



# MIDDLE MARKET UPDATE

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Q2 2020



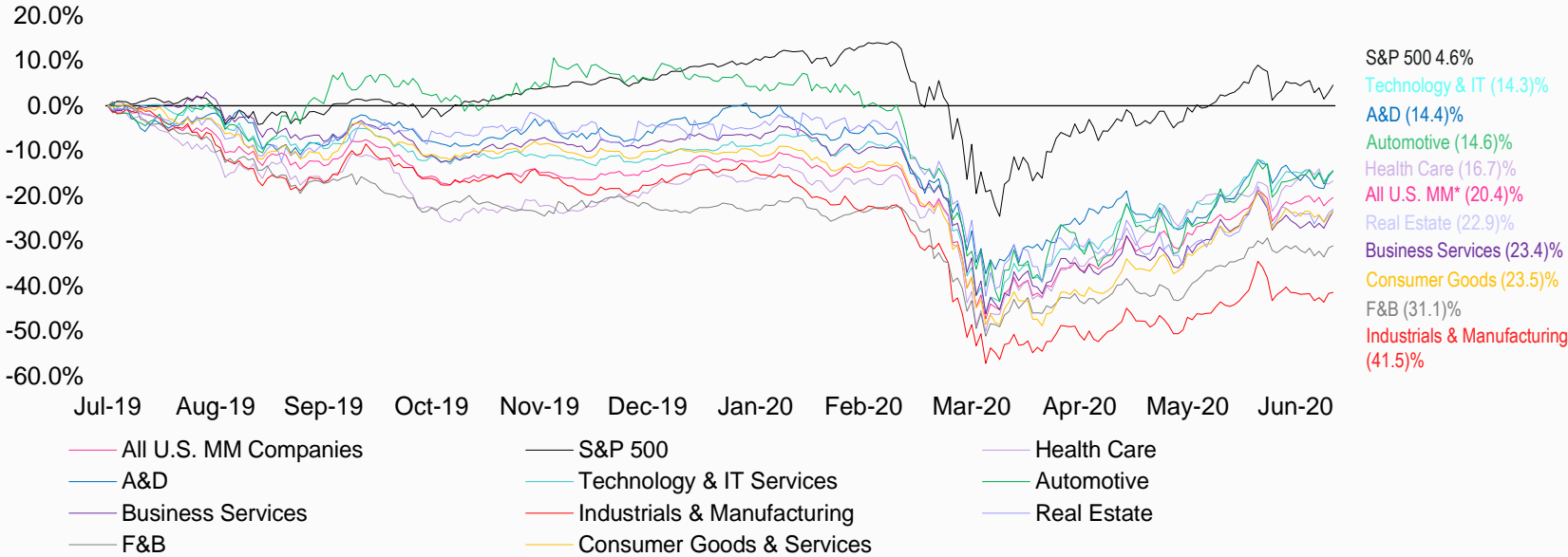
GREENWICH  
CAPITAL GROUP

# GCG Middle Market Update | Q2 2020

## GCG Public Company Index Market Performance

GCG’s proprietary middle market industry sector performance index has shown negative results in each 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 positive 4.6% since July 2019, one year ago. The S&P began Q2 around the breakeven point before ending in positive territory by the end. The relative overall return for the middle market based on our index was a disappointing negative 20.4% for the period though this is a significant improvement over the negative 46.4% return in Q1. Technology was the single biggest industry gainer in the middle market at negative 14.3%. The Industrials & Manufacturing sector was the worst performing at negative 41.5% in the same 12-month period. Q2 2020 saw another complete reversal in stock market performance as investor sentiment improved and trillions of dollars were pumped into the economy. While all sectors increased from their Q1 lows, Consumer Goods, F&B and Industrials & Manufacturing were the worst performers. The performance of these sectors has been impacted by tariffs and supply chain issues relating to the coronavirus. Additionally, the continued underperformance of the small cap stock sector compared to larger cap stocks has been consistent throughout 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 07/01/2020  
 Note: Benchmark index for comparison is All U.S. MM Companies, MM defined as enterprise value between \$10M and \$500M

