



Mergers & Acquisitions: 2023 Overview and 2024 Market Outlook

FEI of Eastern Wisconsin

March 6, 2024



CIBC US Middle Market Overview

CIBC – A Global, Full-Service Bank



CIBC is a diversified financial institution committed to creating enduring value for all our stakeholders – our clients, team, communities and shareholders.

We are guided by our purpose – **to help make your ambition a reality.**

CIBC Highlights



13 million
clients



45,000
employees



\$40 billion
market cap

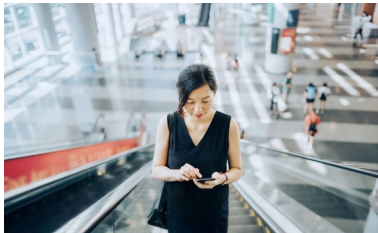
Business Lines



**Commercial and
Retail Banking**



**Capital
Markets**



**Private
Wealth**



CIBC Global Investment Banking

Geographies



Overview and Bankers

Number of Bankers:

US – 90+
Canada / Global – 300+

Focus:

Transactions ranging from \$20 million to \$1 billion +

Transaction Volume:

200+ middle market transactions completed in last 5 years

Industry Verticals



Service Offerings



M&A
Advisory



Equity Capital
Markets



Debt Capital
Markets



CIBC Middle Market Investment Banking

Overview



60+ professionals in the U.S. and Canada collaborating seamlessly



Clients include private companies, private equity funds, and corporations



Differentiated approach focused on disciplined and transparent processes

Services

Mergers & Acquisitions



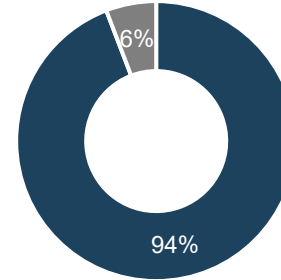
- Execute transactions up to \$500 million in enterprise value
- Specialize in sell-side transactions
- Conduct targeted buy-side advisory services

Financing / Advisory



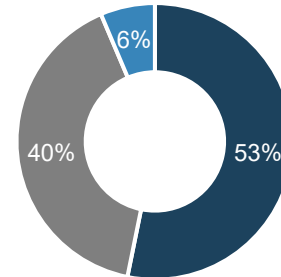
- Raise up to \$250 million of senior debt, mezzanine debt, and/or equity
- Provide capital structure advice for management buyouts, recapitalizations, and growth capital investments

Business Mix



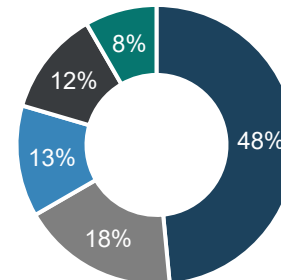
- M&A
- Financing/Advisory

Client Profile



- Private Equity
- Family/Entrepreneur
- Corporate

Industries



- Industrials
- Consumer
- Software & Technology
- Business Services
- Health care

Note: Pie chart data for last 5 years of completed CIBC transactions under \$500 million



Focus on Sell-Side M&A



Known for selling excellent companies at premium prices



Proven ability to identify and articulate value

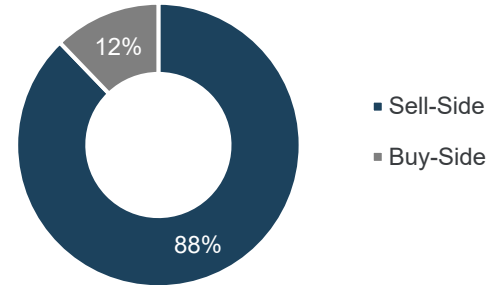
- Growth potential and opportunities
- Sustainable competitive advantage
- “Platform” company characteristics
- Run rate / forward financial performance



