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**CURRENT TRENDS IN THE DEVELOPMENT OF MERGERS
AND ACQUISITIONS IN THE GLOBAL BUSINESS ENVIRONMENT**

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ABSTRACT

Potynska Yana. Current trends in the development of mergers and acquisitions in the global business environment

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The relevance of the research topic is determined by the fact that mergers and acquisitions are becoming more popular ways to create new businesses, and they are becoming tools that can help companies survive in fierce competition.

This bachelor's thesis examines the theoretical and methodological foundations of current trends in the development of mergers and acquisitions in the global business environment.

The first chapter reveals the theoretical and methodological foundations of the study of the concept of mergers and acquisitions in international business, their essence and characteristics, defines the classification of mergers and acquisitions, motives and mechanisms for their implementation, and substantiates the impact of mergers and acquisitions on the functioning of the global business environment.

The second chapter analyzes the geography of M&A processes, determines the sectoral distribution and dynamics of M&A processes, and identifies the peculiarities of M&A development in Ukraine

The third chapter characterizes global trends in the development of mergers and acquisitions, identifies expectations for mergers and acquisitions in the global business environment, and substantiates the prospects for the development of mergers and acquisitions in Ukraine.

Keywords: M&A transactions, mergers, acquisitions, business environment, M&A processes, global economy, global M&A market, regional structure of mergers and acquisitions.

АНОТАЦІЯ

Потинська Я. Сучасні тенденції розвитку процесів злиття та поглинання в глобальному бізнес-середовищі

Рукопис. Кваліфікаційна робота бакалавра за спеціальністю 292 Міжнародні економічні відносини, ОПП «Міжнародний бізнес». Волинський національний університет імені Лесі Українки. Луцьк, 2024. 54 с. Англійська мова.

Актуальність теми дослідження визначається тим, що процеси злиттів та поглинання стають більш популярними способами утворення нових бізнесів, і вони стають інструментами, які можуть допомогти вистояти компаніям у жорсткій конкурентній боротьбі.

У бакалаврській роботі розглядаються теоретико-методичні засади сучасних тенденції розвитку процесів злиття та поглинання в глобальному бізнес-середовищі.

У першому розділі розкрито теоретико-методичні основи дослідження поняття процесів злиттів та поглинань в міжнародному бізнесі, їх сутність та характерні особливості, визначено класифікацію процесів злиттів і поглинань компаній, мотиви та механізми їх здійснення та обґрунтовано вплив процесів злиттів та поглинань на функціонування глобального бізнес-середовища

У другому розділі здійснено аналіз географії процесів злиттів та поглинань, визначено секторальний розподіл та динаміка процесів злиттів та поглинань та виявлено особливості розвитку процесів злиттів та поглинань в Україні

У третьому розділі охарактеризовано глобальні тенденції розвитку процесів злиттів та поглинань, ідентифіковано очікування щодо процесів злиттів та поглинань в глобальному бізнес-середовищі та обґрунтовано перспективи розвитку процесів злиттів та поглинань в Україні.

Ключові слова: угоди ЗіП, злиття, поглинання, бізнес-середовище, процеси ЗіП, світова економіка, світовий ринок M&A, регіональна структура злиттів та поглинань.

TABLE OF CONTENTS

INTRODUCTION.....	5
CHAPTER 1. THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF MERGERS AND ACQUISITIONS MARKET RESEARCH.....	8
1.1. The concept of mergers and acquisitions in international business, their essence and characteristics.....	8
1.2. Classification of M&A processes, motives and mechanisms of their implementation.....	11
1.3. Impact of M&A processes on the functioning of the global business environment.....	16
CHAPTER 2. ANALYSIS OF THE DEVELOPMENT OF MODERN MERGERS AND ACQUISITIONS IN THE GLOBAL BUSINESS ENVIRONMENT.....	18
2.1. Geography of M&A processes.....	18
2.2. Sectoral distribution and dynamics of M&A processes.....	22
2.3 Peculiarities of M&A Development in Ukraine.....	25
CHAPTER 3. PROBLEMS AND PROSPECTS OF DEVELOPMENT OF MERGERS AND ACQUISITIONS IN INTERNATIONAL BUSINESS.....	31
3.1. Global trends in the development of mergers and acquisitions.....	31
3.2. Expectations for M&A processes in the global business environment.....	36
3.3 Prospects for M&A in Ukraine.....	40
CONCLUSIONS.....	44
REFERENCES.....	46
ANNEXES.....	52

INTRODUCTION

Relevance of studies. One of the most popular models for creating new businesses is mergers and acquisitions, which have a significant impact on the global business environment. The concepts of mergers and acquisitions (M&A) have become quite common in the economic literature and have attracted the attention of practicing economists and entrepreneurs over the past decade. These economic phenomena can either help companies survive in fierce competition or reduce the efficiency of an enterprise due to economic and cultural incompatibility. Researching M&A markets is important not only for individual companies, but also for the global business environment. Studies of the impact of mergers and acquisitions on the global business environment are reflected in the works of both Ukrainian and foreign scholars, such as: Kirichenko O., Vaganova O. [1], Gordeeva T. [2], Tabakharniuk M. [3], Tyshchenko A., Haustova V. [4], Ignatyuk A. [5], Bayura D. [6]. In particular, Kirichenko O. and Vaganova O. consider the aspects of mergers and acquisitions in the light of building a new integration system of the economy related to M&A; Gordeeva T. - study of mergers and acquisitions as tools of crisis management; Tabakharniuk M. - classification of mergers and acquisitions in the modern economy; Ignatyuk A. - study of mergers and acquisitions through the aspect of sectoral markets; Bayura D. - study of mergers and acquisitions as a way of reorganizing an enterprise. Tyshchenko A. and Haustova V. - the impact of mergers and acquisitions on the competitiveness of the economies of the world and Ukraine. The mergers and acquisitions market is a rather dynamic phenomenon, so it is important to study development prospects and current trends in order to have a general idea of the impact of M&A processes on the global business environment.

Scientific novelty. The author's independent developments include a comprehensive study of current trends in the development of mergers and acquisitions in the global business environment, as well as the study of the prospects for the development of M&A transactions in the global economy.

The purpose of the bachelor's thesis is to study the peculiarities, current state and prospects of the development of mergers and acquisitions.

To achieve this goal, the following tasks were identified:

- to study the concept of mergers and acquisitions in international business, their essence and characteristics;
- to classify the processes of mergers and acquisitions of companies, to formulate the motives and mechanisms for their implementation;
- determine the impact of mergers and acquisitions on the functioning of the global business environment;
- analyze the geography of mergers and acquisitions;
- to study the sectoral distribution and dynamics of M&A processes;
- identify the peculiarities of the development of mergers and acquisitions;
- describe global trends in the development of M&A processes;
- outline expectations for M&A processes in the global business environment;
- identify trends and prospects for the development of the Ukrainian M&A market.

The object of research is the processes of mergers and acquisitions.

The subject of the research are the theoretical and methodological foundations and current trends in the development of mergers and acquisitions in the global business environment.

Research methods. The following research methods were used in writing the bachelor's thesis: analysis and research of literary sources, works of prominent Ukrainian and foreign scholars, periodicals and thematic press, and electronic resources. The method of analysis and synthesis of the processed information, development of own conclusions and assumptions, comparative method, historical and chronological, critical and literary method are important.

The practical significance is that the results of the research can be used in the educational process, in particular, in the study of the following disciplines: "Theory of International Economic Relations", "World Economy and World Market Conditions",

"Organization and Conduct of International Business", "Economy and Foreign Economic Relations of Ukraine".

Structure of the paper. The paper consists of an introduction, three chapters, conclusions, references and annexes. The first chapter examines the theoretical and methodological foundations of the development of M&A markets; the second chapter analyzes the development of modern M&A processes in the global business environment; the third chapter substantiates the prospects for the development of M&A processes.

Testing of research results and publications. The results of writing the bachelor's thesis were presented during the XVIII International Scientific and Practical Conference of Students and Postgraduates "Young Science of Volyn: Priorities and Prospects for Research": Potynska Y. Current trends in the development of mergers and acquisitions in the global business environment. Materials of the XVIII International Scientific and Practical Conference of Students, Postgraduates and Young Scientists "Young Science of Volyn: Priorities and Prospects for Research" (May 14-15, 2024). Lutsk: Lesya Ukrainka National University, 2024. C. 781-783.

CHAPTER 1

THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF MERGERS AND ACQUISITIONS MARKET RESEARCH

1.1. The concept of international M&A transactions in international business, their essence and characteristic features

As the number of businesses and organizations in various sectors of the economy grows, the number and scale of M&A transactions is increasing globally. Stable economic development, the transition to a market economy and the growth of the securities market have become prerequisites for companies to implement such a strategy as mergers and acquisitions. This approach is sometimes the only solution for companies to survive in the market among a huge number of competitors. In order to talk about the characteristic features of M&A transactions, it is necessary to consider their essence. Both Ukrainian and foreign economists study the concepts of mergers and acquisitions. The main definitions can be seen in Tables 1.1 and 1.2.

Table 1.1

Basic definitions of the concept of "merger"

Scientists	Definition of the term "merger"
Kirichenko O., Vaganova O.	Any association of business entities that results in the formation of a single economic unit from two or more previously existing structures
Gordeeva T.	A special form of takeover in which the company being sold loses its legal independence
Tabakharniuk M.	The process of acquiring a company, all assets and liabilities of which are absorbed by the buyer
Tishchenko A., Haustova V.	The merger of two or more companies as a result of a contractual process between groups of company managers and is carried out through the exchange of shares between the participating companies or their mutual purchase and sale
Ihnatiuk A.	Combination of two or more enterprises, resulting in a new enterprise
Bayura D.	A method of reorganization in which two or more enterprises merge into one, with the subsequent termination of their independent existence as legal entities

Source: compiled by the author based on [1-6].

Table 1.2

Basic definitions of the concept of "takeover"

Scientists	Definition of the term "takeover"
Kirichenko O., Vaganova O.	Merger of two or more independent economic entities, in which the absorbing structure is preserved and the assets and liabilities of the acquired entities are transferred to it
Gordeeva T.	Acquisition of the entire enterprise, its individual parts, and strategic equity participation
Tabakharniuk M.	A designation of the procedure for transferring ownership. The term is used to emphasize the dominant role of the initiating company, which has a stronger economic potential
Bayura D.	A method of reorganization when one company merges with another and the latter acquires all property rights and obligations of the merged company
Ihnatiuk A.	Acquisition by one company of a significant part of the shares of another company
Tishchenko A., Haustova V.	Taking control or management of another company by one company through the acquisition of absolute or partial ownership of it

Source: compiled by the author based on [1-6].

Based on the study of approaches to the definitions of mergers and acquisitions, we can conclude that:

1) A merger is a voluntary combination of two or more companies operating in interrelated markets and similar in size, which is carried out to increase the profit of the organizations;

2) A takeover is a process where one company actually establishes control over another in order to increase its production range, profits, or eliminate a competitor.

Speaking of mergers and acquisitions, it is worth mentioning their characteristic features. Today, the M&A strategy is one of the most popular not only among businesses that need to address a number of issues related to the company's economic activities, but also among the most successful companies in the world. We can list the following advantages of using M&A transactions, but we should not forget about certain disadvantages that must be taken into account when concluding M&A transactions. Table 1.3 summarizes the positive and negative aspects of M&A transactions.

