M&A INSIGHT
MERGERS, ACQUISITIONS, DIVESTITURES AND VALUATIONS FOR MIDDLE-MARKET COMPANIES
Raymond James Contacts

Jeff Maxwell – St. Petersburg
Senior Managing Director
Head of M&A Investment Banking
727.567.5222
jeff.maxwell@raymondjames.com

Allan Bertie – London
Senior Managing Director
Head of European Investment Banking
44.20.3798.5701
allan.bertie@raymondjames.com

Brent Kriegshauser – St. Petersburg
Managing Director
727.567.4339
brent.kriegshauser@raymondjames.com

Don Blair – St. Petersburg
Managing Director
727.567.5018
don.blair@raymondjames.com
Global M&A Market Commentary

Historical Annual M&A Activity

Total M&A deal volume in the first quarter of 2023 involving targets based in the U.S., Europe and Asia Pacific decreased by approximately 21% year-over-year (“Y-o-Y”) (1). Similarly, M&A deal value decreased approximately 41% in the first quarter of 2023 when compared to the first quarter of 2022 (2). The M&A market faced sustained headwinds in the first quarter of 2023 as dealmakers and corporations navigated challenging macroeconomic conditions. Instability in the banking sector heightened concerns of an impending recession, as three of the four largest-ever U.S. bank failures occurred in the period from January to April 2023. Other factors, such as persistent inflation, quantitative tightening and a divergence in valuation expectations have been added difficulties in the M&A market. Although the cost of issuing leveraged loans has fallen from its peak in 3Q’22, caution returned to the market in late March following a relatively more constructive start to the year (2).

Historical Quarterly M&A Activity

Across the U.S., Europe and Asia Pacific, sequential quarter-over-quarter announced M&A deal value and volume decreased by approximately 13% and increased by approximately 2%, respectively, in the first quarter of 2023 (2). Although there was a modest rebound in sequential quarterly volume, deal value lagged as the number of “mega deals” declined. The European market experienced the largest decline in deal value sequentially, as the war in Ukraine entered its second year and Swiss bank Credit Suisse was rescued by UBS. Additionally, some corporations are divesting non-core assets in an effort to cut costs and prepare for a potential economic downturn (2).

---

(1) FactSet; number of transactions includes those with undisclosed values; includes transactions with disclosed values over $10M. Data as of 03/31/2023.

(2) Mergermarket.
Average debt multiples of large corporate LBO loans in LTM 1Q’23 were slightly higher than full year 2022, as the cost of leveraged loans decreased from its peak in 3Q’22(3). The average Non-Bank Debt multiple increased as financial sponsors continue to shift toward direct “non-bank” lenders, such as private credit funds, to finance M&A transactions. Additionally, sponsors have responded to the challenging credit markets by continuing to focus on enhancing existing investments with add-on acquisitions, which typically come at lower purchase prices and can be less difficult to finance. The increased financial scale that comes with add-on acquisitions (revenue and EBITDA) can sometimes partially offset the increased interest expense associated with the transaction.

(2) S&P LCD Report. Includes issuers with EBITDA greater than $50M. Data as of 03/31/2023.
(3) Mergermarket.
The Federal Reserve (the “Fed”) raised rates by 50 bps in the first quarter, bringing the total fed funds rate to a targeted range of 475 – 500 bps, a level not been seen since 2007. The first quarter of 2023 showed some investors signs of hope, as the Total Bond Index (representing U.S. government and investment-grade fixed income instruments) recorded an increase of approximately 2.3% sequentially. This comes in contrast to 2022, in which the Total Bond Index recorded its worst-ever performance since 2008, declining more than 13% Y-o-Y. The S&P also rebounded in the first quarter, posting a gain of approximately 7.5%, after 2022 resulted in its worst year since 2008. Notably, the technology sector saw the greatest rebound, increasing by approximately 23% in the first quarter.

(2) FactSet.
(3) GDP growth based on 2012 dollars.
(4) Federal Reserve Economic Data. Data represents the monthly average.
M&A Market Statistics

Consideration Offered in U.S. M&A Transactions\(^{(1)(2)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash</th>
<th>Combination</th>
<th>Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>82%</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>2019</td>
<td>83%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>2020</td>
<td>77%</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>2021</td>
<td>76%</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>2022</td>
<td>81%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>1Q'22</td>
<td>78%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>1Q'23</td>
<td>72%</td>
<td>18%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Median EBITDA Multiples in U.S. M&A Transactions\(^{(1)(2)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Median EBITDA Multiples</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>11.0x</td>
</tr>
<tr>
<td>2019</td>
<td>12.0x</td>
</tr>
<tr>
<td>2020</td>
<td>11.6x</td>
</tr>
<tr>
<td>2021</td>
<td>13.8x</td>
</tr>
<tr>
<td>2022</td>
<td>12.9x</td>
</tr>
<tr>
<td>1Q'22</td>
<td>12.2x</td>
</tr>
<tr>
<td>1Q'23</td>
<td>10.0x</td>
</tr>
</tbody>
</table>

