



CAPITAL MARKETS UPDATE

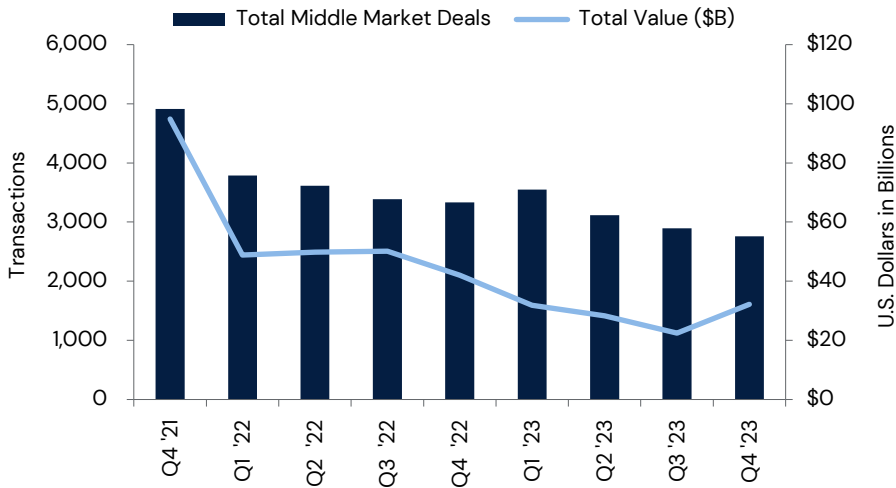
Middle Market M&A
Q4 2023

MARKET COMMENTARY

The deal market is in recession and has been for over a year. It's hard to square that fact with the outstanding public equity performance in 2023, but the numbers don't lie: middle market M&A volume declined 12.8% from 2022 to 2023. Total disclosed middle market deal value took a decisive hit—down 40% and at its lowest figure since 2009.

Nobody sheds any tears for investment banker and private equity types who have faced down a challenging market, but we all feel it. Only the most pristine companies generated strong buyer interest and overcame diligence hurdles to close last year. Far more deals went ***splat*** against the windshield in 2023 than any year since the Great Financial Crisis.

Quarterly Middle Market M&A Volume Declines Year-over-Year Through 2023



Source: Capital IQ and Capstone Partners

“Given the bull run in public equity valuations, the ‘denominator effect’ is off the table for the moment. However, access to capital is still the topic du jour in Sponsorland. The pressure mounts daily on GPs to return capital to their LPs to stimulate fundraising.”



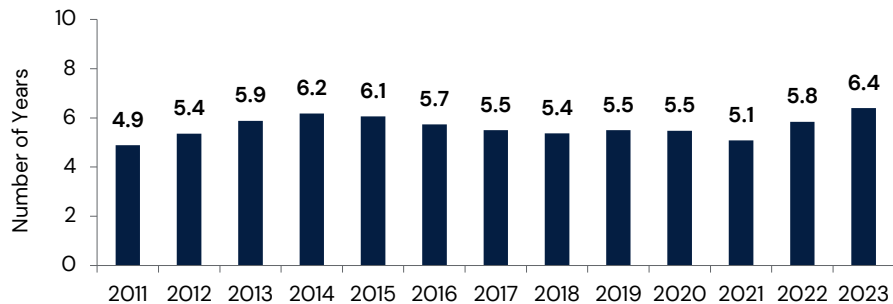
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MARKET COMMENTARY (CONTINUED)

Private Equity on Ozempic

Ever shared a meal with a friend on Ozempic? They look disdainfully down at their plates as they push limp salad leaves around with a fork. That's how the sponsors looked at deals in 2023. Has the combination of high interest rates and a perpetually impending recession sapped private equity's appetite for risk? Capstone's dealmaking in 2023 and early 2024 indicates the answer is "yes." Deal volumes suffered in part because the sponsors themselves shelved exit processes, acknowledging the likely weakness of a financial buyer bid. A self-fulfilling prophecy!

Private Equity Exits Slow as Holding Period Reaches All-Time High



Source: PitchBook and Capstone Partners

Bringing Sponsors Back to the Table

Given the bull run in public equity valuations, the "denominator effect" is off the table for the moment. However, access to capital is still the topic du jour in Sponsorland. The pressure mounts daily on GPs to return capital to their LPs to stimulate fundraising. Starting in the fourth quarter of last year, we observed a dramatic rise in inbound inquiry for

sell-side advice for sponsor-owned assets. Pitch activity has elevated over 2022 and 2023 levels for the past three months. Capstone launched few new deals in January, but just went to market with a flurry of new product as we go to press in March 2024.

We maintain hope that the following conditions will turn the tide of dealmaking in 2024:

1. Strategic buyers with all-time high valuations will continue to buoy the M&A market by using their expensive stock to shop.
2. Chastened seller valuation expectations afford deal makers more wiggle room to find common ground with prospective buyers.
3. Compression in credit spreads for acquisition financing, coupled with greater credit availability and fewer restrictive covenants, will allow sponsors to hit their target equity returns in new LBOs.
4. Perhaps Chairman Powell will help us out with a rate cut or three.

When the market gathers momentum, the conditions exist for an avalanche of deals. In addition to new mandates, investment banks hold failed and unlaunched 2023 deals in "inventory." We expect many of those clients to pounce on any sign of blue skies.

At Capstone, we're prepared for the flood of deals and continue to build out our vertical coverage and product teams. We're also working in concert with our partners at Huntington to offer a range of credit products to our private equity sponsor audience. If you would like to chat about this, we would be delighted to hear from you.

MIDDLE MARKET OBSERVATIONS

2023 TAKEAWAYS & THEMES

Middle market M&A experienced a lackluster year in 2023 as caution among buyers and sellers slowed dealmaking.

- Middle market M&A volume registered less severe declines in Q4 than the two prior quarters, indicating signs of normalization.
- Quality companies in defensible industries with strong margin profiles have continued to command premium valuations.
- Many private equity firms were hesitant to deploy capital amid an uncertain economic backdrop. A depressed valuation environment also lengthened the holding times of sponsor-backed portfolio companies.
- Capital overhang has remained robust, with opportunities available for sponsors to acquire assets at attractive prices.

M&A activity is poised for a resurgence in 2024. Substantial pent-up demand is expected to come to market, supported by the return of private equity.

- The Federal Reserve's ability to communicate a clear strategy for their terminal interest rate will likely influence buyer appetite in 2024.
- Private equity fundraising activity has held steady, providing ample resources for sponsors to go on the offensive.
- Demographics are a key catalyst for middle market volume, which has created a healthy pipeline of demand as aging founders and entrepreneurs seek to monetize their business.
- M&A markets failed to record the robust performance of equity markets—2024 may prove that public equities are a leading indicator for healthy M&A activity.

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Middle Market M&A Activity

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Capstone Barometers

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- ▶ [Leadership Team](#)

KEY CONSIDERATIONS FOR BUSINESS OWNERS

	Current State	Takeaways for Business Owners
Dry Powder	Abundant	Fundraising remained surprisingly resilient in 2023, led by established private equity firms with a track record of success in raising capital. Sponsors remain armed with vast reserves of dry powder, opting to deploy capital mainly for add-on acquisitions as continued interest rate hikes have increased financing costs for large-scale buyouts.
Buyer Appetite	Selective with a focus on quality	Private strategic buyers were highly selective in their acquisition pursuits throughout 2023. Strategics have continued to eye acquisitions that offer synergies while private equity firms have opportunistically acquired businesses with proven cash flows, often at discounted valuations compared to prior years.
Debt Market	Tightened lending conditions	Debt capital remains available despite a difficult lending environment. Banks have increasingly tightened their lending standards, contributing to the continued rise of private credit and non-bank financing for middle market businesses. However, debt coverage is forecasted to improve with the Federal Reserve's indication of interest rate cuts in 2024.
Valuations	Compressed but robust for high-quality companies	Average M&A valuations in 2023 met prior year levels at 9.6x EV/EBITDA. The valuation backdrop seemed to improve in Q4 with the average quarterly valuation rising over three turns QoQ to 11.2x. Buyers have prioritized profitability and scale, which has allowed quality businesses to secure strong interest.

2023 BY THE NUMBERS

12.8% ↓

DECREASE IN DEAL VOLUME

M&A volume fell 12.8% YOY in 2023 as high borrowing costs and a tepid exit environment created angst among buyers and sellers.

\$54.9M ↓

AVERAGE DEAL VALUE

Average deal value fell 21% YOY to \$54.9 million in 2023, however, in Q4 average deal value increased 73.2% QoQ to \$74.1 million.

9.6x ⇨

AVERAGE EBITDA MULTIPLE

The average EBITDA multiple in 2023 mirrored the prior year, aided by a strong valuation environment in Q4.

20.7% ↓

DECREASE IN PE TRANSACTIONS

Private equity transaction volume fell 20.7% YOY as a challenging financing market led to increased buyer selectivity.

3.4% ↓

DECREASE IN PE FUNDRAISING

Private equity fundraising fell modestly in 2023 to \$202.3 billion raised despite a 36.4% decline in fund count.

13.0x ↑

\$100-\$250MM EBITDA MULTIPLE

Pricing in the core middle market increased by nearly a full turn YOY and outpaced the broader middle market.

3.6x ↓

AVERAGE DEBT MULTIPLE

Average debt multiples declined YOY to 3.6x, however debt coverage is expected to improve with interest rate cuts.

2.3% ↑

PUBLIC BUYER AVERAGE VALUE

Average deal value for transactions closed by public strategics increased slightly YOY in 2023 to \$65.8 million.

\$1.5T ↑

GLOBAL PE DRY POWDER

Capital overhang has continued to rise as private equity firms wait for optimal market conditions to deploy capital.

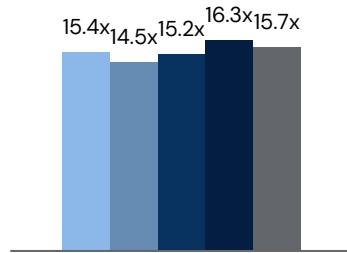
CAPSTONE'S PROPRIETARY MIDDLE MARKET VALUATIONS INDEX

Middle Market M&A Valuation Takeaways

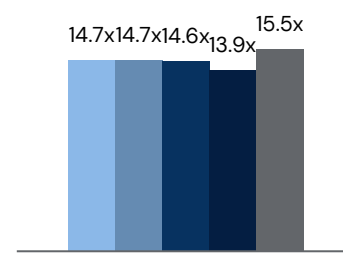
- Capstone Partners actively monitors the purchase multiples of middle market transactions through its proprietary database to provide insight and transparency into the pricing environment.
- Despite declining from the prior period, valuations in the FinTech & Service space led pricing across the middle market.

