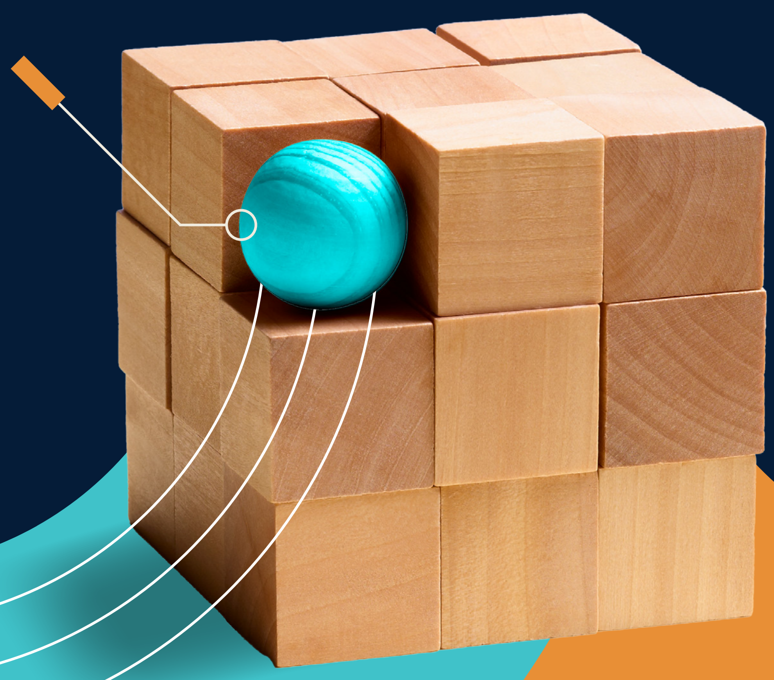
PitchBook

Q2 2024

GLOBAL M&A Report



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Not every frog is a Prince

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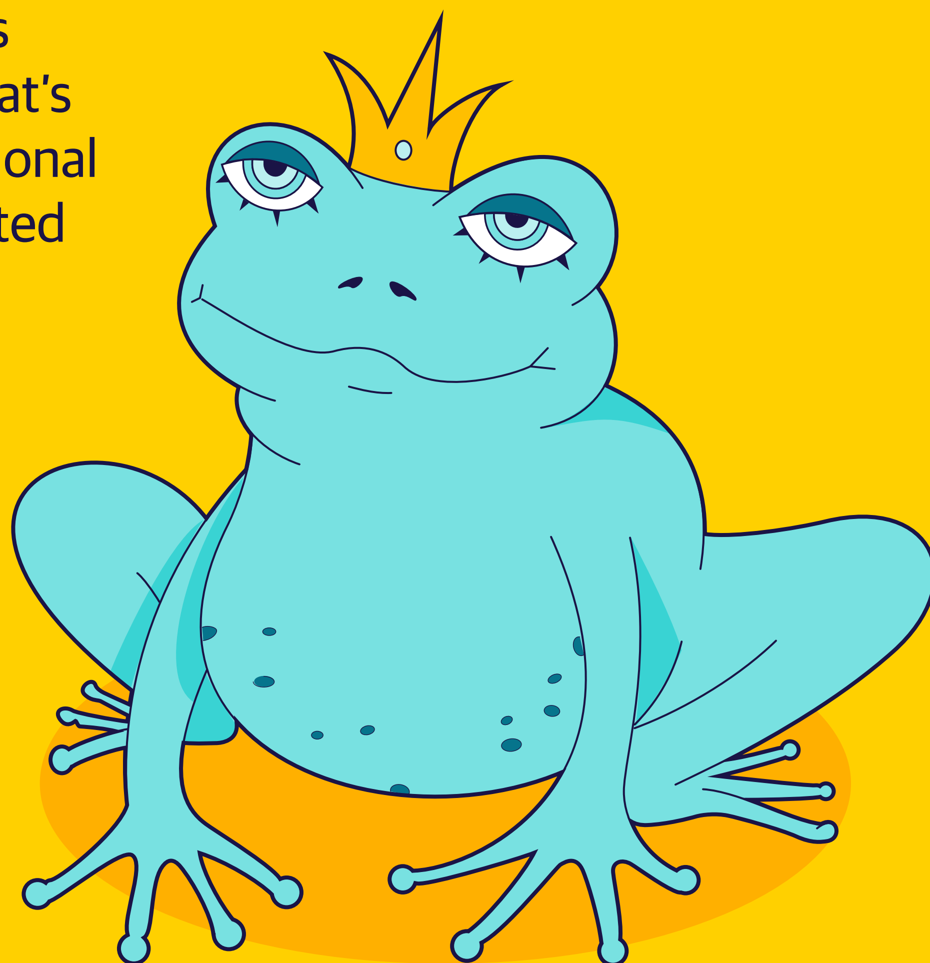

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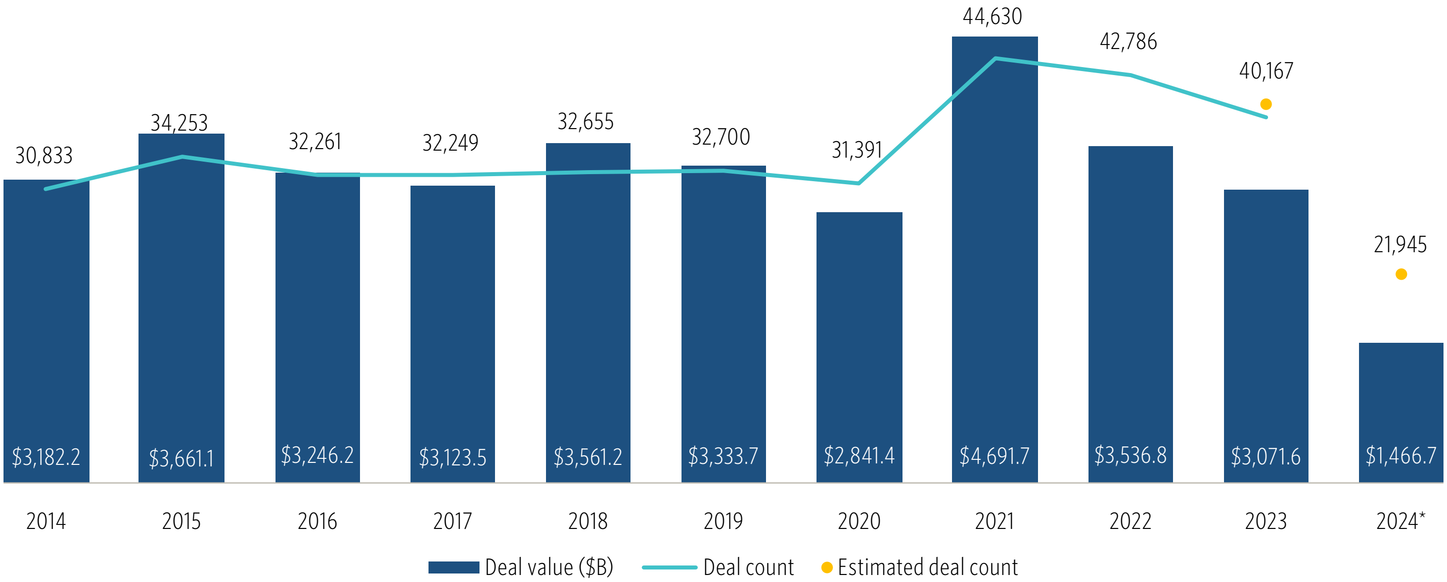
Overview

M&A activity



Source: PitchBook • Geography: Global • *As of June 30, 2024

Tim Clarke
Lead Analyst, Private Equity

The mild recovery that began to take shape in Q1 2024 is now firmly in place. With the first half of the year complete, global M&A activity is tracking 10% to 15% ahead of 2023 both in deal count and deal value. While corporate acquirers and strategic deals have experienced double-digit growth all year, PE-related deal flow had been struggling and holding back the recovery due to a greater sensitivity to high interest rates and anemic exit activity. That changed in Q2 2024, and PE now appears to be joining in. Reflecting that change, PE's share of total M&A deal value rebounded to 41.0% in Q2 2024 from 33.5% in Q1, ending a nearly two-year skid at least for now. During the previous eight-year span, PE made steady inroads into the M&A market and at one point accounted for 44.3% of all deal flow. However, PE is more reliant on debt to transact and, unsurprisingly, has lagged the upturn in dealmaking until this quarter.

We expected 2024 to be a recovery year in M&A given that it almost always rebounds from consecutive annual declines. The prior two episodes of 2007-2008 and 2001-2002 registered total peak-to-trough declines of approximately 60% to 70%, whereas the present decline has measured 34.5% from 2021's peak. This sets the stage for a more mild recovery than what occurred in previous M&A cycles given that the downturn was not as severe, and that appears to be playing out. The recent rebound has been fueled by banks re-entering the market, lending to dealmakers again and competing with the nonbanks that moved in while they were absent. This has resulted in a stealthy rate cut of sorts, providing better liquidity for dealmakers even though most central banks have kept interest rates on hold, with the European Central Bank (ECB) being the notable exception. All-in borrowing rates have declined by as much as 100 basis points over the past year in the more speculative areas of leveraged finance due to a compression in spreads as more lenders compete.

With other central banks likely to join the ECB in cutting base rates later this year, the M&A market can look forward to a second leg of reduced borrowing costs and interest expense on floating-rate loans. For the rate-sensitive PE buyer, this should reinforce the nascent recovery that has already begun. For the corporate buyer, they will likely see renewed competition for the assets they bid on. A rebound in the asset values of private companies—which have badly lagged the run-up of public companies and shares—would be the final ingredient of a more durable and robust M&A recovery.

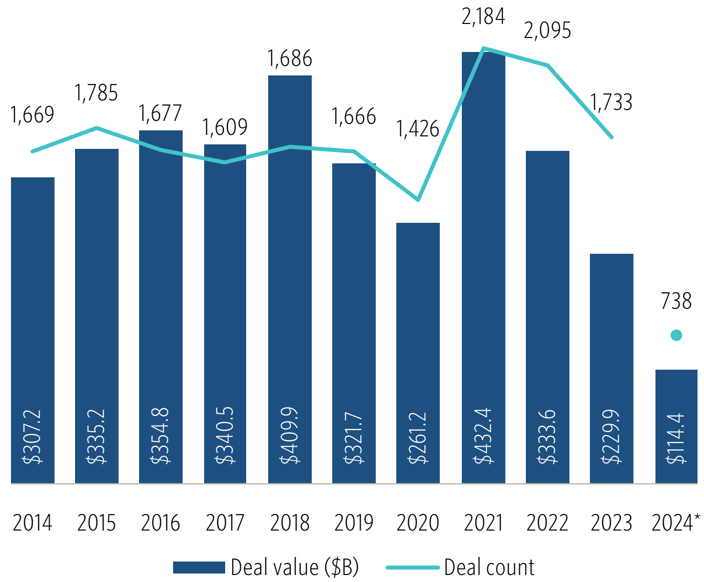
M&A activity by quarter

Source: PitchBook • Geography: Global • *As of June 30, 2024

North American M&A activity with non-North American acquirer

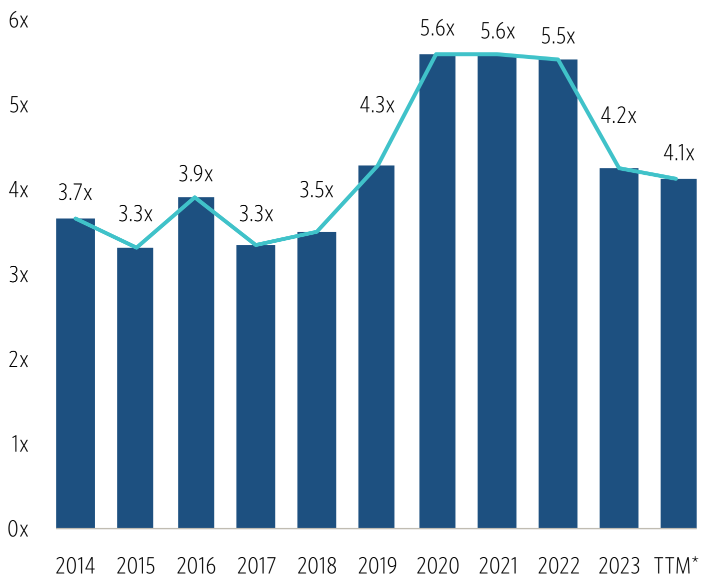
Source: PitchBook • Geography: North America • *As of June 30, 2024

European M&A activity with non-European acquirer



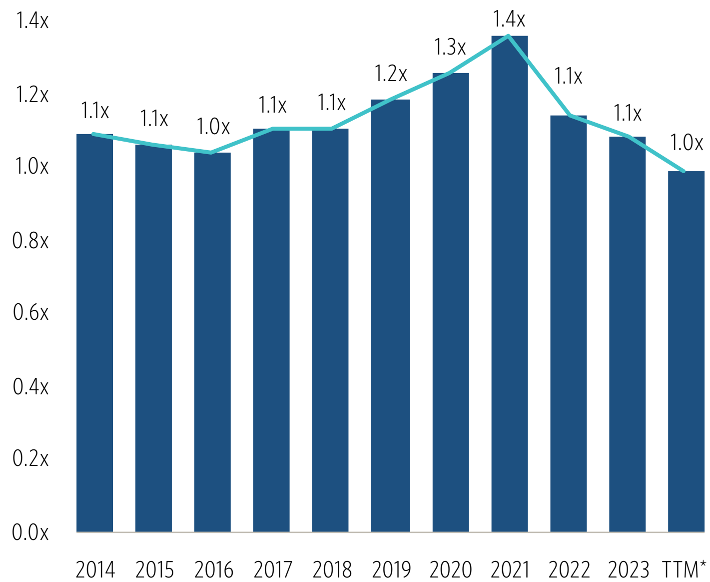
Source: PitchBook • Geography: Europe • *As of June 30, 2024

M&A megadeal EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024
Note: Megadeals are deals that are $5 billion or larger.

