Howden M&A

Annual review

2025

Contents

Looking back at 2024

The general trend in the global M&A market in 2024 was one of recovery from the down cycle that the market has been subjected to in recent years, with momentum building as the year progressed. When compared to 2023, 2024 saw an uptick in global M&A deal values and volumes by 19% and 14% respectively.[1]

The private equity M&A market was characterised by continuing resilience in the mid-market carried over from 2023. Sponsors returned to larger-scale deals as high borrowing costs began to tail off due to increasing competition in the deal lending market and new governments heralding greater stability and confidence. Whilst private equity activity gathered pace throughout the year, corporate-led M&A started the year strong and continued at the same pace throughout 2024. Cash reserves were strategically utilised to pay greater sums for target businesses offering growth and synergy opportunities, negating the present issue of differing valuation expectations.

This widespread uptick was reflected in our own activity – in 2024 we placed 1,462 policies on 872 deals. Further reflecting market dynamics, corporate-backed M&A saw the majority of deal activity when compared with private equity in the operational business sphere. Accordingly, W&I remained the largest proportion of our business, whilst the growth that our Tax & Contingent Risks team achieved in 2023 was supercharged in 2024.

Within the M&A insurance market, the competitive environment amongst insurers continued to exert downwards pressure on pricing for W&I policies. When paired with increasing M&A volumes, insurers have continuously sought to be more flexible on coverage and enhancements, whilst embracing product innovation. For example, the frenzied M&A market in the latter stages of 2024 has played a significant role in pivoting the typical use case of synthetic warranties in W&I from a worst-case scenario to a strategic deal tool used in competitive auction processes, further highlighting the ability for M&A insurance to differentiate bids and smoothen negotiation processes.

1 Data from Pitchbook

Our year in numbers

1,462 policies

placed across 872 deals

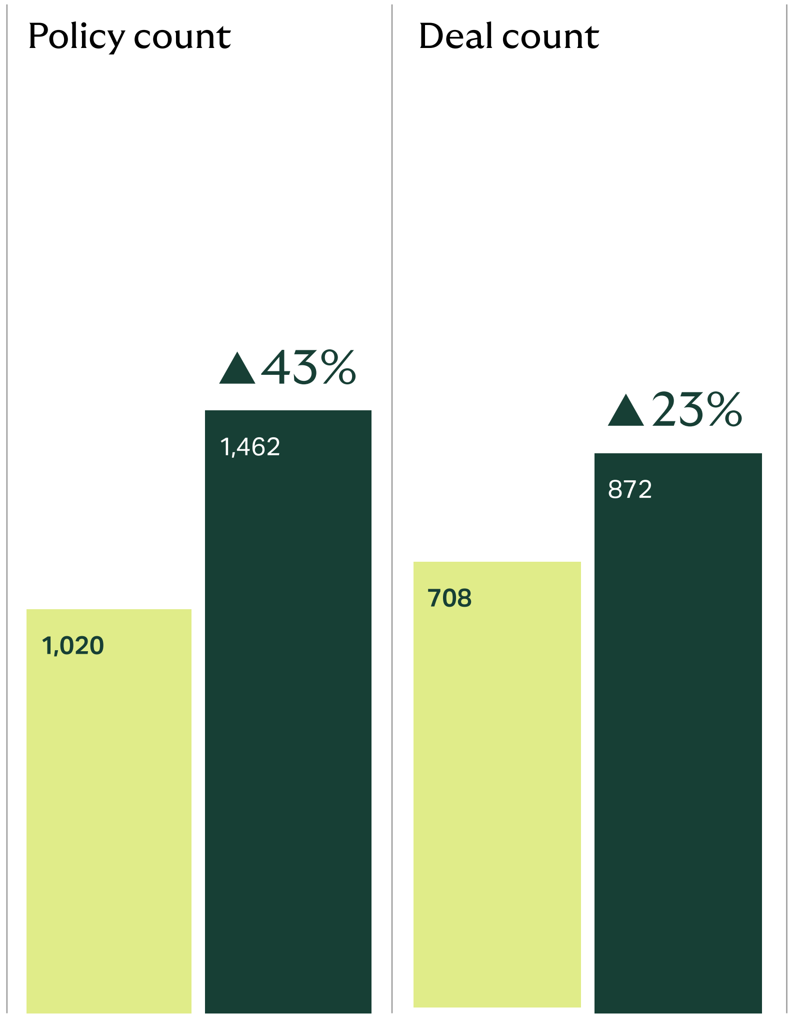
€131 billion

aggregate enterprise value of successful deals advised on by Howden M&A in 2024

€21.3 billion

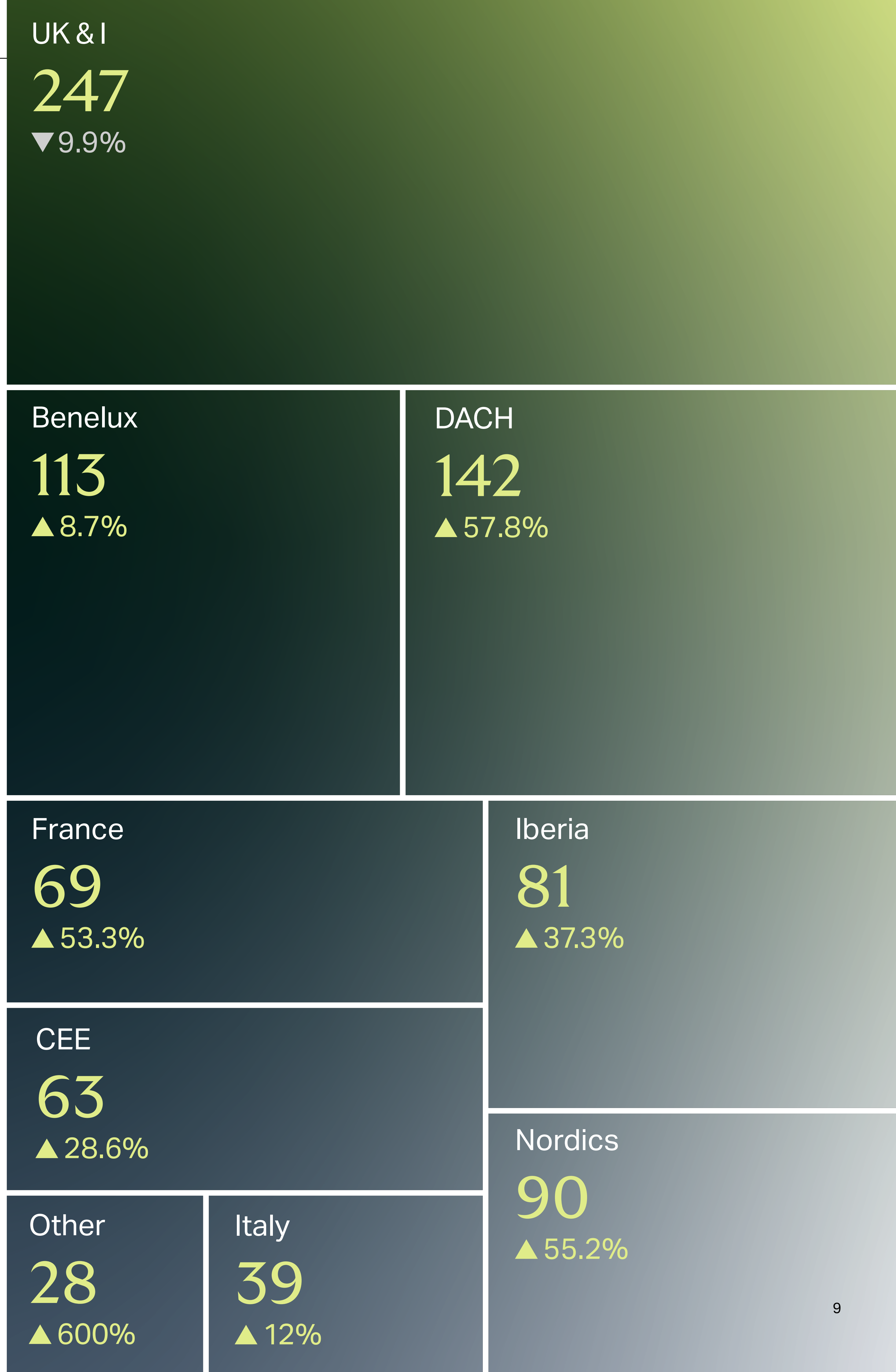
Total W&I policy limit placed by Howden M&A in 2024

Deal volumes strengthened throughout 2024 despite a contraction in the general M&A market at the beginning of the year.



