Litera Global M&A Activity Report: Trends and TMT Dynamics Through Q3 2024

Data provided by PitchBook

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Source: PitchBook | Geography: Global | Currency: USD | Timeframe: 2010 – YTD (quarterly trends) | As of September 30, 2024
Note: Chart time frames will be yearly unless otherwise noted.

Executive Summary

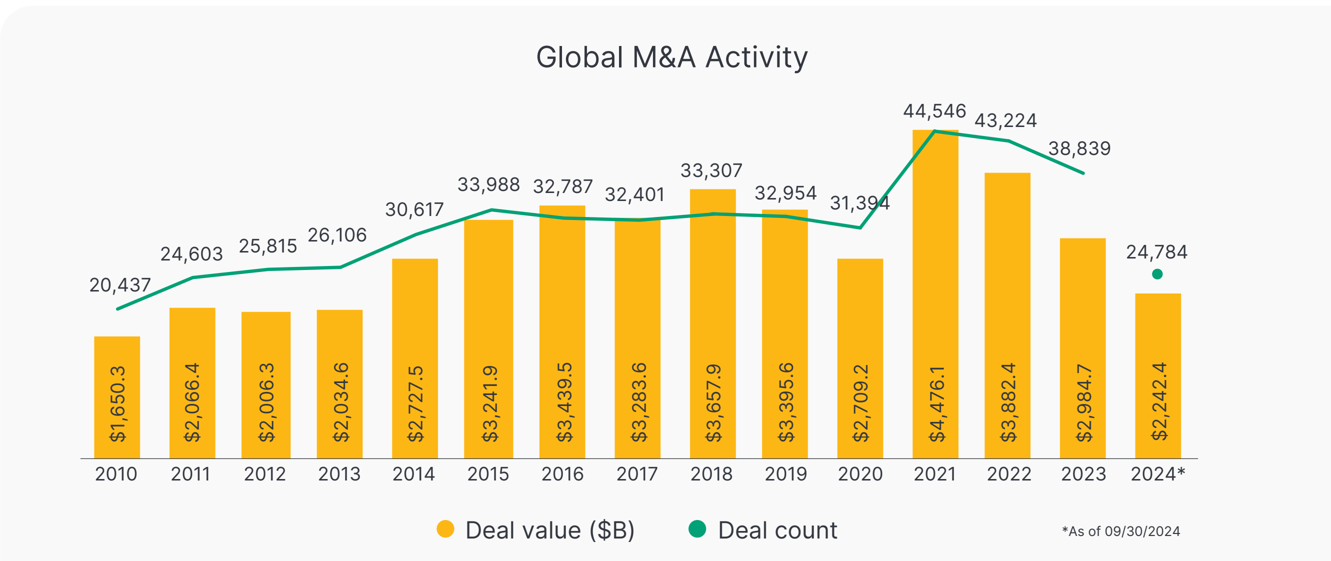
M&A Activity Remains Cool as Headwinds Delay Potential Recovery

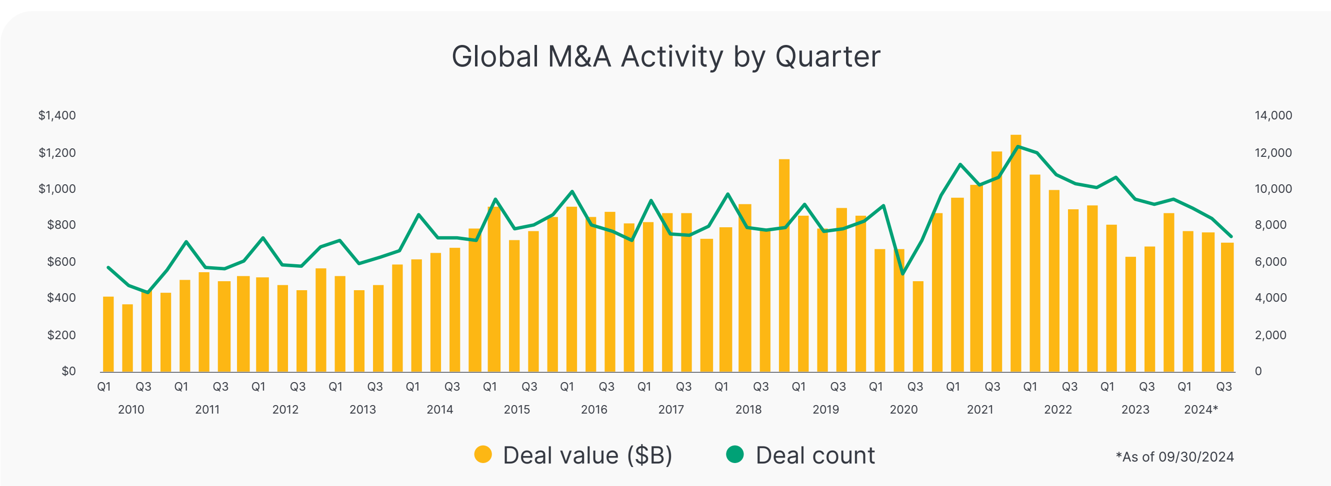
- Global M&A activity fell for a third straight quarter from Q4 2023, with investors generating $2.2 trillion across 24,784 deals year to date (YTD). Deal activity declined each quarter of this year, but value generation remained robust with global median and average M&A sizes YTD far exceeding historical levels. At the same time, global median EV/EBITDA multiples fell to 9.0x, returning to more rational levels.
- A shifting attitude in antitrust enforcement and a tight debt financing environment meant investors were caught between a rock and a hard place. Corporates seeking value and growth through asset acquisitions were under heightened scrutiny as regulatory authorities attempted to place guardrails on corporate expansion plans.
- The current interest-rate environment continues to weigh on leveraged buyout (LBO) activity despite recent rate cuts by central banks in the US, UK, and EU. Consequently, deal activity for both strategic acquisitions and LBOs continued to trend downward this year, falling below pre-pandemic levels.
- Acquirers are finding quality investment targets in potentially high-growth sectors like software, healthcare, and commercial product companies. In particular, technology and media and telecommunications (TMT) companies drove 17.2% and 14.5% of global M&A activity by value and count, respectively. Median and average global TMT M&A sizes slightly exceeded industry-agnostic median and average global figures, highlighting TMT as an industry bright spot among broader M&A activity.
- The liquidity crunch is not over yet despite central banks recently loosening their monetary policies. The continued decline in cross-border and take-private activities this year shows risk-averse PE firms homing in on local private acquisition targets. Liquidity channels are currently limited to acquisitions as the special purpose acquisition company (SPAC) exit exuberance is well in the past. However, when initial public offering (IPO) markets revive, acquirers will have more diversified channels of liquidity, reducing their reliance on secondary transactions and justifying an acceleration in M&A activity.

