

HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 4 | 2024

**UNCERTAINTIES CLOUD DEAL
ACTIVITY, BUT LEVELS ARE STILL
AHEAD OF PRE-COVID.**

Sector view

Packaging & Materials
Real estate
Building products & services
Natural resources

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BDO GLOBAL DEAL ADVISORY

1,744
COMPLETED
DEALS IN 2023

31% PRIVATE
EQUITY
DEAL
INVOLVEMENT

21% OF OUR
DEALS ARE
CROSS
BORDER

ONE OF THE MOST
ACTIVE ADVISERS GLOBALLY*
120 COUNTRIES PROVIDING DEDICATED
DEAL ADVISORY SERVICES
2,500 DEAL ADVISORY
PROFESSIONALS

1st Financial Advisor Globally – Factset league tables 2023
1st most active Advisor & Accountant Globally 2022 – Pitchbook league tables 2022
2nd leading Financial Due Diligence provider Globally – MergerMarket global accountant rankings 2023

Welcome

Welcome to the last edition of Horizons in 2024, a sectors special written by our BDO M&A professionals around the world.

In this edition of BDO M&A Horizons, we have our bi-year sector focus. Our M&A partners across the Globe analyse deal activity and trends in their sectors and look ahead at what we can expect for the foreseeable future. We put the spotlight on Natural Resources, Building products, Packaging and Real Estate.

The overall global data shows a decline on deal activity in the last quarter of 2024, a drop of around 20% compared to the second quarter. However, the level of transactions remains ahead of pre-Covid times. The heat chart shows that the expected level of transactions is considerably down if compared to the last few years of data. Whilst this may be concerning, there is no doubt that pipelines are still healthy, there are quality assets out there and private equity has both deep pockets to buy and mature portfolio businesses to sell. We expect activity to pick up once the geopolitical array of uncertainties clear away.

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Global view

Deal activity declined further in the 3rd quarter of 2024 but remains ahead of pre-COVID levels

Global mid-market deal activity declined in the 3rd quarter of 2024 to around 2,500 transactions but remains ahead of pre-COVID levels which were averaging below 2,200 per quarter. The reduction was nearly 20% lower than the 2nd quarter. That movement was made up of falls of around 16% in trade led acquisitions and 25% in private equity led acquisitions. That said, the 2nd quarter ended up ahead of 1st quarter volume in 2024 and the drop should be viewed in that context as a good level of deal activity. Moreover, aggregate deal value in the 3rd quarter only fell by around 11% compared to the prior quarter.

We are surprised by the fall in private equity deal flow as it had recovered in the earlier part of the year, and we believed that a more stable inflationary environment and the prospect of interest rates having peaked would encourage more private equity activity again. We would interpret that as more of a blip than a negative and expect private equity investing to increase. Private equity still accounted for around 35% of deals in the quarter.

With respect of the pricing of deals, we believe that multiples have compressed

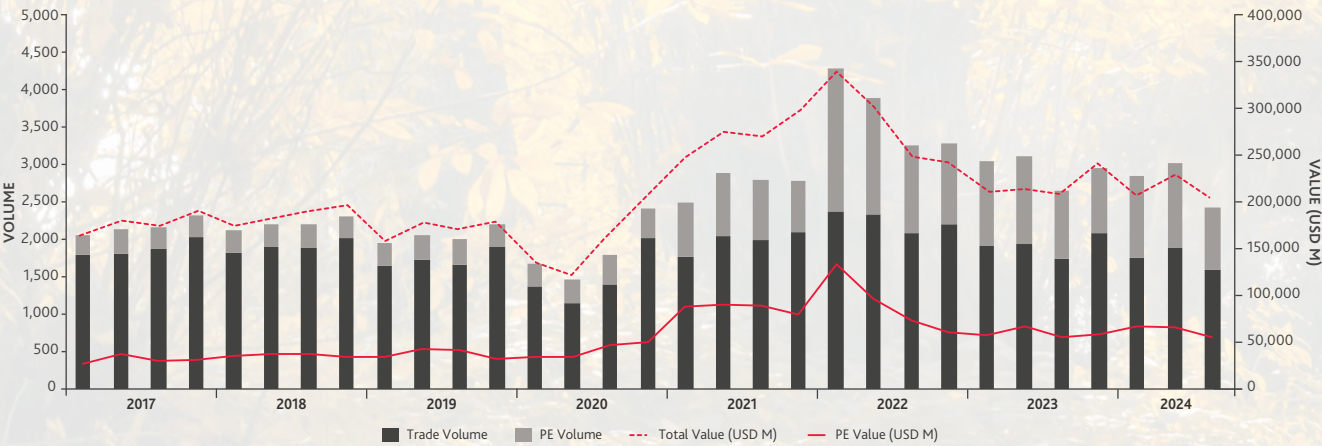
but it varies by sector and type of business. The rally in global capital markets in 2023 and into 2024 is a helpful factor for valuations. As fiscal policy succeeds in bringing global inflation under control and avoiding the need for further interest rate rises that may also start to underpin valuations.

In terms of sectors, deal activity was down in most sectors in the 3rd quarter save for Industrials & Chemicals which was up by 2.5%. Consumer deals also held up well, showing only a modest decline. Business Services saw the greatest decline

of any sector in the period. TMT remained the busiest sector, accounting for over one in four deals in the period.

Looking around the world, every region experienced a reduction in deal flow in the period with the exception of Greater China, which saw a modest but important increase. North America had a fall of over 20% but remains the most active region in the world, accounting for nearly one in three deals. The Nordics and the DACH region saw the greatest falls in deal activity in the period.

