



MIDDLE MARKET PRIVATE EQUITY UPDATE

Q1 2023



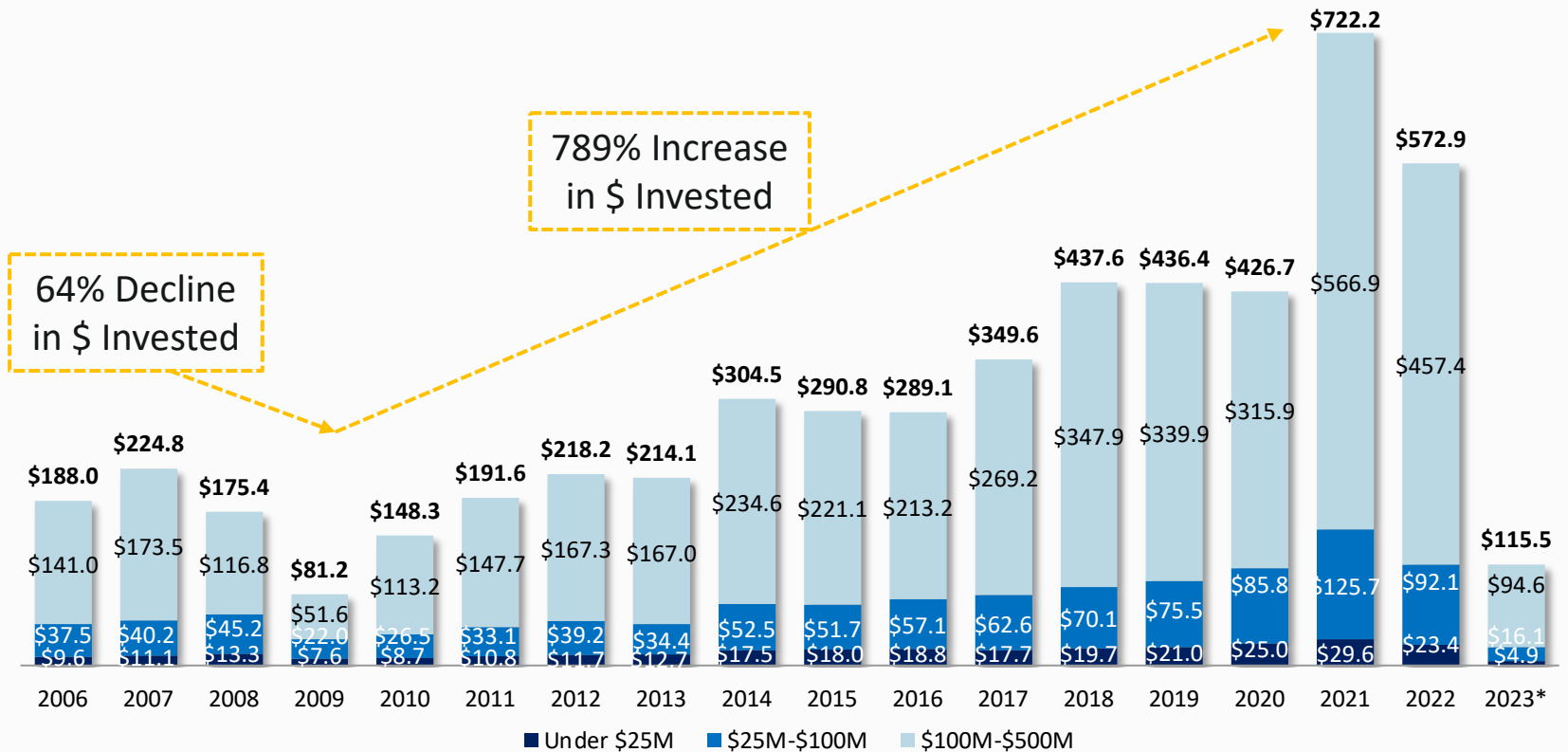
GREENWICH
CAPITAL GROUP

GCG Middle Market Private Equity Update | Q1 2023

U.S. Private Equity M&A Activity

On an annualized basis, 2023 PE deal value is on pace to decline 19 percent from 2022. The dramatic increase in interest rates have had an impact on PE's ability to pay premium pricing on middle market deals. This will continue as we move through 2023. Based on historical performance, 2023 will be a year where there will be a heightened misalignment of value expectations between sellers and buyers. Additionally, sellers are more reluctant to sell in this environment. Additionally, PE is raising significant capital which will promote future deal activity.

