



MIDDLE MARKET PRIVATE EQUITY UPDATE

Q3 2022



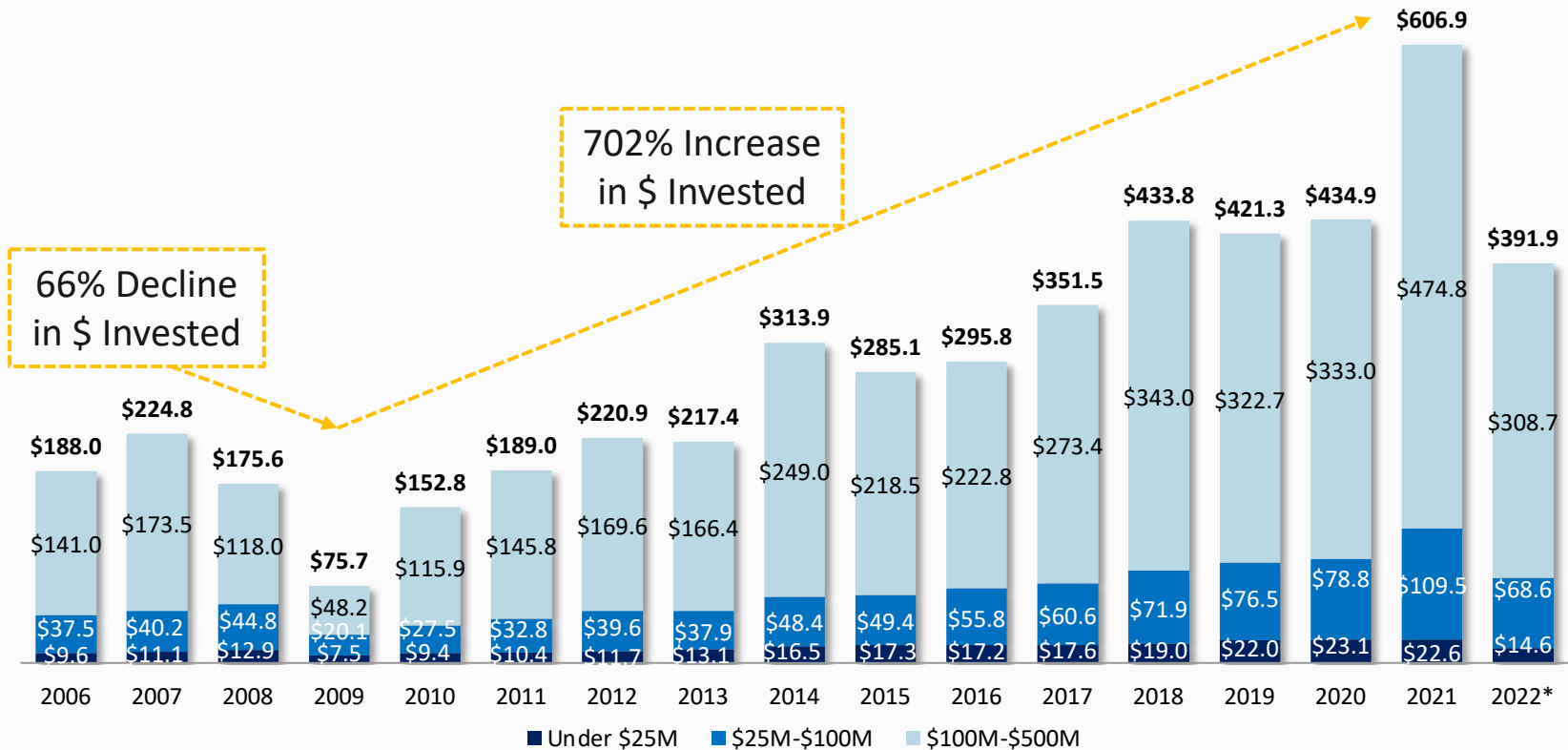
GREENWICH
CAPITAL GROUP

GCG Middle Market Private Equity Update | Q3 2022

U.S. Private Equity M&A Activity

Deal values for the first three quarters of 2022 are down 14% from 2021 on an annualized basis, however 2021 was a record setting M&A year and 2022 is still very strong from a middle-market M&A perspective. Deal values for the first three quarters of 2022 are still up 20 - 24% from the 2018-2020 years. 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. That said, with PE having record levels of capital raised, the deal activity remains vibrant.

