

Capital Markets/M&A Market Update

FEI Central PA Chapter

February 24, 2026



**Full suite of
integrated
solutions
specially tailored
to serve middle-
market
companies
throughout the
entire lifecycle of
their business**

Baker Tilly Capital, LLC (“BT Capital”) is a middle-market focused investment banking firm specializing in mergers and acquisitions, capital raising, and corporate finance advisory services.

- A FINRA-registered broker-dealer that is a wholly-owned subsidiary of Baker Tilly Advisory Group, LP
- Clients include both privately-held and public companies
- Senior professionals with significant experience providing investment banking and financial advisory services

Service Offering

Mergers & Acquisitions

- Sale and divestitures (sell-side advisory)
- Acquisitions (buy-side advisory)

Capital Sourcing

- Refinancing
- Acquisition financing
- Project financing
- Shareholder buyouts

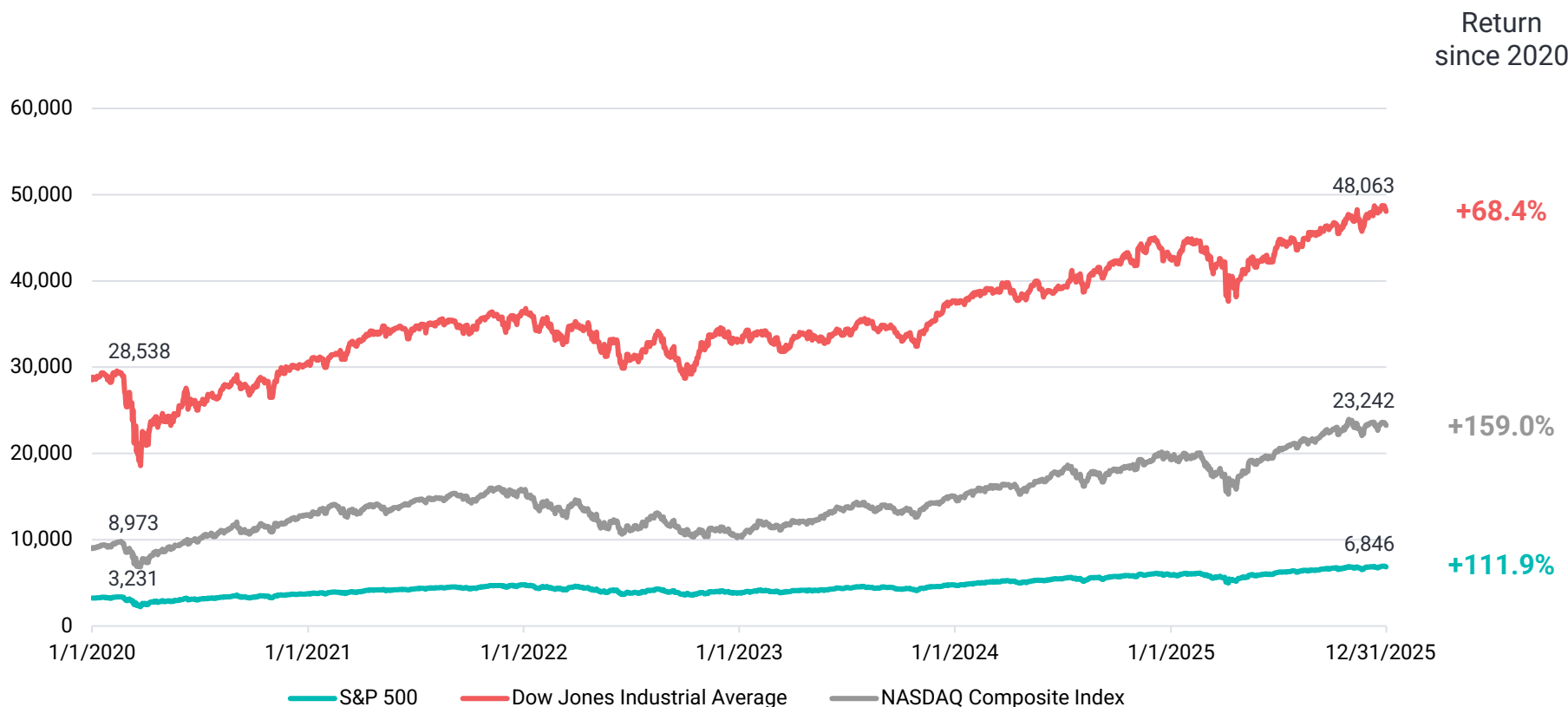


Corporate Finance Advisory

- Strategic and financial alternatives analysis
- Valuation analysis
- Board of director advisory
- Corporate restructuring

