# *Middle Market Update*

## Q3 2023

BRYANT PARK
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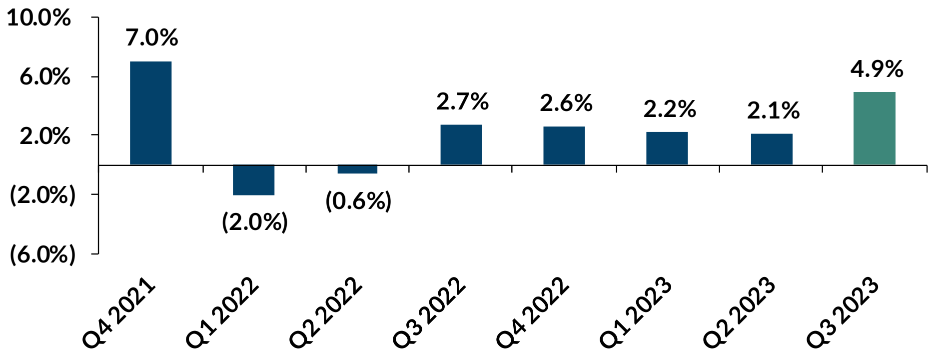
# Table of Contents

## U.S. Real Gross Domestic Product

The increase in U.S. real gross domestic product ("GDP") in Q3 2023 was primarily driven by personal consumption, specifically in services, which contributed 1.6% to the total 4.9% net increase. The largest quarter-over-quarter decrease to GDP was imports which fell from 1.1% in Q2 2023 to -0.8% in Q3 2023.[1]

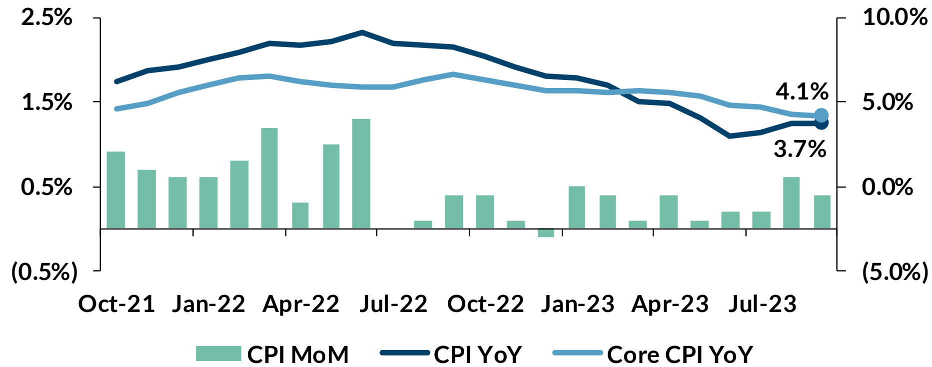
### Real GDP Annualized Growth[1]




## Consumer Price Index

The Consumer Price Index ("CPI"), and core CPI, which excludes changes in volatile prices, increased by 3.7% and 4.1%, respectively, for the 12 months ending September 2023. Core CPI, which is viewed as a more accurate economic indicator, outpacing CPI may be a signal of additional quantitative tightening in Q4 2023.[2]

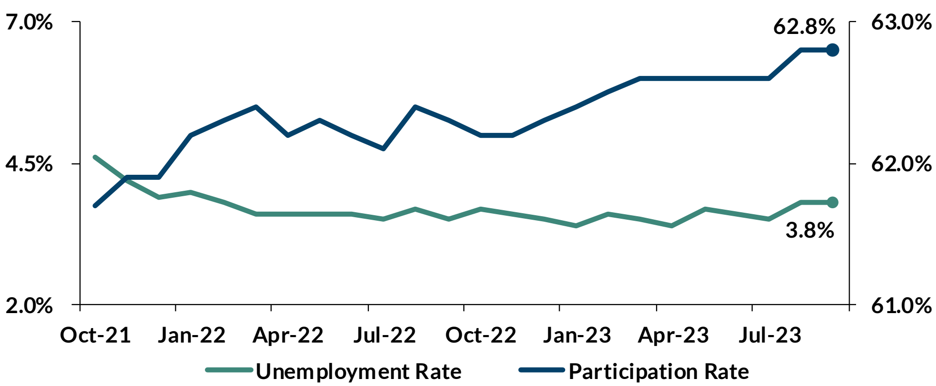
### CPI Month-Over-Month & Year-Over-Year[2]




## U.S. Labor Market

Total nonfarm payroll employment increased by 336K in September 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.[2]

