

A wide-angle photograph of the Denver skyline under a clear blue sky. In the foreground, a modern arch bridge with a white metal structure spans across a green park area. A road with a green directional sign is visible in the lower part of the image. The skyline features several prominent skyscrapers, including the blue-tinted One Colorado building.

M&A and Capital Markets Update

SUMMER 2019

THE **FORBES**
M+AGROUP

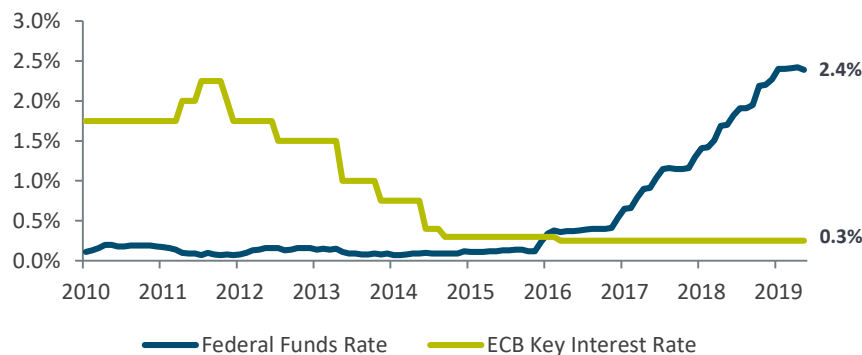
Macro Economic Factors Impacting the M&A Environment

- ▶ In Q1 2019, U.S. equity markets rebounded, increasing almost 14% as fears that drove down markets in Q4 2018 and warned of a slowdown, were eased.
- ▶ The Federal Reserve held interest rates steady amid continued inflation rates below 2%. The European Central Bank (“ECB”) also announced a delay in rate hikes.
- ▶ 10- and 20-year treasury notes finished Q1 below recent quarters, but averages were in line with Q4 2018 with an average rate of ~2.7% and ~2.9%, respectively.

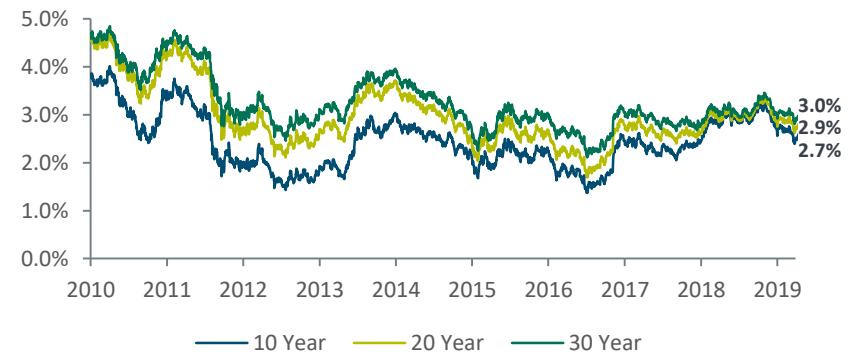
S&P 500 PERFORMANCE



FED FUNDS & ECB RATES



TREASURY NOTE YIELD CURVES



Source: Pitchbook, GF Data, Capital IQ, St. Louis Fed, European Central Bank, U.S. Department of the Treasury

M&A Market Highlights

- ▶ In Q1 2019, middle market M&A activity slowed compared to 2018's record breaking pace.
- ▶ Despite the lower deal value, M&A multiples remained elevated across North America and Europe at 6.9x EV/EBITDA as strong competition continues and large amounts of technology companies continue to trade.
- ▶ Private Equity exits saw declines in volume and value as firms have reluctance to sell in an adverse pricing environment.
- ▶ Despite declines in activity, Private Equity fundraising figures remained strong in Q1 2019. Many GPs with a history of raising funds above \$5 billion are now returning to the middle market with more focused funds and investment theses.

