



MIDDLE MARKET PRIVATE EQUITY UPDATE

Q1 2022



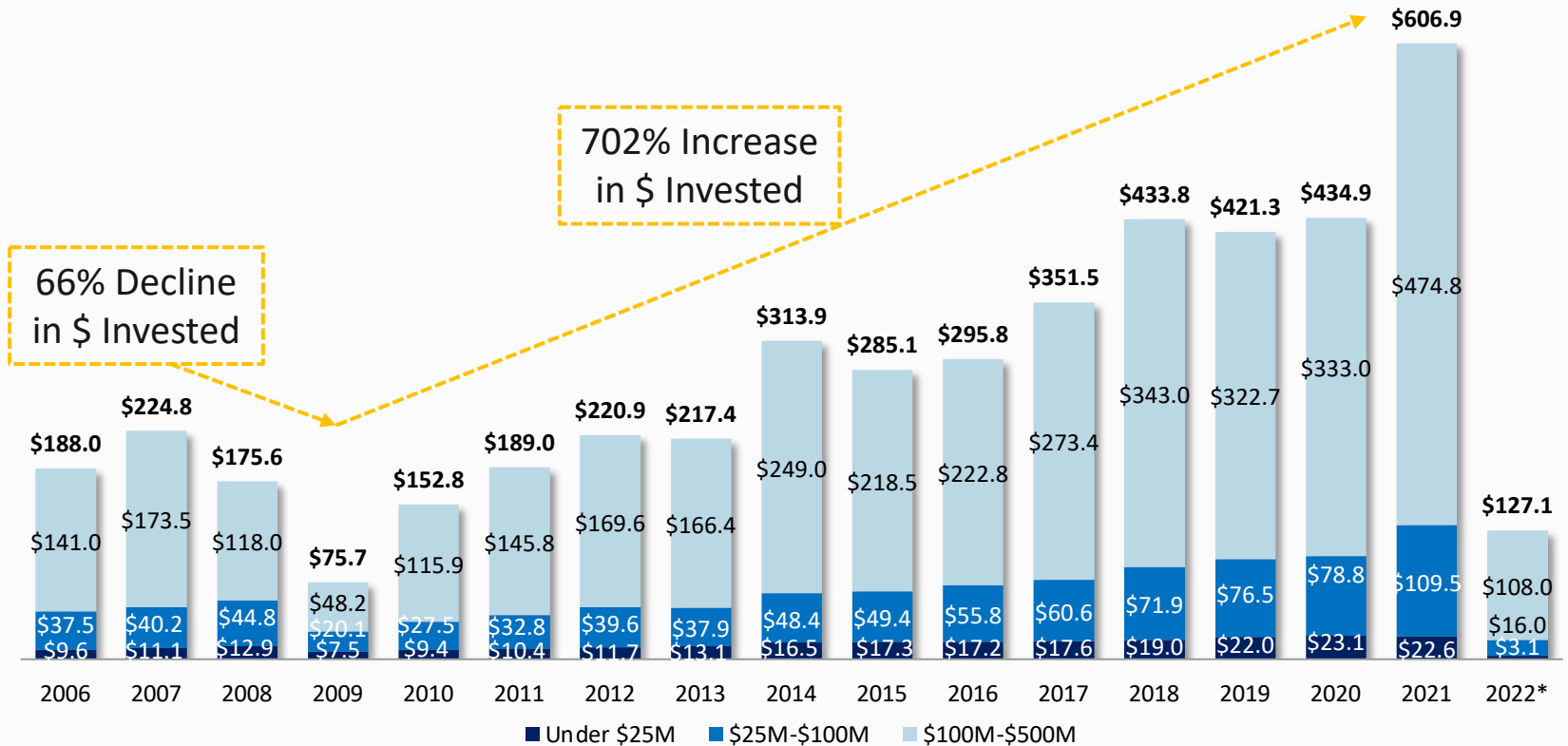
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CAPITAL GROUP

GCG Middle Market Private Equity Update | Q1 2022

U.S. Private Equity M&A Activity – Impact of 2008/2009 Recession

Deal values for Q1 2022 are down 16% from 2021 on an annualized basis, but up 17% from 2020. While 2022 is still a very active M&A market, it isn't quite as active as 2021 so far. 2021 private equity deal values were at record highs with year-over-year growth of approximately 40%, shattering its previous annual high. 2021 was fueled by low rates and post pandemic pent-up supply, as well as the potential for higher taxes. 2022 deal activity is facing more headwinds as rates are increasing and tax changes do not appear to be significant.

