

Middle Market Valuations Reach a Peak in 2016

Middle market valuations achieved a peak in 2016, according to GF Data®. Overall valuations for PE sponsored deals valued between \$10-250mm averaged 6.9x Trailing Twelve Months (TTM) Adjusted EBITDA, a record high in a data set that goes back to 2003.

After a quiet 3Q, deal volume picked up in 4Q. The 206 private equity groups and other deal sponsors that are active contributors completed 52 deals meeting GF Data's parameters -- \$10-250 million TEV and TEV/Adjusted EBITDA multiples of 3-15x. This brings completed deal volume to the year to 209, down from 235 in 2015.

“Whether this represents a peak sustainable for some period of time or a crest in a rationalizing market remains to be seen”, said Andrew T. Greenberg, GF Data's CEO.

“The hallmarks of 2016 deal activity include a preponderance of completed deals involving selling businesses offering above-average financial characteristics,” said Greenberg. “We also noted a retreat in debt levels on transactions not featuring junior capital provided separately from the senior debt. Average debt on senior-only transactions declined from 3.8x to 3.4x.”

“2016 also saw a resurgence in deals involving a discreet layer of subordinated debt,” stated B.Graeme Frazier, IV, GF Data's Co-Founder and Principal. “For deals featuring senior debt only or unitranche financing, total debt retreated slightly.

About GF Data®

GF Data provides reliable external information for use in valuing and assessing M&A transactions to private equity firms, investors, lenders and other users.

GF Data collects and publishes proprietary transaction information from private equity groups on a blind and confidential basis. The pool of active contributors comprises 206 private equity firms, mezzanine groups and other financial sponsors.

Data contributors and other subscribers receive four products: (1) a quarterly report containing high-level valuation, volume and leverage data; (2) a quarterly supplement offering detailed information on debt and capital structure trends; (3) a semi-annual supplement on indemnification cap, escrow and other details; and (4) continuous access, through GF Data's secure website, to detailed valuation data organized by NAICS code.

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For information on subscribing or on contributing data as a private equity participant, please contact Bob Wegbreit at bw@gfdatarresources.com or 610-260-6263.