

# THE MARKET

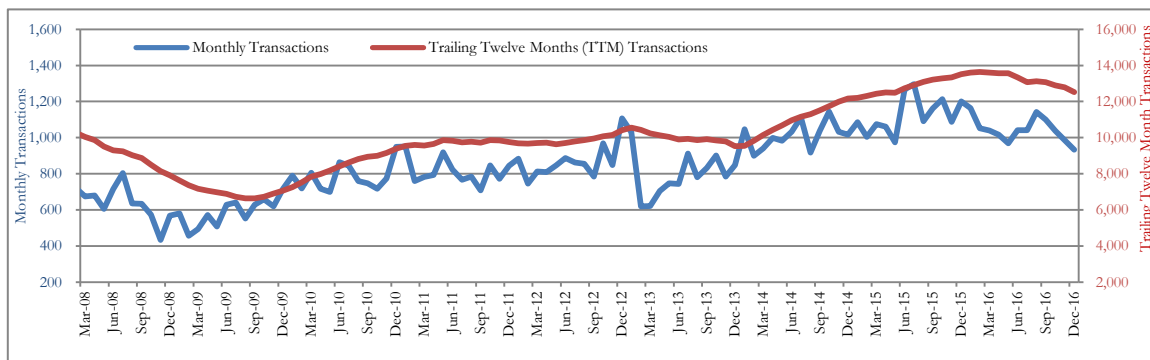
## FOR PRIVATELY HELD COMPANIES

WATERVIEW INVESTMENT BANKING  
 M&A ADVISORY ♦ VALUATIONS ♦ CAPITAL SOURCING

### Topics Relevant to Middle Market Mergers & Acquisitions

**Q4 2016** - Monthly transaction volume, as evidenced by blue line in the chart below, moderated a bit during 2016. Overall transaction volume (including public and private companies of all sizes) for the trailing 12 months ended December 31, 2016 decreased 9.7 percent when compared to the same period in 2015.

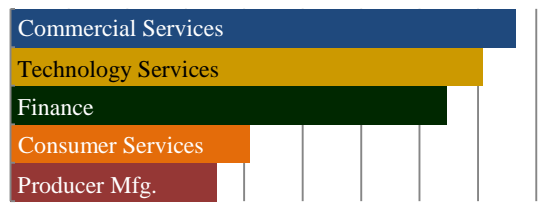
#### M&A Transaction Volume



Total Announced Transactions, U.S. Buyer or Seller | Source: FactSet Mergerstat

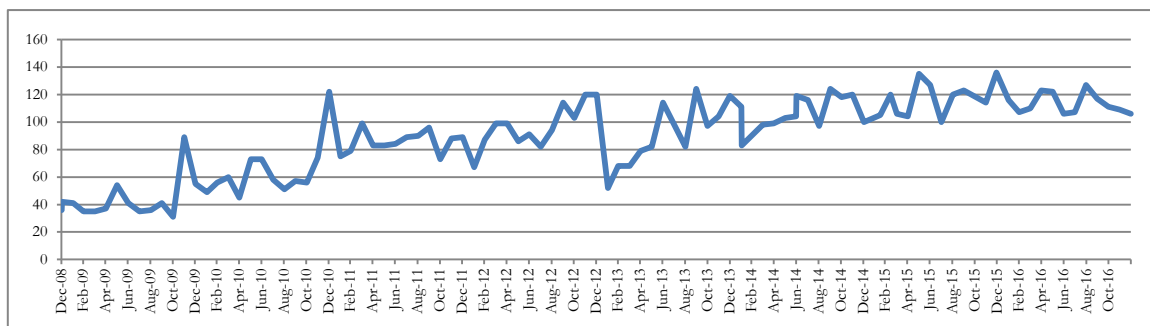
#### Which Sectors are Most Active?

The chart to the right reveals the five most active sectors in terms of transactions closed for the three months ended December 31, 2016. In addition to those listed in the chart, the following sectors also exhibited high transaction volume: Industrial Services, Distribution, Health Services, Process Industries, and Retail Trade, and Electronic Technology.



Total Announced Transactions, U.S. Buyer or Seller | Source: FactSet Mergerstat

#### Private Equity Activity - Number of Transactions by Month



Total Announced Private Equity Transactions, U.S. Buyer or Seller | Source: FactSet Mergerstat

**Waterview is a Financial Advisory Services firm focused on Investment Banking and Valuation Services**

- Waterview Investment Banking serves client companies with revenue between \$10 million and \$200 million:
  - Sell Side Representation (marketing to both strategic and financial buyers)
  - Capital Sourcing (senior debt, mezzanine and equity)
  - Valuation (to support exit planning strategies)