MM Private Equity (PE) Deal Flow (\$Billions) by Deal Size



* 2022 Through Q1. Source: Pitchbook

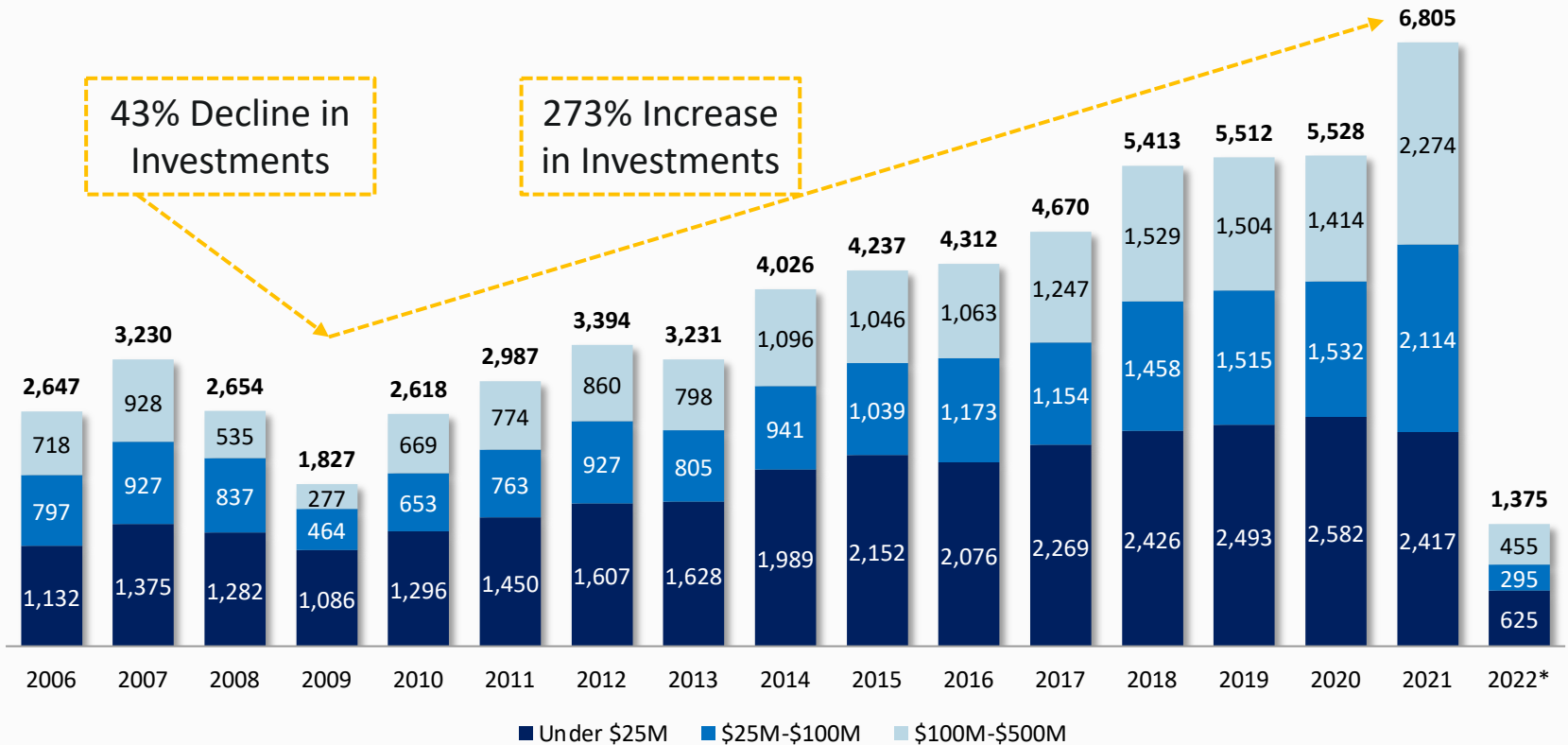


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U.S. Private Equity M&A Activity – Impact of 2008/2009 Recession

2021 closed at an all-time high on the number of middle market deals. 2021 volume increased by 23% compared to the final 2020 numbers. 2021 also set a record for the highest year since 2006 and even before. 2022 through Q1 is on pace to decrease 19% from 2021 on an annualized basis but would be at the same level as 2020. Due to the investment environment and amount of uninvested capital, PE deal flow should continue to be quite active. The significant concerns include rising interest rates, disruptive supply chains and the impact of war in Ukraine.

