Aramar
Capital Group, LLC

Deal Market Perspective

4th Quarter 2024

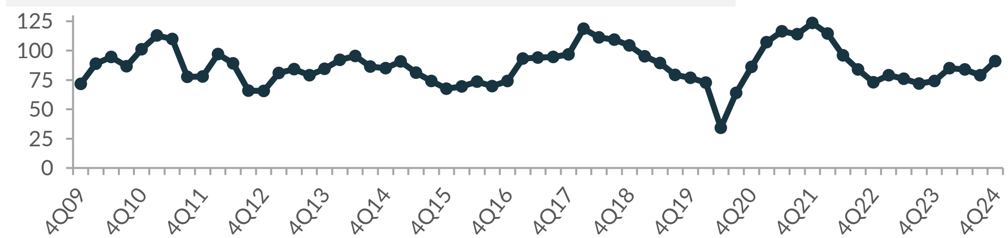
Economic Overview

The U.S. economy continues to perform well and optimism abounds despite inflation and labor concerns resulting from government tariff, tax, and immigration initiatives. The tech sector was sent reeling by DeepSeek's release of its R1 reasoning model and whether a lower-cost, more efficient model might threaten many AI companies and the billions of dollars they've raised. But the significant opportunities opened up by the associated application layer could lead to new AI startups and applications that improve economic efficiencies. And hopefully there soon will be a resolution of Tik Tok's fate that will leave us in good spirits (and with our data privacy intact)!

- The U.S. GDP increased at a 2.3% seasonally-adjusted annual rate in Q4 2024, a deceleration from the 3.1% increase seen in Q3 2024[1]
- The U.S. unemployment rate was 4.0% at the end of January and 4.1% at the end of December, unchanged from the level at the end of Q3 2024[2]
- Non-farm employers added 143,000 jobs in January, well below the average monthly gain of 215,000 over the prior 12 months[3]
- The International Monetary Fund increased its outlook for global economic growth to 3.3% for both 2025 and 2026, slightly above the organization's original projections last quarter of 3.2%[4]
- The U.S. annualized core CPI — which excludes food and energy — was 3.3% for both December and January, in line with the 3.3% seen at the end of Q3 2024[3]
    - Higher costs for insurance, recreation, used vehicles, medical care, communication, and airfares are key drivers of core CPI, which has moderated significantly but still remains above the Fed's 2.0% target
    - The Fed kept rates at their existing level and announced it would monitor the economy given inflation worries due to a continued strong economy and the potential impact of tariffs and tax cuts
- Tariffs have taken center stage, especially with China, which continues to run a huge trade surplus, dominate global manufacturing, control precious natural resources and materials, and protect its home market
    - China now produces about a third of the world's manufactured goods; that is more than the U.S., Japan, Germany, South Korea, and Britain combined[5]
    - China has built up its exports through significant investments in education, factories, and infrastructure, while maintaining relatively high tariffs, domestic company subsidies, and other barriers to imports[6]
    - Citizens in China consumed only 39% of its GDP in 2023, effectively subsidizing its large manufacturing base; the G7 nation average was 58%[7]
    - The U.S. trails China in research for 57 of 64 critical technologies[8]
- One goal of American tariffs is to encourage businesses to set up factories in the U.S. — the only reliable way to avoid U.S. tariffs; the trouble is that even businesses with factories in the U.S. depend on parts and raw materials from around the world[6]
    - More than one-fourth of American imports represent parts, components, and raw materials[1]
- Retailer consolidation continues, as nearly three times as many stores are projected to close than will open this year largely due to inflation and a growing preference among consumers to shop online[9]
- The U.S. consumer confidence index fell in Q4 2024, finishing the quarter at 104.1, down from 108.7 in Q3 2024, primarily due to a weaker outlook on labor market conditions[10]
- A composite index of CEO expectations for capital spending, hiring, and sales over the next six months increased 12 points from the last quarter to 91, the highest level in over two years and well above the historic average of 83[11]

U.S. Consumer Spending (Annualized)[1]

