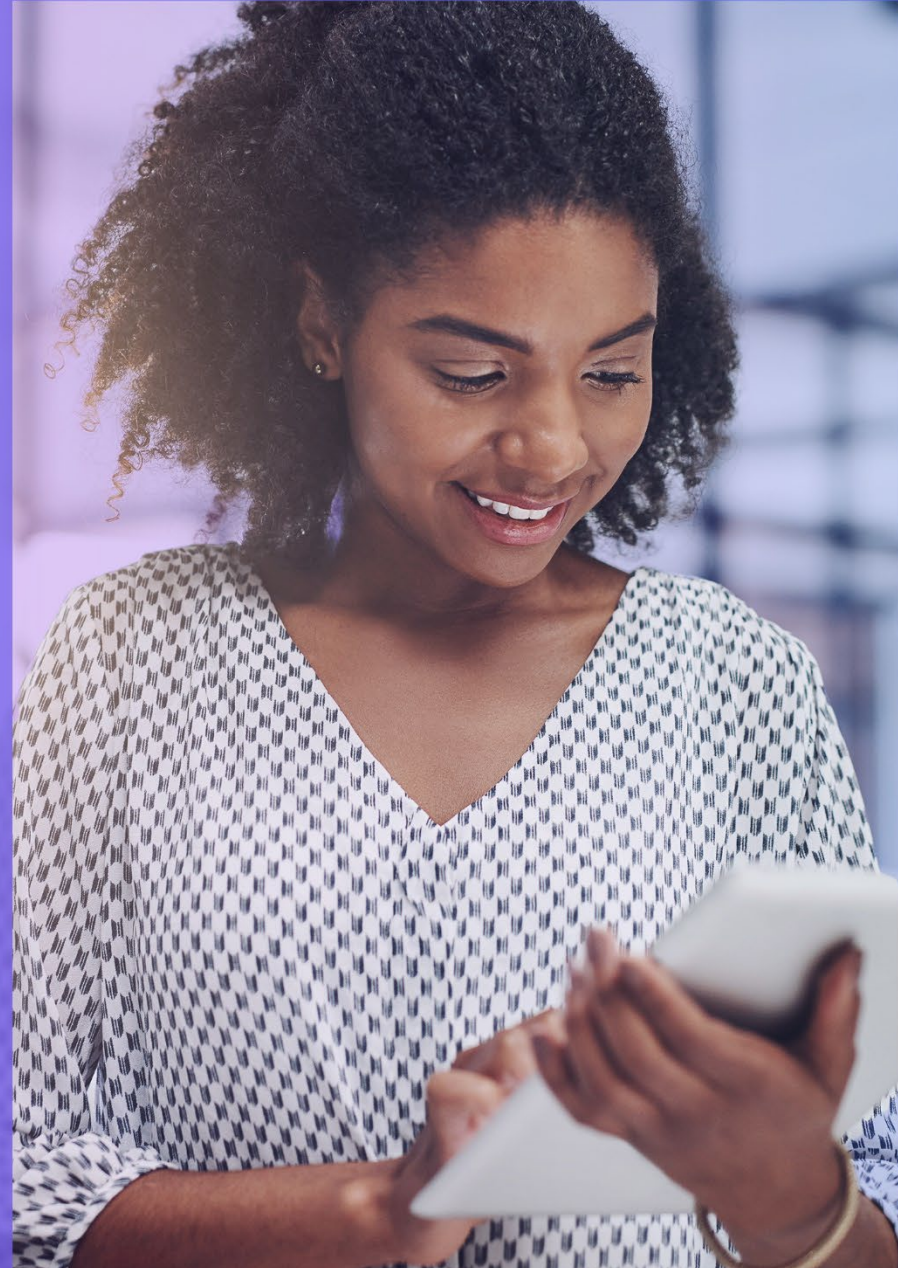




KPMG M&A deal market study

Survey Report

August 2024



Objectives & methodology



Objectives

Assess the current deal market to understand how market conditions are impacting deals and the degree to which corporate and private equity firms are planning to execute M&A deals and the types of deals they expect.

The research also focused on market conditions driving and/or limiting deal activity, and geopolitical issues.

This report also examines key differences between corporate and private equity firms.



Methodology

Online survey of **n=200** M&A dealmakers in the US.

All had to be working for organizations with **\$1B** revenue/fund size.

Relevant titles that are VP and above. All regularly participate in M&A deal decisions, including strategy, due diligence, negotiation, closing, etc.

The survey was fielded **6/11/24 – 6/20/24**. Where possible, current survey results are trended to the November 2023 survey among the same audience.

Type of company:
(n=150) Public, Private not equity owned, Private equity owned
(n=50) Private Equity (fund level)

Note: due to rounding, totals do not always equal **100%**.

Summary: deal expectations, market conditions, deal influencers



Dealmaking expectations

Almost 6 in 10 (**57%**) dealmakers expect their next deal will happen this year; 4 in 10 (**41%**) say their next deal will happen in 2025. Both corporate and private equity have similar outlooks across these timeframes.

The majority expect their deal volume (number of deals) to keep increasing, with more than half saying 2024 (**54%**) will outpace 2023, and 2025 (**57%**) will outpace 2024 activity. Private equity is far more bullish than corporate about its dealmaking expectations for the remainder of 2024 and throughout 2025, with **84%** saying their dealmaking will be greater in 2025 than 2024.

