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M&A Sourcing, Integration, Optimization, and Exits

2025 Industry-by-Industry Business Valuation Outlook

M&A, scale up, and EBITDA recovery services for strategic and financial buyers, and lower mid market business sellers

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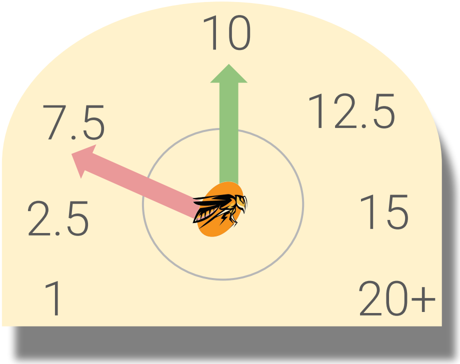
2025 Industry Valuation Outlook < $50M revenue

Utilities

Key subsectors:

- Electric Utilities
  - Generation
  - Transmission
  - Distribution
  - Independent Power Producers (IPPs)
- Servicers
- Components and Systems
- VARs
- Professional Services - specialized construction, engineering, architecture
- Residential Services
- Water Utilities
- Multi-Utilities
- Nuclear Ecosystem

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends Utilities typically exhibit stable cash flows and lower risk, leading to EBITDA multiples ranging from 7x to 10x. Businesses serving this sector, from software platforms to service providers see similar multiples.

2025 Valuation Outlook

The increased risk of geopolitical disruption and political policy consequences creates a risk premium for transparent and predictable positive cash flow in vital businesses. Combined with an declining interest rate environment that makes cash dividends more attractive, expect a significant valuation premium in the utilities sector in 2025. **Highly positive.**

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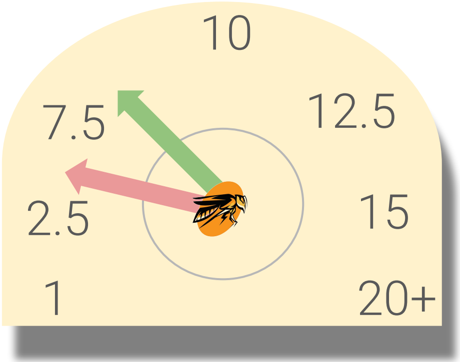
2025 Industry Valuation Outlook < $50M revenue

Energy (non renewable)

Key subsectors:

- Oil and Gas Exploration and Production (E&P)
- Oil and Gas Refining and Marketing
- Oilfield Services and Equipment
- Midstream
- Energy Trading and Marketing
- Energy Storage and Logistics (e.g. LNG infrastructure)
  - Retail distribution (e.g. Propane)

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends

Historically, valuation has been higher than the current 5x to 8x 10 year average due to depressed natural gas prices and massive increase in US supply to the global market over the timeframe, which has curbed some of the sector's sensitivity to geopolitical events.

2025 Valuation Outlook

+

US E&P, refiners, services, and logistics firms should benefit in 2025 from a more favorable policy environment, higher demand, and a counter-balance to the decarbonization regulatory regime that had restricted capacity, particularly for LNG. The geopolitical environment is ripe for supply disruption. However, the current supply surplus for natural gas means prices have a long way to go to boost valuations substantially. **Neutral to Slightly Positive.**

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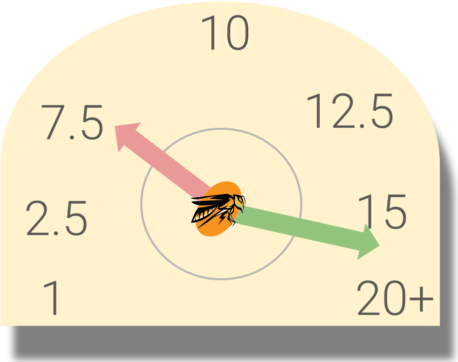
2025 Industry Valuation Outlook < $50M revenue

Energy (renewable)

Key subsectors:

- Solar Energy
- Wind Energy
- Hydropower
- Bioenergy
- Geothermal/Wave Energy
- Energy Storage
- Hydrogen and Fuel Cells
- Renewable Energy Equipment and Services
- Residential Services
- Distributed Energy Resources (DERs)
- Renewable Energy Trading and Markets
- Hybrid Energy Systems
- Metering and Integration

Historical EBITDA Multiplier Range (10 Year)



The sector exhibited wide variance in valuations. It has been one of the highest valuation sectors in the market, with EBTIDA multiples over 15x common (Neoen, Encavis). However, there is wide variation between solar, wind, biofuel, and conglomerates, with an average range of 7.5x - 16x seen over the past 10 years.

