

Middle Market Insights

Key Takeaways from SF Net Annual, RFDC, ACG Chicago, and ACG Florida 2024 Conferences

With a nationwide presence, G2 Capital Advisors' team is active in the market, attending key conferences and events to engage clients, gather insights, and forge connections. Capturing the pulse of the middle market, these recent events spotlighted shifts in lending dynamics and evolving M&A strategies. Amid rising competition and economic uncertainty, G2's team gathered nuanced perspectives from diverse conference audiences. Here is a breakdown of what's shaping the market right now.

Key Market Trends

Across the events, one clear theme emerged: opportunity still exists, but success hinges on precise execution. While growing optimism is evident, rising costs, prolonged timelines, and intense competition for quality assets are pushing businesses to innovate and adapt to stay ahead.

- Lending Competition Intensifies:** *As commercial banks reenter the lending space, non-bank players face mounting pressure to adjust pricing and terms to stay competitive.*
- The Quality Divide Widens:** *Operational excellence and premium positioning shield some businesses, while lower-margin players face greater challenges.*
- Strategic Diversification Gains Momentum:** *For some investors, targeting sectors outside their traditional focus, such as multi-unit fitness, is increasingly becoming a more prevalent strategy to reduce risk and tap into emerging growth opportunities.*

Event Highlights

Recent conferences have shed light on the challenges and opportunities facing these sectors, offering valuable insights into how industry leaders are navigating a rapidly evolving environment.

SF Net Annual Conference: Financing Deal Flow Up, Quality Down

Deal flow in the lending market is at its highest in recent years, but the quality of opportunities has remained challenged, making competition for premium assets fiercer than ever. Commercial banks have aggressively reentered the market with a continued focus on asset-based lending (ABL) structures, leveraging their ability to

offer relationship based secured loans at attractive pricing. Non-bank ABL lenders, in turn, are facing increased competition and are having to get creative in stretching beyond the traditional asset base (AR & inventory) and offering term heavy structures or even expanding into less traditional asset classes, such as intellectual property, to remain competitive. Despite this activity, many lenders are reporting a turbulent year, with strong deployment numbers offset by churn and refinancing challenges in their portfolios. Meanwhile, the anticipated wave of bank workouts has yet to materialize, with a steady flow now expected to continue into 2025, raising questions about the long-term stability of the lending environment.

To succeed, lenders must balance creative financing solutions with disciplined risk management in this increasingly crowded market.

Restaurant Finance & Development Conference (RFDC): Returning to Dealmaking

Optimism abounded among conference attendees including operators, lenders, and investors, with scale and diversification emerging as central strategies to mitigate risks and pursue growth. Operators are looking to scale infrastructure and expand beyond restaurants into adjacent sectors like fitness and automotive services, seeking multi-unit opportunities that reduce exposure to economic volatility. A growing divide is evident between top-performing brands and those struggling to adapt, with operational efficiency and strong value propositions proving to be critical differentiators. Looking ahead, restaurant operators and dealmakers would benefit from lower inflation rates, a more modest interest rate environment, and increased consumer spending. These favorable dynamics would reinvigorate confidence in the industry, and boost lender support necessary for growth and dealmaking alike.

Franchise operators navigating this evolving landscape must prioritize resilience and adaptability to succeed.

ACG Chicago and Miami: Challenges Shape Strategy

ACG audiences highlighted the challenges facing today's M&A market and the strategies, particularly the scarcity of top-tier assets and the high cost of capital. These factors are driving longer deal timelines with platform transactions now taking upwards of a year on average to close as buyers and investors exercise greater diligence and scrutiny. Subsector activity remains strong in resilient industries like food manufacturing, environmental services, and legal solutions, though competition for quality assets continues to push up pricing. Broken deals and portfolio challenges are sharpening the focus on operational value creation as a counter to market volatility.

Amid slow deal pipelines and extended timelines, strategic focus and operational excellence are critical for long-term success.

Turning Insights Into Action

At G2 Capital Advisors, our mission is to empower businesses to navigate market complexities and seize opportunities for growth. Here's how to stay ahead:

Rethink Capital Strategy: *In today's competitive lending environment, businesses must align their financing strategies with market realities. Exploring options like flexible debt structures or alternative capital sources can help manage costs,*

improve cash flow, and position businesses for growth.

Prioritize Execution: Operational efficiency is a critical differentiator. Whether navigating rising costs, labor pressures, or supply chain issues, businesses that streamline operations and focus on value creation will remain competitive.

Broaden Horizons: As markets shift, exploring adjacent opportunities or focusing on core strengths through strategic M&A can mitigate risk. Focused investments in high-growth areas position companies to capitalize on emerging trends.

Looking Ahead

As 2025 approaches, the market is poised for greater activity, as clarity around interest rates and post-election dynamics drive increased deal flow. Companies that succeed will adapt, innovate, and embrace complexity with bold strategies.

At G2 Capital Advisors, we turn market trends into actionable strategies for our clients. Whether it's navigating financing challenges, uncovering opportunities in untapped markets, or driving operational improvements, we bring deep expertise and tailored solutions to every engagement.

As the market evolves, so do we. Let's discuss how G2's experience and insight can help your business succeed in today's dynamic environment.

Learn more about the approaches we are using with our 80+ active client engagements across our focal industries.

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