

Capital Markets/M&A Market Update

FEI Central PA Chapter

October 22, 2024



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

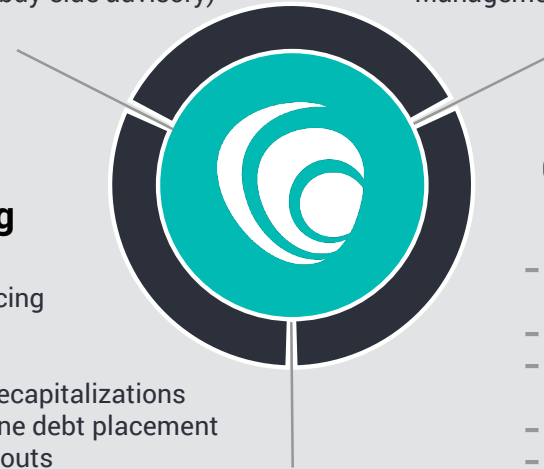
- Sale and divestitures (sell-side advisory)
- Acquisitions (buy-side advisory)
- Going private transactions
- Management buyouts

Capital Sourcing

- Refinancing
- Acquisition financing
- Project financing
- Growth equity
- Debt and Equity recapitalizations
- Sub and mezzanine debt placement
- Management buyouts
- Partial shareholder buyouts

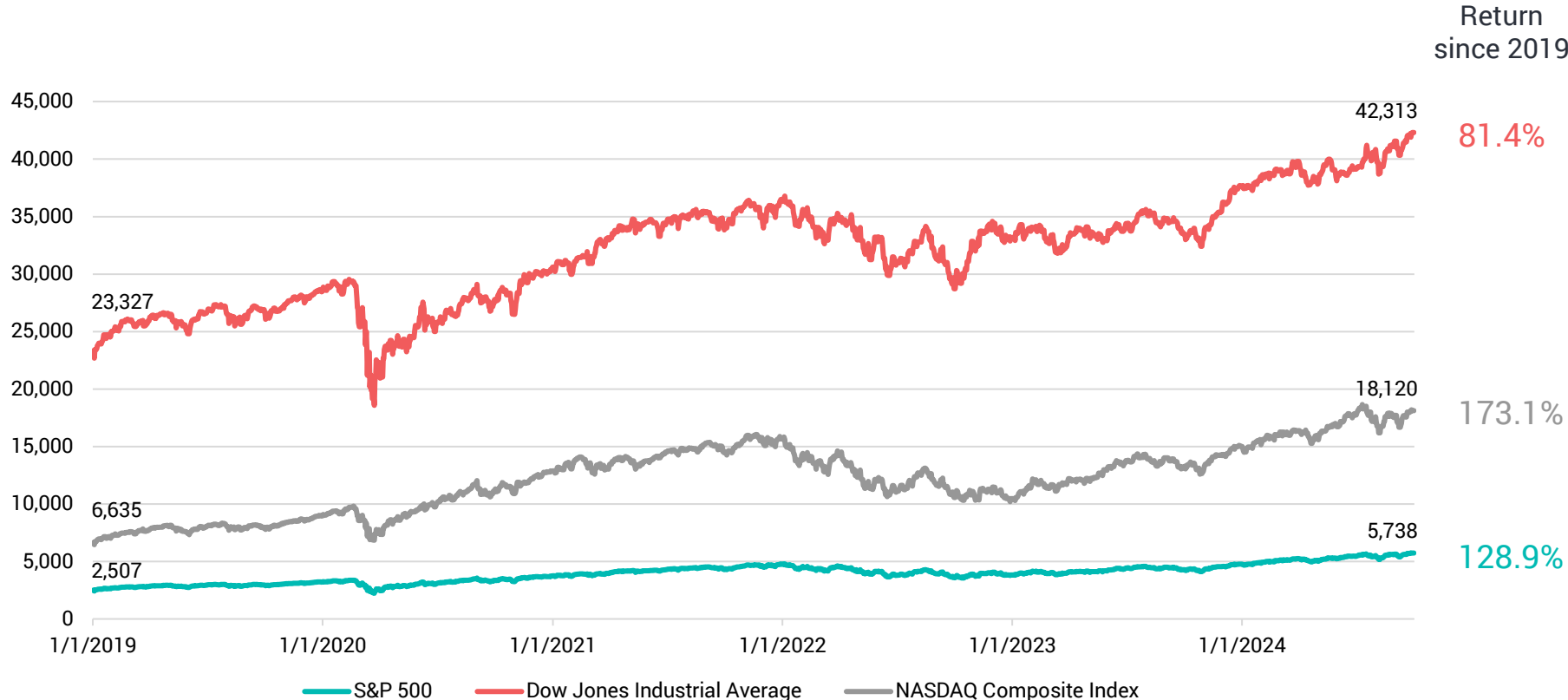
Corporate Finance Advisory

- Strategic and financial alternatives analysis
- Valuations
- Joint venture and strategic alliances
- Board of director advisory
- Corporate restructuring



