



# KPMG M&A DEAL MARKET STUDY

Survey Report

—

December 2023

# 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 currently executing M&A deals.
- The research also looked ahead to the 2024 market, including what those deals will look like, how the overall market will perform, and whether deal makers plan to leverage generative AI.
- Identify differences between corporate and private equity firms in current deal activity, types of deals being targeted, outlook for 2024, etc.



## Methodology

- Online survey of n=200 M&A deal makers in the US.
- Relevant titles that are VP and above
- Participate directly in M&A deal decisions, including strategy, due diligence, negotiation, closing, etc.
- Type of company:
  - (n=150) Public or Private (PE or not PE-owned).
  - (n=50) Private Equity (fund level)
- All had to be working for organizations with \$1 billion revenue/fund size.
- The survey was fielded 11/22/23 – 12/4/23.

# Summary findings

## Current Deal Making & Expectations

There is optimism about the 2024 deal making market, with two-thirds (65%) expect it to grow beyond what they are seeing in 2023.

## Top Deal Making Barriers

High interest rates are limiting potential deals, especially for private equity. Market uncertainty and shifting business valuations are also weighing on deal consideration.

The current market has also put greater pressure on managing risk and performing due diligence to ensure value in deals.

## Different Deal Strategies

Corporates seeks deals that will provide long-term value and growth, recession resistance and faster business transformation.

Private equity is seeking opportunities to turn around distressed assets and expand (into new markets and customer segments).

## Different Deal Making Plans

Most (80%) private equity deals are expected to be \$1B or more while less than half (45%) of corporate deals will reach this value.

Corporate plans to move faster with its deals, where over half (54%) expected to happen the first half of 2024 – compared to a third (33%) of private equity that expect deals in this same timeframe.

## Credit Markets & Tax Policy

More (68%) private equity are looking to activate their 'dry powder' in 2024 through turn around assets, paying higher multiples or seeking alternative assets.

Two-thirds (65%) say they are motivated to make deals before the presidential election due to potential of tax policy changes.

## Generative AI in M&A

Almost all (92%) corporate and private equity firms have used Gen AI or plan to use it soon to support M&A deals.

Most will use Gen AI for deal structuring (71%) and deal strategy (51%) processes.

# Executive summary: Market Conditions & Deal Execution



## Current Deal Making

Two-thirds (65%) expect overall M&A to grow beyond what they are seeing in 2023.

7 in 10 say they are in middle of closing a deal right now and more than 8 in 10 (84%) have closed at least one deal the last 24 months.

Enabling growth in core business is the largest driver (48%) of recent deals made.



## Deal Strategy

Corporate seeks deals that will provide long-term value and growth, recession resistance and faster business transformation through acquisitions and JVs.

Private equity is more focused on turning around distressed assets, and expansion opportunities (into new markets and customer segments) through reverse mergers, divestitures, and minority investment deals.



## Market Condition Challenges

High interest rates are limiting potential deal making opportunities. General market uncertainty and shifting business valuations are also driving deal making hesitation.

Tighter credit markets and higher borrowing costs are making it tougher for private equity to securing financing for its deals.



## Value Realization

The current economic market has intensified pressure to perform due diligence and risk assessment when considering potential deals.

Corporate (57%) is more likely than private equity (34%) to see management of risk as crucial to value realization. Private equity is more focused on ways to prevent value leakage.

Most (54%) say that value realization happens because of regular communications with key stakeholders (employees, suppliers, and customers)

# Executive summary: 2024 M&A Market Outlook



## Expectations for 2024

When looking at the overall M&A market, two-thirds (65%) expect to see growth in 2024 M&A activity – the remainder (35%) think it will stay level with 2023 deal activity.

Three-quarters (76%) are expecting to do at least 1 deal in 2024 – 4 in 10 (38%) are more optimistic, expecting to do 3 or more deals.



## 2024 Deal Parameters

Corporate and private equity will pursue different deals in 2024.

More than half (55%) of corporate deals will be valued at less than \$1B, while most (80%) private equity deals will be \$1B and above.

Corporate is also moving faster on deals with more than half (54%) aiming to have their next deal in the first half of 2024. In contrast, only a (33%) of private equity deals will happen in this timeframe.

Private equity deals will be more targeted to specific industries, including Healthcare, Infrastructure and Life Sciences companies.



## Credit Markets

In the 2024 credit market, a third (32%) of private equity will not utilize their dry powder. Another third (32%) will look to turn around assets to create greater value and a quarter (22%) plan to pay out more in higher multiples to secure assets.

A hypothetical interest rate decrease of .05% would be significantly motivating for private equity (60%) – corporate is less concerned about interest rates.

For most (65%), the potential impact of the 2024 presidential election on tax policy increases appetite for M&A deals ahead of the election.



## Generative AI

Gen AI use in the M&A process is widespread, with just over (53%) half that have used Gen AI already for M&A processes and another 4 in 10 (39%) that plan to use it for their 2024 deals.

Deal structuring is where most are using or plan to use Gen AI. Half (51%) will use for deal strategy.

**01**

# **M&A Market Conditions**

# Corporate is more likely to be considering acquisition or joint venture deals right now

Private equity is more focused on reverse mergers, divestitures, and minority investments.



## Types of Deals under Consideration

(Multi-select; top deals shown)

### Acquisitions

58%

### Joint ventures/alliances

47%

### Reverse Merger

39%

### Divestitures

38%

### Minority Investments

38%

### Corporate

65%

51%

35%

34%

34%

### Private Equity

34%

34%

52%

50%

50%

Lower consideration: IPOs (34%), Spin-offs (31%),  
Public-to-private (25%), Carveouts (24%)

Q. Currently, what are the types of deals that you're considering?

# Half rank higher interest rates and shifting business valuations as top market conditions impacting the desire to make deals

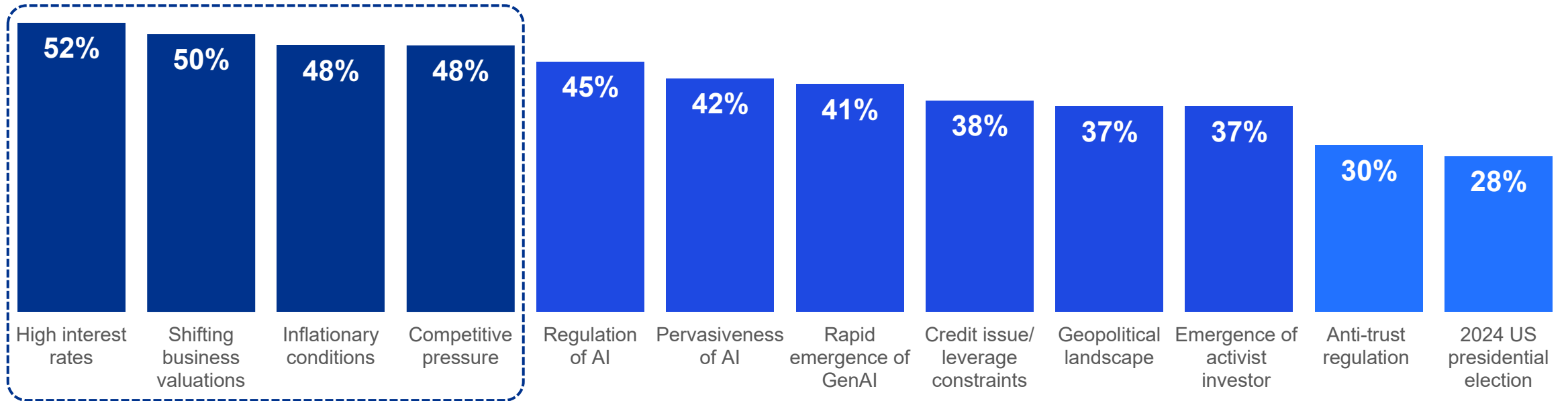
Anti-trust regulation and the 2024 presidential election are having the least impact on deal making desire.