The strength of the mid-market in 2023 continued into 2024, with deals under €100m EV representing the lion's share. Jurisdictions across Continental Europe (DACH, France, Italy and Iberia) saw a strengthening in deal counts driven by burgeoning local mid-markets and interest rate cuts from central banks.

2024 deal count
split by jurisdiction

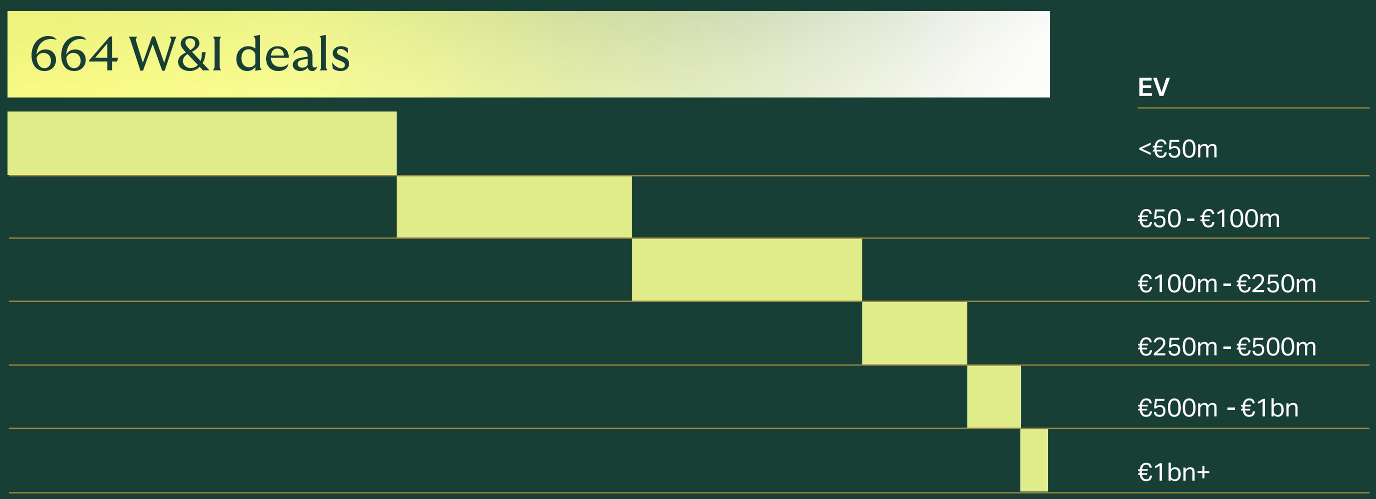


Deal values

2024 saw an increase in median deal size, signifying the return of higher value deals.

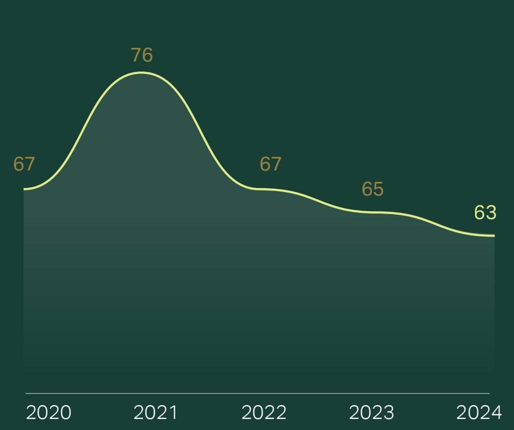
Mega deals (those with an enterprise value of €1bn or more) bounced back from their decline in 2023 as inflation began to taper off and certainty surrounding interest rates returned.

Pricing for operational mega deals remained relatively high when compared with lower value deals, albeit this has declined since 2023.



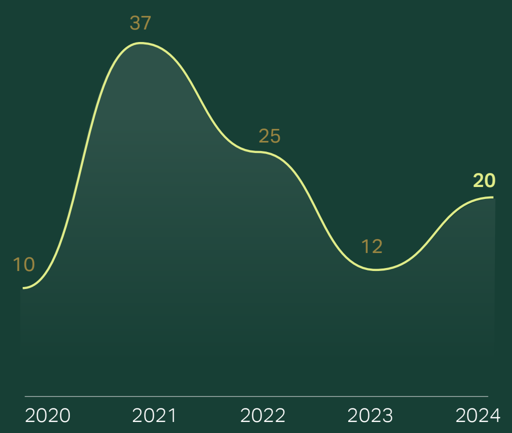
Median deal size

€62.7m



No. of mega deals (€1bn+)

