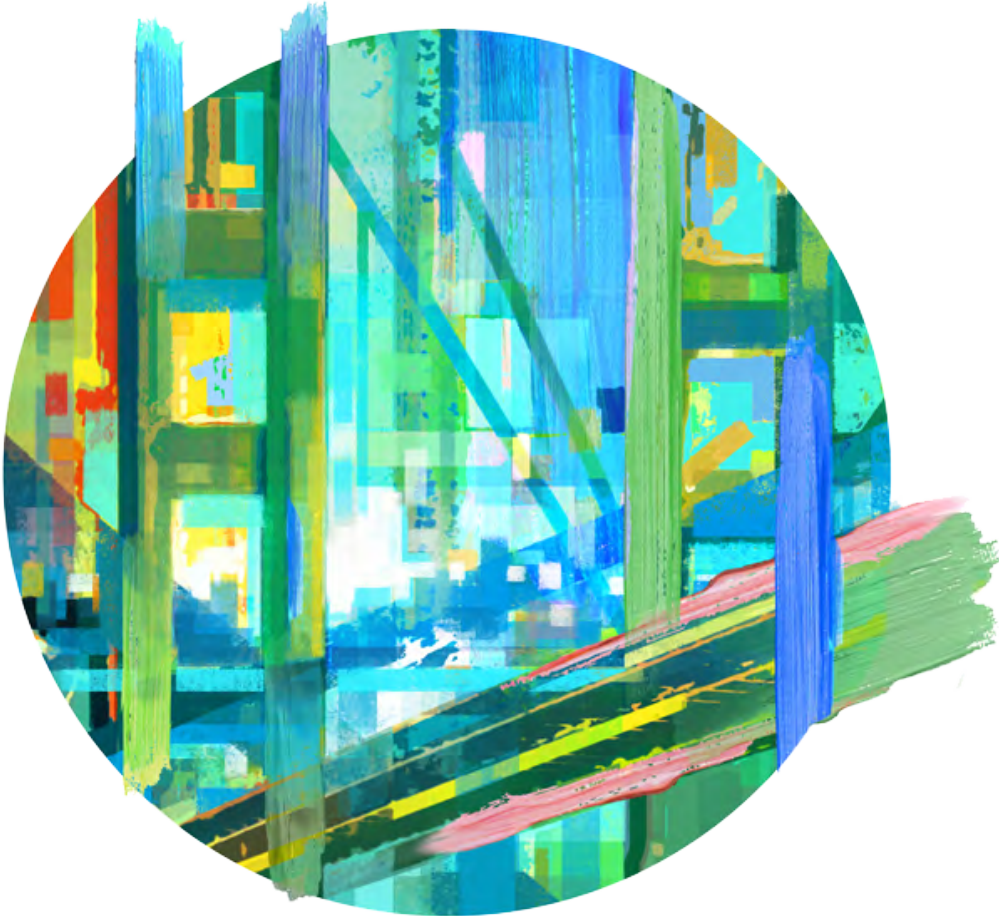


**Deloitte.**



**Navigating Uncertainty**  
2023 M&A Trends Survey

# Contents

01 **The challenge in brief**  
3

02 **Five key findings**  
8

03 **Finding 1  
In search of  
silver linings**  
9

04 **Finding 2  
Pulling transformation  
forward**  
12

05 **Finding 3  
A flight to safety:  
Rethinking cross-  
border strategies**  
16

06 **Finding 4  
Is now the time to buy  
low? The dry powder  
opportunity**  
20

07 **Finding 5  
A growing role for  
technology and  
analytics**  
23

08 **Next steps for  
this research**  
26

09 **About the survey**  
27

# The challenge in brief

Deloitte's ninth annual M&A Trends Survey ("the survey") of M&A and restructuring leaders represents a new direction for readers. Like the market itself, the findings we present this year are unlike those that came before. This 2023 publication will be followed by a number of additional reports and perspectives to help clients apply and utilize the data and associated insights we've collected as they look to address priority issues, challenges, and opportunities.

The dealmaking volatility of the past few years is giving way to real uncertainty and even stagnation. Our aim in this publication is not merely to describe trends from the sidelines, but to help dealmakers navigate this uncertainty. These pages should be a quick read, but each of the key findings we've identified here can serve as the opening of a deeper conversation about what these trends mean and how to respond.



01

02

03

04

05

06

07

08

09

“The last year has been unprecedented in the many challenges we all face. Businesses have especially struggled to adapt to the realities of the global pandemic and growth obstacles and chaos it has created. This is why finding silver linings is crucial for moving forward.”



01

02

03

04

05

06

07

08

09

# Why do we say the current M&A environment is uncertain?



**Economic** headwinds include inflation, which rose to a high of 9.1 percent in June 2022, has lessened but flattened (6.0 percent as of February 2023).<sup>1</sup> That has given many companies better pricing power, but it has also muted demand. Financing costs may continue to rise as the US Federal Reserve Board appears inclined to raise interest rates two or three more times before potentially easing off.<sup>2</sup> Recent bank failures add to the uncertainty. And, finally, many corporate and private equity dealmakers have unusually large amounts of cash on their books—“dry powder”—for whatever comes next. This is also evident in the M&A activity trend, which mostly reverted to the pre-COVID average, even though transaction value declined meaningfully in 2022 after a robust 2021 (the largest year on record).<sup>3</sup>



**Tax policy** may be more favorable for dealmakers in 2023 and 2024. With a changed political dynamic in Washington, DC, the threat of capital gains tax increases may have receded.



**Talent** is a very mixed bag right now. On one hand, the low unemployment in recent months<sup>4</sup> has challenged some sectors and organizations more than others. More recently, though, there have been waves of layoffs spreading from big tech to financial services and manufacturing.<sup>5</sup> In turn, that has allowed some savvy organizations, again across certain industries, to be more selective and measurably improve the quality of new

hires. Navigating the new workplace, with hybrid work arrangements and increasingly activist employees, adds an extra challenge to restructuring and is a wild-card factor for potential deals.

**Other external factors** are also pointing in different directions. Geopolitical risks remain prominent in Europe, Asia, and elsewhere. Disruptions to normal operations, supply chains, and economies may continue—and even increase—as conflict in areas like Ukraine threatens to expand. Meanwhile, new and more transmissible viral strains have continued to emerge, though in most cases less harmful and disruptive than we saw in 2020.

## A new insight approach.

What is different about this report compared to its predecessors? We've targeted a larger sample than in previous years, surveying 1,400 corporate and private equity executives.

Also, relative to previous *M&A Trends* surveys, this year there is a higher proportion of senior decision-makers (86%) from the largest organizations.

Tapping into their experiences and perspectives has helped hone our sense of the market, the people driving it, and the latent opportunities that may lie ahead.



