



UK corporates signal optimism on M&A: Increased ambition on deal size and geography in 2024 - Deutsche Numis survey

- 88% of UK corporates see a positive outlook for M&A in 2024, with 76% suggesting bidders view M&A investment in the UK more favourably than in 2023
- Larger deals are expected, with 24% of corporates reporting they are most likely to pursue 'transformational' M&A in 2024 – double last year's figure
- UK corporates increasingly interested in overseas acquisitions - EMEA (ex. UK) (up 14 percentage points on 2023) and the Americas (up 12 percentage points on 2023) are top target regions
- 89% of UK corporates see UK PLCs as vulnerable to takeover, with 61% believing bids from international corporate buyers will lead the charge
- Concerns remain over antitrust regulation (28% of corporates) and access to capital (20%) as challenges to executing M&A
- Financial services and real estate expected by investors to be most active sectors.

LONDON – 26 JANUARY 2024: UK corporates and institutional investors are optimistic about the prospects for UK M&A this year with greater deal volumes and deal values expected despite dealmaking challenges, according to new research from investment bank Deutsche Numis.

For its annual M&A outlook, Deutsche Numis surveyed 200 FTSE 350 board directors and 200 institutional investors in December 2023 to ask their views on the UK M&A market and their expectations of investment opportunities for 2024. It found that, despite continuing economic and financing challenges, 88% of corporates see a positive outlook for M&A in 2024, with 76% suggesting bidders will view M&A investment in the UK more favourably than in 2023. Respondents were similarly positive on M&A valuations, with 87% of corporates and 81% of investors expecting valuations to be 'higher' or 'significantly higher' in 2024.

Stuart Ord, Co-Head of M&A at Deutsche Numis, said: *"Despite the protracted macro-economic uncertainties and increased geopolitical concerns of 2023, there was a promising increase in UK deal activity in the last few months of the year as confidence grew in the outlooks for inflation and interest rates. Our survey shows both UK corporates and investors are starting the year with a sense of positivity on M&A, and corporates' ambitions for larger deal sizes, higher levels of cross-border dealmaking and collaborative deal structures could start to reshape the UK M&A landscape in 2024."*



Larger deals are expected, potentially enabled by more collaborative deal structures

With limited confidence amongst corporates last year to execute M&A in uncertain market conditions, deal activity was primarily associated with small-to-mid cap and 'housekeeping bolt-on' transactions. This year, while 56% of corporates consider their most likely targets to be of a material size to them (2023: 66%), more than double the number of respondents (24%) compared to last year expect to target deals of a size that would be transformational to them, reflecting growing confidence as market conditions improve.

This greater ambition in terms of deal size sits alongside an expectation that 2024 will see deals unlocked through the use of more collaborative deal structures. 67% of corporates forecast an increase in share-for-share deals; 58% expect an increase in the teaming up of private equity and corporates; 45% expect minority investments will play a larger role in 2024 and 33% believe there will be more private equity co-investments.

Cross-border dealmaking expected to rise

Geographically, last year's survey reflected the caution of UK corporates, with the largest interest being in domestic targets (77%) and then those in the rest of EMEA (48%). This year, whilst corporates' largest interest remains domestic UK targets (79%), our respondents have become increasingly geographically diversified in their dealmaking aspirations, with a significant increase in interest in targets situated in EMEA (ex. UK) at 62% and the Americas at 33%.

Meanwhile, UK corporates remain nervous about the vulnerability of UK PLCs to takeover and expect to see international bidders dominate inbound UK public M&A in 2024. When asked who they would expect to be the buyer if their company was the target of a bid, 61% of FTSE 350 respondents identified international corporates as the most likely party.

Oliver Ives, Co-Head of M&A at Deutsche Numis, said: *"The increased willingness of FTSE 350 corporates to broaden the search for quality M&A targets internationally evidences UK corporate confidence in both macro-economic and M&A conditions in 2024 at home and abroad."*

"While we are seeing increased interest in UK M&A from all bidder types – domestic corporates, international corporates and private equity – and expect them all to be more active as bidders than they were in 2023, we agree with our survey respondents that international corporates will be the most active bidder type in UK public takeovers in 2024. The UK takeover regime is a well-trodden path for international corporates, especially those from the US, who are often able to benefit from one or more of favourable exchange rates, valuation arbitrage and scale."



Concerns over regulation and access to capital remain

Despite the brighter outlook, some barriers to M&A remain. Corporates were clear on the challenges facing dealmaking this year, with antitrust regulation (identified by 28% of respondents) and access to capital (20%) cited as the top two issues. This was the third consecutive year that antitrust regulation was the highest concern for respondents.

Stuart Ord continued: *“Both corporates (90%) and investors (78%) agree that the regulatory environment for UK M&A has become tougher. This perhaps reflects notable transaction completion postponements resulting from antitrust referrals by the Competition and Markets Authority during 2023, such as Microsoft’s acquisition of Activision.*

“20% of corporates note access to capital as their key obstacle to executing M&A, up from 12% in 2023. Our view is that this is due to M&A feeling more immediate to corporates than it has in recent years, as well as some companies not yet fully appreciating the recent improvement in conditions in UK capital markets and the expected further improvement during the first half of 2024.”

Financials expected to see the most M&A activity

34% of investors in UK stocks expect financials to be the most active sector from an M&A standpoint in 2024, more than twice the proportion of any other sector. Real estate was in second place, identified by 13% of investors, more than double the 2023 figure of 6%.

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Notes to editors**Methodology**

Deutsche Numis surveyed institutional investors and UK board directors in December 2023, to understand their attitudes towards the outlook for M&A in 2024 and the driving factors behind expected activity.

Deutsche Numis commissioned a survey of 200 FTSE 350 board directors (split equally between FTSE 100 and FTSE 250 directors) to understand their views on the UK M&A market and their expectations with respect to M&A investment opportunities in 2024. This survey was completed in December 2023. This document provides an overview of the key findings and a comparison with results from previous surveys conducted by Deutsche Numis.

Deutsche Numis also commissioned a survey of 200 investors in the UK stock market (based in the UK (50%), US (25%) and Europe (25%)) to understand their views on the UK M&A market and their expectations with respect to M&A investment by UK corporates and public takeovers in 2024. This survey was completed in December 2023. This document provides an overview of the key findings and a comparison with results from previous surveys conducted by Deutsche Numis.

About Deutsche Numis

Deutsche Numis is a leading UK-focused investment bank that partners with the most ambitious companies and investors, offering strategic advice, unique insights and connectivity to the capital markets.

Already a leader in the UK market, Deutsche Numis is the adviser of choice for listed companies, including one-fifth of the FTSE 350 index¹, with an average market capitalisation of £1.5bn², and has acted on more UK public M&A transactions by volume and value since 2022 than any other financial adviser³.

Deutsche Numis offers advisory services, corporate broking, research, sales and execution, and has the expertise and strength of the wider Deutsche Bank Group to offer comprehensive and global solutions.

Deutsche Numis is a trading name used by certain investment banking businesses of Deutsche Bank AG, Numis Securities Limited and Numis Europe Limited in the United Kingdom and Ireland.

¹ Corporate client base includes 70 companies out of the FTSE 350, ie one-fifth. – Deutsche Numis data (January 2024).

² Average market capitalisation of corporate client base £1.5bn. – Deutsche Numis data (January 2024).

³ Bloomberg by volume and value (January 2024).