



CREWE
CAPITAL

Quarterly M&A Market Update

Q4 2023



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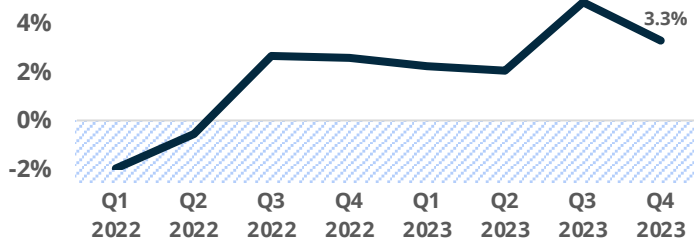
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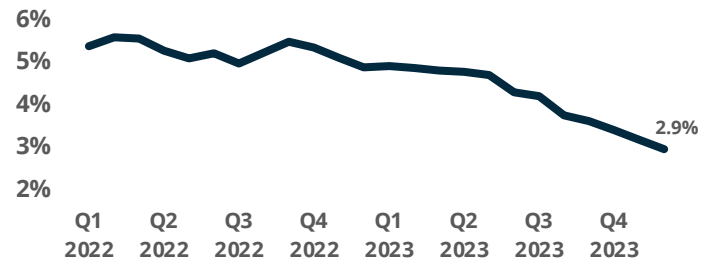


Market Overview

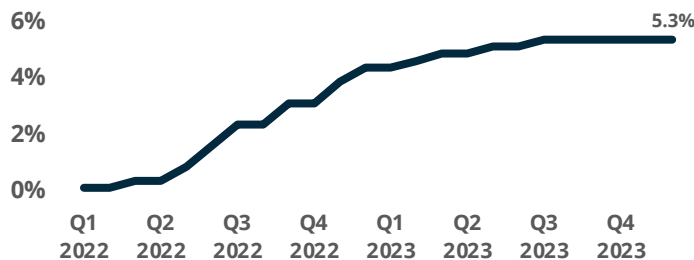
Annualized Real GDP Growth



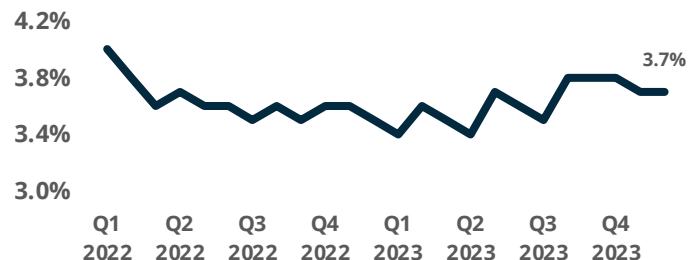
Core PCE YoY % Change



Effective Fed Funds Rate



Unemployment Rate (U3)



Capping off a stormy global M&A market in 2023, the final quarter showed signs of promise, injecting renewed optimism into the financial markets as we entered the new year. Although the Federal Funds Rate remains elevated, hovering between 5.25% and 5.50%, the Fed's target of 2.0% inflation appears increasingly attainable with multiple potential rate cuts in 2024. The Core PCE YoY change, a key measure of inflation, has steadily decreased since its peak in March 2022, with December 2023 recording a 2.9% change. Q4 Real GDP growth exceeded expectations, registering a preliminary reading of 3.3%. Furthermore, the Q4 U3 Unemployment Rate of 3.7% aligns with historical averages during periods of robust economic conditions. While the culmination of positive macroeconomic indicators points to a strong year ahead, the possibility of a "hard landing" remains, which could impact future M&A conditions.

2023 global M&A deal value totaled approximately \$3.0T, marking the lowest annual figure in a decade, yet total deal volume reached its third-highest value ever, with an estimated 40,298 transactions. Despite a slow start, the market gained momentum throughout the year, with Q4 being one of the strongest quarters ever (outside the COVID-induced surge of 2021). Q4 alone witnessed over 10,441 deals with total value exceeding \$786.2B.

Source: PitchBook, S&P Global

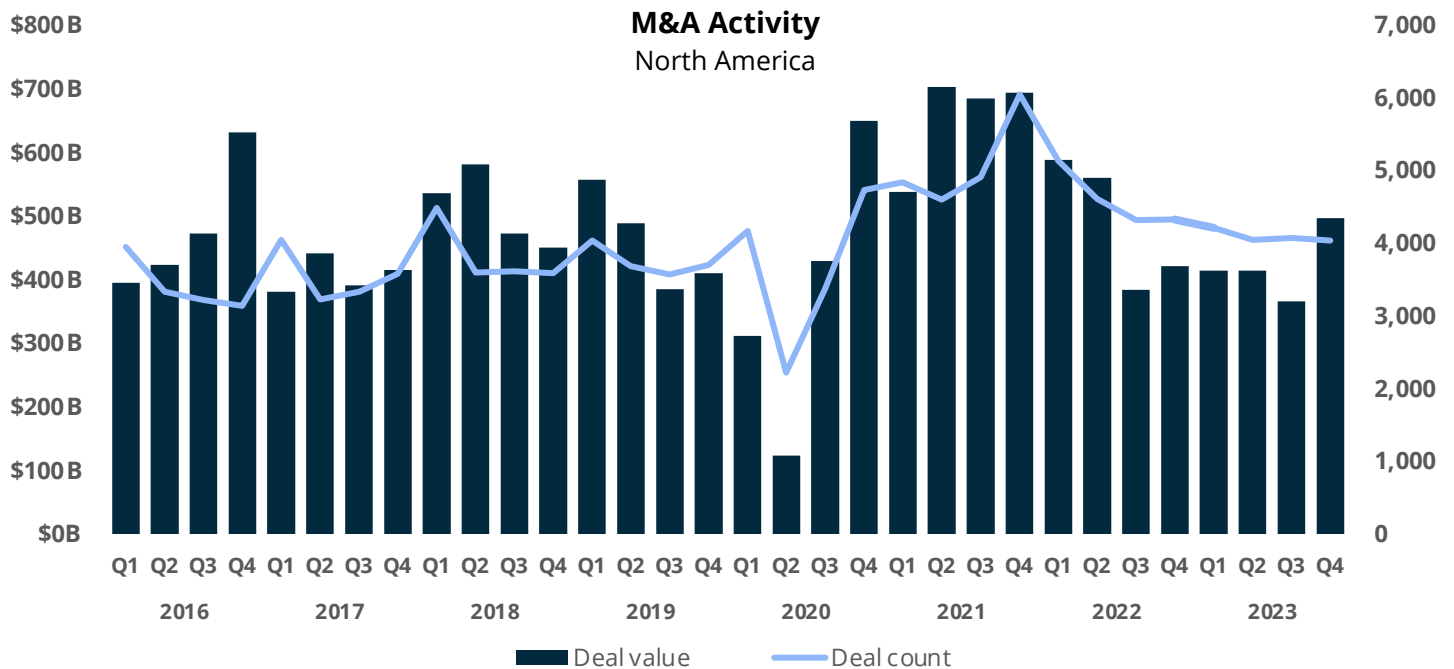
In terms of trading multiples, 2023 marked a favorable shift. The median EV/EBITDA multiple climbed to 9.3x, signaling a formidable uptick from 2022's median of 8.9x. Likewise, EV/Revenue multiples increased from 1.6x in 2022 to 1.7x in 2023. While these figures still fall short of the peak multiples witnessed in 2021, they underscore a reassuring trend of stabilization, edging closer to pre-COVID levels. This enhanced stability in valuations is a positive sign, instilling a sense of confidence for both potential buyers and sellers.

