REPORT

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M&A Deal Trends H1 2024

Deals are closing faster after long-term slowdown

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Contributors

Julien Spanneut

M&A and Investment Analyst at Luminus

Oliver Finch

Founder of Longmont and former VC investor

Sabine Schilg

VP of Customer Success at Ideals

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Introduction

The past few years have been referred to as a “global drought” in dealmaking, as a sharp decline in takeovers followed the surge in activity during the pandemic. Now, our data shows it’s not just the volume of deals that’s suffered: M&A activity has been taking longer, and more time is being invested in due diligence.

Through analysis of M&A projects using the Ideals Virtual Data Room (VDR), we found that deals that closed in H1 2024 had taken on average 258 days. That’s a third longer than it did in 2020, when the average duration was 195 days.* While 2020 was a unique year due to the COVID-19 pandemic, the overall trend shows deal timelines have steadily increased over the past four years.

These longer deal timelines may be symptomatic of a global M&A slowdown: for all of 2023, activity dropped 16% from a year earlier, to $3.1 trillion.[1]

In this report, we set out some of the factors that may have contributed to the extension of the deal lifecycle – from rising interest rates to a heightened focus on Environmental, Social, and Governance (ESG) criteria and the intricate challenges of regulatory compliance.

We explore the complex relationship between technology and due diligence, discussing how dealmakers can balance the potential for faster decision-making with the increased scrutiny required in today's digital landscape. And we look at what the future might hold for M&A, as project timelines begin to shrink and deal activity makes a tentative recovery.

* Deal duration is classified as time between the first non-admin invited to the Ideals VDR and room closure.

[1] McKinsey, M&A Trends in 2024: A Blueprint for Success, 2024

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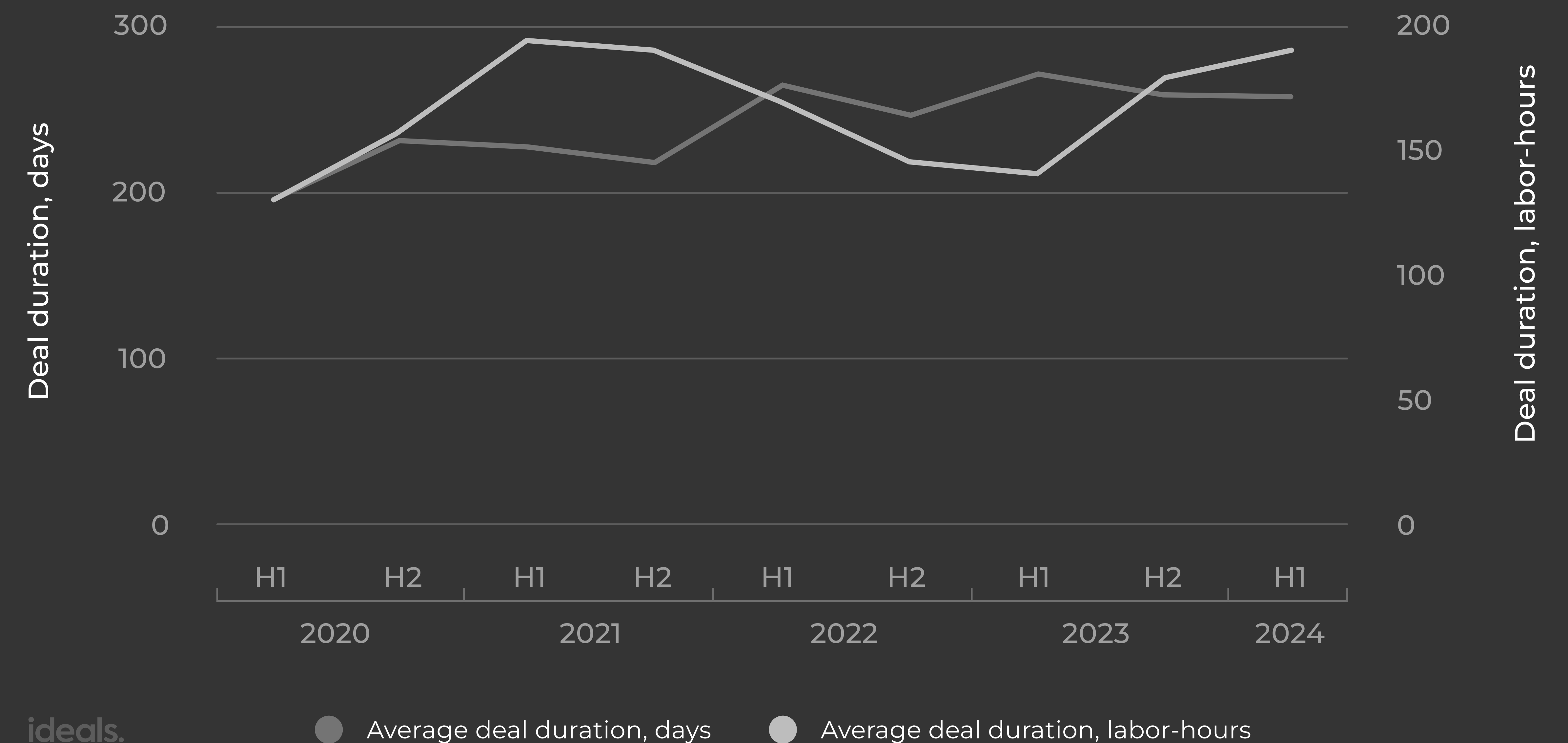
Chapter 1