M&A EV/revenue multiples on deals below $100M



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

In H1 2024, cross-border flows were evenly matched between Europe and North America. This follows a seven-year period of net flows solidly in favor of Europe. Momentum faded throughout 2023, when cross-border North American acquirers accounted for 26.7% of all M&A value in Europe. Much of that was powered by the US dollar's persistent strength versus the euro and pound sterling. Purchase price multiples also trended lower on European targets during this span, even without the advantage of a stronger currency. The dollar rally finally abated in late 2022, and net flows to Europe have diminished ever since. More recently, prospects for the US economy have brightened relative to other regions. The combination of better growth at home and less purchasing power abroad has stemmed the tide of US M&A capital to European shores, at least for the time being.

Valuations

In H1 2023, deal multiples in North America and Europe remained flat, extending the stable trend that characterized most of 2023. The median enterprise value (EV)/EBITDA multiple for M&A transactions announced or closed in H1 2024 was unchanged at 9.5x, matching what it had been for full-year 2023. EV/revenue multiples were similarly unchanged at a median of 1.6x in H1 2024, also identical to 2023's median.

While M&A multiples are still 15% to 20% removed from 2021's all-time peak of 11.0x of EBITDA and 2.1x of revenue, the extended firming trend indicates that a valuation reset may now be complete. Present multiples have come to rest slightly below the pre-COVID-19 average from 2017 to 2019, which goes to reason given that interest rates are currently much higher. Both North America and Europe fell by similar degrees, with the latter bottoming at slightly lower multiples but also from a lower high. The median EV/revenue multiple in Europe currently stands at a trailing 12-month (TTM) median of 1.4x, or roughly 30% below the North American multiple of 1.8x. EV/EBITDA multiples, on the other hand, are virtually identical at 9.4x for Europe and 9.3x for North America, the math of which implies lower EBITDA margins in Europe or acquirers bent on margin expansion when shopping for companies in that region.

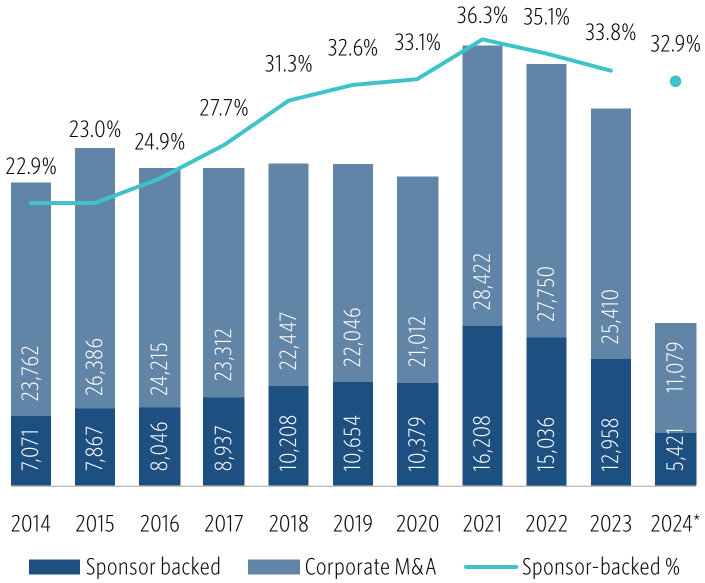
As M&A multiples have moved sideways, trading multiples on public companies have continued to rise. As measured by the S&P 500 at least, trading multiples in public markets surged by approximately 9% in the 18 months ending Q2 2024 to a median of 14.5x EBITDA and 3.8x revenue. Meanwhile, M&A deal multiples, albeit on mostly smaller private companies, were relatively flat at a median of 9.4x EBITDA and 1.6x revenue on a TTM basis.

Comparing trading multiples on the S&P 500 with deal multiples in the broader M&A market is admittedly a somewhat apples-to-oranges exercise. The S&P 500 has evolved into a unicorn in its own right, with iconic multiples at the top echelons especially. However, it is the index with the most highly scrutinized and reliable EBITDA data, so we look at the gap between it and the M&A marketplace as a rough proxy on whether public and private markets are moving apart or converging, and similarly as a proxy for the relationship between larger and smaller companies. Approximately 87% of all M&A acquirees are private and roughly 76% of all M&A deals are below $100 million in size.

The latest data shows that the two markets continue to move apart to a near-historic gap, and we think it is only a matter of time before a bullwhip effect takes hold of private company multiples to propel them higher. Ironically, the catalyst for that will likely start in public markets with a broadening of the rally into the small-cap sector, the faint outlines of which are starting to take shape, as we discuss in more depth in our recently published US PE Middle Market Report.

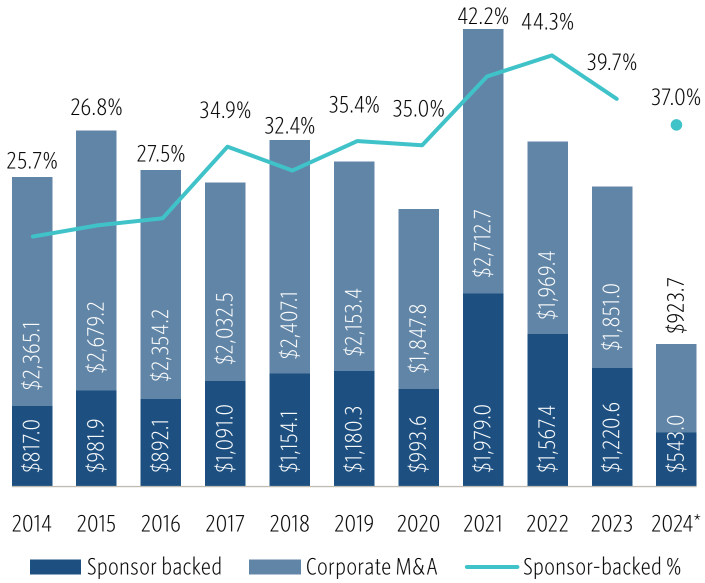
Deal metrics

M&A count by acquirer type



Source: PitchBook • Geography: Global • *As of June 30, 2024

M&A value ($B) by acquirer type



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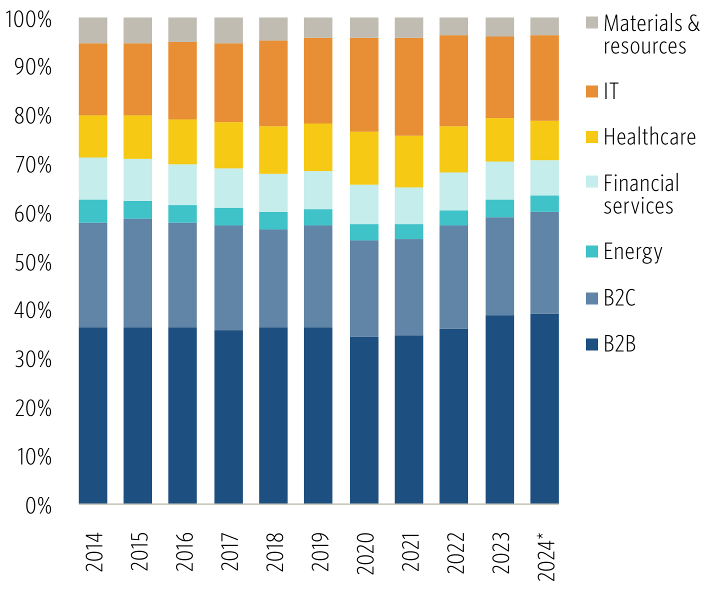
Share of M&A count by sector



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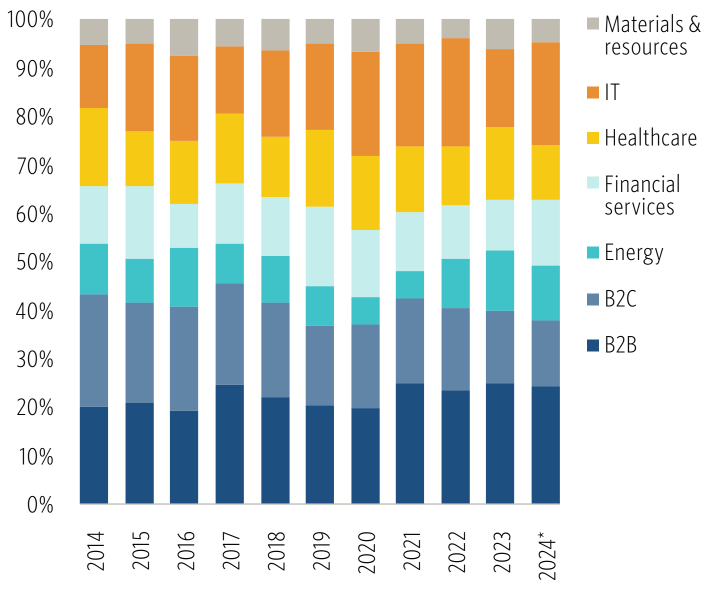
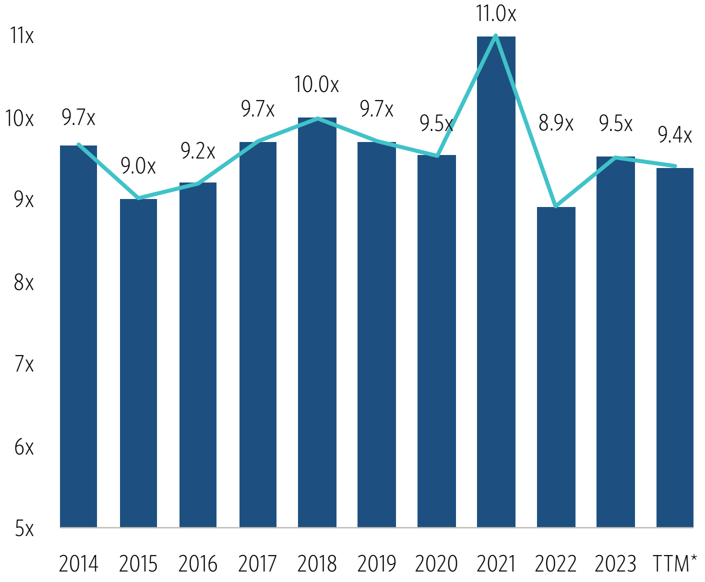
Share of M&A value by sector



Source: PitchBook • Geography: Global • *As of June 30, 2024

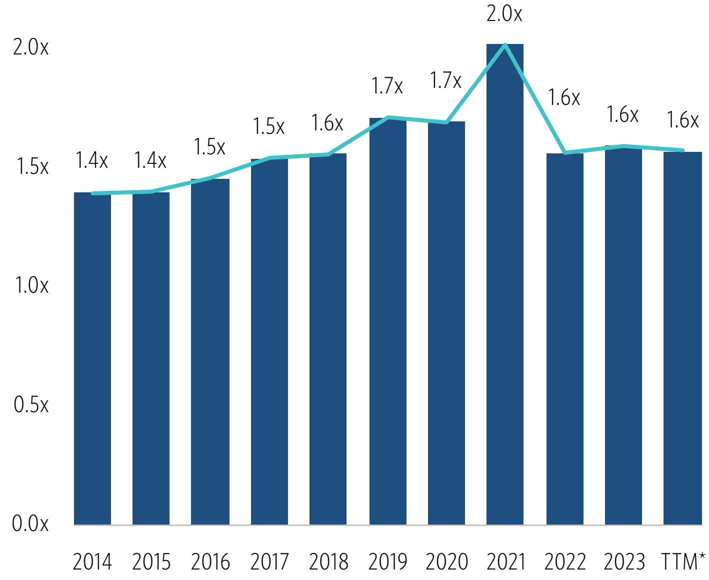
Valuation metrics

Median M&A EV/EBITDA multiples



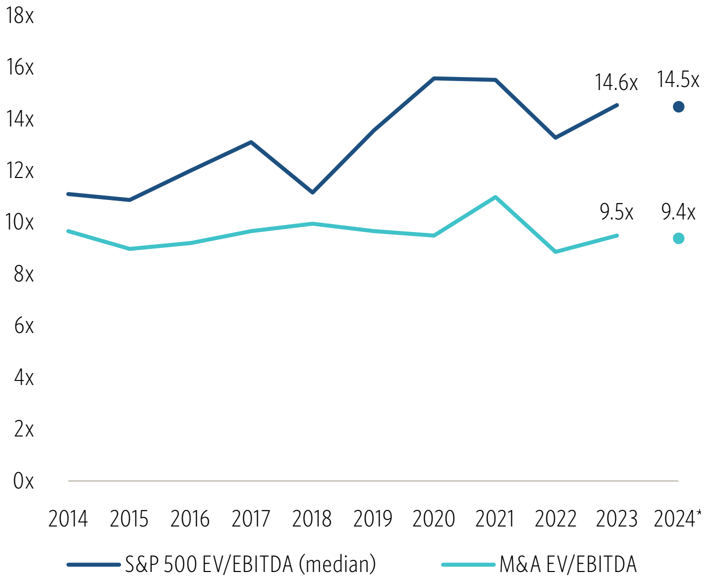
Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Median M&A EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Public company trading multiples versus M&A multiples (EV/EBITDA)



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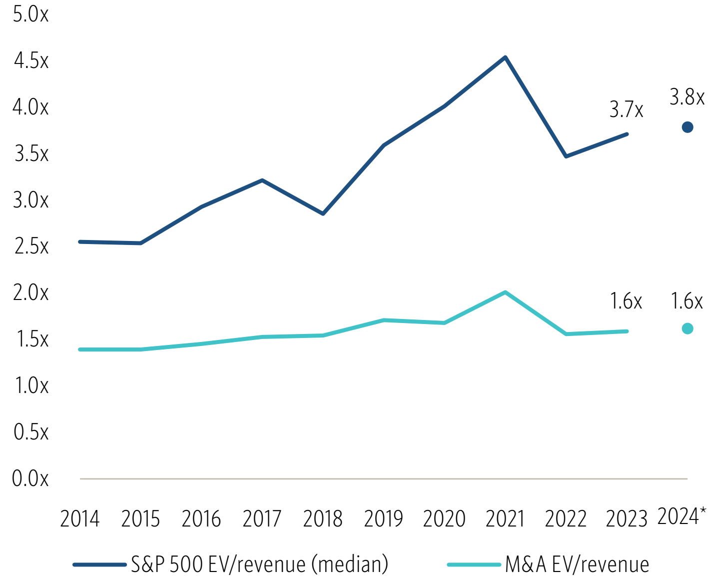
Public company trading multiples versus M&A multiples (EV/revenue)



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

A WORD FROM LIBERTY GTS

Deal flows are ticking up in North America as the M&A market adapts to a new normal

Scott Pegram
Head of Americas
Liberty GTS

Scott is the Head of Americas for Liberty GTS, overseeing underwriting teams in North, Central, and South America. Previously, Scott worked at AIG, focusing on underwriting M&A transactions, and advising on insurance litigation matters. Scott graduated from American University with a BA in political science and holds a JD from Brooklyn Law School, concentrating in business law.

