Highlights

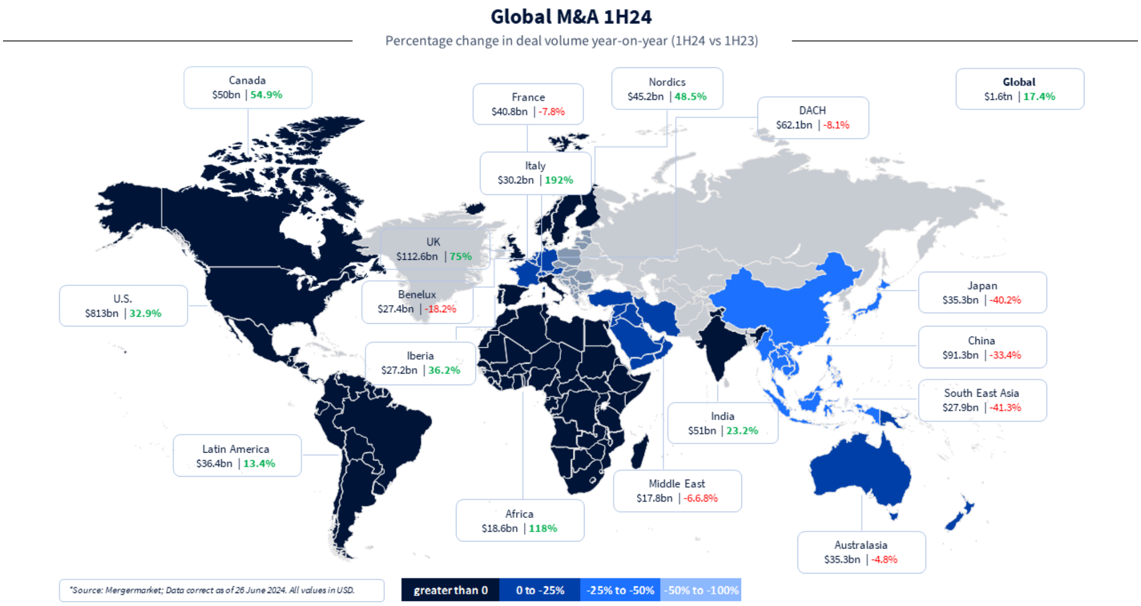
insights@iongroup.com

Thursday, 27th June 2024
Written by the Insights team

M&A Highlights 1H24: In Recovery

Powered by Mergermarket data, M&A Highlights reviews M&A activity across North America, EMEA and APAC in 1H24. All data correct as of June 26, 2024

Global M&A volumes return to form



Global M&A activity continued to recover in the first half of 2024, driven by a resurgence in North America.

Deal volume in the first six months rose 17% year-over-year to USD 1.6trn after hawkish monetary policy worldwide appeared to tame inflation and returned some stability to markets.

The pendulum swung firmly in favor of the corporate buyer, which accounted for 73% of deal volume in the first half, a level last seen before the pandemic.

Highlights

insights@iongroup.com

KEY 1H24 TRENDS IN GLOBAL M&A

USD 1,601.6bn
Global M&A volume up 17% (USD 1,369bn in 1H23)

Technology Dominance
37% increase in volume to USD 3231bn

Megadeals Comeback
20 deals >USD 10bn (incl. 14 in US)

Healthcare Slowdown
12% decrease in volume to USD 191bn

Buyouts Return
37% increase in volume to USD 280.6bn

Corporate Supremacy
73% of deal volume

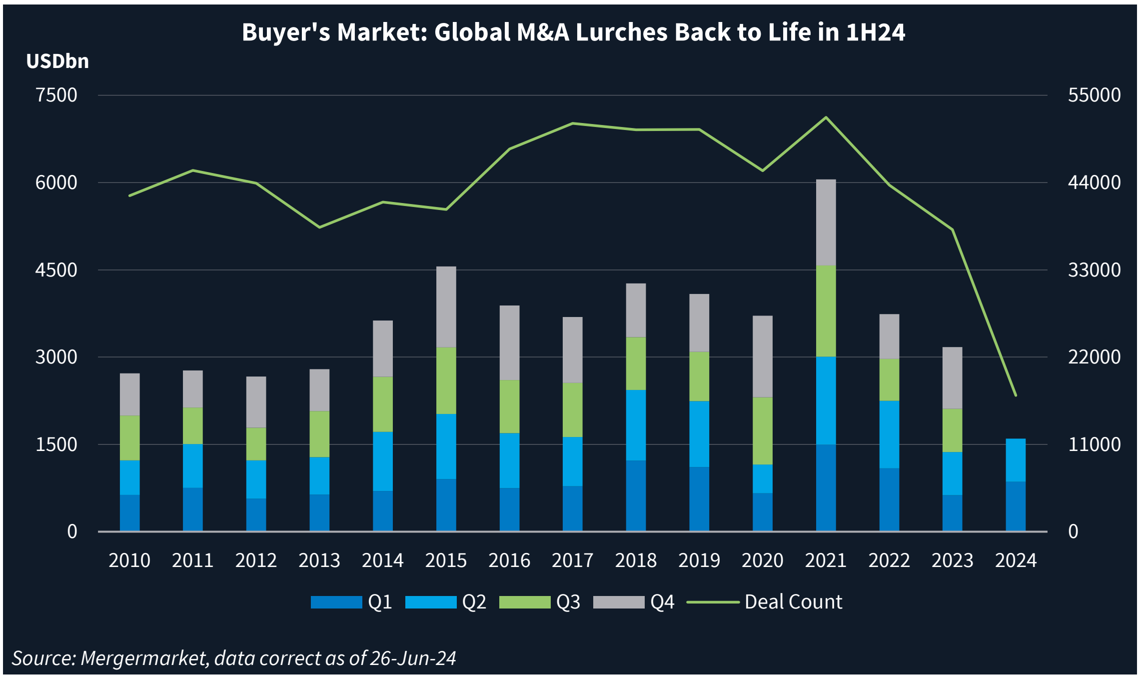
Source: Mergermarket, data correct as of 26-Jun-24

Corporate Strength
Four factors are coming together to fuel the corporate dominance. First, persistently high interest rates make debt-fueled buyouts too expensive. Second, strategics have a mountain of dry powder to use for growth. The 'magnificent seven' technology stocks - **Alphabet** [NASDAQ:GOOG], **Amazon** [NASDAQ:AMZN], **Apple** [NASDAQ:AAPL], **Meta Platforms** [NASDAQ:META], **Microsoft** [NASDAQ:MSFT], **NVIDIA** [NASDAQ:NVDA], and **Tesla** [NASDAQ:TSLA] – had more than USD 450bn in cash on their balance sheets at the end of the most recent quarter.

