

# M&A INSIGHT

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

## IN THIS EDITION

Global M&A Commentary	3
U.S. Private Equity Commentary	4
U.S. Corporate Finance Commentary	5
M&A Market Statistics	6
Economic Commentary	8
About Raymond James	9
Raymond James Investment Banking Transactions	10



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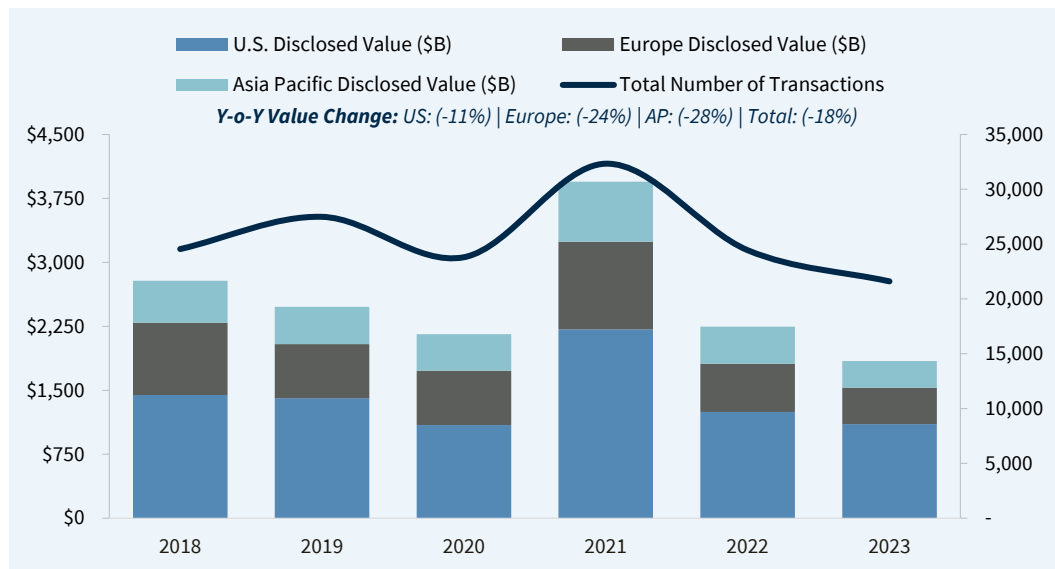
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# Global M&A Market Commentary

## Historical Annual M&A Activity

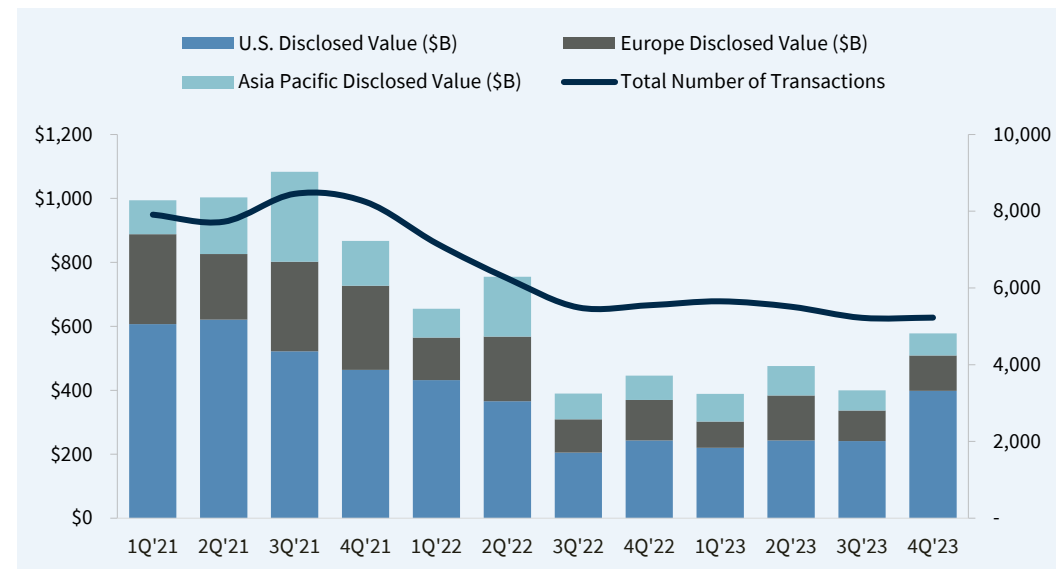
Total M&A deal volume in 2023 involving targets based in the U.S., Europe and Asia Pacific decreased by approximately 12% year-over-year (“Y-o-Y”)<sup>(1)</sup>. Similarly, M&A deal value decreased approximately 18% in 2023 when compared to 2022<sup>(1)</sup>. Despite the Federal Reserve signaling potential rate cuts in 2024, a challenging financing environment remained the primary driver hindering deal activity in 2023. Other notable contributing factors to the decrease in deal activity include the ongoing disparity in valuation expectations between potential buyers and sellers, as well as a challenging antitrust environment fostered by the FTC and international regulators, leading to stricter scrutiny for domestic and cross-border deals. Global annual M&A activity fell just shy of the \$2 trillion deal value benchmark, marking the first time since 2014 that deal value did not surpass this threshold on an annual basis.



