M&A INSIGHT

MERGERS, ACQUISITIONS, DIVESTITURES AND VALUATIONS FOR MIDDLE-MARKET COMPANIES

IN THIS EDITION

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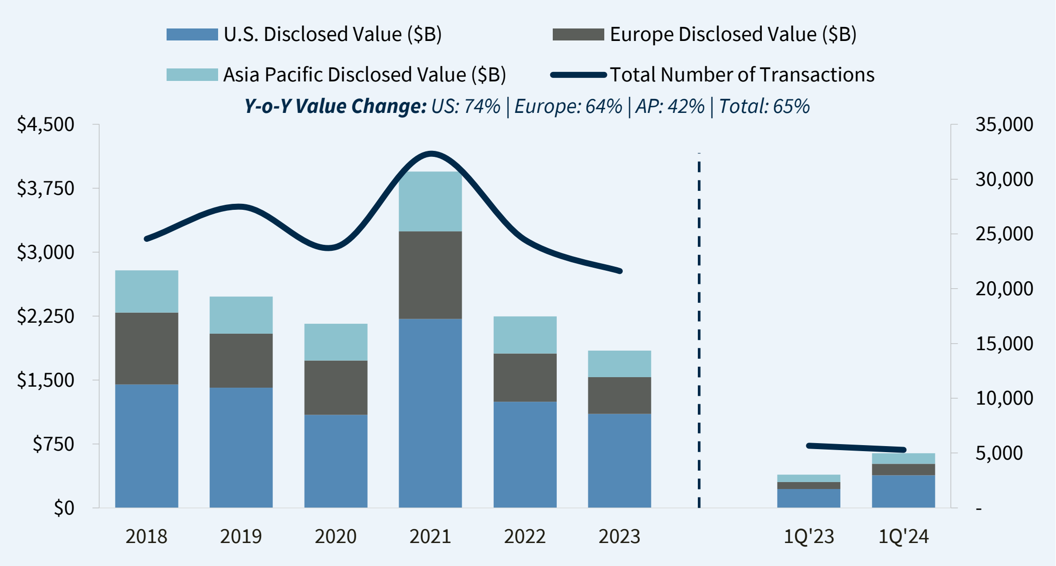
Global M&A Market Commentary

