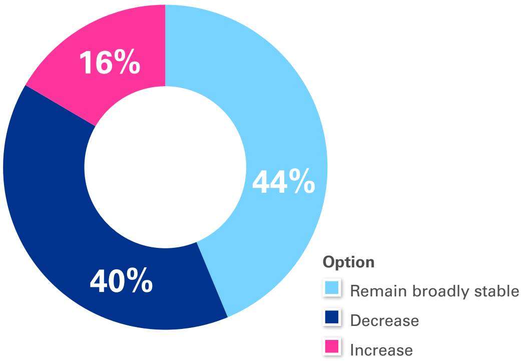
M&A Outlook 2023

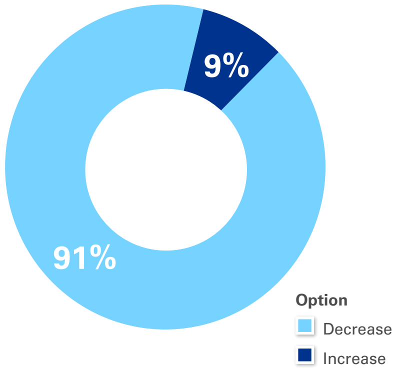
DEAL VOLUMES

Following a number of buoyant years in the M&A market, 40% of participants expect deal volumes to decrease in 2023. Continued confidence in the market is evidenced by 44% of participants indicating that 2023 volumes will remain broadly stable as compared to 2022 and 16% expecting growth.



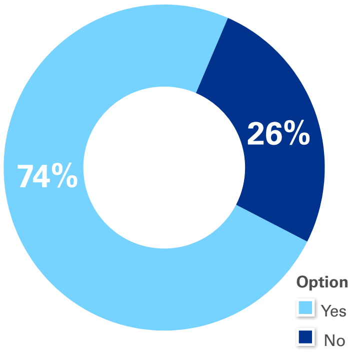
DEAL MULTIPLES

Following an extended period in which heightened competition drove deal multiples to historic levels, respondents anticipate a softening in 2023. While macro factors such as inflation, interest rates and the global outlook weigh on valuations, the number of parties seeking deals should provide some support.



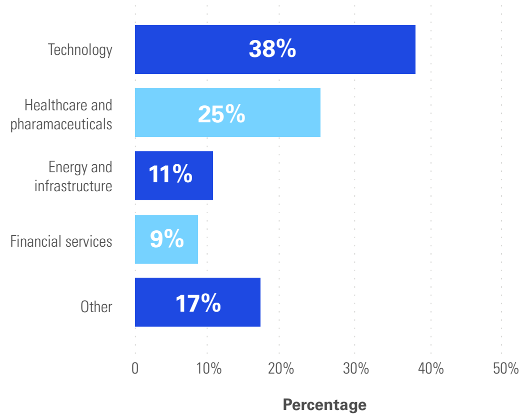
PURSUING M&A

In a positive outlook for deal activity 74% of respondents intend to pursue M&A opportunities in 2023 as dealmakers capitalise on inorganic growth opportunities. Anticipated deal valuation declines in some sectors coupled with greater seller flexibility may provide opportunities to unlock some deals. High quality businesses are expected to remain attractive to local and international buyers.



SECTOR ACTIVITY

In spite of recent technology firm restructures M&A leaders expect the Technology sector to be most active in 2023 as investors look to strengthen their existing offering and capitalise on lower valuations. Healthcare/Pharmaceuticals and Energy/Infrastructure sectors are also expected to be active in 2023.

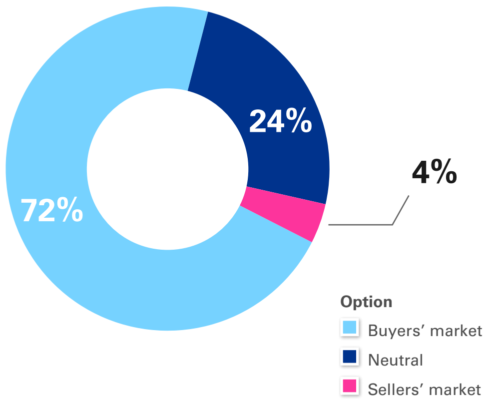


" In spite of the economic uncertainty, there is plenty of opportunity for M&A activity in 2023 as market multiples soften. High quality targets in Northern Ireland continue to be of interest to both national and international investors. Diligence in all its forms will become essential to validating investment returns. "