Business Roundtable's CEO Economic Outlook Index[11]



1. *Bureau of Economic Analysis*
2. *Bureau of Labor Statistics*
3. *U.S. Department of Labor*
4. *International Monetary Fund*
5. *United Nations Industrial Development Organization*
6. *The New York Times*
7. *CEIC Data*
8. *The Australian Strategic Policy Office*
9. *Coresight Research*
10. *The Conference Board*
11. *Business Roundtable*

Mergers and Acquisitions

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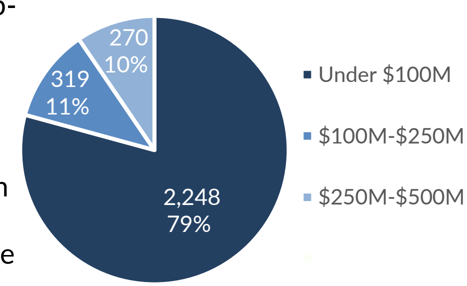
There were high hopes for the M&A market heading into 2025 after activity each quarter in 2024 outpaced its predecessor, but 2025 has gotten off to a slow start in large part because of the uncertainty surrounding the impact of tariffs and other Trump administration initiatives. Still, there remains substantial available cash, lower lending rates, and a more friendly tax and regulatory environment that combine to portend a strong year once the federal government's flurry of moves begins to abate.

- Global M&A deal value was $877.4B and volume was 12,180 in Q4 2024, representing a 7.7% decrease in value and a 23.0% rise in transaction count as compared to Q4 2023[1]
  - Global M&A activity achieved robust growth in 2024, fueled by more supportive macroeconomic conditions and stabilizing valuations
- North American (N.A.) M&A deal value was $433.3B and volume was 4,538 in Q4 2024, representing a 23.0% decline in value and an 18.9% jump in transaction count as compared to Q4 2023[1]
  - Q4 presented mixed results largely due to a reduction in large take-private transactions as public market valuations reached new highs
- In 2024, N.A. deal value surpassed $2T across 17,509 deals, marking a 16.4% year-over-year increase in value and a 9.8% hike in deal count[1]
  - 2024 M&A growth was driven by stabilized inflation expectations and lower interest rates
- Q4 2024 saw just 18 megadeals (valued at over $5.0B) globally, well below pre-pandemic levels but above the 15 deals that occurred in Q4 2023[1]

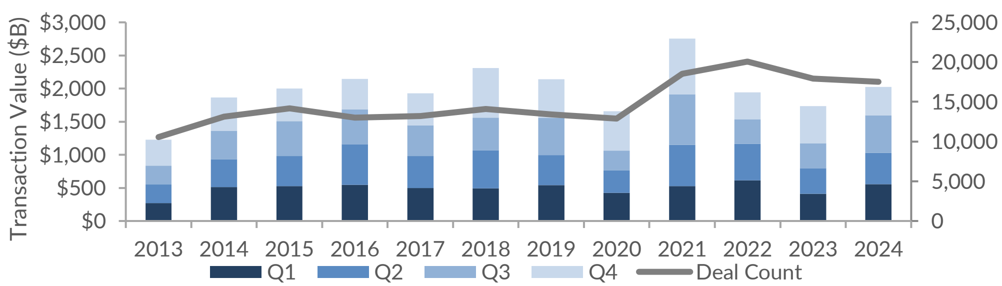
- Dealmaking in Q4 2024 was dominated by smaller transactions; 79% of the sub-$500M U.S. M&A market consisted of transactions under $100M, up from 69% in Q4 2023[2]
- Non-banking U.S. firms have increased their hoards of cash, reaching $6.9T, an amount larger than the GDP of all but two countries; cash now represents one out of every five dollars of total assets held by non-banking U.S. firms[3]

Q4 2024 U.S. M&A <$500M[2]