A shifting finish line

The years since 2020 have been turbulent for M&A dealmakers. The global pandemic, antitrust authorities, new technologies, and rising interest rates have presented complex challenges, making it increasingly difficult to close deals quickly.

Our data reflects this, showing that deals are taking on average 32% longer now than they did four years ago. This trend is particularly pronounced when we look at the percentage of deals lasting six months or more. In H1 2024, 52% of deals extended beyond six months, down from a high of 59% in H1 2023 – but still significantly higher than the 39% observed in H1 2020.

Similarly, the percentage of deals lasting 12 months or more has remained stable at around 27% since 2023, but this is a significant increase from the 14.5% recorded in H1 2020.



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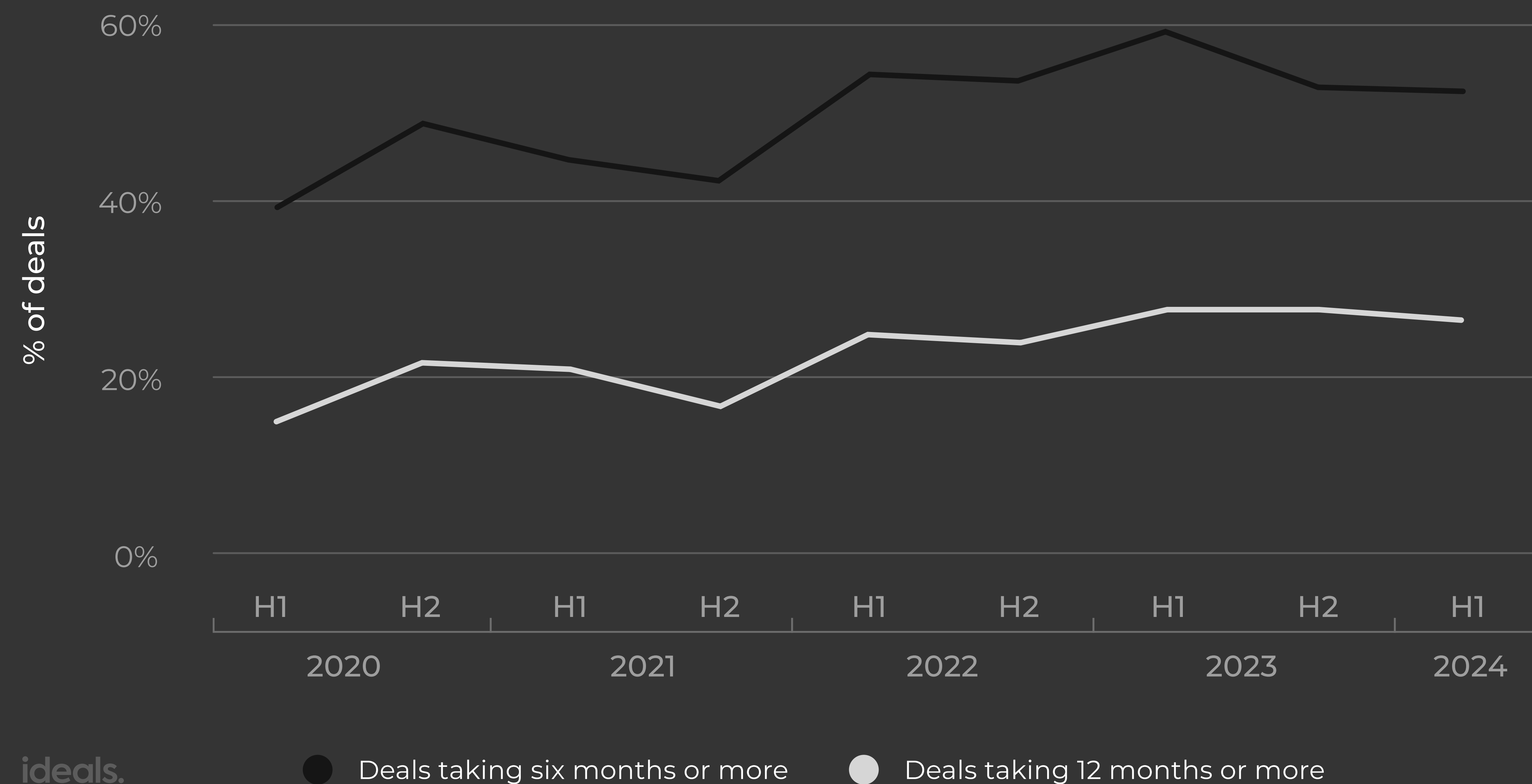