The North American M&A market began the year with a relatively strong performance, particularly when compared with the first quarter of last year, driven by tailwinds of activity that originated in December 2023 and led to good submission flows in January 2024.

Growth then slowed across the market in mid-January and remained subdued until late March before deals began to pick up again at the beginning of April.

While there continue to be headwinds for M&A activity from the global macroeconomic environment and geopolitical tensions, one of the main brakes on M&A deals being transacted in North America is a general disagreement over valuations, which is proving challenging for large multibillion-dollar deals but is typically less of a problem for transactions involving smaller, "mom-and-pop" entities.

As a consequence, we are seeing an increase in deals involving strategic buyers versus deals with private equity investors, due to their differing approaches to assessing the value of acquisitions.

The decision by the US Federal Reserve at the beginning of May to hold steady on interest rates will not have helped with turning around the Q1 slowdown in M&A activity. However, the expectation that a cut in rates is forthcoming later in the year will have potential investors biting their nails in anticipation of reduced borrowing costs, which could drive further activity.

In the meantime, the uptick in deal flow at the end of Q1 means we are now starting to see some real traction in the market, albeit for smaller deal sizes than we are typically used to, but indicative of a greater level of activity than we saw in the first quarter of 2023.

While we are optimistic about the direction of travel for M&A activity and the accompanying appetite for representations and warranties (R&W) coverage throughout 2024, it's worth noting that although submissions are now trending upward, they are still down overall from the peak of 2021, when global M&A volumes reached a record high.

R&W remains a relatively saturated market, with seasoned buyers continuing to use the product as they have in the past but with no current indications of a material uptick in interest from new clients. In keeping with the general soft market dynamics, coverage has broadened, with lower retentions and deductibles and any available exclusions being applied at the quoting stage.

In such a competitive environment for R&W coverage, Liberty GTS is demonstrating its dedication to clients by continuing to add value through our claims expertise and handling. As our annual claims briefing indicates, we have been tracking claims data for several years, which not only drives better underwriting but gives our clients greater comfort about the reliability of the R&W product.

One of the major trends in the R&W market both this year and in 2023 has been the growth of coverage for secondary transactions. Companies are becoming increasingly innovative in how they structure and effectuate transactions, and the lighter-touch due diligence and greater ease in handling for secondary transactions has led to a huge uptick in such deals.

Historically, the R&W market hasn't typically covered this area, but with brokers also demonstrating greater innovation in how they apply R&W coverage to different transaction types, we are seeing more of these risks entering the market.

We have also seen an uptick in mergers of equals, where buyers and sellers are capitalizing on the ability to avoid using cash and/or debt to finance deals, while experiencing increased synergies through the combined entity.

All of this points to a longer-term shift in the M&A market, where companies are looking to hedge against any slowdown in activity by venturing into other vehicles or transactional structures. Meanwhile, M&A insurers are looking to diversify by exploring opportunities adjacent to the R&W space, with a growing focus on contingent risk coverage and tax insurance.

That said, we expect to see a slow and steady increase in submissions for R&W coverage throughout the remainder of the year, contingent to some extent on what happens with interest rates. Buyers have a healthy appetite for the coverage and are keen to release capital and invest in M&A deals, but they will retain a level of caution while uncertainty around inflation and interest rates persists.

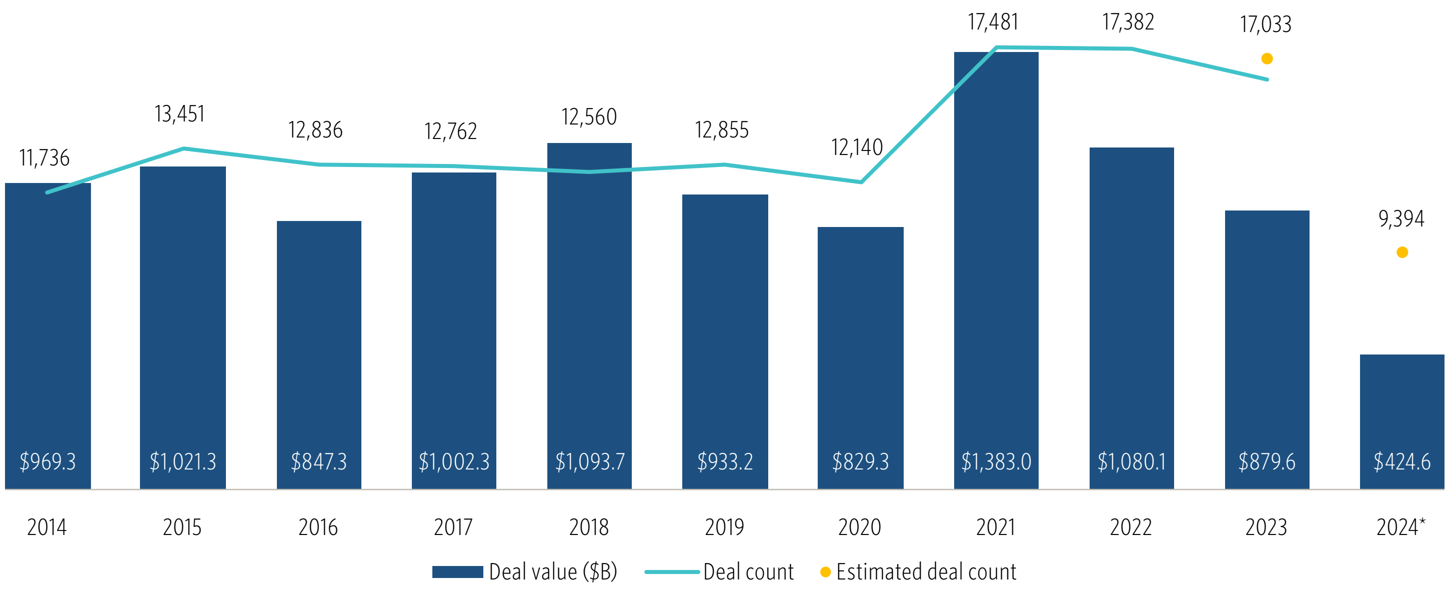
At the same time, a more realistic mindset is bedding in, where M&A players are beginning to acknowledge that they are operating on a new playing field, where deal volumes are unlikely to return any time soon to the highs of 2021. Buyers are therefore getting used to the reality of higher interest rates and are factoring that into their budgeting for next year.

We believe that an element of the recent uptick in deal activity reflects this changing mindset. Some buyers have overcome their reluctance and are now showing greater willingness to engage in this new market. Over the next 12-18 months, we are likely to see more players doing deals in spite of the challenging economic environment.

As such, we see this as an ideal opportunity for prospective buyers who haven't previously used the R&W product to dip their toes in the water and make the most of underwriters' willingness to engage with submissions across a wider range of risks than the market has formerly considered.

European M&A

M&A activity



Source: PitchBook • Geography: Europe • *As of June 30, 2024

Nicolas Moura, CFA
Analyst, EMEA Private Capital

European M&A deal value bounced back with a 17.1% increase in Q2 after a dismal Q1. We expect Q2 to mark the beginning of a slow recovery in M&A as signs of monetary easing start materializing in Europe. In Q2, the Swiss National Bank cut interest rates for a second time. Sweden's Riksbank also cut rates in May, which was followed by the ECB decreasing interest rates by 25 basis points to 3.75%. We see a divergence now between central bank policies, given the US Federal Reserve is yet to cut interest rates. This could benefit European sponsors in the short term—given the cost of debt will be lower in Europe than in the US—and help boost European M&A activity, closing the gap with the US.

The largest M&A deal in Europe in Q2 was the announced hostile takeover of Banco Sabadell for $13.1 billion by rival bank BBVA. The deal is currently under review by the Spanish government, as the combined entity would become Spain's second-largest lender behind CaixaBank.[1] The proposed deal emphasizes the consolidation within the European banking sector following several recent acquisitions. In fact, financial services is up 63.7% YoY in terms of deal value.

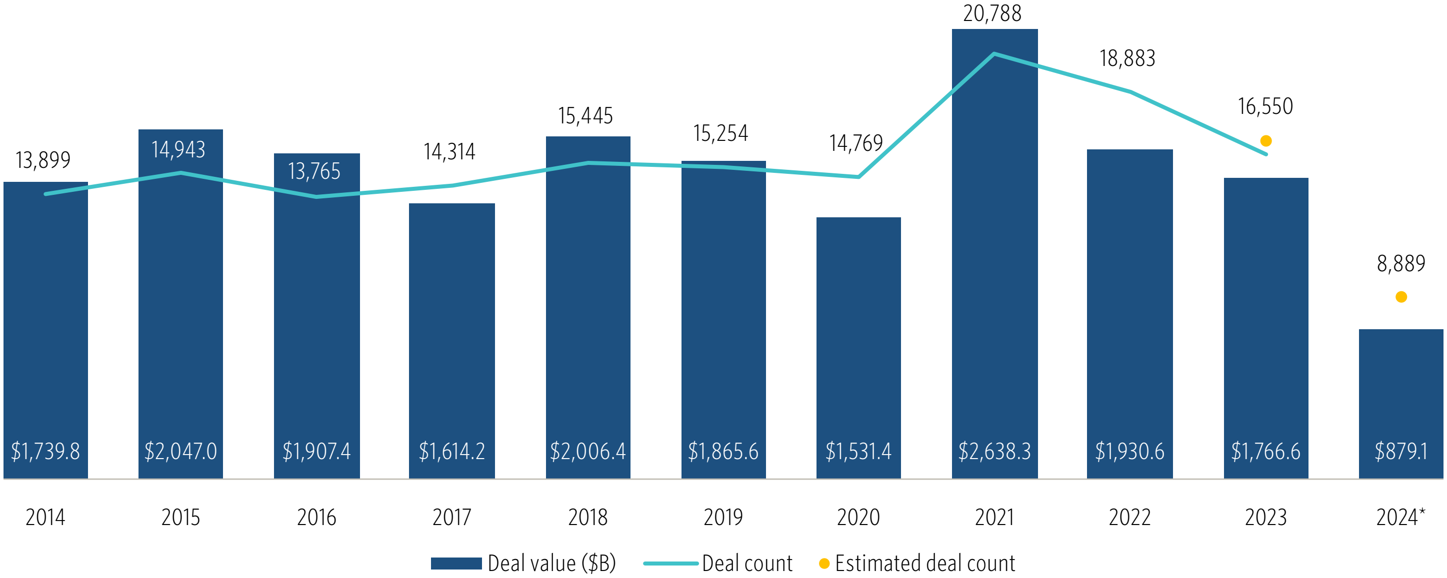
Materials & resources is pacing for one of its best years of M&A activity in Europe. H1 closed more deal value than 2023, with the acquisitions of DS Smith, Eviosys, OQ Chemicals, Fosroc, and Polymetal's Russian assets all acquired for over $1 billion. At the same time, cleantech, as part of the wider energy sector, is pacing for a record year in Europe after numerous large deals closed in H1. We saw notable M&A activity within renewables from the proposed acquisitions of Neoen, OX2, Terna Energy, and Atlantica, which provides energy storage solutions. The amount of renewable energy capacity added globally in 2023 grew by 50% to almost 510 gigawatts (GW), according to the International Energy Agency, which expects further growth to 710 GW by 2028.[2] The entire renewables space has seen increased activity in recent months and is somewhat insulated from the macroeconomic environment affecting the rest of M&A. Climate change has forced investors and policymakers alike to pay extra attention to this sector.

Looking at H2 2024, we expect M&A to pick up in Europe, boosted by monetary easing. Interest-rate cuts will make borrowing costs more attractive and help bring PE buyout firms back to the table, offering a more competitive bidding environment against corporate acquisitions.

1: "European Banking's Biggest Takeover Battle Enters Uncharted Territory," Financial Times, Barney Jopson and Owen Walker, June 24, 2024.
2: "Renewables 2023," International Energy Agency, January 2024.

North American M&A

M&A activity



Source: PitchBook • Geography: North America • *As of June 30, 2024

Garrett Hinds
Senior Analyst, Private Equity

In the first half of 2024, including our estimate of deals yet to be reported, North American M&A advanced by approximately 13.0% YoY in terms of both deal count and value and is leading all regions YTD. When the dust finally settles, we expect deal value to top $975 billion across nearly 9,000 deals announced or closed in H1 2024. Focusing in on Q2, activity appears to have slowed slightly from Q1, but taken together, H1 2024 was solidly ahead of the prior year and the Q3 2023 trough. The potential for lower interest rates later in 2024 instills optimism for a rebound in deal activity.

The top 10 North American deals in Q2 totaled $106.0 billion, reflecting 32.1% YoY growth but a 44.1% QoQ decline. The largest deals this quarter were smaller compared to those of the previous quarter. The largest deal in Q2 was valued at $22.5 billion, while last quarter the top three deals surpassed this amount—the top deal being 50% larger at $35.3 billion. Sectors prominently represented in the top deals included energy and IT, each with three transactions, followed by business services with two deals, and one deal each in healthcare and financial services. Notably, there was a significant increase in PE sponsor-backed deals, with half of the top 10 deals being PE backed, up from only 10% in Q1 2024 and none in Q4 2023.

Notable transactions in Q2 included megadeals in energy and healthcare. ConocoPhillips will acquire Marathon Oil in a $22.5 billion deal, fully paid in stock. Marathon Oil shareholders will receive 0.2550 shares of ConocoPhillips stock for each Marathon Oil share—a 14.7% premium to Marathon Oil's closing price on May 28, 2024.[3] This deal will be immediately accretive to ConocoPhillips' earnings and cash flows, with management foreseeing significant synergy potential.

