

IMAP



CAPSTONE
PARTNERS

TRENDS IN GLOBAL M&A 2023 - 2024

MIDDLE MARKET M&A OUTPERFORMS BROADER
MARKET DESPITE GLOBAL DEAL FLOW DECLINE

Contents

» Survey Methodology	2
» Chairman's View	3
» IMAP Advisors' M&A Market Outlook	4
01. M&A Market Conditions	6
02. M&A Valuation Dynamics	13
03. Sell-Side M&A Considerations	16
04. Global Economic Impacts	22
» About Capstone Partners	25
» About IMAP	26



SURVEY METHODOLOGY

» Capstone Partners and IMAP are pleased to share the results of our 2023-2024 Trends in Global M&A Study, providing insight into merger and acquisition (M&A) market activity throughout 2023 and forecasts for deal making conditions in 2024. Through this study, Capstone and IMAP have tracked notable impacts on the global M&A market, current economic environment, as well as M&A advisors' expectations on pricing trends and regional risks and opportunities moving forward into 2024.

Our proprietary information seeks to provide greater insight into the driving factors behind global M&A activity for advisors, private equity firms, strategic buyers, and business owners in a variety of industries. By gathering annual data across five continents via an online survey, this report covers how the current economic environment is impacting M&A activity on a global scale.

Report Contributors

Jurgis Oniunas
IMAP Chairman
jurgis.oniunas@imap.com

Carl Kelly
IMAP Project Manager
ck@imap.com

Sarah Doherty
Director of Market Intelligence
sdoherty@capstonepartners.com

Connor McLeod
Vice President of Market Intelligence
cmcleod@capstonepartners.com

Max Morrissey
Market Intelligence Manager
mmorrissey@capstonepartners.com

Neve Adler
Market Intelligence Analyst
nadler@capstonepartners.com

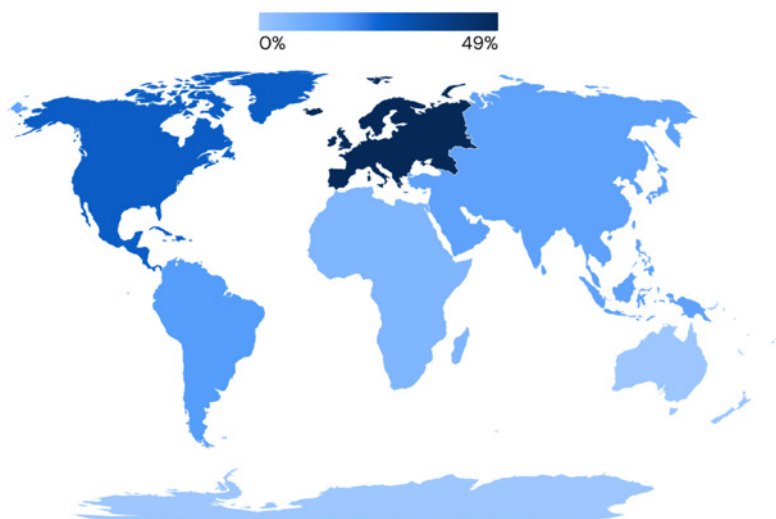
Joe Collins
Market Intelligence Analyst
jcollins@capstonepartners.com

About This Report

This report combines Capstone Partners' in-depth investment banking knowledge with proprietary insights obtained from 100 participating IMAP M&A advisors across 65 countries. Survey responses were collected between September 26, 2023, and October 24, 2023.

Geographic Location

Respondents to our October 2023 study were heavily located in Europe, followed by North America and Latin America.



Industry Coverage Breakdown

Industry Coverage	Share of Total Responses
Industrials	58.0%
Consumer	35.0%
Transport & Logistics	32.0%
Business Services	31.0%
Healthcare	30.0%
Building Products & Construction Services	29.0%
Technology, Media, & Telecom	29.0%
Energy, Power, & Infrastructure	25.0%
Industrial Technology	18.0%
FinTech & Services	16.0%
Education & Training	11.0%
Aerospace, Defense, Government, & Security	4.0%
Other	10.0%

Note: Geographic location and industry coverage are not mutually exclusive
Source: Capstone Partners and IMAP

CHAIRMAN'S VIEW

Despite ongoing challenges and uncertainty in the macroeconomic environment in 2023, the pace of middle-market deal activity strengthened, and expectations of a recession waned during the second half of the year. Although overall M&A activity was down globally in 2023, the middle-market continued to outperform the broader market and IMAP partners around the world registered another solid performance, closing 231 M&A deals worth more than \$9 billion.

To better understand what is driving developments in the middle-market M&A space and get a sense of what is expected for 2024, IMAP and Capstone Partners, IMAP's U.S. partner, conducted a comprehensive global survey with 100 senior dealmakers. The results reflect the working pipelines, local market knowledge, and deep sector insights of dealmakers who are on the ground and closest to the market.

Buyer demand for high-quality assets and profitable companies, which has been consistently strong in recent years, was boosted further towards the end of 2023 as inflationary pressures subsided and interest rates normalized. The major sources of transaction activity in 2023 were succession, horizontal consolidation and owners seeking liquidity opportunities. These themes will most likely continue into 2024. Appetite from banks and debt funds to finance deals showed signs of returning in late 2023, albeit with persistent scrutiny on business models and cash flows. Meanwhile, mismatched valuation expectations proved to be a hindrance to further deal closings throughout 2023, but this has led to the formulation of creative earn-out solutions by our dealmakers to bridge these valuation gaps. Nonetheless, some companies have simply decided to wait on pursuing deals until there is more confidence that the economy has sidestepped a recession.

Although the majority (51%) of total advisors surveyed anticipate 2024 deal flow to increase, the lion's share (47%) of those respondents expects only a moderate increase in 2024, indicating that a full rebound in M&A volume may not materialize over the next 12 months.



Jurgis V. Oniunas
IMAP Chairman

M&A purchase multiples are expected to remain compressed in 2024, with 67% of advisors surveyed anticipating little to no change in valuations compared to 2023, likely driven by uncertainty and a lack of motivated buyers. The TMT, Healthcare, and FinTech & Services sectors are those most likely to receive the highest M&A valuations in 2024, unchanged from 2023.

Private Equity was involved in about 20% of IMAP transactions although PE firms maintained a relatively cautious approach to M&A in 2023 compared to previous years. On the sell-side, PE firms postponed many exits due to lower valuations and on the buy-side PE sponsors paused on some acquisitions as higher interest rates made financing more expensive. The record amounts of unspent private capital continuing to build on the sidelines, when combined with public companies' strong balance sheets could lead to an uptick in transaction activity in 2024. In fact, many IMAP advisors are reporting substantial deal pipelines going into the new year.

As we push into 2024, Capstone Partners and all IMAP partner firms are pleased to share our "Trends in Global M&A 2023-2024 Report", which is based on hundreds of client interactions and unique business stories, and reflects our ongoing commitment to helping entrepreneurs and institutional business owners reach their long-term objectives.

IMAP ADVISORS' M&A MARKET OUTLOOK

Europe

UK



North America

USA



Canada



Latin America

Brazil



Source: IMAP Fall 2023 Conference

IMAP ADVISORS' M&A MARKET OUTLOOK (CONTINUED)

Asia



India



Africa

South Africa



Middle East



United Arab Emirates



Source: IMAP Fall 2023 Conference



01. M&A Market Conditions

ECONOMIC UNCERTAINTY & VALUATION EXPECTATIONS DELAYED DEAL CLOSINGS IN 2023

Deal flow in the global M&A market continued to decline in 2023 from 2021's peak as sellers and buyers remained cautious of turbulent capital markets conditions. In addition, several external factors challenged deal closings in 2023 including market volatility and economic uncertainty, as noted by 64% of M&A advisors surveyed. While the percentage of advisors facing market volatility declined 9.7% year-over-year (YOY), it has remained the

primary hindrance to deal closings in 2023. Notably, sellers have yet to adjust their pricing expectations to align with the current market, with 58% of advisors identifying excessive valuation expectations as an inhibitor to the deal process (+11.4% YOY). Many clients have also failed to meet revenue projections in the current economy and 49% of advisors noted that missed projections had delayed or inhibited a deal closing (+11.4% YOY).

