



MIDDLE MARKET UPDATE

Q1 2024



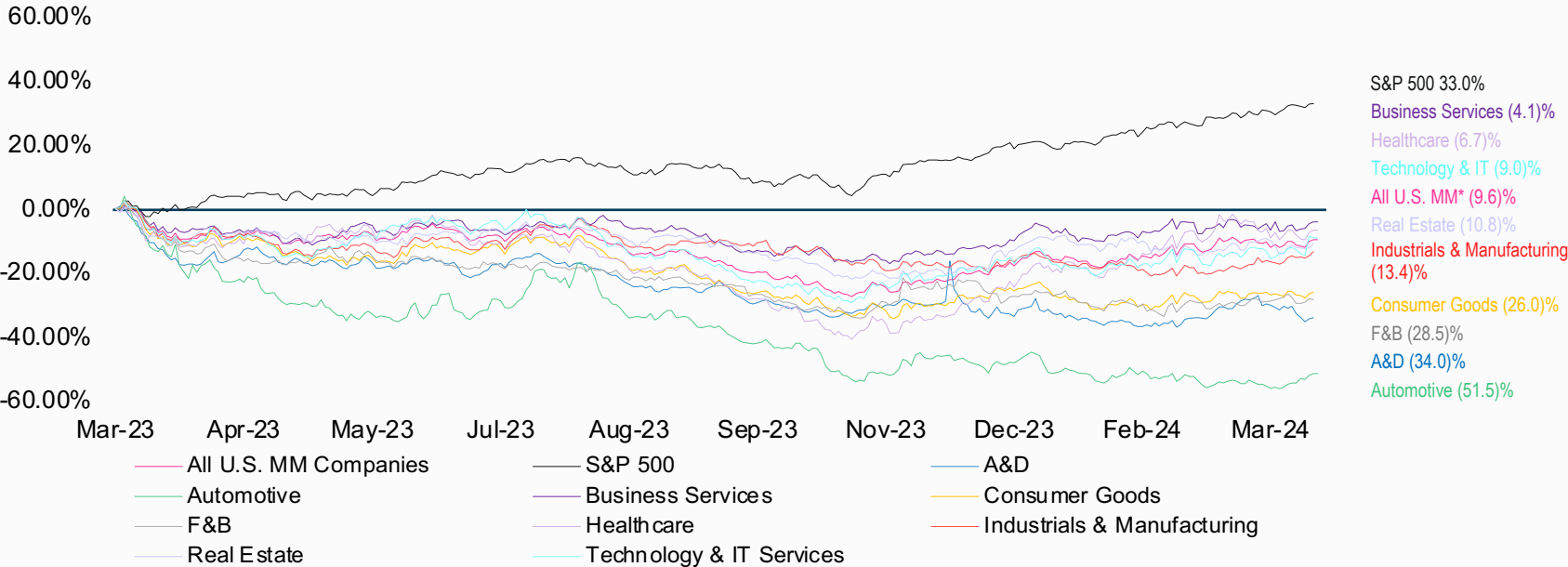
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CAPITAL GROUP

GCG Middle Market Update | Q1 2024

GCG Public Company Index Market Performance

GCG's proprietary middle market industry sector performance significantly underperformed the S&P in Q1 2024. In a persistent pattern, middle market equities could not keep up with the performance of large cap stocks within the same period, as the S&P 500 index boasted a 12-month relative yield of 33.0% as of March 2024. In contrast, the middle market index's trailing 12-month return lagged at (9.6)% , down from (0.3)% in CY2023. Leading the middle market sectors, Business Services returned a (4.1)% return. Healthcare was the only other vertical to post better returns than the middle market industry aggregate at (6.7)% . All sectors fell short of the soaring S&P 500, with Automotive experiencing the most significant downturn, which declined by 51.5% over the trailing twelve months. This sharp decline can primarily be attributed to broader macroeconomic factors that have disproportionately affected middle market businesses - economic tightening and increased interest rates have posed significant challenges, especially for capital-intensive industries like automotive manufacturing.