U.S. Equity Market Performance Since 2020

Major U.S. Stock Market Indexes

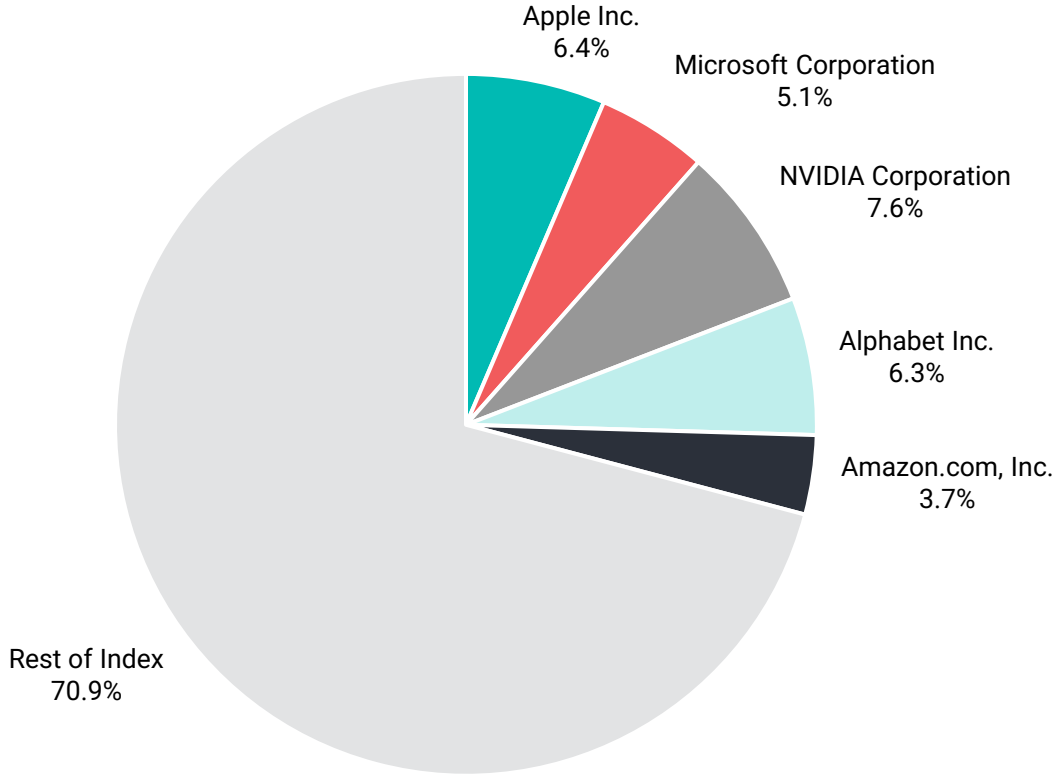


Source: CapitalIQ
Data as of 12/31/2025

U.S. Equity Market

S&P 500 – Five Largest Stocks by Market Capitalization as of February 16, 2026

Market Capitalization as Percentage of Total



Source: CapitalIQ
Data as of 2/16/2026

U.S. Equity Market

Performance by Industry Sector - 2025



Source: CapitalIQ
Data as of 12/31/2025

Significant A.I. Investment and Capital Expenditure Activity

- Alphabet, Amazon, Meta, and Microsoft are expected to spend nearly \$700 million combined in 2026 to fund their AI build-outs. *Source: CNBC, February 6, 2026.*
- AI captured close to 50% of all global funding in 2025, up from 34% in 2024. A total of \$202.3 billion has been invested in the AI sector in 2025, which includes the whole stack – AI infrastructure, foundation labs and applications. *Source: Crunchbase*
 - All told, funding to AI increased more than 75% year over year from the \$114 billion invested in 2024.
- At the close of 2025, OpenAI is the most valuable private company of all time, valued at \$500 billion. Anthropic is the fourth-most valuable at \$183 billion. *Source: Crunchbase*

