



Focused on M&A: 2023

| Regional Transaction Report

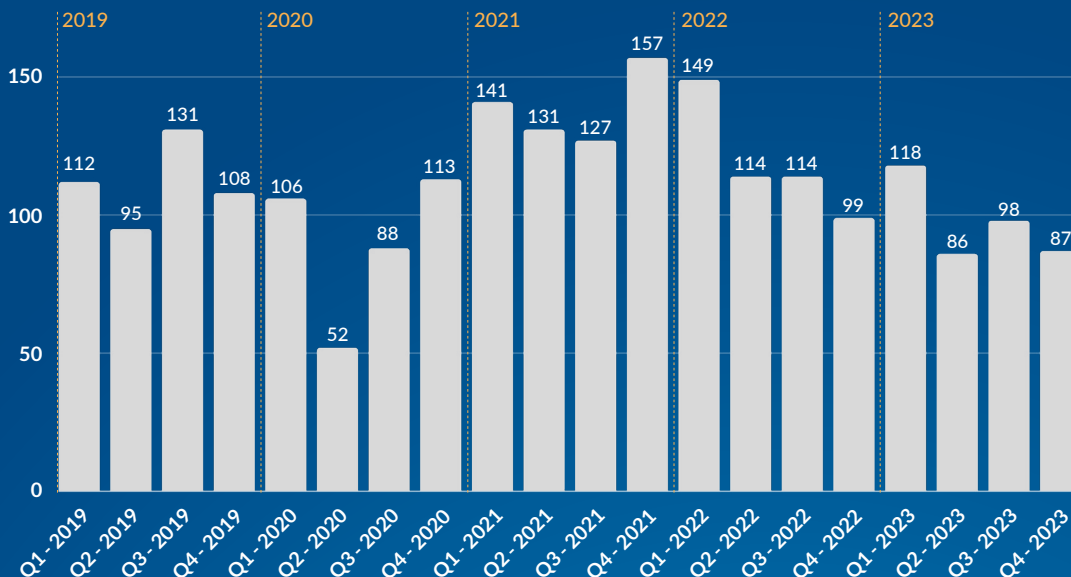


M&A Activity in Central and Southeastern PA

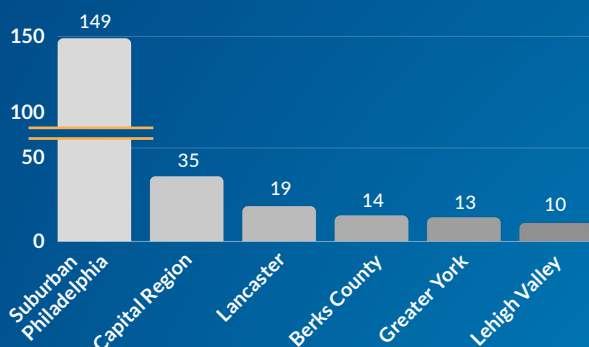
Regional and national mergers and acquisitions (M&A) continued a downward trend in 2023 following the high water mark set in 2021 for deal activity, driven by lower interest rates and pent-up demand post-pandemic. The number of transactions in the region decreased 18 percent versus 2022. When comparing 2023 transaction activity to pre-pandemic levels of 2019, there was a 13 percent drop-off.

- The first quarter saw the most deal closings, resulting from a carryover of the Q4 2022 activity that was not finalized before the end of 2022. Unlike the 2021 period, which held a threat of tax reform on capital gains treatment, 2022 did not experience tax or political pressures to drive deals by the end of the calendar year.
- The continued macro impacts of inflation, rising interest rates and general economic uncertainty served as headwinds for deals through much of 2023.
- When excluding the transactions in the Suburban Philadelphia market, the Central PA regional deals were up five percent versus 2022.