Global Mid Market M&A



Global heat chart by region and sector

	TMT	Industrials & Chemicals	Consumer	Business Services	Pharma, Medical & Biotech	Financial Services	Energy, Mining & Utilities	Leisure	Real Estate	TOTAL	%
North America	620	358	296	247	366	170	75	109	14	2,255	38%
Greater China	85	214	28	60	70	34	31	13	19	554	9%
CEE	49	110	66	50	26	31	40	19	12	403	7%
Southern Europe	79	109	79	55	41	52	30	31	12	481	8%
India	44	32	31	13	28	19	15	7	4	193	3%
Latin/South America	64	27	28	66	20	30	49	11	2	297	5%
Nordic	43	41	15	10	26	12	13	6	2	168	3%
UK/Ireland	80	35	51	62	21	24	17	28	8	326	5%
Australasia	29	41	30	41	24	26	31	20	7	249	4%
DACH	56	103	50	44	30	14	12	11	5	325	5%
Other Asia	32	45	18	13	12	7	10	10	1	148	2%
South East Asia	29	37	30	29	28	23	20	13	9	218	4%
Japan	18	9	9	3	6	3	1	4		53	1%
Middle East	8	7	4	8	5	3	3			38	1%
Africa	9	14	5	5	1	5	16	1	1	57	1%
Benelux	18	17	14	22	11	8	7	1		98	2%
Israel	19	20	10	11	15	17	6	3	3	104	2%
TOTAL	1,282	1,212	764	739	730	478	376	287	99	5,967	

* Percentage figures are rounded up to the nearest one throughout this publication.

Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions. Opportunities are captured according to the dominant geography and sector of the potential target company. Mergermarket's Heat Chart of predicted deal flow is based on the intelligence collected in our database relating to companies rumoured to be for sale, or officially up for sale in the respective regions. It is therefore indicative of areas that are likely to be active in the months to come. The intelligence comes from a range of sources, including press reports, company statements and our own team of journalists gathering proprietary intelligence from M&A across the regions. The data does not differentiate between small and large transactions, nor between deals that could happen in the short or long-term.

The outlook has remained at a lower level than last year

In recent years the number of rumoured transactions has been running in the range of 8,000 to 9,000. That has dipped so far in 2024 and was marginally down again in the 3rd quarter at just below 6,000 deals. That feels like a reflection of political uncertainty (with around half the worlds population poised to vote in many elections) and conflict in parts of the world. However, we would continue to expect it to pick up again as inflation falls and interest rates start to decline.

Global themes that are influencing M&A

Despite the dip in the period, we expect private equity will continue to invest strongly into 2025 as interest rates start to fall. It could also be a good time for strategic buyers to return to the market deploying some of the high levels of cash as they hold, to add to capability. We continue to expect the global mega-trends of digitization and decarbonisation to be key drivers of M&A activity.



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Sector view



Packaging & Materials

Fuelled by sustainability, innovation and regulation

The Packaging & Materials sector has been an active arena for deal activity in recent years fuelled by innovation, regulation and sustainability, attracting interest from both PE and corporates.

The market, with an estimated global size of USD 1.14 trillion in 2024, is expected to reach USD 1.38 trillion by 2029, growing at a CAGR of 3.9%.¹ Steady growth has been driven by substrate preference shifts, evolving regulations, sustainability requirements, innovations and the need to deliver differentiated products. We have seen the value of packaging transcend practical and functional properties to contribute significantly to the perception of the brand, portraying how companies are managing and tackling sustainability.

Sustainability is the lynchpin of the packaging sector, with M&A in Paper surging ahead

The shift towards sustainability is the major driver for growth in the sector, with sustainable packaging estimated to grow at 7.7% CAGR by 2029 to reach USD 424bn by 2029. ¹ Paper and paperboard packaging products, often preferred for their recyclability and biodegradability, have been increasing their share of the overall market.

Food packaging, often a more challenging end market due to the perishability of contents, has seen innovations in barrier coatings for example, alongside support of supermarkets to switch out plastics to appeal to eco-conscious consumers.

This has fed through to M&A, with businesses seeking to increase paper and paperboard in their substrate mix. In the UK, paper and paperboard represented 39% of deals in 2023, whereas plastic has seen declining M&A volumes, and just 20% of overall activity in 2023. It was the first year that paper out-competed plastics on a deal volume basis, with the majority of deals attributable to trade buyers.

Examples include McLaren's acquisition of Glenhaze, which produces sustainable paper-based product protection for spirit

and glass manufacturers and ITOCHU's investment in Transcend Packaging which pioneers sustainable paper-based packaging solutions.

Although preferences are shifting away from plastics, it should be emphasised that the substrate has superior performance to paper and paper board in many use cases. There is a good deal of effort being applied to develop manufacturing processes which use recycled plastics and increase the proportion of non-virgin materials.

There are multiple claims and counterclaims for different solutions in the packaging arena. And there are dangers of 'green washing' for example making products appear more environmentally friendly, by adding paper to a packaging solution, without reducing plastic waste.

The debate is far from clear cut, as plastics journey towards closed loop processes and questions arise about the true environmental impact of paper production.

Innovation is thriving as investors take a bet on novel substrates and emerging tech

Smart packaging is gaining traction and offers varying solutions to key challenges. RFID tags, QR codes and sensors bolster traceability, quality control and consumer interaction. With the evolution of the Internet of Things, smart packaging solutions are becoming pivotal in the packaging industry.

Companies such as Thinfilm Electronics produce NFC (Near Field Communication) tags that can be embedded into packaging, allowing consumers to access products information with a single tap of their smartphone. This enhances consumer engagement and provides a new layer of security against counterfeiting. In the food sector, UK-based It's Fresh! has created packaging that extends the shelf

life of fresh produce using filters that absorb ethylene, the hormone that causes ripening, thus keeping fruits and vegetables fresh for longer.

Investors are following promising innovations and providing funding to spearhead growth. For example, Magical Mushroom Company has received several rounds of funding to enable the business to develop and market biodegradable materials using mycelium – the root structure of mushrooms. These are used to create packaging materials that are touted to offer a viable alternative to traditional plastics. A further example is NotPla, which manufactures seaweed-based biodegradable food packaging, and has scaled since its 2017 crowdfund to produce tens of millions of units.

Regulation is driving the future for sustainable packaging

As sustainability targets around the globe draw ever closer, regulations are increasing to drive the required change. Countries across Europe are not only enforcing robust recycling measures but are also adopting extended producer responsibilities. In the UK, the government has developed a framework to encourage greater circularity and more reusable packaging, with an aim of achieving a 78% packaging recycling rate by 2030.

A key scheme is the [Plastic Packaging Tax](#), introduced in the UK during 2022, which is continually evolving to encourage businesses to embed circularity into products and to reduce the use of virgin plastic. The overhaul of the framework was well overdue, but there is a significant increase in cost for businesses to track, report and adhere to the standards. The economic advantages of being part of a large group which can shoulder the regulatory burden is another factor driving M&A in the market.

