CREWE CAPITAL

Q1 2025
M&A Overview

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Executive Summary

The underlying U.S. economy has remained resilient and deal-making has concentrated into larger transactions, despite headline volatility in Q1 2025 driven by AI shocks, tariff shifts, and regulatory noise. In Q1, estimated deal count declined 7.1% QoQ but remained up 19.3% YoY, illustrating robust long-term momentum slowed in the near term by economic concerns. Uncertainty surrounding tariff strategy and fiscal policy brought fears of a trade war and potential economic recession to the forefront of the minds of market participants.

These uncertainties weigh on an otherwise fundamentally strong economy. The Federal Reserve held its target rate steady since the last rate cut in December 2024, highlighting stability in monetary policy amid uncertainty surrounding inflation. Expectations of short-term performance have also continued to improve with the 10-year and 2-year treasury bond yield spread rising to 0.48%, indicating renewed investor confidence in the near-term outlook.

Inflation and unemployment metrics have remained relatively steady. The core personal consumption expenditure index rose only 2.6% YoY in April 2025, and unemployment also remained steady at 4.2%, below the OECD average unemployment in developed nations of 5.0%. The performance of these traditional macroeconomic metrics indicate fundamental strength within the U.S. economy.

Despite the strength of these metrics, equity market participants experienced intense volatility. The S&P 500 started the year at 5,868, rising 4.7% to 6,144 as the new administration took office. Soon, following changes in trade agreements and tariff enactments, the market plummeted 18.9% to a low of 4,982 before rebounding to near its starting level.

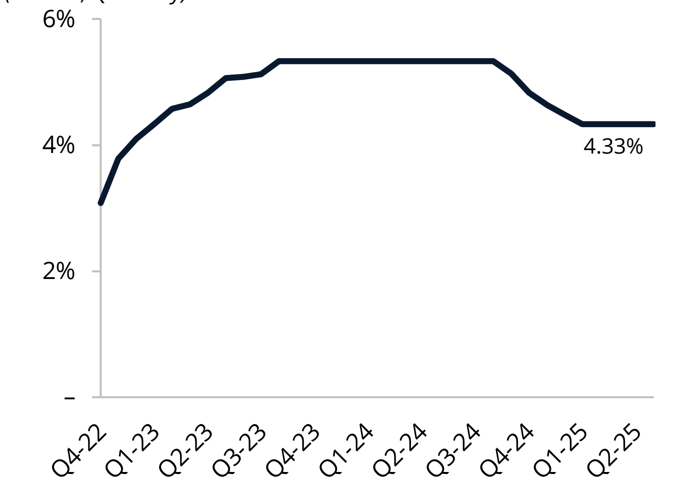
The overall market sentiment appeared to be somewhat cautious, influenced by a few key events and trends. Investors had hoped that the new administration might create a more relaxed regulatory environment, but in February the FTC indicated it would continue with the previous commission's M&A and antitrust regulations, which some saw as restrictive and excessive. Additionally, ongoing uncertainties related to international relations and trade have led to concerns about supply chain disruptions and input costs.

This combination of factors contributed to a 0.3% decline in real GDP in Q1 2025. The decline could also be attributed to import frontloading, which may have reduced domestic spending, pushing real GDP down. Consequently, both boardrooms and living rooms have adopted a defensive posture with corporations demanding clearer policy signals before scaling up and consumers prioritizing essentials over splurges. This attitude led to a quarter in M&A that concentrated capital into fewer, high-value transactions, with lower deal volume but increased deal value. Strategic and financial buyers became more selective, pursuing fewer transactions but maintaining interest in high-quality assets.

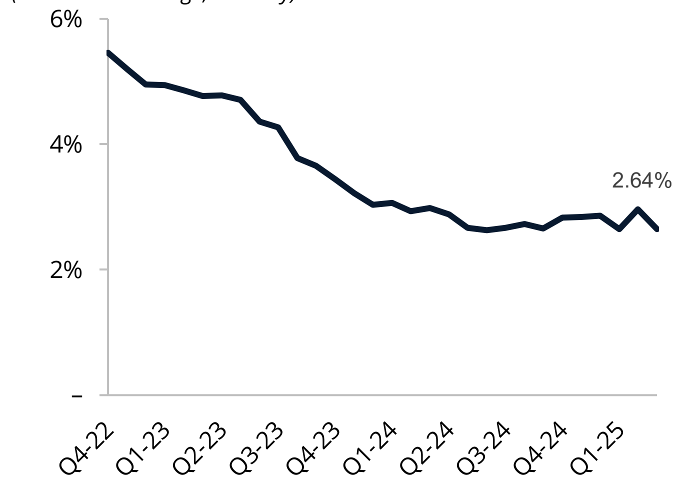
Source: PitchBook, KPMG, FRED

Economic Indicators

Federal Funds Effective Rate
(Percent, Quarterly)

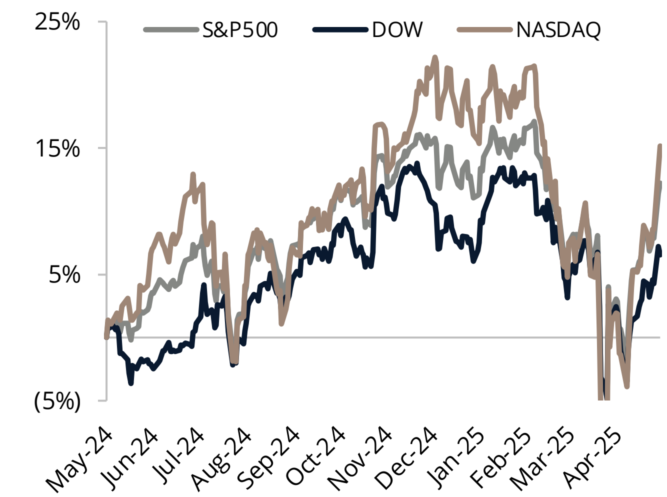


Core PCE (Personal Consumption Exp)
(YoY Percent Change, Monthly)

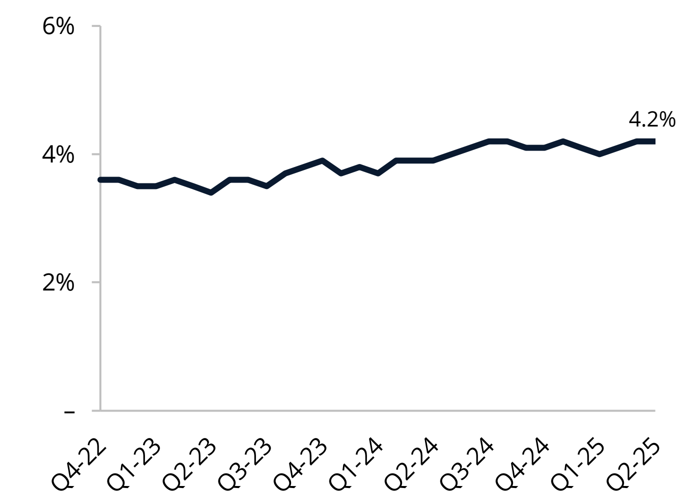


U.S. Treasury Yield Spread (10Y-2Y)
(Percent, Daily)

