



Global M&A Report 2025

How leaders are adapting to meet the moment

Acknowledgments

This report was prepared by the leadership team of Bain & Company's Global M&A and Divestitures practice, with special direction from Les Baird, partner; David Harding, advisory partner; Dale Stafford, partner; Kai Grass, partner; Suzanne Kumar, practice executive vice president; Rebecca Telzak, senior manager; and an editorial team led by David Diamond. The authors wish to thank the many members of the Bain leadership team who contributed articles to this year's report.

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Letter from the Leader of Bain's M&A Practice

Dear friends,

We publish our annual M&A report to help business leaders get better at M&A.

In 2024, **deal value was historically low as a percentage of global GDP**, but we are optimistic for the year ahead as M&A and divestitures will be critical tools for companies navigating technology disruption, a post-globalization economy, and the inevitable shifting profit pools.

A big reason for our optimism is seeing first-hand how companies have pursued M&A despite three years of headwinds, including **high interest rates** and **regulatory scrutiny**. Among the big adjustments: New deal economics pushed many buyers to prioritize rapid value creation, pursuing both revenue and cost synergies in tandem. We also saw a fundamental shift to scale M&A, especially in industries with high fixed costs. Any easing of those headwinds will only fuel further dealmaking momentum.

Read on to learn how the best companies are adapting to today's M&A market by industry, trends by market, and how they're deploying generative AI to improve M&A capabilities.



Les Baird

Leader of Bain's M&A and Divestitures Practice



State of the Market

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STATE OF THE MARKET

Looking Back at M&A in 2024: Dealmakers Adapt as the Market Idles

In a year of anticipation, movers got deals done.

By **David Harding, Dale Stafford, Kai Grass, Suzanne Kumar, and Rebecca Telzak**

At a Glance

- ▶ The three-year-long M&A headwinds continued as dealmakers waited for a turn in the market.
- ▶ Corporate deals rose by 12% in value, while financial acquisitions rose by 29%.
- ▶ Strategic valuations remained nearly flat at 10.4 times, with buyers still skeptical on price and sellers reluctant to move too soon.
- ▶ The best dealmakers changed their processes to accommodate regulatory scrutiny, high interest rates, and other new realities.

This chapter was originally published in December 2024.

The year 2024 is on track to end as it began—with much anticipation.

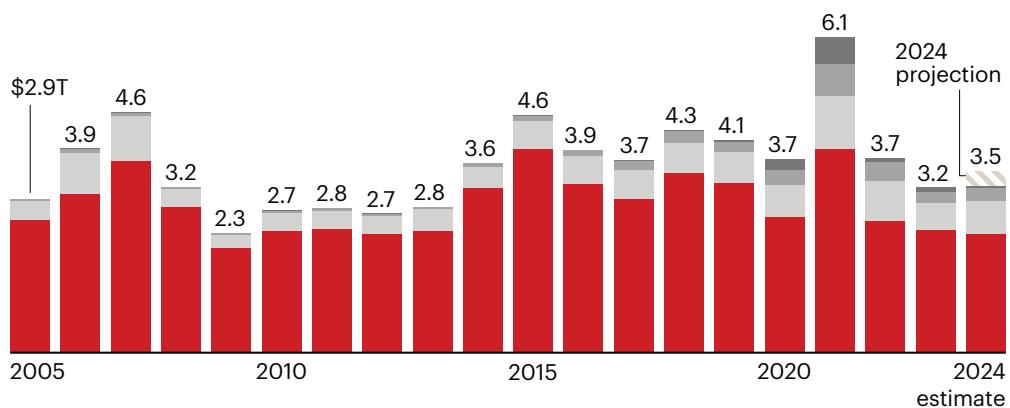
For most of the year, there were great expectations that interest rates would fall, that private equity would get back in the game while getting out of portfolio positions, that buyers and sellers would reach a détente on valuations, and that regulatory concerns would become merely background noise. All of this would mean a great revival in M&A activity.

Figure 1a: Global M&A deal value was up by 15% year-to-date vs. last year and on track to reach around \$3.5 trillion ...

M&A deal market value, in trillions of US dollars

Percentage change from 2023 to 2024 for all M&A, 15%

Financial investors, 29% Venture capital/corporate venture capital, 30%
Special purpose acquisition companies, -47% Strategic M&A, 12%



Notes: Strategic M&A includes corporate M&A deals (which includes private equity exits) and add-ons; percentage increase reflects the first 11 months of 2024 over the same period in 2023

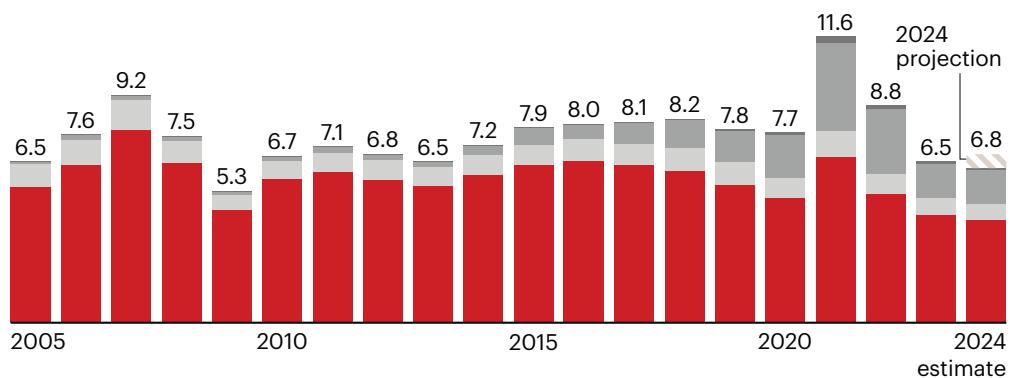
Source: Dealogic as of December 2, 2024

Figure 1b: ... while global M&A deal volume reversed its two-year decline and is up 7% year-to-date

M&A deal market volume for deals greater than \$30 million, in thousands

Percentage change from 2023 to 2024 for all M&A, 7%

Financial investors, 12% Venture capital/corporate venture capital, 9%
Special purpose acquisition companies, -48% Strategic M&A, 7%



Notes: Strategic M&A includes corporate M&A deals (which includes private equity exits) and add-ons; percentage increase reflects the first 11 months of 2024 over the same period in 2023

Source: Dealogic as of December 2, 2024

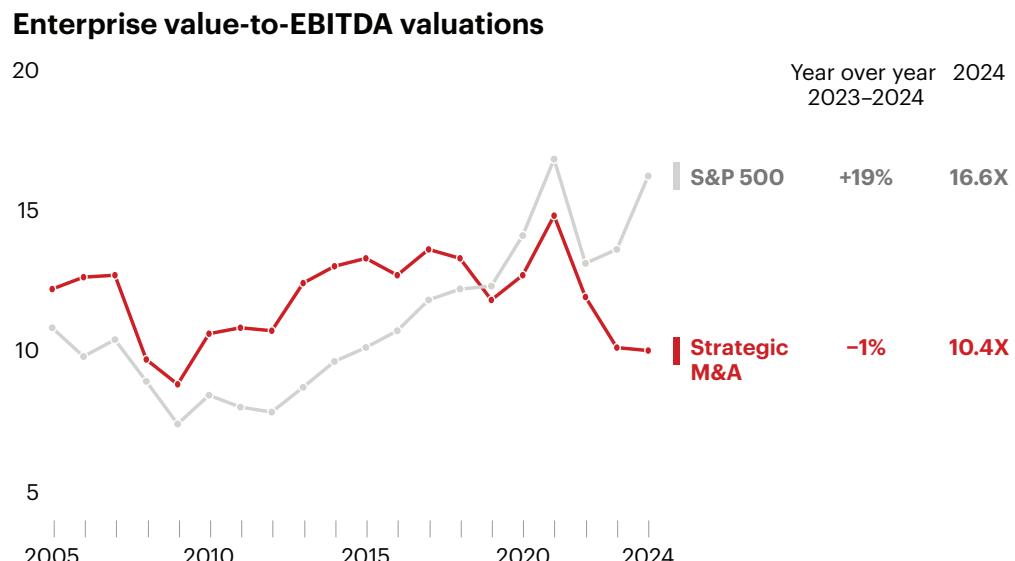
Ultimately, none of the macroeconomic tailwinds that M&A practitioners had hoped for during the first 11 months of 2024 ever really happened as expected. Overall, the level of M&A activity was a middling \$3.5 trillion, a number consistent with what we saw in the mid-2010s. The headwinds largely stayed in place. For example, interest rates did come down just enough to reignite interest by private equity and other financial investors as that class began to regain ground with a 29% increase in deal value year over year. Corporate M&A, which is less influenced by small movements in the cost of debt, is on track to end the year 12% above 2023, with steady growth across all regions. Deal volume will rise by 7% (see *Figure 1*).

Strategic deal valuations remain historically low and well below public market valuations, which spiked in 2024 (see *Figure 2*). Rather than face substantial markdowns at exit, private equity and venture capital investors dug in with their portfolios. Private and public companies with the option to hold did, too. So, with less competition and a lack of urgency, some deals simply languished.

Meanwhile, the shadow of regulation continued to loom over deal pipelines as the pre-close period for challenged deals stretched, adding cost and risk to contested deals. Many companies put deals on hold pending the outcome of national elections, hoping for more clarity on the future regulatory environment.

If anything, in 2024, the best companies learned to thoughtfully adapt their M&A strategies and processes to get out ahead of any potential macroeconomic or political situation. Many practitioners told us that they were surprised by the macroeconomic factors but that they ultimately continued moving ahead with their plans.

Figure 2: Strategic deal valuations remain historically low and well below public market valuations, which spiked in 2024



Notes: S&P 500 enterprise value-to-EBITDA valuations represent the annual average multiple; strategic M&A valuations represents median multiple for each calendar year
Sources: Dealogic as of December 2, 2024; S&P Capital IQ as of December 3, 2024

For some, that meant establishing multiple time-to-close scenarios in order to adapt to the longer close periods caused by extensive regulatory reviews. For some, it meant compensating for new deal economics by laying plans for speedier synergies capture.

On November 6, the anticipation moved in another direction as US companies awaited a shift in tone by a new federal government administration. Will regulators ease their stance, spurring companies to advance deals that have been put on hold, and thus deliver a booming M&A market in 2025? Or will an expected boost in deficit spending and increased tariffs by the incoming US administration reignite inflation, resulting in a return to higher interest rates, and thus stifle deal activity?

How acquirers adapted in 2024

In this evolving marketplace, dealmakers changed their M&A approach in three important ways, adapting their strategies to higher interest rates, revising deal strategies when facing intense regulatory scrutiny, and tweaking their capabilities to keep getting better.

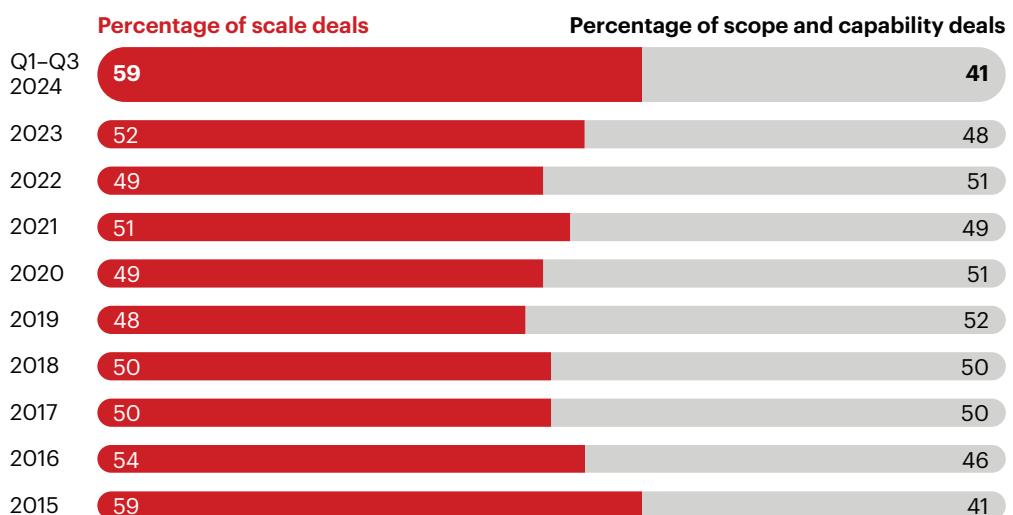
Dealmakers adapted their M&A strategies to the new realities of higher interest rates. Strategic acquirers were more selective in their deals, required more concrete value creation, were less willing to pay for long-term top-line growth, and, most dramatically, adjusted to the new M&A value equation by pursuing both revenue and cost synergies in tandem. Instead of the traditional approach of primarily capturing cost synergies in scale deals and revenue synergies in scope deals, companies needed to deliver both to attract dealmakers. For example, the \$35 billion Capital One-Discover merger aimed to deliver revenue synergies with a new customer segment as well as economies of scale with combined payment systems. It's a shift that is particularly evident in the tech industry. For example, when announcing the proposed \$14 billion deal for Juniper and its AI-native networking business, HPE cited attractive immediate and long-term opportunities for both top-line and bottom-line growth.

Scale deals accounted for 59% of the largest strategic deals in 2024—that's the highest proportion since 2015 (see *Figure 3*). It's also a distinct reversal from the trend toward scope M&A and more evidence that relatively high interest rates pushed acquirers to deals with rock-solid sources of value creation, favoring those with a clear line of sight to bankable synergies within the first year.

The popularity of scale deals was most prominent in industries with higher fixed costs—such as energy and natural resources, retail, financial services, and telecommunications—and it was not limited to the biggest players (see *Figure 4*). For example, consolidation in oil and gas extended down to the midstream, with moves such as ONEOK's \$2.6 billion acquisition of Medallion Midstream. In telecommunications, Vodafone and Three combined to create a viable third mobile provider in the UK.

Figure 3: This year, scale deals accounted for 59% of the largest strategic deals—a major shift

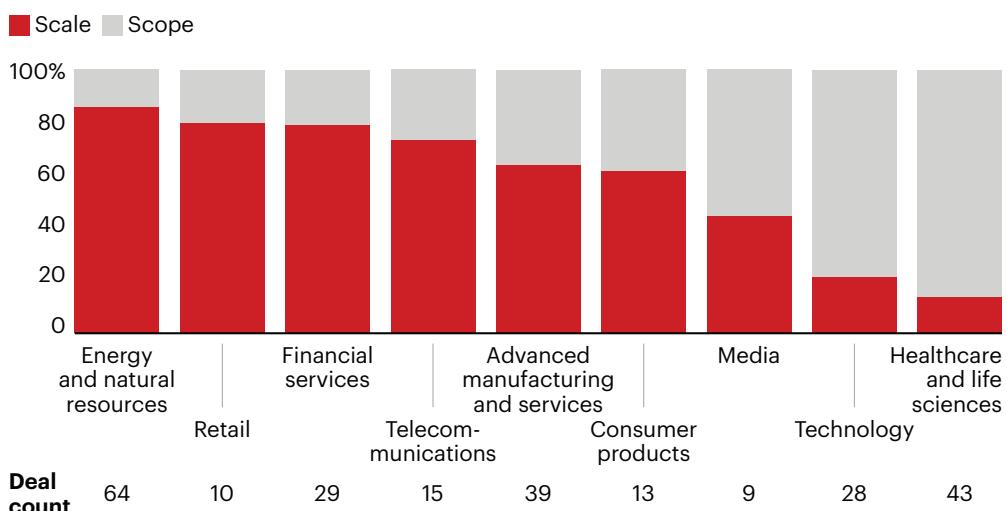
Significant strategic deals



Note: Analysis includes strategic deals with value greater than \$1 billion, excludes real estate and services
Source: Bain M&A Scale-Scope database

Figure 4: Scale deals predominated in 2024, especially among industries with higher fixed costs

Percentage of deals greater than \$1 billion



Note: Analysis includes strategic deals with value greater than \$1 billion during the first three quarters of 2024, excludes real estate and services
Source: Bain M&A Scale-Scope database

Dealmakers adapted to intense regulatory scrutiny. Sustained regulatory scrutiny impacted dealmaking this year in ways visible and not. In our survey of more than 300 M&A practitioners, nearly half of global executives said that regulatory concerns impacted the type of deals they considered in 2024. In response, they are revising deal strategies and spending more time screening up front, evaluating attractive deals for antitrust concerns early. These moves helped them to predict the likelihood of approval or the need for asset divestitures prior to investing time and money in the deal. Others just avoided deals. And at least a few waited to see the outcome of elections.

In the interim, this dynamic created a barbell effect—that is, companies found it easier to do either small, under-the-radar deals or large deals with huge value creation potential. In fact, some told us that the midsize deals weren't worth the extra effort that regulators were requiring.

Smaller deals make up the heart of M&A. In 2024, deals valued at less than \$1 billion accounted for 95% of all activity—and the number of those deals grew for the first time in four years. However, megadeals—namely, those valued at greater than \$5 billion—propelled total deal value, including the \$36 billion Mars-Kellanova deal in consumer products and the \$34 billion Synopsys-Ansys combination in technology. Most megadeals receive extensive regulatory review, and as of December, it was not clear which deals will close and when.

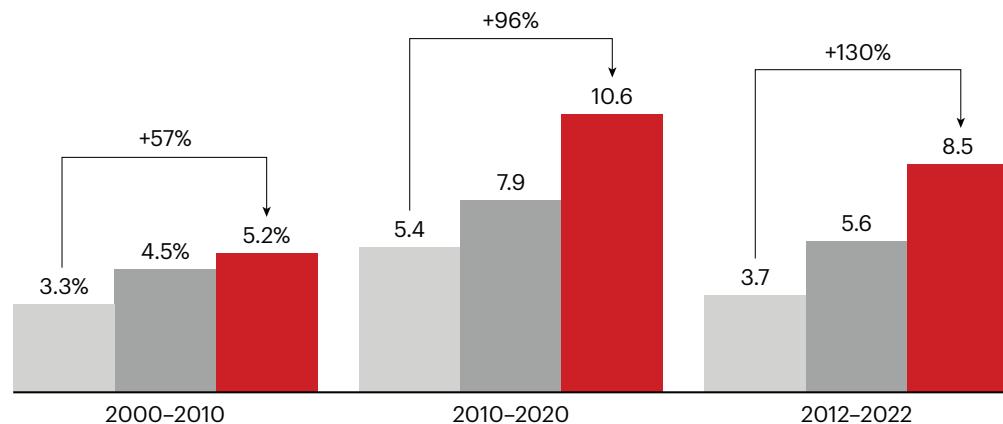
Meanwhile, it's important to note that government regulation regarding M&A doesn't necessarily develop in lockstep across jurisdictions (or changes in an administration). India clarified merger guidelines and aimed to reduce approval timelines in 2024 while the Biden administration introduced more comprehensive merger filing requirements to provide US regulators more visibility into deal dynamics. Under the Trump administration, these requirements will remain in effect, but antitrust posture will likely be more lenient—at least for some sectors and deals. Newly elected EU leaders are contemplating more openness to intraregional consolidation in pursuit of economic resiliency, but they may find resistance from national authorities. In Japan, financial authorities have encouraged more M&A through corporate governance reforms.

Dealmakers adapted their M&A capabilities to keep getting better at M&A. Earlier this year, we published our long-term research demonstrating how companies have gotten better at M&A over time and how the most active acquirers consistently outperform their less active counterparts by a wide margin (see the Bain Brief “How Companies Got So Good at M&A”). In fact, over the years 2012–2022, frequent acquirers achieved 8.5% growth in total shareholder return compared with 3.7% for companies that stayed out of the market (see *Figure 5*). In 2024, nearly two-thirds of these frequent acquirers did a deal.

The best dealmakers are experimenting with ways to improve their processes for today's market. For some, that meant shifting more work from integration to how they get the deal done—for example, sharpening the pencil on revenue synergies, not just cost synergies. They're putting more emphasis on strategic screening, wrestling with valuations, and navigating negotiations. Some practitioners tell us that as deals have gotten trickier, they've found it challenging to pivot their focus from integration to those upstream activities.

Figure 5: Frequent acquirers are gaining a performance advantage over time**10-year total shareholder returns**

■ Frequent acquirers (greater than one deal per year)
 ■ Infrequent (less than one deal per year) ■ Inactive



Source: Bain M&A Value Creation Study 2023

Another best practice: In 2024, early adopters used generative AI for sourcing, screening, and sharpening their overall diligence. According to our executive survey of more than 300 M&A executives, one in five M&A practitioners has used generative AI for M&A activities this year, and those users report achieving a reduction in the effort, time, and cost of their M&A processes as a result.

Active acquirers today are honing their M&A strategies and processes in good times and bad. Those who stay on the sidelines let those capabilities atrophy and risk falling further behind.