MM PE Deal Flow (# of Deals) by Deal Size



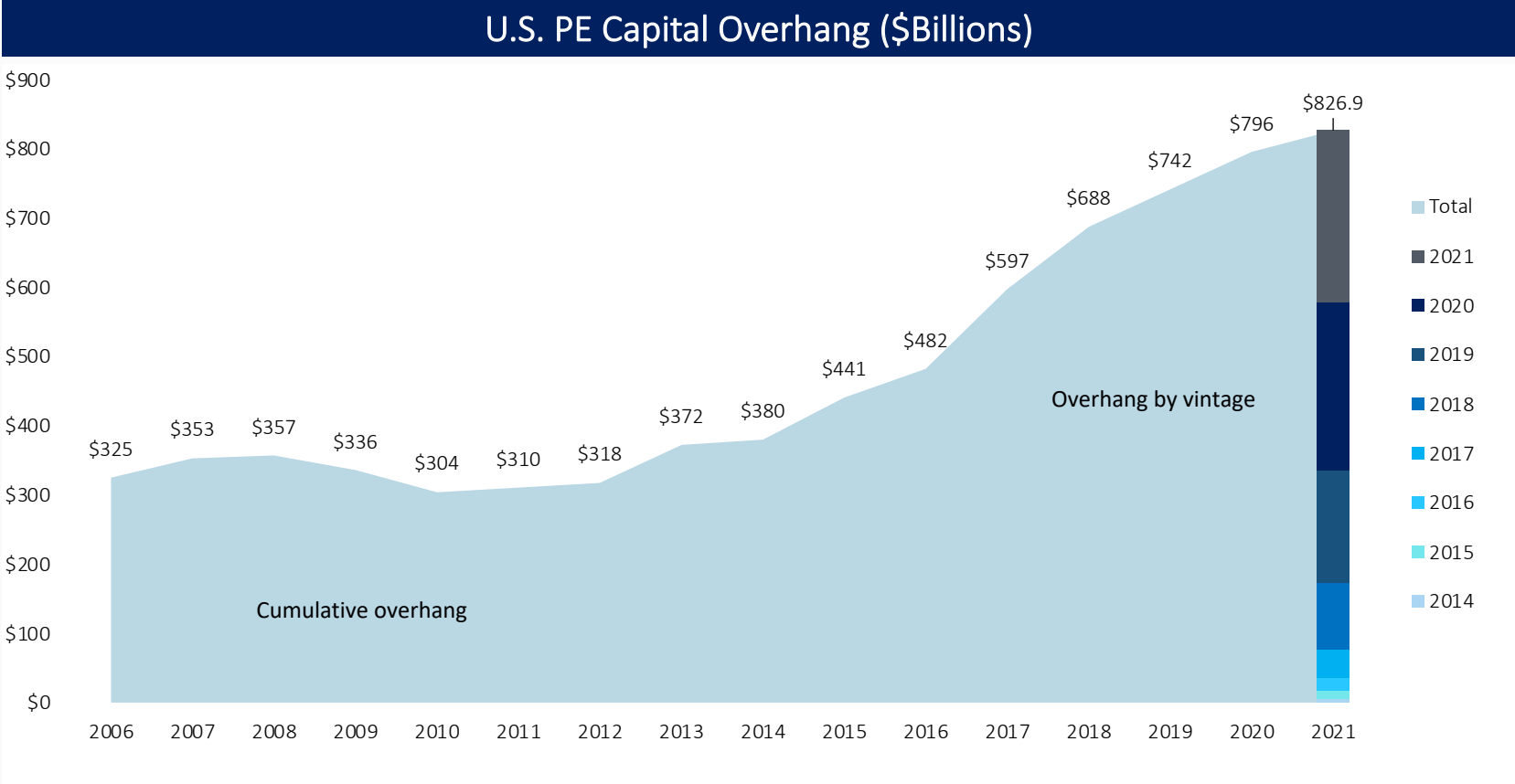
* 2022 Through Q1. Source: Pitchbook



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U.S. Private Equity Capital Overhang

Capital overhang, which represents the amount of capital raised by PE funds that has not