

## Mergers & Acquisitions Update: The Middle Market Q2 2019

The Mufson Howe Hunter Middle Market M&A Update is designed to provide business owners, managers, private equity investors and M&A professionals with a summary of current market trends in the U.S. Middle Market.

### Mufson Howe Hunter Commentary

Overall, 2019 EV/EBITDA valuations for U.S. M&A transactions reported during the first 6 months averaged 11.1x, up 13% from 9.8x in 2018. For the same period in 2019, Private Equity-backed valuations remained at a historical high 12.3x though flat with the previous period. Overall leverage used to fund transactions represented 49.5%, or 5.5x turns of EBITDA. In comparison, transactions with Private Equity sponsors leveraged up 6.0x turns of EBITDA in the first 6 months, slightly down from the same period last year at 6.1x for 48.8% of the transaction value.

As the chart below highlights, reported M&A valuations are not uniform across the size spectrum. This is primarily due to a size/risk standard employed by credit providers. Lenders view risk in smaller transactions differently than larger transactions and since credit availability generally drives a significant portion of overall valuations, smaller transactions are priced accordingly. For instance, at the lower end of the middle market (transactions below \$50 million), valuations averaged 8.4x YTD 2019 with debt levels at 3.8x, up from 3.4x leverage multiples in 2018. In comparison, transactions below \$100 million saw leverage multiples of 4.1x YTD 2019.

With public equity markets in a highly volatile period, the middle market M&A scene should remain strong, as long as we do not see a pull back of the buyout credit providers. That's not too likely given the relatively healthy credit statistics, the abundance of debt providers as an alternative to commercial banks coupled with the over \$700 billion of dry powder available to fund transactions in PE coffers.

Size Range	U.S. 2014	2015	2016	2017	2018	YTD Jun-18	YTD Jun-19
\$0-25mm	8.3x	7.1x	7.3x	7.3x	7.6x	7.8x	7.5x
\$25-50mm	8.1x	7.2x	8.2x	9.2x	8.1x	8.3x	6.2x
\$50-100mm	9.7x	7.2x	8.5x	9.0x	8.9x	9.8x	7.1x
\$100-250mm	8.7x	8.7x	8.5x	9.0x	9.6x	9.8x	10.8x
n=	84	96	73	49	90	51	31

<sup>1</sup> Source: CapitalIQ

Our Quarterly M&A Update contains information on the following market segments:

- U.S. M&A Activity (All Reported)
- U.S. Lower Middle Market Activity
- U.S. Lower Middle Market Private Equity Activity

We hope you find our report valuable, and we welcome any comments or suggestions.

Regards,



Michael J. Mufson  
Managing Director

Mufson Howe Hunter & Company LLC is a middle-market focused investment bank providing M&A, capital raising and financial advisory services.

Broker/Dealer services offered through a wholly owned subsidiary Mufson Howe Hunter & Partners LLC, Member SIPC | FINRA

### Primary Contacts

Brandon K. Eck, Managing Director  
215.399.5411  
[beck@mhco.com](mailto:beck@mhco.com)

Michael J. Howe, Managing Director  
215.399.5413  
[mhowe@mhco.com](mailto:mhowe@mhco.com)

