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About W Partners

W Partners is a boutique investment banking advisory firm that provides financial advisory services to middle-market companies in the Western United States.

Our services include mergers, acquisitions, financings, capital raising, and strategic transaction advice to business owners and family offices.

Middle Market M&A Update First Quarter of 2019

In the first quarter of 2019, global M&A disclosed deal value dropped 27% year-over-year to \$1.1 trillion with a 2.6% decrease from 4Q18. Deal volume was also down by 20% year-over-year with announced deals totaling 21,462, a quarter-over-quarter dip of 17%. Fear of a no-deal Brexit and rising trade tension between the U.S. and China have contributed to a dampened M&A environment. Europe was hit particularly hard with M&A activity dropping over 60%, however, North America remained the strongest region for the quarter with nine of the top ten announced deals featuring a North American target. Transaction volume for the region reached 5,476 announced deals for a total M&A value of \$444 billion, down 12% by volume and 13% by value from 1Q18. The largest deal for the quarter, Bristol-Myers Squibb's bid for biopharmaceuticals giant Celgene announced at \$74 billion, alone accounted for over 6% of 1Q19 total global M&A deal value.

Private equity buyout deals were down 22% by value, year-over-year, to \$101 billion with volume dropping 16% to 1,100. Europe saw the biggest drop in private equity buyout activity as well with deal value down 65% year-over-year to just \$19 billion. We expect many investors are awaiting the terms of the UK's Brexit deal before deploying funds to the region. Deal value and volume were also down in both the U.S. and Asia likely driven by trade tensions between the two regions coupled with increasing competition for deals, given record levels of dry powder, which is driving up valuations. The challenging deal environment has also affecting buyout exits which were down 27% by value year-over-year for 1Q19. Fundraising in the private equity sector rose 6%, year-over-year in 1Q19 to \$100 billion raised, however, this figure was down 21% from 4Q18. The number of funds closed for the quarter was down as well at 219, a 36% drop year-over-year.

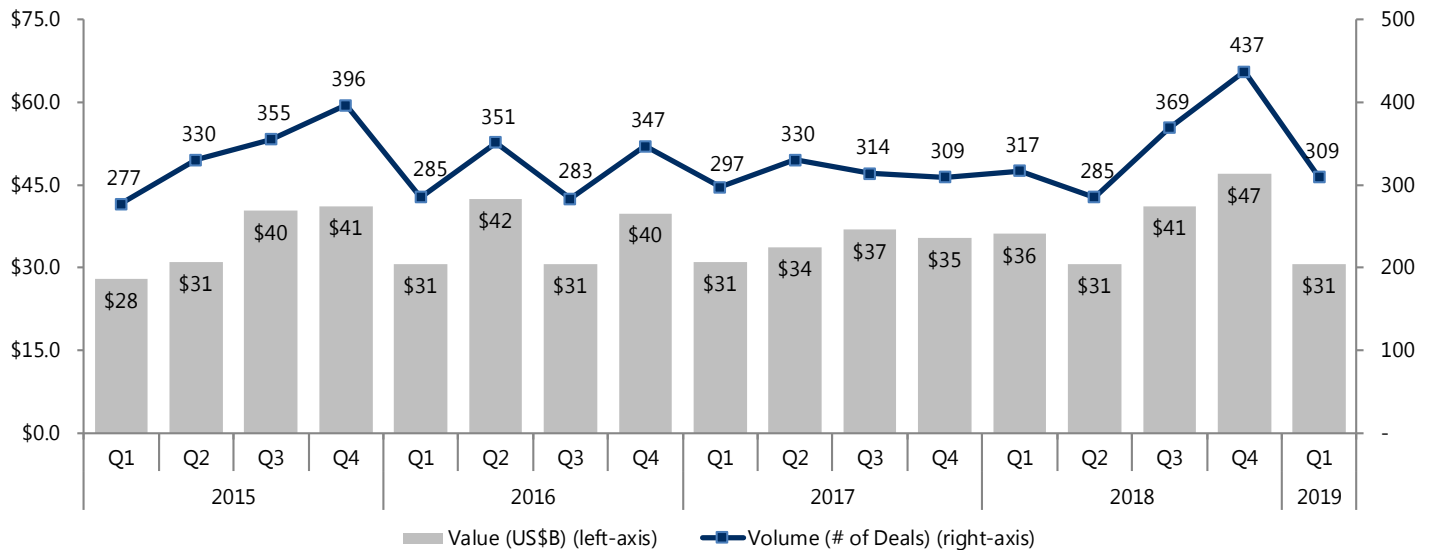
Global IPO activity was unusually slow in 1Q19 with total proceeds down 74% year-over-year to \$13.1 billion and volume down 41% to 199 IPOs for the quarter. Geopolitical tensions, uncertainty regarding Brexit, and trade issues between the U.S. and China have all contributed to the slowdown. The EMEIA region saw the largest drop, down 93% by value year-over-year, with the U.S. also seeing a steep drop in proceeds of 83%, largely driven by the extended Government shut-down early in the year. Despite trade and geopolitical challenges, Asia-Pacific was the strongest region accounting for 64% of global proceeds and experiencing only a 30% year-over-year decline for the quarter.

