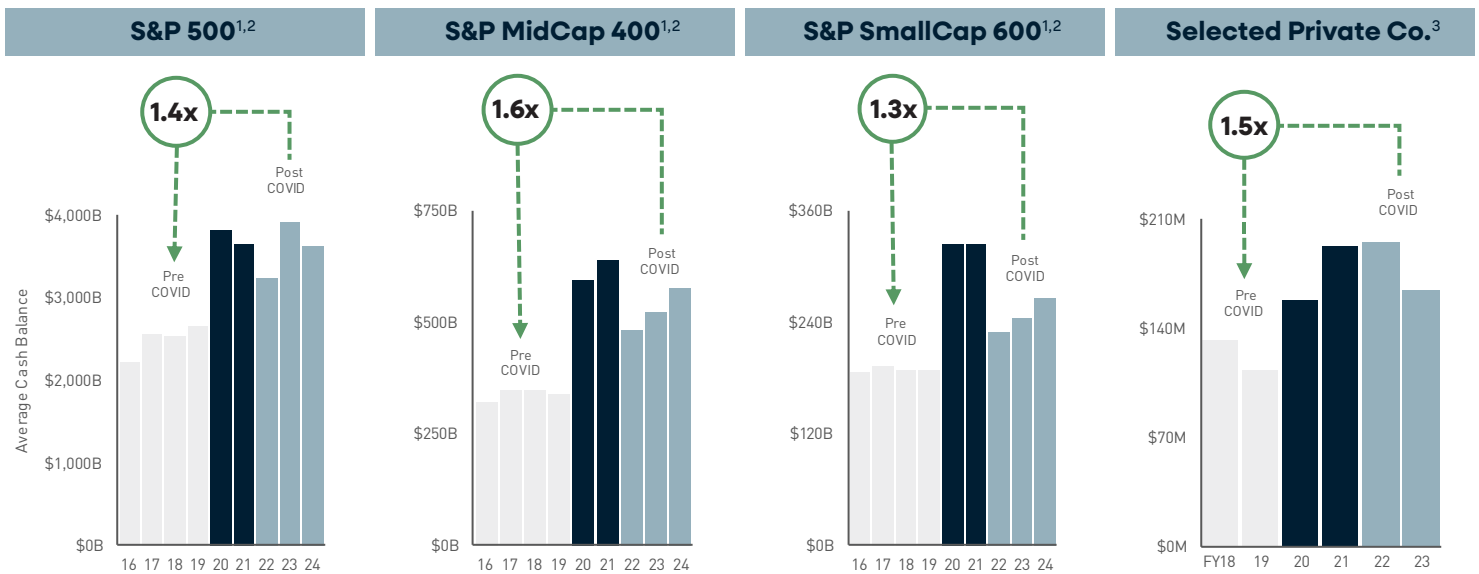


Turning Excess Capital Into Shareholder Value

As shareholders balance short and long-term corporate objectives alongside personal financial goals, the macroeconomic landscape plays a critical role. Currently, the aging U.S. population is accelerating the need for ownership transitions and generational planning, which often requires additional capital to successfully execute. At the same time, many companies are currently holding excess capital, presenting an opportunity to address these important shareholder goals.

Several of the factors that caused many companies to accumulate excess corporate financial firepower can be better understood by turning back the clock to 2020. In the wake of the pandemic, businesses took a cautious approach to liquidity management, bolstering their balance sheets in response to economic uncertainty, supply chain disruptions, and shifting consumer behaviors. Government stimulus measures, historically low interest rates, and conservative capital deployment strategies further contributed to the accumulation of excess cash reserves.



