

# *Middle Market Update*

Q1 2023



**BRYANT PARK  
CAPITAL**

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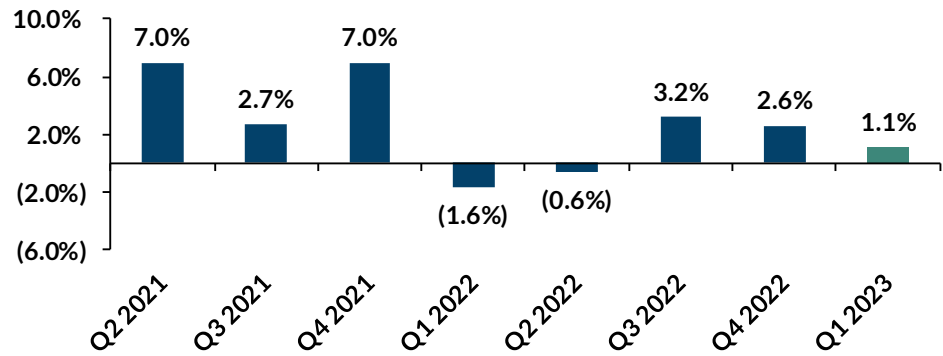


### U.S. Real Gross Domestic Product

The increase in U.S. real gross domestic product (“GDP”) in Q1 2023 was primarily driven by personal consumption, specifically in goods, which contributed 1.5% to the total 1.1% net increase.<sup>1</sup>

- The largest quarter-over-quarter reduction to GDP was private investment, which fell from 0.7% in Q4 2022 to -2.3% in Q1 2023.

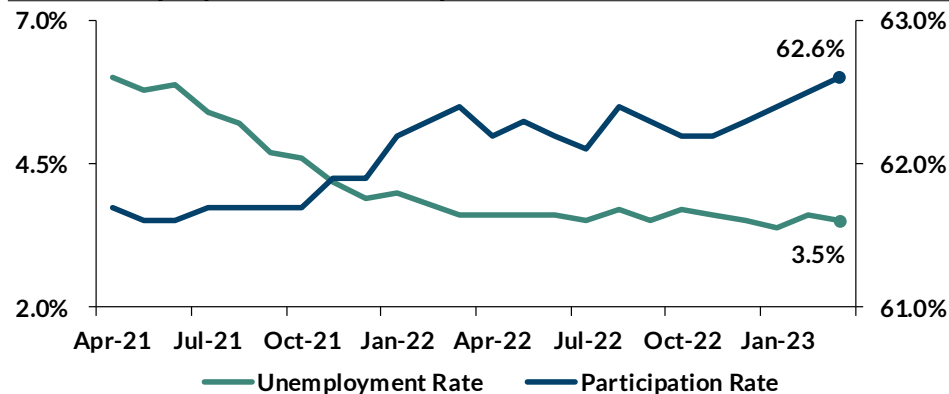
Real GDP Annualized Growth<sup>1</sup>



### U.S. Labor Market

Total nonfarm payroll employment increased by 236K in March 2023, with private services leading the charge at 196K. Persistently high employment numbers, coupled with the rising participation rate, may also be viewed as a sign for continued quantitative tightening.<sup>2</sup>

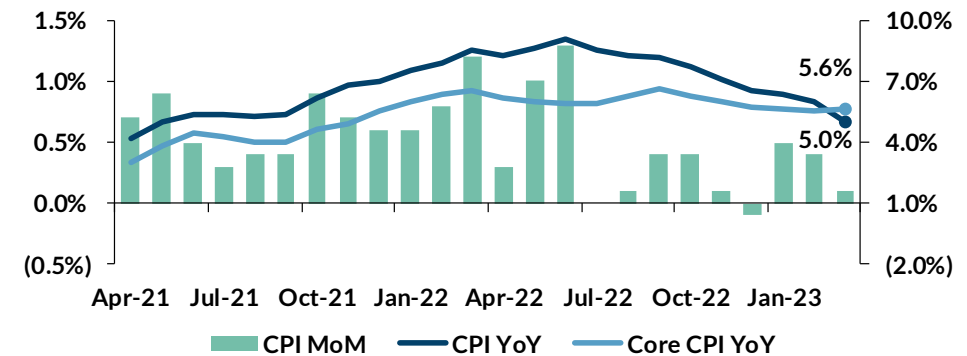
U.S. Unemployment vs. Participation<sup>2</sup>



### Consumer Price Index

The Consumer Price Index (“CPI”), and core CPI, which excludes changes in volatile prices, increased by 5.0% and 5.6%, respectively, for the 12 months ending March 2023. Core CPI, which is viewed as a more accurate economic indicator, outpacing headline CPI may be a signal of additional quantitative tightening throughout 2023.<sup>2</sup>

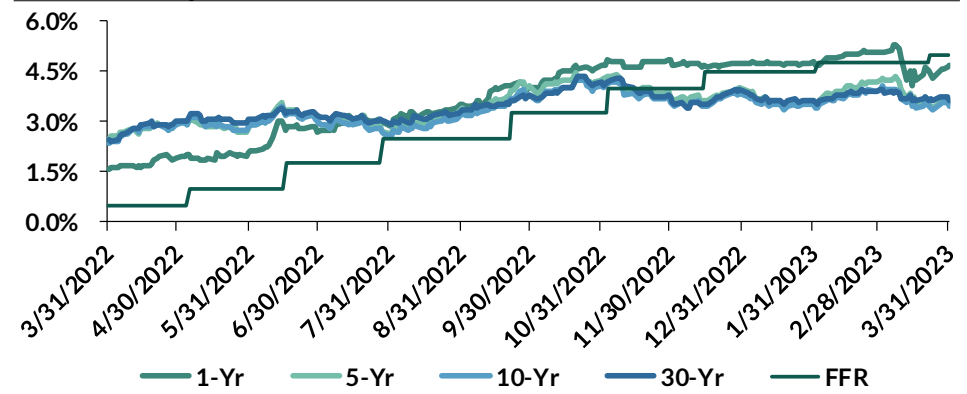
CPI Month-Over-Month & Year-Over-Year<sup>2</sup>