2025 Valuation Outlook

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A big beneficiary of the decarbonization regulatory agenda, the sector will now face aggressive policy challenges from elimination of EV credits, to tariff impact on key components (e.g. photovoltaic panels), and loss of support for wind power, creating supply chain and pricing pressures. But, electricity demand is forecast to increase 7x over the next decade, and renewable integration into an aging US grid is vital. Declining interest rates help. **Neutral to Slightly Positive.**

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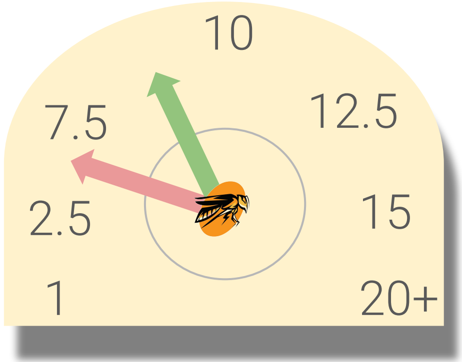
2025 Industry Valuation Outlook < $50M revenue

Telecom

Key subsectors:

- Wireless and Fixed-Line Communication
- ISPs
- Media
- Data Centers and Cloud Services
- Network Infrastructure
- Over-the-Top (OTT) Services
- Satellite Communication
- Managed Services and Consulting
- Equipment
- Unified Communications
- Internet of Things (IoT) and Machine-to-Machine (M2M) Communication
- 5G and Emerging Technologies
- International and Wholesale
- Enterprise Software and GIS Systems

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends

Federal broadband funding has exploded over the past 8 years, but the sector is challenged by supply chain issues — slowing network growth. It's bolstered by dependable recurring revenue and next gen 5G infrastructure spending, placing multiples in the 6-9x range.

2025 Valuation Outlook

While video demand is expected to increase 3x over the next 5 years, the commoditization of both the infrastructure and media landscape will continue to constrain valuations in a low-organic growth environment. M&A activity by consolidators is expected to increase, with buyers having the advantage. **Slightly negative.**

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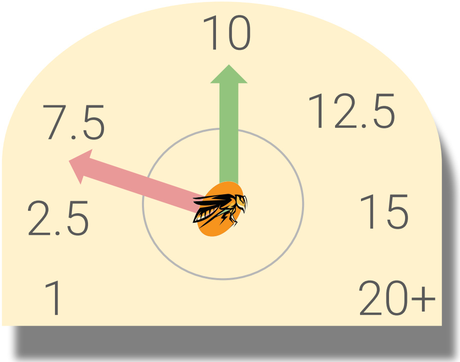
2025 Industry Valuation Outlook < $50M revenue

Healthcare

Key subsectors:

- Providers and Services
- Supply Chain and Distribution
- Medical Devices and Equipment
- Facilities and Infrastructure
- Biological Waste Management
- Healthcare IT and Digital Health
- Insurance and Managed Care
- Long-Term and Post-Acute Care
- Life Sciences and Research
-
- Mental Health and Behavioral Health
- Wellness and Preventative Care
- Alternative and Complementary Medicine
- Public Health and Government Health Services
- Pharmaceuticals
- Diagnostics and Testing
- Biotechnology

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends

The sector's valuations have been in a steady 5 year decline normalizing in the 7-10x range as industry consolidation depressed margins and hampered capital spending and organic growth. Drug R&D and disruptive innovations fetch the high side of this valuation range.

