

A wide-angle photograph of the Denver skyline under a clear blue sky. In the foreground, a modern bridge with a white, arched steel truss structure spans across a road. The city buildings are densely packed in the background, with various skyscrapers and office buildings. The foreground also shows some greenery and a road with a sign.

M&A and Capital Markets Update

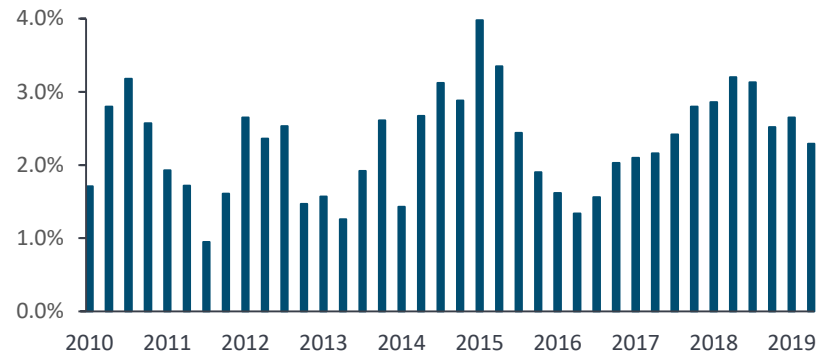
2Q 2019

THE **FORBES**
M+AGROUP

Macro Economic Factors Impacting the M&A Environment

U.S. Real GDP Grew by 2.3% in 2Q, Slower than 1Q 2019

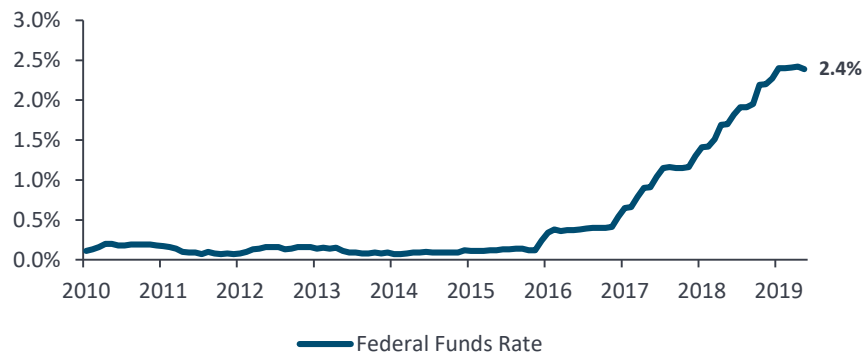
(Quarterly % Increase)



S&P 500 Maintained Upward Trajectory Despite 2Q Volatility



Fed Funds Rate Remained Stable with Expected 4Q Decrease



Treasury Note Yields Decreased as U.S. Economy Slowed



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

M&A Market Highlights

- ▶ In 2Q 2019, overall middle market M&A activity continued at a slower clip compared to 2018's record breaking pace.
- ▶ Despite slightly depressed deal volume, Middle Market M&A multiples remained elevated in North America at 7.6x EV/EBITDA, as low costs allowed for larger deals to be completed.
- ▶ Despite declines in overall capital raised, there were more funds closed in 2Q 2019 versus 1Q 2019. At the current rate, 2019 is slated to easily surpass the overall fundraising numbers from 2018.

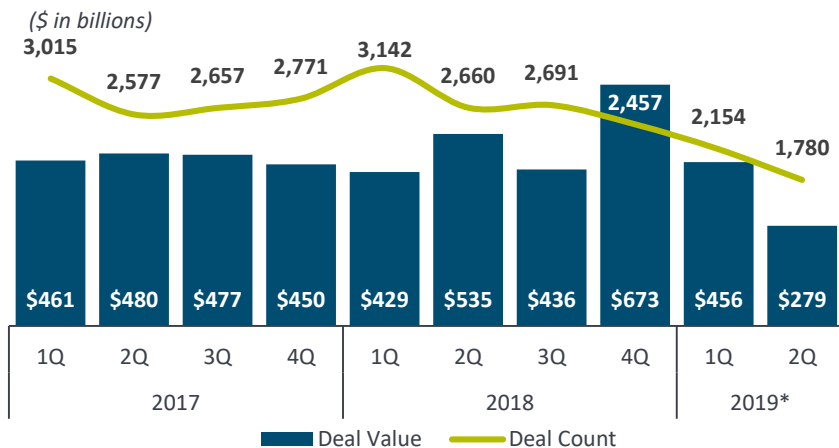
7.6x
**Avg. Middle Market
EV/EBITDA Multiple⁽¹⁾**