GCG Proprietary Middle Market Sector Stock Performance Index



Source: S&P Capital IQ and GCG Proprietary Research, all values based on publicly available data as of 3/31/2024
 Note: Benchmark index for comparison is All U.S. MM Companies, MM defined as average enterprise value in 2023 between \$10M and \$500M

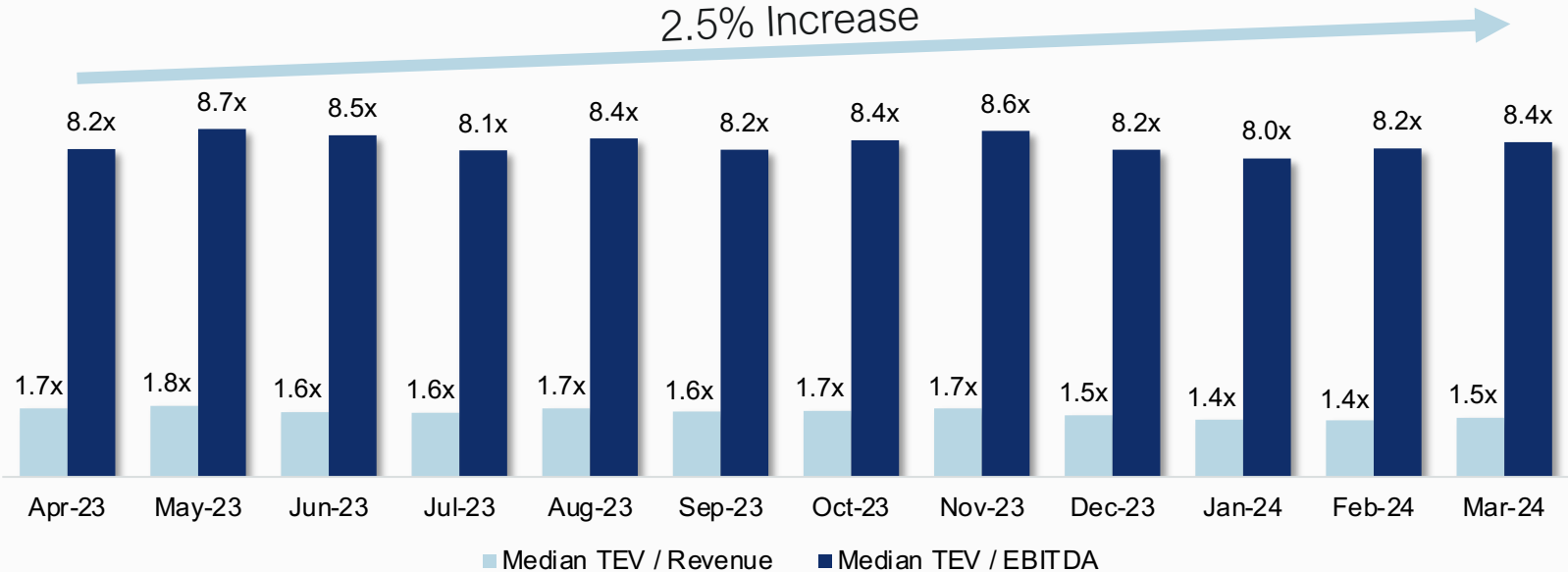


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GCG Public Company Index Trading Multiples

The median quarterly revenue and EBITDA multiples for middle market public companies reached their peak in March 2021 and have been on a downward trajectory since. In the trailing twelve months, EBITDA multiples have fluctuated, though consistently remaining in 8.0x territory. This plateau, in the context of heightened interest rates, suggests a predictable tightening of multiples. In this current high interest rate environment, the performance disparity between middle market and large-cap public companies is amplified. Larger firms leverage superior access to resources and economies of scale to achieve higher returns on invested capital, enabling them to better absorb increased borrowing costs and strengthen market dominance. Meanwhile, middle market companies must improve operational efficiencies and display disciplined financial management to mitigate impacts, remain competitive, and avoid falling behind their large cap peers.

