

The Black Box Institute

M&A Market Overview

Q1 2024

May 30, 2024

- The aim of these reports is to provide an overview of M&A activity in the Global, North American, and Canadian economies
- This analysis is based on figures from Q1 2024, from the dates of Jan 1, 2024 until Mar 31, 2024
- All figures are sourced from S&P Capital IQ
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Summary: M&A activity continues to slow but value rebounds



While transaction **volume** has **decreased**, transaction **values** in Q1 2024 significantly **outperformed** Q1 2023



Despite economic uncertainty and stagnant interest rates in the US, the S&P 500 finished Q1 2024 with a 10.6% increase in value



US M&A activity accounted for more than half (~62%) of the total value of global announced deals while only accounting for a third of the number of M&A transactions



Canadian M&A saw an **increase** in **activity** compared to Q3 and Q4 2023, but was **still ~15% lower** than in **Q1 2023**

Outlook: Deal appetite rising and could present a rebound in activity while hurdles within the market still exist



With funds having record amounts of **dry powder** and **stability** appearing in the market as seen through interest rates and inflation, deal **appetite** is expected to **increase significantly**



Set to be effective June 25, the proposed increase in **capital gains taxed** from 50.0% to 66.7% may **negatively impact** M&A activity



While the US Fed has not indicated any intention to decrease overnight rates in June, market expectations for **H2 2024 rate cuts** could drive **increased M&A activity**



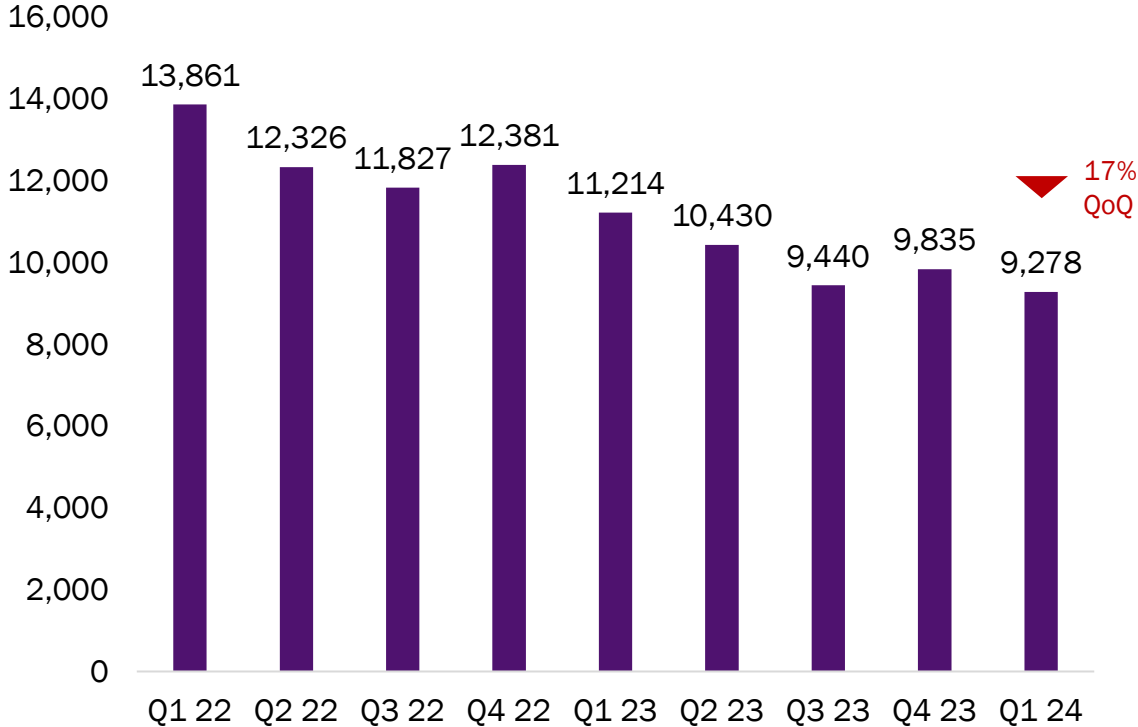
With several banks and traders now expecting **June rate cuts** in Canada by 25 basis points and many more cuts to close 2024, Canadian M&A **appetite** is expected to **grow significantly**