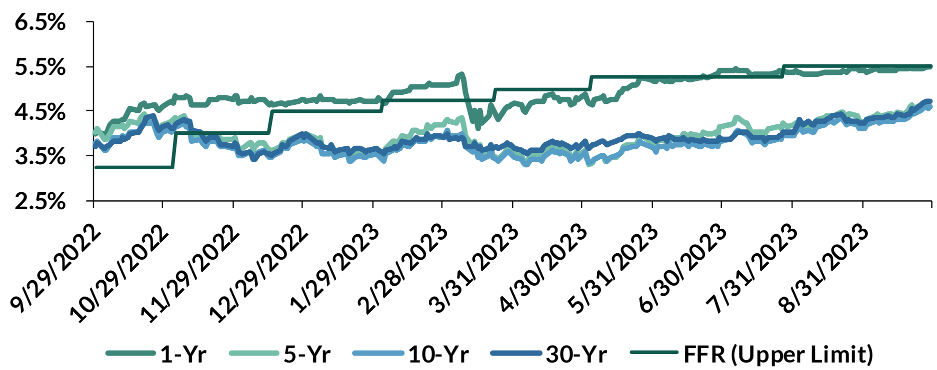
### U.S. Unemployment vs. Participation[2]




## U.S. Treasury Securities

Long-term and short-term Treasury yields narrowed throughout Q3 2023, as the inversion between 1-Yr. and 30-Yr. securities dropped to 77 bps. Nonetheless, this marked the fifth consecutive quarter in which Treasury yields remained inverted.[3]

### U.S. Treasury Yields vs. Federal Funds Rate[3]



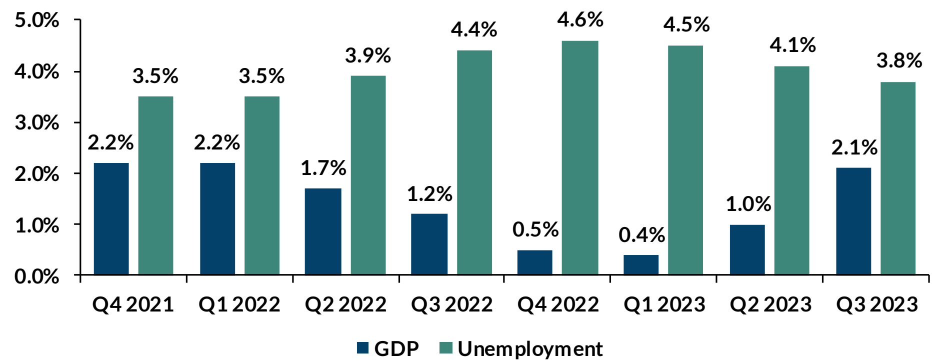



1. *U.S. Bureau of Economic Analysis*
2. *Bureau of Labor Statistics*
3. *The Wall Street Journal*

## Federal Reserve Perspective

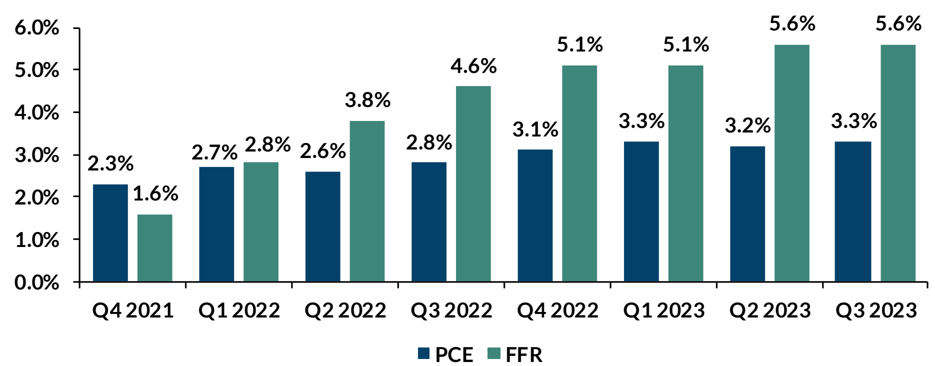
In conjunction with quarter end Fed meetings, participants submit their projections for the most likely outcomes of real GDP growth, the unemployment rate, the federal funds rate ("FFR"), and personal consumption expenditures ("PCE") for the current year, the next three years, and over the longer run.[1]

### Fed Median 2023 GDP Growth vs. Unemployment Forecast[1]




As seen above, the Fed's Q3 2023 GDP forecast increased by 1.1%, while its unemployment rate forecast decreased by 0.3% when compared to its Q2 2023 projections. These revised projections are likely in response to continued stable employment and increased consumer spending despite the Fed's announcement on allowing rates to remain higher for longer.[1]

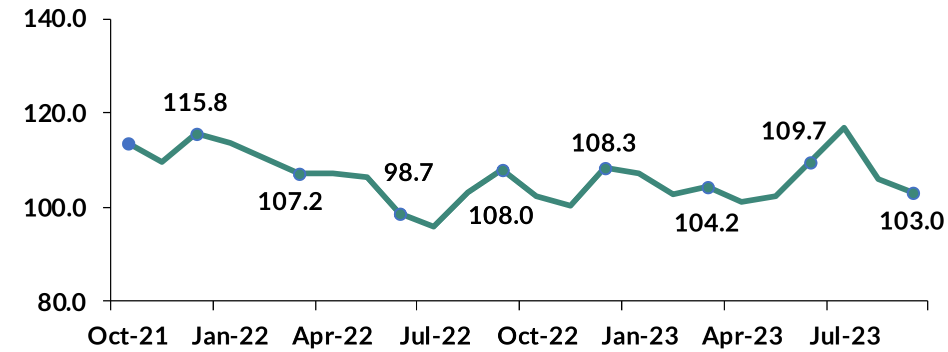
### Fed Median 2023 PCE vs. FFR Forecast[1]




