

2024 MID-YEAR REPORT

SOLOMON FINANCIAL SPONSORS GROUP

- **Private Equity Market Update**
- **Solomon Healthcare Spotlight**
- **Riveron Q&A**

SOLOMON PARTNERS OVERVIEW

FIRM AT-A-GLANCE

2016



2 Industries

10 MDs

35 Bankers

Today



10 Industries

35+ Partners + MDs

170+ Bankers

- **Business Services**
- Consumer Retail
- **Distribution**
- **Financial Services & Fintech**
- Grocery, Pharmacy & Restaurants
- **Healthcare**
- **Industrials**
- Infrastructure, Power & Renewables
- Media
- **Technology**

Established over the past 4 years

OUR FOUNDING



- Established by **Peter J. Solomon** in **1989**
- **Oldest** independent investment bank in existence
 - **Ethos** of a traditional investment bank
 - **Entrepreneurial spirit** of a collective partnership

OUR DIFFERENCE



- In-depth and specialized industry expertise
- Superior M&A capabilities
- Highest possible integrity and service to clients

GLOBAL NETWORK



- Entered a partnership with **Natixis** in **2016**
- Natixis is part of **Groupe BPCE**, the second largest financial institution in France
- Multi-boutique model supports **global access** to companies and investors, coupled with **expanded client capabilities**
- Goal of creating an enhanced **global M&A advisory platform**

SOLOMON PARTNERS NEW HIRE SPOTLIGHT

RECENT PARTNER & MANAGING DIRECTOR ADDITIONS

DISTRIBUTION



Jason Kliewer

Partner, Co-Head of Distribution
Tampa



Nick Troyer

Partner, Co-Head of Distribution
Tampa

HEALTHCARE



Karan Garg

Partner, Head of Healthcare Services
Chicago



Whit Knier

Partner, Behavioral, Veterinary and
Outsourced Clinical Services
Chicago



Brad Hildebrand

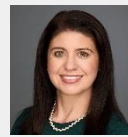
Managing Director, Healthcare Services
Chicago

TECHNOLOGY



Craig Muir

Partner, Head of Software, Data & Analytics
New York



Solange Velazquez

Managing Director, Mobility,
Transportation and Auto Tech
Chicago



Joseph Watson

Managing Director, Software, Data &
Analytics
New York

INFRASTRUCTURE, POWER & RENEWABLES



Derek Bentley

Partner, Head of Energy Transition
New York

CONSUMER RETAIL



John LeVert

Managing Director, Food,
Beverage and Pet
Chicago

PRIVATE EQUITY SNAPSHOT

THE SEARCH FOR PRICE DISCOVERY CONTINUES

- Reduced exit activity attributed to gap between buyer and seller valuation expectations
- US private equity (PE) exit environment is bifurcated
 - Premium assets are trading at elevated multiples
 - Non-premium assets are not transacting due to valuation disconnect
- Private equity hold periods are extended
 - As of June 30, 2024, 45% of US PE-owned assets were held for 4.0+ years
 - As of December 31, 2023, US PE median exit hold time was 7.1 years, the highest on record^(a)

2024 KEY TRENDS

- Corporate carveouts accounted for a growing amount of PE deal activity
- The syndicated loan market rebounded amid substantial CLO creation
- Dividend loan volumes surged, providing LPs with interim liquidity

SOLOMON'S EXPECTATIONS FOR PE

- Solomon is optimistic on an M&A recovery for the latter half of 2024 and into 2025
- Tailwinds include expected rate cuts, \$965 billion^(b) of US PE dry powder and increased LP pressure for liquidity due to elongated PE hold periods
 - We anticipate increased momentum in high-quality assets being put up for sale and buyers paying premium multiples due to scarcity value
 - For high-performing, non-premium assets, we expect a continued price discovery exercise in which more sponsors assess exiting at lower multiples

ADDITIONAL REPORT FEATURES

Solomon Partners Healthcare Spotlight

Company Q&A: Riveron's Market Overview

Source: PitchBook and LCD.

a) Data available beginning in 2006.