In the public markets, 2023 concluded in an impressive fashion with the S&P 500 rallying 11.2% in Q4 and 4.4% in December alone. The disparity between public company valuations and M&A multiples continues to grow, with the median public EV/EBITDA multiple coming in at 13.6x. This jump in valuations presents opportunities for a robust M&A market, potentially revitalizing the frozen IPO market and stimulating acquisition appetite.

With \$2.6T of dry powder awaiting deployment globally, despite persistent unfavorable debt conditions, the pressure to initiate acquisitions is building. The increased participation of private equity, coupled with a rebounding market and stabilizing multiples, signals a promising outlook for the M&A landscape in 2024.



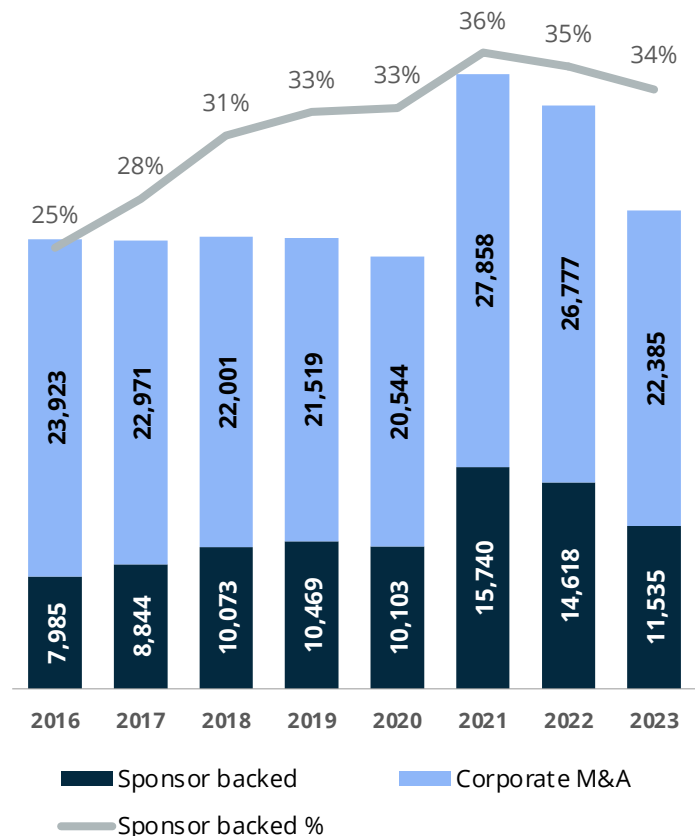
M&A Activity



In the fourth quarter of 2023, North America's M&A landscape showed resilience amidst persistent macroeconomic challenges. The region has witnessed a notable uptick in deal value, with significant gains in the energy sector. The total M&A value for Q4 totaled \$497.1B, marking a robust increase of 17.8% YoY and an even more substantial increase of 35.9% QoQ. Q4 saw 4,043 completed transactions, which was a 6.6% decrease from Q4 2022 and a 0.9% decrease from Q4 2024.

One noticeable trend has been the decline of financial sponsor acquisitions compared to strategic acquisitions in the past few years. With private equity firms often relying on leverage for deals, they appear to be more conservative in their investment approach considering rising interest rates. Fundraising has remained strong, with global private equity dry powder soaring to an unprecedented \$2.6T by the end of 2023. With the potential of the Fed maintaining or lowering rates in 2024, and financial sponsors being pressured to eventually deploy aging dry powder, the M&A market conditions point to a promising 2024. Increased activity from financial sponsors, coupled with continued activity from strategic buyers, creates potential for increased demand, elevated competition, and favorable valuations.