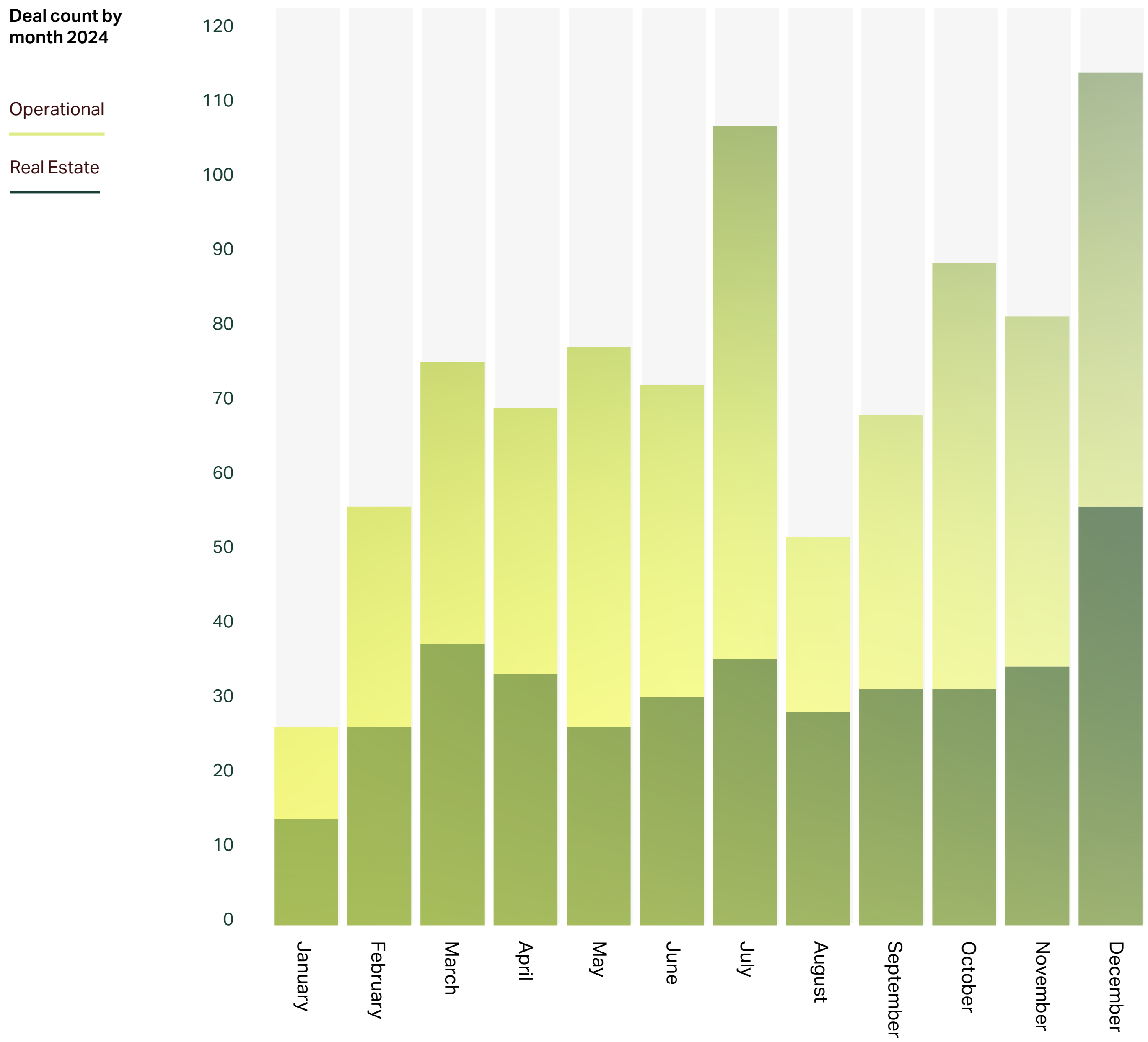
20



Monthly split of deals

Deal volumes remained strong despite the headwinds of the wider M&A market in 2024.

The latter half of 2024 saw a particularly large volume of deals, attributable to the changing political landscape in the UK and returning confidence across Europe. Whilst operational deals remain the leading deal type, the real estate sector remained continuously strong all year, with momentum provided by more novel asset classes such as data centres and student accommodation.



Policy split

As has been the case in the past, W&I insurance contributed to the majority of total policies placed.

▲25%
280
Title and specific risk

▲145.3%
287
Tax and contingent risks

▲31.9%
872
W&I

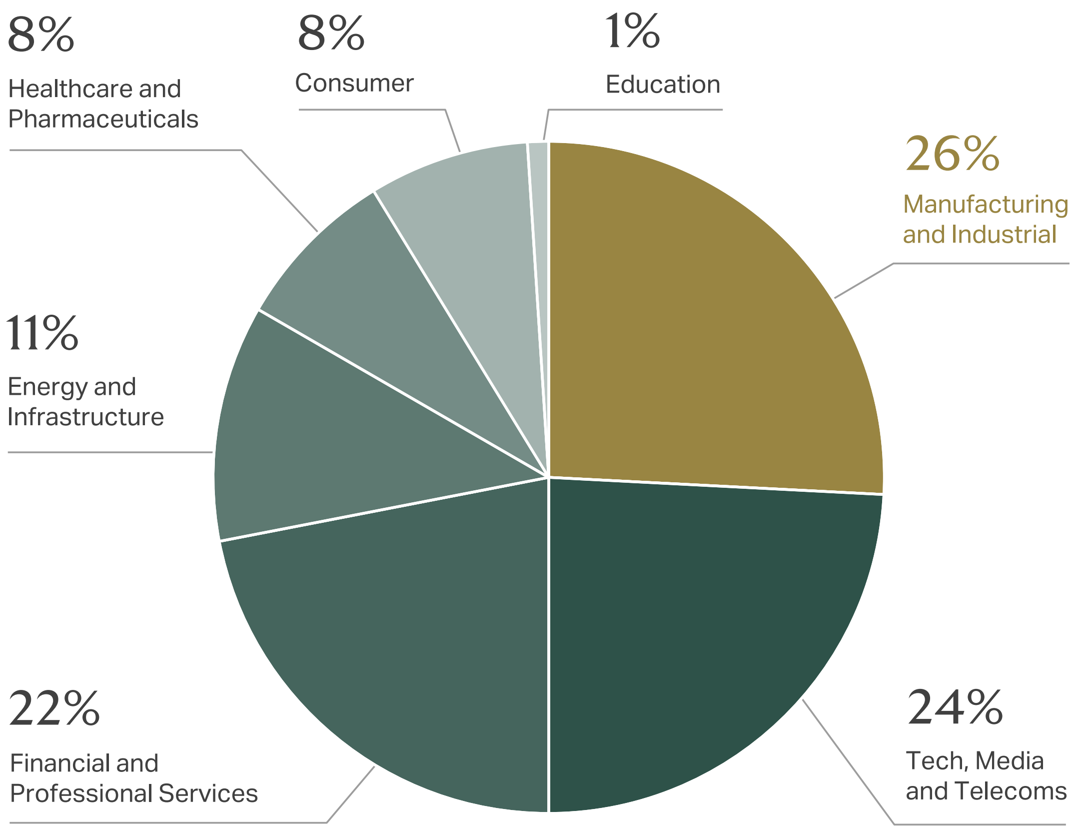
▲27.8%
23
Environmental risk

Pricing and sector analysis

03

Deals by Sector

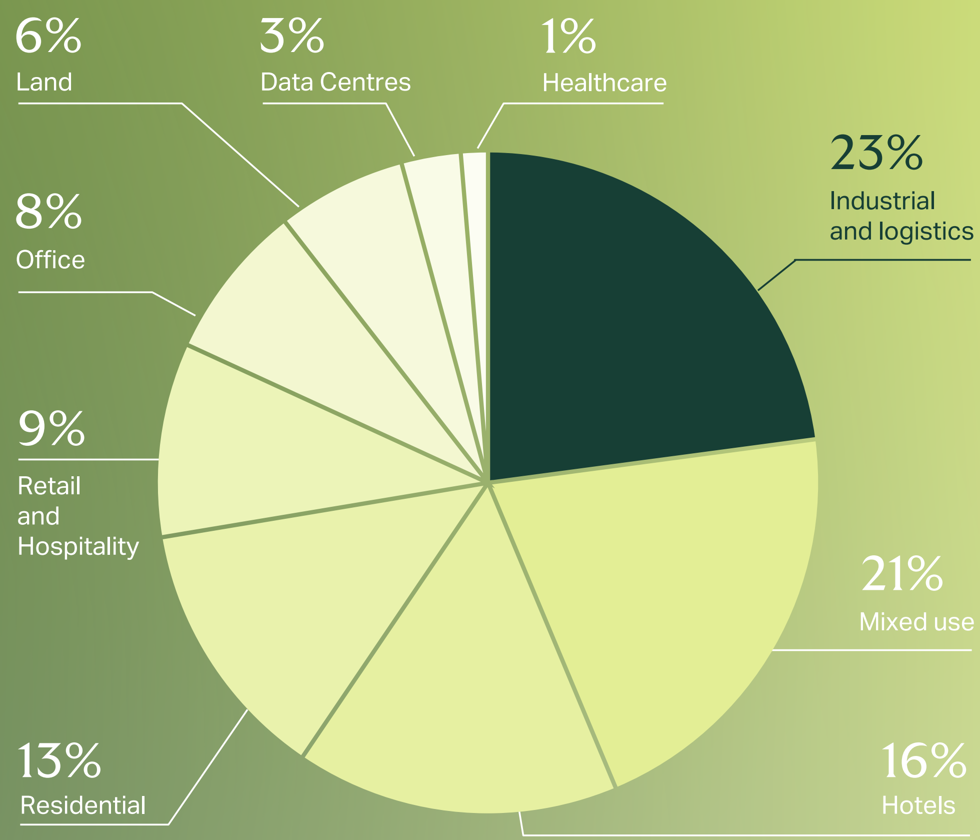
Operational



Financial services and professional services deals saw a considerable uptick, mirroring wider market activity as digital transformation fuels growth in the sector, leading to consolidation by industry players.

