

GLOBAL M&A REPORT

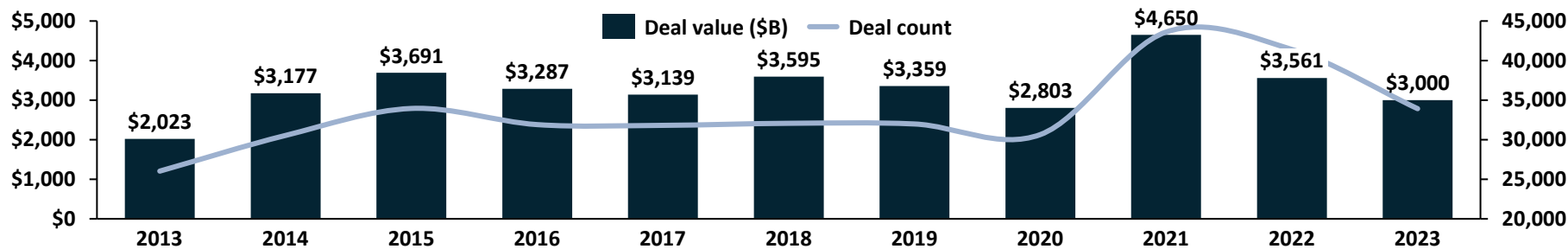
MARKET REVIEW

2023

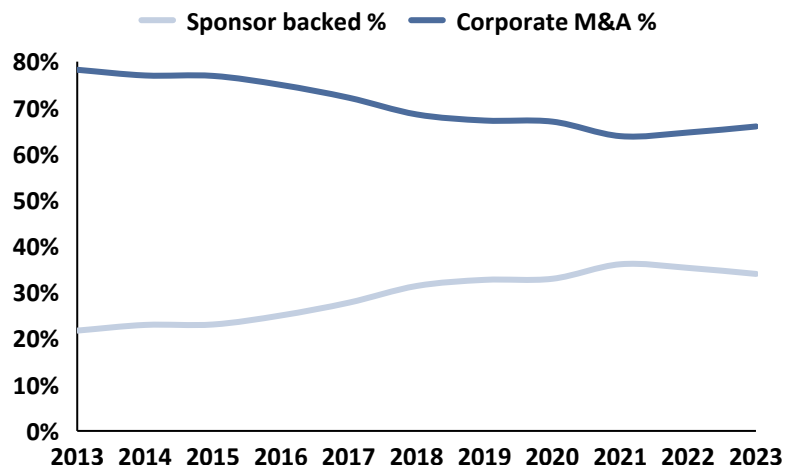
Carleton McKenna & Co

Overview⁽¹⁾

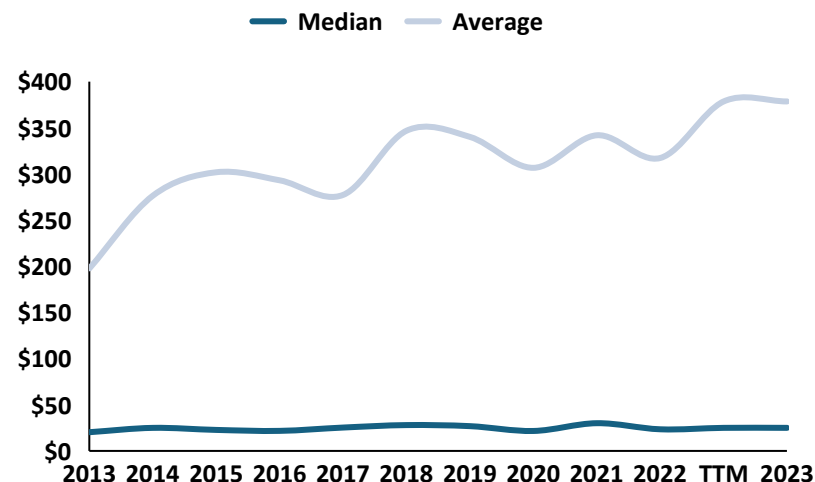
The M&A market in 2023 experienced its second weakest year over the trailing ten-year period. The aggregate value of closed or announced deals in 2023 was approximately \$3 trillion, a 15.8% decrease from 2022. Excluding the onset of the pandemic in 2020, 2023 experienced the weakest M&A market since 2013. Globally, the M&A market is down 35.5% from its peak in 2021. If 2024 brings another year of M&A contraction, it would mark the first time since 2007 that the global market experienced three or more consecutive years of decline. However, many experts see signs of a rebound in 2024, with attention focused on March 2024, as the Federal Reserve may begin a cycle of interest rate reductions.



Historical Sponsor vs. Strategic Breakdown



Median & Average M&A Values (\$M, USD)



