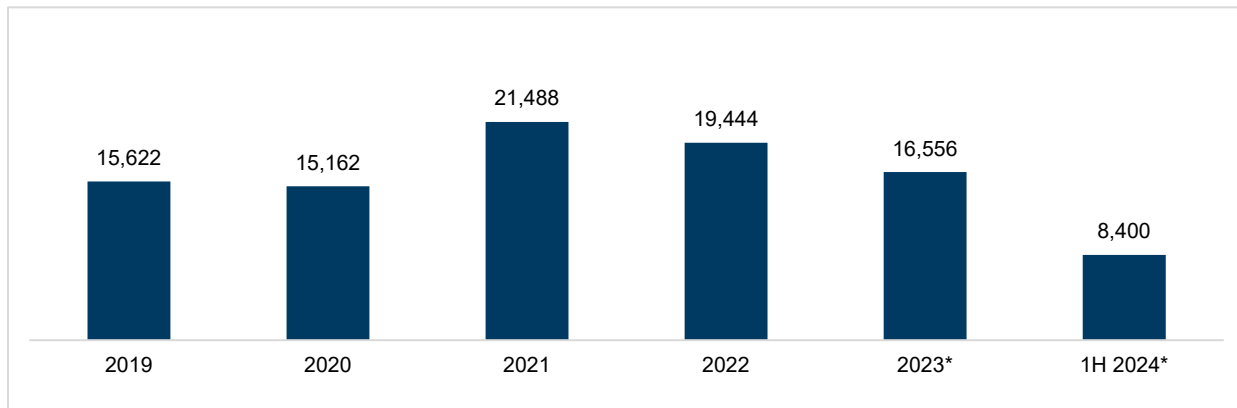


Uptick in Q2 M&A Transaction Volume

By Robert Murphy, Senior Managing Director and Alberto Sinesi, Director

For the second quarter, M&A transaction volume in North America after all deals are reported is expected to be 4,300 – a seven percent increase over the average of the prior four quarters. PKF Investment Banking anticipates a three to four percent increase in deal volume for 2024 compared to 2023 and an upward trend over the next six quarters. We attribute this to aging baby boomers contemplating a potential exit scenario and an abundance of available capital, with corporate cash on hand estimated at \$4 trillion (*Bloomberg*) and \$1 trillion of accumulated private equity dry powder (*2024 US Private Equity Outlook Midyear Update*).

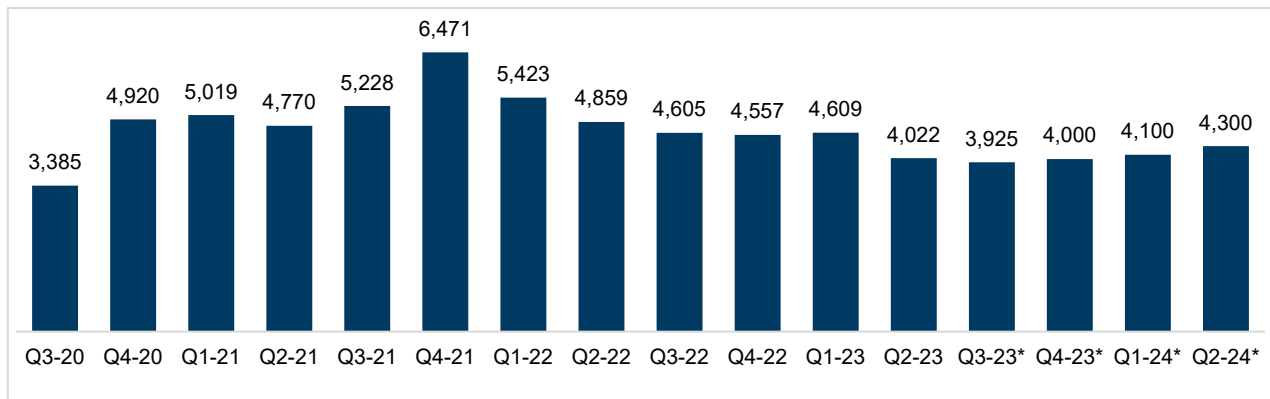
Annual M&A Transaction Volume (Deal Count) in North America



Source: Pitchbook and PKF Investment Banking research

Note: Last two quarters of 2023 and first two quarters of 2024 include estimates based on deals reported through August 31, 2024.

Quarterly M&A Transaction Volume (Deal Count) in North America



Source: Pitchbook and PKF Investment Banking research

Note: Last two quarters of 2023 and first two quarters of 2024 include estimates based on deals reported through August 31, 2024.

Observations for the First Eight Months of 2024

- There is a persistent shortage of high-quality assets in the marketplace.
- High-quality assets are transacting at premiums.
- Scarcity of high-quality assets has caused private equity to move down in transaction size.
- Valuation multiples in the middle market have stabilized, after contracting in 2023.
- Valuation gap expectations between buyers and sellers are narrowing.
- Private equity add-on activity remains robust.
- Increasing optimism for a strong 2025 M&A market.

Industry Sectors in Demand

The table below provides an illustrative list (not a complete list) of industry sectors that have witnessed resilient M&A activity and healthy valuation multiples. Sectors in favor include companies with strong end markets, tangible growth opportunities, visibility of earnings, consolidation strategy and attractive cash flow and margin profile.

Select Sectors Observing Resilient Activity	Favorable Business/Sector Characteristics
Tech-enabled health care and business services	Recurring purchasing pattern/revenue visibility
Financial services/fintech/insurance	Solid cash flow profile vs. growth at all costs
SaaS	Sticky customer/vendor relationships
Value-added distribution	Functional nature of products/services
Automotive aftermarket/services	Premium brand positioning
HVAC/landscaping/roofing services	Efficient operations mitigating supply chain issues
Pet services/foods	Defensible segments even during a downturn
Better-for-you foods/health and wellness products	Fragmented spaces ripe for consolidation
Frozen foods/ethnic foods	Underlying secular trends with strong tailwinds

Looking Forward

We expect that our next update in January 2025, after the election and with expected rate reductions over the coming months, will have a very positive outlook for both deal activity and valuation multiples in 2025.

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About PKF Investment Banking

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Whether a business owner is ready to sell the company or seeking growth through acquisition, our investment banking team is committed and credentialed to help owners achieve their objectives. PKF Investment Banking provides guidance through every step of the process and brings the expertise to enhance certainty to close – while always staying focused on maximizing the value derived from the transaction.

With deep expertise in and a dedicated focus on advising privately held middle-market businesses, **the PKF Investment Banking team has completed over 300 M&A and capital raise engagements in North America and abroad** during their careers. Our key services include sell-side and buy-side M&A advisory, exit readiness and transaction planning. For more information, visit www.pkfib.com.

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