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

Showing: % ranked in top 5

### Most impactful market conditions



Q. What do you think are the market conditions impacting your current desire to buy and sell businesses?

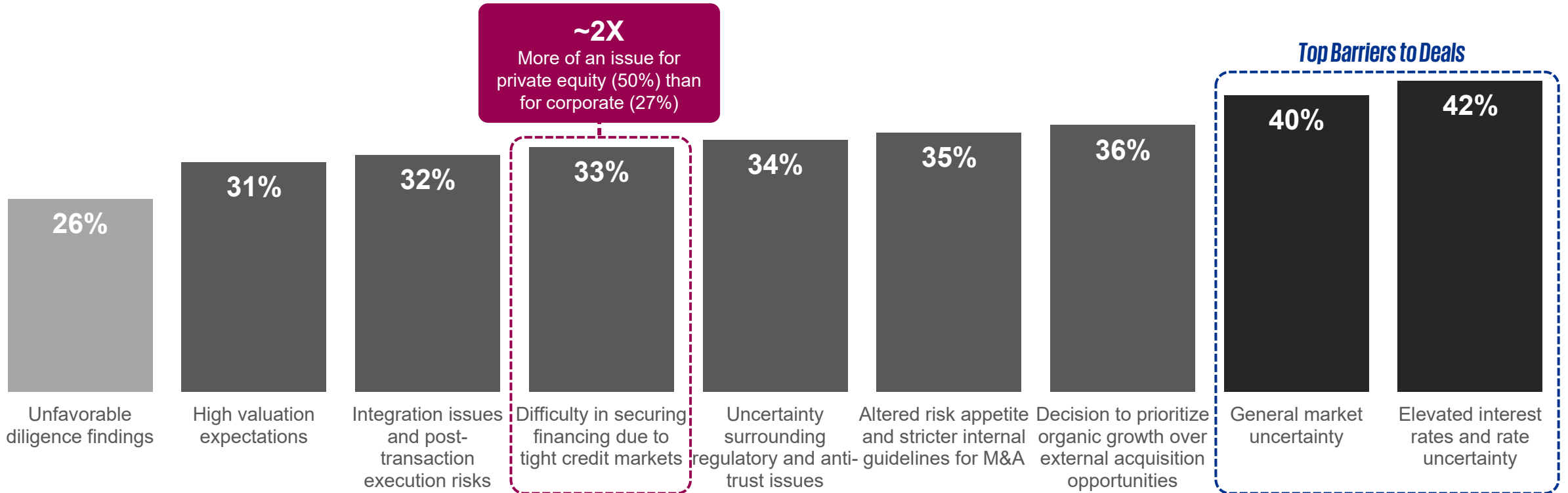


# Elevated interest rates and general market uncertainty are often top barriers to moving ahead with potential M&A deals

Securing financing in tight credit markets has been a bigger issue for private equity firms.



## Barriers to Moving Forward with Deal Candidates (Multi-select)



Q. What has prevented you and your team from moving forward on potential deal candidates?

# Corporate wants deals with long-term value while private equity is more often looking for expansion opportunities and distressed assets

Other areas common to both types of companies include recession-resistant industries and accelerating broad business transformation.



## Primary Investment Theses for New Deals (Multi-select)



Focusing on long-term strategic value and growth



Corporate | 61%  
Private Equity | 44%



Expanding into new markets or customer segments



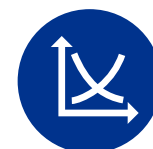
Corporate | 48%  
Private Equity | 64%



Identifying recession-resistant industries and businesses



Corporate | 59%  
Private Equity | 50%



Opportunistically reviewing distressed assets for turnaround



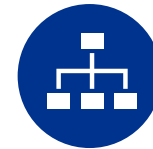
Corporate | 39%  
Private Equity | 66%



Accelerate broad business transformation



Corporate | 55%  
Private Equity | 48%



Focusing on value-accretive deals that offer immediate synergies



Corporate | 45%  
Private Equity | 46%

Q. What are the primary investment theses being used when considering deals in this market?

**02**

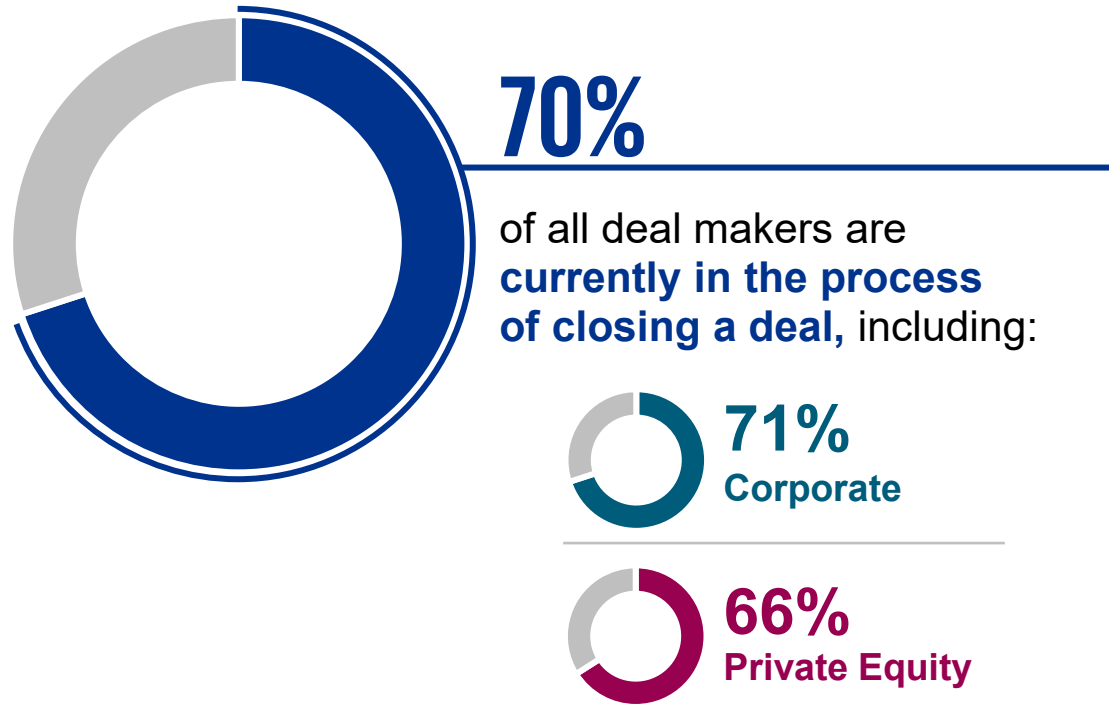
# **Deal Execution**

# Seven in 10 business leaders report their company is currently in the process of closing an M&A deal

Among those, the deal in process is typically an acquisition or joint-venture/alliance.

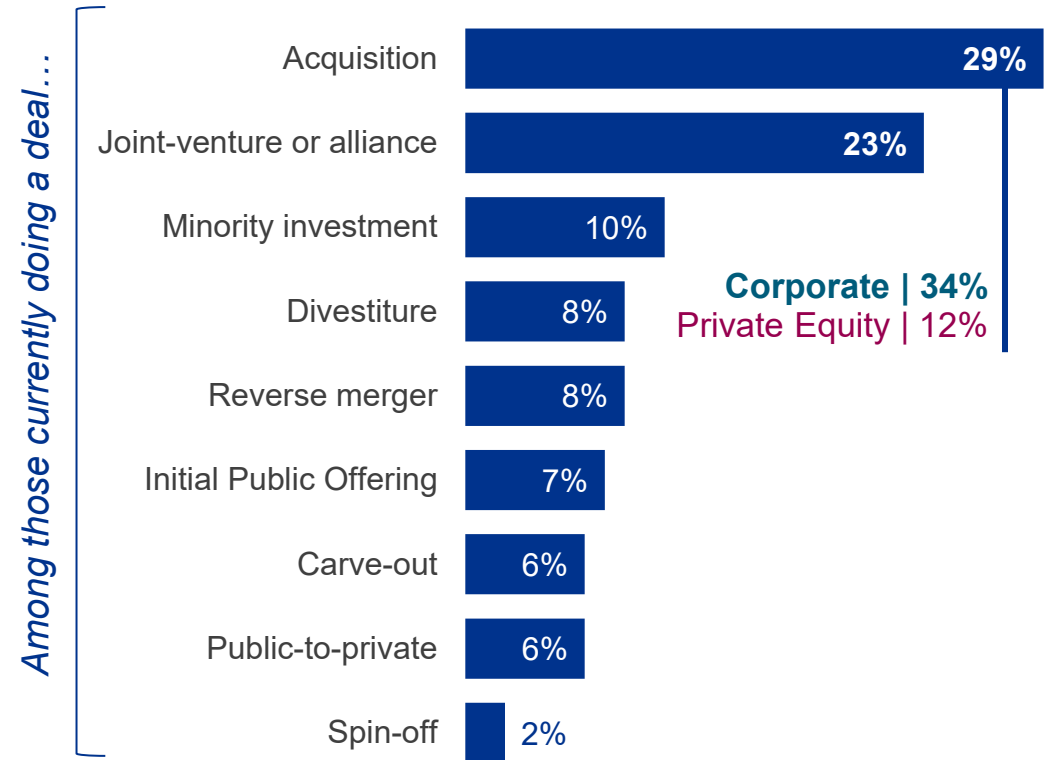


## Currently in Process of Closing a Deal



## Type of Deal Underway

(Asked of those doing a deal; n=139)



