PitchBook

Q3 2024

GLOBAL

M&A Report

Sponsored by

Liberty Global Transaction Solutions

RSM

RBC Capital Markets

Contents

Sponsored by

PitchBook Data, Inc.

Nizar Tarhuni Executive Vice President of Research and Market Intelligence

Dylan Cox, CFA Head of Private Markets Research

Institutional Research Group

Analysis

Tim Clarke
Lead Analyst, Private Equity
tim.clarke@pitchbook.com

Garrett Hinds
Senior Analyst, Private Equity
garrett.hinds@pitchbook.com

Jinny Choi
Senior Analyst, Private Equity
jinny.choi@pitchbook.com

Kyle Walters
Associate Analyst, Private Equity
kyle.walters@pitchbook.com

Rebecca Springer, Ph.D.
Lead Analyst, Healthcare
rebecca.springer@pitchbook.com

Nicolas Moura, CFA
Analyst, EMEA Private Capital
nicolas.moura@pitchbook.com

Data

Nick Zambrano
Data Analyst

pbinstitutionalresearch@pitchbook.com

Publishing

Report designed by **Julia Midkiff** and **Jenna O'Malley**

Published on October 23, 2024

Click here for PitchBook's report methodologies.

Not every frog is a Prince

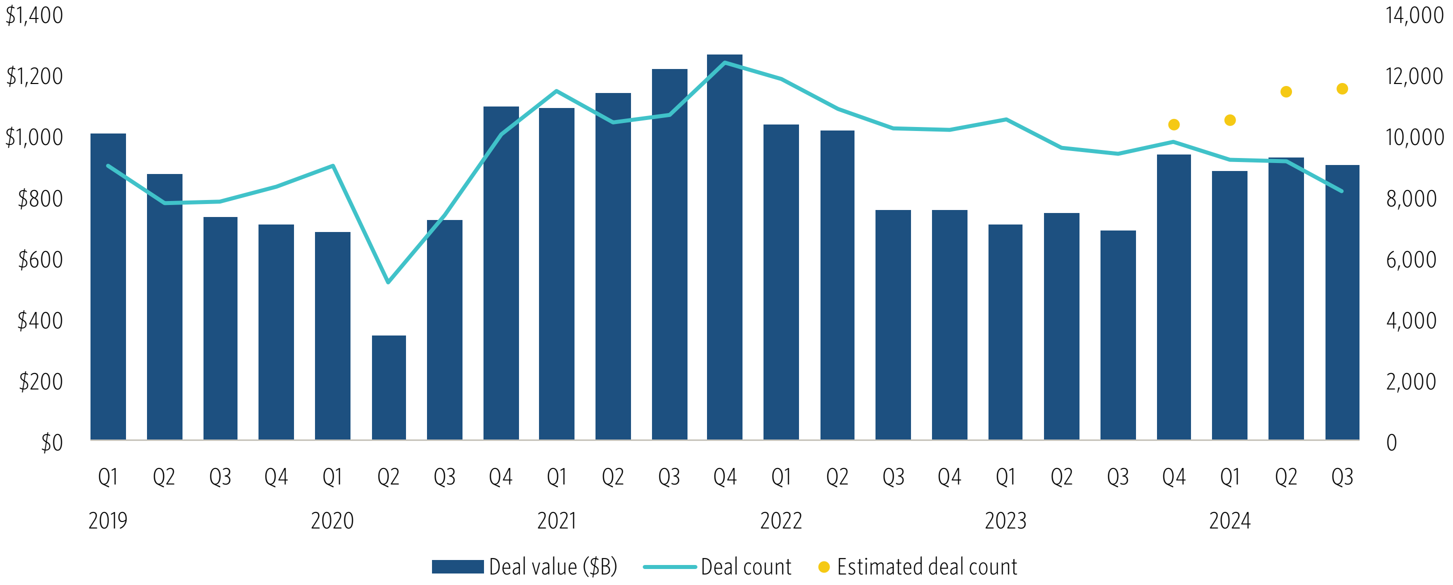
Savvy deal-makers know that stories don't always have happy endings. That's why they need transactional risk insurance from trusted advisers. Kiss wisely.

Your world is our world
www.libertygts.com

Liberty Global Transaction Solutions

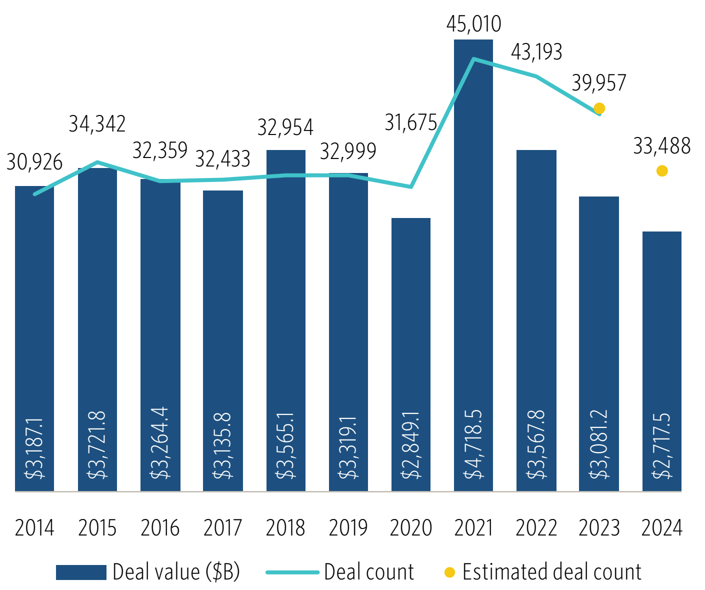
Overview

M&A activity by quarter



Source: PitchBook • Geography: Global • As of September 30, 2024

M&A activity



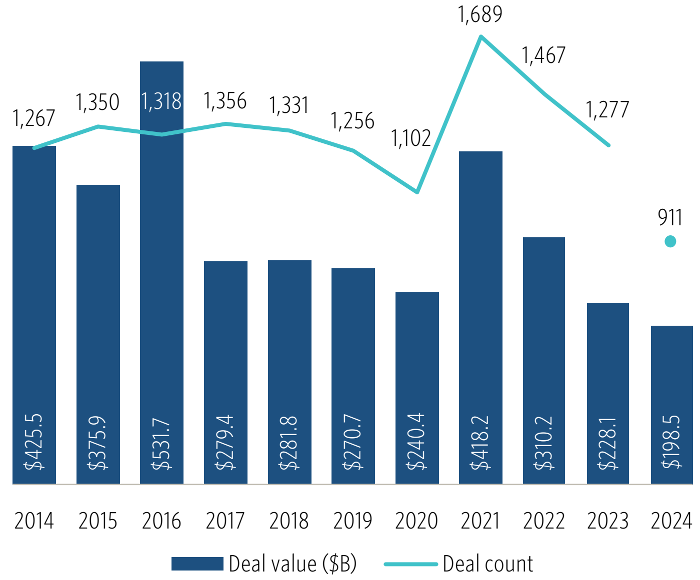
Source: PitchBook • Geography: Global • As of September 30, 2024

Tim Clarke
Lead Analyst, Private Equity

The M&A recovery that commenced in Q4 2023 is now gaining steam. With the first nine months of the year now in the books, global M&A activity has charged ahead by 27.6% in deal value and 13.3% by count YoY. Those gains will likely get trimmed as we begin to lap last year's very strong Q4, which kicked off the resurgence in M&A activity, but they are impressive, nonetheless. While corporate-led M&A came out of the gates early, PE activity lagged due to high borrowing costs. That began to change in Q2, and as of Q3, the PE buyer is now all in. As summarized in our [Q3 2024 Global PE First Look](), YTD buyout volumes have grown by 24.0% in value and 10.4% in count from 2023. The catch-up by PE dealmaking has arrested the decline in PE's share of M&A value, which slipped from 44.7% in 2022 to 39.5% in 2023 before righting to 41.2% YTD, roughly in line with its five-year average.

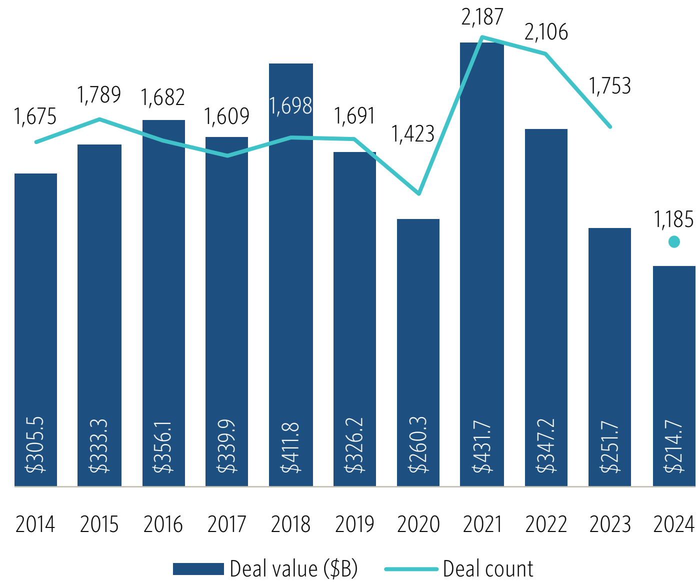
We expected 2024 to be a recovery year given that M&A almost always bounces back from back-to-back declines, as was the case in 2022 and 2023. The prior two downturns of 2007-2008 and 2001-2002 registered peak-to-trough declines of approximately 60% to 70%. This compares to a decline

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



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

European M&A activity with non-European acquirer



Source: PitchBook • Geography: Europe • As of September 30, 2024

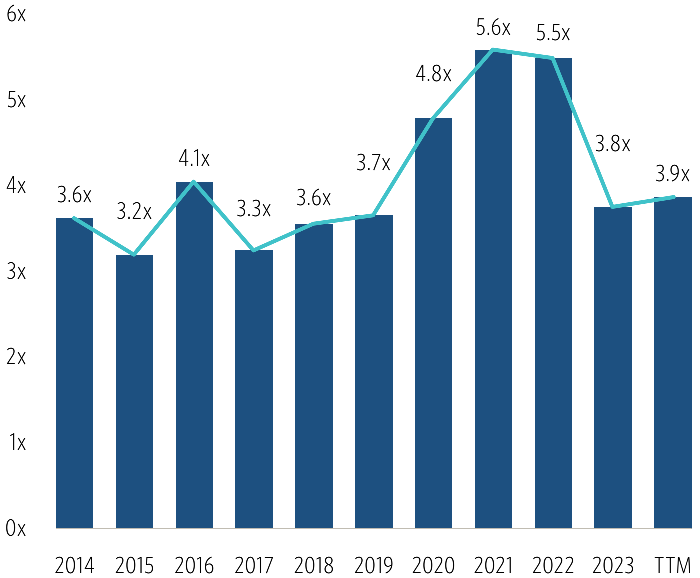
of 34.7% in 2022-2023, setting the stage for a more modest recovery, which appears to be playing out.

The recent rebound in financial sponsor activity has been fueled by the return of big banks to the deal lending market. This led to fierce competition to take back share from nonbanks, lowering borrowing costs on loans backing LBO deals. The all-in borrowing rate on US leveraged loans in the broadly syndicated loan (BSL) market for B-rated issuers declined from a cycle peak of 11.0% in late May 2023 to 9.7% in mid-September 2024, just prior to the Federal Reserve's half-point cut to the base rate. The same played out in the Eurozone, with BSL borrowing costs peaking at 9.1% in June 2023 and reducing to 8.4% one year later, just prior to when the European Central Bank rate cuts commenced. Thus, the M&A market has benefited from a "stealth" rate-cut cycle well before central banks even got started.

With those central banks now in sync, the M&A market can look forward to a second leg of reduced borrowing costs, this time driven by policymakers instead of lenders. The length and magnitude of rate cuts remain to be seen, but they are likely to exceed the 70-100 basis points already administered by lending markets and sustain the momentum in M&A volumes for a second year at least. That assumes, of course, that the major economies can avoid too hard of a landing and that geopolitical conflicts do not escalate out of control. Those risks might explain why M&A deal multiples have firmed only slightly after falling by 20% to 25% from the 2021 peak, unlike public equity multiples, which have run away to the upside. That gap must close eventually, and if resolved in favor of public valuations, M&A dealmaking and valuations for private companies have a long way to run.

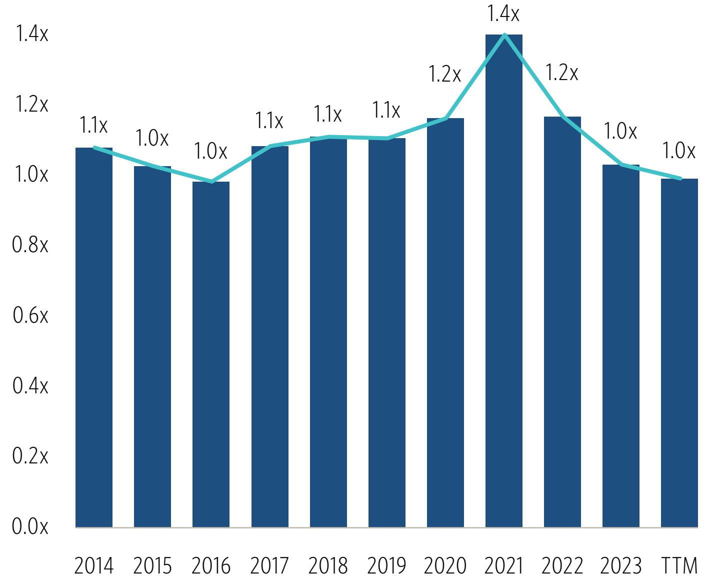
Cross-border flows between North America and Europe continue to favor the latter, although only moderately so. The flow of European M&A deals featuring North American acquirers netted to $37.5 billion though Q3 2024. This is roughly on par with 2023, although well below 2022 when net flows to Europe peaked at $116.1 billion and total cross-border M&A by non-European acquirers accounted for 31.6% of all European M&A value. Most of these cross-border flows to Europe are coming from North America, and they are larger than the reverse flows from European acquirers of North American companies for the eighth straight year. Much of that was powered by the persistent strength of the US dollar versus the euro and pound sterling. Purchase price multiples have also trended lower on European targets during this span, making the region attractive to US investors even without the advantage of a stronger currency. As prospects for the US economy have brightened recently relative to other regions, the outflow of M&A capital from North America has slowed.

M&A megadeal EV/revenue multiples



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

Valuations

In Q3 2024, TTM deal multiples in North America and Europe remained range-bound, extending the somewhat flat trend that has persisted for the last two years. The median enterprise value (EV)/EBITDA multiple for M&A transactions announced or closed in YTD 2024 faded to 9.0x after touching a high of 9.5x on a TTM basis earlier in the year. Meanwhile, EV/revenue multiples were largely unchanged at a median of 1.5x in YTD 2024, identical to those of 2023.

While M&A multiples are still 20% to 25% removed from 2021's all-time peak of 11.3x EBITDA and 2.1x revenue, the extended stable trend indicates that a valuation reset may be complete. Present multiples have come to rest slightly below the 2017-2019 average of 10.0x EBITDA and 1.6x revenue, which goes to reason given that interest rates are much higher though headed lower. European valuations have declined more sharply, falling by approximately 30% from their highs of 2021, and have yet to bottom. By comparison, US multiples fell by approximately 17% before firming by 5% to 10% in YTD 2024 versus full-year 2023.

