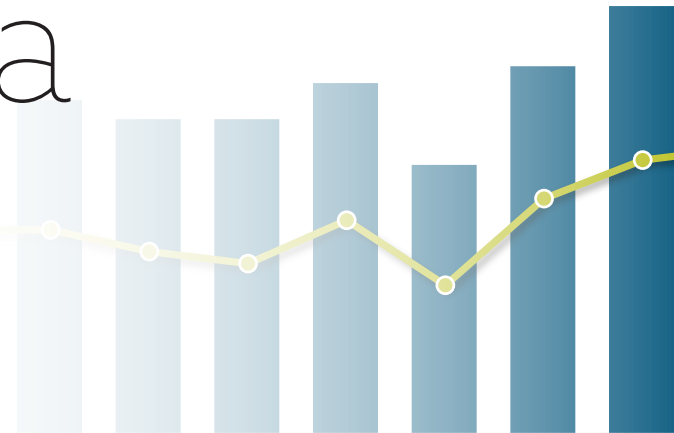


Market Data Trends and Highlights



Completed transaction activity picked up in the fourth quarter, after a notably fallow 3Q. Data from over 200 private equity groups and other deal sponsors reported 62 completed 4Q transactions of \$10-250 million TEV and TEV/Adjusted EBITDA multiples of 3-15x. This is markedly ahead of 39 closed deals in 3Q, and nearly on par with 65 in the fourth quarter of 2014.

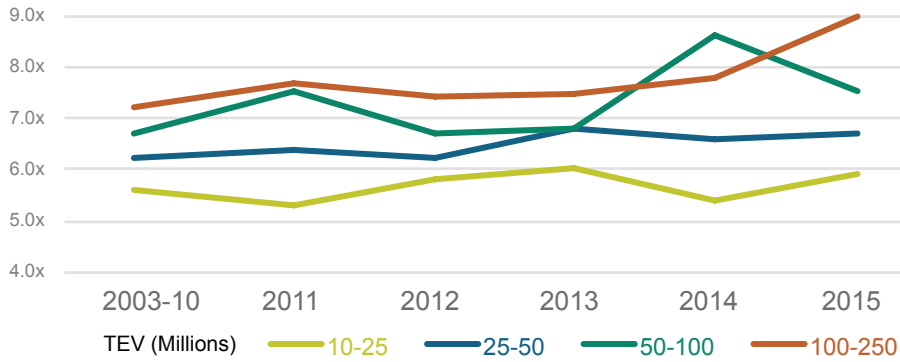
ALL TRANSACTIONS	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15	4Q15
# of Deals	41	53	50	64	63	51	37	62
TEV/EBITDA	6.4x	6.6x	6.7x	7.0x	7.0x	6.4x	7.1x	6.5x
Total Debt/EBITDA	3.6x	4.0x	3.7x	3.7x	4.0x	4.0x	4.1x	3.8x
Senior Debt/EBITDA	2.4x	2.9x	2.7x	2.7x	3.3x	2.9x	3.2x	2.6x

◀ While deal volume increased in the fourth quarter, the average valuation dipped to 6.5x.

Annual data has a way of smoothing out blips in the interim periods. In the end, 2015 looked a lot like 2014. Completed deal volume: 218 in 2015 compared to 211 in '14. Overall valuation multiples: 6.7x in both years. However, a closer look at the data reveals a number of shifts that may or may not be signs of age in this "seller's market"...

