# 2025 M&A Study: A Travelers Special Report

Today's M&A trends – what risk teams need to know.

TRAVELERS INSTITUTE® | TRAVELERS | PitchBook

# An introduction from Joan Woodward

President, Travelers Institute®

At Travelers, we are committed to understanding new and emerging risks – especially as they impact the risk management function. M&A activity can have significant impact on a company, influencing its outlook, workforce and risk management practices. As industries consolidate and private equity continues to shape the business landscape, the role of risk professionals has never been more critical.

Following our 2024 CFO Study, we learned that 70% of CFOs surveyed experienced M&A activity, whether or not a deal ultimately closed. As a result, the pressure on risk management teams can increase, with 38% of CFOs stating that their risk management programs were reactive – an industrywide trend we believe we can help reverse. Our customers rely on us to provide insights and solutions that empower them to stay ahead of these challenges.

Through our national private equity practice and our role in M&A due diligence, we closely monitor key trends shaping American businesses, including:

- **$1 trillion** in private equity investment reserves waiting to be deployed. (Source: PitchBook Data, Inc.)
- **11.7 million Americans** employed by private equity-backed firms. (Source: American Investment Council)
- **Longer holding periods**, reshaping the trajectory of portfolio companies. (Source: PitchBook Data, Inc.)

This study, in partnership with PitchBook, goes beyond the numbers to explore how risk teams are navigating the evolving M&A landscape. With insights from 800 executives and risk professionals, we examine the risks, challenges and opportunities emerging in deal-making today. Our goal? To equip brokers, insurance agents and business leaders with the knowledge to help clients manage uncertainty, mitigate risks and position their organizations for long-term success.

# Executive Summary

## Mergers and acquisitions (M&A) represent significant sums of value that flow between parties and across consolidating industries.

Year-end activity remained strong in 2024, with more than 9,000 M&A deals closing in the U.S. for a total of $1.2 trillion in deal value through September 2024. Strategic buyers accounted for more than half of these deals, while private equity (PE) firms continued to gain momentum in the space.

**M&A activity signals broader economic conditions as well as the priorities of corporate and PE players.** Assets, talent, growth and financials are four primary motivations of M&A. One or more of these categories may be used to bolster competitive positioning and help companies execute their strategic goals. Each category also incurs risk.

**Research firm Gartner projected global spending on security and risk management to rise by 14.3% in 2024,** driven by several technology-related factors, including rapid adoption of generative artificial intelligence (AI), cloud expansions and hybrid workforces.[1]

The Federal Reserve's higher-for-longer interest rate policy weighed on M&A deals, but the **December 2024 rate cut provided a confidence boost for dealmakers and the wider economy**.[2]

**According to the 2024 Travelers Survey of recently acquired or merged organizations, risk management practices became stronger post-M&A**. However, businesses' No. 1 concern is employee training and re-skilling in the new company.

[1] "Gartner Forecasts Global Security and Risk Management Spending to Grow 14% in 2024," Gartner, September 28, 2023

[2] "Federal Funds Effective Rate," FRED, Federal Reserve Bank of St. Louis, October 29, 2024

# Trend Analysis

## A time-tested strategy enters a new era.

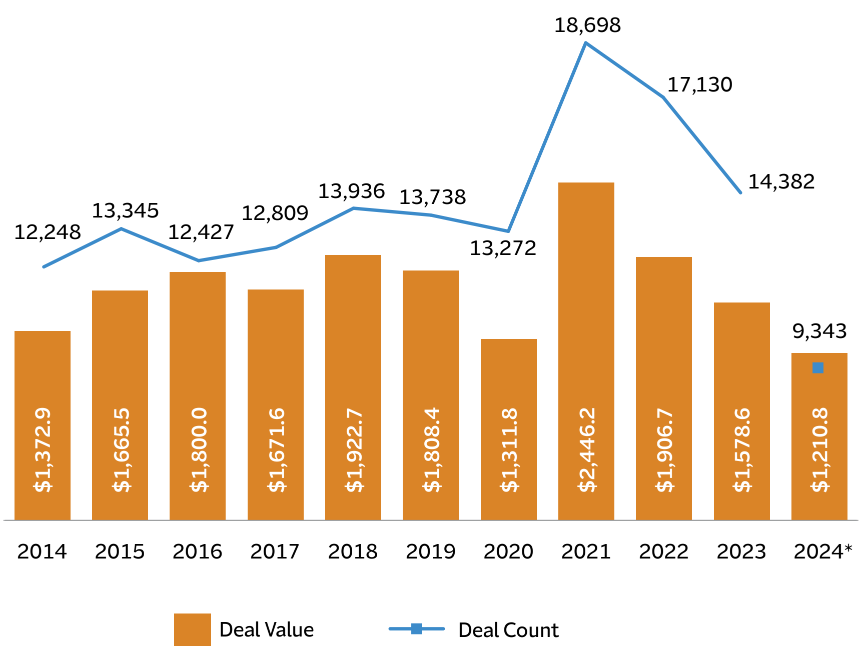
Proper risk/return profiles are paramount in any investment opportunity. Investors may measure risk differently than internal risk teams, but management of vulnerabilities remains a common goal.

Private enterprises are evolving in a new era of competition and technology, further raising the stakes for risk teams. Integration with another entity becomes critical for most enterprise risk management teams. Competitive dynamics and geopolitical shake-ups remain significant challenges, motivating more companies to consider M&A in strategic planning.

