



# MIDDLE MARKET UPDATE

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Q4 2023

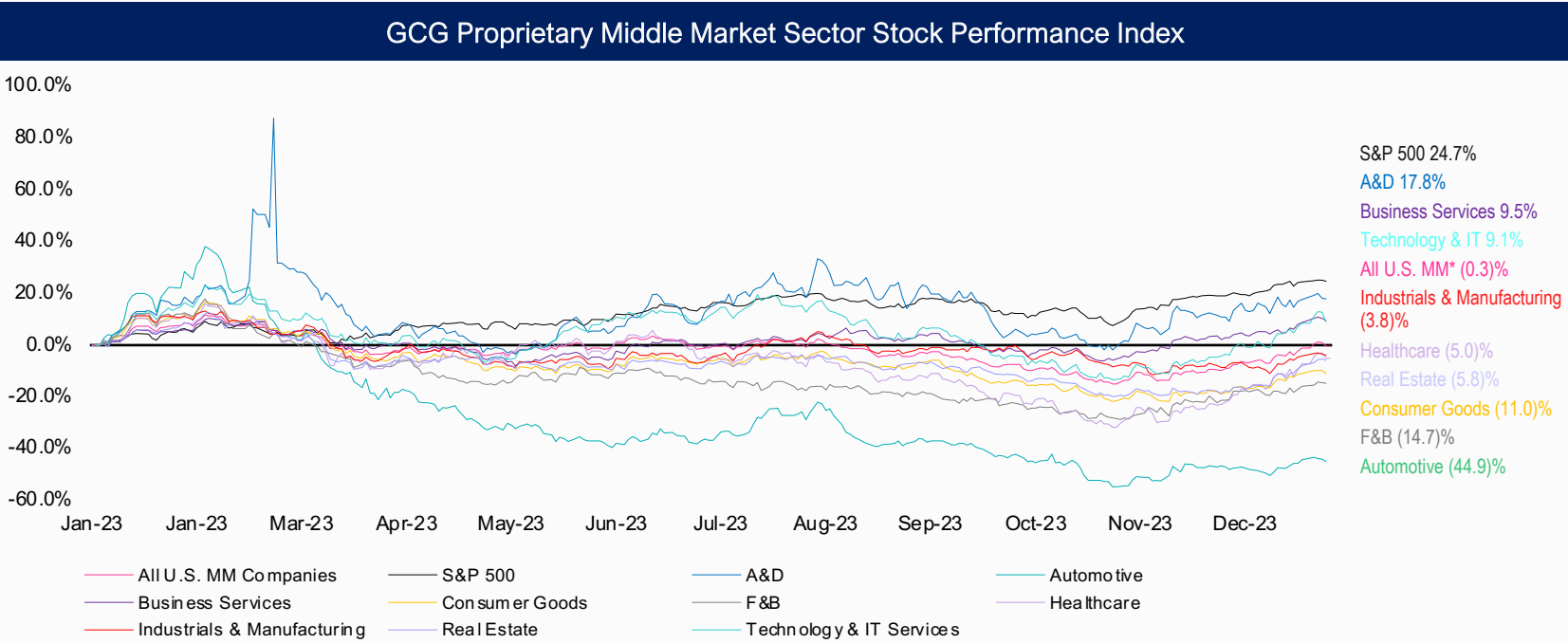


GREENWICH  
CAPITAL GROUP

# GCG Middle Market Update | Q4 2023

## GCG Public Company Index Market Performance

GCG’s proprietary middle market industry sector performance index began climbing back into positive territory in Q4 2023. Despite this uptick, the year ended slightly down by 0.3%. In a persistent pattern, middle market sectors did not surpass the performance of large cap stocks within the same period, as the S&P 500 index boasted a 12-month relative yield of 24.7% as of December 2023. In contrast, the middle market index’s 12-month return lagged at (0.3)%, which is an improvement from (25.6)% in 2022. Leading the middle market sectors, Aerospace & Defense (A&D) concluded the year on a high note, marking the best performance for the second quarter in a row with an impressive 17.8% return. Business Services and Technology & IT were also strong contenders, delivering returns of 9.5% and 9.1%, respectively. Nevertheless, all sectors fell short of the soaring S&P 500, with Automotive experiencing the most significant downturn, underperforming by 44.9% over the year. Factors such as tightening economic conditions and the prolonged UAW strikes have notably affected the middle market in the Automotive sector, impacting their returns more than those of their large cap peers.



