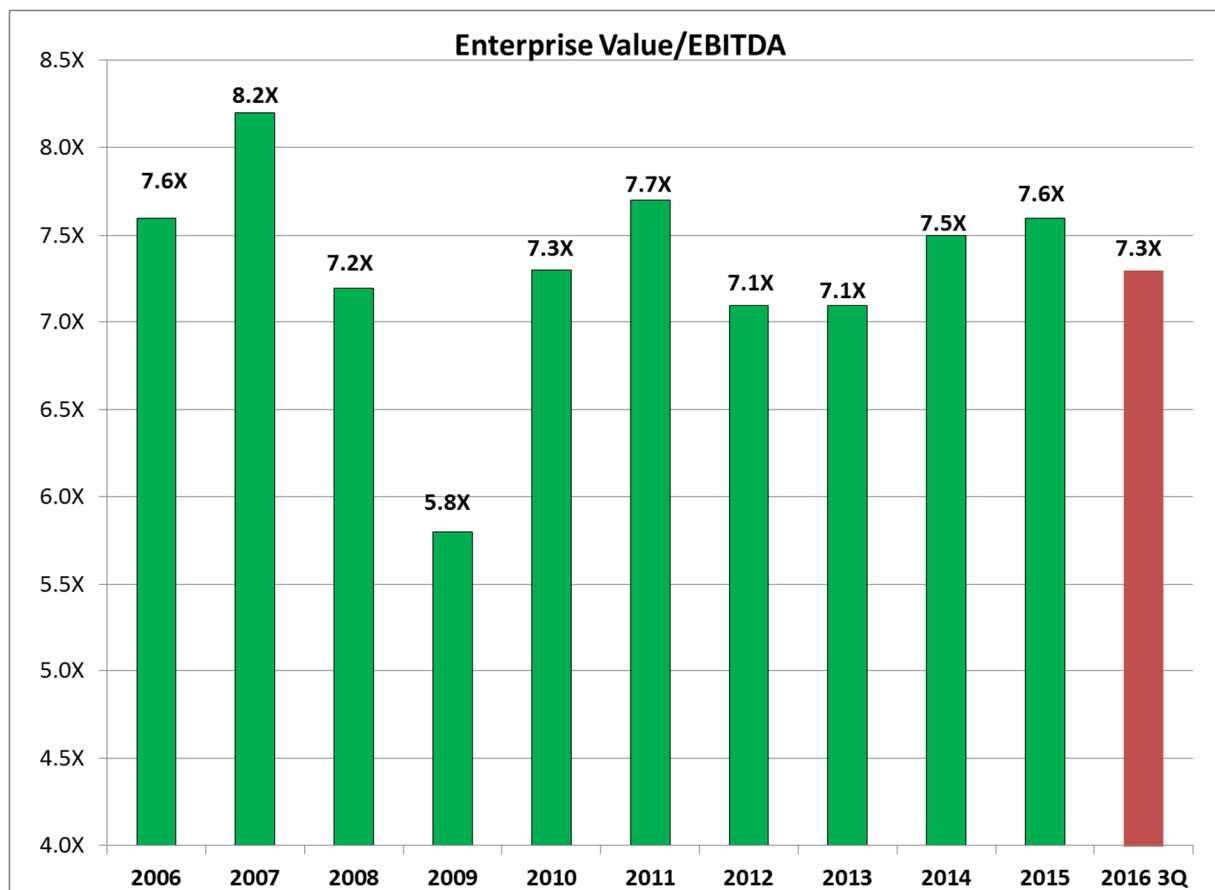


**Middle Market M&A Overview  
December 2016**

**Market Overview**

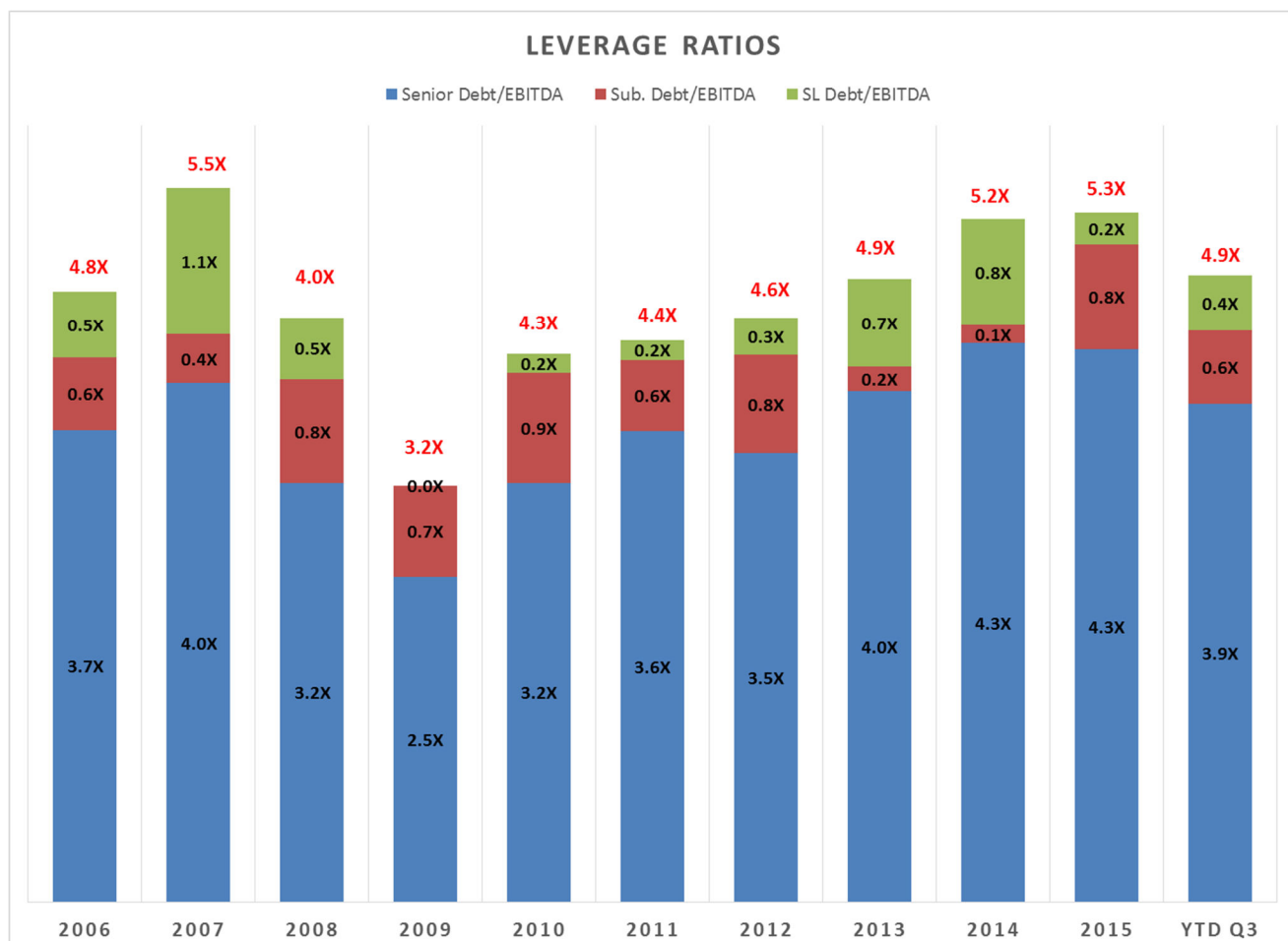
Just when it appeared that middle market M&A volumes were beginning to lose some momentum after several years of strong activity, volumes spiked higher in Q3 '16 despite tightening credit. Q3 '16 middle market deal volumes (Enterprise Value between \$10 million and \$500 million) increased 23.8% from Q2 '16 with total M&A deal activity involving all transaction sizes holding steady with Q2 '16 levels. Year-over-year middle market volumes decreased 4.3% in Q3 '16. Purchase price multiples in Q3 '16 were unchanged from Q2 with an average deal multiple of 7.3x (Enterprise Value to EBITDA) compared to 7.6x for all of 2015. The overall U.S. economy sprang to life in the third quarter with solid growth and gains in manufacturing activity likely leading to a rate increase before yearend. An improving economic outlook will hopefully offset the impact of any interest rate hikes providing for a robust M&A market into 2017.



Source: Capital IQ and Angle Advisors