## Outlook for 2023

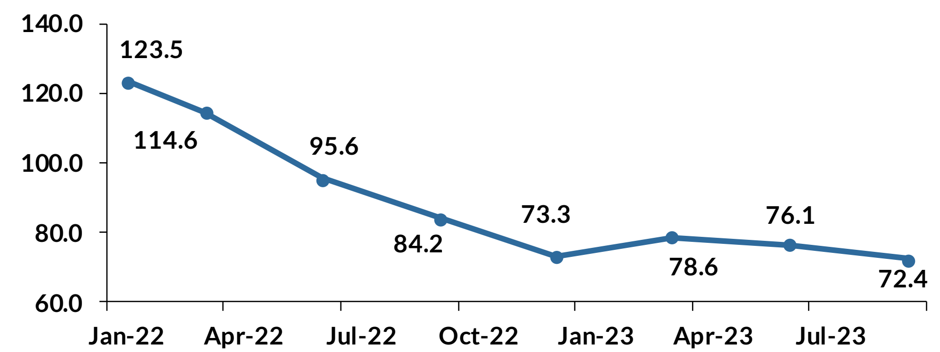
The Consumer Confidence Index experienced two consecutive months of decline as it dropped to 103.0 by the end of Q3. The price of gas and groceries, high interest rates, and the current political environment were primary factors contributing to consumers' negative sentiment which was evident amongst all age groups.[2]

### Consumer Confidence Index[2]




The CEO Economic Outlook Index declined by 3.7 points from Q2 2023 to 72.4 in Q3 2023, as the percentage of CEOs who expected employment to decrease over the next six months increased from 27% to 32%. A primary focus in the Q3 survey was the U.S. de-risking its relationship with China, with 85% of CEOs agreeing that the U.S. must secure quality trade agreements to remain competitive.[3]

### CEO Economic Outlook Survey[3]






1. *U.S. Federal Reserve*
2. *The Conference Board*
3. *Business Roundtable*

## Global Mergers & Acquisitions

Deal value remained notably low in Q3 2023, as companies delayed major transactions amidst the sustained period of high interest rates, macroeconomic uncertainty, and a U.S. debt ceiling stand-off. Aggregate deal value for the quarter was $731.8B, with the year-to-date ("YTD") deal value reaching $2.1T. This marks the second lowest Q3 YTD aggregate deal value in the last ten years.[1,2]

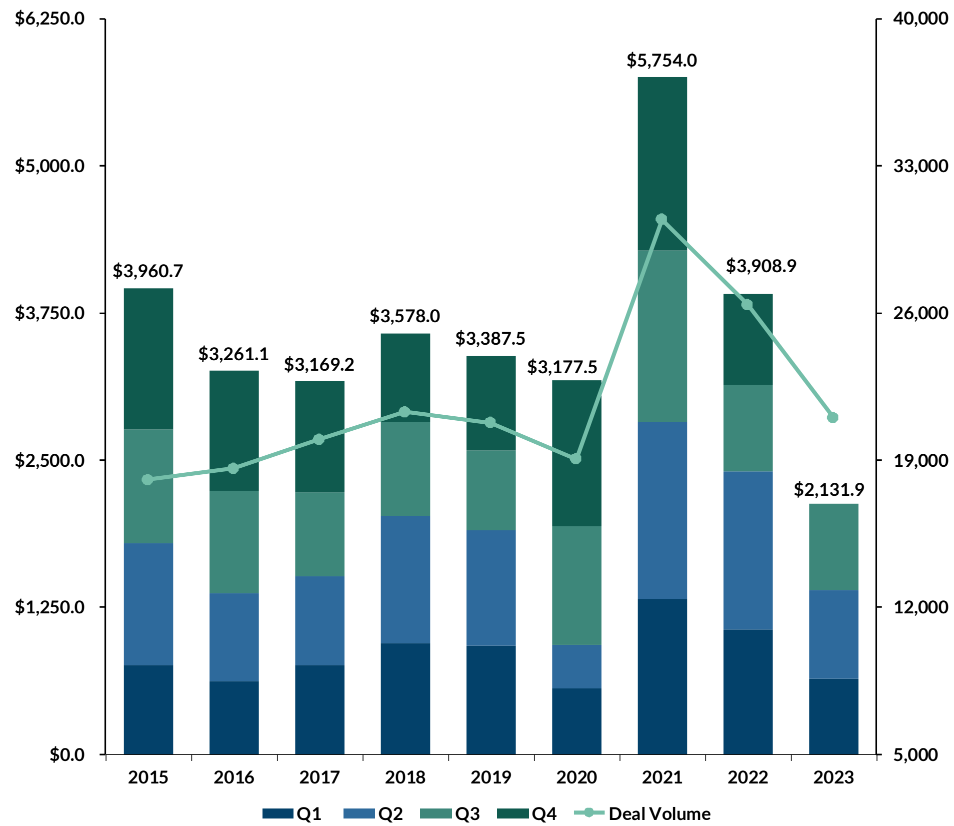
Deal volume also declined in Q3 2023, contributing to the decline in aggregate global mergers and acquisitions' ("M&A") deal value. This environment is the result of dealmakers' patience in waiting for conditions and overall sentiment to improve.[3]