Comparing 2024 and 2025, most dealmakers expect to continue transformational deals (deals that change the very nature and operations of a company), including more than half (**52%**) of corporate and private equity (**58%**) that expect to make at least one of these deals in 2025.



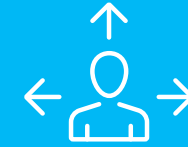
Market conditions

Shifting business valuations, interest rates and persistent inflation are the biggest impediments to dealmaking right now – more so than they were in November of 2023.

Anti-trust regulation creates bigger issues for private equity now and for future deals.

Elevated rates and rate uncertainty are the biggest perceived hurdles for future deals, but overall concern about these factors has dropped from last year, which suggests a growing acceptance of being the 'new normal' for dealmaking.

A majority of dealmakers (**64%**) said either a **0.25%** or **0.5%** cut in rates would drive their deal volume to a level consistent with prior peak periods, with **25%** saying a quarter point cut would do it versus **39%** saying a half point cut.



Evolving deal influencers

Two in three dealmakers indicated geopolitical issues have affected their M&A plans, with **38%** saying geopolitics has increased or brought forward their M&A plans. A third (**35%**) said geopolitics had not affected their dealmaking at all.

Most (**79%**) say that GenAI has affected their dealmaking primarily in terms of:

- 1) making new acquisitions of GenAI tech and products (**47%**), and
- 2) using GenAI to support the M&A deal process (**42%**).

Fewer (**21%**) are making deals where the focus is on acquiring GenAI talent.

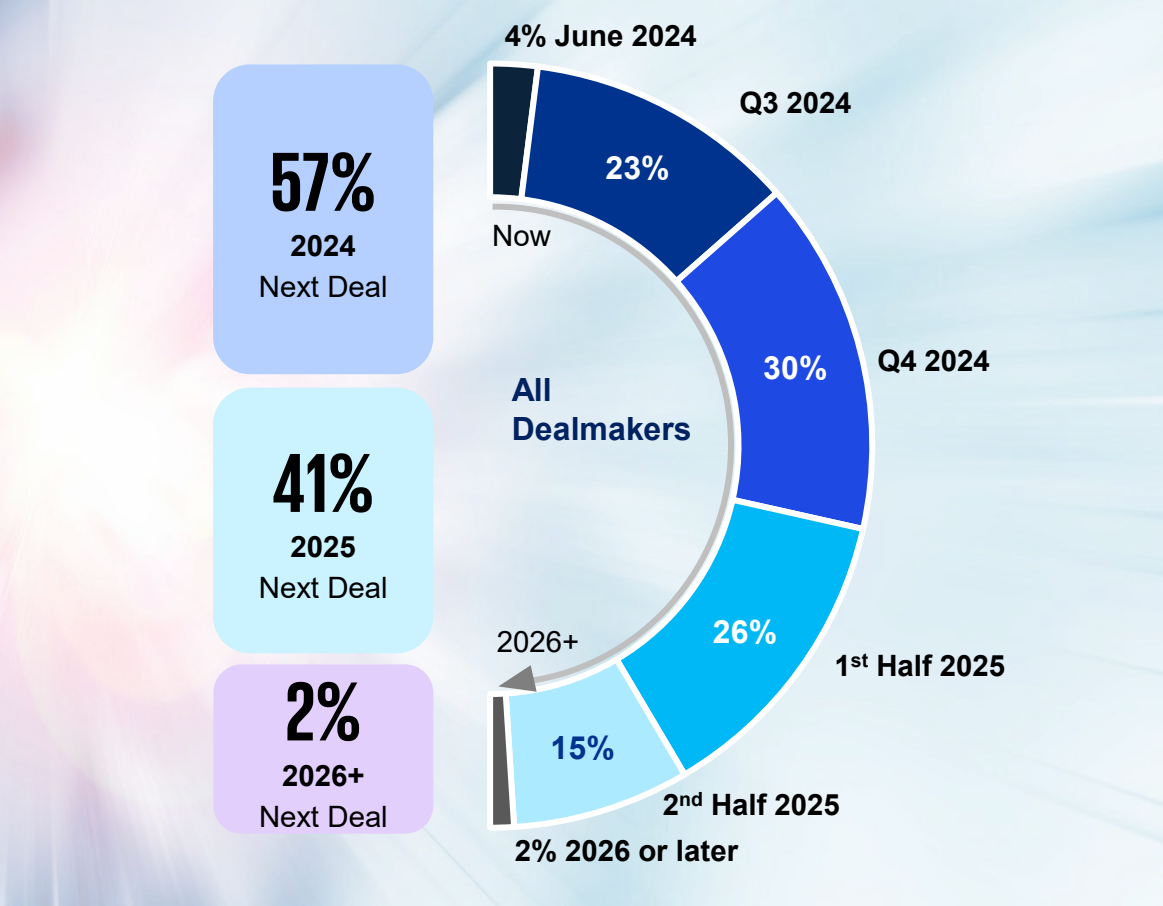
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M&A market outlook

Most dealmakers anticipate progress on their next deal this year.

Majorities of both corporate and private equity dealmakers expect their next deal in 2024, with most activity anticipated in Q4.