### U.S. Treasury Securities

Following the failure of Silicon Valley Bank (“SVB”), the inversion between short-term and long-term Treasury yields narrowed, with the 1-Yr and 30-Yr yield inversion decreasing 96.7 bps, from 141.6 bps on March 8, to 44.9 bps on March 15.<sup>3</sup>

U.S. Treasury Yields vs. Federal Funds Rate<sup>4</sup>



1. U.S. Bureau of Economic Analysis  
2. Bureau of Labor Statistics

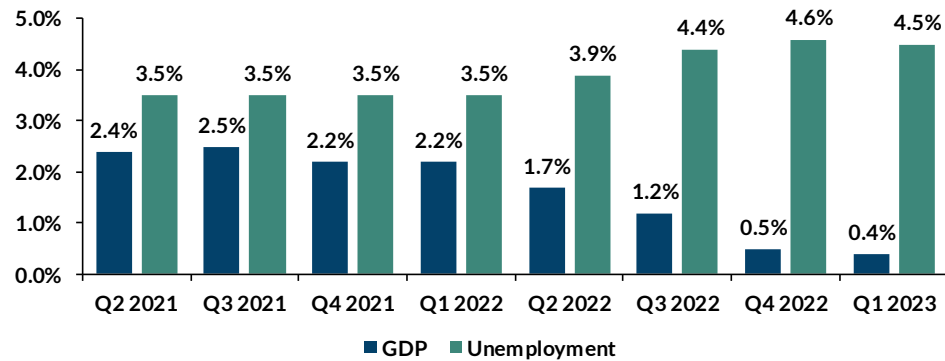
3. Bloomberg News  
4. The Wall Street Journal



### Federal Reserve Perspective

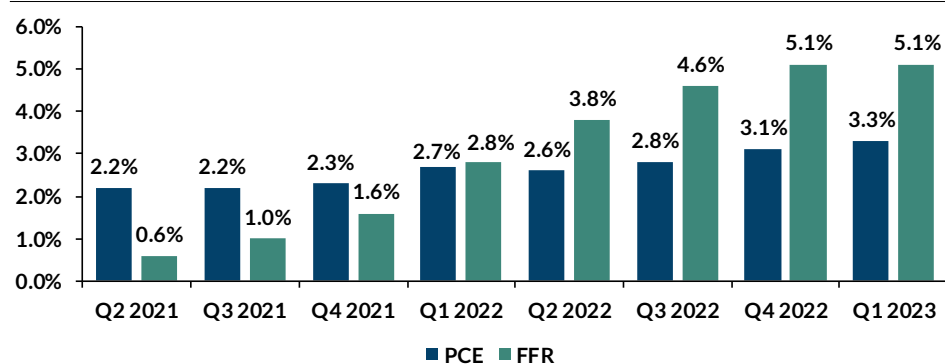
In conjunction with quarter end Federal Reserve (the “Fed” or “FOMC”) meetings, participants submit their projections for the most likely outcomes of real GDP growth, the unemployment rate, the federal funds rate (“FFR”), and personal consumption expenditures (“PCE”) for the current year, the next three years, and over the longer run.<sup>1</sup>

**Fed Median 2023 GDP Growth vs. Unemployment Forecast<sup>1</sup>**



As seen from the graph above, the Fed’s median GDP forecast for 2023 has decreased every quarter since Q1 2022, while the unemployment forecast has been steadily increasing. This reflects the Fed’s expected impacts from quantitative tightening in 2022 and early 2023. As seen below, the 2023 FFR forecast remains above 5.0%, signaling a decision by the Fed to allow rates to remain elevated throughout the year.<sup>1</sup>

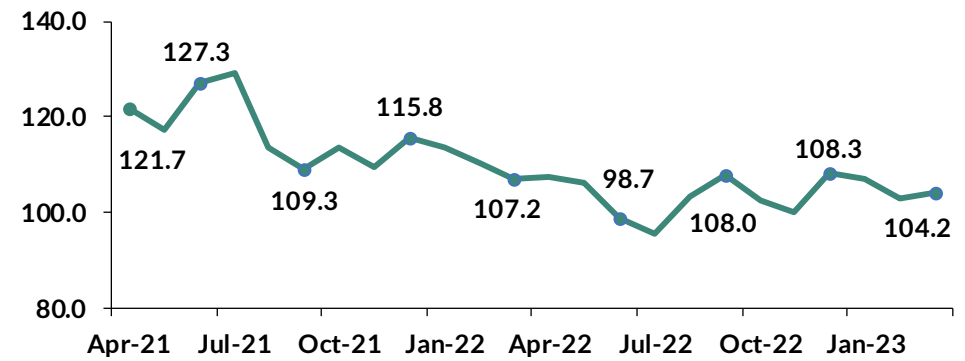
**Fed Median 2023 PCE vs. FFR Forecast<sup>1</sup>**



