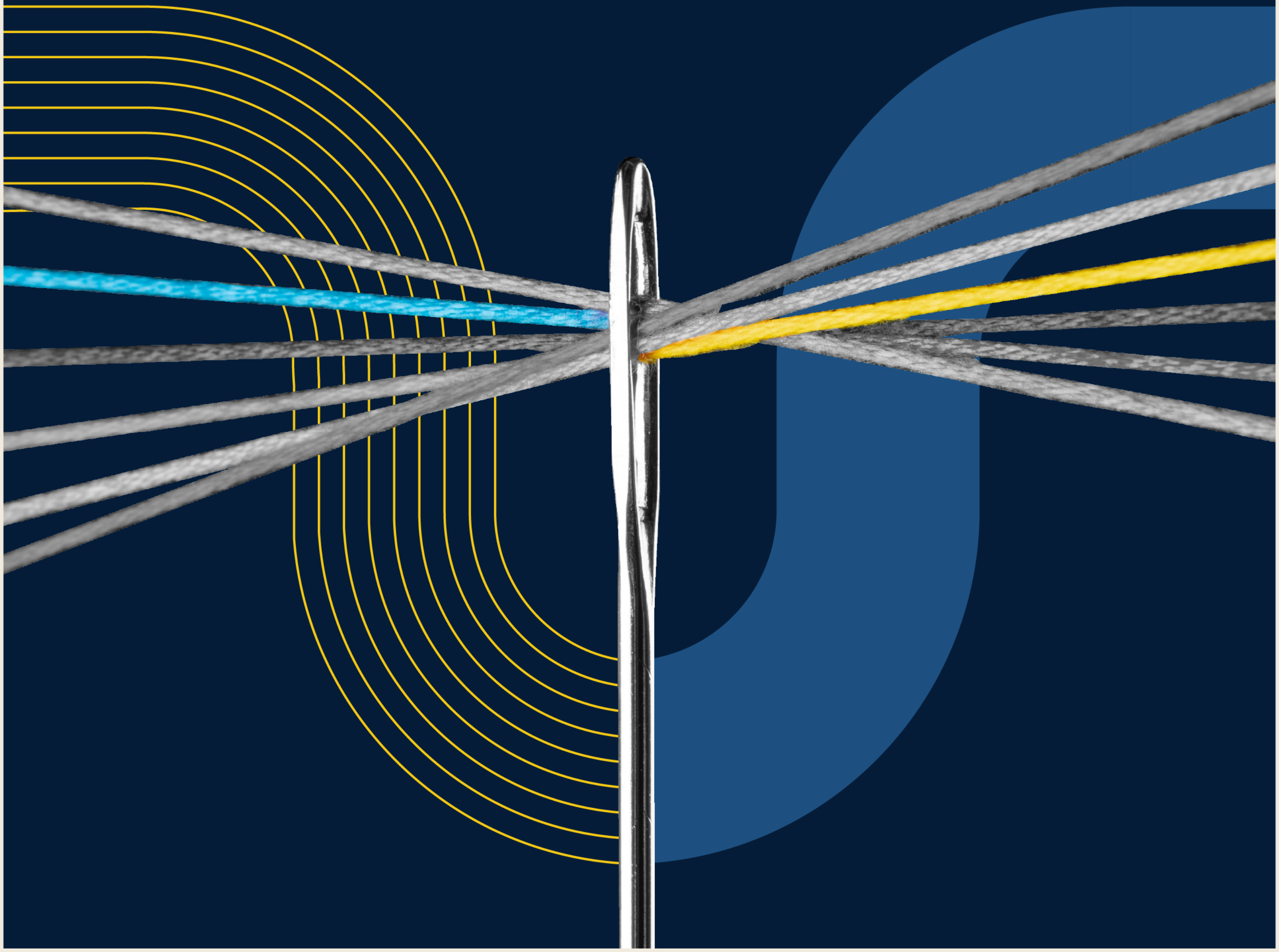
PitchBook

Q3 2023

GLOBAL M&A Report



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Liberty Global Transaction Solutions

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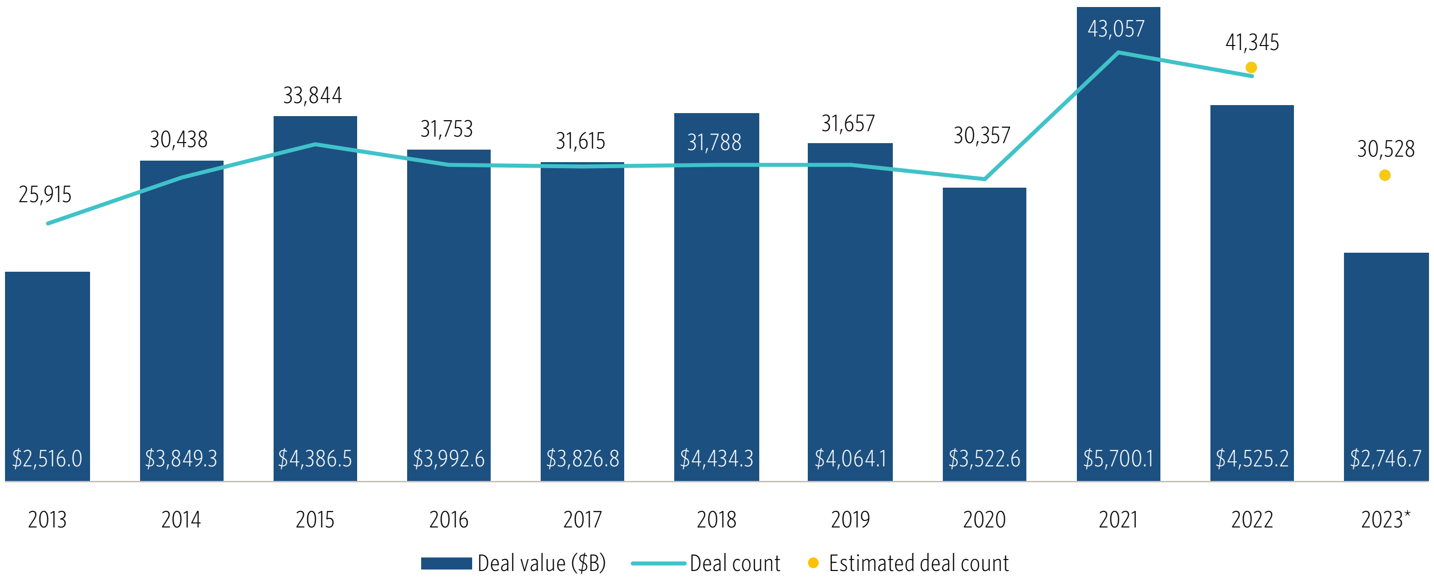
Overview

M&A activity



Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Tim Clarke
Lead Analyst, Private Equity

Nearly two years after reaching its zenith in Q4 2021, the downturn in global M&A shows no signs of slowing and in fact accelerated in Q3 2023. It was a quarter that began with a budding recovery in equity and debt underwriting and stabilization following the bank minicrisis. However, it ended with the threat of a US government shutdown and a less-friendly interest rate outlook by central banks, which gave M&A dealmakers pause.

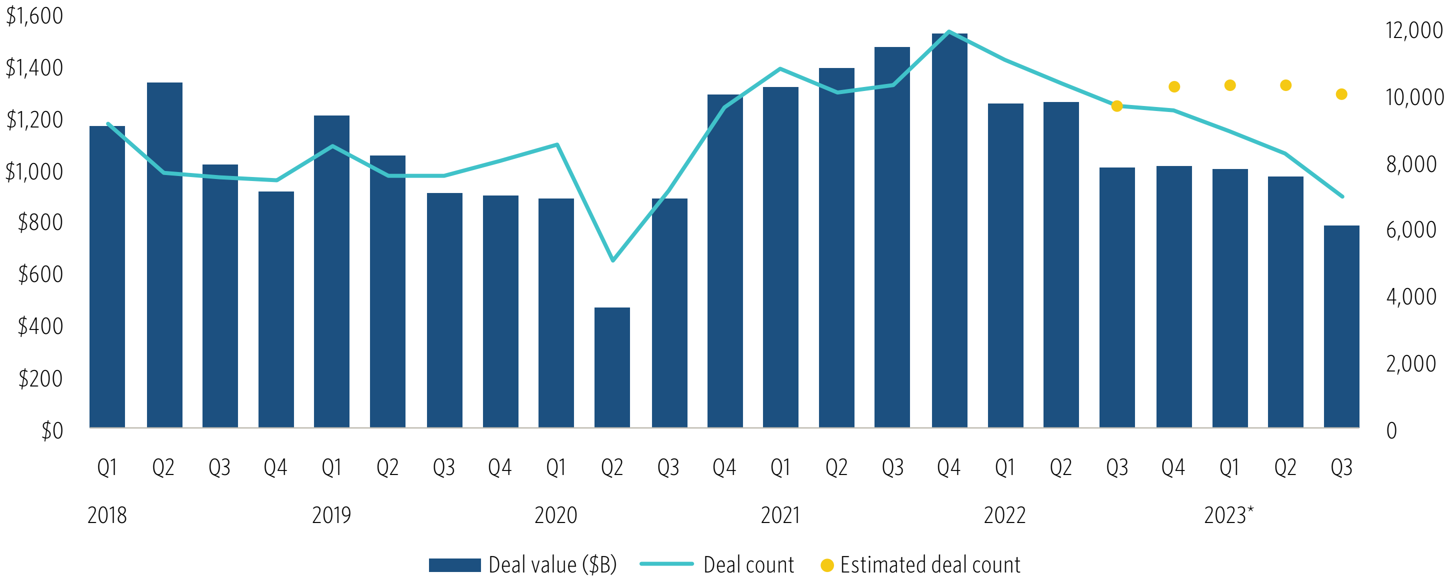
Global M&A value fell sequentially by 19.9% in Q3 2023. Outside of the COVID-19-induced lockdown of Q2 2020, the $776.8 billion recorded deal value was the lowest quarterly total in nearly 10 years, falling 49.0% below the quarterly peak from nearly two years ago. Deal value is down 22.5% YTD despite a negligible decline in deal count (-2.5%), which neatly sums up the current state of play: Dealmakers are biding time with smaller deals until conditions improve for megadeals. Sponsor share of M&A deal flow has contracted to 33.1%, 4.8 percentage points below its Q4 2021 peak, en route to a second year of decline after 10 consecutive years of expansion. PE's share of M&A has no doubt been constrained by reduced access to leverage. The debt/EV ratio on US leveraged buyouts financed this year in the broadly syndicated loan market has plummeted from 50.8% in 2022 to 43.9% YTD, the lowest total recorded going back to 2005.

Is the bar now low enough to clear in future quarters? We think so. The preconditions for a rebound are still there, starting with the global total of $1.4 trillion in unspent PE dry powder, just 9.7% shy of its all-time high. An even larger cash pile is on the books of corporations. In the US alone, cash holdings surpassed $4.1 trillion in Q2 2023, an all-time record,[1] and the figure grows to $5.8 trillion when including reserves held overseas.[2] While only a portion of this is earmarked for strategic investments and acquisitions, untapped borrowing capacity and stock value easily compensate for the rest.

We also see pressure building on the valuation front. Public markets are looking expensive again relative to private markets. Trading multiples on the S&P 500 are more than twice those fetched by mostly private M&A deals on an

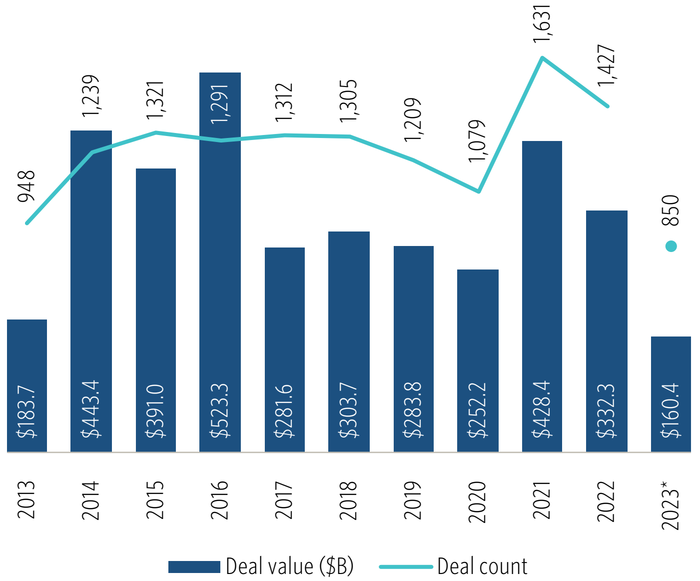
1: "US Corporate Cash Sets Record," The Cafang Group, September 23, 2023.
2: "Why Are US Companies Hoarding So Much Cash?" KelloggInsight, Michael Faulkender, Kristine W. Hankins, and Mitchell A. Petersen, April 29, 2022.

