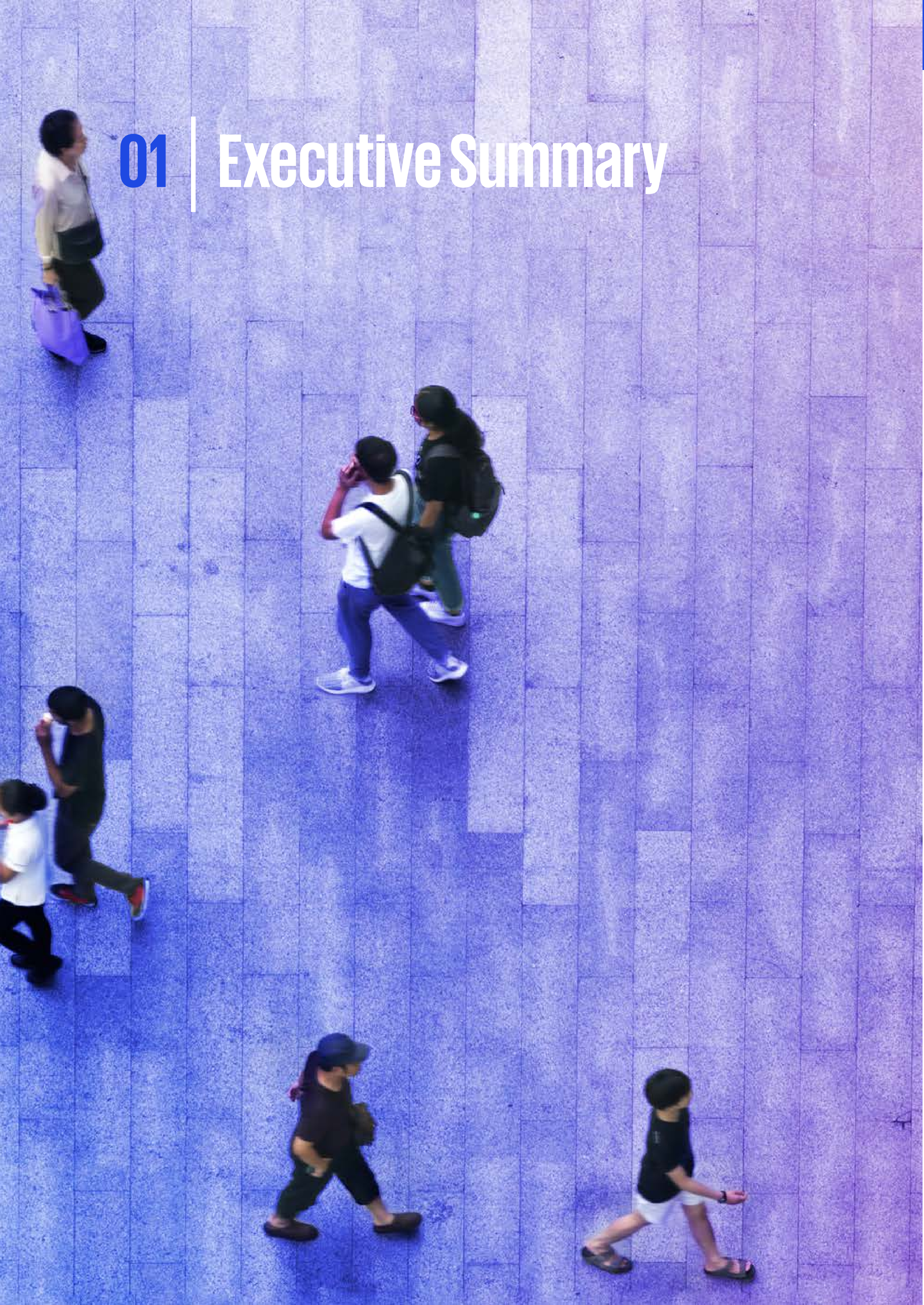
KPMG

M&A Outlook 2025

Contents



01 Executive Summary

A Resilient 2024 Market has Laid the Foundations for a Strong 2025

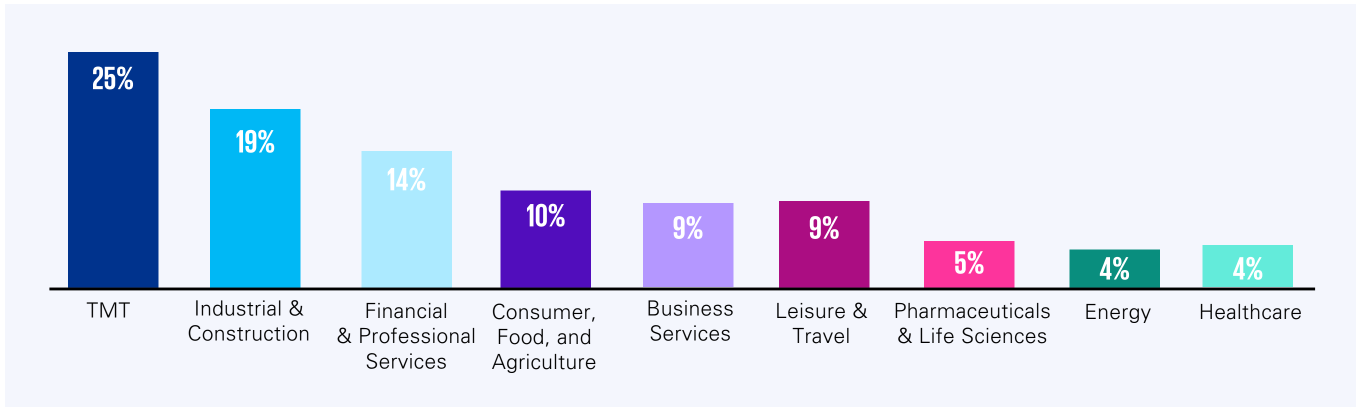
The Irish M&A market has demonstrated notable resilience throughout 2024. After a cautious start to the year, the second half of 2024 marked a significant turning point for the global economy. As inflation moderated, consumer spending remained robust, central banks began signalling potential rate cuts, and capital markets became more stable. This shift, despite ongoing global macroeconomic uncertainties, helped to foster a more favourable environment for M&A activity.