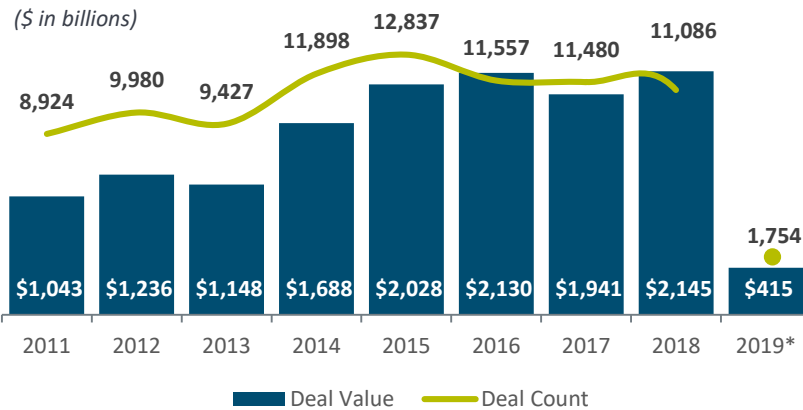
6.9x
**Avg. Middle Market
EV/EBITDA Multiple⁽¹⁾**

81%
**of Deals were
Under \$250 Million**

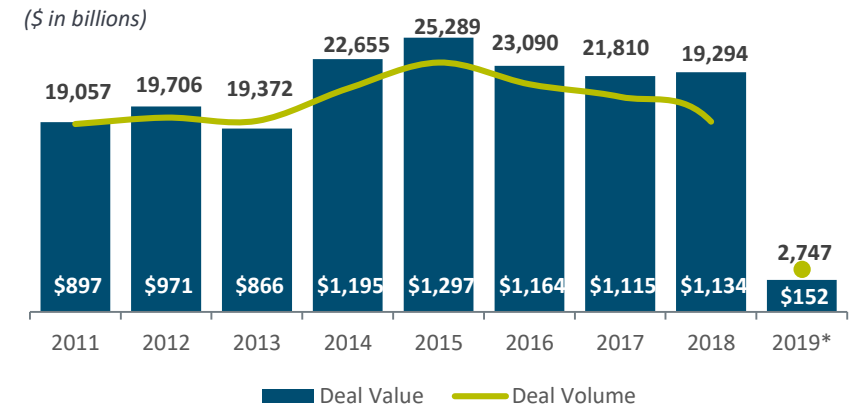
Note: (1) Middle market defined as transactions with values at or below \$500 million. Source: Pitchbook, GF Data

