK
5 UAE

Macroeconomic and M&A outlook

Confidence in the M&A market remains strong, supported by an economic environment that is boosting corporate earnings. But rising geopolitical and regulatory uncertainty has caused some transportation companies to pause M&A plans.

98% expect the global M&A market to improve or remain stable.

95% see the global economy as improving or stable.

36% intend to pursue acquisitions — the lowest in four years.

External environment

Regulatory, geopolitical and policy uncertainty, and digital disruptive forces pose the greatest near-term risk to the growth of core businesses. But regulation and political uncertainty are viewed as the greatest dealmaking headwind in the near term.

32% say that regulatory, geopolitical and policy uncertainty are the greatest near-term growth risks.

32% say that disruptive forces (technology, digital) are the greatest near-term growth risks.

50% identify regulatory and political uncertainty as the biggest potential risk to dealmaking.

Growth and portfolio strategy

Identifying potential divestitures becomes the focus of portfolio reviews; executives refocus attention on existing employees.

40% identified an underperforming asset to divest as a result of their most recent portfolio review.

52% say motivating, rewarding and retaining existing workers is the most significant workforce challenge.

29% say near-term capital allocation strategy is focused on investment in existing operations.

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