Average Size of U.S. M&A Transactions\(^{(1)(2)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Disclosed Value (SMM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$785</td>
</tr>
<tr>
<td>2019</td>
<td>$868</td>
</tr>
<tr>
<td>2020</td>
<td>$780</td>
</tr>
<tr>
<td>2021</td>
<td>$859</td>
</tr>
<tr>
<td>2022</td>
<td>$720</td>
</tr>
<tr>
<td>1Q'22</td>
<td>$869</td>
</tr>
<tr>
<td>1Q'23</td>
<td>$679</td>
</tr>
</tbody>
</table>

U.S. Private Equity Fundraising\(^{(3)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Raised ($B)</th>
<th>Fund Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$193</td>
<td>468</td>
</tr>
<tr>
<td>2019</td>
<td>$361</td>
<td>567</td>
</tr>
<tr>
<td>2020</td>
<td>$260</td>
<td>567</td>
</tr>
<tr>
<td>2021</td>
<td>$363</td>
<td>790</td>
</tr>
<tr>
<td>2022</td>
<td>$362</td>
<td>497</td>
</tr>
<tr>
<td>1Q'22</td>
<td>$65</td>
<td>98</td>
</tr>
<tr>
<td>1Q'23</td>
<td>$67</td>
<td>73</td>
</tr>
</tbody>
</table>

\(^{(1)}\) FactSet; data as of 03/31/2023.
\(^{(2)}\) Includes transactions with disclosed values over $10M.
M&A Market Statistics

1Q’23 Cross Border M&A Deal Activity\(^\text{(1)}\)

United States: $18B
Europe: $34B
Asia Pacific: $31B

\(^\text{(1)}\) Source: FactSet; number of transactions includes those with undisclosed values; includes transactions with disclosed values over $10M. Data from 01/01/2023 – 03/31/2023.
Economic Commentary

Inflation Continued its Disinflationary Path in April…

This week’s inflation numbers were mostly positive and benign for the US economy as well as for the Federal Reserve (Fed) and confirms our view that, at least for now, the Fed is done increasing interest rates for this monetary tightening cycle. However, the data also confirmed our concern that while better and on a disinflationary path, the speed of this disinflationary process continues to be less than stellar. This means that any pivot in interest rates by the Fed is going to remain highly uncertain compared to what markets are expecting. Furthermore, as we have argued for some time, the market’s misreading of the Fed’s intentions regarding interest rates could result in the Fed having to continue to increase interest rates in the future.

Recall that the Fed determines only one interest rate in the markets, the federal funds rate, while the rest of the rates are determined by market forces. That is, if market forces believe the Fed is going to reduce the federal funds rate in the near future because market participants think the US economy is heading toward a recession, then this may prevent the Fed to continue to bring down inflation going forward. That is, if interest rates, other than the federal funds rate, move lower because markets think a recession will be enough to make the Fed relax monetary policy, then the Fed’s monetary policy campaign is going to be put at risk.

We saw some of this happening during the first quarter of the year when the yield on the 10-year Treasury declined and thus pushed mortgage interest rates lower, which improved the state of the US housing market during the first quarter of the year as existing home sales, as well as new homes sales, increased during the period.

...But the Road Ahead is Still Long, According to Our Inflation Heatmaps

We have used these heatmaps in the past to show how different potential inflation scenarios could play out assuming that we have ‘constant’ monthly increases/decreases in prices over time. This is a very simple way of approaching the issue of inflation, but it helps get an idea of what could be the path forward. Of course, it is a very simple look at different potential paths of inflation. If we assume constant monthly increases/decreases in prices, which is not what is going to happen. However, it is clear that, by looking at them, the path that will take us to a 2% rate of inflation is a path of inflation that goes from 0% to about 0.15% per month over the next year.

Needless to say, a path that includes a slight deflation—in our tables, this is the -0.1% column—is the fastest path to achieve the 2% inflation rate target for the Fed. However, a deflationary environment may require the Fed to provoke a deeper recession than what we have forecast for the US economy growing below potential during the next two years. However, it is conceivable that there are going to be some deflationary months going forward. This means that we can include some deflationary months in our range of monthly inflation rates, which means that the path to a 2% inflation target rate is probably going to include monthly inflation in the range of -0.1% to 0.2%. That is, anything above that range for monthly inflation is probably not going to take us to the promised land during the next year and we will have to wait longer to get there.