Private sponsors are looking towards divestment as a result of steadying valuations. Manufacturing and industrial transactions continued the historic trend in 2024 and remained prominent, highlighting the level of consolidation and strategic acquisitions by corporate bidders in an industry characterised by a high level of carve-out and bolt-on acquisitions. The Technology, Media and Telecoms sector maintained its prominence in investor deal volumes.

Real estate



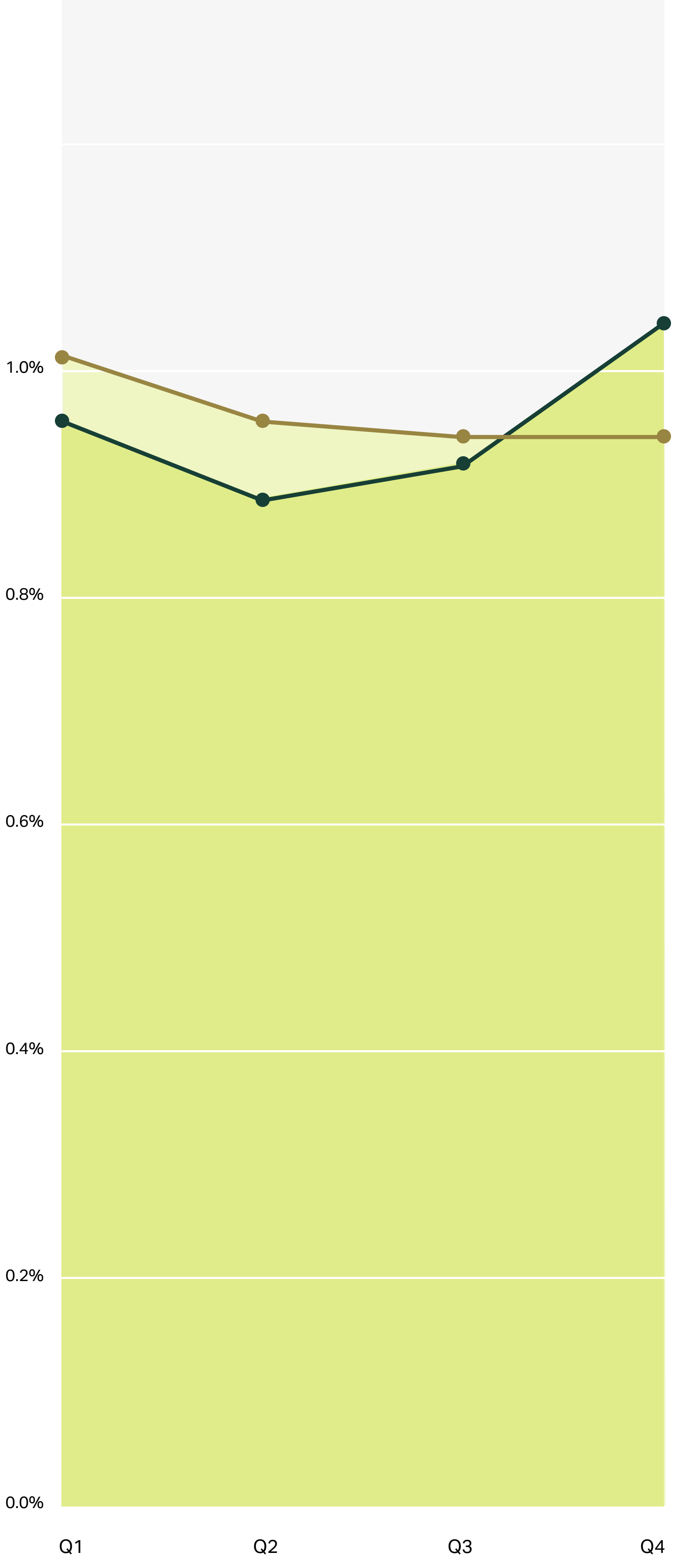
Industrial and logistics continued to underpin Real Estate deal counts, albeit at a lesser majority as the trend of greater sector diversity across Real Estate deals continued. This diversity was bolstered by activity in the hotel, residential and retail and hospitality sectors.

Pricing

Underpinning pricing developments was an increase in the competitive environment between insurers, driven by growing underwriting teams and capacity. This buildout has continued from the end of 2023 to 2024 and is expected to continue as insurers launch new teams and develop existing offerings.

