



The M&A dance: Orchestrating synergies and value creation in public company acquisitions

A decade of data-driven insights into
the choreography of successful M&A

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Executive summary



Foreword

Acquisitions are a potent lever for strategic growth, companies are spending more per mergers and acquisitions (M&A) deal than ever before. Yet, capturing sustainable value from M&A is as challenging as ever.

This report examines value creation in public company mergers and acquisitions by analyzing total shareholder return (TSR) relative to the relevant index (e.g. S&P) — a market-adjusted metric that isolates deal performance from broader sector trends.

TSR movement is driven by a range of factors and deal-specific characteristics. Synergies — financial benefits arising directly from combining companies, such as revenue growth, cost reductions, or financing efficiencies — are a cornerstone of M&A value creation. Additional drivers include strategic positioning (e.g. acquiring undervalued assets during market dislocations), unlocking latent value in a target's standalone operations, and fulfilling corporate strategic objectives such as market entry or competitive insulation.

There were more than 3,000 public-to-public M&A deals over US\$100 million in value between 2012 and 2022. Our research finds that 57.2% of acquirers ultimately destroyed shareholder value. Although many deals looked promising in the months leading up to closing — generating an average

13.2% in TSR above the relevant S&P sector index — TSR dropped an average of 7.4% in the two years following. The brutal reality: most of the initial gains evaporated soon after the ink dried.

This sobering data aligns with KPMG's ongoing research, which shows a consistent struggle to realize and maintain post-merger synergies. Deals that destroy value often do so for two key reasons: acquirers overestimate the benefits, resulting in overpayment, and they fail to operationalize the gains they projected — particularly because integration and execution complexities are underestimated. These findings demand greater accountability: capital allocators must provide clear, quantified evidence that an acquisition will create value pre-deal — and rigorously track and communicate realized benefits to stakeholders post-deal.

Yet success is achievable: approximately 42.8% of deals succeed in unlocking meaningful synergies, underscoring that M&A can indeed be a path to sustained growth — when done right.

In this report, 'The M&A dance: Orchestrating synergies and value creation in public company acquisitions', we set out to unpick these findings, revisit why so many deals underdeliver and — most importantly — how certain acquirers beat the odds.

We believe the macro environment for the second half of the 2020s will likely be characterized by deglobalization and technology acceleration. This can help drive M&A in two directions: carve-outs along geographical lines and strategic M&A, which finds synergies between new economies and the old, for both disruptors and the disrupted. This evolving landscape underscores the need for strategic and disciplined dealmaking.

This report combines KPMG's global transaction support experience with data-driven insights to equip leaders with actionable frameworks — from initial deal strategy through to post-deal value realization — helping ensure M&A decisions align with long-term value creation.

Headline observations

Most acquirers experience a pre-deal close stock price run-up, but fail to convert that momentum into long-term gains post-close.

Average Acquirer sector adjusted total shareholder return (TSR)⁽¹⁾



Note: ⁽¹⁾ Market cap data extracted as of 20 January 2025. Included 590 out of 682 sample deals from the period 2013 to 2022, based on the deal close date. Only deals involving acquiring companies that remained publicly listed as of 20 January 2025 and were listed for 2 years before and after the deal close date were included. Sample deals involving targets that had not been listed for 2 years prior to the deal close date were excluded. Two outlier deals, in which the acquirers experienced a significant surge in market cap due to major corporate events, were excluded. The timing of 105 days prior to announcement (T-105) and the announcement date (T) is based on the average closing duration of 187 days between the announcement and closing dates of 682 deals.

Source: Capital IQ, KPMG analysis

The TSR boomerang

Based on 682 M&A deals that closed between 2013 and 2022⁽¹⁾, on average companies that made acquisitions generated a 3.6 percentage point (pp) increase in total shareholder returns (TSR), above their relevant S&P sector index between announcement and deal close.

However, deal close represented the peak. After deal close most companies saw a decline in TSR relative to their sector index — with an average 7.4 pp decline in the two years following deal close.

In effect, hard-fought gains leading up to a deal were often squandered post-close (acknowledging that in some cases, the timeframe to deliver full transaction benefits may be longer than 24 months post-close). We look to understand why this might be the case in this report, and how to improve the batting odds.

Start	End	TSR
105 days prior Announcement	Announcement	2.0pp
Announcement	Deal close	3.6pp
Deal Close	2 years post-close	(7.4)pp

Consideration type (cash/stock/mix) has significant impacts on acquirer value created. Cash and mix deals generate value; stock deals generally do not.

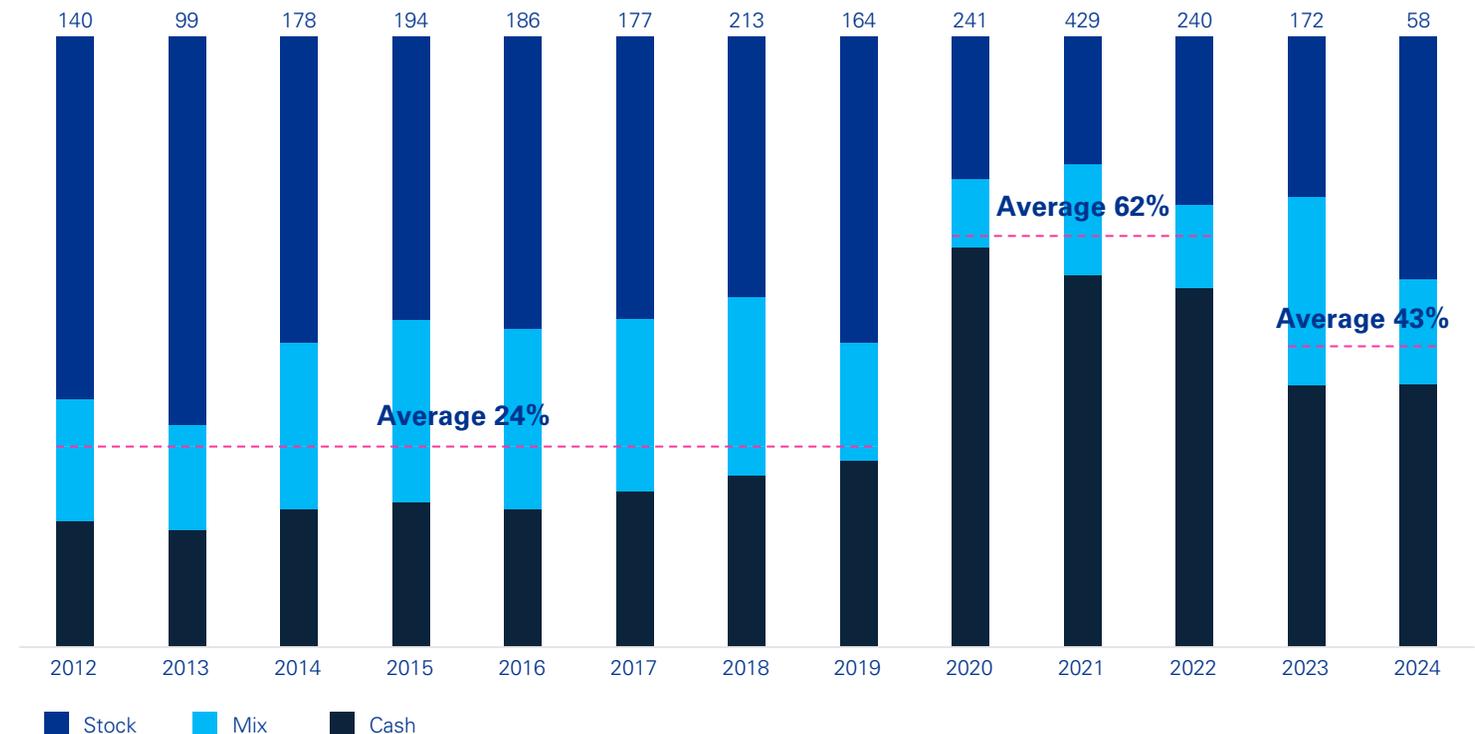
The consideration mix conundrum

The use of stock only deals in M&A transactions has steadily increased — from an average of 24% in the period 2012–2019 to an average of 62% in the pandemic period 2020–2022, falling to 43% in 2023–2024. The paradox is that stock deals on average underperform cash and mix deals significantly in the long run, in terms of acquirer TSR.

There are a number of possible explanations for this, which include: a stock-based offer may be perceived as a lack of acquirer confidence; using stock as currency complicates valuation; and finally the seller's shareholders that become shareholders in the combined entity may drive sell pressure post-close.

M&A deals by consideration type⁽¹⁾

2012–2024, majority transactions with >US\$100mn



Note: ⁽¹⁾ The total population comprises 2,491 M&A deals extracted from Capital IQ as of January 20, 2025, excluding minority deals, and spanning the years 2012-2024.
Source: Capital IQ, KPMG analysis

Acquirer’s cumulative sector adjusted total shareholder return by consideration type^{(1),(2)}

Sample deal closed in 2013–2022, % return



Note: ⁽¹⁾ Market cap data extracted as of 20 January 2025. Included 590 out of 682 sample deals from the period 2013 to 2022, based on the deal close date. Only deals involving acquiring companies that remained publicly listed as of 20 January 2025 and were listed for 2 years before and after the deal close date were included. Sample deals involving targets that had not been listed for 2 years prior to the deal close date were excluded. Two outlier deals, in which the acquirers experienced a significant surge in market cap due to major corporate events, were excluded.⁽²⁾ The timing of 105 days prior to announcement (T-105) and the announcement date (T) is based on the average closing duration of 187 days between the announcement and closing dates of 682 deals.

Source: Capital IQ, KPMG analysis

There was a clear decline in purchase premiums during the period 2012 – 2019, with a corresponding fall in announcement returns for sellers.

Acquirers are giving away less of their value

Deal purchase premiums fell from 45.5% in LTM December 2012 to 19.3% in LTM June 2020. This reversed during the bull market that followed the pandemic.

Purchase premiums significantly impact announcement returns, affecting the seller more than the acquirer. The seller receives the full premium immediately, leading to a substantial increase in shareholder value and a positive market reaction. This is seen in the higher median announcement returns among sellers. Sellers also saw a dramatic decrease in announcement returns over the same period as purchase premiums fell.

Conversely, the acquirer faces immediate financial outlays and perceived risks, which can result in a negative market reaction and a slight decrease in stock price. Additionally, in cash deals, the seller's shareholders benefit from reduced uncertainty, while the acquirer's shareholders must rely on future value creation, including synergies, making the seller's returns more pronounced on the announcement day.

Median global M&A deal purchase premium

Sample deals (105 days prior to announcement), % monthly LTM basis



Median acquirer and seller's announcement return

Sample deals (1 day prior and post-announcement), % monthly LTM basis



Source: Capital IQ, KPMG analysis

Total shareholder return (TSR) at T+2 years follows a power law, with only 10% of deals driving most of the value gained or lost.

The distribution of TSR at T+2 years reveals a dual pattern

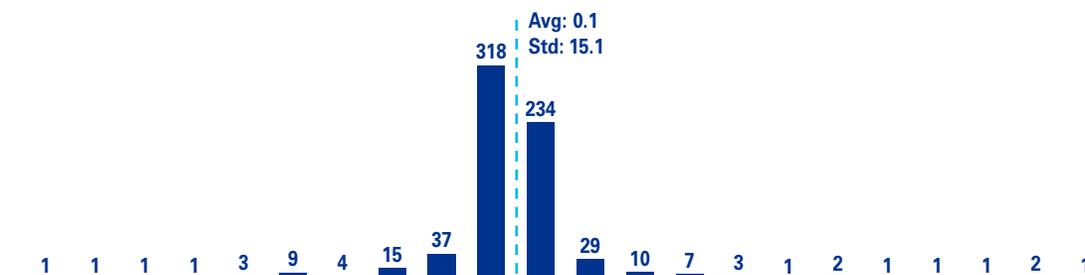
Most deals cluster around a nominal TSR of ±US\$5 billion, with the majority eroding value, resulting in a normal distribution when analyzing deal frequency. However, total nominal TSR is heavily concentrated in a few outlier deals, following a power-law distribution.

