



# MIDDLE MARKET UPDATE

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Q3 2023

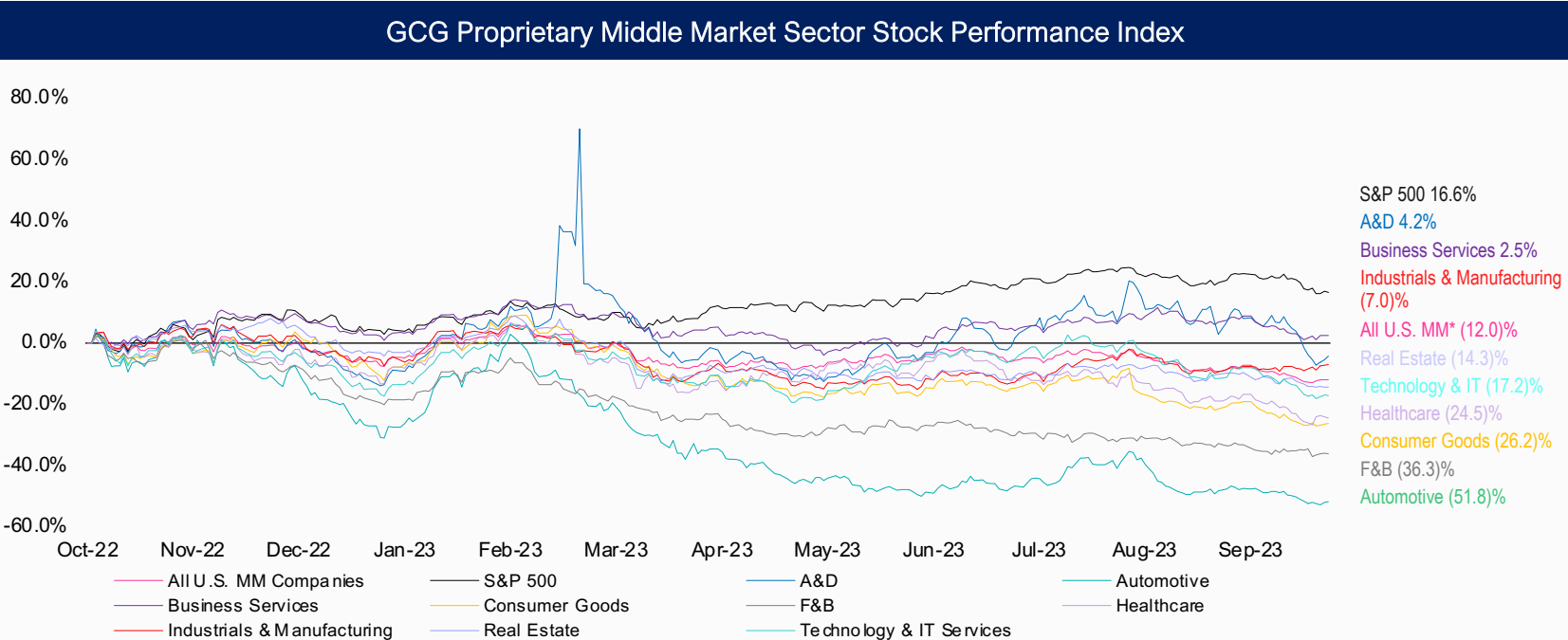


GREENWICH  
CAPITAL GROUP

# GCG Middle Market Update | Q3 2023

## GCG Public Company Index Market Performance

GCG's proprietary middle market industry sector performance index has continued its journey into negative territory in Q3 2023. Continuing a recent trend, no middle market sector outperformed the large cap stocks over the prior 12 months, as measured by the S&P 500 index. The S&P 500 index had a total 12-month return of 16.6% as of September 2023. This outgained the middle market index which returned (12.0)% for the 12-month period, which is worse than in Q2. Business Services no longer led the middle market over the past 12 months as A&D overtook it with a 4.2% return followed by Business Services at 2.5%. All sectors have significantly underperformed the S&P 500. F&B and Automotive dropped between 36 and 52 percent over the last 12 months. The ongoing economic tightening has clearly impacted the middle market more than the large cap businesses and is still leading many experts to forecast a looming recession in the next 12-36 months.