Institutional investors such as PE firms seek out opportunities to buy and develop companies before selling them for a return. These arrangements can provide the capital necessary for a company's operations and growth, but they can involve significant organizational change, including to the board members, management and financial structure of a company. Over 10,000 M&A deals close each year in the U.S., meaning the mechanics of integrating with another entity are a critical reality for most enterprise risk management frameworks.

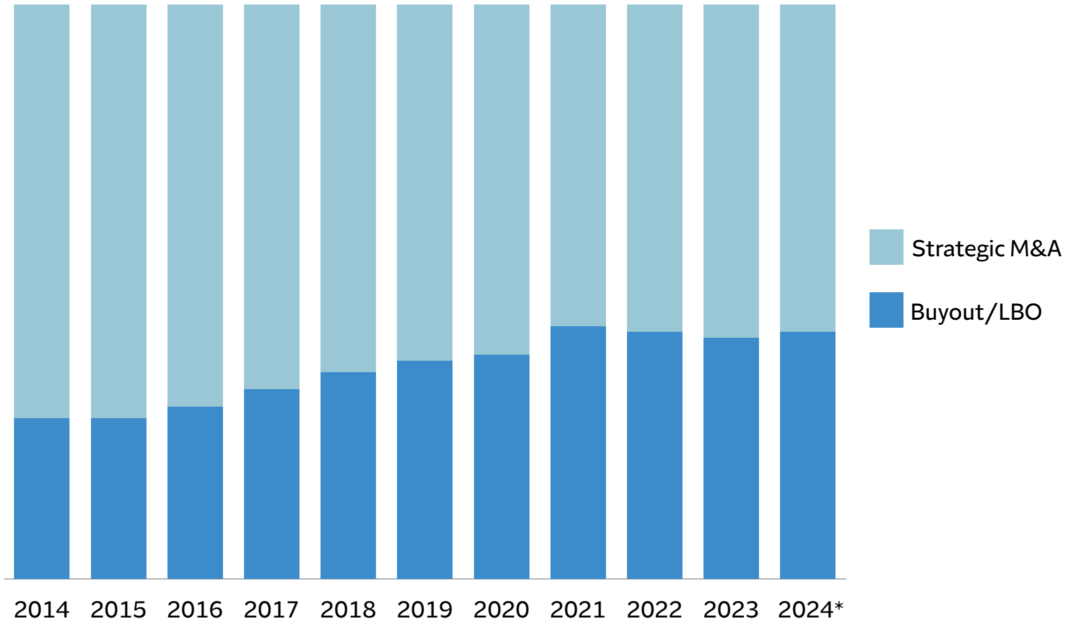
While most M&A transactions are strategic deals, PE activity remains elevated. Both are currently navigating a tepid recovery from macroeconomic headwinds that began in 2022, and while fewer M&A deals closed in 2024, the ones that did were larger on average.

### U.S. M&A Deal Activity



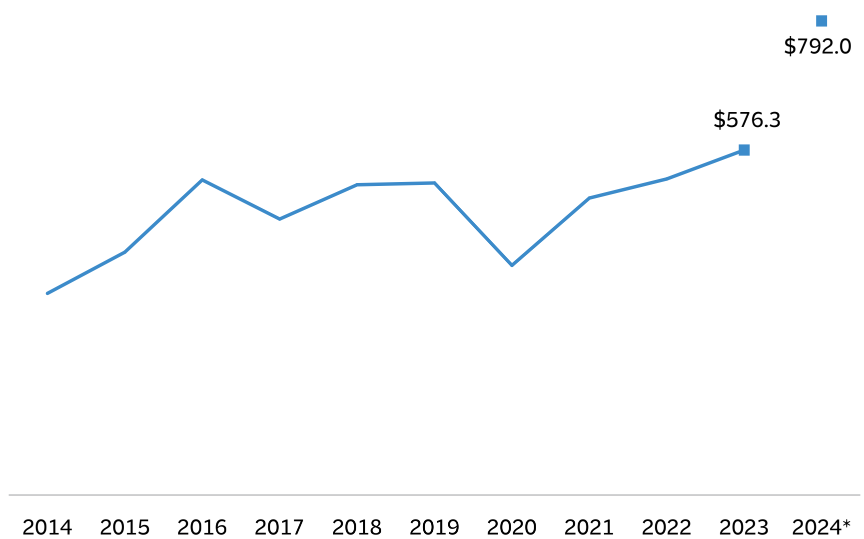

*As of Sept. 30, 2024. *Source: PitchBook Data, Inc.*

## Share of M&A Count by Type (# only)




*As of Sept. 30, 2024. *Source: PitchBook Data, Inc.*

## Average M&A Value ($M)




*As of Sept. 30, 2024. *Source: PitchBook Data, Inc.*

> Retaining employees – those in critical roles – can be challenging if there is change in leadership.
>
> Owner, Manufacturing, <1,000 employees

## What motivates M&A transactions?

Most M&A transactions are motivated by four factors: assets, talent, growth and financials, or a combination of those.

- **Assets** may be tangible (such as a particular product line or technology) or intangible (such as brand equity or intellectual property).
- **Talent** retention is often a top priority because turnover requires additional time and training to fill in gaps to ensure that opportunities identified during negotiations are realized.
- **Growth** is perhaps the most common motivator for M&A deals as companies seek to achieve economies of scale and enter new markets.
- **Financials**, enacted on the buy side to generate returns, can also motivate PE purchases. On the sell side, financial distress may motivate a rescue sale.

