



# MIDDLE MARKET M&A UPDATE

Q4 2021

 **GLC**  
GLC Advisors & Co.



# Middle Market M&A and Public Markets: Q4 2021 Highlights and Activity

Q4

2021

9.1x

MEDIAN M&A  
MULTIPLE

0.1%+

M&A MULTIPLE  
YoY INCREASE

1,557

# OF MIDDLE MARKET  
M&A TRANSACTIONS

-22%

MIDDLE MARKET M&A  
TRANSACTION YoY DECREASE

80%

OF ACQUISITIONS  
BY PRIVATE EQUITY BUYERS

13%+

RUSSELL 2000  
YoY INCREASE

94

NEWLY CREATED  
PRIVATE EQUITY FUNDS

\$64B

PRIVATE EQUITY  
CAPITAL RAISED

# Topic In Focus: Record Private Equity Activity in 2021

Q4

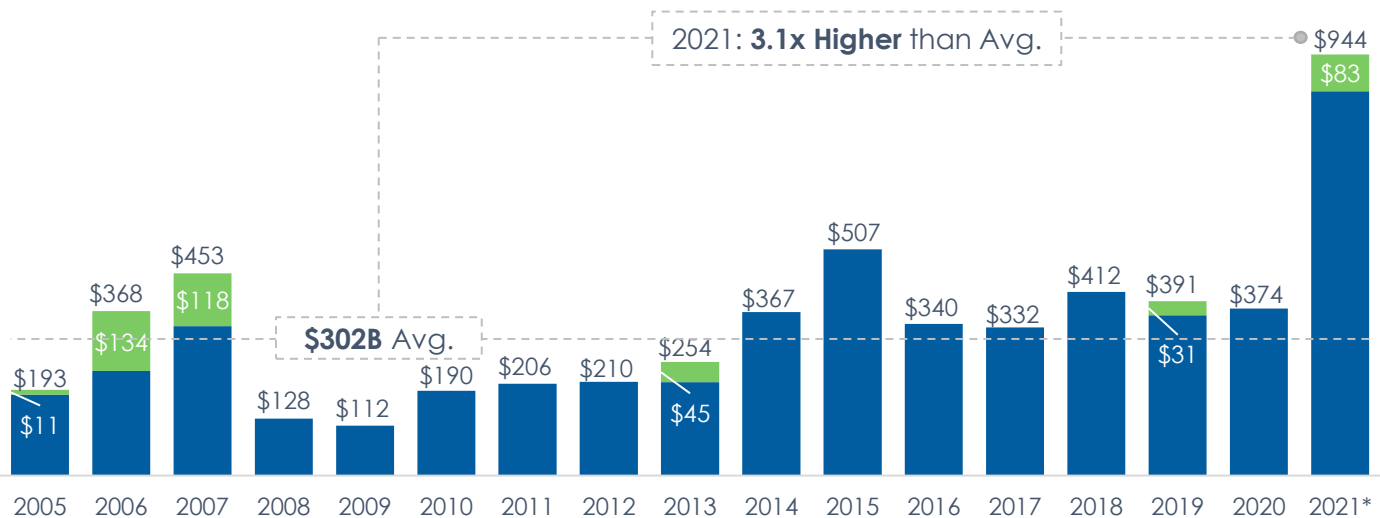
2021

Private equity buyout and exit transaction value in 2021 totaled a record high \$940B+. 2021's record level is nearly double the previous high of \$500B (2015) and more than 3x higher than the 15-year average of \$302B. The surge in private equity activity is attributed to i) substantial transaction hangover from COVID from acquisitions that were put on pause in 2020 that eventually closed in 2021; ii)

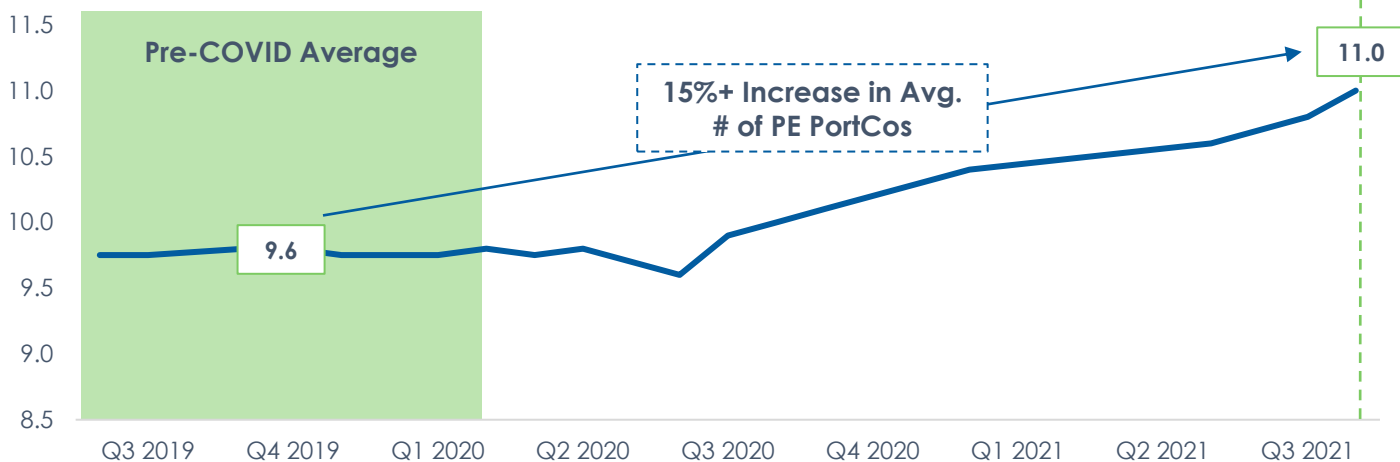
abundance of capital and new fund formations; iii) record level of new sellers entering the M&A market. As a result, private equity firms have experienced an increasing number of portfolio companies ("PortCos") under management. As of November 2021, the average number of PortCos per private equity firm was 11.0 – a 15% increase from the pre-COVID average of 9.6 PortCos.