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



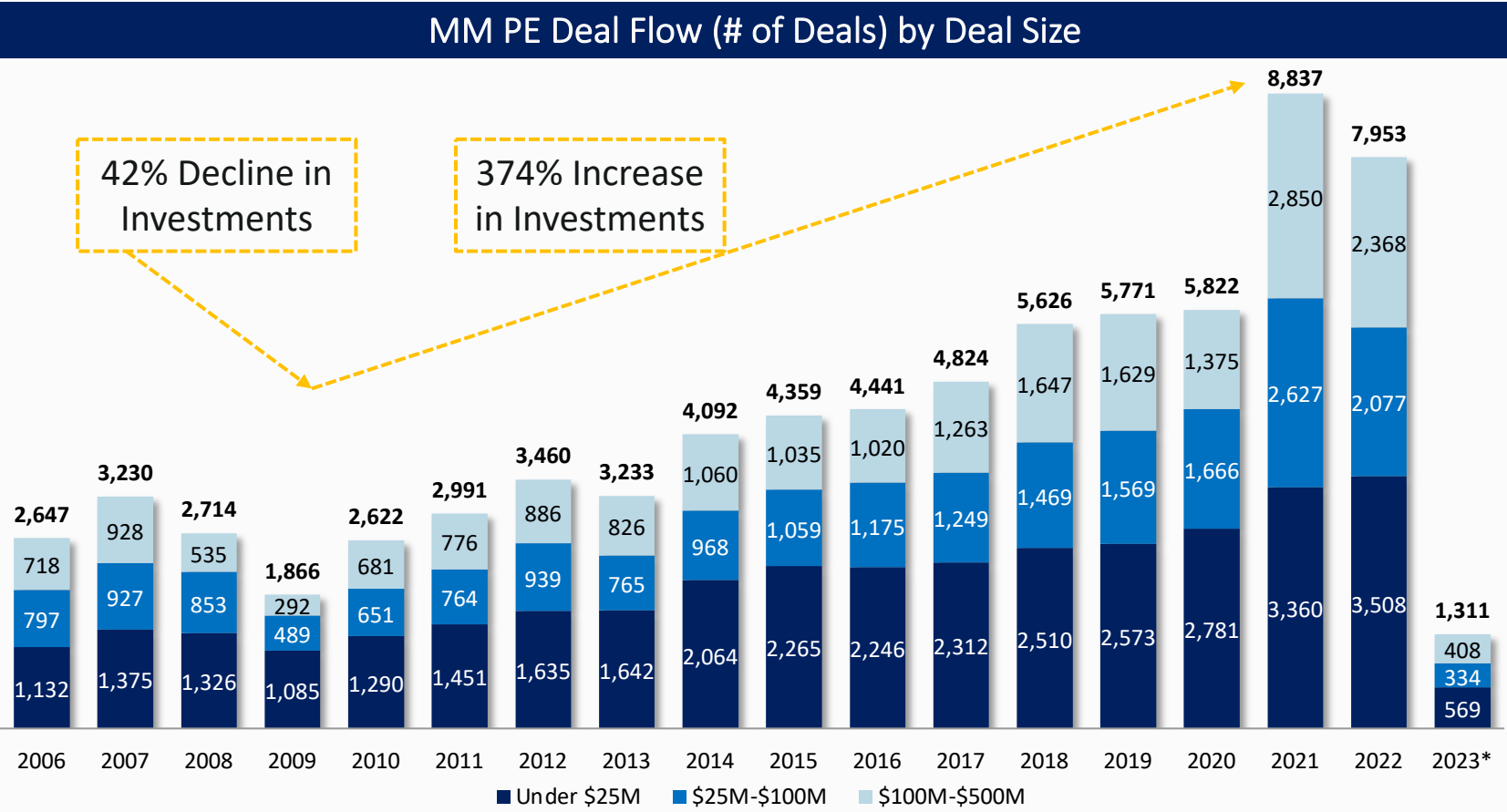
* 2023 Through Q1. Source: Pitchbook. Note: 2022 updated