Global M&A Count by Acquirer Type

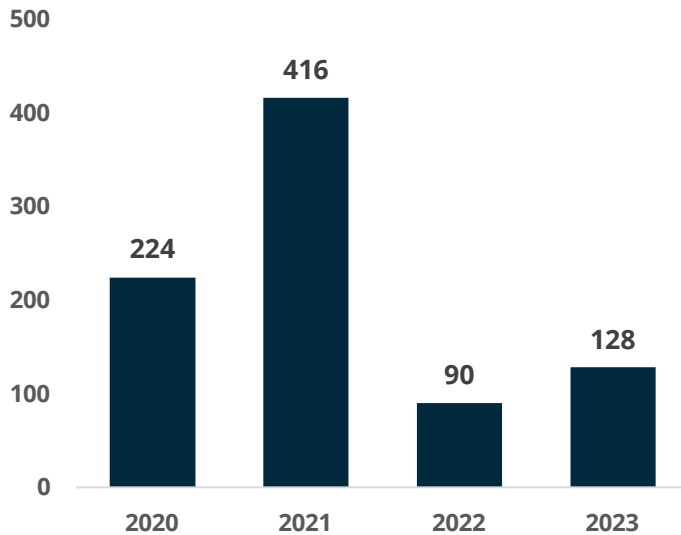


Source: PitchBook, S&P Global

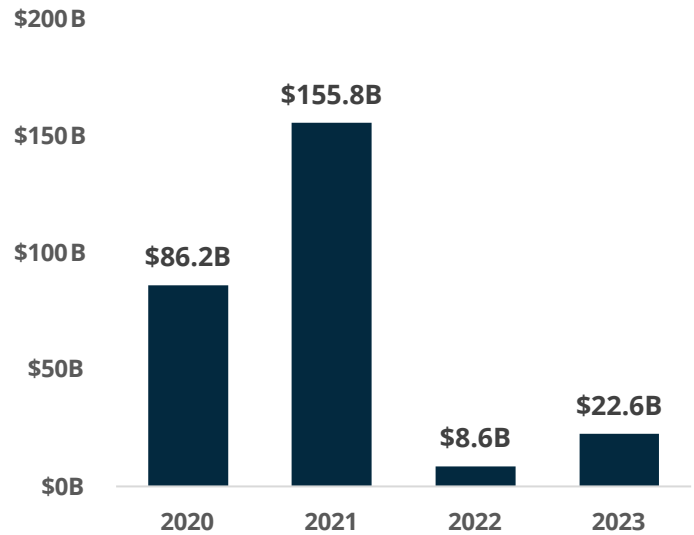


IPO Activity

of U.S. IPOs



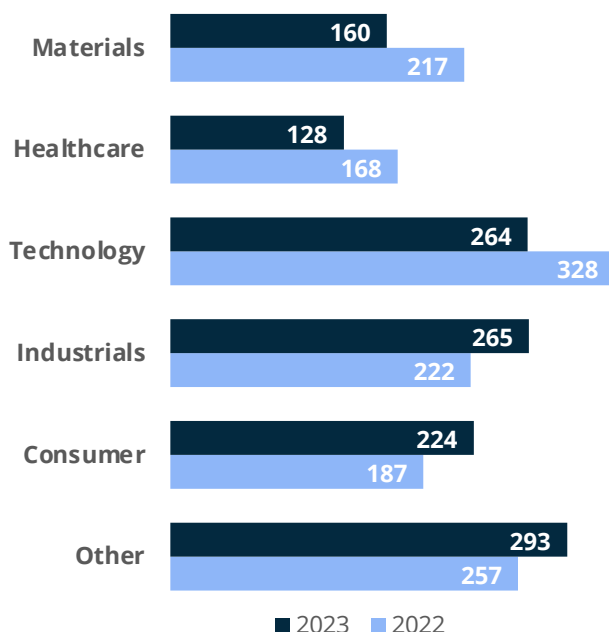
U.S. IPO Proceeds



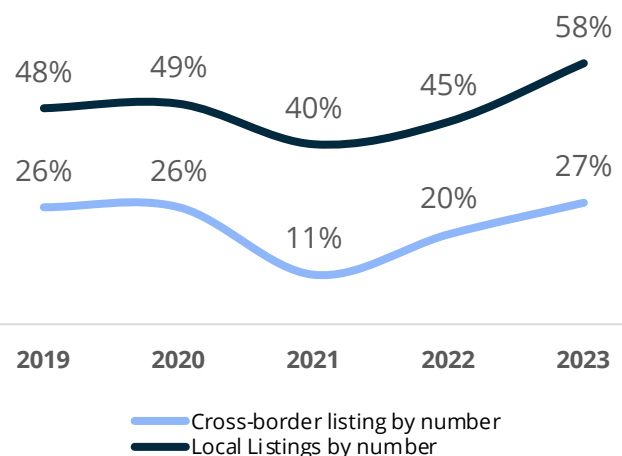
The technology sector lead the U.S. market in both the number of deals (32) and total IPO proceeds in 2023. In all regions apart from the U.S., IPOs surpassed the benchmark indexes in terms of returns. Japan was at the forefront of this trend, achieving a 40% aggregate return on IPOs for the year. Local listings outperformed the aftermarket by more than 20%, with the largest percentage of these transactions being small IPOs valued at less than \$250M.

The U.S. market produced 128 IPOs in 2023, a 42% increase from 2022, yet continued to experience difficult aftermarket performance. In Q4, three notable PE-backed companies made their debut on the public market, with Birkenstock's \$1.5B IPO being particularly significant. The IPO price established a \$8.6B enterprise value (EV) for Birkenstock, reflecting a notable premium from the \$4.8B paid to acquire the company in April 2021. Small-scale IPOs, each raising \$25M or less, represented nearly 70% of initial listings for the year. The total funds raised through IPOs in the U.S. saw a marked increase, more than doubling in 2023, and indicating a continued upward trend as we move into 2024.

of Global IPOs



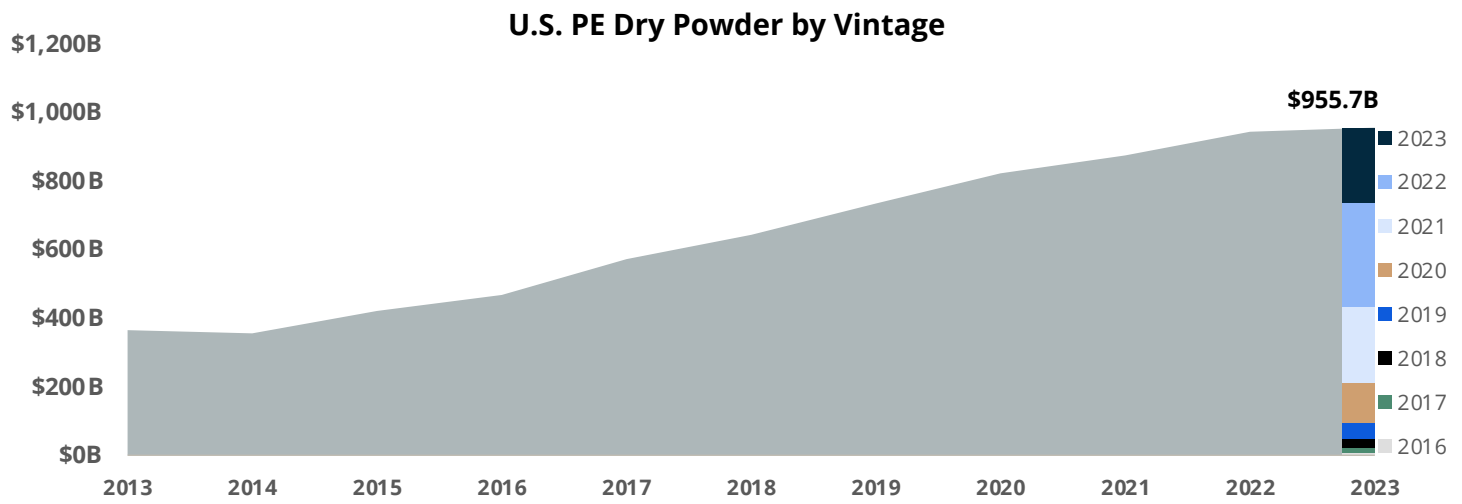
% of IPOs with Current Prices Above their Offer Prices