yet been invested, has continued to grow. The Capital Overhang is still at a robust level and fundraising is accelerating in 2022. The majority of this capital is in funds that are 0-2 years old and based in the U.S. Most of the \$826.9B of overhang in the U.S. in 2021 had between 5-7 years to be invested based on average fund mandates that capital needs to be deployed within seven years. This is the basis for our belief that 2022 to 2026 will be an extremely hot M&A market led by private equity.



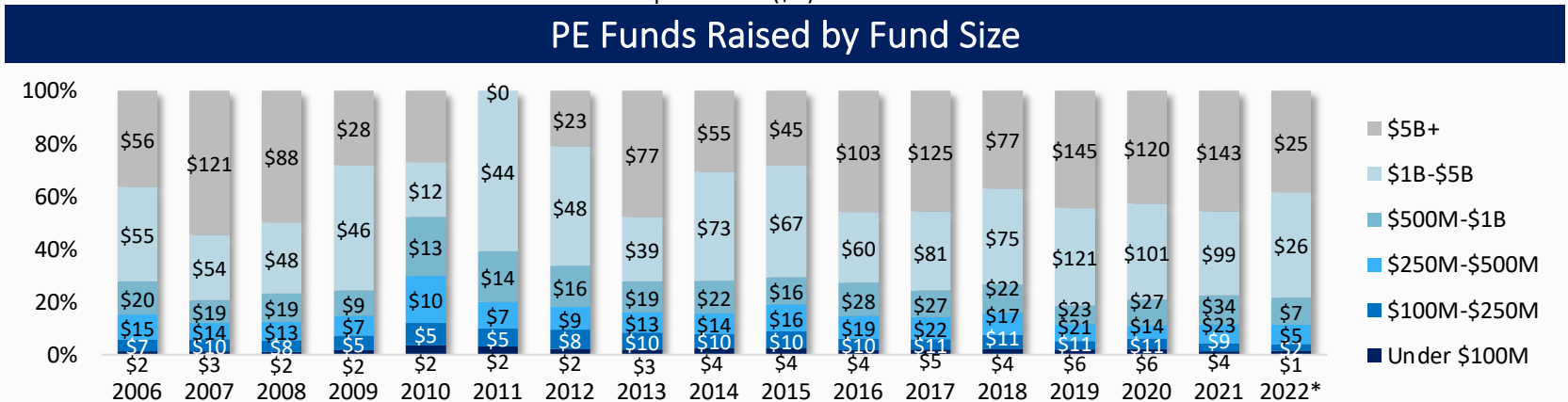
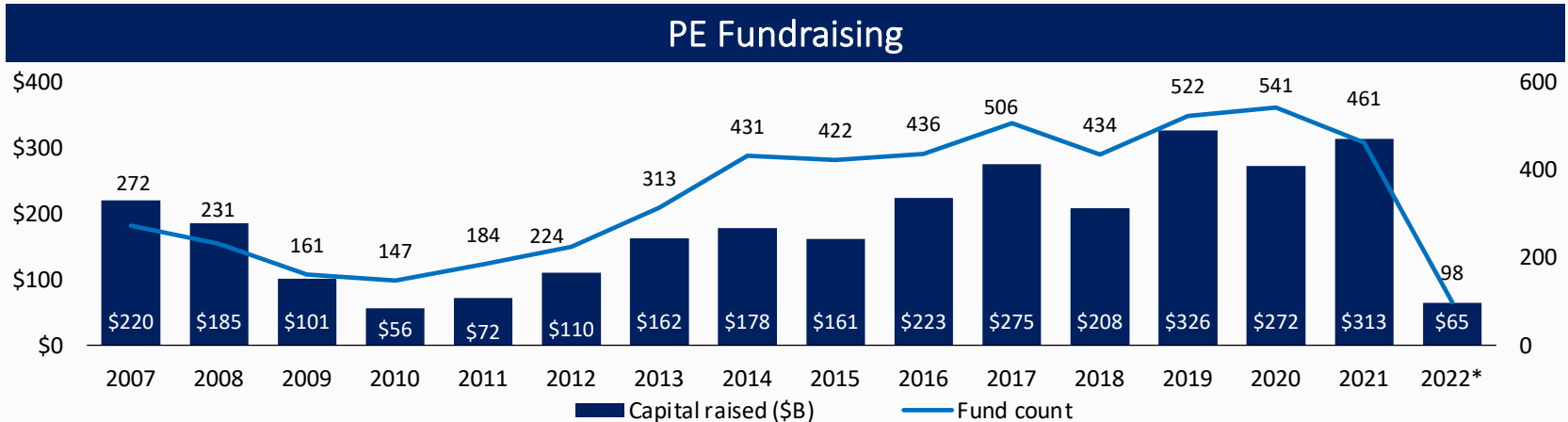
Source: Pitchbook



