10th Annual Financial Executive Forum Weekly Webinar Series

October 3rd – November 7th (Thursdays)

WELLS FARGO

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CORDIA RESOURCES® by Cherry Bekaert

Our 10th Annual Financial Executive Forum Webinar Series program offering: 6 weekly sessions, with up to 12 hours of CPE credit, including 2 hours of VA Ethics.

- **Oct. 3 | 8-10 A.M.** — **CFO Roundtable**
  Presented by **Cordia Resources by Cherry Bekaert** (2 CPE Hours)
- **Oct. 10 | 8-10 A.M.** — **Anchoring Your Foothold in GovCon and DCAA's Hot Topics**
  Presented by **Cherry Bekaert** (2 CPE Hours)
- **Oct. 17 | 8-10 A.M.** — **VA Ethics**
  Presented by **Jennifer Louis, AICPA** (2 CPE Hours)
- **Oct. 24 | 8-10 A.M.** — **Managing Your Risk: Innovation in Employee Benefits & Business Insurance**
  Presented by **Marsh McLennan Agency** (2 CPE Hours)
- **Oct. 31 | 8-10 A.M.** — **Economic Outlook and Capital Markets Update**
  Presented by **Wells Fargo** (2 CPE Hours)
- **Nov. 7 | 8-10 A.M.** — **How AI and Digital Networks Will Shape the Future of Accounting**
  Presented by **Sage** (2 CPE Hours)

CPE Webinar Rules

CPE Compliance:

- Polling questions will appear throughout the webinar to be compliant with **NASBA** requirements
- You need to answer at least 75% of the 8 polling questions to **receive full CPE credit** for each session
- You will be **muted** during the webinar presentation
- Please use the **Q&A** feature to submit your questions to the panelist
- Please use the **chat** feature to communicate any technical difficulties
- Please complete the **session survey** using the link included in the post event email
- **Your CPE certificates** will be issued within 2 weeks of this course. Any questions, please reach out to Cherry Bekaert Learning at cbhlearning@cbh.com

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Joe Greeves
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Grant Palmer
Partner

Today’s Agenda

October 31st – Economic Outlook and Capital Markets Update presented by Wells Fargo

- ► **8:00 to 8:10 A.M.** | Kick-off & Welcome
- ► **8:10 to 9:00 A.M.** | Economic Update with Tim Quinlan
- ► **9:00 to 9:30 A.M.** | Capital Markets Update with Chris O’Geen
- ► **9:30 to 9:55 A.M.** | Election Outlook with Nida Zaman and John Hand
- ► **9:55 to 10:00 A.M.** | Close by Grant Palmer

Meet Our Speakers

John Hand

SVP, Federal Government Relations

Wells Fargo

Tim Quinlan

Managing Director, Senior Economist

Wells Fargo

Chris O'Geen

Managing Director, Mid-Cap Investment Banking

Wells Fargo

Nida Zaman

SVP, Director of Federal Government Relations

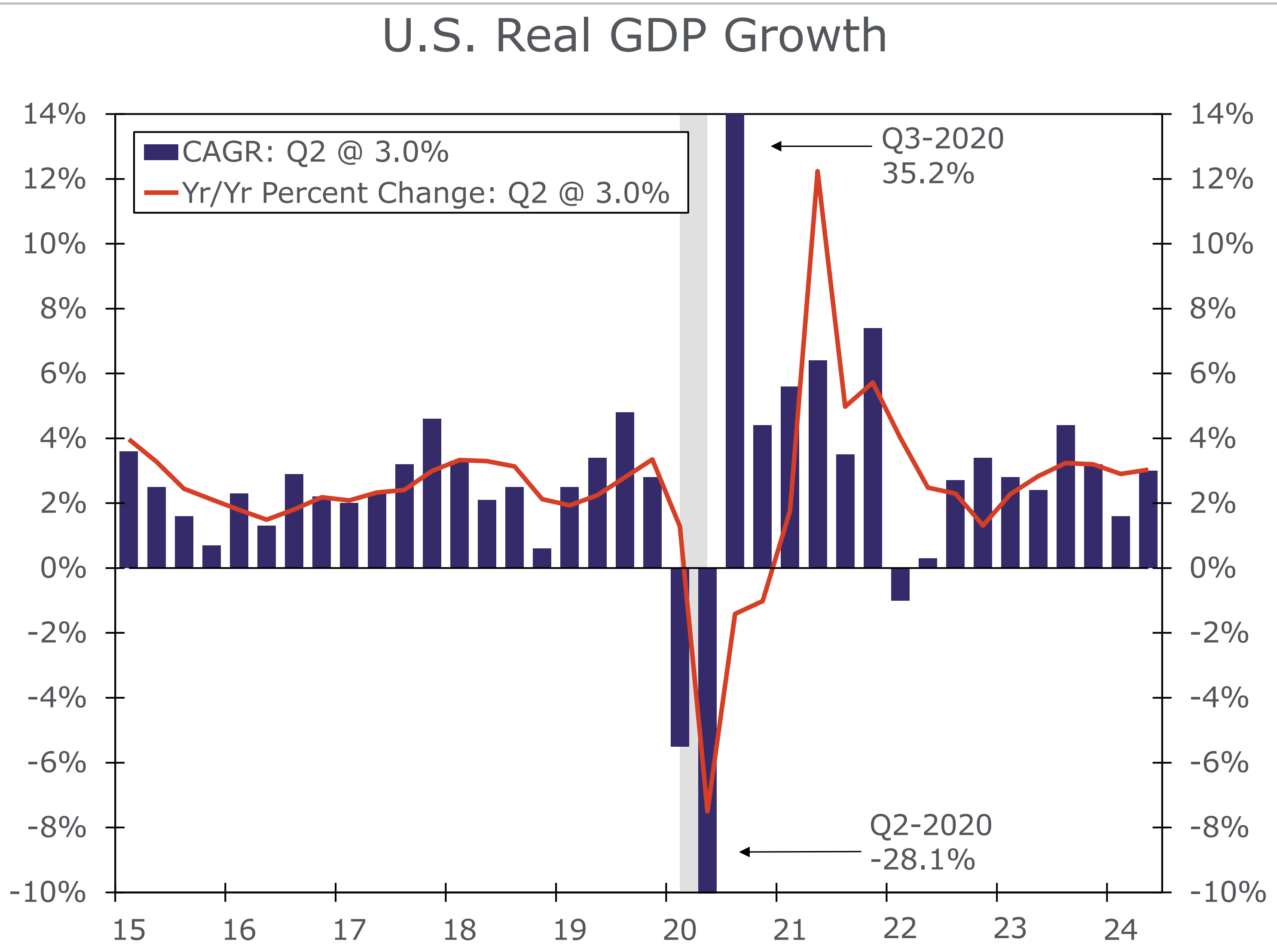
Wells Fargo

Economic Outlook

OCTOBER 2024

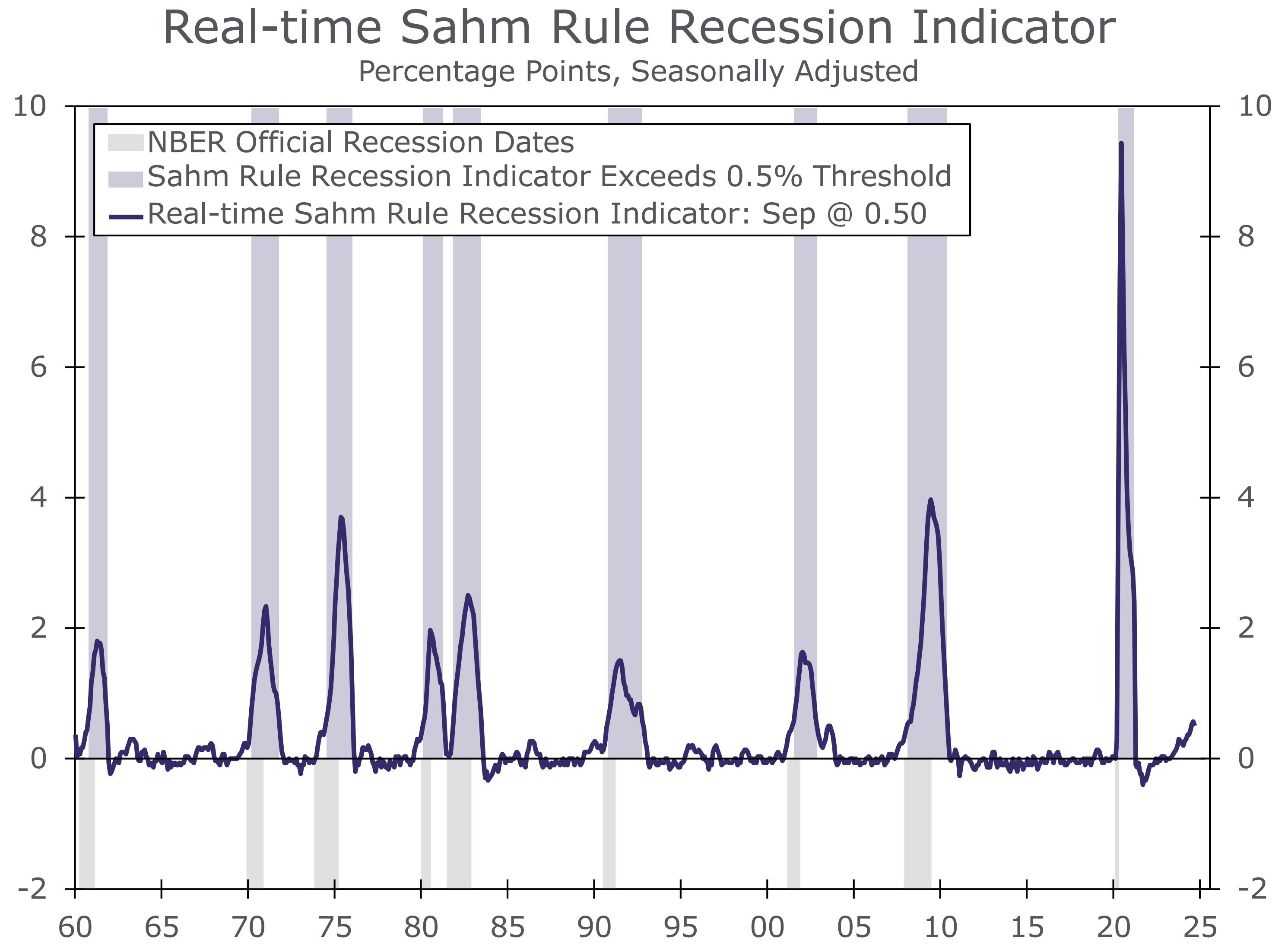
Tim Quinlan
Managing Director | Senior Economist
Wells Fargo Corporate and Investment Banking
tim.quinlan@wellsfargo.com | 704-410-3283

For now, at least, the U.S. economy continues to expand.



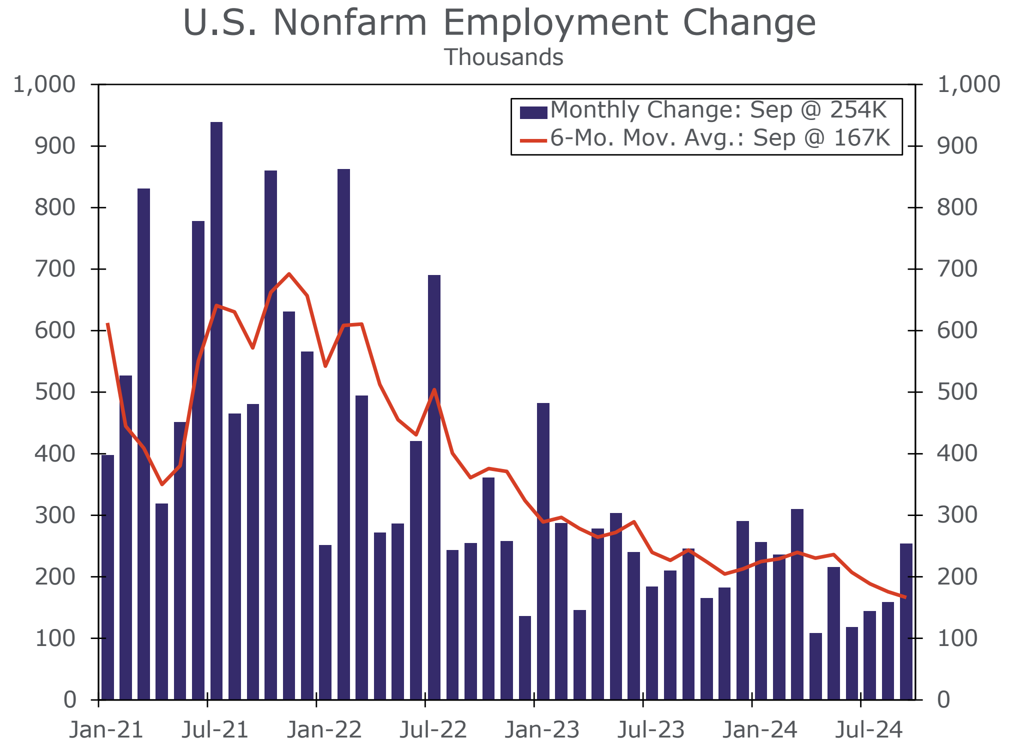
Source: U.S. Department of Commerce and Wells Fargo Economics

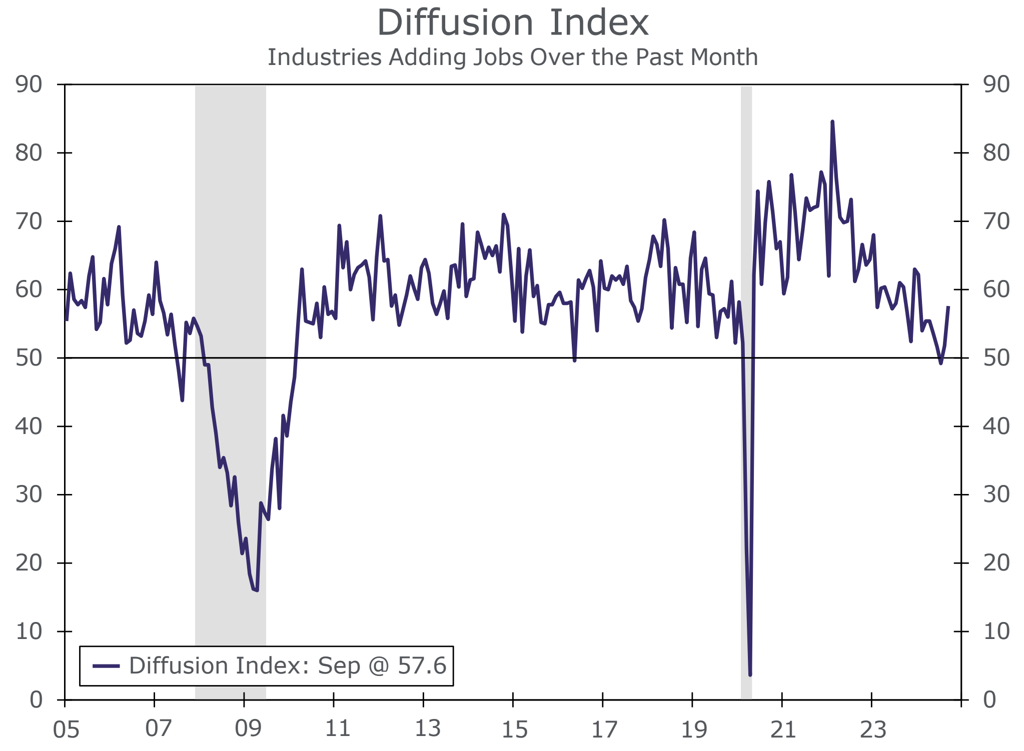
But the July jobs report triggered the Sahm Rule.



Source: U.S. Department of Labor, Claudia Sahm and Wells Fargo Economics

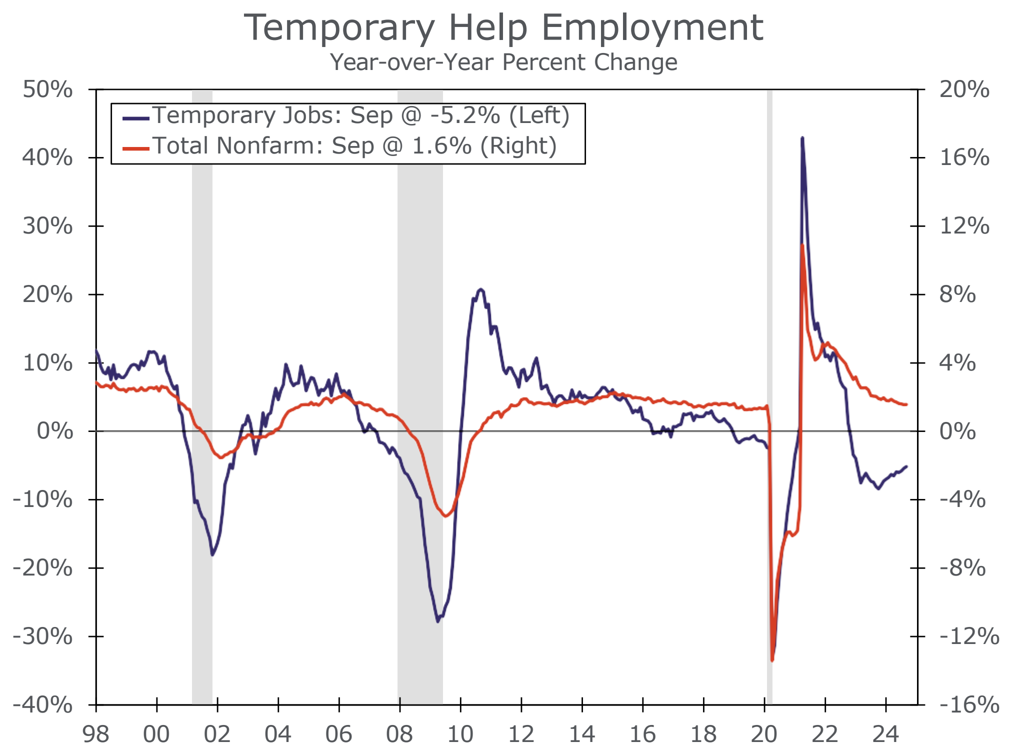
Lackluster hiring and a broader deterioration in labor market conditions more broadly imply weaker income growth which will eventually weigh on consumer spending.

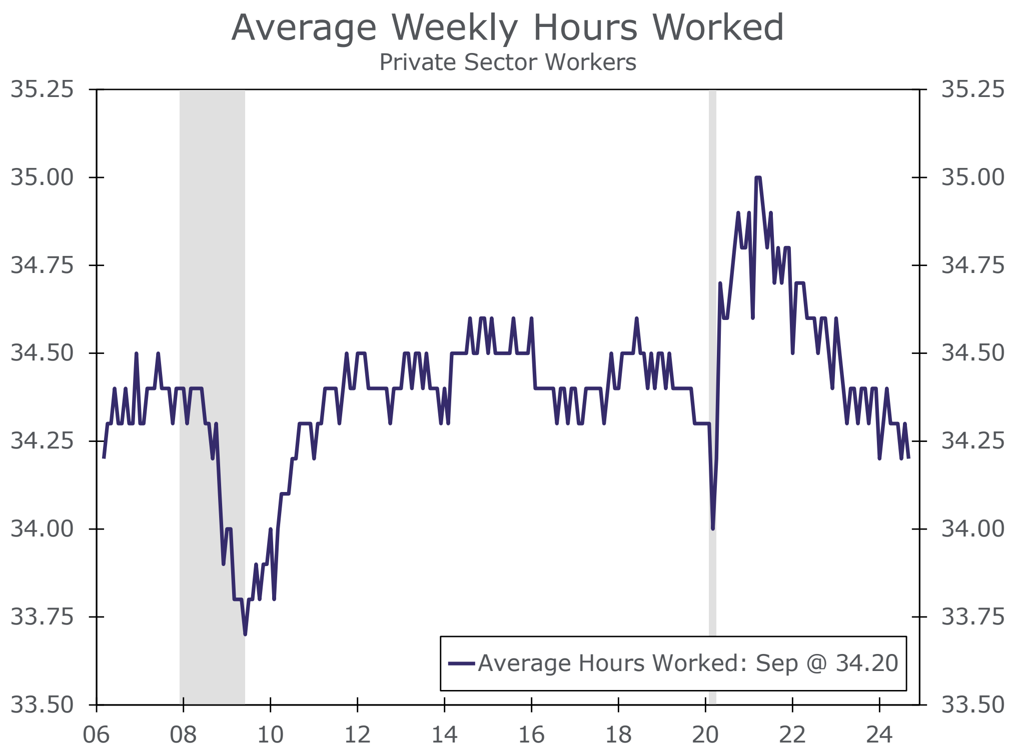




Source: U.S. Department of Labor and Wells Fargo Economics

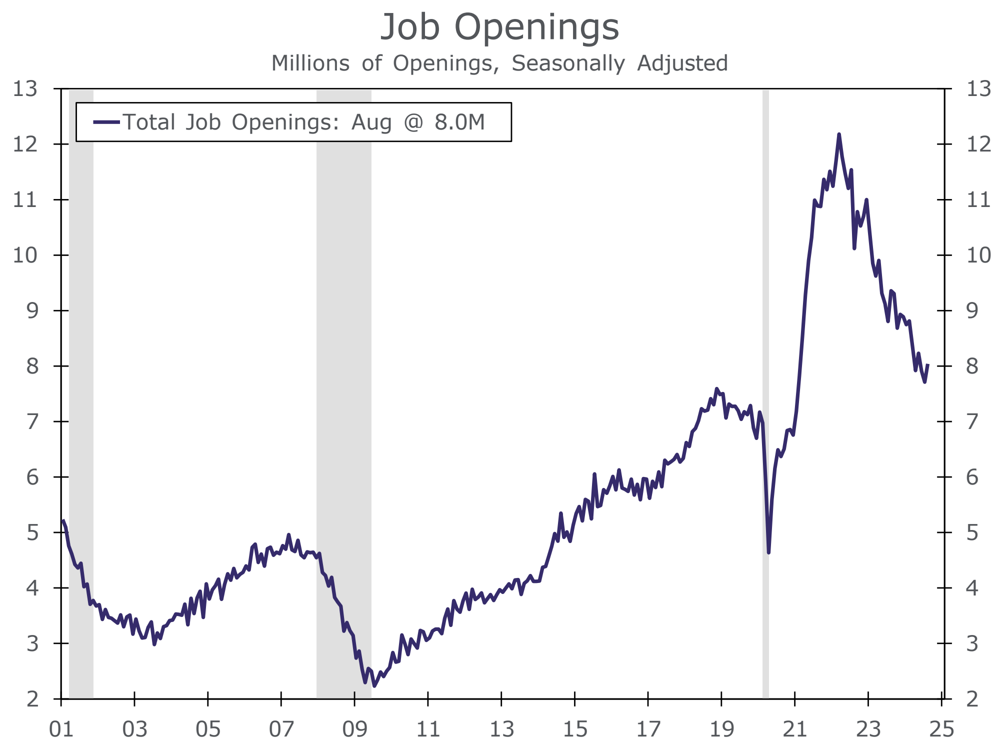
Temporary jobs hiring and hours worked have been pointing to a weakening for some time.

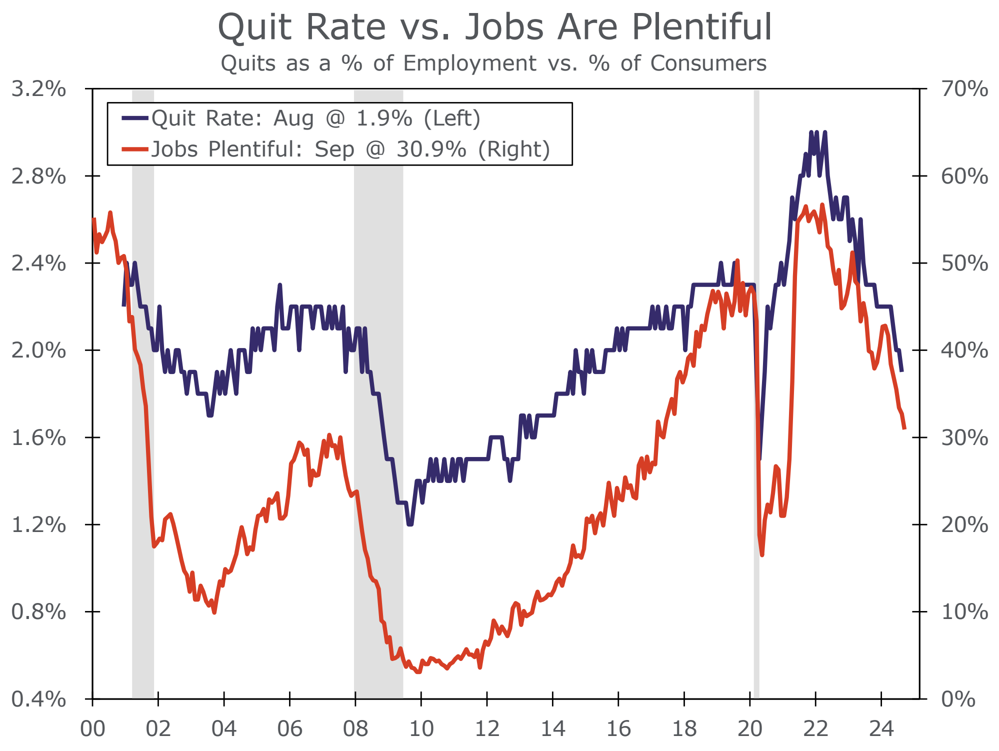




Source: U.S. Department of Labor and Wells Fargo Economics

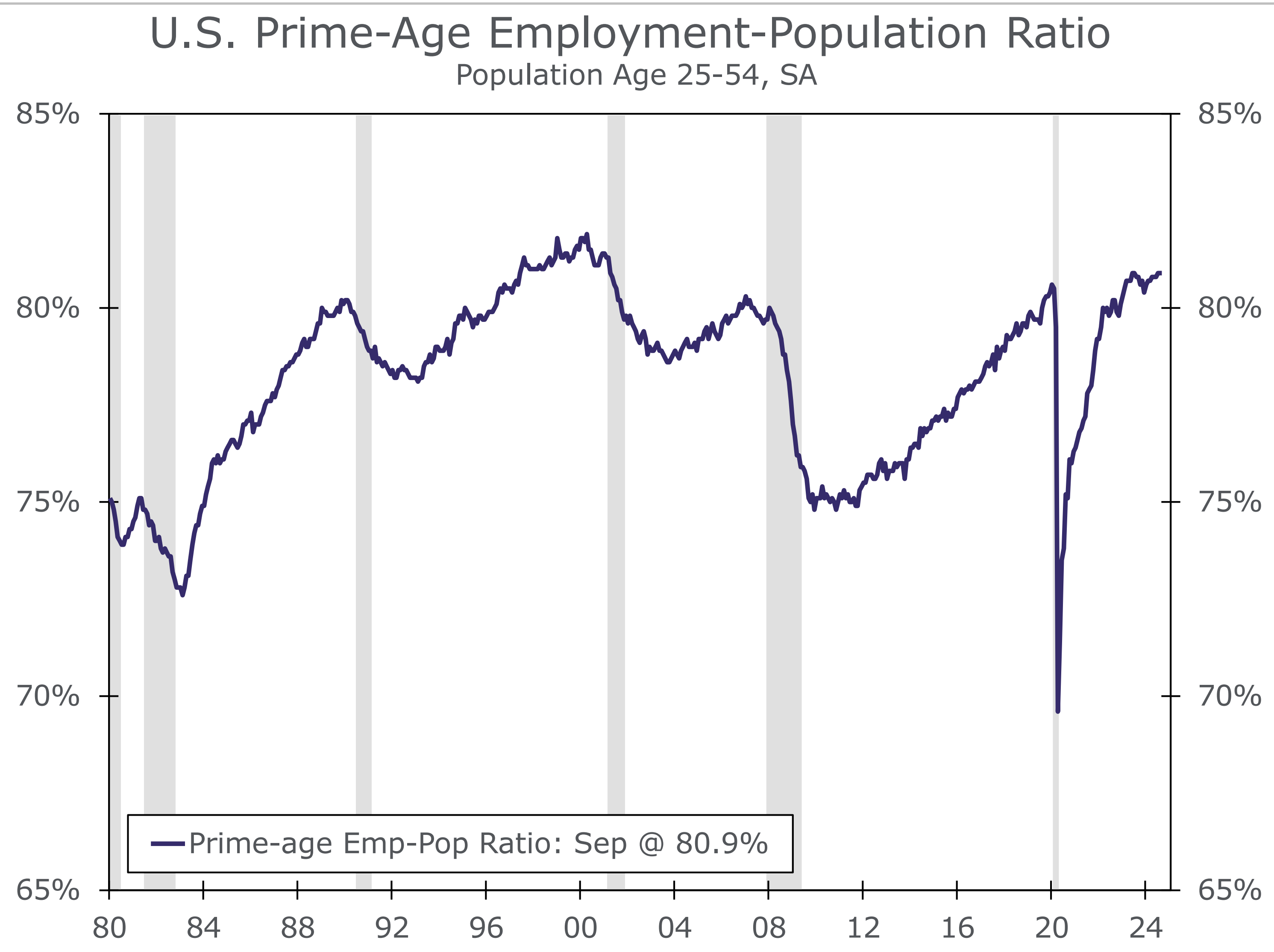
Observations about fewer job openings, a lower quits rate and a shrinking share of consumers saying that jobs are plentiful tend to be discounted when the monthly jobs number keeps coming in above expectations. Now everyone is awake.





