



North American M&A Set to Accelerate

The mergers and acquisitions (M&A) market is primed for an acceleration. Positive macroeconomic trends, including a projected 200 bps cut in the Fed Funds Rate over the next 12 months, are fueling investor optimism. Valuations have rebounded, and lenders are eager to deploy capital, leading to improved deal terms. Despite a dip in deal volumes, private equity faces mounting pressure to invest, buoyed by resilient market sentiment and diminishing recession fears.

In the below perspective, we further explore these trends that support an M&A market acceleration.

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Positive Dynamics at Play

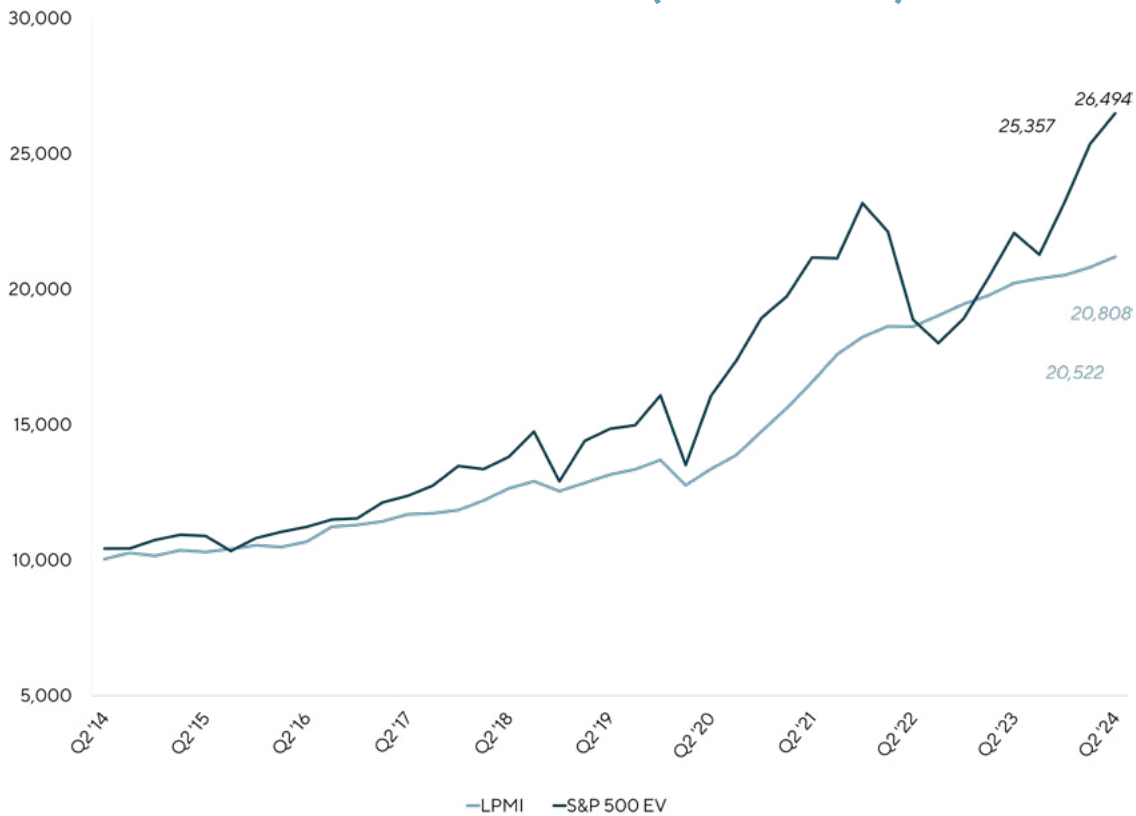
Several compelling signs show that the M&A market is ready for a surge in activity.

Private Market

Positive Macro Economic Outlook – As of September 2024, markets are currently pricing in a [~200 bps decrease in the Feds Funds Rate over the next 12 months](#), which will boost investor confidence and provide a tailwind for private equity firms to engage in a higher level of deal making activity.

Valuation Recovery – Private company and public market valuations both increased in H1 2024; private company valuations, driven by strong operating performance, remained less volatile than the S&P 500, where increases were largely driven by multiple expansion within the seven largest companies.

