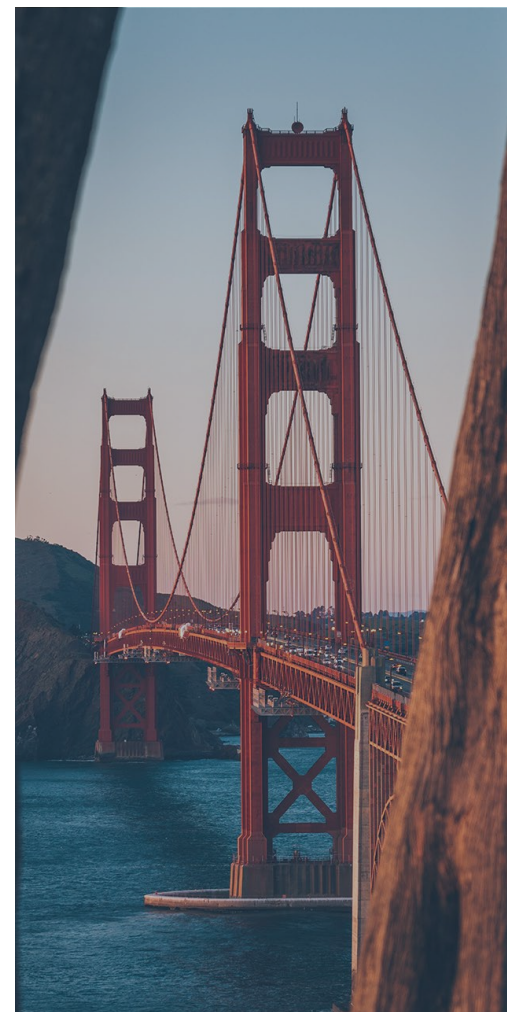


MIDDLE MARKET  
M&A UPDATE

Q1 2023



# MIDDLE MARKET M&A AND PUBLIC MARKETS

## Q1 2023 Highlights and Activity

9.5x

Median M&A Multiple

1,311

# of Middle Market  
M&A Transactions

78%

of Acquisitions by  
Private Equity Buyers

\$776B

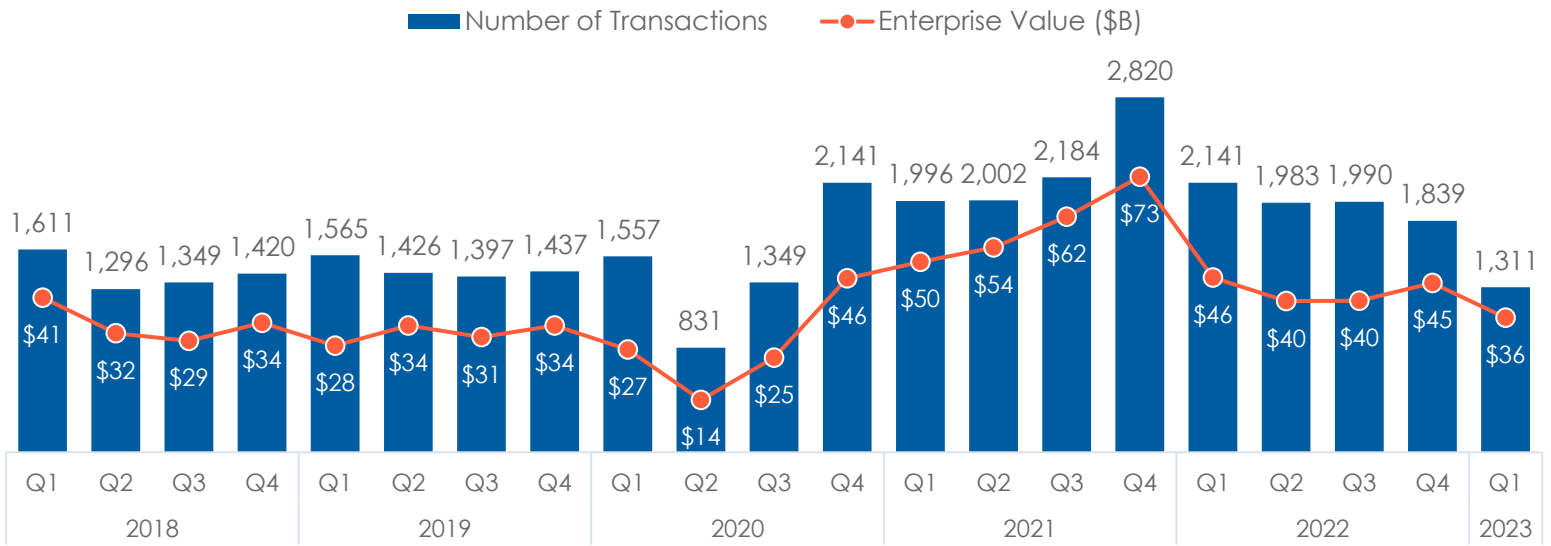
2022 Private Equity  
Overhang

## Deal Flow and Valuation Multiples

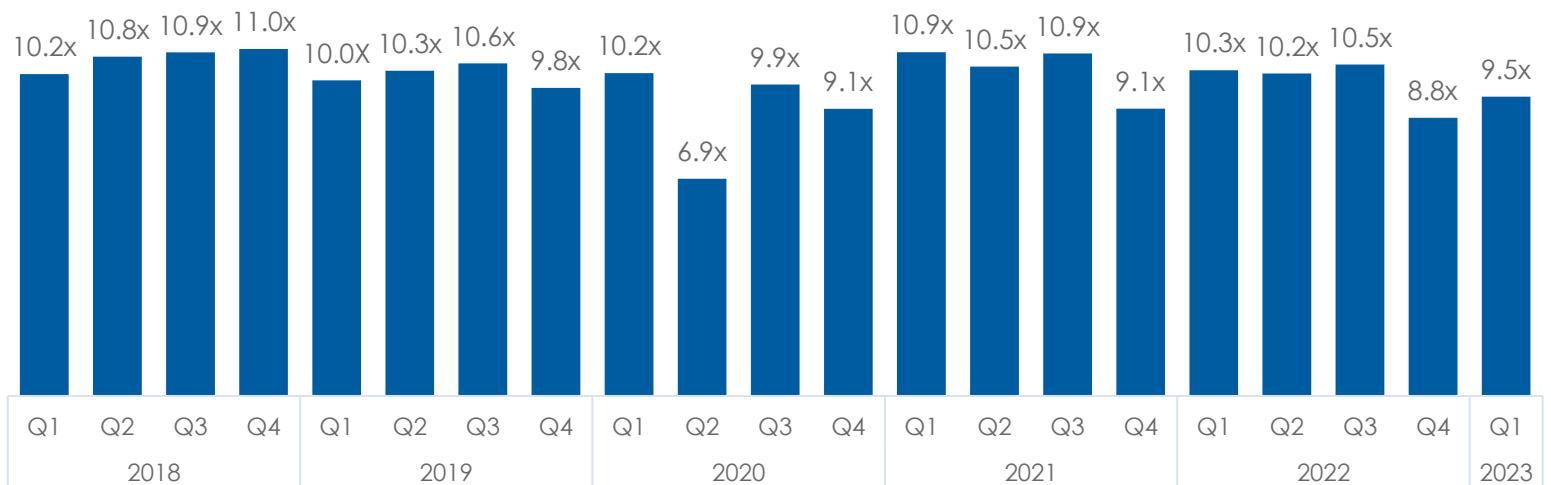
During Q1 '23, the number of Middle Market transactions posted the lowest quarterly total since COVID and is below pre-COVID levels (average of 1,421 per quarter during '19). While volume has declined, valuations are holding steady, GLC continues to hear from the buyer community a desire to focus on acquiring