(1) Pitchbook

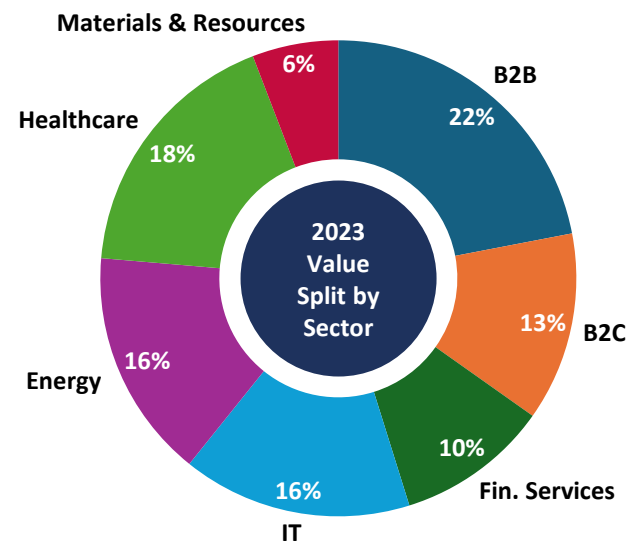
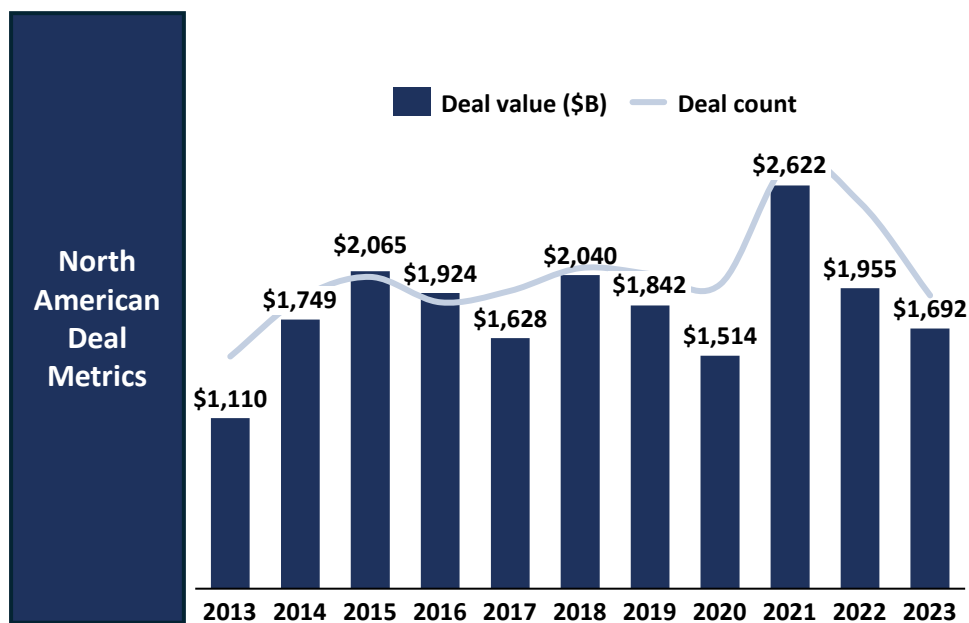
4Q 2023 Snapshot

In the fourth quarter of 2023, the North American M&A landscape presented mixed signals amid macroeconomic challenges. However, North America experienced an uptick in overall deal values. Total M&A value in North America reached \$497.1 billion, marking an increase of 17.8% year-over-year (YoY) and 35.9% quarter-over-quarter (QoQ). However, deal counts slipped by 6.6% YoY and 0.9% QoQ respectively.

The top ten deals in North America that closed in the fourth quarter of 2023 totaled just over \$215 billion, representing an impressive expansion of 160.5% QoQ, largely due to two energy mega-deals completed by Exxon Mobil and Chevron.

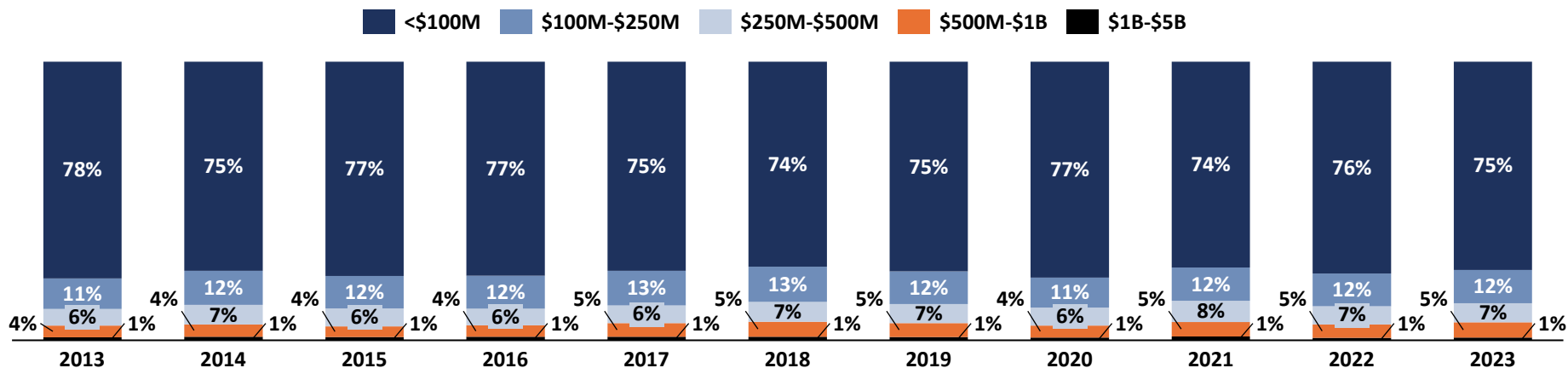
Overall, North American deal values for 2023 reached \$1.7 trillion, a downturn of 13.4% YoY, indicative of an overall challenging year. The second consecutive year of downturn can be attributed to several factors, including the tightening of monetary policy, widening valuation gaps between buyer and seller expectations, and increased geopolitical tensions.

While inflation appears to be fading and a step back in interest rates is on the horizon in 2024, recessionary risk remains low, as the worst may be in the rearview.