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



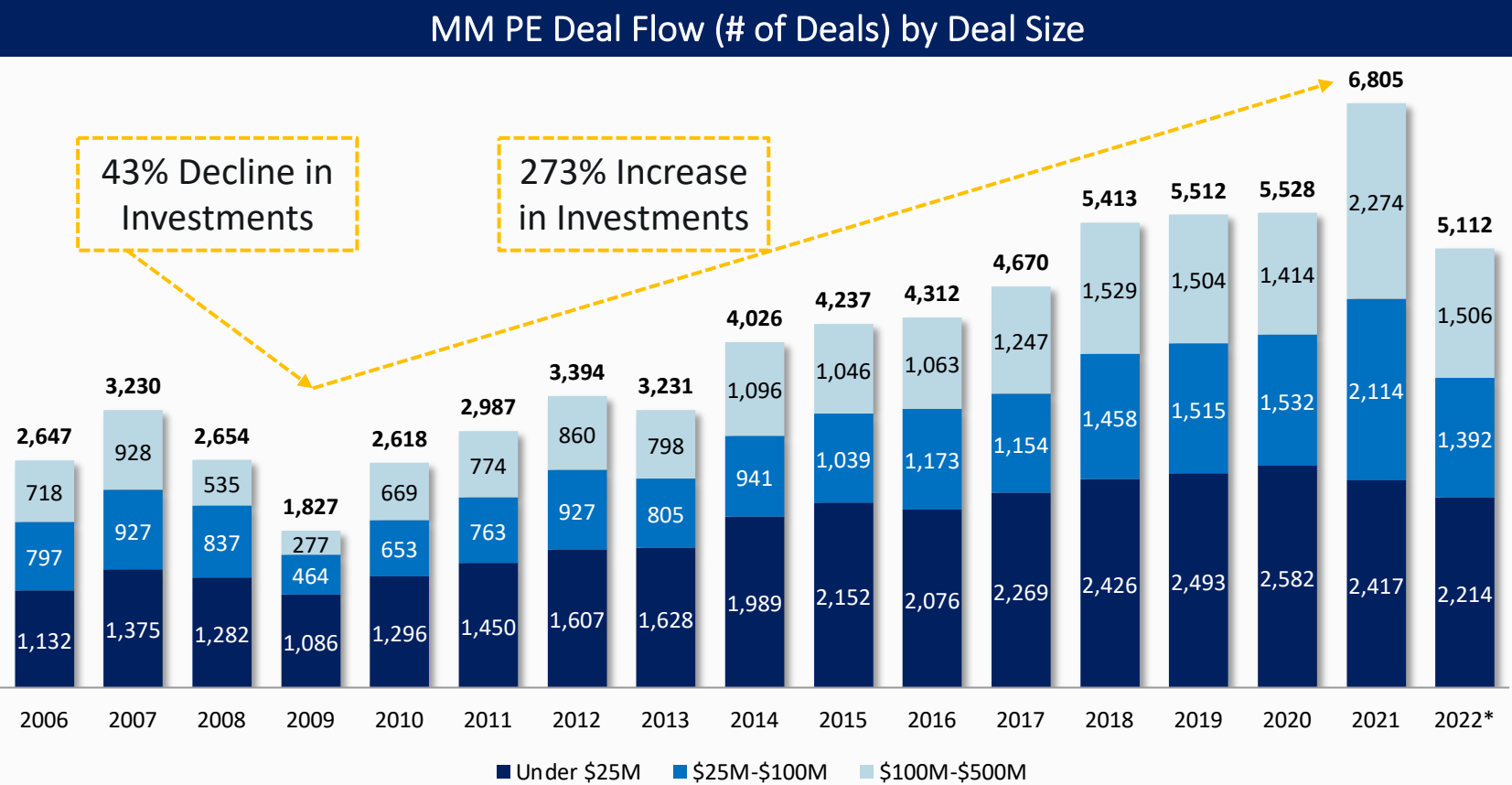
* 2022 Through Q3. Source: Pitchbook



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U.S. Private Equity M&A Activity

Deal volumes for the first three quarters of 2022 on an annualized basis are in line with 2021 volumes, suggesting that while many deals are getting done the average size has declined. In other words, this signals that more deals are getting done at the lower part of the middle market vs the upper end. Deal volume in 2022 on an annualized basis would be the best year on record for private equity, coming in approximately 24 percent above the 2018 – 2020 years.



