

Quarton International is a premier investment banking firm providing M&A, capital raising, and related advisory services to middle market companies in North America and Europe. Quarton International's principals have a combined track record of more than 500 transactions in 30 different countries.

Sectors of Focus

- Automotive & Diversified Industrial
- Consumer
- Retail & E-commerce
- Technology, Media & Telecommunication
- Real Estate
- Healthcare
- Business Services

Recent Transactions



Strong Seller's Market Softens A Bit

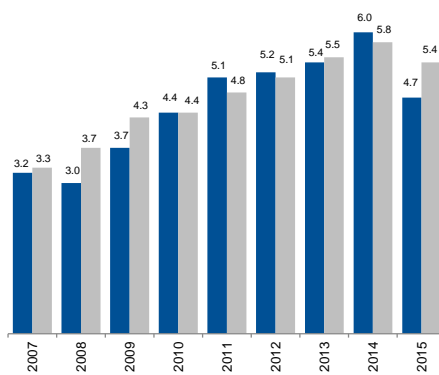
Purchase Price Multiples Moderate

The middle market remains active, however middle market M&A volume did decline in Q1 '16 by 17.0% from Q4 '15. Despite a slower start to the year, middle market M&A continues to generate healthy valuations. In Q1 '16 enterprise value/EBITDA multiples averaged 7.5x, a slight decline from the average multiple in 2015 at 8.2x. With healthy balance sheets and cash reserves, strategic buyers are seeking acquisition opportunities to increase revenue and supplement a lack of organic growth. Private equity firms are also active, increasingly turning to add-on acquisitions to build existing platforms, drive value and fuel growth.

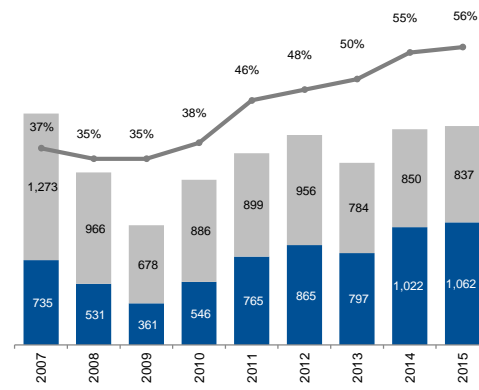
With volatility in the stock market, global geopolitical concerns, and uncertainty around the upcoming presidential election, many non-institutional, private business owners that have stayed on the sidelines are now seeking to capitalize on favorable conditions before the market shifts. As such, we believe middle market M&A volume will remain strong throughout the 2016 calendar year.

Private Equity: Longer Holds, Emphasis on Add-Ons

Private Equity Median Time to Exit (Years)



Private Equity Add-On vs. Platform Acquisitions



Source: PitchBook

Credit Markets: Guidelines Restrict Banks, BDCs Take Share

In response to leveraged lending guidelines issued by the Federal Reserve, OCC, and FDIC, traditional banks are carefully reviewing highly levered transactions (Senior Debt/EBITDA over 3.0x, Total Debt/EBITDA over 4.0x). Business Development Corporations ("BDCs") have stepped in as an alternative capital provider, gaining market share and growing considerably in recent years. In 2015, BDCs raised \$30.3 billion of funding, compared to \$0.7 billion in 2000. Leverage availability from both traditional banks and BDCs continues to support M&A activity.

Transaction Environment

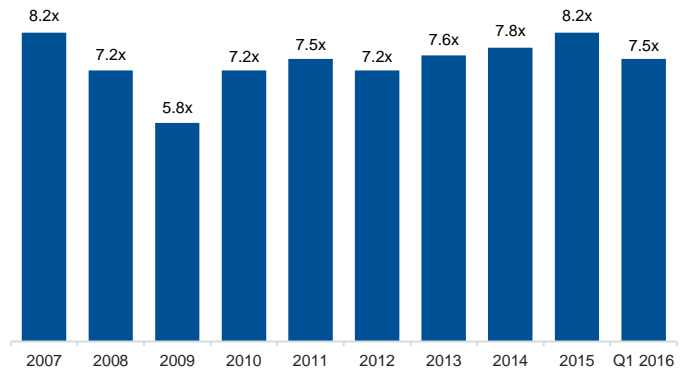
Deal Volume – Middle market disclosed transaction volume (enterprise value between \$10 million and \$250 million) declined 1.5% in Q1 '16 compared to the same period in 2015. While volume softened, underlying market fundamentals are sound. Financial buyers remain extremely active sellers, and private business owners are increasingly seeking exits as more than one third of U.S. business owners are over 55 years old. The inventory of unsold businesses should support higher deal volume for the remainder of the year.

Deal Value – Aggregate deal value of middle market transactions in Q1 '16 increased slightly for the third consecutive quarter but remains 8.3% below Q1 '15 levels. While deal activity in the upper middle market slowed considerably, the lower middle market remains extremely active. Q1 '16 saw the most capital invested in the lower middle market since the first quarter of 2008.

Transaction Multiples – Middle market enterprise value/EBITDA multiples declined from 8.2x in 2015 to 7.5x in Q1 '16. Lower multiples indicate a scarcity of high quality transactions, as well as the smaller size and scale of businesses on the market. Market conditions and competition for premium assets will drive transaction valuation multiples through the remainder of 2016.

Debt Financing Markets – The 10-year treasury yield hit a 4-year low in June, supporting low interest rates and high leverage availability. Lending conditions remained favorable through the first quarter with total debt/EBITDA multiples hitting a new high at 4.1x. Leverage multiples are near peak levels and credit availability is expected to remain favorable in the near-term.