Aligning Capital Strategy with Shareholder Goals

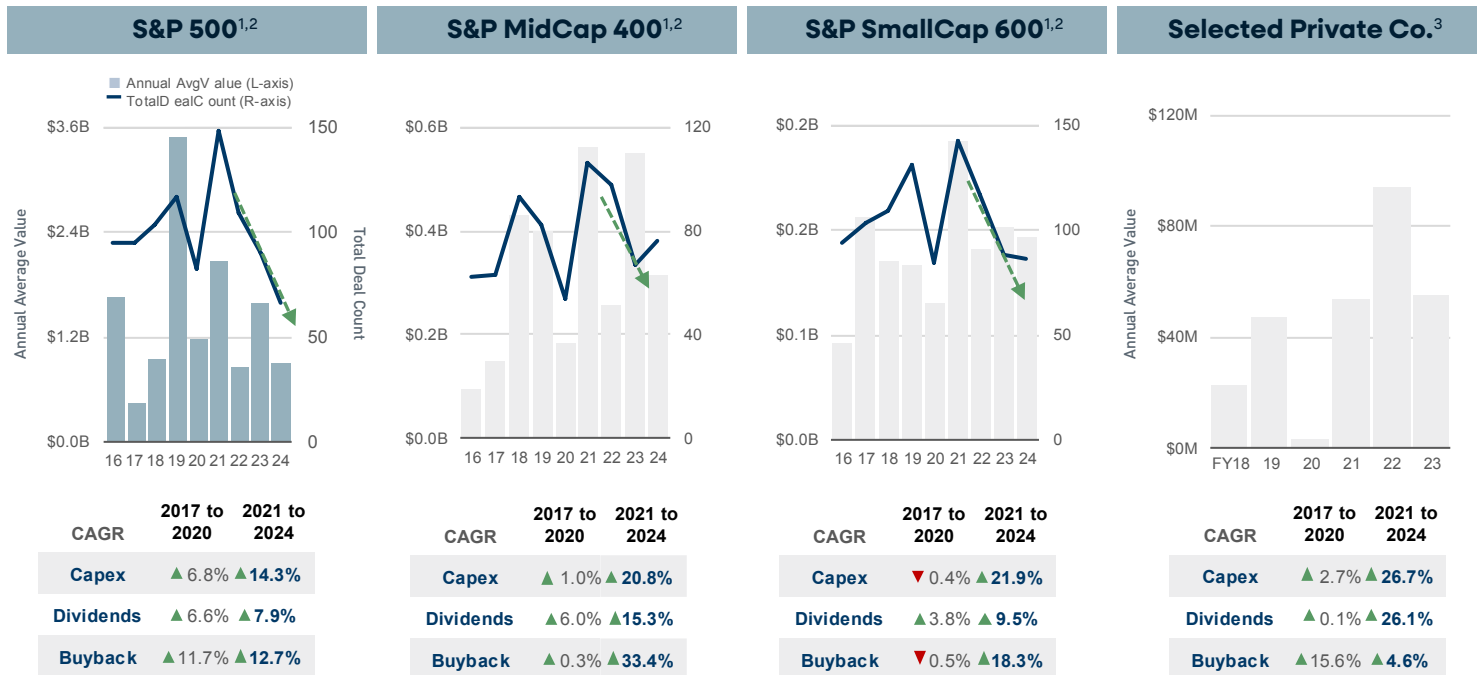
Shareholder Return Strategies

- Develop or enhance existing dividend policy to address what portion of future earnings will be distributed to the shareholders
- Execute a one-time or phased recapitalization to distribute excess cash or increase leverage by replacing equity with debt
- Repurchase shares from shareholders looking for outsized liquidity event