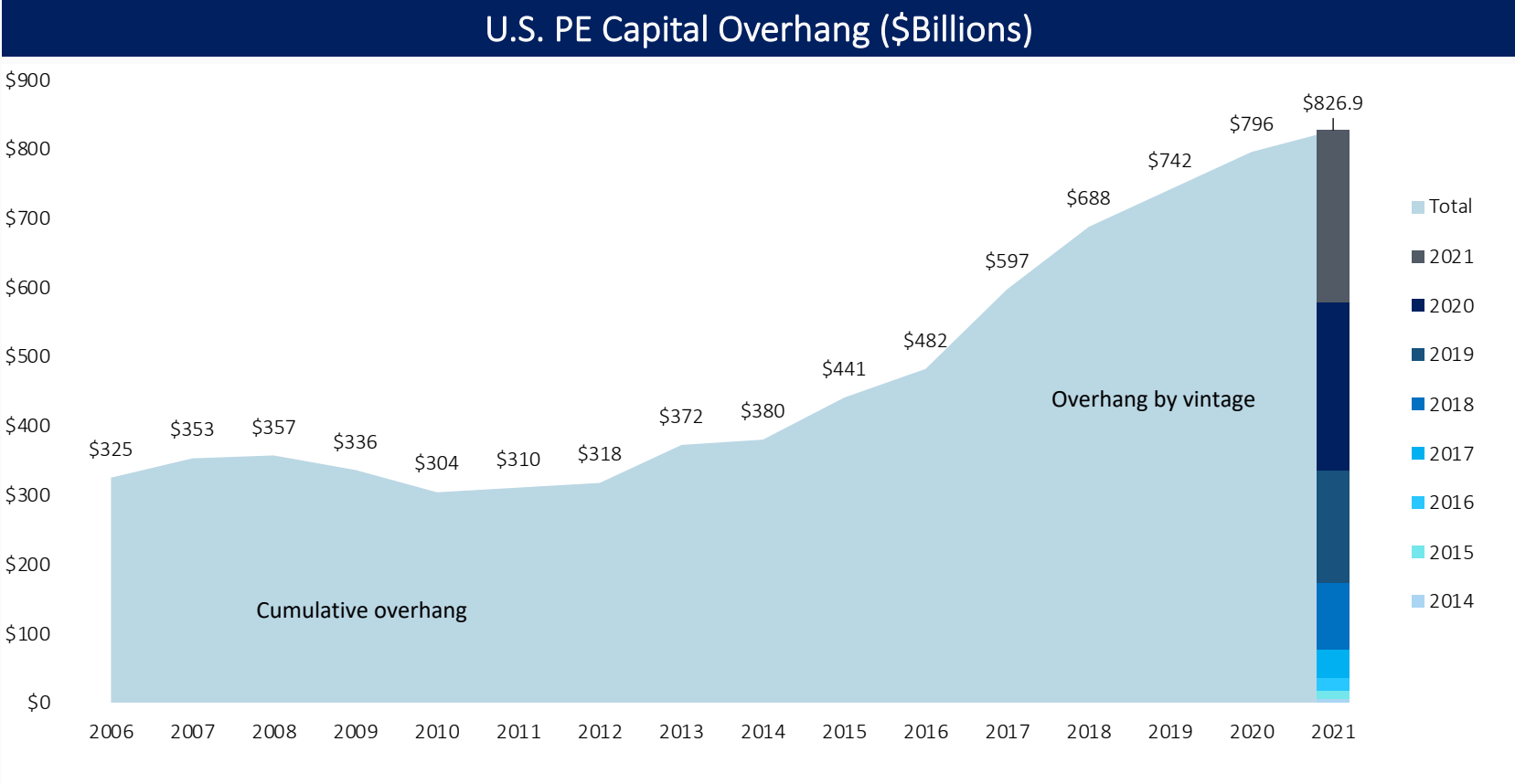
* 2022 Through Q3. Source: Pitchbook



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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, continues 