

M&A in Ireland H2 2023 Overview

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2023 saw a significant decline in deal flow versus 2021 and 2022 as the market normalised post Covid.

While volumes were down, the core trends remained largely consistent in terms of buyer type, buyer geography, sector and deal size.

Our view is that both in terms of volume and value, 2023 was a year of normalisation due to economic uncertainty and a disconnect between buyer and seller valuation expectations.

As we enter 2024, the market appears fundamentally more stable with increasing certainty on interest rates and inflation allowing buyers to price in the new normal.

We are already seeing increasing confidence and optimism and expect this to lead to increasing deal flow as the year progresses.

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



20%

YoY Decrease in H2 M&A Deal Volume in Ireland



45%

YoY Decrease in H2 M&A Deal Volume in Europe



37%

YoY Decrease in H2 M&A Deal Volume in the US

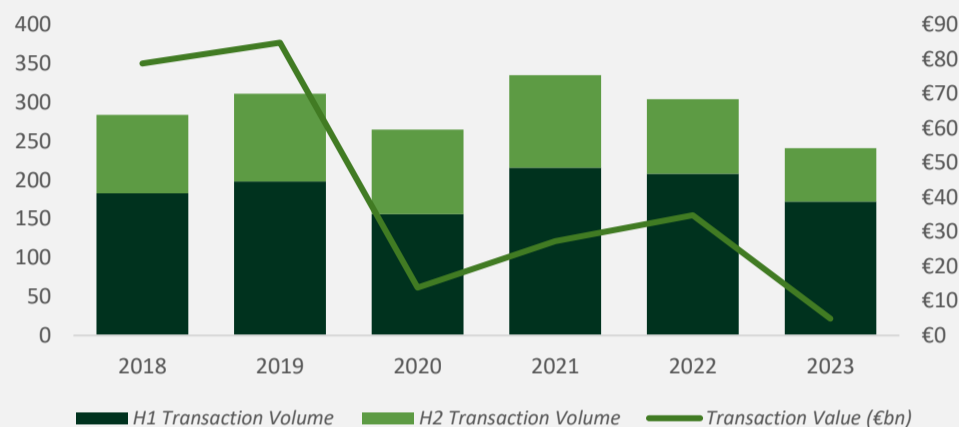
M&A Overview

M&A activity regressed in 2023 after strong performance in 2021 and 2022

- Irish M&A activity in H2 2023 totalled 113 completed transactions, bringing total volume for the year to 241, down 21% year-on-year
 - › More deals were completed in H1 (53% of transaction volume) than in H2, in line with the 2022 trend (54%)
- Total reported transaction values for H1 and H2 2023 were €3.3bn and €1.5bn respectively – a drop in the last six months
 - › There was a reversion to the long-term trend of combined values being higher in H1 after an outlier year in 2022, despite aggregate reported values being down
- While aggregate reported deal value has declined, the median transaction value for the full year increased 58% year-on-year in 2023 to €32m
 - › Although €32m is down from the 2020 peak of €38m, it is exactly in line with the five-year average
 - › The year-on-year upward trend may show valuations are increasing, or it may indicate that higher value Irish firms are getting increasingly involved in M&A activity compared to lower value
- Majority acquisitions made up a higher proportion of total volume than asset or minority acquisitions in H2
 - › Majority acquisitions have historically been the most common type of deal, but were even more prevalent over 2023 with a five-year peak of 87%
 - › This is up from 74% in 2022 and above the five-year average of 69% as minority deals and asset purchases both declined to five-year lows
 - › The year-on-year decline in majority acquisitions was only 8% compared to a 56% decline in asset purchases and a 67% drop in minority purchases

