DEAL MAKERS SENTIMENT SURVEY 2023

Mergers and acquisitions

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Mergers and acquisitions

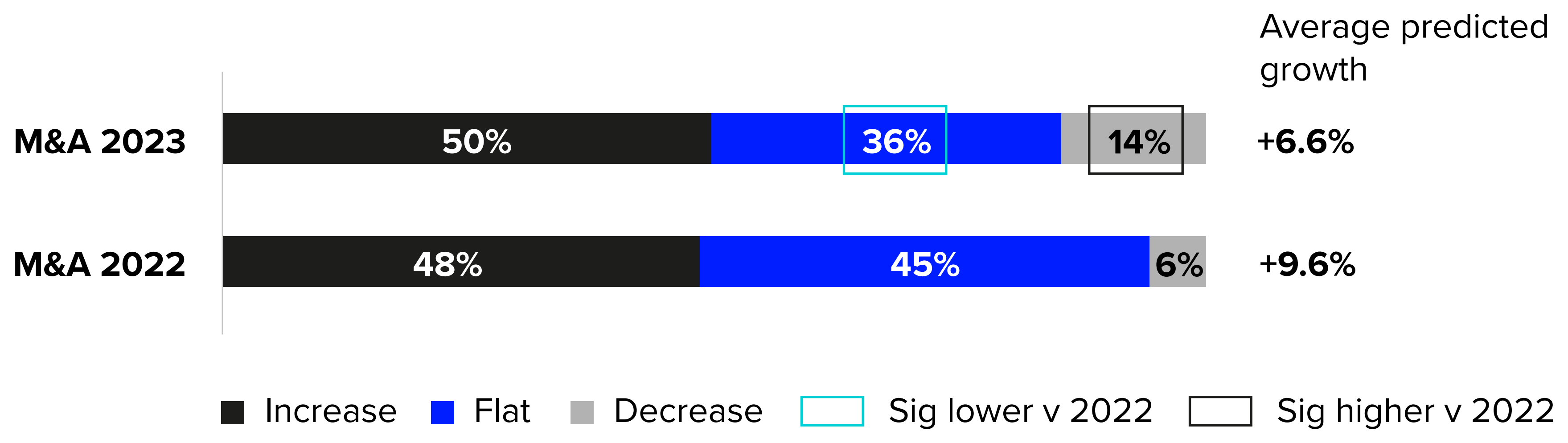
After a volatile year, deal makers are generally more cautious in their M&A expectations for 2023 – particularly in the US, which saw the steepest declines in activity over the past 12 months. By contrast, optimism is emerging across EMEA and, to a lesser degree, Asia. The most decisive shift in M&A sentiment is sectoral – in favour of the already-dominant technology and healthcare industries.

Deal makers across the world have become markedly divergent in their expectations for merger and acquisition activity in 2023, with a notable increase in negative sentiment compared with last year.

Overall, the 551 deal makers surveyed expect modest growth in M&A activity, at an average of 6.6%.

About half of deal makers – a similar proportion to last year – remain positive about the prospects for growth, but fewer deal makers are “on the fence” – just 36% expect “no change” in activity levels, compared 45% last year. The proportion expecting a decline in deals has risen from 6% last year to 14% for 2023.