Table 1.3

Positive and negative aspects of M&A transactions

Advantages	Disadvantages
Improving products or services through a combination of companies' past experience, strategies, and offerings.	Incompatibility of cultures.
A larger client base, more opportunities to attract new talented employees from different regions and countries.	This is a big risk, as M&A deals may not always benefit companies, but rather cause huge losses.
Access to new geographic markets, large-scale production.	Complication of the integration process if companies operate in different industries.
Faster implementation of new production or service technologies, management and marketing strategies.	Problems with the division of resources and capital after the deal is completed.

Source: compiled by the author based on [7-10].

There are several significant differences between the terms "merger" and "acquisition" that define the characteristic features of these concepts, as shown in Table 1.4.

Table 1.4

Characteristic features of mergers and acquisitions

Characteristic features	Mergers	Acquisitions
Procedure	Two or more separate companies merge to create a new business entity.	One company completely takes over the activities of another.
A joint solution	The merger is approved by mutual consent of the parties involved.	The decision to acquire may not be mutual.
Company name	The merged organization is operating under a new name.	The acquired company mostly operates under the name of the parent company.
Comparative status	The parties involved in the merger are of similar status, size and scope of activities.	The acquiring company is larger and financially stronger than the target company.
Shares	The combined company issues new shares.	No new shares are issued.

Source: compiled by the author based on [11].

Thus, the purpose of M&A transactions is to create a new organization that will generate more profit than each company separately.

1.2. Classification of M&A processes, motives and mechanisms for their implementation

When considering the concepts of mergers and acquisitions, it is also worth paying attention to their classification, the main motives for entering into mergers and acquisitions, and the mechanisms for implementing these transactions.

It should be noted that mergers and acquisitions do not have a clear classification, as they can be classified according to various characteristic features, such as the way companies are merged, the degree of attractiveness, etc. Table 1.5 provides an example of the classification of corporate integration M&A transactions.

Table 1.5.

Classification of M&A processes

Classification feature	Types of mergers and acquisitions
by the nature of integration	a) horizontal; b) vertical; c) conglomerate.
Management's attitude to mergers and acquisitions	a) friendly; b) hostile.
By the nature of the purpose of the transaction	a) strategic; b) financial; c) protective.
depending on the terms of the transaction	a) on parity terms; b) on non-parity terms; c) with the formation of a new legal entity; d) acquisition: - full; - partial

Source: compiled by the author based on [12].

As noted in Table 1.5, M&A transactions are divided *by the nature of integration as follows*:

- Horizontal mergers prevail among companies operating in the same industry and being competitors. Such companies merge to increase their market share, the percentage of existing and potential customers, and competitiveness, which are the result of economies of scale. Horizontal transactions are made between companies in the same industry [13].

- Vertical agreements arise when companies that operate at different stages of production or service delivery combine. For example, one company may produce raw materials, while another processes them and creates a finished product. There are

several advantages of this type of arrangement, including reduced production costs, improved product quality, and the establishment of a network of sales channels.

- Conglomerate transactions are typical for companies that are not competitors and operate in different areas. Basically, this type of transaction is carried out to expand the range of products or services, create additional sales channels [14].

M&A deals can be divided into the following categories based on management's attitude to mergers and acquisitions:

- Friendly: M&A in which management and shareholders support the deal;
- Hostile mergers and acquisitions are mergers and acquisitions in which the company's management does not agree with the transaction and takes a number of measures aimed at opposing the merger or acquisition [1].

According to the nature of the purpose of the transaction, M&A transactions are divided into:

- Strategic are carried out to achieve the strategic goals of companies, such as geographic expansion, diversification of activities, cost optimization, etc;
- Financial aimed at obtaining financial benefits or changes in the capital structure of companies;
- Defensive used by companies to protect themselves from unwanted mergers or acquisitions [12].

Depending on the terms of the transaction, mergers and acquisitions can be divided into:

- on parity terms - both companies involved in the transaction exchange their shares or other securities on equal terms;
- on non-parity terms - the exchange of shares or securities between companies is not on equal terms;
- with the formation of a new legal entity - two or more companies merge to create a completely new company, which is a separate legal entity;
- Acquisitions:

- Full: one company (the acquiring company) takes over another company (the acquired company) and becomes the owner of all its assets, liabilities, contracts and rights;
- Partial: the acquiring company acquires only a part of the acquired company's shares or assets [12].

Each of the above-mentioned types of M&A transactions had its own advantages and conditions that are suitable for a particular company. In general, every company that wants to make a merger or acquisition will have its own motives.

In general, the motivations for M&A processes can be divided into three groups:

- Internal: entering new markets, access to new products and distribution channels, obtaining a synergistic effect (increase in the company's performance indicators as a result of the merger);
- External: the company's desire to use its resources as efficiently as possible in the face of changes in the company's external environment;
- Personal interests of company management: the desire to obtain certain financial or competitive benefits from the acquisition of competitors and establishing control over them [2; 3; 5; 16].

Nevertheless, M&A transactions do not always achieve the desired goal. For example, new geographical markets may be inaccessible to a particular company due to lack of technological development, or it may not always be possible to create a new product for a new market while retaining the old market. Therefore, when entering into M&A transactions, you need to pay attention to your goals, the possibility of their fulfillment, and take into account all the pros and cons that may arise during the M&A process.

In order to ensure that an M&A transaction goes as smoothly as possible, it is necessary to understand the mechanism of its implementation. The main stages of an M&A transaction are:

- development of a mergers and acquisitions strategy (search and evaluation of a merger and acquisition target);

- analysis of a potential merger or acquisition target (project implementation assessment);
- negotiation and conclusion of the agreement (making adjustments) ;
- assessment and stabilization of the position;
- integration;
- post-integration [17].

There is also a list of reasons why, even after successfully completing all stages of an M&A transaction, the process may end in failure for the parties to the transaction (Fig. 1.1).

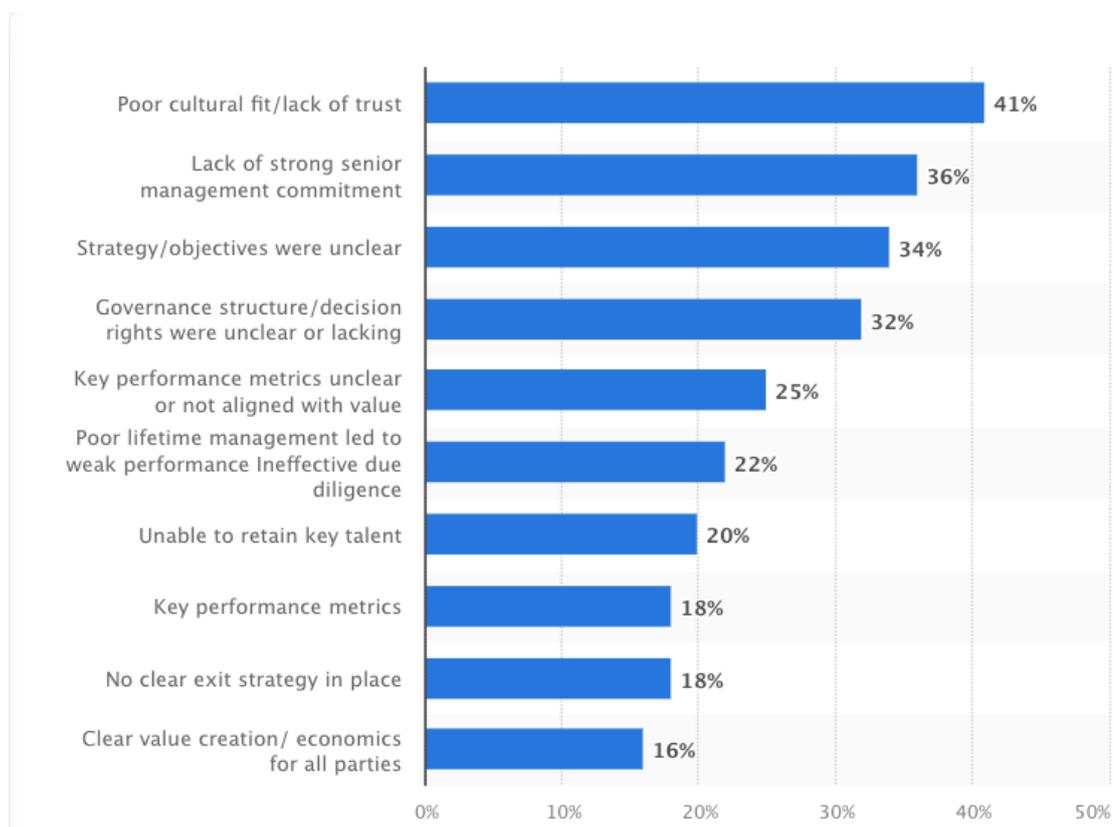


Fig. 1.1. List of reasons that have a negative impact on the implementation of M&A transactions.

Source: [25].

Of course, there are reasons why certain risks may arise. Let's look at the most popular reason why M&A deals fail: a lack of cultural fit and a lack of trust between the parties arise when companies do not understand each other in the following areas:

- Management teams;
- Products;
- Processes;
- Customer base;
- The culture of the country in which the company is located [25].

This issue can be resolved if companies take the following steps:

- 1) All information about the company that will be provided to the parties to the transaction must be accurate and up-to-date;
- 2) Employees should respect their new colleagues and be ready to learn from them.
- 3) The parties themselves must be interested in making the merger or acquisition successful.
- 4) Companies need to understand whether they will be ready to work in a new culture, with a new customer base, etc. [25].

There are examples of companies that could not avoid certain reasons that had a negative impact on M&A processes, and therefore these transactions did not end successfully.

For example, in October 2011, Hewlett-Packard (HP) decided to acquire Autonomy, a big data company, for \$11.7 billion. Negative consequences emerged a year after the deal, as HP recorded that Autonomy's value was \$8.8 billion due to accounting fraud.

Massive lawsuits ensued over the transaction. HP sued Autonomy founder Mike Lynch for \$5 billion, claiming that it was a deliberate cover-up, not a mistake, while Lynch claimed that all these problems arose from poor management on HP's part and that they had no plans to fully integrate the company.

In January 2022, HP won a civil fraud case against Autonomy founder and CEO Mike Lynch [24].

Even after the successful completion of all major stages of the M&A transaction, it is necessary to continue to monitor the situation and keep an eye on the economic activities of the newly created company resulting from the M&A transaction.

1.3 The impact of mergers and acquisitions on the functioning of the global business environment

Mergers and acquisitions have a global impact on the global economy and on the economies of individual countries. M&A deals strengthen businesses, making them less subject to regulation and control not only by national governments but also by international economic organizations. M&A transactions have also become an integral part of economic globalization.

The majority of M&A deals are international, and there are more and more opportunities for more successful and real business expansion beyond the borders of one's home country. However, M&A processes can also have negative consequences both for the country that initiated the transaction and on a global scale. The main danger of these operations is that key companies or even strategically important industries of the host country may fall under foreign control, posing a threat to the realization of national entrepreneurial and technological potential [18].

Mergers and acquisitions legislation is being developed and enacted in various countries around the world to test the impact of an open market for corporate control on accounting conservatism. Based on the results of the research, it can be concluded that conservatism is observed in countries with a weaker institutional infrastructure and where there are more acquisitions. The impact of M&A legislation on conservatism is more pronounced when firms have greater external financing needs and when firms borrow more money in the period after the adoption of the regulations [19].