Global venture capital investment activity remained relatively consistent through 1Q19 with deal value reaching \$52 billion, only 4% down from 1Q18. This figure was sustained by significantly higher deal values given the steeper drop of 26% in deal volume year-over-year to 2,944 for the quarter. By region, Greater China experienced a year-over-year deal volume decline of 46% for the quarter while North America and Europe were down 21% and 11% respectively. Higher VC exit valuations in 1Q19 also supported a 7% increase in deal values for to \$23.5 billion over 1Q18 despite volumes dropping to 9% to 256. The VC boom appears to be maintaining momentum despite economic challenges affecting other sectors.

M&A Activity – Middle Market

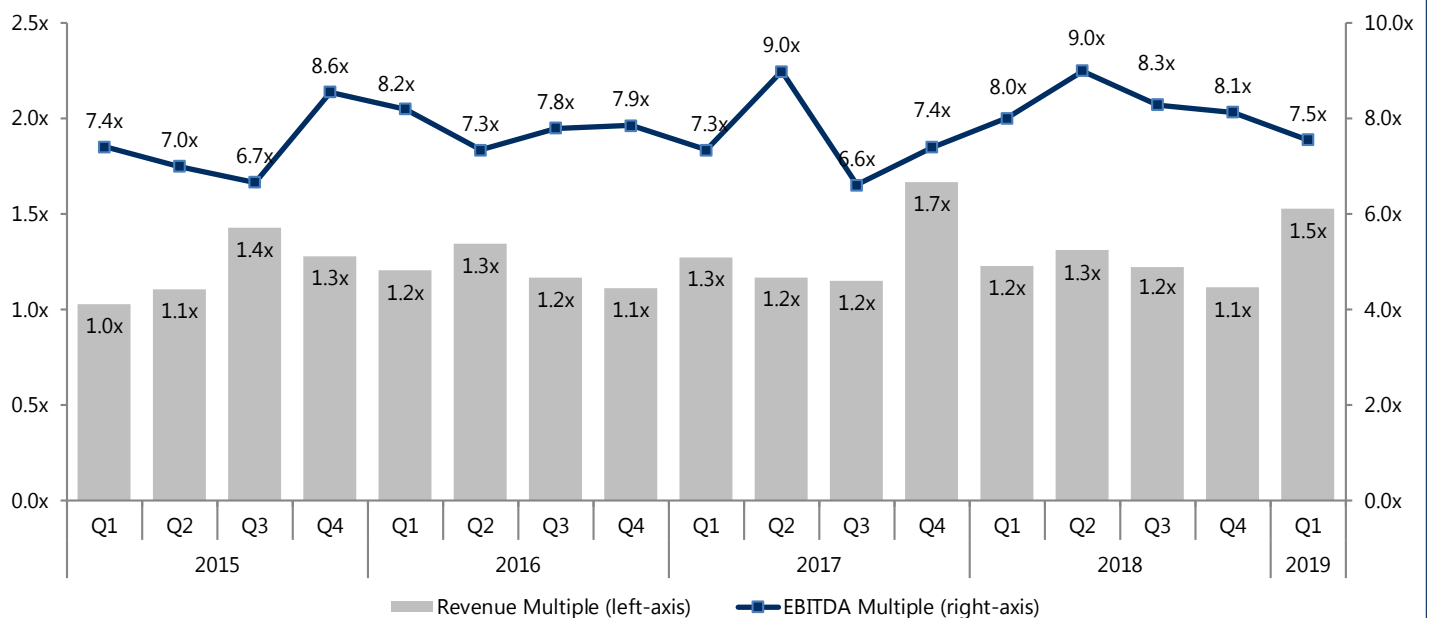
U.S. middle market deal value in the first quarter of 2019 was down 15% year-over-year, with a 3% decrease in volume. Though quarterly results are down year-over-year, LTM statistics remain up 10% by volume and 5% by value. With eight of the largest global deals this quarter featuring U.S. targets, deal activity appears to be drawn toward larger transactions for the quarter.

