DealMaker Meter
by DFIN

Optimism Prevails
Despite Uncertainty
Dealmaking is experiencing significant changes.

**Expect more M&A deals soon**
Market uncertainty is changing the nature of deals, with dealmakers thinking early 2023 is a good time for M&A activities.

**Extra due diligence is occurring**
Dealmakers are going beyond their traditional due diligence processes to determine company value.

**Look to the mid-year for IPOs**
The second and third calendar quarters are considered the best time for taking a company public during 2023.

**Take private activity continues**
Economic-related factors are driving the pace of take private activity to remain similar or increase this year.

**North America & EMEA lead dealmaking**
Deals will continue in all global regions, but deal activity in these regions is expected to surpass Latin America and APAC.

**Shifting industry focus**
The deal activity of the technology, media and telecom industry has slowed to match the business services and financial services industries.

**Cybersecurity affecting dealmaking**
Dealmakers are concerned cybercrime, corporate security, and data breaches will impact the close of their deals.
Dealmakers signal more activity in 2023
Market uncertainty is seen as the biggest challenge, but it’s not stopping dealmaking.

In the current economic environment, what is the biggest challenge to success?

- Uncertain Markets: 38%
- Valuation of Assets: 19%
- Leadership Agreement: 19%
- Board Approvals: 21%
M&A continues to be an imperative and sustainable strategy for growth and remains a strong value proposition even with market shifts and economic uncertainty.
67% are confident or extremely confident that it is a good time to acquire companies.

How confident are you that this is a good time to acquire companies?

- **Extremely Confident**: 22%
- **Confident**: 45%
- **Neither Confident nor Unconfident**: 22%
- **Unconfident**: 10%
- **Extremely Unconfident**: 1%
Nuvei Corporation (TSX:NVEI), a global payments technology company, entered into a definitive agreement to acquire Paya Holdings Inc. (NASDAQ:PAYA), a leading provider of integrated payment and frictionless commerce solutions, for $1.3 billion on January 9, 2023.
52% believe the volume of deals will be higher over the next three months.

What do you predict the volume of deals will be like over the next 3 months? (Compared to the previous 3 months)

- 52% Higher
- 37% About the Same
- 11% Lower
89% think average multiples across all deals will remain the same or higher over the next three months.

How do you think the average multiples across all deals will change over the next 3 months? (Compared to the previous 3 months)

- About the Same: 44%
- Higher: 45%
- Lower: 11%
86% predict the pace of deals will move the same or faster over the next three months.

How do you predict the pace of deals will change over the next 3 months? (Compared to the previous 3 months)

- Will Move at a Faster Pace: 46%
- Will Move at About the Same Pace: 40%
- Will Move at a Slower Pace: 14%
Gone is the seller’s market and buying spree of 2021. In today’s market, buyers & sellers alike have become increasingly more selective and cautious in their approach to dealmaking.
64% of respondents are going beyond traditional due diligence processes to determine company value.

Given the current environment, are you going beyond your traditional due diligence process to determine company value?

64% Yes
30% No
6% Not Sure
76% of respondents think the pace of take privates will increase or continue due to the economy.

Given the economy, will the pace of take privates decrease, continue or increase?

- **Increase**: 25%
- **Continue**: 51%
- **Decrease**: 24%
Twitter, an online social media and social networking service, was acquired by Mr. Elon Musk and other investors for $44 billion on October 27, 2022.
Q2 and Q3 will be the best quarters for companies to go public.

What quarter of 2023 will be the best for a company to go public?

Q1: 10%
Q2: 36%
Q3: 34%
Q4: 20%
Dealmaking continues in every global region
76% of dealmakers agree that North America has the **hottest geography** for deal activity.

What geographic regions have been considered most active for deal activity (including M&As, IPOs, SPACs, De-SPACs, etc.) for the last 3 months?

- **76%** North America
- **25%** APAC
- **24%** EMEA
- **13%** Latin America
67% of North America and 21% of EMEA dealmakers agree that their regions will lead deal acceleration for the next three months.

What regions will see accelerated deal activity over the next 3 months?

- **67%** North America
- **21%** EMEA
- **17%** Latin America
- **15%** APMC
North America and Latin America take the cake for M&A deal activity.

Looking specifically at M&As, what geographic regions have been considered most active for deal activity over the last 3 months?

- **North America**: 72%
- **Latin America**: 21%
- **EMEA**: 20%
- **APAC**: 16%
What industries have been driving the M&A activity?

- Financial Services: 24%
- Technology, Media & Telecom: 21%
- Business Services: 21%
- Consumer: 20%
- Construction: 17%
- Energy, Mining & Utilities: 13%
- Pharma, Medical & Biotech: 11%
- Industrial & Chemical: 11%
- Defense: 9%
- Real Estate: 9%
- Agriculture: 6%
- Leisure: 4%
- Transportation: 3%
Vista Equity Partners, a leading global firm exclusively investing in enterprise software, data and technology-enabled organizations, agreed to a $4.6 billion all-cash deal to acquire KnowBe4, a publicly traded cybersecurity company specializing in helping enterprise workers avoid phishing attacks. The deal was completed on February 1, 2023.
67% agree North America is considered the most active for IPO deal activity.