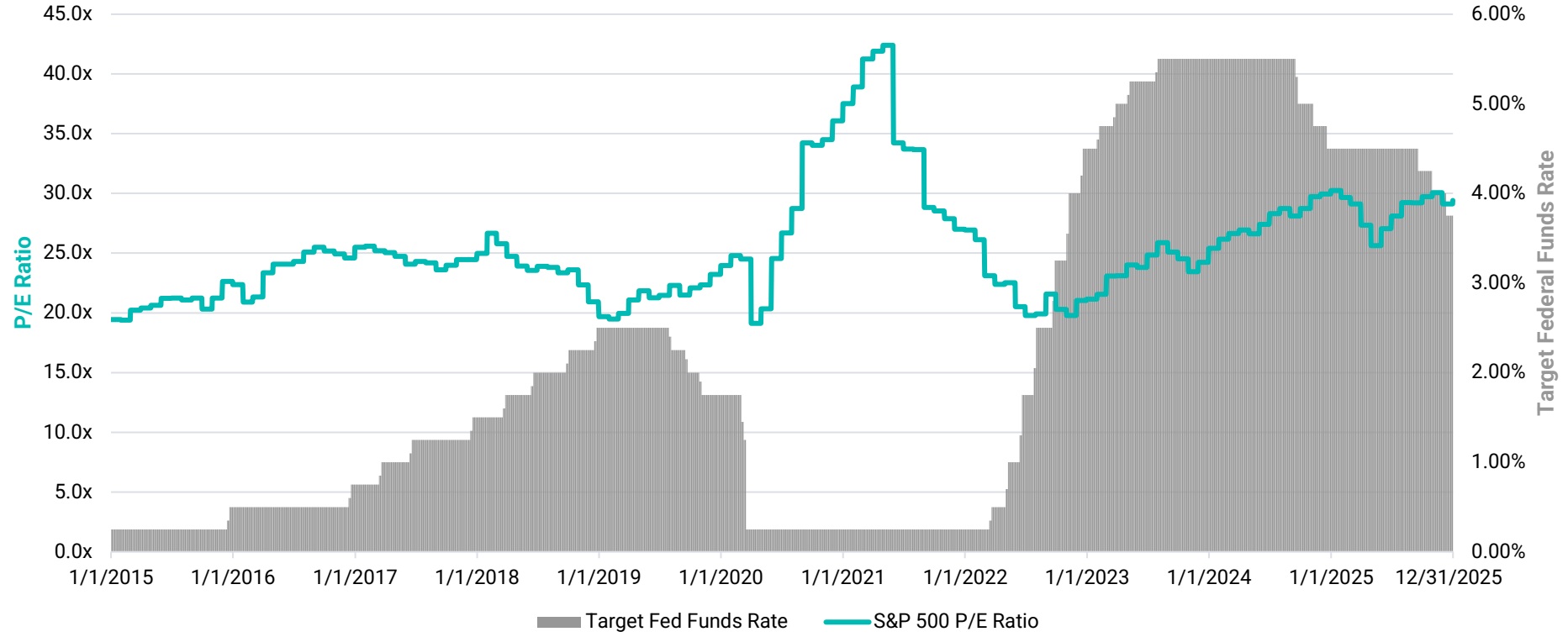
A.I. Impact and Disruption

- “Software has undergone the largest non-recessionary 12-month drawdown in over 30 years (-34%), wiping out ~\$2 trillion of market cap from the peak and reducing its weight in the S&P 500 from 12.0% to 8.4%,” according to Dubravko Lakos-Bujas and his colleagues at J.P. Morgan. *Source: Forbes, February 10, 2026*
 - Financial Data and Analytics Providers – Factset (FDS) – \$460.10 (1/1/25) to \$190.06 (2/16/26), a 59% decline
 - Real estate (Commercial/Office) - CBRE Group (CBRE) - \$170.33 (2/10/26) to \$136.28 (2/12/26), a 20% decline

A.I. Infrastructure Debt Issuance

- Hyperscalers – massive cloud infrastructure providers such as Alphabet/Google, Amazon, Meta, Microsoft, and Oracle have issued over \$120 billion in new debt in 2025. *Source: BNY Investments – December 2025*
- UBS expect as much as \$900 billion in new debt from global A.I. companies in 2026. Further out, Morgan Stanley and JP Morgan project the technology sector may need to issue as much as \$1.5 trillion in new debt over the next few years to finance A.I. and data center infrastructure construction. *Source: BNY Investments – December 2025*
- Off balance sheet financing - Meta, for example, used a JV with Blue Owl Capital for a \$30 billion data center project.

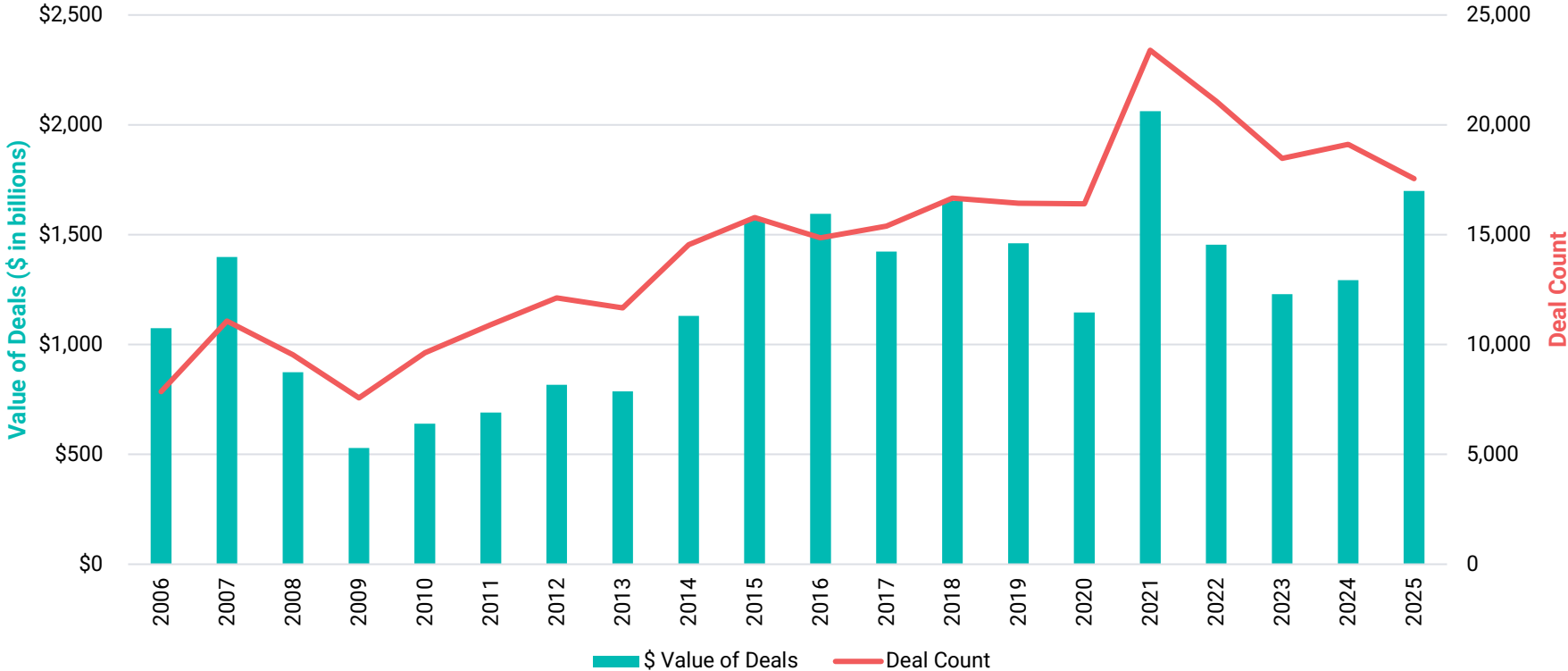
U.S. Equity Market and Federal Funds Target Rate Since 2015