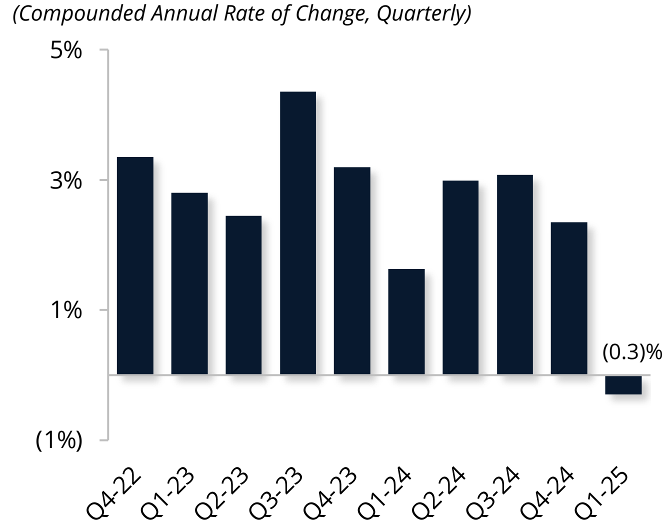
Major Stock Indices
(TTM Percent Return, Daily)



Unemployment
(U3, Percent, Monthly)



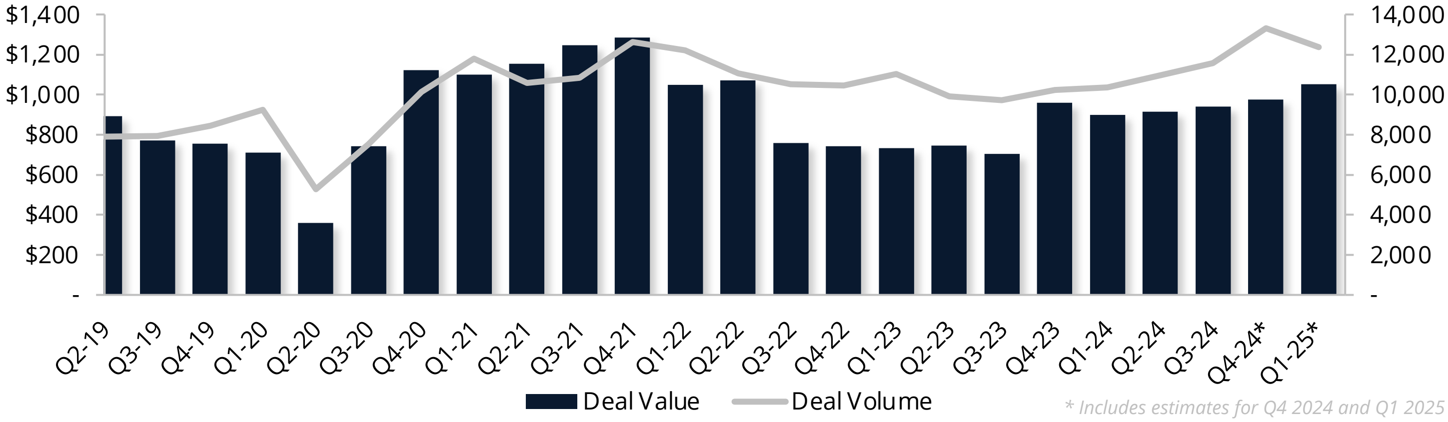
Real GDP
(Compounded Annual Rate of Change, Quarterly)



*Q2-25 and May-25 values as of May 16, 2025
Source: FRED

M&A Activity

Global Deal Value & Deal Count
($ in Billions, Quarterly)



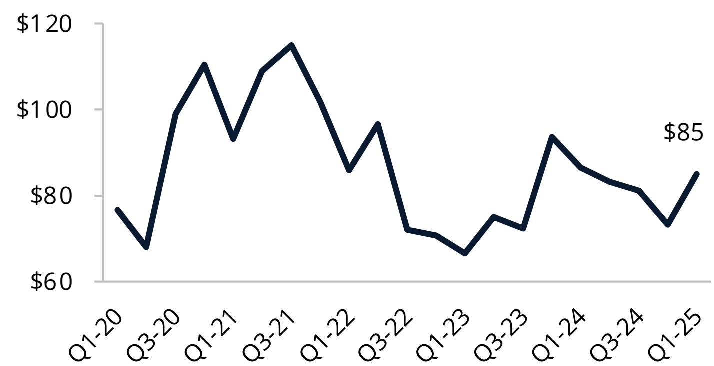
** Includes estimates for Q4 2024 and Q1 2025*

M&A market performance in Q1 2025 draws two main takeaways. First, many key economic indicators appear to be strong, even during perceived instability or decline. Second, while this perceived slowdown of the economy by consumers might have had an impact on the volume of deals executed, underlying deal value remains strong.

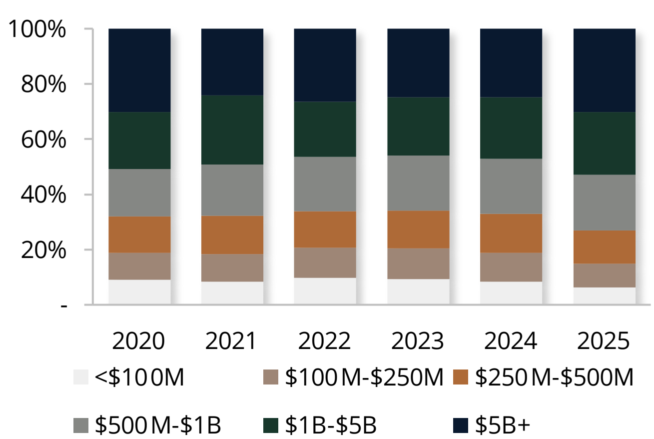
Despite a 7.1% QoQ drop to 12,371 deals in Q1 2025, global deal volume remains 19.1% higher YoY. Further, quarterly deal value increased 7.8% to $1,051 billion from $974 billion. This intersection of increasing deal value with decreasing deal volume underscores the increased impact of deals over $1 billion on total deal activity. Average deal size also rose 16% QoQ to an average deal value of $85 million. In real terms, this indicates a shift towards high value deals with long term strategic potential. Businesses that have long-term strategic growth plans have shown an appetite to pay a premium in larger deals to have outsized long-term impact. Financial buyers see a similar trend displayed with increased interest in long-term acquisitions that synergize with current holdings or roll-up acquisitions of stressed and distressed assets.