Summary of the week

Consumer Price Index: Although the rate of inflation for April was in line with expectations, the year-over-year rate declined slightly. Furthermore, shelter costs, which have a very large weight in the Consumer Price Index, slowed down considerably from previous months, up 0.4%. This was the lowest increase in shelter costs since January of 2022 and could be pointing to further weakness in shelter costs going forward. The Consumer Price Index (CPI) increased 0.4% during the fourth month of the year on a seasonally adjusted basis after inching up 0.1% in March, according to the US Bureau of Labor Statistics.

Producer Price Index: The better-than-expected PPI for final demand should be good news for markets as well as for the Federal Reserve even though we saw some stability in the year earlier measures for the service economy while goods prices continued their disinflationary trajectory. As has been the case in consumer prices, goods prices continue to weaken, but service sector prices have remained more stubborn. The Producer Price Index (PPI) for final demand increased at a less than expected seasonally adjusted rate of 0.2% in April, according to the Bureau of Labor Statistics.

Jobless Claims: Initial Jobless Claims increased yet again and they are now at the highest level since October 2021. Similarly, the four-week moving average is at the highest level since November of 2021. Normally, this persistent increase in applications for US unemployment insurance would indicate that the labor market might be weakening, but last week’s employment report beat expectations, showing once again the resilience of the US labor market, which reached the lowest unemployment rate since May 1969.

Source: Raymond James Weekly Economics, “Thoughts of the Week”, Link
Raymond James is one of the largest full-service investment firms and New York Stock Exchange members headquartered in the Southeast. Founded in 1962, Raymond James Financial, together with its subsidiaries Raymond James Financial Services, Raymond James Ltd. and Raymond James Financial International Limited, has more than 80 institutional sales professionals and nearly 8,700 affiliated financial advisors, as of 03/31/23, in North America and Europe. Raymond James boasts one of the largest sales forces among all U.S. brokerage firms.

Industry knowledge and distribution power are central to helping Raymond James’ investment bankers serve the needs of growth companies in the areas of public equity and debt underwriting, private equity and debt placement, and merger and acquisition advisory services. Raymond James investment banking offices are located in 22 cities, including Atlanta, Baltimore, Boston, Calgary, Charlotte, Chicago, Dallas, Denver, Greater Washington D.C., Houston, Los Angeles, Memphis, Nashville, New York, Raleigh, San Francisco, St. Petersburg, Toronto and Vancouver, along with Munich, Frankfurt and London in Europe.
Raymond James Recent Advisory Transactions (01/01/23 – 03/31/23)

March 2023
- ADEPTIA
  - Has received a growth investment from PSG

March 2023
- INTEGRITY NEXT
  - Has received a strategic growth investment from ERT

March 2023
- DEFINiT
  - Has entered into a definitive agreement to receive a majority investment from LMP

March 2023
- ABILITY TECHNIC
  - Has entered into a definitive agreement to be acquired by ETAIN Capital

March 2023
- CBank
  - Has been acquired by REPUBLIC BANCORP

March 2023
- Leesa
  - A portfolio company of 32 BRANDS

March 2023
- voxco
  - Has been acquired by Terminus Capital Partners

March 2023
- MIELLE
  - A portfolio company of Bankers
  - Has been acquired by P&G

February 2023
- FS BANCORP, INC.
  - Has acquired
  - Seven branches from Waukesha State Bank

February 2023
- WILMINS
  - A portfolio company of Has acquired
  - Has been acquired by Tyson

February 2023
- WILLIAMS SASSO
  - A portfolio company of Has entered into a definitive agreement to be acquired by BlackRock

February 2023
- 360
  - Has been acquired by HAWTHORNE Holdings, owners, managers, directors

February 2023
- Nova Wafra
  - Has been acquired by BPP

February 2023
- Topaz
  - A portfolio company of Morgan Stanley

February 2023
- Quanos
  - A portfolio company of IK Partners
  - Has been acquired by KEENIGHT CAPITAL

January 2023
- Morgan Stanley CAPITAL PARTNERS
  - Has acquired

January 2023
- ascendant
  - Has entered into a definitive agreement to receive a strategic investment from Battery

January 2023
- volta
  - Has entered into a definitive agreement to be acquired by Shell

January 2023
- KWWE Bank
  - Has acquired

January 2023
- VITAprotex
  - A portfolio company of EURAZEO

February 2023
- FARMERS BANK
  - Has been acquired by apax
Raymond James Recent Advisory Transactions (01/01/23 – 03/31/23)

January 2023
Has been acquired by
inovative
A portfolio company of
Metalmark

January 2023
Has been acquired by
nuvei

January 2023
ALUARIUM
Has combined with
4ITi
and listed on the NASDAQ
via a business combination
with