Mergers and acquisitions have a significant impact on the functioning of the global business environment, namely:

- 1) Mergers and acquisitions can lead to market consolidation when several companies come together to create a larger and stronger organization. This can have an impact on competition, market share distribution, and pricing. Incumbent market leaders may face a new or much stronger existing competitor in the market.

The impact of M&A on the market is often significant and sometimes traumatic for companies that are vulnerable to sudden changes. This impact is felt not only by

the merging companies, but also by competitors serving the same markets and located in similar geographic regions. Since the companies created through mergers and acquisitions already have some experience, teams and departments that support the company's activities, it will not be easy for the leaders to overtake their new competitors, but it stimulates the competition processes, which will have a positive impact on the future product, pricing policy, product quality, etc.

2) Mergers and acquisitions can help spread innovation. Companies can combine and share their technology and knowledge, which can improve production efficiency.

3) Mergers and acquisitions may have an impact on employees, including the need to reduce the number of employees or change working conditions [20; 21].

4) Organizational approach and results

Typically, businesses that operate within a single geographic region have a small group of senior executives who make most of the strategic decisions.

Global corporations created through mergers and acquisitions face a much more complex task of strategic planning and implementation. This can be influenced by both the culture and management characteristics of the companies that were relevant before the merger or acquisition.

However, due to the diversity of management strategies and the ability to adapt their products to different regions, companies created through M&A processes have greater competitive advantages [23].

Thus, M&A transactions are closely linked to both national and global economies, especially in the context of globalization.

CHAPTER 2

ANALYSIS OF THE DEVELOPMENT OF MODERN MERGERS AND ACQUISITIONS IN THE GLOBAL BUSINESS ENVIRONMENT

2.1. Geography of mergers and acquisitions

The number and value of M&A deals around the world is not uniform. Each region of the world has its own specific trend in M&A transactions. In Figure 2.1, we can see how the price and number of M&A deals fluctuated in different regions of the world, namely North America, Europe and Asia Pacific, during 2019 – May 2024.

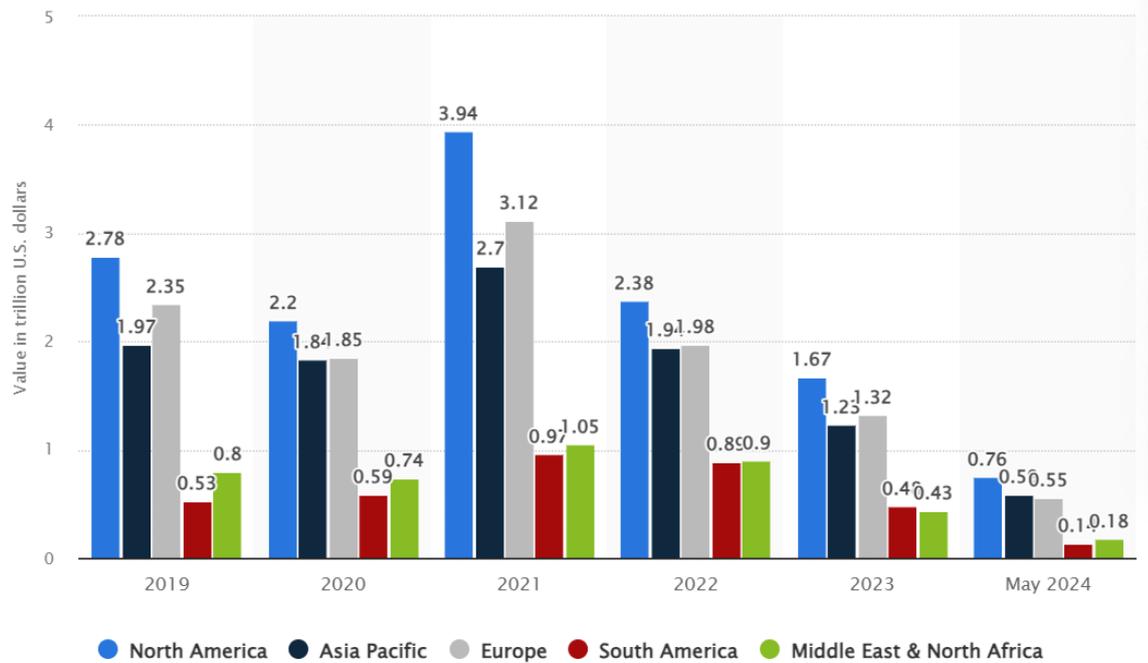


Fig. 2.1. Number of M&A deals and their value globally, 2019 – May 2024
Source: [26].

Figures 2.2 – 2.4 show how the price and number of M&A deals fluctuated in different regions of the world, namely North America, Europe and Asia Pacific, during 1985 – 2022.

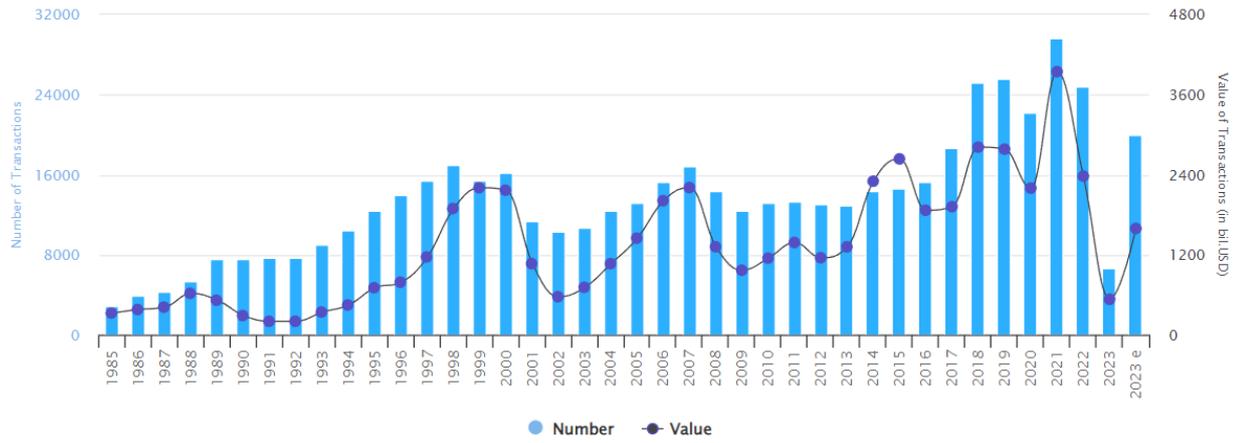


Fig. 2.2. Number of M&A transactions and their value in North America, 1985 — 2022

Source: [15].



Fig. 2.3. Number of M&A deals and their value in Europe, 1985 — 2022

Source: [15].

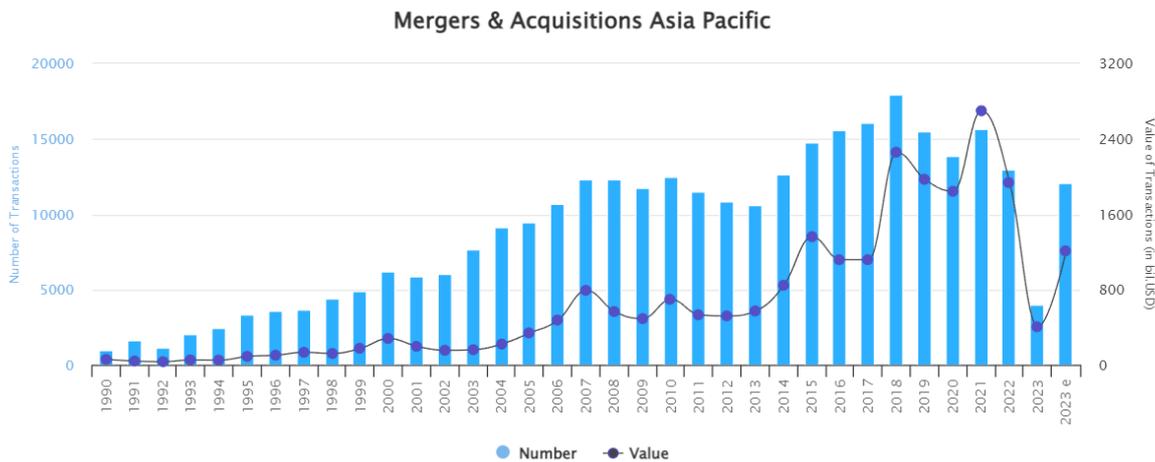


Fig. 2.4. Number of M&A deals and their value in Asia Pacific, 1985 — 2022

Source: [15].

Having analyzed the above chart, it can be concluded that North America is the leader in terms of the number and value of M&A transactions, and this can be explained by the following reasons:

- 1) North American countries (in particular, the United States) have developed economies, which creates a strong base for mergers and acquisitions;
- 2) North America has highly developed financial markets, a large number of international banks and investment funds;
- 3) The North American legal system is developed and transparent. This is an important factor for conducting complex legal procedures related to M&A transactions;
- 4) North American and European countries are considered attractive to foreign investors because they have broad access to global markets, as well as economic and political stability.

Looking at the previous years, namely 2021 and 2022, we can see that M&A volumes decreased by 17% and 37%, respectively, in 2022 compared to 2021, although they were still higher than during the coronavirus outbreak in 2020.

Asia Pacific: The number and value of transactions decreased by 23% and 33%, respectively, in 2021 — 2022. China was the hardest hit, with the number and value of

deals decreasing by 46% and 35%, respectively. The reason for the slowdown in M&A deals in this country during this period was the pandemic and the decline in demand for exports. India is becoming an increasingly attractive country for investment, ranking second in terms of M&A value. Japan and South Korea are also leading the way in the region.

Europe, the Middle East and Africa performed better than other regions in terms of M&A activity, despite rising energy prices, the full-scale war in Ukraine and falling investor confidence. Deal volumes and values decreased by 12% and 37%, respectively, between 2021 and 2022.

In 2021 — 2022, the volume and value of transactions decreased by 17% and 40%, respectively, in the Americas. The number of mega-deals - deals worth more than USD 5 billion - almost halved in 2021 — 2022: from 81 to 42, respectively [27].

In 2023, the overall M&A market fell by 15%, the lowest in the last decade [28].

The number of mega-deals exceeding USD 1 billion fell to its lowest level since 2019, with only 432 in 2023 compared to 816 in 2021. In 2023, the volume and value of M&A decreased by 6% and 25% compared to the previous year [27].

In general, the situation with M&A processes differed by region in 2023, with some regions showing positive M&A market dynamics, while others showed the opposite.

The total value of deals in North America amounted to USD 1.46 trillion, down 12% from 2022. In September and October, several mega-deals were announced, including Cisco's acquisition of Splunk and Exxon's acquisition of Pioneer, which slightly improved the overall situation of the M&A market in North America.

Transactions in the Asia-Pacific region totaled USD 708.2 billion, down 26% year-on-year. Cross-border activity between China and the United States continued to stall. In Japan, in contrast to the overall picture of the region, the number of transactions increased by 34% compared to 2022. M&A in the healthcare sector in Asia Pacific reached its highest level of value ever.

In EMEA, deals totaled USD 676 billion, down 35% from 2022. It was US companies that led the largest number of inbound acquisitions with deals worth USD 89 billion [29].

