



# MIDDLE MARKET UPDATE

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Q4 2019



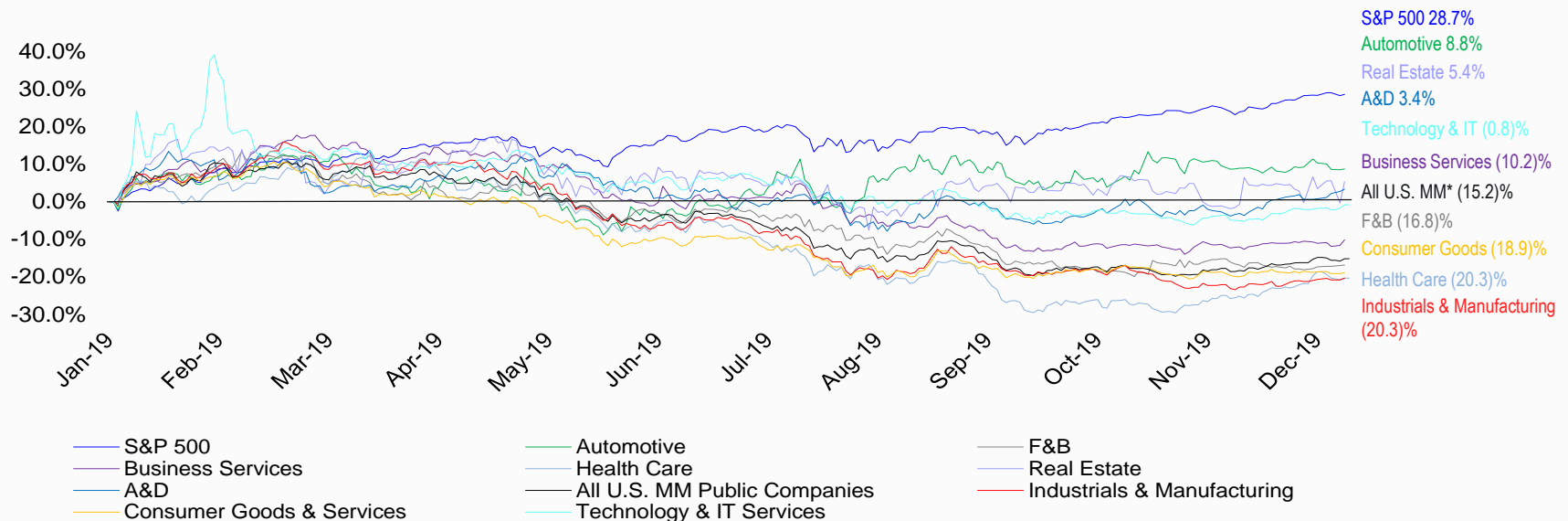
GREENWICH  
CAPITAL GROUP

# GCG Middle Market Update | Q4 2019

## GCG Public Company Index Market Performance

GCG's proprietary middle market industry sector performance index has shown mixed results by industry. In all cases, the middle market performed well below the large cap stocks as measured by the S&P 500 index. The S&P 500 index had a total return of 28.7% for the year. The relative overall return for the middle market based on our index was a disappointing negative (15.2%) for the year. Automotive was the single biggest industry gainer in the middle market at 8.8%. Other positive industry sectors include Real Estate at 5.4% and Aerospace & Defense ("A&D") at 3.4%. Conversely, the Healthcare and Industrials & Manufacturing sectors dropped 20.3% during the same 12-month period. Other industry sectors with negative returns for 2019 include Consumer Goods (18.9%), Food & Beverage ("F&B") at (16.8%), Business Services at (10.2%) and Technology & IT at (0.8%). There were many undercurrents in the market during 2019 including trade wars, a political push to change healthcare, as well as rapidly changing technology impacting certain industries. This is in addition to the continued underperformance of the small cap stock sector compared to larger cap stocks. This trend has remained consistent over the last 12-months.

