MERGERS & ACQUISITIONS

Inflation, Labor Shortages, May Cause Mid-Market Buyers to Take a Step Back

By Demitri Diakantonis
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Dealmakers must be wondering how market volatility is effecting middle-market M&A. No one has a crystal ball and so many factors come into play: the Russia-Ukraine war, labor shortages, supply chain issues, and the list goes on. But what are investment bankers saying?

“Inflation is hitting businesses and people in different ways,” says **James Cassel** the co-founder of Miami-based investment bank **Cassel Salpeter & Co.** “When you look at deals, I think it will slow down a little and people will take a step back. For dealmaking, what it does is when you look at a company, you will look at their margins and Ebitda and how they are dealing with shortages.”

Cassel adds that he is not seeing deals dying, but instead deal speed slowing down because buyers are being more thorough in this environment. Perhaps that is both for the good and the bad. On the one hand, buyers may be seeing valuations come back down to earth, especially in the mid and upper middle-market. At the same time, market volatility has not really impacted the lower middle-market as much, as family-owned businesses seek exits.
Regardless of market conditions, Cassel says it’s not fair to blame everything on inflation.

“You can’t just point to one thing and blame inflation,” he says.
– *Demitri Diakantonis*