The top 10 positive deals account for 47.5% of the total value created, while the top 10 negative deals drive 28.3% of the value destroyed, skewing the dataset average positive despite more deals losing value. This disparity highlights the outsized impact of a small subset of high-performing and underperforming acquisitions on overall value outcomes.

To mitigate the influence of these outliers, subsequent analyses focus on TSR as a percentage of transaction value, offering key insights from both successful and underperforming deals for dealmakers.

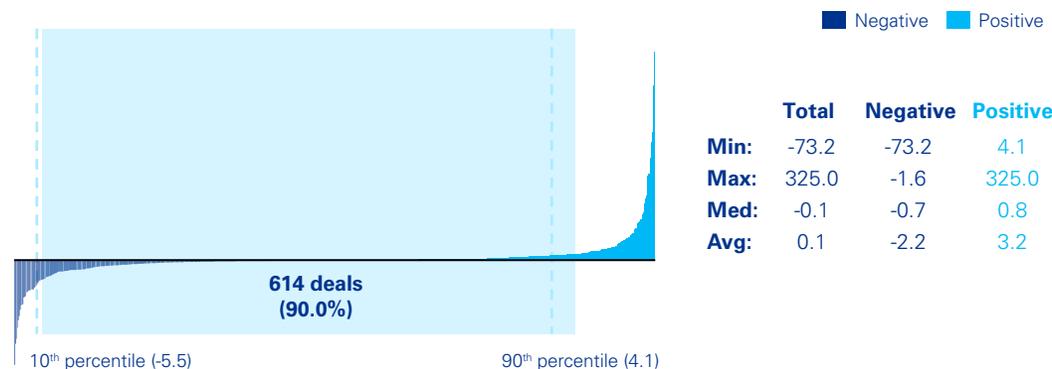
Number of deals by TSR bucket at T+2 years

of deals, US\$ bn



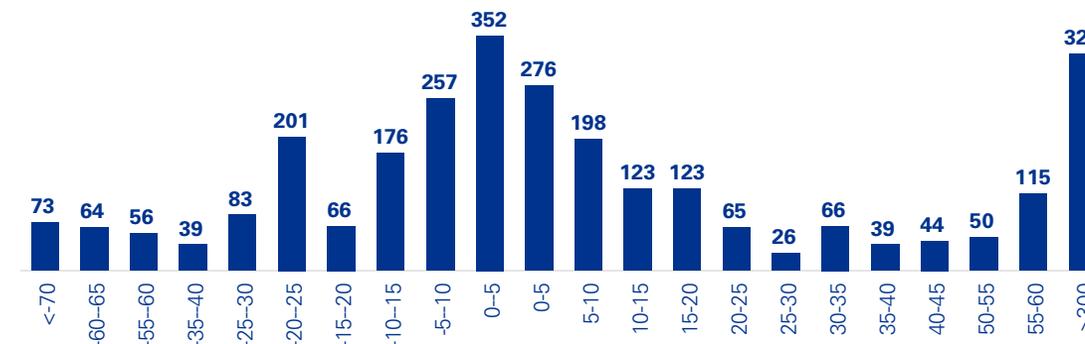
All deals by TSR value at T+2 years

US\$ bn



Total value by TSR bucket at T+2 years

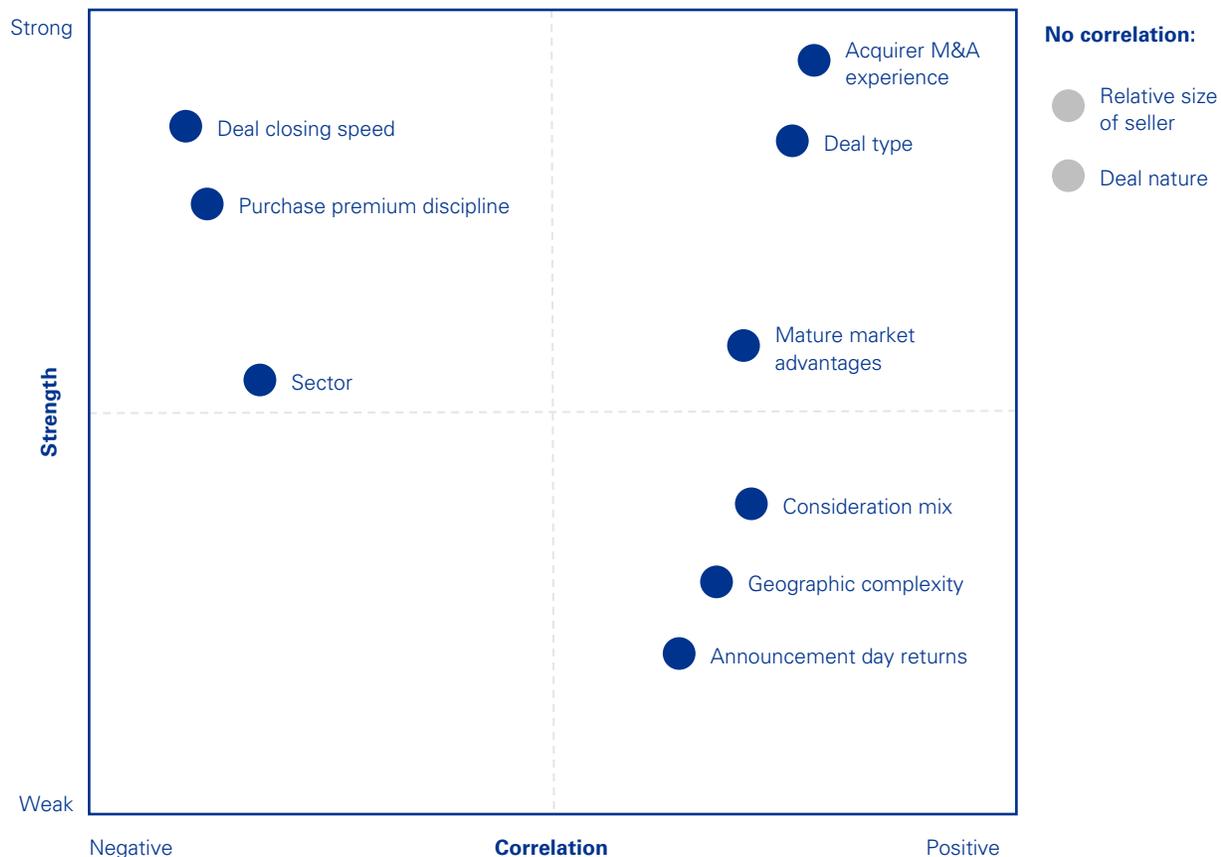
US\$ bn



Source: Capital IQ, KPMG analysis

Not all types of deals have the same chance of success — factors that improve success rates are set out below and explored in more detail in this report.

Factors that impact the value creation success of a deal based on correlation and strength



Source: Capital IQ, KPMG analysis

Correlation Hypothesis

Strong positive	<ul style="list-style-type: none"> ⊕⊕ Acquirer M&A experience: Serial acquirers achieve superior value creation due to accumulated experience and enhanced efficiency in M&A processes. ⊕⊕ Deal type: Vertical or scale-focused mergers outperform diversification-driven deals in long-term value creation. ⊕⊕ Mature market advantages: Deals in mature M&A markets will, on average, have a higher percentage that create value in other markets with a tighter range in outcomes.
Weak positive	<ul style="list-style-type: none"> ⊕ Consideration mix: Deals that include equity-based consideration rather than all-cash lead to better long-term value-creation. ⊕ Geographic complexity: Domestic deals outperform cross-border deals, on average, unless the acquirer already has successful international integration experience. ⊕ Announcement day returns: The market's immediate reaction following the announcement of an M&A deal can serve as a preliminary indicator of its potential success.
Strong negative	<ul style="list-style-type: none"> ⊖⊖ Deal closing speed: Deals that close faster lead to greater net value creation at T+1 and T+2 years. ⊖⊖ Purchase premium discipline: Deals with lower purchase premiums relative to the seller's pre-announcement price will achieve higher sector-adjusted value creation at T+1 and T+2 years. ⊖ Sector: Deals in high-growth or consolidating sectors (e.g. technology, healthcare) generate greater long-term value creation than those in mature, low-growth sectors.

Approach



Methodology — Fundamental assumptions

Our analysis of value creation in public company M&A is built on a foundation of established financial principles, with some KPMG enhancements.

- **Measurement of deal value:**

We assume movement in **total shareholder return (TSR)** between relevant reference dates (see following page) reflects the **net present value (NPV) of a deal**. The implicit assumption is that the market's reaction to a deal is a proxy for its true value.

We also assume the below formula holds⁽¹⁾:

NPV of a deal = PV of synergies – purchase premium

- **Adjusted TSR:** We use an adjusted TSR, which adjusts for the change in the relevant sector index over the reference period. We believe this provides a more accurate and insightful assessment of M&A value creation by isolating the deal's impact from broader market influences.
- **Purchase premium:** We calculate the purchase premium using the below formula:

Purchase premium = offer price – Seller's market price 105 days before the announcement date

This formula aims to eliminate deal-driven influences on the seller's market price, for example market rumors and speculation, or blackout periods preventing management teams from selling equity rewards. The 105-day timeframe is supported by academic research⁽²⁾ and verified with our sample data (see appendix 2).

Notes: ⁽¹⁾ Mark L. Sirower, *The Synergy Trap: How Companies Lose the Acquisition Game* (New York: Free Press, 1997); ⁽²⁾ Eaton, Liu and Officer (2019) find that, on average, the run-up in target price begins approximately 105 days before the public announcement, forming the methodological basis for measuring unaffected deal premium.⁽³⁾ The percentage of seller's TSR is proportional to the cash vs. stock mix of the consideration.

- **Purchase consideration form:** We believe the form of consideration impacts which baseline TSR should be used pre-deal close to calculate value created from an acquirer's perspective.
- **Cash-only deal:** acquirer's TSR only. In a cash-only deal, the seller's shareholders receive a fixed cash payment and the acquirer assumes all the risk and reward. The acquirer's TSR alone reflects how the market perceives the acquisition's value for the acquirer.
- **Stock deal:** Acquirer and seller combined TSR. Both shareholder groups retain equity stake in the combined entity and share risk and reward; therefore pre-close TSR for both acquirer and seller is relevant, as they reflect the market's perception of the relative value exchange and potential of the combined business.
- **Mix of cash and stock deal:** Acquirer TSR plus weighted seller TSR. Weights determined by cash/stock proportion in the deal.



Methodology — Reference dates and periods

Key intervals we use across this report are set out below.

Key reference date and periods for the calculation of acquirer's TSR and purchase premium

Announcement date (T-0)

T-0 refers to the announcement day of the transaction.

Average closing duration: 187 days⁽¹⁾

T+2 years

Refers to the acquirer's TSR 2 years post-announcement, indicating the assessment of the deal's sustained impact on value creation. This is assuming that the market should have a clearer view on whether stated synergies are being realized.

T-105 days

T-105 is the reference date used to calculate the premium paid above the seller's market price, based on academic research.⁽²⁾

T+1 day

T+1 refers to the subsequent day following the announcement day of the transaction. The period between T-105 days and T+1 day is used to categorize the initial market reaction to the deal.

T+1 year

Refers to the acquirer's TSR 1 year post-announcement, which shows an early indication of value creation from the deal. Shareholders may have some initial indications of synergy realization.

Deal close +2 years

Refers to the acquirer's TSR 2 years post-deal close, reflecting changes in perceived confidence in value creation from the market.⁽³⁾

Notes: ⁽¹⁾ The closing duration from announcement to the close date varies for each sample deal. An average closing duration of 187 days is used for illustration based on 682 sample deals. ⁽²⁾ This study considers TSR up to 2 years post-deal close because going beyond this period risks blending deal impacts with other exogenous factors, while the first 2 years provide a critical window for tracking key performance indicators, decision gates, and the initial realization of synergies. ⁽³⁾ Eaton, Liu and Officer (2019) find that, on average, the run-up in target price begins approximately 105 days before the public announcement, forming the methodological basis for measuring unaffected deal premium.

