

IMAP closes 231 M&A transactions in 2023

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. Indeed, while 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. A third of IMAP transactions in 2023 were cross-border as IMAP dealmakers continued to leverage their international reach and help clients seize opportunities abroad. From a sector perspective, IMAP was most active in the Services, Technology, Industrials, and Consumer segments.

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. Succession was a major source of transaction activity, followed by horizontal consolidation and owners seeking liquidity opportunities. 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 the year, 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.

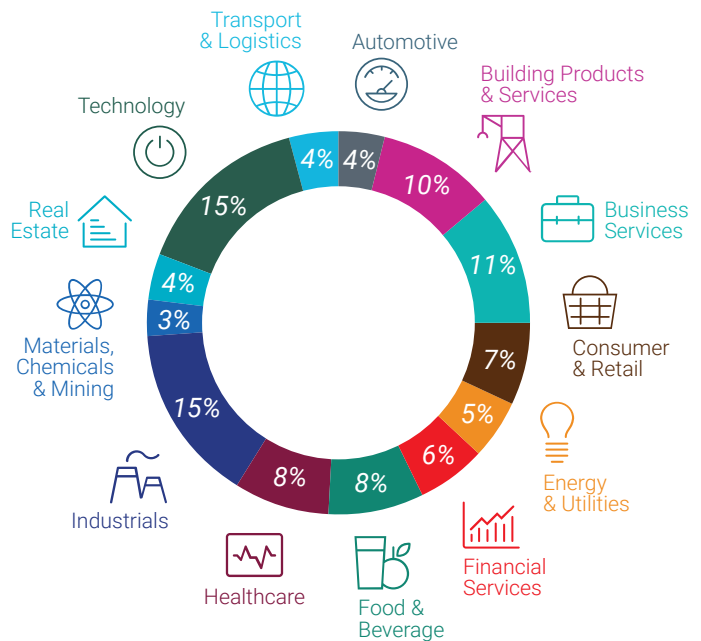
Private Equity was involved in many IMAP transactions although PE firms maintained a relatively cautious approach to M&A in 2023 compared to previous years. On the sell-side, PE firms postponed many exits due to lower valuations and on the buy-side PE sponsors paused on some acquisitions as higher interest 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 as we begin the new year.

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.

Deal Distribution by Sector



JURGIS V. ONIUNAS
IMAP Chairman

“2023 was another surprisingly strong year for middle-market transactions and we start 2024 with a sense of cautious optimism. Underlying market drivers – succession and high levels of PE capital – remain intact. Despite a stubborn inflationary environment, our partners across the globe continue to report strong pipelines and will creatively guide business owners through transactions in changing and unstable economic conditions.”

IMAP Partner Global M&A Perspectives & Forecasts

GERMANY

IMAP Germany had a strong 2023 with 24 deals closed – all sell-side – and we remain optimistic for 2024 with numerous new M&A projects added to our pipeline in recent months. Our focus on privately held mid-sized companies and on solving succession issues for their owners is paying off in a challenging and uncertain economic and political environment where private equity firms are trying to postpone exits.

We remain optimistic for 2024

The traditional stance of German entrepreneurs to not sell a family business is wearing off, sellers are generally younger and company holding periods are getting shorter – a growing market for M&A advisors. Buyer appetite remains strong at normalized valuation levels reflecting the (temporary?) end of negative or zero interest rates, and appetite from banks and debt funds to finance deals is back – albeit with more scrutiny on business models and cash flows.



Carsten Lehmann
IMAP Germany



FRANCE



Following a significant decline observed in 2023 (with M&A volumes down by 30% vs 2022) amid an economic slowdown, inflation and rising interest rates, we are confident that there will be an improvement in market conditions for M&A activity in France in 2024. We are currently observing a significant number of family-owned companies questioning remaining on the stock market with the often low liquidity of their shares and low valuations compared to those of unlisted companies. Over the past few months, Degroof Petercam – IMAP France has worked on a large number of delisting operations (SII, Manutan, ADA, Keyrus) or operations involving shareholder accretion by the controlling family (Linedata, LISI, Prodware). We are also seeing a growing number of sales of non-core assets by corporates, often due to excessive debt or increased financial pressure following a major acquisition.

