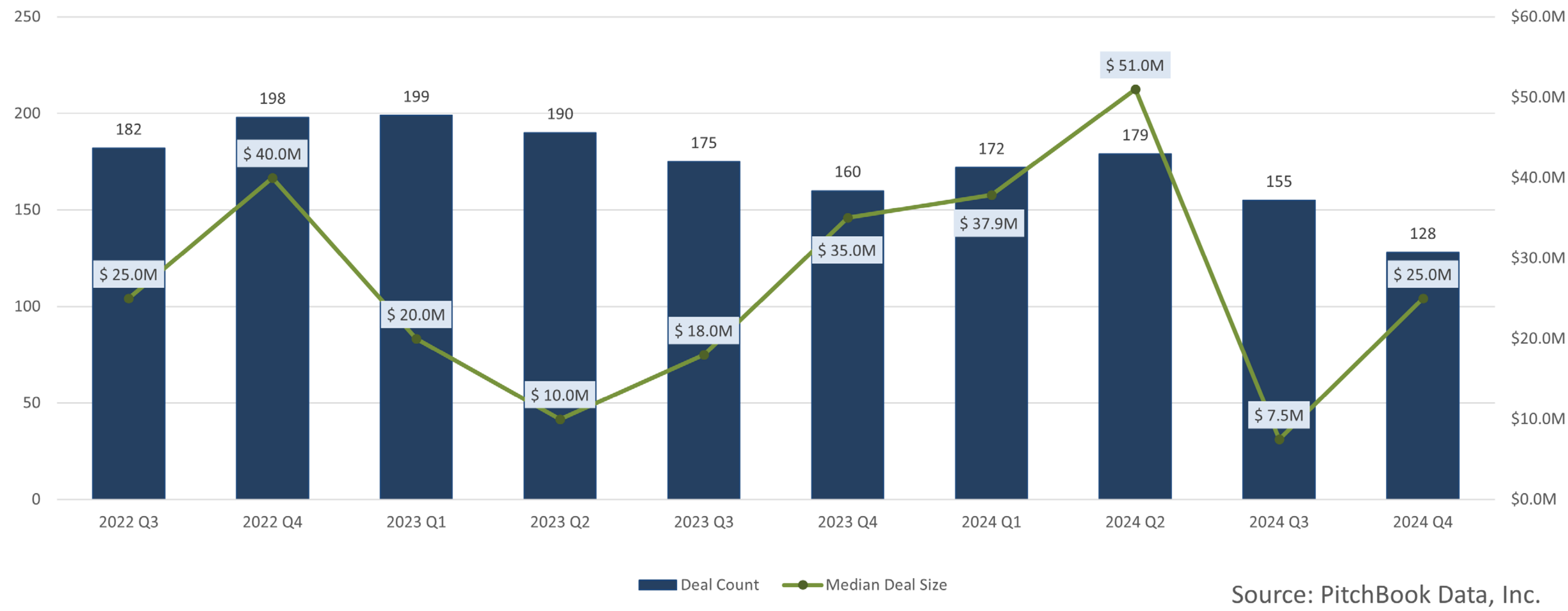
Alexander Hutton
Mergers & Acquisitions

# 2024 Year in Review & 2025 Outlook

# NW Market Overview




Source: PitchBook Data, Inc.

**Transaction Volumes Decrease in Q4**
In the fourth quarter of 2024, the Northwest M&A market, (WA, OR, ID, MT, WY & AK) experienced a slight decline in deal volume, with 128 deals closed compared to 155 in Q3. Despite this decrease, the median deal size rose to $25 million, reflecting a positive valuation trend.

The dip in deal activity can largely be attributed to macroeconomic conditions and political uncertainty surrounding the presidential election. Many buyers and sellers adopted a "wait-and-see" approach, anticipating potential shifts in M&A policies for 2025 and beyond. However, with the election now behind us and the possibility of further interest rate cuts on the horizon, the market is showing signs of renewed optimism. Increased pitch activity suggests that both buyers and sellers are positioning themselves for a strong year ahead.

Looking forward, a combination of anticipated pro-M&A policies and improving macroeconomic conditions is expected to enhance access to cheaper debt, driving higher deal volumes and rising valuations.