Rising M&A volumes and plenty of big-ticket deals

2023 saw a record volume of transactions in the packaging sector in an otherwise subdued M&A market. Deal volumes increased by 24%, reflecting a resilient sector that is transforming at pace, with momentum continuing through H1 2024.

The bulk of deals have been across the mid-market, but with a nod to renewed confidence across the packaging ecosystem, we have also seen the return of large cap deals, with WestRock and Smurfit Kappa combining to form Smurfit WestRock, a c.£30bn revenue global leader in sustainable packaging.

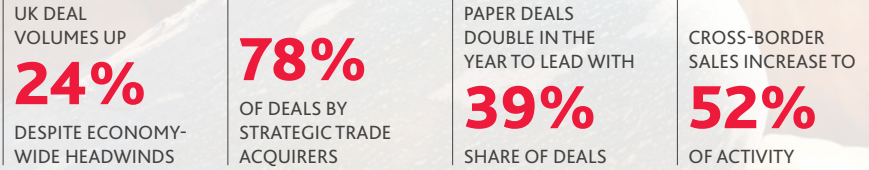
A further high-profile deal is in play this year is the potential £7.8bn acquisition of DS Smith by International Paper, evidencing the strategic need for consolidation across the sector to drive value for shareholders. And in June, Sonoco Products Company announced its agreement to acquire Eviosys, a European manufacturer of food cans, ends and closures from KPS Capital Partners for around US\$3.9bn.

Corporates dominate the M&A landscape, with the majority of deals driven by strategic trade acquirers seeking to bolster capabilities, access new materials and market, or acquire unique IP or talent. 78% of 2023 UK transactions were led by trade buyers, but there have also been plays by private equity.

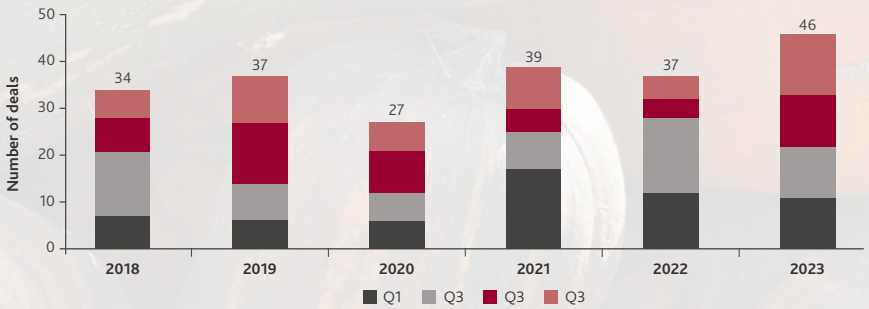
Waterland portfolio company Carton Group, a business with European presence servicing various consumer markets completed two acquisitions in 2023 – Wrapology, a luxury packaging manufacturer and Duncan Print Group, a folding carton manufacturer for the consumer sector.

Packaging M&A will remain an attractive option as corporates and PE backed businesses seek growth in the midst of a challenging climate, as well as identifying opportunities to achieve leading positions in chosen markets and to build up specialist capabilities.

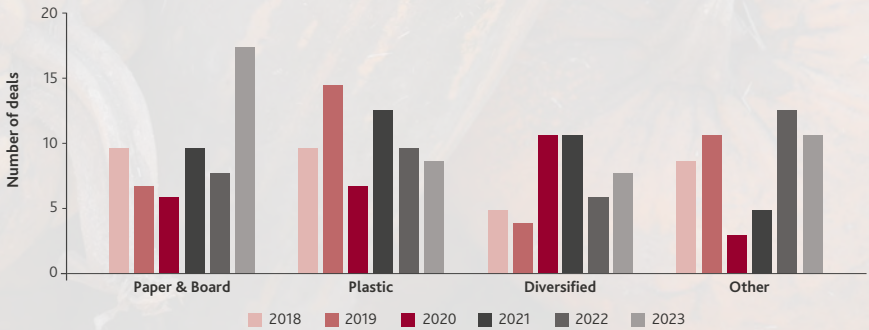
2023: key stats



Volume of transactions in the UK packaging sector



Packaging sector deals by category



Read more in our [2024 Packaging Sector Insights](#) publication



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Real estate

Navigating the Future of Commercial Real Estate:
Interest Rate Easing, PropTech, and the Post-Pandemic Workplace

As global economic conditions shift, commercial real estate (CRE) finds itself at a pivotal moment. The post-pandemic world has transformed how people work, live, and interact with their environments, and these shifts are reshaping the CRE sector. Interest rate changes, advances in property technology (proptech), and the evolving demands of tenants and businesses are all creating new opportunities and challenges for the industry. To thrive in this rapidly changing landscape, CRE stakeholders must adapt by leveraging technology, embracing flexibility, and rethinking traditional real estate models.

Easing Interest Rates and Their Impact on Commercial Real Estate

One of the most significant factors shaping CRE markets today is the easing of interest rates. After a period of aggressive rate hikes by central banks, recent cuts have started to provide some relief to investors. Declining interest rates can offer several advantages for CRE, including improved liquidity, lower borrowing costs, and increased opportunities for refinancing. These factors help improve cash flow and make it easier for investors to expand their portfolios or develop new projects.

For example, as interest rates decrease, it becomes more cost-effective to finance new construction projects or upgrade existing properties. Investors who had been hesitant to take on new debt during the period of high rates may now feel more confident in pursuing opportunities. Additionally, lower rates can make refinancing existing properties more attractive, potentially improving cash flow and freeing up capital for further investments.

However, while the easing of interest rates is a positive development, risks remain—particularly in sectors like office space, which have been slow to recover from the impacts of the pandemic. In many cities, office vacancies are still high, and

the demand for traditional office space has yet to return to pre-pandemic levels. This means that while lower interest rates may help CRE investors access capital more easily, they must carefully assess the long-term viability of their investments, especially in sectors that continue to experience weak demand.

