M&A Trends and Outlook for 2024

AlphaSense

What's Inside

1 Introduction

4 CHAPTER 1
M&A Trends by Industry

10 CHAPTER 2
Global M&A Trends

14 CHAPTER 3
M&A Outlook in 2024 and Beyond

16 Stay On Top of the Evolving M&A Landscape With AlphaSense

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Introduction

Over the last couple years, the M&A space has seen its fair share of ups and downs. Challenging macroeconomic factors— from post-pandemic conditions to burgeoning interest rates and fluctuating inflation— have brought deal activity to record lows.

As the world steadily resumed post-pandemic in 2021, M&A activity boomed and investor confidence rose. Following this moment of M&A prosperity, there was another steep dropoff mid-2022. As high inflation, rising interest rates, and geopolitical uncertainty hindered dealmaking, lower share prices made it more difficult for investors to secure deals. This led to a record low year for dealmaking in 2023, down 32% from 2022.

Despite the decline, several major deals closed in 2023, including ExxonMobil's acquisition of Pioneer and Pfizer's merger with Seagen.

Now, several months into 2024, the appetite for dealmaking is higher than ever, as economic activity stabilizes. With recent positive developments such as stable interest rates, decelerating inflation, and a record amount of dry powder, 2024 is set to bring a much-anticipated return to dealmaking activity. According to the latest EY CEO Outlook Pulse Survey, 98% of CEOs plan to pursue a strategic transaction in the next 12 months—up from 89% last January.

Using the AlphaSense platform, we uncovered the key trends, prospects across sectors and geographies, and factors shaping the M&A space in 2024 and beyond.

Whether you are a corporate dealmaker interested in competitive landscaping and strategically growing your business, a consultant seeking validation for M&A recommendations, or a financial services professional in need of jumpstarting idea generation for portfolio expansion—these trends and outlook for 2024 can directly impact your bottom line and M&A strategy.

2024 Mergers and Acquisitions Trends at a Glance

1. After a slow 2023, deal activity and flow appear to be stabilizing and are likely to grow at a steady pace in 2024.
2. With the rise of generative AI, more and more companies are prioritizing deals that enhance their tech stack and put them at the forefront of the AI revolution.
3. Increased regulatory scrutiny in the US is affecting how companies enter deals.
4. Small to midsize M&A deals are on the rise as valuations reset.

5 PE firms are sitting on a record amount of dry powder, which will likely spur M&A activity in the near future.

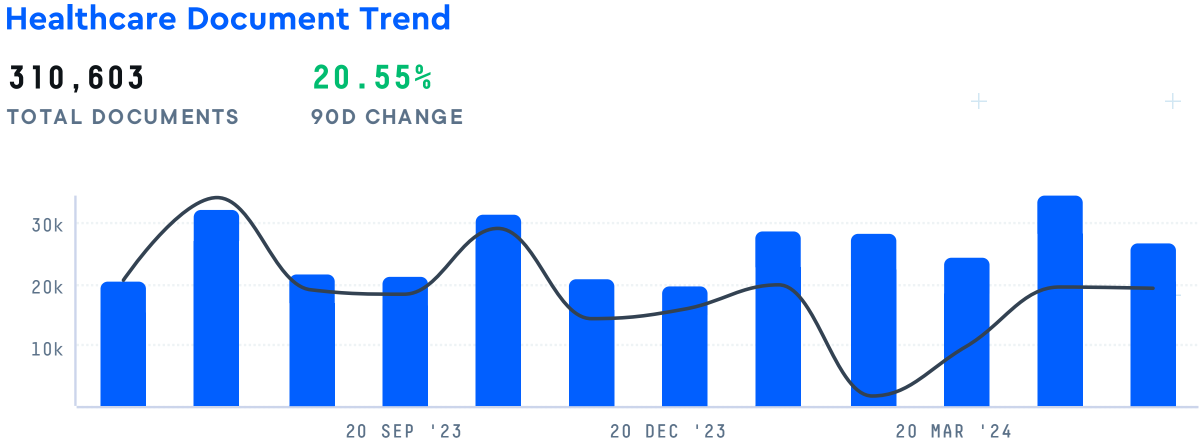
6 Healthcare, technology, and renewable energy are attracting the most attention from dealmakers around the world.