M&A Deal Volume and Value

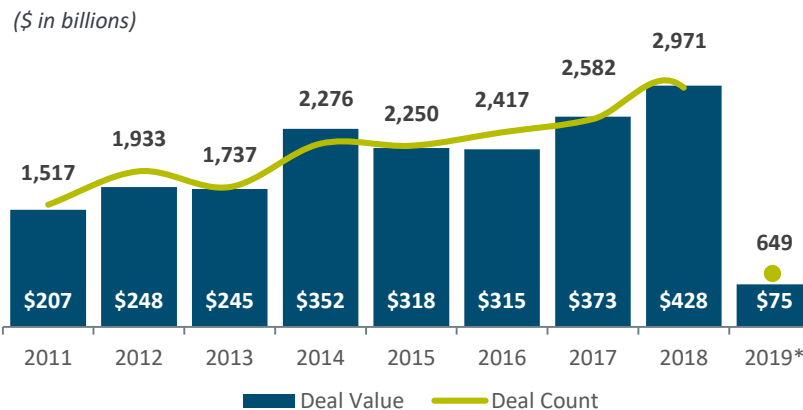
U.S. M&A ACTIVITY



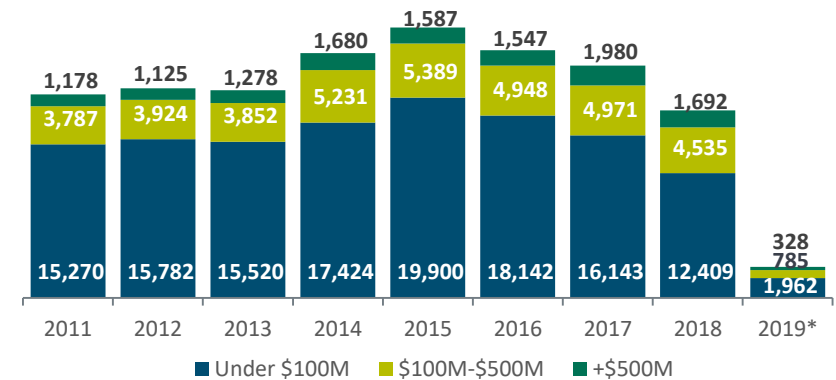
N.A. & EUROPE MIDDLE MARKET M&A ACTIVITY⁽¹⁾



U.S. MIDDLE MARKET PE M&A ACTIVITY⁽¹⁾



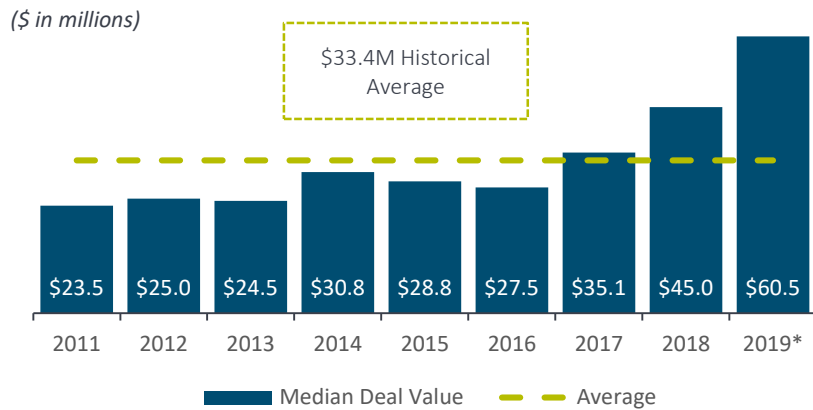
NORTH AMERICA & EUROPE M&A VOLUME BY SIZE



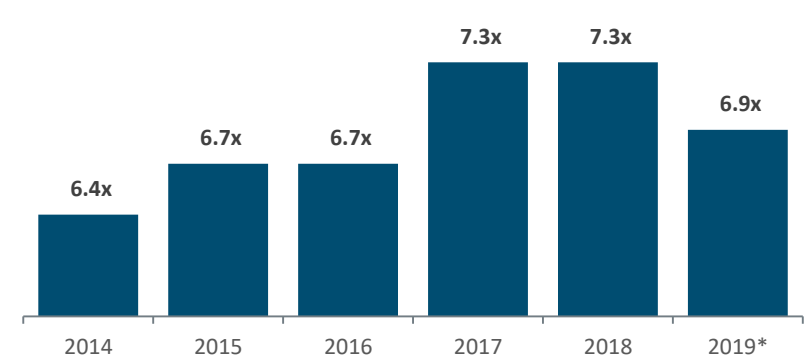
Note: (*) 2019 as of 3/31/2019 (1) Middle market defined as transactions with values at or below \$500 million. Source: Pitchbook, GF Data, Capital IQ