EV/EBITDA Last Three Years

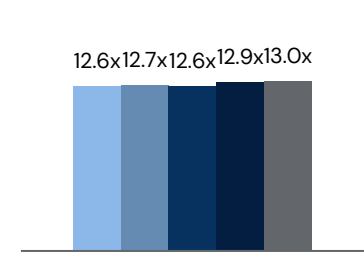
■ Q4 2022 ■ Q1 2023 ■ Q2 2023 ■ Q3 2023 ■ Q4 2023



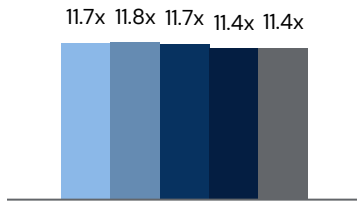
Fintech & Services



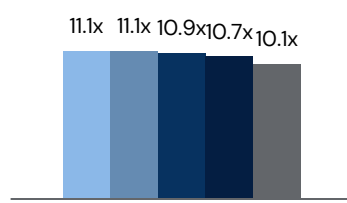
Industrial Technology



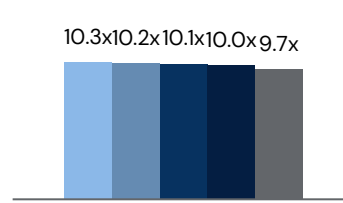
TMT



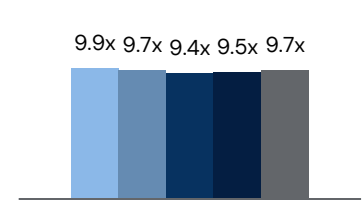
Healthcare



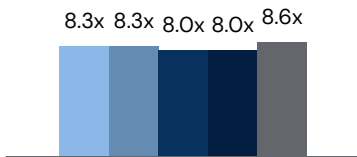
ADGS



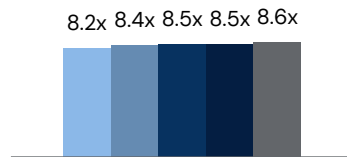
Consumer



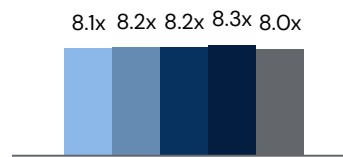
Industrials



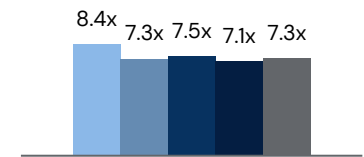
Transportation, Logistics & Supply Chain



Business Services



Building Products & Construction Services



Energy, Power & Infrastructure

CAPITAL MARKET DASHBOARD

YTD EQUITIES

S&P 500
+4.8%



Last	1Y %	P/E LTM
4,997.9	+21.4%	24.2

Dow Jones Industrial
+2.8%



Last	1Y %	P/E LTM
38,726.3	+14.1%	21.1

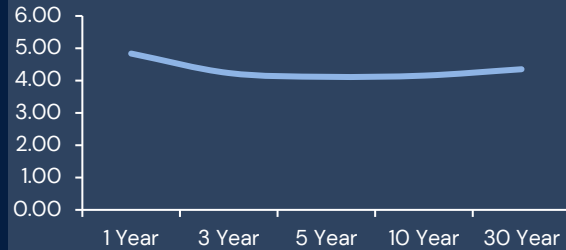
NASDAQ
+5.2%



Last	1Y %	P/E LTM
15,793.7	+32.6%	33.7

FIXED INCOME

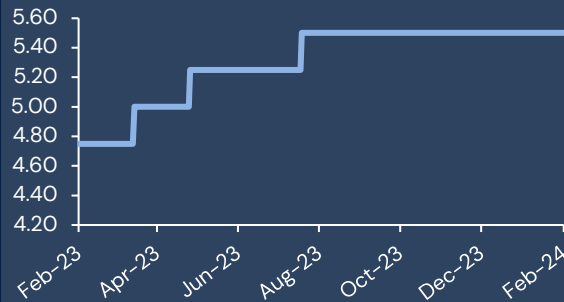
U.S. Yield Curve



1Y	3Y	5Y	10Y	30Y
4.842	4.234	4.116	4.153	4.352

POLICY RATE

Federal Funds Target Rate



ECONOMIC INDICATORS

GDP, LABOR MARKET, & INFLATION

	Last	YOY	
GDP	3.3%	+0.7%	
Consumer Confidence	114.8	+8.3%	
Unemployment	3.7%	+0.3%	
Consumer Price Index	308.7	+3.3%	

HOUSING MARKET

Housing Starts	1,460.0	+7.6%	
Total Construction	\$2,096.0	+13.9%	

PMI & NMI

Purchasing Managers	49.1%	+3.6%	
Non-Manufacturing	53.4%	-2.4%	

RETAIL

Retail Sales	\$709.9	+5.6%	
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Source: FactSet as of 02/09/24

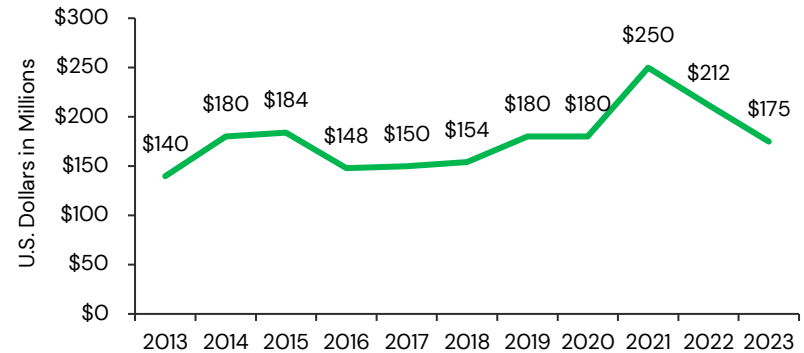
EQUITY PRIVATE CAPITAL MARKETS CONDITIONS



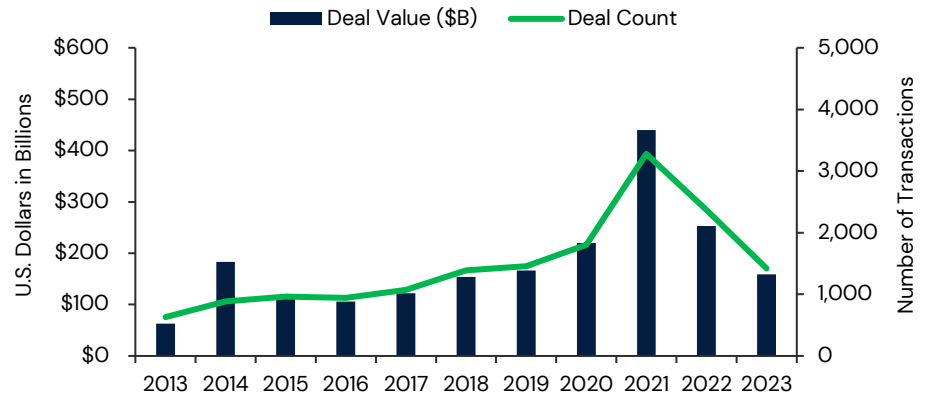
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 chastings@capstonepartners.com

- Growth capital volumes lagged the bull market years of 2020-2022, but private markets tracked 2019 levels.** Despite the turbulence in M&A in 2023, growth equity investments into late-stage private companies tracked with levels seen in 2019, as growth investments through Q4 totaled \$159 billion—96% of 2019’s full-year total. Furthermore, while deal activity in 2023 trailed annual levels seen in recent years (with an average of \$304 billion annually from 2020-2022), there were 1,419 closed transactions in 2023. In Q4 there were six transactions valued at \$1 billion or higher, including NFP’s \$2.3 billion investment from HPS Investment Partners and Stone Point Capital, Anthropic’s \$2 billion raise from Alphabet (Nasdaq:GOOGL), and Metropolis’s \$1.7 billion raise led by Eldridge Industries and 3L Capital.
- Valuations continue to come under pressure as the market resets from 2021 levels.** Lingering, but improving, concerns surrounding the U.S. macroeconomic picture and uncertainty in the medium-term interest rate environment continue to moderate valuations for growth-stage companies. However, valuations have followed similar trends as the deal value figures discussed previously. While moderating from the bull market years, valuations have largely tracked pre-pandemic levels. Through Q4 2023, median pre-money valuations have been consistent with those in 2019 and 2020 at \$175 million. Furthermore, when looking at median pre-money valuations by quarter, Q4 2023 saw a slight step-down from Q3 2023 as median valuations decreased from \$200 million to \$193 million.

Median Pre-Money Valuations for Growth Companies



Growth Capital Raised by Year



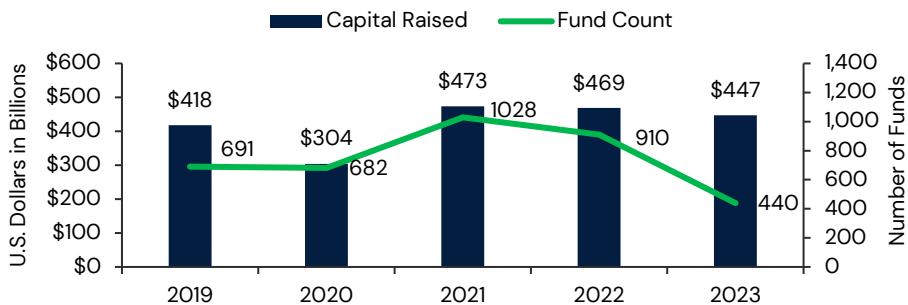
Source: Capital IQ, PitchBook, and Capstone Partners
 Note: Includes all VC stages and Growth Equity transactions excluding deals < \$25 million

EQUITY PRIVATE CAPITAL MARKETS CONDITIONS (CONTINUED)

- North American M&A deal count across all enterprise value ranges above \$25 million decreased by 22% YOY while deal value decreased more than 30% YOY, according to Pitchbook. Deal makers continued to turn toward smaller deals in the face of higher financing costs, reduced lending, and lingering valuation disconnect.** Because of this, many founders have considered postponing a full sale until M&A valuations stabilize. One solution for founders has been to [sell a minority stake](#) today to pave the way for a full sale in the future. Founders doing so could 1) use some portion of the raise for secondary liquidity and 2) provide growth capital to accelerate their business plan as they grow EBITDA.
- Total fundraising volumes remained consistent with the prior year while fund count fell dramatically.** Following record levels of fundraising in 2022, the environment for new growth and private equity funds has been limited to larger general partners (GPs) who have a differentiated investment thesis and track record. In 2023, \$447 billion in growth and private equity was raised across 440 funds. This marks a 5% decrease in dollar amount and a 52% fall in fund count YOY, according to PitchBook.