## U.S. Private Equity Buyout & Exit Transaction Value (\$B)

■ Rest of Deal Value ■ Buyouts >=\$10B



## Average Number of Portfolio Companies per Private Equity Firm



Source: WSJ, PEI  
\* YTD as of 11/28/2021

# Middle Market M&A Update: Deal Flow and Valuation Multiples

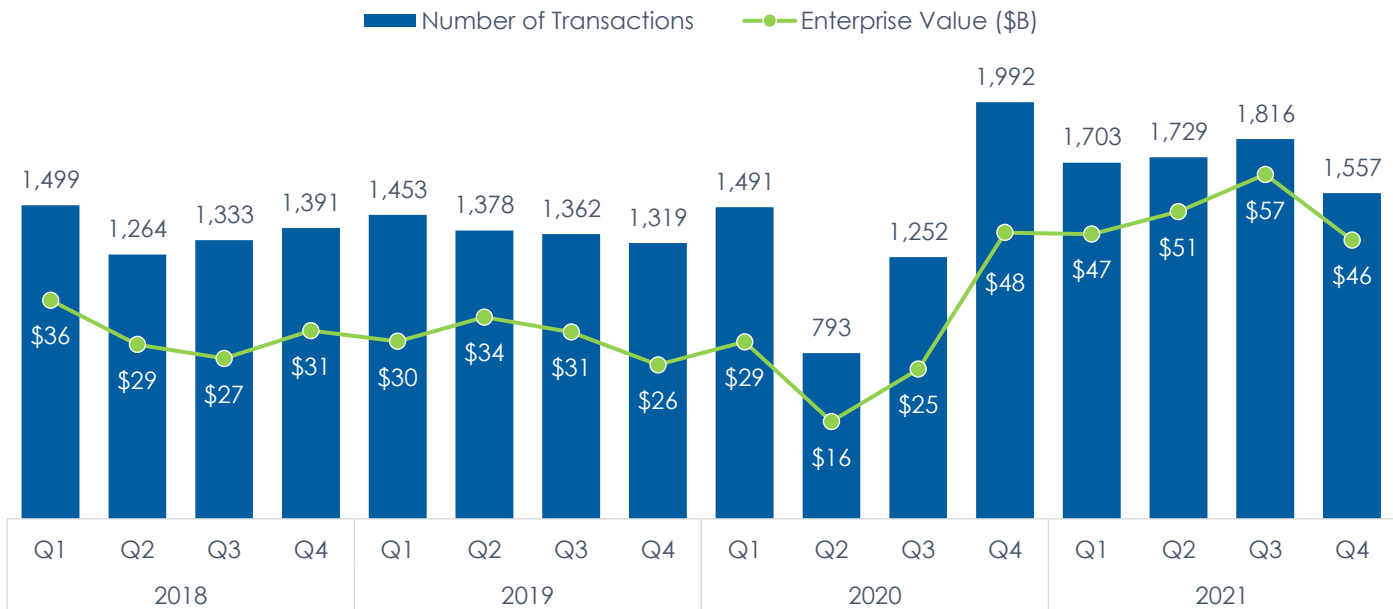
Q4

2021

Q4 2021 experienced 1,500+ Middle Market transactions – above pre-COVID levels (pre-COVID average of 1,378 transactions per quarter in 2019). Q4 2021 total Enterprise Value for Middle Market transactions retreated from pandemic recovery highs as macro economic

factors such as rising inflation creates new M&A market headwinds. Middle Market EV/EBITDA multiples also fell slightly below pre-COVID levels. Middle Market M&A multiples have recovered from the pandemic induced lows of 2020.

## U.S. Middle Market Transactions & Transaction Value<sup>(1)</sup>



## U.S. Median Middle Market EBITDA Multiple<sup>(2)</sup>



Source: Capital IQ, PitchBook  
Note: Data as of 12/31/2021

(1) Middle Market defined as <\$500M in Enterprise Value; (2) Excludes multiples <2.0x and >20.0x as well as Financial & Technology sectors

# Middle Market M&A Update: Valuation Multiples by Size

Q4

2021

Middle Market M&A transactions are comprised of transactions with Enterprise Values less than \$500M. Transaction size is a primary driver of valuation with larger sellers receiving higher valuation multiples, on

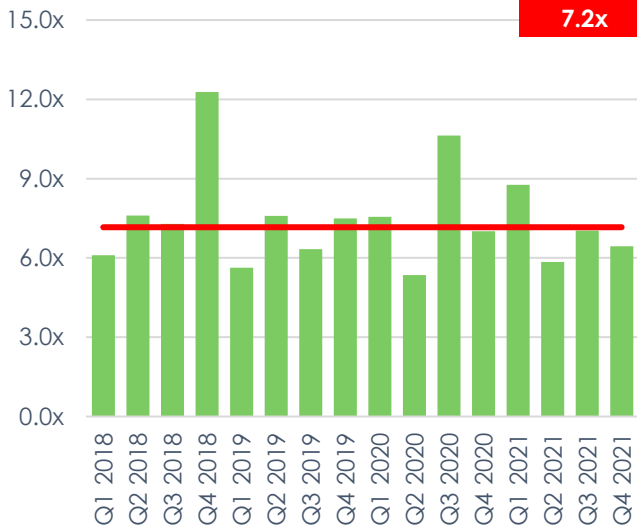
average. Over the past 4 years, smaller transactions (<\$50M in EV) have received EV/EBITDA multiples that are 6.0x-8.0x compared to larger transactions (\$50M+) that can achieve EV/EBITDA multiples >10.0x.