By the close of December 2024, the total number of transactions on the island of Ireland reached 531, reflecting a notable increase in deal flow compared to 2023. This growth outstripped global growth in M&A, underpinning Ireland as a highly attractive destination for investment. Notably, the volume of deals exceeding €100 million saw a 25% increase in Q3 2024 compared to Q3 2023. This surge in high-value transactions signals sustained investor confidence in the Irish market, especially in thriving sectors such as technology, pharmaceuticals, renewable energy, and financial services.

The outlook for 2025 is optimistic. While challenges, such as geopolitical tensions and inflationary pressures remain, the M&A landscape is expected to offer substantial opportunities for well-prepared sellers and businesses in a position to maintain margin. As economic conditions stabilise and buyers enter the market with renewed confidence and a focus on strategic acquisitions, the Irish M&A market is poised to maintain its momentum. We predict that the coming year will see a continuation of this positive trend, supported by both domestic and international players seeking to capitalise on Ireland's strategic position and robust economic foundation.

Deal Volume by Industry

Island of Ireland YE 31 December 2024



Notable Deals

2024 marked a significant year for the Irish M&A market, with several high-profile transactions completed. Notable deals included Exponent Private Equity's investment in Chanelle Pharma, Blacksheep Fund Management's acquisition of Distilled Limited, the parent company of Daft.ie and the sale of Dornan Group to Turner Construction Company.

Other notable deals include; the sale of Shorecal, Domino's leading franchisee owner on the island of Ireland, to Domino's Pizza Group plc. Bord na Móna partnered with SSE on a major wind energy project, with an investment of over €1bn, signalling a significant commitment to sustainable energy. In addition, Kerry Group reached an agreement to sell its dairy processing division to Kerry Co-op, streamlining its operations and refocusing on core businesses.

There was also an increase in high-value transactions, reflecting a shift towards larger deals in the market. Smurfit Kappa and WestRock merged to form Smurfit WestRock, now the world's largest listed paper and packaging company. Flutter Entertainment acquired Snaitech, an Italian gaming operator, for €2.3bn, whilst EQT acquired AMCS, a waste management software provider, for €2bn. Starwood Capital expanded its portfolio with the €1.6bn acquisition of a 50% stake in Echelon Data Centres and Blackstone secured a 50% stake in Winthrop Technologies for €406m.

These transactions collectively highlight the dynamic and evolving nature of the Irish M&A market in 2024, driven by both strategic expansions and sectoral diversification, along with a surge in high-value deals. This activity underscores the growing investor confidence in the Irish market and sets the stage for continued strong M&A performance in the year ahead.

Buyer Appetite and Valuation

Buyer interest in strategic acquisitions remains robust, fuelled by a combination of abundant capital and a renewed focus on growth through acquisitions. For strategic buyers, acquisitions are increasingly motivated by securing transformative capabilities that will allow them to innovate, diversify, and stay ahead of the competition.

Private equity firms are benefiting from record levels of dry powder and are actively seeking deals that will enhance the value of their portfolios. These firms are strategically deploying capital to secure assets that possess clear and tangible growth levers, that will yield higher valuations on exit. 2024 has seen a number of successful exits by Irish-based private equity funds. Notably Ersibeg's successful exit from Medray, MML Growth Capital's sale of Kyte and Renatus's exit from AQF Medical have been standout transactions. These exits reflect the growing confidence in the Irish market as a hub for private equity investment and are indicative of the strong track record and potential for continued growth in the private equity space.

Valuations, which recalibrated during the post-pandemic economic slowdown, have largely stabilised throughout 2024. Despite the ongoing strong appetite for deal flow, buyers maintained disciplined pricing, carefully balancing their in-organic growth ambitions with a focus on profitability and sustainable growth. For high-quality assets, competition among buyers remains intense, leading to premium valuations. As we move into 2025, buyers of top-tier assets should expect a competitive bidding environment. As a result, sellers can anticipate favourable conditions, with strong interest and the potential for elevated prices for well-positioned, high-performing businesses.

Looking Ahead

The Irish M&A landscape in 2025 presents significant opportunities for well-prepared sellers. As economic conditions stabilise and buyers enter the market with renewed confidence and capital, the environment is poised for a surge in strategic transactions. Several leading indicators point toward a positive outlook for Irish M&A activity, driven by favourable economic trends and an overall sense of optimism among investors.

