



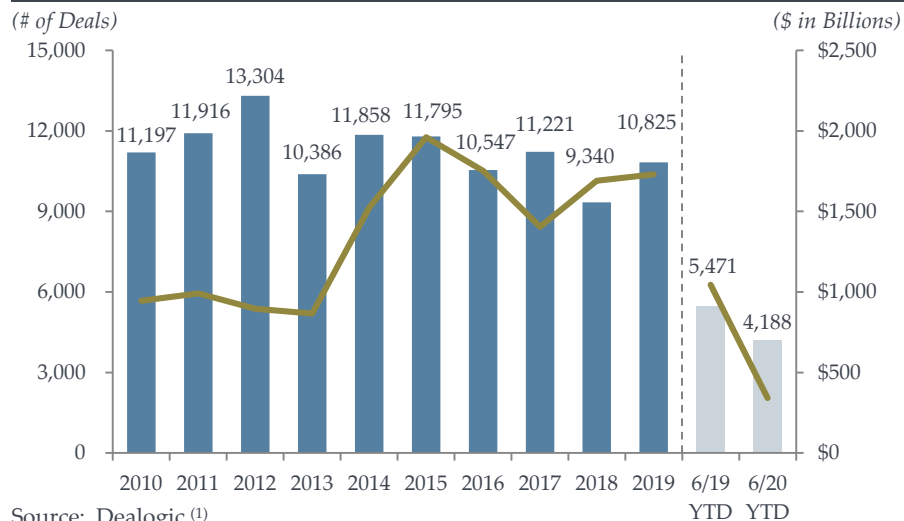
# **M&A MARKET OVERVIEW**

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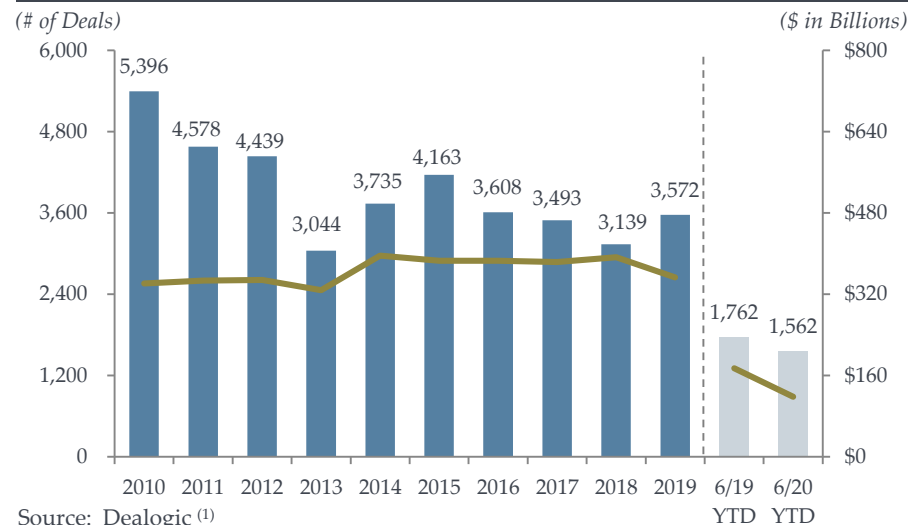
*July 2020*

