SOLOMON PARTNERS

FEBRUARY 2025

FINANCIAL SPONSORS TREND REPORT

2024 MARKET RECAP & 2025 OUTLOOK

INCLUDES:

- **Private Equity Market Update (FSG Insights)**
- **Solomon Technology Spotlight**
- **Riviera Partners Q&A**

SOLOMON PARTNERS OVERVIEW

FIRM AT-A-GLANCE

2016	Today
2 Industries	12 Industries
10 MDs	35+ Partners + MDs
35 Bankers	180+ Bankers

INDUSTRY COVERAGE

- **Business Services**
- Consumer Retail
- **Distribution**
- **Financial Institutions**
- Financial Sponsors
- **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
  - **Ethos** of a traditional investment bank
  - **Entrepreneurial spirit** of a collective partnership

OUR DIFFERENCE

- In-depth and specialized industry **expertise**
- Superior M&A capabilities
- Client-first service and integrity

GLOBAL NETWORK

- Entered a partnership with **Natixis** in **2016** to create an enhanced global M&A advisory platform
- 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**

SOLOMON PARTNERS NEW HIRE SPOTLIGHT

RECENT PARTNERS AND MANAGING DIRECTORS

DISTRIBUTION

Jason Kliewer

Co-Head of Distribution

Tampa

Nick Troyer

Co-Head of Distribution

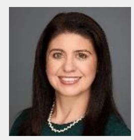
Tampa

TECHNOLOGY

James Butcher

Managing Director, Information Services and Business-to-Business

New York

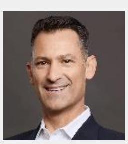


Solange Velazquez

Managing Director, Mobility, Transportation, and Auto Tech

Chicago

FINANCIAL INSTITUTIONS



Arik Rashkes

Head of Financial Institutions

New York

Matt Cornish

Managing Director

New York

Faiz Vahidy

Managing Director

New York

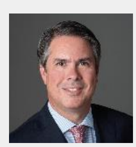
CAPITAL ADVISORY

Vinod Chandiramani

Head of Capital Advisory

New York

HEALTHCARE



Whit Knier

Managing Director, Behavioral, Veterinary, Outsourced Clinical Services

Chicago

INFRASTRUCTURE, POWER & RENEWABLES

Derek Bentley

Partner, Energy Transition

New York

PRIVATE EQUITY SNAPSHOT

> ***With stabilizing rates, promise of fewer regulations, potential tax reductions or a rollover of the existing tax structure, the M&A landscape is well-positioned for growth, creating opportunities to drive higher exit volumes.***
>
> *- Sash Rentala, Head of Financial Sponsors*

GETTING READY FOR A MARKET UPTURN

- Fed cuts in 2024 have alleviated upward pressure on interest rates, driving a recovery in the financing markets.
  - Leverage levels for U.S. broadly syndicated loan (BSL) deals rose to 5.2x Debt/EBITDA in FY24, compared to a low of 4.8x in FY23.
- Improved credit markets have enabled sponsors to raise higher leverage at lower rates and close bid–ask spreads, boosting exit activity.
  - U.S. private equity (PE) exit count grew 30% YoY in 2H24.
- Approximately $1 trillion in U.S. dry powder and continued pressure from LPs to return capital are poised to fuel deal activity in the near term.

EXPECTED PE TRENDS

- Building on improved deal activity in the second half of 2024, Solomon anticipates further deal momentum in 2025.
  - Between 2022-2024, the U.S. PE investments-to-exits ratio exceeded the 2015-2019 average of 2.0x, indicating a backlog of portfolio companies poised to drive 2025 deal activity.
- 2025 tailwinds supporting a sustained recovery in deal activity include: 1) strengthening macroeconomic conditions; 2) reopening of the IPO market; 3) regulatory easing and potential tax reform; 4) continued increase in U.S. PE dry powder.
  - U.S. economic indicators point to recovery, with GDP growth surpassing 2% in 2024 and inflation (PCE Price Index) aligning closer to the Fed's 2% target.
  - FY24 signaled a start to the opening of the IPO markets with $40.6B in U.S. PE IPO exits; reopening a path to exit for sponsors.
  - Regulatory scrutiny is expected to moderate under the new administration.
  - Tax cuts set to expire in 2025 will likely remain flat or decrease further with the new administration.