Different industries, different fates

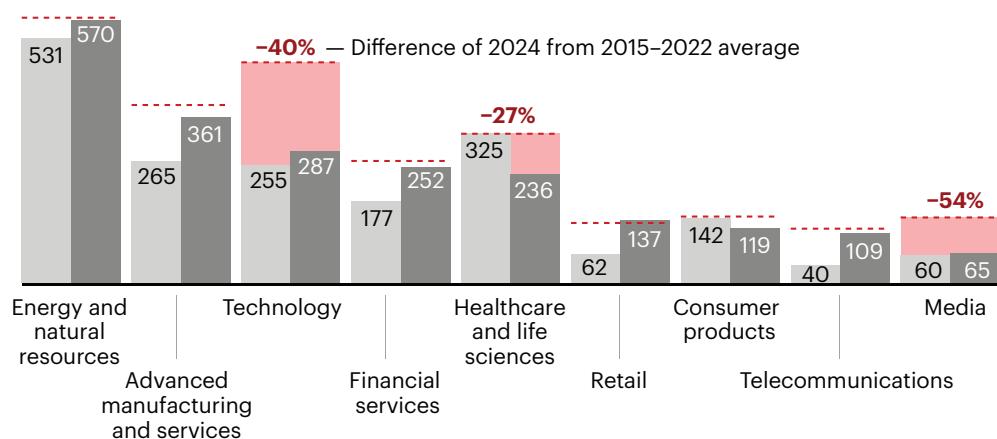
The relative stasis in the overall market masks differences in fortune among industries. Most industries have recovered from a two-year downswing since 2022 and have held steady or grown in 2024. Energy and natural resources led the pack again as a wave of consolidation prompted more than 10 megadeals valued at greater than \$5 billion during the first 11 months of 2024 (see *Figure 6*). And there were other headline deals, such as the \$58 billion offer from Alimentation Couche-Tard for Seven & I in retail or the \$20.3 billion Verizon-Frontier merger in telecommunications, both of which drove gains in their industries as well.

Longtime M&A stalwart industries, however, such as technology and healthcare and life sciences, remain well underwater compared with their vibrancy during the era of lower interest rates just a few years ago. Both of those sectors are populated by historically active acquirers focused on scope deals for growth,

Figure 6: In a year when most industries grew or held steady, typical M&A stalwarts technology and healthcare and life sciences remained well below historical levels

Annual M&A strategic deal value by industry, in billions of US dollars

■ 2023 ■ 2024 — - 2015–2022 average



Notes: Deal values based on the first 11 months for each year; strategic M&A includes corporate M&A deals (which includes private equity exits) and add-ons; real estate deals excluded
Source: Dealogic as of December 2, 2024

and they now face the twin challenges of heightened regulatory scrutiny along with the high interest rates that make paying for growth more expensive.

In addition to scale moves, companies used M&A to transform themselves or take advantage of fast growth opportunities within their industry. That's why Disney bought 9% of Epic Games, maker of *Fortnite*, one of the most successful metaverse games. It's also why LG Electronics bought an 80% stake in smart home hardware company Athom.

In 2024, companies across industries also acquired targets to build critical capabilities, especially in AI. Thomson Reuters acquired Safe Sign Technologies, a developer of legal-specific large language models, to enhance its workflow management offerings. Stryker bought care.ai to bolster its healthcare IT solutions. And in 2024, some acquired to make strides in sustainability. Holcim purchased Mark Desmedt and Cand-Landi Group to accelerate its decarbonization and circular construction.

In our full report, we take an industry-by-industry look at how companies are changing their approaches to dealmaking, and we report on the key trends that M&A practitioners are likely to experience in 2025.



STATE OF THE MARKET

Looking Ahead to 2025: Preparing for What Comes Next

As the M&A market regains footing, it will be defined by those that can adapt to a new game.

By **Dale Stafford, Kai Grass, David Harding, and Suzanne Kumar**

At a Glance

- ▶ We expect that the two biggest inhibitors to deals in 2024—namely, interest rates and regulatory challenges—will ease in 2025.
- ▶ Tech disruption, post-globalization, and shifting profit pools are enduring forces leading companies to consider M&A in various forms.
- ▶ To make the new deal economics work, the most successful companies will take a more aggressive approach to value creation.
- ▶ A company's ability to move down the generative AI experience curve in M&A processes may become just as important as deal frequency as a predictor of deal success.

After three years of underwhelming M&A activity, 2025 may finally be the year that the M&A market breaks through. During that slow time, the best companies persisted, learning how to navigate unfavorable market realities to deliver inorganic growth. For many, there wasn't an option. Foundational shifts in technology, sector profit pools, and the broader global economy demanded a strategic response.

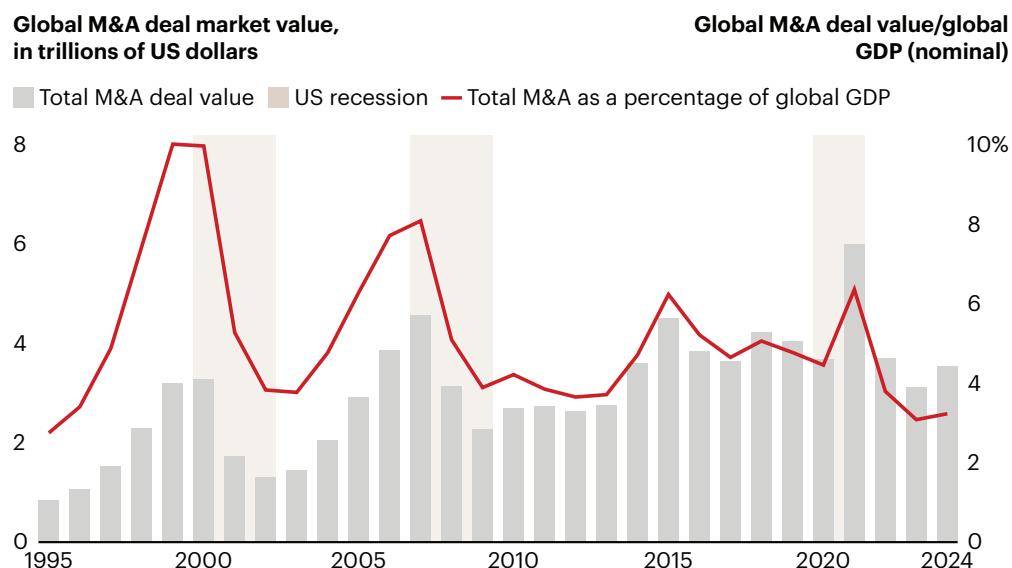
Now, any easing of the two fiercest M&A headwinds—namely, the cost of capital and regulatory scrutiny—will only fuel further momentum for dealmakers. As the twin pressures become less acute, more companies will join those that have learned how to adjust. So, we believe that over time, M&A will return to historic levels of activity.

In “Looking Back at M&A in 2024: Dealmakers Adapt as the Market Idles” (published in December), we explored how we got here and the many wrinkles of the 2024 market, including the pendulum swinging back to scale deals, which now represent 59% of all M&A; the fact that tech deal activity, generally a bellwether for all M&A, fell well below historic averages; and how the all-important gap between strategic M&A valuations and public market valuations continued to widen. Strategic deal valuations are historically low while public market valuations reached all-time highs in 2024.

Over the past three years, global M&A as a percentage of nominal GDP has lingered at nearly 30-year lows, even when considering the cyclicity of the market’s peaks and troughs (see *Figure 1*). The total M&A market in 2024 ended slightly up year over year (13% in value, 9% in volume) for the second-lowest level of value and volume in more than a decade.

What happens now? And how can savvy dealmakers make the best use of M&A to deliver on their strategies?

Figure 1: Global M&A value as a percentage of nominal GDP is the lowest since 1995



Note: Total M&A deal value includes strategic M&A (which includes corporate buyers, sponsor exits, and private equity add-ons) and nonstrategic M&A (which includes financial investors, venture capital/corporate venture capital, and special purpose acquisition companies)
Sources: Dealogic; S&P Capital IQ

Let's start by talking about why we see an upswing. The most important reason is that intrinsic demand for deals remains high, even if activity is still muted today. M&A is central to business strategy as companies seek pathways to grow amid tremendous transformative forces and as they struggle to balance risk and reward during a period of uneven economic outlooks, supply chain disruptions, geopolitical tensions, and more. Many have learned that M&A can reshape portfolios more quickly, efficiently, and often at a lower cost than homegrown, organic options. And financial sponsors are eager to put money to work, too.

Moreover, the pipeline of supply has been building. Everyone, from corporates refocusing their strategies to private equity and venture capital firms pressured to provide liquidity, seems to have at least a few assets that they wish to sell once the market comes back and valuations rise.

While the jury is still out on how low interest rates will drop (if at all) in 2025, if one looks across the globe, it's possible to see signs of hope in the regulatory department. New administrations in the EU and US are ushering more openness to M&A. Europe has signaled a desire for more pan-European industry champions (although national interests may still prevail). In the US, the Trump administration is likely to use remedies and settlements, in contrast to a litigation-focused approach. The UK Competition and Market Authority recently said it would favor behavioral remedies and revise its merger assessment process. India clarified merger guidelines and aimed to reduce approval timelines in 2024.

In 2025, strategic dealmakers will look beyond near-term swings in market momentum to find the right deals to be competitive, profitable, and enable sustainable growth.

M&A's big three: Technology disruption, post-globalization, and shifting profit pools

Let's look at the three most important and enduring pressures that will keep companies turning to M&A.

Technology disruption. It's the long-term shift that will result in the most strategic transformation and M&A in the years ahead. Generative AI/AI, automation, renewable energy, and quantum computing are just a few of the technologies that companies will need to build or buy to maintain competitive offerings and cost positions. Tech and non-tech companies alike will continue to have voracious appetites for tech deals to retool their businesses.

Over the past six years, non-tech companies were the buyers in one in every three strategic tech deals worth more than \$100 million. It is why Visa acquired Featurespace, an AI-native transaction monitoring company that will enable cutting-edge fraud and financial crime prevention. And it is why Emerson is acquiring the remaining shares of AspenTech, a portfolio transformation move that will enable Emerson to deliver robust software automation solutions. A telling sign of the times is that 70% of private equity companies have killed a deal when a likely negative impact of generative AI on the target's business model became clear (see the infographic "Creating Value with AI: The Race Is On in Private Equity").

Given the rapidly evolving technological and competitive landscape, deals for generative AI assets are overwhelmingly early stage, minority stake, or a partnership rather than direct acquisition. Looking ahead, capital demands for generative AI could force companies to make portfolio moves that free up cash to invest in large language model partnerships and equity stakes.

Post-globalization. The global economic landscape is realigning, and M&A will continue to be a big part of the response. National economic interests are being reasserted through reviews of foreign direct investment and M&A activity on national interest grounds—and tariff policies, too. To prepare for the second Trump administration's proposed move to stiffen tariffs, executives are reevaluating global footprints to ensure access to attractive end markets and security of supply, which could prompt both acquisition and divestiture activity.

In parallel, the world is moving from a bipolar (transatlantic/China) to multipolar (US/EU/China) dynamic. As China charts a more self-reliant economic path, new issues arise for multinationals evaluating potential in-market deals. In Europe, geopolitical uncertainty remains top of mind for executives. National political challenges in France and Germany increase an appetite for domestic companies to pursue outbound M&A for growth. Conversely, in a weakened local economy, domestic companies could be an attractive value play.

Shifting profit pools. Beyond technology and global economic shifts, M&A enables companies to adapt their strategies toward shifting profit pools of all types. For example, media companies are reaching across sectors, acquiring to build up evergreen content libraries to compete against technology megaplatforms (see "M&A in Media and Entertainment: Own the Consumer, Own the IP, or Own Nothing"). In consolidated sectors such as consumer products, the largest players reshape and focus on their parenting advantage by shedding assets. That's the reason a record number of them are re-sorting brand portfolios to find the best owner (see "M&A in Consumer Products: Carving Out to Grow"). In fragmented sectors such as building products, leaders are building local scale even as they enhance their portfolios with new capabilities to achieve faster and more sustainable and cost-effective construction (see "M&A in Building Products and Technology: Deals to Shape the Future").

Gameplan for the year ahead

As we've learned from our decades-long analysis of M&A, the companies that successfully navigate these tricky waters will be those that can best adapt their approaches. What follows are five important ways to do so.

Pressure test the link between your strategy and M&A roadmap. In today's market, dealmakers need to create their own luck. Now is the time to revisit and revise M&A strategy and pressure test it against the realities of the market. Given the overall strategic ambition, clearly articulate the types of assets and deals required to deliver success. Will it be viable to find the appropriate assets at the appropriate price to advance this strategy? M&A roadmaps should provide strategic and financial guardrails to be practical and executable by management, and to align the board and senior executives. Long-term portfolio strategies often take years to implement and execute—and they can shift in unexpected ways as each deal

is completed. (For a look at how some of the best industrial companies have pulled off strategic portfolio reinvention, see “M&A in Machinery and Equipment: Learning from the Best.”)

As you update your M&A roadmap for the long-term vision, know that your M&A capability will need to evolve, too. That means devising an approach for the long term and rigorously assessing what you need to get there based on what’s worked (and what hasn’t worked) in the past. Was your biggest challenge in sourcing? Aligning internal stakeholders? Capturing value post-acquisition? And critically, do you have strong enough M&A capabilities to deliver on a multiyear strategy?

Affirm your geographic footprint and the implications for your M&A roadmap. As national industrial policy and tariffs shift around the globe, now is the time to proactively evaluate the appropriate response to plausible scenarios. The questions to answer for each possibility: What is the right asset footprint to support growth ambitions and strategic priorities in both the near term and long term? What geographies should we be prepared to double down on or exit? Where do we require direct, local control of channel, supply chain, or sales? Where can we utilize alternative transactions such as joint ventures or partnerships to gain access and mitigate risks?

Maintain a relentless focus on concrete value creation. A relatively higher cost of capital will continue to give an advantage to the near-in returns that drove scale dealmaking in 2024. To get to yes on a deal, companies will need a sharper proprietary view on value creation earlier in the deal process. They’ll need confidence in their ability to deliver concrete, rapid cost and revenue synergies alike. Consider how the new deal economics forces tech companies to pursue revenue and cost synergies in tandem (see “M&A in Technology: Revenue and Cost Synergies in Tandem”) and requires energy and natural resources companies to dramatically speed up the pace with which they generate synergies (see “M&A in Energy and Natural Resources: Making Deal Economics Work in a Record Year”). In our experience, assured value capture begins with faster, deeper, and more focused diligence that considers integration implications (timeline, costs, stakeholders) during diligence, not after—and that aligns the leadership team on the financial ambitions earlier in the planning (see the Bain Brief “The Three Most Important Steps in M&A Due Diligence”).

Use generative AI to improve M&A outcomes. Generative AI is already transforming M&A work. The benefits are accruing to early adopters and frequent acquirers, and the value gained from AI tools grows with user sophistication. As we explain in “Generative AI in M&A: You’re Not Behind—Yet,” M&A teams that leverage generative AI tell us that they are faster to develop insights and decisions and that AI sharpens their views on target assets. Acquirers that can combine proprietary insights with generative AI execution could gain an advantage that’s just as important as overall deal frequency as a predictor of success. The learning curve is real; get started soon.

Mitigate risk and costs through alternative deal types. When an outright acquisition isn’t justified, more companies are hedging their bets by taking minority stakes or engaging in joint ventures, partnerships, or licensing arrangements. The moves are most attractive during times of high cost and high uncertainty, such as an emerging technology without a defined standard—that applies to everything from generative AI to electric vehicle batteries.

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The combination of economic weakness, changes in geopolitics and national industrial policies, tech disruptions, and valuation gaps between buyers and sellers all contribute to the uncertainty and indecision that may make alternative deal types more attractive for leadership teams that can't get aligned on what the future holds.

But whether companies pursue alternative deals or traditional M&A, those that have been less active in recent years face a double challenge. They may need to revive atrophied M&A capabilities while also trying to catch up to the frequent acquirers that (as history has shown us) always outperform.

Read on to learn more about the future of M&A across industries and how companies can adapt.



STATE OF THE MARKET

Generative AI in M&A: You're Not Behind—Yet

How early adopters are getting faster and better at dealmaking.

By **Jeff Haxer, Maja Omanovic, Ben Siegal, and Brooke Houston**

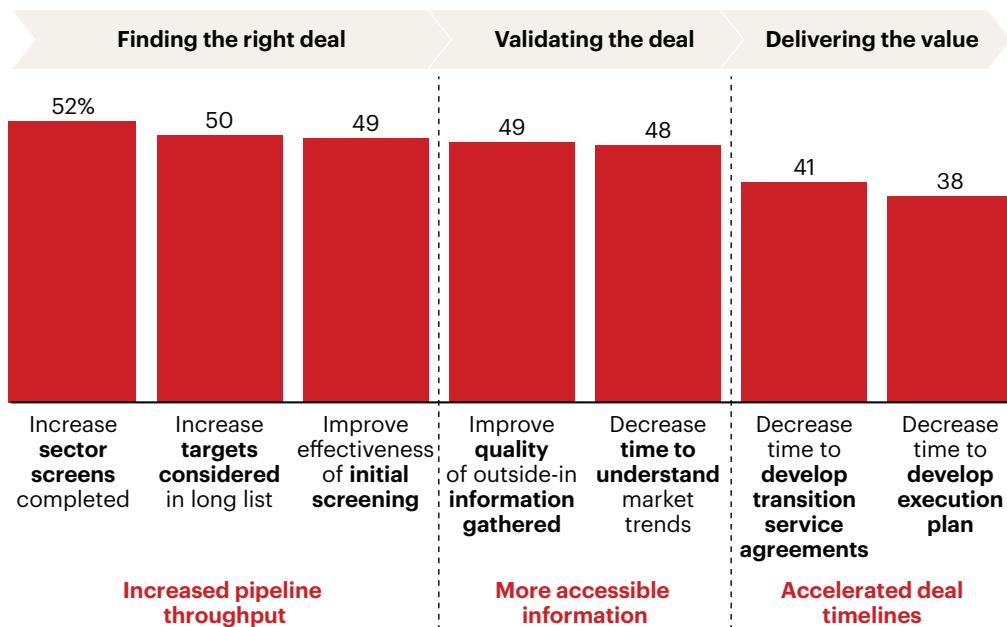
At a Glance

- ▶ The performance gap between active acquirers and less frequent acquirers will widen as a result of generative AI usage and capabilities.
- ▶ About one in five surveyed companies currently uses generative AI in M&A processes, and more than half expect to integrate it into their dealmaking by 2027.
- ▶ Early adopters tell us that extending usage of generative AI tools across more M&A processes multiplies the benefits.
- ▶ Late followers will be outbid for good deals and find themselves staying too long in processes for bad deals.

Generative AI is here to stay. The potential is nearly limitless, and its impact on M&A will be profound. We expect that companies that master the use of generative AI in M&A over the next five years will identify targets faster than their competitors, underwrite more deal value with confidence, execute diligence and integration activities more rapidly with fewer resources, and ultimately deliver higher M&A-assisted total shareholder returns (TSRs) (see *Figure 1*).

Figure 1: M&A practitioners see potential benefits from generative AI tools at various stages of the deal-making process

Expected enhancements to M&A strategy and process from use of generative AI, selected top mentions



Source: Bain M&A Practitioners 2025 Outlook Survey (n=307)

The good news is that if you're not yet using generative AI in your M&A process, you're not alone. We surveyed more than 300 M&A practitioners and found that 21% of respondents currently are using generative AI for M&A. It was 16% in 2023. Frankly, we expected higher growth.

But digging into the numbers to determine which companies exactly are using generative AI and for what purposes, we see how those M&A practitioners investing in the emerging technology have positioned themselves to leap ahead of the competition.

First, consider that 36% of the most active acquirers are using generative AI for M&A. This is important because our decades-long study of M&A performance shows that companies that do one or more deals per year consistently outperform their less active counterparts in TSRs. It means that they are honing their processes to get better and better at dealmaking. Companies that do infrequent M&A and that are not actively investing to build generative AI into their M&A processes should expect to see that TSR gap widen.

Second, private equity is an avid early adopter of generative AI technology across industries, with more than 60% of interviewed private equity firms using at least one tool to improve sourcing, screening, or diligence. That means if private equity is active in your sector, and you are not investing in generative AI, then you can expect even stiffer competition.

In addition to relying on generative AI-enabled tools to accelerate sourcing, screening, and diligence, early adopters have started to dip their toes into the technology for integration and divestiture planning as well as program management. The most active users have plans to systematically expand generative AI tools' reach across their entire M&A processes.

Within the next 12 months, we expect early adopters will use generative AI tools to draft integration workplans and transition service agreements (TSAs) in less than 20% of the time that they previously spent on such activities, allowing them to mobilize working teams faster with better initial information. The wave after that will involve using generative AI tools to access specific company data to help size realistic cost and revenue synergies and to craft value creation plans based on the prior performance of their acquisitions. Within the next five years, we expect every single step of the M&A process will be enabled by generative AI.

Facing the prospects of losing out on good deals, falling behind in synergies, and failing to unburden employees, more companies are planning to use generative AI, with more than half of all companies expected to deploy the technology for M&A by 2027.

As more companies take advantage of such improvements in their M&A capabilities, they set a higher bar for competitors. Late followers in adopting generative AI for M&A are going to face an uphill battle in three areas—namely, making the best-informed bids and knowing when to walk away from a deal, identifying new ways to underwrite and quickly realize value, and protecting people and the business during M&A.

Making the best-informed bids and knowing when to walk away from a deal. For example, early adopters relying on generative AI for deeper diligence will spend only about one day summarizing the data, instead of one week, so they will have more time to analyze how to extract maximum value from the deal. Faster summarizing helps companies identify and underwrite more concrete opportunities for good deals while quickly determining the bad deals they can avoid.

Identifying new ways to underwrite and quickly realize value. Companies relying on generative AI will be able to identify more detailed cost and revenue synergy opportunities as well as vastly improve their ability to write the draft plan to achieve them. Consider the possibilities in cross-selling potential. By feeding a tailored generative AI tool information such as sales, pricing, and customer relationship management data, as well as catalog information, a company can quickly identify, prioritize, and suggest

actions to achieve specific cross-selling targets. This will allow it to underwrite higher synergies in a transaction if that is needed and capture more value more quickly post-close.