# Q2 M&A VOLUME SLOWED, WITH STRATEGICS THE MOST ACTIVE

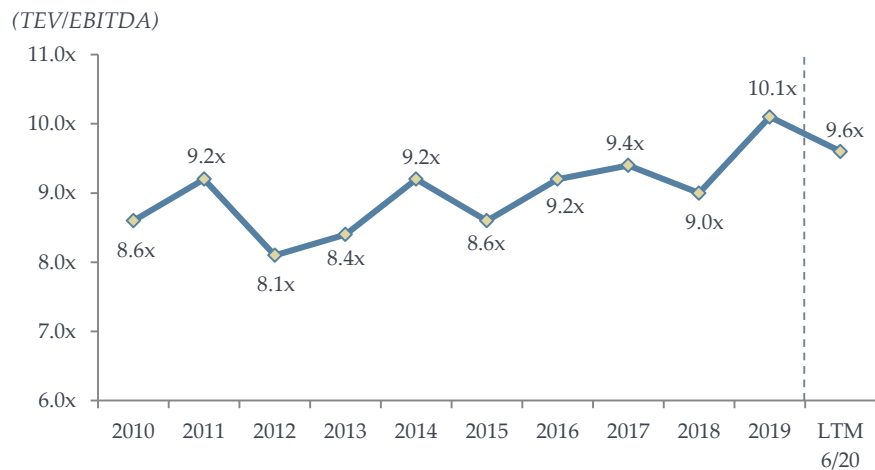
## TOTAL U.S. M&A ACTIVITY



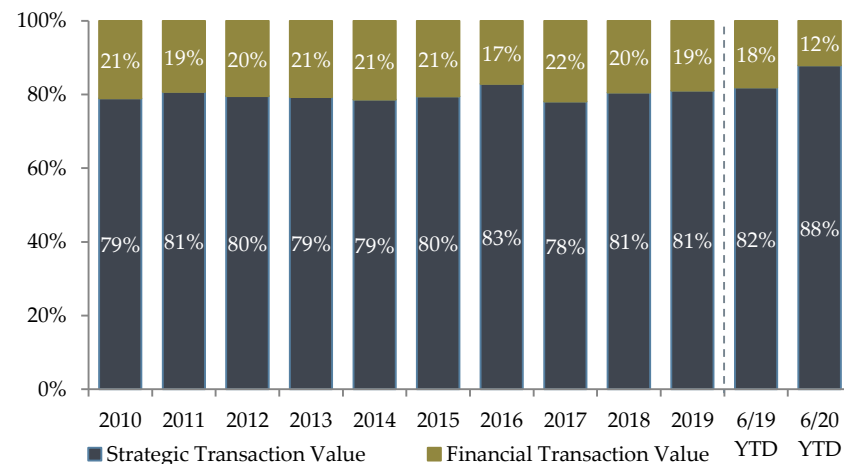
## MIDDLE-MARKET U.S. M&A ACTIVITY



## MEDIAN MIDDLE-MARKET PURCHASE MULTIPLES



## STRATEGIC VERSUS FINANCIAL BUYER ACTIVITY

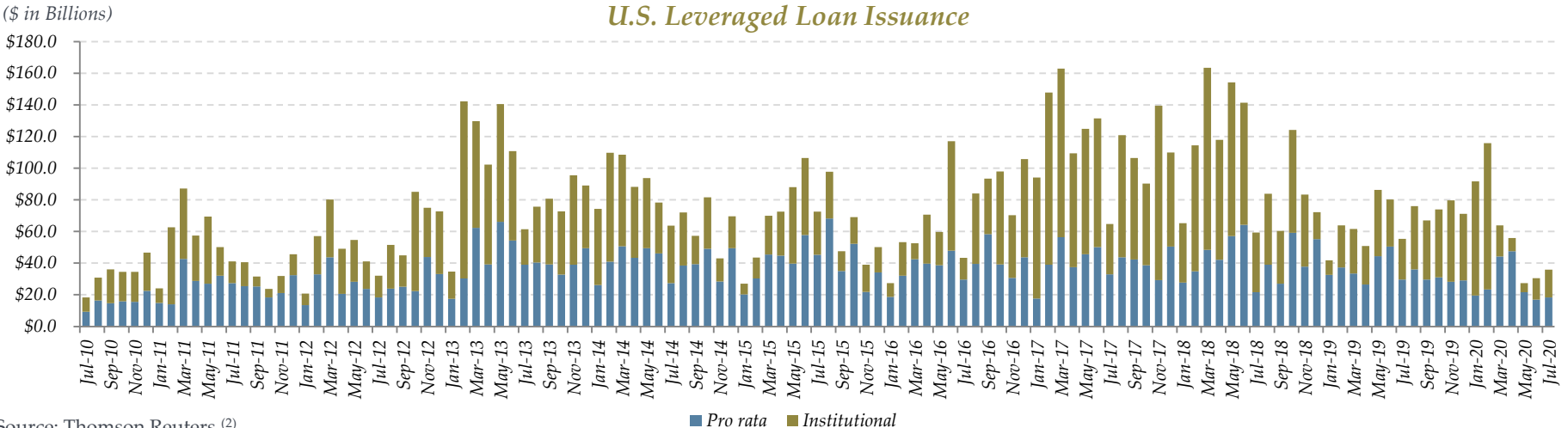


Source: Dealogic <sup>(1)</sup>

Source: Dealogic <sup>(1)</sup>

# FINANCING VOLUME CONTRACTED IN Q2

## FINANCING ACTIVITY



Source: Thomson Reuters (2)