## U.S. Mergers & Acquisitions

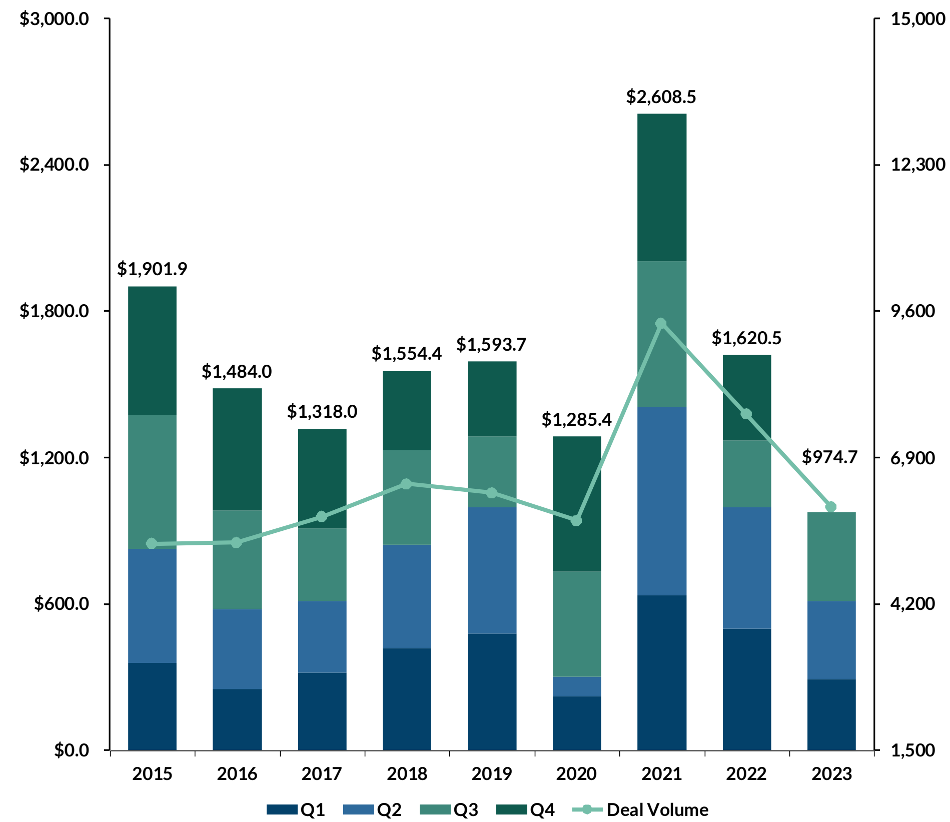
In the U.S., the energy minerals sector saw slightly increased M&A activity during Q3 2023, while all other sectors experienced year-over-year declines. U.S. middle-market median EV/EBITDA multiples reached 7.5x, an increase from the Q2 2023 median of 4.0x, but a decrease from 9.3x in Q3 2022.[4]

In September, Cisco Systems, Inc. agreed to buy cybersecurity firm Splunk Inc. for $28B, marking the largest technology transaction of 2023. Cisco Systems, Inc. executives expect the acquisition to add $4.0B in annual recurring revenue with a target close date scheduled for late Q3 2024.[1]

### Global M&A Activity ($ billions)[2]




### U.S. M&A Activity ($ billions)[2]

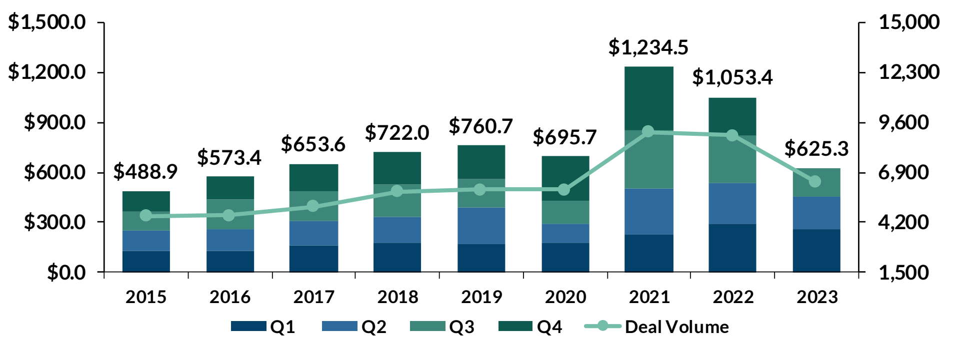



1. *Reuters*
2. *White & Case using Mergermarket data*
3. *Pitchbook*
4. *Factset*

