



PRIVATE EQUITY | Q3-2023

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Casa de Campo - Dominican Republic



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About: Mr. Buehler has over 20 years of investment experience within financial services, commercial real estate, private equity, investment banking and alternative investments. Mr. Buehler has authored numerous white papers, frequent contributor to industry magazines and and is a guest-lecturer at various universities throughout the U.S. Mr. Buehler currently sits on the FINRA West Committee, serves on various for-profit boards and consults with family offices and financial institutions.

Education: Mr. Buehler earned his B.A. from Chapman University where he was awarded the Bateman scholarship. Mr. Buehler holds FINRA Series 7, 24, 63 and 79 licenses and various state licenses.

Interests: Adventure-running, cycling, reading, fly-fishing, travel and philanthropy work.

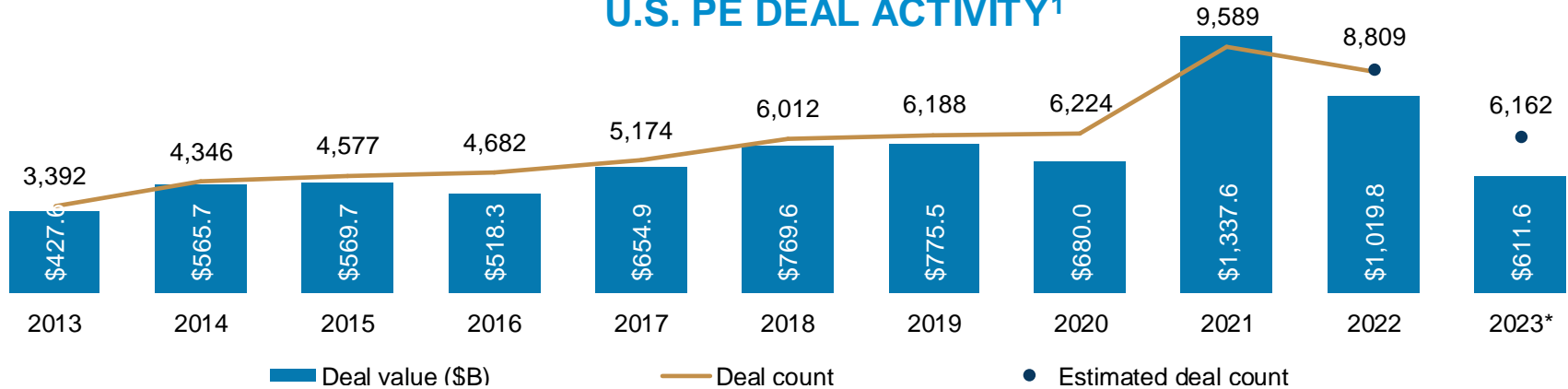
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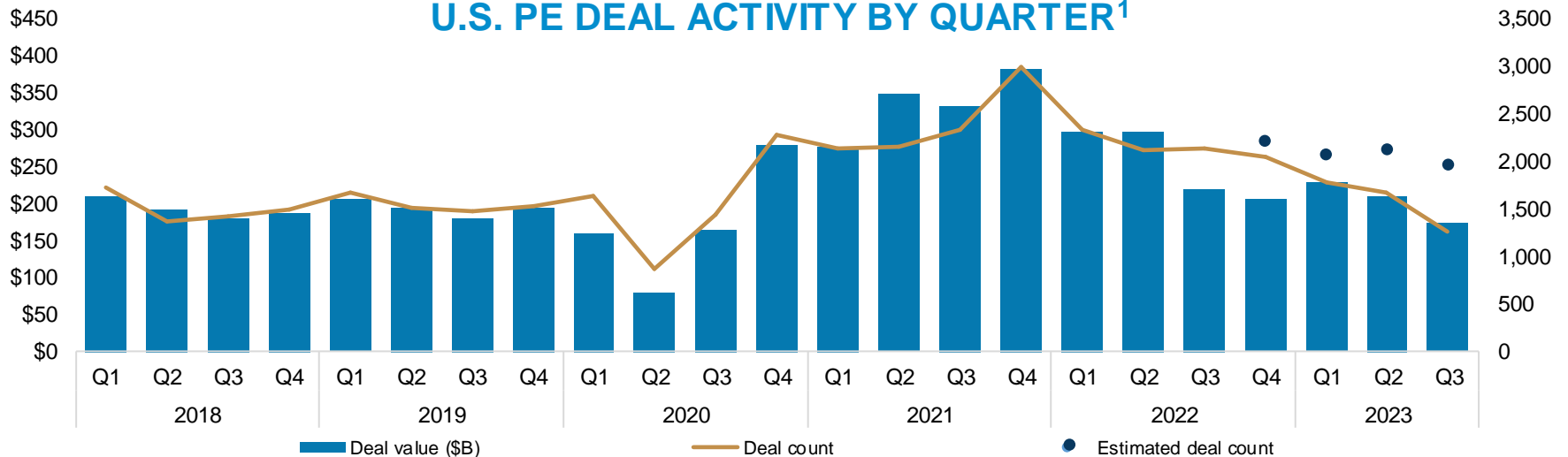
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DOES A SLOW 2023 OFFER POTENTIAL BENEFITS?