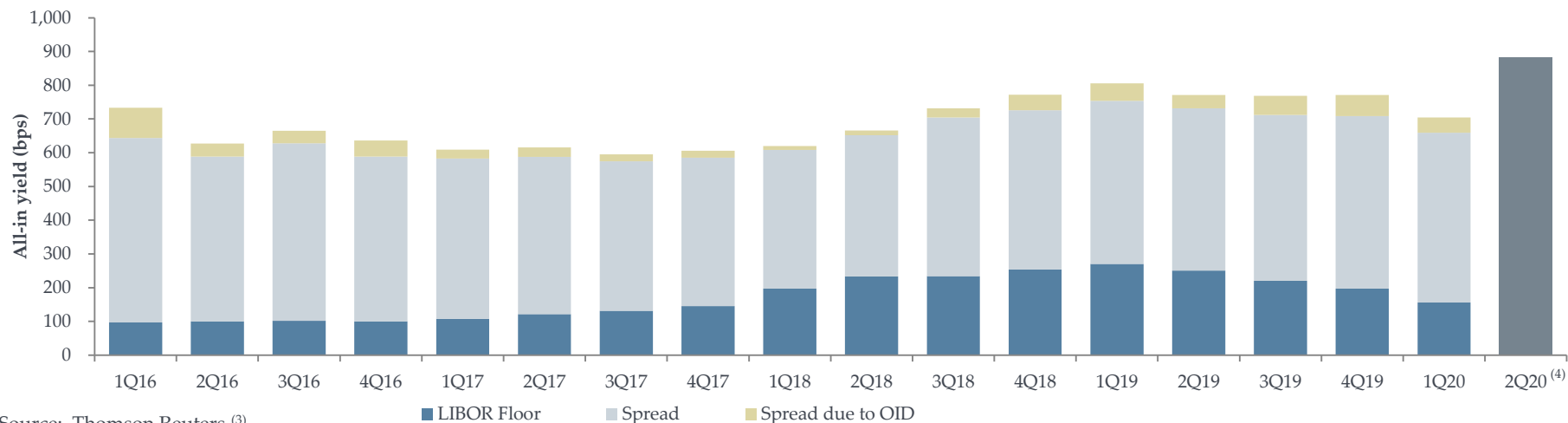
## LARGE MIDDLE-MARKET CAPITAL MARKETS



Source: Thomson Reuters (2)