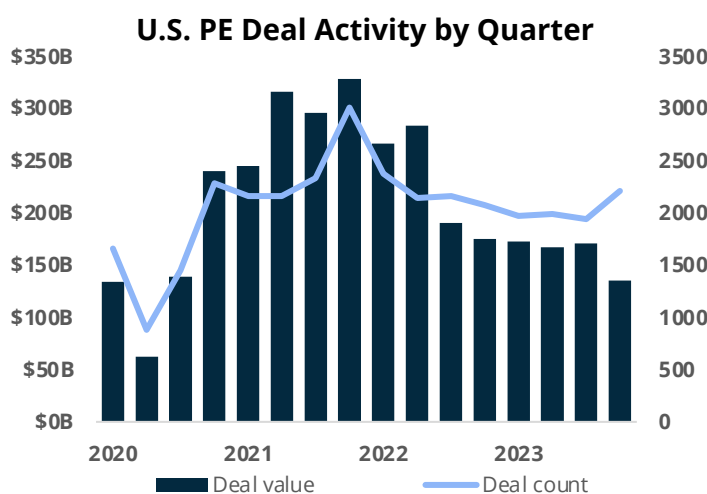
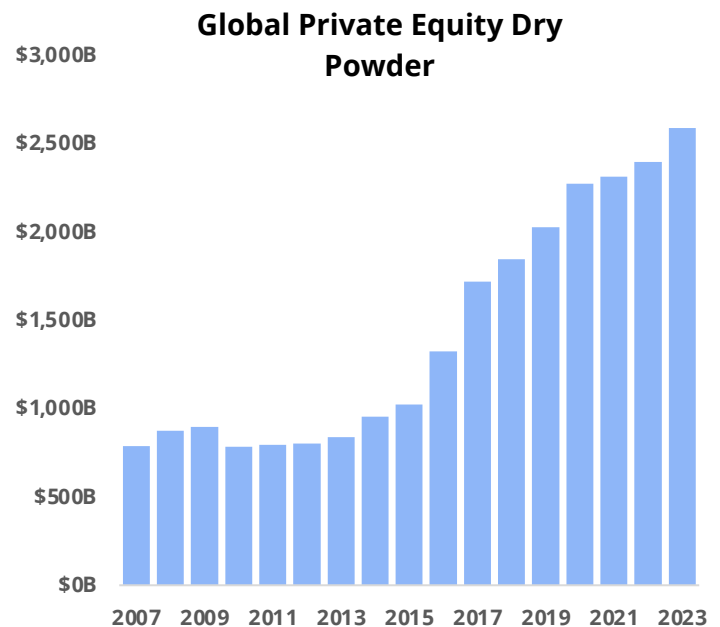
Source: PitchBook, S&P Global



Private Equity Trends



Over the course of 2023, overall PE deal value fell 29.5% YoY and deal count fell 7.3%. Despite this decline, the PE market rallied in Q4, with a 13.9% quarterly increase in deal count. The PE market showed a similar trend to the overall M&A space with a quarterly increase in deal count and a simultaneous decrease in deal value. This phenomenon could be caused by a variety of factors ranging from the current interest rate environment to changes in investor sentiment. However, the increasing deal flow seen in Q4 could be a sign of PE recovery in 2024 as capital markets continue to normalize following the COVID-19 pandemic and ensuing deflationary efforts by the U.S. government. Notably, middle-market PE deals gained significant market share in Q4, with \$100M-\$5B deals gaining 3.9% market share, all of which came from a 3.9% loss in share by <\$100M deals.



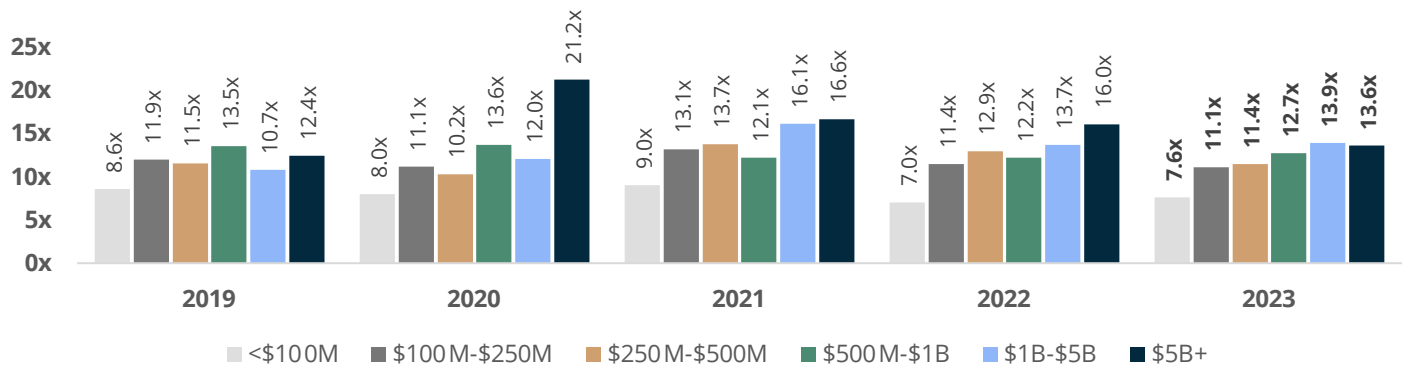
Despite difficult operating conditions, U.S. PE fundraising has pushed to record highs. Fundraising is often a lagging indicator of deal activity and, with dry powder continuing to climb, there is risk that fundraising may slow. Slower deployment amid robust fundraising means that dry powder continues to build, swelling to an unprecedented \$2.6T on a global level as of December 2023. Since most of the total global dry powder was raised in 2022 or earlier, there is potential incentive for PE firms to allocate capital before receiving pressure from investors. This could be another contributor to potential increased deal volume in 2024.