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.



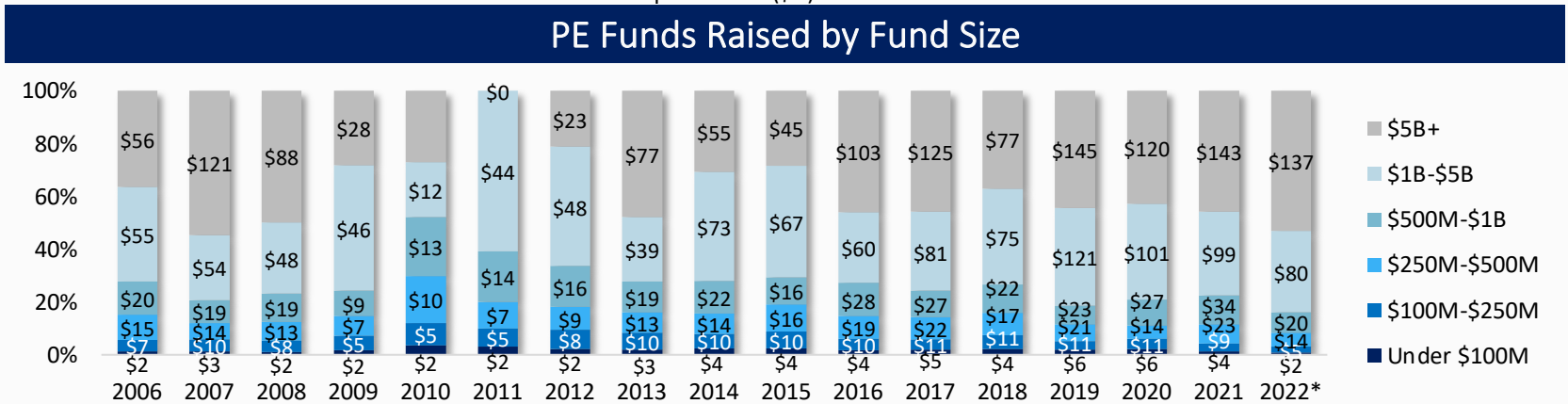
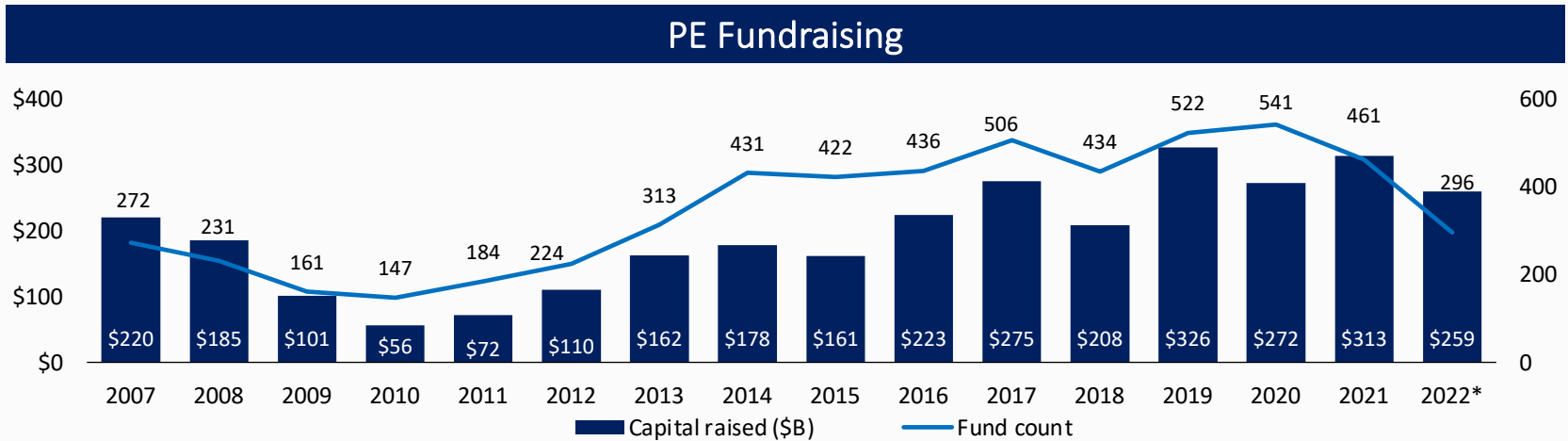
Source: Pitchbook



