

M&A in Ireland H1 2024 Review

Executive Summary

Following a major decline in M&A activity in Ireland in 2023, the market outlook in the first half of 2024 fostered cautious optimism despite lingering economic questions. The outlook remains positive as we head into the second half of the year.

Many of the prevailing trends in the M&A market have persisted into 2024 such as valuation gaps, a focus on high-quality assets, thorough due diligence, and extended timelines which continue to shape the dynamics of deal-making in the current environment.

This backdrop continues to impact M&A activity, leading to subdued deal volumes over the last 18 months. This decline is in the context of higher M&A volumes during and immediately after the COVID-19 pandemic.

Further rate cuts, lower inflation forecasts, the availability of capital and fading recession fears are anticipated to bolster M&A activity throughout the remainder of 2024.

Similarly, many sellers have delayed exits due to recent market turbulence and impacts to valuations, and many have a renewed level of optimism for deal activity with increased appetite from strategic and financial players.

“

We had expected a more linear progression in deal activity in 2024 as markets stabilized and interest rates peaked.

Q1 started with great optimism. In our own business, we saw an increase in the volume of mandates and buyer interest. However, there is still caution.

The run of high-profile deals in Ireland in early July suggests a timing impact on the numbers we compiled, as H1 deals slipped.

Recent deal announcements, on-going macro progression and increasing stability in Europe will ensure further progress in H2. ”

**- Richard Tunney, Managing Director
Key Capital Corporate Finance**

Source: Cap IQ, completed transaction status, all completed M&A transactions in Ireland announced between 01/01/2019 and 30/06/2024

Note: Deals are retrospectively added as relevant transaction data becomes available.

Activity Overview

Reported M&A volumes in Ireland continue to be down consistent to volumes across Europe and the UK

Overview

- M&A activity in Ireland through the first half of 2024 totalled 72 completed transactions, representing a 32% fall over the same period last year
 - › Notwithstanding increasing optimism in relation to M&A growth coming into 2024, year-to-date deal volumes in Ireland fell below the average deal volume witnessed between 2019-2023
 - › These activity levels are also reflected in the UK and elsewhere in Europe, where activity is down 20% and 31% respectively
 - › M&A activity was significantly impacted by buyer confidence due to rising interest rates, stubborn levels of inflation, and geopolitical risks. This decline is less severe compared to the 34% decrease between H1 2022 and 2023
- Total reported transaction values H1 2024 M&A activity in Ireland was €1.3bn
 - › TMT had the highest combined reported deal value at €957m, followed by industrials (€160m) and Consumer (€98m)
- Cross-border M&A activity in Ireland in the first half of the year accounted for 60% of transactions, involving either a buyer or seller from outside the geographical market, while 40% involved domestic buyers and sellers
 - › H1 2024 cross-border deals were below the 5-year trailing average of 67%, indicating strong interest from local buyers and a higher number of private equity platform assets in Ireland
 - › Interest from international buyers in the first half of 2024 came primarily from acquirers in the UK (19%) and USA (16%), accounting for 24 transactions in Ireland
- Ireland's M&A market has traditionally been dominated by mid-market activity, and this trend continued in the first half of 2024
 - › Between 2019 and H1 2024, 62% of publicly disclosed deals were valued between €10m and €50m
 - › Valuations between €50m and €500m accounted for 32% of M&A activity, while only 7% had enterprise values exceeding €500m



32%

YoY Decrease in H1 M&A Deal Volume in Ireland



20%

YoY Decrease in H1 M&A Deal Volume in the UK



36%

YoY Decrease in H1 M&A Deal Volume in Europe

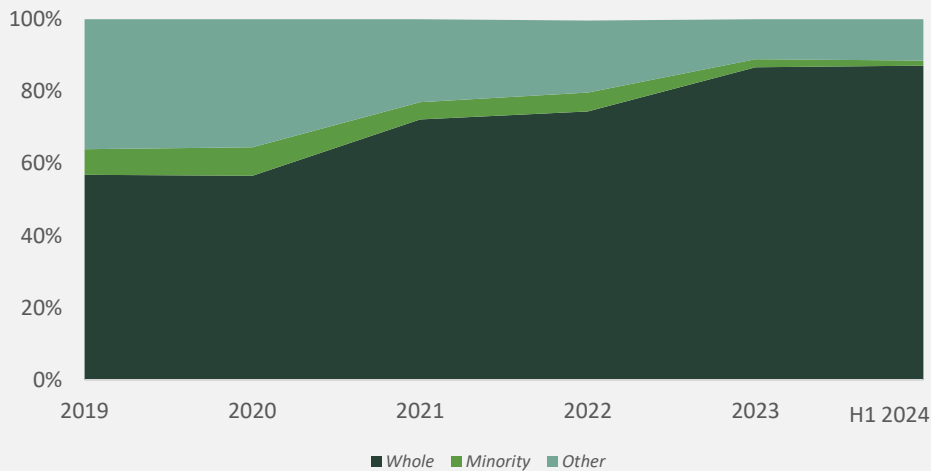
Source: Cap IQ (as of 10/07/2024)