Third, the growth in stock market valuations – the S&P 500 is up 20% over the last year – have given corporates a strong currency for dealmaking. Finally, many tech firms – now lean and keen after they spent much of 2022 and 2023 laying off staff and focusing on operational efficiency – are ready to grow again.

Highlights

insights@iongroup.com



The corporate dealmaker's relative strength against the financial buyer was best illustrated by the top 10 deals of the first half.

Seven of them featured strategic buyers, six of which were in more traditional industries, such as financial services, oil and gas, building products, and pharmaceutical manufacturing, while one was in technology.

They were led by **Capital One Financial**'s [NYSE:COF] USD 35.3bn bid for credit card issuer **Discover Financial Services** [NYSE:DFS] in February.

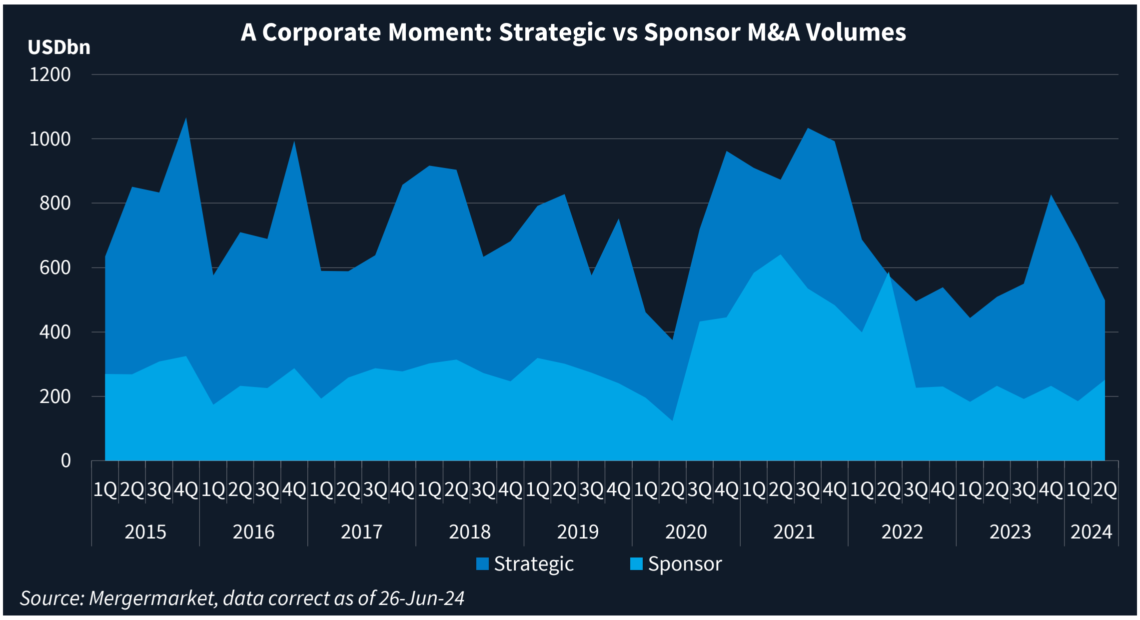
Diamondback Energy's [NASDAQ:FANG] USD 25.8bn deal for **Endeavor Energy Resources** in February and **ConocoPhillips**' [NYSE:COP] USD 23.1bn bid for **Marathon Oil** in May were the latest mega deals in the oil and gas sector, underscoring the enduring need to secure upstream hydrocarbons.

Two of the top 10 deals were corporate spinoffs to existing shareholders: **General Electric**'s [NYSE:GE] USD 38.1bn spinoff of its power businesses, **GE Vernova**, and **3M**'s [NYSE:MMM] USD 17.3bn spinoff of healthcare business **Solventum**, both completed in April. They showed that during market uncertainty conglomerates took the opportunity to clean up their capital structure and unlock value for shareholders.

Nine of the top 10 deals involved US-based companies, testament to North America's resurgence. The continent's deal volume grew 33% to USD 864bn during the first six months. Europe also enjoyed a strong first-half recovery, with M&A volume rising 33% to USD 401bn. By contrast, Asian Pacific dealmaking sank 26% to a 15-year low of USD 264.3bn, pulled down by China's property crisis.

Highlights

insights@iongroup.com



Sponsor Comeback
The only top-10 transaction involving a financial sponsor in the first half was the USD 14.9bn buyout in April of sports and live events firm **Endeavor Group** by private equity firm **Silver Lake** – the period's 10th biggest deal.

Despite that, there are signs of a comeback from private equity. Financial sponsors lurched back to life in the second quarter, when global buyout volume surged 81% sequentially to USD 181bn – albeit from a four-year low in the first quarter.

It makes the second quarter the best for buyouts since 2Q22, when the Federal Reserve started hiking interest rates at the fastest pace in decades. With at least one rate cut expected in the second half, the rebound in buyouts should continue.

