

MERCER CAPITAL

Middle Market Transaction Update

First Quarter 2019

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BUSINESS VALUATION &
FINANCIAL ADVISORY SERVICES

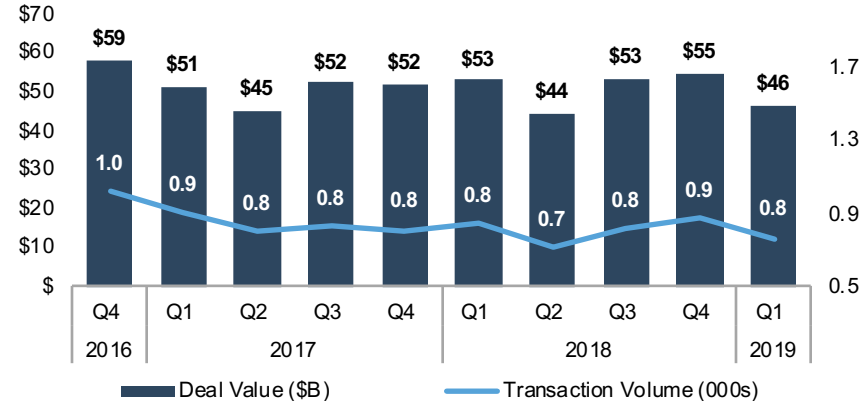
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U.S. Deal Value & Volume

Overall transaction value and volume in the middle market dropped in the first quarter of 2019 from levels seen at the end of 2018. In our view, the circumstances surrounding this falloff in deal value and volume were the continuation of a trend often observed in the first quarter of a given year (with 2018 being an exception). Further, deal value and volume typically drops quarter-to-quarter after any unusually strong quarter, such as the fourth quarter of 2018. This trend can be seen at several points in the chart to the right.

U.S. Deal Value & Volume

4Q16 to 1Q19



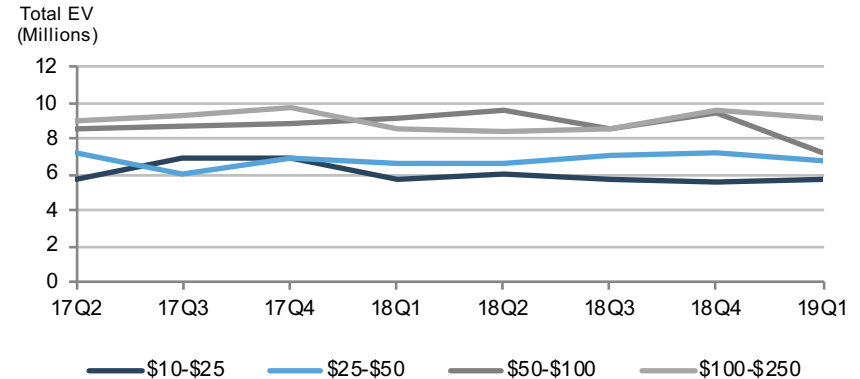
Source: Capital IQ

EBITDA Multiples

EBITDA multiples on transactions across all observed size ranges were little changed over the course of the first quarter with the exception of deals with a total enterprise value of \$50 to \$100 million, which took a sharp downturn over the course of the quarter. Multiples in this range fell below their long term average over the period analyzed, while multiples across other ranges generally held steady throughout the first quarter compared to levels seen in the fourth quarter of 2018. We do not expect to see broad decreases in multiples across deal sizes over the course of 2019, as we believe the general macroeconomic situation in the U.S. still favors sellers.

TEV/EBITDA Multiples

Financial Buyers | 1Q17 to 4Q18



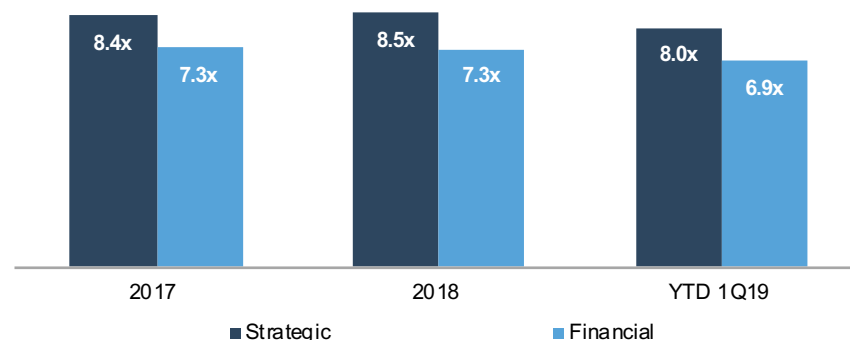
Source: GF Data®

EBITDA Multiples by Buyer Type

EBITDA multiples on deals broken out by buyer type (strategic vs. financial) each fell by around half a turn of EBITDA during the first quarter of 2019, down from average multiples seen in 2017 and 2018. Over the period analyzed, strategic buyers have been paying around a 1x premium relative to private equity (financial) buyers, mainly due to the aggressive market for strategic transactions in 2017 and 2018. This trend continued into the first quarter of the new year, as the spread between multiples on deals done by strategic and financial buyers remained consistent with those seen in 2017 and 2018.