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U.S. Private Equity M&A Activity

Deal volume during Q1 2023 is down 34 percent on an annualized basis. The number of deals are down at a much higher percentage than the value of deals. The chart below highlights this with the \$100 mm - \$500 mm deals dropping 31 percent on an annualized basis while the lower end of the market is down over 35 percent. As mentioned on the prior slide, the supply of deals from sellers is off and deals in the market can be met with a misalignment of valuation, causing other deals to be delayed or fail.



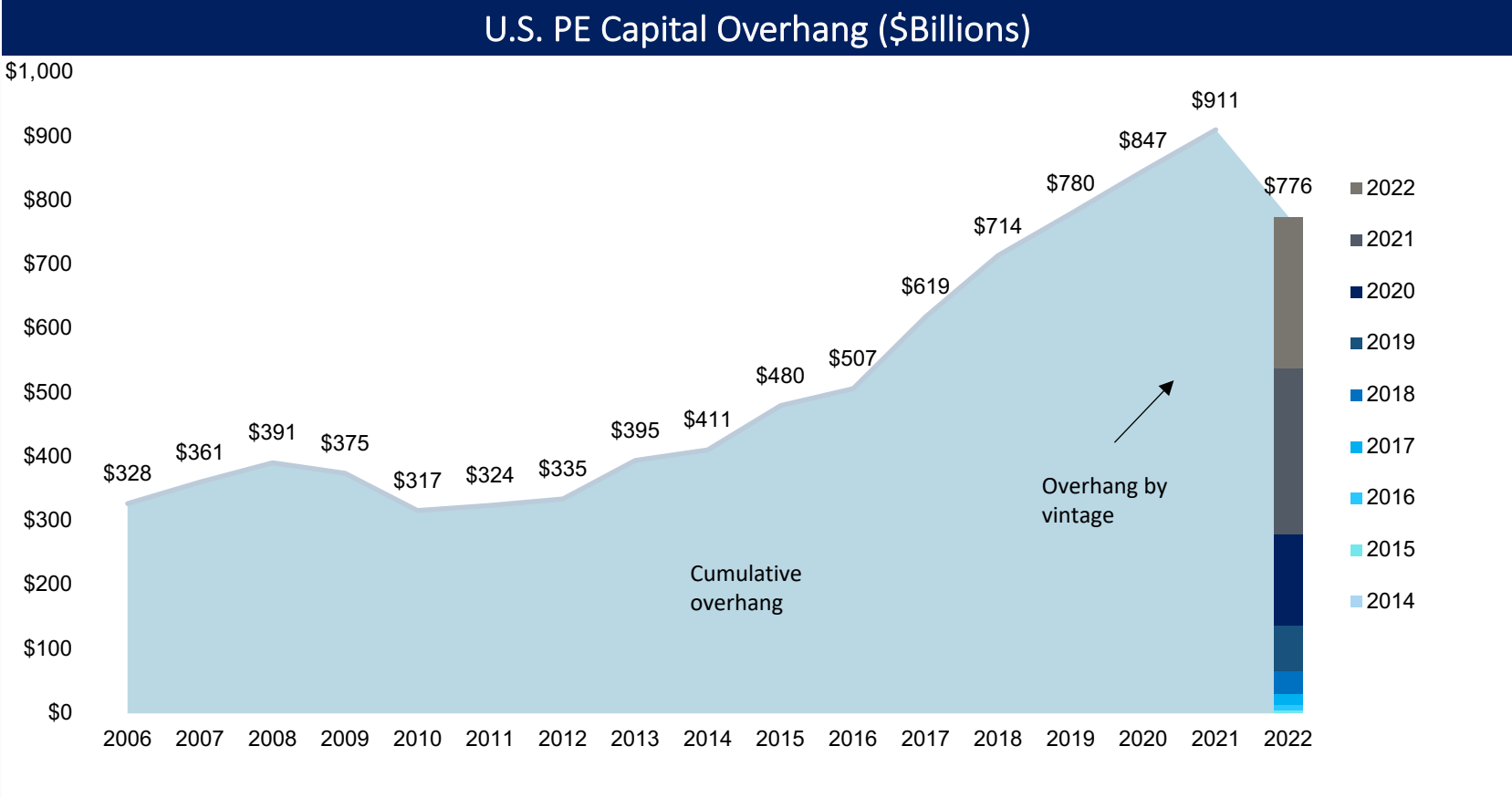
* 2023 Through Q1. Source: Pitchbook. Note: 2022 updated