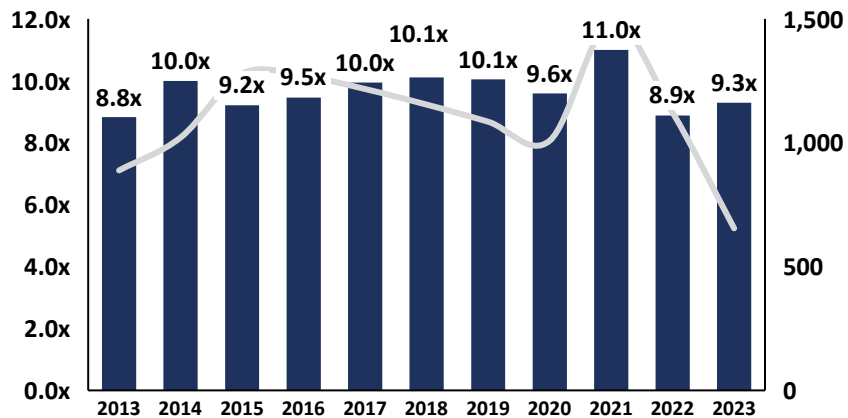
(1) Pitchbook

Global M&A Count by Size Bucket ⁽¹⁾



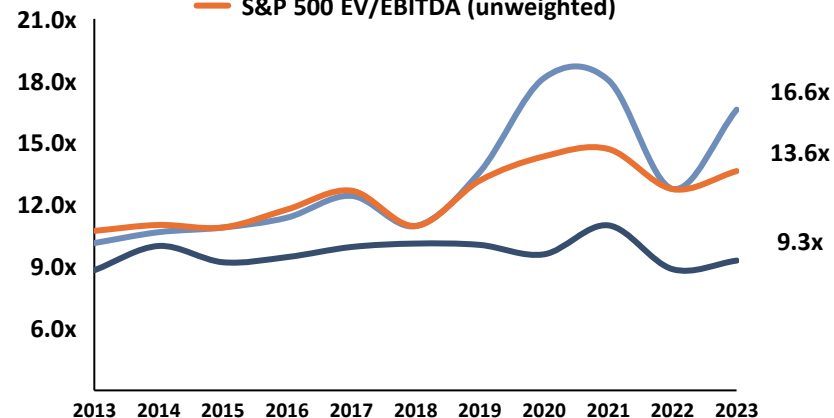
EV/EBITDA Multiples

■ EV/EBITDA — Count



EV/EBITDA Multiples

— M&A EV/EBITDA
— S&P 500 EV/EBITDA (weighted)
— S&P 500 EV/EBITDA (unweighted)







(1) Pitchbook

B2B | M&A Commentary ⁽¹⁾

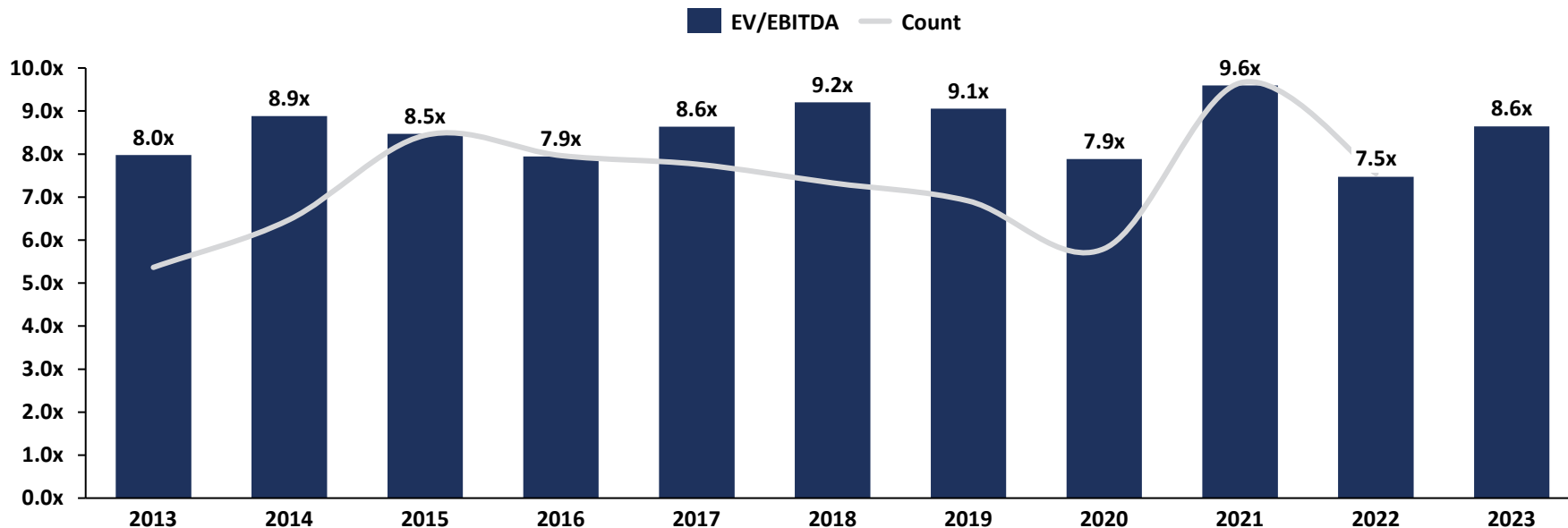
In 2023, the Business-to-Business (B2B) sector expanded from 2% to 3% as a portion of global M&A activity in both deal value and count, demonstrating strength relative to other sectors. For the entirety of 2023, there were approximately 16,000 B2B deals closed or announced, aggregating to a value of \$794 billion. M&A activity in the B2B sector was stable compared to other sectors on a YoY basis, expanding by 6.2% in deal count and contracting by 3.8% in aggregate value. There was about a full turn in margin expansion in the trailing twelve-month (TTM) period ending 12/31/2023, as macroeconomic conditions showed signs of improvement.