M&A activity by quarter



Source: PitchBook • **Geography:** Global
*As of September 30, 2023

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



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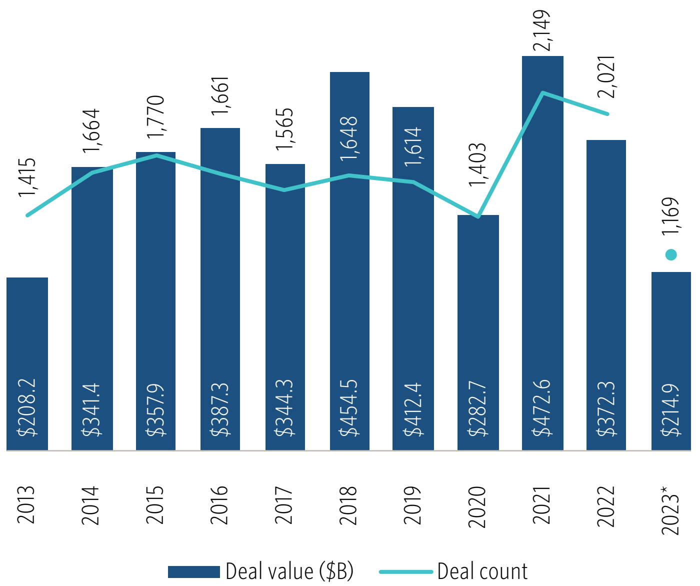
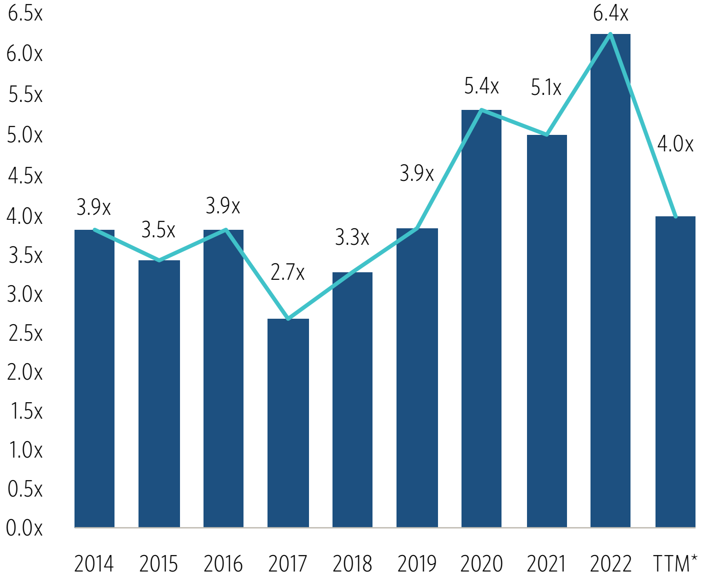
*As of September 30, 2023

European M&A activity with non-European acquirer



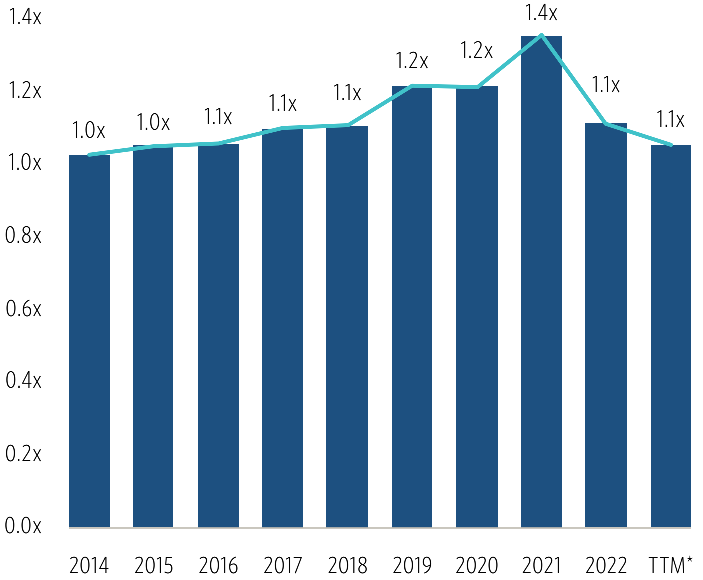
Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

M&A megadeal EV/revenue multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023
Note: Megadeals are deals that are $5 billion or larger.

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



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

EV/revenue basis. The spread has widened to where it was prior to the massive take-public wave of 2020 and 2021. While we do not expect a similar flood of new listings any time soon, we think this arbitrage closes through some means. A modest pickup in new-issue equity and debt underwriting would get things rolling, with an M&A recovery likely to follow, led by public buyers cashing in on the much lower valuations of private targets.

More anecdotally, we are halfway through the earnings reporting season with publicly traded investment banks and PE firms providing forward guidance and lead indicators on the deal outlook. Notably, investment banking backlog comparisons at the leading firms turned positive in Q2 for the first time in five quarters, although some of that was given back in Q3. And PE firms have consistently reported a narrowing in bid-ask spreads, which needs to happen to pave the way for more transacted volumes. In the most recently reported quarter, the top seven US-listed PE firms posted the first uptick in PE deployment, snapping a three-quarter skid, as covered in our Q2 2023 US Public PE and GP Deal Roundup.

For these reasons, we believe that the currently weak trend in M&A will give way to an eventual recovery. Recent events have most likely pushed that recovery from Q4 2023 to Q1 2024, but somewhere around this two-year anniversary we expect the tide to turn.

Valuations

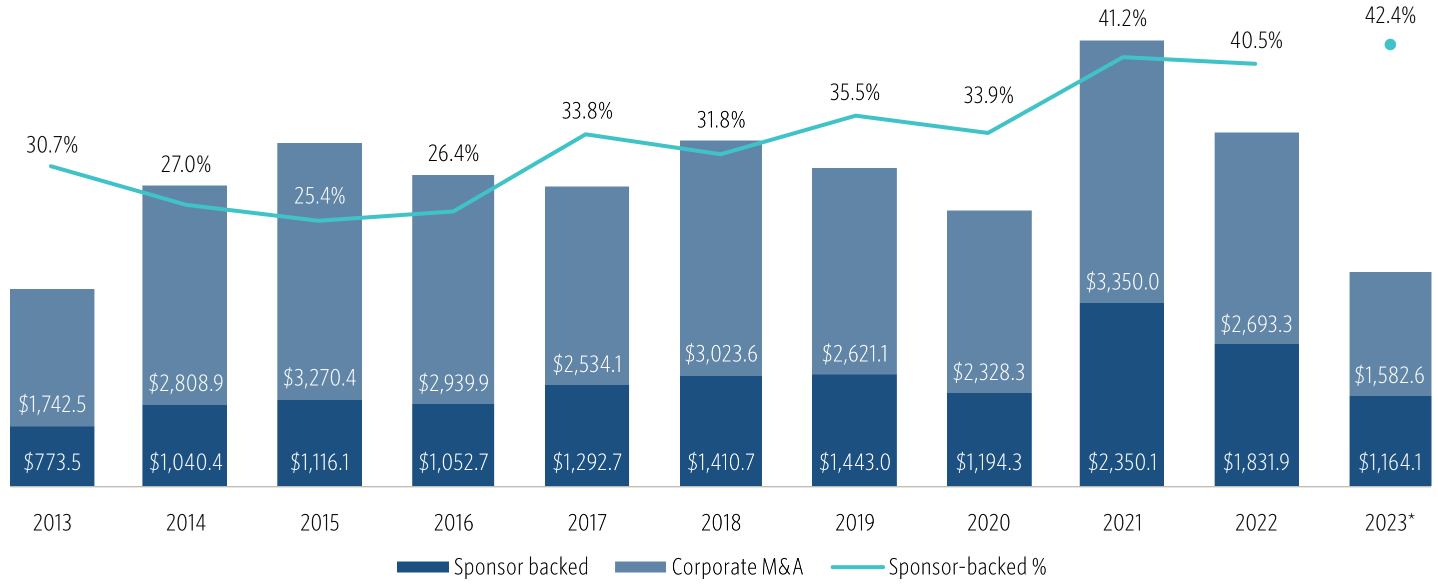
Looking at regional transaction data, we find that Europe is mostly aligned with global trends. Europe's Q3 M&A volume is down 6.4% sequentially, yet it is up 7.9% relative to last year. In terms of deal value in Europe, it is down 18.3% sequentially and down 23.5% relative to last year, reflecting the sting of higher financing costs.

Global transaction multiples are showing signs of stabilization heading into the end of 2023. The median EV/EBITDA multiple held steady at 8.7x for the 12 months ended Q3 2023, in line with 8.7x in 2022. While this is below the all-time peak of 10.6x in 2021 and the average of 10.0x between 2017 and 2019, we find the stability encouraging, as it suggests the cyclical trough is in as long as the US does not fall into a recession.

EV/revenue multiples reflect similar trends. The median EV/sales multiple for the 12 months ended Q3 2023 is 1.6x, up from 1.5x in 2022. While below the peak of 2.0x in 2021, this aligns with the 2017 to 2019 average of 1.6x. The modest recovery in valuation multiples is a welcome sign and reflects the broad-based recovery in US public equity markets. While downside risk from a recession remains, we are encouraged by the prospect that the cyclical valuation trough is in the rearview mirror.

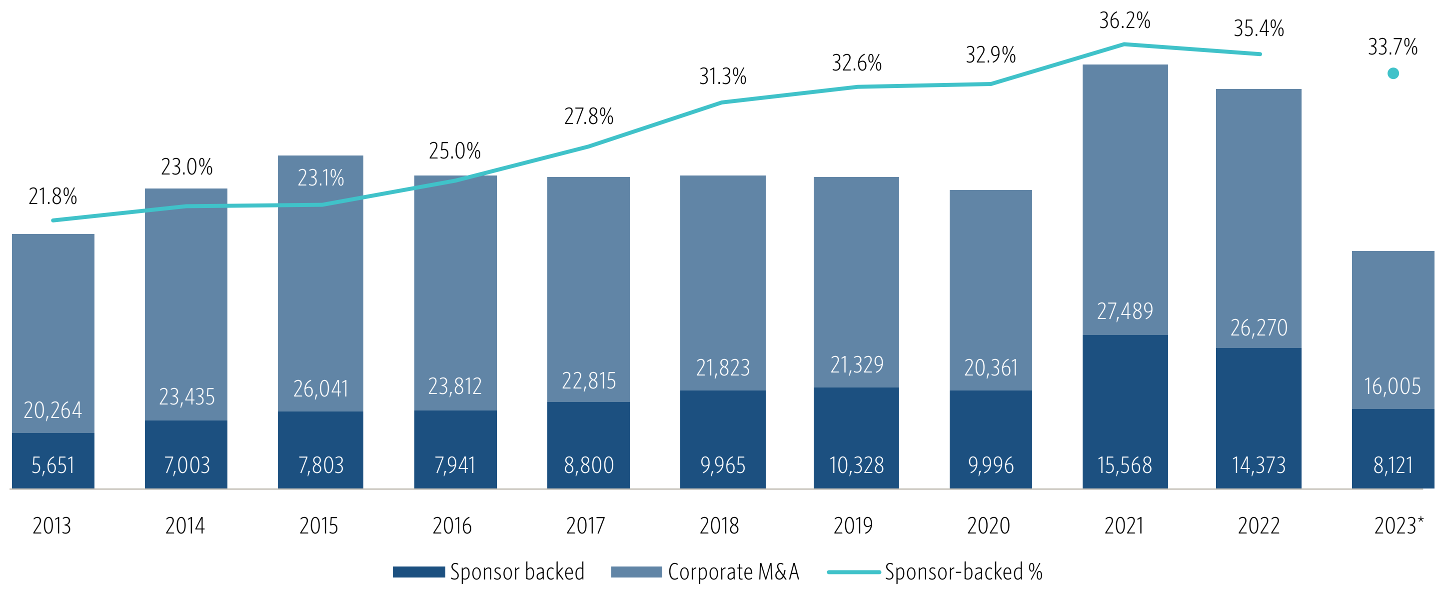
Deal metrics

M&A value ($B) by acquirer type



Source: PitchBook • **Geography:** Global
*As of September 30, 2023

M&A count by acquirer type



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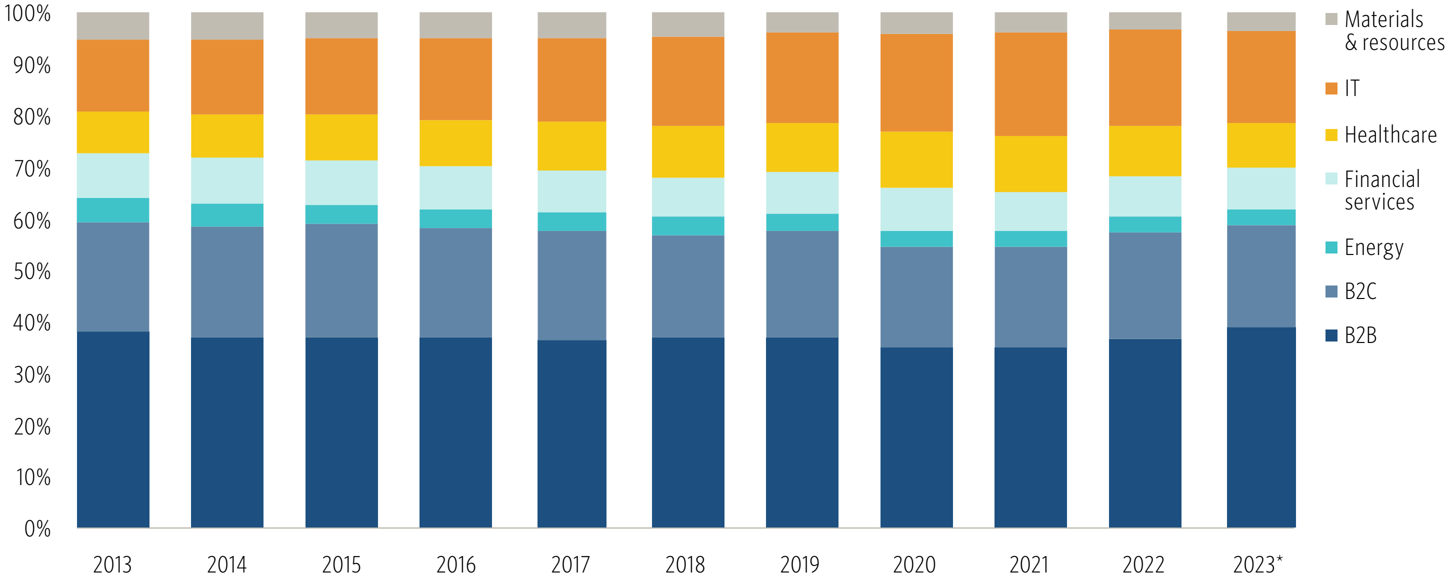
*As of September 30, 2023