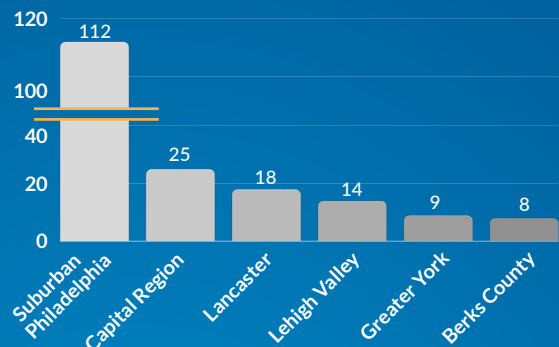
REGIONAL TRANSACTIONS BY QUARTER



2023 TRANSACTIONS BY BUYER LOCATION

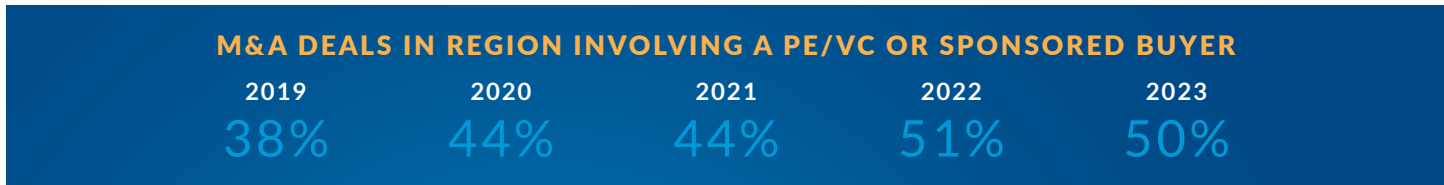


2023 TRANSACTIONS BY TARGET LOCATION



Regional Private Equity Activity >

Private equity continues to have a strong presence in the region's M&A market. For transactions in the area during 2023, 193 buyers were either private equity investors or sponsor-backed companies (down from 242 in 2022 and 244 in 2021, but up from 158 in 2020 and 171 in 2019). Sixty-eight percent of these 2023 transactions involved a private equity firm or sponsored buyer located in the Suburban Philadelphia market or a private equity group making an acquisition within that market. Nevertheless, there were 62 private equity deals in the other regional markets (Berks, Capital Region, Greater York, Lancaster or Lehigh Valley), which was a three percent increase compared to 2022.



Sales of private equity sponsor-backed companies have been prevalent for 2019-2022, ranging from 17 to 27 transactions in the region each year. However, in 2023, sales of private equity sponsor-backed companies saw a six-year low of only 10 transactions (nine in Suburban Philadelphia and one in Greater York). Private equity sponsors and non-financial owners alike were more likely to continue their holds in 2023, given the less-than-favorable deal environment, and look to transact in 2024 or beyond when deal pressures may soften.

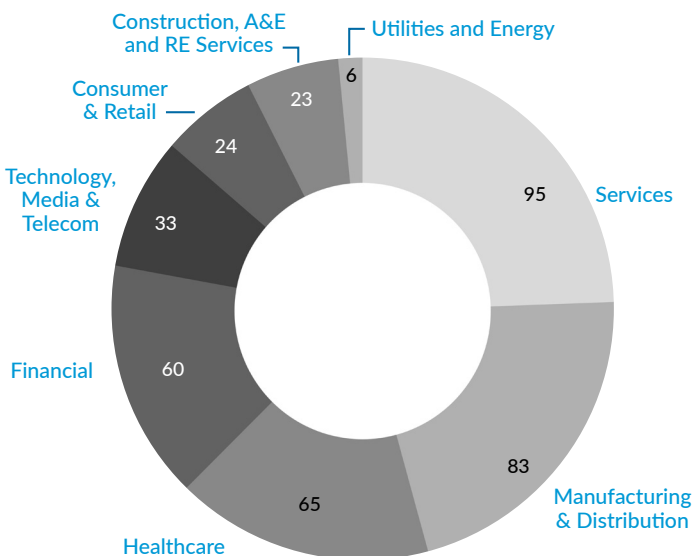
Regional M&A Activity By Industry >

Transactions in the services, manufacturing and distribution (M&D), healthcare, and financial industries were most prominent in 2023, representing 78 percent of all regional transactions. Transactions occurred in a variety of sub-sectors, with services taking the top spot. Other hot industry sub-sectors included consulting services, insurance brokers, and construction and engineering. Quench USA (Culligan subsidiary), Keystone Agency Partners and Patriot Growth Insurance Services were the most acquisitive companies in the region in 2023.