M&A Transaction Analysis

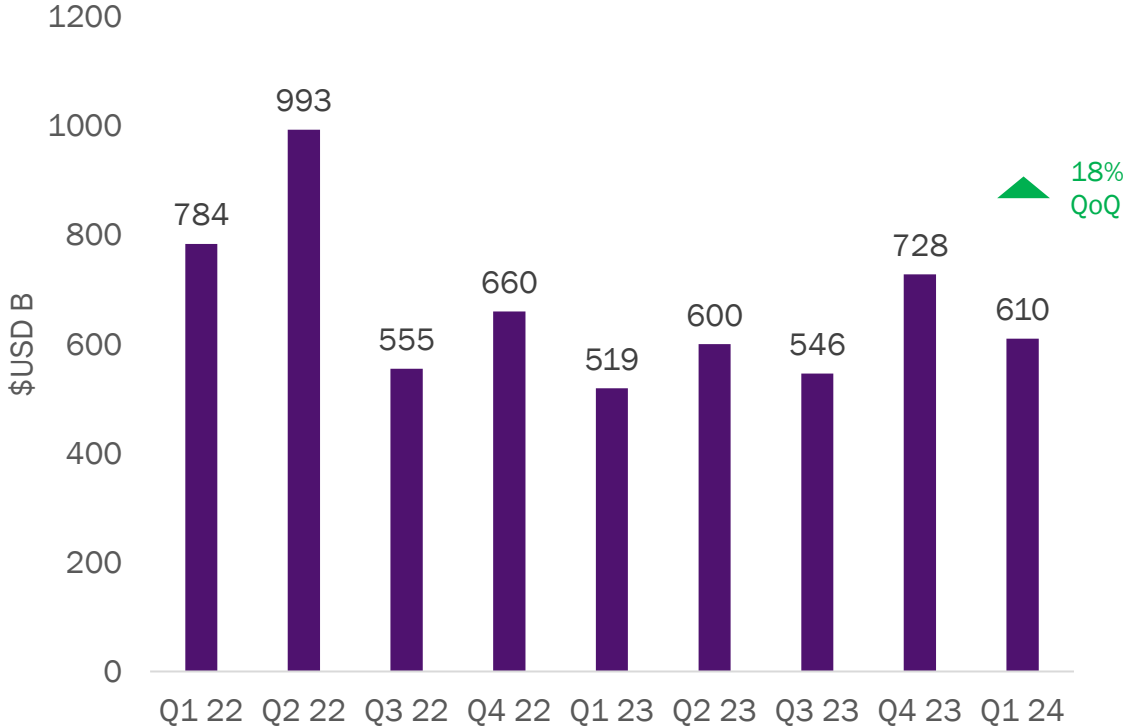


Global: Number and Value of M&A Transactions Comparison

Total Number of Transactions (Global)