U.S. Equity Market Performance Since 2019

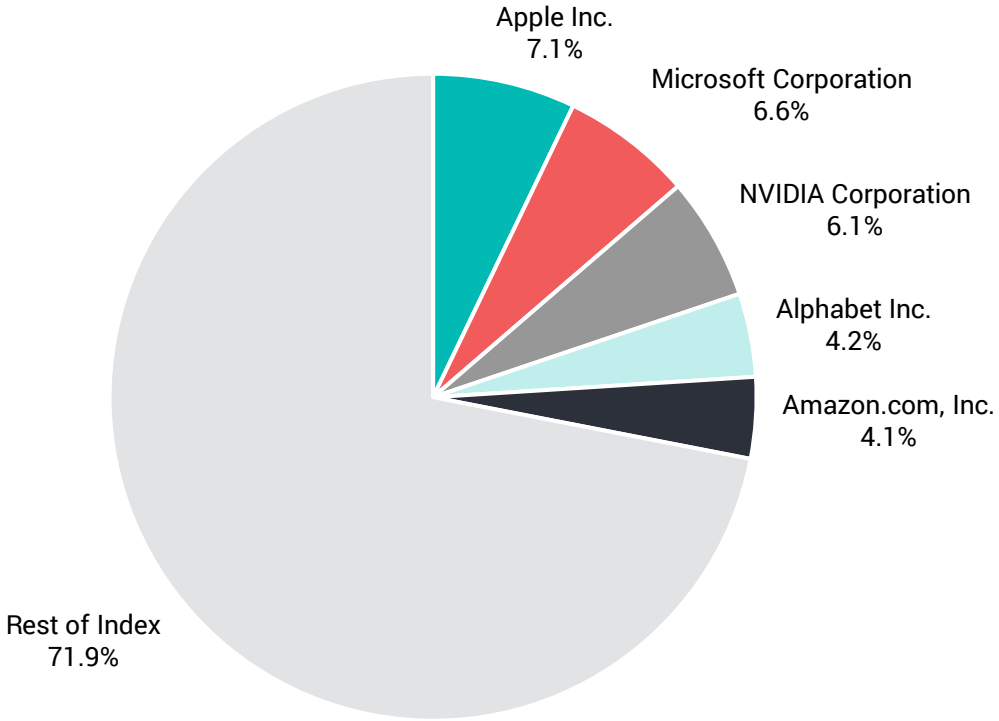
Major U.S. Stock Market Indexes



Source: CapitalIQ
Data as of 9/30/2024

U.S. Equity Market

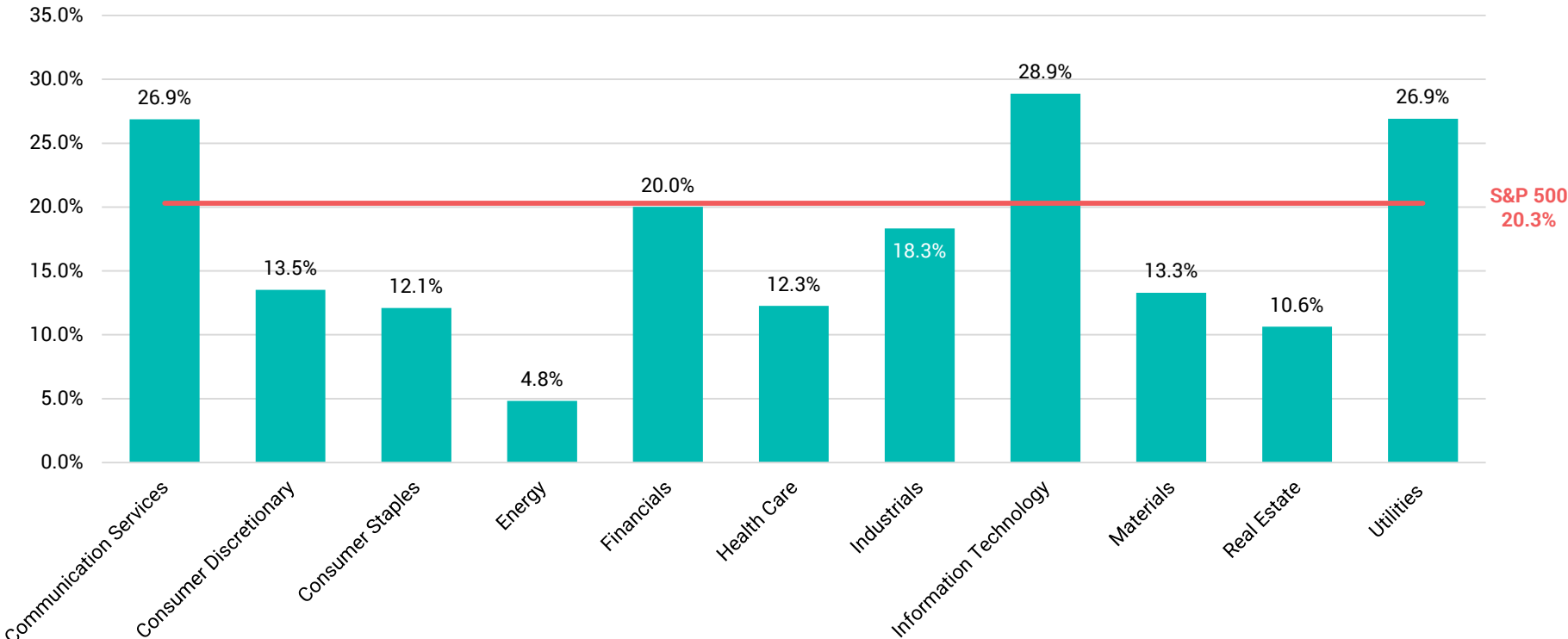
S&P 500 – Five Largest Stocks by Market Capitalization as of September 30, 2024