We are confident that there will be an improvement in market conditions in 2024

Similarly, we are seeing an increasing importance of infrastructure funds in our operations. These funds have become key players in a number of sectors such as Energy and Utilities, and increasingly in Social Infrastructure (Healthcare, Nurseries, etc.). We frequently advise infrastructure funds, recently having advised Meridiam on the acquisition of New Suez (Utilities), Infravia on the acquisition of Univet (Vet Clinics) and Infranity on the acquisition of a stake in the capital of Initiatives & Energies Locales (Renewables).



Cyril Kammoun
IMAP France

NETHERLANDS



The M&A market in The Netherlands is still going strong and favorable conditions are expected to remain through 2024. There is ample activity in multiple sectors, including several of those in which IMAP Netherlands has strong expertise, including Transport and Logistics, Renewable Energy, and Food. The Technology and Business Services sectors are also active.

Favorable conditions are expected to remain through 2024

Due to the successful fundraising carried out by private equity firms, there is now additional free flow of cash in play for attractive returns. Expectations of lower interest rates is making financing more attractive and supports high enterprise values. Meanwhile, there are not as many large deals on the market and M&A players typically focused on larger deals are moving down and competing for smaller deals.



Jan-Pieter Borst
IMAP Netherlands



Balthazar Den Breems
IMAP Netherlands

ITALY



Rising interest rates and uncertainty related to commodity and consumer price volatility drove a general slowdown of M&A activity in Italy in 2023. There was a strong decrease in overall M&A deal value, from a peak of €123.4 billion reached in 2022 to €60.5 billion in 2023, of which approximately a third represents the acquisition of TIM's fixed-line network by global investment firm KKR. Vitale - IMAP Italy acted as advisor to TIM on this landmark transaction. Meanwhile, the number of deals in 2023 decreased by about 20%, demonstrating that the mid-market sector remained relatively more resilient in the current environment.

There could be a moderate recovery in 2024

In terms of different sectors, the slowdown was particularly strong in the Consumer and Industrial Goods sectors, while volumes were more stable in industries such as Transportation, Healthcare, Energy, and Infrastructure. In the final quarter of last year, macro-indicators appeared to stabilise and ongoing M&A processes have reported a healthier volume of activity, suggesting there could be a moderate recovery in 2024.



Riccardo Martinelli
IMAP Italy

UK



Despite a significant fall in aggregate deal value in 2023 (over 50% in H1) largely driven by a lack of mega-deals, UK mid-market M&A volume remained comparatively resilient. The notable exception were private equity exits which were subdued due to lower valuations driven by the highest interest rates in over a decade.

We anticipate an acceleration in deal activity

As we enter 2024 we anticipate an acceleration in deal activity driven by two key factors. First, markets are beginning to price in interest rate cuts as the inflation rate starts to come down. This will enhance debt availability and will likely see valuations start gradually ticking up and PE activity accelerate. However, we see the pace of interest rate cuts in the UK considerably lagging behind the US. Second, the UK is entering an election year with a near certainty of an incoming Labour government. Whilst Labour has notably not committed to raising Capital Gains Tax, there is a lingering fear that this may be on the longer-term agenda which has historically always accelerated exit planning in the mid-market.