External Challenges



Operational Challenges



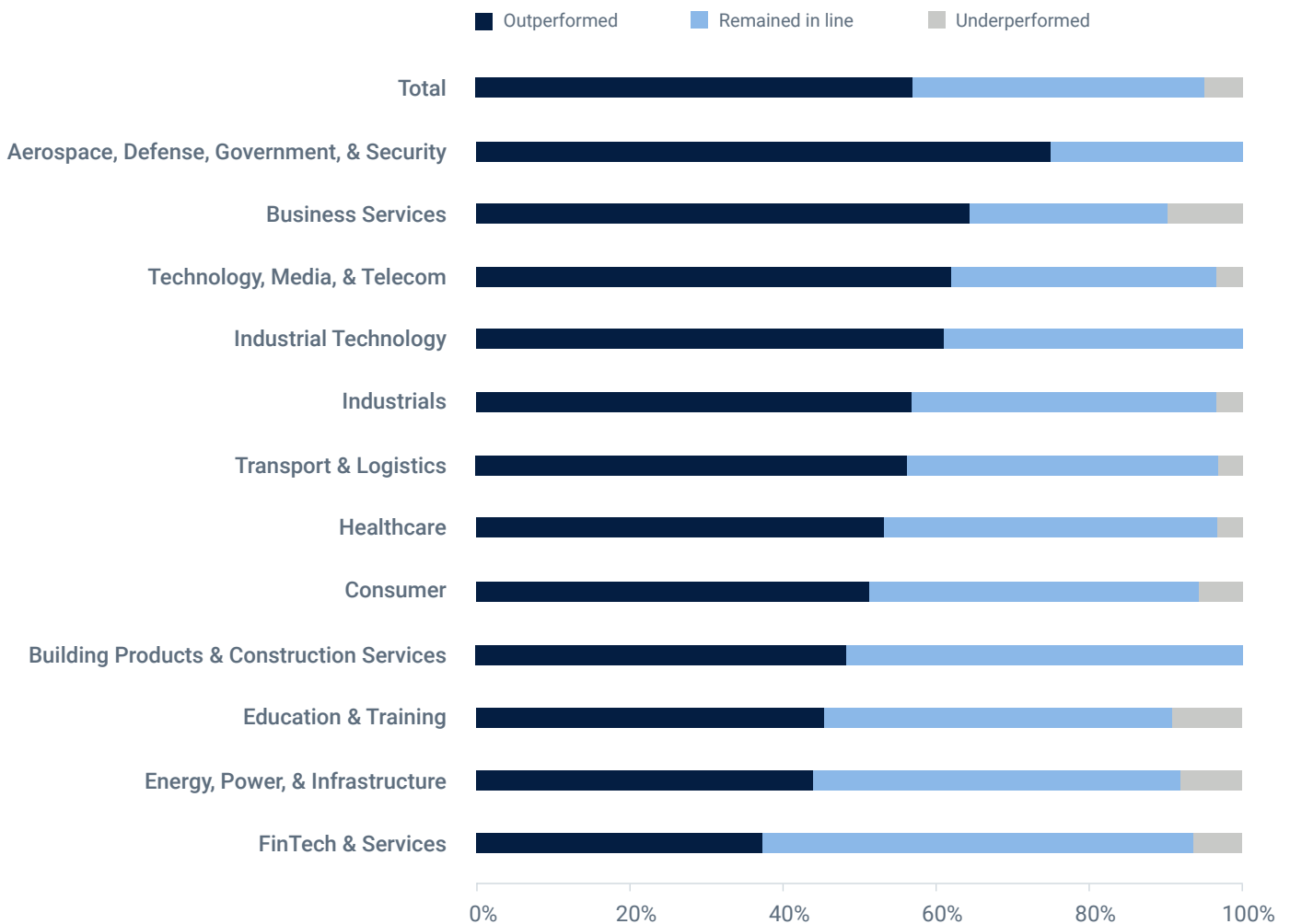
Question: What factors have most delayed or inhibited M&A transactions from closing in 2023? Select all that apply.
 Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100

MIDDLE MARKET DEAL ACTIVITY OUTPERFORMS BROADER MARKET

» Despite a decline in overall M&A volume, middle market deal activity continued to outperform the broader market in 2023, as identified by 57% of total investment bankers surveyed. Additionally, only 5% of total advisors indicated that the middle market underperformed the broader market, illustrating a resilient acquirer appetite for privately-held and sponsor-backed businesses. Middle market M&A has

also demonstrated significant strength at the industry level, with the majority of advisors in eight out of the 12 industries surveyed reporting that the middle market outperformed broader M&A activity in 2023. This trend has been the most prevalent in the Aerospace, Defense, Government, & Security (ADGS) industry, in which 75% of advisors noted that the middle market outperformed total activity.

2023 Middle Market Deal Activity Compared to Broader M&A Market



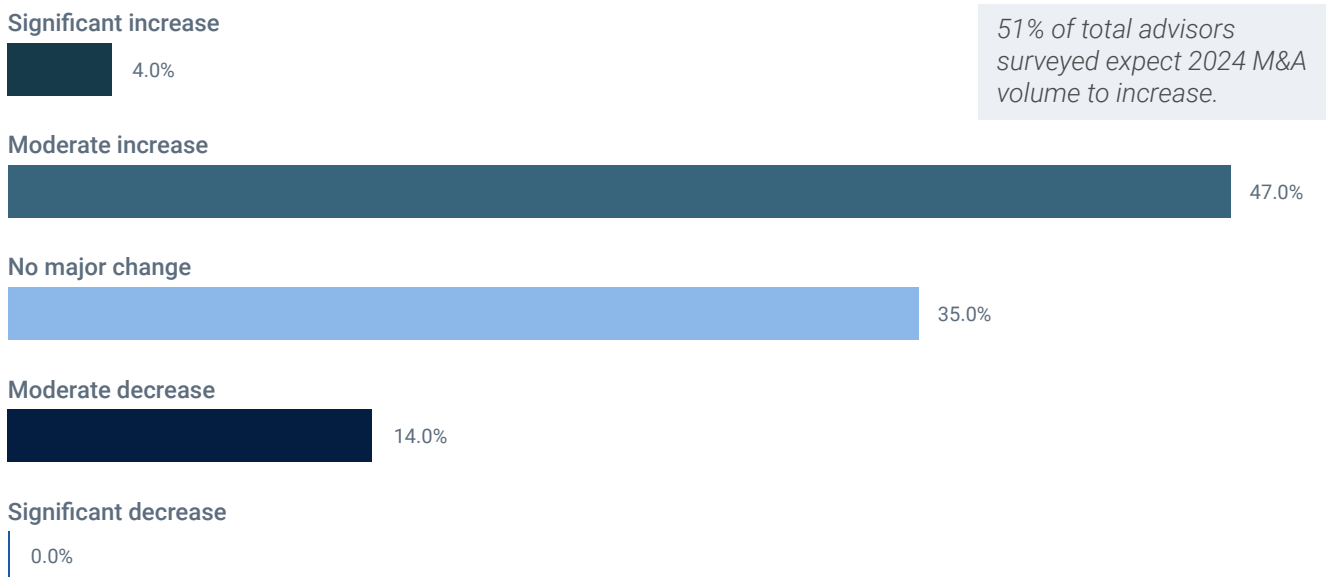
Question: How have you seen middle market deal activity perform compared to the broader M&A market in 2023?
 Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100

STRONG M&A VOLUME FORECASTS FOR 2024

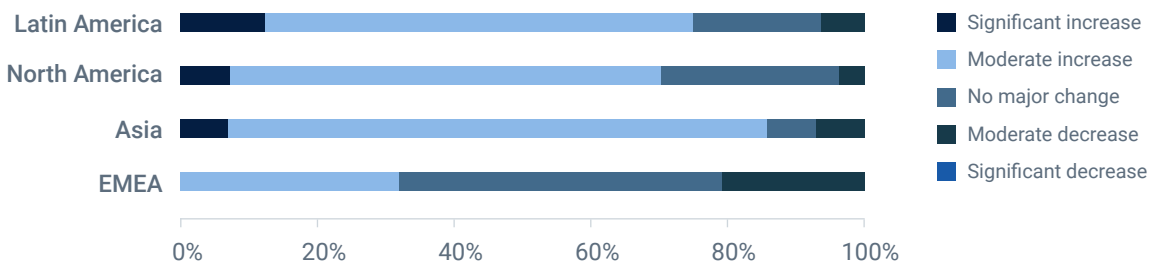
As M&A activity likely neared or reached its trough in 2023, the majority (51%) of total advisors surveyed anticipate 2024 deal flow to increase. However, the lion's share (47%) of those respondents expect a moderate increase in 2024, indicating that a full M&A volume rebound may not materialize over the next 12 months. Among total advisors surveyed, zero expect a significant M&A volume decline in 2024, further supporting the thesis that deal flow has

neared or reached its trough. Advisors' forecasts for 2024 transaction activity has heavily depended on their operating region. Of note, 12.5% of advisors in Latin America anticipate a significant YOY deal flow increase, followed by advisors based in North America (7.4%) and Asia (7.1%). Europe, the Middle East, and Africa (EMEA)-based advisors have remained the most skeptical regarding M&A market health, with 20.8% forecasting a moderate decline.