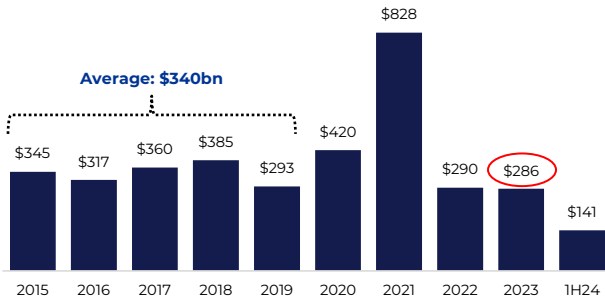
b) As of September 30, 2023.

SEARCH FOR PRICE DISCOVERY CONTINUES

- Private equity exit activity continues to falter due to valuation gap between buyers and sellers
- High-quality assets trade at premium multiples while non-premium assets are less likely to find a clearing price
- Elongated US PE hold periods contribute to a global backlog of 28,000 unsold PE companies worth \$3+ trillion

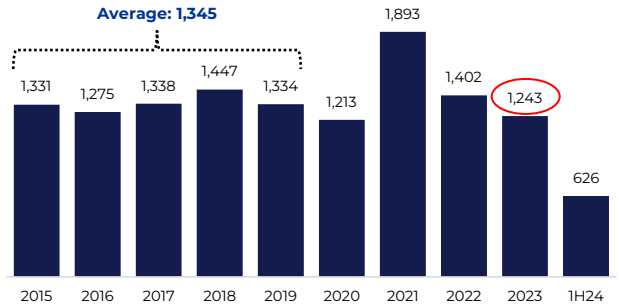
US PE EXIT VALUE (\$ bn)

2023 and 2022 exit values have trailed pre-COVID levels and have not shown signs of a rebound in 1H24



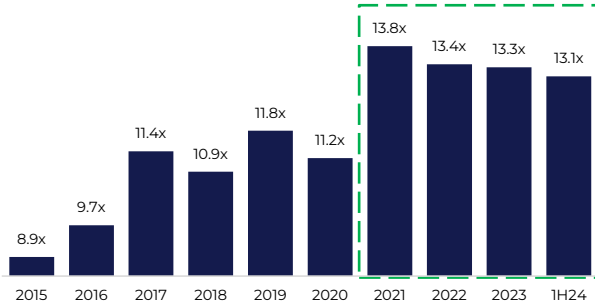
US PE EXIT COUNT^(a)

2Q24 deal count (284) represents the lowest quarterly tally since 2Q20 (162)



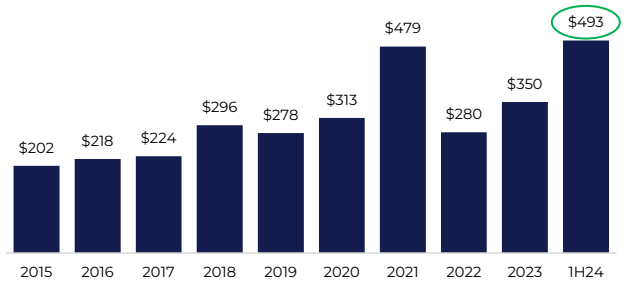
US PE MEDIAN EV/EBITDA

Seller expectations have not reset to pre-COVID levels, reducing exit activity...



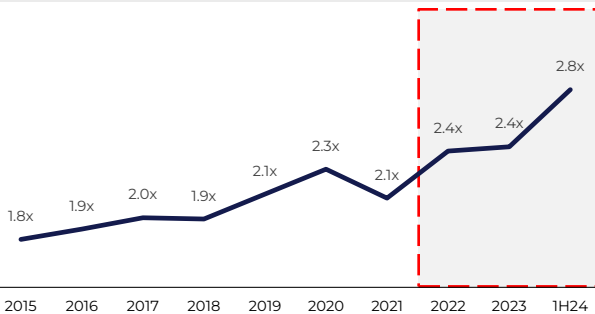
US PE MEDIAN EXIT VALUE (\$ mm)

... though sponsor-backed sales of high-quality assets pushed 1H24 median exit values above the 2021 peak