Note: As deals are retrospectively added to Cap IQ, the same dataset was used for consistency

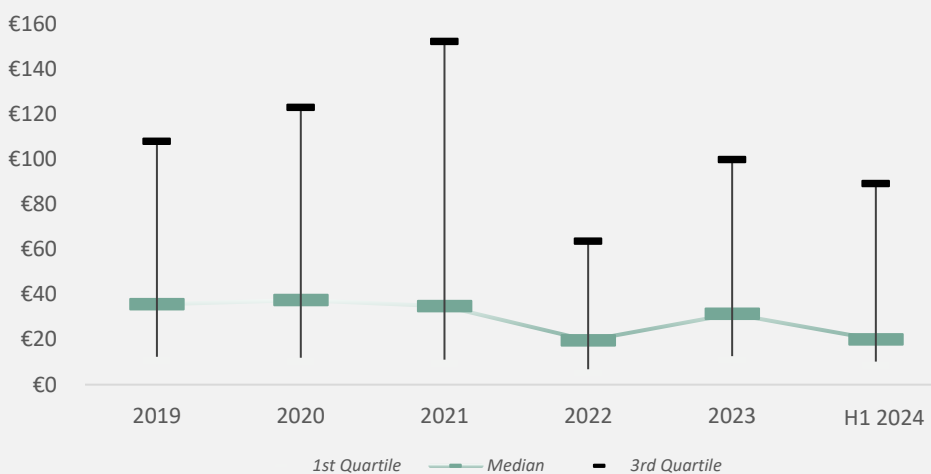
Key Deal Trends

Irish M&A has been dominated by whole acquisitions, with most deals in the €5-€50m range and a slight fall in median transaction value

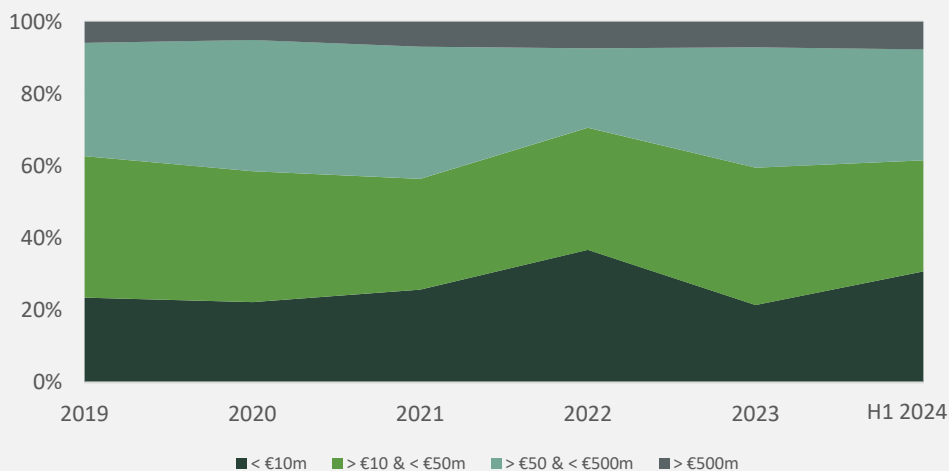
M&A Transaction Volume in Ireland by Deal Type



M&A Transaction Value in Ireland (€m)



M&A Transaction Volume in Ireland by Size



Overview

- Whole acquisitions, defined as the purchase of more than 50% of a company's assets and liabilities, accounted for the majority of M&A transactions in Ireland, totalling an average of 72% of total transactions between 2019 and H1 2024
 - › The proportion of whole acquisitions has steadily increased from 57% in 2019 to 87% in the first half of 2024
 - › This shift indicates a growing preference for full control which is consistent with the increased volumes in exits to strategic buyers and bolt-on acquisitions
- Minority acquisitions and other deal types in Ireland have decreased over the trailing 5-year period, a trend that continued through H1 2024
 - › Total venture capital investment in Ireland in 2023 declined to €764m across 101 transactions, a 34% decrease from the €1.2bn invested across 122 transactions in 2022⁽¹⁾
 - › Similarly, global venture capital investment fell from €531bn across 51,894 transactions in 2022 to €344bn across 37,808 transactions in 2023⁽¹⁾
- Mid-market activity has consistently led Ireland's M&A landscape, a trend that persisted through the first half of 2024
 - › The median reported transaction value for M&A deals in Ireland has remained stable, averaging €35m over the trailing five-year period
 - › Continuing this mid-market trend, the median reported deal value in the first half of the years was €20m
 - › However, the reported deal value data is incomplete, as it was disclosed for only 18% of total transactions in the first half of the year
- From 2019 to H1 2024, the majority of M&A transactions in Ireland have consistently fallen within the €10 million to €50m range, indicating a stable mid-market segment
 - › Transactions below €10m have shown a slight decrease over the period, while deals in the €50m to €500m bracket have remained relatively steady
 - › Transactions exceeding €500m are rare, accounting for a small fraction of the total volume
 - › This trend highlights a strong preference for mid-sized deals in the Irish M&A market, with larger deals being less frequent