Total Advisors' Forecasts for M&A Market Growth



Advisors' Forecasts for M&A Market Growth by Region



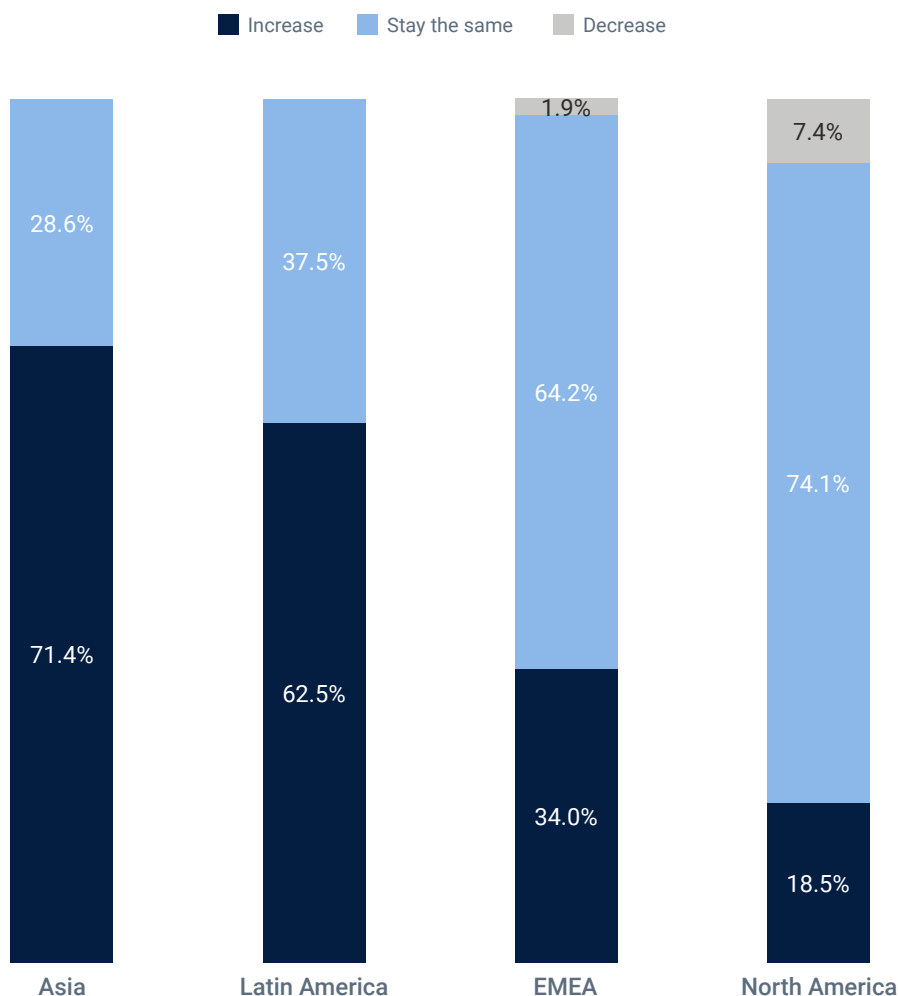
Question: What are your expectations for M&A deal volume growth in your region(s) in 2024?
 Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100

CROSS-BORDER M&A ACTIVITY SLATED TO RISE IN ASIA

Expectations for cross-border M&A activity in 2024 are significantly reliant on the health of the local currency, which often determines purchasing power of foreign buyers. A strong local currency typically reduces purchasing power of international acquirers as the asset is more expensive. For 2024, advisors in the Asia market recorded the highest optimism for cross-border M&A, with 71.4% expecting an increase in transaction activity. Although Asian currencies

have remained relatively stable since the 1997 Asian Financial Crisis, local currency value in this region has continued to significantly trail the U.S. dollar, British pound, and Euro, providing favorable valuation conditions for foreign buyers. The sharp appreciation of the U.S. dollar has deterred foreign buyer interest for U.S. assets, with only 18.5% of North America-based advisors expecting an increase in cross-border M&A.

Expectations for Cross-Border M&A Activity in 2024



Question: What are your expectations for cross-border activity in 2024?

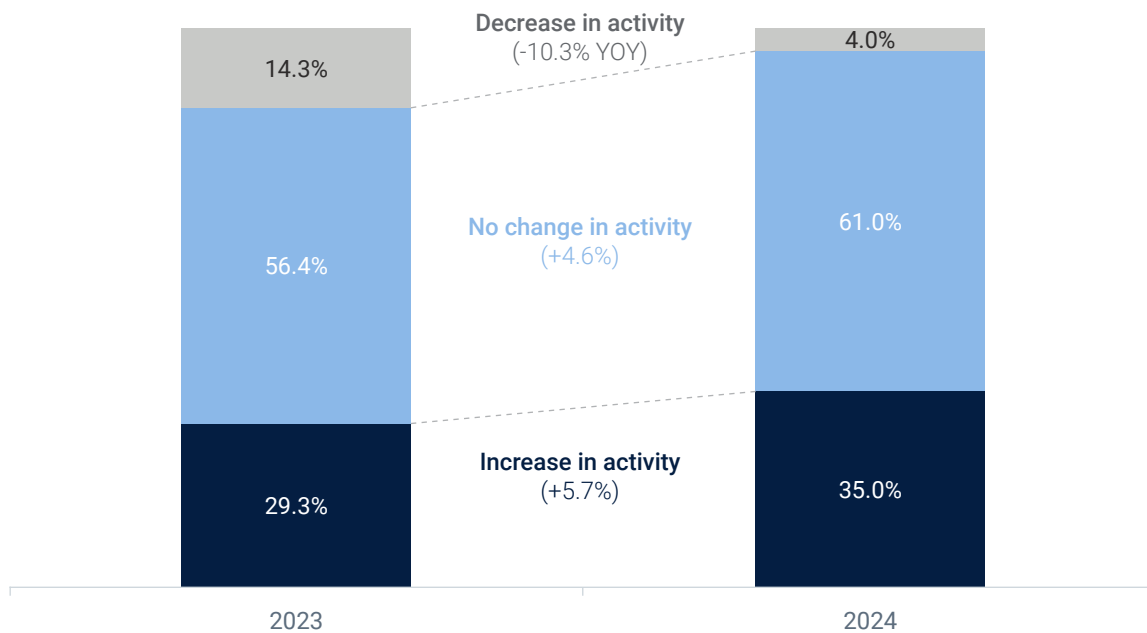
Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100

PRIVATE EQUITY FIRMS EXPECTED TO BE MORE ACTIVE THAN IN 2023

» Among all advisors surveyed, 96% predict private equity interest will increase or remain the same in 2024 compared to 85.7% in 2023. Additionally, more than 90% of advisors in each industry forecasted an increase or consistent amount of private equity activity in their respective industries, illustrating the strength of the sponsor community across a variety of markets. Of note, 63.6% of advisors serving the

Education & Training industry expect sponsor interest to increase. Supported by elevated levels of dry powder, private equity firms are well-equipped to execute deals in 2024. The rise of general partner (GP)-led secondaries has also added another value-creation tool to sponsors' playbooks. These continuation vehicles enable GPs to secure liquidity by extending the holding period of assets.