Protecting people and the business during M&A. Deals can be hard on employees as line leaders across the business must juggle time on M&A projects with their day jobs, risking distraction to the business. Nearly 80% of companies using generative AI in their M&A processes said that they benefit from reduced manual efforts. This means employees spend less time on the M&A program and can more easily juggle demands from the base business. Easing the load on employees can improve performance and retention.

Facing the prospects of losing out on good deals, falling behind in synergies, and failing to unburden employees, more companies are planning to use generative AI, with more than half of all companies expected to deploy the technology for M&A by 2027.

Here's what they can learn from the early adopters.

Start now. New technology requires testing and learning to build expertise, identify high-value use cases, and change user behavior. All that takes time. Companies won't be able to catch up to the earlier adopters by simply buying a generative AI-enabled solution in the future; it will slow the learning curve. While becoming fluent in generative AI will take time, companies can begin reducing the time required for manual processes within the first week of adopting the technology.

Build an AI portfolio. A basic version of a generative AI tool can be as simple as a well-engineered prompt that references high-quality data sources. If nothing else, companies can start with this initial giant step: They can get an enterprise license and start using it. Then, they can buy or build more advanced solutions in which they find value.

Innovate with intent. The best companies will quickly look beyond simple automation tasks. They'll rethink their end-to-end M&A processes with generative AI capabilities in mind. They'll prioritize the opportunities to transform M&A capabilities, protecting and growing areas of competitive advantage.

Evolve the M&A team. Generative AI will increasingly pick up the time-consuming project management tasks. That raises the question of what skills a company will need to evolve its M&A capability. Great deals are executed by practitioners who focus more on strategic value creation than on the project management tasks. So, using generative AI to outpace competitors in M&A requires companies to rethink their talent strategy, with a focus on creating sustained value in the future.

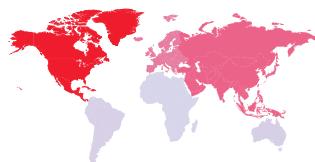
The promising technology will have a significant impact on the entire M&A process. If you have not invested yet, don't worry; you aren't behind. But you will need to begin your journey quickly toward becoming fluent in the technology. Otherwise, you'll find it difficult to complete the deals that truly move the needle.

STATE OF THE MARKET

Where the Deals Are: 2024's Top M&A Markets

Explore the strategic M&A data by region and key takeaways from selected markets around the world.

Strategic M&A regional value (\$B)



25 1,228

	North America	South America	Europe	Africa	Asia	Australia
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Value	\$1,228B	\$57B	\$528B	\$25B	\$666B	\$64B
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Growth	2%	27%	9%	36%	20%	8%
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Strategic M&A regional value growth (%)



2 36

Insights from 10 selected markets

US and Canada Strategic M&A

Market value:

\$1.2 trillion

2% year over year

Outbound value:

\$167 billion

5% year over year

- ▶ **A shift from megadeals** (deals greater than \$5 billion, which declined by 9% in value) **to small and midsize deals** (up 14%) was driven by a wave of smaller deals in healthcare and life sciences as well as telecommunications.
- ▶ **Regulatory scrutiny** led nearly half of dealmakers to change tactics as approximately one-third of challenged US deals were ultimately blocked or withdrawn.
- ▶ **North America's inbound tech activity is up 83% in value**, even as global technology deal value stalled.

+8%

Inbound value grew by 8%,
while domestic value remained flat.

By Colleen von Eckartsberg

Greater China Strategic M&A

Market value:
\$291 billion
8% year over year

Outbound value:
\$37 billion
0% year over year

- ▶ **Domestic dealmaking grew by 17%**, spurred by government policies and dealmakers' growing reliance on M&A for growth amid macroeconomic challenges.
- ▶ **Inbound deal value declined by 63% in 2024**, reflecting foreign investors' growing caution about the Chinese market.
- ▶ **The “Nine Measures”** (introduced by the government in 2024) aim to **facilitate cross-border transactions and promote capital market reform** by ensuring listed asset quality.



62%

Financial services drove the growth in domestic dealmaking, accounting for 62% of the increase.

By Jason Ding and Nancy Zheng

Japan Strategic M&A

Market value:
\$143 billion
71% year over year

Outbound value:
\$67 billion
7% year over year

- ▶ **Government policies are encouraging M&A** as a core value creation tool, clarifying hostile takeover principles, and pushing companies to improve price-to-book ratios to be greater than 1 (or face delisting).
- ▶ **The strong international appetite for Japanese assets** in 2024—for example, the Alimentation Couche-Tard–Seven & I (\$58.4 billion) deal or the Robert Bosch/Johnson Controls–Hitachi Air Conditioning (\$3.5 billion) deal—is expected to continue.
- ▶ **Private equity investors, engagement funds, and activists have notable interest**, thanks to low interest rates, ample opportunities to unlock value in conglomerates, and low multiples.



+46%

Outbound technology deal value grew by 46%.

By Takashi Ohara and Shintaro Okuno

United Kingdom Strategic M&A

Market value:
\$133 billion
38% year over year

Outbound value:
\$42 billion
-31% year over year

- ▶ **Activity is likely to continue to strengthen in 2025**, as UK-listed companies are widely perceived as undervalued and could be potential takeover targets. Moreover, regulators have signaled some favorable shifts in the merger review process.
- ▶ **Dealmaking by the UK's robust private equity community almost tripled in 2024**, outpacing global growth rates for M&A by financial sponsors. The UK's financial investors are particularly active in the advanced manufacturing and services as well as energy and natural resources sectors.



80%

of total financial services deal value is domestic.

By Peter Horsley and Ted Rouse

India Strategic M&A

Market value:
\$73 billion
-16% year over year

Outbound value:
\$14 billion
129% year over year

- ▶ **Domestic dealmaking powered M&A activity**, with scale deals predominant in construction and building products and scope deals predominant in pharmaceuticals, consumer products, and consumer tech.
- ▶ **India's maturing public market is fostering dealmaking**, enabling buyers to raise capital and renewing financial sponsors' confidence in public market exits.
- ▶ **In a post-globalization world, India is attracting investment by global players that are reshaping their value chains**. To date, the focus has been on greenfield investments and local market listings—and more M&A and JVs are expected.



46%

of inbound value is in advanced manufacturing and services.

By Vikram Chandrashekhar and Parijat Ghosh

Germany Strategic M&A

Market value:
\$65 billion
-7% year over year

Outbound value:
\$45 billion
68% year over year

- ▶ **High divestiture momentum:** 13 of the top 20 strategic deals in Germany were divestitures, whether to reduce complexity, refinance core transformation, or survive amid industry disruptions.
- ▶ **European energy independence** has attracted domestic and international investment in German assets, such as Abu Dhabi National Oil's \$16.7 billion purchase of Covestro.
- ▶ **Majority owners are buying back minority stakes** at reasonable prices, such as Näder Holding buying back its stake in Ottobock from EQT.



of total technology deal value is outbound.

By Kai Grass

Italy Strategic M&A

Market value:
\$55 billion
171% year over year

Outbound value:
\$15 billion
-10% year over year

- ▶ **Significant consolidation occurred in energy and natural resources**, including the megadeal between Italgas and 2i Rete Gas (\$5.8 billion) and moves by smaller players to integrate across the value chain.
- ▶ **In Italy's already consolidated telecommunications sector, future M&A activity will be limited** following Swisscom's \$8.7 billion acquisition of Vodafone Italia. Future deals will focus on technology providers.
- ▶ **A wave of consolidation is expected in financial services in 2025**, triggered by UniCredit's \$10.5 billion bid for Banco BPM.



Nearly half of outbound deal value is in advanced manufacturing and services, driven by Prysmian's \$4.7 billion purchase of Encore Wire.

By Andrea Oldrini

France Strategic M&A

Market value:
\$52 billion
-10% year over year

Outbound value:
\$49 billion
-10% year over year

- ▶ **Nearly half of strategic deal value is outbound and may increase in 2025** as French acquirers with healthy balance sheets look for international growth amid France's domestic political uncertainties and pressure on public spending.
- ▶ **Financial services more than doubled in deal value** as major financial institutions with cash reserves actively pursued M&A, such as BNP Paribas' \$5.5 billion acquisition of AXA Investment Managers.
- ▶ **Declining European energy prices and profitability led to a greater than 80% drop** in investments in French energy and natural resources assets. Players will likely seek outbound opportunities in 2025.



Advanced manufacturing and services along with energy and natural resources are the largest industries by outbound deal value, making up a combined 49%.

By Arnaud Leroi and Alexis de Meaux

Brazil Strategic M&A

Market value:
\$41 billion
49% year over year

Outbound value:
\$3 billion
123% year over year

- ▶ **Domestic companies are fueling the market**, with only 5 of the top 20 deals made with foreign acquirers.
- ▶ **It's all about energy.** Half of the Brazilian market's strategic deal value involves energy deals, with many intending to spur the energy transition—energy deals are up nearly 150% vs. last year.
- ▶ **International investors continue to stay cautious** because of the government's fiscal policy (which favors short-term growth) and lingering inflation.



Advanced manufacturing and services is the second-largest industry in the Brazilian market, comprising 27% of the value.

By Felipe Cammarata and Luis Frota

Middle East Strategic M&A

Market value:
\$29 billion
52% year over year

Outbound value:
\$33 billion
9% year over year

- ▶ Middle Eastern companies more than **doubled investments in European targets**.
- ▶ **Strong interest in joint venture (JV) activities**, particularly in industrial sectors—for example, Saudi Arabia's sovereign wealth fund completed three JV deals for solar and wind projects.
- ▶ **Investor-friendly regulations in the UAE** have more than doubled cross-regional strategic investments in UAE assets.



of total energy and natural resources
deal value is outbound.

By Tom De Waele and Gregory Garnier



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INDUSTRIES

M&A in Aerospace & Defense: How Incumbents Can Respond to Well-Funded Disrupters

Successful incumbents will pursue acquisitions that add capabilities and talent.

By **Michael Sion, Pierluigi Serlenga, Katherine Kajzer-Hughes, and John Wenzel**

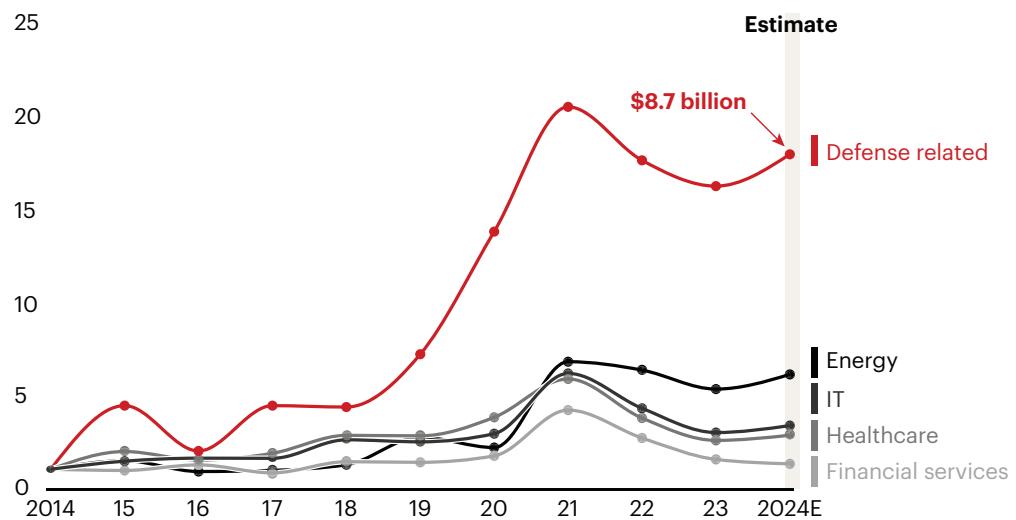
A surge in venture capital funding is positioning new entrants to take share from legacy defense companies. Winning incumbents will pursue M&A in a variety of formats to gain the technical and operating model innovations necessary to stay competitive.

Defense has enjoyed a more than tenfold increase in venture investments over the past decade, making it an outlier among industries (see *Figure 1* and the Bain Brief “Rethinking Defense: The Role of Private Capital”). Multiple factors are propelling this boom, such as the growing gap between defense requirements and budgets, an innovation and affordability imperative, and increasing overlap between commercial and defense technologies. The success of companies such as Palantir and SpaceX is intensifying venture activity. Young companies built on that capital are delivering innovation that is improving capability and reducing cost—and positioning those companies to take share.

Incumbents should employ a number of defensive and offensive moves to hold off disruptive entrants. They must do a better job of delivering on schedule and at lower cost, and they must ensure that they are meeting customer needs while also shaping the requirements of the future. At the same time, they can proactively reposition themselves against competitive threats by purposefully cannibalizing their own products or looking for other ways to creatively disrupt their own markets.

Figure 1: Venture capital investment in defense has increased more than 18-fold over the past decade, from \$500 million in 2014 to an estimated \$8.7 billion in 2024

Capital invested in venture capital deals, indexed to 2014 levels



Source: Pitchbook

Successful incumbents will pursue acquisitions that add capabilities and talent. Importantly, they will rely on processes that ensure that integration does not stifle innovation or create significant cost structure challenges. Excessive integration within a parent organization could hinder innovative development models, restricting the benefits of unburdened cost structures. The goal will be to focus on what's unique (e.g., talent, IP, technology, etc.) in order to deliver value.



INDUSTRIES

M&A in Automotive and Mobility: Hedging Bets until a Clear Future Emerges

More companies will opt for flexibility.

By Dominik Foucar, Pedro Correa, Yuma Yano, Natasha Patel, and Ingo Stein

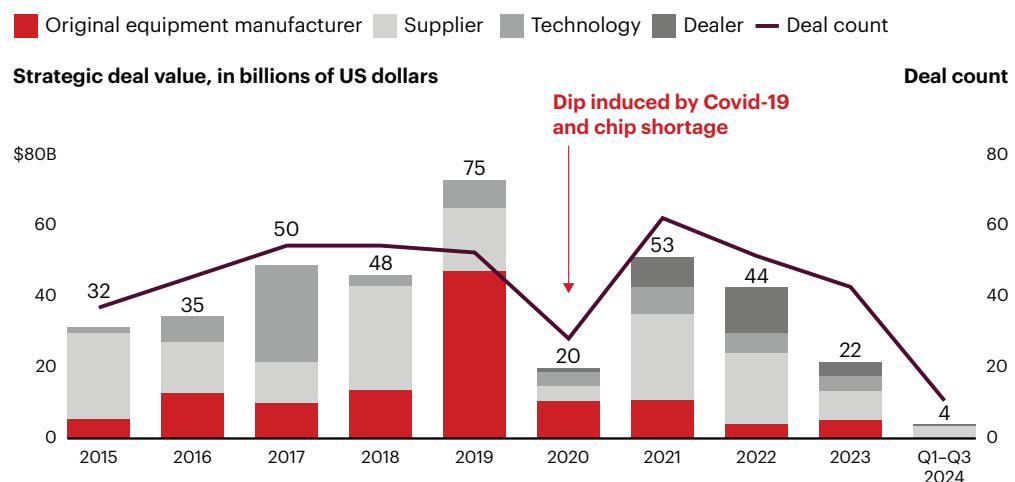
The automotive industry is in a state of uncertainty and mounting cost pressures, and the answer for many companies will be to pursue partnerships and alliances instead of traditional M&A. Factors influencing the automotive M&A outlook include:

- **Rising cost pressure** for original equipment manufacturers and suppliers with underutilized capacities
- **High uncertainty** with volatile electric vehicle (EV) ramp-up across geographies
- **Dual burden** of investing in an EV future while maintaining internal combustion engine business limits available funding
- **Required access to new capabilities and scale** to achieve leadership positions with sustainable profitability
- **Opportunity for partnerships and joint ventures** with lower investment requirements

Low volumes and shifts in former growth markets such as China have hurt Western players. The ramp-up in electric vehicle (EV) batteries has been volatile, yet hybrid EVs continue to be a viable option, including another internal combustion engine powertrain upgrade. Overall, there's much indecision around original

Figure 1: Amid challenges, automotive and mobility companies mostly avoided M&A in 2024

Automotive and mobility companies largely have held off on M&A in 2024



Sources: Dealogic; Bain analysis

equipment manufacturer strategies regarding software development, electrical/electronic architecture, and vertical integration with the high-voltage battery value chain.

Amid these and other challenges, companies largely have held off on M&A in 2024, with value down around 80% and volume dropping about 60% during the first three quarters of 2024 (see *Figure 1*). But activity is likely to pick up as companies acknowledge that they can't go it alone much longer.

Because traditional M&A deals seem daunting during times of high uncertainty, more companies will look for joint ventures (JVs) or alliance arrangements that allow the flexibility to be competitive among different future scenarios. Such arrangements also require a lower investment than traditional M&A. GM established a \$625 million JV with Lithium Americas to ensure access to critical minerals, and CATL and Hyundai signed a strategic partnership agreement to power future Hyundai EV models with CATL batteries. The best companies will model different future scenarios and actively consider them in their current decision making while, in parallel, taking the no-regret moves to help strengthen the business today. Partnerships can help companies more speedily explore multiple technological paths. And once the tech path is clear, the right partnerships can be converted to full acquisitions while other, nonpromising paths can be discontinued—by scaling back JVs, for example. In both cases, successful companies are the ones that proactively shape their future.



INDUSTRIES

M&A in Building Products and Technology: Deals to Shape the Future

Acquirers are focusing their attention on five critical capabilities.

By **Renato Jorio, Adrien Bron, Nate Anderson, and Shounak Gadre**

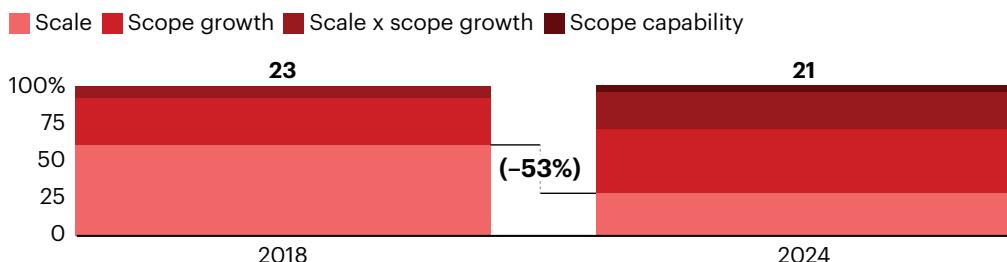
At a Glance

- ▶ Companies are turning to M&A for capabilities that will address shifting profit pools.
- ▶ The top five capability imperatives are route to market, building automation, sustainability, industrialized construction, and technology.
- ▶ Building products companies are typically local businesses, which limits their opportunities for synergies across product categories and regions.
- ▶ Still, because local scale matters, companies are continuing to pursue rollups.

In the building products industry, the smart companies are looking down the road and devising ways to use M&A to buy the new capabilities that will define the industry's future. In a trend that will only grow more important over the next decade, companies will acquire to meet mounting demands for faster, more sustainable, and cost-effective construction—and to get out ahead of shifting profit pools (see *Figures 1 and 2*).

Figure 1: The deal mix in building products is increasingly dynamic as companies turn to deals with multiple theses for growth

Building products strategic deals greater than \$500 million



■ **Scale deals** build local positions of strength within an acquirer's existing core, but they have become limited in building products as consolidation has advanced, given that it is a local business with limited synergies across product categories

■ **Scope growth deals** expand into adjacent geographies or product categories beyond an acquirer's core, and successful scope deals create a new platform for growth as well as a path to leadership, building upon the acquirer's parenting advantage

■ **Scale x scope growth deals** lead to both scale and scope expansion—often applied to large, multicountry deals, requiring the integration approach to be shaped by an assessment of business overlap in each country/subregion

■ **Scope capability deals** buy the new capabilities that will define the industry's future; five top capability imperatives are route to market, building automation, sustainability, industrialized construction, and technology

Notes: Analysis includes majority deals only; 2024 includes first quarter through third quarter only
 Sources: Dealogic; Bain analysis

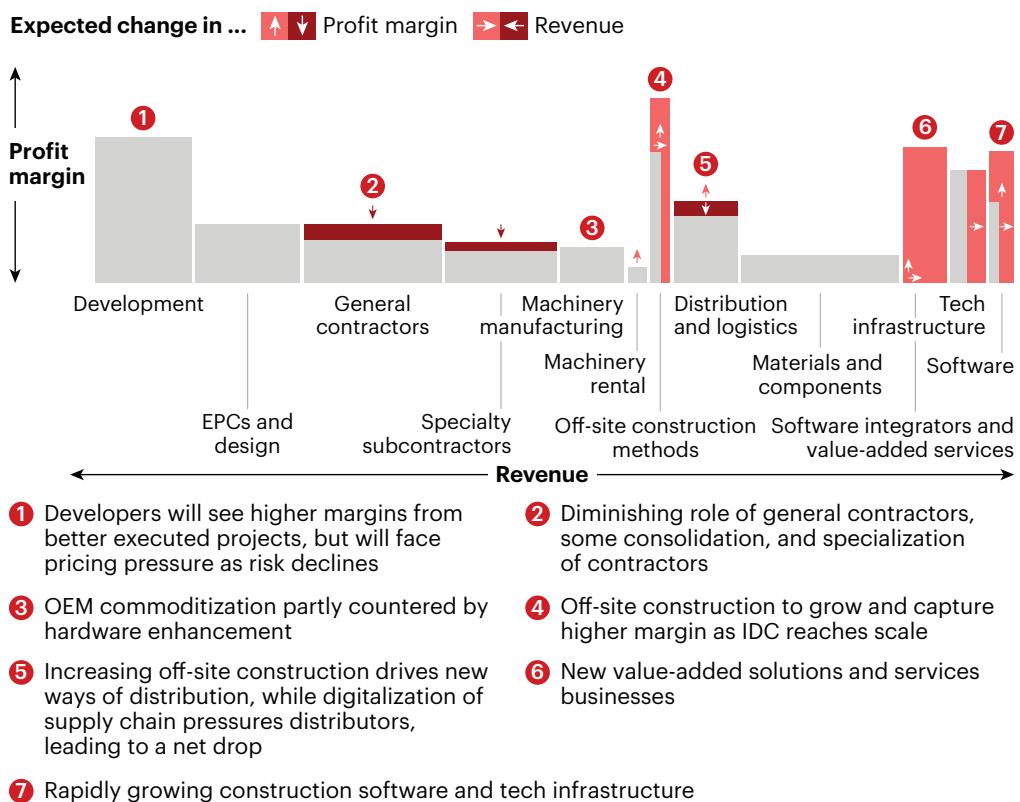
Where the industry is headed

Routes to market are changing rapidly, and the companies that take advantage of new sales and marketing approaches will outpace their peers. Home improvement retailer Home Depot acquired building products distributor SRS Distribution in 2024 to accelerate its growth with the residential professional customer. The acquisition gives Home Depot access to a range of capabilities—for example, direct connections with professional roofers, landscapers, and pool contractors. Similarly, Carrier acquired Viessmann Climate Solutions for access to the company's portfolio of heat pumps and other machines, yes, but especially for access to its direct relationships with installers throughout Germany.