01

02

03

04

05

06

07

08

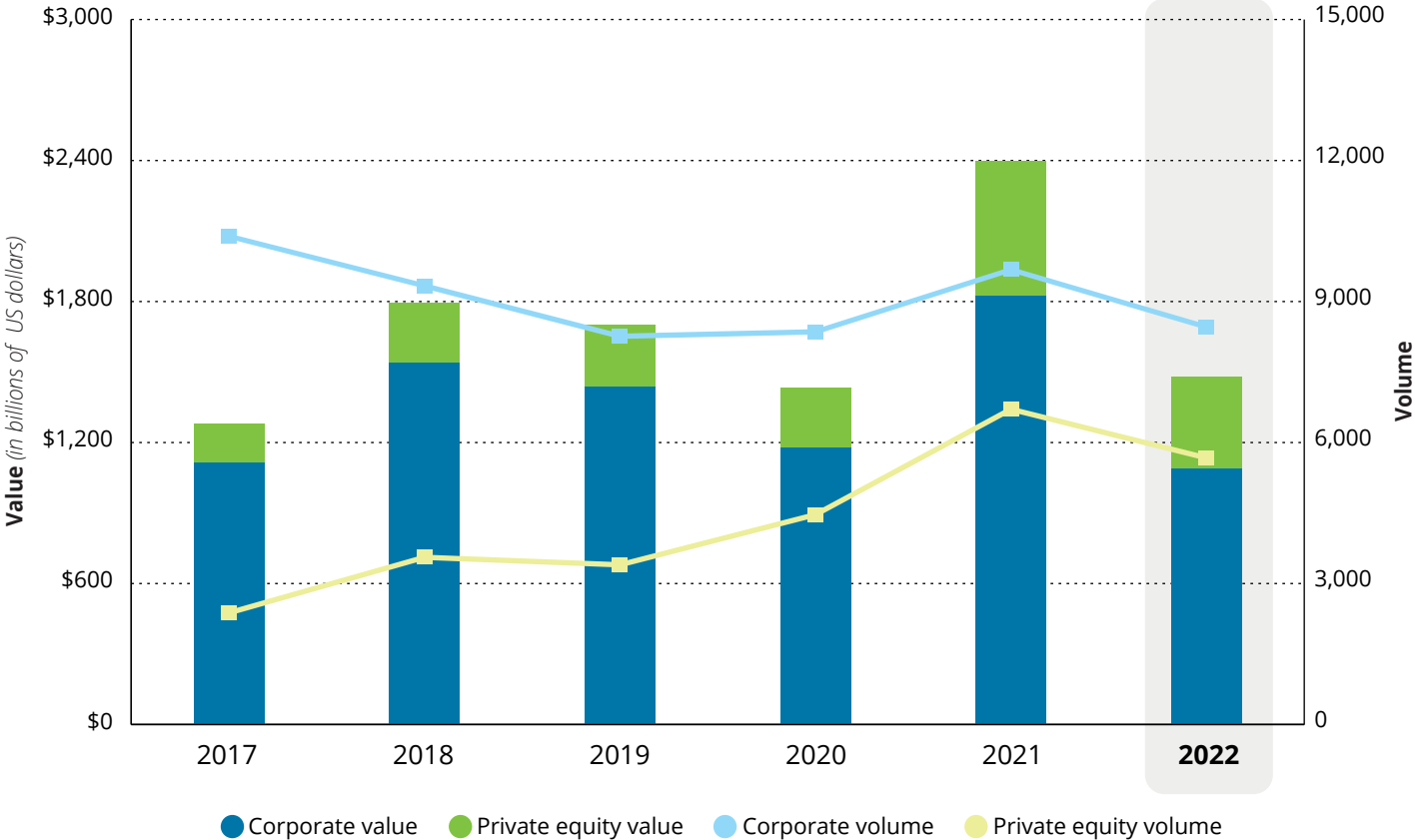
09

# Our view on the road ahead for M&A

We believe that the players who come out ahead—or emerge intact—from a period of memorable volatility and uncertainty will have a trait in common: boldness. That’s not the same as recklessness. Rather, these enterprises will take intelligent risks for greater returns, push the edges of conventional practice, and recognize that innovation has a bigger role to play in current and future transactions and transformations. Transactions, of course, remain essential for growth in most industries.

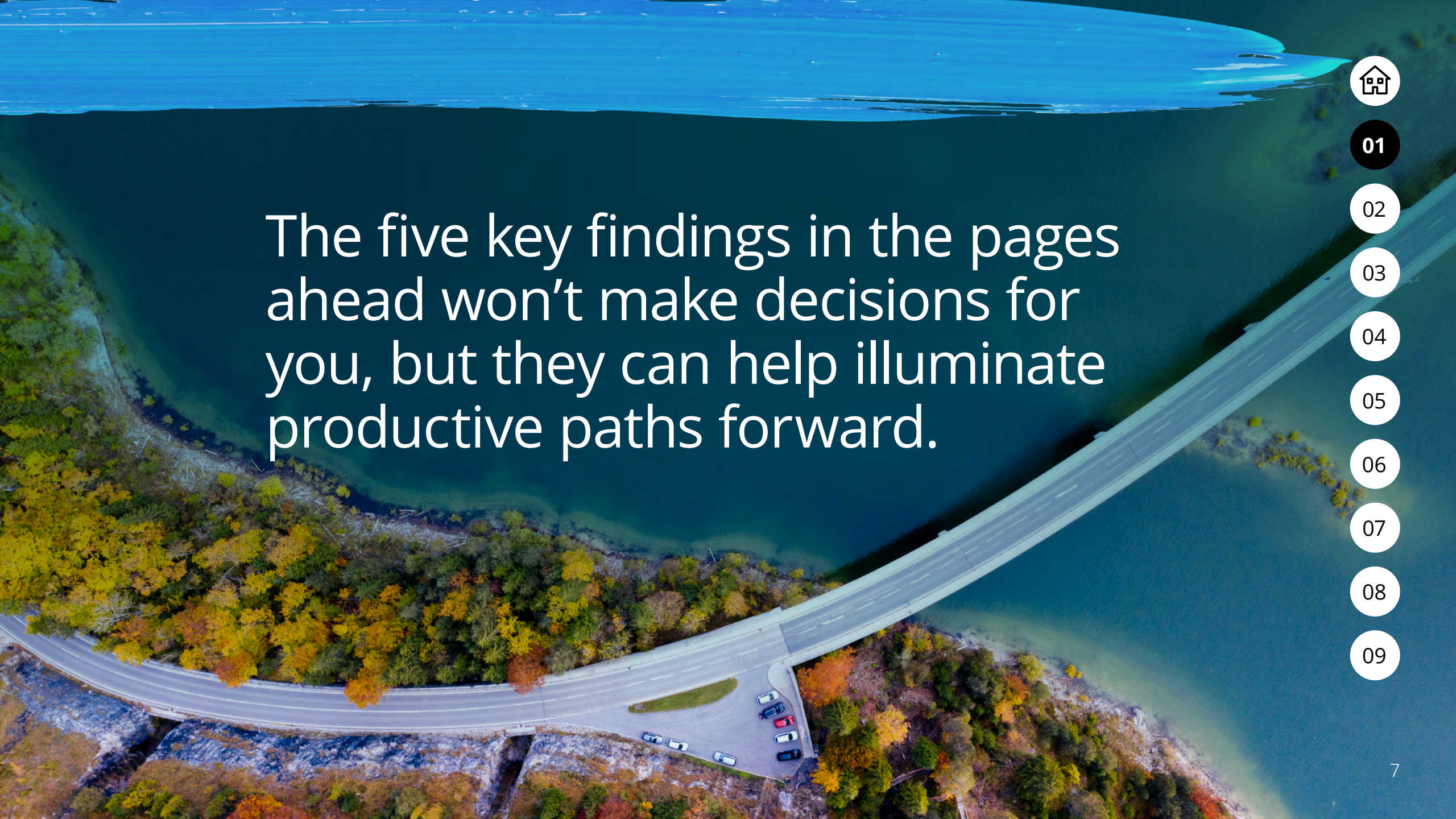
That’s why this year’s report reaches beyond the passive to match fresh findings with practical prescriptions. We collected a lot of data to get here. It’s one thing to assemble that data into a snapshot. What today’s dealmakers need is a road map.

