

A 3D architectural rendering featuring two stylized skyscrapers. The skyscraper on the left is composed of many horizontal, slightly curved segments, giving it a modern, layered appearance. The skyscraper on the right is more traditional, with a grid-like facade of windows. Both buildings are placed on large, light blue puzzle pieces that are interlocked. The background is a blurred cityscape with various other buildings, suggesting a dense urban environment. The overall color palette is dominated by light blues and greys, with the buildings adding some darker tones.

# M&A Quarterly Update: 2023 Fourth Quarter



Mergers & Acquisitions  
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# Welcome to the quarterly M&A update for the fourth quarter of 2023.

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

## OUR QUARTERLY UPDATE COVERS:

- 1 Quarterly M&A Activity (North America)
- 2 Quarterly Financial Services M&A (North America)
- 3 Deal Multiples (U.S.)
- 4 Sponsor vs. Corporate M&A (Global)

# 1 QUARTERLY M&A ACTIVITY (NORTH AMERICA)

North American M&A activity remained slow in the fourth quarter of 2023. Despite an uptick in deal value, estimated deal count fell on both a quarterly and yearly basis.

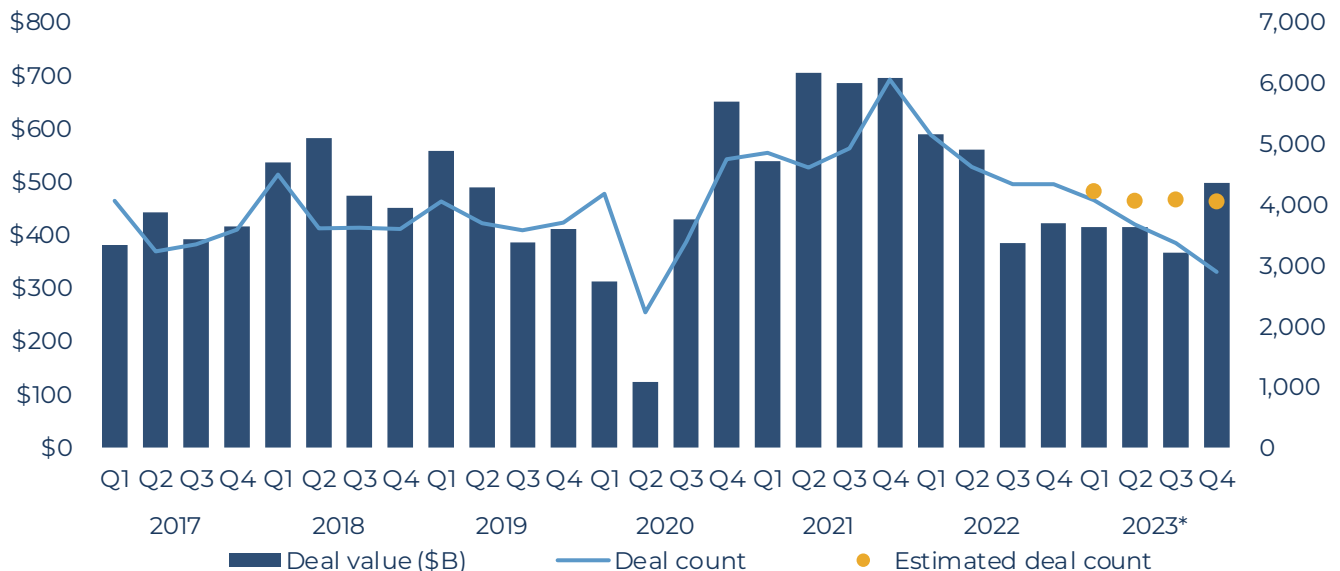
Using estimates, Q4/2023 realized 4,043 closed deals for an aggregate transaction value of just over \$497 billion.

On a quarter-over-quarter basis, estimated aggregate transaction value rose 35.9%, while deal volume dropped 0.9%.

Year-over-year, fourth quarter estimated deal value increased 17.8%, while counts declined 6.6% from Q4/2022.