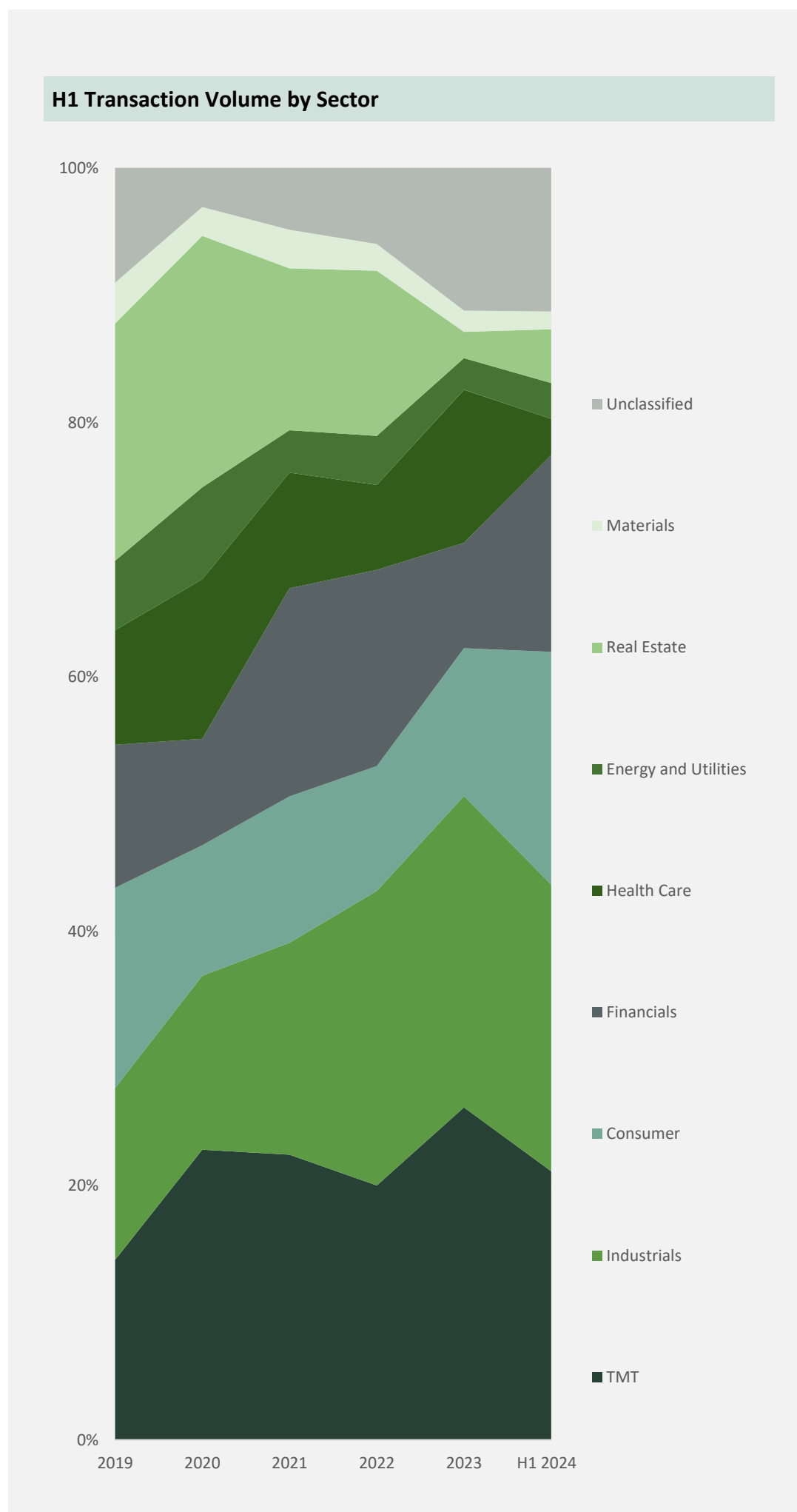
Source: Cap IQ (as of 10/07/2024), (1) Venture Capital Association – Venture Pulse report

Activity by Sector

Irish M&A sector split has remained consistent, with increased activity in the Industrials, TMT, and Consumer sectors