Source: CapitalIQ
Data as of 12/31/2025

Total U.S. M&A Activity Snapshot Since 2006

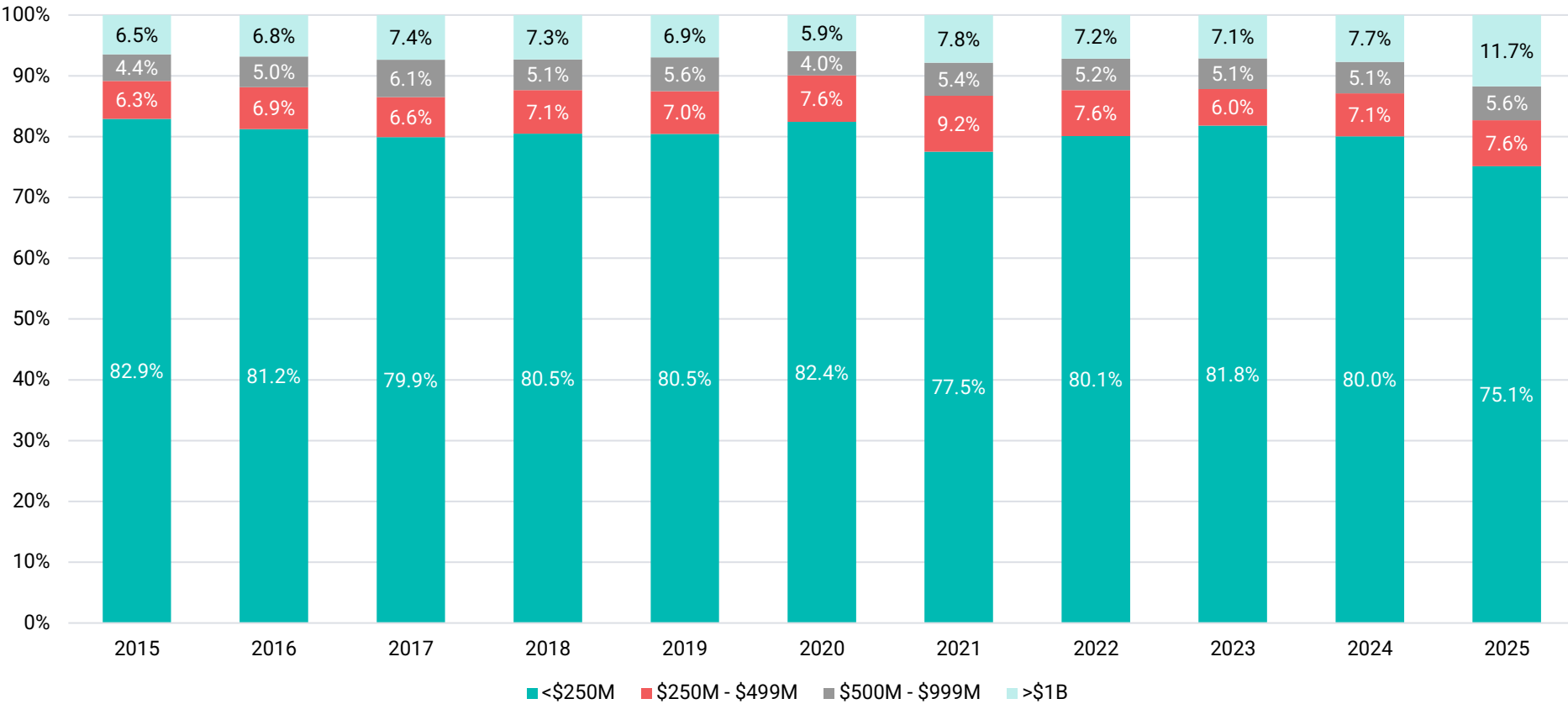
Value of Deals and Deal Count



Source: PitchBook
Data as of 12/31/2025

Total U.S. M&A Activity Snapshot Since 2015

Percentage of Deals by Value of Deal



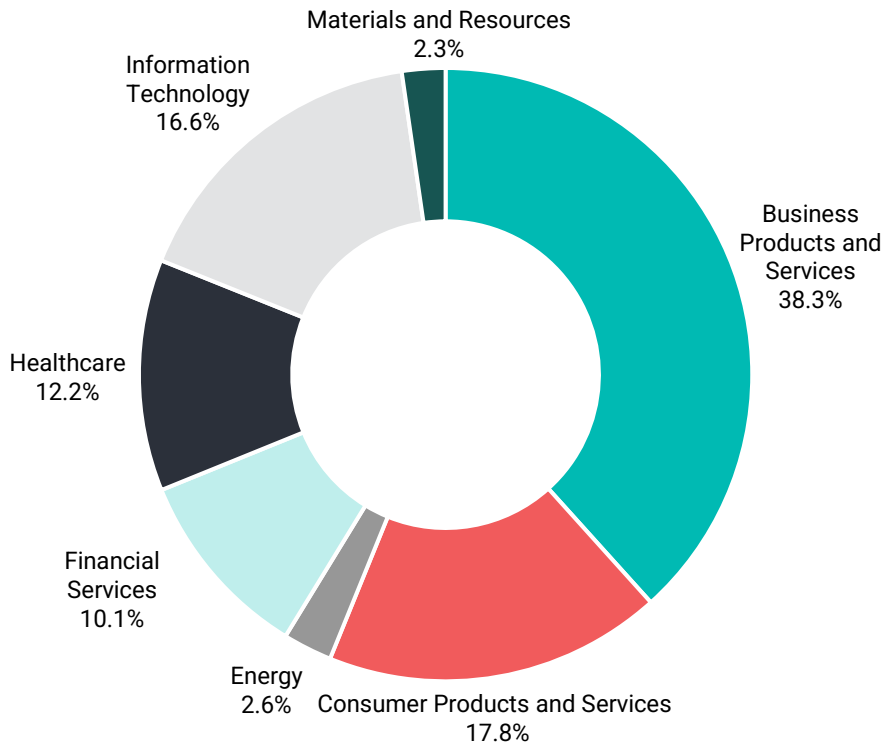
Source: PitchBook

Data as of 12/31/2025. Excludes deals with no reported values.

