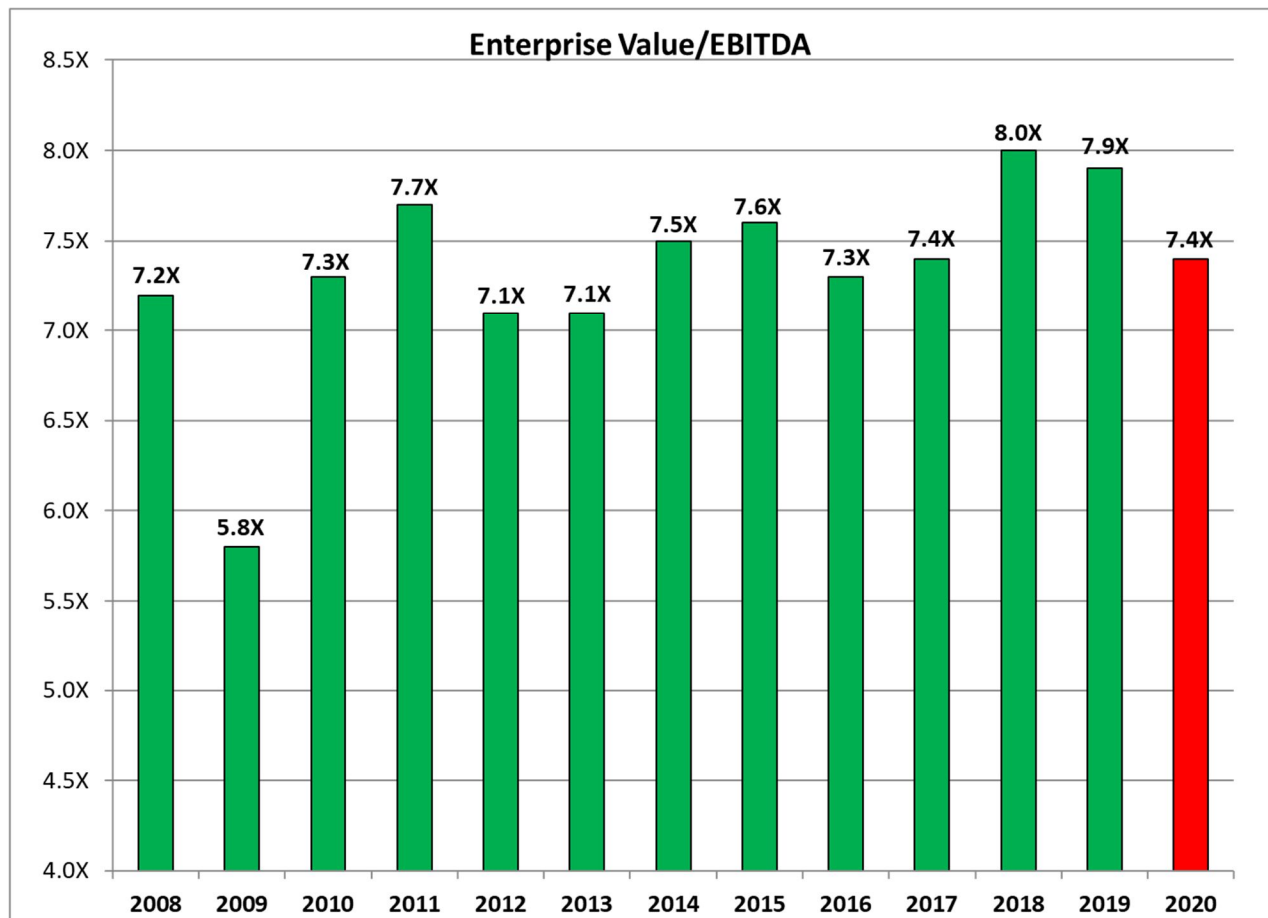


## 2020 Middle Market M&A Overview

### Market Overview

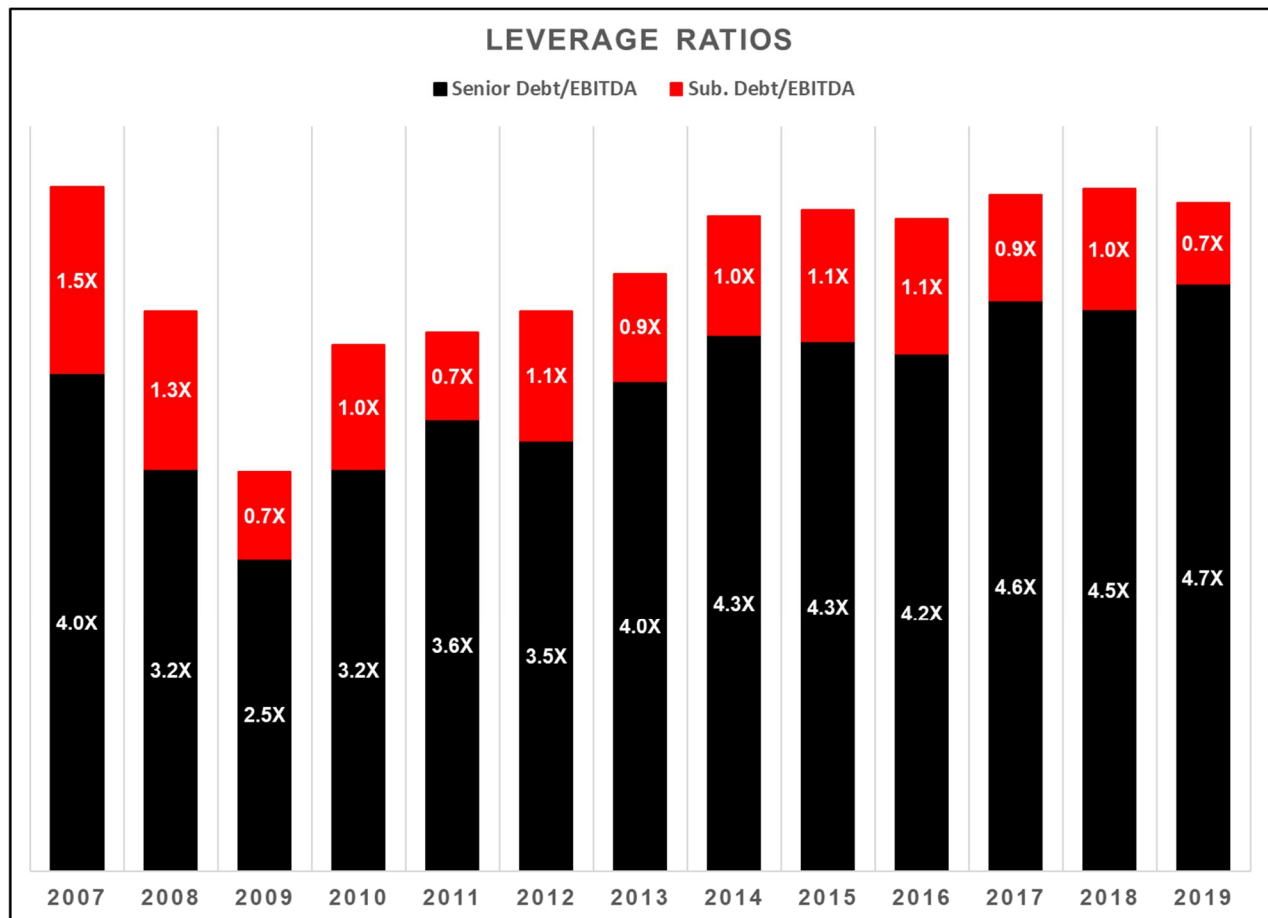
Middle market transaction volumes increased significantly in the fourth quarter after the dramatic fall off in the second and third quarters due to COVID shutdowns. Q4 '20 middle market deal volumes (Enterprise Value between \$10 million and \$500 million) increased 44.3% from Q3 '20, however for all of 2020 volumes declined 24.3%. Total M&A deal activity involving all transaction sizes increased 27.2% in Q4 '20 and were down 4.6% for all of 2020. Purchase price multiples were weighed down by the impact of COVID with an average deal multiple of 7.4x for all of 2020 (Enterprise Value to EBITDA) compared to 7.9x for 2019. Due to limited transaction volume, S&P did not report full year middle market LBO debt statistics for 2020. Despite the lingering effects of COVID, the overall U.S. economy and manufacturing have shown resilience with momentum building for additional gains during the first half of 2021.



Source: Capital IQ and Angle Advisors Market Analysis

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

LBO new issue volume decreased significantly in 2020 reflecting the lower transaction volumes and a shift towards strategic buyers versus financial buyers. LBO loan volumes in Q1 '20 totaled \$0.3 billion compared to \$0.3 billion in Q4 '19 and \$1.5 billion in Q3 '19. Q3 '20 loan volumes were \$0.2 billion with no activity reported for the second and fourth quarters of 2020 (hence no 2020 data). 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 Lien	Subdebt	
<b>Feb. '21</b>	L + 3.00% - 4.50%	L + 7.0%-10.5%	12%-14%	50% plus
<b>Feb. '20</b>	L + 2.50% - 5.00%	L + 7.0%-10.0%	11%-14%	40%-50%

L = Libor

Source: Information from S&P LCD and SPP Capital Partners, LLC

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