All U.S. Middle Market Company Index Trading Multiples



Source: S&P Capital IQ and GCG Proprietary Research
Note: All values based on publicly available data as of 3/31/2024

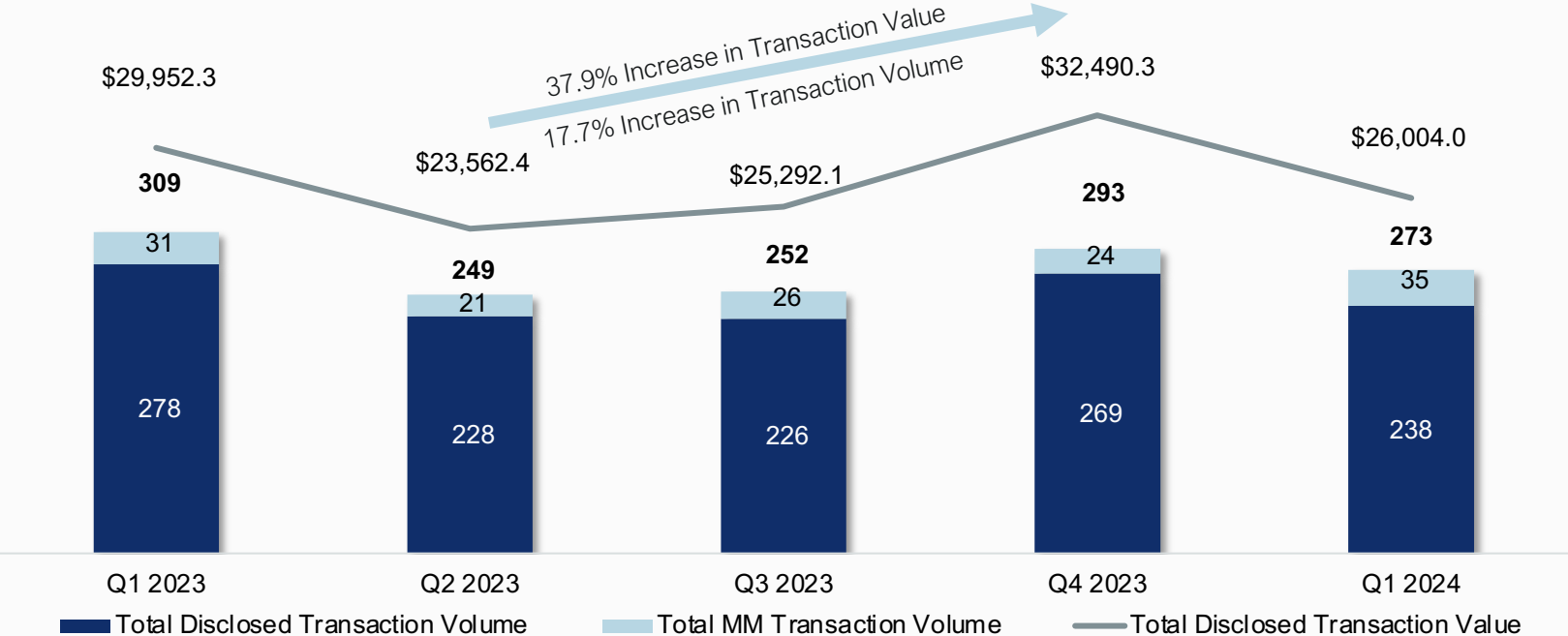


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Middle Market M&A Activity

As Q1 2024 concludes, both the deal value and volume for middle market public and private companies have backed off from the indications of recovery in Q4 2023, indicating a shift from the momentum previously gained at the year's end. Values and volumes decreased by 20.0% and 6.8%, respectively, compared to the previous quarter, and they fell by 13.1% and 11.7%, respectively, compared to Q1 2023. The rise in interest rates and ongoing economic uncertainty have noticeably tightened deal flow within the middle market. Despite a reduction in deal frequency, the economic resilience observed throughout Q1 and the anticipation of favorable interest rate adjustments have kept capital availability robust, which continues to facilitate M&A activity in the middle market sector. GCG has observed a marked increase in deal flow since the beginning of the year, suggesting a pronounced uptick in announced deal closings later in the year on a greater scale.