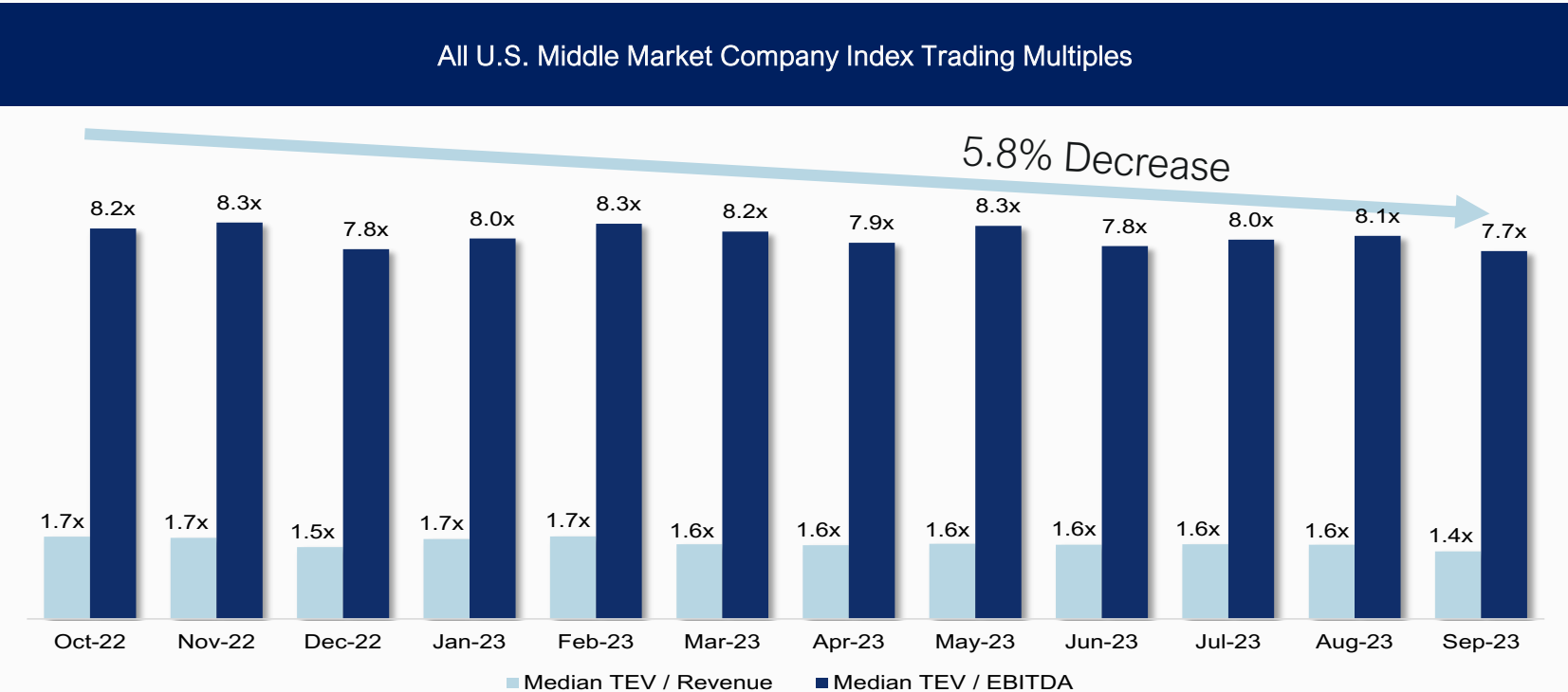
Source: S&P Capital IQ and GCG Proprietary Research, all values based on publicly available data as of 9/30/2023  
 Note: Benchmark index for comparison is All U.S. MM Companies, MM defined as average enterprise value in 2022 between \$10M and \$500M