Q1 2019



Valuation Multiples – Middle Market M&A Transactions

Disclosed middle market M&A revenue multiples in 1Q19 showed a year-over-year increase of 24% with LTM figures staying relatively flat. EBITDA multiples, have shown a mild decline over the last three quarters with a year-over-year drop of only 6%, however, LTM figures have increased by the same amount. The overall trend shows multiples holding within a reasonable range which will likely see some uplift once trade tensions with China stabilize and large stores of dry powder continue to compete for quality investments.

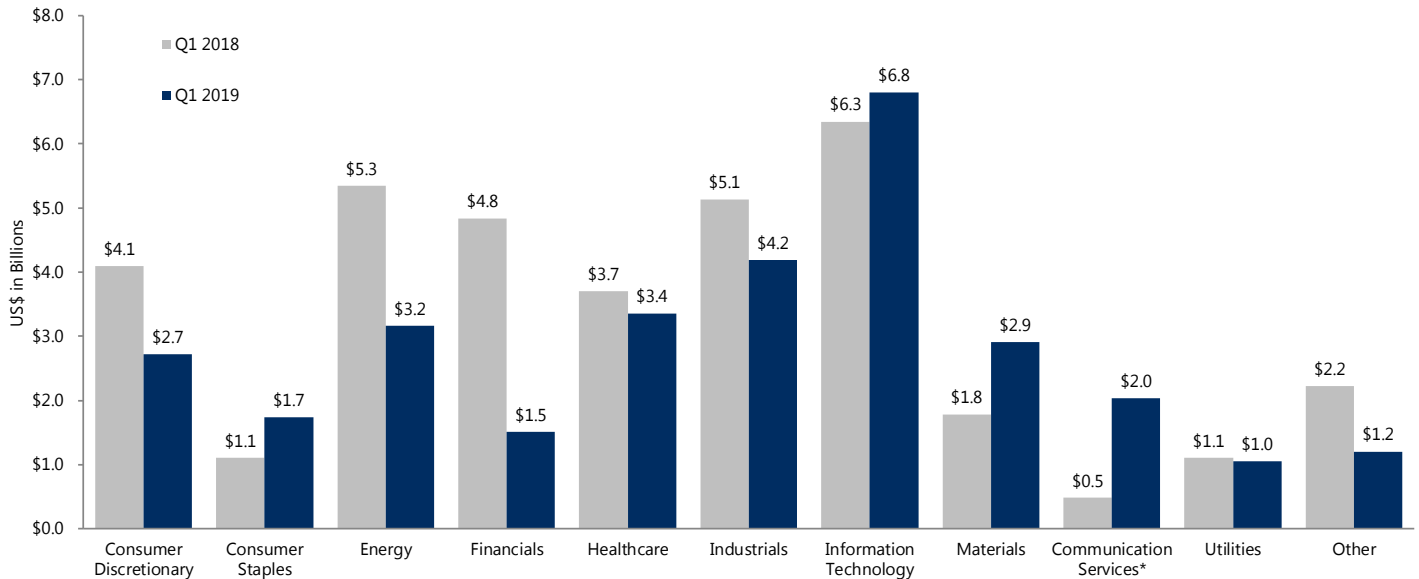


Note: Middle market defined as transactions between \$10 and \$500 million in the U.S., excluding transactions in real estate. EBITDA multiples disclosed in less than 10% of all transactions.

Source: S&P Capital IQ.

