KPMG

Private Businesses

Navigating success in a dynamic economic climate

Given the turmoil in the market related to tariffs, stubborn inflation and low levels of private equity exits, we expect to see more exits of privately-held companies that have performed well and are seeking to take advantage of a sellers' market for high performing assets. Both private equity and strategic buyers continue to have excess capital to deploy while the overall volume of companies in the market remains low, creating competitive deal dynamics. These factors collectively signal a landscape for entrepreneurial success, positioning 2025 as a pivotal year for private businesses to realize their visions and make substantial impacts in their respective industries.

M&A Deal Market Study results

KPMG LLP conducted a survey to assess the outlook on market conditions in 2025, focusing on the outcome of the 2024 presidential results and the impact it will have on overall deal making as we move forward in 2025.

There is an overall positive outlook on M&A activity for 2025; three-quarters (76%) anticipate increased activity around M&A due to the results of the election. While all are optimistic, corporates are more likely to expect a positive impact (80%) than private equity firms (69%). The most common deals under consideration are full business acquisitions, with corporates going in much stronger than PE on these types of deals.

Tax policy changes after the election are also likely to increase the "appetite" for M&A deals with both corporate and private equity firms expecting an increase in deal activity in 2025.

Expected drivers of increased deal activity are similar for both corporations and private equity firms. Major factors include acquiring technology, diversifying products and services, and improved access to capital.

Source: KPMG: *2025 M&A deal market study*

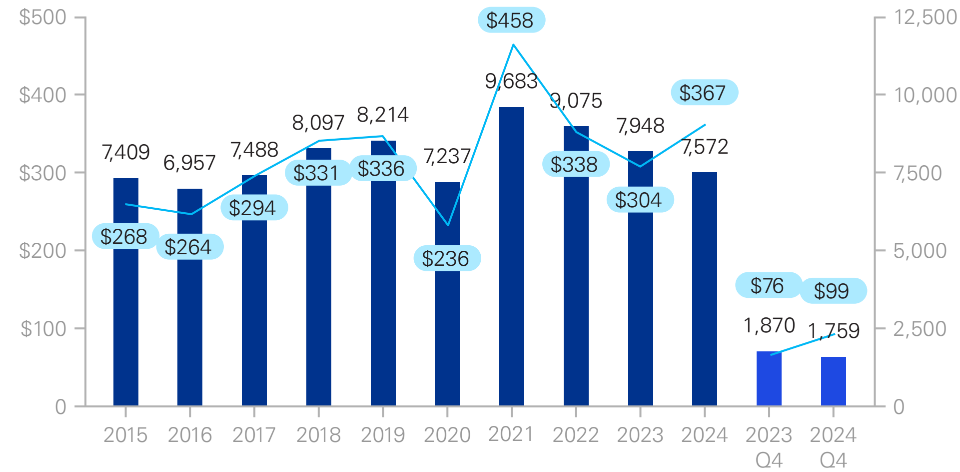
Capital Markets update

1. Credit markets are wide open across the board with fourth quarter 2024 new-issue leveraged loan volume recording $124.0 billion, a significant increase from $73.8 billion during the same period in 2023
2. Issuer-friendly environment as pent-up investor demand due to subdued M&A activity is driving fierce competition among lenders, resulting in multiyear low spreads and easing covenants
3. Extension and repricing activity soared to $302.1 billion in the fourth quarter, surpassing the peak of $259.4 billion recorded in the second quarter 2024
4. Private credit lenders have fought hard with broadly syndicated lenders, consistently edging them out, capturing a larger share of issues from the lower end of the credit spectrum
5. Lenders in general are looking to help founders grow through investments and M&A as well as to facilitate dividend recaps for founders to take "chips off the table"

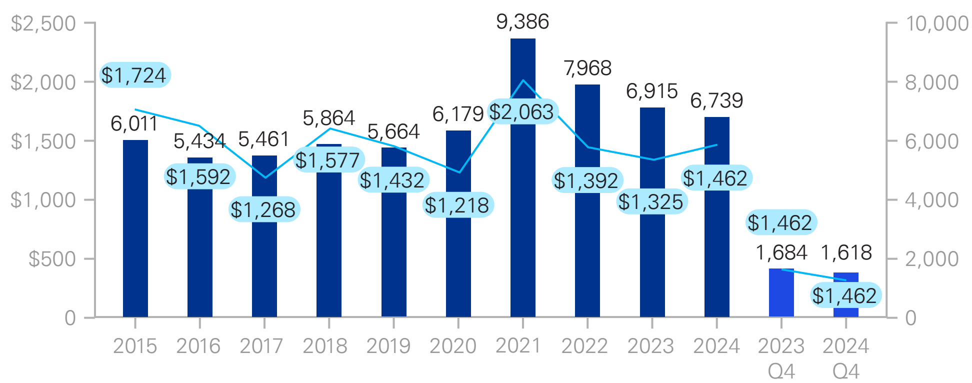
Source: *PitchBook | Leveraged Commentary & Data, KPMG Market Research.*

U.S. Deal Activity – Overview

U.S. Non-Sponsor Backed Deals[1]



U.S. Sponsored Deals[2]



Source: Pitchbook

(1) U.S. Non-Sponsor Backed Deals represent deal activity where the seller is a privately-owned company with no outside capital from PE or VC backers, or angel investors

(2) U.S. Sponsored Deals represent deal activity where the seller is a privately-owned company with capital investment from PE or VC backers, or angel investors

Potential impacts of new tariff polices on M&A

Strategic realignments

- Some firms might leverage the disruption caused by tariffs to realign their strategies, acquiring businesses that help them diversify or reinforce their supply chains, but this will likely be a cautious and calculated approach given the volatile environment.

Opportunities in M&A amid tariffs

- While tariffs create challenges, they also present opportunities for distressed M&A. Companies struggling to cope with increased costs and operational disruptions may become acquisition targets for firms with more robust strategies or capital reserves.

How KPMG can help

The evaluation of strategic alternatives can be a daunting exercise, especially in a disruptive market environment. With decades of experience sourcing capital, negotiating with creditor constituencies, and executing M&A transactions, KPMG Corporate Finance LLC can help you objectively evaluate all possible alternatives and chart a path to preserve value for your business. KPMG LLP's turnaround and restructuring practice can also help organizations to work through challenges, restore value, and enhance financial and operational performance for the long-term.

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