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## GCG Public Company Index Trading Multiples

The median quarterly middle market public company revenue and EBITDA multiples peaked in March 2021. Since then, the revenue and EBITDA multiples have been declining. As a result, EBITDA multiples have declined 6% over the last 12 months. However, since the beginning of 2023, EBITDA multiples have hovered around 8.0x. With rising rates and inflation, it is not surprising that there is a contraction in multiples. We also believe that multiples are projecting lower earnings going forward. If earnings continue to remain strong, we would anticipate a reversal of this decline. That said, if the economy does fall into a recession and earnings suffer, then this trend should continue.



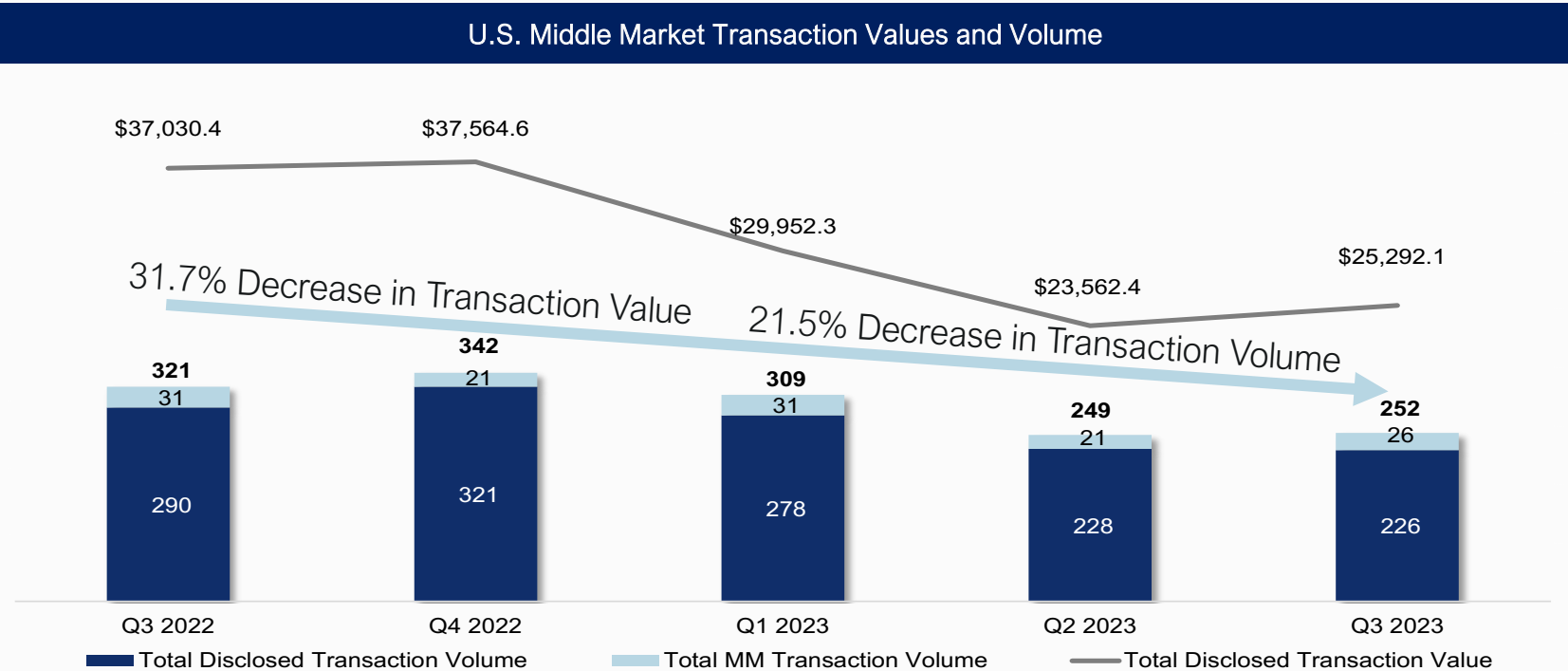
Source: S&P Capital IQ and GCG Proprietary Research  
Note: All values based on publicly available data as of 9/30/2023