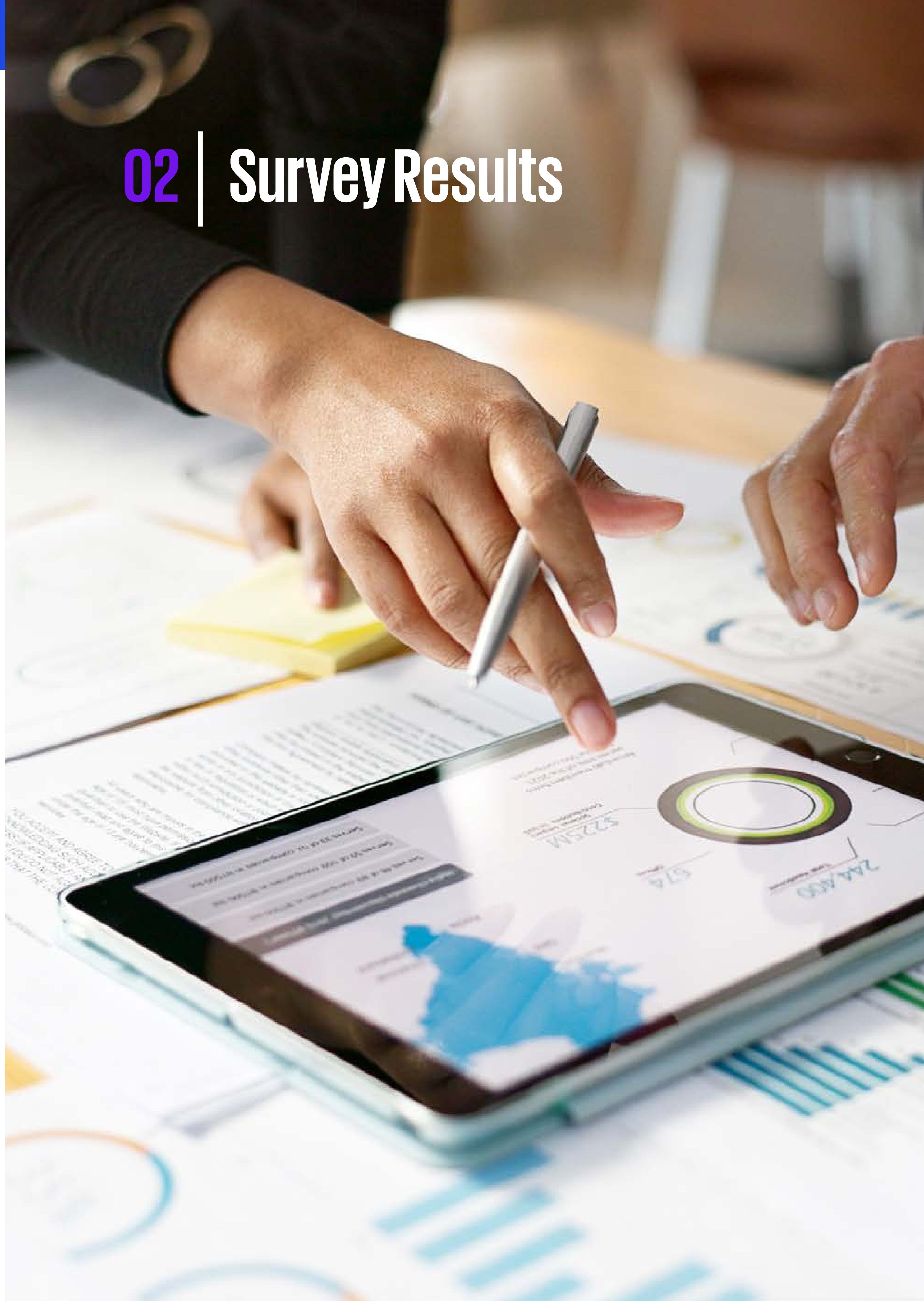
According to the ESRI, both Modified Domestic Demand (MDD) and GDP are expected to grow in 2025, with MDD projected to increase by 2.5% and GDP by 2.3%. This steady economic growth provides a solid foundation for deal-making, offering buyers and sellers alike confidence that the market will continue to expand. Ireland's M&A market is also benefiting from declining inflation rates, which are expected to continue easing into 2025. This trend, combined with anticipated interest rate cuts by the European Central Bank (ECB), is expected to further stimulate investment, making capital more accessible and affordable for prospective buyers.

Additionally, the global M&A landscape is showing promising signs of recovery, particularly in the United States, where M&A activity has experienced a notable uptick. Our colleagues in the US report strong deal pipelines and a much more active M&A market overall, suggesting that global economic stabilisation is encouraging a renewed interest in transactions. This global momentum bodes well for Irish M&A, as international buyers are increasingly looking to expand their portfolios and are actively eyeing opportunities in stable, high-growth markets such as Ireland.

$2.62Tn
of uncommitted dry powder was held by global private equity and VC funds as at July 2024

> **"The Irish M&A landscape in 2025 presents significant opportunities for well prepared sellers"**

02 | Survey Results



Introductory Note

We are delighted to present the results of our survey on the outlook for Irish M&A activity in 2025. This tenth annual survey captures the perspectives of over 150 of Ireland's most prominent executives and M&A advisers, providing a comprehensive view of anticipated trends in the Irish mergers and acquisitions landscape for the year ahead.

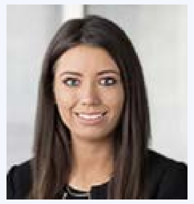
The findings from this year's outlook represent a **step change** from the prior few years which were cautious in optimism. M&A leaders have signalled **a bullish deal environment in 2025, with respondents anticipating volumes to remain at 2024 levels or increase**. Participants have also cited increasing activity from both domestic and overseas private equity as a key market feature in 2025, representing the growth in private equity investment in Ireland in recent times. Dealmakers expect **valuation gaps to narrow** paving the way for businesses that can prove margin stability to achieve **strong exit multiples.**

A significant 82% of surveyed M&A leaders indicated plans to actively pursue acquisition opportunities in 2025, underscoring strengthened market momentum and resilience.

As we step into 2025, the M&A landscape in Ireland appears poised for another dynamic year, shaped by strategic growth initiatives and continued market optimism. We hope that our survey provides valuable insights into M&A trends for the year ahead.

Mark Collins
Partner
Head of Deal Advisory
E: mark.collins@kpmg.ie

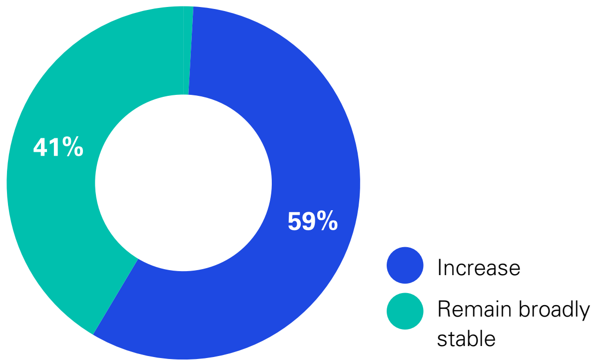
David O'Kelly
Partner
Head of M&A
E: david.okelly@kpmg.ie



Megan Smythe
Director
Corporate Finance
E: megan.smythe@kpmg.ie

01 Deal Volumes

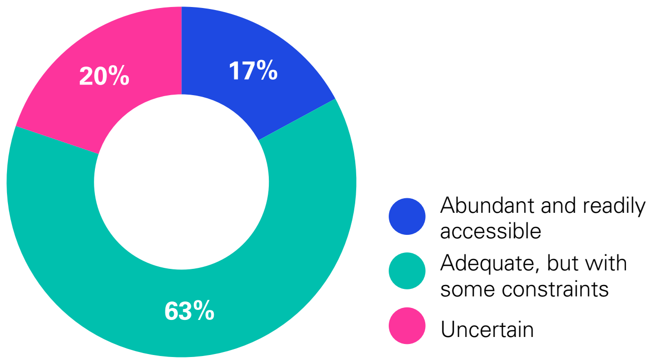
How do you expect deal volume in Ireland in 2025 will compare to 2024?



100% anticipate that deal volumes will either increase or remain broadly stable in line with 2024 levels in the coming year, indicating significant confidence in deal activity and the Irish M&A market for 2025.

02 Access To Financing

How do you perceive the availability of financing for M&A transactions in 2025?