The Rise of PropTech: Revolutionizing Commercial Real Estate

While economic factors like interest rates play a critical role in shaping the CRE market, technological innovation is another powerful force transforming the industry. The rise of proptech has revolutionized how properties are developed, marketed, and managed, offering new tools to enhance operational efficiency, improve sustainability, and elevate the tenant experience.

Proptech encompasses a wide range of digital tools and technologies, from virtual tours and AI-powered customer service to smart building systems that automate energy management. These innovations have become especially important in the wake of the pandemic, as businesses and property managers look for ways to optimize their assets and respond to the changing needs of tenants.

One of the most significant developments in proptech is the rise of smart buildings. These properties use advanced technologies—such as sensors, automation systems, and Internet of Things (IoT) devices—to monitor and optimize building operations. For example, smart buildings can automatically adjust lighting, heating, and cooling systems based on occupancy levels, reducing energy consumption and lowering operational costs. Additionally, smart security systems, such as AI-powered surveillance cameras and cloud-based access control, can enhance tenant safety while streamlining building management.

Beyond improving operational efficiency, proptech is also helping to create more engaging and user-friendly experiences for tenants. AI-powered customer service tools, for example, can quickly respond to inquiries from prospective tenants, providing information about available spaces and helping streamline the leasing process. Similarly, virtual tours and 3D renderings of properties allow potential tenants to explore spaces remotely, providing a convenient and immersive way to view properties without having to visit in person. These technologies not only improve the tenant experience but also help property managers attract and retain occupants in an increasingly competitive market.

Adapting to the Post-Pandemic Workplace: Flexibility and Innovation

The COVID-19 pandemic brought about seismic changes in how people work, and the CRE sector is still grappling with the aftermath. Traditional office spaces that were once in high demand are now facing increased vacancies, as many businesses continue to embrace remote work or hybrid models. In this context, CRE stakeholders must rethink how office spaces are designed and used in order to remain relevant in a post-pandemic world.

One key trend that has emerged in response to these shifts is the growing demand for flexibility in both office space and leasing arrangements. Businesses are increasingly looking for shorter lease terms that allow them to adapt to changing needs.

This flexibility is essential as companies navigate uncertain economic conditions and evolving workforce preferences. Long-term leases that lock businesses into fixed office spaces are no longer as attractive, especially for organizations that are unsure of how much office space they will need in the future.

In addition to flexible lease terms, there is a growing emphasis on mixed-use developments—buildings that combine residential, commercial, and retail spaces. These developments offer a more community-oriented environment that appeals to workers seeking a better work-life balance. By blending different types of spaces, mixed-use developments can create vibrant, dynamic neighborhoods that attract both businesses and residents. For example, areas that were once dominated by office towers are being reimagined as mixed-use spaces where people can live, work, and socialize in the same vicinity.

At the heart of this transformation is the recognition that office buildings of the past are not necessarily fit for the future.

Many older office buildings are becoming obsolete due to their design, location, or lack of modern amenities. For these buildings to remain viable, they may need to undergo significant renovations or be repurposed for new uses. In some cases, converting office buildings into residential or mixed-use spaces may be the best solution, particularly in cities where housing demand is high but office demand remains weak.

The Role of AI in Designing the Office of the Future

Another major factor shaping the future of CRE is artificial intelligence (AI). AI has the potential to radically transform office design and operations, creating spaces that are more dynamic, adaptable, and conducive to collaboration. As businesses continue to embrace remote and hybrid work models, the need for traditional office space is evolving, and AI can help meet these changing demands.

For example, AI can be used to optimize the layout of office spaces, ensuring that they are designed to foster creativity and collaboration. Rather than simply filling buildings with rows of desks, AI can help create flexible workspaces that can be reconfigured based on the needs of the business. Whether employees need quiet spaces for focused work or open areas for team collaboration, AI can analyze data on how spaces are used and recommend the best configurations.

AI is also being used to enhance the overall occupant experience. From personalized lighting and temperature controls to smart meeting room scheduling systems, AI-powered technologies can help create more comfortable and efficient work environments. Additionally, AI can play a role in security, with intelligent surveillance systems that can detect potential security threats and respond in real time. These innovations not only improve tenant satisfaction but also help property managers operate their buildings more effectively.

Overcoming Zoning Challenges to Enable Innovation

While technological advancements and evolving workplace trends are driving change in the CRE sector, there are still significant barriers that must be addressed—chief among them are restrictive zoning laws. In many cities, zoning regulations make it difficult to adapt existing buildings to meet the demands of today's market. These rules can prevent developers from converting office spaces into residential or mixed-use buildings, even in areas where there is clear demand for more flexible, adaptable spaces.

Zoning regulations often dictate how buildings can be used and what types of developments are allowed in certain areas. In many cases, these rules were established long before the rise of remote work or the demand for mixed-use spaces, and they no longer reflect the needs of the modern workforce. To enable innovation and support the growth of the CRE sector, cities must consider updating their zoning laws to allow for more flexible uses of real estate, and/or find ways to incentivize developers and operators to make these changes.

For example, easing zoning restrictions could make it easier to convert vacant office buildings into residential units, helping to address housing shortages in cities where housing demand is high. Additionally, tax abatements might be needed to accommodate stakeholders to undertake these usually cost inefficient conversions. Similarly, allowing for more mixed-use developments could encourage the creation of vibrant, community-oriented neighborhoods that attract both businesses and residents. By adapting zoning regulations and create various incentives plans to meet the needs of today's economy, cities can help stimulate growth in the CRE sector and create more dynamic, sustainable urban environments.

Conclusion: A Dynamic Future for Commercial Real Estate

The future of commercial real estate is being shaped by a combination of economic shifts, technological innovations, and changing workplace dynamics. As interest rates ease, CRE investors will benefit from improved access to capital and lower borrowing costs, but they must remain vigilant in navigating the ongoing challenges of the post-pandemic landscape.

Proptech and AI are providing CRE stakeholders with new tools to optimize building operations, enhance tenant experiences, and create more sustainable, efficient properties. At the same time, the rise of flexible work models and mixed-use developments is transforming how office spaces are designed and used, creating opportunities for more adaptable, community-focused real estate.

However, for these innovations to fully take hold, cities must update their zoning regulations and incentives plans to allow for more flexibility in how buildings are used and developed. By embracing these changes and continuing to invest in technology and innovation, the CRE sector can thrive in an increasingly dynamic and interconnected world.