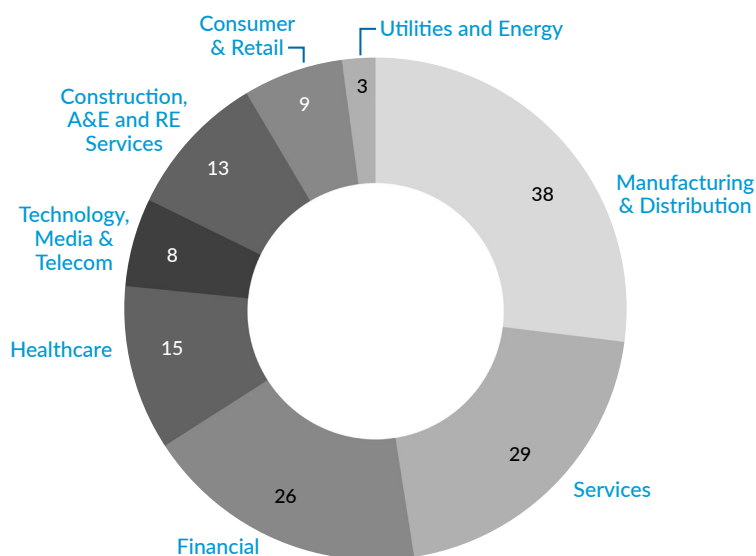
Excluding Suburban Philadelphia (which has disproportionately more services, healthcare and technology companies than other markets), 27 percent of the transactions occurred in the M&D industry in multiple sub-sectors.

Only the financial industry saw an increase in transactions from 2022, adding 11 year-over-year. This was driven in part by the continued transaction demand for wealth management and insurance practices.