Amidst geopolitical conflicts, rising interest rates, and persistent inflationary concerns, deal values in the first quarter of 2023 were the lowest for any first quarter in the last 20 years. It was the first year that global M&A deal volume did not cross the USD 3 trillion threshold since 2013, and accounted for only 50% of the highest deal value of 2021, which amounted to USD 5.8 trillion [30].

Thus, M&A processes are not uniform across the globe, but depend on the economic and political situation in the regions. However, North America is still the leader in these indicators, despite all the current macroeconomic challenges.

2.2. Sectoral distribution and dynamics of mergers and acquisitions

M&A processes can be divided not only by region, as was done in the previous paragraph, but also by industry. In order to find out how much the number and value of M&A deals have changed over time, let's compare the data for 2015 — 2016 and 2022 — 2023.

According to the global organization Ernst & Young, in 2015, the largest number of M&A deals were in the healthcare sector, with the value of contracts amounting to approximately USD 340 billion. The reasons for investors' interest in this sector were the development of new drugs and modern methods of diagnosing various diseases. The oil industry was also one of the most successful in 2015, with the number of deals doubling and their total value amounting to USD 264 billion, deals in the technology sector amounting to USD 247 billion, an increase of 69%, and in the telecommunications sector USD 211 billion, an increase of 13% [31].

In 2016, the sectoral distribution of M&A in the world remained almost unchanged, with the financial sector taking the leading position with a share of 20.3%. The number of M&A deals in the digital technology sector is growing. At that time, almost two-thirds of executives (67%) planned to invest in digital to use digital

technologies to improve their business in the coming years. More and more non-tech companies were investing in the latest technologies (Fig. 2.5).



Fig. 2.5. Sectoral distribution of M&A in the world for 9 months in 2016

Source: [32].

As for 2022, it is worth noting that M&A deals are most common in the technology, healthcare, financial services, and retail sectors.

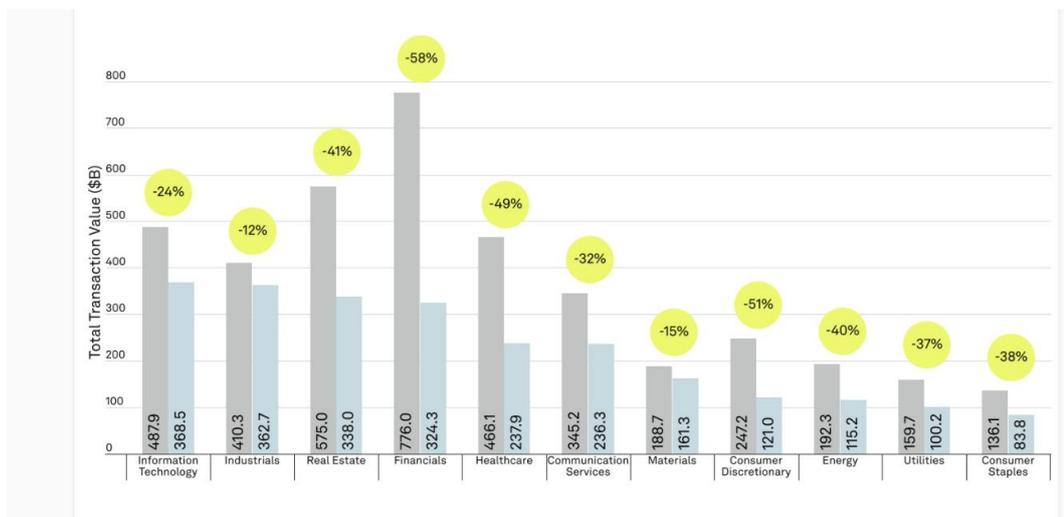


Fig. 2.6. Sectoral distribution of M&A in the world in 2021 – 2022.

Source: [33].

Technology has the highest number of M&A deals of any industry in 2022, followed by the financial sector in 2021. In 2022, there were more than 13,000 deals across all three major sectors - information technology, media and entertainment, and telecommunications.

In the financial industry, there were mostly scale-up deals, which means that the buyer was interested in the business because of its human capital and other resources for growth and operational efficiency. In 2022, about 90% of large M&A deals in the financial sector were scale-up deals [34].

In Fig. 2.7. we can observe a trend that, in general, the number and value of M&A transactions have slightly decreased compared to 2023.

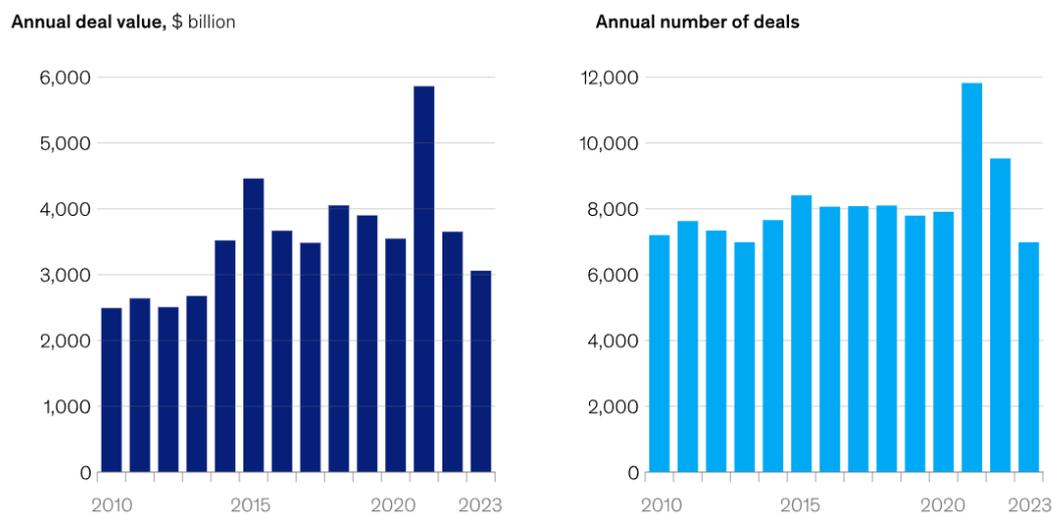


Fig. 2.7. Number and value of M&A transactions in 2010 – 2023

Source: [35].

Although the number of M&A deals in the tech sector in 2023 remained roughly at the level of 2022, the total value of tech deals decreased by 46% year-on-year to around USD 371 billion, the lowest in six years (Fig. 2.8). Nevertheless, tech M&A still played a significant role in total M&A in 2023, accounting for 13% and 15% of total global and U.S. deal volume, respectively.

M&A activity in the energy sector increased in 2023. Deals in the energy sector outpaced deals in the technology sector as a percentage of total deal volume in 2023, accounting for 17% and 13%, respectively, for the first time since 2019.

The total number of M&A transactions in the healthcare sector increased by about 8% compared to 2022. Several companies managed to close large deals, especially in the pharmaceutical sector. The USD 43 billion deal between Pfizer and Seagen was by far the largest healthcare acquisition in 2023.

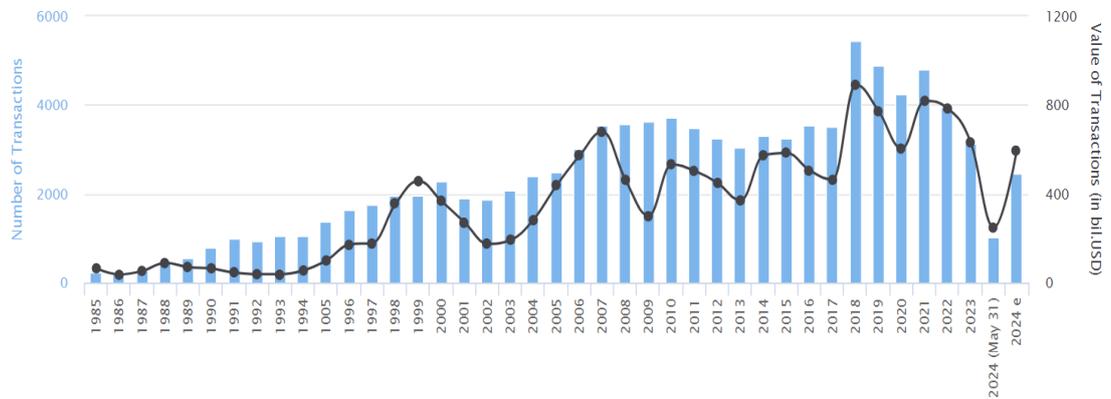


Fig. 2.8. Number of M&A deals and their value in the energy sector worldwide, 1985 – May 2024

Source: [36].

Therefore, depending on demand, the industry with the highest number of M&A deals may change over time and be affected by changes in trends and demand.

2.3 Peculiarities of M&A development in Ukraine

The history of the Ukrainian M&A market is relatively recent compared to other countries that have more successful statistics on the number and value of M&A transactions. The Table 2.1 shows the main stages of M&A development in Ukraine and their characteristics.

Table 2.1

Key stages of M&A development in Ukraine and their characteristics

Period, years	Characteristics
1993 — 1998	Mass privatization of state property. Creating preconditions for M&A transactions
1998 — 2003	Redistribution of property after the 1998 crisis. Investor interest in the most favorable industries is growing
2003 — 2007	Growth of the mergers and acquisitions market. Increased influence of foreign investors on the banking system
2008 — 2014	During the Great Recession, the volume of M&A transactions decreased significantly. Investors become less interested in the Ukrainian M&A market
2014 — 2018	Political instability, which was the main reason for the slowdown in the M&A market recovery
2018 — 2021	Gradual increase in the volume and value of M&A transactions in the Ukrainian market, stabilization of the political and economic situation in the country
2022 — the present	Significant reduction in M&A activity in Ukraine due to the onset of the full-scale invasion. Investor concerns about the future of the Ukrainian M&A market

Source: compiled by the author based on [37].

Despite its relatively short history, the Ukrainian M&A market has already experienced a number of economic and financial crises (as can be seen in Figure 2.6, which demonstrates the dynamics of M&A transactions in Ukraine), and even now it is facing new challenges due to political instability in the country.

Let's take a closer look at how the situation on the Ukrainian M&A market has changed in recent years, as shown in Fig. 2.9.

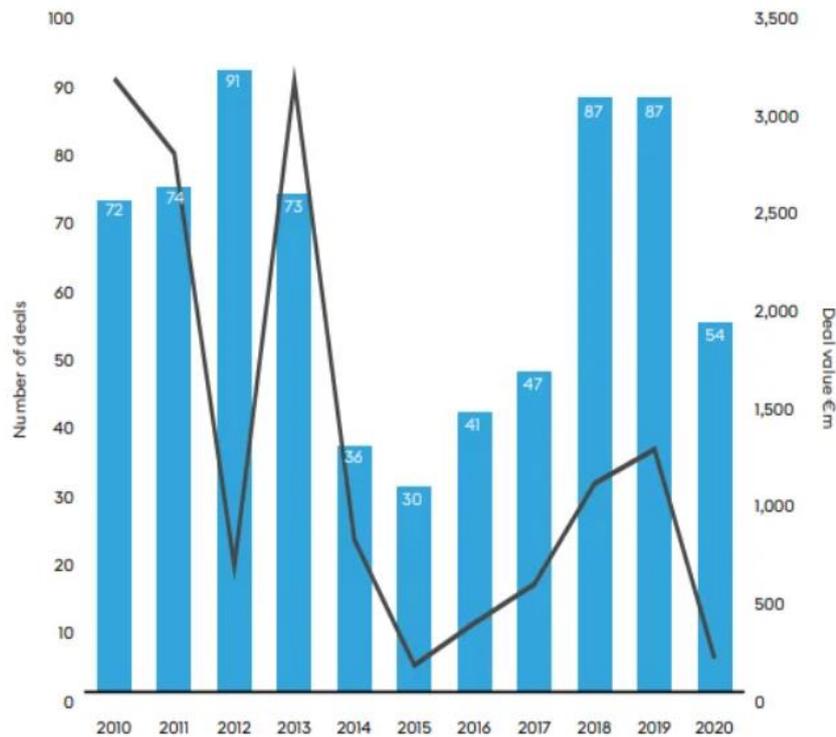


Fig. 2.9. Number of M&A deals and their value in Ukraine, 2010 – 2020

Source: [38].

