MIDDLE MARKET PRIVATE EQUITY UPDATE

Q2 2023

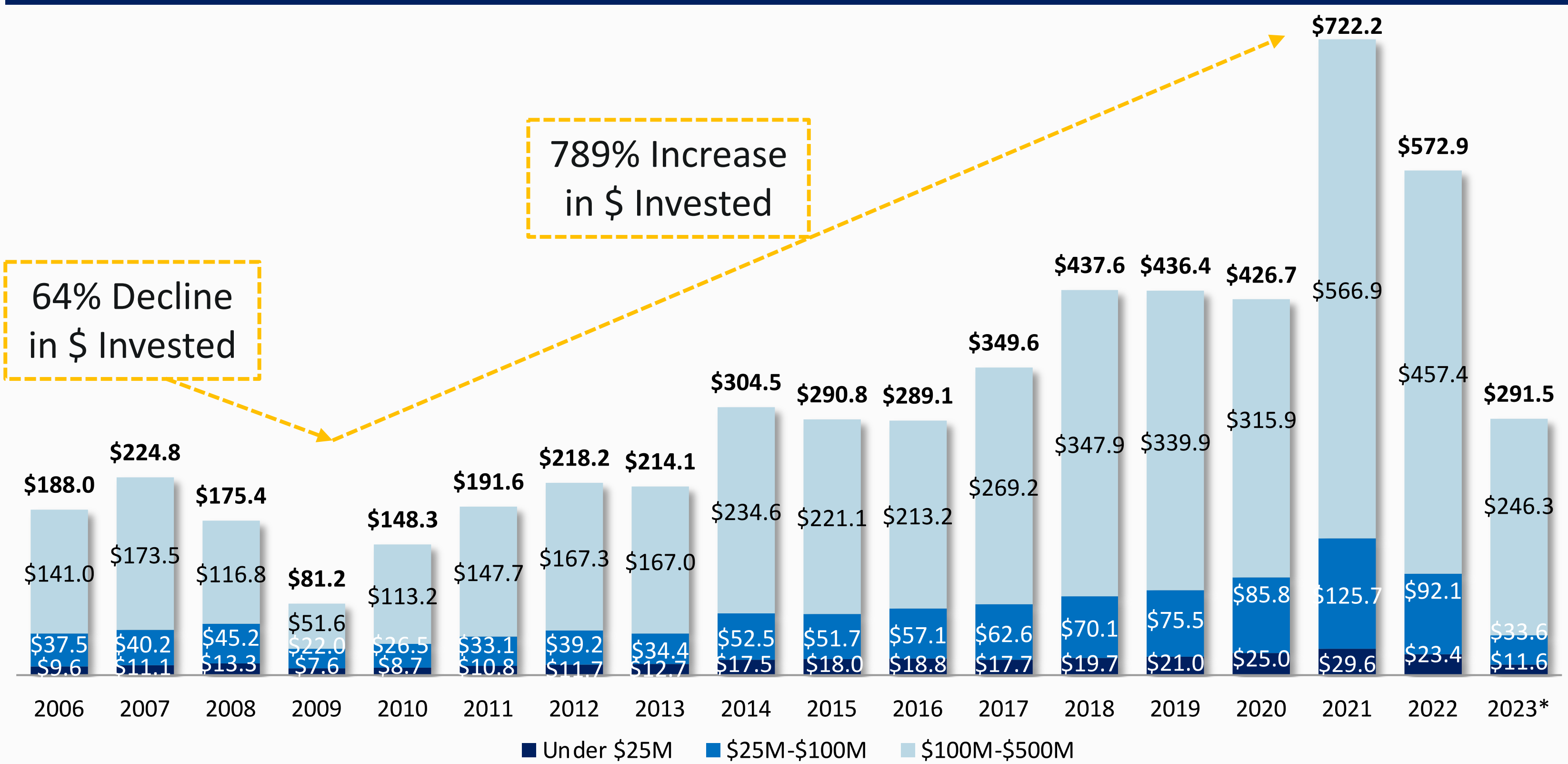
GREENWICH CAPITAL GROUP

GCG Middle Market Private Equity Update | Q2 2023

U.S. Private Equity M&A Activity

On an annualized basis 2023 is on pace to increase 2 percent from 2022. While deal activity with private equity continues at a high pace, there are definite headwinds as we work through 2023. Interest rates are having a direct impact on deal viability and multiples. Not only have rates risen considerably over the past 12 months, there is also a considerable lending pullback by commercial banks. This is pushing more borrowing toward the private credit market where rates are much higher. All of this is slowing down some transactions and limiting valuations.