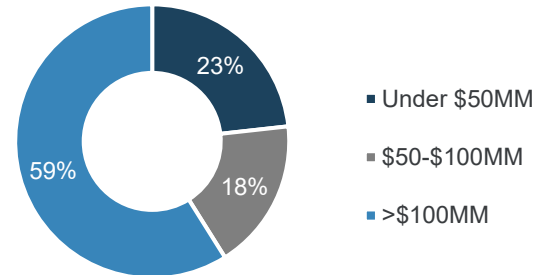
Expertise in realizing strategic value

- Strategic fit
- Synergies
- Impact to buyer’s strategy and P&L

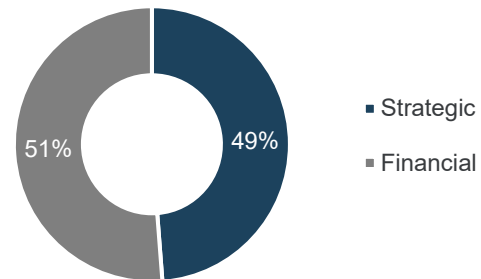
M&A Business Mix



Transaction Size



Buyer Profile



Note: Pie chart data for last 5 years of completed CIBC transactions under \$500 million

Recent Transactions

VAPOR POWER INTERNATIONAL
a portfolio company of




Stone Pointe, LLC
MIDWEST MEZZANINE FUNDS

has been acquired by



THERMON

personnel concepts
a subsidiary of



BRADY

has been acquired by



CRITICALPOINT

ARMOR
ANIMAL HEALTH
DETECT. DEFEND. DELIVER.

a portfolio company of

GOLDNERHAWN

has been acquired by



VSI

 **LFS**
BANK TECHNOLOGY OUTFITTER

has been acquired by



bv INVESTMENT PARTNERS
SINCE 1983

Merlot Vango
TARPING SOLUTIONS
a portfolio company of



Continuim
EQUITY PARTNERS

has been acquired by



SAFE FLEET
a portfolio company of



OAK HILL CAPITAL

IDENTITI

has partnered with



KEYSTONE
CAPITAL

pfi:InStore
a portfolio company of




CFB **KVCI**
CAPITAL FOR BUSINESS Kansas Valley Capital, Inc.

Mid States Capital L.P.




DIAMOND STATE VENTURES **NORTHCREEK**

has been acquired by

ONWARD | CAPITAL

MUTHIG
INDUSTRIES, INC.

has been acquired by

LFMcapital

STOCKD
SUPPLY
a portfolio company of




NEBRASKA HEAVY INDUSTRIES **Midwest GROWTH partners**

has been acquired by

BLACK HAWK
INDUSTRIAL
a portfolio company of



TRUARC
PARTNERS

LAKE AIR
PRODUCTS

has been acquired by

P4G
CAPITAL

EGT
GOLF SUPPLIES
a portfolio company of

HADLEY

has been acquired by



KINZIE
CAPITAL PARTNERS

 **TRANSHIELD**
Advanced Protective Cover Technology

has been acquired by



PATRICK



2023 Capital Markets Overview

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2023 M&A Market Themes

M&A Market



Valuations were strong for certain industries and transactions

- Premium for growth, predictable profitability, and management ⇒ Double-digit multiples for top decile companies
- Corporate cash and private equity “dry powder” kept purchase price multiples high for “A” companies
- Interest rates and recession concerns kept buyers away from certain industries (consumer/retail, building products, mortgage, healthcare services (subject to reimbursement), etc.)
- Processes for “B” and “C” assets in cyclical markets struggled to find a buyer or sold at valuations that were lower than pre-COVID multiples with structure, earnouts, seller notes, etc.