77%
**of Deals were
Under \$250 Million**

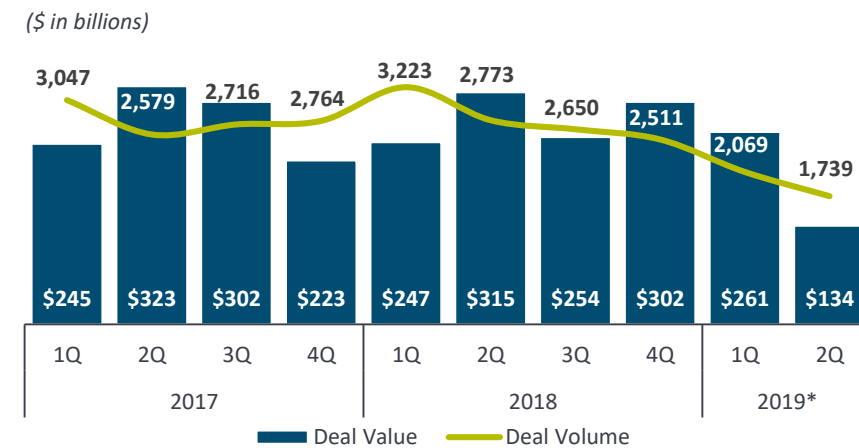
Note: (1) Middle market defined as transactions with values at or below \$250 million. Source: Pitchbook, GF Data

M&A Deal Volume and Value

U.S. M&A Activity Continued to Slow in 1H 2019



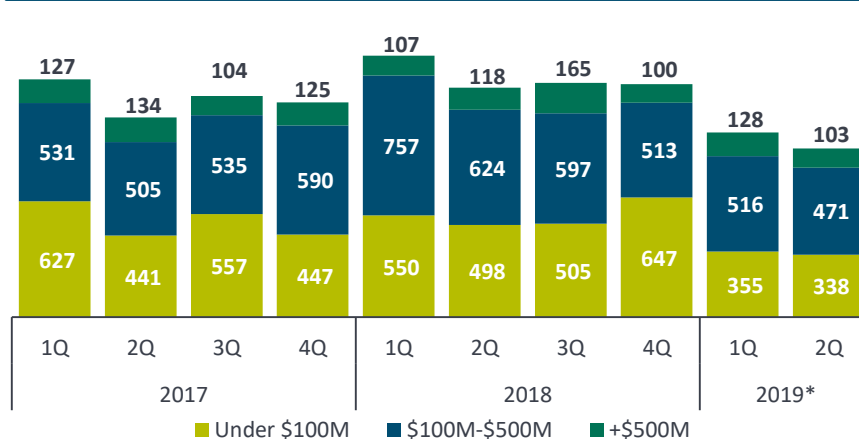
N.A. & Europe Middle Market M&A Activity⁽¹⁾ Declined



U.S. Middle Market PE M&A Activity is Down Through 1H 2019⁽¹⁾



N.A. & Europe M&A Focused on Larger Average Deals

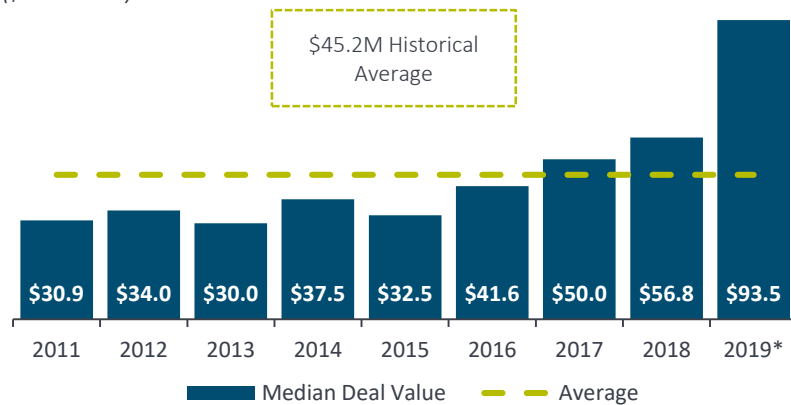


Note: (*) 2019 as of 6/30/2019 (1) Middle market defined as transactions with values at or below \$500 million. Source: Pitchbook, GF Data, Capital IQ