## U.S. Middle Market<sup>(1)</sup> M&A Pricing by EV Size – Rolling Four Quarter Median EV/EBITDA<sup>(2)</sup>

### EV < \$50M

LONG-TERM  
MEDIAN

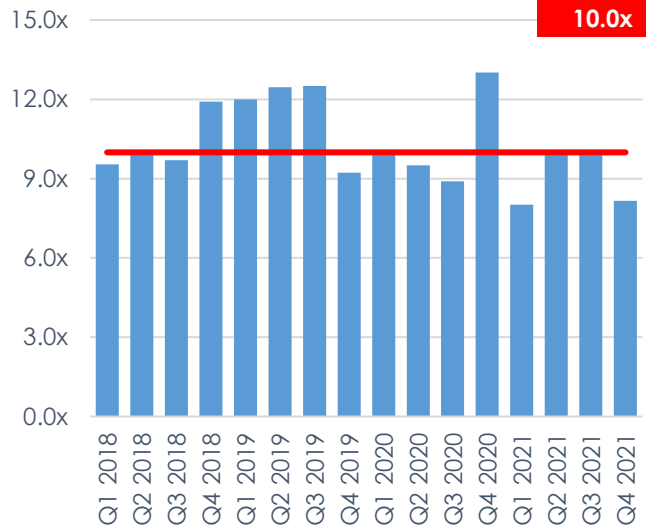
7.2x



### EV \$50M - \$100M

LONG-TERM  
MEDIAN

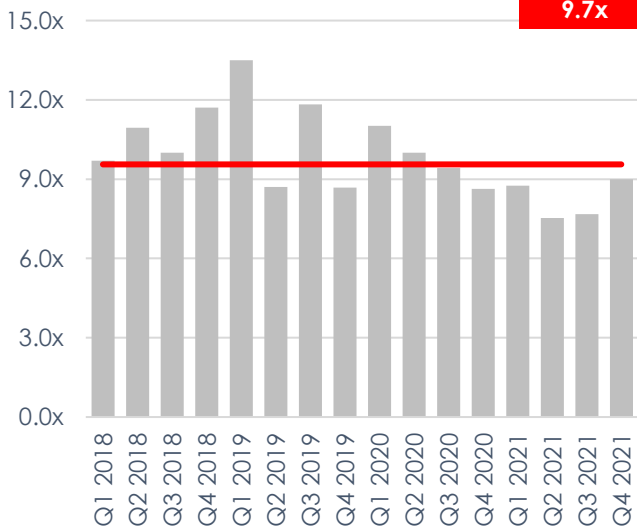
10.0x



### EV \$100M - \$250M

LONG-TERM  
MEDIAN

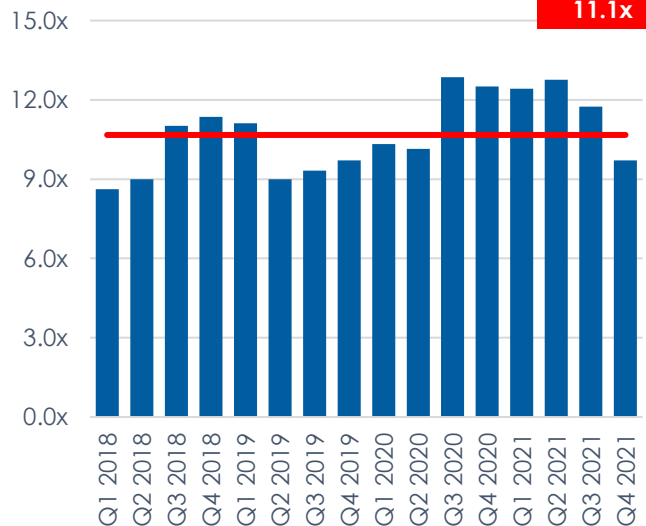
9.7x



### EV \$250M - \$500M

LONG-TERM  
MEDIAN

11.1x



# Middle Market M&A Update: Valuation Multiples by Sector

Q4

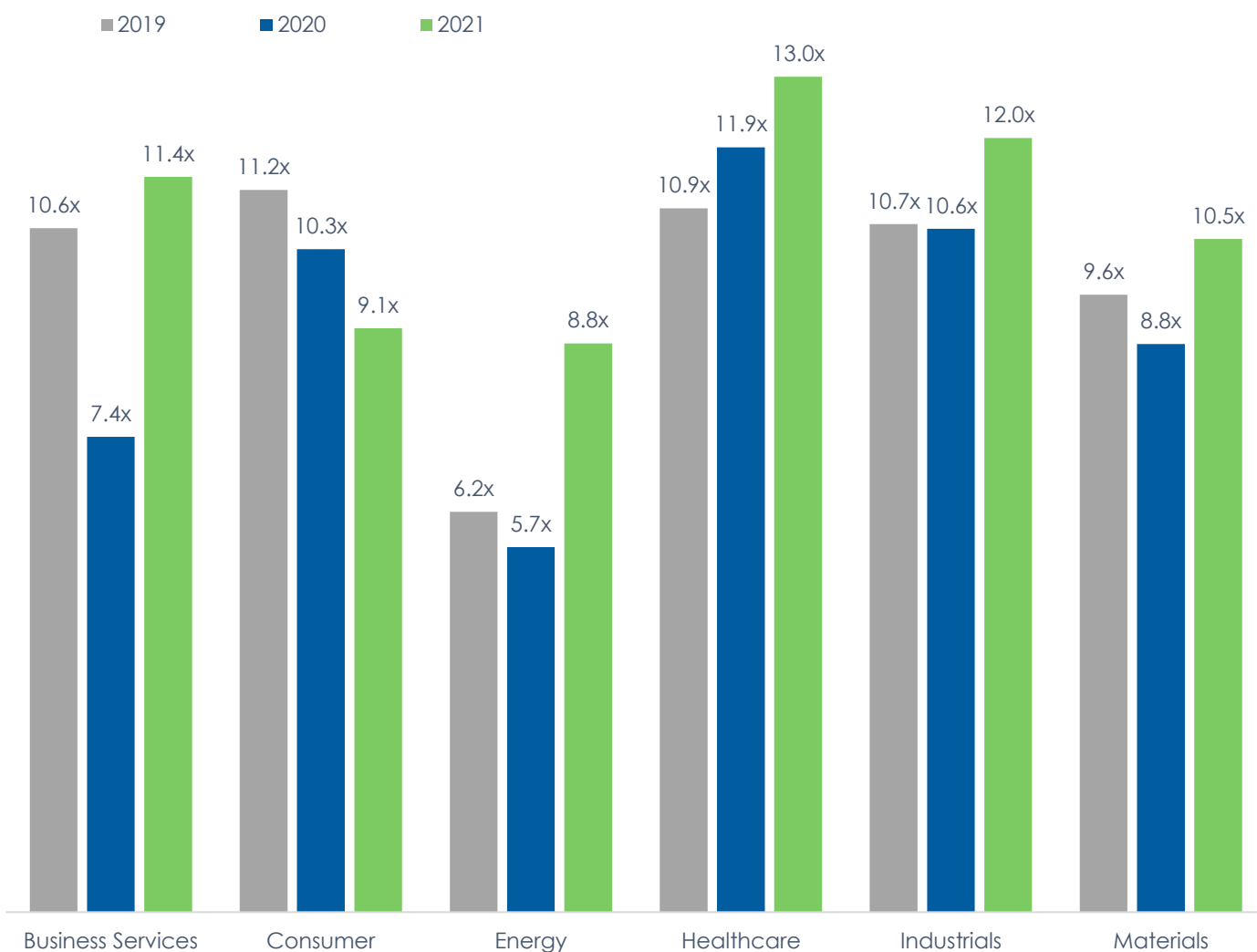
2021

Nearly every Middle Market M&A sector is reporting increased EV/EBITDA valuation multiples YoY with only the consumer sector reporting a lower EV/EBITDA multiple year-over-year – attributed to increasing inflation and ongoing supply chain issues.