Expected Timeline for Next Deal



Expected Timeline	Corporate	Private Equity
2024 Next Deal	58%	54%
June 2024	4%	2%
Q3 2024	23%	26%
Q4 2024	31%	26%
2025 Next Deal	40%	42%
1st Half 2025	25%	28%
2nd Half 2025	15%	14%
2026 or later	1%	4%

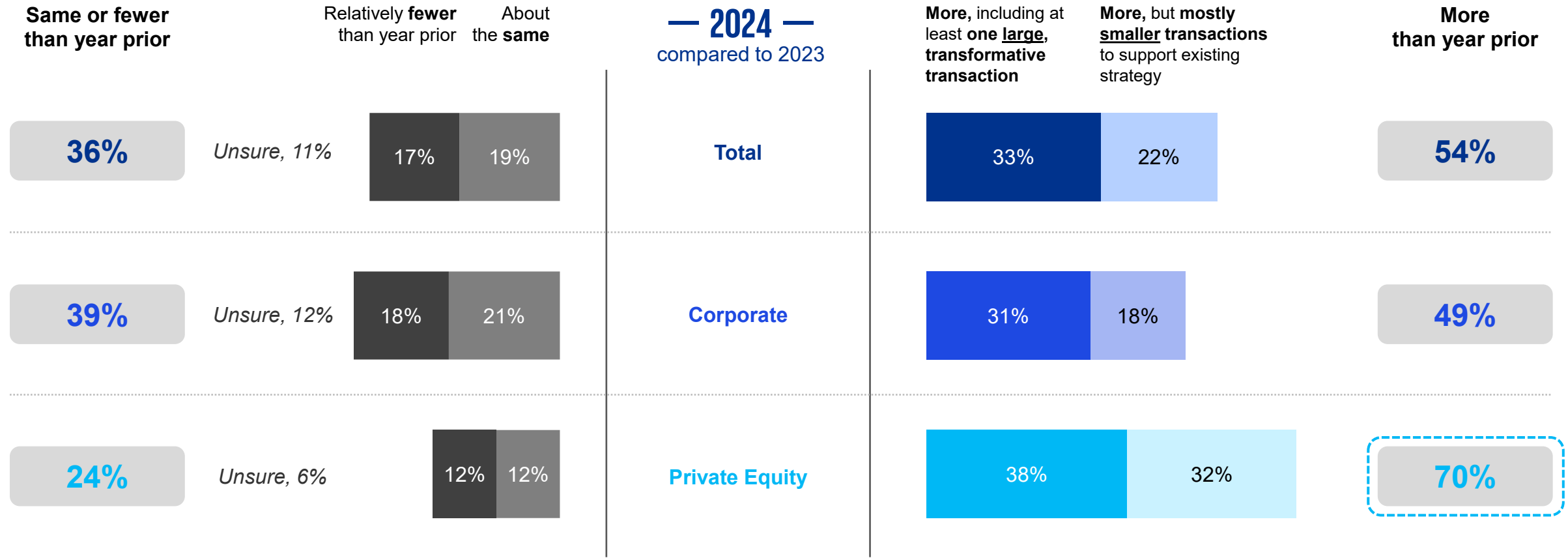
Q. When do you expect to proceed with your next deal? Please select one.

Private equity firms are more likely to anticipate increasing deal volume in 2024 compared to last year.

Seven in ten private equity firms expect more deals in 2024 than 2023, including nearly four in ten that anticipate at least one large, transformational deal.



Expected Deal Volume in 2024 Compared to 2023



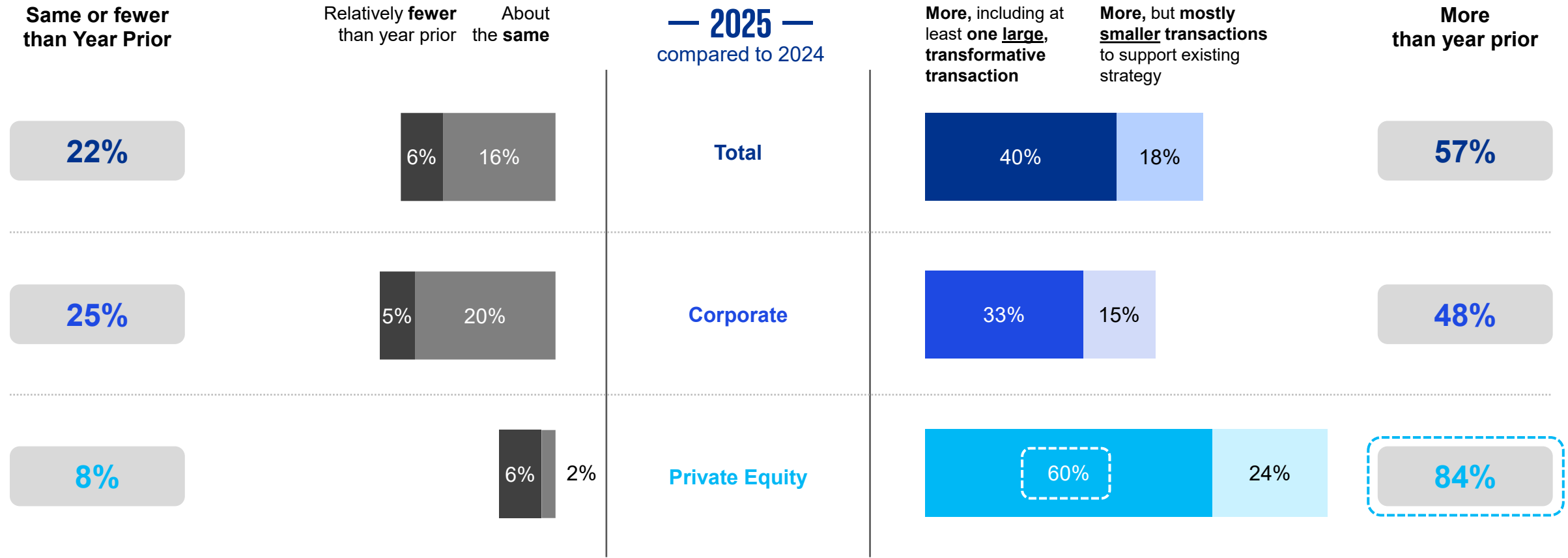
Q. Do you anticipate doing more or fewer deals in 2024 than in 2023? Please select one.