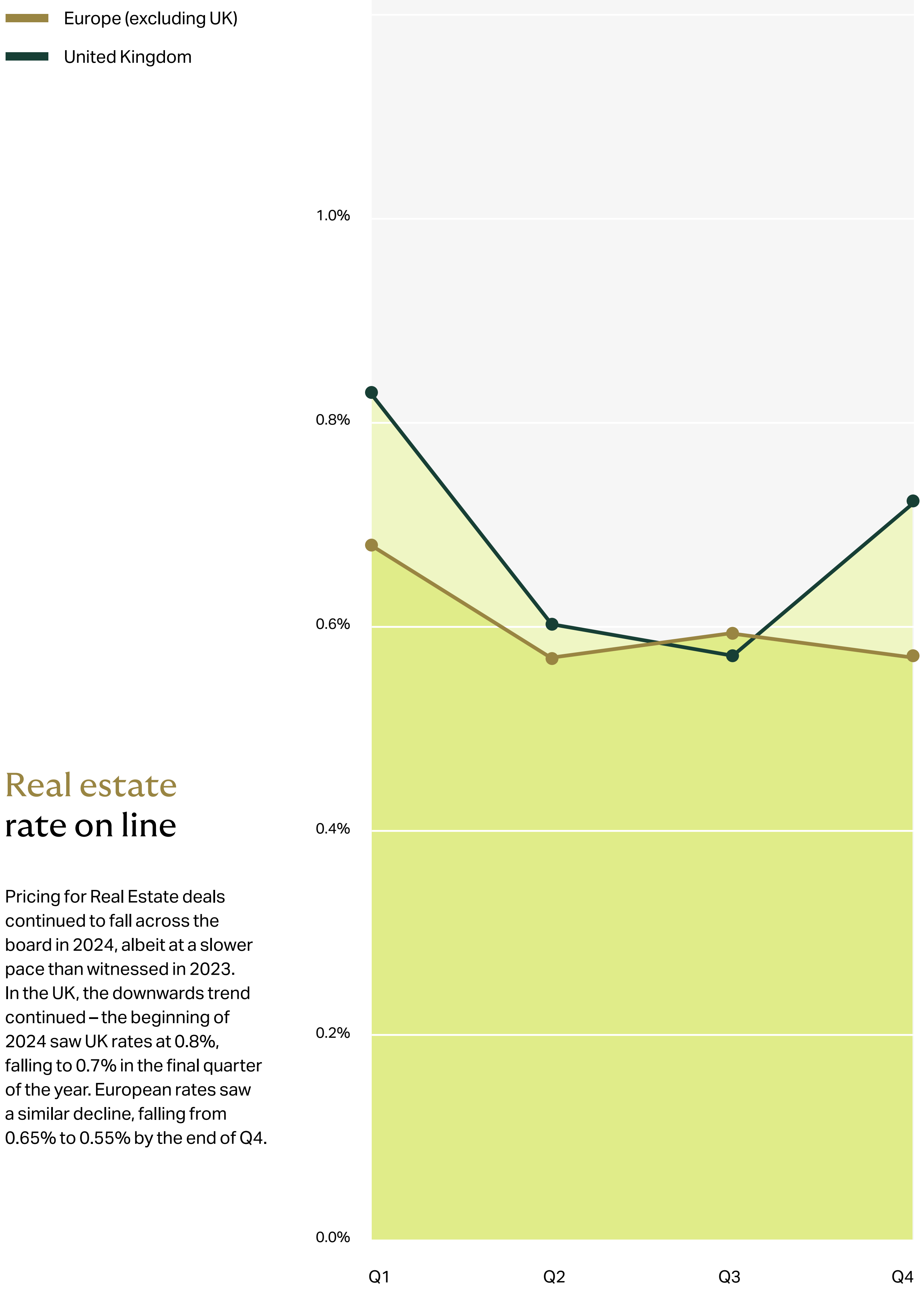
Operational rate on line

The downward trend on pricing continued throughout 2024, bringing a further extension of the soft market that has been typical in recent years. European rates picked up where they left off in 2023, at 1% in Q1, trending downwards slightly to 0.9% by the end of Q4. The UK market initially mirrored the downwards European trend, opening the year at 0.95% before diverging as the year progressed, ticking up slightly to 1.05% in Q4 in response to increasing M&A activity.



Real estate rate on line

Pricing for Real Estate deals continued to fall across the board in 2024, albeit at a slower pace than witnessed in 2023. In the UK, the downwards trend continued – the beginning of 2024 saw UK rates at 0.8%, falling to 0.7% in the final quarter of the year. European rates saw a similar decline, falling from 0.65% to 0.55% by the end of Q4.



Specialist teams

04

Tax and contingent risks

Title and specific risk

Environmental risk

Transactional diligence

4.1 Tax and contingent risks

The Howden Tax & Contingent Risks team continued to grow in 2024, in terms of the amount of GWP and policy limit placed into the market, as well as the expansion of the team and new clients across a range of sectors and jurisdictions.

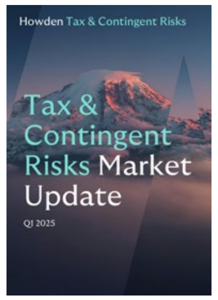
The team placed approximately £200m of GWP into the tax and contingent risk insurance markets in 2024, up from £102m in 2023 and £44m in 2022. This involved the placement of c.£8bn of policy limit across the year, including more than £4bn of tax policy limits in Q4 2024 which was more than Q1-Q3 combined.

Continued innovation in the use of tax insurance is increasing the number of risks entering the market. The Howden Tax & Contingent Risks team has placed numerous tax insurance policies with limits above £500m, including one single tax risk policy with a limit of c.£1bn. Large placements of this sort bring added complexities, especially around obtaining sufficient capacity from the insurance market and managing the interactions between primary and excess policies.

The uptick in M&A activity which began in the second half of 2024 is leading to increased demand for tax insurance, and we expect this trend to continue into 2025. This increased demand has led to a competitive environment among insurers, bringing pricing to an all-time low.

To read more about our specialist Tax & Contingent Risks team:

Read our dedicated Tax & Contingent Risks Annual Report



4.2 Title and specific risk

As the largest dedicated title team in the M&A insurance market, our speciality is placing title insurance for investors, developers and lenders across Europe. 2024 saw an increase in enquires on M&A and Real Estate transactions, developments and financing of real estate portfolios.

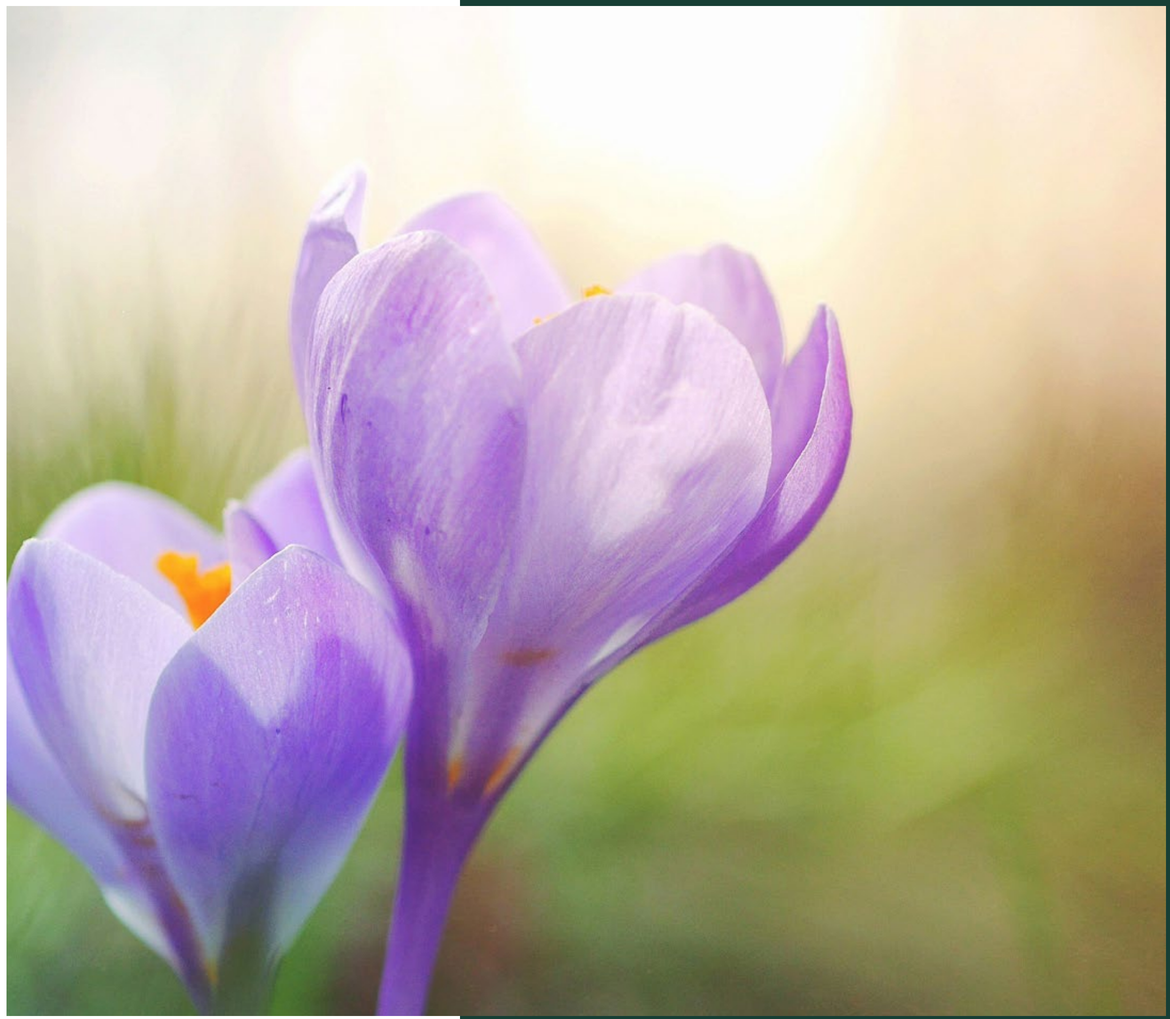
The title insurance team saw a significant increase in enquiries compared to 2023 and placed close to 300 policies in 2024 across 19 jurisdictions.