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U.S. Private Equity Fundraising Activity

2021 was one of the best years in middle market PE fundraising since 2007. The first quarter of 2022 showed a slowing level of fundraising as economic and political issues have become more significant. Fundraising has generally been growing since 2010, reaching a peak in 2019. 2021 saw an increase of 15% in capital raised but a decrease of 15% in the number of funds raised. 2022 through Q1 is on pace to decrease 17% in capital raised from 2021 and 15% in number of funds raised.



*2022 Through Q1. Source: Pitchbook

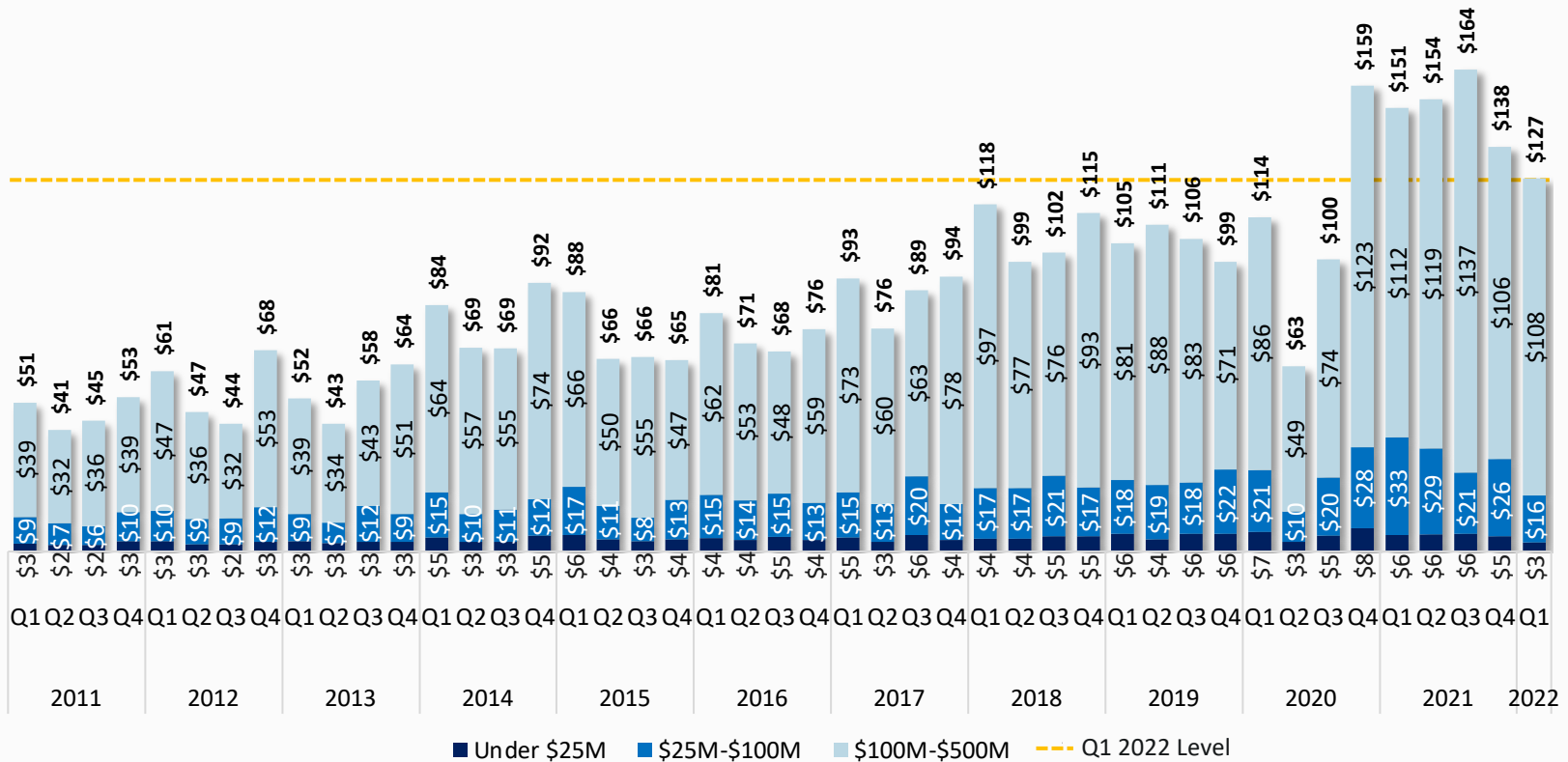


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U.S. Private Equity M&A Activity

Q1 2022 is off to a lower start compared to 2021. Q1 is down 16% from Q1 2021 and 8% from Q4 2021. That said, Q1 2022 is still the highest quarter of deal value for any period prior to Q4 2020 confirming that the 2022 M&A market is still very active. 2021 deal activity broke all historical middle market levels. The 2022 levels still look robust, however, developing headwinds have started to impact activity.