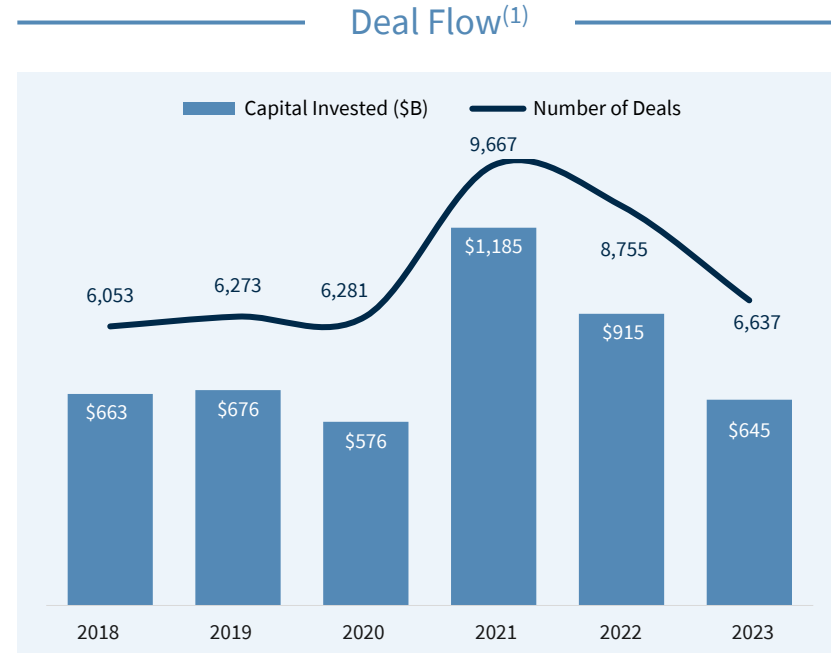
(1) FactSet; number of transactions includes those with undisclosed values; includes transactions with disclosed values over \$10M. Data as of 12/31/2023.  
 (2) Reuters / S&P M&A Report.

## Historical Quarterly M&A Activity

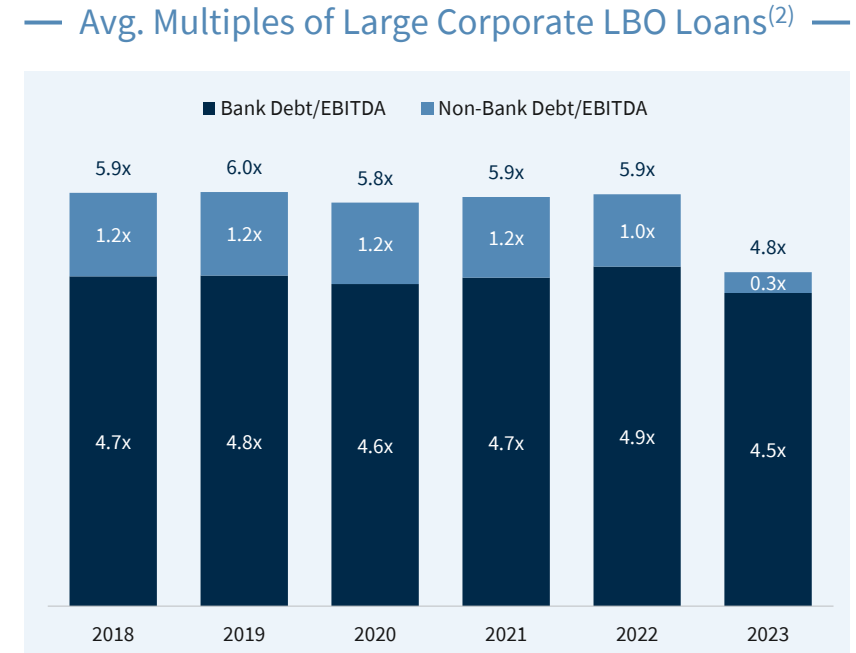
In the U.S., Europe and Asia Pacific, sequential quarter-over-quarter announced M&A deal value and volume increased by approximately 45% and 0.1%, respectively, in the fourth quarter of 2023<sup>(1)</sup>. Despite a Y-o-Y decrease in both deal value & volume in 2023 compared to 2022, the fourth quarter of 2023 provided signs of a more promising forward outlook for dealmakers and corporations entering 2024. On a sequential basis, deal value increased ~45%, the largest such increase in over three years – a gain not seen since Q3’20 during the Covid-19 pandemic. Although deal count was flat quarter-over-quarter in Q4’23, larger transactions in the \$1,000M+ and \$500M – \$750M categories increased sequentially by ~18% and ~26%, respectively. In Q4’23, all regions saw an increase in deal value, with the U.S. experiencing the highest sequential growth of ~65%.