U.S. PE DEAL ACTIVITY¹



U.S. PE DEAL ACTIVITY BY QUARTER¹



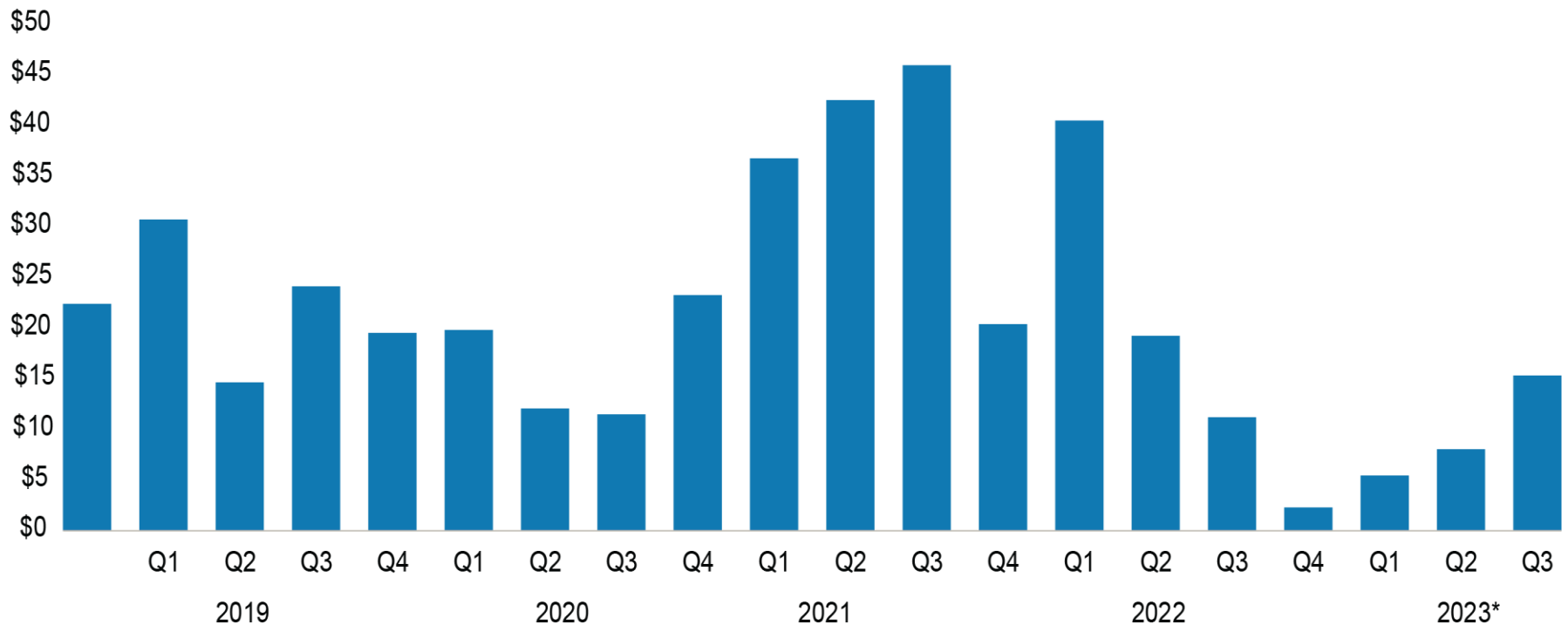
1. U.S. PE Breakdown n: Q3 2023. PitchBook. 2023.