Data

Our analysis of public company M&A and value creation began with a comprehensive dataset of M&A transactions. The data underwent a rigorous filtering process to ensure we focused on the most relevant and reliable information for our study.

Data sources

- **S&P Capital IQ:** We extracted a comprehensive list of M&A deals from S&P Capital IQ, spanning the period from 1 January 2012 to 31 December 2022. This database provided detailed information on each transaction, including the acquirer and target company details, deal value, and announcement date. We extracted historical market capitalization data of the acquirers based on the announcement date of the M&A transactions.
- **End of day (EOD) historical data:** We obtained historical stock price data for both target and acquirer companies from EOD historical data. This data covered the period from 1 January 2011 to 31 December 2024, allowing us to analyze stock market reactions to M&A announcements and track long-term performance.
- **Investing.com:** We used Investing.com to gather historical stock price data for the period from 1 January 2011 to 31 December 2024. This data was used to supplement our analysis of market movements and normalize returns.
- **News articles of M&A transactions:** To gain a qualitative understanding of the deals, we reviewed news articles and public information related to each transaction. This provided context and insights into the strategic rationale behind the deals.
- **Perplexity:** We prepared and defined five deal rationales to classify the deals into each category. We created prompts to instruct Perplexity AI to analyze the targets and acquirers of each M&A deal, including the public information of the companies and transaction details. We then instructed Perplexity AI to use this information and the predefined deal categories and definitions to classify each M&A deal into one of these deal rationale categories.
- **Sector indices:** We extracted the historical index prices of the S&P 500 equal-weighted sector indices except for the real estate sector⁽¹⁾, covering the period from 1 January 2011 to 31 December 2024. For the historical index prices of the real estate sector, we extracted from the Dow Jones U.S. Real Estate Index covering the period from 1 January 2011 to 31 December 2024.
- **Bloomberg terminal:** To supplement the S&P Capital IQ data, we extracted historical market capitalization data of the acquirers from Bloomberg terminal based on the announcement date.

Notes: ⁽¹⁾ S&P 500 equal-weighted sector index has only the historical index price available starts from 19 September 2016.

31 December 2022 was our announcement date cut-off, as we wanted to analyze TSR up to two years post-announcement (i.e. to 31 December 2024).

Filtering process

To ensure the robustness of our analysis, we applied a series of filters to the initial dataset. This process is illustrated in Figure 1: Data filtering process.

- **Initial dataset:** We began with a total population of 3,006 public company to public company M&A deals globally, spanning the period from 1 January 2012 to 31 December 2022, sourced from S&P Capital IQ.
- **Focus on majority transactions:** We excluded 745 minority deals and focused on majority transactions where the acquirer acquired a controlling stake in the target company.
- **Exclusion of out-of-scope deals:** We excluded 1,018 deals that fell outside the scope of our analysis. These included SPAC transactions, private equity transactions, private-public reverse merger transactions, related party transactions, asset acquisition transactions, acquirer corporate restructuring transactions and others.
- **Publicly listed companies:** We limited our analysis to deals involving publicly listed companies, ensuring access to reliable market data.
- **Transaction size:** We considered only transactions with a deal value of US\$100 million or above to focus on significant M&A deals.
- **Data availability:** We excluded 128 deals due to the unavailability of stock price and/or market capitalization data for the target and/or acquirer companies.
- **Market capitalization threshold:** We excluded 421 deals where the transaction value was 15% or less than the acquirer's market capitalization, as these deals were deemed less likely to materially impact the acquirer.
- **Purchase premium threshold:** Consistent with industry research⁽¹⁾, we excluded 12 deals with premiums exceeding 142%, which were considered outliers.

Final sample: After applying these filters, our final sample consisted of 682 M&A deals. This refined dataset provided a solid foundation for our subsequent analysis of value creation in public company M&A.

Sense checks and adjustments were applied to validate data accuracy, including manual checks on key metrics.

Figure 1: Data filtering process⁽²⁾



Note: ⁽¹⁾ Eaton, Liu and Officer (2019) excluded deals that are three standard deviations below/above mean.
⁽²⁾ Each block represents number of M&A deals that are excluded from the filtering process.

Source: Capital IQ, KPMG analysis

Cohorts

To gain a deeper understanding of the value creation dynamics in public company M&A, we conducted cohort analysis. This involved segmenting our final sample of 682 deals into distinct cohorts based on key deal characteristics.

We categorized each M&A transaction into one of the following cohorts based on KPMG's predefined deal categories:

1. Deal characteristics

- Transaction value: Size of the deal, segmented into defined ranges
- Deal nature: Bolt-on, merger of equals or reverse merger (see Appendix 1)
- Consideration type: Cash, stock, or mixed payment structures
- Acquisition premium: Percentage paid above/below the target's T-105 stock price, segmented into defined quartiles (see Appendix 1)
- Deal closing duration: Number of days between announcement and closing date

2. Geographic dimensions

- Domestic vs. cross-border: Categorized local and international transactions to evaluate how geographic scope impacts outcomes
- Regional analysis: Focused on key economic regions such as North America, Europe, and Asia-Pacific

3. Post-deal performance indicators

- Stock reaction: Categorized deals into 'persistent positive', 'initial positive to negative', 'initial negative to positive' and 'persistent negative' to assess changes in the market's initial and long-term reaction
- One-year and two-year value added: The difference between total market capitalization of the combined company in T-105 and T+2, adjusted using a sector index return during the same period

4. Strategic context

- Sector classification: Deals categorized into industries such as technology, healthcare and energy
- Deal rationale: Strategic objectives driving the deal, such as entering new markets, consolidating market share, or acquiring innovation capabilities
- Deal type: Deal's strategic objectives categorized into diversification, vertical merger, scale, line extension and market extension (see Appendix 1)

- Timing: Year and market cycle at the time of the announcement
- Acquirer experience: Categorized public-to-public acquirers into 'Selective' (1 deal completed), 'Opportunistic' (2-4 deals completed) and 'Habitual' (>5 deals completed) acquirers during the 10-year study period

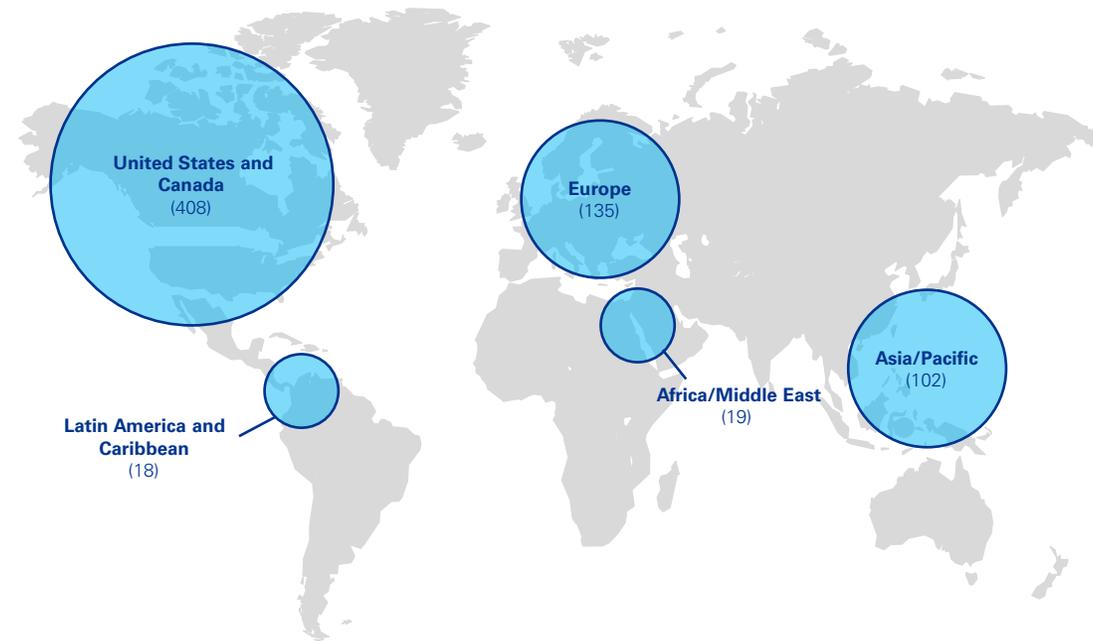
This cohort framework allowed us to isolate patterns and insights across multiple dimensions, providing a holistic view of value creation in public company M&A.

Note: ⁽¹⁾ Eaton, Liu and Officer (2019) find that, on average, the runup in target price begins approximately 105 days before the public announcement, forming the methodological basis for measuring unaffected deal premium.

We looked at a global population of transactions. The United States and Canada represent the majority, with good coverage across Europe and ASPAC.

