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Timothy Kincaid Discusses Implications of Interest Rate Cuts with *Mergers & Acquisitions*

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Winston & Strawn partner Timothy Kincaid spoke with *Mergers & Acquisitions* to discuss the expected implications of an interest rate cut on middle market transactions, after the Federal Reserve delivered its first cut since 2020. Tim stated that he expects this to have a significant impact on middle-market M&A in the next six to 18 months.

“The immediate aftermath is not going to be an economic one,” he said. “The most important thing, I think, is the psychological impact that this cut has had. Does that mean deal flow is going to increase suddenly tomorrow? No. But it is a significant shot in the arm for the middle-market private equity community.”

Remarks delivered by Fed Chair Jerome Powell suggest there could be more rate cuts ahead. If expectations of further rate cuts are met, corporate borrowers could see some cash flow relief from cheaper debt in the year ahead.

Tim explained that refinancing into a lower rate environment could help some distressed companies “snatch victory out of the jaws of defeat and live to fight another day under private equity ownership.”

Offering financing at lower rates isn’t necessarily bad for private credit firms, who generally offer floating-rate debt. “The higher interest rates are great for lenders, but these private credit firms like volume deal flow in the same way that private equity needs volume deal flow to be successful,” he added. “Higher M&A volume could effectively offset the lower rates private lenders are likely to experience.”

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