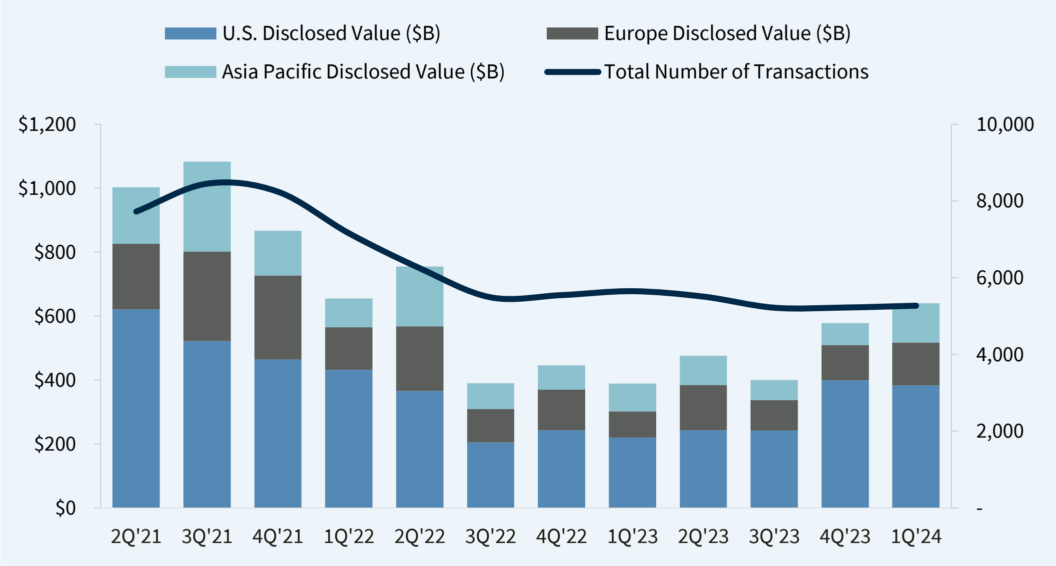
Historical Annual M&A Activity

Total M&A deal volume in Q1'24 involving targets based in the U.S., Europe and Asia Pacific decreased by approximately 7% year-over-year ("Y-o-Y")[1]. In contrast, M&A deal value increased approximately 65% in Q1'24 when compared to Q1'23[1]. Q1'24 deal value of ~$640B was the highest quarterly value the market has seen since Q2'22, primarily driven by the re-emergence of large deals ($1,000M+), which increased 85% compared to the first quarter of 2023. Large companies were able to capitalize on strong public market valuations to help finance megadeals in Q1'24. Particularly, the energy sector displayed strength with consolidation occurring through multiple megadeals including Diamondback Energy / Endeavor Energy Partners, Chesapeake Energy / Southwestern Energy and APA / Callon Petroleum[2]. Historically speaking, large transactions ($1,000M+) have served as a leading indicator regarding the health of broader M&A activity.



Historical Quarterly M&A Activity

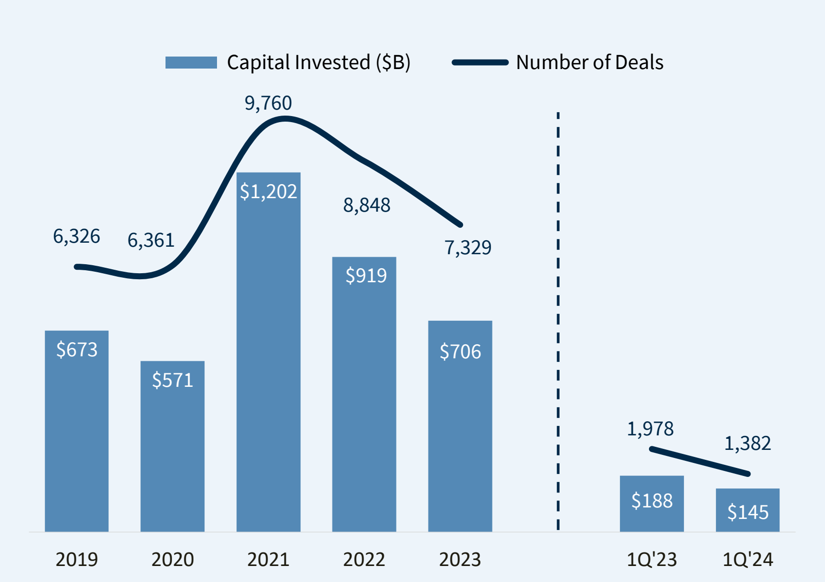
In the U.S., Europe and Asia Pacific, sequential quarter-over-quarter announced M&A deal value and volume increased by approximately 11% and 1%, respectively, in the first quarter of 2024[1]. M&A deal value continued to demonstrate improved activity in Q1'24, following an improved Q4'23 for global deal value and volume. While nearly all transaction sizes registered sequential decreases in Q1'24 from a value perspective, transactions $1,000M+ increased 22% sequentially. Regionally, Asia Pacific had the largest sequential increase in deal value at 78%, reflecting a regional-specific market rebound from the second half of 2023, which experienced the lowest level of region-specific activity since COVID-19.



(1) FactSet; number of transactions includes those with undisclosed values; includes transactions with disclosed values over $10M. Data as of 3/31/2024.
(2) Reuters / S&P M&A Report.

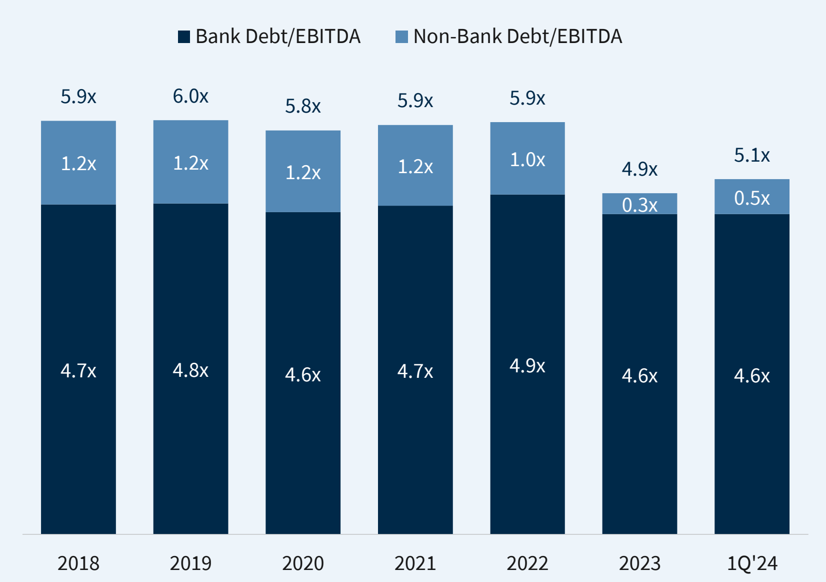
U.S. Private Equity Commentary

Deal Flow[1]