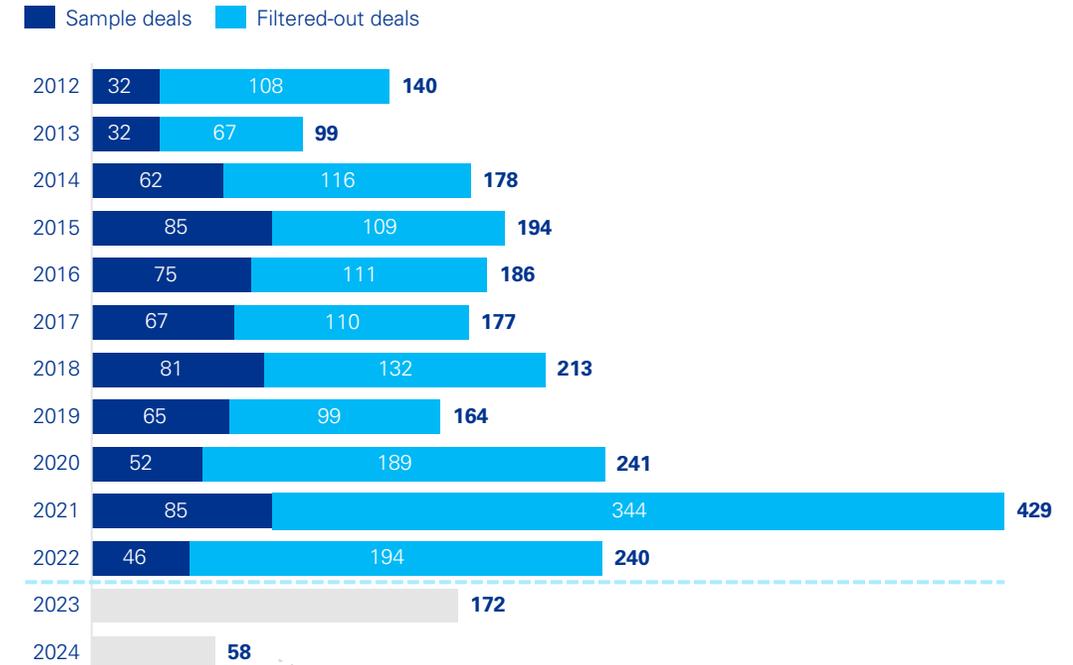
of deals by acquirer region

2012–2022, # of deals



of deals by announcement year⁽¹⁾

2012–2022, # of deals



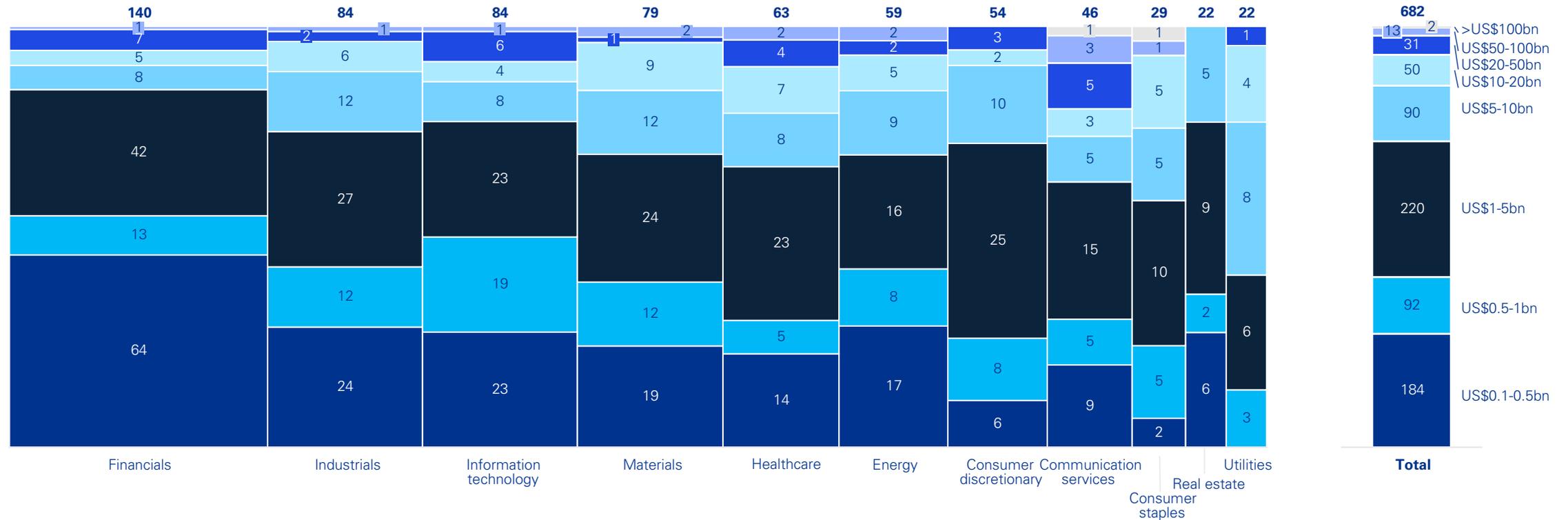
Note: ⁽¹⁾ M&A deal list extracted as of 20 January 2025. Our sample deals cover the period up until 2022, allowing us to analyze the two-year return of the acquirer following the announcement date of the M&A deal.

Source: Capital IQ, KPMG analysis

Deal coverage includes all sectors. Financials represents the largest segment by number of deals, though financials deals were on average smaller.

of deals by transaction value by acquirer sector

2012–2022, # of deals



Source: Capital IQ, KPMG analysis

Hypotheses we tested

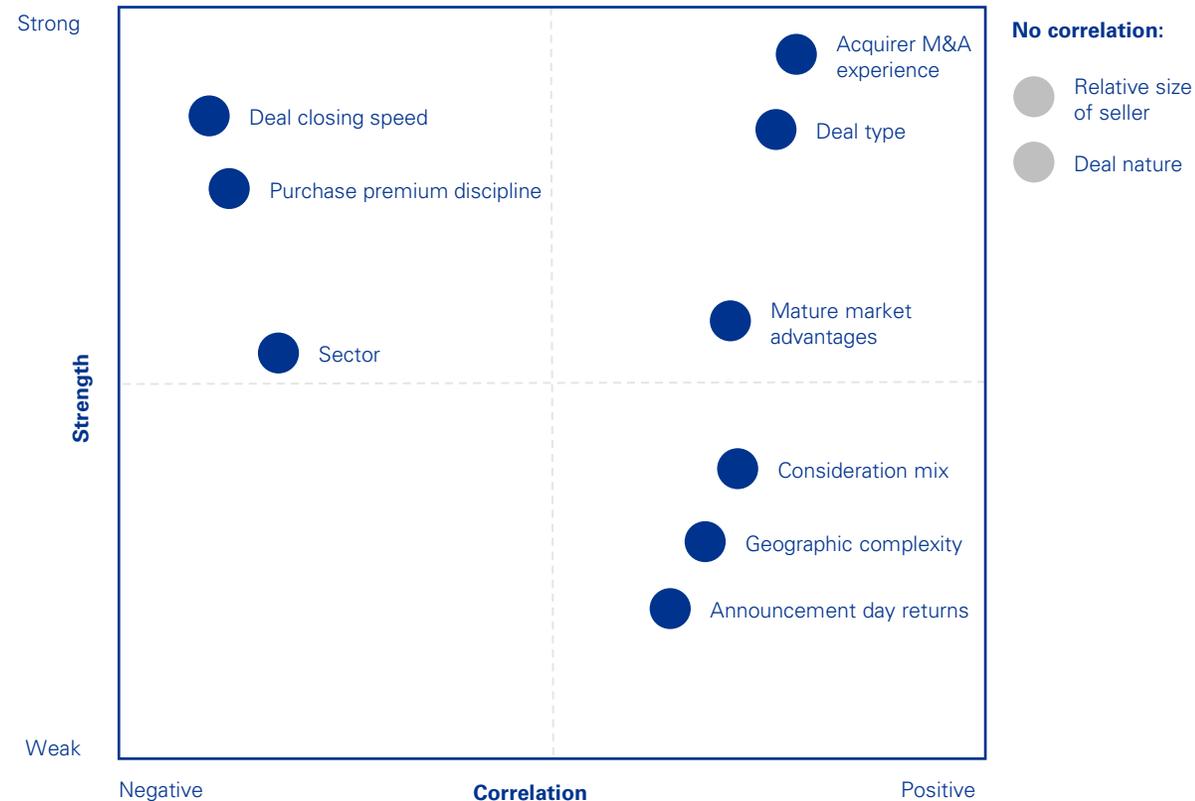


	Cohort	Hypotheses	Outcome	Finding
7	Consideration mix	<ul style="list-style-type: none"> Deals that include equity-based consideration rather than all-cash lead to better long-term synergy realization. Rational: When seller management and shareholders receive equity, they remain invested in the combined company's future. This ongoing stake aligns their incentives with the acquirer's long-term goals, encourages active participation in integration, and supports sustained value creation post-close. 	Proven Read more	-- - / + ++
8	Acquirer M&A experience	<ul style="list-style-type: none"> Serial acquirers achieve superior value creation due to accumulated experience and enhanced efficiency in M&A processes. Rationale: Repeated acquisitions foster specialized knowledge, streamlined processes, and resource leverage, enabling serial acquirers to identify sellers better, integrate them effectively, and realize synergies faster. 	Proven Read more	-- - / + ++
9	Sector (growth trajectory)	<ul style="list-style-type: none"> Deals in high-growth or consolidating sectors (e.g. technology, healthcare) generate greater long-term value creation than those in mature, low-growth sectors. Rationale: Growth environments offer more opportunities for synergy realization, market share gains, and innovation-driven returns. 	Disproven Read more	+- - / + ++
10	Geographic complexity	<ul style="list-style-type: none"> Domestic deals outperform cross-border deals, on average, unless the acquirer already has successful international integration experience. Rationale: Cross-border integration involves regulatory, cultural and linguistic challenges, raising execution risk and slowing synergy capture. 	Proven Read more	-- - / + ++
11	Mature market advantages	<ul style="list-style-type: none"> Deals in mature M&A markets will, on average, have a higher percentage that create value in other markets with a tighter range in outcomes. Rationale: The US market is the most liquid and most mature in terms of public company M&A, meaning valuations should be more precise, and there should be better deal execution. 	Proven Read more	-- - / + ++

Key: Strong **negative** correlation ▶  /  ◀ Strong **positive** correlation
 No correlation

Not all types of deals have the same chance of success — factors that improve success rates are set out below and explored in more detail in this report.

Factors that impact the value creation success of a deal based on correlation and strength



Key winning attributes

Based on our research and analyses, these factors can increase the probability of success:

- Acquirers completed 5+ deals in the past 10 years
- Vertical integration or scaling deal
- Operating in a mature M&A market
- Moderate to high purchase premiums
- Sectors easier to value due to predictable revenue streams, established business models or valuations based on balance sheet

[Read more](#)

Note: Deal closing speed is inconclusive as a predictor of success due to the TSR boomerang effect, where companies often see a peak in TSR at deal close but then experience a significant decline afterwards.

Source: Capital IQ, KPMG analysis

Detailed findings



1. Purchase premium discipline

Hypothesis

Deals with lower purchase premiums relative to the seller's pre-announcement price will achieve higher sector-adjusted value creation at T+1 and T+2 years.

Finding



Empirical evidence

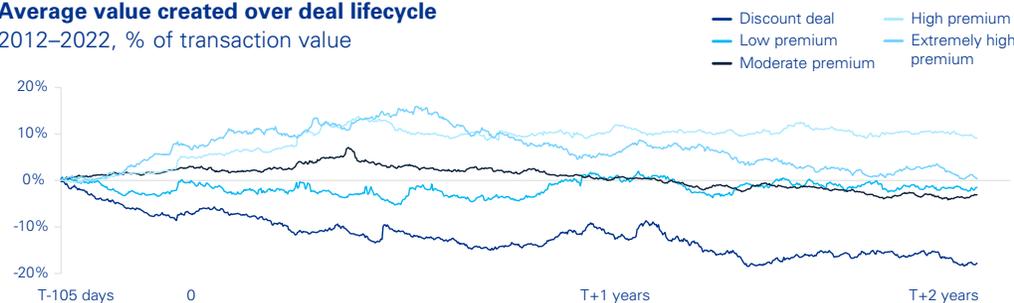
Percentage of deals that created positive value

2012–2022, % of deals (total # of deals)



Average value created over deal lifecycle

2012–2022, % of transaction value



Key: Strong **negative** correlation ◀ ◯ ◯ / ◯ ◯ ▶ Strong **positive** correlation

▲ No correlation

Source: Capital IQ, KPMG analysis

Overview of approach

To assess the impact of acquisition premiums on value creation, we segmented our dataset of M&A transactions, by premium size, tracking the average value created at one and two years post-announcement.

Conclusions

- This analysis challenges the assumption that lower acquisition premiums invariably translate to superior value creation. While a prudent acquisition price is undoubtedly important, our findings suggest a more nuanced relationship between premium size and value generation.
- Surprisingly, a general upward trend emerged: a higher proportion of deals with larger premiums generated positive value. This pattern held true even for those with extremely high premiums, which, on average, yielded positive returns, while those with lower premiums often did not.
- This seemingly counterintuitive finding may be explained by several factors. Firstly, a higher premium can signal the acquirer's confidence in the target's potential, reflecting a belief in significant synergies, cost savings, or revenue growth opportunities. Secondly, it aligns with the Warren Buffet principle of prioritizing a "wonderful company at a fair price" over a "fair company at a wonderful price." In essence, acquirers paying higher premiums may be focusing on acquisition targets with inherently stronger fundamentals and greater potential for value creation.

3. Deal closing speed

Hypothesis

Deals that close faster lead to greater net value creation at T+1 and T+2 years.

Finding

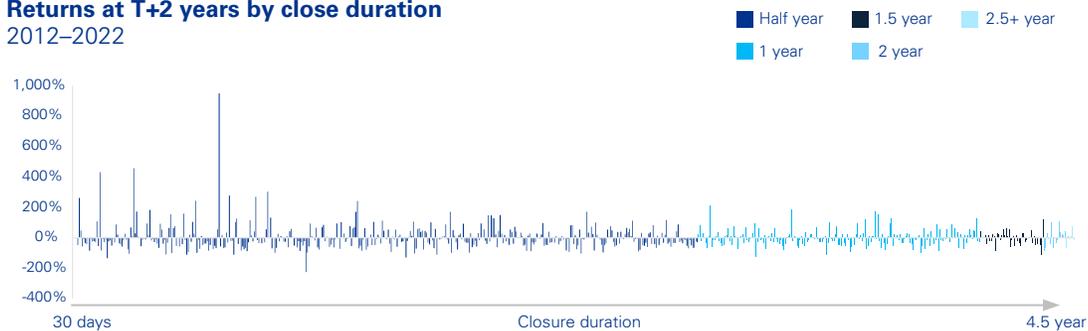


Empirical evidence

Percentage of deals that created positive value 2012–2022, % of deals (total # of deals)



Returns at T+2 years by close duration 2012–2022



Key: Strong **negative** correlation ◀ ◯ - / + ◯ ▶ Strong **positive** correlation
 ▲ No correlation

Source: Capital IQ, KPMG analysis

Overview of approach

We examined the relationship between deal closure speed and value creation by categorizing M&A transactions based on time-to-close (in half-year intervals). We then analyzed the proportion of deals in each category that generated positive net value at T+1 and T+2 years.