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Building products & services

Seeking growth in a challenging global market

The boom in M&A in the wake of COVID subsided last year, with global deal volumes down 25% as they returned to previous levels. But the Building Products & Services sector saw a decline of just 2.4%, revealing a more resilient market and some hotspots of activity too.

Some geographical markets had a great year, with deals outside of Europe and North America rocketing by 81%. The sector's core European and North American markets were affected by inflationary concerns, but these are now easing, creating a brighter outlook for the coming year.

US DEALS DOWN **1.1%**
41% SHARE OF ALL SECTOR DEALS

NORDIC VOLUMES SLUMPED **28.7%**

10.6% DECLINE IN
IN UK DEALS, STILL THE
MOST ACTIVE MARKET
FOR PRIVATE EQUITY

INDIA AND AUSTRALIA
DRIVE **81%** RISE
IN ACTIVITY IN
REST OF WORLD

US

M&A steady in largest market for deals

The US, which had a 41% share of global activity in 2023, saw a modest decline in volumes.

Key dynamics affecting M&A appetite included high commodity prices, cost of labour and a difficult interest rate environment.

Core motivators for M&A included cost synergies, complementary capabilities and product offerings. Valuations remain strong in businesses with exposure to preferred end markets such as residential and green energy transition infrastructure.

Conversely, as investors seek assets with supply chain resilience and inflation protection, companies reliant on international components or bundled product financing have seen valuation multiples shrink, resulting in a widening gap in buy-sell expectations and fewer transactions.

But we expect the buy-ask spread to normalise given the strong underlying market drivers, not to mention the high levels of private equity available.

There is huge investment afoot in infrastructure, which along with non-residential construction is expected to drive growth – and M&A should follow.

Europe

Economic downturn impacts M&A

European M&A declined by 13.5% in 2023 but was still ahead of pre-COVID activity levels.

The UK was one of the more resilient European markets, while there were notable slumps seen in the Nordics, Germany and Benelux.

Although the UK is still the most active market for private equity, higher interest rates slowed their advance into the sector, giving corporates more room to pursue acquisition and consolidation programmes, that as in previous years have focused on two main themes: sustainability and innovation.

The drive towards renewable energy has created a hotspot for M&A in heat pumps and solar, while the regulatory drivers in the fire safety market have spurred a race to build scalable platforms.

With interest rates now receding to acceptable levels and considerable amounts of private equity dry powder still needing to be deployed, the overall outlook for Building Products & Services is set to brighten.

Valuations could potentially edge up a little as the markets recover and private equity add competitive tension, but we don't expect to see any major movement.

Rest of World

M&A rises impressively

Underpinned by strong volumes in Australia and India, government stimulus has been a driving factor behind the impressive increase in transactions.

In Australia, interest rate rises impacted housing construction, but near-record infrastructure investment helped to drive an increase in overall sector M&A.

Major trends seen in M&A include ESG and technological advancement, and businesses expanding up and downstream, seeking resilience in their business models through vertical integration.

India, which aims to become the world's third largest construction market, will remain an attractive market for years to come. The present government aims to build 30 million affordable houses within the next five years, with modular and prefabricated construction techniques gaining strong traction.

China's government is also prioritizing affordable housing and is encouraging banks to allocate more funding to the property sector, and to focus on streamlining approval processes.

The global picture



MORE THAN
5,500
IN TRANSACTIONS
IN THE LAST 5 YEARS



VOLUMES DOWN
2.4%
IN 2023



18%
BUY-OUTS

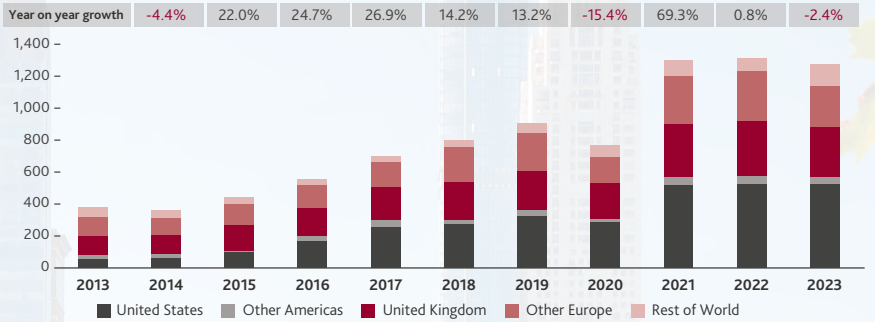


19%
CROSS-BORDER



SECTOR
MULTIPLES
SETTLE

Global deal volumes, 2013-2023

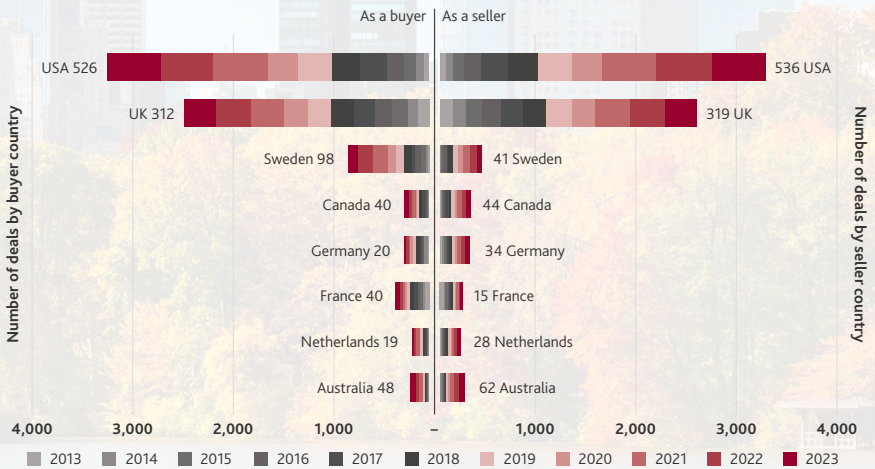


Year	United States	Other Americas	United Kingdom	Other Europe	Rest of World
2013	150	50	100	100	100
2014	180	60	120	110	110
2015	200	70	140	120	130
2016	220	80	160	130	150
2017	250	90	180	140	170
2018	280	100	200	150	190
2019	300	110	220	160	210
2020	250	90	180	130	170
2021	500	180	350	250	220
2022	520	190	360	260	230
2023	500	180	350	250	220

Year on year growth: 2013: -4.4%, 2014: 22.0%, 2015: 24.7%, 2016: 26.9%, 2017: 14.2%, 2018: 13.2%, 2019: -15.4%, 2020: 69.3%, 2021: 0.8%, 2022: -2.4%

Source: Experian MarketIQ, BDO analysis

Primary deal markets



Country	As a buyer	As a seller
USA	526	536
UK	312	319
Sweden	98	41
Canada	40	44
Germany	20	34
France	40	15
Netherlands	19	28
Australia	48	62

Number of deals by buyer country (left axis) and Number of deals by seller country (right axis). Legend: 2013 (lightest), 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023 (darkest).

