CITIZENS 2024 M&A OUTLOOK

THE UNEXPECTED FACTORS FUELING BUYER CONFIDENCE

CORPORATE FINANCE | CAPITAL MARKETS & ADVISORY | TREASURY & RISK MANAGEMENT

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METHODOLOGY

For the 13th-Annual Citizens M&A Outlook, 400 decision makers from mid-market and private equity firms were surveyed via phone and web from November 8, 2023 to December 4, 2023. The following material outlines some of the key findings from that survey, along with unexpected factors that are setting up what could be a 2024 buyers' market.

AUDIENCE OVERVIEW

Mid-Market Firms

- Primary or shared decision-making responsibility, or advisor to decision makers for merger and acquisition activities for their organization
- C-Level executives
- Business has annual revenue between $50M and $1B

Private Equity Firms

- Private equity decision makers at firms with fund size <$1.5B who are active with the acquisition and sale of US-based companies with revenue between $50M and $1B

SECTOR-SPECIFIC BREAKOUT

Sector	Total	Mid-Market Firms	PE Firms
Aerospace, Defense and Government Services	41	31	10
Business Services	43	31	12
Consumer	44	29	14
Gaming, Lodging and Commercial Real Estate	48	32	16
Healthcare	46	30	16
Industrials	43	29	14
Technology, Media and Telecommunications	45	28	17
Transportation	43	31	12
Other	48	36	12
Total	**400**	**277**	**123**

Some sector sample sizes may be small

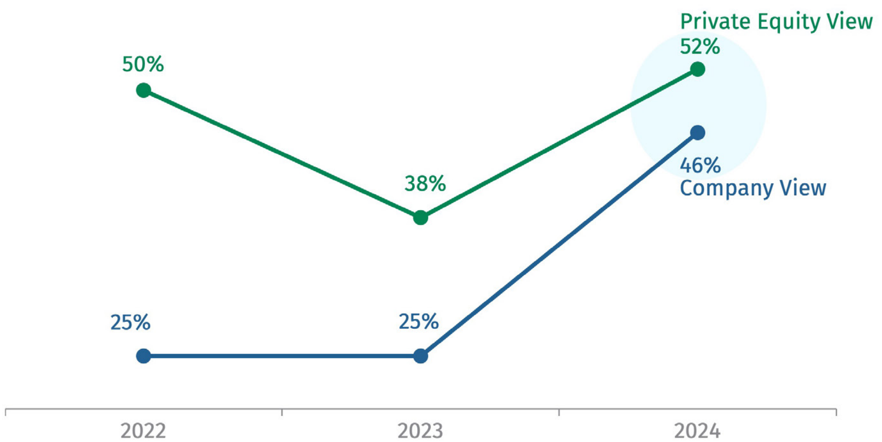
KEY FINDINGS FOR 2024

OPTIMISM FOR A STRONG M&A MARKET IS SURGING

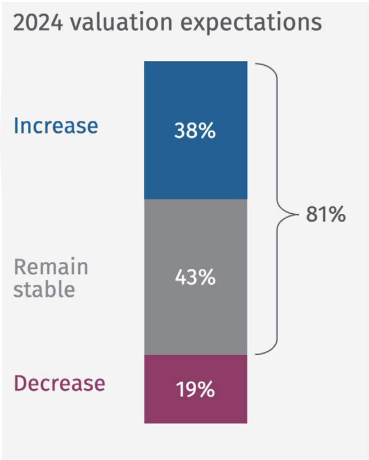
This marks a significant change in respondents' views from 2023 lows.

Surging expectations for the M&A environment

% saying M&A market will be strong



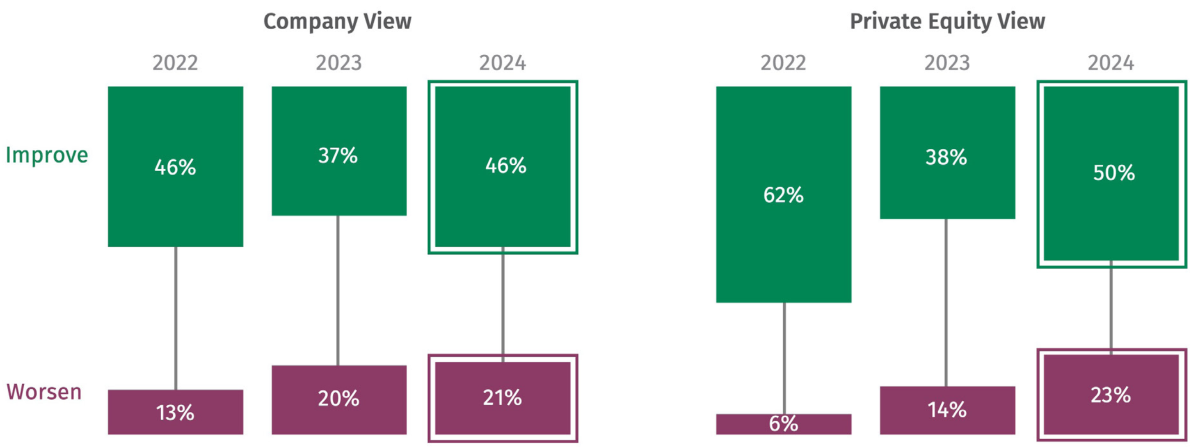
How would you characterize the M&A environment in.... (% saying strong)?