While some caution persists in the public markets at the start of the new year, encouraging inflation data—coming in cooler than expected—adds to the positive outlook for 2025.

**Year in Review**
For many, 2024 fell short of initial expectations. Although the Federal Reserve implemented rate cuts, lingering concerns about inflation created a cautious environment within the M&A market. The first half of the year saw a recovery from the slowdown at the end of 2023, but several deals initially projected to close in the second half of 2024 have been pushed into early 2025.

Despite these challenges, Alexander Hutton achieved significant milestones, signing five new clients across industries such as home services, material handling, and business services. The team also continued to deliver exceptional service to existing clients while pursuing new opportunities. These well-led, resilient businesses position Alexander Hutton for a promising year ahead. With favorable market conditions anticipated, the team is gearing up for a busy and productive 2025.

# Cardinal Heating and Air has been Acquired by SE Capital

Cardinal Heating and Air ("Cardinal" or "the Company") is a leading home services company serving the greater Seattle area. Cardinal is known for its high-quality work and exceptional customer service. The Company has been acquired by SE Capital Partners, a private equity firm based in Chicago, IL. With the acquisition of Cardinal, SE Capital gains a highly successful and rapidly growing addition to its existing portfolio of best-in-class HVAC service providers and enters the desirable Pacific Northwest market.

Cardinal has been a prominent brand in Seattle HVAC since it was founded in 1991 by business partners Mike Hastings and Rory Richardson. Cardinal achieved success thanks to its ability to tackle complex HVAC problems as well as the Company's commitment to the customers it serves. Cardinal's services include routine HVAC maintenance, retrofit installations, and custom system design and installation.

Remarking on the transaction, Hastings said, "Rory and I are thrilled to have found a partner in SE Capital that shares our commitment to both our customers and our team. We are grateful for the insight and guidance that the team at Alexander Hutton provided us throughout this journey; their partnership was invaluable to the success of this transaction."


Commenting on the Company's partnership with SE Capital, Jeff Kvam commented, "We are very excited to embark on this partnership. Cardinal Heating and Air is a respected brand in the Northwest and a strong addition to our portfolio. It was a pleasure working with the Cardinal and Alexander Hutton teams on this transaction, and we are enthusiastic about the future of the Company."

Regarding the transaction, Alexander Hutton Vice President Shane Jansen commented, "Under Mike and Rory's leadership, Cardinal has achieved remarkable growth in the HVAC sector, and their commitment to excellence has solidified a strong position in the growing Pacific Northwest market. Throughout this transaction process, we were pleased with the seamless alignment between the Cardinal and SE teams. Congratulations to Mike and Rory, we were honored to be part of this journey with you both."

Legal counsel for Cardinal Heating was Carney Badley Spellman, P.S., and SE Capital was represented by Winston & Strawn LLP. Terms of the transaction were not disclosed.

# Quick Dry Restoration has been Acquired by Guardian Restoration Partners

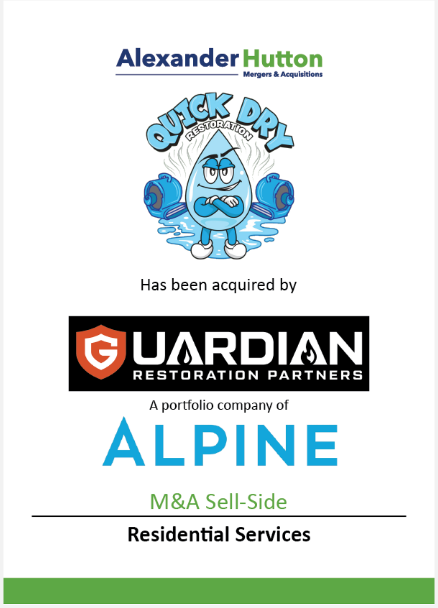
Quick Dry Restoration ("Quick Dry" or "the Company") is a leading restoration services provider serving Idaho and Washington. Quick Dry is known for its exceptional work, friendly staff, and timely service. The Company has been acquired by Guardian Restoration Partners ("Guardian"), a portfolio company of Alpine Investors. With the acquisition of Quick Dry, Guardian adds a rapidly growing business with skilled leadership into its operations and gains access to key markets in the Northwest region.