Excluding the consumer sector, **the average increase in EBITDA multiples compared to the prior year in 20%+** – demonstrating the breadth of the post-lockdown increase in economic

and business performance's impact on valuations. Sectors experiencing the largest valuation increases from 2020 include i) business services (heavily oversold in 2020 before services providers implemented remote and tech enabled solutions to continue operations); ii) energy (2021 jump in oil prices); and iii) materials (benefactors of the current inflationary environment and exposure to commodity and raw materials price increases).

U.S. Middle Market TTM<sup>(1)</sup> EV/EBITDA Multiple by Sector<sup>(2)</sup>



# Middle Market M&A Update: Acquirer Trends

Q4

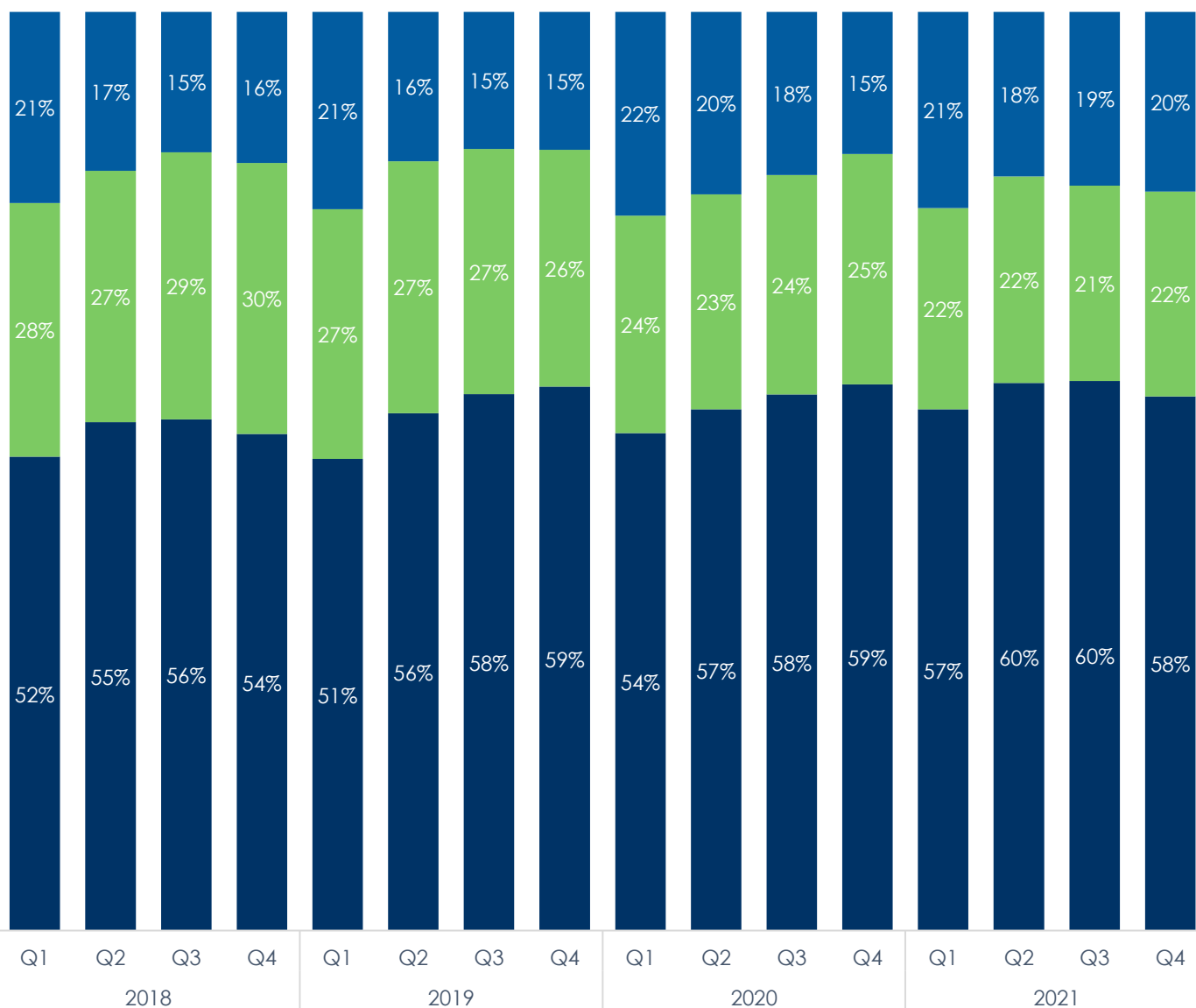
2021

M&A acquirers fall into three categories: i) private equity platforms (initial acquisition by private equity); ii) private equity add-ons (follow-on acquisitions by a private equity-backed platform); and iii) strategics (operating entity in a similar industry).

In Q4 2021, private equity add-ons continue to comprise approximately 58% of all M&A transaction volume in the United States.

## U.S. M&A Transactions by Buyer Strategy Type

■ PE Add-on ■ PE Platform ■ Strategic



Source: Capital IQ, PitchBook  
Note: Data as of 12/31/2021



# Private Equity Update: Fund Formation and Capital Overhang

Q4

2021

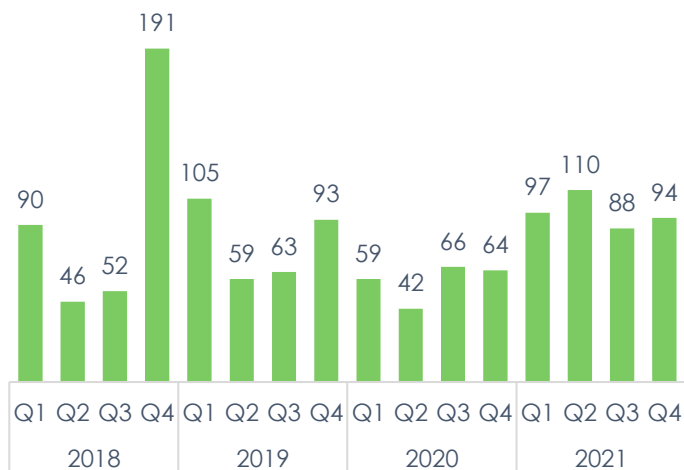
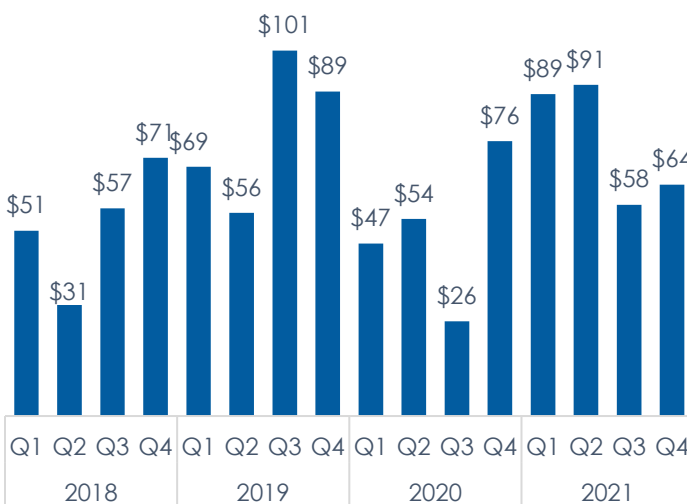
Private equity fundraising has recovered to pre-COVID levels (~\$300B in 2021 vs. ~\$315B in 2019). In Q4 2021, 90+ new funds were formed totaling \$64B+ in new capital. The average new fund formed in Q4 2021 was approximately \$680M. Overall, the total