Regardless of volatile market performance, companies with strong financial and operational fundamentals remain well-positioned to attract interest in an environment that values long-term potential. Across financial and strategic buyers, intra-portfolio synergies are driving deal value. High-quality assets will continue to attract buy-side attention, and companies that market themselves as a strong fit for long-term growth should see continued interest. As the year matures, increased clarity on policy and consumer sentiment should unlock opportunities for M&A activity.

Average Deal Size
($ in Millions, Quarterly)



Global M&A Activity By Bucket
(% of total Deal Value)

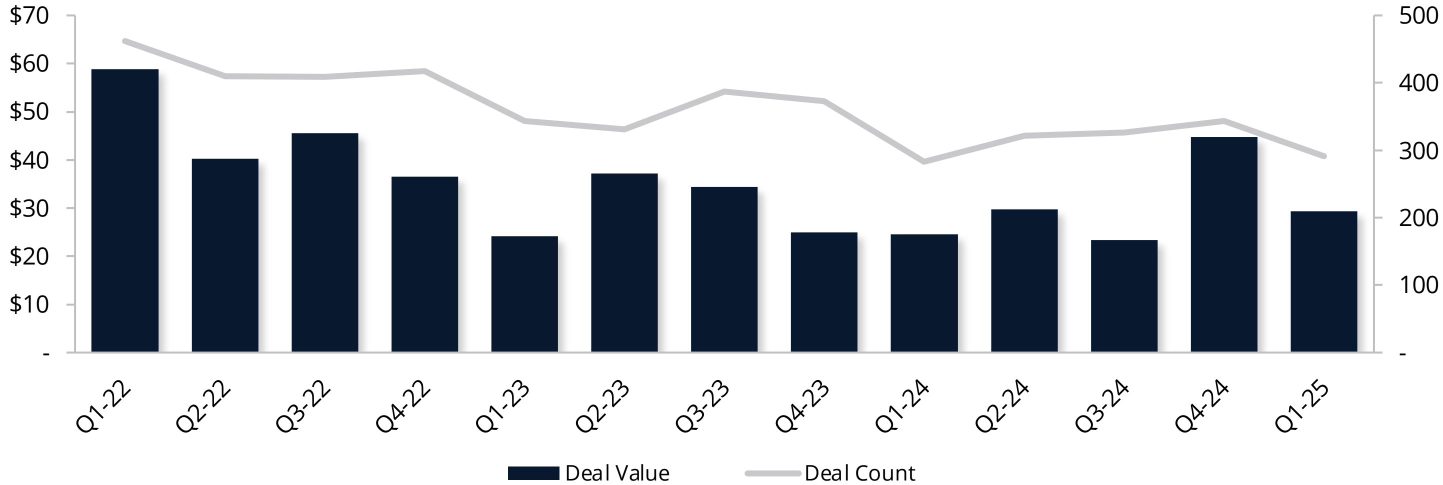


Source: PitchBook, EFG International, CNBC, Watermark Advisors

IPO Activity

Global IPO Deal Values & Deal Count

(Deal Proceeds, $ in Billions)



Despite persistent macroeconomic headwinds, the global IPO market demonstrated notable resilience in Q1 2025. Global IPO activity increased 3% YoY in deal volume and 20% YoY in total proceeds, signaling sustained investor interest.

On a quarter-over-quarter basis, both deal count and proceeds declined by 20% and 35%, respectively. This decline is not likely a cause for concern, as this pattern was consistent with historical seasonality with Q1 often underperforming Q4. Notably, Q1 2025 recorded 291 IPOs, a 9% increase over the five-year Q1 average, reflecting a stronger-than-expected start to the year.

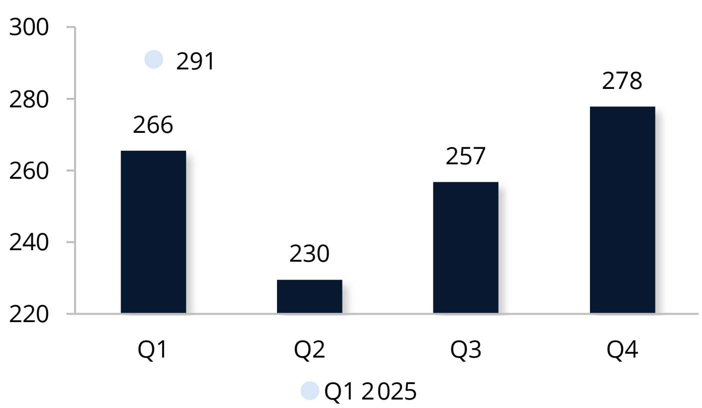
While proceeds came in below the long-term first quarter average, the market outlook remains constructive, with early-year momentum indicating strong potential for growth in the quarters ahead. Unlike the broader market, the U.S. was largely insulated from this dip in proceeds, closing the quarter with the highest total proceeds globally at $8.9 billion across 59 IPOs.

While the U.S. ranked second globally in deal volume—behind India, which had 62 IPOs—it posted a strong 55% YoY increase in deal count, underscoring a robust rebound in public market activity.

Overall, despite market uncertainties, the IPO landscape continues to uncover and capitalize on opportunities. With a solid pipeline and improving sentiment, the remainder of 2025 appears well positioned for further growth.

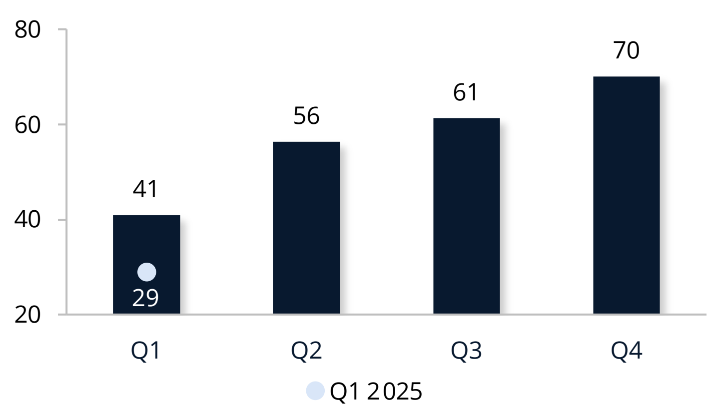
5-Yr Average of Global IPO Count by Quarter

(Deal Count)