EBITDA Multiples by Buyer Type

2017 to 1Q19



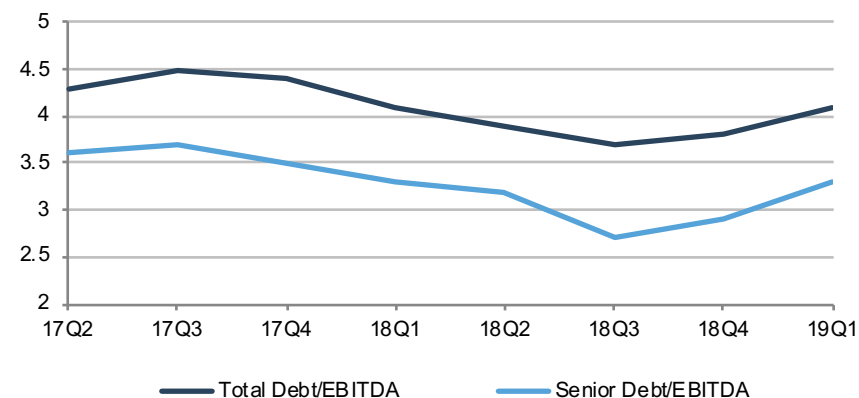
Source: Capital IQ (strategic) and GF Data (financial)
Strategic multiples exclude outliers (defined as EBITDA multiple > 15x)

Debt Multiples

Debt multiples relative to EBITDA for financial buyers increased in 1Q19 but are beginning to approach peak levels seen during 2017. 1Q19 was marked by widespread rebound in the public equity markets and progress between the U.S. and China on trade talks, which investors both took as positive signals surrounding the general economic outlook in the U.S. The easing of some of the macroeconomic concerns seen at the end of 2018 led to somewhat more aggressive lender behavior in the first quarter, which in turn propped up debt multiples in the first quarter. Further, the Fed elected to leave the target rate for federal funds unchanged in the first quarter and signaled that it has no intention of raising rates again in the near future. This continued ease of financing could continue to prop up debt multiples in the middle market. On the other side of the equation, the Fed cited slowing economic growth and declining inflation as reasons for putting an end to the rate hikes. If these patterns continue, lender behavior could become more cautious through the rest of the year, which would put a cap on the amount of debt used to finance transactions in the middle market.