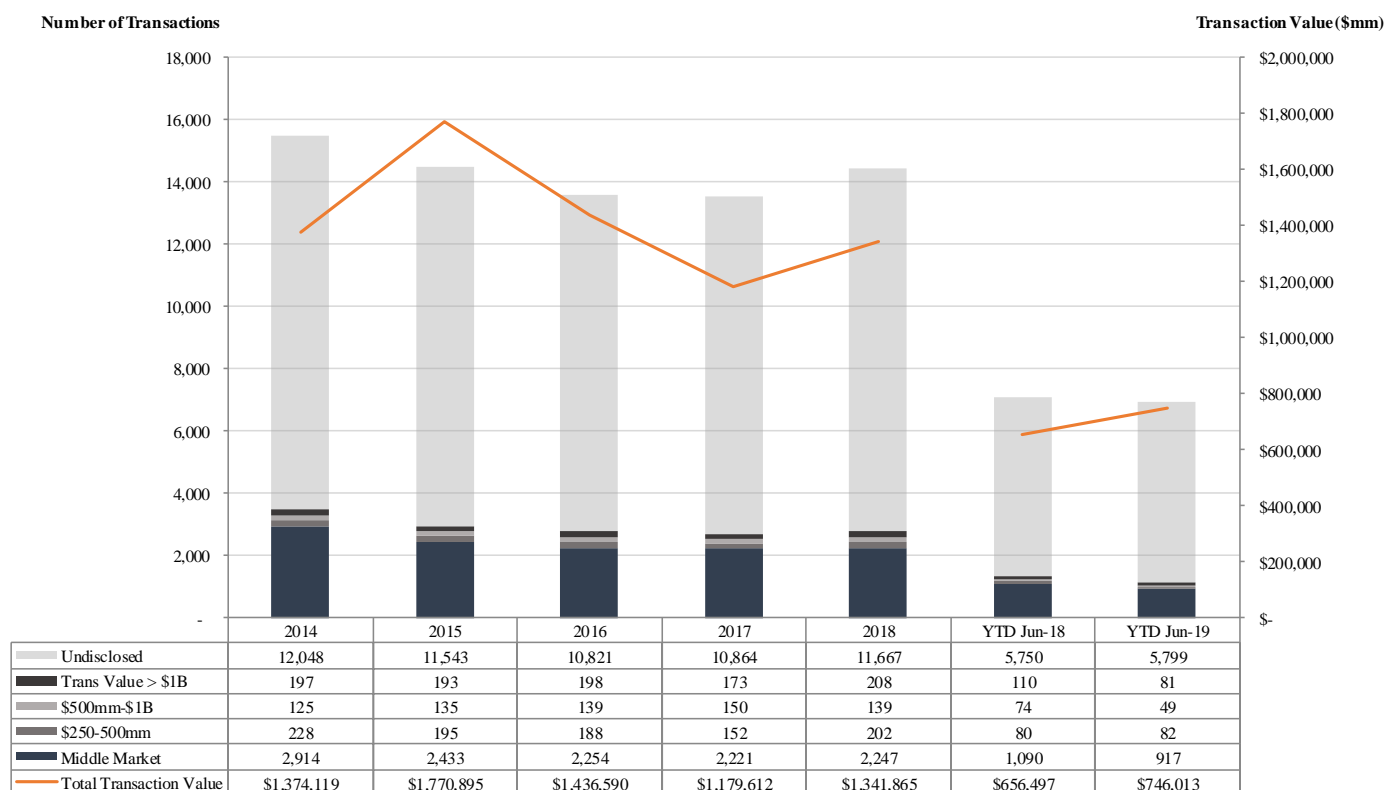
Anthony Lopez-Ona, Managing Director  
215.399.5405  
[alopezona@mhco.com](mailto:alopezona@mhco.com)

Joseph M. Manko, Managing Director  
215.399.5402  
[jmanko@mhco.com](mailto:jmanko@mhco.com)

Michael J. Mufson, Managing Director  
215.399.5410  
[mmufson@mhco.com](mailto:mmufson@mhco.com)