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



* 2023 Through Q2. Source: Pitchbook

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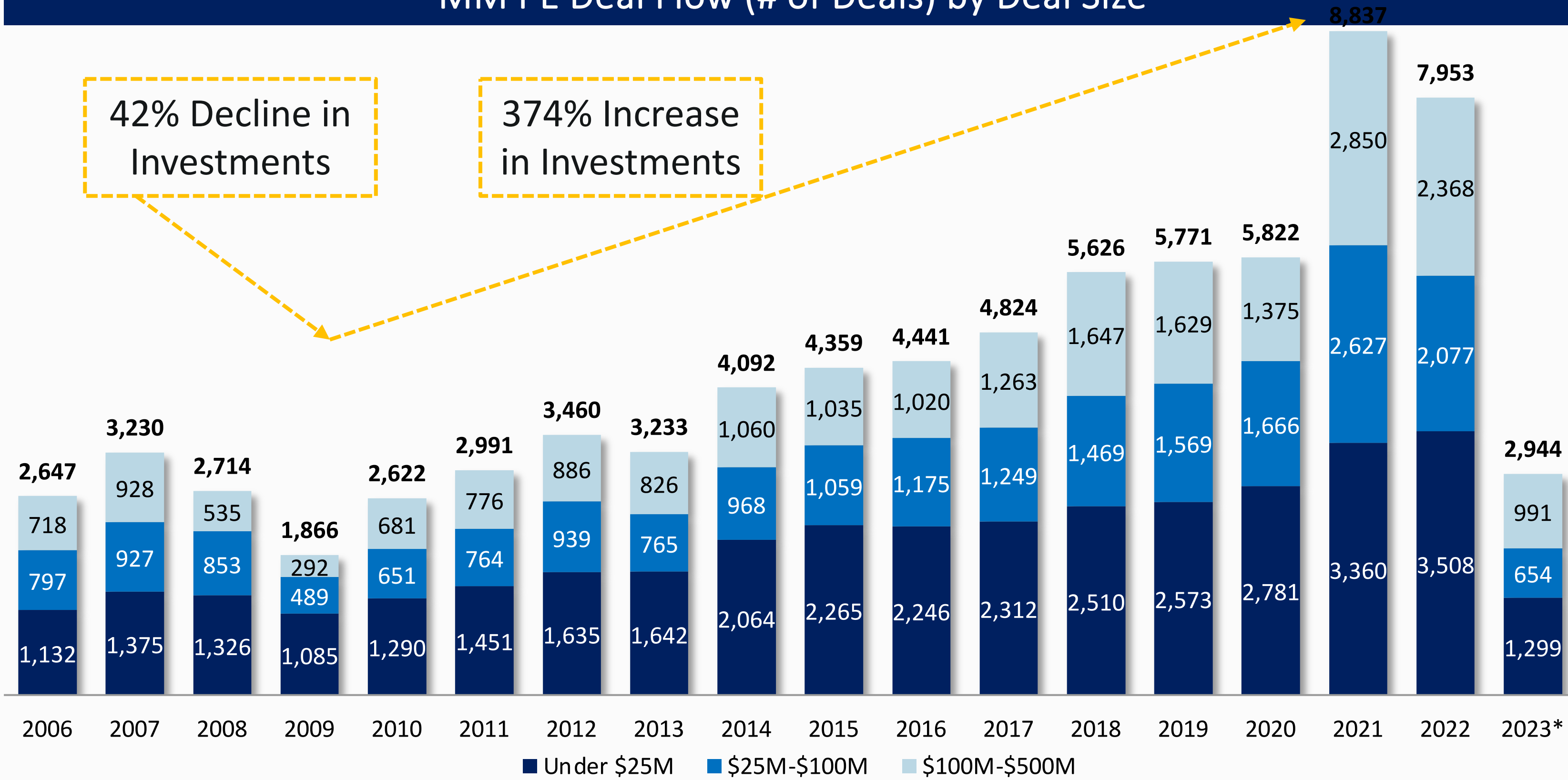
U.S. Private Equity M&A Activity

On an annualized basis the number of deals completed in 2023 is on pace to decline 26 percent from 2022 which is an improvement from Q1. Middle market private equity deal volumes for 2022 decreased 10% from 2021 volumes, driven by a significantly weaker 4th quarter compared to the 4th quarter of 2021. years. Unlike 2022, 2023 has shown a significant decline at all sizes of the middle market. During 2022, the larger deals were the most impacted. That impact has spread to the lower end of the market during 2023. Higher rates, recession fears and reduced valuations are all limiting deal activity during 2023.