Share of M&A count by sector



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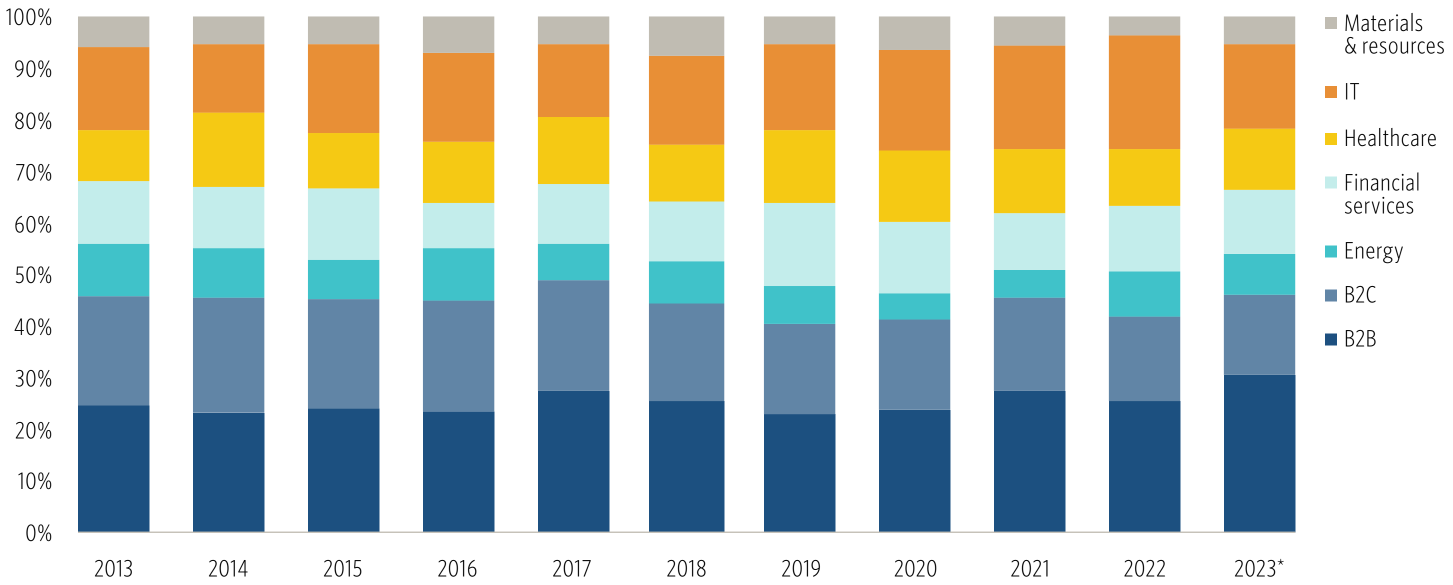
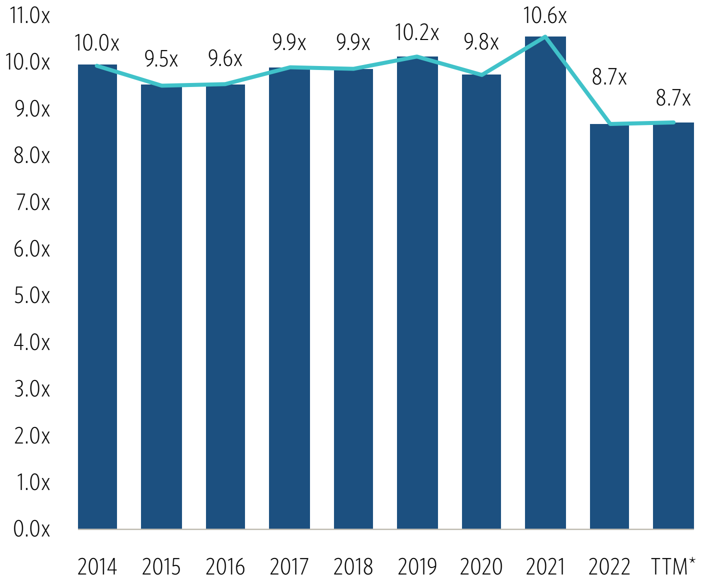
Share of M&A value by sector



Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Valuation metrics

Median M&A EV/EBITDA multiples



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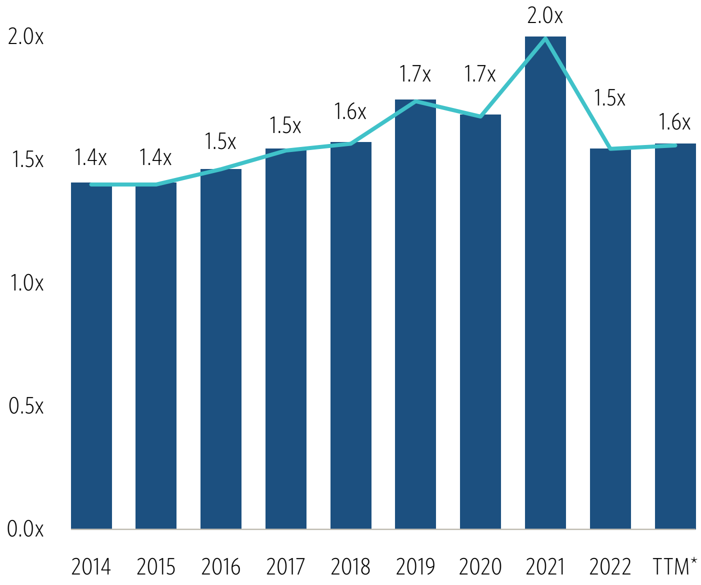
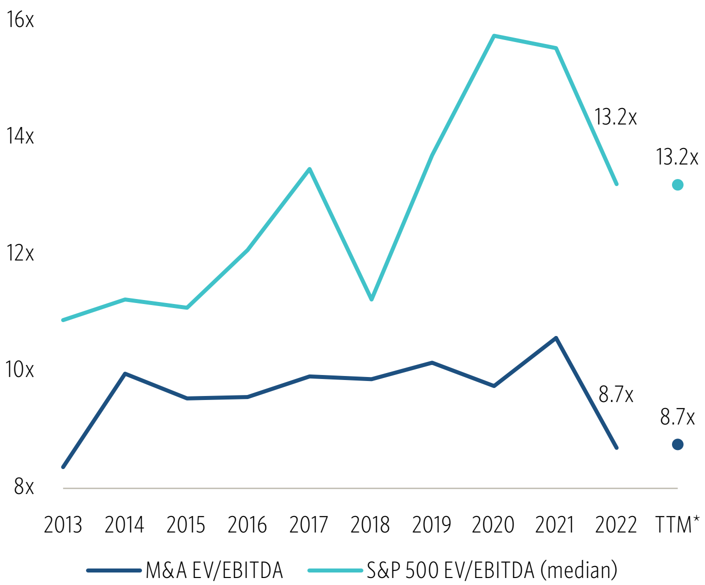
Median M&A EV/revenue multiples



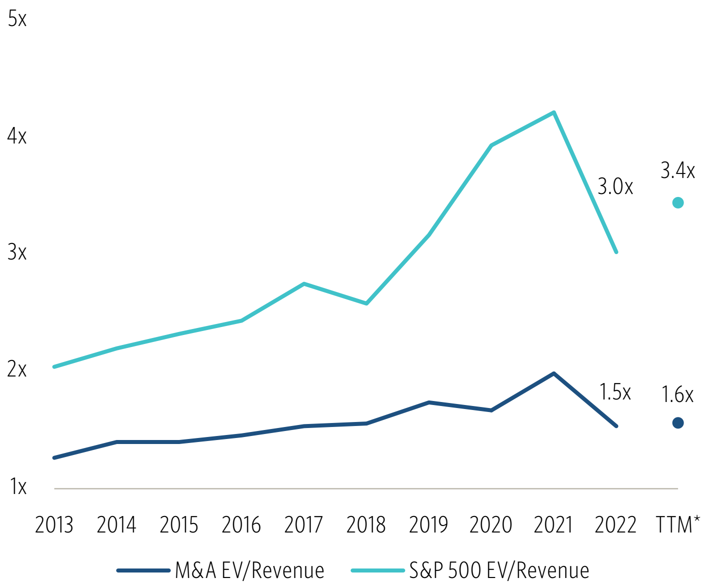
Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

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



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

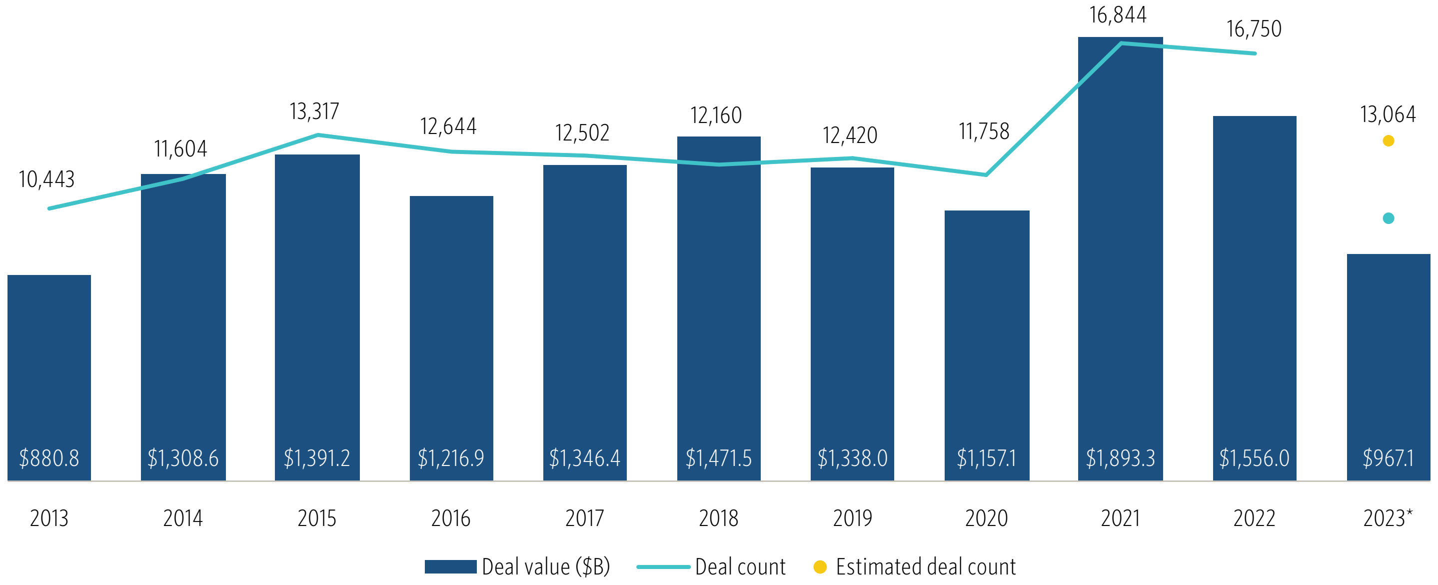
Public company trading multiples versus M&A multiples (EV/revenue)



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

European M&A

M&A activity



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Nicolas Moura, CFA
Analyst, EMEA Private Capital

In Q3, European M&A continued its downward trajectory, which started in Q3 2022 with deal value dropping 18.3% QoQ and 23.5% YoY. This drop in M&A appetite corresponds exactly to when central banks in Europe started their latest cycle of interest rate increases, going from near-zero rates to 4% for the eurozone and 5.25% for the UK. This tightening of monetary policy has been in response to high and persistent inflation, which has rocked the continent, stemming from COVID-19 and the Russia-Ukraine war. In contrast to North American macroeconomics, inflation has been much more resistant to drop in Europe. As such, we estimate the recovery will take longer in Europe, thus keeping downward pressure on valuations as discount factors remain high. This relative unattractiveness of Europe has led to a drop-off in M&A activity involving North American acquirers, falling from 10.5% of total European M&A deals in 2021 to 8.6% in 2023 YTD. Having said this, North American acquirers were involved in five out of the top 10 largest M&A transactions YTD and the three largest ones: Viterra's merger with US-based grains merchant Bunge for $18.0 billion; Worldpay's $12.7 billion partial sale to US-based private equity firm GTCR; and the acquisition of Viessmann Climate Solutions by US multinational company Carrier Global for $13.3 billion.