Highlights

insights@iongroup.com

Financial Sponsors: Gaining Momentum

KEY 1H24 TRENDS IN FINANCIAL SPONSOR M&A

USD 281bn
in buyouts, up 36% vs 1H23's USD 205bn

Tech Bias
37% rise in tech buyouts to USD 103.7bn

Mega Buyouts
4 mega buyout deals >USD 10bn (2 in 1H23)

Exits Drag
10% rise in exit volume to USD 168bn

Q2 Rebound
77% YoY jump in 2Q24 buyout volume

Sell to PE
42% of exits in 2Q24 were secondary buyouts

Source: Mergermarket, data correct as of 26-Jun-24

Financial sponsors came back to the dealmaking table in the first half of the year with buyouts surging 37% to USD 281bn in 1H24.

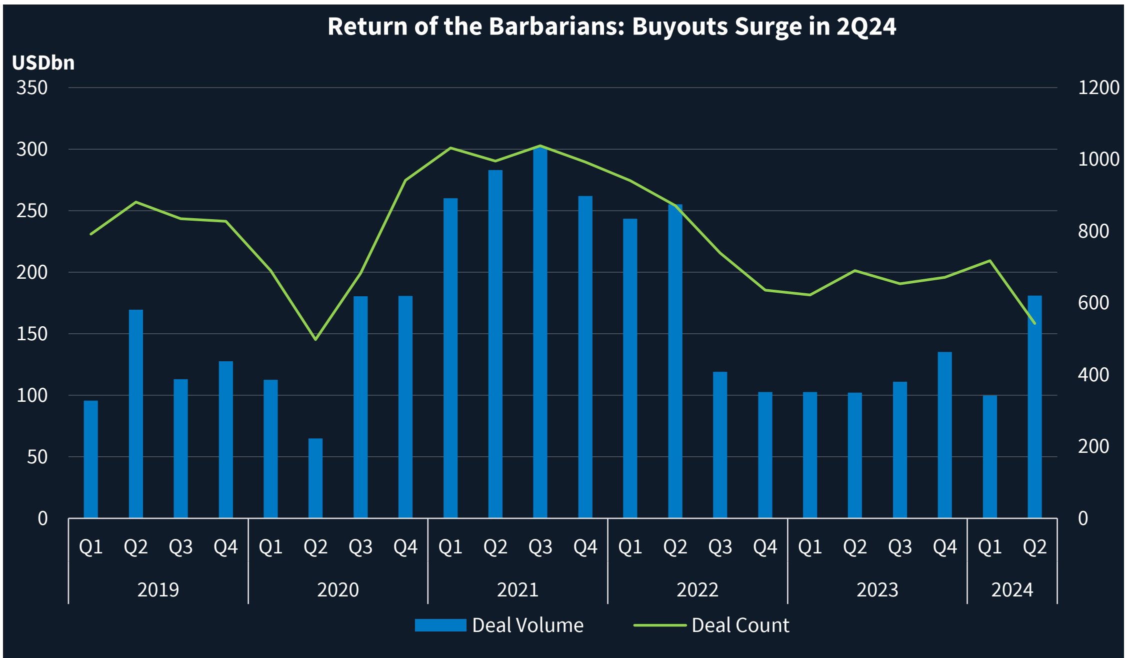
Four buyouts surpassed the USD 10bn mark during the first six months, led by **Silver Lake**'s acquisition of its remaining stake in sports and entertainment company **Endeavor Group Holdings** in a USD 14.9bn deal.

The European and North American continents shone brightest in 1H24, with increases in volume of 147% and 42% respectively, despite slight declines in the number of deals. Meanwhile, Asia Pacific faced a contrasting tale, witnessing a 57% decline in deal volume, even though deal count increased by 11%.

The technology sector captured 37% or USD 103.7bn of overall buyout volume.

The market has been adjusting to the prospect of a higher-for-longer interest rate environment and the need to reassess valuations set during a more lenient monetary policy environment. Buyers and sellers are cautiously navigating price expectations and exploring innovative solutions to overcome any impasse.

insights@iongroup.com



Source: Mergermarket, data correct as of 26-Jun-24

Exits Inch Up

Sponsor exits showed some life in the first half, but not the surge many had expected. Volume rose 10% to USD 168.3bn during the first six months, while the number of exits inched up 4% to 571.

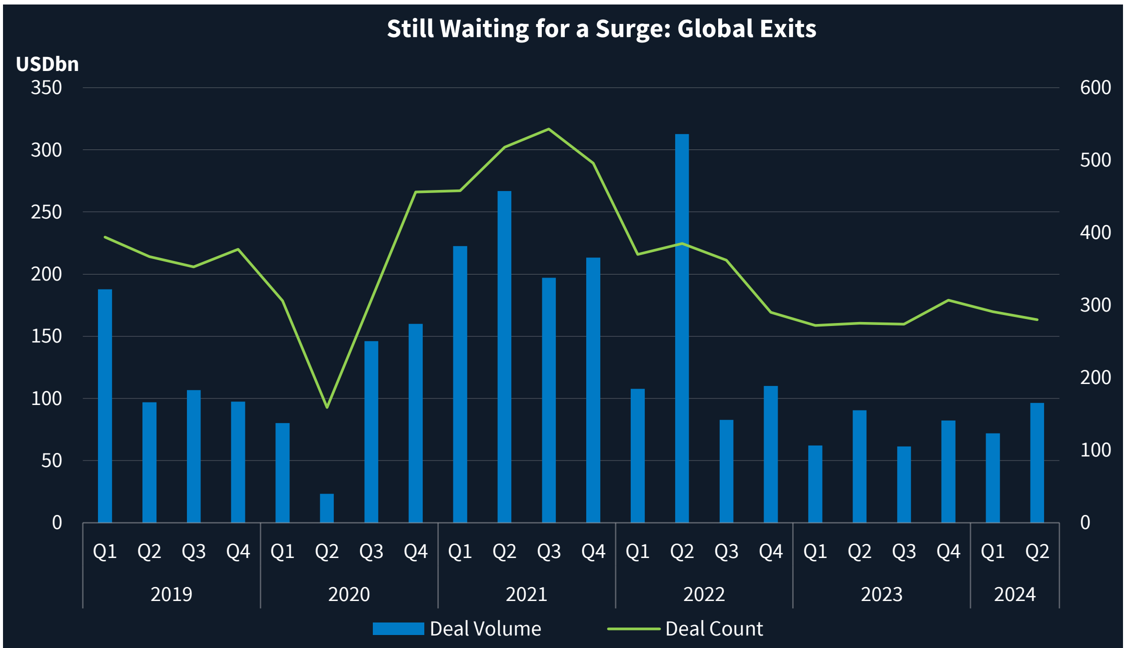
Such underwhelming exit activity will pose a challenge—many sponsor-held portfolio companies stand at the threshold of debt maturities and await refinancing through the private-credit, syndicated-loan, or high-yield-bond markets.