Source: CapitalIQ
Data as of 9/30/2024

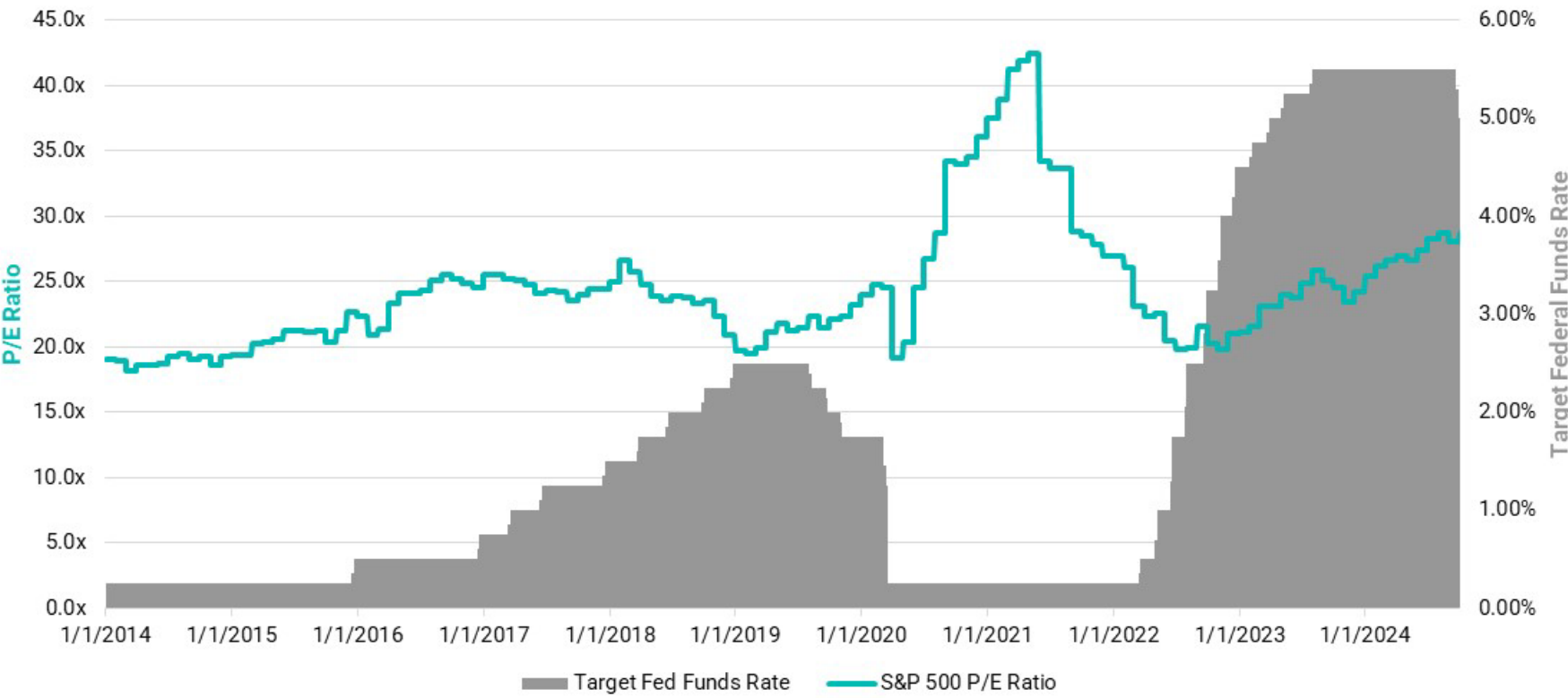
U.S. Equity Market

Performance by Industry Sector - YTD September 2024



Source: CapitalIQ
Data as of 9/30/2024

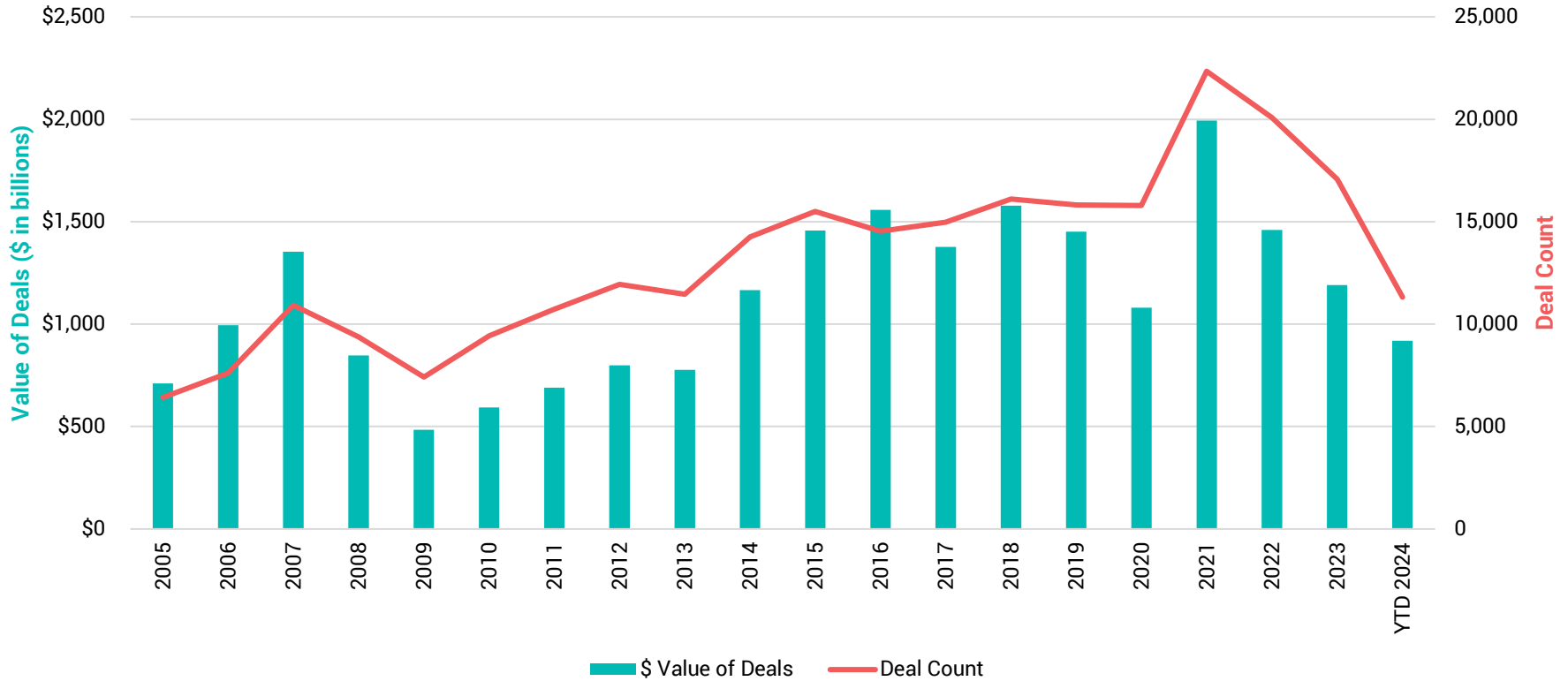
U.S. Equity Market and Federal Funds Target Rate Since 2014