Unlike most EU countries, in Ukraine, more than half of M&A transactions are domestic, meaning that approximately 2/3 of asset purchases in 2016 – 2017 were controlled by Ukrainian owners. In Europe, on the contrary, cross-border deals are more popular in the M&A market. Figure 2.10 shows the sectoral distribution of the M&A market in 2016 – 2017.

In 2022, there were 48% fewer M&A deals than in 2021, namely 106. The total value of the deals amounted to approximately USD 300 million. This figure is considered the lowest since 2018. Figure 2.11 shows the sectoral breakdown of the Ukrainian M&A market in 2020 – 2022. Indeed, compared to 2021, in 2022 there was a significant decrease in the number of M&A deals across various industries.

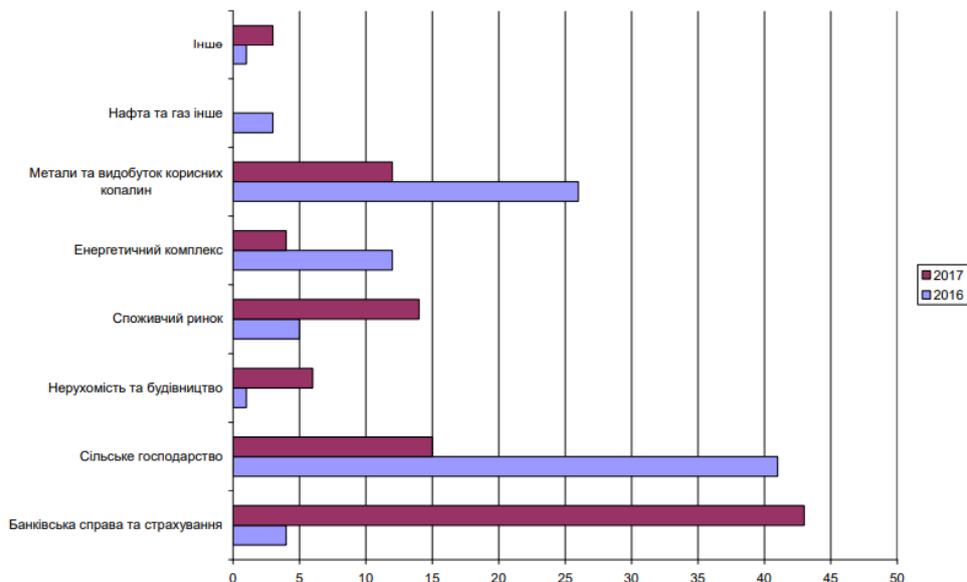


Fig. 2.10. M&A market in Ukraine by industry in 2016 — 2017

Source: [39].

The full-scale invasion had a negative impact on the decline in M&A activity, but some industries managed to survive the crisis in 2022 and continue to develop further and increase the volume of M&A transactions. One such area is TMT (telecommunications, media, and technology). According to the IT Ukraine Association, in 2022, the IT industry provided foreign exchange earnings to the Ukrainian economy in the amount of USD 7.34 billion, as evidenced by the NBU data. Exports increased by USD 400 million (+5.8%) compared to pre-war 2021. The number of deals in the Ukrainian TMT sector amounted to more than 50% (56 deals out of 106) [40].

InVenture estimates that the value of M&A transactions in 2023 amounted to USD 1.7 billion. Compared to 2022, the total volume of M&A deals in 2023 increased 5 times, but is still 1.5 times lower than before the war (USD 2.7 billion in 2021).

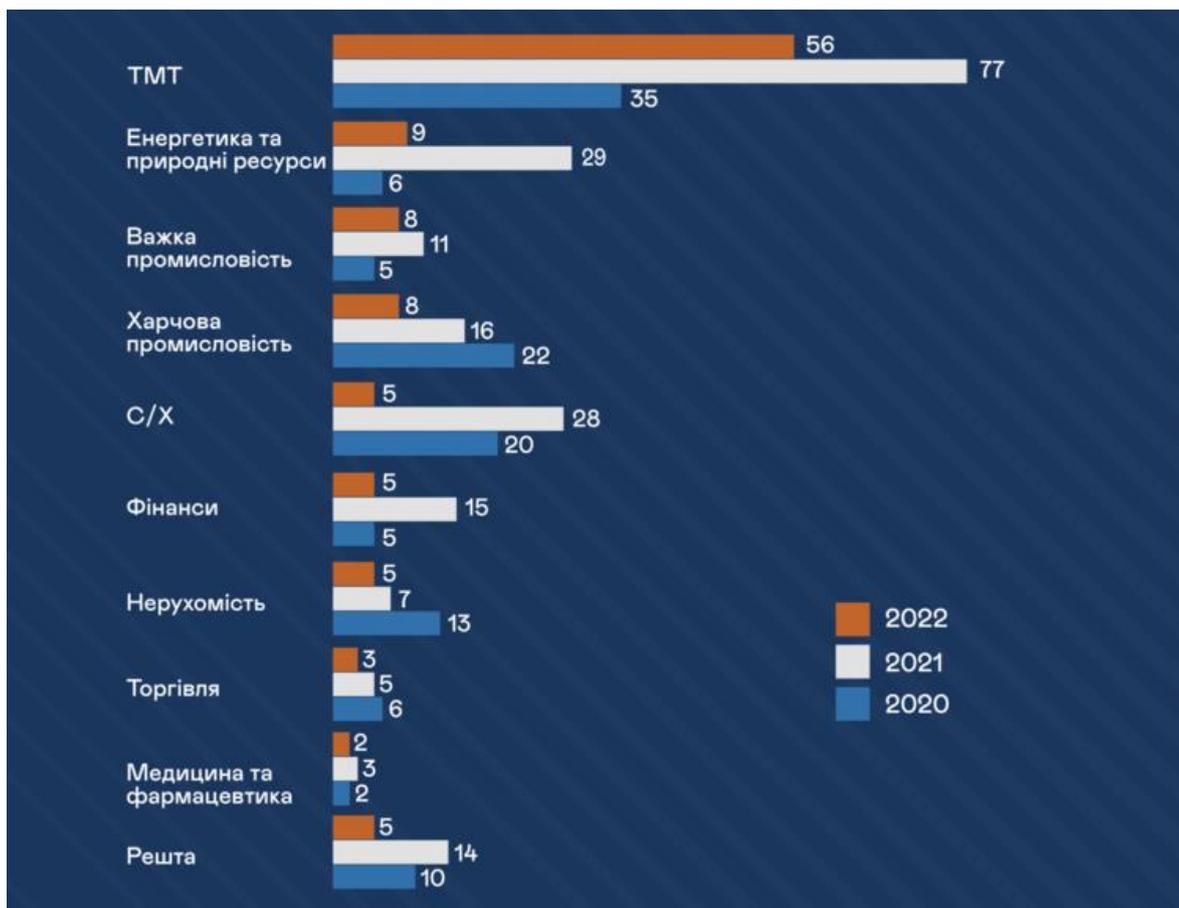


Fig. 2.11. M&A market in Ukraine by industry in 2020 – 2022.

Source: [40].

In 2023, most M&A processes in Ukraine took place in the following sectors:

1) Ukraine's IT/telecom sector and venture capital industry continue to demonstrate investment attractiveness even during the war. About 50% of the deals on the Ukrainian M&A market were in this sector.

2) As for the agricultural sector, there was some activity in buying logistics assets to optimize grain delivery.

3) Industrial and logistics real estate was also in demand among investors in the market in 2023. Due to the demand for relocation of production facilities from the frontline areas, this sector became especially relevant during the full-scale invasion [41].

See Annex A for the top 10 deals in Ukraine in 2023.

We can also see how the Ukrainian M&A market has evolved in the Fig. 2.12. With the beginning of the Russian-Ukrainian war and until 2017, M&A processes dropped significantly, followed by a recovery of the M&A market until 2020, when the pandemic COVID-19 peaked, and after the full-scale invasion in 2022, deal values decreased again, although in 2023 we can see a slight increase in the value of M&A transactions in Ukraine.

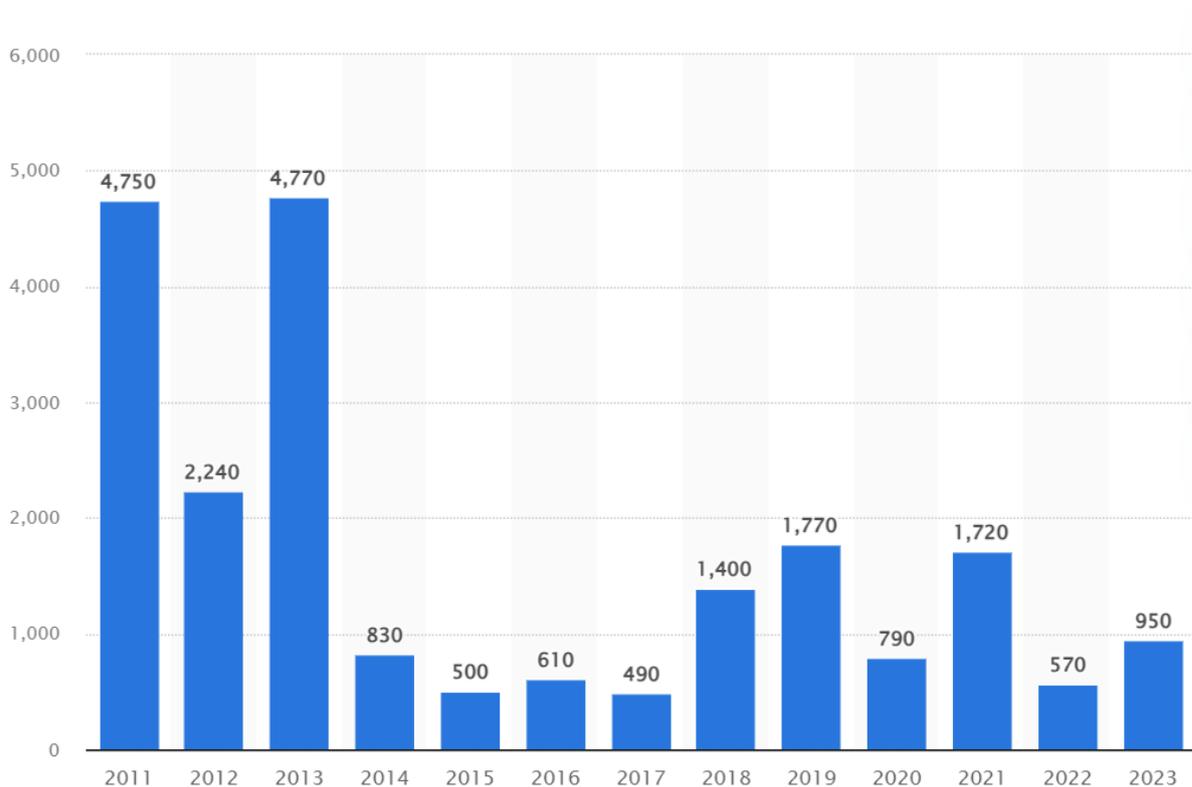


Fig. 2.12. Total value of merger and acquisition (M&A) transactions in Ukraine from 2011 to 2023 (in million euros)

Source: [55].

