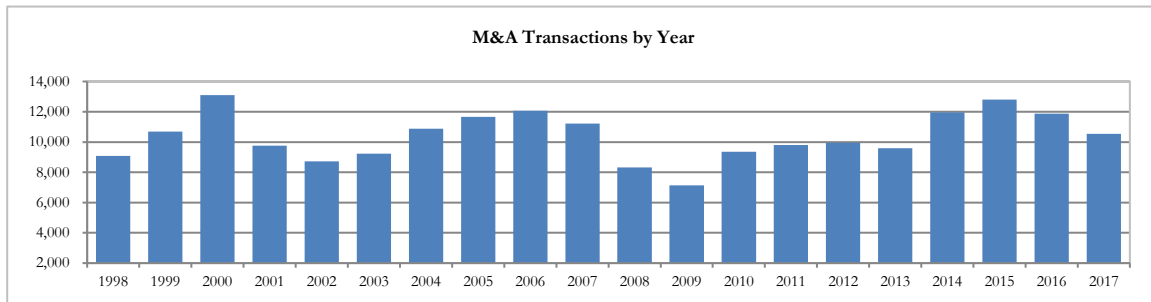


# THE MARKET

## FOR PRIVATELY HELD COMPANIES

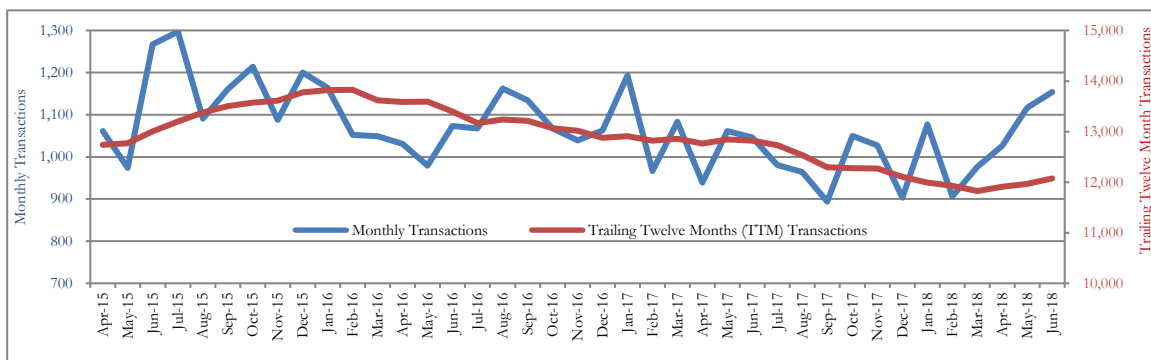
### Topics Relevant to Middle Market Mergers & Acquisitions



Total Announced Transactions, U.S. Buyer or Seller | Source: Mergerstat Review 2018

Q2 2018 - Monthly transaction volume, as evidenced by the blue line in the chart below, has been slowing since 2015 and continued to soften during 2017. Overall transaction volume (including public and private companies of all sizes) for the trailing twelve months ended June 30, 2018 decreased 6.2 percent when compared to the same period in 2017.

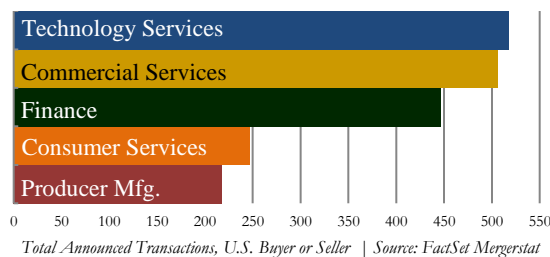
#### Monthly M&A Transaction Volume



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 June 30, 2018. In addition to those listed in the chart, the following sectors also exhibited high transaction volume: Health Services, Distribution Services, Non-Energy Materials, Process Industries, and Health Technology.



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

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

Q2 2018

# THE MARKET

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### Topics Relevant to Middle Market Mergers & Acquisitions

