



CALABASAS CAPITAL

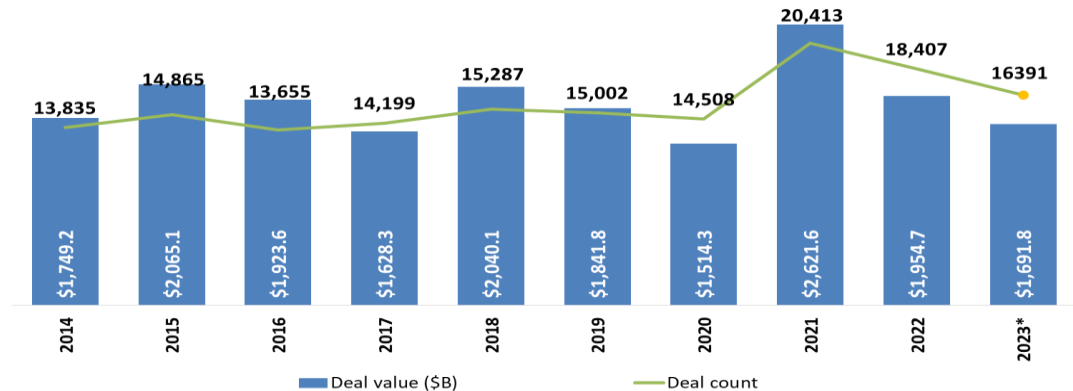
About Us

Year-End 2023 M&A and Private Equity Update 2024 Outlook

Calabasas Capital is a boutique investment banking firm focused on serving lower middle-market privately held companies, including many family-held businesses, and their owners. We specialize in sell-side and buy-side mergers, sales and acquisitions and we raise private equity and debt capital.

North American M&A Ends 2023 Down 13%

According to Pitchbook, North American M&A peaked in 2021, declined in value 25% in 2022 and declined an additional 13% in 2023 for a cumulative drop from the 2021 peak of 35%. 2023 was the third softest year in the past ten about equal to 2017.

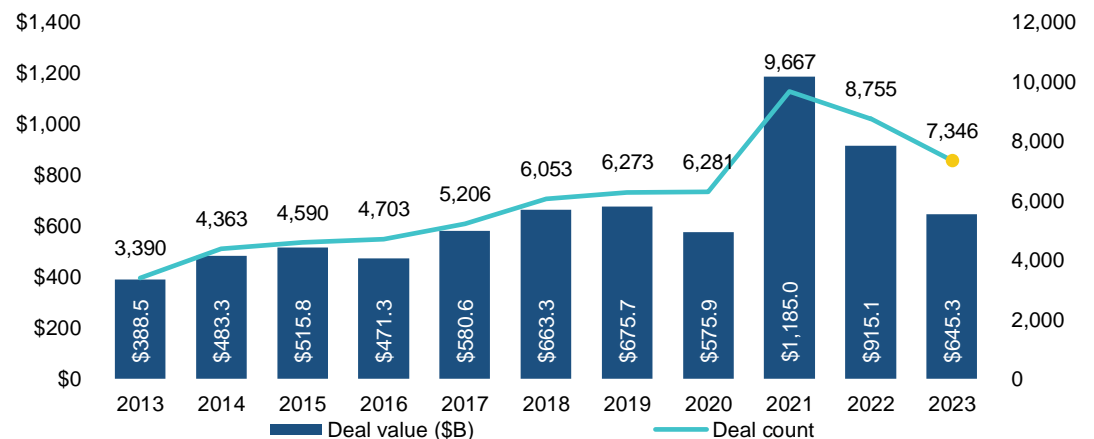


Source: Pitchbook 2023 Annual Global M&A Report.

Factors contributing to the decline include:

- The threat of recession,
- The impact of inflation on financial performance in many sectors,
- Tight credit conditions; and
- Higher for longer interest rates.

The impact on private equity was even more severe than the overall M&A market mostly because private equity acquisitions rely more on debt financing.