quality companies (versus a high quantity of transactions in previous years). As a result, valuation multiples for Middle Market companies have increased to a median EBITDA multiple of 9.5x from the prior quarter.

### U.S. Middle Market Transactions & Transaction Value <sup>(1)</sup>



### U.S. Median Middle Market EBITDA Multiple <sup>(2)</sup>



Source: Capital IQ, Pitchbook  
Note: Data as of 3/31/2023

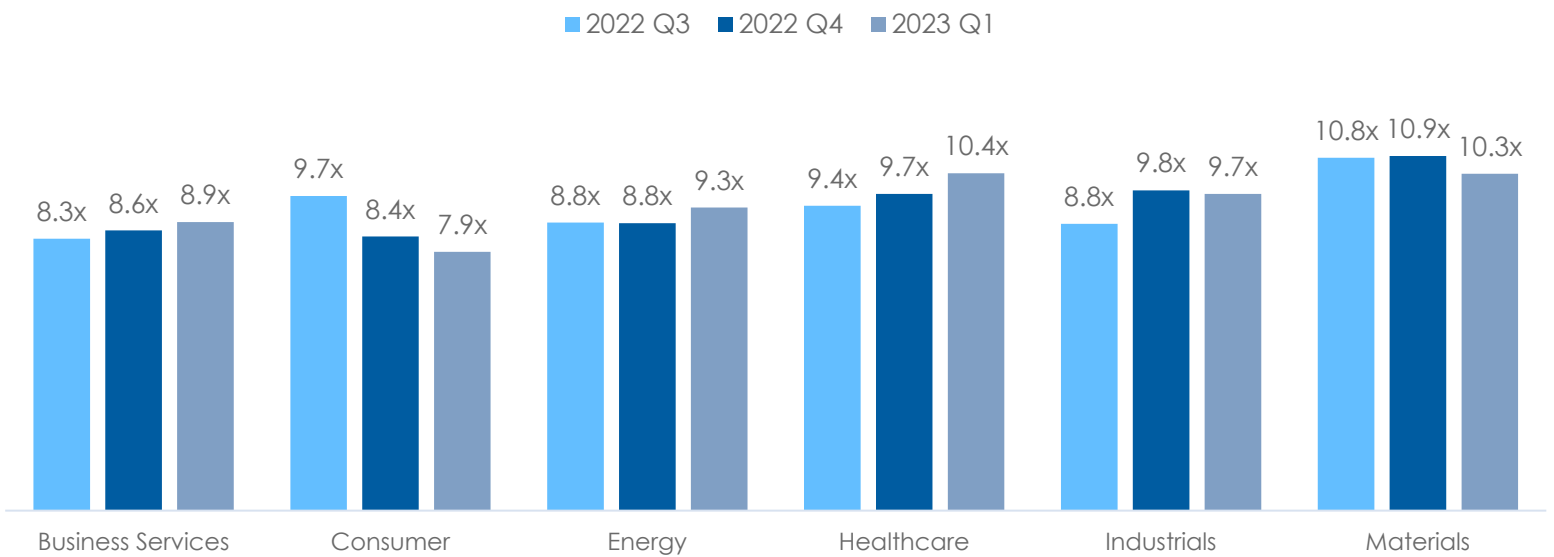
(1) Middle Market defined as <\$500M in Enterprise Value; (2) Excludes multiples <2.0x and >20.0x as well as Financial & Technology sectors