US mergers and acquisitions by year



Source: Based on Deloitte’s analysis of M&A data generated via the Refinitiv database on January 18, 2023.

- 01
- 02
- 03
- 04
- 05
- 06
- 07
- 08
- 09

An aerial photograph of a road curving along a lake. The road is paved and has a parking area with several cars. The lake is a deep blue-green color. The surrounding area is covered in trees with autumn foliage in shades of yellow, orange, and green. At the top of the image, there is a horizontal brushstroke in a vibrant blue color.

The five key findings in the pages ahead won't make decisions for you, but they can help illuminate productive paths forward.



01

02

03

04

05

06

07

08

09

# Five key findings

The following is a summary of the most important insights to emerge from this year's M&A trends survey, each of which are discussed in more detail below.

1

## In search of silver linings

M&A and restructuring leaders have faced unprecedented headwinds in recent years. Interestingly though, many of our respondents report uncovering significant “silver linings” that they’re exploiting now. While these will be merely interesting for some, they may prompt action for others.

2

## Pulling transformation forward

Nearly all survey respondents (90% of corporations and 93% of private equity firms) believe M&A outcomes are highly dependent on effective transformation planning and execution. More than in previous years, executives are focusing on transformation earlier in the process.

3

## A flight to safety: Rethinking cross-border strategies

Given the uncertain times, dealmakers are seeking more certainty and risk mitigation. As such, the survey data uncovered two strategies private equity and corporate leaders are now pursuing with cross-border deals. First, acquirers are increasingly pursuing targets in areas geographically closer to home; and second, dealmakers are prioritizing developed nations more for stability.<sup>6</sup>

4

## Is now the time to buy low? The dry powder opportunity

With financing costs higher<sup>7</sup> and other risks ascendant, many companies and funds are behaving more judiciously: smaller M&A deals, more emphasis on restructuring (including spinoffs), and revisiting previous acquisitions and divestitures in search of greater returns. As such, there is a great deal of dry powder—undeployed capital—in the market.<sup>8</sup> There may be attractive opportunities for some corporations and funds to get off the sidelines and invest the cash, as other targets rise in availability and value. Nearly 80% of our respondents expect this trend to continue across 2023.

5

## A growing role for technology and analytics

Technology is playing an ever-greater role in improving deal process efficiency and effectiveness, and there may be still more it can contribute. We found significant digital initiatives happening in the target identification and deal execution phases of the M&A lifecycle. Where else can digital add to dealmaking?



01

02

03

04

05

06

07

08

09

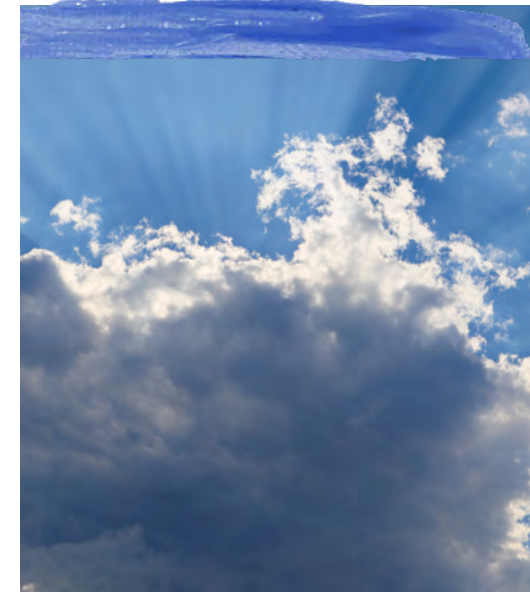


# In search of silver linings

From geopolitical and regulatory turmoil to economic and public health crises, the past few years have been a time of significant volatility and challenge for dealmakers. While M&A activity decreased in 2022 to more recent norms from a torrid 2021, our survey found divestitures represented a growing share of all deals.

Despite the headwinds, surveyed corporate and private equity leaders see a real—and possibly unprecedented—opportunity to thrive. Corporate respondents listed “taking advantage of disruptive opportunities to secure future positioning” as one of their top three “offensive” M&A tactics. “Taking advantage of disruptive opportunities to enter new markets and/or business areas” to accomplish this was also a popular sentiment.

As we’ve noted, bold doesn’t mean reckless. First of all, many organizations are following the more circumspect course of “keeping their powder (ready capital) dry” and focusing more on internal transformation than external dealmaking. Second, those companies that are seizing the moment to reach for stronger competitive positions and growth prospects are doing so from a foundation of downturn experience, a post-disruption legacy of lean and efficient operations, and a well-equipped reliance on data-driven planning.



**Corporate respondents listed “taking advantage of disruptive opportunities to secure future positioning” as one of their top three “offensive” M&A tactics.**



01

02

03

04

05

06

07

08

09

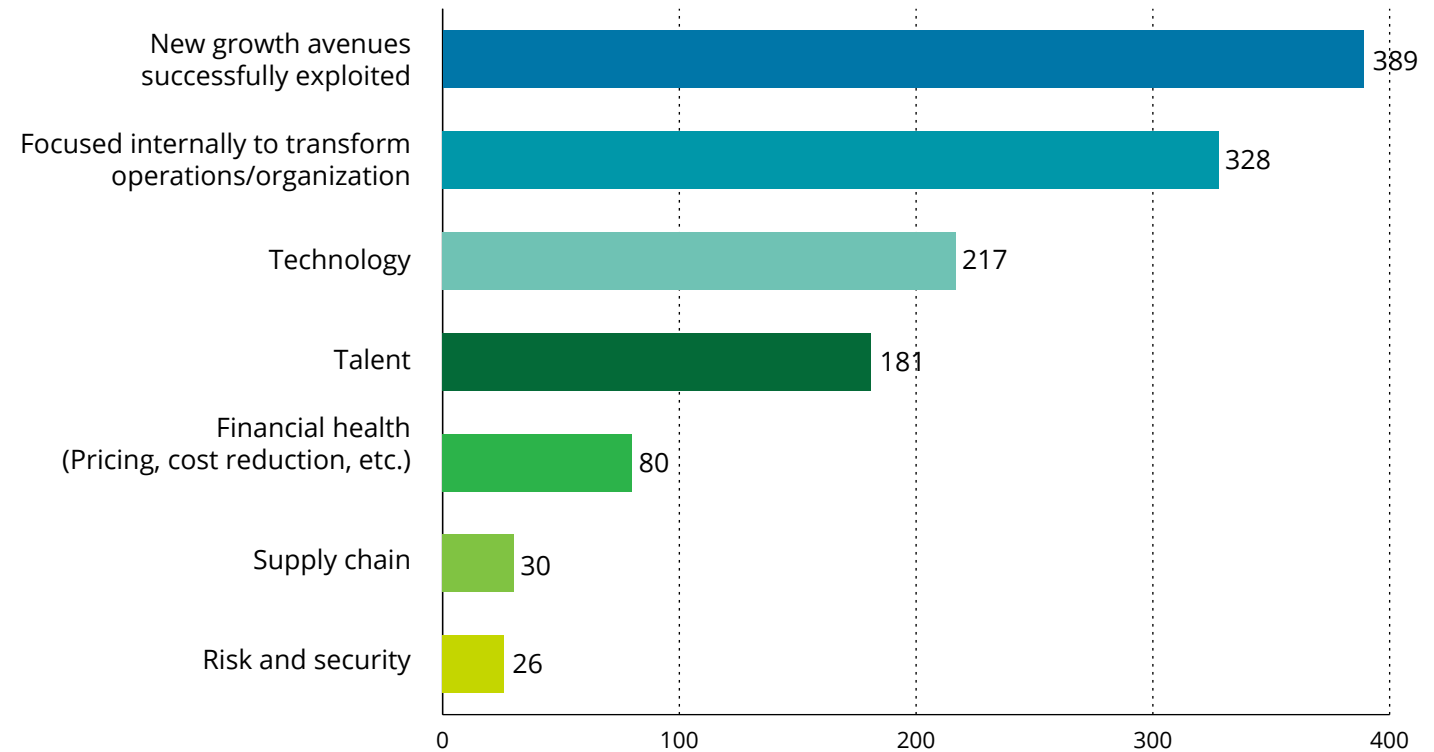
## Finding 1

### In search of silver linings

Where does the current environment's volatility offer a silver lining? For many respondents, new growth opportunities, process improvements, supply chain shortening, and internal restructuring have been appreciated and exploited opportunities. New growth avenues and technology transformation was the third-most important lever respondents identified for an effective restructuring. Through our engagements, Deloitte client service professionals are also seeing talent opportunities (e.g., opportunistic workforce rightsizing irrespective of cost-reduction imperatives) as other possible bright spots. Companies in search of new strategic avenues may want to examine those areas in their own operations.