What is your expectation for company valuations over the next year?

MORE THINK THE ECONOMY WILL IMPROVE, THOUGH SOME SEE RISK

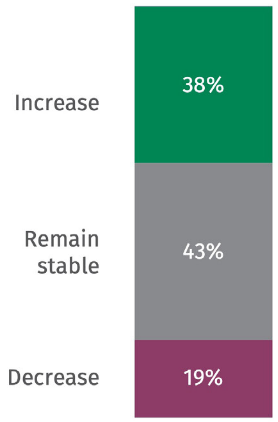
Expected change in the U.S. economy

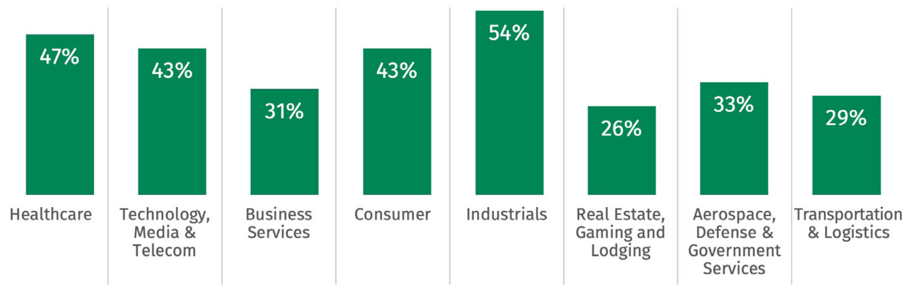


Thinking about the U.S. economic outlook in [year], do you think conditions will...?

STABLE OR HIGHER VALUATIONS PREDICTED

Optimism is seen most readily in the Industrials, Healthcare, Consumer, and Technology, Media & Telecom sectors.

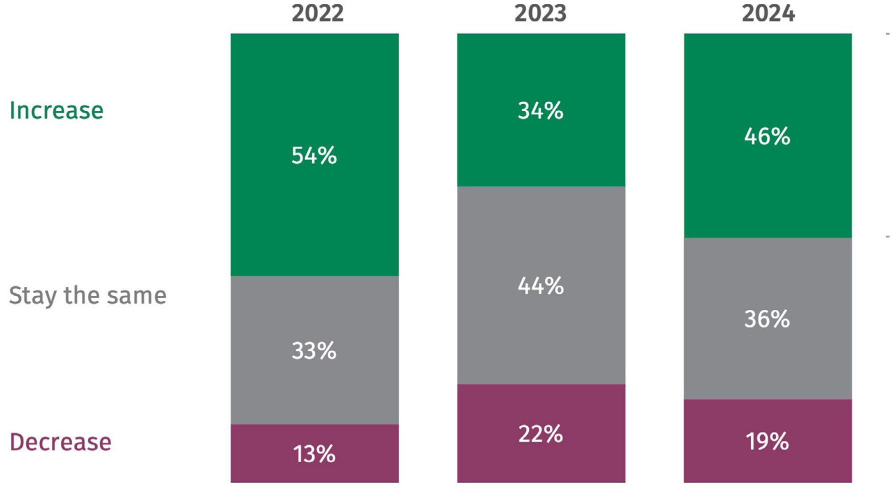




In your sector, what is your expectation for company valuations over the next year? Base: Among mid-market companies

SPONSORS EXPECT HIGHER VOLUME

According to PE firms, deal flow will...