Expectations for Private Equity Activity



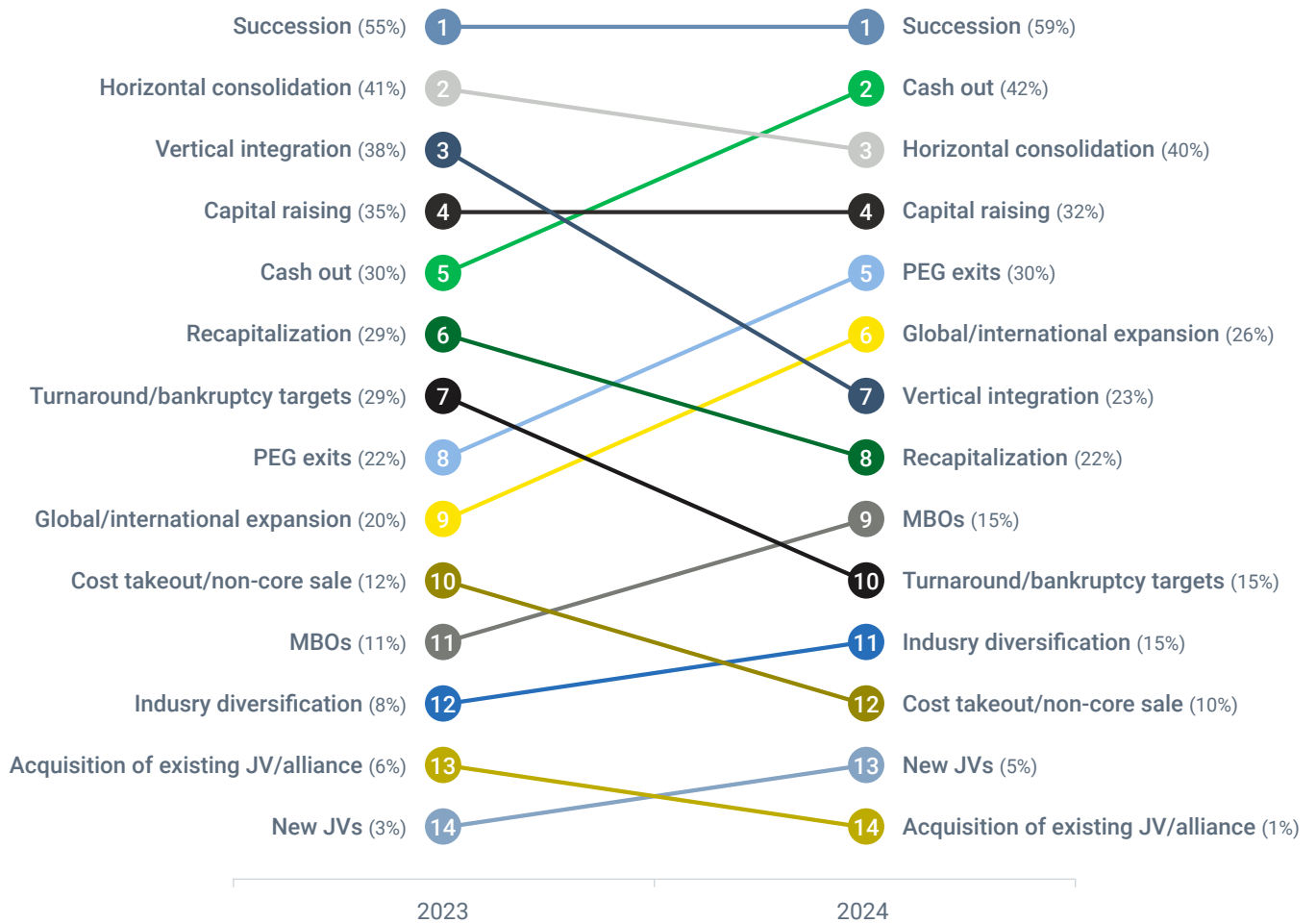
Question: What presence do you anticipate PEGs to have in your M&A market in 2023/2024?
 Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 133, 100

SUCCESSIONS TO REMAIN MOST COMMON TRANSACTION TYPE

» Wealth transfers are expected to remain prevalent in the near-term across all regions, with 59% of advisors predicting successions to be the most common transaction type in 2024, up from 54.9% in 2023. Robust levels of succession planning have been driven by an aging business

owner population preparing for retirement through a liquidity event. Cash out deals (42% of total advisors surveyed) are also expected to be a common transaction type in 2024 as many business owners anticipate M&A valuations to rebound from 2023 lows.

Transaction Types Expected in 2024



Question: What do you expect to be the most common transaction types for 2023/2024? Select all that apply.
 Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 133, 100

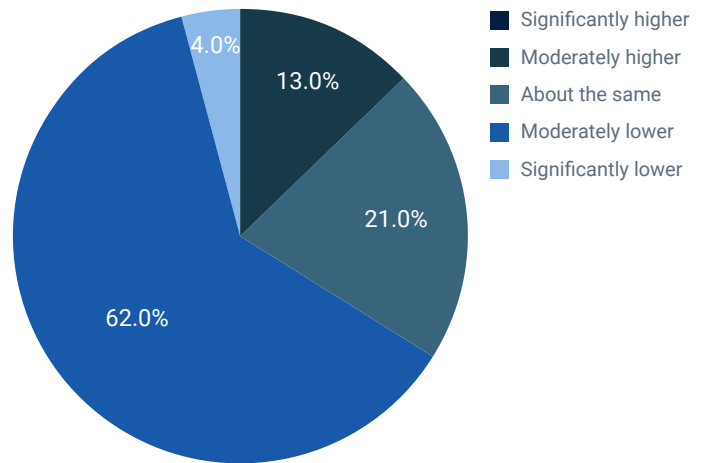


02. M&A Valuation Dynamics

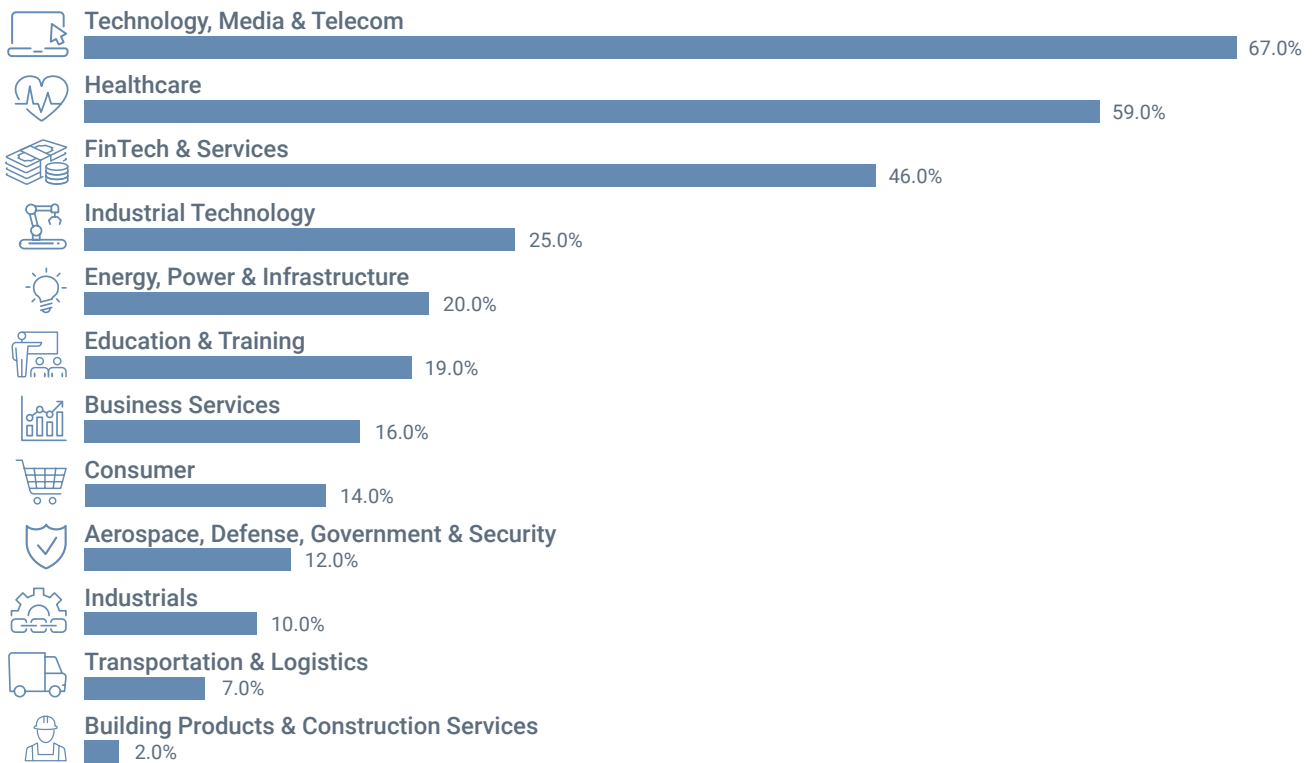
M&A PURCHASE MULTIPLES COMPRESSED IN 2023

» Elevated inflation and interest rates placed downward pressure on **M&A purchase multiples in 2023**, with 66% of total advisors surveyed reporting a decline in M&A multiples compared to 2022. However, recession-resilient industries including Technology, Media & Telecom (TMT), Healthcare, and FinTech & Services continued to draw healthy multiples. More than two-thirds of advisors indicated that participants in the TMT industry received the highest M&A valuations in 2023, mirroring 2022 pricing trends.

M&A Purchase Multiples, 2023 Compared to 2022



Industries with the Highest M&A Valuations in 2023



Question: How have M&A valuation multiples in 2023 compared to 2022?