2025 Valuation Outlook

NEUTRAL

While valuations have been depressed in the sector over a 3-5 year period, a fast bounceback is unlikely. Drug pricing practices and Federal healthcare spending is likely to fall under further scrutiny, and public pressure on the insurance sector, as highlighted by the DEC24 murder of United Healthcare's CEO create a less than favorable valuation climate. **Neutral.**

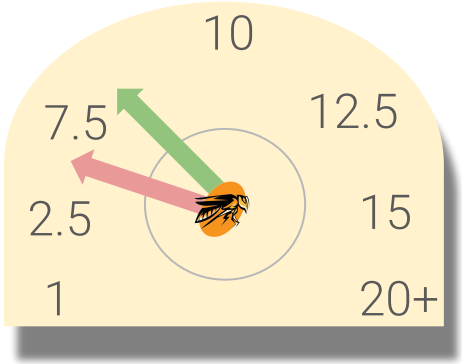
2025 Industry Valuation Outlook < $50M revenue

Consumer Discretionary

Key subsectors:

- Autos and Auto Components
- Hotels, Restaurants, and Leisure
- Retailing
- Media and Entertainment
- Consumer Durables
- Apparel and Luxury Goods
- Homebuilding
- Internet and Direct Marketing Retail
- Travel and Tourism
- Education Services
- Specialty Services
- Recreational Products
- Casinos and Gaming

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends
Highly sensitive to economic cycles, market conditions, and consumer preferences, businesses in this sector have consistently been valued in a 6-8x range over the past 10 years.

2025 Valuation Outlook

With major consumer all stars like Target, Nike, and Starbucks struggling, analysts suggest that 2025 is the beginning of *"the era of the tapped out consumer"*. Declining household budgets, increasing debt loads, the unpredictable effects of tariffs and global trade competition lead to risks and a lack of clarity in the sector. That's never good for valuations. **Negative.**

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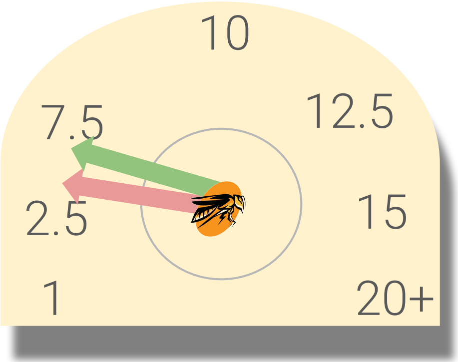
2025 Industry Valuation Outlook < $50M revenue

Materials

Key subsectors:

- Chemicals
- Construction Materials
- Metals and Mining
- Paper and Forest Products
- Plastics and Polymers
- Glass and Ceramics
- Packaging Materials
- Industrial Gases
- Precious Stones and Gemstones
- Fertilizers and Agricultural Inputs
- Recycling and Waste Management Materials

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends
Materials valuations correlate highly with commodity prices, which have been in a downtrend over the past decade, constraining valuations in the sector to an average of 5-7x.

2025 Valuation Outlook

Higher costs for raw materials, projected by Deloitte to increase 2.7% in 2025, coupled with geopolitical and political uncertainty around tariffs and their impacts make sector valuations highly unlikely to appreciate in this climate. While increased use of AI to enhance supply chain productivity may boost returns, the risk premium adjustment will negate gains. **Negative.**

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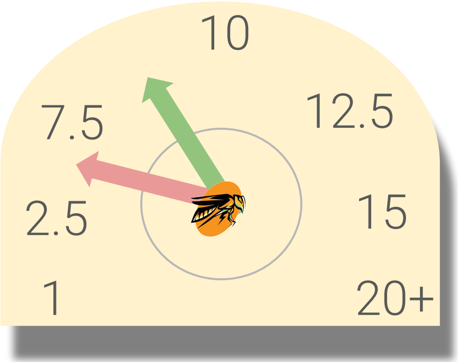
2025 Industry Valuation Outlook < $50M revenue

Industrials

Key subsectors:

- Aerospace and Defense
- Construction and Engineering
- Machinery
- Transportation
- Commercial and Professional Services
- Electrical Equipment
- Industrial Conglomerates
- Building Products
- Air Freight and Logistics
- Marine
- Environmental and Waste Management
- Construction Materials

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends
Industrials correlate strongly to consumer demand and financial services, seeing a boost in valuation premiums 6-12 months prior to boosts in consumer valuations. They're sensitive to global geopolitical risk, and have returned a consistent 6-8x EBITDA premium.