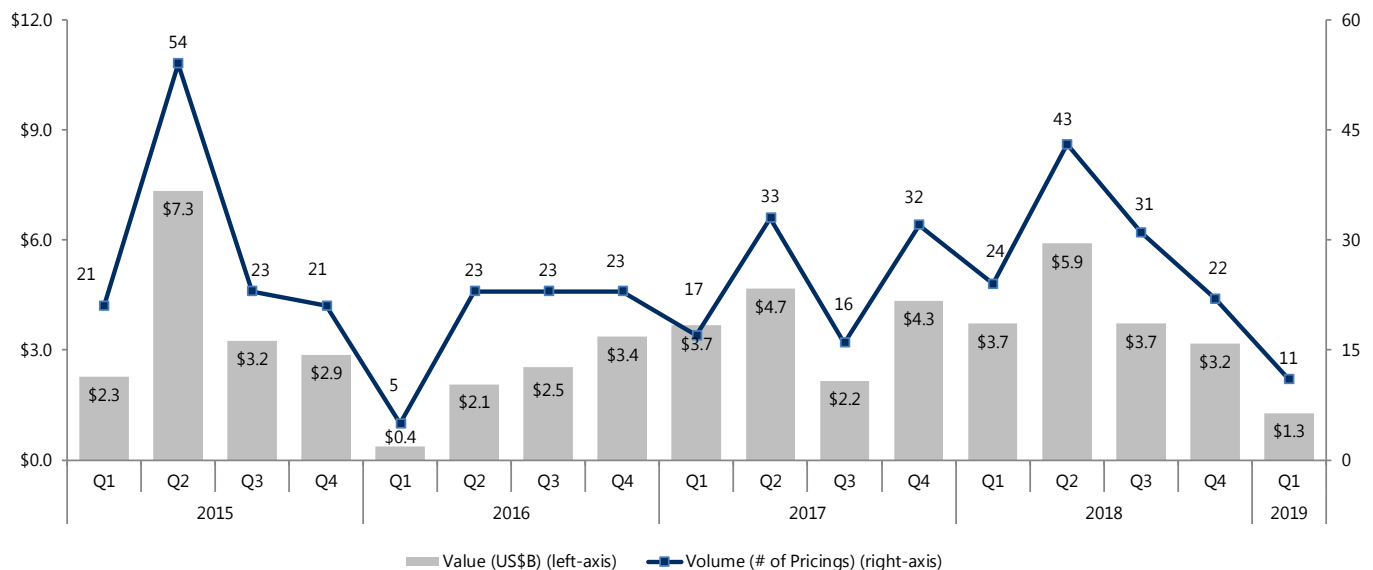
M&A Activity by Sector – Middle Market

The first quarter of 2019 showed a year-over-year drop in middle market M&A deal value of 15%. Financials experienced the largest decline in value from 1Q18 at 69% with the Energy sector down 41%, however, with climbing oil prices throughout 1Q19 we would expect the Energy sector to pick up in the second quarter. Materials and Consumer Staples showed solid year-over-year growth at 63% and 58% respectively and Information Technology, a consistently strong sector, rose 7%.



IPO Activity – Middle Market

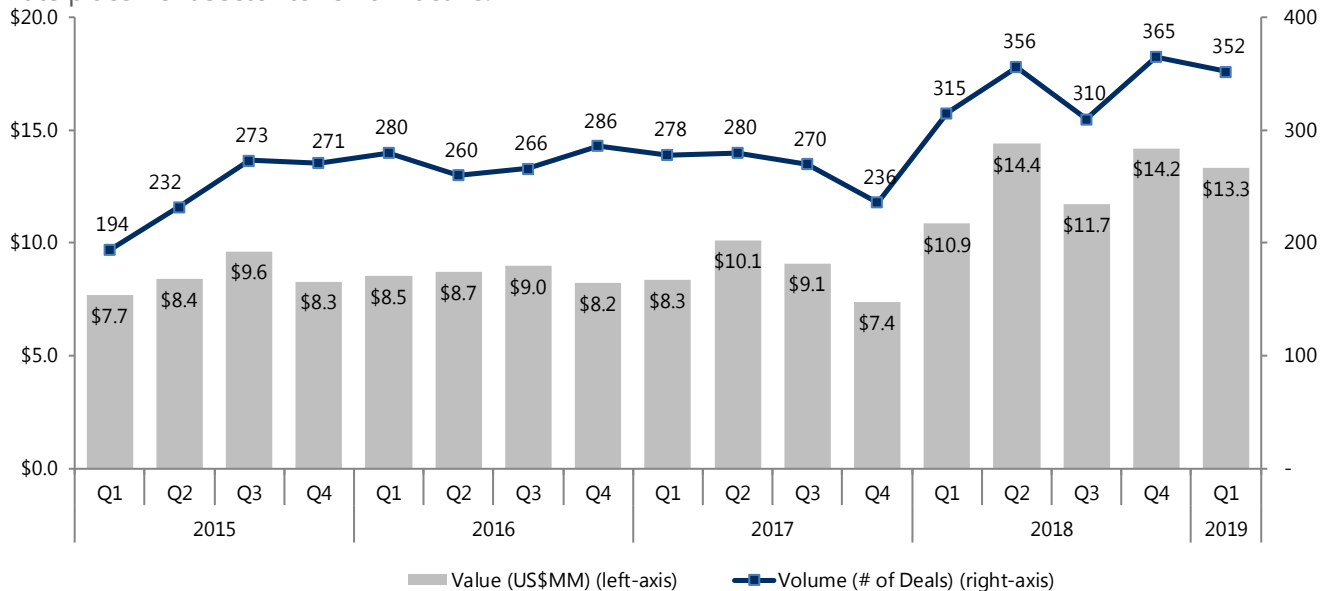
Middle market IPO activity in the first quarter of 2019 dropped considerably year-over-year by both value and volume at 65% and 54% respectively, however, LTM figures remain relatively flat. Healthcare stocks made up the largest share of activity this quarter accounting for 73% of deal volume, and Information Technology was unusually silent with no middle market IPO activity for 1Q19. Year-over-year the Healthcare sector was down for the quarter by 33%, however, LTM figures remain up 41%. The largest middle market deal for the quarter was Gossamer Bio, Inc., developer of therapeutics in the disease areas of immunology, inflammation, and oncology, at \$276 million.