After years of disappointing talks about smart homes and buildings, **building automation** is finally becoming a reality. Connectivity and the Internet of Things enable lower-cost and more open automation technology platforms that can be installed in buildings and augmented flexibly by various AI-supported apps and add-ons. These advances will create a wave of deals as companies in areas such as HVAC and electrical systems turn to M&A to enhance their existing product lines. That's why LG Electronics bought an 80% stake in Athom. LG will merge the smart home hardware developer and manufacturer's connectivity capability (which links multiple appliances, sensors, and lighting devices) with the

Figure 2: Profit pools will shift as the industry must meet demands for faster, more sustainable, and cost-effective construction

Global construction profit pool, 2030



Sources: S&P Capital IQ; Bain analysis

generative AI-enabled LG ThinQ platform. The plan: Create a smart home with optimal connectivity solutions by gaining a deeper understanding of the customer via AI.

Sustainability is another big reason why more companies will pursue capability deals. Real estate construction and operations generate roughly 40% of global carbon emissions. Customer expectations and stricter regulations are creating an imperative for sustainable, circular construction. For European industries, especially carbon-heavy ones such as cement, sustainability is no longer an option. In 2024, Holcim bought Mark Desmedt and Cand-Landi Group, two companies active in the recycling of demolished building materials, to accelerate its decarbonization and circular construction initiatives. There's less activity in other regions, with some notable exceptions. For example, US-based Owens Corning's due diligence process now involves assessing how an acquisition target supports its sustainability goals or improves the target's sustainability profile.

Industrialized construction will grow via deals, too. Modular, off-site construction is gaining real traction with M&A intended to integrate and consolidate the fragmented value chain (see the Bain Brief “Breaking New Ground: The Efficiency Gains of Industrialized Design and Construction”). For example, in 2024, Renta Group acquired modular building specialist Caro Design. And for years, major lumber companies in the US, such as Builders FirstSource and US LBM, have been rolling up smaller, local truss manufacturers, moving downstream in the value chain to broaden their capabilities in off-site construction.

Technology such as digital twins and interconnected systems will revolutionize the construction value chain. Although few large tech deals have closed in recent years, it is quickly becoming a priority for CEOs who hope to replicate the success of the Builders FirstSource acquisition of Paradigm in 2021. Paradigm specializes in technology and software that helps building products players boost sales and reduce costs. Its Paradigm Omni product makes configuring and quoting windows and doors fast and easy.

We see such deals as the beginning of a new M&A era in building products that will be less about short-term synergies and more about acquirers securing the technology and tools that will define their future business.

Meanwhile, as these deals expand capabilities for acquirers, some building products companies will continue to use M&A for growth—and in highly focused ways. Local scale and density still matter in this industry, which is why companies pursue roll-up plays in specific, fragmented markets. Even in bigger multiregional deals, value is typically created by multilocal integration efforts. Cross-regional synergies are minimal and usually come from shared infrastructure, such as IT or operations, rather than commercial gains.

While scale deals follow a logic of consolidation, scope and capability deals follow a logic of expansion.

In the US, distributors such as US LBM and ABC Supply continue to take the roll-up approach. In Europe, large private equity-owned distributors within the BME Group are pursuing the same type of rollups. But there is not a lot of hunting ground left in mature markets. In markets that are less mature, there are roll-up opportunities in categories with high weight-to-volume ratios, such as cement. For example, in 2024 India’s major cement players UltraTech Cement and Ambuja Cements acquired midsize regional competitors to capture market share. In any geography, such rollups work best for companies that have built their M&A strategy and a repeatable M&A capability to develop a robust pipeline of deals and extract deal value post-acquisition.

But in 2025 and beyond, the big story will be scope deals that deliver the five needed capabilities that will redefine the building products landscape. This is new territory for most companies in the industry. How can they improve their ability to find the best deals and make them succeed?

While scale deals follow a logic of consolidation, scope and capability deals follow a logic of expansion. Building products companies must develop a sharp thesis of customer needs and a thorough understanding of the competitive forces at play in these adjacencies. That starts by asking how an acquisition and integration will create value as well as whether consumers will be willing to buy more or pay more for expanded offerings or capabilities.

Is it a developer or an owner looking for a better ROI on their building stock? Or are the engineer and specifier typically interested in respecting norms and ensuring build quality? Are the distributors looking for tighter ways to manage their categories? Or maybe it is those in construction trades or installers who will find ways to build faster, cheaper, and with less rework? Understanding how such M&A expansions will affect the overall complex buying patterns within construction is the best place to start.



INDUSTRIES

M&A in Consumer Products: Carving Out to Grow

Consumer products companies are separating to enable more focus and simpler business models.

By Peter Horsley, Maria Kurenova, Sam Rovit, Allison Snider, Joost Spits, and Dustin Rohrer

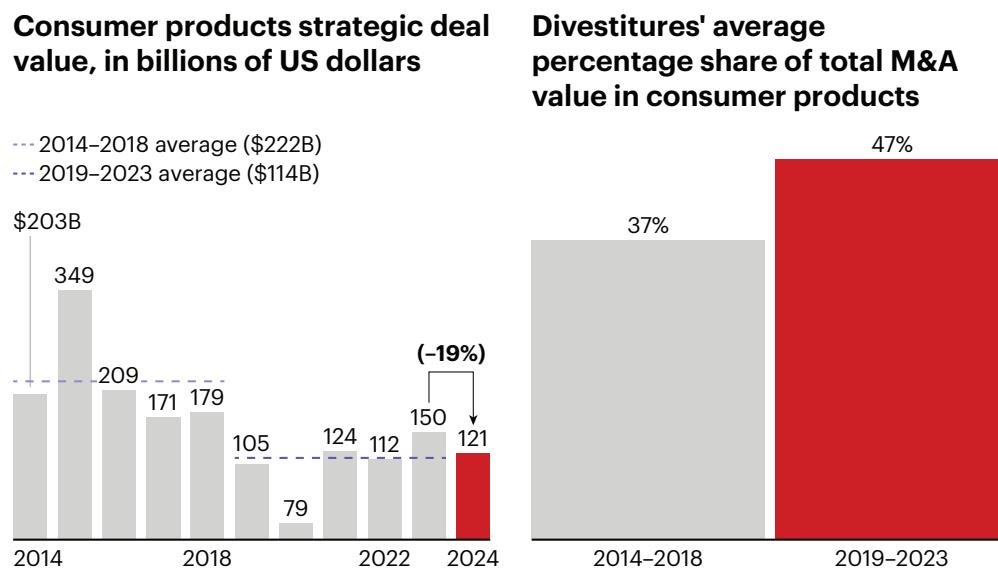
At a Glance

- ▶ Despite a few large acquisitions, deal value dropped by 19% in 2024.
- ▶ Many are continuing to evaluate and divest low-growth and noncore parts of their portfolios.
- ▶ Our survey found that 60% of consumer products executives expect to sell assets over the next three years.
- ▶ Success requires companies to look for ways to maximize value, not just split the business away.

For two decades, the consumer products industry has watched its total shareholder returns (TSRs) steadily drop from one of the highest to one of the lowest among industries. Reversing that fate requires companies to be aggressive about boosting volume growth and restoring profitability.

For many in consumer products, the year 2024 was a time to evaluate portfolios and shed underperforming, noncore, and low-growth assets to double down on the areas with the highest growth potential and to simplify for profitability. It's been a steady trend. Even as overall deal value dropped after 2018, divestitures' share of total M&A increased by 10 percentage points (see *Figure 1*). When we asked M&A practitioners in consumer products about their plans for the future, about 60% said that they expect to sell assets within the next three years compared with 42% across all industries.

Figure 1: Even as overall consumer products M&A dropped post-2018, divestitures continued and gained share of total deal value



Note: Strategic M&A includes corporate M&A deals (which includes private equity exits) and add-ons
Source: Dealogic as of January 7, 2025

It is no surprise that divestitures were on M&A practitioners' minds in 2024. The consumer products industry already is more consolidated than most, and it faced the same macroeconomic headwinds as other industries, such as high interest rates and regulatory scrutiny that discouraged acquisitions. On top of that, consumer products companies find themselves burdened with two types of investments, including those for digital capabilities that they've delayed for too long as well as for more resilient supply chains.

All of this led to a 19% decline in M&A deal value in 2024 compared to 2023. That's a long way from the industry's heady M&A years in the 2010s. In fact, the only 2024 consumer products deal valuation greater than \$10 billion announced during the first 10 months of 2024 was the Mars acquisition of Kellanova, which was the remaining core of Kellogg's after spinning off WK Kellogg, its North American ready-to-eat cereal business, a year prior.

But the divestiture activity is another story because in addition to supply, there is adequate demand. As companies prune their portfolios, they're willing to selectively invest in other high-growth areas that are big enough to make a difference yet small enough to pull off. When we polled M&A executives in consumer products, 30% said that they expect increased interest among corporate buyers for carve-outs over the next 12 months—and around 40% of them anticipate more private equity interest.

When breaking up is the answer

Consumer products companies are separating to unleash growth by providing more focus and simpler business models. The most dramatic examples can be seen in consumer healthcare, in which splitting the consumer element from pharma has redefined the industry. In 2022, GSK spun off its consumer health business into Haleon. A year later, Johnson & Johnson did the same thing with its consumer health business, creating Kenvue.

Further separations do not feel far away, which, in turn, may give rise to industry consolidation and maturity in a fragmented market. Fonterra just announced the separation of its consumer business, for example.

Consumer products companies are separating to unleash growth by providing more focus and simpler business models. The most dramatic examples can be seen in consumer healthcare, in which splitting the consumer element from pharma has redefined the industry.

Companies are also separating as a way of exiting the low-growth parts of their portfolios that have become a drag on the rest of the business—and where there are likely better parents. Since 2015, Unilever has systematically divested businesses to reduce its exposure in frozen goods, teas, and margarine and other spreads. In 2024, the company extended that to ice cream. Companies such as Reckitt are following suit, with announced plans to sell its Essential Home business next year, which includes brands such as Air Wick, Calgon, and Cillit Bang.

As part of this shift, we're seeing more creative divestiture structures, which is not surprising given the continuing valuation gap between buyers and sellers over price. Surveyed consumer products M&A practitioners told us that the top three most important factors in deciding to divest are stakeholder support, tax implications, and availability of buyers (see *Figure 2*). In this climate, tax-free spin-offs or reverse Morris trusts appeal to certain sellers, and divesting to a joint venture is also an appealing option because it allows for participation in upside while gaining new investment in the business.

Figure 2: With most consumer products survey respondents looking to bring assets to market, stakeholder support and tax implications are top considerations in their decision making

Percentage of consumer products practitioners considering a specific factor important when deciding to bring an asset to market



Source: Bain M&A Practitioners 2025 Outlook Survey (n=307)

Getting it right

Divestitures aren't easy.

For one thing, boards and managements are focused on other pressing issues, such as transforming supply chains for better resiliency or implementing enterprise resource planning software. Just obtaining board approval for a divestiture requires thoughtful planning and coordinating with other priorities.

Getting the value out of a divestiture requires running a program that is carefully tailored to the separation thesis. The best companies balance speed, base business performance, and value creation. And sometimes there's the need to move quickly because delays create a negative spiral for the business—less focus and demoralized talent results in worse performance and therefore reduces the value. For others, there's a need to package the business by pulling quick-win levers that will help attract buyers or investors and deliver on the equity story.

In consumer products, divestitures typically take 12 to 36 months from inception to close. They test executives' decision-making abilities on everything from designing the appropriate asset perimeter and working through transition service agreements (TSAs) to managing talent in the interim. And ultimately, these deals often don't succeed. In fact, our analysis shows that only the top quartile of spin-offs delivered combined TSRs above the overall market's performance within the three years following the divestiture (see the Bain infographic "When a Spin-Off Wins Big").

What can divestors do to boost their odds of success? We see five key steps to take for consumer products executives planning to divest.

Step No. 1: Start with a holistic view of your portfolio, and mark businesses for exit in line with your strategy. There are some basic questions to ask: Are there still parenting advantages you have over the business? Where are there shared customers and capabilities? What is the sum-of-the-parts analysis, and where are investors discounting the business? Consumer products companies can take a hard look at what categories fit better or those that are too different, and consider options such as different buyers, different aisles, and even different cost profiles as they evaluate their portfolios.

Step No. 2: Aim to maximize value through the perimeter and transaction structure; do not just split the business. Think through how to bundle brands to spur volume growth and streamline costs. Also, think through what structure will maximize value. For organically grown businesses, tax-free spin-offs can minimize tax leakage of deal proceeds. For partial businesses or businesses requiring a turnaround, however, divestiture is often faster and requires a lower one-time cost to execute. Consider the need for cash and how proceeds will be reinvested—for example, through M&A, buybacks, or debt payoff. And think through what an attractive asset perimeter is for an acquirer.

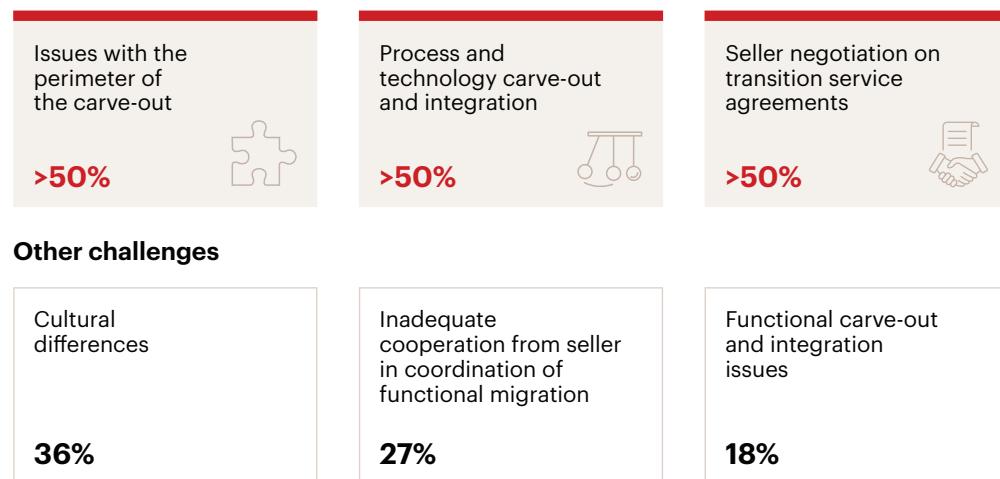
Step No. 3: Accelerate decisions on the biggest entanglements. In 2021, we asked practitioners to name the top inhibiting factors for divestitures. Functional entanglement was No. 1. For consumer products companies, the biggest entanglements often are around systems, shared production, and route to market. Thinking through how to disentangle the business in a way that minimizes stranded costs and one-time costs can be a complex equation.

Step No. 4: Use the unfreezing moment to reshape the remaining company's profit-and-loss statement. A divestiture or spin-off is an opportunity to reshape the profit-and-loss statements (P&Ls) of both the divested company and remaining company. Building the pro forma P&L and disentangling the businesses will often expose stranded costs and bloated cost structures in the remaining company. Even for businesses that are already largely separate, there can be an opportunity to shift investments to areas that line up with the remaining company's new focus.

Step No. 5: Keep 95% of people 100% focused on the base business. As with any transaction, running a divestiture can distract from the base business. When that business suffers, the economics of a deal sometimes becomes less attractive or even untenable, and buyers may back out or spin-offs may be

Figure 3: More than half of consumer products companies have a shared perspective on their top three challenges in carve-out integrations

Top three challenges faced by consumer products companies in carve-out integrations, percentage of mentions



Source: Bain M&A Practitioners 2025 Outlook Survey (n=307)

canceled. The best consumer products companies keep a focus on the base business by running a divestiture program with fewer, more highly dedicated individuals.

What if you're the buyer?

Among surveyed consumer products M&A practitioners who have bought a carve-out within the past three years, 70% say that their last carve-out acquisition created value. But even for experienced acquirers, these deals can pose risks. Here's our advice for buyers.

Figure out what you're getting. Use cutting-edge diligence to assess and proactively address carve-out standing issues. In a carve-out acquisition, it is not always immediately clear what you're getting. In fact, "issues with the perimeter" was one of the top three carve-out challenges cited by consumer products M&A practitioners in our survey (see *Figure 3*). Diligence is the critical moment to dig deep into the people, systems, and assets (including brands and IP) that tell you where the new company will either need TSAs or a build-out/integration plan for Day 1.

Develop an investment thesis. As with any M&A in any industry, the deal thesis is critical. With a carve-out in consumer products, there are likely specific levers that need to be pulled to increase growth, profitability, or both. Understanding these levers early on will help with carve-out diligence and integration planning.

Remember, carve-out integrations are more complex than normal integrations. For practitioners with a repeatable integration capability, there are challenges to running a carve-out integration. The main difference is that Day 1 will be a hard cutover. This often means a heavier lift in sign-to-close planning to ensure readiness on Day 1. Two other considerations are TSAs and dis-synergies. The bandwidth required to get these correct should be considered when setting up a program.

Plan for and execute Day 1 in a way that mitigates risk and prepares for the future state. Because carve-outs are so complex, many companies see a successful Day 1 as the mark of victory. But the best carve-out acquirers understand that a smooth cutover on Day 1 is just the beginning. These companies plan for a Day 1 that enables future value creation. For example, one acquirer understood that procurement was a critical lever in its value creation plan, but there was only one procurement full-time equivalent coming onboard within the perimeter of the carve-out. With this knowledge, the acquirer moved quickly to hire a top procurement executive who could start planning for Day 1 and beyond.



INDUSTRIES

M&A in Energy and Natural Resources: Making Deal Economics Work in a Record Year

The keys to generating higher deal value at a faster pace.

By Whit Keuer, Arnaud Leroi, and Margaret Persons

At a Glance

- ▶ Oil and gas companies enjoyed a wave of consolidation in 2024, and chemicals companies reshaped portfolios.
- ▶ The energy sector engaged in more than \$400 billion in deals, a three-year record.
- ▶ Now, companies across both sectors are striving to achieve deal value faster than ever.
- ▶ Acquirers are increasingly using generative AI to enable more robust and more reliable deal synergy estimates.

While many companies pumped the brakes on energy transition deals in 2024, it was a record-setting year for consolidations by oil and gas companies anticipating a longer path for hydrocarbon demand. The energy sector saw more than \$400 billion in acquisitions—a three-year high—with more than 10 megadeals, the biggest of which was the Diamondback Energy and Endeavor Energy Resources merger. There were also a host of midsize deals, such as Chord Energy and Enerplus. All in all, the sector saw a shift toward scale deals, which comprised 86% of strategic M&A in excess of \$1 billion.

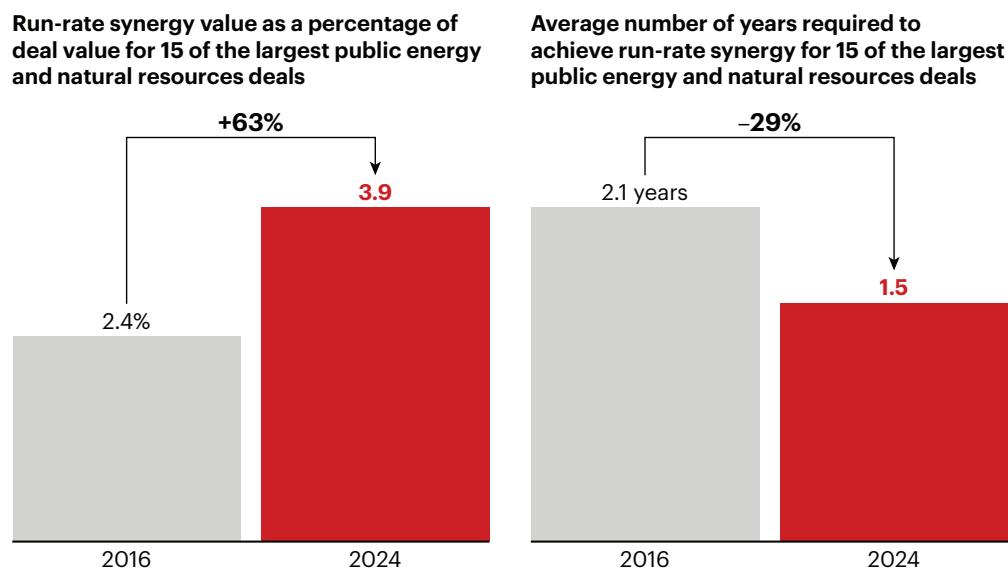
Meanwhile, in chemicals, forward-looking companies embarked on portfolio reshaping. Some companies divested assets as they strategically rethought the market segments and geographies that would offer the best opportunities for profitable growth and leadership. Another key theme was Middle East-based oil and gas companies moving into chemicals through organic and inorganic investments—such as Adnoc's announced acquisition of Covestro—and lowering their long-term risk from the energy transition.