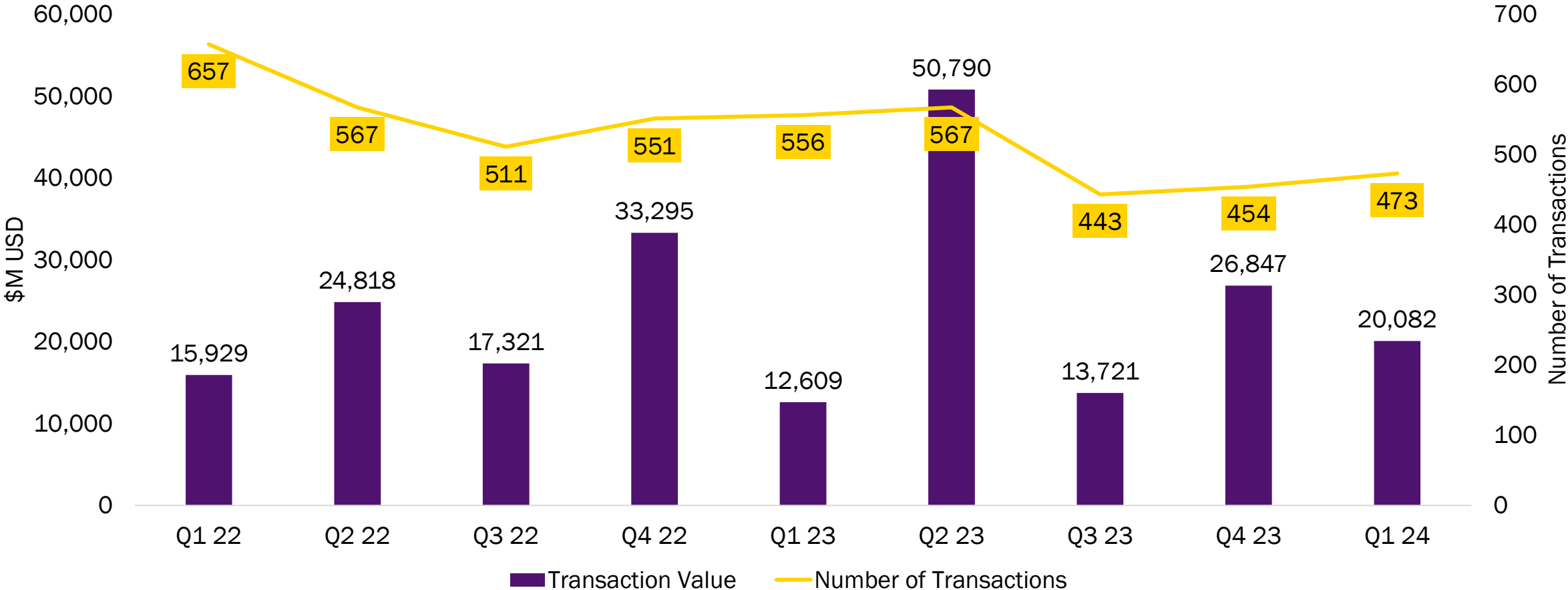
Total Transaction Value (Global)



Transaction **volume** has continued a steep **decline**, with less deals being announced in Q1 2024 than any quarter in 2022 or 2023. This represents an approximate **4% decline quarterly** since Q1 2022 and a **17% decline** in global transaction volume compared to Q1 2023.

