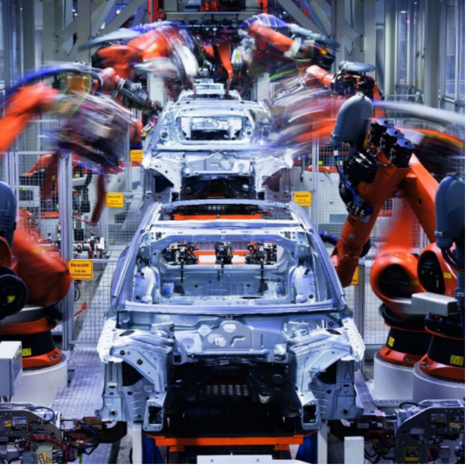
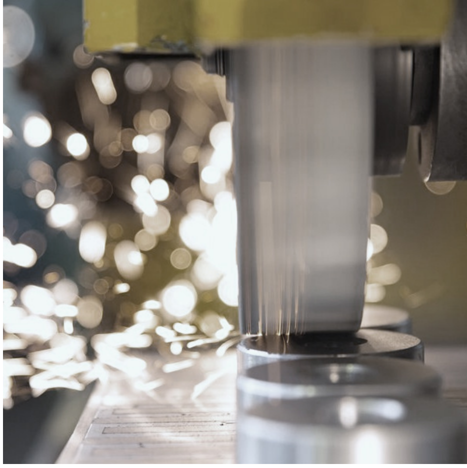




GREENWICH
CAPITAL GROUP

Industrials M&A Update

Q1 2018

Q1 2018
U.S. Middle-Market M&A Update

Middle-Market M&A Activity Accelerates in Q1 2018

A combination of favorable interest rates, lower corporate tax rates, strong earnings and a thriving economy resulted in a very strong M&A market in Q1 2018. During the quarter, there were 6,910 reported middle-market transactions in the U.S. This is a sharp increase over prior quarters, specifically 9% growth over Q4 2017 and a 7% increase when compared to the first quarter of 2017. Q1 results put 2018 on pace to be the most active M&A market since 2015.

Middle-market deal values averaged $74.2 million in Q1, a level that has not been reached in the last five years. The Q1 average value also represents a 13% increase over the recent high in 2017 of $65.7 million. The increase in valuations can also be observed through the gradual shift away from the lower middle market in favor of slightly larger deals. Companies valued at less than $100 million have historically dominated the middle market and, while they still represent a large portion of total volume, those valued over $100 million are gaining share. In Q1 2018, deals valued over $100 million accounted for 24% of middle-market activity, representing another five-year high. For perspective, this segment accounted for 15% of activity in 2010 and has gradually increased to its recent high of nearly 22% in 2017.

Strategic and Domestic Buyers Continue to Dominate Middle-Market M&A

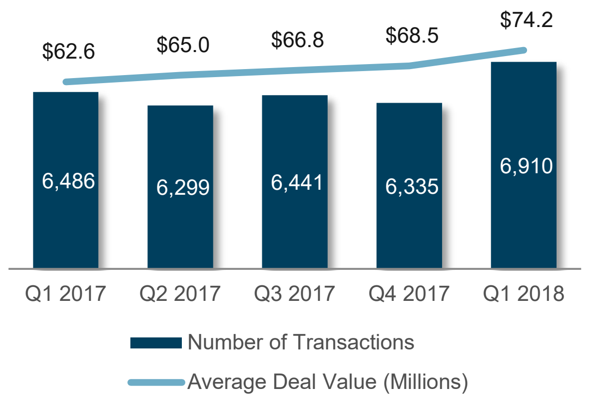
Strategic buyers continue to be the dominant buyer between strategic and financial buyers. This is to be expected given the strong earnings of strategic buyers, their cash positions and the recent tax cuts. Strategic buyers accounted for 68% of middle-market deals during Q1 2018. Despite this being in line with recent results, it is significantly higher than historical levels. From 2012 through 2016, for example, strategic buyers' share of M&A activity ranged between 62% and 65% of total deal flow.