Looking specifically at IPOs, what geographic regions have been considered most active for listings on U.S. exchanges over the last 3 months?

- North America: 67%
- Latin America: 20%
- EMEA: 16%
- APAC: 15%
What industries have been driving the IPO activity?

- Technology, Media & Telecom: 22%
- Financial Services: 21%
- Business Services: 21%
- Construction: 18%
- Consumer: 15%
- Pharma, Medical & Biotech: 12%
- Energy, Mining & Utilities: 11%
- Agriculture: 9%
- Leisure: 9%
- Industrial & Chemical: 8%
- Real Estate: 7%
- Defense: 6%
- Transportation: 2%
Industry musical chairs
Industries driving dealmaking activity changed from a focus on Technology, Media and Telecom a year ago to a focus on Financial Services and Business Services now.

What industries have been driving deal activity?

### WINTER 2022

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology, Media &amp; Telecommunications</td>
<td>84%</td>
</tr>
<tr>
<td>Pharma, Medical &amp; Biotech</td>
<td>42%</td>
</tr>
<tr>
<td>Energy, Mining &amp; Utilities</td>
<td>42%</td>
</tr>
<tr>
<td>Consumer</td>
<td>37%</td>
</tr>
<tr>
<td>Industrial &amp; Chemical</td>
<td>32%</td>
</tr>
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<td>Business Services</td>
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<tr>
<td>Technology, Media &amp; Telecommunications</td>
<td>24%</td>
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<tr>
<td>Consumer</td>
<td>16%</td>
</tr>
<tr>
<td>Pharma, Medical &amp; Biotech</td>
<td>14%</td>
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</table>
Similar industries will experience accelerated activity and significant consolidation.

What industries will see accelerated deal activity over the next 3 months?

- Technology, Media & Telecommunications: 25%
- Business Services: 25%
- Financial Services: 23%
- Construction: 16%
- Energy, Mining & Utilities: 14%

What industries will see significant consolidation?

- Financial Services: 31%
- Technology, Media & Telecommunications: 26%
- Business Services: 23%
- Construction: 21%
- Consumer: 21%
Regarding the market’s current state, good deals could be harder to come by, and SPACs have an uphill battle ahead.
Respondents are split on whether there will be more public debuts via SPAC mergers vs. traditional IPOs.

Will we see more public debuts via SPAC mergers versus traditional IPOs?

51% Yes

49% No
63% say it will be difficult for the remaining SPACs to find their targets.

33% of SPACs are most likely to target private equity portfolio companies in 2023.

Which type of company are SPACs most likely to target in 2023?

<table>
<thead>
<tr>
<th>Type of Company</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Private Equity Portfolio Companies</td>
<td>33%</td>
</tr>
<tr>
<td>Early-stage Venture Capital</td>
<td>22%</td>
</tr>
<tr>
<td>Mid-market Growth Stage</td>
<td>21%</td>
</tr>
<tr>
<td>Unicorns</td>
<td>15%</td>
</tr>
<tr>
<td>Listed Companies</td>
<td>9%</td>
</tr>
</tbody>
</table>
Nearly 90% of respondents agree private equity purchasing and selling appetite will be the same or higher in 2023.
THOMABRAVO

Thoma Bravo, a leading private equity firm investing in and growing software and technology businesses, announced a take private for Coupa Software Inc., a global technology platform for cloud-based Business Spend Management (BSM), for $6.7 billion on December 11, 2022.
A look at inflation & interest rates
69% of respondents feel the current inflation rate will be lower at year-end.

Where do you think inflation will be at the end of 2023?

- < 4%: 4%
- 4%-4.4%: 12%
- 4.5%-4.9%: 7%
- 5%-5.4%: 12%
- 5.5%-5.9%: 16%
- 6%-6.4%: 14%
- 6.5%-6.9%: 9%
- 7%-7.4%: 8%
- 7.5%-7.9%: 6%
- 8%-8.4%: 6%
- 8.5%-8.9%: 2%
- > 9%: 4%
89% of respondents expect the Fed interest rate to be similar or higher at year-end.

What do you think the Federal Reserve interest rate will be at the end of 2023?

- < 4%: 5%
- 4%-4.4%: 6%
- 4.5%-4.9%: 12%
- 5%-5.4%: 17%
- 5.5%-5.9%: 9%
- 6%-6.4%: 13%
- 6.5%-6.9%: 12%
- 7%-7.4%: 8%
- 7.5%-7.9%: 6%
- 8%-8.4%: 6%
- 8.5%-8.9%: 4%
- > 9%: 2%
50% of respondents watch the Consumer Price Index to predict a recession.