Overall, deal value in the energy and natural resources industries rose by 2%, and volume grew by 4% during the first 10 months of 2024 over the same period last year.

As companies pursue different approaches to M&A, they find themselves racing to meet the same goal—namely, to generate higher deal value at a faster pace to make the deal economics work. Consider ConocoPhillips banking on its Marathon Oil acquisition to achieve \$500 million of run-rate cost and capital savings in the first year following closing.

Several upstream oil and gas companies have set timetables for achieving deal synergy targets by the end of year one while also increasing the focus on working capital, including inventory optimization. At the same time, midstream oil and gas companies are increasing the focus on commercial synergies and capturing value across the integrated value chain from “wellhead to the water’s edge.” With intensified competition for the industry’s best assets, acquirers must look at all of these levers to achieve their target deal economics.

Figure 1: In energy and natural resources, run-rate synergy value has increased, and the synergy realization timeline has accelerated



Source: Bain analysis

These and other companies across the industry are taking advantage of the shifting dynamics that will make it possible to unlock more value faster. For example, forward-thinking companies are increasingly using generative AI capabilities to enable more robust and more reliable deal synergy estimates. Similarly, some companies are investing more rigor and planning to develop synergy realization plans during pre-close periods, allowing them to execute immediately at close and thus increase synergies that are created (see *Figure 1*).

Let's look at five ways companies are accelerating deal synergies.

Robust, evergreen M&A pipeline management

To win in the energy industry's active deal environment, successful companies are obsessive about the industry game board. They actively engage in scenario planning for different potential M&A combinations, always preemptively evaluating strategic fit rather than waiting to react to shifting market dynamics.

Many companies are even taking it a step further and proactively engaging in outbound activity to get deals done. We increasingly see that assets are not coming to market formally through investment banks. Instead, successful deals are the result of informal connections or regular outreach among CEOs and M&A executives. Companies that choose to wait for formal processes risk missing out on the best potential deal opportunities.

Higher standards for diligence

Interest rate increases caused 95% of strategic buyers to change their M&A approach, according to the energy and natural resources industry respondents to our 2024 M&A practitioner survey. The bar for sourcing and diligence is rising as the high cost of capital shrinks the margin of error for delivering deal returns.

This means companies need to work on generating better insights and developing higher confidence in synergies. It is no longer enough to apply broad brushstrokes of industry benchmarks. The best acquirers are relying on swiftly evolving tools and data to forge a tangible path to rapid synergies, and they're engaging in stronger integration planning earlier.

We see more companies deploying generative and traditional AI to quickly assess data from both parties and identify synergy potential. For example, companies can review large numbers of supplier contracts to identify procurement savings and even use generative AI to draft correspondence for the long tail of suppliers. The new technology also is being utilized to analyze customer data, market segmentation, and product portfolios to identify customer cross-selling opportunities.

This is particularly critical in the early stages of deal formation to rapidly (and creatively) assess the potential levers for value at stake. These models combine structured and unstructured data to screen hundreds of targets against a diverse set of criteria, including financial health, growth, market position, and even elements of the business model such as whether the target has a direct-to-end-user channel.

Pre-close integration planning

Beyond higher diligence standards, the best companies now devote more energy to translating the deal thesis into an integration thesis. Knowing the *what* is no longer enough; companies in energy and natural resources now need a clear view of the *how* for delivering value.

This imperative leads companies to engage integration teams sooner, spanning the full suite of planning from IT and systems to supply chains and operating model design. We see teams digging in earlier on what will be harmonized, how the integration will deliver quick wins for value, and what contingencies are needed. One common example in shale oil and gas involves establishing the asset and basin-level operating model and a common decision-making framework for operational teams. These teams make complex technical decisions as well as trade-offs between optimizing costs and maximizing production and recovery. So, it's critical to define a company's decision process and decision accountabilities.

Capabilities transfer in the integration

As companies search for value, we find that the best acquirers consider opportunities to transform both the buyer and target companies to deliver new value. There are fundamental questions to ask:

- What is the target best-in-class at?
- What are the learnings that can be expanded to a combined organization?
- What enables the target to perform exceptionally well—for example, are there systems, structures, or specific behaviors at the target company that the acquirer can learn from?
- What is core to the target's culture and ways of working?
- Where should it be maintained, and where will cultural fault lines need to be mitigated through thoughtful change management?

Indeed, it's a time to determine which improvement areas could be unlocked through the target's capabilities and best practices (a.k.a., reverse synergies). One shale oil and gas company believed that the target had a superior approach to completions in a particular basin and sought to apply the methods across its footprint. A chemicals company identified in due diligence that the acquirer performed plant turnarounds faster and sought to apply those practices to its own assets. In the best of situations, the acquirer identifies how the integration can be a catalyst for deeper, more transformative change.

Collaborating and learning from each other can begin in a pre-close environment; it's an especially valuable opportunity in deals with extended timelines. In addition to the exchange of information (of the not competitively sensitive variety), direct interactions with employees of the target company—be they through one-on-one interviews, surveys, or joint workshops—can accelerate the process of learning how each other works.

Culture integration focus to avoid eroding deal value

Energy and natural resources M&A practitioners tell us that cultural integration is now a top three issue for any transaction. The goal of any deal is to secure its intended value. There's now industry-wide recognition that the tricky issue of merging cultures can make or break the integration and value delivery.

Leading acquirers strive to mitigate cultural obstacles before even putting time into developing broader, full-potential culture plans. These players proactively identify issues that could disrupt the integrations—we call these *cultural fault lines*—such as differences in purpose, decision making, or ways of working. A couple of issues we typically see involve differences in the level of detail of business performance reviews and in approaches to budget variances.

Leading acquirers strive to mitigate cultural obstacles before even putting time into developing broader, full-potential culture plans.

Also, it's not uncommon to see differences in capital decision making, such as the level of rigor and number of scenarios required before making a final investment decision. If left unaddressed, these differences could harbor misunderstanding and misinterpretation, sometimes taking years to unwind. The best companies use the pre-close period to identify and address these cultural fault lines and the issues they could create.

Companies in energy and natural resources are also putting greater emphasis on defining a *cultural thesis*. They think through when to assimilate, when to preserve and protect aspects of the target culture and the processes that have enabled its success, when to bring the best of both organizations to bear, and when to use the integration as a catalyst for cultural reinvention. The right answer will vary by deal and by the organizations' teams. As many companies have discovered, culture is a bespoke problem that requires a bespoke solution.



INDUSTRIES

M&A in Financial Services: Coming Back to Life

Four sectors, four ways to use M&A to grow.

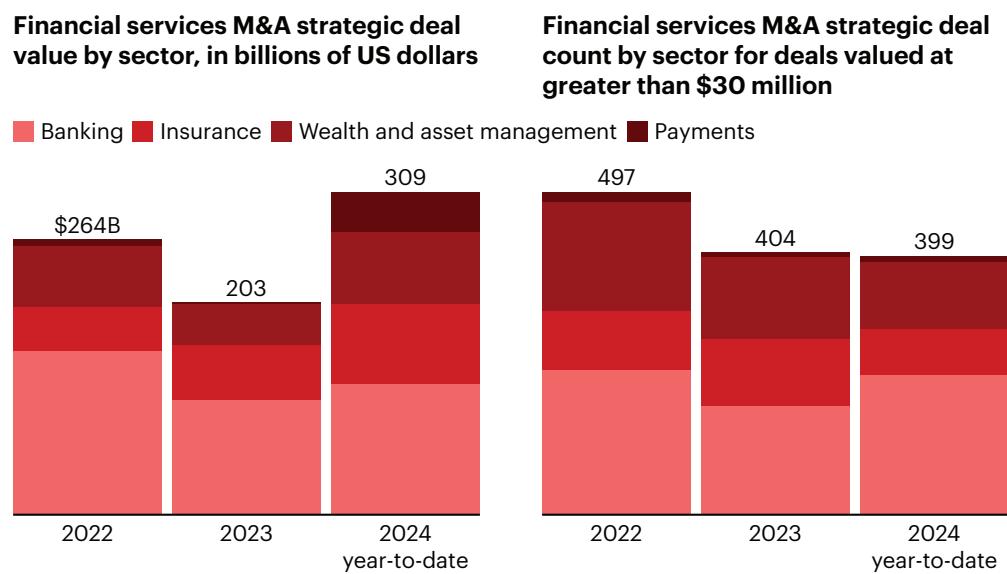
By **João Soares, Phil Anselmino, Markus Habbel, and Erin McCune**

At a Glance

- ▶ Banks will acquire for scale leadership and to share technology investments.
- ▶ Insurers will use M&A to refocus on core lines of business.
- ▶ In payments, fraud prevention and identity verification will be among the hot areas for acquisitions.
- ▶ In wealth and asset management, deals will continue to grow private market offerings.

Technology, regulation, and shifting customer demands conspired to drive executives in the financial services arena back into the M&A market during 2024. Banks needed to get bigger—fast. Insurers divested their way out of troubled positions. Payments companies acquired for an edge in technology-driven scope deals. Wealth and asset managers sought deals that moved them into the territory of alternative asset managers, which were pursuing their own deals to build scale.

While 2023 saw a slowdown in M&A activity across most sectors of the financial services industry, 2024 brought a return to dealmaking and promise for the future. But the number of insurance deals slowed as companies recovered from underwriting challenges. While banking and finance accounted for the lion's

Figure 1: Financial services deal value was up in 2024

Note: 2024 year-to-date includes deals announced from January through November 2024
 Source: Dealogic as of December 13, 2024

share of the deals in 2024, it was cards and payments that represented the biggest growth, putting 11-month total deal value across financial services 72% higher than it was during the same 11-month period in 2023 (see *Figure 1*).

Let's look at the highlights for each sector.

Banking: Deals to share costs and boost profits

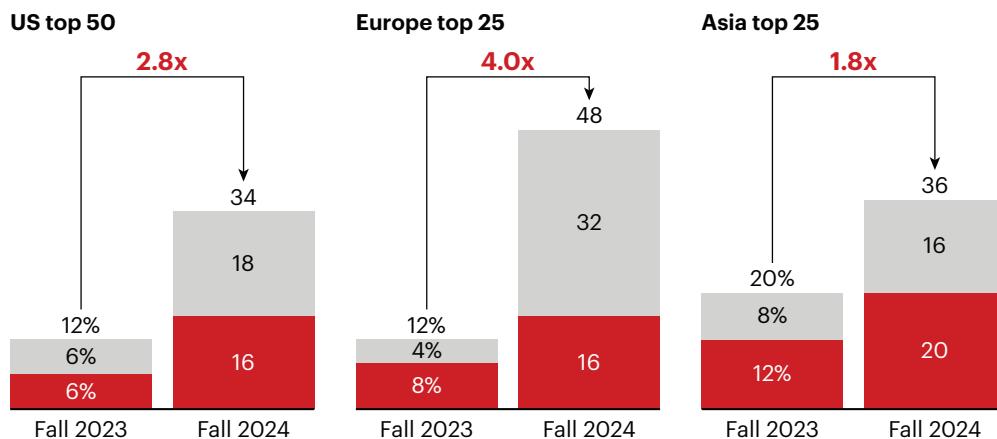
Banks are under pressure to keep costs under control as they grapple with the high cost of technology modernization as well as general inflation. In 2024, banks with an eye on profitability and a desire to defray technology investment costs turned to scale transactions to deliver meaningful cost synergies. The biggest was the announced more than \$35 billion Capital One-Discover deal in the US, a move that spanned both the banking and payments sectors and that promised at least \$2.7 billion in synergies. In Europe, scale motivated BBVA's pursuit of Sabadell (with €850 million in synergies) and UniCredit's regional leadership plays, such as boosting its stake in Commerzbank and making a binding offer for Banco BPM, to name a few. North America saw consolidation among smaller regional players, including a tie-up between SouthState and Independent Bank Group. In total, banking M&A rebounded, with 215 deals greater than \$30 million in value announced by December 2024 compared with 151 deals announced during the same period in 2023.

Figure 2: On average, global banks were more than twice as likely to be actively pursuing or open to pursuing M&A in 2024 vs. 2023

Acquisition perspectives at leading global banks

Perspectives reported

Open to acquisitions, not actively pursuing ■ Actively pursuing acquisitions



Notes: Includes only publicly traded banks and banks in which transcripts are readily available; assesses future interest in M&A and excludes integration of already closed deals

Sources: Federal Reserve; S&P 500 Financials; Bain analysis

We expect to see more scale M&A as banks aim for leadership economics and make further investments in technology. Bank executives are openly signaling interest in M&A: The number of banks open to acquiring or actively pursuing acquisitions jumped almost threefold among the top 50 US banks in 2024 vs. 2023 and fourfold among Europe's top 25 banks (see *Figure 2*).

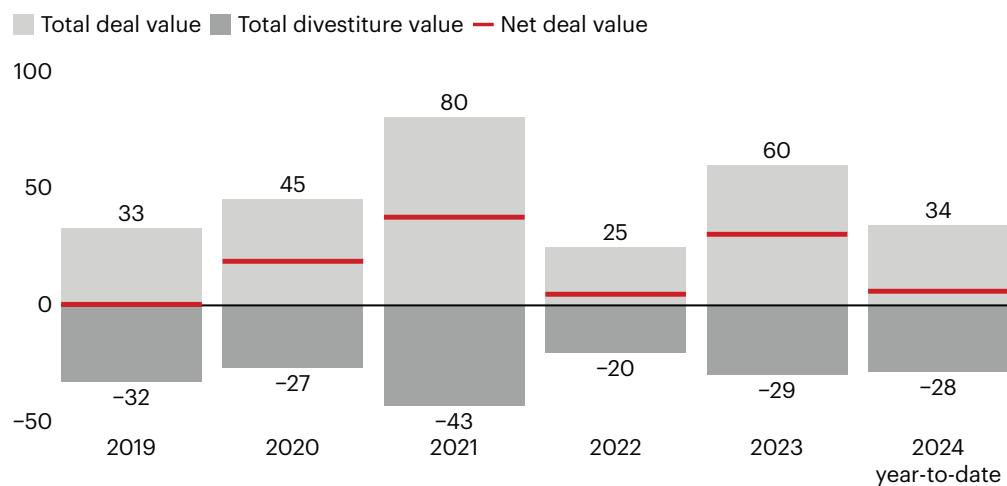
In the US, a more ambitious M&A agenda may be easier to pursue under the new federal administration, which is expected to be more open to banking sector M&A and to relax US banking regulations. The potential for a more relaxed US regulatory environment will put more urgency on European banks to strengthen their competitive positions and improve efficiency and profitability via consolidation. The message for banks: There's an urgency to act. Be proactive in identifying potential acquirees that will deliver leadership economics, and be prepared to articulate ambitious cost synergy targets to be competitive in a consolidating market.

Insurance: Deals to sharpen a business focus

Insurance dealmaking in 2024 has been characterized by divestitures and some scale consolidation plays. Deal value rose slightly, at \$77 billion by December 2024 compared with \$50 billion in December 2023, even as deal volume declined to only 72 deals during the period compared with 95 for 2023.

Figure 3: In 2024, insurers slowed on overall deal activity, using divestitures to strategically reshape their portfolios

Insurance sector total deal value and divestitures, in billions of US dollars



Note: Net deal activity is calculated by subtracting the total divestiture value from the total acquisition value
Source: Dealogic as of November 5, 2024

Portfolio reshaping, a characteristic of 2024, will continue into 2025, with carriers working their way out of troubled underwriting positions, balance sheet impairments, and ratings downgrades (see *Figure 3*). We expect continued pruning of subscale lines and geographic portfolio reshaping in multinationals. Noncore lines will be jettisoned to better owners, following the example of Allstate and its exit of the employer voluntary benefits business. Geographic footprints will be assessed for the appropriate use of capital along with growth and profit potential. Allianz's divestiture of its US MidCorp and Entertainment businesses will not be the last of the geographic portfolio reshaping for the multinationals.

As the industry puts the challenges of 2023 and early 2024 behind it, the stage will be set for more transformative growth-oriented activity, as characterized by two market-defining transactions during the last month of 2024—namely, Gallagher acquiring AssuredPartners and Aviva buying Direct Line.

And the industry saw a new wrinkle in brokerage consolidation in 2024, with the big strategics acquiring large private equity-backed platforms. Aon, Marsh, and Gallagher all picked up scale assets, and we expect more to come in 2025. Strategics provide a viable path for private equity funds looking for exits, especially for the platforms that are “too big to buy” for the fund-to-fund trade and that are not ready for an IPO exit. If a more favorable regulatory environment emerges, especially in the US, we will see a continued reshuffling of the brokerage leaderboards across markets.

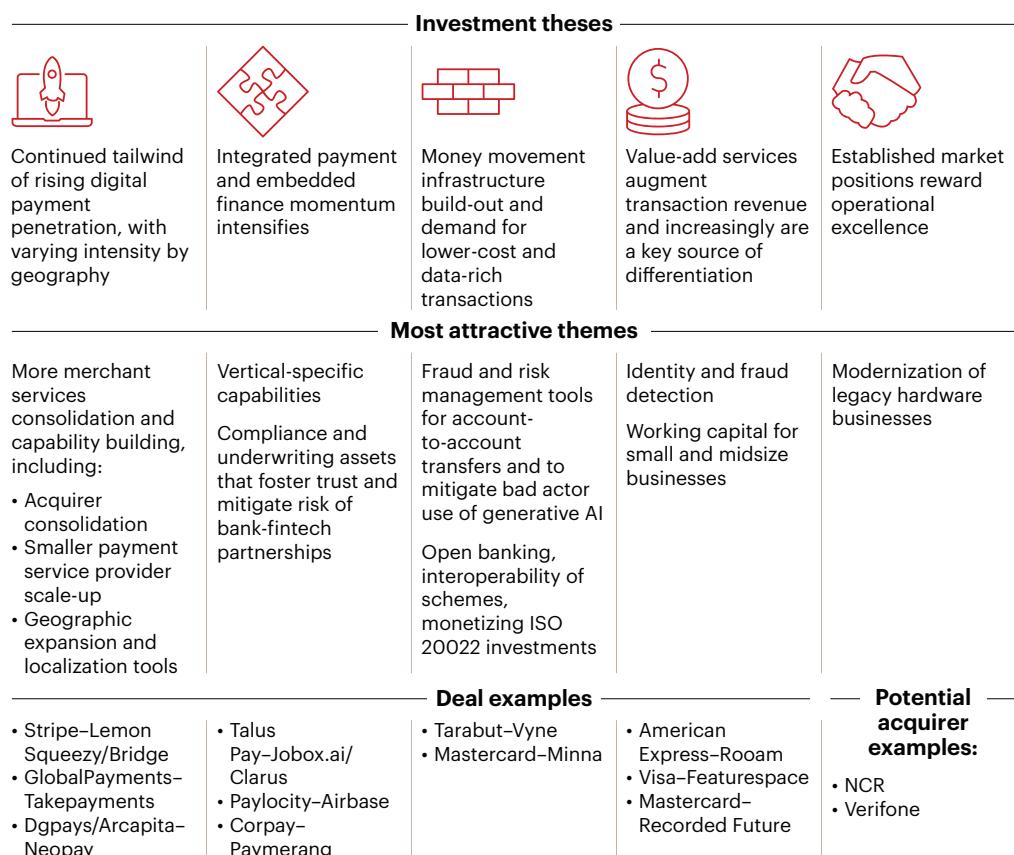
What should carriers and brokers be doing to make M&A a core part of the growth strategy? We say follow the “three P’s”:

- Be *proactive* in assessing targets and in trimming portfolios.
- Be *prepared* to move fast in diligence, as the best deals will be heavily contested.
- Be *preemptive* in pursuing opportunities, as the best deals are those not yet for sale.

Payments: Deals to ride the payments digitization wave

The year 2023 was a dry spell for M&A in the payments sector, with funding shrinking, young fintechs withering, and rising interest rates freezing strategic deals and private equity activity. That changed in 2024.

Figure 4: Payments companies are using strategic M&A to accelerate innovation and global growth



Source: Bain analysis

Now, payment incumbents across all regions are using M&A to meet a variety of ends as they ride the wave of payments digitization (see *Figure 4*). And these deal objectives will drive even more M&A in 2025.

Some will double down, as was the case with Shift4's purchase of Revel Systems in 2024. Some will expand capabilities and in other ways build out the payments infrastructure. That's what Mastercard did with its acquisition of Minna Technologies—the deal helps Mastercard improve the subscription experience for consumers. Other deals will help a company expand geographically. UK-based Banked purchased Waave to expand into Australia. Still, other deals will augment transaction revenue with value-add services, such as those that provide working capital for small and midsize businesses. For example, payments software provider Flywire bought Invoiced, a business-to-business finance firm.

There will be divestitures, too. StoneCo is selling its Linx software business, having failed to achieve synergies; Barclays Bank is in talks over selling its merchant acquiring business; and four years after purchasing Worldpay Merchant Solutions, FIS sold its majority stake. These moves highlight the need to carefully diligence assets, rigorously pressure test investment theses, and to be extremely intentional about post-acquisition integration.