The trade sale remained the preferred path for sponsors seeking an exit, accounting for 61% of exit volume in the first half. But exits to other private-equity firms gathered pace from April onwards. Secondary buyouts accounted for 42% of exit volume in the second quarter, up from 26% in the first quarter.

Exiting companies through an initial public offering (IPO) offered a glimmer of hope for sponsors, fueled by the fervor in public equities. Eight IPOs took place in 1H24, five of which unfolded in the second quarter.

Highlights

insights@iongroup.com



Source: Mergermarket, data correct as of 26-Jun-24

North America: Back To Life

KEY 1H24 TRENDS IN NORTH AMERICAN M&A

USD 863.6bn
M&A volume up 33% vs 1H23's USD 647.5bn

Tech Surge
70% jump in technology M&A to USD 208.5bn

Megadeal Mania
15 deals >$10bn, all US based

Healthcare Down
12% fall in healthcare M&A to USD 136bn

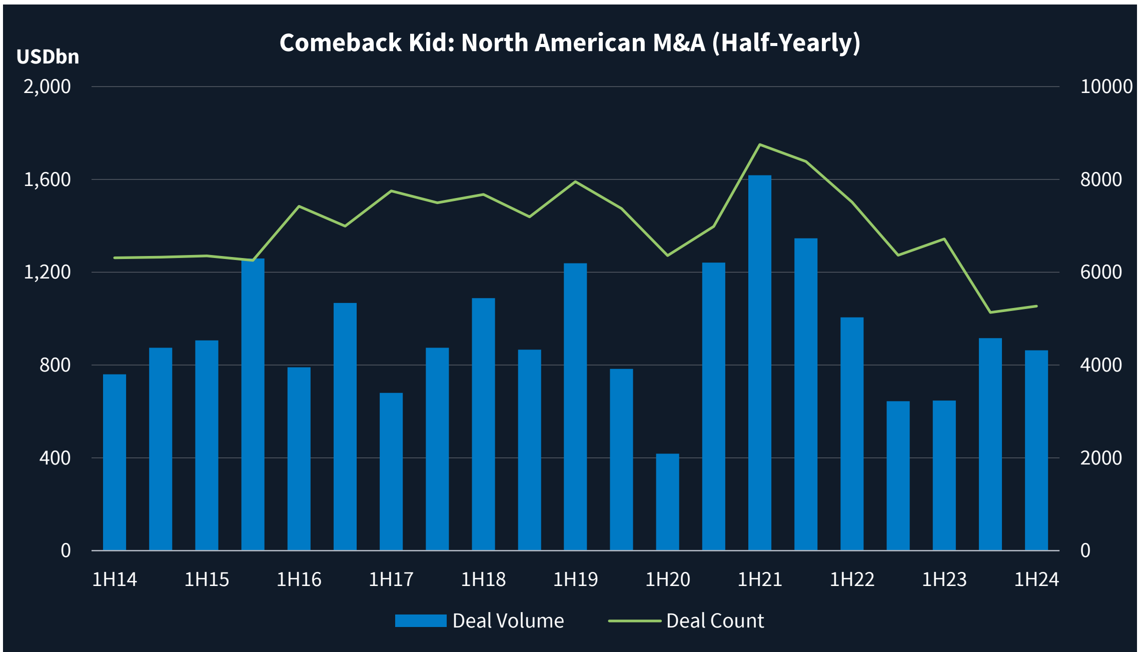
LBO Boost
63% surge in leveraged buyouts to USD 130bn

Oil Gusher
23% increase in oil & gas M&A to USD 102.8bn

Source: Mergermarket, data correct as of 26-Jun-24

insights@iongroup.com

The region contributed 57% to worldwide M&A volume and accounted for nine of the top 10 deals globally, led by the USD 35.3bn offer for **Discover Financial Services** by **Capital One Financial** [NYSE:COF], announced in February.



Source: Mergermarket, data correct as of 26-Jun-24

Dealmaking volume, however, declined by a third to USD 340bn in the second quarter compared to the first. The number of USD 2bn-plus deals also fell in the second quarter to 38, ten less than the preceding quarter and six fewer than the same period last year. Although North America recorded 15 deals valued at USD 10bn or more, only three were inked in the second quarter, led by **ConocoPhillips**' USD 23.1bn bid for upstream energy company **Marathon Oil** in May.

AI and Data Centers

Dealmaking in the technology sector surged 70% year-on-year to USD 208bn in the first half. The sector contributed nearly a quarter of overall M&A volume in the region, led by the USD 33.6bn bid for **Ansys** by **Synopsys**, followed by **Hewlett Packard Enterprise**'s [NYSE:HPE] USD 14.3bn offer for **Juniper Networks**, both announced in January. Those were the only two deals from the tech sector in the top 10.

One key theme driving tech dealmaking has been generative artificial intelligence (AI). In the first half, deals for North American AI companies totaled USD 12.8bn, up 57% from the same period last year. AI deals are expected to pick up in the second half of the year as companies use acquisitions to land talent, startups in need of capital search for a market fit, and the war for data heats up.