In comparison to last year, do you anticipate your deal flow to...?
Percentages may not sum to 100% due to rounding

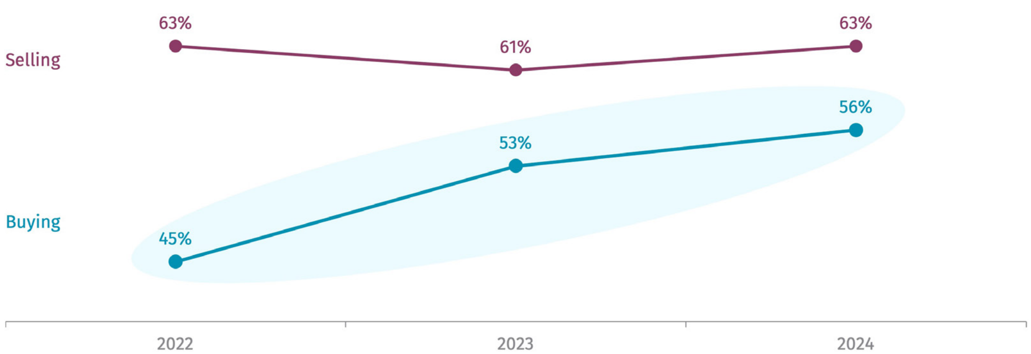
ADDITIONAL FACTORS THAT COULD FUEL AN ACTIVE MARKET

DECISION MAKERS INDICATE A SHIFT FROM THE REIGNING SELLERS' MARKET

Greater comfort with the current environment is reflected in the expanded buyers' pool and changing perceptions of the M&A market.

Buyers return to the market

% actively involved in buying/selling or open to it in the year ahead



Which best describes your organization's involvement in the following activities?
Companies can be involved in either one or both activities

The buyer pool expands as market shifts

In comparison to 2023, do you anticipate your deal flow in 2024 to...? Base: Among PE Firms

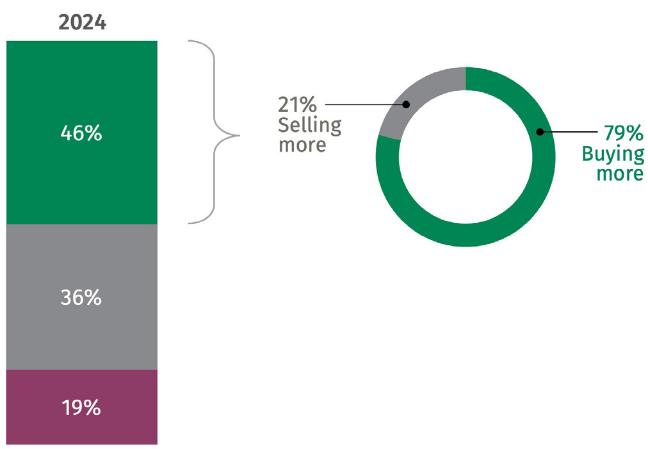
"Borrowers are becoming more comfortable with the forward rate environment, as it has become apparent we are nearing or at the end of the Fed's rate-hiking cycle. A stable to declining rate environment, and thereby more attractive borrowing costs, should benefit valuations."

– Michele Goodenough, Managing Director, Fixed Income Capital Markets

PE FIRMS APPEAR READY TO SHOP, AND AI IS ON THE WISH LIST

Private equity firms see a solid pace of deals ahead, with most seeing themselves as buyers in 2024. In fact, of the PE firms who see higher deal flow in 2024, eight in 10 say they expect to buy more than in 2023, while only two in 10 say they'll sell more.

Among PE firms who expect higher deal flow, buying is a priority and AI is on the list



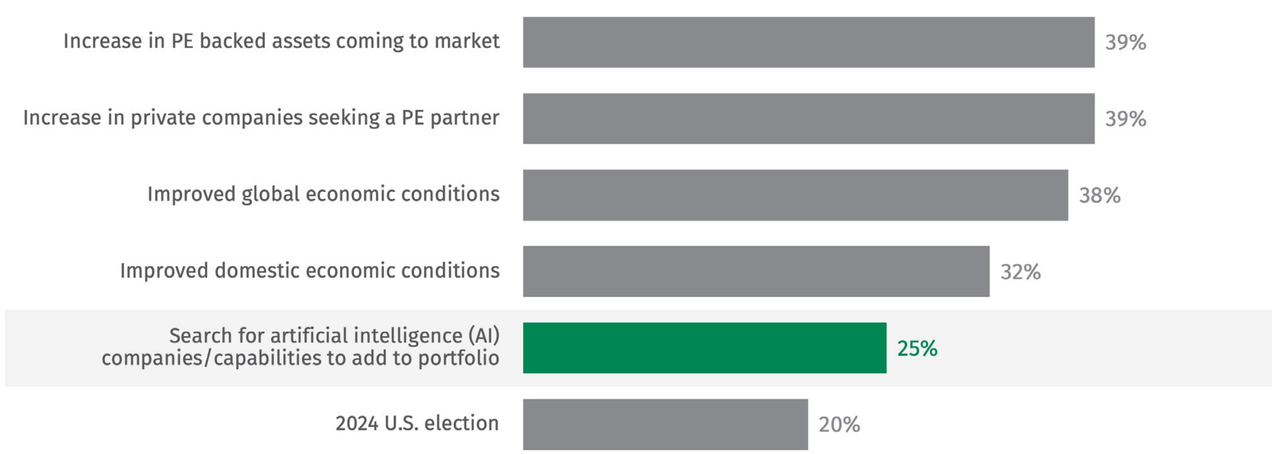
> "The disruptions to M&A in '22 and '23 have led to some imbalances, for instance the sheer amount of private equity capital on the sidelines. Now we are seeing excitement from buyers, which could be just what the markets need to find balance again."