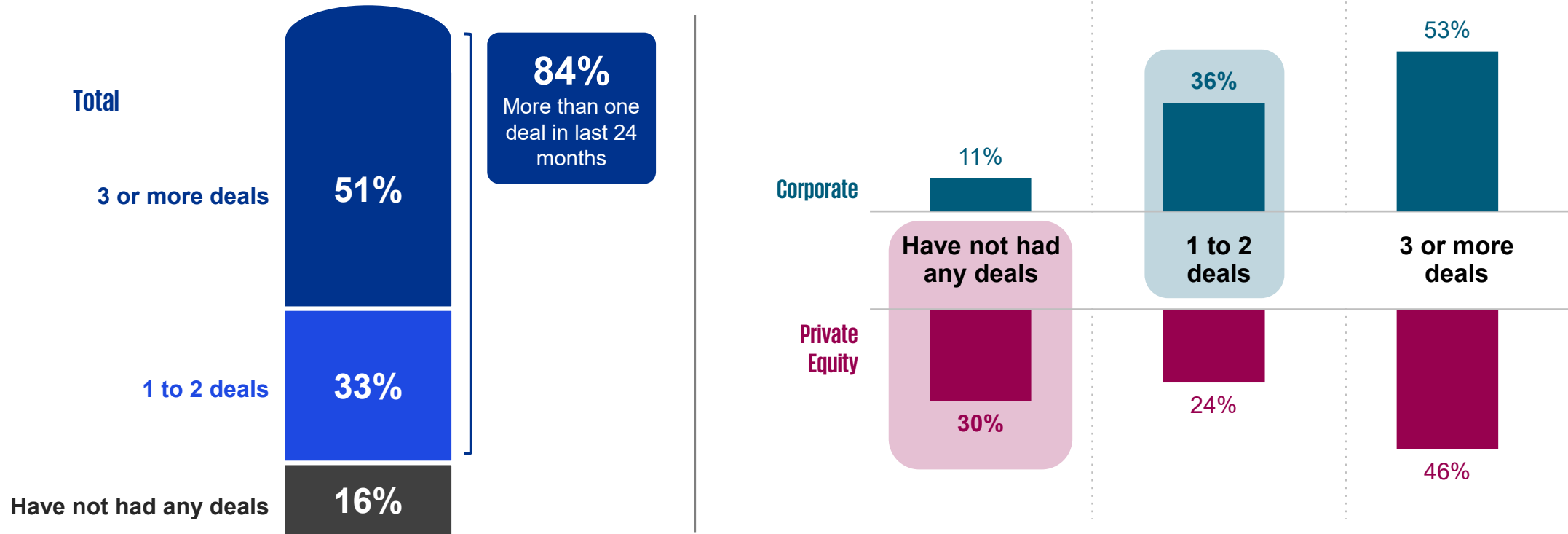
Q. Are you currently in the process of closing a deal? (Asked of all respondents) | Q. What type of a deal is it? (Asked of those in the process of closing a deal; n=139)

# A majority have had at least one deal in the last 24 months, including more than half with 3+ deals

Three in ten private equity firms (30%) have had no deals in this timeframe.



## Number of Deals in the Last 24 Months (Multi-select)

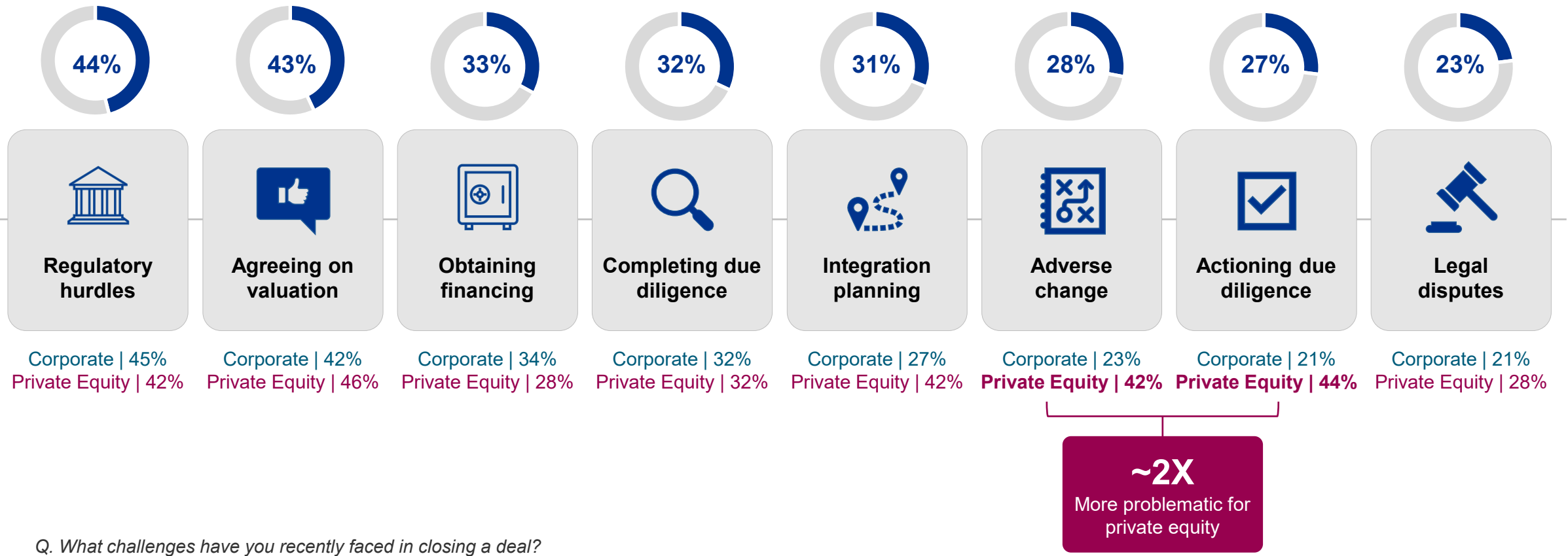


Q. How many deals is your company in the process of integrating from the past 24 months?

# Regulatory hurdles and agreeing on valuation have been the top challenges to closing recent deals

Actioning due diligence and adverse change are more of a hindrance for private equity firms.

## Top Challenges to Closing Recent Deals (Multi-select)



Q. What challenges have you recently faced in closing a deal?

# Economic factors of heightened due diligence and pressure to renegotiate terms/valuations are also hindering deal closures

Corporate and private equity are similarly impacted by the current economic landscape; only 1 in 10 have not been impacted.



## Impact of Economic Landscape on Closing Deals (Multi-select)



Q. How has the present economic landscape affected the closing of a recent deal?

# Managing risks and challenges and ensuring strong performance during transition are most important to value realization

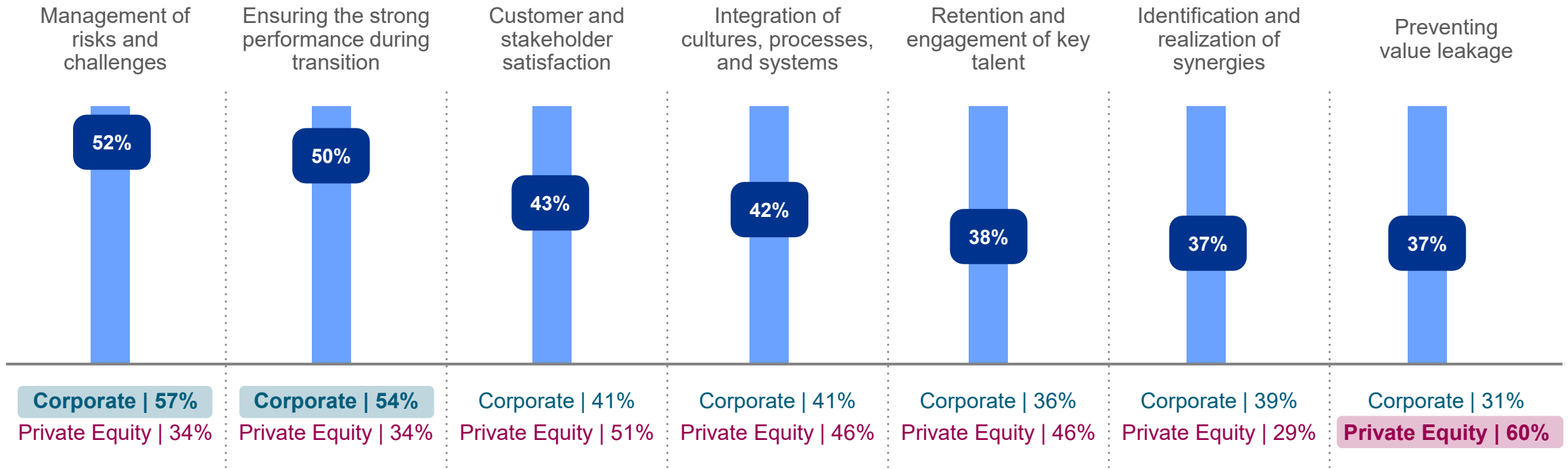
These focus areas are particularly more important for corporate while preventing value leakage is most critical for private equity.



## Primary Focus Areas for Ensuring Value Realization

(Ranked 1 to 7; asked of those conducting at least one deal in the last 24 months)

Showing: % ranked in top 3



Q. What are your primary focus areas for ensuring value realization? (Asked of those conducting at least one deal in the last 24 months; n=168)



# Value realization is most often obtained through regular communications with key stakeholders (employees, suppliers, etc.)

Corporate and private equity are generally similar in how they approach value realization.