But there are early signs that deal times might be shortening. For deals closing in H1 2024, the average duration was 258 days. That's a 5% decrease from H1 2023.

Deal timelines are shortening as global M&A activity appears to be picking up. The value of M&A deals rose by 5% in H1 2024 compared to H1 2023. This chimes with the observations of Oliver Finch, Founder of early stage investment advisory firm Longmont.

“I've noticed a subtle release of pressure,” he said. “Last year, there was a tendency to be overly cautious, leading to a ‘risk-off’ approach where people would pause, slow down, or dig deeper into risk factors.

“This year seems to be returning to a more normalized pace, compared with the past three to five years. Investors are more willing to say no early in the process, rather than keeping options open for longer. This has contributed to a pressure cooker effect, which may have created some momentum.”

The picture varies significantly globally. Deals appear to be taking longer in emerging markets such as South America and Africa than in Western Europe and the US. But even in these established markets, timelines are increasing.

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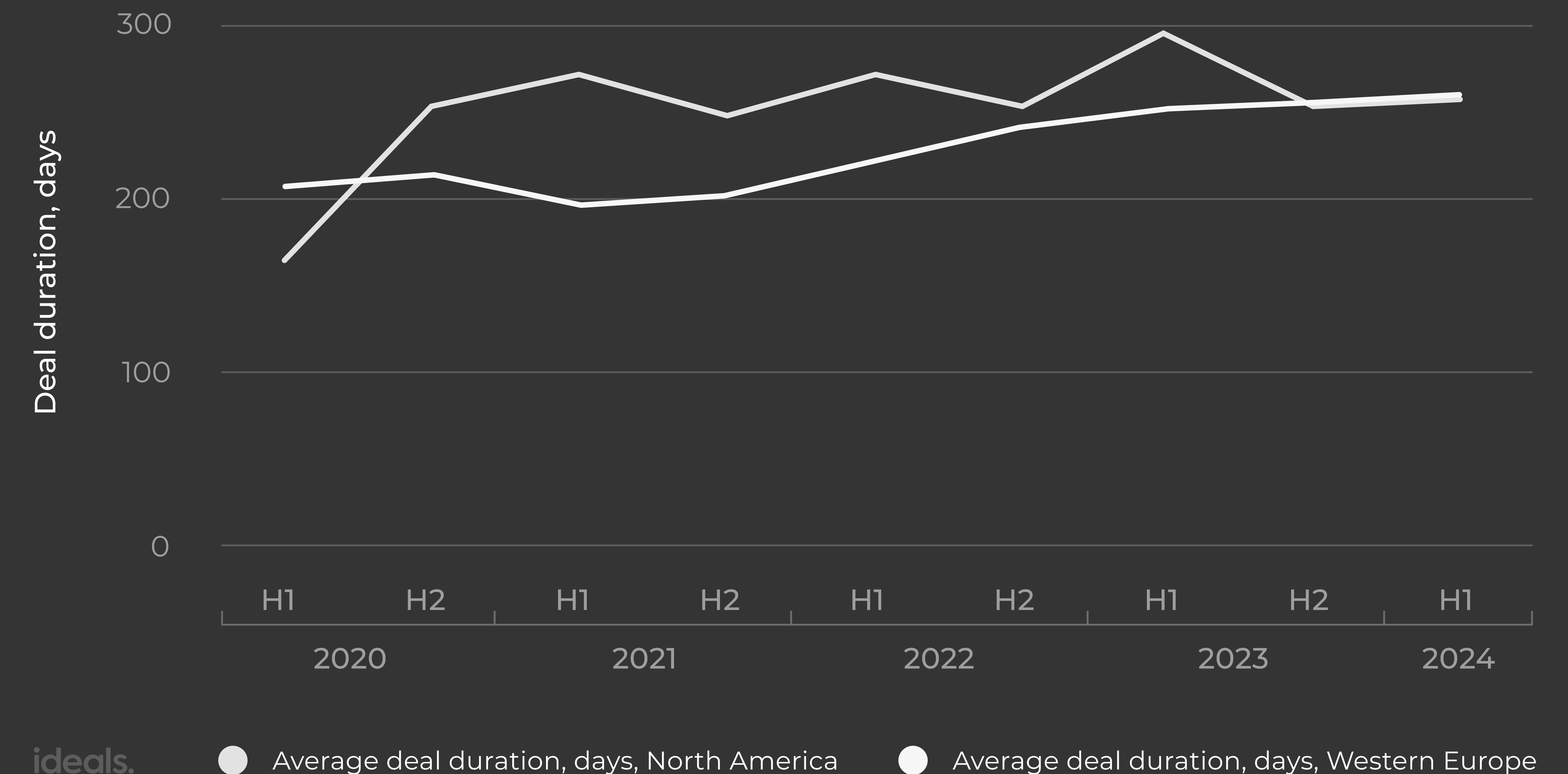
In the US, the average deal duration in H1 2024 was 256 days, a 57% increase from 2020. As expected, the number of hours that M&A professionals spend working on their deals also increased significantly in that period[2], almost doubling from 76 hours in H1 2020 to 151 hours in H1 2024. Year-on-year, this figure has increased by a third.

Meanwhile, in Western Europe, the data is less dramatic – but it still shows a marked increase in both deal duration and time spent on due diligence since 2020. The average deal duration in H1 2024 was 259 days, 25% higher than four years ago. The number of hours spent on deals also increased by almost 50% year-on-year, the highest level since 2020.



> "This year has been more overtly, if selectively, risk-on. Last year, there was a tendency to be overly cautious, where teams would pause, slow down, or dig deeper into risk factors not always linked to core deal rationale.