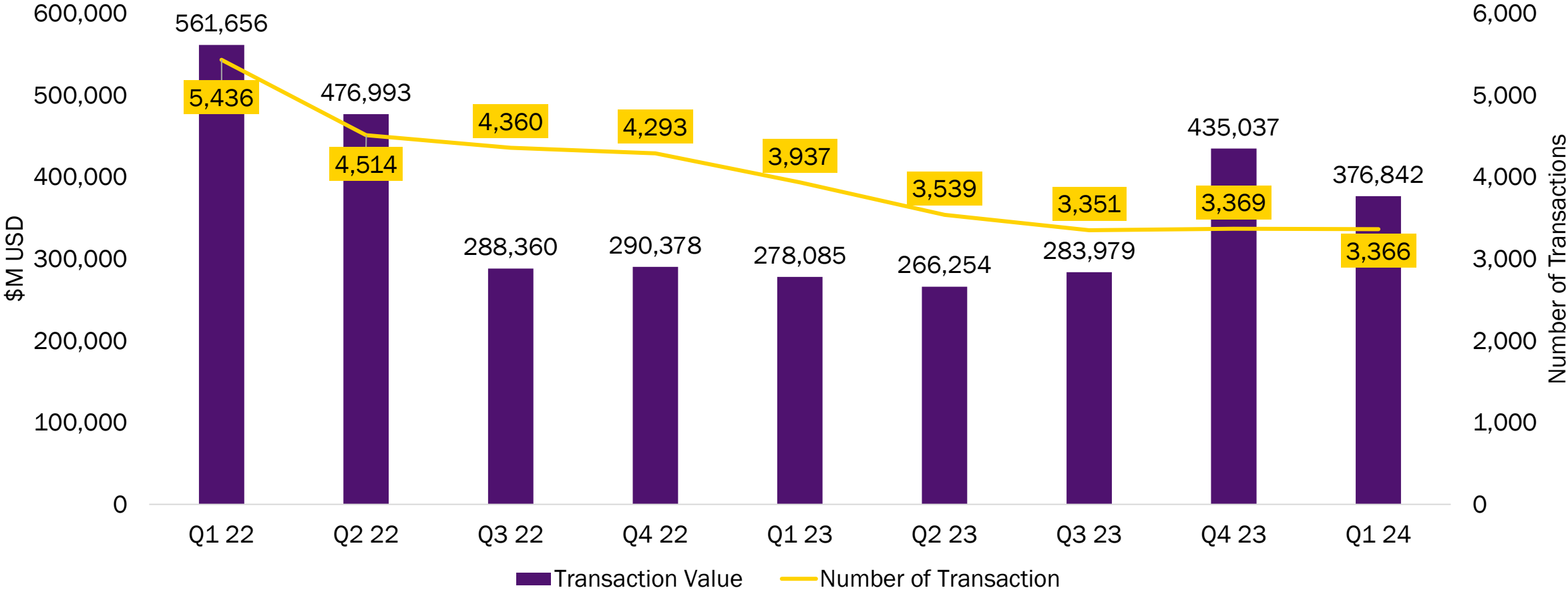
Despite a YoY decline in Q1 transaction volume, Q1 2024 transaction **value** was **up** roughly **18%**, to \$610B. This represented a **\$91B increase** in transaction value compared to Q1 2023.

Canadian M&A Transactions by Value



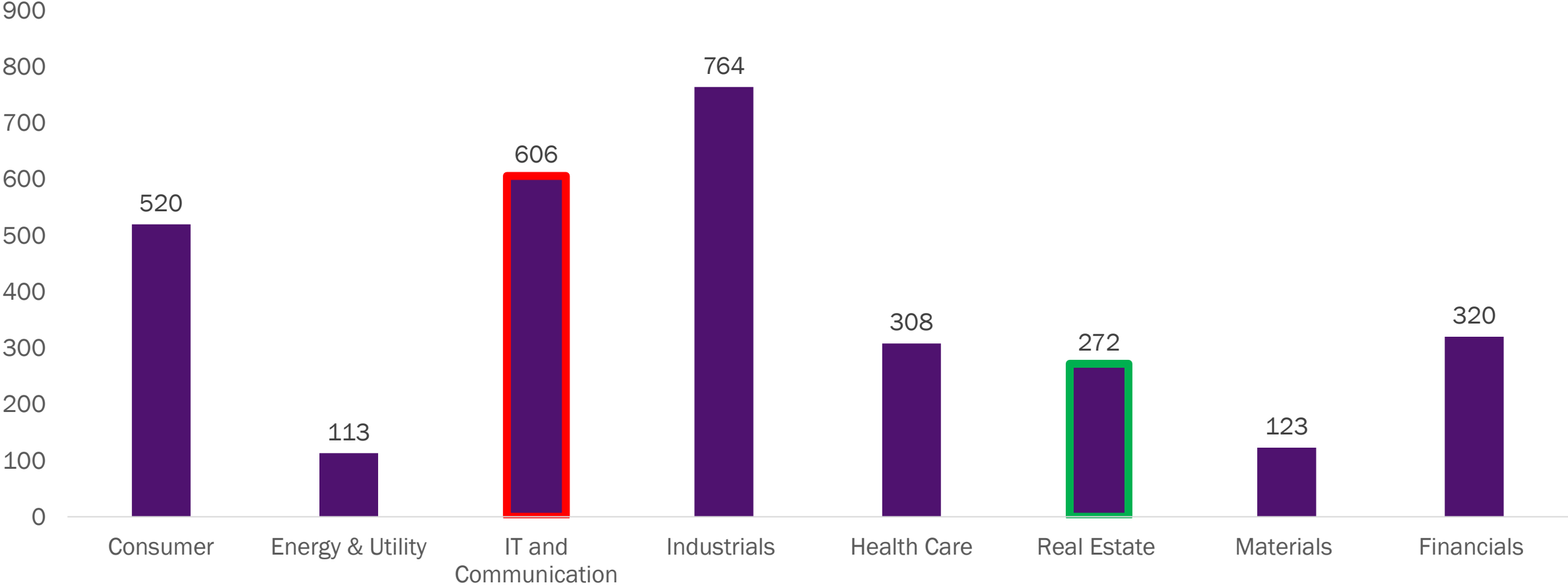
While Canadian M&A has seen recovery, with 3 quarters in a row of increasing transaction volume, it is still far short of the activity that was seen in 2022 and in the first half of 2023, with Q1 2024 representing a 15% drop in transactions compared to Q1 2023, and a 28% decrease compared to Q1 2022.