*As of September 30, 2023.

PRIVATE CREDIT: A POPULAR SOURCE FOR LOANS

- Broadly syndicated loans (BSL) continue to recover, with \$14.2B in institutional money raised for new loans backing LBOs in Q3 2023. That matches the total for H1 2023.¹

BROADLY SYNDICATED US LBO LOAN VOLUME (\$B) BY QUARTER¹

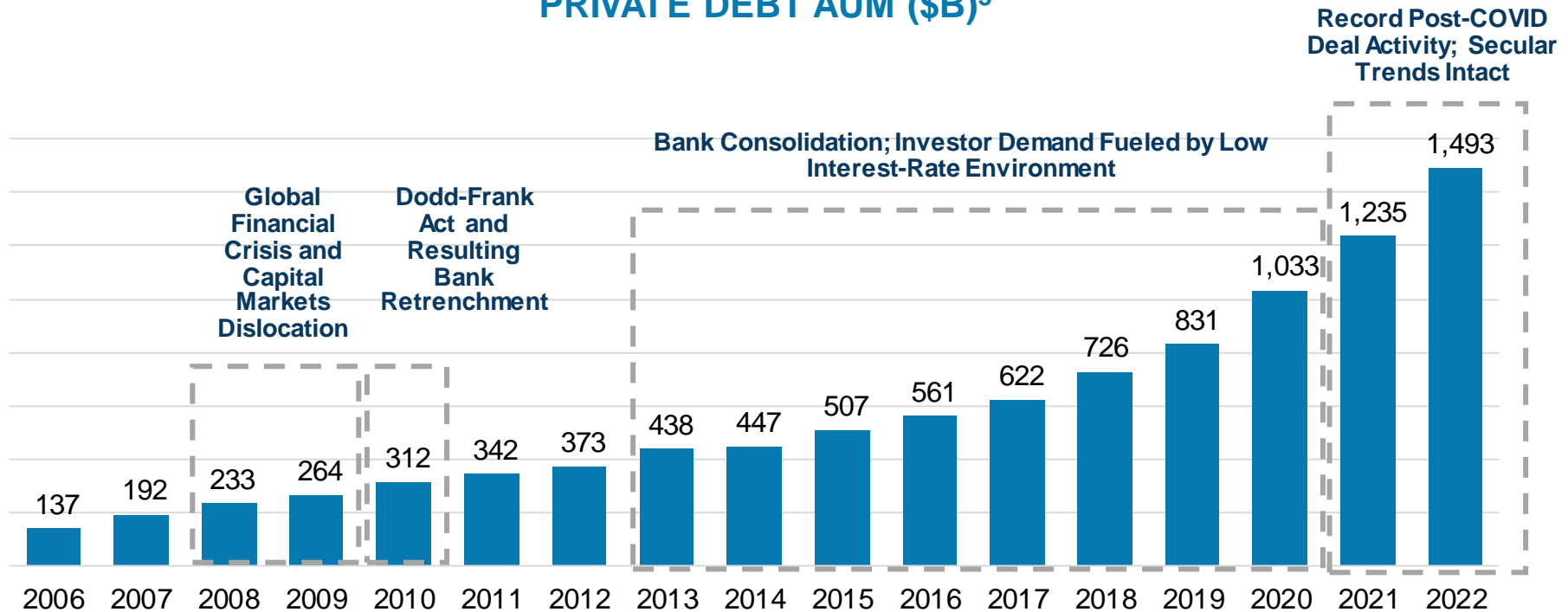


1. U.S. PE Breakdown: Q3 2023. PitchBook. 2023.
*As of September 30, 2023.

PRIVATE CREDIT'S RAPID GROWTH

- The current size of the private credit market is approximately \$1.5 T¹ and expected to grow to \$2.3T by 2027.²