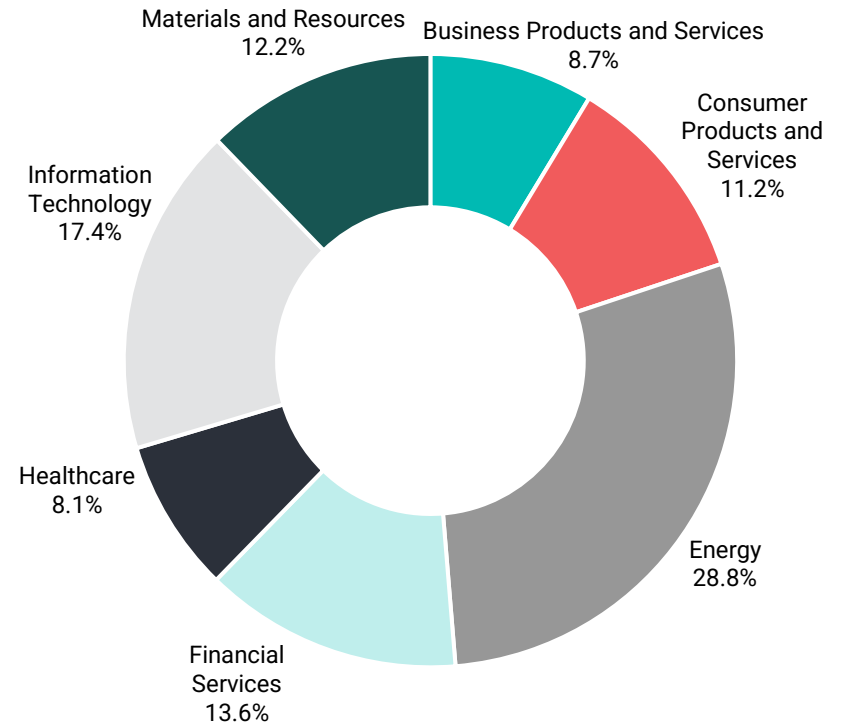
Total U.S. M&A Activity Snapshot - 2025

Deal Activity by Industry

Percentage of Deal Count



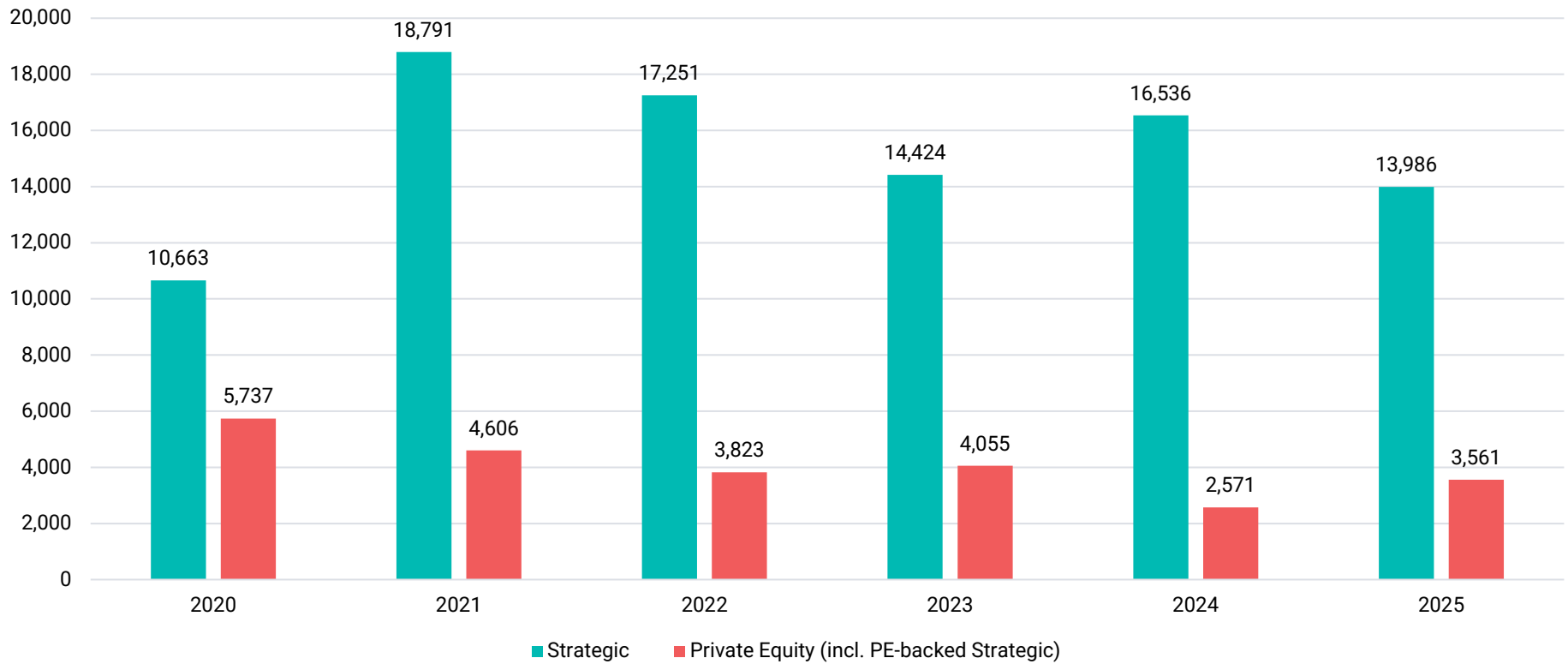
Percentage of Value of Deals



Source: PitchBook
Data as of 12/31/2025

