



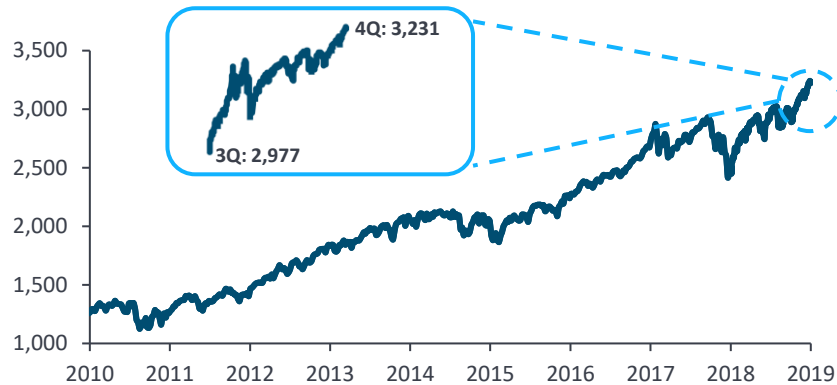
M&A and Capital Markets Update

4Q 2019

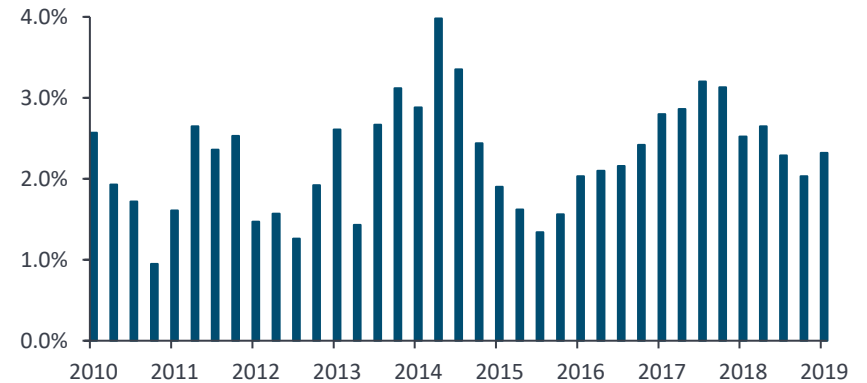
THE **FORBES**
M+AGROUP

Macro Economic Factors Impacting the M&A Environment

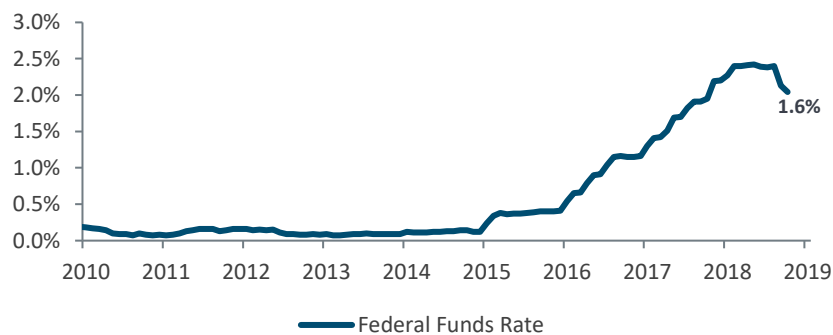
S&P 500 Maintained Steady Growth from 3Q to 4Q...



...And U.S. Real GDP Reversed Course, Growing 2.3% Over 4Q



Fed Funds Rate Continued to Decline...



...With Treasury Yields Remaining Relatively Flat



Source: Pitchbook, GF Data, Capital IQ, St. Louis Fed, European Central Bank, U.S. Department of the Treasury as of 12/31/19

M&A Market Highlights

- ▶ In 4Q19, overall M&A activity and deal value increased.
- ▶ 4Q19 U.S. Middle Market M&A multiples softened to 7.1x EV/EBITDA, as low borrowing costs allowed for larger deals to be completed.
- ▶ Private equity continued to see a rise in mega-funds and fundraising grew \$110B in 4Q19 to reach an all-time high of \$301B.
- ▶ While overall cash balances of S&P 500 companies decreased in 4Q19, they were still near record levels, providing for continued strategic acquisitions.