#### Levers for effective restructuring

*(Corporate and private equity)*



01

02

03

04

05

06

07

08

09

“All of our employees have learned to work remotely. And we’ve become more streamlined and efficient in our operations.”



01

02

**03**

04

05

06

07

08

09

# Pulling transformation forward

Closing a deal is the end of one challenge and the beginning of another. Deals often end up falling short of projected synergy realization—or even destroying shareholder value—when not well envisioned or executed.<sup>9</sup>

That has put a spotlight on post-merger integration (PMI), with some companies assigning it a longer time horizon than in the past. It's no longer standard to complete the integration process in 100 days, or even a year, after close. But to really overcome the obstacles that lie in wait, post-close, it typically pays to look at the processes that come before it.

From this year's survey, nearly all corporate M&A leaders (90%) and private equity leaders (93%) responded that achieving desired M&A outcomes depends either "moderately" or "highly" on transformation—including

transformation initiatives they "pull forward" to the period before and during deal execution.

This marks a significant year-over-year increase in that priority. About one-third (32%) of companies say they're likely to conduct business transformation before dealmaking, compared to less than one-quarter in 2021. Private equity organizations have embraced that even more—almost four out of five now pull transformation activity ahead of transactions.

Companies across industries told us they'd restructured working capital, organizational structure, legal entities, or other core elements

since the pandemic. Using an industry lens, almost three-fourths of energy and utility respondents, and over half from the telecommunications sector, reported similar initiatives. Three out of five of all respondent organizations had done so already, and more than one in four are considering it now. And they're aiming high: The majority of companies undertaking restructuring initiatives seek revenue improvements of 10 percent, 20 percent, or more. And those taking on that challenge prior to a transaction grew from one-quarter to one-third of corporate respondents from 2021 to 2022, and from 30% to 39% among private equity respondents.



01

02

03

**04**

05

06

07

08

09

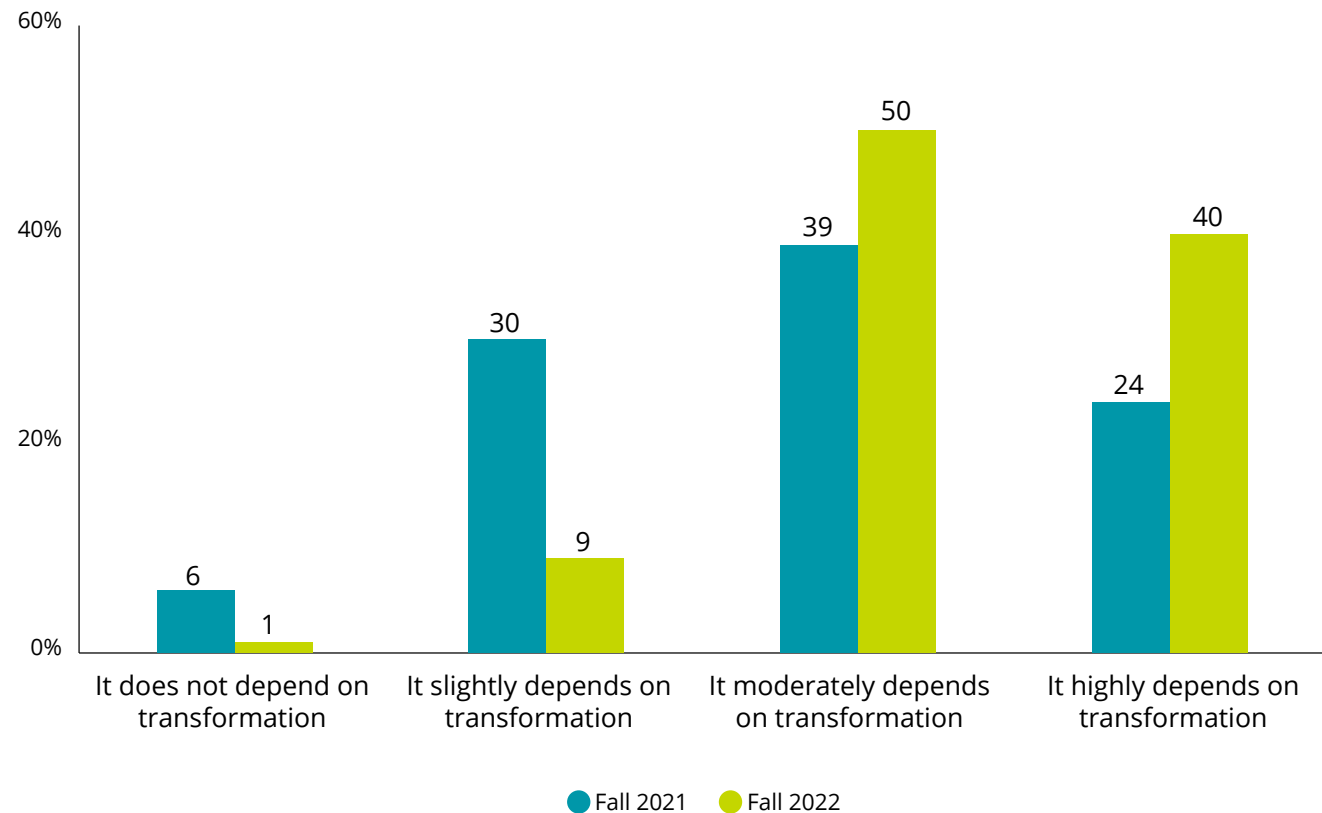
## Finding 2

### Pulling transformation forward

We think this trend makes sense and is actually overdue. Most companies would do well to embrace it in any environment, but in today's volatile and uncertain context, there's little argument against getting your organization lean and agile. This is particularly true for sectors that experienced revenue and cash tailwinds due to the pandemic; those same companies are now conserving cash for future investment opportunities. Early, comprehensive transformation has become an "all of the above" strategy for dealmakers to think about and execute before, during, and following transactions.