Oliver Finch
Founder of Longmont and former VC investor

[2] We measure the hours spent working on M&A deals by analyzing the amount of time dealmakers spent using their iDeals VDR during an M&A project.

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Julien Spanneut, M&A and Investment Analyst at Luminus, a Belgian energy firm, sees the evolution of financing conditions as an additional factor of complexity and delay. “I would assume the increase in interest rates is playing a role in that. It's more difficult for companies and investment funds to benefit from favorable financing conditions. But the situation is improving, and we can hope for more interest rate decreases in the future. If that happens, it should help to relaunch the market.”

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Looking at differences between industries, our data shows that deals in tech-intensive industries, such as energy, agriculture and utilities, take on average 17% longer to finalize compared with those in service-based industries, such as retail, leisure and financial services.

Dealmakers are increasingly stretched

It’s not just overall deal timelines that are increasing; the number of hours that M&A professionals spent working on deals is also on the rise. In H1 2024, dealmakers spent an average of 191 hours in data rooms per deal, a 35% increase from the previous year (H1 2023) and a 47% increase from H1 2020. The trend peaked in H1 2021, when the average reached 194 hours per deal.

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Chapter 2

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Why are deals taking longer?

The most obvious factor contributing to the extension of deal timelines is interest rates and uncertainties around financing. Global M&A deal value almost hit a 10-year low by Q3 2023, reflecting the impact of these economic challenges.[3]

But dealmakers face a broad range of challenges, including a greater focus on ESG, the emergence of new technologies, and increasing scrutiny from global regulators.

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WHY ARE DEALS TAKING LONGER?