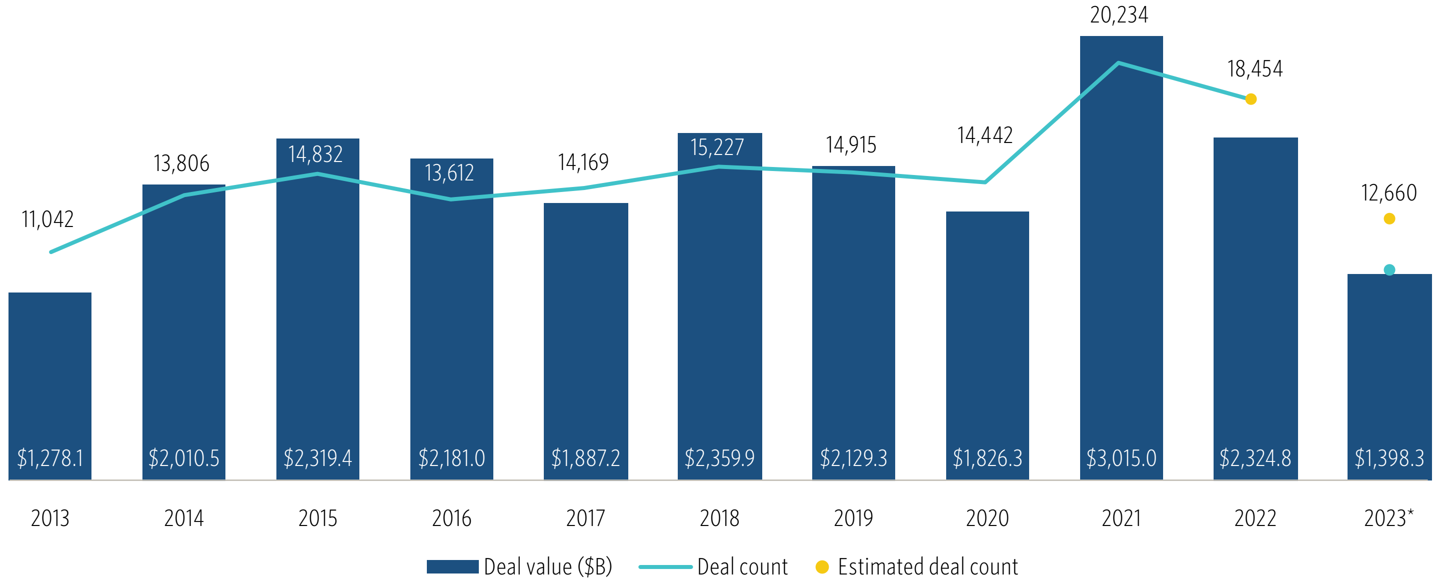
Another unwanted consequence of higher interest rates is that borrowing costs have soared, making large M&A transactions more costly as these often require significant debt financing. This has often led financial sponsors to turn to private credit, an industry that boomed in 2023 and is forecast to double within five years.[3] In fact, the largest-ever private credit deal, a $5.4 billion loan package by Vista Equity Partners to fintech company Finastra, was issued in Q3.

The tightening of monetary policy has also led to consolidation in the financial services sector, exposing certain balance sheets that were not as well capitalized as initially thought, such as Credit Suisse's; brokers suffering from the consequences of MiFID II, such as Numis Securities; or even asset managers hit with a toxic mix of outflows and poor market performance, such as Degroof Petercam. Ultimately, financial services M&A deals increased 93.1% YoY in Q3 in terms of deal value and 25.3% in terms of deal count thanks to these consolidations.

3: "Ares' Arougheti Sees Private Credit Doubling in 5 Years," Bloomberg, Katharine Hidalgo and Ronan Martin, September 21, 2023.

North American M&A

M&A activity



Source: PitchBook • **Geography:** North America
*As of September 30, 2023

Jinny Choi
Analyst, PE

M&A activity in North America experienced its second consecutive decline in both deal value and deal count, with an estimated 4,022 deals closed or announced for a combined value of $375.2 billion. QoQ, deal count declined by 5.8%, while deal value experienced a more severe 25.1% drop as dealmakers continued to turn toward smaller deals in the face of higher financing costs, reduced lending, and lingering buyer-seller valuation disconnect. On an annualized basis, M&A activity is expected to fall short of that seen in 2022 by a similar magnitude—deal count is on track to fall 7.9% below 2022 levels, while deal value is expected to fall by 19.3%.

In the US, the federal funds rate held steady at its 22-year high in September as officials paused their rate hikes to assess inflation data. A halt in interest rate hikes would put less upward pressure on borrowing costs, which have been a major headwind for dealmaking. However, the Federal Reserve has signaled the bank could be due for another rate increase above the current 5.25% to 5.5% range before the end of the year. In Canada, markets are increasingly betting on another interest rate hike in October as inflation remains stubbornly high. Mexico was the only country out of the four included in PitchBook's North America region that saw a modest recovery in both deal value and deal count. Mexico could see a boost in M&A activity driven by "nearshoring" efforts to move manufacturing & supply chain operations closer to end-consumers in the US.

The top 10 North American deals in Q3 totaled $82.8 billion, which was a 21.3% decline QoQ. Six out of seven sectors were represented in the deal leaderboard, reflecting a diverse opportunity set across the market despite muted M&A activity. Materials & resources, the only sector left out of the top 10 list, was seen at the 14th spot featuring Summit Materials' $3.2 billion acquisition of cement and ready-mix product manufacturer Argos USA. Corporate buyers also dominated the leaderboard, as corporations with appetite for strategic investments and cash on hand have been pursuing acquisitions to implement their growth and transformation plans. Corporate buyers were also able to afford large deals more easily because of their ability to issue bonds, while PE buyers struggled in a challenged lending market to secure leverage. With a near-record amount of dry powder still available, we expect sponsor-driven M&A activity to bounce back with the overall rebound in M&A activity.

A WORD FROM LIBERTY GTS

M&A insurers increasingly being judged on their claims service

Warranty and indemnity insurance is a relatively new class of business, and as it begins to mature, the focus of insureds is increasingly on claims service rather than simply price. Clients now expect to deal with an experienced claims team that is collaborative and service driven, which ultimately leads to a smoother and more efficient process, according to Liberty GTS' upcoming annual claims briefing. The report is an in-depth assessment of M&A insurance claims and is based on data drawn from almost 500 notifications received since 2019 in 14 jurisdictions across the Americas, Asia-Pacific (APAC), and Europe, Middle East, and Africa (EMEA).

Claims service is particularly important for insureds that have already been through a claims process: They will know that not all M&A claims experiences are the same. They can vary depending on the experience and attitude of the insurer and its claims-handling team.

It is increasingly important for insureds to look beyond the lowest premium and nonessential coverage add-ons and scrutinize at the outset which insurer or entity will be sitting behind their policy. This includes making inquiries about how that insurer or entity is set up to handle claims and its track record for paying claims. The reason is obvious: Claims handling is at the heart of what insurers sell. Maintaining confidence in the claims process is critical for the continued success of the product.

Claims processing requires collaboration from the outset, with transparency and communication being key to a successful resolution

The claim-investigation phase should be a collaborative process and a continuation of the partnership already in place between the insurer and its insured. The key is to try and strike the right balance between ensuring that the insurer gets the information that it needs to reach a coverage decision and making sure that the process of getting there does not become overly burdensome and drawn out.

This is not always a straightforward tightrope to walk and relies on the reasonableness of the positions taken by both sides and an understanding that it can take time to bottom out particularly complex issues. It helps, of course, if the claim is being handled by an experienced claims team that understands the product and has been through the claims process many times over. This cannot be taken for granted given the large number of new insurers that have recently entered the M&A insurance space (either through writing the business directly or via a managing general agent).

Simon Radcliffe

Head of Claims

Liberty GTS

Simon Radcliffe has overseen the Liberty GTS claims practice since February 2019. Simon qualified as a lawyer in England and Wales in 2008. During his time in private practice, Simon specialized in assisting insurers with investigating and assessing policy claims across a range of business lines, with a particular focus on handling high-value M&A insurance claims. Simon has extensive London market experience and undertook secondments at two leading Lloyd's syndicates before joining the GTS team.

Of course, we do not always share the insured's views on certain issues, but when this happens, we will always try and work with our insured to resolve any differences in a sensible and pragmatic way. In our experience, full-blown coverage disputes remain rare.

Ultimately, M&A insurers have an incentive to behave reasonably in a claims scenario. If they don't, their reputation may suffer, and this could impact their standing in the eyes of repeat buyers of the product, law firms, and brokers. This matters much less to a seller, especially if they are transacting with the buyer on a one-off basis. Indeed, we have seen many instances of sellers taking very aggressive positions in response to the same claim that has been presented to us, resulting in the seller and the buyer becoming quickly entrenched in a dispute.

There are other equally important stakeholders in the claims process

It is important to appreciate that there are more stakeholders in the claims process than just the insured and the insurer. The broker has an important part to play, as demonstrated by the fact that most brokers now have dedicated M&A claims experts with whom we work daily. The broker is in a prime position to understand the needs of both parties, and it can communicate to an insurer where resolution of a particular claim is especially urgent or crucial to a business and can similarly communicate to an insured why certain documents need to be produced in order to substantiate a claim. These types of candid conversations are crucial for maintaining momentum, helping prevent the breakdown of communication and limiting the likelihood of disputes arising. This works to everyone's benefit.

The parties' professional advisors also have an important part to play to the extent that they are involved in the claims process (this is not the case for every claim, as we handle many ourselves without any external assistance). Ultimately, we view the engagement of advisors as a tool to make the claims process more streamlined and less cumbersome for our insureds given the complexity of some transactions and the level of scrutiny sometimes required to confirm coverage. In terms of selection, we hand-select advisors, specific to our business, which have both the proper expertise and outlook toward the claims process that will promote an efficient and collaborative experience (by, for example, ensuring that we are asking the correct questions from the outset). It is vital that the insured's advisors approach the claim in the same way and with an understanding that achieving the correct balance between collaboration and advocacy is important. Adopting an overly aggressive position at the outset is likely to be counterproductive and actually increases the risk of a dispute, especially if insurers have not been provided the information that they reasonably need to make a coverage assessment.

The claims process can be more challenging when there are multiple insurers involved

We are seeing a trend in EMEA (and to a lesser extent in APAC) whereby insureds are increasingly looking to build a tower of policies that are each written by a different insurer in circumstances where, depending on the limit required, they might have taken out a single policy written by one insurer. This practice is, of course, already common in the Americas.

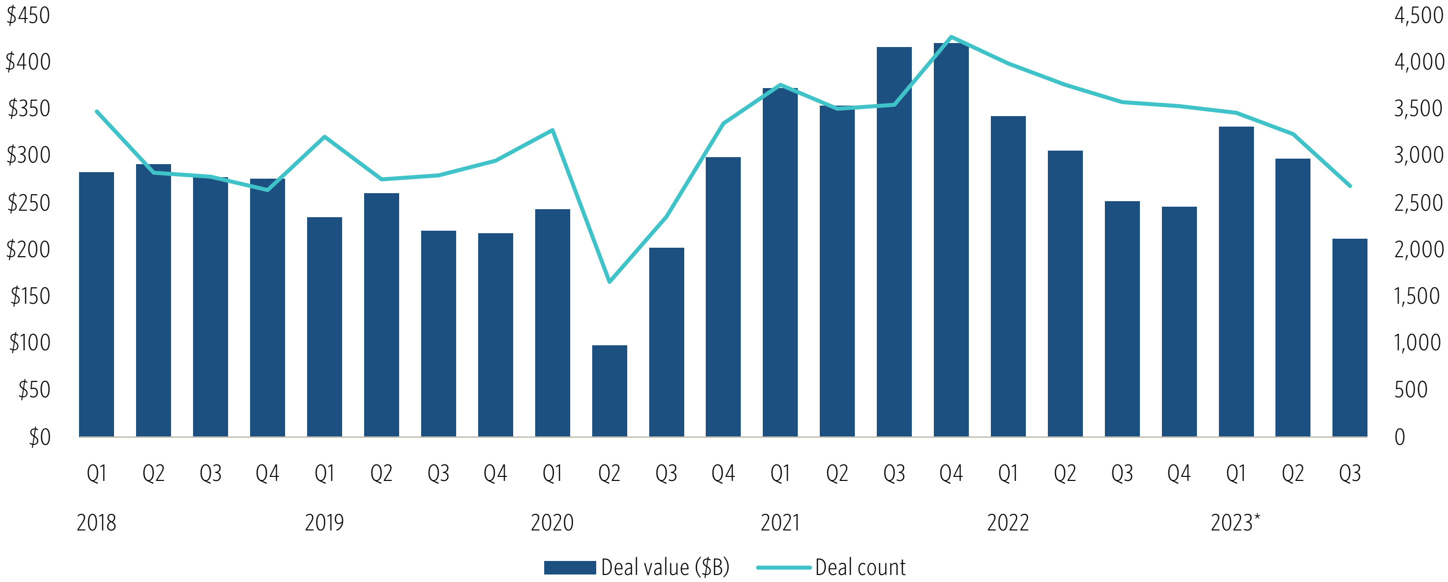
Depending on the claim's size, an insured will have to deal with multiple insurers (and, quite possibly, legal advisors) in a tower scenario. Inconsistent positions might arise on issues such as requests for further information and documentation, handling of a third-party claim, and even coverage. This is undoubtedly an issue that the market needs to address, with better coordination between layers. Large losses bring the risk that significant time and cost can be incurred on navigating these issues rather than focusing on helping the insured recover and move forward as effectively as possible.

Of course, many of these claims-handling challenges can be avoided by adopting a single-policy approach because the insured will need to deal with only one insurer. The usual reason that is given by some insureds for not going down this route is that they have reservations about putting their trust in a single insurer in case they don't pay or they behave improperly in the event of a large claim. The key to getting comfortable with this risk is to understand at the outset who sits behind the policy and their claims-handling capabilities.

An established insurer with a strong balance sheet that writes M&A insurance for its own account and has dedicated in-house M&A claims experts is best placed to respond promptly and sensibly to a claim, whatever its size, and to deliver an expedited and efficient claims service to its clients, no matter the policy limit.