### Organizations are increasingly realizing the interdependency of transactions and transformation

*(Corporate and private equity)*



01

02

03

04

05

06

07

08

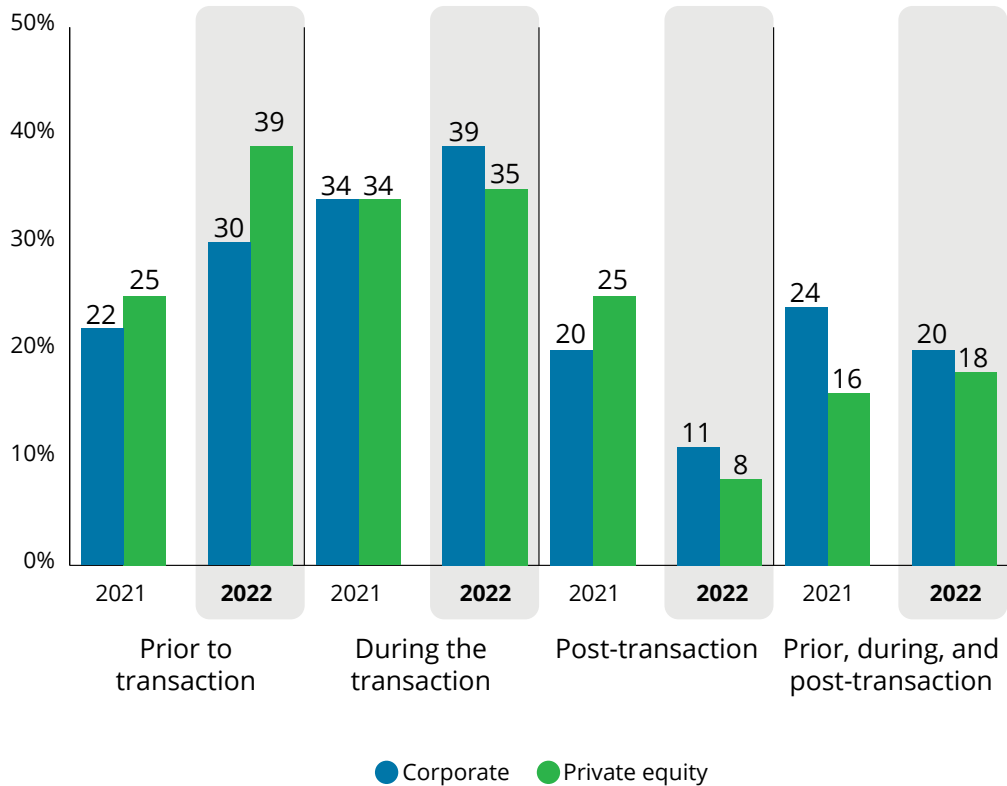
09

Finding 2

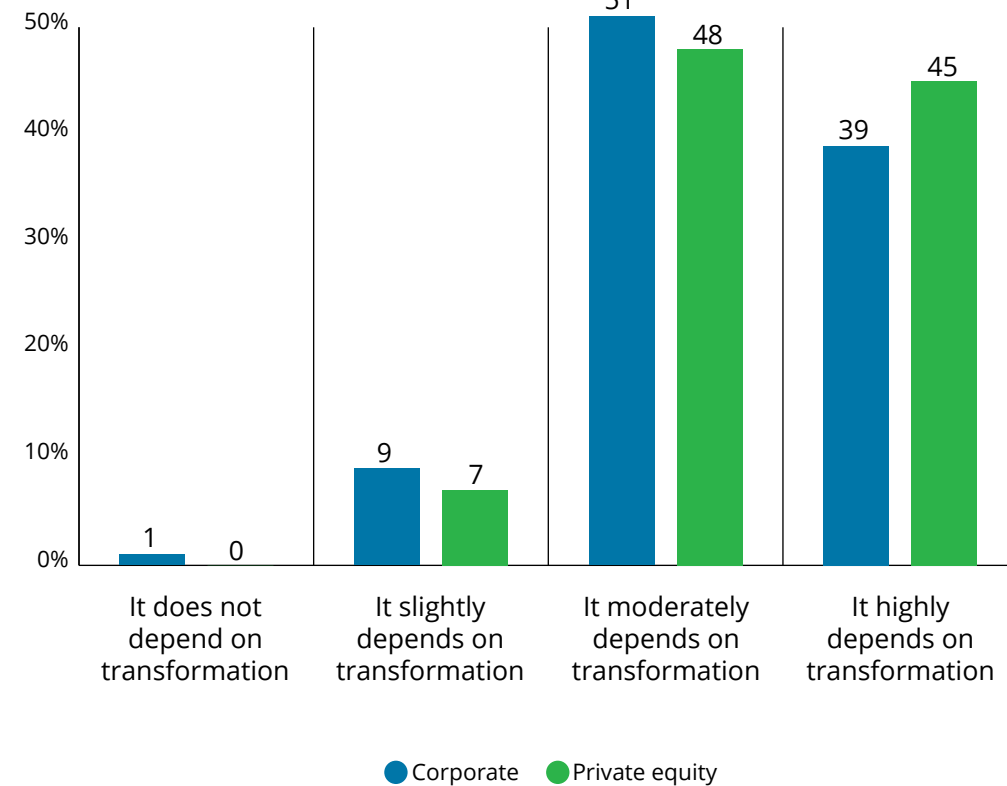
**Pulling transformation forward**

Corporate and private equity respondents are increasingly transforming earlier and recognizing the importance of transformation to successful deal outcomes

**When in M&A transactions do you typically complete your transformation?**



**Importance of transformation to the value of M&A transactions (2022)**



01

02

03

**04**

05

06

07

08

09

“Accelerating all aspects of digital transformation has been the main silver lining in an otherwise tumultuous two years.”



01

02

03

**04**

05

06

07

08

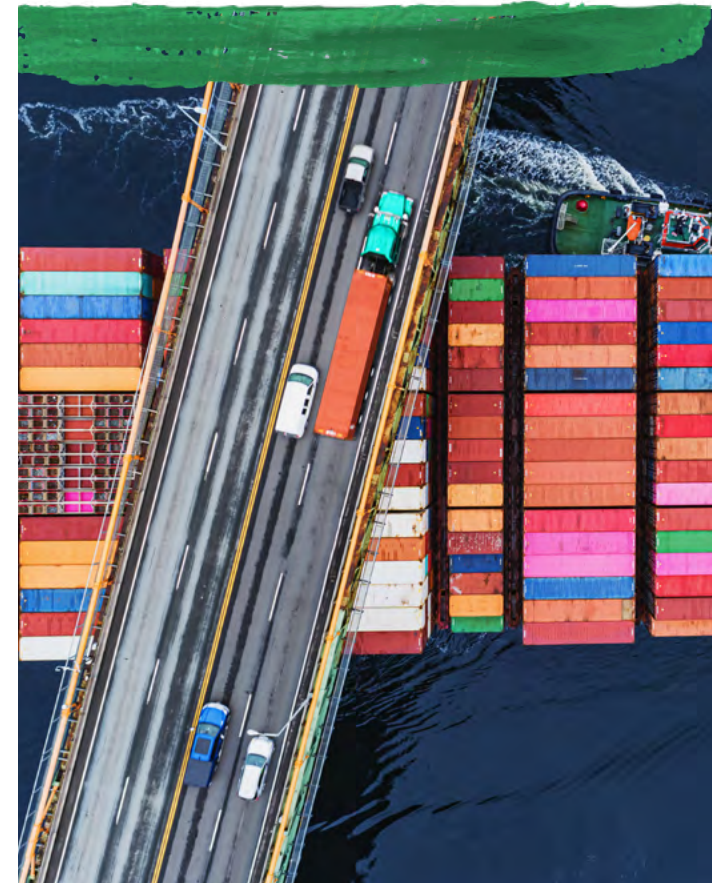
09

# A flight to safety: Rethinking cross-border strategies

Our latest survey found increased interest among acquirers in possible cross-border transactions—overall, and especially among private equity firms. But there’s more to that story than raw volume. The instructive questions that follow are *where* and *why*. The answers may point the way forward for corporate and private equity leaders in a variety of industries.