7.1x
Avg. Middle Market
EV/EBITDA Multiple⁽¹⁾

85%
of Deals were
Under \$250 Million

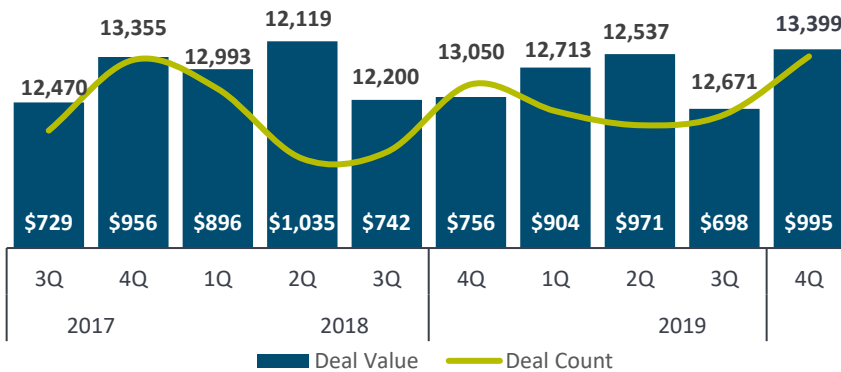
\$2.1B
Current Cash Balance of S&P
500 Companies

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

M&A Deal Volume and Value

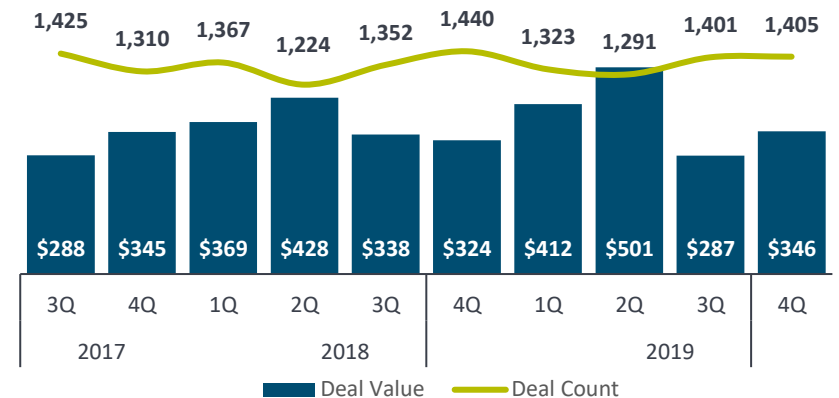
Global M&A Activity Increased YoY...

(\$ in billions)

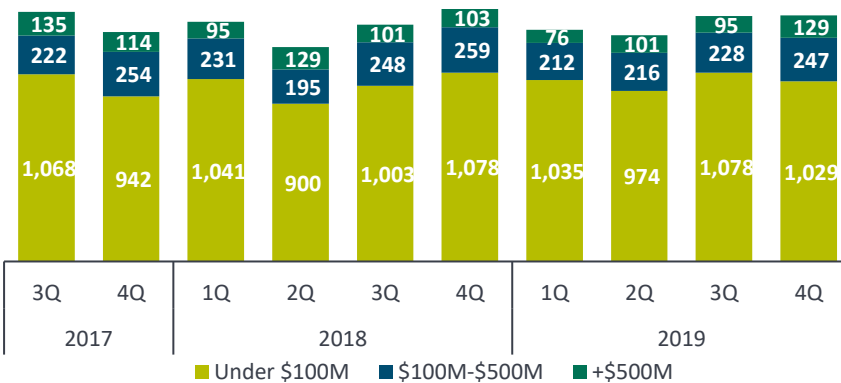


...And U.S. M&A Activity and Deal Value Climbed in 4Q

(\$ in billions)



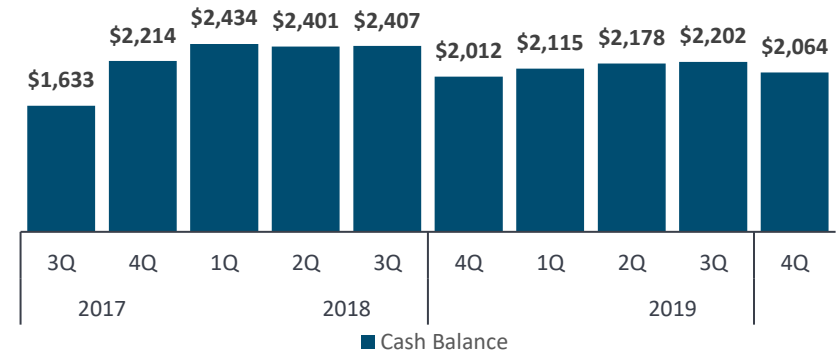
U.S. Middle Market Deals Decreased Slightly in 4Q⁽¹⁾