Total U.S. M&A Activity Snapshot Since 2020

Buyer Activity – Total Deal Count

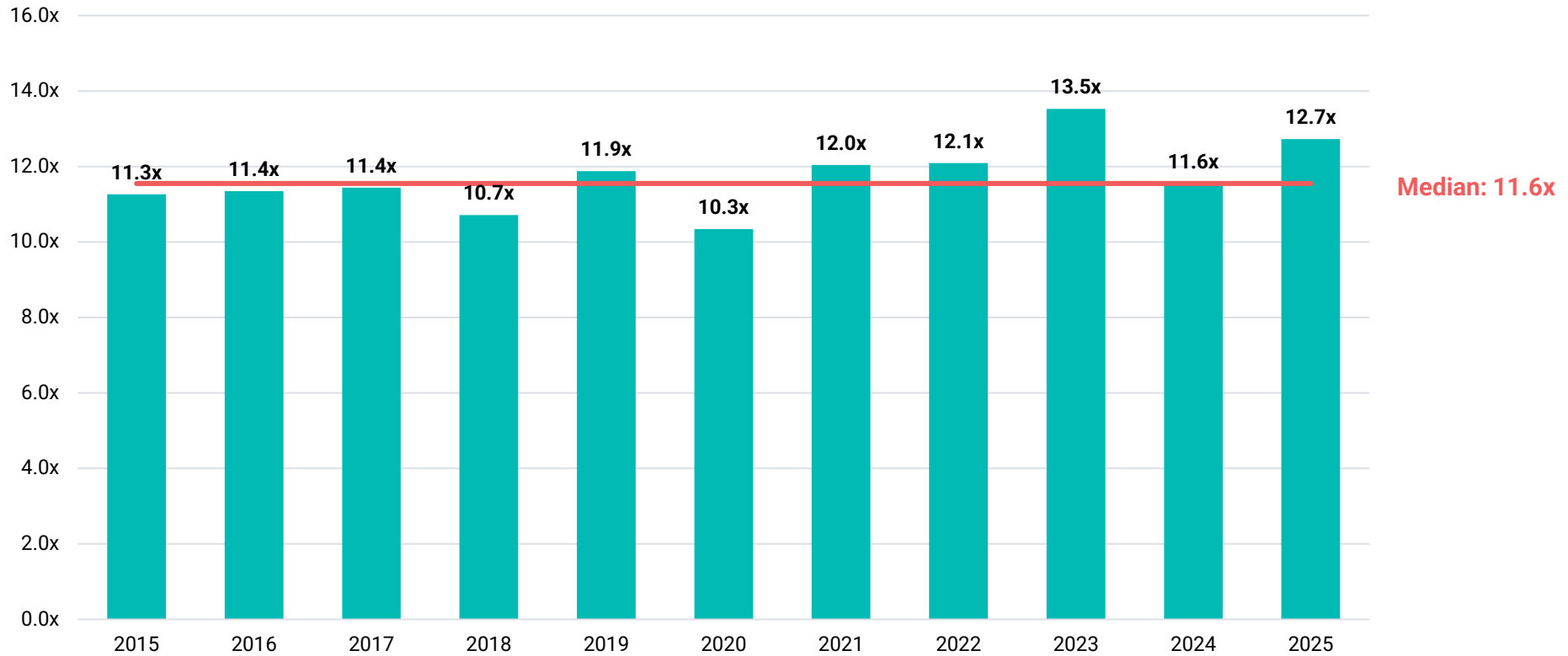


Strategic Buyers	65.0%	80.3%	81.9%	78.1%	86.5%	79.7%
Private Equity Buyers	35.0%	19.7%	18.1%	21.9%	13.5%	20.3%

