

MERCER CAPITAL

Middle Market Transaction Update

Third Quarter 2019

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BUSINESS VALUATION &
FINANCIAL ADVISORY SERVICES

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U.S. Deal Value & Volume

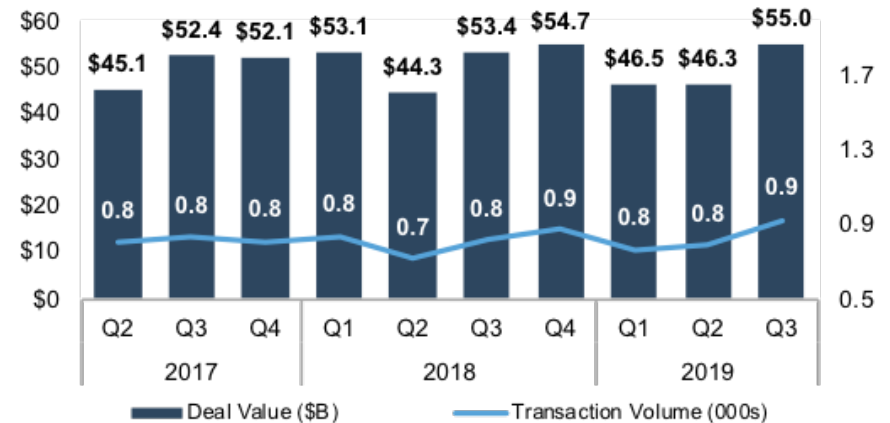
Overall transaction value and volume in the middle market in the third quarter of 2019 increased from the virtually identical levels observed in the first two quarters of the year, and deal value increased to its highest level over the observed historical period. Much of this increase was bolstered by generally favorable market and economic conditions in the U.S. throughout the third quarter, including the Fed's decision to lower its benchmark rate twice over the course of the quarter. Overall deal value and volume in the third quarter was slightly higher than that of the third quarters of 2017 and 2018, which were among the more active quarters in our historical period analyzed.

EBITDA Multiples

Reported TEV/EBITDA Multiples on transactions across all observed size ranges did not show much movement during the third quarter. Deals in the \$100-\$250 million total enterprise value range continued to report the largest multiples and were the only size group to increase in the third quarter. This tranche has consistently garnered the largest multiples throughout 2019. Multiples on smaller deals all fell by approximately 0.5x in the third quarter. The general macroeconomic situation in the U.S. still favors sellers, which could lead to some recovery in multiples in the fourth quarter.

U.S. Deal Value & Volume

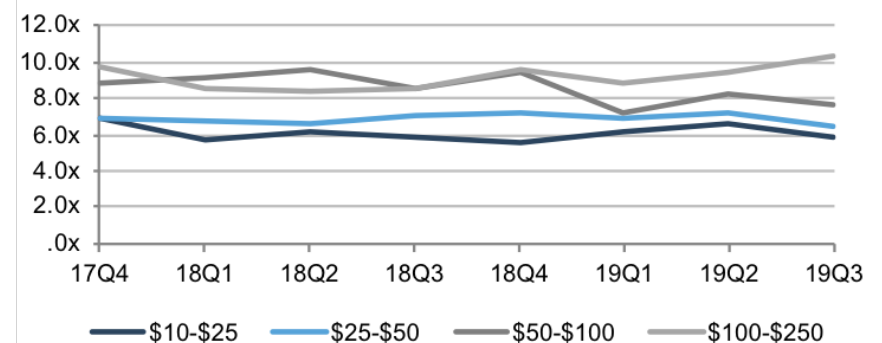
Q2-2017 to Q3-2019



Source: Capital IQ

TEV/EBITDA Multiples

Financial Buyers | Q4-2017 to Q3-2019



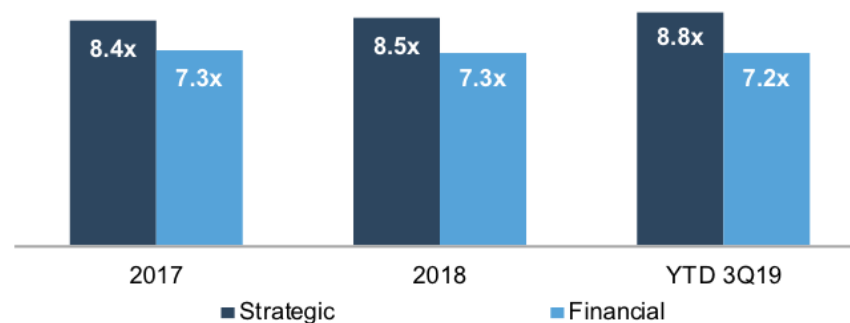
Source: GF Data®

EBITDA Multiples by Buyer Type

EBITDA multiples on deals broken out by buyer type (Strategic vs. Financial) each remained fairly consistent through the first three quarters of 2019 with levels observed in 2017 and 2018. The premium paid by strategic buyers relative to financial buyers continued to grow over the third quarter, with multiples on strategic deals stretching to around 8.8x. This trend remains consistent with the multiples observed on deals made by strategic and financial buyers in 2017 and 2018.

