
# All Eyes on the Fed as M&A Activity Softens

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After a historic year for M&A activity in 2021, predictions of a market pullback were correct — each quarter in 2022 has experienced an increasing decline compared to the prior year. The 2022 market has seen a flight to quality as buyers have focused attention on the highest caliber assets — which are realizing similar valuations to 2021 but with less depth to the buyer pool. On the flip side, less pristine assets are seeing less interest and lower valuations.

As we look ahead, this trend is likely to continue over the next six months. Markets will continue to be volatile as the environment remains uncertain — and the M&A markets will not be immune. Uncertainty injects some measure of paralysis into most markets. Investors remain unsure of the length of the Fed's tightening cycle and what the economic damage will be. Since the fourth quarter is typically when 40% of M&A transactions are consummated, the timing of the Fed's decisions could have a sizable impact on total M&A activity for 2022.

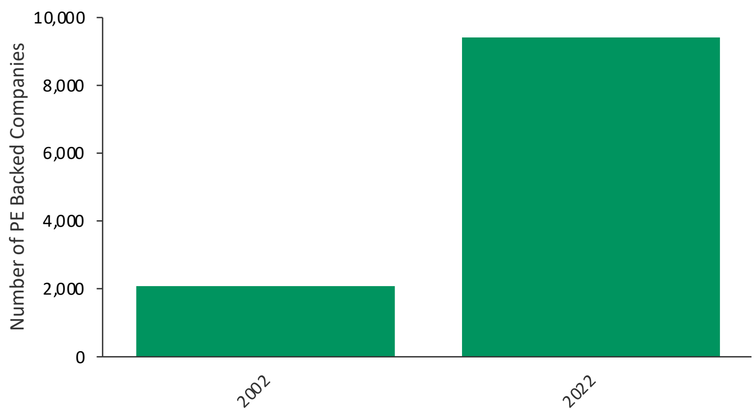
However, despite potential near-term headwinds, we continue to be extremely bullish on the long term. Companies in the U.S. have shown the ability to be innovative and adaptable to market conditions. Capital remains extremely plentiful, increasingly so in the private markets. As an example, the number of middle-market PE-backed businesses has increased 5x over the last 20 years. Those businesses trade hands more frequently than businesses in the public markets, creating secular momentum for M&A transactions. As long as the political environment stays conducive to capitalism, the long-term cycle for M&A should be up and to the right.

Sellers in this environment need to be more "buttoned up" than was required in 2021. Buyer scrutiny has increased tremendously. Businesses need to demonstrate that previous acquisitions are fully integrated, pipelines will convert into backlog/revenue and KPIs need to be both readily available and instructive on the business. Financial performance during an M&A process has become more critical than ever; misses will be penalized and small details that were glossed over before could now be deal killers. Although buyers will still pay for quality, it must be shown, not told. Now more than ever, a senior-led advisory team to help guide a business through a sale is essential.

### M&A ACTIVITY SOFTENS AMID ECONOMIC UNCERTAINTY – WHAT DOES THIS MEAN FOR SELLERS?

- 2022 YTD M&A is healthy by historical standards, but meaningfully below 2021
- Buyers are focused on quality, with the highest caliber assets realizing similar valuations to 2021
- The length of the Fed's tightening cycle and its economic impact are still unknown
- Long-term optimism as capital continues to flow into the private markets, driving secular growth in M&A for years to come
- As we pivot to a buyers' market, scrutiny in due diligence will be intensified

### 5X GROWTH IN PE-BACKED MIDDLE-MARKET COMPANIES OVER PAST 20 YEARS




Source: Pitchbook Data, Inc.

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# M&A UPDATE

FALL 2022

## CITIZENS CAPITAL MARKETS & ADVISORY

A top-tier investment bank offering deep expertise and leading capabilities with a comprehensive product suite built on sector intelligence and supported by a cohesive coverage model.

