

# Q3-2023 Wrap Up

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MARKET UPDATE // M&A ACTIVITY

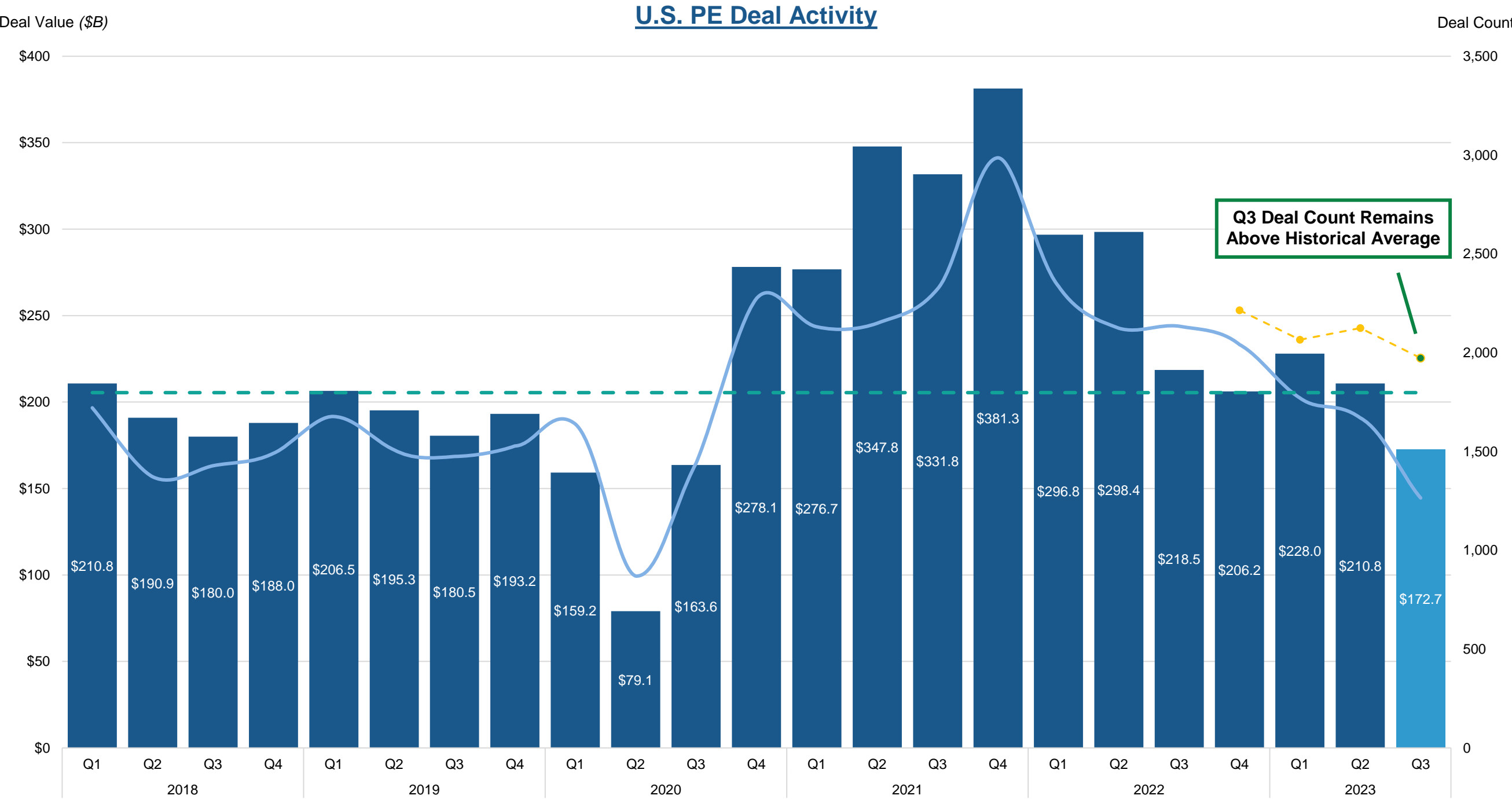


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# M&A OVERVIEW

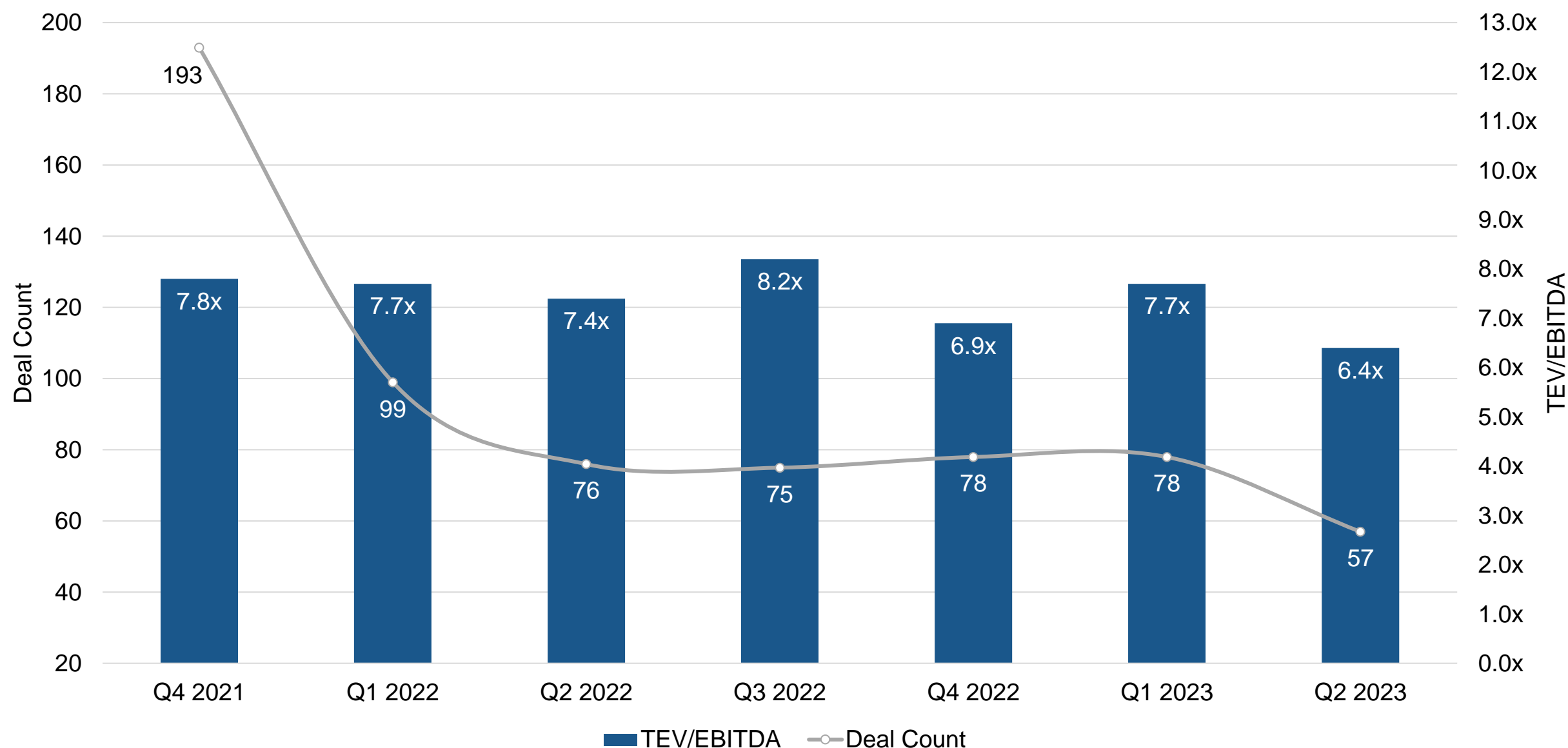
- Estimated deal count by private equity firms in the U.S. totaled 1,972 in Q3-2023, well above the quarterly average of 1,822 over the last 5 years.
- Certain PE managers have adapted their strategies to pursue smaller deals and add-on acquisitions to integrate and expand their platform companies.
- Lower deal values also enable PE firms to navigate the current market conditions and continue pursuing profitable opportunities.