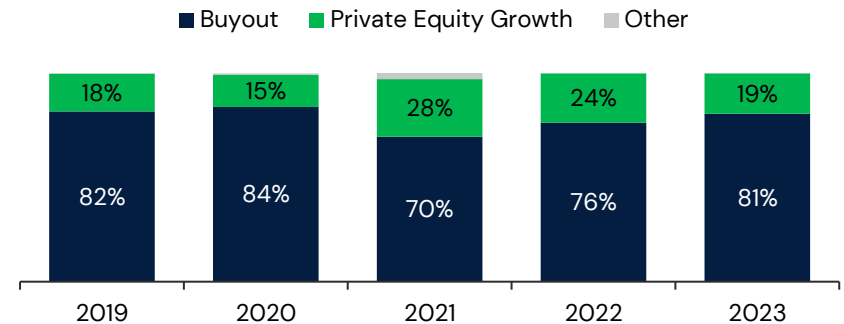
- Compared to recent years, U.S. Private Equity growth funds have made up a smaller share of 2023 sponsor fundraising.** In 2023, 19% of private equity capital raised was for growth strategies, down from 24% in 2022 and 28% in 2021. While growth fund capital formation has decreased, growth capital deployment has continued its resilience YOY. Growth deals accounted for 13% of all private equity deals in 2023 by value. This represents a new quarterly high and well above its historical 10-year average of 9%. On a deal count basis, growth equity accounted for one out of every five private equity deals in 2023.

U.S. Private Equity Funds Raised by Year



Source: PitchBook and Capstone Partners

U.S. Private Equity Capital Raised by Type



Source: Capital IQ, PitchBook, and Capstone Partners

EQUITY CAPITAL MARKETS GROUP

The [Equity Capital Markets Group](#) focuses on raising equity capital financing for growth-oriented companies and structured equity for more mature middle market enterprises. Our team works closely with companies to secure equity capital to fund growth initiatives, recapitalize the balance sheet (often including shareholder liquidity), and to finance M&A transactions.



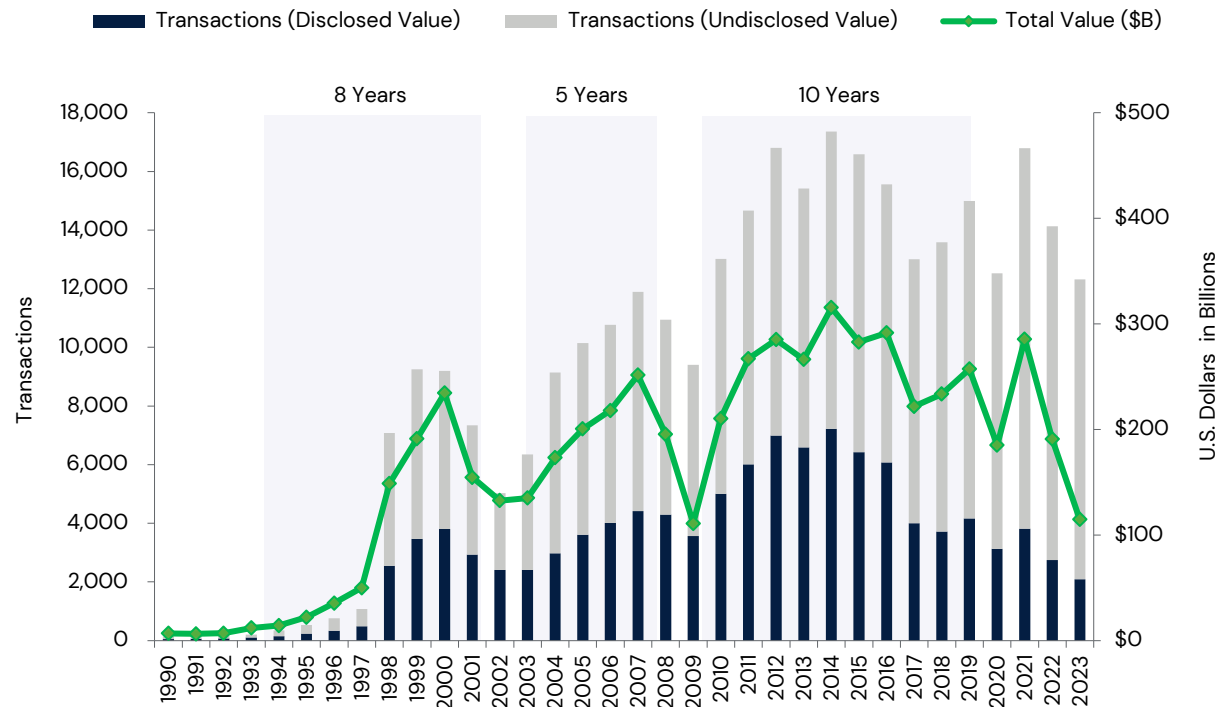
MIDDLE MARKET M&A ACTIVITY

M&A AMID ECONOMIC CYCLES

MIDDLE MARKET DEALMAKING SLOWS IN 2023

- An aggressive monetary tightening campaign, a challenged valuation environment, and depressed private equity activity contributed to a 12.8% YOY decline in transaction volume.
- Many buyers were cautious to pursue large-scale acquisitions, evidenced by average transaction value falling 21% YOY to \$54.9 million—marking the lowest level since 2016.
- Sellers were often hesitant to enter the market in 2023, contributing to a dearth of middle market M&A transaction activity. Many prospective sellers have eyed the first half of 2024 as an opportune time to launch a sales process.

Middle Market Transactions



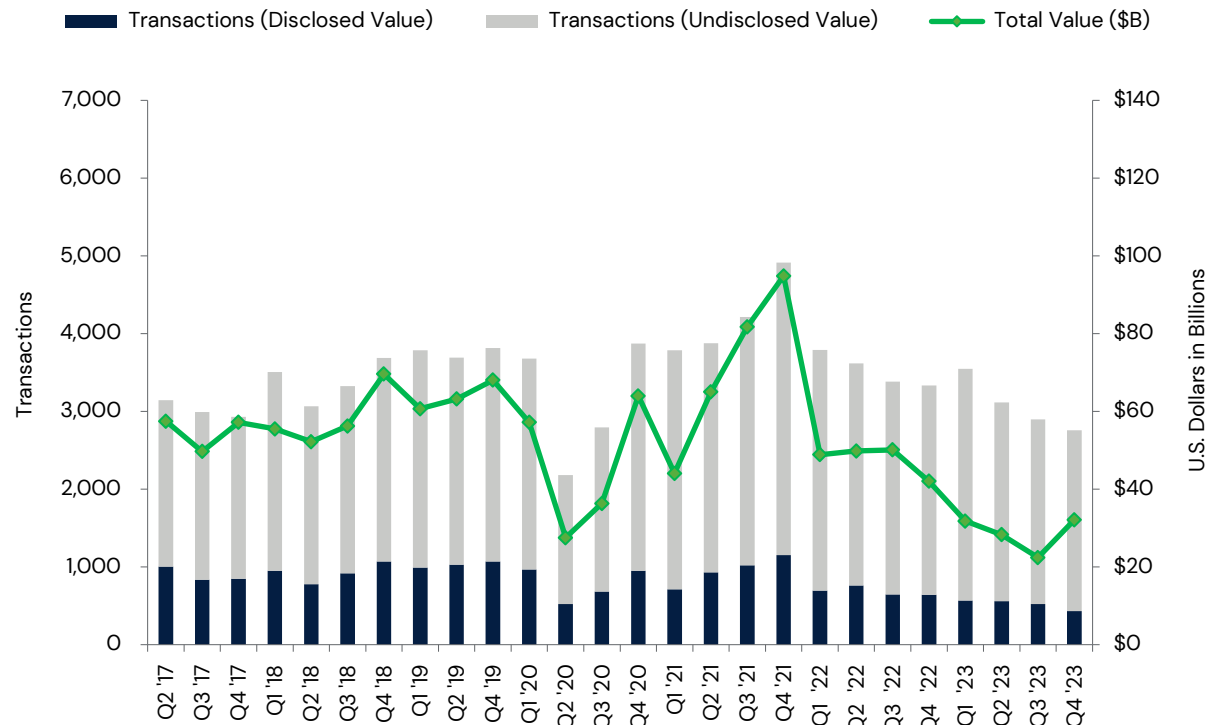
Shaded areas indicate expansion
 Source: Capital IQ and Capstone Partners
 Enterprise Value < \$500mm

QUARTERLY M&A VOLUME

RISE IN AVERAGE DEAL VALUE OFFERS VALUATION OPTIMISM

- Total closed M&A transactions in Q4 fell 4.7% from the prior quarter, extending sequential declines to three consecutive quarters. However, the pullback in M&A volume on a quarterly basis has moderated compared to the 12.1% QoQ fall in Q2 2023.
- The final quarter of 2023 may provide a glimpse into the improving valuation environment. In Q4, the average deal value amounted to \$74.1 million, a 73.2% QoQ increase and the highest value since Q2 2022.
- While markets are expecting several rate cuts in 2024, the cost of capital will remain above the historic lows afforded to buyers and business owners over the past decade.