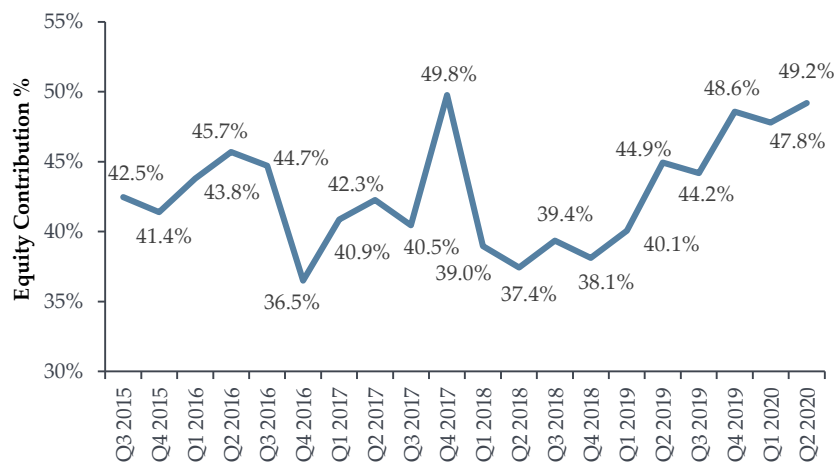
# LEVERAGE AVAILABILITY AND PRICING BEGAN TO TIGHTEN IN MARCH

## MIDDLE-MARKET TERM LOAN YIELDS



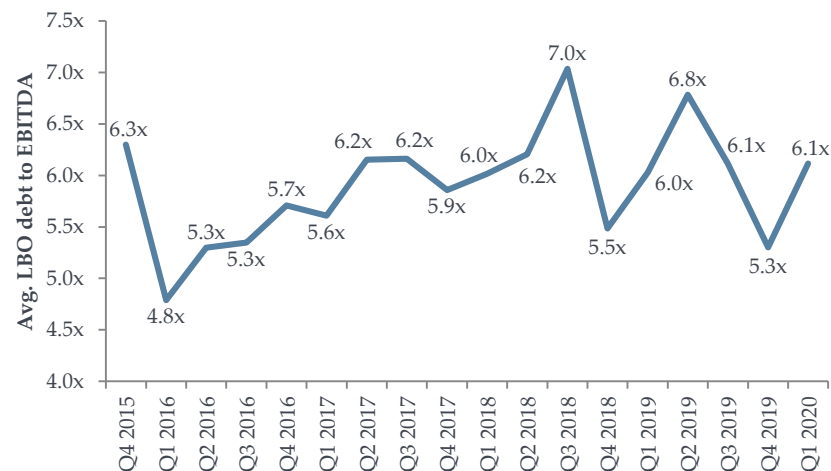
Source: Thomson Reuters <sup>(3)</sup>

## AVERAGE LBO EQUITY CONTRIBUTION



Source: Thomson Reuters <sup>(3)</sup>

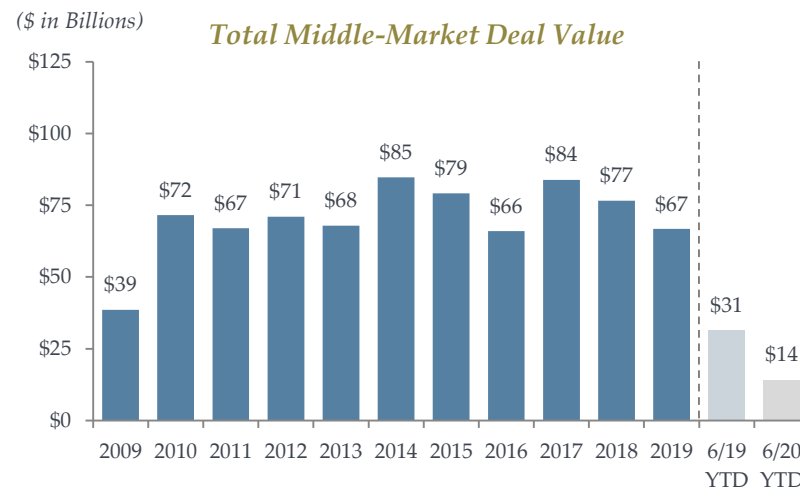
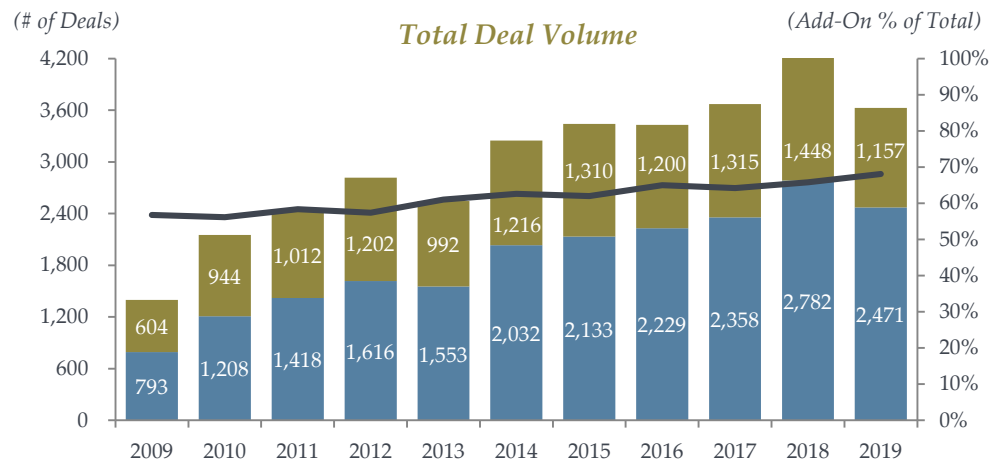
## MIDDLE-MARKET LEVERAGE MULTIPLES <sup>(5)</sup>