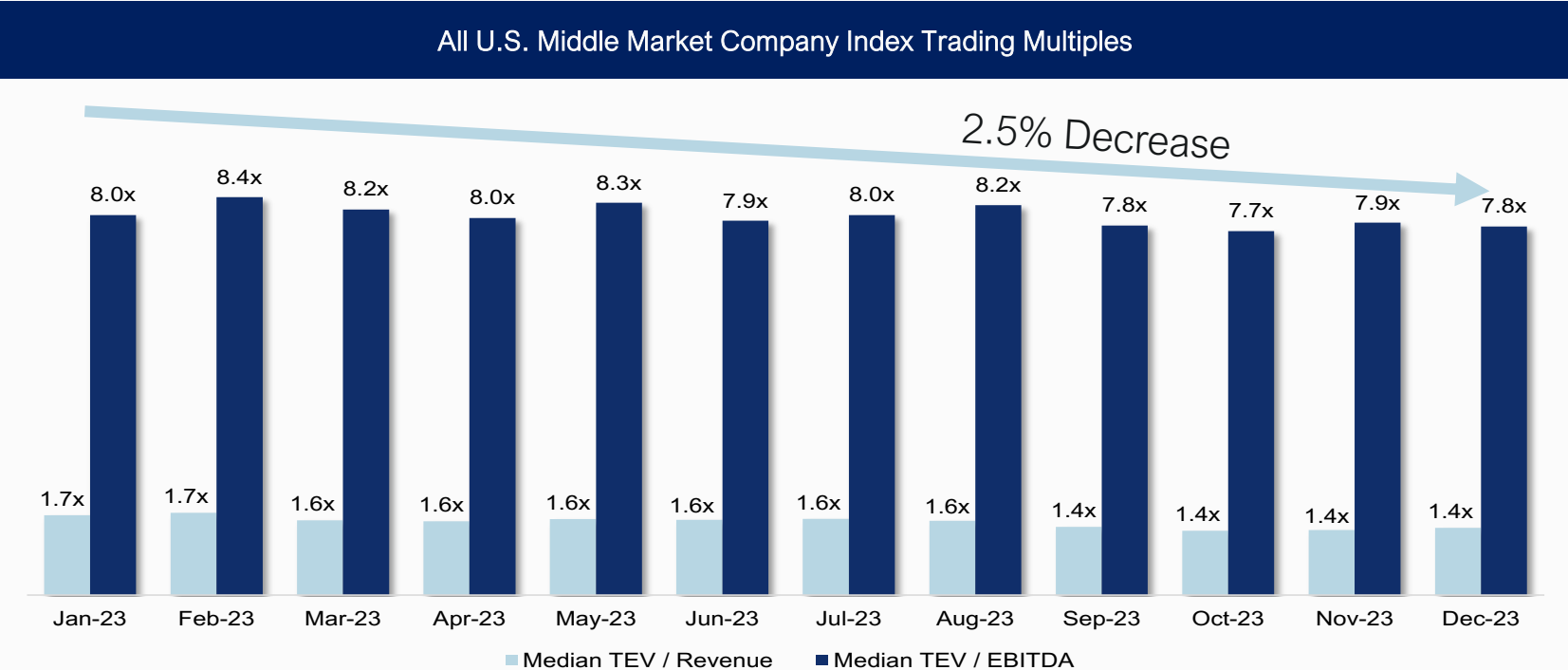
Source: S&P Capital IQ and GCG Proprietary Research, all values based on publicly available data as of 12/31/2023  
 Note: Benchmark index for comparison is All U.S. MM Companies, MM defined as average enterprise value in 2022 between \$10M and \$500M



