

SLOANE & COMPANY

The 2024 U.S. Election: Implications for M&A, Regulatory Environment, and Corporate Strategy

October 2024



As the 2024 U.S. presidential election approaches, businesses are grappling with uncertainty around how the election results will impact M&A, the regulatory enforcement, and broader economic conditions. While proposed policy initiatives from both the Trump/Vance and Harris/Walz campaigns offer clues, companies are continuously focused on preparing for what lies ahead.

However, one thing remains clear:

While taking political stances has become more challenging over the last year and as Americans increasingly seek political neutrality from brands, companies need to be prepared to navigate potential reputational risks and risks to business around the issues that are top of mind in this year's election cycle.

This white paper outlines immediate considerations companies are thinking about, uncertainties in the marketplace, and key expectations as the election draws near. With particular emphasis on M&A activity, regulatory pressures, inflation, and hot-button social and geopolitical issues, this analysis aims to guide corporate leaders as they prepare for the evolving landscape in the months ahead.



M&A and Antitrust Enforcement

Market Outlook and Uncertainty: Businesses are increasingly cautious in pursuing larger-scale deals due to the lack of clarity around future antitrust enforcement. Particularly in the technology sector, companies expect to face continued regulatory scrutiny, which has for several years contributed to a slowdown in deal-making. The Trump/Vance ticket is doing little to inspire confidence in a less restrictive regulatory environment versus prior Republican administrations, particularly for Big Tech. As a result, we anticipate less transactions – with the exception of some mega-deals that are crossing their fingers for a friendlier antitrust environment come January 2025 – until calmer waters emerge.

We anticipate an uptick in deal-making after the election, once regulatory frameworks become clearer, but expect a challenging environment for any deals that involve major incumbent players in sectors such as technology or healthcare.

Deal-Making Landscape: Current M&A activity is driven largely by cash deals, as the high cost of debt financing has made borrowing prohibitively expensive. The interest rate environment has tightened access to capital, leaving companies with strong balance sheets with the capability to be opportunistic acquirers. However, the Fed recently cut the rate by 50 basis points, and the market has priced in expected rate cuts from the Federal Reserve as the year progresses, potentially lowering interest rates by 75-100 basis points by year end. This shift will likely make debt-financed deals more attractive, creating more opportunities for companies, particularly publicly traded ones, that have been waiting for a favorable lending environment.



SLOANE & COMPANY

Strategic Communications at the Intersection of *Valuation & Reputation*

Macroeconomic Environment: Inflation and State of the Economy

Inflationary Pressures and Rising Labor Costs: Even as inflation continues to cool down. Inflationary pressure is expected to continue influencing deal-making strategies and operational decisions in the coming months until a stable inflationary environment is reached.

Inflation coupled with rising labor costs continues to squeeze profitability across sectors. However, companies in labor-heavy industries, such as healthcare, construction, and hospitality, where collective bargaining headwinds and competition for talent has led to higher wages, will likely see further erosion of corporate margins. Companies are working to navigate these challenges, but wage pressures show little sign of easing in the near term.

Soft Landing or Economic Contraction? One of the biggest questions facing the market is whether the Federal Reserve can engineer a soft landing or whether aggressive tightening will push the economy into a recessionary environment. While inflation indicators have begun to suggest some level of moderation, there are still concerns that the earlier rate hikes could lead to economic slowing in 2024 and beyond.

Businesses are monitoring macroeconomic conditions closely, knowing that the Fed's moves over the next several months will be critical in shaping the economic landscape. Our take: despite not being a political organization itself, the Fed rarely misses an opportunity to aggressively cut rates in the lead-up to an election. We don't see that course changing this year.

SLOANE & COMPANY

Strategic Communications at the Intersection of *Valuation & Reputation*

Hot Button Issues: Immigration, Geopolitics, and Civil Unrest

Immigration: Immigration policy will have a direct impact on labor markets, particularly for industries reliant on skilled foreign workers, such as technology, healthcare, and agriculture. Companies in these sectors are already monitoring immigration labor changes and will closely monitor any changes to visa programs and immigration pathways based on the outcome of the election.

Geopolitical Tensions and Trade: The 2024 election occurs in a context of heightened geopolitical tensions. The conflict in Ukraine, rising trade disputes between the U.S. and China, and ongoing unrest in the Middle East all pose risks to companies with global supply chains or exposure to international markets.