In healthcare, Johnson & Johnson acquired Shockwave Medical for approximately $13.1 billion.[4] In this all-cash transaction, Shockwave Medical shareholders will receive $335.0 per share, representing a 17% premium to the stock's closing price in late March 2024 before reports of the deal emerged. This acquisition advances Johnson & Johnson's competitive position in cardiovascular intervention and accelerates its shift into higher-growth markets. Management forecasts the transaction to be accretive to operating margins but dilutive to earnings per share in 2024 and 2025 due to financing costs.[5]

3: "ConocoPhillips to Acquire Marathon Oil Corporation in All-Stock Transaction; Provides Shareholder Distribution Update," ConocoPhillips, May 29, 2024.
4: "Johnson & Johnson to Acquire Shockwave Medical," Shockwave Medical, April 5, 2024.
5: "Johnson & Johnson Completes Acquisition of Shockwave Medical," Johnson & Johnson, May 31, 2024.

A WORD FROM CLEAR STREET

Amid uncertainty, M&A recovery is on the horizon

Sentiment for a dealmaking resurgence waxed positive at the start of the year—what are you seeing now?

With the dealmaking resurgence at the start of 2024, we are anticipating that US deal volume will increase 15% to 20% in fiscal year 2024, showing a recovery from the compressed deal volumes that were previously seen in fiscal year 2023. Significant dry powder for both strategic and private equity buyers, combined with stabilization and potential rate cuts, should also be a macroeconomic tailwind. We foresee an increase in deal volumes driven by strategies looking to integrate new technology platforms, particularly utilizing AI, and a continued rebound in the life sciences and biotechnology M&A space. Furthermore, the valuation gap overhang that has been a limiting factor for transactions over the past 12 months will continue to be rationalized, creating more opportunities for attractive acquisitions.

Which key risks pertaining to economic growth, market volatility, and dealmaking health are you tracking most closely, and why?

The impact of fiscal policy and potential quantitative easing are significant drivers of near-term economic growth. We attribute certain positive indicators we have observed to perceived clarity into future rate cuts. If these cuts do not materialize or pause, that could potentially slow future growth.

We project an overhang remaining on significant companies making growth-related investments that are highly impacted by free-trade policies and tariffs, as these policies will be most affected by the result of the US election. However, this concern is somewhat mitigated by the likelihood that both candidates will likely move to implement fiscal stimulus policies guided by tax incentives or increased government spending to drive economic growth. While we remain cautiously optimistic about seeing sustained growth, we do not anticipate any significant changes to growth levels until early 2025.

From a technical purview, what are the most difficult hurdles to surmount across the platform tools you have to maintain? How do client preferences and needs play into that?

John D'Agostini
Co-head and managing director, investment banking
Clear Street

John D'Agostini serves as the co-head and managing director of investment banking at Clear Street. Prior to joining Clear Street, D'Agostini spent more than 12 years as a managing director of investment banking at JonesTrading. He started his career in equity sales and trading at Cantor Fitzgerald.

Nicholas Hemmerly
Co-head and managing director, investment banking
Clear Street

Nicholas Hemmerly also serves as the co-head and managing director of investment banking at Clear Street. Hemmerly has nearly two decades of experience in investment banking. Prior to Clear Street, he was senior managing director, head of investment banking at Bridgeway Capital Partners and held senior positions at J.P. Morgan and Jefferies.

Clear Street maintains a modern, cloud-enabled platform that provides significant benefits to clients who trade and transact with us. It is essential that we continue to advance these systems in order to remain ahead of the curve and recruit the best talent to drive additional innovation and development.

Our clients expect exceptional technology, seamless execution, and maximum data security, and we must continually innovate and adapt to meet and exceed their expectations.

What are the primary concerns your clients are bringing to you with regard to transactions? What do you think they should be focused on that they may not yet be tackling?

We have a number of clients who are interested in potential strategic alternatives, including both public and private capital raises and/or a sale of their business. The headwinds we have seen in the capital markets over the past six quarters have resulted in very onerous and highly structured transactions.

The downward pressure on valuation management and boards has also shown to be more conservative in moving forward.

We are seeing positive signs in the market, and high-quality businesses are now able to execute at improved terms as a result of more fundamental investors moving back into the market. Additionally, with the enhanced clarity into the forward-rate environment as well as significant dry powder and leverage capacity on the sidelines for both strategic and financial investors, we are seeing heightened M&A activity with increasing valuations.

We would encourage teams looking to raise capital or pursue strategic transactions to begin discussions well before they need capital. This would allow them to have the time to run necessary processes with fundamental investors and strategic acquirers, which require more detailed and longer lead times for due diligence. Although there have been improvements, the sentiment that "the next quarter" will be better has caused many companies to wait too long to transact and has made mutually successful transactions more challenging to achieve.

In the context of broader M&A trends, which factors do you expect to come into play for dealmakers later this year that have not yet surfaced, and why?

As we approach the end of 2024, we believe the presidential election and the potential impact of the resulting fiscal stimulus policies will possess a significant influence on estimated inflation. Both events could affect corporate profitability and downgrade some of the positive M&A trends we are seeing in the market. The subsequent monetary policy changes to combat the generated inflation could also limit both strategic and financial buyers' appetite for leverage and may have a negative impact on valuations.

We are optimistic about improved consumer sentiment, the desire to onboard additional products, and improved technology, all of which could mitigate some of these risks to continue M&A. However, we will need to monitor closely. Black swan events and global turmoil, such as the continued conflict in Ukraine, can always become a factor. Still, we do not expect them to significantly impact domestic M&A if they remain status quo.

Antitrust M&A update

Pending deals*

Update (2024)	Agency	Action	Deal target	Deal acquirer	Deal value ($M)	Deal announcement date	Elapsed time (years)
July 15	FTC	The FTC sent both companies a request seeking additional information on the deal.	HashiCorp	IBM	$6,400.0	April 24, 2024	0.2
July 2	FTC	The FTC moved to block this deal. Tempur Sealy will be challenging.	Mattress Firm	Tempur Sealy International	$4,000.0	May 9, 2023	1.2
May 31	EC	The EC sent IAG a statement of objections over the proposed acquisition of Air Europa.	Air Europa	International Consolidated Airlines Group (IAG)	$538.7	February 23, 2023	1.2
May 3	DOJ	The deal's closing date has been postponed by three months after the DOJ requested more documentation related to the deal.	United States Steel	Nippon Steel	$14,900.0	December 18, 2023	0.4
April 26	FTC and nine state AGs	The companies agreed to divest an additional 166 stores for 579 total. The deal is still being challenged.	Albertsons Companies	Kroger	$25,000.0	October 13, 2022	1.5
April 22	FTC	The FTC moved to block this deal. Tapestry will be challenging.	Capri Holdings	Tapestry	$8,500.0	August 10, 2023	0.7
March 22	CMA	The CMA stated the proposed merger warrants an in-depth investigation unless Vodafone and Three UK come forward with solutions.	Three UK	Vodafone Group	$3,660.0	June 14, 2023	0.8

Source: PitchBook • Geography: US and Europe • *As of July 15, 2024

Canceled deals*

Update (2024)	Agency	Action	Deal target	Deal acquirer	Deal value ($M)	Deal announcement date	Elapsed time (years)
April 22	DOJ	The deal was terminated after the DOJ moved to block and TopBuild elected not to challenge.	Specialty Products and Insulation	TopBuild	$960.0	July 27, 2023	0.7
March 28	DOJ	The deal was terminated after the DOJ moved to block and Chaquita elected not to challenge.	Dole Food Company (fresh vegetables division)	Chiquita Brands International	$293.0	January 30, 2023	1.2
March 11	FTC	The deal was terminated prior to the FTC completing its review.	Wyndham Hotels & Resorts	Choice Hotels	$9,800.0	October 17, 2023	0.4
March 4	DOJ	The deal was terminated following a court ruling in favor of the DOJ.	Spirit Airlines	JetBlue Airways	$7,600.0	July 28, 2022	1.6
January 19	EC	The EC moved to block the deal.	iRobot	Amazon	$1,700.0	August 4, 2022	1.5
January 3	FTC	The deal was terminated following a court ruling in favor of the FTC.	Propel Media	IQVIA Holdings	$800.0	December 1, 2022	1.1

Source: PitchBook • Geography: US and Europe • *As of July 15, 2024

Completed deals*

Update (2024)	Agency	Action	Deal target	Deal acquirer	Deal value ($M)	Deal announcement date	Elapsed time (years)
June 26	EC	The deal was closed following conditional clearance from the EC.	Viatris (over-the-counter drug business)	Cooper Consumer Health	$2,170.0	October 2, 2023	0.7
June 24	FTC	The company was spun out of Illumina in a public listing for $580 million.	GRAIL	Illumina	$8,000.0	September 20, 2020	3.8
May 31	EC/CMA	The deal was closed following conditional clearance by both regulators.	Thales GTS	Hitachi Rail	$1,754.0	October 31, 2023	0.6
May 30	EC	The deal was closed following unconditional approval by the EC.	Telecom Italia (fixed network assets in Italy)	KKR	$23,784.3	November 5, 2023	0.6
February 29	EC	The deal was closed following conditional clearance by the EC.	Bollore Logistics	CMA CGM	$5,312.7	May 8, 2023	0.8

Source: PitchBook • Geography: US and Europe • *As of July 15, 2024

Antitrust spotlight: Regulatory challenges in healthcare

Kazi Helal, Ph.D.
Senior Analyst, Healthcare

While medtech M&A continues with a focus on expanding offerings through consolidation, the sector faces increased regulatory scrutiny, as covered in our Q1 2024 Medtech Report. The Illumina-GRAIL acquisition saga serves as a cautionary tale for the industry, particularly regarding forming potential monopolies. This trend has significantly impacted medtech and life sciences tools investments as investors do not see large returns from M&A as exit options. Small or early exits such as those of Illumina and Fluent BioSciences may become the norm for struggling startups trying to raise capital. Shockwave Medical's $13.1 billion exit to Johnson & Johnson is the most notable deal of Q2, marking an expansion of Johnson & Johnson's cardiovascular offerings. Edwards Lifesciences' $4.2 billion sale of its critical care product group to BD highlights the need for firms to focus on dominance in their strong areas, following the decades-old trend of businesses dismantling their conglomerate models to limit losses from struggling business components that were subsidized by profitable ones.

Under the current presidential administration, large deals face a high likelihood of antitrust review, potentially affecting closure strategies especially in an election year. Private equity investment in healthcare services is also under the regulatory microscope. Despite these challenges, healthcare M&A activity continues at a moderate pace. The sector remains attractive due to demographic trends, technological advancements, and the need for scale in a competitive landscape.

As valuations become more reasonable, cash-rich Big Pharma companies are likely to continue their acquisition strategies, focusing on innovative biotech firms and promising clinical assets. The ongoing success of GLP-1 drugs may fuel further deals in the weight-loss space as new entrants seek to challenge established players. Additionally, ophthalmic medical devices, surgery innovations, and pharmaceuticals present another area of interest for M&A activity as incumbents strive to maintain their competitive edge.

Within the pharmatech side of biotech, the BIOSECURE Act may significantly impact future M&A activity, potentially slowing deals involving Chinese firms or those with Chinese funding. For example, WuXi AppTec, a full-service pharmatech contract development and manufacturing organization with a large market share from startups to Big Pharma, is a prime target of this legislation. The law could reshape the emerging American pharmatech sector by concentrating all outsourcing activities, from drug discovery to manufacturing, within the US and among Western allies. While this shift may lead to higher costs and potential drug development delays, it could also position the US as an emerging medicine and biomanufacturing hub for global markets.

Sector metrics

Tim Clarke
Lead Analyst, Private Equity

Jinny Choi
Senior Analyst, Private Equity

Methodology

Our cross-sector momentum scores provide insight into how changes in M&A deal activity and median valuations compare across sectors. The scores range from -2.0 to 2.0 and establish a relative evaluation for each sector. The basis of these scores is the percentage change over the prior quarter and TTM period, which are equally weighted. In the case of the valuation score, just the TTM change is considered versus the prior calendar year, using both EV/EBITDA and EV/revenue multiples. The deal momentum scores encompass both deal count and volume, which are also equally weighted. Prior to calculating deal volume growth rates, the data is winsorized—meaning it is clipped—at the 98th percentile to mitigate the impact of outliers. To establish the final sector momentum scores, we employ Z-score calculations using the mean and standard deviation of the cross-sector growth rates.

Sector overview

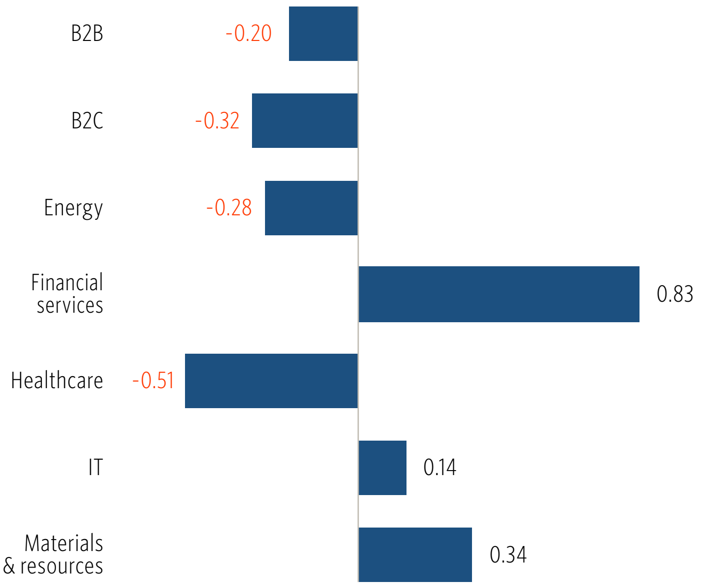
As detailed above, our deal momentum scores reflect each sector's relative strength to overall M&A deal flow using three-month and 12-month rates of change (in deal count and deal value).

There were several reversals in deal momentum scores between Q1 and Q2 of 2024 as the relative decline in deal value dragged down the Z-scores of three sectors and the outperformance of deal value in one sector catapulted it into first place. That sector was financial services, the strongest sector in Q2, scoring 0.83 (compared with -0.32 in Q1) and reversing its previous position of second-weakest deal momentum score to strongest in one quarter. This is despite its QoQ decrease in deal value, because the winsorized data highlights the improvement in deal activity unaffected by outlier deal sizes, and the sector experienced weak Q1 deal activity when removing the outlier deals. B2B and energy reversed into negative deal momentum scores as deal activity faltered, particularly regarding deal value when compared to the rest of the group.