Lending markets were tight for middle market companies

- Spreads 50-100bps wider and leverage multiples 0.50x – 1.50x lower than pre-COVID levels
- Banks, direct lenders, and institutional markets were open, but hold sizes were down and competition was fierce for “high-quality” deals
- Bank syndication markets were challenging for \$50MM-\$150MM credit facility to support LBOs
- However, large cap debt market remained “covenant light” and as competitive as ever for strong credits

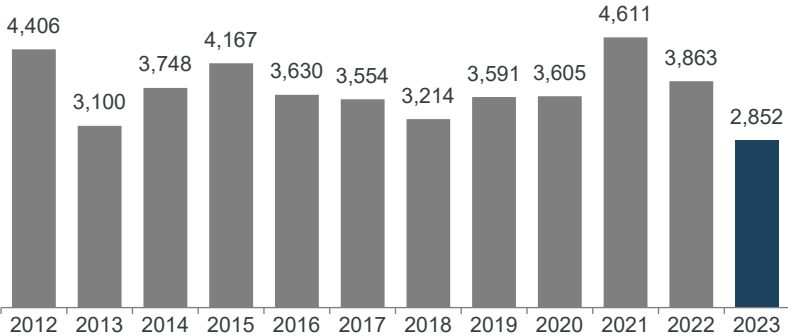


Process dynamics evolved

- Aggressive buyers avoided broad auctions and used speed and pre-emptive, “all-cash” offers to differentiate in a market with a significant supply/demand imbalance
- Sellers accommodated “early looks” to strategic and financial buyers willing to pay premium multiples on forward earnings
- Due diligence levels were elevated and focused on “normalized performance,” supply chain, “core” growth (unit vs. price), cyber security
- ***Anecdotally, private equity firms have told us that 50-70% of all transactions that went to market in 2023 resulted in failed processes***

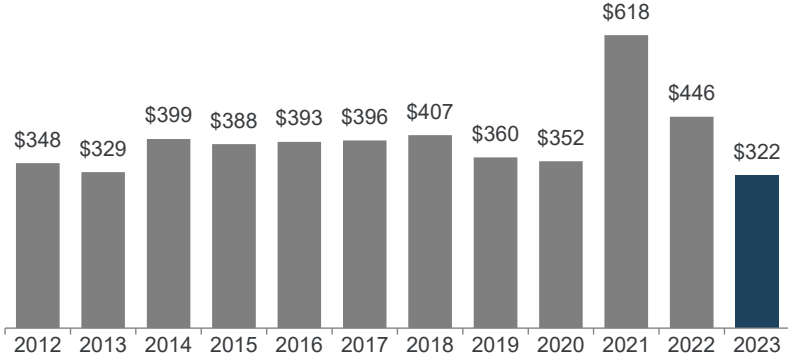
M&A Transaction Volume

U.S. Middle-Market M&A Volume ⁽¹⁾



U.S. Middle-Market M&A Deal Value ⁽²⁾

\$'s in billions



- 2023 deal volume was down 26% compared to 2022
- Deal value was also down as fewer mega technology deals occurred

Source: Robert W. Baird

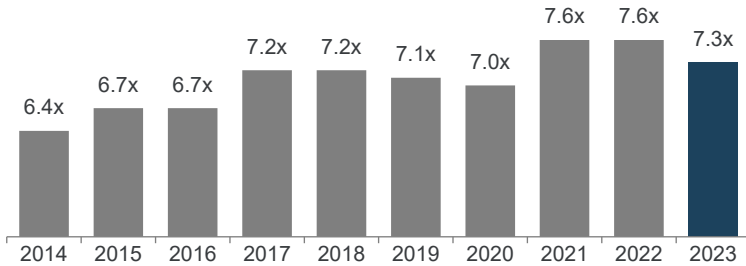
(1) Includes transactions below \$500 million of enterprise value