# U.S. Private Equity Commentary



U.S. private equity deal value in 2023 decreased approximately 30% when compared to 2022. Similarly, when measured by deal volume, U.S. private equity saw a year-over-year decrease of approximately 24% in 2023. When comparing the fourth quarter of 2023 over a longer horizon, deal value and volume were approximately 30% and 21% lower than the quarterly average since 2018. Compositionally, deal sizes from \$100M – \$500M comprised 31% of total deal volume in 2023, representing a year-over-year increase of approximately 2%. When measured by deal value, the same size range saw a year-over-year increase of approximately 4%, representing approximately 45% of total deal value in the fourth quarter of 2023<sup>(1)</sup>.

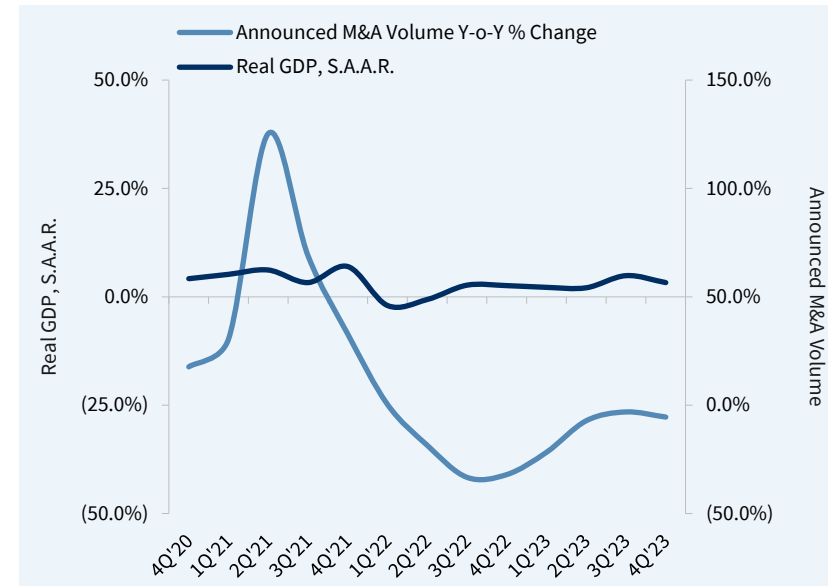


Average debt multiples of large corporate LBO loans fell 1.1x below levels observed in 2022 as the US leveraged loan market has been impacted by increasingly discerning lenders and a challenging interest rate environment. Smaller borrowers, especially those with weaker credit profiles, have been even more challenged by current market conditions. The challenging credit environment of 2023 was evident in it reaching a 13-year low for new LBO issuance at approximately \$31 billion in 2023<sup>(3)</sup>. While re-financing and amend-and-extend volumes remained robust, sponsors are increasingly adopting deal structures with less leverage and more equity. Private credit continues to gain traction compared to traditional syndicated loans, capturing market share in both re-financings and new large LBO transactions.