Private equity firms are increasingly optimistic about deal volume in 2025 with six in ten expecting transformational M&A.

Corporate dealmakers are steadier in their outlook with nearly half anticipating more deals than the year previous in both 2024 and 2025.



Expected Deal Volume in 2025 Compared to 2024



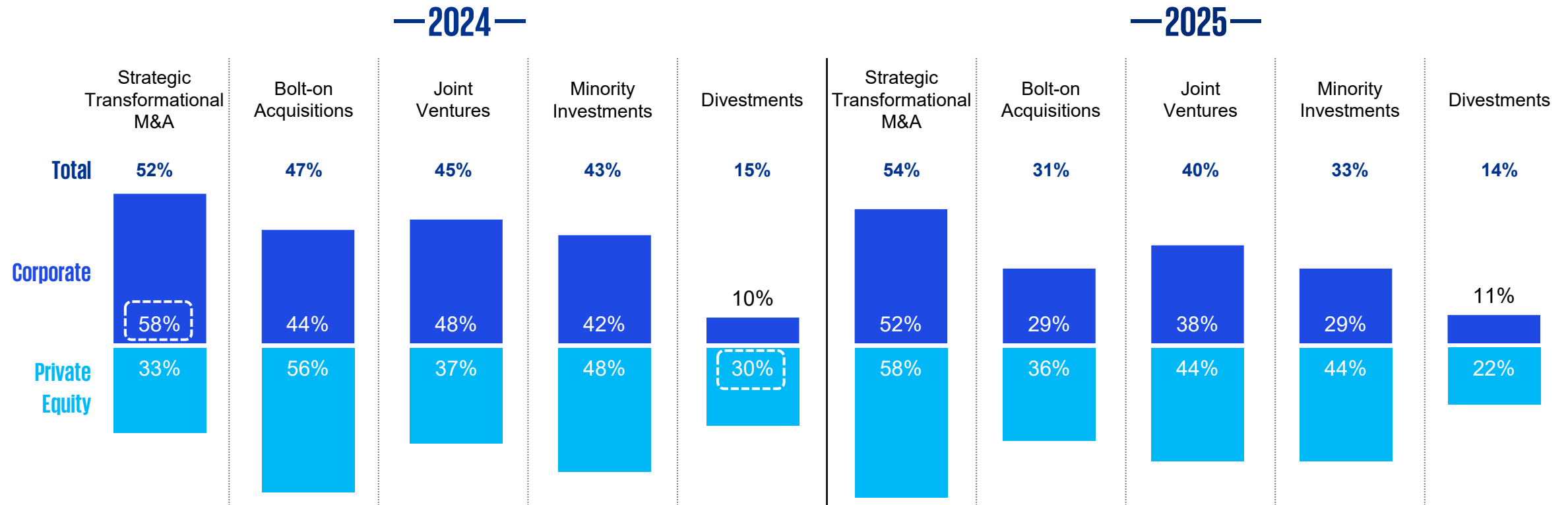
Q. Do you anticipate doing more or fewer M&A deals in 2025 than in 2024? Please select one.

Both corporate and private equity firms are aligned with their 2025 plans to pursue at least one transformational deal.

Comparing year to year, corporate expects less variety in its 2025 deals and private equity firms will put less focus on bolt-on acquisitions – going from more than half (56%) in 2024 to a third (36%) that plan to make at least one of these deals in 2025.



Types of Deals Planned for 2024 & 2025



Q. Looking to the remainder of 2024, what type of deals are you planning? Please select all that apply. (Base: Respondents indicating their organization plans to proceed with their next deal in 2024, n=115) | Q. Looking to 2025, what type of deals are you planning? Please select all that apply. ("Unsure," 14%)