amount of private equity capital raised and available for deployment ("U.S. Private Equity Capital Overhang") since 2013 totals \$800B+ with the vast majority targeting Middle Market companies.

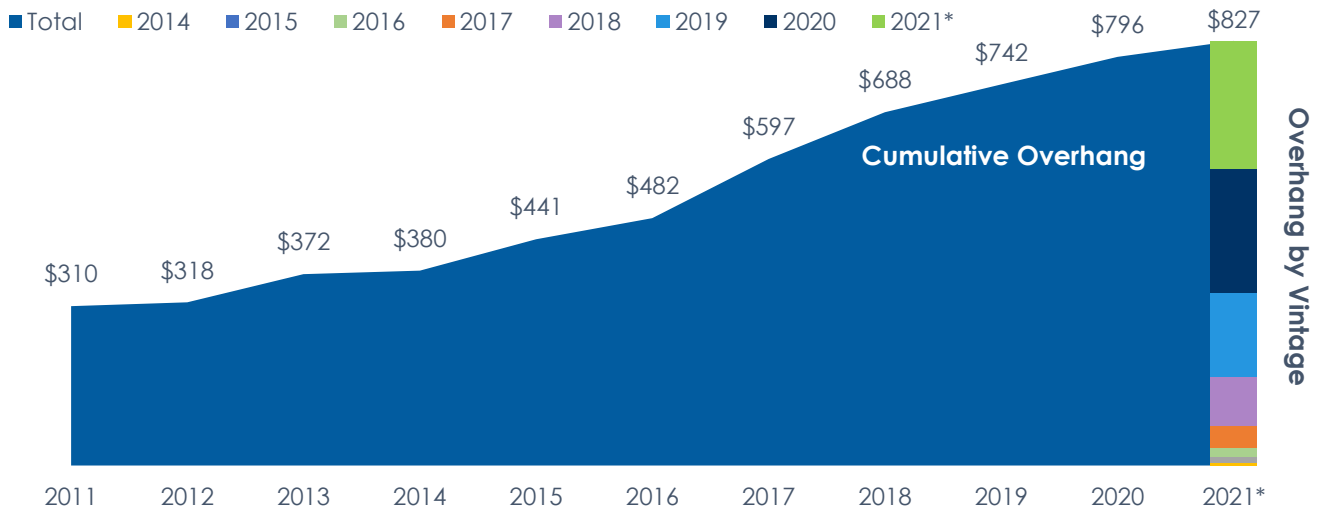
## U.S. Private Equity Fundraising

PE CAPITAL RAISED (\$B)