The downturn in Real Estate M&A transactions over the last 2 years has stunted the volume of title to shares policies placed into the title market. However, the latter half of 2024 showed signs of recovery, with an increasing number of enquiries received across the UK and Europe.

We have seen a significant increase in the enquiries on real estate financing transactions where lenders have sought the increased protection of portfolio title policies when financing real estate portfolios. Equally, lender driven enquiries were on the rise in the UK and Ireland for Certificate of Title Top-Up policies where certificates contain liability caps at levels below the market value of the property.

In CEE, we have seen a material increase in enquiries for title insurance in the real estate market, as well as in respect of renewables transactions and large developments of data centre and logistics assets. The rise in number of enquiries in Poland and Romania, in particular, has been significant.

Elsewhere in Europe we have seen increased requirements from investors and developers for title insurance, particularly across Italy, France, Portugal, Spain and Netherlands, where requirements for cover for identified risks and, in certain jurisdictions, building permit challenges have been the key drivers.



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4.3 Environmental risk

Environmental issues are reaching into every corner of business and finance. As stakeholders demand accountability and resilience, integrating environmental considerations into the decision-making process is becoming a critical strategic driver.

Environmental insurance plays a key role in this effort by addressing the tangible risks of damage to the environment or assets.

Environmental issues continue to play an important role in M&A transactions. There is a growing awareness of environmental risks and considerations of responsible risk allocation in a corporate or real estate transaction.

Environmental insurance has long been focused on pollution and contamination of land, air, and water, covering both known and unknown risks. While this is expected to remain the largest type of risk in environmental insurance, the importance of the wider ESG agenda is likely to see significant developments over the coming years.

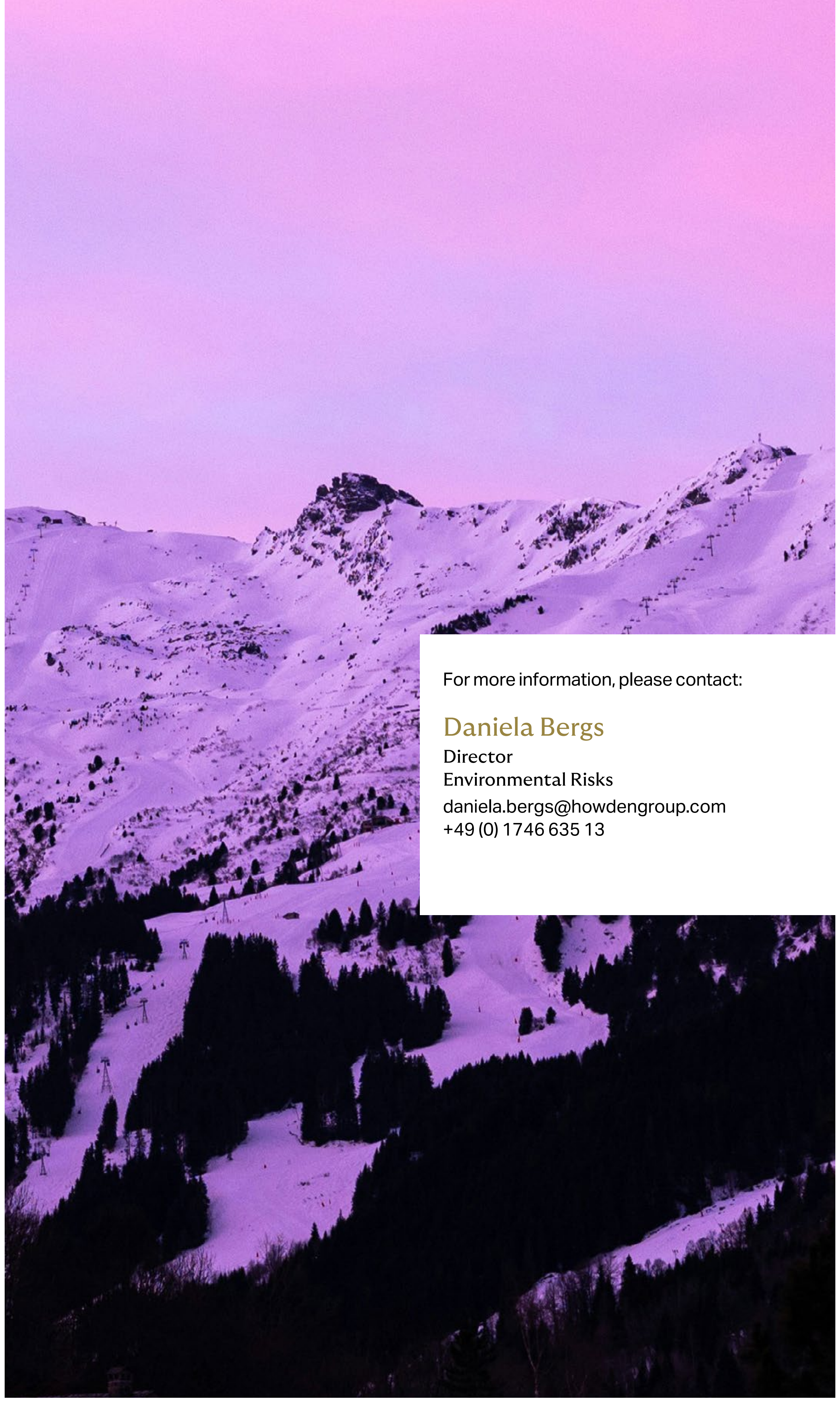
As environmental due diligence is standard practice in both asset and share acquisitions, brokers and insurers are regularly involved in the M&A process at a much earlier stage than in the past. Therefore, if contamination is identified during due diligence, advice on potential solutions can be sought quickly to minimise interruptions to deal timelines. In the past 12 months, the environmental insurance market has demonstrated flexibility and innovation, broadening the scope of available cover. Notably, we have secured cover for sites with known PFAS contamination—an area once considered too high-risk or uninsurable.

Rates have also softened, dropping quite significantly for certain asset classes. For larger portfolios or higher-risk sites, rates typically range between 3-4%, while certain sites see rates as low as 0.3-0.8%.

Acquired assets now often come with statements of environmental credentials attached, whether that be in real estate (where energy efficiency is becoming critical) or operational businesses with commitments to carbon emission reductions. Failure to hit such targets or meet existing claims represents a real financial risk.

Howden M&A has teams looking into all these areas as well as biodiversity, where regulatory developments in the UK provide a clear illustration of the potential risks. Given the speed with which ESG concerns have gained prominence in the wider business and investment community, insurance will undoubtedly have a role to play in mitigating the financial risks involved.

We expect a significant part of this development to take place outside the context of M&A deals, as asset owners react to potential liabilities arising in existing businesses, and we are committed to provide to our clients with access to these solutions.



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4.4 Transactional diligence

Insurance due diligence

2024 has been a transformative year for Howden M&A's Insurance Due Diligence team, marked by a notable rise in carve-out transactions, an increase in deal volume, and a surge in complex multi-jurisdictional deals. Responding to this heightened demand, the team delivered intuitive and tailored insurance analysis across a multitude of industries and regions.