### GCG Proprietary Middle Market Sector Stock Performance Index



Source: S&P Capital IQ and GCG Proprietary Research, all values based on publicly available data as of 1/06/2020

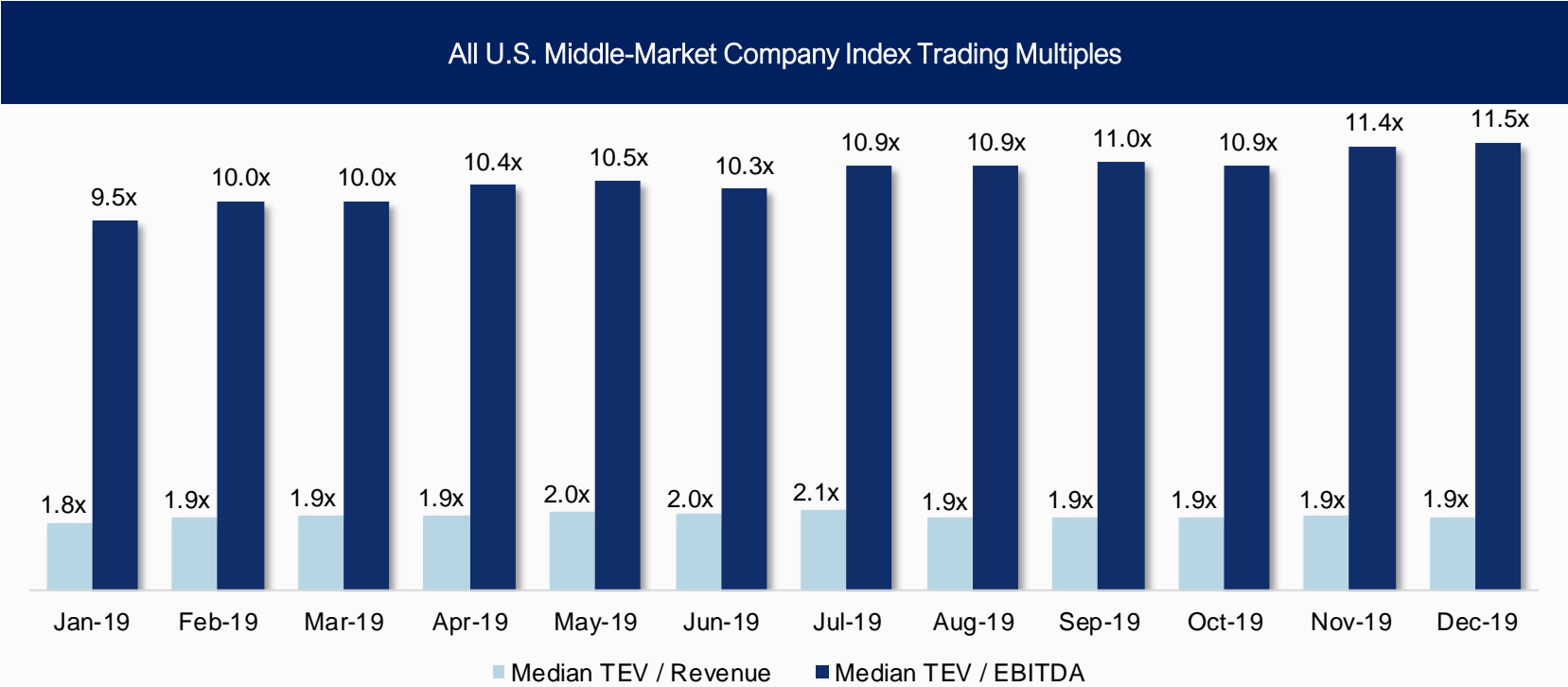
Note: Benchmark index for comparison is All U.S. MM Companies, MM defined as enterprise value between \$10M and \$500M



# GCG Middle Market Update | Q4 2019

## GCG Public Company Index Trading Multiples

The median quarterly middle market public company revenue multiples remained basically unchanged from Q3 to Q4 2019 decreasing from 2.1x during July 2019 to 1.9x during December 2019. The median EBITDA multiples, however, increased from 10.9x during July 2019 to 11.5x during December 2019. On a monthly basis, EBITDA multiples continued to increase October through December while revenue multiples remained consistent at 1.9x revenue. The multiples in Q4 exhibited the highest of 2019 and continued a greater trend of higher valuations in the market. The EBITDA multiple increased 2 full turns from January 2019 (9.5x) to December 2019 (11.5x). This increase in multiple throughout the year combined with a decreasing stock price for the middle market suggest that earnings in the middle market were significantly lower during the past year.