2025 Valuation Outlook

A global political movement away from globalization is taking hold, despite a rancorous fight. While domestic industrial production will likely be boosted in the intermediate and long-term, 2025 is in the cross-hairs of potential trade wars, a US consumer slowdown, Euro and AsiaPAC sluggishness, and global military conflict increasing. **Slightly Negative.**

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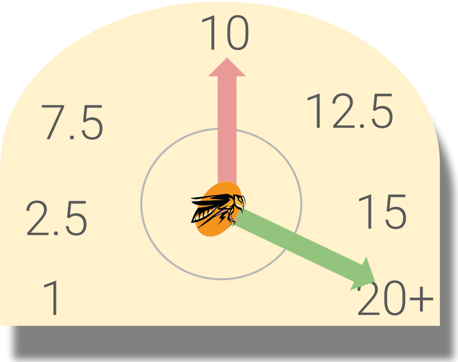
2025 Industry Valuation Outlook < $50M revenue

Technology

Key subsectors:

- Software
- Hardware
- Semiconductors
- Cloud Computing
- Artificial Intelligence (AI) and Machine Learning
- Cybersecurity
- Data Analytics and Big Data
- Internet of Things (IoT)
- Blockchain and Crypto
- Consumer Electronics
- Gaming/Interactive Media
- Autonomous Transportation
- Augmented Reality (AR) and Virtual Reality (VR)
- IT Consulting and Managed Services
- Robotics and Automation

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends

The most lucrative sector over the timeframe, the wide scope of the technology sector has fetched an average 10-16.8x EBITDA premium. AI continues to fuel this premium, however that comes at the expense of technology services firms who have seen a significant erosion of valuation premium over 2 years.

2025 Valuation Outlook

A decreasing rate environment will make more technology firms more attractive, boosting valuations. However non AI *tech services* firms should see valuations continue to decrease well into 2026. The AI boom is re-allocating capital from software and services to hard assets like AI servers, data centers, and semiconductors. One side of this sector wins while the other loses in 2025. **Slightly Positive.**

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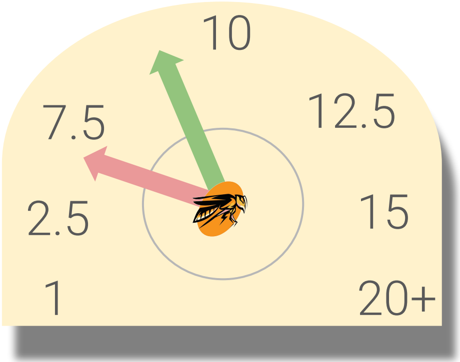
2025 Industry Valuation Outlook < $50M revenue

Consumer Staples

Key subsectors:

- Food and Beverage
- Household and Personal Care Products
- Tobacco Products
- Beverages
- Food Retail and Distribution
- Supermarkets and Grocery
- Agricultural Products
- Packaged Foods and Meats
- Health and Wellness
- Wholesale and Distribution
- Pet Care Products
- Vitamins and Nutritional Supplements
- Baby Care Products
- Cosmetics and Beauty Products

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends
Valuations for this sector consistently stayed between 7-9x, with consistent slow-growth demand, reliable cash flows and slimmer margins. Valuations were distorted 2020-2023, as inflationary pricing had both positive and negative effects.

2025 Valuation Outlook

The consumer staples sector is likely to see disruption in 2025 from trade policy changes, and M&A activity fueled by the need to improve margins through supply chain rationalization and economies of scale. While demand is steady, the US consumer is increasingly substituting high priced goods for alternatives, benefitting low cost retailers with pricing power like Walmart. The valuation outlook is **Slightly Negative.**

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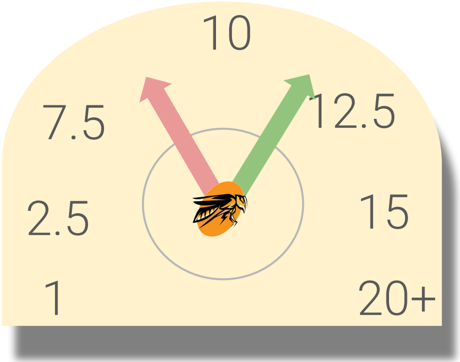
2025 Industry Valuation Outlook < $50M revenue