Citizens™

### Debt Capital Markets

29 MD/Ds, 85+ professionals | #2 sponsored middle market[1] | #8 overall loan bookrunner[1] | Significant balance sheet underwriting capabilities | Full bank and bond sales & trading capabilities

### Equity Capital Markets

23MD/Ds, 75+ professionals | Full suite of underwriting and sales & trading capabilities | Equity research covering 400+ companies providing unbiased, thoughtful research

### Mergers & Acquisitions

40 MD/Ds, 150+ professionals | Top 10 middle market M&A advisor[2] with global reach | 90+ transactions completed annually

### Industry Coverage

34 MD/Ds, 95+ corporate finance professionals | Intimate knowledge of covered sectors and relationships with blue-chip corporates and sponsor industry teams

### Financial Sponsor Coverage

Eight senior coverage bankers | ~200 financial sponsors, infrastructure funds and family offices covered | Active fund sizes ranging from $250M to $20B+

## DELIVERING CREATIVE IDEAS TO OUR CLIENTS WITH INTEGRATED SECTOR COVERAGE AND EXPERTISE

| | | |
|---|---|---|
| AEROSPACE, DEFENSE & GOVERNMENT SERVICES | BUSINESS SERVICES | CONSUMER |
| FINANCIAL SERVICES | GAMING, LODGING & LEISURE OPERATORS | HEALTHCARE |
| INDUSTRIALS | TECHNOLOGY & COMMUNICATIONS | TRANSPORTATION & LOGISTICS |

Source: 1) Refinitiv LPC and Citizens) Middle Market defined as Borrower Revenues and Deal Size < $500MM per LPC
Source: 2) Pitchbook Data, Inc., US PE Breakdown, S&P Capital IQ

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# M&A UPDATE

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## EVOLUTION OF THE PLATFORM

**Capital Markets & Advisory platform a key growth driver of the Citizens franchise**

2010 | 2014 | 2017 | 2019 | 2020 | 2021 | 2022

**RBS Citizens Financial Group, Inc.™**

Citizens Financial Group operated as U.S. division of the Royal Bank of Scotland

DCM platform formally created with senior leveraged finance bankers to complement legacy corporate bank

**Citizens™**

Citizens Financial Group formally separates from RBS and becomes a publicly-traded U.S. bank

Leading DCM platform with established sector-focused corporate finance practice, financial sponsor coverage and loan sales & trading platform

**WESTERN RESERVE**

Acquired Cleveland-based advisory firm to establish M&A capabilities

Specialized focus in consumer, distribution, healthcare and industrial

**BOWSTRING ADVISORS**

Acquired Atlanta-based M&A advisory firm to broaden scale and sector coverage

Specialized focus in business services, healthcare services and software

**Citizens™**

Internal development of high yield and investment grade bond sales & trading platform

**TRINITY CAPITAL INVESTMENT BANKING**

Acquired Los Angeles-based M&A advisory firm

Specialized focus in restaurant, retail, food & beverage and agriculture

**JMP**

Acquired San Francisco-based investment banking firm adding equity capital markets capabilities

M&A advisory, equity research, and sales and trading for healthcare, technology, financial services and real estate

**DH CAPITAL**

Acquired New York-based M&A advisory firm

Specialized focus in Internet infrastructure, software, IT services and communications

"We share Citizens' vision to offer robust advisory capabilities with deep sector expertise, as well as their commitment to exceptional client solutions. Co-founder Joe Duggan, the rest of the team and I look forward to joining Citizens and continuing to provide trusted advice to a growing list of clients. Coming together with Citizens will bring significant strategic benefits for our clients as we expand the service portfolio to include debt and equity financing solutions."

**Adam Lewis, DH Capital Managing Partner**

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# M&A UPDATE

FALL 2022

## CITIZENS M&A DEAL SPOTLIGHTS

EduMind

ACQUIRED BY

Axcel

A PORTFOLIO COMPANY OF

ALPINE

SEPTEMBER 2022

Citizens

“Radhika and I built EduMind over 18 years with a passion for supporting professionals in their career advancement journey and we needed expert advice when we began considering our succession planning alternatives. We are grateful to the Citizens M&A team for the expert counsel they provided EduMind throughout this process. Their transaction experience, industry knowledge, analytics resources and strategic recommendations were critical in helping us decide that this partnership with Alpine and Axcel was the ideal outcome for EduMind. We are equally grateful to our dedicated and loyal team and are excited to see EduMind thrive in its partnership with Axcel.”