Quarterly Middle Market Transactions



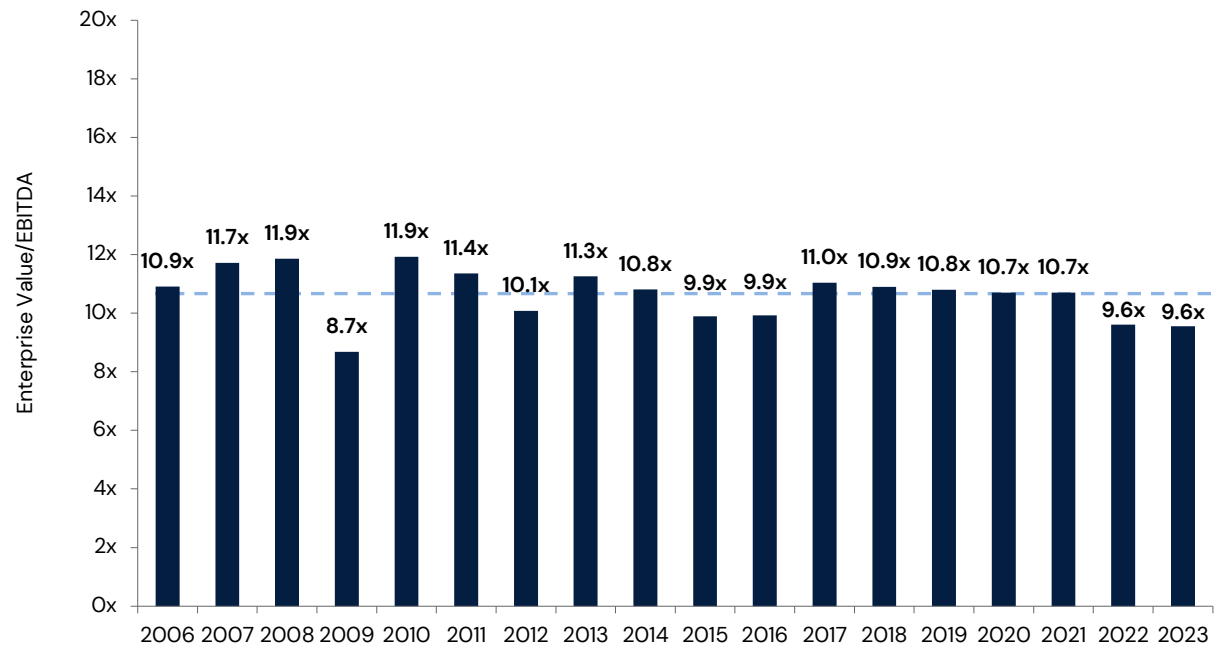
Source: Capital IQ and Capstone Partners
Enterprise Value < \$500mm

PRICING TRENDS

VALUATION BACKDROP IMPROVES IN FINAL QUARTER

- Middle market average M&A valuations amounted to 9.6x EV/EBITDA in 2023, meeting the prior year average multiple. However, in Q4, sellers achieved significantly better pricing than prior quarters, with the average multiple reaching 11.2x—over three turns above 8.1x in Q3.
- Smaller transactions drove the market throughout 2023 with deals under \$100 million in enterprise value accounting for 52% of disclosed acquisitions.
- Privately-owned businesses in recession resistant sectors with sustained demand (including Automotive Aftermarket, HVAC Services, and Government IT Services) continued to achieve healthy M&A pricing.

Middle Market Average EBITDA Multiple



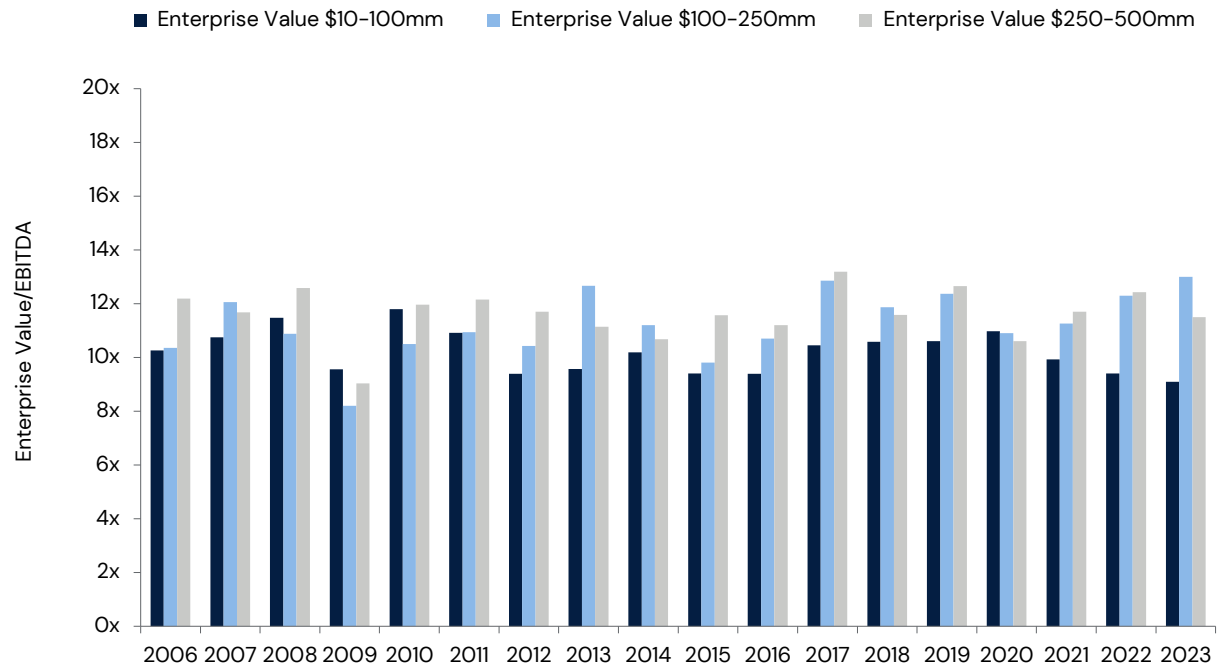
Dotted line indicates 2006 to 2022 average of 10.7x
Source: Capital IQ and Capstone Partners
Includes multiples 3x-30x
Enterprise Value < \$500mm

BREAKING IT DOWN BY SIZE

CORE MIDDLE MARKET ACHIEVES HIGHEST PRICING

- Average valuations in the core middle market (\$100–\$250 million) improved YOY to 13.0x EV/EBITDA—leading average pricing across all enterprise value ranges. Targets in the core middle market tend to be most resilient from a valuation standpoint as they are scaled enough to attract large buyers but not out of reach of smaller strategics and sponsors.
- Average multiples in the lower middle market (\$10–\$100 million) declined to 9.1x in 2023 from 9.4x in the prior year.
- The upper middle market (\$250–\$500 million) saw the greatest valuation compression with the average multiple falling nearly a full turn YOY to 11.5x.

Average Enterprise Value to EBITDA Multiple



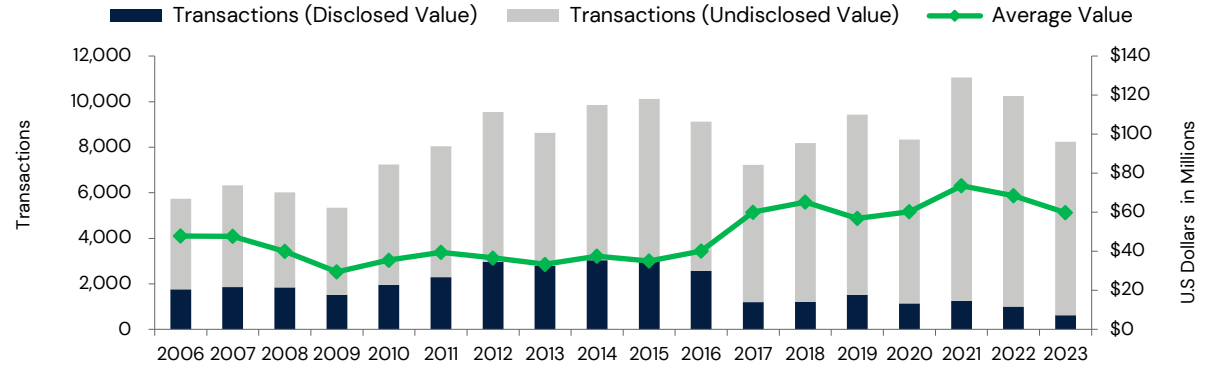
Source: Capital IQ and Capstone Partners
Includes multiples 3x-30x
Enterprise Value < \$500mm

STRATEGIC ACQUIRERS

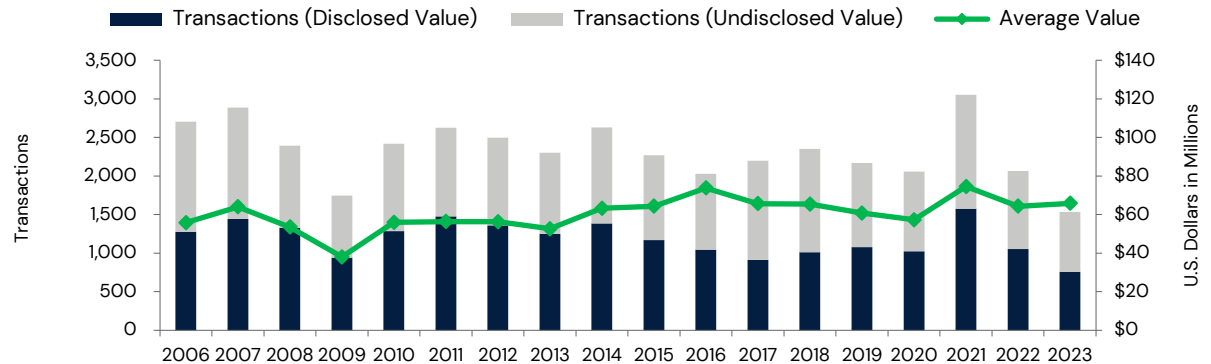
AVERAGE DEAL VALUE CLOSED BY STRATEGICS SURGES

- Throughout 2023, many strategic buyers focused internally, fortifying balance sheets, monitoring interest coverage, and bracing for a potential downturn.
- Middle market transactions closed by public buyers continued to decline in Q4, with volume falling 12.9% QoQ. However, average deal value in Q4 alone increased 39.4% QoQ to \$88.5 million.
- Deal volume closed by private strategics registered deeper declines, falling 15.1% QoQ in Q4. Average deal value paid by private strategics grew 77.9% QoQ to \$84.2 million, modestly trailing average deal value paid by public buyers.