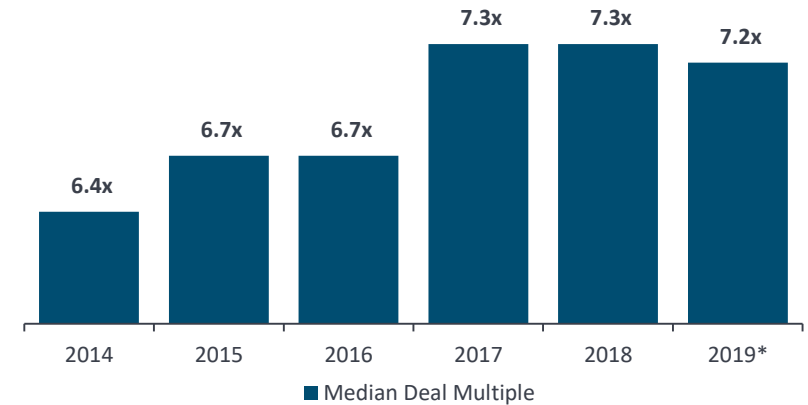
M&A Valuation Trends

Median M&A Deal Value Continued to Increase Dramatically

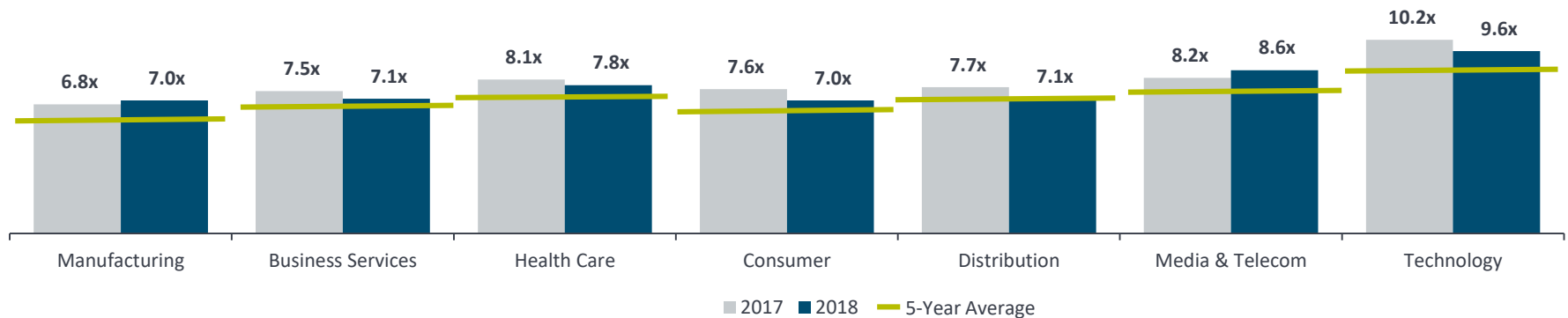
(\$ in millions)



U.S. Middle Market EV / EBITDA Multiples⁽¹⁾ Remained Steady



Middle Market EV / EBITDA Multiples By Industry⁽¹⁾ Saw Marginal Increases in Overall Deal Multiples

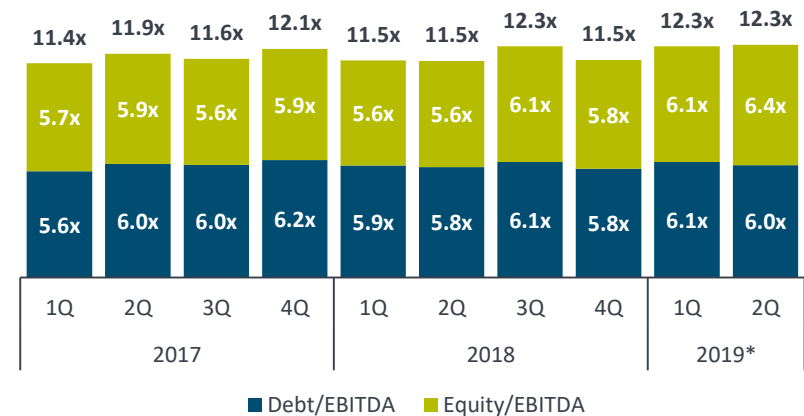


Note: (*) 2019 as of 6/30/2019 (1) Middle market defined as transactions with values at or below \$500 million. Source: Pitchbook, GF Data, Capital IQ

