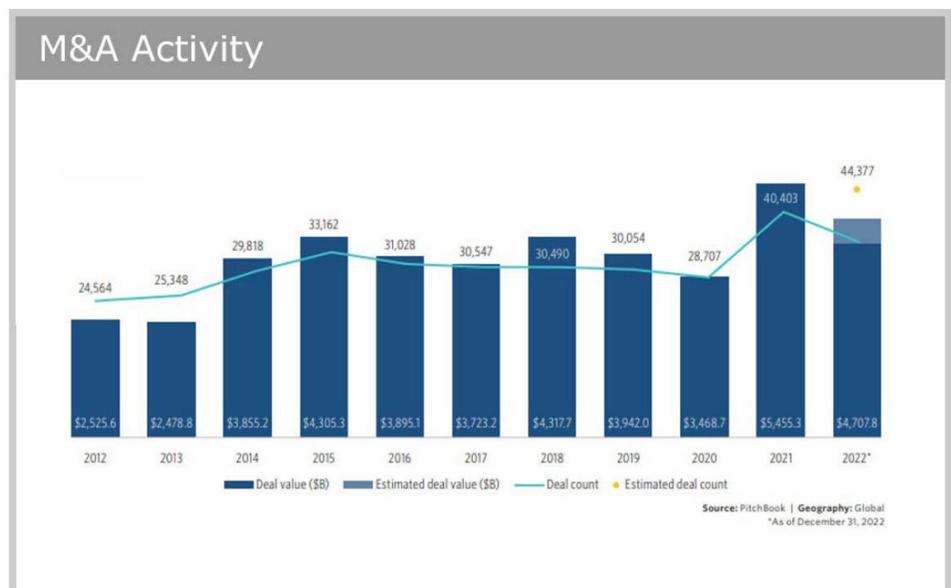




As middle market M&A continues through a period of uncertainty, bold plays by both financial and strategic investors may reap big dividends. Rising interest rates and the continued Russian aggression in Ukraine and its impact on energy, agriculture and supply chain have contributed to the recent global economic downturn. This has led to a decrease in M&A activity but has also presented opportunities for some investors.

During a market downturn, companies with healthy cash reserves and growth ambitions are smart to seek acquisitions that not only meet their price point but also provide a product mix, customer, or geographic puzzle piece. In this current environment, business sellers must be open to new pricing norms to complete transactions.

Private equity (PE) investors have put a record level of funds in circulation in recent years, making up over 40% of all transactional values in 2022. This has had a considerable impact on the M&A market as a whole. PE investors will seek out new opportunities and will focus on optimizing returns from current portfolio companies, which may involve add-on acquisitions.



Fundraising persists, resulting in an estimated global PE dry powder of US\$2.4 trillion. Nevertheless, the high cost of borrowing and difficulties obtaining leveraged loans have slowed down buyout activity. But this may not last long. As previously mentioned, PEs will find different ways to finance important deals and will not be inactive.

Prudent investors, both financial and strategic, will need to stick to their investment strategies while being agile enough to take advantage of value-adding possibilities as they occur.

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