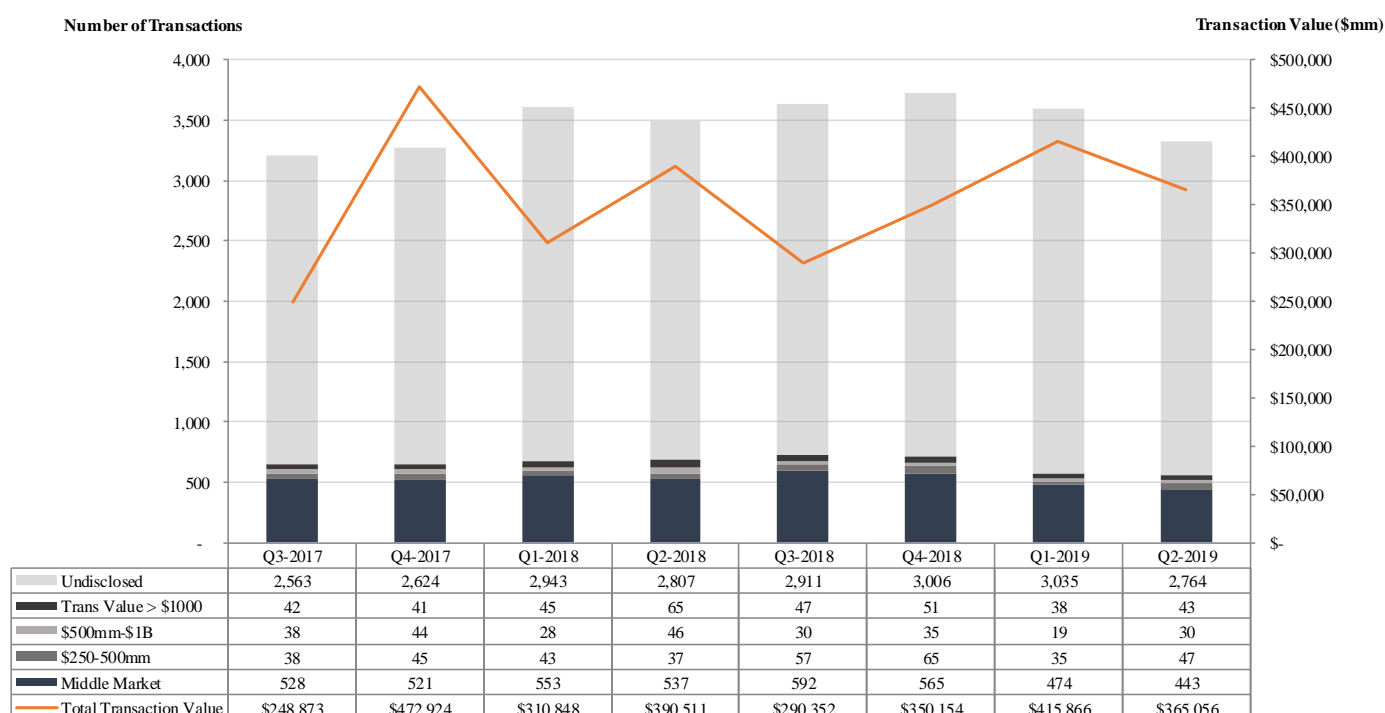
# Mergers & Acquisitions Update

## U.S. - All Reported M&A Activity



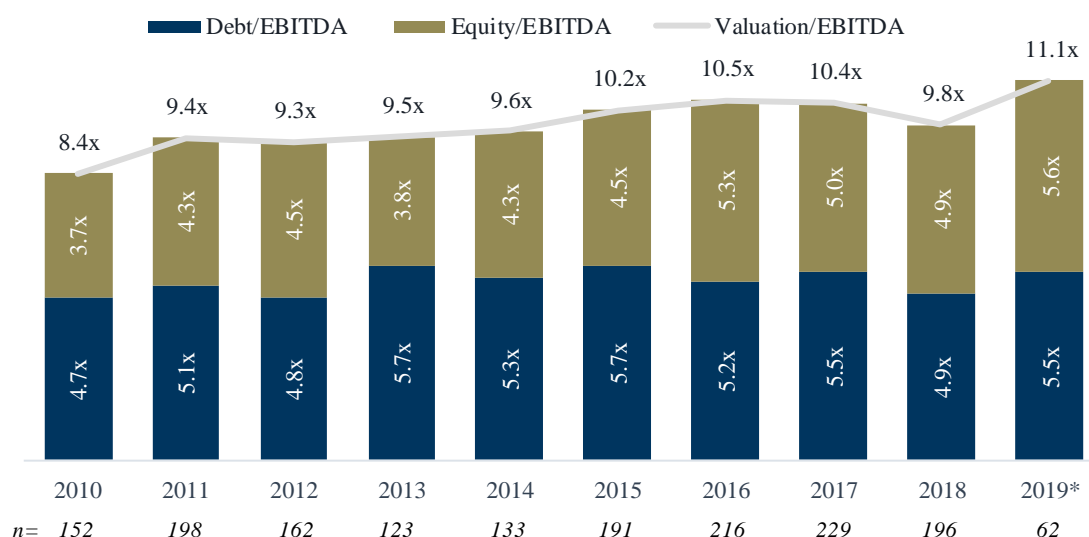
Note: Publicly disclosed M&A transactions  
Source: CapitalIQ, Mufson Howe Hunter