Acquisitions by Private Companies



Acquisitions by Public Companies



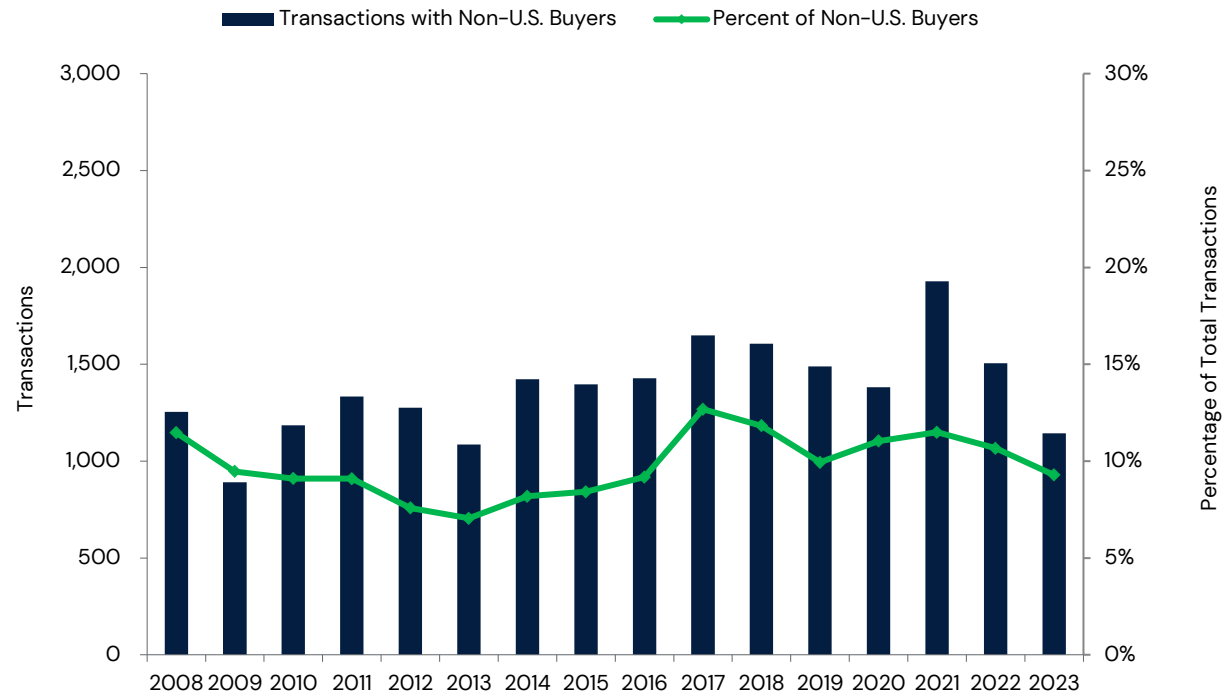
Source: Capital IQ and Capstone Partners
Enterprise Value < \$500mm

FOREIGN ACQUIRERS

FOREIGN BUYER ACTIVITY REMAINED MUTED IN 2023

- Foreign buyer activity continued its decline from the prior year with transactions closed by non-U.S. acquirers falling 24% YOY in 2023. In addition, deals involving foreign buyers accounted for 9.3% of total closed transactions, marking the lowest composition since 2016.
- Canada-based buyers have accounted for the largest percentage of acquisitions of U.S.-headquartered targets, followed by the U.K.
- Heightened regulatory scrutiny across M&A markets and broadening geopolitical tensions will likely serve as continued headwinds for international transaction activity.

Non-U.S. Buyers



Source: Capital IQ and Capstone Partners
Enterprise Value < \$500mm

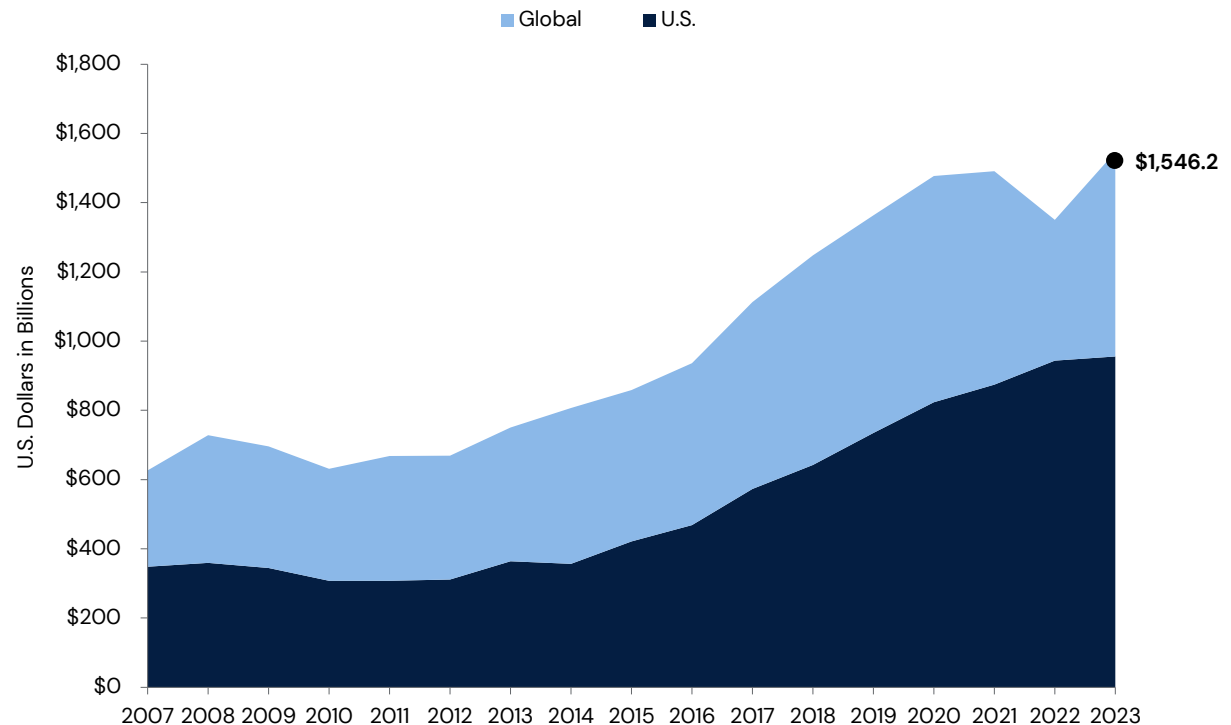
To ensure accuracy, data methodology has changed as of 2022 publication

PRIVATE EQUITY DRY POWDER

FAVORABLE DRY POWDER BACKDROP TO FUEL M&A

- Sponsors remain armed with significant dry powder, which has exceeded \$1.5 trillion. After a tepid year in private equity dealmaking, sponsors are expected to face heightened limited partner pressure to deploy capital towards investment opportunities.
- Private equity firms were selective in their investments throughout 2023. With interest rate hikes likely concluded, sponsors can expect greater visibility into the pricing of the debt financing markets.
- The majority (\$955.7 billion) of dry powder is held in U.S.-domiciled funds, providing a favorable outlook for stateside private equity deals in 2024.

Private Equity Capital Overhang by Year



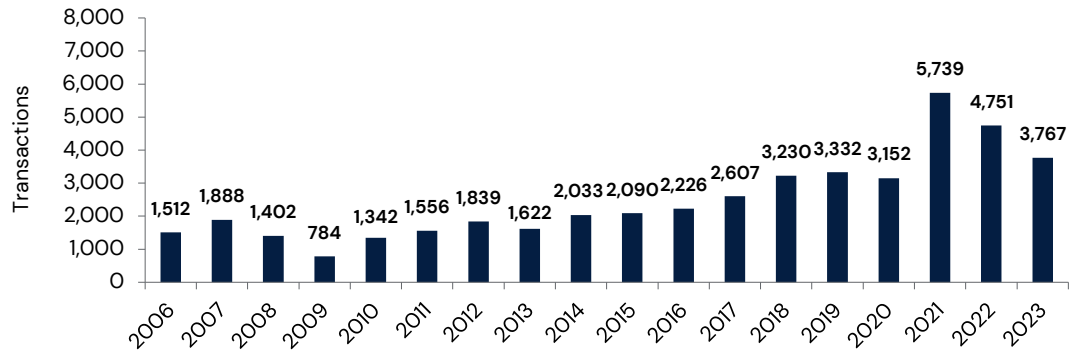
Source: PitchBook and Capstone Partners

PRIVATE EQUITY ACTIVITY

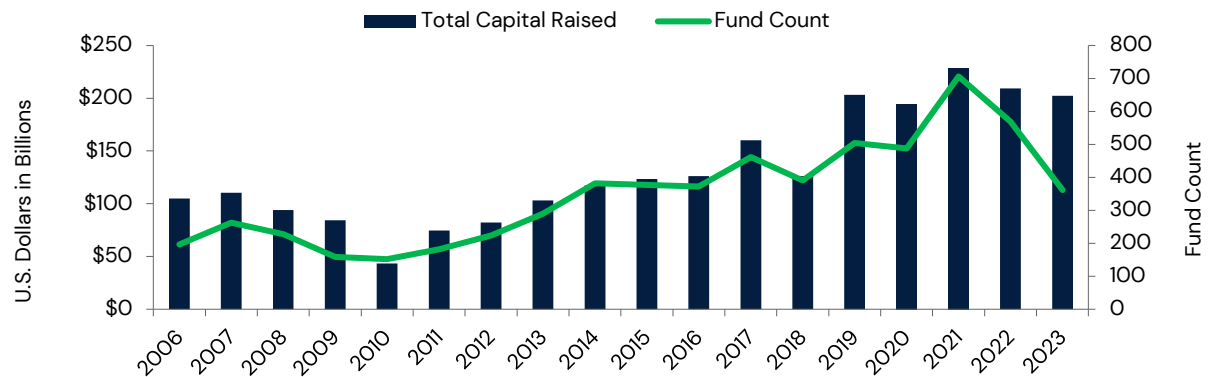
SPONSOR DEAL VOLUME FALLS TO LOWEST LEVEL SINCE 2008

- Closed transactions by private equity firms registered the largest decline since 2008, falling 20.7% YOY in 2023. Anecdotally, the lack of visibility over the interest rate path in 2023 caused pause among sponsors. With further clarity over the rate path in 2024, sponsors are expected to actively reenter the market.
- Private equity fundraising remained surprisingly resilient in 2023. Total capital raised fell a modest 3.4% YOY while fund count declined 36.4%—pointing to established players with proven track records having the most success in raising capital.
- The rolling one-year IRR among middle market sponsors improved to 7.8% as of Q2 2023.