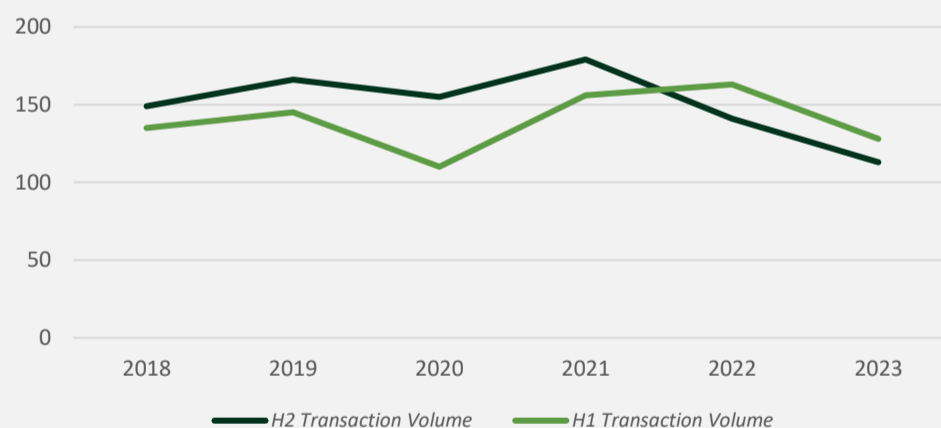
Total Transaction Volume and Reported Value (€bn) in Ireland

- › H2 M&A volume was down in 2023 while total reported transaction values also regressed to €4.8bn for the full year, 86% less than 2022 although fewer deals reported transaction values in 2023



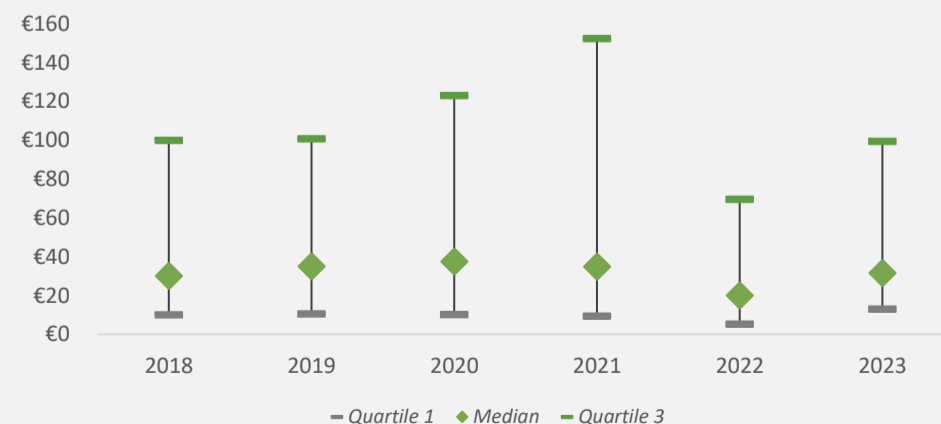
H1 and H2 Total Transaction Volume

- › 2023 repeated the 2022 trend of less activity in H2 relative to H1, with 113 completed transactions in H2 versus 128 in the first six months - volume decreased year-on-year, down 21% in H1 and 20% in H2 from 2022 levels



M&A Median Transaction Values (€m)

- › Median transaction values in Ireland increased to €32m in 2023, up 60% from the 2022 median value of €20m and in line with the trailing five-year average showing Irish M&A typically occurs at the lower mid-market level



Source: Cap IQ (sample covers majority, minority, asset and spinoff transactions reported as of 04/01/2024)