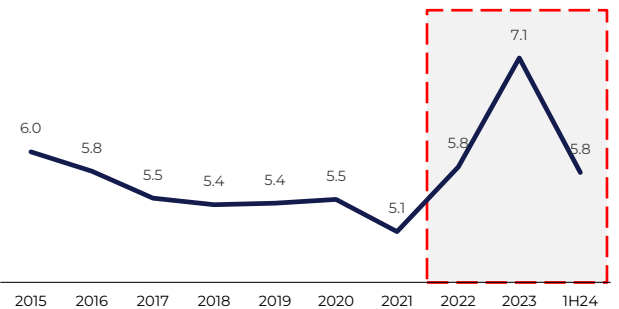
US PE INVESTMENTS/EXITS^(b)

1H24 tally is the highest on record



US PE MEDIAN EXIT HOLD TIME (YEARS)^(c)

Since 2022, exit hold times have been elevated, with 2023 marking the longest on record



Source: PitchBook and "Private Equity Outlook 2024: The Liquidity Imperative", Bain & Co, 2024.

a) 2023 and 1H24 figures are estimates that include adjustments to account for late reported deals.

b) Calculated as number of investments (excludes add-ons) divided by exit count. Data available beginning in 2009.

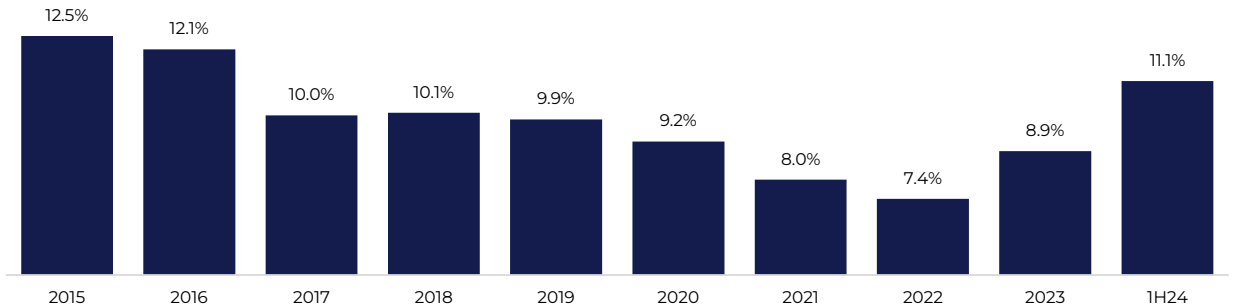
c) Data available beginning in 2006.

2024 KEY TRENDS

- Corporate carveout activity continues to rise as sponsors target alternative ways to acquire assets
- Reopening of syndicated loan market provides constructive LBO financing backdrop
- Sponsors utilize dividend recapitalizations to return capital to LPs as pressure for liquidity mounts

US CORPORATE CARVEOUT %^(a)

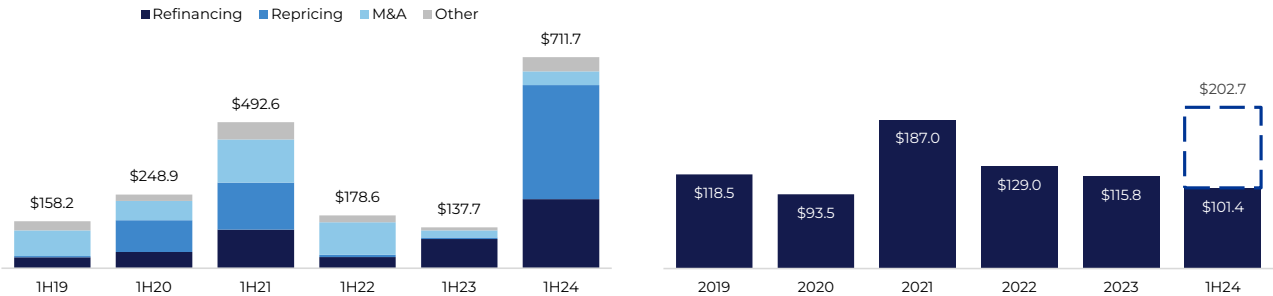
Sponsors target corporate carveouts to deploy capital as US PE dry powder reaches ~\$1 trillion