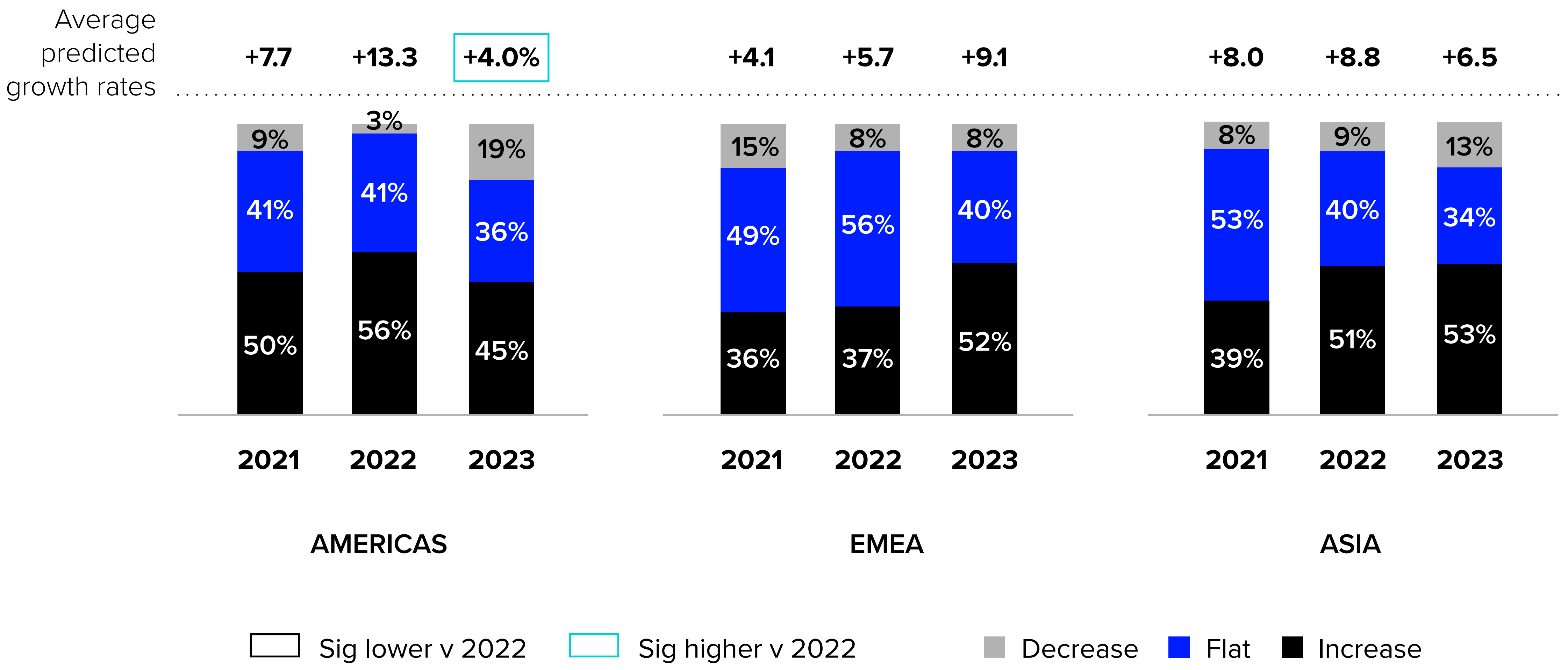
ANTICIPATED GLOBAL M&A CHANGES



Optimism shifts east

The rise in pessimism is largely concentrated in the Americas, with nearly a fifth of deal makers expecting the M&A market to shrink in 2023 compared to just 3% in 2022. The shift in sentiment follows a challenging year for deals in the US, where activity in 2022 was some 43% lower than the preceding year.

ANTICIPATED GLOBAL M&A VOLUME CHANGES



By contrast, just 8% of deal makers in EMEA and 13% in Asia are expecting a decline and more than half of respondents in both regions anticipate growth.

Investment banking and advisory professionals continue to be more bullish than their in-house counterparts, with more than half expecting growth in 2023 compared to just 38% of corporate deal makers.

“A NEGATIVE IMPACT IS EVIDENT DUE TO THE WAR BETWEEN RUSSIA AND UKRAINE. GOVERNMENT SCRUTINY ADVERSELY IMPACTS DEALMAKING.”
- Investment banker, US

“THE MARKET IS STILL RECOVERING FROM THE PANDEMIC.”
- Corporate deal maker, US

"REGARDLESS OF THE ECONOMIC DOWNTURN M&A WAS ABLE TO CONTINUE ITS GROWTH IN THE MARKET, WHICH I BELIEVE IS ALSO GOING TO INCREASE IN 2023."

- Private equity manager, UK

"DESPITE THE GLOBAL ECONOMIC UNCERTAINTY, THE UAE MARKET IS PROCEEDING TO OBSERVE A POSITIVE DIRECTION IN M&A ACTION."

- Investment banker, UAE

"M&A HAS GAINED SPEED IN THE MARKET SINCE THE START OF THIS YEAR, WHICH IS LIKELY TO INCREASE NEXT YEAR."

- Investment banker, the Netherlands

"REGARDLESS OF THE ECONOMIC CHALLENGES, M&A SERVICES ARE SIGNIFICANTLY GROWING IN APAC AND THIS IS GOING TO CONTINUE IN THE FUTURE."