Source: PitchBook
Data as of 12/31/2025

Total U.S. M&A Activity Snapshot Since 2015

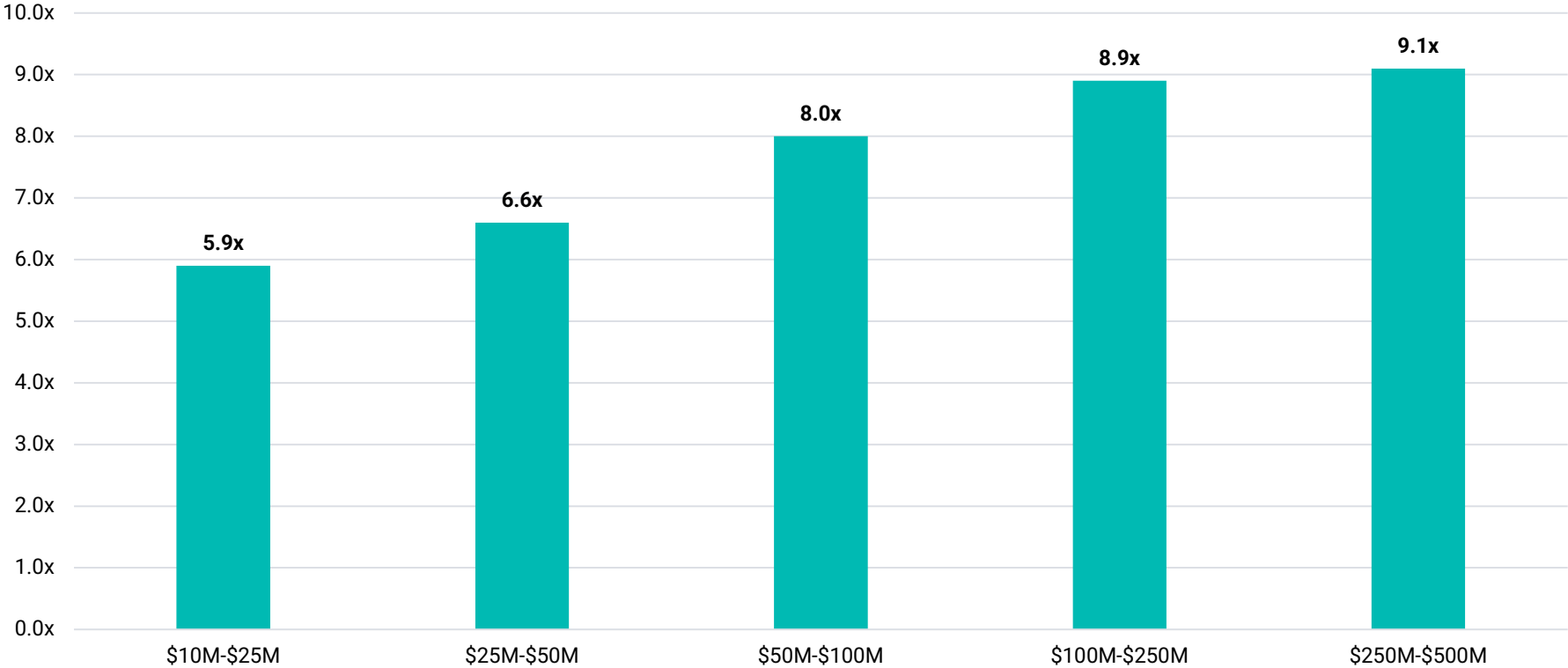
Median Implied EV/EBITDA Deal Multiples



Source: PitchBook
Data as of 12/31/2025

Lower Middle Market U.S. M&A Activity Snapshot

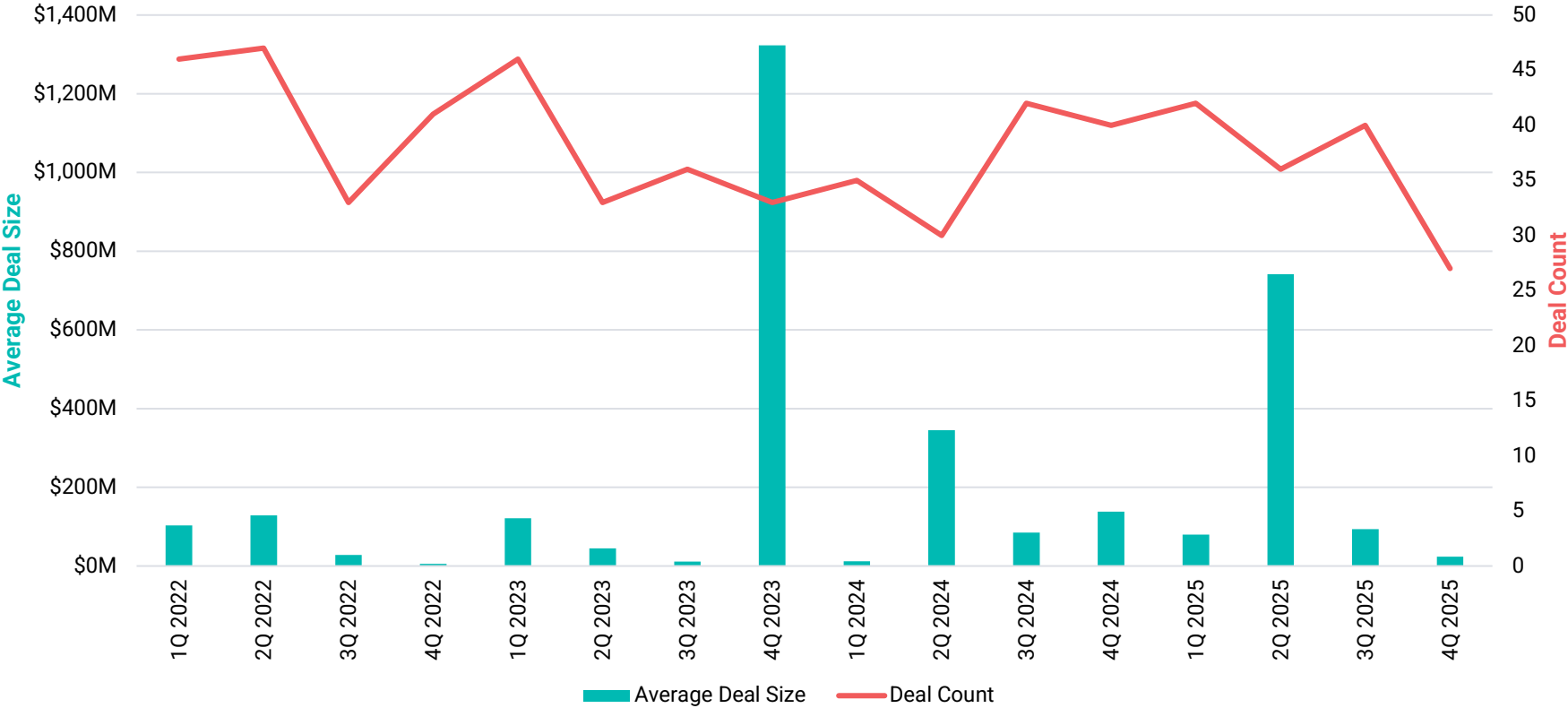
Median Enterprise Value/EBITDA Multiples By Deal Size – 2020 - 2025