ADDITIONAL REPORT FEATURES

Solomon Partners Technology Spotlight

Company Q&A: Riviera Partners

Source: FRED St. Louis Fed and the Board of Governors of the Federal Reserve System; PitchBook.

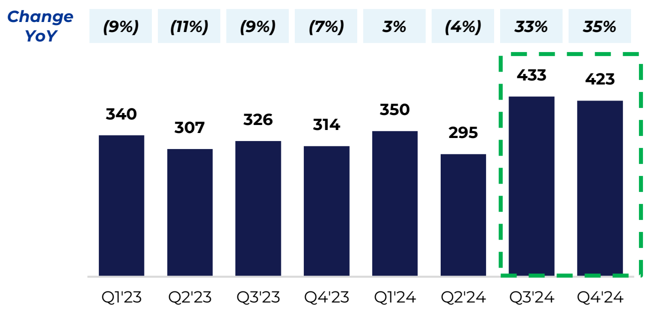
GETTING READY FOR A MARKET UPTURN

> *Now that rates are coming down, we see growing momentum within the broader private equity landscape. From the second half of 2023 to the second half of 2024, our pitch activity at Solomon has doubled.*
>
> *- Tucker Laurens, Managing Director*

- Fed cuts in 2024 have relieved upward pressure on interest rates and driven a recovery in the financing markets, with further recovery expected in 2025 on the back of a stabilizing rate environment.
- U.S. PE exit count and median exit hold time are beginning to normalize, signaling a shift in the LBO environment.
- Pent up dry powder and a likely normalization in investments/exits in 2025 are set to drive increased levels of deal flow.

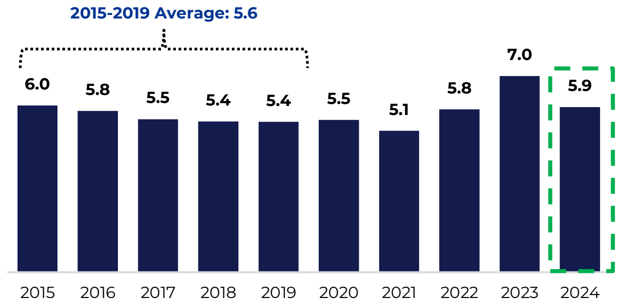
U.S. PE EXIT COUNT[a]

Exit count grew YoY beginning in 3Q24, experiencing an increase of +30% in 3Q24 and 4Q24…



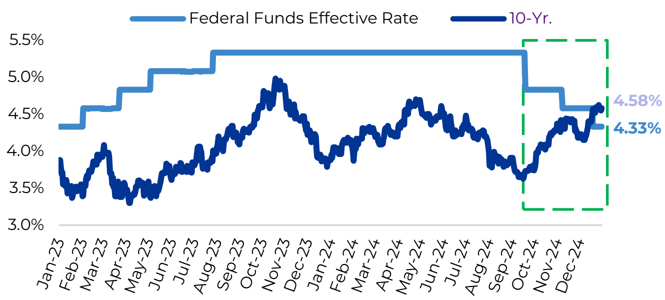
U.S. PE MEDIAN EXIT HOLD TIME (YEARS)

…as exit hold times have also started to normalize—reaching 5.9 years in 2024, down from 7.0 in 2023



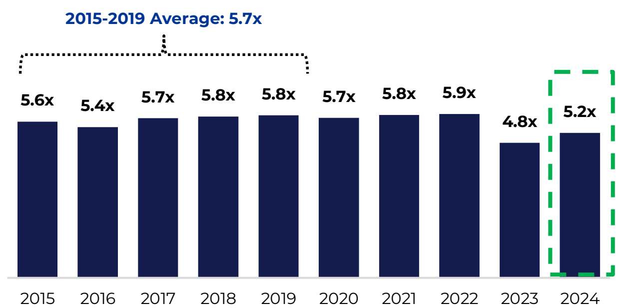
FED FUNDS RATE & 10–YEAR YIELD[b]