## Deal Flow and Valuation Multiples

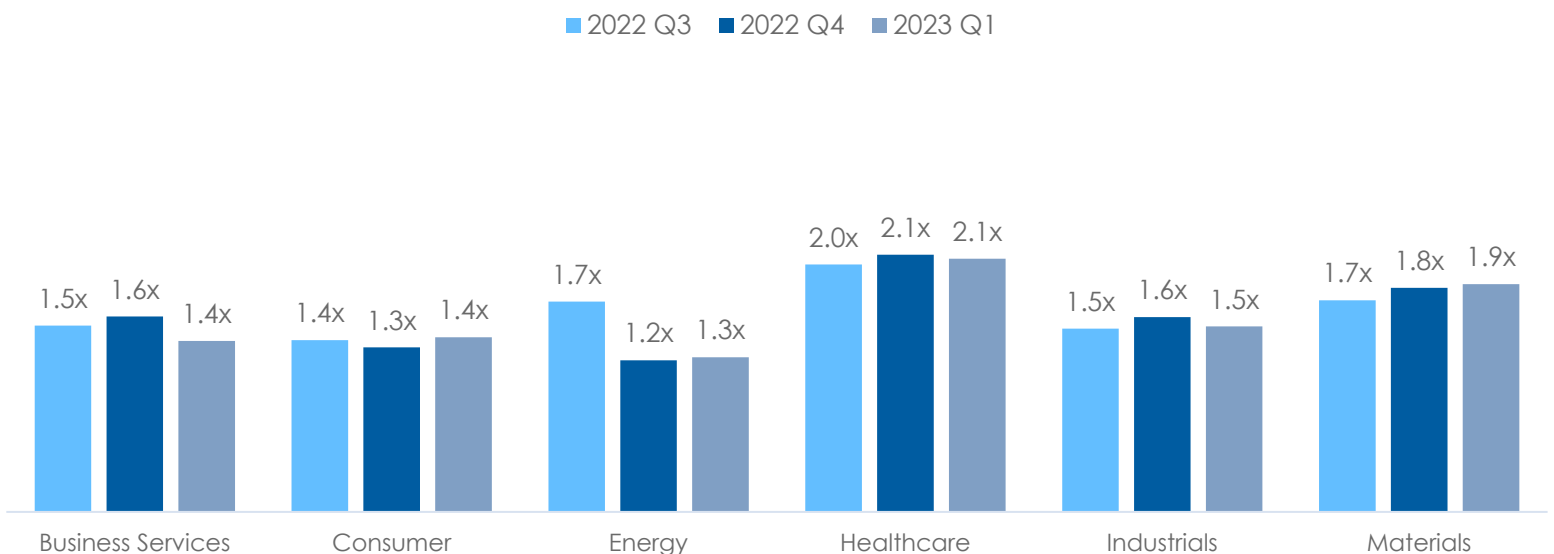
When examining each industry sector in more detail, valuation multiples reveal a varied environment for Middle Market M&A as specific industries (such as Consumer) are experiencing a valuation decline. However, as we see in GLC's current M&A mandates, strong, profitable companies that can demonstrate

stability in a recessionary environment are highly sought-after by both private equity and strategic acquirers. At the end of Q1 '23, the majority of industries experienced steady or increasing EBITDA valuations in Middle Market M&A compared to the prior quarter.

### U.S. Median Middle Market EV/EBITDA Multiple by Sector <sup>(1) (2)</sup>



### U.S. Median Middle Market EV/Revenue Multiple by Sector <sup>(1) (3)</sup>



Source: Capital IQ, PitchBook

Note: Data as of 3/31/2023

(1) Middle Market defined as <\$500M in Enterprise Value;

(2) Excludes multiples <2.0x and >20.0x as well as Financial & Technology sectors;