Dealmaking Trends

M&A Slowdown Spills Into 2024 While Investors Consolidate Capital to Select Investment Targets

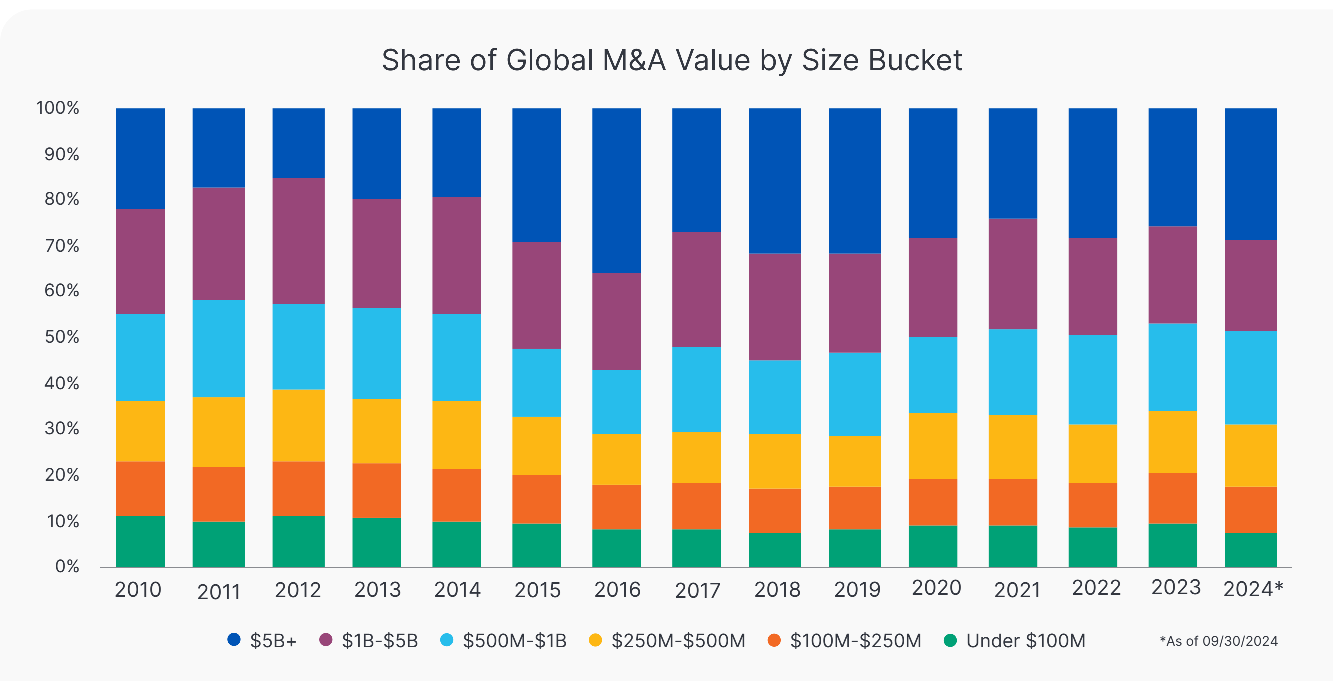
Global M&A activity has lulled these past three years as M&A value and count spiraled down each quarter YTD, which may engender a third consecutive year of declines. M&A activity generated $2.2 trillion across 24,784 deals by the end of Q3 2024, mirroring levels from a decade ago. Fewer but larger deals were completed as acquirers acclimated to higher-for-longer interest rates across the world, apart from Japan, and grew more selective about portfolio additions.