Source: GF Data
Data as of 12/31/2025

Central Pennsylvania M&A Activity Snapshot Since 2022

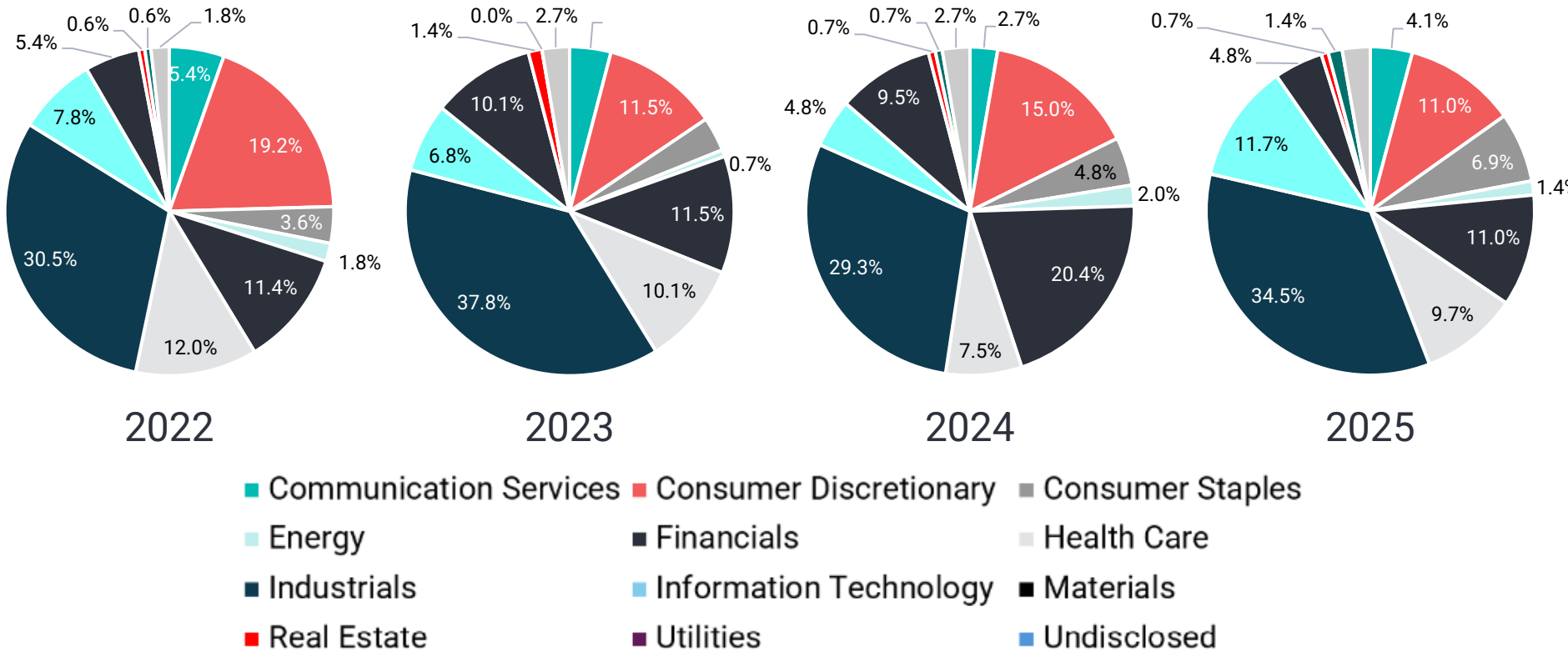
Average Deal Size and Deal Count by Quarter



Source: CapitalIQ
Data as of 12/31/2025

Central Pennsylvania M&A Activity Snapshot Since 2022

Deal Activity by Industry by Year



Source: CapitalIQ
Data as of 12/31/2025

- Recent M&A activity has been impacted by several factors including declining interest rates, narrowing of differences between buyers and sellers value expectations, and the impact of tariffs and trade policies.
- The outlook for M&A activity is generally positive:
 - Demographics – Baby Boomer business owners seeking an exit.
 - Declining interest rates combined with elevated public equity market valuations could support higher levels of deal activity and continue narrowing buyer and seller value expectations.
 - Pressure from private equity limited partners to have a return of capital from sales of existing private equity portfolio companies.
 - More deals will be evaluated within an Artificial Intelligence context.

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Michael Demers is a managing director with Baker Tilly Capital, LLC. He offers more than 20 years of corporate finance experience, including mergers and acquisitions, providing financial opinions and offering fairness and valuation opinions. Michael previously worked as a credit and lending officer at a regional bank where he analyzed the creditworthiness of and approved loans to lower middle-market borrowers.

Mike has experience assisting family-owned and closely held businesses, as well as not-for-profit organizations, with selling and buying businesses and assessing strategic alternatives. He has valued hundreds of privately held companies in various industries in connection with selling and buying transactions, corporate planning, financial reporting and shareholder estate and gift tax planning.

Mike earned an MBA with concentrations in Finance and Corporate Accounting from the University of Rochester. He also earned a BS degree in Economics from Fairleigh Dickinson University where he graduated Summa Cum Laude. In addition, Michael completed management and leadership training coursework from Penn State University. Michael holds the Chartered Financial Analyst (CFA) designation and FINRA Series 7, 63 and 79 Licenses.

Mike belongs to a number of local groups, including: Financial Analysts of Philadelphia, Financial Managers Society and Association for Corporate Growth (ACG).



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