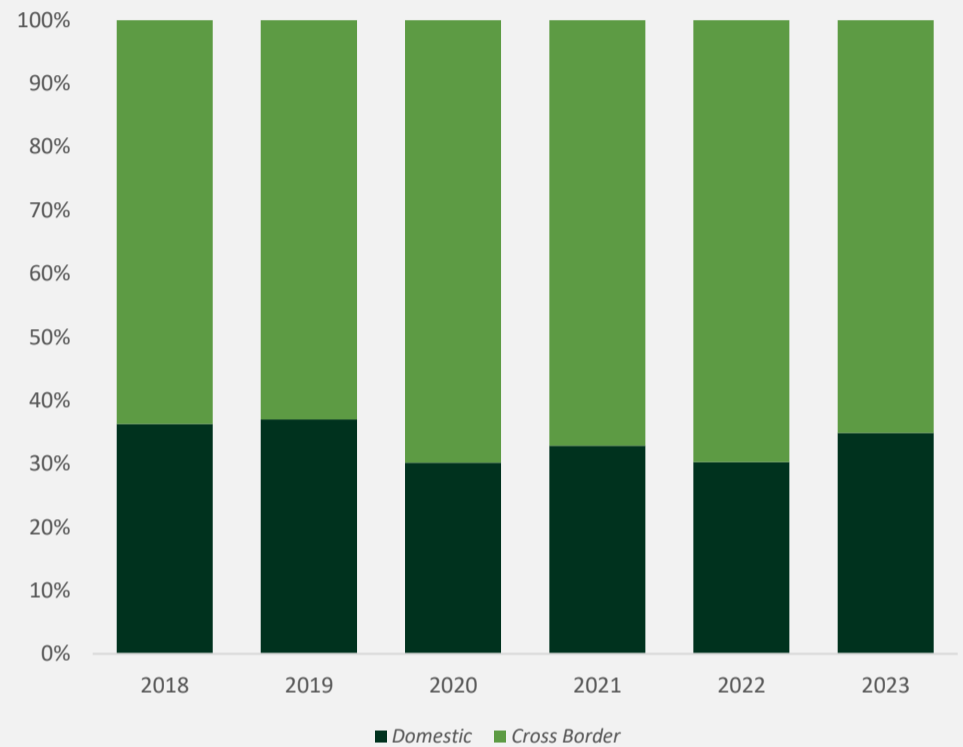
Domestic and Cross-Border Deal Flow

Cross-border M&A was more common in H2, a stable trend despite reduced activity

- Cross-border M&A transactions, transactions involving buyers or sellers from different countries, continued to be more common in Ireland than domestic M&A in 2023
 - › 59% of deal volume in H2 was cross-border in nature, 65% across the full year
 - › While down from 70% in 2022, the full year trend is broadly in line with the five-year average of 67% with a total of 157 cross-border transactions in 2023
- UK and US buyers and investors continue to be primarily involved in cross-border M&A activity with Irish firms with 16 (24% of total cross-border volume) deals each in the second half of 2023
- Both regions saw a dip below the long-term trend in 2023 after significant peaks in 2021 and 2022
 - › The UK was down 34% year-on-year from 68 to 45 transactions while the US was down 27% from 48 to 35, dropping below the five-year averages of 61 and 42 respectively
- Less active markets for cross-border M&A deals with Irish firms generally also saw decreased volume, although there was still interest in the Irish market
 - › Germany (9, 14 in 2022), Sweden (8, 9 in 2022) and the Netherlands (7, 5 in 2022) accounted for 15% of Irish cross-border M&A activity in 2023
 - › Countries with firms that had increased involvement in Irish M&A in 2023 included Canada with 8 transactions (3 in 2022) and Italy with 4 (2 in 2022)