Source: S&P Capital IQ and GCG Proprietary Research  
Note: All values based on publicly available data as of 1/06/2020

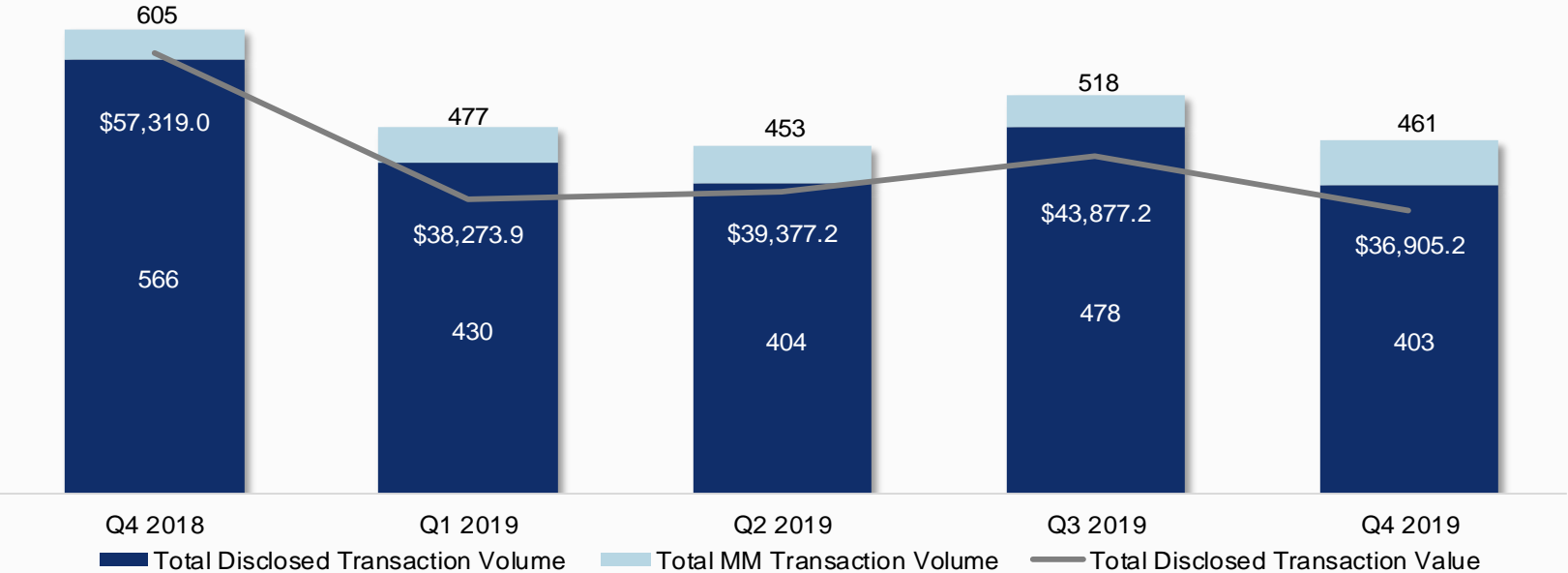


# GCG Middle Market Update | Q4 2019

## Middle Market M&A Activity

Middle market public and private company transaction deal value and volume for Q4 2019 exhibited performance mostly in-line with that of Q1 and Q2, though still about 36% and 24% lower than Q4 2018, respectively. The data shows a decline in deal value and volume from the past quarter as well. Deal volume decreased 11% during the last quarter, while deal values declined 16%. Transaction value in 2019 was 5% lower than in 2018. The decline was likely due to the increase in uncertainty surrounding the US-China trade war and increased geo-political tensions. However, the underlying financial metrics of the market are still very strong and favorable for M&A activity.

### U.S. Middle-Market Transaction Values and Volume



Source: S&P Capital IQ, all values based on publicly available data as of 1/13/2020  
 Note: M&A excludes private placements, MM defined as transactions with either value or revenue between \$10 and \$500M and therefore does not include transactions excluding this information. All deal-related figures exclude real estate deals.