## Approaches to Ensuring Value Realization

(Ranked 1 to 7; asked of those conducting at least one deal in the last 24 months)

Showing: % ranked in top 3

	Corporate	Private Equity
54% Communications and engagement with key stakeholders	54%	51%
46% Active management of integration plans and strategies	49%	34%
46% Regular monitoring of financial performance metrics	49%	37%
42% Adjusting and optimizing business operations as needed	40%	49%
40% Deploying value creation teams focused on driving results	39%	46%
38% Regular assessments of risks and challenges	37%	43%
34% Benchmarking against industry and market standards	32%	40%

Q. What is your approach to ensuring that value is making its way to the bottom line? (Asked of those conducting at least one deal in the last 24 months; n=168)

**03**

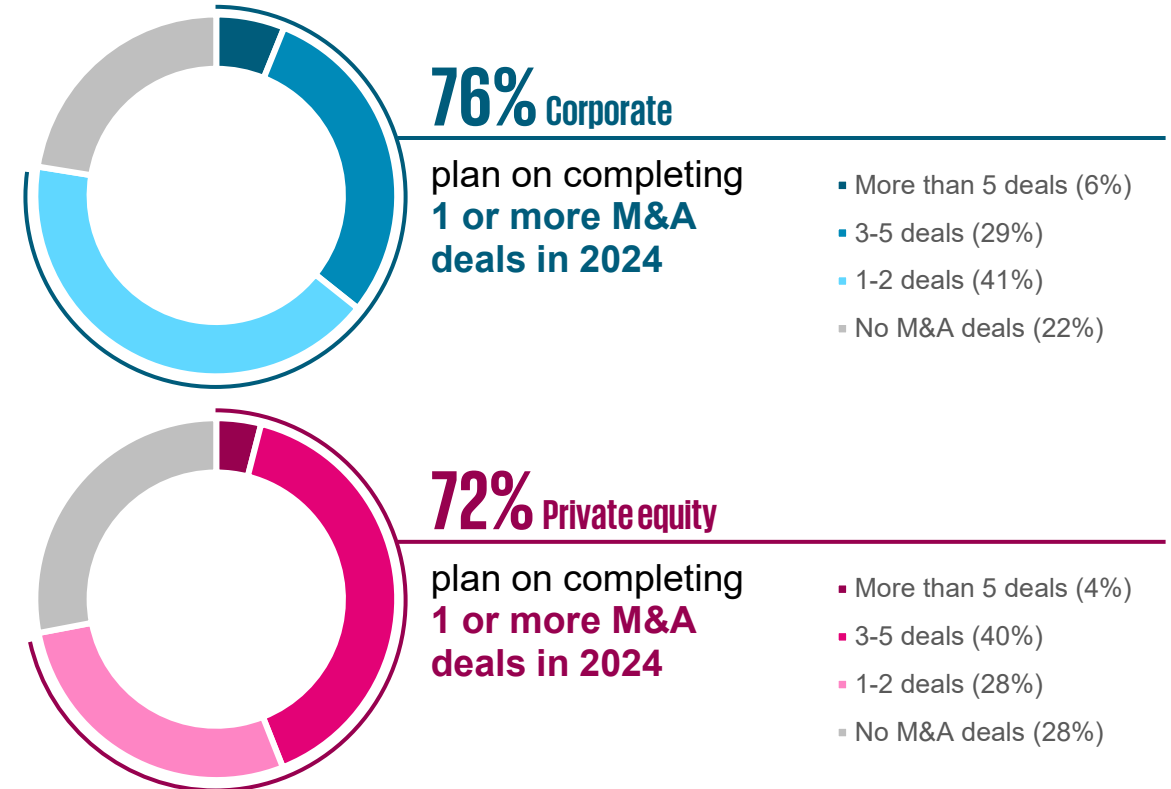
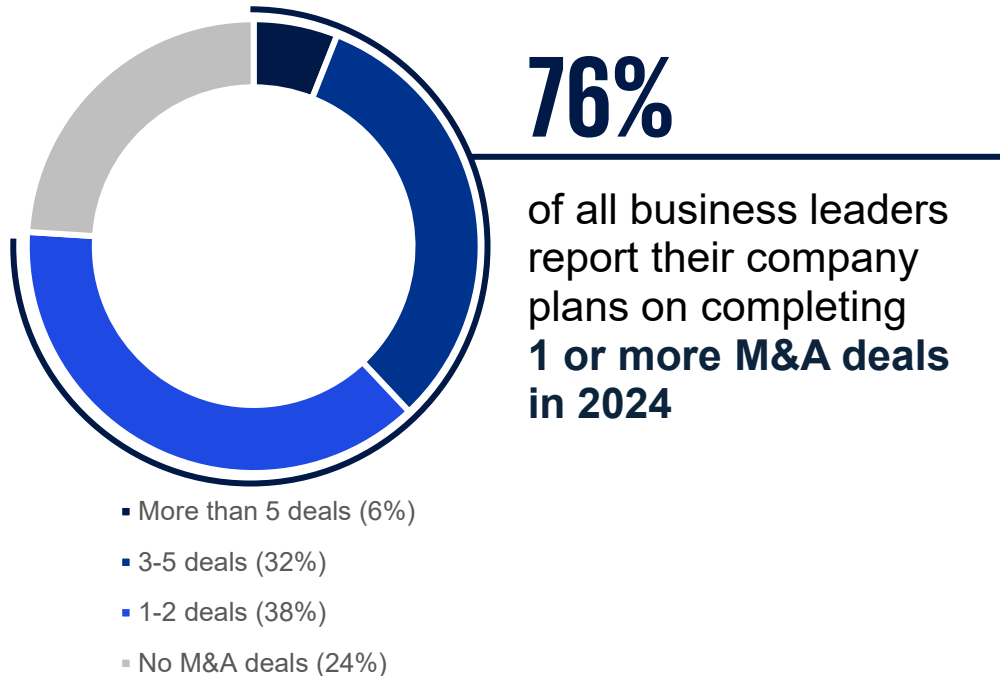
# **2024 M&A Outlook**

# About three in four business leaders have one or more M&A deals planned for 2024

Private equity companies (44%) are more likely than corporations (35%) to report their plans for 3 or more M&As in 2024.



## Planned M&A Deals for 2024



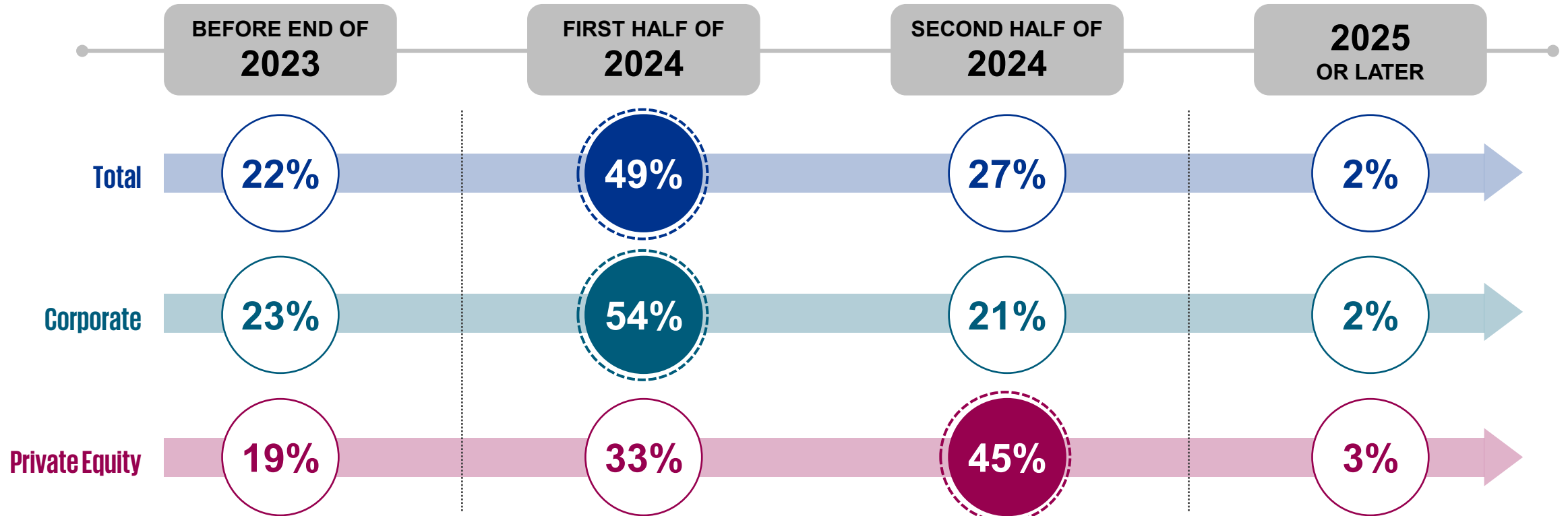
Q. How many M&A deals does your company plan on doing in 2024? (Not shown: "Unsure," 2% total, 2% corporate, and 0% private equity.)

# Seven in 10 (71%) expect to proceed with their next M&A deal in late 2023 or early 2024, especially corporations (77%)

Private equity firms are more likely than corporations to expect their next deal in the second half of 2024 or later.



