

# KEY CONSIDERATIONS IN PRIVATE M&A DEALS IN UNCERTAIN MARKET CONDITIONS

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*Note: Opinions expressed are those of the respective panelists, not those of their respective companies or firms, nor are they indicative of the views of the panelists' respective clients.*

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# Overview

- **Current M&A Market Conditions**
  - Ross Cooper
- **Recent Buy-Side Experience and In-House Considerations**
  - Kin Gill
- **Notable Trends in Deal Terms**
  - Rob Suffoletta
- **Recent Developments in Delaware Case Law**
  - Andy Smetana
- **Considerations in Distressed Company Transactions**
  - Andy Smetana & Rob Suffoletta

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# CURRENT M&A MARKET CONDITIONS

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# Americas M&A: 2023 Review and 2024 Outlook

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## M&A Resurgence in 2024 Bolstered by Diverse Driving Factors



### Potential Drivers of Resurgence in Deal Activity



#### CEO Confidence

✓ CEO confidence has improved, a key driver of M&A



#### Longer Private Equity Asset Hold Periods Creating Robust M&A

✓ As private equity firms waited for market conditions to improve, median holding periods have increased to 6.3 years



#### Heightened Interest in Founder / Family-Owned Businesses

✓ Private equity firms, including large cap sponsors, steered towards founder-owned businesses for add-on opportunities and platforms



#### Converging Valuation Expectations

✓ Buyer and seller expectations are increasingly converging as valuation multiples have trended down relative to pandemic highs



#### Carveouts and Take-Private Transactions are Prevalent

✓ Carveouts represented ~30% of middle market M&A while take-private transactions reached a 10-year high



#### Continued Reliance on Tools to Bridge Valuation Gaps

✓ Median earnouts increased to ~33% as a percentage of deal size, underscoring their continued use to bridge value gaps



### Potential Headwinds



Continued inflationary pressure and high interest rate environment



Geopolitical instability and tensions



Potential volatility ahead of U.S. Election

Source: BofA IBK assessment, Pitchbook database and Pitchbook Q3 2023 U.S. PE Middle Market Report as of December 31, 2023.

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