# GCG Middle Market Update | Q3 2023

## Middle Market M&A Activity

Middle market public and private company transaction deal value and volume for Q3 2023 increased from Q2 of 2023 to reverse an ongoing decline. Compared to Q2, values and volume increased 7.3% and 1.2%, respectively. Q3 2023 value and volume fell 31.7% and 21.5%, respectively from Q3 2022. During Q3 2023, the M&A environment was still active, however, rising interest rates and economic uncertainty have reduced the supply of deals and hurt overall multiples. Capital availability was still quite high, and the economy maintained its strength which is fueling the M&A market even with lower volumes.



Source: S&P Capital IQ, all values based on publicly available data as of 9/30/2023  
 Note: M&A excludes private placements, MM defined as transactions with either value or revenue between \$10 and \$500M and therefore does not include transactions excluding this information. All deal-related figures exclude real estate deals.



# GCG Middle Market Update | Q3 2023

## Middle Market M&A Buyer Analysis

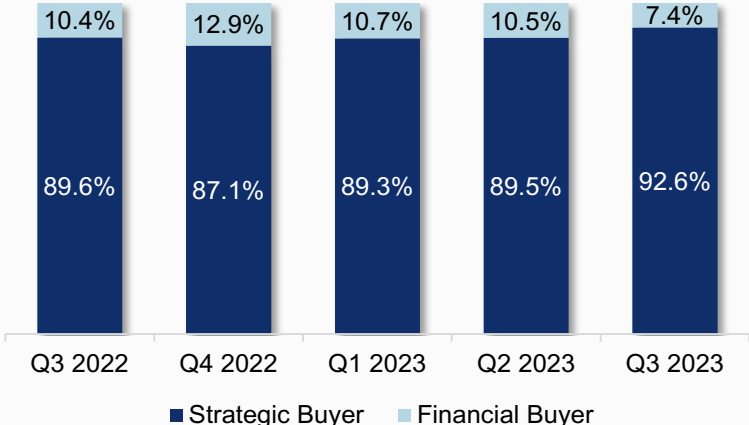
Strategic acquirers continue to dominate middle market M&A activity, accounting for 92.6% of Q3 2023 deal flow, with financial buyers representing 7.4%. This is the highest quarter of the past five (since Q3 2022) for strategic activity and the lowest for financial. 2021 resulted in the highest share of strategic buyers of the past five years (since 2017) and 2022 the second highest. With rising interest rates, strategic acquirers are becoming more competitive against private equity.

Domestic buyers in Q3 represented 82.4% of middle market M&A activity. This was the third highest quarter of the past five for foreign activity. 2022 was the strongest year for foreign buyer activity since at least 2015. As uncertainty around global trade and the pandemic continues, domestic buyers are expected to continue their dominant position. The strong dollar is making foreign investment in the U.S. more expensive and is having some impact on the investment into the U.S. However, the uncertainty and slowing of the global economies also makes the U.S. an attractive investment location.