## U.S. - All Reported M&A Activity

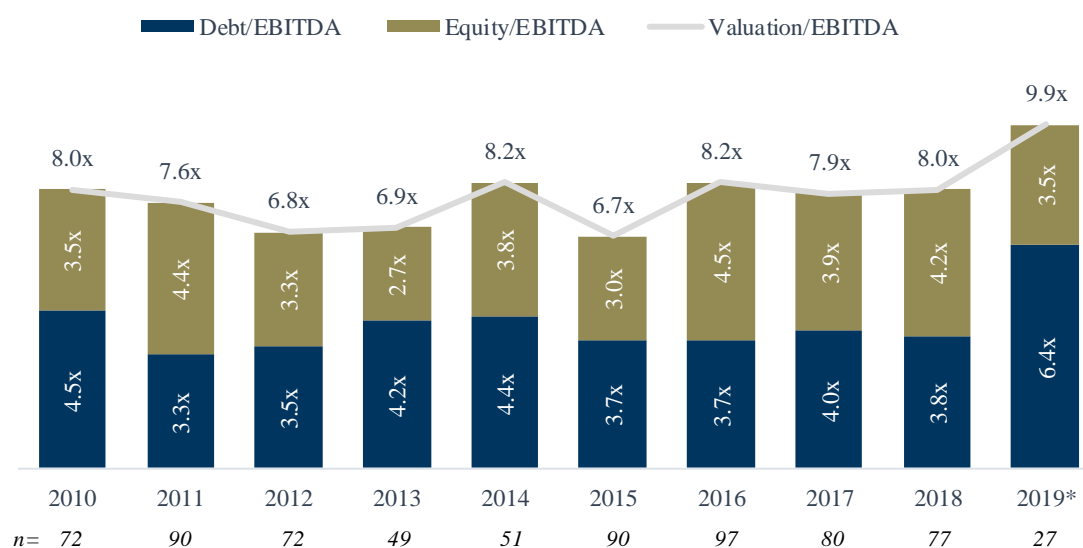


Note: Publicly disclosed M&A transactions  
Source: CapitalIQ, Mufson Howe Hunter