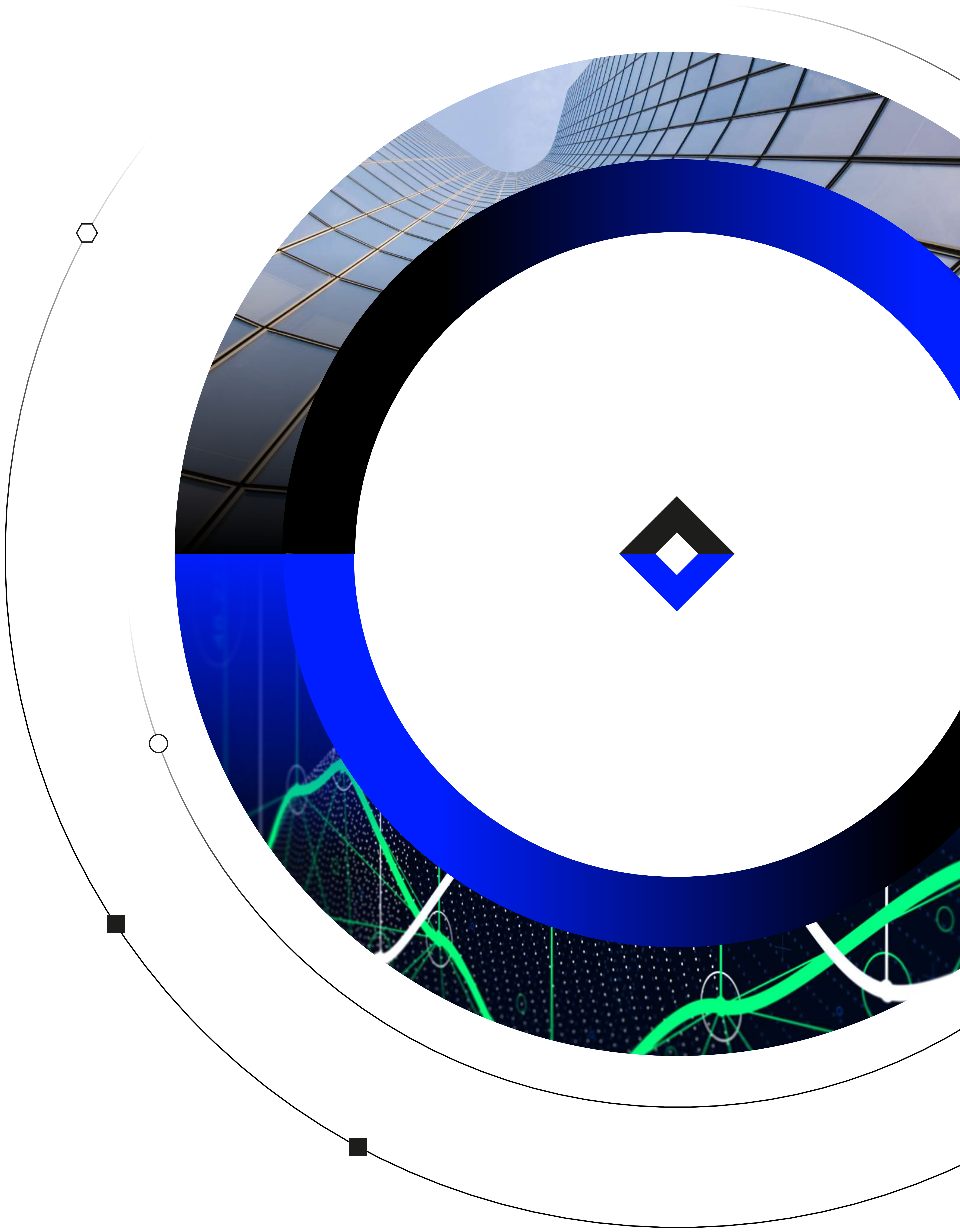
- Corporate deal maker, Hong Kong

Influencing factors

Macroeconomic and political factors have shot up the agenda for international M&A, with price inflation mentioned by 23% of respondents compared to just 7% last year, while government policy or regulation was cited by 15%. Many also considered the impact of technology and supply chains pertinent. By contrast, investor- and investment-related topics, such as the availability of finance, market potential and stimulus measures, are not as front-of-mind.

The factors influencing local M&A follow the same pattern – with the availability of labour being an additional concern.