U.S. private equity deal value in the first quarter of 2024 decreased approximately 23% when compared to the first quarter of 2023 as financial sponsors continued to face challenges in both deploying and returning capital. Similarly, when measured by deal volume, U.S. private equity saw a year-over-year decrease of approximately 30% in the first quarter of 2024. When comparing the first quarter of 2024 over a longer horizon, deal value and volume were both approximately 26% lower than the quarterly average since 2018. Compositionally, deal sizes from $100M – $500M comprised 24% of total deal volume in the first quarter of 2024, representing a year-over-year decrease of approximately 7%. When measured by deal value, the same size range saw a year-over-year decrease of approximately 6%, representing approximately 43% of total deal value in the first quarter of 2024[1].

Avg. Multiples of Large Corporate LBO Loans[2]

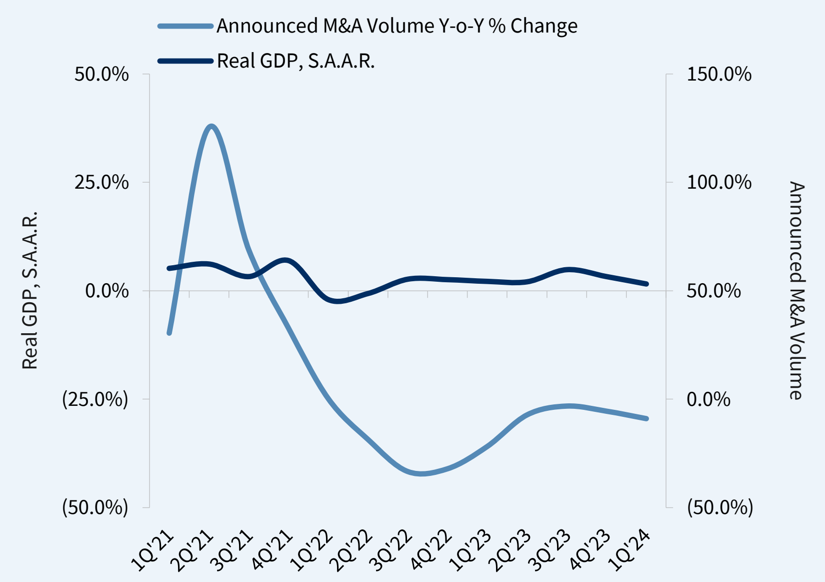


Average debt multiples of large corporate LBO loans in 1Q'24 were slightly higher than full year 2023, increasing 0.2x, as the cost of leveraged loans has begun to decrease following a sharp decline in leverage in 2023 and companies are willing to take on higher levels of debt. The uptick in leverage following a challenging year in 2023 is primarily driven by an improved earnings environment, expectations of eventual interest rate cuts from record-high rates in 2023 and more favorable monetary policy dynamics. As pricing has improved, both refinancing of loans and new issuances have rebounded, with year-over-year increases of 69% and 12%, respectively. Private credit and syndicated loans remain an important component of the debt market, as investment banks are re-entering the market more aggressively to gain market share from direct lenders. Notably, Raymond James has recently established a new private credit business by partnering with Eldridge Industries.

(1) PitchBook, *"US PE Breakdown"*. Data as of 3/31/2024.
(2) S&P LCD Report. Includes issuers with EBITDA greater than $50M. Data as of 3/31/2024.
(3) Pitchbook Leveraged Finance Report.