Indeed, deals are changing the payments chessboard. In the US, payments M&A in 2024 was dominated by a couple of large and influential deals—most notably, the Capital One-Discover deal, which has the potential to realign competitive dynamics in the US, and the Stripe purchase of Bridge, which puts stablecoin back on the map. Meanwhile, fraud prevention and identity verification are particularly hot areas for activity, as highlighted by acquisitions by Mastercard, Visa, and Socure. Evolving fraud risks—particularly as authorized push payment scams intensify and generative AI fuels deepfakes—ensure that fraud prevention and identity verification will be a long-term investment vector.

We anticipate growing momentum into 2025 as valuation expectations align, interest rates moderate, investors impatiently seek exits, and competition to monetize value-add services intensifies. The number and value of M&A transactions is unlikely to top the 2021 peak. But the winter has indeed passed.

Wealth and asset management: Deals to grow private market offerings

The success of asset managers with a private market focus is quickly redefining the playing field in wealth and asset management—and sparking a revival in M&A and joint ventures.

As a group, alternative asset managers that invest in the capital of privately owned companies instead of publicly traded companies have watched their market cap grow by more than 4 times over the past five years compared with a 1.6 times market cap growth for the other players in the sector—namely, traditional asset managers with a public market focus or wealth management arms of universal banks (see *Figure 5*). In addition to private companies, alternative asset managers also invest in a broader range of sub-asset classes, which can vary from venture capital funds and hedge funds to real estate.

Figure 5: In recent years, private market asset managers have been driving deal activity, and their market cap has grown more than 4 times



Notes: 2024 year-to-date includes deals announced through December 13, 2024; all other asset managers category includes traditional asset managers with public market focus and asset management distributors
 Sources: Bain Strategic M&A in Alternatives database; Dealogic as of December 13, 2024; S&P Capital IQ

The big private market shift has resulted in a double-barreled boost in M&A. For one thing, public market asset managers and universal banks are aggressively acquiring or partnering to move into private markets. In December, BlackRock announced that it will buy HPS Investment Partners for \$12 billion to expand its offerings in the private credit market. The move, which is one of three such deals BlackRock made in 2024, allows the traditional asset manager to provide new private credit products to its large client base. At the same time, asset managers already in private markets are just as ambitiously doing deals to gain scale. Alternative asset manager Apollo formed a \$25 billion exclusive partnership with Citigroup to combine Citi's extensive client network and banking capabilities with Apollo's deep capital resources and expertise in private credit investments.

By December, deal value in wealth and asset management had more than doubled compared with the first 11 months of 2023. And we believe that the momentum will continue—and possibly accelerate—in 2025, especially as wealth and asset managers not currently in private markets find themselves forced to acquire or partner to survive. The most successful traditional asset managers and wealth managers will look for deals that provide them with products that generate alpha for clients while alternative asset managers will primarily aim to build scale. As the market converges and becomes even more competitive, companies that pursue neither route will find themselves a target for competitors that do.



INDUSTRIES

M&A in Healthcare and Life Sciences: Why Companies That Adapt to the New Realities Will Come Out Ahead

Participation in the M&A market has long been a strong predictor of success in this industry.

By **Jason Asper, Kai Grass, Allen Granzberg, Sarah Yanes, and Saskia Carlebur**

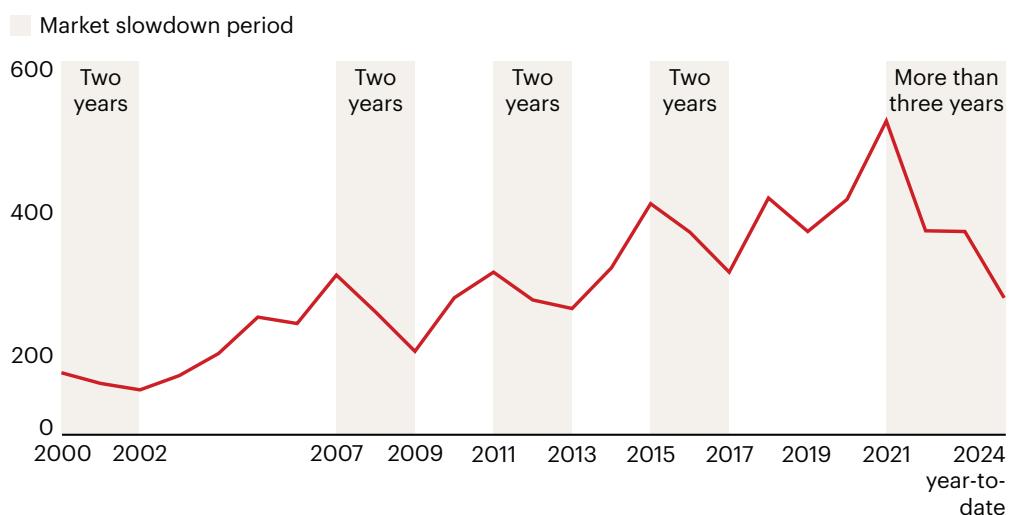
At a Glance

- ▶ Deal volume in healthcare and life sciences remained low in 2024, with value dropping by 28%.
- ▶ Historically active companies continued buying to double down on high-growth areas, and scope deals continue to be a focus for healthcare and life sciences.
- ▶ Companies making at least one deal a year achieved 12.2% growth in total shareholder returns compared with 0.3% growth for inactive acquirers.
- ▶ Pharma companies are acquiring GLP-1 players while medtech companies are evaluating its long-term implications on their business.

Once the frontrunners of M&A activity, healthcare and life sciences companies largely found themselves on the sidelines in 2024. While many other industries saw an uptick, would-be dealmakers in healthcare and life sciences were disproportionately dissuaded by the tougher regulatory environment, high interest rates, and unfavorable valuations.

Figure 1: M&A recovery is taking longer than expected in healthcare and life sciences as dealmaking typically returns during year three after downturns

Healthcare and life sciences strategic deal count



Notes: 2024 year-to-date as of November 4, 2024; includes deals in which value is greater than \$30 million
 Source: Dealogic

Deal volume remained low (below the 10-year average), and deal value for the first 10 months of 2024 dropped by 28% compared with the same period in 2023. Clearly, the big return to normal hasn't happened (see *Figure 1*).

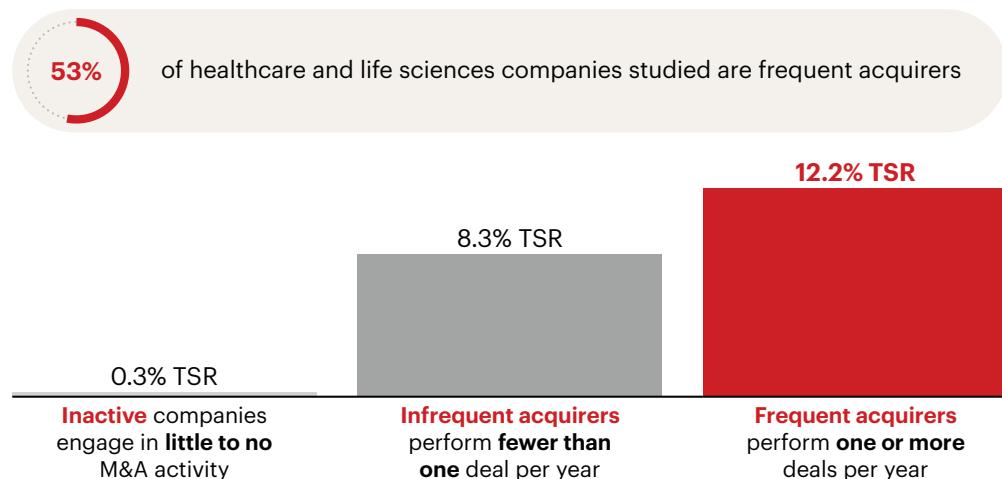
But we know that participation in the M&A market has long been a strong predictor of success in this industry, with the most frequent acquirers—namely, those that make at least one deal a year—achieving 12.2% growth in total shareholder returns (TSRs) over the years 2012–2022 compared with 0.3% growth for companies that didn't acquire (see *Figure 2*). This differential is larger than any other industry, highlighting the importance of M&A to TSRs in healthcare. So, staying on the sidelines is not a sustainable long-term strategy.

Given this reality, we saw healthcare companies that have historically been active buck the M&A slowdown trend by pushing ahead amid the market's new realities. Gilead Sciences, Merck, AbbVie, Stryker, Boston Scientific, and Johnson & Johnson all stayed in the game.

Johnson & Johnson MedTech recently invested more than \$30 billion in acquisitions to double down on cardiovascular. In 2024, it acquired Shockwave Medical and V-Wave on top of its earlier purchases of Abiomed in 2022 and Luminar in 2023. Gilead bought or invested in two biotech companies to bolster its innovation muscle. And Stryker maintained a consistently bold M&A strategy, using capital for targets in a variety of sectors and publicly announcing that M&A will be “the No. 1 use of our cash going forward.”

Figure 2: In healthcare and life sciences, frequent M&A is the most common and rewarding approach

10-year total shareholder returns (TSRs), compound annual growth rate 2012–2022



Sources: Dealogic; SPS; Bain M&A Value Creation Study 2023 (n=153 companies)

As others across the healthcare and life sciences subsectors watch these leaders achieve new revenue streams and gain access to much-needed innovation and technology to speed product development, more are likely to play catch-up.

Let's look at the changes signaling a return to M&A.

AI is a disruptive technology that is no longer optional for healthcare companies

In pharmaceuticals, the rise of AI in drug discovery and diagnostics is reshaping the sector's competitive landscape. The smart companies are getting out ahead of the massive change. They view AI-enabled platforms as key assets in M&A deals. Think of BioNTech's acquisition of InstaDeep in July 2023 to strengthen its position in AI-powered drug discovery, design, and development.

Despite the need, larger pharma companies are not acquiring but rather opting to partner as the landscape evolves. That was the path taken by Bristol Myers Squibb in its collaboration with Owkin in 2022 and Tempus in 2023. Such arrangements require companies to rethink their strategies to integrate innovations and make choices regarding what capabilities they build, partner for, or acquire.

In medtech, companies continued to pursue M&A to advance the power of AI into personalized medicine, diagnostics and imaging, surgical robotics, and care delivery. Stryker's purchase of care.ai is a great example—it accelerates Stryker's delivery of AI-assisted virtual care workflows and smart room technology.

Blockbuster GLP-1 treatments bring opportunity and uncertainty

These breakthrough therapies are defining the future of chronic disease management, particularly diabetes management and weight-loss management. In late 2023, we saw incumbent pharma companies racing to acquire smaller firms in this space to expand their product portfolios. That was the case with Roche's acquisition of Carmot Therapeutics and AstraZeneca's licensing agreement with Eccogene. Additional players in GLP-1 will mean more splitting of the pie—and the potential to apply downward pressure on price.

Diabetes management is one of the largest profit pools in medtech. That's why many companies are still evaluating the long-term implications of GLP-1s on their business, whether positive or negative, and determining how future M&A strategies could impact their current portfolios. While these therapies will deliver significant growth across subsectors, there is still a lot of uncertainty over whether or not supply will keep up with demand, which indications will get regulatory approval, and what payers will reimburse.

More investment in specialty and scope deals

As healthcare companies continue to evaluate their portfolios, more than 80% of the deals have been scope—that's a higher percentage than any other industry—and we anticipate the activity will continue at the same rate. Companies will keep their M&A focus on the strategic areas in which innovation and the potential for long-term growth align.

In addition to GLP-1s, pharma's high-growth areas include immunology and oncology. In broader healthcare services, companies are doubling down on selected specialties by acquiring community oncology practices.

Medtech continues to see a steady flow of carve-outs as companies enhance their portfolios' focus and improve their financial positions. For example, Baxter International sold its kidney care unit, Vantive, which was purchased by the Carlyle Group and Atmas Health.

How can healthcare and life sciences companies best use M&A to advance their strategy?

While the overall healthcare sector remains slow to recover, we feel bullish on 2025. Historically active M&A players will step forward to acquire strategic assets and to capitalize on these key trends. The best will come out on top by building their muscles for scope deals, using generative AI to accelerate the deal process, developing their M&A strategy and diligence processes to consider evolving government regulations, and engaging their integration teams in diligence to help ensure seamless execution.

Build muscles for scope deals. The healthcare industry emphasis on scope deals requires an advanced M&A capability to validate value drivers. For example, they'll need more complex synergy models,

increased planning to meet regulatory guidelines, and new software and technology to support more sophisticated diligence. The needs are even more pronounced given the uncertainty with GLP-1s and AI. Planning for revenue synergies may be even harder, making it more challenging to forecast the deal thesis.

Use generative AI to accelerate the deal process. Just as generative AI is shaking up the industry itself, the emerging technology can give acquirers an edge in dealmaking (see “Generative AI in M&A: You’re Not Behind—Yet”). Generative AI enables healthcare and life sciences companies to get smarter more quickly on global trends, disruptive technologies, funding, and innovation. The frontrunners already are using it for faster, more complete screening and to identify assets at earlier stages.

Develop M&A strategy and diligence processes to consider evolving government regulations. In many areas of healthcare and life sciences, tougher regulations on pricing and changing government policies are a fact of life. This past year, serial acquirers have adjusted to this new reality by building a longer close period into their deal assessment and increasing attention to antitrust considerations early on. The new federal government administration in the US may consider alternative solutions and remedies, but it is too early to tell how that will impact dealmaking, particularly for megamergers. Moreover, it is unclear what impact potential tariffs will have on M&A, particularly for cross-border deals. To be successful, healthcare and life sciences companies must be ready to adapt their strategies, diligence processes, and deal models as new policies and regulations emerge.

Engage your integration teams in diligence to help ensure seamless execution. Given the continued high valuation for quality assets, the best acquirers are more bullish on cost and revenue synergies. The larger the deal, the more thoughtful they are about how to realize these synergies to make the deal economics work. While the diligence of innovative assets has historically been about the science (in many cases, leaving the asset largely untouched after acquisition), the higher valuations require acquirers to plan for more aggressive operational synergies while retaining the talent and innovative capabilities that are so important in these deals.

In this rapidly evolving industry, healthcare and life sciences companies that resist entering the M&A game risk falling behind competitors that take a disciplined, bold, and long-term approach to living with the new realities.



INDUSTRIES

M&A in Machinery and Equipment: Learning from the Best

How three industrial conglomerates used M&A for long-term growth.

By **Les Baird, Neil Malik, Maja Omanovic, and Michael Schertler**

At a Glance

- ▶ The machinery and equipment industry remains fragmented and ripe for M&A.
- ▶ Despite the need to sharpen portfolios, acquire for leadership, and prepare for activist investors, relatively few companies bought or sold.
- ▶ Diversified machinery and equipment companies need to realign their portfolios or prepare for activism.
- ▶ Three consistently active companies serve as a model for how M&A can help focus companies.

Machinery and equipment executives struggle to manage portfolios that are diverse, underperforming, and that burden them with inefficient resource allocation and stunted growth. They also need to prepare for activist investors. In late 2024, Elliott Management was pressuring Honeywell to break itself up—just the latest example following activist pressure in recent years on United Technologies and others, although not all incursions result in breakups.

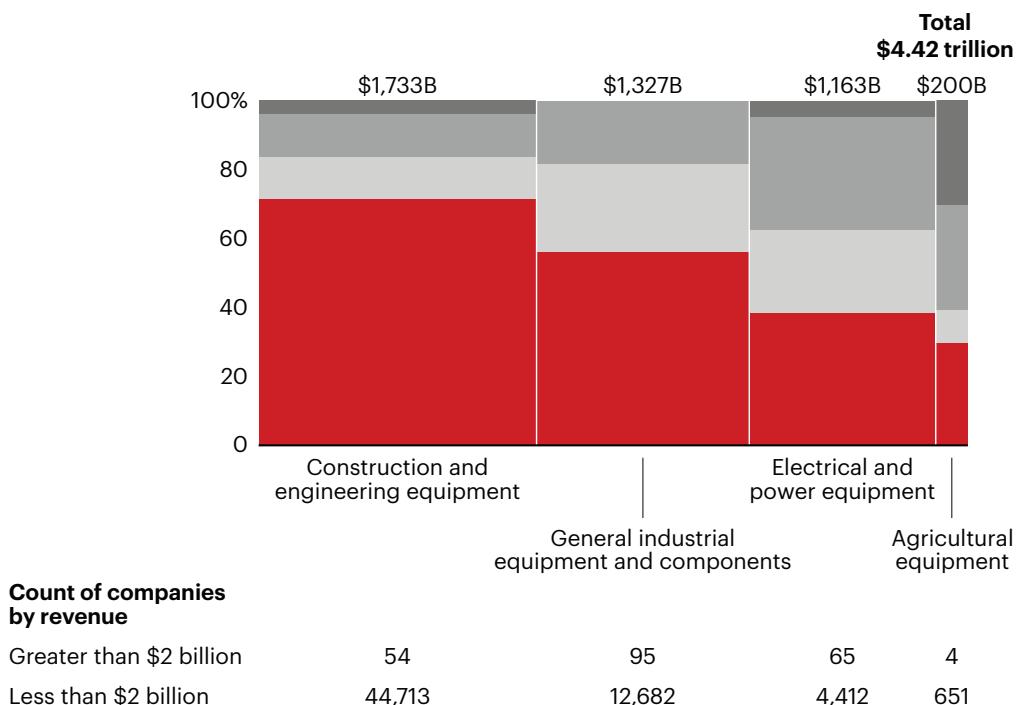
It's surprising, then, that relatively few have turned to M&A to address these concerns. Inactive company leaders cite unattractive valuations, the higher cost of capital, and other common reasons for shying away from deals. But there are even more compelling reasons to move. There's abundant opportunity to create

Figure 1: The fragmented machinery and equipment industry is well-positioned for consolidation

Percentage of 2024 global machinery and equipment revenue by company size, in billions of US dollars

Company size (annual revenue)

■ Less than \$2 billion ■ \$2 billion-\$5 billion ■ \$10 billion-\$50 billion ■ Greater than \$50 billion



Sources: S&P Capital IQ; Bain analysis

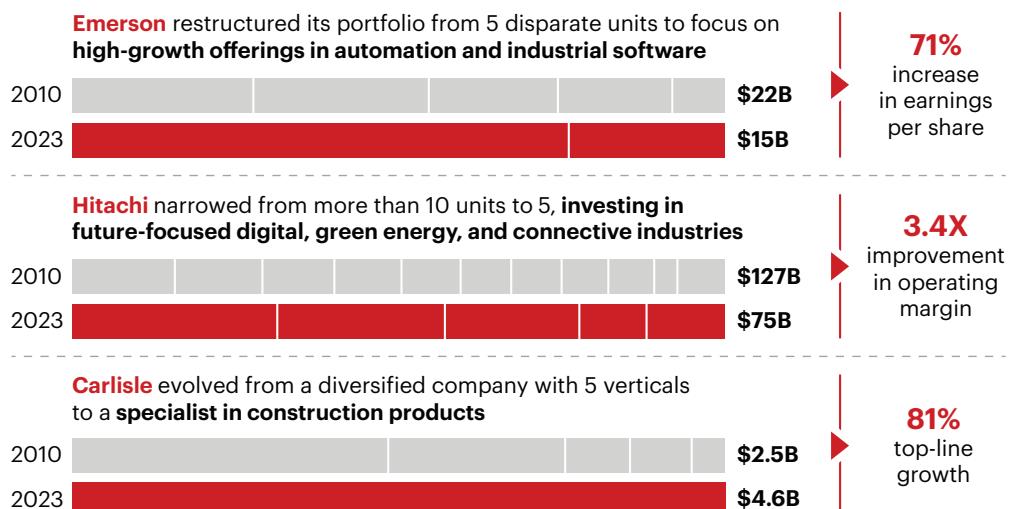
value through synergies in machinery and equipment. In fact, few industries are as in need of consolidation, with more than half of its global revenue coming from small and midsize companies (see *Figure 1*). And for building and equipment companies looking to reshape portfolios by divesting assets, private equity has stepped up to buy.

We studied three companies that serve as models for how deals can propel the industry forward. They didn't wait for unfavorable (and unpredictable) conditions to improve. They acknowledged that successful M&A requires that acquisitions are not just about immediate financial gains but that they are also closely aligned with the company's broader strategic goals (see *Figure 2*).

Emerson transformed itself from a collection of machinery companies to a strong competitor in high-growth sectors. Its portfolio included a number of relatively unrelated assets—each with a good competitive position but low growth, relatively underinvested in, and better ownership candidates. The company demonstrated the power of rigorous portfolio reassessment, focusing on core areas while divesting nonstrategic assets.

Figure 2: Over the past decade, major machinery and equipment players have used M&A to streamline their portfolios, focusing on core offerings to drive innovation

Revenue by segment, in billions of US dollars



Source: Bain analysis

Hitachi used M&A to redefine its global position by shedding noncompetitive sectors and investing in high-growth, future-proof areas. For example, its acquisition of GlobalLogic enabled the company to infuse technology into its business.

Carlisle used M&A to move beyond its too-diverse portfolio and retool for sustainable construction and other long-term transformative themes. It acted decisively to refocus its business, illustrating the importance of seizing the moment to build strategic clarity.

We'll look at how these three industry leaders used M&A to strengthen their portfolios, enhance growth, and achieve sustainable leadership.

Aiming for the future

After nearly a decade with minimal M&A activity, Emerson's portfolio lacked alignment and strategic coherence. The company embarked on a comprehensive portfolio assessment to categorize businesses as core or noncore and determine the portfolio's cohesiveness. It evaluated future market trends and identified the opportunity for key adjacencies in industrial software, test and measurement, factory automation, and smart grid solutions. Then, it developed five potential future-state portfolio scenarios, which it assessed through a robust qualitative and quantitative scorecard.