5-Yr Average of Global IPO Value by Quarter

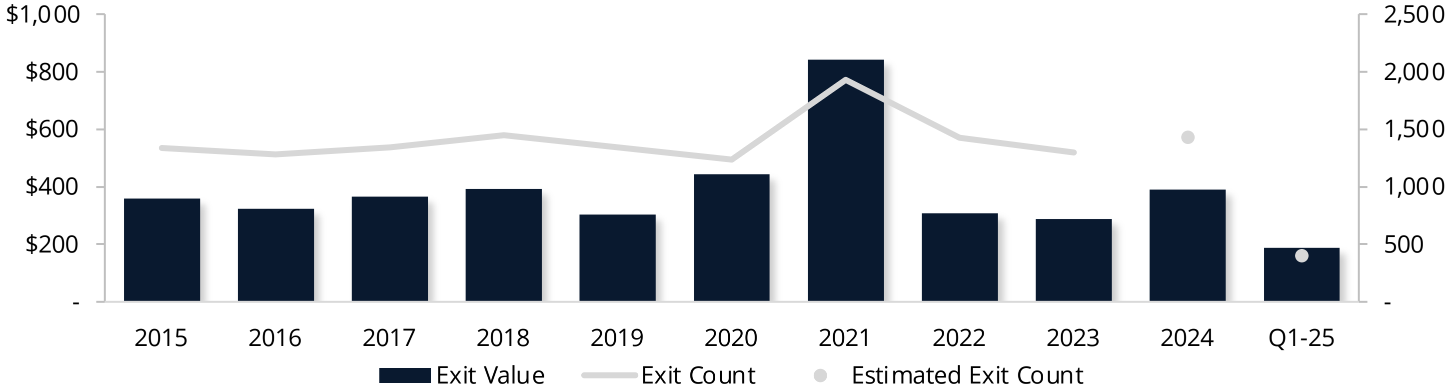
(Deal Proceeds, $ in Billions)



Source: EY, The Wall Street Journal, SPAC Analytics

Private Equity Trends

U.S. Private Equity Exit Activity
(Deal Proceeds, $ in Billions)



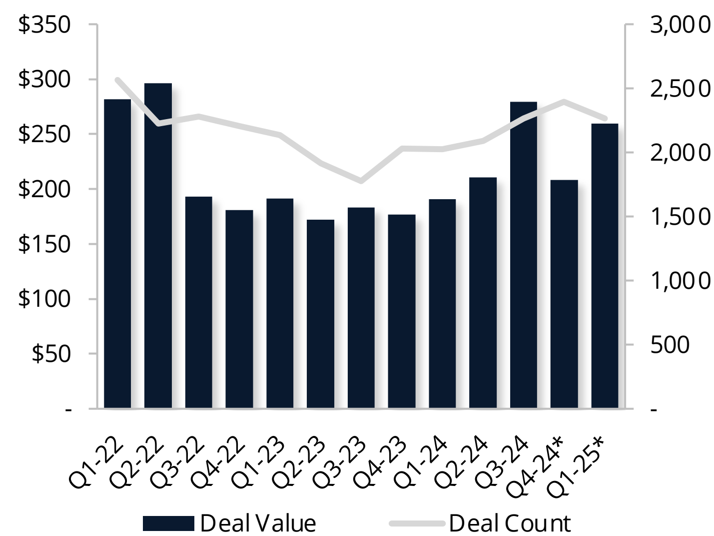
U.S. private equity (PE) entered 2025 with strong dealmaking momentum, with an uptick in exit activity emerging as a notable trend. Q1 recorded 402 exits totaling $186.6 billion, up 44.9% QoQ, driven in part by Venture Global LNG's $58.7 billion IPO. Excluding the Venture Global LNG IPO, exit value held steady QoQ at $127.9 billion, roughly 30% above pre-pandemic levels.

Continuation funds contributed $3.9 billion across 19 deals, and the reemergence of IPOs, though still selective, signals a cautiously improving risk appetite. With roughly $1 trillion in dry powder available to corporate PE and $566.8 billion in private credit, sponsors are well positioned to remain active in the deal market. Still, the backlog is substantial. 12,379 active PE-backed companies remain in portfolios, amounting to a 7-8 year realization runway at the current pace. Median holding periods stand at 5.8 years, reflecting the need for a sustained and broad-based exit recovery to ease pressure on distributions and reaccelerate capital formation.

Valuations in PE transactions continued to stabilize following the 2022 to 2023 reset. Global median EV/EBITDA multiples came in at 12.2x on a trailing twelve-month basis, down slightly from 12.7x in 2024 but well above pre-pandemic norms and the five-year average. In the U.S., EV/EBITDA multiples followed a similar trend at 12.2x. The observed stabilization in multiples could reflect gradual improvements in overall market confidence, though it's unclear whether deal flow is meaningfully diversifying beyond top-quartile opportunities.

Looking ahead, the durability of these early wins in PE exit activity remains a critical variable. While Q1 provided encouraging evidence of liquidity returning across multiple channels, this momentum remains vulnerable to shifting macro conditions. Renewed inflation concerns, market volatility and uncertainty driven by tariff pressure, and growing concern over the U.S. fiscal outlook could dampen deal and exit activity in Q2 and beyond. For now, the tone has shifted from constrained to cautiously constructive.

U.S. Private Equity Deal Activity
(Deal Value, $ in Billions, Quarterly)



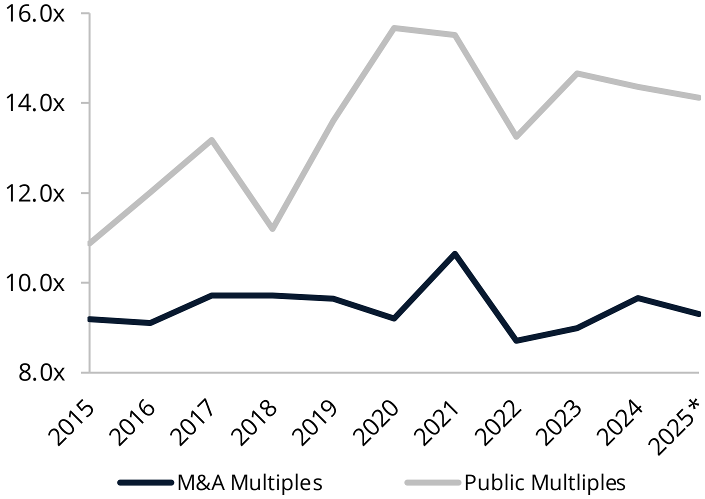
** Includes estimates for Q4 2024 and Q1 2025*

Source: PitchBook, Reuters

Multiples Overview

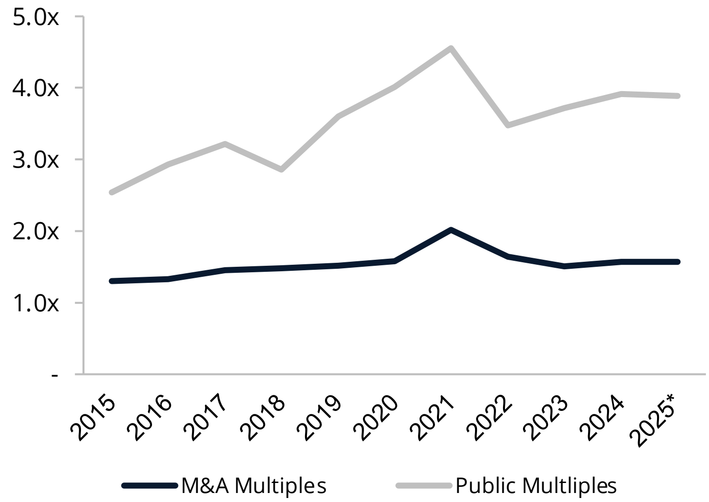
Public vs. M&A Valuation Multiples

(EV/EBITDA, Annual Average)