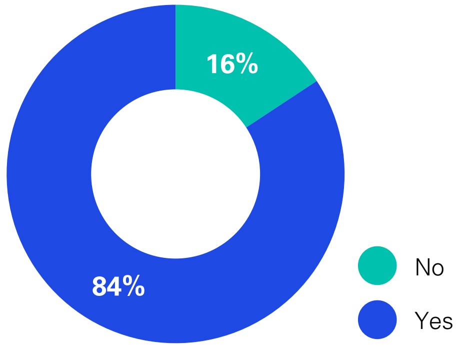


80% of M&A leaders describe financing as either "readily available" or adequate but with some constraints." This suggests access to sufficient financing is available in the market with constraints applicable to traditionally riskier sector verticals.

MGA OUTLOOK 2025 SURVEY RESULTS

03 Pursuing M&A

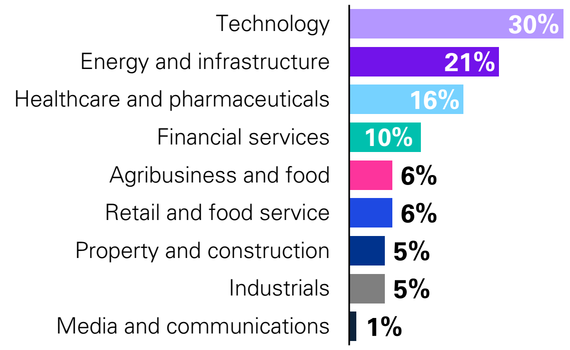
Do you expect to pursue M&A opportunities in 2025?



Deal activity is poised for growth, with 84% of respondents planning to pursue M&A in 2025, up from 78% in 2024. Expectations of significant economic expansion, fuelled by abundant capital and lower interest rates, are anticipated to fuel deal activity.

04 Sector Activity

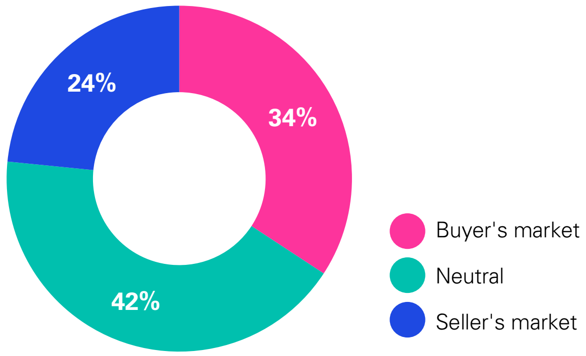
Within which sectors would you anticipate the most acquisitions to occur in Ireland in 2025?



As in previous years, technology is anticipated to dominate the 2025 M&A landscape, with 30% of respondents identifying it as a key sector for deal activity (up from 25% in 2024). Energy and infrastructure ranks second at 21%, likely driven by Ireland's commitment to renewable energy projects, infrastructure upgrades, and sustainability initiatives. Followed closely by healthcare and pharmaceuticals at 16%.

05 Buyers' or Sellers' Market

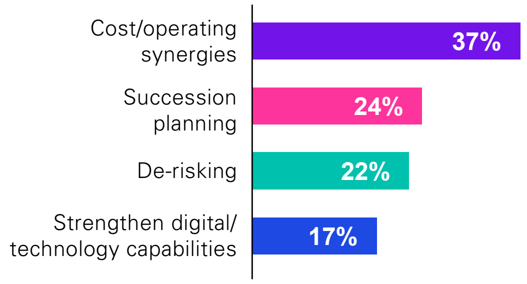
Will 2025 be a buyer's or a seller's market?



The growing number of neutral responses indicates that the valuation gaps seen in recent years are expected to narrow, particularly as financial buyers face pressure to deploy capital.

06 Shareholder Considerations

What will be the primary shareholder considerations / drivers for transactions in 2025?



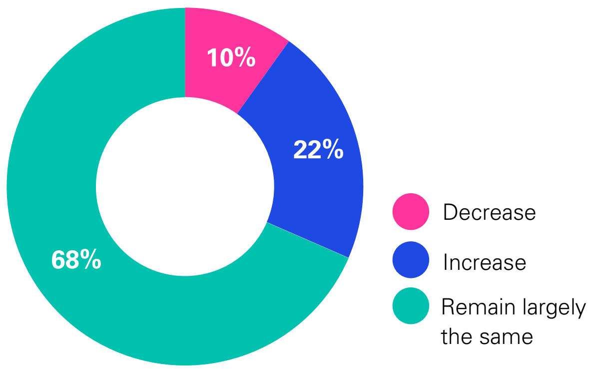
Cost/operating synergies are cited (37%) as the primary motivator for a transaction. This underscores the importance of efficiency gains and cost reductions in driving M&A decisions. This was followed closely by succession planning at 24% highlighting the role of transitions in privately held/ founder-led businesses.

"2025 looks like another busy year for M&A. We are seeing a lot of buyer appetite for businesses that can demonstrate an exciting growth story and an ability to sustain profit margins."

- David O'Kelly, Partner, Head of M&A

07 Deal Multiples

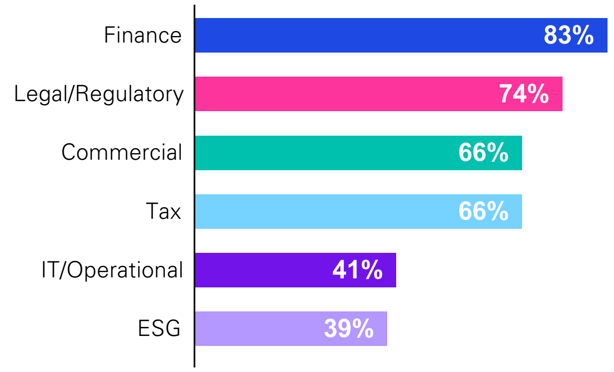
Do you expect deal multiples/pricing to increase or decrease over the next 12 months?



90% of participants expect stable or rising valuation/ deal multiples in the coming year, which is a significant shift from the past number of years in which deal multiples were expected to soften.

