BCG

Weekly Brief

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M&A Is Coming to Life

Mergers and acquisitions remain one of the fastest and most effective ways to grow, enter new businesses and regions, as well as transform your company. The M&A market, which has been in the doldrums for much of the past two years, is starting to show signs of life.

In industries such as technology, media, and telecommunications (TMT) as well as health care, M&A sentiment is the highest it has been since 2021, according to BCG's M&A Sentiment Index. Both sectors have an index value of 115. The index reflects both today's market conditions and dealmakers' beliefs about tomorrow. Values greater than 100 suggest dealmaking over the next six months will exceed the most recent ten-year average.

The overall M&A Sentiment Index, however, remains muted, rising from 78 in June to 88 in October, suggesting that dealmaking in the next six months is likely to pick up, driven by dealmakers in Europe and the US in particular, but remain below the historical average.

The story differs by region and sector so far in 2024.

In North America, for the first three-quarters of 2024, deal value was up 15% year-over-year. The energy sector is leading the charge, especially in upstream oil and gas, while TMT is rebounding with AI-driven deals. Private equity is making a strong comeback, particularly in TMT.

In Europe, the value of deals increased by 14% compared with the first nine months of 2023. Deal value in Sweden and the UK more than doubled, while increasing by 29% in France. Deal value fell in Germany (–52%) and Italy (–25%) during the first nine months of 2024. The energy transition and digitization will continue to be key drivers of M&A activity across the Continent.

In the Asia-Pacific region, Malaysia (132% increase in deal value), India (66%), Singapore (48%), and Japan (37%) were all bright spots. But deal value fell slightly in Asia-Pacific overall during the first nine months, compared with the comparable period in 2023, pulled down by China and Australia.

Globally, compared with the same period last year, financial institutions and real estate (35% increase), TMT (36%), and energy and power (14%) all showed signs of life. BCG's M&A Sentiment Index suggests that these sectors will continue to drive M&A activity in the coming months.

These regional and industrial variations underscore the importance of having a nuanced approach to M&A. For example, regulatory scrutiny in the EU and US is lengthening the time it takes to close deals. But tailwinds such as increasingly aligned price expectations between buyers and sellers, dropping interest rates, healthy balance sheets, and record levels of "dry powder" in the private equity world could build momentum in deal activity.

It's time to get prepared.

One thing is certain: deal markets historically turn quickly. Sentiment improved early in the pandemic only to turn sour in 2022 when inflation and global uncertainty took hold. Exercising caution in today's environment is understandable but does not excuse lack of preparation.

Dealmakers should take the opportunity to refine their strategies, identify suitable targets, build the right M&A teams and organizations, and invest in new technologies for deal execution. Owners can also actively go through their portfolios, identify assets to monetize in the next cycle, and ensure lead time for value-enhancing activities such as prepackaging carve-outs. In this period of relative calm, proactive preparation will separate the dealmakers ready to navigate the complexities of the market from those who are at risk of being caught off guard.

I think the next wave of M&A is building—and the companies that prepare for it now will be the ones profiting from it.

Until next time,

Christoph

Christoph Schweizer
Chief Executive Officer

Further Insights

Early Signs of a Recovery

Global M&A activity remains below historical norms, even as activity has rebounded from last year's trough.

UNDERSTAND THE MARKET

Is Your M&A Organization Built to Win?

Top-notch deal teams collaborate with business units to identify targets, execute transactions, and expertly navigate a minefield of risks.

INVEST IN YOUR FUTURE

Deals Are Taking Longer to Close. How to Respond.

A BCG study finds that timelines for deal closure have lengthened, especially for larger transactions.

WHAT YOU SHOULD KNOW