—**Vinod Dega**, Founder of EduMind

PCX

ACQUIRED BY

HUBBELL

JULY 2022

Citizens

“The family at PCX has worked tirelessly these last two decades to drive innovation, allowing our customers to reduce construction costs and time and making us a leader in the industry. The Citizens M&A team were consummate professionals – working diligently throughout the entire process to help achieve our strategic goals and realize our reach valuation. I had full trust in their expertise and guidance as we worked through challenges and found solutions.”

—**ROCCO DI LILLO**, Former Chairman of PCX

MMS

RECEIVED AN INVESTMENT FROM

LINDSAY GOLDBERG

JUNE 2022

Citizens

"We greatly appreciate the efforts made by the entire Citizens team in bringing about a successful outcome for MMS. Their knowledge of the pharmaceutical services and CRO sectors, their patience and perseverance in aligning with our requirements and expertise in executing transactions in the space, helped us find the perfect partner with whom to continue and accelerate our success.”

—**UMA SHARMA**, Founder and CEO of MMS

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# M&A UPDATE

FALL 2022

## CITIZENS M&A DEAL SPOTLIGHTS

dsg

A PORTFOLIO COMPANY OF

STONE GOFF

ACQUIRED BY

corporate visions
conversations that win

A PORTFOLIO COMPANY OF

Riverside

APRIL 2022

Citizens

"The Citizens team was great to work with and helped us achieve a tremendous outcome. They drove an efficient, competitive process, allowing our team to find the ideal partner to support our growth initiatives. We are proud of the success we were able to achieve during Stone-Goff's partnership and look forward to the next chapter alongside Corporate Visions."

—**MATT MCCLENDON**, CEO of DSG

NEW STATE
CAPITAL PARTNERS

ACQUIRED

PATUXENT
ROOFING & CONTRACTING, INC.

APRIL 2022

Citizens

"Citizens' deep understanding of facility services and extensive knowledge of the growth trends, value drivers and market dynamics in the roofing sector provided our team with valuable insight into the exciting growth potential for Patuxent. Together with management, we intend to explore strategic acquisitions targeted at geographic expansion as well as complementary building maintenance, repair and renovation services. We look forward to building on Patuxent's legacy of excellence."

—**SHAUN VASAVADA**, Vice President of New State

GreenPrint

ACQUIRED BY

PDI

A PORTFOLIO COMPANY OF

GENSTAR INSIGHT PARTNERS TA ASSOCIATES

MARCH 2022

Citizens

"We are delighted to have had the guidance of the Citizens team leading our successful sale of the company to PDI. We were thrilled to have the team on our side throughout the process and negotiations. The Citizens team's passion for a fair and smooth process with all parties was critical in the success of our strategic merger and delivered significant real value."

—**PETE DAVIS**, Co-Founder & CEO of GreenPrint

Note: The testimonials presented are applicable to the individuals depicted and may not be representative of the experience of others.
The testimonials are not paid and are not indicative of future performance or success.

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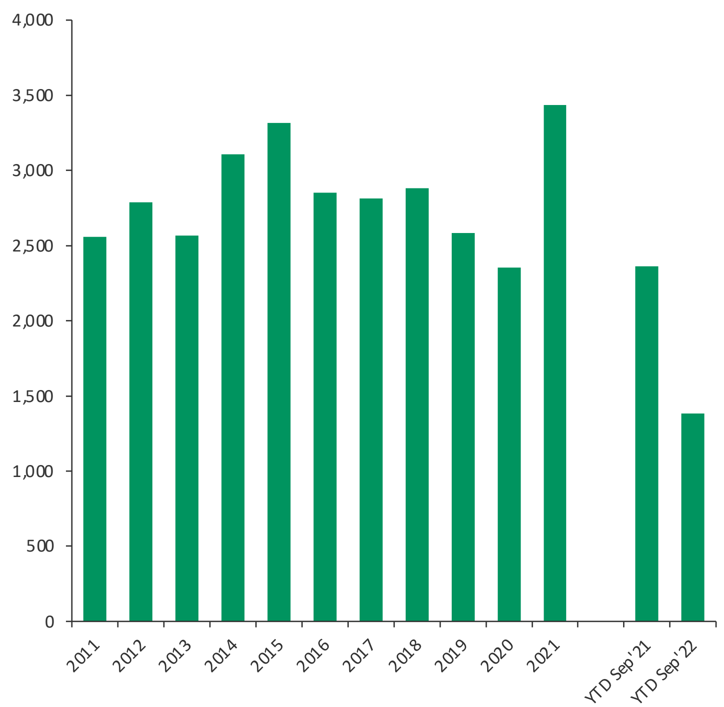
# M&A UPDATE