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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 declined for the first time since 2009. The capital overhang is still at a robust level and fundraising continued 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 \$911B 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 2024 to 2026 will be an extremely hot M&A market led by private equity.



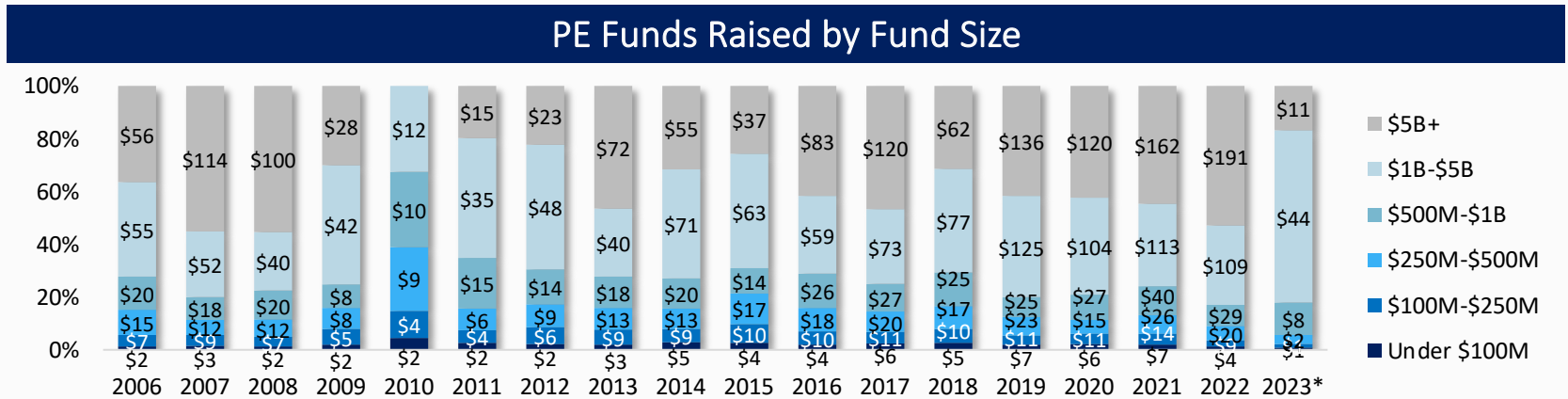
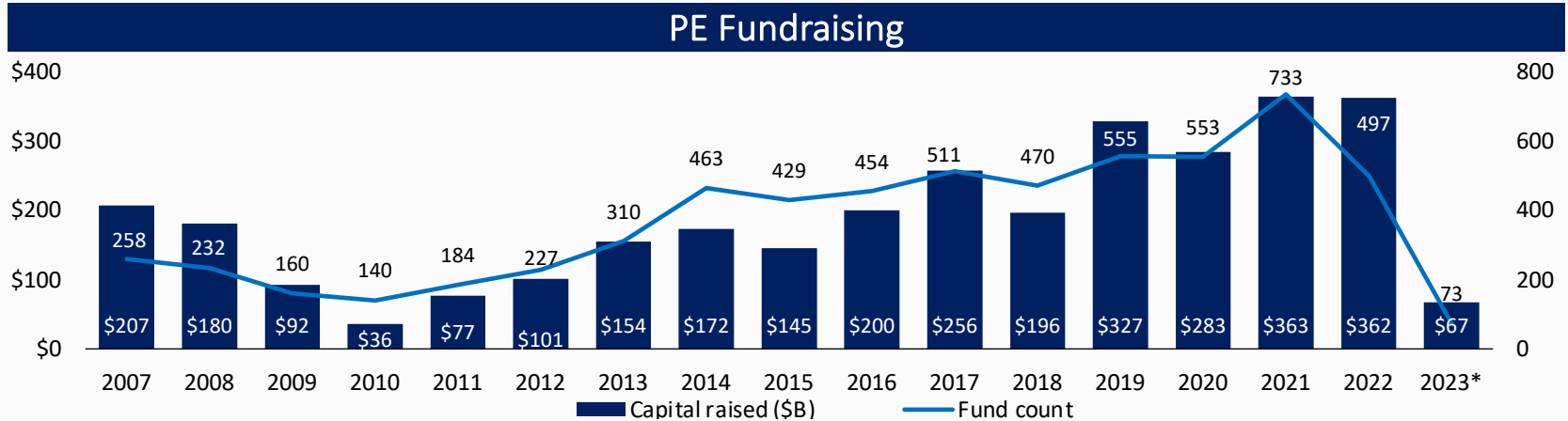
Source: Pitchbook. Note: Prior years updated