(2) Includes transactions below \$1 billion of enterprise value

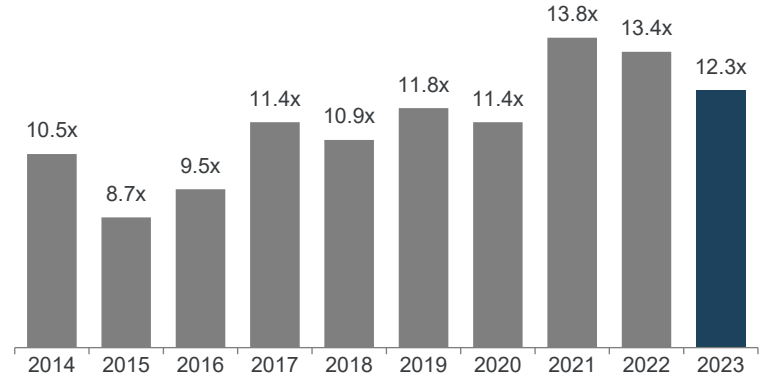


M&A Valuation Multiples

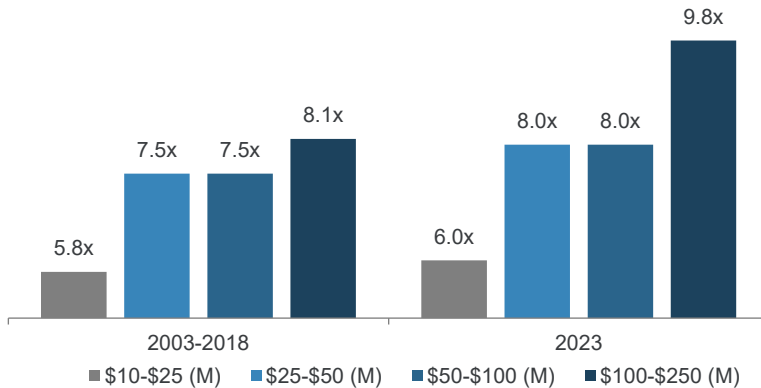
Average EV/EBITDA for Middle Market PE-Backed LBOs ⁽¹⁾



Average EV/EBITDA for All U.S. PE-Backed LBOs



Average EV/EBITDA Based on Transaction Size for LBOs



- Multiples remain at premium levels for good companies compared to pre-COVID norms

Source: GF Data and Pitchbook

(1) Includes transactions below \$500 million of enterprise value



M&A Valuation by Industry

Average EV/EBITDA Multiples by Industry

Size Range	Years					
	2013-2018	2019	2020	2021	2022	2023
Manufacturing	6.2x	6.5x	6.7x	7.1x	7.3x	6.5x
Business Services	6.6x	7.2x	7.1x	7.3x	7.4x	7.3x
Healthcare Services	7.4x	8.0x	8.1x	8.1x	8.4x	9.3x
Retail	6.9x	9.3x	8.3x	8.3x	8.0x	6.0x
Distribution	6.5x	7.0x	7.2x	7.2x	7.2x	7.1x
Media & Telecom	7.4x	9.4x	7.0x	7.0x	9.1x	7.8x
Technology	8.3x	10.0x	7.6x	10.3x	8.1x	10.2x
Other	6.3x	6.5x	6.2x	7.3x	6.7x	6.9x

Source: GF Data Resources LLC

- Manufacturing and retail industries were negatively impacted by inflation and inventory “destocking” in 2023
- Business services, healthcare services, distribution and technology all sustained premium valuation levels

Four-Quarter Rolling Average Valuation and Debt Multiples

Average EV/EBITDA – Four-Quarter Rolling Averages

Size Range	Years							
	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23
10 - 25	6.2x	6.2x	6.5x	6.6x	6.4x	6.2x	5.9x	6.0x
25 - 50	7.2x	7.2x	7.2x	7.1x	7.2x	7.2x	7.0x	7.1x
50-100	8.5x	8.7x	8.6x	8.7x	8.3x	8.1x	8.0x	8.0x
100-250	9.4x	9.3x	9.5x	9.6x	9.2x	9.1x	9.1x	9.8x
250-500	10.5x	10.1x	10.2x	9.8x	10.0x	10.5x	11.2x	10.7x
Total	7.6x	7.7x	7.8x	7.7x	7.5x	7.4x	7.2x	7.3x