## Expected Timeframe of Next Deal (Asked of those planning at least one M&A deal in 2024)



Q. When do you expect to proceed with your next deal? (Asked of those planning at least one M&A deal in 2024; n=150)

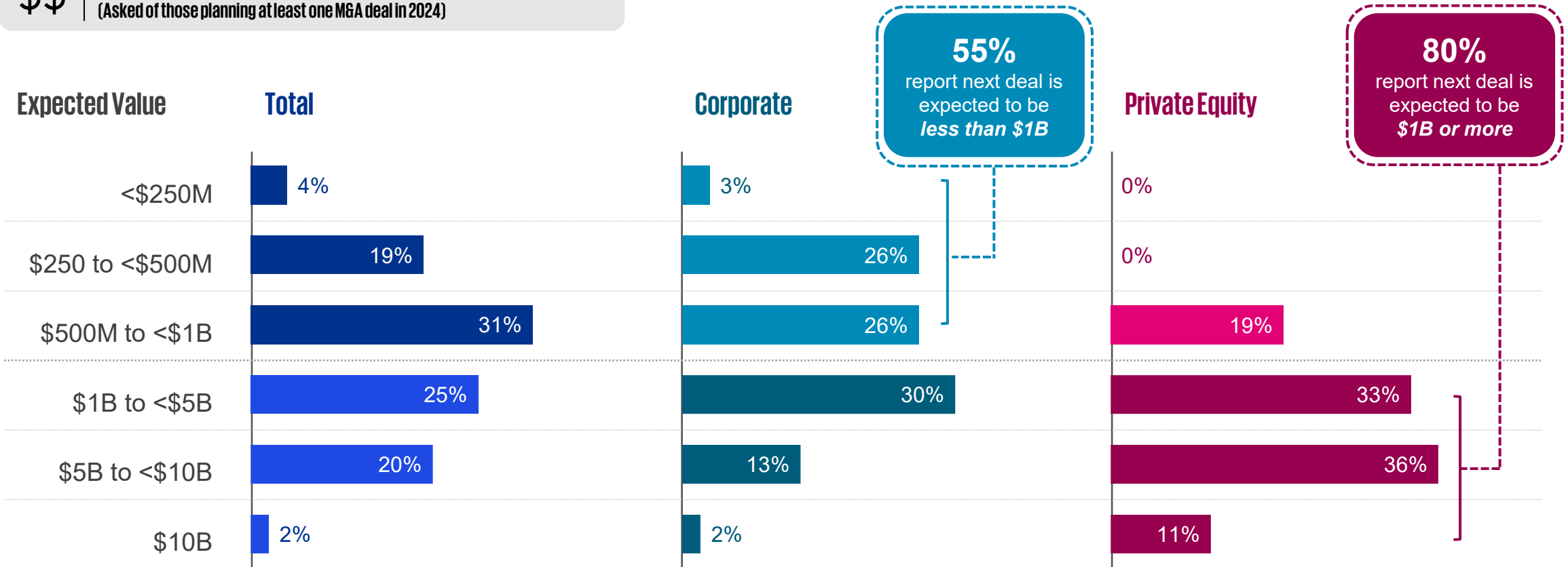
# Most (80%) private equity are more likely to make their next deal a high-value one of \$1B or more

Conversely, more corporations (55%) expect their next deal will be less than \$1B.



## Expected Value of Next Deal

(Asked of those planning at least one M&A deal in 2024)



Q. What is the expected value of your next deal? (Asked of those planning at least one M&A deal in 2024; n=150)

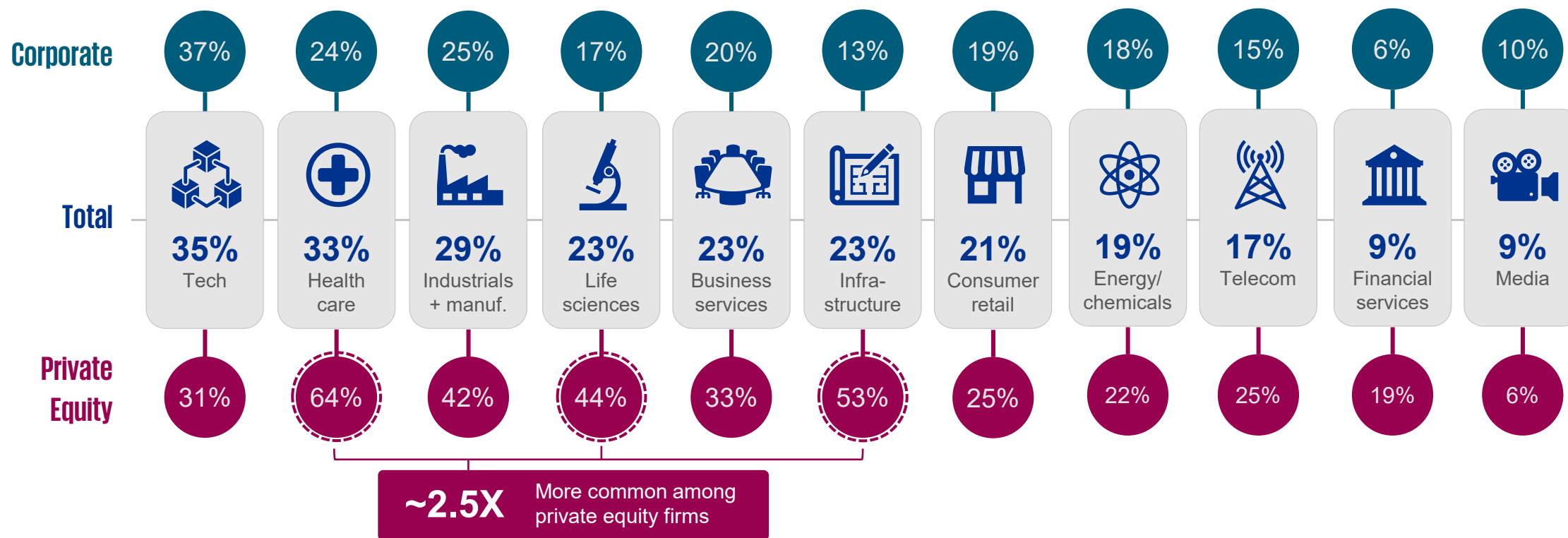
# Technology, healthcare and industrials/manufacturing are the most common industries for planned M&A deals in the next year

Private equity firms are especially likely to pursue M&As in healthcare, infrastructure, and life sciences.



## Industries in which Planning to Pursue M&A Deals in Next Year

(Multi-select; asked of those planning at least one M&A deal in 2024)



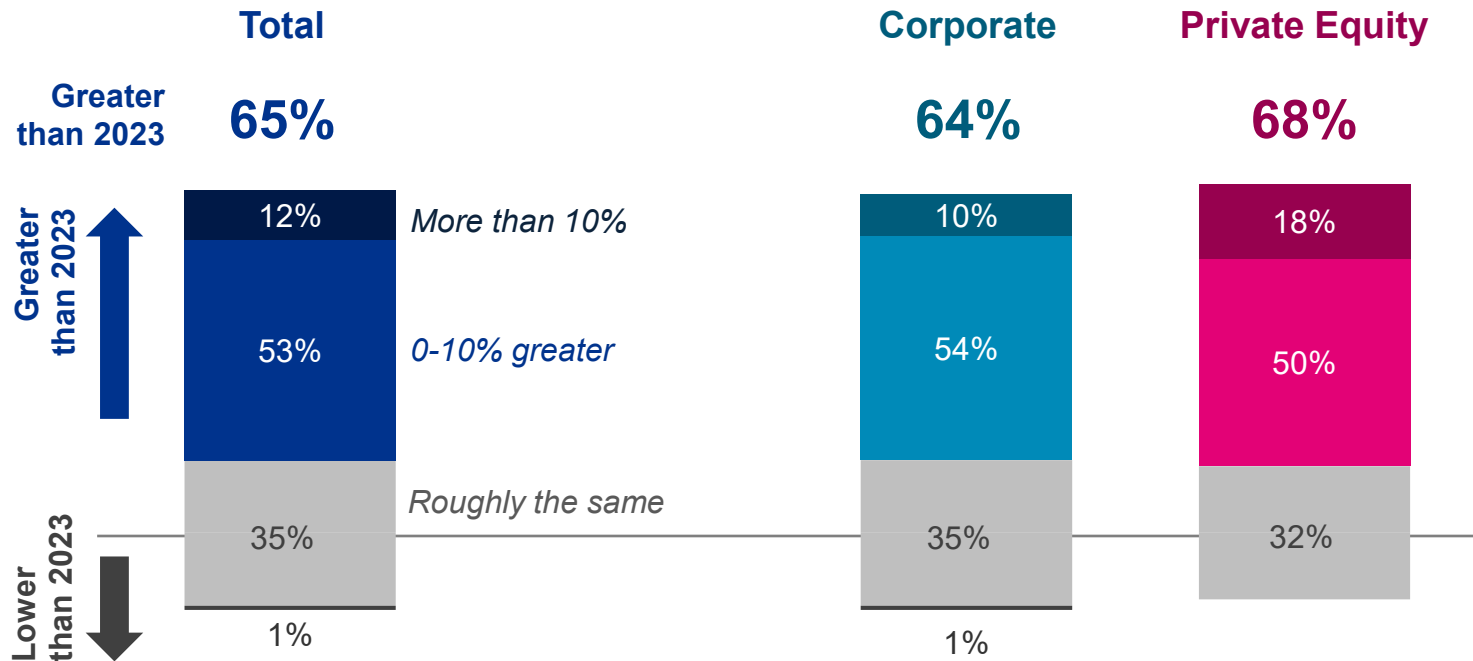
Q. In which industries are you planning to pursue M&A deals in the next year? Select all that apply. (Asked of those planning at least one M&A deal in 2024; n=150)

# Nearly two in three business leaders (65%) expect growth in the overall 2024 M&A market; the remainder expect it to remain level

Corporations and private equity firms expect similar increases in M&A activity next year.