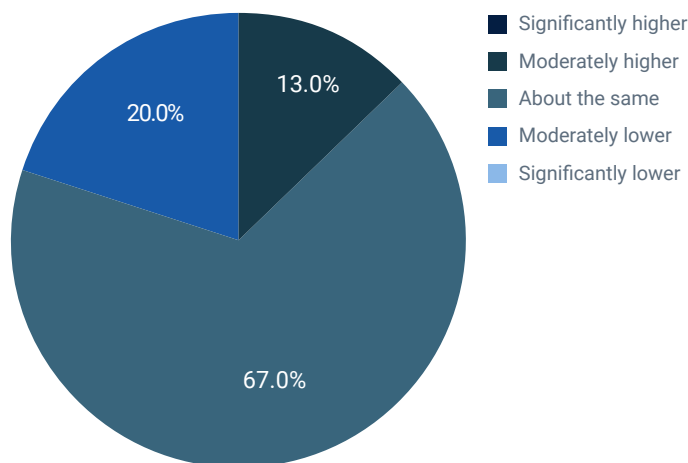
Question: In what three industries have you seen the highest valuations in 2023? Select three.

Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100

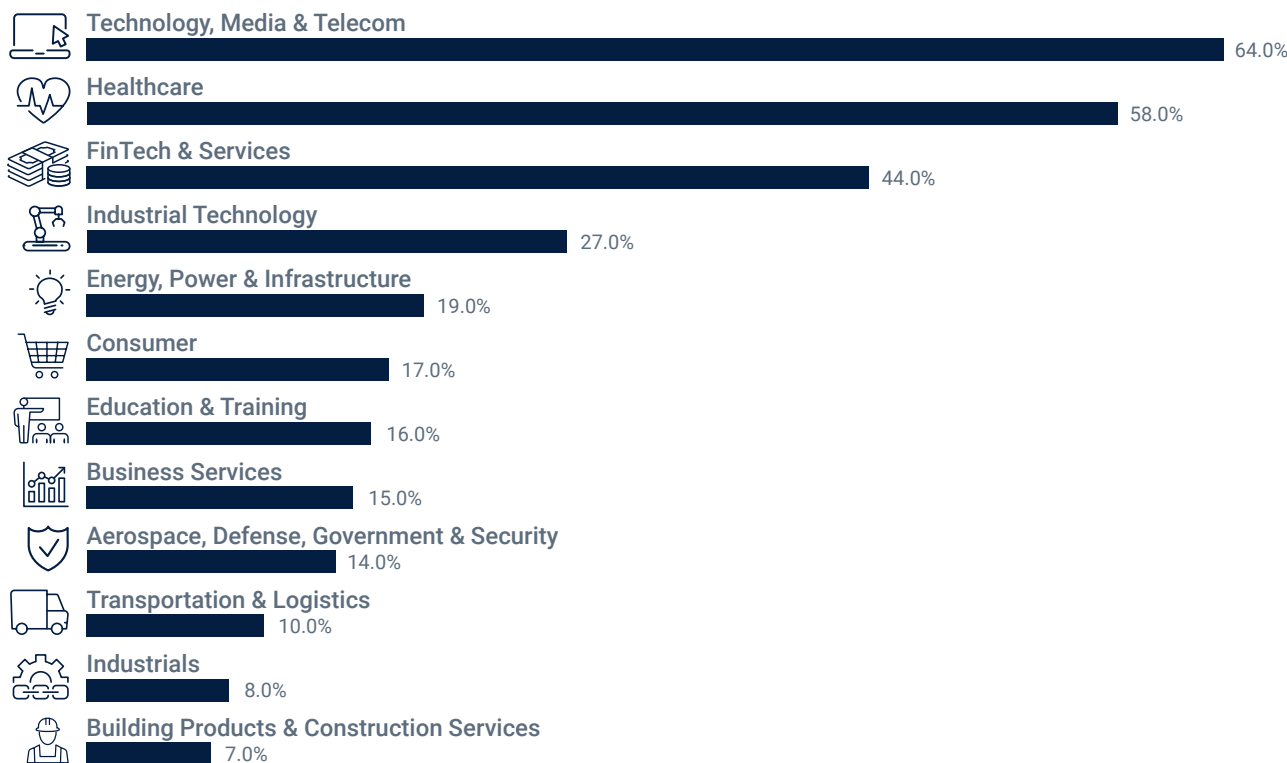
2024 M&A PURCHASE MULTIPLE MODERATION ANTICIPATED

» M&A purchase multiples are expected to remain compressed in 2024, with 67% of advisors surveyed anticipating little to no change in valuations compared to 2023, likely driven by market/economic uncertainty and a lack of motivated acquirers. Advisors showcased significant consistency regarding 2024 industry valuation forecasts, with the TMT, Healthcare, and FinTech & Services industries most likely to receive the highest M&A valuations, matching industry valuation rankings from 2023.

Forecasted M&A Purchase Multiples, 2024 Compared to 2023



Industries Expected to have the Highest M&A Valuations in 2024



Question: How do you expect M&A transaction multiples in 2024 to compare to 2023?
 Question: What three industries do you expect to have the highest valuations in 2024? Select three.
 Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100



03. Sell-Side M&A Considerations

INFLATION MOST IMPACTED CLIENTS' OPERATIONS IN 2023

» Although the global inflation rate in 2023 cooled from 2022's near double-digit peak, it has remained well above historical averages and central banks have continued to hike interest rates to offset the elevated pricing environment. On a global basis, advisors ranked inflation as the most impactful factor on their clients' business operations in 2023, matching 2022's ranking. At the regional level, advisors in each geography

also ranked inflation as the most impactful, with the exception of Latin America-based advisors who identified a tightening credit market as most impactful. Although many international banks have recently cut back on lending in this region, select banks, including Credit Suisse, have launched Latin America-focused private credit funds to fill the void and make debt funding more accessible.

Factor	2022 Rank	2023 Rank
Inflation	1	1
Tightening credit market	NA	2
Geopolitical environment	3	3
Labor market challenges	4	4
New technology adoption/disruption	7	5
Higher sales growth	NA	6
Regulatory constraints/changes	6	7
Demand for ESG positioning	8	8

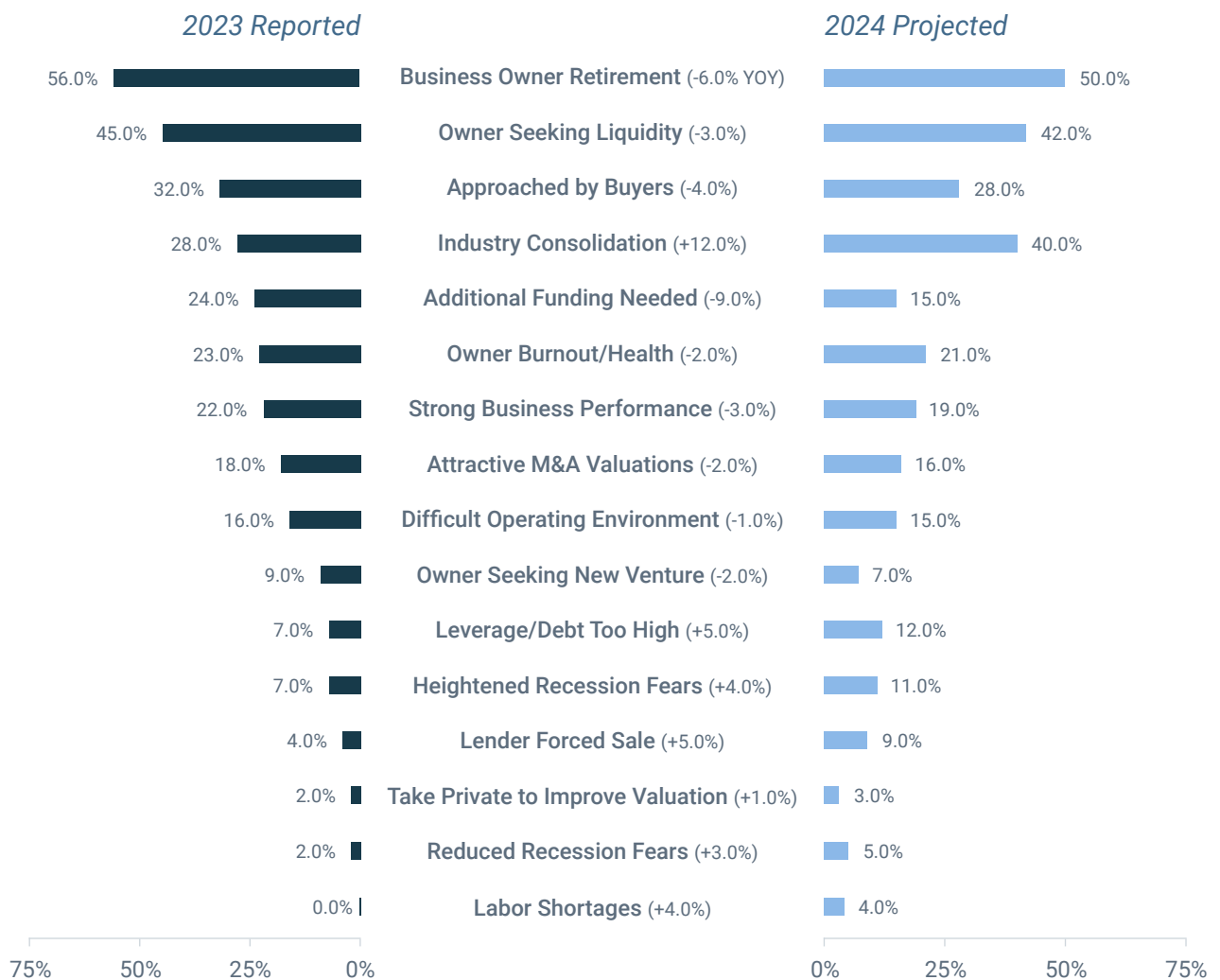
Question: What factors have most impacted your clients' business operations in 2022/2023?
Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 133, 100