The uptick in carve-outs demanded a more granular focus on the structuring of bespoke solutions to align with the operational and financial independence of the newly carved out entities. Meanwhile, the striking rise in multi-jurisdictional deals required the team to adapt to varied regulatory environments and coordinate diligence across multiple regions. This has highlighted Howden M&A's capability to provide seamless, expert guidance on complex, multi-national deals. The team's adaptability and focus have been key to supporting clients in a dynamic M&A landscape.

By leveraging its expertise and global reach, Howden M&A's Insurance Due Diligence team has solidified its reputation as a trusted advisor, empowering clients to confidently navigate the complexities of the ever-evolving M&A landscape.

Lenders' insurance advisory

Our Lenders' insurance advisory team has grown rapidly since its inception in 2023, having worked on a wide variety of projects throughout 2024, particularly in the renewable energy, infrastructure and real estate sectors. In 2024, the team worked on financings across Europe and Africa with a total value of over £3.5bn.

In terms of project specifics, we have seen a wide variety of transaction types; PPPs, refinancings, and restructurings being the most frequently occurring, all of which varied in complexity and scale. A diverse mix of renewable energy projects continue to be seen, with both solar PV and onshore wind projects growing strongly, as well as a number of offshore wind projects being seen as confidence grows across the market. Early indicators suggest that 2025 will bring a larger demand for data centres resulting from the rise of AI, as well as a steadily increasing demand for renewable energy on the whole.

As the number and range of projects continue to grow, so must Howden M&A's LIA Team. We will continue to emphasise attention to detail, thorough negotiation on behalf of lenders, and consistently high-quality report writing far into the future.

A spotlight on claims

2024 was a record year for Howden M&A: €190m+

Claims numbers remain high despite a drop in deal volume

In last year's report, we anticipated a reduction in notifications given claims activity lags deal activity, but this has not been the case. Claim notifications increased by 14% in 2024 showing notifications have more than kept in line with the unprecedented increase in 2023, where notifications increased by 58% compared to 2022. As deal activity does not explain the increase, it seems the W&I market has a new normal for increased claims activity.

W&I paid claims

Largest paid claim in EMEA for an insurance tower placed by Howden M&A

€120m

Largest W&I claim

Last year was a record year not only for Howden M&A but also the EMEA W&I market, as we saw the largest paid claim in EMEA made under W&I policies placed by Howden M&A. B&C KB Holding GmbH received a c. €120 million claims payment from W&I insurers, RiskPoint Group and Liberty Global Transaction Solutions, for losses relating to its acquisition of the Schur Flexibles Group, a packaging manufacturer in Austria.

B&C reported[2] that the claims were made after discovering irregularities in Schur Flexibles' balance sheets for previous years and gross misconduct by former managers. Criminal proceedings by Austrian authorities are ongoing against management for allegations of embezzlement and inflating EBITDA ahead of the sale. B&C continues to pursue arbitration proceedings in Germany against the sellers[3].

2 Schur Flexibles: B&C erhält 120 Millionen Euro Schadenskompensation aus W&I-Versicherung - B&C-Gruppe.

3 U.S. buyout firm loses bid to shield docs from Austrian fraud investigation.

Title paid claims

€25m

Largest title claim

2024 has also been a record year for paid claims for title insurance with our largest paid claim of c. €25 million being made for a fundamental warranty breach.

Policyholders also received cover for claims involving a third party disputing the insured's ownership to property.

One claim involved a hotel in Spain and the other a shopping centre retail unit in Hungary. In these claims, the third party had the better claim to title, and the insurer covered the cost to acquire the property and cure the challenge to title.

€190m+

Total indemnity

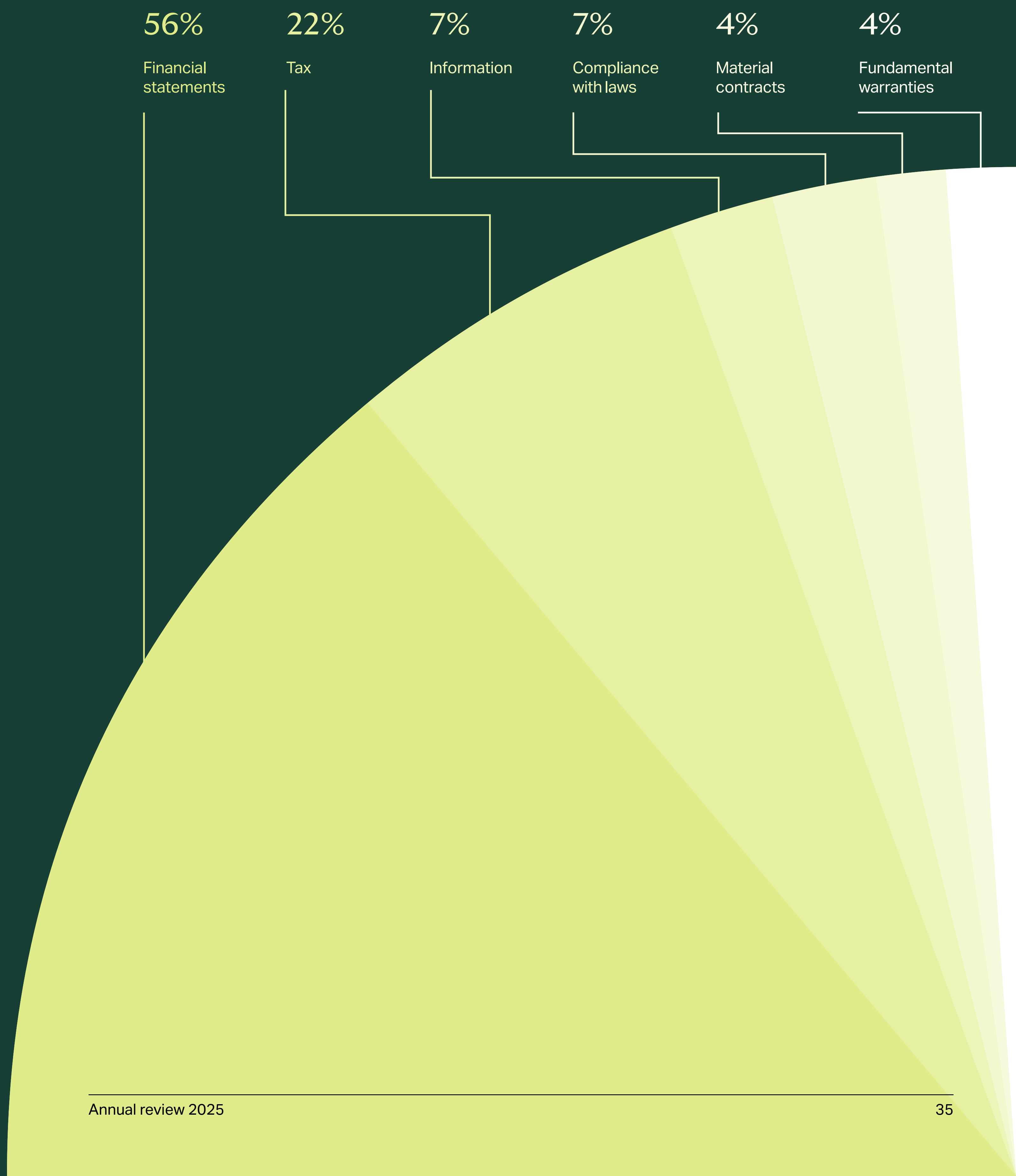
Accounts breaches remain leading warranty breach

In 2024, financial statement breaches comprised more than half of paid claims as well as the most common warranty breach notified. In addition to B&C's claim, policyholders received cover for financial statements breaches of €12 million for overstated EBITDA for the acquisition of a German manufacturer of engineering parts and €7 million for unaccounted project costs for the acquisition of a Dutch traffic mobility solutions company.