(1) PitchBook, "US PE Breakdown". Data as of 12/31/2023.  
 (2) S&P LCD Report. Includes issuers with EBITDA greater than \$50M. Data as of 12/31/2023.  
 (3) Pitchbook Leveraged Finance Report.

# U.S. Corporate Finance Commentary

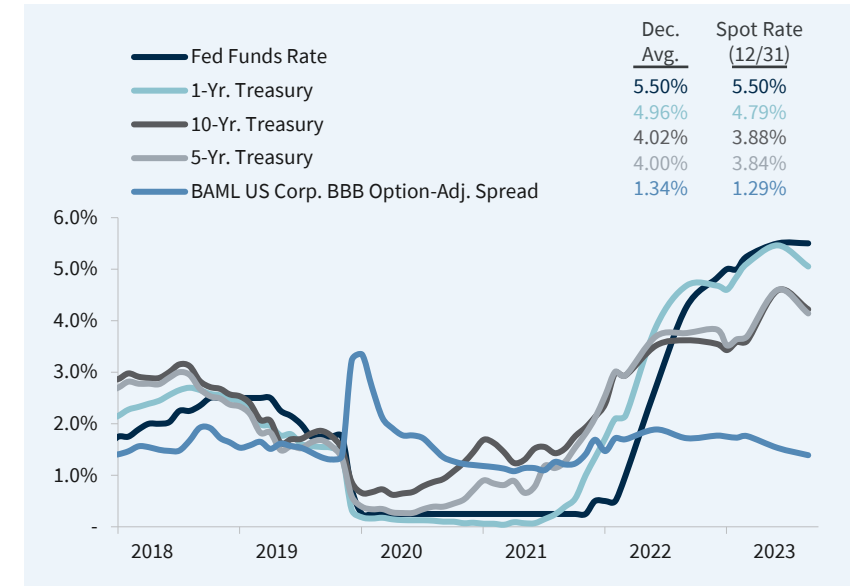
## U.S. GDP Growth vs. M&A Activity<sup>(1)(2)(3)</sup>



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 3.3% in Q4 2023; comparatively, GDP increased 4.9% in Q3 2023. The increase in fourth quarter GDP reflected increases in consumer spending, exports, state and local government spending, nonresidential fixed investment, federal government spending, private inventory investment, and residential fixed investment. Real personal spending, which accounts for about 70% of GDP, had a positive impact on GDP growth, increasing 2.8% in the fourth quarter of 2023. The CPI for gross domestic purchases, a broader measure of inflation in the economy, increased 3.4% during the same period.

(1) U.S. Bureau of Economic Analysis. Updated as of latest available (01/25/2024).  
 (2) FactSet.  
 (3) GDP growth based on 2012 dollars.  
 (4) Federal Reserve Economic Data. Data represents the monthly average.