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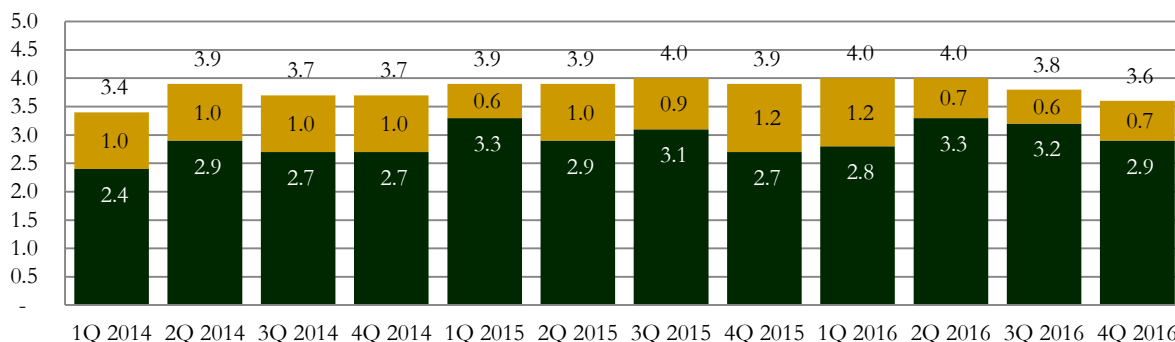
#### Average Multiples Paid TEV / EBITDA Private Equity Sponsored M&A Transactions

TEV (\$Millions)	2003-2011	2012	2013	2014	2015	2016	Std Dev	Average	N =
10-25	5.6	5.8	6.0	5.6	5.8	6.0	1.6	5.7	1,015
25-50	6.2	6.2	6.8	6.6	6.6	6.4	1.6	6.3	764
50-100	6.8	6.7	6.8	8.4	7.8	7.3	1.7	7.0	525
100-250	7.3	7.4	7.5	7.8	9.0	9.0	1.9	7.8	248
<b>Average</b>	<b>6.2</b>	<b>6.3</b>	<b>6.5</b>	<b>6.7</b>	<b>6.7</b>	<b>6.9</b>	<b>1.8</b>	<b>6.4</b>	
<b>N =</b>	<b>1,484</b>	<b>247</b>	<b>162</b>	<b>215</b>	<b>235</b>	<b>209</b>			<b>2,552</b>

Source: GF Data® M&A Report, February 2017. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

#### Average Debt Multiples Private Equity Sponsored M&A Transactions

■ Senior Debt  
■ Subordinate Debt



Source: GF Data® Leverage Report, February 2017. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

#### Senior Debt Pricing / EBITDA Splits by Period

TEV (\$Millions)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
10-25	4.7%	4.9%	4.2%	4.6%	4.4%	5.0%	5.2%	4.1%
25-50	5.0%	4.6%	4.5%	5.1%	4.9%	4.8%	4.4%	4.4%
50-100	4.9%	4.4%	4.2%	4.8%	4.7%	5.3%	6.0%	4.4%
100-250	5.6%	4.9%	3.7%	4.8%	5.3%	5.8%	5.3%	6.5%
<b>Total</b>	<b>4.9%</b>	<b>4.7%</b>	<b>4.3%</b>	<b>4.8%</b>	<b>4.7%</b>	<b>5.2%</b>	<b>5.4%</b>	<b>4.7%</b>
<b>N =</b>	<b>48</b>	<b>44</b>	<b>36</b>	<b>47</b>	<b>39</b>	<b>59</b>	<b>20</b>	<b>36</b>

90-Day LIBOR	0.3%	0.3%	0.3%	0.6%	0.6%	0.6%	0.8%	1.0%
Spread vs. LIBOR	4.6%	4.4%	4.0%	4.2%	4.1%	4.5%	4.5%	3.7%

Source: GF Data® Leverage Report, February 2017. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

#### Subordinated Debt Average Coupons & Spreads

TEV (\$Millions)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
10-25	11.5%	11.3%	11.4%	11.8%	11.9%	11.4%	12.1%	11.6%
25-50	11.4%	10.9%	12.0%	11.7%	11.6%	12.1%	11.0%	11.3%
50-100	11.2%	10.8%	10.8%	11.8%	11.2%	11.5%	12.0%	10.4%
100-250	11.2%	11.3%	11.2%	10.5%	10.0%	11.0%	10.3%	10.7%
<b>Total</b>	<b>11.4%</b>	<b>11.1%</b>	<b>11.5%</b>	<b>11.6%</b>	<b>11.4%</b>	<b>11.6%</b>	<b>11.8%</b>	<b>11.0%</b>
<b>N =</b>	<b>27</b>	<b>27</b>	<b>23</b>	<b>32</b>	<b>29</b>	<b>36</b>	<b>17</b>	<b>24</b>

90-Day LIBOR	0.3%	0.3%	0.3%	0.6%	0.6%	0.6%	0.8%	1.0%
Spread vs. LIBOR	11.1%	10.8%	11.2%	11.0%	10.7%	10.9%	10.9%	10.0%

Source: GF Data® Leverage Report, February 2017. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer