

Middle Market Update

WESTERN RESERVE

PARTNERS LLC

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Third Quarter | 2016

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The Robbins Company Merges with China's Northern Heavy Industries

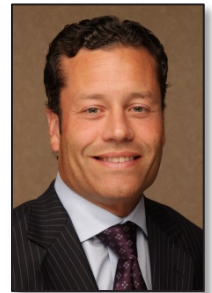
Western Reserve Partners LLC provides M&A, capital raising and other financial advisory services to middle market companies across a focused set of industry verticals. We deliver thoughtful advice, keen market insight and superior execution to our clients, both nationally and internationally, and our managing directors average nearly 30 years of experience and have directly executed more than 600 transactions throughout their careers.

Western Reserve Partners is a member of Oaklins, the world's most experienced mid-market M&A advisory organization, which provides unparalleled access to global companies and investors. The firm is a FINRA-member broker / dealer and member of SIPC.

Oaklins

Sell-Side M&A Observations

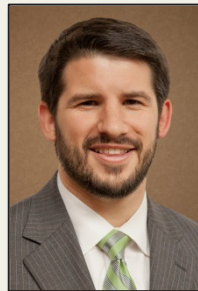
- The M&A market continues to favor sellers through Q3 2016. Multiples remain high, particularly for better performing companies, and purchase agreement terms and conditions continue to favor sellers.
- This "seller friendly" environment will continue as long as the demand to acquire quality companies exceeds the supply of such acquisition opportunities.
- Given record level of cash balances on corporate balance sheets and the never ending pressure of private equity groups to deploy capital, we don't expect this trend to change any time soon.
- Western Reserve's transaction activity reflects a marked increase in the desire by privately-held/entrepreneurial/family-owned companies to seek liquidity. However there remains a massive overhang of privately-held companies, owned by aging baby boomers, yet to be sold. This "overhang" could be the answer to the supply/demand issue noted above.



David Dunstan
President

Buy-Side M&A Observations

- Valuations and multiples remain high for class A companies due to the persistent supply and demand imbalance, although we have heard anecdotes from buyers that seller expectations are becoming more reasonable.
- Even with the recent federal funds rate increase, rates remain very low and financing sources are eager to provide capital for acquisitions.
- Good deals remain difficult to find, but those buyers with the right strategy and approach are finding success even in this competitive market.
- Despite the highly competitive environment for acquisitions, Western Reserve has consummated several buy-side transactions, further evidencing the benefits of implementing a proper buy-side strategy.



David Mariano
Director

Capital Raising Observations

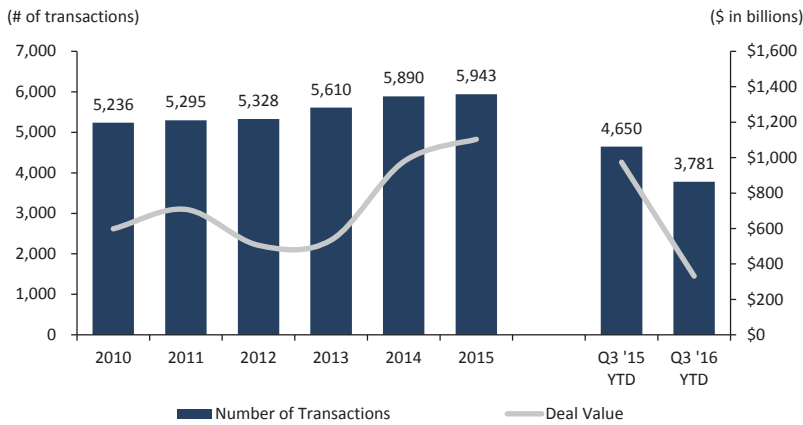
2017 – A Rising Tide?

- The Federal Reserve Bank raised interest rates for the first time in nearly a year in mid-December given increased confidence in the U.S. economy.
- The economy is expected to strengthen with President-Elect Trump's stated tax reform and planned infrastructure spending, which will likely result in 2-3 more increases in 2017.
- Interest rates are still near record lows, which should not deter most companies from continuing to invest in their businesses in the near-term.
- The lending universe remains competitive as there is still a lack of quality companies in the market, which will likely fuel a strong M&A market in 2017.



