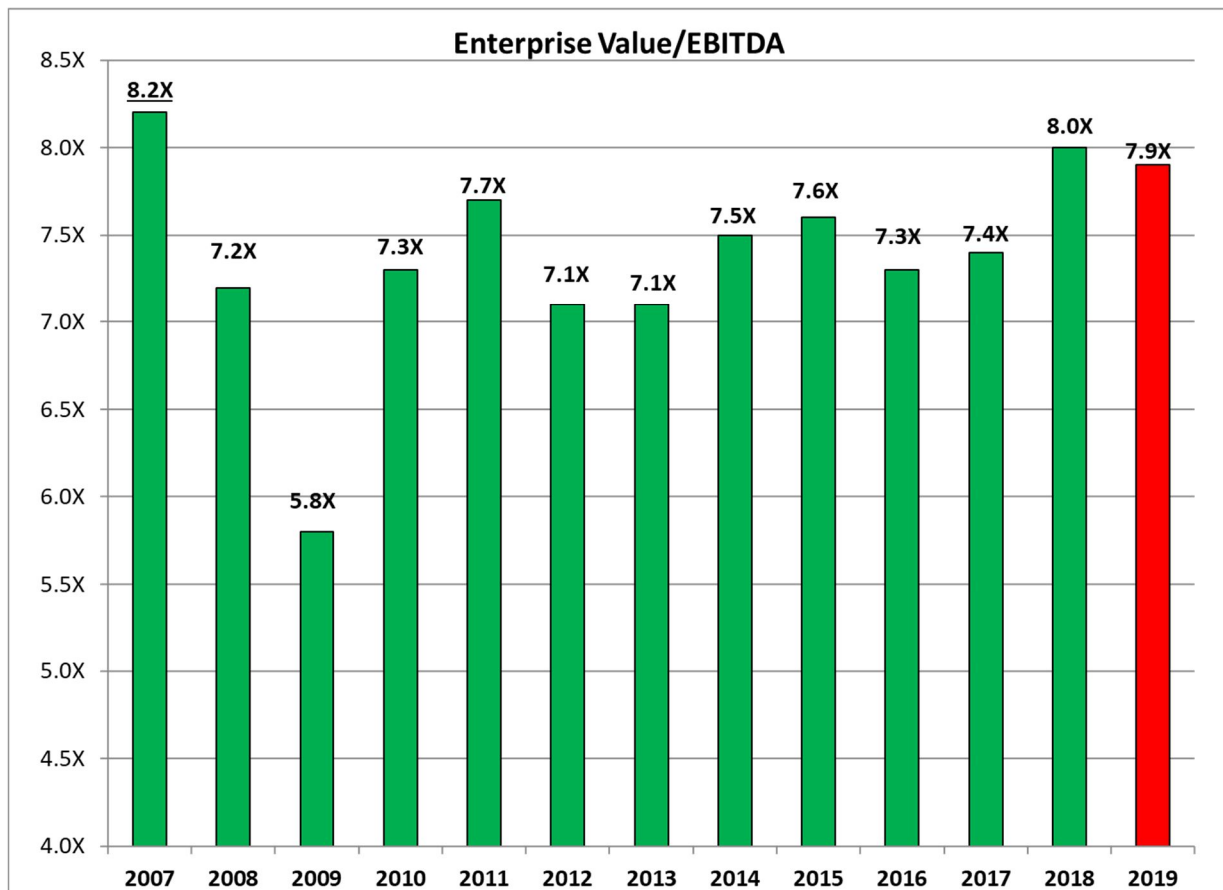


## 2019 Middle Market M&A Overview

### Market Overview

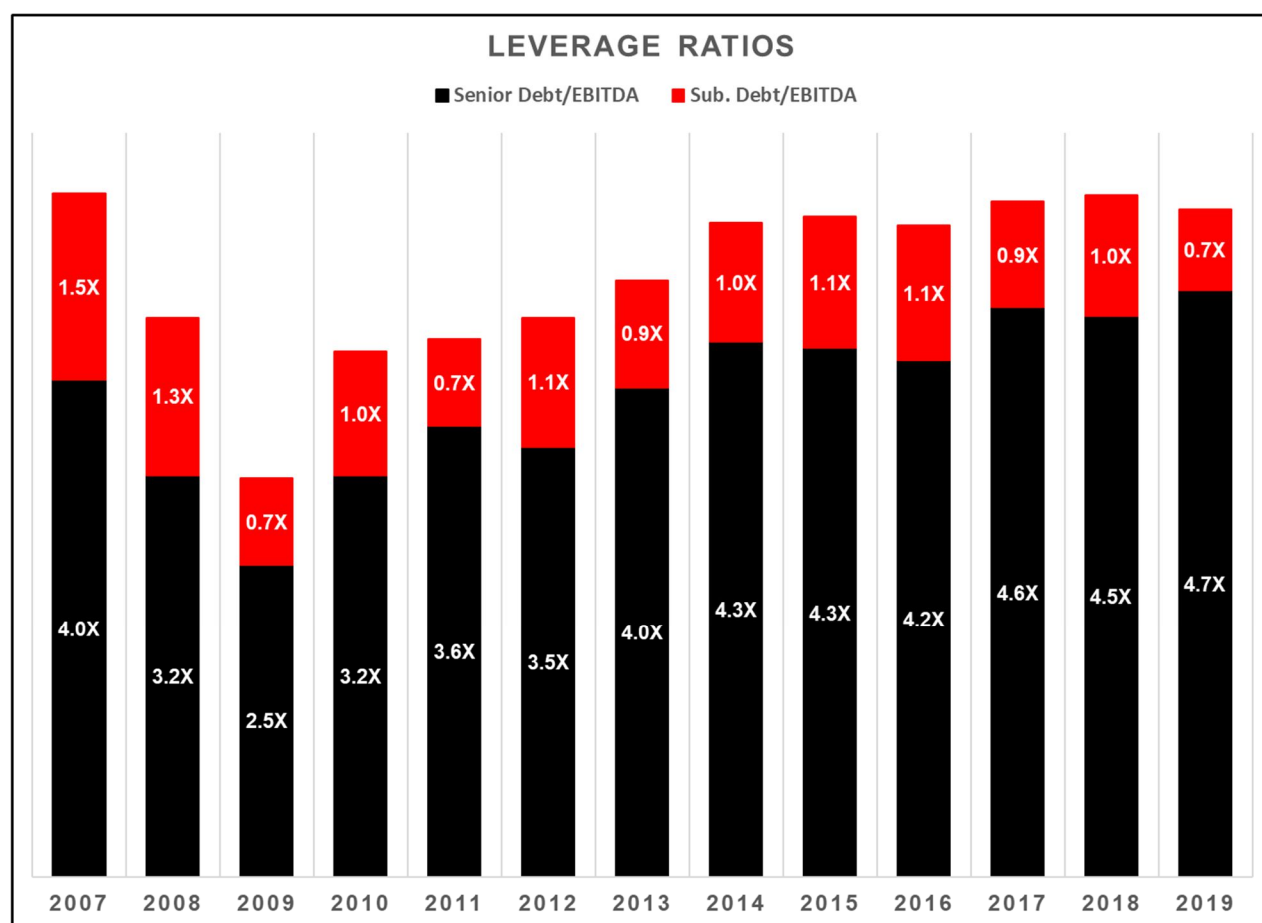
Middle market transaction volumes dipped in the fourth quarter on sluggish manufacturing activity and lower business investment. Q4 '19 middle market deal volumes (Enterprise Value between \$10 million and \$500 million) decreased 6.0% from Q3 '19, however for all of 2019 volumes increased 7.1%. Total M&A deal activity involving all transaction sizes decreased 1.8% in Q4 '19 and was down 4.0% for all of 2019. Purchase price multiples marginally declined in Q4 '19 but remain strong with an average deal multiple of 7.9x (Enterprise Value to EBITDA) compared to 8.0x for 2018. Senior debt multiples have surged to over 4.7x EBITDA in 2019 versus 4.5x in 2018. Minimum equity contributions increased to 52% in Q4 '19 to support the rising senior debt ratios. A trade deal with China is expected to propel U.S. manufacturing and business investment while containing the coronavirus could weigh on the global economy.



Source: Capital IQ and Angle Advisors Market Analysis

