MID-MARKET M&A ADVISORY SURVEY REPORT 2022

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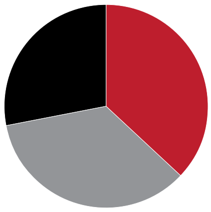
With the backdrop of a perfect storm of macroeconomic factors, ranging from mounting inflationary pressures and energy market volatility to supply-chain disruption, the Mid-Market M&A sector is facing relentless challenges and change as well as encountering new opportunities.

It has therefore never been more essential to gain a deeper understanding of the attitudes and perceptions of active and influential leaders in this vital segment concerning current market dynamics and future trends.

We are grateful to all of the respondents who contributed their valuable time and expertise to this important study. Data processing and analysis were conducted in June and July 2022 and responses were collated and analysed on an anonymised basis.

Q1

What are your expectations regarding M&A activity in the Mid-Market through the remainder of 2022?

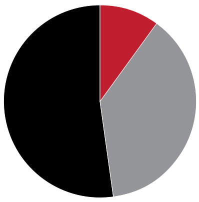


- Decreasing **28%**
- Remaining the same **35%**
- Increasing **37%**

"Having started 2022 following the best year on record for global M&A, these findings present a decidedly mixed picture, with respondents suggesting that there will be winners and losers in the market. There is substantial liquidity currently available, with highly motivated private equity firms looking to deploy substantial levels of dry powder and debt markets actively looking for good deals."

Q2

How do you see valuation multiples changing during the remainder of 2022?

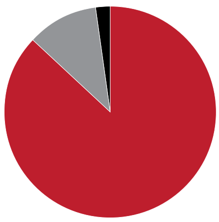


- Decreasing **52%**
- Remaining the same **38%**
- Increasing **10%**

"After what has been a frothy market over the last 18 months, respondents have signalled that valuations have peaked, which should, in turn, provide strong opportunities for private equity to invest in pursuit of healthy returns. With the increasing risks of a global recession and stagflation on the near-term horizon, we can expect to see further owner-managed businesses looking to either exit or conduct a partial liquidity event while times are relatively buoyant. The valuation risk associated with delaying a sale and the additional pressure of having to trade through another stressful period are compelling contributory factors."

Q3

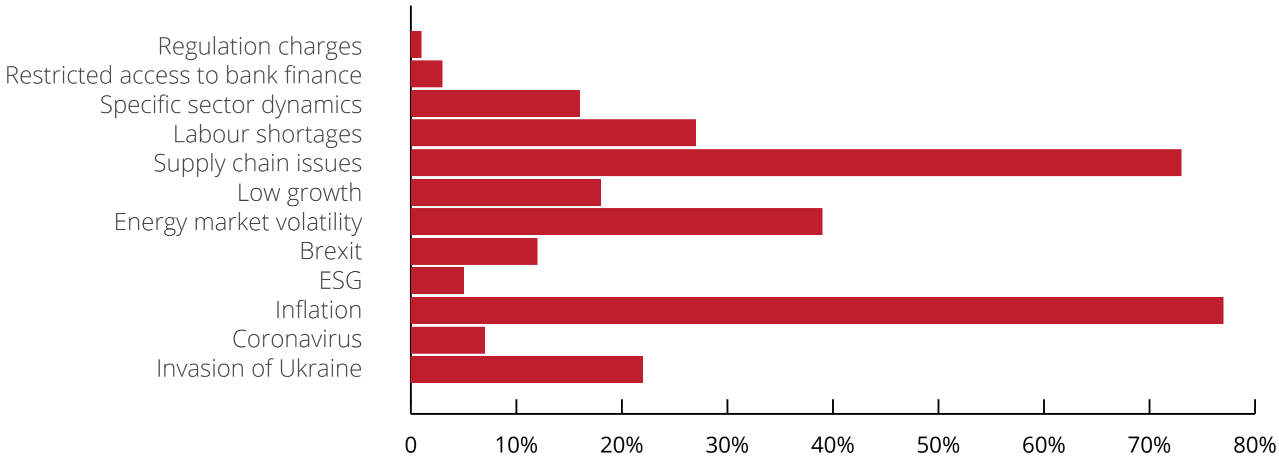
How do you see Accelerated Merger & Acquisition (AMA) activity during the remainder of 2022?



- Decreasing **2%**
- Remaining the same **11%**
- Increasing **87%**

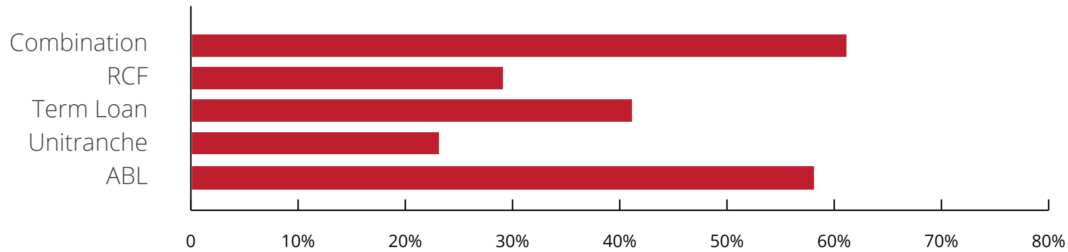
"The combination of macroeconomic forces cited in this report amounts to a perfect storm, with the strong prevailing sentiment among advisers that AMA activity will emerge sharply from the doldrums and will be a key driver of mid-market M&A activity in late 2022 and beyond. Key to the renaissance of the AMA market is the ability of specialist situation private equity firms and debt providers to bring a strong understanding of turnaround deals to allow for flexibility and certainty when transacting in short timeframes."