## QUARTERLY NORTH AMERICAN M&A ACTIVITY<sup>1</sup>

(\$ in billions)



<sup>1</sup>Pitchbook | Geography: North America | \*as of Dec. 31, 2023

Although inflation has come down significantly from record highs in 2022, it remains above historical levels. While experts agree that additional interest rate hikes are unlikely, there is a lack of consensus on when cuts might take place. The Fed has indicated openness to reducing rates “at some point this year”, but only after additional progress towards the 2% inflation goal is observed.



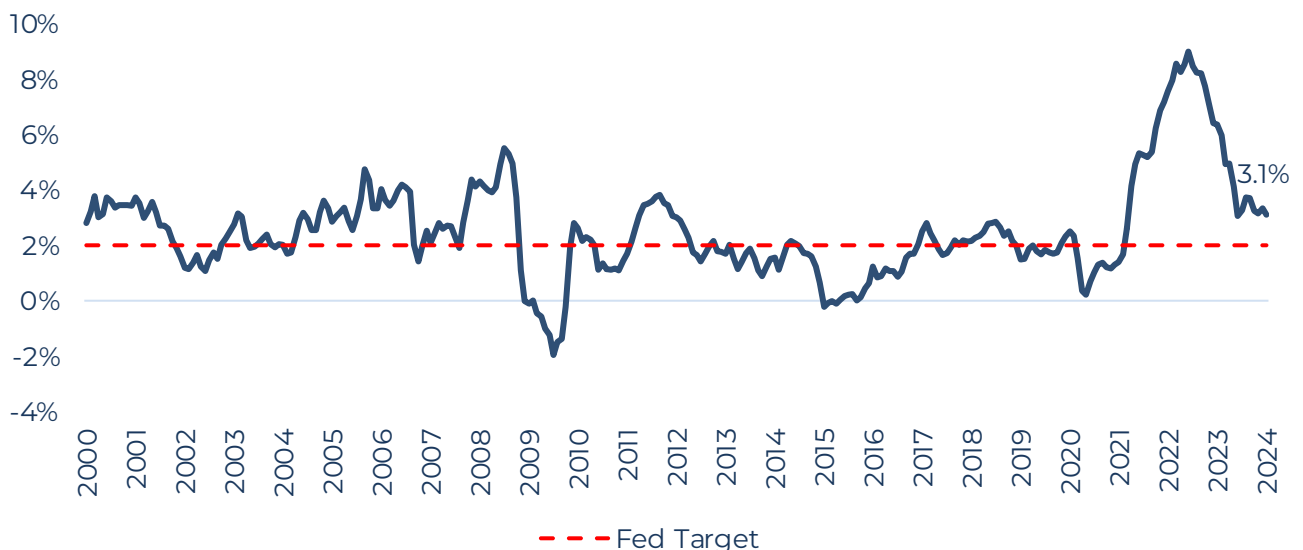
“Inflation has eased from its highs, and this has come without a significant increase in unemployment. That’s very good news. But inflation is still too high, ongoing progress in bringing it down is not assured, and the path forward is uncertain. As we look ahead to next year, I want to assure the American people that we’re fully committed to returning inflation to our 2 percent goal. Restoring price stability is essential to achieve a sustained period of strong labor market conditions that benefit all.”



-Jerome Powell, Chairman  
Federal Reserve (Dec. 2023)

The following chart depicts the latest inflation trends:

## RATE OF INFLATION – CONSUMER PRICE INDEX<sup>2</sup>



<sup>2</sup>FRED as of Dec. 31, 2023

## 2 QUARTERLY FINANCIAL SERVICES M&A (NORTH AMERICA)

The North American financial services M&A market trended in line with overall M&A activity in Q4/2023, as deal count fell 8.6% quarter-over-quarter, but deal value rose 43.4%. Large deals across the REIT and insurance sectors helped drive up volume.