## Expectations of Overall M&A Activity in 2024



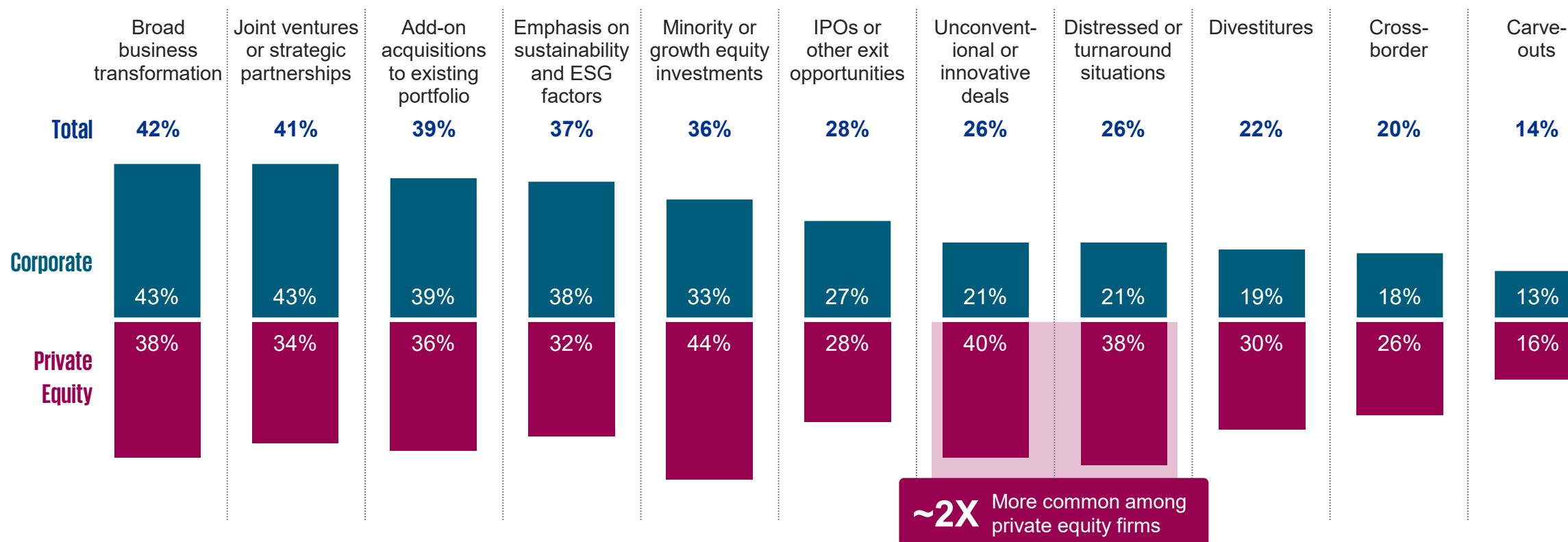
Q. Beyond your own activity, what is your expectation for overall M&A activity in 2024?

# Corporate and private equity are putting more emphasis on certain deal types in 2024

Most notably, private equity is about twice as likely to pursue unconventional/innovative deal structures and turnaround situations.



## Types of M&A Deals to be Pursued in 2024 (Multi-select)



Q. What types of M&A deals to you anticipate pursuing in 2024?



# If multiples don't decline in 2024, private equity firms will most commonly increase exposure to turnaround assets for greater value

Additionally, 32% won't utilize their dry powder in 2024 if multiples don't decline.



## Anticipated Methods of Activating Dry Powder

(Asked of private equity firms)



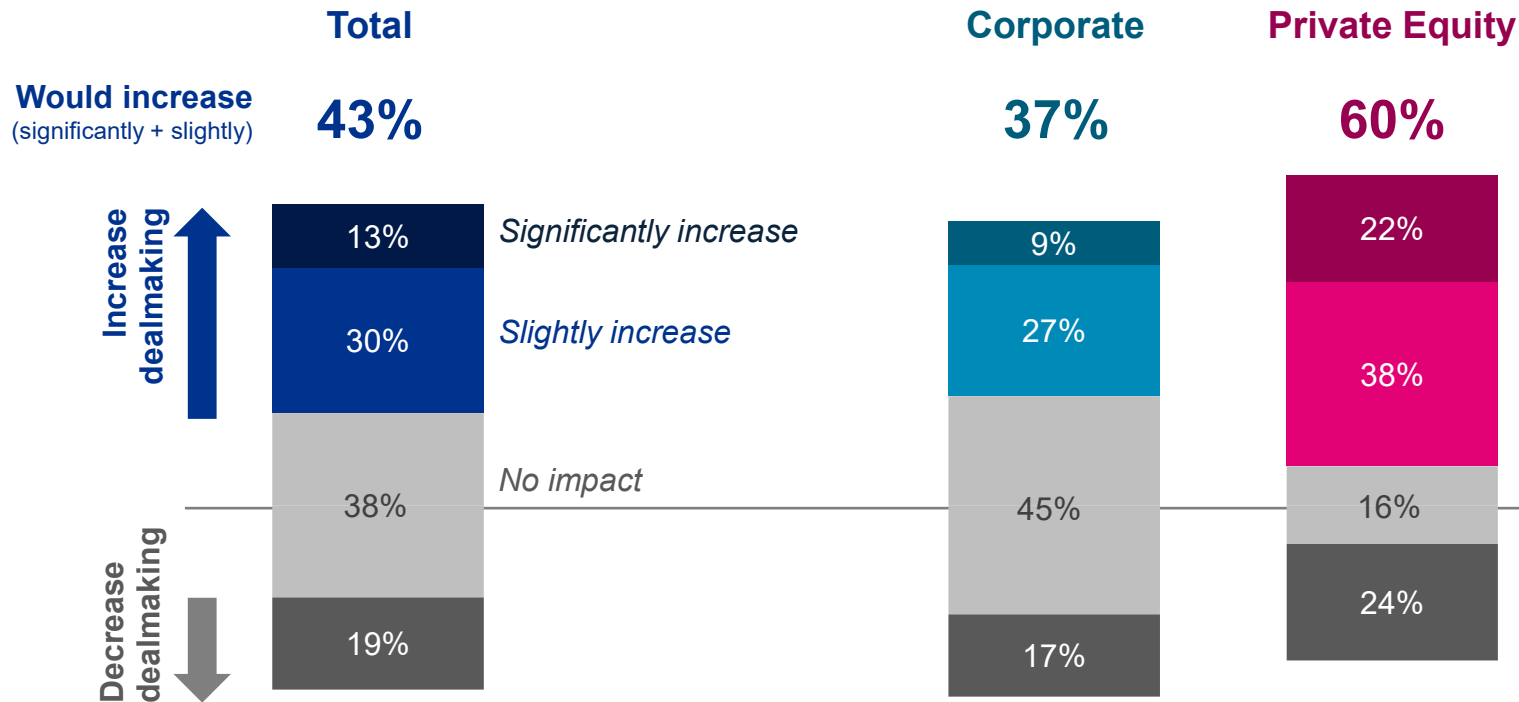
Q. Based on your anticipated changes in the credit markets in 2024, how do you anticipate activating your dry powder?  
(Asked of private equity firms; n=50)

# Private equity firms project an increase in deal making given a hypothetical 0.5% decrease in rates

A slight decrease in rates would not affect most corporations.



## Potential Impact of 0.5% Rate Decrease on Dealmaking



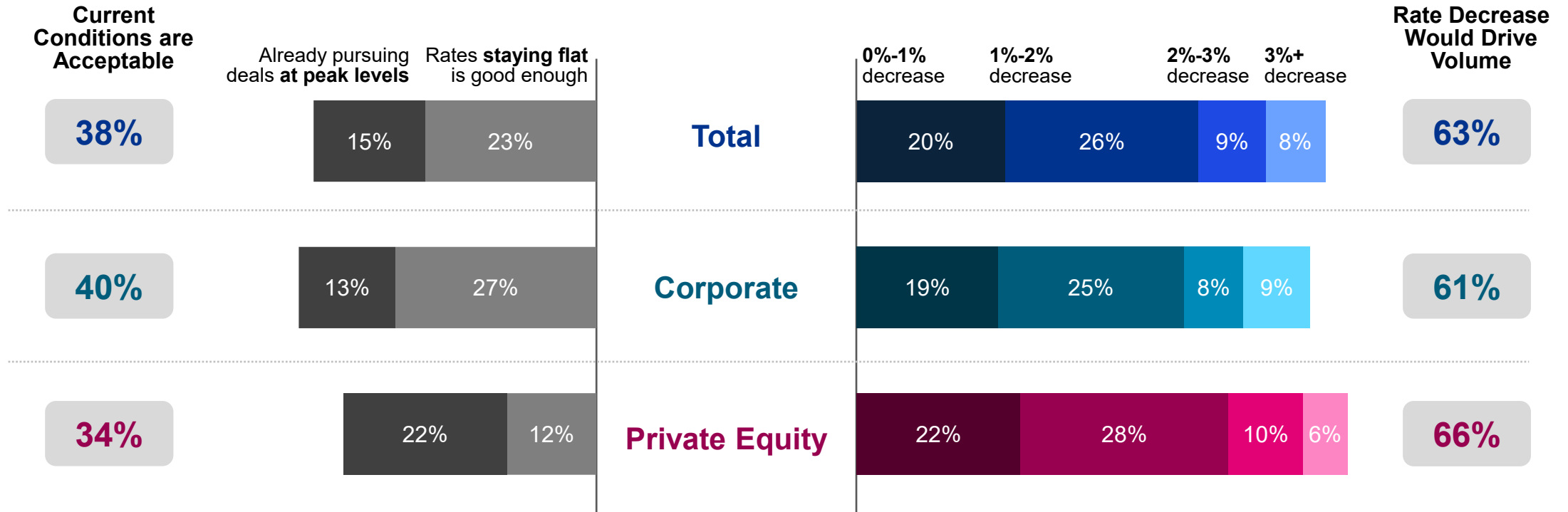
Q. How would a hypothetical 0.5% decrease in rates affect your deal making? (Not shown: "don't know," 1% total, 1% corporate, and 0% private equity.)

