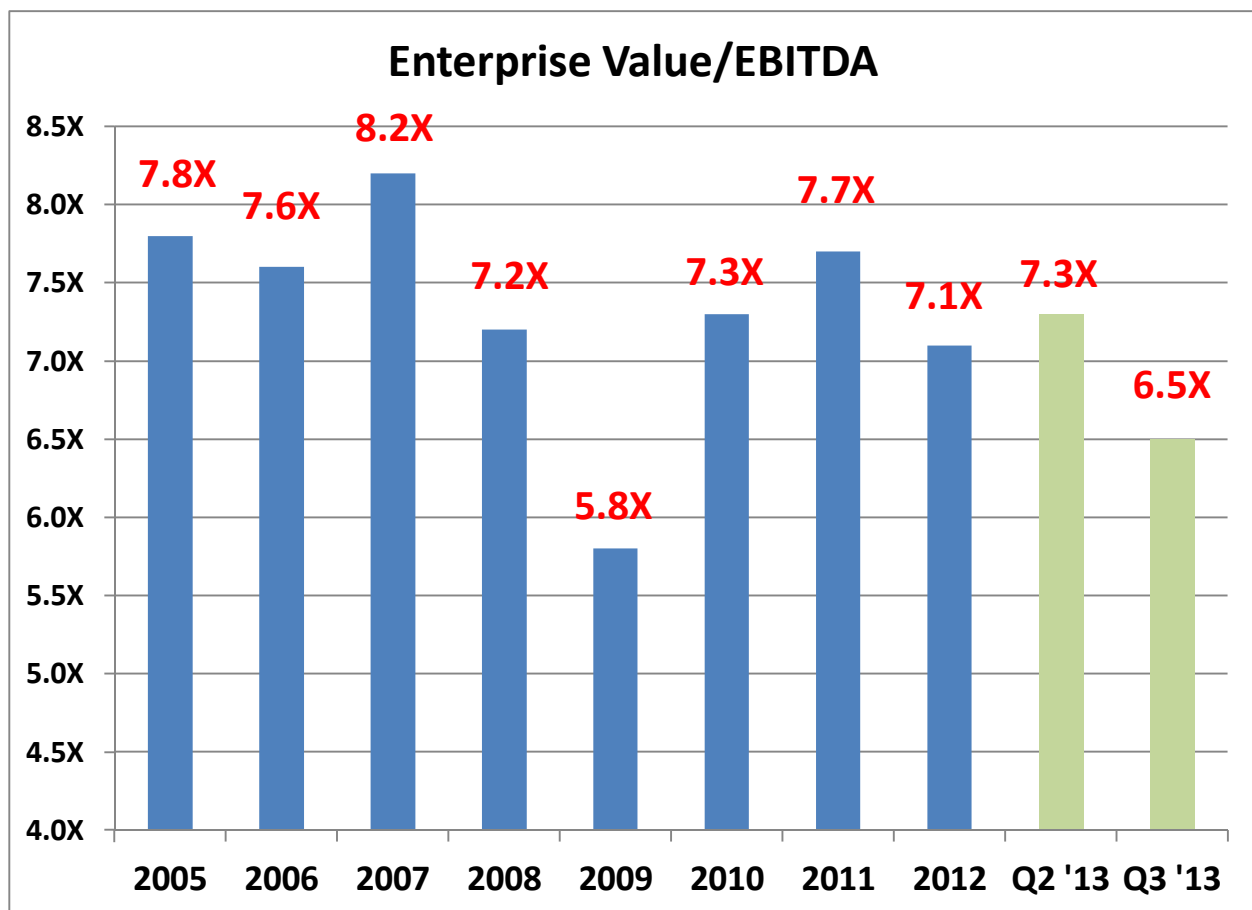


Middle Market M&A Overview December 2013

Market Overview

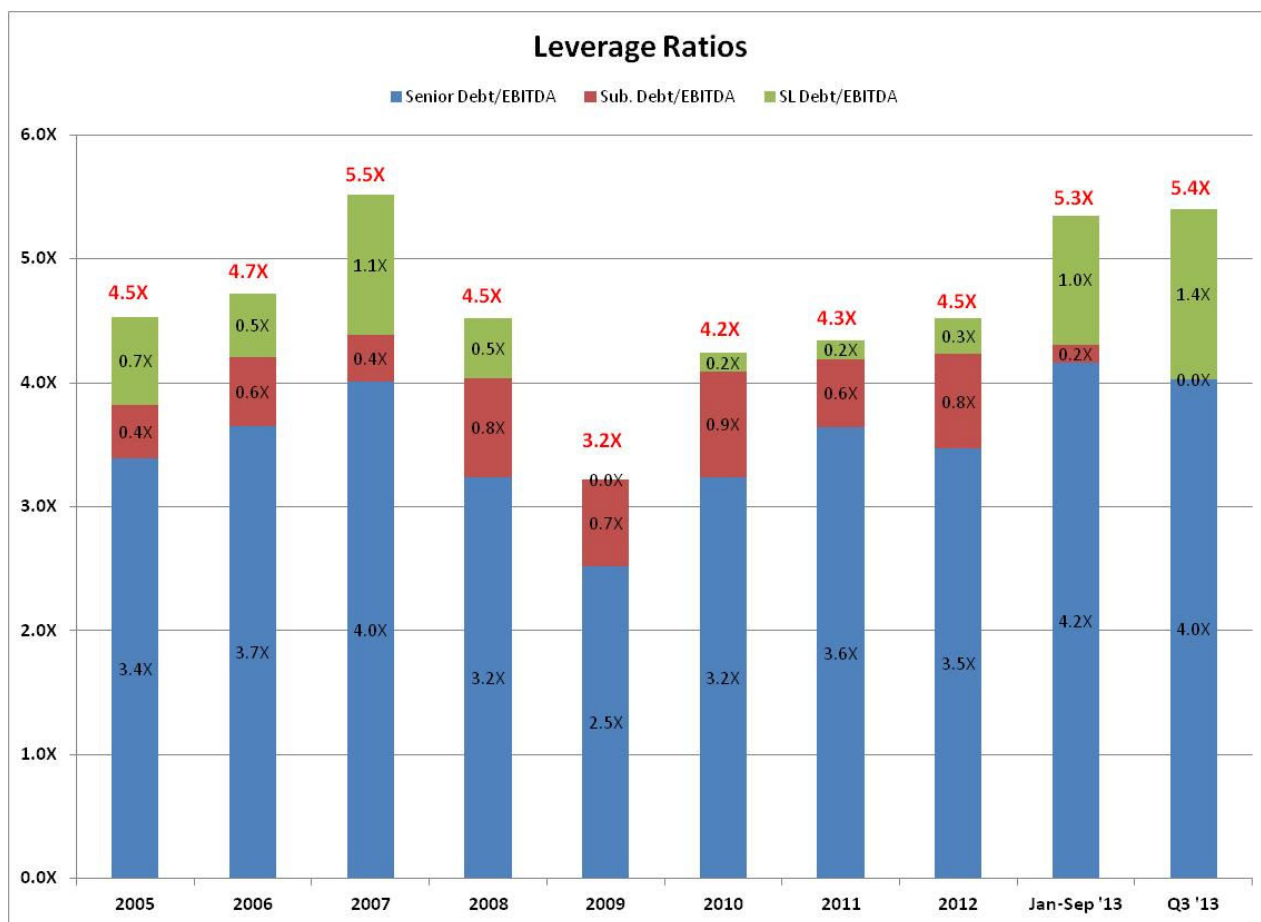
Middle market transaction volumes made major gains in Q3 '13 as optimal market conditions buoyed by aggressive financing terms, low interest rates, and capital availability have benefited sellers that are achieving record earnings post-recession. Middle market deal volumes (Enterprise Value between \$10 million and \$500 million) increased 20.8% in Q3 '13 from Q2 '13 and were 6.4% higher than Q3 '12 levels. Total deal volumes (all transaction sizes) were flat in Q3 '13 from Q2 '13 but 10.5% higher than the same quarter the previous year. Middle market LBO debt volumes increased 41% in Q3 '13 with the continued growth in M&A activity. Purchase price multiples dipped somewhat with an average deal multiple in Q3 '13 of 6.5x (Enterprise Value to EBITDA) compared to 7.3x in Q2 '13.



Source: Capital IQ and Angle Advisors Market Analysis

Debt in Leverage Buy-Out Transactions (LBO)

With the rise in Q3 '13 deal volumes, middle market LBO new issue volume experienced meaningful gains after two lackluster quarters to start the year. LBO loan volumes in Q3 '13 totaled \$1.0 billion compared to \$0.68 billion in Q2 '13 and \$0.63 billion in Q1 '13. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to-EBITDA averaged 5.4x for Q3 '13 and 5.3x for all of 2013. Current leverage ratios are just about a full turn of EBITDA higher than the 2012 average of 4.5x. Senior debt multiples were 4.0x in Q3 '13 compared to the 2012 full year average of 3.5x. Aggressive lending terms and low interest rates are helping to fuel the growth in middle market M&A. One example is second lien debt volume, which has grown dramatically in 2013 at the expense of subordinated debt volumes. Average equity contributions for middle market LBO loans were 43.9% in Q3 '13 versus 41.2% for all of 2012.



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

DEBT PRICING

	Senior	Second Lein	Subdebt	Minority Equity
Nov. '13	L + 3.5%-4.5%	L + 9%-12%	12%-15%	25%-35%
Nov. '12	L + 3.0%-4.5%	L + 9%-11%	14%-17%	25%-305%

L = Libor

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

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