January 2023
Has been acquired by
Emclaire Financial Corp

January 2023
Has sold its
investment in
Bregal Sagemount
To strategic acquirer

Past performance is not indicative of future results.
### Raymond James Recent Capital Market Transactions (01/01/23 – 03/31/23)

<table>
<thead>
<tr>
<th>Month</th>
<th>Transaction Description</th>
<th>Total Amount</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2023</td>
<td>$209,471,664 Follow-on Offering Co-Manager</td>
<td>$209,471,664</td>
<td>Follow-on Offering Co-Manager</td>
</tr>
<tr>
<td>February 2023</td>
<td>$230,000,000 Follow-on Offering Co-Manager</td>
<td>$230,000,000</td>
<td>Follow-on Offering Co-Manager</td>
</tr>
<tr>
<td>February 2023</td>
<td>$402,500,196 Follow-on Offering Co-Manager</td>
<td>$402,500,196</td>
<td>Follow-on Offering Co-Manager</td>
</tr>
<tr>
<td>February 2023</td>
<td>$217,833,000 Follow-on Offering Co-Manager</td>
<td>$217,833,000</td>
<td>Follow-on Offering Co-Manager</td>
</tr>
<tr>
<td>January 2023</td>
<td>$97,749,995 Follow-on Offering Active Bookrunner</td>
<td>$97,749,995</td>
<td>Follow-on Offering Active Bookrunner</td>
</tr>
<tr>
<td>January 2023</td>
<td>$154,428,600 Initial Public Offering Passive Bookrunner</td>
<td>$154,428,600</td>
<td>Initial Public Offering Passive Bookrunner</td>
</tr>
<tr>
<td>January 2023</td>
<td>$70,000,000 Follow-on Offering Active Bookrunner</td>
<td>$70,000,000</td>
<td>Follow-on Offering Active Bookrunner</td>
</tr>
<tr>
<td>March 2023</td>
<td>$287,510,350 Follow-on Offering Active Bookrunner</td>
<td>$287,510,350</td>
<td>Follow-on Offering Active Bookrunner</td>
</tr>
<tr>
<td>March 2023</td>
<td>$316,249,093 Follow-on Offering Passive Bookrunner</td>
<td>$316,249,093</td>
<td>Follow-on Offering Passive Bookrunner</td>
</tr>
<tr>
<td>March 2023</td>
<td>$324,000,000 Initial Public Offering Co-Manager</td>
<td>$324,000,000</td>
<td>Initial Public Offering Co-Manager</td>
</tr>
<tr>
<td>March 2023</td>
<td>$253,000,000 Convertible Offering Co-Manager</td>
<td>$253,000,000</td>
<td>Convertible Offering Co-Manager</td>
</tr>
<tr>
<td>March 2023</td>
<td>$65,000,000 Preferred Offering Co-Manager</td>
<td>$65,000,000</td>
<td>Preferred Offering Co-Manager</td>
</tr>
<tr>
<td>March 2023</td>
<td>$333,500,000 Follow-on Offering Passive Bookrunner</td>
<td>$333,500,000</td>
<td>Follow-on Offering Passive Bookrunner</td>
</tr>
<tr>
<td>March 2023</td>
<td>$253,000,000 Convertible Offering Co-Manager</td>
<td>$253,000,000</td>
<td>Convertible Offering Co-Manager</td>
</tr>
<tr>
<td>March 2023</td>
<td>$316,249,993 Follow-on Offering Passive Bookrunner</td>
<td>$316,249,993</td>
<td>Follow-on Offering Passive Bookrunner</td>
</tr>
<tr>
<td>March 2023</td>
<td>$324,000,000 Initial Public Offering Co-Manager</td>
<td>$324,000,000</td>
<td>Initial Public Offering Co-Manager</td>
</tr>
<tr>
<td>March 2023</td>
<td>$253,000,000 Convertible Offering Co-Manager</td>
<td>$253,000,000</td>
<td>Convertible Offering Co-Manager</td>
</tr>
<tr>
<td>March 2023</td>
<td>$65,000,000 Preferred Offering Co-Manager</td>
<td>$65,000,000</td>
<td>Preferred Offering Co-Manager</td>
</tr>
<tr>
<td>March 2023</td>
<td>$333,500,000 Follow-on Offering Passive Bookrunner</td>
<td>$333,500,000</td>
<td>Follow-on Offering Passive Bookrunner</td>
</tr>
<tr>
<td>February 2023</td>
<td>$115,000,000 Initial Public Offering Left Bookrunner</td>
<td>$115,000,000</td>
<td>Initial Public Offering Left Bookrunner</td>
</tr>
</tbody>
</table>

Past performance is not indicative of future results.