MIDDLE MARKET PRIVATE EQUITY UPDATE

Q1 2021

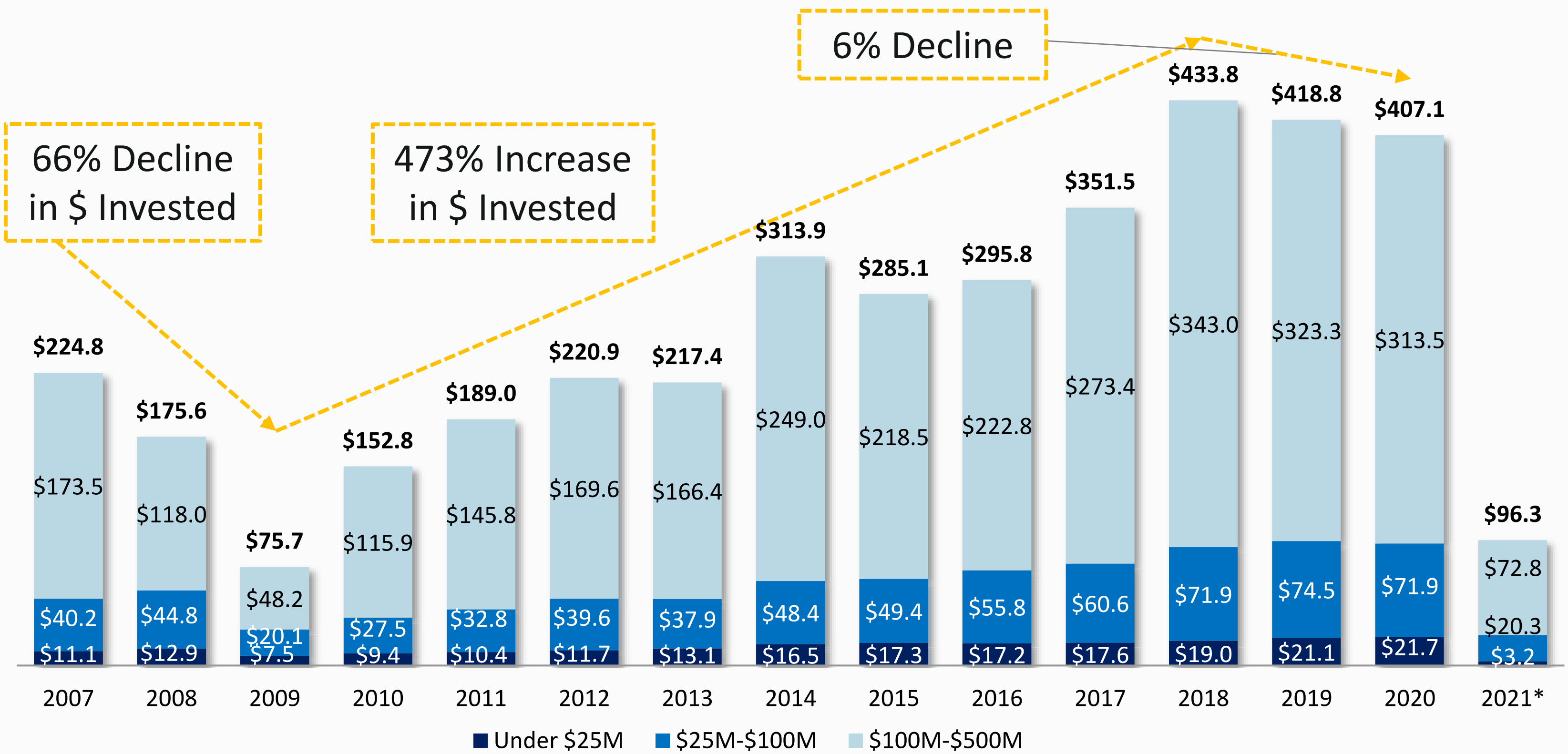
GREENWICH CAPITAL GROUP

GCG Middle Market Private Equity Update | Q1 2021

U.S. Private Equity M&A Activity – Impact of 2008/2009 Recession

Prior to the 2008 recession, Middle Market (MM) Private Equity (PE) activity peaked at $225B in 2007 with 77% of that invested in deals between $100M and $500M. At its lowest point during the recession total capital invested in the MM hit $76B, which represented a decline of 66%. In 2020 overall, the value of PE deals fell off approximately 3% from 2019. This is a relatively positive statistic since fears at the beginning of 2020 were much worse. Q4 2020 saw more future clarity and therefore greater deal flow, but deal value going into 2021 has diminished 5% on an annualized basis.