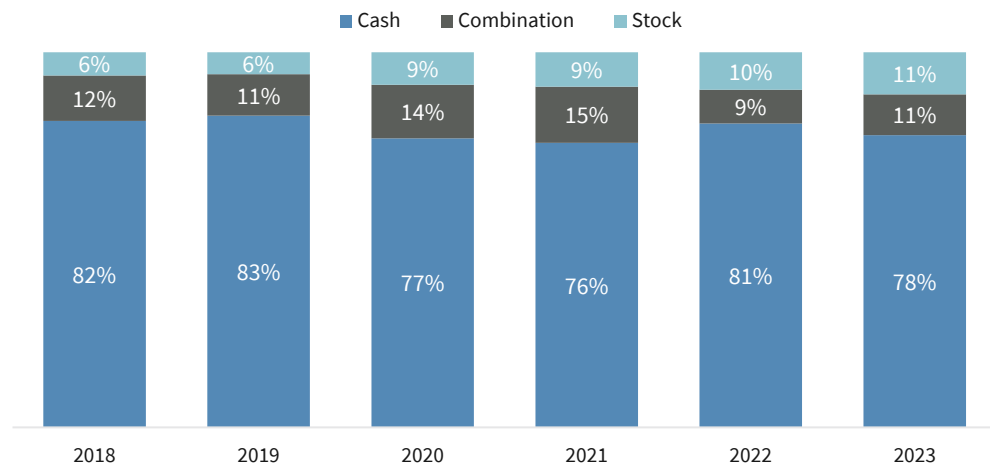
## U.S. Corporate Spreads<sup>(4)</sup>



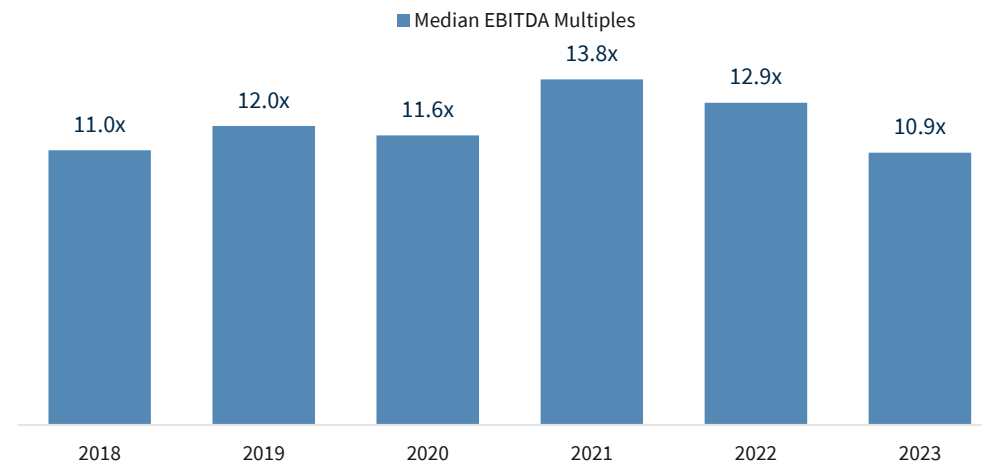
The Federal Reserve held rates constant in the fourth quarter, maintaining the total fed funds rate at a targeted range of 525 – 550 bps. In Q4 2023, fixed-income markets had the strongest performance of the year, with the Total Bond Index (representing U.S. government and investment-grade fixed income instruments) increasing approximately 6.7%. Softer-than-expected inflation data and the Fed’s posture on potential rate cuts estimated in 2024, led to a decline in bond yields. Equities also rebounded in the fourth quarter as the S&P 500 increased ~11.2%, reaching a near record high for the index. Multiple sectors posted growth during the fourth quarter, led by real estate at ~19.8%. Following real estate were the information technology and financial services sectors, which posted increases of ~15.4% and ~14.4%, respectively.

# M&A Market Statistics

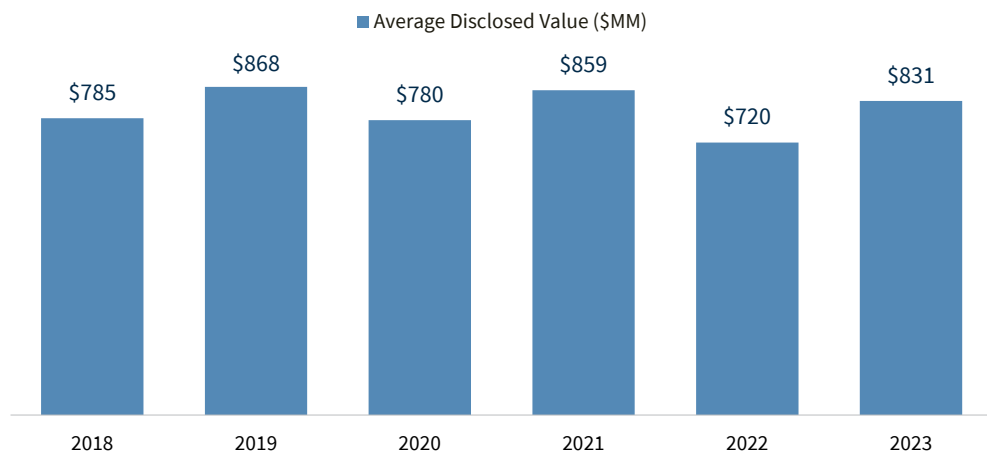
Consideration Offered in U.S. M&A Transactions<sup>(1)(2)</sup>