## Private Equity

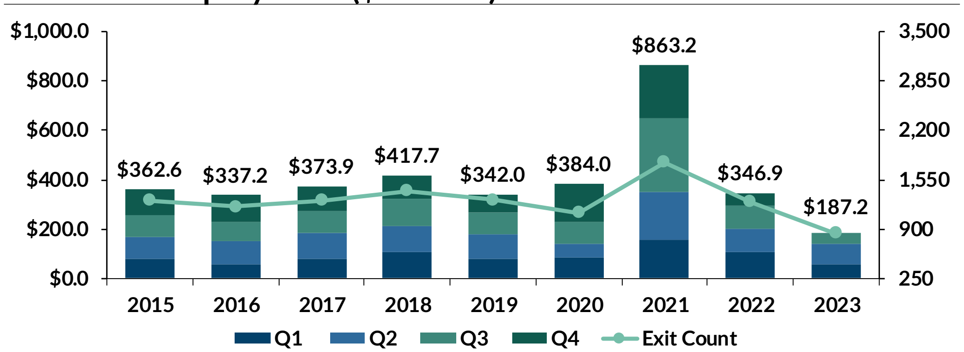
Due to contractions in leverage ratios caused by tight credit conditions, investors have been stifled in their capacity to perform larger leveraged buyouts. This led to a 38.4% year-over-year decrease in U.S. private equity ("PE") deal value as total deal value remained below $200B for the second quarter in a row.[1]

### U.S. Private Equity Deal Activity ($ billions)[1]




U.S. PE exit activity also performed poorly in Q3 2023, as exit value diminished 50.5% compared to Q3 2022, marking the lowest quarterly aggregate exit value seen since Q1 2013. Economic uncertainty and depressed valuations have encouraged sponsors to retain their portfolio companies for longer in the hopes of improved selling conditions down the road.[1]

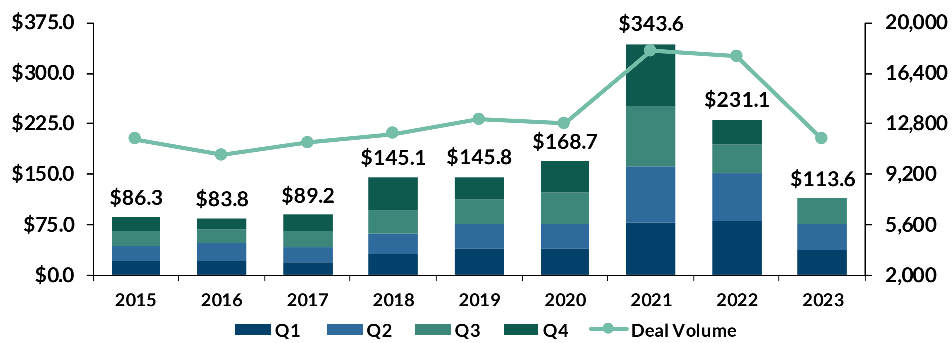
### U.S. Private Equity Exits ($ billions)[1]




## Venture Capital

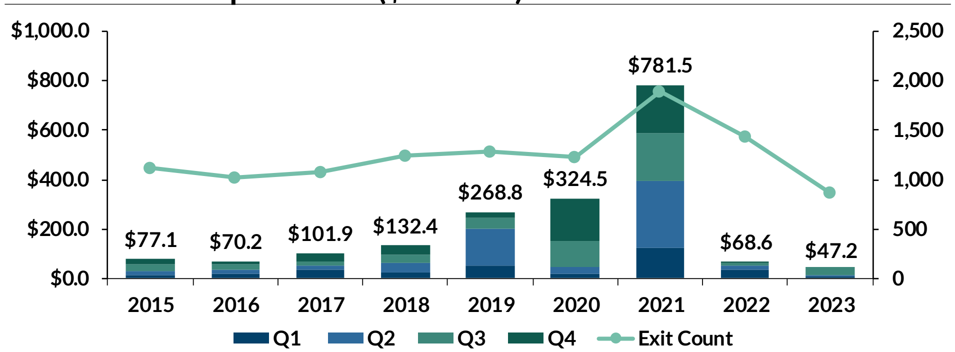
The U.S. venture capital ("VC") market continued to decline in Q3 2023, as deal value decreased by 7.9% and 14.7% from Q2 2023 and Q3 2022, respectively. The decrease in deal value is primarily driven by the decrease in megadeals, as deals over $100M accounting for 48.5% of total deal value, down from the peak of 60.0% in Q4 2021.[1]

### U.S. Venture Capital Deal Activity ($ billions)[1]




Significant venture capital exits occurred in Q3 2023, totaling $35.8 billion across 294 exit events. While this quarterly exit value appears to indicate a substantial recovery, over one-third of the exit value stemmed from the Instacart and Klaviyo initial public offerings ("IPO") whose post-money IPO valuations declined notably compared to their last VC-backed round.[1]