Source: PitchBook, S&P Global

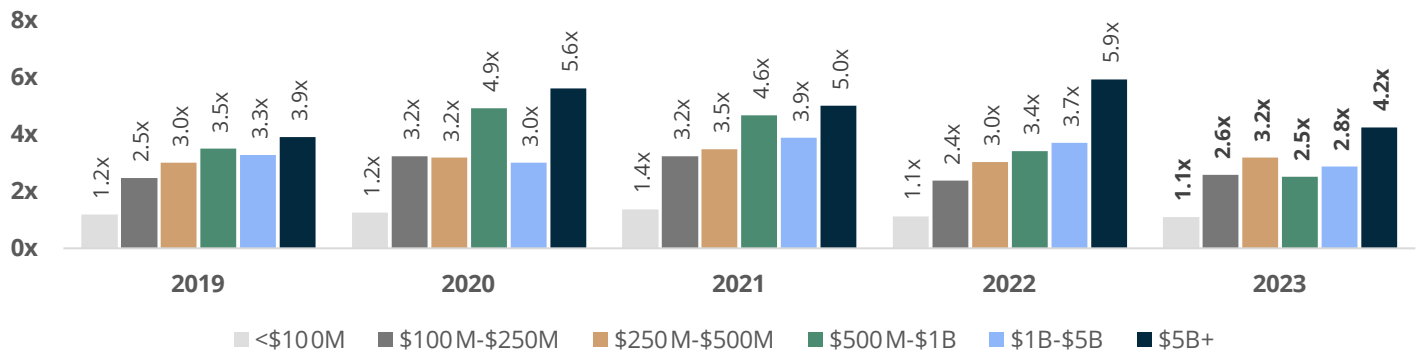


Multiples Overview

Global EV/EBITDA Multiples



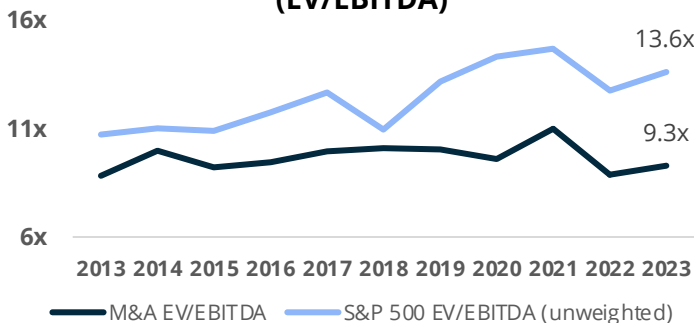
Global EV/Revenue Multiples



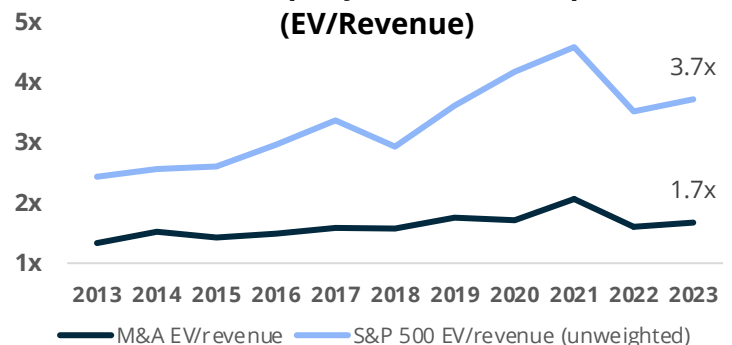
Multiples across the globe have shown signs of stabilization heading into 2024. The 2023 median EV/EBITDA multiple stands at 9.3x, marking an improvement from the median 8.9x multiple in 2022. In addition, the median EV/Revenue multiple increased from 1.6x in 2022 to 1.7x in 2023. Trading multiples for public companies have increased with the EV/Revenue multiple for the S&P 500 index currently sitting at 4.3x. Higher public multiples will likely incentivize exits, such as IPOs and M&A transactions.

Global EV/EBITDA multiples increased in financial services, healthcare, IT, B2C, and B2B sectors. Healthcare showed the strongest growth with EBITDA multiples increasing from 11.5x to 14.2x in 2023. Materials, resources, and energy saw multiple contraction in 2023, with materials and resources median EBITDA multiples dropping over 25%. In the lower middle market, companies saw EBITDA multiples grow to 7.6x, up from 7.0x in 2022. Large cap companies reported lower EBITDA multiples than mid caps for the first time in over five years.

Public Company vs. M&A Multiples (EV/EBITDA)



Public Company vs. M&A Multiples (EV/Revenue)



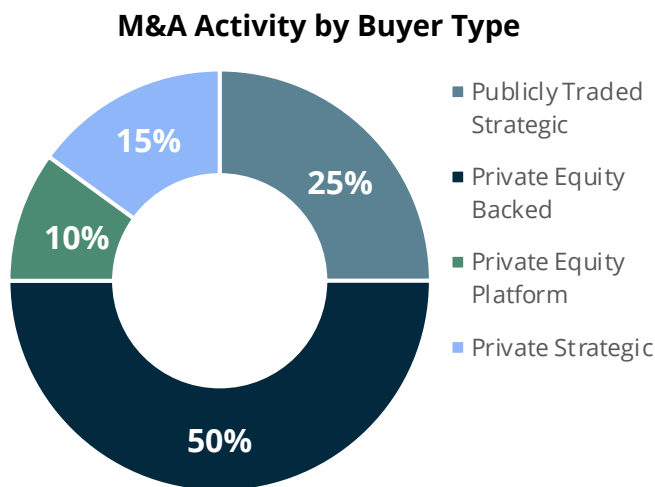
Source: PitchBook, S&P Global



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Software Overview

M&A volume remains strong in software with 873 transactions in Q4 2023, representing a 9% increase year-over-year. Although this figure is still down from the record-breaking volumes of 2022, this volume is indicative of a healthy and stable state for the software M&A market. Estimates for annual software M&A volume were given at 3,525 transactions, estimating 900 deals to have taken place in Q4 2023.



Although software deal volume has shown strength throughout 2023, the average EV/TTM Revenue multiple in Q3 2023 dropped substantially to 4.2x. Software multiples are continuing to compress largely in response to high interest rates, rising inflation, and fears of an economic downturn.