Source: GF Data Resources LLC

Average Total Debt/EBITDA – Four-Quarter Rolling Averages

Size Range	Years							
	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23
10 - 25	3.8x	3.9x	3.9x	3.7x	3.7x	3.7x	3.7x	3.7x
25 - 50	3.9x	3.9x	3.8x	3.7x	3.6x	3.6x	3.4x	3.3x
50-100	3.9x	4.0x	3.9x	4.0x	4.0x	3.8x	3.8x	3.5x
100-250	4.3x	4.2x	4.3x	4.2x	3.9x	3.7x	3.7x	3.9x
250-500	5.2x	5.2x	5.4x	5.1x	5.2x	4.9x	4.6x	4.5x
Total	4.0x	4.1x	4.0x	3.9x	3.8x	3.7x	3.7x	3.6x

Source: GF Data Resources LLC

Financing Market Themes

Financing Market



Public and private debt markets retrenched

- 2023 high yield and investment grade debt markets were down slightly in 2023 compared to 2022
- Average debt/EBITDA multiples for borrowers with >\$50MM of EBITDA declined from 4.77x in April 2023 to 4.3x in December 2023
- ABL market remains supportive for strong deals



Bank and direct lenders still active with new opportunities

- Commercial banks remained cautious in new deals and regional banks were absent from the market for the majority of 2023
- Direct lenders dominated cash flow, split lien and 2nd lien transactions
- Hold sizes declined requiring a larger bank group to clear the market with all participants requiring ancillary revenue and deposits to meet capital requirements post-SVB's collapse in March 2023
- Dividend recap market was closed

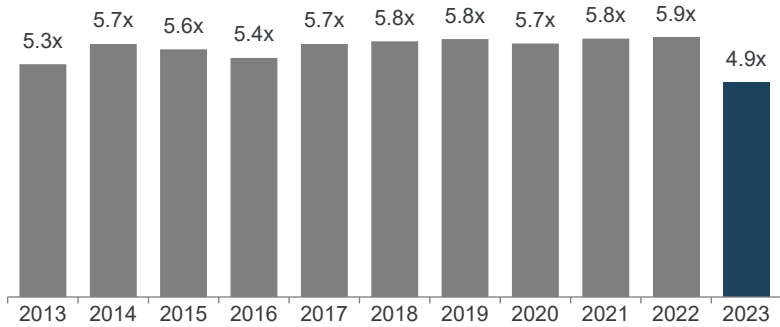


Middle market (<\$50MM of EBITDA) remained steady throughout 2023

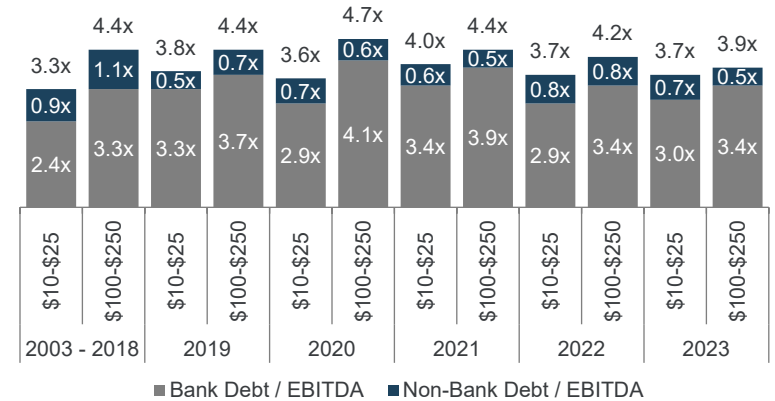
- ABL market healthy with pricing ranging from S + 100 bps to S + 200 bps for commercial bank lenders and up to S+ 300 bps for non-bank direct lenders
- Middle market active, but at lower leverage and higher pricing
- Lower middle market, in which typically did not require syndication remained open
- Subordinated debt played a more active roll in capital structures as senior pricing approached 11-12% compared to 12-13% fixed for subordinated debt