INCLUDING SUBURBAN PHILADELPHIA

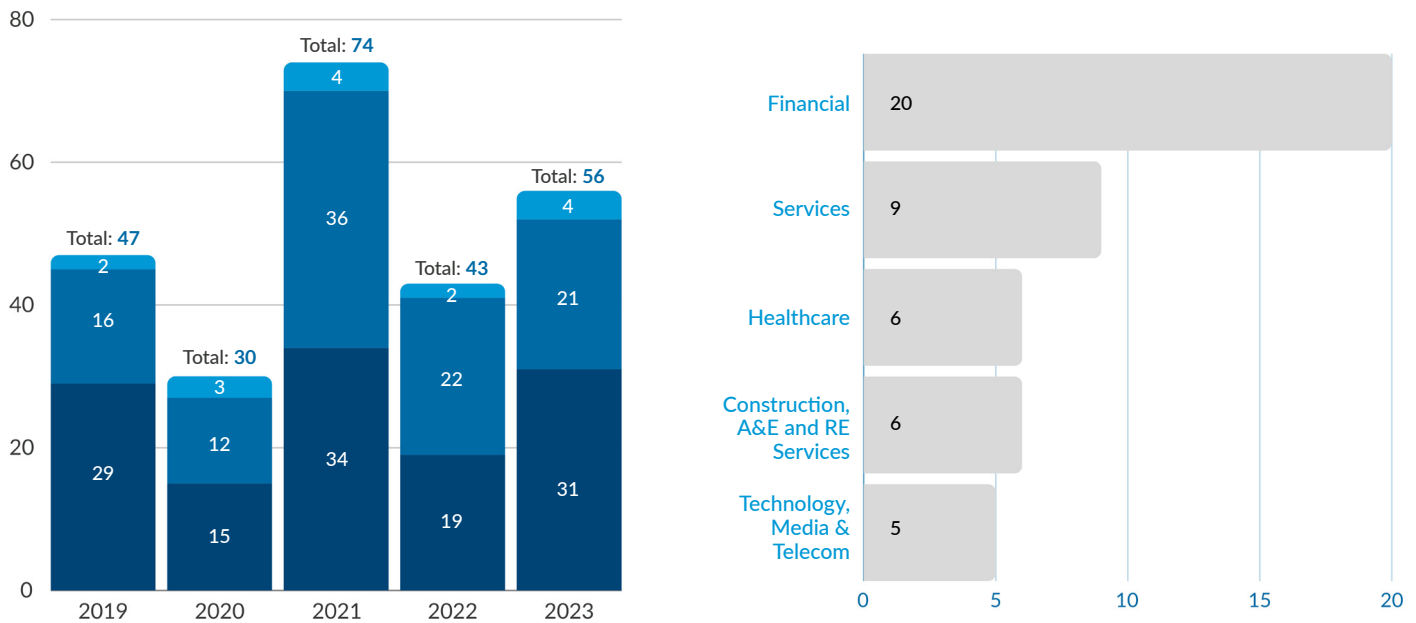


EXCLUDING SUBURBAN PHILADELPHIA



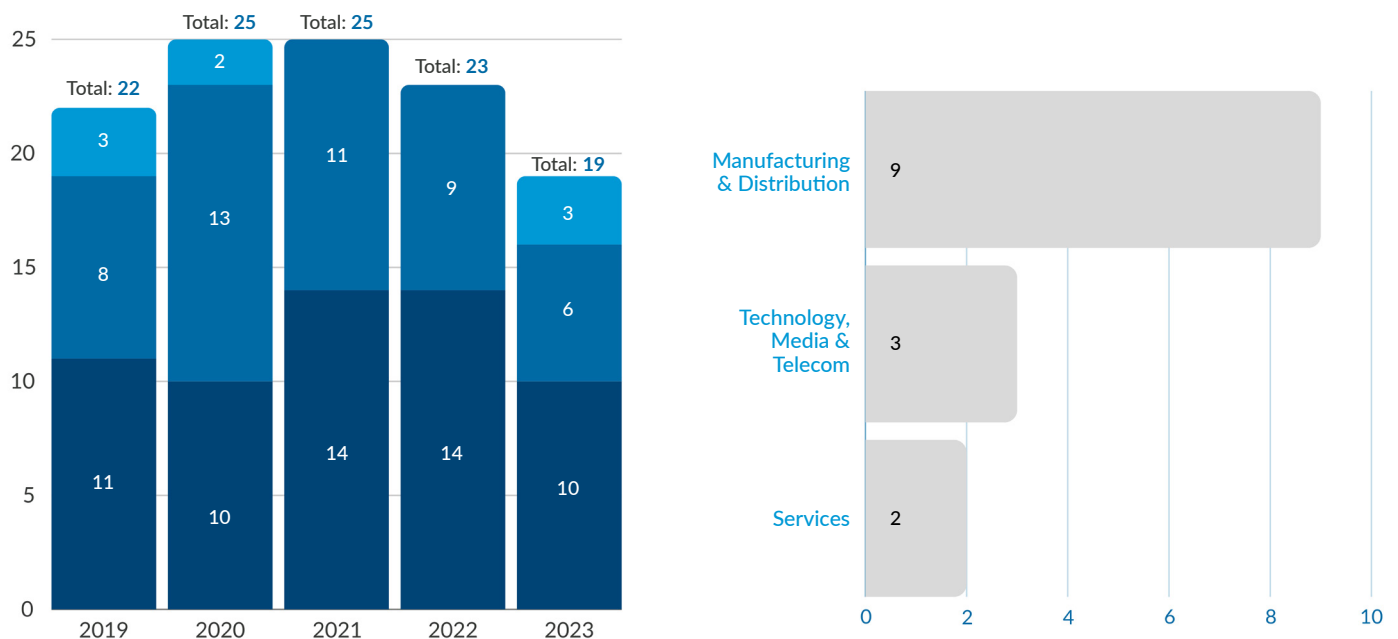
CAPITAL REGION

Capital Region M&A activity rebounded in 2023 from a low in 2022 that was south of pre-pandemic levels. The volume of Capital Region buyers was the main driver. While targets decreased from 2021, they remained above pre-pandemic levels. Financial was the strongest industry, with 38 percent of the deals. Keystone Agency Partners continued to be active with 19 acquisitions. The Capital Region remained attractive to private equity firms or sponsor-backed companies, with eight targets in the market acquired by these buyer types.



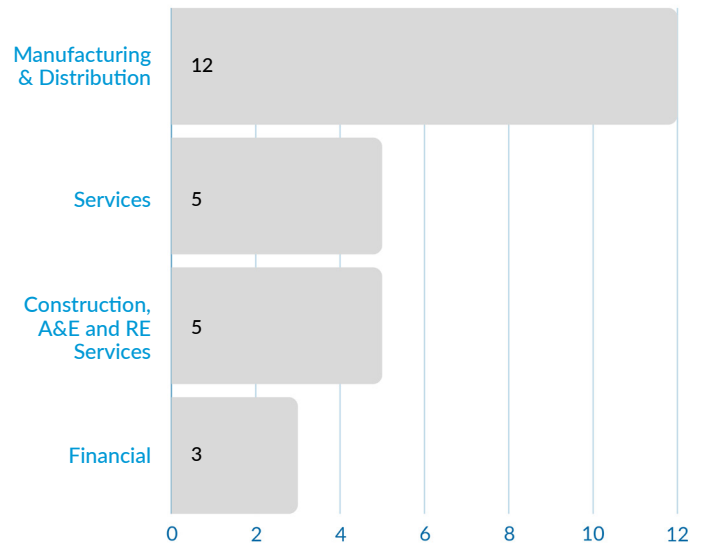
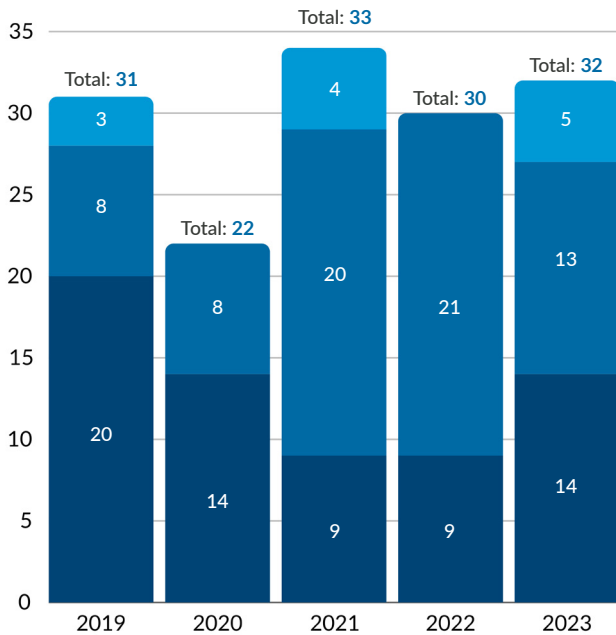
GREATER YORK

Greater York – which includes York, Adams and parts of Cumberland and Franklin counties – witnessed continued contraction in 2023, in line with the total pullback in deal activity presented. It also experienced lower volatility in 2020 and 2021 compared to other markets. M&D remained the hot industry, with transactions in the building products space and specialty OEMs. There was no dominant buyer in the market.



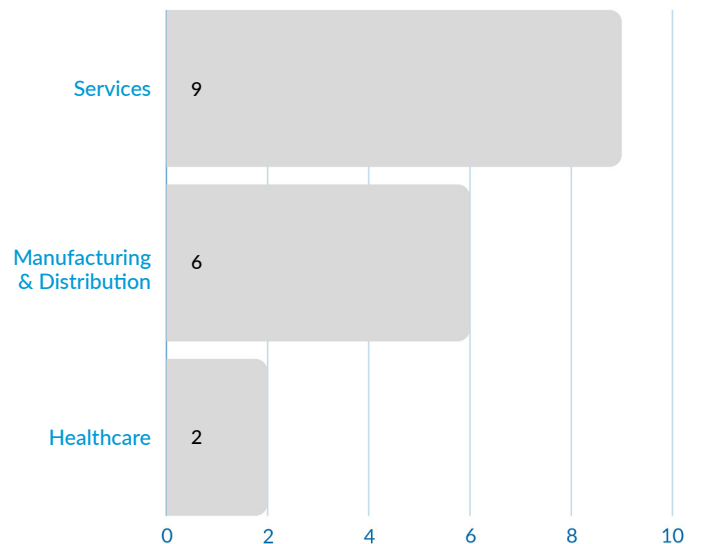
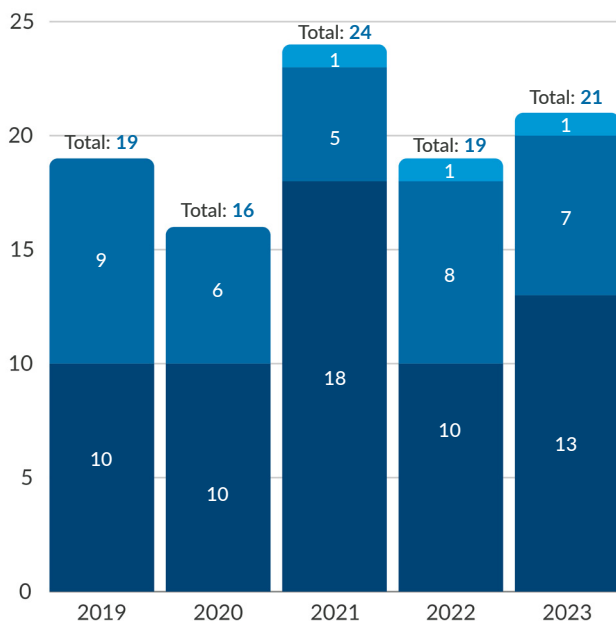
LANCASTER