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



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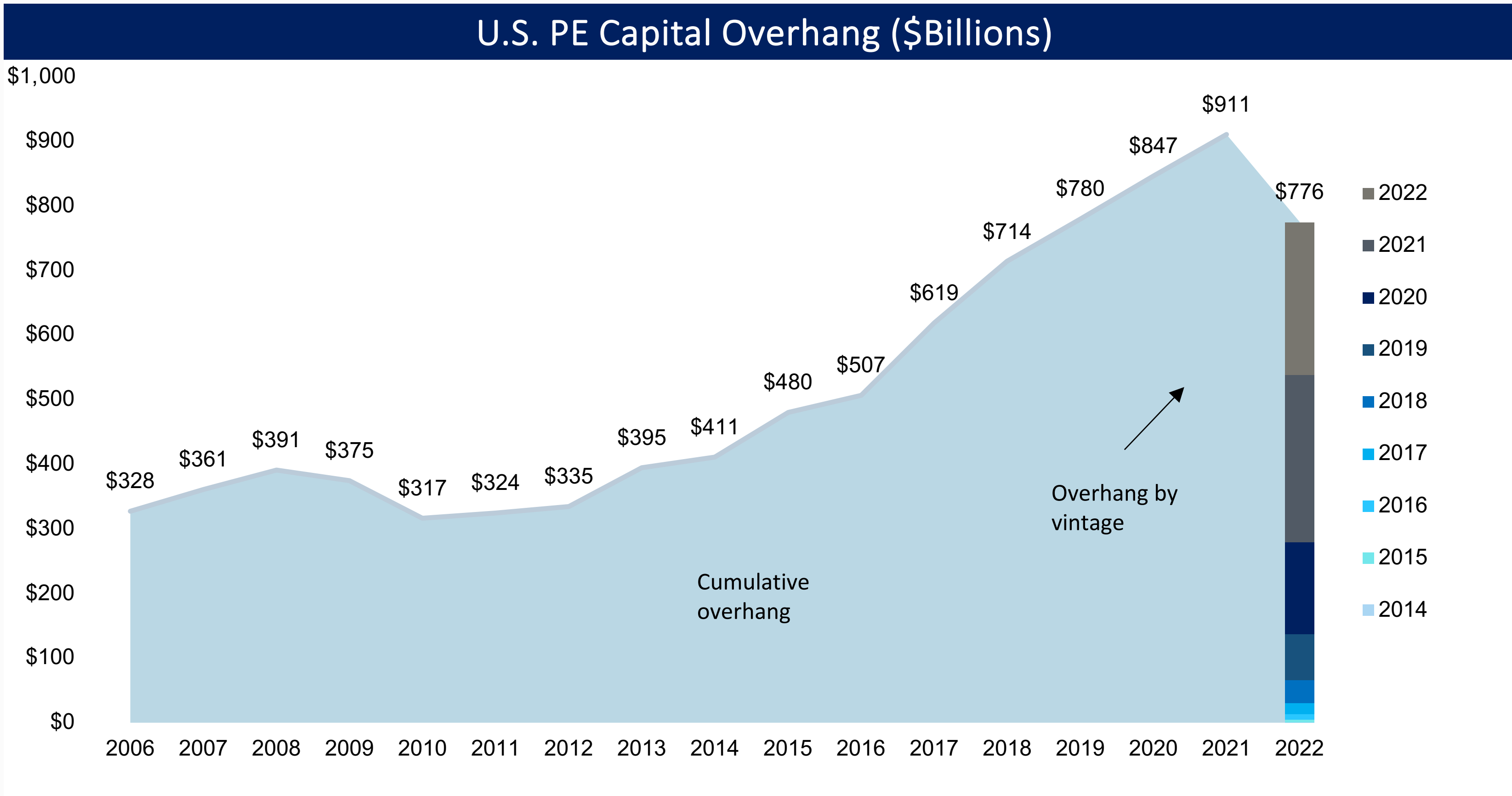
U.S. Private Equity Capital Overhang

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 the PE deal activity will expand once the rate environment stabilizes..