The high price of money

Persistently high interest rates are making the M&A landscape more challenging.[4] The high cost of borrowing has made it tougher to access the necessary capital, and the process of securing funds at a reasonable price often slows deals down.

This, coupled with the volatility of global markets, has made it even more important to assess the financial stability of potential deals, further lengthening the process. The US banking M&A market, for example, saw a significant slowdown due to rising interest rates, which made financing more challenging and led to a decrease in deal value by 15% in 2023.[5]

“Diligence always takes longer when money is expensive,” explains Sabine Schilg, VP of Customer Success at Ideals and former VP of M&A integrations at IBM. “When there's a lot of cheap money, the process is easier. But right now, money is more expensive, and post-COVID, businesses often have less financially strong backgrounds. Companies are much more careful in the decision process, focusing on whether there’s a viable business case.

“They really take the time to find the showstoppers - but they also spend longer considering whether they want to go through with the deal.”

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Sabine Schilg
VP of Customer Success at Ideals

[4] The Economist, Markets think interest rates could stay high for a decade or more, November 2023

[5] S&P Global, Slow pace of US bank M&A will persist in 2023 as dealmaking headwinds intensify, 2023

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WHY ARE DEALS TAKING LONGER?

Is ESG slowing down deals?

The growing emphasis on environmental, social, and governance (ESG) may be contributing to the lengthier deal process. Targets with compelling sustainability narratives, supported by robust data, are commanding price premiums, and KPMG found that 70% of dealmakers reported an increase in the importance of ESG due diligence over the last 12 to 18 months.[6]

This inevitably demands more time and attention, particularly when dealmakers don't have the required ESG knowledge. Separate analysis by KPMG found that 23% of US investors are conducting ESG due diligence without an adequate understanding of sustainability in their area of investment.[7]

The emphasis on ESG due diligence is particularly true of private equity firms, which are three times more likely to conduct the process than corporates. But it's expected to become increasingly widespread: a significant proportion of both groups (23% of private equity firms and 33% of corporates) surveyed in December 2022 said they planned to incorporate ESG into due diligence processes in the next 12 months.[8]

But not all current or perceived regulation is a blocker – particularly in the context of venture capital. Finch believes that recent delays due to ESG may be down to the fact that we are in the early phases of new regulation, which can yield a tendency for firms to overreact.

"Risk-tolerant firms might just say, 'We'll deal with it if it becomes an issue,' whereas the more prudent firms might over-index, initially," he says. "This often feeds a learning process, allowing deal teams to get faster and more targeted over time, and decide where and how to invest resources in diligence."

of dealmakers reported an increase in the importance of ESG due diligence over the last 12 to 18 months

[6] KPMG, ESG Due Diligence Study, 2024
[7] KPMG, The sustainable advantage: Leveraging sustainability to unlock value, 2023
[8] Deloitte, Private Equity Leads Corporate Deal Teams on ESG in M&A, March 2023

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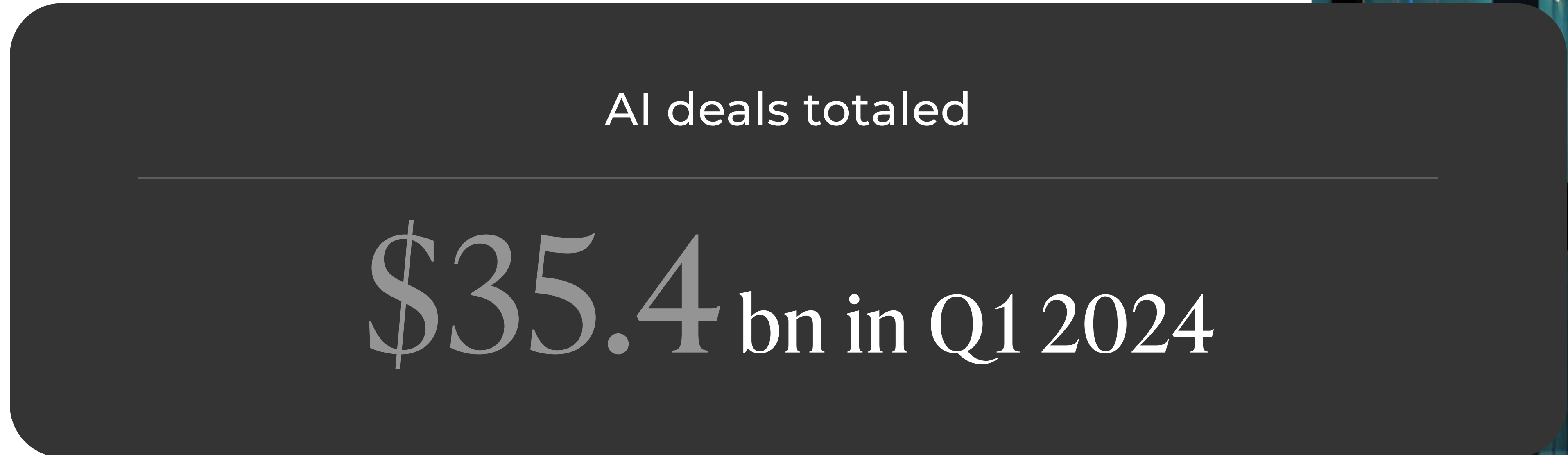
WHY ARE DEALS TAKING LONGER?