The other component of the buyer base which continues to show strength is the domestic acquirers vs. foreign acquirers. In Q1 2018, domestic buyers accounted for 87% of the buyers targeting U.S.-based companies in the middle market. While this level is consistent with prior quarters, it is notably lower than historical levels due to a growing interest among foreign acquirers. From 2012 through 2016, foreign buyers ranged between 9% and 12% of the buyer base. Foreign buyers' increase to 13% of activity this quarter indicates the growing attractiveness of U.S.-based companies, which is expected to continue due to the relative strength of the U.S. economy and low interest rate environment.

Industry Sectors Tell a Clearer Story

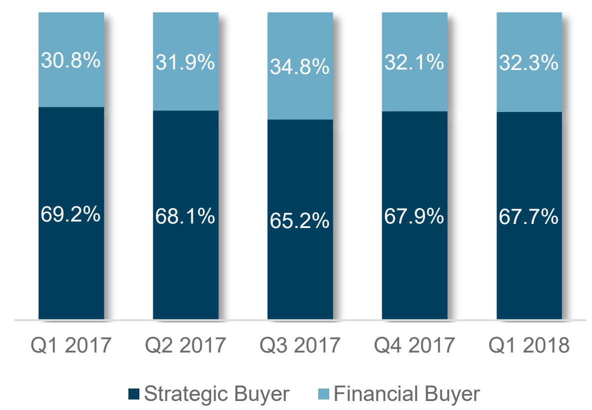
While the overall deal volume and value were quite strong during the first quarter of 2018, the underpinnings of this strength tell a clearer story. Three industries grew significantly in deal activity during the first quarter: Industrials, Healthcare and Technology. Conversely, the Energy, Utilities, Consumer and Financial sectors all showed a decline in deal activity from the prior quarter. While the overall deal activity is strengthening, certain industries are benefitting more than others from this increase.

M&A Volume and Average Enterprise Value



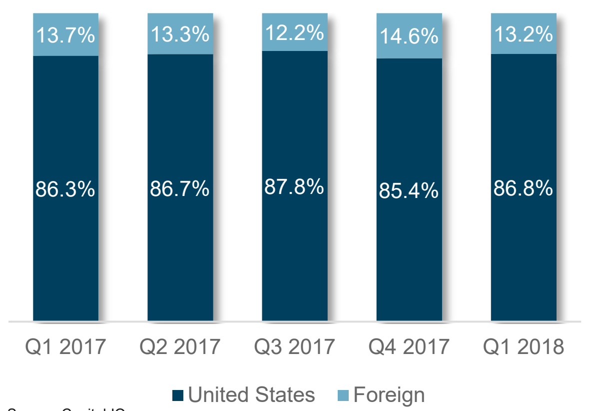
Source: Capital IQ

M&A Activity by Buyer Type



Source: Capital IQ

M&A Activity by Buyer Region



Source: Capital IQ

Q1 2018
Industry Highlight | Industrials

Favorable Market Trends Continue

Industrials middle-market M&A activity was up 14% in Q1 2018 to 736 deals from 648 deals in the prior quarter. Total enterprise value also experienced a sharp increase of 21% over the same period ($6.9 billion of total value vs. $5.7 billion, respectively). Likewise, the average deal value increased from an average of $74.3 million in Q4 2017 to $86.7 million in Q1 2018. Public equity market fluctuation in Q1 did not appear to have much of an impact on middle-market Industrial M&A activity as the Q1 2018 results were stronger than each of the last three quarters of 2017. Transaction multiples remained relatively strong with an average multiple of 9.2x EBITDA across all Industrial segments. Elevated multiples likely reflect the early impact of U.S. tax reform, the still-strong leverage markets and the limited supply of transactions available in the market. Industrial deal volume, although strong, is still not enough to satisfy the appetite of the available buyers. Industrial M&A multiples will likely remain at elevated levels for the remainder of 2018, assuming the abundance of dollars seeking transactions outpaces the number of middle-market transactions that are available for sale.