Source: Pitchbook

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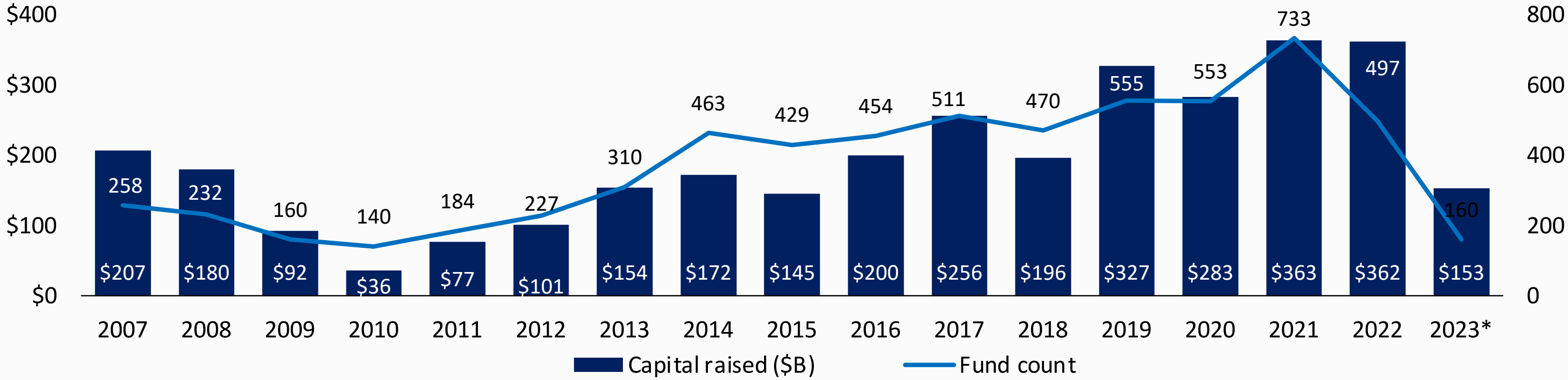
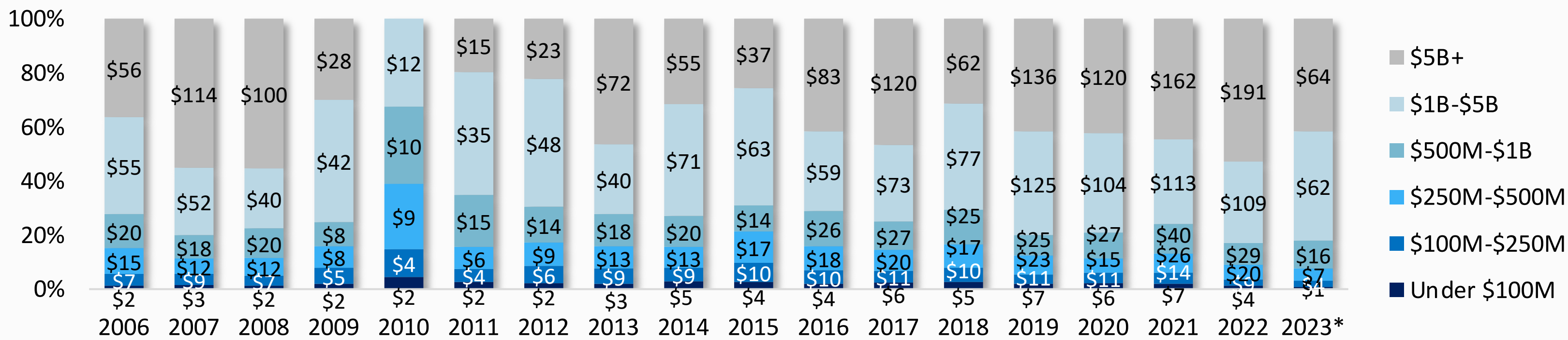
U.S. Private Equity Fundraising Activity

2023 fundraising has declined significantly from prior years on an annualized basis. This is consistent with the general leverage and borrowing pull back for the overall market. GCG is keeping a close eye on this metric as it will have an impact on the next few years deal demand from PE.