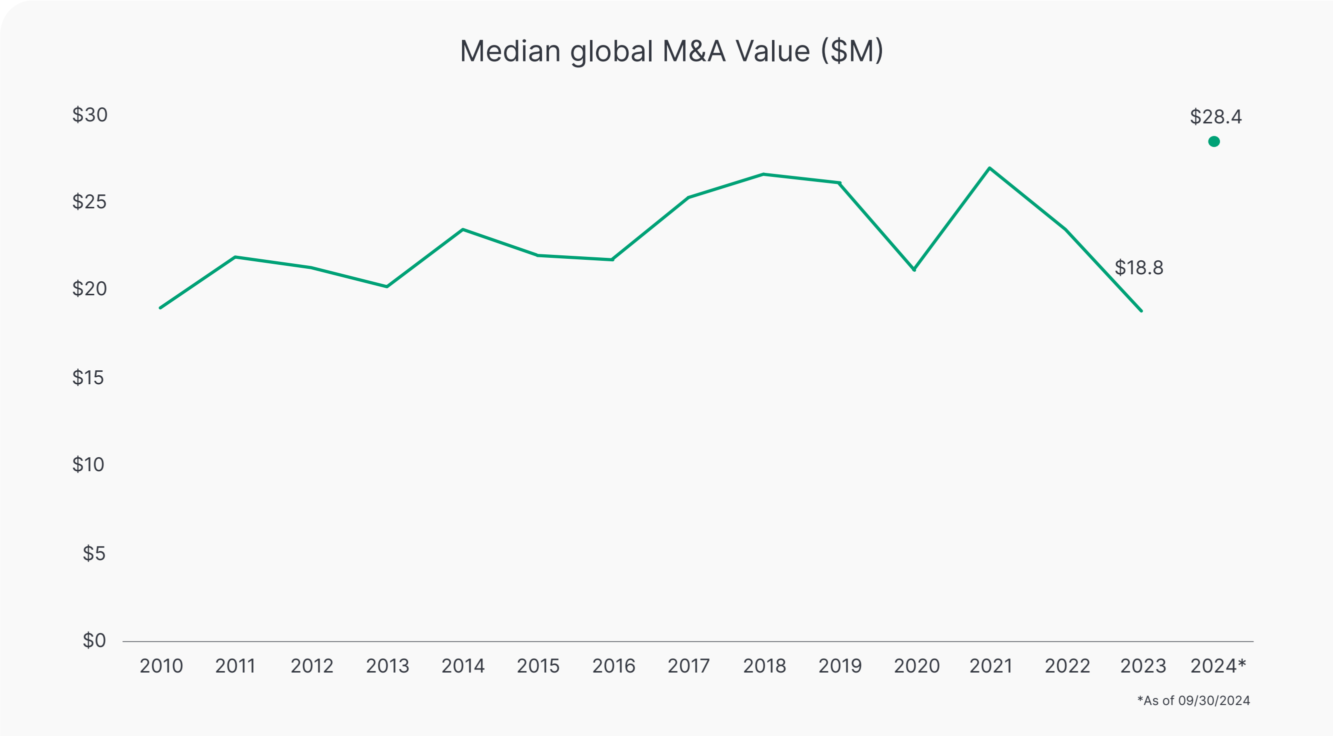


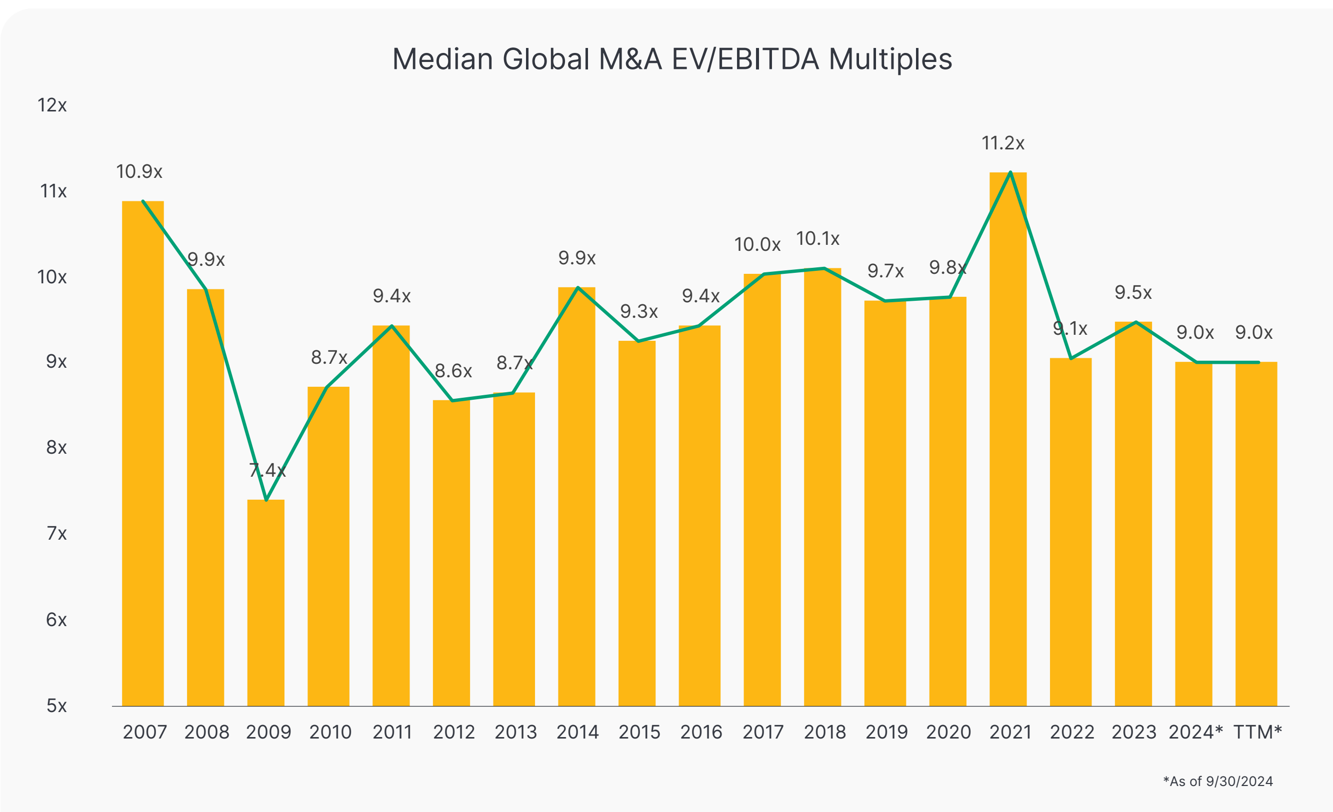


The share of deals under $100 million fell to a historical low of 73% of total M&A count YTD while deals between $100 million and $500 million became more frequent relative to totals from 2023. The share of M&A value attributed to deals exceeding $5 billion ticked up slightly, with oil & gas company Pioneer Natural Resources' headline $64.5 billion acquisition by ExxonMobil, another energy titan, topping the M&A value charts this year. The global median and average M&A sizes also ballooned to $28.4 million and $398.1 million, respectively, with outlier deals in energy, telecommunications, and healthcare skewing figures.

However, the median M&A EV/EBITDA multiple reached a record low of 9.0x YTD, which may reflect a return to market rationalization. The juxtaposition between two trends—large acquisition values and low EV/EBITDA multiples—tells a tale of large outlier M&A deals and normalizing transaction prices. For instance, ELITech's $932.8 million acquisition by Bruker attained a 26,075.9x EV/EBITDA multiple compared with the global healthcare industry's -0.1x median multiple and 9.0x global median multiple. Negative healthcare multiples are not unusual as investors wager on the appreciation of tangible and intangible asset values rather than profit generation. However, ELITech made for a rare high-quality acquisition target, likely because it is a large and profitable incumbent in the industry. Outside of outliers like this, a moderation in EBITDA multiples toward the historical 10-year average of 9.7x may signal rationalization. Unfavorable macroeconomic conditions may have weighed down M&A activity this year, bringing multiples down with them, but this decline toward valuation rationalization from pandemic highs may have been due.