B2B

B2B M&A activity by quarter

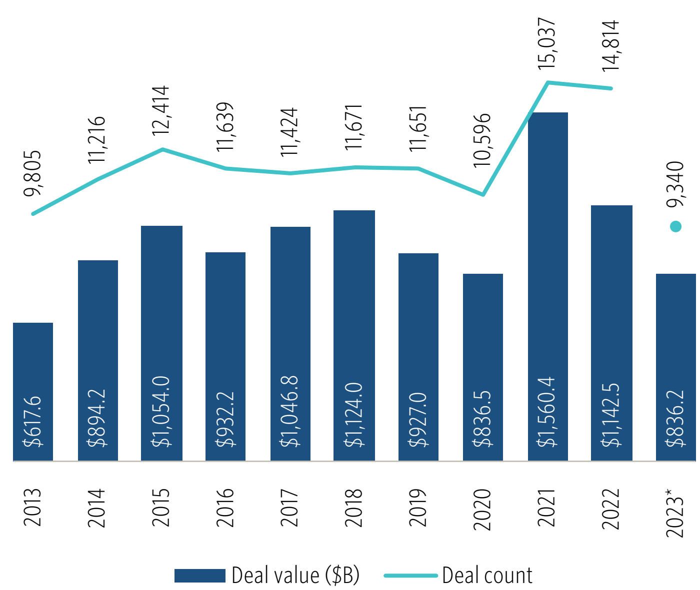


Source: PitchBook • Geography: Global
*As of September 30, 2023

Garrett Hinds
Senior Analyst, Private Equity

B2B is pacing in the middle of the pack: The B2B sector posted a mixed third quarter in terms of deal activity. An estimated 3,876 deals were announced or closed for an aggregate of $208.0 billion, which equates to YoY growth of 8.7% in deal count but a decline of 16.9% in deal value. Despite some stabilization in the macroeconomic backdrop, there continues to be a divide between the valuation aspirations of sellers and the reality of buyers coping with more expensive financing. To this end, many B2B companies are focusing on internal investment to enhance shareholder value while waiting for a more favorable macro backdrop. Large strategic buyers are increasingly important in these uncertain times and may pursue acquisitions to increase scale and achieve revenue and cost synergies while leveraging balance sheet strength and benefiting from debt issued before 2021.

B2B M&A activity



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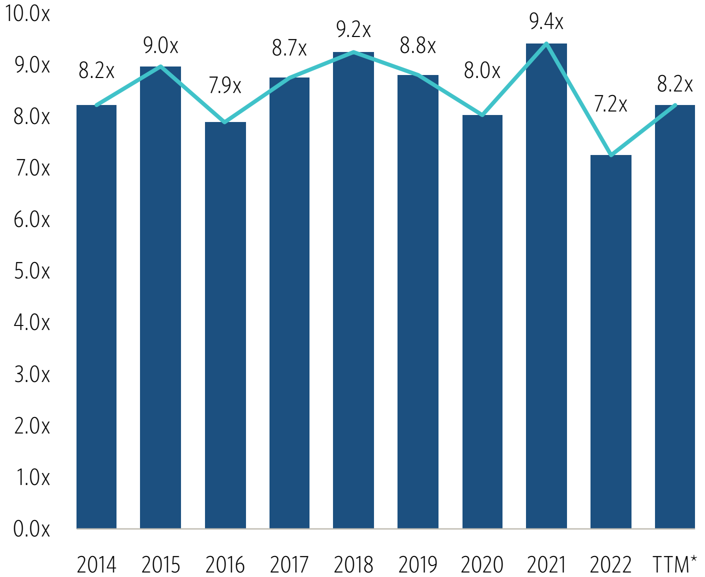
B2B M&A EV/EBITDA multiples



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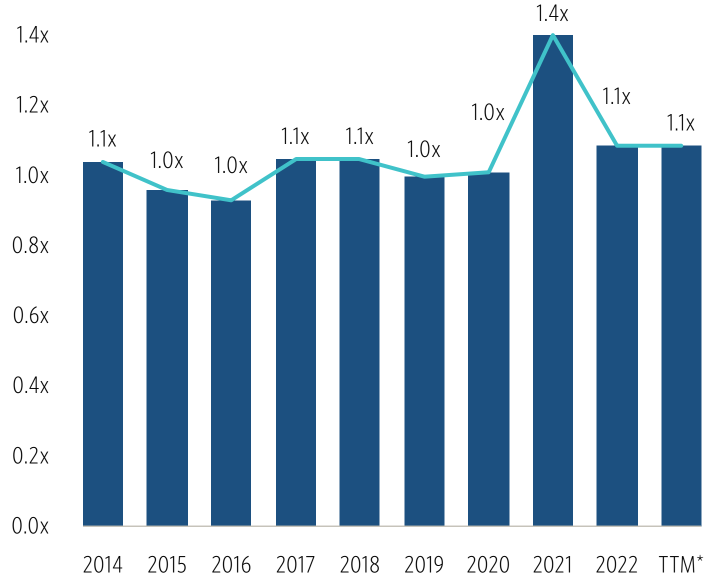
B2B M&A EV/revenue multiples



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Strategic buyers dominate the leaderboard: The B2B sector saw 13 megadeals announced in the quarter, with a majority going to strategic buyers. Ball Corporation initiated a sale process for its aerospace unit, and the prevailing bid was a strategic buyer, BAE Systems, agreeing to pay $5.6 billion in cash or 19.6x EBITDA.[4] According to management, the acquisition enhances BAE's position in some of the fastest-growing defense market segments, particularly in the US.

Also in aerospace, RTX Corporation (formerly Raytheon Technologies) agreed to sell its Collins Aerospace flight control and actuation business to Safran Group, the world's second-largest aircraft equipment manufacturer.[5] According to management, the all-cash deal will enable Safran to become the global leader in critical flight control as well as actuation functions, and the deal will be accretive within its first year. With 3,700 employees across eight facilities globally, Safran forecasts the unit will generate sales of approximately $1.5 billion and an EBITDA of $130 million in 2024. At $1.8 billion in enterprise value, the transaction equates to a 14x EV/EBITDA multiple on estimated 2024 presynergies and a 10x EV/EBITDA multiple on estimated 2024 postsynergies, per Safran.

The quarter's largest B2B deal with PE backing was a consolidation play. BradyIFS, a provider of janitorial and sanitation products, acquired a 63% majority stake in Envoy Solutions, a distributor of food service disposables, janitorial products, and sanitation products, for $1.7 billion. Warburg Pincus is investing in the transaction as a minority holder. The seller was Fomento Económico Mexicano (FEMSA), which divested its majority share to focus on its long-range plans in retail, beverages, and digital. FEMSA will retain a minority stake of 37% in the combined business.[6]

4: "Ball Announces Agreement to Sell Aerospace Business for $5.6 Billion," Ball Corporation, August 17, 2023.
5: "Safran to Acquire Collins Aerospace's Actuation and Flight Control Business," Safran, July 21, 2023.
6: "BradyIFS and Envoy Solutions Come Together To Create a Compelling New Platform," FEMSA, August 29, 2023.

B2C

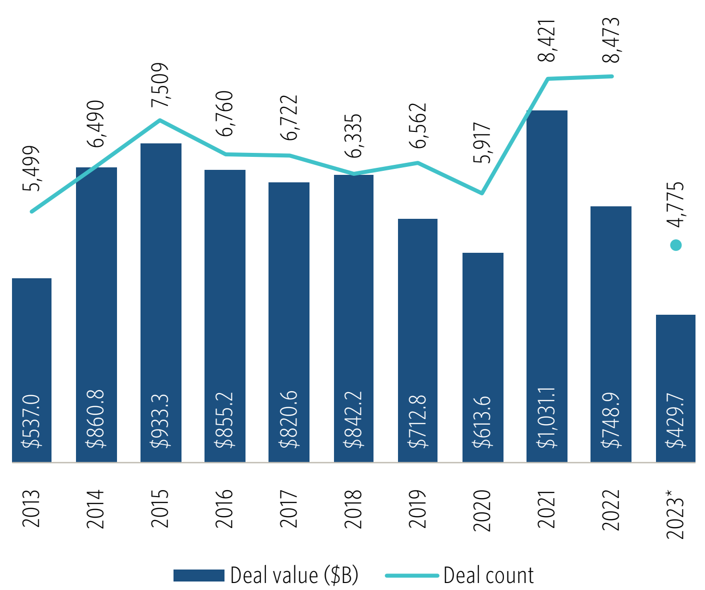
B2C M&A activity by quarter

Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Jinny Choi
Analyst, Private Equity

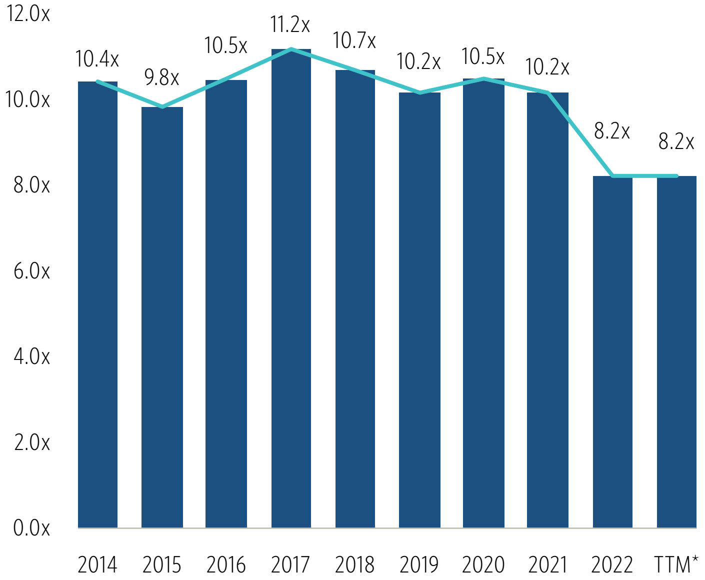
M&A activity slumps in Q3: In Q3, there were a total of 2,107 deals with an aggregate value of $131.2 billion in B2C. QoQ, the sector's deal value declined 22.4% while deal count fell 21.6%, reflecting dampened investor confidence driven by weak consumer sentiment from an uncertain macroeconomic outlook paired with high inflation. Although B2C has been on a decline since the correction in the M&A market starting in Q4 2021, the sector has maintained its share of the global M&A market. B2C accounts for 15.6% of global M&A deal value and 19.8% of deal count YTD, which is a slight decline from its pre-COVID-19 levels. Opportunistic corporations and PE firms have also taken advantage of lower valuations to use acquisitions to strengthen their business capabilities.

B2C M&A activity



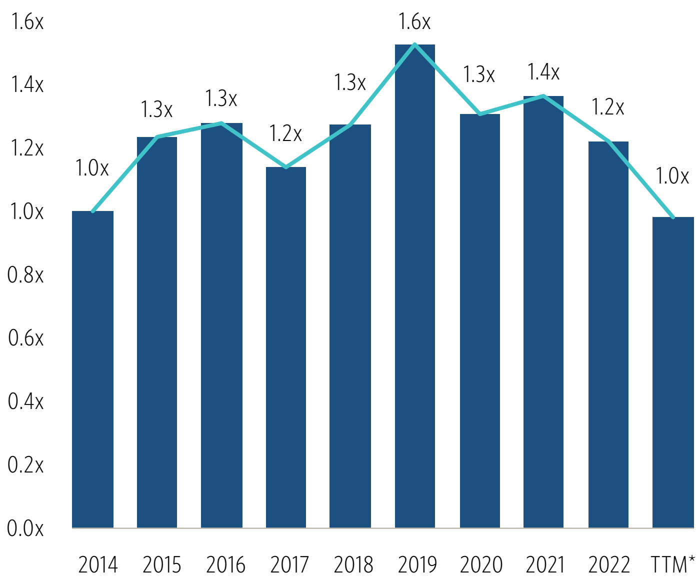
Source: PitchBook • **Geography:** Global
*As of September 30, 2023

B2C M&A EV/EBITDA multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

B2C M&A EV/revenue multiples



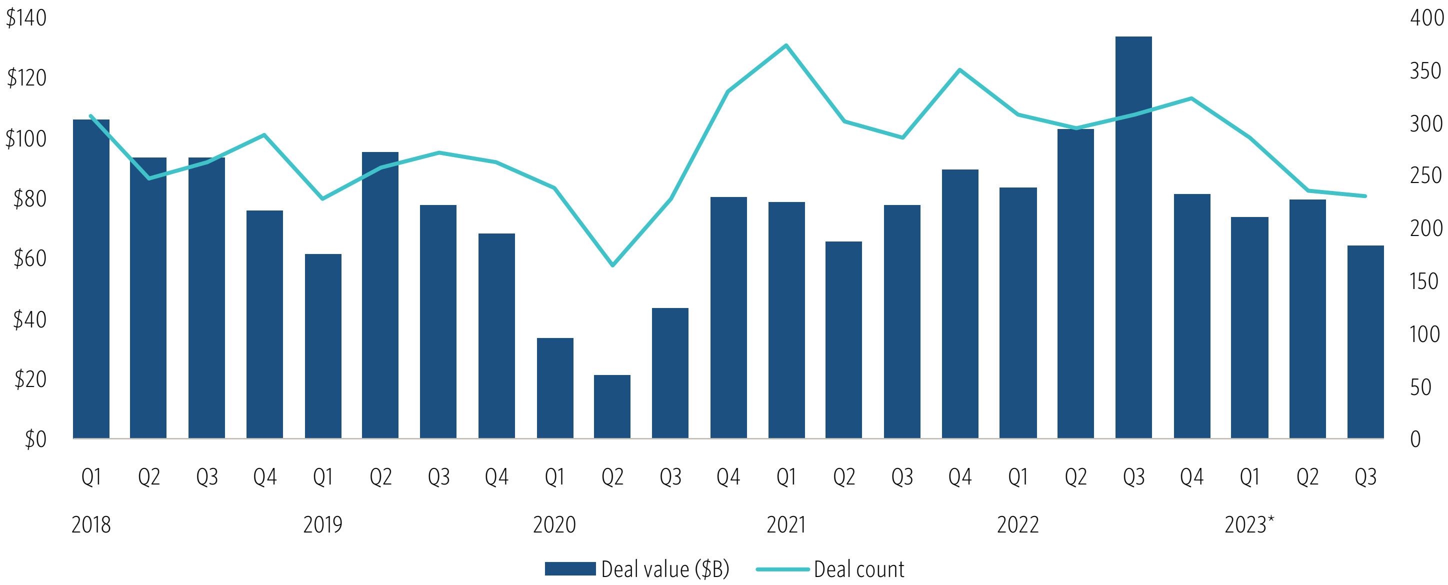
Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

Restaurants and food products lead the sector's deal activity: Acquisitions of food-related companies boosted the quarter's M&A activity, with four megadeals accounting for $19.0 billion of the sector's deal value. Subway was the quarter's largest B2C deal: Roark Capital announced in August that it would acquire the company for an estimated $9.55 billion after a drawn-out auction between several PE firms.[7] In another megasized restaurant sale, Rhône Group also cinched a sponsor-to-sponsor exit through its $1.1 billion sale of Fogo de Chão to Bain Capital. There were also numerous sizable acquisitions in food products, which were sought to diversify the buyers' portfolios. For example, Campbell Soup announced its $2.7 billion acquisition of Sovos Brands from Advent International in August. Sovos Brands, maker of popular Italian food brands like Rao's sauces and Micheal Angelo's frozen entrees, will complement and strengthen Campbell Soup's meals & beverage and frozen food divisions, as well as attract a different consumer set than the company's current products do.[8] In September, The J.M. Smucker Co. announced its $5.6 billion acquisition of Hostess Brands, which will expand the company's offering of well-known products in numerous food and snack categories. The acquisition also accelerates J.M. Smucker's focus on convenient food options.[9]

7: "Roark Capital To Buy Sandwich Chain Subway for up to $9.55 Billion," Reuters, Abigail Summerville, Anirban Sen, and Deborah Mary Sophia, September 6, 2023.
8: "Campbell Soup Company Buys Sovos Brands, Maker of Rao's for $2.7 Billion," CNN, Eva Rothenberg, August 7, 2023.
9: "The J. M. Smucker Co. to Acquire Hostess Brands to Accelerate Focus on Convenient Consumer Occasions," The J.M. Smucker Co., September 11, 2023.