Overview

- H1 2024 M&A volume by sector showed a largely consistent sector split with the weighting experienced in 2023
 - › Industrials (19 deals, 28%, +6% YoY)
 - › Technology (14 deals, 29%, +1% YoY)
 - › Consumer (13 deals, 19%, +7% YoY)
 - › Financials (11 deals, 16%, +9% YoY)
 - › Healthcare (3 deals, 3%, -8% YoY)
 - › Real Estate (5 deals, 4%, +2% YoY)
 - › Other (7 deals, 10%, -8% YoY)
- Total transaction value by sector was also largely consistent, although technology deal value was heavily influenced by the sale of Echelon Data Centre to Starwood Capital Group for €793m
- Total transaction value followed a largely similar sector split to volume except for healthcare which has no transactions reported in H1 2024:
 - › Technology (€957m, 74% of total transaction values)
 - › Industrials (€160m, 12%)
 - › Consumer (€98m, 8%)
 - › Real Estate (€50m, 3%)
 - › Other (€23m, 2%)
 - › Financials (€13m, 1%)
 - › Healthcare (No deal values reported)
- While the sector mix remained relatively stable through the first half of the year, there was increased activity in the financial and consumer sectors
 - › Consumer made up 19% of volume compared to an average of 12% between 2019 and 2023
 - › Financials accounted for 16% compared to 12% historically
- Consolidation and roll-up of the professional services sector were prominent last year and have continued through H1 2024 with Champion Insurance acquisition of Fitzgerald Flynn and Azets acquisition of PKF O'Connor, Leddy & Holmes
- Another prevalent theme has been the increase in M&A activity in the consumer market in recent years, continuing through H1 2024 with SuperValu's acquisition of Clean Cut Meals and Domino's acquisition of Shorecal Limited



Source: Cap IQ (as of 10/07/2024)

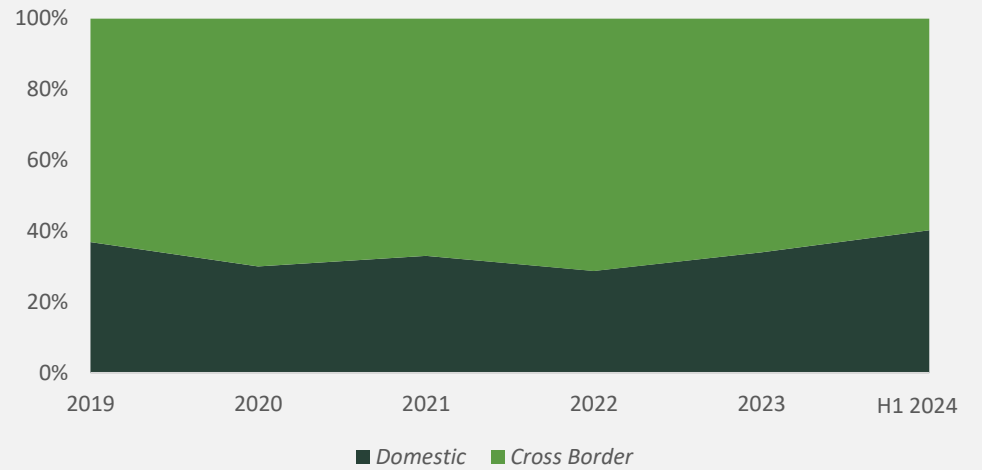
Activity by Geography

Cross-border M&A activity involving Irish buyers and sellers has remained consistent

