Founder-backed M&A is doing better

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Founder-owned businesses are more motivated to sell in the current environment. PitchBook's latest Analyst Note, *Founder-Owned Businesses are Attractive M&A Targets*, found a sharp uptick for "nonbacked sellers"—companies with no private backing or corporate ownership. Companies backed by PE firms are, for the most part, on the sidelines. Market dislocations between buyers and sellers are the issue, and financial sponsors can't afford to sell low and harm their IRRs. While not ideal, the better solution is to hold through the cycle and wait for valuations to return.

Founder-owned businesses are in a different dilemma. While many might not want to sell, their hands could be forced due to inflation and tightening credit conditions. Small and mid-sized businesses rely heavily on regional banks, which were impacted by the SVB mini crisis. Liquidity can be a major motivation to sell, especially for aging founders who have been at the helm for decades.

(Past performance is no guarantee of future results.)