The Fed cut a cumulative 100bps during 2024…



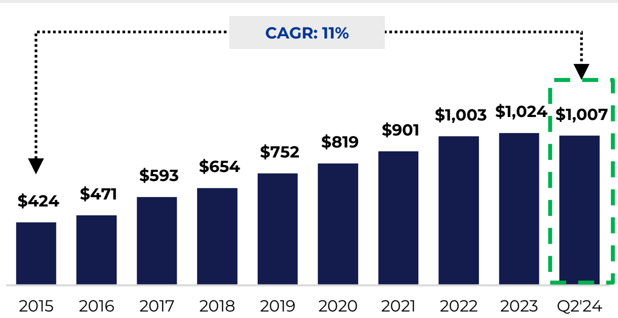
DEBT/EBITDA ON U.S. BSL-FUNDED DEALS

…leading to a constructive debt environment likely to continue improving in 2025 on the back of further cuts



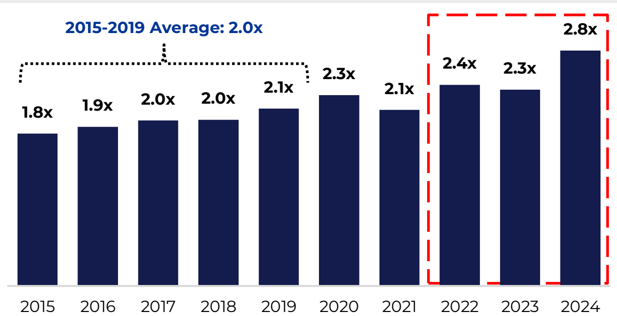
U.S. PE DRY POWDER ($B)

Continued double–digit growth in U.S. dry powder…



U.S. PE INVESTMENTS/EXITS[c]

…combined with a historical imbalance in investments/exits will likely drive a record number of exits in 2025/2026



Source: FRED St. Louis Fed and the Board of Governors of the Federal Reserve System; PitchBook.
a) 2024 figures are estimates that include adjustments to account for late reported deals.
b) Data as of December 31, 2024.
c) Calculated as number of investments (excludes add-ons) divided by exit count.

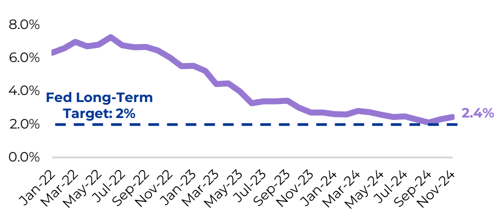
2025 TAILWINDS SET TO DRIVE RECOVERY

- Key indicators reflect a healthy macro environment for deal making, with U.S. GDP growing above 2% in 2024 and the PCE Price Index falling closer to the Fed's 2% long-term target.
- Recent stock performance of sectors exposed to M&A and financing reflect the market's anticipated recovery.
- The recovery in the IPO market and change in regulatory and tax policy under the new administration is expected provide tailwinds for private equity.

Improving Macro Environment

- ✓ Signs inflation is being tamed, with the PCE price index falling close to the Fed target of 2%
- ✓ U.S. GDP growth remains strong, growing at 2.8% in 3Q24, above Congress, and Budget Office's long-term growth target of 2%

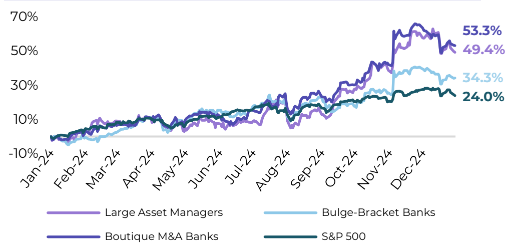
PCE Price Index (Monthly)[a]



Anticipated Recovery in the M&A and Financing Market

- ✓ Sectors exposed to debt financing and M&A have experienced a recent uplift in market performance as investors anticipate a recovery in 2025
- ✓ M&A: North America M&A deal count grew 20% YoY as of 3Q24 to 4,651 deals
- ✓ Debt: In 4Q24 broadly syndicated loan amount increased ~4x vs. 4Q23 reaching a record amount of ~$400B

