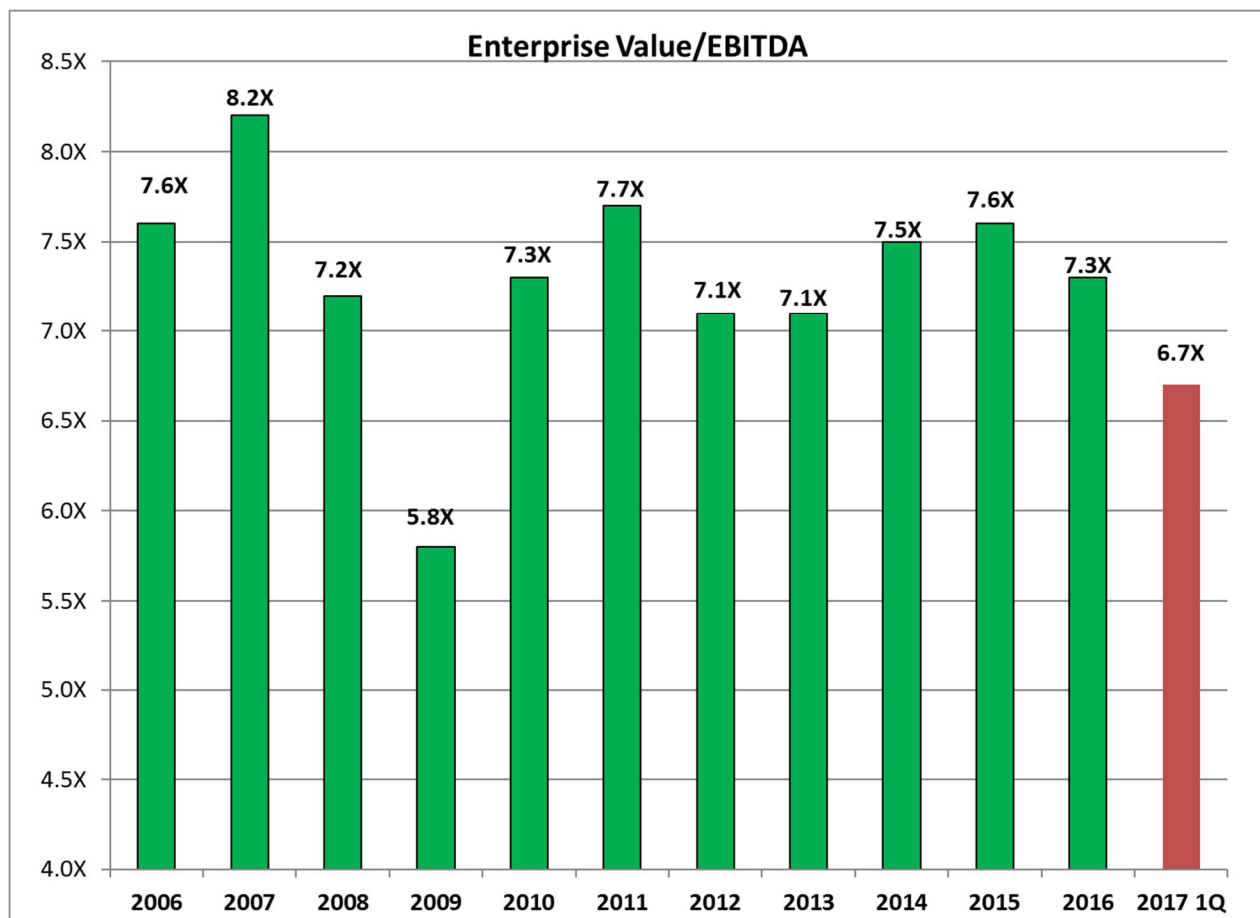


Middle Market M&A Overview
May 2017

Market Overview

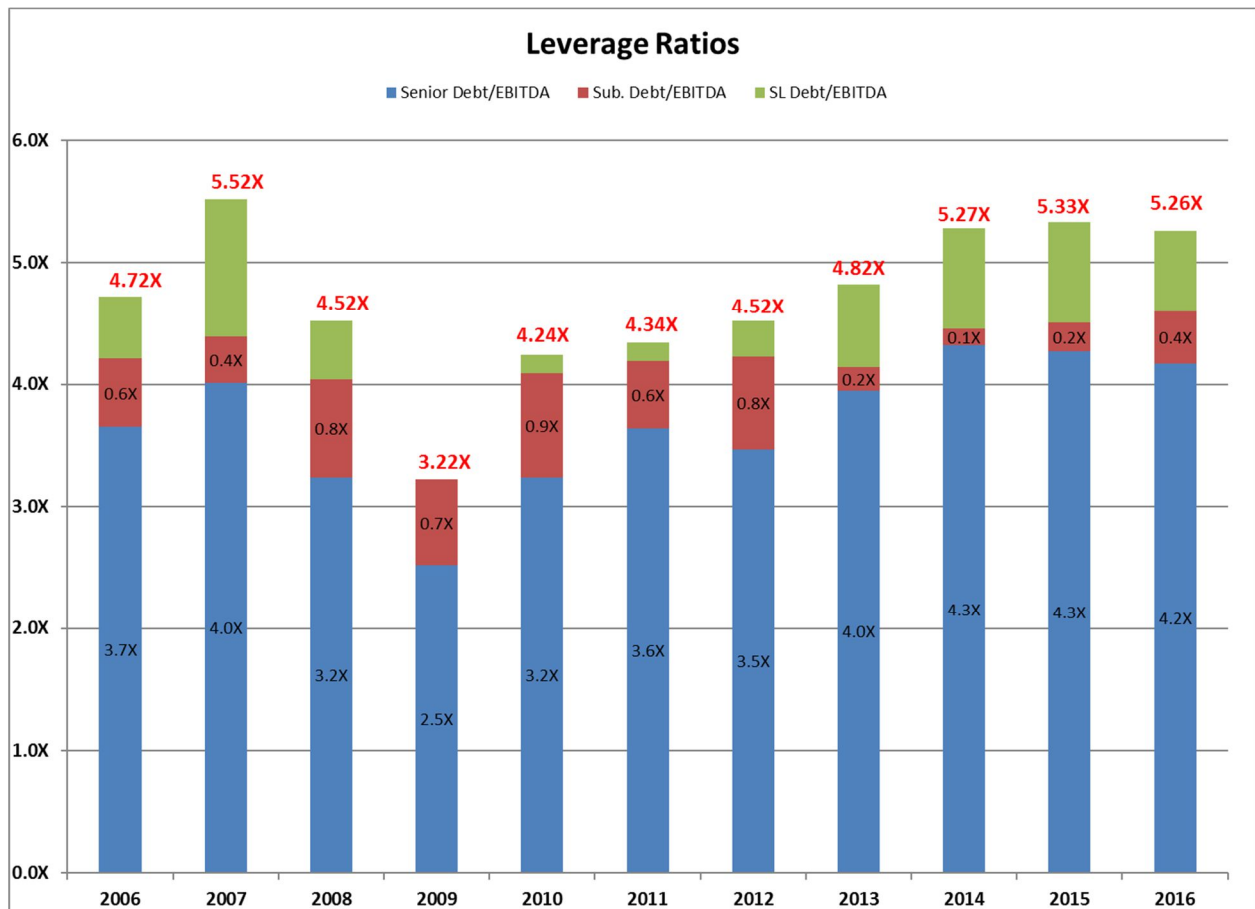
During the first quarter of 2017, middle market M&A volumes stumbled despite robust activity in the broader M&A market and a generally positive economic outlook. Q1 '17 middle market deal volumes (Enterprise Value between \$10 million and \$500 million) decreased 23.3% from Q4 '16 with total M&A deal activity involving all transaction sizes falling only 2.3% from Q4 '16 levels. Undisclosed transactions, which also reflects middle market activity gained 8.8% in Q1 '17. Year-over-year middle market volumes decreased 4.8% from Q1 '16. Purchase price multiples in Q1 '17 were down sharply from Q4 with an average deal multiple of 6.7x (Enterprise Value to EBITDA) compared to 7.3x for all of 2016. While first quarter GDP results were disappointing, the overall U.S. economy is showing strength, particularly in manufacturing and business investment and continuing gains in consumer confidence.



Source: Capital IQ and Angle Advisors

Debt Markets

Middle market LBO new issue volume increased in Q4 '16 after a steep decline in the prior quarter. LBO loan volumes in Q4 '16 totaled \$0.9 billion compared to \$0.7 billion in Q3 '16 and \$ 1. 2 billion in Q2' 16. 2016 middle market LBO volume was 32.8 % lower than 2015 levels. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to-EBITDA averaged 5.26x in 2016 versus 5.33x for all of 2015. Overall leverage ratios have been falling with senior debt multiples being the catalyst averaging 4.17x in 2016 (excluding Other Senior Debt) compared to 4.25 x for all of 2015. Second lien debt dropped to 0.66 x in 2016 from 0.82 x in 2015. With declining purchase price multiples, average equity contributions for middle market LBO loans fell to 43.4% in 2016 versus 44.7% and 40.4% for 2015 and 2014, respectively.



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

	DEBT PRICING			Minimum Equity
	Senior	Second Lein	Subdebt	
Apr-17	L + 3.00% - 5.00%	L + 8.0%-12%	12%-14%	30%-40%
Apr-16	L + 2.50% - 5.00%	L + 9.0%-12%	12%-14%	25%-40%

L = Libor Source: S&P LCD and SPP Capital Partners LLC

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

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