



MIDDLE MARKET UPDATE

SEPTEMBER 2019

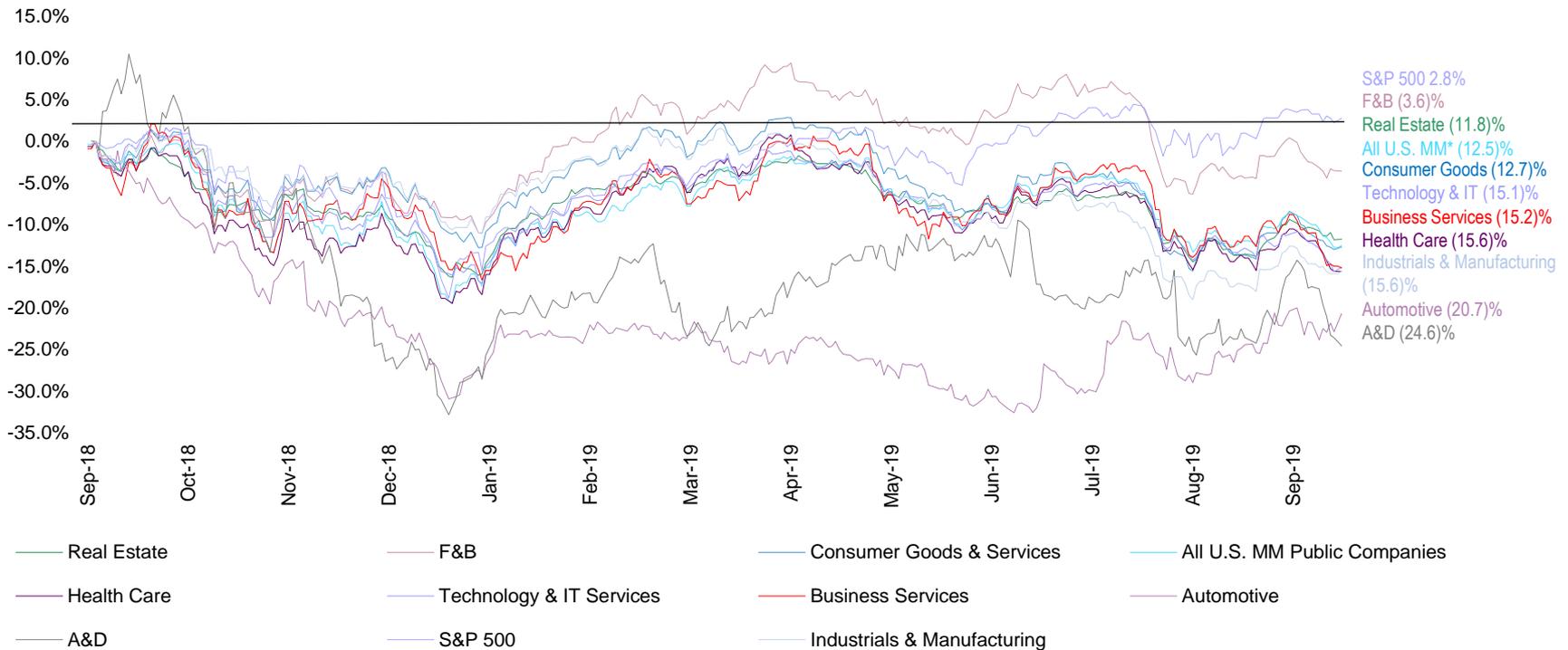


GREENWICH
CAPITAL GROUP

GCG U.S. Middle Market M&A Update

GCG Proprietary Middle Market Sector Stock Performance Index

Middle market public company stock performance in select industries representing GCG's proprietary sectors has shown overall negative performance since September 2018. The only positive performer over the period is the S&P 500 (up 2.8%), which represents the larger cap stocks. While every middle market sector declined over the past 12 months, the Food & Beverage ("F&B") sector achieved the best performance, dropping 3.6%. Conversely, the Aerospace & Defense ("A&D") sector dropped 24.6% during the same 12-month period. Along with A&D, Automotive and the Industrial & Manufacturing sectors exhibited the largest decline over the past 12 months. While there are many reasons for these manufacturing-based industries to be the worst performers, the uncertainty around trade is one of the most significant factors driving this decline. Also suggested by the findings is the continued underperformance of the small cap stock sector compared to larger cap stocks. This trend has remained consistent over the last 12 months.