EBITDA Multiples by Buyer Type

2017 to YTD 2019



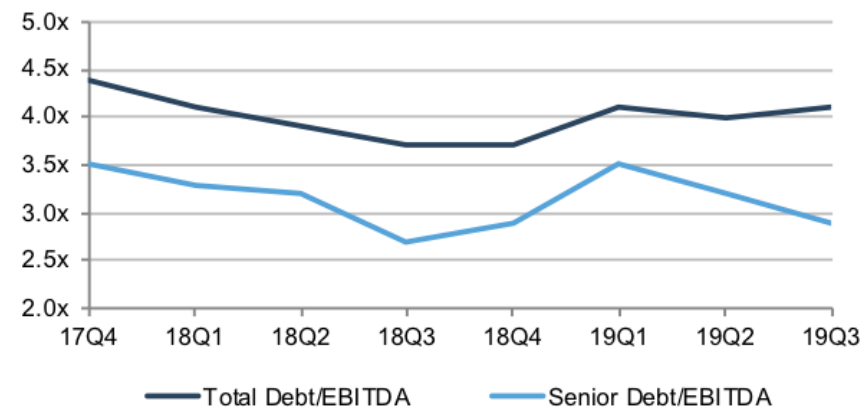
Source: Capital IQ (strategic) and GF Data (financial)
Strategic multiples exclude outliers (defined as EBITDA multiple > 15x)

Debt Multiples

Total debt multiples relative to EBITDA for financial buyers increased during the third quarter and continued their approach towards peak levels seen during 2017. During the third quarter of 2019, despite the Fed's decision to lower its benchmark rate, U.S. equity markets posted small gains. Any larger gains that could have been attributed to the Fed's decisions were generally tempered by the lack of progress made in the ongoing trade dispute between the U.S. and China. Still, Fed actions encouraged a continuation of the ease of financing that has propped up debt multiples in the middle market throughout 2019. However, the underlying fundamentals that led to the Fed's lowering rates could escalate to the point of an economic slowdown, or even recession, in the U.S. in 2020. In this scenario, lender behavior would certainly become more cautious in the fourth quarter and into 2020, which would end the steady increase in total debt multiples seen in the charts on the right.

Debt Multiples

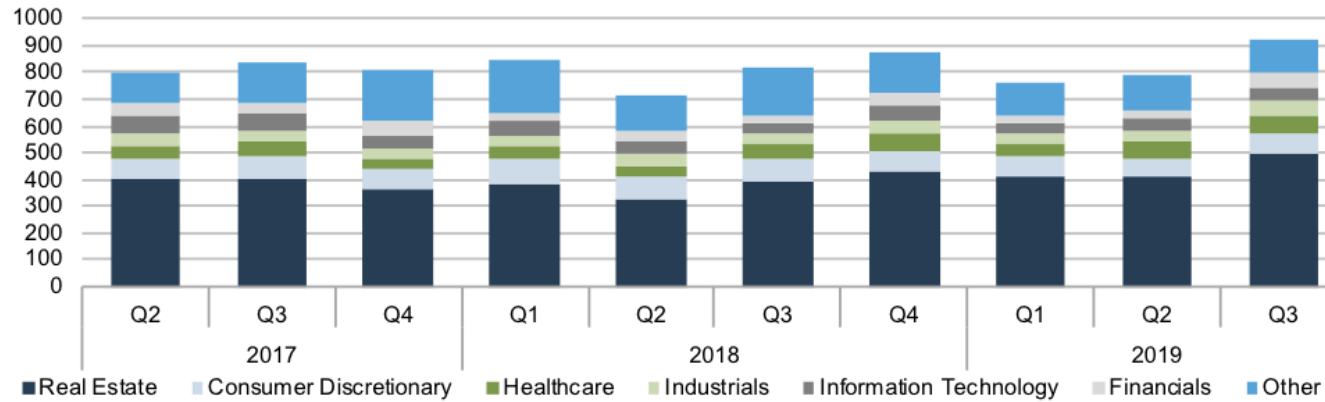
Financial Buyers | Through 3Q-2019



Source: GF Data®

U.S. Deal Volume by Industry

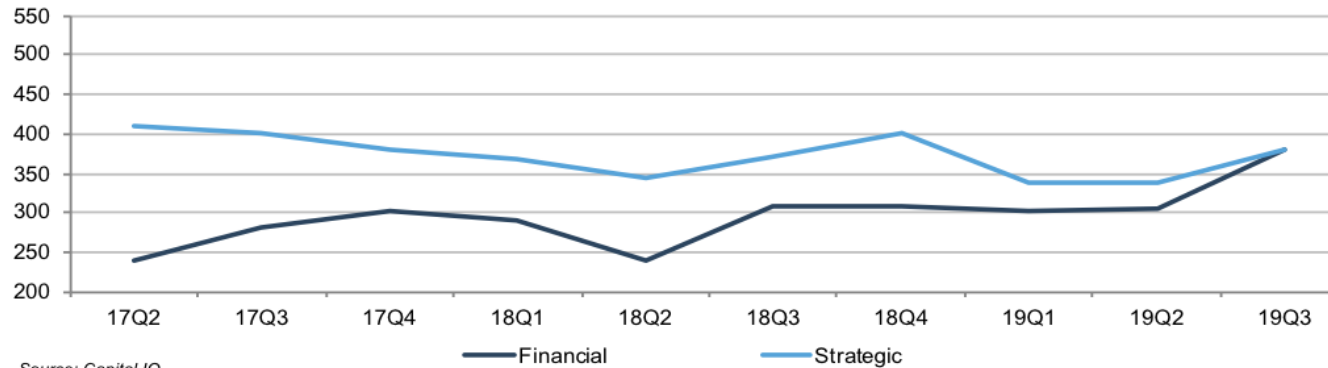
Q2-2017 to Q3-2019



Source: Capital IQ

Number of Deals by Buyer Type

Q2-2017 to Q3-2019



Source: Capital IQ



Fairness Considerations in Going Private Transactions

This presentation provides an overview of issues surrounding a decision to take an SEC-registrant private.

- Pros and Cons of Going Private
- Structuring a Transaction
- Valuation Analysis
- Fairness Considerations

[CLICK HERE](#)

To Download the Presentation

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

- M&A Representation
- 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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