

M&A Quarterly Update: 2022 First Quarter



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Welcome to the M&A Quarterly Update for 2022. This Quarter Report analyzes data from the first quarter of 2022.

Colonnade Advisors relies heavily on the research of Pitchbook, and we recommend going to [this link](#) to download the latest Global M&A report.

In our commentary on the 20-page Pitchbook report, Colonnade provides additional insights based on our expertise and focus on the middle market and specific industries.

M&A Quarterly Activity (North America)

North America M&A activity kicked off 2022 with strong momentum compared to the first quarter of 2021.

Using estimates, Q1/2022 realized 4,700 closed deals for an aggregate transaction value of over \$600 billion.

Using estimates, the first quarter of 2022 predicts a 16% increase in deal volume over Q1/2021 and an 18% increase in aggregate transaction value in the same time period.

However, on a quarter-over-quarter basis, both estimated aggregate transaction value and deal volume declined.



(\$ in billions)

Quarterly North American M&A activity

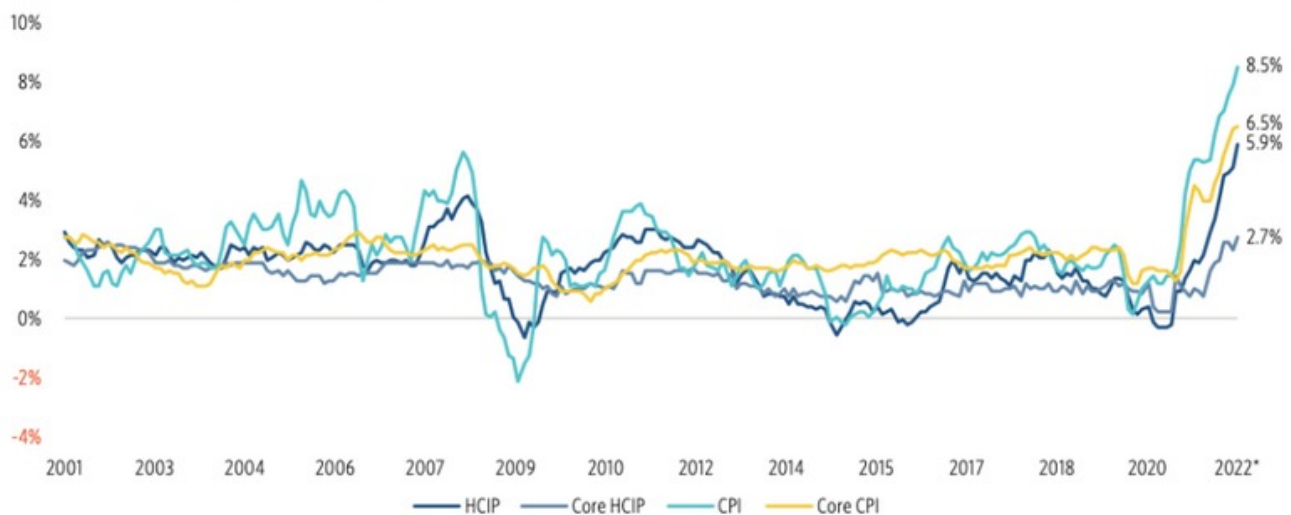


Source: PitchBook | Geography: North America
*As of March 31, 2022

We hypothesize that inflation and other macro concerns are creating headwinds for dealmaking.

The following chart depicts the latest inflation statistics which demonstrate the highest inflation rates the U.S has seen in forty years.

Rate of inflation by select indexes



Source: PitchBook | Geography: Global
*As of March 31, 2022

Financial Services M&A Quarterly Activity (North America)

Aggregate North America M&A deal value in the Financial Services sector in the first quarter of 2022 declined slightly.

Banks are increasingly looking at specialty finance acquisition opportunities to hedge against inflation and diversify revenue.

(\$ in billions)