US Transaction Volume and Value



US transaction volume has steadily declined since Q1 2022, with Q1 2024 having the smallest volume compared every quarter preceding it in the last 2 years except of Q3 2023. While Q2 2022 through Q3 2023 saw steadily low transaction values, this has rebounded significantly with Q4 2023 and Q1 2024 being the highest value quarters since Q2 2022.

Q1 2024 Transactions by Industry



Compared to Q1 2023, the largest increase has been in the real estate sector, with 137 additional M&A deals occurring in the US within this industry. Q1 2024 saw a decline in IT and Communication M&A activity compared to Q1 2023, with 65 less deals.

Largest Transactions



US: Largest M&A Transactions

| Target Primary Industry | Buyer | Target | Month | Transaction Value (\$B USD) | Transaction Value/ LTM REV | Transaction Value/ LTM EBITDA |
|-------------------------|--|---------------------------------------|----------|-----------------------------|----------------------------|-------------------------------|
| Financial | Capital One Financial Corporation | Discover Financial Services | February | \$35.3 | 3.6x | N/A |
| IT and Communication | Synopsys, Inc. | ANSYS, Inc. | January | \$33.5 | 12.7x | 45.6x |
| Energy and Utilities | Diamondback Energy, Inc. | Endeavor Energy Resources, LP | February | \$25.9 | N/A | N/A |
| Industrial | The Home Depot, Inc. | SRS Distribution Inc. | March | \$18.3 | N/A | N/A |
| Health Care | Novo Holdings A/S | Catalent, Inc. | February | \$16.7 | 3.6x | 21.1x |
| IT and Communication | Hewlett Packard Enterprise Company | Juniper Networks, Inc | January | \$15.4 | 2.2x | 11.3x |
| Energy and Utilities | EQT Corporation | Equitrans Midstream Corporation | March | \$14.4 | 10.8x | 11.1x |
| Financial | Clayton, Dubilier & Rice, LLC, Stone Point Capital LLC, Mubadala Investment Company PJSC | Truist Insurance Holdings, LLC | February | \$12.6 | N/A | N/A |
| Financial | BlackRock, Inc. | Global Infrastructure Management, LLC | January | \$12.5 | N/A | N/A |
| Energy and Utilities | Chesapeake Energy Corporation | Southwestern Energy Company | January | \$11.5 | 2.1x | 1.7x |