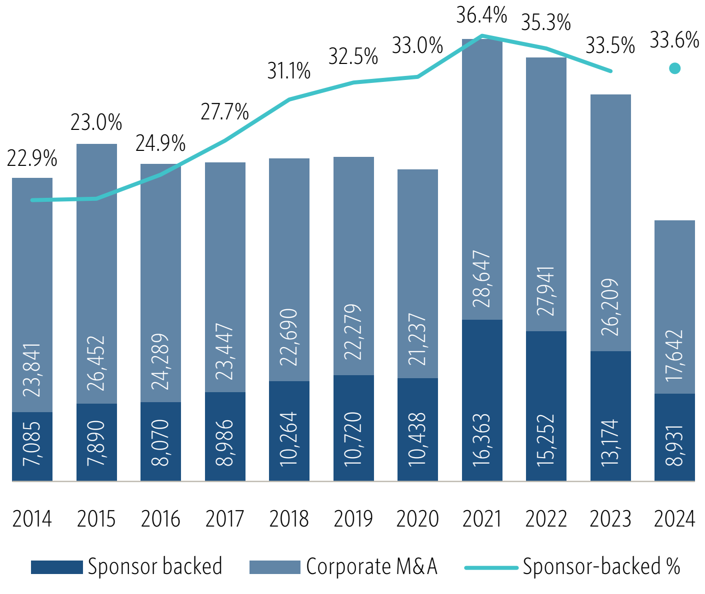
As M&A deal multiples on mostly private companies have moved sideways, trading multiples on public companies continue to surge. EV/EBITDA and EV/revenue multiples on the S&P 500 index, excluding banks and insurance companies where enterprise values are not relevant, have risen by approximately 17% over the last two years. In fact, the median EBITDA multiple on the S&P 500 is now all the way back to its 2021 high of 15.6x; meanwhile, the median revenue multiple stands at 4.1x revenue, 10% below peak. By comparison, M&A deal multiples stand at 9.0x EBITDA and 1.5x revenue, or 20% to 25% below peak.

Comparing trading multiples on the S&P 500 with deal multiples in the broader M&A market is admittedly an apples-to-oranges exercise. The S&P 500 has evolved into a unicorn as indexes go, with iconic multiples at the top echelons especially. However, it is the index with the most highly scrutinized and reliable EBITDA data, and we focus mainly on the gap between it and the M&A market as a rough proxy for judging whether public and private markets are moving apart or converging. It is also a good proxy for viewing valuation trends between large and micro-cap companies. Approximately 86% of all M&A acquirees are private companies and roughly 76% of all fully disclosed 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 may have started in public markets with a broadening of the rally into the small-cap sector, as we discuss in more depth in our recently published Q2 2024 US PE Middle Market Report.

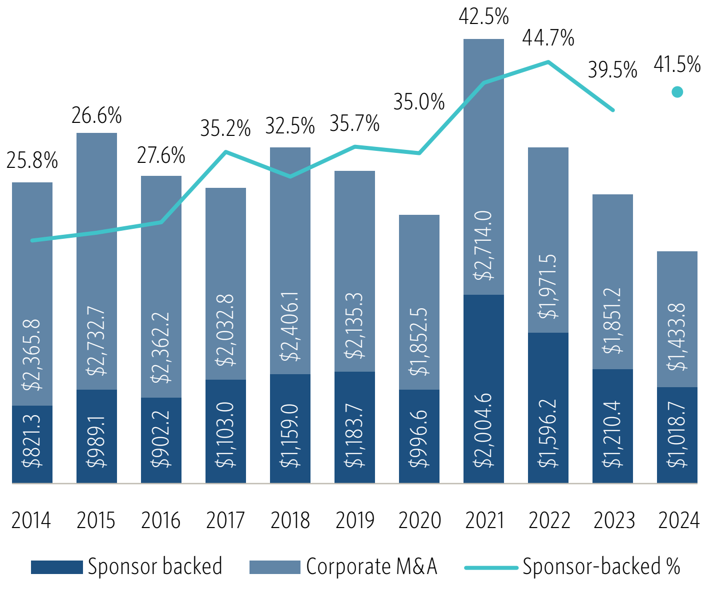
Deal metrics

M&A count by acquirer type



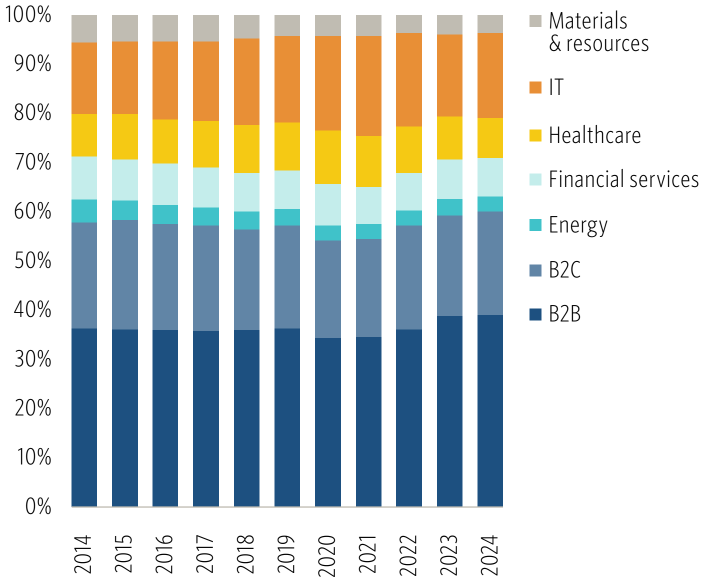
Source: PitchBook • Geography: Global • As of September 30, 2024

M&A value ($B) by acquirer type



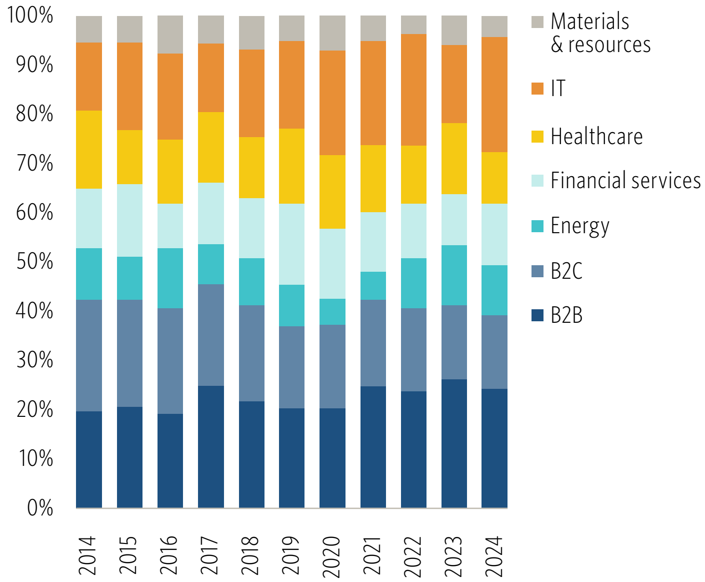
Source: PitchBook • Geography: Global • As of September 30, 2024

Share of M&A count by sector



Source: PitchBook • Geography: Global • As of September 30, 2024

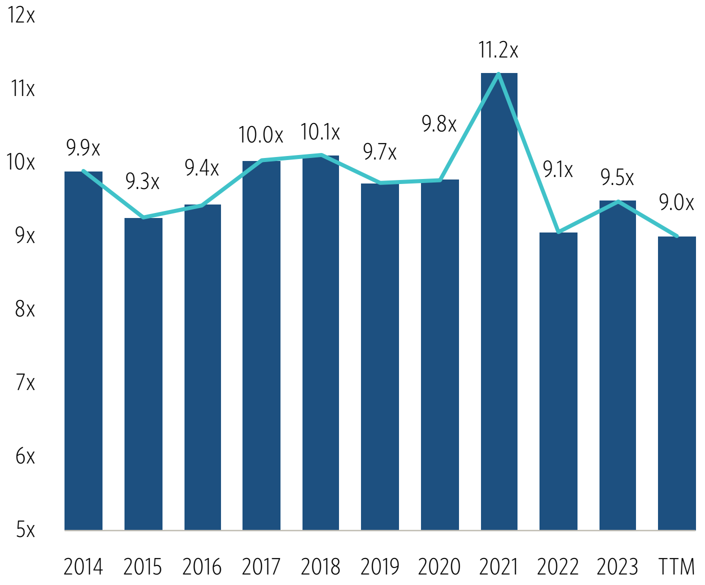
Share of M&A value by sector



Source: PitchBook • Geography: Global • As of September 30, 2024

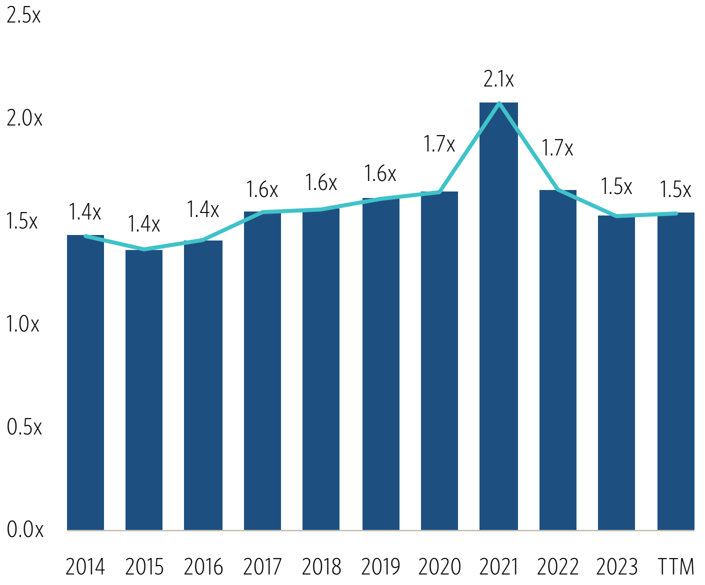
Valuation metrics

Median M&A EV/EBITDA multiples



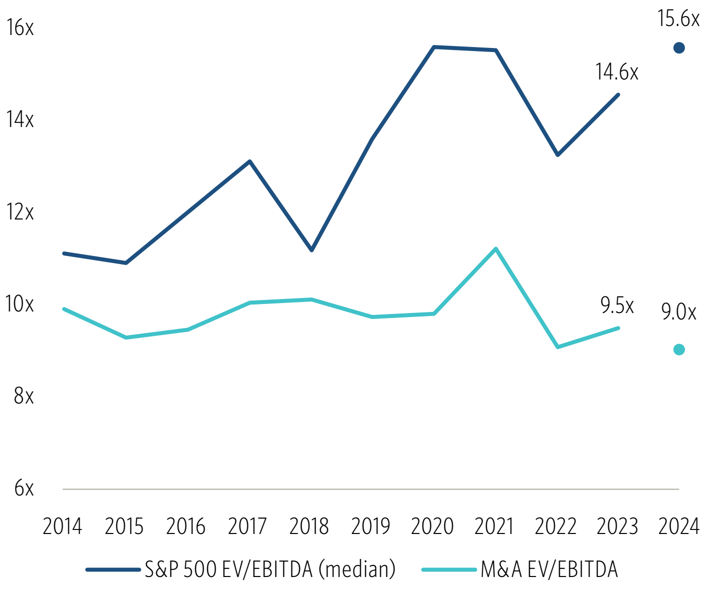
Source: PitchBook • Geography: North America and Europe
As of September 30, 2024

Median M&A EV/revenue multiples



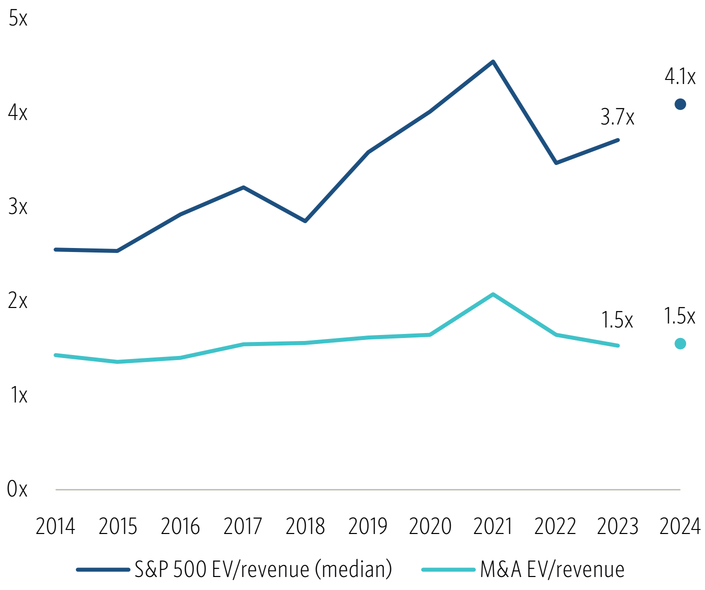
Source: PitchBook • Geography: North America and Europe
As of September 30, 2024

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



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

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



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

A WORD FROM LIBERTY GTS

Challenging economic environment leads to significant third-party claims

Simon Radcliffe
Head of GTS claims
Liberty GTS

Simon Radcliffe, head of claims at Liberty GTS, is an experienced lawyer specializing in investigating and assessing policy claims, particularly high-value M&A insurance claims. Before joining GTS, Simon worked as a senior associate at Norton Rose Fulbright and undertook secondments at two leading Lloyd's syndicates.

The growth of the M&A market globally has been significantly subdued since the heady post-COVID-19 boom that we experienced at the end of 2020 and throughout 2021. However, this market slowdown has not prevented the uptick in M&A insurance claims caused by the post-COVID-19 M&A surge. As businesses explore all avenues to grow in this challenging economic environment, they are often exposed to an increased litigation threat, which has led to a significant number of third-party claims, according to Liberty GTS' upcoming annual claims briefing.

The report is an in-depth assessment of M&A insurance claims based on data drawn from 525 notifications received since 2019 in 14 jurisdictions across the Americas, Asia-Pacific (APAC), and Europe, the Middle East & Africa (EMEA).

The report found that, this year, third-party claims continue to make up a significant proportion of its notifications. The Americas region continues to see a majority—nearly 57%—of its non-tax-related representations & warranties (R&W) notifications involving third-party claims. In contrast, our EMEA and APAC regions have reported lower figures in the past 18 months, at 32.3% and 42.9%, respectively.

Compliance with laws, intellectual property (IP), and wage-and-hour disputes are responsible for many third-party claims

There are three underlying causes of loss that make up the bulk of our third-party claims: compliance with laws, wage-and-hour class action lawsuits, and intellectual property disputes.

Compliance-with-laws claims have accounted for 19% of our notifications involving third-party claims. They are particularly prevalent in the Americas, with government investigations into past business practices being the most predominant type of loss notified. These claims most frequently involve the healthcare industry and investigations into billing regulations. We also often see claims involving data privacy compliance issues and, more recently, allegations around anticompetitive conduct (for instance, price fixing). These types of claims can result in significant fines, especially if not resolved promptly.

Wage-and-hour lawsuits have accounted for 13% of our notifications involving third-party claims. They are frequently venued in California, where the laws and courts are believed to be largely employee friendly. It is typical for plaintiffs' lawyers to work on contingency-fee arrangements, meaning that nuisance-value settlement offers are generally rejected. There is also a legal system abuse risk associated with these claims, raising the possibility for outsized jury awards. We often find that the target's business-as-usual insurance program seldom provides coverage, as it generally excludes wage-and-hour claims (save for the occasional minimal sublimit for defense costs).