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## GCG Public Company Index Trading Multiples

The median quarterly revenue and EBITDA multiples for middle market public companies reached their zenith in March 2021 and have been on a downward trajectory since. However, starting in early 2023, EBITDA multiples have stabilized, consistently hovering around 8.0x. This plateau, in the context of heightened interest rates and persistent inflation, suggests a predictable tightening of multiples. The median TEV/EBITDA multiple has seen a decrease of 12.1% year-over-year, moving from 9.1x in 2022 to 8.0x in 2023, and the median TEV/Revenue multiple has experienced a more pronounced drop of 25%, from 2.0x to 1.5x over the same period. This contraction likely reflects a market anticipation of softer earnings ahead. Nevertheless, should earnings maintain their resilience, we could see an upswing, countering the recent slump. Conversely, if a recession does materialize and earnings decline, we expect the current trend to persist.



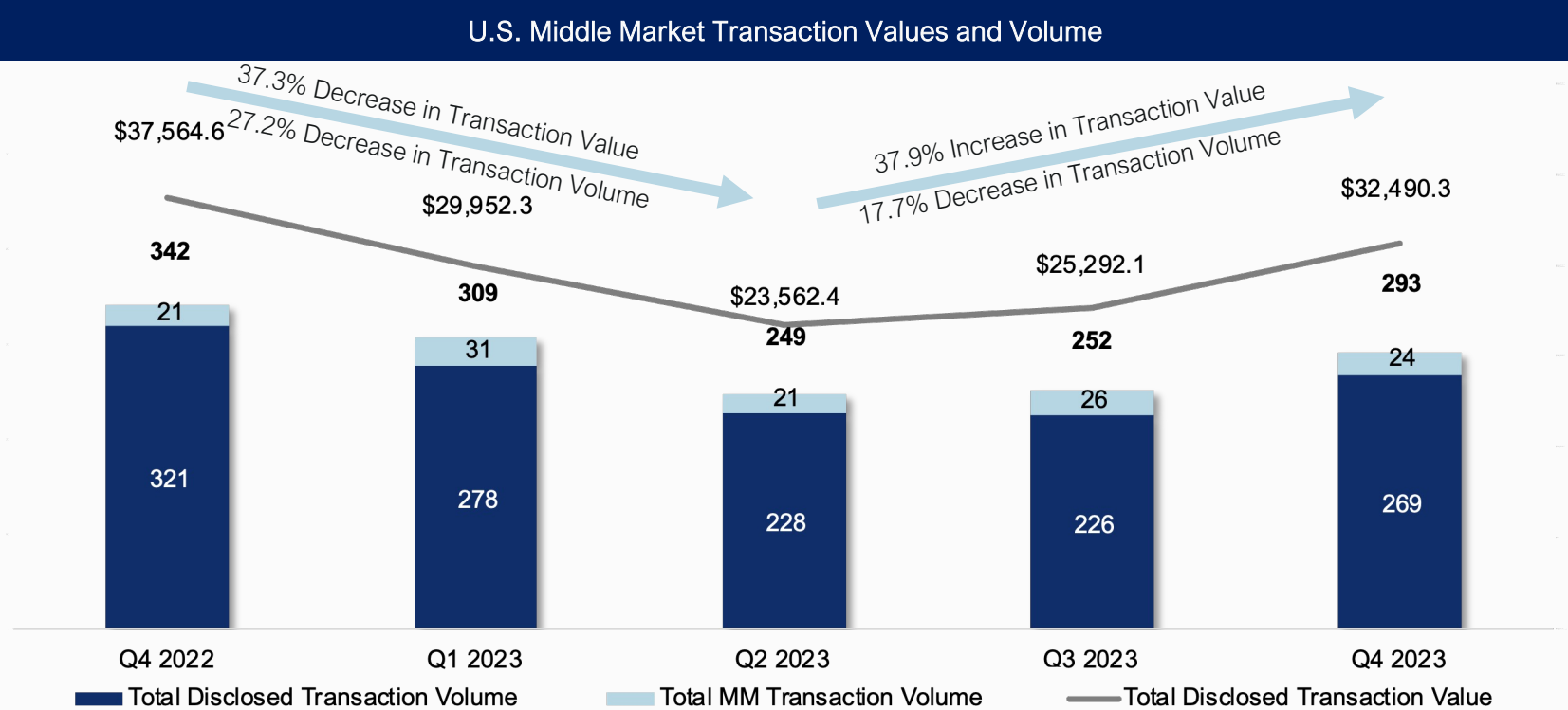
Source: S&P Capital IQ and GCG Proprietary Research  
Note: All values based on publicly available data as of 12/31/2023