Notable B2B Acquisitions ⁽²⁾

Acquirer	Target
	
HQ: New York, NY	HQ: New York, NY
Value: \$428M 3Q 2023	

Acquirer	Target
	
HQ: Boston, MA	HQ: Salt Lake City, UT
Value: \$430M 3Q 2023	

Acquirer	Target
	
HQ: Boston, MA	HQ: Germany
Value: \$344M 3Q 2023	





(1) Pitchbook

(2) R.L. Hulett



B2C | M&A Commentary (1)

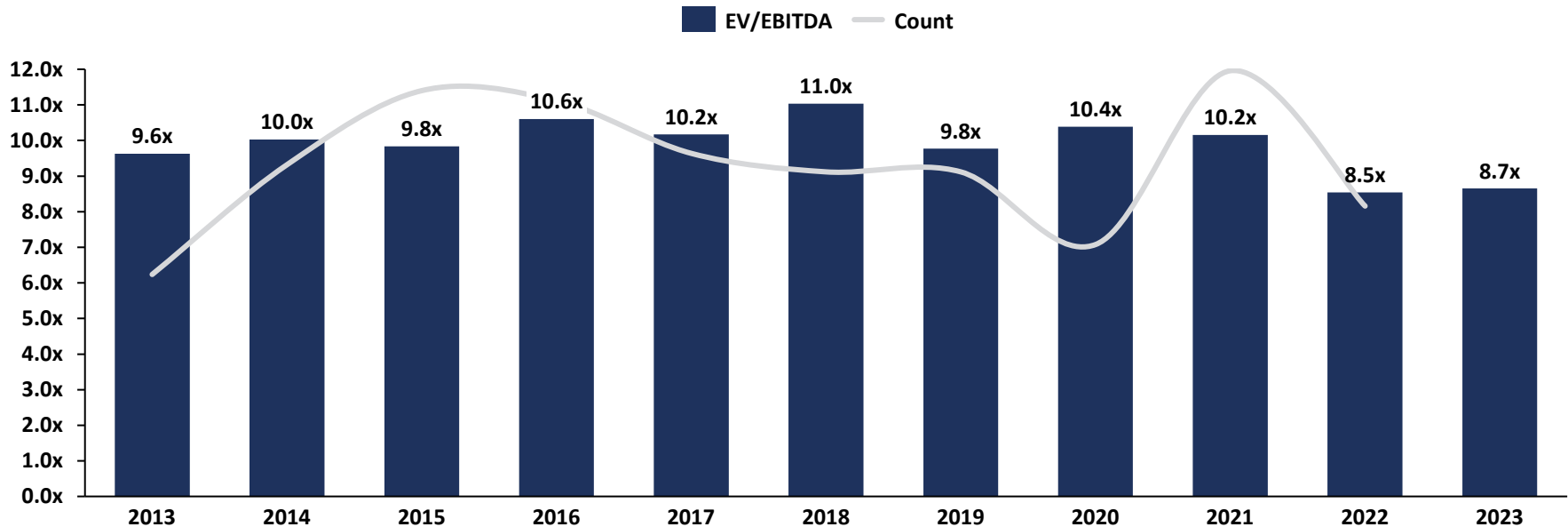
The Business-to-Consumer (B2C) sector in 2023 experienced challenges, with deal values dipping below historical trends. Deals closed or announced in 2023 in the B2C sector aggregated to \$435 billion, a decrease of 28% YoY in deal value and an increase of about 1% in total count. Compared to pre-pandemic averages, values slid by 32% while counts have increased by 32%. These trends reflect lower valuations and issues securing debt financing for larger acquisition packages. Furthermore, investor confidence has dropped amidst the uncertain macroeconomic environment, coupled with high inflation.

Notable B2C Acquisitions (2)

Acquirer	Target
	
HQ: Orrville, OH	HQ: Lenexa, KS
Value: \$5.6B 3Q 2023	

Acquirer	Target
	
HQ: Japan	HQ: Australia
Value: \$1.2B 3Q 2023	

Acquirer	Target
	
HQ: Boston, MA	HQ: Dallas, TX
Value: \$1.1B 3Q 2023	





(1) Pitchbook



(2) PwC



Energy | M&A Commentary (1, 3)