## U.S. M&A Valuation Breakdown by Size: All Transactions

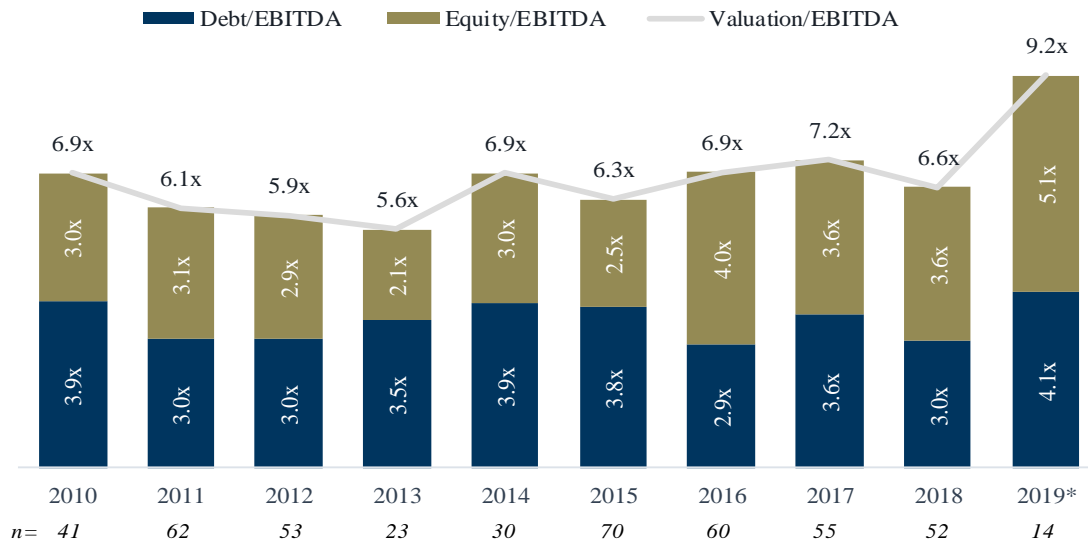


## U.S. M&A Valuation Breakdown by Size: Transactions <\$250mm

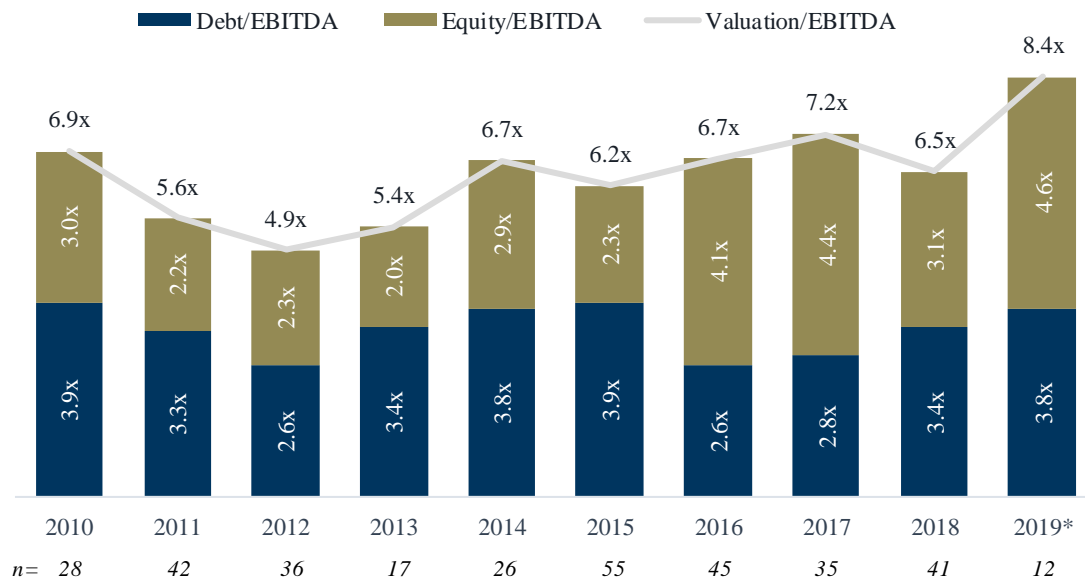


Source: PitchBook  
\* As of June 30, 2019