## Cyber risk management takes center stage

Cybersecurity is a top concern for executives, and for good reason. Cybercrime has risen dramatically over the past decade, with catastrophic losses exposing vulnerabilities.[3] More expansive data collection, storage and usage at the enterprise level is creating a larger landscape that needs protection. Beyond cybercrime and bad actors, data governance and reliance on third parties also remain key considerations for organizations' tech stacks.

Vendor relationships exponentially increase the bounds for cyber risk management as well. This point was underscored by a July 2024 outage of software from cybersecurity firm CrowdStrike, which impacted 8.5 million Windows devices, according to Microsoft[4] – causing mass disruptions across airline, healthcare and financial services industries.

[3] "Identity Theft Resource Center 2023 Annual Data Breach Report Reveals Record Number of Compromises; 72 Percent Increase Over Previous High," Identity Theft Resource Center, January 25, 2024

[4] "CrowdStrike Update Snafu Affected 8.5 Million Windows Devices," Computer Weekly, Aaron Tan, July 22, 2024

## Lower interest rates signal opportunities ahead

Valuations and pricing dynamics are shifting as U.S. monetary policy adapts to economic performance. Corporate-led deal values have modestly declined each year since 2021, while private equity-led deals have hit a record-high median of 15 times earnings before interest, taxes depreciation and amortization (EBITDA) year to date. As inflated corporate valuations from the peak-pandemic years come down, new transaction opportunities may emerge.

PE firms seek companies with strong growth potential to enhance value before exit, achieving higher resale multiples. Higher PE multiples indicate firms are willing to pay more, leveraging cheaper debt for long-term returns. Earnouts, linking payments to performance over time, ease M&A transitions and benefit both parties.


## Geopolitical landscape and shifting risks

The current geopolitical climate is heightening risks for dealmakers. Ongoing conflicts in Eastern Europe and the Middle East have triggered supply chain disruptions and diplomatic tensions. Of particular concern are U.S.-China relations, with tariff policies taking center stage. While manufacturers and cross-border businesses face the greatest exposure, these macroeconomic factors have the potential to affect growth strategies and consolidation rates across all industries.

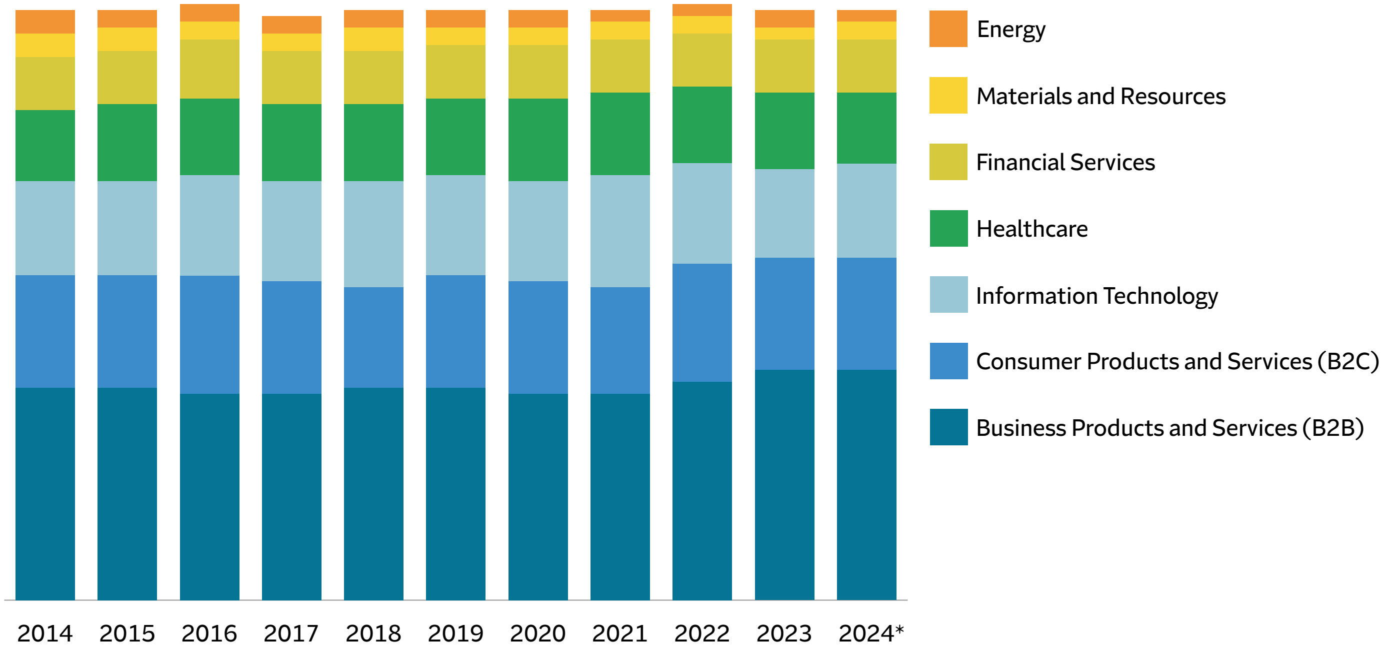
> It might be challenging to integrate many software programs, IT infrastructure and technology stacks.
>
> Controller/Treasurer, Technology, 1,000+ employees

## M&A sector activity: Commodities rise, technology remains steady

U.S. M&A activity is typically well-distributed across sectors, as M&A strategies apply to nearly all industries. However, commodities-based sectors like energy and materials and resources stand out with unique macroeconomic sensitivities. Oil prices, for example, are highly vulnerable to price shocks from international conflicts and supply disruptions. The energy sector has represented just 2.3% of the total deal count as of September 2024, yet it has driven 16.1% of total deal value for the period, or just under $200 billion, including four megadeals over $10 billion each.