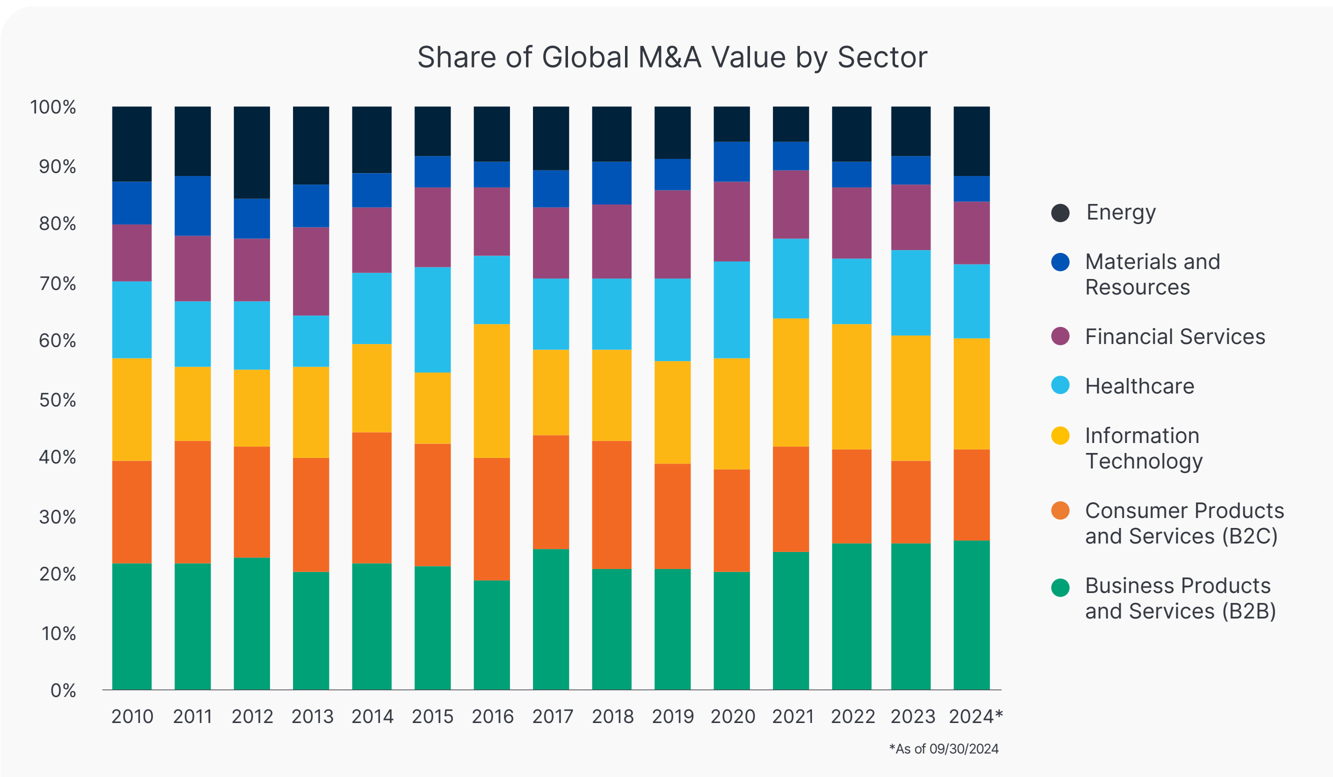

Median global M&A Value ($M)
$30
$25
$20
$15
$10
$5
$0
$28.4
$18.8
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024*
*As of 09/30/2024

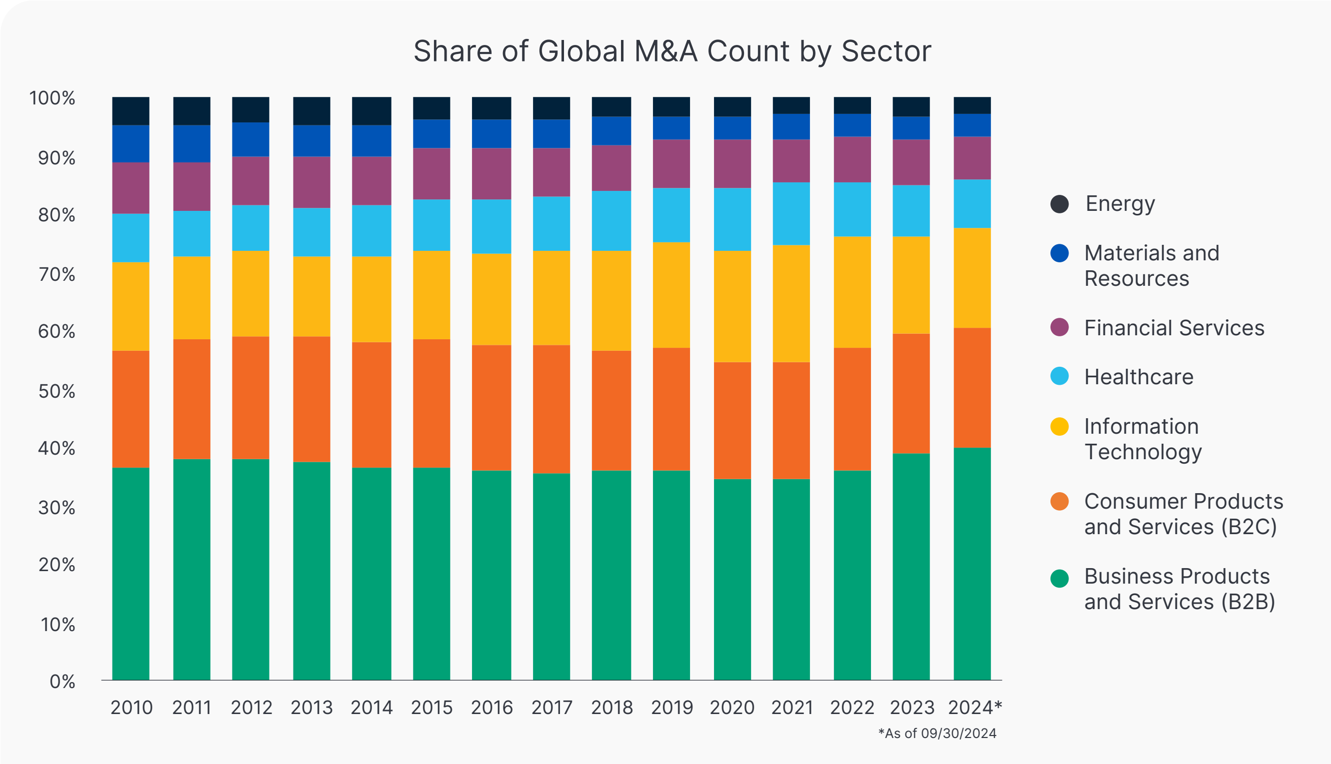

Median Global M&A EV/EBITDA Multiples
12x
11x
10x
9x
8x
7x
6x
5x
10.9x
9.9x
7.4x
8.7x
9.4x
8.6x
8.7x
9.9x
9.3x
9.4x
10.0x
10.1x
9.7x
9.8x
11.2x
9.1x
9.5x
9.0x
9.0x
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024*
TTM*
*As of 9/30/2024