In general, the Ukrainian M&A market needs time to recover, as well as a stable political and economic situation in the country, to increase the volume and number of M&A transactions and, accordingly, to further develop this market, although a positive trend of M&A recovery in Ukraine can be seen as early as 2023.

CHAPTER 3

CURRENT TRENDS AND PROSPECTS OF THE MERGERS AND ACQUISITIONS MARKET

3.1. Global M&A trends

Over the past few years, technology has become an even more important part of our lives, in particular due to the coronavirus pandemic. However, it is not only technology that will change the overall picture of M&A processes. Let's take a look at what possible M&A trends we can expect in the near future.

1) The use of artificial intelligence in the M&A space

Given all the noise and excitement that Chat GPT has generated over the past few months, it is likely that AI will play a bigger role in M&A in 2024 — 2025. AI will be able to help professionals thoroughly vet and flag certain risks in minutes depending on what the team is looking for, as well as quickly solve routine tasks.

Although artificial intelligence cannot yet be called a reliable and accurate tool for data analysis, we should expect to see it used more and more in M&A processes [42].

2) Due to the higher cost of capital and increased regulatory scrutiny, business combinations, strategic alliances, and mergers are expected to gain momentum in the coming year as companies respond to market destabilization by sharing and mitigating risks [43].

3) In cross-border investment, protectionist policies will be an additional factor in this trend toward greater risk sharing [43]. Thanks to global economic ties, cross-border M&A has become an important part of the global business environment, and its number has increased significantly in more than 30 years. Although the number of cross-border deals has declined due to the COVID-19 pandemic, they have recovered in 2021. In fact, cross-border deals accounted for more than 40% of all global M&A transactions in the first quarter. However, due to geopolitical uncertainty, the number of cross-border M&A transactions has significantly decreased compared to

2021, as can be seen in Fig. 3.1 [49]. Other potential participants in cross-border M&A could be Japanese companies looking to invest capital and increase profitability outside the country as Japan continues to emerge from deflation.

4) Geopolitical uncertainty may have a significant impact on the number of M&A transactions. Increased scrutiny by regulators, especially in the areas of antitrust and national security, may complicate the M&A process. Fig. 3.1 shows that in 2021, despite the fact that this year was immediately after the peak of COVID-19, it had better performance than in 2022 or 2023, when the geopolitical situation began to deteriorate [50].

5) In recent years, environmental, social and governance (ESG) factors have become an important part of the decision-making processes of both investors and managers. Mergers and acquisitions are increasingly being scrutinized for compliance with ESG principles, including environmental impact, corporate ethics and social responsibility. Companies that focus on ESG in M&A transactions have a long-term perspective and reduce reputational risks [50].

It is worth noting that the volume of mergers and acquisitions in the first quarter of 2024 amounted to \$796 billion, which is 36% more than in the same period of 2023, which means that there is a tendency to increase the number of M&A transactions in the global business environment. Most deals were aimed at acquiring technology, expanding production, or integrating startups (Fig. 3.1) [53].



Fig. 3.1. Global Mergers and Acquisitions by Quarter, 2022 — 2024

Source: [53].

Despite the difficulties associated with M&A transactions, companies will have reasons to enter into them in the future, with the most popular reasons being acquiring technology, product capabilities, startups; growing market share, accessing new geographies, reacting to changing customer behavior, acquiring talent capabilities, securing supply chains (Fig. 3.2). Depending on the region, the reasons may vary. This is influenced by the economic and geopolitical situation in the region.

According to the Fig. 3.3 the most trendy industries for merger and acquisition transactions in 2024 will be healthcare, life sciences, manufacturing, technology.

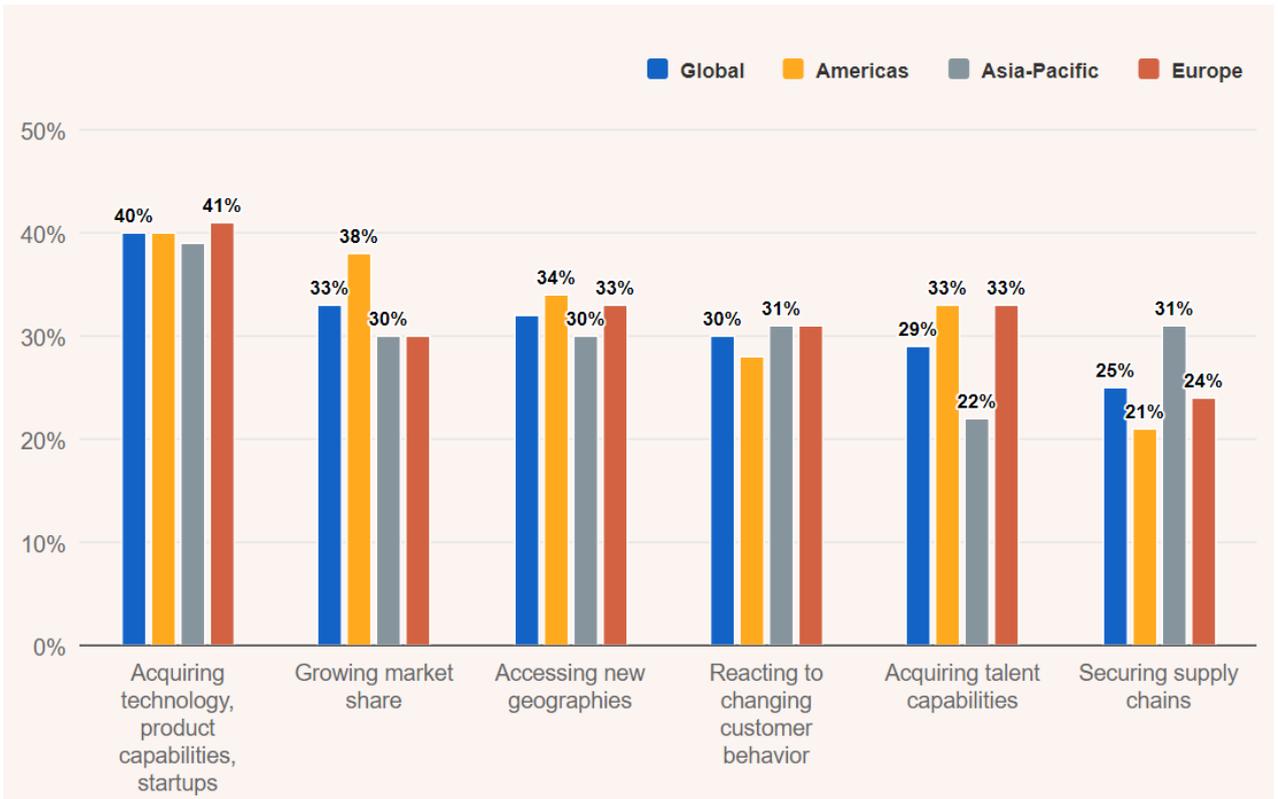


Fig. 3.2. Transaction initiatives which will be considered about by regions in 2024
 Source: [53].

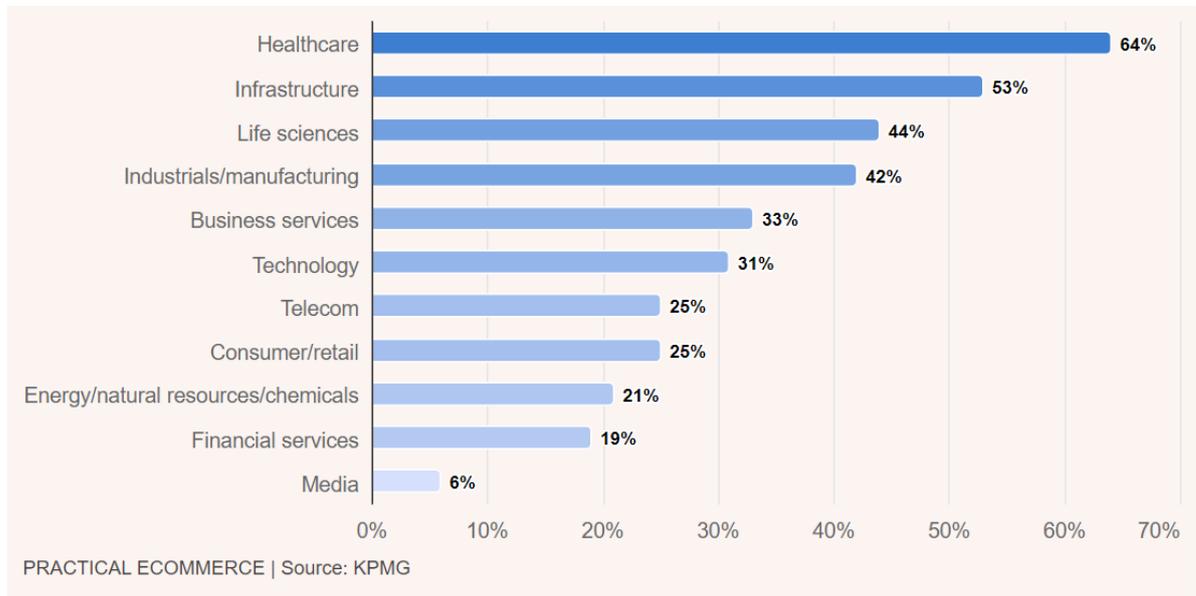


Fig. 3.3. Most popular industries in the field of merger and acquisition transactions in 2024
 Source: [53].

However, M&A trends may change significantly. As shown in the Fig. 3.4, companies will prioritize decarbonization deals in the future, as the trend toward sustainability will grow, due to a number of current environmental issues and crises, such as global warming. Reducing carbon emissions can improve the situation and reduce the rate of heating of our planet. Also, protecting revenue growth and creating new revenue streams, investing in technologies will be one of the most relevant fields for mergers and acquisitions in the future.



Fig. 3.4. The most popular areas for M&A deals in three years

Source: [54].

Thus, at least as early as 2024, we will be able to observe the widespread use of new technologies, including artificial intelligence, mergers of companies for the sake of greater mutual benefit, compliance with protectionist policies, and compliance with ESG principles in M&A processes.

3.2 Expectations for M&A in the global business environment

In today's rapidly evolving global business environment, the M&A market is one of its most important components, and of course, there are certain expectations about how M&A processes will develop and how this will affect the global economy, although the number of M&A transactions was decreased in 2023 (Fig. 3.5).