Quarterly financial services M&A activity

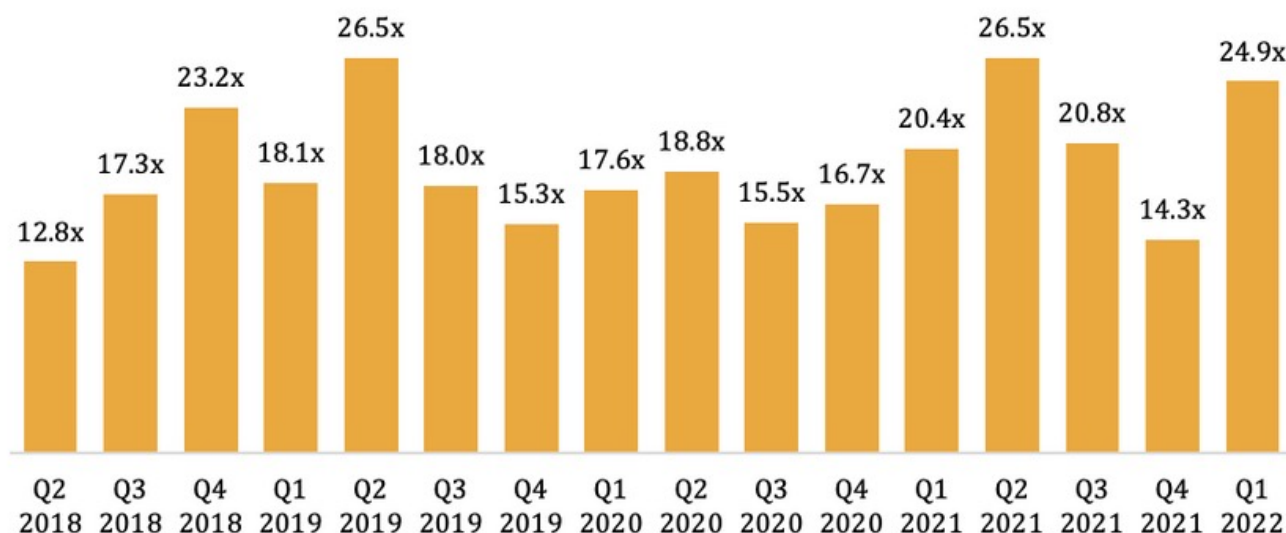


Source: PitchBook | Geography: Global
*As of March 31, 2022

Deal Multiples (U.S.)

Transaction multiples in the United States increased during the first quarter of 2022, following a significant dip in the fourth quarter of 2021.

The average Enterprise Value / EBITDA was 24.9x, rivaling the second quarters of 2021 and 2019, both well above historical averages. Multiples in this range indicate we are still in a seller's market.

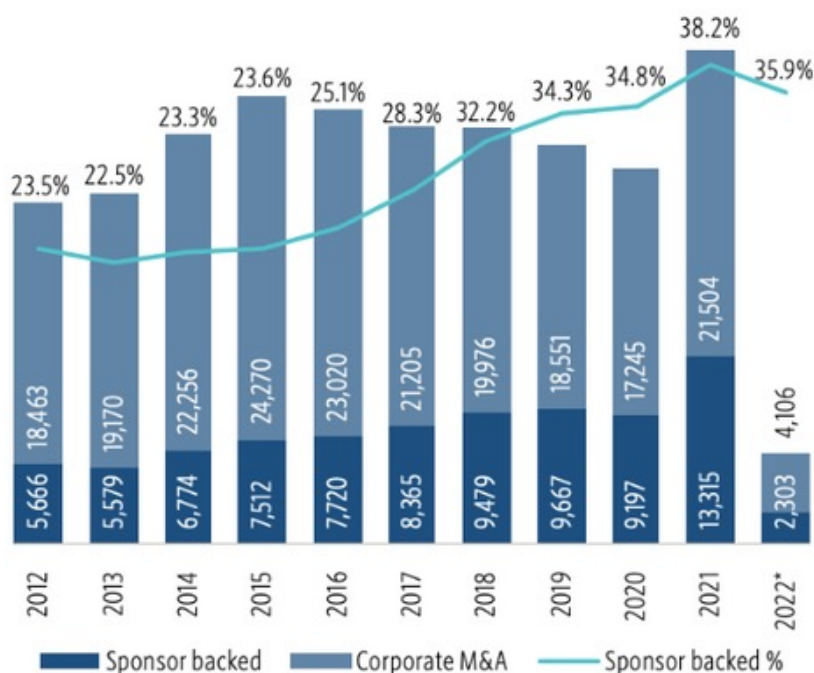


Sponsor vs. Corporate M&A (Global)

Through the continued deployment of record levels of capital, private equity firms accounted for 35.9% of transactions globally in the first quarter of 2022. By comparison, PE-backed transactions constituted only 23.5% of deals for the same period in 2012.

Private equity is an increasingly important buyer universe, as are SPACs. We are noticing an unprecedented level of interest in buyer groups outside the traditional strategic focus that has led to broader and more interesting auctions, leading to higher multiples.

M&A deal activity by acquirer type



Source: PitchBook | Geography: Global
*As of March 31, 2022

Conclusion

Following a year of record M&A activity, the first quarter of 2022 finished strong compared to historical trends.

Substantial liquidity among strategics, private equity firms, institutional investors, and SPACs is driving up transaction multiples. For more information about the capital under pressure in the SPAC buyer universe, please see [our latest SPAC Attack Quarterly Update](#).

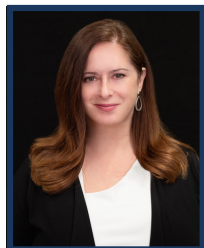
Global economic uncertainty driven by rising interest rates, supply chain challenges, labor shortages, military conflict, and volatility in the equity markets continues to pose headwinds for the M&A landscape for the remainder of 2022.



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Sources: SEC filings, regulatory filings, Pitchbook, and company presentations.

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