Information technology (IT) consistently accounts for 15% to 18% of annual M&A activity, with 2024 seeing nearly 1,500 deals valued at $283.2 billion – over 80% of the prior year's total. The sector's strong value propositions and low capital demands in AI and software will likely continue to drive IT sector dealmaking.

### Share of U.S. M&A Value by Sector (# only)

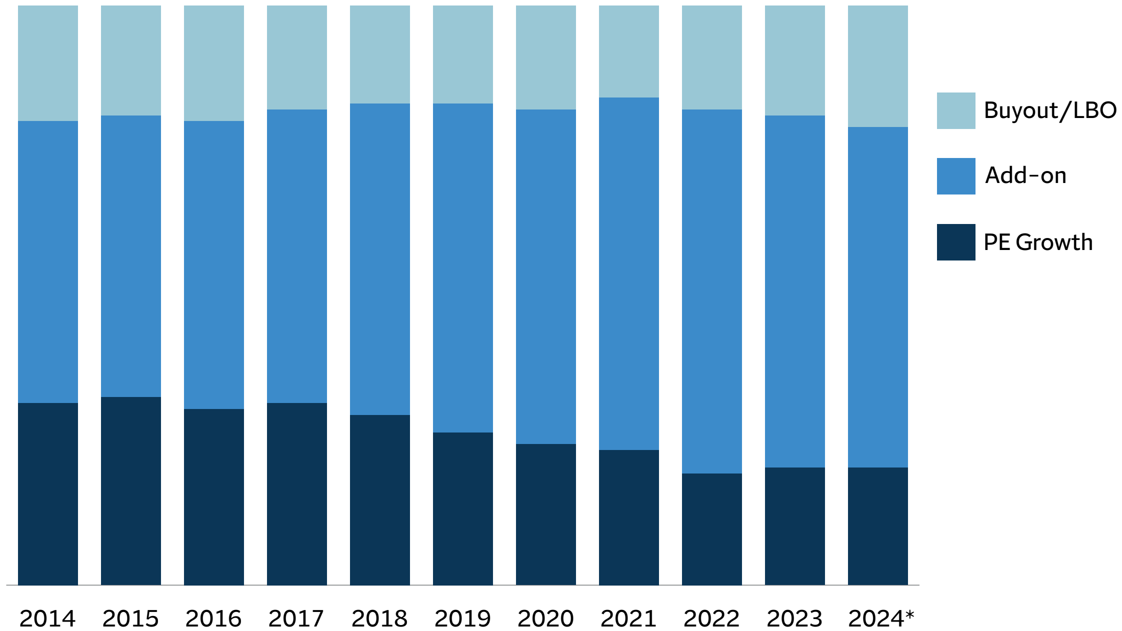



*As of Sept. 30, 2024. *Source: PitchBook Data, Inc.*

## PE activity: Key risks and considerations

PE firms account for 43% of U.S. M&A activity. These deals often involve unique challenges for acquisition targets and integration teams, requiring risk managers to navigate two key transition phases: the initial post-acquisition period and a future ownership exit, typically within 10 years.

**Share of U.S. PE Deal Count by Type (# only)**



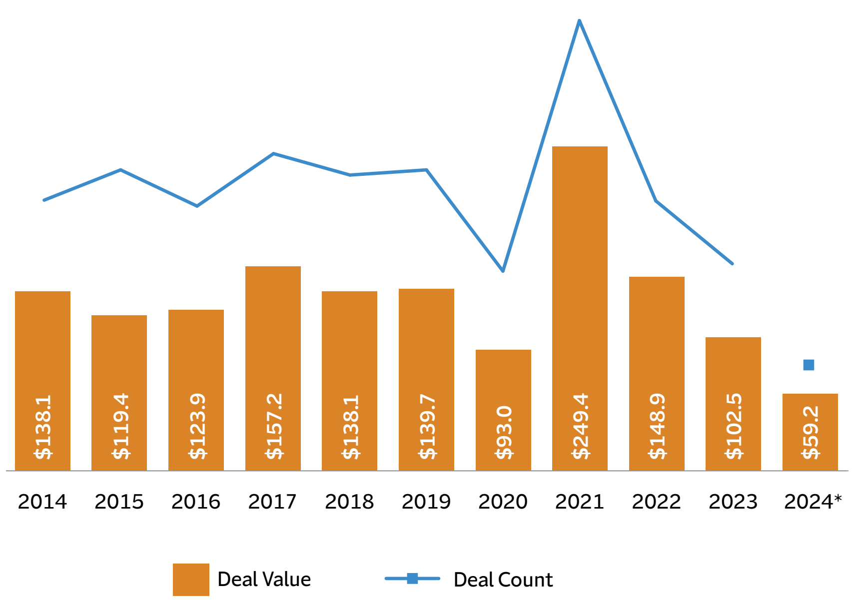

*As of Sept. 30, 2024. *Source: PitchBook Data, Inc.*

**Operational Risks:** PE-led takeovers commonly trigger leadership changes and restructurings, heightening operational and reputational risks early on. While some PE strategies focus on cost cutting, others prioritize growth, requiring additional head count or budget changes. Operating partners (OPs), appointed to translate PE directives into actionable plans, play a key role in managing risk within the newly managed organization.

**Financial Risks:** Debt financing, often used in buyouts, places repayment obligations on the portfolio company, not the PE firm. Risk threshold must account for financial controls and promote organizational alignment to ensure that debt obligations can be met.