Selected Market Indices (Index Values)



	Q2 '24	LTM
LPMI ¹	1.9%	4.8%
S&P 500 EV ²	4.5%	20.0%

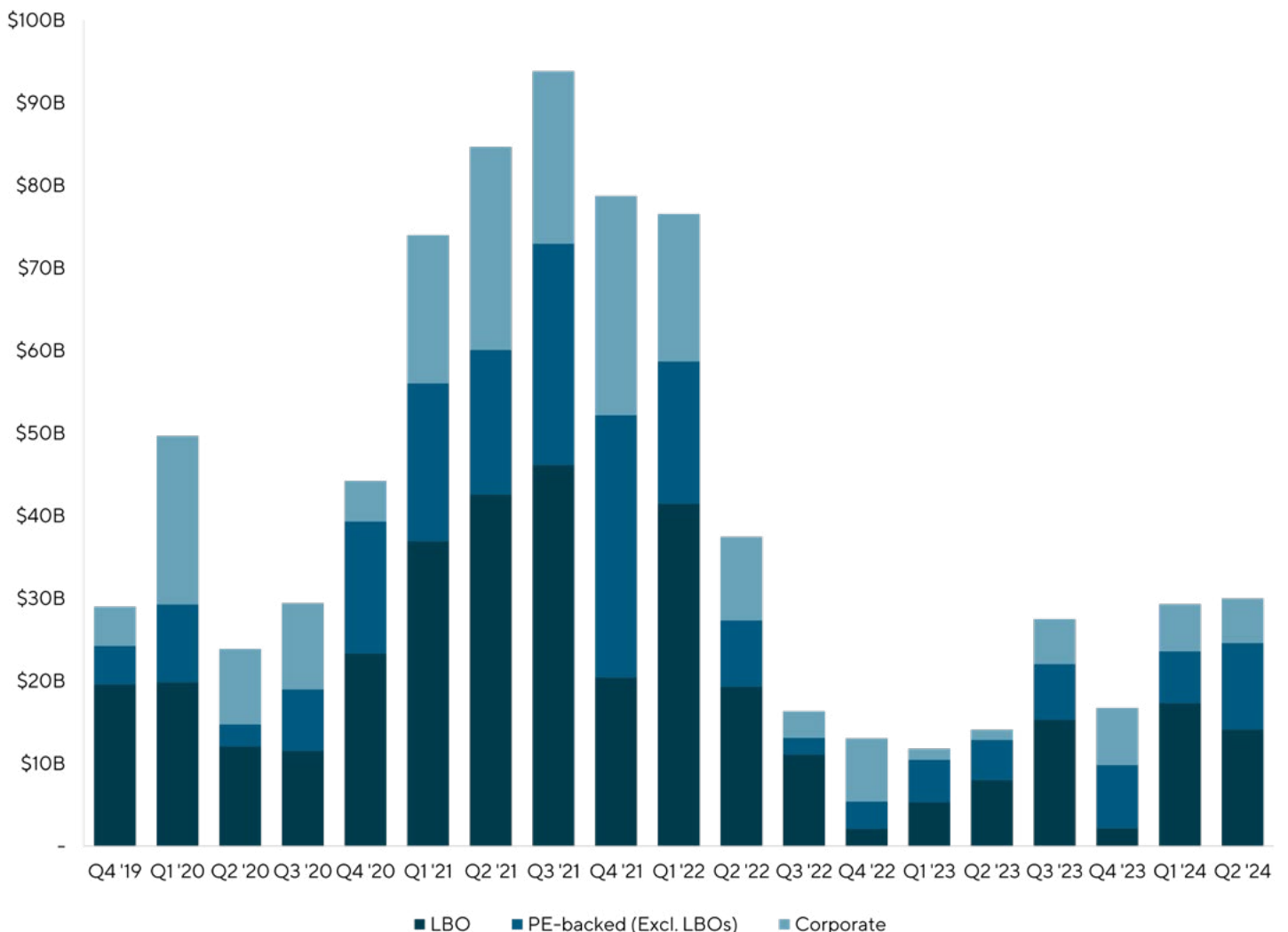
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Debt Market

Lenders Are Eager to Transact – Pullback in new deal activity, paired with ample dry powder, has caused many lenders to search for new opportunities to deploy capital and reverse the cautious sentiment of the last two years.

Deal Terms Are Improving – Lenders are competing aggressively for high-quality assets with strong free cash flows, leading to improved deal terms, including tighter pricing and increased total leverage.