Where are acquirers looking? Compared to earlier patterns, surveyed US-based corporate and private equity executives are showing more interest in cross-border deals that involve stable, established economies. This stands in contrast to previous year trends focused on the potential upside in developing nations—when there was

more appetite for the associated risk. Acquirers are also looking closer to home, wherever that may be. For US acquirers, that means increased interest in Canadian, Central American, UK, and mainland European targets, and reduced activity in unstable areas like Russia or in more distant regions such as in Asia-Pacific.



01

02

03

04

05

06

07

08

09



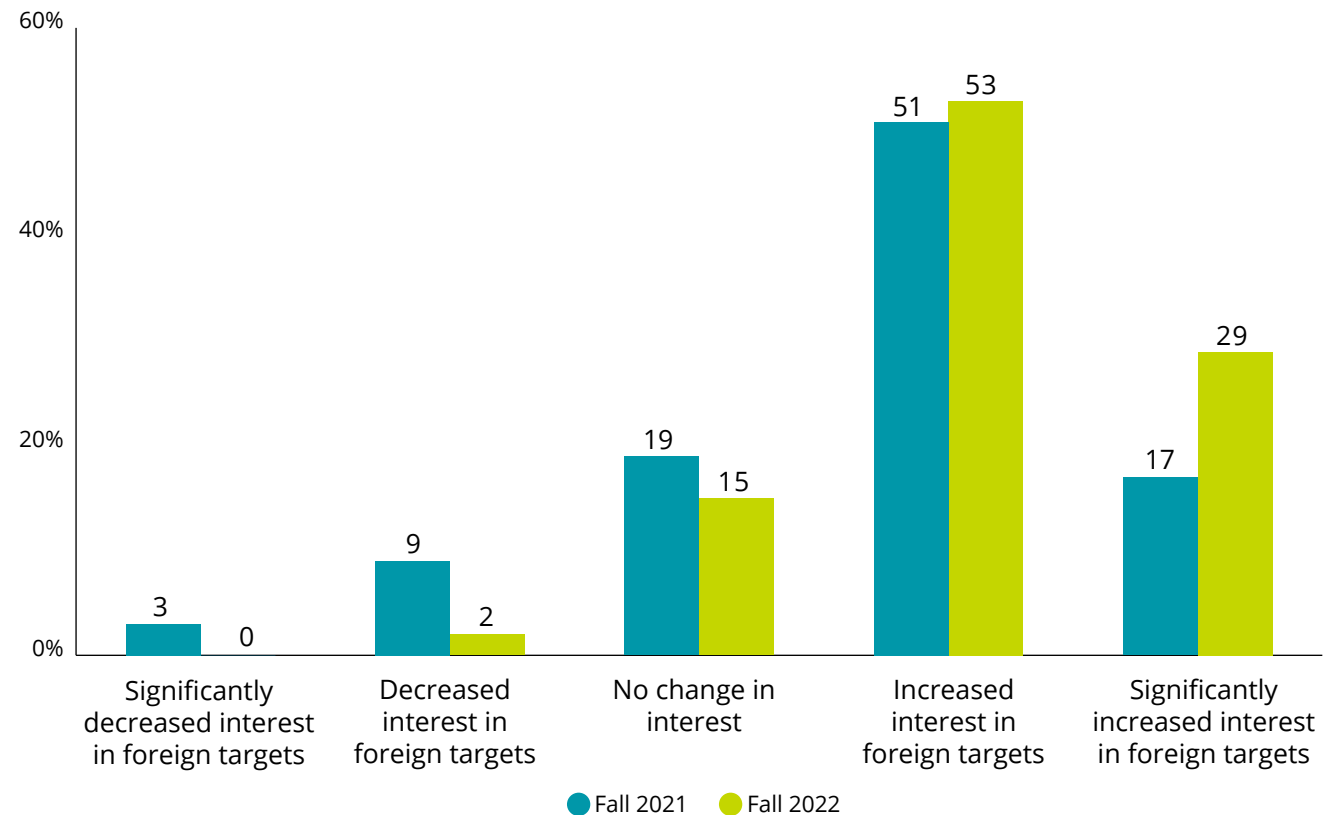
### Finding 3

## A flight to safety: Rethinking cross-border strategies

That's the *where*. What's the *why*? Risk. Dealing in developed economies offers more predictability, with institutional backstops in the legal and financial arenas that underlie the execution of a deal and its aftermath. As for proximity, it's a matter of complexity. Closer targets are likely to have shorter, less complex supply chains, with fewer junctions that are vulnerable to infrastructural, economic, and geopolitical disruption. Whether the risks arise from post-pandemic logistical ripples or tensions between nations, some of the excitement that used to attract pursuits may not feel worth it anymore.

Of course, these tendencies aren't absolute. They're factors to weigh case by case. And like any risk mitigation strategy, this trend may leave some opportunities open for those with greater risk tolerance.

**Significant increase in cross-border M&A interest**  
(Corporate and private equity)



01

02

03

04

**05**

06

07

08

09

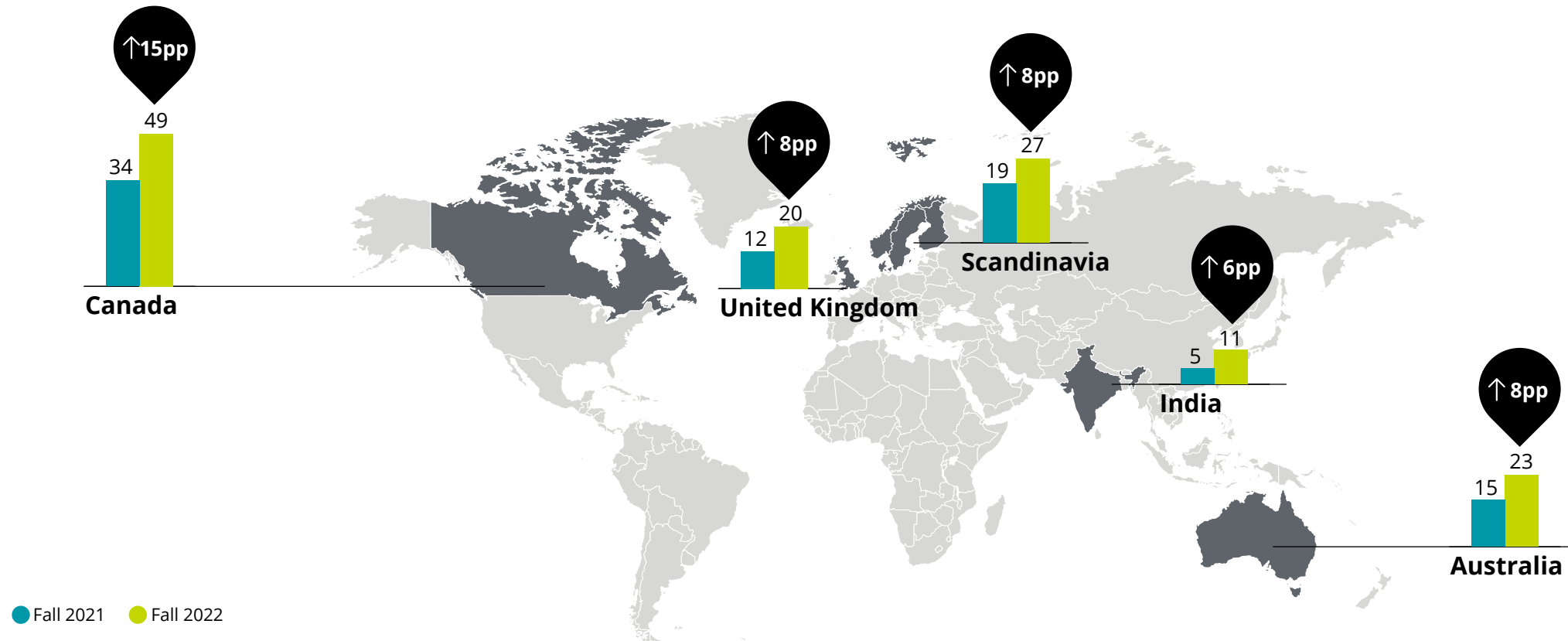
Finding 3

**A flight to safety: Rethinking cross-border strategies**

Over the past year, US acquirers have focused cross-border deal pursuit more on select markets that are closer to home and more stable.