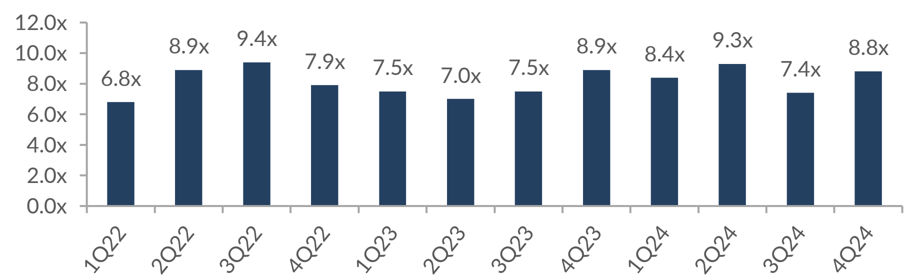


- U.S. leveraged loan activity flourished in Q4 2024 amid a favorable fundamental backdrop; driven largely by repricings and refinancings[1]
  - Q4 was the second-busiest quarter ever, as investor focus shifted to opportunistic deals
  - Total LBO debt/EBITDA on syndicated deals was 5.19x at year-end; while that's an increase from 2023, it's below any other year dating to 2010
- The median U.S. middle-market M&A EV/EBITDA multiple in Q4 2024 for deals between $1M and $500M was 8.8x, similar to the 8.9x seen one year earlier[2,4]
- Cross-border M&A deal value in N.A. in 2024 (N.A. M&A transactions with non-N.A. acquirers) rose 14.6% from 2023 to $272.5B[1]
  - The outflow of M&A capital to Europe grew modestly, even as U.S. investors found renewed reasons to strike deals at home; the U.S. dollar's continued strength combined with relatively lower valuations in Europe supported steady cross-border capital flows to that region

N.A. M&A Activity [1]



U.S. Middle-Market Median EV/EBITDA M&A Multiple[2,4]



1. *PitchBook*
2. *FactSet*
3. *Harvard Business Review*
4. *These multiples reflect prices paid for mainly large public companies and do not account for smaller private company transactions that tend to change hands at much lower multiples*

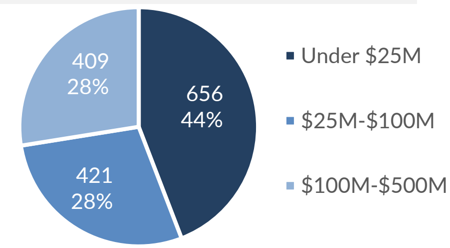
Private Equity

Private equity (PE) activity showed renewed signs of strength as 2024 progressed. The implications of tariffs, shifting consumer spending behavior, geopolitical turmoil, and stalled interest rate cuts have been weighing on the market. But rates remain lower, dry powder continues to be abundant, credit spreads have compressed, the leveraged loan market has strengthened, value alignment between buyers and sellers has improved, and the threatened tariff Armageddon has been fairly tame and is largely perceived as a negotiating tool. Those factors hopefully should make for robust PE deal volume as the year evolves.

- U.S. PE investment activity increased in Q4 2024, with 2,190 closed deals worth a combined $185.7B, representing a 13.3% increase in volume and a 7.7% rise in value as compared to Q4 2023[1]
  - 2024 was a turning point for U.S. PE, with buy-side activity rebounding after a challenging stretch and both deal count and value climbing by double digits year-over-year; activity was driven by lower base interest rates and tighter credit spreads that helped reduce financing costs and bring buyers' and sellers' valuation expectations closer in line
  - Despite this overall momentum, Q4 saw a noticeable taper, influenced by the U.S. presidential election, which stalled deals
- Limited partners (LPs) active in the N.A. market increased their PE allocations to 11.1% in 2024, up from 8.0% in 2021[2]
- Add-on investments continue to drive the U.S. PE market, accounting for 58.9% of all deals in Q4 2024[1]