Microsoft has already led the way with the two highest valued bets on AI – its USD 19.3bn purchase of **Nuance Communications** in 2021 and a reported USD 10bn investment in **OpenAI** in 2023.

NVIDIA [NASDAQ:NVDA], which momentarily surpassed Microsoft to become the world's most valuable company by market cap in June, is also investing in AI businesses. More than a quarter of its all-time total investments of USD 21.2bn, including from its venture arm, came in the first half of 2024. This year's biggest investments include venture rounds in **Scale AI** and **Wayve Technologies,** and the acquisition of **Runai Labs**.

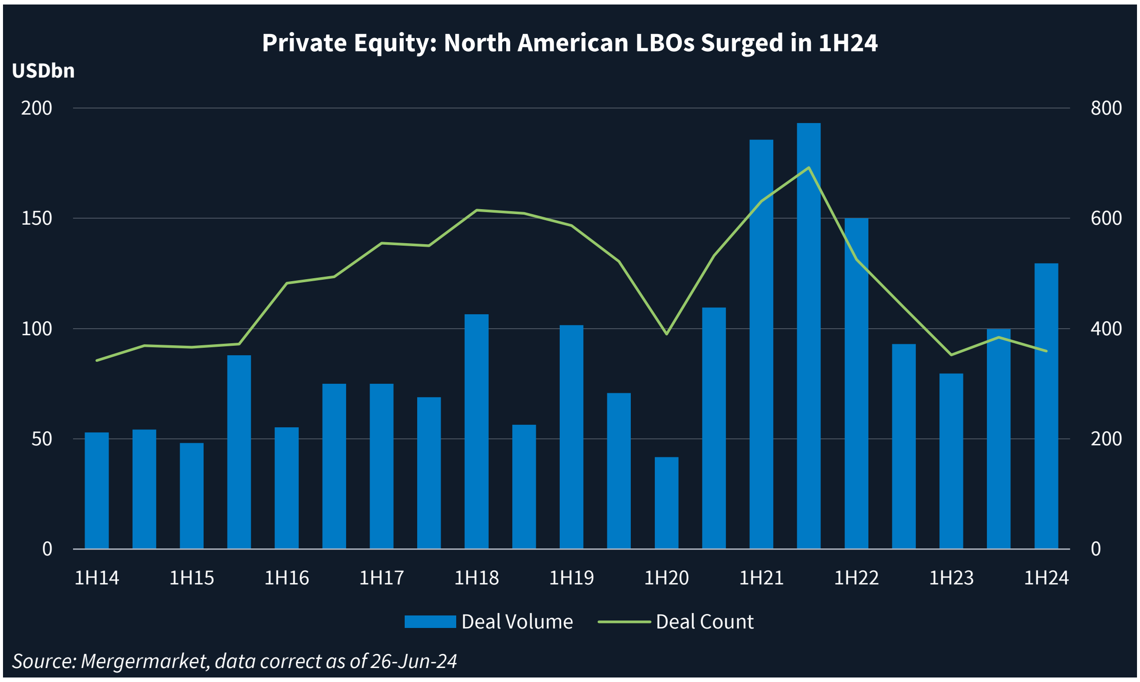
insights@iongroup.com

The surge in interest in AI has put the data centers needed to power such applications into the frame too. North American data center M&A totaled USD 12.3bn in the first half, almost double the same period last year, led by the USD 9.2bn buyout of **Vantage Data Centers Management** by **DigitalBridge Group** and **Silver Lake Group**.

Buyouts Buoyant

Private equity players began to deploy some of their dry powder. North American leveraged buyouts surged 63% to USD 129.5bn in the first half. LBO volumes rose to USD 71bn in the second quarter, their highest level since 2022's first quarter, when the Federal Reserve began hiking interest rates. The biggest was **Silver Lake**'s buyout of **Endeavor Group** valued at USD 14.9bn.

Six of the top 10 LBOs – all worth USD 4bn or more – came in the tech sector, led by the USD 10bn buyout of **Cotiviti Holdings** by **KKR** and the USD 6.9bn buyout of **Squarespace** by **Permira**.



Second-Half Prospects

Hopes are high for an even better second-half. Several companies have begun sale processes and could trade for multi-billion-dollar valuations in the next few months. They include **Carlyle**-backed power generation company **Cogentrix**, **KKR**-backed **GeoStabilization**, a provider of maintenance services for critical infrastructure, **Bridgepoint**-backed financial software provider **Kyriba**, and **Honeywell International**'s [NASDAQ:HON] protective gear segment.