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U.S. Private Equity Fundraising Activity

The first three quarters of 2022 saw \$259 billion raised by private equity. On an annualized basis, this will set a new record. The previous high year of raised capital was 2019; 2022 is on pace to exceed this by 6 percent. As can be seen on the bottom graph, the fundraising is skewed toward the largest funds. They are on a pace to raise record amounts. Smaller funds are not raising funds at that level and have stronger years for fund raising.



*2022 Through Q3. Source: Pitchbook

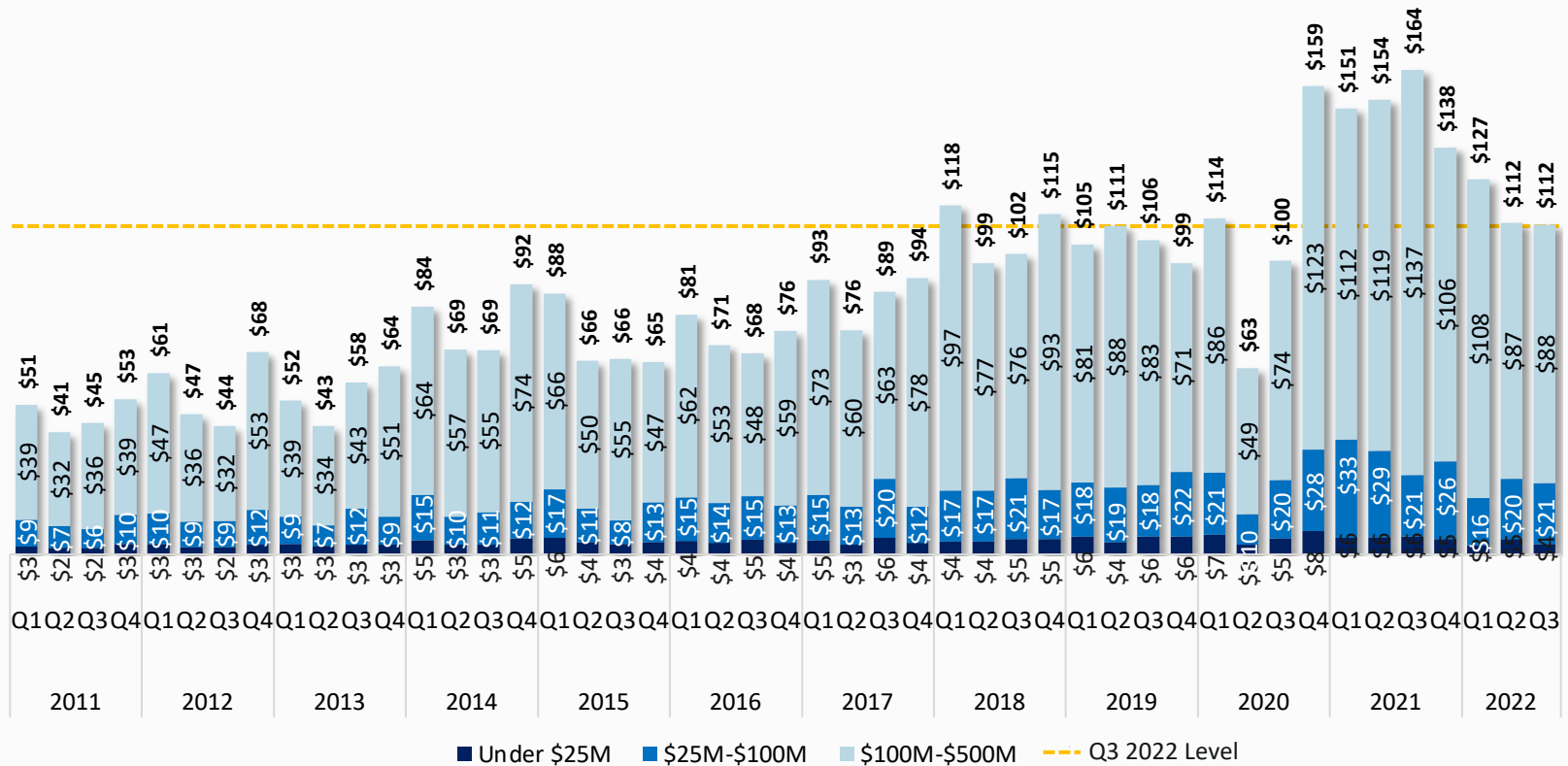


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U.S. Private Equity M&A Activity

While the first three quarters of 2022 are off to a strong start, on a quarterly basis, the activity in Q2/Q3 has clearly slowed down. Q3 is down 32% from Q3 2021 and at the same level as Q2 2022. Q3 2022 was near the same level as pre-pandemic, but it had the lowest level of any quarter since Q3 2020 (other than Q2). Additionally, the deal value in private equity has continued to decline from Q3 2021. As rates rise and economic uncertainty grows, deal activity has taken a step back from its frothy levels.