Source: Experian MarketIQ, BDO analysis

Key market themes

Slow global growth

Around the globe, high inflation has been impacting growth. In the UK, the Construction Products Association does not anticipate a real return to growth in the Building Products & Services sector until next year.

Political transitions

The transition to a Labour government in the UK, shifts in the European political landscape, and the upcoming US elections all impact market sentiment, and in time, the policies that will impact the sector.

Infrastructure spend

The outlook for spending on major infrastructure projects is often problematic and even more so as electoral calculations enter the equation. Vast government-backed opportunities exist in the US, Australia and India.

The UK Building Safety Act's impact on M&A

Changes to building safety laws are expected to heighten due diligence in transactions, while unlocking opportunities for businesses providing compliance-focused products and services, such as fire safety.

Read more in our [Building Products & Services 2024 Sector Insights](#) publication

**THE BDO BUILDING
PRODUCTS & SERVICES TEAM
HAS COMPLETED MORE THAN
650 DEALS
IN THE LAST THREE YEARS**

**BDO IS RANKED
NO.1 GLOBAL
FINANCIAL
ADVISORS**

1. Factset league tables, 2022 & 2023



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Companies get creative with heat pump uptake

The drive to sustainability is supporting the uptake of heat pumps around the world. In the UK, government attempts to support heat pump adoption have had limited results, forcing installers to take the initiative.

Innovation in sustainable materials

Manufacturers are creating new variations of basic materials such as bricks and concrete. Corporates are establishing Futures divisions and backing Ventures to spearhead the most promising technologies.

Materials passports

Giving building materials a passport could be a game changer for sustainability. They are increasingly imposed in public tenders in Europe to demonstrate circularity level, carbon content and toxicity of materials used in an asset.

Unlocking the future

The addition of smart digital features is extending to traditionally low-tech sub-sectors such as access control. Smart investors are on the look-out for ever-smarter products and services.

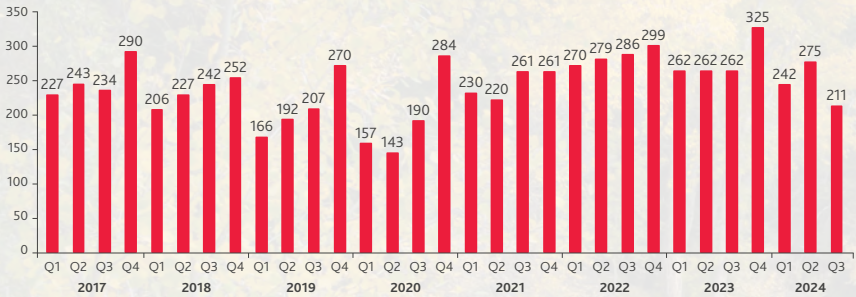


Natural resources

Sector deal activity is sustained and set against a global decline on transactions

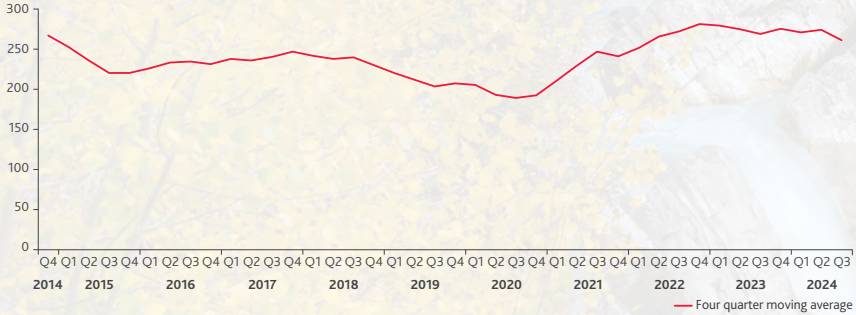
The level of mid-market Energy, Mining & Utilities (EM&U) M&A activity in the fourth quarter of 2023 reached a seven-year high of 325 transactions. However, the first two quarters of 2024 exhibited a return to more normal levels of activity in the range from 240 to 280. We note that the most recently reported quarterly period may not be fully representative of the relative level of activity as transactions are sometimes reported subsequent to the quarterly period end meaning that transactions are not recorded in the statistics until the following period.

Global mid-market Energy Mining & Utilities M&A Deals by quarter



It is not clear whether the decrease for 2024 Q3 reflects an ongoing fall in the level of activity, is a one-off or is merely the result of the lag in reporting of a significant numbers of transactions for the most recent quarter, but the four quarter moving average shows that the level of EM&U deals is still buoyant and has averaged more than of 250 transactions per quarter since 2022 Q1. This is a sustained level of activity not seen since 2014 Q4.

Moving average number of EM&U midmarket deals



Macro factors in this sustained buoyant level of activity include:

- Continuing emphasis on renewable energy and the energy transition; and
- Ambivalence about the oil and gas industry.

Set against this are the following global factors which may make companies hesitant about M&A activity:

- Global instability with conflicts in the Middle East and Ukraine; and
- Continuing uncertainty about China's strategies.

Key deals

EM&U deals dominate the top 20 mid-market EM&U deals by value for several regions:

- Latin/South America** – 10 of the top 20 representing 47% of the total value of the top 20 deals for the region;
- Australasia** – 7 of the top 20 representing 42% of the total value of the top 20 deals for the region; and
- Central and Eastern Europe (CEE)** – 5 of the top 20 representing 25% of the total value of the top 20 deals for the region.