### U.S. Venture Capital Exits ($ billions)[1]



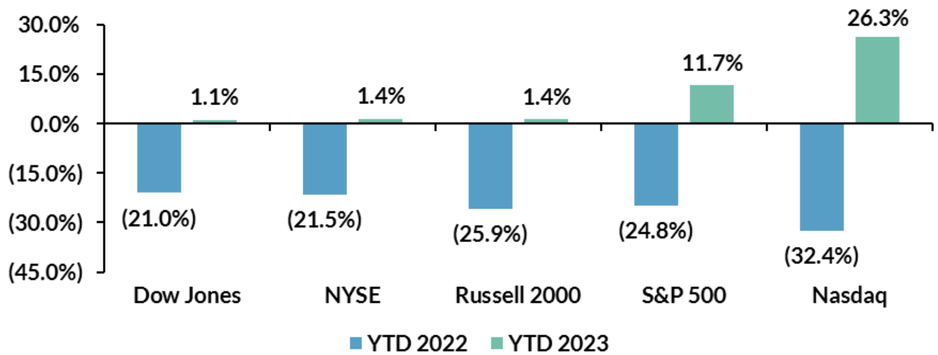

1. *Pitchbook*

# Equity Markets, Corporate Earnings, PIPEs, & IPOs

## Equity Markets

Despite a recent pull back in Q3 2023, U.S. equities have performed well throughout 2023, as the Nasdaq led all major indices with price appreciation of 26.3%. This is primarily due to investors' belief that the Fed's rate hiking cycle may be coming to an end, with the FFR remaining steady since July 2023.[1]

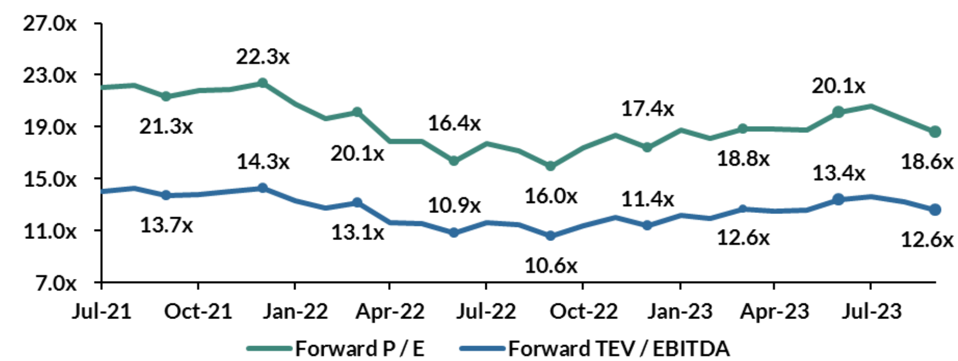
### Major U.S. Indices YTD (As of 9/30/2023)[1]




## Corporate Earnings

By the end of Q3 2023, 49% of S&P 500 companies had reported quarterly results, 62% and 78% of which reported positive revenue and EPS surprises, respectively. The higher-than-expected operating margins, paired with a decline in share prices during the latter half of Q3 2023, led to a decrease in trading multiples.[3]

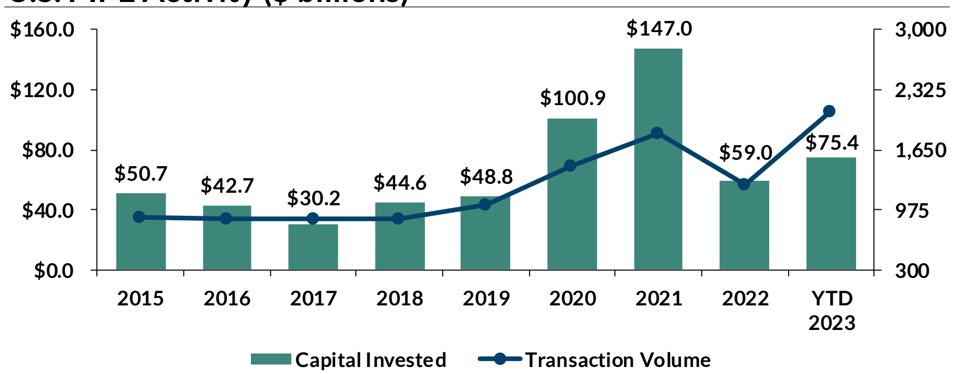
### S&P 500 Forward 12-Month Ratios[1]




## Private Investments in Public Equity

As of the end of Q3 2023, YTD U.S. private investments in public equity ("PIPE") deals reached 2,089 with an aggregate deal value of $75.4B. The volume of PIPE deals for the first nine months of 2023 exceeded annual deal volume from 2015-2022. PIPE deal value was also strong, already surpassing full year volumes for 2022.[2]