U.S. Middle Market Transaction Values and Volume



Source: S&P Capital IQ, all values based on publicly available data as of 3/31/2024
 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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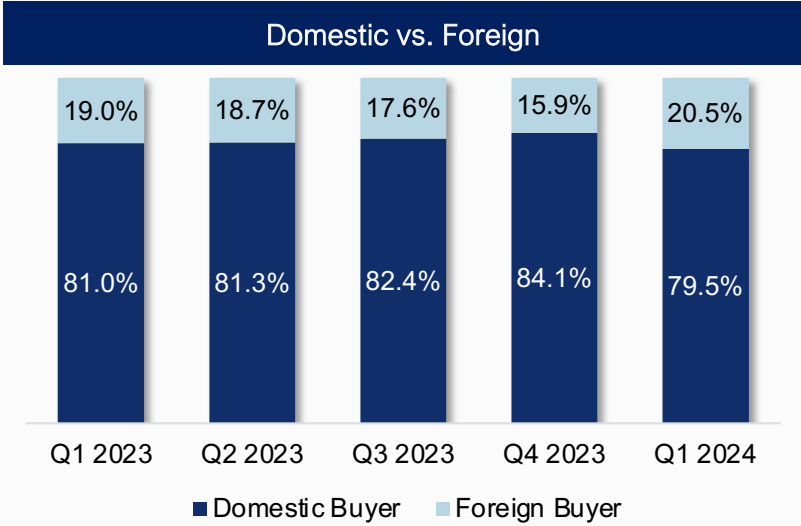
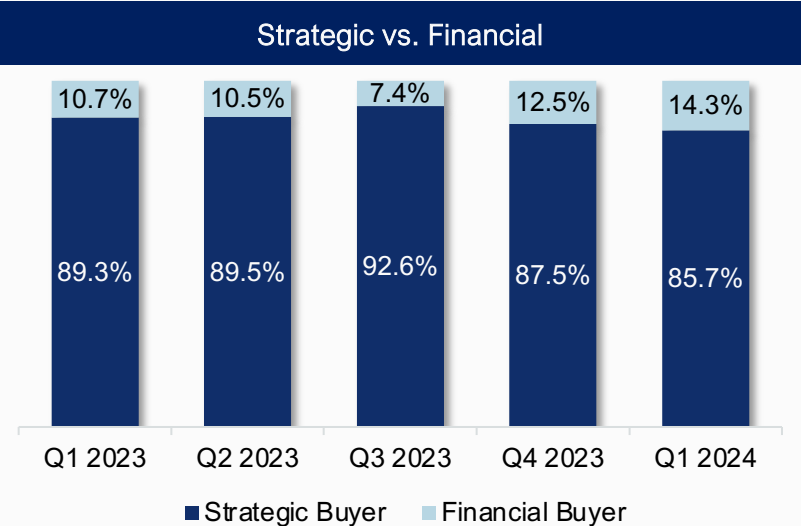
Middle Market M&A Buyer Analysis

Strategic acquirers continued to dominate middle market M&A activity, accounting for 85.7% of Q1 2024 deal flow, with financial buyers comprising the remaining 14.3%. This trend is a continuation from Q4 2023, marking a period of re-engagement for financial buyers adapting to the new rate environment. These buyers have been cautiously waiting for a rate cut from the Fed before fully committing to new acquisitions. As concerns over a sharp economic downturn have receded quickly, we anticipate that strategic buyers will continue to lead the way in an M&A recovery.

In Q1 2024, domestic buyers accounted for 79.5% of middle market M&A activity. Despite a strong dollar, which heightens the cost for foreign investment, foreign interest in the U.S. middle market has increased, now representing 20.5% of the market. This uptick is attributed to the persistent uncertainties surrounding global trade, prompting foreign investors to continue their strategic engagements in the U.S. market as they navigate the broader economic landscape.

Q1 2024
Transaction Volume:
273

Q1 2024
Monthly Average
Volume:
91



Source: Capital IQ and GCG Proprietary Research



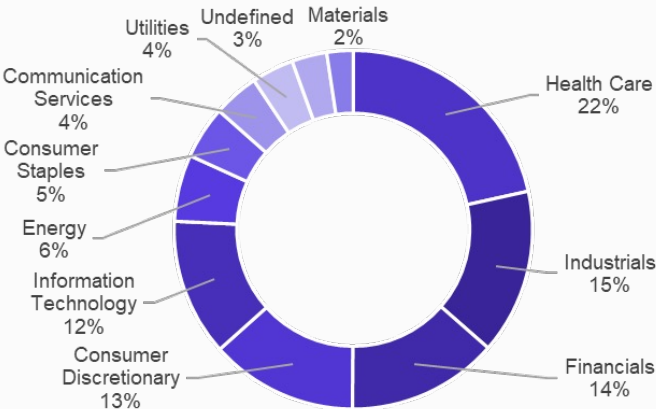
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Middle Market M&A Sector Activity