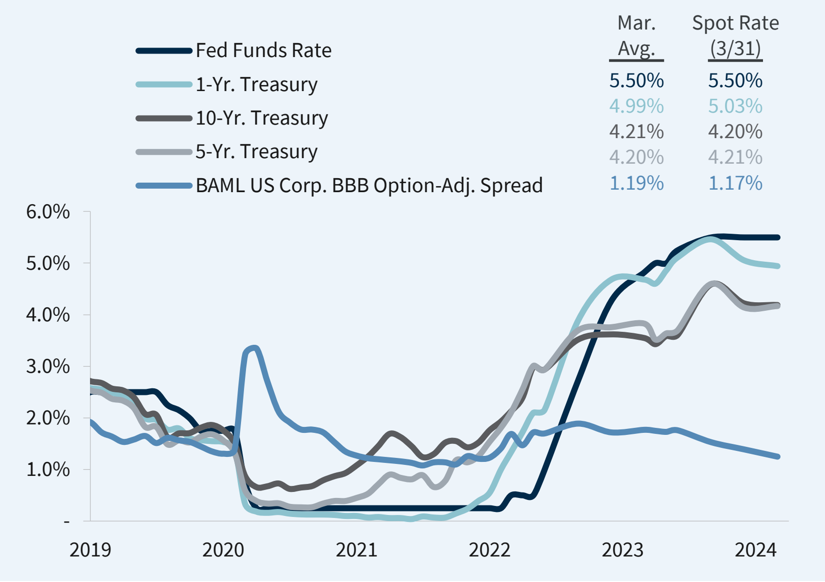
U.S. Corporate Finance Commentary

U.S. GDP Growth vs. M&A Activity[1][2][3]



U.S. real GDP growth, historically an indicator of M&A activity and a barometer for overall economic health, is estimated to have increased at an annualized pace of 1.6% in Q1 2024; comparatively, GDP increased 3.4% in Q4 2023. The increase in first quarter GDP reflected increases in consumer spending, residential fixed investment, nonresidential fixed investment and state and local government spending, partly offset by a decrease in private inventory investment. Real personal spending, which accounts for about 70% of GDP, had a positive impact on GDP growth, increasing 2.5% in the first quarter of 2024. The CPI for gross domestic purchases, a broader measure of inflation in the economy, increased 3.5% during the same period.

U.S. Corporate Spreads[4]

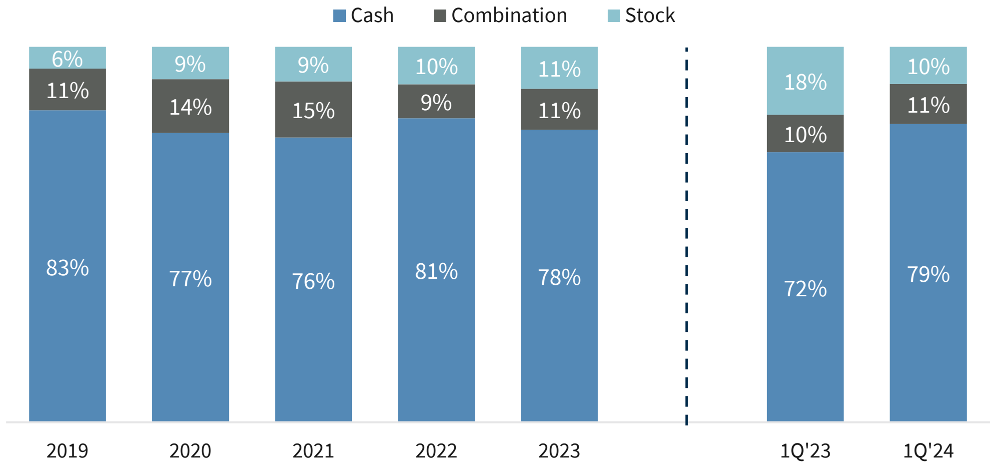


The Federal Reserve held rates constant in the fourth quarter, maintaining the total fed funds rate at a targeted range of 525 – 550 bps. In Q1 2024, fixed-income markets had a mixed performance following a record performance in 2023, with the Total Bond Index (representing U.S. government and investment-grade fixed income instruments) decreasing approximately 0.8%. Bond duration proved to be a key factor, as bonds with a higher duration risk (sensitivity to yields), experienced the largest price decrease. Bonds in credit-sensitive sectors such as high-yield or bank loans outperformed. The stock market rebounded in the first quarter as the S&P 500 increased ~10.8%, reaching a record high. Multiple sectors posted growth during the first quarter, led by communication services at ~16.6%. Following communication services was the information technology and industrials sectors, which posted increases of ~15.5% and ~11.6%, respectively.