Source: S&P Capital IQ and Proprietary GCG Research

Note: All values based on publicly available data as of 10/07/2019, benchmark index for comparison is All U.S. MM Companies

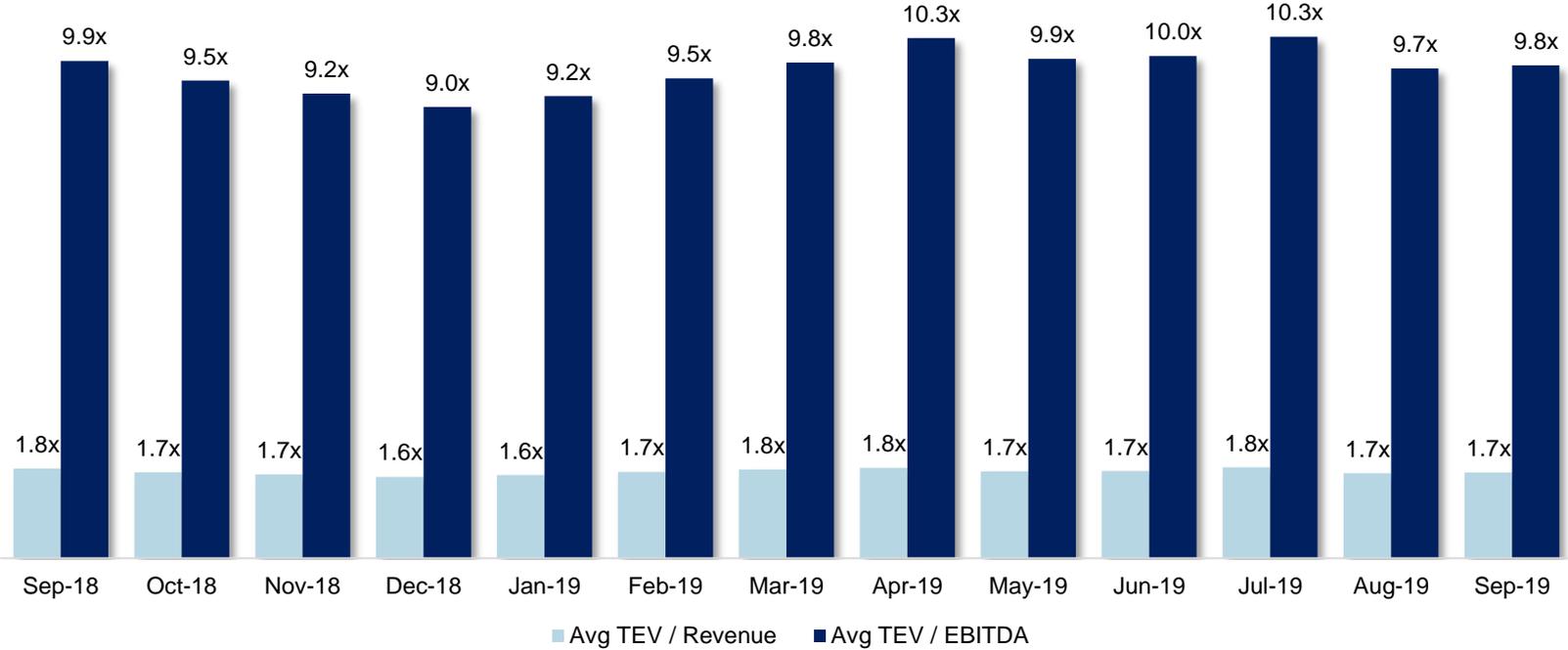


GCG U.S. Middle Market M&A Update

GCG Public Company Index Trading Multiples

Middle market public company trading multiples increased from August to September. The September average EBITDA multiple was 9.8x which is an improvement from the August multiple of 9.7x. Revenue multiples remain consistent at 1.7x revenue. Revenue multiples have remained consistent over the past 12 months. Each month has been between 1.6x and 1.8x revenue. The multiples have still not performed to their April and July 2019 highs of 10.3x EBITDA and 1.8x revenue.

