Q3 2019

THE MARKET

FOR PRIVATELY HELD COMPANIES

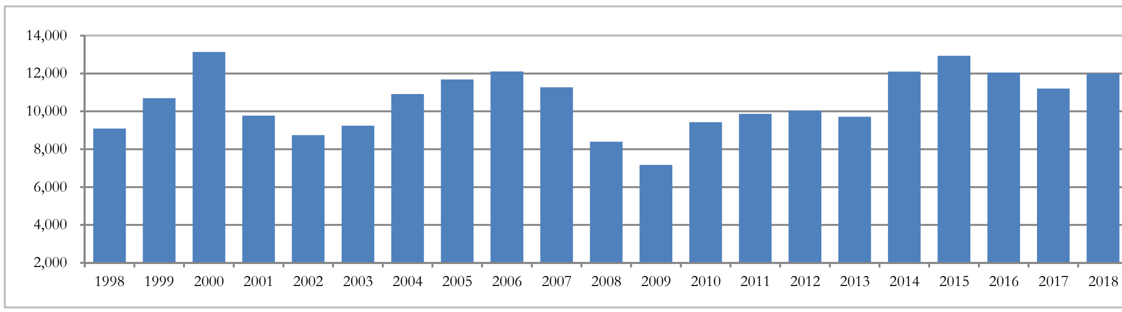
WATERVIEW INVESTMENT BANKING

M&A ADVISORY ◆ VALUATIONS ◆ CAPITAL SOURCING

Topics Relevant to Middle Market Mergers & Acquisitions

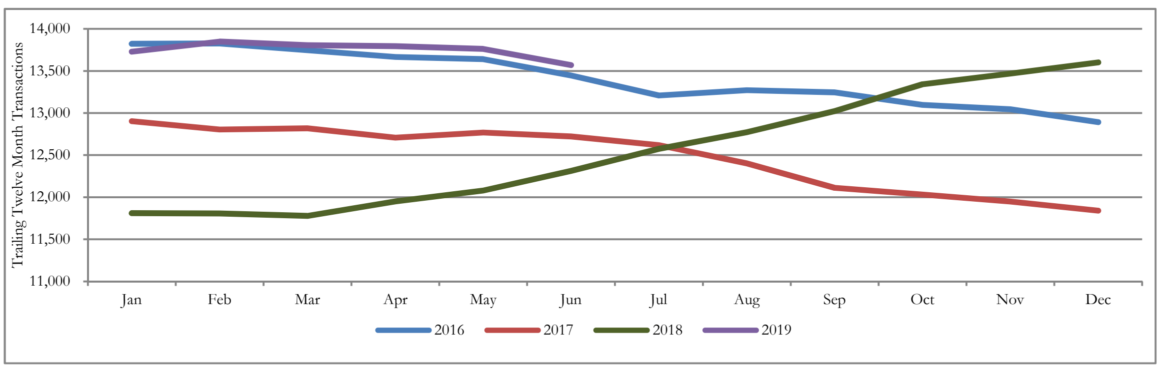
Overall transaction volume (See Chart 1) for 2018 increased 7.0 percent when compared to 2017. Monthly transaction volume, as evidenced in Chart 2, rebounded sharply in 2018 (green line) and has started to soften a bit in 2019 (purple line).

Chart 1: Annual M&A Transaction Volume



Total Announced Transactions, U.S. Buyer or Seller | Source: Mergerstat Review 2018

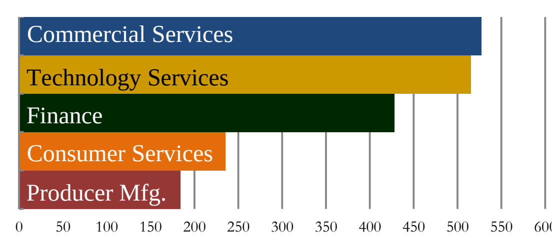
Chart 2: Monthly (Trailing Twelve Month Total) M&A Transaction Volume



Total Announced Transactions, U.S. Buyer or Seller | Source: FactSet Mergerstat

Which Sectors are Most Active?

The chart to the right reveals the five most active sectors in terms of transactions closed for the three months ended June 30, 2019. In addition to those listed in the chart, the following sectors also exhibited high transaction volume: Distribution Services, Health Services, Health Technology, Industrial Services, and Process Industries.