7 Around the world, investors are favoring companies with demonstrated commitments to sustainability practices.

CHAPTER 1

M&A Trends by Industry

Healthcare



In the past few years, the healthcare sector has faced persistent headwinds, including soaring interest rates, market volatility, steep inflation, FTC regulatory challenges, and supply chain issues—which has led to slowdown in M&A activity.

However, analysts are optimistic about an upcoming deal resurgence, due to the large number of healthcare transactions that closed at the beginning of 2024 and were announced in late 2023. And with steady interest rates promising broader economic stabilization, it's likely this uptick will continue for the foreseeable future.

Over half of all healthcare CEOs intend to make at least one acquisition in the next three years, according to PwC's Annual Global CEO Survey. With pharma companies sitting on an estimated $171 billion in cash reserves, M&A deal activity is expected to heat up in 2024 and beyond.

Some of the top trends currently driving healthcare dealmaking forward include the impact of AI on pharma, the race to bring GLP-1 assets to market, strategic consolidation of healthcare systems, and niche medtech acquisitions to expand and diversify capabilities.

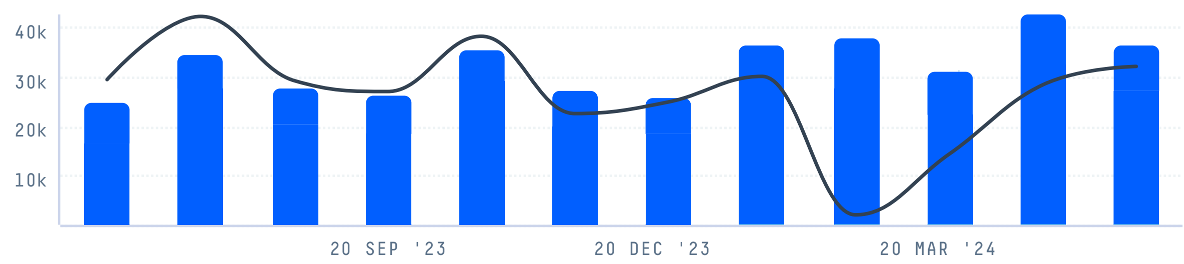
For a deeper dive into M&A in healthcare, and more details on these trends, don't miss M&A in Healthcare: 2024 Outlook.

Technology, Media, and Telecommunications (TMT)

Technology Document Trend

390,906
TOTAL DOCUMENTS

20.60%
90D CHANGE



After the tech sector went through a sharp downturn in 2022, we saw a major bounceback in 2023 as artificial intelligence—and generative AI, in particular—captured the attention of individuals, professionals, and investors across industries.

Now, tech companies are keen to expand their AI capabilities in order to remain competitive in the rapidly changing tech landscape, and M&A provides a perfect avenue for doing so. Experts predict that thousands of new AI startups will begin sprouting up in the next couple years, and they are all likely to become M&A targets for larger tech companies.

Additionally, there is increasing overlap between the technology sector and other sectors, as more industries move toward digital transformation and incorporate technologies such as cloud computing, 5G, and generative AI into their strategies. For example—tech companies are increasingly looking for opportunities in the healthcare space, with subsectors such as medtech and medical devices on a steep growth trajectory.