## Debt Markets

Middle market LBO new issue volume fell sharply in Q3 '16 suggesting that strategic buyers were the primary driver of increased deal volume activity. LBO loan volumes in Q3 '16 totaled \$0.5 billion compared to \$1.2 billion in Q2 '16 and \$0.9 billion in Q1 '16. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to-EBITDA averaged 4.9x for the first three quarters of 2016 versus 5.3x for all of 2015. Overall leverage ratios have been falling with senior debt multiples being the catalyst averaging 3.9x in 2016 (excluding Other Senior Debt) compared to 4.3x for all of 2015. Second lien debt (included with Senior in chart) dropped to 0.43x in 2016 from 0.82x in 2015. To offset falling debt ratios, average equity contributions for middle market LBO loans increased to 45.0% in 2016 versus 44.7% for all of 2015.



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

### DEBT PRICING

	Senior	Second Lein	Subdebt	Minimum Equity
<b>Nov-16</b>	L + 3.00% - 4.50%	L + 8.0%-11%	11%-14%	30%-40%
<b>Nov-15</b>	L + 2.50% - 3.50%	L + 8.5%-11%	12%-14%	25%-35%

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

**Contact:** James S. Hollander  
 Managing Director  
 Email: [jimhollander@cda-inc.net](mailto:jimhollander@cda-inc.net)