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



Source: Pitchbook

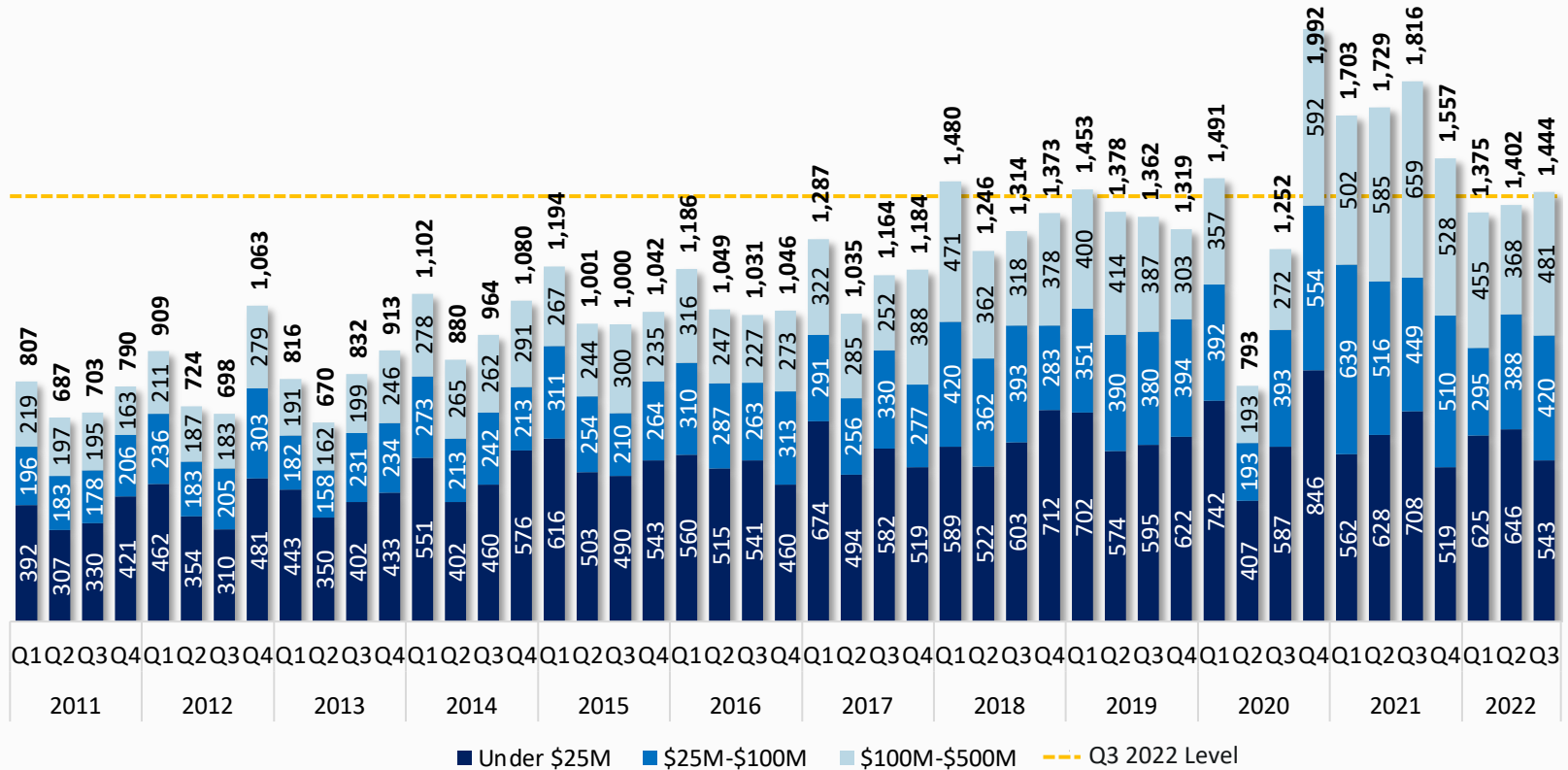


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U.S. Private Equity M&A Activity

In a divergence from deal value, deal volume during the 3rd quarter of 2022 was actually higher than 2022 Q2. Deal volume in Q4 2020 was the best quarter of recent history and kicked off a strong 2021, which ended up being one of the largest years in history for PE M&A. Q1 2022 was off to a lower start and at a similar level to 2019 averages; Q2/Q3 was a slight improvement. Compared to 2021, Q3 2022 was 21% lower than Q3 2021 and 3% higher than Q2 2022. 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