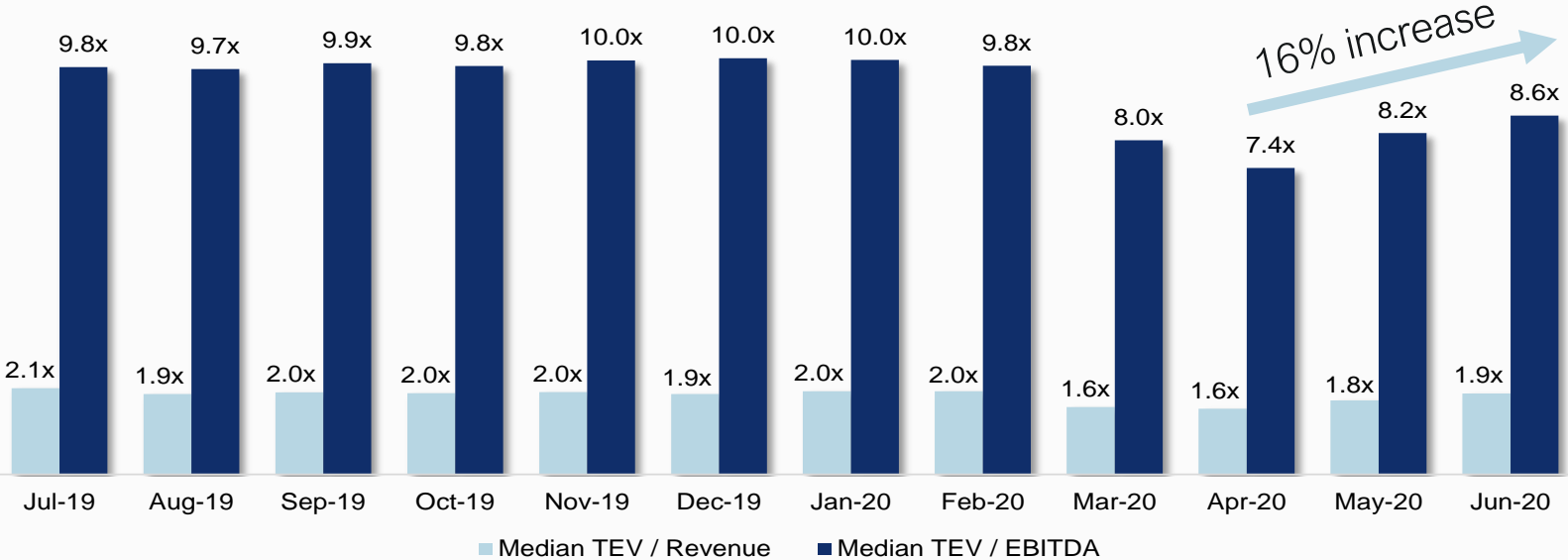


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## GCG Public Company Index Trading Multiples

The median quarterly middle market public company revenue multiples remained basically unchanged from the end of Q2 2019 through mid-Q1 2020 remaining in the range of 1.9x – 2.1x. The only exception was the 20 percent drop in revenue multiples in the March/April 2020 timeframe. The revenue multiples have recovered to the 1.9x level by June 2020. The median EBITDA multiples also remained in the range of 9.7x – 10.0x from the end of Q2 2019 through mid-Q1 2020. This changed abruptly in March 2020 when the U.S. began to experience the full brunt of the pandemic. At its low in April 2020, EBITDA multiples decreased to 7.4x, over two full turns from February and two and a half from January and the start of 2020. By the end of Q2, however, multiples were improving making up half of the drop from its February level. The increase in multiple throughout 2019 combined with decreasing stock prices for the middle market suggested that earnings in the middle market were significantly lower in 2019.