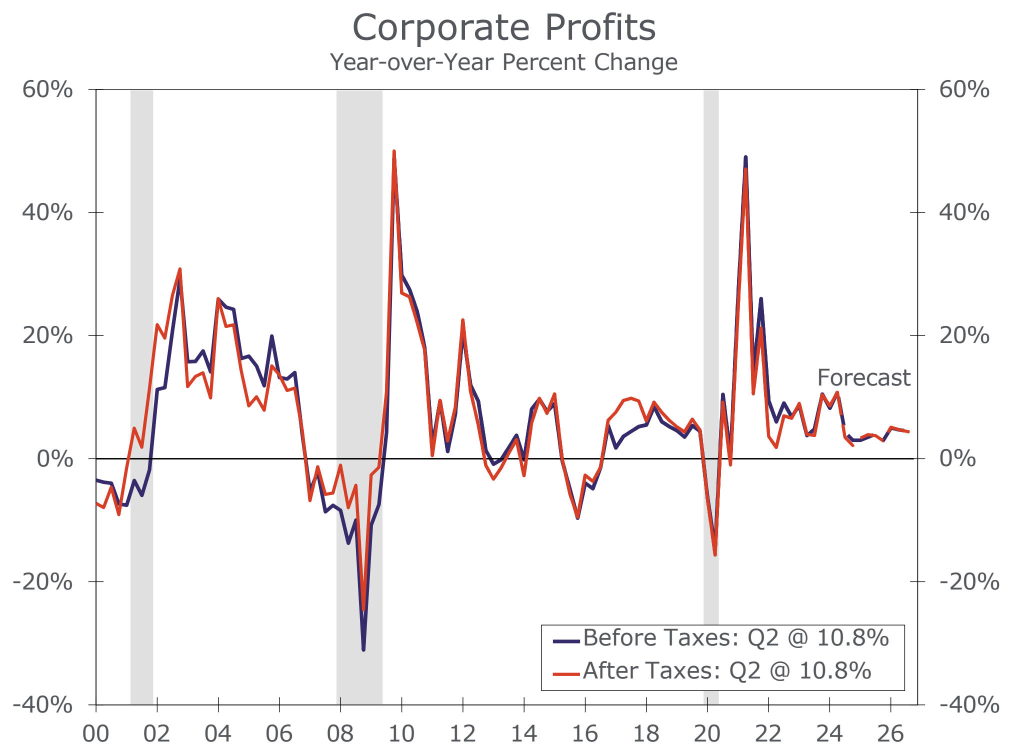
Source: U.S. Department of Labor, the Conference Board and Wells Fargo Economics

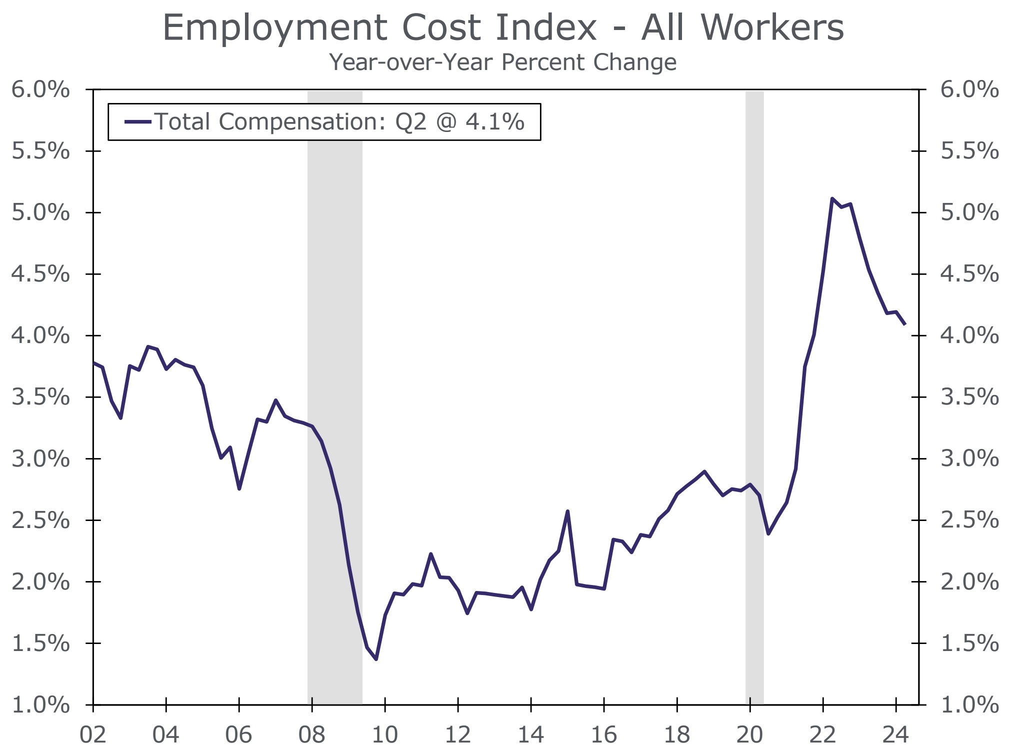
The employment rate among 25–54 year-olds is near an all-time high.



Source: U.S. Department of Labor and Wells Fargo Economics

Corporate profit margins are at risk of a squeeze with slowing demand, particularly if wages remain sticky and high.

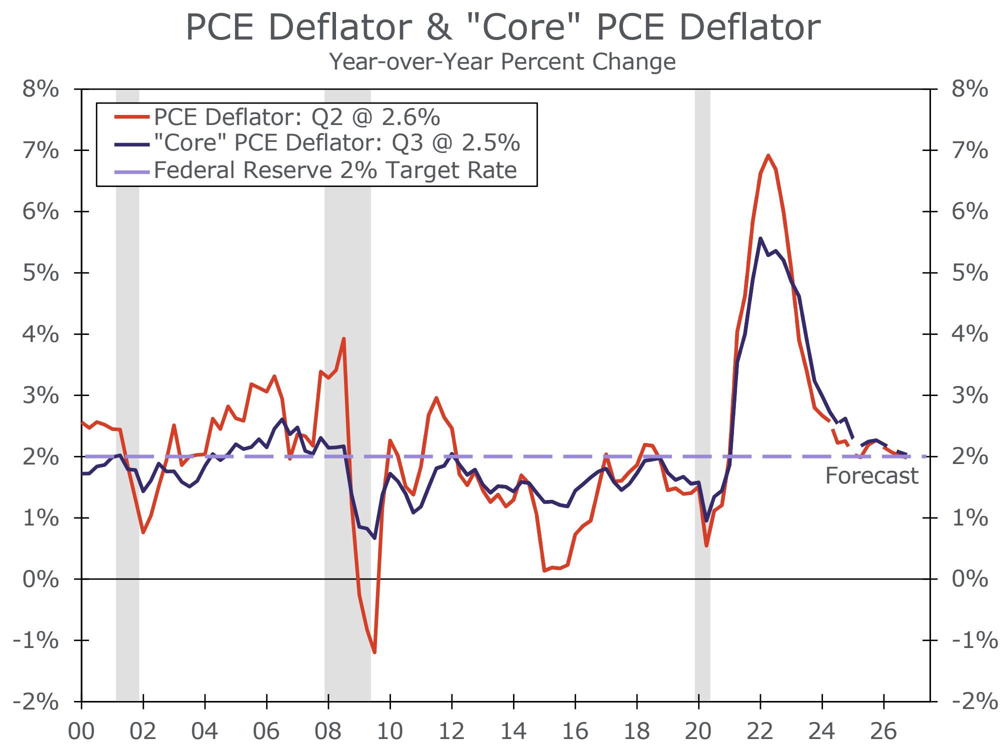


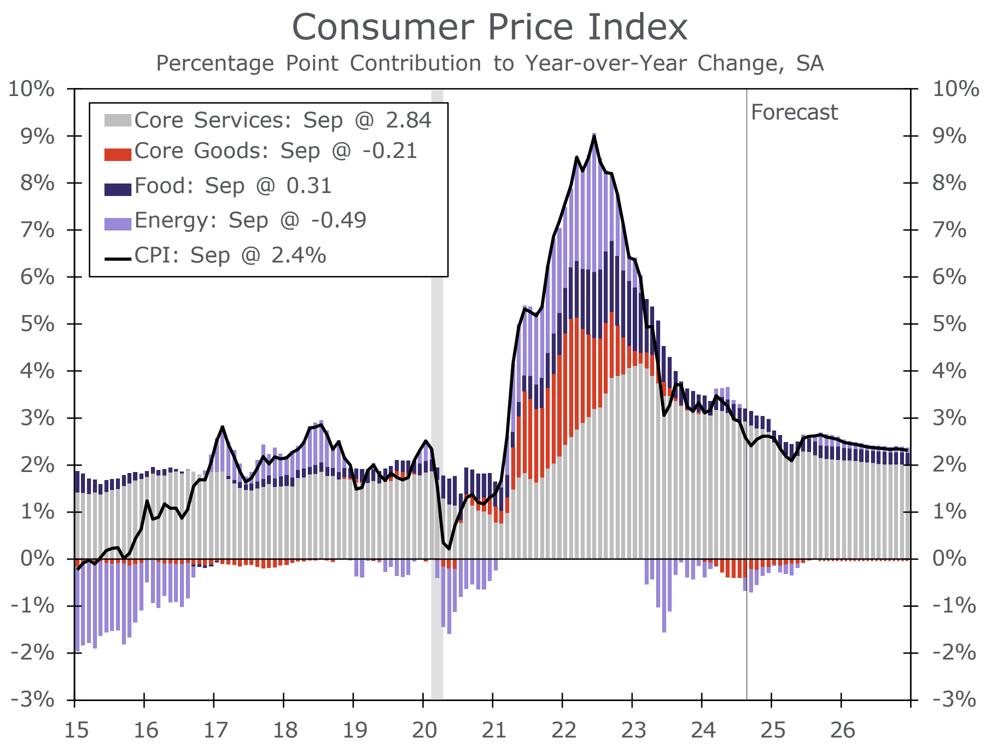


Source: U.S. Department Commerce, U.S. Department of Labor and Wells Fargo Economics

Inflat

Gradual weakening in demand and improvement on the supply side of the economy is helping to lower inflation.

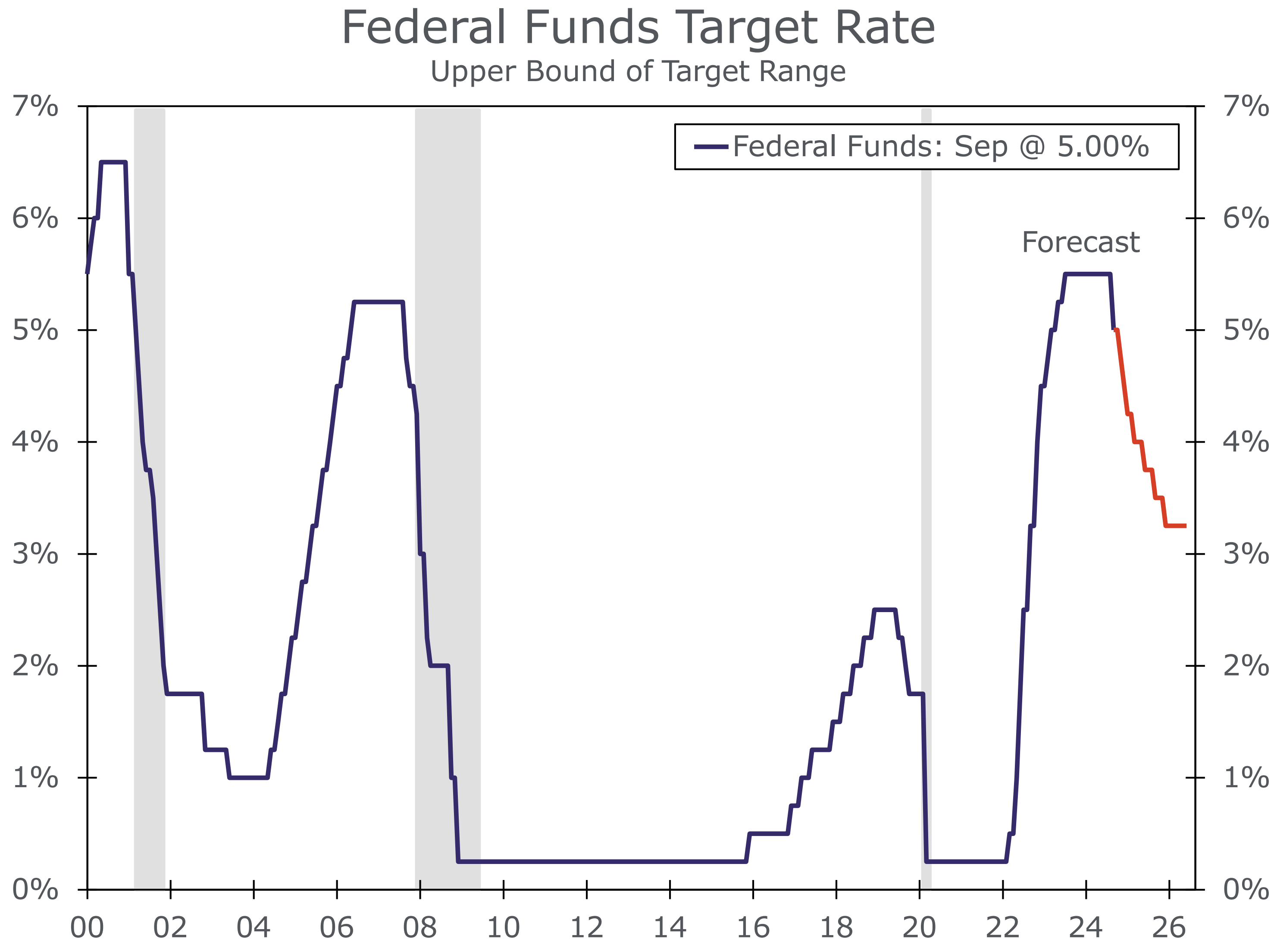




Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Economics

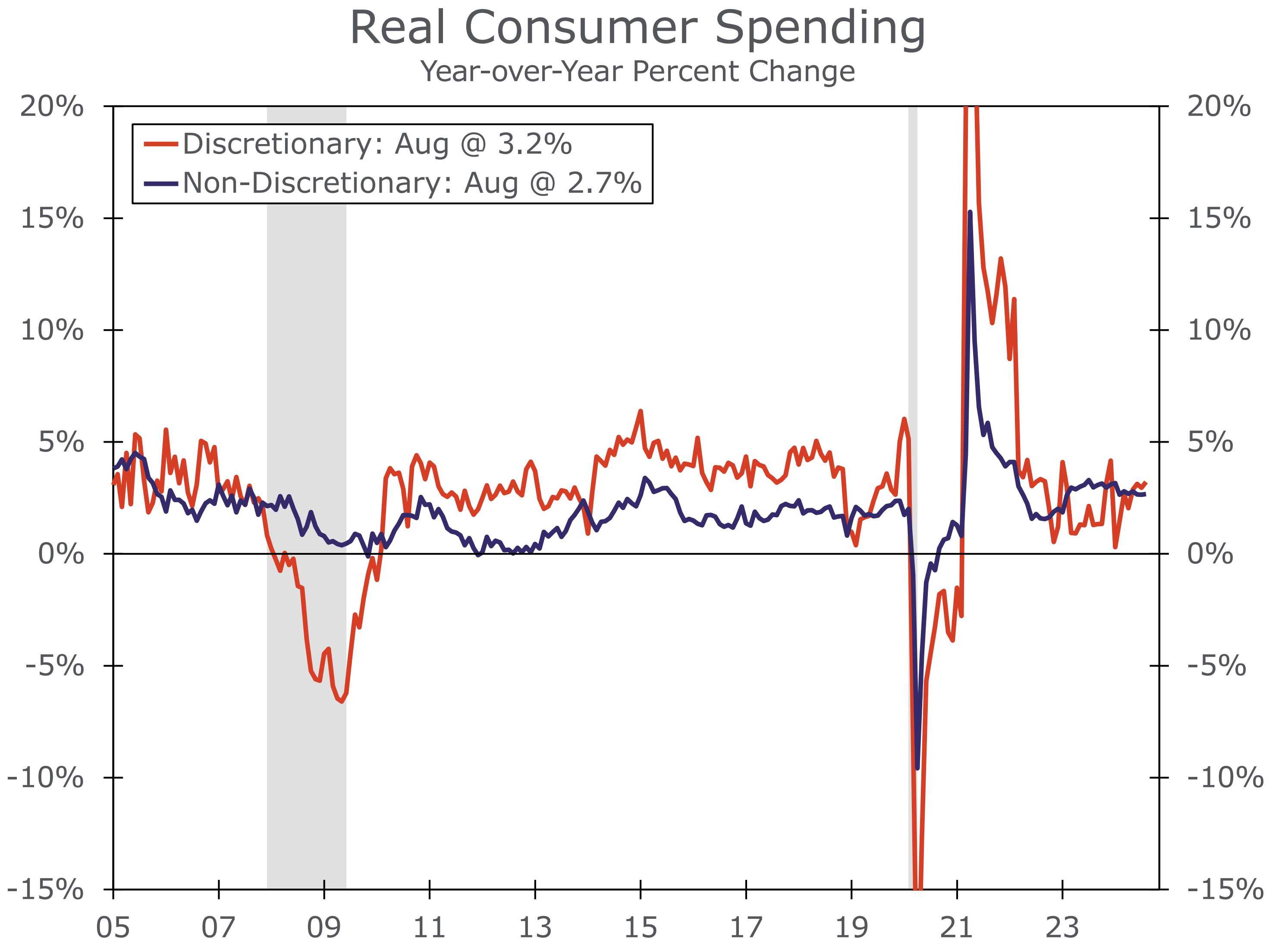
Fed Funds

We now look for a 25 bps cut at the November 7 meeting with federal funds rate headed to 3.00%–3.25% by the middle of next year.



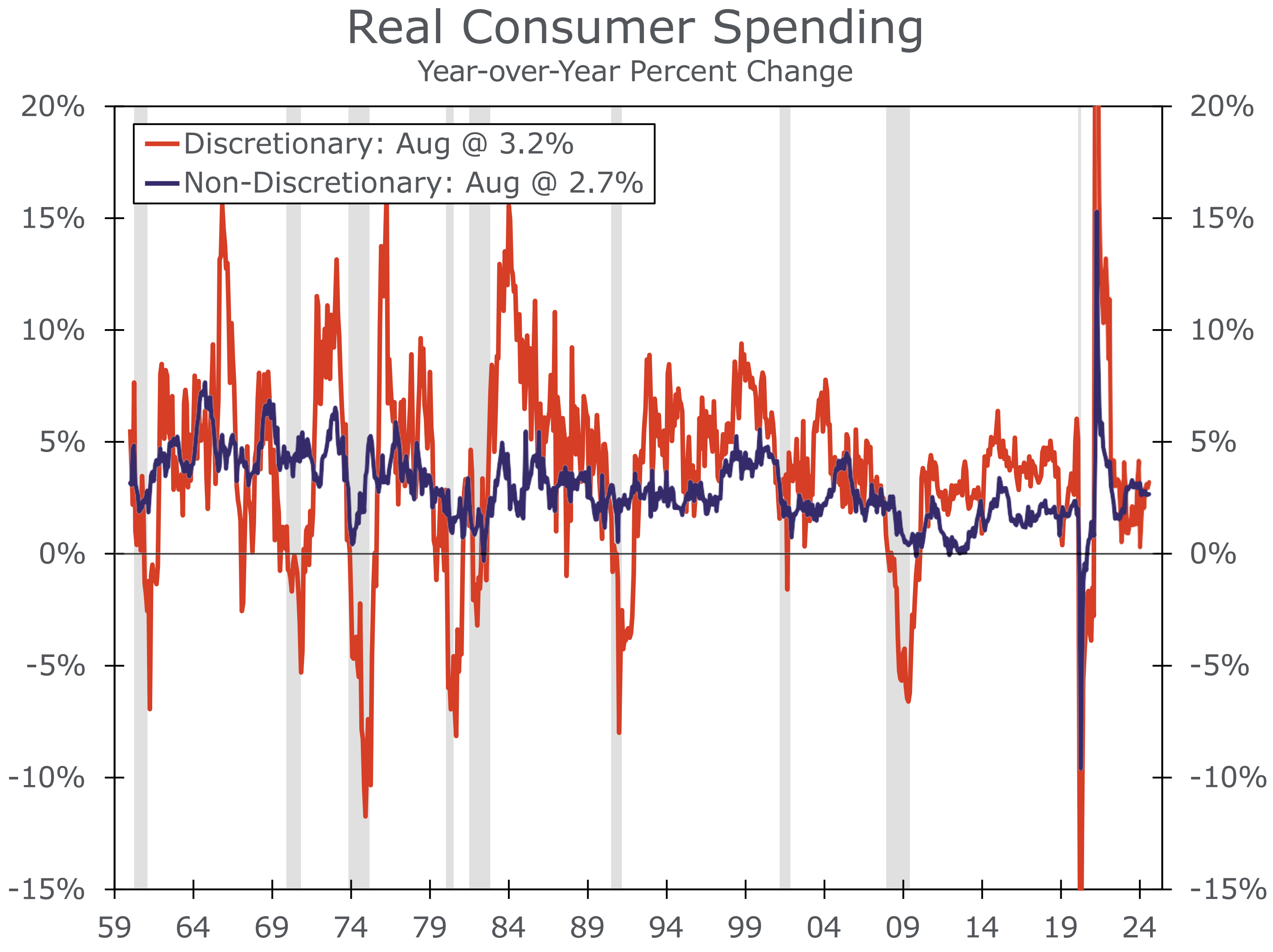
Source: Federal Reserve Board and Wells Fargo Economics

Consumers are still spending, and outlays are being driven by nondiscretionary purchases.



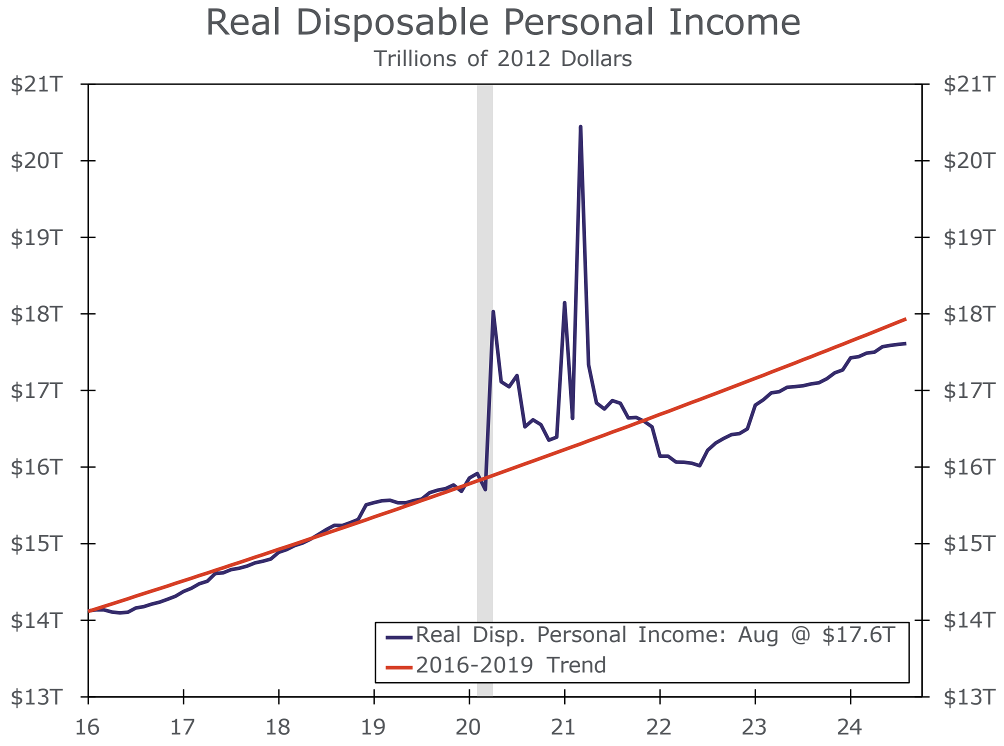
Source: U.S. Department of Commerce and Wells Fargo Economics

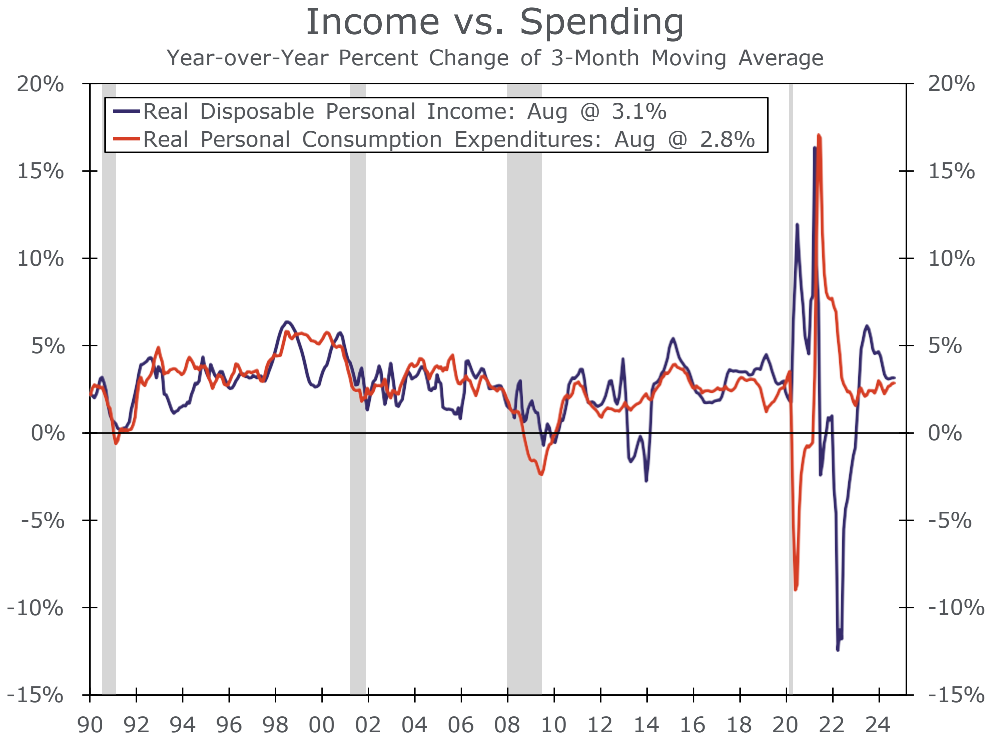
The year-over-year rate of real discretionary spending is an excellent, though not imperfect, recession monitor.