### Outlook for 2023

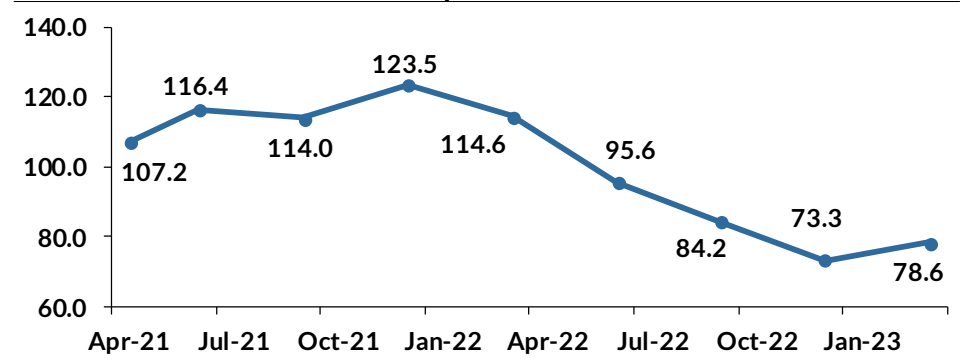
The Consumer Confidence Index saw a slight uptick in March but remains far below the highs seen in mid 2021. In the March survey, consumers expressed plans to spend less on discretionary services over the coming six months, such as dining, lodging, and playing the lottery, signaling a “tightening of wallets” in the short run.<sup>2</sup>

**Consumer Confidence Index<sup>2</sup>**



The CEO Economic Outlook Index remained relatively unchanged from Q4 2022, increasing just 5.3 points. CEOs projected higher gross GDP expectations for 2023 than the Fed, coming in at 1.4%, with expectations of sales and hiring over the next six months both increasing. However, it is worth noting that this quarter’s survey concluded prior to the failure of SVB.<sup>3</sup>

**CEO Economic Outlook Survey<sup>3</sup>**



1. U.S. Federal Reserve  
2. The Conference Board

3. Business Roundtable

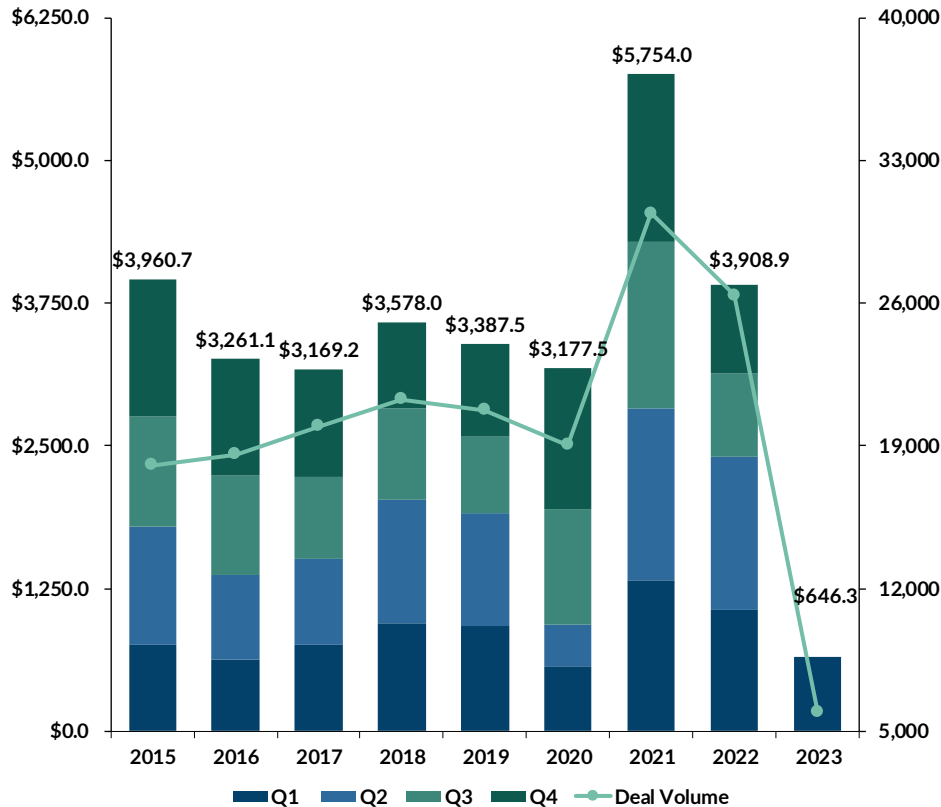


### Global Mergers & Acquisitions

Deal volumes continued their plunge in Q1 2023, as companies delayed transactions amidst economic uncertainty and a potential banking crisis. Aggregate deal volume for the quarter was \$646.3B, the third lowest quarterly volume over the last 10 years. This decline was reflected across all segments but most notably in the lower middle markets.<sup>1</sup>

Despite this, the global mergers and acquisitions (“M&A”) market saw an activity spike in March with three pending deals worth over \$10.0B. Market analysts believe mega-sized deals could potentially kick-start the M&A market for the remainder of 2023.<sup>2</sup>