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



Source: S&P Capital IQ and GCG Proprietary Research  
 Note: All values based on publicly available data as of 07/01/2020

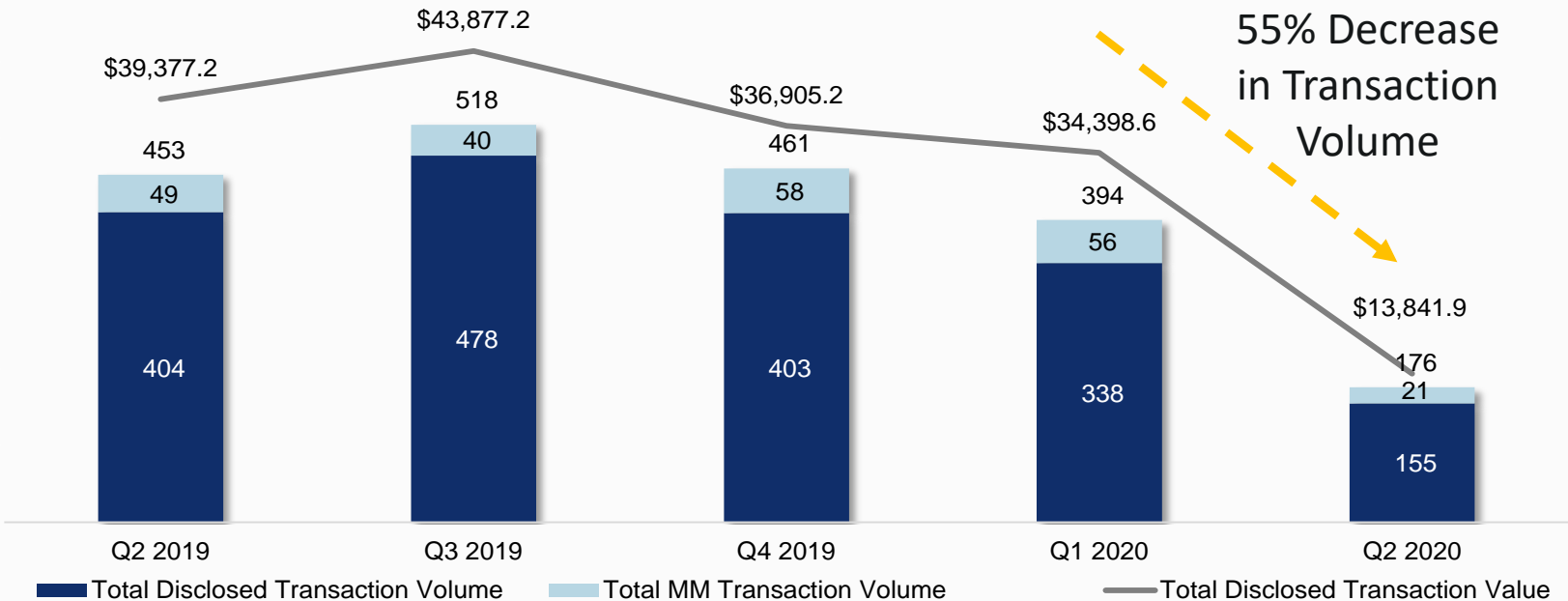


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## Middle Market M&A Activity

Middle market public and private company transaction deal value and volume for Q2 2020 exhibited the worst performance of the previous five quarters, with decreases of 60% and 55%, respectively. The decline is even more substantial on a year-over-year basis with deal value and volume decreasing 65% and 61%, respectively. The large decline was due to the uncertainty of the COVID-19 virus and the economic impact on target companies and acquirers alike. The uncertainty resulting from the pandemic and the global economy will continue to put downward pressure on the volume and value of middle market M&A until a significant change to the current situation arises such as a vaccine or therapeutic that greatly reduces the chance of serious illness.

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



Source: S&P Capital IQ, all values based on publicly available data as of 07/01/2020

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.



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## Middle Market M&A Buyer Analysis

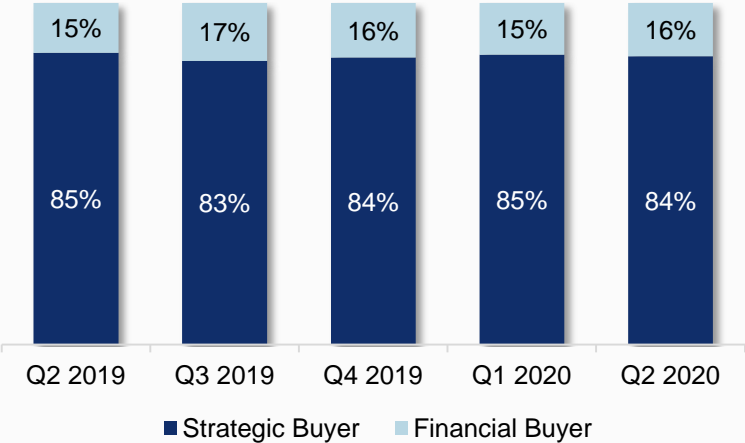
Strategic acquirers continue to dominate middle market M&A activity, accounting for 84% of Q2 2020 deal flow, with financial buyers representing 16%. Financial buyers increased from 15% of the deal market in Q1 2020. This represents the third highest percentage quarter for financial buyer activity during the past five quarters (since Q2 2019).