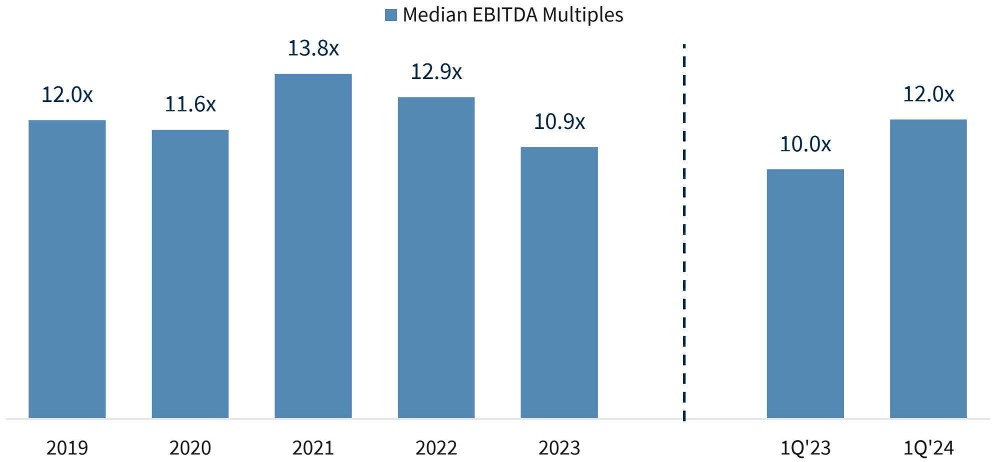
(1) U.S. Bureau of Economic Analysis. Updated as of latest available (4/25/2024).
(2) FactSet.
(3) GDP growth based on 2012 dollars.
(4) Federal Reserve Economic Data. Data represents the monthly average.

M&A Market Statistics

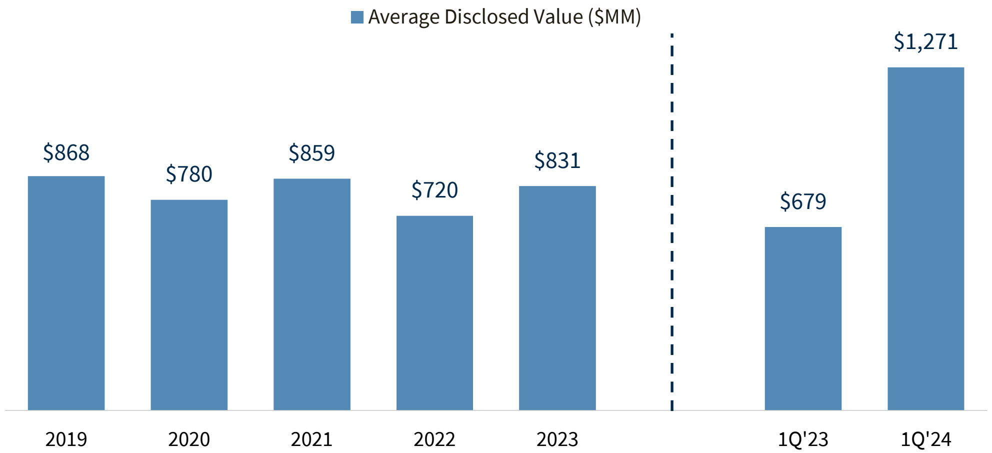
Consideration Offered in U.S. M&A Transactions(1)(2)



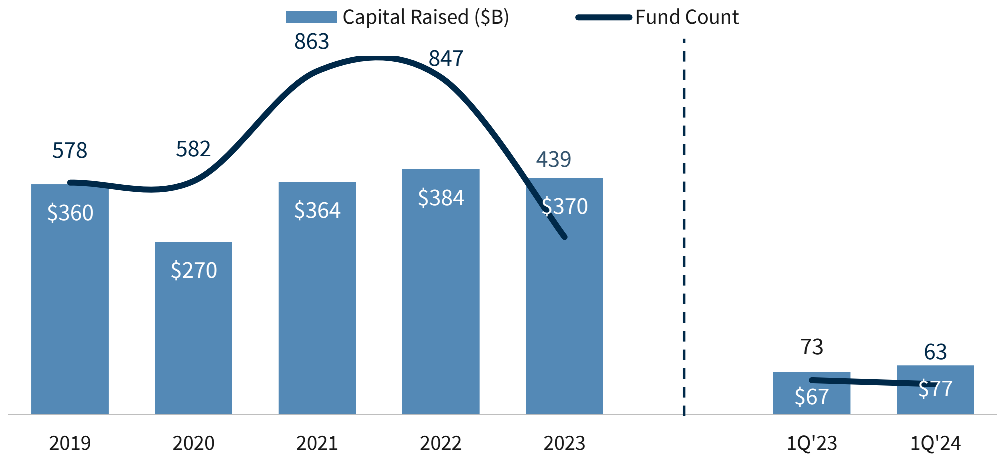
Median EBITDA Multiples in U.S. M&A Transactions(1)(2)