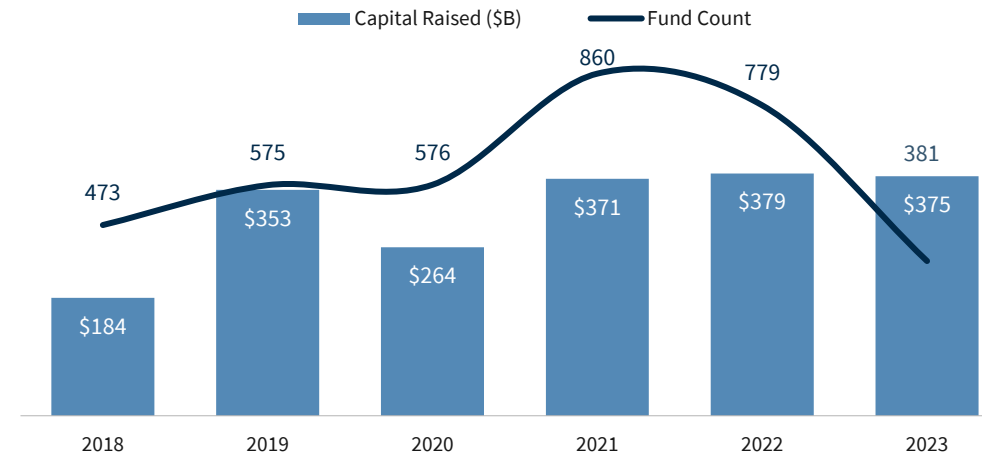
Median EBITDA Multiples in U.S. M&A Transactions<sup>(1)(2)</sup>



Average Size of U.S. M&A Transactions<sup>(1)(2)</sup>



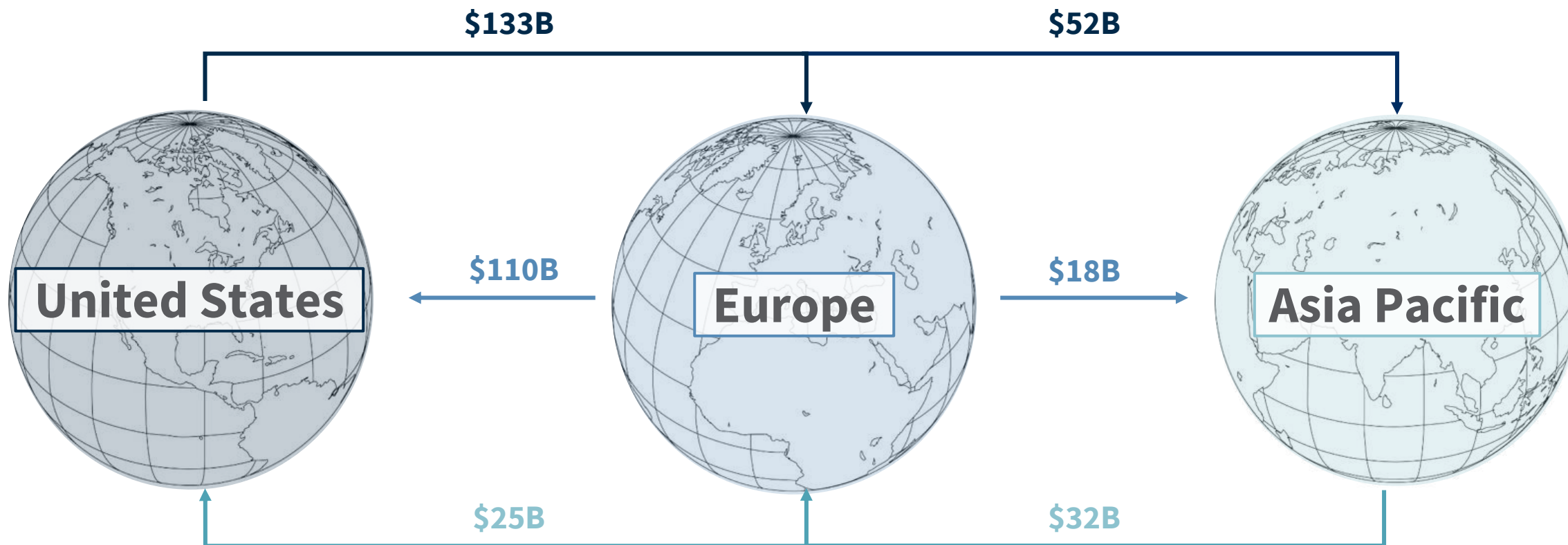
U.S. Private Equity Fundraising<sup>(3)</sup>



(1) FactSet; data as of 12/31/2023.  
 (2) Includes transactions with disclosed values over \$10M.  
 (3) PitchBook, "US PE Breakdown". Data as of 12/31/2023.