Domestic buyers in Q2 represented 90% of middle market M&A activity, a significant increase from Q1 2020. It is the strongest 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 the pandemic continues. However, the uncertainty and slowing of the global economies also makes the U.S. an attractive investment location.

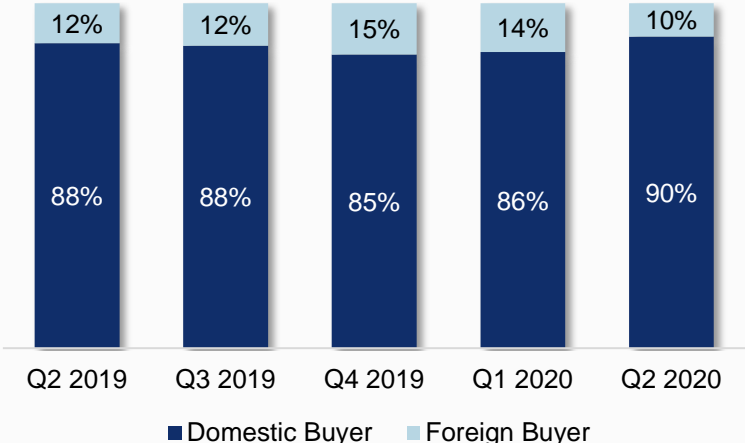
Q2 2020  
Transaction Volume:  
**176**

Q2 2020  
Monthly Average Volume:  
**59**

### Strategic vs. Financial



### Domestic vs. Foreign



Source: Capital IQ and GCG Proprietary Research



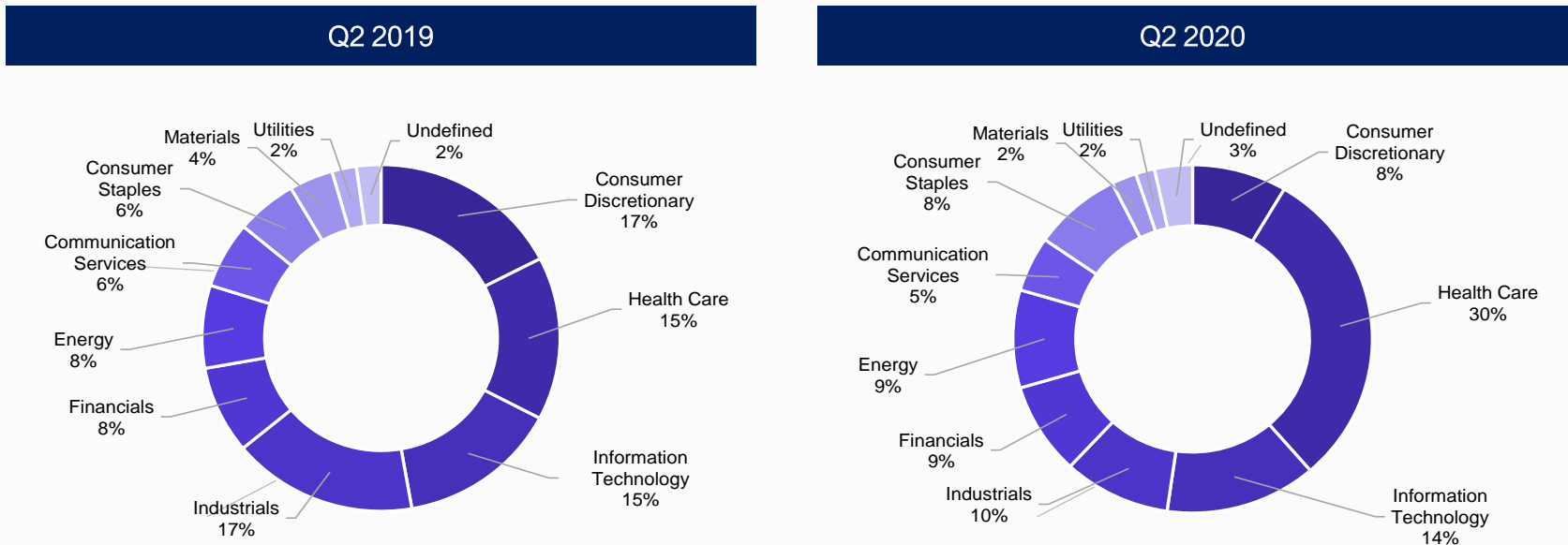
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## Middle Market M&A Sector Activity