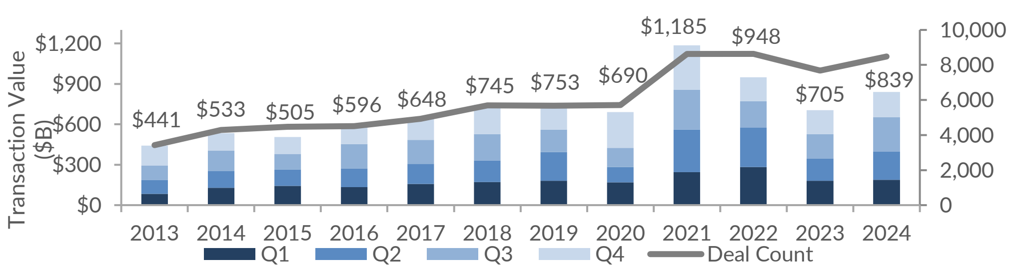
- For U.S. PE-led transactions between $10M and $250M, the average EV/EBITDA multiple was 7.1x, according to the most recently available quarterly data, off from the 7.3x recorded in the previous quarter[3]

Q4 2024 U.S. PE Deals <$500M[1]

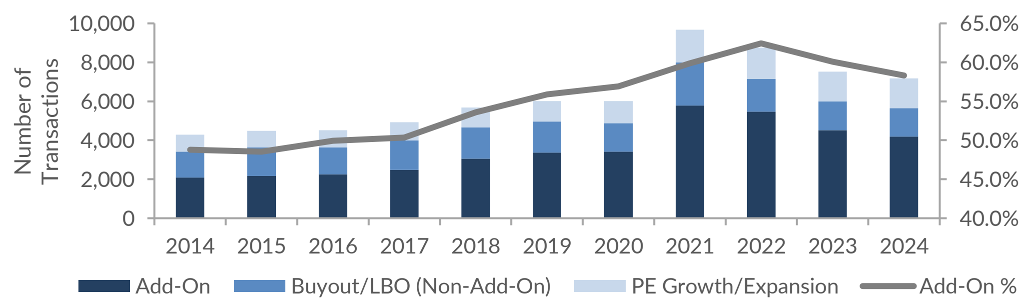


- U.S. PE fundraising was down in Q4 2024, with $48.3B raised across 91 funds, a 63.6% drop in capital raised and a 26.0% decrease in the number of new funds raised as compared to Q4 2023; this decline was driven in part by institutional investors' reluctance to commit more capital because of PE overweighting stemming from limited exit activity and distributions[1]
  - Fundraising timelines rose to an average of 19 months in 2024, up from 18 months in 2023 and 14 months in 2022[2]
- Global PE dry powder fell to $2.1T at the end of Q4 2024 from $2.3T at the end of Q3 2024[4]
- U.S. PE exit activity in 2024 was notably vibrant, up 16.6% in terms of deal count and an impressive 49% in terms of deal value, albeit comparted to a quiet 2023 and reflecting a release of some of the inflated backlog[1]
  - PE exit activity has surpassed the pre-COVID-19 averages of 2017-2019, with 2024's exit value higher by 18% and exit count higher by 9%
  - The median holding period for a U.S. PE-backed company reached 3.4 years at the end of 2024, the longest in over nine years
  - PE sellers are bringing their highest-quality assets to market to secure favorable exits, while holding off on the rest of their portfolios

U.S. Private Equity Deal Flow[1]



U.S. Private Equity Deal Activity by Type[1]



1. *PitchBook*
2. *PEI Group (dba Buyouts)*
3. *GF Data*
4. *McKinsey and Company*

Equity and Debt Capital Markets

Equity markets remain resilient despite tariffs, geopolitical events, and the tech selloff that followed the emergence of DeepSeek's AI app. Venture capital (VC) investment activity has been inconsistent, showing strength in venture growth but weakness at the pre-seed and seed stages. (Business owners might wish to read our guest article by Cooley LLP beginning on page six that offers an alternative fundraising strategy.) The continued lack of a receptive IPO market has limited distributions to investors and thus reinvestments. Debt markets remain solid, as the competition to traditional banks from private credit and CLOs has narrowed spreads.