Karri Vuori
IMAP UK

HUNGARY

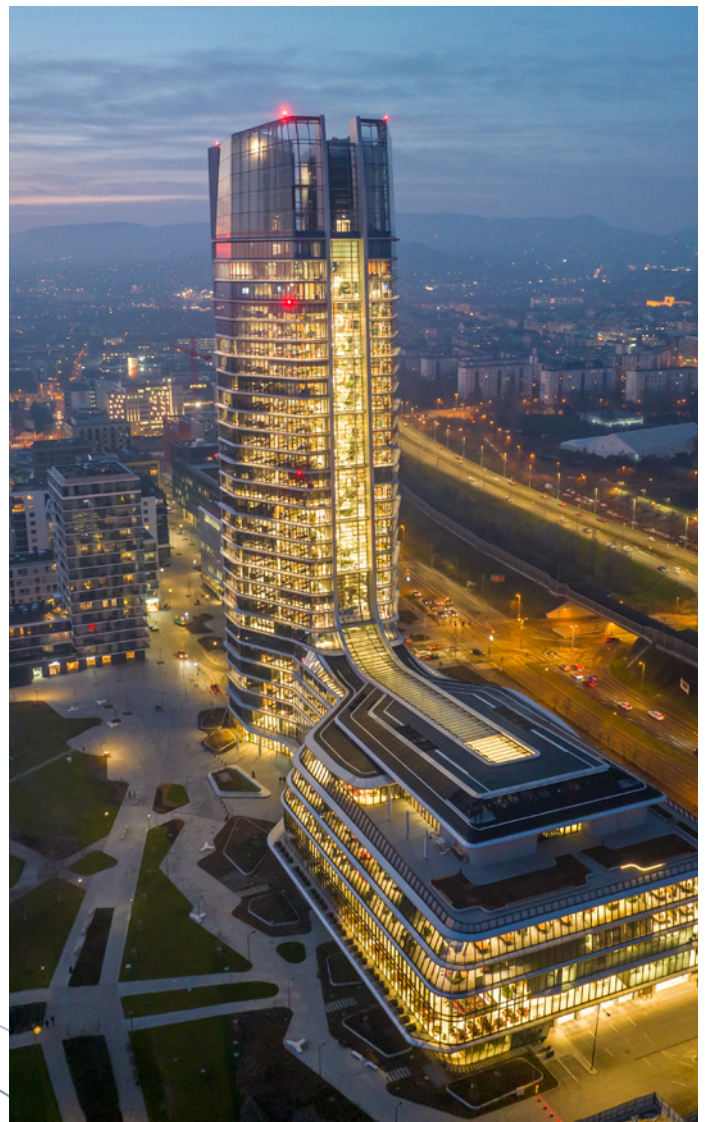
Hungary had a tough year from both an economic and political perspective, which harmed companies operating in the country. Despite the challenging conditions, IMAP Hungary performed strongly with 17 transactions closed, pulling way ahead of its competitors. This success was driven by focusing on what we do best: mid-market transactions in the Tradeable sector with a strong export focus.

We expect a slow recovery for 2024

This market segment tends to sail through economic hardship relatively smoothly. We expect a slow recovery for 2024, with further escalation of political tensions limiting valuation expectations of company sellers, yet presenting attractive deals for perspective buyers.



Gábor Szendrői
IMAP Hungary



USA

This is an interesting time for the US consumer. They're coming off of a period of unparalleled spending power, built up by the combination of COVID, strong employment, and a very vibrant economy but that's pretty much petering out now. We're seeing declining volumes and spending shifting from higher priced items down to lower priced items. The most interesting question out there is: what happens with the consumer in 2024? Do they continue spending and we see an upward drive or are we going to see them continue to decline and the economy slowly coming down with them?

Pent up demand from PE is going to be unleashed in the US market

Another really interesting factor in the US economy, and especially in the M&A space in the US, is private equity. PE traditionally represents between 40 and 50% of the purchasing power in M&A in the US, but they were not as substantial buyers last year, mainly because of the trends in volumes declining and the perception that we might have entered a recession as PE would rather not invest into a down cycle. However, we expect that to change in the first half of 2024 with a significant bow wave of purchasing power coming through the market and pent up PE demand will be unleashed in the US market and it should be a fantastic time to be selling a company.



Kenneth Wasik
IMAP USA



CANADA



I think the main opportunity in 2024 for the Canadian economy is to shift into more innovation and technology and develop these newer industries versus our more traditional industries such as Forestry, Mining, and Oil & Gas. In 2024 the main reason that sellers will be looking at a potential transaction is that there's going to be a lot of inbound interest from buyers. There's a huge amount of unspent capital and the private equity markets and public companies have great balance sheets.