**FALL 2022**

## MARKET UPDATE

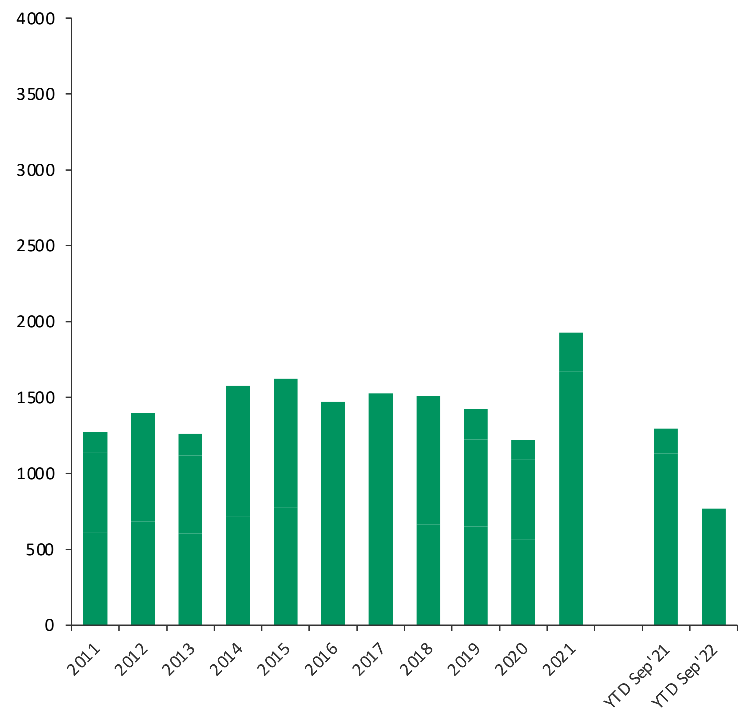
### TOTAL U.S. M&A ACTIVITY

# of Deals (publicly disclosed deal values only)



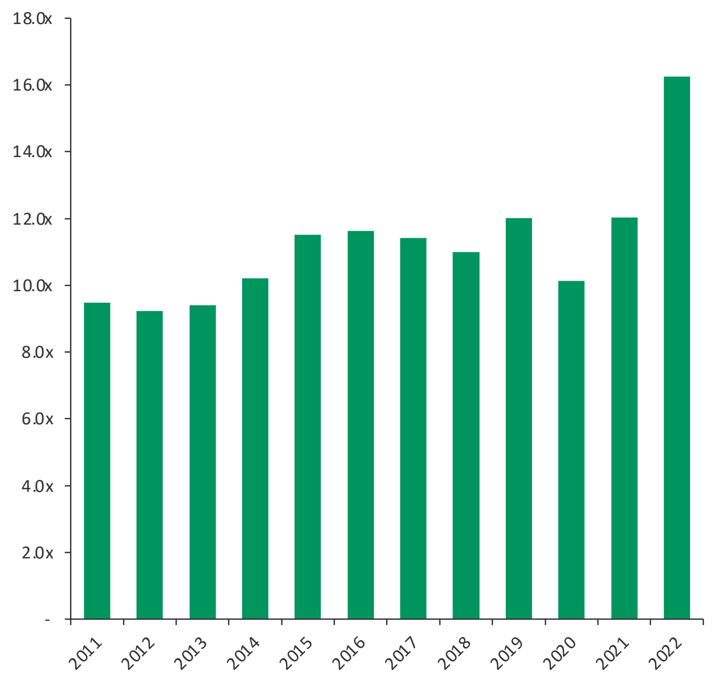

### U.S. MIDDLE MARKET M&A ACTIVITY

# of Deals (publicly disclosed deal values only)



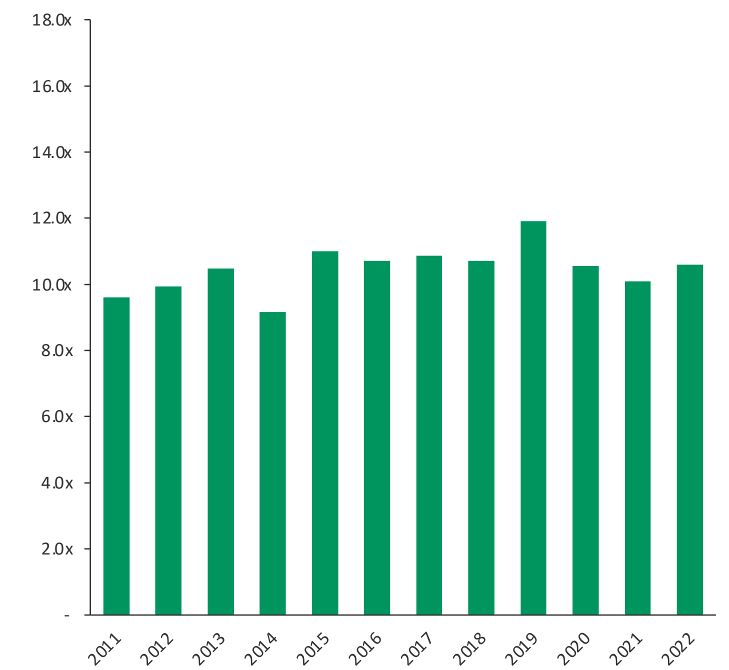

### MEDIAN U.S. M&A DEAL MULTIPLES

TEV / EBITDA




### MEDIAN U.S. MIDDLE MARKET M&A DEAL MULTIPLES

TEV / EBITDA




Note: 2022 data as of YTD 9/30/2022
Source: Pitchbook

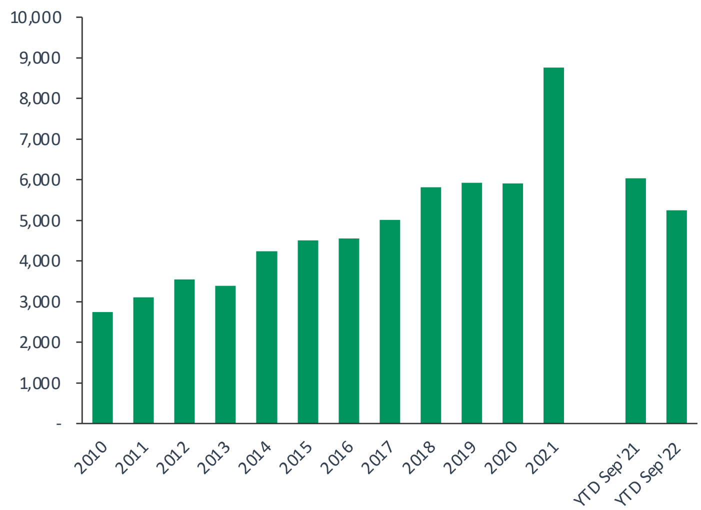
# M&A UPDATE

FALL 2022

## PRIVATE EQUITY MARKET UPDATE

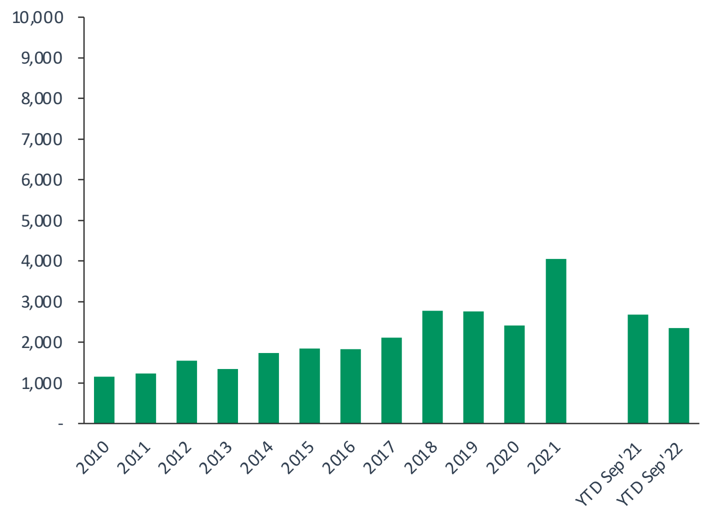
### TOTAL U.S. PRIVATE EQUITY ACTIVITY

# of Deals



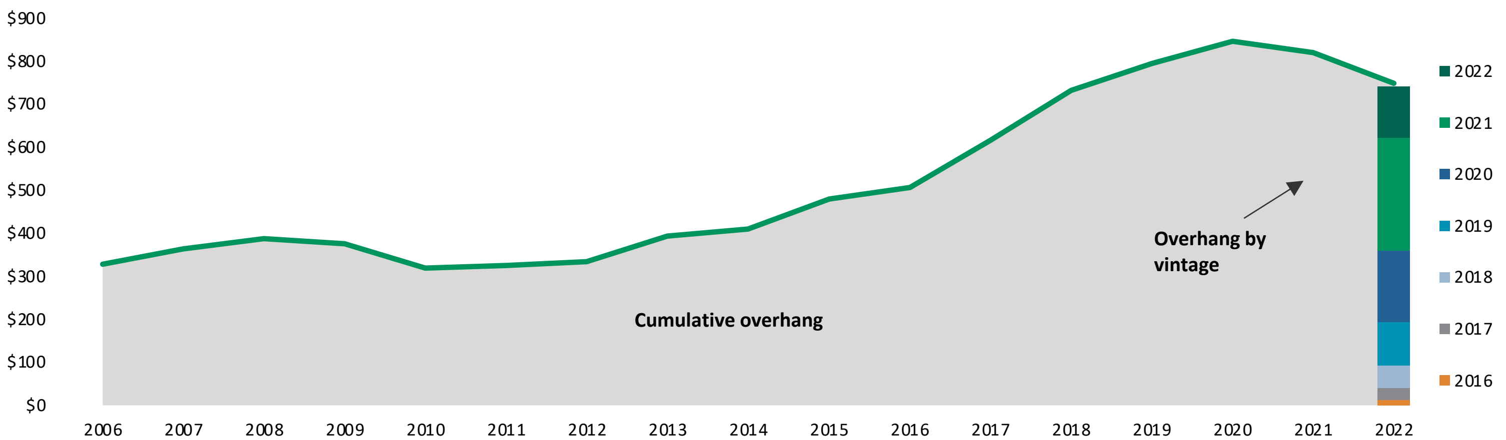