02

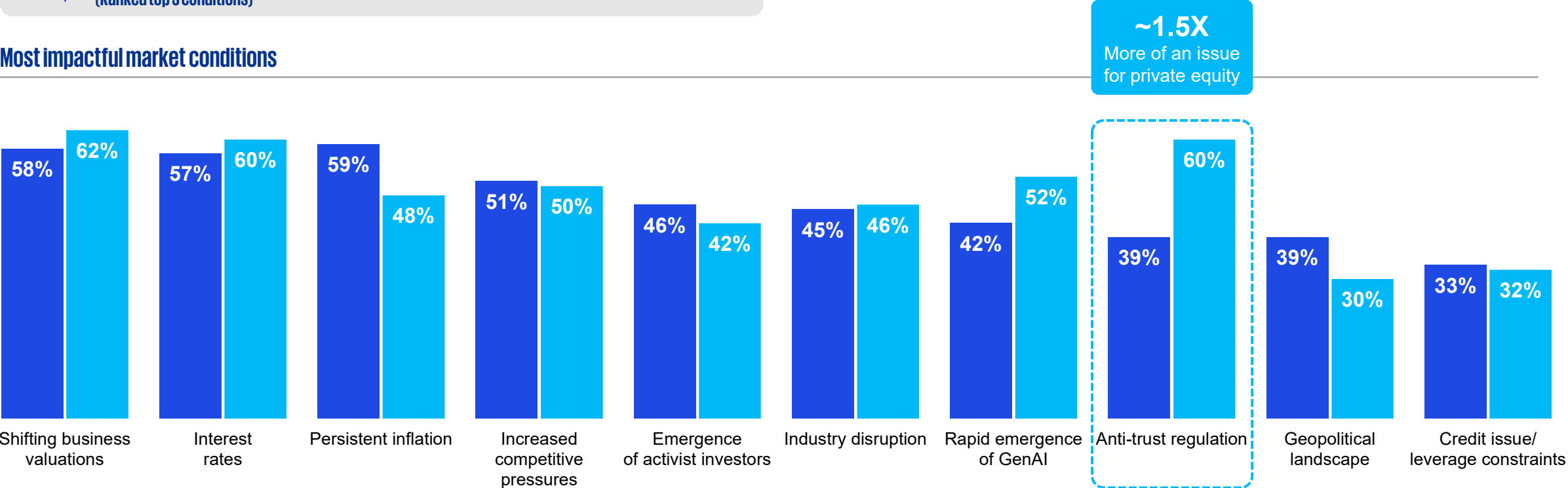
Deal market considerations

Shifting business valuations and interest rates given as most impactful on desire to do a deal.

Private equity firms emphasize the impact of anti-trust regulation on their dealmaking ambitions.

 **Top Market Conditions Impacting Desire to Buy or Sell Businesses**
(Ranked top 5 conditions)

Most impactful market conditions



● Corporate ● Private Equity

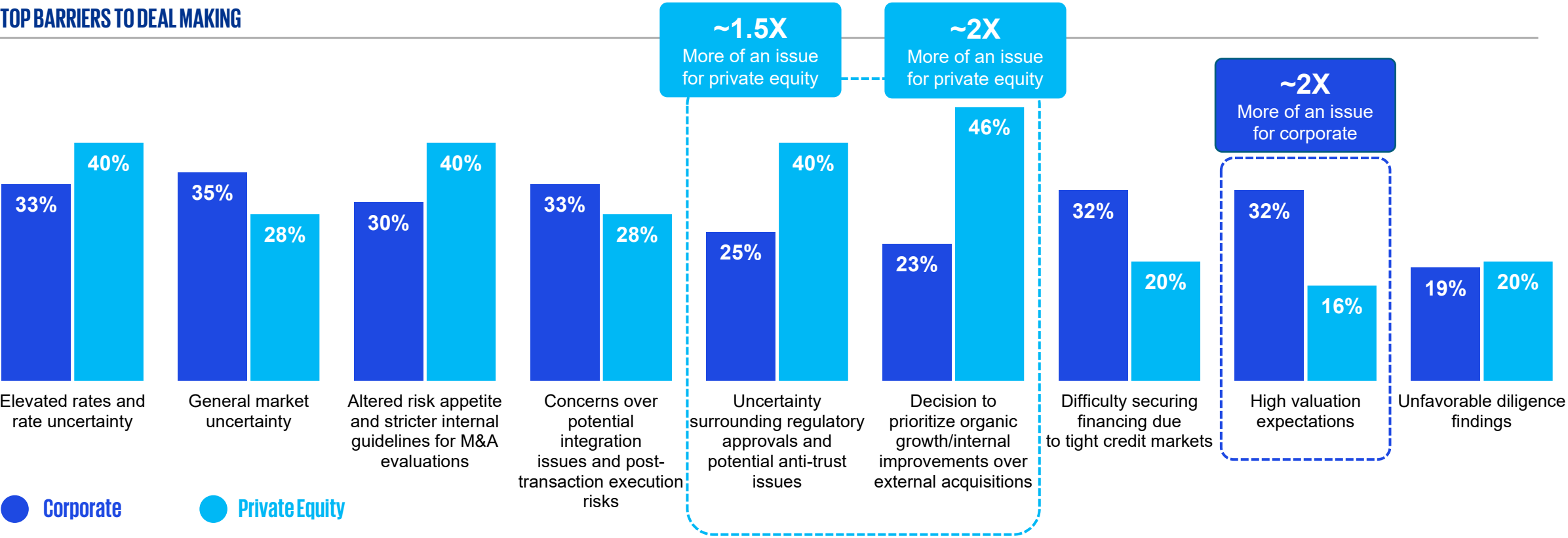
Q. What market conditions are impacting your current desire to buy and sell businesses?
Please rank your top five with 1 being the most important, 2 being second most important and so on.

Private equity firms see bigger barriers around uncertain regulatory approvals and prioritization of organic growth over acquisitions.