LBO Leverage Multiples

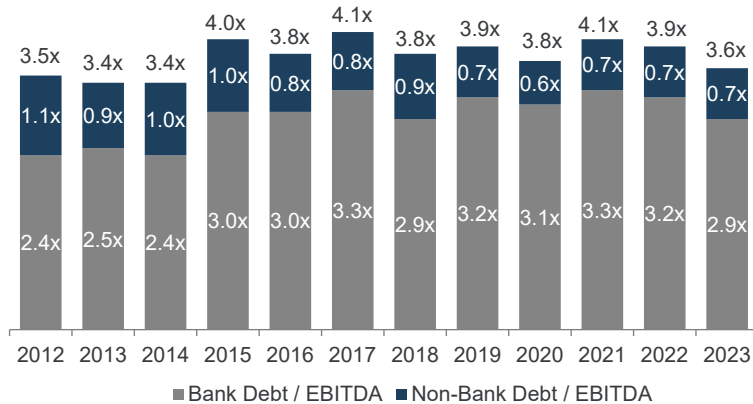
Median PE Debt/EBITDA Multiples



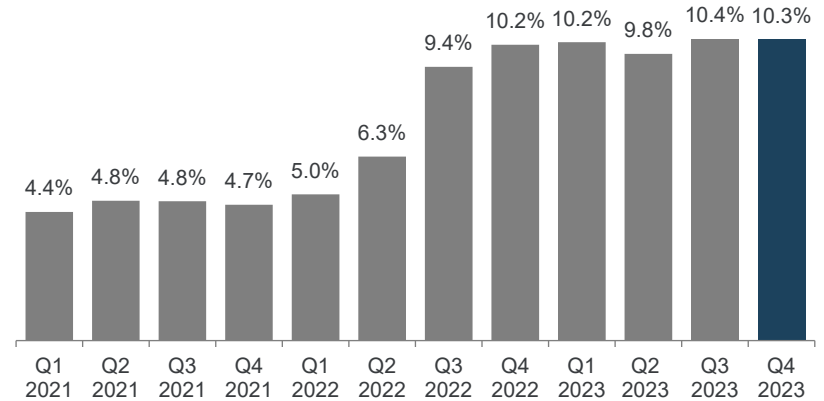
Average LBO Debt Multiples by Transaction Size



Average LBO Debt Multiples (1)