MM Private Equity (PE) Deal Flow (\$Billions) by Deal Size



Source: Pitchbook

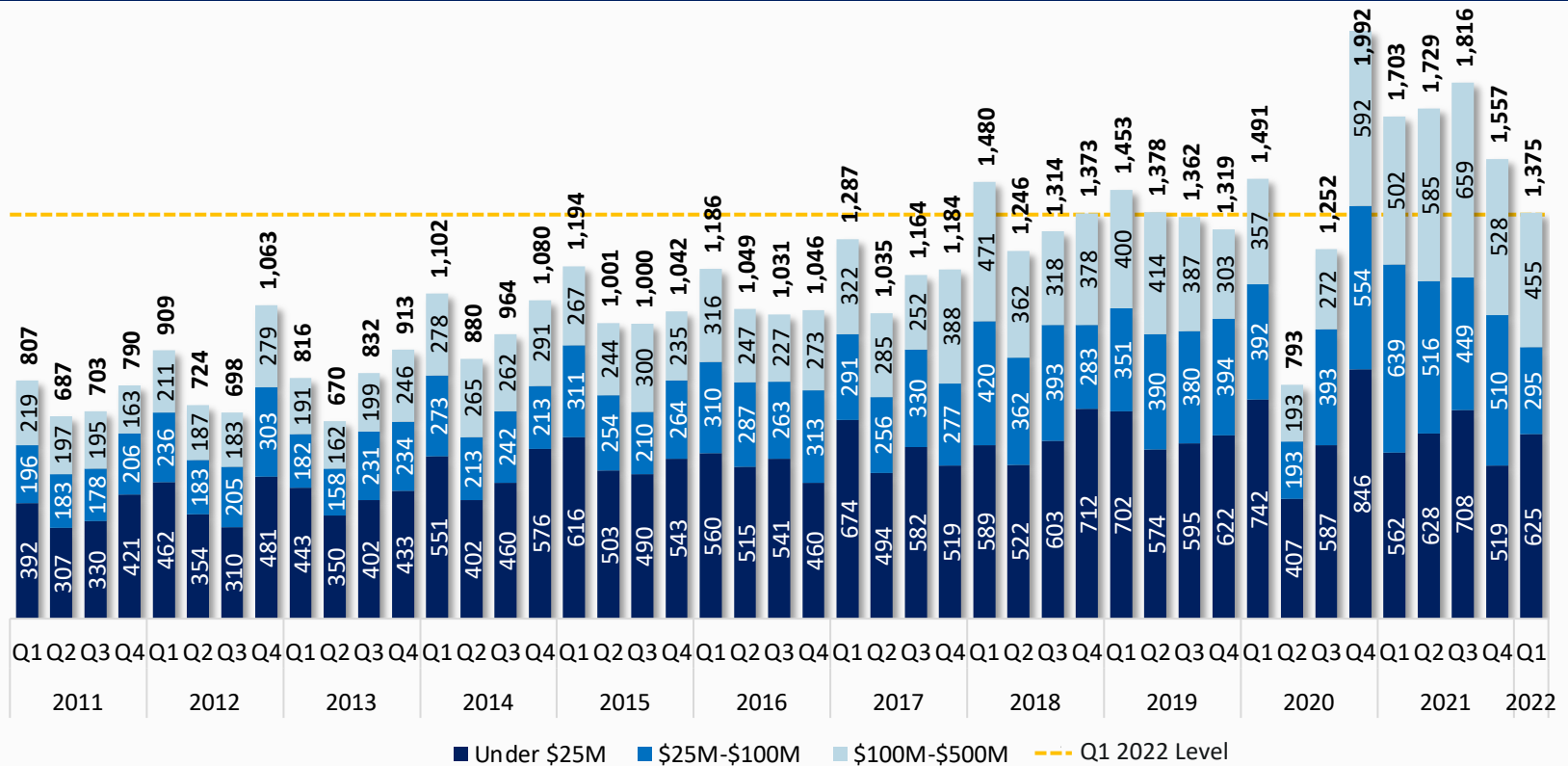


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U.S. Private Equity M&A Activity

Deal volume in 2021 continued its torrid pace in the 4th quarter. While the activity wasn't as high as the prior 4 quarters, it was still a very strong quarter and higher than any other quarter prior to 2020. Deal volume in Q4 2020 was the best quarter of recent history and kicked off a strong year in 2021 overall. Q1 2022 was off to a lower start and at a similar level to 2019 averages. Compared to 2021, Q1 2022 was 19% lower than Q1 2021 and 12% lower than Q4 2021. 2022 deal volume returned to similar pre-covid levels. Deals under \$100M continue to represent the majority of PE demand.