NUMBER OF NEW FUNDS



## U.S. Private Equity Capital Overhang (\$B)





# Private Equity Update: Exit Activity

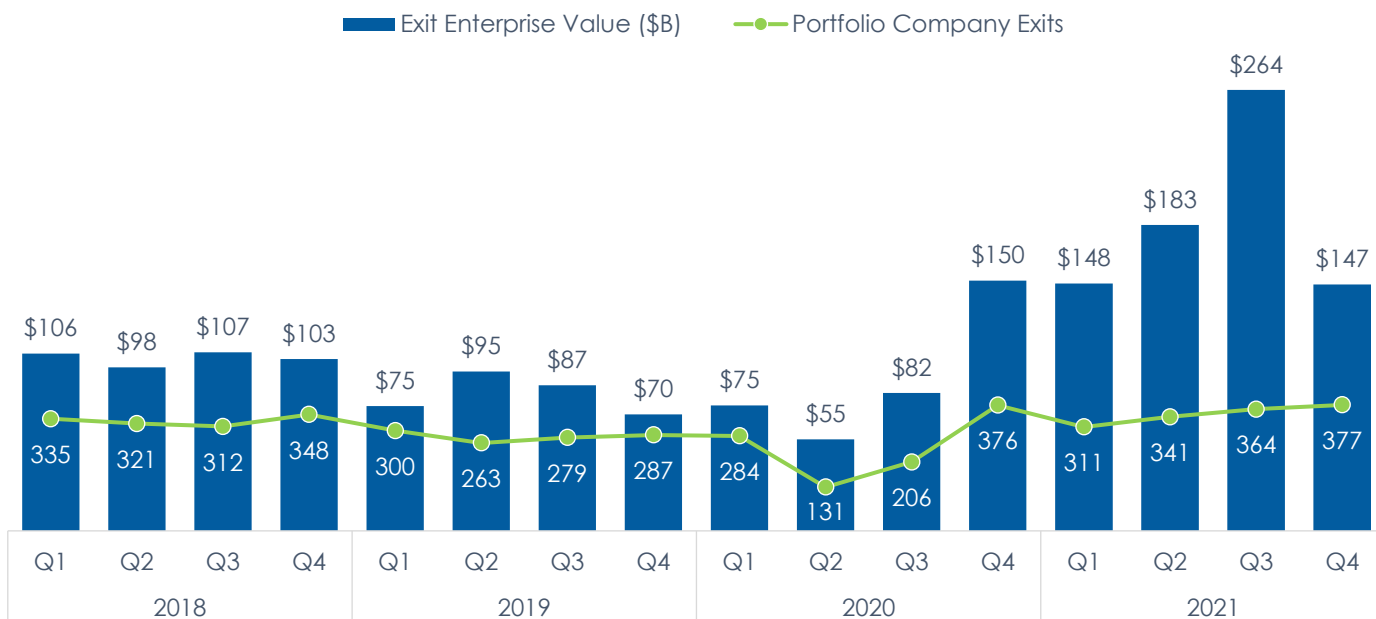
Q4

2021

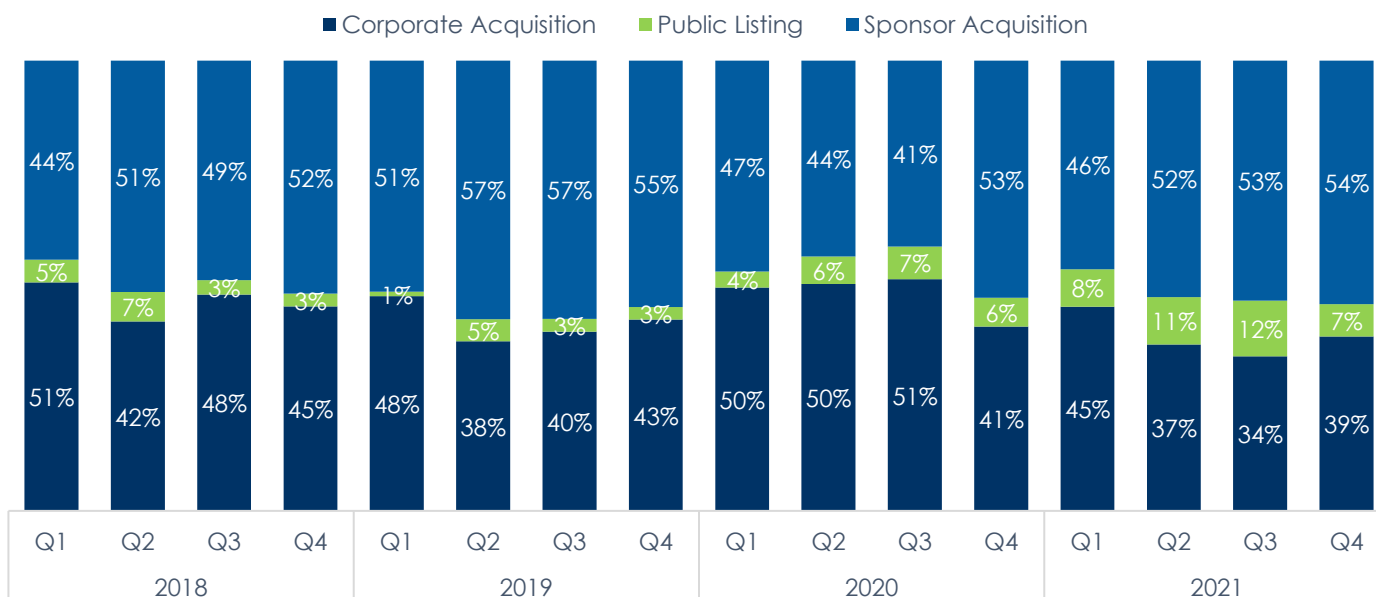
Private equity exit activity continued to occur at record levels during Q4 2021 with over 370 portfolio company exits totaling ~\$140B+ in

Enterprise Value. Private equity funds continued to exit portfolio companies at a record rate – due to elevated valuations.