Source: U.S. Department of Commerce and Wells Fargo Economics

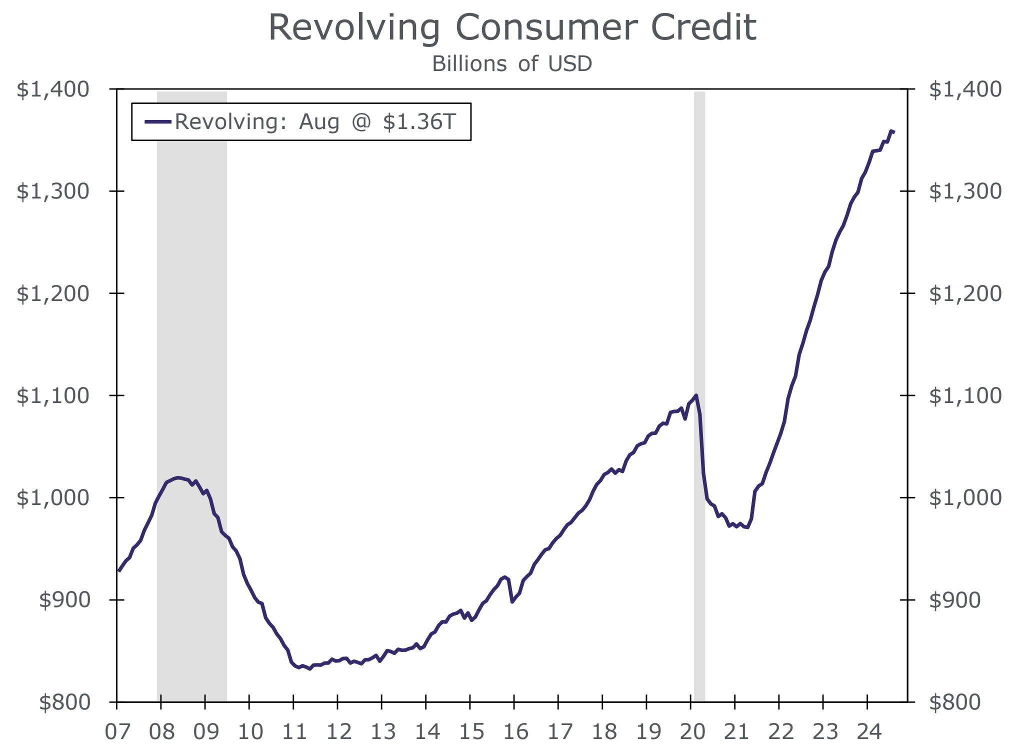
Real income is the last major driver for spending.

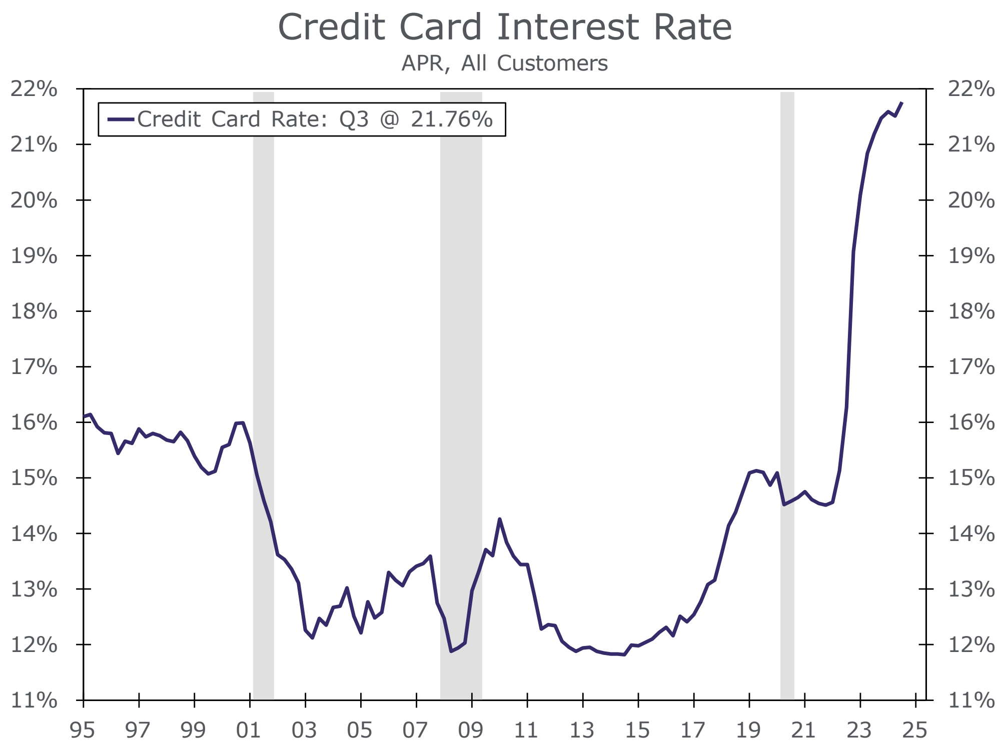




Source: U.S. Department of Commerce and Wells Fargo Economics

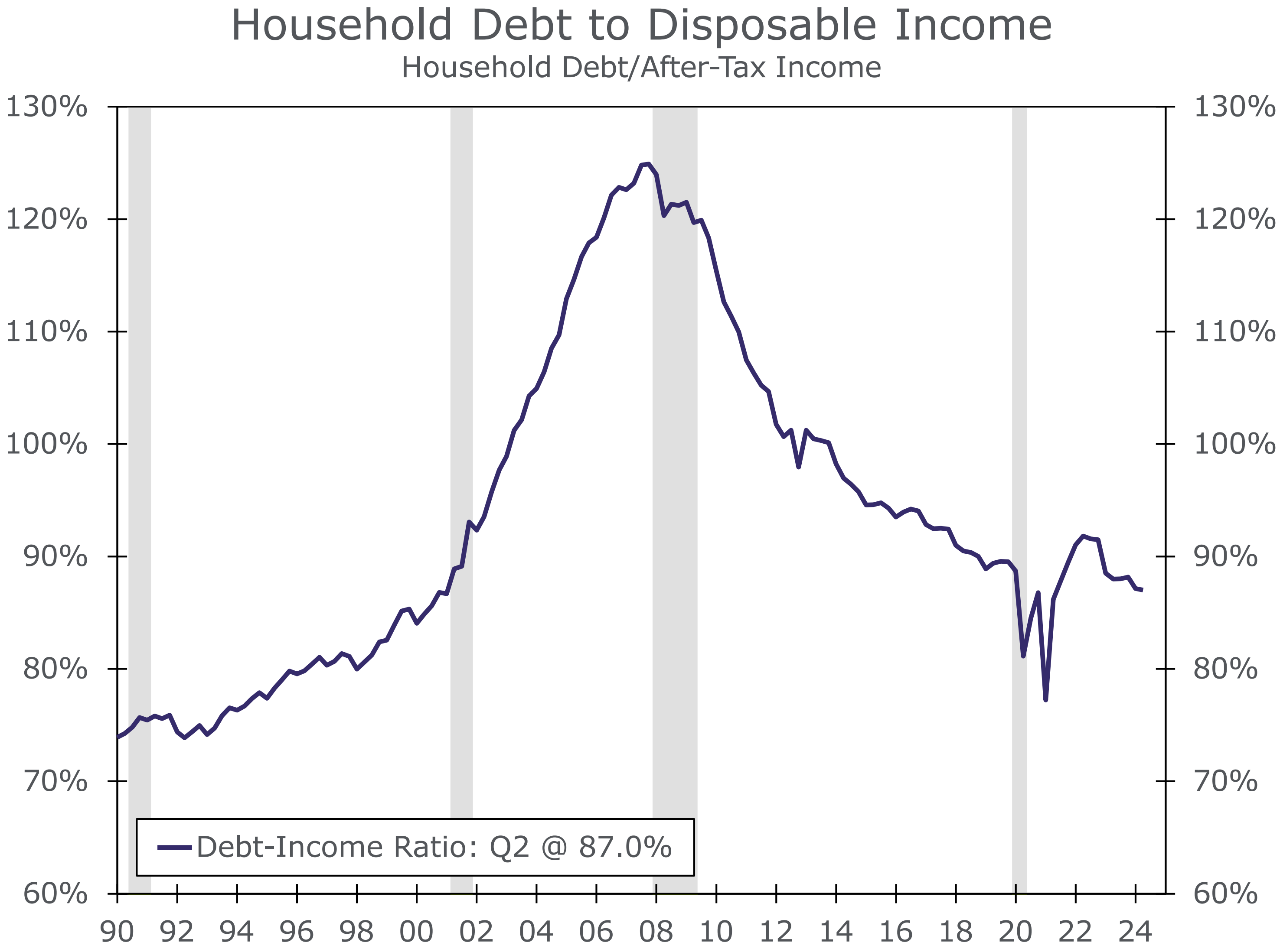
The average annual percentage rate (APR) on credit cards has shot higher and reached the highest rate (~22%) in data going back to the mid-1990s in the third quarter.





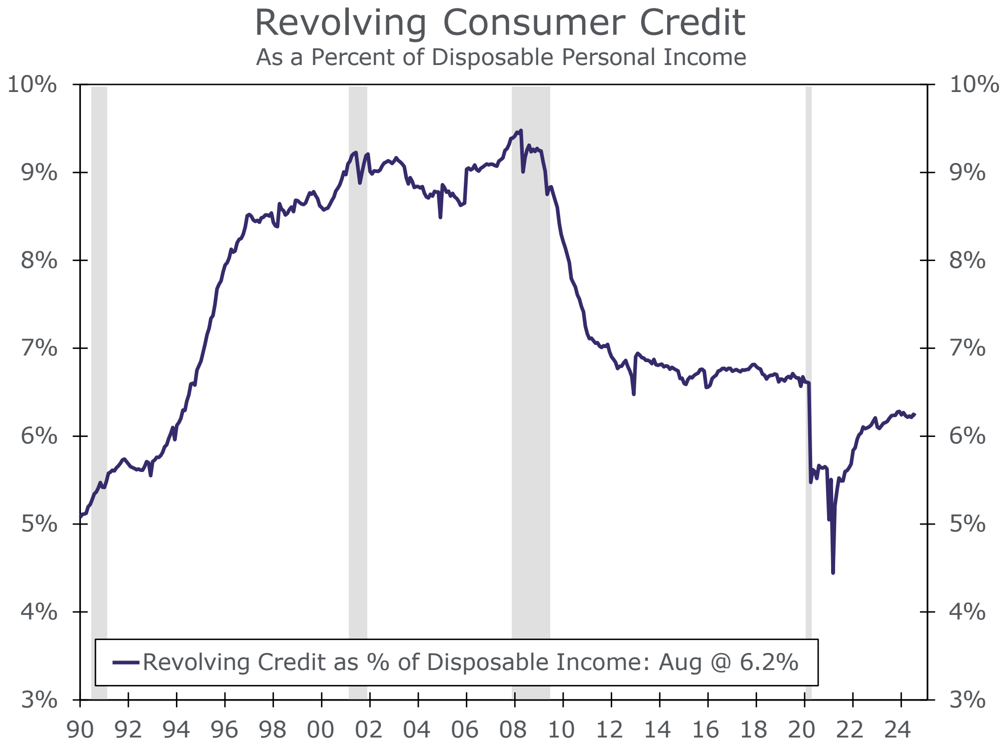
Source: Federal Reserve Board and Wells Fargo Economics

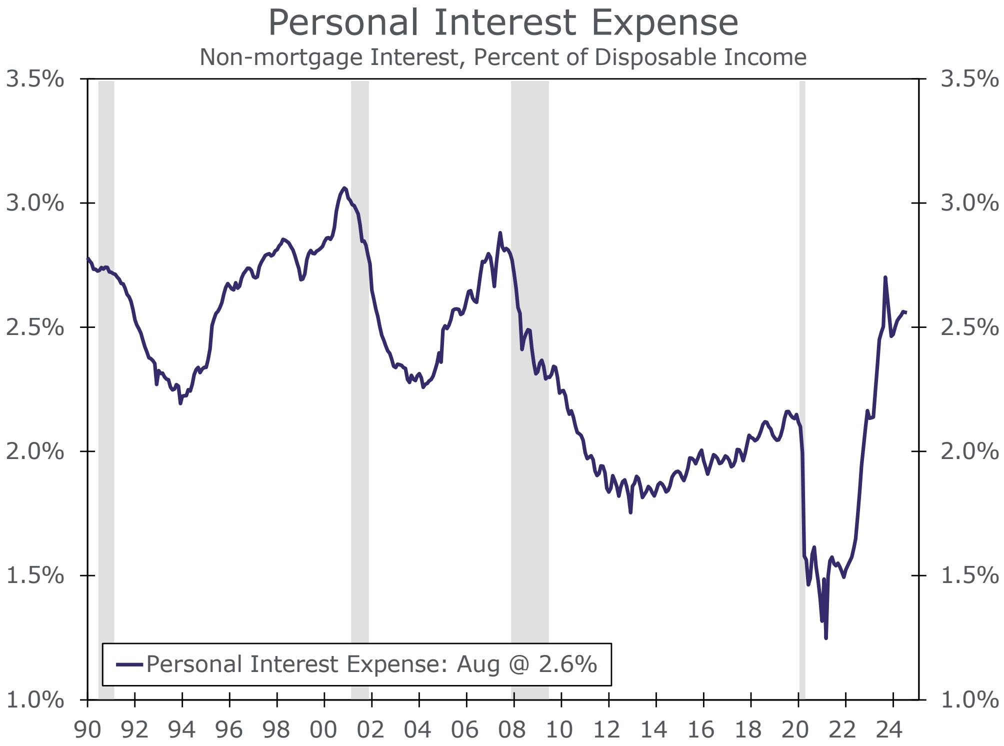
Aggregate debt-to-income ratio appears healthy, thanks to fixed-rate mortgages, the largest category.



Source: Federal Reserve Board, U.S. Department of Commerce and Wells Fargo Economics

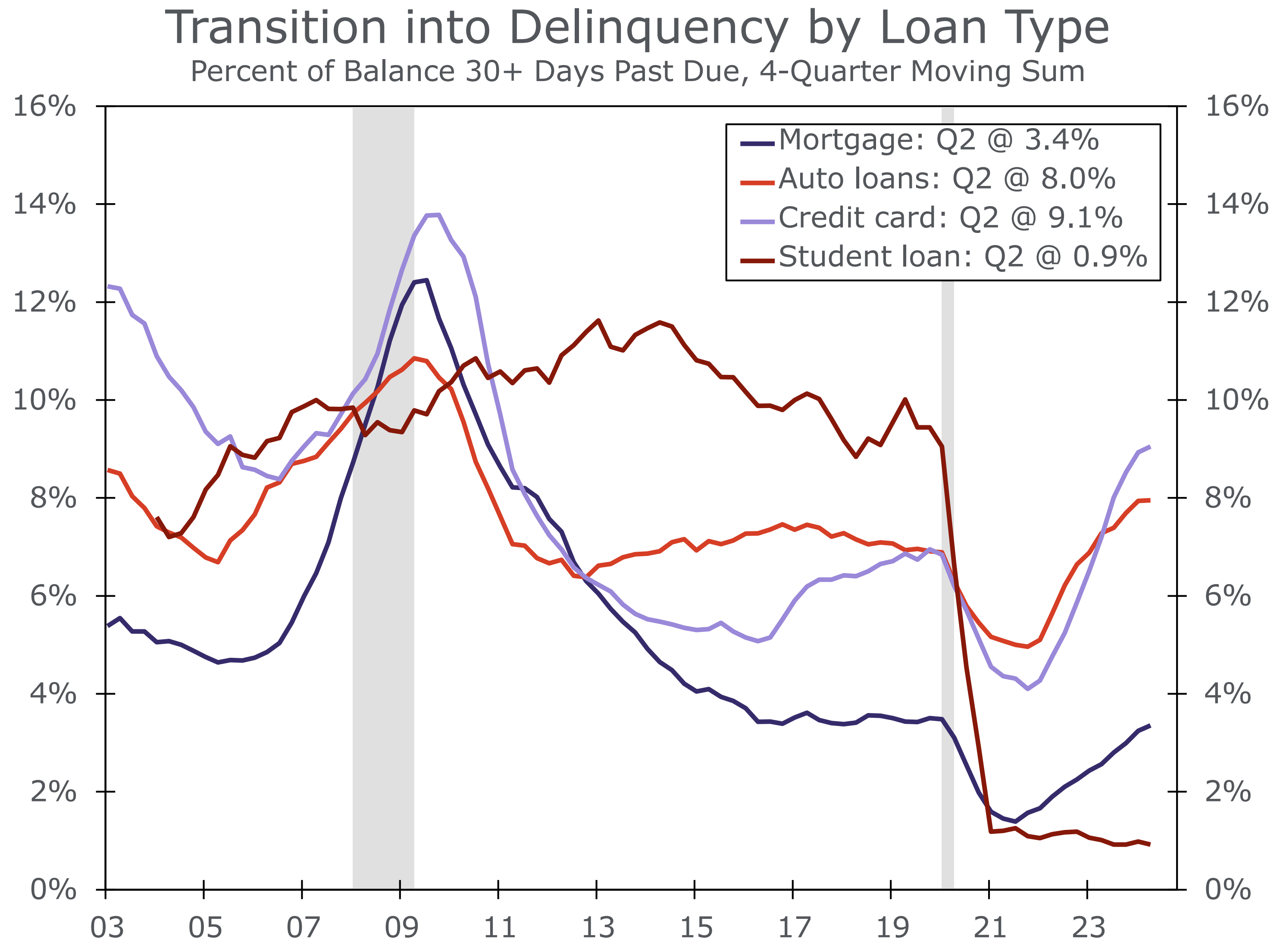
Even though credit card borrowing has been growing fast, so too has income.
However, the cost of financing this debt is rising fast.





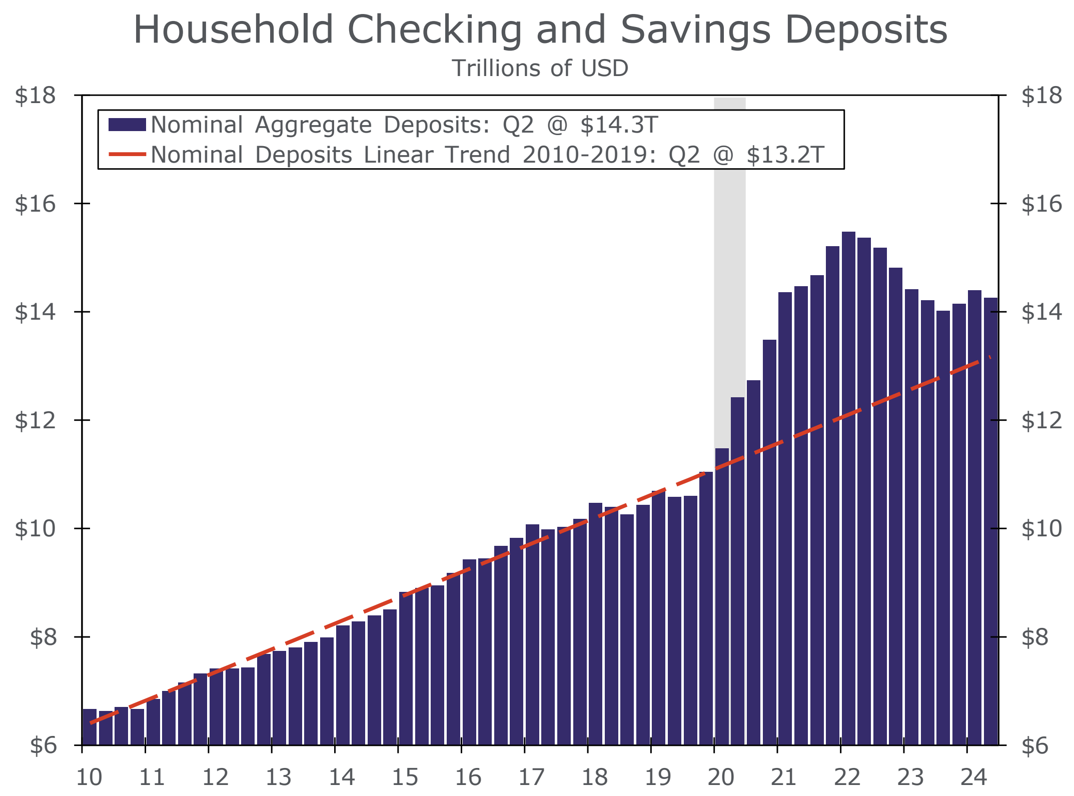
Source: Federal Reserve Board, U.S. Department of Commerce and Wells Fargo Economics

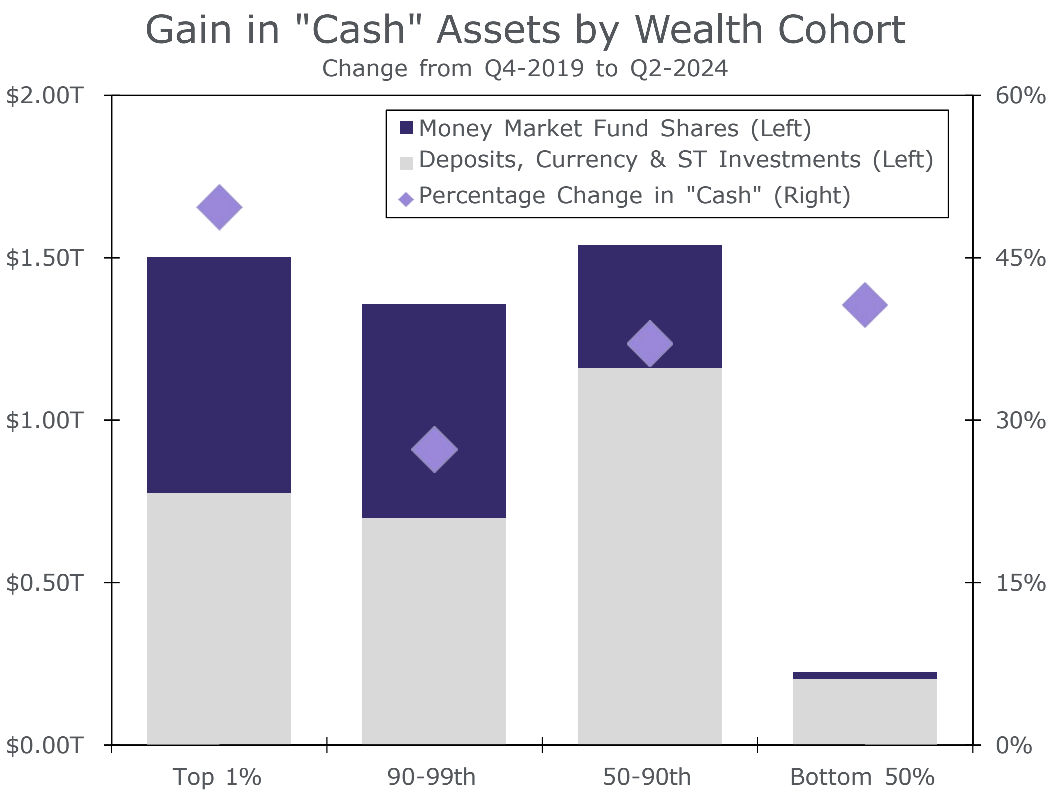
Most households are staying current on their mortgage but are struggling with their consumer loans.



Source: The Federal Reserve Bank of New York and Wells Fargo Economics

Pandemic-era savings are dwindling. Remaining “excess savings” are skewed toward wealthier households.

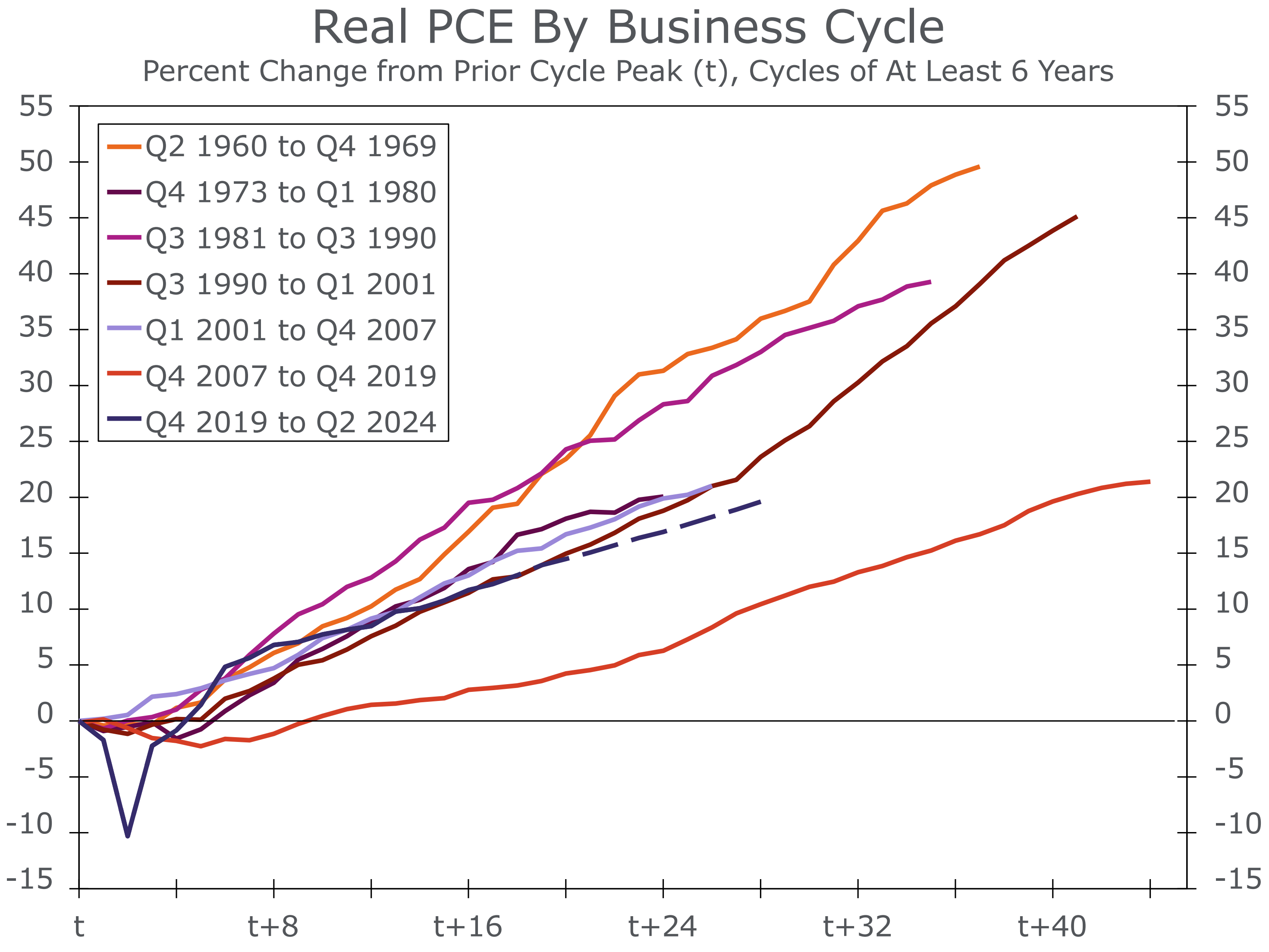




Source: U.S. Department of Commerce, Federal Reserve Board and Wells Fargo Economics

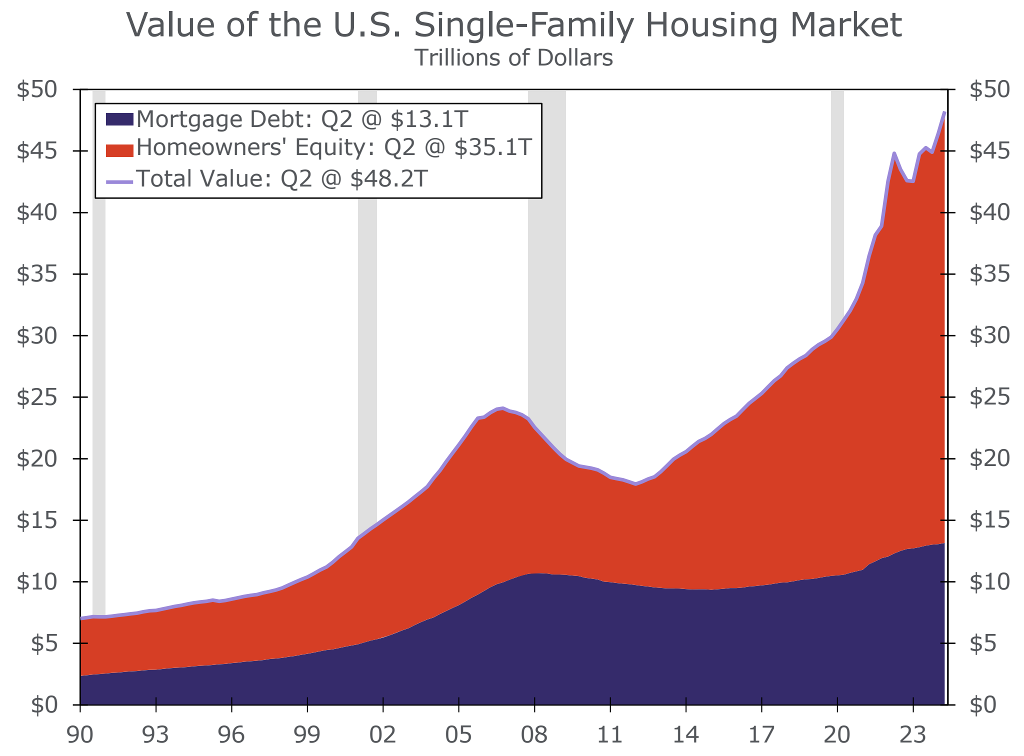
Consumer spending remains intact, but a moderation is likely from here.