Public vs. M&A Valuation Multiples

(EV/Revenue, Annual Average)



Multiples for both public companies and private transactions remained relatively constant coming out of Q1 2025. Public companies traded at a median 14.1x EV/EBITDA and 3.9x EV/Revenue multiples, compared to 9.3x EV/EBITDA and 1.6x EV/Revenue multiples for private transactions. This stability suggests that the valuation multiples have largely reset, despite macroeconomic headwinds and interest rates creating downward pressures.

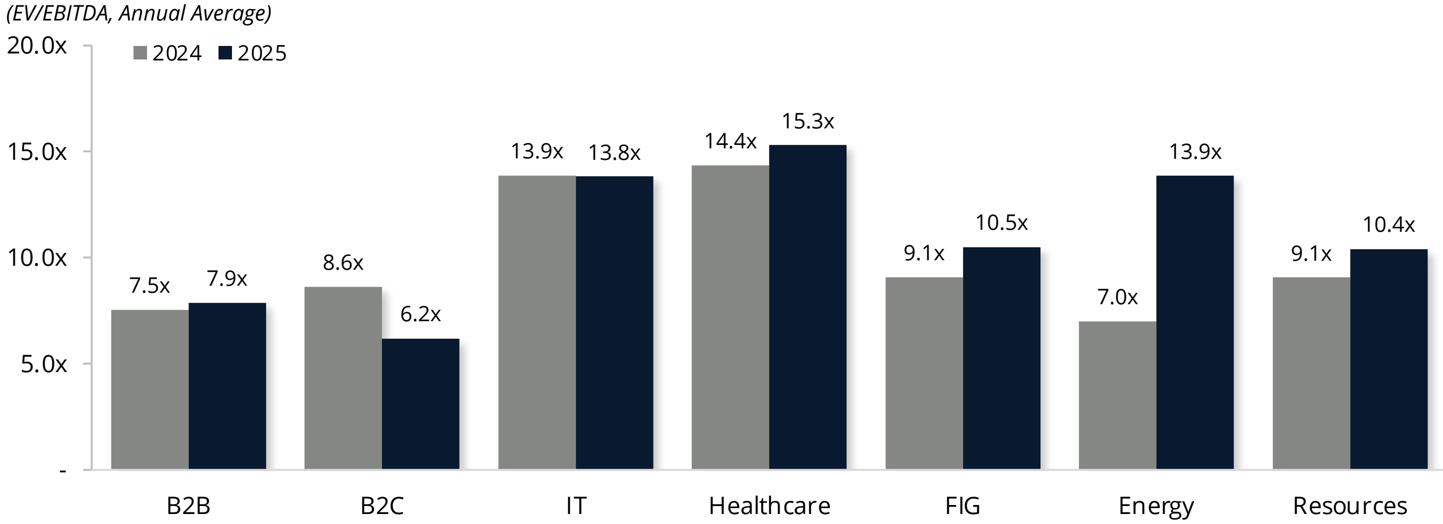
Additionally, the persistent gap between public and private company valuations presented a favorable environment for public acquirers to pursue valuation arbitrage, enabling them to acquire lower-multiple private assets that may be re-rated at higher public market multiples post-integration.

Valuation multiples remained broadly stable across most industries this quarter. Healthcare continued to command elevated EV/EBITDA multiples. Notably, the energy sector experienced a sharp re-rating, with average multiples rising to nearly 14x.

In Q1 2025, healthcare led all sectors with the highest average EBITDA multiple at 15.3x followed closely by IT and energy. Energy nearly doubled its multiple from last year in the quarter. Financial services and resources posted strong gains, signaling that investors were eager to put money into those sectors. Conversely, B2C experienced a significant decline with multiples dropping to 6.2x as consumer confidence and deal activity slowed.

Valuation Multiples by Industry

(EV/EBITDA, Annual Average)

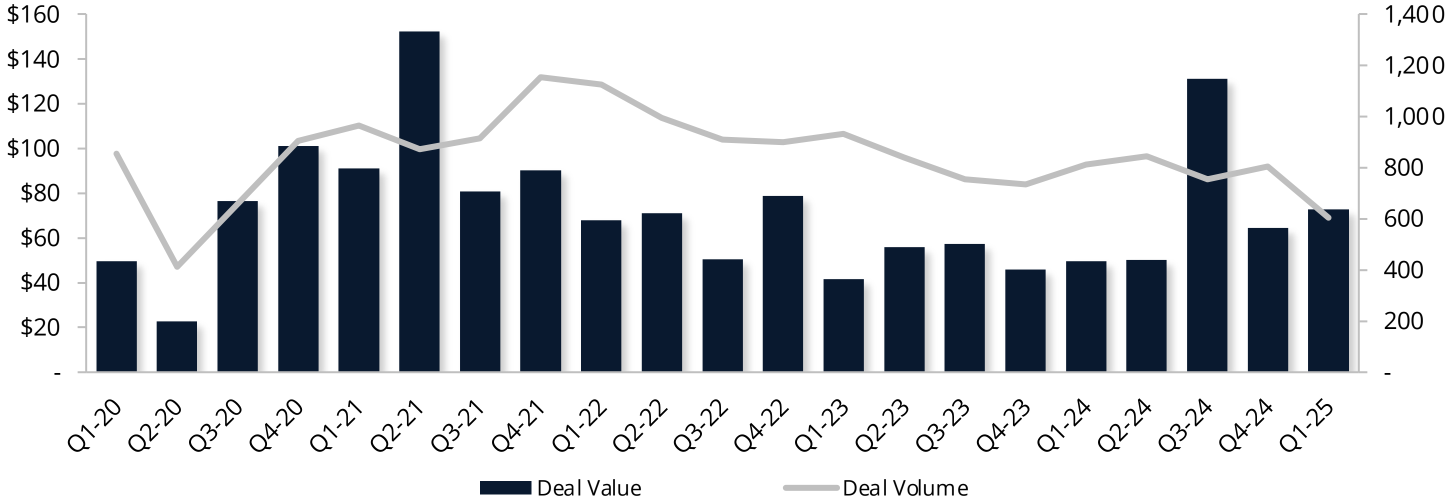


*2025 multiples reported as of Q1 2025
Source: PitchBook

B2C Overview

North American Business to Consumer M&A Activity

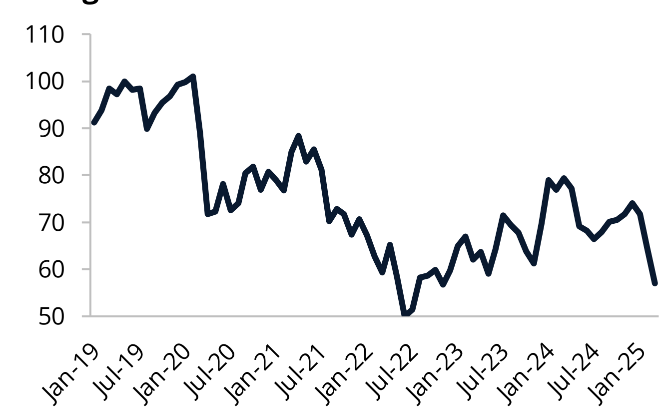
($ in billions, Quarterly)