US BROADLY SYNDICATED LOAN MARKET (\$ bn)^(b)

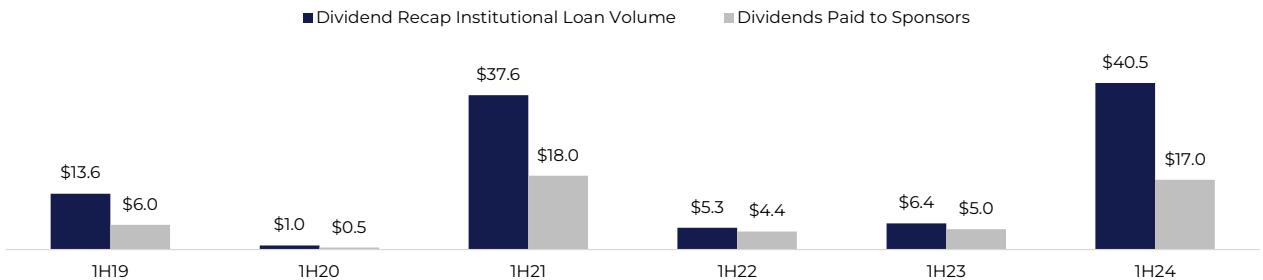
1H24 volume surged, though only 6.5% of total issuance financed M&A activity

CLO issuance is on pace to break 2021 record, highlighting institutional demand for leveraged loans



US SYNDICATED LOAN DIVIDENDS AND SPONSOR DISTRIBUTIONS (\$ bn)

Dividend recapitalizations provide LPs with interim liquidity amid reduction in distributions from PE exits



Source: PitchBook, LCD and CreditSights.

a) Calculated as the number of PE divestitures/carveouts divided by all US PE deal count.

b) 1H24 total is annualized for illustrative purposes.

HEALTHCARE SPOTLIGHT

Healthcare Private Equity Themes

1H 2024 healthcare activity was lighter than expected; however, select sub-sectors remained active, and deal flow is beginning to pick up.

While the valuation disconnect between sellers and buyers still exists, high-quality, scarce assets continue to achieve premium valuations.

Given broader multiple contraction from entry years, sponsors are holding assets longer to maximize cash on cash returns.

Performance of healthcare assets remains healthy, as issues related to supply chain, labor rates, and staffing are improving.

While the backlog of unsold PE assets continues to build, pitch velocity is starting to increase.

Solomon expects 2025 to be a robust year for M&A following an acceleration of activity in the back half of 2024.

RECENT INDUSTRY COVERAGE



MEDSPA



ORAL SURGERY AND IMPLANTS

UPCOMING INDUSTRY REPORTS



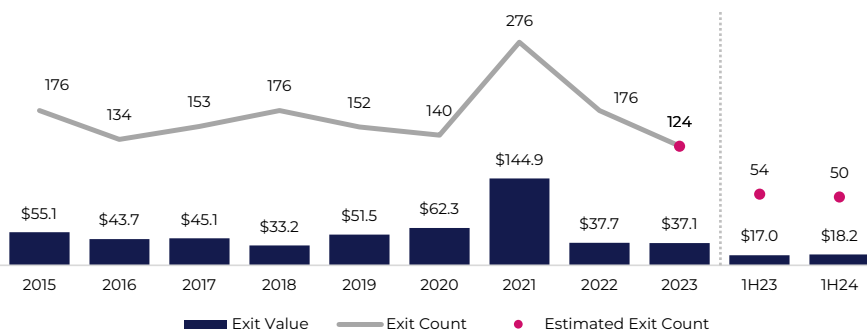
Medical Contract Manufacturing



Medical Device Repair/Service/Refurbishment

Please contact FSG_Intel@solomonpartners.com to receive future reports

US HEALTHCARE PRIVATE EQUITY EXIT ACTIVITY (\$ bn)^(a)