PRIVATE DEBT AUM (\$B)³



For illustrative purposes only. As of August 17, 2023

- Hidalgo, Katharine and Brown, Silas. "Banks Rush to Gain Foothold in \$1.5 Trillion Private Credit Market." Bloomberg. September 14, 2023. <https://www.bloomberg.com/news/articles/2023-09-14/banks-rush-to-gain-foothold-in-1-5-trillion-private-debt-market>
- "Understanding Private Credit." Morgan Stanley. September 15, 2023. <https://www.morganstanley.com/ideas/private-credit-outlook-considerations>
- "Private Credit Outlook – Win Some, Lose Some." Institutional Investor. August 2, 2023. <https://www.institutionalinvestor.com/article/2bsji2icakzo0cx0z1atc/innovation/private-credit-outlook-w-in-some-lose-some>

10 LARGEST DEALS WITH PRIVATE EQUITY INVOLVEMENT (2023)¹

ANNOUNCED	TARGET	VALUE (US\$B)	SPONSOR	TYPE
3/23/23	Toshiba Corp.	\$15.0	Japan Industrial Partners Inc	Take-Private
3/13/23	Qualtrics International	\$12.5	CPP Investments Silver Lake	Take-Private
7/6/23	Worldpay	\$11.4	GTCR	Leveraged Buyout
3/13/23	Univar Solutions Inc	\$8.1	Apollo Funds	Take-Private
2/28/23	Coupa Software	\$8.0	Thoma Bravo, Abu Dhabi Investment Authority	Take-Private
3/15/23	Stripe	\$6.5	Andreessen Horowitz, Baillie Gifford, Founders Fund, General Catalyst, MSD Partners, and Thrive Capital, GIC, Goldman Sachs Asset and Wealth Management, and Temasek	Growth Equity
5/3/23	Maxar	\$6.4	Advent International, British Columbia Management Corporation	Take-Private
2/1/23	KnowBe4, Inc.	\$4.6	Vista Equity Partners	Take-Private
3/4/23	Cvent	\$4.6	Blackstone, Abu Dhabi Investment Authority	Buyout
10/23/23	EngageSmart	\$4.0	Vista Equity Partners	Take-Private

1. Mitchell, David. "Private Equity Deals: The Biggest Transactions of the Year So Far." September 12, 2023. <https://www.allvuesystems.com/resources/private-equity-deals-the-biggest-transactions-of-the-year-so-far/#gate>