Nations with largest year-over-year increases in target interest for US acquirers

*(Corporate and private equity)*



01

02

03

04

**05**

06

07

08

09

“In the past year, our company has been able to acquire and enter new and stable foreign markets.”



01

02

03

04

**05**

06

07

08

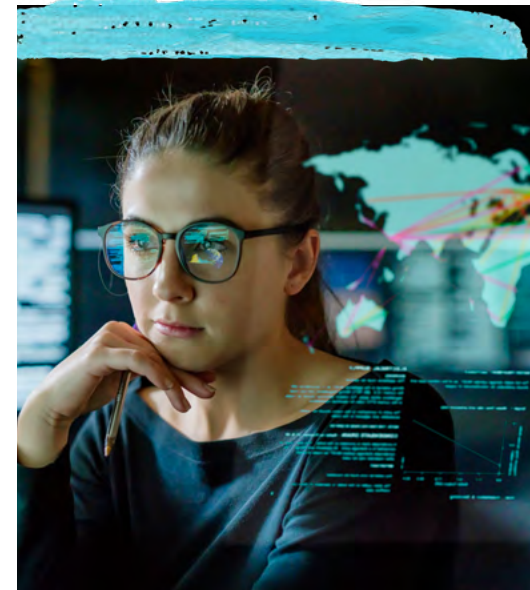
09

# Is now the time to buy low? The dry powder opportunity

Private equity firms and US corporations amassed capital and large cash hoards, respectively, as the pandemic expanded globally. The dry powder reached record levels—and most of the money is still there.<sup>10</sup> According to Moody's, nonbank corporates are holding onto approximately \$2 trillion right now.<sup>11</sup> PitchBook reports private equity firms globally are sitting on \$1.3 trillion in dry powder.<sup>12</sup>

This prompts a question: When will it finally be time to put that capital to work? Bankruptcies and distressed restructurings are still high,<sup>13</sup> which may present attractive opportunities for opportunistic acquirers this year. With so many

potential buyers standing pat, now may be a good time to move against the grain and seize those opportunities. Our view: *When* is only part of the question. It's important to plumb the indicators that drive these decisions.



**With so many potential buyers standing pat, now may be a good time to move against the grain and seize those opportunities.**



01

02

03

04

05

**06**

07

08

09

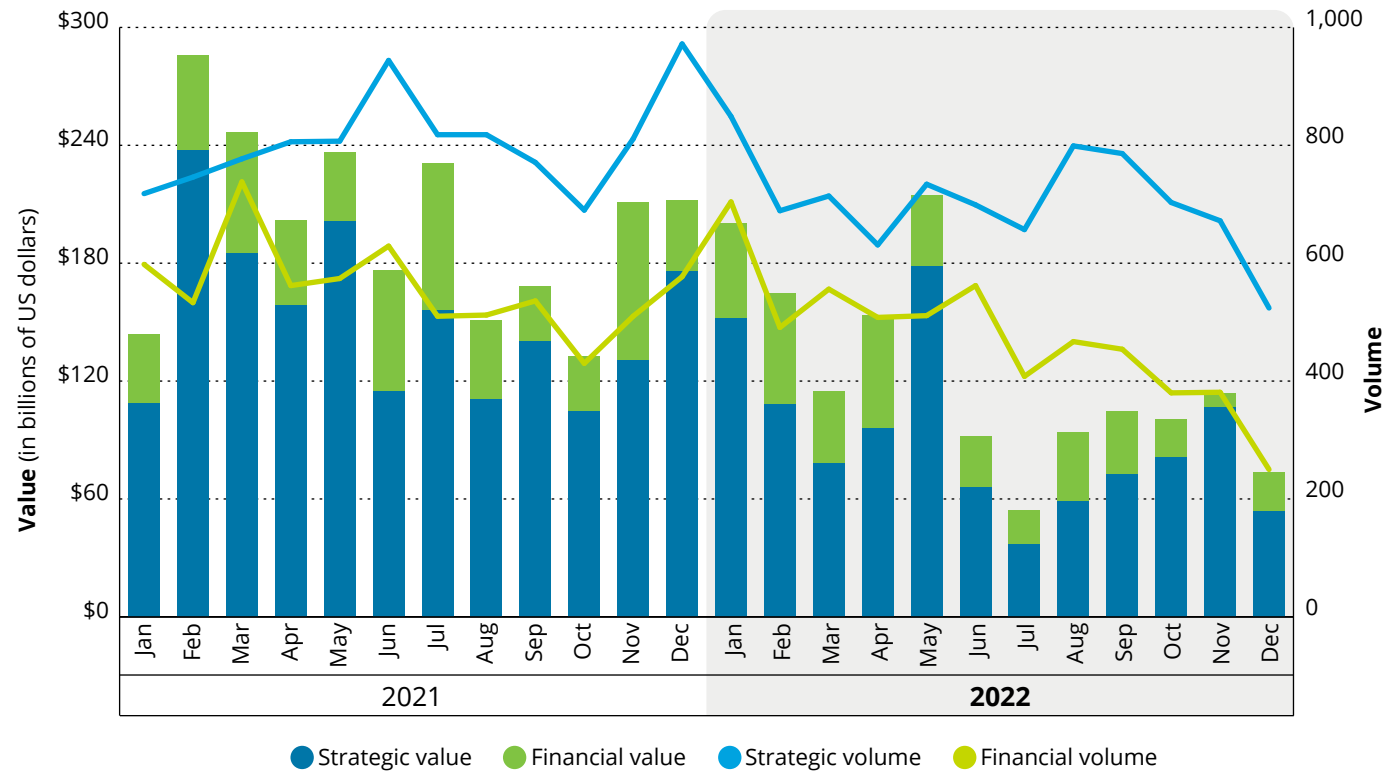
Finding 4

**Is now the time to buy low? The dry powder opportunity**

In our trends survey, corporate respondents are moderately more optimistic about M&A deal volume and value for the coming 12 months than they were in the previous year. Among private equity respondents, that optimism is significantly higher. And private equity firms are often bellwethers for the broader M&A market. Deal activity in 2023 has not yet borne out that optimism, but we are still early in the year.

While divestitures, distress cases, and bankruptcies remain at high levels,<sup>14</sup> in many places, the cash to exploit those cases is in lavish supply. The lure to be the first mover is strong. Who should respond? Companies and private equity firms with a clear strategy, strong process, and post-deal plans (not just a fat wallet) will be best positioned for success. For those who lay the groundwork, rewards may be found.

**US mergers and acquisitions**  
by month



Source: Based on Deloitte's analysis of M&A data generated via the Refinitiv database on January 18, 2023.



01

02

03

04

05

**06**

07

08

09

“We actually grew profits by making new acquisitions to enter new markets.”