IP disputes have accounted for 7% of our notifications involving third-party claims. We find that these claims are usually pursued very aggressively by highly motivated plaintiffs determined to protect their IP rights. They typically entail substantial litigation costs, given the high counsel fees coupled with the fact that these matters are not easily resolved via dispositive motions. Indeed, we have handled several IP claims where the target company is likely to incur more than $5 million in defense costs and achieving a sensible settlement proves to be difficult given the entrenched position of the plaintiff. Another factor fueling the increase in IP claims, particularly in the Americas, is the rise of "patent trolls," who exploit patent litigation for settlements based on (often) frivolous claims. We find patent trolling to be less prevalent in EMEA and APAC, particularly in jurisdictions that have a loser-pays-costs regime.

Defense costs are presenting M&A insurers with significant exposure

Most significantly, the paid and reserved amounts related to third-party claims—and defense costs in particular—have surged over the past few years. They currently account for about 17% of total dollars that we have paid or reserved to date. The majority of this is attributable to the Americas region, where we have paid or reserved more than $35 million in relation to defense costs alone.

It is becoming increasingly more common to receive litigation budgets exceeding $5 million, particularly in IP and complex contractual disputes. In the Americas, we have seen multiple claims involving eight-figure defense spend. Indeed, one of our largest payments to date involved a complex contractual dispute, with nearly $30 million paid out—$20 million of which was for defense costs. Another ongoing litigation, involving a hotly contested IP infringement dispute, is expected to result in more than $10 million in defense costs through trial.

There are a number of factors driving increased defense costs exposure

The litigation style in the Americas, characterized by extensive motion practice and intensive discovery, inherently leads to costly disputes—more so than seen in EMEA and APAC. We also presume that the recent surge in defense costs is also being driven by macroeconomic factors, particularly inflationary pressures, which have prompted law firms to increase their hourly rates.

While the law firms used to defend third-party claims are often preapproved in R&W policies—with their rates deemed reasonable—it is not always the case that the preapproved firm will be the most suitable or cost-effective choice. As a result, as evidenced above, it is becoming more common for defense costs to materially erode or exhaust retentions—a trend that is likely to be exacerbated by the pressure that retentions have recently come under, coupled with the fact that, in the Americas, third-party claims frequently arise after the retention dropdown date when the retention is generally halved one year after closing.

This is likely to prompt questions over whether M&A insurers need more input over key decisions relating to a covered third-party claim as well as the associated defense costs spend than is currently the case in some jurisdictions.

Early notice of third-party claims is crucial

It is critically important that M&A insurers receive prompt notice of a third-party claim and are given the ability to closely associate in its defense. Our experience underscores that, by maintaining active dialogue regarding a claim's status and any key developments, an insurer can expeditiously reach a coverage determination—frequently aligning the interests of both carrier and insured in contesting the third-party claim—and assess the reasonableness of any key strategic decisions or settlement proposals. While rare, we have encountered instances where third-party claims were notified after the dispute had already been settled (on one occasion for an eight-figure sum). We find that delayed notification complicates the claims process, especially if key decisions have already been made.

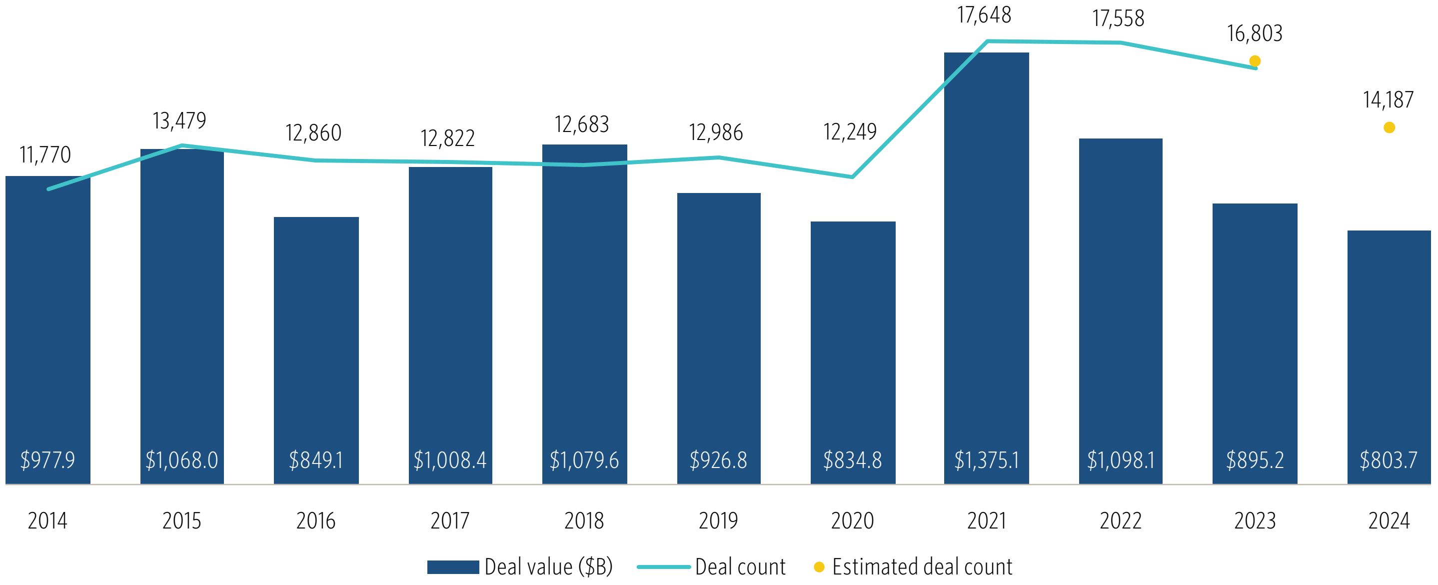
Looking ahead

We anticipate that, as exposure to third-party claims becomes more frequent (and more severe), M&A insurers will apply more scrutiny at the underwriting stage around litigation risk in general and start to take increasingly robust positions in respect of any potential exposures that are identified during due diligence, even if they are classified as low-risk items.

We also expect that, because R&W policies often sit in excess of any other valid, applicable, and collectible insurance coverage, more detailed questions will be asked by M&A insurers about the adequacy of the risk and insurance due diligence that has been performed by the buyer. The focus here will be on checking that the buyer has a comprehensive understanding of the target's existing insurance programs, their scope and limitations, and their level of comfort adequately addressing key risks in order to avoid a situation where the R&W policy becomes the first port of call for, or starts to be treated as top-up cover for, business-as-usual risks.

European M&A

M&A activity



Source: PitchBook • Geography: Europe • As of September 30, 2024

Nicolas Moura, CFA
Analyst, EMEA Private Capital

European M&A continued recovering in Q3 and is on track to finish 2024 with 20% YoY growth in deal value and 11% growth in deal count as M&A deals gained some momentum with central banks across Europe now in full swing to decrease interest rates. Particularly, we have seen a pickup in valuations as bid-ask spreads narrowed, allowing for more deal flow. As interest rates drop, we see a slight uptick in buyouts over corporate M&A, especially of publicly traded European companies. For instance, Keyword Studios was acquired by Swedish PE giant EQT in a $2.7 billion all-cash take-private.

In Q3, the largest M&A deal announced in Europe saw DSV acquire DB Schenker for $16.4 billion. This will create a market leader in global logistics if the German government approves the deal, which is likely given the highly fragmented global logistics market. The combined entity would still only have 6% to 7% of market share.[1] The deal is a corporate divestiture by Deutsche Bahn, which itself is government owned. The deal is quite emblematic, as we are seeing some state-owned assets taken private in transactions that would have been previously unimaginable. Another example is the €22 billion divestment of Telecom Italia's fixed-line network to KKR. It is the first time a major European country's former phone monopoly divested of its landline grid. Indeed, we have seen a higher share of corporate divestitures, which accounted for four of the top 10 deals in Q3. Notably, French insurer AXA is in negotiations to sell its asset management arm, AXA Investment Managers, to BNP Paribas for $5.5 billion.

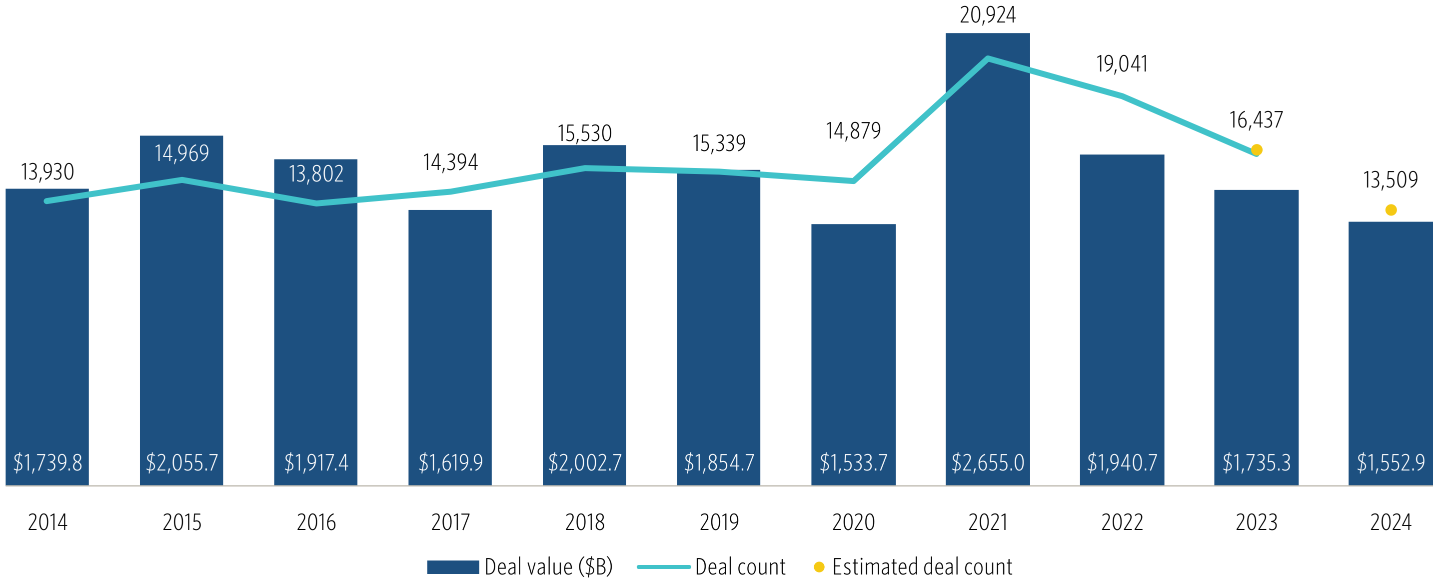
In fact, financial services as a sector has seen strong M&A traction in Europe YTD. We expect over $100 billion in deal value across some 1,000 deals by year-end. With rates expected to be higher for longer despite the rotation toward monetary easing, we have seen more pressure build on asset managers and banks. Adding to the AXA divestment, we also saw UBS divest of its Quantitative Investment Strategies business for $1.5 billion. Also in Q3, European private credit specialist Hayfin Capital Management went through a management buyout, with the firm bought out by US-based PE firm Arctos Partners for $1.3 billion.

We anticipate a strong close to the year for European M&A as market conditions continue to improve. The rally in public markets, coupled with central banks gradually lowering interest rates and keeping inflation in check, is expected to further drive M&A activity. With borrowing costs decreasing, both sponsors and corporations will have the financial leverage needed to stay competitive.

1: "DSV To Create Global Logistics Giant With $15.9 Billion Schenker Takeover," Reuters, Stine Jacobsen, Jacob Gronholt-Pedersen, and Rachel More, September 13, 2024.

North American M&A

M&A activity



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

Garrett Hinds
Senior Analyst, Private Equity

In the first three quarters of 2024, including our estimate of deals yet to be reported, North American M&A has nearly surpassed that of 2023. When annualized, deal value is expected to exceed the prior year by approximately 30%. YTD, 2024 deal value topped $1.5 trillion across 13,509 deals that were announced or closed in the first three quarters of the year. This aligns with comments from Goldman Sachs, which noted its backlog of Q3 2024 investment banking fees grew to exceed levels of Q2 2023 and year-end 2023, driven by an increase in advisory. Overall, we expect Q4 to further the upward trend in deal activity.

The top 10 North American deals in Q3 totaled $111.6 billion, reflecting 6.0% YoY growth. The largest deals this quarter were larger compared with those of Q2, particularly the top deal, which went to a private market buyer and set the high-water mark for the year at $35.9 billion. Sectors prominently represented in the top deals included technology and consumer, each with three transactions, and one deal each in business services, energy, financial services, and healthcare. PE sponsor-backed deals were even more prominent at 60% of deals, up from half of the top 10 deals last quarter and up from only 20% in Q1 2024 and none in Q4 2023.

Notable transactions in Q3 included megadeals in consumer and technology. Kellanova—global manufacturer and marketer of snack and packaged foods including brands from Pringles to Cheez-It, Pop-Tarts, and Eggo—will be taken private by Mars for $35.9 billion.[2] Kellanova shareholders will receive $83.50 per share in cash, a premium of approximately 44% to Kellanova's unaffected 52-week high as of August 2, 2024. Privately held Mars sees the combination accelerating its goal to double its Mars Snacking business in the next decade, enhanced by a complementary portfolio of category-leading and growing brands. In another notable deal, Frontier Communications—the largest pure-play fiber provider in the US—will be acquired by Verizon for $20 billion.[3] Frontier shareholders will receive $38.50 per share in cash, a 43.7% premium to Frontier's 90-day volume-weighted average share price (VWAP) on September 3, 2024, the last day prior to media reports about a potential deal. Verizon expects the transaction will expand its addressable market and accelerate its premium broadband growth.

2: "Mars To Acquire Kellanova," Mars, August 14, 2024.
3: "Verizon To Acquire Frontier," Verizon, September 5, 2024.

A WORD FROM RSM

The evolution of data analytics in M&A due diligence

From traditional methods to AI-driven insights

Due diligence is the foundation of successful M&A. With the evolution of technology and the abundance of available data, traditional methods of due diligence have given way to advanced analytics, enabling more thorough evaluations of business opportunities. Today, companies leverage cutting-edge tools and extensive data sources to gain a comprehensive understanding of assets, liabilities, and future business potential. These developments enable deeper insights and more strategic decision-making, fundamentally transforming how companies approach M&A.

Data sources: Fueling informed decision-making

Data is the bedrock of modern analytics, and today's M&A deals benefit from a wide range of internal and external (also called alternative) data sources:

- **Internal data:** Financial statements, operational reports, and customer transaction databases have always played a role in due diligence. Modern analytics now allow for deeper exploration of these datasets, moving from aggregate views to granular analysis by customer, geography, and product or stock-keeping unit (SKU).

- **External/alternative data:** Publicly available data, including consumer behavior trends and industry benchmarks, provides valuable context. By integrating external data, companies can assess how the target company is performing relative to peers and industry trends.

- **Unstructured data:** Traditionally challenging to analyze, unstructured data, such as consumer or client reviews and any online footprint can now be processed using modern tools. These insights help companies measure client sentiment, brand perception, and operational risks in real time.

Abay Zhunussov
Partner, Deal Analytics Leader, RSM US LLP

Abay Zhunussov is the deal analytics leader at RSM US LLP, overseeing teams in the US, Canada, and India. He leads the firm's deal analytics practice, delivering innovative, industry-specific analysis for M&A transactions. Zhunussov also supports RSM's data and digital services practice in identifying opportunities, providing clients with data-driven insights for their transaction needs.