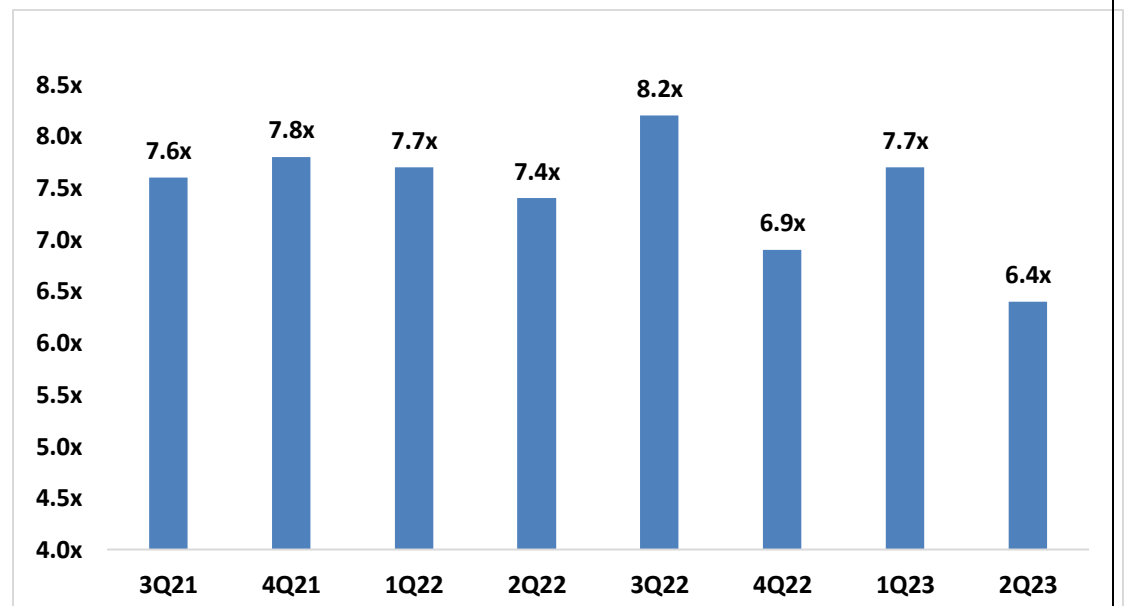
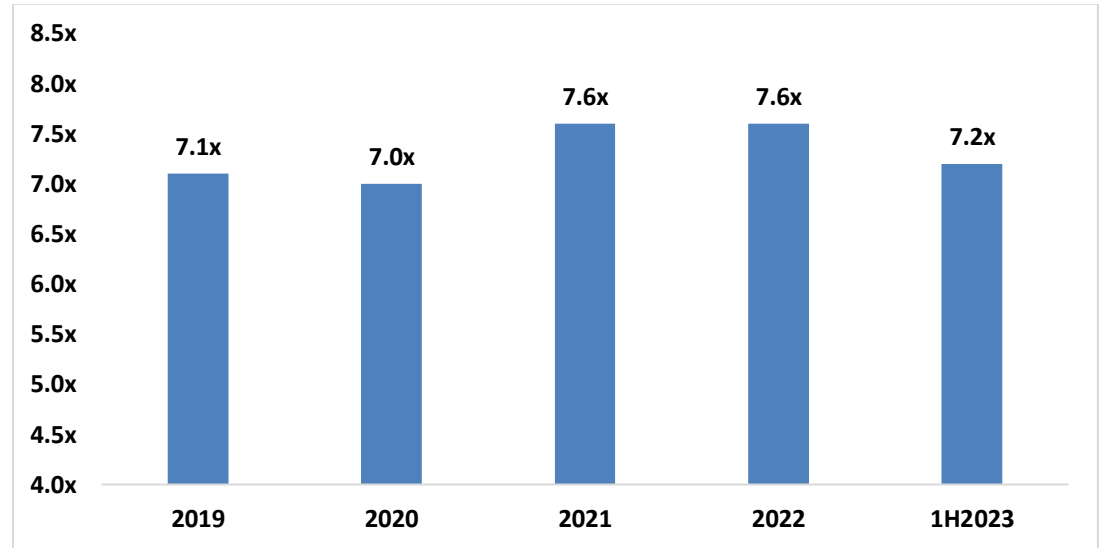


Source: Pitchbook 2023 Annual U.S. Private Equity Breakdown.

The value of U.S. private equity transactions also peaked in 2021 and declined in value 29% in 2022 and an additional 23% in 2023 for a cumulative drop from the 2021 peak of 46%.