– **Gavin Slader,** Head of M&A, JMP, a Citizens company

Maybe unsurprisingly, given it's been a widely covered topic, artificial intelligence (AI) is becoming a driver of deal flow. A quarter of the PE firms surveyed who expect higher deal flow are looking to add AI assets to their portfolios.

Search for AI could contribute to deal activity

Reasons PE firms expect higher deal flow



Which of the following best describe the reasons why your deal flow will increase in 2024?

“After the extremes of the last few years, the move toward a more balanced environment is a welcome one. It helps foster an environment of confidence, which benefits both buyers and sellers.”

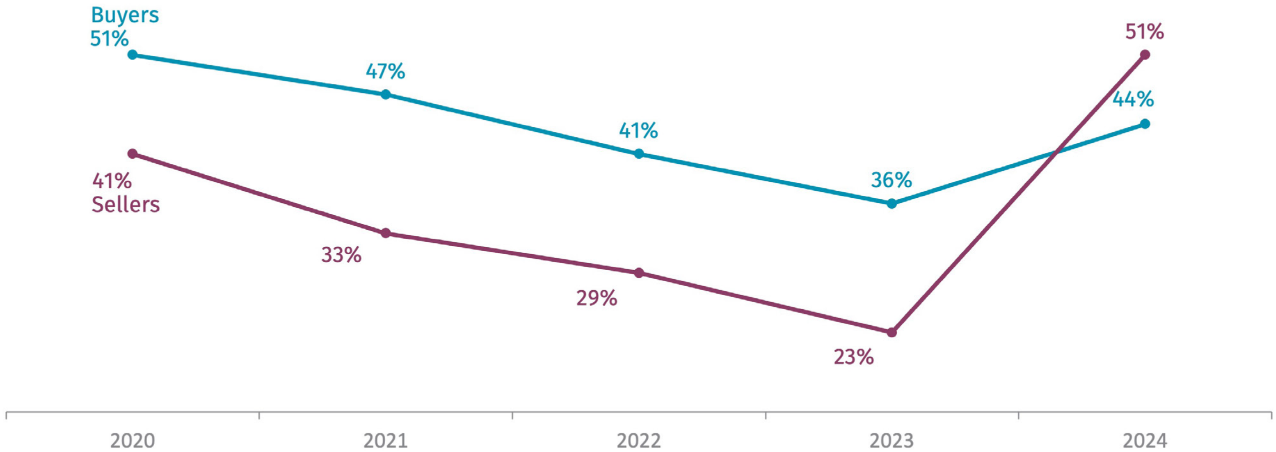
– Steve Dyott, Managing Director, Citizens M&A Advisory

INTERNATIONAL PROSPECTS ARE BACK ON THE TABLE

After four years of declining expectations, both buyers' and sellers' interest in foreign deal partners rebounded in 2024.

Interest in international deal opportunities rebounds

% open to buying/selling outside of the U.S.



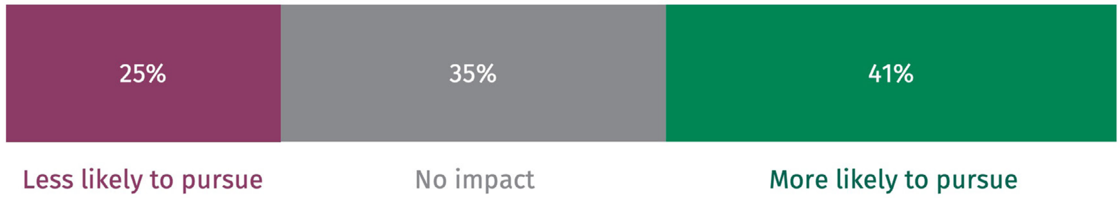
How likely is your organization to consider exploring buying or selling internationally outside of the U.S. in [year]...?

UPCOMING ELECTIONS POSE A TAILWIND

M&A optimism, especially in the first half of the year, is helped by the tailwinds provided by upcoming U.S. elections. 41% of mid-market companies saying the pending elections make them more likely to pursue M&A in 2024, versus 25% who say the elections make them less likely.

Some companies see U.S. election as a deal catalyst

How the 2024 U.S. election impacts likelihood to engage in M&A



What impact will the U.S. election have on your likelihood to pursue M&A activity in 2024?
Percentages may not sum to 100% due to rounding.

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