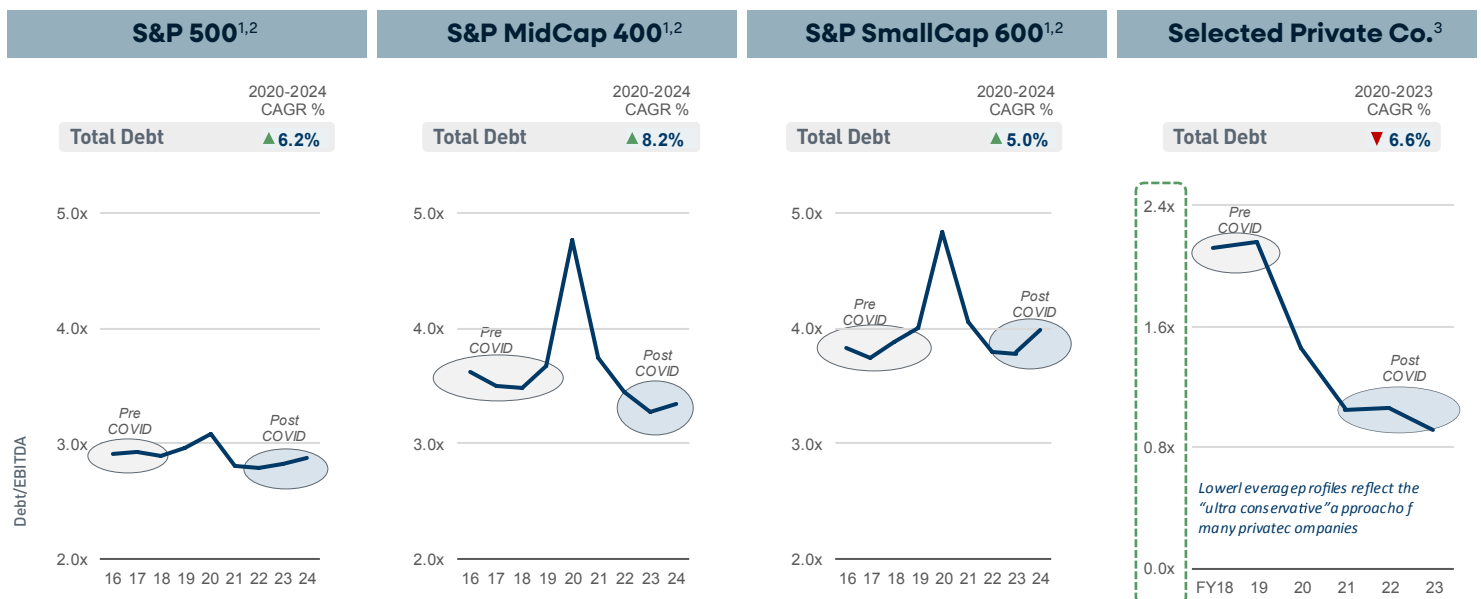
Personal Goals Supported by Increased Liquidity

- Portfolio diversification to address desired risk/return
- Estate planning and generational transition strategies that require capital to facilitate goals of individuals and families
- Shareholder buy-outs to achieve desired shifts in the shareholder roster

Another factor driving this trend of excess corporate financial firepower is the sluggish M&A market in recent years, which constrained growth investment opportunities for many companies. While there has been optimism around a stronger M&A market in 2025, Q1 momentum appears to be lagging expectations, prompting companies to explore other capital deployment options. Having a thoughtful capital allocation strategy and the flexibility to pivot is critical to driving the greatest value for shareholders.



There is a clear divergence in how public indexes and Selected Private Companies³ are utilizing excess cash reserves, specifically, around debt repayment and deleveraging strategies. Public companies typically aim for a defined leverage range, while many private companies prioritize debt repayment, irrespective of leverage profile.