Highlights

insights@iongroup.com

EMEA: UK Leads Comeback

KEY 1H24 TRENDS IN EMEA M&A

USD 438bn
Activity up 33% in deal volume vs 1H23

Technology Gains
16% volume increase vs 1H23

Big Tickets
41 deals >USD 2bn

Banks Consolidate
USD 48.1bn financial services volume vs USD 18.5bn in 1H23

Buyout Surge
119 % increase vs 1H23

UK Dominance
UK overtakes China with USD 112bn worth of deals

Source: Mergermarket, data correct as of 26-Jun-24

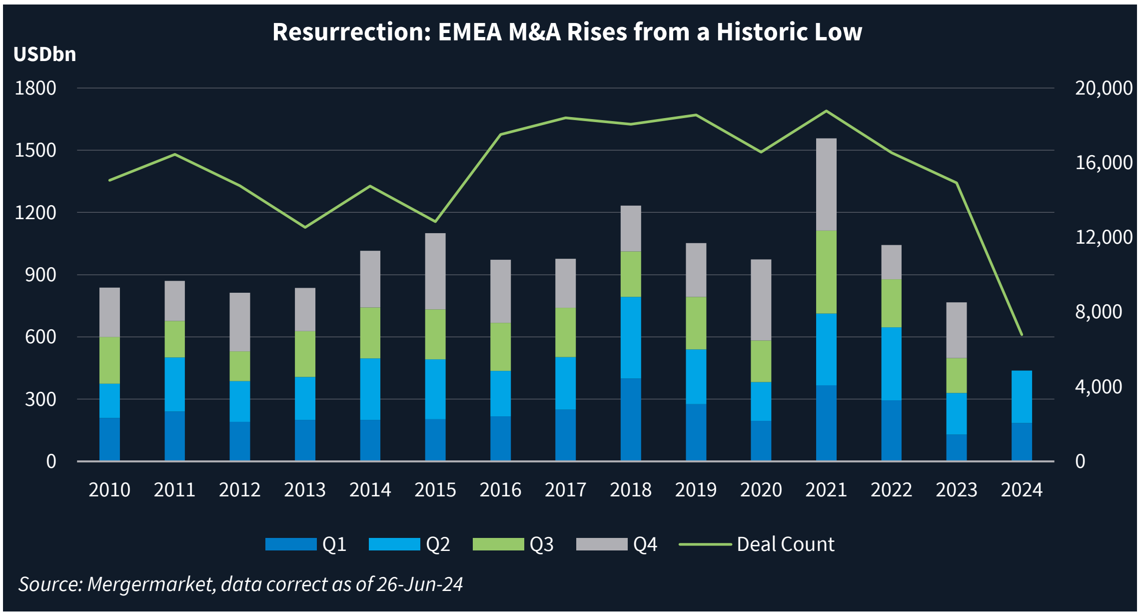
The return of big-ticket deals, a recovery in buyout activity and higher inbound appetite are signs that M&A in Europe, the Middle East, and Africa is on the mend and that sellers' and buyers' expectations are starting to align.

Dealmakers in EMEA signed USD 438bn-worth of M&A from 6,791 transactions in the first half, a 33% increase on the historic low of last year's first half. The increase in volume is largely due to the return of larger deals, with 41 transactions valued at USD 2bn-plus worth a combined USD 216.6bn recorded in 1H24, compared to 28 such deals worth USD 118.9bn in the same period last year.

The technology sector recorded the largest volume with deals worth USD 71.1bn, followed by the financial services sector with USD 48.1bn. The acquisition of **Banco de Sabadell** by **Banco Bilbao Vizcaya Argentaria** (**BBVA**) for USD 12.2bn, announced in May, was the largest deal in 1H24. The deal could precede further M&A in the sector. Italy's banking industry is already under consolidation and French President Emmanuel Macron recently raised the possibility of megamergers between European banks.

Highlights

insights@iongroup.com



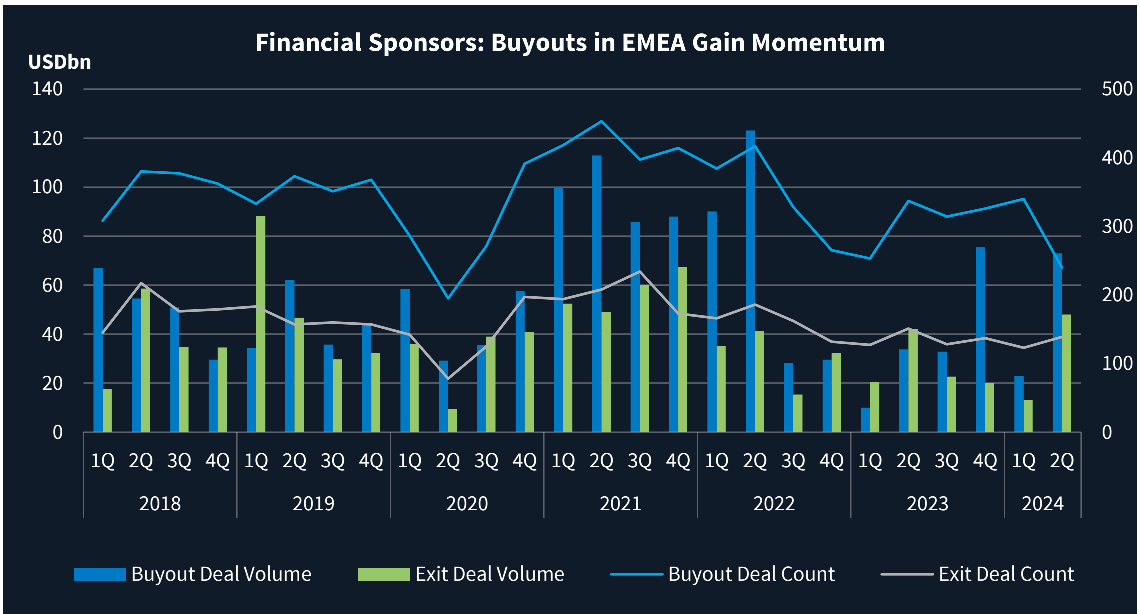
Private Equity Comeback

Buyout activity has also increased as private-equity houses look to invest the huge amount of dry powder they have accumulated in recent years. Buyouts worth USD 95.9bn across 580 deals were signed in the first half – more than double the volume agreed in the same period last year.

Exits, on the other hand, fell 5% over the same period. Indeed, many sponsors are opting for other monetization routes, such as continuation funds, or are awaiting an expected market pick-up later in the year. **Portobello Capital** and **GREENPEAK Partners,** among others, have recently launched continuation funds and **PAI Partners** was also in discussion with investors about a new continuation fund.

Highlights

insights@iongroup.com



Source: Mergermarket, data correct as of 26-Jun-24

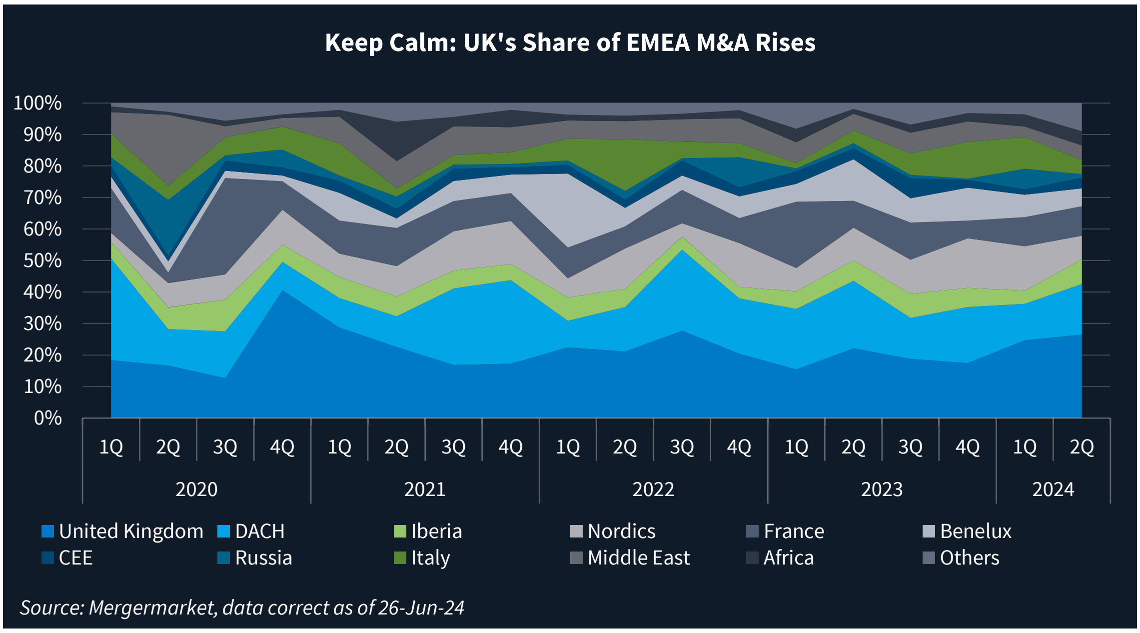
Special Relationship

M&A activity in the UK, where general elections are scheduled on July 4th, is on the rise again, following a slump in 2023. Stabilizing interest rates and a high number of potential targets have helped the country overtake China as the world's second largest M&A market, with deals worth USD 112bn announced in the first six months.

Inbound deals accounted for 42% of all volume in the UK in 1H24. Nearly half of that came from US-based acquirers, led by the UK's largest deal – the USD 9.8bn acquisition of packaging firm **DS Smith** [LON:SMDS] by **International Papers** [NYSE:IP], announced in March.

Highlights

insights@iongroup.com



Public Company Plight

Economic uncertainty and market volatility have punctured the valuations of many publicly traded companies in EMEA, making them attractive targets. The volume of deals targeting public companies in EMEA more than doubled to USD 167bn in the first half from USD 70.5bn a year earlier.

Still, 20 proposed takeovers of EMEA-based public companies, worth a combined USD 90bn, were either cancelled or rejected in the first half. In May, **BHP**'s [ASX:BHP] USD 45.5bn offer for **Anglo American** [LON:AAL] was rejected by its shareholders. Another pending deal at risk of cancellation is DS Smith's acquisition by International Papers.

Upcoming Pipeline

Many big-ticket deals are expected in the second half of the year. Germany's **Bain**- and **Cinven**-backed **Stada Arzneimittel**, a generic drugmaker, is already on the market. Other healthcare companies in the pipeline are Sweden based-**Karo Healthcare** and Italy-based **Hippocrates Holding**. The education technology sector is also expected to fuel M&A activity with **Nord Anglia Education** (valued at USD 15bn), **AD Education**, **Globeducate** and **Cognita** on the market.

According to *Mergermarket*'s Likely-to-Exit (LTE) algorithm, one company that could soon explore a sale is Spain-based, **EQT**-backed accommodation software provider **HBX Group** (LTE score of 85 out of 100). Others, according to the LTE algorithm, are Belgium-based, **Rivean Capital**-backed medtech firm **Corilus** (LTE score of 78) and Spain-based mobile phone accessory company **La Casa de las Carcasas** [LTE score 78], backed by **ProA Capital**.

Highlights

insights@iongroup.com

Mergermarket

APAC: A 15-Year Low

KEY 1H24 TRENDS IN APAC M&A

USD 264.3bn
M&A down 26% from 1H23's USD 359.5bn

Technology Dominance
15.5% or USD 41bn of all APAC M&A volume

Megadeal No-show
Only 3 deals >USD 5bn, (incl. 2 in India)

Transportation Resurgence
Up 86% to USD 17.3bn

China New Low
China's M&A hits 12-year low of USD 91.3bn

Energy Slowdown
51% decrease in volume to USD 10.6bn

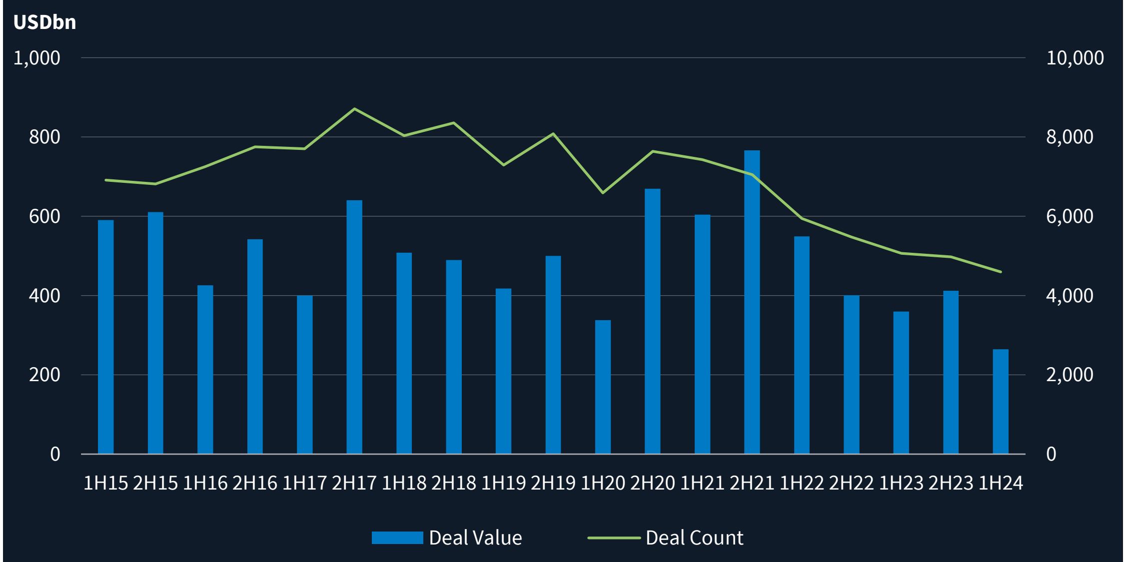
Source: Mergermarket, data correct as of 26-Jun-24