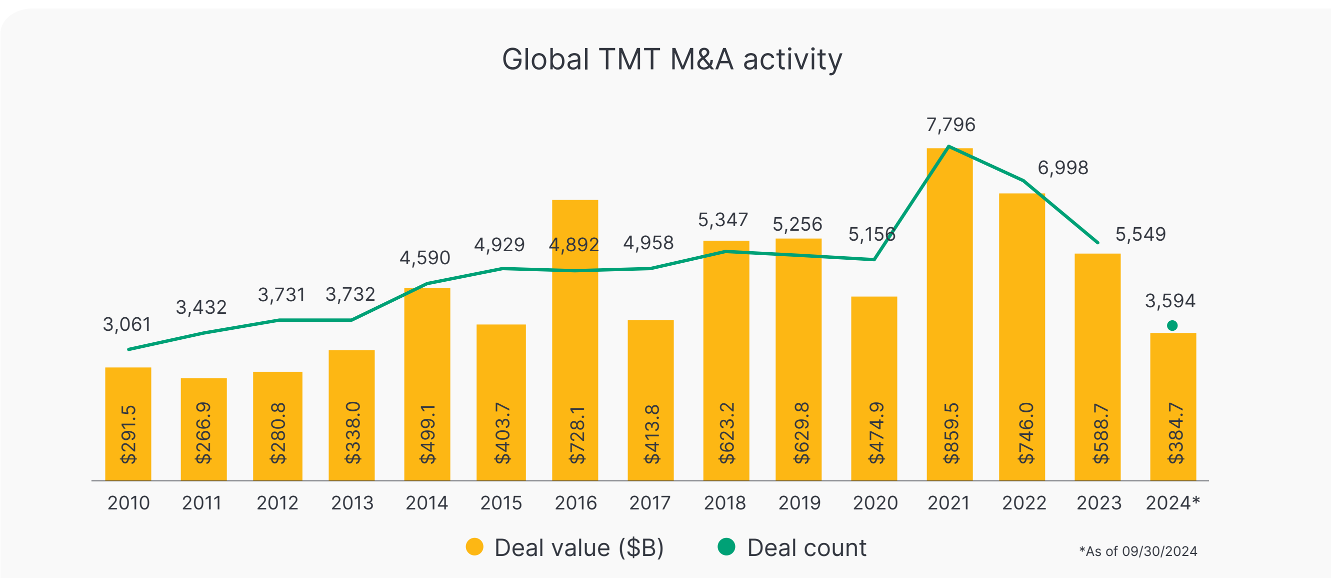
Software, Healthcare, and Commercial Products Take Center Stage

Tighter M&A activity called for fewer deals in high-quality targets, and preferred investment targets were found in business-oriented solutions, like software, healthcare, and commercial products companies. While the share of M&A count and value remained relatively steady across industries, a deeper examination into this year's largest deals reveals software, healthcare, and commercial products companies realizing the most success in being acquired at higher multiples. B2B companies have long generated the lion's share of M&A activity, but healthcare and software stand out as reaping the benefits of the development and application of artificial intelligence (AI).

TMT M&A activity was not immune to an overall M&A downturn, as deal activity ended Q3 at $384.7 billion across 3,594 deals, but TMT has sustained stronger momentum than the rest of M&A. Strategic acquisitions of business/productivity software drove TMT M&A activity with this sector's share of total TMT M&A activity ticking up from 2023. At the same time, median deal sizes grew to $32.5 million YTD, which is a material jump from $15.7 million in 2023. TMT M&A this year was much larger and likely bolstered by the exponentially growing valuations of AI companies.




Share of Global M&A Count by Sector
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024*
*As of 09/30/2024
Energy
Materials and Resources
Financial Services
Healthcare
Information Technology
Consumer Products and Services (B2C)
Business Products and Services (B2B)


Global TMT M&A activity
3,061
3,432
3,731
3,732
4,590
4,929
4,892
4,958
5,347
5,256
5,156
7,796
6,998
5,549
3,594
$291.5
$266.9
$280.8
$338.0
$499.1
$403.7
$728.1
$413.8
$623.2
$629.8
$474.9
$859.5
$746.0
$588.7
$384.7
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024*
Deal value ($B)
Deal count
*As of 09/30/2024

Heightened Regulatory Scrutiny and Tight Monetary Policy Weighed on Strategic Acquisitions and LBO Activity

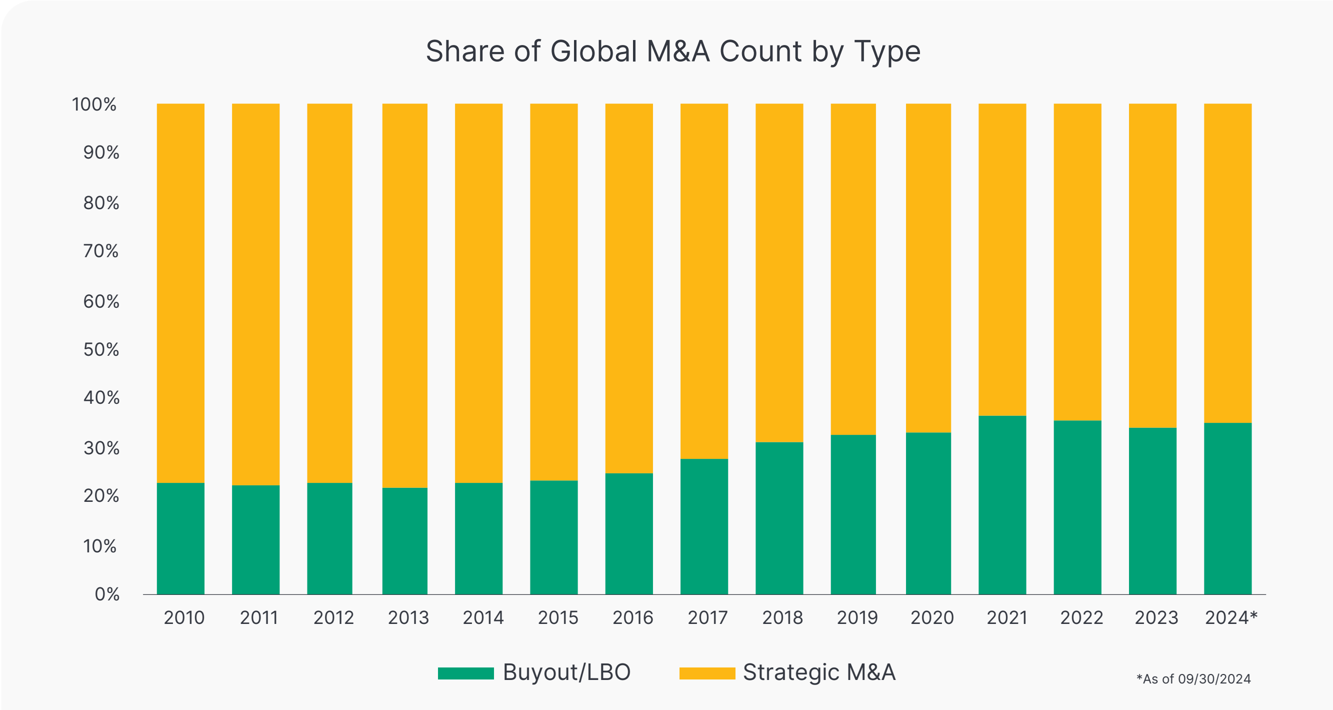
Deal activity for strategic acquisitions and LBO deal counts has fallen each year since the pandemic. However, strategic acquisitions activity was hit particularly hard, with YTD deal count at 62.6% of 2023 figures. A confluence of variables weighed on M&A activity, but none more than antitrust pressures on strategic acquisitions. Ever since the ascension of Federal Trade Commission Chair Lina Khan, regulatory scrutiny has increased in the tech, pharmaceutical, and food industries.[1] The UK's Competition and Markets Authority as well as EU authorities also moved in lockstep to tighten oversight over market consolidation.[2]