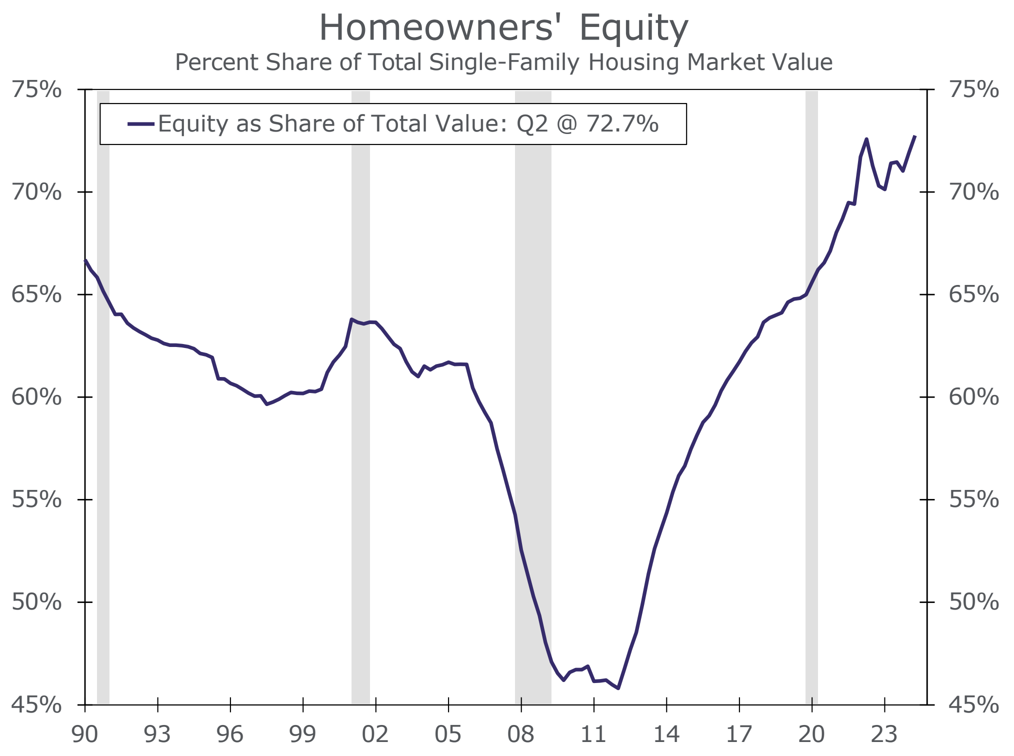
While consumers are not going into hiding, we may have seen the last of the all-go, no-quit, pay-any-price consumer.



Source: U.S. Department of Commerce and Wells Fargo Economics

Many households today have the benefit of an additional line of defense to support spending should the need arise. Homeowners currently have more equity in their homes than they did at any point in the last 35 years.

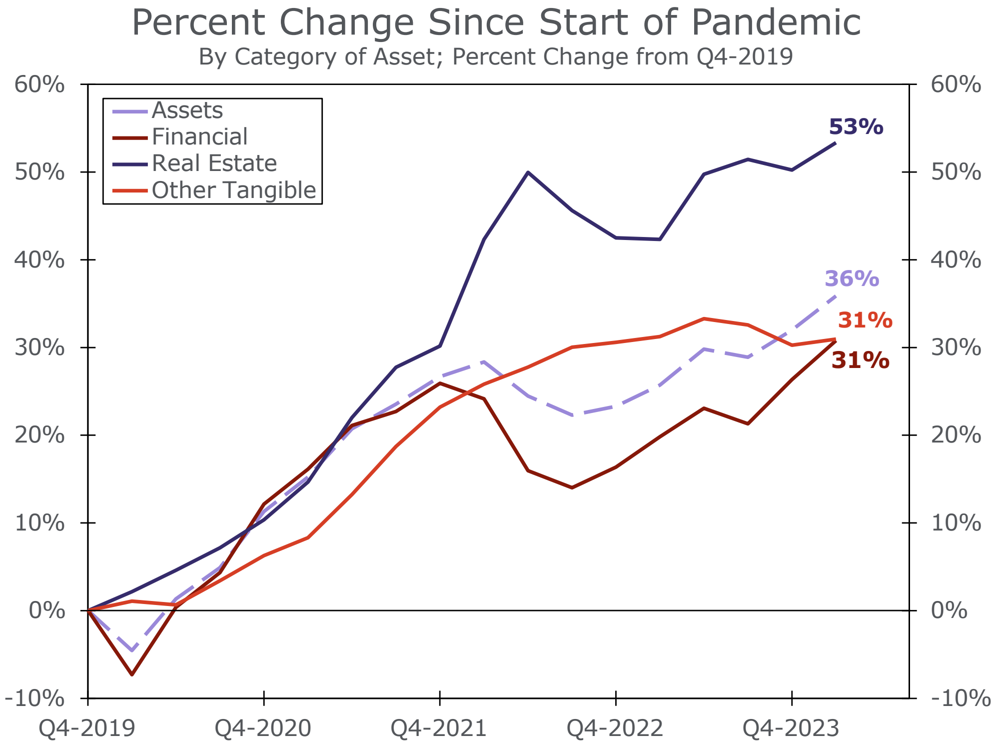


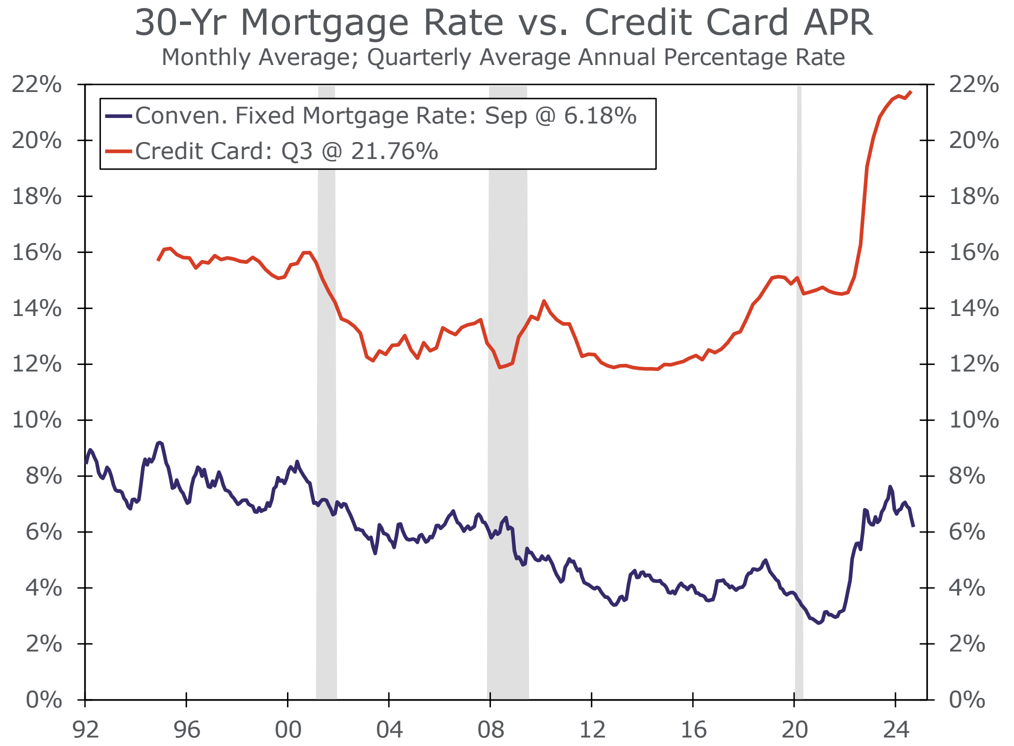


Source: Federal Reserve Board and Wells Fargo Economics

Home Yield

Real estate accounts for about a quarter of total household assets today, though that share rises as income falls and increased equity can present an avenue for households to keep spending. The cost of financing this debt can be cheaper as a home equity line of credit rate is roughly one third of the current average credit card APR.

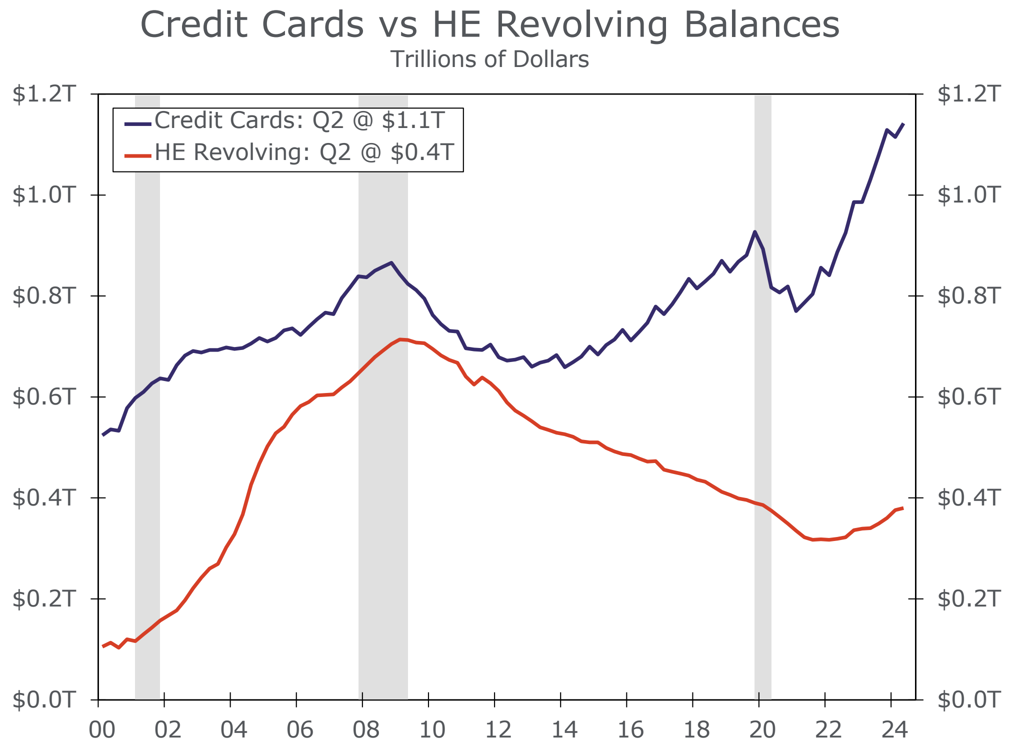


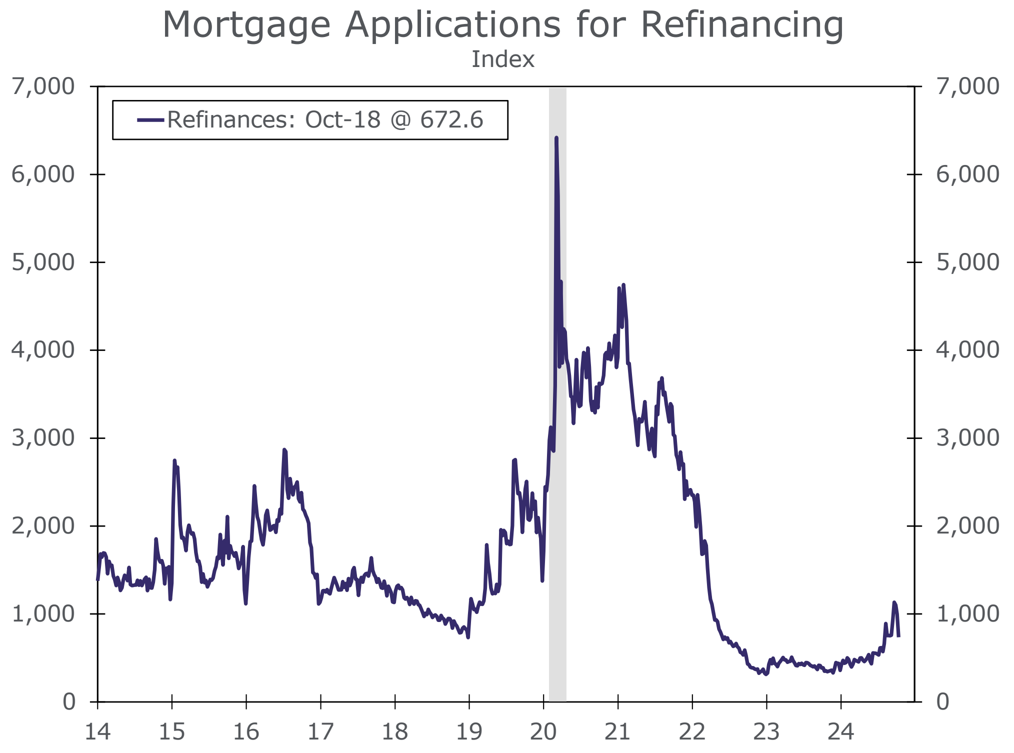


Source: FHLMC, Federal Reserve Board and Wells Fargo Economics

HELOC

After declining on trend for nearly 13 years, home equity revolving credit balances rose for the ninth straight quarter in Q2. Declining mortgage rates not only spurred buying activity, but also led to a surge in homeowners who elected to refinance their existing mortgage.

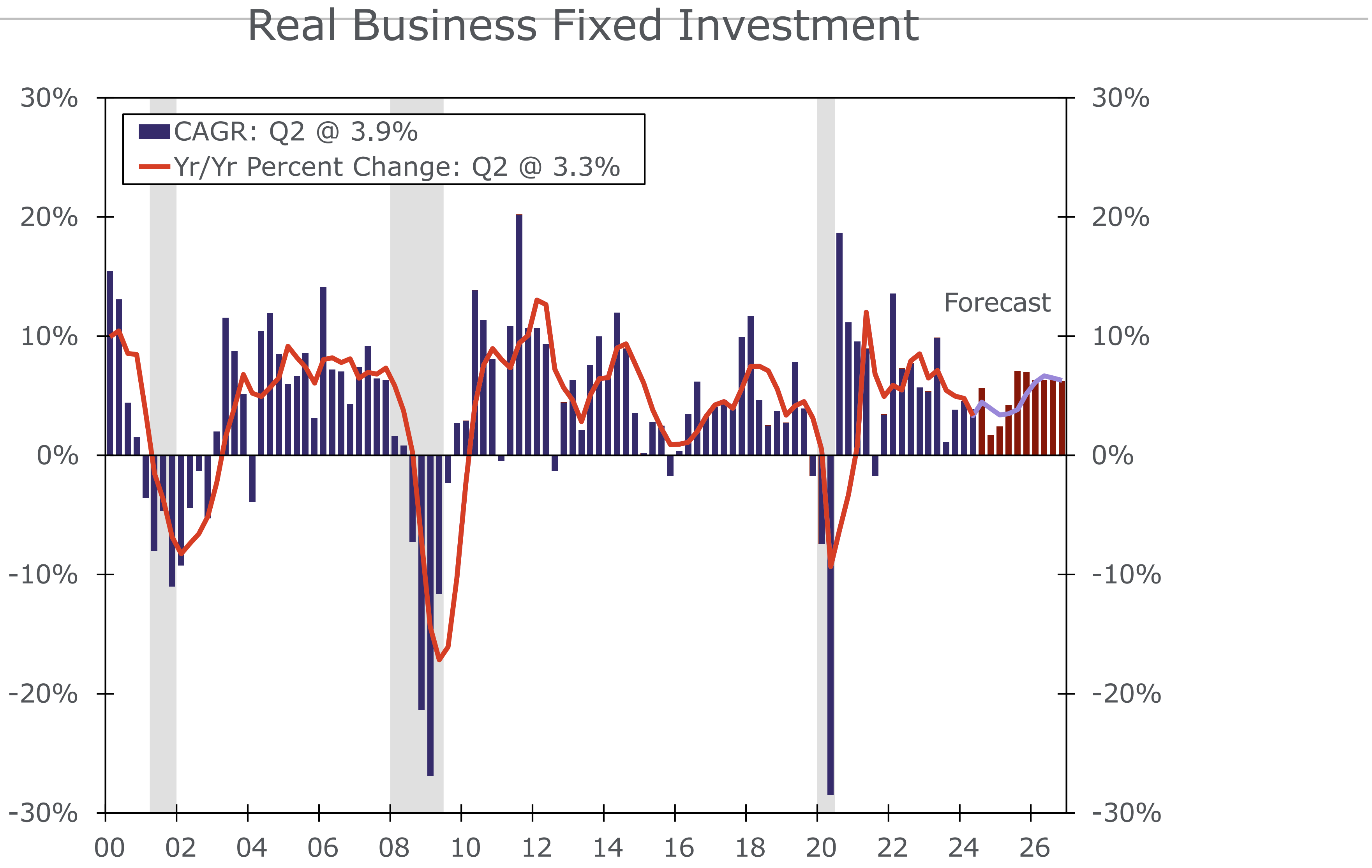




Source: Federal Reserve Bank of New York, Mortgage Bankers Association and Wells Fargo Economics

Business Fixed

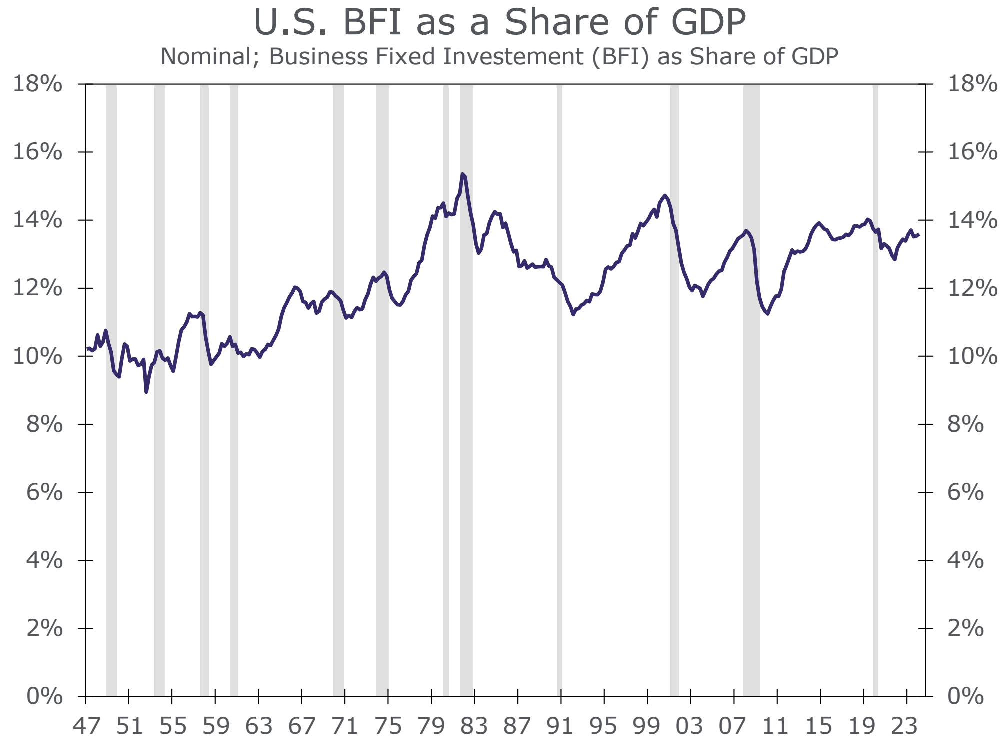
Declining corporate profits provide less scope for businesses to fund investments internally.

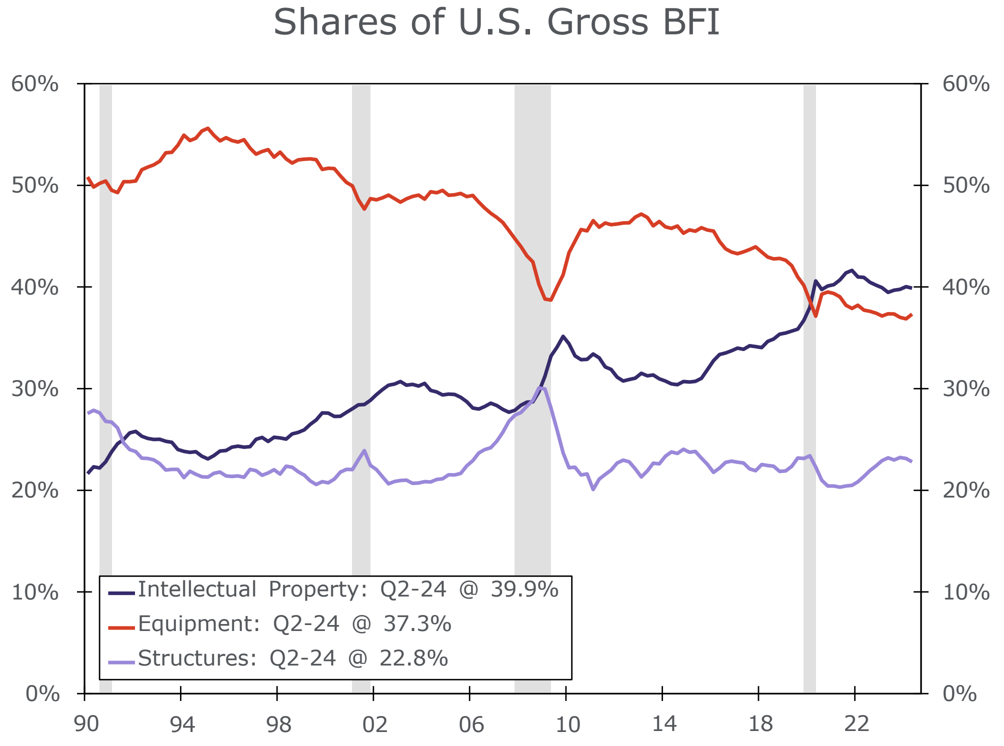


Source: U.S. Department of Commerce and Wells Fargo Economics

Business Fixed

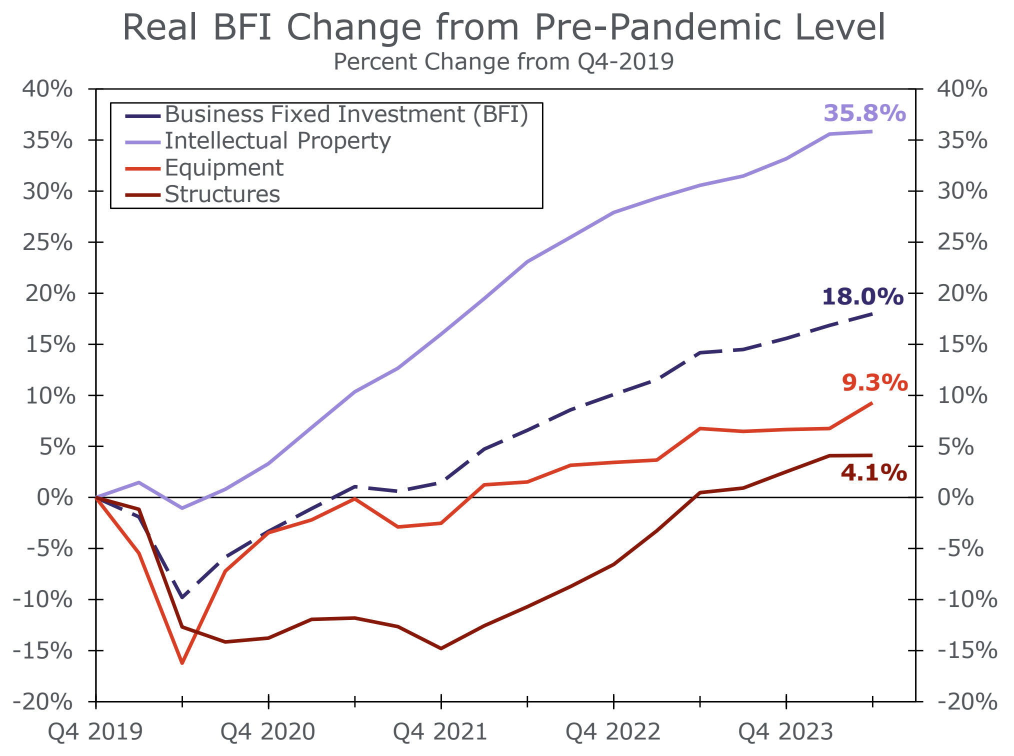
The growing share of investment spending on intellectual property products (IPP) could boost productivity.

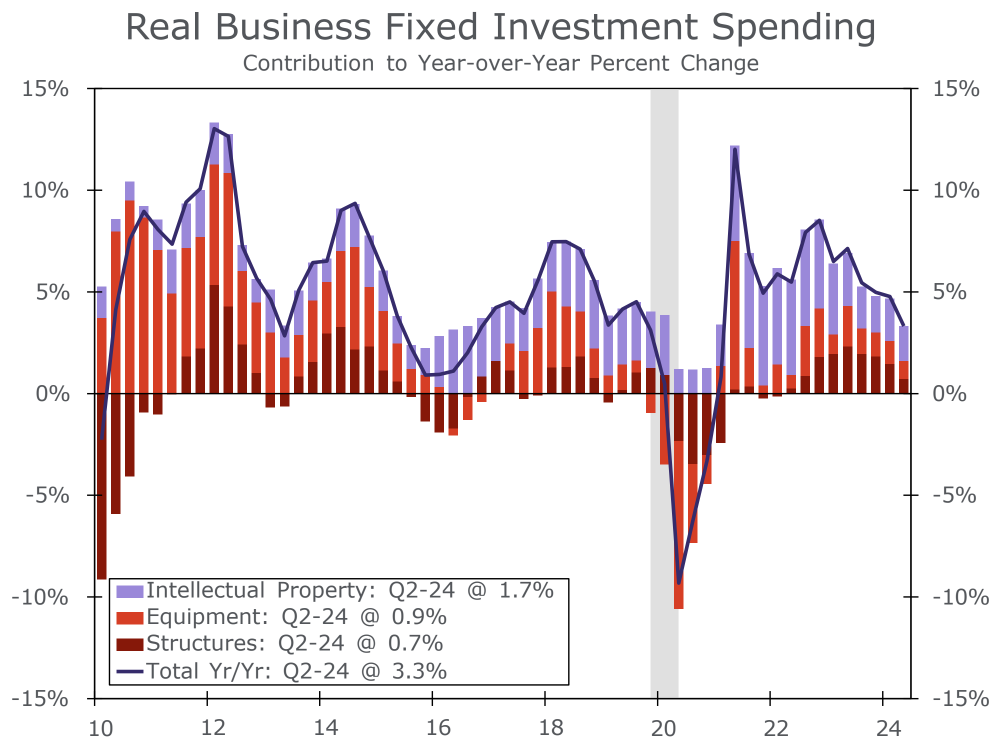




Source: U.S. Department of Commerce and Wells Fargo Economics

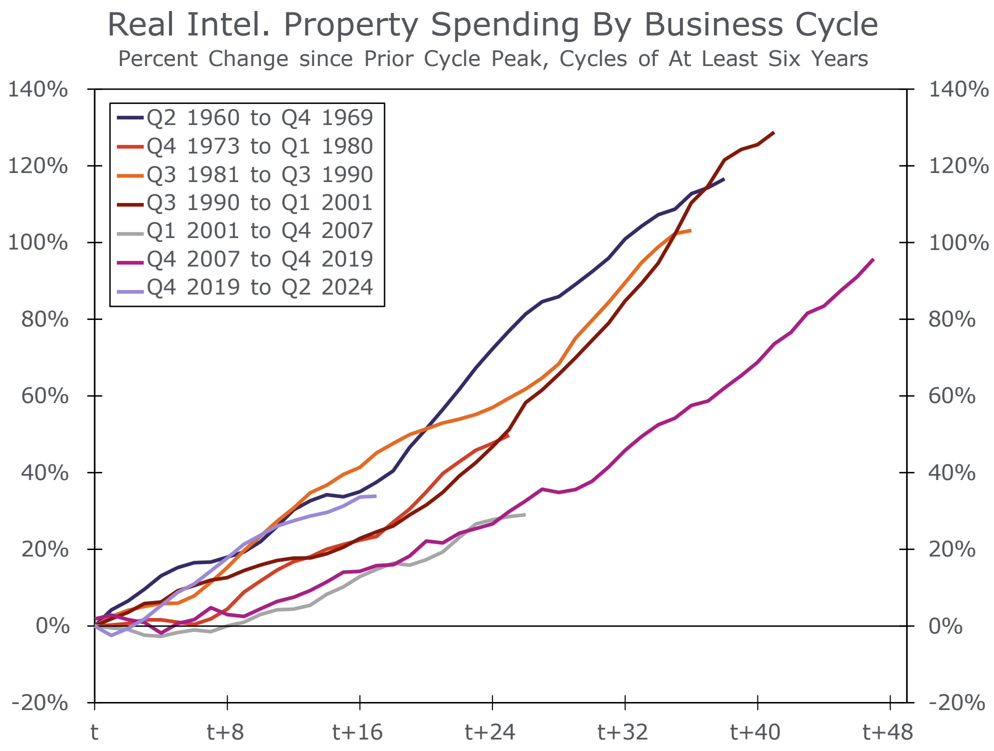
IPP spending is up drastically and has consistently contributed the most to total business fixed investment in recent years.