Average Size of U.S. M&A Transactions(1)(2)



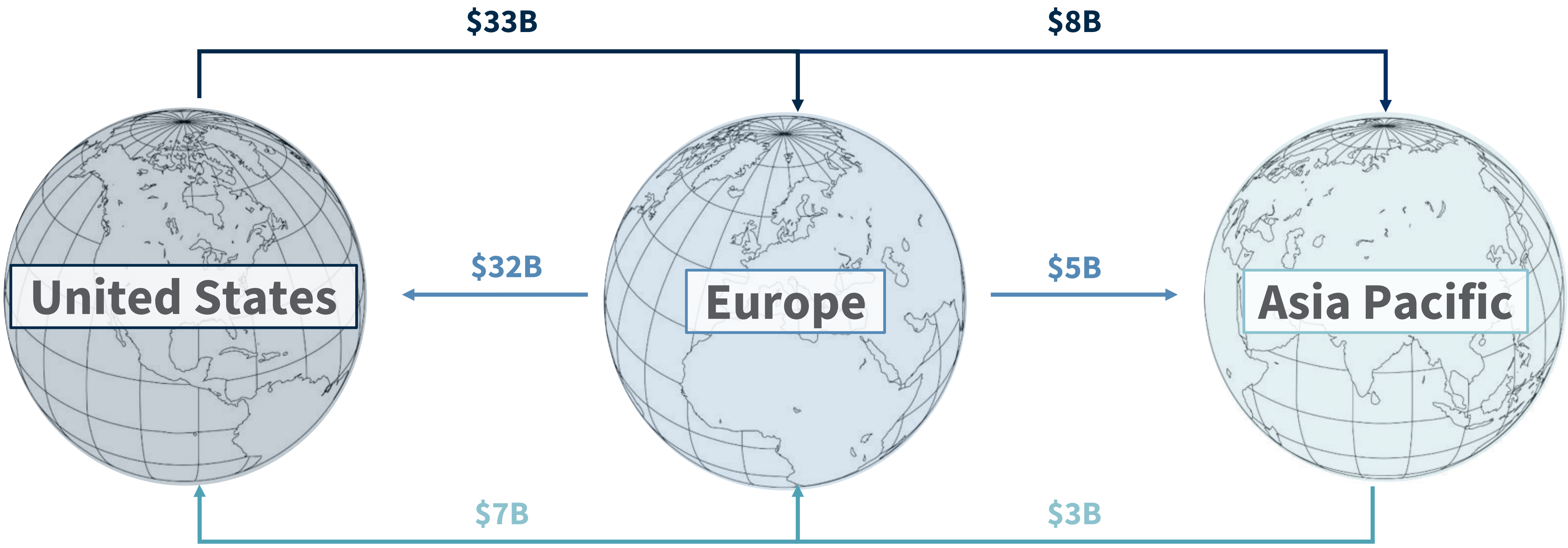
U.S. Private Equity Fundraising(3)



(1) FactSet; data as of 3/31/2024.
(2) Includes transactions with disclosed values over $10M.
(3) PitchBook, *"US PE Breakdown"*. Data as of 3/31/2024.

M&A Market Statistics

1Q'24 Cross Border M&A Deal Activity(1)



(1) Source: FactSet; number of transactions includes those with undisclosed values; Includes transactions with disclosed values over $10M. Data from 1/01/2024 – 3/31/2024.

Economic Commentary

Eugenio J. Alemán, Ph.D.
June 7th, 2024
Chief Economist, Private Client Group

Welcome to Economic Decision Making: Which Way is North?

We got mixed economic signals this week with the ISM Manufacturing PMI remaining in contraction in May after a brief, one-month, slightly expansionary reading in March, but weaker than May consensus expectations. The ISM Manufacturing PMI employment index improved in May, moving from contraction in April to slightly expanding in May. Factory orders, which are a bit lagging compared to the ISM Manufacturing PMI, were positive in April for the third consecutive month. This could indicate some improvement in manufacturing production down the pipeline. Meanwhile, the ISM Services PMI rebounded from a surprise contractionary reading in April and moved again into expansion in May with a stronger than expected reading for the month. However, the ISM Services PMI Employment index remained in contraction during the month of May even though it improved slightly compared to the April reading.

Furthermore, the JOLTS report showed the lowest job openings number since February of 2021 while the number of job openings to the number of unemployed Americans declined to a level close to pre-pandemic levels.