- Neil O'Hare, Partner, Deal Advisory, KPMG in Northern Ireland

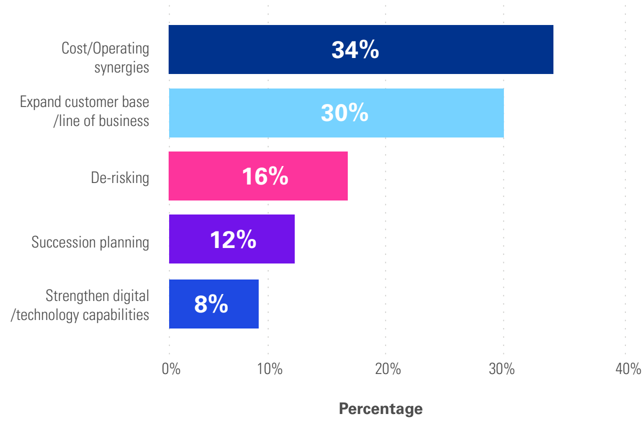
BUYERS' OR SELLERS' MARKET

In contrast with 2022, 72% of respondents anticipate that 2023 will be a buyers' market bolstered by the expectation that deal multiples will soften.



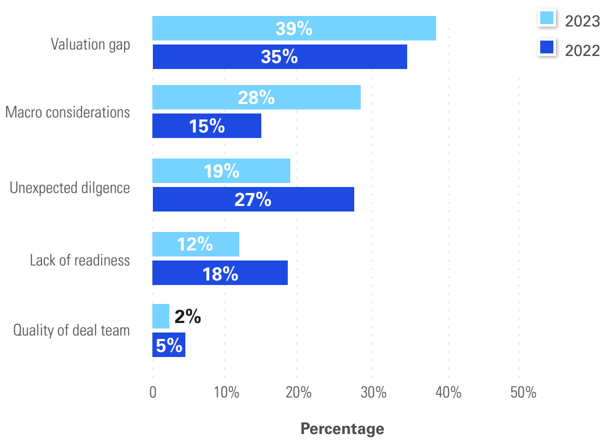
SHAREHOLDER CONSIDERATIONS

Realisation of cost/operating synergies was highlighted as the key driver for M&A activity in 2023 as investors look to unlock value. Expansion of customer base/lines of business was also noted as a key inorganic growth driver to realise bottom line growth.



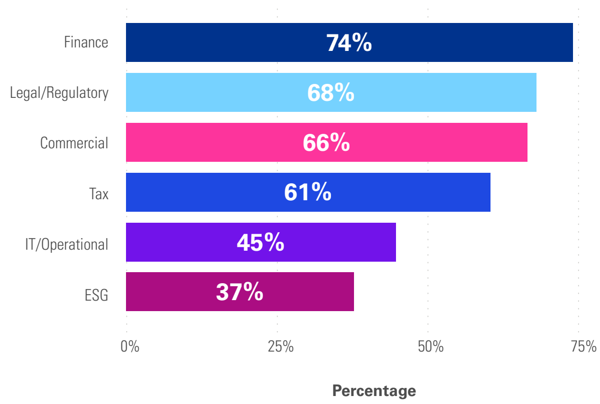
DEAL FAILURE

As with prior years, valuation gaps continue to be cited as the primary deal inhibitor. In light of current market uncertainty, 28% of respondents believe macro considerations to be the second most likely driver of deal failure in 2023 which is echoed in results throughout this survey.



DILIGENCE ACTIVITY

Highlighting the importance of diligence work streams to the execution of a transaction, M&A leaders highlighted the growing importance that IT/Operational and ESG diligence will play. Traditional diligence workstreams continue to be seen as key to unlocking deal value.