# About six in 10 companies need a rate decrease to pursue a deal volume consistent with prior peak periods

However, more than a third of companies (38%) don't need rate decrease to continue high deal volume.



## Rate Decrease Needed to Return to Prior Peak Deal Volume Period

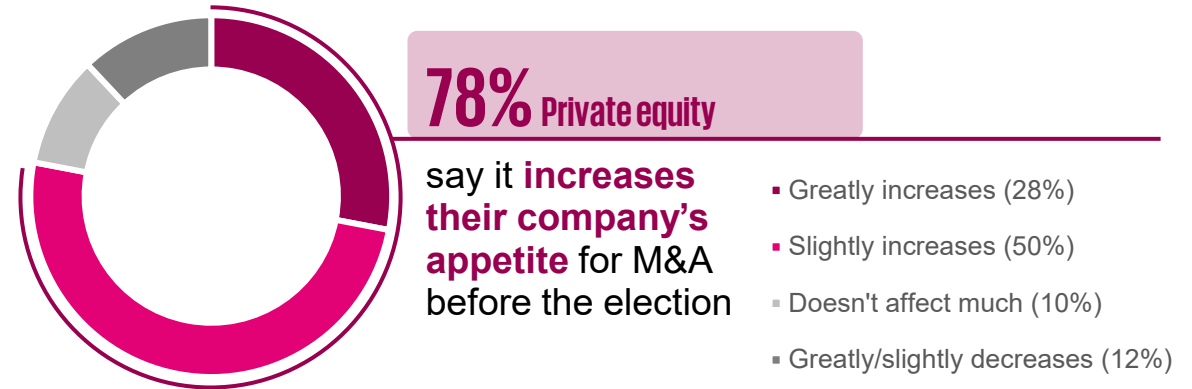
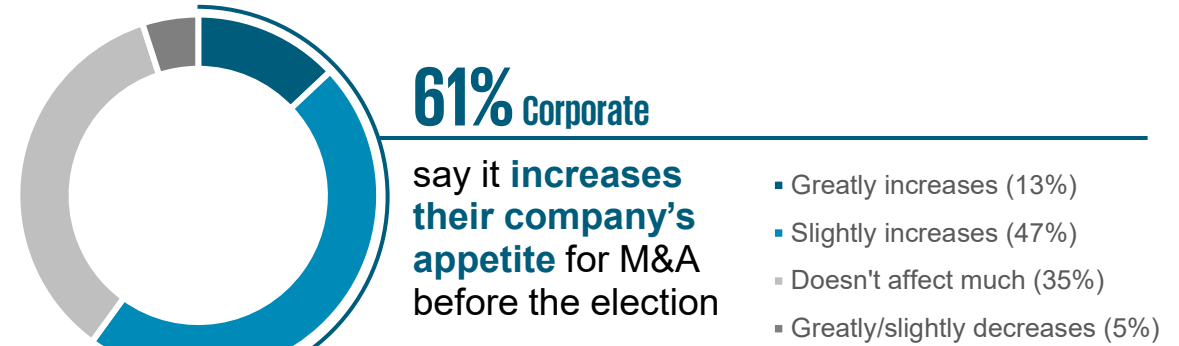
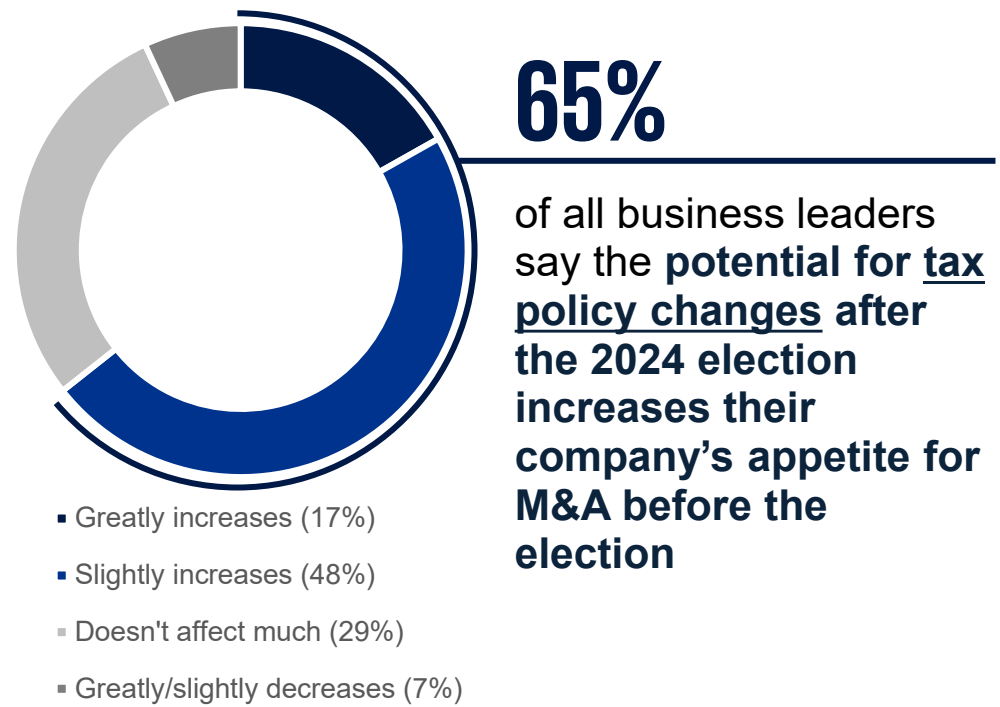


Q. How significant of a decline would be needed for you to pursue a deal volume consistent with prior peak periods?

# Majority of business leaders are motivated to pursue M&A deals ahead of potential tax policy changes following the 2024 US election

Private equity firms are especially likely to increase M&A activity ahead of anticipated changes.

## Impact of Upcoming Election & Potential Tax Policy Changes on M&A Deal Appetite



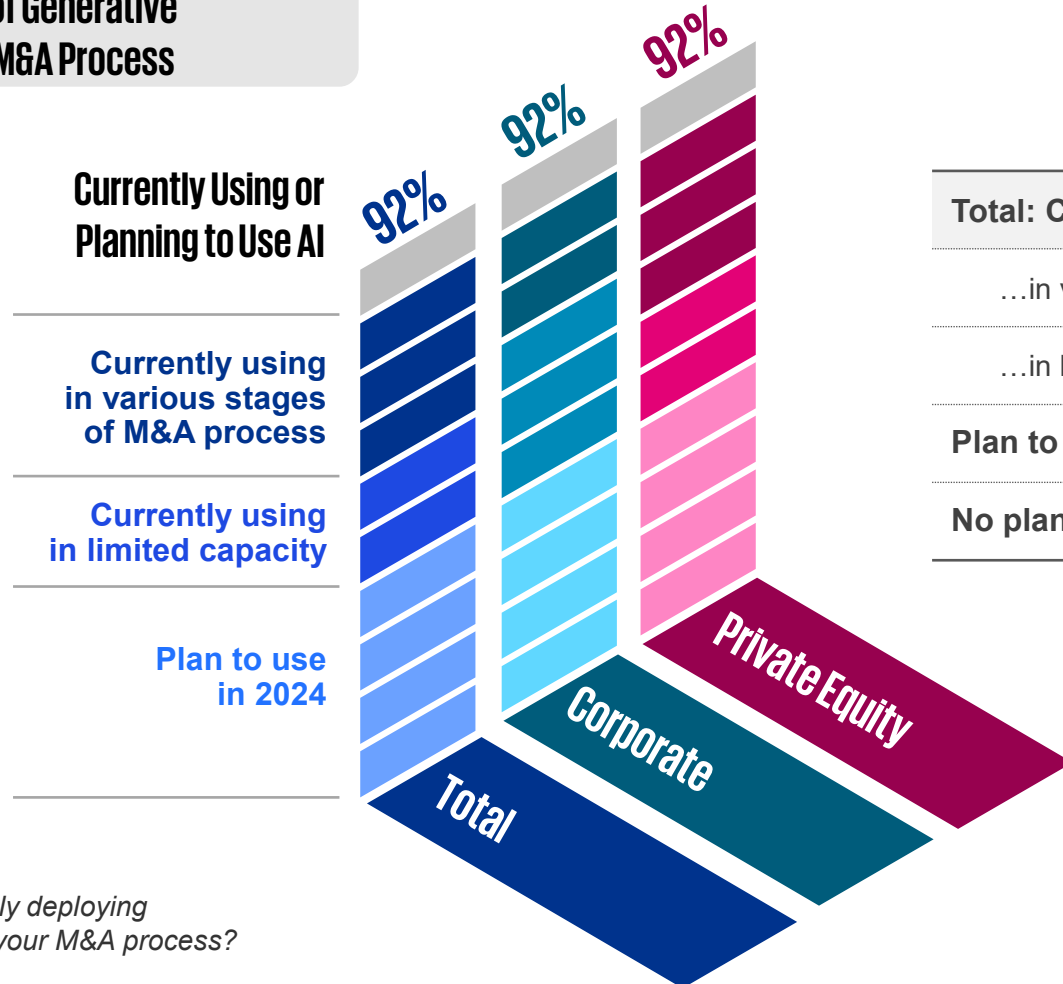
Q. Does the potential for tax policy changes after the 2024 election affect your company's appetite for M&A before the election?