Sources: S&P Capital IQ, Company Prepared Financials

¹ Annual figures based on Trailing 12M balances as of 09/30/2024

² S&P indices excludes Financial sector

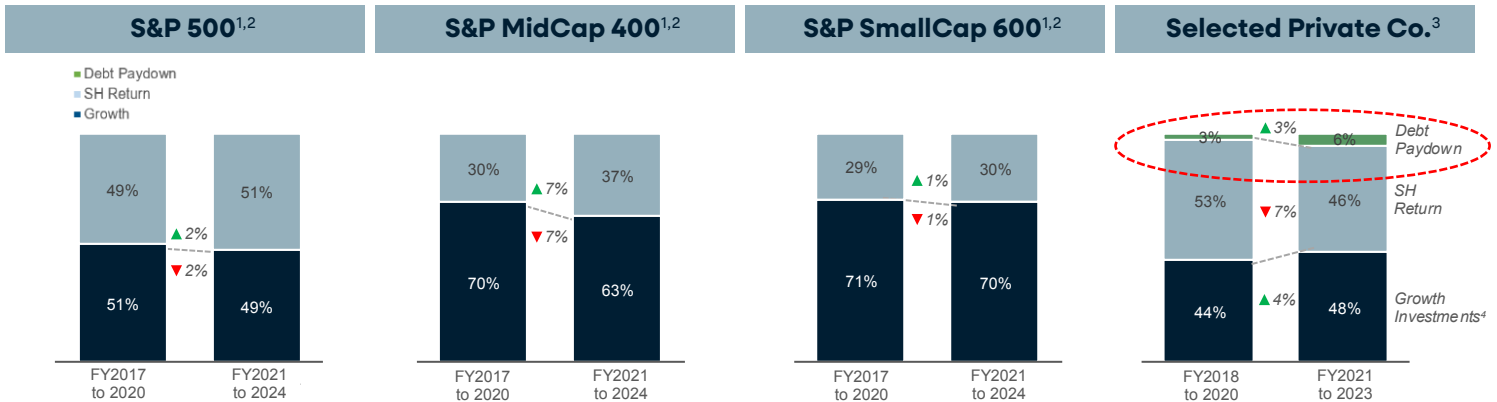
³ Represents a population of private companies in a data base maintained by PNC.

Data only available through fiscal year 2023 for Selected Private Companies

⁴ M&A deals involving indexed companies (either buyer, seller or target)

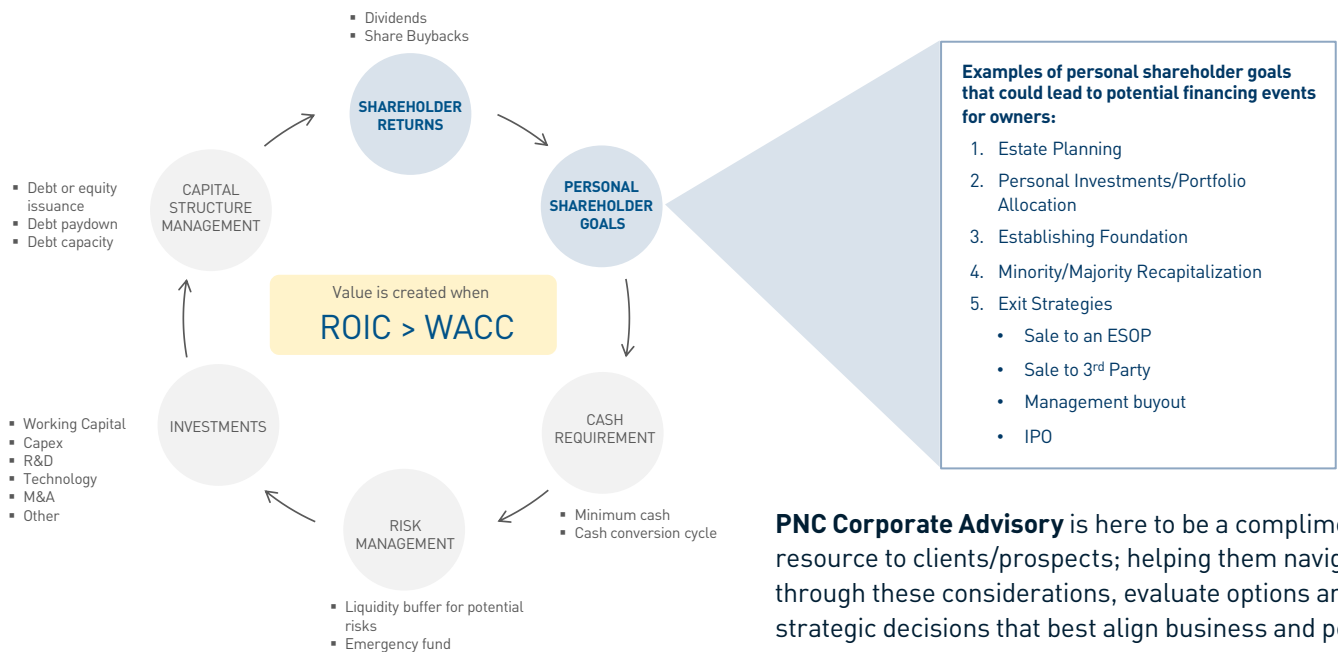
The inherently conservative nature for Selected Private Companies³ with the tendency to prioritize debt repayment as a use of excess capital, even when operating with minimal leverage is further illustrated when analyzing capital allocation strategies in comparison to that of the public indexes. Which begs the question:

“Is paying down debt the best option or is greater shareholder value achieved by deploying capital differently?”



In the last 12 months we saw a shift among many privately held companies to adopt a more structured approach to capital allocation. This heightened awareness stems from a recognition that disciplined capital management can drive greater long-term value creation. For many companies, the scale of their current liquidity reserves and debt capacity far exceeds the capital required to sustain operations (even in downside scenarios) and fund future growth opportunities. While acknowledging the complexities of the macroeconomic environment into their decisions, many business owners and executives are looking at excess capital and are focused on finding ways to deploy capital more efficiently to drive greater return for shareholders.

To get to the decision on “how much to return and when,” companies first begin with analyzing how much capital they need in the business. The answer to this is unique to every single business and numerous factors and sensitivity scenarios must be explored.



PNC Corporate Advisory is here to be a complimentary resource to clients/prospects; helping them navigate through these considerations, evaluate options and make strategic decisions that best align business and personal shareholder goals.

Sources: S&P Capital IQ, Company Prepared Financials

¹ Annual figures based on Trailing 12M balances as of 09/30/2024

² S&P indices excludes Financial sector











³ Represents a population of private companies in a data base maintained by PNC.

Data only available through fiscal year 2023 for Selected Private Companies

⁴ Growth Investments include capex and M&A









PNC Corporate Advisory Overview

Corporate Advisory supports clients by engaging in strategic dialogue to assess key priorities, evaluate alternatives, and guide decisions that best align with corporate and shareholder goals to drive long term value

What Differentiates Corporate Advisory?	Providing Highly Customized Analysis Around Key Corporate Finance Topics	
<div> Complimentary, Value Add Offering</div>	<div>Capital Deployment & ROIC Evaluation of capital allocation strategies to drive additional value to shareholders</div>	<div>Scenario and Value Driver Analysis Financial modeling and analysis across scenarios and transactions to illustrate value creation opportunities</div>
<div> Consultative, Product Agnostic Approach</div>	<div>Working Capital Analysis Identifying opportunities to unlock cash flow through working capital efficiencies</div>	<div>Liquidity and Capital Structure Assess optimal capital structure that provides appropriate liquidity, aligns with risk tolerance and funds corporate & shareholder goals</div>
<div> Examine Corporate and Shareholder Perspectives</div>	<div>Peer Benchmarking Examine trends among relevant peers within a similar industry or ownership profile to help a company identify value creation opportunities</div>	<div>Strategic Alternatives Evaluation of ownership transition activities ranging from dividend recap, generational transition, management buy-out, sale to ESOP or 3rd party, and IPO</div>
<div> Tailored to Client Priorities</div>		

Team Members

Team of experts with deep corporate finance, capital markets and investment banking backgrounds. Generalists that have the ability to understand key value drivers of a given industry / company, and are well-versed in various alternatives to drive early-stage product agnostic discussion.

 <div>Melissa McCarthy <i>Executive Vice President Head of Corporate Advisory</i></div>	 <div>Tim Brady <i>Managing Director Coverage: Midwest</i></div>	 <div>Josef Guevarra <i>Managing Director Coverage: West</i></div>	 <div>Maggie Warriar <i>Managing Director Coverage: East</i></div>
 <div>Tyler Brady <i>Associate Director</i></div>	 <div>Veronica Parkinson <i>Associate Director</i></div>	 <div>Miles Powe <i>Associate Director</i></div>	 <div>Alli Collins <i>Senior Associate</i></div>

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