Global M&A Activity (\$ billions)<sup>4</sup>

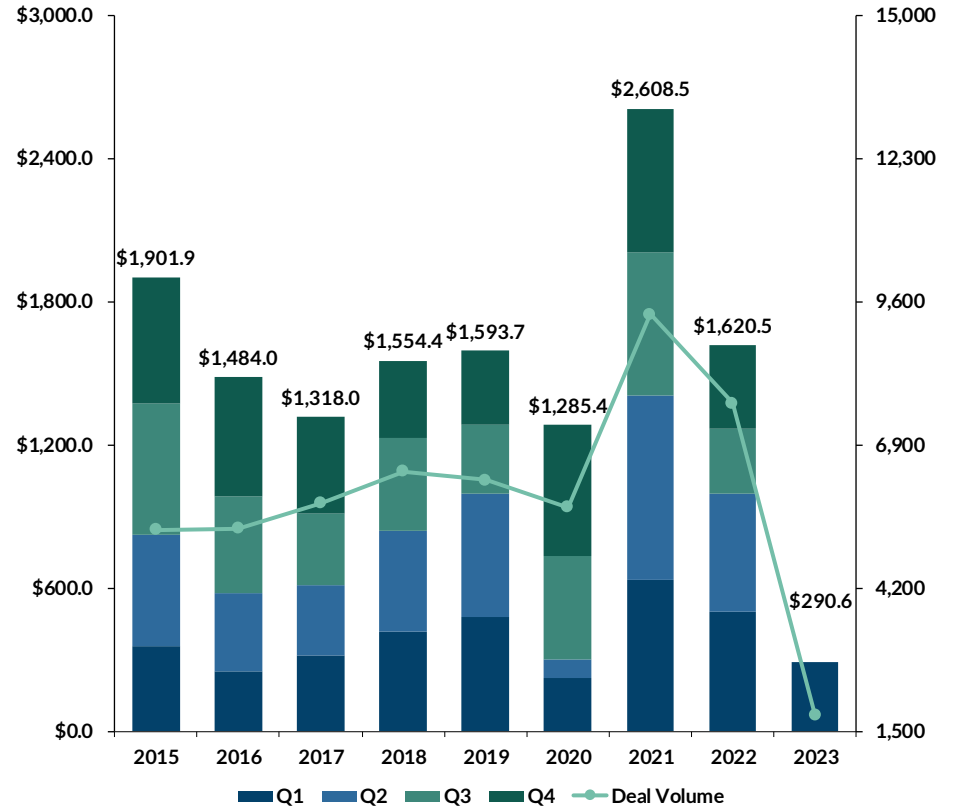


### U.S. Mergers & Acquisitions

In the U.S., only the government sector saw increased M&A activity, while other sectors experienced hefty declines. Nonetheless, the middle-market median EV/EBITDA multiples remained unchanged from Q4 2022 at 7.5x.<sup>3</sup>

Major deals in March included Pfizer’s agreement to acquire Seagen for \$42.8B and a private group acquisition, led by Canada Pension Plan Investment Board and Silverlake Management LLC, of a majority stake in Qualtrics International for \$10.5B. These acquisitions reflected the same trends seen in global M&A, where mega-sized deals comprised the majority of aggregate value.<sup>3</sup>

U.S. M&A Activity (\$ billions)<sup>4</sup>



1. Bloomberg  
2. S&P Global Intelligence

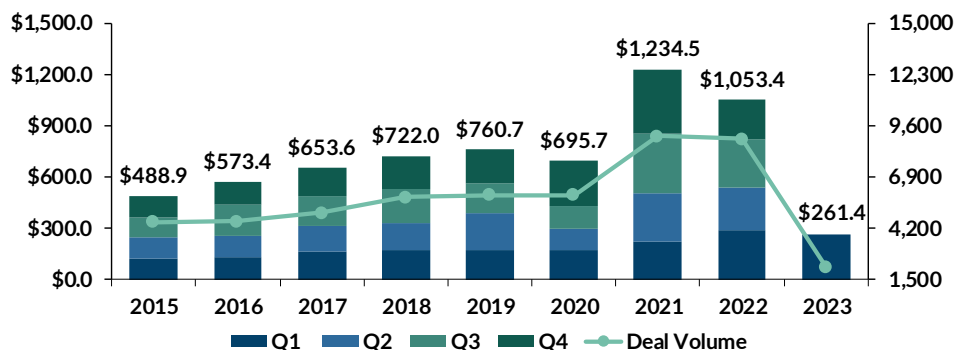
3. Factset  
4. White & Case using Mergermarket data



### Private Equity

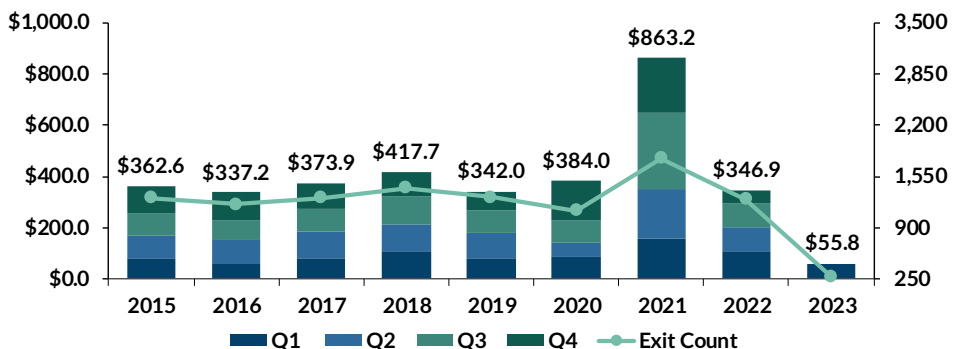
U.S. private equity activity in Q1 2023 surpassed pre-COVID levels; however, the trends exhibited a downward trajectory. To sustain the leveraged buyout (“LBO”) market, fund managers are focusing on smaller deals with add-on opportunities to generate incremental revenue and EBITDA growth and offset increasing interest costs.<sup>1</sup>

**U.S. Private Equity Deal Activity (\$ billions)<sup>1</sup>**



U.S. private equity exit activity continued to suffer in Q1 2023, with exit count and value declining for the third straight quarter. Private equity firms are continuing to hold portfolio companies, waiting for better exit conditions, with traditional exit routes remaining slow due to the public market price declines and economic uncertainty.<sup>1</sup>

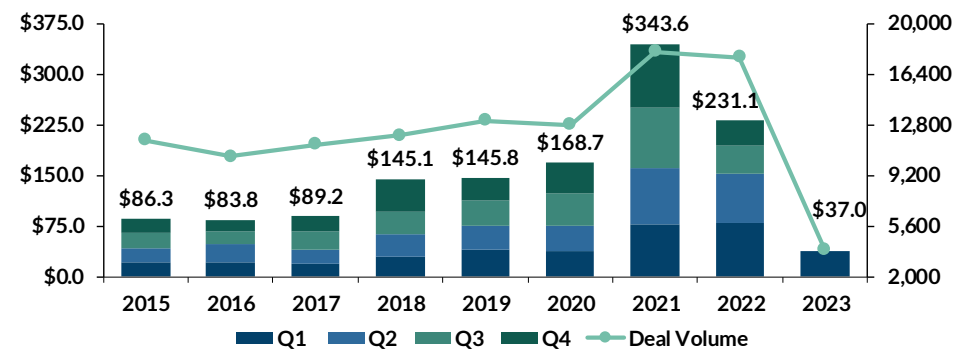
**U.S. Private Equity Exits (\$ billions)<sup>1</sup>**



### Venture Capital

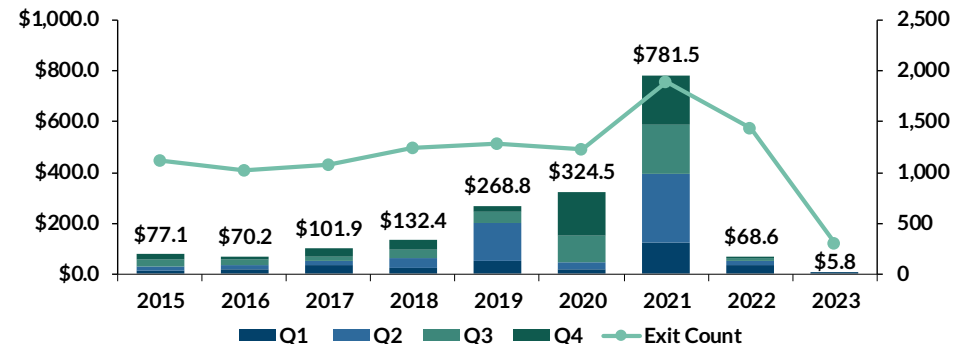
In U.S. venture capital markets, aggregate deal value decreased for the fifth straight quarter in Q1 2023. Early-stage activity suffered the most, likely due to re-evaluations of due diligence processes after the collapse of FTX and SVB, as well as reductions in dry powder, with total fundraising of only \$11.7B in Q1 2023.<sup>1</sup>

**U.S. Venture Capital Deal Activity (\$ billions)<sup>1</sup>**



Venture capital exits remained almost non-existent in Q1 2023, with aggregate proceeds of just \$5.8B, the lowest level since 2013. As start-ups face hardships with margins compressing due to persistent inflation and a tight labor market, founders may elect to sell their stakes at lower prices to achieve liquidity and peace of mind.<sup>1</sup>

**U.S. Venture Capital Exits (\$ billions)<sup>1</sup>**

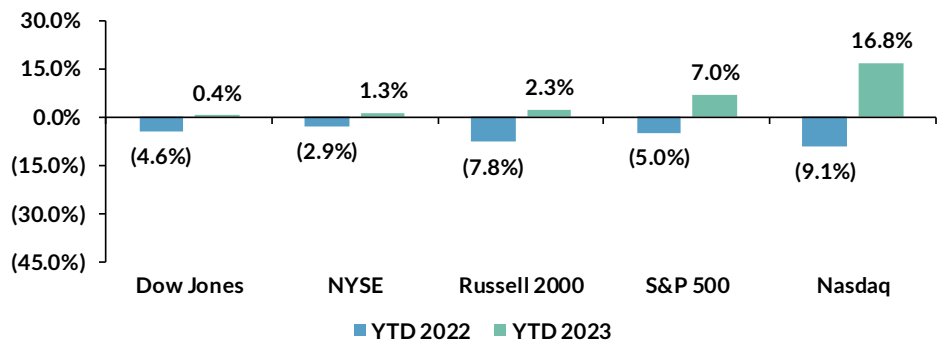




### Equity Markets

U.S. equities saw significant price appreciation in Q1 2023 with the Nasdaq gaining 16.8% throughout the quarter, outperforming all other major indices. This is primarily due to investors' belief that the Fed's rate hiking cycle may be coming to an end, as the rate hikes in January and March 2023 were reduced to 25 bps.<sup>1</sup>

#### Major U.S. Indices YTD (As of 3/31/2023)<sup>1</sup>

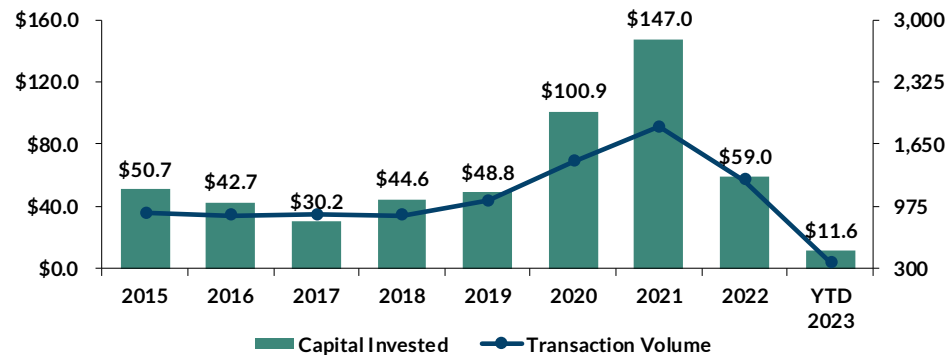


### Private Investments in Public Equity

Throughout Q1 2023, there were 363 U.S. private investments in public equity ("PIPE") deals with an aggregate value of \$11.6B compared to 327 deals with an aggregate value of \$17.6B in Q1 2022.<sup>2</sup>

- This represents a year-over-year increase of 11.0% in deal volume and a decrease of 34.1% in deal value.