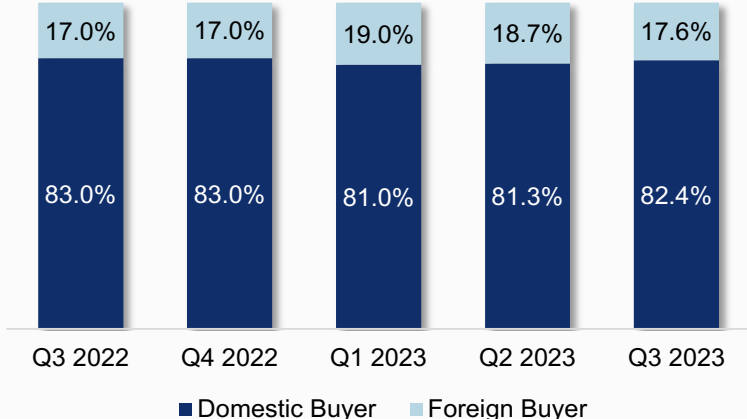
Q3 2023  
Transaction Volume:  
**252**

Q3 2023  
Monthly Average  
Volume:  
**84**

Strategic vs. Financial



Domestic vs. Foreign



Source: Capital IQ and GCG Proprietary Research



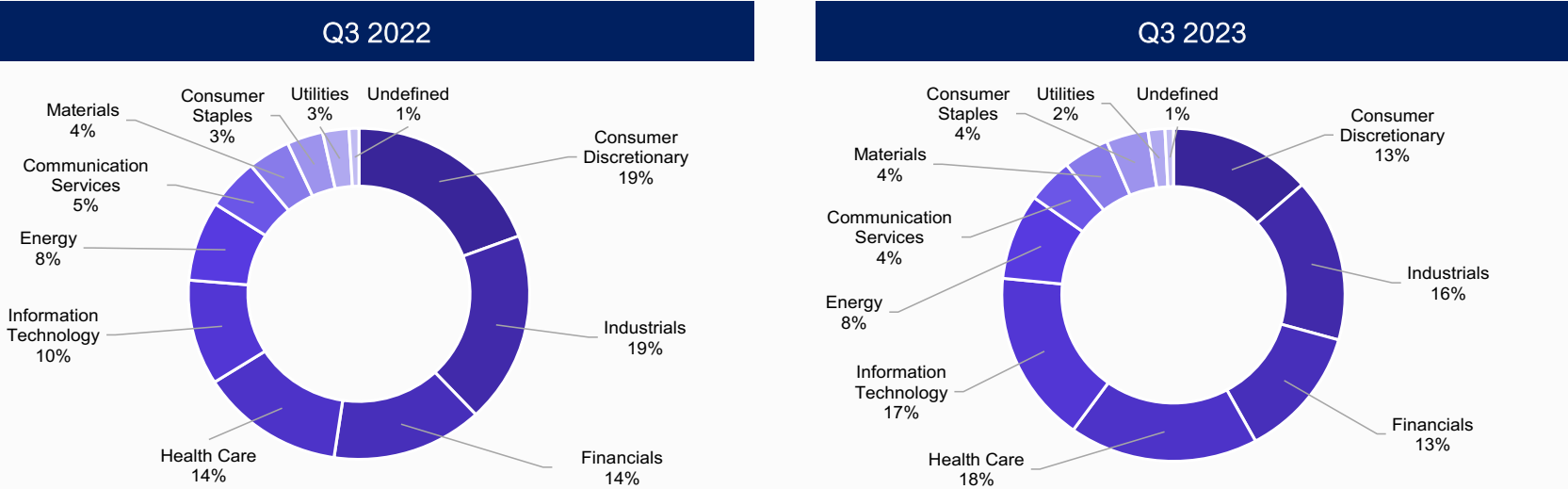
# GCG Middle Market Update | Q3 2023

## Middle Market M&A Sector Activity

Q3 deal activity by sector was similar to Q3 2022 in terms of the sectors with the most market share except Information Technology has increased its share significantly in 2023. Consumer Discretionary was the dominant sector in middle market transactions announced and closed in Q3 2022. It decreased to 13% in Q3 2023 and gave up its position as the highest percentage of deals to Health Care. Health Care, Information Technology and Industrials deals made up 16-18% of the activity in 2023 followed by Consumer Discretionary deals at 13%.