All U.S. Middle-Market Company Index Trading Multiples



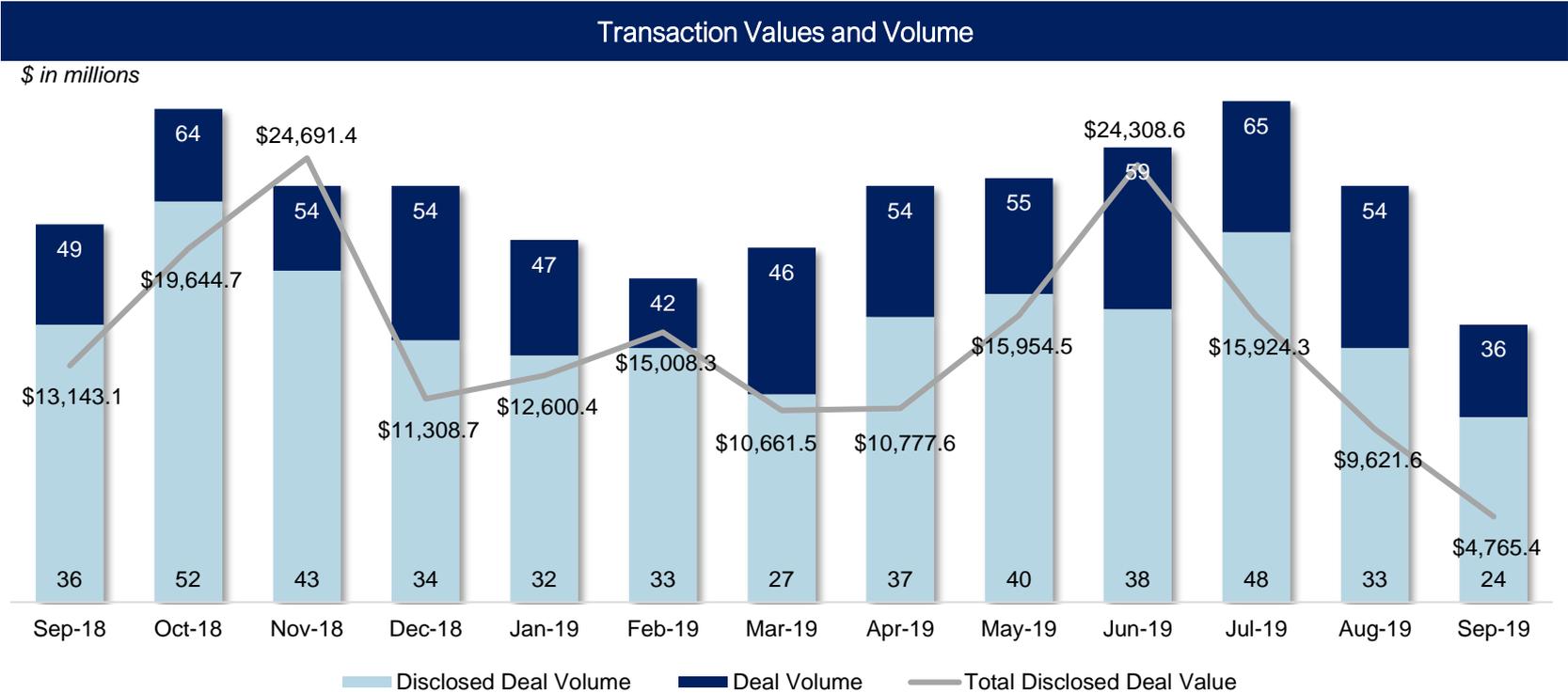
Source: S&P Capital IQ and Proprietary GCG Research
 Note: All values based on publicly available data as of 10/07/2019



GCG U.S. Middle Market M&A Update

Middle Market M&A Multiples

Middle market public and private company transaction deal volume for September 2019 exhibited its worst performance of the 12-month period. The data shows a continuation of the decline from the past month. Deal volume dropped 33% during the last month, while deal values took a more dramatic decline. This information is based on disclosed data for middle market transactions. U.S. overall middle market M&A volume is down 26.5% from September 2018. Transaction value was down even more significantly during the past year, dropping almost 64% from September 2018 to September 2019. This is most likely influenced by the previously mentioned sharp decline in manufacturing and industrial valuations.



