

Fundamentals of the M&A market

Transcript

SPEAKERS:

Wade Kruse, National Managing Partner, Advisory Services

Elliot Findlay, National Managing Principal, M&A, Strategy & Transactions

WADE KRUSE: Hello, I'm Wade Kruse, National Managing Partner of Advisory Services at Grant Thornton. I'm delighted today to be joined by my colleague, Elliot Findlay, who leads our M&A practice here at the firm. Today we're going to be talking about inorganic growth as part of our Growth Series, or M&A. Elliot, you've been doing this for a while, a couple of decades now, along with me. State of the market, what's going on? It's pretty wild out there. We just come off the hottest time in history and it's a little slow right now. What's going on, and where do you expect this to be headed?

ELLIOT FINDLAY: I think, listen, there's a lot going on coming off a very boom time. It kind of reset what's the normal from an M&A perspective, and I think everyone is trying to get used to a slower market. I think that's being driven by a number of factors, including recessionary impact, interest rates, geopolitical instability, you name it. I think what we're really seeing is a softening of a lot of companies' forecasts due to recession and interest rates and I ultimately think that's driving a softening in valuations in the marketplace. And then that's driving essentially a reset on sellers' and buyers' expectations from a pricing perspective, which I think is giving people some pause.

WADE KRUSE: Sure. We've seen that. Our clients are wanting to engage in transactions and getting moving, but then when it comes time to negotiate that price there's a bit of a stalemate, right?

ELLIOT FINDLAY: I think we're seeing when a seller today is looking at the market compared to what they could have achieved from a sales price 12 months or 18 months ago, valuations in certain industries are down 30% or 40%. So as a result there's certainly a pause with perhaps deciding this isn't the right time to go to market and I'm no longer going to consider it. I think a combination of the valuation is giving sellers pause.