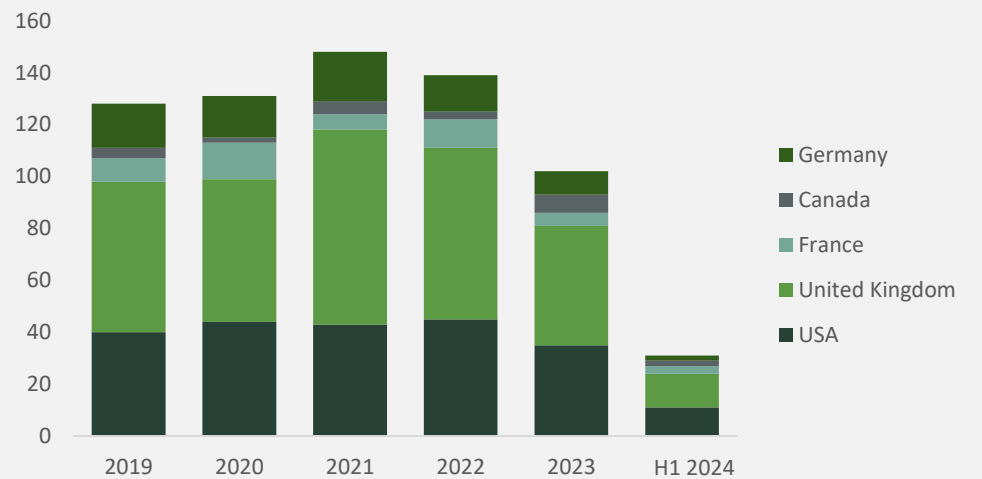
Overview

- Cross-border M&A transactions have consistently outpaced domestic transactions in Ireland from 2019 through H1 2024
 - › 60% of deal volume in H1 was cross-border in nature, with a total of 42 transactions, indicating sustained international interest in Irish M&A
 - › Domestic transactions have shown a gradual increase to 40% in H1 2024, indicating a growing confidence in local market opportunities amidst changing global economic conditions and an increasing volume of private equity platforms
- Between 2019 and 2023, the USA and UK have consistently been the primary foreign investors in Irish M&A, accounting for a combined average of 35% of cross-border volumes by buyer, outpacing other countries such as France, Canada, and Germany
 - › This trend continued through to the first half of the year, with UK and US buyers and investors remaining primarily involved in cross-border M&A activity with Irish firms, accounting for 24 deals (34% of total cross-border volume)
 - › Both regions experienced a decline below the long-term trend in 2023 after significant peaks in 2021 and 2022
 - › The UK was down 28% from 69 to 50 transactions between 2022 and 2023 while the US was down 19% from 47 to 38 over the same period, dropping below the five-year averages of 62 and 43 respectively
- Cross-border transaction volumes by Irish buyers remained relatively consistent from 2019 to 2021, however there has been a noticeable decline since 2022, continuing through to the first half of 2024. We note economic and political uncertainty in both markets which have had an impact
 - › This downward trend aligns with the overall reduction in Irish M&A activity during this period
 - › Increased caution and macroeconomic conditions have further influenced the reduction, as Irish buyers adopt more conservative approaches in their strategic decision-making processes

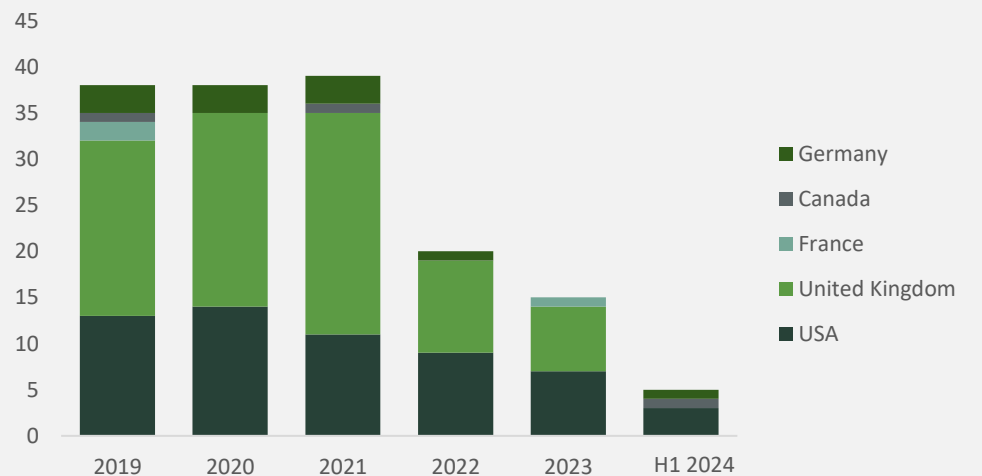
H1 M&A Total Reported Transaction Volume and Value in Ireland



Cross-Border Transaction Volumes by International Buyers



Cross-Border Transaction Volumes by International Sellers

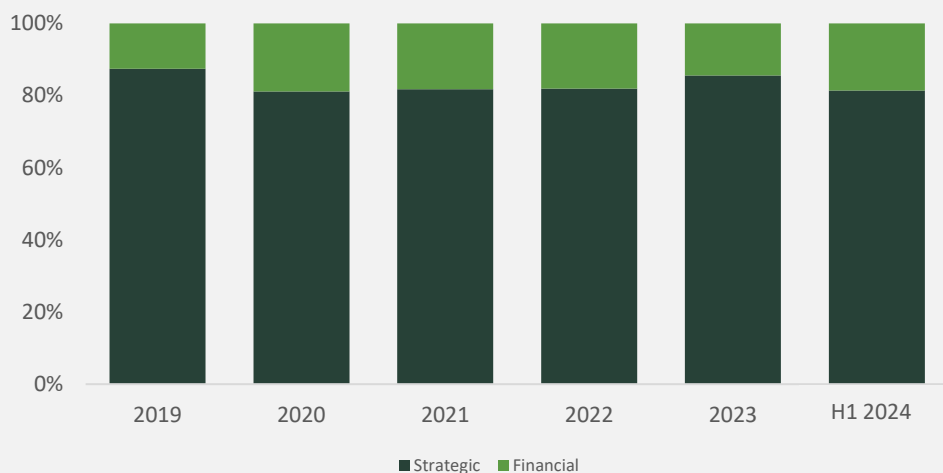


Source: Cap IQ (as of 10/07/2024)

