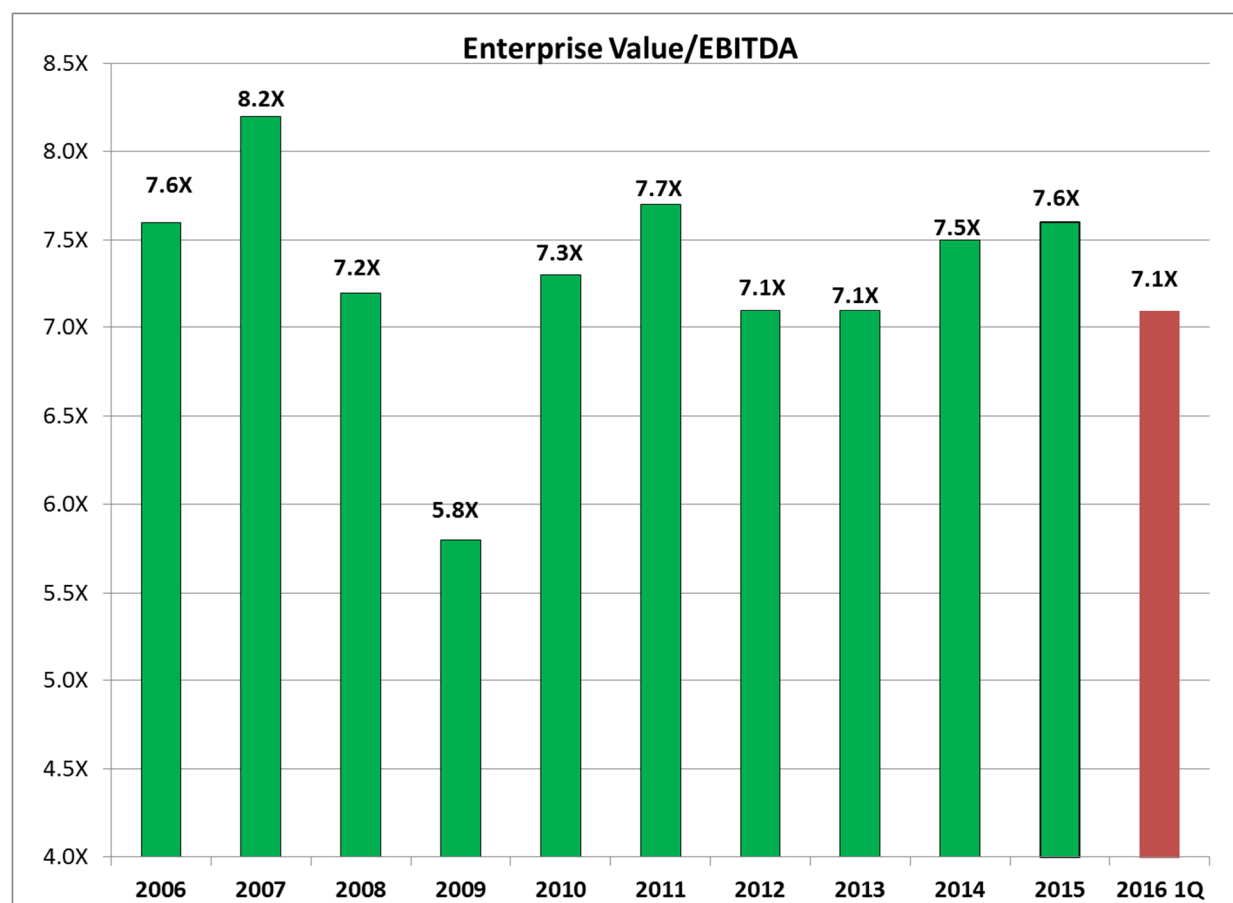


**Middle Market M&A Overview**  
**June 2016**

**Market Overview**

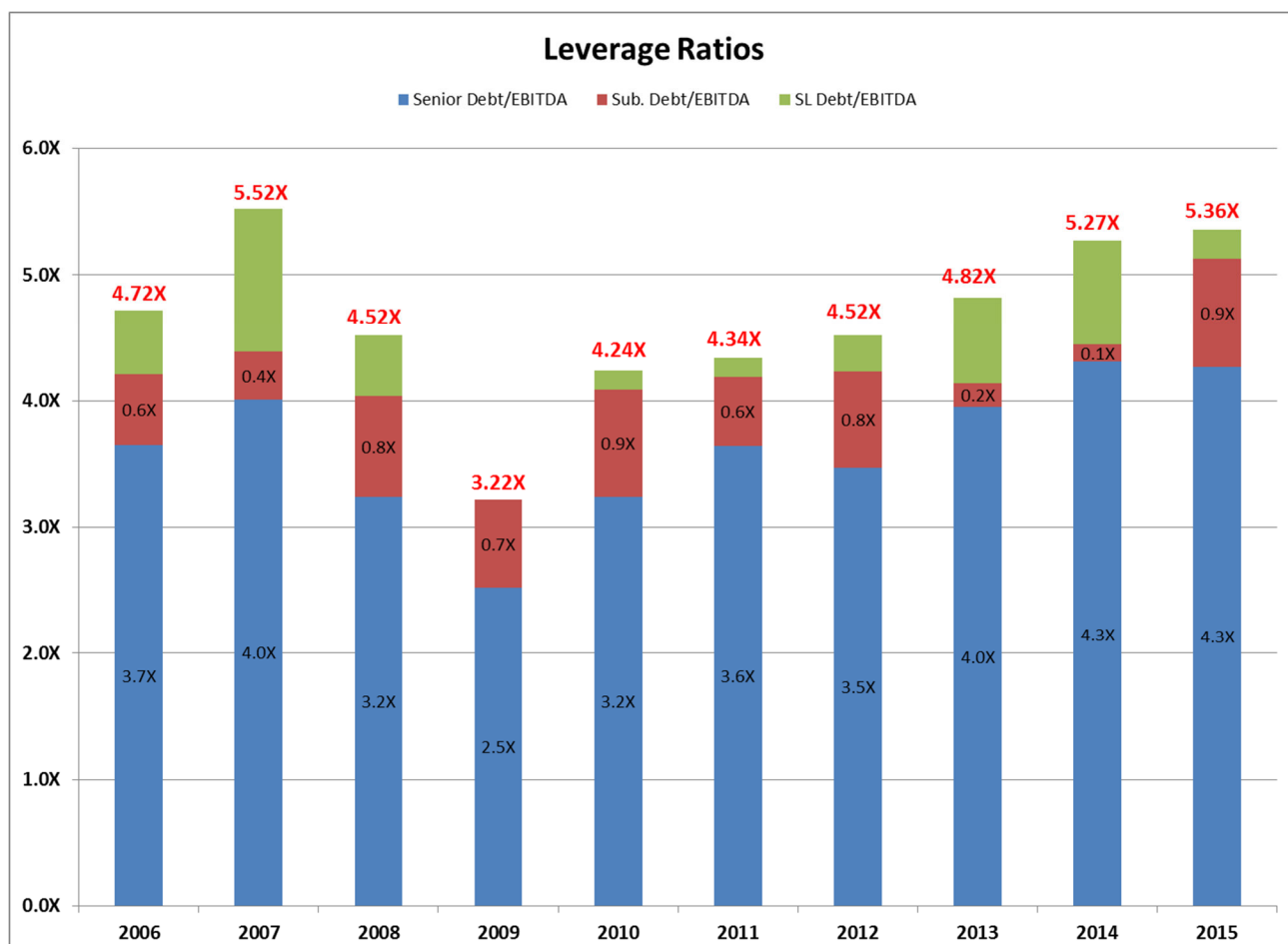
Middle market M&A volumes were unable to maintain pace in Q1 '16 and fell significantly from the previous quarter despite aggressive senior financing and a relatively stable economic environment. Q1 2016 middle market deal volumes (Enterprise Value between \$10 million and \$500 million) decreased 30.2% from Q4 '15 with total M&A deal activity involving all transaction sizes falling 18.0%. Year-over-year middle market volumes decreased 13.7% in Q1 '16. Purchase price multiples slipped in Q1 '16 with an average deal multiple of 7.1x (Enterprise Value to EBITDA) compared to 7.6x for all of 2015. Although the U.S. manufacturing sector has been slowing for several months, the U.S. economy has been generally stable in spite of global economic concerns in Europe and China, weak commodity prices, and a strong U.S. dollar. Aggressive lending has been somewhat tempered with higher debt pricing.



Source: Capital IQ and Angle Advisors

## Debt Markets

At the end of 2015 middle market LBO new issue volume fell sharply consistent with the overall declines in deal volume activity. LBO loan volumes in Q4 '15 totaled \$0.4 billion compared to \$2.0 billion in Q3 '15 and \$1.8 billion in Q4 '14. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to-EBITDA averaged 5.36x for 2015 versus 5.27x for all of 2014. While overall leverage ratios have been stable, senior debt multiples continue to become more aggressive as 2015 averaged 4.27x (excluding Other Senior Debt) compared to 4.16x for all of 2014. Second lien debt was virtually unchanged at 0.86x in 2015. New equity ratios have begun to consistently increase from 2014 levels. Average equity contributions for middle market LBO loans were 44.7% in 2015 versus 40.4% for all of 2014 and 45.6% in 2013



Source: S&P LCD – middle market LBO less than \$50 million

### DEBT PRICING

	Senior	Second Lein	Subdebt	Minority Equity
Apr-16	L + 3.5%-5.0%	L + 9%-12%	12%-14%	25%-40%
Apr-15	L + 2.0%-3.5%	L + 8%-11%	12%-14%	25%-35%

L = Libor

Source: S&P LCD; SPP Capital Partners, LLC

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