Q2 deal activity exhibited significant changes in terms of the sectors with the most market share. Health Care was the dominant sector by far at 30% of middle market transactions announced and closed in Q2. This is to be expected based on our “MM Recession Analysis” as Health Care is one of the most recession-resistant middle market sectors. IT, Industrials and Consumer Discretionary accounted for a collective 32% of all middle market deals in Q2 compared to 49% in Q2 2019.

A few industry sectors became more prominent on the deal front over the past year. Looking at 2020 vs 2019 data shows that the Health Care, Financials, Energy and Consumer Staples sectors increased their share of deal activity as a percentage of the overall market with positive changes between +1% and +15%. The remaining sectors decreased between 1% and 9% with the decline in Consumer Discretionary being the largest.

Each sector has been impacted uniquely by external factors including interest rate changes, global economic activity, trade wars, political challenges, supply chain issues as a result of the pandemic and changing governmental policies.



Source: Capital IQ and GCG Proprietary Research

Note: The monthly average number of transactions in Q2 2019 was 151 and in Q2 2020 was 59.



# GCG Middle Market Update | Q2 2020

## 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.	\$478.39	\$85.76	17.1%	(8.1%)	24.3%	17.1%	1.5x	9.0x
Radiant Logistics, Inc.	268.44	4.17	16.5%	(34.0%)	20.2%	4.2%	0.3x	8.2x
Park Aerospace Corp.	97.98	10.79	(14.4%)	(35.1%)	30.6%	19.8%	1.7x	8.6x
<b>Mean</b>	\$281.60	\$33.57	6.4%	(25.7%)	25.0%	13.7%	1.2x	8.6x
<b>Median</b>	\$268.44	\$10.79	16.5%	(34.0%)	24.3%	17.1%	1.5x	8.6x
<b>Automotive</b>								
XPEL, Inc.	\$427.70	\$15.55	62.8%	187.5%	34.2%	14.2%	3.2x	22.5x
P.A.M. Transportation Services, Inc.	411.92	30.31	12.2%	(51.4%)	22.9%	13.5%	0.8x	5.9x
Shiloh Industries, Inc.	345.94	1.50	35.1%	(70.7%)	9.3%	6.5%	0.3x	5.1x
<b>Mean</b>	\$395.19	\$15.79	36.7%	21.8%	22.1%	11.4%	1.4x	11.2x
<b>Median</b>	\$411.92	\$15.55	35.1%	(51.4%)	22.9%	13.5%	0.8x	5.9x
<b>Business Services</b>								
Resources Connection, Inc.	\$433.60	\$11.69	13.3%	(28.3%)	39.1%	7.6%	0.6x	8.1x
StoneMor Inc.	422.61	0.76	(29.1%)	(61.9%)	50.1%	(6.4%)	1.5x	NM
Mistras Group, Inc.	408.84	3.63	(3.7%)	(75.2%)	31.6%	7.4%	0.6x	7.6x
<b>Mean</b>	\$421.68	\$5.36	(6.5%)	(55.1%)	40.2%	2.8%	0.9x	7.9x
<b>Median</b>	\$422.61	\$3.63	(3.7%)	(61.9%)	39.1%	7.4%	0.6x	7.9x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2020 and Jun-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>Consumer Goods</b>								
Tribune Publishing Company	\$499.53	\$9.93	40.1%	21.0%	58.7%	8.0%	0.5x	6.5x
J.Jill, Inc.	486.47	0.70	39.9%	(66.7%)	62.0%	8.5%	0.7x	8.3x
QuinStreet, Inc.	452.08	10.30	45.3%	(32.5%)	11.1%	3.9%	0.9x	23.4x
<b>Mean</b>	\$479.36	\$6.98	41.8%	(26.1%)	44.0%	6.8%	0.7x	12.7x
<b>Median</b>	\$486.47	\$9.93	40.1%	(32.5%)	58.7%	8.0%	0.7x	8.3x
<b>F&amp;B</b>								
Standard Diversified Inc.	\$472.92	\$13.05	29.6%	(32.7%)	40.0%	13.2%	1.2x	9.2x
Village Super Market, Inc.	437.20	26.76	14.1%	2.6%	27.7%	3.4%	0.3x	7.4x
Limoneira Company	404.77	14.07	20.1%	(28.1%)	5.8%	(2.5%)	2.4x	NM
<b>Mean</b>	\$438.30	\$17.96	21.3%	(19.4%)	24.5%	4.7%	1.3x	8.3x
<b>Median</b>	\$437.20	\$14.07	20.1%	(28.1%)	27.7%	3.4%	1.2x	8.3x
<b>Healthcare</b>								
Frequency Therapeutics, Inc.	\$495.98	\$22.56	50.9%	-	55.8%	(54.0%)	13.7x	NM
Organogenesis Holdings Inc.	461.01	3.75	31.1%	(53.1%)	70.7%	(8.9%)	1.7x	NM
TherapeuticsMD, Inc.	437.05	1.30	30.4%	(49.2%)	85.7%	(279.1%)	7.5x	NM
<b>Mean</b>	\$464.68	\$9.20	37.5%	(51.2%)	70.7%	(114.0%)	7.7x	
<b>Median</b>	\$461.01	\$3.75	31.1%	(51.2%)	70.7%	(54.0%)	7.5x	

