

Q3 / CDI Quarterly Newsletter 2022

We are entering the fourth quarter of what everyone hopes will be a continuing recovery from the Covid era. Challenges remain as inflation persists, currencies weaken, and a recession looms along with the range of geopolitical and natural catastrophes. For cyclical industries especially, a recession will require resolve to continue making smart investments for future growth while attending to the necessary belt-tightening.

For dealmakers, the current environment is more than the usual level of business and financial uncertainty. Decision-making in an environment characterized by uncertainty is inherently risky. Of course, buyers do not want to make acquisitions at premiums to the market nor do sellers want to sell at a discount. Making sound decisions about whether (or not) to proceed with the transaction requires a good understanding of risk factors, their range of possible outcomes, and the probabilities or likelihood to be assigned to each outcome. Several decades ago, decision-making under uncertainty became a staple of managerial economics courses in graduate schools. For several years, I taught a graduate course in this realm of management science.

The important thing to remember is that even in a downturn buyers can find opportunities for profitable growth through business combinations. This requires strong commitment to a strategy that includes inorganic growth investments and paying attention to what is happening in product market segments aligned with that strategy. Stated another way, strategic investors are those that have the wisdom to recognize an opportunity and the virtue to pursue it.

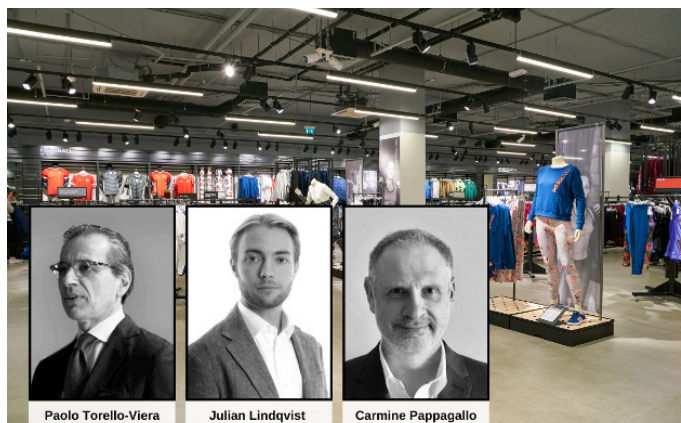
For sellers, reports of declining pricing multiples due to the recession and other factors can dampen enthusiasm for an exit. Especially for private owners who may have spent a lifetime, or even generations, building a sound company, the thought of exiting at a low price is unacceptable. Better to wait than sell the company for less than it's worth. Nonetheless, a company with a strong competitive position, consistent record of performance irrespective of the business cycle, and strong growth prospects may be even more valuable to investors in a downturn. Financial sponsors have huge amounts of cash to spend on good deals and good companies. Strategic buyers (trade buyers) have advantages to promote proprietary transactions with good companies when their weaker competitors are concerned with cost-cutting and decision-making inertia that are commonplace during a downturn.

So regardless of whether company is a buyer or seller, as far as dealmaking is concerned, hard times truly separate the leaders from the laggards.

We continue to provide high quality content to our followers. Blog posts this quarter have had amazing clicks and we are ranking better than ever. The key for the blog program is to continue creating engaging content that our customers and followers can rely on, and that demonstrates we are leaders in the M & A sector.

- Jeff Schmidt, Executive Managing Director, CDI Global

Here are the highlights:



Activewear Market Trends for 2023

The activewear market has seen exponential growth over recent seasons and continues to be appealing for its high profit potential and consumer appeal.

The sportswear market is one of the hottest markets for growth over the next 10 years. It is expected that the activewear market will grow from USD 170.94 Billion in 2021 To USD 267.61 Billion in 2028.

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Trends Reshaping the Packaging M&A Market

Product packaging can serve many purposes, from protecting and preserving your products to positioning your brand and connecting with your customers. Whether you design your packaging for functionality and practicality or creativity and innovation, the choices you make around product packaging can be critical for your brand or business.

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Specialty Chemicals in the Post-Covid World

Two and a half years after the Covid-19 Pandemic upset the world economy, with widespread vaccinations, we continue to see strong economic recovery. Nonetheless, supply chain disruptions, rising inflation, and political crises present a new set of challenges in most industries.

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The Importance of Agriculture Innovation

Feeding the growing world population is a major geo-political challenge. But as is true of many such challenges, finding solutions presents a profitable growth opportunity for innovative companies in the agriculture sector.

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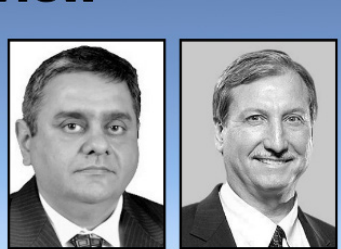


US and Europe Drive the Recovery of the Luxury Industry

After the post-covid rebound of 2021, and despite the impact of the war between Russia and Ukraine, and the strict lockdowns in China, 2022 saw a very positive first quarter: up 17-19% on the same period of 2021, which was still affected by the pandemic. Consumer confidence proved solid in the US and Europe, and spending was helped by the fact that there were no major new outbreaks of covid.