Healthcare had the worst deal momentum score at -0.51, marking negative momentum for two quarters in a row. Healthcare continues to experience stunted deal activity, and the significant drop in the number of M&A deals over the span of 24 months was a major drag on the sector's momentum score. Deal multiples in the sector have also softened, registering a valuation momentum score of 0.00 in Q2 compared with 0.45 in Q1. Our valuation momentum scores reflect each sector's relative strength to overall M&A multiple trends, using TTM rates of change to the prior year (EV/EBITDA and EV/revenue). Energy and B2C also improved their valuation momentum scores, with B2C moving to a positive momentum score in Q2 from neutral in Q1.

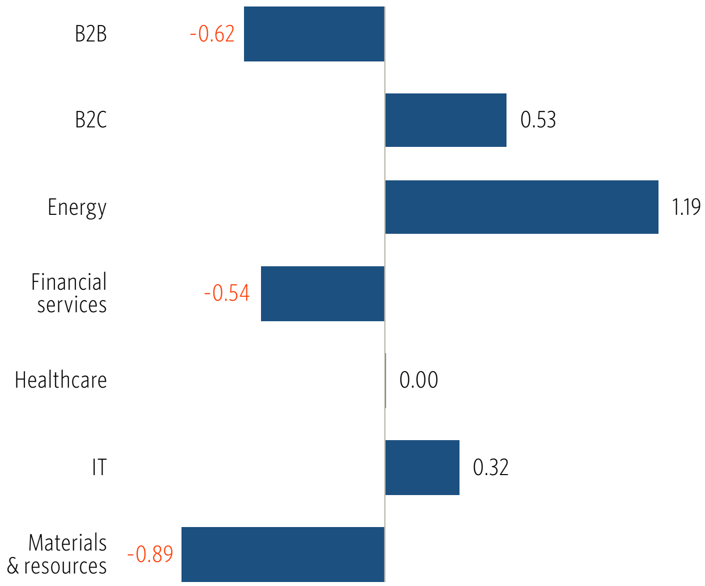
Deal and valuation momentum scores can be analyzed together to discern trends in market sentiment. Financial services and materials & resources are two sectors where it is clear that buyers are taking advantage of lower multiples: With valuation momentum negative for two consecutive quarters, deal momentum has flipped to positive for both financial services and materials & resources. In energy, where multiples have been expanding for some time, deal momentum eventually reversed as TTM multiples pushed near levels seen in 2021. IT retained positive momentum both in valuations and deal flow as buyers continued to accept more risk and higher prices for what has been a relatively strong sector in public markets as well. Meanwhile, in healthcare, deal and valuation momentum scores both deteriorated, demonstrating the impact of persistent valuation gaps weighing down buyers and sellers.

Deal momentum score*



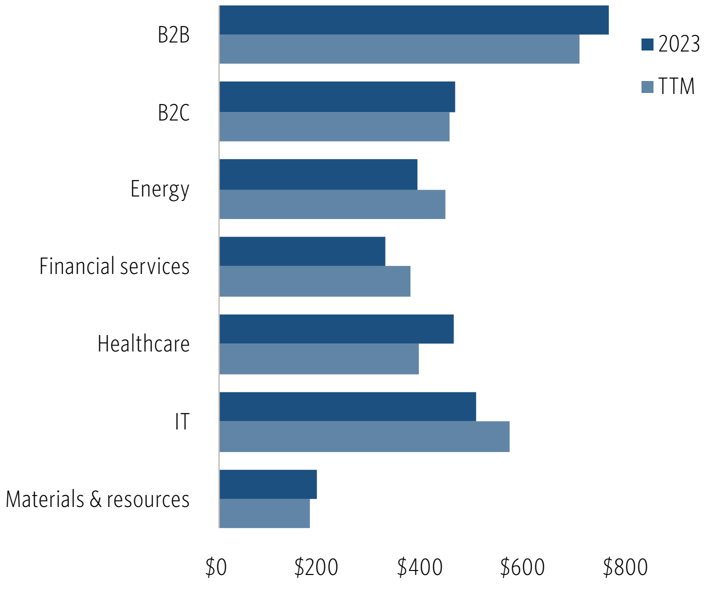
Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Valuation momentum score*



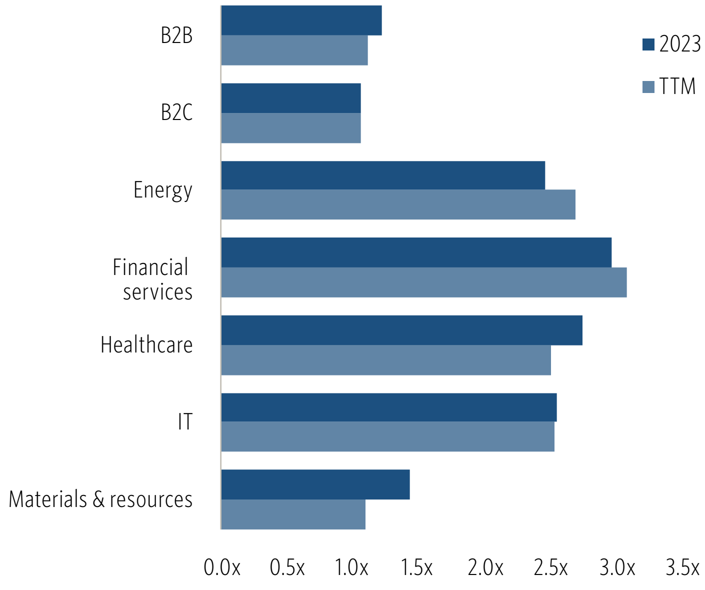
Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Sector rank by deal value ($B)*



Source: PitchBook • Geography: Global • *As of June 30, 2024

Sector rank by deal multiples (EV/revenue)*



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Industry metrics

M&A heatmap*

	Deal value momentum		Deal count momentum		
	Three months	12 months	Three months	12 months	Score
Agriculture	-42.0%	19.6%	-54.7%	-2.4%	-0.62
Chemicals & gases	27.7%	-11.8%	-21.1%	21.3%	0.12
Construction (nonwood)	-80.7%	65.4%	5.6%	-54.3%	-0.09
Containers & packaging	255.5%	24.7%	-16.2%	-39.4%	N/A
Forestry	-73.8%	-55.7%	-48.1%	125.3%	-0.49
Metals, minerals & mining	-33.6%	75.3%	-14.7%	-16.6%	0.21
Other materials	-69.6%	43.5%	-63.6%	-60.5%	-1.05
Textiles	20.9%	-64.1%	-22.2%	181.2%	N/A
Communications & networking	95.0%	3.3%	10.9%	-13.4%	0.80
Computer hardware	-24.8%	-3.0%	-13.2%	12.1%	-0.07
IT services	17.3%	-6.7%	5.4%	-16.1%	0.21
Semiconductors	-73.5%	-65.9%	-47.6%	333.5%	N/A
Software	8.4%	12.1%	-7.5%	-18.0%	0.11
Healthcare devices & supplies	48.5%	-17.2%	-4.6%	47.2%	0.55
Healthcare services	-10.9%	-13.6%	-17.3%	12.6%	-0.11
Healthcare technology systems	22.4%	13.8%	-11.1%	-24.8%	0.12
Other healthcare	406.8%	95.0%	166.7%	-48.6%	N/A
Biotechnology & pharmaceuticals	-38.3%	18.2%	-10.4%	25.3%	0.10
Capital markets/institutions	27.3%	2.8%	6.4%	-6.7%	0.40
Commercial banks	20.7%	86.4%	25.5%	-34.5%	0.99

Source: PitchBook • Geography: Global • *As of June 30, 2024
Note: "N/A" indicates an insufficient sample size.

M&A heatmap, continued*

	Deal value momentum		Deal count momentum		
	Three months	12 months	Three months	12 months	Score
Insurance	47.9%	3.1%	2.7%	-26.9%	0.36
Other financial services	28.9%	2.0%	-3.8%	12.3%	0.38
Energy equipment	86.5%	33.1%	-50.0%	-37.3%	0.07
Energy services	-13.6%	7.2%	10.1%	-12.0%	0.21
Exploration, production & refining	-30.5%	9.2%	-24.0%	-41.0%	-0.46
Other energy	-58.6%	-30.5%	-46.0%	43.7%	-0.67
Utilities	122.9%	45.5%	-18.8%	-52.2%	N/A
Apparel & accessories	-4.1%	-28.1%	5.4%	-8.7%	-0.01
Consumer durables	-0.3%	-18.3%	-13.4%	60.7%	0.24
Consumer nondurables	-6.8%	-5.3%	-4.4%	13.2%	0.13
Media	-7.4%	-2.9%	-10.1%	-30.3%	-0.18
Other B2C	330.8%	932.7%	200.0%	-89.4%	N/A
Restaurants, hotels & leisure	-24.0%	-1.6%	-5.1%	-29.4%	-0.20
Retail	66.1%	-26.0%	12.3%	115.1%	1.19
Services (nonfinancial)	3.5%	-15.7%	-1.3%	-12.7%	0.01
Transportation	0.1%	-28.2%	-2.4%	39.0%	0.19
Commercial products	1.3%	-3.1%	-10.5%	23.5%	0.17
Commercial services	-8.2%	-12.3%	-8.7%	1.7%	-0.04
Commercial transportation	-45.6%	-1.8%	-28.2%	-9.1%	-0.49
Other B2B	-62.4%	78.5%	-11.8%	-44.6%	-0.05

Source: PitchBook • Geography: Global • *As of June 30, 2024
Note: "N/A" indicates an insufficient sample size.

B2B

B2B M&A activity by quarter

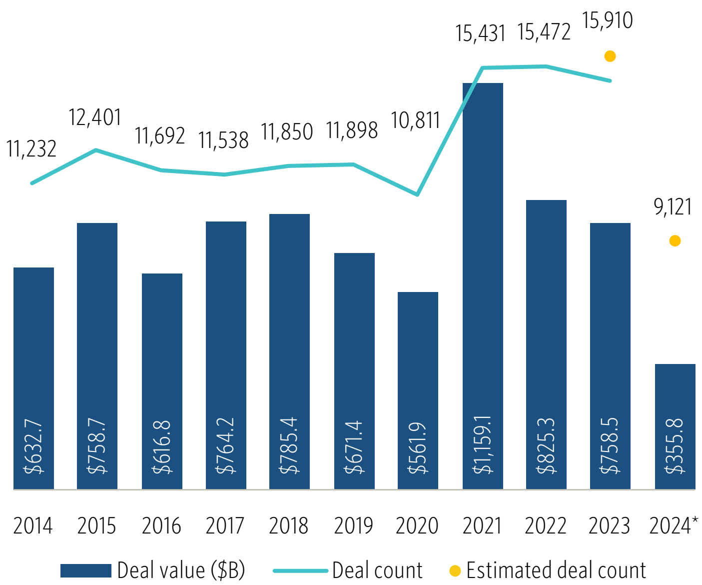
Source: PitchBook • Geography: Global • *As of June 30, 2024

Jinny Choi
Senior Analyst, Private Equity

M&A activity recovers through smaller deals: The B2B sector marched on at a steady pace with an estimated 4,630 deals for an aggregate of $161.3 billion. Although the sector experienced a QoQ decline of 17.1% in deal value, deal count improved by 3.1%, which is a trend we are seeing beyond just Q2. Across various measures, B2B deal count appears to have fully recovered while deal value lags. Q2 estimated deal count is greater than pre-pandemic averages, and YTD deal count is pacing to surpass 2023's levels on an annualized basis. Deal value fell short on both measures. Even when compared to the peak in 2021, the deal value achieved in 2023 was 34.6% behind, but estimated deal count was ahead by 3.1%. Annualized deal activity in 2024 is tracking for a similar trend.

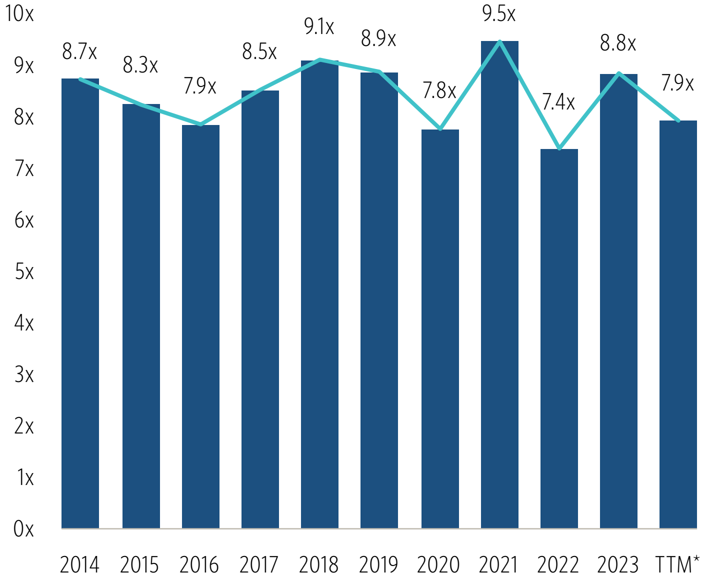
Take-privates take center stage: Five public-to-private acquisitions amounted to over $22 billion in Q2 as alleviated borrowing costs renewed appetite for large take-privates. The two largest B2B deals were public-to-private deals, with Silver Lake's $13.0 acquisition of Endeavor topping the list and marking the largest PE-sponsored take-private in 10 years. The second-largest deal in Q2 was Permira's $6.9 billion acquisition of Squarespace. Both transactions reflect

B2B M&A activity



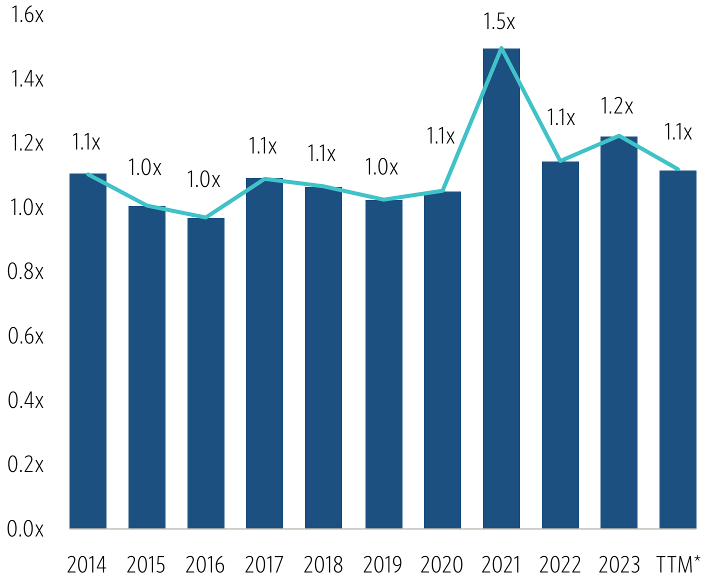
Source: PitchBook • Geography: Global • *As of June 30, 2024

B2B M&A EV/EBITDA multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

B2B M&A EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

the rise in "boomerang" stocks, where companies switch back to private ownership shortly after going public. Because many companies' valuations have been depressed by the public market volatility of the past two years, PE owners are increasingly taking back portfolio companies that have gone public or selling their remaining positions to other PE firms to create additional value. Both Endeavor and Squarespace will be taken private three years after their public listings.