Analysing the target companies within the EM&U deals for the quarter reveals that there are many renewable energy deals as emphasised by the table below.

Renewables

Some of the highest value deals across the mid-market Energy, Mining and Utilities sector have been in relation to targets in renewable energy.

In UK/Ireland

- CK Infrastructure Holdings Ltd is to acquire 32 operating onshore wind farms (with a combined installed capacity of 175 megawatts (MW) located across England, Scotland and Wales) from Aviva Investors in the United Kingdom; and
- Compass Digital Acquisition Corp., a special purpose acquisition company, entered into a definitive business combination agreement with EEW Renewables Ltd, a developer in the renewable energy industry.

In the DACH region

- Equitix Investment Management Ltd invested into the Gode offshore wind farm in Germany, by acquiring a 15.2% stake from the Renewables Infrastructure Group Ltd.

In the Nordic region

- Sunnhordland Kraftlag AS purchased Midtfjellet Vindkraft, a wind power facility in Fitjar municipality, together with Fitjar Kraftlag AS; and
- Octopus Renewables Infrastructure Trust plc entered into a conditional agreement to sell the Ljungholm onshore wind farm in Sweden to a German institutional investor.

In the CEE region

- Energias de Portugal SA signed a sale and purchase agreement with Orlen Wind 3 to sell a 100% stake in a wind and solar portfolio in Poland; and

Mid-Market Deals Q3 2024 – Number of Deals – Energy

REGION	ENERGY	OIL & GAS	METALS	COAL	OTHER
UK/Ireland	2	-	-	-	-
DACH	1	-	-	-	-
Benelux	-	1	-	-	-
Nordic	2	1	-	-	-
CEE	2	-	2	-	1
Southern Europe	3	1	-	-	-
Middle East	1	2	-	-	-
North America	2	3	-	-	-
Latin/South America	7	2	-	-	1
India	2	-	-	1	-
Australasia	-	-	2	2	2
Africa	1	-	-	2	-
TOTAL	23	10	4	5	4

- Nala Renewables Ltd, an independent power producer and global power and renewable energy investment platform, acquired 100% of a 99.2 MW onshore wind project in eastern-Romania from OX2 AB.

In Southern Europe

- Dolomiti Energia SpA is to exercise its right to purchase shares to obtain a 40% interest in Hydro Dolomiti Energia (which operates 29 hydroelectric power plants in Italy with a total installed capacity of 1.3 GW); and
- Elawan Energy S.L., a part of ORIX Group, acquired 100% of Acciona Saltos de Agua, S.L.U., a hydroelectric power producer that operates 23 hydroelectric power plants with a total installed capacity of 175 MW in northern Spain).

In North America

- Goldman Sachs Asset Management LP invested into BrightNight LLC, a renewable power company operating across the United States of America and the Asia Pacific.

In Latin/ South America:

- Eneva SA is to acquire thermoelectric projects that are controlled by Banco BTG Pactual SA located in Espirito Santo, Brazil.

In India:

- French company TotalEnergies SE formed a joint venture with India's Adani Green Energy Ltd with the deal involving TotalEnergies SE contributing an equity investment to develop solar projects in India.

Oil and Gas

There have also been a significant percentage of the highest value deals across the mid-market EM&U sector for targets in oil and gas, in particular by North American companies. Notable deals included the following:

In North America

- Post Oak Minerals V LLC, the in-house mineral & royalty investment platform for Post Oak Energy Capital LP, completed 10 acquisitions, primarily in the Permian Basin.
- Caisse de Depot et Placement du Quebec and Fonds de Solidarite des Travailleurs du Quebec invested into Energir Inc, a natural gas and electricity distributor in North America.

In Latin/ South America

- Engie SA entered into a partnership with Macquarie Asset Management Holdings Pty Ltd to assist in the expansion of the Mayakan natural gas pipeline in Mexico.

In Benelux

- Tenaz Energy Corp. entered into an agreement with Nederlandse Aardolie Maatschappij B.V., a joint venture between Shell PLC and ExxonMobil Corp. to acquire NAM Offshore B.V. The sale includes offshore gas fields, platforms, pipelines and a gas treatment plant in the Netherlands.

In Southern Europe

- Abastible S.A., a subsidiary of Empresas Copec S.A., acquired 100% of the liquified gas business from Compania Espanola de Petroleos S.A. in Spain and Portugal.

Other deals

In Australasia the highest value deals across the mid-market EM&U sector were for mining interests highlighted by the following:

- Greatland Gold plc entered into a binding agreement with Newmont Corporation to acquire a 70% ownership interest in the Havieron gold-copper project, a 100% ownership of the Telfer gold-copper mine, and other related interests in assets in the Paterson region.

Outlook

Mergermarket's Intelligence Heat Chart based on 'companies for sale' shows the following anticipated activity for the EM&U sector. Mergermarket bases this table on several sources to derive the total number of companies for sale or rumoured to be up for sale for the period.

Six months from 1 April 2024 to 30 September 2024

REGION (OF TARGET COMPANY)	ANTICIPATED LEVEL OF ACTIVITY	AS A % OF TOTAL M&A ACTIVITY FOR REGION
North America	75	3.3%
Latin/South America	49	16.5%
CEE	40	9.9%
Greater China	31	5.6%
Australasia	31	12.4%
Southern Europe	30	6.2%
South East Asia	20	9.2%
UK/Ireland	17	5.2%
Africa	16	28.1%
India	15	7.8%
Nordic	13	7.7%
DACH	12	3.7%
Other Asia	10	6.8%
Benelux	7	7.1%
Israel	6	5.8%
Middle East	3	7.9%
Japan	1	1.9%
TOTAL	376	6.3%

- Pilbara Minerals Ltd acquired 100% of the shares in Latin Resources Ltd through a scheme of arrangement, including Latin Resources Ltd's flagship Salinas Lithium Project in Minas Gerais, Brazil.
- Nippon Steel Corp. and JFE Steel Corp. collectively acquired 30% of Whitehaven Coal Ltd's Blackwater metallurgical coal mine in Queensland, Australia.

The region with the highest level of anticipated activity is North America, but representing only 3.3% of anticipated activity for the region.