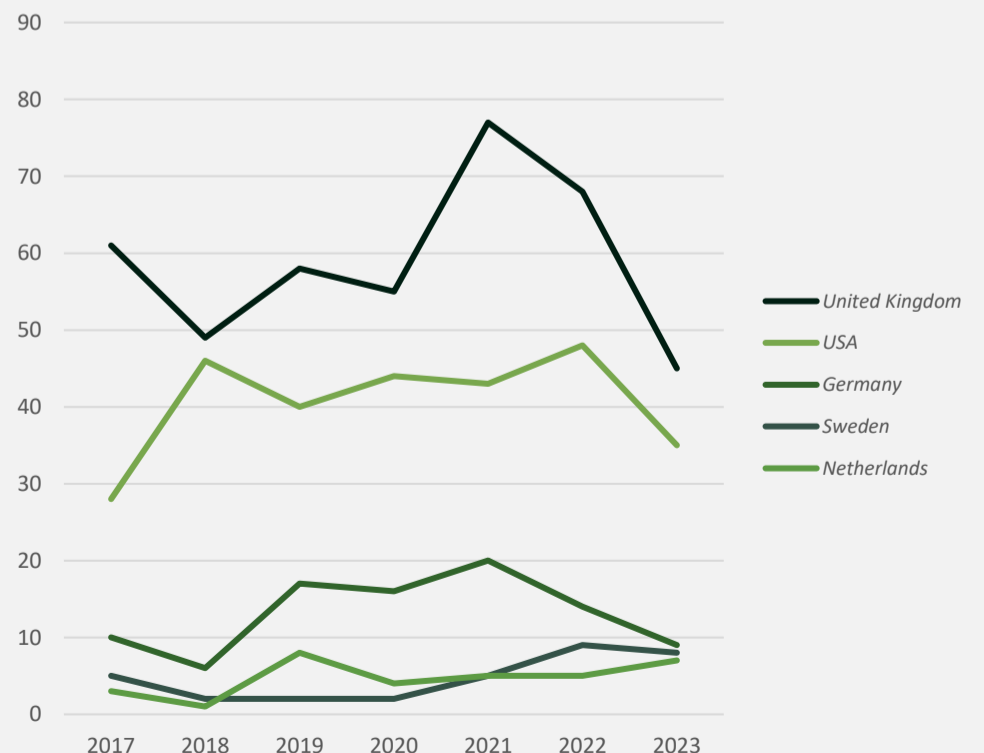
Total Transaction Volume by Geography

- › M&A transactions in Ireland have been primarily cross-border in nature with 59% of deals in H2 (65% across the whole year) – in line with the trailing five-year average of 67% as international interest in Irish M&A remains high



Total Annual Transaction Volume by Cross-Border Acquirers

- › International acquirers of Irish firms declined in 2023 – with 45 UK deals (2022: 68), 35 US (2022:48) and 9 German (2022: 14) due to dampened global M&A activity

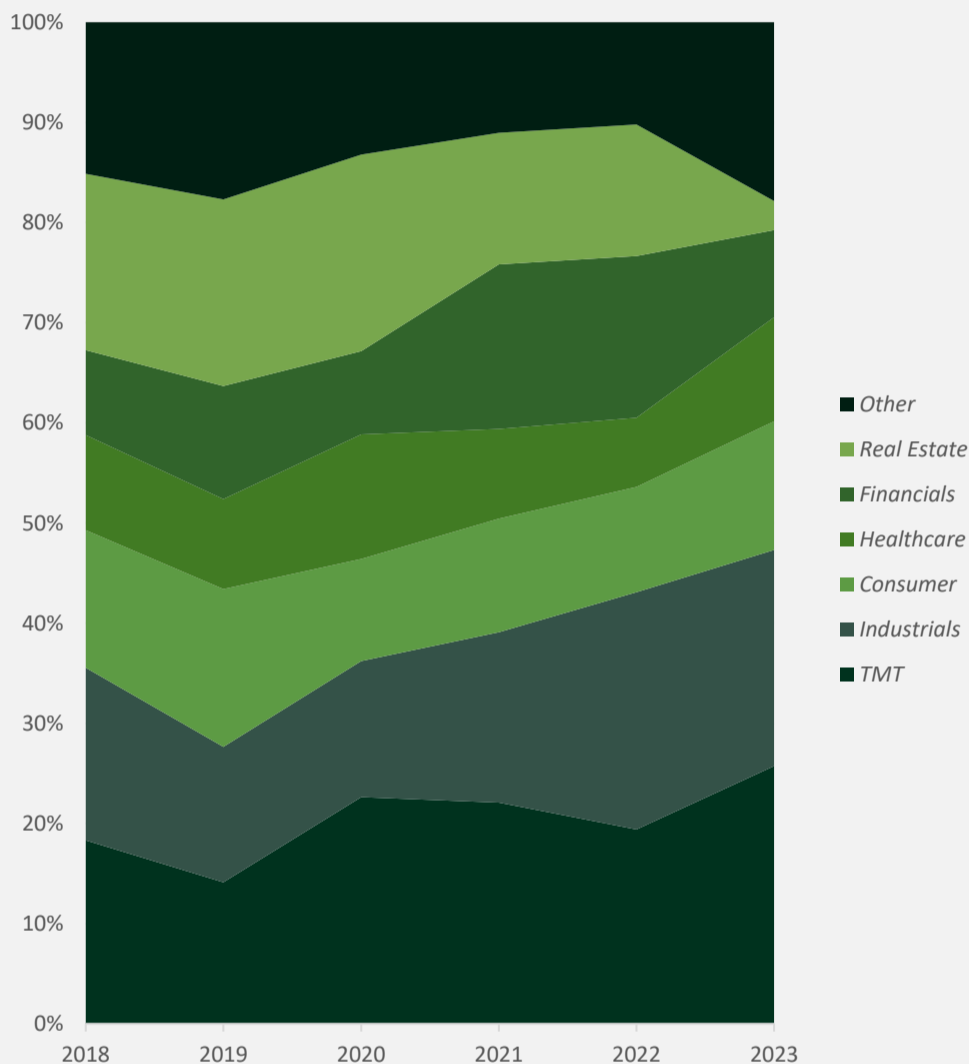


Source: Cap IQ (as of 04/01/2024)