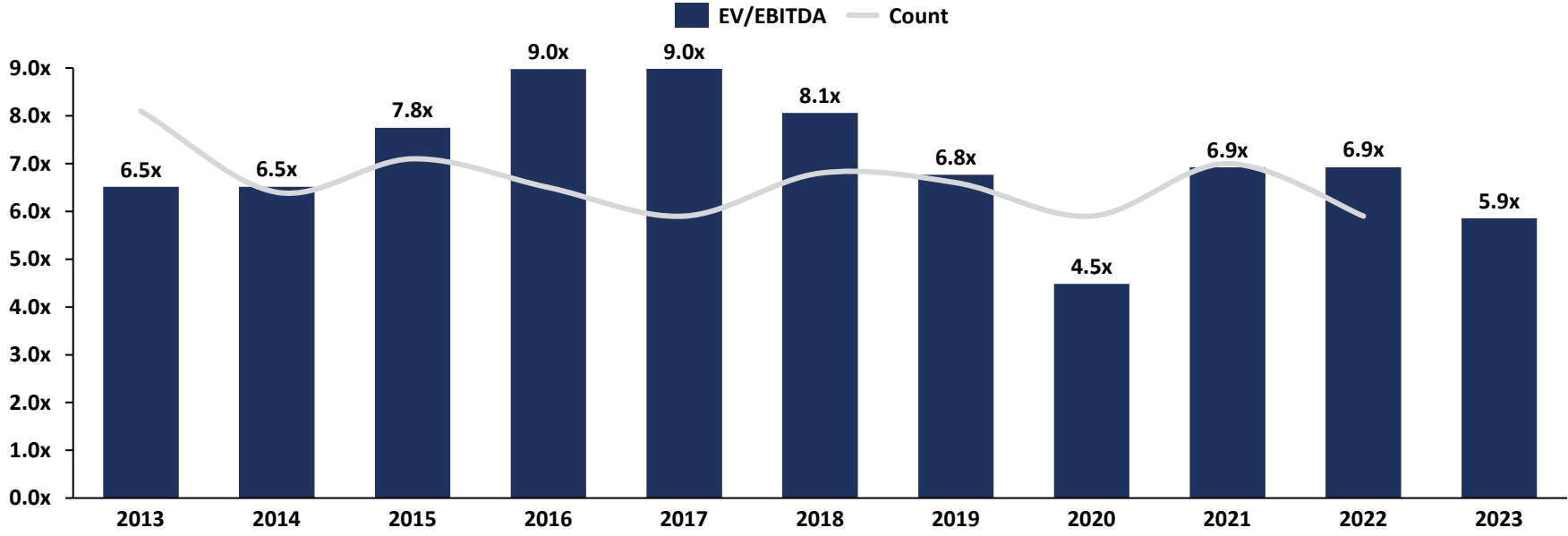
The Energy sector was one of the strongest performers in 2023, experiencing its strongest year in nearly a decade. Driven by a notably strong fourth quarter, which included four of the top five largest energy deals in 2023, the total deal value in the fourth quarter of 2023 reached \$194 billion, setting a quarterly record and surpassing the prior trailing three-quarter aggregate deal value of \$187 billion. The sector finished 2023 with over 1,100 closed deals totaling \$381 billion. The median deal size reached a high of \$109 million, up approximately 12% compared to 2022, and nearly 40% when compared to 2021.

Notable Energy Acquisitions (2)

Acquirer	Target
 HQ: London, UK	 HQ: Cleveland, OH
Value: \$1.3B 2Q 2023	

Acquirer	Target
 HQ: Spain	 HQ: Houston, TX
Value: \$768M 3Q 2023	

Acquirer	Target
 HQ: Boston, MA	 HQ: Charlotte, NC
Value: \$364M 3Q 2023	



(1) Pitchbook



(2) PwC

(3) 2023 EV/EBITDA values hampered by smaller, much higher volume rollup M&A activity with minority share operators. Unprecedented levels of M&A activity in 4Q drove annual growth

Fin. Services | M&A Commentary (1)

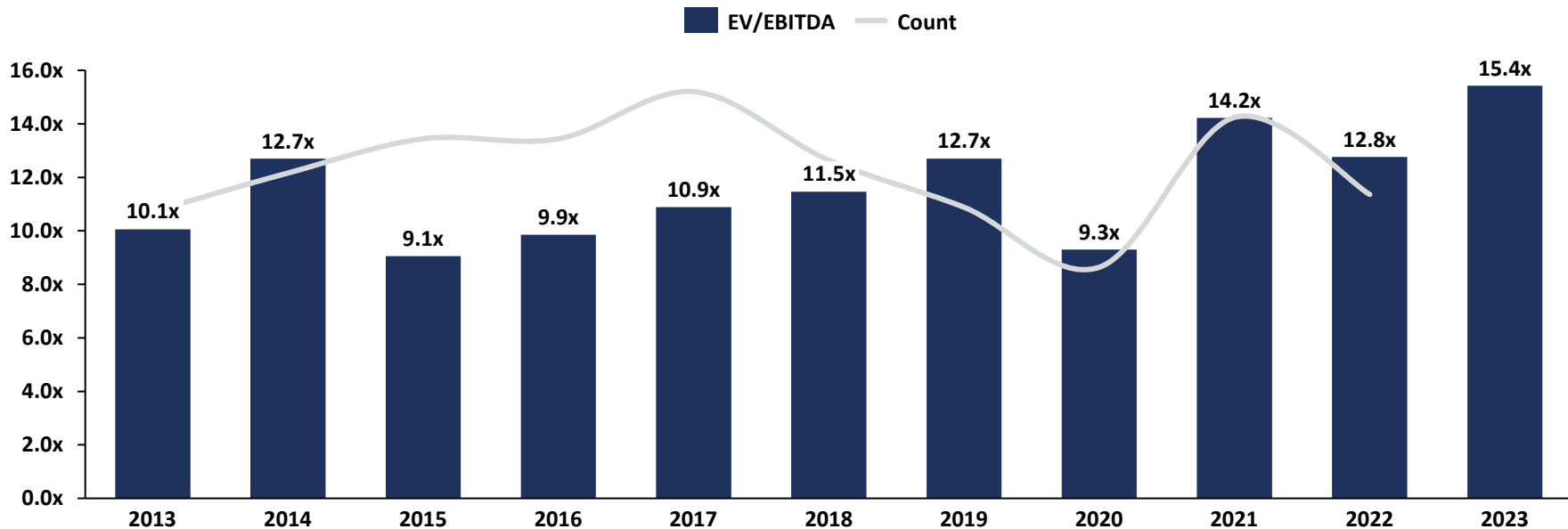
The Financial Services sector experienced its second straight year of overall deal value contraction in 2023. The slowdown in M&A activity is most attributable to macroeconomic headwinds, in addition to the 'mini-crisis' the banking sector experienced early in 2023. Deal values at the end of 2023 represented a decrease of 51.4% from its peak in the third quarter of 2021. Overall, there were 2,771 completed or announced deals in the Financial Services sector, aggregating to \$319 billion. The median deal size was \$47.4 million in 2023, lower than the pre-pandemic median of \$50 million.