MM PE Deal Flow (# of Deals) by Deal Size



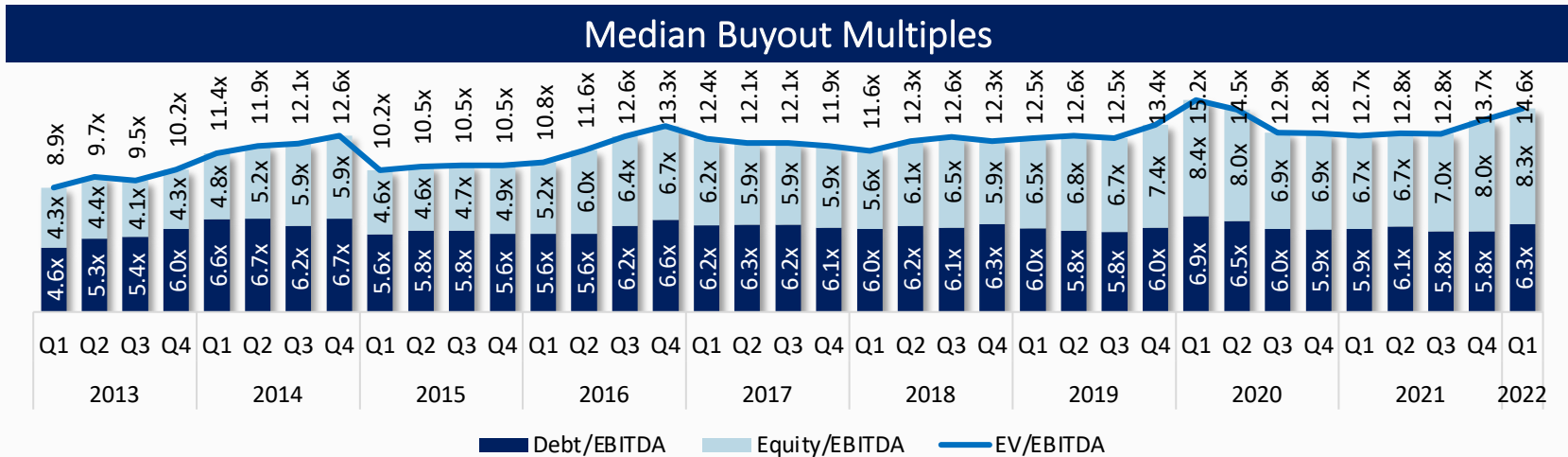
Source: Pitchbook



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U.S. Private Equity M&A Activity

EV/EBITDA multiples were consistent for 5 straight quarters, fluctuating between 12.7x and 12.9x going into Q4 of 2021. Q4 2021 saw a jump to 13.7x which is close to the peak highs in Q1/Q2 of 2020 and this trend continued in Q1 2022 as multiples hit 14.6x, a new recent peak. Part of this can be explained by the lower EBITDA for many companies during COVID. The median level of debt per deal is near its lowest point of the past seven years at 43.3% and was trending down since Q2 before increasing in Q1. We expect the debt level to ultimately be an inhibitor for further escalation of deal multiples, especially in a rising interest rate environment.



Source: Pitchbook, S&P CIQ. Note: Median is a four-quarter rolling median. Based on all PE deals



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More about Greenwich Capital Group

Greenwich Capital Group (“GCG”) is a middle market focused advisory firm offering a range of investment banking and consulting services to private companies, public companies and private equity investors. Our senior bankers have held leadership positions at global investment banking firms, bringing a wealth of experience to each of our clients. GCG operates with the highest integrity, providing credibility and an excellent client service experience through our proven transaction process. These core values are the common thread in establishing our extensive relationships with privately held businesses, private equity investors and publicly traded companies. With each engagement, GCG’s senior bankers have a common goal. We strive to build relationships by representing our clients’ long-term interests in order to earn ultimately their trust. It is our privilege to be called trusted advisors in the middle market.

For additional perspective or to discuss M&A related opportunities in the middle market, please reach out to GCG’s CEO and Managing Director, Bob Coury. For more information, please visit www.greenwichgp.com.



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Data Sources: We have based our findings on data provided by industry recognized sources. Data and information for this publication was collated from the S&P Capital IQ database. For more information on this or anything else related to our research, please email info@greenwichgp.com.

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