Middle Market Transactions Closed by Private Equity Firms



Middle Market Fundraising by Private Equity Firms



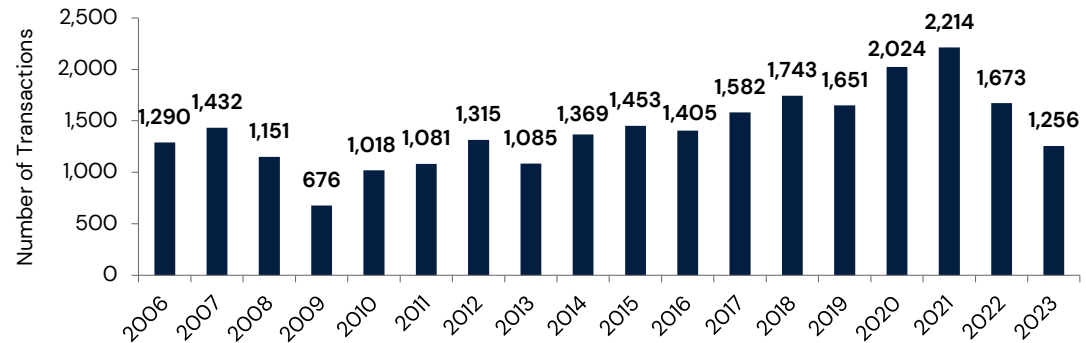
Source: PitchBook and Capstone Partners Enterprise Value; \$25-\$500mm, Fund size < \$5B

PRIVATE EQUITY TRANSACTION TYPES

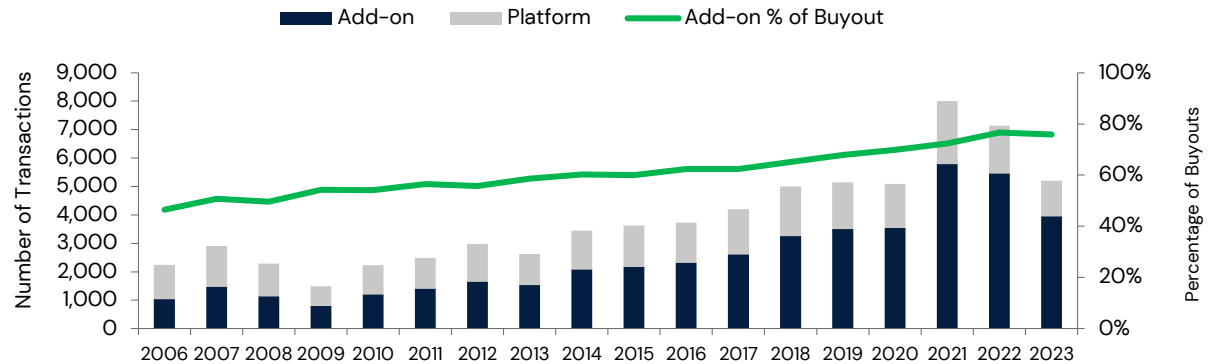
PRIVATE EQUITY SHIFTS TO ADD-ONS OVER PLATFORMS

- The number of platform investments by sponsors fell 24.9% YOY in 2023, reaching the lowest level in a decade. Target companies often assume significant debt in buyouts and elevated financing costs meant greater equity was often needed to close deals—negatively impacting IRRs.
- Private equity firms preferred to facilitate smaller add-on acquisitions over large-scale buyouts. Add-on transactions, which are often less debt burdensome, accounted for 75.9% of sponsor transactions.
- Sponsors have placed increased focus on the sustainability of cash flows to analyze a target's ability to service debt.

PE Platform Investments



PE Add-On Acquisitions



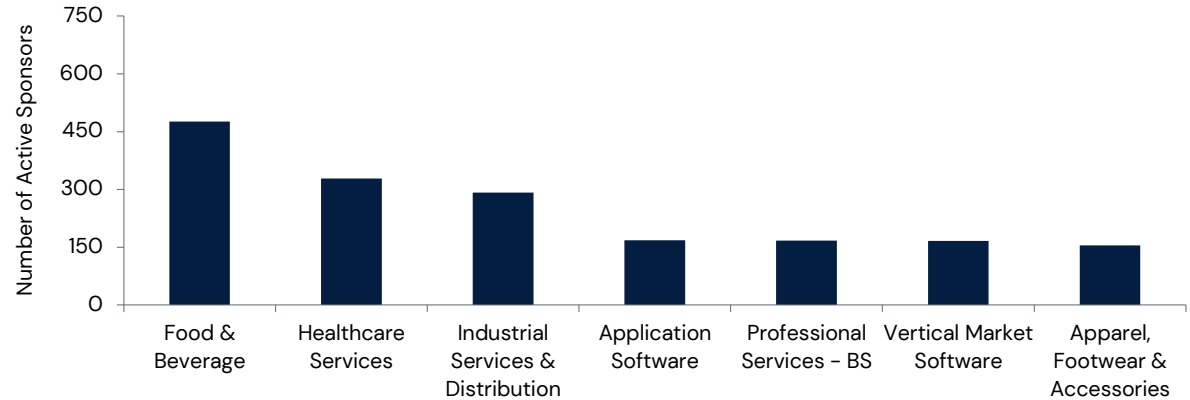
Source: PitchBook and Capstone Partners
Includes all U.S. PE transactions

CAPSTONE'S PRIVATE EQUITY NETWORK PREFERENCES

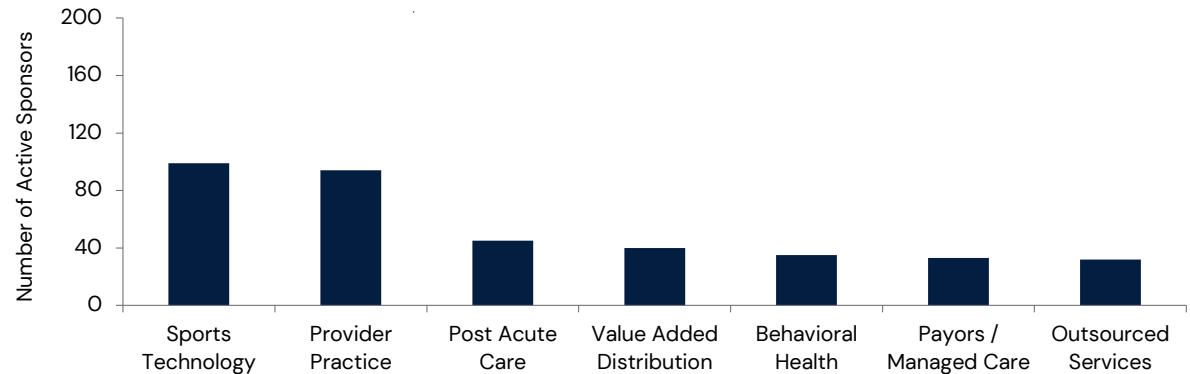
FOOD & BEVERAGE REMAINS TOP PE SECTOR

- Food & Beverage continued to be the top sector preferred by Capstone's sponsor network throughout 2023, with the Healthcare Services and Industrial Services & Distribution sectors maintaining second and third place throughout the year.
- Application Software surpassed both Vertical Market Software and Professional Services in 2023, for the most preferred sector in the Technology, Media & Telecom (TMT) industry.
- **Sports Technology** and Provider Practice remained the most preferred subsectors among Capstone's sponsor network, followed by Post Acute Care and Value-Added Distribution.

PE Sector Preferences



PE Subsector Preferences



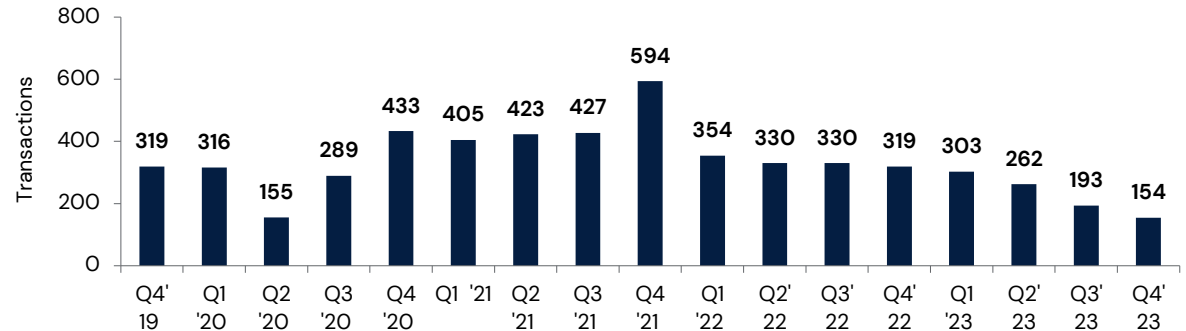
Source: Capstone proprietary data

PRIVATE EQUITY ACTIVITY

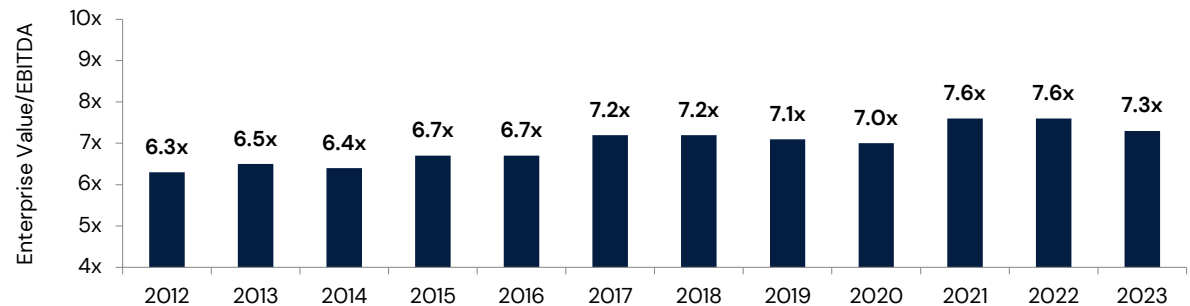
PRIVATE EQUITY EXIT ENVIRONMENT REMAINS SOFT

- Private equity exit activity continued to decline in Q4, falling to its lowest levels since Q2 2020. Many sponsors have extended holding times for their investments, awaiting a more favorable valuation environment.
- EBITDA multiples paid by private equity firms fell to 7.3x EV/EBITDA in 2023 from 7.6x EV/EBITDA in the prior year. However, valuations appreciated YOY in the core and upper middle market as sponsors have increasingly focused on target company profitability.
- Sponsors have been starved for acquisition targets, presenting an opportunity for middle market businesses engaging in sell-side M&A.