In 2024 valuations for good quality companies will remain high

We also have an ageing population of owners. If they don't have a succession plan within their family, they're going to have to look at some way to monetize their investment and the time and money they put into the business. While there are some concerns about the rising cost of debt, generally we have an environment in Canada where the cost of debt doesn't impact transactions dramatically. I think there's enough money out there in the system, so transactions will still get funded and valuations for really good quality companies will still be high.



Andrew Kemper
IMAP Canada

BRAZIL



In the first half of 2023 M&A activity in Brazil was heavily affected by global factors such as geopolitical uncertainties and rising interest rates, as well as domestic factors such as the new federal administration.

We expect healthy GDP growth and renewed interest from foreign strategic buyers

In the second half of 2023, we saw the impact of these factors diminish amid the peak of interest rates in the U.S. and the beginning of a loosening interest rate cycle in Brazil. For 2024, we expect these trends to continue with healthy GDP growth and renewed interest from foreign strategic buyers as Brazil tends to be an inbound market.



Marcio Fiuza
IMAP Brazil

MEXICO



M&A activity in Mexico remained quite stable in Q4 2023. Transactions took longer to close, and neither buyers or sellers showed any hurry to get deals done before the new year. The current interest rate environment continues to weigh on transaction activity, as local buyers are finding it hard to secure debt financing at reasonable costs. Valuations are another factor, as Mexican PE funds have been unable to meet company owner expectations, and the local PE buyout environment has lacked activity for a couple of years now.

Foreign buyers will keep the M&A market active in 2024

However, we expect 2024 to start on a high, driven mainly by the country's attractiveness for foreign capital and the ease of political uncertainty arising from the upcoming elections. Foreign buyers will keep the M&A market active in 2024 and the coming years, as many international players are looking to reap the benefits of nearshoring by acquiring Mexican companies to shorten their time to market and meet client demands. Consumer, Industrial, Manufacturing, and Transportation & Logistics companies are expected to be the most active in terms of M&A activity during 2024.



Gabriel Millan
IMAP Mexico

SOUTH AFRICA

M&A happens for a range of reasons. Owning an asset doesn't have to be a tattoo for life. What we've seen over the last 15 years is a lot more institutional capital coming into South Africa and Africa as a whole. These are often finite life funds where parties are investing to help build up businesses but now they need to exit. From a macro perspective, over the last 18 months we have seen the steepest increase in interest rates since the end of the gold standard era. This leads to profound changes, not just in the Western world, but also in emerging economies, where businesses and governments are dependent on dollar financing. The best businesses, of course, will continue to thrive and medium-sized businesses will look at different options and we can help address those.

Changes in available technology are driving investment and deal activity

From a sector perspective there are very significant changes in key industries that we're involved in. These changes have occurred over the last 20 years or so. In the the Financial Services sector we've seen changes in terms of how financial businesses, small and large, interact with their customers, including mobile wallets, mobile money, and payments. There have been changes in how people aggregate and collect data, how people transact, which in turn has changed how profitable you can be when you address lower income groups and small businesses. It's a very profitable business, but also has a lot of beneficial impact on the broader economy. Other sectors have had similar transitions. In the Energy sector, we have great challenges globally in terms of the carbon transition, but the changes in available technology are driving investment and deal activity.



Edmund Higenbottam
IMAP South Africa



MIDDLE EAST



The three industries where we expect to see the most activity in 2024 are Food, on the back of a lot of demand in our region, followed by Healthcare given what happened during COVID times, and then Education which has always been active. The top reasons for sellers to initiate an M&A process in these industries in 2024 is people trying to manage inheritance issues and succession - 90% of our transactions are for this reason - or sector consolidation.

Oil prices are at a record high so there's a lot of liquidity and economic activity

There are many people who want to consolidate their assets, especially among some of the smaller businesses which are not going to survive in a world like today. The overall macro situation isn't having much of an impact in the Middle East region, given oil prices are at a record high. There's a lot of liquidity and economic activity, and we have more than enough transactions to work on. We have a very positive outlook for 2024.