Tools: Empowering the analytics engine

While data provides the fuel, advanced tools are the engines driving modern M&A analysis. The due diligence process is now supported by a suite of technologies that streamline data processing, visualize insights, and apply predictive models:

Data transformation tools: Solutions like Alteryx, SQL, and Azure Synapse Analytics allow analysts to extract, clean, and structure data, automating much of the manual work traditionally done in spreadsheets. This enables faster, more accurate assessments.

Visualization platforms: Tools such as Tableau and Power BI transform complex datasets into visual stories, helping deal teams see trends, compare performance, and identify outliers or risks quickly.

Predictive and machine learning tools: Programming languages like Python and R enable companies to build predictive models based on historical data. These tools leverage AI to project future growth, client retention rates, and operational inefficiencies before they become problematic.

Bringing it all together: The power of integrated data and tools

When combined, modern data sources and powerful tools create a symbiotic relationship that amplifies the value of each. Here's how they come together in practice:

- **Comprehensive insights:** By integrating internal and external data, businesses can analyze not only how a target has performed historically but also how it compares to competitors and market trends. Benchmarking client retention, for example, provides valuable context that was previously unavailable.

- **Data-driven forecasting:** Predictive analytics models incorporate structured and unstructured data to project future revenue growth and identify opportunities. AI-enabled forecasts offer deeper insights into customer sentiment and competitive activity.

- **Value creation:** Data analytics doesn't just mitigate risks—it uncovers hidden opportunities. By drilling down into granular data, companies can identify growth potential in underperforming customer segments or geographies.

Application across the M&A lifecycle

The synergy of data and tools enhances value creation throughout the entire M&A lifecycle:

1. Before the letter of intent: Data analytics uncovers early insights into a target's financial health and operational efficiencies, identifying risks or growth opportunities before a formal offer is made.

2. After close integration: After the deal closes, analytics tools monitor performance, track synergies, and ensure business targets are being met. Data integration is crucial in this phase as businesses harmonize legacy systems and gain real-time visibility.

3. Ongoing analysis: Unlike traditional due diligence, modern approaches create a continuous feedback loop, enabling companies to make ongoing adjustments and drive long-term value creation.

The future of M&A due diligence

As technology continues to advance, data analytics will play an increasingly vital role in M&A and value creation. AI-enabled tools will synthesize data from diverse sources, including consumer behavior, offering deeper insights into market conditions, competition, and consumer preferences. Predictive models will continue to be refined, providing greater accuracy and helping companies identify not just risks but growth opportunities.

The companies that master the combination of cutting-edge tools and diverse data sources will gain a distinct advantage, making quicker, more informed decisions and positioning themselves for long-term success.

Antitrust M&A update

Pending deals

Update (2024)	Agency	Action	Deal target	Deal acquirer	Deal value ($M)	Deal announcement date	Elapsed time (years)
September 30	FTC	The US antitrust trial ended at the end of September and will receive a decision from a federal judge within the next few months.	Capri Holdings	Tapestry	$8,500.0	August 10, 2023	1.1
September 27	FTC and nine state AGs	Both sides submitted final written arguments in the Oregon district court. Two other court cases are underway in Washington state and Colorado.	Albertsons Companies	Kroger	$25,000.0	October 13, 2022	2.0
September 24	FTC	Tempur Sealy has announced plans to sell more than 100 stores to facilitate regulatory approval.	Mattress Firm	Tempur Sealy International	$4,000.0	May 9, 2023	1.4
September 15	DOJ	The review period was extended by an additional 90 days as Nippon is expected to refile its application for a national security review by US regulators.	United States Steel	Nippon Steel	$14,900.0	December 18, 2023	0.7
September 13	CMA	The CMA provisionally concluded that the merger would lead to reduced services and price increases and, while not blocking, will seek legally binding remedies from Vodafone.	Three UK	Vodafone Group	$3,660.0	June 14, 2023	1.3
September 10	CMA	The CMA has been investigating potential concerns that the deal could reduce competition across the UK market.	Britvic	Carlsberg	$4,180.0	July 8, 2024	0.2
August 1	EC	The EC approved the merger, conditioned on Bunge selling Viterra's oilseed business and other assets in Hungary and Poland. Regulatory approval is still needed in North America, South America, and China.	Viterra	Bunge	$18,000.0	June 13, 2023	1.1
July 31	EC and FTC	The EC has approved the deal unconditionally, as it has determined that the acquisition poses no competition concerns. The merger still being reviewed by the US FTC.	Juniper Networks	Hewlett Packard Enterprise	$14,000.0	January 9, 2024	0.6
July 15	FTC	The FTC sent both companies a request seeking additional information on the deal.	HashiCorp	IBM	$6,400.0	April 24, 2024	0.4

Source: PitchBook • Geography: US and Europe • As of September 30, 2024

Canceled deals

Update (2024)	Agency	Action	Deal target	Deal acquirer	Deal value ($M)	Deal announcement date	Elapsed time (years)
August 1	EC	In the beginning of August, IAG announced it was terminating the proposed takeover.	Air Europa	International Consolidated Airlines Group (IAG)	$538.7	February 23, 2023	1.2
April 22	DOJ	The deal was terminated after the DOJ moved to block and TopBuild elected not to challenge.	Specialty Products & 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	$800.0	December 1, 2022	1.1

Source: PitchBook • Geography: US and Europe • As of September 30, 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, Inc.	Illumina	$8,000.0	September 20, 2020	3.8
May 31	EC and 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.	Bolloré Logistics	CMA CGM	$5,312.7	May 8, 2023	0.8

Source: PitchBook • Geography: US and Europe • As of September 30, 2024

Antitrust spotlight: California sets precedent for PE investment in healthcare

Rebecca Springer, Ph.D.
Lead Analyst, Healthcare

In the US, significant regulatory, political, and media scrutiny has been directed toward PE investment in healthcare providers over the course of 2024. A few high-profile bankruptcies, most notably Steward Health Care, have helped to draw the public eye, even though PE-backed companies represent less than 4% of the US healthcare provider ecosystem by revenue, according to our estimate. In September 2023, the Federal Trade Commission (FTC) sued US Anesthesia Partners and its sponsor, Welsh, Carson, Anderson & Stowe, for anticompetitive practices, and in March 2024, the FTC, the Department of Justice, and the Department of Health and Human Services promulgated a tri-agency request for information on alleged "corporate greed in healthcare." Despite these high-profile federal actions, the most concrete regulatory actions have been at the state level. In 2023, California created a new bureaucratic office, the Office of Health Care Affordability (OHCA), which it empowered to review any merger or acquisition involving healthcare providers. Ten states so far have followed suit with similar laws. These laws increase disclosure requirements for PE sponsors but so far have not resulted in any significant deal cancellations.

An additional California law, AB 3129, passed the state legislature in September but was vetoed by Governor Gavin Newsom in October. AB 3129 would have provided for the state attorney general to approve or deny almost any healthcare provider transaction involving PE over a certain revenue threshold. It would also have restricted management services organizations. In anticipation of the bill being signed, sponsors with active processes had begun to move more quickly to get finalized letters of intent before January 1, when the law would have taken effect. Meanwhile, other firms were eschewing healthcare provider deals with a California footprint altogether. Newsom's veto rationale cited redundancy with the existing OHCA review law and with existing state regulations regarding the corporate practice of medicine. Many states tend to follow California's lead in this arena; Newsom's veto, which was broadly unexpected in the industry, makes it unlikely that other states will pass more restrictive laws and is a bull sign for PE investment in healthcare, although additional pretransaction review bills are likely to be signed in the next 1-2 years. We expect direct antitrust scrutiny of PE investment in healthcare providers in California and other states to diminish in 2025 as a result.

Sector metrics

Tim Clarke
Lead 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 two small reversals in deal momentum scores at the sector level between Q2 and Q3 of 2024: First, materials & resources changed from marginally positive to slightly negative in its deal momentum, driven by a sharp deceleration in containers & packaging deal flow. Second, in contrast, energy improved from a negative to a positive score, helped by strength in energy transition & utilities.

Technology overtook financials as the sector with the strongest deal momentum in Q3. It entered the quarter with a slightly positive score of 0.14 and surged to 0.71 by the end of the quarter, led by strength in software deals, where deal value jumped by 10% and 20% on a three-month and 12-month rolling basis, respectively. Meanwhile, financials remained positive but momentum in dealmaking moderated from a strong H1 2024.

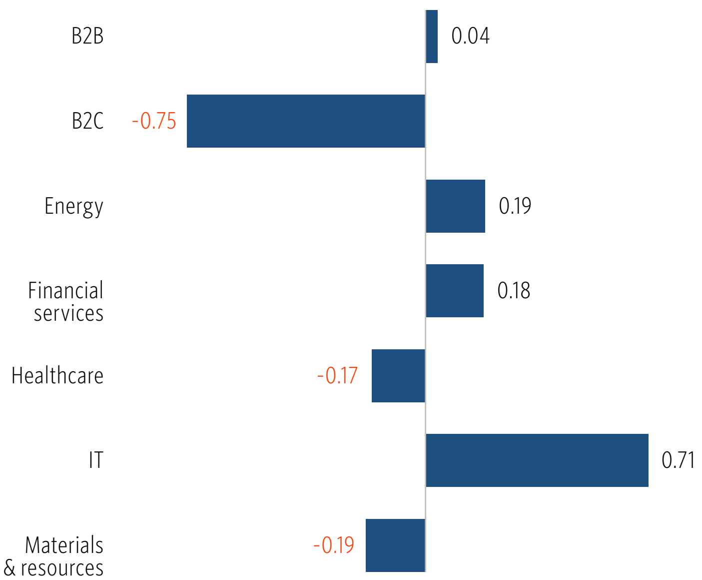
Deal momentum was most negative in the B2C sector, deteriorating further from a score of -0.32 in Q2 to -0.75 in Q3, dragged down by the services component in particular. The healthcare sector was previously the weakest, but negative momentum in the sector subsided somewhat with its score improving from -0.51 in Q2 to -0.19 in Q3, helped by better deal activity in healthcare technology systems.

However, healthcare as a sector continues to experience stunted deal activity, with three negative readings in a row, and the significant drop in the number of M&A deals over the span of 24 months has been a major drag on the sector's momentum score. The good news is that the sector's multiples have expanded further, from a neutral score in Q2 to a slightly positive score of 0.16 in Q3. The median EV/revenue multiple has expanded from 2.5x in 2023 to 2.7x in the TTM.

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, IT, and B2C also improved their valuation momentum scores, with B2C flipping to a positive momentum score in Q2.

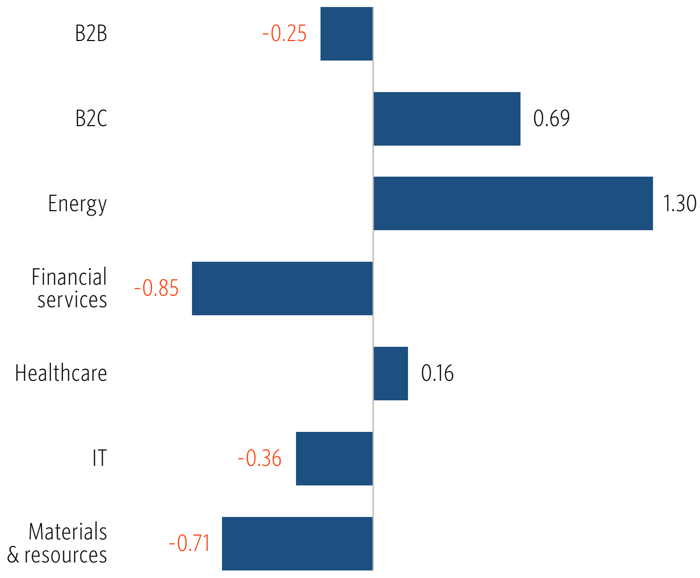
Deal and valuation momentum scores can be analyzed together to discern trends in market sentiment. In technology, valuations cheapened somewhat on an EV/revenue basis, with the median multiple contracting from 2.5x to 2.3x at the same time its deal momentum accelerated. Similarly, for financial services, deal valuations have also come down as deal momentum has been consistently strong. On the flip side, the B2C sector has registered the second-strongest valuation momentum score, and those price markups may have served as a brake on deal flow, as evidenced by the sector having the weakest deal momentum of the seven.

Deal momentum score



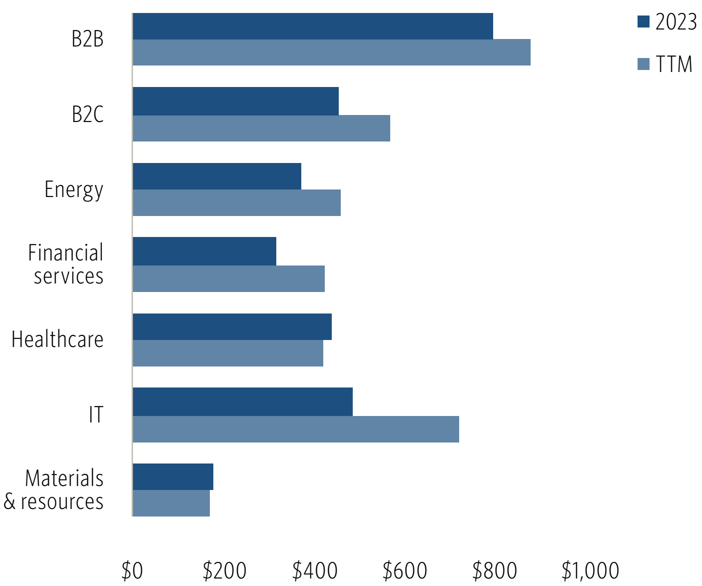
Source: PitchBook • Geography: North America and Europe
As of September 30, 2024

Valuation momentum score



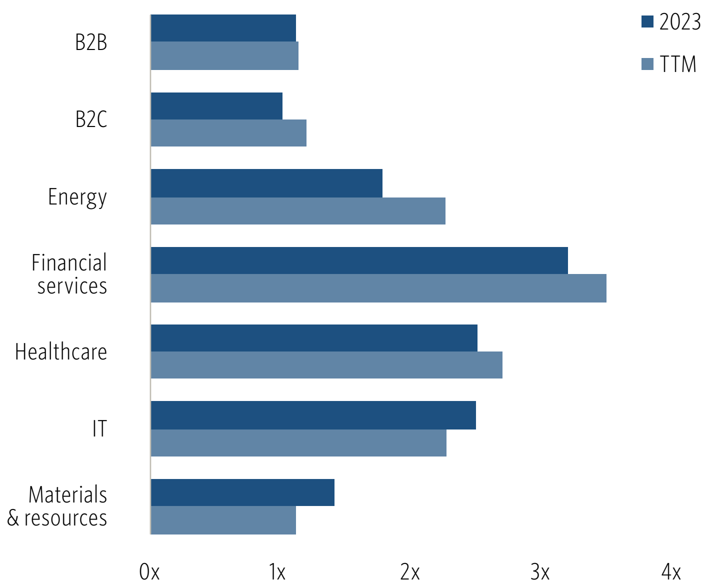
Source: PitchBook • Geography: North America and Europe
As of September 30, 2024

Sector rank by total deal value ($B)



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

Sector rank by deal multiples (EV/revenue)



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

A WORD FROM RBC CAPITAL MARKETS

Bond markets accelerate, but is volatility ahead?

Redemptions from the low-rate era of the COVID-19 pandemic are about to surge. Will corporates find a favorable market for refinancing?

Allison MacKinnon
Head of UK & European Corporate Debt Capital Markets
allison.mackinnon@rbccm.com

Robert McCormack
Global Head of Debt Capital Markets
robert.mccormack@rbccm.com

Vito Sperduto
Head of RBC Capital Markets US
vito.sperduto@rbccm.com

What's the rationale for the recent repositioning of the debt capital markets function in RBC Capital Markets?