# GCG Middle Market Update | Q4 2019

## Middle Market M&A Buyer Analysis

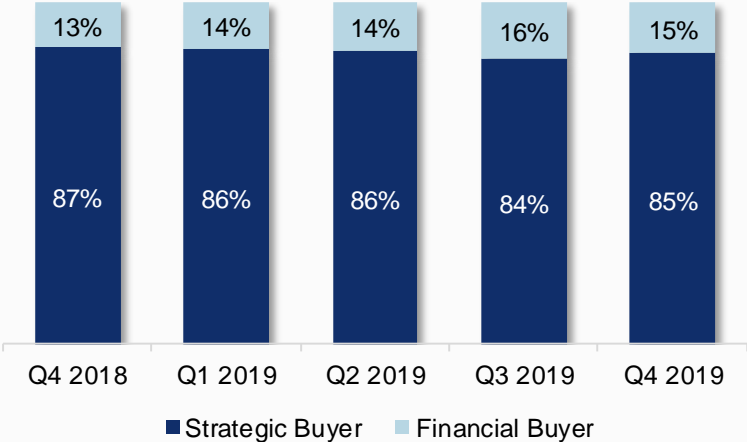
Strategic acquirers continue to dominate middle market M&A activity, accounting for 85% of Q4 2019 deal flow, with financial buyers representing 15%. Financial buyers decreased from 16% of the deal market in Q3 2019. This represents the second highest percentage quarter for financial buyer activity during the past five quarters (since Q4 2018).

Domestic buyers in Q4 represented 86% of middle market M&A activity, a slight decrease from Q3. It is the second weakest month for middle market domestic buyers' activity over the past five quarters. Domestic buyers are expected to continue their dominant position as uncertainty around global trade and conflict continues. However, the trade uncertainty and slowing of the global economies also makes the U.S. an attractive investment location.

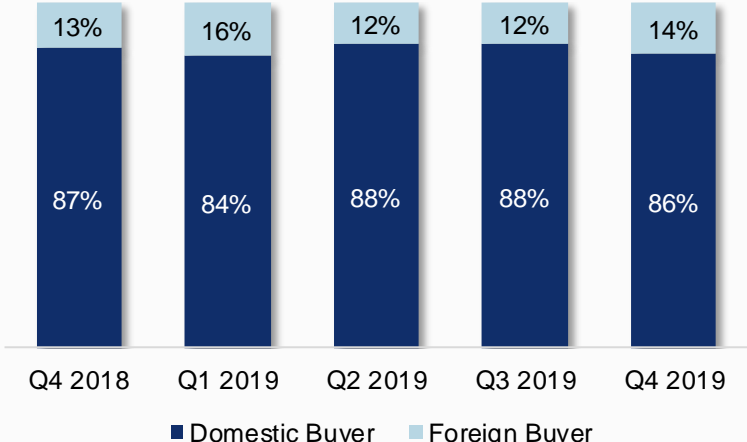
Q4 2019  
Transaction Volume:  
**461**

Q4 2019  
Monthly Average Volume:  
**154**

### Strategic vs. Financial



### Domestic vs. Foreign



Source: Capital IQ and GCG Proprietary Research



# GCG Middle Market Update | Q4 2019

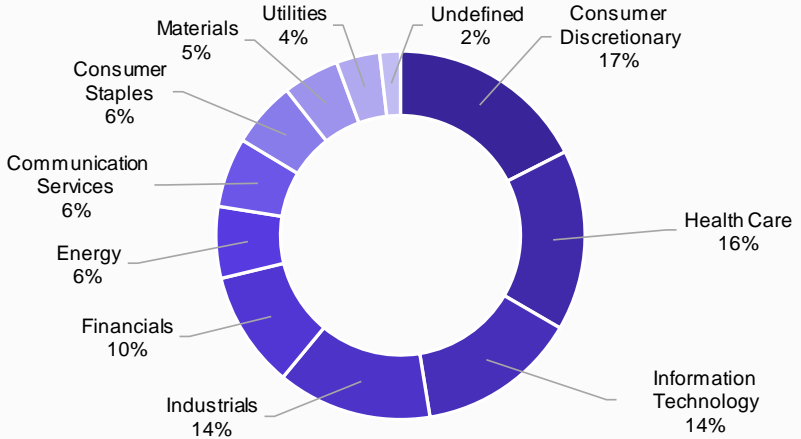
## Middle Market M&A Sector Activity

The Q4 deal activity continued to show strength in the middle market Consumer Discretionary sector. Additionally, Healthcare, IT and Industrials accounted for a collective 41% of all middle market deals in Q4, compared to 44% in Q4 2018.