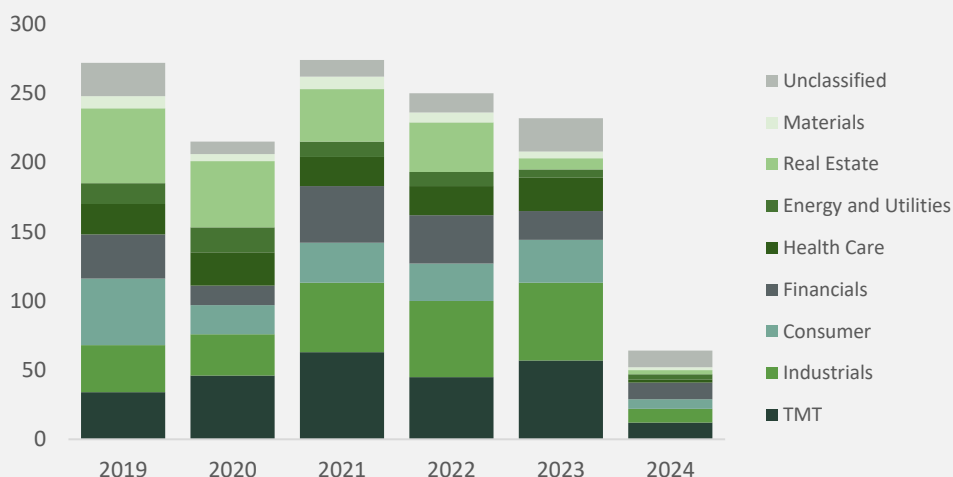
Activity by Buyer

Financial and strategic buyers continue to remain acquisitive and show strong levels of interest across a variety of sectors in Ireland

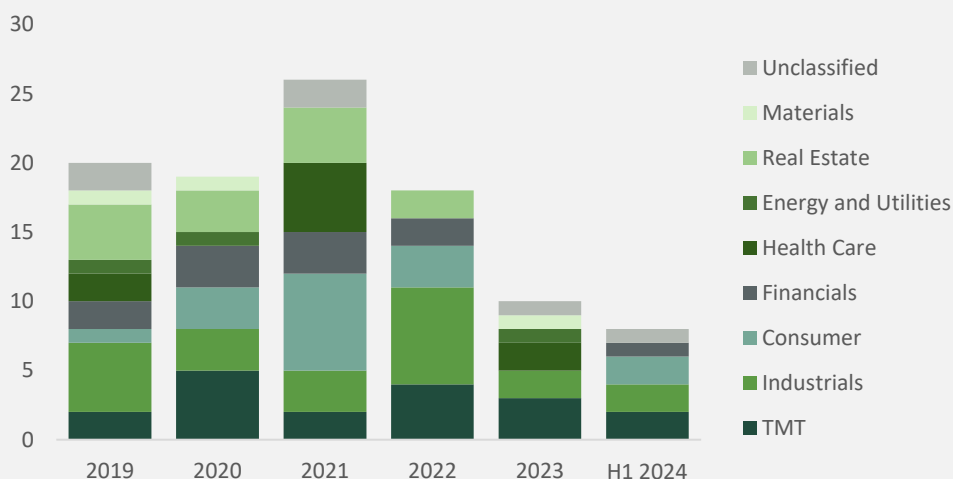
Transaction Volumes by Buyer Type



Strategic Buyer Transaction Volume by Sector



Financial Buyer Transaction Volume by Sector



Source: Cap IQ (as of 10/07/2024)