H2 2023 saw sustained M&A activity across key sectors, in line with H1 trends

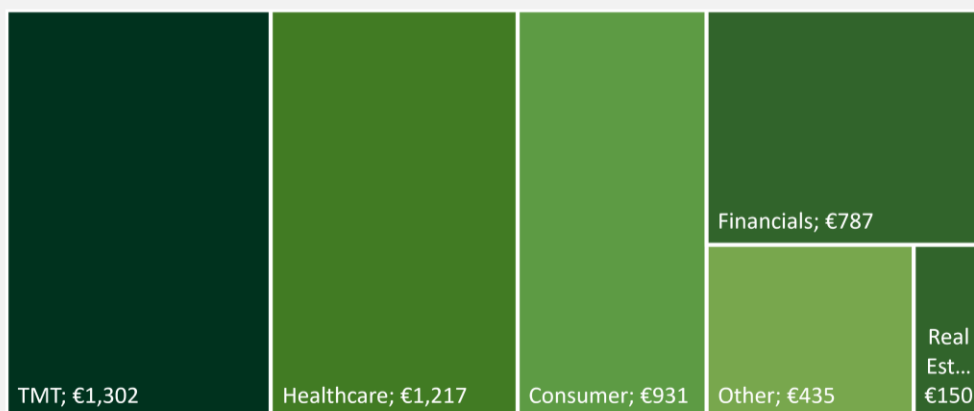
Total Transaction Volume Split by Sector

- › The proportional mix has remained relatively stable with industrials and TMT accounting for 51% of total activity in H2 of 2023 and 47% of 2023 deals compared to 37% over the last 5 years



Total Transaction Value Split by Sector 2023 (€m)

- › TMT was the most active sector in 2023 with 62 completed transactions, and it was also the sector with the highest aggregate transaction value at €1.3bn, followed by healthcare (€1.2bn) and consumer goods (€930m)



Source: Cap IQ (as of 04/01/2024)

- H2 M&A activity on a sector-by-sector basis remained broadly in-line with H1 and the long-term sector mix:
 - › TMT (29 deals; 26% of transaction volume)
 - › Industrials (28 deals; 25%)
 - › Consumer goods (15 deals; 13%)
 - › Healthcare (10 deals; 9%)
 - › Financials (10 deals; 9%)
 - › Real estate (2 deals; 2%)
 - › Other (19 deals; 17%)
- M&A volume by sector was relatively constant between H1 and H2, although the financial sector in particular had a strong H2 (9% of total volume) compared to H1 (7%)
- Total transaction value followed a largely similar sector split to volume except for industrials which had no transactions with reported values in 2023:
 - › TMT (€1.3bn; 27% of total transaction value)
 - › Healthcare (€1.2bn; 25%)
 - › Consumer goods (€931m; 19%)
 - › Financials (€787m; 16%),
 - › Real estate (€150m; 3%)
 - › Other (€435m; 9%)
- While the sector mix has remained relatively stable in recent years, the TMT and industrial sectors became more prominent in 2023
 - › TMT made up 26% of volume compared to their trailing five-year average of 19%
 - › Industrials made up 22% compared to 17% historically
- Consumer goods, healthcare and financials have all remained stable at roughly 10% of overall deal volume each in H2
- Real Estate in particular saw a meaningful drop proportionally in 2023 down to 3% of transaction volumes versus 14% in the trailing five years
 - › Commercial real estate deals declined especially as financing costs increased in Ireland and globally, while remote working and technology sector layoffs also decreased commercial demand

Notable Transactions

Despite decreased M&A volume, significant transactions still occurred across key sectors