Corporate divestiture opportunities continue to flow: There was an aggregate of $26.1 billion in B2B corporate divestiture deals in Q2, led by KPS Capital Partners' acquisition of Innomotics from Siemens for $3.8 billion. Siemens had originally announced a public listing of its electric motor and large drives business in November 2023 in an effort to optimize its operations. Instead, the company structured a carveout to a PE firm for further growth opportunities.[6]

6: "Siemens to Sell Innomotics to KPS Capital Partners," Siemens, May 16, 2024.

B2C

B2C M&A activity by quarter

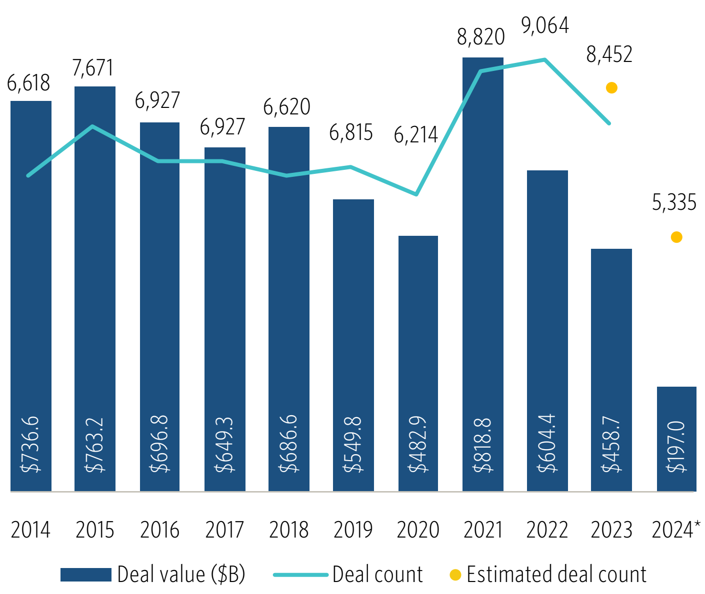
Source: PitchBook • Geography: Global • *As of June 30, 2024

Jinny Choi
Senior Analyst, Private Equity

B2C M&A activity is slow but stabilizing: The B2C sector posted another quarter of lackluster M&A activity with an aggregate of $94.3 billion in deal value. At a QoQ change that was roughly flat in deal value, the sector fared slightly better than the broader global M&A market, which saw a decline of approximately 5.0% in deal value and an increase of 4.4% in estimated deal count over the same period. Quarterly deal value remains approximately 25% below pre-pandemic averages, reflecting the persistent caution and uncertainty of the buyer's market—in the face of prolonged macroeconomic headwinds—to ignite a meaningful rebound in M&A activity. Stabilizing TTM median deal size and M&A multiples as well as a positive valuation momentum score could be signs of a forthcoming recovery for the B2C sector.

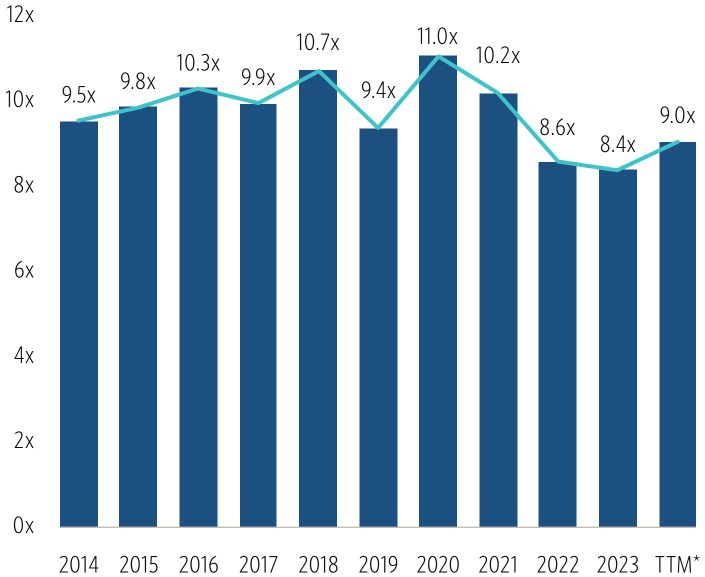
Travel and infrastructure demand fuels megadeals in B2C: The largest B2C deal in Q2 was the $4.7 billion purchase of the Budapest Airport by the Hungarian government's investment fund, Corvinus International Investment, and airport operator VINCI. For the Hungarian government, the acquisition is aligned with its push to secure nationally strategic infrastructure assets

B2C M&A activity



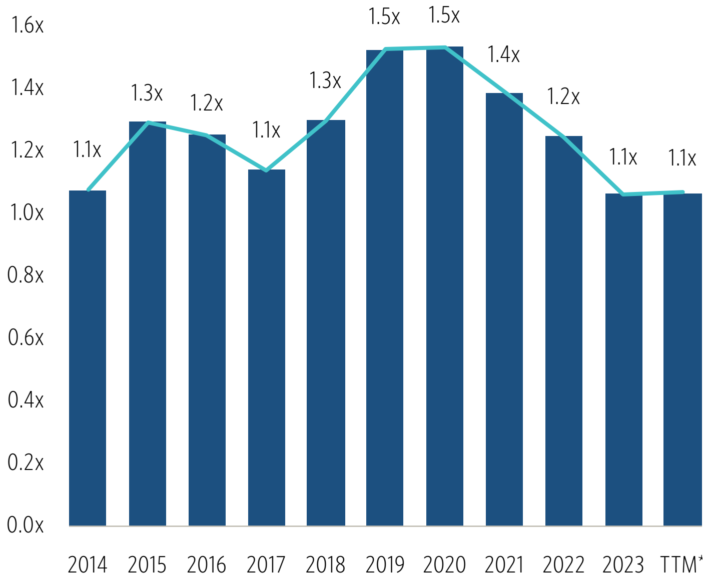
Source: PitchBook • Geography: Global • *As of June 30, 2024

B2C M&A EV/EBITDA multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

B2C M&A EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

and increase tourism.[7] For VINCI, the deal is another step in continuing to build its presence as a leading airport operator in Europe. VINCI also acquired the Edinburgh Airport for $1.6 billion from Global Infrastructure Partners in Q2.

PE firms pick up attractive franchise businesses: In April, Blackstone announced it will acquire Tropical Smoothie Cafe from Levine Leichtman Capital Partners for $2.0 billion. Blackstone plans to accelerate the fast-casual restaurant company's already-impressive expansion by assisting in menu innovation, marketing, and operations through its experience in growing leading franchisors.[8] Carlyle is making a similar play by taking the Tokyo-listed KFC Holdings Japan private for an estimated $611.0 million in a transaction that is expected to close in September. Carlyle has investment experience in quick-service restaurant franchises globally and will push new store openings, menu expansion, and digital customer service for KFC.[9]

7: "Hungary and Vinci Buy Budapest Airport in $4.7 Billion Deal," Bloomberg, Alberto Nardelli and Zoltan Simon, June 6, 2024.
8: "Blackstone to Acquire Tropical Smoothie Cafe to Propel Leading Franchisor's Continued Expansion," Blackstone, April 24, 2024.
9: "Carlyle Completes Tender Offer for KFC Japan," Carlyle, July 10, 2024.

Energy

Energy M&A activity by quarter

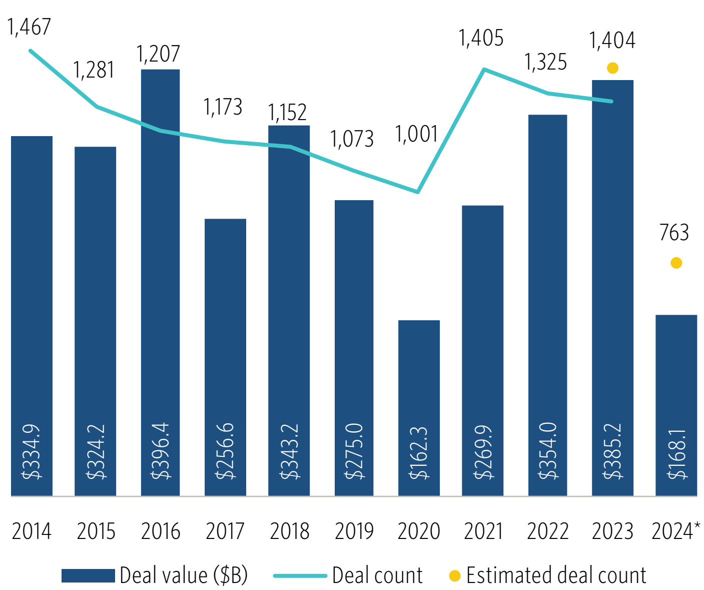
Source: PitchBook • Geography: Global • *As of June 30, 2024

Kyle Walters
Associate Analyst, Private Equity

Energy M&A continues its momentum: Q4 2023 was the sector's best quarter ever recorded, with deal value totaling $201.0 billion. While the subsequent two quarters have been well below that level, the industry has built momentum from that peak. The first two quarters of 2024 remain well above levels recorded from Q4 2022 to Q3 2023 and above the five-year quarterly average of $72.3 billion. The second quarter wrapped with 344 deals announced or closed for a total deal value of $79.3 billion. Moreover, the momentum in the energy sector has shown itself in the form of median deal size, which has once again reached a new peak of $101.4 million, up from its previous high of $99.4 million in Q1 2024.

Oil & gas M&A activity once again propels the sector: The oil & gas industry has been riding a wave of consolidation over the past few years as companies look to bolster reserves and benefit from economies of scale. In May, ConocoPhillips agreed to buy Marathon Oil in an all-stock deal valued at $22.5 billion. The transaction extends ConocoPhillips' footprint in its existing US onshore portfolio and adds over 2 billion barrels of reserves to its portfolio overall. Furthermore,

Energy M&A activity

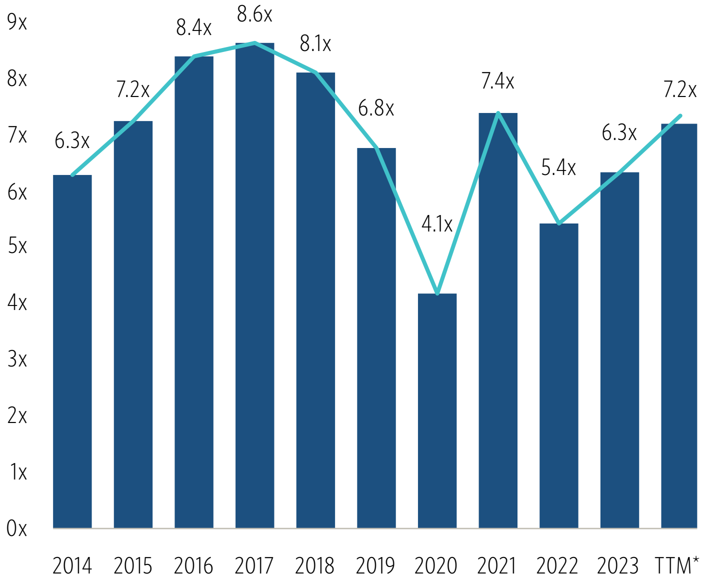


Source: PitchBook • Geography: Global • *As of June 30, 2024

ConocoPhillips expects to achieve at least $500 million of run-rate cost and capital savings within the first full year following the close of the transaction.[10]

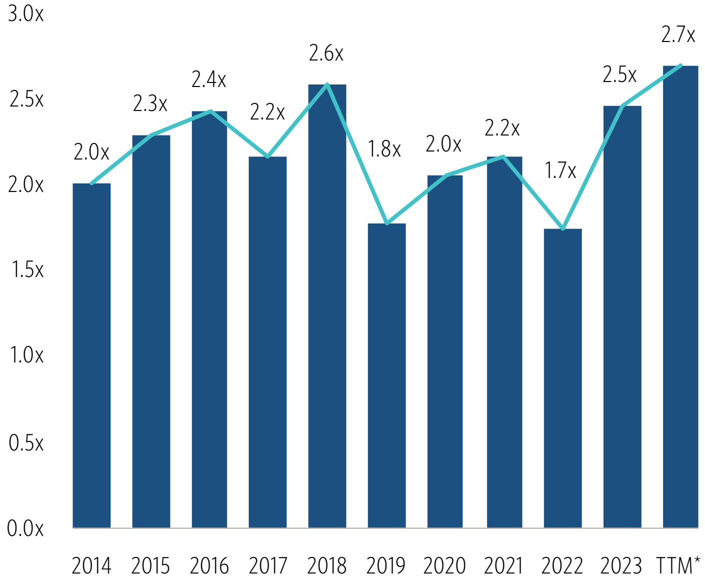
10: "ConocoPhillips to Acquire Marathon Oil Corporation in All-Stock Transaction; Provides Shareholder Distribution Update," ConocoPhillips, May 29, 2024.

Energy M&A EV/EBITDA multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Energy M&A EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Take-privates give renewable energy M&A a boost in Q2: Renewable energy M&A continues to account for a growing portion of all energy deals. In Q2, this took shape in some of the sector's most substantial deals. In May, Brookfield Renewable Partners agreed to acquire approximately 53.3% of outstanding shares in French renewable power producer Neoen, valuing the business at $7.1 billion. Subject to the closing of the block acquisition, Brookfield would file an all-cash mandatory tender offer for all of the remaining shares.[11] Going forward, Brookfield will look to scale Neoen's portfolio of diverse assets as demand for clean power increases. That same week, Energy Capital Partners agreed to acquire Atlantica Sustainable Infrastructure for $2.6 billion. Atlantica owns a portfolio of assets across the US, Europe, and South America dealing with renewable energy sources such as wind, solar, and natural gas. Energy Capital Partners has expertise in the sustainable infrastructure sector and will support Atlantica to continue executing its growth strategy.