MM Private Equity (PE) Deal Flow ($Billions) by Deal Size



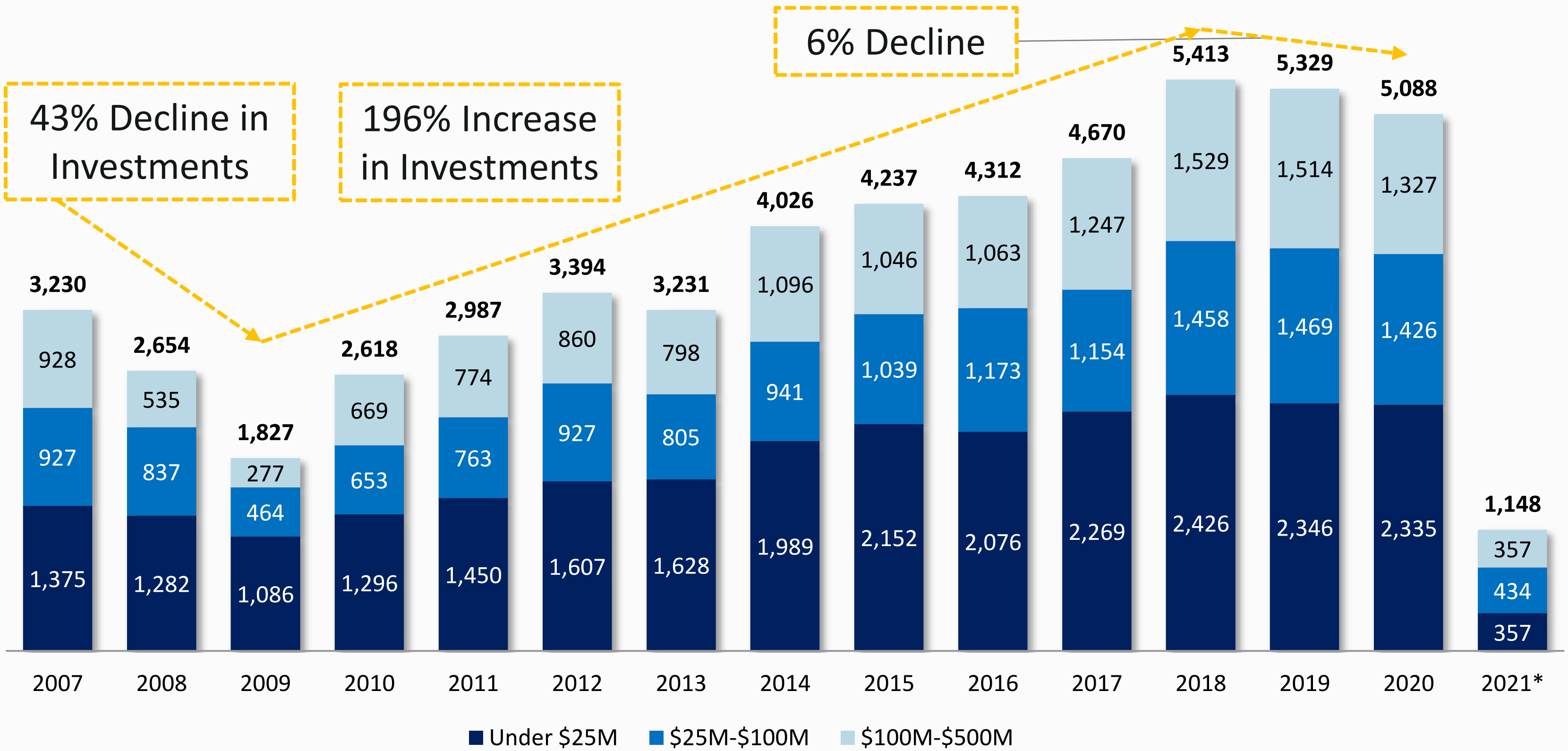
* 2021 Through Q1. Source: Pitchbook

GCG Middle Market Private Equity Update | Q1 2021

U.S. Private Equity M&A Activity – Impact of 2008/2009 Recession

The number of deals completed by private equity in 2020 was down 6% from 2018 and 5% from 2019, which is less than the decrease in the value of deals suggesting that the lower end of the market held up better than the overall M&A market. The end result of 2020, like with deal values, was overall positive since many thought the decline in 2020 would be much worse. Through Q2 it looked like an annualized decline of 35%+ but Q3 and Q4 had strong activity. 2021 through Q1 is down approximately 10% on an annualized basis so it seems the decline from 2018 will continue.

MM PE Deal Flow (# of Deals) by Deal Size



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GCG Middle Market Private Equity Update | Q1 2021

Global Private Equity Capital Overhang

Capital overhang, which represents the amount of capital raised by PE funds that has not yet been invested, stands at the largest level it has ever been globally. The majority of this capital is in funds that are 0-2 years old and based in the U.S. Most of the $1.45T of overhang in 2020 had between 5-7 years to be invested based on average fund mandates that capital needs to be deployed within seven years. This means that in combination with the current market volatility the overhang has potential to keep growing. This is the basis for our belief that 2022 to 2026 will be an extremely hot M&A market led by private equity.

Global PE Capital Overhang ($Billions)