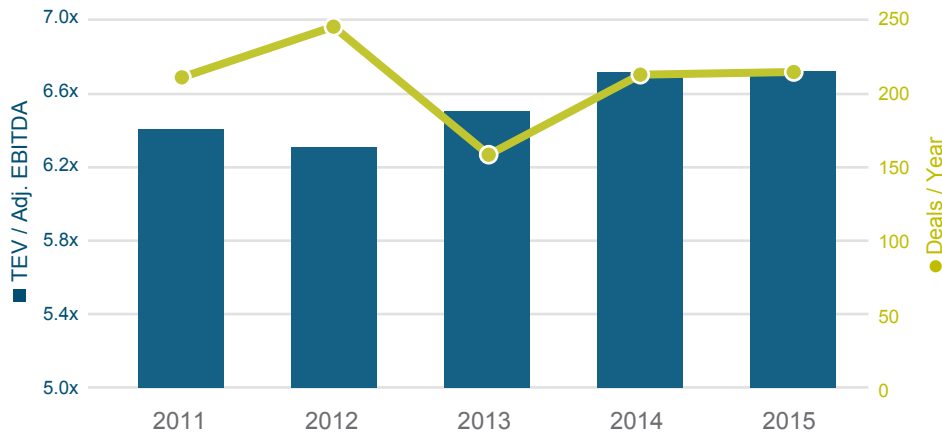
- **Valuations strengthened in the largest and the smallest TEV tiers.** At \$100-250 million, average TEV/TTM Adjusted EBITDA jumped from 7.8x to 9.0x. In the \$10-25 million TEV grouping, the average rose from 5.4x to 5.9x.
- **The "quality premium"—the reward in valuation applied to selling businesses with above-average EBITDA margins and sales growth rates—has never been greater.** Firms offering these characteristics were valued in buyout transactions at an average of 7.4x in 2015. Other buyout targets traded at an average of 6.0x. This 23 percent premium dwarfs the historical spread of six percent.
- **Record valuations on larger deals were accompanied by unprecedented levels of debt.** In the \$100-250 million tier, add-on investments were valued at an average of 11.1x, while new portfolio investments averaged 8.7x.
- **Debt utilization increasing markedly while valuations held essentially steady** meant that the average equity contribution required for sponsors to complete their deals fell for the second year. Average equity share in 2015 was 43.5%, down from 49.7% in 2013 and 46.7% in 2014.
- **In terms of deal volume, the fourth quarter of 2014 was followed by an anomaly.** Conventionally, completed transactions drop about 25 percent from the fourth quarter of one year to the first of the next. In 1Q 15, though, volume held steady. It will be interesting to see whether there is the same level of carry-over momentum in the first months of 2016.

TOTAL ENTERPRISE VALUE (TEV)/EBITDA

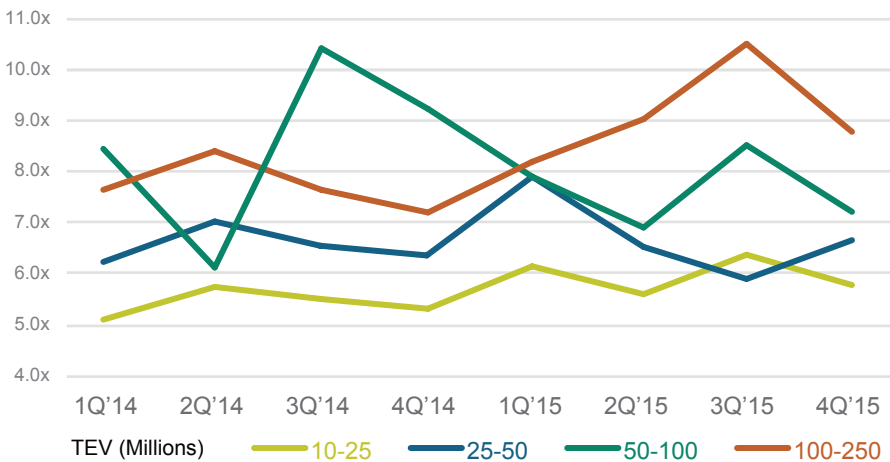


◀ 2015 deals in the \$100-250MM TEV range posted a sharp increase over 2014 deals.