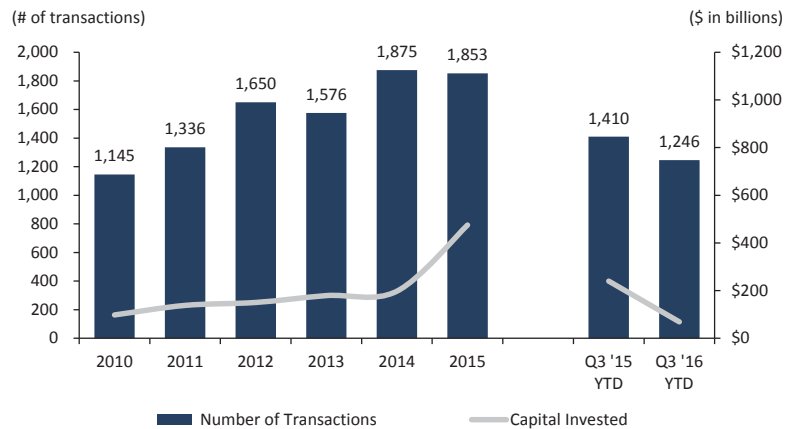
Rebecca White
Director

Strategic M&A Activity



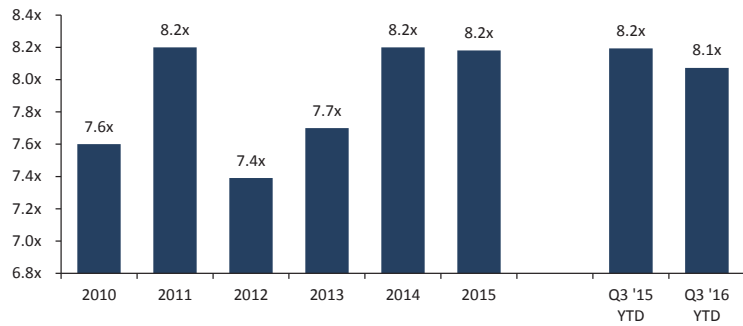
Source: Thomson Financial

Financial Sponsor M&A Activity



Source: Thomson Financial

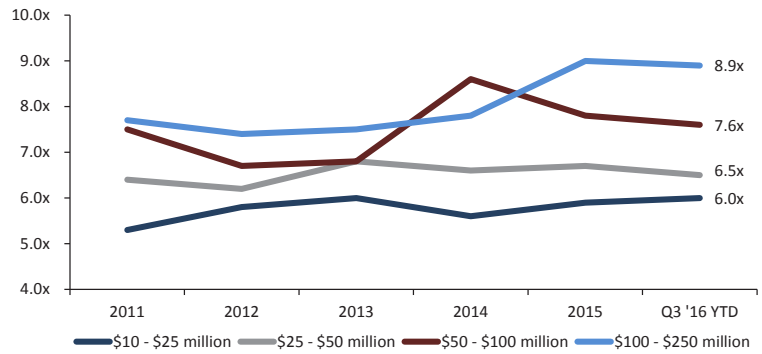
Strategic Middle Market EV / EBITDA Multiples



Source: Standard & Poor's

* Middle Market = transaction value between \$25 and \$250 million

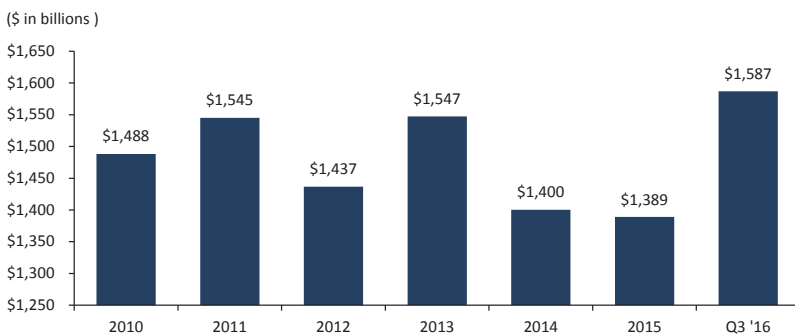
Financial Sponsor Middle Market EV / EBITDA Multiples