TAKE-PRIVATE DEALS DOWN IN Q3, BUT STILL ON RECORD PACE IN 2023¹



20%

Typical year take-private deal activity¹



40%

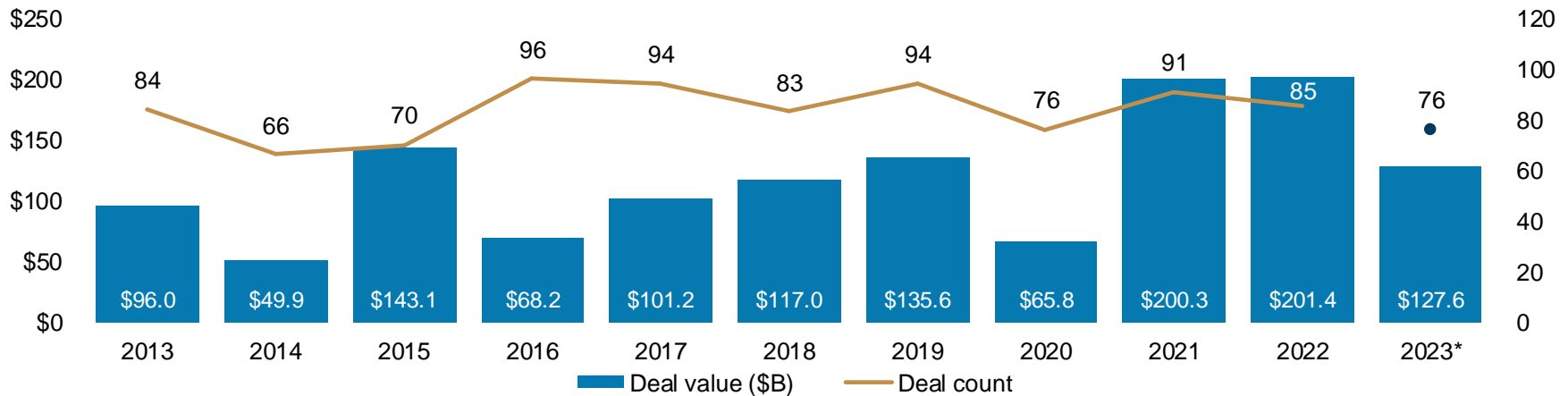
2022 take-private deal activity²



42%

Q2 2023 take-private deal activity²

U.S. PE TAKE-PRIVATE DEAL ACTIVITY³



- 42% take-private deal activity is lower than the record highs seen earlier in the year (68% in Q1), but still high compared to historical standards.²
- 65% of Q3's take-private deals involved sub-\$1 billion companies, continuing the trend of take-privates getting smaller and focusing on the middle market in a private markets context.³

1. Witte, Pete. "Private Equity Pulse: Takeaways from Q1 2023." May 1, 2023. https://www.ey.com/en_us/private-equity/pulse

2. Witte, Pete. "Private Equity Pulse: Takeaways from Q2 2023." August 17, 2023. https://www.ey.com/en_us/private-equity/pulse

3. U.S. PE Breakdown: Q3 2023. Pitchbook. 2023.

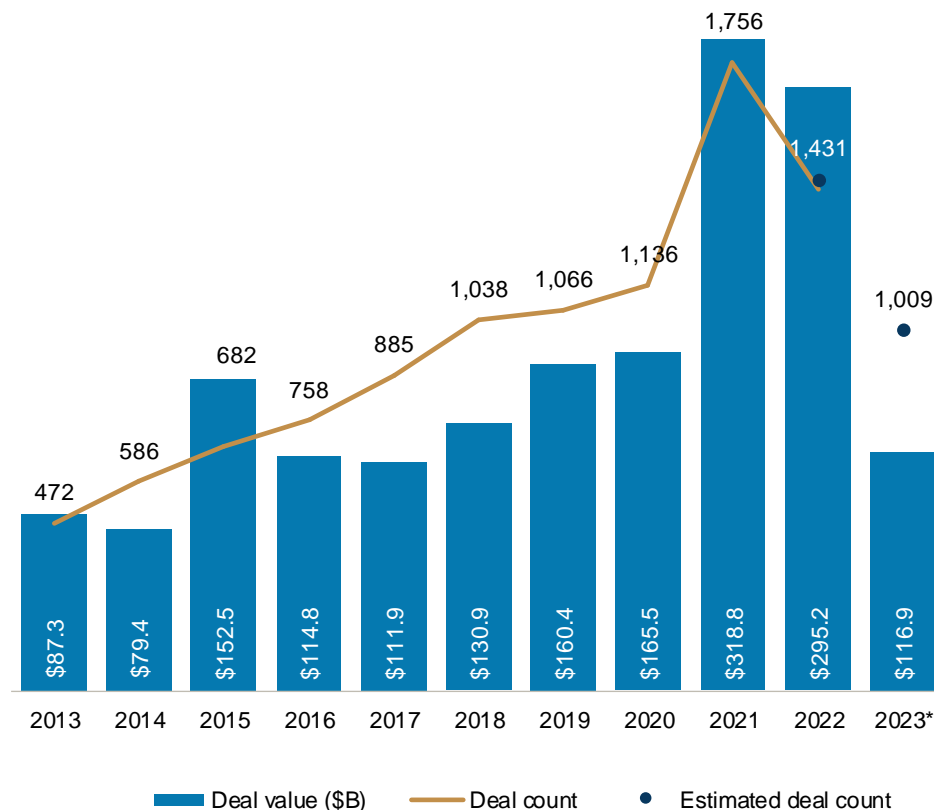
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WHERE IS DEAL ACTIVITY?