> **"THE RECENT FEAR OF HITTING RECESSION WOULD BE THE BIGGEST FACTOR AT PLAY. THERE ARE SO MANY OTHER FACTORS LIKE LACK OF TRUST IN THE GOVERNMENT, TAX LAWS AND CURRENT MARKET TRENDS WHICH ARE ALREADY A CHALLENGE."**
> - Commercial banker, UK
>
> **"THE SHOCK OF THE PANDEMIC HAS CREATED NEW REGULATIONS IN THE COUNTRY, MAKING IT DIFFICULT FOR BUSINESSES TO GO FURTHER."**
> - Investment manager, China
>
> **"GETTING THE RIGHT TALENT IS A CHALLENGE AND THAT IS NEGATIVELY IMPACTING DEAL MAKING."**
> - Private equity manager, Hong Kong

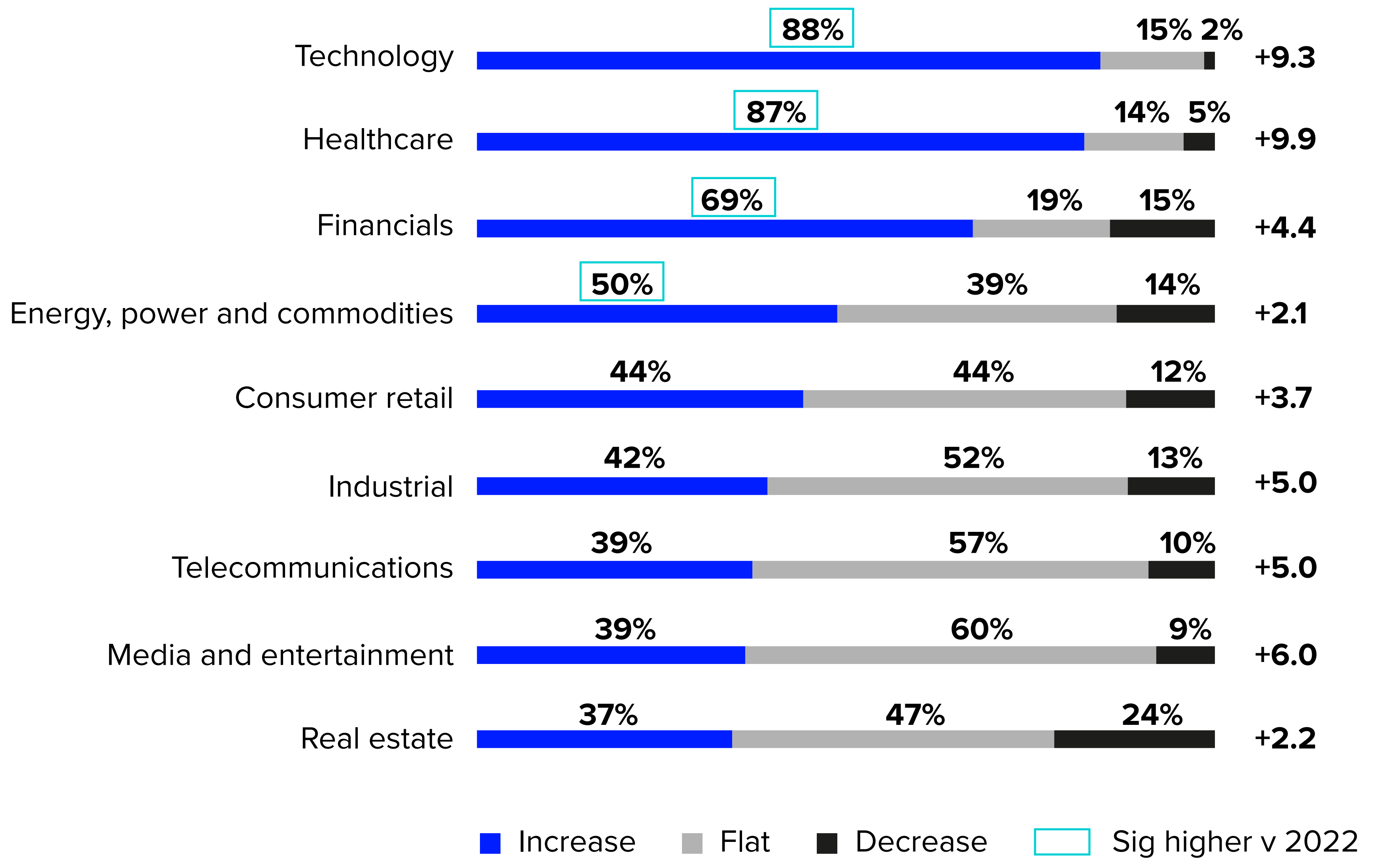


Technology and healthcare: the big to get bigger

The two big winners of the past decade, technology and healthcare, are predicted to take a further leap ahead of other industrial sectors in 2023, with 88% and 87% of deal makers respectively expecting growth in M&A. Both sectors have an average expected growth rate of close to double digits. Just 2% expect technology to shrink and 5% expect fewer healthcare M&A.