Bank M&A remained slow in the fourth quarter, wrapping up a tough year for the sector after facing challenges such as the liquidity crisis in Q1, high interest rates, and general macroeconomic uncertainty. Heading into 2024, there is cautious optimism that deal activity could pick up as rates ease and private equity buyers look to gain market share.<sup>1</sup>

### QUARTERLY FINANCIAL SERVICES M&A ACTIVITY<sup>2</sup>

(\$ in billions)

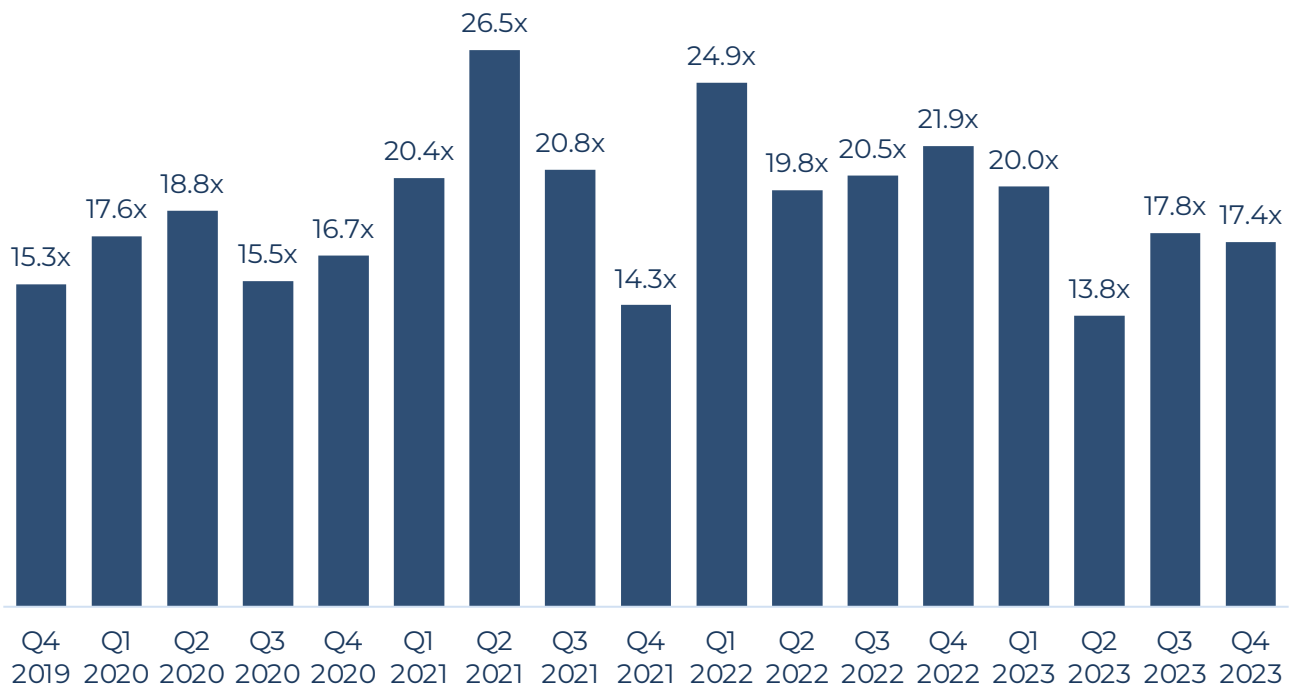


<sup>1</sup>KPMG

<sup>2</sup>Pitchbook | Geography: North America | \*as of Dec. 31, 2023

### 3 DEAL MULTIPLES (U.S.)

EV/EBITDA multiples in the United States decreased very slightly in Q4/2023, down just 2.2% from Q3. EV/Revenue multiples remained relatively flat. Large deals across the technology, life sciences, and energy sectors helped drive up multiples, but valuations remained below pre-pandemic levels as buyers remain hesitant to commit to multiples seen throughout much of 2021 and 2022.