01

02

03

04

05

**06**

07

08

09

# A growing role for technology and analytics

Technology is playing an ever-greater role in improving deal process efficiency and effectiveness. There may still be more it can contribute. We found significant digital initiatives happening in the target identification and deal execution phases of the M&A lifecycle.

## Where else can digital add value and efficiency with dealmaking?

Our respondents told us that digital tools are playing a larger role across the whole M&A and restructuring lifecycle, most notably with deal execution, target identification, and restructuring. Among other advances, the use of data analytics in diligence and monitoring is prominent and growing—almost three-quarters say they use these tools today, and only a small handful say they aren't considering using them. The more deals a company is involved with, the more likely it is to have employed data and technology in significant ways.

What's the bold play here? If you don't currently have the digital resources to follow this trend, it may be time to build or acquire them. If technology is playing a notable role today, it will most likely play an enormous one tomorrow.



01

02

03

04

05

06

07

08

09

## Finding 5

### A growing role for technology and analytics

There are frontiers still ahead of technology adoption for M&A. Technology transformation and innovation are less prevalent today in some M&A process stages (e.g., target screening, due diligence, and divestitures) than in others (e.g., deal execution and integration)—but not by much, and likely not for long. Meanwhile, there are areas adjacent to M&A, such as talent, culture change, and communication, that are also likely to feel the growing influence of data, digital tools, and other digital solutions. Artificial intelligence and sheer analytical speed enhancements offer potential for leading dealmakers to gain real advantage.

The day may come soon when trying to carry out any part of the M&A or restructuring process in a non-digital, analog way will seem like doing business without electricity. As with everything else about dealmaking, it's an area in which it will likely pay to get ahead.



01

02

03

04

05

06

07

08

09



“We’ve adapted legacy technologies and developed new skills while also implementing new technologies and improving our use of data. We’ve been able to improve workflows while increasing our customer base.”



01

02

03

04

05

06

**07**

08

09

# Next steps for this research

This publication is the first of several envisioned products that will make use of data from Deloitte's 2023 M&A Trends Survey. Readers may look forward to more in-depth data releases, focused spotlights on specific industries, and detailed comparisons between corporate and private equity perspectives.

The authors of this publication, Deloitte's Mergers, Acquisitions and Restructuring Services practice, are available to carry these and other conversations further. The data is the beginning, not the end, of the insights that can drive effective planning, dealmaking, and value creation. And every case is worth its own discussion—because no two are alike. In the unique M&A environment we've described, every company has a path worth exploring.



01

02

03

04

05

06

07

**08**

09

# About the survey

Between October 25 and November 11, 2022, a Deloitte survey conducted by OnResearch, a market research firm, polled precisely 1,400 executives—1,100 at US-headquartered corporations and 300 at domestic-based private equity firms—to gauge their expectations for M&A activity in the upcoming 12 months, as well as their experiences with recent transactions. All survey participants work either for private or public companies with revenues in excess of \$250 million, or private equity firms. Approximately 75% of the corporate respondents represented firms with more than \$1 billion in revenue. The participants hold senior ranks (vice president, managing director level, or higher at the corporations). Most of the respondents (1,206) sit within the C-suite. All respondents indicated that they are involved in M&A activity. The corporate respondents represent a variety of industries, including technology, consumer, energy, financial services, and life sciences. The majority of corporate respondents (61%) work for privately held companies. The private equity respondents are with firms that manage a variety of differently sized primary funds: 42% manage funds in the \$3 billion and greater range, up 10% from last year, and 8% manage funds under \$500 million.

## Contacts

---



**Trevear Thomas**  
**US Leader,  
M&A and Restructuring  
Services**

Deloitte Consulting LLP  
trethomas@deloitte.com



**Barry Winer**  
**Head of Research,  
M&A and Restructuring  
Services**

Deloitte Services LP  
bwiner@deloitte.com



**Mark Garay**  
**Managing Director,  
M&A and Restructuring  
Services**

Deloitte Services LP  
mgaray@deloitte.com



01

02

03

04

05

06

07

08

**09**

# Endnotes

1. Gabriel T. Rubin and Nick Timiraos, ["U.S. inflation cooled in February as Fed confronts bank failures,"](#) *Wall Street Journal*, March 14, 2023.
2. Howard Schneider and Ann Saphir, ["Fed delivers small rate increase; Powell suggests 'couple' more hikes coming,"](#) Reuters, February 1, 2023; Anniruddha Ghosh and Siddarth S, ["Goldman Sachs, Bank of America expect three more U.S. rate hikes this year,"](#) Reuters, February 17, 2023.
3. Based on Deloitte's analysis of M&A data generated via the Refinitiv database on January 9, 2023. Figures based on announcement date.
4. David Harrison, ["Unemployment falls to 3.4%, lowest in 53 years, jobs report shows,"](#) *Wall Street Journal*, February 3, 2023; US Bureau of Labor Statistics, ["Civilian unemployment rate, seasonally adjusted,"](#) accessed February 3, 2023.
5. Chip Cutter and Theo Francis, ["Corporate layoffs spread beyond high-growth tech giants,"](#) *Wall Street Journal*, January 26, 2023; Bethany Biron, Samantha Delouya, and Lakshmi Varanasi, ["Amazon is slashing 9,000 more workers amid a layoff wave that has expanded past tech to include bellwethers like Dow and 3M. Here's the full list of major US companies making cuts in 2023,"](#) *Business Insider*, March 23, 2023.
6. From interviews with Deloitte Mergers, Acquisitions, and Restructuring Services (MARS) partners, principals and managing directors, conducted by Barry Winer, MARS head of research (2023).
7. Carleton English, ["M&A is slowing as financing costs tick higher,"](#) *Barron's*, November 11, 2022; *Wall Street Journal*, ["Financing dries up on Wall Street; Mergers, stock and bond offerings slowed in October to lowest level in over a decade,"](#) November 7, 2022.
8. PitchBook, [2022 annual US PE breakdown,](#) January 12, 2023, p. 10.
9. Todd Zenger, ["Do M&A deals ever really create synergies?,"](#) *Harvard Business Review*, July 6, 2016; Alan Lewis and Dan McKone, ["So many M&A deals fail because companies overlook this simple strategy,"](#) *Harvard Business Review*, May 10, 2016.
10. John Reiss, ["Record breaker: US M&A 2021,"](#) White & Case, January 31, 2022, p. 3; Anna Hirtenstein, ["Companies are hoarding record cash amid Delta fears,"](#) *Wall Street Journal*, August 16, 2021.
11. Moody's, ["Moody's: Cash pile for US non-finance companies declines 7% to \\$2.0 trillion as capex, other spending, hit record highs,"](#) press release, July 21, 2022.
12. PitchBook, [2022 annual US PE breakdown,](#) p. 10.
13. CapitalIQ; Deloitte analysis.
14. Anna Y. Lea Doyle and Iain Macmillan, [2022 Global Divestiture Survey: Realizing value in a fast-paced market,](#) Deloitte, March 2022, p. 3; Michael O'Connor and Chris Hudgins, ["Spike in distressed debt signals greater default potential,"](#) S&P Global Market Intelligence, June 29, 2022; Michael O'Connor and Chris Hudgins, ["January US corporate bankruptcies hit highest monthly level in nearly 2 years,"](#) S&P Global Market Intelligence, February 2, 2023.



01

02

03

04

05

06

07

08

09



This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. In addition, this publication contains the results of a survey conducted by Deloitte. The information obtained during the survey was taken “as is” and was not validated or confirmed by Deloitte.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

#### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.