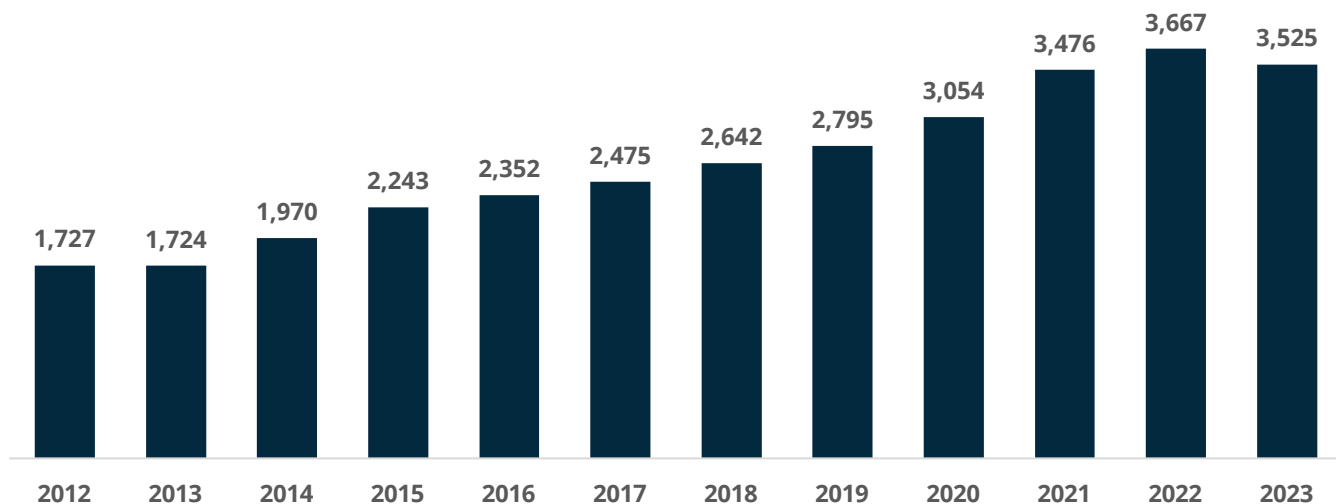
Public software multiples rose in Q2 but have since declined as public markets retreated throughout Q3, casting uncertainty toward future private multiples.

**SAAS Capital Index Multiples
(Median EV/ARR)**



Valuation multiples, having cooled to one standard deviation below the five-year mean, could provide value incentives for investors as the industry continues to optimize margins and generate cash flow.

Software M&A Deal Volume

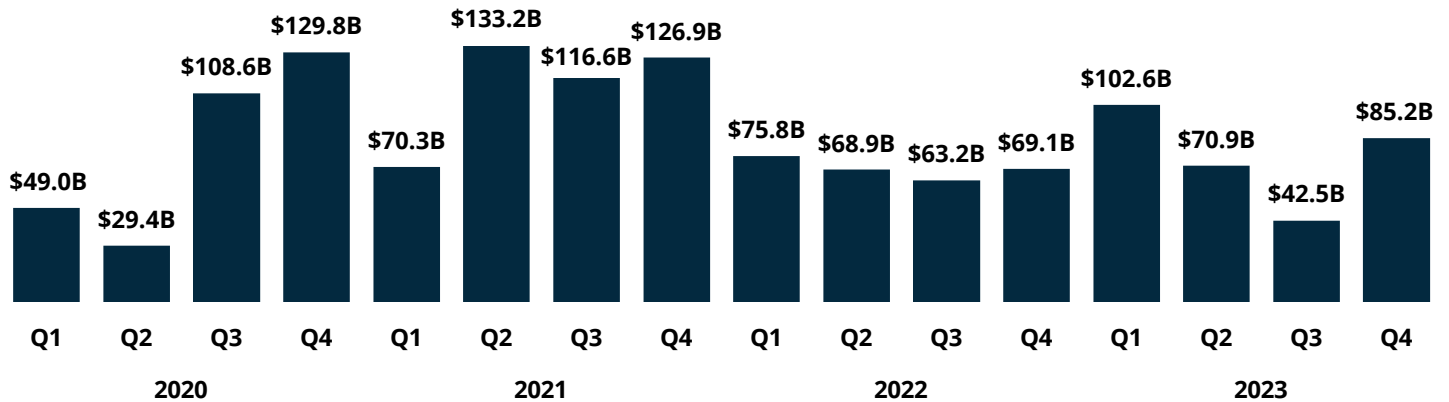


Source: SaaS Capital, Software Equity Group, Panther Equity Group



Healthcare Overview

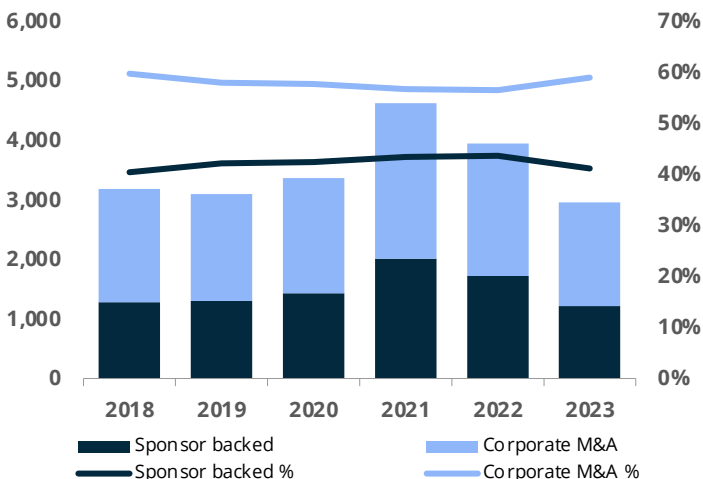
Healthcare M&A Deal Value
North America



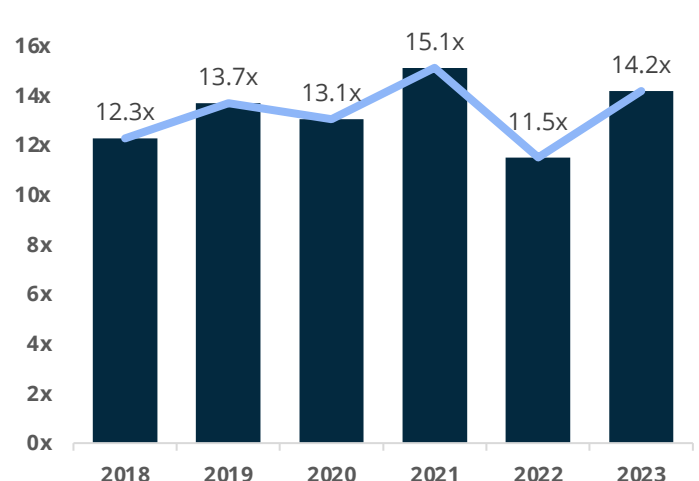
Healthcare M&A deal value saw growth in Q4 totaling \$85.2B. Fiscal year 2023 represents a \$24.3B increase in deal value compared to 2022. Volume was down ~20% from Q3 to Q4 within healthcare globally. Following FTC approval, Amgen successfully completed its acquisition of Horizon for \$28 billion in the fourth quarter of 2023, marking it as the largest biopharma deal of the year. As we enter 2024, significant momentum is anticipated in the biotech sector, with two mega-deals poised to finalize early in the year: AbbVie's acquisition of Immunogen and Bristol Myers Squibb's acquisition of Karuna Therapeutics, collectively valued at over \$24 billion.