Private Equity Exit Activity



Average EBITDA Multiple Paid By Financial Buyers



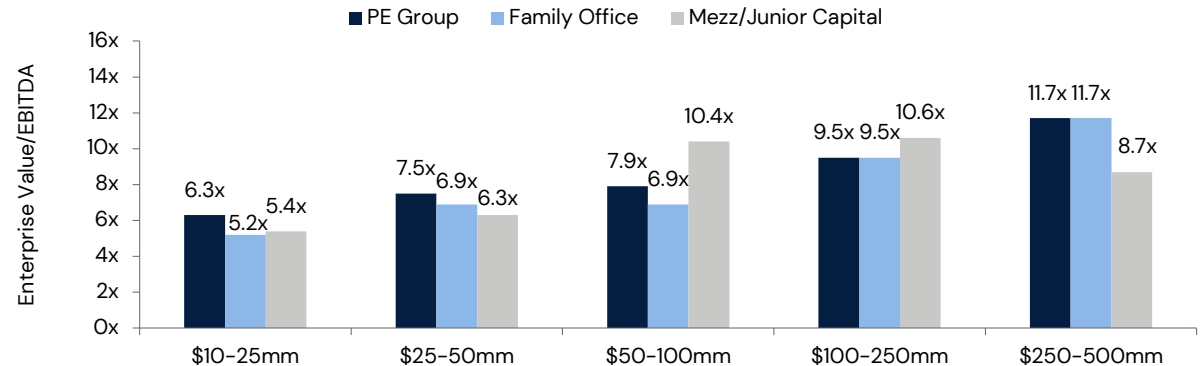
Note: Exit activity inclusive of all enterprise value ranges
 Source: PitchBook and GF Data®
 Includes multiples 3x-15x; Enterprise Value \$10mm-\$250mm

PRIVATE EQUITY VALUATIONS

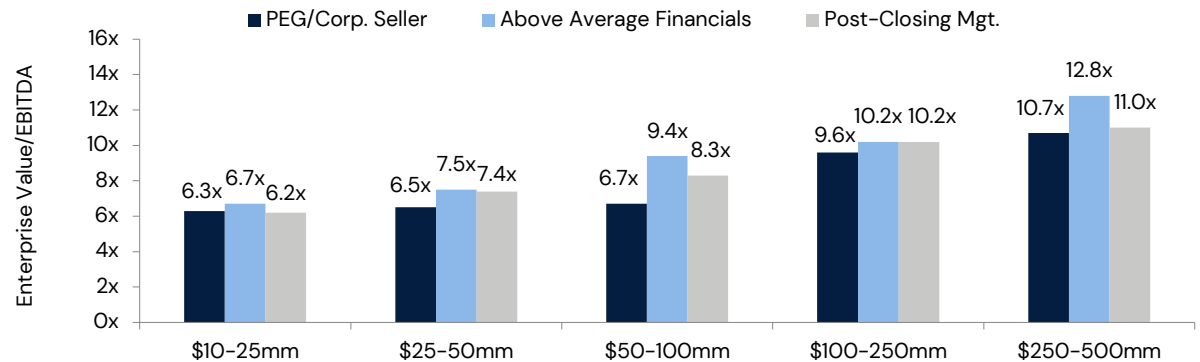
STRONG FINANCIALS REMAIN KEY VALUATION DRIVER

- Private equity firms and family offices have paid the highest multiples out of the financial buyer universe at the top end of the market (\$250-\$500 million) to better compete for scalable platform businesses.
- Mezzanine/Junior capital providers have been most competitive at the \$50-\$100 million and \$100-\$250 million enterprise value ranges, outbidding both private equity firms and family offices.
- An above average financial profile has remained a key determinant of pricing as financial buyers have sought targets with recurring revenue and robust earnings.

Average Valuations by Buyer Type



Key Transaction Valuation Drivers



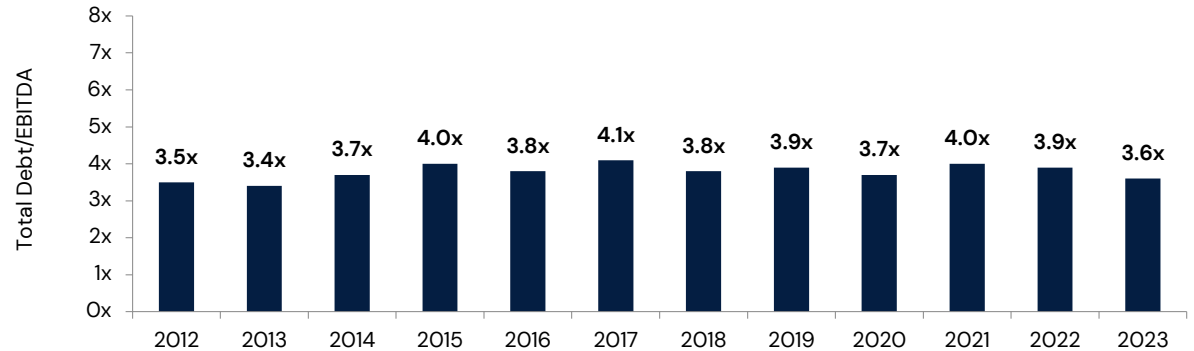
Source: GF Data®
 GF Data® defines Above Average Financial Performers as businesses with TTM EBITDA margins and revenue growth above 10%, or one above 12% and the other metric at least 8%.
 Includes multiples 3x-15x; Enterprise Value \$10mm-\$500mm

PRIVATE EQUITY VALUATIONS

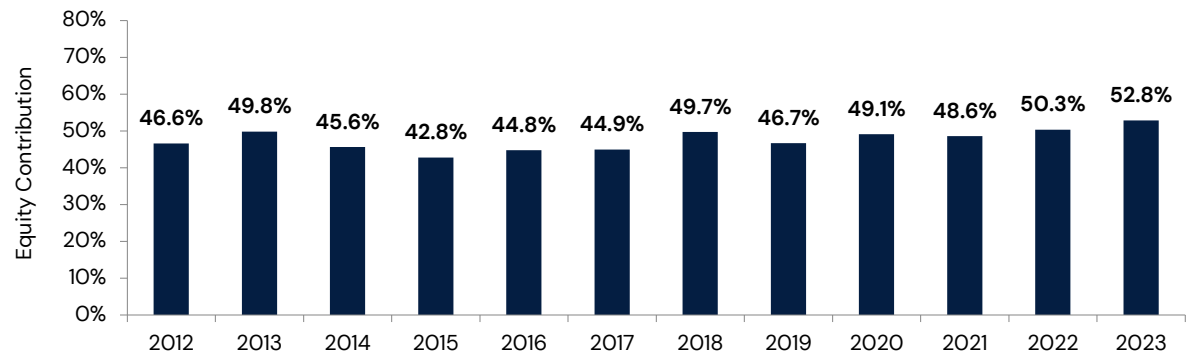
AVERAGE DEBT MULTIPLES DECLINE IN 2023

- The average debt multiple declined to 3.6x Total Debt/EBITDA in 2023 from 3.9x in the prior year. However, debt coverage is anticipated to rebound in 2024 with the Federal Reserve's indication of multiple interest rate cuts throughout the year.
- Lenders, particularly commercial banks, increased senior debt pricing in 2023, further contributing to lower debt utilization in private equity platform transactions.
- The lower levels of debt utilization in private equity deals forced buyers to increase equity contributions, which rose to a record 52.8% in 2023.

Average Debt Multiples of Middle Market LBO Transactions



Average Middle Market LBO Equity Contribution



Source: GF Data®
Includes multiples 3x-15x; Enterprise Value \$10mm-\$250mm



CAPSTONE BAROMETERS

CAPSTONE PARTNERS' FULLY INTEGRATED EXPERTISE

We have developed a service delivery model that can address the needs of any client situation, supported by vast internal resources. These capabilities are delivered together with deep domain expertise across 12 dedicated industry groups with an established, real-time access to the private equity community.

<h3><u>Mergers & Acquisitions</u></h3> <ul style="list-style-type: none"> • Sell-side Advisory • Buy-side Advisory • Recapitalizations • Mergers & Joint Ventures 	<h3><u>Capital Advisory</u></h3> <ul style="list-style-type: none"> • Equity Advisory • Debt Advisory • Infrastructure Finance 	<h3><u>Financial Advisory</u></h3> <ul style="list-style-type: none"> • Transaction Advisory • Interim Management • Performance Improvement • Valuation Advisory • Litigation Support 	<h3><u>Special Situations & Restructuring</u></h3> <ul style="list-style-type: none"> • Special Situations • Turnaround • Restructuring • Bankruptcy • Insolvency 	<h3><u>ESOP Advisory</u></h3> <ul style="list-style-type: none"> • Preliminary Analysis • Feasibility Study • ESOP Implementation • Liability Study • IRC § 1042 Design
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Industry Groups

 <p><u>Aerospace, Defense, Government & Security</u></p>	 <p><u>Building Products & Construction Services</u></p>	 <p><u>Business Services</u></p>	 <p><u>Consumer</u></p>
 <p><u>Agriculture</u></p>	 <p><u>Energy, Power, & Infrastructure</u></p>	 <p><u>FinTech & Services</u></p>	 <p><u>Healthcare</u></p>
 <p><u>Industrials</u></p>	 <p><u>Industrial Technology</u></p>	 <p><u>Technology, Media, & Telecom</u></p>	 <p><u>Transportation & Logistics</u></p>

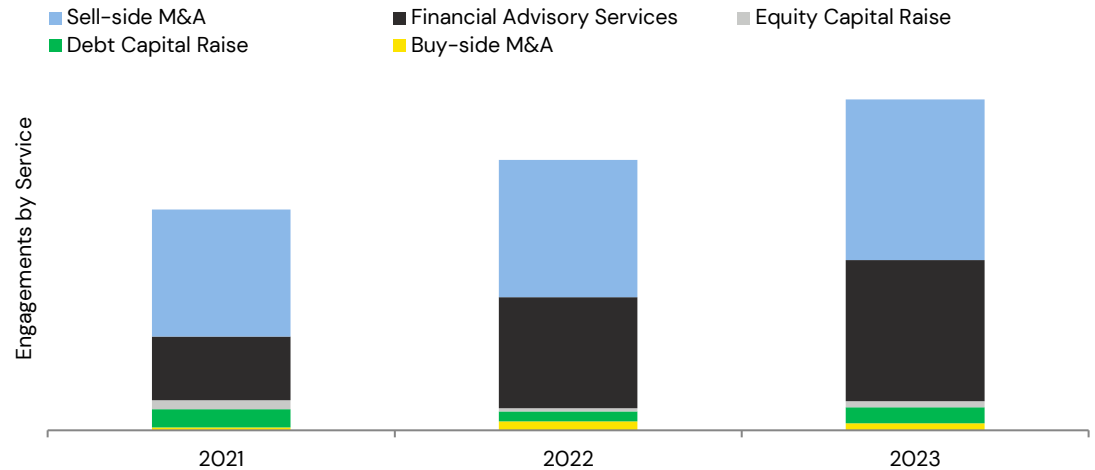
Sponsor Coverage Group

FIRM DATA

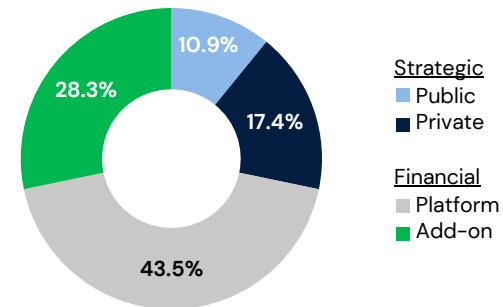
MIDDLE MARKET ACTIVITY PERSISTS AMID HEADWINDS

- While middle market dealmaking has been challenged by economic headwinds, the backlog of transaction inventory has remained robust. Increased visibility in near-term market conditions may provide momentum for dealmaking throughout 2024.
- Financial buyers have accounted for 71.7% of trailing twelve-month transactions (TTM), with platform deals comprising 43.5%.
- Strategic buyers have maintained their presence in the middle market, accounting for 28.3% of TTM transactions, led by private buyers which comprised 17.4%.