Source: CapitalIQ
Data as of 9/30/2024

Total U.S. M&A Activity Snapshot Since 2005

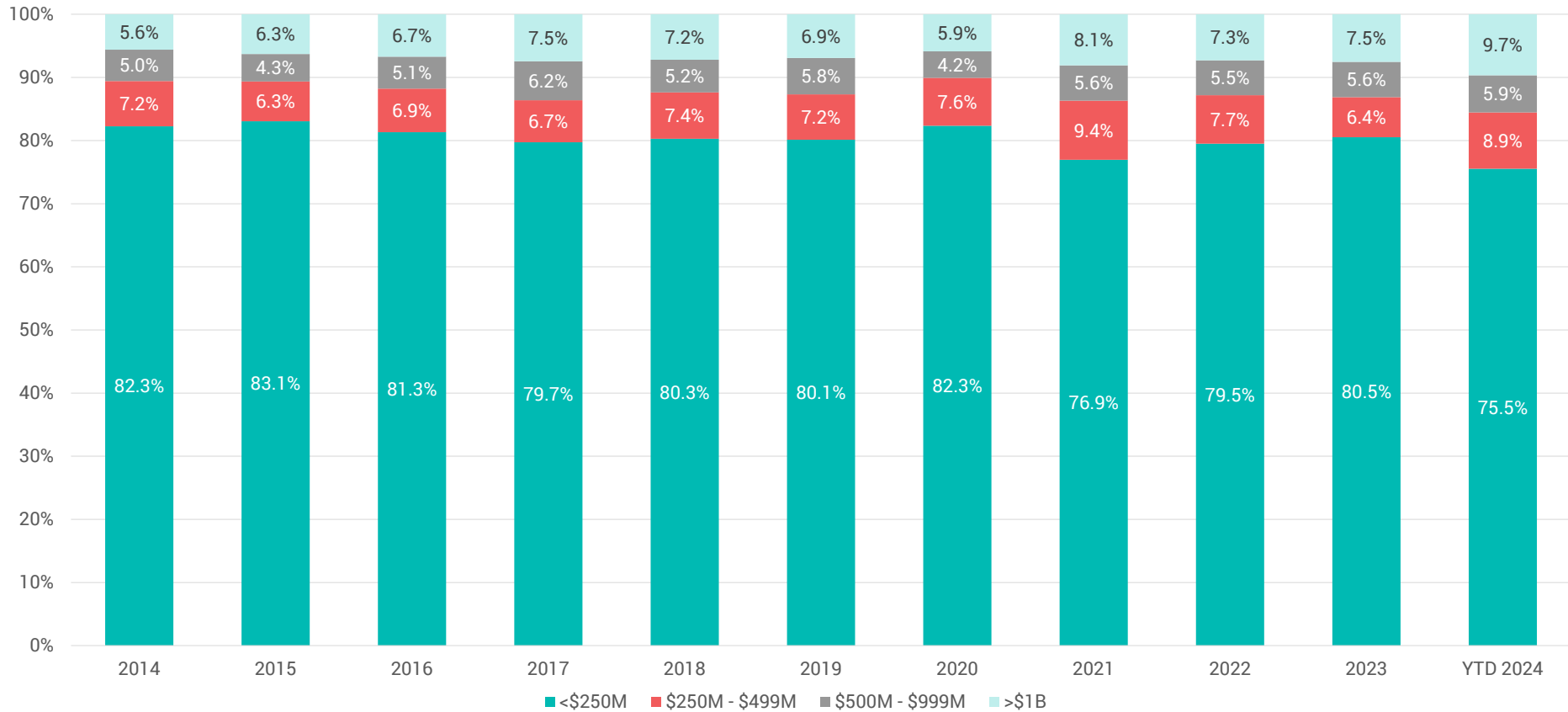
Value of Deals and Deal Count



Source: PitchBook
Data as of 9/30/2024

Total U.S. M&A Activity Snapshot Since 2014

Percentage of Deals by Value of Deal



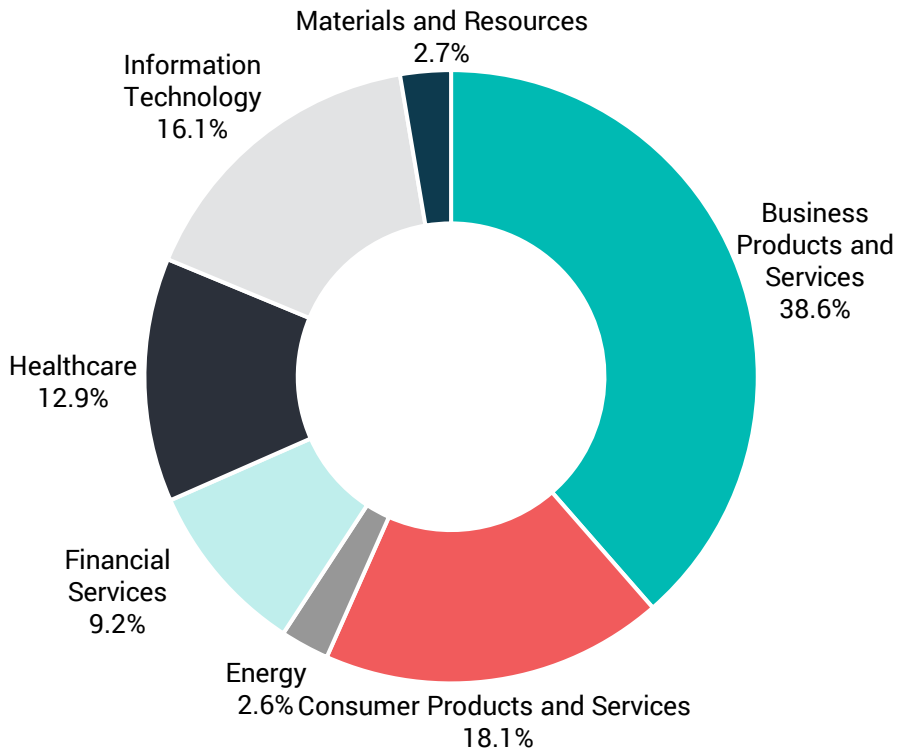
Source: PitchBook

Data as of 9/30/2024. Excludes deals with no reported values.