PE Fundraising



PE Funds Raised by Fund Size



* 2023 Through Q2. Source: Pitchbook

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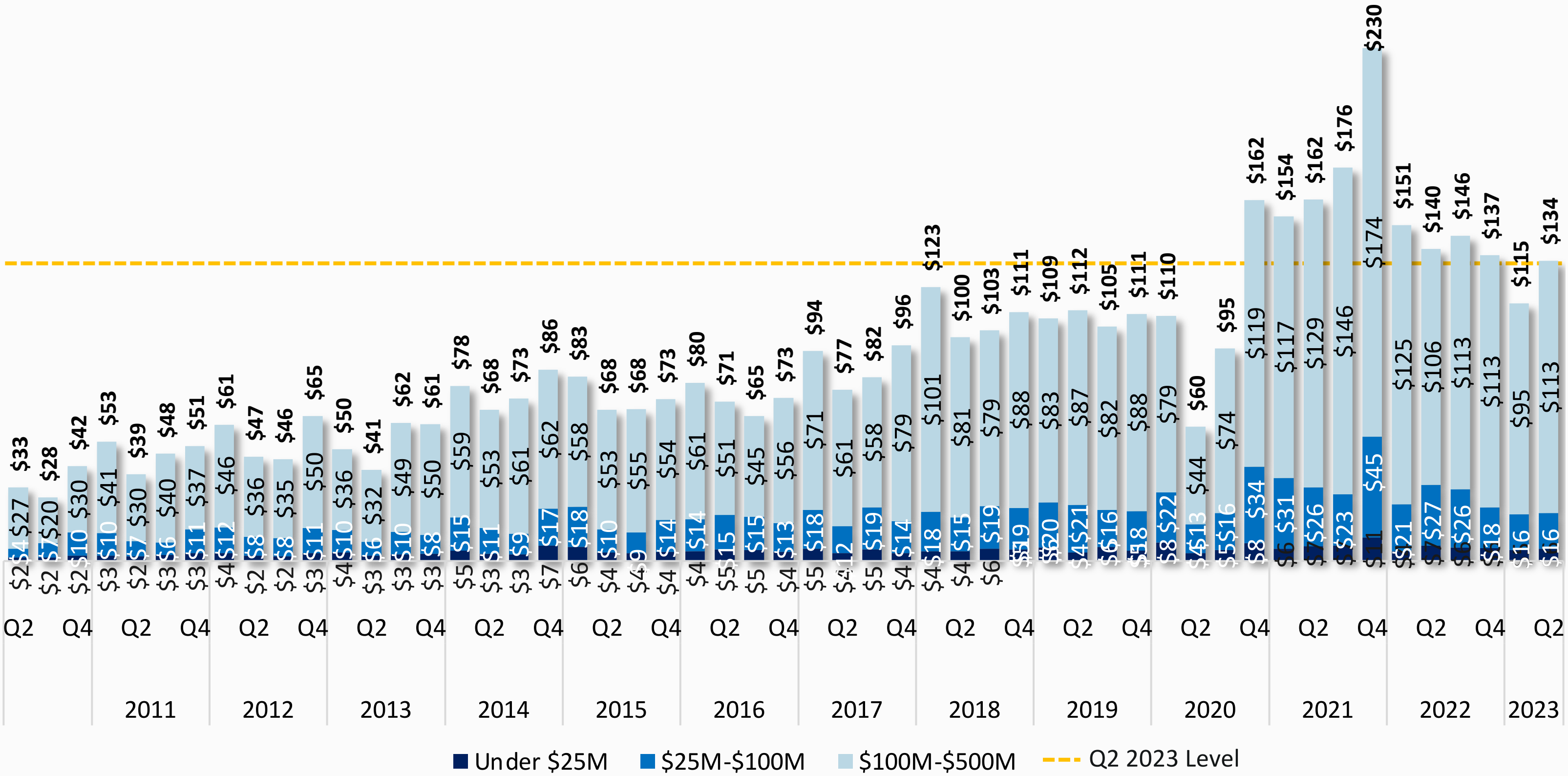
U.S. Private Equity M&A Activity

After a sharp decline during Q1 2023, Q2 2023 showed a significant rebound in deal value. With the exception of 2021, which we consider an anomaly from a market perspective, the most recent quarter was quite strong. As recession fears declined, and public market valuations jumped, the sentiment in the middle market also improved. Additionally for many companies, the financial performance of their business remains strong. This has supported stronger valuations in the face of higher rates.