In 2023, biopharmaceuticals led healthcare M&A activity with 58% of deal value, predominantly targeting later-stage companies over early-phase startups due to current capital market conditions. Mega deals declined in 2023, triggering a shift towards middle-market transactions amid regulatory pressures. IPO activity has decreased, particularly for pre-clinical firms, while companies in later-stage trials captured a larger share of VC-backed biopharma IPOs for the second consecutive year. Backlog in the IPO market grew as companies awaited regulatory approval, improved economic conditions, and valuations.

Global Healthcare M&A Volume by Acquirer Type



Healthcare EV/EBITDA Multiples
Global M&A

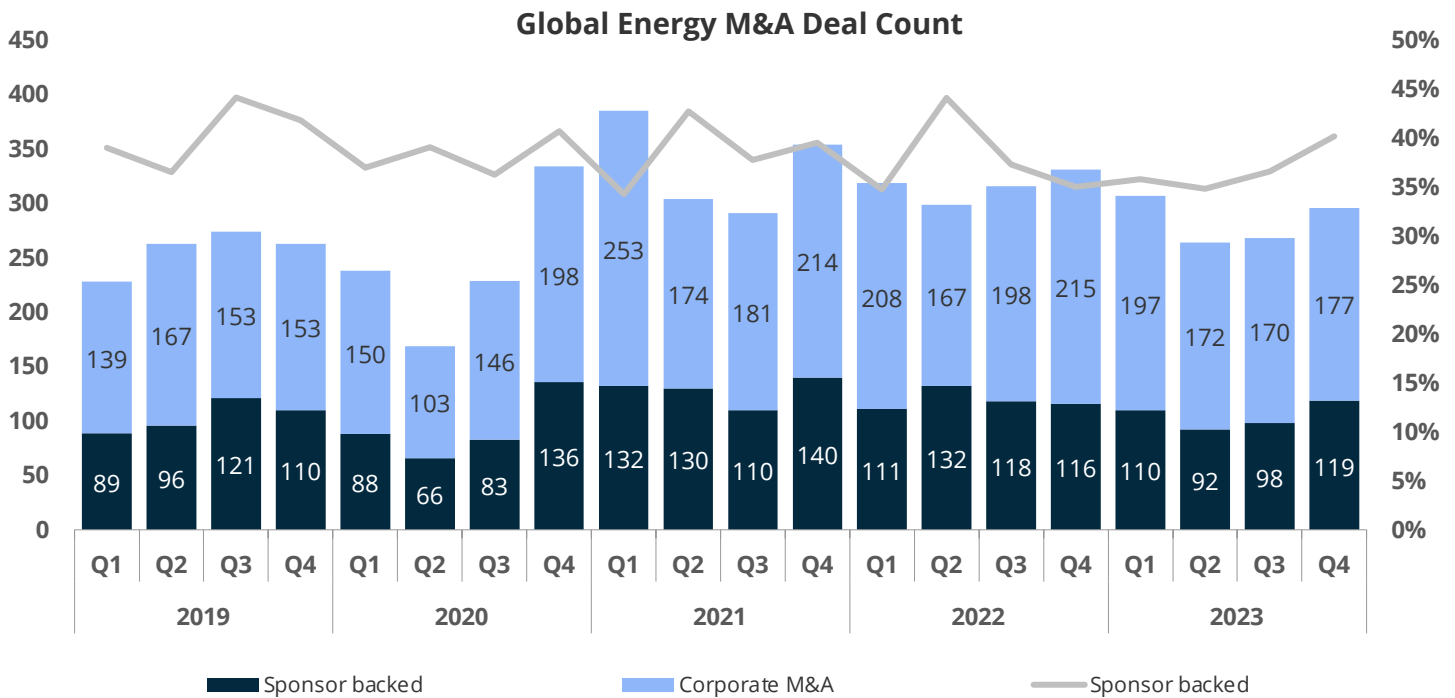


Source: PitchBook, Leerink, Mertz Taggart



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Energy Overview



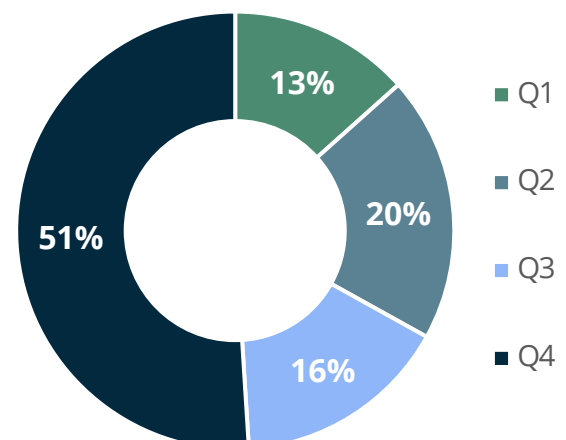
The energy sector had an admirable year in 2023, with an annual deal count of 1,135 totaling \$380.8B in value, recording the industry's best year since 2016. Q4 was especially impressive, with total deal value reaching a quarterly record of \$194.2B, making up 51% of the total energy deal value in 2023. This escalation in Q4 numbers was led by the two largest M&A transactions of the year: ExxonMobil's purchase of Pioneer Natural Resources for \$64.5B and Chevron's acquisition of Hess corporation for \$60.0B. These transactions, alongside the significant number of M&A deals and their collective value in the energy sector, creates ample opportunity for 2024 to be another successful year for the sector.

Despite the strong performance seen in 2023, median valuation multiples displayed notable movements. EV/EBITDA fell from 6.9x in 2022 to 5.9x in 2023, and EV/Revenue rose from 1.9x in 2022 to 2.3x in 2023. Furthermore, the surge in M&A activity during Q4 could be influenced by the spikes in oil prices, with WTI reaching its year-long high of \$93.7/bbl on September 27, before receding to the yearly average of \$83.0/bbl.