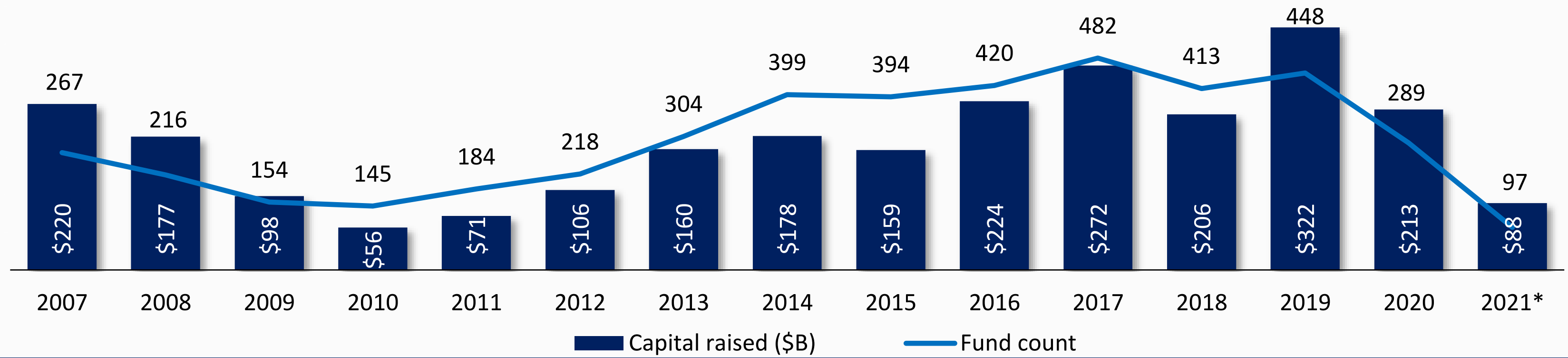
Source: Pitchbook. *2020 estimate

GCG Middle Market Private Equity Update | Q1 2021

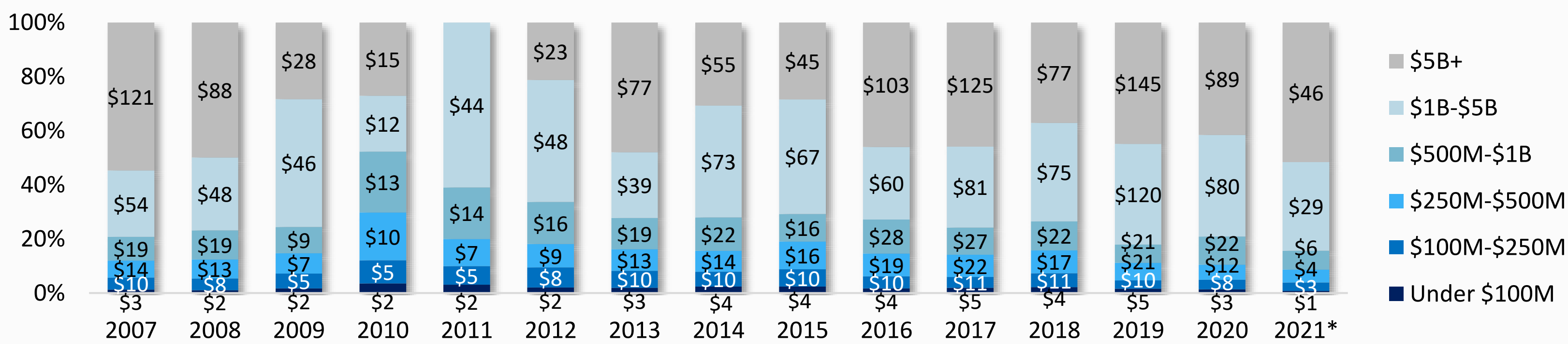
U.S. Private Equity Fundraising Activity

PE fundraising has generally been on the incline since 2010, reaching a peak in 2019. 2020 was only the lowest year since 2018 by fund count and capital raised. On the positive side, however, the gap between money raised and money spent is the largest it has ever been and due to the continued search for higher returns offered by private equity. Given the current economic environment, private markets continue to be the attractive option for investors. 2021 fundraising is on pace to increase by 34% in fund count and 65% in capital raised.