(3) Excludes multiples >5.0x as well as Financial & Technology sectors

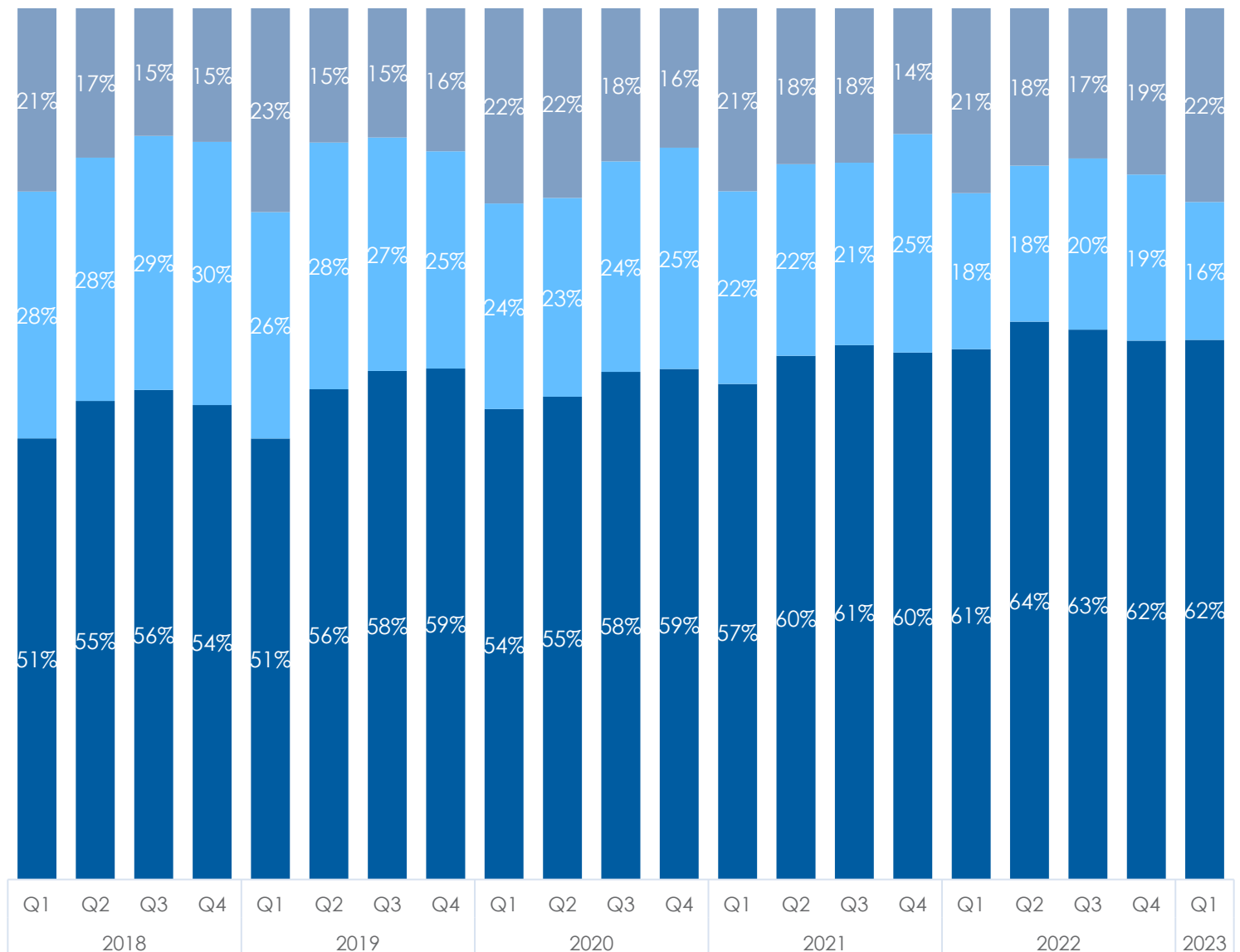
## Acquirer Trends

M&A acquirers fall into three categories: i) private equity platforms (initial acquisition by private equity); ii) private equity add-ons (follow-on acquisitions by a private equity-backed platform); and iii) strategics (operating entity within the industry).

In Q1 '23, private equity add-ons continue to comprise 60%+ of all M&A transaction volume, whereas PE platform continued to decline and is at the lowest quarterly level over the past 21 quarters. Strategic acquirers comprised 20%+ of all M&A transactions in Q1 '23.

### U.S. M&A Transactions by Buyer Strategy Type

■ PE Add-on ■ PE Platform ■ Strategic



Source: Capital IQ, PitchBook  
Note: Data as of 3/31/2023

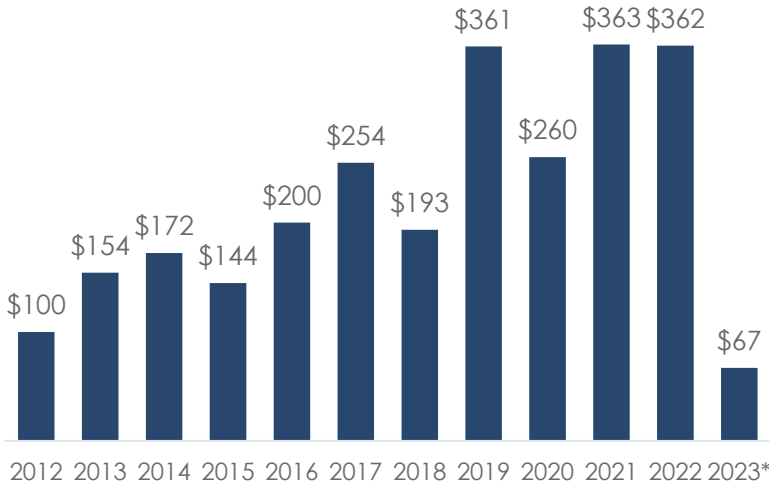
## Fund Formation and Capital Overhang

The total amount of private equity capital raised and available for deployment ("U.S. Private Equity Capital Overhang") since '13 totals approximately \$780B with the vast majority targeting Middle Market companies. The private equity capital overhang has declined annually for the first time in over a