08 Diligence Activity

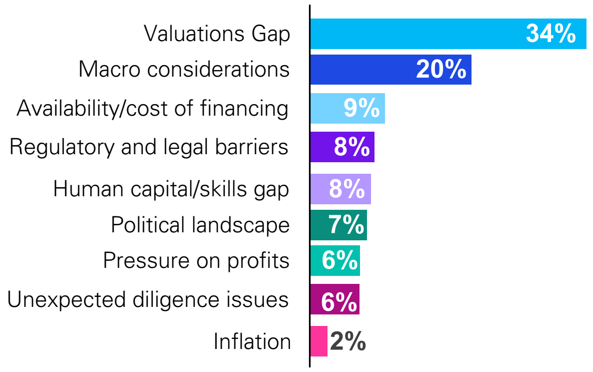
What forms of diligence do you expect to carry out in 2025?



As expected, financial due diligence remains the most commonly selected type of diligence, reflecting its critical role in assessing a target's financial health, uncovering risks, and validating valuation assumptions. Commercial due diligence has increased in prominence throughout the years with 66% of respondents seeing it as central to their transaction diligence.

09 Deal Inhibitors

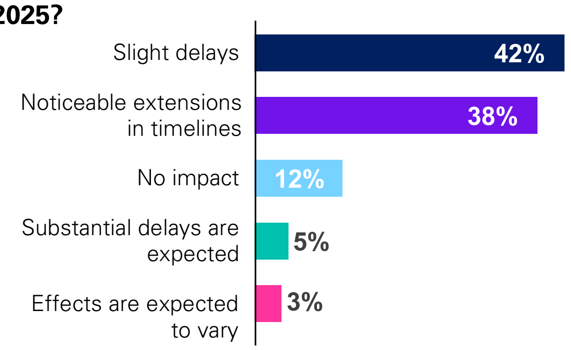
In your opinion, what is the primary reason for deal failure?



Valuation gaps remain the top obstacle to deal-making, driven by misaligned buyer-seller expectations. Meanwhile, 20% of respondents cite macroeconomic factors as the key barrier to M&A. These challenges highlight the growing complexity of transactions in an uncertain global environment, emphasising the need for thorough due diligence, effective communication, and adaptable deal structuring to bridge gaps and mitigate external risks.

10 Merger Control

To what extent do you expect increased merger control scrutiny in ROI to impact deal execution in 2025?

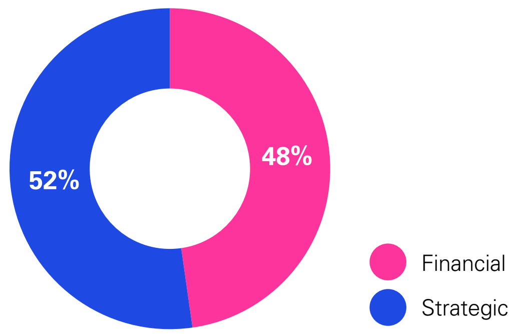


42% of respondents anticipate that increased merger control scrutiny in ROI will lead to manageable disruptions in deal timelines, while 38% expect noticeable extensions in timelines. This suggests that while most dealmakers foresee some delays or complications, a significant portion anticipates more substantial impacts on timing, potentially affecting the overall execution timelines of M&A transactions.

> With over 90% of participants expecting deal multiples to remain in-line with 2024 levels or increase, we are seeing renewed confidence in the market. Market pressures to deploy capital will see attractive assets achieve strong multiples."
>
> **- Mark Collins, Partner, Head of Deal Advisory**

11 Financial or Strategic Buyer

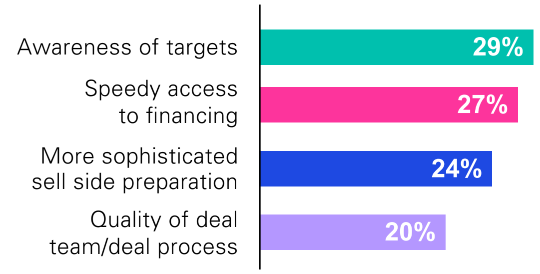
Which group would you consider most likely to complete the highest volume of transactions in Ireland in 2025?



Almost half of respondents predicted private equity buyers to be most likely to transact. This represents an evolution in the market, historically the vast majority of respondents predicted strategic buyers to be the clear leaders in deal activity. This result reflects increased growth in both international and domestic private equity investment in Ireland and dry powder.

12 Deal Making

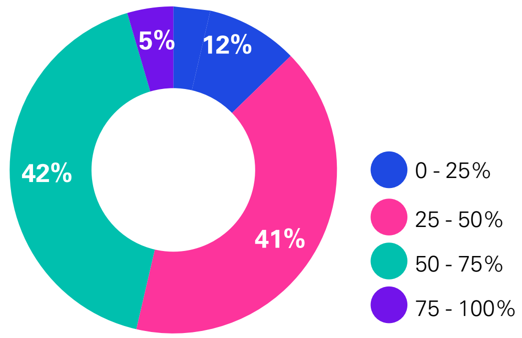
What factors do you think will enable greater deal making in Ireland in 2025?



Once again, M&A leaders identified target awareness as the most critical factor enabling successful dealmaking in 2025. This was followed by the need for swift access to financing, highlighting the role of liquidity in driving transactions. As in previous years, maintaining strong professional networks remains essential to staying informed about market trends and opportunities, ensuring dealmakers can act decisively and capitalise on emerging opportunities.

13 Debt Funding

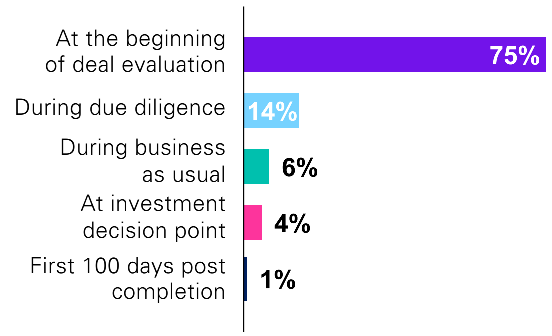
What percentage of a transaction would you consider funding from debt?



The majority of respondents (54%) expect to fund less than 50% of a deal using debt funding reflecting a continued relatively conservative approach. This approach emphasises a market preference for maintaining manageable debt levels. Interest rate stabilisation over time may shift this preference.

14 Value Creation & Delivery

When do you expect value creation and delivery?



Value creation is predominantly expected early in the deal life cycle, with 75% of respondents identifying the beginning of deal evaluation as the critical phase. This underscores the importance of thorough analysis and strategic planning to establish a robust value creation thesis. A smaller proportion, 14%, viewed due diligence as a key driver, while only 4% linked it to the investment decision point.