**Secondary Buyouts:** With exit challenges due to macroeconomic conditions, secondary buyouts – where one PE firm sells its stake to another – remain a key trend. These transactions restart the buyout process and require renewed focus on managing risks.

## U.S. PE Secondary Buyout Activity




*As of Sept. 30, 2024. *Source: PitchBook Data, Inc.*

# Spotlight/Case Studies

## Top U.S. middle-market strategic M&As, 2019-Sept. 30, 2024 (for companies with 1,000 or fewer employees)

| Company Name | Close Date | Deal Size ($M) | Employee Count | Post Value ($M) | Investor(s) | Sector | Subsector | State |
|---|---|---|---|---|---|---|---|---|
| Nature's Remedy | 10-Sep-21 | $99.6 | 39 | $99.60 | Jushi Holdings | Healthcare | Other Pharmaceuticals and Biotechnology | Massachusetts |
| Pipeworks | 15-Oct-20 | $99.5 | 134 | $99.50 | Sumo Group | Information Technology | Entertainment Software | Oregon |
| Bison Gear & Engineering | 20-Mar-23 | $99.3 | 501-1,000 | $99.30 | AMETEK | Business Products and Services (B2B) | Machinery (B2B) | Illinois |
| Celsee | 01-Apr-20 | $99.3 | 40 | $99.30 | Bio-Rad Laboratories | Healthcare | Other Devices and Supplies | Michigan |
| Frontier Home Health | 01-Jun-21 | $99.0 | 115 | $99.0 | Encompass Health | Healthcare | Elder and Disabled Care | Connecticut |
| DCI International | 21-Aug-23 | $99.0 | 133 | $194.05 | Nakanishi | Healthcare | Medical Supplies | Oregon |
| Josam Company | 01-Jan-24 | $98.9 | 70 | $98.90 | Watts Water Technologies | Business Products and Services (B2B) | Building Products | Indiana |
| Stella Connect | 07-Sep-20 | $98.8 | 74 | $98.82 | Medallia | Information Technology | Business/Productivity Software | New York |
| LCR-Dixon | 22-Sep-21 | $98.7 | 17 | $98.74 | Vertex (Software Company) | Information Technology | IT Consulting and Outsourcing | Maryland |
| Descartes NetCHB | 09-Feb-22 | $98.7 | 7 | $98.70 | Descartes Systems Group | Information Technology | Financial Software | Arizona |
| Pedestal Bank | 01-May-20 | $98.7 | 41 | $98.68 | Business First Bank | Financial Services | Regional Banks | Louisiana |
| Ryan Specialty Benefits | 01-Dec-23 | $98.3 | 58 | $98.30 | Ryan Specialty Holdings | Financial Services | Other Insurance | Illinois |
| eSight | 02-Nov-21 | $98.3 | 52 | $98.30 | Gentex | Healthcare | Therapeutic Devices | Michigan |
| Steuben Trust | 12-Jun-20 | $98.3 | 136 | $98.30 | Community Financial System | Financial Services | National Banks | New York |
| New Energy Capital | 01-Nov-21 | $98.1 | 10 | $98.10 | Victory Capital Management | Financial Services | Asset Management | New Hampshire |
| Amerlux | 03-Jun-19 | $98.0 | 201-500 | $98.00 | Delta Electronics | Business Products and Services (B2B) | Electrical Equipment | New Jersey |
| Sharyland Utilities | 16-May-19 | $98.0 | 86 | $196.00 | Sempra | Energy | Energy Infrastructure | Texas |
| Nugget Sparks | 03-Apr-23 | $98.0 | 1,000 | $97.95 | Century Casinos | Consumer Products and Services (B2C) | Casinos and Gambling | Nevada |
| This Old House Ventures | 19-Mar-21 | $97.8 | 69 | $97.80 | Roku | Consumer Products and Services (B2C) | Broadcasting, Radio and Television | Connecticut |