# GCG Middle Market Update | Q4 2023

## Middle Market M&A Activity

Middle market public and private company transaction deal value and volume for Q4 2023 increased from Q3 of 2023 to build on the momentum gained from Q2 to Q3 of 2023. Compared to Q3, values and volume increased sharply 28.5% and 16.3%, respectively, though value and volume fell 13.5% and 14.3%, respectively from Q4 2022. The impacts of rising interest rates and pervasive economic uncertainty were certainly felt throughout the middle market in 2023 as deal flow tightened, bringing 2023 aggregate data to lows not seen since at least 2015. Total transaction value dropped 27.6% and transaction volume fell 21.8% from 2022. On a brighter note, the robust availability of capital has continued to propel M&A activity. The economy has shown resilience to close out 2023, and this enduring vigor supports the middle market M&A domain, sustaining transactional momentum even amidst a backdrop of moderated deal frequency.



Source: S&P Capital IQ, all values based on publicly available data as of 12/31/2023  
 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.



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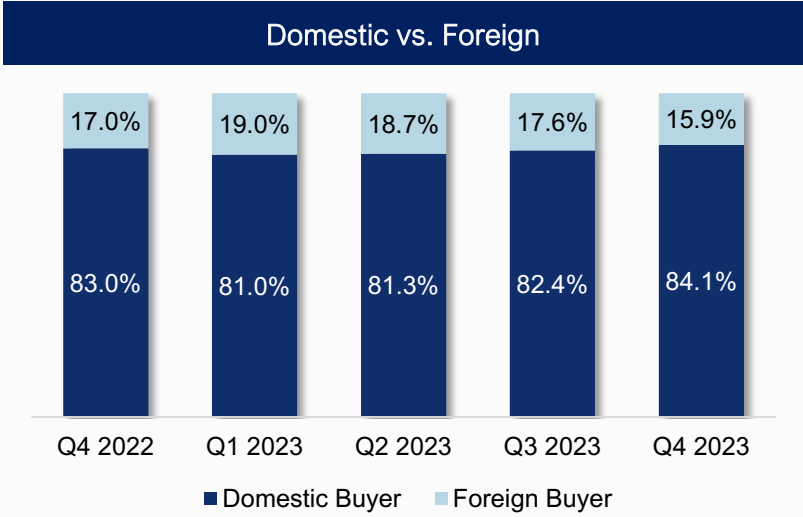
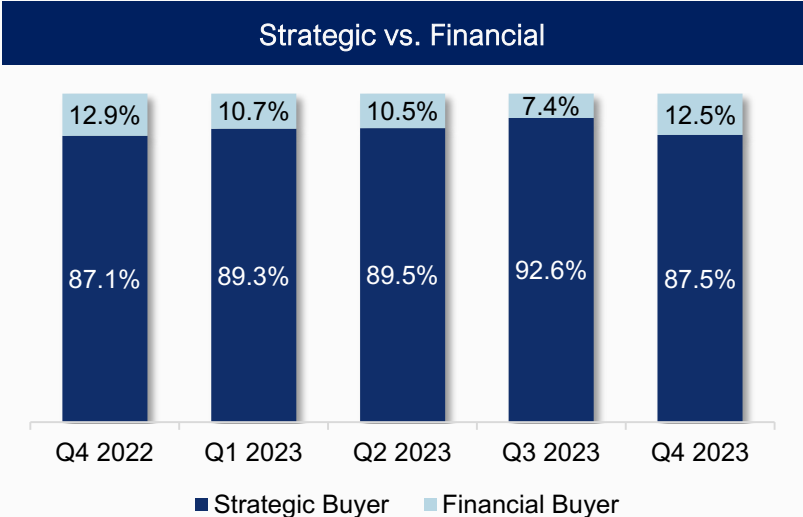
## Middle Market M&A Buyer Analysis