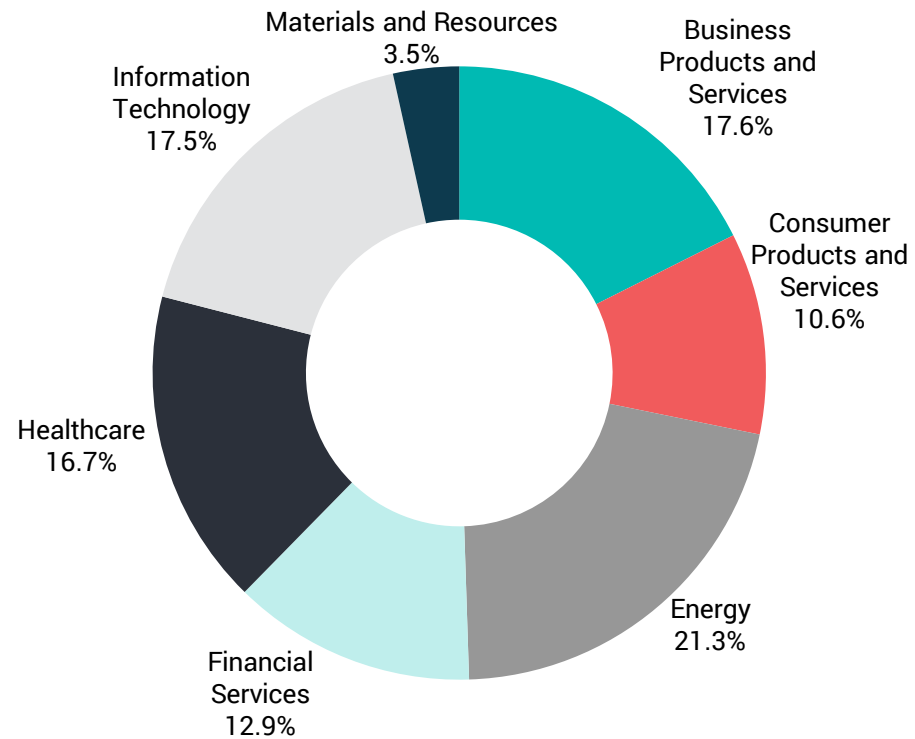
Total U.S. M&A Activity Snapshot - YTD September 2024