Over the course of 2022, Emerson divested Therm-O-Disc, InSinkErator, and Climate Technologies. It then formed a \$15 billion joint venture with AspenTech, a move that positioned Emerson in the industrial software market. (The company has since announced its intention to buy AspenTech.) Likewise, it entered the test and measurement market by acquiring National Instruments for \$8.2 billion. Over a three-year period ending in 2024, Emerson executed or announced nearly \$60 billion in deals, transforming into an industrial automation pure play, with a clear end-state vision supported by rigorous action plans that are flexible enough that Emerson can keep its options open. Among its next moves: Finishing the portfolio cleanup by selling its tools business. The company saw its earnings per share leap by 71% between 2010 and 2023, and its stock price rose from around \$75 a share in 2021 to \$130 in late 2024.

Getting small to get powerful

For decades, Hitachi lived by the philosophy of “we do everything that Japan needs.” The company’s highly diversified portfolio included everything from consumer electronics to construction machinery to IT services. The wide range of sectors limited Hitachi’s global competitiveness.

Then, the venerable company embarked on a strategic transformation, simplifying its business portfolio to focus on those areas in which it could become globally competitive and strengthening its position through acquisitions. Hitachi systematically divested most of its nonstrategic businesses, such as construction machinery and automotive segments with internal combustion engine exposure. It then invested in high-growth areas, such as digital engineering (with GlobalLogic) and energy transition (with ABB Power Grids). Ultimately, the company went from managing more than 40 businesses to approximately 20. As it streamlined, focused, and consolidated, it also adapted its organization for the future state, bringing in more international talent and taking other steps to establish itself as a more global company.

The strategy has paid off dramatically. Hitachi’s stock price has increased nearly fivefold over the past six years. Under Hitachi’s ownership, GlobalLogic has seen revenue grow substantially, rising by 21% in the year ended March 2024 over the previous year. Similarly, under Hitachi Energy, ABB Power Grids achieved 32% revenue growth during the same period.

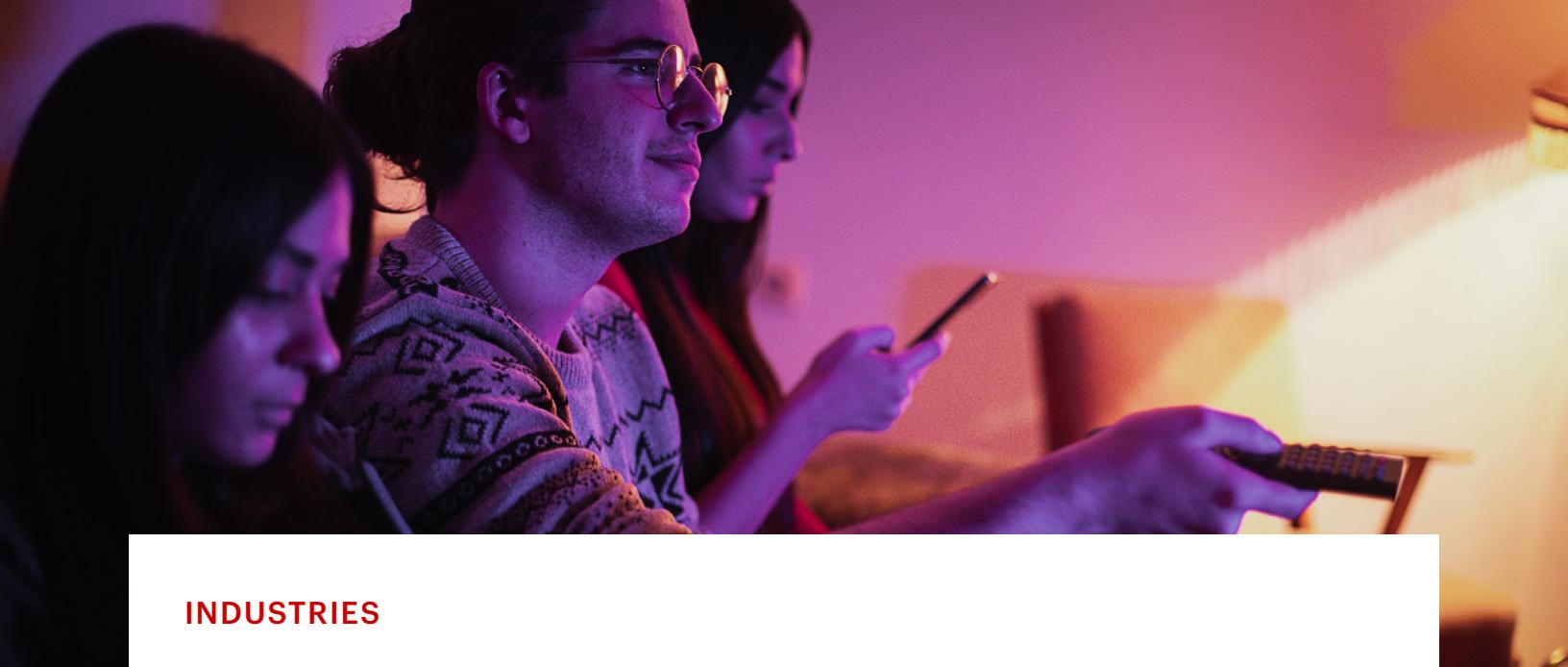
Finding a focus

Initially a holding company, Carlisle lacked a clear strategic focus across its diversified sectors. It operated wholly independent business units in very different markets, spanning business products, interconnected technologies for aerospace and automotives, and fluid/spray technologies. In 2017, the new CEO sparked a movement to establish a clear strategic focus on building products, extending that portfolio beyond its commercial roofing platform. The company engaged in disciplined M&A to realign its portfolio with the core industrial focus areas. It divested noncore operations and invested in areas aligned with long-term strategic growth.

For example, over a three-year period, it divested a series of businesses in brakes and friction, fluid technologies, and interconnected technologies. In parallel, it embarked on a series of scope deals to build out its building products footprint. In 2024 alone, Carlisle bought MTL to expand its architectural metals business and Plasti-Fab (in a scale deal) to extend its expanded polystyrene insulation business.

Ultimately, Carlisle successfully repositioned itself as a focused industrial leader with enhanced operational efficiencies and strategic clarity. The new focus has paid off. Carlisle achieved 81% revenue growth from 2010 to 2023.

What do these three companies have in common? They didn't wait for conditions to improve before selling no-growth or noncore assets and taking advantage of market fragmentation. They also shared an invaluable guiding principle: They used a long-term strategic vision to dictate their M&A moves.



INDUSTRIES

M&A in Media and Entertainment: Own the Consumer, Own the IP, or Own Nothing

How to compete in a world of tech mega-platforms? More cross-sector M&A and deals for IP.

By **Nicole Magoon, Matt Keith, and Alex Egan**

At a Glance

- ▶ To compete with tech mega-platforms, traditional media companies are increasingly expanding through cross-sector scope deals.
- ▶ In 2024, more than half of media and entertainment M&A involved either a target or acquirer outside of the industry.
- ▶ Media companies also are building IP to leverage across modalities.
- ▶ As tech giants grow, convergence will continue to grow along with them.

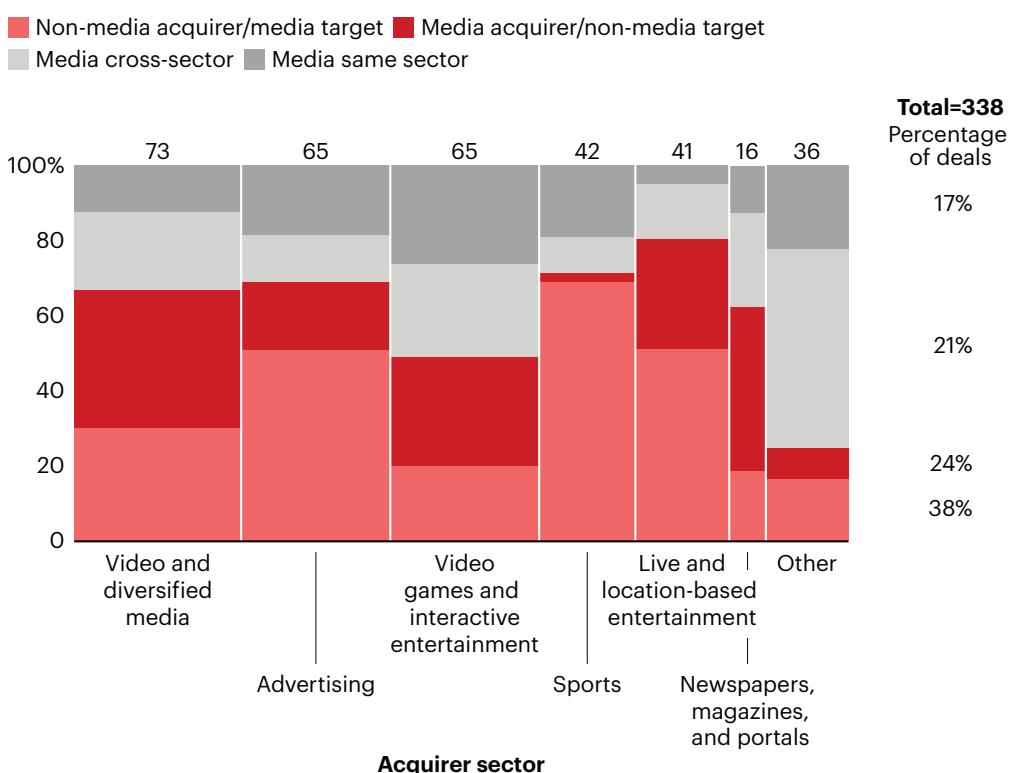
The creative industries have long stretched their tentacles into new places with the support of technology—for instance, art incorporated photography, music got recorded, and actors moved from stage to screen. Over the past 15 years, however, tech has stretched its own tentacles into media—for instance, Netflix's massive digital distributor grew a studio to supplement its library, and Amazon's retail hub grew video content as a sweetener.

Big tech's push into media and gaming has led traditional media companies to react in distinctly different stages. First, they turned to M&A to consolidate and build scale within their core business. It was a way for media companies to compete with their tech brethren. Now, they are adding another approach—they're using scope deals to expand across sectors. It's to the point at which more than half of all media industry M&A involves either a target or acquirer outside of the industry (see *Figures 1 and 2*).

These companies are essentially themselves converging to compete with the tech media platforms; they're also acquiring to gain more evergreen IP that can be used across modalities. By owning these cross-sector assets and IP, they create fan communities and multimodal content—and they generate revenue not just from subscriptions, streaming ads, or theater tickets but also through other means, such as merchandise and special events.

Figure 1: Media deals are predominantly cross-industry, with more than half of M&A involving either a target or acquirer outside of the industry

Percentage share of 2024 media and entertainment deal count by relationship of target to acquirer



Notes: Strategic M&A includes corporate M&A deals (which includes private equity exits) and add-ons announced during the first three quarters of 2024; video and diversified media category includes media and publishing, movies and film, pay TV and streaming, and TV production and broadcast; other category includes books, entertainment, music, radio, social media, theme parks, and yellow pages and directories

Sources: Dealogic as of October 1, 2024; Bain analysis

Figure 2a: Gaming companies have increasingly participated in acquisitions outside of the gaming sector ...

Percentage share of video game and interactive entertainment deal count by relationship of target to acquirer

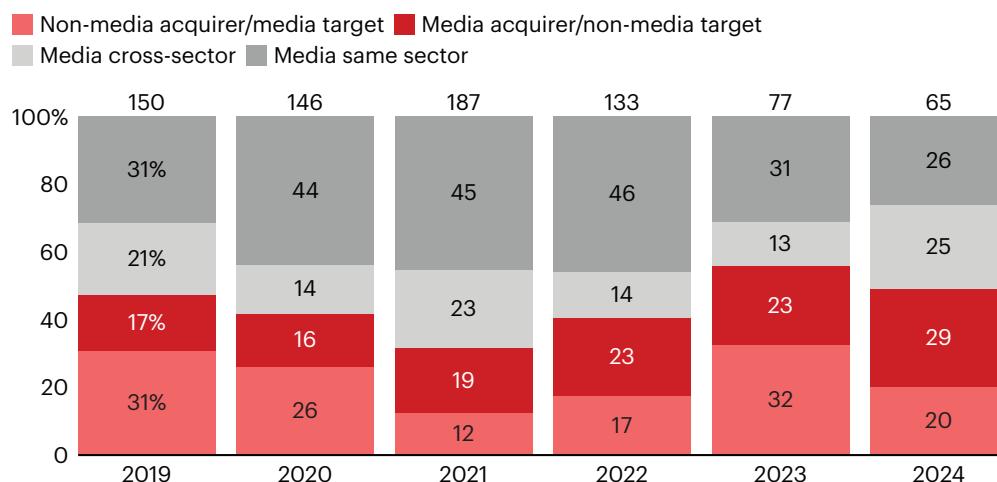
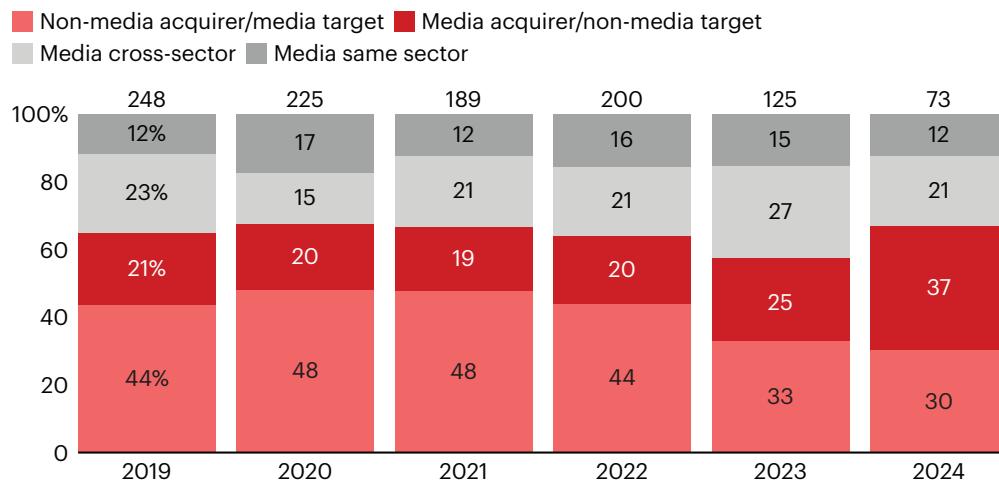


Figure 2b: ... while video and diversified media companies are increasingly acquiring external targets to expand their offerings

Percentage share of video and diversified media deal count by relationship of target to acquirer



Notes: Strategic M&A includes corporate M&A deals (which includes private equity exits) and add-ons announced during the first three quarters of 2024; video and diversified media category includes media and publishing, movies and film, pay TV and streaming, and TV production and broadcast

Sources: Dealogic as of October 1, 2024; Bain analysis

Disney, a media company with a rich history of expanding through both scale and scope deals, has also shifted more energy from scale to scope in recent years. While not a linear path, Disney moved from a majority of scale deals, such as Pixar in 2006 and 21st Century Fox in 2019, to an increasing emphasis on scope deals. In 2024, the iconic company added deals outside its core to its M&A strategy by investing in Epic Games, maker of the successful immersive game *Fortnite*.

Over the decades, content has remained king. Consumers might be fragmenting across platforms, but quality IP that can thrive in the proliferation of places to find it remains the constant in this world of converging platforms.

Another recent cross-sector deal involved Sony Pictures Entertainment's purchase of Alamo Drafthouse, a theater chain known for serving dinner and drinks during films. Alamo will be managed under a new division called Sony Pictures Experiences, expanding Sony's presence into new parts of the media value chain.

And now let's talk about content. Over the decades, content has remained king. Consumers might be fragmenting across platforms, but quality IP that can thrive in the proliferation of places to find it remains the constant in this world of converging platforms. That's why companies are doing deals for evergreen IP that can be leveraged across new modalities.

Examples of IP-based acquisitions abound across sectors. Sony Music bought half of Michael Jackson's publishing and recorded music catalog, banking on the enduring nature of his music in a digital future. Avatar-concert producer Pophouse Entertainment bought Kiss's catalog as well as band members' likenesses, banking not only on positive growth trends around their catalog of music and cross-platform viability but also a future of virtual live entertainment. Private equity funds have invested in smaller production studios with a track record of quality IP. For example, Redbird bought All3Media, seeking an enduring advantage in the video space.

What does this mean for media and entertainment companies shaping their M&A strategy? First, as our tech giant friends grow, convergence will continue to grow along with them. For example, as advertisers seek new revenue streams in a more fragmented consumption market, more media and entertainment companies will consider cross-sector deals to gain access to retail media subsectors. At the same time, the value of IP that can bring users to a platform will continue to hold and grow. That means more deals for IP, too.

Acquirers in cross-sector media M&A quickly learn that such deals require a different type of diligence. For one thing, an acquirer is likely to be less familiar with the target's industry. Also, the revenue synergies inherent in scope deals are harder to realize and underwrite than cost synergies. To overcome both challenges, the most successful media acquirers will conduct more detailed diligence than usual, making use of data clean rooms and talking to the target's customers to gain more confidence in the revenue benefits that they can derive from cross-selling, reducing churn, and increasing fan engagement on the platform.

The best acquirers will recognize that there is a higher risk of cultural differences, including differences in ways of working.

Another big factor in effectively evaluating and delivering value from cross-sector media deals involves culture. The best acquirers will recognize that there is a higher risk of cultural differences, including differences in ways of working. They will find the balance of harmonizing these nonnegotiable cultural differences while also ensuring that they preserve the unique and valuable cultural assets from different companies.

Finally, successfully delivering on a convergence strategy means acknowledging the need for more cross-functional work in the combined company. That's why the best media acquirers create an operating model that incorporates the right forums or mechanisms to encourage and ensure cross-functional work.



INDUSTRIES

M&A in Retail: A Rebound—and No Sign of Letting Up

Most retail M&A practitioners don't expect regulations to change the number or size of their deals in 2025.

By **Michael Parshley, Yael Mohan, Vincent Vandierendonck, and Stephanie Koszyk**

At a Glance

- ▶ After a two-year lull, announced retail M&A deal values and valuations rebounded.
- ▶ Retailers are adapting their M&A strategy and investing more in diligence (commercial, operational, antitrust) in response to regulatory scrutiny.
- ▶ Scale remains paramount, and we expect companies will continue to pursue megadeals—potentially cross-border and cross-sector.
- ▶ Retailers will use midsize tuck-ins and scope deals to leapfrog capabilities and expand beyond trade.

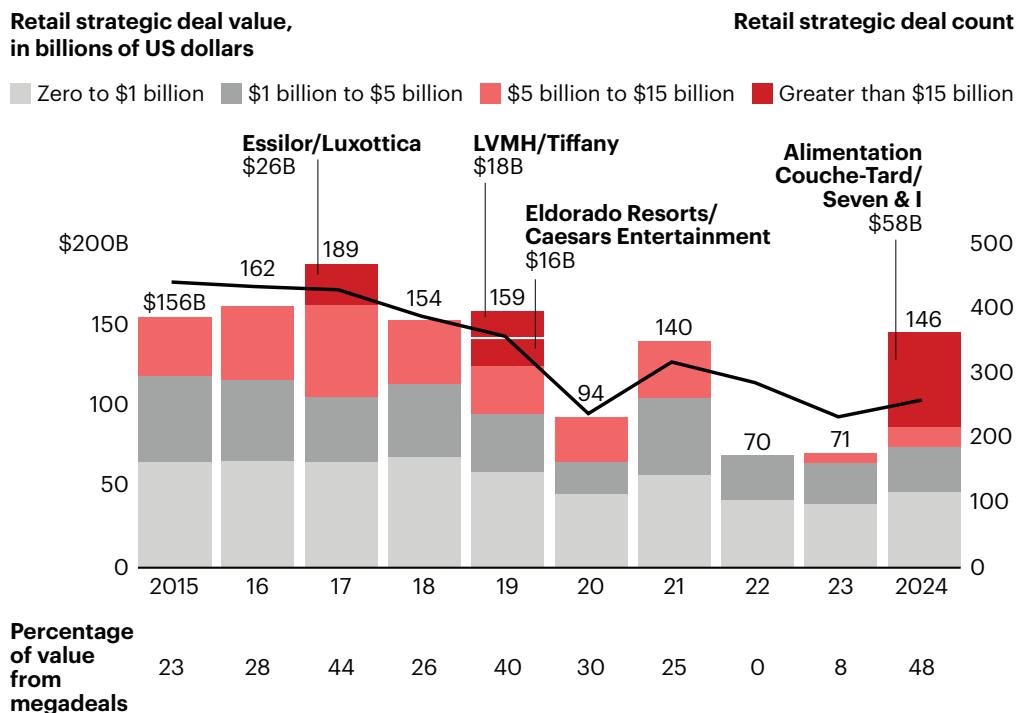
In 2024, despite enhanced regulatory oversight, the retail industry saw a rebound in M&A activity, with headlines dominated by megadeals. It's no surprise that retailers are intent on going after these deals; scale is paramount in retail, and M&A is a highly efficient way to achieve it. We expect retailers will continue to pursue big scale bets.

Deal value doubled in 2024 while median valuations increased from 9 times to 10 times. But keep in mind that almost 85% of the value increase was represented by one megadeal announcement: the \$47 billion (\$58 billion including debt) Alimentation Couche-Tard (ACT) bid for Seven & I (see *Figure 1*). In retail, megadeals worth more than \$5 billion have accounted for more than 25% of deal value in four of the past six years.

