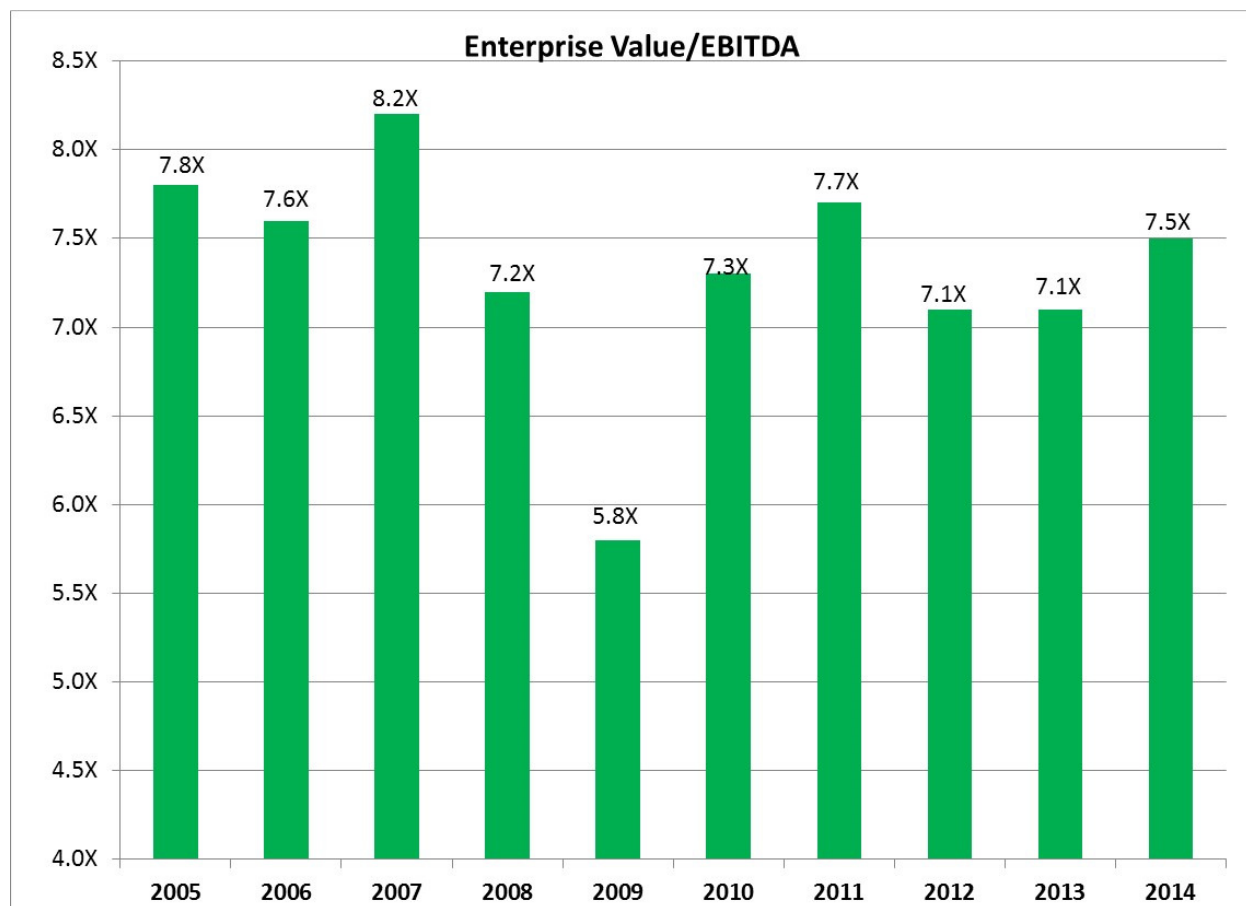


## 2014 Middle Market M&A Overview

### Market Overview

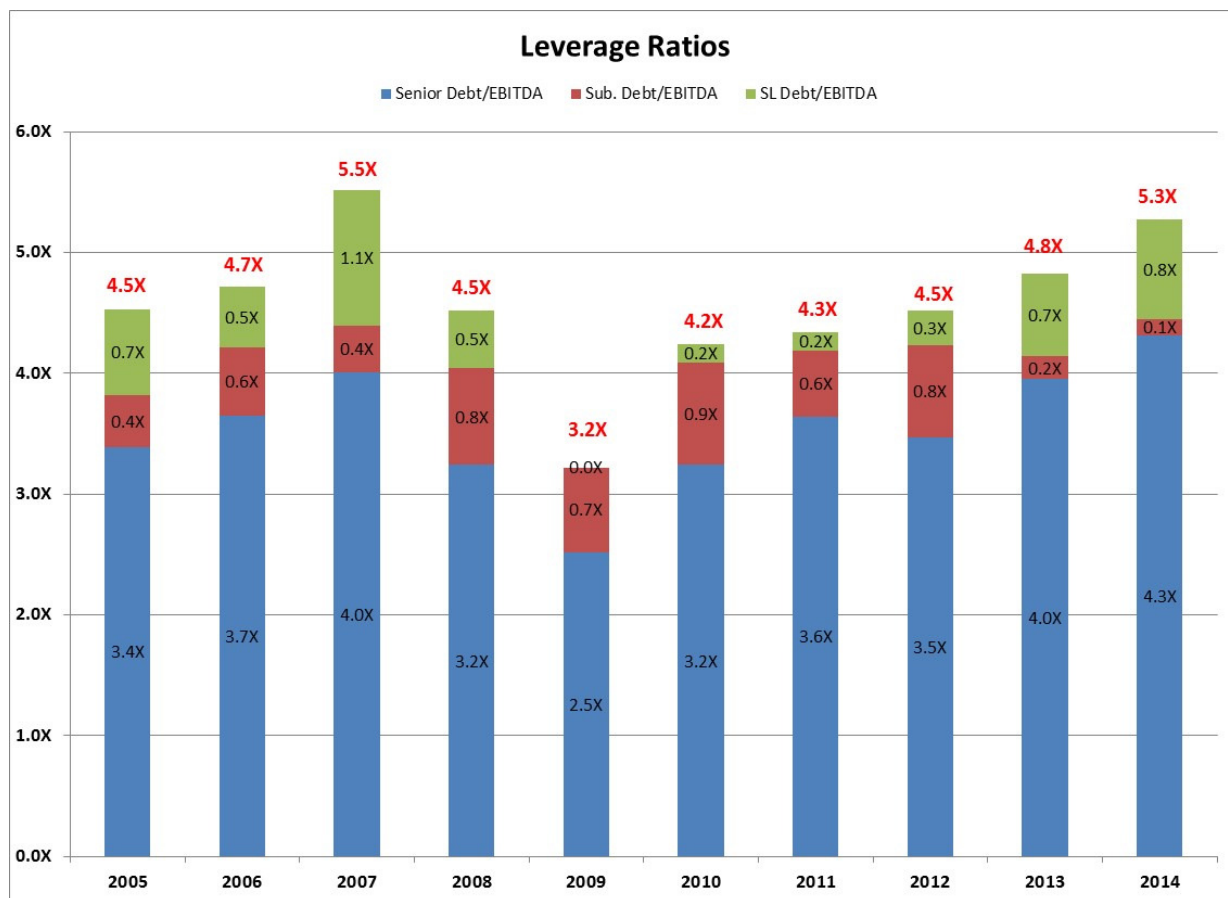
Middle market deal activity continued its strong run in Q4 '14 supported by record corporate earnings and solid underlying fundamentals with low interest rates and favorable debt financing terms. Q4 middle market deal volumes (Enterprise Value between \$10 million and \$500 million) remained even with Q3 levels that had increased 30.6% from Q2 '14. Year-over-year, Q4 '14 middle market deal volumes increased 18.3% and total M&A deal activity involving all transaction sizes was up 7.5% from 2013 levels. Purchase price multiples increased in 2014 with an average deal multiple of 7.5x (Enterprise Value to EBITDA) for the full year compared to 7.1x for all of 2013. Multiples are expected to remain elevated as the competitiveness of the M&A market increases driven by strategic buyers flush with cash and financial sponsors pressured to put committed funds to work in a more timely manner.



Source: Capital IQ and Angle Advisors Market Analysis

## Debt in Leverage Buy-Out Transactions (LBO)

Q4 '14 middle market LBO new issue volumes increased 20.3% supporting the continuing growth in deal activity during 2014. LBO loan volumes in Q4 '14 totaled \$1.8 billion compared to \$1.5 billion in Q3 '14 and \$1.6 billion in Q2 '14. According to S&P, for companies with EBITDA of \$50 million or less, total debt-to-EBITDA averaged 5.3x for 2014 versus 4.8x for all of 2013. Senior debt multiples in 2014 averaged 4.2x (excluding Other Senior Debt) compared to 4.0x for all of 2013. Second lien debt reached 0.8x in 2014 versus 0.7x for 2013. With more aggressive leverage ratios, new equity ratios have started to slide from levels in previous years. Average equity contributions for middle market LBO loans were 41.0% in Q4 '14 versus 43.2% for all of 2014 and 45.6% in 2013.



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

DEBT PRICING				
	Senior	Second Lein	Subdebt	Minority Equity
Feb. '15	L + 3.0%-4.0%	L + 8%-11%	12%-14%	25%-35%
Feb. '14	L + 3.5%-4.5%	L + 9%-12%	12%-15%	30%-35%

L = Libor

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

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