Widespread pressure in the B2C sector drove Q1 2025 deal volume down, but long-term investors continued deploying capital, pushing total deal value higher. Consumer uncertainty and margin compression largely drove these changes.

Elevated caution and apprehension among consumers was a key factor in lower deal volume this quarter. Across all income levels, rising prices and trepidation related to current macroeconomic conditions reduced the willingness and ability of consumers to spend. Lower and middle-income consumers have been hit especially hard. Inflation adjusted real wages are still 1.4% below their April 2020 peak. Rising prices for essential goods combined with slower wage growth have affected purchasing power, influencing lower-income consumers to cut back on non-essentials and choosing less expensive alternatives for essentials.

Michigan Consumer Sentiment Index



Source: PitchBook, FRED, KPMG

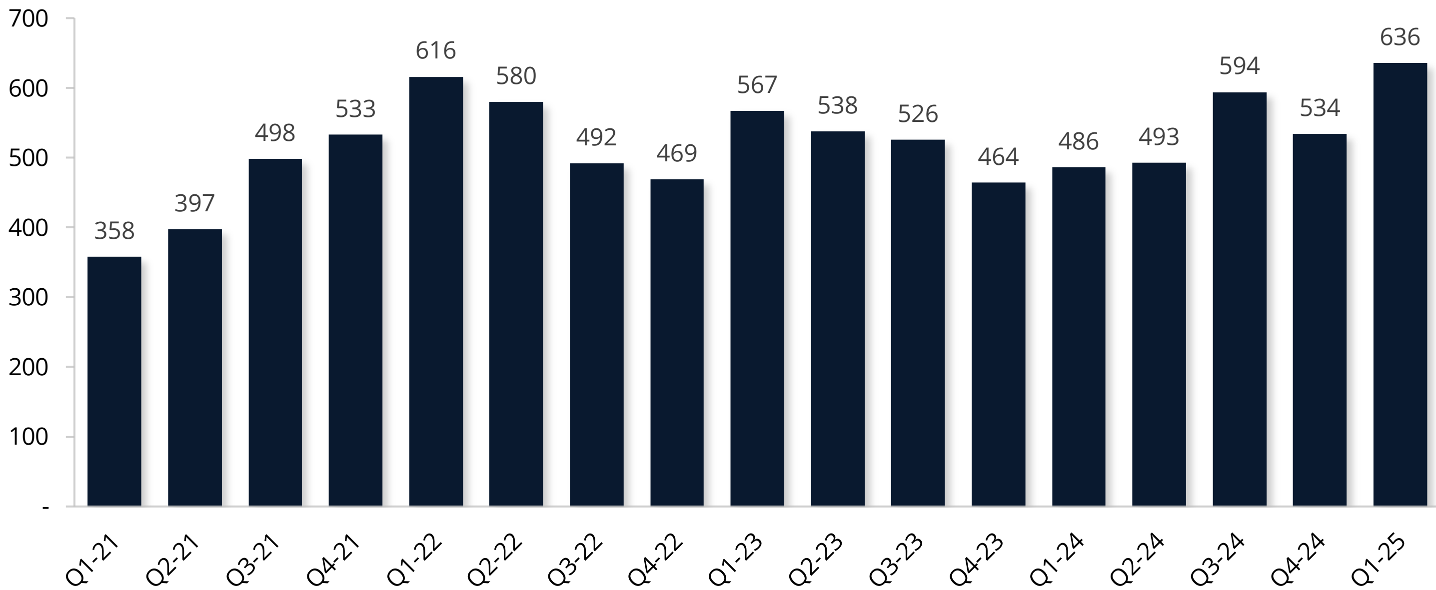
High-income consumers felt similar pressures, but their resilience to economic uncertainty and higher prices has resulted in a continued increase in demand for health and wellness focused products and luxury goods. Consumer sentiment is down, with the University of Michigan Consumer Sentiment Index, a measure of how consumers expect the economy to perform in the future, registering at 57 points in April 2025, well below the long run average of 80 points.

Companies and executives also felt uncertain in the face of current macroeconomic and political conditions, influencing them to be wary of taking new risks. Rising prices and expectations of higher tariffs compressed margins across the consumer sector. Subsectors that cater to goods with highly elastic demand, and even recession resistant subsectors like consumer non-durables, faced a higher risk of distress. However, companies that kept a long-term perspective could emerge from this period strongly positioned for growth.

These trends were factors leading to a decrease in deal flow for the B2C subsector in Q1 2025, with the sector facing a 24.8% decline to 605 deals from 805 in Q4 2024. However, the same period saw a 12.5% increase in deal value, from $64.6 billion to $72.7 billion. This underscores a 49.7% increase in average deal value, from $80.2 million to $120.1 million in Q1 2025. Despite tariff uncertainties, businesses with clear, long-term plans for growth and expansion remain strong targets for acquisition in the B2C sector.

SaaS Overview

Global SaaS M&A Deal Count
(Deal Count, Quarterly)



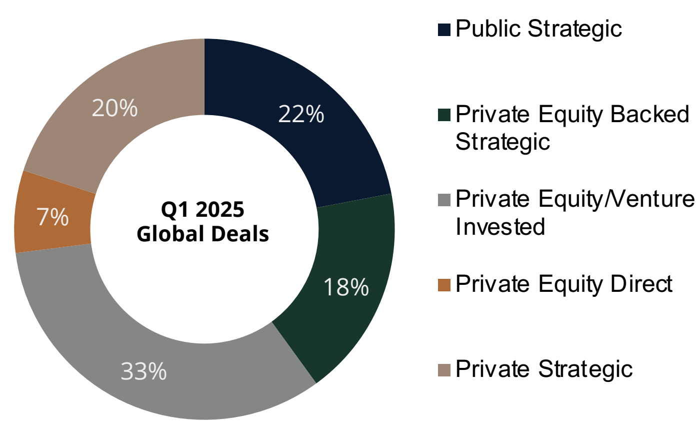
SaaS M&A activity reached quarter highs in Q1 2025, with 636 deals completed—an increase of 19% QoQ and 31% YoY. This represents the most active quarter on record and positions the market to potentially surpass the annual peak levels seen in 2022. SaaS transactions continue to dominate the broader software M&A landscape, accounting for 58% of total software-related transactions.