#### U.S. PIPE Activity (\$ billions)<sup>2</sup>

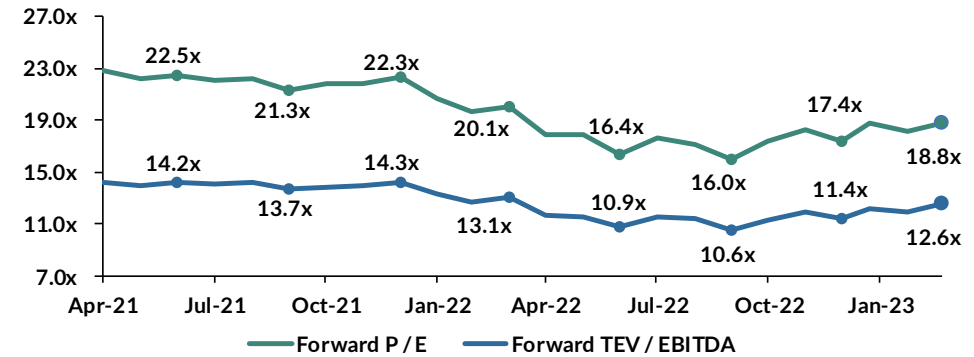


### Corporate Earnings

The widespread price appreciation seen in public markets throughout Q1 2023 led to expansions in S&P forward multiples.<sup>3</sup>

- Despite an overall decline in Q1 2023 earnings relative to Q1 2022, 63.0% and 90.0% of S&P 500 companies reported positive revenue and EPS surprises, respectively.

#### S&P 500 Forward 12-Month Ratios<sup>1</sup>

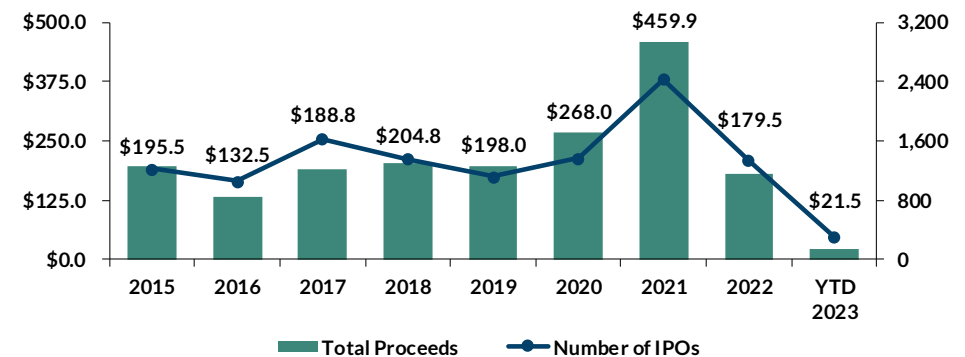


### Initial Public Offerings

Globally, Q1 2023 saw 299 initial public offerings ("IPO") with aggregate proceeds of \$21.5B, representing a decrease of 8.0% and 61.0% in volume and value, respectively, compared to Q1 2022.<sup>4</sup>

- The energy sector led the way in total IPO proceeds with an aggregate value of \$5.9B spread across 18 IPOs in Q1 2023.

#### Global IPO Activity (\$ billions)<sup>4</sup>



1. S&P Capital IQ  
2. PlacementTracker

3. Factset  
4. E&Y



### Debt Capital

Yield inversions continued to widen throughout the first two months of Q1 2023, but receded heavily upon the failure of SVB. Fears of a banking crisis and a potential contagion effect had market participants expecting the Fed to slow its hikes or even cut rates.<sup>1</sup>

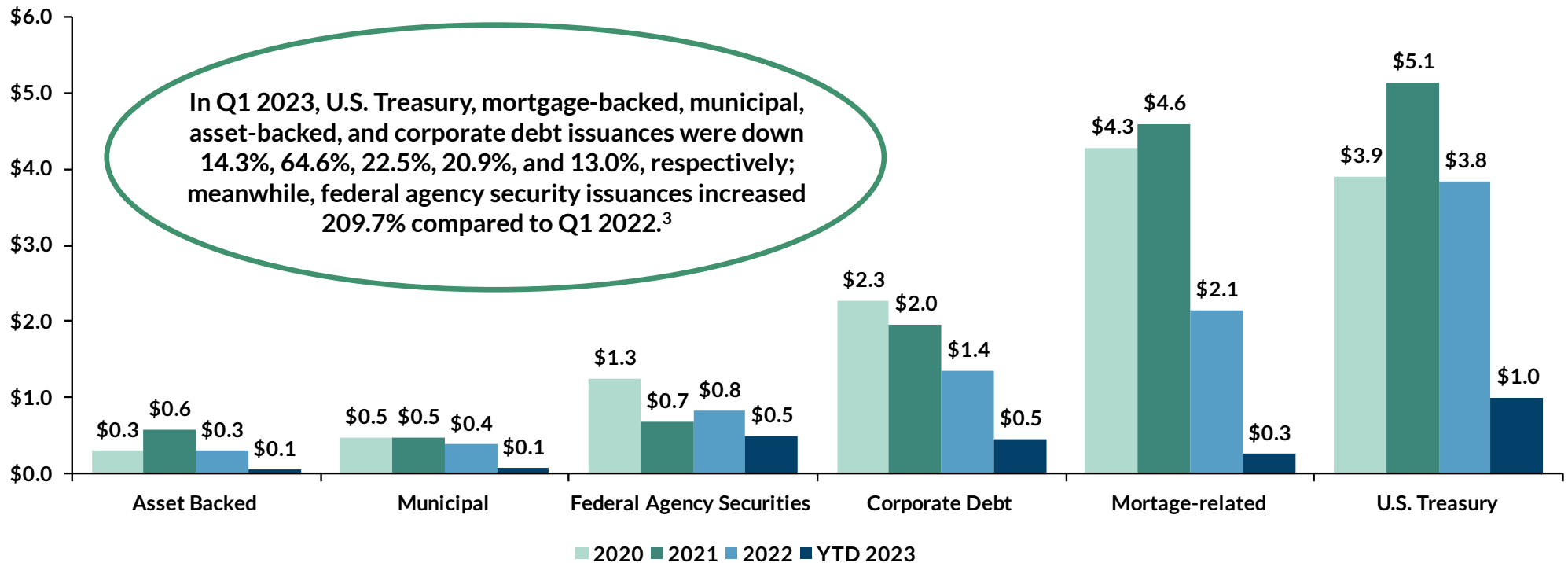
- As deposits plummet, banks are being forced to secure short-term funding through the Fed Funds market at a much higher cost of capital, narrowing net interest margins and reducing their desire to lend to the real economy.
- This may force the Fed to take a more balanced approach in combatting inflation, whereby it stops increasing rates and allows them to remain high for an extended period. In this scenario, the economy may experience stagflation with the fixed income market being well positioned for strong long-term performance.