# Top U.S. large strategic M&As, 2019–Sept. 30, 2024 (for companies with more than 1,000 employees)

| Company Name | Close Date | Deal Size ($M) | Employee Count | Post Value ($M) | Investor(s) | Sector | Subsector | State |
|---|---|---|---|---|---|---|---|---|
| Celgene | 20-Nov-19 | $80,269 | 8,852 | $80,269 | Bristol Myers Squibb | Healthcare | Drug Discovery | New Jersey |
| Activision Blizzard | 13-Oct-23 | $75,400 | 10,000 | $75,400 | Microsoft | Information Technology | Entertainment Software | California |
| 21st Century Fox | 20-Mar-19 | $71,300 | 22,400 | $71,300 | The Walt Disney Company | Consumer Products and Services (B2C) | Movies, Music and Entertainment | New York |
| VMware | 22-Nov-23 | $69,000 | 38,300 | $69,000 | Broadcom (General Purpose Semiconductors) | Information Technology | Business/Productivity Software | California |
| Pioneer Natural Resources | 03-May-24 | $64,500 | 2,213 | $64,500 | ExxonMobil | Energy | Energy Production | Texas |
| Worldpay | 31-Jul-19 | $48,245 | 5,000 | $48,245 | Fidelity National Information Services | Information Technology | Financial Software | Ohio |
| First Data | 29-Jul-19 | $46,475 | 19,000 | $46,475 | Fiserv | Information Technology | Financial Software | Wisconsin |
| Seagen | 14-Dec-23 | $43,400 | 4,000 | $43,400 | Pfizer (Pharmaceuticals) | Healthcare | Drug Discovery | Washington |
| Warner Media | 08-Apr-22 | $42,376 | 25,600 | $42,376 | Warner Bros. Discovery | Consumer Products and Services (B2C) | Movies, Music and Entertainment | New York |
| Alexion | 21-Jul-21 | $41,058 | 4,759 | $41,058 | AstraZeneca | Healthcare | Drug Discovery | Massachusetts |
| Sprint | 01-Apr-20 | $40,827 | 75,000 | $40,827 | T-Mobile US | Information Technology | Telecommunications Service Providers | Kansas |
| L3 Technologies | 29-Jun-19 | $37,000 | 31,000 | $37,000 | L3 Harris Technologies | Business Products and Services (B2B) | Aerospace and Defense | New York |
| Kellanova | 20-Aug-24 | $35,900 | 23,000 | $35,900 | Mars | Consumer Products and Services (B2C) | Food Products | Michigan |
| Anadarko Petroleum | 08-Aug-19 | $35,704 | 4,700 | $35,704 | Occidental Petroleum | Energy | Energy Exploration | Texas |
| Xilinx | 14-Feb-22 | $35,000 | 4,890 | $35,000 | Advanced Micro Devices | Information Technology | General Purpose Semiconductors | California |
| Red Hat | 09-Jul-19 | $34,000 | 6,300 | $34,000 | International Business Machines | Information Technology | Systems and Information Management | North Carolina |
| SunTrust Bank | 06-Dec-19 | $33,547 | 22,899 | $33,547 | Truist | Financial Services | National Banks | Georgia |
| Raytheon | 03-Apr-20 | $33,166 | 185,000 | $33,166 | United Technologies | Business Products and Services (B2B) | Aerospace and Defense | Virginia |
| Oracle Cerner | 08-Jun-22 | $28,225 | 28,000 | $28,225 | Oracle | Healthcare | Medical Records Systems | Missouri |
| Kansas City Southern | 14-Dec-21 | $28,000 | 6,522 | $28,000 | Canadian Pacific Kansas City | Business Products and Services (B2B) | Logistics | Missouri |

> Our clientele grew by 30% as a result of the merger, which also gave us access to unexplored areas.
>
> Vice President, Construction, <1,000 employees

Notable M&A consolidations since 2019 have expanded beyond just the technology industry to include a wider variety of industries and firm sizes as the following case studies illustrate:

## Case study 1: **Descartes NetCHB**

**Background:** NetCHB was a small developer of logistics software. Growth in global trade increased the value of supply chain optimization tools and greater logistics efficiencies.

**Deal synopsis:** The company was acquired by Descartes Systems Group, a large Canadian shipping software operator, motivated by NetCHB's assets and talent. A two-year earnout was put in place for revenue targets.

**Key takeaways:**

- Automated technologies appeal to a wide variety of industries that can integrate multiple applications into a single access point.
- Strategic scale-ups and PE buy-and-builds consolidate smaller players in certain sectors.
- Acquirers, especially larger enterprises, may consider specialized talent in niche practice areas a critical transaction driver.

> Manufacturing processes were seamlessly integrated, increasing output capacity and decreasing inefficiencies.
>
> Controller/Treasurer, Manufacturing, 1,000+ employees

## Case study 2: **DCI**

**Background:** DCI, a midsized dental equipment company, was initially acquired by Danaher, a large scientific instrument manufacturing conglomerate. In October 2020, Danaher sold a 49% stake to Nakanishi, a Japanese manufacturer – a deal motivated by growth.

**Deal synopsis:** In Q3 2023, Danaher sold its remaining 51% stake to Nakanishi, strengthening Nakanishi's position in the dental industry, with a particular emphasis on U.S. expansion. DCI retained its existing leadership and sales teams. Nakanishi reported a sales increase in Q2 2024.

**Key takeaways:**

- Leadership overhauls aren't always needed in M&A. Gradual transitions to majority ownership with trusted stakeholders can be beneficial.
- Access to the U.S. market is attractive to international firms looking to expand.
- Vertical supply chain integration remains a strong consolidation driver.

> The combination of the two brands' strengths produced a more powerful, industry-leading identity that was appealing to a wider range of consumers.

Manager, Technology, <1,000 employees

> Customer retention issues could arise if brand loyalty doesn't transfer smoothly.

Risk Manager, Consulting, 1,000+ employees

## Case study 3: **Kellanova**

**Background:** In October 2023, food giant Kellogg Company separated from its cereal business, renaming itself Kellanova.

**Deal synopsis:** In August 2024, Kellanova was acquired by confectionery conglomerate Mars – a transaction motivated by assets, talent and growth. Kellanova's focus on savory foods complemented the sweet offerings of Mars, which was dealing with rising chocolate prices due to global cocoa shortages. The consolidation created a major snack food player but faced fierce competition for tightened consumer wallets.

**Key takeaways:**

- Competition and high consumer goods prices may drive further spin-offs and transactions.
- Complementary product lines and diversification away from supply chain vulnerabilities continue to motivate M&A deals.
- Strategic acquisitions involving two large conglomerates present significant administrative hurdles but may be necessary in rising competitive environments.

92%

of M&A transactions involved private equity.

# From deal to reality: An on-the-ground perspective

M&A has significant impact on a company, including implications for a company's outlook, workforce and risk management practices. To learn more about these impacts, we surveyed 800 business executives with risk-related responsibilities at companies that have undergone a merger or acquisition in the past five years.