Source: S&P Capital IQ
 Note: All values based on publicly available data as of 10/07/2019, Total Deal Value is based solely on disclosed terms, M&A excludes private placements, MM defined as revenue between 10 and 500 million



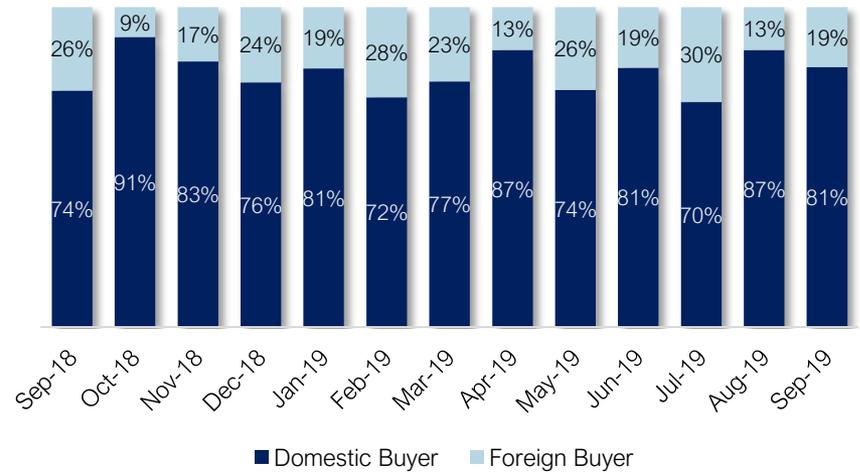
GCG U.S. Middle Market M&A Update

Middle Market M&A Buyer Analysis

Strategic acquirers continue to dominate middle market M&A activity, accounting for 97% of deal flow, with financial buyers representing 3%. Financial Buyers decreased from 13% of the deal market in August 2019 to 3% in September. This represents the smallest percentage month for financial buyer activity during the past year.

September 2019
Transaction Volume:
36

Domestic buyers represented 81% of middle market M&A activity in September 2019, a decrease from August. However, it is still the fourth strongest month for middle market domestic buyers' activity over the 12-month period. This trend may continue as uncertainty around global trade continues. However, the trade uncertainty and slowing of the global economies also makes the U.S. an attractive investment location.



Source: Capital IQ and GCG research



GCG U.S. Middle Market M&A Update

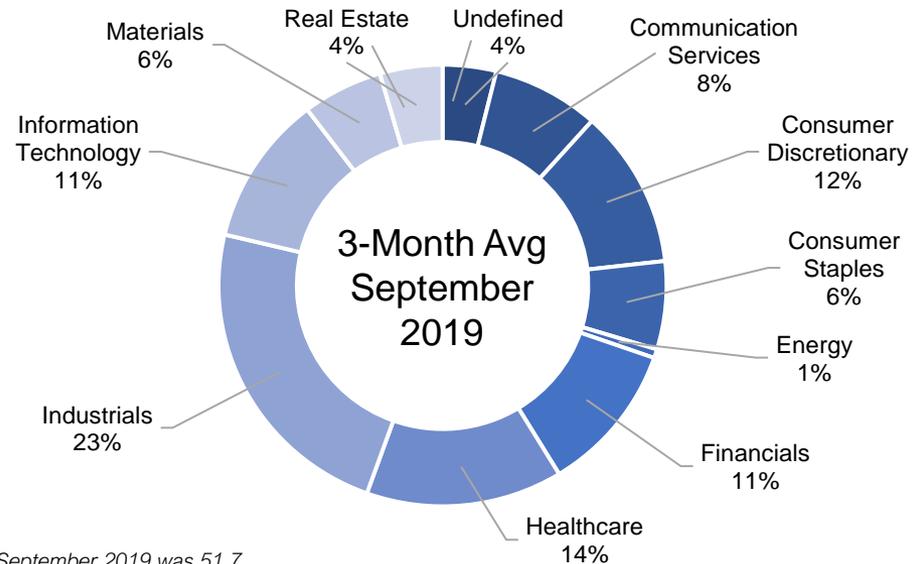
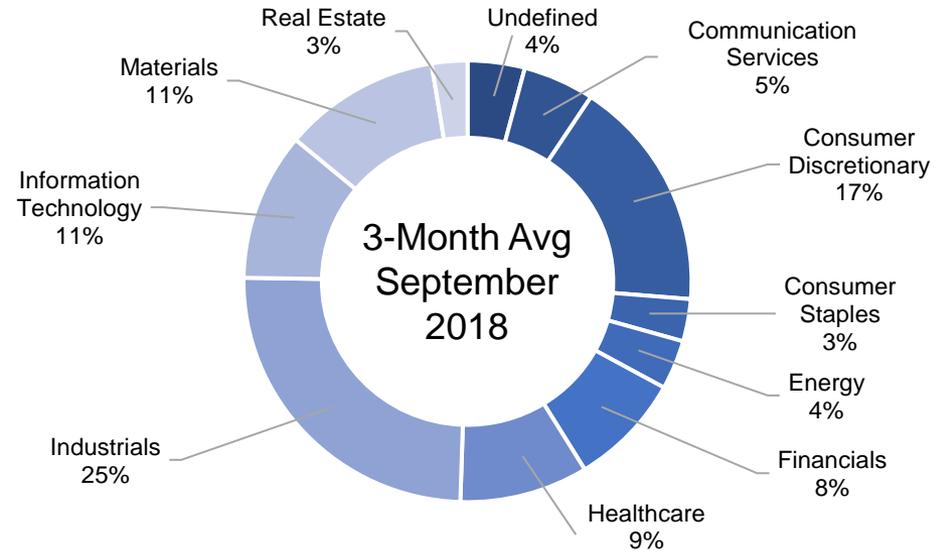
Middle Market M&A Sector Activity