# MIDDLE MARKET M&A UPDATE

- Middle market deal count, defined as M&A transactions with total enterprise values (TEV) ranging from \$10-250 MM, saw a slight decrease from Q1 2023 to Q2 2023, driven by higher interest rates, increased borrowing costs, and changing valuations.
- The 6.4x average TEV / EBITDA purchase price multiple signals an advantageous climate for value-driven investment opportunities in middle market companies. For buyers and for sellers, there is still ample activity going on.
- **Westlake continues to receive high levels of interest on transactions we're bringing to market as well as continuous inbound inquiries from strategic investors, private equity firms, and lenders looking for high-quality companies/deals.**

## U.S Middle Market Deal Count and Trading Multiples



Source: GF Data

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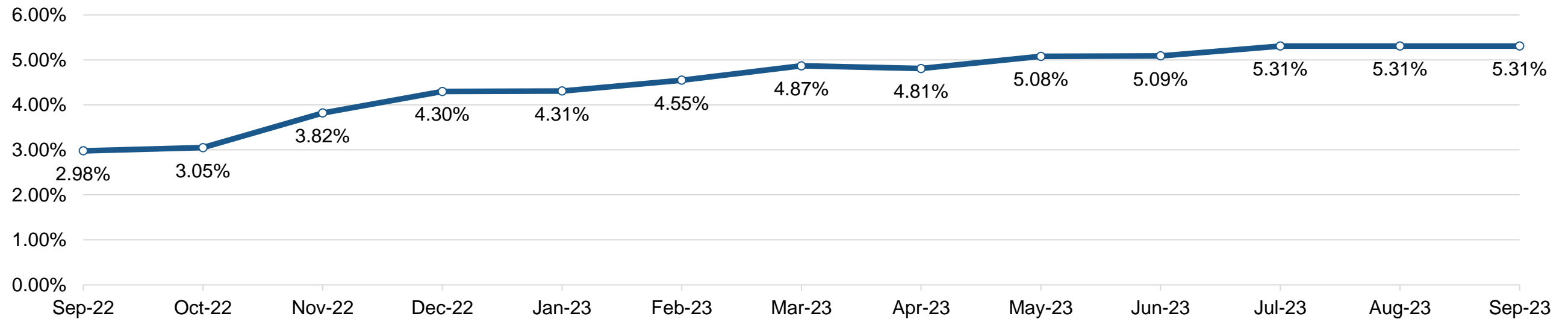




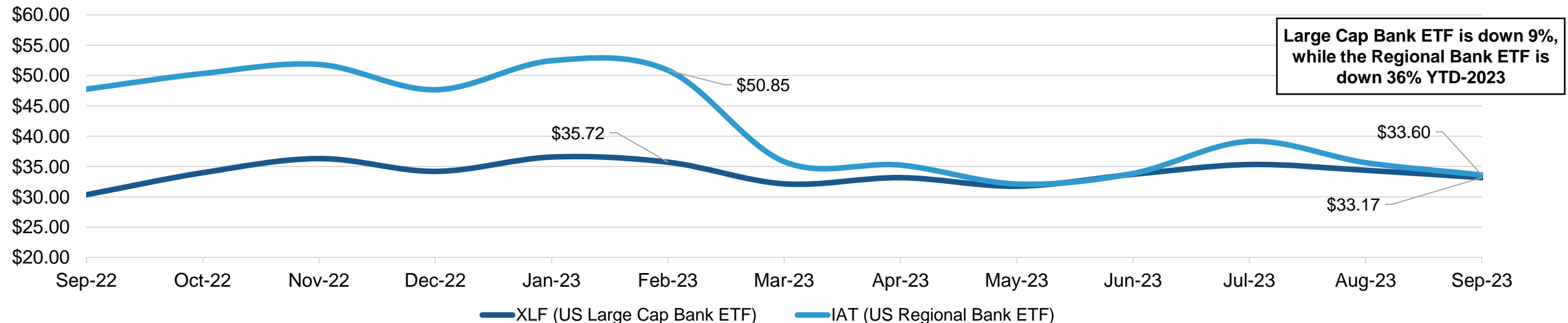
# SOFR's PERFORMANCE AMIDST CENTRAL BANK ACTIONS