BUSINESS OWNER RETIREMENT TO DRIVE SELL-SIDE TRANSACTIONS

» In 2023, 56% of advisors surveyed identified that business owner retirement was the top factor for sellers initiating an M&A transaction, followed by an owner seeking liquidity from a sale (45%) and an owner being approached by buyers (32%). Half of advisors also projected business owner

retirement to be the driving force behind sell-side mandates in 2024. However, 40% of advisors expect industry consolidation to be a primary sell-side motivator in 2024 (+12% of advisors YOY), highlighting the implications of market dynamics on CEOs' decision making.

Factors Driving Sellers to Market



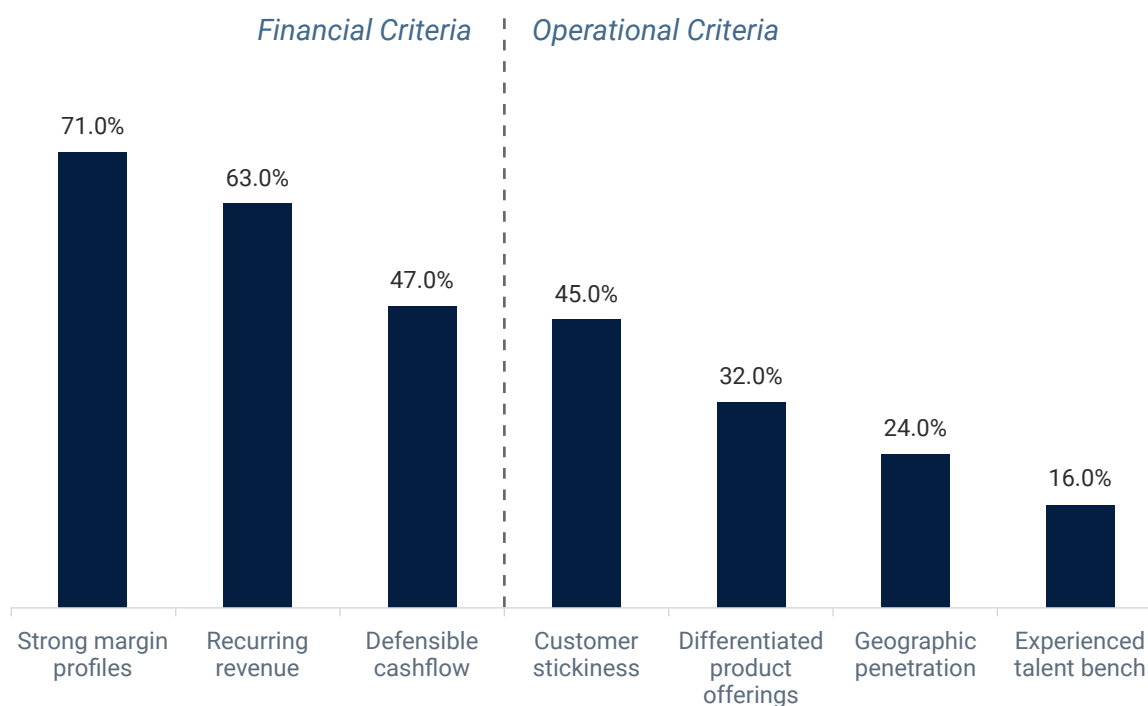
Question: Factors driving sellers to market in 2023/2024
 Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100

ACQUIRERS PRIORITIZE STRONG FINANCIAL PROFILES

Buyers have become increasingly selective in their acquisition pursuits, prioritizing target companies with strong financial profiles. This has largely been driven by a difficult transaction financing environment with many acquirers hesitant to employ significant leverage at elevated rates. Financial criteria comprised the top three most important M&A

target characteristics for acquirers in 2023, as noted by total advisers surveyed. This includes strong margin profiles (71% of advisers), recurring revenue (63%), and defensible cashflow (47%). However, select operational criteria has remained relevant to acquirers in 2023 such as customer stickiness (45% of advisers) and differentiated product offerings (32%).

Important Criteria for Buyers Considering a Target



Question: What characteristics have been important to buyers when considering an M&A target in 2023? Select three.
Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100

SPECIALIZATION IS MOST CRITICAL FACTOR IN ADVISOR SELECTION

» The sale of a business is a momentous decision—often the culmination of decades of hard work and sacrifice. Realizing a liquidity event to monetize the value of a company can be a life-changing occasion for a business owner and their family. Many business owners have a substantial portion of their wealth tied up in their business, making achieving

an optimal exit all the more meaningful. There are several critical factors to consider when selecting an M&A advisor to ensure a successful transaction. As noted by 83% of advisors surveyed, detailed knowledge and a track record of closed deals in a specific industry or sector is the most important factor to consider.

Critical Factors when Selecting an Advisor



83%

Industry Knowledge/Record

More than 80% of advisors indicated that the most critical factor for owners selecting an M&A advisor is their industry knowledge and proven track record.



54%

Effective Deal Execution

The second most critical factor in M&A advisor selection is deal execution effectiveness, as identified by 54% of total M&A advisors surveyed.



45%

Broad Geographic Reach

A broad geographic reach was identified by 45% of advisors as a critical selection component, highlighting the importance of regional diversification.



44%

Existing Advisor Relationship

An existing relationship with an advisor can aid deal process execution, with 44% of advisors identifying this as a critical selection element.

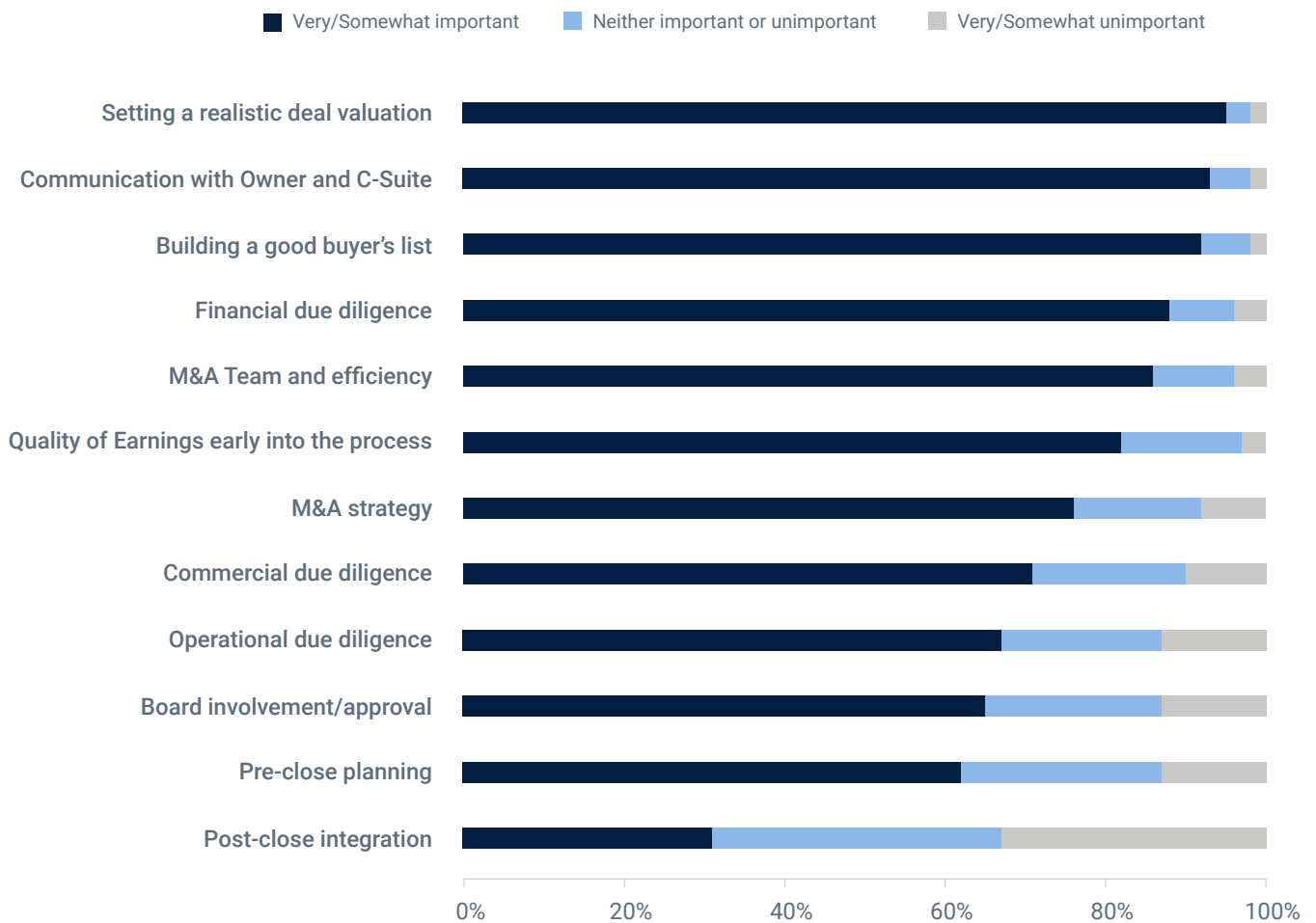
Question: What have you found to be the most critical factors clients should consider when selecting an M&A advisor?
Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100