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2020 and Jun-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>								
Lydall, Inc.	\$448.10	\$12.74	118.2%	(37.5%)	18.4%	6.5%	0.5x	8.5x
Forum Energy Technologies, Inc.	439.83	0.51	219.1%	(84.7%)	23.7%	2.8%	0.5x	18.0x
DMC Global Inc.	404.67	26.88	21.8%	(57.8%)	36.0%	20.5%	1.1x	5.3x
<b>Mean</b>	\$430.87	\$13.38	119.7%	(60.0%)	26.0%	9.9%	0.7x	10.6x
<b>Median</b>	\$439.83	\$12.74	118.2%	(57.8%)	23.7%	6.5%	0.5x	8.5x
<b>Real Estate</b>								
New England Realty Associates LP	\$487.24	\$54.00	14.9%	(9.3%)	71.3%	54.8%	7.7x	14.0x
FRP Holdings, Inc.	486.47	40.68	5.7%	(23.7%)	40.5%	41.9%	22.6x	54.1x
The RMR Group Inc.	374.44	28.76	11.3%	(41.7%)	100.0%	51.3%	2.1x	4.0x
<b>Mean</b>	\$449.38	\$41.15	10.7%	(24.9%)	70.6%	49.3%	10.8x	24.0x
<b>Median</b>	\$486.47	\$40.68	11.3%	(23.7%)	71.3%	51.3%	7.7x	14.0x
<b>Technology &amp; IT Services</b>								
Alpha and Omega Semiconductor Limited	\$477.84	\$10.42	52.9%	(39.7%)	22.3%	7.4%	0.7x	9.7x
StarTek, Inc.	471.07	5.06	62.6%	13.1%	15.8%	6.2%	1.1x	17.1x
QuinStreet, Inc.	452.08	10.30	45.3%	(32.5%)	11.1%	3.9%	0.9x	23.4x
<b>Mean</b>	\$466.99	\$8.59	53.6%	(19.7%)	16.4%	5.8%	0.9x	16.7x
<b>Median</b>	\$471.07	\$10.30	52.9%	(32.5%)	15.8%	6.2%	0.9x	17.1x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2020 and Jun-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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