Corporate dealmakers are more apt to identify high valuation expectations and difficulty securing financing as an issue than private equity firms.

Barriers to Moving Forward with Deal Candidates (Select your top 3)

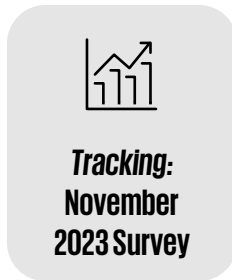
TOP BARRIERS TO DEAL MAKING



Q. What has prevented you and your team from moving forward on potential acquisition candidates? Please select your top three. ("None of the above," 1%)

Dealmakers are less likely to cite market factors as barriers to M&A this year compared to last year.

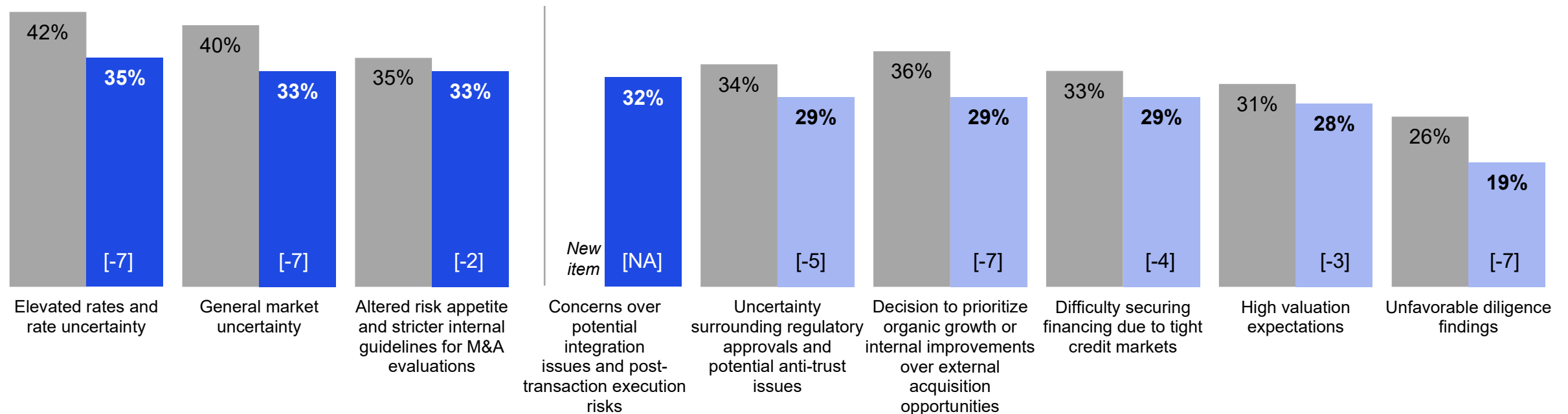
Interest rates and market uncertainty remain the top barriers to new acquisitions, but overall concern about these factors has dropped from last year, suggesting a growing acceptance as being the 'new normal' for operating conditions.



Barriers to Moving Forward with Deal Candidates

(Select your top 3)

Decrease from November 2023



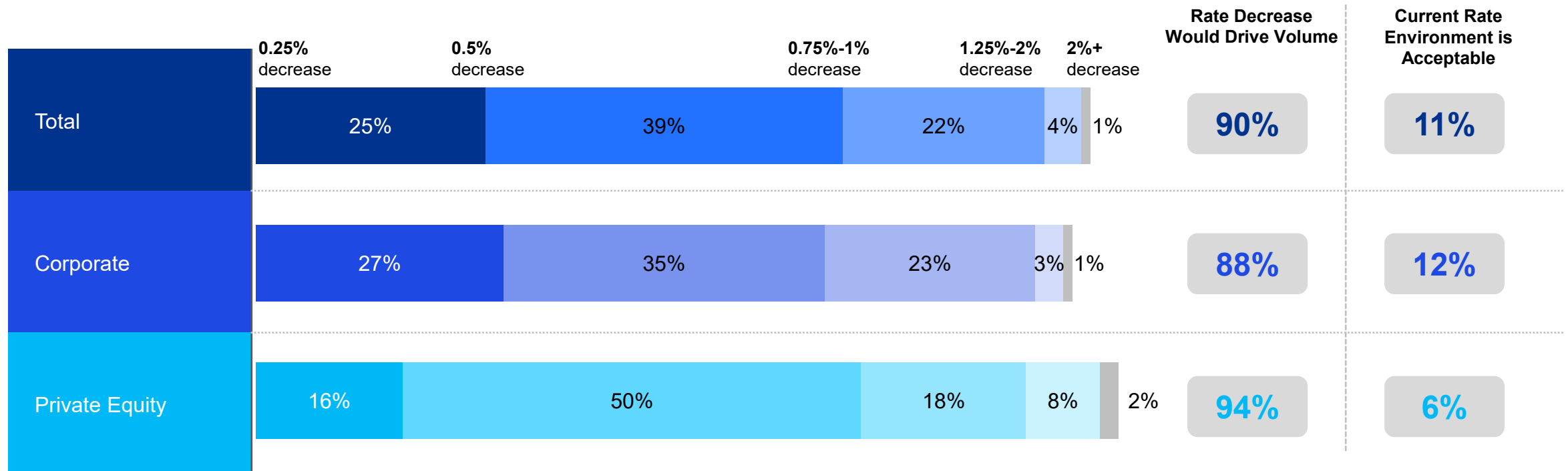
Q. What has prevented you and your team from moving forward on potential acquisition candidates? Select your top three. ("None of the above," 1%; Tracking from November 2023 survey)

The majority (64%) of dealmakers say only a 0.25% or 0.5% decrease would drive more deal volume.