Energy

Energy M&A activity by quarter



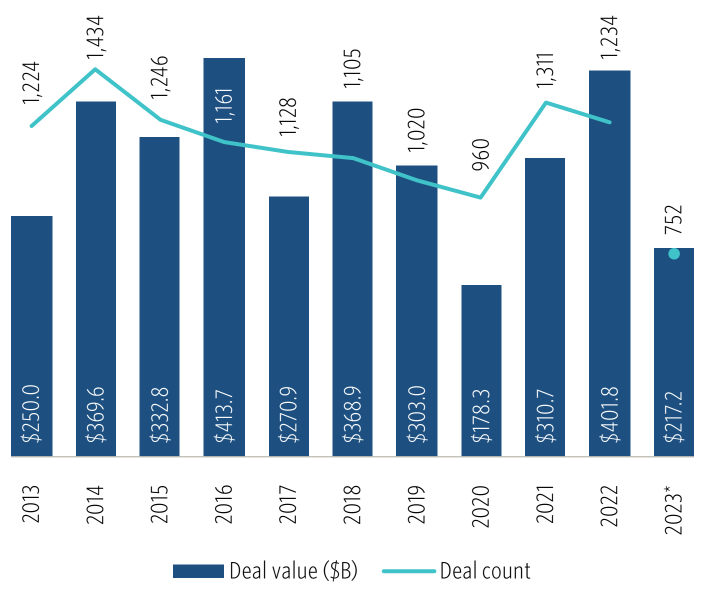
Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Kyle Walters
Associate Analyst, Private Equity

Energy M&A remains subdued: Deal activity in the energy sector continues its decline and now sits at less than half of the peak $133.7 billion deal value witnessed in Q3 2022 when the industry had investors looking to capitalize on higher prices and higher demand amid the energy crisis caused by the Russia-Ukraine war. Since coming off this peak, deal value has remained relatively stable, while the number of deals in the sector continues to decline from its high in Q4 2022. After topping out at a median of $100.0 million in 2022, the median trailing 12-month (TTM) deal value in the energy sector is now $84.0 million, placing it below the pre-COVID-19 (2017 to 2019) average of $94.1 million.

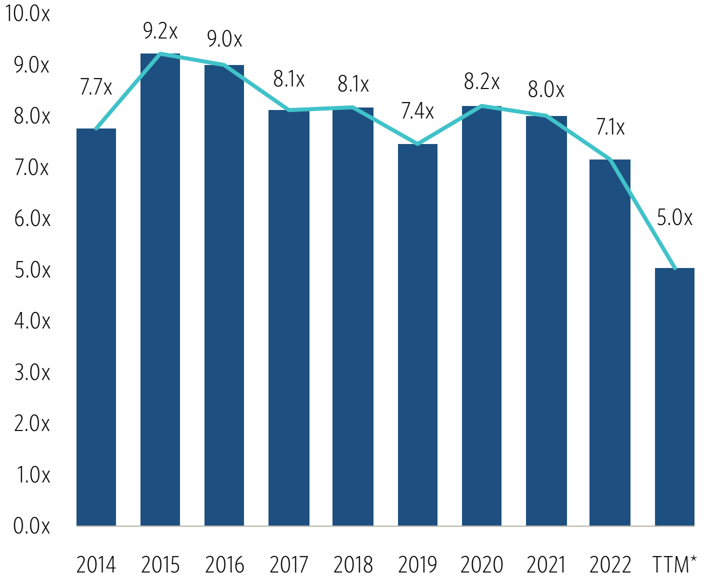
Oil & gas M&A continues to dominate the sector: The top five deals in the quarter, with a combined value of $23.3 billion, all originated from the oil & gas industry. Leading the pack was Enbridge's acquisition of Dominion Energy Ohio,

Energy M&A activity



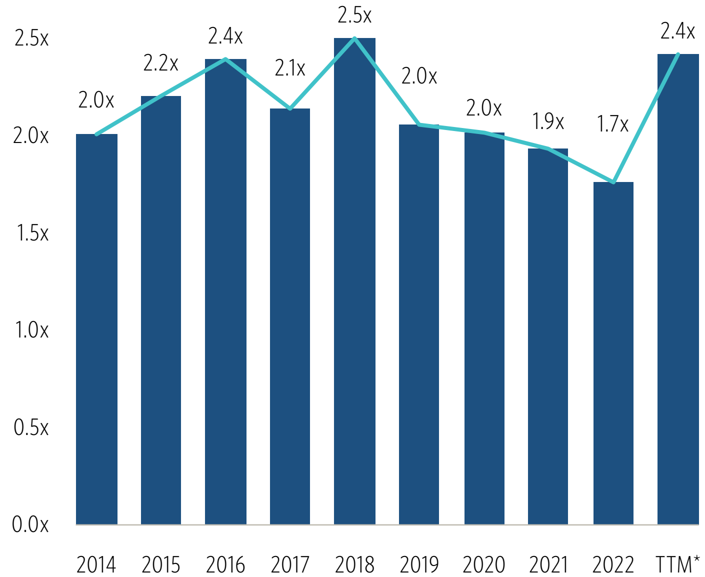
Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Energy M&A EV/EBITDA multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

Energy M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

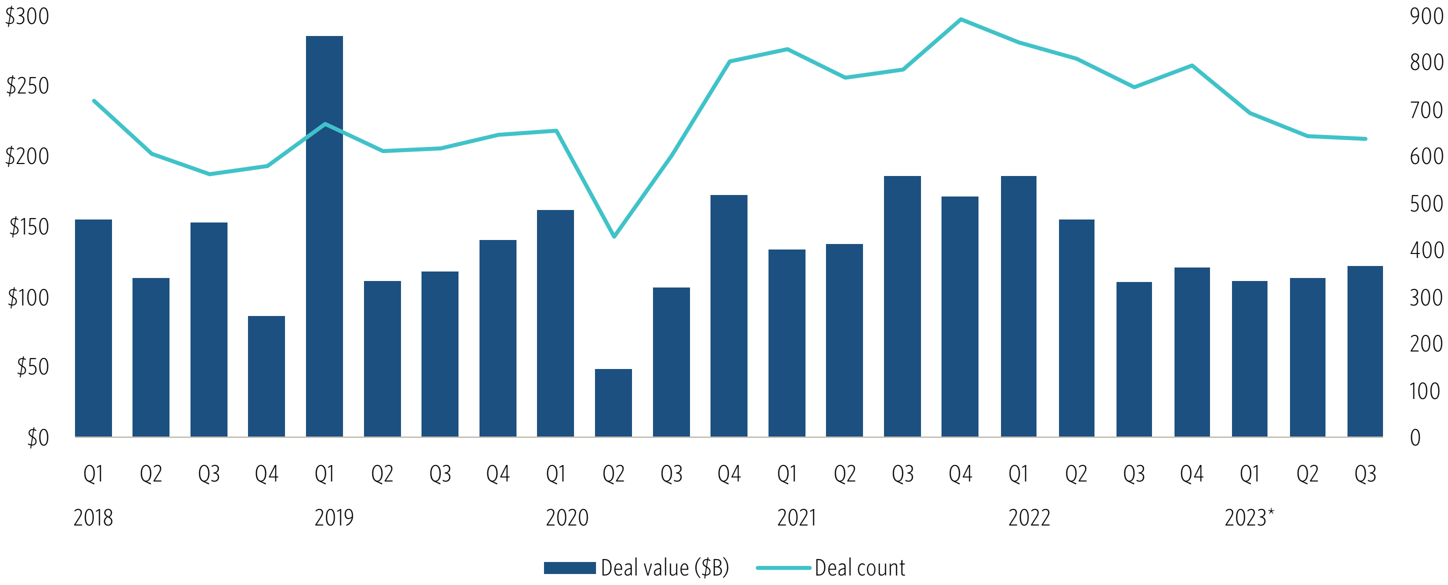
a gas utility company, for $6.6 billion. This strategic move gives Enbridge access to gas utility operations in Ohio, North Carolina, Wyoming, and Idaho, establishing one of the largest natural gas utility platforms in North America.[10] In another large deal, Permian Resources agreed to acquire Earthstone Energy for $4.5 billion, resulting in the creation of a $14 billion independent exploration & production business in the Delaware Basin. This merger not only enhances operational size and scale but also solidifies Earthstone's position in the industry.[11]

The pursuit of sustainable energy continues to drive deal flow: The demand for cleaner energy sources and reduced carbon emissions presents M&A opportunities for companies at the forefront of energy innovation. In July, ExxonMobil announced its acquisition of Denbury, a developer specializing in carbon capture, utilization, and storage, for $4.9 billion. This move by Exxon will expedite the growth of its low-carbon solutions division and offer customers a more compelling proposition for decarbonization. Exxon's low-carbon solutions program aims to mitigate society's greenhouse gas emissions by providing solutions in emerging markets such as carbon capture and storage, hydrogen, and biofuels.[12] In August, Asterion Industrial Partners acquired STEAG for $2.8 billion. STEAG, with its vision of achieving climate neutrality by 2040, will now be supported by Asterion to become a sustainable energy generator with environmentally friendly capabilities. This includes plans to significantly expand certain STEAG businesses by investing in green technologies in both heat and electricity, such as solar and wind generation.[13]

10: "Enbridge Announces Strategic Acquisition of Three U.S. Based Utilities to Create Largest Natural Gas Utility Franchise in North America," Enbridge, September 5, 2023.
11: "Permian Resources to Acquire Earthstone Energy in All-Stock Transaction, Creating a $14 Billion Premier Delaware Basin Independent E&P," Earthstone Energy, August 21, 2023.
12: "ExxonMobil Announces Acquisition of Denbury," ExxonMobil, July 13, 2023.
13: "Asterion Industrial Partners Acquires Energy Utility STEAG," Asterion Industrial Partners, August 25, 2023.

Financial services

Financial services M&A activity by quarter

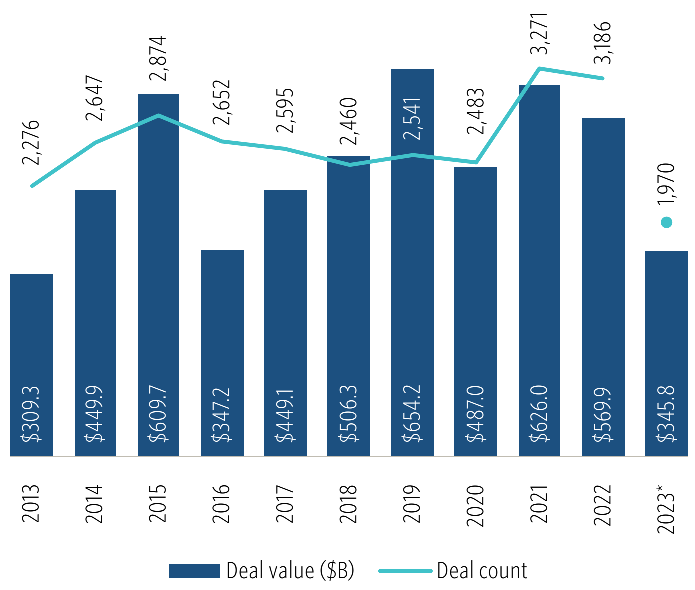


Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Kyle Walters
Associate Analyst, Private Equity

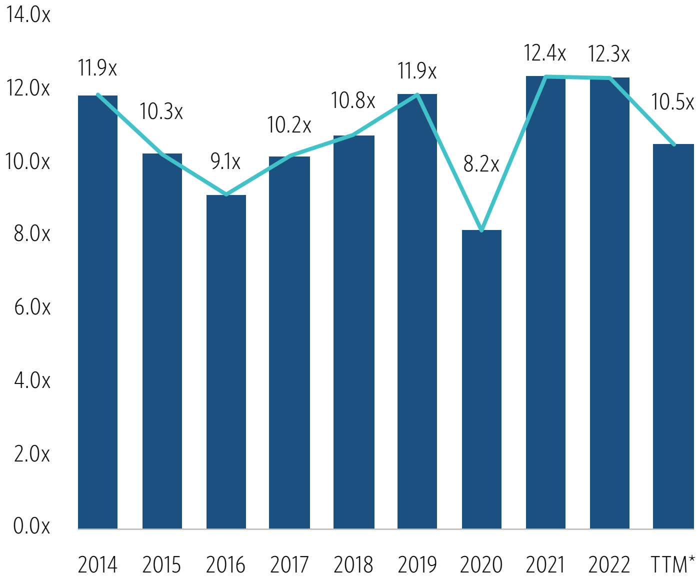
Financial services see positive momentum: The financial services sector saw its best quarter of the year for deal activity in Q3. An estimated 870 deals, worth an aggregate value of $122.0 billion, took place. Throughout 2023, the industry has maintained a consistent level of deal activity, surpassing the quarterly average of 633 deals observed in the pre-COVID-19 period (2017 to 2019). The median TTM deal value for financial services stands at $53.9 million, surpassing the pre-pandemic median of $50.9 million. Notably, the sector has demonstrated both QoQ and YoY growth in deal value and deal count, making it the only sector to achieve such progress.