AI: Is the hype impacting deal timelines?

AI has been a catalyst for M&A activity. It accounted for 245 technology deals announced in Q1 2024, worth a total value of $35.4 billion, according to Global Data. That's almost four times the value of the previous quarter, and 168% higher than Q1 2023. Deal volume also increased by a fifth in Q1 2024 versus the previous quarter, and by 27% compared with Q1 2023.[9]

Although still in its early stages, AI is predicted to lead to huge cost efficiencies, opening up new revenue streams and new channels to customers.

PwC predicts that companies will need to re-evaluate their strategies and business models, which will in turn impact transactions from "traditional M&A to partnerships, alliances and other innovative relationships we have not previously seen."[10]



[9] Global Data, How artificial intelligence M&A performed in the technology industry in Q1 2024

[10] PwC, Global M&A Industry Trends, 2024

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On the flip side, the unknowns around the use cases and long-term impact of AI can add additional risks and delays in the deal process. In research conducted by KPMG, some dealmakers admitted to not having a concrete grasp of the target company's technologies, making it difficult to investigate the legitimacy of partnerships and user databases, and leading to longer deal timelines.[11]

Despite the AI gold rush, Finch believes investment funds are becoming more skeptical when assessing bold claims in pitch decks. "Those who present AI as a differentiator or a value-add need more substance to their claims and promises," he warns. "Even early investors that are notorious for fear of missing out on early opportunities expect relevant talent, academics and line of sight on good technical execution."

> Those who present AI as a differentiator or a value-add need more substance to their claims and promises.

Oliver Finch
Founder of Longmont and former VC investor

[11] KPMG, The Future of Due Diligence, 2023

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WHY ARE DEALS TAKING LONGER?

Regulator scrutiny on the rise

Anti-competitiveness regulation is becoming increasingly difficult to navigate. The major authorities – the UK's Competition and Markets Authority, the US Department of Justice and Federal Trade Commission, and the European Union – are now challenging deals not only on their current competitiveness, but also on the grounds of future potential competition or vertical integration.

At least $361 billion in announced deals were challenged by regulators globally in 2022 and 2023. Regulatory scrutiny can significantly slow down the M&A process – extending the pre-close period from three months to up to two years.[12]

But regulation doesn't have to be a showstopper. "If a company is publicly traded, they usually already have processes in place to navigate regulation," explains Schilg. "Deals with non-regulated small companies are much more time-intensive and resource-intensive than larger ones, because big businesses have often already gone through these processes themselves."

[12] Bain & Company, Regulation and M&A: How Scrutiny Raises the Bar for Acquirers, 2024

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Chapter 3

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Don’t turn a delay into a deal-breaker