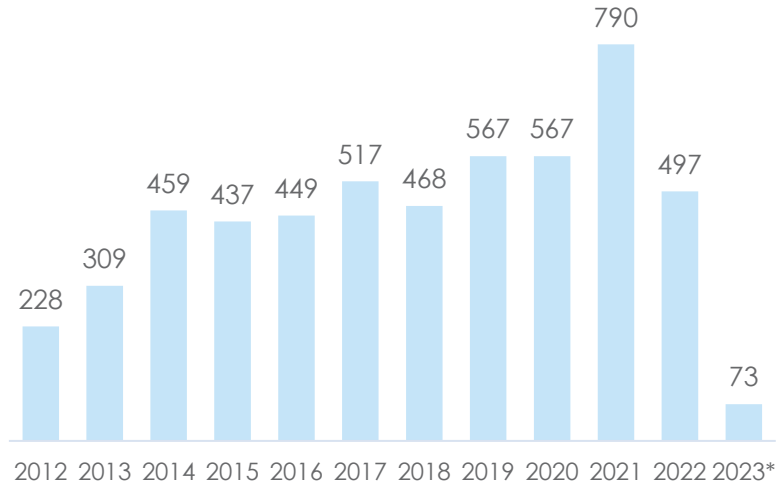
decade. In Q1 '23, 70+ new funds were formed totaling \$60B+ in new capital. On an annualized basis, private equity fundraising both capital raised (\$268B annualized) and number of funds (292 annualized) are projected to be lower than 2022 (\$362B capital raised and 497 new funds formed).

### U.S. Private Equity Fundraising

PE CAPITAL RAISED (\$B)

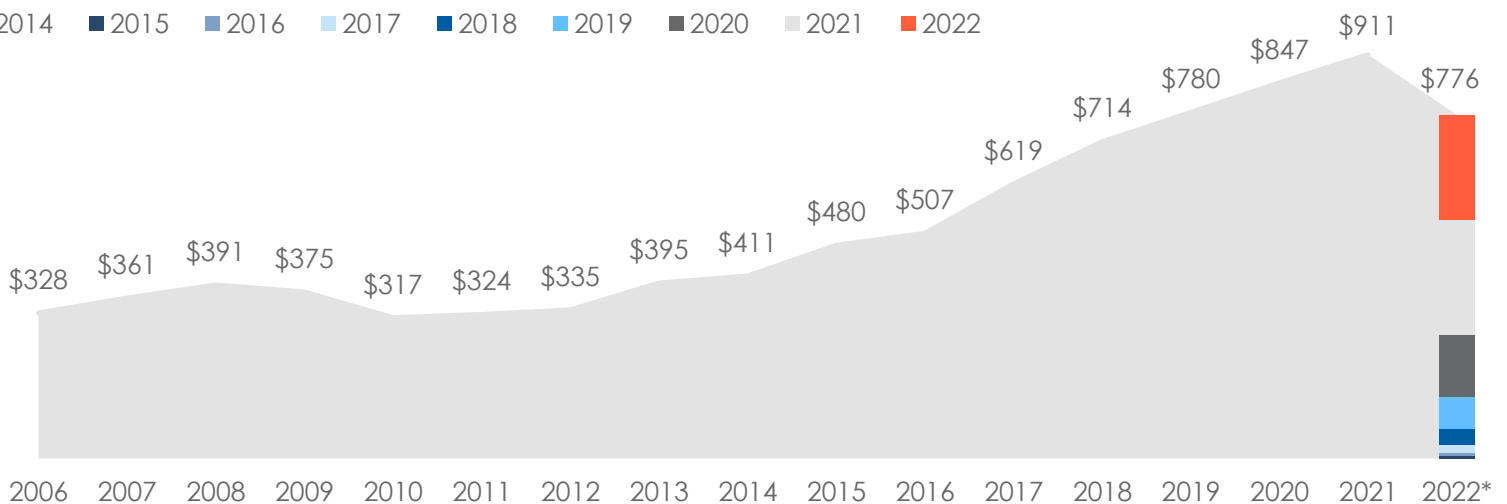


NUMBER OF NEW FUNDS



### U.S. Private Equity Capital Overhang (\$B)

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022



Note: U.S. PE Fundraising data as of 3/31/2023 & U.S. PE Capital Overhang data as of 12/31/2022; Excludes venture capital & real estate funds