Conclusions

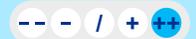
- It's important to consider the M&A "boomerang effect" when analyzing closure speed. This effect describes the common trend of companies experiencing a decline in TSR immediately following a deal's closure, with performance typically normalizing after approximately 20 months.
- Deals that close quickly may be more susceptible to the negative impacts of this effect, as there is less time for the market to adjust and for the integration process to gain traction. The empirical evidence is deals that closed within half a year had a 44.2% success rate in creating value at T+1 years, which is relatively low compared to longer-closing deals. This suggests that rapid closures might not always ensure sustained value creation.
- Deals taking two years or more to close would still be in the rising stage of the boomerang at T+2 years, and we believe this is why they indicate as the highest percentage of deals that create positive value. We suspect this cohort would show a reduced percentage post-deal close.

4. Deal type

Hypothesis

Vertical or scale-focused mergers outperform diversification-driven deals in long-term value creation.

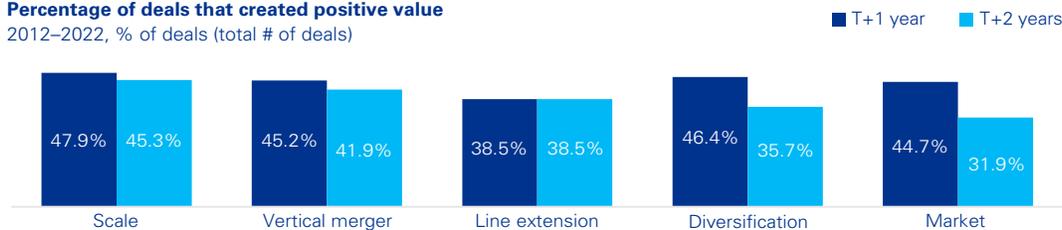
Finding



Empirical evidence

Percentage of deals that created positive value

2012–2022, % of deals (total # of deals)



Average value created at T+2 years by deal type by acquirer sector

2012–2022, % of transaction value

	Communication services	Consumer discretionary	Consumer staples	Energy	Financials	Healthcare	Industrials	Information technology	Materials	Utilities
Diversification	87.3%	-4.5%	-11.1%	-36.0%	-6.6%	0.9%	-7.7%	-4.0%	-13.8%	42.0%
Vertical merger	-20.8%	-5.3%	3.3%	-225.7%	189.4%	-18.8%	81.6%	-21.9%	42.1%	0.0%
Scale	26.6%	23.2%	-1.6%	1.3%	-3.7%	-19.5%	-0.9%	-3.7%	-1.4%	-1.3%
Line extension	28.3%	-50.2%	-18.0%	-18.0%	-29.0%	-8.0%	-11.8%	4.0%	-26.5%	18.2%
Market extension	27.3%	5.1%	67.0%	-34.0%	-14.3%	-57.3%	-6.1%	-86.2%	59.2%	67.8%

Key: Strong **negative** correlation ◀ ◯ - / + ◯ ▶ Strong **positive** correlation

▲ No correlation

Source: Capital IQ, KPMG analysis

Overview of approach

Deals were segmented into five categories: diversification, vertical merger, scale, line extension, or market extension. We then analyzed value creation outcomes considering both the acquirer's sector and the deal type.

Conclusions

- Diversification deals generally exhibit lower success rates in generating long-term value. This is likely due to the inherent challenges of integrating and strategically aligning disparate businesses.
- Conversely, scale-focused mergers demonstrate the highest success rates, likely attributable to acquirers leveraging existing expertise and capturing economies of scale.
- Interestingly, communication services companies stand out as an exception, achieving notable success with diversification deals. This may be due to their ability to leverage existing technological and operational expertise to effectively integrate new ventures.
- Vertical mergers in the financials sector (e.g. a bank buying a POS provider) also demonstrate strong long-term value creation. This may stem from an ability to streamline operations (e.g. increased share of merchant discount rate (MDR)), enhance cross-selling (e.g. supply chain finance to merchant's suppliers), and improve quality of service.

6. Deal nature

Hypothesis

Bolt-on acquisitions produce higher sector-adjusted returns than reverse mergers.

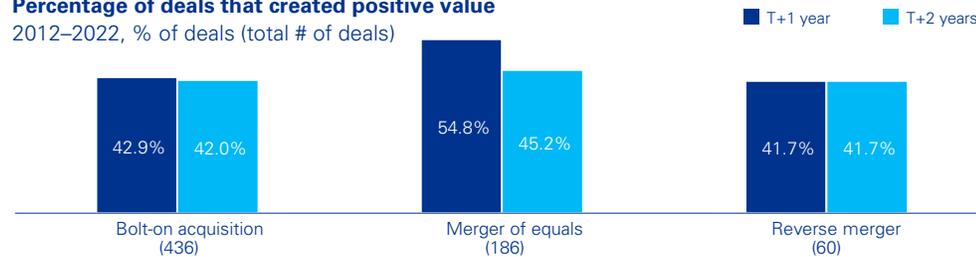
Finding



Empirical evidence

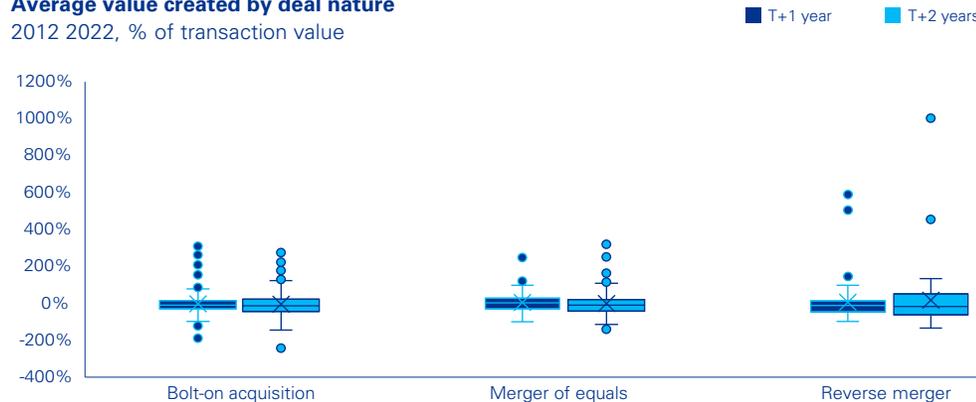
Percentage of deals that created positive value

2012–2022, % of deals (total # of deals)



Average value created by deal nature

2012–2022, % of transaction value



Key: Strong **negative** correlation ◀ ◯ - / + ◯ ▶ Strong **positive** correlation

▲ No correlation

Source: Capital IQ, KPMG analysis

Overview of approach

We first classified M&A transactions as bolt-on, merger of equals, or reverse mergers based on the relative size of the participants. We then analyzed the proportion of deals in each category that generated positive value creation, as well as the average total shareholder return (TSR) at T+1 and T+2 years.

Conclusions

- Our analysis revealed comparable success rates for both bolt-on and reverse merger deals in terms of percentage generating positive value.
- Interestingly, mergers of equals exhibited the highest initial success rate (54.8% at T+1 years), suggesting a strong potential for value creation when similarly sized companies combine (perhaps due to reduced competition oligopolistic markets). This deal type will theoretically present the highest potential for “classic” cost synergies as both companies will have similar-sized baselines. However, this initial advantage diminishes over time, with success rates falling to 45.2% at T+2 years.
- Bolt-on acquisitions demonstrated a tighter range of value creation outcomes compared to reverse mergers, but also exhibited a greater number of outliers. This suggests that while bolt-on acquisitions may offer more predictable outcomes on average, they can also present opportunity for significant value creation in the right hands.
- Ultimately, our findings indicate that deal type alone is not a definitive predictor of value creation.

7. Consideration mix

Hypothesis

Deals that include equity-based consideration rather than all-cash lead to better long-term synergy realization.

Finding

-- / +

Empirical evidence

Percentage of deals that created positive value 2012–2022, % of deals (total # of deals)



Average value created at T+2 years by consideration by purchase premium 2012–2022, % of transaction value

	Cash	Mix	Stock
Discount deal	9.5%	-16.0%	-14.6%
Low premium	53.0%	1.8%	-27.5%
Moderate premium	-5.0%	4.9%	-5.9%
High premium	13.9%	7.8%	4.1%
Extremely high premium	-5.5%	-12.4%	10.6%
	9.2%	2.4%	-6.2%

Key: Strong **negative** correlation ▶ -- / + ◀ Strong **positive** correlation

▲ No correlation

Source: Capital IQ, KPMG analysis

Overview of approach

Deals were categorized as all-cash, all-stock, or a mix of cash and stock. We analyzed the proportion of successful deals and the average value created in each category, also considering the level of premium.

Conclusions

- While cash deals generated the highest average value creation, deals with a mix of cash and stock demonstrated the highest success rate (percentage of deals creating positive value). Conversely, all-stock deals exhibited the lowest performance in both average value creation and success rate.
- Interestingly, the optimal consideration type appears to vary with the deal's premium. Cash deals were more successful for lower-premium transactions, while stock deals performed better for higher-premium deals. This suggests that cash offers may be more attractive for less risky deals due to immediate liquidity and certainty, while stock offers may be better suited for higher-risk, higher-reward deals by aligning long-term incentives and potentially signaling confidence in the combined entity's future prospects.
- Mixed consideration deals showed strong performance across a range of premiums, potentially offering a balanced approach that combines the benefits of both cash and stock. This flexibility allows acquirers to tailor the consideration to the specific circumstances of the deal and the needs of both parties.

8. Acquirer M&A experience

Hypothesis

Acquirers with a strong history of value-creating M&A are more likely to create value in subsequent deals.

Finding



Empirical evidence

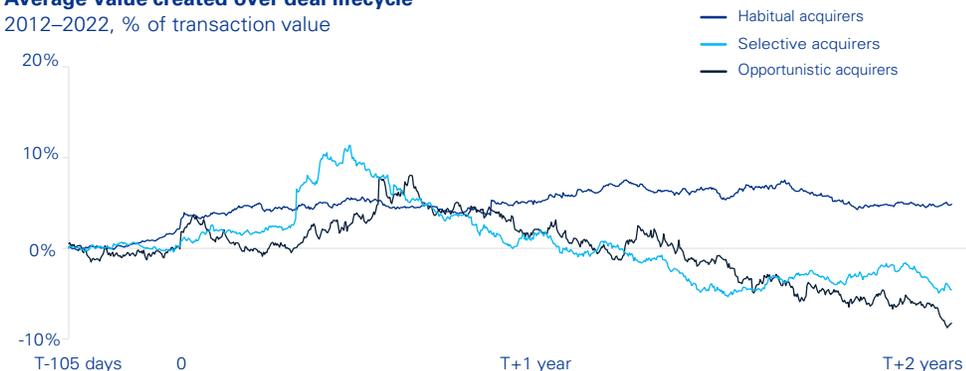
Percentage of deals that created positive value

2012–2022, % of deals (total # of deals)



Average value created over deal lifecycle

2012–2022, % of transaction value



Key: Strong **negative** correlation ▶ ◀ Strong **positive** correlation

Source: Capital IQ, KPMG analysis

No correlation ▲

Overview of approach

We categorized acquirers based on their acquisition history: selective (1 deal completed), opportunistic (2-4 deals completed) and habitual (>5 deals completed). We then analyzed the proportion of value-creating deals and the average value created per deal for each category.

Conclusions

- Our analysis supports the hypothesis that acquirers with a strong track record in M&A are more likely to generate value in future deals. Habitual acquirers consistently outperform their selective and opportunistic counterparts, both in terms of the number of successful deals and the average value created per deal.
- This suggests that M&A is a skill that can be honed over time. Habitual acquirers develop valuable expertise in target identification, deal negotiation, and post-merger integration, leading to a repeatable model for value creation.
- This expertise translates into a more consistent trend of value creation throughout their deal lifecycle, allowing them to identify valuable targets, negotiate favorable terms, and integrate acquired companies smoothly.