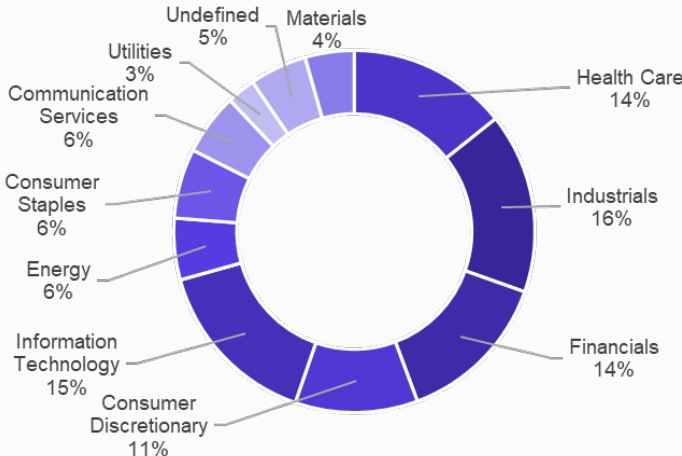
In Q1 2024, the distribution of deal activity across sectors showed notable shifts in market share compared to Q1 2023. Middle Market Health Care transactions experienced the most significant change, decreasing from 22% to 14%, reflecting a normalization after heightened activity in previous years. Information Technology deals showed a notable increase, growing from 12% to 15%, driven by ongoing digital transformation trends. Consumer Discretionary decreased slightly from 13% to 11%, suggesting a modest downturn in consumer-focused investments. The Industrials and Consumer Staples sectors also witnessed incremental growth rising from 15% to 16% and 5% to 6%, respectively, indicating sustained industrial and manufacturing interests. The Financials, Utilities, and Energy sectors remained relatively stable in their market share, underscoring consistent demand in these foundational sectors.

The outlook for each sector has been uniquely affected by the impact of various external pressures, including the continued “higher for longer” interest rate environment, global economic fluctuations, trade tensions, ever-present post-pandemic supply chain complications, and evolving government policies.

Q1 2023



Q1 2024



Source: Capital IQ and GCG Proprietary Research
Note: The monthly average number of transactions per month in Q1 2023 was 103 and in Q1 2024 was 91.



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Public Comparable Companies

The top three companies as measured by average enterprise value in 2023 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
A&D								
National Presto Industries, Inc.	\$490.06	\$83.80	4.4%	19.2%	19.8%	12.0%	1.4x	11.9x
Applied Energetics, Inc.	426.79	2.02	(8.8%)	(8.2%)	75.8%	(276.2%)	162.2x	NM
flyExclusive, Inc.	423.31	4.32	(21.5%)	(57.5%)	18.4%	(3.3%)	1.3x	NM
Mean	\$446.72	\$30.05	(8.6%)	(15.5%)	38.0%	(89.2%)	55.0x	11.9x
Median	\$426.79	\$4.32	(8.8%)	(8.2%)	19.8%	(3.3%)	1.4x	11.9x
Automotive								
Miller Industries, Inc.	\$604.34	\$50.10	18.5%	44.8%	13.2%	8.0%	0.5x	6.6x
Motorcar Parts of America, Inc.	377.44	8.04	(13.9%)	8.2%	18.7%	8.5%	0.5x	6.1x
Zoomcar Holdings, Inc.	\$56.47	\$0.61	(83.4%)	(94.2%)	(19.0%)	(289.5%)	5.7x	NM
Mean	\$346.09	\$19.58	(26.3%)	(13.7%)	4.3%	(91.0%)	2.3x	6.3x
Median	\$377.44	\$8.04	(13.9%)	8.2%	13.2%	8.0%	0.5x	6.3x
Business Services								
Perdoceo Education Corporation	\$576.72	\$17.56	0.0%	35.2%	83.1%	25.6%	0.8x	3.2x
KORE Group Holdings, Inc.	473.15	0.79	(19.7%)	(34.4%)	53.5%	6.5%	1.7x	26.5x
Civeo Corporation	472.62	26.85	17.5%	29.1%	24.3%	13.9%	0.7x	4.9x
Mean	\$507.49	\$15.07	(0.7%)	10.0%	53.6%	15.3%	1.1x	11.5x
Median	\$473.15	\$17.56	0.0%	29.1%	53.5%	13.9%	0.8x	4.9x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2023 and Dec-2023