Activity in the Lancaster market remained in line with pre-pandemic and post-pandemic levels. M&D was the leading industry group, consistent with prior years. Private equity firms and sponsor-backed companies continued to have interest in the Lancaster market in 2023, with six targets in the market acquired by these buyer types. There was no dominant buyer in the market.



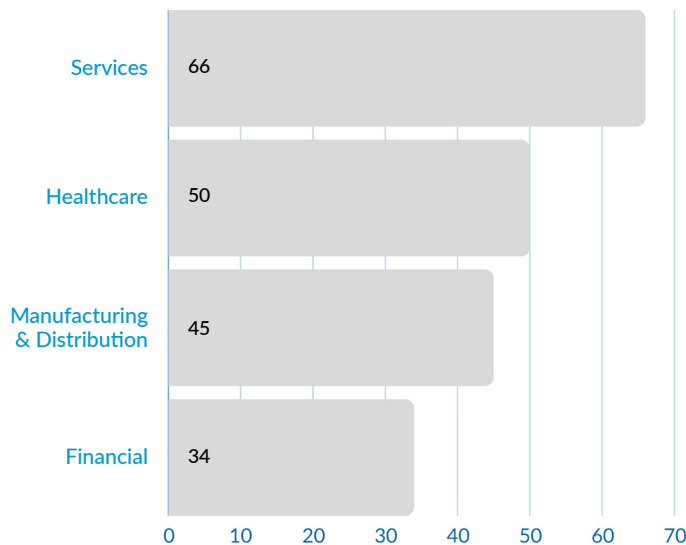
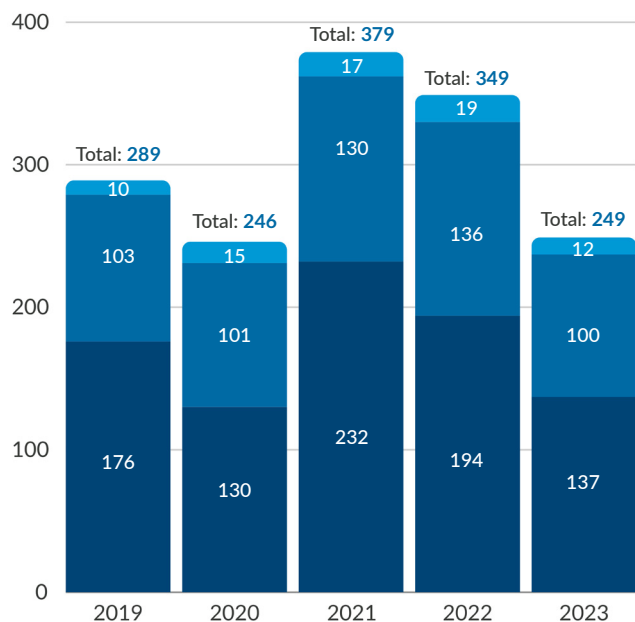
BERKS

Berks activity increased in a return to pre-pandemic levels. Buyer activity was the primary driver, while targets in the market increased from 2021. Rentokil North America had been a major contributor to Berks M&A activity in 2021 and recorded two acquisitions in 2023. Interest in the Berks market by private equity firms and sponsor-backed companies decreased in 2023, with just two targets in the market acquired by these buyer types.