Source: GF Data™

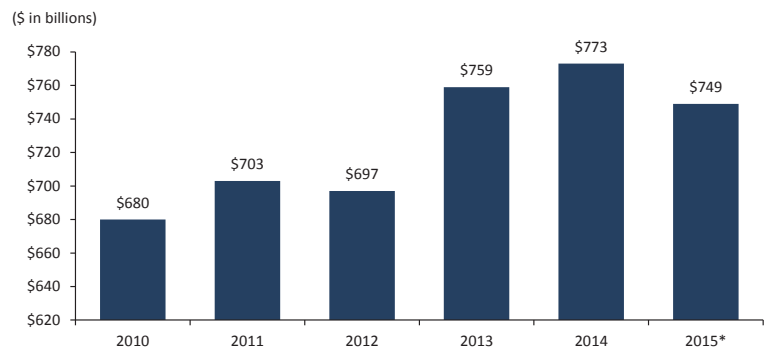
*Middle Market = transaction enterprise value between \$10 and \$250 million

S&P 500 Cash Balances



Source: Standard & Poor's

Uninvested Private Equity Capital

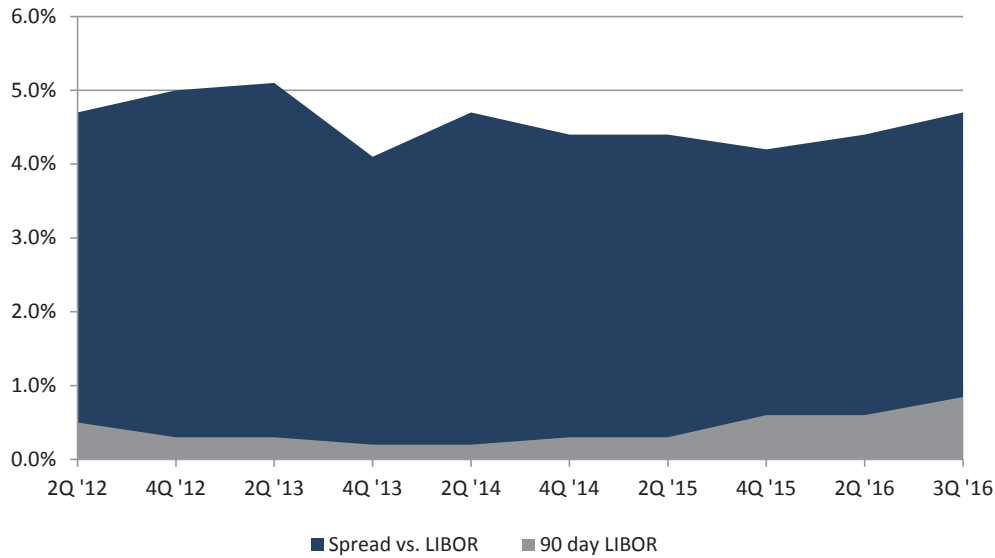


Source: Pitchbook

* As of December 31, 2015

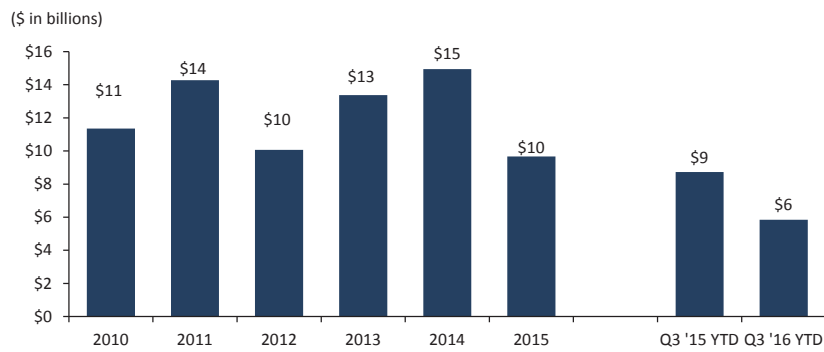


Senior Debt to LIBOR Spread



Source: GF Data™

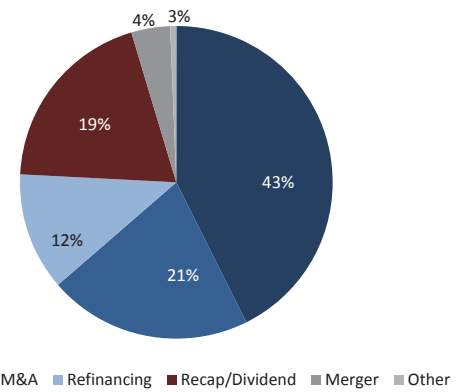
Middle Market Loan Issuance



Source: Standard & Poor's

* Middle Market= issuers with EBITDA of <\$50 million

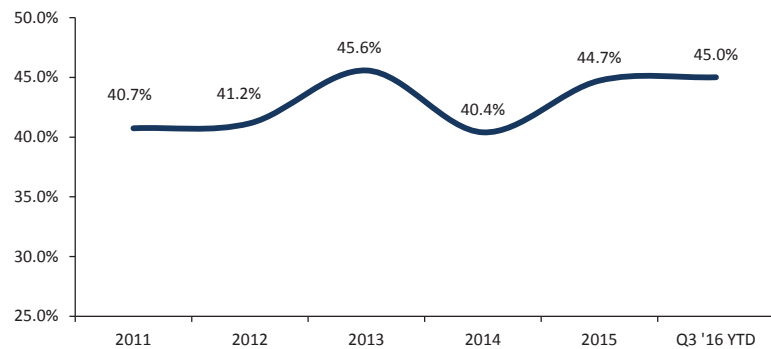
Middle Market Loan Issuance by Purpose (Q3'16)



Source: Standard & Poor's

* Middle Market= issuers with EBITDA of <\$50 million

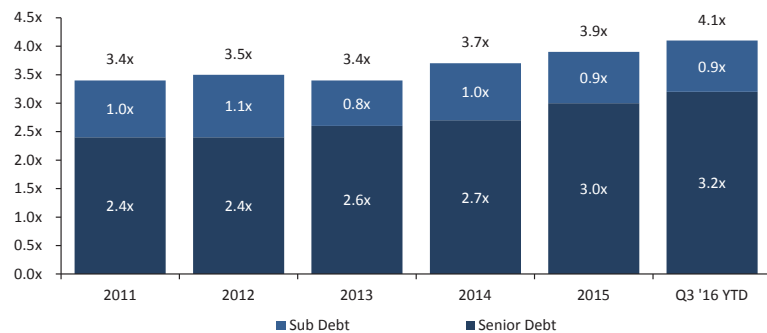
Middle Market LBO Equity Contributions



Source: Standard & Poor's

* Middle Market= issuers with EBITDA of <\$50 million

Middle Market Debt Multiples



Source: GF Data™

* Middle Market= transaction enterprise value between \$10 and \$250 million



Robbins

has merged with

NHI
北方重工

The undersigned acted as exclusive financial advisor to The Robbins Company in this transaction

WESTERN RESERVE
PARTNERS LLC

Transaction Overview

Western Reserve served as financial advisor to The Robbins Company in their merger with China's Northern Heavy Industries Group Co., Ltd. ("NHI"). Western Reserve provided strategic advisory services to Robbins led by Managing Director Mark Filippell, Managing Partner Ralph Della Ratta, Director Rebecca White and Analyst Tommy Wyza. Oaklin's Chinese (Quam Capital) and German members, provided strategic support and cross border expertise throughout the transaction.

Headquartered in Solon, Ohio, The Robbins Company is the world's foremost developer and manufacturer of large diameter hard-rock tunnel boring machines (TBMs). The Company also designs and manufactures continuously extending conveyors for use behind TBMs. Robbins sells its TBMs worldwide for large highway, railroad, hydroelectric and utility tunnels. The Chunnel connecting England and France was excavated using Robbins TBMs.

Robbins President Lok Home said, "The Western Reserve team, working with their Oaklins affiliates, were outstanding advisors for the Robbins Company in this merger. Their industry expertise and ability to operate effectively in China enabled us to close a very successful deal. We could not be more pleased with the outcome and the services provided by Western Reserve."

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