U.S. M&A Loan Volume³



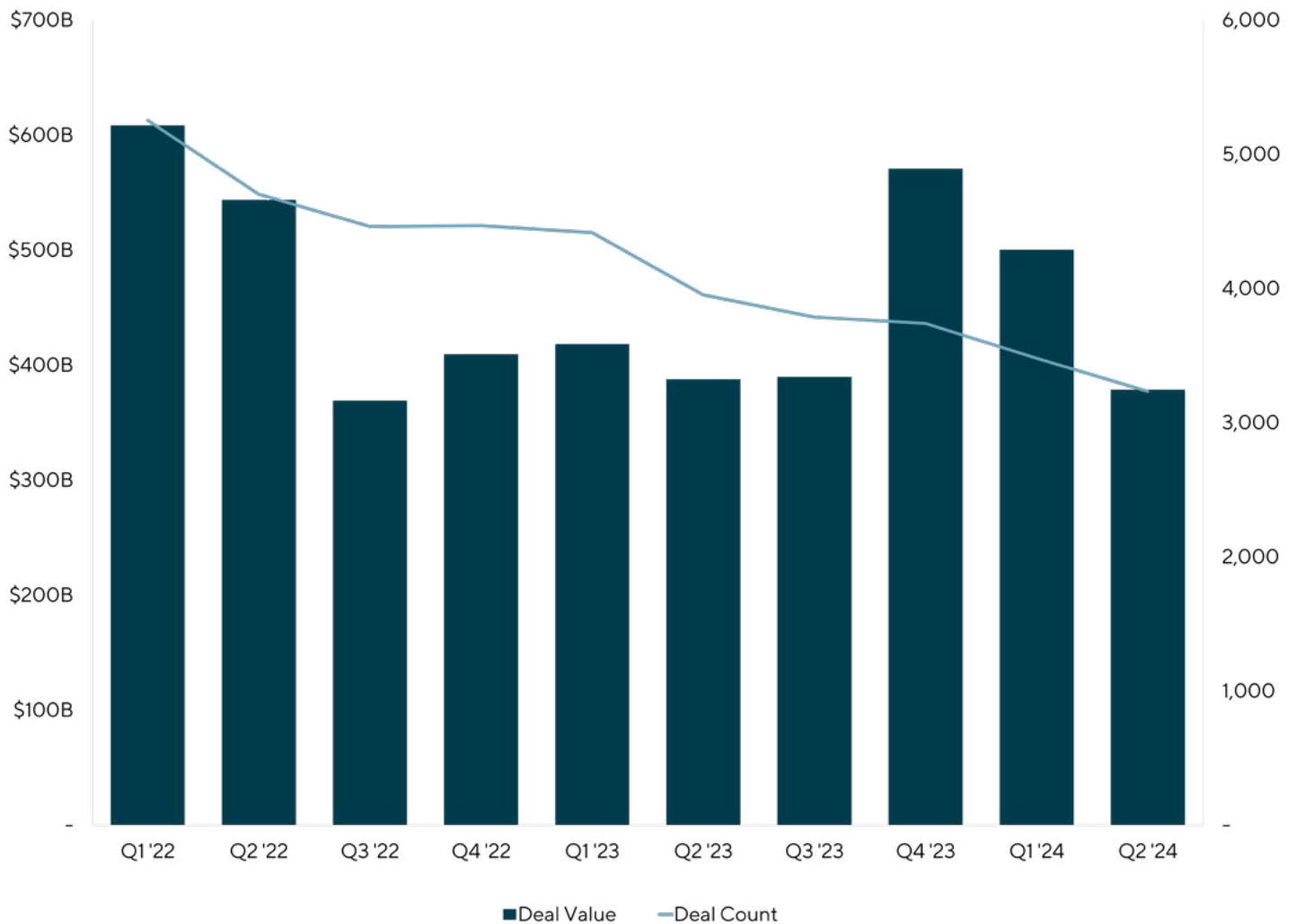
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M&A Market

Private Equity Faces Growing Pressure to Transact – While overall deal volumes were down in H1 2024 compared to the same period in 2023, private equity investors face mounting pressure for both the return and deployment of capital.

Resilient Market Sentiment – Despite ongoing geopolitical tension, a “soft” economic landing appears to have been achieved and the fear of a significant recession is no longer a major point of concern for buyers.