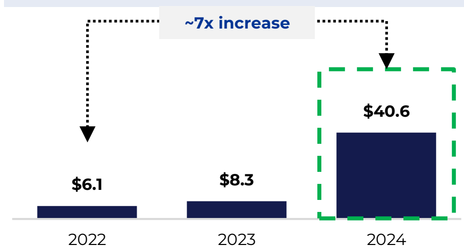
1-Yr. Stock Performance[b]



IPO Market Reopening

- ✓ 2024 signaled a start to the opening of the IPO markets, with $40.6B in U.S. PE exits in FY24 vs. $8.3B during FY23
- ✓ With a normalizing rate environment, lower cost of capital, and a relaxed regulatory environment, 2025 will likely be an active year for the IPO market

U.S. PE IPO Exit Value ($B)



Regulatory & Tax

- ✓ Increased antitrust and general regulatory scrutiny under current leadership is likely to moderate under the new administration
- ✓ Tax cuts set to expire in 2025 will likely remain flat or decrease further with the new administration, keeping the cash burden from taxes low (compared to a previous tax rate of 35% before 2017 U.S. tax reform)

Source: FRED St. Louis Fed and the Board of Governors of the Federal Reserve System, Capital IQ, LCD, and PitchBook.

a) Indexed to 2017.

b) Indexed to 100 at 1/2/2024 and data as of 12/31/2024; Large Asset Managers include: Apollo, Ares, Blackstone, Carlyle, KKR, and TPG; Boutique M&A Banks include: Evercore, Houlihan Lockey, Jefferies, Lazard, Moelis, Piper Sandler, PJT, Perella Weinberg Partners, Raymond James, and Stifel; Bulge-Bracket Banks include: Barclays, Bank of America, Citi, Deutsche Bank, Goldman Sachs, JP Morgan Chase, Morgan Stanley, and UBS.

TECHNOLOGY SPOTLIGHT

Technology Private Equity Themes

PE Technology activity showed a recovery in 2024, with deal value and deal count up 21% and 2% YoY, respectively.

While both exit values and exit counts were above the sector's five-year average, both metrics were well below 2020 and 2021, reflecting a market where activity levels are still rebuilding.

While a narrowing valuation disconnect between buyers and sellers still exists, secular growth trends in technology (e.g., AI) were a driver of strong valuations, particularly for premium assets.

Larger exits dominated as both corporate buyers and sponsors focused on bigger deals, signaling a recovery in tech valuations and growing interest from well-capitalized buyers.

Solomon expects continued growth in technology M&A activity heading into 2025, with momentum likely to build during the year.

RECENT INDUSTRY COVERAGE

Financial Data, Analytics & Software

Transportation Technology

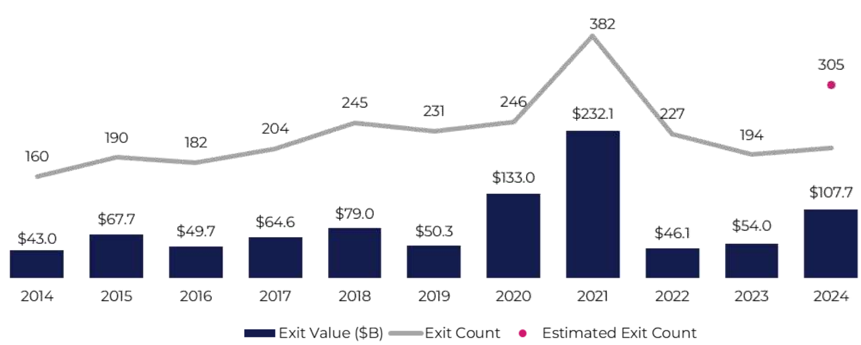
UPCOMING INDUSTRY REPORTS

Governance, Risk & Compliance

Real Estate & Construction

Please contact FSG_Intel@solomonpartners.com to receive future reports

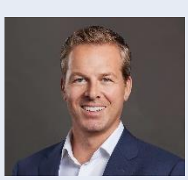
U.S. TECHNOLOGY PRIVATE EQUITY EXIT ACTIVITY ($ B)[a]