### U.S. PIPE Activity ($ billions)[2]

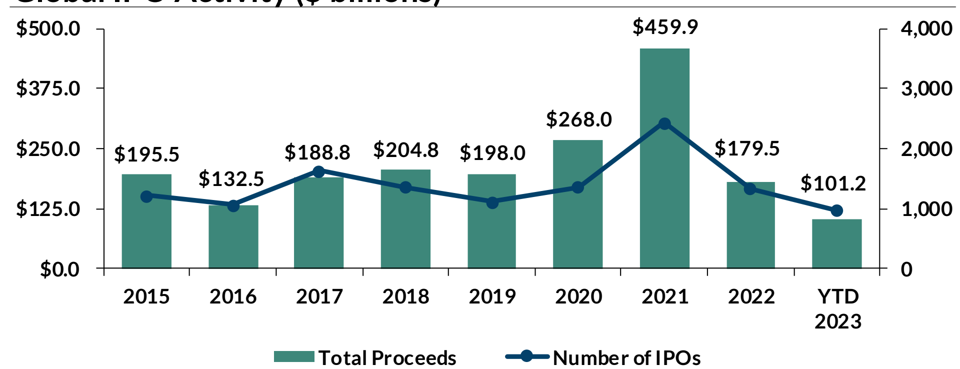



## Initial Public Offerings

During Q3 2023, 371 initial public offerings took place globally, raising $52.3B in proceeds. This represents a decrease of 4.9% in deal volume and a 31.6% decrease in value compared to Q3 2022.[4]

- The technology sector continues to lead the global IPO market in 2023, raising a combined $29.3B across 200 IPOs.

### Global IPO Activity ($ billions)[4]






1. *S&P Capital IQ*
2. *PlacementTracker*
3. *Factset*
4. *E&Y*

## Debt Capital

Following the FOMC's September meeting, the U.S. 10-Yr Treasury yield rose to 5.0% and neared its highest level in 16 years.[1]

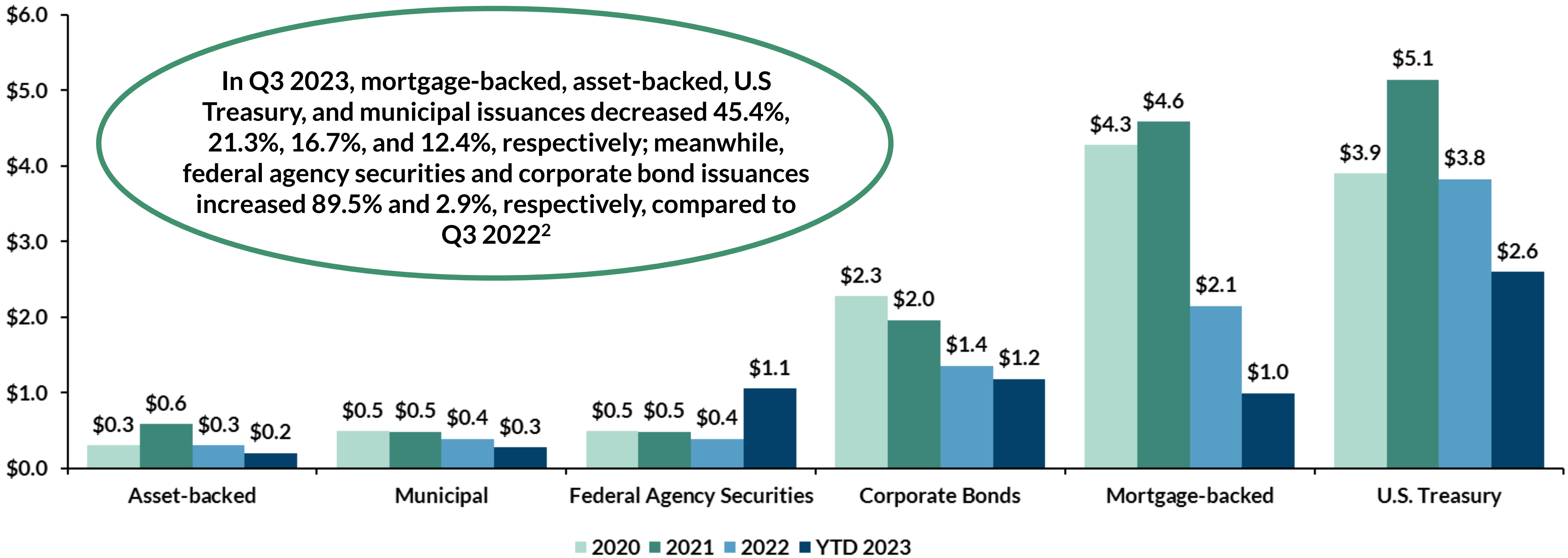
- As high interest rates put pressure on banks' earnings, mergers are imperative to increase deposit bases. This was evident in the 39 U.S. bank mergers announced since the start of Q3 2023, which reflected 84% of YTD deal value.[2]
- While bank retrenchment is continuing, the spread between bank loans and private credit yields has shrunk to levels not seen since 2008. Credit rating agencies downgraded numerous businesses over fears of a recession which rendered many of them ineligible for bank loans. This has provided private credit shops with ample opportunities to offer flexible investment criteria and competitive interest rates.[3]