PE Fundraising



PE Funds Raised by Fund Size



* 2021 Through Q1. Source: Pitchbook

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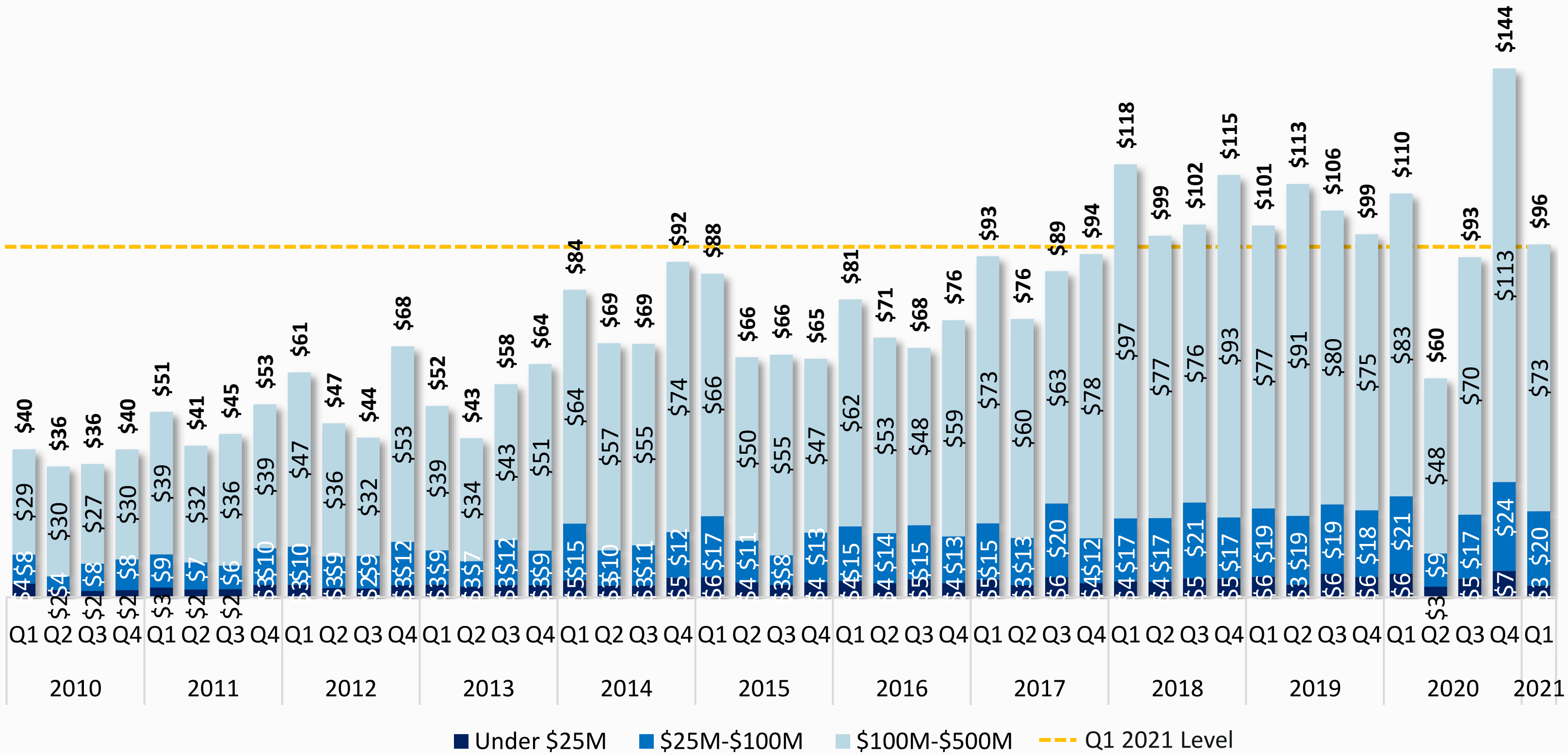
U.S. Private Equity M&A Activity

Final deal value in Q4 2020 increased substantially from Q3 and was the best quarter in recent history. Q4 2020 represented a major jump of 55% from Q3 2020 as trillions of dollars were pumped into the market and investors sought opportunities to deploy cash. Q1 2021 was less historic but was on par with Q3 2020. It was a decrease of 33% from Q4 but not far off from the 2018-2019 average. The distribution of dollars invested by deal size in Q1 was consistent with past quarters, which suggests the drop-off and subsequent jump in PE M&A effected deals of all sizes equally.