AVERAGE MULTIPLES AND DEAL VOLUME



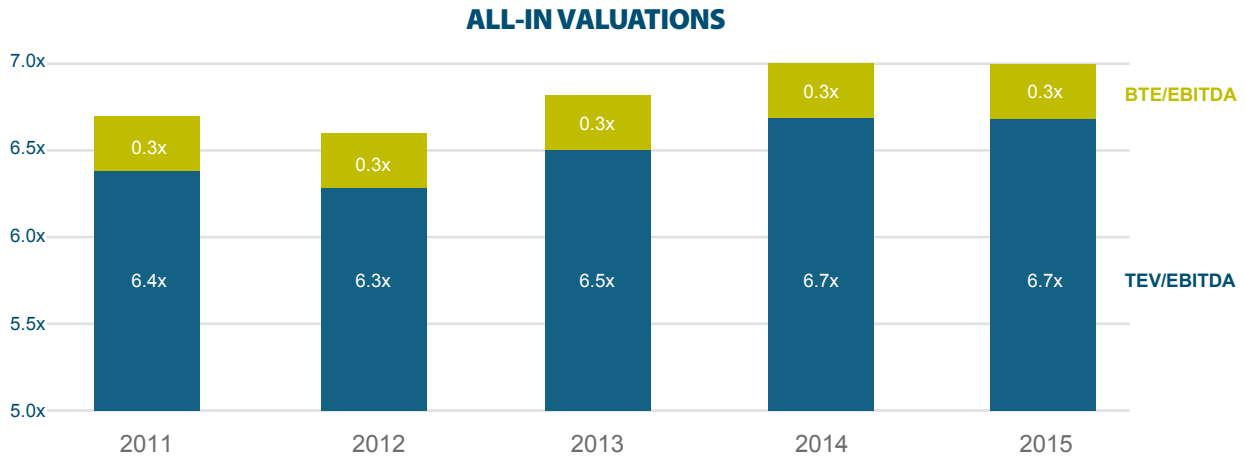
TEV/EBITDA — QUARTERLY SPLITS



Deals in the \$25-50MM range were the only category to post an increase from Q3 to Q4. All other categories were down.

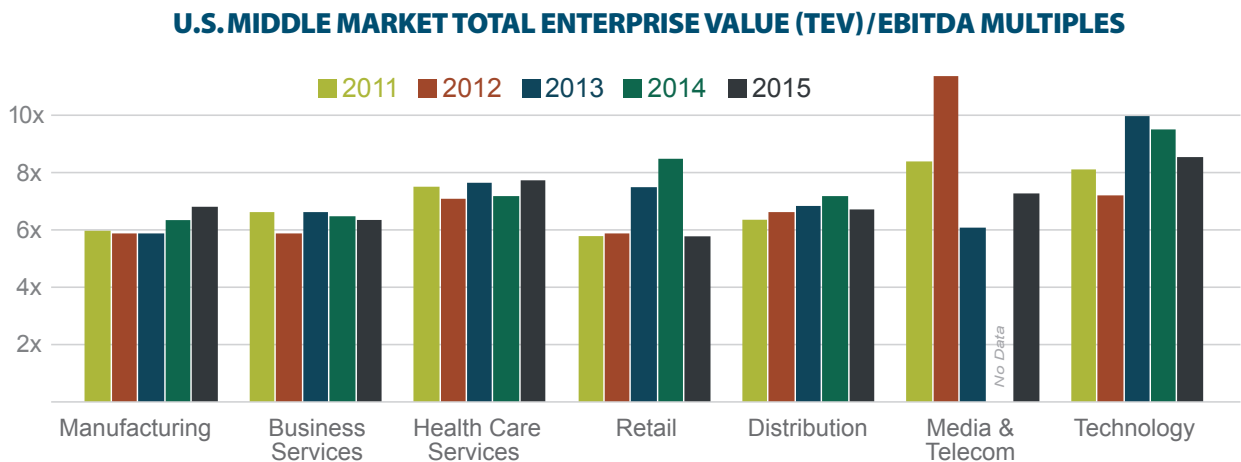
TEV/EBITDA—ALL INDUSTRIES BY EBITDA SIZE

EBITDA	2003-10	2011	2012	2013	2014	2015	TOTAL	N =
3-5	5.8	6.0	5.6	6.2	6.8	6.1	5.9	627
5-8	6.1	6.4	6.2	6.5	6.7	6.5	6.3	562
8-10	6.0	7.2	6.9	5.4	6.9	7.8	6.5	196
>10	6.2	6.7	6.3	6.7	7.2	7.4	6.5	473
TOTAL	6.0	6.4	6.1	6.3	6.8	6.7	6.2	
N =	1019	179	205	118	168	169		1858



Base valuations are presented net of buyer's expenses to produce multiples most useful as reference points for seller expectations. Expenses are then added in to generate "all-in" multiples relevant for buyers in weighing total deal costs against prevailing debt multiples.

Buyer's transaction expenses added an average of about .26x to the average transaction multiple in 2015. "All-in" multiples averaged 7.0x.



BUYOUTS—TRANSACTION TYPE

TEV	PLATFORMS				ADD-ONS			
	2012	2013	2014	2015	2012	2013	2014	2015
10-25	5.6	5.7	5.2	5.9	5.8	6.3	6.2	6.1
25-50	6.1	6.7	6.3	6.5	6.8	7.4	6.4	7.5
50-100	6.7	6.6	8.8	7.6	5.8	7.2	7.3	8.0
100-250	7.3	8.1	7.4	8.7	NA	NA	8.5	11.1
TOTAL	6.2	6.5	6.6	6.8	6.2	6.6	6.5	6.8
N =	167	106	138	155	37	22	35	41