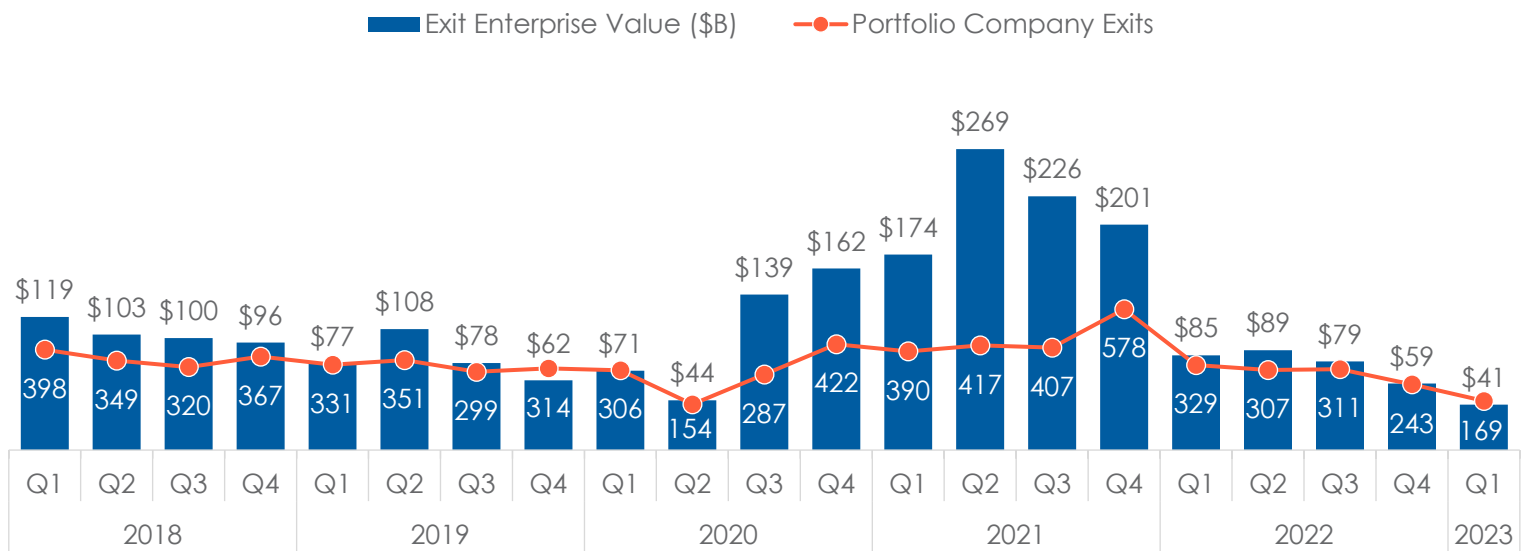
Source: Capital IQ, PitchBook

## Private Equity Exit Activity

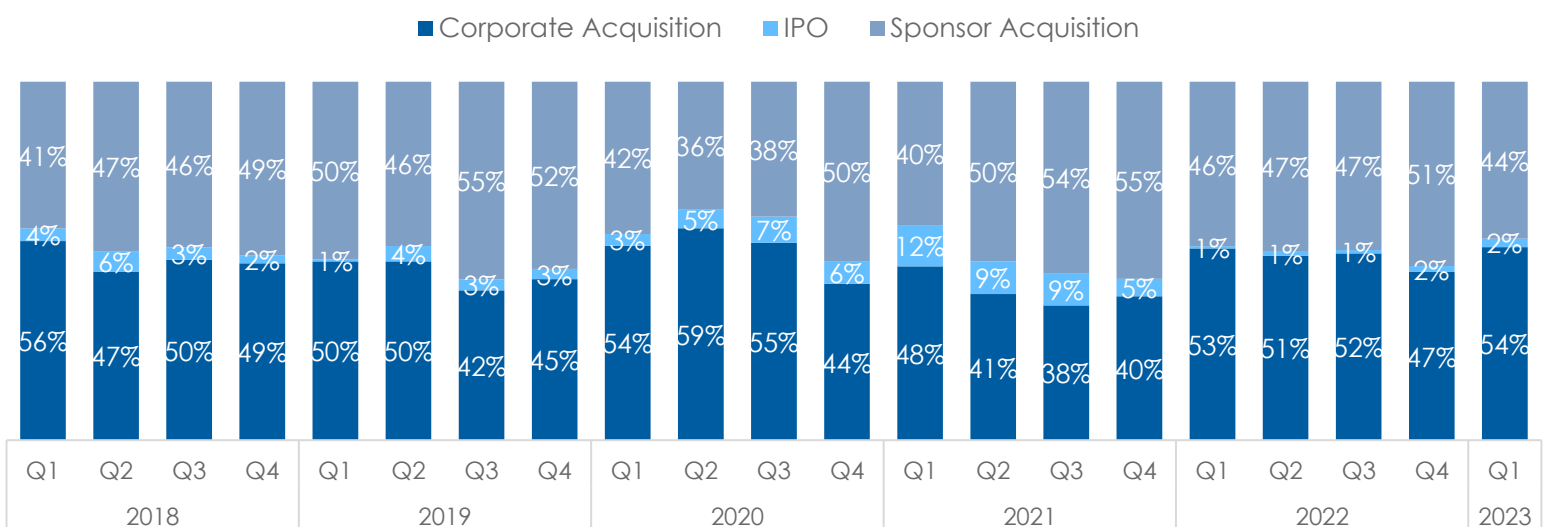
The decrease in private equity exit activity reached an 11-quarter low in Q1 '23 with 169 portfolio company exits totaling \$41B in Enterprise Value. Private equity funds have slowed exit rates after capitalizing on valuation exuberance in '21 and are taking a 'wait and see' approach to current macroeconomic

headwinds. Private equity exits continue to be evenly split between sales to other private equity firms and strategic acquirers.