> Most of the procedures went smoothly, including transferring and installing modern technology to enhance more efficiency in operations.
>
> Chief Information/Technology Officer, Technology, 1,000+ employees

## Who we interviewed:

| | |
|---|---|
| Risk Manager | 46% |
| Controller/Treasurer | 14% |
| CEO | 12% |
| Vice President | 6% |
| Owner | 4% |
| CIO/CTO | 4% |
| Other Title | 15% |

*Source: Travelers M&A Study, 2025*

## Transaction type:

| Acquired another company | Was acquired by another company | Merged with another company |
|---|---|---|
| 49% | 20% | 31% |

*Source: Travelers M&A Study, 2025*

## Gross annual revenue:

| Less than $50M | $50M to less than $500M | |
|---|---|---|
| 37% | 45% | 11% |

8% report "not sure."
Total percentages may be greater than 100 due to rounding.

*Source: Travelers M&A Study, 2025*

**83%**

of companies report that the overall impact of M&A has been positive.

## M&A challenges: Midsized vs. large companies

Midsized companies are more likely to experience challenges with culture and employees, while larger companies are more likely to be challenged by the complexity of merging operations and systems.

### Midsized companies
(<500 employees)

Cultural differences and the resulting difficulties cause the biggest challenge.

- More likely to experience a **change in leadership**.
- More likely to experience **layoffs**.
- **Worried most about their people** long term.

*Source: Travelers M&A Study, 2025*

### Large companies
(500+ employees)

Complex operations cause the biggest challenges.

- **Merging technology and systems** are the biggest headaches/loss of productivity caused by the merger.
- More likely to have **different protocols that need to be updated**.
- More likely to have to **change compliance/ regulatory practices**.

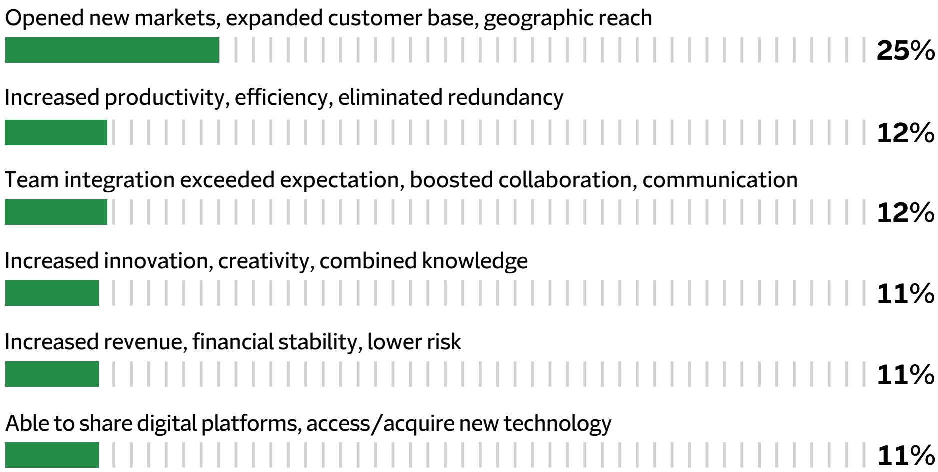
*Source: Travelers M&A Study, 2025*

# Business impacts of M&A

Despite the challenges of M&A, risk professionals mentioned growth into new markets as one of the greatest successes of an M&A transaction.

### Top-of-Mind Successes

**Q. What were the biggest successes of the merger/acquisition?**



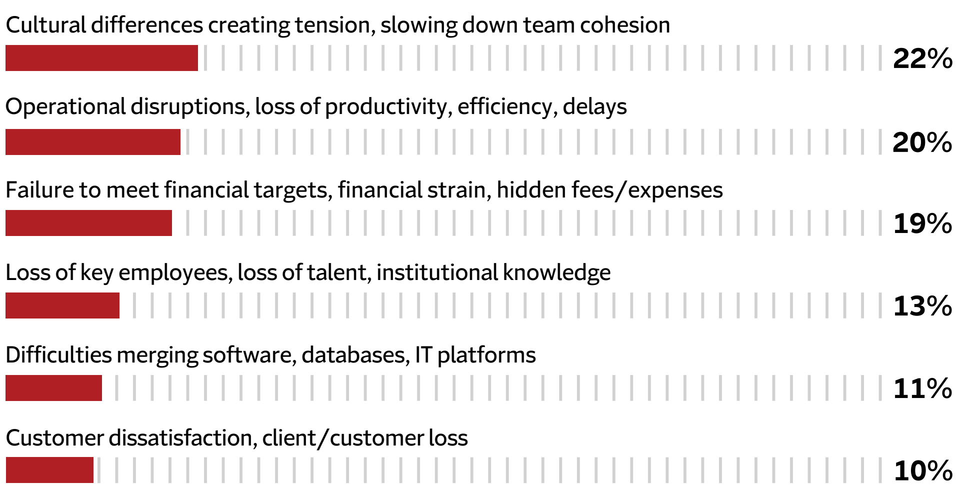

*Source: Travelers M&A Study, 2025*

# Risk realities in M&A

M&A activity weighs heavily on the minds of risk professionals, with 68% reporting they personally felt at least some stress or worry as a result. Some of the biggest future risk concerns align with the biggest challenges that the M&A posed – cultural integration and operational disruptions.