## U.S. Private Equity Exit Activity



## U.S. Private Equity Exit by Type



Source: Capital IQ, PitchBook  
Note: Data as of 12/31/2021

# Public Markets Update: S&P 500 and Russell Performance

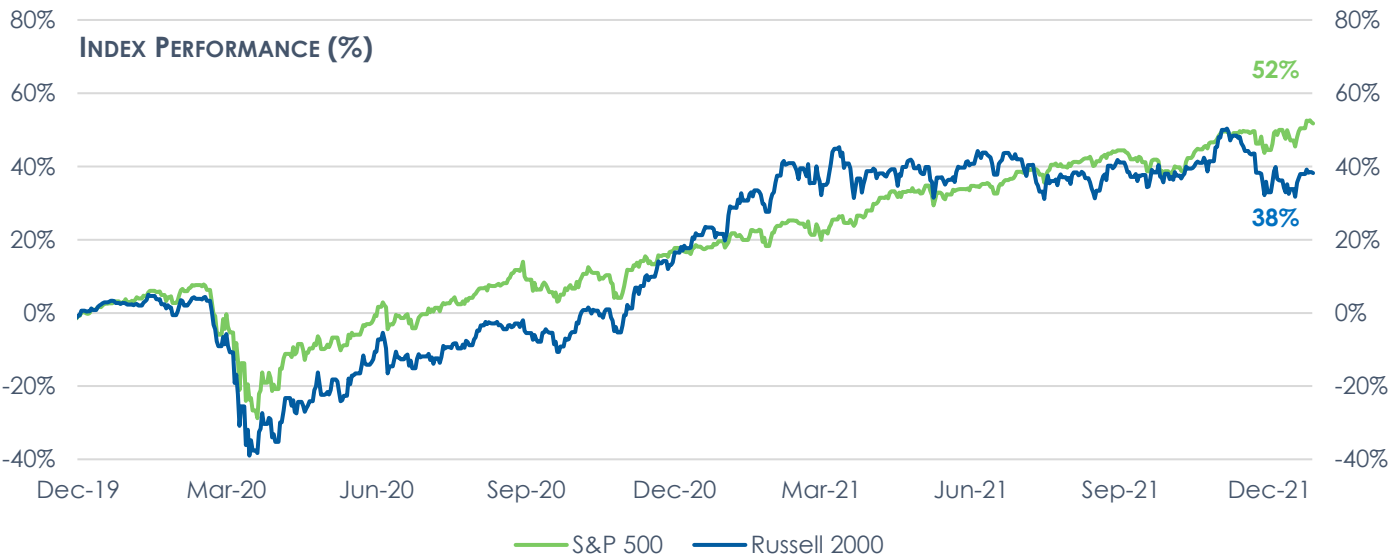
Q4

2021

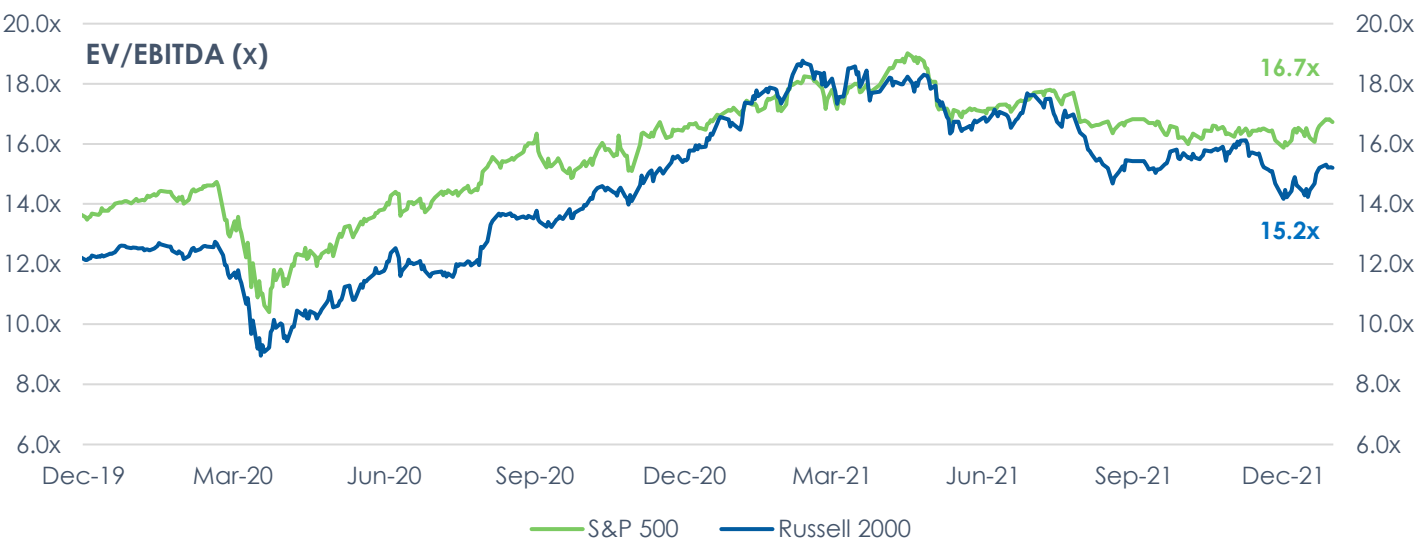
In Q4 2021, public company valuations' were mixed. The S&P 500 Index ("S&P") set an all-time high during Q4 2021 finishing up 10.6% and the Russell 2000 Index ("Russell") finished up just 1.9%, both compared to the prior quarter. Q4 2021 results were driven by increased earnings as valuation multiples fell.

The Enterprise Value-to-EBITDA multiple for the Russell and S&P ended at approximately 15.2x and 16.7x, respectively – declines from the prior quarter. EV/EBITDA multiples remain elevated when compared to the 2019 average of 12.7x and 12.4x for the S&P and Russell, respectively.

## S&P 500 and Russell 2000 Index Performance



## S&P 500 and Russell 2000 Index EV/EBITDA Performance



Source: Capital IQ, PitchBook  
Note: Data as of 12/31/2021

# Public Markets Update: Valuation Multiples by Sector

Q4

2021

GLC monitors the Russell 2000 as it best represents a public traded barometer for Middle Market valuations due to the index's focus of small-cap stocks. Only half of the sectors in the Russell reported an increase from Q4 2020 to Q4 2021 with some sectors experiencing continued post-COVID growth and others facing headwinds.

## Business Services' Resiliency

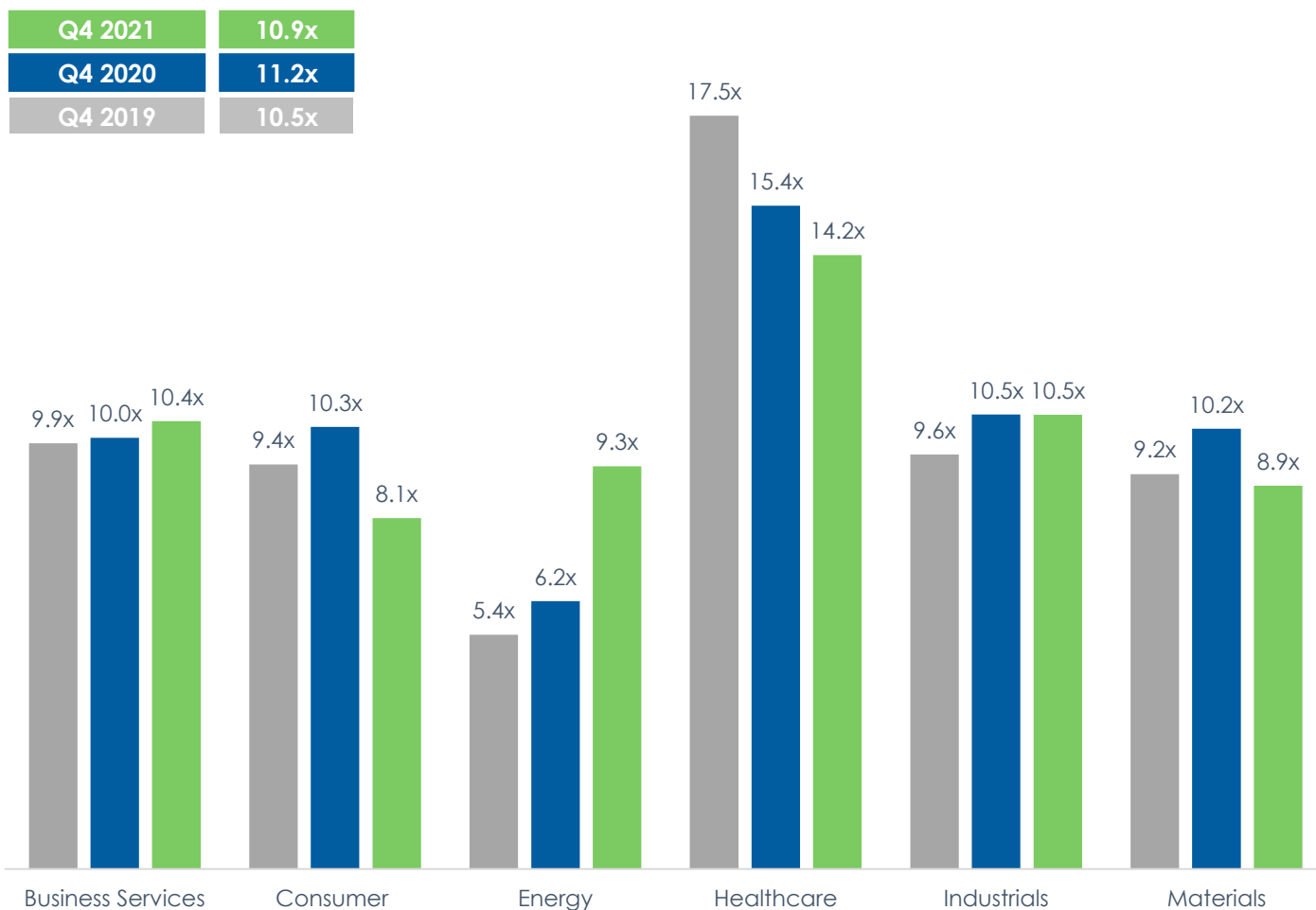
Companies within the Russell's Business Services sector continue to post increased multiples due to increasing investments in HR

technology and process automation as a result of the tightened labor market.

