PJ SOLOMON
unrivaled wisdom

MARC S. COOPER
CEO, PJ SOLOMON

DESPITE INFLATION FEARS, M&A POWERS AHEAD

Over the last few weeks, investors and bankers have been faced with something they haven't seen in a while: volatility. In fact, based on the market's performance from last summer through February of this year, you'd be excused for forgetting just how troubling things were this time last year. Yet as consumers and investors grapple with inflation fears and try their best to read the tea leaves, there's one area that continues to march onwards: mergers and acquisitions.

We've talked at length about the perfect storm propelling M&A forward: pent up demand, low borrowing costs, IPO and SPAC momentum (although SPACs are cooling) and strong balance sheets, just to name a few. Deals take months to come to fruition and we'll start seeing an increase in announcements later this year from discussions that began in Q1. And despite the re-introduction of volatility over the last few weeks, bankers and executives are hardly pressing pause on their plans.

I like to say that if the economy is in a good place, then we're in a good place, and the recent market sell-off doesn't change our strong 2021 outlook. The markets had a remarkable run over the last several months and an occasional pullback is healthy and warranted. Resetting the stage allows investors to assess their portfolios, and with the summer upon us and consumers poised for an explosion in a variety of sectors, we remain optimistic. Having some checks and balances along the way is hardly a deterrent.

We advise clients to do deals for a variety of scenarios and each one is unique. But the traditional motivations for pursuing M&A remain as timely and relevant as ever: take advantage of access to capital to strengthen your business. Smart executives have an extremely long-term view and the opportunities currently available to them won't always be here. The market forces propelling us forward will fade at some point, so companies are staying disciplined and looking for ways to be opportunistic.

Is it all going to be smooth sailing? I wish. I've been around long enough to know all good things eventually come to an end and there are valid concerns spooking the market. But in our view, the pros currently outweigh the cons.

The Fed has repeatedly expressed its commitment to maintaining low interest rates and consumers are already returning in droves with cash to spend. COVID restrictions are being lifted around the country and with international travel still a question mark, we expect domestic consumer spending to be strong.

> The markets had a remarkable run over the last several months and an occasional pullback is healthy and warranted.

Will that be enough to offset inflation fears? Possibly.

But bankers operate on a different time horizon and have different objectives than investors, and none of that has changed due to the recent sell-off. We remain as optimistic – and busy – as ever and we see tremendous opportunities for our clients to strengthen their businesses through M&A.

CONNECT WITH US

PJ SOLOMON
unrivaled wisdom

ABOUT PJ SOLOMON

PJ SOLOMON is a leading financial advisory firm with a legacy as one of the first independent investment banks. We advise clients on mergers, acquisitions, divestitures, restructurings, recapitalizations, capital markets solutions and activism defense across a range of industries.

Our difference is that we offer unmatched industry knowledge in the sectors we cover, providing the most comprehensive strategic solutions, tailored to generate long-term shareholder value. Our bankers live and breathe the sectors they advise on, providing unparalleled analysis, understanding and access.

For more information, please visit pjsolomon.com