Debt Multiples

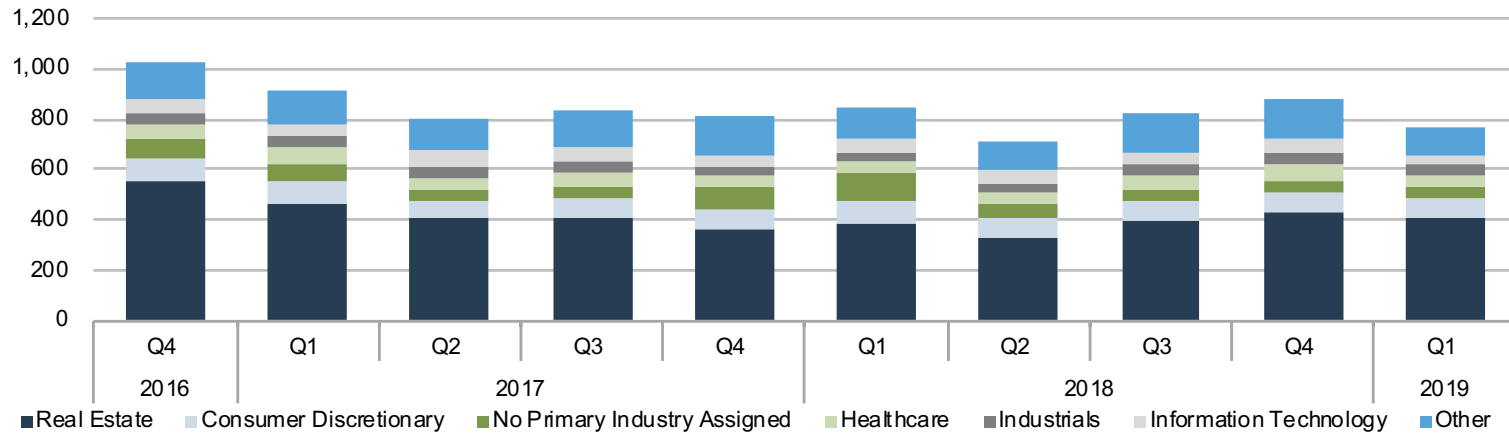
Financial Buyers | 2Q17 to 1Q19



Source: GF Data®

U.S. Deal Volume by Industry

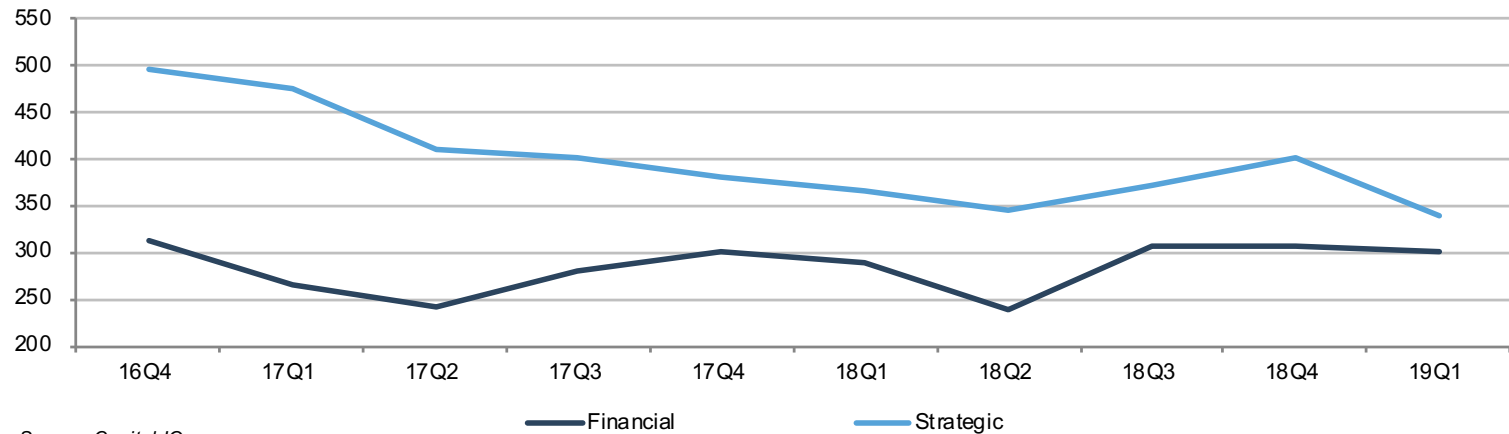
3Q16 to 4Q18



Source: Capital IQ

Number of Deals by Buyer Type

3Q16 to 4Q18



Source: Capital IQ

Transaction Advisory Services

In addition to our corporate valuation services, Mercer Capital provides investment banking and transaction advisory services to a broad range of public and private companies and financial institutions.

Mercer Capital has been successfully executing mergers & acquisitions for a broad spectrum of middle-market companies since the mid-1980s.

We specialize in providing merger & acquisition services to sellers or buyers of private businesses or public companies divesting divisions and subsidiaries. In addition, Mercer Capital assists clients in industry consolidations, roll-ups, and refinancings.

Mercer Capital leverages its historical valuation and investment banking experience to help clients navigate a critical transaction, providing timely, accurate and reliable results. We have significant experience advising boards of directors, management,

trustees, and other fiduciaries of middle-market public and private companies in a wide range of industries. Our independent advice withstands scrutiny from shareholders, bondholders, the SEC, IRS, and other interested parties to a transaction, and we are well-versed in the new industry standards.

The professionals of Mercer Capital guide you through the uncharted waters of selling your business, acquiring another business or division, mergers, valuations, fairness opinions, and other transaction advisory needs. Rely on the experience, independence, and analytical and transaction know-how of Mercer Capital.

Transaction Advisory Services

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- ESOP Installation, Termination, and Transactions
- Squeeze-Out Transactions
- Fairness Opinions
- Minority Shareholder Stock Repurchases
- Corporate or Partnership Recapitalizations



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Advantages We Offer

- Maximize Net Proceeds
- Negotiate the Best Possible Terms
- Speed Up the Deal Process
- Ensure Transaction Closure
- Help Ensure Confidentiality
- Minimize Burden on the Ownership

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