Deal Activity by Industry

Percentage of Deal Count



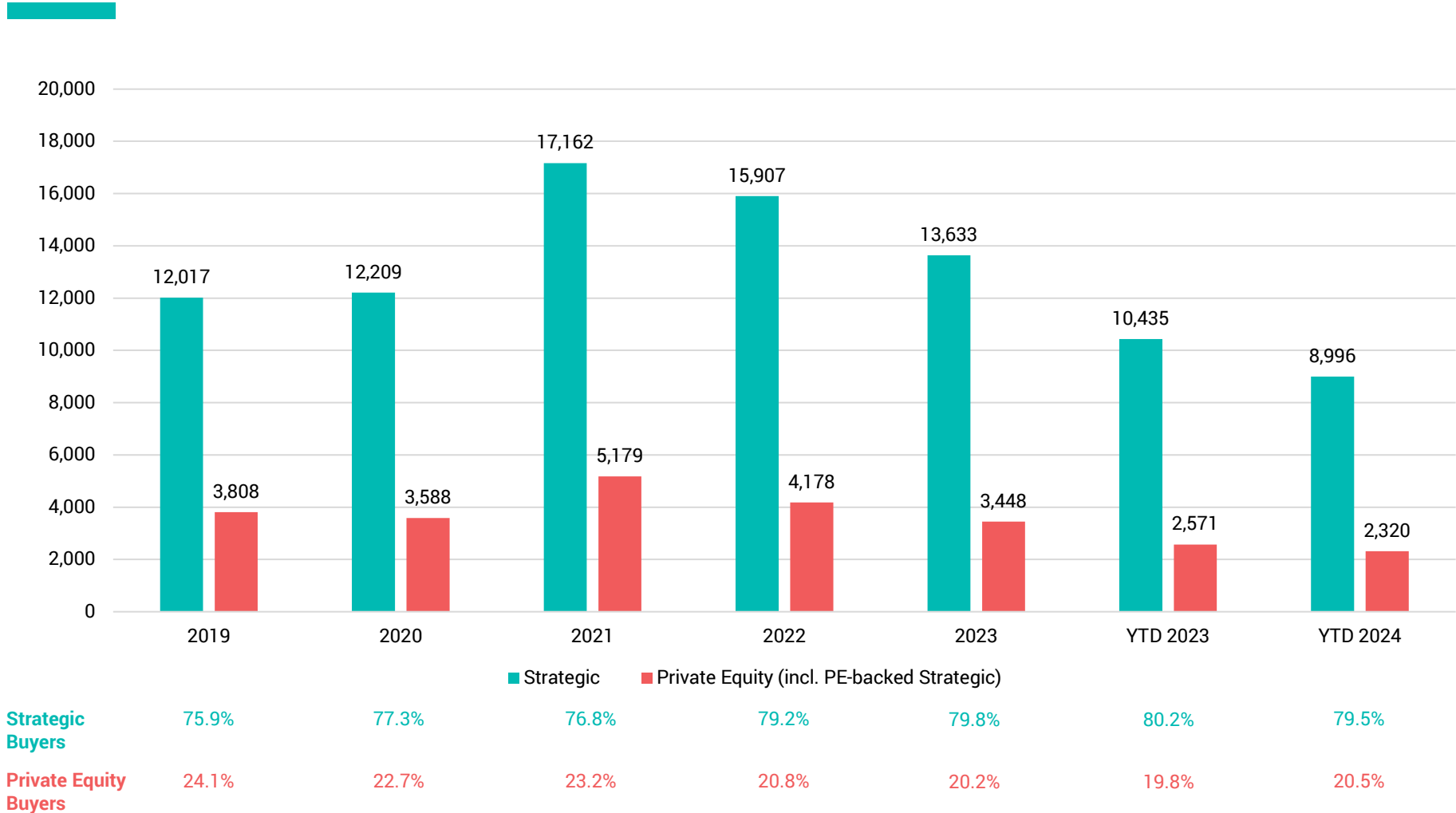
Percentage of Value of Deals



Source: PitchBook
Data as of 9/30/2024

Total U.S. M&A Activity Snapshot Since 2019

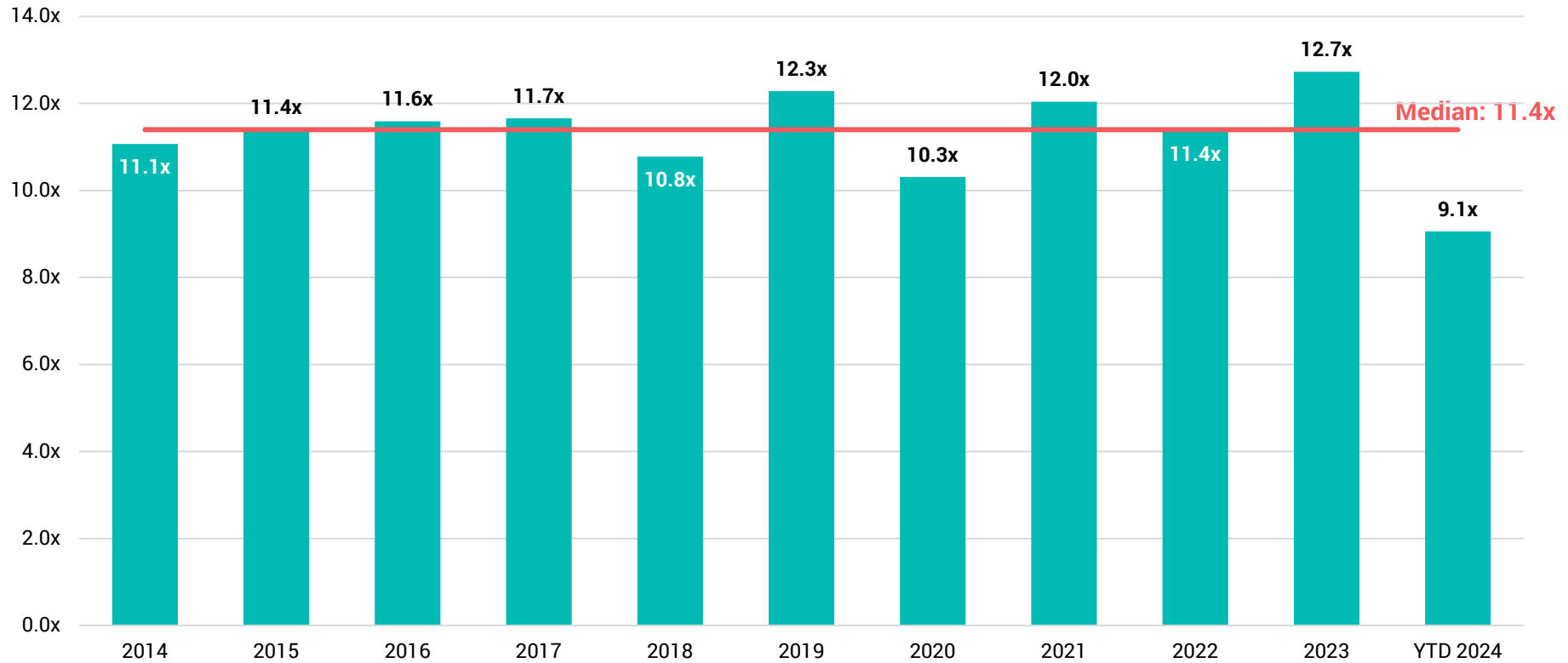
Buyer Activity – Total Deal Count



Source: PitchBook
Data as of 9/30/2024

Total U.S. M&A Activity Snapshot Since 2014

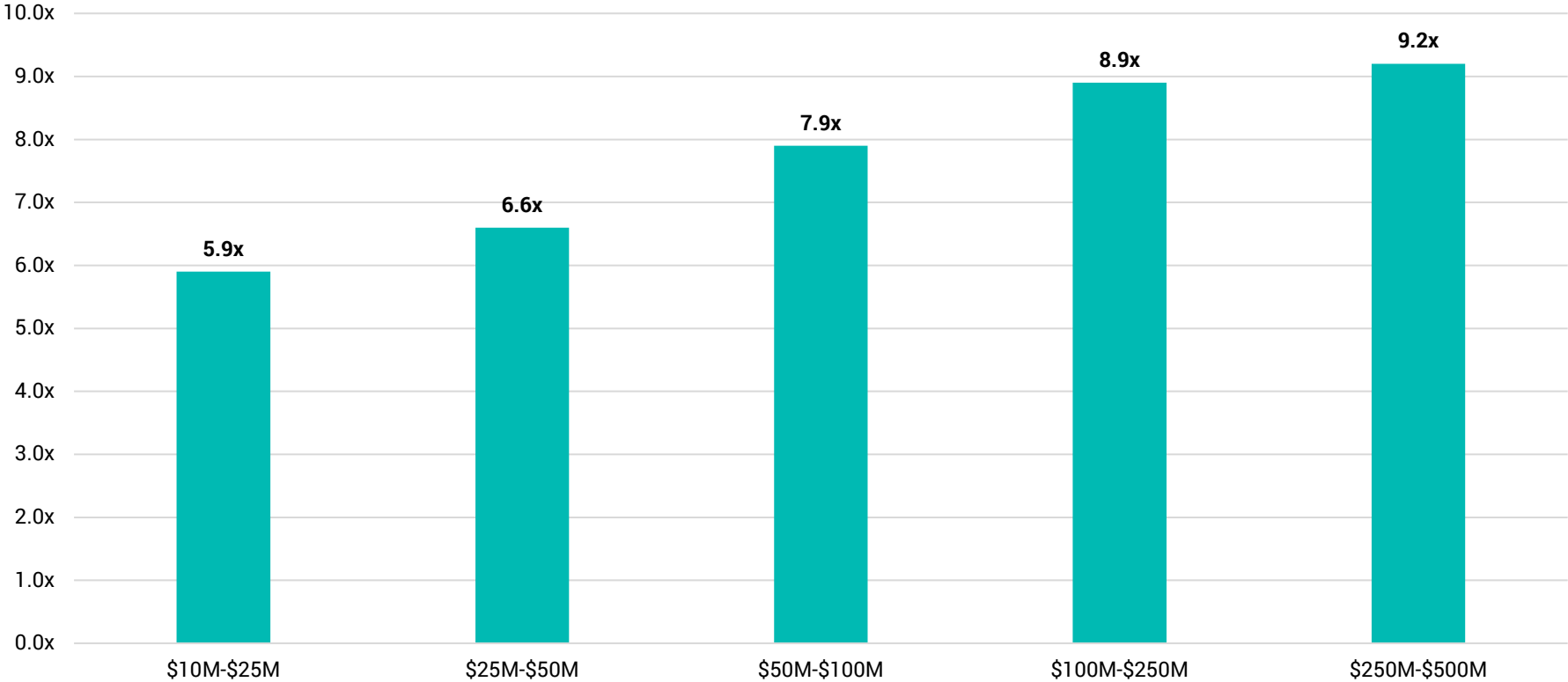