10. Geographic complexity

Hypothesis

Domestic deals outperform cross-border deals, on average, unless the acquirer already has successful international integration experience.

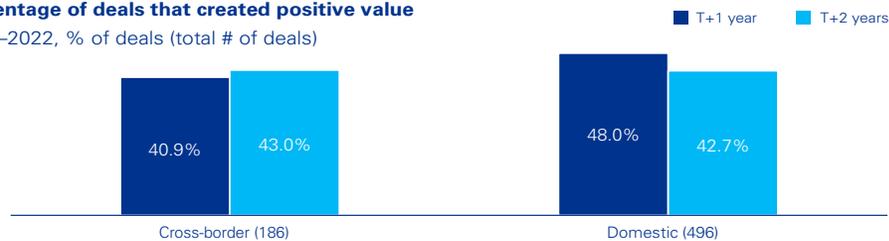
Finding



Empirical evidence

Percentage of deals that created positive value

2012–2022, % of deals (total # of deals)



Average value created over deal lifecycle

2012–2022, % of transaction value



Key: Strong **negative** correlation ◀ ◯ - / + ◯ ▶ Strong **positive** correlation

▲ No correlation

Source: Capital IQ, KPMG analysis

Overview of approach

We classified M&A transactions based on the acquirer's and seller's countries of origin. We then analyzed the proportion of deals in each category that generated positive value creation, as well as the average value created at T+1 and T+2 years.

Conclusions

- Our analysis supports the hypothesis that domestic deals generally outperform cross-border deals in terms of value creation. Domestic deals exhibited a higher proportion of value-creating transactions at T+1 years (48.0% versus 40.9%) and generated higher average value compared to cross-border deals.
- This disparity may be attributed to the inherent challenges of cross-border M&A, including cultural differences, regulatory complexities, and geopolitical uncertainties, which can hinder integration efforts and value realization.
- This finding aligns with broader trends towards deglobalization, where companies may prioritize localized acquisitions to mitigate the heightened geopolitical risks associated with international expansion.
- However, it's crucial to consider the acquirer's international experience when assessing cross-border deals. Companies with a proven track record of successful cross-border integrations may be better equipped to navigate these challenges and unlock value in international markets.

Percentage of deals that created positive value in T+2 years by regions

2012–2022, % of deals (total # of deals)

		Seller region				
		Africa/Middle East	APAC	Europe	Latin America and Caribbean	United States and Canada
Acquirer region	Africa/Middle East	42.9% (14)		0% (2)		33.3% (3)
	APAC		41.0% (83)	33.3% (12)		28.6% (7)
	Europe		33.3% (3)	46.8% (94)	0% (1)	51.4% (37)
	Latin America and Caribbean			33.3% (3)	25.0% (12)	100.0% (3)
	United States and Canada	75.0% (8)	20.0% (5)	44.4% (27)	40.0% (5)	42.1% (363)

Average value created in T+2 years by regions

2012–2022, % of transaction value

		Seller region				
		Africa/Middle East	APAC	Europe	Latin America and Caribbean	United States and Canada
Acquirer region	Africa/Middle East	24.1%		-45.3%		5.3%
	APAC		11.7%	-11.7%		11.0%
	Europe		-27.9%	1.5%	-17.4%	-3.5%
	Latin America and Caribbean			-12.4%	-25.6%	18.1%
	United States and Canada	23.6%	-13.5%	-3.3%	-68.5%	1.3%

Key: Strong **negative** correlation Strong **positive** correlation
 No correlation

Conclusions

Acquirers from the United States and Canada have the highest proportion of deals resulting in positive value creation across multiple regions, particularly when acquiring sellers from Africa/Middle East (75.0%) and Latin America and Caribbean (40.0%). This could be because both the United States and Canada have diverse immigrant communities with historical ties to many regions around the world, including Africa and Latin America. This diversity can foster a better understanding of local cultures, languages, and business practices, making it easier to navigate and integrate acquisitions.

Source: Capital IQ, KPMG analysis

11. Mature market advantages

Hypothesis

Deals in mature M&A markets will, on average, have a higher percentage that create value in other markets with a tighter range in outcomes.

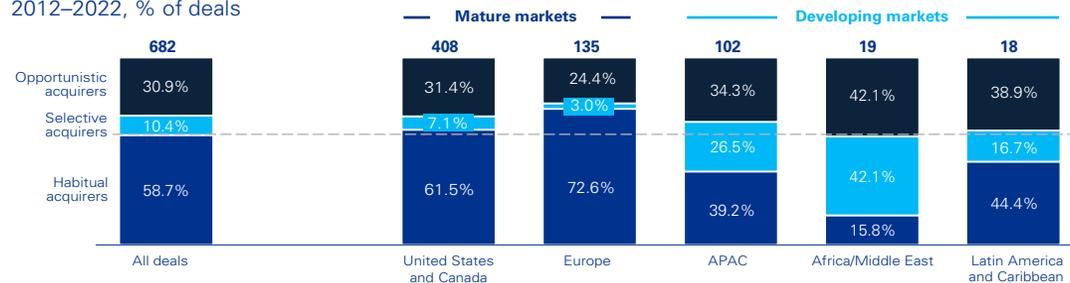
Finding



Empirical evidence

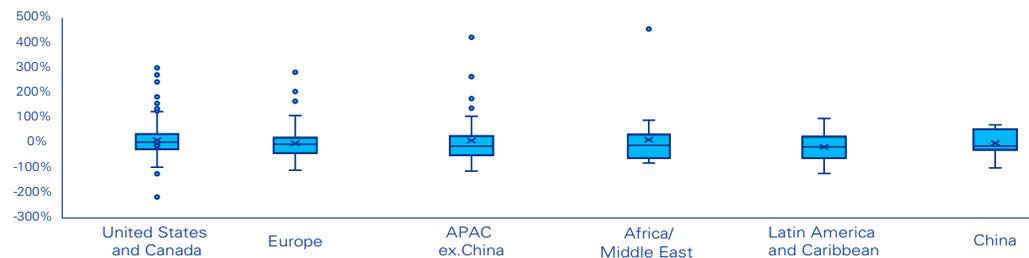
Proportion of acquirers by type by markets

2012–2022, % of deals



Average value created at T+2 years

2012–2022, % of transaction value



Key: Strong **negative** correlation ◀ ◯ ◯ ◯ ◯ ◯ ▶ Strong **positive** correlation

▲ No correlation

Source: Capital IQ, KPMG analysis

Overview of approach

We defined mature and developing markets based on the proportion and number of habitual acquirers in each region. If the proportion of habitual acquirers is lower than the total average, the region is considered a developing market. Outliers deals were then examined across different markets.

Conclusions

- Mature M&A markets, such as the US, Canada and Europe, exhibit a higher concentration of habitual acquirers. This experience translates into more sophisticated dealmaking practices, including valuation, synergy assessment and integration, contributing to slightly higher average value creation and a tighter range of outcomes.
- The mature regulatory environments in these markets also contribute to more predictable outcomes, as acquirers can better assess risks and plan for integration, and in some jurisdictions and scenarios are required to disclose information on synergies publicly.
- However, the US and Canada also show a significant number of outlier deals with exceptionally high value creation (see Appendix 3 and 4). This may be attributed to strong corporate governance and robust post-merger integration practices among some established acquirers in these markets.

Real-world implications



Winning acquirers versus the rest

Winning acquirers embed value creation in the entire deal cycle and begin planning for integration earlier when relevant.

Winners

Strategic acquisitions with well-defined objectives; align objectives with known market advantages

Value-focused, multi-perspective, integrated diligence; early integration planning to capture value

Experienced domestic and cross-border deal teams, decisive action, clear communication throughout the process

Proactive planning, thorough preparation, identify and plan for value opportunities

Rapid integration with a clear focus on executing key value creation initiatives

Successfully implement value creation initiatives, strong execution, and effective cultural integration

Deal strategy

Deal evaluation

Deal execution

Pre-close

100 days

Value realization

The rest

Opportunistic, no clear value creation goals

Reactive, limited due diligence, no integration planning

Lack of M&A expertise, indecisive, poor communication

Reactive to issues, missteps, unprepared for value creation

Slow to integrate, unclear priorities, move to business as usual too fast, value creation not a focus

Fail to achieve synergy targets, poor integration, cultural clashes

Winning acquirers clearly define their deal strategy

Successful acquirers lay the foundation for realizing value through M&A with a thesis-driven deal strategy and disciplined pre-deal preparations.

Winners

- Set clearly defined strategic objectives that drive acquisition decisions.
- Focus on specific market segments and value opportunities.
- Understand different market advantages and align strategies accordingly.
- Align acquisition targets with a well-defined thesis.
- Establish robust governance structures and clear roles early in the process.

Clarity and focus: The cornerstones of successful M&A

Successful M&A begins with clarity: a clear understanding of the strategic objective that the acquisition is intended to support. While this may seem straightforward, it is often overlooked. Consider lagging revenue growth — a common driver for acquisitions. Strategies such as acquiring market share or entering new markets may seem promising but are often too broad to deliver meaningful results. Instead, winning acquirers focus on specific market segments, identifying where value truly lies. In developing markets with unpredictable conditions, prioritizing the identification of unique opportunities may lead to a valuable acquisition at a fair price.

Key questions must be addressed: Who are the target customers? Where are they located? What products or services will meet their needs? By aligning acquisition targets with well-defined market opportunities, companies can avoid the pitfalls of chasing market share for its own sake.

A thesis-driven strategy, aligned with the company's broader objectives, is the foundation of all successful M&A activity.

Preparing for the journey

Once a clear strategy and deal criteria are in place, disciplined preparation is essential. Winning acquirers resist the temptation to leap straight into the deal process. Instead, they lay the groundwork by establishing robust governance structures, clear roles, and well-defined responsibilities.

Early planning is paramount. Preparing governance frameworks on the fly during due diligence often leads to confusion and missed opportunities. Synergy assessment benefits from detailed information, including access to both buyer and target management. However, the extent and degree to which this is available pre-announcement will vary by transaction and is influenced by a range of factors. This, combined with the often short time periods to assess synergies pre-announcement, means that planning and preparation ahead of the diligence period is key.

Winning acquirers holistically evaluate risk and opportunity

Successful acquirers bring together both a risk and value lens.

Winners

- Follow a value-focused, multi-perspective, integrated diligence approach.
- Leverage market, sector and functional expertise.
- Utilize data and analytics and other technology tools.
- Identify potential post-deal integration opportunities and challenges at the evaluation stage.

Seeing the bigger picture

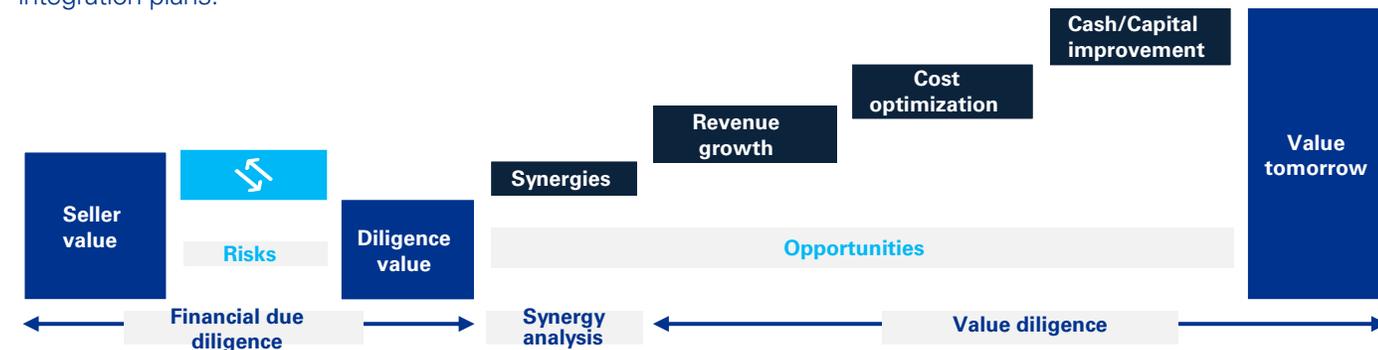
Winning acquirers understand that successful M&A requires a holistic evaluation of risk and opportunity. This approach goes beyond traditional financial due diligence to incorporate a multifaceted perspective that considers not only the financial aspects of a deal, but also the strategic, commercial, operational and capital implications.