Strategic acquirers continue to dominate middle market M&A activity, accounting for 87.5% of Q4 2023 deal flow, and 89.6% of all 2023 deal flow, with financial buyers representing 12.5% of Q4 2023 and 10.4% of all 2023 deal flow. The trend in this quarter is a step back from the previous trend that saw Q3 2023 become the highest quarter of the past five (since Q3 2022) for strategic activity and the lowest for financial. 2023 surpassed 2021 for the highest share of strategic buyers since at least 2015. With interest rates remaining elevated, strategic acquirers are becoming more competitive against private equity.

Domestic buyers in Q4 represented 84.1% of middle market M&A activity. This was the lowest quarter of the past five for foreign activity, but 2023 was the strongest year for foreign buyer activity since at least 2015. As uncertainty around global trade continues, foreign buyers are expected to continue their investments into U.S. middle market companies. 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 global growth story outside of the U.S. remains weak and challenging to support.

Q4 2023  
Transaction Volume:  
**293**

Q4 2023  
Monthly Average  
Volume:  
**98**



Source: Capital IQ and GCG Proprietary Research



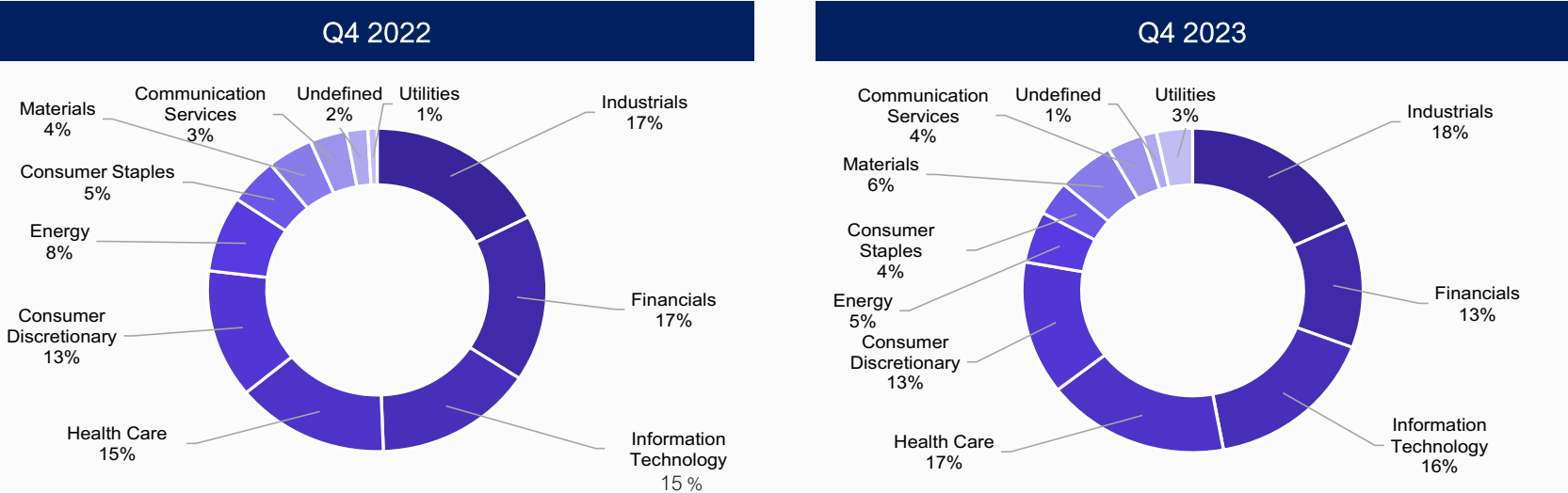
# GCG Middle Market Update | Q4 2023

## Middle Market M&A Sector Activity

In Q4 of 2023, the distribution of deal activity across sectors showed consistency with Q4 2022, yet some shifts in market dominance were evident. The Industrials sector rose to prominence in the middle market, capturing 18% of the transactions announced and closed, marking a slight increase from Q4 2022, enough to pull ahead of the Financials sector. Health Care and Information Technology transactions each constituted 17% and 16% of the overall M&A activity in Q4 2023, respectively, with Consumer Discretionary and Financials not far behind at 13% each.