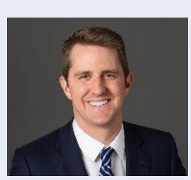
- 2024 marked the end of a two-year decline in PE exit count
- In 2024, technology accounted for 26% of total exit value and 19% of total exit count; both metrics are above the sector's five-year average

SOLOMON'S SENIOR TECHNOLOGY BANKERS

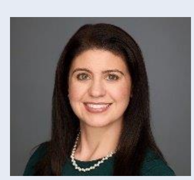
Craig Muir
Group Head



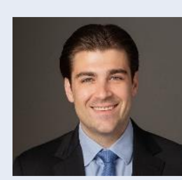
James Butcher
Managing Director



Joe Watson
Managing Director



Solange Velazquez
Managing Director



Brendan Kirk
Vice President

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

RIVIERA PARTNERS Q&A

PARTICIPANTS

Jack Gage
Chief Revenue Officer
Riviera Partners
New York, NY

Eric Larson
Managing Partner
Riviera Partners
Los Angeles, CA

ABOUT RIVIERA PARTNERS

- Founded in 2002, Riviera Partners is an executive search firm placing technology leaders at investor-backed businesses pursuing transformation and growth.
- Its 100+ search consultants connect boards and investors with world-class technology executives (SW engineering, product, AI/ML/data, cybersecurity, IT). Riviera also offers pre-deal services and solutions for tech orgs undergoing transformation and rapid growth.
- In Apr 2022, Riviera received a significant growth capital investment from Insight Partners, with Kayne Anderson exiting an earlier growth investment made in 2019.
- Riviera operates across the U.S. & Europe, with offices in NYC, SF (HQ), Los Angeles, London, and Providence, RI.
- For more information, visit www.rivierapartners.com

SOLOMON AND RIVIERA TECHNOLOGY PRIVATE EQUITY DISCUSSION

- Solomon discussed the state of the private equity market with Jack Gage and Eric Larson
- Key takeaways are below, with select commentary on the following page
- Read the full transcript of the Solomon and Riviera Q&A

KEY TAKEAWAYS

Market Trends:

- Productivity gains in tech and lower costs of capital are expected to drive a strong M&A outlook in 2025
  - *For PE, extended hold periods and $1T+ of available U.S. PE dry powder are aligned with the improving macroeconomic environment.*
- Increased tech hiring at PE-backed companies preparing for exits signals a pickup in 2025 deal activity.
  - *These companies are hiring top technology leaders to demonstrate/capture business momentum.*
- Sponsors underwriting AI opportunities/risks are increasingly focused on tech diligence/value creation.
  - *Competition is fueling an arms race for in-house tech/AI expertise and operating partner talent.*
  - *Cyber risk mitigation strategies and personnel have become essential in transaction diligence.*
- Tech leadership teams are shifting AI focus from planning/testing to execution in 2025.
  - *75% of technology executives list executing against AI initiatives as a top-three priority.*
  - *AI is reshaping tech organizations, with top executives playing bigger roles on leadership teams and mid-level executives achieving unprecedented productivity gains.*
- Sectors feeling the greatest AI impact: Tech, Media, Healthcare, Security, Fintech, Business Services.
  - *"Non-technology" companies stand to be the biggest winners from AI-led productivity gains.*

Source: Riviera's 2024 Future of Tech Leadership report.

SELECT COMMENTARY

Riviera PARTNERS

What are key characteristics of a successful executive team?

"In PE, where exit timelines, cash constraints, and value creation are at the fore, and fluidity and change are a given, senior leadership must have a sense of urgency and be clear on goals and objectives for the business. Open, direct communications drive alignment and speed of execution. Technology and product leaders must be able to articulate how they will partner with go-to-market, finance and the broader operating team, taking specific steps to drive the roadmap forward and deliver results. There is no time to be diffuse and broad — whatever the objective is, it must be sharply defined and revisited often in an executive dialogue."

What strategies can sponsors use to attract and retain the "best" talent?