Financial services M&A activity



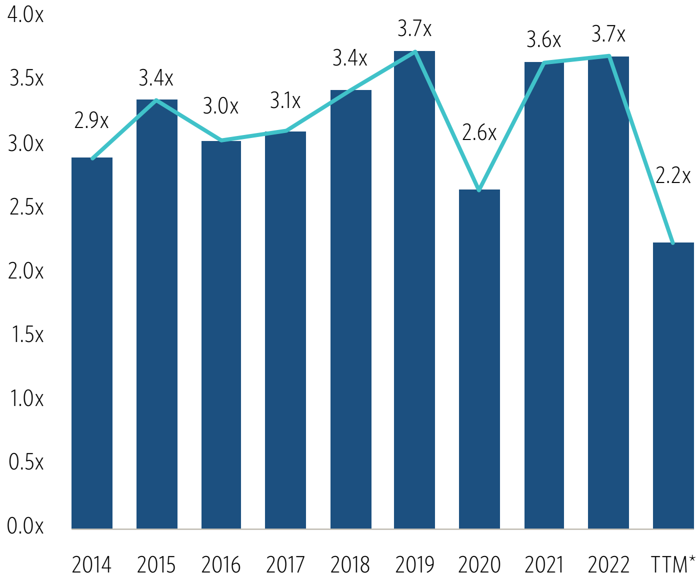
Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Financial services M&A EV/EBITDA multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

Financial services M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

Fintech activity headlined by Worldpay: The largest financial services deal of the quarter by far was the $12.7 billion acquisition of Worldpay, which is the biggest buyout financing since the acquisition of X (formerly Twitter) in 2022. In July, GTCR reached an agreement to acquire a 55% stake in the payment processing solutions provider at a price that valued the firm at $18.5 billion. This deal is backed by a consortium of banks, including J.P. Morgan and Goldman Sachs, providing $9.4 billion in debt financing. Fidelity National Information Services (FIS), the seller, had previously acquired Worldpay for $43.0 billion in 2019. Due to differences in their fundamental business models, it was difficult for FIS to fully integrate Worldpay. FIS' core software business is dependent on recurring revenues, while Worldpay's model is dependent on payment revenues, which rely on transaction volumes. The spinout of Worldpay will help FIS to enhance strategic and operational focus as well as seize growth opportunities.[14]

The insurance industry remains active: The space continues to leverage acquisitions as a driver for growth across insurance platforms. In July, Brookfield Reinsurance agreed to acquire American Equity Investment Life Insurance (AEL) for $4.3 billion. This acquisition comes after Brookfield's initial investment in AEL back in 2020 through a strategic partnership. Building on its existing stake, Brookfield has now agreed to acquire all outstanding shares of AEL. By integrating AEL's fixed annuity business into its current platform, Brookfield expects to drive growth and collaboration with its distribution partners.[15] In another development, Intact Financial Corporation and its subsidiary RSA agreed to acquire Direct Line's brokered commercial lines operations for $697.0 million. This acquisition is a strategic move that bolsters RSA's presence in its UK and international business, aligning with its long-term strategic and financial objectives.[16]

14: "FIS Announces Plans to Spin Off Merchant Business," FIS, February 13, 2023.
15: "Brookfield Reinsurance to Acquire AEL in $4.3 Billion Transaction," AEL, July 5, 2023.
16: "Intact Financial Corporation and RSA To Acquire Direct Line Insurance Group plc's Brokered Commercial Lines Operations," Intact Financial Corporation, September 6, 2023.

PitchBook

Healthcare

Healthcare M&A activity by quarter

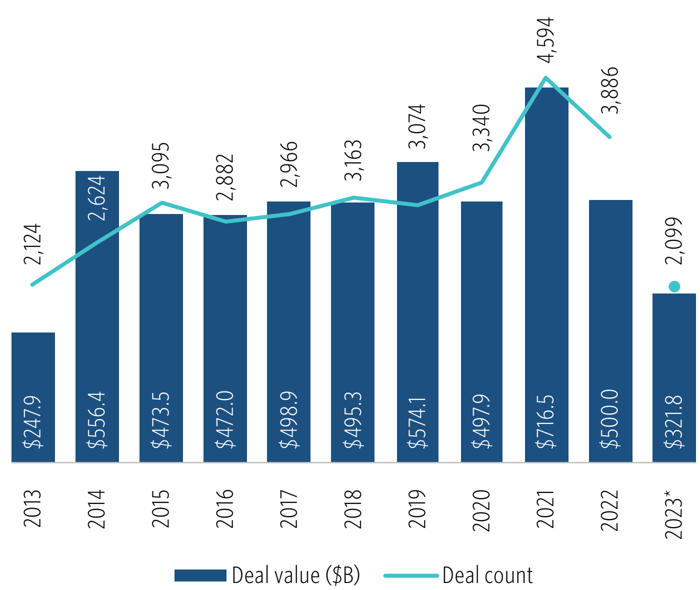
Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Kazi Helal, Ph.D.
Senior Analyst, Biotech

In Q3, healthcare M&A continued to experience a downturn: With an 8.3% QoQ decrease in deal count and a 38.9% QoQ decline in total deal value, the quarter's M&A volume was roughly equivalent to activity levels from 2018 to 2019. We expect that activity may not rebound until after the new year, with the dip possibly continuing in Q4. During the pandemic lockdown, Q4 of each year saw heightened activity. Still, significant transactions emerged in Q3, driven by promising clinical and technological advancements in biopharma and medtech.

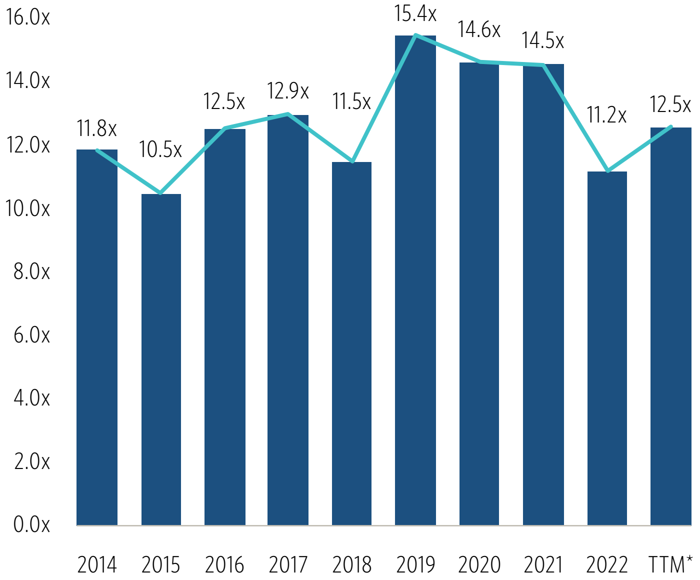
Pharmaceutical M&A was dominant in Q3: Amgen's acquisition of Horizon Therapeutics was most notable. This deal allows Amgen to expand rapidly into rare diseases with Horizon's strong pipeline that includes Tepezza (teprotumumab-trbw), a blockbuster drug for thyroid eye disease. The transaction, valued at $27.8 billion, closed

Healthcare M&A activity



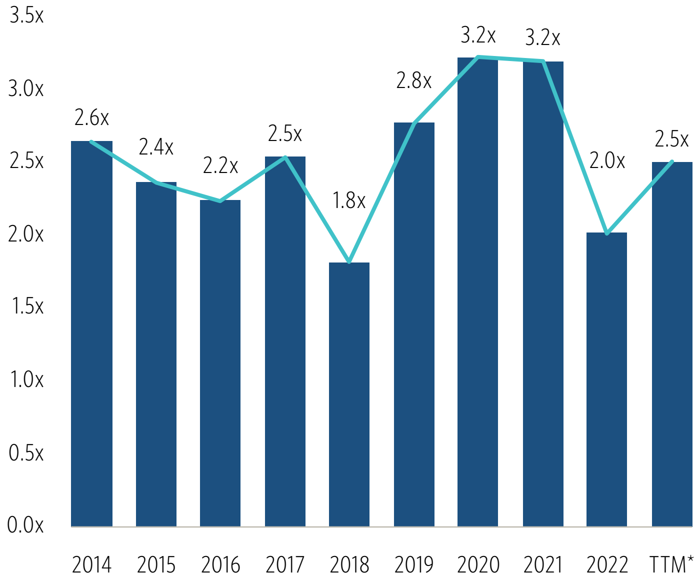
Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Healthcare M&A EV/EBITDA multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

Healthcare M&A EV/revenue multiples



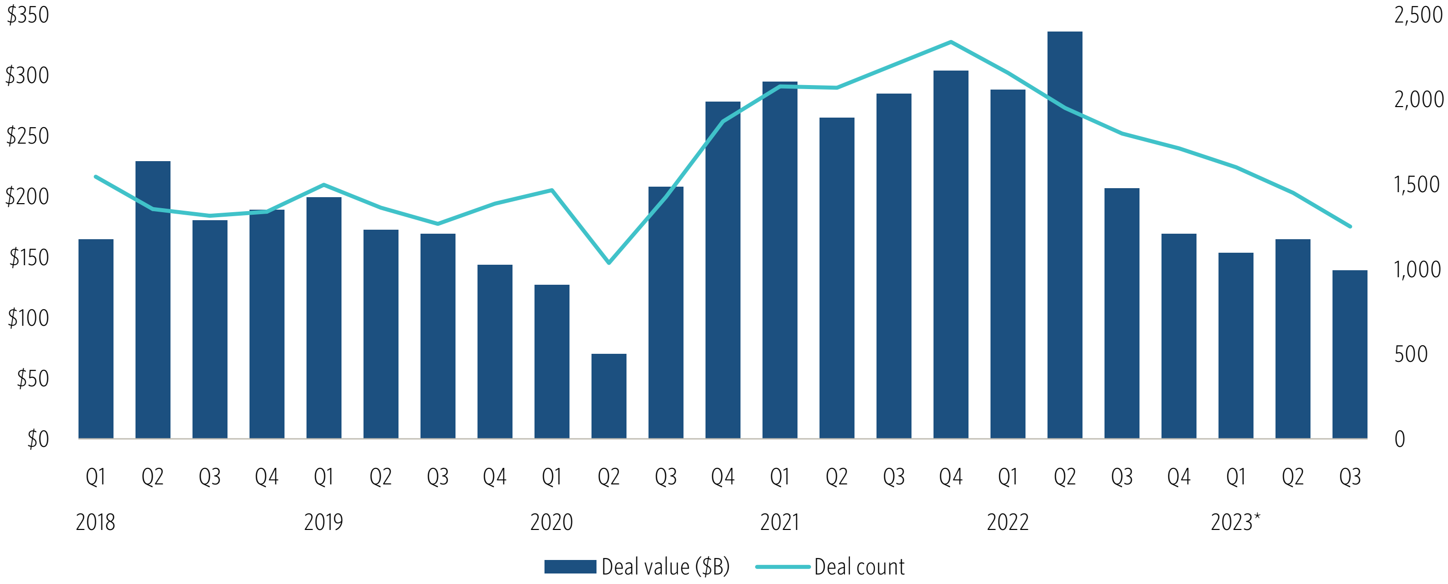
Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

despite ongoing antitrust scrutiny surrounding another significant deal—Pfizer's $43.0 billion bid for Seagen. These and other multibillion-dollar transactions show continued momentum in biopharma M&A, as Big Pharma seeks to expand into therapeutic areas like neurology, renal care, and rare diseases. Eli Lilly and Novo Nordisk are also capitalizing on their GLP-1 blockbuster weight-loss medications with billion-dollar acquisitions, revealing an ambition to capture the obesity, diabetes, and metabolic disorder segments while building their other pipelines in parallel.

Medical device M&A is on the rise with high-value acquisitions: Despite CooperCompanies' canceled bid for Cook Medical, large acquisitions like Global Medical's for NuVasive, Enovis' for LimaCorporate, Coloplast's for Kercis, and Boston Scientific's for Relievant Medsystems emphasize niche consolidation in spine surgery, orthopedics, wound healing, and neuromodulation, respectively. In contrast, the life science tools sector is varied with activities in consolidation, expansion, and forward-thinking. Transactions, like Standard BioTools merging with Somalogic to build a large new player in life science tools, and Sartorius' acquisition of Polyplus to expand offerings in the emerging gene and therapy market, are noteworthy due to their billion-dollar scale. We are also seeing some opportunistic forward-thinking M&A as larger strategics scoop up once-promising startups whose growth has stalled for their innovative technologies. This included acquisitions such as Pac Bio's for Apton Biosystem to obtain sequencing and single-molecule detection tools, and Bruker's for PhenomeX to obtain single-cell analysis platforms.