Notable Fin. Services Acquisitions (1)

Acquirer	Target
 THE RMR GROUP HQ: Boston, MA	 CARROLL HQ: Atlanta, GA
Value: \$100M 4Q 2023	

Acquirer	Target
 ANGELO GORDON MORTGAGE INVESTMENT TRUST, INC. HQ: New York, NY	 WMC HQ: Pasadena, CA
Value: \$69M 3Q 2023	

Acquirer	Target
 MGT HQ: Los Angeles, CA	 CMSelect INSURANCE COMPANY HQ: Greenwood, CO
Value: \$32M 3Q 2023	







(1) Pitchbook

Healthcare | M&A Commentary ⁽¹⁾

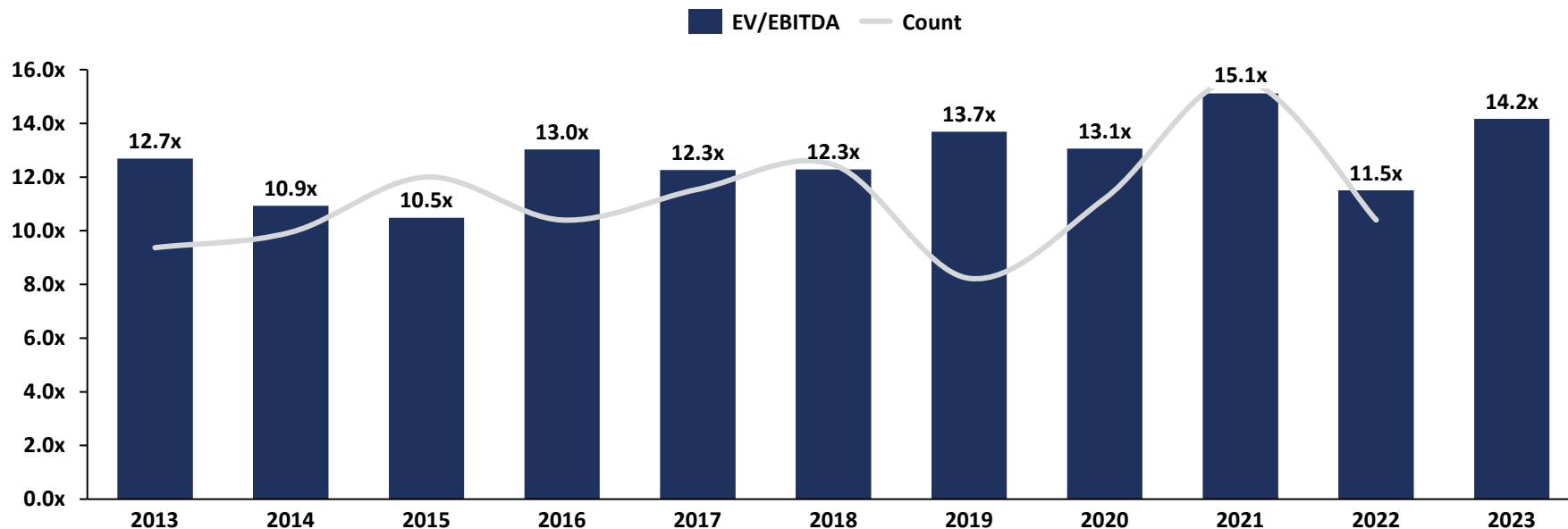
The Healthcare sector's M&A activity in 2023 fell just short of its 2022 levels. In 2023, the healthcare sector saw 2,956 closed or announced deals representing an aggregate value of \$428 billion. The Healthcare space is still feeling pressures from staffing costs and population-level health changes following the pandemic. 2023 included many distressed Healthcare transactions, and 2024 is projected to include notable strategic M&A activity to reposition the industry to take advantage of AI, weight loss, value-based care, and healthcare consumerization.