- SOFR experienced a notable and mostly uninterrupted rise from 2.98% to 5.31% over September 2022 and September 2023. This is reflective of a systematic tightening of monetary policy by the Federal Reserve in response to inflationary pressure.
- The stabilization of SOFR at 5.31% from July 2023 to September 2023, after previous increments, is a result of a slowdown or pause in the Federal Reserve's rate hikes. This suggests a measured approach by the Fed, perhaps to assess the macroeconomic impact of previous tightening.
- Leading financial institutions, including BofA Global Research, JP Morgan, and Citigroup, have varying predictions regarding interest rate hikes by the U.S. Federal Reserve in the near term. **BofA and Citigroup both anticipate a 25-basis point hike in November, while JP Morgan foresees no additional interest rate hikes for the time being.**

## SOFR – Q2 2023



## Regional and Large Cap Bank Stock Performance



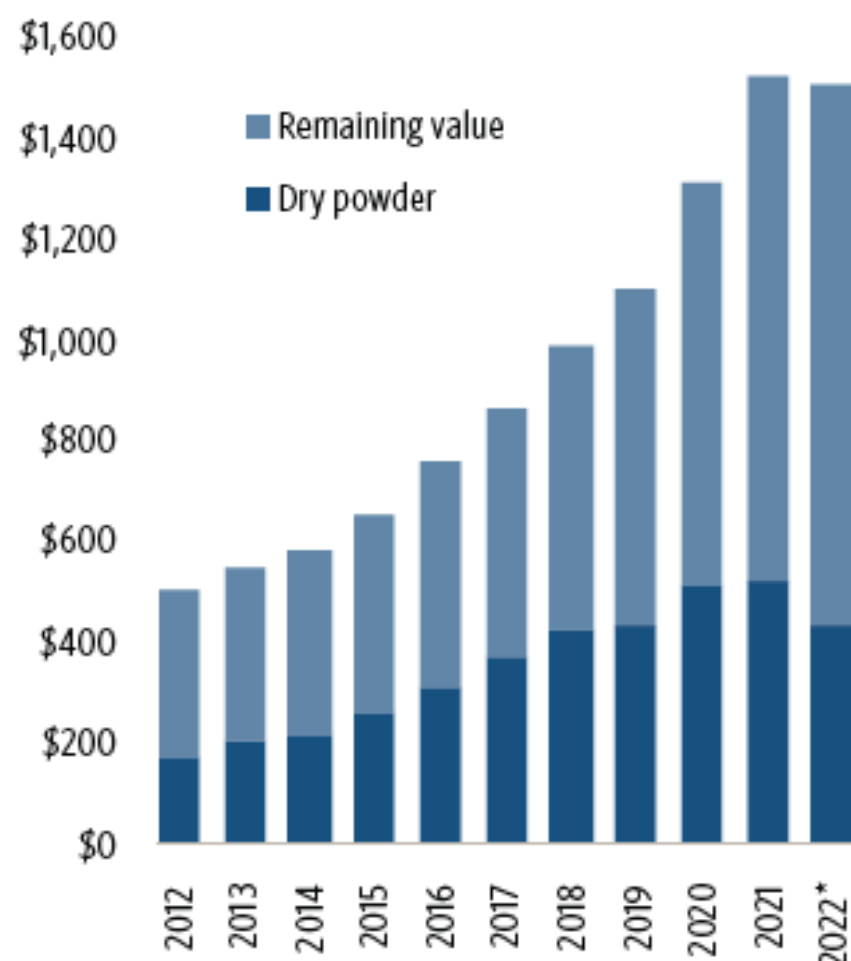
Source: St. Louis Fed, Pitchbook \*As of September 30, 2023