## U.S. M&A Valuation Breakdown by Size: Transactions <\$100mm

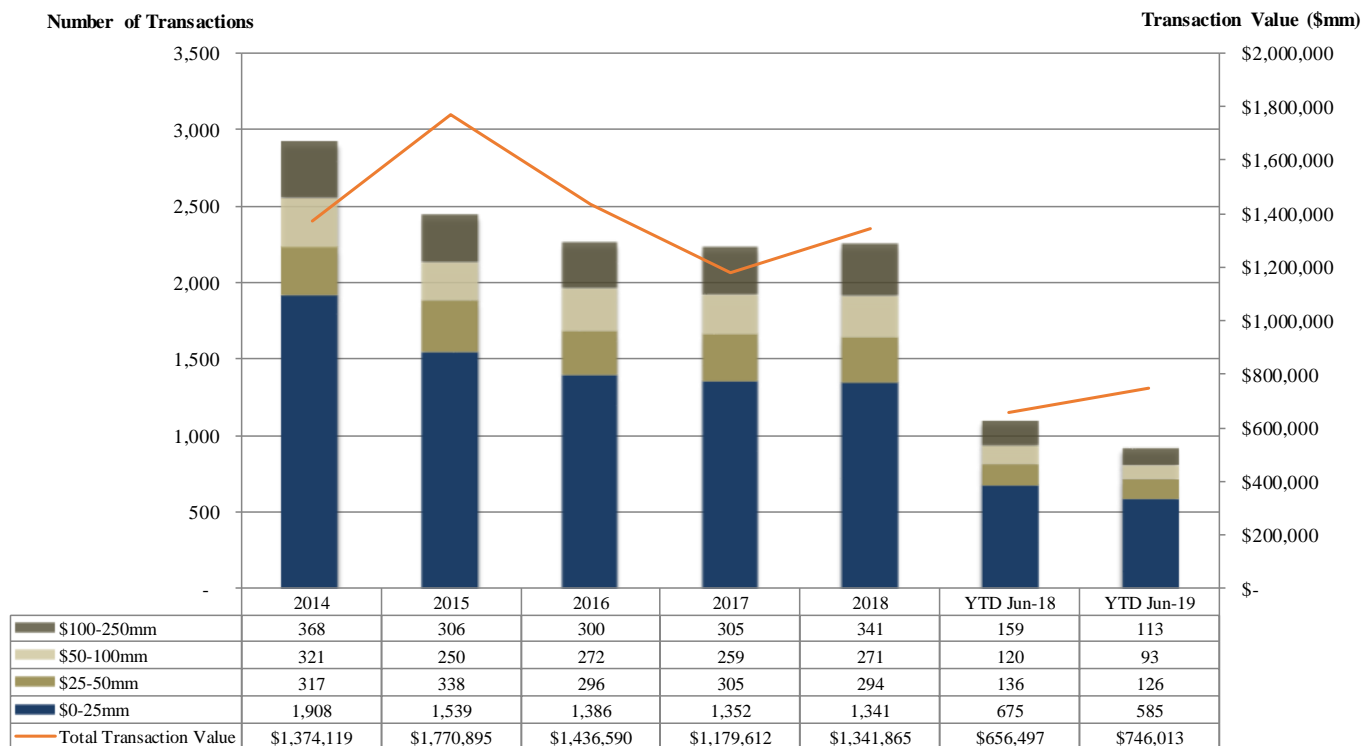


## U.S. M&A Valuation Breakdown by Size: Transactions <\$50mm

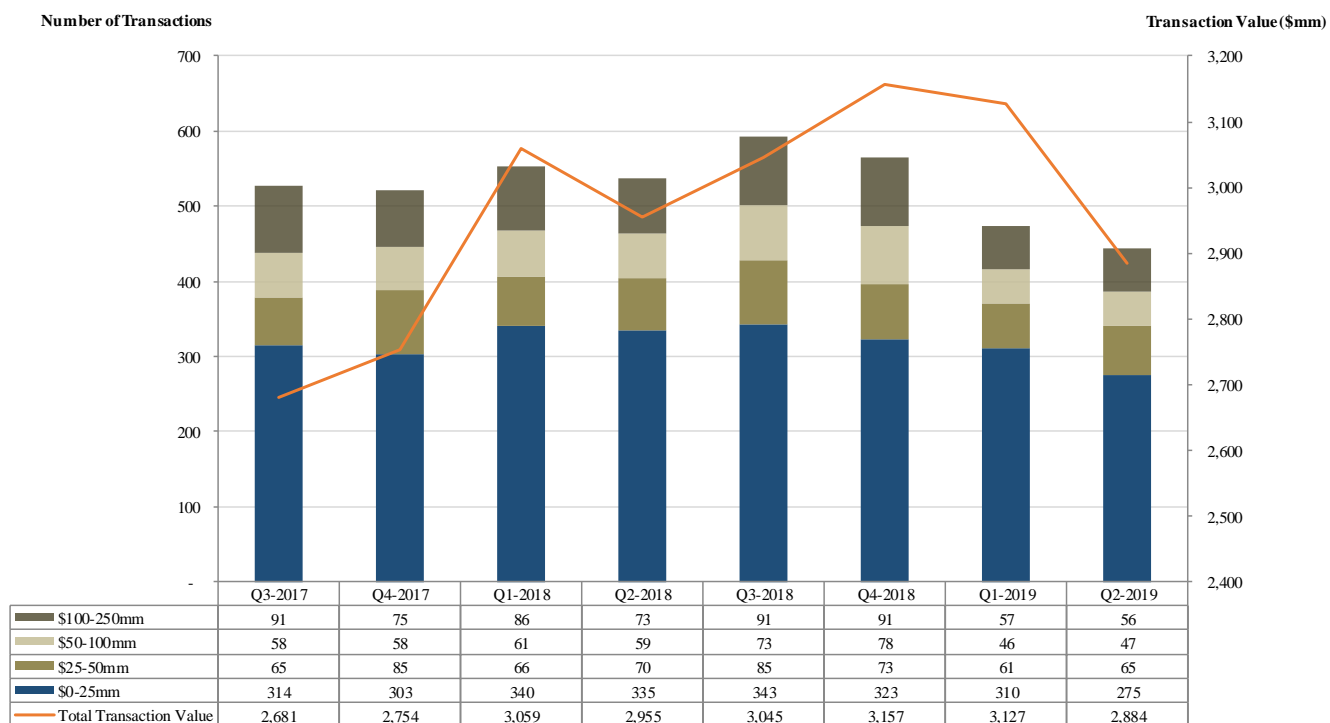


Source: PitchBook  
\* As of June 30, 2019.