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<tr>
<td>Consumer Price Index</td>
<td>50%</td>
</tr>
<tr>
<td>Oil Prices</td>
<td>33%</td>
</tr>
<tr>
<td>Retail Spending</td>
<td>29%</td>
</tr>
<tr>
<td>Conference Board Leading Economic Indicators</td>
<td>26%</td>
</tr>
<tr>
<td>Producer Price Index</td>
<td>25%</td>
</tr>
<tr>
<td>Core CPI</td>
<td>19%</td>
</tr>
<tr>
<td>The Consumer Confidence Index</td>
<td>16%</td>
</tr>
<tr>
<td>S&amp;P/Case-Shiller Home Price Index</td>
<td>15%</td>
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As ESG has become a more prominent factor in the way customers and society evaluate companies, the same is increasingly true for potential acquirers.

For the foreseeable future, M&A assessed from a sustainable perspective will be an important and valuable means to create growth, gain a competitive edge and access affordable capital.
45% believe the push for new SEC climate risk disclosure requirements will become mandated.

Will the push for new SEC climate risk disclosure requirements become mandated?

- Yes: 45%
- No: 37%
- Not Sure: 18%
41% agree that the new makeup in Congress will create more market regulations.

What impact is the new makeup in Congress likely to have?

- More Market Regulations: 41%
- Fewer Market Regulations: 26%
- Stalemate on Increasing or Decreasing Market Regulations: 33%

54% consider ESG practices when deciding to invest or make a deal.
Top corporations have publicly embraced ESG as core to their shareholder and stakeholder policies, but behind the scenes, most respondents agreed ESG backlash is real.
Data Protection, Security and Compliance are Table Stakes
70% are concerned about breaches impacting deal closures.

Attention to privacy and cybersecurity due diligence in dealmaking has become critical to closing a deal.
69% of advisors are concerned about the level of security employed at corporations.

As an advisor, are you concerned about the level of security employed at corporations?

- Yes: 69%
- No: 31%
35% of respondents are taking full advantage of the benefits of virtual data rooms optimized for security, productivity and usability.

Before a deal commences, where does your company store digital files to collect, organize and prepare information?

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<th>Storage Type</th>
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<tr>
<td>Internal Storage (e.g., Network Drive)</td>
<td>57%</td>
</tr>
<tr>
<td>General-purpose Storage (e.g., Cloud Storage)</td>
<td>49%</td>
</tr>
<tr>
<td>Secure Virtual Data Room</td>
<td>35%</td>
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<tr>
<td>Not Sure</td>
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During the deal, where does your company store digital files to share information with stakeholders?

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Virtual data rooms are critical to **effectively accelerate deals** securely and affordably. The good news is most respondents are using a corporate repository.

53% use a corporate repository that can convert to a future virtual deal room when needed.
33% of the respondents predict most deals will be done virtually over the next three months.

What percentage of deals will be done virtually over the next 3 months?

- 0% - 25%: 25%
- 26% - 50%: 42%
- 51% - 75%: 26%
- 76% - 100%: 7%

How does this compare to the previous 3 months?

- About the Same: 48%
- Higher: 41%
- Lower: 11%
From the water cooler
46% expect future regulations for Ticketmaster.

43% believe Twitter’s value will increase.

56% agree Janet Yellen will remain Secretary of the Treasury throughout 2023.
North America was still the **hottest geography** for deal activities during the last three months, followed by APAC and EMEA.

What geographic regions have been considered most active for deal activity?

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<th>Activity</th>
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<td>96%</td>
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<td>EMEA</td>
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Industries driving dealmaking activity changed from a focus on TMT to a focus on financial services and business services.

What industries have been driving activity?

**WINTER 2022**
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- Pharma, Medical and Biotech: 42%
- Energy, Mining & Utilities: 42%
- Consumer: 37%
- Industrial & Chemical: 32%

**WINTER 2023**
- Financial Services: 26%
- Business Services: 26%
- Technology, Media and Telecommunications: 24%
Dealmakers agree North America, APAC and EMEA will experience accelerating deal activity for the next three months.

What geographic regions will have accelerated deal activity over the next 3 months?

**WINTER 2022**
- North America: 83%
- APAC: 33%
- EMEA: 28%

**WINTER 2023**
- North America: 67%
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Dealmaker Quotes

“The market is looking up. I have high hopes, especially for Europe.”

“I think the outlook of the market based on strategies will be higher compared to the last three months and I think a certain amount of deals will be done virtually.”

“With inflation we have a calming down, we hit a new higher “normal” rating which will keep pricing at a higher level.”

“I have hope! The large ups and downs of late are remarkable. It should settle out and get the losses lower and gains higher.”

“More cautious optimism.”
DFIN 2022 year in review

M&A

SPIN

IPO

DeSPAC

Take-Private
What is the DealMaker Meter?

Keeping your finger on the financial pulse, the DealMaker Meter compiles answers to questions about everything from activities in sectors/industries to geographies and impacts.

Who answers?

A blue-ribbon panel made up of our top global DFIN dealmakers/partners (advisors, corporate clients, lawyers, bankers, etc.).

How should I use it?

To gauge the global market outlook – and plan your next move.

The Dealmaker Meter is a 2022 Platinum Award winner of the MarCom Awards honoring excellence in marketing and communication.

MarCom Awards are administered by the Association of Marketing and Communication Professionals (AMCP). The international organization, founded in 1995, consists of several thousand marketing, communication, advertising, public relations, digital, and web professionals.