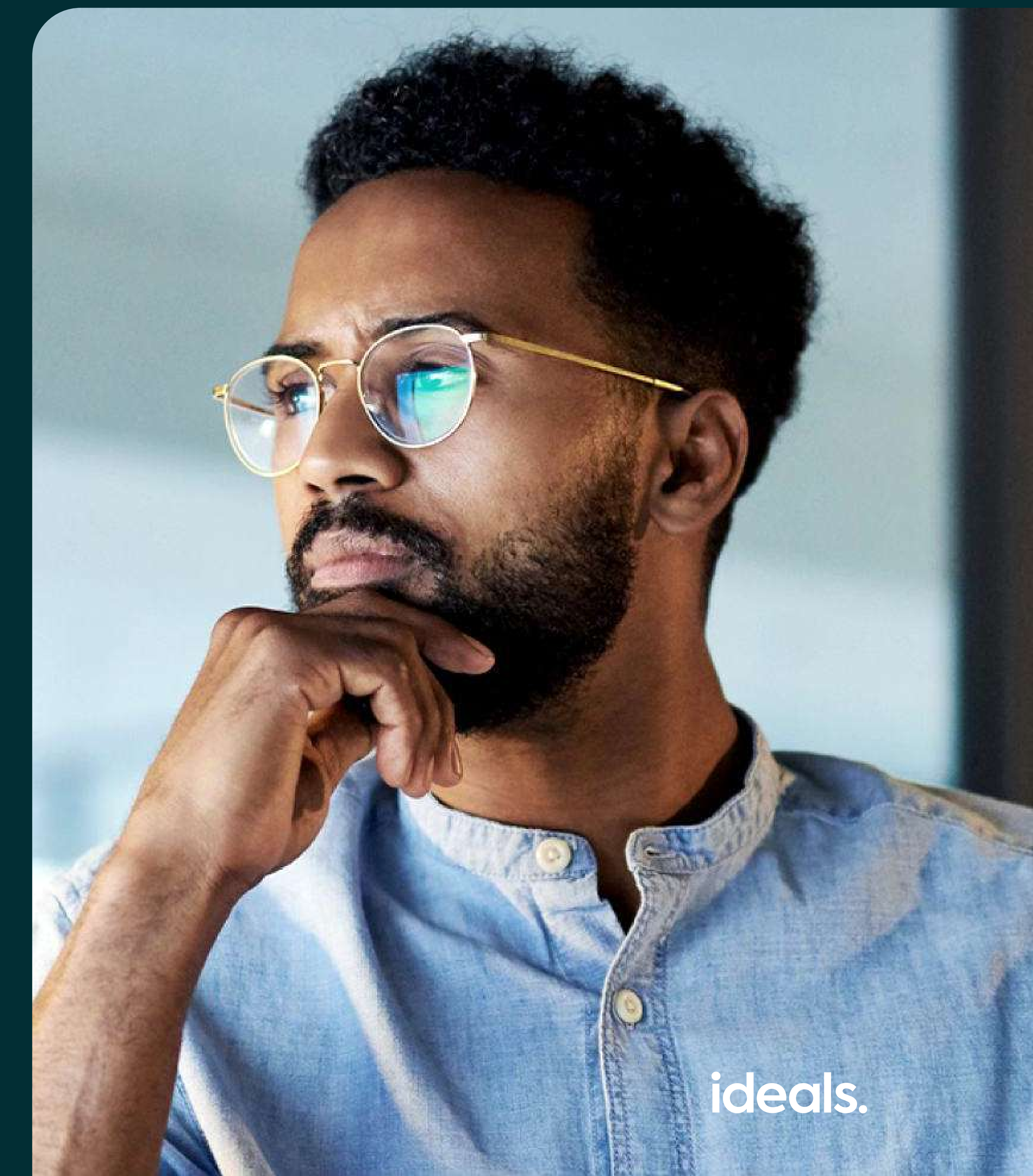
The M&A environment has been incredibly challenging in recent years. But there are reasons to be optimistic: there was a 17% increase in global M&A volume in H1 2024 to $1.6 trillion,[13] and our data shows early signs of shorter deal timelines, with H1 2024 showing a 5% decrease in average duration compared with H1 2023.

Still, competition has been fierce since 2022, when deal volumes dropped and companies and investors have held record amounts of capital to put towards acquisitions.[14]

As we move into 2025, dealmakers must continue adapting to the challenges of high interest rates, ESG, and the increasingly complex regulatory landscape.

By understanding these trends and the underlying factors driving them – and by using the right technology to simplify and accelerate their due diligence – dealmakers can equip themselves to navigate even the most difficult transactions.

[13] MergerMarket, M&A Highlights 1H24: In Recovery, June 2024
[14] KPMG, 2022 EMA ESG Due Diligence Study, November 2022



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Methodology

This report is based on anonymized data collected from our Virtual Data Room customers on the sell and buy sides of M&A deals. We calculated the deal duration as the time between the first non-admin invited and the closure of the room.

We also measured the number of hours spent working on documents within the room.

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