Some significant trends have emerged over the past 12 months. Consumer Discretionary deal activity has declined significantly dropping 6 percent. Information Technology and Healthcare made significant upticks in overall deal percentages to gain share with a 4-7 percent increase.

Each sector has been impacted uniquely by external factors including interest rate changes, global economic activity, trade wars, political challenges, supply chain issues as a result of the pandemic and changing governmental policies.



Source: Capital IQ and GCG Proprietary Research  
 Note: The monthly average number of transactions per month in Q3 2022 was 107 and in Q3 2023 was 84.



# GCG Middle Market Update | Q3 2023

## Public Comparable Companies

The top three companies as measured by average enterprise value in 2022 are presented below for each of our proprietary sectors. These tables reflect various performance metrics for the listed companies such as share price movement, LTM margins and total enterprise value to LTM revenue and EBITDA figures.

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:		
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA	
<b>A&amp;D</b>									
Astronics Corporation	\$722.20	\$15.86	(20.1%)	101.8%	14.5%	0.6%	1.2x	179.7x	
Applied Energetics, Inc.	521.31	2.48	(2.7%)	8.3%	71.9%	(282.1%)	241.0x	NM	
Radiant Logistics, Inc.	298.32	5.65	(15.9%)	(0.7%)	18.8%	4.6%	0.3x	5.9x	
<b>Mean</b>	\$513.94	\$8.00	(12.9%)	36.5%	35.1%	(92.3%)	80.8x	92.8x	
<b>Median</b>	\$521.31	\$5.65	(15.9%)	8.3%	18.8%	0.6%	1.2x	92.8x	
<b>Automotive</b>									
Miller Industries, Inc.	\$479.09	\$39.21	10.5%	84.2%	11.7%	6.5%	0.5x	7.2x	
Cenntro Electric Group Limited	46.10	0.24	(15.6%)	(76.3%)	2.6%	(426.6%)	4.0x	NM	
Workhorse Group Inc.	35.36	0.41	(52.5%)	(85.6%)	NA	(1264%)	3.3x	NM	
<b>Mean</b>	\$186.85	\$13.29	(19.2%)	(25.9%)	7.1%	(561.2%)	2.6x	7.2x	
<b>Median</b>	\$46.10	\$0.41	(15.6%)	(76.3%)	7.1%	(426.6%)	3.3x	7.2x	
<b>Business Services</b>									
Universal Technical Institute, Inc.	\$595.41	\$8.38	21.3%	54.0%	54.4%	7.9%	1.1x	13.8x	
Barrett Business Services, Inc.	495.40	90.24	3.5%	15.7%	22.2%	5.7%	0.5x	8.1x	
Ennis, Inc.	453.13	21.22	4.1%	5.4%	29.9%	17.2%	1.1x	6.1x	
<b>Mean</b>	\$514.64	\$39.95	9.6%	25.1%	35.5%	10.3%	0.9x	9.3x	
<b>Median</b>	\$495.40	\$21.22	4.1%	15.7%	29.9%	7.9%	1.1x	8.1x	