Sources: Thomson Reuters <sup>(3)</sup>

# FINANCIAL SPONSOR M&A ACTIVITY SOFTENED IN Q2

## PRIVATE EQUITY M&A ACTIVITY

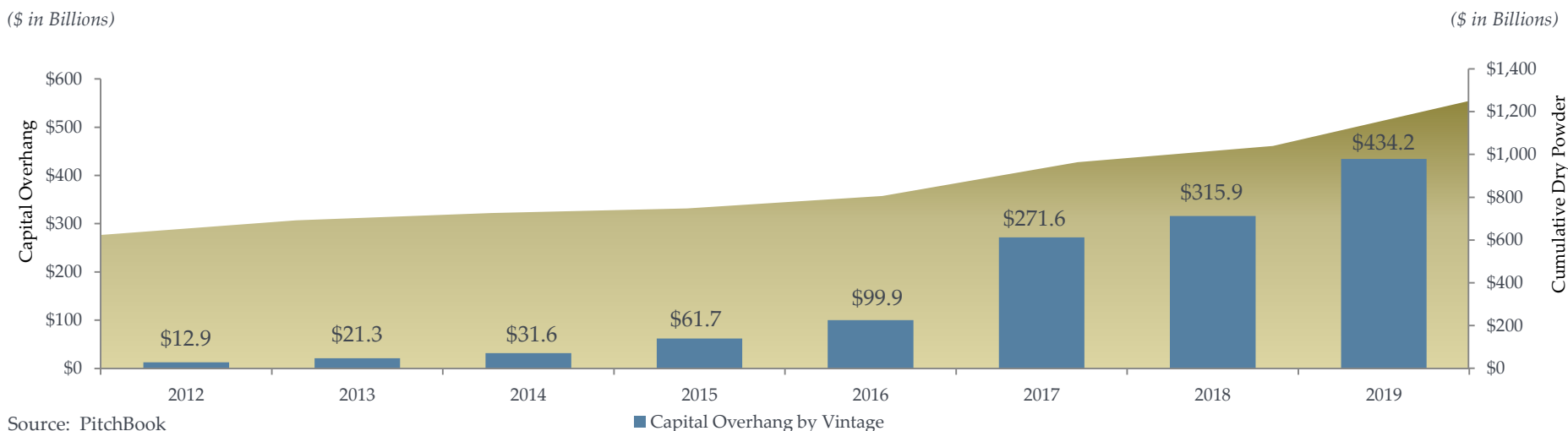


Source: PitchBook

■ Add-On Deal ■ Platforms — Add-On %

Source: Dealogic <sup>(1)</sup>

## REALLOCATION OF OVERHANG TO NEXT VINTAGE OF FUNDS



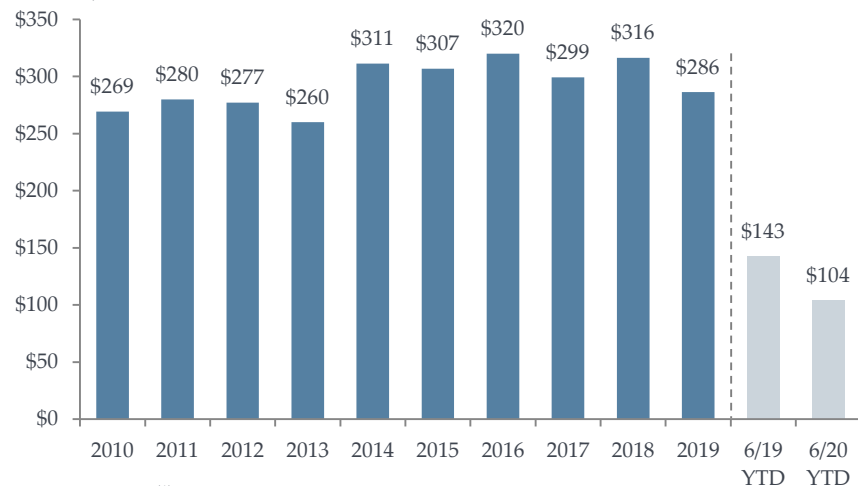
Source: PitchBook

■ Capital Overhang by Vintage

# STRATEGIC BUYERS ARE USING M&A TO ACCELERATE GROWTH

## CORPORATE M&A ACTIVITY

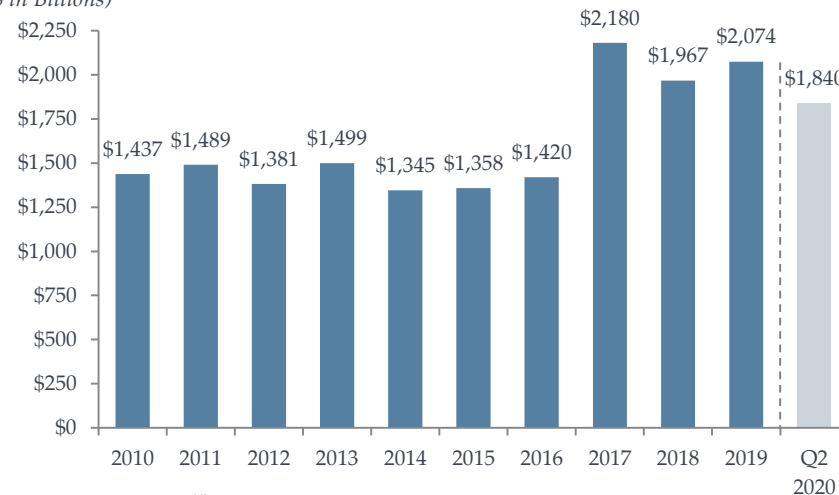
(Deal Value, \$ in Billions)



Source: Dealogic <sup>(1)</sup>

## CORPORATIONS HAVE HEALTHY CASH BALANCES

(\$ in Billions)

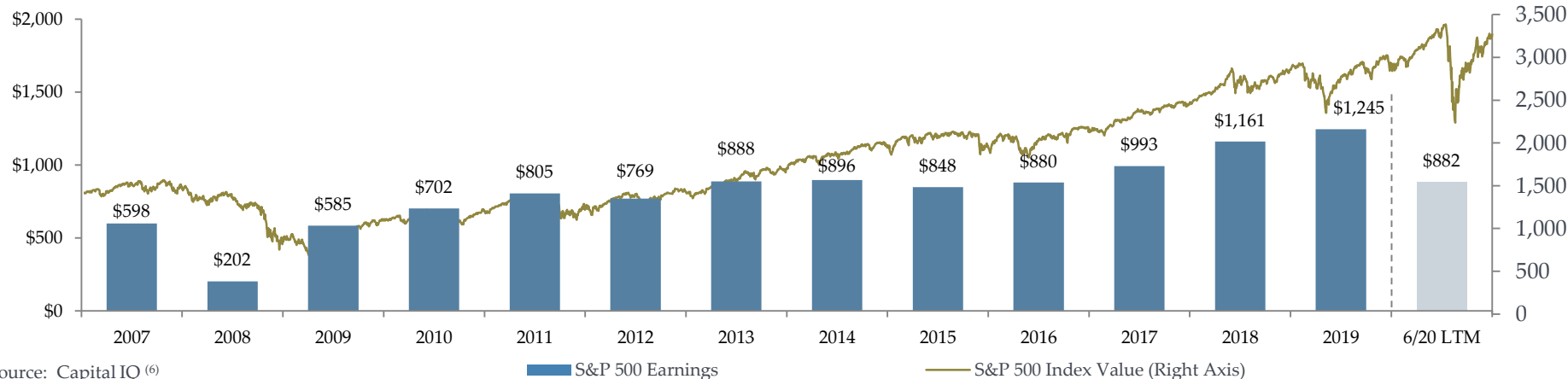


Source: Capital IQ <sup>(6)</sup>

## CORPORATE EARNINGS STUMBLER IN Q2, STRONG REBOUND IN PUBLIC MARKETS

(\$ in Billions)

(S&P Index Value)



Source: Capital IQ <sup>(6)</sup>

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## SOURCES AND DEFINED TERMS

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### *Sources*

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- Dealogic: Data as of July 31, 2020
- Thomson Reuters: Data through July 2020
- Capital IQ: Data as of July 31, 2020 for transactions through December 31, 2019
- Pitchbook: Data as of July 31, 2020 for data through December 31, 2019

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### *Footnotes and Defined Terms*

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- (1) Dealogic: Middle Market is defined as transactions under \$1 billion
- (2) Thomson Reuters: Traditional Middle Market defined as deal size  $\leq$ \$100 million; Large Middle Market defined as deal size  $>$ \$100 million and  $\leq$ \$500 million
- (3) Thomson Reuters: Middle Market defined as deals with an average EBITDA around \$50 million (\$40-\$60 million EBITDA range)
- (4) Estimate assuming a 1.21% MM yield premium (avg. MM premium from 2009-1Q20)
- (5) Data for Q2 2020 not available
- (6) Capital IQ: Represents current members of S&P 500; excludes banks, insurance companies and REITs

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**BlackArch Partners** | 227 West Trade Street | Suite 2200 | Charlotte, NC 28202 | Phone (704) 414-6300 | Fax (704) 332-0423 | [www.blackarchpartners.com](http://www.blackarchpartners.com)