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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
Consumer Goods								
The Lovesac Company	\$474.14	\$22.60	(11.5%)	(18.1%)	57.3%	6.1%	0.7x	11.1x
Reading International, Inc.	468.88	1.84	(3.7%)	(44.2%)	11.9%	3.6%	2.1x	57.8x
SES AI Corporation	277.61	1.68	(8.2%)	(41.1%)	0.0%	NA	-	NM
Mean	\$406.88	\$8.71	(7.8%)	(34.5%)	23.1%	4.9%	1.4x	34.5x
Median	\$468.88	\$1.84	(8.2%)	(41.1%)	11.9%	4.9%	1.4x	34.5x
F&B								
Vital Farms, Inc.	\$877.5	\$23.25	48.2%	54.2%	34.4%	8.7%	1.9x	21.3x
HF Foods Group Inc.	367.46	3.50	(34.5%)	(11.6%)	17.8%	3.1%	0.3x	10.2x
Ispire Technology Inc.	322.79	6.13	(49.5%)	-	17.3%	(6.0%)	2.3x	NM
Mean	\$522.58	\$10.96	(11.9%)	21.3%	23.1%	2.0%	1.5x	15.7x
Median	\$367.46	\$6.13	(34.5%)	21.3%	17.8%	3.1%	1.9x	15.7x
Health Care								
Biomea Fusion, Inc.	\$369.98	\$14.95	3.0%	(53.2%)	0.0%	NA	-	NM
Seres Therapeutics	202.87	0.77	(44.7%)	(85.5%)	(15.5%)	(80.5%)	1.6x	NM
23andMe Holding Co.	93.32	0.53	(41.8%)	(76.4%)	45.3%	(127.2%)	0.4x	NM
Mean	\$222.05	\$5.42	(27.8%)	(71.7%)	9.9%	(103.9%)	1.0x	NM
Median	\$202.87	\$0.77	(41.8%)	(76.4%)	0.0%	(103.9%)	1.0x	NM

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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
Industrials & Manufacturing								
Nine Energy Service, Inc.	\$695.87	\$34.79	(2.1%)	20.9%	50.8%	5.1%	2.0x	39.4x
Northwest Pipe Company	501.61	34.68	14.6%	9.4%	17.5%	11.2%	1.1x	10.1x
PetroTal Corp.	459.62	0.57	(4.9%)	5.4%	83.4%	68.8%	1.6x	2.3x
Mean	\$552.36	\$23.35	2.5%	11.9%	50.6%	28.4%	1.6x	17.3x
Median	\$501.61	\$34.68	(2.1%)	9.4%	50.8%	11.2%	1.6x	10.1x
Real Estate								
Net Lease Office Properties	\$886.69	\$23.80	28.8%	-	100.0%	74.2%	5.1x	6.8x
The RMR Group Inc.	418.43	24.00	(15.0%)	(6.8%)	100.0%	54.9%	1.8x	3.3x
Tejon Ranch Co.	411.63	15.41	(10.4%)	(13.4%)	13.8%	2.2%	9.2x	424.8x
Mean	\$572.25	\$21.07	1.1%	(10.1%)	71.3%	43.8%	5.4x	145.0x
Median	\$418.43	\$23.80	(10.4%)	(10.1%)	100.0%	54.9%	5.1x	6.8x
Technology & IT Services								
BigBear.ai Holdings, Inc.	\$665.42	\$2.05	(4.2%)	3.5%	26.2%	(17.8%)	4.3x	NM
Evolv Technologies Holdings, Inc.	560.15	4.45	3.7%	(13.3%)	42.1%	16.5%	1.3x	7.6x
Vishay Precision Group, Inc.	447.41	35.33	(5.7%)	50.8%	42.4%	(97.0)	7.0x	NM
Mean	\$557.66	\$13.94	(2.1%)	13.7%	36.9%	(32.8%)	4.2x	7.6x
Median	\$560.15	\$4.45	(4.2%)	3.5%	42.1%	(17.8%)	4.3x	7.6x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2023 and Dec-2023



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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.

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