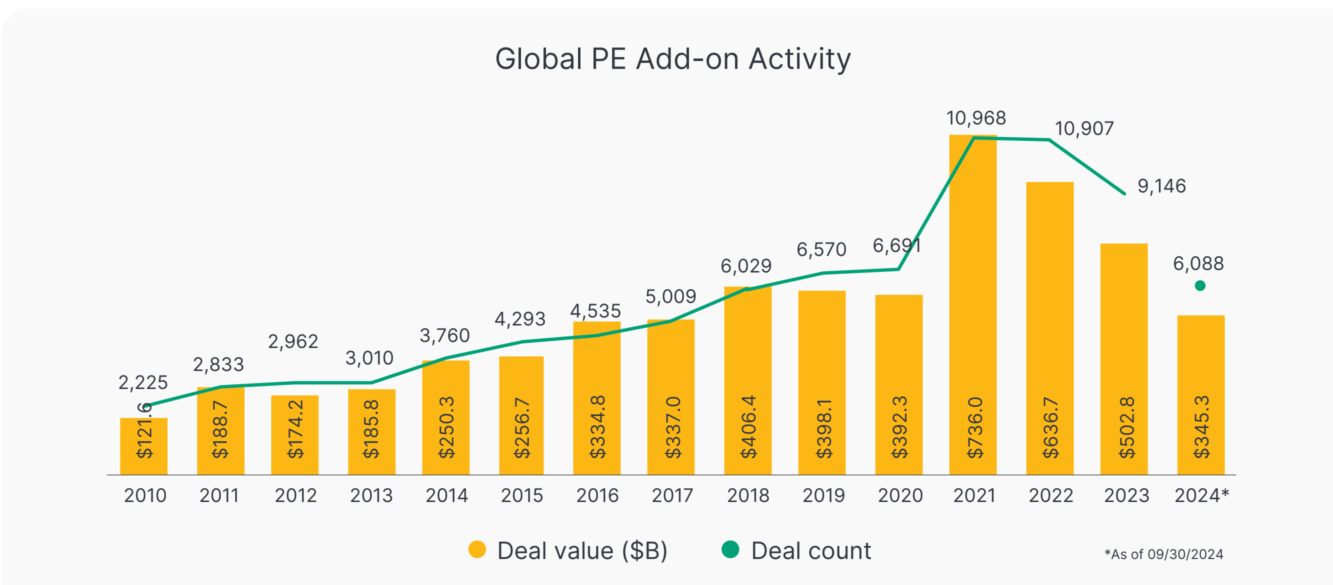
On the other hand, private equity activity was more muted this year, with interest rates staying higher for longer, which exacerbated the debt burden on target companies. PE firms generated $887.2 billion in value across 8,695 LBO deals YTD, but LBO activity trends continue to slope downward, falling to levels seen a decade ago and exhibiting an inverse relationship with interest rates. As central banks hiked interest rates following the COVID-19 economic recovery, global M&A activity, including LBOs, fell each year. Looking forward, it may take a while to observe a material recovery in LBO activity when interest rates fall back to a level that borrowers can afford.

A relatively smaller percentage of buyouts were completed as PE add-ons YTD. Companies generated $345.3 billion across 6,088 add-on deals, which is still a substantial but declining share of buyout activity. The decline in add-on activity signifies a slowdown in PE-backed consolidation at the corporate level, which may be attributed to a pivot toward more sustainable growth models. PE-backed companies may no longer see asset acquisition as a significant addition to their bottom lines. Current macroeconomic conditions are unfavorable for growth, prompting companies to carefully weigh their decisions regarding leverage and valuations.

1 "FTC Head Lina Khan Fighting Big Tech, Big Pharma and Big Groceries as Trustbuster," CBS News, Lesley Stahl, et al., September 22, 2024.

2 "The Changing Landscape of Antitrust Scrutiny in a Post-Pandemic World," A&M, Gary Foster, Raphael Kiess, and Rishi Chhatwal, January 22, 2024.


Share of Global M&A Count by Type
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024*
Buyout/LBO
Strategic M&A
*As of 09/30/2024


Global PE Add-on Activity
2,225
2,833
2,962
3,010
3,760
4,293
4,535
5,009
6,029
6,570
6,691
10,968
10,907
9,146
6,088
$121.6
$188.7
$174.2
$185.8
$250.3
$256.7
$334.8
$337.0
$406.4
$398.1
$392.3
$736.0
$636.7
$502.8
$345.3
2010
2011
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2015
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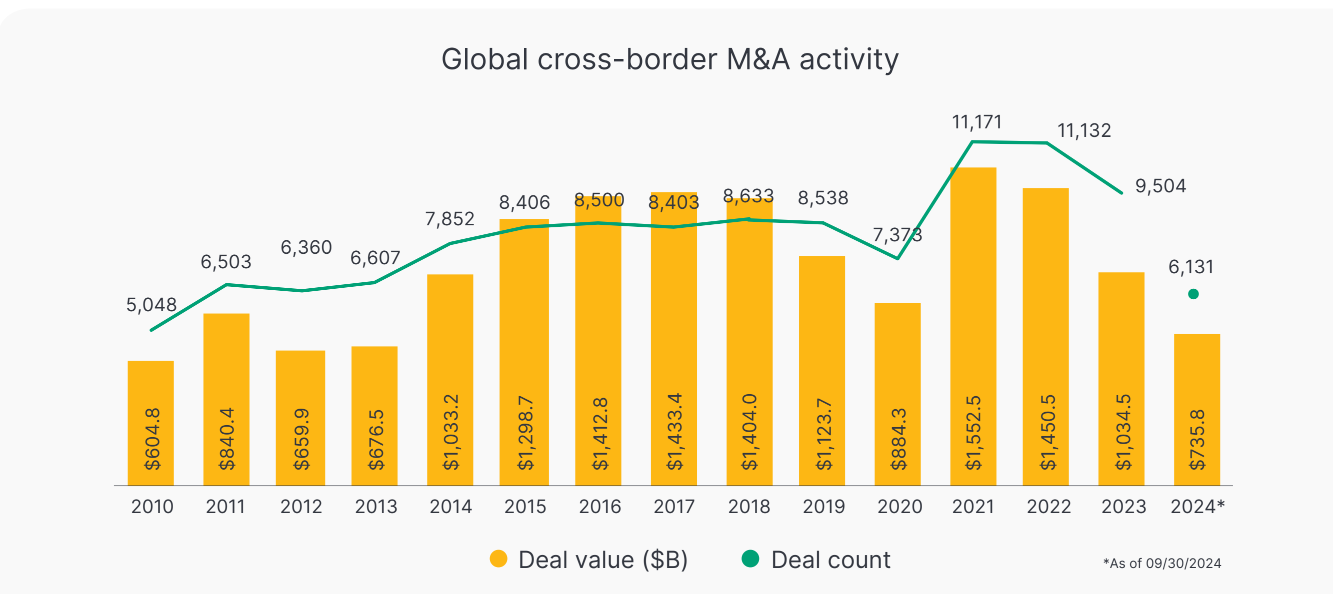
2017
2018
2019
2020
2021
2022
2023
2024*
Deal value ($B)
Deal count
*As of 09/30/2024