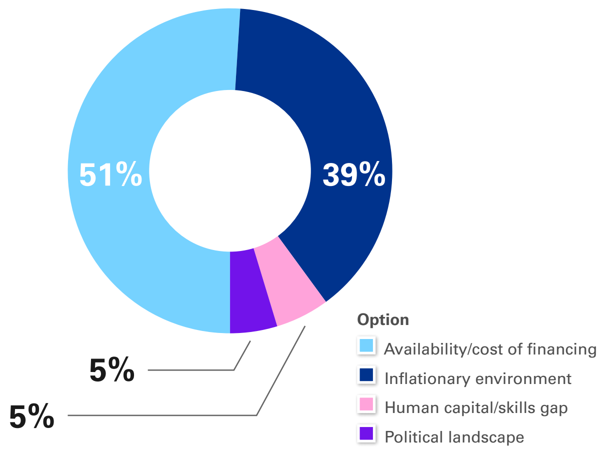


" The respondents clearly view access to finance as being the key determinant to successful deal making in 2023. We continue to see appetite from bank and non-bank lenders and also private equity investors to support M&A opportunities that create values. "

- Chris Donnelly, Director, Corporate Finance, KPMG in Northern Ireland

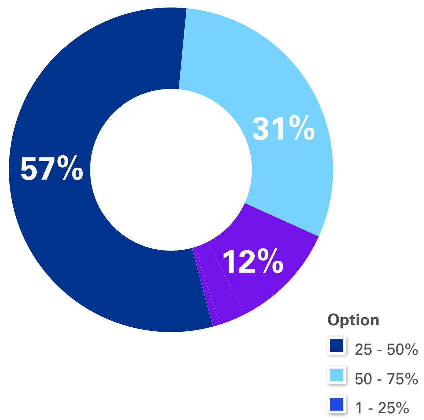
INHIBITORS TO M&A

Given rising interest rates and market uncertainty, 51% of M&A leaders identified availability/cost of financing as the primary obstacle facing deal activity in 2023. 39% cited the current inflationary environment as a concern, indicating that macroeconomic trends will be at the forefront of dealmakers' minds in 2023.



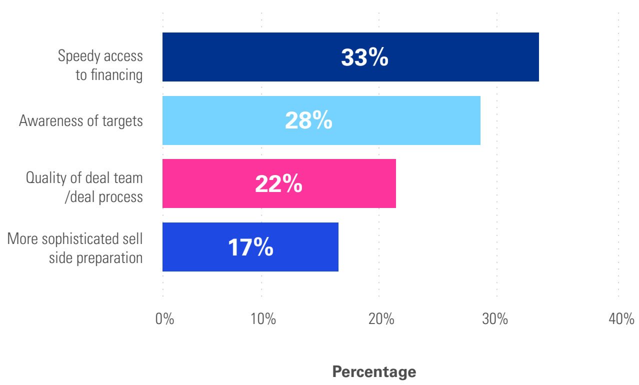
DEBT FUNDING

In a shift from prior years, respondents noted a propensity to fund a transaction from a reduced level of debt fuelled by recent interest rate hikes. Despite these external challenges, there continues to be support from traditional banks and non-bank lenders for M&A transactions.



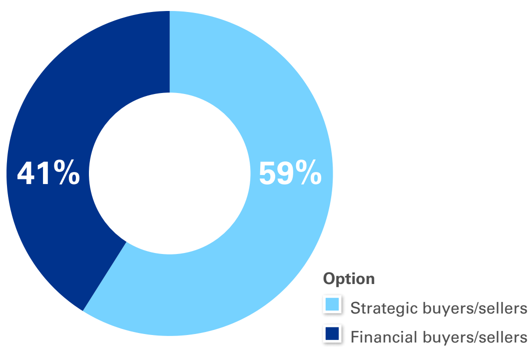
GREATER DEAL MAKING

Unsurprisingly, 33% of M&A leaders highlighted speedy access to financing as the greatest enabler of dealmaking in 2023. The ability to rapidly access funding will be a key differentiator for buyers and will play an increasing role in buyer selection. As in prior years strong networks will need to be maintained to ensure awareness of key targets.



FINANCIAL OR STRATEGIC BUYER

59% of respondents expect strategic buyers to be most active in 2023 as companies seek to strengthen their operations to achieve growth ambitions. International investors continue to be active in the market, with private equity sitting on record levels of dry powder.



" After a buoyant period for dealmakers, macro concerns and a more constrained debt financing environment looks likely to pare activity in 2023. Appetite however remains strong from private equity, with record levels of dry powder and corporates with strong balance sheets. While investors are being more selective, we continue to see strong competition and pricing for targets with resilient business models and in select sectors such as energy and technology. "

- Russell Smyth, Partner and Head of Deal Advisory, KPMG in Northern Ireland

KPMG

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