Half of private equity would need a .5% decrease to drive deal volume that is consistent with previous peak periods.



Rate Decrease Needed to Return to Prior Peak Deal Volume Period



Q. How significant of an interest rate decline would be needed for you to pursue a deal volume consistent with prior peak periods? Please select one.

Dealmakers are increasingly likely in 2024 to indicate a rate decrease would improve their deal volume.

This stated impact of decreasing interest rates went up by more than 25 points from November 2023 to 2024.

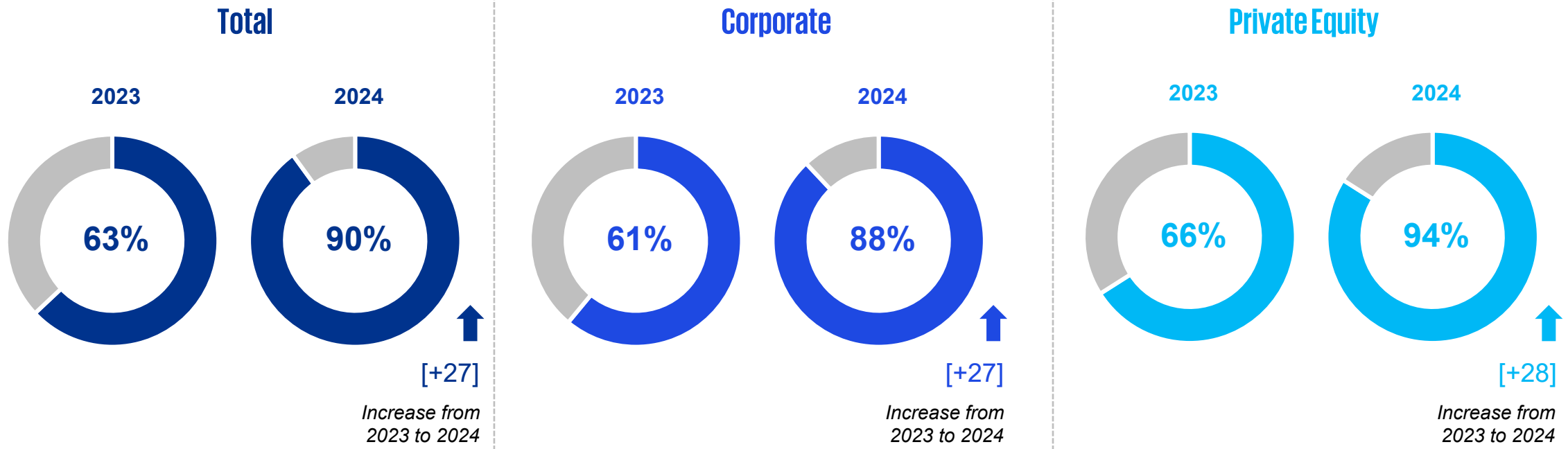


Tracking:
November
2023 Survey



Rate Decrease Needed to Return to Prior Peak Deal Volume Period

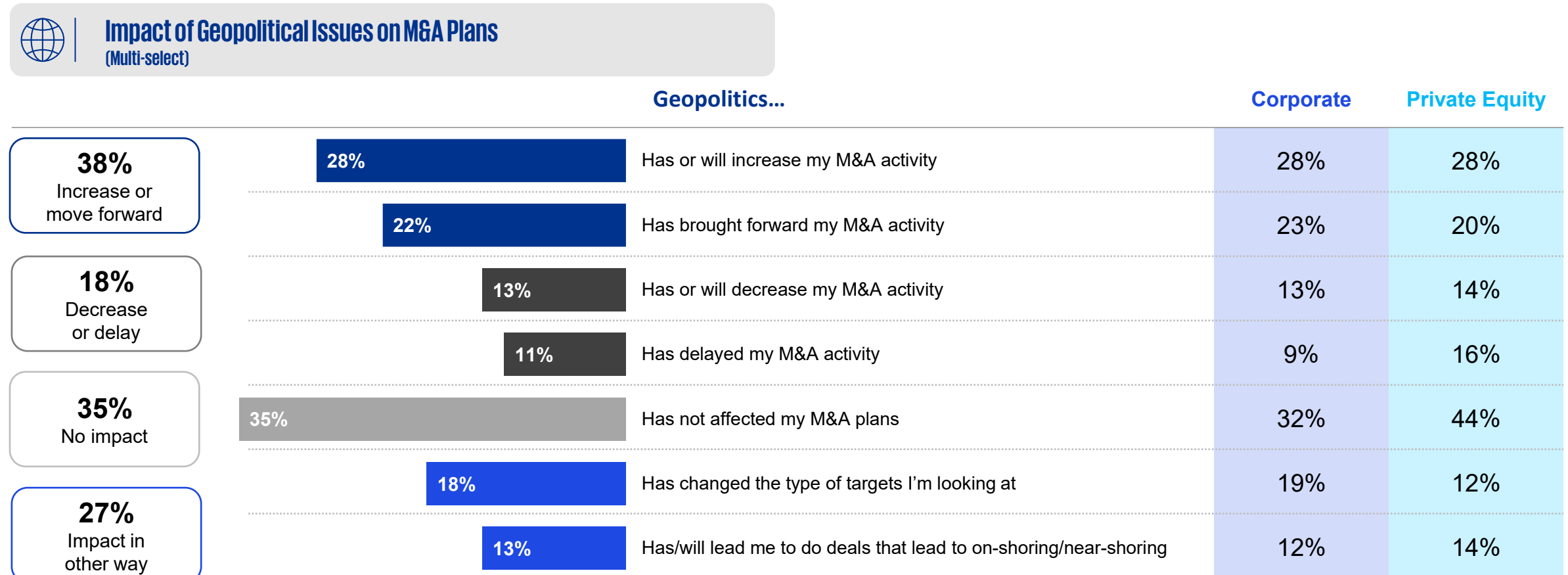
Rate Decrease Would Drive Volume



Q. How significant of an interest rate decline would be needed for you to pursue a deal volume consistent with prior peak periods? Please select one.
(Tracking from November 2023 survey)

Two in three dealmakers indicate geopolitical issues have affected their M&A plans.

Geopolitical issues have been more likely to increase or bring forward M&A plans rather than decrease or delay them.



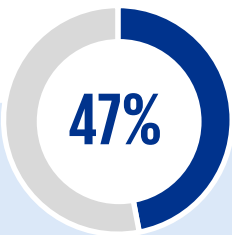
Q. To what extent have geopolitical issues, i.e. Ukraine, Gaza, Red Sea shipping, China & Taiwan, etc. affected your M&A plans?
(Multiple selections allowed except among mutually exclusive options; "Unsure," 2%)

8 in 10 dealmakers indicate GenAI has had some impact on their deals, especially as an acquisition target and/or to support the M&A process.

Private equity firms (64%) are especially likely to say their firm's AI strategy includes buying GenAI technology through acquisition.

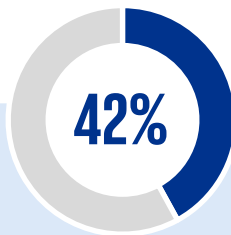


Impact of GenAI on M&A Dealmaking (Multi-select)



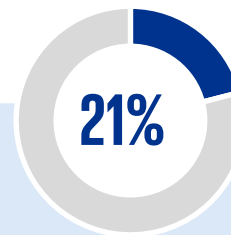
Part of my org's AI strategy includes buying new GenAI technology/products through acquisitions

Corporate | 41%
Private Equity | 64%



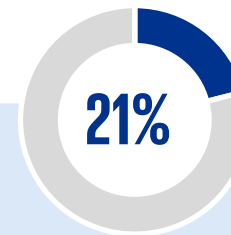
Using GenAI as part of my dealmaking process

Corporate | 44%
Private Equity | 36%



Part of my organization's AI strategy includes acquiring GenAI talent through acquisitions

Corporate | 23%
Private Equity | 16%