Technology (especially software)

- 2022 was the second-best year for absolute-value PE deals in IT (**\$285.3B**).¹
- In H1 2022, tech accounted for 35% of deal activity.²
- In Q3 2023, **229 deals closed**, down 15.5% from Q2 2023 and down 27.8% from Q3 2022.¹
- In Q3 2023, deal value was \$28.8 billion, down 23.5% from Q2 2023 and 39.5% from Q3 2022, as dealmaking continues to be challenging.¹
- Despite not reaching 2022's highs, software deal value is up 18.3%, compared to pre-pandemic averages of 2017-2019, indicating an important focus for PE.¹

U.S. TECHNOLOGY PE DEAL ACTIVITY¹



1. U.S. PE Breakdown n: Q3 2023. PitchBook. 2023.

2. Witte, Pete. "Private Equity Pulse: Takeaways from Q2 2023." August 17, 2023. https://www.ey.com/en_us/private-equity/pulse

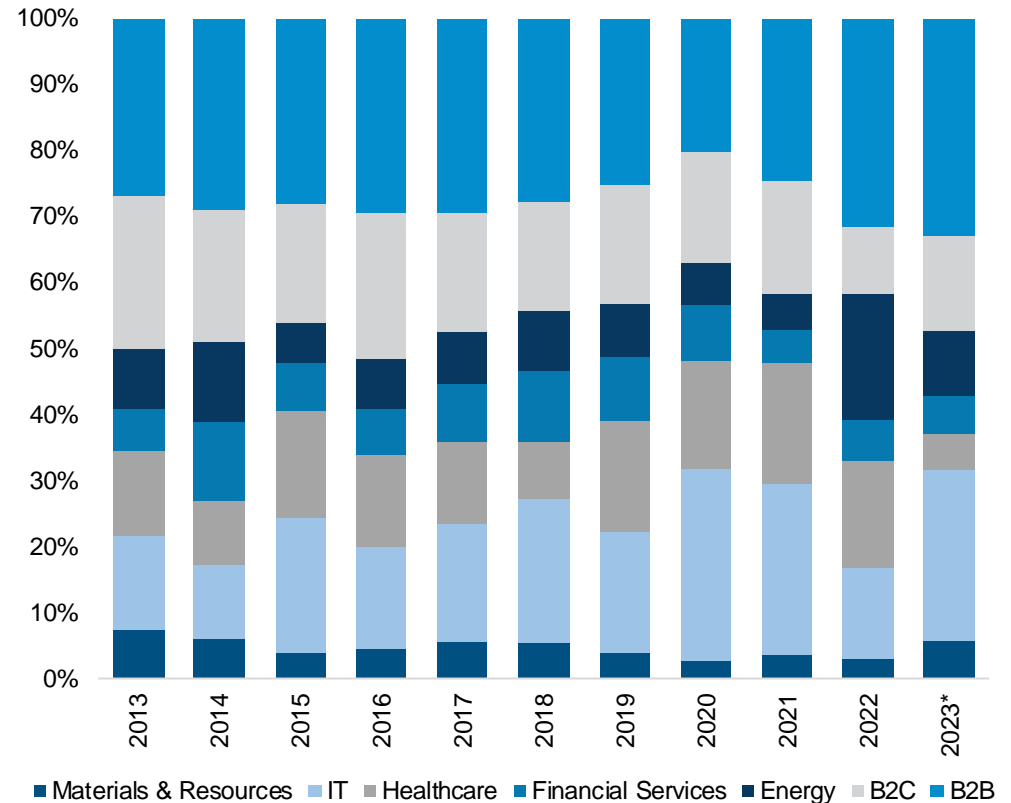
* As of September 30, 2023.