## U.S. Lower Middle Market M&A Activity - Transactions Below \$250 million

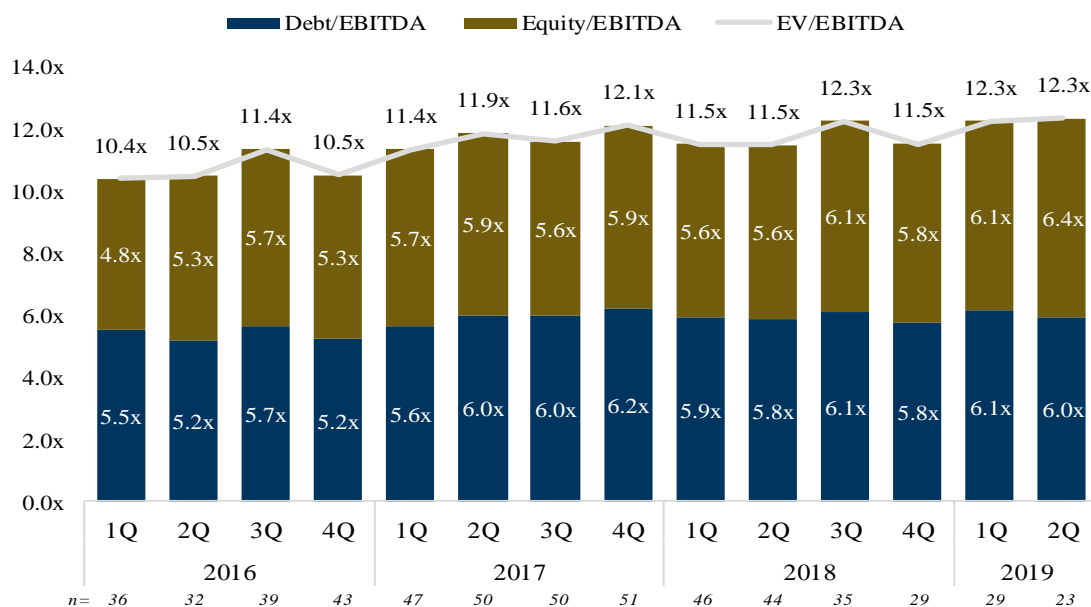


## U.S. Lower Middle Market M&A Activity - Transactions Below \$250 million



Middle Market, as defined by Pitchbook, includes transactions valued at \$25 million up to \$1 billion. The following graphs and charts depict certain key elements of Middle Market Private Equity M&A activity through June 30, 2019.

## U.S. Middle Market Private Equity M&A Median Valuation and Debt Multiples



Source: PitchBook  
\* As of June 30, 2019.

**Mufson Howe Hunter** is an independent investment bank for middle-market companies. We focus on selling businesses, recapitalizations, buy-outs, acquisitions and raising capital. Unique to the middle market, our senior bankers have extensive corporate finance experience and deep knowledge of the capital markets.

## Mergers & Acquisitions

- Advise buyers and sellers (public and private companies)
- Sale of businesses, strategic acquisitions, recapitalizations, management buy-outs and industry build-ups
- Specific background in representing closely-held and family-owned businesses

## Raise Capital

- Equity (control and non-control)
- Mezzanine financing
- Senior and junior debt
- Typically raise debt & equity capital from commercial banks, finance companies, investment funds and private equity sponsors

## Financial Advisory Services

- Analysis of business strategies and options
- Fairness opinions
- Complex Valuations

## Q2 2019 Transactions

The image displays three certificates of appreciation from Mufson Howe Hunter, dated May 7, 2019, May 13, 2019, and June 28, 2019. Each certificate recognizes a client for a transaction and mentions the firm's role as financial advisor.

- May 7, 2019:** UNIPHY HEALTH<sup>®</sup> has been acquired by HARRIS HEALTHCARE. Mufson Howe Hunter served as the exclusive financial advisor to Uniphy Health System LLC.
- May 13, 2019:** EMINENT GLOBAL LOGISTICS has been acquired by REDWOOD, a portfolio company of EMMANUS. Mufson Howe Hunter served as the financial advisor to Eminent Group, Inc.
- June 28, 2019:** UNITED DOOR & HARDWARE GROUP has completed a majority recapitalization with DUNES POINT CAPITAL. Mufson Howe Hunter served as the financial advisor to Unified Door & Hardware Group, LLC.

Mufson Howe Hunter & Company LLC  
1717 Arch Street  
39th Floor  
Philadelphia, PA 19103  
215.399.5400  
Visit us at: [www.mhhco.com](http://www.mhhco.com)

Broker/Dealer services offered through a wholly owned subsidiary Mufson Howe Hunter & Partners LLC, Member SIPC | FINRA