### U.S. Private Equity Exit Activity



### U.S. Private Equity Exit by Type



Source: Capital IQ, PitchBook  
Note: Data as of 3/31/2023

In Q1 '23, public company valuations increased. During this period, the S&P 500 Index ("S&P") increased 7.0% and the Russell 2000 Index ("Russell") finished up 2.3%. The EBITDA multiple for the Russell and S&P ended at approximately 10.9x and 13.7x, respectively. EBITDA multiples are down well below pre-

COVID levels (2019 average of 12.7x and 12.4x for the S&P and Russell, respectively) due to declining stock prices against strong, post-COVID trailing twelve-month EBITDA growth. Investors are forward looking and are pricing in declining EBITDA performance in the near future.

### S&P 500 and Russell 2000 Index Performance



### S&P 500 and Russell 2000 Index EV/EBITDA Performance



Source: Capital IQ, PitchBook  
Note: Data as of 3/31/2023



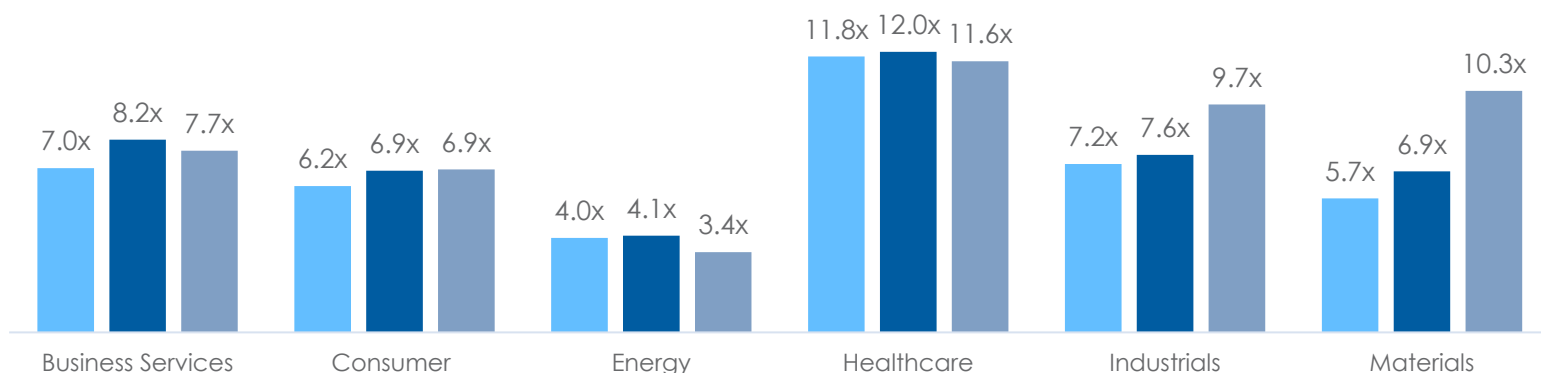
## Public Markets' Valuation Multiples by Sector

GLC monitors the Russell 2000 Index as a barometer for Middle Market valuations due to the index's focus of small-cap stocks. Half the sectors in the Russell reported an increase in valuation multiples from Q4 '22 to Q1 '23. Overall, the average EBITDA multiple increase of the Russell's sectors in Q1 '23 was

Approximately 1% compared to Q4 '22 and a decrease of 14% compared to Q1 '22 (prior year). Valuation multiples in the public markets continued to be emotionally driven as investors factor in mixed signals of slowing economic growth and the potential end of increasing interest rates.