Median Implied EV/EBITDA Deal Multiples



Source: PitchBook
Data as of 9/30/2024

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

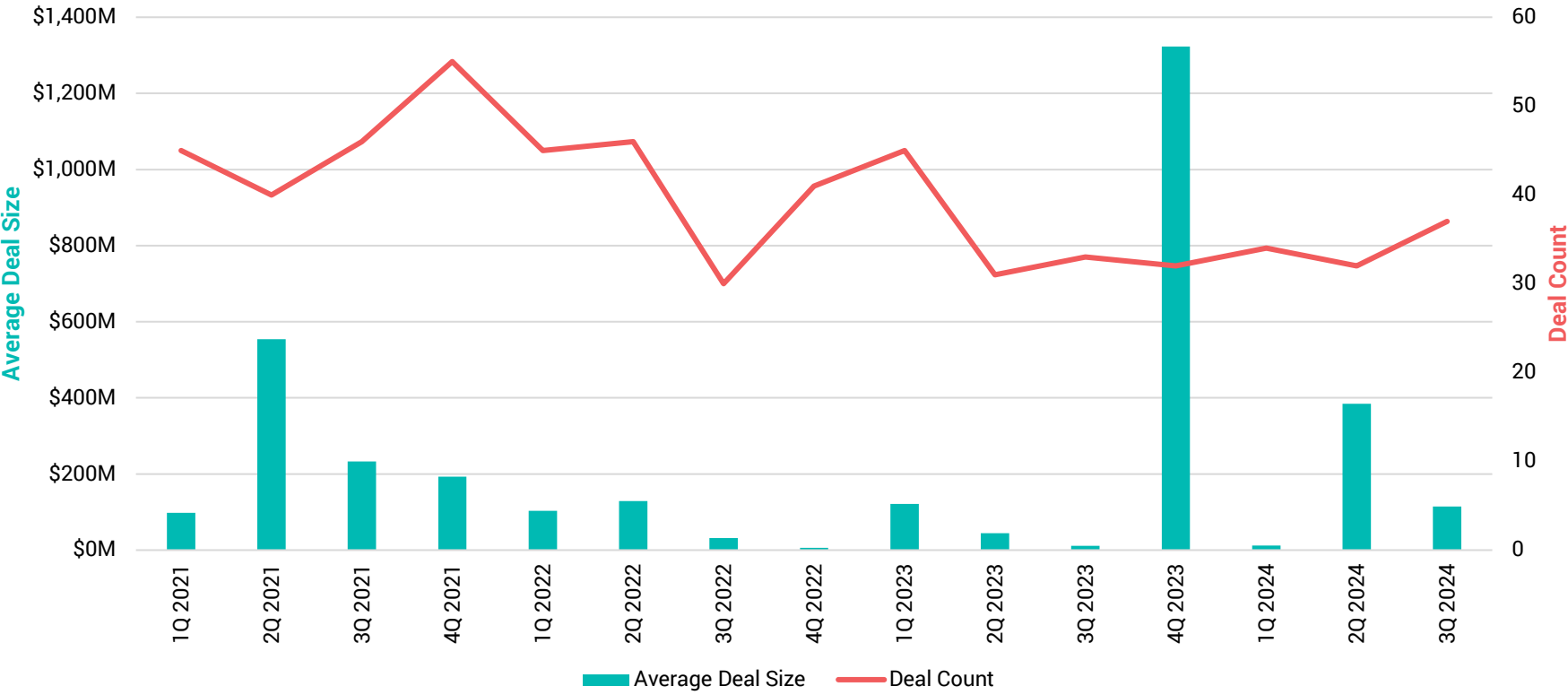
Median Enterprise Value/EBITDA Multiples – 2019 - YTD 2024



Source: GF Data
Data as of 9/30/2024

Central Pennsylvania M&A Activity Snapshot Since 2021

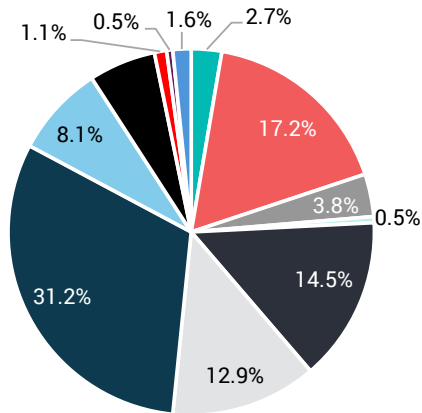
Average Deal Size and Deal Count by Quarter