# M&A Market Statistics

## 2023 Cross Border M&A Deal Activity<sup>(1)</sup>



(1) Source: FactSet; number of transactions includes those with undisclosed values; Includes transactions with disclosed values over \$10M. Data from 01/01/2023 – 12/31/2023.

# Economic Commentary



Eugenio J. Alemán, Ph.D.

March 22<sup>nd</sup>, 2024

Chief Economist, Private Client Group

## Federal Reserve 75 Basis Points Cuts Expectation in 2024 Lacked Conviction

Markets have taken the Federal Reserve (Fed) decision to keep about 75 basis points cuts in its dot plot as a very positive sign that the Fed is going to actually cut 75 basis points during the year and are still acting upon the news. However, we believe the dot plot was in flux during this Federal Open Market Committee (FOMC) meeting, and we think this ‘flux’ was more a reflection of the Fed’s lack of conviction regarding inflation, which could threaten the 75 basis points of expected cuts by year-end 2024. This lack of conviction was further reflected in the 2025 dot plot rate cut expectations, which went from 100 basis points in December of last year to just 75 basis points in the dot plot just released.

It is clear, and the Fed Chairman has been pounding the airways continuously over the last several months, that Fed officials are lacking conviction that the disinflationary process is here to stay. This lack of conviction regarding the disinflationary path has filtered into their lack of conviction on how much interest rates are going to move down this year. For now, they kept 75 bps as their base case but expect changes coming to the dot plot in June if they don’t gain more conviction on the future path of inflation during the next several months.

Although we do not believe that, today, there is a possibility for rates to go up from here, the path downward for interest rates is not as clear as it was in 2023, because the economy has continued to surprise on the upside.

## Forecast changes: We no longer have a mild recession

This weekly report includes changes to our economic forecast that are a bit more consequential than what we have had in the past. The major change to our forecast is that we are dropping our “very mild recession” call and moving to a “soft landing” scenario. Although we still believe the U.S. economy will continue to slow during the next several quarters, we no longer believe that the slowdown is going to be enough to bring economic growth to negative territory for two consecutive quarters, which is, correctly or not, what some argue defines an economic recession.

Our change in forecast is related to the fact that real fixed private domestic investment has remained extremely strong considering how high interest rates are today. Our original very mild recession call was predicated on the fact that real residential investment was going to drop, and this was going to take real non-residential investment down, following a deterioration of ‘animal spirits’ whereby negative expectations about the future would push companies to start cutting jobs as well as production. However, although residential investment tanked as soon as the Fed started rising interest rates and continued to fall for nine consecutive quarters, the lack of supply of homes, especially in the existing homes market has, once again, pushed real residential construction up starting in the third quarter of last year. Furthermore, recent strength in new homes construction as well as new home sales is going to continue to keep real residential investment above ground.

## Summary of the week

**NAHB / WF Housing Market:** The Housing Market Index improved more than expected and crossed the 50-demarkation point for the first time since July of last year. Every component of the Index improved during the third month of the year. Two of the regional HMIs remained in ‘contraction’ territory while two were in expansion territory in March. The NAHB release indicated that headwinds remained but that builders are expecting lower mortgage rates by mid-2024. The National Association of Home Builders/Wells Fargo National Housing Market Index (HMI) was higher than expected in March, the first time above the 50-demarkation point since July of 2023 after printing 48 in February of this year. All of the components of the Index improved, with the Single-Family Sales: Present Index improving to 56 from 52 in February while the Single-Family Sales: Next 6 Months improved to 62 from 60 in February.

**Leading Economic Index:** The Conference Board Leading Economic Index (LEI) increased in February for the first time since February 2022. While the Conference Board is no longer pointing toward a recession, it is still forecasting headwinds to growth going forward as consumer debt continues to increase from already elevated levels. Over the six months between August 2023 and February 2024, the LEI declined by 2.6%, which is an improvement from the 3.8% decline over the previous six months. The Conference Board LEI increased by 0.1% in February defying FactSet expectations of a 0.2% decline. This is the first increase in the Index in 24 months. The Conference Board Coincident Economic Index (CEI) increased by 0.2% in February after increasing 0.1% in January.