These winning acquirers leverage deep sector, local market, and functional expertise to gain a comprehensive understanding of the target company and its competitive landscape. They utilize data and analytics and other technology tools to identify and quantify value creation opportunities, stress-test assumptions, and develop robust integration plans.

Critically, they embed a value lens into due diligence, moving beyond risk mitigation to proactively identify sources of value creation. This includes a rigorous assessment of potential synergies, operational improvements, and growth opportunities.

By identifying potential post-deal integration opportunities and challenges at the evaluation stage, the winners proactively address potential roadblocks and develop strategies to capture value from day one.

This integrated approach to risk and opportunity assessment allows winning acquirers to make informed decisions, negotiate effectively, and maximize the value created through M&A.



Winning acquirers embed value creation across the deal cycle

Successful acquirers approach synergies holistically and ensure synergy assumptions are grounded in rigorous analysis.

Winners

- Embed value creation into every stage of the deal lifecycle.
- Prioritize value creation from day one of the integration process.
- Systematically identify and quantify synergy opportunities, and stress-test assumptions.
- Look across revenue, cost and financial synergies, with a deep understanding of operational realities.

Creating value through synergies

Value creation in M&A often hinges on the ability to identify, quantify and realize synergies — whether in the form of cost synergies, revenue growth, or both. Financial synergies, such as working capital release and capital structure refinements, are also increasingly critical in today's deal landscape.

Successful acquirers approach this challenge with discipline, grounding their synergy assumptions in robust analysis and realistic assumptions about market realities. In addition to proactively assessing positive benefits, they also seek to identify potential dis-synergies, which are key to the overall assessment of value and present opportunities to develop strategies to mitigate them post-close.

Revenue synergies: Opportunity and complexity

Revenue synergies often represent the most exciting potential in an acquisition, but they are also typically the most challenging to robustly assess pre-deal. These synergies typically arise from cross-selling opportunities, geographic expansion, or the ability to leverage complementary

capabilities such as new product development or channel optimization. However, translating these opportunities into measurable outcomes requires deep insight into customer behavior, competitive dynamics, and market readiness.

Leading acquirers understand that revenue synergies demand precision. Instead of relying on broad assumptions, where possible they seek to conduct detailed account-level assessments, asking critical questions such as:

- Which customer segments are most likely to benefit from the combined offering?
- How will pricing strategies need to adapt to reflect the expanded portfolio?
- Are there risks of revenue dis-synergies, such as product cannibalization or customer attrition, that need to be mitigated?

By testing these assumptions against real-world scenarios, acquirers not only improve the accuracy of their estimates but also enhance their ability to execute on those opportunities post-close.

Cost synergies: Efficiency as a foundation

While revenue synergies offer significant upside, cost synergies often provide the foundation for immediate value creation. These synergies stem from eliminating duplicated roles, optimizing procurement, streamlining operations, and consolidating back-office functions.

Unlike revenue synergies, cost synergies tend to be more controllable, predictable and typically easier to assess pre-deal, making them a vital element of any M&A value creation plan.

Successful acquirers avoid overly simplistic assumptions about cost synergies — such as estimating flat percentage savings across all categories. Instead, they take a granular approach, mapping costs and operating models across both the acquirer and the target to identify specific opportunities.

For example:

- Procurement efficiencies: Leveraging increased scale to renegotiate supplier contracts or consolidate spending in key categories.

- Operational improvements: Consolidating manufacturing facilities or distribution centers to improve utilization and reduce overhead, leveraging best practice across the combined company.
- Back-office optimization: Migrating to a single shared services model for functions like finance, IT and HR.

Effective teams link these cost opportunities to clearly defined operating models, ensuring that the integration process is guided by a coherent vision for how the combined entity will function.

Balancing implementation complexity and business risk

Not all synergies are created equal. The ability to realize value depends not only on the scale of the opportunity but also on its implementation complexity and associated business risk. Successful acquirers consider relative risk and complexity to help prioritize and sequence initiatives:

1. **Low complexity, low risk (quick wins):** These synergies, such as indirect procurement savings or

corporate office consolidation, are the easiest to achieve and can deliver immediate benefits.

2. **High complexity, low risk:** Opportunities like back-office optimization may require significant organizational effort but involve minimal disruption to customer-facing activities. These synergies often follow quick wins.
3. **Low complexity, high risk:** Adjustments such as product rationalization may be operationally straightforward but can create substantial risks to customer retention. These initiatives require careful planning.
4. **High complexity, high risk:** Opportunities such as developing new products, entering new markets, or restructuring major supply chain operations represent the most challenging initiatives. These require thorough assessment and implementation planning.

Winning acquirers embed value creation across the deal cycle

Winning acquirers prioritize value creation initiatives based on their impact, complexity and associated business risks.

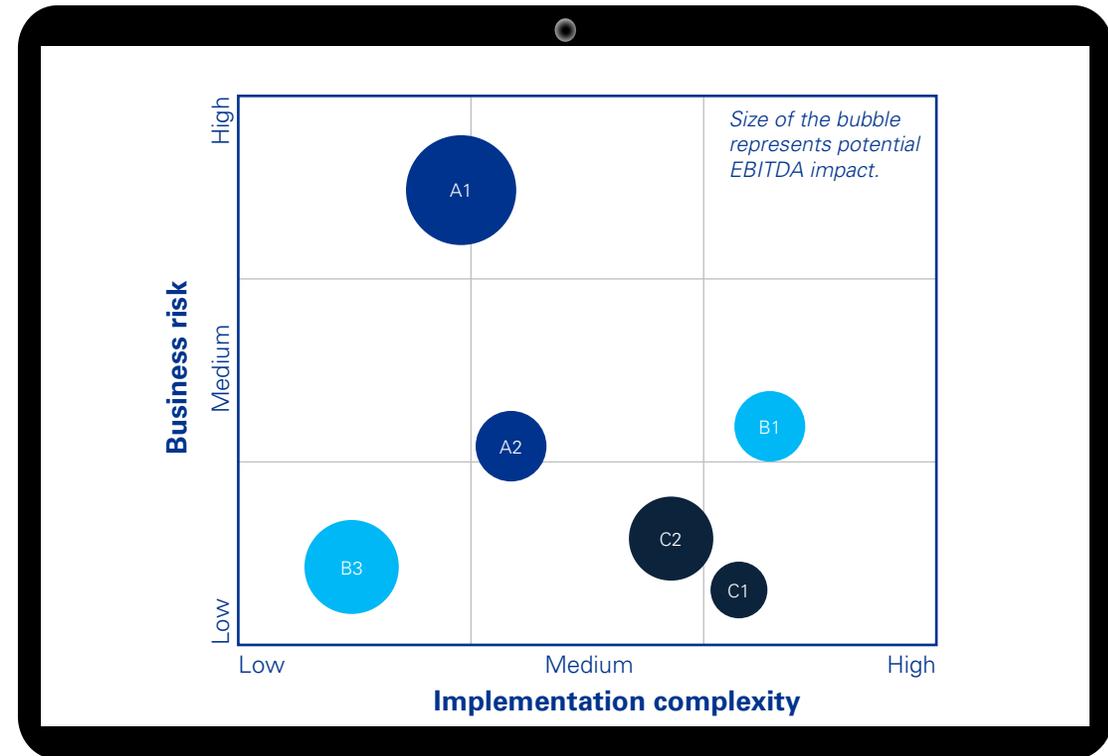


An initial diagnostic enables the quantification of potential financial impact of initiatives once one-off and recurring costs are factored in.

In addition to the 'size of the prize', assessing the business risk and implementation complexity of potential initiatives enables prioritization so that investment is made where expected return is within cost and risk appetite.

Value creation opportunities⁽¹⁾

- A1** Pricing strategy
- A2** Product mix optimization
- A3** Market and channel expansion (*deprioritized*)
- A4** Targeted marketing (*deprioritized*)
- B1** Supply chain optimization
- B2** Outsourcing of SG&A activities
- B3** Corporate office consolidation
- C1** Receivables optimization
- C2** Demand forecasting



Note: ⁽¹⁾ Illustrative example only; actual value creation opportunities, business risks, implementation complexity, and estimated EBITDA impact may vary depending on the industry and nature of the business.

Source: Capital IQ, KPMG analysis

Winning acquirers excel at risk assessment for fair prices

Acquirer value creation hinges on a disciplined approach to valuation, ensuring the purchase price reflects realistic synergy expectations and avoids paying these all away to the seller.

Winners

- Rigorously analyze and stress-test valuation assumptions.
- Use a disciplined approach to valuation, considering market realities and potential risks.

Maintaining purchase discipline

Even with a clear plan to capture synergies, acquirers must exercise discipline to avoid overpaying or missing out on an asset due to an under-assessed value case. As we have explored in this paper, the value of any deal rests on the ability to deliver net synergies — those achieved after accounting for the purchase premium paid to secure the target. When premiums exceed the value of synergies, acquirers risk eroding shareholder returns before integration efforts even begin.

Effective purchase discipline involves:

- Modeling of standalone target business value, ideally using discounted cash flows, to form a robust view on standalone, pre-synergy value.
- Rigorous synergy valuation: Testing revenue and cost synergy assumptions against market and operational realities and building in contingencies for execution risk.

- Scenario analysis: Evaluating deal outcomes under various conditions to ensure resilience against potential disruptions, such as slower-than-expected synergy realization or market changes.
- Recognition of deal and implementation costs: Factoring in the costs to complete the deal and realize the synergies, ensuring a full understanding of the cost benefit calculation.
- Balancing premiums and returns: Avoiding the temptation to “pay forward” anticipated synergies in the purchase price. Instead, acquirers should target a balance where synergies provide a clear upside to shareholder value.

Acquirers who maintain purchase discipline recognize that synergies are only valuable if they can be captured efficiently and with a margin of safety. By grounding valuation decisions in data and adopting a structured approach to assessing both synergies and risks, they position themselves to deliver sustainable value without compromising on financial integrity.

Winning acquirers have a structured approach to integration

Successful acquirers prioritize a structured integration process that aligns leadership, engages employees, focuses on synergies and minimises disruption.

Winners

- 1. Maintain a disciplined focus on value drivers throughout the integration process.
- 2. Dedicate resources and establish clear roles and responsibilities for integration.
- 3. Involve integration specialists from the deal strategy setting and throughout the deal life cycle.
- 4. Communicate effectively with stakeholders to ensure alignment and minimize disruption.
- 5. Develop a detailed integration plan with clear timelines and milestones.
- 6. Treat M&A as a learning opportunity and refine their approach over time.

Integration is where the deal is won or lost. It is critical to the success of a deal to mitigate the risk of value leakage, which often occurs at key handover points, such as moving from the pre- to post-deal phase of a transaction.

The best acquirers recognize that there is no one-size-fits-all approach to integration. However, successful companies consistently meet six key requirements:

- 1. Disciplined focus on value creation:** Integration efforts are centered on the deal's value drivers and considered early in the deal life cycle, with clear metrics to track progress and link value outcomes to integration plans.
- 2. Dedicated integration teams:** Integration management offices (IMOs) oversee the development and execution of plans, maintaining pace and accountability.
- 3. Strong leadership and organizational buy-in:** Visible and engaged senior leaders ensure alignment across the organization. Clear roles and responsibilities are established early to drive cohesion.

- 4. Robust implementation plans:** Detailed plans outline priorities for day one, the first 100 days, and the first year, ensuring continuity while addressing immediate needs.
- 5. Talent retention:** Retaining key talent is critical. Companies identify flight risks early and create retention programs tailored to individual needs, often blending financial and career development incentives.
- 6. Comprehensive communication:** An effective communication strategy is critical to successful integration. M&A creates uncertainty, particularly for employees and customers, and failing to address it risks eroding trust and stalling progress. Employees need clarity on job security, roles, and career opportunities. Customers and partners want reassurance about continuity and the value the deal brings. Winning acquirers tailor messaging to address these concerns early and transparently, ensuring alignment and confidence.