> Leaders have indicated a step change over time in the Irish M&A context with our survey indicating higher levels of private equity deal activity than ever before through domestic and international funds. With over 240 Irish businesses with private equity investment, exits will evidently become an increasing portion of Irish deal volume annually"
>
> **- Megan Smythe, Director, M&A**

03 Sector Spotlight

Technology

The TMT sector was the dominant sector by deal volume in 2024 in line with prior years. We expect that to continue in 2025 with investors demonstrating an increasing risk appetite for dealmaking.

The improved sentiment is supported by a number of large scale equity fundraise transactions which have already been announced in 2025. The attractiveness of Irish software companies to international investors will continue with companies at the forefront of technological advancements in artificial intelligence and the internet of things highly sought after. Other areas such as artificial cybersecurity, health tech and fintech are expected to see heightened M&A activity with companies that can demonstrate profitable growth in line to achieve higher multiples. The increasing demand for digital transformation solutions means M&A will remain robust in the ICT services space as private equity backed platforms continue to target bolts-on acquisitions as they seek to strengthen their market position, enhance capabilities and accelerate growth in advance executing their exit strategies

Healthcare

The period 2019 – 2023 saw record M&A volumes within the Irish healthcare sector, however deal activity was relatively subdued in 2024 as the sector grappled with the effects of high inflation and rising interest rates.

Notable transactions during 2024 included Macquarie Asset Management's acquisition of the Beacon Hospital, Exponent's investment in the Kingsbridge Private Hospital Group) and LDC's investment in the Medray Group. We also saw more M&A activity in the veterinary and dental sectors, relative to previous years, as PE-backed groups continue to consolidate these sectors.

The healthcare services is underpinned by attractive fundamentals such as Ireland's growing and ageing population, a continuing rise in the instance of chronic disease in the community and relative underinvestment in capacity within the public system.

We expect to see an uptick of healthcare sector deal activity during 2025, with a number of prominent businesses already being prepared for sale. Strong healthcare businesses led by backable management teams will continue to attract investors and achieve strong valuations, particularly where growth in demand for the product / service can be proven.

Energy Transition

Ireland's energy transition will present a variety of attractive investment opportunities in 2025 from a deals perspective. Three areas of activity include:

- Decarbonisation of heat;
- Large energy user capital projects including data centres; and
- Energy generation assets.

These offerings underscore the diverse avenues available for strategic green investments, driving Ireland towards a sustainable energy future.

Decarbonisation of heat

Whilst decarbonisation of electricity has been the part of the economy to make the most progress in transitioning away from fossil fuels, Ireland lags behind European peers in terms of decarbonisation of heat, for both corporate users and residential homes. We expect this to be an area of investment focus in 2025. In recent years, the market has observed a wave of consolidations in the residential retrofitting, heat pump, and solar PV installation sectors. This trend is driven by private equity firms with available capital and green targets, seeking local decarbonisation opportunities.

Large energy user capital projects including data centres

The rapid expansion of large energy user projects and in particular data centre rollouts in Ireland has positioned Irish companies as global leaders in this sector.EirGrid has forecast that data centres could account for 30% of the country's total electricity demand by 2032, driven by factors such as Ireland's strategic location between the US and mainland Europe, its cooler climate, and attractive government incentives. The Government has stated that they want to facilitate the build out of data centres but that they must comply with emissions reduction commitments and not jeopardise energy supplies for other users, which has increased the demand for green infrastructure. In 2024, we saw a number of high profile investments into the broader data centre supply chain ecosystem, such as engineering and design businesses. Such transactions are attracting high multiples, reflecting the significant growth prospects for the sector. We expect to see further activity in this sector in 2025.

Energy generation assets

Driven by a fall in interest rates and wider capital availability, KPMG has observed strong M&A activity across the traditional energy generation asset classes including onshore wind, solar and battery storage assets, as 2030 offshore wind targets remain challenging. Recent transactions have included a number of Yieldcos divesting operational assets to demonstrate accurate asset valuations amidst lower share prices. These deals are supported by a more diverse buyer pool, with utilities continuing to drive demand and new entrants recognizing Ireland as a stable market for renewable energy investment. Over the course of 2025, we expect some large asset owners to divest of elements of their portfolio in order to recycle capital into development pipelines. Offshore wind will also remain an asset class to watch as some projects progress through the planning process.

Financial Services

We expect financial services to remain a very active sector for M&A activity in 2025 by deal volume. We anticipate continuing consolidation in the Independent Financial Advisory ("IFA") / Wealth Management space, however those looking to acquire at scale will struggle.

The IFA market continues to be very fragmented. It is likely that the wave of insurance broking consolidation will reset, with most independent targets of scale having transacted, coupled with current deal multiples representing historical peaks. Ireland continues to be a desirable location for investment into fund administration ManCo's, however muted activity in these areas is likely due to a fundamental lack of independently owned targets.

We foresee the recent wave of consolidation in both domestic and global accounting firms/ professional services firms continuing with tech enabled firms being particularly interesting to investors.

Food & Agri

We expect Food & Agri M&A activity to increase in 2025. After years of facing challenges brought on by COVID-19, supply chain disruptions and sky-high inflation, conditions have eased.

There is a healthy population of globally focussed Plc's and other large corporates that continue to be active in international M&A, with the likes of Valeo, Glanbia, Origin and Kerry all completing multiple transactions across the last year. We expect this growth to continue as the number of large corporates and co-ops engaging in international M&A increases, as they seek to access new geographic markets, move up the value chain in their respective sub-sectors and diversify their product offerings.

Ireland continues to be a desirable location for investment into the food and agri space due to the knowledge and expertise cultivated by our ecosystem of world-leading companies which is supported by a resilient domestic consumer market. Therefore, we expect Irish companies in the sector will continue to be attractive to international strategic buyers and private equity investors.

Industrials

We are seeing increased volumes of transaction activity across Industrial Manufacturing - driven by trends in smart manufacturing, digital transformation and companies seeking sustainable growth through Net-Zero impact strategies.

There is continued strong investor appetite for Engineering companies servicing the Data Centre and Pharma/Life Sciences end markets, which are benefitting from the tailwinds of ongoing sizeable capital investment. Customers in these areas are seeking to partner with trusted suppliers who can deliver services and products cross-border. We anticipate the continued growth in these end markets will drive both further investment from private equity and further industry consolidation into 2025.