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

...and S&P 500 Cash Balances Saw a Minimal Decline

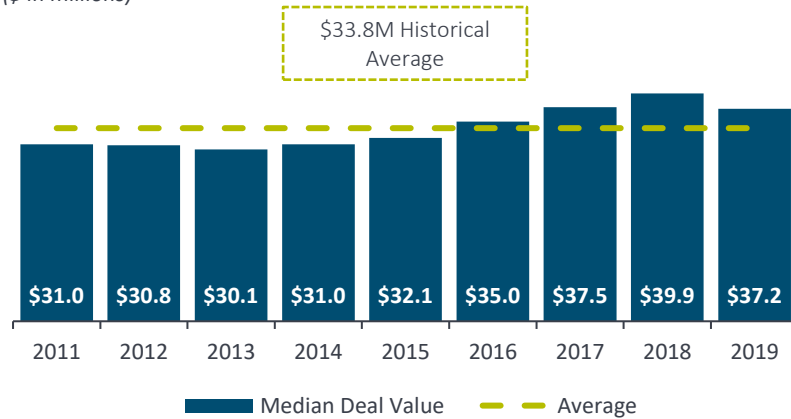
(\$ in billions)



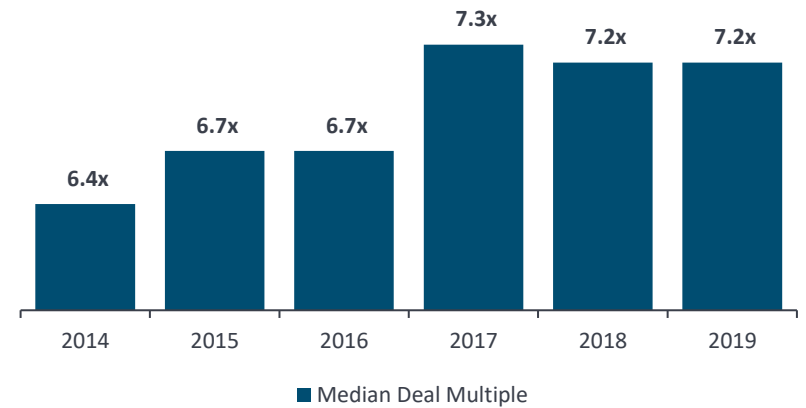
M&A Valuation Trends

Median M&A Deal Value Saw a Slight Retreat in Avg. Deal Value

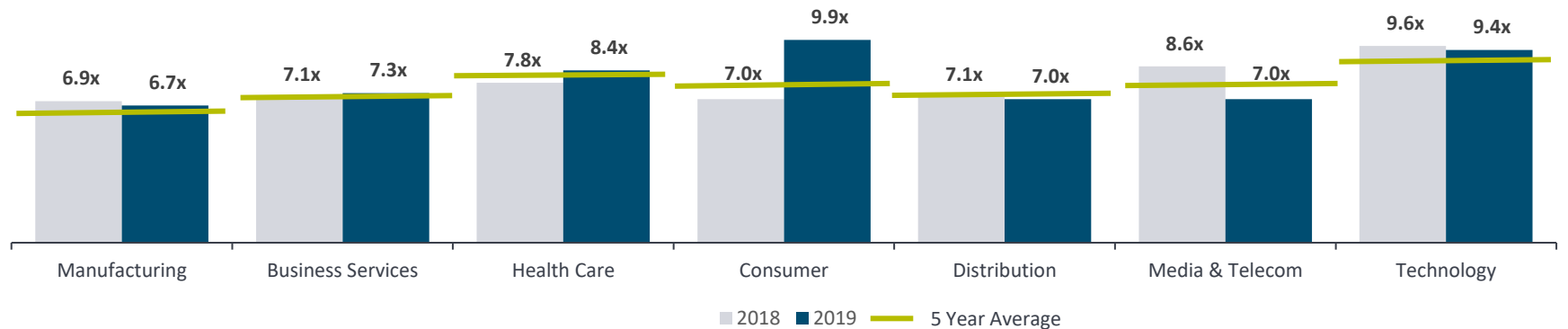
(\$ in millions)



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



Middle Market EV / EBITDA Multiples Saw Marginal Increases in Overall Deal Multiples with Consumer Deals Experiencing the Largest Increase

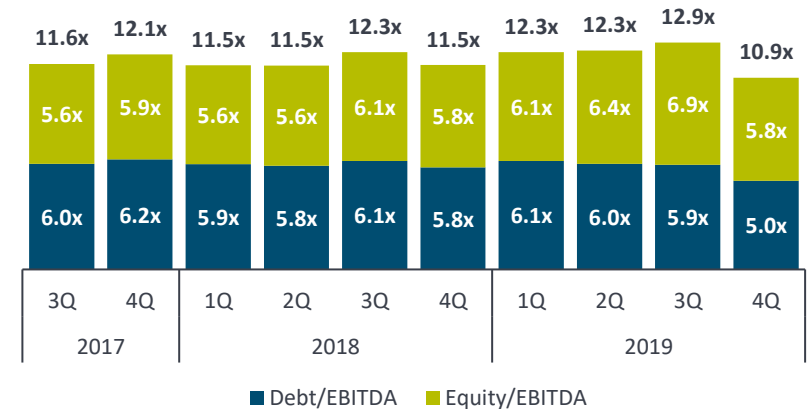


Note: (1) Middle market defined as transactions with values at or below \$250 million. Source: Pitchbook, GF Data, Capital IQ