Note: Middle market defined as transactions between \$10 and \$500 million in the U.S., excluding transactions in real estate.
* Reclassified sector including new sub-sectors from 4Q18.
Source: S&P Capital IQ.

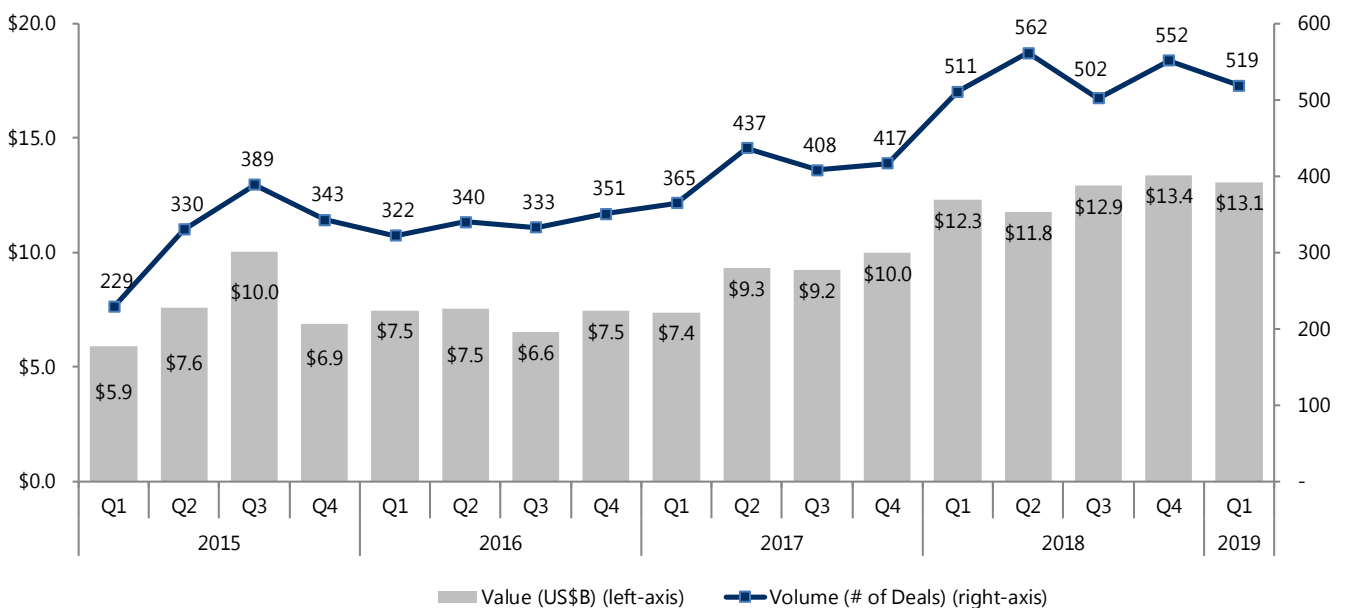
Private Placement Activity – Middle Market

Middle market private placement activity rose, year-over-year, in 1Q19 reaching \$13.3 billion in value, a 23% increase, with 352 transactions, a 12% increase in volume. LTM statistics are also up year-over-year with value increasing 43% and volume 26%. The average deal size also climbed year-over-year by 10%. The Technology and Healthcare sectors continued to attract the bulk of private placement funds accounting for 39% and 21% of total volume respectively. While year-over-year quarterly activity in Technology and Healthcare remained relatively flat, LTM volume rose 13% and 19% respectively. With record stores of dry powder we expect the private placement sector to remain active.



Venture Capital Investment Activity – Middle Market

Venture capital activity in the first quarter was up year-over-year to \$13.1 billion, a 6% increase with deal volume up 2% at 519 transactions. The Technology and Healthcare sectors continued to draw the most funding accounting for 33% and 20% of transaction volume respectively. Year-over-year Technology volume was down 10% for the quarter while Healthcare was up 11%. The largest middle market deal of the quarter was a \$250 million round for DivvyPay, Inc., a payment and business budgeting platform.



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