North American M&A Activity⁴



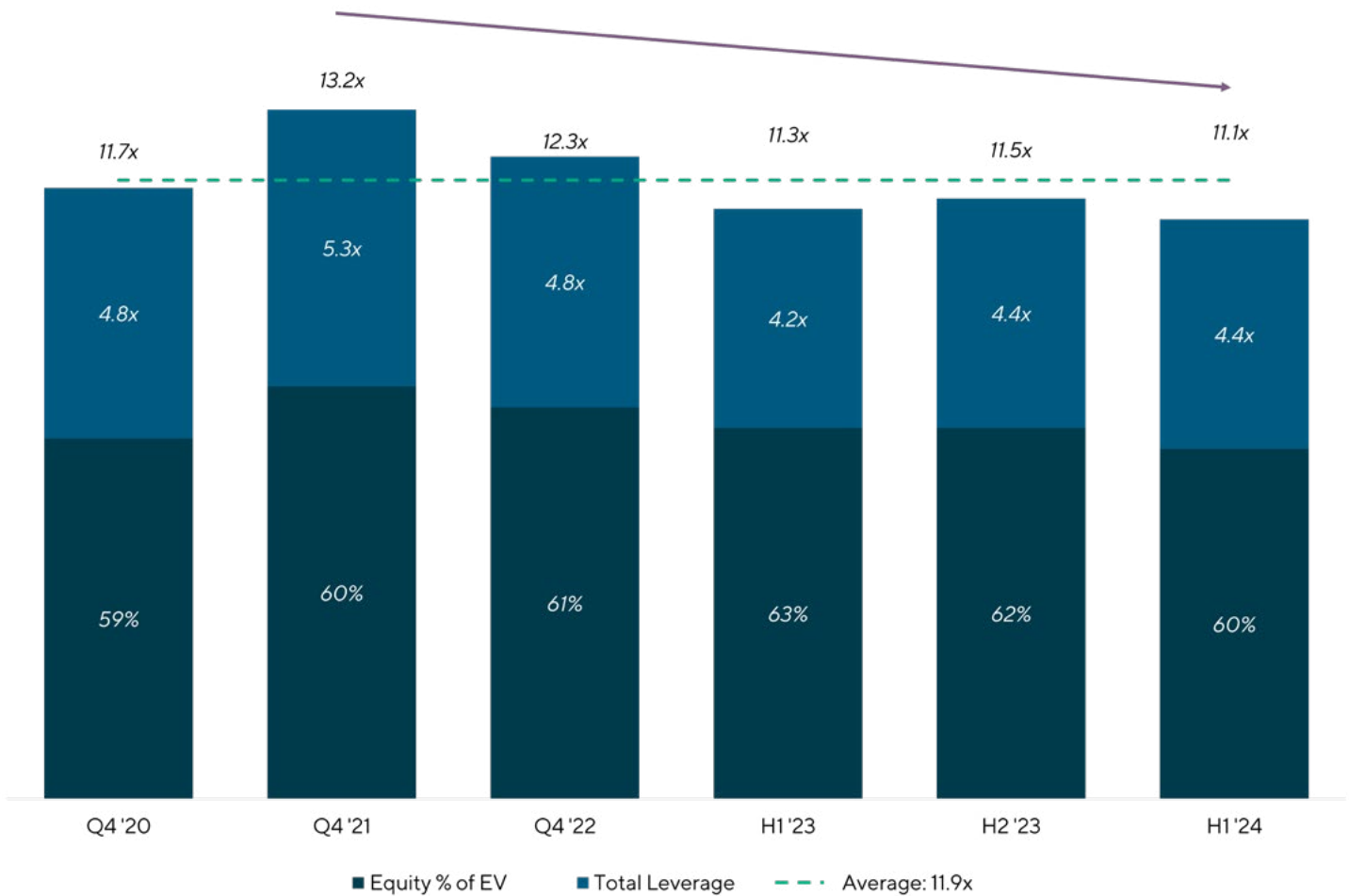
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Interest Rates Continue to Take Their Toll on Company Debt Capacity, But Relief is on The Horizon

Despite recent declines in transaction multiples and leverage, signs of potential relief are emerging with projected interest rate cuts.

Transaction multiples declined ~2.1x through H1 2024 following Q4 2021 highs; leverage has also declined as underwritten equity cushion requirements remain elevated.