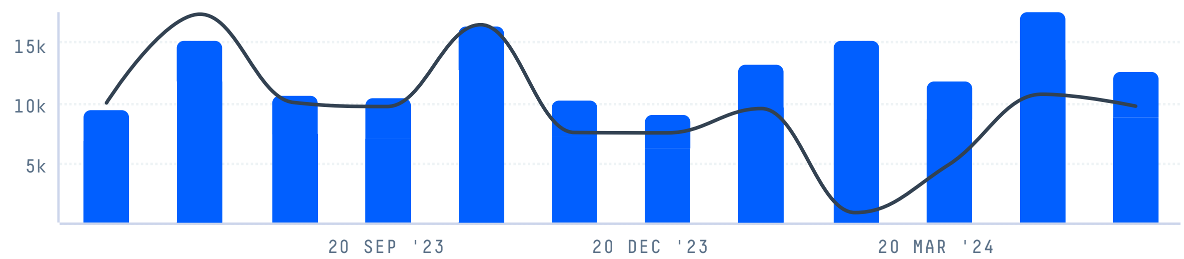
While 2023 brought multiple headwinds for the tech industry, 2024 is looking to be a rebound year. Macroeconomic pressures are expected to ease up, and the persistent popularity of artificial intelligence across industries will likely serve as a catalyst for dealmaking activity in this sector.

Energy

Energy Document Trend

152,791
TOTAL DOCUMENTS

26.32%
90D CHANGE



The energy transition has been a major area of focus for energy companies, with many turning to M&A to boost their competitive advantage and position themselves as leaders in this trend, according to Morgan Stanley.

But after three years of sustained M&A growth, 2023 brought a plateau, as many companies are readjusting their energy transition strategies. Many energy companies are currently feeling the tension between improving performance in the core hydrocarbon business and advancing the energy transition.

The most high-profile recent deals were Chevron and ExxonMobil acquiring Hess and Pioneer, respectively, with the goal of scaling and reinforcing the core components of their existing portfolios.

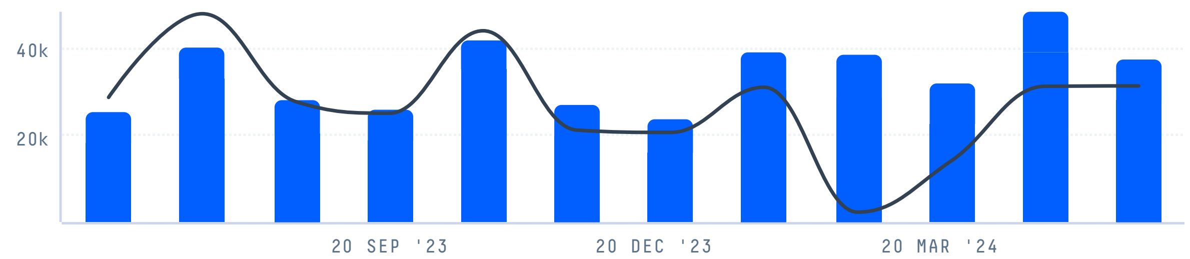
According to broker research found within the AlphaSense platform, analysts predict that U.S. energy companies will persist in their efforts to consolidate smaller scale firms. However, the scope of activity for global oil companies could be somewhat restricted due to the limited number of viable targets, both in terms of size and geographic location. Additionally, there are inherent risks associated with acquiring unconventional resources, particularly given the relatively high commodity prices.

Industrial, Manufacturing & Automotive

Industrials Document Trend

410,124
TOTAL DOCUMENTS

28.30%
90D CHANGE



Deal activity in the industrial, manufacturing, and automotive sectors is expected to increase in 2024, as market challenges like inflation and high interest rates abate. Mostly, companies in this industry are currently looking to acquire new technologies and digital capabilities to expand their market presence and stay competitive.

The top trends expected to drive M&A activity in this sector include: innovative technologies (such as EVs, cloud technologies, and robotics), artificial intelligence, supply chain resilience, and sustainability initiatives.

"Strategic M&A will be key in 2024, focused on companies with strong R&D, innovative products and industrial value-added services. I expect new M&A opportunities to be created in dynamic sectors experiencing rapid technological advancements such as aerospace and defense, electric vehicles, and business services."