### U.S. MIDDLE MARKET PRIVATE EQUITY ACTIVITY

# of Deals



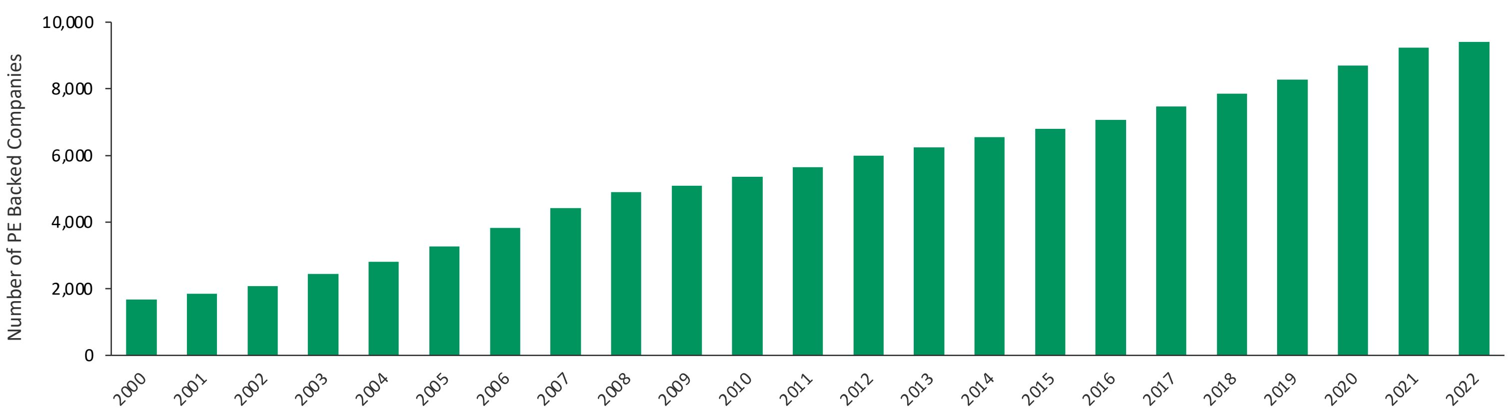

### U.S. PRIVATE EQUITY CAPITAL OVERHANG

Capital overhang ($B) by vintage, size bucket




### U.S. PRIVATE EQUITY SUB $1B COMPANY INVENTORY

Overall PE portfolio inventory




Note: 2022 data as of YTD 9/30/2022

Source: Pitchbook

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# M&A UPDATE

FALL 2022

## INSTITUTIONAL COMMITMENT TO CREATING VALUE FOR FINANCIAL SPONSORS

### LEADING SPONSOR ADVISORY PLATFORM

- Eight dedicated senior bankers covering ~200 firms with funds ranging from $250M - $20B+
- Platform committed to providing best-in-class advisory services across product suite