Then, today, we saw the two employment surveys, the nonfarm payroll survey and the household survey numbers, showing either a 272,000 increase in jobs or a 408,000 decrease in jobs in May, respectively. How's that for reassurance going into the Federal Open Market Committee (FOMC) meeting next week?

This is probably one of the reasons why economists are accused of being "two handed economists," that is, "on the one hand" employment is doing just fine but, "on the other hand," employment is really doing bad!

Pushing the First Fed Rate Cut to September While Waiting for the June FOMC

With this latest information in hand, we are moving our first federal funds rate cut to September of this year compared to our current July call even though we are going to get more information from Federal Reserve (Fed) officials after the release of the Summary of Economic Projections (SEP) and the new 'dot-plot' on Wednesday of next week. Typically, the Fed puts more importance to the nonfarm payrolls survey number than the household survey so even though the rate of unemployment increased to 4.0% the strength in nonfarm payrolls will have more weight.

We want to caution that there have been an increased number of voices arguing that the Fed may be behind the curve and should start reducing interest rates earlier than what markets are expecting today. However, we believe that Fed officials are well aware that lowering interest rates too early could hurt confidence as well as inflation expectations and would probably refrain from cutting in July, which was our call until today. Having said this, the probability of a rate cut in July is not zero.

Summary of the week

Employment Report: The nonfarm payroll number was much stronger in May than markets expectations, up 272,000 versus FactSet expectations for 180,000. However, the household employment survey showed a decline of 408,000 during the same month and thus the rate of unemployment increased from 3.9% in April to 4.0% in May. Thus, once again, the two major employment surveys diverged considerably. Although the strong nonfarm payroll number may indicate that the Federal Reserve is going to be ok with delaying rate cuts, the increase in the unemployment rate may steer them into the opposite view. We will get some clarity on these diverging surveys once the Summary of Economic Projections (SEP) and the new 'dot-plot' is released next week after the May Federal Open Market Committee (FOMC) meeting ends next week. Nonfarm employment surged by 272,000 in May after a downwardly revised increase of 165,000 in April, according to the Bureau of Labor Statistics. Meanwhile, the rate of unemployment increased from 3.9% in April to 4.0% in May.

ISM Services:. The better than expected ISM Services PMI—at 53.8 compared to expectations for a 50.8 reading—should ease some recent concerns regarding the strength of the US service economy. Thirteen services industries reported growth in May compared to five which reported a decline. The Prices Index remained in expansion even though it weakened somewhat in May. This means that the strength in the services sector has continued to put pressure on services prices, which is not so good news for inflation and the Federal Reserve. The Institute for Supply Management Services PMI came in higher than expected in May as well as above the 50-demarcation point after spending April in contraction.

Source: Raymond James Weekly Economics, *"Thoughts of the Week"*. Link.

Raymond James

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Industry knowledge and distribution power are central to helping Raymond James' investment bankers serve the needs of growth companies in the areas of public equity and debt underwriting, private equity and debt placement, and merger and acquisition advisory services. Raymond James investment banking offices are located in 20 cities, including Atlanta, Boston, Charlotte, Chicago, Dallas, Denver, Greater Washington D.C., Houston, Los Angeles, Memphis, Nashville, New York, Raleigh, San Francisco, St. Petersburg, Toronto and Vancouver, along with Munich, Frankfurt and London in Europe.

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Raymond James Recent Advisory Transactions (01/01/24 – 03/31/24)

March 2024
iFH
Has entered into a definitive agreement to merge with
CAPITAL BANCORP, INC.

March 2024
PAI
Has entered into a definitive agreement to make a majority investment in
BEAUTYNOVA

March 2024
ALLIES OF SKIN
Has received growth financing from
MEANINGFUL PARTNERS

March 2024
montagu
Has entered into a definitive agreement to acquire the
Medical Device Components
Business of
JM Johnson Matthey

March 2024
packback
A portfolio company of
UNIVERSITY VENTURES
Has received a strategic investment from
PSG

March 2024
Fitness solutions
Club ASF ClubWise mypthub
Subsidiaries of
Evercommerce
Have been acquired by
Jonas

March 2024
SENTIA
A portfolio company of
WATERLAND
Has been acquired by
aeven
A portfolio company of
AGILITAS

March 2024
Stuzo
A portfolio company of
LONGSHORE CAPITAL PARTNERS
Has been acquired by
PAR

March 2024
alterDomus*
A portfolio company of
PERMIRA
Has secured a new strategic investment from
Cinven