KEY TO SUCCESSFUL SELL-SIDE DEALS: REALISTIC VALUATIONS

» To achieve a successful M&A deal for a seller, nearly all (95%) advisors pointed to setting a realistic deal valuation as very or somewhat important, closely followed by communication with the owner and C-Suite (93%), building a good buyer’s list (92%), and financial due diligence (88%). These success elements closely align with the deal closing

hinderances advisors faced throughout 2023, with the majority (58%) of investment bankers identifying sellers’ excessive transaction valuation expectations as a primary hurdle. Strong communication with the selling entity’s owner and C-Suite can also rectify a misalignment on valuation expectations.

Key Elements for Successful Sell-Side M&A Deals

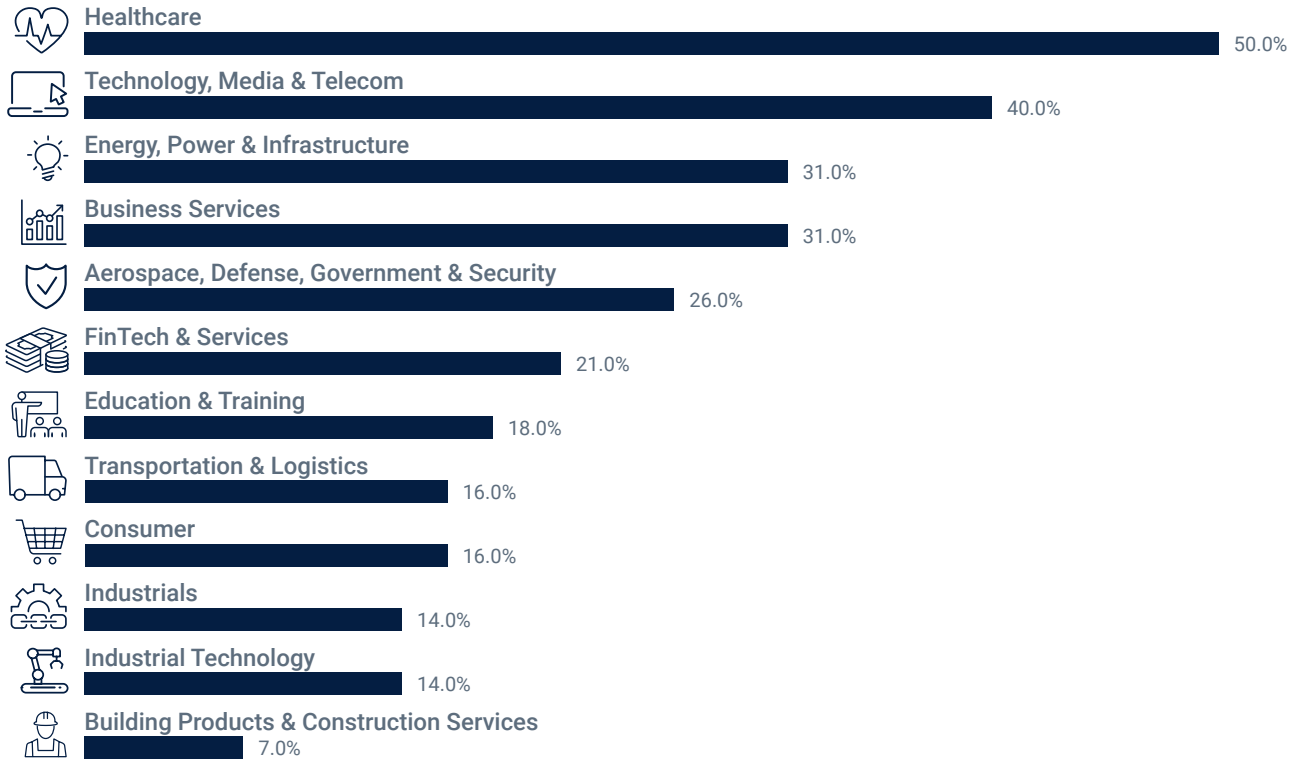


Question: How important have you found each of the following elements to be in order to achieve a successful M&A deal for the seller?
 Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100



04. Global Economic Impacts

MISSION-CRITICAL INDUSTRIES MAINTAIN GROSS MARGINS AMID ELEVATED INFLATION



Question: What industries have most effectively maintained gross margins amid elevated levels of inflation?
Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 100



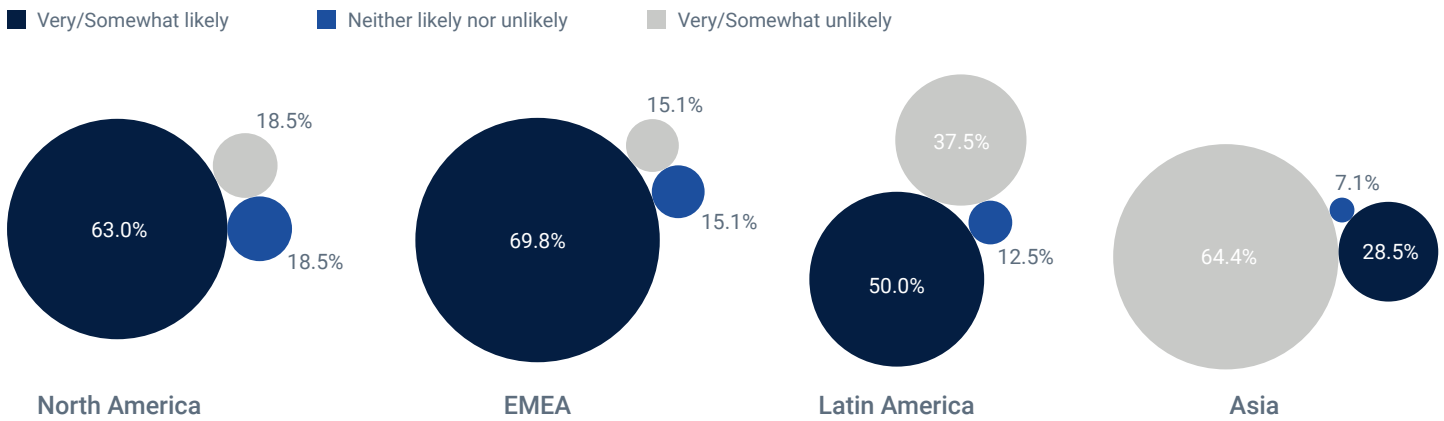
EMEA & NORTH AMERICA MOST LIKELY TO FACE RECESSION

» Among all advisors surveyed, 60% forecasted that a recession in their operating country would be very or somewhat likely over the next year, down 18.2% YOY. At the regional level, the EMEA and North America markets are most likely to face a recession in 2024, as noted by 69.8% and 63.0% of