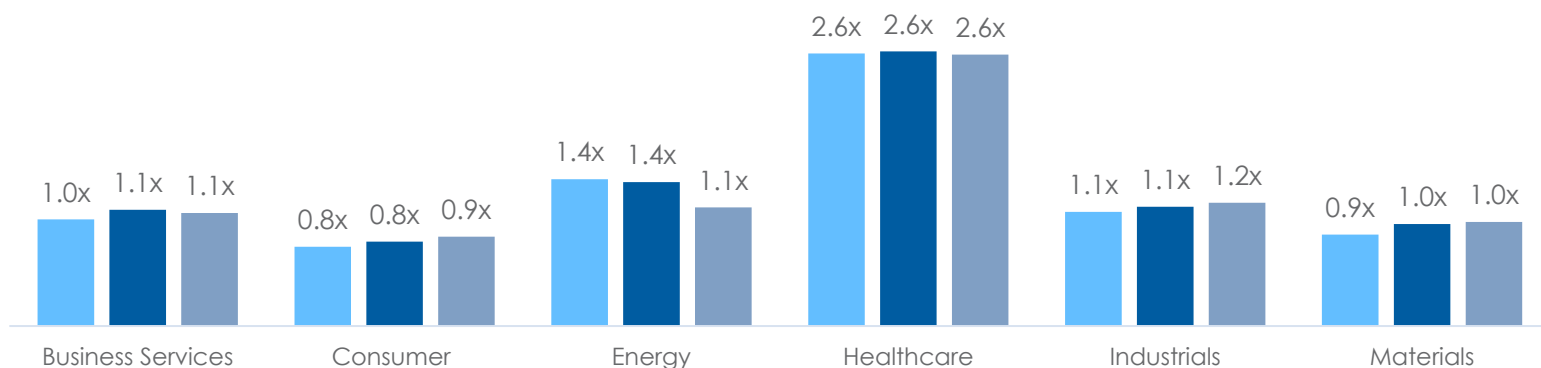
### Russell 2000 Median EV/EBITDA Multiples by Sector <sup>(1)</sup>

Q1 2023	8.9x
Q4 2022	8.8x
Q3 2022	8.4x



### Russell 2000 Median EV/Revenue Multiples by Sector <sup>(2)</sup>

Q1 2023	1.4x
Q4 2022	1.4x
Q3 2022	1.4x



Source: Capital IQ, PitchBook  
 Note: Data as of 3/31/2023; Summary multiples do not tie to prior page due to exclusion of Financial & Technology sectors  
 (1) Excludes EV/EBITDA multiples <0x and >40x; Excludes Financial & Technology sectors  
 (2) Excludes EV/Rev multiples >7.5x; Excludes Financial & Technology sectors

# FIRM OVERVIEW

## A Leading, Full-Service Investment Bank

GLC Advisors & Co. is a leading independent investment banking advisory firm, delivering objective, senior-level expertise to successfully execute financial advisory assignments for our clients. We advise Shareholders, Board of Directors, Entrepreneurs, Management Teams, and Capital Providers on material financial transactions regarding strategic alternatives, capital structure, and transactions.

We excel working with founder and owner operators and are passionate about the businesses and people we work with.

**900+**  
CLOSED  
TRANSACTIONS

**\$730B+**  
TRANSACTION  
VALUE

**50+**  
PROFESSIONALS

**15+**  
MANAGING  
DIRECTORS

### Key Capabilities

#### M&A Advisory

- 100% Sale
- Valuations
- Fairness Opinions

#### Capital Raising

- Growth Equity
- Debt Capital
- Minority Recap

#### Restructuring

- Debt Advisory
- Distressed M&A
- 363 Transactions

## Business Services & Diversified Industries Team

GLC's Business Services and Diversified Industries Team is focused on advising business services, consumer and industrials clients in the Middle Market. Our team's advisory work includes M&A (sell-side and buy-side), financing/debt advisories, recapitalizations, fairness opinions, and valuations. We excel at working with founders and owner-operators. Our team is passionate about the businesses and people that hire us to advise in their strategic decisions and events.



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# MIDDLE MARKET M&A UPDATE














## Representative Transactions

Q1  
2023











### Recent M&A Advisory

 Acquired By  Advisor to Video King	 Acquired By  Advisor to Melvin Brewing	 Acquired By  A portfolio company of  Advisor to Verus Global	 Acquired By  Advisor to AccuSystems	 Acquired By  Merged with  Advisor to Dema Plumbing
 Acquired By  Advisor to SpineOne	 Recapitalization & Growth Capital  Advisor to Elmdale Partners	 A Portfolio Company of  Acquired By  Advisor to Greensill U.S.	 Sold the assets of  To Ministry Brands  Advisor to LPI	 Majority Recap  Advisor to Mark Young

### Recent Capital Raise Advisory

 Acquired a Stake in  Advisor to All Pro Capital	 Strategic Investment from  Advisor to Marker Trax	 Minority Recap  Advisor to Trapp Technology	 Debt Financing Advisor to Mount Airy	 Debt Capital Raise Advisor to Ad Hoc Group of Creditors
 Capital Raise Advisor to Riverbed Technology	 Financing for Alternative Transaction Advisor to Dean Foods	 Debt Capital Raise Advisor to Aspen Dental	 Debt Capital Raise Advisor to Empire Resorts	 Debt Capital Raise Advisor to Physicians Endoscopy

### Recent Restructuring Advisory

 Restructuring Advisor to Healogics	 Restructuring Advisor to Riverbed Technology	 Restructuring Advisor to Redrock Biofuels	 Chapter 11 Restructuring Advisor to First Energy	 Restructuring Advisor to Pengrowth
 Restructuring Advisor to iHeartMedia	 Chapter 11 Restructuring Advisor to Toys "R" Us	 Chapter 11 reorganization Advisor to Fallbrook	 Chapter 11 reorganization and Section 363 asset sale Advisor to Brookstone	 Restructuring and Strategic Advisory Advisor to Hertz

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