



M&A Insights Q4 2022

**MIDDLE MARKET PRIVATE
EQUITY M&A TRENDS**

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MARKET UPDATE

The Q4 2022 M&A market remained strong, however off the historical highs from 2021, driven by rising interest rates, giving buyers pause.

Middle Market Summary

M&A markets remained strong in Q4 2022, with 2,377 deals closing for a combined value of \$234 billion. Relative to Q3 2022, deal volume and value were up 4% in Q4 2022. 2021 was a stellar year for M&A due to the rubber band effect caused by COVID-19, which held off 2019 and 2020 transactions until 2021. Even so, the M&A markets continued to perform well throughout 2022, due to the continued availability of capital and a generally strong economy. As 2022 ended, Q4 further revealed that private equity firms are experiencing amassed pressures to pivot their investment criteria as higher interest rates hurt the returns of new deals, possibly jeopardizing their funds' overall returns. Investors continue to be hard-pressed to complete smaller-sized deals and buy-and-build strategies as credit keeps tightening. For that reason, there were more add-ons and growth-orientated transactions when compared to prior quarters, specifically from strategic acquirers. These factors continue to fuel a strong M&A market despite lower transaction volumes.

Middle Market Insights

The short-term economic sentiment is still largely filled with recessionary fears and the impact of rising interest rates on the M&A market. Nonetheless, while interest rate increases are affecting deals, strategics, and financial sponsors continue to have a strong appetite to put capital to work. There has also been an uptick in creatively structuring equity transactions, even amongst strategic buyers. Owners now have more opportunities to take advantage of monetizing their business through a partial sale while maintaining equity; these factors, in tandem with the now increased active management strategies of buyers, highlight an environment that favors business owners.

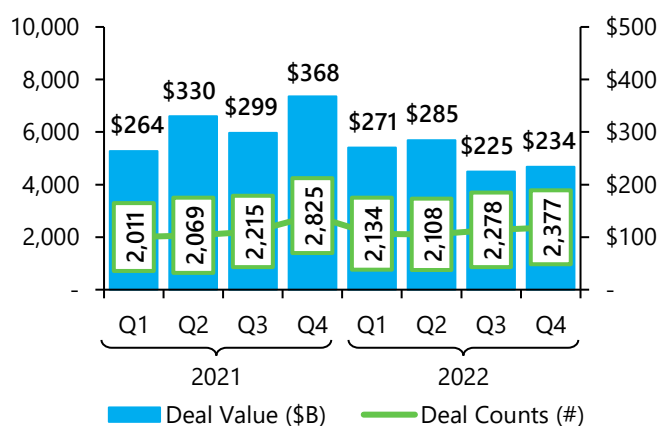
Sources: Pitchbook, Federal Reserve Bank, Wall Street Data.

Note: Data only includes private equity transactions and estimates disclosed as of 12/31/22, all figures are subject to change in future quarters.

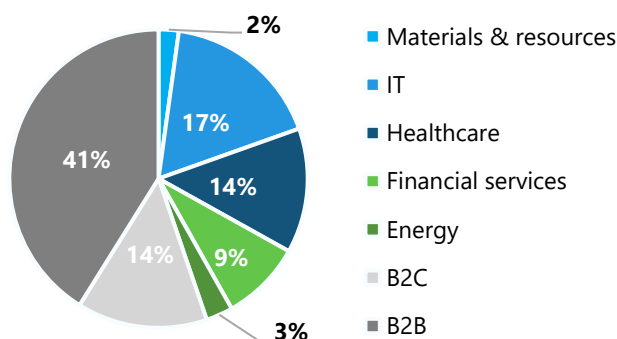
Deal Activity Snapshot

Volume:	2,377	↑	4%
Value:	\$234B	↑	4%

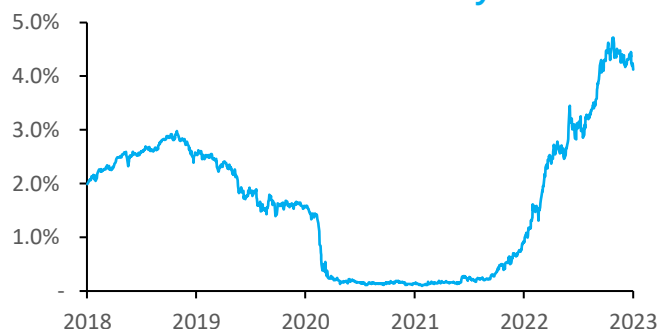
PE Deal Volume and Value (\$B)



PE Deal Volume by Sector (%)



U.S. 2 Year Treasury





About Charter

Founded in 1989, Charter Capital Partners is a premier investment banking firm headquartered in Grand Rapids, Michigan. We offer a comprehensive range of investment banking advisory services, including buy-side and sell-side M&A, succession planning, business valuation, and capital raise.

Charter was named one of the top 100 most referred middle-market advisory firms in the US, according to a survey of 1,000 private equity firms, strategic acquirers, and family offices compiled by Axial, a network of middle market investors, advisors, and CEOs. Our mission is to deliver superior professional guidance throughout the complete business lifecycle.

Advisory Services Snapshot

Type	Expertise
M&A Advisory	<ul style="list-style-type: none">Go-to-market sell-side advisoryBuy-side growth strategiesExit planningFairness opinions
Capital Raise	<ul style="list-style-type: none">Equity or debt capital raiseDividend recapitalizationSolvency opinionsMinority investors
Valuation Opinions	<ul style="list-style-type: none">Buy-sell agreementsGift, estate, and income tax mattersShareholder disputesPurchase price allocations
Capital Management	<ul style="list-style-type: none">Licensed Fund ManagementRegistered Investment Advisers

Broker dealer services offered through M&A Securities Group, Inc., Member FINRA/SIPC, a separate entity from Charter Capital Partners.

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