Companies Found Liquidity Through Local Acquisitions

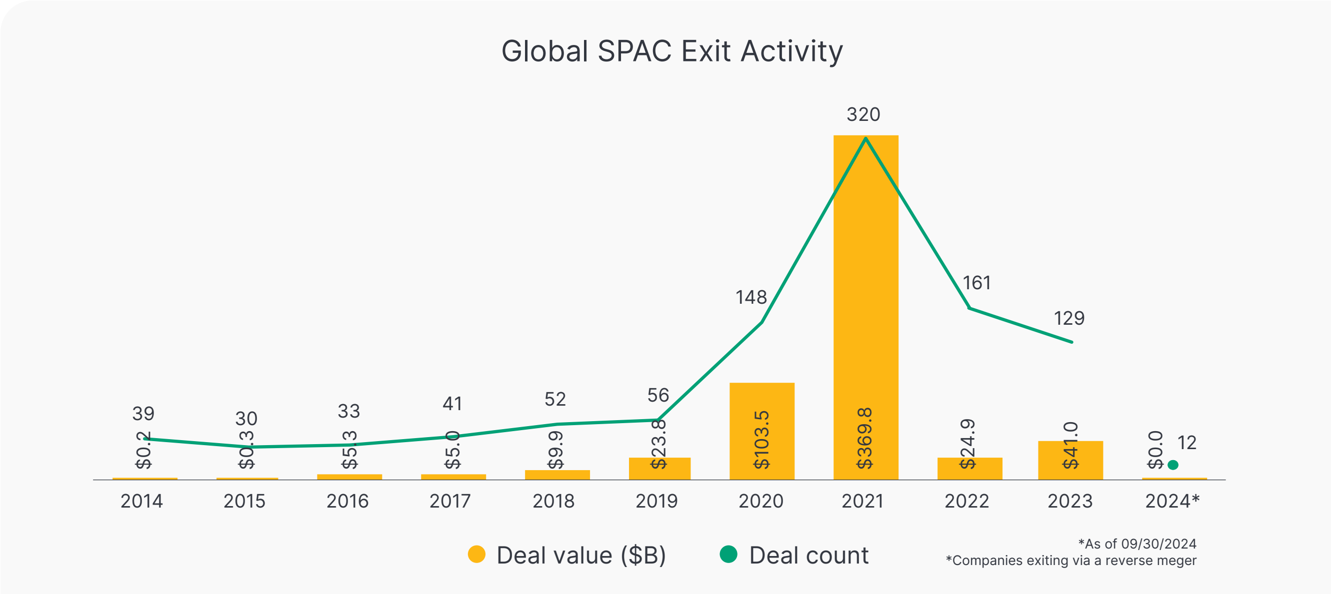
Despite tight macroeconomic conditions this year, local acquisitions withstood the liquidity squeeze. Cross-border M&A activity generated $735.8 billion across 6,131 deals YTD, mirroring the downward trends of overall M&A activity. Investors acquired more targets in familiar territory, showing both confidence in local startups as well as aversion to the risks of acquisitions in emerging markets. The frequency of US cross-border acquisitions continues to outpace that of European counterparts in Q3, with 273 cross-border acquisitions in the US compared with 185 in Europe, but cross-border deal counts across both regions fell to some of the lowest levels recorded since 2010. Global cross-border acquisitions fell to pre-2014 levels across all industry targets.

While public exits through SPACs provide more liquidity options for companies outside of M&A, SPAC exits have become rare. Global SPAC exit activity plummeted to 12 exits that only generated $45.9 million in value. The broader downturn in IPO activity and the US Securities and Exchange Commission's recent adoption of greater SPAC disclosure requirements undergird this year's shift away from SPACs, effectively ending the SPAC fever.[3]

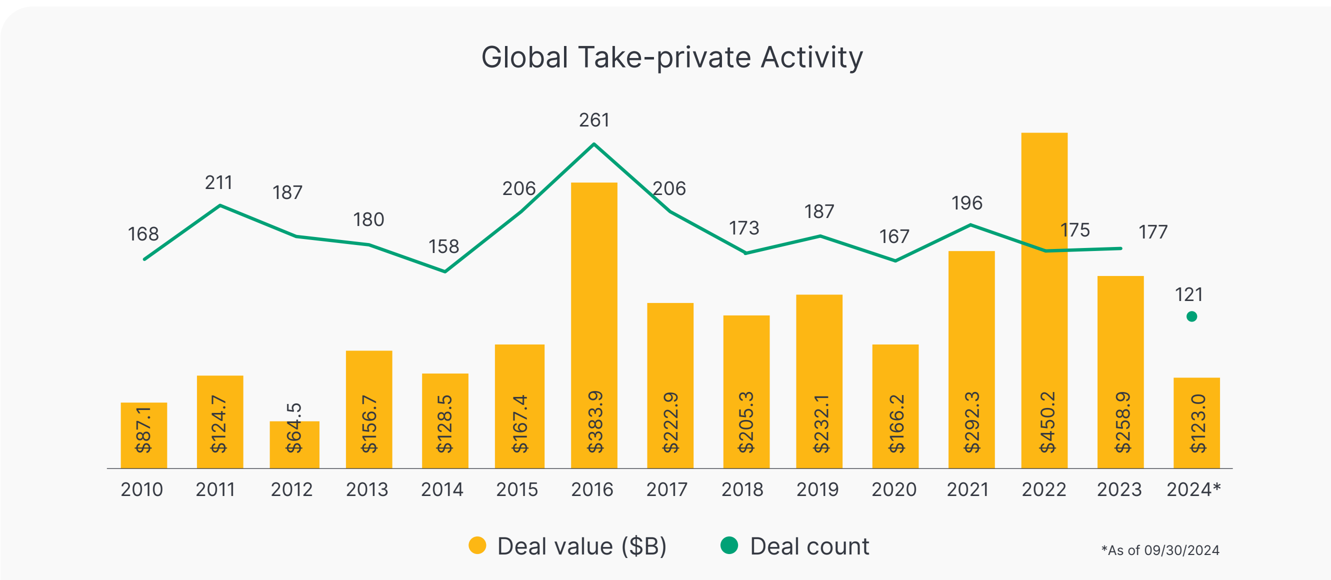
PE firms did not find many acquisition targets on public exchanges either, given higher debt financing costs and uncertainties around valuation arbitrage. Global take-private activity was muted this year with only $123 billion in value generated across 121 deals YTD. The current lackluster exit environment also dampens investor optimism around future exit opportunities, which is necessary to justify a take-private.