### Lending Market

The leveraged loan market saw a slight rebound from Q4 2022, with aggregate institutional issuances reaching \$49.5B, increasing 38.7% from \$35.7B in Q4 2022, but remaining far below the \$112.3B output in Q1 2022.<sup>3</sup>

- Refinancing accounted for the majority of the leveraged loan market in Q1 2023, coming in at \$34.5B or 69.7% of the total. This represented the most refinancings by total value in a quarter since Q2 2021 as borrowers, specifically lower-rated issuers, looked to tackle maturities in 2024 and 2025.
- On the other hand, LBO volume remained negligible following the fixed income market disruptions in 2022. The combined LBO volume for Q4 2022 and Q1 2023 was a mere \$5.5B, marking the lowest consecutive quarter output in 13 years.

### Issuances in the U.S. Bond Market (\$ trillions)<sup>2</sup>



1. PGIM  
2. SIFMA

3. Pitchbook



# Bryant Park Capital

## Overview of Bryant Park Capital



Since 1991, Bryant Park Capital (“BPC” or “Bryant Park”) has been providing a full range of merger & acquisition, capital raising, and strategic advisory services. The firm’s clients have included a number of the largest international corporations, but the majority of the practice involves emerging growth and middle-market companies, both public and private.

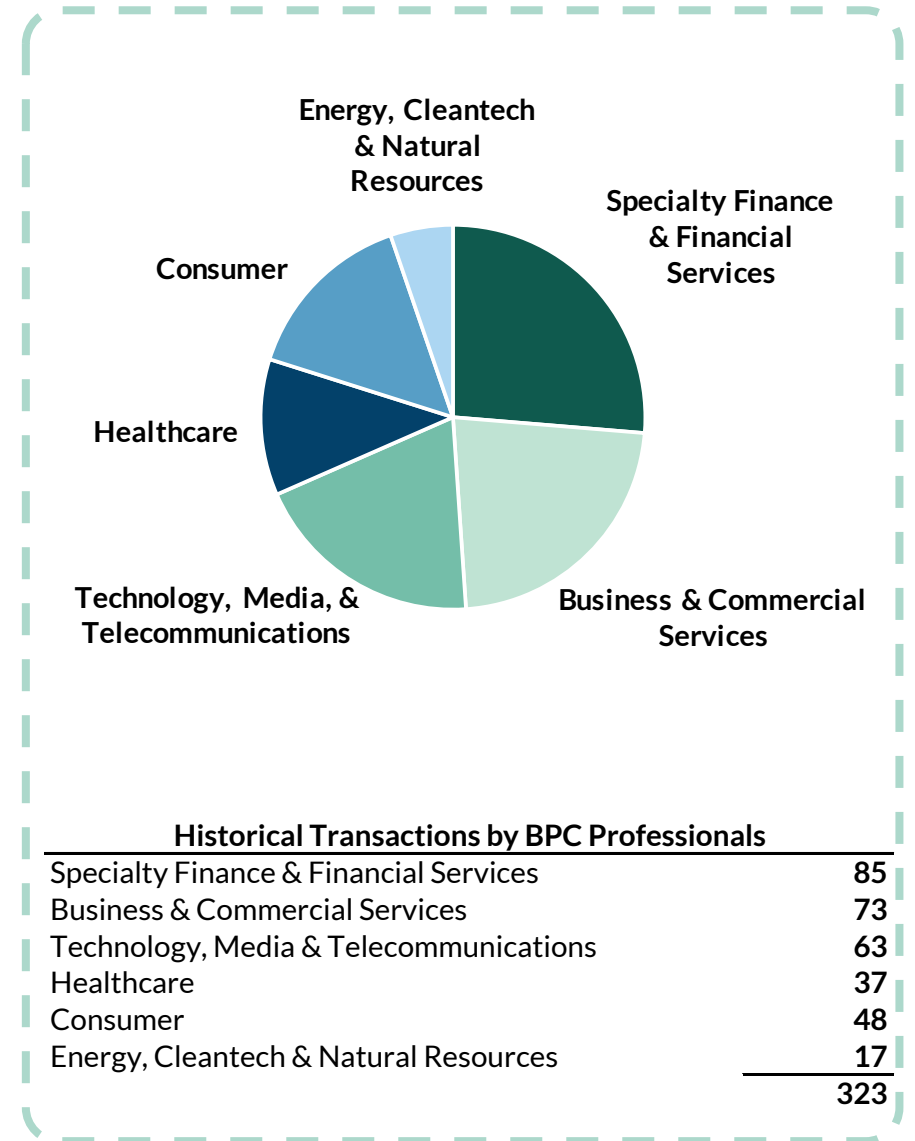
Founded in New York, and now headquartered in Philadelphia, Bryant Park combines the capabilities of a large firm with the focus of a small firm. Bryant Park’s distinguishing characteristics include:

- **Deep Experience:** *Bryant Park’s Managing Directors are seasoned professionals, with an average of over 20 years of experience who have collectively completed over 300 transactions.*
- **Superior Access to Capital:** *Bryant Park professionals maintain strong and active relationships with the “decision makers” at numerous providers of capital, from hedge and private equity funds to senior and junior lenders.*
- **Creative Thinking:** *Bryant Park professionals have served as senior executives at operating companies, as successful private equity investors, and as corporate finance professionals. We pride ourselves on being able to craft the best solution, not just the conventional one.*

Bryant Park Capital combines **independent, expert, and creative advice** with superior execution capabilities. We are committed to exceeding our clients’ expectations and, as a result, they return to Bryant Park for multiple transactions.