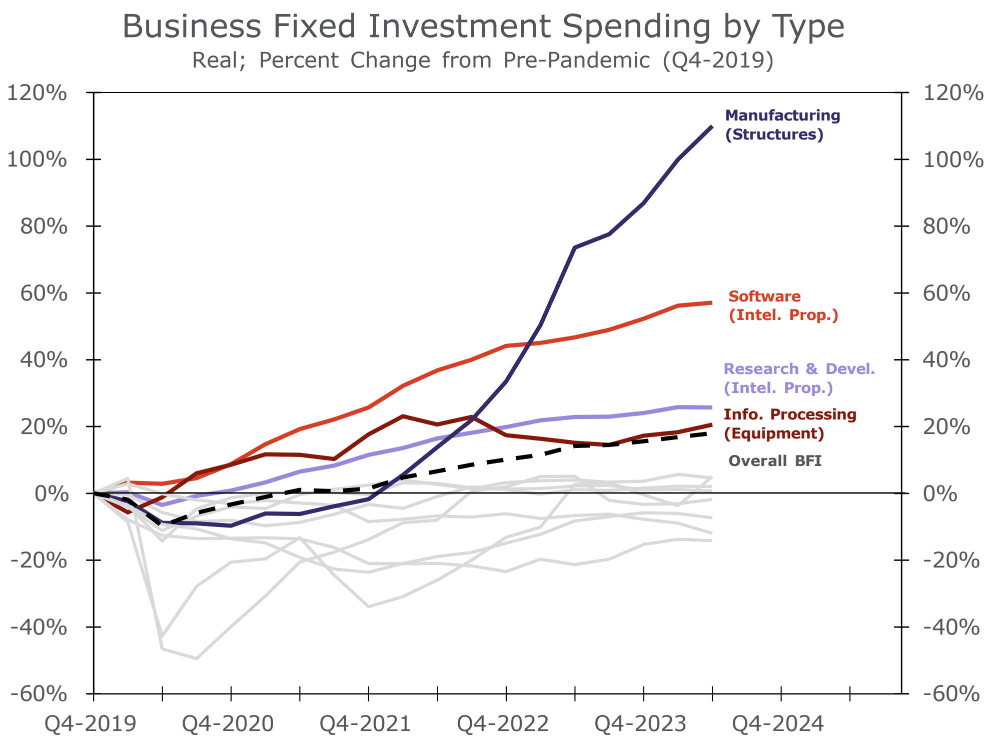




Source: U.S. Department of Commerce and Wells Fargo Economics

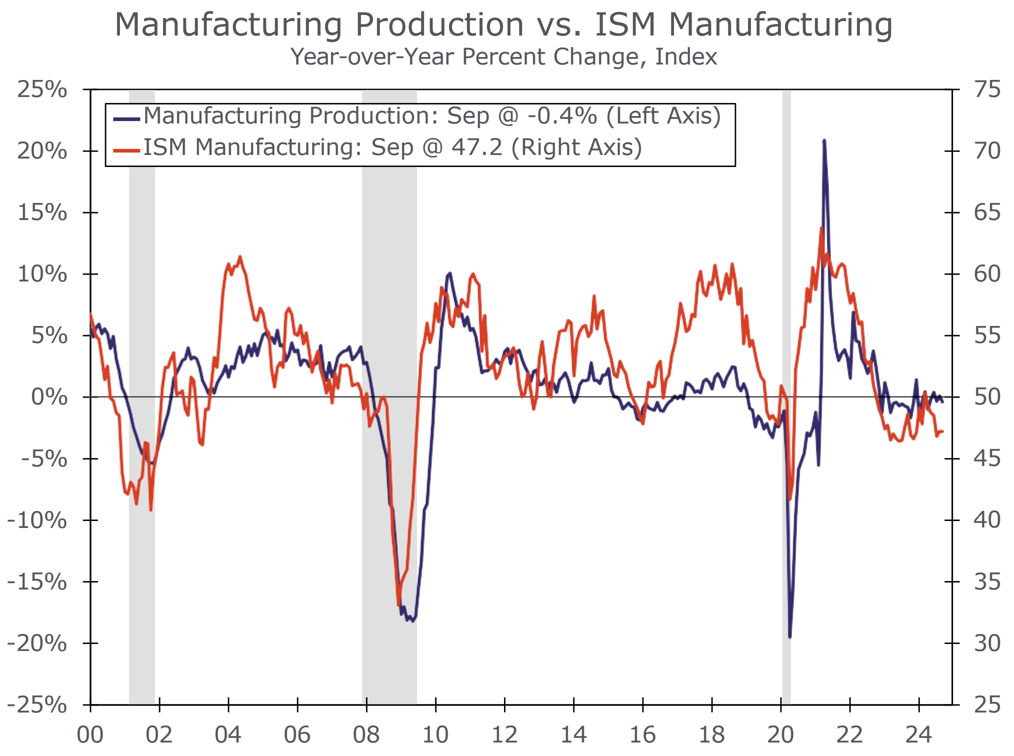
Growth is outsized compared to previous cycles, driven by software spending in particular.





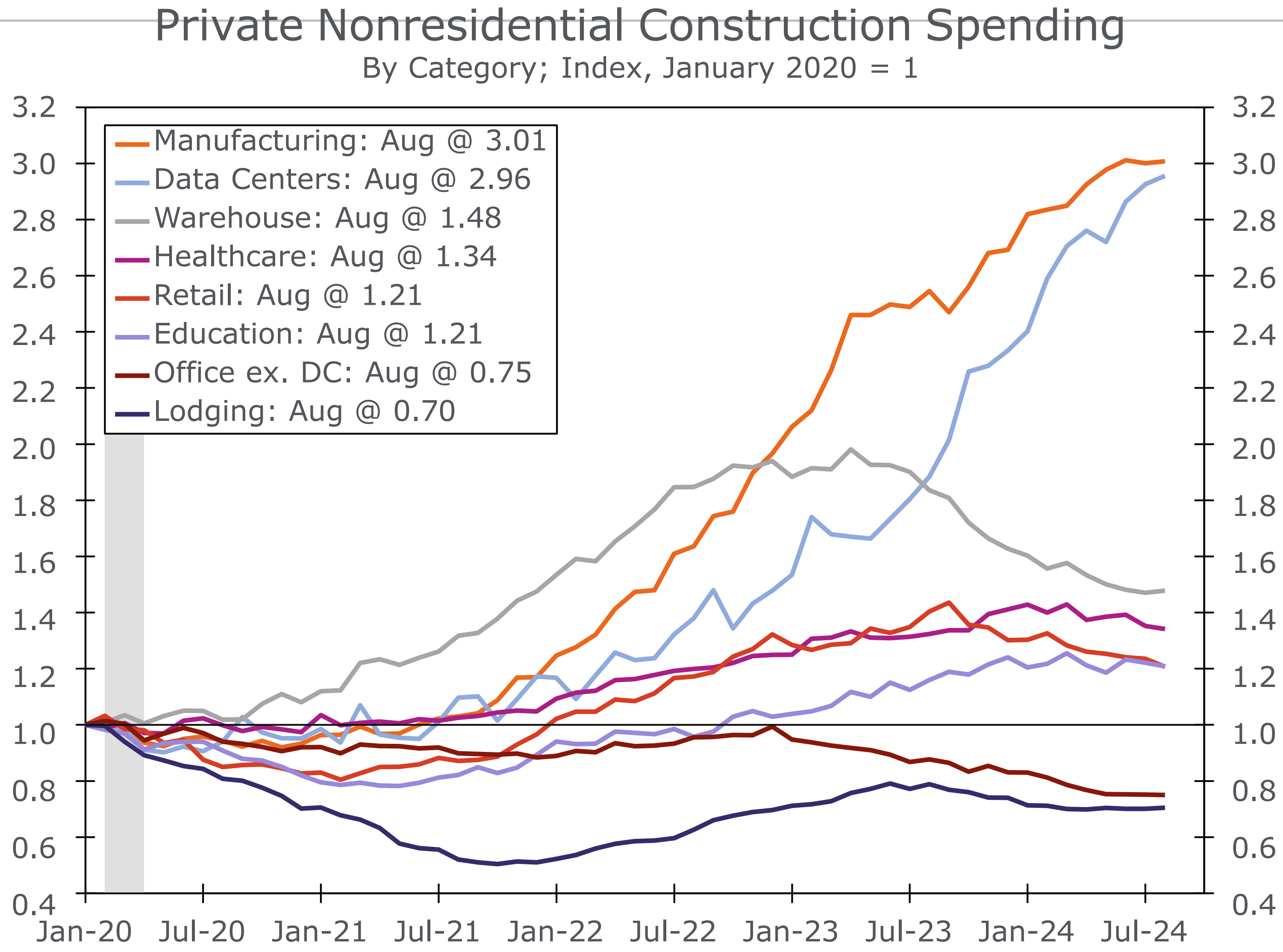
Source: U.S. Department of Commerce and Wells Fargo Economics

Manufacturing output has done little more than tread water in the wake of the pandemic and the fastest pace of monetary tightening in 40+ years. Yet, even as manufacturing activity has stalled, manufacturing construction has not…



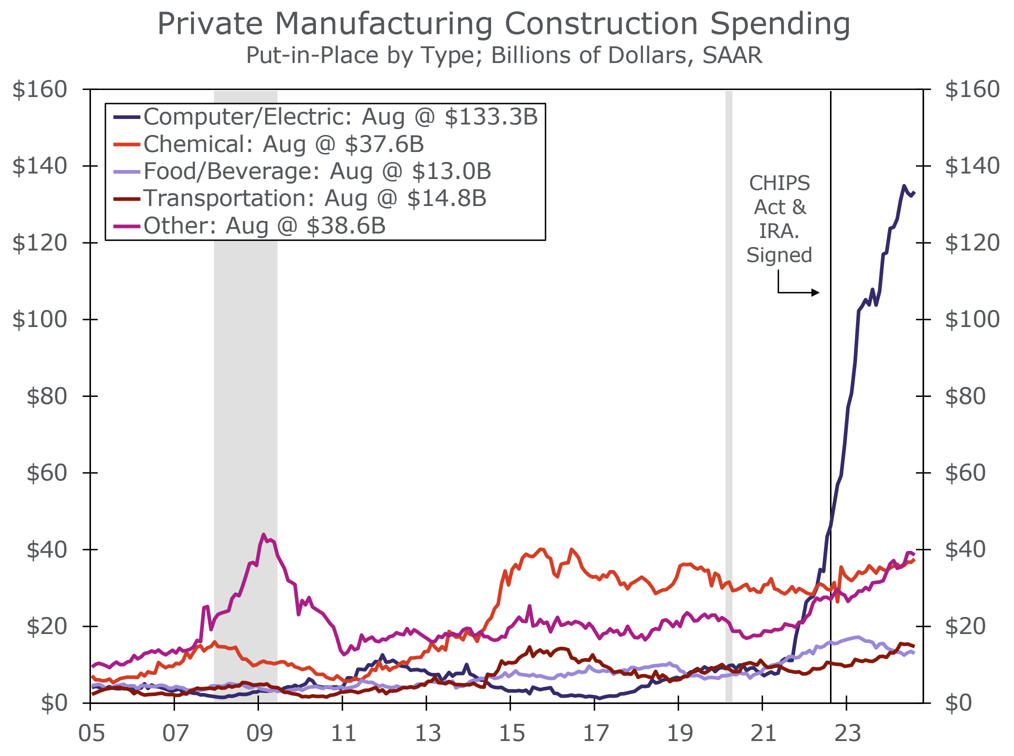
Source: Federal Reserve Board, Institute for Supply Management and Wells Fargo Economics

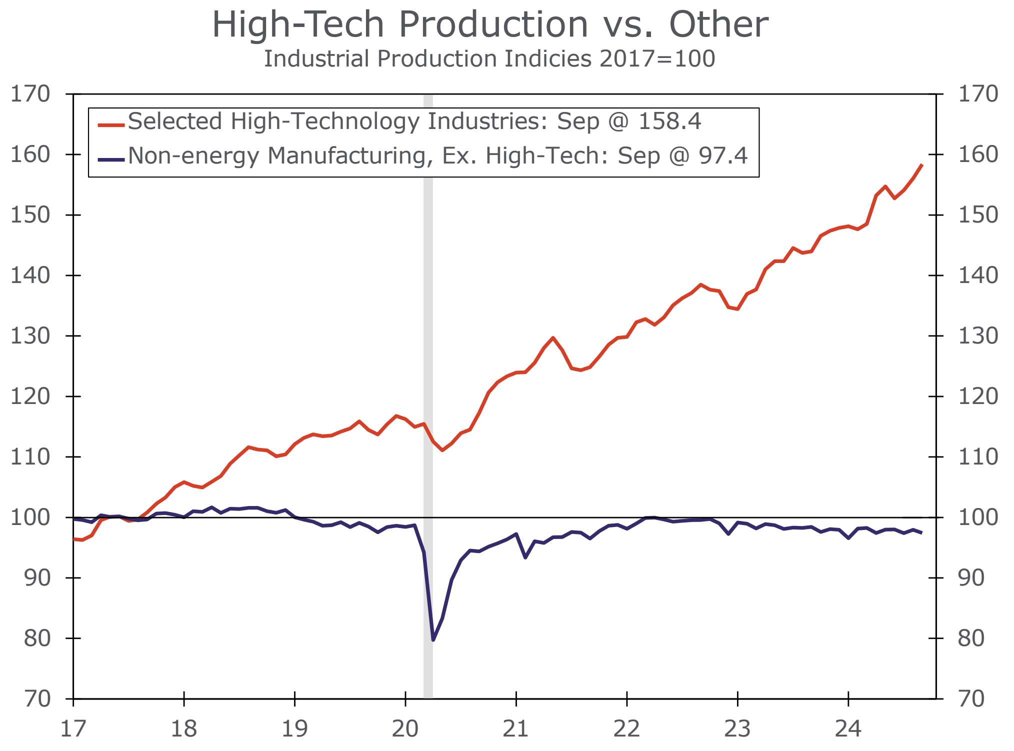
Since the start of the pandemic, manufacturing, data centers and warehouse construction have seen the largest booms out of all categories.



Source: U.S. Department of Commerce and Wells Fargo Economics

The ready explanation for such rapid growth stems from a push to rethink far-flung supply chains in the wake of the pandemic, and the investment flow suggests this sector is set to grow in coming years. Production in selected high-technology industries is already showing signs of outsized growth.

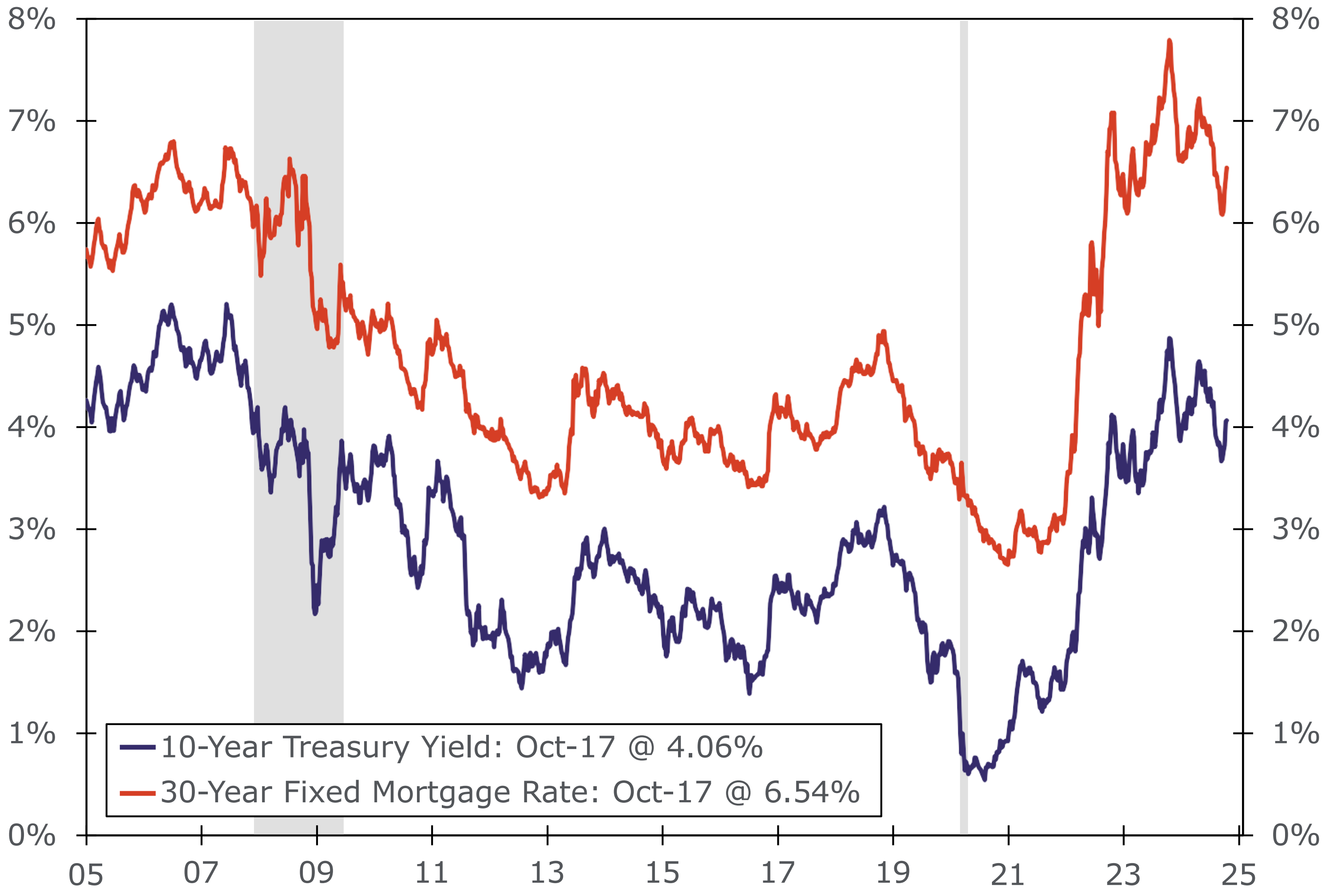




Source: U.S. Department of Commerce, Federal Reserve Board and Wells Fargo Economics

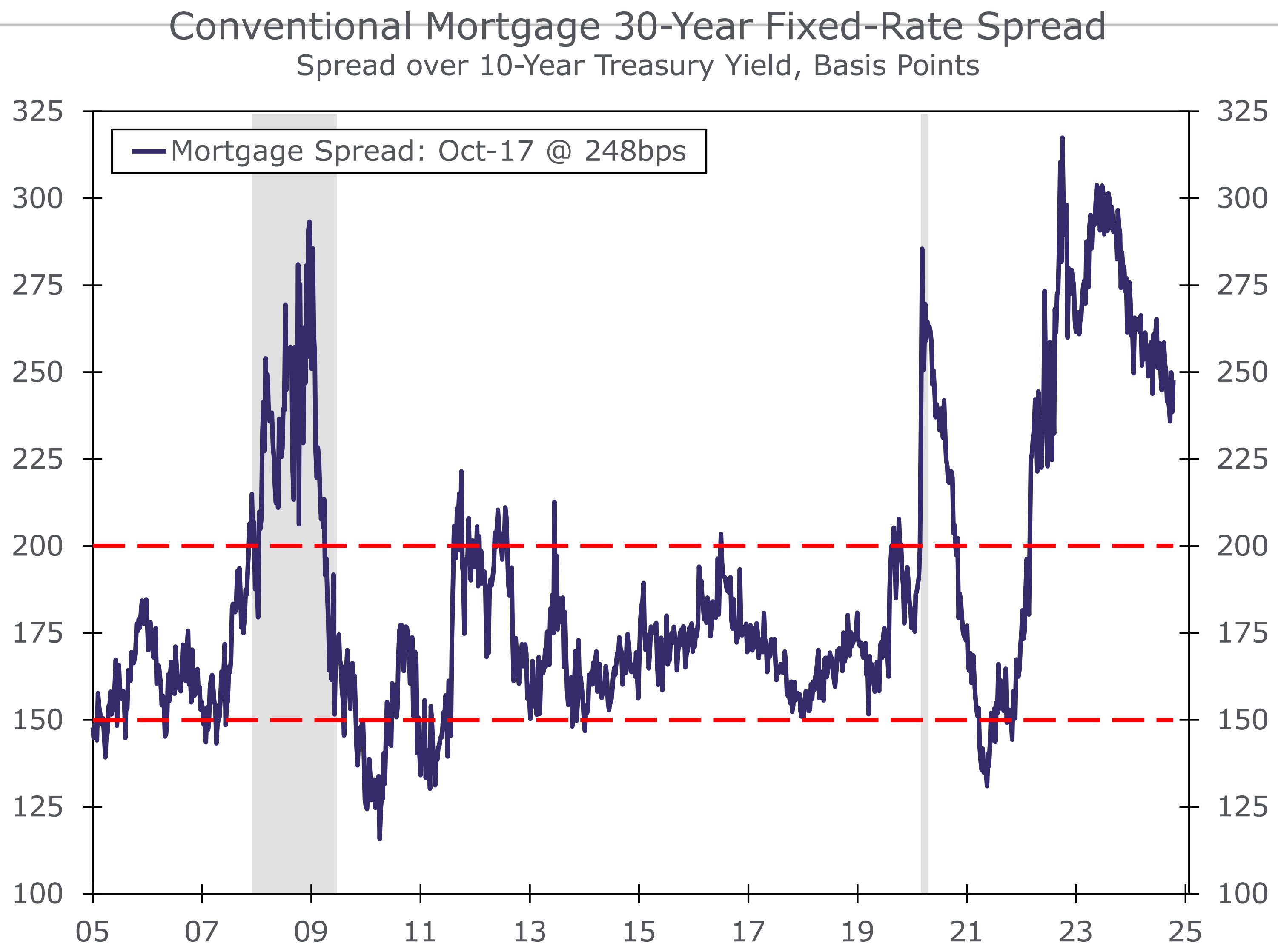
Yields have moved in anticipation of Fed easing.

10-Year Yield vs. Conventional Mortgage Rate



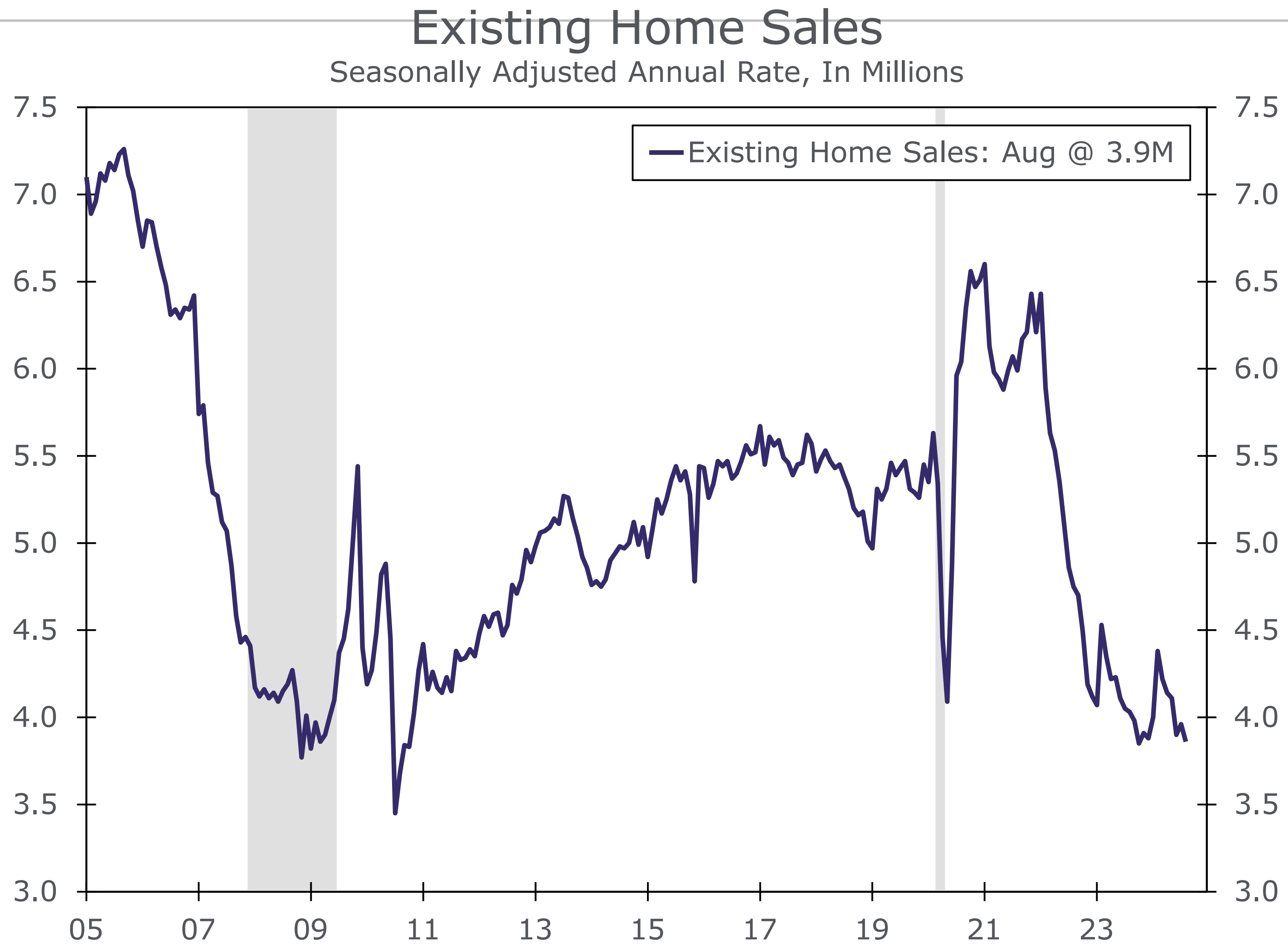
Source: Bloomberg Finance L.P., Freddie Mac and Wells Fargo Economics

The mortgage spread has narrowed but remains unusually wide.