Lower Mid-Market PE Valuations Drop Below 7x

According to GF Data, PE Lower Mid-Market (\$10-\$250MM in value) multiples dropped in 2023 but the variations are more pronounced in the quarterly data.

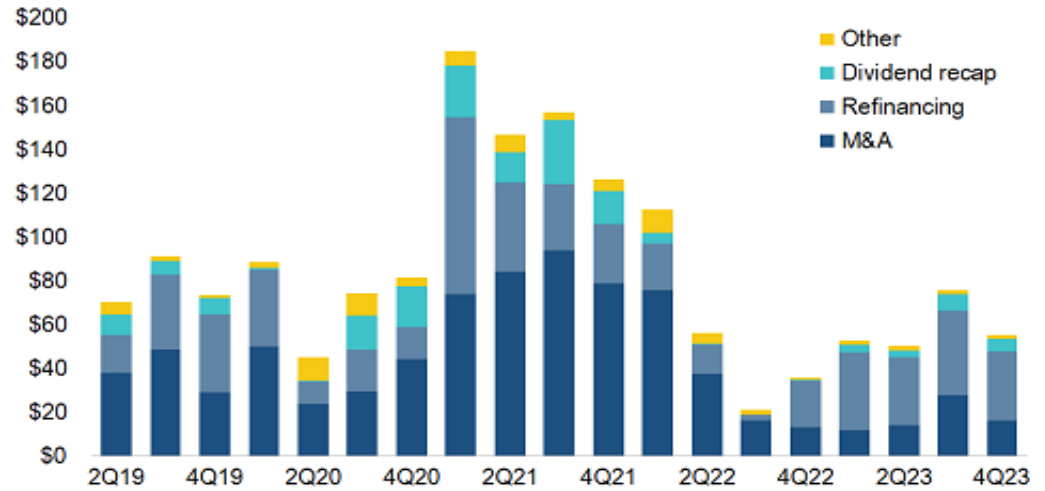


*Source: Gf Data 3rd Quarter 2023 Market Update Newsletter. Includes with values between \$10 million and \$250 million.

Credit Markets Impact on M&A

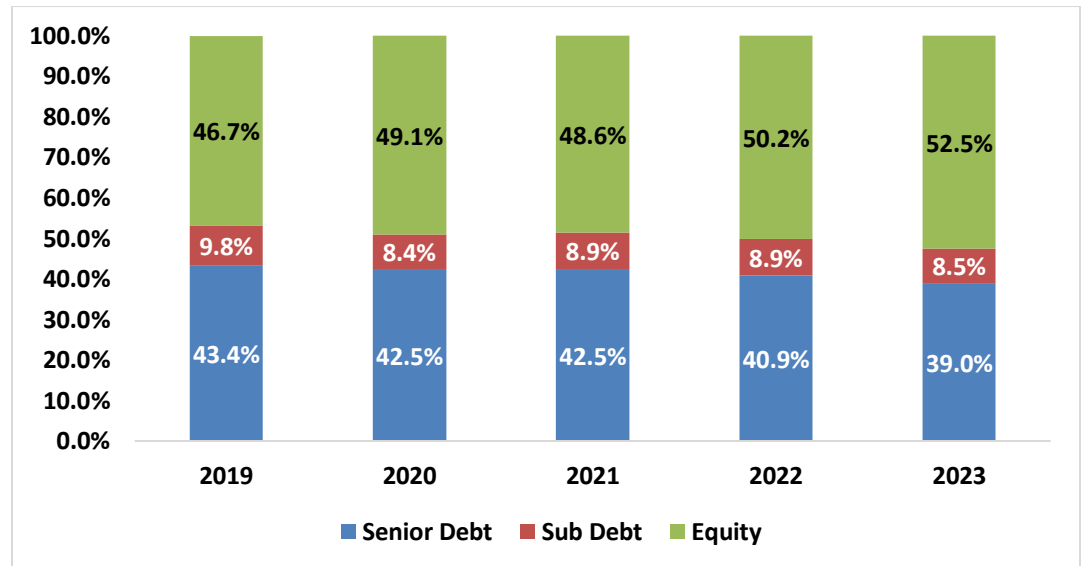
With the Fed slowing down its rate hikes, activity slowly began to rebound in the 2nd half of 2023, although M&A remained subdued while refinancings and recaps increased.

