



# Privately Speaking

Insights on private company growth  
from private company insiders

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## M&A Outlook: Getting top dollar in a slower market

*Mergers and acquisitions (M&A) volume may be slowing. But “good assets” are still being rewarded with above average multiples. In this edition of Privately Speaking, we take a deeper look at KPMG’s most recent M&A data to find out how private market companies—and their PE investors—are taking advantage of the current M&A market to create value and drive future growth.*

### Volume drops off

You don’t need to be an investment banker to see that global M&A deal volumes have plummeted this year. Indeed, our data shows that global M&A volume fell by 24 percent over the first nine months of 2019. Aggregate value of disclosed global transactions fell by around two-thirds.

U.S. mid-market volumes and values remained a bit more robust. Our data shows that mid-market transaction volumes in the U.S. fell by 20 percent; value dropped by around 25 percent.

### U.S. M&A activity



Source: KPMG Corporate Finance LLC, M&A market analysis, November 2019.

### What’s going on?

Simply put, investors are worried about a host of uncertainties in the global and U.S. markets; disruptions to global trade patterns, rising public discontent, massive regulatory changes, and shifting consumer preferences are creating new risks and complexities for many businesses. The upcoming U.S. election is only heightening uncertainty, both at home and abroad.

That, in turn, has caused many buyers to rethink their M&A plans. And it has cast doubt on the valuations of companies that once seemed like good targets. Volume and value have taken a hit as dealmakers assess the risks, revalue their assets, and rethink their strategy.

## Strategic buyers back away

The biggest impact of this pullback has been in corporate dealmaking activity. While corporate and “strategic” transactions accounted for two-thirds of the deals announced in the first nine months of 2019, total volume fell by 24 percent.

### Corporate mid-market M&A activity



Source: KPMG Corporate Finance LLC, M&A market analysis, November 2019.

Facing significant market uncertainty and demands from shareholders to demonstrate value from previous deals, many strategic buyers are now taking stock of the current environment and refocusing on driving performance and removing costs from their existing businesses.

— Rebecca Brokmeier  
Managing Director  
KPMG Corporate Finance LLC

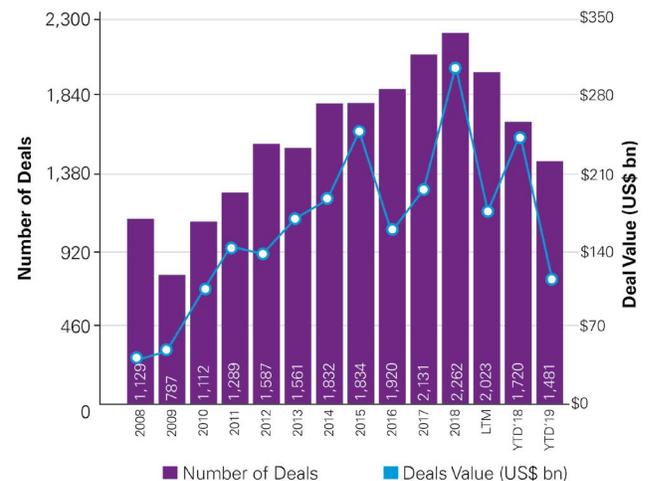
## What about private equity?

Private equity mid-market activity has been much more resilient, falling just 11 percent when compared to last year. However, deal value fell considerably (by 28 percent) as PE firms took advantage of the slow market to drive smaller deals.

Private equity companies aren't just winning auctions because they have lots of capital to deploy. They are also able to be much more creative about their capital structures and debt terms and that is giving them the edge in the current market environment.

— Rebecca Brokmeier  
Managing Director  
KPMG Corporate Finance LLC

### Private equity (PE) mid-market M&A activity



Source: KPMG Corporate Finance LLC, M&A market analysis, November 2019.

## Good companies getting record valuations

Our view of the market—coupled with our conversations with PE and strategic investors—suggests that record valuations are still available for well-managed private companies. We have seen PE firms become much more aggressive in their approach to finding good quality deals. Auctions for “A-list” companies have been extraordinarily competitive.

While investors are being much more cautious about their activity, they still need to deploy their capital. Owners of well-managed private companies that hit all the right metrics for investment are being courted like never before.

— Conor Moore  
National Private Markets  
Group Leader, KPMG LLP

## Want to get the very latest insights on private company exit activity?

Join us for our next *Semiannual IPO and M&A Outlook Webcast* on January 22, 2020. Click [here](#) to register.



To receive an invitation for the webcast, complete the form and be sure to click the box for *Semiannual IPO and M&A Webcast*.

### Is it the right time to sell?

Given the current state of global and U.S. uncertainty, now may be the perfect time to start thinking about your exit strategy. Many of the current U.S. presidential candidates are talking about massive changes to the existing tax and regulatory systems that, if implemented, could have significant impacts on the value owners achieve.



If you have a time horizon of less than five years, you need to be thinking seriously about what the different tax scenarios may look like under different administrations. The outcomes may make a big difference in your retirement plans.

— **Rebecca Brokmeier**  
Managing Director  
KPMG Corporate Finance LLC



## Get all the data

See how the M&A market performed in the first nine months of 2019 in our **KPMG Corporate Finance LLC Activity Report**.

[Click here](#) >>



## Not getting calls from PE recently? Maybe it's time to reassess your investment metrics.

Those companies that can demonstrate that they are well managed, profitable, and capable of strong growth are getting calls from PE firms regularly. If you haven't been approached by investors over the past few months, it probably means that you need to work on some of your key business metrics.

Private company owners and decision makers should consider maximizing company value through:



Solid financials



Strong supportable projections



Clear vision/strategy for future growth



Low capital expenditure



High free cash flows



High recurring revenue



Low customer concentration

## How KPMG can help

In today's market, private companies need an adviser with objective insight at every step of the transaction process. KPMG's Corporate Finance professionals work with private market company leaders throughout the full deal cycle to create value and successfully execute their deal strategy.



KPMG's Private Markets Group (PMG) works with companies to help improve performance, drive growth, and manage risk. We help companies achieve the metrics they need in order to attract investors and new capital.

[Learn more](#) >>

## Don't miss a thing

The environment for private companies is changing rapidly, and new opportunities are emerging every day.

Do not let an opportunity pass you by. Sign up to receive KPMG's **Privately Speaking** series and make sure you are making the best decisions possible for your private company.

Register here to subscribe to KPMG's *Privately Speaking* series.



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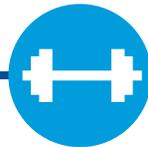
Starting your  
business



Growing your  
business



Strengthening  
your business



Transitioning  
your business



**Privately Speaking** focuses on the issues that matter most to privately held entities, including PE- and VC-backed companies.

KPMG's Private Markets Group understands what it takes to drive private company growth. In each edition of **Privately Speaking**, we share our insights—along with practical and actionable tips—to help boards, executives, and management grow, strengthen, and transition their privately held businesses.

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