- Sector intelligence provides unique market insights and value-creating idea generation
- High quality M&A deal flow combined with premier bookrunner position creates powerful sourcing engine for sponsors
- We invest in building long-term partnerships based on trust and unbiased advice

| | |
|---|---|
| **200** Covered Firms | **8** Senior Bankers |
| **#2** Sponsored Middle Market Bookrunner | **Top 10** M&A Flow |
| **1,000+** Sponsor Participants in Citizens Processes | **84** Unique Sponsor Acquirors in Citizens Processes Since 2017 |

### SUBSTANTIAL MOMENTUM WITH PRIVATE EQUITY – SELECT RECENT CLIENTS

AEA; ae Industrial Partners; APOLLO; AQUILINE CAPITAL PARTNERS LLC; ARCAPITA; ARES; Berkshire Partners; The Blackstone Group; bv INVESTMENT PARTNERS

Caltius Equity Partners; The Carlyle Group; Centerbridge; CORNELL CAPITAL; COURT SQUARE; GENSTAR CAPITAL; Guidepost GROWTH EQUITY; HARVEST PARTNERS; HERITAGE GROUP PARTNERS IN HEALTHCARE

IOP INDUSTRIAL OPPORTUNITY PARTNERS; THE JORDAN COMPANY; LGP LEONARD GREEN & PARTNERS; LEVINE LEICHTMAN CAPITAL PARTNERS; LITTLEJOHN & CO.; LONGSHORE CAPITAL PARTNERS; MSOUTH EQUITY PARTNERS; MERIT CAPITAL PARTNERS

NEW STATE CAPITAL PARTNERS; ODYSSEY INVESTMENT PARTNERS; Partners Group REALIZING POTENTIAL IN PRIVATE MARKETS; Ridgemont EQUITY PARTNERS; Riverside; SHOREVIEW; VALESCO; WARBURG PINCUS