Year-over-year, two significant trends have crystallized. Consumer Discretionary transactions have receded, representing 3.5% fewer deals in 2023 compared to 2022, whereas Health Care has surged, accounting for an additional 3.0% of the total deal volume in 2023. Variations in market share for the remaining industries remained relatively stable year-over-year, with less than a 1% fluctuation in their deal composition.

The landscape for each sector has been uniquely impacted by a confluence of external pressures, including the effects of interest rate adjustments, the ebb and flow of global economic health, trade disputes, political upheavals, pandemic-induced supply chain complications, and the evolving tapestry of government policies.



Source: Capital IQ and GCG Proprietary Research  
Note: The monthly average number of transactions per month in Q4 2022 was 114 and in Q4 2023 was 98.



# GCG Middle Market Update | Q4 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	\$786.00	\$17.42	9.8%	69.1%	15.7%	1.5%	1.2x	83.1x
Applied Energetics, Inc.	466.74	2.22	(10.7%)	13.0%	71.5%	(303.6%)	202.6x	NM
Radiant Logistics, Inc.	340.01	6.64	17.5%	30.5%	19.6%	4.2%	0.4x	8.4x
<b>Mean</b>	\$530.92	\$8.76	5.6%	37.5%	35.6%	(99.3%)	68.1x	45.8x
<b>Median</b>	\$466.74	\$6.64	9.8%	30.5%	19.6%	1.5%	1.2x	45.8x
<b>Automotive</b>								
Miller Industries, Inc.	\$517.89	\$42.29	7.9%	58.6%	12.8%	7.5%	0.5x	6.3x
Workhorse Group Inc.	64.28	0.36	(13.1%)	(76.3%)	(242.2%)	(877.0%)	5.3x	NM
Cenntro Electric Group Limited	30.77	1.44	(41.0%)	(67.3%)	10.8%	(339.5%)	2.0x	NM
<b>Mean</b>	\$204.31	\$14.70	(15.4%)	(28.3%)	(72.9%)	(403.0%)	2.6x	6.3x
<b>Median</b>	\$64.28	\$1.44	(13.1%)	(67.3%)	10.8%	(339.5%)	2.0x	6.3x
<b>Business Services</b>								
Universal Technical Institute, Inc.	\$931.81	\$12.52	49.4%	86.3%	53.8%	8.1%	1.5x	19.0x
Barrett Business Services, Inc.	656.78	115.80	28.3%	24.1%	22.3%	5.8%	0.6x	10.7x
Ennis, Inc.	469.33	21.91	3.3%	(1.1%)	29.6%	16.7%	1.1x	6.6x
<b>Mean</b>	\$685.97	\$50.08	27.0%	36.4%	35.3%	10.2%	1.1x	12.1x
<b>Median</b>	\$656.78	\$21.91	28.3%	24.1%	29.6%	8.1%	1.1x	10.7x