Tax breaches also continue to dominate both paid claims and notified breaches. Tax breaches accounted for 22% of paid claims and 27% of notified breaches. Notifications under tax warranties in 2024 remained consistent with 2023, which increased by 207% from 2022. The increased activity by tax authorities may be explained by the downward pressure on tax receipts caused by the economic slowdown and increased public spending caused by the pandemic.

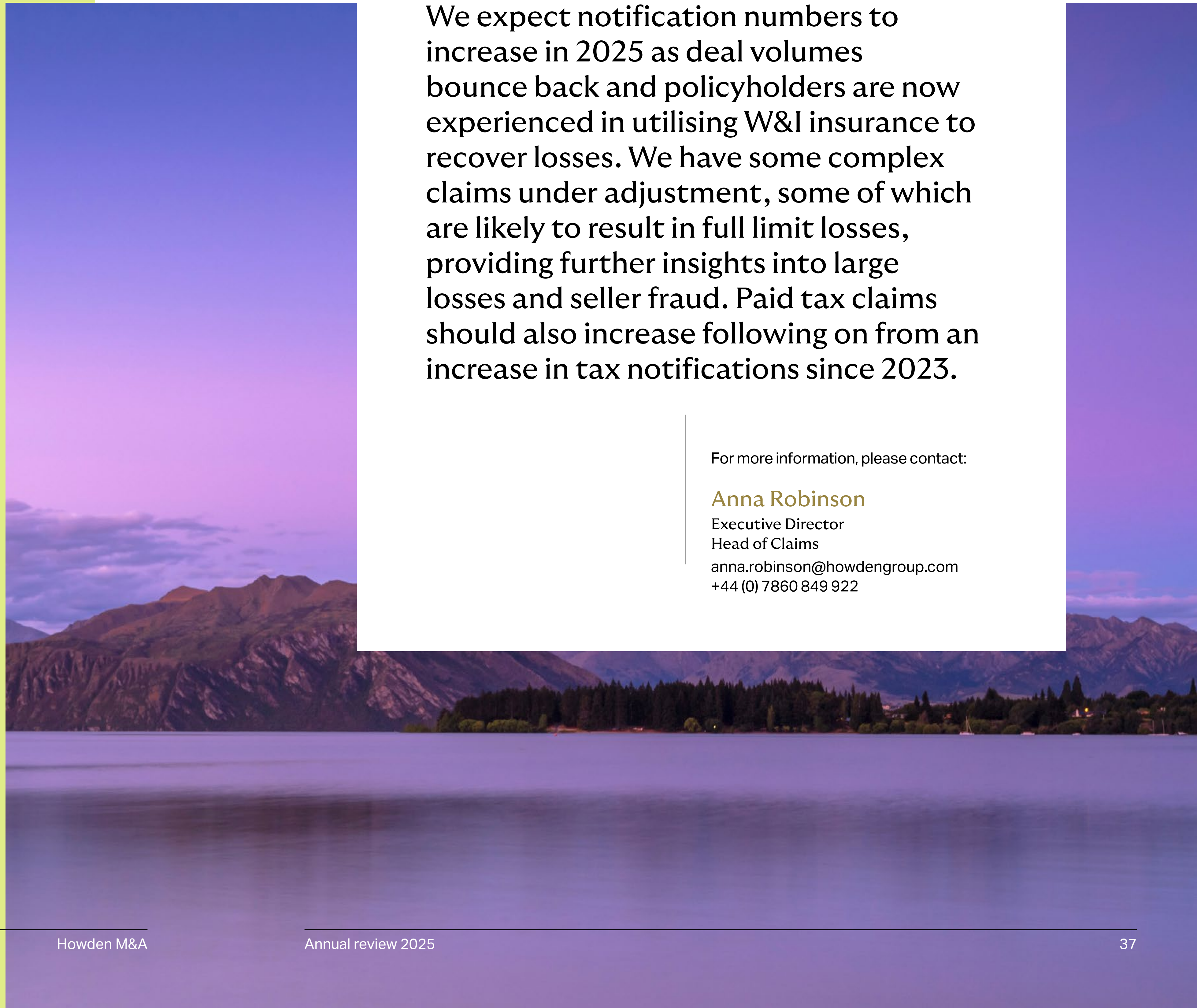
Putting aside B&C's claim, 13% of total claims payments for 2024 were paid for deals in the energy & infrastructure sector and the manufacturing and industrial sector followed with 9%. Hotel deals had the largest number of paid claims for real estate deals at 14%. The jurisdiction with the highest number of paid claims in 2024 continued to be the Netherlands which accounted for 24%, a slight decrease from 29% in 2023.

Most common warranty breaches (paid claims)



Seller fraud insights

While large losses involving fraud are infrequent, we now have experience of these. Our observations of seller fraud show that these claims tend to relate to the seller deliberately concealing the termination of a material contract or the true cost of capital expenditure, and inflating EBITDA. Seller fraud claims also tend to exceed the policy limit, leaving policyholders underinsured. Policyholders then need to consider recovery options against sellers, alongside any subrogation rights insurers may have for the insured portion of the claim.



Predictions for 2025

We expect notification numbers to increase in 2025 as deal volumes bounce back and policyholders are now experienced in utilising W&I insurance to recover losses. We have some complex claims under adjustment, some of which are likely to result in full limit losses, providing further insights into large losses and seller fraud. Paid tax claims should also increase following on from an increase in tax notifications since 2023.

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What does the future look like?

The general outlook for M&A activity heading into 2025 is more optimistic than it was last year.

European M&A activity is expected to continue rising as Private Equity activity is underpinned by a need to divest assets to facilitate new investments. With softening pricing and increasing useability driven by innovation, M&A insurance stands to excel as a deal tool in 2025, signified by the number of M&A insurance policies placed by Howden M&A in January 2025 greatly outstripping the same timeframe in 2024.

With transaction parties embedding W&I insurance into the M&A process, the insurance market is developing new use cases for the W&I product. Despite historically being utilised as a last resort for administration processes or distressed sales where the seller was unwilling to provide warranties, certain insurers are now comfortable offering synthetic warranty suites to give clients a competitive advantage. Recent examples include bidders using synthetic warranties on auction processes to enhance the attractiveness of their bids. Usage is expected to continue rising as buyers seek anything from a full suite of synthetic warranties to a single synthetic warranty to cover a specific area of focus.

The use of synthetic warranties is reflective of a greater willingness of the W&I insurance market to offer a broader range of insurance cover. As pricing has reduced, clients and insurers alike have taken advantage of lower costs to take on additional enhancements as the marginal cost of including enhancements to broaden cover is relatively low. Insurers are more willing to affirmatively cover legal risks beyond the standard set of identified tax risks.

Cover is also developing to suit more novel asset classes and use cases; insurers are growing increasingly confident in insuring loan portfolio transactions as processes become standardised and this unique asset class becomes more commonplace. We also expect to see a greater level of usage of M&A insurance products in the debt sphere as insurers adapt the W&I product to more complex environments. The usage of W&I insurance on secondaries deals is greater than ever as investors tap into the secondaries market as an alternative route to exit, contributing to record deal volumes in this market.

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