M&A Valuation Trends

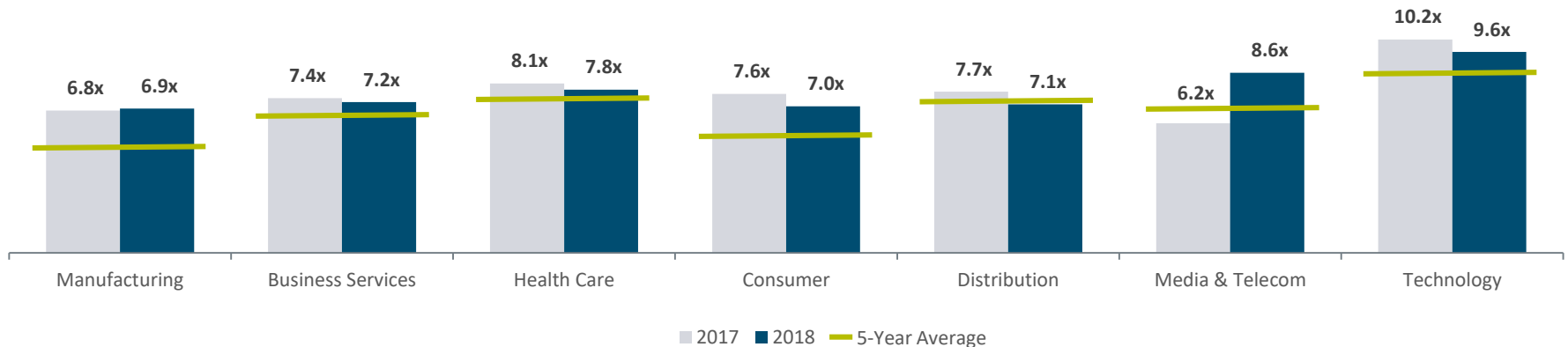
MEDIAN M&A DEAL VALUE



U.S. MIDDLE MARKET EV / EBITDA MULTIPLES⁽¹⁾



MIDDLE MARKET EV / EBITDA MULTIPLES BY INDUSTRY⁽¹⁾

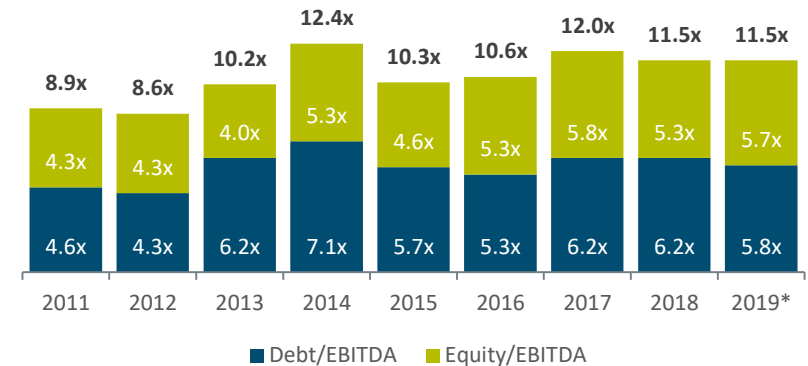


Note: (*) 2019 as of 3/31/2019 (1) Middle market defined as transactions with values at or below \$500 million. Source: Pitchbook, GF Data, Capital IQ

U.S. Middle Market Private Equity M&A Environment ⁽¹⁾

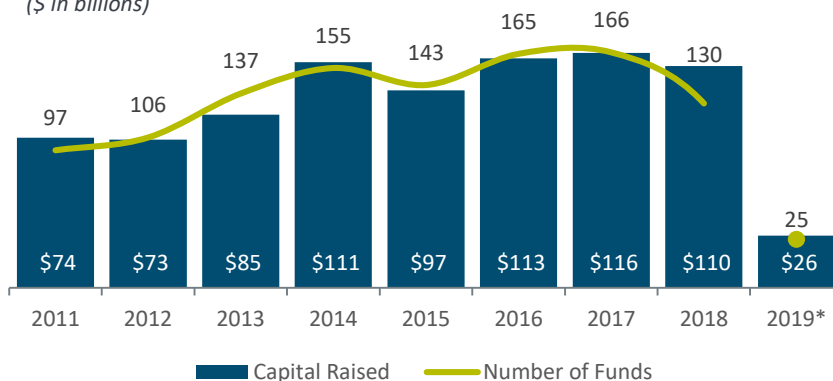
- ▶ In Q1 2019, the slowdown in the broader Private Equity market was not reflected in the middle market as firms continue to close deals that were negotiated in prior months.
- ▶ The proportion of overall Private Equity activity in the middle market has increased steadily since 2009, driven by add-on acquisitions.
- ▶ Dividend recaps and add-ons have become heavily used methods by Private Equity to boost returns in the current elevated pricing environment.

