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Expect 'B' Assets to Come to Market First as Dealflow Waits to Pick Up

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September 6, 202

There's the annual **summer deal lull**, then there's the flat cycle as dealmakers wait for interest rates to pick up and for the results of the November elections. Still though, there's nothing positive about the latest numbers, as August deal volume was the worst in three years, according to data supplied by **LSEG**. Here's our monthly deal analysis.

There were just 44 mid-market deals in August, the lowest monthly tally year to date and worst since August 2021. Deal value came in at around $19 billion, the second lowest total this year after February's $16.4 billion output.

Investors are saying deal activity will pick up, eventually. But when that happens, don't expect the winners to come out of the gate right away, as sponsors are desperate to return liquidity to their LPs, while waiting to get top value for their most prized assets.

"Most of what I think will come out from a lot of sponsors in the next three to nine months are what I call the B-assets," says **Oaktree Capital** Managing Director **Matt Wilson.** "These are not top-tier portfolio companies, but assets that need to be sold to extract whatever returns sponsors can get so they can return capital and raise the next fund. These are probably the most price sensitive assets to interest rates, hence the reason they haven't had a bid over the last 18-24 months.

"Right now, for a lot of sponsors, it's about 'We haven't sold much in the last two years and we have to return capital to retain our clients and raise the next fund. Let's try to sell our second-tier assets, get what we can for them so we can return the capital, and keep our real gems, the assets we will make the most money on in 2025 when we have more clarity on rates," he adds.

Looking at specific sectors, the top two industry staples-technology is down significantly, while healthcare is still down slightly year-over-year. In other sectors, real estate, consumer products and services are down. On the other end of the spectrum, consumer staples and **industrials** are on the rise.
Other notable deals that closed last month include:

- **Quest Diagnostics**' **(NYSE: DGX)** $987 million deal for laboratory test company **LifeLabs**
- **Bank of Nova Scotia's (NYSE: BNS)** **minority investment** in regional bank **KeyCorp (NYSE: KEY)**
- **Gallatin Point Capital's** minority investment in commercial bank **Israel Discount Bank of New York**

In the league tables, **JP Morgan (NYSE: JPM)**, **Goldman Sachs (NYSE: GS)** and **Morgan Stanley** hold the top three spots in terms of number of deals (34, 29 and 22, respectively) and deal volume (about $16.4 billion, $16.2 billion and $10.6 billion, respectively). A couple of other banks made big jumps into the top 10. **Wells Fargo (NYSE: WFC)** went from 22nd to eighth place and **Moelis (NYSE: MC)** went from 18th to ninth place.

“I believe we will see an uptick in mid-market M&A during the last four months of the year,” says **James Cassel,** co-founder of Miami-based investment bank **Cassel Salpeter & Co.** “There is a robust pipeline of deals that were preparing to go to market as well as pent up demand on the buy side for companies and PE firms to deploy capital.”