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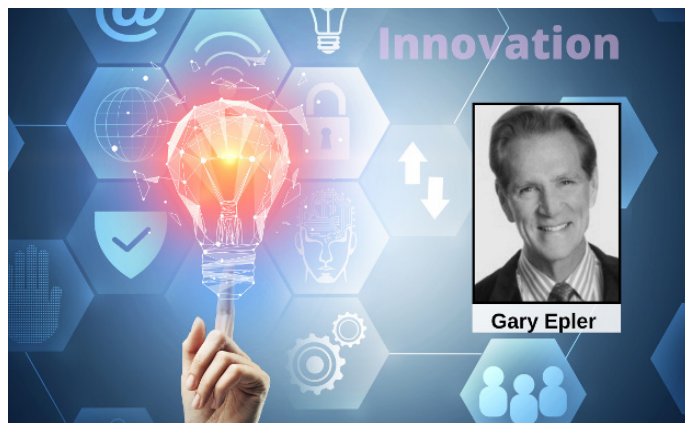
The Interview



Interview with Jeff Schmidt and Rajesh Varma

We have been conducting a series of interviews with our international leadership team covering both our industry leaders and country managing partners. Today, we're talking with Rajesh Varma, Regional Managing Director of Asia Pacific and CDI Global India. Rajesh is also a member of our management committee.

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Worldwide Innovation

True innovation results in a product or service used by billions of people throughout the world making people's lives easier or improving their lives.

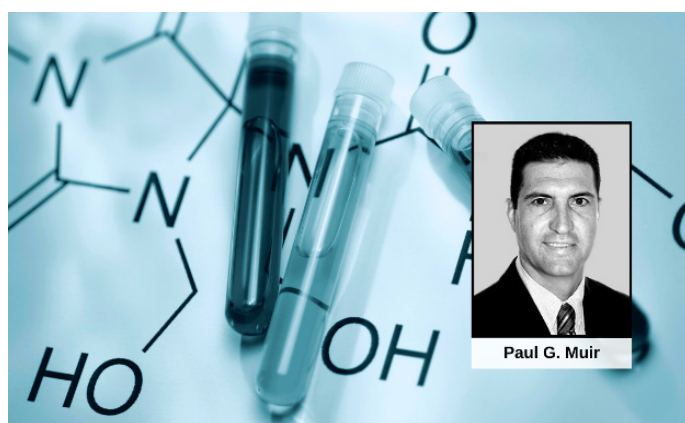
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Agriculture in the Spotlight

The agriculture sector was among the hardest hit following the immediate lockdown and market shutdowns caused by the COVID-19 outbreak. The number of M&A deals in the organic and sustainable agriculture market steadily rose year over year until 2020 when deal counts fell to 116 compared to 156 transactions in 2019.

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Strategic Acquisitions a Platform for Growth in the Chemical Sector

Global M&A volumes within the chemical sector hit a 10 year low in 2020 but rebounded favorably to 10-year highs in 2021. Deal volume and value are down over 40% in for the first half of 2022 as Chemical companies and Private Equity evaluate the rising interest rates, COVID-19 impact, Ukraine war and possible US recession. Despite this decrease, overall deal volume and value remains resilient through Q2, 2022. (Source Cap IQ and Pitchbook)

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ITA Airways - The Choice of a Strategic Partner

Almost 10 months from the birth of the new Italian national airline from the ashes of Alitalia, the story unfortunately still seems far from being at the end credits. After the Italian government indicated they were interested in significantly reducing their 100% ownership stake in ITA, two well-qualified suitors emerged.

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Key Considerations in Cross-Border technology, media, and telecommunications (TMT) M&A transactions

The TMT (technology, media, and telecommunications) sector has enjoyed unprecedented growth over the past years and, despite the recent market volatility, the M&A appetite in technology companies in Europe from strategic, as well as financial buyers, remains strong. Especially sub-sectors like SaaS (Software as a Service), FinTech and IT-Service companies continue to attract investor interest and strategic buyers.

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07/12/2022 – CDI Global advised ZEG Biogás in transaction with Brazil fuel retailer Vibra Energia.

Brazilian fuel retailer Vibra Energia SA VBBR3.SA acquired 50% of ZEG Biogás, with the possibility of increasing the stake to 70% in the future, as it intends to expand its footprint on renewable energy.

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CDI Global is an international M&A Advisory and Corporate Finance firm, offering middle-market companies and large, corporate acquirers, strategic mergers and acquisitions (M&A), divestitures, joint ventures, and support for buy-side and sell-side transactions. Our broad advisory services also include privatization, restructuring, target analysis, valuation, and deal structuring.

Founded in 1973 and having completed over 3000 transactions world-wide, CDI Global maintains 48+ offices in the major financial centers of 30+ countries globally.