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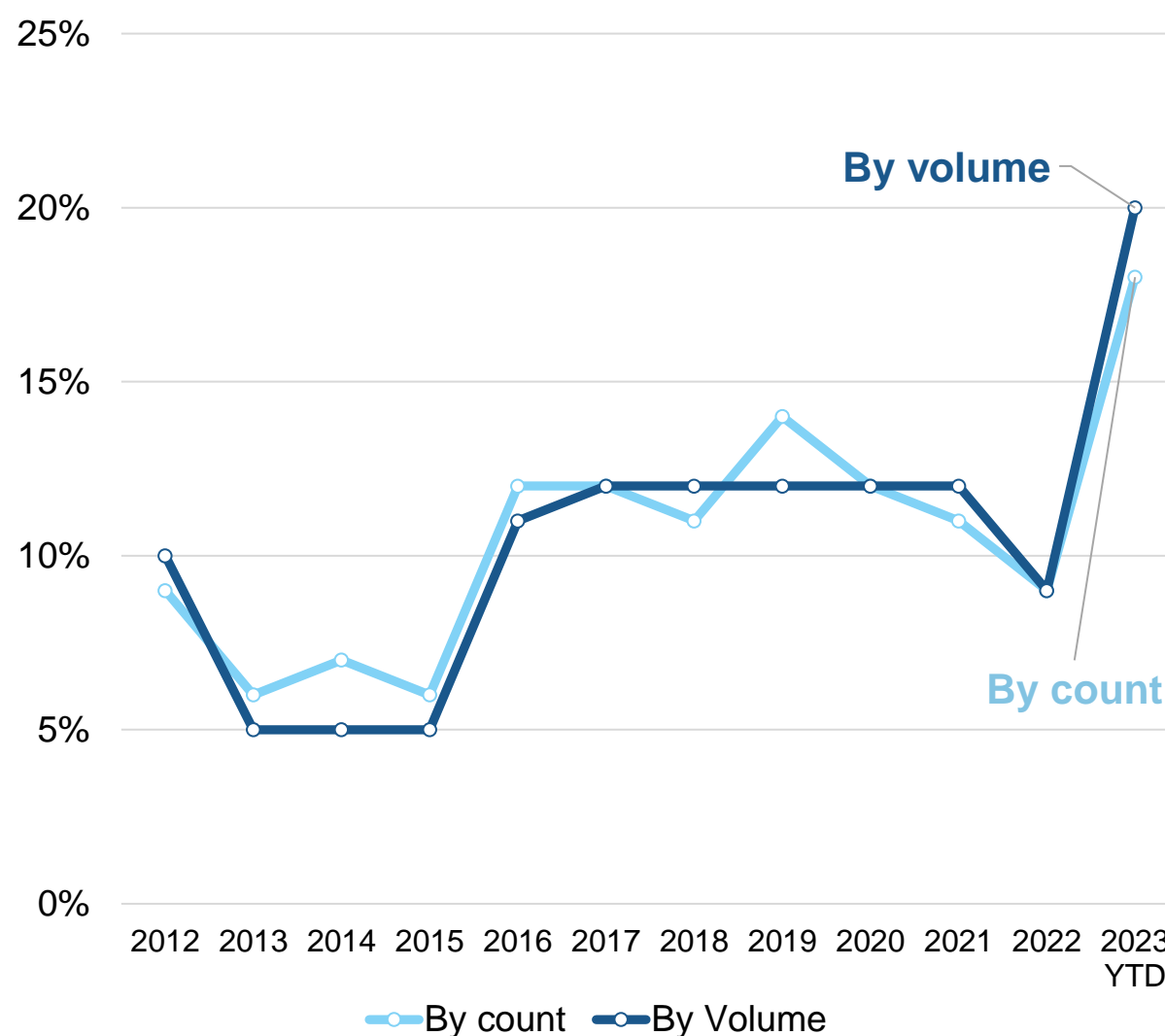
# PRIVATE DEBT FUNDS, ASSET-BASED, AND MIDDLE MARKET LENDING

- Assets under management (AUM) for institutional private debt exceeded \$1.5T with over \$430B in dry powder at the end of 2022. **In the first half of 2023, approximately \$95B in committed capital was closed on by institutional private funds, tracking well ahead from last year.**
- Private credit providers, hungry for deals and armed with substantial funds, are focusing on Asset-Based Lending (ABL), a segment projected to burgeon to \$7.7T by 2027, signaling a shift towards secured, collateral-backed lending opportunities amidst evolving market dynamics.
- Residing in both the bank-led loan and private credit worlds, Collateralized Loan Obligations (CLOs) have been the investor lifeblood of leveraged lending, accounting for 60% of the \$1.4T asset class. **Increased activity in CLO's have targeted private credit and middle market loans, exceeding 20% of total volume YTD 2023.**
- Noteworthy collaborations, such as between Centerbridge Partners and Wells Fargo, underscore a strategic pivot in the private credit sphere, targeting lending to non-sponsored middle-market companies.

Private Debt Institutional Funds –  
Assets Under Management



US Middle Market - Share of Total CLO Issuance



Source: Pitchbook

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