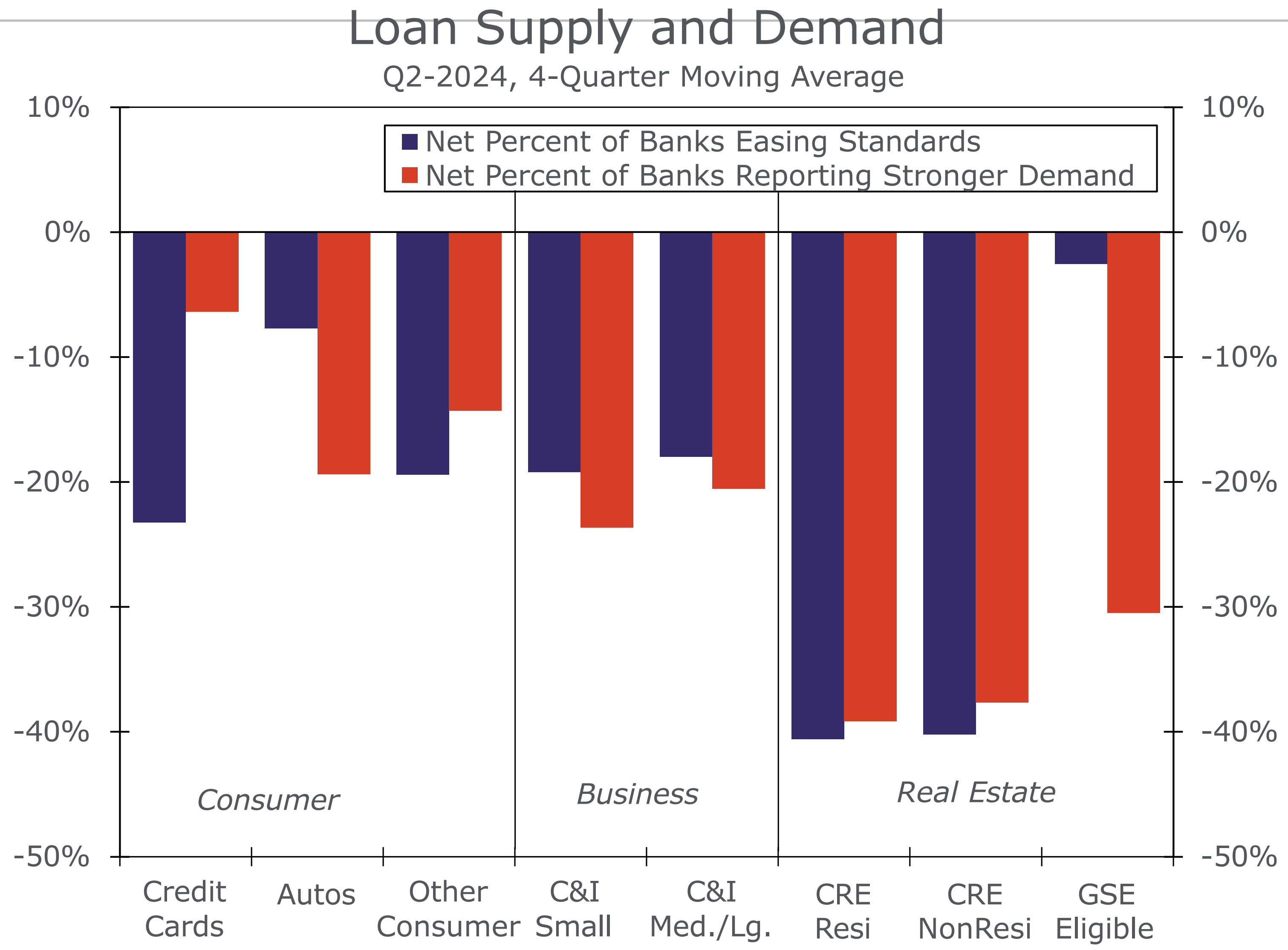
Source: Bloomberg Finance L.P., Freddie Mac and Wells Fargo Economics

Elevated mortgage rates and low levels of inventory continue to restrict existing home sales.



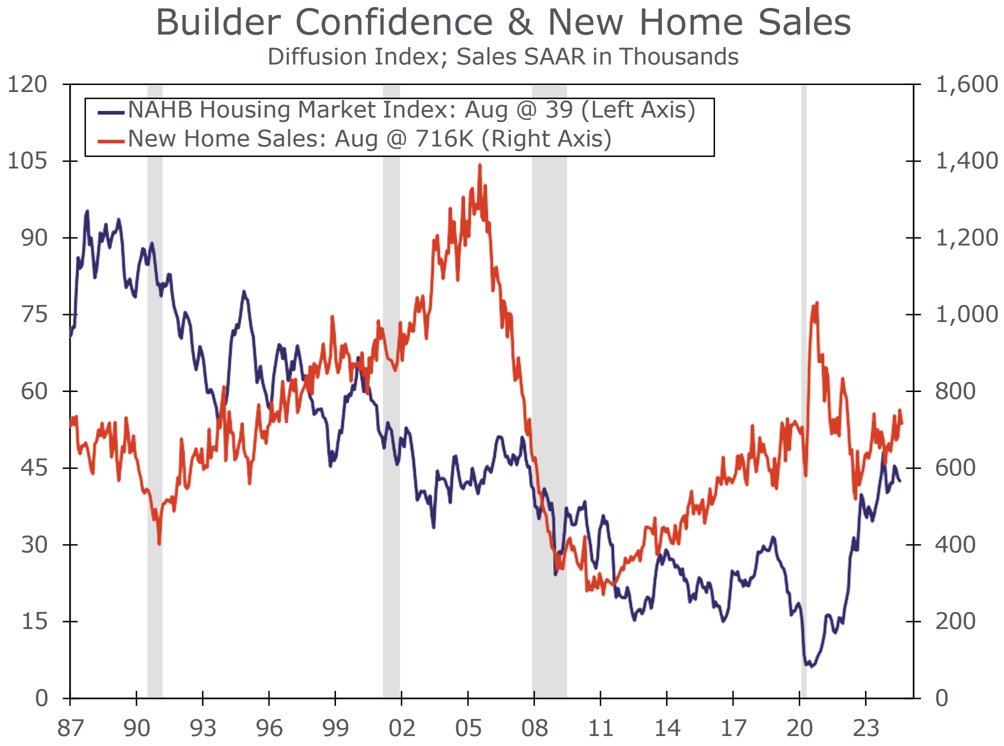
Source: National Association of Realtors and Wells Fargo Economics

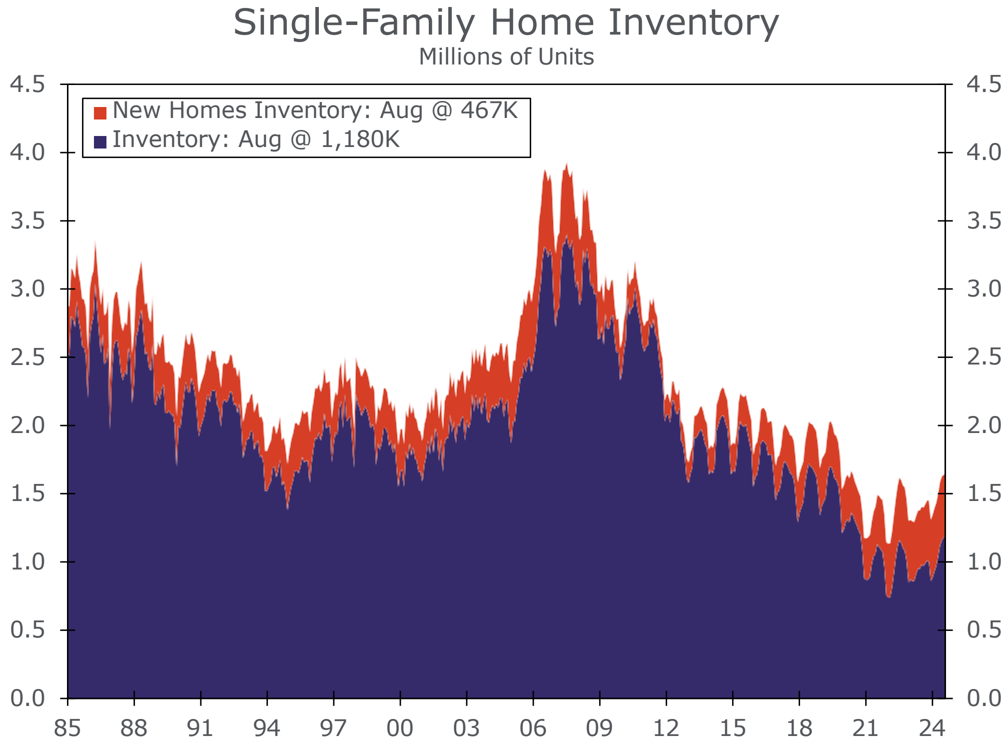
Tighter lending standards are weighing on commercial borrowing.



Source: Federal Reserve Board and Wells Fargo Economics

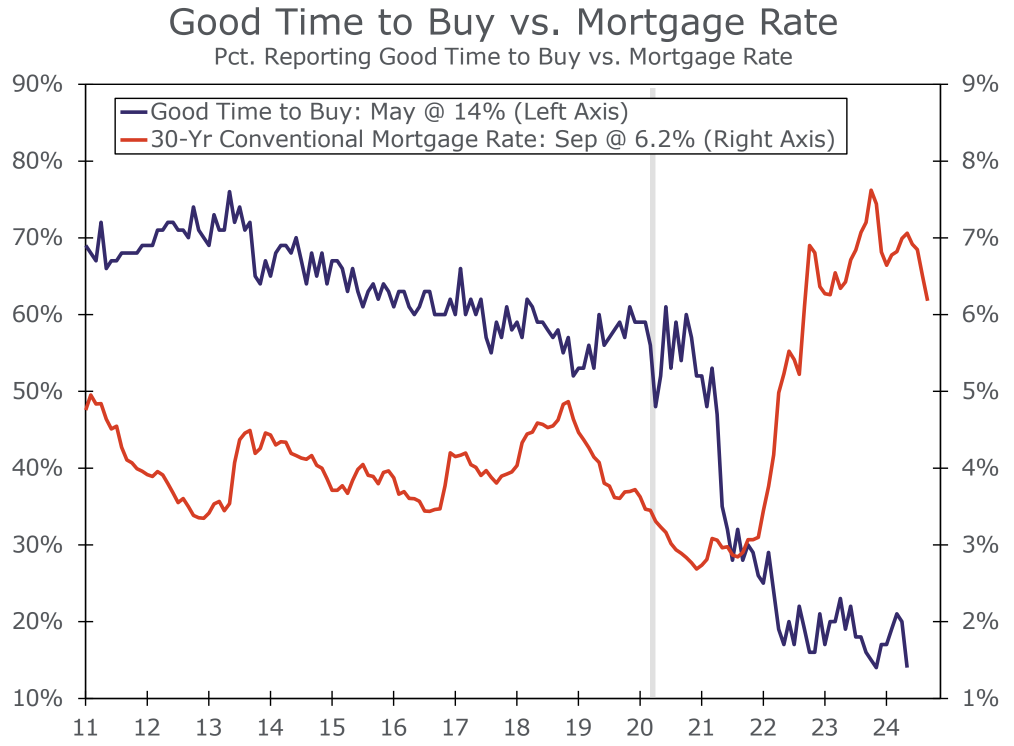
Single-family builders have scaled back construction alongside a slower pace of new home sales. Aside from weak demand, plentiful new home inventory has also discouraged new single-family development.

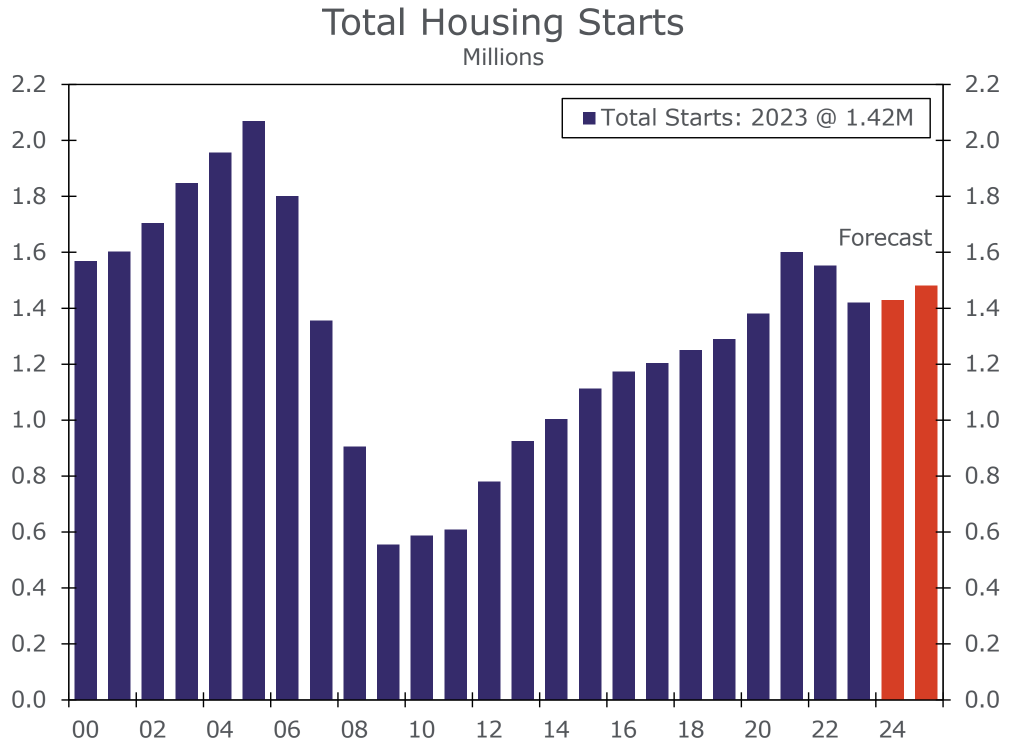




Source: National Association of Home Builders, U.S. Department of Commerce, National Association of Realtors and Wells Fargo Economics

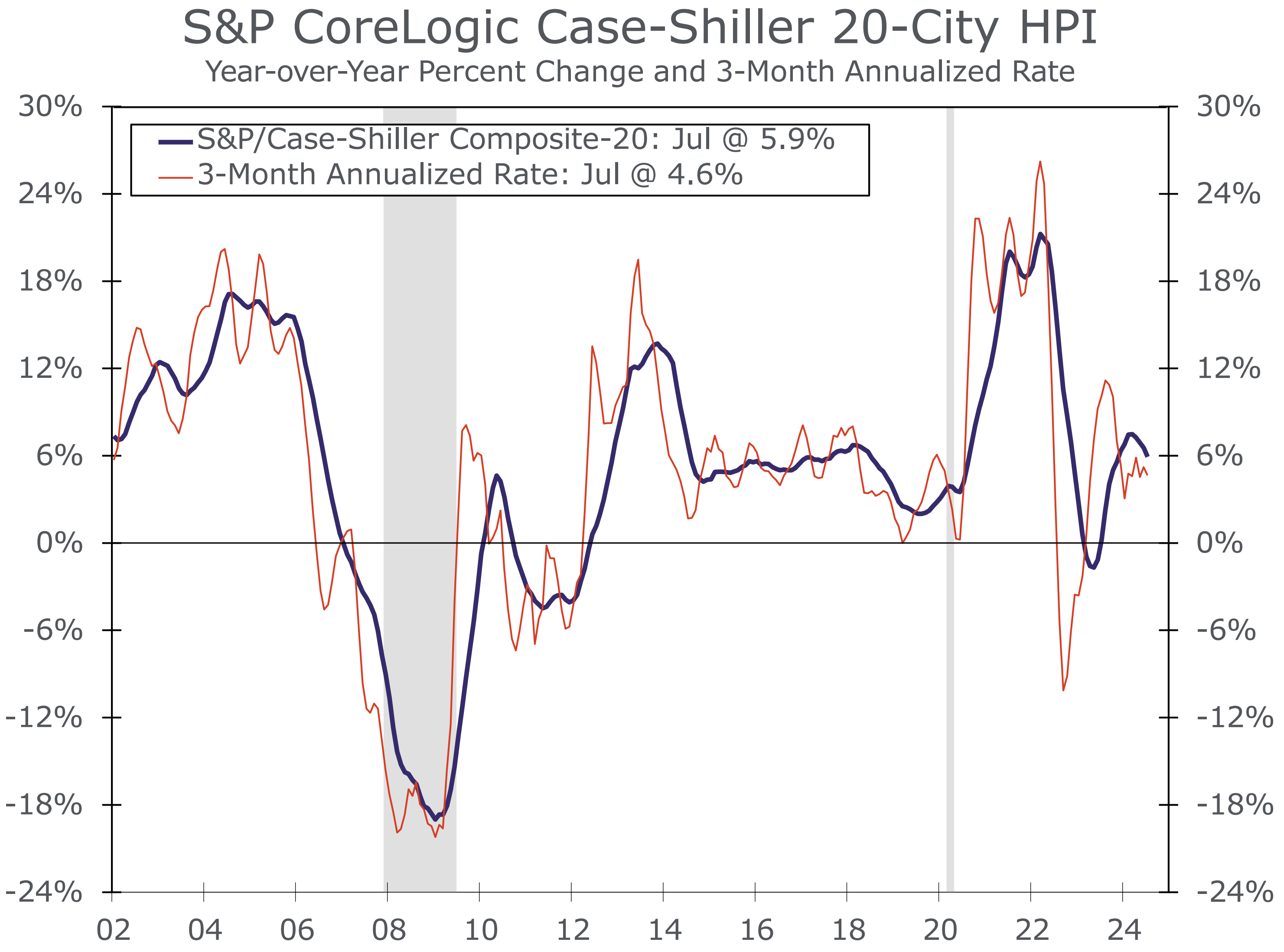
Our expectations of Fed easing through mid-2025 would exert further downward pressure on mortgage rates, sparking improvements in buyer demand, builder confidence and residential investment. That said, the weaker growth environment for the economy and labor market will likely limit the scope for a rebound.





Source: Fannie Mae, Bloomberg Finance L.P., U.S. Department of Commerce and Wells Fargo Economics

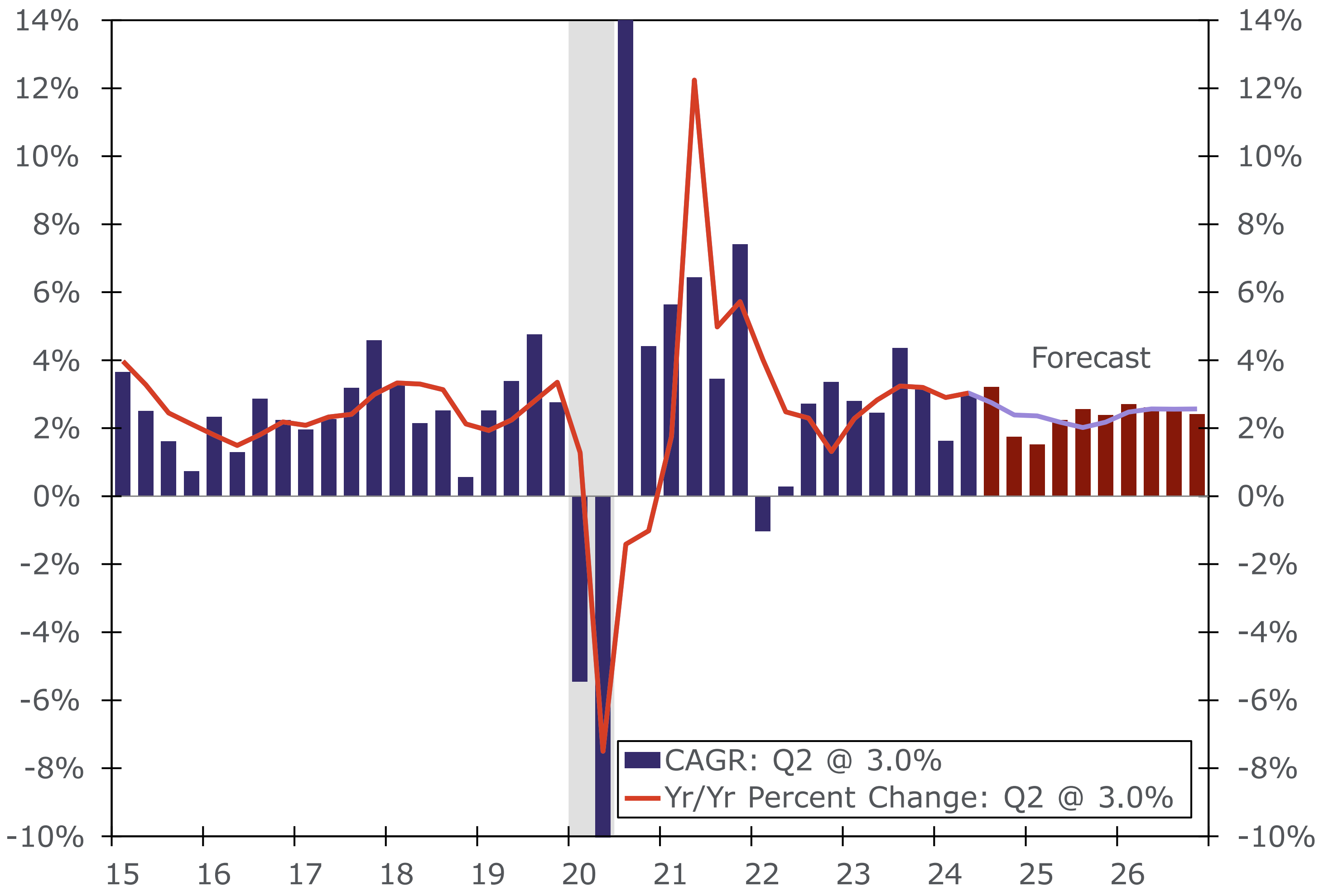
Home prices have proven resilient.



Source: S&P CoreLogic and Wells Fargo Economics

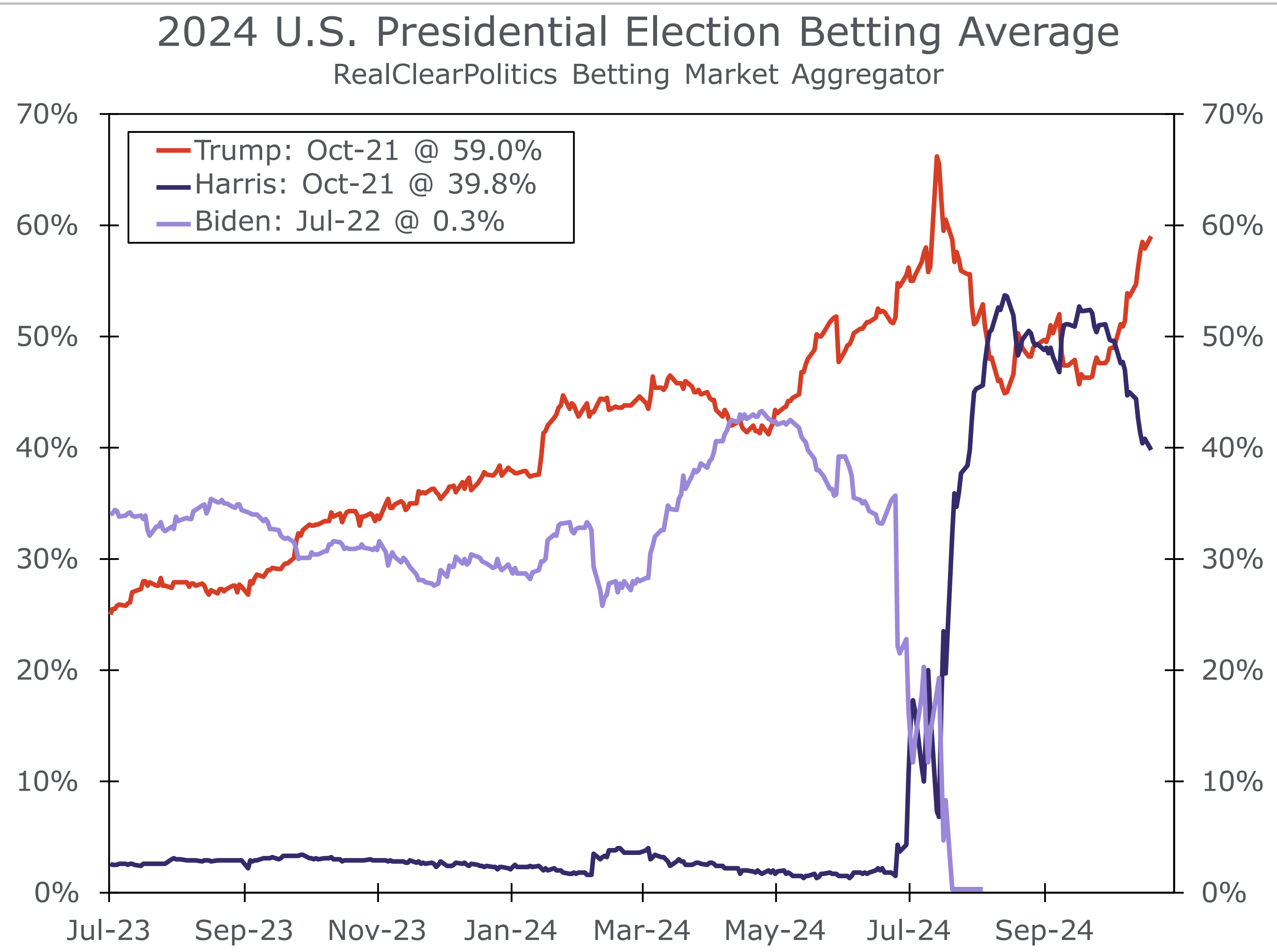
Our latest forecast update shows the expansion in place since mid-2020 will continue.

U.S. Real GDP Growth



Source: U.S. Department of Commerce and Wells Fargo Economics

Recent polling shows Trump outpacing Harris in betting markets.



Source: RealClearPolitics and Wells Fargo Economics

There is significant uncertainty about the impact of tax policy changes that may or may not take effect in 2026. That said, below are rough guideposts on our initial thoughts.

Republicans sweep: A Republican sweep seems most likely to result in extending the 2017 tax cuts. An *expansion* of the cuts is more uncertain but strikes us as plausible. Should it occur, more fiscal stimulus should be associated with somewhat faster economic growth, higher inflation, larger budget deficits, higher Treasury yields and a steeper yield curve, all else equal.

Divided government: We view a Republican president/Democratic Congress (or vice versa) as the election outcome most likely to yield some fiscal policy tightening on the margin. A partial expiration of the TCJA probably would modestly depress the 2026 outlook for growth, inflation, government borrowing and yields.

Democrats sweep: A sweep by the Democrats could also lead to more fiscal policy accommodation, but we suspect Democrats are more inclined to offset new policy initiatives with higher taxes, particularly for higher-earning households and corporations. From an accommodation standpoint, we view this scenario as somewhere between the Republican sweep and divided government scenarios.