Rohit Walia
IMAP GCC

JAPAN



Japan's equity market demonstrated impressive performance throughout 2023. With a substantial 24% surge, TOPIX outperformed other indexes in local currency terms. Moreover, momentum continued in the M&A market. Despite a slight decrease in the number of transactions compared to 2022, total transaction value rose by 13.6%, surpassing JPY10 trillion. Fueled by optimistic expectations for both business growth and Japan's overall economic trajectory, Japanese companies are adopting aggressive approaches in their capital policies. Notably, the market has witnessed several large-scale MBOs, characterized by deal sizes exceeding JPY100 billion.

The Japanese equity market will perform well again in 2024

Examples include the MBOs of education company Benesse Corp promoted by EQT, staffing firm Outsourcing Inc. under Bain's promotion, and OTC drug maker Taisho Pharmaceutical. Furthermore, regulatory initiatives are shaping the landscape. The Tokyo Stock Exchange is urging listed companies with publicly traded subsidiaries or equity affiliates to enhance their disclosure practices related to corporate governance. Anticipating further corporate reforms and increased transparency within the stock market, we expect that the Japanese equity market will perform well again in 2024.



Tomoyuki Izumi
IMAP Japan

INDIA

We are focused on the Industrials and Consumer sectors in India. Over the last couple of years, post-COVID, government spending has had a buoyant influence on these two sectors. From a global perspective, the rising interest rate environment and pressure on public market valuations are having a negative impact on dealmaking and we are wary of that. In the Indian market, there are three predominant factors triggering M&A activity.

There is significant interest from the global arena in entering India

The first is PE exits, with many of those who invested in the last five to 10 years now reaching the end of a cycle. The second is succession, with the journey of entrepreneurs now reaching a changing point. And third, the acquisition of technology and competences is driving interest among larger players. In addition, there are two big trends in the market that are influencing in particular our strategic thinking as a firm as we present opportunities to our clients. First, there is a big valuation arbitrage between the private and the public market and second, there is significant inbound interest from the global arena in entering Indian markets.



Ashutosh Maheshvari
IMAP India



CHINA



Investor interest in the stock market is waning as China's stock market slumps. New IPOs are largely on hold. More and more investors, especially financial investors, are shifting their investment strategies from pre-IPO arbitrage investments to investments that profit from M&A and restructurings.

Investors are shifting to investments that profit from M&A and restructurings

China's national policy encourages companies to make equity investments as bank interest rates go down.



Junxiong "Jacky" Wang
IMAP China

Selected Q4 Transactions

<p>INDUSTRIALS</p>  <p>UNITED STATES</p> <p>Acquired 100% of Business Operations</p>  <p>GERMANY</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>BUSINESS SERVICES</p>  <p>ITALY</p> <p>Acquired Majority Control of Business Operations</p>  <p>ITALY</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>ENERGY & UTILITIES</p>  <p>UNITED STATES</p> <p>Acquired 100% of Business Operations</p>  <p>UNITED STATES</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>
<p>INDUSTRIALS</p>  <p>POLAND</p> <p>Acquired 100% of Business Operations</p>  <p>FINLAND</p> <p>IMAP</p> <p>ADVISED ON PURCHASE OF COMPANY</p>	<p>TECHNOLOGY</p>  <p>FRANCE</p> <p>Acquired 100% of Business Operations</p>  <p>CZECH REPUBLIC</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>MATERIALS & CHEMICALS</p>  <p>CANADA</p> <p>Acquired 100% of Business Operations</p>  <p>UNITED STATES</p> <p>IMAP</p> <p>ADVISED ON PURCHASE OF COMPANY</p>
<p>REAL ESTATE</p>  <p>JAPAN</p> <p>Acquired 100% of Business Operations</p> <p>SOHKEN HOMES</p> <p>JAPAN</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>INDUSTRIALS</p>  <p>NETHERLANDS</p> <p>Acquired Majority Control of Business Operations</p>  <p>NETHERLANDS</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>FOOD & BEVERAGE</p>  <p>FRANCE</p> <p>Acquired Majority Control of Business Operations</p>  <p>BELGIUM</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>