### Top-of-Mind Risks

**Q. Looking ahead, what do you think are the biggest risks related to the merger/acquisition?**

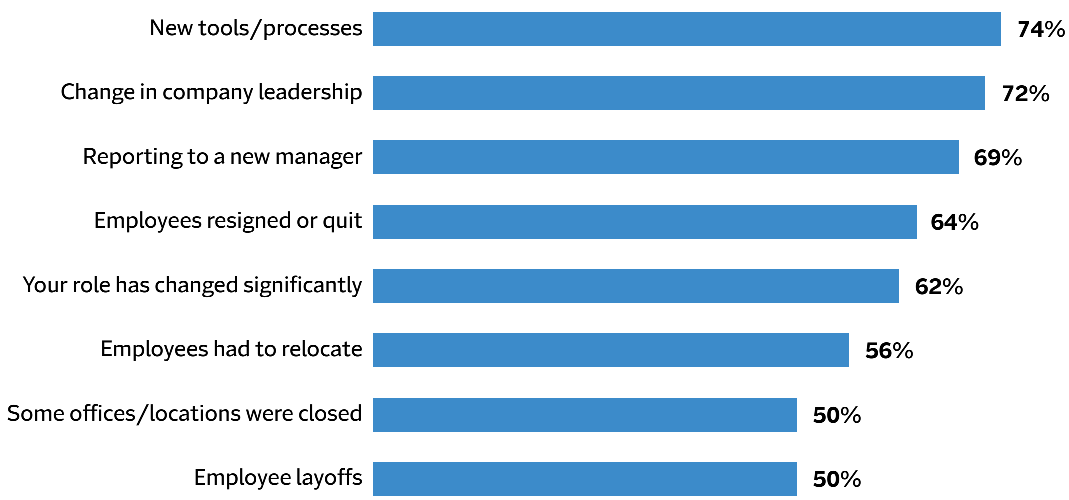



*Source: Travelers M&A Study, 2025*

## Impact on workforce

M&A activity causes significant stress on the workforce, with risk professionals reporting that 30% of their company's employees were extremely stressed as a result. The top workforce changes and disruptions were:

**% Occurred as a Result of the M&A**



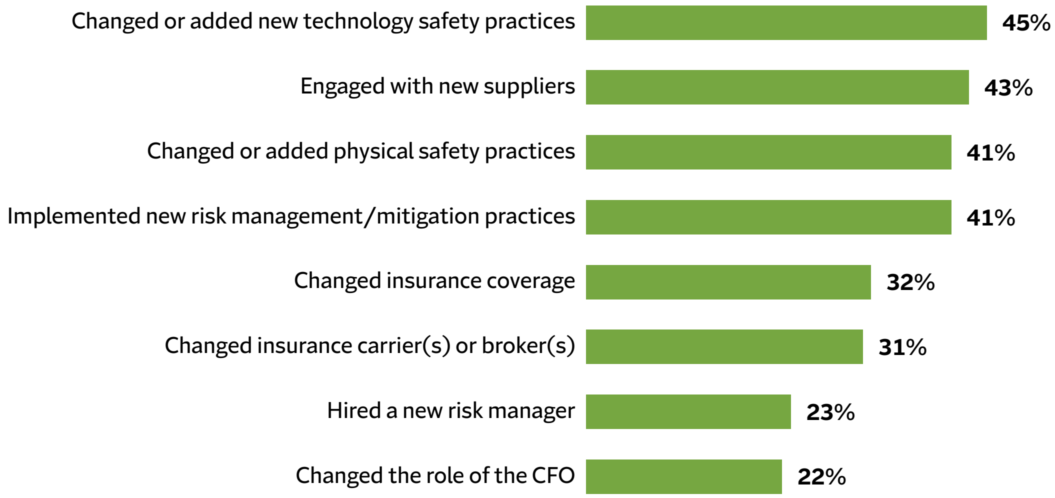

*Source: Travelers M&A Study, 2025*


> We gain[ed] access to a skilled workforce and leadership team that can bring new ideas, expertise and drive innovation.
>
> Owner, Construction, 1,000+ employees

## Impact on risk management

Nearly all companies changed management practices following a merger or acquisition (96%).

### Top Risk Management/Insurance Changes




*Source: Travelers M&A Study, 2025*

**95%**

stronger perception of risk management practices following a merger or acquisition.

> Improved risk management, access to new technologies and innovations and improved financial stability.

Manager, Benefits/Compensation, Manufacturing, 1,000+ employees


# Conclusion and a look ahead

It is unlikely that the direction of overall deal activity will materially change in the near term. The Federal Reserve's interest rate cuts in Q4 2024 contributed to a slower pace of deal closures directly prior, as would-be acquirers expected lending costs to come down. Uncertainty remains, particularly regarding inflation and geopolitics. But the broader outlook in the private markets is improving, which may result in an uptick of M&A deals in 2025.

The fundamental motivations for M&A transactions remain in place, including the pursuit of growth and the need to compete in a rapidly evolving enterprise landscape.

Proper risk management and preparation are critical for any organization undergoing an M&A transaction. External M&A advisors or brokers can provide necessary guidance throughout the process. The right insurance program can help mitigate risk for both buyers and sellers, enable value creation and support organizations now and in the future.

**To learn more, click here for an interactive digital experience that dives deeper into our M&A study.**

# PitchBook Methodology

Geography for M&A transactions is based on where the acquired/selling company is headquartered. Acquirers/buyers may hail from any region.

For more details, click here.

## About the Travelers Institute®

Travelers established the Travelers Institute as a means of participating in the public policy dialogue on matters of interest to the property casualty insurance sector, as well as the financial services industry more broadly. The Travelers Institute draws upon the industry expertise of Travelers' senior management and the technical expertise of its risk professionals and other experts to provide information, analysis and recommendations to public policymakers and regulators. Learn more at travelersinstitute.org.

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