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



Source: Pitchbook

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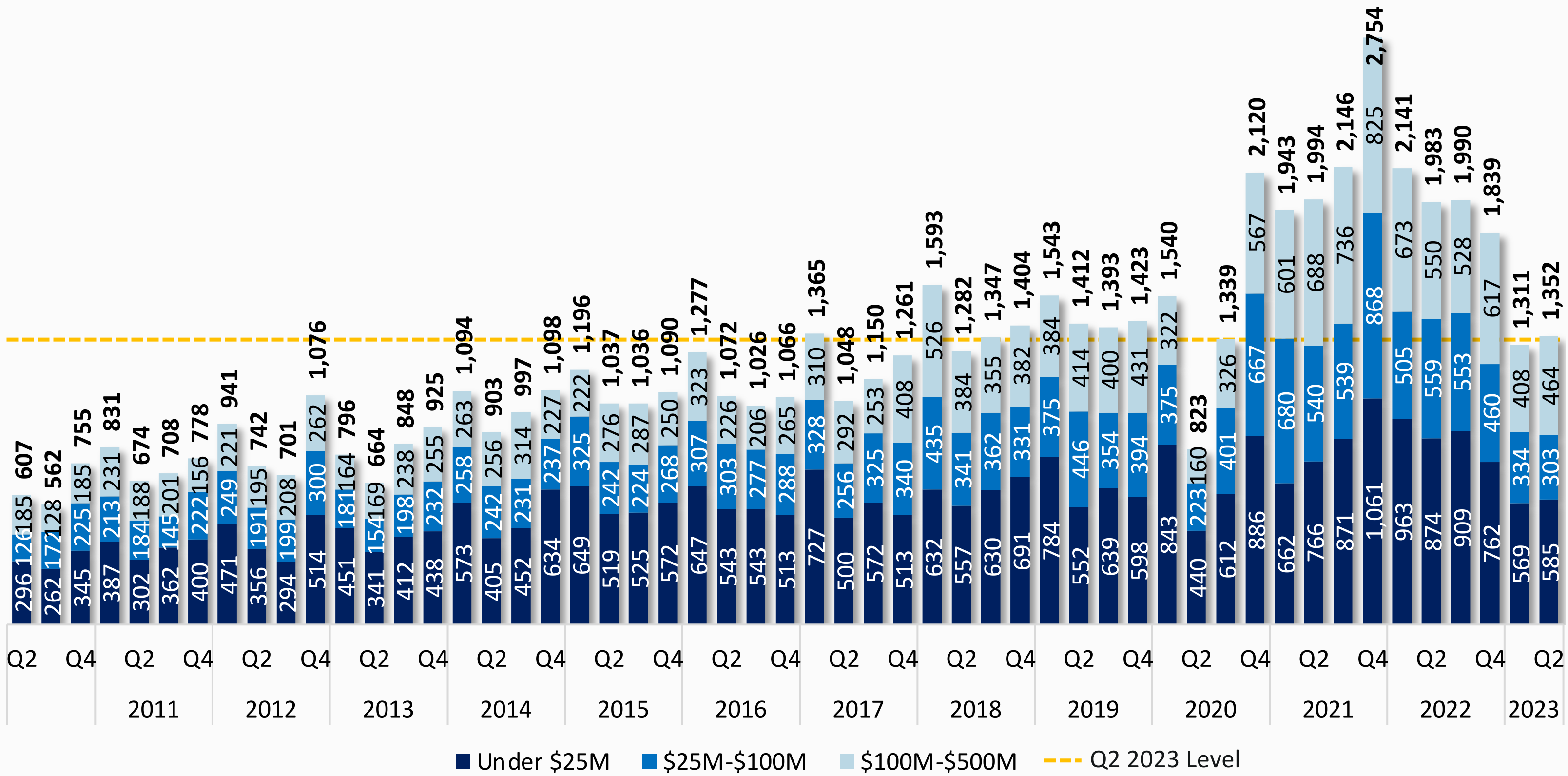
U.S. Private Equity M&A Activity

Private equity deal volume declined considerably during the 1st quarter of 2023 and Q2 was only a slight improvement; down 32% from Q2 2022 and up 3% from Q1 2023. 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

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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.

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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.