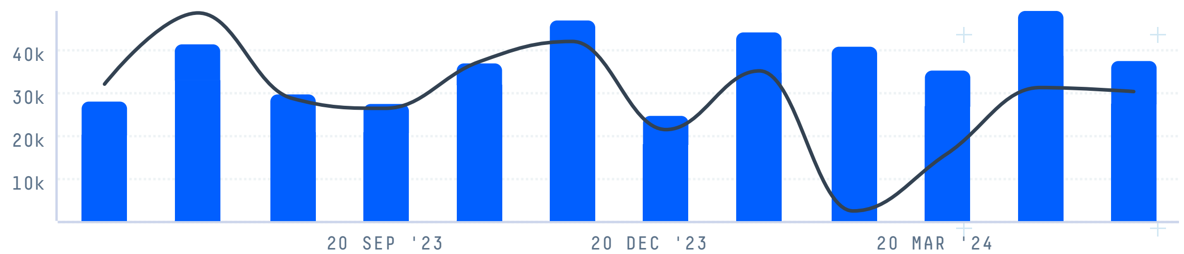
— Nicola Anzivino, Global Industrial Manufacturing and Automotive Deals Co-Leader | PwC Italy

Financial Services

Financials Document Trend

446,950 TOTAL DOCUMENTS

21.00% 90D CHANGE



While 2023 was punctuated by strong headwinds that flattened financial services dealmaking—including inflation, high interest rates, and low economic growth projections—2024 brings hope to the M&A landscape. Though challenging macroeconomic conditions and geopolitical tensions persist, recent gains in the financial markets and positive signals about interest rates from central banks are leading investors to be more optimistic about future dealmaking.

Like other sectors, the FS industry is feeling pressure to drive initiatives like digitalization and sustainability, and M&A remains one of the most effective tools for facilitating this transformation.

Due to the highly regulated and risk-averse nature of this industry, experts believe we will likely see fewer megadeals and a greater number of smaller transactions, and deal processes are likely to increase in duration as analyses become more complex.

> "The current market is very challenging for all FS deal participants, but I firmly believe that now is the time—when others may be hesitating—to take advantage through acquisitions or disposals in order to solidify future positioning."
>
> **— Christopher Sur, Global Financial Services Deals Leader | PwC Germany**

Related Reading: Private Equity Trends and Outlook for 2024

CHAPTER 2

Global M&A Trends

United States

The US M&A market was heavily affected by several key headwinds in 2022—increased scrutiny from regulators, rising interest rates, global tensions, and stock market volatility—which affected deal flow well into 2023. However, in the second half of 2023, there was a substantial rebound in deal volume, and the U.S. is currently contributing to a larger-than-usual share of global activity, which is helping offset the decline in volume in European and APAC regions.

M&A experts predict that deal flow in the U.S. will continue at a stable, steady pace throughout 2024. Industries of all kinds are feeling the pressure to keep up with the speed of business transformation, and M&A remains a powerful way to maintain a competitive advantage. With the Fed stabilization of interest rates, dealmaking activity is expected to rebound as investor sentiment increases as well.

United Kingdom

After a persistent slowdown in deal activity, owing to a number of headwinds—including high inflation, macroeconomic turbulence, a potential recession, geopolitical instability in Europe, and regulatory uncertainty—2024 has a much more optimistic outlook. Interest rates have stabilized, inflation is decreasing, vendors are much more comfortable selling, and investors are more positive about investing.

Corporations are feeling the pressure to advance their tech capabilities, particularly cloud and genAI, as well as leaning into the energy transition. Private equity has become the dominant source of deals, accounting for [42% of all transactions in 2023 by volume and 55% by value]. PE firms are currently putting most of their focus on TMT, energy, healthcare, and pharma, expecting those sectors to hold the most opportunity.

Still, the cost of capital remains high, and dealmakers will need a robust value creation plan to justify valuations.

Canada

In 2023, deal volume and value substantially decreased, though deals in the energy, mining, utilities, and industrials sectors were significantly more robust than others. The overall M&A outlook for critical minerals is positive, as miners position themselves for the energy transition and supply chain participants become more concerned about future supply of critical minerals.