It has not affected my dealmaking plans

Corporate | 22%
Private Equity | 18%

Q. How has GenAI affected your dealmaking? Please select all that apply.

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03 | Appendix

Organization Profile

Type of Company	Corp.	Private Equity
Public	33%	--
Private – not private equity owned	41%	--
Private – private equity owned	26%	--
Private equity (fund level)	--	100%

Size by Revenue/Vol.	Corp. (annual revenue)	Private Equity (fund size)
\$1B - \$4.9B	41%	16%
\$5B - \$9.9B	48%	60%
\$10B - \$19.9B	9%	24%
\$20B+	1%	--

Sector	Corp. (operations)	Private Equity (investment)
Consumer/retail	15%	16%
Technology	13%	72%
Industrials/manufacturing	13%	28%
Financial services	13%	28%
Telecommunications	9%	20%
Media	9%	10%
Healthcare	7%	22%
Energy/nat. resources/ chemicals	7%	18%
Life sciences	7%	6%
Power and utilities	5%	22%

Q. Please specify the type of company for which you work. | Q. Please select the sector in which your company operates. |

Q. Please select the sector[s] in which your fund invests in. (multiple selections allowed) | Q. What is your company's annual revenue? | Q. What is your fund size?

Business Leader Profile

Organizational Role	Corp.	Private Equity
CEO	5%	--
CFO	3%	16%
COO	10%	3%
Head of Corporate Development	25%	16%
CSO/ Head of Strategy/Growth	22%	19%
CTO/CIO	5%	16%
General Counsel	15%	16%
Investment Partner	11%	13%
Operating Partner	4%	3%

M&A Operations	Corp.	Private Equity
Participate directly in deal decisions	65%	56%
Provide input into deal decisions	35%	44%

Participation in M&A Operations	Corp.	Private Equity
Deal structuring	87%	74%
Deal strategy	86%	78%
Post-close strategy and design	85%	82%
Post-close value creation and deal execution	80%	78%
Deal closing and day 1	78%	78%
Negotiation	77%	84%
Diligence	77%	80%

Q. Which of the following titles best describes your role in the company? | Q. Please describe your level of involvement in Merger and Acquisition (M&A) dealmaking decisions. | Q. Please indicate your degree of participation across the following Merger and Acquisition (M&A) operations. (% includes "very active participation" and "active participation")



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