Vito Sperduto: The new global structure has merged our regional investment banking units into a global model. As part of that, we also moved the debt capital markets franchise from Global Markets into our Global Investment Banking business, creating better alignment for our clients.

Robert McCormack: It's a natural evolution in our business. It sets us up to have a more seamless discussion with clients right across the capital structure. Should we bring a great M&A idea to our clients, we can instantly talk about how we propose they could fund that with any product, from senior secured debt all the way through to equity.

How are issuers and investors placed in today's market?

McCormack: It's certainly been an incredible year, with a significant increase in issuance across all the markets we cover, as clients seek to accelerate their issuance and get in ahead of some volatility toward the end of the year.

Sperduto: There's a fair amount of refinancing occurring as we start the redemptions from the wave of pandemic financings in that low-rate environment we had in 2020 and 2021.

Allison MacKinnon: In Europe, our clients are large multinational borrowers who are funding significant debt programs on an ongoing basis. They're looking to optimize capital structure. Having accelerated funding plans into the first half of 2024, they've taken risk off the table ahead of the US election, and they've been nimble around the snap elections in the UK and France this summer.

What are the trends around cross-border issuance?

McCormack: We've seen a 50% increase in issuance from offshore financials into the US. In preferred capital and the hybrid capital market, volumes are up about 200%—we haven't seen this level of issuance in that space since 2021—and that's really getting noticed by financials in other regions.

MacKinnon: Our clients are looking to the US for depth and liquidity. We've brought Nestle, Vodafone, Mercedes, and Volkswagen to the US markets this year. Our power and utilities clients are also looking to the US to expand and diversify as they finance increased expenditure. We brought RWE to the US market for their inaugural issuance. We worked with EDF in both US and Canadian dollars, building out their stakeholder base of long-term sustainable investors.

> "In preferred capital and the hybrid capital market, volumes are up about 200% [...] that's really getting noticed by financials in other regions."
>
> **ROBERT MCCORMACK, GLOBAL HEAD OF DEBT CAPITAL MARKETS**

What's the current picture on ESG-related financing?

Sperduto: ESG-related issuance in the debt capital markets has been gaining traction in recent years, and in 2024 we have certainly seen that trend continue.

MacKinnon: We're really excited to support our clients and communities as we accelerate the transition to a greener economy. Our corporate clients continue to feature green bonds within their issuance programs. Overall, ESG bond issuance totals more than $800 billion year to date, up 7% from last year, and green bonds are a key feature of that.

Sperduto: We might be seeing less usage of the term ESG, but certainly the underlying financings have still been occurring. It's an incremental alternative for our clients, and we want to support them with all the opportunities they can consider.

MacKinnon: The sustainability profile of a company is very important to investors here in Europe. While labeled debt is still in demand, we see investors increasingly take a holistic perspective, using a company's ESG rating as a proxy for their sustainability profile.

"We might be seeing less usage of the term ESG, but the underlying financings have still been occurring."

VITO SPERDUTO, HEAD OF RBC CAPITAL MARKETS US

What are the key issues for the period ahead, and how can issuers and investors respond?

MacKinnon: We've got our eye on three key things. Credit spreads continue to be attractive. It's a nice opportunity for corporates to access historically low levels. Redemptions are stepping up by 35% over the next few years and that could put pressure on credit spreads.

We're watching interest rate curves as well—we're moving into an easing cycle and see more attractive term rates, but uncertainty remains and volatility continues.

Finally, we're watching inflows. We've had consistent net inflows into fixed income, and that's supporting credit spreads.

I'm mindful of potential asset allocation shifts. If we don't have the same levels of inflows next year, could we see wider spreads, longer periods of volatility, and more challenging markets?

"Corporate redemptions are stepping up by 35% over the next few years. Can we take advantage of this constructive market?"

ALLISON MACKINNON, HEAD OF UK & EUROPEAN CORPORATE DEBT CAPITAL MARKETS

Industry metrics

M&A heatmap

		Deal value momentum		Deal count momentum		
		Three months	12 months	Three months	12 months	Score
Materials	Agriculture	53.2%	-19.3%	54.3%	43.3%	1.03
Materials	Chemicals & gases	87.0%	40.1%	-18.6%	-20.9%	0.60
Materials	Construction (nonwood)	N/A	69.1%	13.0%	-38.2%	N/A
Materials	Containers & packaging	-75.0%	-18.9%	-27.8%	63.7%	-0.38
Materials	Forestry	21.9%	-24.3%	-28.6%	33.2%	-0.02
Materials	Metals, minerals & mining	-11.2%	55.0%	-17.3%	-26.4%	0.11
Materials	Other materials	53.7%	47.4%	-20.0%	37.1%	0.74
Materials	Textiles	-37.1%	-26.7%	0.0%	49.2%	-0.02
Technology	Communications & networking	-47.5%	69.7%	-23.1%	-66.0%	-0.26
Technology	Computer hardware	N/A	6.4%	1.5%	-29.0%	N/A
Technology	IT services	8.1%	16.3%	-10.8%	-35.3%	-0.01
Technology	Other IT	N/A	-75.0%	N/A	N/A	N/A
Technology	Semiconductors	N/A	-44.9%	27.3%	140.5%	N/A
Technology	Software	10.9%	20.8%	-4.2%	-13.1%	0.21
Healthcare	Healthcare devices & supplies	-17.3%	-4.8%	-1.9%	-5.4%	-0.06
Healthcare	Healthcare services	15.7%	-0.6%	-15.5%	9.9%	0.11
Healthcare	Healthcare technology systems	37.7%	30.3%	1.6%	-43.0%	0.33
Healthcare	Other healthcare	-94.1%	N/A	-90.9%	-70.4%	N/A
Financial services	Biotech & pharma	-30.1%	15.4%	-4.5%	31.8%	0.16
Financial services	Capital markets/institutions	-3.6%	5.2%	12.4%	-16.6%	0.16
Financial services	Commercial banks	-81.5%	N/A	-10.8%	-61.1%	N/A

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

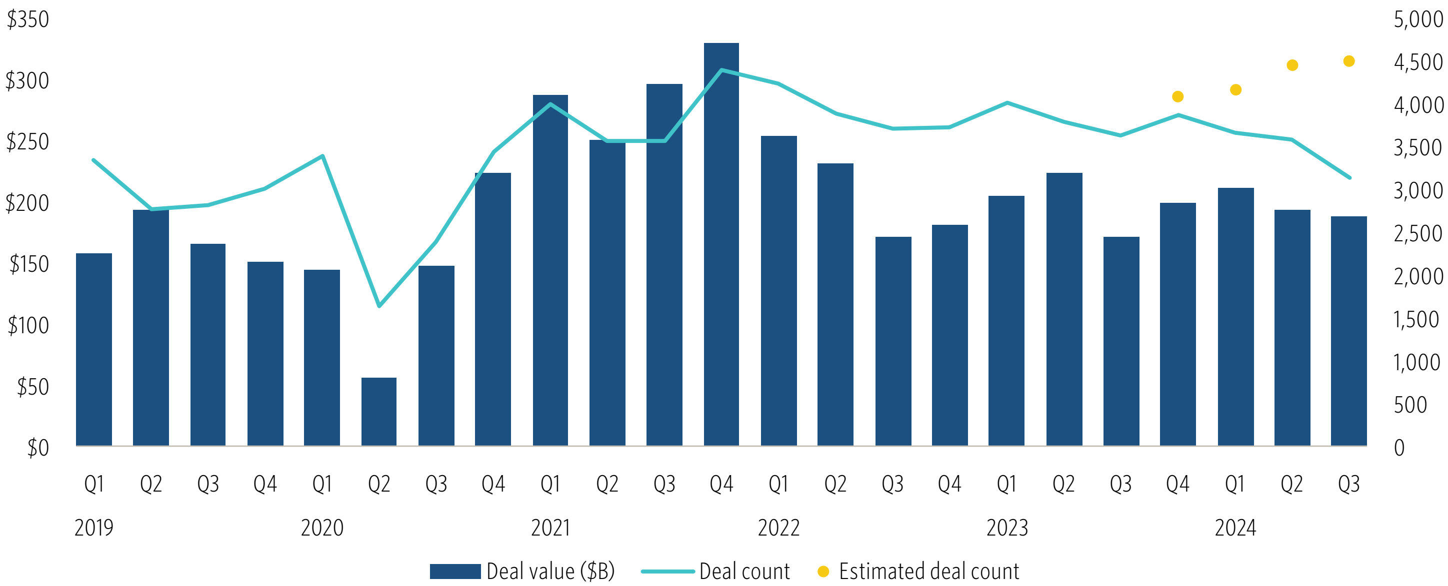
M&A heatmap, continued

	Deal value momentum		Deal count momentum			
	Three months	12 months	Three months	12 months	Score	
Insurance	1.9%	6.2%	-1.1%	-18.9%	0.06	Financial services (cont.)
Other financial services	3.1%	2.6%	-5.9%	-2.9%	0.08	Financial services (cont.)
Energy equipment	-57.9%	44.0%	16.1%	-40.4%	0.01	Energy
Energy services	-2.0%	31.4%	-32.1%	0.3%	0.01	Energy
Exploration, production & refining	-68.0%	56.4%	-6.8%	-63.3%	-0.30	Energy
Other energy	18.7%	-15.9%	22.2%	31.0%	0.49	Energy
Utilities	1.6%	76.1%	9.7%	-47.9%	0.47	Energy
Apparel & accessories	19.6%	-42.2%	2.5%	103.2%	0.51	B2C
Consumer durables	-0.6%	-12.6%	-0.9%	34.1%	0.20	B2C
Consumer nondurables	6.1%	5.3%	-15.3%	-20.4%	-0.06	B2C
Media	-1.1%	1.9%	-20.0%	-38.2%	-0.26	B2C
Other B2C	-89.6%	125.5%	-75.0%	-42.3%	-0.51	B2C
Restaurants, hotels & leisure	2.9%	5.7%	-11.6%	-16.0%	-0.02	B2C
Retail	-9.8%	-12.0%	-13.5%	66.0%	0.19	B2C
Services (nonfinancial)	-34.8%	4.3%	-23.2%	-72.9%	-0.65	B2C
Transportation	-37.3%	-4.0%	-22.5%	17.4%	-0.25	B2C
Commercial products	21.6%	12.5%	-8.9%	11.4%	0.30	B2B
Commercial services	-15.2%	-0.2%	-12.9%	-9.8%	-0.15	B2B
Commercial transportation	46.6%	4.7%	-7.9%	-2.2%	0.33	B2B
Other B2B	-78.5%	N/A	-80.0%	-79.9%	N/A	B2B

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

B2B

B2B M&A activity by quarter

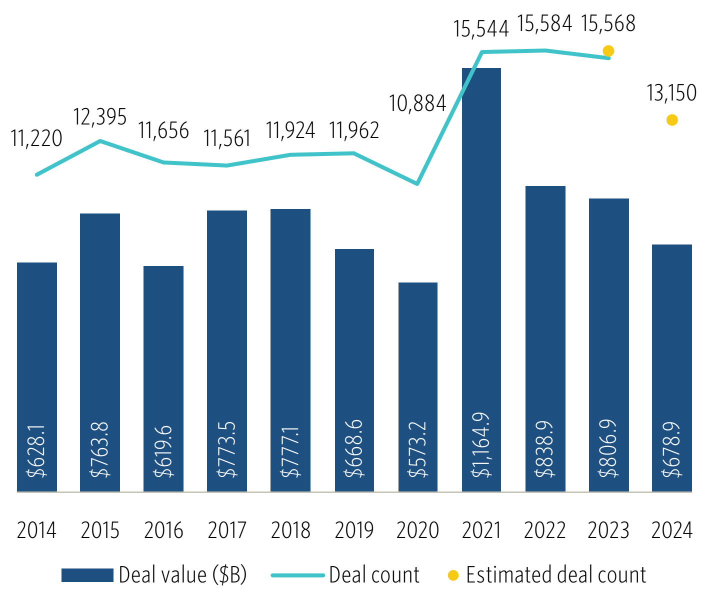


Source: PitchBook • Geography: Global • As of September 30, 2024

Jinny Choi
Senior Analyst, Private Equity

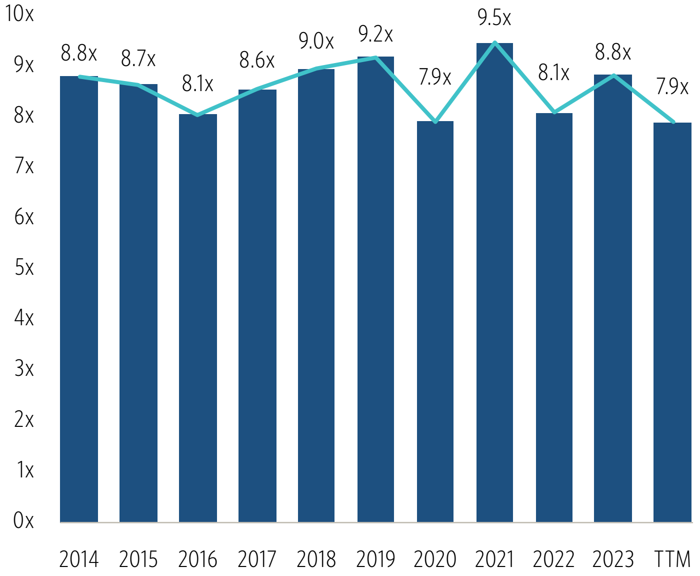
B2B M&A activity pushes upward thanks to large deals: The sector's M&A value improved 3.8% QoQ from $221.6 billion in Q2 to $229.9 billion in Q3, and this was achieved across a similar number of deals. Deal count ticked up less than 1% from an estimated 4,466 deals in Q2 to 4,507 in Q3, while megadeals ticked up from 17 to 24 during the same period, demonstrating a greater presence of megadeals during the quarter. Megadeals totaled $64.4 billion of B2B M&A value for the quarter and were led by the $16.4 billion acquisition of the logistics firm DB Schenker by DSV. When removing this outlier deal, the QoQ jump in megadeal activity is smoothed out. Still, it is evident that larger transactions buoyed M&A activity in Q3, as the average size of the remaining non-megadeals is higher in Q3 than in the previous quarter. Overall, B2B M&A activity is pacing to surpass levels seen in 2023 and 2022, marking a strong recovery since the recent downturn. In fact, the annualized M&A deal count for the sector is expected to achieve an all-time record. Deal value is pacing to fall roughly 20% below the deal value recorded in 2021, which is an improvement from the previous peak-to-trough decline of 30.7% seen in 2023.