PE BUYOUT MULTIPLES

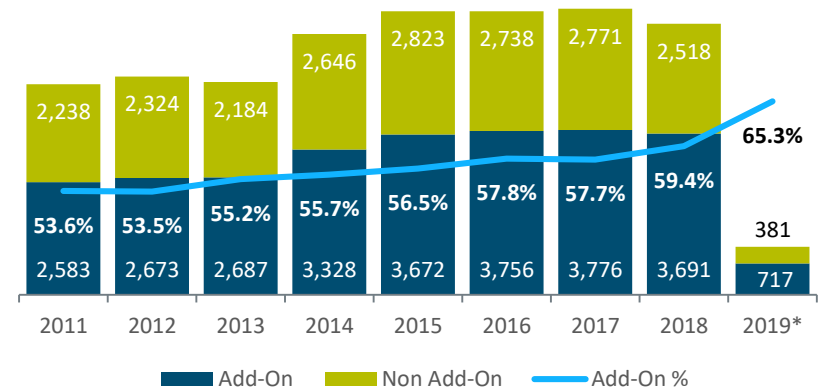


PE FUNDRAISING ACTIVITY

(\$ in billions)



PE DEALS BY TYPE



Note: (*) 2019 as of 3/31/2019 (1) Middle market defined as transactions with values at or below \$500 million. Source: Pitchbook, GF Data, Capital IQ

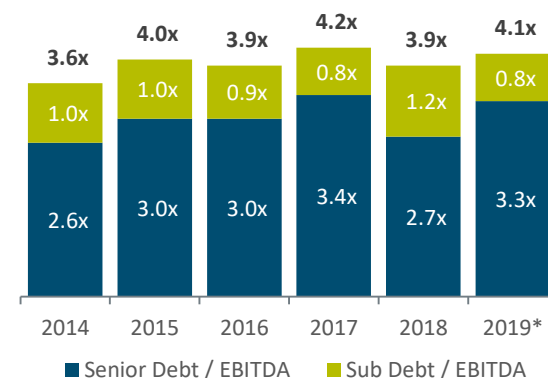
Leverage Multiples & Pricing

DEBT PRICING

Debt Type	Company Size / Lender Type	Q4 2018	Q1 2019 ⁽¹⁾
Senior Cash Flow Debt	Bank	L+ 2.5% - 5.0%	L+ 2.5% - 4.5%
	Non-Bank <\$7.5 Million EBITDA	L+ 4.0% - 6.5%	L+ 5.0% - 6.5%
	Non-Bank >\$15.0 Million EBITDA	L+ 4.0% - 6.0%	L+ 4.0% - 6.0%
Unitranche Debt	<\$5.0 Million EBITDA	L+ 7.0% - 10.0%	L+ 7.0% - 10.0%
	>\$10.0 Million EBITDA	L+ 6.0% - 8.5%	L+ 6.0% - 8.5%
	>\$20.0 Million EBITDA	L+ 5.0% - 7.0%	L+ 5.0% - 7.0%
Subordinated / Mezzanine Debt	<\$5.0 Million EBITDA	11.0% - 14.0%	11.0% - 14.0%
	>\$10.0 Million EBITDA	10.0% - 12.0%	10.0% - 12.0%
	>\$20.0 Million EBITDA	8.5% - 11.0%	8.5% - 11.0%

Note: (1) Blue Font Indicates a change from previous the quarter. Source: Pitchbook, GF Data, Capital IQ LCD

DEBT MULTIPLES



Q1 2019 DEBT & EQUITY CONTRIBUTION