Strong Competition Between Financial and Strategic Buyers

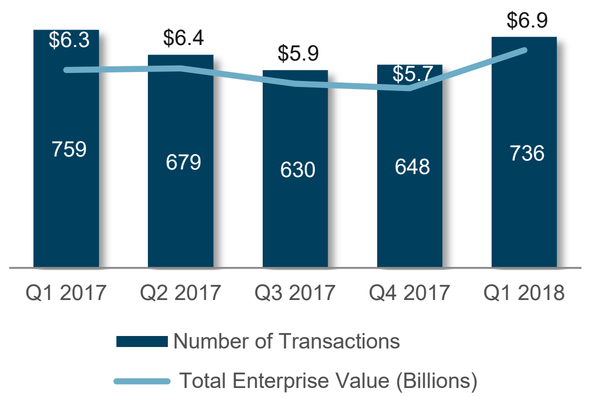
Private Equity continues to be a significant buyer group in the sector, comprising 21% of activity in Q1 2018. Private Equity groups, which have an estimated $1 trillion of available capital to invest, are facing tough competition for deals from other Private Equity groups, as well as cash-rich corporations. A factor that is working in Private Equity's favor, however, is the availability of relatively inexpensive debt capital to fund Industrial transactions. Sources of debt financing are expanding too, with both traditional banks and non-traditional financing sources, such as debt funds, family offices and institutions, looking to back strong funds and good deals.

Corporate buyers completed majority of Q1 deal flow as they looked to acquisitions to help drive growth. Middle-market acquisitions often bring new and expanded product offerings to drive revenue and market share, as well as new technological capabilities. At the same time, corporations are looking to refine their own portfolios by shedding those divisions or assets that are non-core or contrary to their long-term strategic plans. Divestitures represented 25% of the Industrial deals in Q1 and, interestingly, Private Equity comprised a significant share of these carve-out transactions. These deals tend to be more complicated than traditional private company sale transactions and often present value opportunities for the buyers.

The Growing Presence of Technology in Industrial M&A

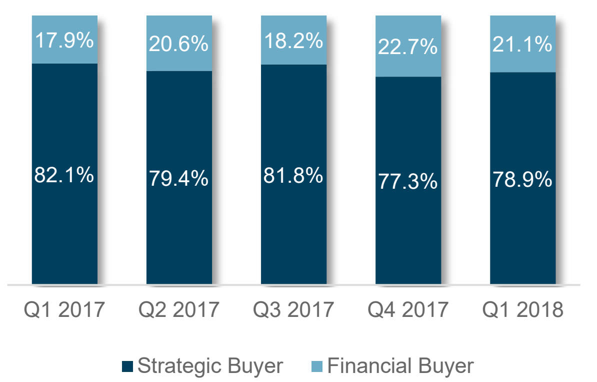
The convergence of technology and traditional manufacturing is becoming a more predominant theme in Industrial M&A. Technology-related products and businesses that augment or support a company's manufacturing techniques and processes are becoming more common. Corporate buyers in the industrial sector are leveraging M&A to help propel their capabilities around such areas as autonomy, artificial intelligence, electrification, additive manufacturing, software and other cutting-edge technologies.

Industrials M&A Volume and Total Value



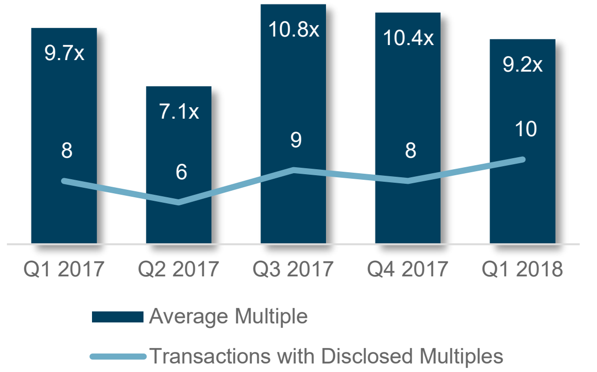
Source: Capital IQ

Industrials M&A Activity by Buyer Type



Source: Capital IQ

Observed Industrials EBITDA Multiples



Source: Capital IQ

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About Greenwich Capital Group

GCG is a middle-market focused investment bank offering a range of strategic and financial advisory services to privately held businesses, private equity investors and divisions of publicly traded companies. Our senior bankers have held leadership positions at global investment banking firms, bringing a wealth of experience to each of our clients.

Research Methodology

For the purpose of this report, GCG defines middle-market M&A as an announced and/or completed transaction in which one company purchases a minority or majority equity stake in another company that is based in the United States and has an undisclosed or disclosed enterprise value less than or equal to $500 million. The information provided in this market overview was obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. Statements provided herein reflect GCG's objective opinions and are not to be construed as legal, accounting, financial or investment advice.

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