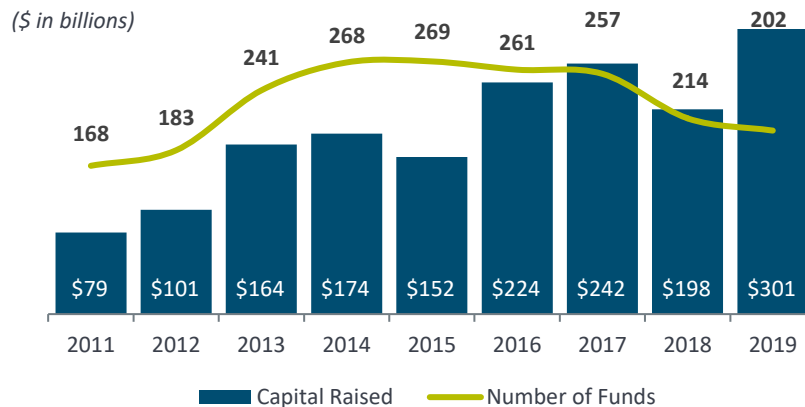
U.S. Private Equity M&A Environment

- ▶ Overall market and Middle Market⁽¹⁾ deal multiples decreased on a YoY and QoQ basis as amount of debt to fund deals declined.
- ▶ Add-on deals continued to grow as a percentage of overall private equity deals, reaching nearly 70% of total deals.
- ▶ A recession may hurt portfolios of PE firms, but with record amounts of dry powder, this will create significant buying opportunities.

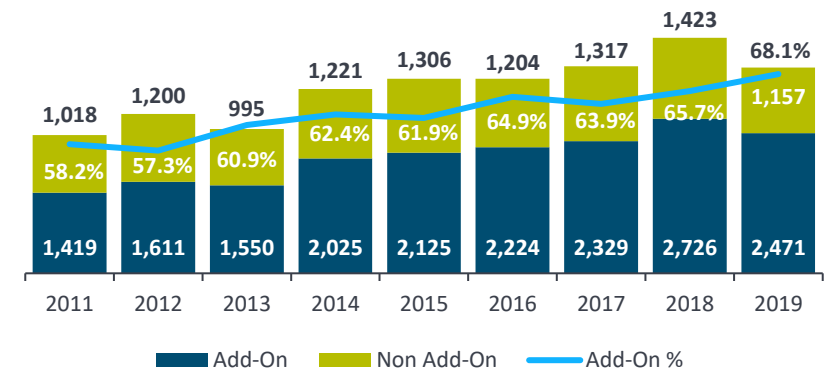
PE Buyout Multiples Declined in 4Q



PE Fundraising Hits Record High While Overall Funds Declined



PE Add-On Deals Continued to Increase as a % of Total Deals



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

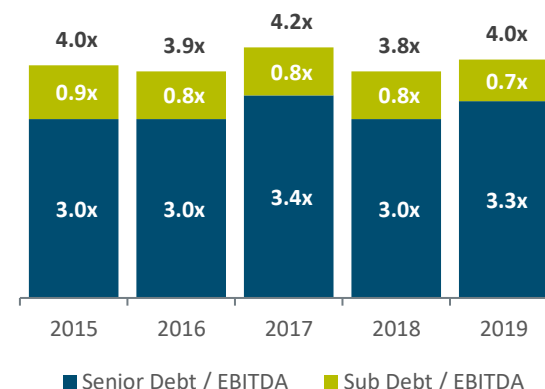
Leverage Multiples & Pricing

DEBT PRICING⁽¹⁾

Debt Type	Company Size / Lender Type	3Q 2019	4Q 2019
Senior Cash Flow Debt	Bank	L+ 3.0% - 4.5%	L+ 3.0% - 4.5%
	Non-Bank <\$7.5 Million EBITDA	L+ 6.0% - 7.0%	L+ 6.0% - 7.0%
	Non-Bank >\$15.0 Million EBITDA	L+ 4.0% - 5.5%	L+ 4.0% - 5.5%
Unitranche Debt	<\$5.0 Million EBITDA	L+ 7.5% - 10.0%	L+ 7.5% - 10.0%
	>\$10.0 Million EBITDA	L+ 6.5% - 8.0%	L+ 6.5% - 8.0%
	>\$20.0 Million EBITDA	L+ 5.0% - 6.5%	L+ 5.0% - 6.5%
Subordinated / Mezzanine Debt	<\$5.0 Million EBITDA	12.0% - 14.0%	12.0% - 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) Source: GF Data, Capital IQ LCD, SPP Capital

DEBT MULTIPLES



DEBT & EQUITY CONTRIBUTION