Public SaaS valuations remained steady through Q1 2025. The median ARR multiple was 6.6x at the end of Q1, down slightly from 6.8x a year earlier. After the elevated valuations of 2021, the market appears to have entered a more stable range. While pricing has come down from peak levels, deal activity remains strong, and buyers continue to focus on high-quality SaaS platforms with strong retention capable of weathering market volatility.

AI-native SaaS platforms became prime targets for strategic acquisitions in Q1 2025, exemplified by ServiceNow's $2.85 billion acquisition of Moveworks. The deal highlights growing buyer appetite for platforms with embedded AI capabilities that drive automation and productivity. This trend reflects a broader shift, with strategic and financial acquirers placing a premium on scalable, AI-enabled solutions positioned to outperform in evolving enterprise environments.

In Q1, content and workflow management led horizontal SaaS categories with 96 deals, while sales and marketing software saw rapid growth with an 83% QoQ increase. Vertical SaaS activity remained strong in fragmented, high-stakes industries, with healthcare making up 21% of deals, followed by financial services at 15%. Strategic buyers — including public, private, PE-backed, and PE/VC-invested companies — accounted for 93% of deals. The remainder came from direct private equity investments.

SaaS M&A Activity by Buyer Type

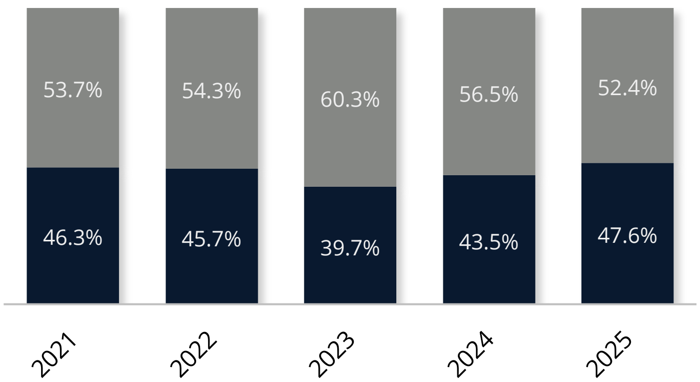


Source: Software Equity Group, Translink Corporate Finance, SaaS Capital, ServiceNow

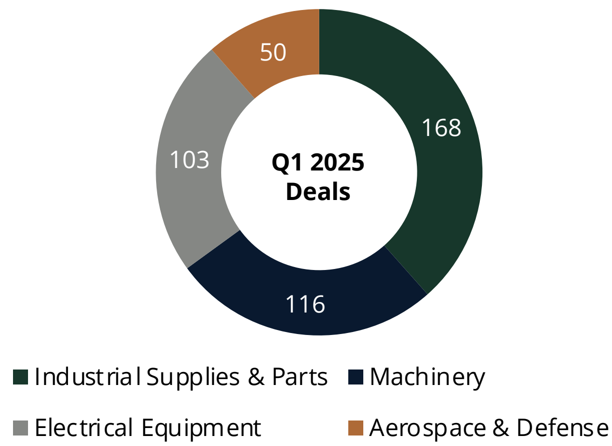
Industrials Overview

Global Deal Volume by Acquirer

(Percentage of Volume, Yearly)



Global Deals by Subsector



Industrial M&A activity persisted in Q1 2025, demonstrating the sector's durability. A total of 437 deals closed, representing a 6.4% decline from Q4 2024 but a 5.0% increase year-over-year. While volume softened slightly quarter-over-quarter, the largely encouraging activity in industrial deal flow was supported by a more predictable rate environment, easing liquidity constraints, and sustained buyer confidence through market volatility.

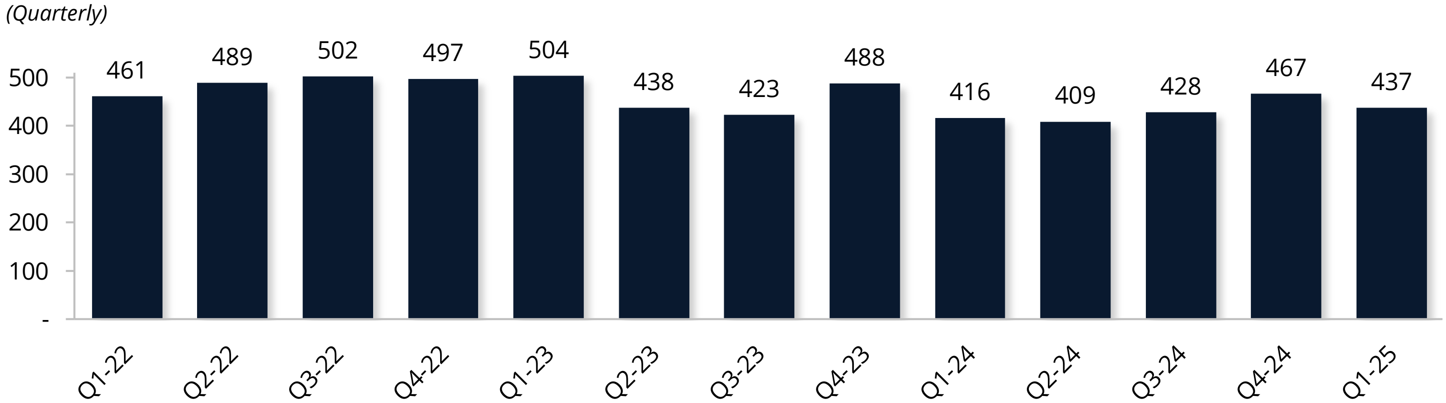
Deal sizes in the industrials sector shifted meaningfully lower in Q1 2025, contributing to a 39.5% YoY decline in total capital invested. Despite the 5.0% increase in deal count from Q1 2024, total capital deployed fell to $17.8 billion from $29.4 billion a year earlier, reflecting a growing concentration of smaller transactions. Deals under $50 million represented 61.1% of all activity, up from 57.9% the prior year, while large-cap activity fell to 3.8% of the market down from 4.4% in 2024.

From a subsector standpoint, industrial supplies and parts led in volume with 168 deals, followed by machinery, electrical equipment, and aerospace & defense. Regionally, Europe was the most active market with 186 transactions, while North America followed with 167. Strategic buyers accounted for 52.4% of total deal volume, maintaining a slight lead over PE. However, the narrowing spread between acquirer types highlights the increasingly competitive environment for industrial assets.