Source: Wells Fargo Economics

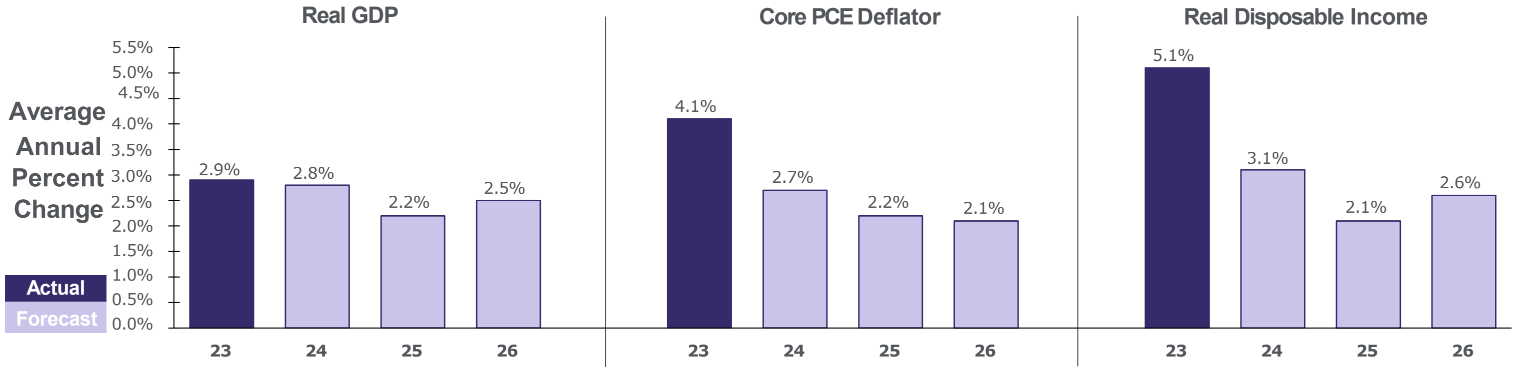
Appendi
x

Wells Fargo U.S. Economic Forecast

	Actual		Forecast										Actual	Forecast		
	2024				2025				2026				2023	2024	2025	2026
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product [1]	1.6	3.0	3.2	1.7	1.5	2.2	2.6	2.4	2.7	2.6	2.5	2.4	2.9	2.8	2.2	2.5
Personal Consumption	1.9	2.8	3.2	2.0	2.0	2.3	2.3	1.9	2.3	2.3	2.3	2.4	2.5	2.6	2.3	2.2
Business Fixed Investment	4.5	3.9	5.7	1.7	2.4	4.2	7.1	7.0	6.3	6.3	6.3	6.2	6.0	4.1	4.0	6.4
Equipment	0.3	9.8	11.2	3.8	3.5	6.0	9.3	7.2	6.2	6.6	6.7	7.0	3.5	4.2	6.3	6.9
Intellectual Property Products	7.5	0.7	5.0	2.5	4.0	5.6	7.4	8.6	7.5	7.4	7.4	7.5	5.8	4.3	4.6	7.5
Structures	6.3	0.2	-3.2	-4.0	-3.4	-2.3	1.8	2.7	3.8	3.1	2.9	1.5	10.8	3.3	-2.1	2.6
Residential Investment	13.7	-2.8	-7.1	0.8	2.1	2.9	3.6	4.9	3.8	3.4	3.1	2.8	-8.3	3.5	0.9	3.7
Government Purchases	1.8	3.1	2.1	1.7	1.5	1.2	1.2	1.0	1.1	0.9	0.8	0.8	3.9	2.9	1.6	1.0
Net Exports [2]	-0.6	-0.9	0.0	-0.1	-0.2	-0.4	-0.4	-0.3	-0.2	-0.3	-0.3	-0.4	0.5	-0.4	-0.3	-0.3
Inventories [2]	-0.5	1.1	0.0	-0.1	-0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	0.1	0.0	0.0
Nonfarm Payroll Change [3]	267	147	186	128	127	125	133	142	145	145	140	140	251	182	132	143
Unemployment Rate	3.8	4.0	4.2	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.6	4.1	4.1	3.9
Consumer Price Index [4]	3.2	3.2	2.6	2.6	2.4	2.3	2.6	2.6	2.5	2.4	2.3	2.3	4.1	2.9	2.5	2.4
Real Disposable Income [1]	5.6	2.4	1.6	1.8	2.4	2.0	2.3	2.7	3.0	2.5	2.6	2.6	5.1	3.1	2.1	2.6
Quarter-End Interest Rates [5]																
Federal Funds Target Rate [6]	5.50	5.50	5.00	4.50	4.00	3.75	3.50	3.25	3.25	3.25	3.25	3.25	5.23	5.13	3.63	3.25
Conventional Mortgage Rate	6.82	6.92	6.18	6.30	6.05	5.90	5.80	5.70	5.65	5.60	5.65	5.70	6.80	6.55	5.86	5.65
2 Year Note	4.59	4.71	3.66	3.80	3.55	3.40	3.30	3.25	3.25	3.25	3.30	3.40	4.58	4.19	3.38	3.30
10 Year Note	4.20	4.36	3.81	3.80	3.65	3.60	3.55	3.50	3.50	3.50	3.55	3.60	3.96	4.04	3.58	3.54

Forecast as of: October 11, 2024

[1] Compound Annual Growth Rate Quarter-over-Quarter
[2] Percentage Point Contribution to GDP
[3] Average Monthly Change
[4] Year-over-Year Percentage Change
[5] Quarterly Data - Period End; Annual Data - Annual Averages
[6] Upper Bound of the Federal Funds Target Range



Forecast as of: October 11, 2024

Source: U.S. Department of Commerce, U.S. Department of Labor, IHS Markit, Federal Reserve Board, Bloomberg Finance L.P. and Wells Fargo Economics

Wells Fargo International Economic Forecast

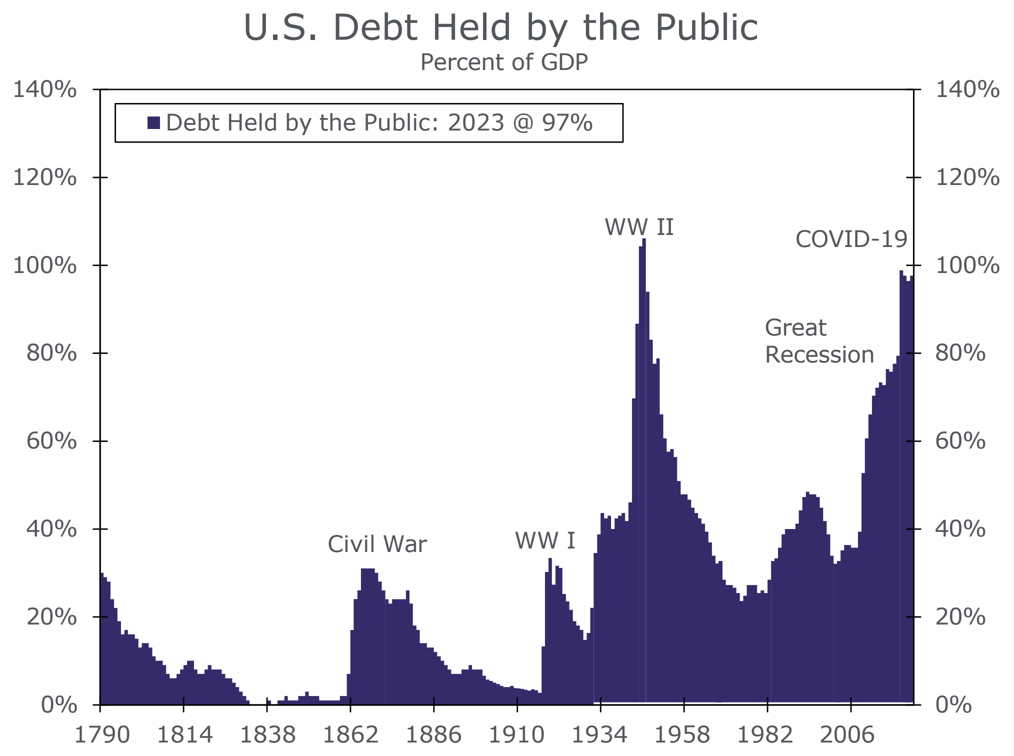
	GDP				CPI		
	2023	2024	2025	2026	2023	2024	2025
Global (PPP Weights)	3.2%	3.0%	2.7%	2.8%	6.8%	3.8%	3.8%
Advanced Economies[1]	1.6%	1.8%	1.9%	2.2%	4.6%	2.7%	2.3%
United States	2.9%	2.8%	2.2%	2.5%	4.1%	2.9%	2.5%
Eurozone	0.4%	0.6%	1.1%	1.6%	5.4%	2.3%	2.0%
United Kingdom	0.1%	1.0%	1.5%	1.6%	7.3%	2.6%	2.4%
Japan	1.9%	-0.2%	1.3%	1.2%	3.3%	2.6%	2.1%
Canada	1.2%	1.1%	1.8%	2.1%	3.9%	2.5%	2.1%
Switzerland	0.8%	1.6%	1.6%	1.6%	2.1%	1.2%	1.2%
Australia	2.0%	1.1%	2.1%	2.4%	5.6%	3.5%	2.9%
New Zealand	0.6%	0.1%	1.8%	2.5%	5.7%	3.0%	2.1%
Sweden	-0.2%	0.8%	1.7%	1.8%	5.9%	2.1%	1.9%
Norway	0.5%	0.6%	1.5%	1.9%	5.5%	3.4%	2.6%
Developing Economies[1]	4.3%	3.8%	3.3%	3.3%	8.3%	4.6%	4.9%
China	5.2%	4.6%	4.3%	4.2%	0.2%	0.6%	1.6%
India	8.2%	6.8%	6.1%	6.1%	5.4%	4.7%	4.5%
Mexico	3.2%	1.2%	1.6%	1.7%	5.5%	4.8%	4.1%
Brazil	2.9%	2.9%	2.3%	2.1%	4.6%	4.2%	3.7%

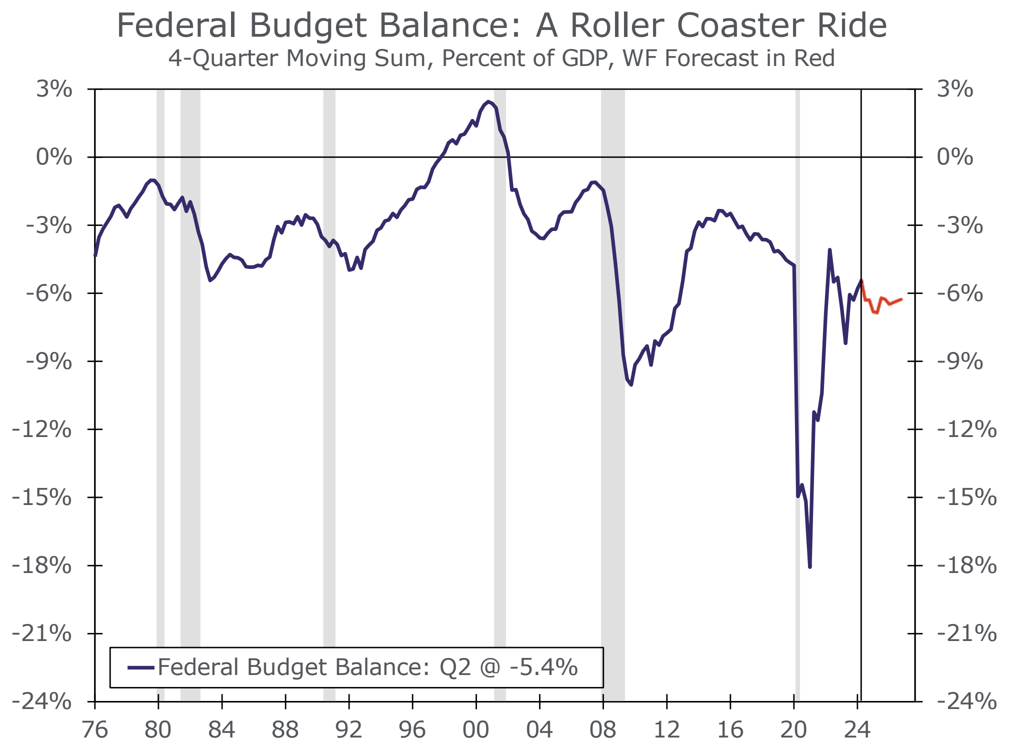
Forecast as of: October 11, 2024

[1]Aggregated Using PPP Weights

Source: International Monetary Fund and Wells Fargo Economics

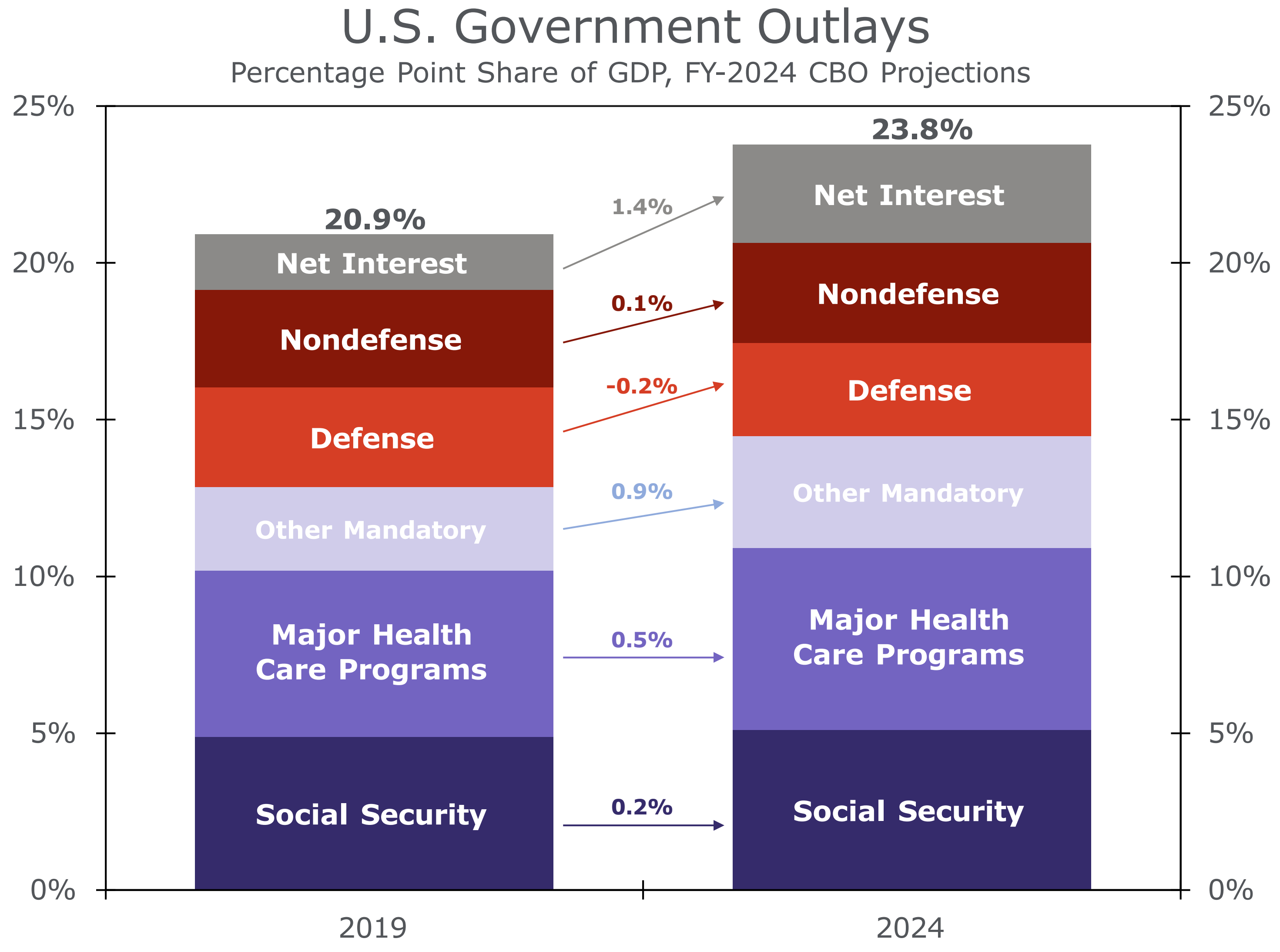
The United States is running a large federal budget deficit and has the largest federal debt-to-GDP ratio since World War II.





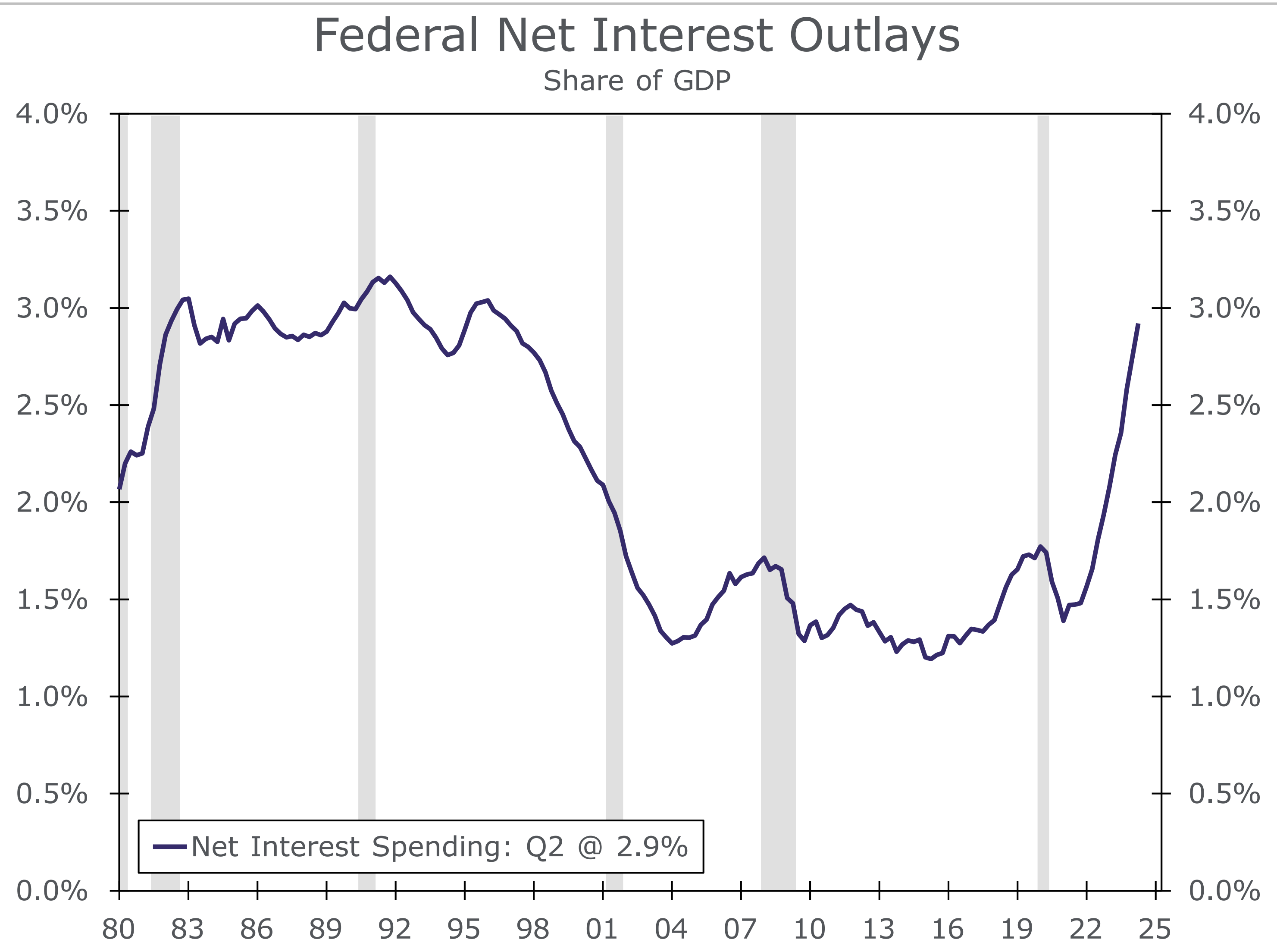
Source: U.S. Department of the Treasury, Congressional Budget Office, U.S. Department of Commerce and Wells Fargo Economics

Spending levels are elevated relative to pre-pandemic.



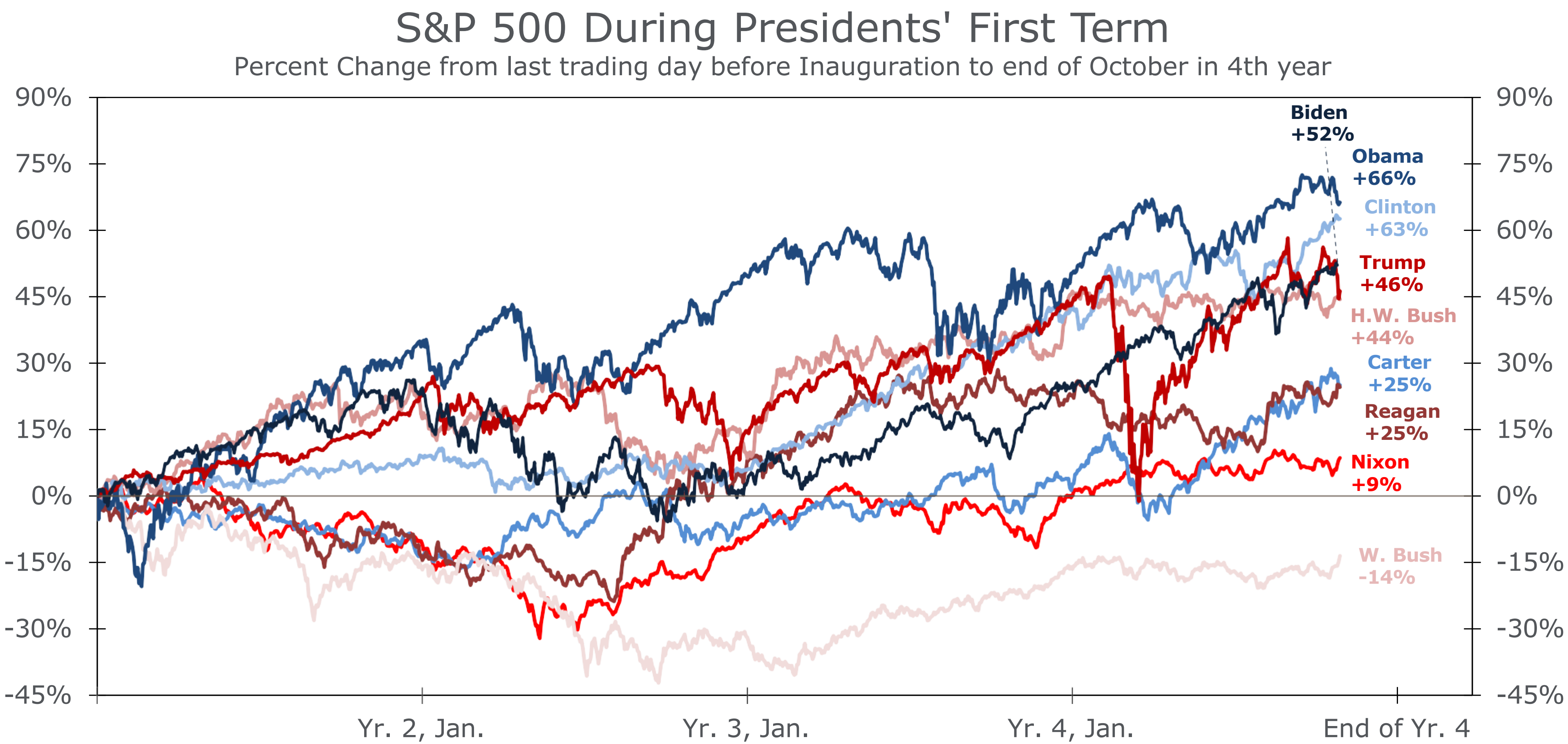
Source: Congressional Budget Office and Wells Fargo Economics

Interest spending on the national debt has skyrocketed.



Source: U.S. Department of the Treasury, U.S. Department of Commerce and Wells Fargo Economics

There is no discernable trend in equity markets favoring either party.



Source: Bloomberg Finance L.P. and Wells Fargo Economics

Wells Fargo Economics Group

Economists

Jay H. Bryson, Chief Economist	jay.bryson@wellsfargo.com
Sam Bullard, Senior Economist	sam.bullard@wellsfargo.com
Nick Bennenbroek, International Economist	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan, Senior Economist	tim.quinlan@wellsfargo.com
Sarah House, Senior Economist	sarah.house@wellsfargo.com
Azhar Iqbal, Econometrician	azhar.Iqbal@wellsfargo.com
Charlie Dougherty, Senior Economist	charles.dougherty@wellsfargo.com
Michael Pugliese, Senior Economist	michael.d.pugliese@wellsfargo.com
Brendan McKenna, International Economist	brendan.mckenna@wellsfargo.com
Jackie Benson, Economist	jackie.benson@wellsfargo.com
Shannon (Seery) Grein, Economist	shannon.grein@wellsfargo.com
Nicole Cervi, Economist	nicole.cervi@wellsfargo.com

Analysts

Jeremiah Kohl, Economic Analyst	jeremiah.j.kohl@wellsfargo.com
Delaney Conner, Economic Analyst	delaney.conner@wellsfargo.com
Anna Stein, Economic Analyst	anna.h.stein@wellsfargo.com
Aubrey (George) Woessner, Economic Analyst	aubrey.b.woessner@wellsfargo.com
Ali Hajibeigi, Economic Analyst	ali.hajibeig@wellsfargo.com

Assistants

Coren (Burton) Miller, Administrative Assistant	coren.miller@wellsfargo.com

Corporate & Investment Banking

Financial Executive Forum:

Market Observations

October 31, 2024

Agenda

1 Macro Environment

2 M&A Market Update

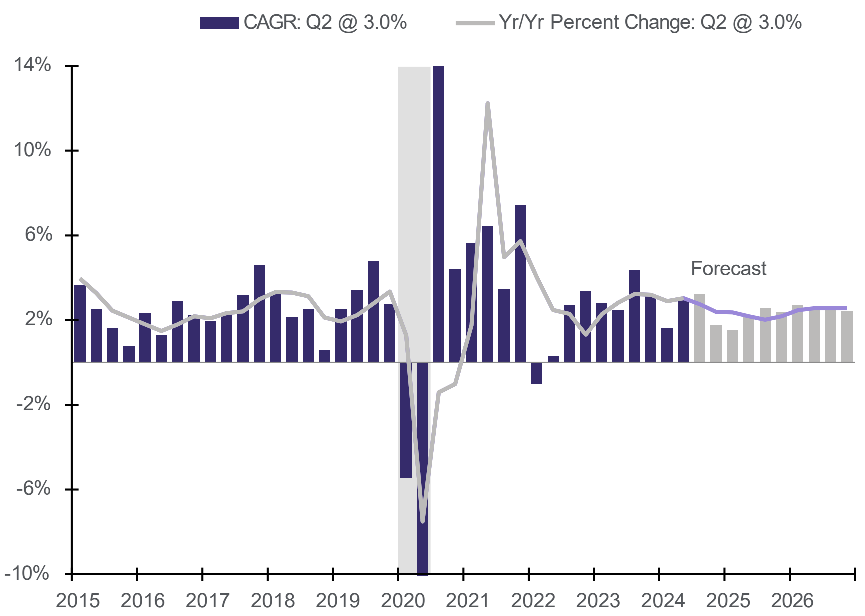
3 Equity Market Update

4 Debt Market Update

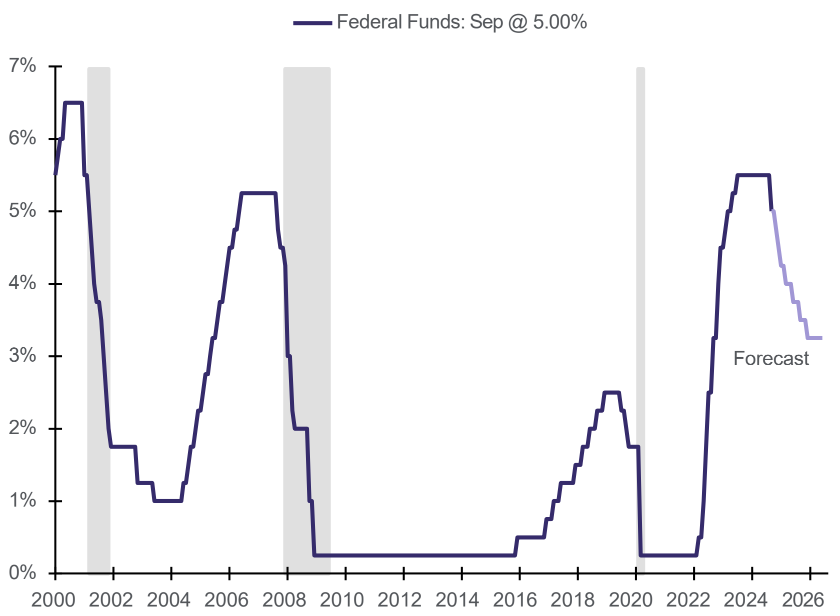
Macro Environment

Economic Indicators Have Moderated Recently, but GDP is Still Expected to Expand

U.S. Real GDP Growth



Federal Funds Target Rate



WF Economics Commentary

- **Economic growth was strong in Q2, and momentum appears to be carrying into Q3. We look for the economy to continue to expand through the first half of 2025, albeit at rates that fall short of the 2.4% annual average growth rate that characterized the 2010-2019 economic expansion**
- **We look for the FOMC to continue its easing cycle with a 25-bps cut in November and 25 bps in December, which if realized would put the target range for the federal funds rate at 4.25%-4.5% at year-end 2024**
  - We forecast the Committee will reduce its target range for the federal funds rate to 3.00%-3.25% by December
  - We do not believe the presidential election will prevent the FOMC from easing policing in November if economic conditions warrant lower rates

Sources: St. Louis Federal Reserve, U.S. Dept of Labor, U.S. Dept of Commerce, Bloomberg, Wells Fargo Economics | Market data as of 10/11/24 | Note: "We" refers to Wells Fargo Economics