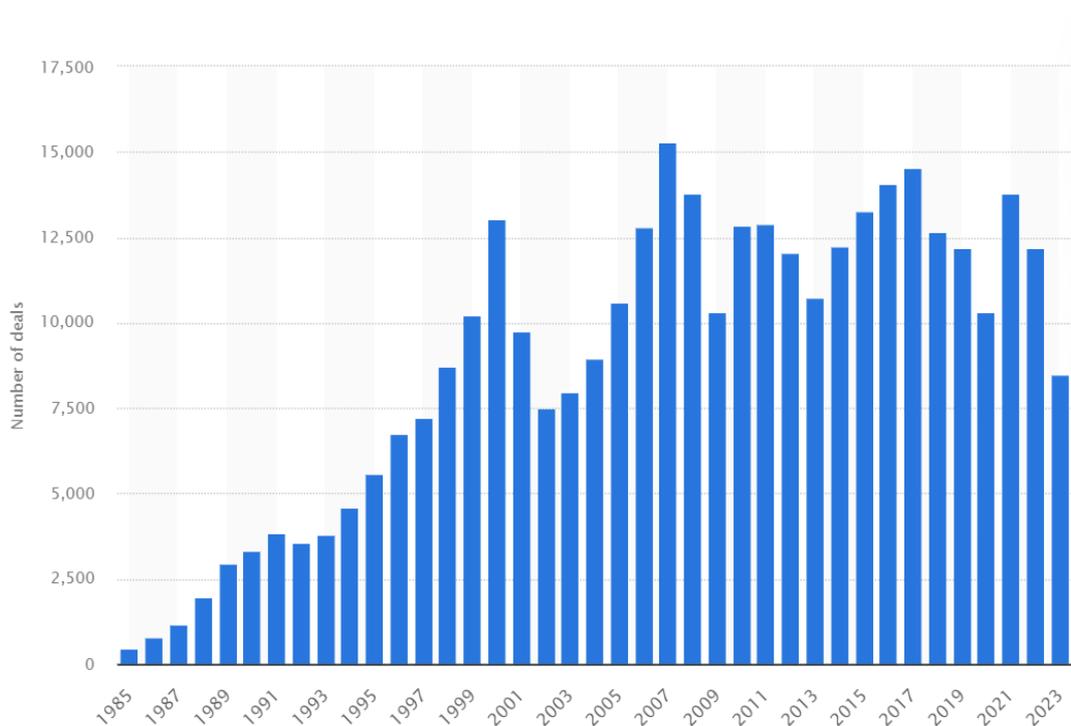


Fig. 3.5. Volume of cross-border M&A transactions in the world, 1985 — 2023.

Source: [48].

Under the optimistic scenario, when growth is stronger and inflation is lower, the number of transactions will increase by 31% in 2024, while the pessimistic scenario envisages an increase of only 13%.

Based on the forecast of the economic situation in the United States prepared by a group of macroeconomists, the volume of M&A transactions in the corporate sector (deals worth more than USD 100 million) will gradually increase, increasing by 20% in 2024 after a 17% drop in 2023, as shown in Fig. 3.6.

The post-pandemic world may see an increase in cross-border M&A as companies look for opportunities to grow and diversify. However, geopolitical conflicts and disrupted supply chains will make it difficult to close these deals.

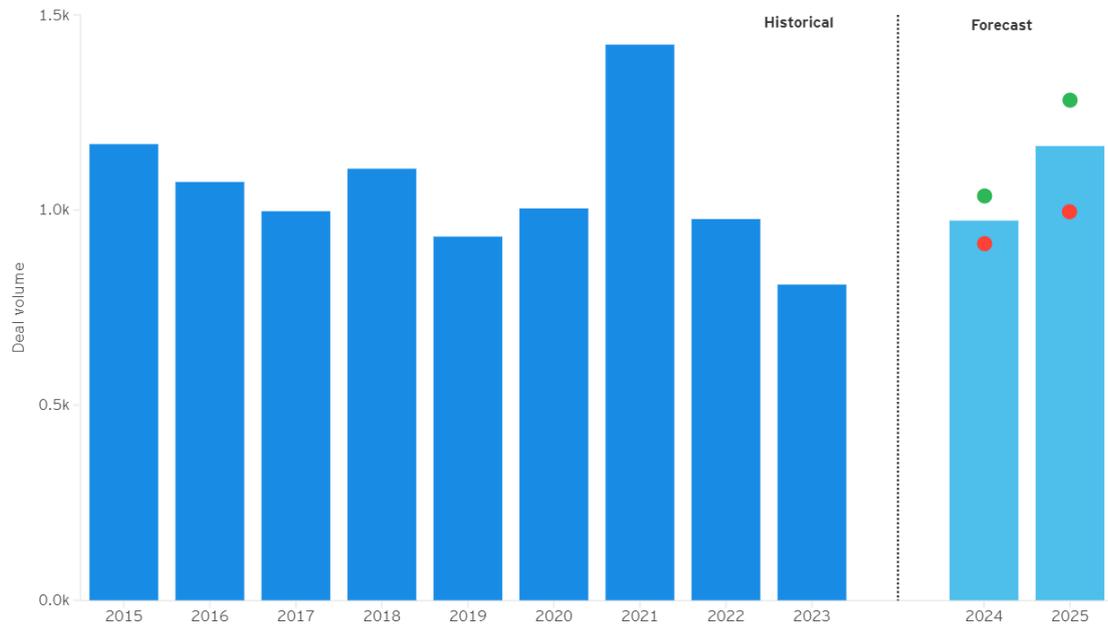


Fig. 3.6. The volume of mergers and acquisitions in the corporate sector in the United States in 2015 — 2025

Source: [44].

In 2024, we should expect a noticeable shift in the focus of investment towards the energy transition. This shift can be attributed to the global trend toward renewable energy. In addition, more and more countries are providing tax subsidies for renewable energy, such as the investment tax credit and the production tax credit [45].

It is also possible to characterize certain expectations by reviewing the list of top 10 M&A deals in 2023 (see Annex B).

Let's take a closer look at some of these deals.

ExxonMobil's acquisition of Pioneer Natural Resources in 2023 for USD 60 billion. This deal is one of the largest in the oil industry

The acquisition of Pioneer Natural Resources by ExxonMobil marks a strategic move in response to the changing energy landscape. Given the growing demand for renewable energy sources and the push for decarbonization, this merger will allow ExxonMobil to adapt to new market changes [22].

Pfizer's acquisition of Seagen for \$43 billion is a deal that has shaken up the pharmaceutical industry. This strategic move by Pfizer means that the company is ready to introduce new technologies, as Seagen is a leading biotechnology company specializing in cancer therapy [22].

The acquisition of United States Steel Corporation by Nippon Steel & Sumitomo Metal for USD 14.9 billion has become one of the largest transactions in the steel industry in recent years. Through this acquisition, Nippon Steel & Sumitomo Metal gains access to U.S. Steel's extensive distribution network and customer base, strengthening its global presence and contributing to greater market penetration [22].

CEOs have been facing many of the same external challenges for some time now, which can be a drag on M&A activity. The Fig. 3.7 – 3.10 show significant consistency in the views of CEOs in the Americas, who are much more optimistic about their own prospects than their counterparts in Europe and Asia, even if their outlook for external indicators is more balanced. This may indicate that we should expect the Americas to continue to lead the way in M&A, but we should also keep in mind that economic and geopolitical factors will continue to put pressure on companies, which will have a negative impact on the market situation in Europe and Asia in the future [54].

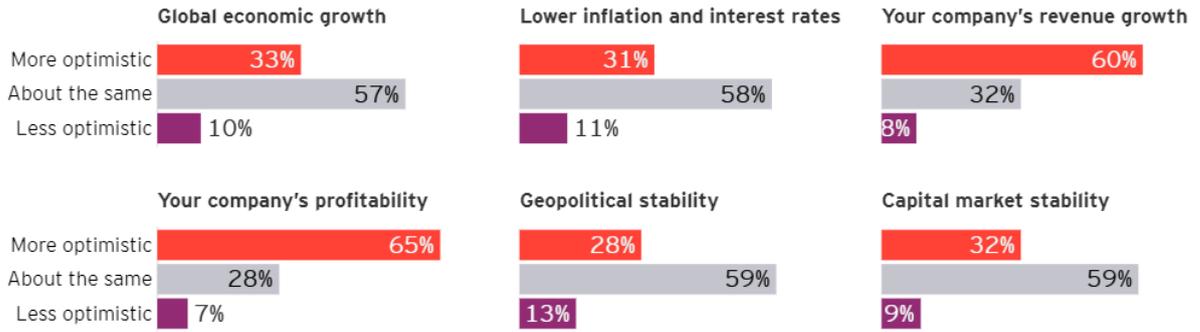


Fig. 3.7. CEO views of their company and the wider business environment globally compared with 12 months ago

Source: [54].

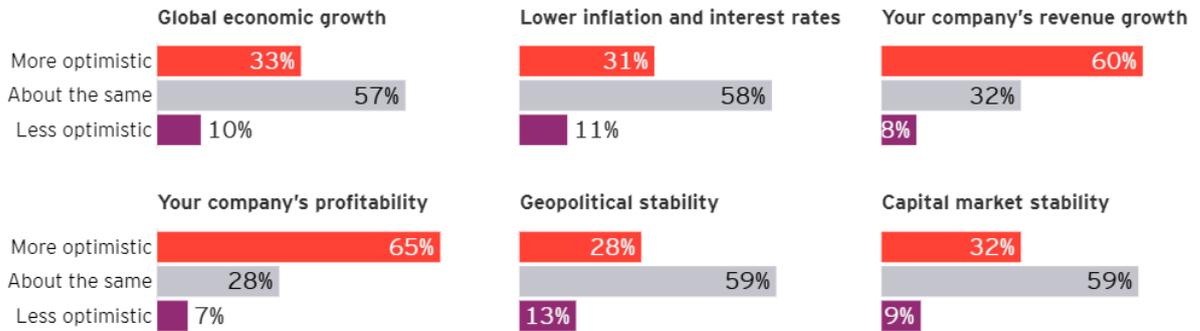


Fig. 3.8. CEO views of their company and the wider business environment in American region compared with 12 months ago

Source: [54].

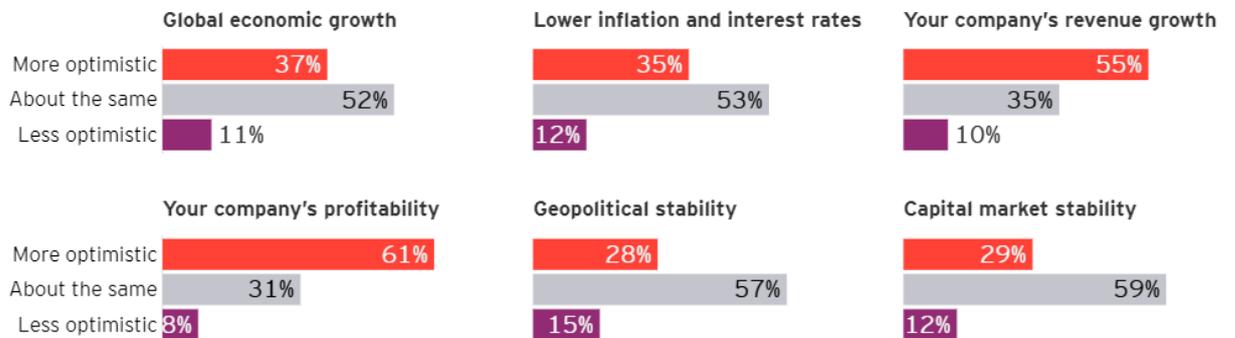


Fig. 3.9 CEO views of their company and the wider business environment in Asia compared with 12 months ago

Source: [54].