Amryt Pharma plc acquired by Chiesi Farmaceutici (Jan 2023)

- Specialist drugmaker for rare diseases acquired by Italian biopharmaceutical multinational at a valuation of \$1.48b
- The acquisition expands Chiesi's rare disease medicine portfolio to serve a broader range of patients



Laya Healthcare Limited acquired by AXA Ireland Limited (Aug 2023)

- Leading Irish health insurer acquired for €650m by the French multinational insurer
- The deal allows AXA to expand their product offering to include health insurance as well as their existing home, motor and commercial insurance service lines in the Irish market



Speed Fibre Group acquired by Cordiant Digital Infrastructure Management LLP (Aug 2023)

- Irish open access fibre infrastructure provider acquired for €190.5m by UK-listed digital infrastructure investor
- The deal evidences the attractiveness of Ireland's digital infrastructure sector



Tarsus Group plc acquired by Informa plc (Oct 2023)

- PE-backed B2B events group acquired for \$940m by LSE-listed events organiser Informa to strengthen market leadership
- The acquisition enhances Informa's presence in growing regions and markets due to Tarsus' strong presence in Asia as well as Europe



Munster Insurance and Financial Limited acquired by Campion Insurance Limited (Oct 2023)

- PIB-backed insurance intermediary acquired their 19th Irish brokerage for €43.5m as part of ongoing sector consolidation
- The transaction highlights the insurance consolidator's belief in the growth potential of the Irish insurance market



Cubic Telecom acquired by Softbank (Dec 2023)

- Japanese investor paid €473m for a 51% stake in mobility solutions software provider
- The transaction highlights the potential for Irish firms to attract the largest international investors

Source: Cap IQ (as of 04/01/2024)

2023 Trends and 2024 Outlook

There were several drivers apparent in the Irish market that drove key M&A trends in 2023

Sector consolidation

21

Financials sector
2023 deal volume

- › The financials and business services sectors saw further consolidation as global acquirers continue to pursue roll-up strategies to gain market share in Ireland through acquisitions with the trend set to continue into 2024

Adaptive deal structures

1-3

Typical earn-out
length in years

- › Mid-market deals commonly involve long-term earn-out structures over 1-3 years as a way for buyers to reduce upfront cost and risk. Performance & time-based earn-outs have helped to bridge the gap between buyer and seller valuations and are increasing as a proportion of total consideration

Mid-market stability

33%

YoY increase in
mid-market
proportion

- › While deal volume fell across the board, mid-market deals remained stable compared to smaller deals and megadeals – with mid-market deals increasing proportionally year-on-year from 51% to 68% of total volume this year

Interest rate fluctuations

4%

European Central
Bank interest rate

- › Interest rates were hiked across developed economies including Ireland to combat inflation leading to a higher cost of capital which dampened M&A activity, however the outlook for 2024 is positive as rates were not raised over Q4 2023 and rate cuts are expected to occur over the next year

Focus on quality

58%

Median
transaction value
YoY increase

- › Deal volumes declined but median transaction value increased in 2023 to €32m as buyers focused on high-quality, value-accretive targets

Restrained PE activity

15%

Transactions with
PE involvement

- › PE involvement in Irish M&A declined to its lowest level proportionally since 2019 due to a higher cost of debt and fewer opportunities in the market. However, with record-high dry powder available to Irish funds, investors will be keen to put capital into action in 2024

- Key trends noticed throughout the year included diligence stages taking longer and a valuation gap between buyers and sellers creating a barrier to transactions being completed
 - › However, median valuations rose compared to 2023 and while M&A activity was down, appetite for high-performing Irish assets remained
- The outlook for 2024 activity is positive, especially for mid-market transactions with financial buyers
 - › Large cap PE deal flow has slowed with capital trickling down to the lower end of the market to facilitate bolt-ons and provide larger war chests for smaller portfolio companies going forward
 - › The horizon for PE exits following high levels of activity in 2020 and 2021 is approaching and will create opportunities
 - › Record levels of global PE dry powder (primarily concentrated in large cap US PE funds) means there is a need for financial buyers to deploy capital

Source: Cap IQ (as of 04/01/2024)

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