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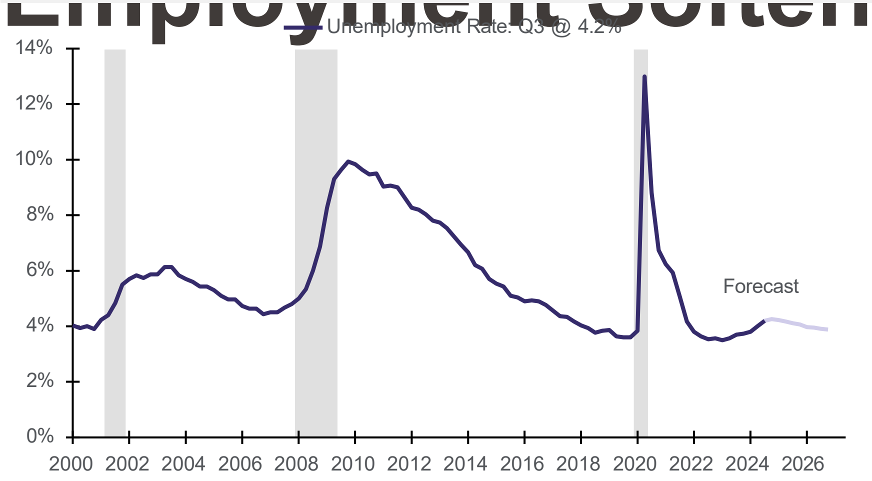
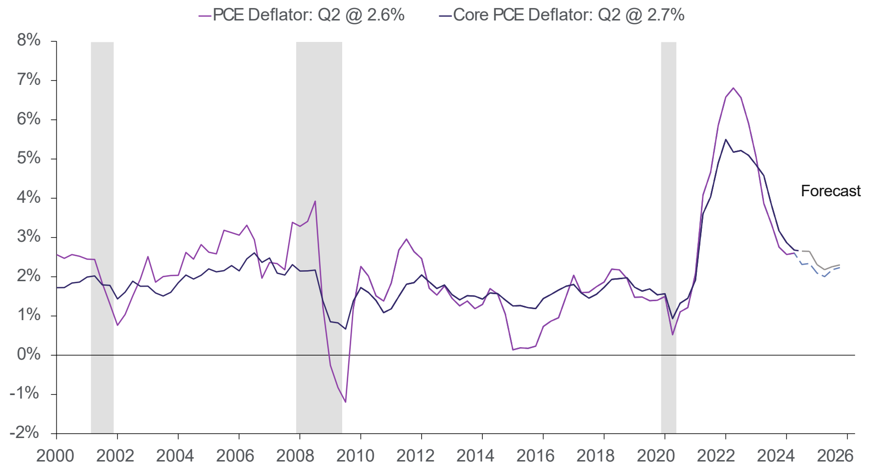
Inflation Expected to Recede with Employment Softening

Unemployment Rate



Consumer Price Index



WF Economics Commentary

- **Employment:** We expect payrolls to expand at an average of 128K per month in Q4, higher than our previous forecast
  - The unemployment rate is likely to peak at 4.3% in Q4, lower thank previously anticipated
- **Inflation:** While services categories remain elevated in term of core inflation, service provides should continue to benefit from more stable prices for goods inputs moving forward
- **Consumers are spending**
  - Annual revisions lifted income more than spending, leaving the personal saving rate might higher than previously reported (2.9% versus 4.8%)
  - Stronger income is supportive of spending capacity, causing us to lift our consumption forecast
- **Capex spending was solid in the first half of the year** amid some pick up in areas of equipment spending and steady intellectual property investment
  - Aggressive Fed easing is supportive of renewed growth in capex, but increased uncertainty is tainting the near-term outlook
- **We still expect residential investment will drag on headline growth in Q3**
  - However, expectations for more Fed easing through 2025 will likely result in some downward pressure on mortgage rates, sparking improvements in buyer demand, builder confidence and residential investment

Sources: St. Louis Federal Reserve, U.S. Dept of Labor, U.S. Dept of Commerce, Bloomberg, Wells Fargo Economics | Market data as of 10/11/24 | Note: "We" refers to Wells Fargo Economics

WELLS FARGO

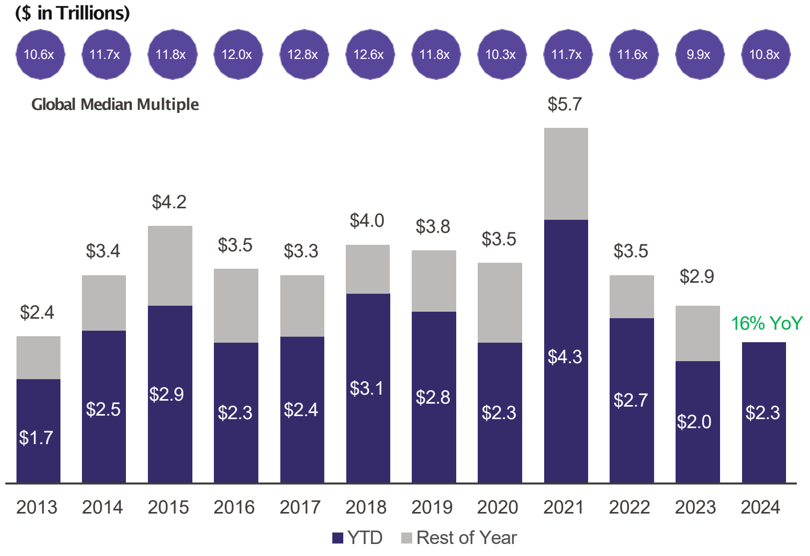
M&A Market Update

Global M&A Activity Up Year Over Year Amid Ample Dry Powder and Supportive Financing Markets

Selected Observations

- Global announced M&A volume in September was $313BN, up 31% from $238BN in August and up 23% from $255BN in September 2023. By comparison, LTM average monthly volume is $267BN
- U.S. announced M&A volume is up 18% year-over-year, while EMEA is up 31% and the rest of the world is up 3%
  - U.S. accounted for 48% of total announced M&A volume in September, EMEA accounted for 24% and the rest of the world accounted for 28%
- The number of announced global M&A deals greater than $1BN is up 23% this year, compared to deals under $1BN, which are down 23%
- Industrials is the largest sector by announced volume YTD ($411BN) representing 18% of the total market, followed by Technology ($375BN) at 16% and Financials ($314BN) at 14%
- Global cross-border volume is up 26% year-over-year; global LBO volume is up 62% and global unsolicited bid volume is up 30%

Global M&A Volume [1]



Key Takeaways

1. Backlog of M&A processes and IPOs
2. Supportive financing markets
3. Substantial corporate and sponsor equity dry powder available
4. Focus on investing in core assets and exiting non-core segments
5. Emphasis on profitability and free cash flow
6. Heightened regulatory scrutiny

Source: FactSet, Refinitiv, Thompson Reuters, Dealogic, Wells Fargo Securities, LLC, LSEG, Conference Board | Note: YTD as of 9/30/24 unless otherwise stated | [1] Volumes in trillions and based on announcement date of 9/30/24 across all deal sizes

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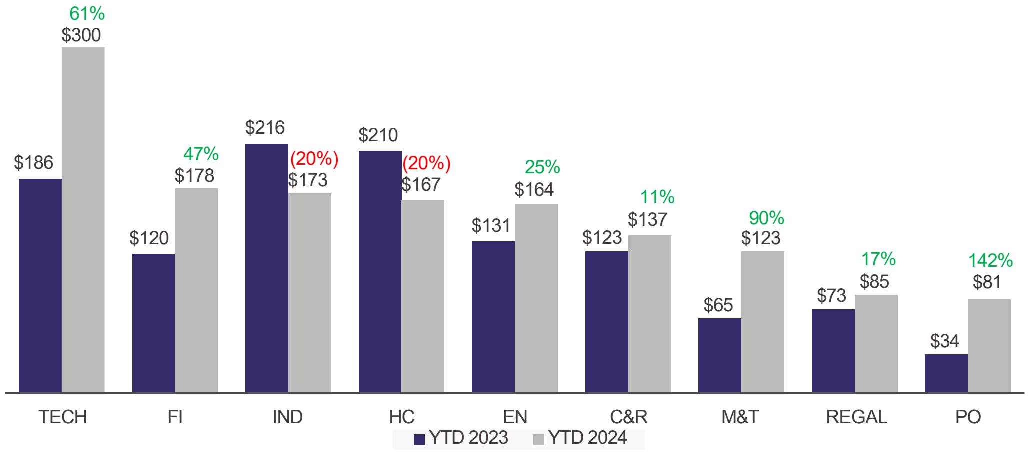
U.S. M&A Activity Up Year Over Year Driven by Tech M&A Transactions

Selected Observations

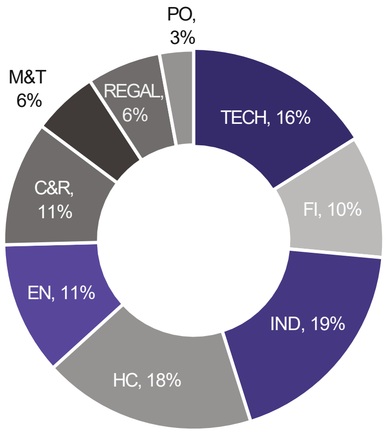
- U.S. announced M&A volume YTD 2024 is $1.4 TN, up 21% compared to the same period in 2023
- Technology M&A volume has seen the highest growth across all industries, increasing by 61% YTD in 2024 compared to the same period in 2023
  – Technology M&A transactions comprise the largest portion of U.S. M&A volume YTD (21%), followed by Financials (12%) and Industrials (12%)
- Notable deals announced in September includes Verizon Communications' acquisition of Frontier Communications Parent ($19.9)
- In 2024, new activist campaigns have increased by 50% and announced proxy fights have decreased by 19%, compared to the same period in 2023

U.S. M&A Volumes by Industry[2]

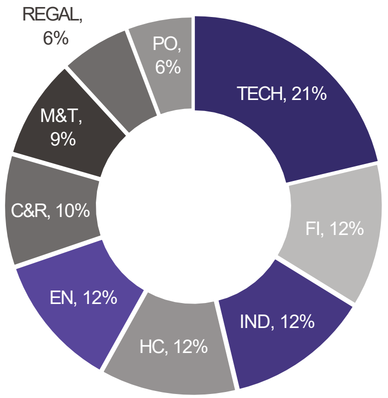


U.S. M&A Volumes & Multiples [1]

YTD 2023



YTD 2024

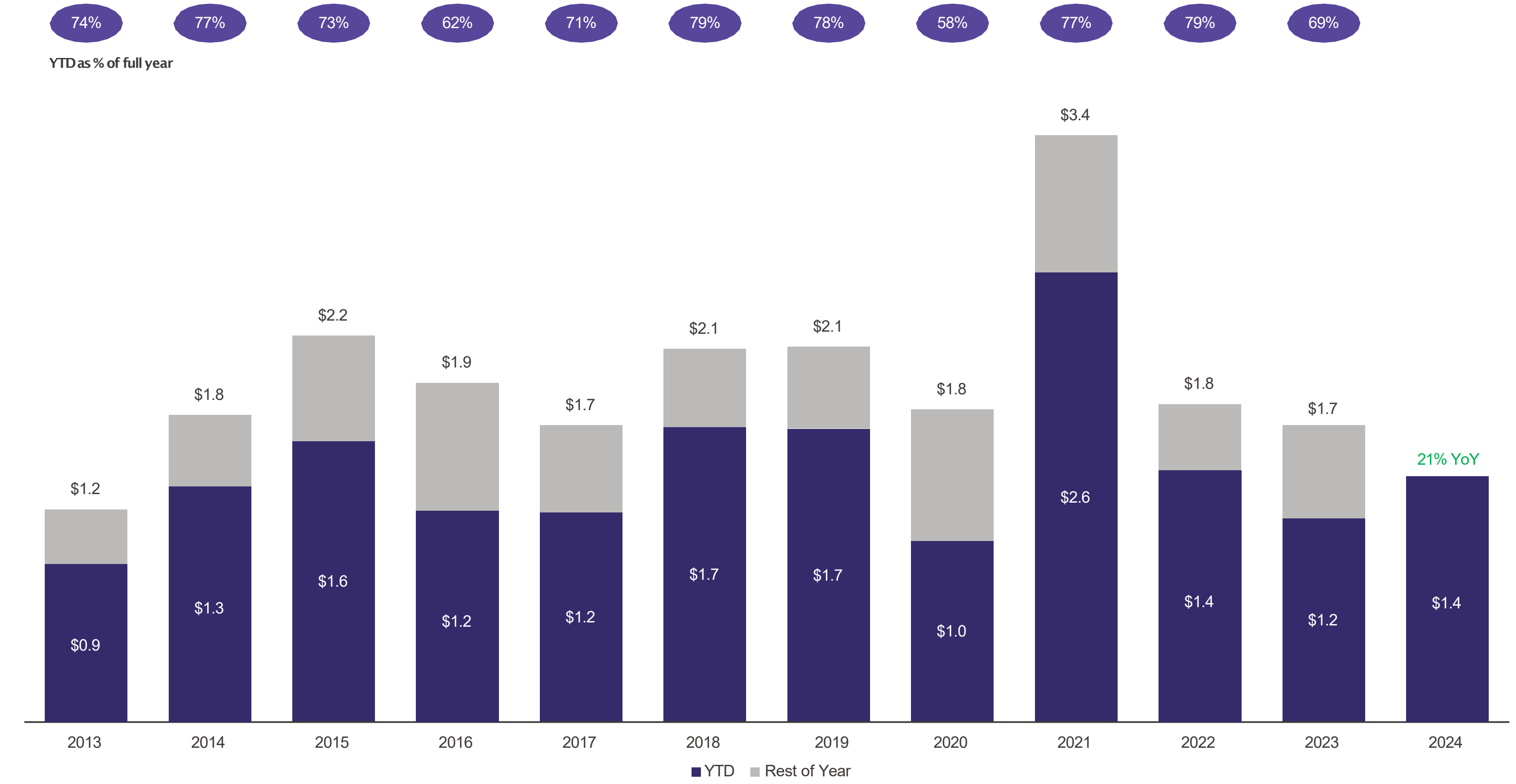


Source: LSEG, Wells Fargo Securities, LLC | Note: YTD as of 9/30/24 unless otherwise stated | Technology = TECH, Financials=FI, Industrials = IND, Healthcare = HC, Energy = EN, Consumer = C&R, Media & Telecom = M&T, Real Estate = REGAL, Power = PO, [1] Volumes and multiples based on announcement date of 9/30 across all deal sizes I [2] In billions; U.S. market is defined by any deal where the target or acquiror is based in the U.S.

U.S. M&A Overview – Announced Volume Trends

YTD U.S. M&A Volume[1]

($ in Trillions)

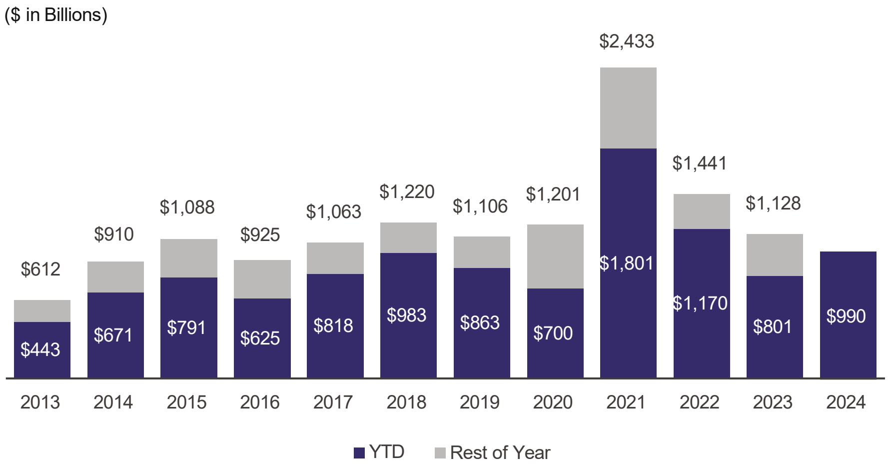


Source: Wells Fargo Securities, LLC, LSEG | Note: YTD as of 9/30/24 unless otherwise stated | [1] Volumes in trillions and based on announcement date of 9/30/24 across all deal sizes

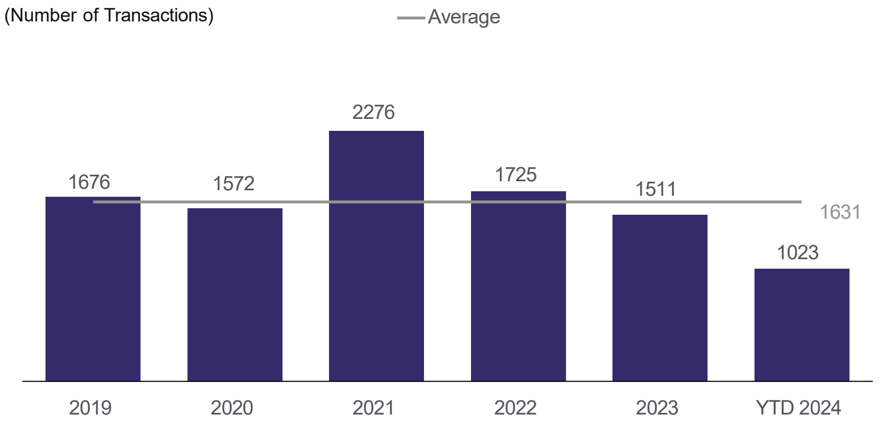
WELLS FARGO

Increasing Sponsor M&A Activity As LPs Are Seeking Capital Return and Falling Rates Are Encouraging Buyside Activity

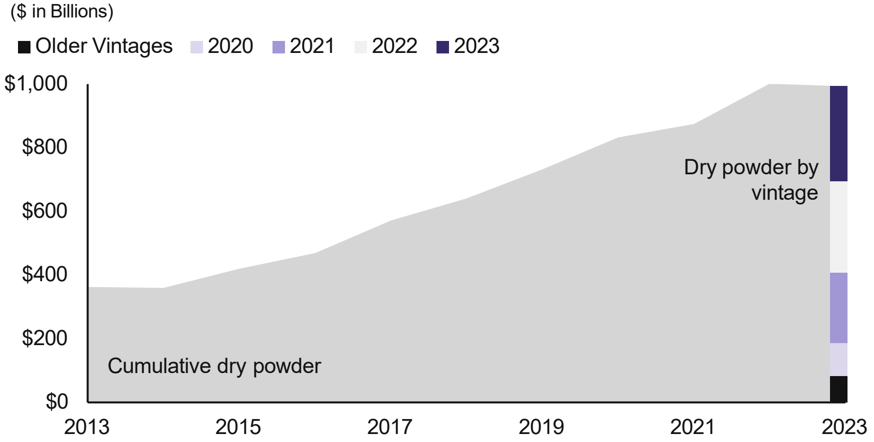
Sponsor M&A Volume has Rebounded From 2023 Lows[1]…



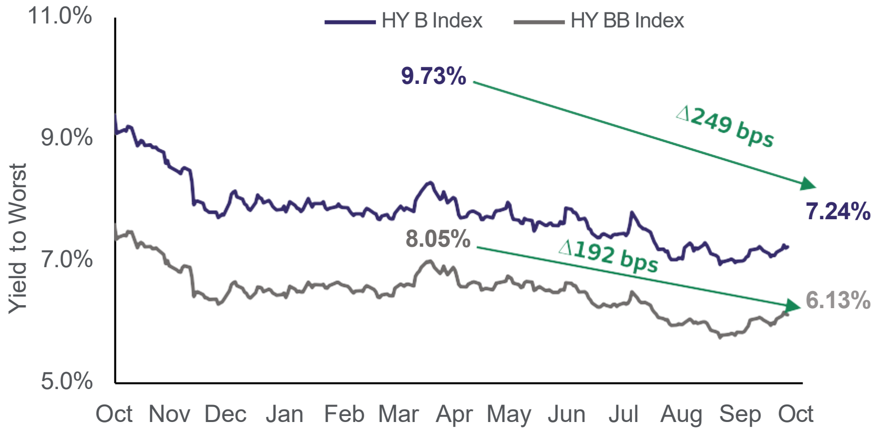
…Although Entries (LBOs) Still Trail Historic Levels



U.S. Financial Sponsor Dry Powder at Record Levels



Financing Markets Continue to Improve



Source: PitchBook, Dealogic, ICE Global Index System | Note: YTD as of 9/30/24; HY Data as of 10/25/24 | [1] Based on global sponsor M&A volume

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Corporate &
Investment Banking

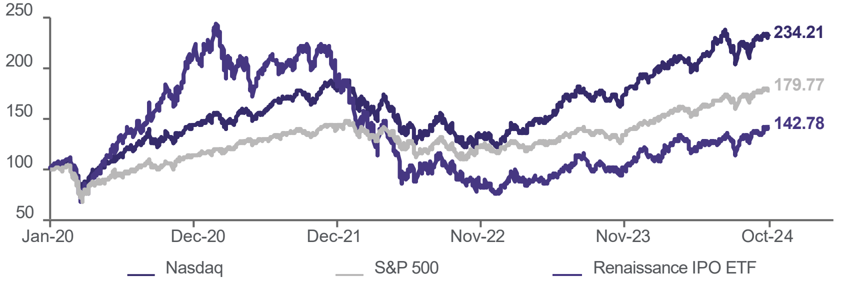
Equity Market Update

Public Equity

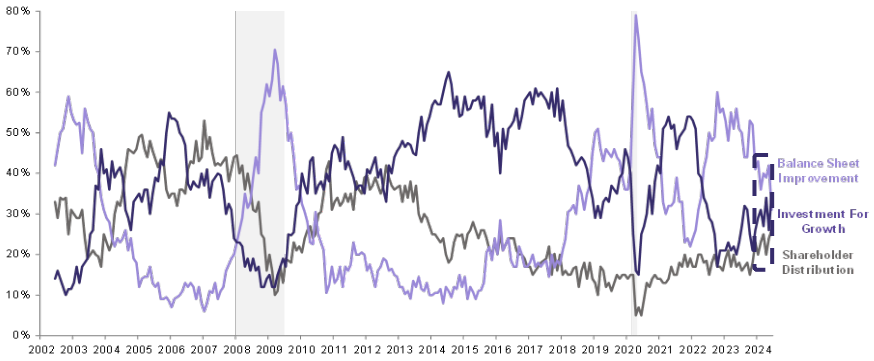
Key Themes

- Three IPOs priced the week of 10/21, raising ~$817MM in proceeds
  - The IPO market has priced 66 deals in 2024, raising ~$30BN in proceeds – up 60.2% in issuance volume compared to this point in 2023
- Nine follow-ons priced the week of 10/21, raising ~$1.2BN in proceeds
  - The follow-on market has priced 301 deals in 2024, raising ~$106BN in proceeds and issuance volume is up (32.9%) YTD compared to 2023
- There was one convertible issuance for $435MM during the week of 10/21
  - There have been 85 deals raising ~$61.7BN in proceeds thus far in 2024 and issuance volume is up 42.8% YTD compared to 2023
- SPAC issuance volume represents 22% of total IPO issuances in 2024, with 41 SPAC IPOs having raised ~$7.1BN in proceeds
  - The SPAC IPO pipeline remains open, with 33 publicly filed deals expected to raise ~$4.3BN
- As of market close on 10/25, the three major indices traded mixed on the week with the Dow, the S&P 500 and the NASDAQ moving (2.7%), (1.0%) and 0.2%, respectively
  - Existing home sales fell unexpectedly in September by (1.0%), to their slowest pace since late 2010, as buyers continue to remain weighed down by higher mortgage rates and house prices
  - U.S. durable goods orders fell in September by (0.8%), slightly better than the (1.0%) decline forecasted
  - Last week's initial jobless claims totaled 227K, versus forecasted 243K, while continuing claims increased to 1.9MM

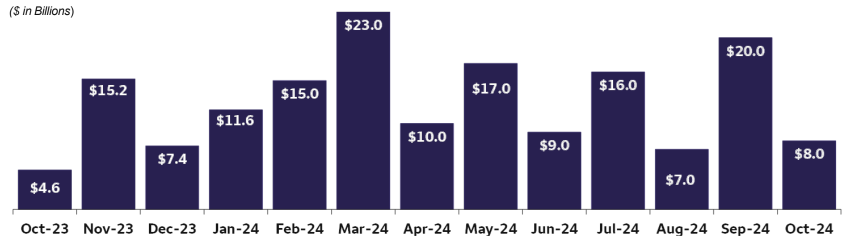
Historical Index Performance [1]



Institutional Equity Investor Capital Deployment Preference



Issuance Remains Low Amid Broader Market Uncertainty [2]



Source: Dealogic, Company Filings, Wall Street Journal, Wall Street research | Note: Market data as of 10/25/24 | [1] Indexed from 1/1/20 | [2] Includes IPOs and Follow-ons; excludes SPACS

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Debt Market Update

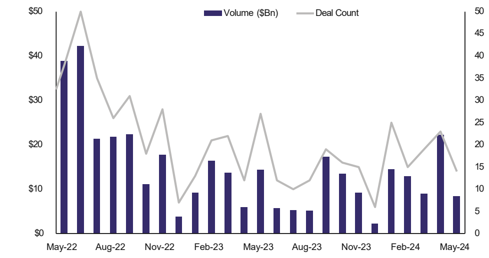
Institutional Debt Capital Markets

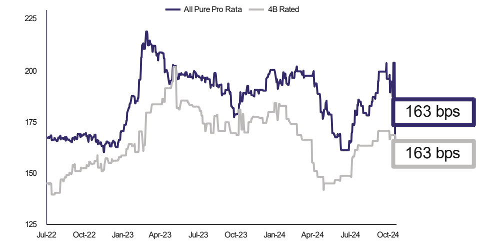
Financing markets have seen meaningful improvement thus far in 2024

Select Commentary	Issuance Volume	Pricing / Secondary Spreads

Pro Rata [1]

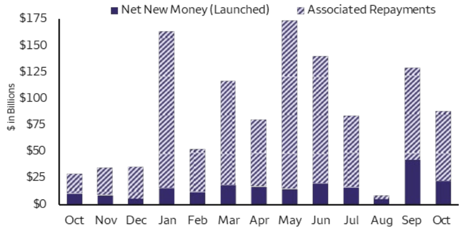
- Bank activity is largely back to pre-banking disruption levels with regional banks as a notable exception
- The pricing premium in the market, common in 2023, has largely evaporated for existing borrowers, though higher pricing is often necessary to build a new bank group

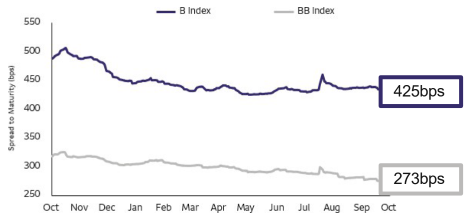




Institutional [2]

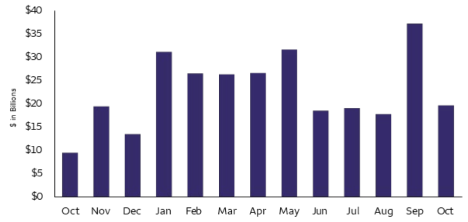
- YTD Term Loan B issuance volumes are $436BN (up 98% YoY, excluding repricings)
- Investor demand remains solid as deal outcomes continue to be positive and the majority in recent moths landing at price talk or better
- The YTD volume tally for priced loans has officially crossed $1TN for the first time on record

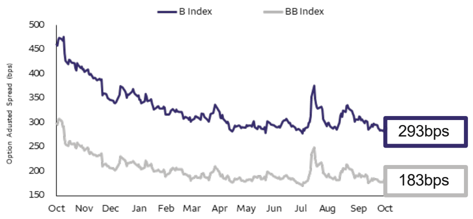




High Yield [2]

- YTD high yield issuance volumes are $255BN (up 77% YoY)
- Deals continue to receive strong investor demand and are consistently pricing at the tight end of price talk or better
- A majority of issuance has been refinancing-related, but there has been a healthy mix of LBO activity as well





Source: Wells Fargo Securities, LLC | [1] Issuance volume as of 9/30/24 and pricing / secondary spreads as of 10/25/24 | [2] Market data as of 10/25/24

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