

Recently PitchBook, a provider of data on private company transactions, published the first quarter 2021 dealmaking reports for both United States and Europe. With slight variations on the theme, both reports suggest a hot mergers and acquisition market with no imminent signs of letting up.

According to PitchBook, in the first quarter 2021, Europe recorded 1936 M&A transactions with €158.5 billion in transaction value, where both numbers were the highest levels seen in a single quarter since tracking began. Stimulus investments by the European Central Bank and European governments have precipitated a revival in leveraged lending and sponsors are now financing deals at lower costs. These lower costs along with pent-up demand for investing sidelined capital contributed to the lofty deal numbers. Of the €158.5 billion in transaction value, 24.7% came from the IT sector alone and 70.9% of all transactions were add-on investments to current portfolio companies.

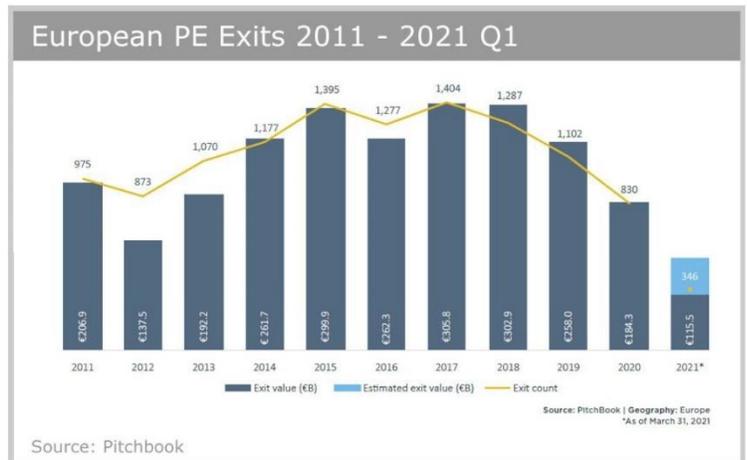


Figure 1

U.S. dealmaking activity in Q1 2021 was highlighted by 1763 completed transactions and \$203 billion in deal value, which was a slight drop in the numbers from the last quarter of 2020. Private Equity (PE) investor concerns included an uptick in interest rates, a potential rise in inflation and uncertainty about potential tax increases proposed by the Biden Administration. Additionally, the recent change in leadership at the Securities and Exchange Commission is also a concern for PE firms as Gary Gensler, the new Chairman, would likely increase the use of fines and other enforcements, signaling a shift in sentiment toward private equity investors.

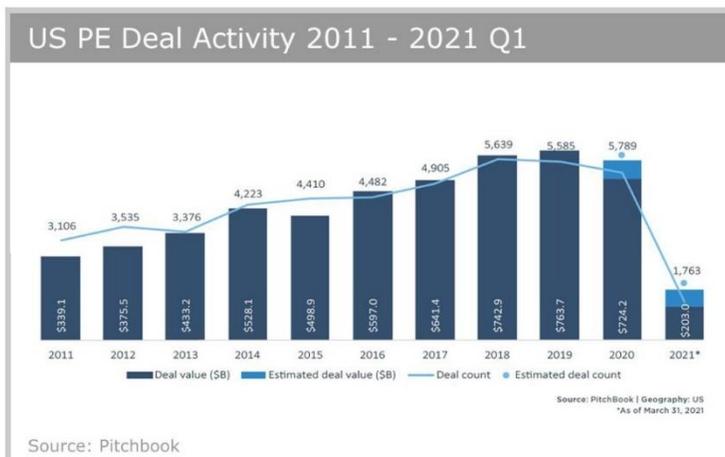


Figure 2

In the coming months, we may see PE exit activity remain robust both in Europe and the U.S. as investors realize profits on portfolio companies reaching their target values.

FOR MORE INFO CONTACT:  
Corporate Finance Associates  
Offices Worldwide

T/ 949.305.6510  
F/ 949.305.6713  
E/ info@cfaw.com

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