Avg. Private Market Valuation & Debt Capacity⁵

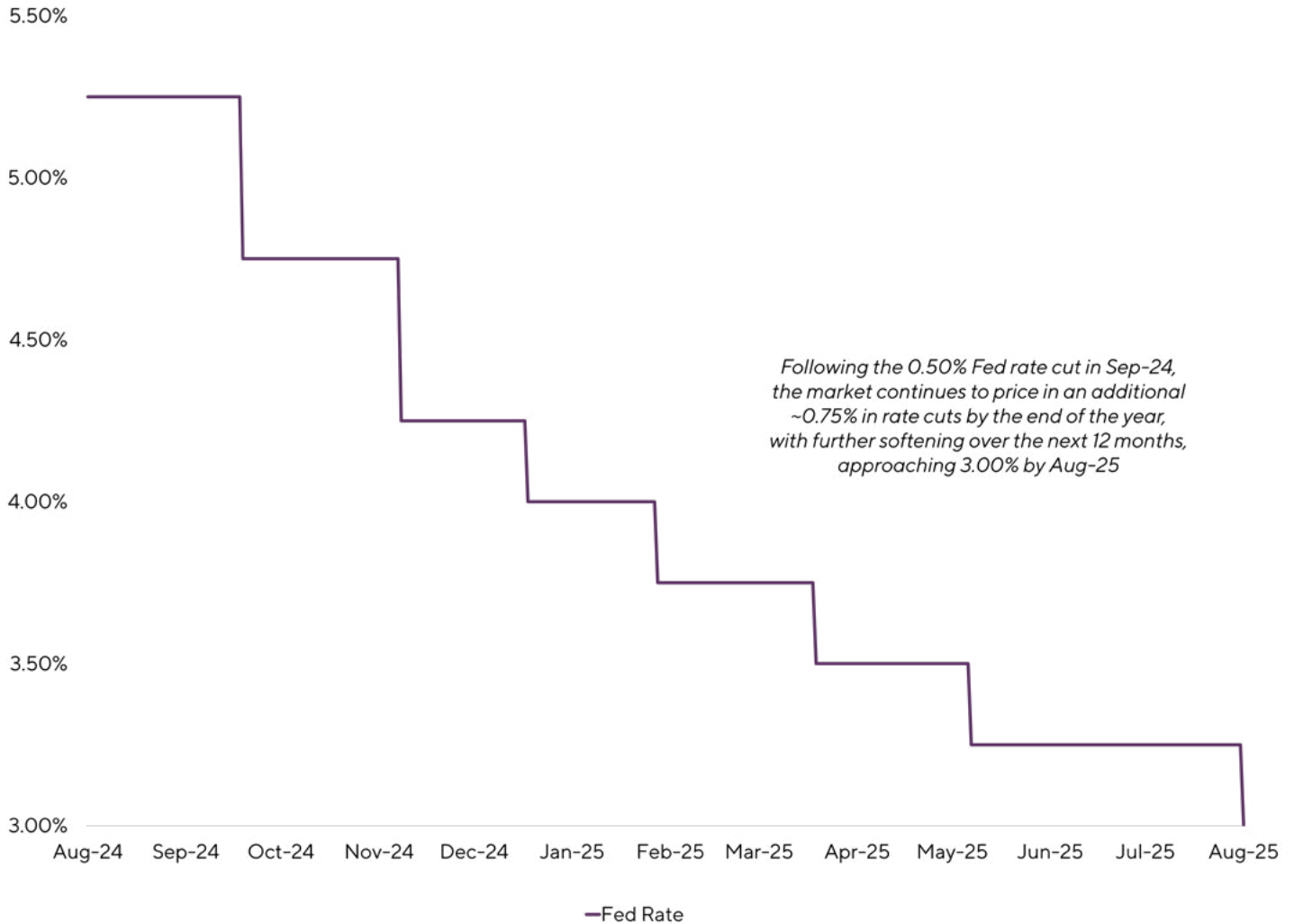


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Interest rates are finally projected to come down over the next 12 months, bringing relief to investors with pressure to deploy capital.

This was kicked off by a half-point rate decrease in mid-September – the first slash since March 2020.

Expectations for Fed Rate Cuts Over the Next 12 Months



Following the 0.50% Fed rate cut in Sep-24, the market continues to price in an additional ~0.75% in rate cuts by the end of the year, with further softening over the next 12 months, approaching 3.00% by Aug-25

Note: (1) The Lincoln Private Market Index ("LPMI") is a proprietary index based off of Lincoln International's Proprietary Valuations Database, which consists of 5,500+ US operating companies; (2) S&P 500 EV excludes financial companies for which enterprise value is generally not meaningful; including such companies produces qualitatively similar results; (3) Pitchbook LCD data; (4) Pitchbook data; (5) Avg Private Market figures reflect preliminary data

Sources: FED Funds Futures per CME Group, Lincoln Proprietary Database

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