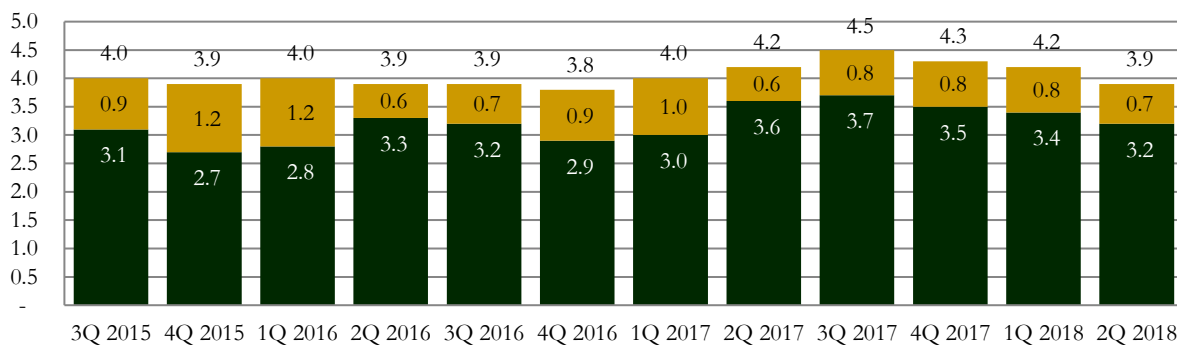
#### Valuation Multiples TEV / EBITDA Private Equity Sponsored M&A Transactions

TEV (\$Millions)	2003-2013	2014	2015	2016	2017	1H 2018	Average	Std Dev	N =
10-25	5.5	5.5	5.8	5.8	6.4	5.9	5.6	1.6	1,183
25-50	6.1	6.4	6.6	6.4	6.6	6.6	6.3	1.7	861
50-100	6.7	7.6	7.8	7.3	8.2	9.1	7.1	1.8	594
100-250	7.2	7.5	9.0	8.9	9.2	8.5	7.9	2.1	296
<b>Average</b>	<b>6.1</b>	<b>6.4</b>	<b>6.7</b>	<b>6.8</b>	<b>7.3</b>	<b>7.0</b>	<b>6.3</b>	<b>1.9</b>	
<b>N =</b>	<b>1,897</b>	<b>213</b>	<b>242</b>	<b>228</b>	<b>244</b>	<b>110</b>			<b>2,934</b>

Source: GF Data® M&A Report, August 2018. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

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

Subordinated Debt  
Senior Debt



Source: GF Data® Leverage Report, August 2018. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

#### Senior Debt Pricing

TEV (\$Millions)	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
10-25	4.8%	4.5%	4.9%	4.9%	5.8%	5.5%	5.9%	5.5%
25-50	4.4%	4.4%	5.5%	5.4%	5.2%	5.5%	5.0%	5.9%
50-100	6.0%	4.6%	5.5%	6.3%	5.6%	6.0%	5.1%	7.0%
100-250	4.6%	6.5%	5.0%	6.8%	6.0%	5.4%	4.5%	6.7%
<b>Total</b>	<b>5.0%</b>	<b>4.8%</b>	<b>5.3%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>5.6%</b>	<b>5.4%</b>	<b>6.1%</b>
<b>N =</b>	<b>22</b>	<b>42</b>	<b>51</b>	<b>35</b>	<b>36</b>	<b>42</b>	<b>44</b>	<b>32</b>

90-Day LIBOR	0.8%	1.0%	1.1%	1.3%	1.3%	1.7%	2.3%	2.3%
Spread vs. LIBOR	4.1%	3.8%	4.1%	4.4%	4.3%	3.9%	3.1%	3.8%

Source: GF Data® Leverage Report, August 2018. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

#### Subordinated Debt Average Coupons & Spreads

TEV (\$Millions)	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
10-25	12.2%	12.1%	11.8%	13.3%	11.8%	11.4%	11.4%	11.5%
25-50	11.0%	11.1%	11.1%	11.2%	11.1%	11.7%	11.1%	11.0%
50-100	12.0%	10.6%	11.2%	11.4%	10.8%	11.4%	9.5%	11.3%
100-250	10.4%	10.7%	NA	11.0%	10.2%	10.6%	9.6%	11.5%
<b>Total</b>	<b>11.7%</b>	<b>11.2%</b>	<b>11.3%</b>	<b>11.8%</b>	<b>11.0%</b>	<b>11.3%</b>	<b>10.8%</b>	<b>11.3%</b>
<b>N =</b>	<b>20</b>	<b>30</b>	<b>27</b>	<b>20</b>	<b>20</b>	<b>30</b>	<b>28</b>	<b>16</b>

90-Day LIBOR	0.8%	1.0%	1.1%	1.3%	1.3%	1.7%	2.3%	2.3%
Spread vs. LIBOR	10.9%	10.2%	10.2%	10.5%	9.7%	9.6%	8.5%	8.9

Source: GF Data® Leverage Report, August 2018. Seller Type: Private | Multiple Range: 3x - 15x | Geography: U.S. or Canadian Buyer

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