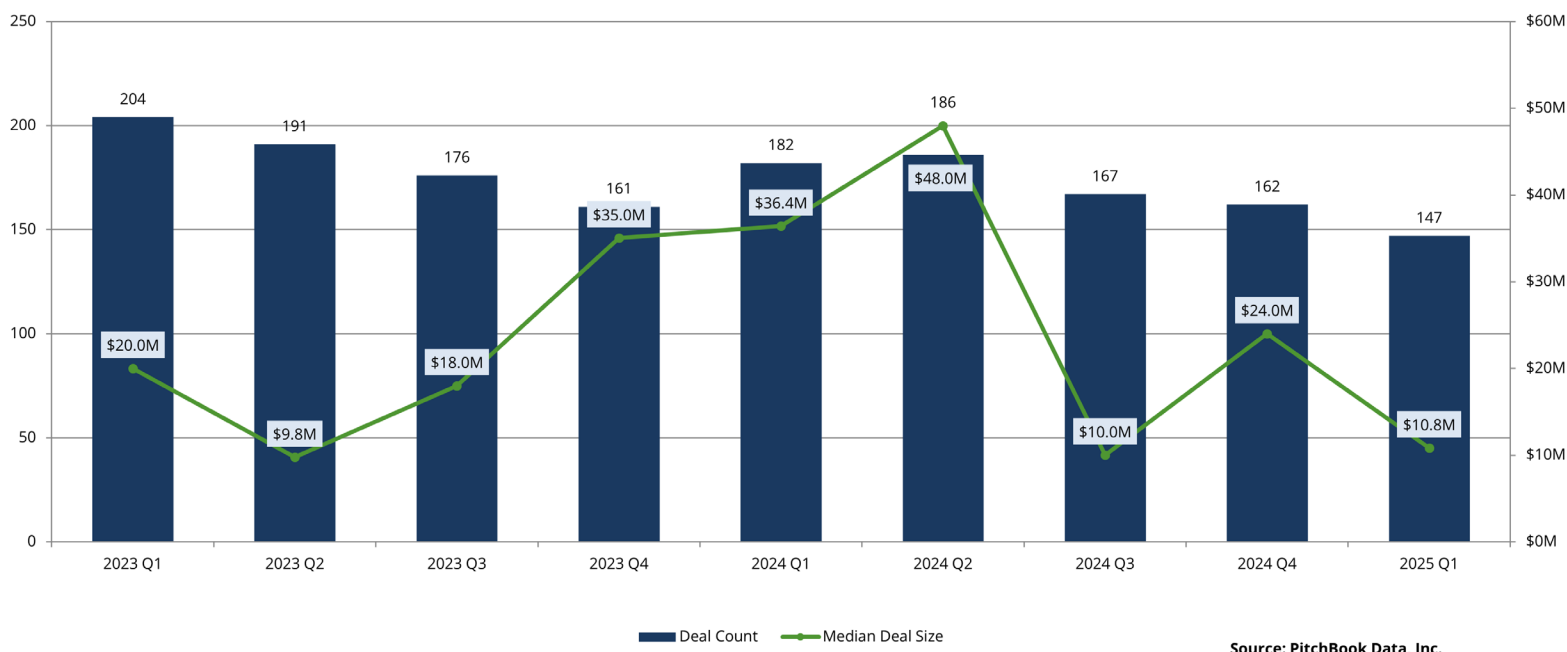


Northwest Market Update

2025 | Quarter 1

NW Market Overview

The State of the NW Market in Q1 2025



At the end of 2024, many bankers and economists anticipated the coming year would bring high volumes of deal activity and rising valuations. In the first quarter of 2025, the Northwest M&A market experienced a slight decline in deal volume with 147 deals completed (compared to 162 deals in the previous quarter). Although the expected activity rebound did not materialize in the first quarter, dealmakers remain positive that momentum will shift as the year progresses.

As we highlighted in our 2025 Market Outlook, a combination of anticipated pro-M&A policies from the changing political administration and continued rate cuts were major trends expected to drive deal activity. The news in April from the Trump administration on trade policy has certainly put buyers and sellers on pause (primarily manufacturing). However, at Alexander Hutton we have never been this busy with both sellers wanting to sell (mostly aging owners) and inbound interest from acquirers, despite the headlines.

In fact, we have seen instances where our US manufacturing clients are winning business that in the past, they would be uncompetitive against parties that source abroad.

Equipped with substantial dry power, at levels still exceeding \$2 trillion, private equity capital is looking for a home. Middle-market private equity firms continued to focus on add-on investments, representing almost 75% of PE buyout activity in Q1 2025, highlighting a strategic shift towards investments with lower transaction sizes and proven operational synergies. However, lower M&A levels in the past three years have resulted in an increasing inventory of aging private equity-owned assets that need to be monetized. At the start of the year, 3,800 US PE-backed portfolio companies were held for five to twelve years. Already, we are seeing signs of PE-exit activity and new funds being raised. With 7 million private companies in the US with owners over 55, we expect deal volume across all sectors will be positively impacted in the Pacific Northwest and nationally in the coming years.

(Continued on next page)

NW Market Overview (continued)

Certain sectors in the Pacific Northwest saw further consolidation in Q1 as both strategic and financial investors continued to show interest in the technology and professional services sectors. The rise of AI adoption and digital transformation has driven demand for companies seeking to expand their technical capabilities. Private equity investors are looking to build platforms in an attractive industry, directing attention to the Pacific Northwest's high concentration of innovative start-ups and established technology firms. The professional services industry saw high levels of consolidation as firms looked to grow market share and expand services in a demanding market. For example, legal firms such as Philadelphia-based Ballard Spahr and Seattle-based Lane Powell merged in January 2025 to create a firm of over 750 lawyers with 18 offices, expanding both legal services across key industries and geographic areas.

As key M&A drivers continue into the next quarter, deal activity and valuations are expected to rebound and end a period of gradual decline. The Pacific Northwest's deep bench of founder-led businesses and quality companies positions the region for continued M&A strength across the middle market.

Q1 2025 Representative Transactions in the Northwest:

Date	Location	Industry	Seller	Buyer
3/25/2025	Seattle, WA	Entertainment Software	Napster	Infinite Reality
3/17/2025	Seattle, WA	Internet Retail	Zulily	Proozy
3/3/2025	Rigby, ID	Food Products	Potato Products of Idaho	Post Holdings (NYS: POST)
2/28/2025	Bellevue, WA	Professional Services	Baxter Law International	Miura & Partners
2/11/2025	Olympia, WA	Commercial Services	South Sound Fire & Security	Performance Systems Integration
2/1/2025	Beaverton, OR	Construction & Engineering	Elcon Associates	David Evans & Associates
1/30/2025	Spokane, WA	Elder & Disabled Care	Beneficial In-Home Care	Family Resource Home Care
1/28/2025	Medford, OR	Software	ShepTech	Titan Pro Technologies
1/21/2025	Bellevue, WA	Software	Smartsheet	Blackstone
1/1/2025	Seattle, WA	Professional Services	Lane Powell	Ballard Spahr



Transaction Spotlight: 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.

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Who We Are

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.



What We Do

Operators

Business owners,
Entrepreneurs,
CEOs

Buyers

Private Equity, Growth
Capital, Debt Providers,
Corporations

Your M&A
Advisor



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.

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