# Raymond James

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# Raymond James Recent Advisory Transactions (10/01/23 – 12/31/23)

December 2023



A portfolio company of



Waud Capital

Has received an investment from



WHISTLER CAPITAL PARTNERS


December 2023



Has combined with



December 2023




Has sold Eagle Ford and Permian crude trucking assets

December 2023




Has been sold


December 2023



Has been acquired by



Related company of



December 2023



A portfolio company of



Has been acquired by



A portfolio company of



December 2023



Has been acquired by




December 2023



Has received a strategic investment from



December 2023




Has been acquired by




A subsidiary of



December 2023



Has acquired



December 2023



A portfolio company of



Has entered into a definitive agreement to receive a meaningful investment from



December 2023



Has been acquired by



December 2023



Has entered into a definitive agreement to a merger of equals with



December 2023



A portfolio company of



Has been acquired by



December 2023



Has acquired



December 2023



Has been acquired by




December 2023




Has entered into an exclusivity agreement regarding a joint investment from





December 2023




Has been acquired by



December 2023



Has been acquired by



December 2023



A portfolio company of



Has received a majority investment from










December 2023



Has made a strategic investment in



# Raymond James Recent Advisory Transactions (10/01/23 – 12/31/23)

<p>November 2023</p>  <p>Has invested in</p>  <p>A portfolio company of</p> 	<p>November 2023</p>  <p>Has been acquired by</p> 	<p>November 2023</p>  <p>A subsidiary of</p>  <p>Has entered into a definitive agreement to be acquired for a combination of cash and equity by</p> <p><b>Poodle Holdings, Inc.</b></p>	<p>November 2023</p>  <p>Unternehmerkapital</p> <p>Has acquired</p> 	<p>November 2023</p>  <p>Has received an investment from</p>  	<p>November 2023</p>  <p>Has received a growth investment from</p> 	<p>November 2023</p>  <p>Has been acquired by</p>  <p>A portfolio company of</p>  
<p>November 2023</p>  <p>Has acquired</p> 	<p>November 2023</p>  <p>Has entered into a definitive agreement to acquire</p> 	<p>October 2023</p>  <p>Has acquired</p>  <p>A portfolio company of</p> 	<p>October 2023</p>  <p>CONSUMER PARTNERS</p> <p>Has acquired a minority stake in</p> 	<p>October 2023</p>  <p>Has sold Appalachian saltwater trucking assets</p>	<p>October 2023</p>  <p>Has sold Rockies and Appalachian crude trucking assets</p>	<p>October 2023</p>  <p>Has been acquired by</p> 
<p>October 2023</p>  <p>Has been acquired by</p> 	<p>October 2023</p>  <p>Has entered into a definitive agreement for a business combination with</p> 	<p>October 2023</p>  <p>A portfolio company of</p>  <p>Has entered into a definitive agreement to be acquired by</p>  <p>A portfolio company of</p> 	<p>October 2023</p>  <p>Has been acquired by</p> 	<p>October 2023</p>  <p>A portfolio company of</p>  <p>Has been acquired by</p> 	<p>October 2023</p>  <p>Has entered into a definitive agreement to be acquired by</p> 	<p>October 2023</p>  <p>Has been acquired by</p> 

# Raymond James Recent Advisory Transactions (10/01/23 – 12/31/23)



# Raymond James Recent Capital Market Transactions (10/01/23 – 12/31/23)

December 2023



**\$125,000,000**

Follow-on Offering  
Co-Manager


December 2023



**\$115,115,000**

Follow-on Offering  
Co-Manager


December 2023



**\$37,949,999**

Follow-on Offering  
Left Bookrunner

December 2023



**\$153,237,500**

Follow-on Offering  
Co-Manager

December 2023



**\$115,000,000**

Follow-on Offering  
Co-Manager


December 2023



**\$172,499,994**

Follow-on Offering  
Passive Bookrunner


December 2023



**\$747,500,000**

Convertible Debt  
Co-Manager


December 2023



**\$80,214,000**

Convertible Debt  
Left Bookrunner

November 2023



**\$175,375,000**

Follow-on Offering  
Passive Bookrunner

October 2023



**\$190,000,000**

Initial Public Offering  
Active Bookrunner

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LOS ANGELES | MEMPHIS | NASHVILLE | NEW YORK | RALEIGH | SAN FRANCISCO | ST. PETERSBURG

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