Across all sub-sectors within the Industrials segment, we are seeing an increased amount of transaction activity from international buyers from USA and Asia, who are seeking to deploy capital from their balance sheet and enter into the European market. Ireland remains an attractive location as an entry point into Europe for these international trade.

Real Estate

As we've moved into a cycle of declining interest rates and stabilised cost inflation, the outlook for investment and M&A activity in the Irish Real Estate sector has improved and investors are cautiously optimistic for 2025.

Spreads between buyer and seller expectations on asset values are narrowing which combined with the return of institutional investors to the market should see a number of large property portfolios, particularly in the residential sector, trade in 2025.

Falling debt costs and strong appetite from the pillar banks and debt funds to deploy capital should enhance M&A activity, particularly in sectors where private equity or institutional capital is seeking to deploy large amounts of capital such as data centres, student accommodation, logistics facilities and housebuilding.

Life Sciences

2024 saw a robust level of activity in the Irish market, with notable deals including Channelle Pharma and Schivo Medical. 2025 has started well locally, with the proposed merger between Poolbeg Pharma and Hookipa Pharma receiving investor support. On the global scene, there is emerging evidence of the return of large-scale M&A as large players look to rationalise existing portfolios and increase their exposure to specialist drugs and therapies, especially in the oncology and cell & gene therapy spaces.

The indigenous industry continues to experience growth, with several start-ups successfully securing funding from both VC and PE investors, while expanding into US and European markets. Continued multinational and state investment in the local ecosystem is expected to support the emergence of the next wave of life science start-ups in Ireland.

While the Trump presidency may present challenges for US life science multinationals operating in Ireland, recent developments such as Eli Lilly's investment in Limerick and Cork and MSD's acquisition of Wuxi's Irish plant, indicate sustained confidence in the Irish market. These investments underscore the resilience and attractiveness of Ireland as a strategic location for the global industry.

Debt

The importance of the availability and pricing of debt in supporting a thriving M&A ecosystem was underlined by the impact of interest rate rises on dealmaking since the beginning of the monetary tightening cycle in late 2022. Increased debt costs and reduced access to leverage have had a dampening effect on transaction volume.

Despite this, there has remained significant appetite from both traditional bank lenders and non-bank lenders to support M&A transactions in the Irish market. While this reflects the underlying strength of the Irish economy, it can also be attributed to the relatively conservative level (when compared with other markets such as the US or UK) of debt being sought to support these transactions.

There is general consensus within financial markets that interest rates within the Euro area have peaked and that further rate cuts in 2025 are envisioned. This train of thought reflects the fact that inflation within the Euro area is stabilising, approaching the ECB's 2.0% target, and while employment levels have proven robust, the growth outlook within the Euro area has weakened.

It is anticipated that this more benign interest rate environment will lead to improved confidence for both lenders and borrowers. Specifically in relation to M&A transactions, lower debt costs should facilitate the increased availability of leverage and more inexpensive debt to finance M&A transactions. This should have a beneficial effect on dealmaking in 2025.

04 | Thought Leadership

MGA OUTLOOK 2025 THOUGHT LEADERSHIP

Are Corporates Leaving Value Behind? A Pre-and Post-Deal Perspective on ESG in M&A

The Integration of ESG factors into M&A is critical to ensuring sustainable business growth globally. Driven by transparency under frameworks like the Corporate Sustainability Reporting Directive, corporates face increasing pressure to deal with risks and opportunities flowing from ESG both pre- and post-deal. Yet, many still fail to harness the full potential of ESG and thereby leave substantial value on the table.

The Pre-Deal Perspective: Missed Opportunities in ESG Due Diligence

1. Inconsistent ESG Integration in Due Diligence

Corporates often risk losing value during the pre-deal due diligence stage, particularly in ESG integration. Financial investors tend to identify ESG's commercial benefits, while corporates focus more on risk mitigation, overlooking opportunities like efficiency gains, brand enhancement, and long-term sustainability.

2. Materiality and Scope Issues

Defining the scope of ESG due diligence is a key challenge for corporates, with issues ranging from climate impact to modern slavery. Many struggle to focus on material topics that affect both the deal and post-acquisition strategy. KPMG's Due Diligence report highlights the importance of identifying ESG issues specific to your business, considering sector-specific risks, and aligning with stakeholder expectations. Compliance with evolving EU regulations, such as CSRD, SFDR, and the Due Diligence Directive, is vital to avoid missing critical insights into target companies.

3. Missed Strategic Opportunities

Financial investors often view ESG as a value-creation tool, targeting companies poised to benefit from regulations like decarbonization or circular economy practices. In contrast, corporates tend to focus on risk mitigation, overlooking ESG's strategic opportunities. This reactive approach may cause corporates to miss value-adding potential in pre-deal assessments.

The Post-Deal Perspective: Value Capture or Value Lost?

1. Weak ESG Integration Post-Deal

Even where ESG due diligence is performed pre-signing, the real value-capture test comes post-close. KPMG's 2024 Global ESG Due Diligence Study found corporate investors are less likely than financial investors to link ESG findings to a structured post-deal action plan. Only 26% of corporate investors make direct use of their ESG findings in post-close integration, compared with 45% of financial investors.

2. Unblocking ESG Value Levers

There is considerable value to unlock in the post-deal phase, provided corporates are able to integrate ESG as part of their operational strategies. KPMG has recognised some value levers that corporates may target to ensure that ESG considerations translate into financial performance including the incorporation of ESG targets into operation efficiency metrics, leveraging ESG features as a tool for market expansion and revenue growth, as well as ensuring regulatory Compliance and risk mitigation to avoid expensive regulatory penalties.

Exit Strategy: Capturing Value at the Final Stage

1. ESG and investor appeal

A robust ESG framework enhances a company's exit strategy by increasing its attractiveness to buyers, particularly in Europe, where sustainability expectations are high. With 62% of investors willing to pay a premium for ESG-aligned companies, this focus can significantly boost appeal.

2. Expanding Valuation Multiples

Strong ESG performance can elevate valuation multiples by reducing risks and driving sustainable growth. Demonstrating measurable ESG achievements, such as lower carbon emissions or improved governance, can secure premium exit valuations, particularly in regulated industries where ESG compliance directly impacts profitability.