With capital markets showing signs of stabilization and dry powder levels still elevated, conditions continue to support healthy levels of industrial M&A activity. Key forward-looking themes include increased demand for automation, reshoring initiatives, and digital transformation across manufacturing platforms as buyers seek to localize production, reduce supply chain exposure, and modernize operations in response to shifting global dynamics.

Global Deal Volume

(Quarterly)

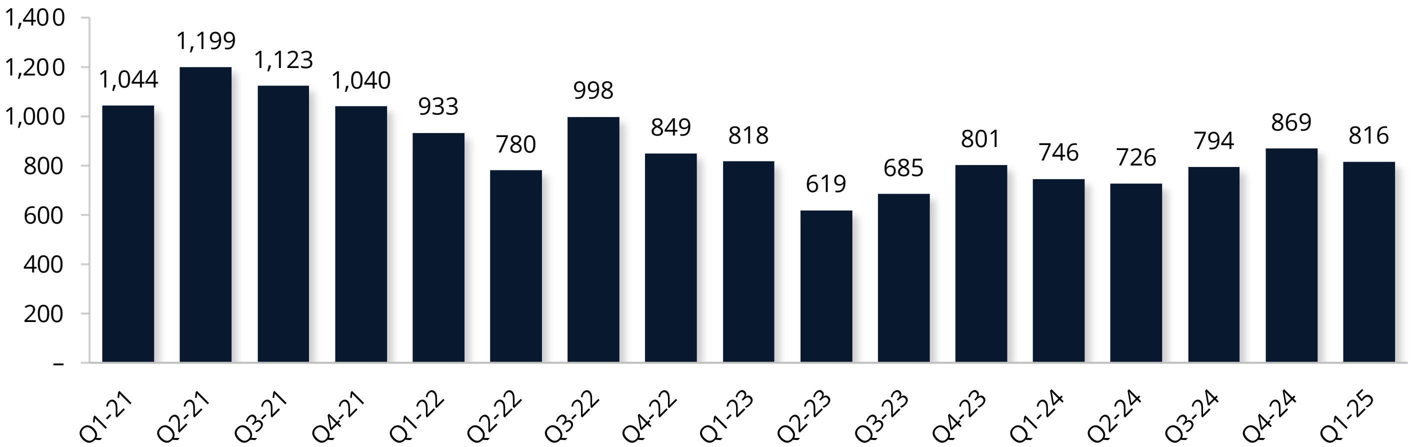


Source: PitchBook, R.L. Hulett

Healthcare Overview

Global Healthcare Deal Volume

(Deal Count, Quarterly)



Healthcare M&A activity remained strong in Q1 2025, with 816 deals reported, led by strong activity in healthcare services and biopharma. Although slightly down from Q4 2024, deal volume remained well above early 2024 averages. Valuation multiples held near record highs, supported by surging biopharma deal value, including $37.7 billion in announced biopharma transactions in Q1 alone.

AI is playing an increasingly influential role in healthcare. Tools like agentic AI are helping doctors handle more patients by cutting back on paperwork and administration. AI companies are also leading major funding rounds, particularly those focused on improving hospital and clinic efficiency or accelerating drug discovery for researchers.

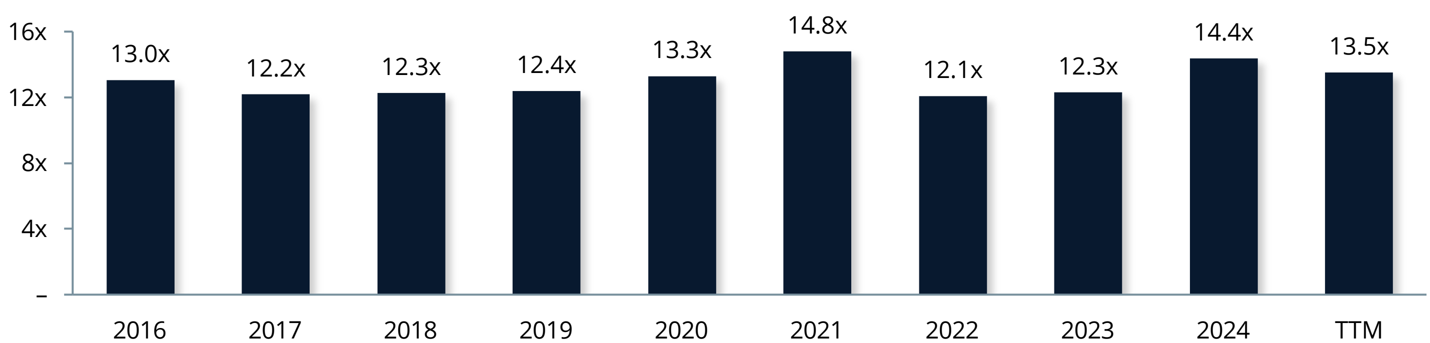
IT and digital health saw a surge in valuations, driven by the adoption of AI. Global healthcare EV/EBITDA multiples have ranged from 12.1x to 14.8x over the past nine years, with the highest valuation observed in 2021 at 14.8x. For the trailing twelve months (TTM), the average multiple stands at 13.5x, reflecting continued investor interest, particularly in sectors like medical devices and diagnostics where AI is advancing radiology and imaging technologies.

Healthcare private equity continues to pursue opportunities across the value chain, where assets such as pharmacy benefit managers present scalable growth potential through operational improvements and technological automation.

With easing governmental regulations and reduced antitrust scrutiny, healthcare M&A is poised for sustained momentum and a strong outlook through the remainder of 2025. Investor interest stays strong, even as market volatility slowed near-term momentum.

Global Healthcare Multiples

(EV/EBITDA, Yearly)



Source: ECG Management Consultants, Rock Health, Mark Farrah Associates, Mertz Taggart, R.L. Hulett, Finerva, PitchBook

Select Current Deals

PROJECT SKYNET

Specialized Healthcare SaaS Provider

SELL-SIDE ADVISORY

PROJECT EMBER

Fast Casual Restaurant Chain

SELL-SIDE ADVISORY

PROJECT TSUNAMI

Regionally Leading General Contractor

SELL-SIDE ADVISORY

PROJECT GIFTWRAP

Consumer Ecommerce Platform for Seasonal and Holiday Products

SELL-SIDE ADVISORY

PROJECT LEFT JAB

Termite and Pest Control Services Provider.

SELL-SIDE ADVISORY

PROJECT SHINE

Rapidly Growing Operator of Express Car Washes

PRIVATE CAPITAL RAISE

PROJECT GATOR

Traffic Control Services Provider

SELL-SIDE ADVISORY

PROJECT IRONMAN

Scrap Metal Recycler

SELL-SIDE ADVISORY

PROJECT SILVERBACK

Specialized Behavioral Healthcare Provider

SELL-SIDE ADVISORY

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