Key Dates to Watch, October 7th and Trump's Legal Battles: Corporations are preparing for potential civil unrest tied to key political moments, such as the anniversary of the October 7th attacks, developments in Donald Trump's various legal challenges, or the possibility of continued assassination attempts of candidates.

Extremist groups have indicated a willingness to engage in violence if the election results are contested, though the hope of everyone should be an orderly transition regardless of the outcome. Companies, especially those in politically sensitive regions, should have continuity plans in place to protect operations, employees, and assets from disruption.



SLOANE & COMPANY

Strategic Communications at the Intersection of *Valuation & Reputation*

Civil Unrest and Corporate Preparedness

Civil Unrest Preparation for Corporates: With the potential for election-related unrest growing, corporate leaders must take proactive steps to ensure that their businesses are prepared for disruptions. Implementing mass communication systems, enhancing security protocols, and developing contingency plans will be important to mitigating risks. If in politically vulnerable areas, companies should consider what is expected of them by their stakeholders to determine what, if anything, is appropriate to engage in publicly.

Safeguarding People, Property, and Reputation: Beyond the physical risks, civil unrest presents reputational challenges for companies. Clear communication with employees and stakeholders, as well as effective crisis management, will be essential in maintaining trust and stability during times of uncertainty. Businesses should have comprehensive plans in place to address these risks, protect their assets, and ensure the safety of their people.

The logo for Sloane & Company is centered at the bottom of the page. It features the company name in a large, white, serif font. Below the name is a thin white horizontal line, followed by the tagline in a smaller, white, italicized serif font. The background of the logo area is a dark blue, semi-transparent image of a city skyline at dusk or dawn, with various skyscrapers visible.

SLOANE & COMPANY

Strategic Communications at the Intersection of *Valuation & Reputation*

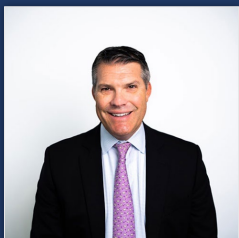
Conclusion: Preparing for 2024 and Beyond

As the 2024 election nears, businesses must navigate a challenging landscape of economic uncertainty, regulatory challenges, and potential civil unrest. Regardless of the election outcome, the future of M&A, antitrust enforcement, and macroeconomic policy will play a decisive role in shaping corporate strategies moving forward. By staying informed, anticipating change, and proactively preparing for these challenges, companies can position themselves for success in this evolving and increasingly volatile environment.

In times of political, social and economic unpredictability, companies and executives need a clear and consistent plan and message. Sloane & Company is here to help you achieve those objectives, tailored to the needs of your business and stakeholders.

Click to learn more about Sloane & Company: www.sloanepr.com

Author Contact Information:



Whit Clay is a Co-Chief Executive Officer with Sloane & Company and has been with the firm for more than 25 years. Beyond day-to-day leadership and management of the firm, he leads its financial and crisis communications practice with a focus across multiple sectors and clients. Whit has worked on complex transactions, mergers and acquisitions, restructurings, litigation and numerous other special situations. He provides strategic counsel to the C-suite and taps his deep relationships with the media, business and financial community to achieve successful outcomes. Whit joined Sloane & Company in 1999 after more than three years working with Edelman Financial Worldwide. Prior to that, he worked in Washington, DC for Capitoline, the U.S. Senate Sergeant-at-Arms and the American Trucking Associations.

WClay@SloanePR.com

+1 212-446-1864



TJ White is a Managing Director and Head of Special Situations in Sloane's New York office. TJ is a trusted advisor to Boards and management teams, providing strategic communications counsel and support on a variety of transactions and special situations, including domestic and cross-border M&A, shareholder activism defense, executive leadership transitions, litigation and crises. TJ also has extensive experience working with hedge fund, private equity and venture capital clients. Throughout his career, TJ has advised on ~\$500 billion worth of aggregate equity value in M&A and has advised clients on numerous high-profile activist defense situations from small- to mega-cap. Prior to his time at Sloane, TJ worked at FGS Global – formerly Sard Verbinen & Co. – where he most recently served as a Director, providing strategic support to clients through critical inflection points in the lifecycle of their respective companies.

Co-CEO

TWhite@sloanePR.com

+1 212-446-1865

SLOANE & COMPANY