Capstone Engagements By Service



Capstone TTM Buyer Breakdown



Source: Capstone proprietary data based on live engagements and closed sell-side engagements

RECENT DEAL CLOSINGS

Capstone is an active leader in middle market M&A advisory, serving many clients and their needs, despite the unprecedented disruptions to the economy. Select our recent tombstones below to read the full press release.

 <p>CONSTITUTIONAL ADVISORS, INC. <i>Advisors for the Private Investor</i></p> <p>HAS BEEN ACQUIRED BY AN UNDISCLOSED STRATEGIC BUYER</p>	 <p>AVT Simulation</p> <p>HAS RECEIVED DEBT FINANCING FROM</p>  <p>FVCbank <small>Banking with a bank.</small></p>	<p>A LEADING FUEL DISTRIBUTOR</p> <p>HAS SECURED \$160 M IN DEBT FINANCING FROM</p> <p>SELECT SENIOR LENDERS</p>	 <p>GRUPO PSA</p> <p>HAS ENTERED AN EXCLUSIVE DISTRIBUTION AGREEMENT WITH</p>  <p>Keurig DrPepper</p>	 <p>DOBBS TIRE & AUTO CENTERS</p> <p>HAS BEEN ACQUIRED BY</p>  <p>Audax Private Equity</p>	 <p>ops CONSULTING</p> <p>HAS BEEN ACQUIRED BY</p>  <p>The Swift Group</p>	 <p>SPIN SYS</p> <p>HAS BEEN ACQUIRED BY</p>  <p>DDC <small>DEVELOPMENT DEVELOPMENT CORPORATION a Navajo Nation owned company</small></p>
 <p>616</p> <p>HAS BEEN ACQUIRED BY</p>  <p>WILLSCOT mobile mini</p>	 <p>TSP</p> <p>HAS BEEN ACQUIRED BY</p>  <p>O'DONNELL <small>Construction & Real Estate</small></p> <p>a portfolio company of SLATE CAPITAL GROUP</p>	 <p>HAZTEK SAFETY MANAGEMENT</p> <p>HAS BEEN ACQUIRED BY</p>  <p>CODE RED SAFETY</p> <p>a portfolio company of WARREN MULTI-CAPITAL</p>	 <p>GRIDBRIGHT <small>the Grid Management Operator</small></p> <p>HAS BEEN ACQUIRED BY</p>  <p>QUALUS a portfolio company of NMC <small>New Market Capital Partners, LLC</small></p>	 <p>RK ELECTRIC</p> <p>HAS BEEN ACQUIRED BY</p>  <p>HURON CAPITAL</p>	 <p>nationalgrid ENERGY MANAGEMENT</p> <p>HAS BEEN ACQUIRED BY</p> <p>RADIUS MECHANICAL</p>	 <p>POULOS & BENNETT</p> <p>HAS PARTNERED WITH</p>  <p>PAPE-DAWSON ENGINEERS</p>
 <p>CITY LINE FOODSERVICE</p> <p>HAS BEEN RECAPITALIZED BY</p>  <p>Frontenac</p>	 <p>A.M. Cold Storage & Trailer Leasing</p> <p>HAS BEEN ACQUIRED BY</p>  <p>WILLSCOT mobile mini</p>	 <p>granmark. A SUBSIDIARY OF PartyCity</p> <p>HAS BEEN ACQUIRED BY</p>  <p>IMPULSORA EURO S.A. DE C.V.</p>	 <p>BIRD</p> <p>HAS BEEN ACQUIRED BY</p>  <p>BLACK & VEATCH</p>	 <p>Mama Rosie's SINCE 1970</p> <p>HAS BEEN ACQUIRED BY</p>  <p>SEVIROLI MILL POINT CAPITAL</p>	 <p>Aldinger</p> <p>HAS BEEN ACQUIRED BY</p>  <p>INCLINE EQUITY PARTNERS</p>	 <p>ARCANE CAPITAL PARTNERS</p> <p>ENGAGED CAPSTONE PARTNERS TO PROVIDE BUY-SIDE TRANSACTION ADVISORY SERVICES</p>

LEADERSHIP TEAM



JOHN FERRARA, FOUNDER AND PRESIDENT

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John has dedicated 30+ years to serving as a trusted advisor to privately held businesses. Representative of over 200 engagements, he has acted as investment banker, management consultant, interim executive, investor, founder and board member. John has been recognized as one of the Top 50 M&A advisors in the U.S. and honored as an M&A Advisor Hall of Fame inductee. Under his leadership, Capstone has expanded to 19 offices in the U.S., U.K., and Brazil with an international platform that spans over 450 professionals in 40 countries worldwide. John graduated from Wesleyan University with an MBA from UCLA and The London School of Economics.



OLIVIA FERRIS, COO

oferris@capstonepartners.com | 303-962-5772

Olivia Ferris has over 10 years of investment banking experience with Capstone Partners and currently serves as Chief Operating Officer on the firm's executive team. In this role, Olivia is responsible for overall firm strategy, corporate development, partnerships, strategic initiatives, and investments. She is central to communicating, executing, and sustaining Capstone's priorities and translating them into a comprehensive strategic plan. Olivia earned a BSBA in Finance from Daniels College of Business, University of Denver.



PAUL JANSON, HEAD OF INVESTMENT BANKING

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With 25 years of executive experience, Paul manages all investment banking operations for the firm. On the M&A Advisory side, he is active in telecommunications services, manufacturing and infrastructure. Previously, Paul served as President & CEO of Camiant, a Packet Cable Multimedia broadband company. Paul was also CEO of Worldbridge Broadband Services Inc, a broadband and telecommunications company that was later acquired by C-Cor. Paul then became President of C-Cor's Global Services Division. He earned a BA in Business from Saint Anselm College.



PETER ASIAF, HEAD OF BUSINESS DEVELOPMENT

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Peter has more than 20 years of experience as a senior business development executive across the professional and financial services industries. He has been a growth-oriented leader in early-stage, middle-market and Fortune 500 enterprises, helping them to design and execute strategic expansion plans, optimize brand positioning and strengthen key market relationships. Peter is a Certified Exit Planning Advisor (CEPA) designated by the Exit Planning Institute.



BRENDAN BURKE, HEAD OF SPONSOR COVERAGE

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Brendan has 16 years in investment banking experience. He oversees the firm's outreach to private equity sponsors and recruitment of senior investment bankers. Since joining Headwaters MB (now Capstone) in 2004, he has held roles in transaction execution, business development, recruiting and marketing. In 2012, he was awarded 40 UNDER 40 by the M&A Advisor. He received a BA in Politics, Philosophy, Economics from Pomona College.

LEADERSHIP TEAM (CONTINUED)



DANIEL MCBROOM, HEAD OF PRIVATE CAPITAL MARKETS

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Daniel has 15 years of private and investment banking experience and is responsible for sourcing and analyzing hundreds of companies a year introduced by the firm's institutional clients and partners. Select companies are engaged and his team will stay involved until the transaction is closed. Before his financial career, Daniel spent seven years as a pilot in the United States Air Force. He earned an MBA from the University of Notre Dame and a BS from the United States Air Force Academy.



MARK CASPER, CHIEF FINANCIAL OFFICER, SUPERVISING PRINCIPAL

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Mark joined Capstone in 2016 and currently serves as the CFO and the Supervising Principal. In that capacity, Mark manages the FPA, oversees tax, financial, and regulatory reporting, and heads the firm's corporate development. Mark works in tandem with the President and COO ensuring financial feasibility for strategic initiatives as well as current business lines. In addition, he works closely with each banker to assist them in client management, regulatory efforts, and provides guidance around finance, accounting, and taxation. Prior to his current role, Mark spent over 11 years in public accounting. During his career, he has specialized in assurance, taxation, and business valuation consulting.



SARAH DOHERTY, DIRECTOR OF MARKET INTELLIGENCE

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Sarah has more than 10 years of professional research, writing, and data visualization experience and leads the strategic coverage and development of Capstone's middle market insights. She manages the firm's Market Intelligence Team, which produces 150+ reports, articles, white papers, surveys, and capital markets updates each year. Her team's award-winning M&A commentary and analysis has been featured in more than 50 of the nation's top news outlets. Sarah received a BA from Biola University and was recognized in 2021 with the "Emerging Leader Award" by the M&A Advisor.



BRIAN DAVIES, MANAGING PARTNER, FINANCIAL ADVISORY SERVICES GROUP

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Brian has 20+ years of experience working in the fields of corporate recovery, business reorganization and interim management services. He has provided financial advisory services to lenders, debtors, creditors' committees, trustees and equity holders in bankruptcy matters and out-of-court restructurings. Brian has provided assistance to under-performing businesses and acquirers of distressed companies. He has worked with companies to develop cost containment and asset rationalization plans, improve liquidity, re-engineer financial and other back-office functions. He received a MS from Bentley University and MSF from The McCallum School, Bentley University.



JIM CALANDRA, HEAD OF FINANCIAL ADVISORY SERVICES GROUP

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Jim has more than 25 years of experience in turnaround management consulting, interim management, fraud and forensic accounting, mergers and acquisitions, and recapitalizations. He has advised more than 50 companies through significant strategic transitions involving both public and private middle market companies with varying situations. Jim received a BS in Accountancy from Bentley University and an MS in Accountancy from The McCallum Graduate School of Business, Bentley University.



Capstone Partners, a subsidiary of Huntington Bancshares Incorporated (NASDAQ:HBAN), has been a trusted advisor to leading middle market companies for over 20 years, offering a fully integrated range of investment banking and financial advisory services uniquely tailored to help owners, investors, and creditors through each stage of the company's lifecycle. Capstone's services include M&A advisory, debt and equity placement, corporate restructuring, special situations, valuation and fairness opinions, and financial advisory services. Headquartered in Boston, the firm has 175+ professionals in multiple offices across the U.S. With 12 dedicated industry groups, Capstone delivers sector-specific expertise through large, cross-functional teams. For more information, visit www.capstonepartners.com.

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