The trailing three-month deal activity ending September 2019 continued to show strength in the middle market Industrials sector. Industrials accounted for 23% of all middle market deals during the last three months, down slightly from September 2018.

A few industry sectors became more prominent on the deal front over the past year. Looking at 2019 vs 2018 data shows that the Healthcare, Financials, Consumer Staples and Communication Services sectors saw significant increases in deal activity as a percentage of the overall market. Healthcare deals which comprised 9% of the M&A market in 2018, increased to 14% in 2019. The Financials, Communication Services and Consumer Staples sectors each saw an increase of 3% of the overall middle market deal activity.

A couple of note worthy drops occurred in deal activity during the same period. Materials dropped from 11% as of September 2018 to 6% as of September 2019. Consumer Discretionary dropped from 17% to 12% of the overall market, and Energy dropped from 4% to 1%.

Each sector has been impacted uniquely by external factors including interest rate changes, global economic activity, trade wars, political challenges, and changing governmental policies.



Source: Capital IQ and GCG research

Note: The three-month average number of transactions in September 2018 was 64.7 and in September 2019 was 51.7.



GCG U.S. Middle Market M&A Update

More about Greenwich Capital Group

Greenwich Capital Group (“GCG”) is a middle market focused advisory firm offering a range of investment banking and consulting services to private companies, public companies and private equity investors. Our senior bankers have held leadership positions at global investment banking firms, bringing a wealth of experience to each of our clients. GCG operates with the highest integrity, providing credibility and an excellent client service experience through our proven transaction process. These core values are the common thread in establishing our extensive relationships with privately held businesses, private equity investors and publicly traded companies. With each engagement, GCG’s senior bankers have a common goal. We strive to build relationships by representing our clients’ long-term interests in order to earn ultimately their trust. It is our privilege to be called trusted advisors in the middle market.

For additional perspective or to discuss M&A related opportunities in the middle market, please reach out to GCG’s CEO and Managing Director, Bob Coury. For more information, please visit www.greenwichgp.com.



Bob Coury

CEO &

Managing Director

rcoury@greenwichgp.com

O: (248) 480-2031

M: (313) 919-3811

Data Sources: We have based our findings on data provided by industry recognized sources. Data and information for this publication was collated from the S&P Capital IQ database. For more information on this or anything else related to our research, please email info@greenwichgp.com.

Disclaimer: This publication contains general information only and Greenwich Capital Group, LLC is not, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. Greenwich Capital Group, LLC shall not be responsible for any loss whatsoever sustained by any person who relies on this publication.