US institutional loan volume (\$B)



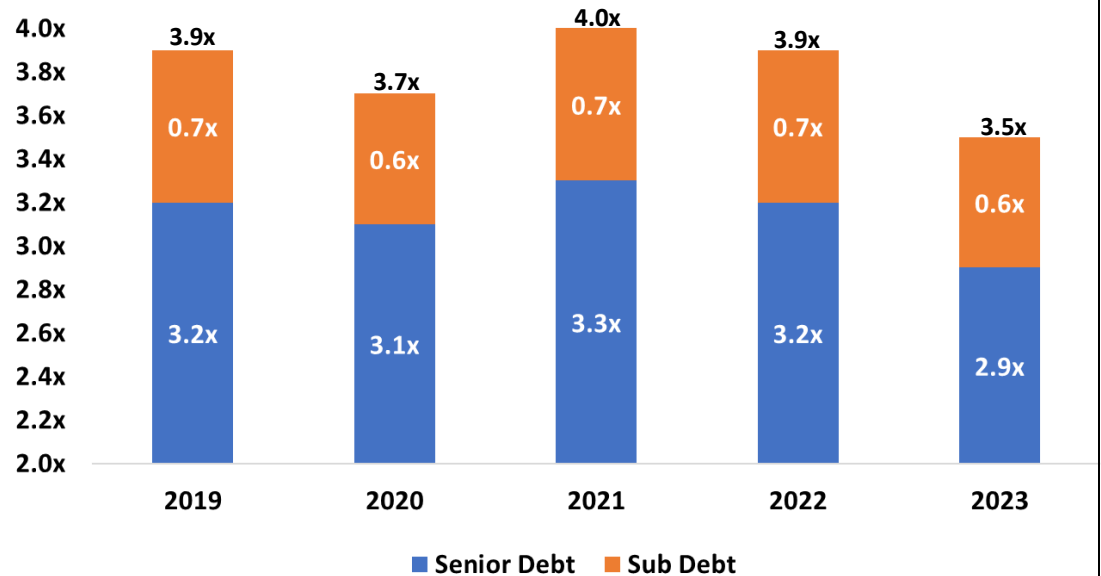
Source: PitchBook | LCD • Data through Dec. 14, 2023

By the end of 2023, lenders required greater than 52% equity contributions for PE acquisitions hindering investors' ability to generate attractive target returns.



*Source: Gf Data 3rd Quarter 2023 Market Update Newsletter. Includes with values between \$10 million and \$250 million.

Lower leverage multiples also contributed to lower deal values and a drop in deal count. According to GF Data, buyers in lower mid-market transactions were able to raise on average only 3.5x EBITDA in total leverage in 2023.



*Source: Gf Data 3rd Quarter 2023 Market Update Newsletter. Includes with values between \$10 million and \$250 million.

2024 M&A Outlook Looks Very Favorable

We agree with most industry participants who see a strong market for M&A in 2024.

- Inflation coming down to the Fed's target – latest PCE at 2.9%
- Much lower threat of recession – Q4 2023 GDP was over 3%
- Interest rates – In Dec 2023, Fed announced intention to lower by 75 bps in 2024
- Seller expectations starting to adjust
- Continued availability of capital – Corporate balance sheets and Private Equity Dry Powder remains robust
- Aging baby boomers continue to need an exit plan

Calabasas Capital

Our comprehensive services include:

- Sell-Side and Buy-Side Mergers & Acquisitions Advisory
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring

Our industries of expertise include:

- Food & Restaurants
 - See: https://calabasascapital.com/wp-content/uploads/2023/10/CalCap-Food-Bev-MA-Update_Oct-18-2023.pdf
- Software & Technology
 - See: <https://calabasascapital.com/wp-content/uploads/2023/10/CalCap-Intro-Software-Tech-June-2023-002.pdf>
- Aerospace & Defense & Government Services
 - See: <https://calabasascapital.com/wp-content/uploads/2023/10/CalCap-ADG-Update-Sep-2023-vF.pdf>
- Packaging
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- Industrial Manufacturing & Distribution
- Consumer Products & Services
- Business Services
- Healthcare

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