11: "Brookfield Enters Into Exclusive Negotiations With Impala and Other Shareholders to Acquire a Majority Stake in Neoen and Launch a Mandatory Tender Offer for 100% of the Company," Brookfield, May 30, 2024.

Financial services

Financial services M&A activity by quarter

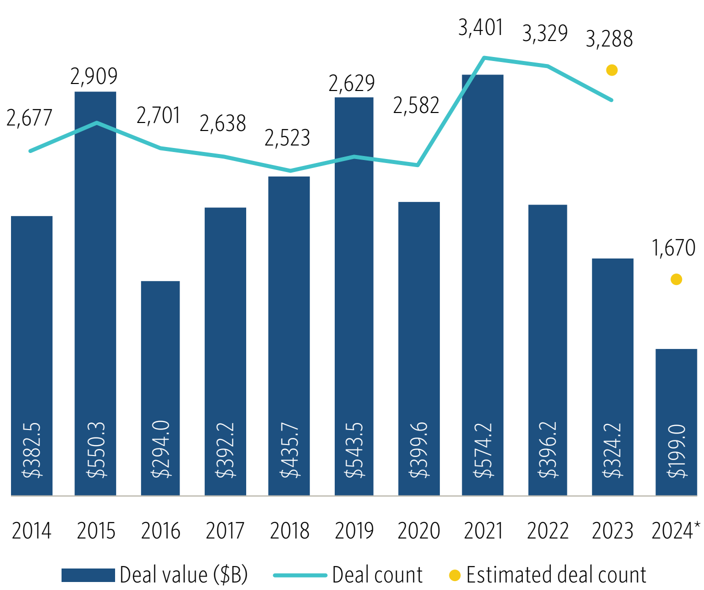
Source: PitchBook • Geography: Global • *As of June 30, 2024

Kyle Walters
Associate Analyst, Private Equity

Financial services is well on track to surpass its 2023 dealmaking totals: Through the first half of 2024, the financial services sector has posted an estimated 1,670 deals worth an aggregate value of $199.0 billion, with 887 deals worth $89.2 billion announced or closed in the second quarter. Not only is the sector pacing to outperform 2023, but H1 2024's deal value is expected to grow by more than 20% compared with the same period from the year prior. Additionally, the sector has seen the median deal size increase to $54.4 million for the 12 months ending June 30, 2024, up from a median deal size of $40.0 million in 2023.

Banks buoy financial services M&A: Three of the sector's top four deals in the quarter were acquisitions of banks, both regional and international. The largest of the bunch was Spanish bank BBVA's acquisition of fellow Spanish institute Banco Sabadell for $13.1 billion. With the acquisition, BBVA aims to create a lender with more than 100 million customers globally and assets exceeding €1 trillion—second only to CaixaBank among Spanish banks. Moreover, by merging, BBVA seeks to rebalance its business toward Spain and reduce its

Financial services M&A activity

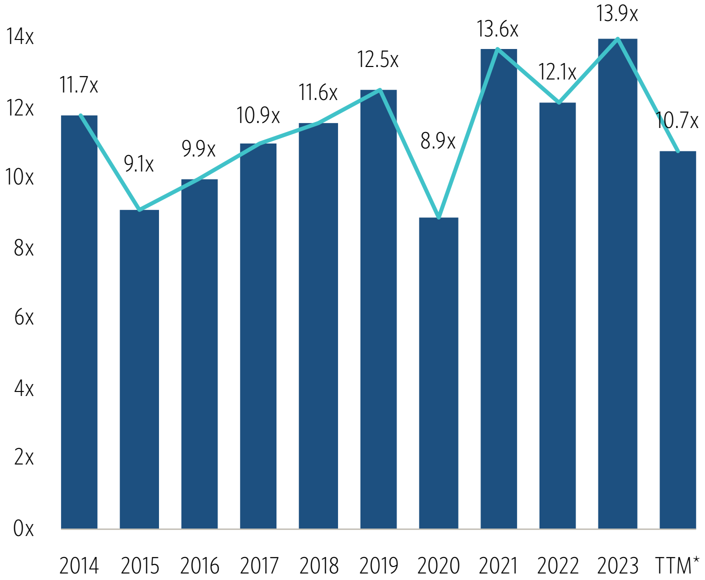


Source: PitchBook • Geography: Global • *As of June 30, 2024

reliance on Mexico, its primary market.[12] In Canada, National Bank of Canada agreed to acquire Canadian Western Bank for $4.0 billion. Canadian Western Bank, concentrated in Alberta

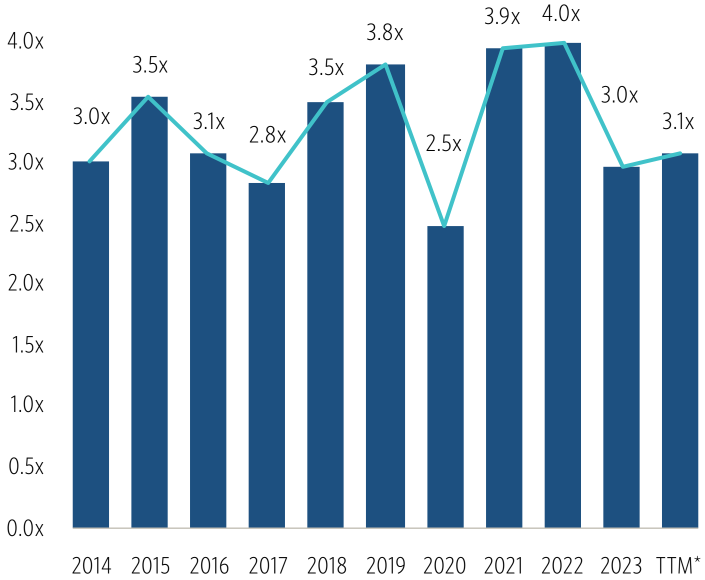
12: "Spain's BBVA Turns Hostile With $13 Billion Bid for Sabadell," Reuters, Jesús Aguado, May 9, 2024.

Financial services M&A EV/EBITDA multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Financial services M&A EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

and British Columbia with its CA$37 billion loan book, will increase National Bank's lending portfolio outside of Quebec by 37%.[13] The acquisition supports National Bank's growth initiatives of expanding in western Canada.

REITs saw several multibillion-dollar deals: In April, Blackstone Real Estate announced it would take AIR Communities private for $10.0 billion. AIR Communities' portfolio comprises 76 rental housing communities concentrated primarily in coastal markets, including Miami, Los Angeles, Boston, and Washington, DC. Blackstone plans to invest more than $400 million to maintain and improve the existing communities in the portfolio and may invest additional capital to fund future growth.[14] Similarly, Blackstone Real Estate and MRP Group, a developer, owner, and operator of real estate in Mexico, announced that a Mexican trust formed by its affiliates agreed to acquire Mexican REIT Terrafina for $1.7 billion. Terrafina is an industrials-focused REIT, a space that has been popular in real estate as investors look to capitalize in areas such as datacenters and logistics.

13: "National Bank to Accelerate Domestic Growth With the Acquisition of Canadian Western Bank," Canadian Western Bank, June 11, 2024.
14: "Blackstone Real Estate to Take AIR Communities Private for Approximately $10 Billion," AIR Communities, April 8, 2024.

Healthcare

Healthcare M&A activity by quarter

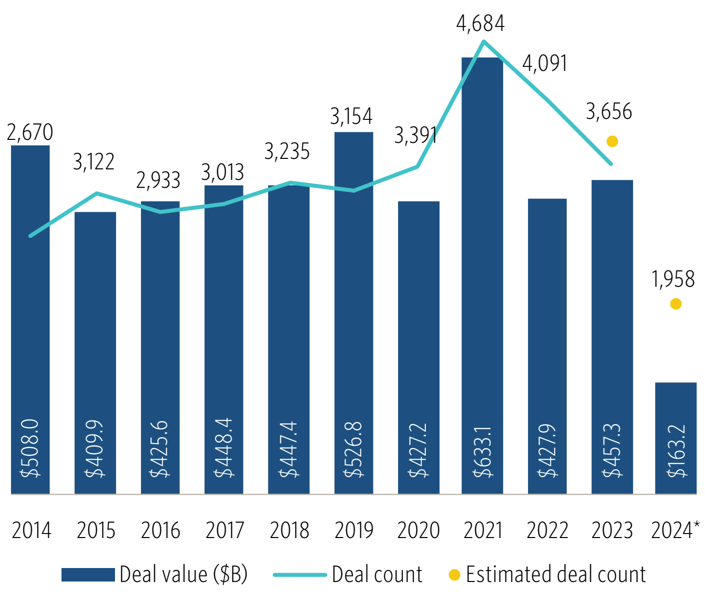
Source: PitchBook • Geography: Global • *As of June 30, 2024

Kazi Helal, Ph.D.
Senior Analyst, Healthcare

Healthcare M&A continues to turn downward overall: Healthcare M&A activity in Q2 2024 continues to follow a downward trend in the wake of the COVID-19 pandemic despite large biopharma transactions. Total deal value reached $82.3 billion, exceeding the previous quarter's total of $80.9 billion. Deal count remained relatively stable with an estimated 990 transactions in Q2 compared with 968 in Q1. However, it is important to note that healthcare M&A volume as a percentage of global deal activity has decreased, now representing 8.1% of total deal count and 11.1% of total deal value YTD. The overall healthcare M&A landscape has shown signs of moderation since the peak observed in 2021. Current activity levels appear to have stabilized around figures seen in 2022, reflecting a more normalized market environment following the post-pandemic surge.

Despite this broader slowdown, several notable transactions occurred in Q2. Johnson & Johnson's $13.1 billion acquisition of Shockwave Medical expanded Johnson & Johnson's cardiovascular device portfolio, underscoring continued interest in the medtech sector, particularly in cardiovascular applications. Additionally, although completed after Q2, Eli

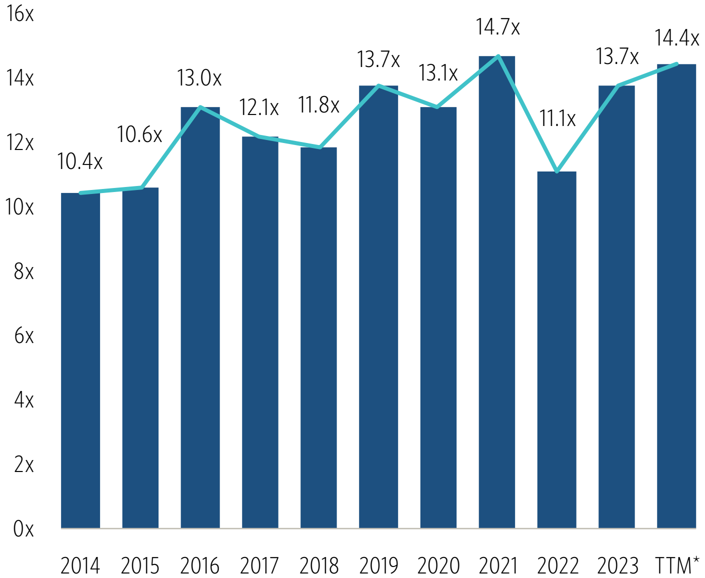
Healthcare M&A activity



Source: PitchBook • Geography: Global • *As of June 30, 2024

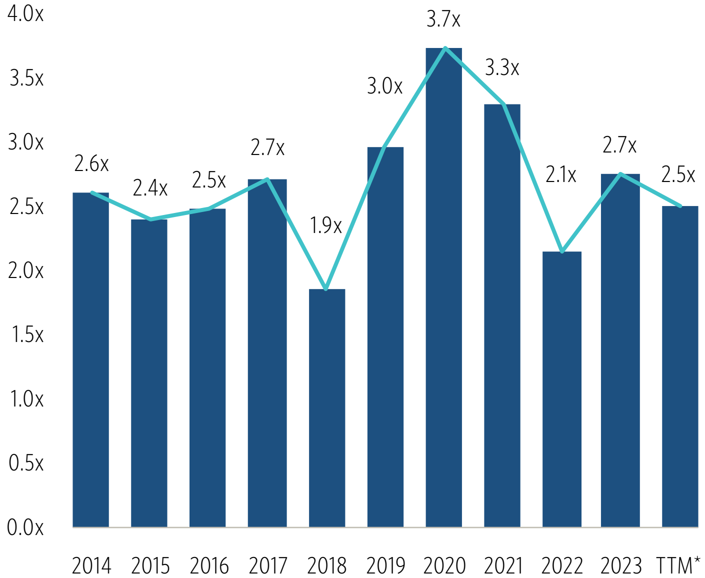
Lilly and Company's $3.2 billion purchase of Morphic Holding highlights Big Pharma's ongoing appetite for promising clinical assets, especially those leveraging novel biological insights.

Healthcare M&A EV/EBITDA multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Healthcare M&A EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Pharmaceutical firms drive deal activity: Pharmaceutical and biotech deals continue to dominate healthcare M&A, as covered in our Q1 2024 Biopharma Report, accounting for 14 of the top 20 transactions YTD. This trend is fueled by several factors, including the deployment of cash reserves accumulated during the pandemic and bolstered by successful GLP-1 drug sales. There is also ongoing interest in radiopharmaceuticals, exemplified by the $1.8 billion exit of Mariana Oncology. Growing demand for immunology assets is evident, as seen in Vertex Pharmaceuticals' $4.9 billion acquisition of Alpine Immune Sciences and ONO Pharmaceutical's $2.4 billion purchase of Deciphera Pharmaceuticals.

Additional risks include the potential isolation of emerging sciences and medicines in cell and gene therapy to select countries due to bioweapon concerns. However, a change in presidential administrations may reverse these policies, potentially allowing deals based on select technologies. Investors are positioning themselves on both sides of this divide: Some VC and PE firms are focusing on building emerging medicine capabilities in the US or consolidating the domestic pharmatech industry, while others are investing in means for cheaper services globally, particularly in China and Europe.