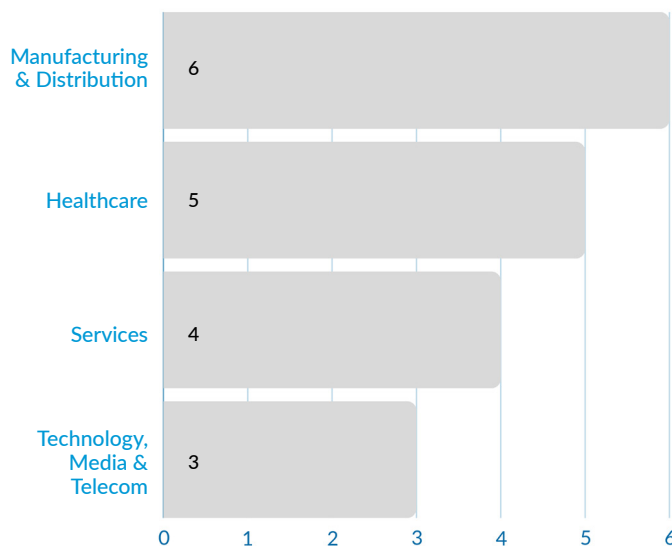
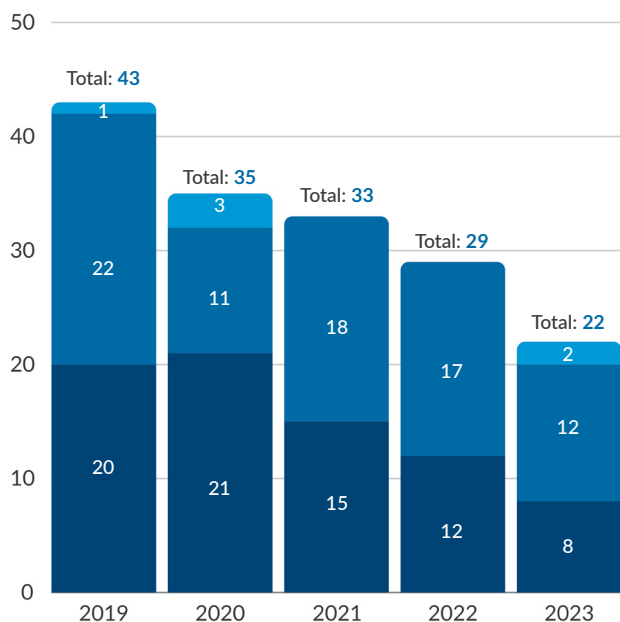
SUBURBAN PHILADELPHIA

Transaction activity in Suburban Philadelphia in 2023 declined to 2020 levels. This was driven by a lower volume of both buyers and sellers. This market is home to substantially more sponsor-backed and publicly traded companies than other markets in the region. In 2023, these types of buyers accounted for 60 percent of the acquisitions by a Suburban Philadelphia company. Publicly traded buyers located in the market experienced a significant decline in 2023, down 51 percent compared to 2019 levels. Private equity groups and sponsor-backed companies remained active acquirers. Services, healthcare and M&D represented this market's three largest industry groups in 2023.



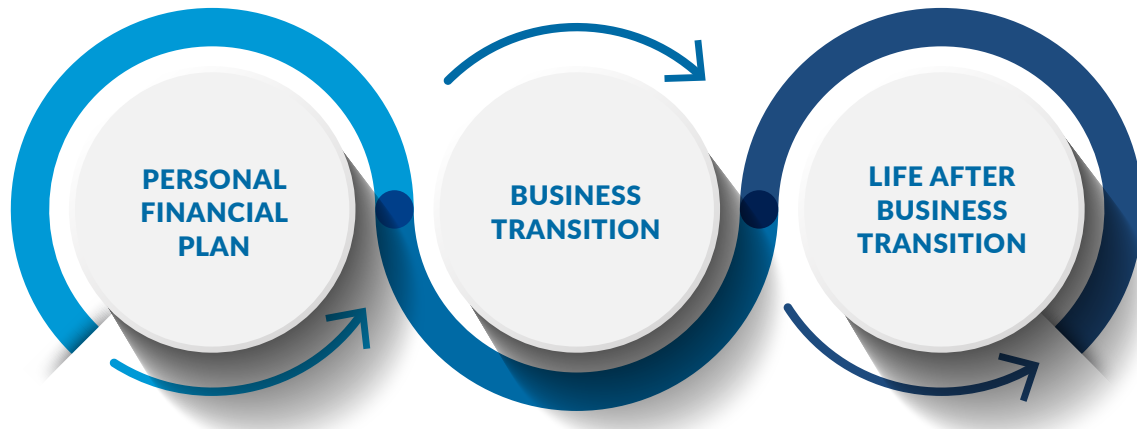
LEHIGH VALLEY

Lehigh Valley experienced a continued decline in transaction activity from highs in 2019. Buyer activity further decreased to its lowest levels in six years, while target activity was in line with the lows experienced in 2020. M&D, healthcare, services and TMT were the top four industries in 2023. Private equity firms and sponsor-backed companies had significant interest in the Lehigh Valley in 2021 and 2022, with 11 targets each year. These deal types decreased to seven total deals in 2023.