B2B M&A activity



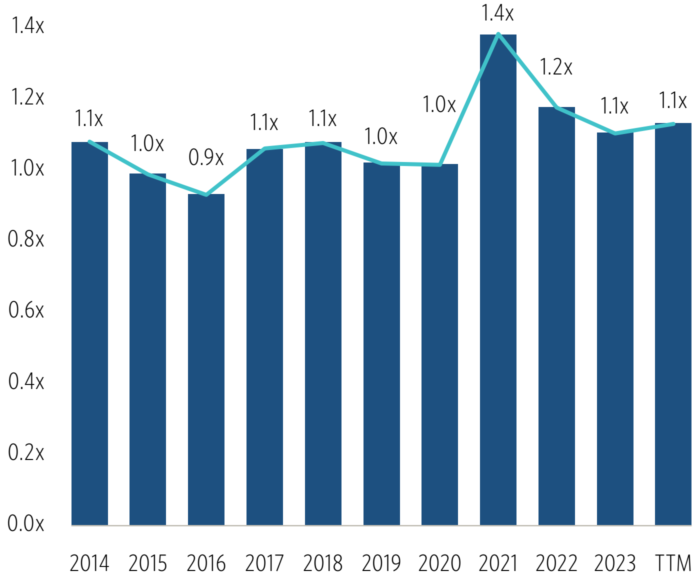
Source: PitchBook • Geography: Global • As of September 30, 2024

B2B M&A EV/EBITDA multiples



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

B2B M&A EV/revenue multiples

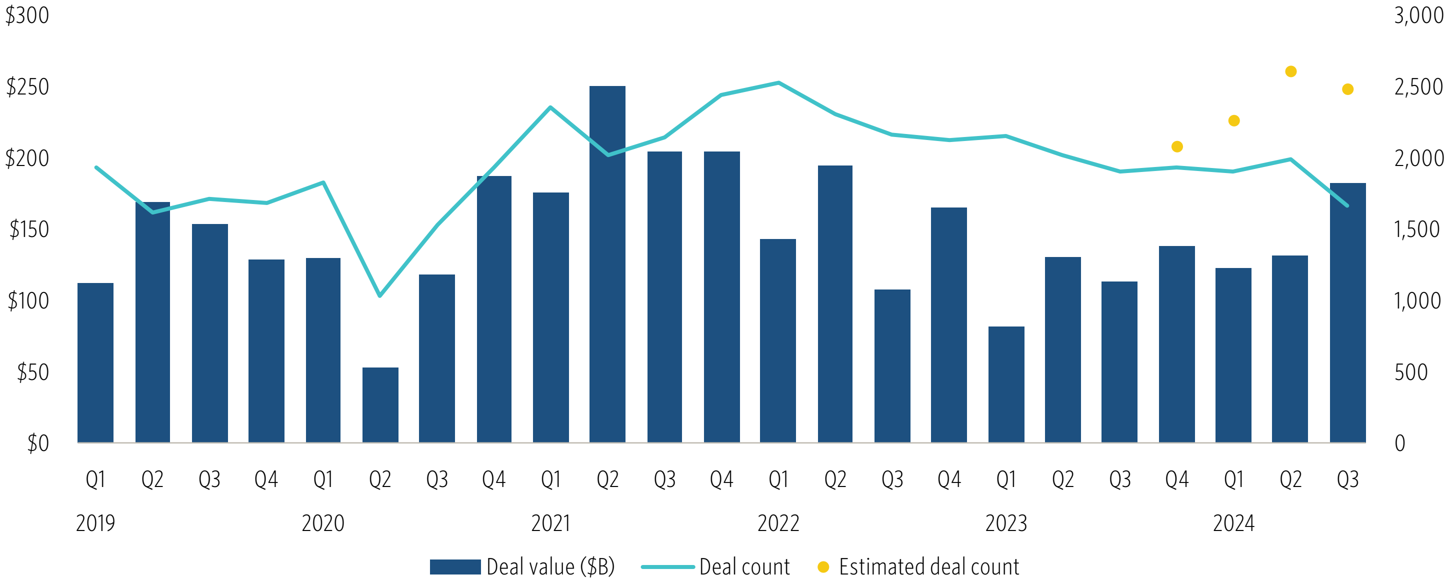


Source: PitchBook • Geography: North America and Europe
As of September 30, 2024

European deals see more widespread recovery across deal sizes: Opposite of broader trends, B2B deal activity in Europe is experiencing an uptick in the number of deals closed, but those deals are closing at smaller sizes. There was an average of 1,922 B2B deals in Europe per quarter over the TTM, which has climbed above the prepandemic average of 1,251 quarterly deals. The number of deals has seen strong growth while the TTM average quarterly deal value of $61.8 billion is above prepandemic levels by less than 100 basis points. North American deals, on the other hand, surpassed their prepandemic averages for both deal value and deal count when looking at the same comparisons. European deals only made up two of the top 10 B2B deals in Q3, meanwhile North American deals accounted for seven of the top 10, demonstrating that B2B M&A activity is experiencing wider growth in the European market instead of a concentrated recovery among larger transactions.

B2C

B2C M&A activity by quarter

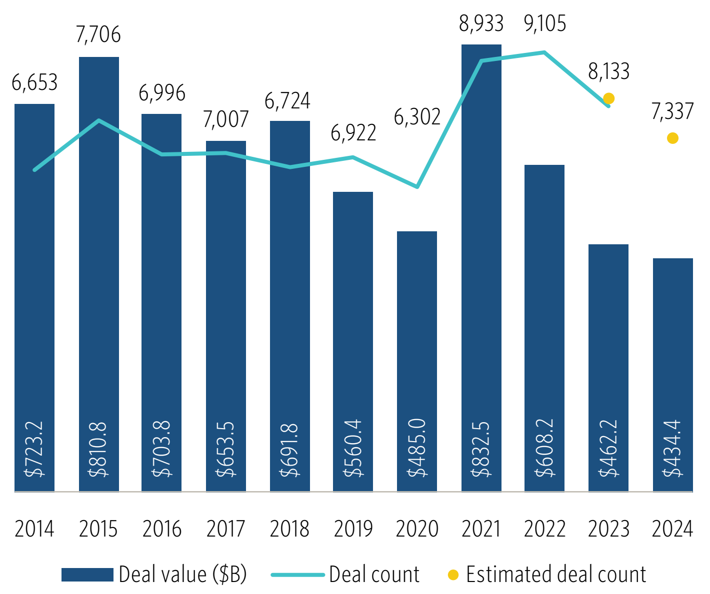


Source: PitchBook • Geography: Global • As of September 30, 2024

Jinny Choi
Senior Analyst, Private Equity

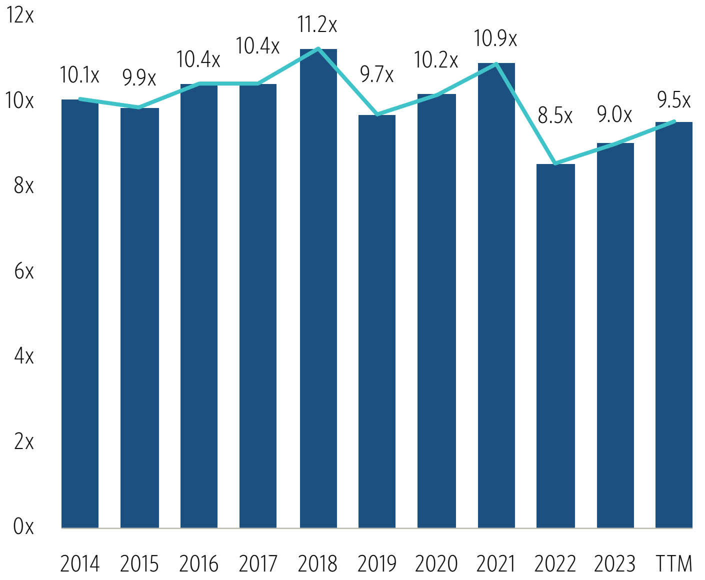
B2C has nearly passed last year's M&A activity: M&A activity in B2C has experienced a full recovery—and even growth—after a slower first half of the year. With an estimated 7,337 deals for an aggregate of $434.4 billion YTD, the B2C sector will surely surpass the $462.2 billion of deal value seen in 2023 and is less than 10% short of last year's deal count. That being said, the sector will still be trailing its peak deal value in 2021 by roughly 30% while annualized deal count is expected to hit a new record, which will be a feat for a sector that had been struggling with changing consumer behavior and purchasing power for the past few years. Looking at Q3, deal value jumped 39.0% from $130.5 billion in Q2 to $181.3 billion in Q3 because of the $35.9 billion acquisition of snack maker Kellanova by Mars. Still, even without this outsized deal, deal value increased by 11.4% QoQ with the next 10 largest deals accounting for $42.4 billion. In comparison, the top 10 largest deals in Q2 amounted to $22.2 billion.

B2C M&A activity



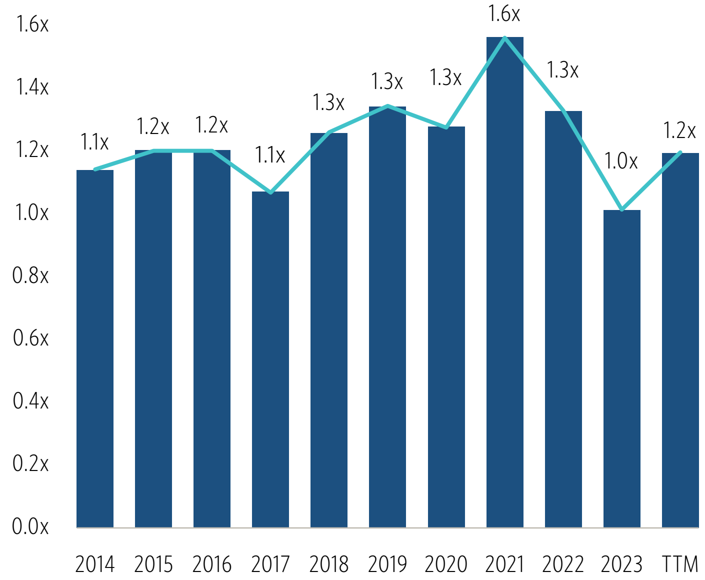
Source: PitchBook • Geography: Global • As of September 30, 2024

B2C M&A EV/EBITDA multiples



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

B2C M&A EV/revenue multiples



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

Media deals make headlines: After several months of discussion, Paramount Global agreed to merge with PE-backed Skydance Media for $8.0 billion in a deal that is expected to close in the second half of 2025. The deal is a major change of ownership for Paramount after it struggled in a weak advertising and cable market, falling behind other streaming companies.[4] Skydance Media, which is backed by RedBird Capital Partners and KKR, is also acquiring Paramount Global's parent company National Amusements for $2.4 billion as part of the transaction.

Gaming and sports continue to gain interest: Cash-rich sponsors and corporates alike pursued opportunities in growing subsectors within the leisure space. For example, Apollo acquired International Game Technology (IGT) and Everi Holdings for $6.3 billion through a newly formed holding company that combines IGT's gambling game business with slot machine producer Everi. The deal is the PE firm's latest push into gambling & sports betting following deals such as the acquisition of Great Canadian Gaming in 2021 for $2.6 billion.

4: "Media Paramount Agrees To Merge With Skydance, Ending Monthslong Negotiations and Redstone Era," CNBC, Lillian Rizzo, July 8, 2024.

Energy

Energy M&A activity by quarter

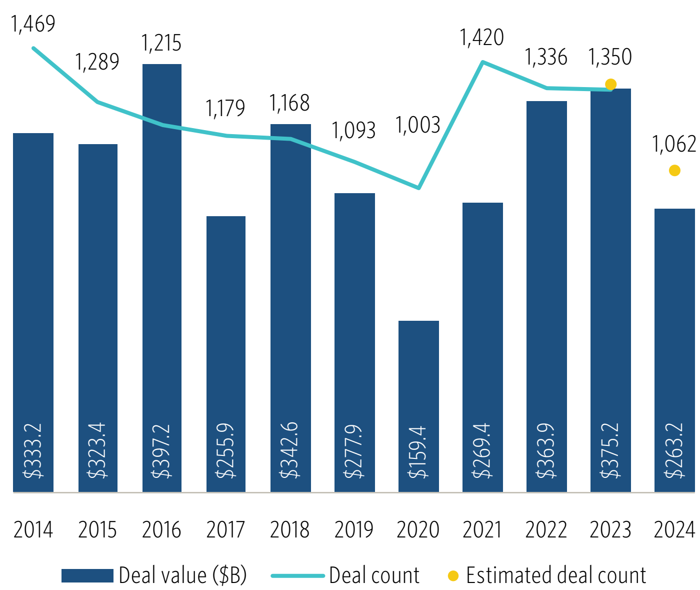
Source: PitchBook • Geography: Global • As of September 30, 2024

Kyle Walters
Associate Analyst, Private Equity

A weaker Q3 leaves the sector trailing 2023 activity: After a strong first half, 2024 energy M&A activity was subdued in the third quarter. A total of 351 deals for an aggregate value of $54.8 billion transpired in Q3, bringing YTD figures to 1,062 deals worth $263.2 billion. The sector is on a run rate of 1,400 deals worth $343 billion, falling just short of the two robust years for energy M&A activity seen in 2022 and 2023.

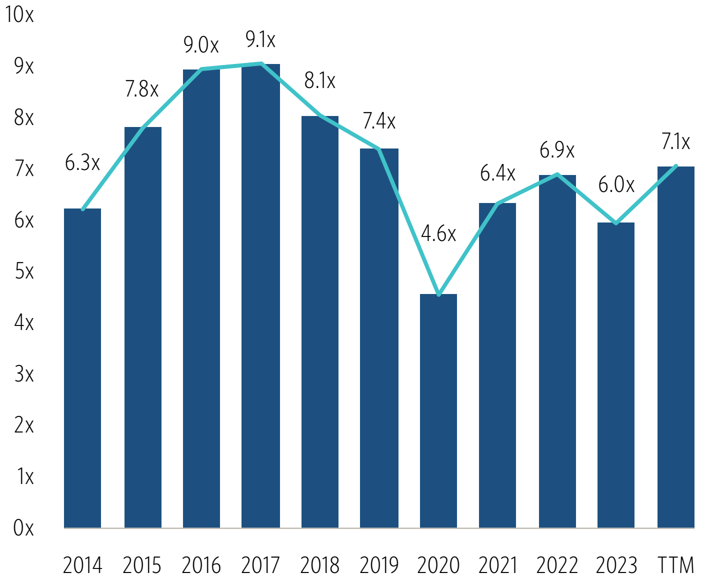
Energy M&A is supported by divestiture activity: Several of the sector's largest deals in Q3 came by way of divestiture as corporates looked to sell off noncore assets and refocus operations. The largest energy deal of the quarter came from Grayson Mill Energy divesting its Williston Basin business to Devon Energy for $5.0 billion. The transaction allows Devon to expand its oil production and operating scale, specifically in the Williston Basin, with the addition of 307,000 net acres. Production from the acquired properties

Energy M&A activity



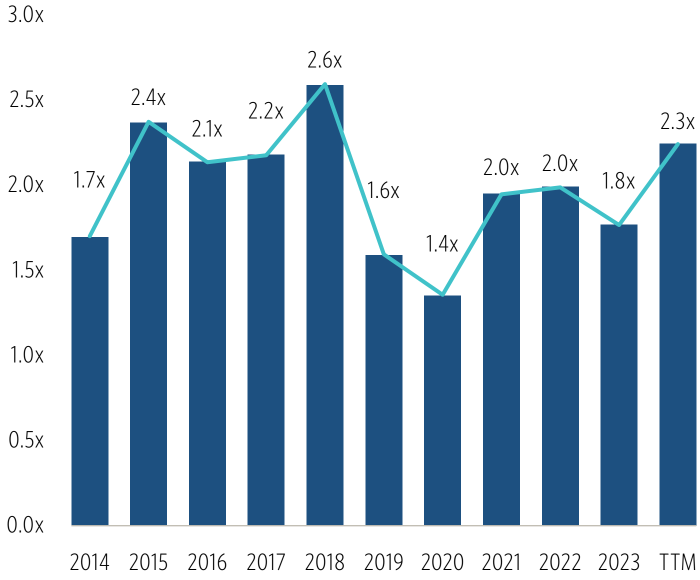
Source: PitchBook • Geography: Global • As of September 30, 2024

Energy M&A EV/EBITDA multiples



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

Energy M&A EV/revenue multiples



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

is expected to be maintained at approximately 100,000 barrels of oil equivalent per day in 2025.[5] Devon expects to realize up to $50 million in average annual cash flow savings from operating efficiencies and marketing synergies. Other notable divestitures in the sector include Algonquin Power & Utilities selling its renewable energy business to LS Power for $2.5 billion. Algonquin will use the funds to pay down debt and focus on the regulated utility side of the business. For LS Power, the acquisition represents a significant expansion in its renewable energy portfolio, complementing its existing fleet of renewables, energy storage, flexible gas, and renewable fuels projects.