## Lending Market

U.S. leveraged loan primary issuance recovered in Q3 2023, as aggregate institutional issuances totaled $76.0B and reached its highest level since Q2 2022. Nonetheless, this year's YTD issuance of $179.0B is the lowest since the corresponding period in 2010.[5]

- The Morningstar LSTA US Leveraged Loan Index reported a 10.1% YTD return at the end of Q3 2023, outperforming the S&P US Issued High Yield Corporate Bond Index's 5.6% YTD return.
- Refinancing continued to dominate the leveraged loan market, accounting for $38.7B, or 52.2%, of institutional issuances. LBO/M&A issuance surged to a five-quarter high of $27.8B and fueled the overall volume increase. Despite the promising trend in acquisition-related financing, non-refinancing volume reached $73.4B YTD, versus $152.0B over the same period in 2022.

### Issuances in the U.S. Bond Market ($ trillions)[4]




1. *Federal Reserve*
2. *S&P Global Market Intelligence*
3. *Wall Street Journal*
4. *SIFMA*
5. *Pitchbook*

**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.

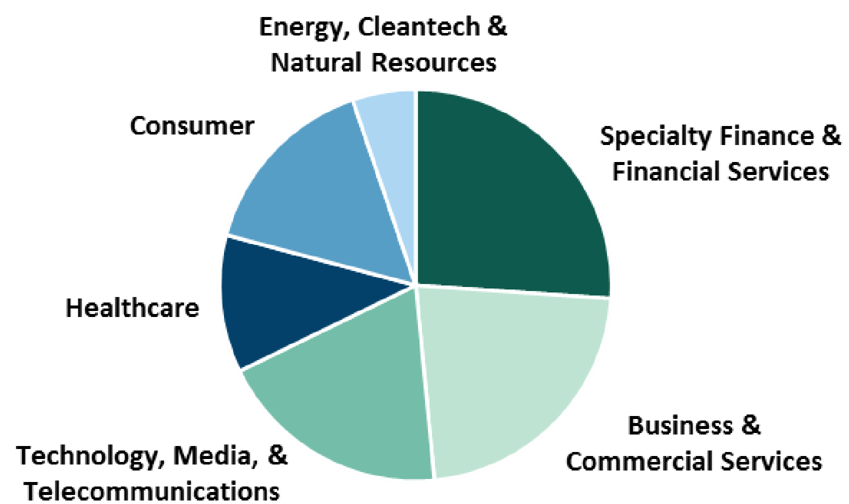
**Founded in New York, and now headquartered in Philadelphia,** Bryant Park combines the capabilities of a large firm with the focus of a small firm. Bryant Park's distinguishing characteristics include:

- **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.




**Historical Transactions by BPC Professionals**

| | |
|---|---|
| Specialty Finance & Financial Services | 88 |
| Business & Commercial Services | 73 |
| Technology, Media & Telecommunications | 65 |
| Healthcare | 31 |
| Consumer | 52 |
| Energy, Cleantech & Natural Resources | 18 |
| | 327 |

## Financing – RapidFunds

**BACKGROUND:** Modeso LLC d/b/a RapidFunds ("RapidFunds" or the "Company") is a leading post-settlement litigation finance company that is engaged in accelerating the working capital conversion cycle for U.S. plaintiff law firms awaiting disbursement of proceeds from a legal settlement. Founded in 2004 by a group of former career attorneys, RapidFunds is based in Marblehead, MA and provides funding to clients throughout the United States.

**SITUATION OVERVIEW:** RapidFunds had established a proven and scalable origination platform and was seeking to refinance its existing senior debt facility. The Company sought a financing partner with a deep understanding of the litigation finance space to allow RapidFunds to continue to scale the platform and fund the future growth of the business.

**MANAGED THE PROCESS:** BPC managed the process from start to finish by preparing marketing materials, creating detailed analytical models and analyses, introducing suitable potential investors, and providing significant support to the Company's management throughout due diligence and definitive legal documentation.

**$35,000,000**

RAPIDFUNDS®
WE SUPPORT JUSTICE™

**Senior Secured Debt Facility**

EXCLUSIVE FINANCIAL ADVISOR

**DEAL RESOLUTION:** The Company entered into a three-year revolving, senior credit facility with a leading alternative credit fund. The new financing partner is excited to assist the Company in achieving its goals for future growth and has expressed interest in extending additional financing to RapidFunds as necessary.

***"This is our second transaction with BPC, and we are greatly appreciative of their efforts on our behalf. BPC managed a highly efficient capital raising process, resulting in a successful transaction that met all of our goals."***

***Peter Speziale, President & CEO***
***RapidFunds***

## Executives & Principals

**Joel Magerman**
Managing Partner

**Raymond Kane**
Managing Director

**Catheryn Robinson**
Managing Director

**Jim Murray**
Managing Director

**Bill Miner**
Principal

**Jake Magerman**
Principal

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