Real Estate

Key subsectors:

- Residential Real Estate
- Commercial Real Estate
- Industrial Real Estate
- Retail Real Estate
- Hospitality and Tourism Real Estate
- Healthcare Real Estate
- Real Estate Investment Trusts (REITs)
- Property Management Services
- Real Estate Development
- Real Estate Brokerage Services
- Real Estate Financing and Lending
- Land Development and Sales
- Data Centers and Technology
- Affordable and Workforce Housing
- Senior Living and Assisted Living
- Vacation and Second-Home Markets
- Logistics and Warehousing

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends
Highly pegged to the interest rate environment, healthy multiples of 8-12x have been common, though declining in 2022-2023. The Commercial sector has seen rapid erosion in its valuations, however in Q2 2024 saw recovery.

2025 Valuation Outlook

NEUTRAL

Risks abound in the sector amidst a backdrop of generally improving interest rates and a slight rebound in some commercial interests, largely fueled by an AI Data Center real estate boom. This area of the market should continue to thrive, while residential improves under a declining rate regime. But increasing white collar unemployment in the US will at some point constrain both the residential and commercial sides of the market. Whether that’s in 2025 is to be seen **Neutral.**

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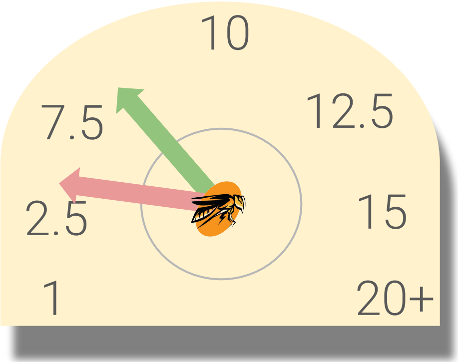
2025 Industry Valuation Outlook < $50M revenue

Financial Services

Key subsectors:

- Banking
- Insurance
- Asset Management
- Investment Banking and Brokerage
- Financial Advisory Services
- Wealth Management
- Payment Processing and FinTech
- Private Equity and Venture Capital
- Hedge Funds
- Mortgage and Real Estate Financing
- Retail Financial Services
- Risk Management and Compliance
- Financing and Leasing Services
- Cryptocurrency and Blockchain Financial Services
- Regulatory and Financial Technology
- Treasury and Cash Management

Historical EBITDA Multiplier Range (10 Year)



10 Year Historical Valuation Trends
This mature sector has fetched a consistent 5-8x EBITDA premium with technology oriented solutions firms at the higher end of the range. Risk premiums are generally lower and associated with the forward rate environment.

2025 Valuation Outlook

M&A activity in the sector increased 70% in 2024, based on a favorable interest rate outlook, lower borrowing costs, surging interest in IPO advisory, and fintech and currency innovation. Cryptocurrency is thriving in late 2024, with a full head of policy steam behind it. Look for 2025 to be the year valuations emerge from the doldrums of 2022-23, and increase based on a more favorable outlook. **Positive.**

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We've played the M&A game with the most aggressive sharks in finance - and consistently won. Through our experience we've learned that many in the M&A industry do not have what we do…integrity, humility, and unyielding dedication to our customers. Despite our success, it's been made very clear to us. We're not like them. *And that's exactly why we do what we do the way we do it - to <u>win the right way</u> for our customers*.

Each ShadowHornet partner shares a similar background – hyper intelligent hard workers who've leveraged their experienced perspective to achieve hard earned success in the M&A world. They're driven to share that dedication to help clients achieve things they didn't realize were possible. We all know that authentic, sustainable ROI is earned – never given.

We guide you through a world of dark shadows and skilled players, looking to extract maximum value from you at your expense. And our name? We wanted something that represented what we are - *aggressive winners looking to guide you out of the shadows* to an outcome that exceeds your expectations.

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Operational Efficiency and Scaling Solutions

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