

David Washburn Shares M&A Forecast With *Middle Market Growth*

February 27, 2023

J. David Washburn, Mergers & Acquisitions and Private Equity co-chair, shares his perspective with *Middle Market Growth* on transaction trends and challenges for 2023. As noted in [Katten's 2023 Middle-Market Private Equity report](#), inflation and interest rate levels are the top challenges. David stated, "So far it appears as if the anticipated headwinds continue to blow. Availability of financing, rising interest rates and inflation concerns continue to be top concerns for private equity investors." However, the report noted that confidence is higher among private equity firms that deals will close compared to last year.

In terms of industry opportunity, David indicated that financial services, technology and insurance likely have the most M&A potential. Citing technology, and more specifically artificial intelligence, he stated, "We believe that private equity investors will continue to focus on [this sector] as companies seek out ways to offset rising costs and continuing labor shortages." David also believes that new incentives created by the Inflation Reduction Act will drive interest in the renewable energy sector.

Targets with effective environmental, social and corporate governance (ESG) metrics are attractive as well. "Today, private equity investors recognize that it's critical to assess a target's ESG factors at the same time and with the same degree of scrutiny as other, more traditional diligence factors. Regulators are proposing and implementing ESG initiatives at a record pace. As a result, identifying and acquiring targets with higher ESG metrics is critical because it ensures that investments are better situated to handle expected ESG changes and therefore likely to be sold at a premium on exit."

"[Wading Through the Data of M&A Forecasts](#)," *Middle Market Growth*, February 22, 2023

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