Total Announced Transactions, U.S. Buyer or Seller | Source: FactSet Mergerstat

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Waterview is a Financial Advisory Services firm focused on Investment Banking and Valuation Services

- Waterview Investment Banking serves client companies with revenue between $10 million and $200 million:
  - Sell Side Representation (marketing to both strategic and financial buyers)
  - Capital Sourcing (senior debt, mezzanine and equity)
  - Valuation (to support exit planning strategies)

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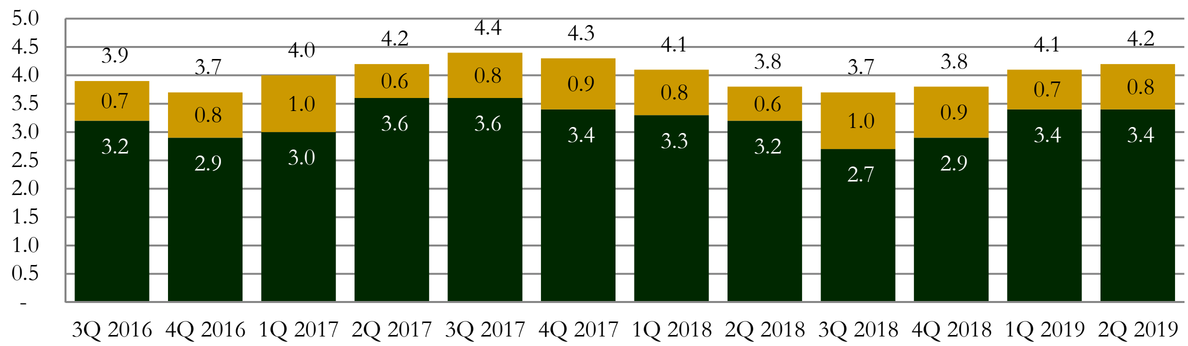
Valuation Multiples TEV / EBITDA Private Equity Sponsored M&A Transactions

TEV ($Millions)	2003-2014	2015	2016	2017	2018	YTD 2019	Average	Std Dev	N =
10-25	5.5	5.9	5.8	6.3	5.9	6.4	5.7	1.6	1,272
25-50	6.2	6.6	6.4	6.6	6.9	7.1	6.3	1.7	964
50-100	6.7	7.8	7.2	8.2	8.9	7.2	7.2	1.9	664
100-250	7.3	9.0	8.9	9.1	8.8	9.3	8.0	2.1	331
Average	**6.1**	**6.7**	**6.7**	**7.3**	**7.3**	**7.2**	**6.4**	**1.9**	
N =	**2,111**	**245**	**235**	**253**	**261**	126			**3,231**

Source: GF Data® M&A Report. August 2019. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

Average Debt Multiples Private Equity Sponsored M&A Transactions

Subordinated Debt
Senior Debt



Source: GF Data® Leverage Report. August 2019. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

Senior Debt Pricing

TEV ($Millions)	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
10-25	5.8%	5.5%	5.8%	5.5%	7.3%	5.2%	6.5%	5.9%
25-50	5.2%	5.5%	4.9%	6.0%	5.5%	6.1%	6.1%	5.7%
50-100	5.4%	6.0%	5.1%	7.0%	5.0%	6.5%	6.1%	5.1%
100-250	6.0%	5.4%	4.5%	6.7%	5.2%	5.3%	7.5%	6.2%
Total	**5.6%**	**5.6%**	**5.3%**	**6.1%**	**5.8%**	**5.9%**	**6.2%**	**5.7%**
N =	**37**	**43**	**48**	**34**	**48**	**38**	**49**	**28**

90-Day LIBOR	1.3%	1.7%	2.3%	2.3%	2.4%	2.8%	2.6%	2.3%
Spread vs. LIBOR	4.3%	3.9%	3.0%	3.8%	3.4%	3.1%	3.6%	3.4%

Source: GF Data® Leverage Report. August 2019. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

Subordinated Debt Average Coupons & Spreads

TEV ($Millions)	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
10-25	11.8%	11.5%	11.4%	11.8%	11.8%	11.7%	10.5%	11.3%
25-50	11.1%	11.7%	11.1%	10.2%	11.3%	11.2%	11.7%	11.2%
50-100	10.8%	11.4%	9.5%	11.3%	11.2%	10.4%	11.8%	10.9%
100-250	10.2%	10.6%	9.6%	11.5%	10.8%	10.7%	10.2%	10.0%
Total	**11.0%**	**11.3%**	**10.8%**	**11.1%**	**11.3%**	**11.1%**	**11.5%**	**11.1%**
N =	**20**	**31**	**30**	**18**	**32**	**26**	**26**	**20**

90-Day LIBOR	1.3%	1.7%	2.3%	2.3%	2.4%	2.8%	2.6%	2.3%
Spread vs. LIBOR	9.7%	9.6%	8.5%	8.7%	8.9%	8.3%	8.9%	8.8%

Source: GF Data® Leverage Report. August 2019. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

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