"The power of the purse remains a powerful lever for acquiring the best talent, but only once the best talent has been identified and engaged, and other important factors are considered attractive. In Riviera's 2024 Future of Tech Leadership report, approximately half of respondents cited compensation as the top factor in entertaining new opportunities. Close behind, however, were the quality of a new company's leadership team, conviction in the product, and recent business trajectory. Taken together, this calls for a blended approach to up-leveling and attracting leadership that requires investments in the product, vision of the business, and caliber of fellow members of the executive team."

What emerging areas or technical backgrounds should sponsors be focused on when hiring new executives?

"While AI is capturing headlines, sponsors should prioritize cybersecurity leadership now more than ever. The escalating threat landscape and increasing regulatory scrutiny make a strong CISO essential. Look for executives with deep technical expertise in areas like threat detection, incident response, and cloud security, coupled with the ability to communicate effectively with boards and stakeholders about risk mitigation and cyber resilience. These leaders are critical to safeguarding businesses and ensuring continued growth in today's digital world."

How do you assess the market for talent in 2025, and what are your expectations of new opportunities/demand?

"As PE firms adapt to a dynamic market landscape, 2025 promises to be a year characterized by strategic growth and increased activity. With a stronger emphasis on exits, distributions, and reinvestment, the coming year will likely see firms prioritizing scalable and sustainable value creation. The role of chief product officer, in particular, will gain prominence as PE-backed companies aim to lean into platform plays. These leaders will own the product roadmap , identifying and integrating bolt-on acquisitions."

Source: Riviera's 2024 Future of Tech Leadership report.

SOLOMON FINANCIAL SPONSORS

TEAM OVERVIEW

Sash Rentala
Head of Financial Sponsors
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Tucker Laurens
Managing Director
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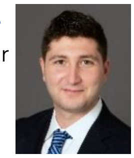
Phone: (212) 508-1647



Eric Kramer
Associate
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Phone: (917) 583-7354

Mike Hernandez
Associate
mike.hernandez@solomonpartners.com
Phone: (917) 227-3710

Solomon's Financial Sponsors team maintains relationships with a broad range of institutional investors globally. Our experienced group works closely with our industry 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

DECEMBER 2024
UNIFIED POWER
A portfolio company of
INCLINE EQUITY PARTNERS
On its sale to
PEARCE
A portfolio company of
NMC
Served as financial advisor to Unified Power

NOVEMBER 2024
Charlesbank
Made a strategic investment in
IMPLAN
Served as financial advisor to Charlesbank

SEPTEMBER 2024
S&S ACTIVEWEAR
A portfolio company of
CLAYTON DUBILIER & RICE
Acquired
alphabroder
A portfolio company of
LITTLEJOHN & CO.
Served as financial advisor to S&S Activewear

SEPTEMBER 2024
NMC New Mountain Capital
ENDICOTT CAPITAL
Invested in
DATASSENTIAL
Served as financial advisor to New Mountain Capital and Endicott

SEPTEMBER 2024
Apax
Made a strategic investment in
ALTUS FIRE & LIFE SAFETY
Served as financial advisor to Apax Funds

AUGUST 2024
ONEX
Agreed to acquire
FARSOUND
Served as financial advisor to ONEX

AUGUST 2024
Platinum Equity
Acquired
ASP GLOBAL
A portfolio company of
INCLINE EQUITY PARTNERS
Served as Financial Advisor to Platinum Equity

AUGUST 2024
MROHOLDINGS
On its strategic investment from
BainCapital
Served as financial advisor to MRO Holdings

JUNE 2024
SOFIE
From start to clinic
To receive a substantial growth investment from
Trilantic NORTH AMERICA
Served as financial advisor to SOFIE

MAY 2024
Reg-Room
Sold to
CUBE
A portfolio company of
Hg
Served as financial advisor to Reg-Room

MAY 2024
GridHawk
Has received minority equity and debt financing from
MidOcean Partners
BMO
Served as financial advisor to GridHawk Holdings LLC

JANUARY 2024
$1,000,000,000
CHICO'S FAS INC
Has agreed to be acquired by
SYCAMORE PARTNERS
Served as exclusive financial advisor to Chico's FAS

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 Institutions, Financial Sponsors, Fintech, 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.

SOLOMON PARTNERS

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