Dealmaking in Asia Pacific sank to a 15-year low after dropping 26% in the first half to USD 264.3bn.

Activity remained subdued amid geopolitical and macroeconomic challenges, with China ceding its longstanding spot as the world's second largest M&A market to the UK.

The technology and real estate sectors were the two main engines powering whatever dealmaking there was.

Free Fall: APAC Deal Volumes Hit a 15-Year Low

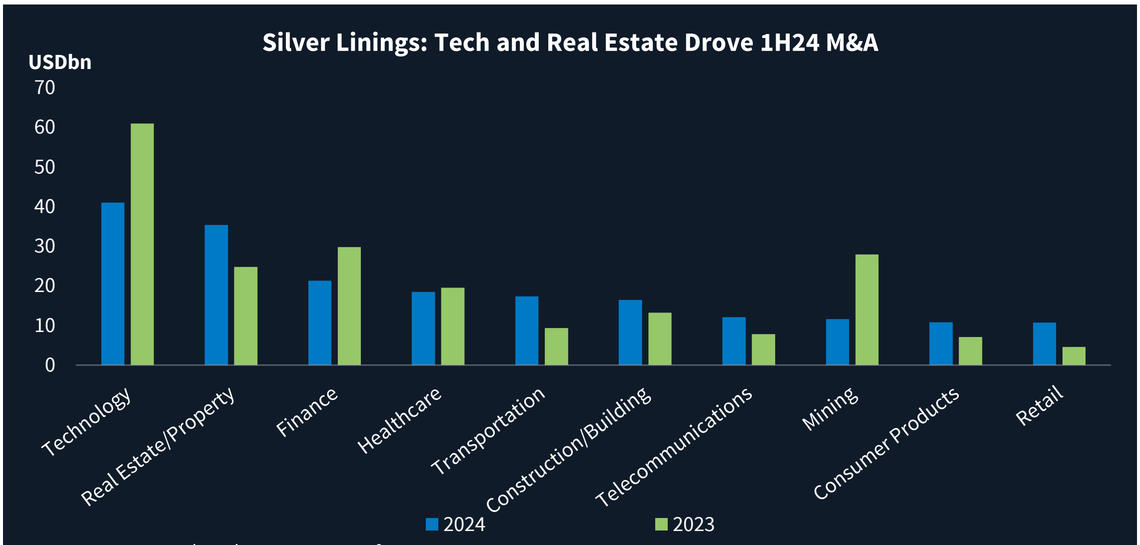


Source: Mergermarket, data correct as of 26-Jun-24

Highlights

insights@iongroup.com

Technology remained the largest sector both in terms of deal volume and deal count with USD 41bn across 1,288 transactions. Smaller deals dominated, with only two tech transactions in APAC's top ten deals in the first half: the USD 2.75bn listing via Special Purpose Acquisition Company (SPAC) of Indian data-center provider **Nidar Infrastructure** in June; and the sale of a 9.6% stake in Australian graphic design startup **Canva** for USD 2.5bn to **Goldman Sachs** in April.



Source: Mergermarket, data correct as of 26-Jun-24

Property companies – particularly the privately-owned ones in China such as **Country Garden**, **Shimao** and **Gemdale**, but also government-backed firms such as **Vanke** – are seeking to divest assets to raise money and repay debt. That helped the real estate sector garner APAC's second biggest deal volume of USD 35.3bn, up 40.4% year over year.

The top deal was the USD 8.3bn sale of a 60% stake in **Dalian Wanda Group**'s mall unit to a consortium led by private-equity firm **PAG**. Chinese insurers are also ramping up real estate investments and pursuing distressed assets.

Differing business visions among India's Godrej family led to them splitting their 127-year-old conglomerate, which spans from the production of soaps and home appliances to real estate. The changes generated two of Asia's top three transactions – the sale of a 51.16% stake in **Godrej Consumer Products Ltd** (**GCPL**) for USD 7.75bn and a 50.02% stake in real estate firm **Godrej Properties** for USD 5.1bn.

An increasing number of companies listed in Hong Kong, such as **Samsonite** and **China Traditional Chinese Medicine Holdings**, are considering going private. Others such as **HKBN** are rumored to follow suit as attractive valuations entice investors into buyout deals. Several Australia-listed firms have been caught in the take-private frenzy, such as diversified group **Seven Group Holdings** and industrials group **CSR**. Others are mooted to be takeover candidates such as **Ramsay Health Care**, **FleetPartners**, **Iress**, **Healius**, **PSC Insurance**, **Propel Funeral Partners** and **Bapcor**.

Geopolitical and regulatory dynamics will continue to shape dealmaking. Middle East sovereign wealth funds such as Saudi Arabia's **PIF**, Qatar's **QIA**, UAE's **Mubadala Investment** and **Abu Dhabi Investment Authority** (**ADIA**) will step up their game in China and across the rest of APAC. It follows **Lenovo**'s issuance of a USD 2bn zero-coupon convertible bond to PIF and QIA's rumored acquisition of a 10% stake in **China Asset Management Co** (**ChinaAMC**), China's second-largest mutual fund company.