Notable Healthcare Acquisitions ⁽¹⁾

Acquirer	Target
 Halma	 TSI TeDan Surgical Innovations
HQ: UK	HQ: Sugar Land, TX
Value: \$100M 4Q 2023	

Acquirer	Target
 OptimizeRx	 Medicx Health
HQ: Waltham, MA	HQ: Scottsdale, AZ
Value: \$95M 4Q 2023	

Acquirer	Target
 enovis	 novastep
HQ: Wilmington, DE	HQ: Englewood Cliffs, NJ
Value: \$97M 3Q 2023	

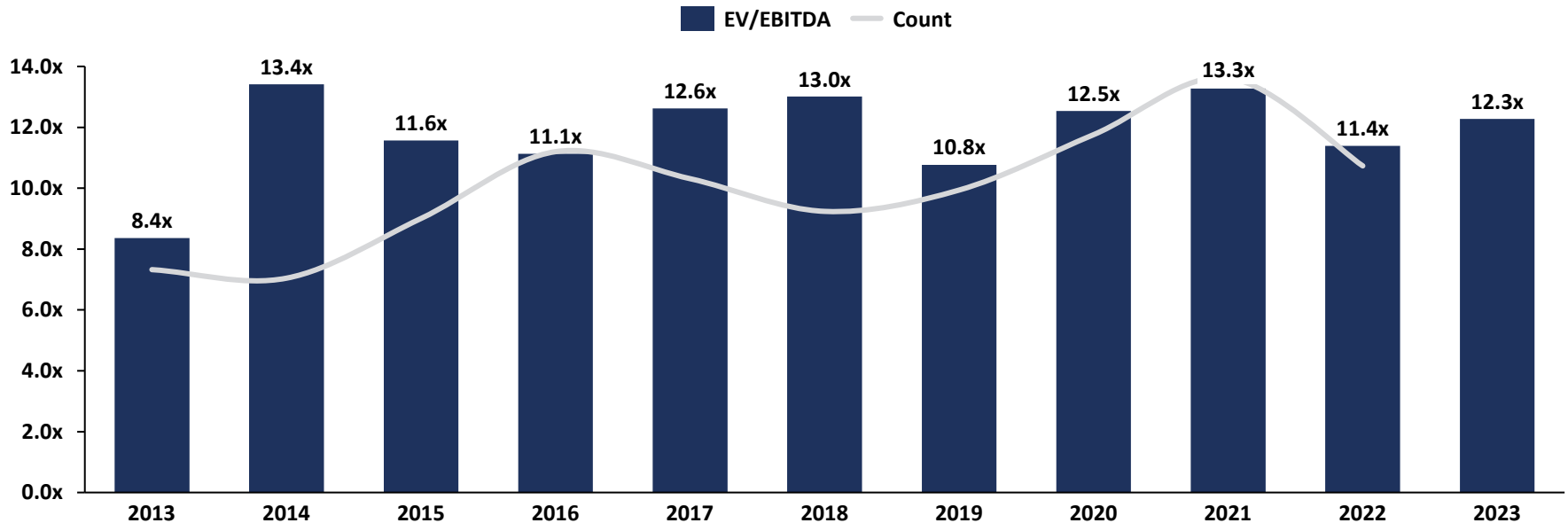
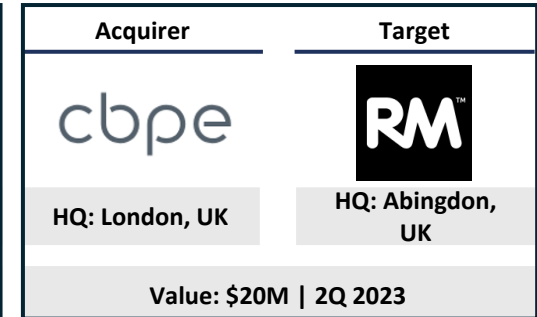


(1) Pitchbook

IT | M&A Commentary (1)

The Information Technology sector experienced a significant step back in M&A activity in 2023. Deal values and counts slipped by 44.9% and 24.1% respectively, as post-pandemic headwinds continued to create bottlenecks in the M&A market. In 2023, IT deals made up 15.1% of global M&A activity, around 800 basis points short of 2022 levels, but less than 100 basis points below pre-pandemic averages. While activity in IT stalled in 2023, the sector experienced nearly a full turn of multiple expansion, driven primarily by high-quality software deals in the private equity markets.

Notable IT Acquisitions (1)