Overview

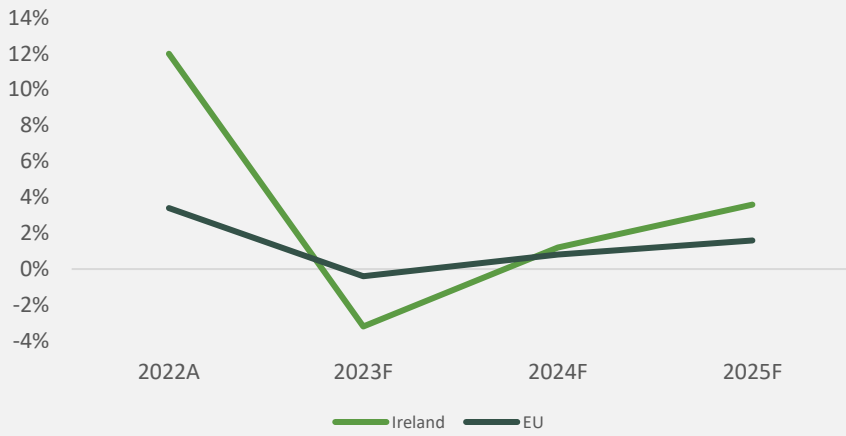
- Strategic buyers have consistently dominated the Irish M&A market, accounting for an average of 84% in the trailing 5-year period
 - › This trend continued through the first half of the year as strategic buyers accounted for 81% of the total M&A activity, while financial buyers made up 19%
 - › This represents 5% increase in financial buyers' activity year-on-year, with notable H1 private equity transactions including, Azets' acquisition of PKF and Starwood's investment in Echelon Data Centres
 - › The continued strategic and financial activity in the Irish M&A market suggest a robust confidence in long-term growth of the overall economy
- M&A activity in Ireland has been characterized by a mix of transaction types: secondary exits, exits to trade strategic buyers, bolt-on acquisitions, and platform or independent acquisitions
- H1 2024 M&A financial buyer transaction volume showed a balanced mix across different types of transactions:
 - › Exit to Trade Strategic Buyer (5 deals, 38%)
 - › Bolt On Acquisition (3 deals, 23%)
 - › Platform or Independent Acquisition (5 deals, 38%)
 - › Secondary exit (no deals reported)
- Strategic buyers have consistently dominated the Irish M&A landscape from 2019 through to the first half of the year
- The landscape has remained well diversified, with TMT, Industrial, and Consumer sectors leading in volume, followed by Healthcare and Financial Services. This trend has continued in H1 2024, maintaining a balanced mix across these sectors
- The sectoral diversity experienced in recent years indicates a robust and balanced M&A market in Ireland, which is a positive sign for the resilience and attractiveness of the Irish market to a wide range of industries
- Financial buyers' interest in the Irish M&A market has shifted across various sectors due to the evolving market conditions and global events between 2019 through to H1 2024
- Private equity interest in the broader consumer sector declined from 2022 through H1 2024 as many aimed to limit exposure to the retail sector due to reduced disposable income and rising costs amid increasing inflation levels

Ireland's Economic Climate

Ireland's strong economic performance is expected to continue and drive M&A activity

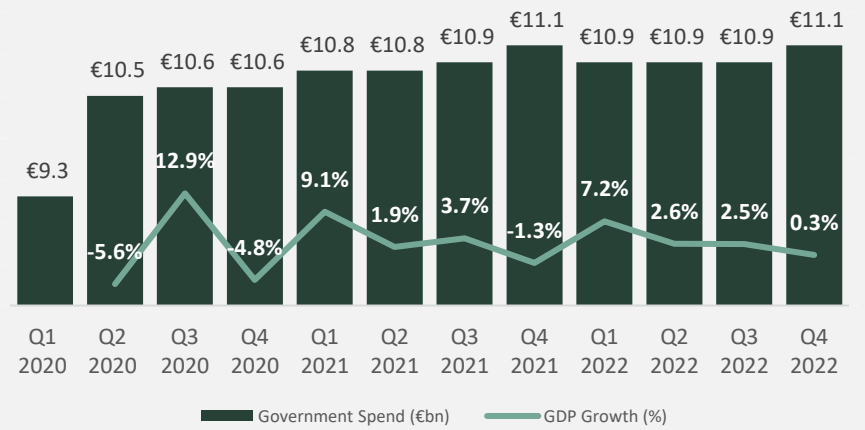
Forecast Macroeconomic Outlook (Annual Growth Rate)

- Ireland's GDP is forecast to continue to grow annually at a steady rate through until 2025, highlighting the country's positive internal and external outlook



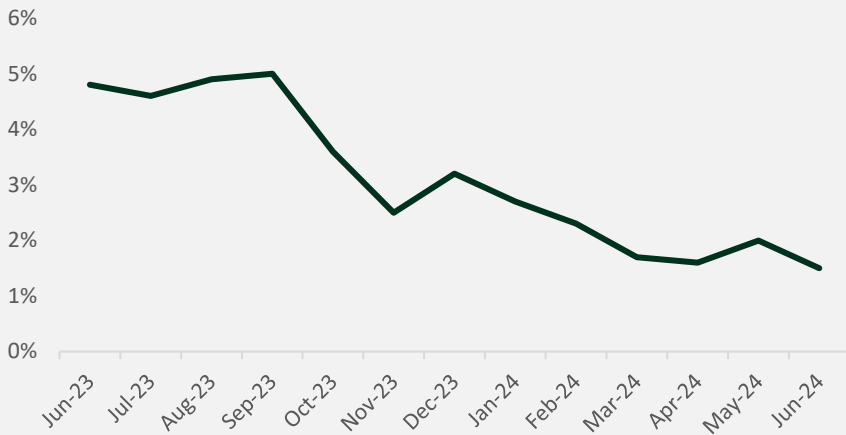
Irish Government Spend (2020 – 2022) (€bn)