Are You Prepared to Sell? >

Nationally, a majority of businesses do not have a formal succession plan in place. When it comes time to sell the business, 75 percent of owners who sell eventually regret the decision within a year.¹ This regret often comes down to a few reasons, including the lack of preparation before entering the market, not preparing the business before it goes to market or the owner not being financially or emotionally ready to transition to life after the business. Since owners of privately held businesses typically maintain 70-90 percent of their net worth in their business (an illiquid asset) the business sale is critical in how it affects their personal financial outlook.



WHEN PREPARING THEIR BUSINESS TO SELL, BUSINESS OWNERS SHOULD ASK THE FOLLOWING:

Is your business ready to sell?

- Do you understand the value of your business, including what factors (both good and bad) are driving the results?
- Are you maximizing value or leaving money on the table (either through below-average earnings or above-average risk)?
- Is your business on strong footing from an operational perspective? (i.e., there is a strong management team in place; there are no vacant or open roles; there is healthy vendor and customer diversity; etc.)
- Is your business operating from a position of strength financially? (i.e., strong history of financial performance, quality monthly historic financial reporting, strong internal and/or external financial team, track record of budgeting or forecasting to drive results)
- Do you have the right team of advisors (due diligence, investment banker, M&A lawyer and wealth advisory team) identified to support you through the transaction?

Do you and your family have a personal wealth plan?

- Financial needs analysis—Does the liquidity event (and the anticipated after-tax net proceeds) meet the owner's personal needs and vision for the next phase of their life?
- Private wealth planning—Do you have a plan to maintain and grow your wealth following a liquidity event?
- Trust and estate planning—Is the business prepared for a sale in a tax-efficient way?

Are you prepared for life after the business?

- For most owners, the business becomes their life and part of their identity.
- What does life after the business look like? A beach retirement? Philanthropy? Another business venture?
- Are you able to fully disconnect from the business on a two-week vacation?

Transaction Advisory Services >

RKL offers a wide range of transaction advisory services and the expertise needed to help your business successfully transition to its next phase. With your goals, vision and values as a guiding force, we customize an approach from a menu of services to give you exactly what you need and nothing you don't. From tailoring financial due diligence to your unique situation to sourcing, structuring and negotiating deals to working with you in your life after the business, the RKL team has the skills and capabilities to support your business on a variety of levels.

Learn more at rklcpa.com/transaction.



RKL Transaction Advisors >



RYAN HURST, ASA, CEPA
Partner, Business Consulting Services Group
rhurst@rklcpa.com



JOHN STONER, CPA, CVA
Partner, Business Consulting Services Group
jstoner@rklcpa.com



BRYAN REDDING
Practice Leader, Transaction Advisory Services
baredding@rklcpa.com



MICHAEL KOCH, CVA
Practice Leader, Valuations
mrkoch@rklcpa.com



BRAD STEINWEG, CPA, CVA
Senior Manager, Business Consulting Services Group, bsteinweg@rklcpa.com



BRANDI GRAVISH, CPA, ABV
Senior Manager, Business Consulting Services Group, bgravish@rklcpa.com



MICHAEL McALLISTER, CPA, CITP, CISA
Partner, IS Assurance & Advisory Services
mmcallister@rklcpa.com



STEPHANE SMITH, SPHR, SHRM-SCP
Partner, Workforce Strategies
slsmith@rklvirtual.com

Disclaimer:

Nothing contained herein should be construed as an offer to sell or the solicitation of an offer to buy any security. This report does not attempt to examine all the facts and circumstances that may be relevant to any company, industry, security or transaction mentioned herein. This report is for general informational purposes; we are not soliciting or recommending any action based on this document. Before acting on any information contained herein, professional advice should be sought.

Our primary source of information was the S&P Capital IQ transaction database. We have placed full reliance on our sources for accuracy. These sources disclose transaction information as made available to them and therefore only publicly reported information is included in our report. RKL makes no representation of accuracy or completeness of information herein.