## Debt in Leverage Buy-Out Transactions (LBO)

LBO new issue volume decreased significantly in Q4 '19 reflecting the lower transaction volumes and a shift towards strategic buyers versus financial buyers. LBO loan volumes in Q4 '19 totaled \$0.3 billion compared to \$1.5 billion in Q3 '19 and \$1.4 billion in Q2 '19. Q4 '19 loan volumes were the lowest levels since 2009. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to-EBITDA averaged 5.4x in 2019 versus 5.5x for all of 2018 and 2017. First lien senior debt leverage totals continue climbing averaging 4.7x in 2019 (excluding Other Senior Debt) compared to 4.5x for all of 2018. Second lien debt decreased to 0.65x in the quarter from 0.97x in 2018. Average equity contributions for middle market LBO loans were 52.0% in 2019 versus 43.1% for all of 2018.



Source: S&P LCD – middle market LBO less than \$50 million

	DEBT PRICING			Minimum Equity
	Senior	Second Lein	Subdebt	
Jan. '20	L + 3.00% - 4.50%	L + 7.0%-10%	11%-14%	40%-50%
Jan. '19	L + 2.50% -5.00%	L + 7.0%-10%	11%-14%	40%-50%

L = Libor

Source: S&P LCD; SPP Capital Partners, LLC

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