Although the Seven & I deal grabbed headlines, it is only the latest in a series that ACT has pursued to grow its convenience store business. In August 2024, the company announced its acquisition of GetGo, both an investment in expanding its US presence and a capability play to leverage GetGo's expertise in food service and customer engagement.

In an industry in which scale is so critical, we anticipate more of these midsize scale deals that also have capability-building benefits. In 2024, that was the double incentive for Saks-Neiman and Uber Eats-Foodpanda, to name a few.

Figure 1: In retail, megadeals worth more than \$5 billion have accounted for more than 25% of deal value in four of the past six years



Notes: Deals greater than \$15 billion are labeled; excludes Kroger-Albertsons deal, which was announced in 2022 and terminated in 2024; strategic M&A includes corporate M&A deals (which includes private equity exits) and add-ons; deal count includes deals valued at greater than \$30 million

Source: Dealogic as of January 7, 2025

The tough regulatory environment extends reviews, leading to prolonged sign-to-close periods and increasing uncertainty around outcomes. Consider how Tapestry ultimately pulled its \$8.5 billion offer for Capri after court battles or the more than two-year struggle over the Kroger-Albertsons deal that ended with both sides terminating the merger agreement following the December court rulings.

Still, retail practitioners show no sign of letting up on dealmaking. Among the retail M&A practitioners that we surveyed recently, a large majority (75%) will not be deterred—they expect to continue both the same number and size of deals in 2025. With the changing US federal government administration and the uncertainty about the regulatory environment it will bring, more retailers are planning for that uncertainty instead of holding back on deals.

So, what is changing? We see three major best practices emerging in retail M&A:

- Dealmakers are adapting their processes to account for increased regulatory scrutiny.
- Early adopters are deploying AI and new tech tools to build meaningful efficiencies into their M&A processes.
- Acquirers are expanding the aperture on targets, and deal types are evolving.

Let's look at them one by one.

Adapting processes

First and most important, dealmakers are adapting their M&A processes in anticipation of prolonged regulatory reviews. Leading acquirers are investing in antitrust due diligence (alongside corporate due diligence) much earlier in the process as they evaluate targets. It's a move that helps them predict the likelihood of regulatory approval and anticipate and address potential concerns, such as mandated asset divestitures.

Leading acquirers are investing in antitrust due diligence (alongside corporate due diligence) much earlier in the process as they evaluate targets.

Acquirers are also better preparing for the unknowns, adjusting approaches in anticipation of extended sign-to-close periods. They are thoughtfully pacing and ring-fencing planning efforts to protect the base

business and avoid disruption. Retailers pursuing megadeals are proactive from the outset—controlling the narrative, articulating a compelling strategic rationale and case for consumers, employees, and ecosystem partners alike.

Deploying technology

At the same time, early adopters are relying on generative AI for sourcing, screening, and sharpening their overall diligence. More and more, companies use proprietary screening platforms such as HelixSM for private or public companies, taking advantage of resources such as Quid, which identifies targets not found by traditional methods, and using tools such as DealEdge[®] to analyze deal-level returns and operating metrics.

Expanding the aperture

Also, we continue to see an evolution in deal types. Savvy retailers are turning to M&A to future-proof and expand beyond their core. Bain forecasts that 35% of retailers' revenue and more than 50% of total industry profits will be generated from beyond-trade businesses by 2030. Scope M&A is a highly effective way for retailers to accelerate their move into new profit pools (see the Bain Brief "The Future of Retail: The Age of Convergence"). That was the impetus behind Walmart's purchase of television technology company Vizio, a deal that Walmart expects will accelerate the retailer's media business in the US.

In addition to megadeals, acquirers will pursue midsize tuck-ins. They'll consider cross-border deals that expand geographic reach and cross-sector deals that deliver new sources of revenue.

Finally, retailers are increasingly turning to M&A to build their AI capabilities—often in the form of partnerships and significant investments. Such deals can be an attractive, more economical, and lower-risk way to access and experiment with new technologies. Consider Amazon's \$4 billion investment in Anthropic or UK online retailer ASOS's three-year partnership with Microsoft to support operational excellence through AI or Yum! Brands' 2021 acquisition of Dragontail, an AI-driven restaurant management system used for kitchen flow and driver dispatch processes.

As the industry evolves, companies will need to keep up by sharpening a diverse set of M&A capabilities grounded in portfolio strategy.

That means continuing to use M&A to achieve scale, but it also means getting creative on approaches to dealmaking as well as expanding the boundaries. In addition to megadeals, acquirers will pursue midsize tuck-ins. They'll consider cross-border deals that expand geographic reach and cross-sector deals that deliver new sources of revenue. And they'll thoughtfully adapt processes for these new deals.

That means acknowledging that retailers not using AI tools as part of M&A processes—for everything from screening to validating value to surfacing risks—are behind their competitors.

And finally, that means getting outside of the comfort zone and using M&A as an opportunity to efficiently access new capabilities and expand beyond trade. Scope deals will help the most successful retail companies to enter and accelerate new beyond-trade businesses and to add the new capabilities that will boost core growth.



INDUSTRIES

M&A in Technology: Revenue and Cost Synergies in Tandem

Success requires a mindset shift to improve productivity.

By Adam Haller, Elizabeth Trenkle, Erin Gillman, and Madhurima Bhattacharya

The technology industry's appetite for growth-oriented scope deals has been clear (see *Figure 1*). But higher interest rates and changes in how tech companies are valued have now dramatically altered the rules of the game for tech scope deals, and companies need to change their approach to synergies. Debt covenants and a focus on margins and growth (vs. just growth) mean that tech acquirers must pursue meaningful cost synergies even in the scope deals that have a heavy revenue synergy thesis.

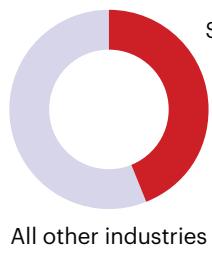
There are challenges to capturing revenue synergies, such as integrating products and generating cross-selling synergies (see "Tech M&A: The New Rules for Scope Deals"). But it's even more daunting while also reducing costs. Success requires a mindset shift to focus on improving productivity. Here are tactical moves in four key areas.

- **Sales.** Companies need to maximize sales rep productivity throughout the integration. This starts by equipping reps on Day 1 for cross-selling synergies, and it requires supporting the salesforce with sales plays, better leads, and AI tools to help them sell more with less effort. Generative AI has transformed what is possible in go-to-market initiatives, but few companies have realized its full potential.
- **Product.** Companies are rightly hesitant to reduce engineering spending, but they can quickly develop an integrated product roadmap across both companies and aggressively reduce overlapping product costs. Another move is investing in coding copilots for further efficiencies.

Figure 1: The majority of technology deals are scope deals, and practitioners expect both revenue and cost synergies for these deals

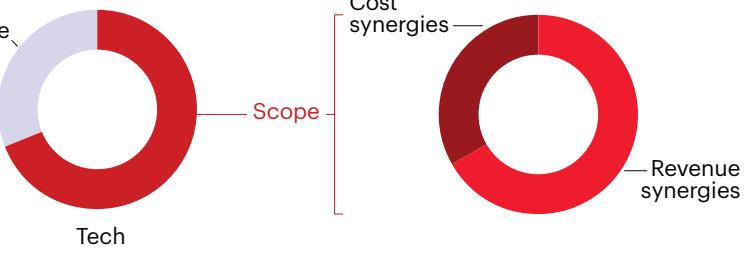
The majority of technology deals are scope deals

Scope deals as a percentage of deals greater than \$1 billion, 2019–Q3 2024



M&A practitioners expect scope deals to pay off

Planned synergies for tech scope deals by source



Notes: Scale deals are intended to strengthen market leadership and lower cost position through benefits of scale, such as cost synergies; scope deals are intended to accelerate top-line growth by entering or expanding into faster-growing market segments, or by bringing in new capabilities; analysis includes strategic deals with value greater than \$1 billion, excludes real estate and services

Source: Bain M&A Scale-Scope database

- **Post-sales.** Integrations are an opportunity to rethink support and customer success to improve outcomes at a lower cost through integrated account coverage and automated support.
- **General and administrative (G&A) expenses.** There are always economies of scale in G&A, but integration provides an unlocking moment to use AI and process automation to completely rethink these costs and go after massive (25% or more) savings.



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Telecom M&A: Here Are the Latest Deal Trends Worldwide

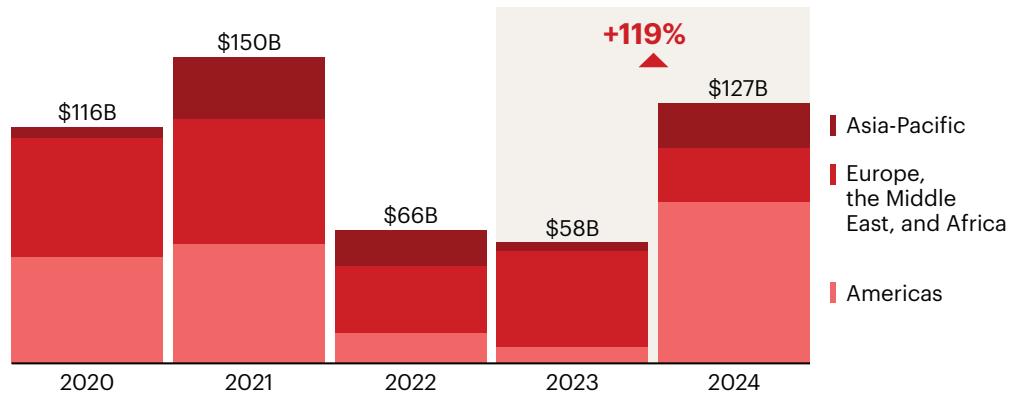
Telecommunications M&A deal value rebounded in 2024, following a couple of down years, as some telcos increased scale and others divested assets.

By Thomas Fidler, Herbert Blum, and Alex Bhak

Facing unprecedented industry transformation and emerging competitive threats, many telecommunications companies are turning to mergers and acquisitions to add new capabilities and evolve their businesses for the next era. At the same time, in the biggest industry reset since deregulation, the integrated telco is giving way to more disaggregated, narrowly focused business models.

Here are some of the key takeaways from telecom M&A activity in 2024..

- **Deal value up:** Global telecom M&A showed signs of recovery after a downturn throughout 2022 and 2023. Deal value more than doubled year over year, to about \$127 billion in 2024, surpassing \$100 billion for the first time since 2021. The Americas accounted for 62% of last year's global total (see *Figure 1*).
- **Trends to watch:** Mobile and fixed network companies continue to pursue scale deals to expand their networks and geographic presence. For example, see the deals between Canada's BCE and US-based Ziptly Fiber as well as Vocus and TPG in Australia. Meanwhile, financial investors and infrastructure companies are acquiring tower assets and data centers, which suggests confidence in digital infrastructure's business fundamentals despite recent headwinds. For example, in November, real estate fund Aermont Capital bought Spain-based data center operator Nabiax from Asterion Industrial Partners and Telefónica. Across the Atlantic Ocean, SBA Communications struck a \$975 million deal with Millicom for 7,000 tower assets throughout Central America.

Figure 1: Telecom M&A deal value surged in 2024, led by the Americas**Top 2024 deals**US: Verizon-Frontier
(\$20.3B)US: Windstream-Uniti
(\$13.4B)US: Charter Communications-
Liberty Broadband (\$16.6B)**Global telecom M&A deal value by region**

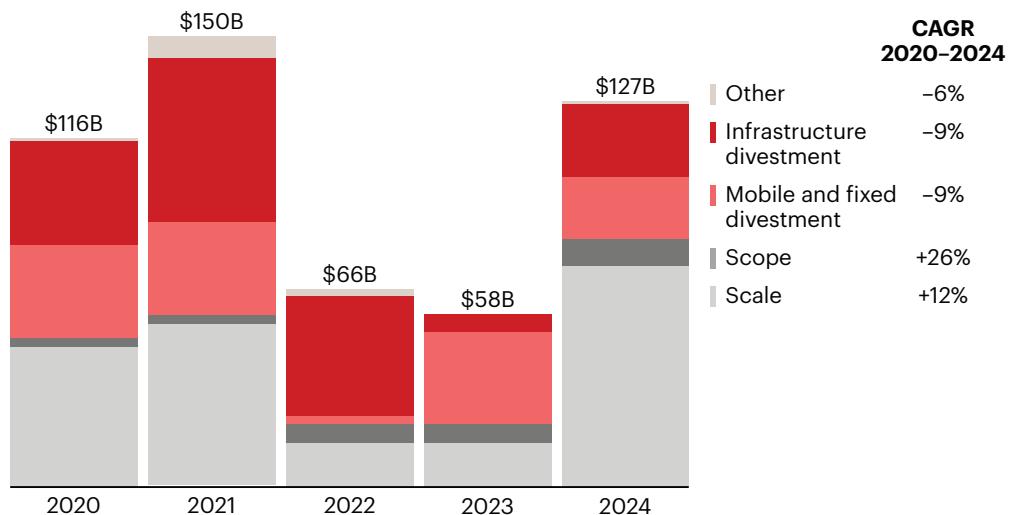
Notes: Deal value based on announcement year, excludes financial transactions, includes debt if applicable; values are rounded; includes only deals where deal value is disclosed and acquirers have majority final stake; bars reflect Dealogic's data, which in the case of joint ventures and mergers only considers the minimum theoretical amount required to achieve the transfer of assets or businesses; Windstream-Uniti deal is a merger, and the stated value is the enterprise value of combined entity

Sources: Dealogic; RBC Capital; AnalysysMason; company publications; news articles; Bain analysis

- **Biggest deal:** Verizon's \$20.3 billion acquisition of Frontier was the year's largest announced transaction.
- **Scale deal momentum:** Scale deals accounted for 58% of global deal value in 2024 (see *Figure 2*). That's a notable shift from the previous two years, although more than half of last year's scale deal value came from just two transactions (Verizon-Frontier and Charter's \$16.6 billion purchase of Liberty Broadband). Infrastructure divestments accounted for 19% of deal value last year, while mobile and fixed divestments made up about 16%. Infrastructure divestments accounted for a much larger portion of telecom M&A activity from 2019 through 2022, but high interest rates and other macroeconomic challenges reversed that trend.
- **Long-term view:** Scale deals account for about 39% of all deal value over the past five years, the largest share among deal types (see *Figure 3*). Infrastructure divestments have the second-largest share at 31% during that period.

Figure 2: Scale deals represented 58% of deal value last year, driven by two large deals

Global telecom M&A deal value by deal type

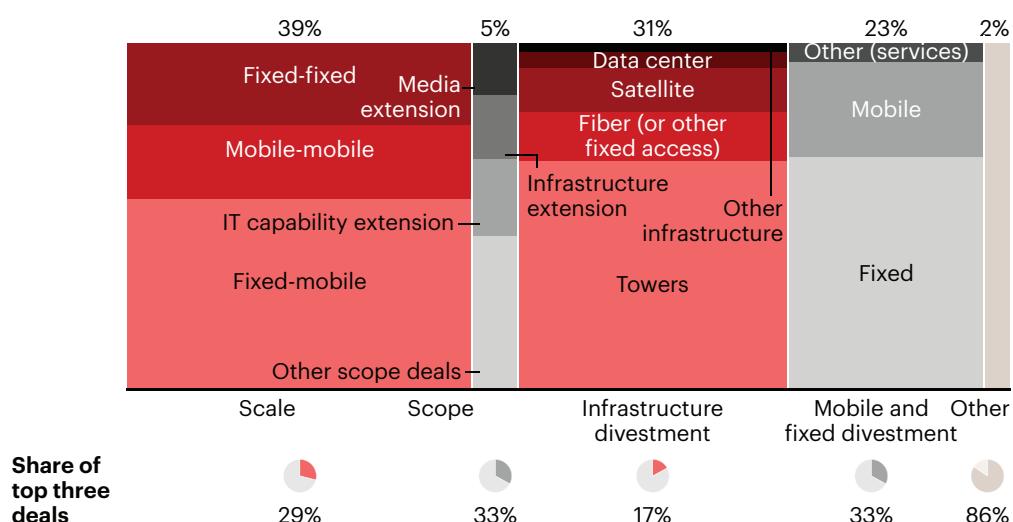


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Sources: Dealogic; RBC Capital; company publications; news articles; Bain analysis

Figure 3: Scale deals and infrastructure divestments accounted for 70% of deal value since 2020

Percentage of Q1 2020–Q4 2024 total deal value (\$518B) and subdeal type



Notes: Deal value based on announcement year, excludes financial transactions; includes debt if applicable; values are rounded; includes only deals where deal value is disclosed and acquirers have majority final stake; bars reflect Dealogic's data, which in the case of joint ventures and mergers only considers the minimum theoretical amount required to achieve the transfer of assets or businesses

Sources: Dealogic; company publications; news articles; Bain analysis

Methodology

State of the market M&A data

Deal details and aggregate statistics (such as value, volume, and multiples) were sourced primarily from Dealogic's M&A database for this annual report. Year-to-date 2024 data in most figures includes the time period from January 1 to November 30, 2024. Forecasts for the remainder of 2024 were conducted on a straight-line basis unless an exception is noted.

This report concentrates on strategic M&A, encompassing deals by corporate buyers (including sponsor exits) and private equity add-on acquisitions. Both types share fundamentally strategic objectives. Financial sponsors, special purpose acquisition companies, and venture capital fall under the nonstrategic category. Combined, these categories constitute Dealogic's total M&A market. All deal values represent either the disclosed value at the time of announcement (including debt for deals that have not closed) or the disclosed value at close for accurate assessment and representation of deal prices. The region and industry of each deal is classified according to the target's region and industry unless an exception is noted.

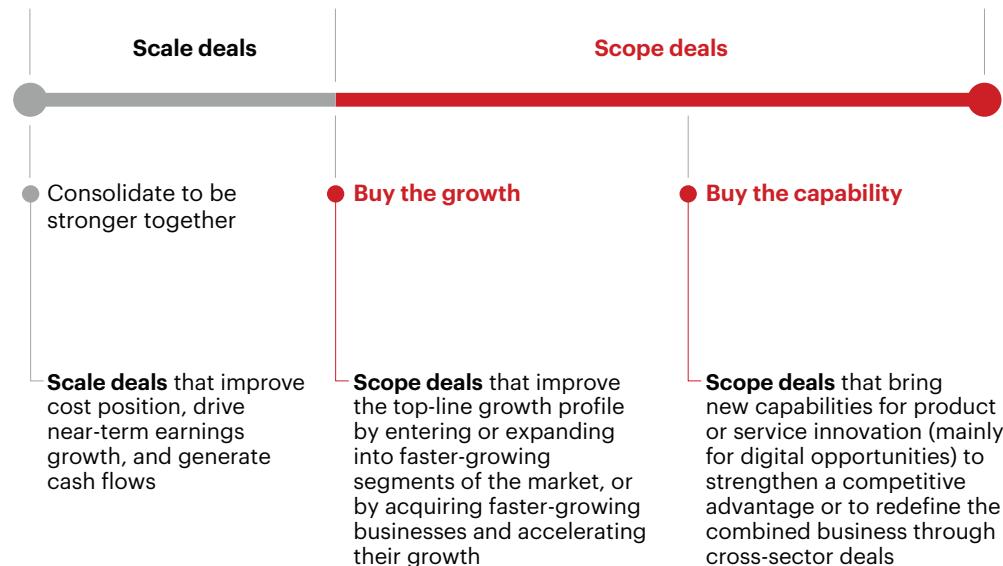
In the infographic "Where the Deals Are: 2024's Top M&A Markets," deals are classified as "inbound," "domestic," or "outbound" based on the relationship between target and acquirer nationality. "Inbound" is defined as deals in which a company originating outside the market acquired a local company, "domestic" is defined as deals in which the target and acquirer originate within the same market, and "outbound" is defined as deals where a local company acquired a foreign company. References to a particular geography's market (e.g., "US and Canada market") refer to inbound and domestic activity (e.g., deals in which an American or Canadian company was acquired), but do not include outbound activity. Overall strategic M&A value and value growth figures shown for each continent refer to deals in which a company headquartered in that continent was acquired.

Scale vs. scope

The M&A report signifies scale and scope deals in our chapters' analyses to discern trends. Assessing deals through these lenses offers crucial insights into M&A market theses and themes.

To understand the nature of M&A activity, we first identified the top strategic deals for each year. From the initial list of deals with values greater than \$1 billion, as reported by Dealogic, we excluded nonstrategic deals. These include asset or property acquisitions, financial investments, internal reorganizations, and minority stake acquisitions. This resulted in a total of 2,518 deals for the period between first quarter 2015 and third quarter 2024.

We then classified the strategic deals into scale or scope deals based on our proprietary database criteria applied consistently across the years. The proprietary criteria use the stated strategic rationale by the acquirer at the time of announcement to identify the key elements of the deal thesis. Based on these elements, the deals were categorized as scale or scope deals.

Exhibit A: About the methodology

Source: Bain & Company

Scale deals are intended to strengthen market leadership and lower cost position through benefits of scale, such as cost synergies. Scope deals are intended to accelerate top-line growth by entering or expanding into faster-growing market segments, or by bringing in new capabilities (see *Exhibit A*).

The M&A Practitioners' 2025 Outlook Survey

In partnership with IncQuery, we conducted a survey of 307 M&A practitioners. The survey ran in October 2024 in the US, Australia, Brazil, Canada, France, Germany, India, Italy, Japan, and the UK. Survey participants held senior executive roles with titles such as vice president, senior vice president/executive vice president, director, C-suite, or owner at companies with greater than \$100 million in annual revenue that closed an M&A deal within the past three years, and they were responsible for M&A decision-making processes at their company.

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