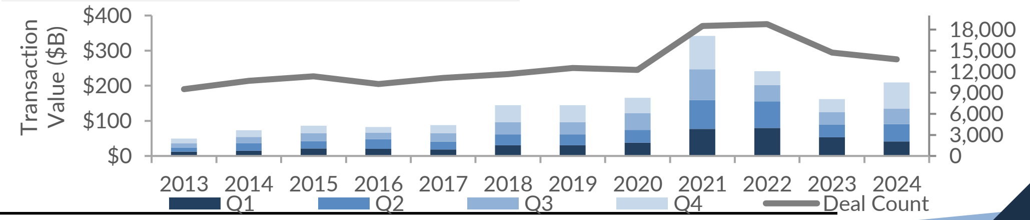
Equity Markets

- Q4 2024 saw 343 global IPOs raising $43.0B, a decrease of 7% and an increase of 70%, relative to Q4 2023[1]
  - Technology and advanced manufacturing deals dominated the IPO landscape with megadeals inflating the proceeds raised[1]
  - PE- and VC-backed IPOs accounted for 12% of all IPOs and 46% of the placement volume[1]
  - The London Stock Exchange's IPO activity hit its lowest levels since the financial crisis, but looks to bounce back with prominent listings in 2025 as high-profile companies, such as Shein, Monzo, Brewdog, Ingro, NewDay, and Waterstones, are considering listing in London[2]
- The S&P 500 was up 3.1% in Q4 2024 and another 1.9% in Q1 through February 24th[3]
- Earnings for S&P 500 companies in Q4 2024 rose, with an estimated blended growth rate of 16.9%[4]
  - If 16.9% ends up being the actual growth rate for Q4, it would mark the highest earnings growth rate reported by the index since Q4 2021
- U.S. VC deal value rose 96.9% to $74.6B in Q4 2024, while the deal count dropped 18.3% to 2,859 transactions, relative to Q4 2023[5]
  - Corporate VC has been a force in the U.S. venture ecosystem; since 2014, it has accounted for 46% of total VC deal value and 21% of deal count[4]
  - High-net-worth individuals have about $450T at their disposal and are expected to plow more than $7T into private markets by 2033, aided by easing regulatory restrictions and boosting VC investment activity[5]
- The number of startup exits — a sale or public offering — rose to 356 and the value rose to $37.0B in Q4 2024, increases of 39.1% and 40.8%, respectively, on a year-over-year basis[5]
- U.S. VCs raised $11.0B across 128 funds in Q4 2024, a 54.6% and 1.5% decline, respectively, relative to Q4 2023; with lower return-generating exits and limited liquidity, LPs are unwilling to allocate more capital[5]
  - In 2024, 30 firms raised 74% of all capital committed to VC funds in the U.S., a powerful signal of how the tech pullback is concentrating influence among the industry's heavyweights
  - AI startups captured roughly a third of all global VC funding in the past year
- Over the past two decades, VC funds that deployed capital more slowly in their first year outperformed their faster-deploying counterparts, delivering an aggregate 11.6% net IRR compared to 10.0%[5]

Debt Markets

- The 10-year yields on U.S. investment-grade and high-yield bond indices rose at the end of Q4 2024 due to heightened macroeconomic uncertainty, earning investors 5.31% and 7.50%, respectively[3,6]
- For PE-led transactions between $10M and $250M, the average total debt/EBITDA multiple was 3.7x, compared to an average of 3.6x for all of 2023 and consistent with the historical average[7]
- Leveraged loan default rates remain low by historical standards despite record low LBO interest coverage[5]
  - Issuers of riskier, speculative-grade loan debt have taken advantage of record investor demand by utilizing an amend-and-extend process, which allows borrowers to push back pending maturities without undertaking a new credit agreement and its considerable fees and expenses
  - At the end of 2023, there were $81B in loans slated to mature by the end of 2025; that figure was sliced to $16B by the end of 2024, thanks to record amend-and-extend volume
  - With traditional exit routes limited, PE firms are rushing to market with dividend credits, where a portfolio company adds senior debt and the proceeds go to the PE sponsor; usually a sign of market froth, these credits already totaled $485M as of late February, up from $300M in all of 2024

U.S. Venture Capital Deal Flow[5]



1. *Ernst & Young*
2. *Private Equity Insights*
3. *S&P Capital IQ*
4. *FactSet*
5. *PitchBook*
6. *JPMorgan Chase & Co.*
7. *GF Data*

Equity Crowdfunding – Is It For You?