Quarterly Average Cost of Debt



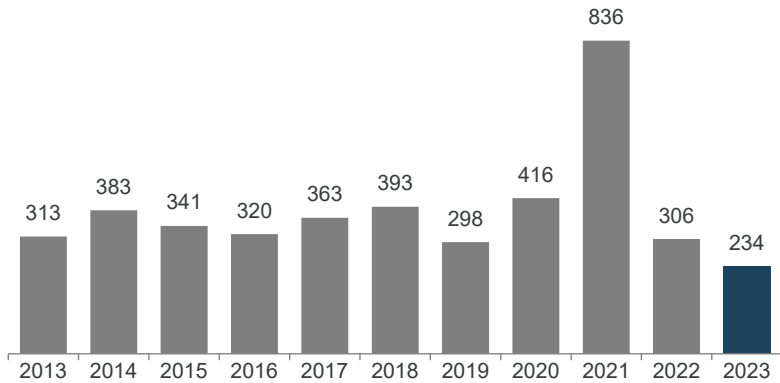
Sources: Pitchbook, GF Data, LCD

(1) Includes transactions below \$500 million of enterprise value



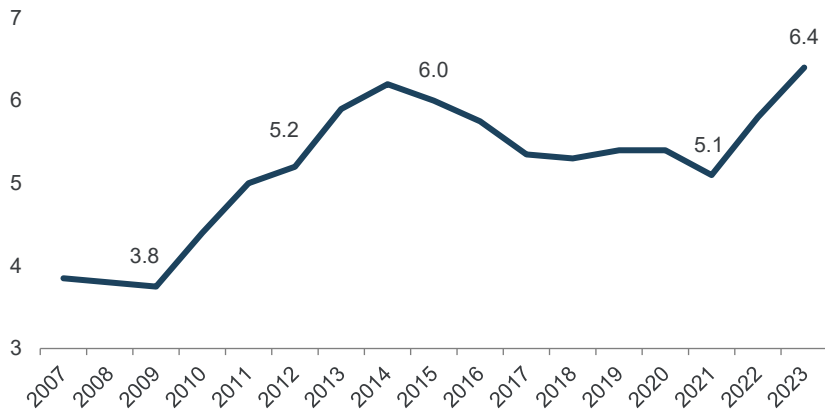
The Private Equity Environment

U.S Private Equity Exit Activity by Year



Private Equity Average Hold Period

Number of years

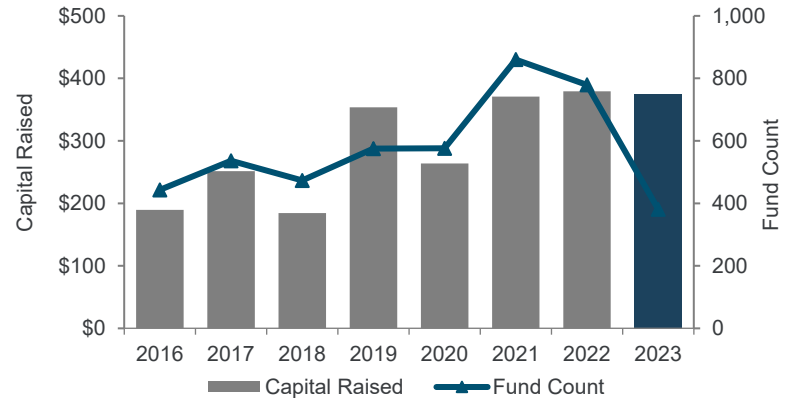


Source: Pitchbook



Private Equity Fund Count and Capital Raised

\$'s in billions



- Private equity exits were at a 10-year low
- Average hold period of 6.4 years (compared to a 3.5- to 5-year target hold) at the end of 2023 highlights a material increase in the number of “past due” private equity exits that could create a flood of deals in late 2024



2024 Capital Markets Outlook

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2024 M&A Market Themes

M&A Market



Strength in the Large Cap Market Should Trickle Down to the Middle Market

- Debt markets are open and supportive for investment grade and high yield borrowers
 - Leveraged loan market has closed \$120B through February compared to \$57B for the same period last year
 - Refinancings and recapitalizations represented >70% of the loan volume year-to-date
 - Spreads have tightened ~100bps since November
 - Broadly syndicated bank market has refinanced over \$8.3B of direct lender transactions
- Mega deals are back with the February announcements of Capital One/Discover (\$35B) and Diamondback Energy/Endeavor Energy (\$26B)



Valuations continuing to increase for “A” assets

- Multiples continue to climb for companies and industries that provide predictable, recurring revenue, double-digit growth, strong margins and continuing management (healthcare, pet, SaaS, fire & life safety, home services, infrastructure services, water, etc.)
- Mega private equity funds and corporations are targeting middle market companies with a “buy now” price and preemptive strategy that pays sellers multiples on forward projections (1-2 years)



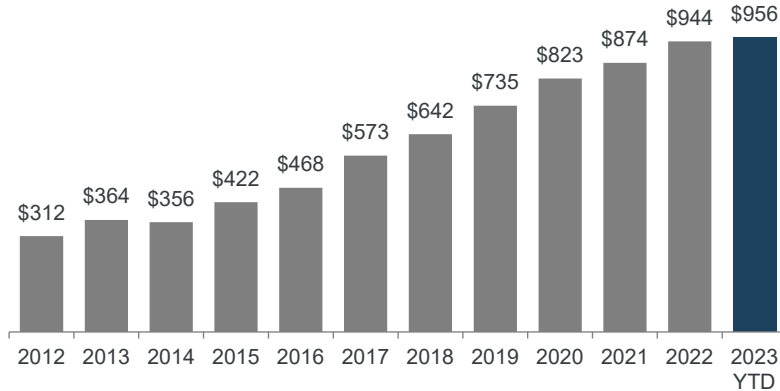
2024 has the potential to be solid M&A year despite slow start