March 2024
Pets Best PET HEALTH INSURANCE
A subsidiary of
synchrony
Has been acquired by
IPH Independence Pet Holdings
A subsidiary of
JAB

March 2024
PCS Retirement
A portfolio company of
LLR Partners
Has received majority investment from
LEE EQUITY

February 2024
ActiveViam
A portfolio company of
Guidepost GROWTH EQUITY
Has received a majority investment from
Nordic Capital

February 2024
Procare SOLUTIONS
A portfolio company of
Warburg Pincus
TA ASSOCIATES
Has been acquired by
Roper TECHNOLOGIES

February 2024
PPI
A portfolio company of
Mill Point Capital
Has been acquired by
LIGHTYEAR CAPITAL

February 2024
FASTPATH
A portfolio company of
Pamlico CAPITAL
Has entered into a definitive agreement to be acquired by
Delinea
A portfolio company of
TPG THOMABRAVO INSIGHT

February 2024
THE CITIZENRY
A portfolio company of
nextworld
Has been acquired by
HAVENLY

February 2024
RoC
A portfolio company of
GRYPHON INVESTORS
Has been acquired by
Bridgepoint

February 2024
Wellspring
A portfolio company of
RESURGENS TECHNOLOGY PARTNERS
Public takeover of
Sopheon

February 2024
K18 BIOMIMETIC HAIRSCIENCE
Has been acquired by
Unilever

February 2024
CubeLogic
A portfolio company of
gcp
Has received an investment from
BOWMARK CAPITAL

February 2024
Dr Dennis Gross SKINCARE
A portfolio company of
MAIN POST PARTNERS
Has been acquired by
SHISEIDO

Raymond James Recent Advisory Transactions (01/01/24 – 03/31/24)

February 2024
Coventure
Has acquired
Via a plan of reorganization
Financial Advisor

February 2024
Q4
Has been acquired by
Sumeru
C$257 Million

February 2024
pinnacle
Has been acquired by
HARBOR
A portfolio company of
RENOVUS CAPITAL

January 2024
GTCR
Has acquired a majority stake in
worldpay
A business unit of
FIS

January 2024
LIPOCINE ENHANCING HEALTH
Has entered into an exclusive licensing agreement with
VERITY PHARMACEUTICALS

January 2024
BURGER KING
Premier Kings
160 unit Burger King Franchise
Has been acquired by **Multiple Buyers**

January 2024
The Bank of Princeton
Has entered into a definitive agreement to acquire
CORNERSTONE FINANCIAL CORPORATION

January 2024
TRI STATE
A portfolio company of
CICPARTNERS
Has sold its saltwater disposal assets

January 2024
PEOPLES BANK
Has been acquired by
Homeland Bancshares
Parent Company of
HOMELAND BANK

Past performance is not indicative of future results.

Raymond James Recent Capital Market Transactions (01/01/24 – 03/31/24)

March 2024
reddit
$860,200,000
Initial Public Offering
Passive Bookrunner

March 2024
KINETIK
$441,445,646
Follow-on Offering
Co-Manager

March 2024
ESSENTIAL PROPERTIES
$256,162,500
Follow-on Offering
Co-Manager

March 2024
RadNet
$230,230,000
Follow-on Offering
Active Bookrunner

March 2024
Delek Logistics
$138,000,016
Follow-on Offering
Active Bookrunner

March 2024
ADT
$485,875,000
Follow-on Offering
Passive Bookrunner

March 2024
Crescent Energy
$144,900,000
Follow-on Offering
Active Bookrunner

March 2024
VIPER
$462,875,000
Follow-on Offering
Co-Manager

March 2024
bridgebio
$287,499,997
Follow-on Offering
Lead Manager

February 2024
SIXTH STREET PARTNERS
$95,910,000
Follow-on Offering
Passive Bookrunner

February 2024
VIKING THERAPEUTICS
$632,540,250
Follow-on Offering
Passive Bookrunner

February 2024
KRATOS READY FOR WHAT'S NEXT
$345,000,006
Follow-on Offering
Passive Bookrunner

February 2024
meridianlink
$85,500,000
Follow-on Offering
Passive Bookrunner

January 2024
Morgan Stanley Direct Lending Fund
$103,350,000
Initial Public Offering
Passive Bookrunner

January 2024
NETSTREIT
$198,720,000
Follow-on Offering
Co-Manager

January 2024
Dyne THERAPEUTICS
$345,143,750
Follow-on Offering
Co-Manager

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