Sponsor-backed energy deals made a significant comeback in 2023, growing from a 35.8% deal

share in Q1 to a 40.2% deal share in Q4. Although total deal flow was slightly lower than 2021 and 2022, it equaled or surpassed the figures from 2019. The upward trend observed as the year progressed could be indicative of an active energy market going forward. Additionally, the renewable energy sector demonstrated significant expansion in 2023, highlighted by KKR's \$1.6B take-private of an energy infrastructure company and Statkraft's \$1.9B purchase of Enerfin. This was accompanied by a strong stream of smaller-scale transactions that further reinforced the sector's activity.

Global Deal Value by Quarter



Source: PitchBook, Oilprice.com

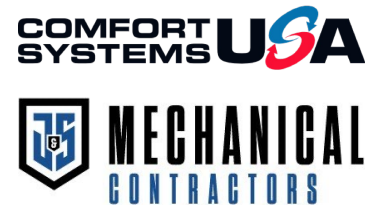


Press Release



Crewe Capital Delivers Strategic Buyer for J & S Mechanical Contractors, Inc.

February 2, 2024



Crewe Capital (Crewe), one of the nation's leading boutique investment banks, has successfully orchestrated a pivotal transaction for J & S Mechanical Contractors, Inc. (J & S), securing a strategic acquisition by Comfort Systems USA, Inc. (NYSE: FIX).

Crewe served as the exclusive transactional advisor to J & S, a West Jordan, Utah-headquartered mechanical construction services firm, to deliver on the owners' desires to source a partner to continue the company's long history of operational excellence while preserving the culture, values, and legacy it has built since its founding in 1976.

Throughout its nearly 50-year history, J & S has served commercial and industrial sectors throughout the Mountain West and has worked on many of the largest and most technical construction projects across a wide range of industries.

"J & S is a successful, well-respected, and highly sought-after construction services provider with a great management team that was looking for a partner that shared its vision for the future," explained Ken Timbers, Managing Director of Crewe. "With a clear understanding of their goals, we were able to guide ownership through a complex process that identified a strong set of transactional opportunities and resulted in a successful outcome."

"The Crewe team was with us every step of the way, providing transparency and strategic counsel throughout the process. They were instrumental in helping us foster a strong partnership with Comfort Systems USA."

Jack Jensen - President, J & S

After Crewe researched and provided a range of prospective partners and buyers, Houston-based Comfort Systems USA emerged as the clear choice to help pave the way for the company's next phase of growth. Comfort Systems USA is a leading provider of commercial, industrial, and institutional heating, ventilation, air conditioning, and electrical contracting services across the country, and a partnership with J & S allows for continued development and innovation in the Mountain West.

"As a closely-held business with a tight-knit team, it was critical that we find the right partner to continue the culture we have built at J & S and know that our entire team would be in good hands," said Jack Jensen, President of J & S. "The Crewe team was with us every step of the way, providing transparency and strategic counsel throughout the process. They were instrumental in helping us foster a strong partnership with Comfort Systems USA."

Michael Bennett, Managing Partner of Crewe, said, "J & S is great at what they do in providing complex and technical contractor services, and we were energized by the opportunity to support them in what we do best - from preparing the company to go to market to identifying key investment considerations, developing a strong and comprehensive set of prospective partners, and negotiating the terms of a favorable transaction benefiting J & S's shareholders, employees, and other stakeholders. This was an important deal for the J & S team, to find the right partner to honor the business's legacy, and it's rewarding that we were able to help facilitate their success."



Press Release



Triple Ring Technologies and 1315 Capital Announce Strategic Growth Partnership

February 1, 2024

Triple Ring Technologies ("Triple Ring"), The Co-Development Company for Medical Device and Life Sciences, proudly announces a significant growth capital investment from 1315 Capital, a Philadelphia-based, healthcare-focused growth equity firm. The company was advised by Rob King and Crewe Capital, out of their New York office.

Triple Ring stands side-by-side with innovators and entrepreneurs to solve hard problems, launch breakthrough products, and create new businesses. Working together with 1315 Capital, Triple Ring plans to accelerate its growth through both geographic expansion and extension of its R&D and product development services.

"Triple Ring Technologies has built a strong reputation in medical device and life sciences innovation, working with the world's top companies as well as with the brightest startups. The infusion of this growth capital will propel the company into a new phase of expansion, enabling us to capitalize on emerging opportunities and solidify our position as a market leader," said Joseph Heanue, Chief Executive Officer of Triple Ring Technologies.

"Crewe and Rob's steady hand, thoughtful advice, and keen industry insight have added tremendous value to Triple Ring over the years as we have pursued our strategic objectives"

Joseph Heanue – CEO, Triple Ring Technologies

Michael Koby, Founding Partner of 1315 Capital, stated, "We identified a significant opportunity to grow and scale a world-class services business that provides all necessary functions to develop and launch breakthrough healthcare products. We are thrilled to partner with Triple Ring to drive this vision."

Craig Matturro, Principal at 1315 Capital, added, "Triple Ring is the foundation of an engineering and outsourced R&D services platform around which we will build an international leader in complex technology development for medical devices, life sciences, robotics, imaging, radiotherapy, and other technology-driven end markets."

"We have worked with Triple Ring for over a decade and are pleased to have helped facilitate investment from 1315 Capital, which has provided the company the resources to be an industry standard. As a later-stage growth investor, 1315's investment sends a strong signal regarding the potential for growth in the overall healthcare R&D and engineering services sector," stated Rob King, Partner, at Crewe Capital.

"Crewe and Rob's steady hand, thoughtful advice, and keen industry insight have added tremendous value to Triple Ring over the years as we have pursued our strategic objectives," said Joseph Heanue.



Select Current Deals

Project Artemis

**Global Oil & Gas
Production and
Process Equipment
Supplier**

Sell-Side Advisory

Project Titan

**Regional Home
Health and Hospice
Service Provider**

Sell-Side Advisory

Project Lion

**Regional Behavioral
Healthcare Provider**

Sell-Side Advisory

Project Idaho

**Leading Provider of
Maintenance Services
for Aircraft Fleet
Operators**

Sell-Side Advisory

Project Loyal

**Regional Private
Equity firm**

Acquisition Capital Raise

Project Sleek

**Leading Bike Wheel
and Component
Manufacturer**

Buy-Side Advisory

Project Steel

**Regional Commercial
Re-Roofing and Metal
Fabrication**

Sell-Side Advisory

Project All In

**Regional Leader in
Residential Solar
Sales and Installation**

Sell-Side Advisory

Project Bond

**Manufacturer and
Distributor of Repair
Products Serving
Fueling Sites**

Sell-Side Advisory



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