IT

IT M&A activity by quarter

Source: PitchBook • Geography: Global • *As of June 30, 2024

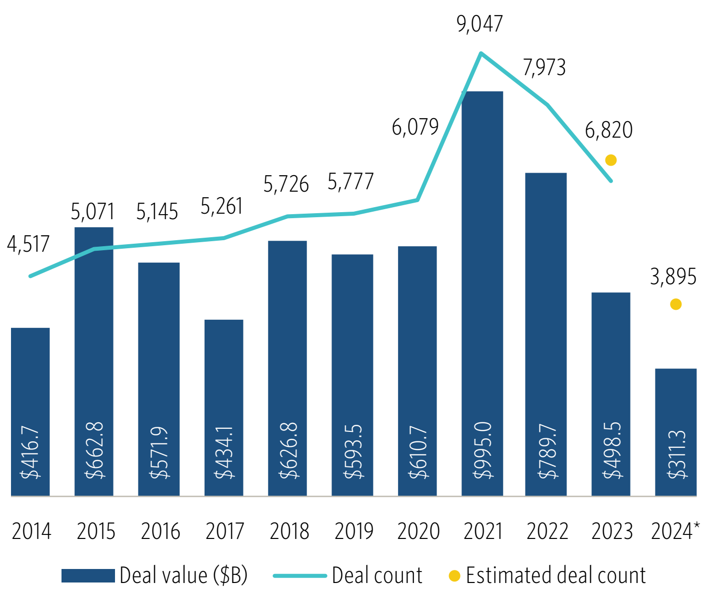
Garrett Hinds
Senior Analyst, Private Equity

IT deal value increases versus last year: In the second quarter of 2024, the IT sector experienced a notable increase in deal value, reaching $141.3 billion. This represents a 6.9% YoY increase but a 16.9% decline compared with the previous quarter. The prior quarter's figures were bolstered by several large megadeals involving stock consideration, creating a challenging comparison. In terms of deal volume, we estimate a total of 2,010 IT deals for the quarter, up on a YoY and QoQ basis.

IT's share of deal value is above past trends: The IT sector's share of global M&A deal value stood at 21.2%, slightly above the five-year average of 19.8%. This upward trend is reflected in the sector's deal momentum score of 0.14, placing it third out of seven sectors.

PE buyers rejoin the leaderboard: PE buyers made a significant return to the IT sector leaderboard, with three of the five largest IT acquisitions involving PE buyers in Q2 compared with none in Q1. The remaining two top deals were made by strategic acquirers. The leading deals were in the software segment.

IT M&A activity

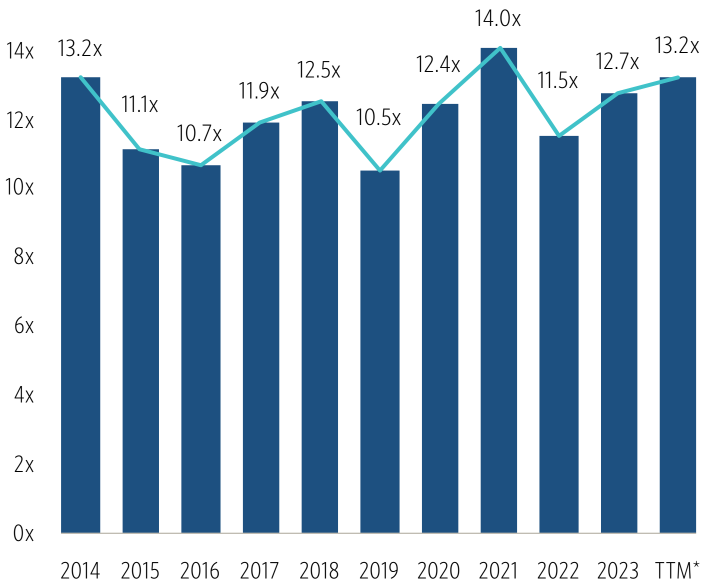


Source: PitchBook • Geography: Global • *As of June 30, 2024

IBM agreed to acquire HashiCorp, an infrastructure software vendor specializing in tools for managing multicloud and hybrid IT environments, for $6.4 billion in cash.[15] HashiCorp stockholders

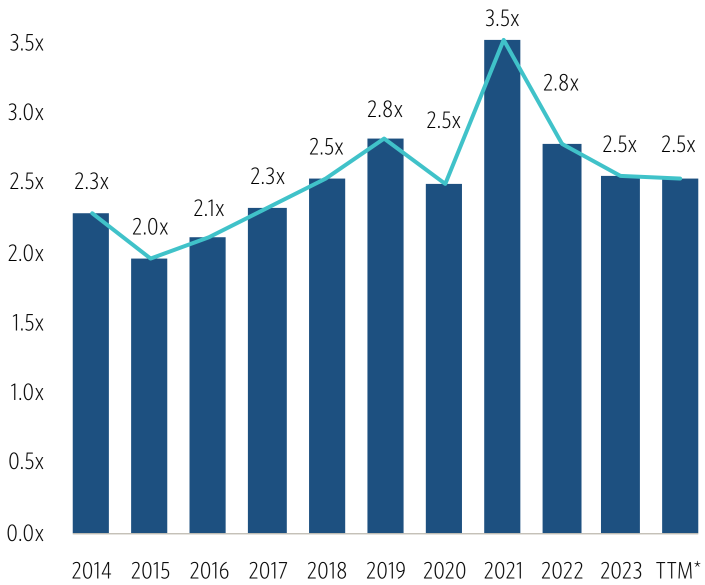
15: "IBM to Acquire HashiCorp, Inc. Creating a Comprehensive End-to-End Hybrid Cloud Platform," IBM, April 24, 2024.

IT M&A EV/EBITDA multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

IT M&A EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

will receive $35 per share, representing a 42.6% premium to the closing price before the announcement.[16] This acquisition enables IBM to offer a comprehensive hybrid cloud platform tailored for the AI era. Management anticipates the transaction to be accretive to adjusted EBITDA in the first full year after the deal closes and accretive to cash flow in the second year.

Additionally, Nuvei, a provider of payment technology solutions across mobile, online, and in-store channels globally, will be taken private by a PE consortium for $6.3 billion.[17] Advent International is leading the transaction, with existing shareholders Philip Fayer (chairman and CEO of Nuvei), Novacap, and Caisse de dépôt et placement du Québec rolling a portion of their equity into the new structure. The leveraged buyout price of $34 per share in cash represents a 56% premium to the unaffected closing price on March 15, 2024, and is approximately 48% higher than the 90-day volume-weighted average trading price as of that date. The transaction is supported by a new $600 million revolving credit facility and $2.5 billion in term loan financings.

16: "IBM to Buy HashiCorp in $6.4 Billion Deal to Expand in Cloud," Reuters, Arsheeya Bajwa, April 24, 2024.
17: "Nuvei Enters Into Agreement to Be Taken Private by Advent International, Alongside Existing Canadian Shareholders Philip Fayer, Novacap and CDPQ at a Price of US$34.00 per Share," Nuvei, April 1, 2024.

Materials & resources

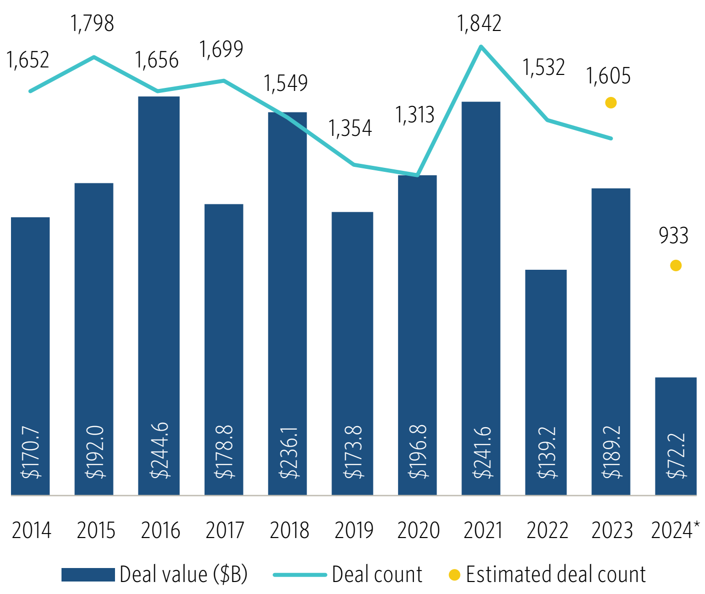
Materials & resources M&A activity by quarter

Source: PitchBook • Geography: Global • *As of June 30, 2024

Kyle Walters
Associate Analyst, Private Equity

Materials & resources sees deal activity tick up in Q2 but remain below 2023 levels: The sector remains cyclical and out of favor as deal value for the first two quarters of 2024 fell below the 2023 quarterly average of $47.3 billion. Despite the industry proceeding at lower levels, it saw an increase QoQ with an estimated 419 deals worth $42.3 billion, up 40.9% from the $30.0 billion in deal value posted in Q1. Now halfway through the year, the sector has seen an estimated 933 deals worth $72.2 billion, tracking well below the $85.9 billion posted in the first half of 2023 and $189.2 billion for the full year.

Materials & resources M&A activity

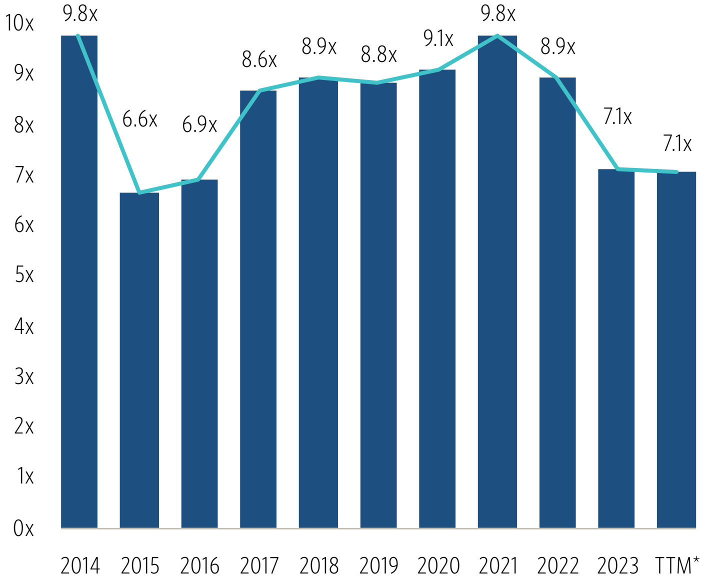


Source: PitchBook • Geography: Global • *As of June 30, 2024

The containers & packaging subsector led the charge for materials & resources in Q2: Containers & packaging was responsible for the sector's four largest deals in Q2. In April, International Paper acquired DS Smith in an all-stock deal that values the combined companies at $9.9 billion and DS Smith at $3.3 billion. The acquisition will help International Paper drive profitable growth by strengthening its global packaging business. In June, Sonoco Products Company, a sustainable packaging company, agreed to acquire Eviosys, a supplier of metal packaging, including food cans and ends, aerosol cans, and metal closures, for $3.9 billion. The acquisition will allow Sonoco to scale its strategic metal packaging platform and help Sonoco position itself for long-term value creation.[18]

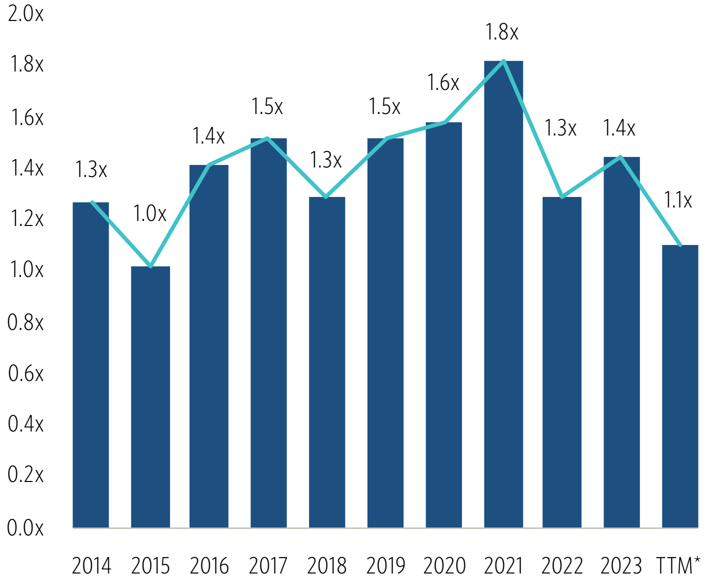
18: "Sonoco to Acquire Eviosys, Creating the World's Leading Metal Food Can and Aerosol Packaging Platform," Sonoco, June 24, 2024.

Materials & resources M&A EV/EBITDA multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Materials & resources M&A EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • *As of June 30, 2024

Divestitures in the sector account for multiple deals over $1 billion: In June, J.M. Huber agreed to sell CP Kelco to Tate & Lyle, a food and beverage solutions business, for $1.9 billion. Huber will retain a 16% stake in the firm, signifying Huber's long-term desire to remain engaged in the food and beverage market.[19] For Tate & Lyle, the acquisition allows the company to provide customers with the solutions needed to meet growing consumer demand for healthier and more sustainable food and drink. Other notable materials & resources divestitures include JMH Group's sale of chemical construction supplier Fosroc to Saint-Gobain for $1.0 billion. The acquisition will help to strengthen Saint-Gobain's presence in high-growth emerging markets, including India and the Middle East.[20] Furthermore, the deal complements Saint-Gobain's growth platform in construction chemicals.

19: "Huber Propels Future Growth of CP Kelco Through Sale to Tate & Lyle, Remains Key Stakeholder," Huber, June 20, 2024.
20: "Saint-Gobain Announces That It Has Entered Into a Definitive Agreement to Acquire FOSROC," Fosroc, June 28, 2024.

Additional research

Private markets

Q2 2024 US PE Breakdown

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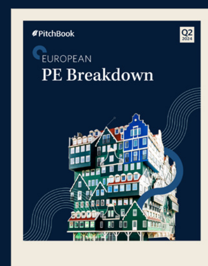

Q2 2024 European PE Breakdown

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Q2 2024 Analyst Note: PE Rediscovers Divestitures as a Value Creation Strategy

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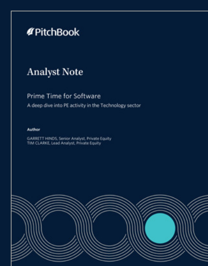

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