Global: Largest IPO Transactions

| Target Primary Industry | Company (Ticker) | Public Offerings Offer Date | Transaction Value (\$M USD) | Market Cap on IPO (\$M USD) |
|-------------------------|---|-----------------------------|-----------------------------|-----------------------------|
| Health Care | Galderma Group AG (SWX:GALD) | Mar 21, 2024 | \$2,212 | \$14,200 |
| Consumer Discretionary | Amer Sports, Inc. (NYSE:AS) | Jan 31, 2024 | \$1,365 | \$6,300 |
| Consumer Discretionary | Douglas AG (DB:DOU) | Mar 19, 2024 | \$965 | \$3,000 |
| Consumer Discretionary | Reddit, Inc. (NYSE:RDDT) | Mar 20, 2024 | \$748 | \$6,500 |
| Information Technology | Astera Labs, Inc (NasdaqGS:ALAB) | Mar 19, 2024 | \$713 | \$5,500 |
| Health Care | BrightSpring Health Services, Inc (NasdaqGS:BTSG) | Jan 25, 2024 | \$693 | \$2,050 |
| Real Estate | American Healthcare REIT, Inc. (NYSE:AHR) | Feb 06, 2024 | \$672 | \$1,500 |
| Consumer Staples | BBB Foods Inc. (NYSE:TBBB) | Feb 07, 2024 | \$589 | \$2,000 |

About TBBI



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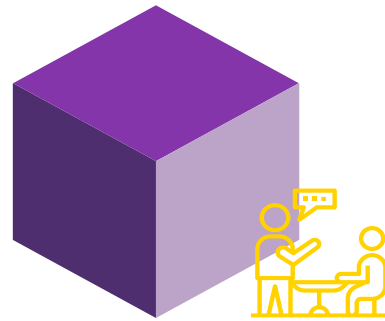


The Black Box Institute

The Black Box Institute (TBBI) provides financial advisory services, including fair market valuation of businesses, corporate finance and transaction advisory for mergers and acquisitions, business sales and divestitures, buy-side services, recapitalizations and private equity fundraising to a broad range of industries and for businesses of any size.

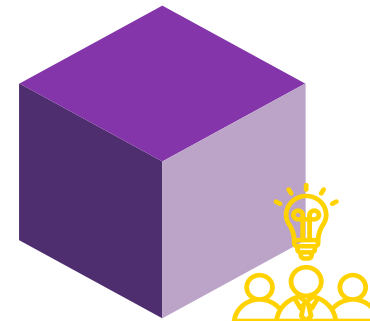
Financial Advisory Framework

Key Considerations:



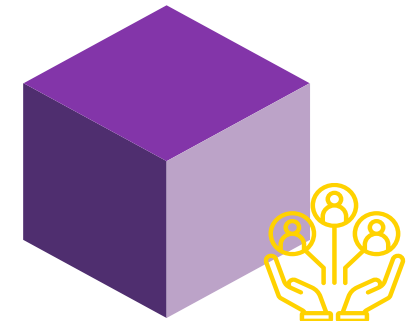
Transaction Advisory

How do strategic, financial and operational considerations inform a successful transaction?



Commercial Valuation

What is a fair valuation?
What are the key value drivers?
What is the market appetite?



Commercial Due Diligence

How can projects be financed?
What is the optimal capital structure?