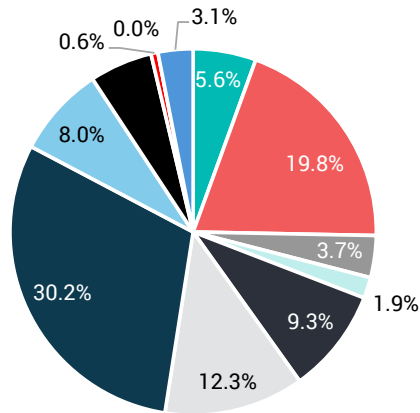
Source: CapitalIQ
Data as of 9/30/2024

Central Pennsylvania M&A Activity Snapshot Since 2021

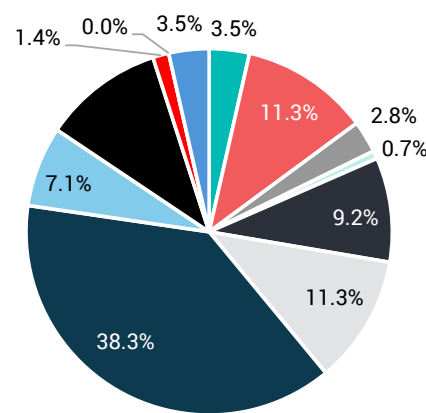
Deal Activity by Industry by Year



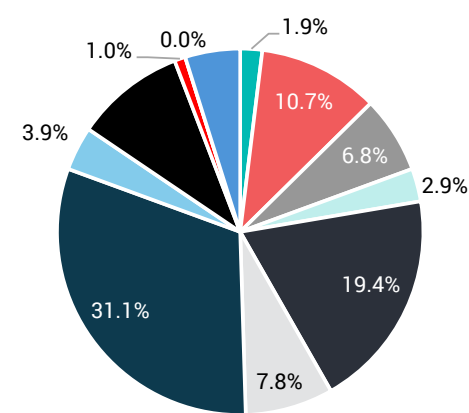
2021



2022



2023



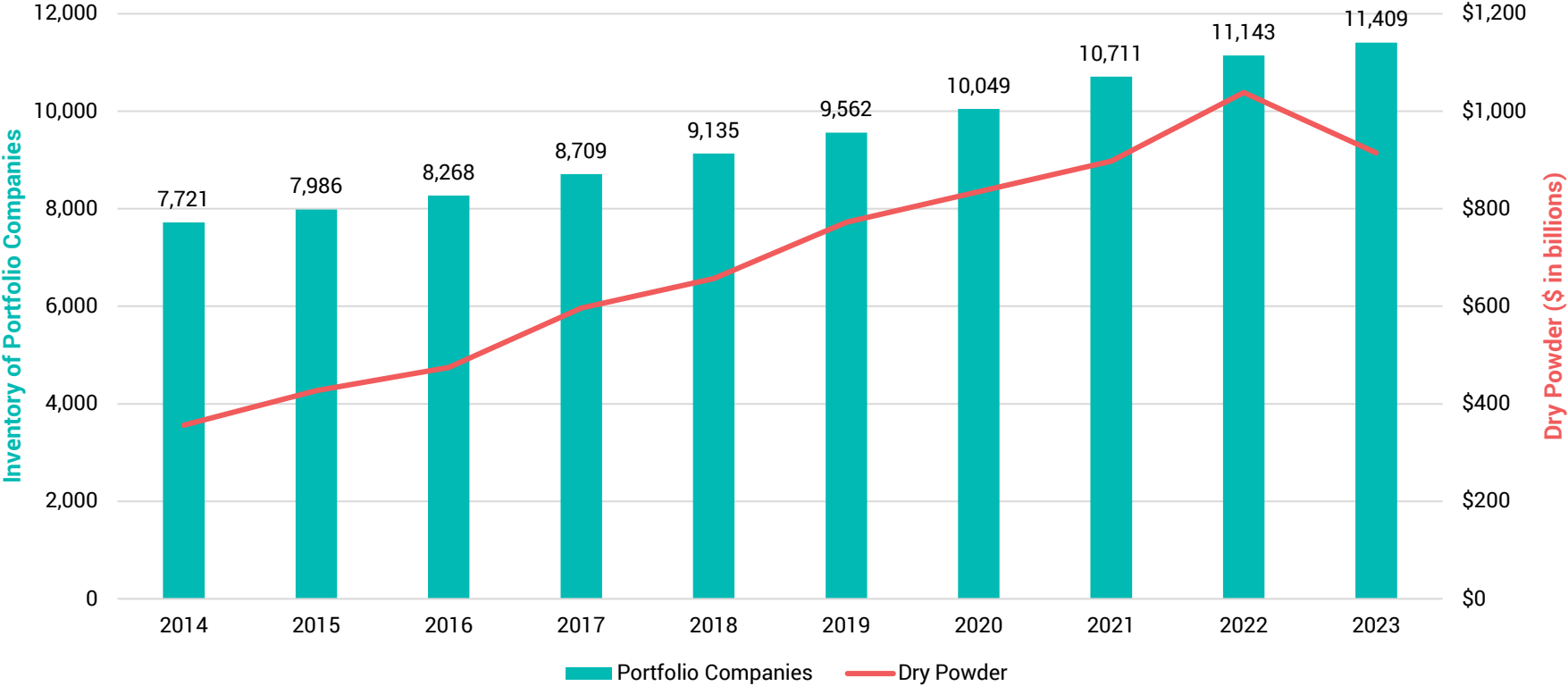
YTD 2024

- Communication Services
- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Health Care
- Industrials
- Information Technology
- Materials
- Real Estate
- Utilities
- Undisclosed

Source: CapitalIQ
Data as of 9/30/2024

U.S. Private Equity Since 2014

Dry Powder and Portfolio Companies



Source: PitchBook
Data as of 9/30/2024

Conclusion

- Recent M&A activity primarily impacted by elevated interest rates and differences between buyers and sellers value expectations.
- The outlook for M&A activity is positive:
 - Demographics – Baby Boomer business owners seeking an exit.
 - Declining interest rates combined with elevated public equity markets should support higher levels of deal activity.
 - Pressure from private equity limited partners to deploy dry powder and offer return of capital from sales of existing portfolio companies to limited partners.

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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, Association for Corporate Growth (ACG), Montgomery County Estate Planning Council.



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