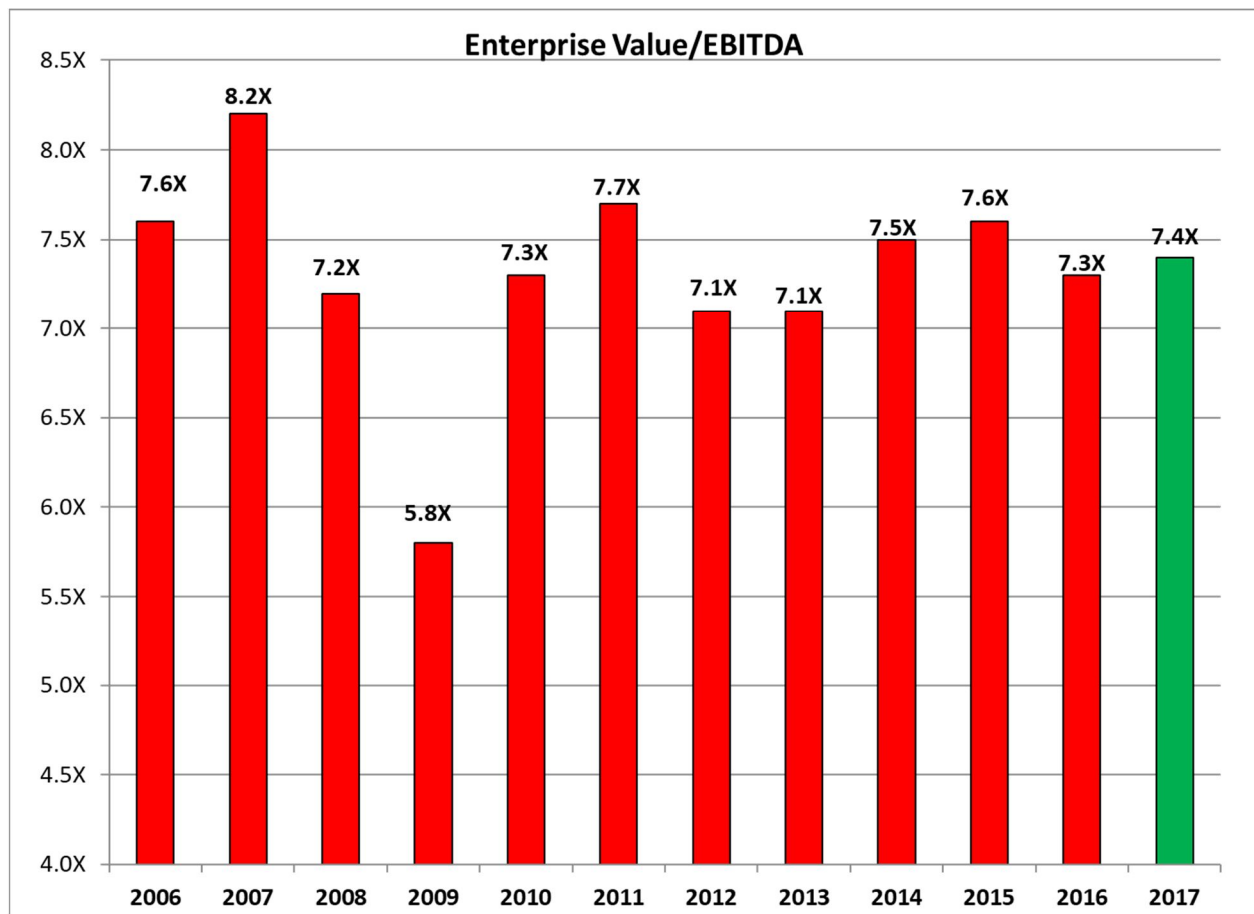


2017 Middle Market M&A Overview

Market Overview

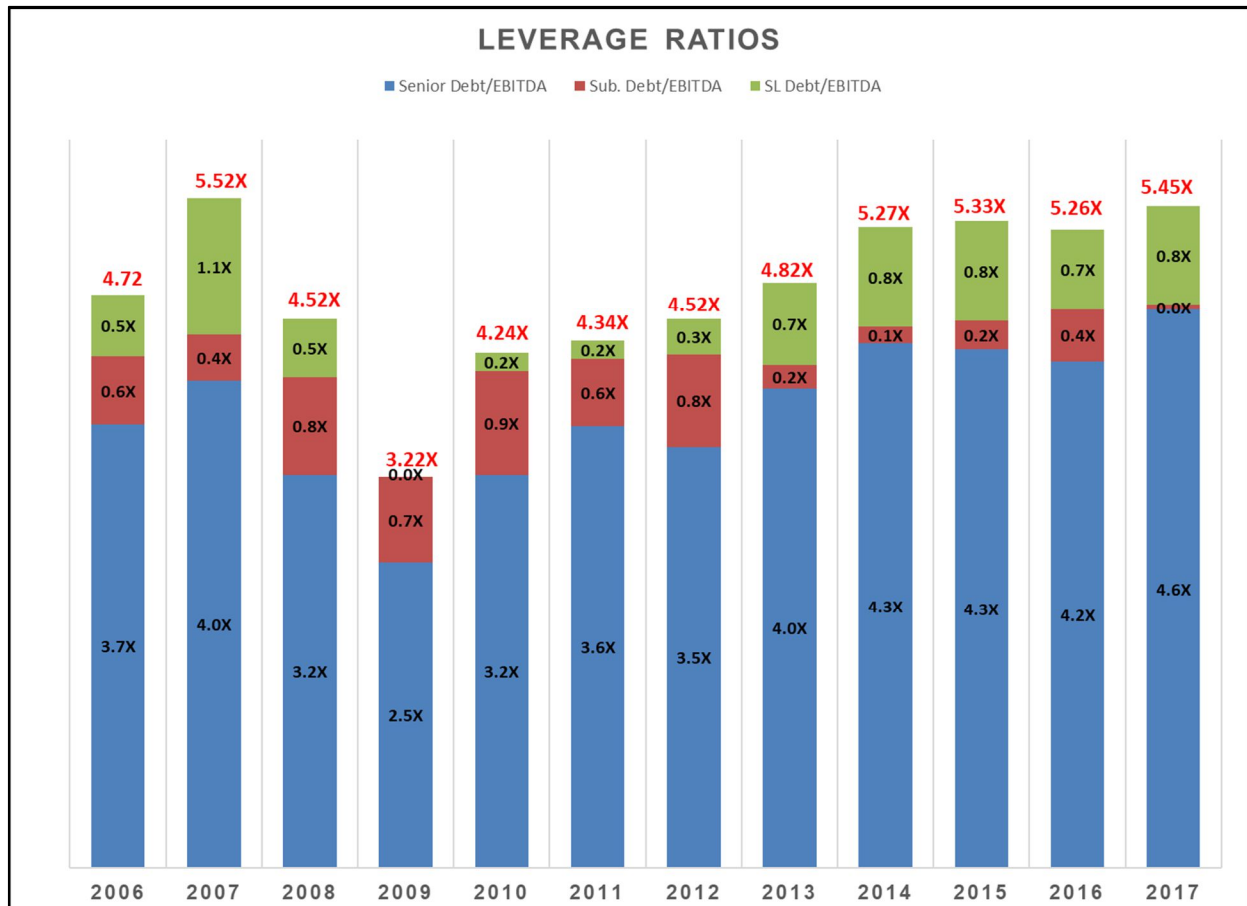
While falling throughout most of the year, middle market M&A volumes improved during the fourth quarter, although the overall M&A market's declines continued. A strengthening economic outlook and aggressive financing terms boosted transaction activity late in 2017. Q4 '17 middle market deal volumes (Enterprise Value between \$10 million and \$500 million) increased 5.0% from Q3 '17 with total M&A deal activity involving all transaction sizes falling 3.5%. Undisclosed transactions, which also reflects middle market activity, fell 5.5% in Q4 '17. For all of 2017, middle market transaction volumes were 18.4% below 2016 levels. Purchase price multiples in 2017 improved with an average deal multiple of 7.4x (Enterprise Value to EBITDA) compared to 7.3x for 2016. Post tax reform and with accelerating economic growth, we expect middle market M&A activity to increase during the first half of 2018.



Source: Capital IQ and Angle Advisors Market Analysis

Debt in Leverage Buy-Out Transactions (LBO)

Despite middle market LBO new issue volume decreasing in Q4 '17, 2017 full year totals were significantly higher than 2016. LBO loan volumes in Q4 '17 totaled \$1.1 billion compared to \$2.9 billion in Q3 '17 and \$1.8 billion in Q2 '17. For 2017, middle market LBO volume was 45.0% higher than 2016 totals. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to-EBITDA averaged 5.45x in 2017 versus 5.26x for all of 2016. Senior debt leverage totals were stretched significantly averaging 4.6x in 2017 (excluding Other Senior Debt) compared to 4.17x for all of 2016. Second lien debt increased to 0.81x in 2017 from 0.66x in 2016. Average equity contributions for middle market LBO loans increased to 46.6% in Q4 '17 (47.3% for full year 2017) versus 43.4% and 44.7% for 2016 and 2015, respectively.



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

DEBT PRICING

	Senior	Second Lein	Subdebt	Minimum Equity
Nov.17	L + 3.00% - 5.00%	L + 7.0%-11%	12%-14%	30%-40%
Nov-18	L + 3.00% - 4.50%	L + 8.0%-11%	12%-14%	30%-40%

L = Libor

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

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