IT

IT M&A activity by quarter

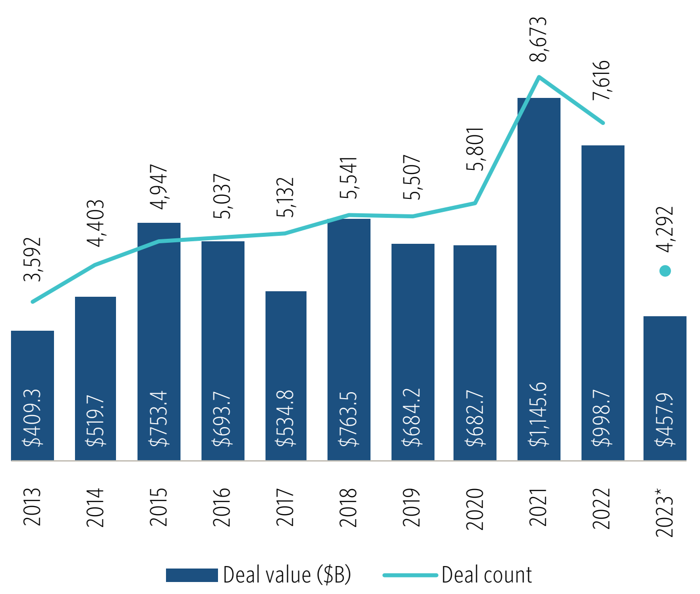


Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Jinny Choi
Analyst, Private Equity

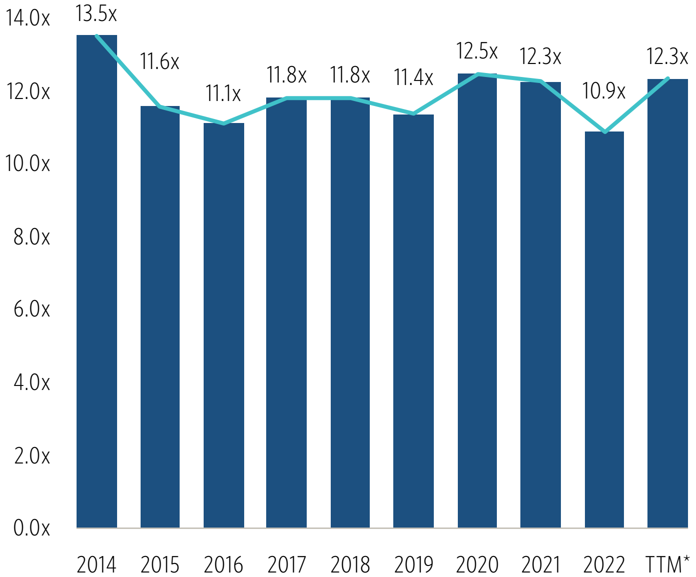
IT deal value experienced a weak quarter: IT deal value stepped down in Q3, with deal value declining 15.5% QoQ and a whopping 32.8% YoY. Deal count remained relatively steady, dropping just 1.4% from the past quarter and 7.2% since the beginning of the year. This is in part due to a wide bid-ask spread on software assets as potential sellers are inclined to wait out volatile markets. YTD, IT accounts for 16.6% of global M&A deal value, which is a slight drop from the levels seen in recent bull years for the sector, but its share of the global market is in line with historic levels. Median TTM deal value for IT dropped to $18.4 million, which is the lowest level seen since 2009.

IT M&A activity



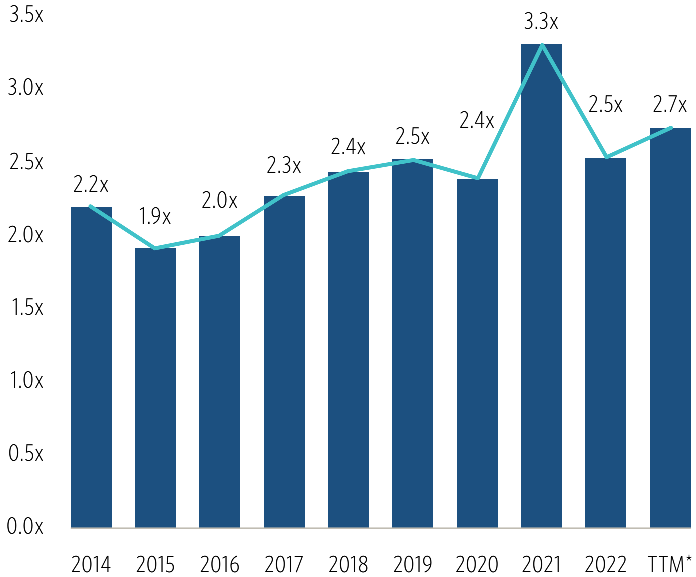
Source: PitchBook • **Geography:** Global
*As of September 30, 2023

IT M&A EV/EBITDA multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

IT M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

Software continues to attract long-term investor interest: New capabilities within software are drawing in buyers to strengthen and transform their businesses through M&A. The largest IT deal of the quarter and of the year was Cisco Systems' $28.0 billion acquisition of cybersecurity firm Splunk, which was announced in September. Cisco has been strengthening its cybersecurity business in an effort to meet customer demand while reducing its traditional reliance on hardware,[17] and Splunk's capabilities around data observability will strengthen its security software business and tap further into an attractive revenue stream. Cisco will also capitalize on Splunk's artificial intelligence capabilities, another area of accelerated growth in IT, and emphasized its new ability to drive the next generation of AI-enhanced security.[18]

PE firms find additional take-private opportunities: PE buyers continued to take advantage of lower public valuations to acquire high-growth tech companies at more attractive prices. As with the broader market, we are seeing take-privates migrate downmarket to the sub-$1 billion range. There were three take-privates in Q3 above $1 billion and seven in the middle-market range, which can be considered microcap in the context of the public market. One of these deals was General Atlantic and Dragoneer Investment Group's take-private of Brazilian education technology company Arco Platform for $355.0 million in August.

17: "Cisco To Buy Cybersecurity Firm Splunk for $28 billion," Reuters, Milana Vinn, Yuvraj Malik, and Aditya Soni, September 21, 2023.
18: "Cisco Makes Largest Ever Acquisition, Buying Cybersecurity Company Splunk for $28 Billion in Cash," CNBC, Rohan Goswami, September 21, 2023.

Materials & resources

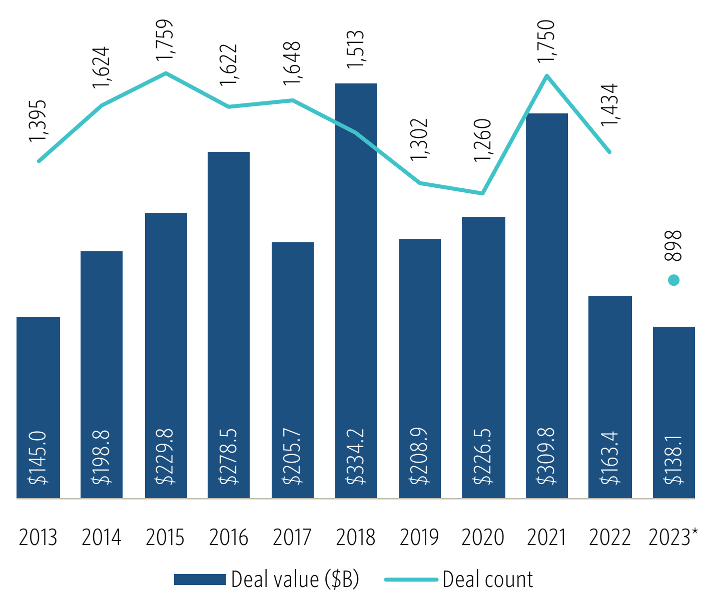
Materials & resources M&A activity by quarter

Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Kyle Walters
Associate Analyst, Private Equity

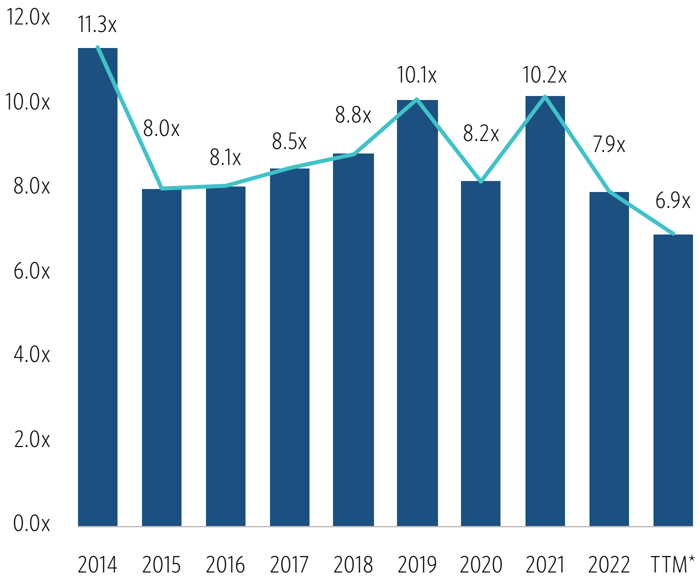
Materials & resources entered positive territory: The sector has fared well compared with others, as it saw growth after multiple quarters of declining activity. In Q3, 350 deals worth a combined $42.8 billion were announced or closed. This accounted for QoQ growth in deal value and deal count of 10.3% and 1.8%, respectively, with sector deal value increasing 7.2% YoY. Deal value dropped in Q2 but picked back up in Q3, and subsequently, the median TTM deal value rose slightly to $30.0 million, up from $29.8 million in 2022.

Materials & resources M&A activity



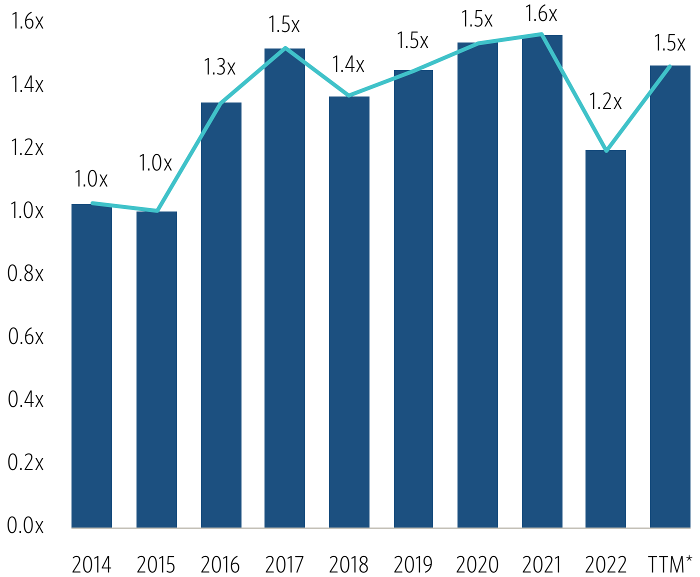
Source: PitchBook • **Geography:** Global
*As of September 30, 2023

Materials & resources M&A EV/EBITDA multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

Materials & resources M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America and Europe
*As of September 30, 2023

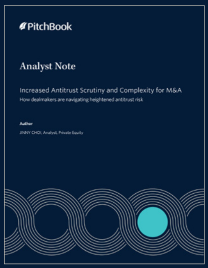
Metals, minerals & mining see the sector's largest deal: Saudi Arabia's Basic Industries Corporation (SABIC) sold its subsidiary, Saudi Iron and Steel Company, to the Public Investment Fund (PIF) for $3.3 billion. This strategic move comes as SABIC focuses on its core businesses, prompting the spin-off of Saudi Iron and Steel. Significantly, Saudi Iron and Steel plays a vital role in the construction of major infrastructure projects in Saudi Arabia, aligning with the country's economic transformation plan, Saudi Vision 2030, spearheaded by PIF. As the main driver behind diversifying the nation's economy away from oil sales, PIF is responsible for various initiatives, including the development of an auto-manufacturing hub, tourism projects, and the creation of new cities. This acquisition not only meets the growing local demand for steel but also enhances Saudi Arabia's steel production capabilities. Moreover, it contributes to the growth of key downstream sectors, such as local construction, automotive utilities, renewables, transport, and logistics, in alignment with the objectives of Saudi Vision 2030.[19]

Opportunities are unlocked through take-privates: During Q3, the materials & resources sector witnessed four take-private transactions. The largest of the four was Veritiv, a manufacturer of paper-based boxes, cartons, and glass containers, which was taken private by Clayton, Dubilier & Rice for $2.6 billion. In July, KKR finalized a $1.3 billion deal to take Chase Corporation, a specialty chemicals company, private. Post-transaction, KKR plans to introduce an equity ownership program, enabling all employees to partake in the company's ownership benefits.[20] In July, Malteries Soufflet, backed by KKR, reached an agreement to acquire United Malt Group, a malting business, for $1.0 billion. This strategic acquisition aligns with InVivo's (the parent company of Malteries Soufflet) vision to establish itself as one of the leading global malt producers within the next five years.[21]

19: "Saudi's SABIC To Sell Steel Unit Hadeed to PIF for $3.3 Billion," Reuters, September 3, 2023.
20: "Chase Corporation Enters Definitive Agreement to be Acquired by KKR for $1.3 Billion," Business Wire, July 21, 2023.
21: "Australia's United Malt Agrees to $1 Billion Takeover Offer From France's Invivo," Reuters, Harish Sridharan and Sybille De La Hamaide, July 3, 2023.

Additional research

Private markets



Q4 2023 PitchBook Analyst Note: Antitrust Regulations and Their Impact on M&A

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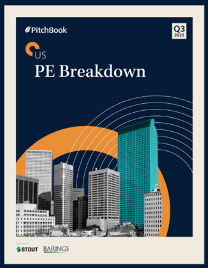

Q3 2023 US PE Breakdown

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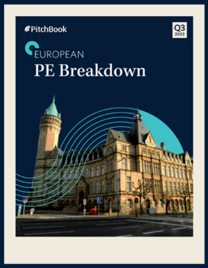

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