3 "SEC Adopts Rules to Enhance Investor Protections Relating to SPACs, Shell Companies, and Projections," US Securities and Exchange Commission, January 24, 2024.



Global SPAC Exit Activity
39
30
33
41
52
56
148
320
161
129
12
$0.2
$0.3
$5.3
$5.0
$9.9
$23.8
$103.5
$369.8
$24.9
$41.0
$0.0
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024*
Deal value ($B)
Deal count
*As of 09/30/2024
*Companies exiting via a reverse meger



Global Take-private Activity
168
211
187
180
158
206
261
206
173
187
167
196
175
177
121
$87.1
$124.7
$64.5
$156.7
$128.5
$167.4
$383.9
$222.9
$205.3
$232.1
$166.2
$292.3
$450.2
$258.9
$123.0
2010
2011
2012
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2021
2022
2023
2024*
Deal value ($B)
Deal count
*As of 09/30/2024

Expert Q&A

Leslie J. Levinson

Partner, Robinson+Cole

Leslie J. Levinson is co-chair of Robinson+Cole's Transactional Health Law group, and a member of both the Health Law and Business Transaction groups. He has represented private and public businesses throughout his more than 30-year career. Although Les maintains an active business law practice, he concentrates on the transactional, regulatory, and compliance representation of healthcare and life science clients, including home care and hospice companies, physician practices, durable medical equipment companies, information technology and medical device companies, healthcare equipment providers, and healthcare investors and lenders. He brings a proactive approach to problem-solving by anticipating issues and implementing creative and cost-effective strategies and solutions.

The previous edition of this report from earlier this year discussed a challenging landscape for M&A given a poor economic outlook and geopolitical tensions entering 2024. In your practice, how has broader dealmaking sentiment evolved since then? What has surprised you the most about the M&A environment in 2024?

High interest rates have been one of the leading, if not primary factors in suppressing deal activity in 2024. However, the recent long-anticipated interest-rate cut along with prospects of an additional cut later in 2024 have given deal parties reason to be more optimistic, and we are seeing a pickup in both actual deal flow as well as overall transaction interest.

Given growing demand for liquidity and desire for exits after a few slow years for transactions, have you experienced any changes in the balance of negotiating power between parties involved in M&A transactions?

Parties are still experiencing valuation resets from the peak highs of 2021 and early 2022, with buyers being more judicious in amounts they are willing to pay for most assets and using other deal-bridging mechanisms like earnouts to mitigate pricing risks while still maintaining competitiveness in active deal processes. As such, 2024 has been more of a “buyers” market with the deal leverage associated with that.

What tools are buyers and sellers using in response to longer timelines for deal closings and heightened due diligence processes (earlier engagement with counsel, particular clauses, etc.)?

Greater use of outside consultants and advisors (accounting, financial, regulatory where applicable, insurance, benefits, etc.) in diligence processes are commonplace in today’s marketplace as compared with earlier periods, which among other things is leading to longer and deeper due diligence processes. In addition, given these risk concerns, we are seeing purchase agreements with more detail in the scope and depth of representations and warranties.

What are the current priorities for PE buyers compared with those of strategic buyers? Have you witnessed any changes in their approaches so far this year?

PE buyers are being more cautious in the companies they are pursuing, with an emphasis on seeking out perceived “quality” companies. PE firms are also being more thorough and detailed in their due diligence processes. Again, given in large measure to the more challenging interest-rate and capital markets environment and the impact this has had on deal work.

Do you expect larger deals to continue driving the majority of deal activity until the end of the year, or are more opportunities opening up for smaller and middle-market transactions?

We are extremely active nationally in the middle-market transactional space across a variety of industry verticals and expect that to continue through the balance of 2024 and into 2025.

How do you expect AI-related M&A trends to adjust in the coming quarters? What other industries or areas are attracting more or less interest from dealmakers this year?

Interest in technology deals generally continues. Healthcare services have also continued to attract significant interest.

What other topics are top of mind for your team and clients today, and why?

With respect to sell-side clients—being realistic about outcomes, timing to complete, and being prepared and able to respond to due diligence requests with thoughtful and timely updates are more important than ever.

Methodology

Reports are prepared in accordance with PitchBook's methodology, which is described in detail on the PitchBook report methodologies page.

M&A is defined as the substantive transfer of control or ownership. We track only completed control transactions. Eligible transaction types include control acquisitions, leveraged buyouts (including asset acquisitions), corporate divestitures, corporate asset purchases, spin-offs, and asset divestitures.

Debt restructuring or any other liquidity, self-tenders (in which a company undertakes an offer for a typically limited number of its own shares to ward off a hostile takeover), or internal reorganizations are not included.

Deal Timing and Inclusion

- Only completed transactions were included.
- Rumored or canceled deals are not included. Aggregate transaction value is extrapolated using known deal values, unless otherwise noted as estimated.

Leverage technology to accelerate your diligence process, transform your firm's collective experience into quantifiable insights, and close deals faster and more securely.

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Kira

FOUNDATION
Dragon

LITERA
Transact

Better Informed

Uncover key language in contracts quickly and accurately using Kira's AI technology

Turn your firm's experience into client value using Dragon

Better Managed

Manage transactions securely, efficiently, and collaboratively using Litera Transact

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Better Deals

TALK TO AN EXPERT

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