Deals in the financials sector are also expected to see reasonable growth during 2023 – of 4.4% – while half the market expects to see growth in the energy, power and commodities sector.

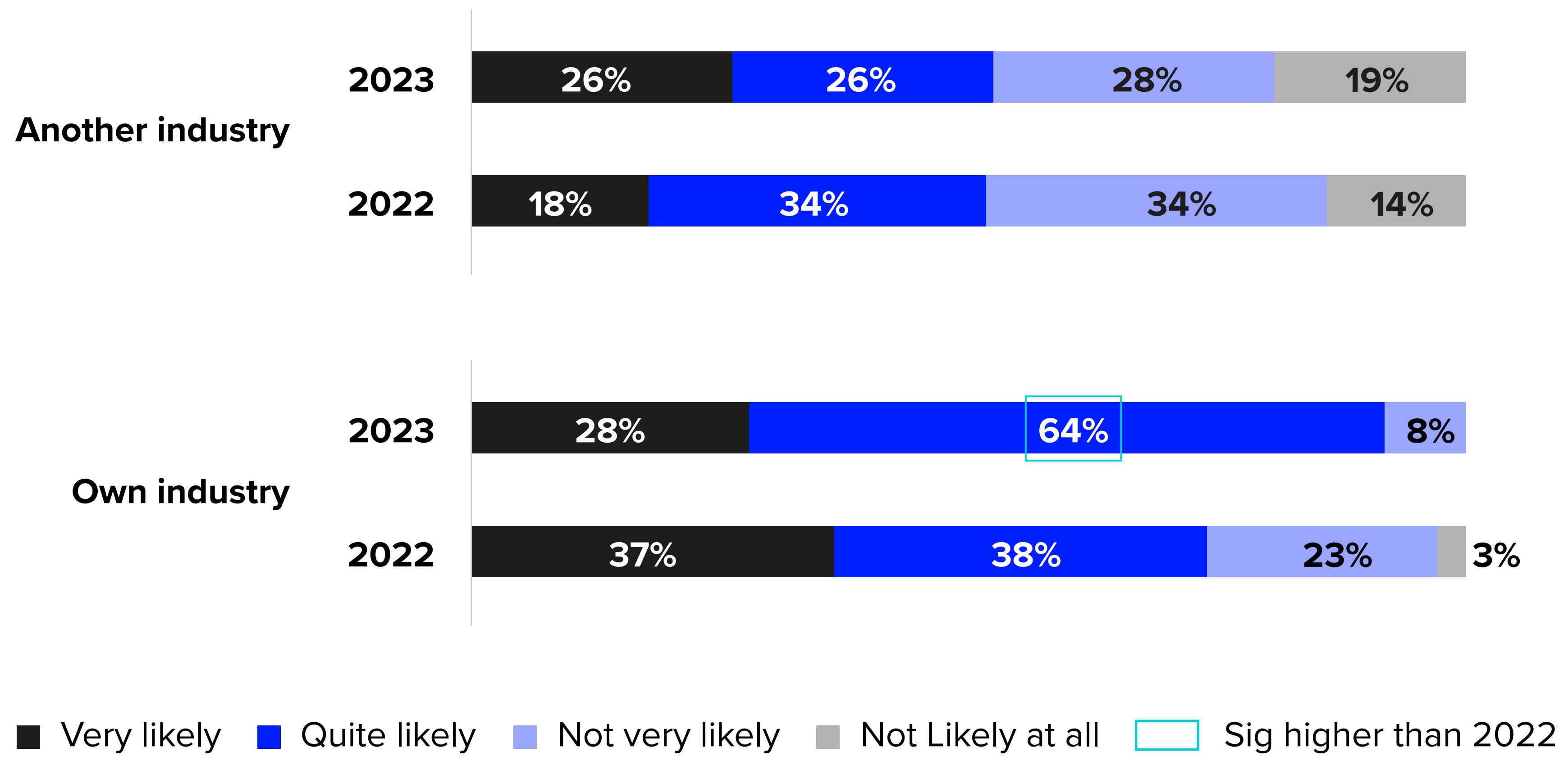
ANTICIPATED M&A VOLUME BY INDUSTRY SECTOR



Corporates stay close to home

While a cautious sentiment is clearly visible, we may see an increase in intra-sector M&A as corporates look to take advantage of depressed or distressed circumstances to consolidate their own markets. The proportion of corporate deal makers who consider such activity likely has increased from 75% to 92%. By contrast, a little over half anticipate transacting outside of their main industry.

LIKELIHOOD THAT CORPORATIONS WILL MAKE AN AQUISITION



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