- 2023 exit count reached lowest level since 2014
- In 2Q24, healthcare accounted for 7.3% of total exits, compared to the five-year quarterly average of 12.1% from 2018 to 2023

SOLOMON'S SENIOR HEALTHCARE BANKERS



Jon Hammack
Partner
Head of Healthcare



Karan Garg
Partner
Head of Healthcare Services



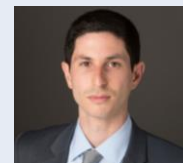
Whit Knier
Partner
Behavioral, Veterinary and Outsourced Clinical Services



Aryeh Sand
Partner
Nuclear Medicine, Radio Pharmaceutical, Contrast Media and Diagnostic Imaging



Brad Hildebrand
Managing Director
Healthcare Services



Eric Bormel
Director
Consumer Healthtech

Source: PitchBook.

a) Estimated exit count includes adjustments to account for late reported deals.

PARTICIPANTS

**Michael Funkey**

Managing Director
Riveron

**Tony Doesburg**

Managing Director
Riveron

ABOUT RIVERON

- Founded in 2006, Riveron professionals simplify and solve complex business problems.
- We partner with CFOs, private equity firms, and other stakeholders to maximize outcomes.
- Riveron teams bring industry perspective and a full suite of solutions focused on the office of the CFO, M&A, and distress.
- In 2023, the company was acquired by affiliates of Kohlberg & Company from H.I.G. Capital – which is continuing its partnership with Riveron through a minority investment.
- Riveron has 16 global offices.
- For more information, visit riveron.com.

SOLOMON AND RIVERON PRIVATE EQUITY MARKET DISCUSSION

- Solomon discussed the state of the private equity market with Michael Funkey and Tony Doesburg
- The key takeaways can be found below and select commentary can be found on the following page
- [Read the full transcript](#) of the Solomon and Riveron Q&A

KEY TAKEAWAYS

General:

- Buyer and seller valuation gaps have narrowed
- M&A market benefits from stabilization of (i) cost of debt and (ii) functional credit markets

Process Trends:

- Buyer scrutiny has risen substantially
 - Time from start of a go-to-market effort to close increased by 45 days in 1H24, relative to historical average
 - Deal activity recovery has been dependent on transaction size, with larger assets (\$500mm+) coming in well ahead of 2023 while smaller transactions lag 2023 levels
 - Demand has been sector-specific, with some pockets re-accelerating more quickly than others
- Corporate carveout activity has increased

2H 2024 and 2025 Outlook:

- The reasons to be bullish about the near future are real and historic
 - Elongated private equity holding periods
 - Significant PE dry powder

Source: Riveron.

How have you seen the market within 1H 2024 within Transaction Services vs. prior years?

“ The M&A market in 1H 2024 has benefited from 1) stabilization of cost of debt: by January 2024, most had gained confidence the cost of debt had peaked, and while higher than historical averages, has been stable throughout the year, providing a critical, much-welcomed level of certainty absent since early 2022; and (2) functional credit markets: private credit, albeit at a higher cost, has been as accessible as it's been in several years in 1H 2024, as concerns/uncertainty related to macroeconomic, recessionary concerns have largely subsided. ”

For deals that get completed, has there been any impact on time to close and, if so, why?

“ The level of scrutiny of potential buyers has increased substantially. We strongly advise business owners to prepare accordingly. On average, the time from the start of a go-to-market effort to successful close has increased by an average of 45 days in 1H 2024 vs. historical averages. For the time being, in this high cost of capital environment, buyers are taking great care to invest time and resources needed into a far more comprehensive, broad diligence process pre-close to ensure all areas in need of investment post-close are fully contemplated in valuation models. ”

Is there any relationship between size (EBITDA) and deal activity or success of outcome?

“ In terms of the number of closed deals, in 1H 2024 the largest deals: \$500M to \$1B (up over 18% YoY as of YTD May24) and \$1B+ (up 26.2% YoY as of YTD May24) have recovered more quickly. Meanwhile, all smaller categories were still down YoY with total closed deals down a little over 17% as of YTD May24. It's likely that the success we've seen at the top end of the middle market will continue to add to the growing M&A momentum we're experiencing as we move forward into H2 2024. The largest assets were prioritized, but the broader market is quickly showing increased activity and following the lead. ”

What is the firm's outlook for activity through the remainder of 2024 and 2025?