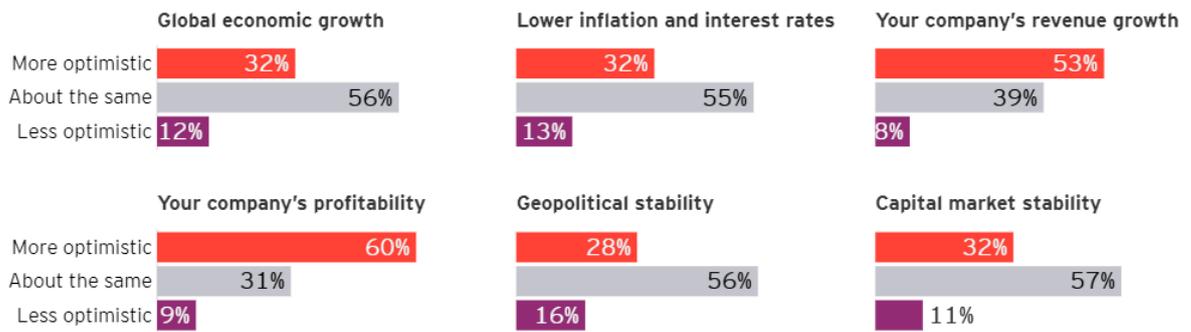


Fig. 3.10. CEO views of their company and the wider business environment in Europe compared with 12 months ago

Source: [54].

Thus, based on the analysis of the above-mentioned transactions, we can say that there is a tendency towards consolidation (larger M&A in the industry), and interest in new technological opportunities will continue to grow to keep companies competitive, the trend towards transnational deals will remain relevant, and the fact that the largest M&A deal by value in 2023 was in the energy sector only confirms that interest in this industry will only grow.

3.3 Prospects for M&A in Ukraine

The full-scale war in Ukraine has effectively stopped the Ukrainian M&A market. In 2022, companies struggled to solve the problems associated with the full-scale invasion, which led to the suspension of investments.

Despite a challenging year in 2022, when Ukraine suffered territorial losses, population outflows and a 30% drop in GDP, the situation improved in 2023. The Ukrainian M&A market started to gain momentum, with 47 deals announced, the volume of activity increased by almost 70% compared to 2022. The value of M&A deals in Ukraine exceeded the level of 2020, doubling the value of 2022.

The average value of M&A deals in Ukraine has also increased. In 2022, this figure amounted to USD 26 million, and in 2023 it rose to USD 44.6 million.

Foreign investors are showing interest in entering into deals in the IT sector, which accounted for 65% of all deals involving foreign investors in 2023 (11 deals). This is expected because many Ukrainian IT companies operate in international markets and thus have more attention from foreign partners and greater opportunities for cooperation.

Together with possible financial support from international partners, stabilization of the energy sector, Ukraine will be able to demonstrate moderate growth in M&A processes and overcome the consequences of the full-scale invasion, despite further Russian aggression.

A number of investment projects are already underway, such as the creation of the Ukraine Development Fund with the support of leading American investment companies BlackRock and JPMorgan. The Canadian company Black Iron, which is engaged in the extraction of iron ore at the Shymanovske deposit in Kryvyi Rih, expects and calls on the Ukrainian government to sign an investment agreement that will provide for a USD 1.1 billion investment in a mining and processing plant in Ukraine [46].

The most promising deals are possible in the IT sector, as this sector is not tied to a specific territory. This can be confirmed by the fact that the amount of M&A transactions in 2023 increased slightly compared to 2022, namely USD 130 million versus USD 111 million (Fig. 3.11). There is a positive trend in the IT M&A market because startups cannot withstand fierce competition, and the owners of these companies sell part or all of their business to a larger company that will save jobs and provide a stimulus for the company's development.

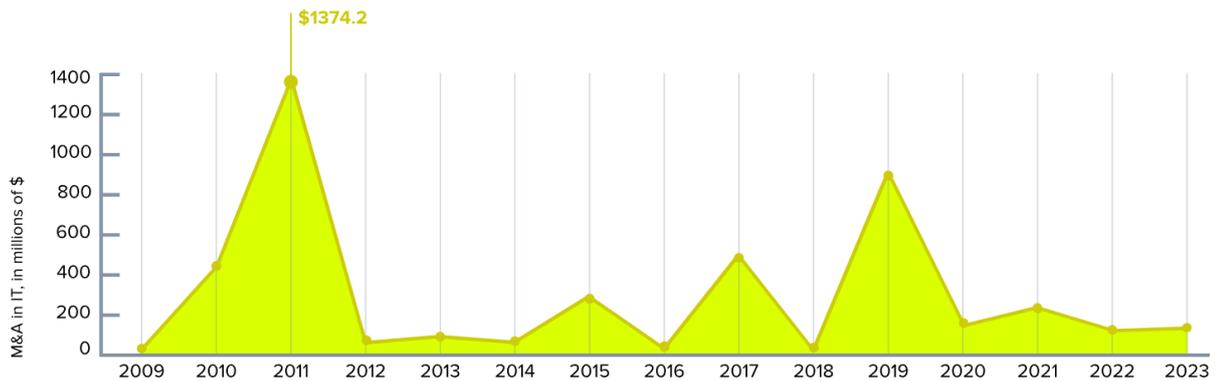


Fig. 3.11. The amount of M&A transactions in the IT sector in Ukraine, 2009 – 2023

Source: [44].

The owners of IT companies want to make more profit in the shortest possible time, so fast M&A deals are likely to be in the cards for 2024 – 2025 [51].

The least promising are deals to buy businesses in the territories adjacent to the war zone and businesses located near the Russian Federation. Businesses with economic ties to Russia are also at risk [47].

Overall, the Ukrainian M&A market has a better chance of recovering thanks to the change in Ukraine's economic policy and assistance from Western partners. In January, the European Union approved a €50 billion aid package, and in April, the United States approved \$61 billion in military aid, which could support Ukraine's macroeconomic balance in the coming years.

Since May 2024, Ukraine has eased in Ukraine a number of currency restrictions have been related to martial law, namely the lifting of currency restrictions on transfers for imports of works and services, and liberalization of the regulation of transfers abroad to repay loans.

However, the new mobilization law may affect the Ukrainian M&A market. The complicated processes of asset insurance and compensation for losses incurred during martial law also affect Ukraine's macroeconomic stability [52].

Thus, Ukraine has a chance for a gradual recovery of the M&A market, despite the full-scale invasion and the difficulties caused by the war. Thanks to foreign support

and an effective M&A policy, Ukraine will be able to return to pre-war levels more and more every year.

Conclusions

Despite the fact that there are numerous publications on the study of the peculiarities of the M&A market, there are still certain problems and questions regarding the mechanism of M&A transactions that require further research.

The study led to the following conclusions:

1. As the number of companies and organizations from various sectors of the economy grows, not only in Ukraine but also globally, the relevance of M&A markets is increasing. In the global economy, one can find examples of both successful M&A transactions and those that resulted in a loss of company profits.

2. M&A transactions can be categorized according to the nature of integration, management's attitude to mergers and acquisitions, the nature of the transaction's purpose, and the terms of the transaction. During and after the main stages of M&A transactions, it is necessary to monitor the economic activities of the newly created company to determine how successful the transaction was.

3. M&A transactions have become an integral part of economic globalization. Since most countries in the world have an open economy, it is obvious that the M&A market has a certain impact on the economic situation of certain countries and regions of the world. In order to regulate the impact of M&A on the functioning of the global business environment, different countries have legislation on M&A transactions.

4. The number and value of M&A transactions in different regions of the world depends on the economic, political and social situation. Each part of the world has its own specific trend in M&A transactions. North America is still the leader in terms of the volume and value of M&A deals.

5. Since 2015, more and more non-tech companies have begun to invest in the latest technologies, namely digitalization. In 2023, the trend began to change somewhat, and now there is a shift towards the energy sector.

6. Despite its relatively short history, the Ukrainian M&A market has already experienced a number of economic and financial crises. A stable political and economic situation in the country is key to the recovery of the Ukrainian M&A market.

7. The main trends in M&A in the business environment will continue to be the widespread use of new technologies, including artificial intelligence, protectionist policies, and the merger of companies to achieve greater mutual benefit.

8. The main expectations in M&A processes will be a shift in focus from technology and digitalization deals to energy deals. Also, cross-border M&A processes and the number of deals worth more than USD 100 million are expected to increase.

9. The IT, agricultural, and energy sectors will continue to hold leading positions in the Ukrainian M&A market, and the market itself will need some time to recover to the levels that were relevant before the full-scale invasion.

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ANNEXES

Annex A

Top 10 M&A deals in the world in 2023

No	Target and company	Transaction amount (\$, billion)	Sector
1	Pioneer Natural Resources acquired by ExxonMobil	60	Natural Resources
2	Hess Corporation acquired by Chevron	53	Energy
3	Seagen acquired by Pfizer	43	Pharmaceutical industry
4	Splunk acquired by Cisco	28	Technology and data analytics
5	Physician Realty Trust acquired by HealthPeak Properties	21	Healthcare
6	Magellan Midstream Partners L P acquired by ONEOK	18.8	Energy
7	Worldpay acquired by GTCR	18.5	Financial
8	Silicon Valley Bank acquired by First Citizen Bank	17	Financial
9	STORE Capital acquired by GIC	15	Real estate investment
10	United States Steel acquired by Nippon Steel & Sumitomo Metal	14.9	Steel industry

Source: [22].

Top 10 M&A deals in Ukraine in 2023

№	Target company	Seller.	Buyer / Investor	Headquarters (buyer)	Transaction amount (\$, mln)	Subject matter of the transaction, %.	Sector
1	lifecell (Lifecell LLC, Global Billiards LLC, Ukrtower LLC)	Turkcell	NJJ Capital	France	500	100%	IT and telecommunications
2	PJSC "Plant "Kuznya na Rybalskomu"	Agimant Limited / TAS (Sergey Tigipko)	Concorde Capital (Igor Mazepa)	Ukraine	300	100%	Construction and real estate
3	BC Parus (Parus Holding LLC)	Vadim Stolar	Ola Fine LLC (Max Krippa)	Ukraine	170	100%	Construction and real estate
4	Kernel	Minority shareholders (Lind Value, Kopernik Global Investors LLC, OFE PZU, Uniqua OFE, OFE NN, FRAM FIZ%, Aegon OFE, PKO BP OFE, etc.)	Namsen Limited (Andriy Verevsky)	Ukraine	136	36%	Agriculture

Continuation of Annex B

5	Dmarket	Vlad Panchenko, Oleksandr Kokhanovsky, Tamara Slanova	Mythical Games	USA	100	100%	IT and telecommunications
6	Preply	Kirill Bihay, Sergey Lukyanov, Dmitry Voloshin	Horizon Capital, Reach Capital, Hoxton Ventures, etc.	International	70	<50%	IT and telecommunications
7	Ocean Plaza shopping center (Investment Union Lybid LLC)	Vasyl Khmelnytsky	Q Partners (Andrey Ivanov)	Ukraine	60	33%	Construction and real estate
8	Grain terminal of Olympex Coupe International	GNT Group	Sunolta	Ukraine	25	100%	Transportation and logistics
9	Reni-Oil LLC	Vareschenko Igor, Adarich Igor	Kernel (Andriy Verevsky)	Ukraine	24,8	100%	Transportation and logistics
10	Fintech Farm	Dmytro Dubilet	Nordstar	United Kingdom	22	<50%	IT and telecommunications

Source: [41].