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 | Q4 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.	\$400.91	\$5.38	(10.5%)	(12.9%)	51.4%	3.5%	0.6x	18.0x
MasterCraft Boat Holdings, Inc.	353.47	22.64	1.9%	(12.5%)	24.4%	17.4%	0.6x	3.4x
Purple Innovation, Inc.	237.77	1.03	(39.8%)	(78.5%)	34.4%	(14.0%)	0.5x	NM
<b>Mean</b>	\$330.72	\$9.68	(16.1%)	(34.6%)	36.7%	2.3%	0.6x	10.7x
<b>Median</b>	\$353.47	\$5.38	(10.5%)	(12.9%)	34.4%	3.5%	0.6x	10.7x
<b>F&amp;B</b>								
Vital Farms, Inc.	\$572.56	\$15.69	35.5%	5.2%	33.7%	7.8%	1.3x	16.4x
Lifecore Biomedical, Inc.	380.08	6.19	(18.0%)	(4.5%)	26.4%	(13.2%)	3.7x	NM
Local Bounti Corporation	271.55	2.07	(15.5%)	(88.5%)	5.2%	(229.3%)	9.9x	NM
<b>Mean</b>	\$408.06	\$7.98	0.7%	(29.3%)	21.8%	(78.3%)	5.0x	16.4x
<b>Median</b>	\$380.08	\$6.19	(15.5%)	(4.5%)	26.4%	(13.2%)	3.7x	16.4x
<b>Healthcare</b>								
P3 Health Partners Inc.	\$544.83	\$1.41	(4.1%)	(23.4%)	3.5%	(7.6%)	0.5x	NM
Agenus Inc.	320.19	0.83	(26.7%)	(65.5%)	50.6%	(201.3%)	3.2x	NM
Eagle Pharmaceuticals, Inc.	125.02	5.23	(66.8%)	(82.1%)	69.8%	24.2%	0.5x	2.0x
<b>Mean</b>	\$330.01	\$2.49	(32.6%)	(57.0%)	41.3%	(61.6%)	1.4x	2.0x
<b>Median</b>	\$320.19	\$1.41	(26.7%)	(65.5%)	50.6%	(7.6%)	0.5x	2.0x

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>								
PetroTal Corp.	\$465.50	\$0.60	4.8%	20.5%	84.5%	78.4%	1.7x	2.2x
Nine Energy Service, Inc.	445.75	2.68	(35.0%)	(81.6%)	21.1%	11.4%	0.7x	6.2x
Danimer Scientific, Inc.	431.86	1.02	(50.7%)	(43.0%)	(40.6%)	(185.6%)	8.5x	NM
<b>Mean</b>	\$447.70	\$1.43	(27.0%)	(34.7%)	21.6%	(31.9%)	3.6x	4.2x
<b>Median</b>	\$445.75	\$1.02	(35.0%)	(43.0%)	21.1%	11.4%	1.7x	4.2x
<b>Real Estate</b>								
Stratus Properties Inc.	\$471.82	\$28.86	5.3%	49.6%	7.2%	(66.3%)	17.9x	NM
Tejon Ranch Co.	451.22	17.20	6.0%	(8.7%)	19.1%	6.8%	9.8x	145.0x
The RMR Group Inc.	417.47	28.23	15.1%	(0.1%)	100.0%	55.2%	1.8x	3.2x
<b>Mean</b>	\$446.84	\$24.76	8.8%	13.6%	42.1%	(1.4%)	9.8x	74.1x
<b>Median</b>	\$451.22	\$28.23	6.0%	(0.1%)	19.1%	6.8%	9.8x	74.1x
<b>Technology &amp; IT Services</b>								
Rubicon Technologies, Inc.	\$345.16	\$1.85	52.7%	(28.3%)	6.3%	(26.6%)	1.1x	NM
Telos Corporation	166.12	3.65	(11.1%)	(87.0%)	38.8%	(8.2%)	0.5x	NM
KwikClick, Inc.	142.37	0.93	86.0%	(55.7%)	47.7%	(1868.5%)	737.3x	NM
<b>Mean</b>	\$217.88	\$2.14	42.6%	(57.0%)	30.9%	(634.4%)	246.3x	NM
<b>Median</b>	\$166.12	\$1.85	52.7%	(55.7%)	38.8%	(26.6%)	1.1x	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).



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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](mailto:info@greenwichgp.com).

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