Quick Dry has been a leader in restoration services in the Northwest since its founding in Boise, ID by Evan Gines, in 2016. Quick Dry subsequently added locations in Coeur d'Alene, ID and Seattle, WA as the Company's reputation grew due to its strong service record and talented employees. The Company provides water damage restoration, remodeling/repair, and lead removal services under the brands Quick Dry Restoration, Quick Restore, and HomeGuard Environmental.

Commenting on the transaction, Gines said "We are thankful for Alexander Hutton's work in getting this transaction completed. The knowledge and professionalism of the entire team led to a terrific outcome for all shareholders. We look forward to continuing this journey alongside Guardian and Alpine."

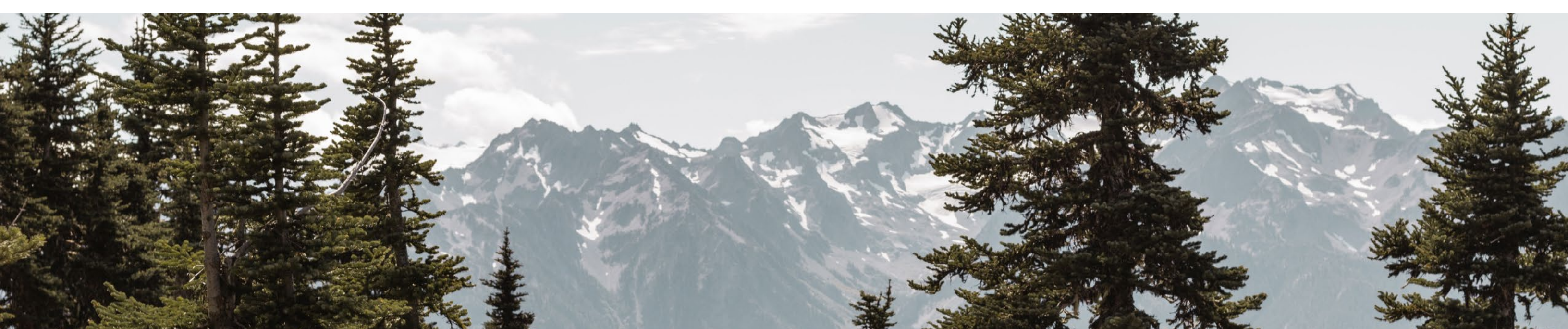
Regarding Guardian's partnership with Quick Dry, Bruno Slosse, CEO of Guardian said, "The high-quality work, services, and customer-first mindset Quick Dry consistently brings to their communities stood out to us."

Brian Willis, President of Guardian, added, "We are thrilled to welcome this company into the Guardian family and look forward to the great progress we'll achieve together."




Concerning Quick Dry's Acquisition, Alexander Hutton Managing Director James Thompson stated, "It is always an honor to help business owners in their transactions, and this deal was no exception. The Quick Dry team has worked very hard to get to this inflection point, and we believe Alpine is an ideal partner to help continue to execute its growth plan."

Legal counsel for Quick Dry was Karr Tuttle Campbell, and Guardian was represented by Kirkland & Ellis LLP. Terms of the transaction were not disclosed.



# Formula Corp has been Acquired by San Francisco Equity Partners


Formula Corp ("Formula" or "the Company") is a full-service developer and manufacturer of cleaning and personal care products for the industrial and private label markets. The Company has been acquired by San Francisco Equity Partners ("SFEP"), a middle market private equity firm investing in businesses across the consumer sector value chain. With the acquisition of Formula Corp, SFEP strengthens its portfolio of specialty manufacturing businesses serving the home care and personal care market.

Formula Corp, headquartered in Auburn, WA, was founded in 1983 by friends and business partners Chas Werner and Alan Gangl. The Company initially developed a strong reputation as a leading private brand formulator and manufacturer of janitorial cleaning chemicals. Later, Formula expanded into the "clean and green" market for retail cleaning and personal care products, serving major global and national brands. Today, Formula Corp employs over 60 workers at its state-of-the-art Auburn facility and remains at the cutting edge of product development and manufacturing for private brand cleaning and personal care formulations.

