

Business Owner Advisory

Mid-Year 2024 M&A Activity Update



The first half of 2024 witnessed a notable and somewhat unexpected resurgence in global M&A activity, with total deal value reaching approximately \$1.5 trillion. Despite a 33% dip in deal volume, the US market experienced a 39% surge in deal value year-over-year, accounting for a significant 53% of global deal-making.¹

1H 2024 OBSERVATIONS

SIZE DIVERGENCE:

The surge in M&A activity was predominantly fueled by large (>\$1B) and mega deals (>\$10B), which constituted an overwhelming portion of the total deal value. In contrast, the small-cap segment (<\$50MM) continued its downward trajectory, with deal value plummeting by 47% and deal volume shrinking by 34% year-over-year. Despite these declines, the US small-cap segment completed over 5,300 deals, amassing approximately \$14.9 billion in transacted deal value. Additionally, the small-cap segment saw an 11% improvement quarter-over-quarter in deal value.² While

activity in the large and mega deal segments is reassuring for broader M&A activity, the incredible pace of these deals is likely unsustainable in the long term.

RETURN OF THE IPO:

Following a prolonged hiatus, the initial public offering (IPO) market saw numerous new issuances in the first half of 2024, which were received favorably by public investors. The recovery of public market activity should, we believe, create a favorable climate for deal-making and allow private equity firms to monetize some of their larger investments, return capital to investors, and fundraise for new funds, thereby driving future M&A activity.

SIDELINE WATCHING:

Numerous economic indicators turned positive during the first half of the year, instilling confidence for increased deal activity. However, some business owners remain cautious, awaiting further signs of improved deal activity and more favorable terms for sellers. Nevertheless, many business owners on the shorter end of their transition runways have begun to explore the market by initiating discussions with deal professionals, potentially setting the stage for increased activity in the second half of the year.

2H 2024 PREDICTIONS

ECONOMIC REVIVAL:

Continued improvement of economic indicators, specifically decreasing inflation and potential interest rate cuts by the Federal Reserve, are expected to fuel additional deal activity. Sentiment among both buyers and sellers continues to improve regarding future prospects. Coupled with more favorable monetary policy, this optimism should encourage increased interest in deal activity.

PRIVATE EQUITY:

Private equity firms continue to be armed with significant dry powder (~\$1T)³ and remain opportunistic in their acquisition opportunities. Although there is no immediate urgency to deploy capital, given the lower levels of M&A activity over the past two years, PE firms are likely, in our view, becoming more eager to make initial platform investments and seek add-on companies to enhance their portfolios. Additionally, extended holding periods for PE portfolio companies are expected to prompt increased pressure to realize these investments and return capital to investors.

STRATEGIC CORPORATE ACQUIRERS:

Corporations, continuing to be flush with substantial cash reserves, appear to be increasingly turning to M&A as a strategic avenue to meet earnings expectations amidst a dynamic global environment. The landscape for organic growth opportunities, while improving, seems to be relatively constrained, prompting corporations to leverage their financial strength in pursuing acquisitions that can provide immediate benefits and enhance shareholder value.

DEALMAKERS:

Dealmakers maintain a cautiously optimistic outlook for the remainder of 2024. This optimism is underpinned by a recent flow of both successfully closed deals and renewed interest from potential sellers. The notable uptick in pitches with sellers frequently translates into new sell-side engagements which will provide for sustained deal activity in the second half of the year.

THE WRAP

The first half of 2024 has laid a solid foundation for M&A activity. Improved market sentiment and potential interest rate cuts could serve as important catalysts for the remainder of the year. While it remains to be seen whether the second half will produce an uptick in activity across all deal segments, it is clear that deal preparation activity is underway, and confidence appears to be building among dealmakers and exiting business owners. At a minimum, the latter half of 2024 will set the stage for a likely revitalization of M&A activity in 2025.

¹“Global Mergers & Acquisitions Review”, LSEG, First Half of 2024, page 1.

²“Global M&A Small Cap Advisory”, LSEG, First Half of 2024, page 1.

³“US PE Breakdown”, PitchBook, Q2 2024, page 29.

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