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U.S. Private Equity Fundraising Activity

The first quarter of 2023 saw PE fundraising hit a low point for recent years. On an annualized basis, fundraising will be at a lower level than any year since 2018. Given the economic headwinds, this is to be anticipated. We firmly believe that PE fundraising will not be down for long. The public markets are not as attractive right now and there is a lot of money being parked in short term higher yield money market and treasury offerings. We believe that once the interest rate environment evens out, flows into PE will offer the strongest opportunity for returns.



* 2023 Through Q1. Source: Pitchbook. Note: 2022 updated

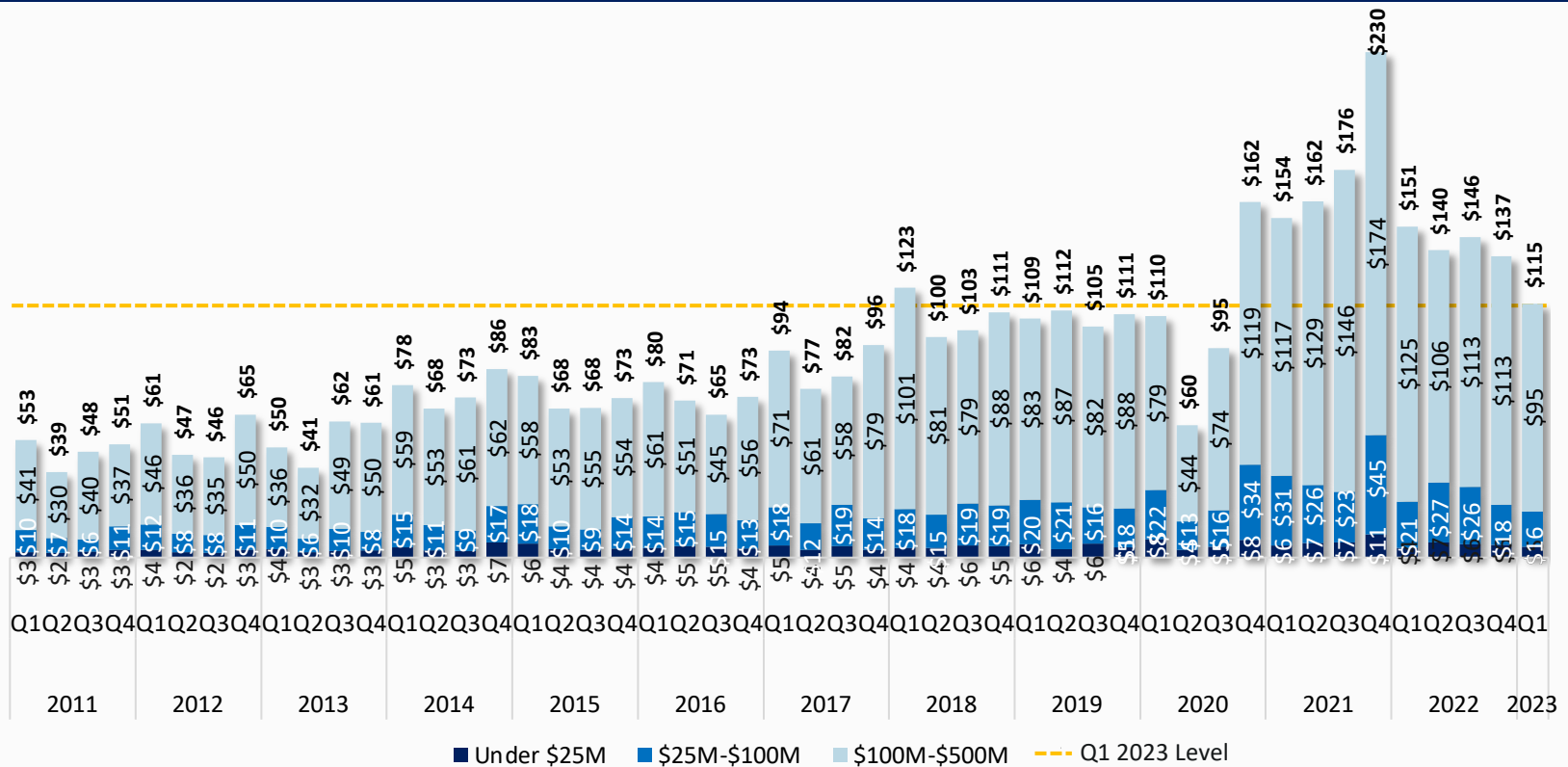


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U.S. Private Equity M&A Activity

Q1 2023 deal value is at the lowest level since the COVID years in 2020. That said, it is still higher than most quarters prior to 2020. PE deals were positively impacted by low rates and the availability of capital for the past 2.5 years. We believe that 2023 will continue to highlight the struggle on the capital raising and the deal volume issues as described on prior slides. 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. Note: 2022 updated