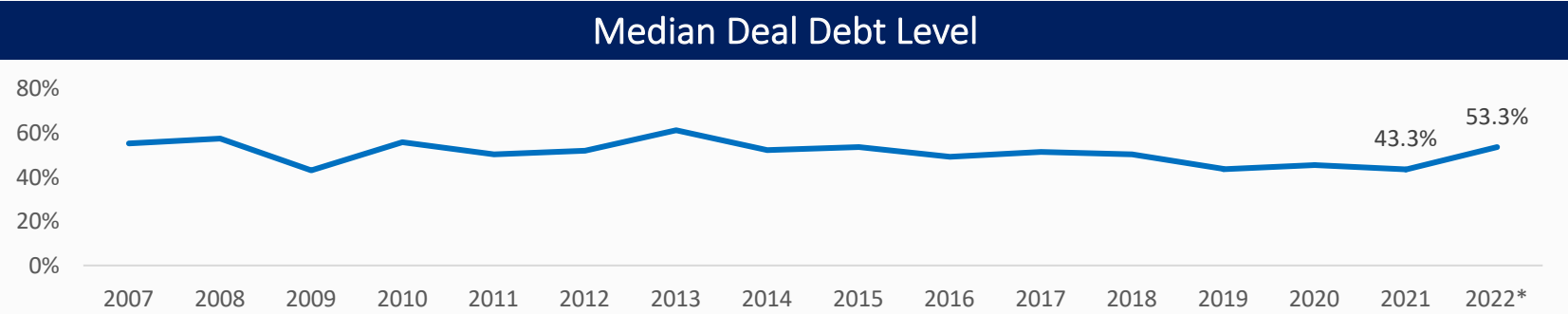
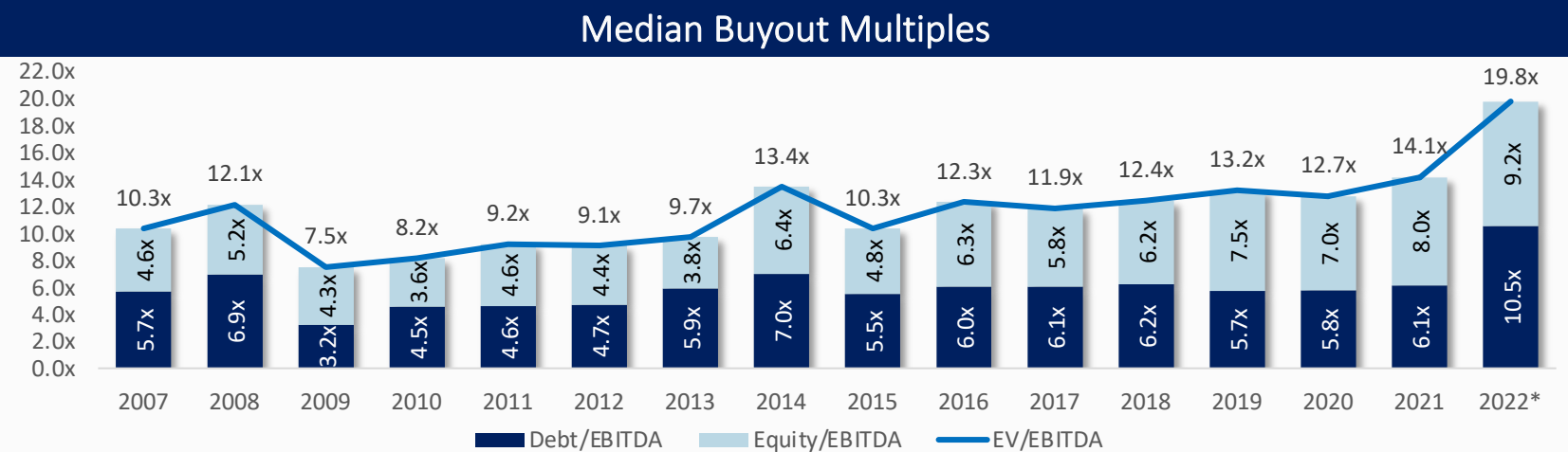
Source: Pitchbook



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U.S. Private Equity M&A Activity

EV/EBITDA multiples continue to rise. 2022 through Q3 has the highest EBITDA multiples on record. Multiples came in at 19.8x, which is significantly higher than prior quarters and years. Additionally, these higher multiples were being financed with more debt as a multiple of EBITDA. Through Q3 of 2022, debt levels of 10.5 times were used to finance transactions by PE funds. This is up from approximately 6 times in 2021 and early 2022. This information appears to be outside of what we are experiencing in the daily markets. For that reason, we believe there is an anomaly in the data or a one-time occurrence which is slanting the data. We expect multiples and debt levels to come down over the next 12 months.



* 2022 Through Q3. 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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