Q4 Please select the top 3 most important economic dynamics that you believe are shaping the current M&A environment.



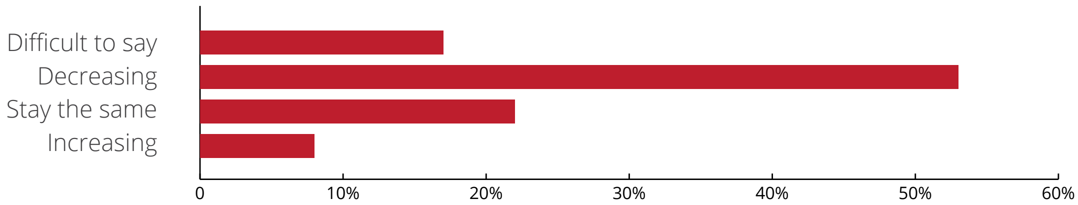
"The interconnectedness of global supply chains correlates directly with energy market volatility and soaring inflation. These issues, which once seemed temporary, now look to be set to last for some time to come. The key issue for the majority of businesses is the working capital impact that they will experience during this critical period. Management teams must take the opportunity to work closely with their advisers, to reassess their requirements, and ensure that the appropriate funding structures are in place to mitigate these economic headwinds to emerge from the oncoming storm intact."

Q5 Which of the following lending facilities do you see the most commonly used in the Mid-Market? Select all that apply.



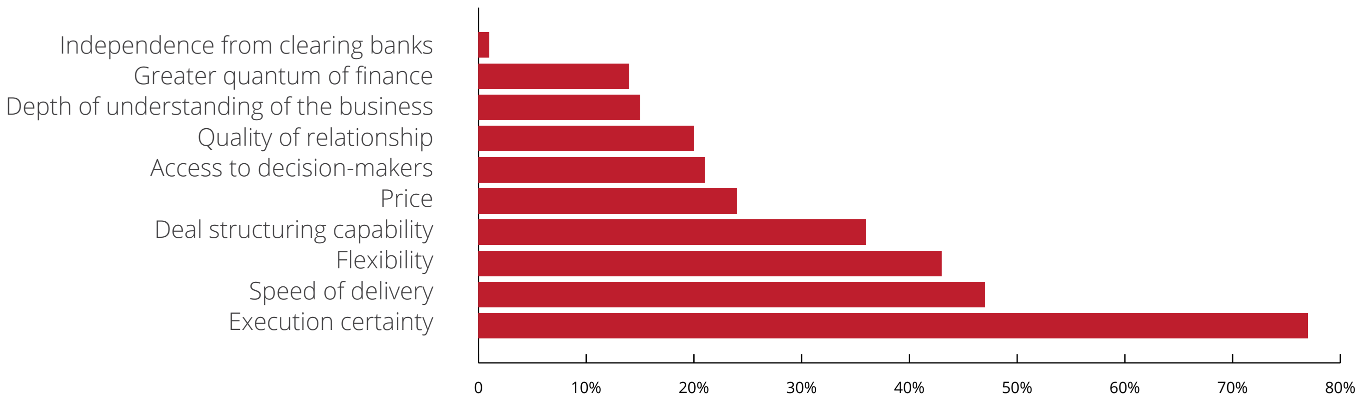
"The key message from survey participants, is the ability to access a mix of funding structures, rather than a straightforward term loan or revolving credit facility (RCF) in isolation. While ABL continues to be an increasingly popular funding solution in the mid-market, we recognise that each funding requirement has an optimal solution. It is therefore essential that lenders focus on the requirements of the business first and foremost and have the ability to provide a combination of facilities as required, rather than being too prescriptive."

Q6 **Given the current economic uncertainty, what are your expectations of lenders' credit appetite through the remainder of 2022?**



"These findings confirm the widespread media headlines surrounding the diminishing credit appetite from mainstream lenders, where a perceived increase in risk has led to elevated pricing for transactions. These dynamics will likely lead to the alternative lending market playing an increasingly active role in mid-market M&A activity. With market conditions changing quickly, borrowers and advisers need to make sure they are clear on what their incumbent and prospective lenders' appetites are before commencing the funding process."

Q7 **What are the top 3 qualities you look for from a lending partner in an M&A deal?**



"The message from the market is clear. Execution certainty stands out as the number one quality they look for from their lending partners. With market conditions dictating an increased focus on AMA processes and the resulting impact of inflation, spiralling energy costs and supply-chain disruption on working capital, execution certainty and speed of response to the market stand way above pricing as the leading business-critical requirements. Buyers want to work with a lending partner that can explain the transactional pathway through to completion and be there on the day with the money. From time to time, deals will throw out a curve ball and it is vital that businesses have a clear line of sight in terms of credit communication and who is going to make the ultimate lending decision."

ABOUT US

BREAL Zeta CF is a specialist asset-based lender, providing businesses with hand crafted solutions to power their ambitions. We offer structured, multi-jurisdictional ABL facilities up to a £150m hold level that deliver working capital and corporate structuring solutions to mid-market businesses.

Our team has extensive and proven experience delivering lending that supports a business's requirements. We are looking to work with businesses seeking funding facilities to support transactions, restructuring and additional working capital.

Funding can be secured against any balance sheet assets with additional cash flow loans considered where required.

- **Funded asset classes include:**
  – Receivables
  – Inventory
  – Plant & Machinery
  – Real Estate
- **No asset class mix restrictions**
- **Sector agnostic**
- **Cross-Border**
- **Flexible facility term**

For examples of completed deals please visit our website at **www.brealzetacf.com**

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