The regions where EM&U activity is anticipated to be most prominent among the M&A activity are Africa (28.1% of total anticipated activity), Latin/ South America (16.5%) and Australasia (12.4%). The high proportion for Africa may be indicative of companies involved in the minerals industry to support the energy transition.

It is also illuminating to compare the current anticipated level of activity (for the six months to 30 September 2024) to the anticipated level of activity for the previous period (six month to 31 March 2024) as summarised below.

REGION (OF TARGET COMPANY)	ANTICIPATED LEVEL OF ACTIVITY	PREVIOUS ANTICIPATED LEVEL OF ACTIVITY	CHANGE
North America	75	90	▼
Latin/South America	49	39	▲
CEE	40	39	▲
Greater China	31	58	▼
Australasia	31	40	▼
Southern Europe	30	66	▼
South East Asia	20	21	▼
UK/Ireland	17	26	▼
Africa	16	22	▼
India	15	15	–
Nordic	13	9	▲
DACH	12	15	▼
Other Asia	10	6	▲
Benelux	7	6	▲
Israel	6	5	▲
Middle East	3	5	▼
Japan	1	2	▼
TOTAL	376	464	▼

This shows a decline in the overall level of anticipated activity, but with increases in several regions.

The regions with the largest decreases in anticipated activity are Greater China (58 down to 31) and Southern Europe (66 down to 30). These regions contrast with modest increases for Latin/South America (39 up to 49), Nordic (9 up to 13) and Other Asia (6 up to 10).

The Intelligence Heat Charts only show total numbers without a breakdown into subsectors within the EM&U sector but it is reasonable to expect that renewable energy and the energy transition in general will continue to be the basis for a significant number of future deals in the EM&U sector.



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Some of our recently completed deals

SBL ENERGY LIMITED

Financial advisor to SBL Energy in the raise of growth capital from Synergy Capital, India SME Investments and a few others.

FEBRUARY 2024
INDIA



Progrits AB has acquired Tetrasoft A/S. BDO acted as vendor financial advisor.

MARCH 2024
DENMARK

GLASSRESQ

Sell-Side lead advisor to Axis Project GmbH and GlassResQ AG in connection with the sale to Polygon Group.

MARCH 2024
SWITZERLAND



BDO Corporate Finance acted as lead advisor to the owners of Proffrent AS in the sale to 4Service.

MARCH 2024
NORWAY



Lead adviser to the founder of HCI Australia on securing investment from Cintana Education, a portfolio company of Sterling Partners.

JUNE 2024
AUSTRALIA

PROFAST GROUP

BDO acted as the Lead Advisory team to Profast Group in their acquisition of Profast Ltd in Ireland, Profast (NI) Ltd, and Fortus Hardware Ltd. BDO provided Financial Due Diligence, Tax Due Diligence, and Finance Raising as part of the MBO process.

JUNE 2024
NORTHERN IRELAND



Sale of Torus Technology Group Limited to Industrial Physics LLP.

JUNE 2024
UNITED KINGDOM

BONKA CIRCUS

Supported Bonka Circus in their merger negotiations (M&A and Due Diligence services).

JUNE 2024
BELGIUM



Karmijn Kapitaal acquires stake in Investree.

MARCH 2024
NETHERLANDS

COPROPRIÉTÉS & DIAGNOSTIC

BDO France advised the sale of Copropriétés & Diagnostic to Butagaz, subsidiary of DCC plc.

APRIL 2024
FRANCE

MOTORSPORT PRODUCTS GROUP, INC.

BDO Capital advises Motorsport Products Group, Inc. on acquisition by Radial Equity Partners.

APRIL 2024
USA



Sell-Side lead advisor to Econis AG in connection with the sale to WIIT S.p.A.

MAY 2024
SWITZERLAND

PELCO LIMITED

BDO acted as lead advisor to Pelco on their sale of 9 forecourts to Circle K Ireland. Pelco is a convenience retail group and operates a number of petrol stations in Leinster.

JULY 2024
IRELAND



BDO has advised the shareholders on the sale of Martin Randall Travel to Piper PE LLP, a consumer-focused private equity firm.

JULY 2024
UNITED KINGDOM

Basis57

Administrator and transaction advisor for Basis 57 nachhaltige Wassernutzung AG as part of the «Pre-pack procedure», through which the operational business was taken over by Swiss Lachs Gottardo AG.

AUGUST 2024
SWITZERLAND

PETS AND FRIENDS TRADING LIMITED

Sale of Kennelpak's retail business, Pets & Friends, to PSR Trading Limited, Just for Pets.

AUGUST 2024
UNITED KINGDOM

INTERNATIONAL SCHOOL OF ATHENS

BDO acted as exclusive financial advisor and negotiator of ISA and its shareholders for the sale of 100% of shares to a UK Education Group.

MAY 2024
GREECE



BDO Deal Advisory acted as exclusive financial advisor to the owners of Toriro Power Solutions AB in the divestment to Sparc Group.

MAY 2024
SWEDEN

ANDERSON TRANSPORTATION AND LOGISTICS, LLC

FLS Transportation Services Limited, an Abry Partners portfolio company, acquired Anderson Transportation & Logistics, LLC. BDO served as exclusive financial advisor to ATL on this transaction.

JUNE 2024
USA

SIC - SOCIEDADE INDEPENDENTE DE COMUNICAÇÃO

BDO performed all buy-side M&A life-cycle (including financial and tax due diligence) on Etnaga in advising SIC.

JUNE 2024
PORTUGAL

EURO EVENTS

Legia Capital acquires Euro Events.

AUGUST 2024
NETHERLANDS

BROS.AGENCY

BDO advised Bros.Agency's shareholders in the acquisition of Bros.agency by the leading communication agency AUSTRALIE.GAD

SEPTEMBER 2024
FRANCE

SAVRO DOO

BDO Serbia advised a group of individuals in the acquisition of 2 MW biogas powerplant

SEPTEMBER 2024
SERBIA

CYLENT INTERNATIONAL PTY LTD

Buy-side adviser to a private consortium on its acquisition of MSSP & software specialist, Magenta Technologies

OCTOBER 2024
AUSTRALIA

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Data compiled by Acuris.

We focus on the middle market, defined as deals with a value from \$5m to \$500m in US Dollars.

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