In fact, critical minerals are expected to be one of Canada's most active sectors—and a key driver of M&A and investment activity—in the next few years and through the next decade.

Japan

The total value of M&A transactions with Japanese companies grew 14% YoY in 2023, making Japan the only major global market that recorded growth last year. This trend is likely to continue into 2024, with multiple billion-dollar opportunities currently in the pipeline. Additionally, various headwinds that had previously slowed deal activity in the region—such as difficulty cutting overlapping jobs post-merger and reluctance toward unsolicited takeovers—are subsiding.

A partner at DLA Piper predicts favorability for opportunities that address energy and economic security, and believes they will make up the majority of domestic M&A activity—particularly technology, supply chain consolidation, and energy transactions. Japan is heavily committed to the energy transition, so significant

Private equity has become the dominant source of deals, accounting for 42% of all transactions in 2023 by volume and 55% by value.

investments are expected in the areas of hydrogen test projects and offshore wind production.

Most Japanese companies are also focused on domestic restructuring, and M&A is a powerful way to do so while increasing profitability.

China

After four years of declining M&A activity, 2024 is expected to be the rebound year in China. In particular, the energy and utilities sector is predicted to be an M&A hotspot, as energy transition drives business transformation—the rising focus on electric vehicles being one example. Technology, pharma, and life sciences sectors are also expected to drive interest for investors.

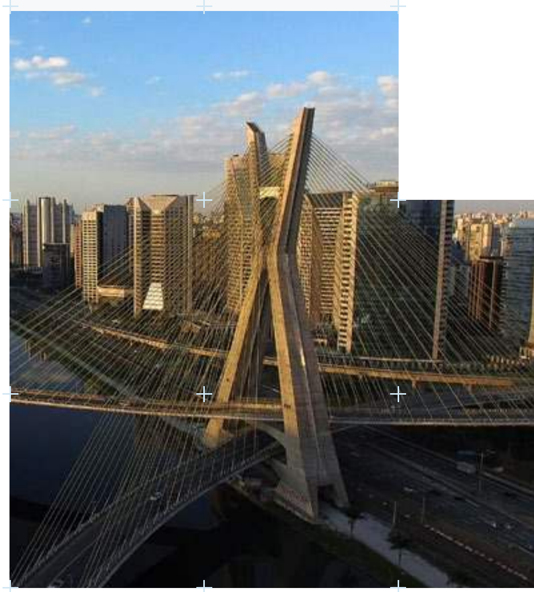
Like most other nations, China is eager to upgrade its technology across various industries, and with the US tech ban expanding, China's tech companies are keen on reducing import dependency. This is becoming a selling point for many domestic startups, as domestic M&A deals are expected to outperform cross-border deals this year due to persistent macroeconomic challenges and regulatory scrutiny.

Latin America (LATAM)

2023 was a year of political and economic volatility in Latin America, but analysts have high hopes for 2024, as interest rates fall and stability resumes. Brazil, Mexico, and Argentina are expected to lead M&A activities this year, and Colombia is likely to feel the regional investment effects.

Latin America is currently attracting significant and diverse foreign investment, particularly in the critical minerals, renewables, and manufacturing sectors. A key investment dynamic to watch will be the launch of bidding rounds in the Chilean lithium sector, as well as further lithium investment opportunities in Argentina.

Lithium is currently a prized commodity due to its utility in electric vehicles and batteries for storing energy from



renewable power plants. The demand for lithium is only expected to grow as a result of global energy transition goals. Due to the abundance of lithium in the LATAM region, we expect to see future M&A deals that allow foreign companies to capture ownership over lithium stores in the region.

India

Of all the regions discussed in this article, India has had one of the most consistently high-performing M&A landscapes in the past few years. After a record 2022, the M&A market in India maintained its momentum throughout 2023.