### RECENT SPONSOR CLIENT M&A TRANSACTIONS

| | | | | | | |
|---|---|---|---|---|---|---|
| CareerBuilder® A PORTFOLIO COMPANY OF APOLLO, ONTARIO TEACHERS' PENSION PLAN DIVESTITURE OF workterra TO businessolver A PORTFOLIO COMPANY OF STONE POINT CAPITAL, WARBURG PINCUS, JMI EQUITY — OCTOBER 2022 | Greenshades A PORTFOLIO COMPANY OF SFW CAPITAL PARTNERS RECAPITALIZED BY GearBox Capital & WAYPOINT CAPITAL PARTNERS — SEPTEMBER 2022 | Hyland A PORTFOLIO COMPANY OF THOMABRAVO DIVESTITURE OF LawLogix TO EQUIFAX — AUGUST 2022 | ETHOS VETERINARY HEALTH ACQUIRED BY NVA A PORTFOLIO COMPANY OF JAB HOLDING COMPANY — JULY 2022 | NEW STATE CAPITAL PARTNERS ACQUIRED PATUXENT ROOFING & CONTRACTING, INC. — APRIL 2022 | dsg A PORTFOLIO COMPANY OF STONE GOFF ACQUIRED BY corporate visions A PORTFOLIO COMPANY OF Riverside — APRIL 2022 | Vitaligent, LLC A FRANCHISEE OF Jamba, CINNABON ACQUIRED BY SIZZLING PLATTER A RESTAURANT MANAGEMENT COMPANY — FEBRUARY 2022 |
| ACIS A PORTFOLIO COMPANY OF Caltius Equity Partners ACQUIRED BY Atlantic Street Capital — DECEMBER 2021 | MARINE A PORTFOLIO COMPANY OF VALESCO INDUSTRIES ACQUIRED BY ONEWATER — NOVEMBER 2021 | Best Lawyers A PORTFOLIO COMPANY OF LEVINE LEICHTMAN CAPITAL PARTNERS ACQUIRED BY abry partners — NOVEMBER 2021 | Aarrowcast™ A PORTFOLIO COMPANY OF INDUSTRIAL OPPORTUNITY PARTNERS ACQUIRED BY CHARTER — NOVEMBER 2021 | Hire Dynamics A PORTFOLIO COMPANY OF MSOUTH EQUITY PARTNERS ACQUIRED BY EMPLOYBRIDGE A PORTFOLIO COMPANY OF APOLLO — NOVEMBER 2021 | PACIFIC BELLS A PORTFOLIO COMPANY OF Partners Group ACQUIRED BY ORANGEWOOD — NOVEMBER 2021 | ECLIPSE ADVANTAGE A PORTFOLIO COMPANY OF LONGSHORE CAPITAL PARTNERS ACQUIRED BY 20 Impact — OCTOBER 2021 |

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# M&A UPDATE

FALL 2022

## INTEGRATED SECTOR COVERAGE AND EXPERTISE

### AEROSPACE, DEFENSE & GOVERNMENT SERVICES

- Air, Land, Sea and Space Platforms
- Commercial Aerospace
- Defense Technology and Solutions
- Engineering and Technical Services
- IT Services and Software

### BUSINESS SERVICES

- Business Process Outsourcing
- Commercial & Industrial Services
- Data & Analytics
- Human Capital Management
- IT & Professional Services

### CONSUMER

- Consumer Products and Services
- E-Commerce and Direct-to-Consumer
- Food and Beverage
- Restaurants, C-Store & Retail Fuel and Multi-Unit Retail

### FINANCIAL SERVICES

- Alternative Asset Managers & Broke-Dealers
- Commercial & Consumer Finance
- Commercial & Residential Mortgage Finance
- Insurance & InsurTech
- Registered Investment Advisors

### GAMING, LODGING & LEISURE OPERATORS

- Gaming & Lodging Operators
- Gaming Technology
- Marinas
- REITs
- Vacation Ownership & Leisure

### HEALTHCARE

- Biotechnology
- Healthcare Services
- Healthcare Technology
- Medical Devices and Products
- Pharma / Provider Services

### INDUSTRIALS

- Automation
- Building Products
- Distribution
- Equipment
- Paper & Packaging

### TECHNOLOGY & COMMUNICATIONS

- Communication Infrastructure and Technology
- Electronic Security
- Financial Technology & Services
- Software

### TRANSPORTATION & LOGISTICS

- Leasing
- Logistics
- Niche Transportation
- Ports and Infrastructure
- Trucking

CLICK HERE

### ACCESS THE TEAM DIRECTORY

Our commitment is defined by an integrated approach to client relationships—aligning individuals from across the bank who have the specific expertise to best serve your needs. Our senior-level bankers are highly committed to each client engagement, from kickoff through the delivery of a successful outcome.