MM Private Equity (PE) Deal Flow ($Billions) by Deal Size



Source: Pitchbook

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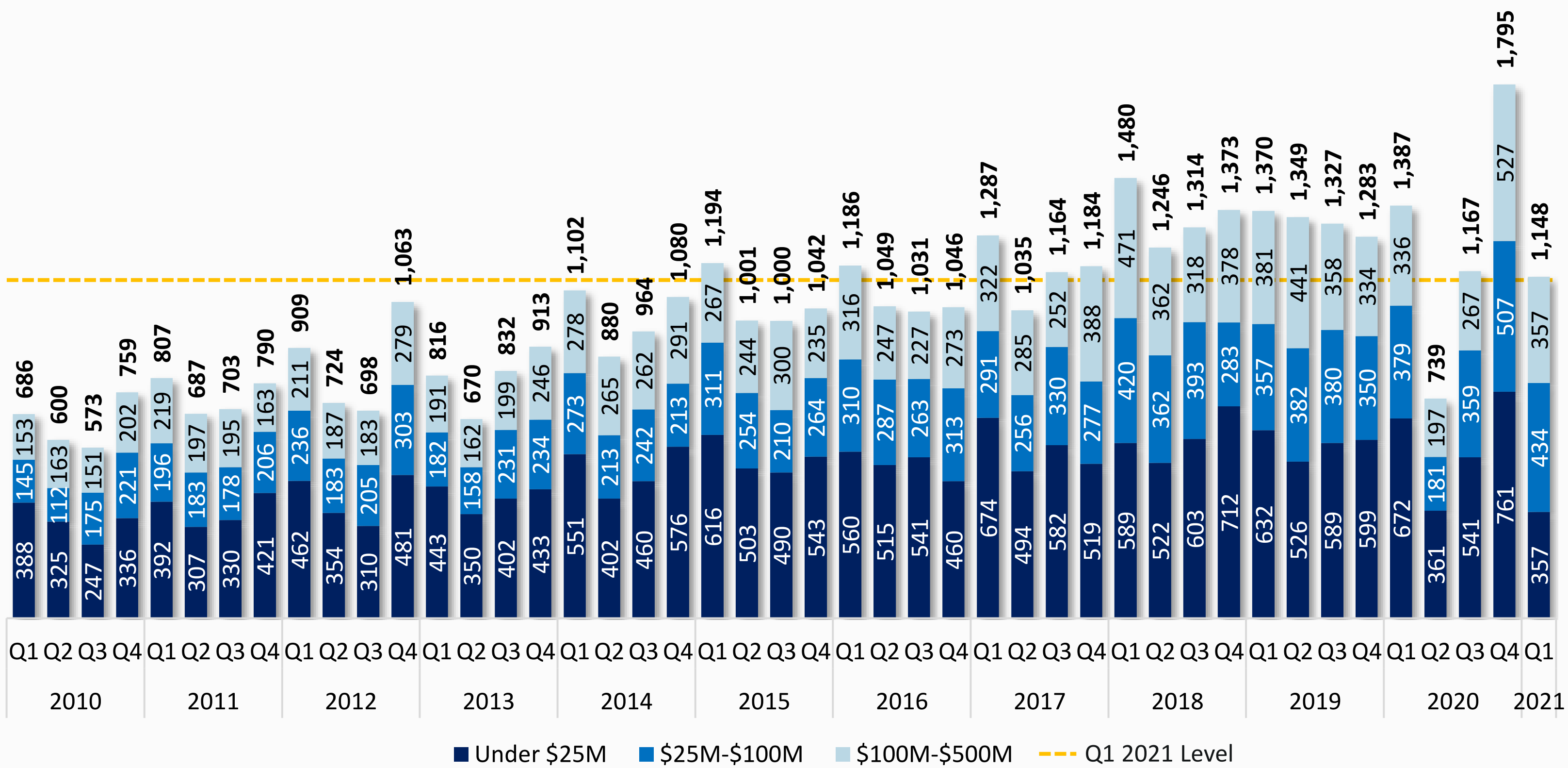
U.S. Private Equity M&A Activity

Final deal volume in Q4 2020 increased substantially as well and was the best quarter of recent history. Q4 2020 represented a jump of 54% from Q3 2020. Q1 2021 decreased 36% from Q4 but was in line with Q3 and only the lowest quarter since Q2 2017 (excluding 2020). Deals under $100M continue to represent the majority of PE demand in the MM. The distribution of the number of deals by size in Q1 was roughly in line with past quarters, suggesting that deal size preferences were not significantly affected by the pandemic.