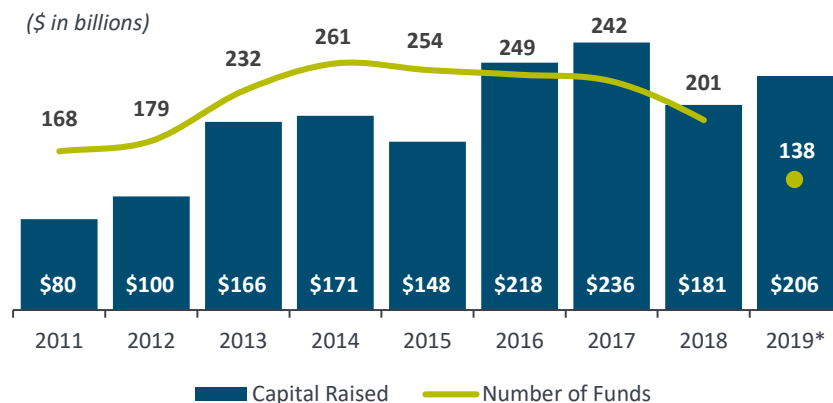
U.S. Private Equity M&A Environment⁽¹⁾

- ▶ In 2Q 2019, overall market and middle market deal multiples increased, although rolling two-quarter analysis still shows a slight decrease from the past four quarters.
- ▶ Private equity deals are utilizing near-record high debt amounts, with average total debt to EBITDA hovering around 4.1x.
- ▶ Add-on deals continued to grow as a percentage of overall private equity deals, reaching nearly 70% during 2Q 2019, while secondary buyouts also reached a historical high.

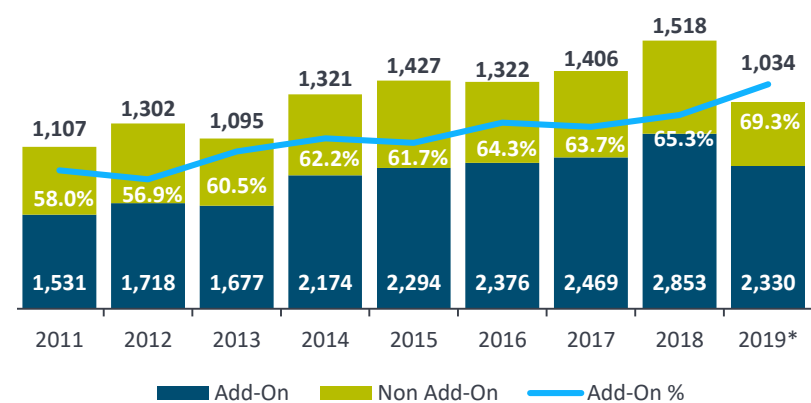
PE Buyout Multiples Remained Consistent in 2Q



PE Fundraising Projected to Increase Over 2018



PE Add-On Deals Increased as a % of Total Deals



Note: (*) 2019 annual run rate as of 6/30/2019 (1) Middle market defined as transactions with values at or below \$500 million. Source: Pitchbook, GF Data, Capital IQ

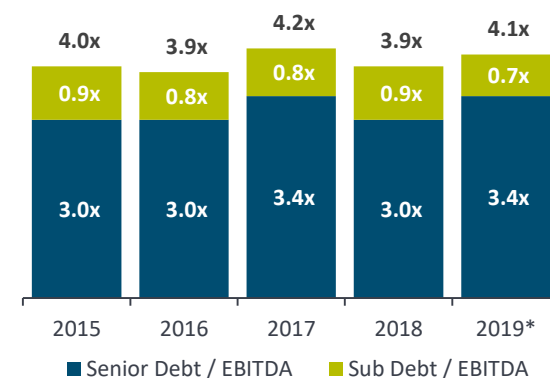
Leverage Multiples & Pricing

DEBT PRICING

Debt Type	Company Size / Lender Type	1Q 2019	2Q 2019 ⁽¹⁾
Senior Cash Flow Debt	Bank	L+ 2.5% - 4.5%	L+ 2.5% - 4.5%
	Non-Bank <\$7.5 Million EBITDA	L+ 5.0% - 6.5%	L+ 5.0% - 6.5%
	Non-Bank >\$15.0 Million EBITDA	L+ 4.0% - 6.0%	L+ 4.0% - 5.5%
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% - 8.0%
	>\$20.0 Million EBITDA	L+ 5.0% - 7.0%	L+ 5.0% - 6.5%
Subordinated / Mezzanine Debt	<\$5.0 Million EBITDA	11.0% - 14.0%	11.0% - 14.0%
	>\$10.0 Million EBITDA	10.0% - 12.0%	9.5% - 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



2Q 2019 DEBT & EQUITY CONTRIBUTION