- M&A process launches for the first two months of 2024 are down over 20% compared to same period in 2023
 - Investment bankers, corporations and private equity firms are all saying that deal flow is much lower than anticipated and deal quality is poor
- Investment banks are sitting on a significant inventory of engagements that are expected to be released in 2024, but no one knows if that will be Q1, Q2 or second half of the year
- PE hold period is 6.4 years which means deals should be coming to market in 2024
- Carveouts represented ~11% of buyouts in 2023 and corporations are preparing to divest a significant number of non-core businesses in 2024 and beyond

Transaction Demand Drivers

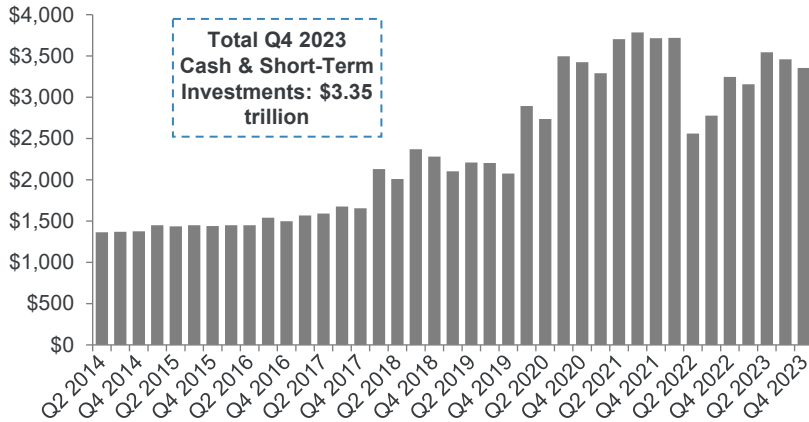
U.S. Private Equity Dry Powder ⁽¹⁾

\$'s in billions



S&P 500 Cash and Short-Term Investments

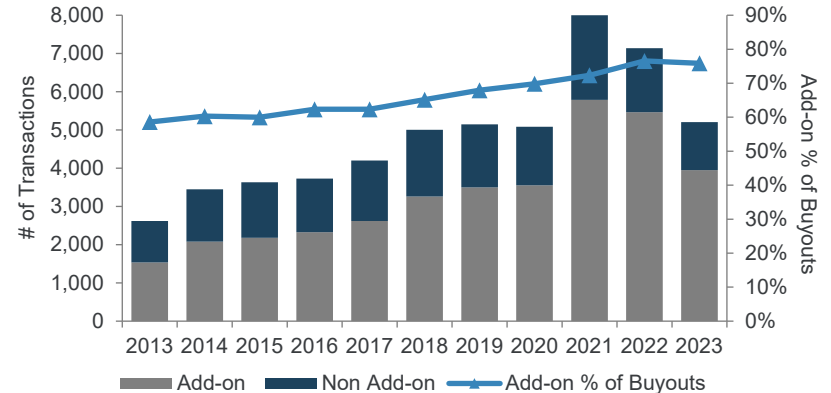
\$'s in billions



Source: Pitchbook, CapIQ
 (1) As of March 31, 2023
 (2) As of December 31, 2023



Private Equity Add-On Activity ⁽²⁾



- Private equity activity continues to be driven by demand for add-ons which accounted for 76% of all PE deals in 2023
- Significant amount of cash on corporate balance sheets and PE dry powder will continue to drive M&A valuation momentum for premier companies