# Almost all companies are currently using Generative AI or plan to do so in 2024

About half of companies say they are *currently* deploying Generative AI in their M&A process.



## Use of Generative AI in M&A Process



	Total	Corporate	Private Equity
<b>Total: Currently Using</b>	<b>53%</b>	<b>54%</b>	<b>50%</b>
...in various stages of M&A process	28%	25%	34%
...in limited capacity	26%	29%	16%
<b>Plan to use in 2024</b>	<b>39%</b>	<b>38%</b>	<b>42%</b>
<b>No plans to use</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>

Q. Are you actively deploying Generative AI in your M&A process?

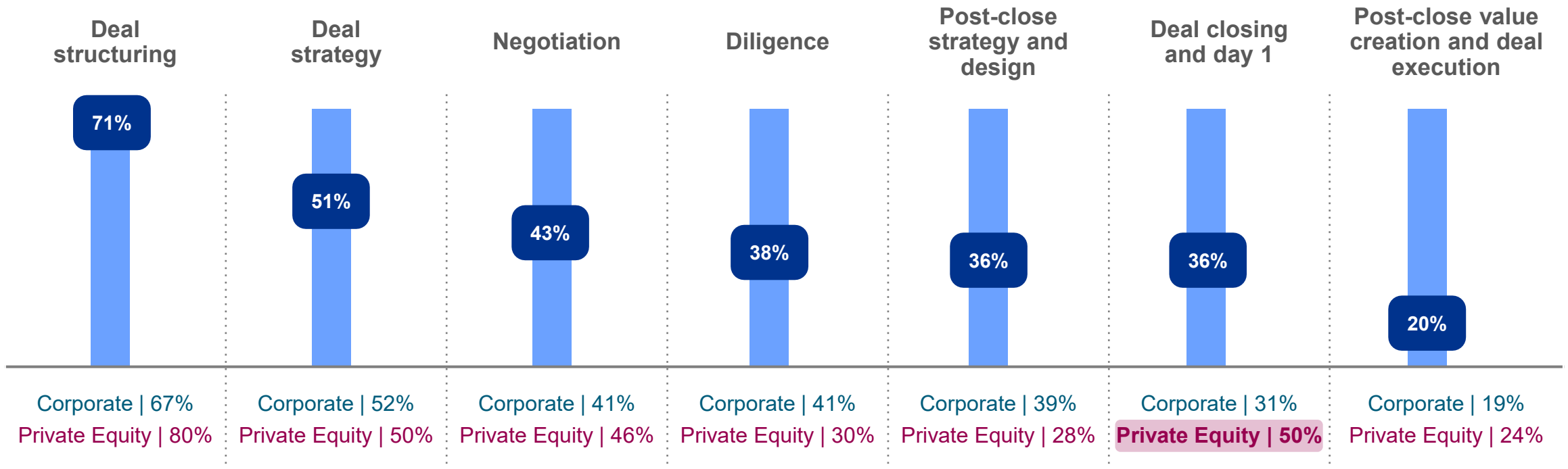
# Generative AI use is most prevalent during the deal structuring process; deal strategy is the next most common process

Less than a fifth see opportunities to use Generative AI for post-close value creation and deal execution.



## Generative AI Use in Various Stages of the M&A Process

(Asked of those using or planning to use Gen AI)



Q. What stages in the deal process do you plan to prioritize the use of Gen AI? (Asked of those using or planning to use generative AI in the M&A process; n=181)

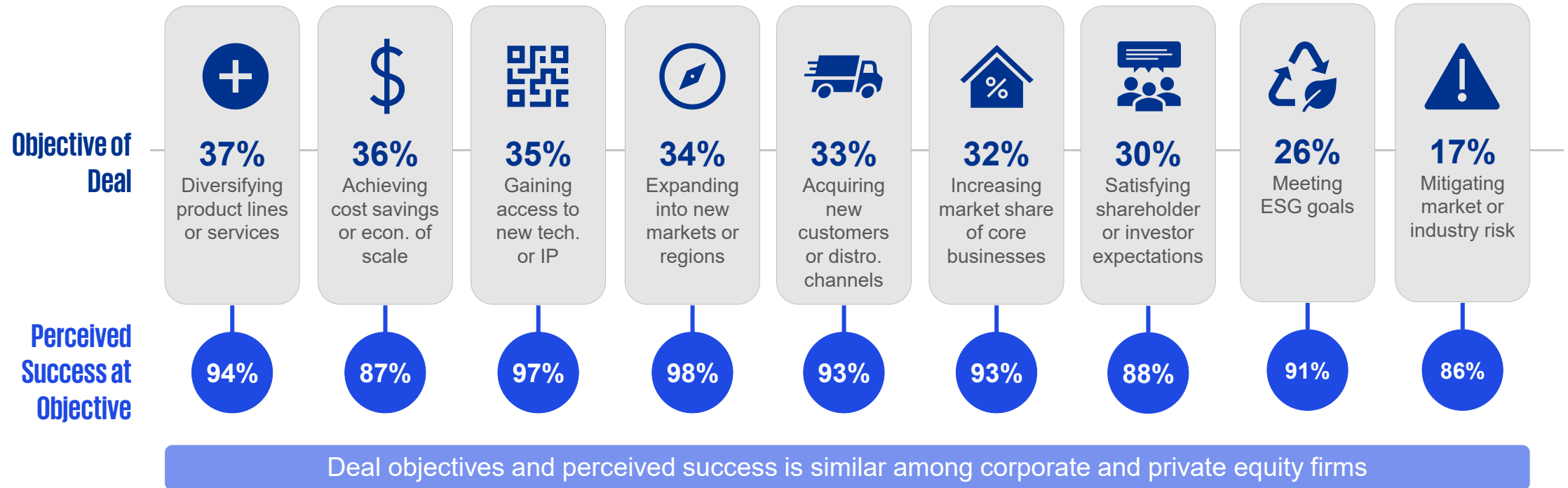
# Objectives of M&A deals vary; diversification, cost savings, gaining access to new tech/IP, and accessing new markets most common

Large majorities indicate they have been successful in achieving the intended objective of their deal.



## Main Objectives of Deals & Perceived Success at Achieving Objective

(Success of objective asked of those who selected that objective, base varies)



Q. What are the main objectives of the deal? (Asked of those conducting at least one deal in the last 24 months; n=168)

Q. Have you been successful at achieving all the primary objectives you just selected below? (Base varies given selection of objective in previous question.)

**04**

# **Appendix**



# Organization Profile

Type of Company	Corp.	Private Equity
Public	55%	--
Private – not private equity owned	45%	--
Private equity	--	100%

Size by Revenue/Vol.	Corp. (annual revenue)	Private Equity (fund size)
\$1B - \$4.9B	43%	24%
\$5B - \$9.9B	28%	26%
\$10B - \$19.9B	21%	26%
\$20B+	8%	24%

Sector	Corp. (operations)	Private Equity (Investment)
Consumer/retail	16%	34%
Industrials/manufacturing	15%	26%
Technology	15%	38%
Healthcare	13%	42%
Financial services	12%	62%
Media	9%	18%
Energy/nat. resources/ chemicals	8%	32%
Telecommunications	8%	20%
Life sciences	5%	30%
Power and utilities	4%	30%

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. | Q. What is your company's annual revenue? | Q. What is your fund size?

# Business Leader Profile

Organizational Role	Corp.	Private Equity
CEO	11%	6%
CFO	8%	18%
COO	11%	10%
Head of Corporate Development	14%	6%
CSO/ Head of Strategy/Growth	11%	12%
CTO/CIO	12%	4%
General Counsel	11%	8%
Investment Partner	11%	20%
Operating Partner	11%	16%

M&A Decision Making	Corp.	Private Equity
Participate directly in deal decisions	83%	86%
Provide input into deal decisions	17%	14%

Participation in M&A Operations	Corp.	Private Equity
Deal strategy	93%	92%
Diligence	90%	92%
Deal structuring	90%	90%
Negotiation	86%	92%
Deal closing and day 1	85%	92%
Post-close strategy and design	90%	92%
Post-close value creation and deal execution	89%	90%

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.



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