WHERE IS DEAL ACTIVITY?

Other Sectors

- Healthcare
 - Accounted for **14%** of PE deal value in H1 2023.¹
 - 10 deals of \$1B+ through 2023, matching the last five-year average.²
- Financials
 - Accounted for approximately **14%** of PE deal flow in H1 2023.¹

SHARE OF PE DEAL VALUE BY SECTOR¹

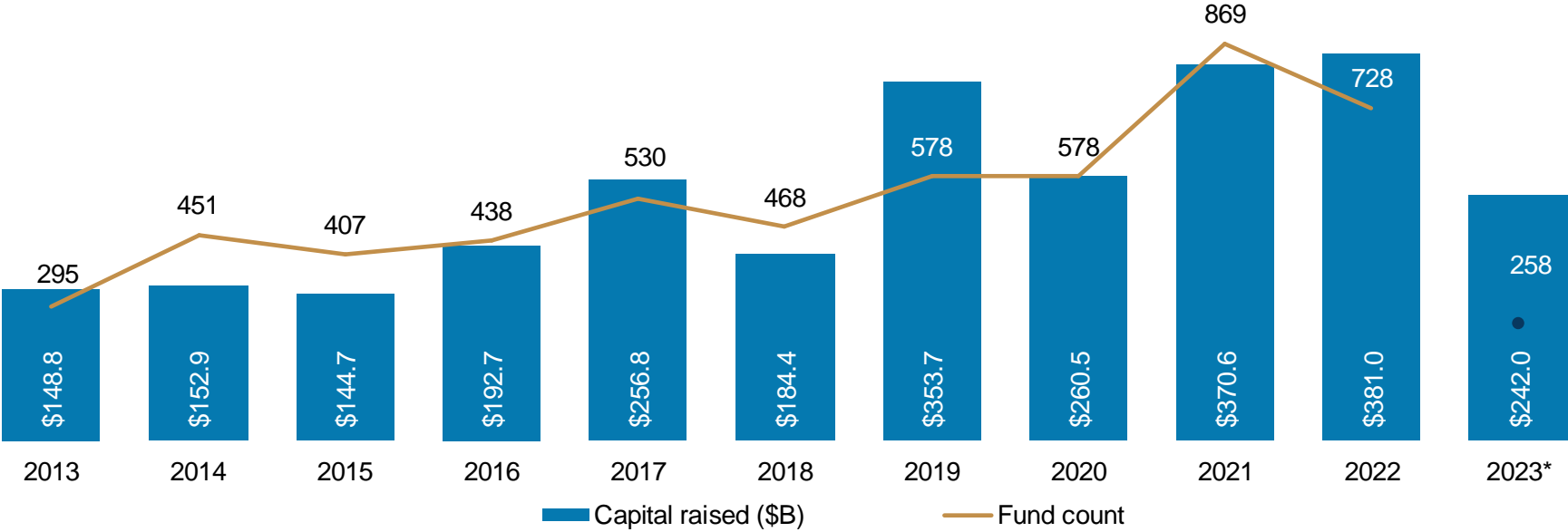


1. Witte, Pete. "Private Equity Pulse: Takeaways from Q2 2023." August 17, 2023. https://www.ey.com/en_us/private-equity/pulse
 2. U.S. PE Breakdown n: Q3 2023. PitchBook. 2023.
 * As of September 30, 2023.

FUNDRAISING REMAINS SLOW.¹

- Through Q3 2023, 258 funds have closed for \$242.0 billion in total capital raised, down 12.9% compared to this time last year.
- The average duration to close a fund increased to 15.6 months, the highest point since 2011, as fundraising challenges continue for GPs.
- Middle-market funds (\$100M - \$5B) have accounted for 50.1% of all funds closed in 2023, up from 47.8% last year, as smaller deals are often easier to close in the current landscape.

