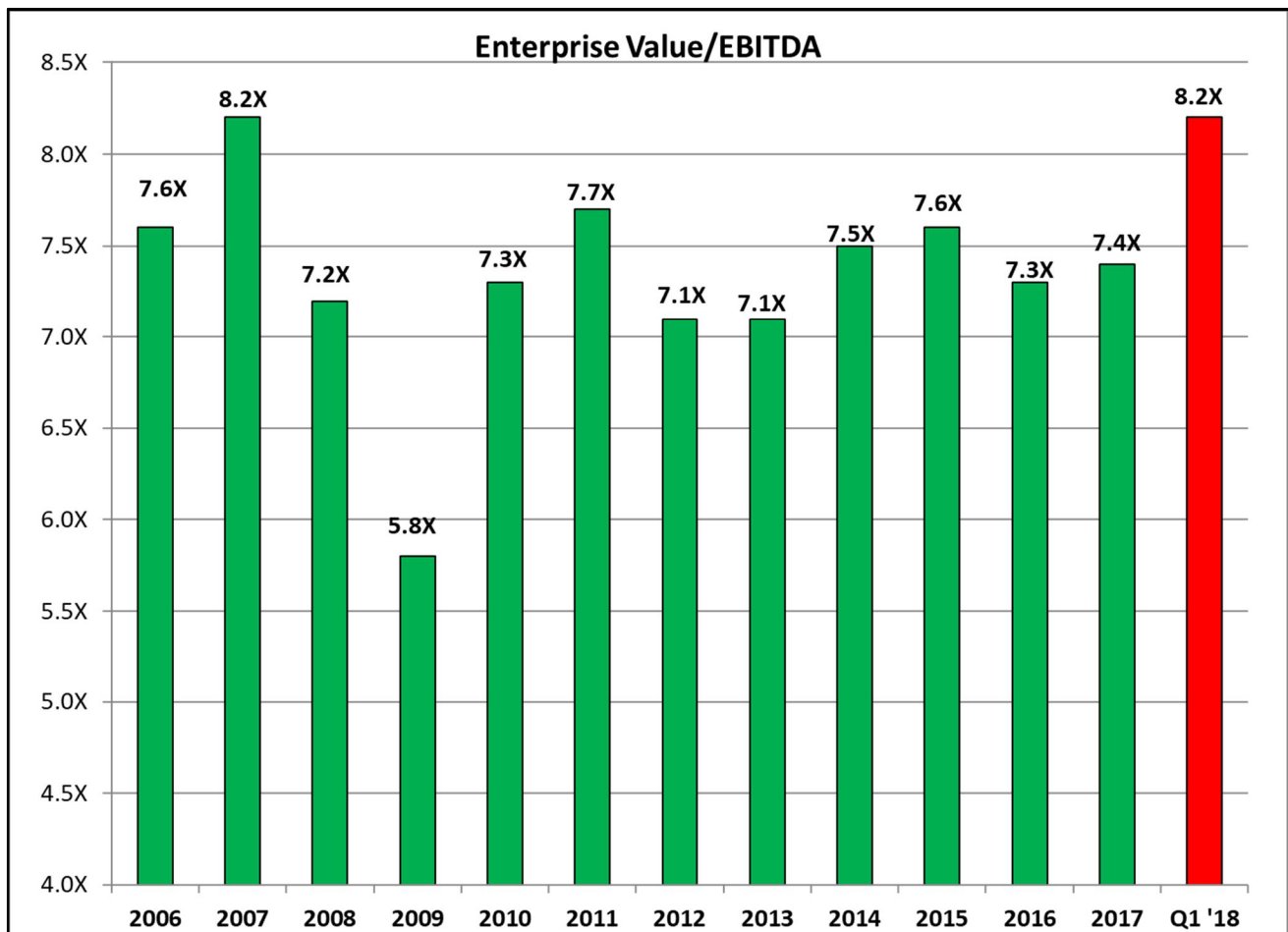


1st Qtr 2018 Middle Market M&A Overview

Market Overview

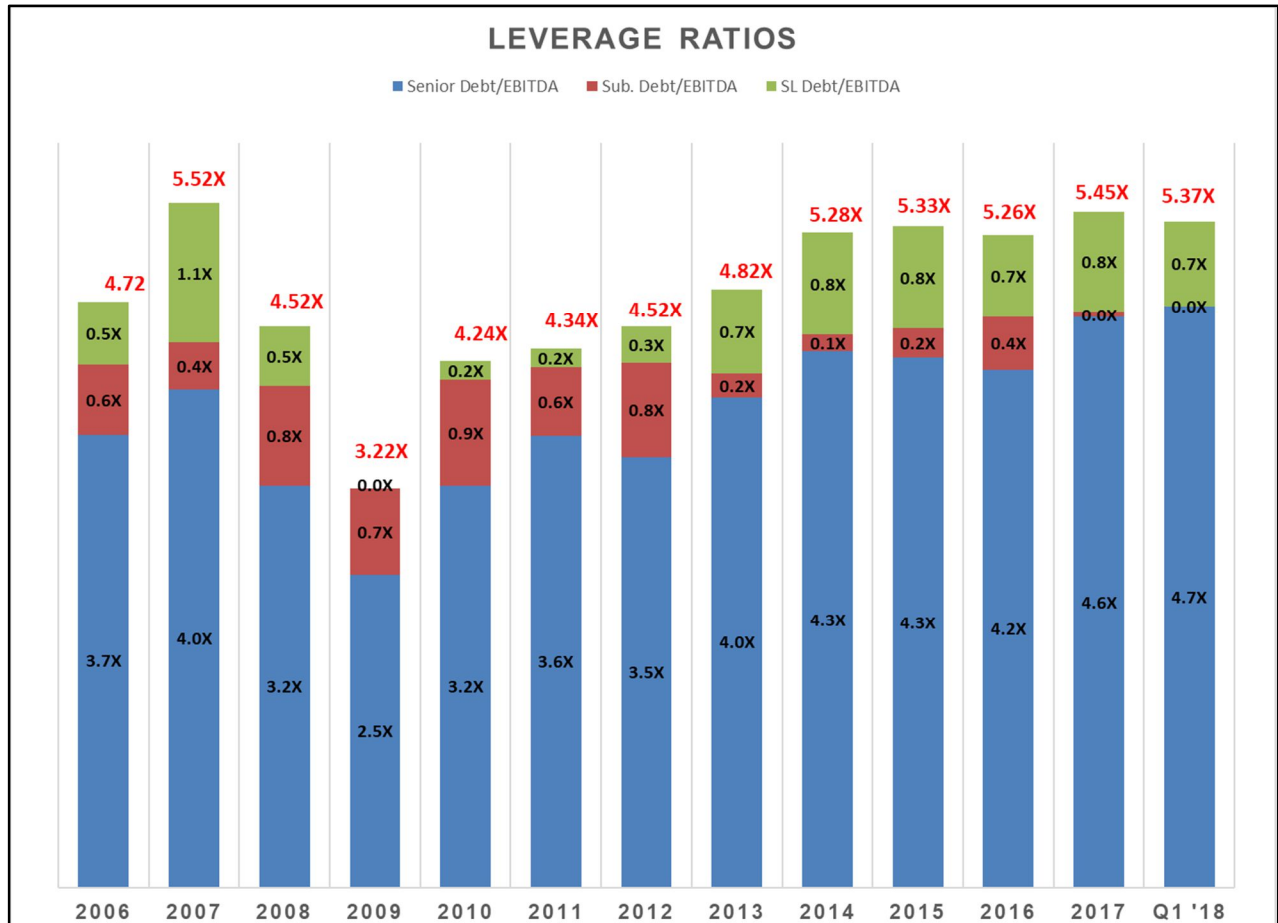
Buoyed by strong economic results and aggressive financing, overall M&A volumes improved during the first quarter. Total M&A deal activity involving all transaction sizes increased 10.9% and undisclosed transactions, which also reflects middle market activity, gained 16.1% in Q1 '18. First quarter middle market deal volumes (Enterprise Value between \$10 million and \$500 million) were virtually unchanged from Q4 '17. Purchase price multiples in Q1 '18 leapt higher with an average deal multiple of 8.2x (Enterprise Value to EBITDA) compared to 7.4x for 2017. As average senior debt multiples have continued raising to 4.7x, minimum equity contributions have held steady suggesting some lending discipline. The present market conditions are what many anticipated post tax reform, however the threat of a looming trade war and related uncertainty could have the exact opposite result by slowing growth and lowering M&A activity.



Source: Capital IQ and Angle Advisors Market Analysis

Debt in Leverage Buy-Out Transactions (LBO)

Supporting surging M&A activity, LBO new issue volume increased in Q1 '18 continuing the trends during the majority of 2017. LBO loan volumes in Q1 '18 totaled \$1.5 billion compared to \$1.1 billion in Q4 '17 and \$2.9 billion in Q3 '17. In the first quarter, middle market LBO volume was 43.0% higher than the first quarter of 201. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to-EBITDA averaged 5.37x in Q1 '18 versus 5.45x for all of 2017. Senior debt leverage totals sustained their upward march averaging 4.7x in Q1 '18 (excluding Other Senior Debt) compared to 4.6x for all of 2017. Second lien debt decreased to 0.68x in the first quarter from 0.81x in 2017. Average equity contributions for middle market LBO loans were 43.3% in Q1 '18 versus 39.3% in Q1 '17 and 47.3% for all of 2017.



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

DEBT PRICING

	Senior	Second Lein	Subdebt	Minimum Equity
May '18	L + 3.00% - 5.00%	L + 7.0%-11%	12%-14%	30%-40%
May ,17	L + 3.00% -5.00%	L + 8.0%-12%	12%-14%	30%-40%

L = Libor

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

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