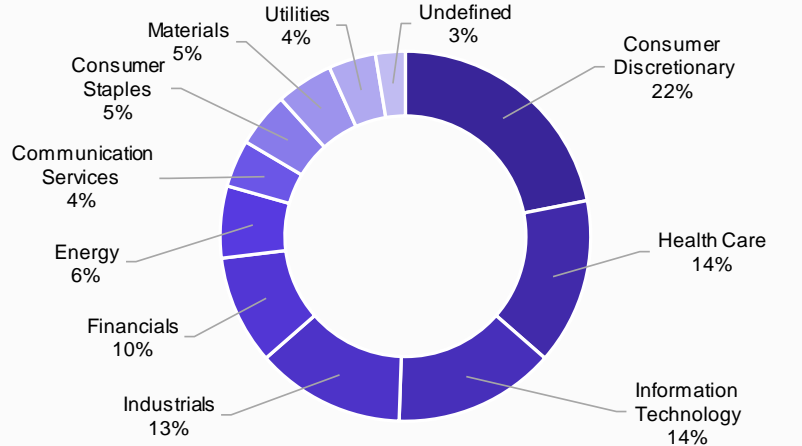
A few industry sectors became more prominent on the deal front over the past year. Looking at 2019 vs 2018 data shows that the Consumer Discretionary sector increased its share of deal activity as a percentage of the overall market. Of all sectors, it made the only positive change of +5%. Utilities, Materials, Energy, Financials and IT remained unchanged. The remaining sectors decreased between 1% and 2% with the decline in Communication Services and Health Care being the largest.

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

Q4 2018



Q4 2019



Source: Capital IQ and GCG Proprietary Research  
Note: The monthly average number of transactions in Q4 2018 was 202 and in Q4 2019 was 154.



# GCG Middle Market Update | Q4 2019

## Public Comparable Companies

The top three companies as measured by enterprise value are presented below for each of our proprietary sectors. These tables reflect various performance metrics for the listed companies such as share price movement, LTM margins and total enterprise value to LTM revenue and EBITDA figures.

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA
<b>A&amp;D</b>								
National Presto Industries, Inc.	\$472.47	\$89.14	4.5%	(24.3%)	20.9%	14.3%	1.6x	10.9x
Radiant Logistics, Inc.	321.03	5.45	7.9%	29.5%	19.5%	4.5%	0.4x	8.2x
Park Aerospace Corp.	195.24	16.54	(2.0%)	(20.6%)	31.9%	20.6%	3.2x	15.5x
<b>Mean</b>	\$329.58	\$37.04	3.5%	(5.1%)	24.1%	13.1%	1.7x	11.5x
<b>Median</b>	\$321.03	\$16.54	4.5%	(20.6%)	20.9%	14.3%	1.6x	10.9x
<b>Automotive</b>								
XPEL, Inc.	\$420.58	\$15.30	42.5%	177.7%	33.7%	14.0%	3.6x	25.7x
Miller Industries, Inc.	399.77	36.43	15.5%	30.5%	11.5%	7.3%	0.5x	6.9x
Horizon Global Corporation	335.15	3.51	(7.4%)	83.8%	15.0%	1.1%	0.4x	38.7x
<b>Mean</b>	\$385.17	\$18.41	16.9%	97.3%	20.1%	7.4%	1.5x	23.8x
<b>Median</b>	\$399.77	\$15.30	15.5%	83.8%	15.0%	7.3%	0.5x	25.7x
<b>Business Services</b>								
Willdan Group, Inc.	\$491.28	\$32.93	(5.6%)	(6.0%)	29.7%	5.5%	1.2x	22.1x
Franklin Covey Co.	477.59	33.35	(3.3%)	49.2%	71.5%	7.1%	2.1x	29.1x
InnerWorkings, Inc.	476.03	5.44	20.6%	29.2%	22.8%	1.3%	0.4x	31.2x
<b>Mean</b>	\$481.63	\$23.91	3.9%	24.1%	41.3%	4.7%	1.2x	27.5x
<b>Median</b>	\$477.59	\$32.93	(3.3%)	29.2%	29.7%	5.5%	1.2x	29.1x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Only showing top three companies as measured by enterprise value as of 1/6/2020