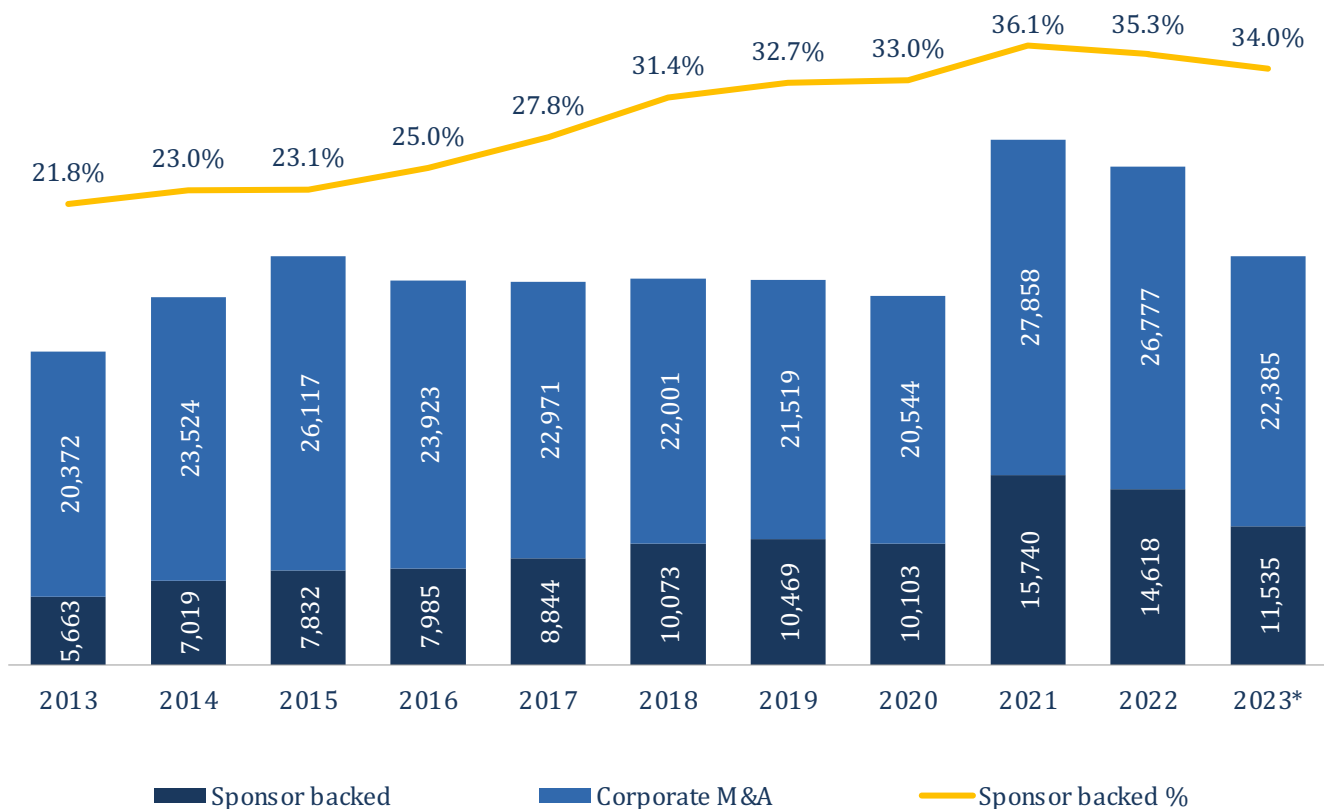


## 4 SPONSOR VS. CORPORATE M&A (GLOBAL)

Sponsor-backed transactions fell for the eighth consecutive quarter, with Q4/2023 deals declining 9.2% from Q3. Private equity made up 34.0% of all transactions in the fourth quarter, down 3.5% from a peak in Q4/2021.

As interest rates remain high, sponsors have been reluctant to engage in deal-making at their historical levels. Nevertheless, with approximately \$1.6 trillion in dry powder remaining<sup>1</sup>, private equity firms continue to look for select opportunities, particularly distressed assets. Furthermore, potential interest rate cuts could drive further sponsor activity. In Blackstone's Q4/2023 investor call, President Jon Gray noted that he "would expect deal activity to pick up" over the coming year for the private equity market.

### M&A DEAL ACTIVITY BY ACQUIRER TYPE<sup>1</sup>



## CONCLUSION

The North American M&A market wrapped up a slower year in Q4/2023. Persistent inflation, elevated interest rates, geopolitical concerns, and general economic uncertainty continue to pose challenges for the market.

However, quarter-over-quarter growth in deal value is a promising sign into 2024. With the possibility of easing monetary policy over the next year, combined with significant private equity dry powder remaining to be deployed, there is hope that dealmaking activity could be poised for a rebound in 2024 as the economy improves.



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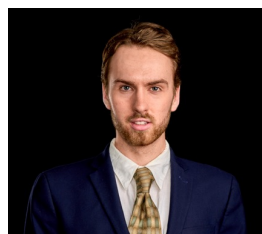
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This advertisement was prepared in March 2024. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: Pitchbook, FRED, S&P Global, KPMG, NBC, and Colonnade research

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