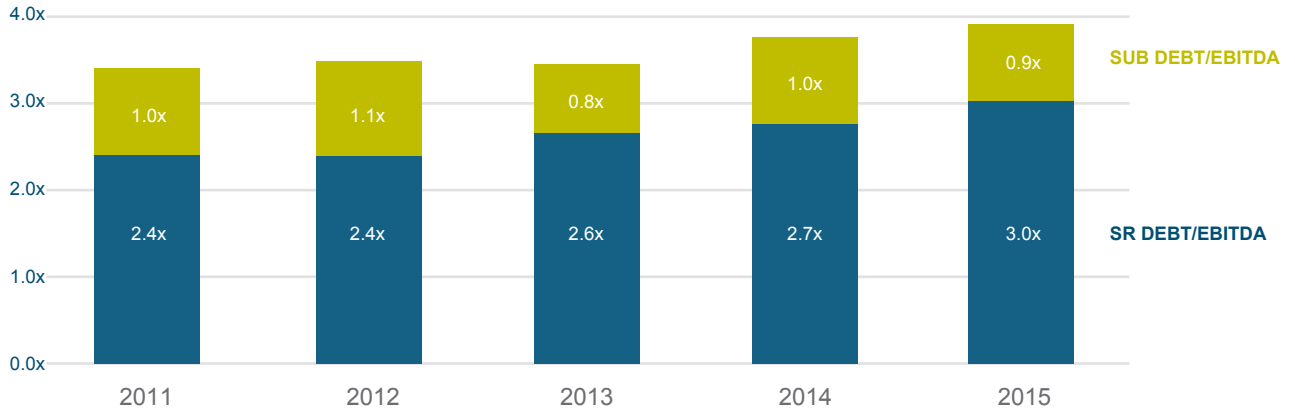
In this heated “seller’s market,” there are factors driving the valuation of stand-alone platforms and factors driving the valuation of add-on acquisitions.

Over the past year, platforms were generally valued at .2-3x more than add-ons. Over the past three years, though, this differential has narrowed.

Valuations are now about 6.8x for both groups. The overall marks for the two groups are equal notwithstanding higher values for add-ons in each TEV tied because of the greater concentration of add-ons in the two smaller brackets.

A big part of this story is the ability and willingness of financial buyers to use the debt capacity of current portfolio holdings to pay for acquisitions.

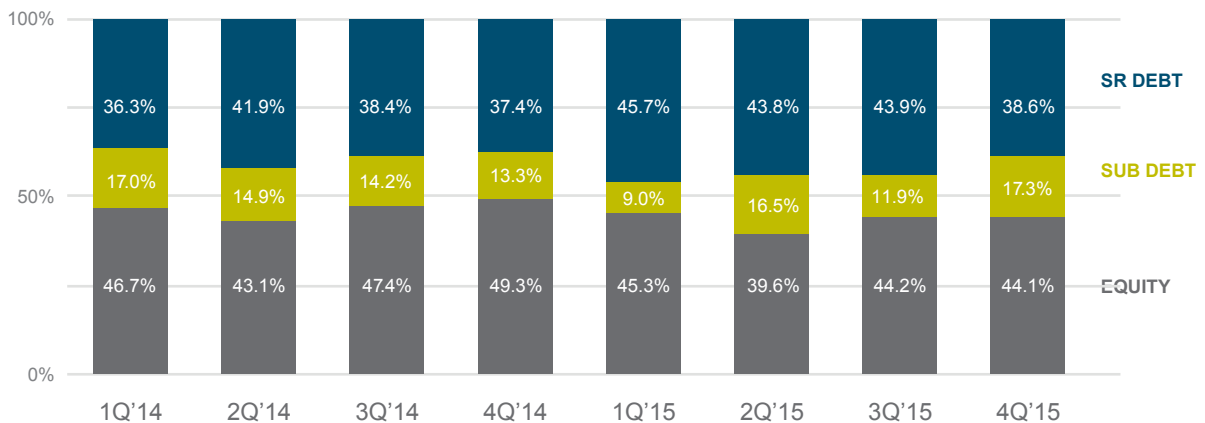
DEBT MULTIPLES



Total debt retreated slightly in 4Q to 3.8x. This is considered to be random rather than a sign of any retrenchment. Total debt on the year came in at 3.9x.

Senior debt averaged 2.6x, also slightly below the other quarterly splits. The average for the year was 3.0x.

EQUITY AND DEBT CONTRIBUTION BY QUARTER



Average equity contribution continued to decline from nearly 50 percent in 2013 to 43.5% in 2015. This is the inevitable by-product of an environment in which valuations have firmed up slightly while debt utilization has increased more markedly.

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