# GCG Middle Market Update | Q4 2019

## Public Comparable Companies

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA
<b>Consumer Goods</b>								
Haverty Furniture Companies, Inc.	\$478.12	\$19.53	(1.1%)	1.8%	54.3%	6.9%	0.6x	8.7x
Babcock & Wilcox Enterprises, Inc.	467.14	3.98	(7.0%)	(16.3%)	4.5%	(22.3%)	0.5x	NM
The Rubicon Project, Inc.	454.70	9.73	13.4%	158.1%	60.1%	(3.0%)	3.0x	NM
<b>Mean</b>	\$466.65	\$11.08	1.8%	47.8%	39.6%	(6.1%)	1.4x	8.7x
<b>Median</b>	\$467.14	\$9.73	(1.1%)	1.8%	54.3%	(3.0%)	0.6x	8.7x
<b>F&amp;B</b>								
Limoneira Company	\$477.87	\$19.14	5.5%	(4.8%)	8.9%	1.6%	2.8x	176.7x
Alico, Inc.	416.68	35.87	5.6%	16.4%	49.0%	48.7%	3.4x	7.0x
Village Super Market, Inc.	392.63	23.02	(9.8%)	(14.2%)	27.8%	3.4%	0.2x	6.9x
<b>Mean</b>	\$429.06	\$26.01	0.4%	(0.9%)	28.6%	17.9%	2.1x	63.6x
<b>Median</b>	\$416.68	\$23.02	5.5%	(4.8%)	27.8%	3.4%	2.8x	7.0x
<b>Healthcare</b>								
Invacare Corporation	\$493.26	\$9.11	43.2%	103.3%	27.9%	1.4%	0.5x	36.4x
MedMen Enterprises Inc.	482.21	0.52	(68.7%)	(85.1%)	44.9%	(122.9%)	3.2x	NM
Galera Therapeutics, Inc.	464.74	14.50	-	-	0.0%	NA	-	NM
<b>Mean</b>	\$480.07	\$8.04	(12.7%)	9.1%	24.3%	(60.7%)	1.8x	36.4x
<b>Median</b>	\$482.21	\$9.11	(12.7%)	9.1%	27.9%	(60.7%)	1.8x	36.4x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Only showing top three companies as measured by enterprise value as of 1/6/2020





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## Public Comparable Companies

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA
<b>Industrials &amp; Manufacturing</b>								
CONSOL Coal Resources LP	\$500.00	\$10.61	(18.5%)	(36.4%)	34.3%	30.3%	1.5x	4.8x
USD Partners LP	499.89	10.21	0.5%	(2.8%)	64.3%	39.0%	4.5x	11.5x
Lawson Products, Inc.	486.19	53.42	39.8%	70.3%	53.4%	6.5%	1.3x	20.3x
<b>Mean</b>	\$495.60	\$24.75	7.3%	10.4%	50.7%	25.3%	2.4x	12.2x
<b>Median</b>	\$499.89	\$10.61	0.5%	(2.8%)	53.4%	30.3%	1.5x	11.5x
<b>Real Estate</b>								
RE/MAX Holdings, Inc.	\$479.77	\$37.75	24.1%	16.4%	79.3%	38.8%	1.8x	4.7x
New England Realty Associates Limited Partnership	471.59	64.00	11.7%	21.0%	71.1%	54.4%	7.6x	14.1x
Tejon Ranch Co.	449.26	16.08	(3.9%)	(6.2%)	6.3%	(1.5%)	11.0x	NM
<b>Mean</b>	\$466.87	\$39.28	10.6%	10.4%	52.2%	30.6%	6.8x	9.4x
<b>Median</b>	\$471.59	\$37.75	11.7%	16.4%	71.1%	38.8%	7.6x	9.4x
<b>Technology &amp; IT Services</b>								
Kimball Electronics, Inc.	\$495.34	\$17.41	0.0%	1.3%	7.5%	15.7%	1.9x	11.9x
The Hackett Group, Inc.	484.08	16.38	23.3%	12.0%	38.0%	6.3%	0.4x	6.4x
Telaria, Inc.	457.05	10.58	44.9%	261.1%	82.1%	(17.4%)	6.7x	NM
<b>Mean</b>	\$478.82	\$14.79	22.8%	91.5%	42.5%	1.5%	3.0x	9.2x
<b>Median</b>	\$484.08	\$16.38	23.3%	12.0%	38.0%	6.3%	1.9x	9.2x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Only showing top three companies as measured by enterprise value as of 1/6/2020



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## 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](http://www.greenwichgp.com).



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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](mailto:info@greenwichgp.com).

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