Transaction Advisory

TBBI works as a buy and sell-side advisor to clients to advise them on corporate finance transactions:



The Black Box Institute

1

Transaction Advisory

2

Pre-acquisition Due Diligence

3

Commercial and Financial Diligence

4

Raising Capital to Finance Transactions



5

Portfolio Strategy

6

Post Deal Exit

7

Post-Merger Acquisition

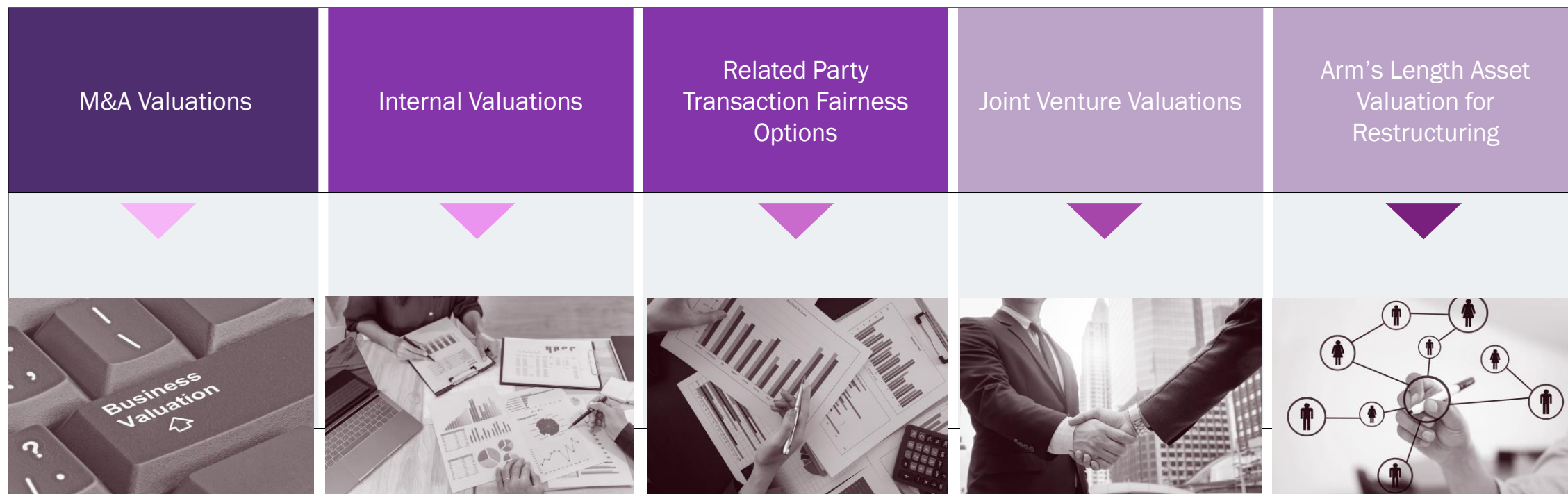
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Negotiation Support



The Black Box Institute

As a part of its financial due diligence services TBBI assesses fair market value of businesses, including:



A HOLISTIC FRAMEWORK FOR A MORE CONFIDENT TRANSACTION



1

EVALUATE The rationale for pursuing M&A, including whether the target company is a good strategic fit

2

PLAN The impact of M&A on key stakeholders, operating environment and company success metrics

3

IDENTIFY Specific opportunities for value creation, synergies and risk mitigation, including concrete actions to achieve success

4

INTEGRATE Using an established template and TBBI's support for short-term and long-term success

SELECTED CORPORATE FINANCE EXPERIENCE



RECENT TRANSACTIONS

2015

COM DEV INTERNATIONAL

has sold its equipment business to **Honeywell** for **CDN\$472,000,000**

2015

investeco CAPITAL

Transaction Advisory

2015

rowefarms

Transaction Advisory and Partnership Planning

2015

acumyn CONFIDENCE IN CARE

2020

SUSTAINALYTICS got partially acquired by **MORNINGSTAR** for **EUR\$55,000,000**


2022

keyloop has acquired **SERTI** (Commercial Due-Diligence)







The Black Box Institute is a unique boutique advisory firm and think tank that brings purposeful and thoughtful advice and guidance to clients. We specialize in complex business, transactional and organizational challenges. Our problem-solving techniques are a blend of traditional strategy and financial advisory capabilities and incorporate creative design thinking.

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