Entrepreneurs often ask whether equity crowdfunding is a viable option for funding their company. As is often the case with questions to an attorney, the answer is "it depends". In 2012, when President Obama signed into law the Jumpstart Our Business Startups Act, commonly known as the "JOBS Act", U.S. investors and entrepreneurs were excited about the new opportunities to allow the broader public to invest in early-stage companies. In the years since its passage, we've had an opportunity to see how companies have approached equity crowdfunding and decided whether it's the right path for them.

Below is an overview of equity crowdfunding and its basic requirements, along with a discussion of some of its benefits and burdens to companies.

What is Equity Crowdfunding?

Equity crowdfunding is a method of raising capital for your company by soliciting small individual investments from a large number of people, or the "crowd," including via the internet or social media. It's different from donation-based or rewards-based models (such as Kickstarter and similar platforms) where the funders don't receive ownership of the company. Simply put, in equity crowdfunding, you (the entrepreneur) get working capital, and the crowd gets a piece of the company.

Simple enough, right? Well, here is where it gets a little more complicated.

Requirements For Equity Crowdfunding

Typically, sales of equity to the public must be registered with the Securities and Exchange Commission (SEC) in an IPO, which is a long, arduous, and expensive process. The JOBS Act allows a company to bypass that process for an equity crowdfunding offering, but the offering must satisfy certain requirements, some of which are summarized below.

- **Offering Size Limitations.** The company cannot raise more than $5 million in a 12-month period.
- **Investor Limitations.** Investors must satisfy certain requirements based on income or net worth.
- **Online Portals.** The offering must be made through an SEC registered broker-dealer or an internet-based crowdfunding platform (funding portal) that is a member of the Financial Industry Regulatory Authority.
- **Resale Restrictions.** Crowdfunding securities generally cannot be resold for at least one year.
- **Eligibility.** Equity crowdfunding under the JOBS act is not open to non-U.S. companies, companies which file reports under the Securities Exchange Act of 1934, or certain investment companies.
- **Disclosures.** This is perhaps the most difficult aspect of equity crowdfunding for companies. In the initial registration, they must file a "Form C," which includes extensive information about the company and the offering, the risk factors, and a discussion and analysis of the company's financial performance. The company must make additional informational filings after reaching 50% and 100% of its targeted offering amount, and after the end of its fiscal year.

What are the Downsides of Equity Crowdfunding?

Even if companies have the ability to raise an offering while satisfying these requirements, many decide against it, for reasons such as the following:

- **Cost of Compliance.** While not as expensive or time-consuming as an IPO, there is still a fair amount of time and cost involved, especially from the disclosures described above. While a number of third-party crowdfunding platforms have developed, which have significantly reduced the administrative burdens, many companies still prefer not to incur these costs given the limited amounts that they can raise through the equity crowdfunding process.
- **Publicity.** As part of the registration process, company information will be made public on the crowdfunding intermediary's website and required to be posted to the company's website. This could be a non-starter for companies that prefer to stay in "stealth mode" for strategic reasons. Also, because of the disclosure requirements around the results of a crowdfunding campaign, an under-subscribed offering will become public knowledge and may reflect poorly on the company.