3. ESG as a Differentiator for Strategic Exits

A well-executed ESG-focused exit strategy can differentiate companies, leading to faster deal closures and better terms. Buyers Favor companies with proven ESG performance in areas like governance, environmental sustainability, and social responsibility.

Conclusion:

Are Corporates Leaving Value Behind?

Those focusing solely on ESG compliance rather than leveraging it as a growth driver risk missing key value-creation opportunities. While financial investors increasingly use ESG to drive profitability, many European corporates remain hesitant to fully integrate it into deal processes. To capture ESG's full value, corporates must adopt a holistic approach. By aligning ESG assessments with business goals, improving data quality, and translating findings into actionable post-deal plans, they can mitigate risks, unlock growth, enhance efficiency, and thrive in a sustainability-focused market.

Shane O'Reilly
Managing Director
Sustainable Futures
E: shane.oreilly@kpmg.ie
M: +353 87 050 4654

The Strategic lens – key Commercial Due diligence findings across hot sectors

Commercial and Operational due diligence has evolved into a key tool in buyer due diligence to ensure that the investment case is supported by strong fundamentals and a robust delivery model. The table below sets out areas key investment thesis themes that have arisen during 2024.

Sector	Sector profile for investors	Commercial DD and Operational DD themes
Digital infrastructure development, the energy transition and related engineering Corporate tax	Private equity has been closely monitoring Irish firms within the data centre ecosystem as they expand across Europe. The significant power requirements of these digital factories are drawing attention to innovative sustainable energy solutions and Ireland clearly over-indexes in its growth of specialists in these fields (e.g. Mercury, Winthrop, Dornan, Jones, Suir, H&MV & Ethos).	For commercial and operational diligence (CDD and ODD) in recent deals, we have seen investor focus on evaluating the staffing and contractor mix, including targets' ability to recruit and retain key people compared to peers, as resourcing is repeatedly noted as an area of concern. Furthermore, as the data centre industry is slowing domestically, investors are focusing on how these companies scale internationally and whether new entrants try to move into this growing segment. Investors are also keen to understand how these companies protect their growth prospects and market share.
Healthcare and aging population solutions VAT	An aging population is creating a growing demand for innovative businesses that cater to the unique healthcare needs of older adults, driving an increase in private equity deals in recent years.	Healthcare is both global and local. As a result, investors have sought comfort on the key revenue and cost drivers. For example: In residential care, investors are seeking perspectives on staffing hourly rates and the demand for offerings by private companies in an environment of regulatory policies that may affect their ability to provide services in particular areas. These insights help investors assess the viability and growth potential of their investments in the Irish healthcare market. For private hospital assets, investors seek insights on healthcare waiting lists, the balance between public and private provision, and regional variations in demand and supply.
Advanced mobility, transport, and supply chains Withholding Taxes	Transport is rapidly evolving, from electric vehicles and micro-mobility to the decarbonisation of aviation. Even traditional areas like logistics are currently experiencing a surge in M&A activity, reflecting a broader trend of consolidation within the industry.	For assets we've worked with in the sector, investors are seeking comfort on various sector-specific risks in commercial diligence, such as the potential withdrawal from environmental policies, which could lead to reduced demand and incentives for decarbonisation. Additionally, from an operations diligence, supply chain challenges, particularly in the context of US-China relations, and the global financial environment and performance are key areas of focus.

Sector	Sector profile for investors	Commercial DD and Operational DD themes
Financial services and FinTech	Ireland has produced notable successes, such as Stripe. There continue to be significant opportunities within the country, ranging from embedded finance and transaction solutions to wealth management.	As innovative players scale and grow, investors worry about the challenges that exist for scale-up FinTechs around adapting to the level of regulatory oversight that characterises the industry, while others (such as RegTech players) aim to capitalise on this feature of the market. For trade players, the competitive threats from FinTechs are of concern and an opportunity as the sector is disrupted and customer expectations evolve.
Agrifood and nutrition	As global scrutiny on food production and sustainability intensifies, the impact on the industry will be substantial. Private equity firms are increasingly turning their attention to Ireland, recognised as one of the world's leading agri-economies. They aim to identify high-potential businesses that enhance efficiency and promote sustainability throughout the supply chain.	This year, a significant focus of CDD and ODD for investors was the impact of the EU-Mercosur trade deal and whether it is a positive or negative development. Investors were interested in understanding which players in the value chain are positively or negatively affected by the deal. This compounded the typical areas of concern that need to be explored in any agrifood deal, such as consumer trends, product sourcing, price fluctuations, and the ability of suppliers to pass through inflation. Moreover, investors are always keenly aware of and closely examining factors that can potentially disrupt the agrifood industry, including diseases that can hinder trade, volatility in shipping costs, and various supply chain risks.

Looking to 2025, with the increasing change of pace in the business environment and advances in technology, we expect a greater focus on changing regulation, the impact of AI on business models and geopolitical risk. The age old questions around whether sales volumes will increase, margins will expand and competitors beaten will continue to drive demand for focussed commercial and operational due diligence.

Christopher Brown
Partner, Strategy
E: christopher.brown@kpmg.ie
M: +353 87 050 4453

Contact our M&A Team

David O'Kelly
Partner
Head of M&A
E: david.okelly@kpmg.ie
M: +353 87 744 1606

Mark Collins
Partner
Head of Deal Advisory
E: mark.collins@kpmg.ie
M: +353 87 744 1407

Megan Smythe
Director
Corporate Finance
E: megan.smythe@kpmg.ie
M: +353 87 744 2779

Alan Boyne
Partner
Transaction Services
E: alan.boyne@kpmg.ie
M: +353 87 744 2645

Russell Smyth
Partner
Corporate Finance
E: russell.smyth@kpmg.ie
M: +44 7738603869

Hazel Cryan
Partner
Corporate Finance
E: hazel.cryan@kpmg.ie
M: +353 87 050 4440

James Delahunt
Partner
Corporate Finance
E: james.delahunt@kpmg.ie
M: +353 87 050 4375

Brian Egan
Partner
Transaction Services
E: brian.egan@kpmg.ie
M: +353 87 050 4249

Gavin Sheehan
Partner
Transaction Services
E: gavin.sheehan@kpmg.ie
M: +353-870504489

Chris Brown
Partner
Strategy
E: christopher.brown@kpmg.ie
M: +353 87 050 4453

kpmg.ie

Produced by: KPMG's Creative Services. Publication Date: January 2025. (11087)