

FRANLIGHT®

M&A shows signs of a rebound

The first half of 2024 has been a tough one for M&A activity. A combination of persistently high inflation and cost of capital has kept buyers and sellers on the sidelines. But green shoots are starting to emerge.

According to new data from S&P Global Market Intelligence a growing number of private equity-driven mega deals is keeping investment bankers busy this year. If deal flow maintains its current pace the number of deals north of \$5 billion in transaction value could beat a 22-year record.

July's transaction value came to \$59.26 billion, a 32.7% increase from the same month in 2023 and about 44% higher than July 2022, S&P Global Market Intelligence Data shows.

Franchise deals are among those getting done. The first quarter was marked by Roark's deal to acquire the Subway franchise system, a deal which was approved by regulators at the end of April. Financial terms were not disclosed, but Subway is one of the world's largest restaurant brands and the deal highlights some resiliency in the restaurant sector following years of headwinds including the pandemic, inflation, and supply chain issues.

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The uptick in activity has persisted into the second quarter with Levine Leichtman Capital Partners selling Tropical Smoothie Cafe to Blackstone and Sony Pictures Entertainment announcing its acquisition of Alamo Drafthouse Cinemas. Platforms including Best Life Brands and Extraordinary Brands have also added new franchise systems to their networks with the acquisitions of Next Day Access and Row House.

These transactions could be proofs of concept for a sluggish market. Both buyers and sellers have had to adjust their expectations in the first half as persistent inflation scaled back the prospects for interest rate cuts this year. Investment bankers now anticipate that the Federal Reserve may cut rates only one or two times in 2024 if they cut them at all. Analysts anticipate deal activity to be slow but steady for the rest of the year with a potential increase in the fourth quarter if rates begin to come down near the end of the year.

FRANPOST®

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- Casual BBQ Franchisor
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[Franchisor Equity News®](#) has these recent news updates:

- Alamo Drafthouse sold to Sony
- Row House Goes To Extraordinary Brands
- Senior House Bought By Waud
- Lash Lounge Sold 2 Riverside
- Subway Sold to Roark

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