- **Having "The Crowd" on Your Cap Table.** Be careful what you wish for! If your crowdfunding effort is successful, you may end up with hundreds or even thousands of small stockholders, many of whom may be less sophisticated and less equipped for a long-term investment horizon than traditional VC or angel investors. They may be a troublesome plaintiff class if the company's performance does not live up to expectations, and may create significant "cat-herding" issues in future deals where an acquirer or sophisticated investor is requiring that a large percentage of the company's stockholders consent to a deal or sign up to a drag-along or other stockholder agreement. While many online crowdfunding platforms have mitigated this set of issues by having the crowdfunding investors all participate through a single entity, this approach raises new issues by potentially putting a lot of control in the hands of the crowdfunding entity. In our experience, this particular cluster of issues often leads companies to forego the equity crowdfunding route altogether.

What are the Benefits of Equity Crowdfunding?

You are probably wondering why – with all those restrictions and potential negative consequences – anyone would want to follow through with crowdfunding. Despite the burdens described above, companies may find other benefits to crowdfunding (in addition to, of course, the potential access to otherwise untapped sources of capital), including the following:

- **Validation.** A successful crowdfunding campaign can provide your company with momentum and a proven ability to raise money.
- **Control.** Entrepreneurs are able to dictate the terms of the offering instead of having them negotiated (which is typically the case when accepting large investments from institutional or angel investors).
- **Community.** Equity crowdfunding investors not only provide capital, they also may serve as brand ambassadors, loyal customers, and members of an organic community invested in your success.
- **Other Options Still Open.** While the securities laws around this issue are complicated, you can generally raise from the crowd at the same time you're seeking out more traditional financing.

So, is Crowdfunding right for you?

If you have made it to the end of this post (or skipped ahead), you may be surprised to know that our answer has not changed – it still depends on your goals and prospects as a business. But I am hopeful that the above synopsis will help you better understand and evaluate the risks and merits of crowdfunding, and whether it's a viable option for your company.

About the Author:

Cooley LLP is an American international law firm, headquartered in Palo Alto, California, with offices worldwide. The firm's practice areas include corporate, litigation, intellectual property, fund formation, public markets, employment, life sciences, clean technology, real estate, financial services, retail, regulatory, and energy.

Dennis Craig is an associate attorney within the Corporate Practice Group. The Corporate Practice Group at Cooley is a leader in representing companies undergoing VC financings, M&A transactions, and IPOs.

To view the original article, click this link: https://www.cooleygo.com/equity-crowdfunding-is-it-for-you/.

Differentiation

Aramar is a boutique investment bank focused on providing merger, acquisition, and strategic private placement services; we are unique among our investment banking peers in that we:

- Focus on middle-market transactions; these transactions are a priority, not a default for when larger deals are dormant
- Have significant transactional expertise
- Provide senior-level attention
- Have a proprietary marketing process that follows a comprehensive approach tailored to each buyer or investor candidate, rather than a typical generic approach utilizing blast teaser e-mails and other automated contacts

Services

Aramar offers a highly focused set of corporate finance services to assist our clients in conceiving, defining, executing, and optimizing their objectives:

- Mergers and acquisitions
  - Negotiated sales of closely-held companies
  - Corporate and private equity firm divestitures
  - Leveraged and managed buyouts
  - Buy-side advisory
- Private placements and recapitalizations
- Fairness opinions, valuations, and financial advisory

Clientele

Aramar focuses on providing high-quality, high-touch services to middle-market clients

- Our M&A transactions range in size from approximately $10 million to $250 million and strategic private placements range in size from approximately $10 million to $100 million
- We provide the high quality of service and substantial transactional experience offered by a major national investment bank, but to a clientele that either is too small for, or cannot receive, the proper level of attention from a larger investment bank, or would receive lesser services and capabilities from a business broker, consultant, or smaller investment bank

Team

Aramar has assembled a unique team of professionals with a comprehensive and attractive mix of skills and backgrounds

- Significant investment banking experience, including stints at many other prominent financial services firms
- Entrepreneurial, managerial, and ownership experience that sets apart Aramar's "principal" perspective from that of most investment banks; our team members have founded, sold, and merged our own companies; acquired businesses; and acted as officers and directors of both public and private enterprises
  - As such, we can relate more closely to our clients and better advise them, at the same time as ensuring senior-level investment banking attention