Now into 2024, dealmakers are expecting high dealmaking activity in the region to continue or even improve. This means more competition for deals and sustained valuation across sectors. Midmarket and conglomerate buyers will need to more rigorously assess their due diligence capabilities and their capacity for post-deal value creation. As more assets become available and competition increases, thorough due diligence will be critical for winning deals.

Related Reading: M&A Due Diligence: A Complete Guide

Middle East

2023 was a low year for deal activity in the Middle East, compared to the previous two, largely as a result of fear of a global or multi-regional recession. In 2024, the outlook is much more optimistic, as recessionary fears are waning and executives are feeling more confident about deploying capital.

Sectors that are expected to see the most dealmaking activity include healthcare, artificial intelligence, technology, renewable energy, agribusiness, and nuclear production. ESG will also remain a focal point in dealmaking for this region, particularly following the commitments made during COP28 in Dubai in late 2023. Overall, investors dominating the M&A landscape will likely continue to be regional sovereign wealth funds (SWFs) and government related entities (GREs).

CHAPTER 3

M&A Outlook in 2024 and Beyond

Despite the challenges of 2023, dealmakers are optimistic about what 2024 will bring. While geopolitical tensions give caution, inflationary fears are receding and interest rates are stabilizing. The time has never been riper for developing an M&A strategy, as 2024 is likely to be a year of M&A resurgence.

With the ongoing transformation of the business landscape—driven by the rise of AI, digitalization of most industries and consumers' lives, and a growing focus on sustainability—come new opportunities for strategic M&A moves.

Additionally, with the current abundance of dry powder and a growing convergence between buyer and seller pricing expectations, we expect an influx of new deals this year. In particular, the biggest dealmaking themes we expect to see in 2024 are digitalization, sustainability initiatives, supply chain resilience, and value creation.

Digitalization: The generative AI boom has put digital transformation at the forefront of most executives' and investors' minds. Dealmakers are racing to stay on the leading edge of this new trend, as it has the power to move markets. M&A remains one of the most effective means of acquiring new technology and talent to fuel this digital transformation. Corporations are likely to seek out opportunities to invest in targets in the cybersecurity, cloud computing, and AI spaces.

Sustainability Initiatives: As in 2023, there will continue to be a strong focus on the renewable energy space and meeting energy transition targets. According to Patrice Viaene, Counsel in the M&A Infrastructure Team of Clifford Chance: "Investment will be driven by a desire to capitalize on emerging technologies that could have global applications as we strive to become carbon neutral."

ESG will continue to play a massive role in worldwide and industry-wide dealmaking. Corporations will be looking to M&A as a way of amping up their ESG scores and integration strategies, especially as investors scrutinize businesses on their commitments.

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Supply Chain Resilience: Corporations are also staying focused on building supply chain resilience, in the form of nearshoring, friend-shoring, and other regionalization strategies. M&A remains a powerful means of executing on those goals.

Value Creation: Tying the above themes together, value creation will continue to be a top priority for buyers. Now more than ever, there is a need to identify transformational value drivers to help realize each deal's full potential.

Experts warn that despite the promising conditions expected in 2024, there are still challenges to contend with—such as a higher cost of capital and regulatory scrutiny. And even though certain sectors and geographic regions have been less affected by the M&A downturn, the effects are felt globally.

In this uncertain environment, smaller, mid-market deals are more likely to succeed than larger ones. Corporates with strong balance sheets and established M&A processes will continue to have a competitive advantage. Megadeals are likely in the life sciences, energy, and utilities industries, as these industries are particularly affected by trends like digitalization, decarbonization, and technological innovation.

Overall, the outlook for 2024 is cautiously optimistic. Conducting thorough due diligence, keeping up to date on macroeconomic trends and regulatory updates, and prioritizing sustainable business transformation and digitization remain some of the best ways to ensure success in M&A and other strategic ventures—regardless of how the markets are moving.

Stay On Top of the Evolving M&A Landscape With AlphaSense

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