PE FUNDRAISING ACTIVITY¹



1. U.S. PE Breakdown n: Q3 2023. PitchBook. 2023.
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EXIT ACTIVITY | SLOW START¹

- 275 PE-backed companies exited, accumulating an exit-value of **\$44.1B in Q3 2023**, the lowest exit value in more than 10 years (excluding Q2 2020 during the onset of the pandemic lockdown).

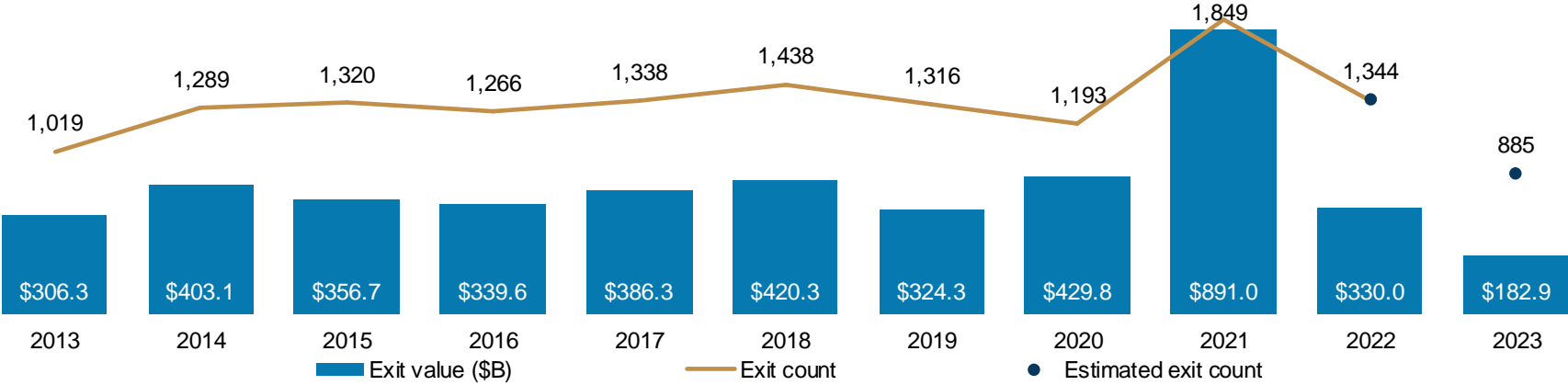


Exit value down 40.7% quarter-over-quarter



Exit value down 53.2% compared to pre-COVID averages (2017-2019)

U.S. PE EXIT ACTIVITY



Why the Decline?

Limited appetite from corporate acquirers

Largely closed IPO window

Regional banking is tighter with balance sheets

General caution among potential PE buyers

1. U.S. PE Breakdown n: Q3 2023. PitchBook. 2023

KEY TAKEAWAYS

POTENTIAL CHALLENGES

- 1 More limited financing environment
- 2 Banking instability
- 3 Macro risks (high interest rates, possible recession, political environment)

POTENTIAL OPPORTUNITIES

- 1 Private credit may continue to grow as an alternative source of funding
- 2 With traditional exit routes constrained, PE secondaries may continue to see growth potential
- 3 Mid-size and smaller deals may continue to flourish
- 4 New investors may seek out the PE asset class
- 5 PE may be able to acquire high-quality assets at compelling prices
 - In 2007, deals acquired at **8.6x** EBITDA median entry multiples returned **12.6%**¹
 - In 2009, deals acquired at **6.5x** returned just over **30%**¹

While 2023 may be slow in some sectors, a challenging macro environment may offer the potential for sizable uptick in private credit lending, along with attractive private equity deals... but STAY DISCIPLINED.

1. Witte, Pete. "Private Equity Pulse: Takeaways from 1Q 2023." May 1, 2023. https://www.ey.com/en_us/private-equity/pulse



THANK YOU