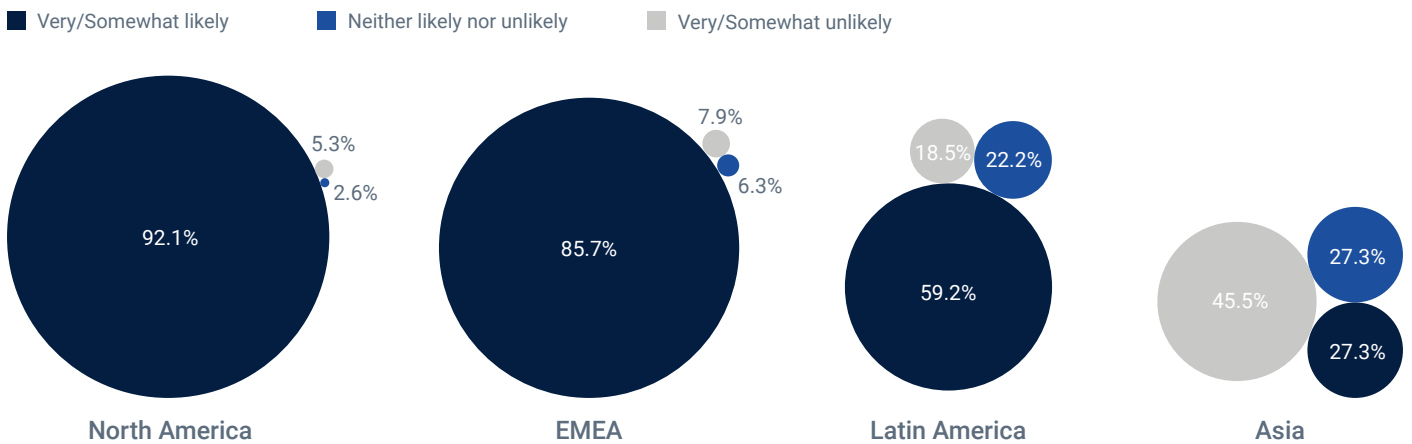
advisors, respectively. Asia-based advisors have continued to be the most optimistic regarding the likelihood of a recession, as 64.4% of advisors in this region predict an oncoming recession to be very or somewhat unlikely and only 28.5% expect a recession to be likely.

Likelihood of a Recession Over the Next Year

2024



2023



Question: What is the likelihood of recession in your country over the next year?
 Source: Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey, Total Sample Size (N): 133, 100

ABOUT CAPSTONE PARTNERS

Capstone Partners, a subsidiary of Huntington Bancshares Incorporated (NASDAQ:HBAN), has been a trusted advisor to leading middle market companies for over 20 years, offering a fully integrated range of expert investment banking and financial advisory services uniquely tailored to help owners, investors, and creditors through each stage of the company’s lifecycle. Capstone Partners is IMAP’s partner in the USA. For more information, please visit www.capstonepartners.com.

Built for the Middle Market

Capstone Partners has developed a full suite of corporate finance solutions, including M&A advisory, debt advisory, financial advisory, and equity capital financing to help privately owned businesses and private equity firms through each stage of the company’s lifecycle, ranging from growth to an ultimate exit transaction.

Mergers & Acquisitions	Capital Advisory	Financial Advisory	Special Situations & Restructuring	ESOP Advisory
<ul style="list-style-type: none"> • Sell-side Advisory • Buy-side Advisory • Recapitalizations • Mergers & Joint Ventures 	<ul style="list-style-type: none"> • Equity Advisory • Debt Advisory • Infrastructure Finance 	<ul style="list-style-type: none"> • Transaction Advisory • Performance Improvement • Valuations Advisory • Litigation Support 	<ul style="list-style-type: none"> • Special Situations • Turnaround • Restructuring • Bankruptcy 	<ul style="list-style-type: none"> • Preliminary Analysis • Feasibility Study • ESOP Implementation • Design & Execution

DISCLOSURE

This report is a periodic compilation of certain economic and corporate information, as well as completed and announced merger and acquisition activity. Information contained in this report should not be construed as a recommendation to sell or buy any security. Any reference to or omission of any reference to any company in this report should not be construed as a recommendation to buy, sell or take any other action with respect to any security of any such company. We are not soliciting any action with respect to any security or company based on this report. The report is published solely for the general information of clients and friends of Capstone Partners. It does not take into account the particular investment objectives, financial situation or needs of individual recipients. Certain transactions, including those involving early-stage companies, give rise to substantial risk and are not suitable for all investors. This report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Prediction of future events is inherently subject to both known and unknown risks and other factors that may cause actual results to vary materially. We are under no obligation to update the information contained in this report. Opinions expressed are our present opinions only and are subject to change without notice. Additional information is available upon request. The companies mentioned in this report may be clients of Capstone Partners. The decisions to include any company in this report is unrelated in all respects to any service that Capstone Partners may provide to such company. This report may not be copied or reproduced in any form or redistributed without the prior written consent of Capstone Partners. The information contained herein should not be construed as legal advice.

ABOUT IMAP

INTERNATIONAL MERGERS & ACQUISITION PARTNERS

Consistently ranked among the Top 10 middle market M&A advisors worldwide

450+

TEAM OF IMAP PROFESSIONALS
WORLDWIDE

50

YEARS OF M&A EXPERIENCE
IN THE MIDDLE MARKET

60+

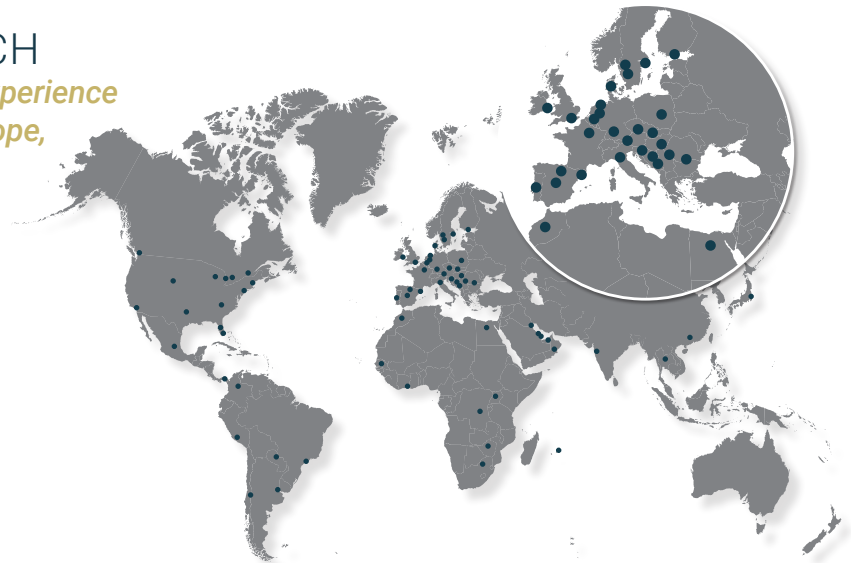
OFFICES IN 49
COUNTRIES

\$130bn

TRANSACTION VALUE
LAST 10 YEARS

GLOBAL REACH

Our cross-border experience extends across Europe, the Americas, Middle East, Asia and Africa



GLOBAL PERFORMANCE 2023

231

M&A TRANSACTIONS

\$9bn+

TRANSACTION VALUE

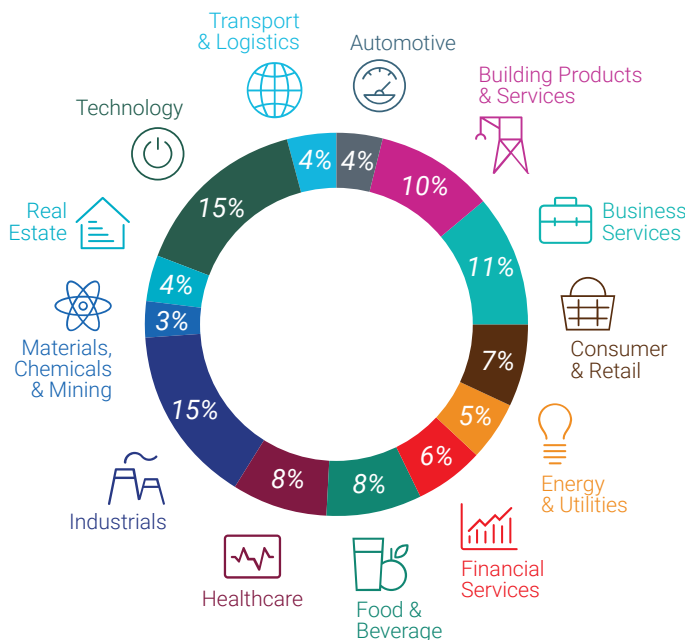
31%

CROSS-BORDER DEALS

7th

IN THE WORLD

Deal Distribution by Sector



Global Performance

Rank	Advisor
1	PwC
2	KPMG
3	Houlihan Lokey
4	Rothschild
5	Deloitte
6	EY
7	IMAP
8	Oaklins
9	Lazard
10	BDO

Ranking based on number of transactions closed in Q1-Q4 2023. Undisclosed values and values up to \$500 million. Source: Refinitiv and IMAP internal data.

IMAP |  CAPSTONE PARTNERS