“ What we do know is that the reasons to be bullish about the near future, including 2H 2024 and 2025, are very real and historic. Private equity holds 28,000 portfolio companies globally and as of the start of 2024, approximately half had reached a holding period of four years or longer. This is an incredible number of assets reaching, or at, the end of their holding periods. Add to this the fact that dry powder remains near the all-time highs of more than 1.5 trillion dollars after the historic fundraising of 2021, and you've plenty of reason to anticipate a great deal of M&A activity coming in the very near future. ”

Source: Riveron.

SOLOMON FINANCIAL SPONSORS GROUP

TEAM OVERVIEW



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Eric Kramer
Associate
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Phone: (917) 583-7354

Our Financial Sponsors group maintains relationships with a broad range of institutional investors globally. Our experienced team works closely with our sector and product bankers to provide clients with access to quality deal flow and investment ideas.

- **Established presence** in sponsor community
- **Holistic** coverage and approach
- Integrated effort with **increasing flow**

SELECTED TRANSACTION EXPERIENCE

PENDING

Has agreed to acquire

Serving as a financial advisor to Hudson's Bay Company

PENDING

Has been sold to

Serving as financial advisor to Belcan, LLC

PENDING

A strategic investment from

Serving as financial advisor to MRO Holdings

JULY 2024

Served as investment banker to Shoes for Crews in its Chapter 11 bankruptcy proceedings

MAY 2024

Received a growth investment from

Served as financial advisor to GridHawk Holdings LLC

JANUARY 2024

Acquired by

Served as exclusive financial advisor to Chico's FAS

JUNE 2024

From start to clinic
To receive a substantial growth investment from

Served as financial advisor to SOFIE

DECEMBER 2023

Sold to

Served as financial advisor to TIDI Products

DECEMBER 2023

Sold to

Served as financial advisor to HeartLand

NOVEMBER 2023

A portfolio company of

Sold to

Served as financial advisor to Valpak

NOVEMBER 2023

a portfolio company of

acquired

a subsidiary of

Served as financial advisor to MediaRadar and TSCP

JULY 2023

Sold Newark Energy Center, a 705 MW combined cycle facility in PJM PS-North to Hartree Partners
Served as M&A and restructuring advisor to Ares

JUNE 2023

Sale to

Served as financial advisor to El Rancho

JUNE 2023

Received a majority investment from

Served as financial advisor to New Tradition

JUNE 2023

Acquired

Served as financial advisor to Zavation

MAY 2023

Sale of intellectual property to

Served as financial advisor to Vince

MAY 2023

Served as financial advisor to Wahoo Fitness on its recapitalization and growth financing

APRIL 2023

Received growth investment from

Served as financial advisor to Swingers

MARCH 2023

Formed a China joint venture with and invested in

Served as financial advisor to DCP

FEBRUARY 2023

A portfolio company of

has merged with

Served as financial advisor to Pavement Partners



ABOUT US

Founded over 35 years ago, Solomon Partners is a leading financial advisory firm with a legacy as one of the oldest independent investment banks. We advise clients on mergers, acquisitions, restructurings, recapitalizations, capital markets solutions and activism defense across a range of industries, including Business Services, Consumer Retail, Distribution, Financial Services & FinTech, Financial Sponsors, Grocery, Pharmacy & Restaurants, Healthcare, Industrials, Infrastructure, Power & Renewables, Media and Technology.

We offer unmatched industry knowledge in the sectors we cover, providing comprehensive strategic solutions, tailored to generate long-term shareholder value.

Today Solomon Partners is an independently run affiliate of Natixis, part of Groupe BPCE. Our partnership provides our clients access to strategic advisory services and proprietary financing capabilities throughout Europe, Asia, Australia, the Middle East and the Americas.

For further information visit solomonpartners.com.



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