Formula's owners and management team are excited to partner with SFEP to usher in the next stage of the Company's growth. President Chas Werner commented, "Alexander Hutton executed a competitive process, bringing multiple potential partners to the table and providing us with valuable options. Their team demonstrated deep knowledge of our company and, as former operators in the chemical and manufacturing sectors, brought valuable insight. They worked tirelessly to achieve what we believe was the best possible outcome. In the end, we found a fantastic partner in SFEP to help elevate our business to the next level."

Regarding the transaction, Alexander Hutton Managing Director Stephen Humphreys said, "It's an honor to support business owners through transformative transactions, and this was no exception. Under Chas and Alan's leadership, Formula Corp has become a premier contract manufacturer known for its innovation, sustainability, and strong customer relationships. With a legacy of success and a foundation for continued growth, we believe the partnership with SFEP will further accelerate its trajectory. Congratulations to Chas and Alan – we were honored to be part of this journey with you."

Legal counsel for Formula Corp was Peterson Russel Kelly Livengood PLLC. SFEP was represented by Faegre Drinker Biddle & Reath LLC. Terms of the transaction were not disclosed.

# AH Commentary

The lower middle market in 2024 demonstrated resilience amid economic uncertainty, underscoring its importance as a dynamic segment of the broader M&A landscape. In the absence of a significant volume of larger deals, the lower middle market was a focal point for private equity (PE) firms, family offices, and strategic acquirers.

At Alexander Hutton, we saw a rebound in deal activity in 2024, including inbound interest from potential sellers, new client projects launched, and deals closed.  We were fortunate to work with impressive entrepreneurs running durable businesses and sophisticated buyers that were consummate professionals.  We also are blessed to have a highly curated network of service providers that offer top-notch wisdom in the areas of accounting, legal, commercial banking and wealth management.  We believe wholeheartedly that it takes a team of advisors to in all areas to successfully transition a business to new owners for the next stage of growth.

**2024 in Review**

While deal activity in the lower middle market faced headwinds from rising interest rates and cautious investor sentiment, the market held steady due to strong performance in the healthcare, technology, and niche manufacturing sectors.

Private equity buyers remained a driving force, leveraging dry powder to invest in scalable businesses. Despite macroeconomic uncertainties, valuation multiples stabilized, narrowing the gap between buyer and seller expectations compared to 2023. Strategic acquirers also maintained strong activity levels, seeking smaller, bolt-on acquisitions to enhance existing capabilities.

Family-owned and founder-led businesses continued to dominate deal pipelines, with aging ownership demographics and tax planning concerns prompting many owners to pursue exits.

**2025 Expectations**

Our outlook for 2025 is cautiously optimistic. While economic uncertainties persist, signs of interest rate stabilization and a potential softening of inflation may boost confidence and transaction volume. Our pipeline of active engagements has never been larger.

Private equity firms are expected to maintain their focus on add-on acquisitions to optimize portfolio companies (our recent sale of Quick Dry to Alpine as an example). Strategic buyers will continue seeking agile targets that align with growth or diversification strategies (we are currently working on a strategic tuck-in for a public company). We do believe that as lingering financing challenges persist, alternative funding structures and flexible negotiation strategies will remain critical for optimal outcomes.

Key risks for 2025 include geopolitical instability and potential shifts in regulatory frameworks. However, strong demand for quality assets and the entrepreneurial nature of the lower middle market provide a solid foundation for continued activity.

**James Thompson**

*Managing Director*

# About Alexander Hutton

Led by a team of former business operators and executives, we are advocates to the capital markets for entrepreneurs and successful private businesses.

We offer a unique understanding of what it takes to run a business, an accessible team dedicated to client service and expertise in the M&A markets gained over 230 successful transactions.

## Managing Director Team


**James Thompson**
*jt@alexanderhutton.com*
(206) 852-6359



**Tony Richardson**
*tr@alexanderhutton.com*
(206) 612-5426



**Stephen Humphreys**
*shumphreys@alexanderhutton.com*
(206) 949-3451


## What We Do


In our role as M&A advisors, we bridge the gap between business owners and capital providers. We serve our clients by creating a competitive process that drives the best outcome.

## Contact Us

Connect with the business leaders at Alexander Hutton and talk to us about the future of your company.


**Alexander Hutton**
1301 5th Ave, Ste 3405
Seattle, WA 98101
info@alexanderhutton.com

http://www.alexanderhutton.com