- Government spending has been broadly consistent and is expected to increase between 2023 and 2024, as the government has already begun implementing its €165bn national development plan



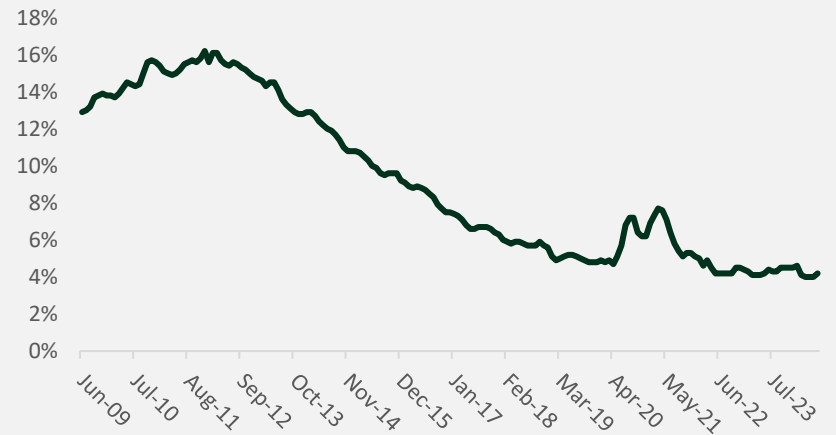
Ireland's Consumer Price Index (Annual Change %)

- Ireland's Consumer Price Index has eased over the trailing 12-month period and, as of Q1 2024, is now below the 2% inflation threshold set by the ECB



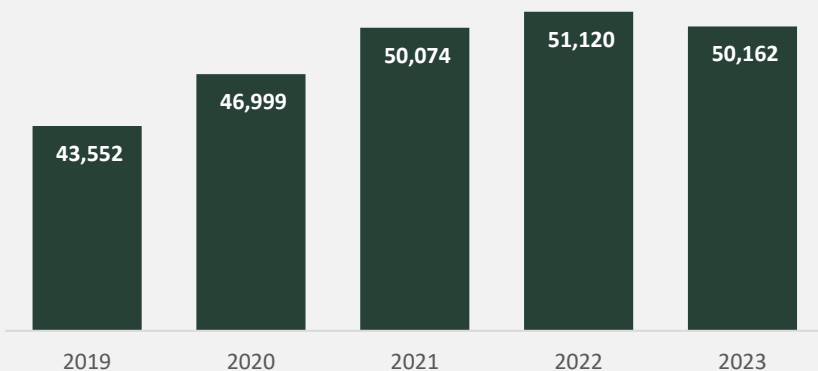
Unemployment Rate (%) in Ireland (2009-2024)

- The unemployment rate in Ireland has fallen to 4.2% in June 2024 down from 16% in March 2012, representing a strong employment rate in Ireland and one of the lowest in Europe



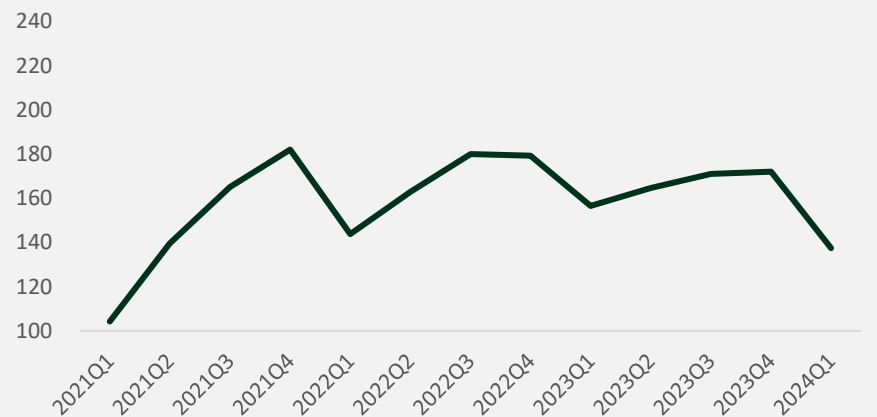
Ireland's Median Household Gross Disposable Income (€)

- Median household income in Ireland has seen a steady increase from 2019 through 2023, largely due to increased economic stimulus and wage growth in line with inflation



Volume of Building and Construction in Ireland (Base = 2021)

- The volume of building and construction has increased since 2021, despite a fall in Q1 2024, an increase in activity is expected through the end of the year, indicating continued growth in the sector



Source: CSO

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