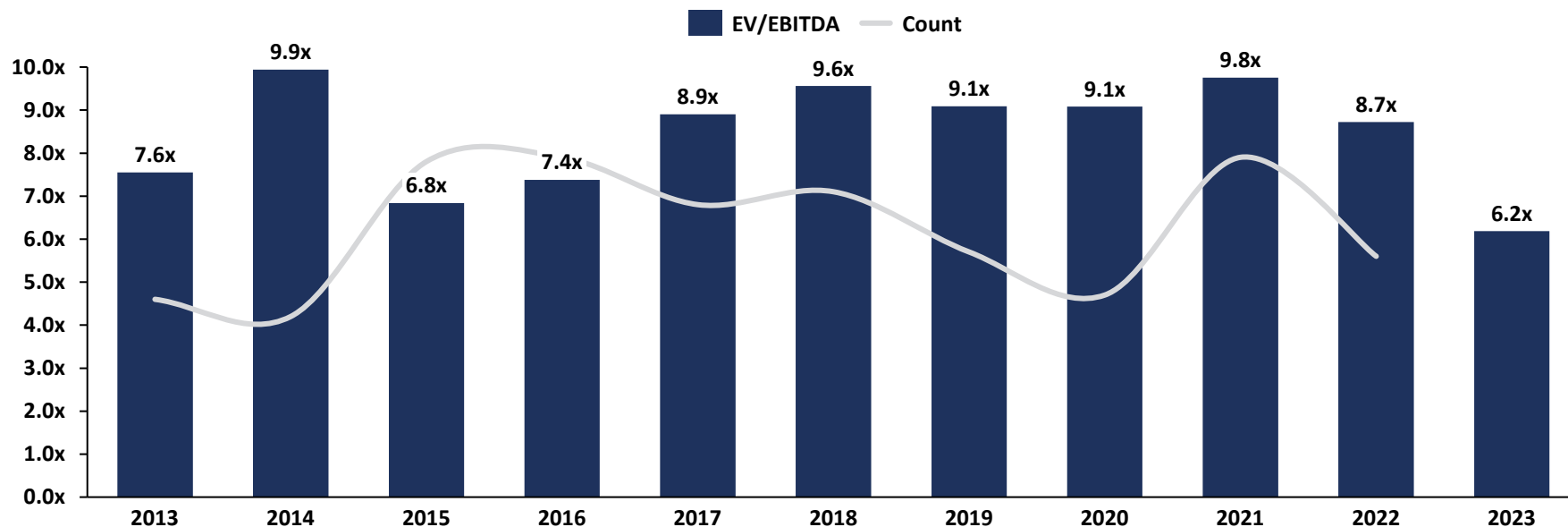
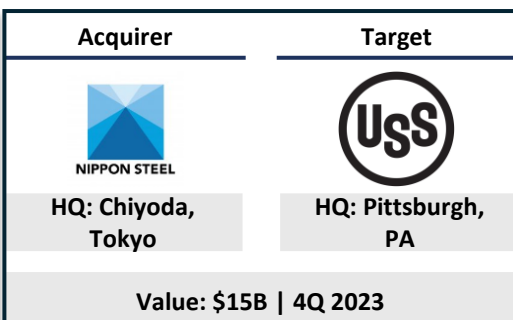


(1) Pitchbook


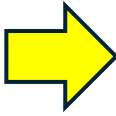



Mat/Res. | M&A Commentary (1)

The Materials and Resources sector experienced a bounce back in 2023, marking its highest-value year since 2018, albeit at a lower aggregate multiple. There were 1,303 deals completed or announced in 2023, representing an aggregate value of \$189 billion and an increase of 39.4% year-over-year (YoY). While traditionally a cyclical sector, there was a resurgence of larger-scale deals in 2023, primarily driven by the metals, minerals, and mining subsectors. The industry is expected to maintain momentum into 2024, as the reshoring of domestic manufacturing continues, coupled with a contraction in interest rates.

Notable Mat/Res. Acquisitions (1)



(1) Pitchbook

Market Force	2023 Description	Sentiment	2024 Outlook
Economic Conditions	In 2023, the US economy experienced moderate growth, with steady GDP expansion. However, interest rates remained elevated, limiting access to favorable debt packages in M&A. Inflation and supply chain disruptions continued to create uncertainty in US markets and abroad.		The 2024 outlook is relatively stable, with moderate growth expected. Inflationary pressures are expected to continue easing; however, slower declines in interest rates may hamper the M&A environment. Many uncertainties remain heading into 2Q 2024.
Regulatory Environment	There were some changes to the regulatory environment in 2023, particularly relating to antitrust and tax laws. There was increased scrutiny of large M&A deals by regulatory bodies, leading to complexities in approval processes for some transactions. Tax reforms impacted deal structuring and decision-making at the company level.		No major regulatory changes are at the forefront of discussion to date in 2024. However, increased scrutiny in the IT and healthcare sectors is expected to continue.
Sector Trends	Numerous industries underwent shifts in 2023. The IT sector remained a high point in M&A activity, as digital transformation and cloud-based interfaces became more crucial to daily life. Healthcare, biotech, and materials were also notable performers in 2023.		Industry tailwinds are expected to drive robust M&A activity in 2024, particularly in the IT, healthcare, and energy sectors. Companies will continue to pursue inorganic growth to develop competitive positioning, enter new markets, and achieve operational synergies.
Access to Capital	Access to capital remained challenging for most of 2023, as elevated interest rates stagnated. Private credit funds allowed for creativity in finding new ways to use leverage in M&A; however, the general private equity (PE) market remains sitting on unprecedented reserves of dry powder.		Access to capital will likely inversely mirror the movement of interest rates in the market. If rates experience a substantial decline in 2024, private equity funds will begin to deploy their reserves of dry powder, which grew to unprecedented levels in 2023.
Global Events and Geopolitical Risks	Trade tensions between the US and China, along with continued uncertainties surrounding Brexit, created global market volatility in 2023. As 2024 is an election year in the US, the domestic outlook is likely more favorable than the global outlook.		Geopolitical tensions remain a concern in 2024, particularly fueled by conflicts in Eastern Europe and the Middle East. Disputes and supply chain disruptions continue to pose threats to the M&A landscape.

Carleton McKenna Overview

Carleton McKenna & Co is an independent investment banking firm providing M&A and Capital Raising advisory services. We work with middle-market closely-held family businesses, multi-generational family businesses, portfolio companies of financial sponsor firms and divisions or subsidiaries of public companies focusing in Specialty Manufacturing, Consumer Products, B2B Services, and Healthcare.

Our Team is made up of finance and accounting experts, entrepreneurs and operators, C-Suite and Board professionals, lawyers, consultants and marketing professionals. These diverse experiences and skills drive extraordinary results for our clients.

We believe businesses are the economic engine of our society, and that business owners deserve and require a proactive advocate to maximize life changing transactions.

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- Business-to-Business Services
- Specialty Manufacturing & Industrials
- Consumer Products, Food/Beverage & Retail
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Brandon Novak
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