Beating the odds

Our research into public company M&A performance shows creating value through M&A is challenging, but not insurmountable. KPMG firms' experience working with clients shows acquirers who succeed begin with a clear strategy, grounded in economic realities, and follow through with meticulous planning and rigorous analysis and execution. They focus not only on what they hope to gain, but also on the time, cost and complexity required to achieve it.

KPMG professionals have helped scores of clients identify and capture value through acquisitions. At its core, successful M&A is about understanding the drivers of value creation and applying those principles consistently across every phase of the process. From identifying the right target to executing post-merger integration, the best acquirers embrace a disciplined approach that reduces uncertainty, enhances performance and creates sustainable value.



Appendices



Appendix 1: Deal categorizations

Deal nature	Definition	Example transaction
Bolt-on	Target market cap is 50% or less than that of the acquirer	Broadcom's acquisition of CA Technologies
Merger of equals	Target market cap within 51-100% of the acquirer	Avago Technologies' acquisition of Broadcom
Reverse merger	Target market cap is larger than the acquirer	Charter Communications' acquisition of Time Warner Cable Inc.

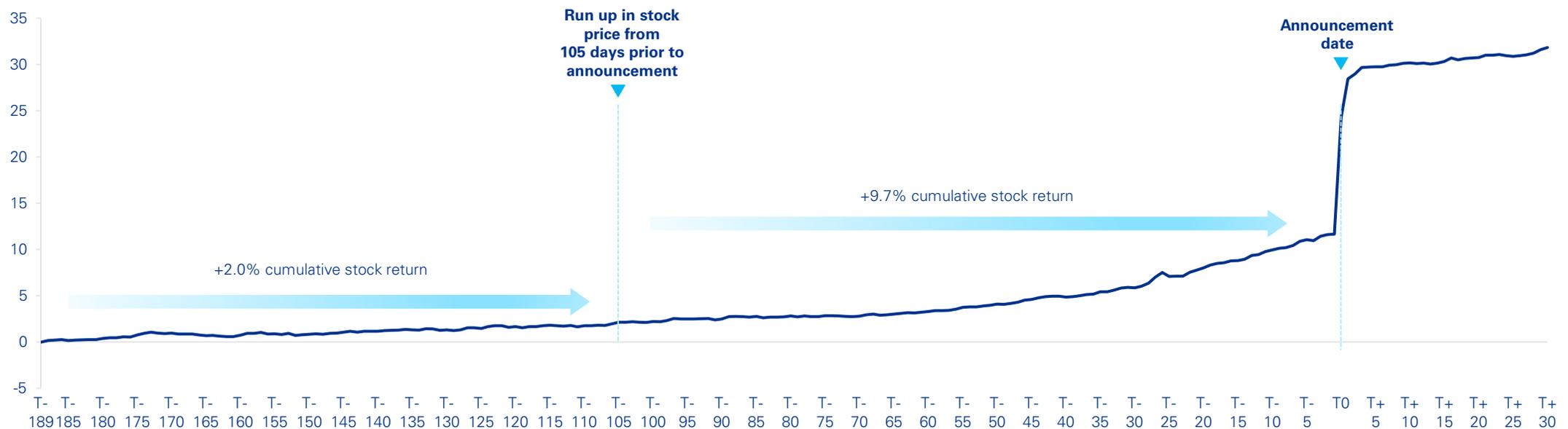
Deal type	Definition	Example transaction
Diversification	The target business is in an unrelated industry to the acquirer and/or would bring a major change in emphasis in the acquiring company's business mix and forward strategy.	Broadcom's acquisition of CA Technologies to enter the enterprise software sector, an industry new to Broadcom's semiconductor hardware core business.
Scale	Purpose of the transaction is to achieve economies of scale, optimize operations and reduce costs (overhead synergies) and/or to achieve a strong market position. Target and acquirer are usually within the same industry.	T-Mobile's acquisition of Sprint Corporation to consolidate its market-leading position in wireless communications services.
Vertical merger	The buyer and target companies operate at different stages of the same industry's supply chain, e.g. merger between a company and its supplier or distributor.	AT&T's acquisition of Warner Media to integrate media content creation into its telecommunications channels.

Deal type	Definition	Example transaction
Line extension	Acquiring a target to extend the acquirer's product lines or services can be either (a) next generation or different variant of existing product/service, or (b) logical complements to the buyers present products/channels/areas.	Teledoc Health's acquisition of Livongo Health to expand its virtual healthcare services into chronic disease management.
Market extension	Buyer and target sell the same products but in different markets.	LVMH Moet Hennessy acquisition of Tiffany & Co. to expand its offerings in the luxury jewelry market.
Acquisition premium	Deals were categorized based on the respective of the premium paid as a percentage of the transaction value. Discount deals represent a premium size less than 0% of transaction value, Low premium up to 10%, Moderate premium up to 30%, High premium up to 70% and Extremely high premium above 70%.	Virgin America's acquisition of Alaska Air Group is considered High premium because Virgin America paid a 53.1% premium.
Acquirer experience	Categorized public-to-public acquirers into 'Selective' (1 deal completed), 'Opportunistic' (2-4 deals completed) and 'Habitual' (>5 deals completed) acquirers during the 10-year study period.	Alaska Air Group, Inc. is an example of a Selective acquirer where as Nokia Corporation is a Habitual acquirer.

Appendix 2: Target price runup prior to merger announcement

Cumulative average stock price return of target 189 days prior to announcement of M&A deal

682 sample deals, % return

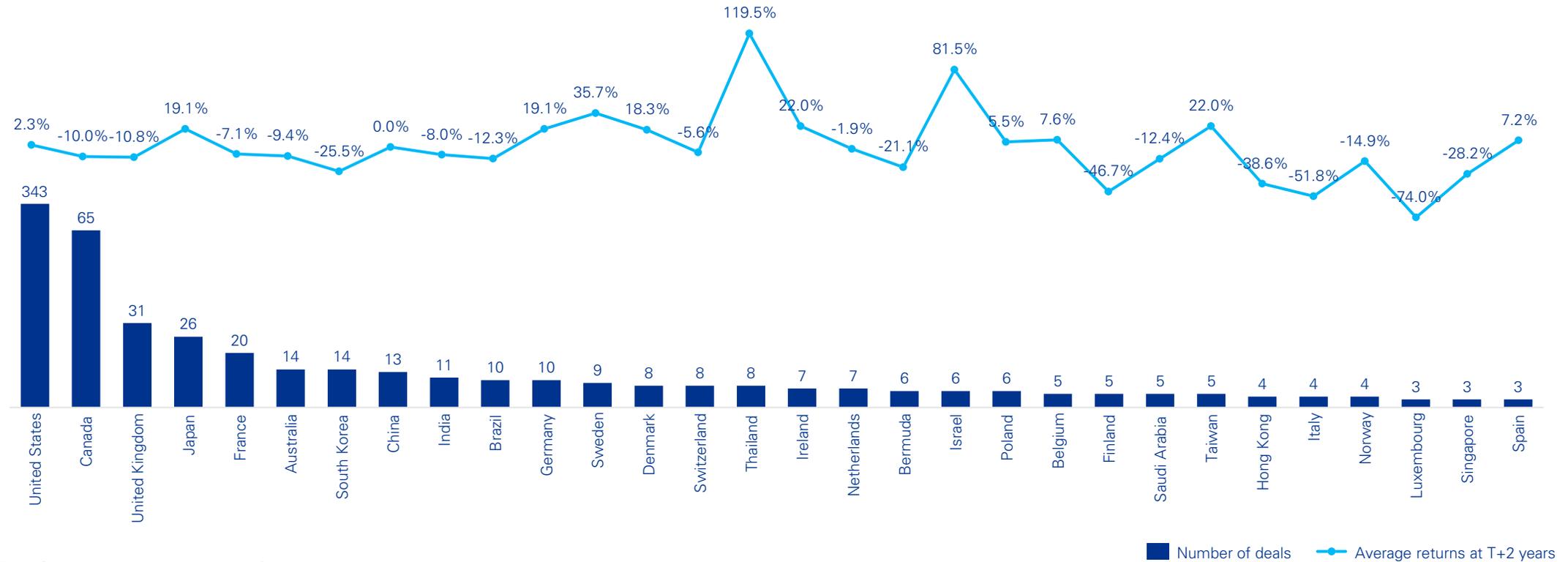


Source: KPMG analysis, Rethinking measures of M&A deal premiums, Gregory W. Eaton, Tingting Liu, and Micah S. Officer, October 2019

Appendix 3: Value created by markets

Average value created at T+2 years post-announcement and the number of deals analyzed by market

2012–2022, # of deals/% of transaction value

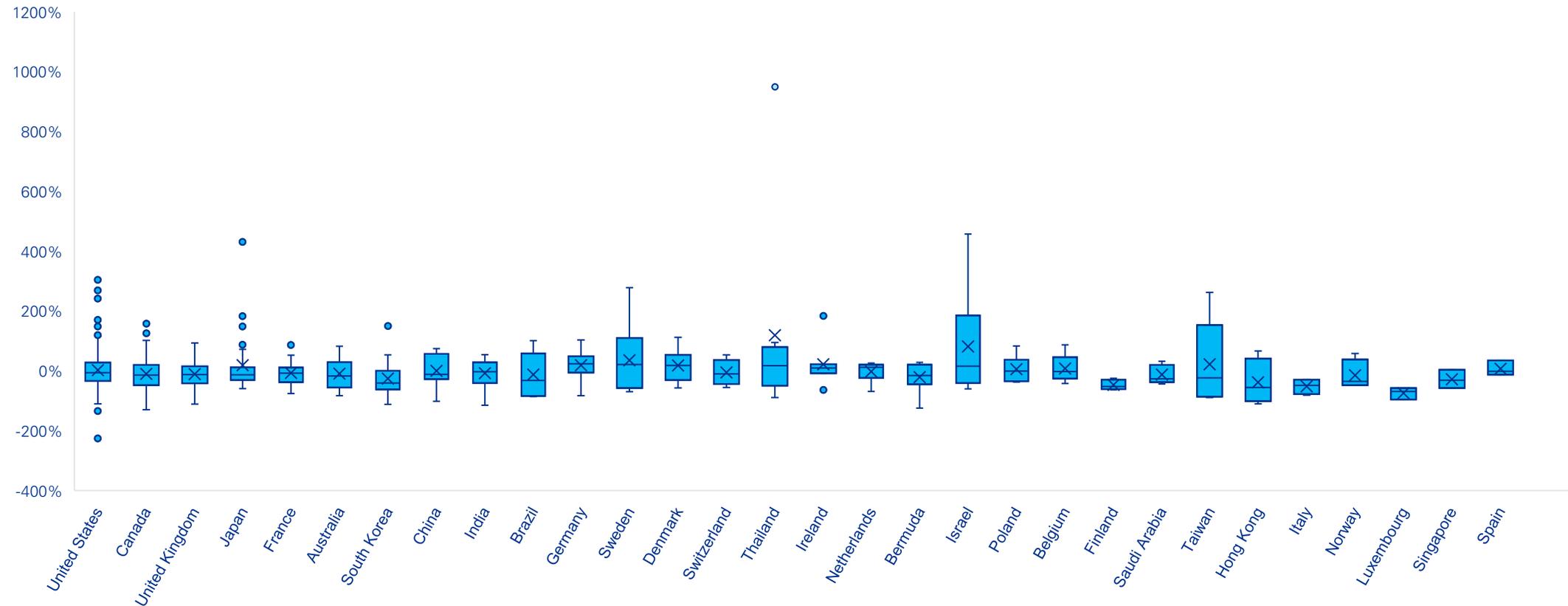


Note: Only markets with a sample size of three or more deals have been included.

Source: Capital IQ, KPMG analysis

Average value created at T+2 years post-announcement

2012–2022, % of transaction value



Note: Only markets with a sample size of three or more deals have been included.

Source: Capital IQ, KPMG analysis

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