



M&A Insights Q3 2022

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

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MARKET UPDATE

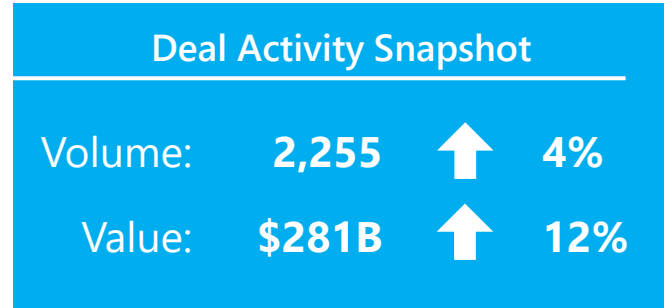
The M&A market through Q3 2022 showed resilience, totaling \$820 billion in deal value, despite growing macroeconomic concerns drawing caution to many buyers.

Middle Market Summary

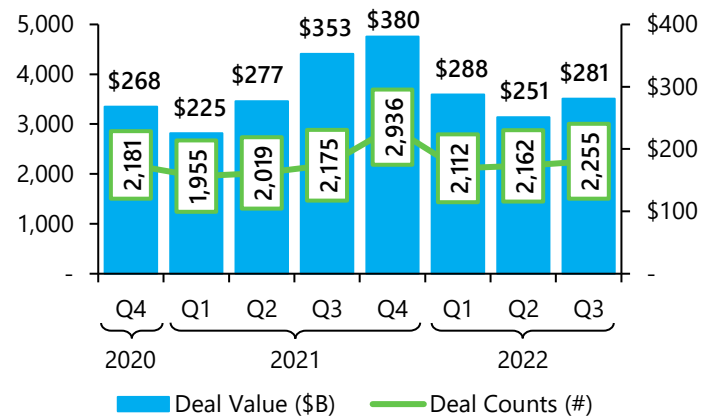
The M&A market continued to chug along in Q3 2022. In total, 2,255 deals closed for a combined value of \$281 billion, up 4% and 12% respectively from Q2 2022. While lower interest rates, pent-up demand, and pending tax implications drove much of the activity last year and in the early part of 2022, these favorable factors have since shifted throughout Q3 2022. Rising interest rates have continued to effect debt costs and the amount of leverage buyers are willing and able to use to finance acquisitions. Questions related to tax increases that were gray earlier in the year have started to clear up. However, despite these factors, there remains a considerable amount of dry powder that continues to build, along with the need to deploy it. The fact that PE deal activity was running ahead of 2021's frenzied pace through the first seven months of 2022 is a testimony to the resilience of the industry and the beneficial factors that remain prevalent.

Middle Market Insights

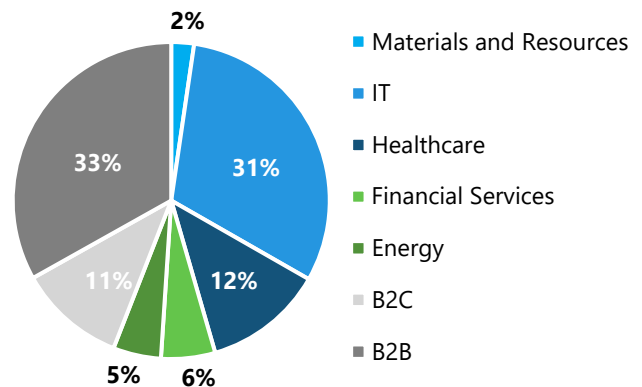
Charter has identified several key trends to monitor throughout the remainder of 2022, the first being the state of the economy and resulting investment strategies utilized by buyers. Buyers have recently begun to identify macroeconomic concerns as deal deterrents, and are approaching deals with more caution. Increased caution will likely lead to longer transaction processes and more diligence requests. Secondly, as buyers become more cautious and sellers remain in last year's mindset, valuation gaps are expected. We expect more emphasis will be placed on deal structure which could lead to heavier focus on add-ons vs. platform acquisitions. As evidence, ~80% of the buyout activity in Q3 was driven by add-on acquisitions. Overall, the M&A market remains active. However, as we approach year end, both buyers and sellers should prepare for creativity in dealmaking.



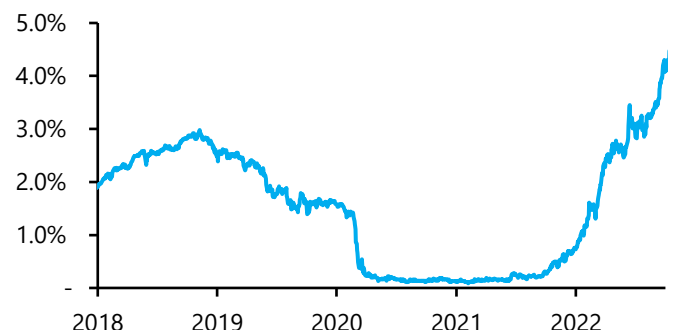
PE Deal Volume and Value (\$B)



PE Deal Volume by Sector (%)



U.S. 2 Year Treasury



Sources: Pitchbook, Wall Street Data. Note: Includes only private equity transactions as of 9/30/22



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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