MM PE Deal Flow (# of Deals) by Deal Size



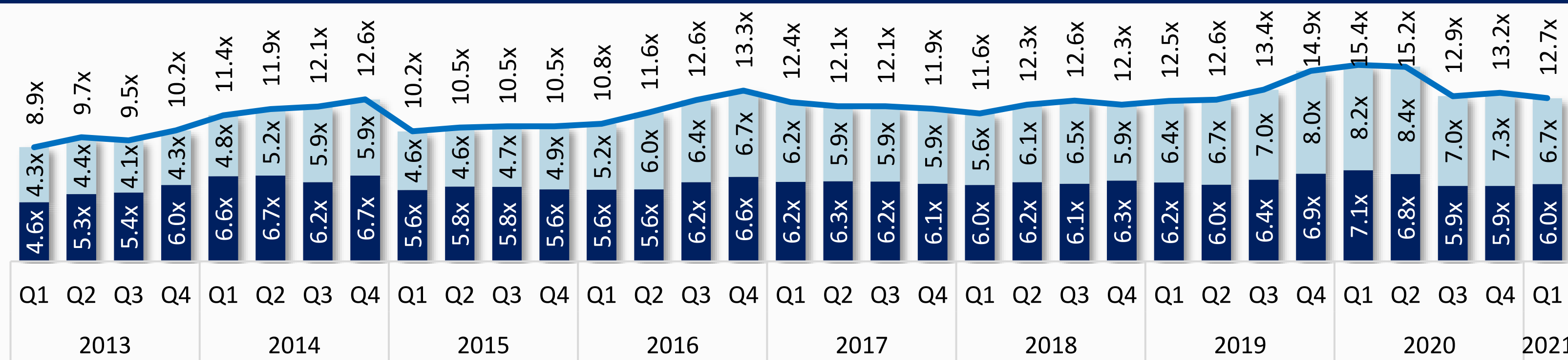
Source: Pitchbook

GCG Middle Market Private Equity Update | Q1 2021

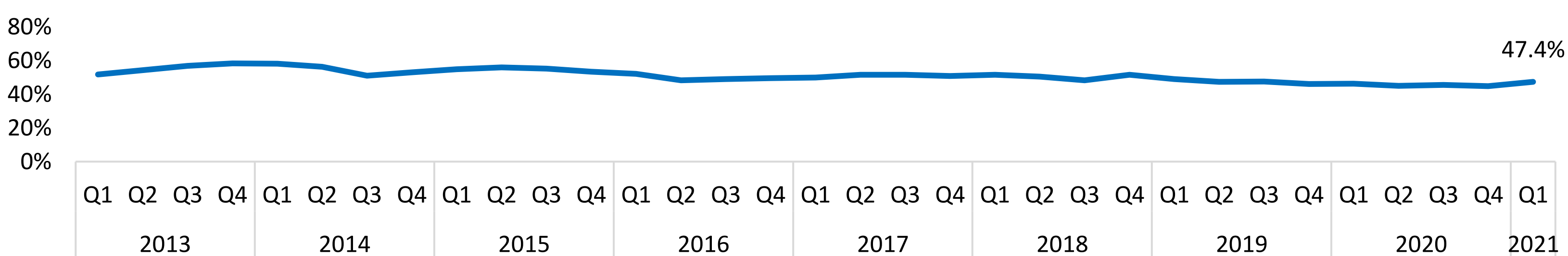
U.S. Private Equity M&A Activity

EV/EBITDA multiples in Q1 2021 continued their recent trend of fluctuating around 13.0x at 12.7x, a slight decrease from Q4 2020 and the same level as Q2 2019. Part of this can be explained by the lower EBITDA for many companies during COVID. Some transactions are getting done with and accepted add back for the one-time impact of COVID on the target business. The median level of debt per deal is near its lowest point of the past seven years at 47.4% but this was the highest quarter since Q3 2019 and a significant increase from Q4. We expect the debt level to continue increasing over the next 1 to 2 years as banks become more aggressive and the U.S. moves past the pandemic.

Median Buyout Multiples



Median Deal Debt Level



Source: Pitchbook, S&P CIQ. Note: Median is a four-quarter rolling median. Based on all PE deals

GCG Middle Market Private Equity Update | Q1 2021

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.

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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.