Energy transition stays active: As demand for renewable energy continues to grow, energy infrastructure has been top of mind for many investors and strategics looking to scale into the space. In August, Quantum Capital Group, a dedicated clean energy manager with AUM topping $27 billion, agreed to acquire independent US power producer Cogentrix Energy Power Management from Carlyle for $3.0 billion. Quantum plans to meaningfully grow Cogentrix with a focus on gas-fired power generation, renewables, and battery storage. In September, Abu Dhabi-based energy company Masdar agreed to acquire Saeta, an independent developer, owner, and operator of renewable power assets, from Brookfield for $1.4 billion in a deal that strengthens Masdar's footprint in the Iberian Peninsula.

5: "Devon Energy Announces Strategic Acquisition in the Williston Basin and Expands Share-Repurchase Authorization by 67 Percent to $5 Billion," Devon Energy, July 8, 2024.

Financial services

Financial services M&A activity by quarter

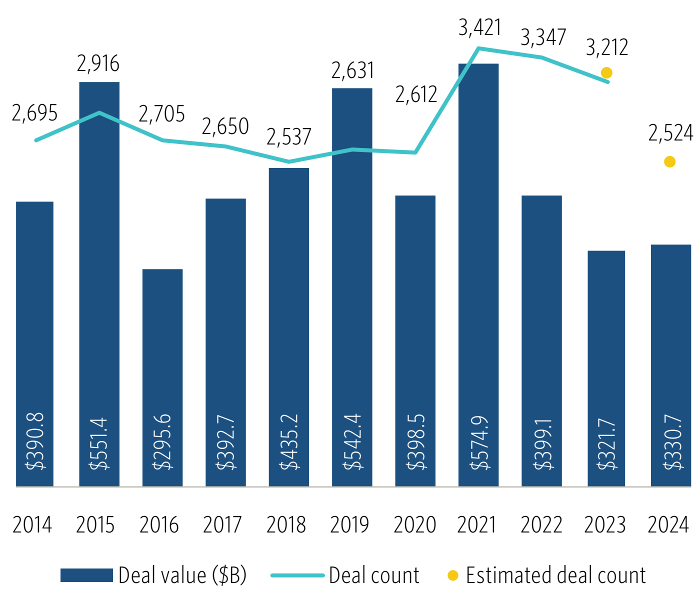
Source: PitchBook • Geography: Global • As of September 30, 2024

Kyle Walters
Associate Analyst, Private Equity

Financial services M&A activity has already surpassed that of 2023: Through the first three quarters of 2024, the financial services sector saw a total of 2,524 deals worth a total of $330.7 billion, already topping 2023 activity and, when annualized, on track to surpass 2022 M&A activity in the industry. Furthermore, YTD deal value is tracking 45.2% ahead of the same period last year, practically cementing the sector's comeback after a year and a half of moderated deal activity from Q2 2022 through the end of 2023.

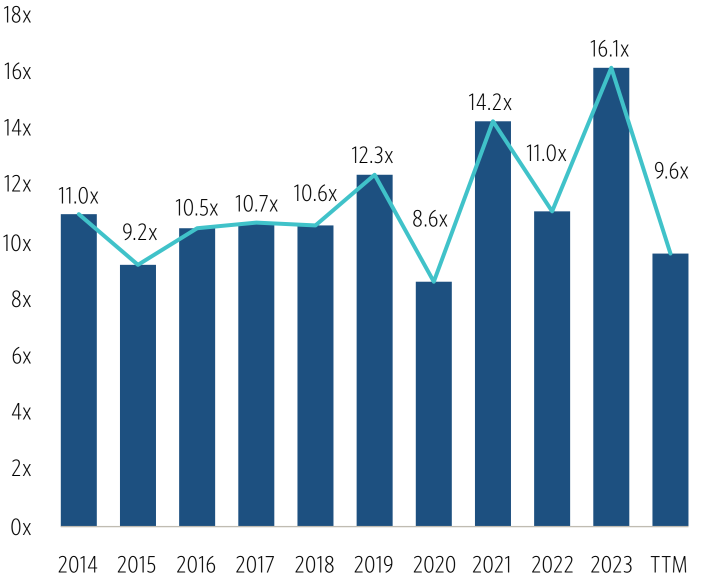
Insurance sees multiple deals over $1 billion: The insurance industry continues to be a key driver of deal flow for the financial services sector, comprising some of the largest deals in the third quarter. The largest insurance deal of the quarter was the $5.1 billion take-private of Enstar Group by Sixth Street. Sixth Street was an existing Enstar investor with a 4.7% stake before the acquisition. Other notable insurance deals include the divestiture of Allstate's Employer Voluntary Benefits business to StanCorp Financial (The

Financial services M&A activity



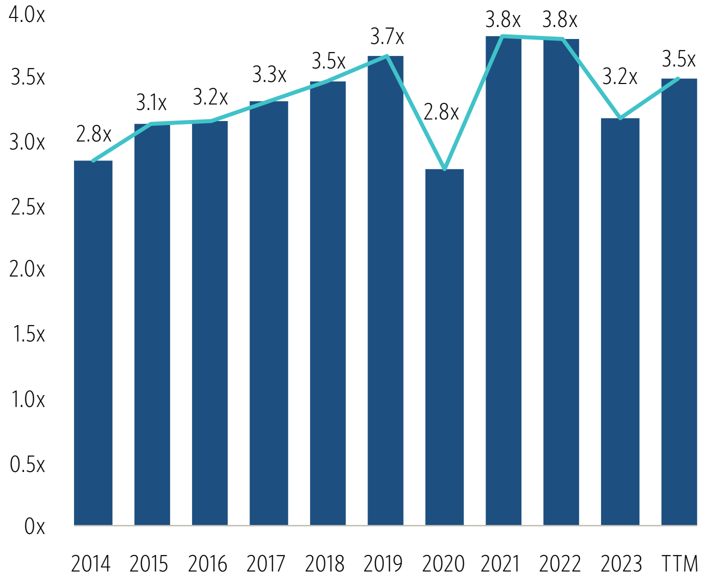
Source: PitchBook • Geography: Global • As of September 30, 2024

Financial services M&A EV/EBITDA multiples



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

Financial services M&A EV/revenue multiples



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

Standard) for $2.0 billion. The agreement allows Allstate to focus on its three health & wellness segments to realize its full growth potential. For The Standard, the acquisition will complement its growing workplace benefits business and bring greater scale.

The third quarter saw several asset managers trade hands as consolidation continues: Consolidation of asset managers, traditional or alternative, has been an ongoing trend for the sector seen over the past couple of years as managers look to build out offerings in hopes to scale their business. In August, AXA agreed to sell AXA Investment Managers to BNP Paribas for $5.5 billion. With the merger of the two asset management platforms, the newly formed business, whose total AUM would amount to $1.6 trillion, would become a leading European player in the sector. In that same month, Abacus Life agreed to acquire FCF Advisors, an asset manager and index provider specializing in investment strategies focused on free cash flow. The acquisition of FCF, which has approximately $600 million in AUM, will support Abacus' ongoing expansion of ABL Wealth and its suite of products.[6]

6: "Abacus Life Announces Agreement To Acquire FCF Advisors," Abacus Life, August 7, 2024.

Healthcare

Healthcare M&A activity by quarter

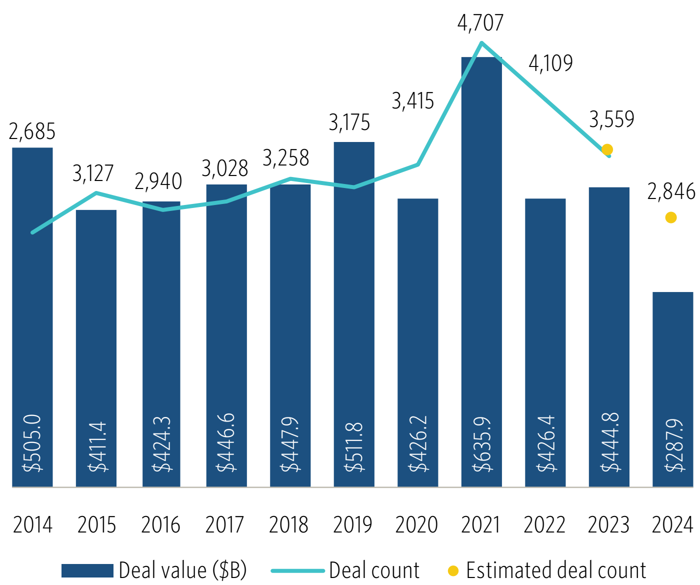
Source: PitchBook • Geography: Global • As of September 30, 2024

Rebecca Springer, Ph.D.
Lead Analyst, Healthcare

Healthcare continues to decline as a proportion of overall M&A activity: The sector has accounted for 8.2% of deal count and 10.3% of deal value YTD, down from peaks of 10.8% in 2021 and 15.4% in 2019. The decline is being driven primarily by a decrease in smaller M&A in healthcare services as well as a dearth of megadeals in biotech & pharma. Headline deals for the quarter included the announced take-private of revenue cycle management company R1 RCM by Clayton, Dubilier & Rice and TowerBrook Capital Partners for $8.9 billion as well as AbbVie's $8.7 billion acquisition of neurology specialist Cerevel Therapeutics.

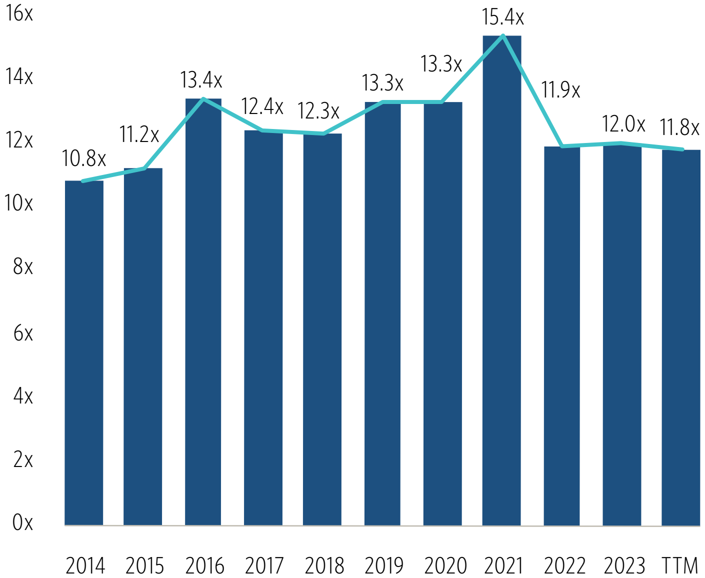
Reimbursements squeeze margins in the US: In the US, healthcare services deal activity has been slower to reaccelerate than other sectors such as healthcare IT and pharma services, although we do expect increased activity across the sector heading into 2025. Many specialty physician groups have been squeezed by flat-to-declining

Healthcare M&A activity



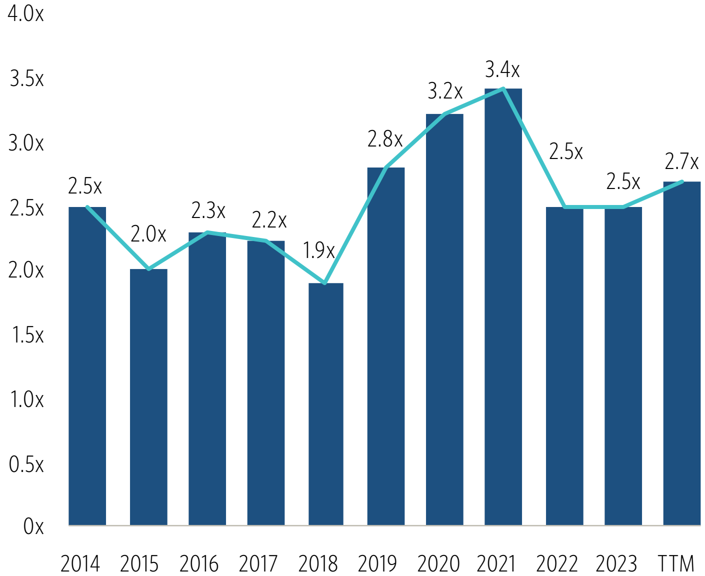
Source: PitchBook • Geography: Global • As of September 30, 2024

Healthcare M&A EV/EBITDA multiples



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

Healthcare M&A EV/revenue multiples



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

reimbursement and the resulting challenges with physician compensation and retention. The Medicare Advantage market, which covers about half of Medicare-eligible beneficiaries, has seen declining margins as the Centers for Medicare & Medicaid Services (CMS) recalibrates its methodologies for risk adjustment, retrospective audits, and star ratings. The resulting squeeze on both payers and risk-bearing providers has taken numerous once-active strategic acquirers out of the market.

Private pay is growing in Europe: In Europe, public sector healthcare delivery continues to face significant staffing and capacity pressures. This trickles down to financial performance and growth prospects for services and technology vendors that target large public sector contracts. At the same time, European secondary insurance and private-pay healthcare markets are growing rapidly. We foresee growing opportunities for technology and tech-enabled services companies to create more sophisticated revenue cycle management and benefit management infrastructure in European markets on the heels of this trend. Private-pay healthcare provider specialties such as aesthetic dermatology, specialty dental, radiology, fertility, and veterinary continue to be of interest to PE investors.

More M&A is likely in life sciences: In the life sciences, we are seeing uneven performance by the major pharma companies as Novo Nordisk and Eli Lilly charge ahead on the strength of GLP-1 drug sales while other giants, most notably Pfizer, struggle with declining COVID-19 vaccine revenue, impending patent cliffs, and competition from "biosimilars." In the obesity drugs market, the current dominance of Novo and Lilly is not unassailable, and we expect significant M&A activity as both public and privately held challengers are scooped up.

IT

IT M&A activity by quarter

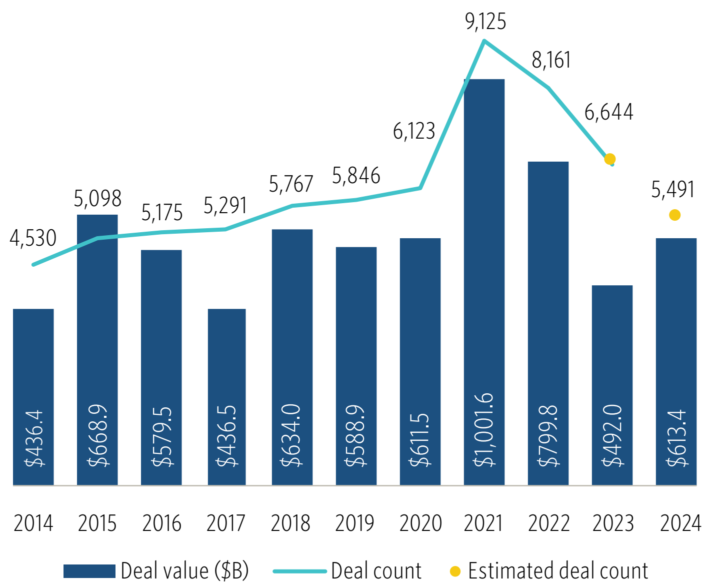
Source: PitchBook • Geography: Global • As of September 30, 2024

Garrett Hinds
Senior Analyst, Private Equity

Tech drives the deal recovery: In Q3 2024, the IT sector saw a significant surge in deal value, reaching $220.6 billion—a 60.4% YoY increase and a 19.9% rise QoQ. Deal count for the quarter totaled 1,930 transactions, reflecting a strong 23.4% YoY growth and a 3.6% QoQ uptick. On a YTD basis, IT deal value reached $613.4 billion across 5,491 deals, inclusive of estimates for nondisclosed values and late-reported transactions. This represents a 61.5% YoY increase in value and a 10.5% YoY rise in deal count compared with the same period in 2023. In summary, deal values accelerated due to improved credit availability, robust public markets, and the expectation of more favorable rates, pushing transactions to close.

