

MERGERS&ACQUISITIONS

Add-On Deals Will Drive 2024 Middle Market M&A

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Despite dealflow being down by over 30 percent year on year, there was a glimmer of hope as the year concluded. Deal volume was up by 33 percent in November and December compared to 2022, according to **LSEG**. While no one is calling for a return to the record levels of 2021, many experts say the middle market has historically been resilient and should perform well in 2024. Here's why.

"We see deals getting done in the lower middle-market," says **Cassel Salpeter & Co.** Chairman and co-founder **James Cassel**. "If you're doing lower mid-market M&A, a lot of times it's an add-on acquisition. I think we're going to see another good year in lower mid-market M&A in terms of add-on acquisitions."

Cassel sees this particularly happening in the technology, healthcare and manufacturing sectors. For example, earlier this month, **Gryphon-**backed **Vision Innovation Partners**, a mid-Atlantic eye care platform with nearly 70 locations, **bought Bucks-Mont Eye Associates PC** in Sellersville, Pa.

On the technology side, **Comply365 LLC**, a portfolio company of **Liberty Hall Capital Partners** and an enterprise SaaS and mobile services company for

content management and document distribution, **has merged** with **Vistair Limited** earlier this month, an operational data management company for aviation technical publications, safety and regulatory content.

The technology and healthcare sectors were the top two sector performers in the middle market last year, according to LSEG, with 156 and 124 deals completed worth about \$38.5 billion and \$28.7 billion, respectively.

Overall, there were 801 mid-market deals worth \$240 billion completed in 2023 compared to 1,198 deals valued at approximately \$350.2 billion completed in 2022. The LSEG numbers are based on North American deals worth between \$100 million and \$1 billion.

In the league tables, **JP Morgan, Goldman Sachs** and **RBC Capital Markets** were the top three in 2023 in market share and number of deals advised. **Houlihan Lokey (NYSE: HLI)** moved from 14th place in 2022 to seventh in 2023. The firm **recently acquired** direct placement **Triago**.

Bankers are optimistic of what's to come in 2024. "Expect the unexpected in 2024," says says **Thomas Smale**, the **CEO** of investment bank **FE International**. "We'll see more strategic, technology-focused deals and a keen interest in sectors like healthcare and AI. PE is gearing up for a comeback, but with a twist. The focus will shift to selective, high-potential investments."

"I'm optimistic about 2024," Cassel adds.