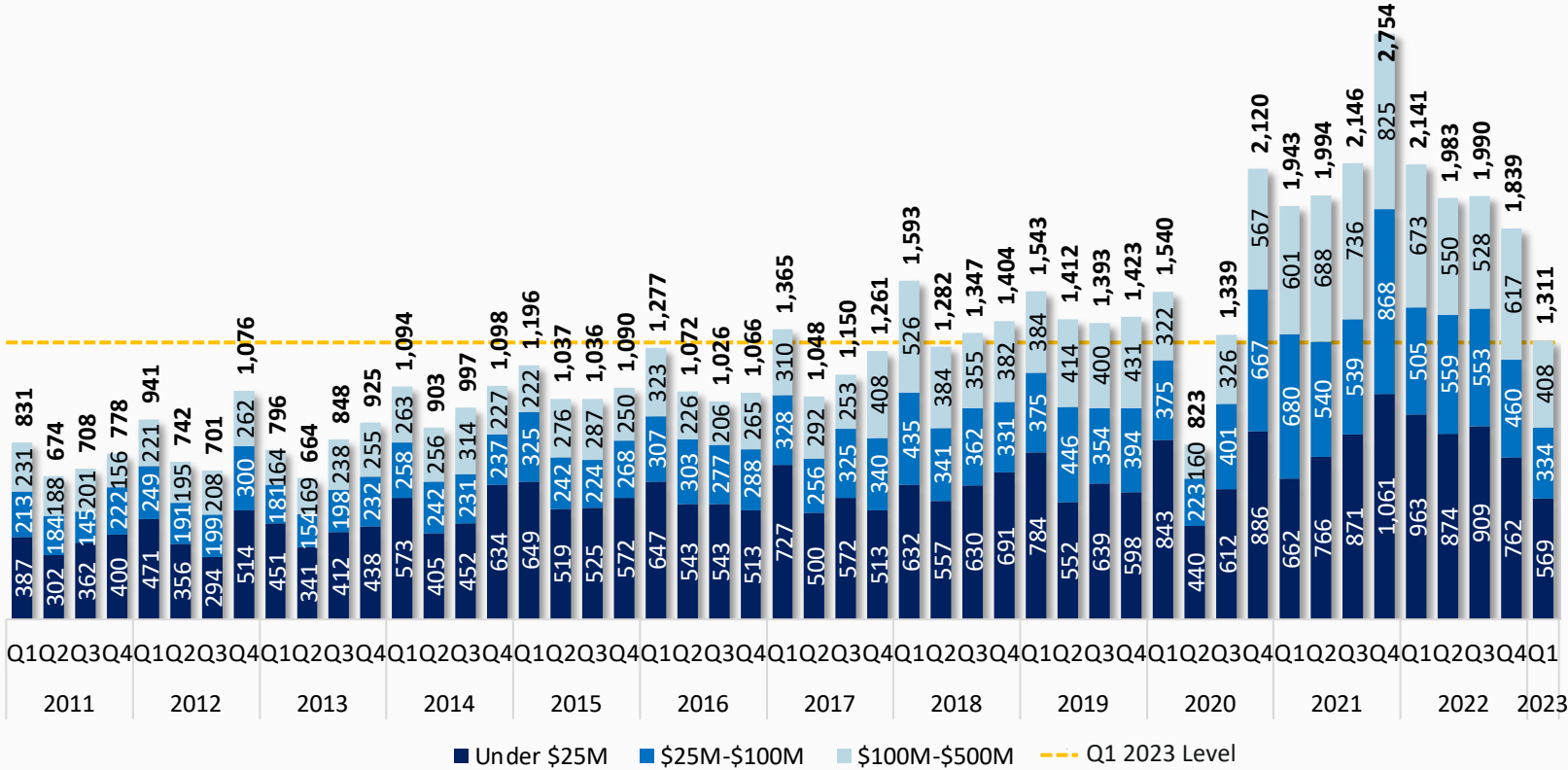


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U.S. Private Equity M&A Activity

Private equity deal volume declined considerably during the 1st quarter of 2023; down 29% from Q4 2022 and 39% from Q1 2022. This is consistent with the overall M&A market. Deal volume in 2021 was very strong and ended up being one of the largest years in history for PE M&A. 2022 was a bit slower yet still much higher than any prior year except 2021. Volume declined though 2022 yet continued at a strong pace. The sharp decline in Q1 is consistent with the overall M&A market. Deals under \$100M continue to represent the majority of PE demand.

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



Source: Pitchbook. Note: 2022 updated



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More about Greenwich Capital Group

Greenwich Capital Group LLC (“GCG”) is a leading investment bank that advises clients including closely-held and family-owned businesses, private equity firms, and public companies. GCG’s senior bankers have collectively advised on hundreds of transactions over many years of experience in mergers and acquisitions, with most having backgrounds with large U.S. and global firms. GCG is focused on advising clients in key industry verticals throughout the U.S.

GCG was founded by entrepreneurially minded investment banking professionals focused on building an organization centered around advising clients. We strive to build relationships by representing our clients’ long-term interests and earning their trust. In contrast to the practice of pushing transaction responsibilities to junior resources, our philosophy is to deliver personalized, senior-level attention and experience to every GCG engagement. We are proud to offer references that will speak to a differentiated level of service and results.

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.



Bob Coury

CEO &

Managing Director

rcoury@greenwichgp.com

O: (248) 480-2031

M: (313) 919-3811

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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