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2022 and Dec-2022



# GCG Middle Market Update | Q3 2023

## Public Comparable Companies

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA
<b>Consumer Goods</b>								
Duluth Holdings Inc.	\$385.64	\$6.01	(4.3%)	(14.6%)	51.8%	4.0%	0.6x	14.7x
MasterCraft Boat Holdings, Inc.	324.66	22.22	(27.5%)	17.9%	25.6%	19.3%	0.5x	2.5x
Purple Innovation, Inc.	282.91	1.71	(38.5%)	(57.8%)	37.0%	(8.2%)	0.5x	NM
<b>Mean</b>	\$331.07	\$9.98	(23.4%)	(18.2%)	38.2%	5.0%	0.5x	8.6x
<b>Median</b>	\$324.66	\$6.01	(27.5%)	(14.6%)	37.0%	4.0%	0.5x	8.6x
<b>F&amp;B</b>								
Lifecore Biomedical, Inc.	\$420.07	\$7.55	(22.0%)	(15.1%)	26.4%	(13.2%)	4.1x	NM
Vital Farms, Inc.	393.20	11.58	(3.4%)	(3.3%)	33.5%	7.3%	0.9x	12.6x
Local Bounti Corporation	214.98	2.45	(9.9%)	(93.4%)	12.4%	(242.9%)	8.0x	NM
<b>Mean</b>	\$342.75	\$7.19	(11.8%)	(37.3%)	24.1%	(83.0%)	4.3x	12.6x
<b>Median</b>	\$393.20	\$7.55	(9.9%)	(15.1%)	26.4%	(13.2%)	4.1x	12.6x
<b>Healthcare</b>								
P3 Health Partners Inc.	\$895.24	\$1.47	(50.8%)	(68.2%)	2.3%	(10.2%)	0.8x	NM
Agenus Inc.	385.42	1.13	(29.4%)	(44.9%)	83.6%	(200.8%)	3.9x	NM
Eagle Pharmaceuticals, Inc.	261.90	15.77	(18.9%)	(40.3%)	69.8%	24.2%	1.0x	4.2x
<b>Mean</b>	\$514.19	\$6.12	(33.0%)	(51.1%)	51.9%	(62.3%)	1.9x	4.2x
<b>Median</b>	\$385.42	\$1.47	(29.4%)	(44.9%)	69.8%	(10.2%)	1.0x	4.2x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2022 and Dec-2022





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## Public Comparable Companies

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA
<b>Industrials &amp; Manufacturing</b>								
Danimer Scientific, Inc.	\$523.62	\$2.07	(13.0%)	(29.8%)	(34.0%)	(193.2%)	10.4x	NM
PetroTal Corp.	486.34	0.57	17.8%	34.7%	86.3%	65.6%	1.7x	2.7x
Nine Energy Service, Inc.	481.30	4.12	7.6%	56.1%	23.4%	14.1%	0.7x	5.2x
<b>Mean</b>	\$497.09	\$2.25	4.1%	20.3%	25.2%	(37.8%)	4.3x	3.9x
<b>Median</b>	\$486.34	\$2.07	7.6%	34.7%	23.4%	14.1%	1.7x	3.9x
<b>Real Estate</b>								
Stratus Properties Inc.	\$433.05	\$27.40	4.4%	17.6%	10.6%	(49.9%)	13.3x	NM
Tejon Ranch Co.	430.96	16.22	(5.8%)	12.6%	28.3%	21.7%	6.4x	29.6x
The RMR Group Inc.	329.25	24.52	5.8%	3.5%	100.0%	55.7%	1.4x	2.4x
<b>Mean</b>	\$397.75	\$22.71	1.5%	11.2%	46.3%	9.1%	7.0x	16.0x
<b>Median</b>	\$430.96	\$24.52	4.4%	12.6%	28.3%	21.7%	6.4x	16.0x
<b>Technology &amp; IT Services</b>								
Rubicon Technologies, Inc.	\$326.21	\$2.08	25.1%	(90.3%)	5.2%	(1206%)	285.5x	NM
KwikClick, Inc.	76.38	0.50	(29.7%)	(87.8%)	48.5%	(33.9%)	0.5x	NM
Telos Corporation	75.27	2.39	(6.6%)	(73.1%)	36.3%	(23.1%)	0.4x	NM
<b>Mean</b>	\$159.29	\$1.66	(3.7%)	(83.7%)	30.0%	(420.8%)	95.5x	NM
<b>Median</b>	\$76.38	\$2.08	(6.6%)	(87.8%)	36.3%	(33.9%)	0.5x	NM

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2022 and Dec-2022



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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](http://www.greenwichgp.com).



**Bob Coury**

CEO &

Managing Director

[rcoury@greenwichgp.com](mailto: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](mailto:info@greenwichgp.com).

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