## Healthcare Pullback

Constituents in the Russell's healthcare sector continued their year-over-year multiple decline. The healthcare industry continues to experience the weight of COVID with i) increased pay for healthcare professionals; ii) high staff turnover; and iii) overallocation of resources towards COVID patients and lower cost procedures and treatments.

Russell 2000 Median EV/EBITDA Multiples by Sector<sup>(1)</sup>



# GLC ADVISORS FIRM OVERVIEW

A Leading, Full-Service Investment Bank

GLC Advisors & Co. is a leading independent investment banking advisory firm focused on senior-level expertise, long-term relationships and objective guidance to our clients. We offer comprehensive services to our clients through a variety of advisory assignments including: M&A, financing/debt advisories, restructurings, recapitalizations, fairness opinions, and valuations. Our offices are located across the nation in New York, Denver, and San Francisco.

GLC has received numerous awards recognizing both firm and individual accomplishments, including multiple "Deal of the Year" and "Firm of the Year" awards for M&A and Restructuring transactions.

## GLC'S ADVISORY SERVICES

### Mergers and Acquisitions

- 100% Sale
- Majority Recap
- Buy-side
- Valuations
- Fairness Opinions

### Capital Raising

- Growth Equity
- Debt Capital (Senior, Sub, Unitranche)
- Minority Recap (Secondary Capital)

### Restructuring

- Corporate Restructuring
- Debtor and Creditor Advisory
- Distress M&A / 363 Transactions

## GLC FIRM HIGHLIGHTS

**50+**

Professionals

**500+**

Transactions

## GLC's Business Services and Diversified Industries Team

GLC's Business Services and Diversified Industries Team is exclusively focused on advising business services and industrials clients in the Middle Market. Our team's advisory work includes M&A (sell-side and buy-side), financing/debt advisories, recapitalizations, fairness opinions, and valuations. We excel at working with founders and owner-operators. Our team is passionate about the businesses and people that hire us to advise in their strategic decisions and events.



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San Francisco, CA 94111



# REPRESENTATIVE TRANSACTIONS

## Recent M&A Advisory

<p>Spine &amp; Sport Medical Center</p> <p>Acquired By</p> <p><b>TRINITY HUNT PARTNERS</b></p> <hr/> <p>Advisor to SpineOne</p>	<p>ELMDALE PARTNERS</p> <p>Recapitalization &amp; Growth Capital</p> <p><b>STELLUS CAPITAL MANAGEMENT</b></p> <hr/> <p>Advisor to Elmdale Partners</p>	<p>A Portfolio Company of</p> <p>Greensill</p> <p>Acquired By</p> <p><b>WHITE OAK</b></p> <hr/> <p>Advisor to Greensill U.S.</p>	<p>Sold the assets of</p> <p><b>WeShare WEGATHER</b></p> <p>To</p> <p>Ministry Brands</p> <p><b>INSIGHT PARTNERS GSV GENSTAR</b></p> <hr/> <p>Advisor to LPI</p>	<p>Mark Young Construction, LLC</p> <p>Majority Recap</p> <p><b>ArgonautPrivateEquity</b></p> <hr/> <p>Advisor to Mark Young</p>
<p>Acquired By</p> <p><b>MCP</b></p> <hr/> <p>Advisor to Brian Head</p>	<p>Acquired By</p> <p><b>TLC SIE Capital</b></p> <hr/> <p>Advisor to Thunder</p>	<p>Acquired By</p> <p><b>ICV PARTNERS</b></p> <hr/> <p>Advisor to Mintz Group</p>	<p><b>COORSTEK</b> (Specialty Seal Division)</p> <p>Acquired By</p> <p><b>TRELLEBORG</b></p> <hr/> <p>Advisor to CoorsTek Inc.</p>	<p>Has Divested</p> <p><b>THE WEIDT GROUP</b></p> <p>To</p> <p><b>WILLDAN</b></p> <hr/> <p>Advisor to EYP</p>

## Recent Capital Raise Advisory

<p>Debt Capital Raise</p> <hr/> <p>Advisor to Ad Hoc Group of Creditors</p>	<p>Minority Recap</p> <p><b>LMC</b></p> <hr/> <p>Advisor to Trapp Technology</p>	<p>Financing for Alternative Transaction</p> <hr/> <p>Advisor to Dean Foods</p>	<p>Debt Private Placement in the Acquisition of</p> <p><b>BLACK BOX</b></p> <hr/> <p>Advisor to AGC Networks</p>	<p>Capital Raise</p> <hr/> <p>Advisor to Star City</p>
<p>Debt Capital Raise</p> <hr/> <p>Advisor to Aspen Dental</p>	<p>Debt Capital Raise</p> <hr/> <p>Advisor to Empire Resorts</p>	<p>Capital Raise</p> <hr/> <p>Advisor to American Resources</p>	<p>Debt Capital Raise</p> <hr/> <p>Advisor to Machine Zone</p>	<p>Debt Capital Raise</p> <hr/> <p>Advisor to Physicians Endoscopy</p>

## Recent Restructuring Advisory

<p>Chapter 11 Restructuring</p> <hr/> <p>Advisor to First Energy</p>	<p>Restructuring</p> <hr/> <p>Advisor to Pengrowth</p>	<p>Restructuring</p> <hr/> <p>Advisor to iHeartMedia</p>	<p>Chapter 11 Restructuring</p> <hr/> <p>Advisor to Toys "R" Us</p>	<p>Advisors to Cayman Liquidators of Value Arbitrage Fund</p> <hr/> <p>Advisor to Platinum Partners</p>
<p>Chapter 11 reorganization</p> <hr/> <p>Advisor to Fallbrook</p>	<p>Chapter 11 reorganization and Section 363 asset sale</p> <hr/> <p>Advisor to Brookstone</p>	<p>Chapter 11 Restructuring</p> <hr/> <p>Advisor to Algoma</p>	<p>Chapter 11 Restructuring</p> <hr/> <p>Advisor to uBiome</p>	<p>Restructuring</p> <hr/> <p>Advisor to Vantage Mobility</p>

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