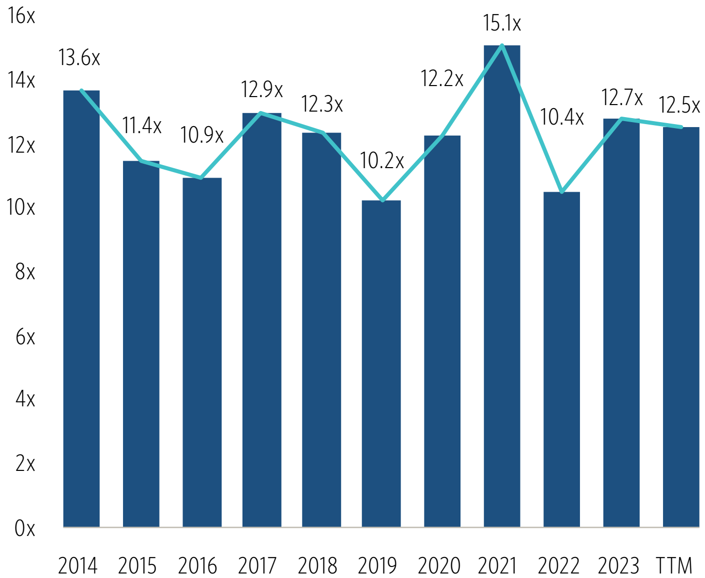
Tech grabs first place in deal momentum: The IT sector's share of global M&A deal value stood at 23.3%, well above the five-year average of 19.8%. This strong growth trend is reflected in the sector's deal momentum score, which

IT M&A activity



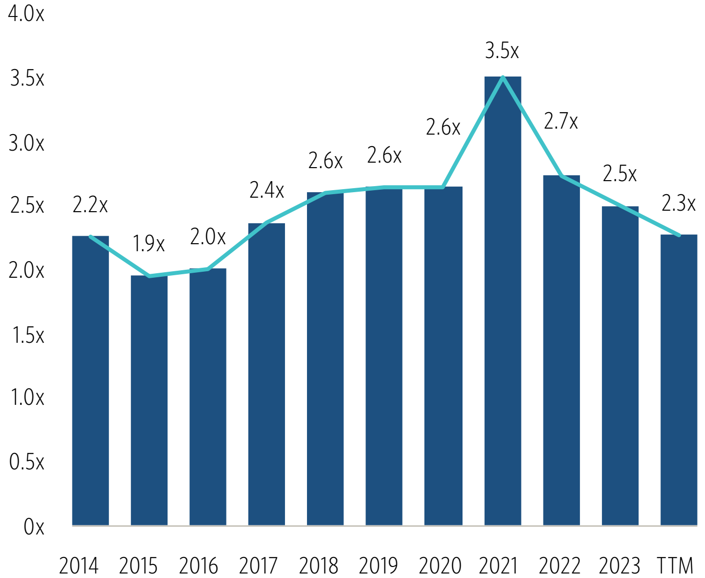
Source: PitchBook • Geography: Global • As of September 30, 2024

IT M&A EV/EBITDA multiples



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

IT M&A EV/revenue multiples



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

improved to 0.71, placing it in first place among the seven sectors. In the previous quarter, IT scored 0.14—a slightly above-average rank.

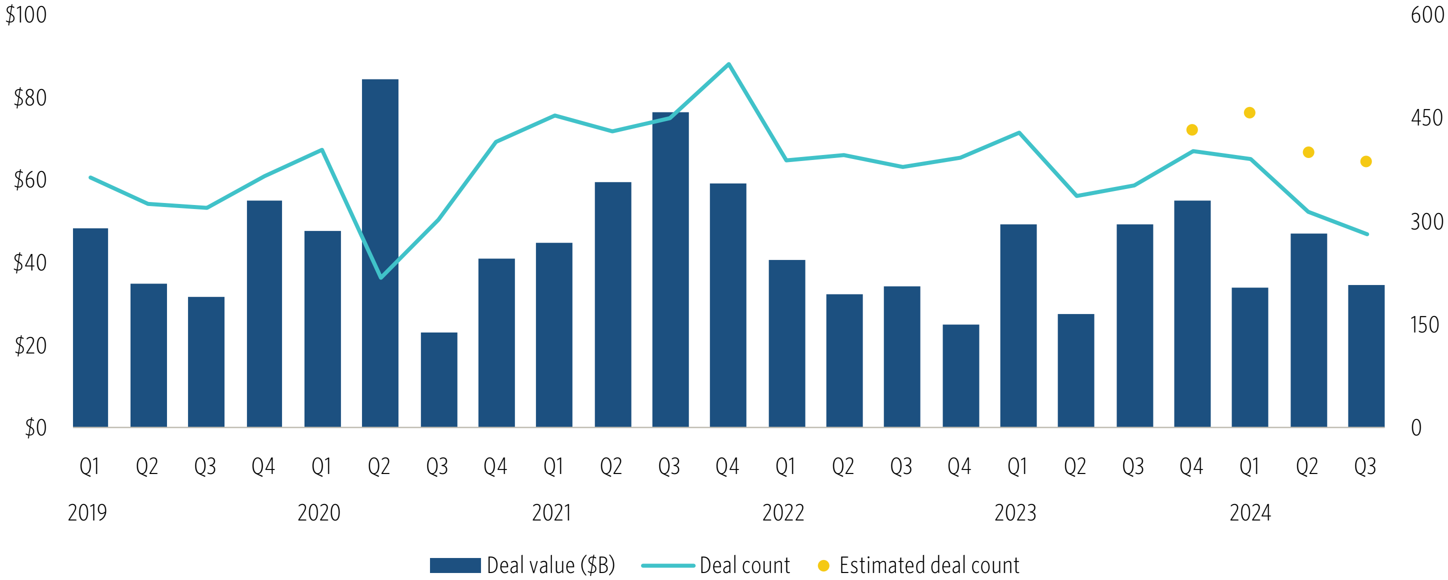
PE buyers continue to dominate the leaderboard: In Q3 2024, PE buyers accounted for 60% of the top 10 deals in the IT sector, maintaining the same proportion as in Q2. This marks a significant shift from Q1, when PE buyers had no representation among the top deals. The remaining 40% of deals were executed by strategic acquirers.

Notable Q3 deals in the IT sector included companies in the digital infrastructure and software categories. The largest deal was the $20 billion acquisition of Frontier Communications by Verizon, mentioned above in the North America section. Smartsheet—a collaborative work management software platform—agreed to be taken private by Blackstone and Vista Equity Partners for $8.4 billion. The all-cash transaction will yield Smartsheet holders $56.50 per share, approximately a 41% premium to the volume-weighted average closing price 90-days prior to media reports about a possible transaction.[7] ZT Systems—provider of hyperscale cloud servers, hardware, and services—agreed to be acquired by AMD for $4.9 billion, with consideration consisting of cash and stock.[8] The acquisition will bolster AMD's ability to deliver AI compute infrastructure at scale, according to management.

7: "Smartsheet To Be Acquired by Blackstone and Vista Equity Partners for $8.4 Billion" Smartsheet, September 24, 2024.
8: "AMD To Significantly Expand Data Center AI Systems Capabilities With Acquisition of Hyperscale Solutions Provider ZT Systems" AMD, August 19, 2024.

Materials & resources

Materials & resources M&A activity by quarter



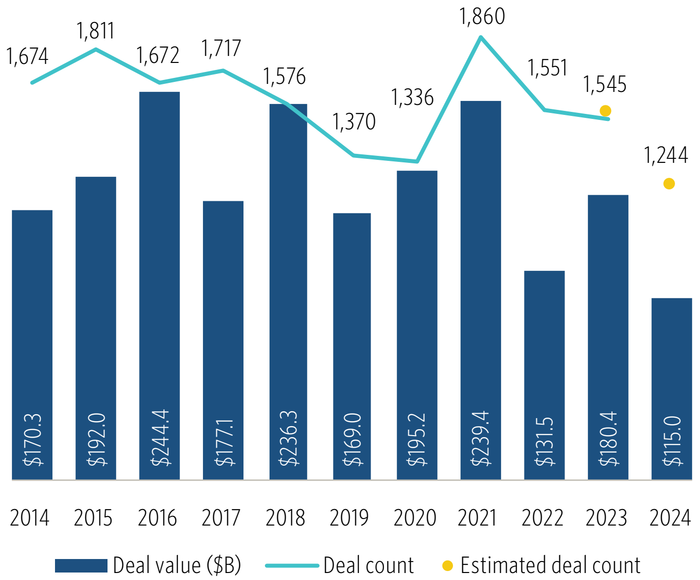
Source: PitchBook • Geography: Global • As of September 30, 2024

Kyle Walters
Associate Analyst, Private Equity

Materials & resources M&A activity continues to moderate: The materials & resources sector continues to chug along, albeit at a slower pace, with a total of 1,244 deals worth $115.0 billion through Q3. YTD, quarterly deal value has averaged $37.1 billion, falling short of the five-year quarterly average of $45.8 billion. With one quarter to go, the materials & resources sector would need a near-record quarter of activity to match 2023. The sector is pacing for its second-lowest year of activity in the past 10 years, with only 2022 faring worse.

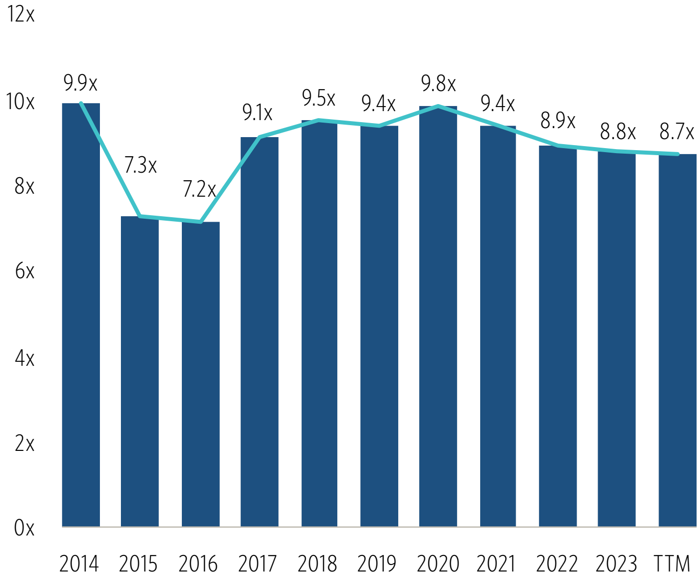
Chemical and gases comprised some of the sector's largest deals in Q3: In August, India-based Oil and Natural Gas Corporation received government approval to acquire a controlling interest in ONGC Petro Additions, bringing its stake from 49.4% to 95.7% in the petrochemical manufacturer. In September, chemicals company OCI Global sold its methanol business, including clean fuels subsidiary OCI HyFuels, to Canadian methanol producer Methanex in a

Materials & resources M&A activity



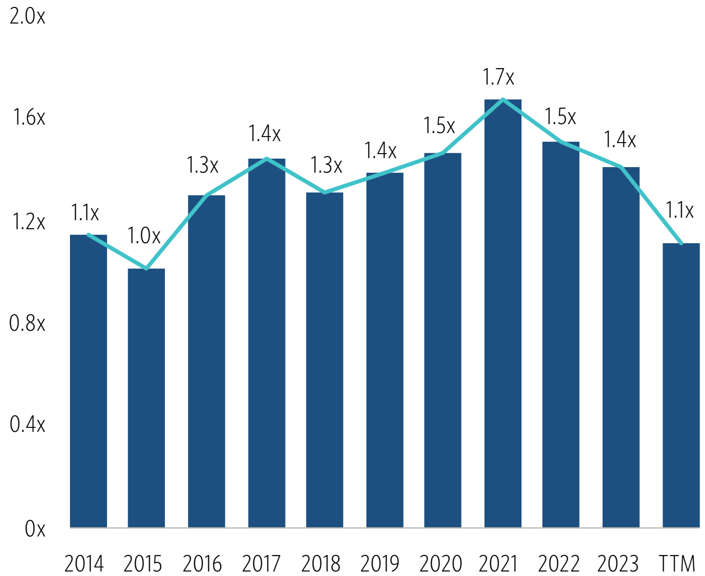
Source: PitchBook • Geography: Global • As of September 30, 2024

Materials & resources M&A EV/EBITDA multiples



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

Materials & resources M&A EV/revenue multiples



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

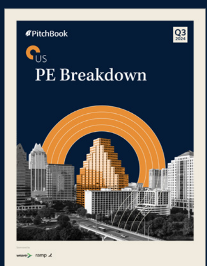
deal worth $2.1 billion. OCI will become the second-largest shareholder of Methanex, with about 13% of the company. The sale of these business units continues a trend for OCI as it seeks to reduce its debt. For Methanex, the deal further strengthens its global production base and increases its global methanol production by over 20%.[9]

Metals, minerals & mining once again supports the sector with multiple chunky deals: In July, BHP and Lundin Mining combined forces to acquire Filo Mining for $3.3 billion as well as Lundin Mining's Josemaria project. Filo owns 100% of the Filo del Sol copper project in Chile, one of the world's largest undeveloped copper, gold, and silver deposits, and Lundin owns 100% of the Josemaria project in the Vicuña district in Argentina. The new joint venture will advance the development of the Vicuña district in Argentina and Chile and create a long-term partnership to develop an emerging copper district.[10] In August, Gold Fields agreed to acquire Osisko Mining for $1.6 billion. The Johannesburg-based gold producer will acquire the Canadian miner in a deal that helps the South African producer expand its presence in the Americas region, where it already has mines in Chile and Peru.

9: "Methanex Corporation Signs Definitive Agreement To Acquire OCI Global's International Methanol Business for $2.05 Billion," Methanex Corporation, September 8, 2024.
10: "Lundin Mining and BHP To Acquire Filo and Form a 50/50 Joint Venture to Progress the Filo del Sol and Josemaria Projects," Lundin Mining, July 29, 2024.

Additional research

Private markets



Q3 2024 US PE Breakdown

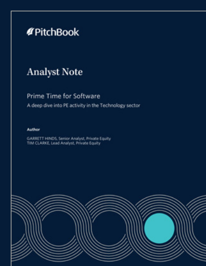
Download the report here

Q3 2024 European PE Breakdown

Download the report here

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

Download the report here



Q4 2023 Analyst Note: Prime Time for Software

Download the report here

Q2 2024 Global M&A Report

Download the report here

Q3 2024 Analyst Note: 2024 US Private Equity Outlook: H1 Follow-Up

Download the report here

More research available at pitchbook.com/news/reports