We have helped create shareholder value from all vantage points:

- Bryant Park Capital’s wide range of **experience and perspective gives our clients a unique advantage** in that we understand the major issues that management and boards face in executing a successful transaction.





### Financing – Sweet Leaf Madison Capital

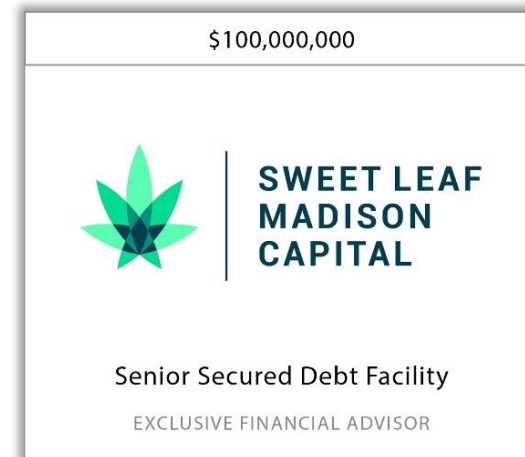
**BACKGROUND:** Sweet Leaf Madison Capital (“SLMC” or the “Company”) provides customized, “seed-to-sale,” asset-based lending solutions to the underserved middle-market of the cannabis industry by originating equipment financing, real estate loans, and senior secured term loans. The Company is based in Denver and has an office in West Palm Beach, Florida.

**SITUATION OVERVIEW:** Sweet Leaf Madison Capital was created as a result of the union of two seasoned specialty finance teams. The new management team was looking for a senior lender to provide financing to grow the business. SLMC exclusively engaged Bryant Park Capital to find them a lending partner.

**PREPARED THE COMPANY:** BPC worked closely with the Company to prepare marketing materials, perform static pool analysis, and formulate various supplemental items to highlight the unique performance characteristics of the asset class that were key to the process. BPC also constructed and managed a data room, complete with valuable company, industry, and regulatory information. Upon signing a term sheet with a leading asset manager, BPC assisted the Company in navigating the due diligence process and negotiating various business points of the loan agreement.

**DEAL RESOLUTION:** The Company entered into a \$100M senior secured credit facility with a four-year draw period and three-year amortization period at an attractive cost of capital and advance rate with a global institutional special situations asset manager.

*“Bryant Park Capital was a valuable partner to SLMC in obtaining this debt facility, and we are appreciative of their efforts and advice. They were a trusted advisor in the process from day one.”*



**Bryan Gordon, Chairman & CEO**  
**Sweet Leaf Madison Capital**



### SENIOR TEAM

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Managing Partner

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**Matt Pennino**  
Managing Director

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**Raymond Kane**  
Managing Director

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**Cathryn Robinson**  
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**Bill Miner**  
Principal

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<p>\$300,000,000</p> <p>HONOR CAPITAL</p> <p>has raised debt and equity growth capital, and recapitalized its balance sheet</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$100,000,000</p> <p>SWEET LEAF MADISON CAPITAL</p> <p>Senior Secured Debt Facility</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>Amount Not Disclosed</p> <p>DYNAMIC LEGAL FUNDING</p> <p>Senior Secured Debt Facility</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>Amount Not Disclosed</p> <p>AEQUUM</p> <p>has received an equity investment</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$104,500,000</p> <p>lēgis</p> <p>Capital Raise</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>
<p>\$150,000,000</p> <p>GOLDEN PEAR FUNDING</p> <p>\$100,000,000 Senior Secured Credit Facility \$50,000,000 Additional Commitment</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$35,000,000</p> <p>HEALTHCARE FUNDING + PARTNERS</p> <p>Senior Secured Debt Facility</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>Amount Not Disclosed</p> <p>NORTH MILL EQUIPMENT FINANCE LLC</p> <p>has been acquired by</p> <p>WAFRA CAPITAL PARTNERS</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$31,000,000</p> <p>ReMeD has been acquired by</p> <p>BregalPartners</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$250,000,000</p> <p>DIVIDENDSOLAR has merged with</p> <p>Figtree</p> <p>and secured equity and debt financing affiliates of</p> <p>LL Funds, LLC</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>
<p>\$150,000,000</p> <p>MoneyLion</p> <p>Senior Secured Credit Facility</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>Amount Not Disclosed</p> <p>nuehealth</p> <p>Senior Credit Facility</p> <p>ARES</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$50,000,000</p> <p>HIGH RISE FINANCIAL</p> <p>Senior Secured Debt Facility</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>Amount Not Disclosed</p> <p>USCLAIMS LITIGATION FUNDING   Est. 1996</p> <p>Senior Secured Debt Facility</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$95,600,000</p> <p>US HOME SYSTEMS (NASDAQ:USHS)</p> <p>has been acquired by</p> <p>THE HOME DEPOT (NYSE:HD)</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>
<p>\$200,000,000</p> <p>ENTERRA ENERGY TRUST Oil &amp; Gas Income Trust (NYSE: ENT and TSX: ENT.UN)</p> <p>Senior and Junior Secured Credit Facilities</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$75,000,000</p> <p>PAWNEE LEASING CORPORATION a Chesapeake Group Limited company</p> <p>Term-Out Facility</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$40,000,000</p> <p>RapidFunds</p> <p>Senior Secured Term Loan</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>\$140,000,000</p> <p>EnergySouth (NASDAQ NMS: ENS) &amp; FORTRESS have acquired</p> <p>MISSISSIPPI HUB LLC</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>	<p>Up to \$120,000,000</p> <p>GOLDEN PEAR FUNDING</p> <p>Structured Portfolio Sale &amp; Forward Flow Agreement</p> <p>EXCLUSIVE FINANCIAL ADVISOR</p>

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