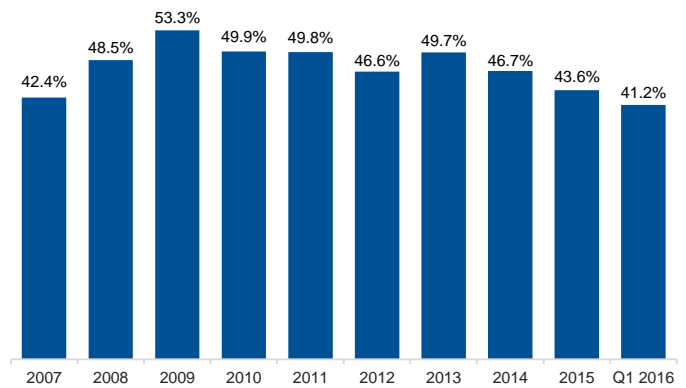
Middle Market Average TEV/EBITDA Transaction Multiples⁽¹⁾



(1) Transactions between \$10 and \$250 million with TEV/EBITDA multiples < 15x; excludes technology, media and telecom

Source: Quarton International Research and S&P Capital IQ

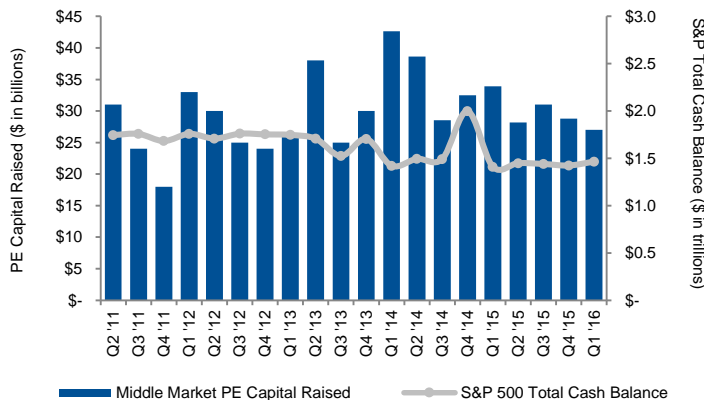
Average Equity Contribution of Middle Market Transactions⁽¹⁾



(1) Transactions with enterprise values of \$10 million to \$250 million

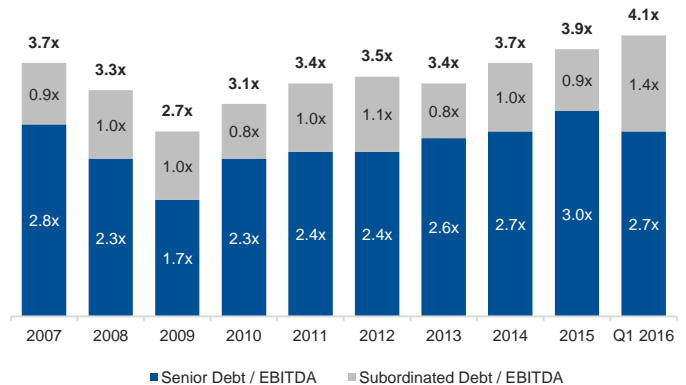
Source: GF Data

Strategic and Financial Capital Availability



Source: PitchBook and S&P Capital IQ

Average Credit Statistics of Middle Market Transactions⁽¹⁾



(1) Transactions with enterprise values of \$10 million to \$250 million

Source: GF Data



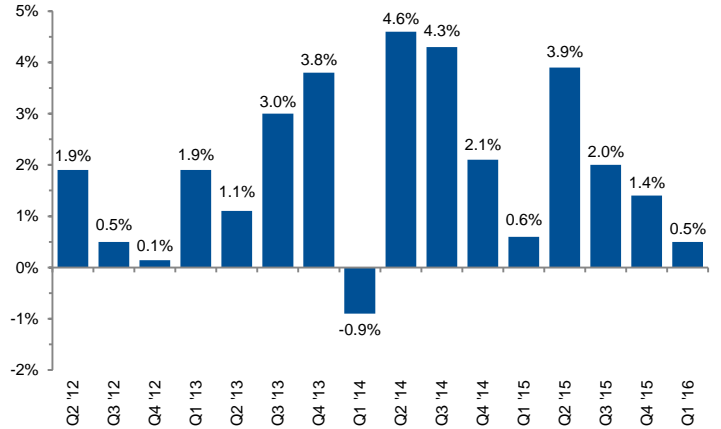
Economic Environment

Gross Domestic Product – Real gross domestic product increased by 0.5%. The slowdown in Q1 '16, relative to past three quarters, was primarily attributed to weak global financial conditions, market uncertainty, and the decline in oil prices. While the fall in oil prices resonated throughout the energy sector and economy, strong hiring in other industries and overall income gains are expected to drive consumer spending for the remainder of the year and propel continued economic growth.

Consumer Confidence – The Thomson Reuters/University of Michigan Surveys of Consumers reported that consumer confidence increased 6.4% from 89.0 in April to 94.7 in May. The rebound in sentiment was supported by macroeconomic factors and improved personal finances. Increased jobs, higher incomes, and low inflation contributed to the positive economic tailwinds. Consumers are optimistic about inflation-adjusted income expectations and homeowners have reported gains in home values. However, uncertainty around economic policies under a new president is likely to temper consumer spending and increase precautionary saving in the coming months.

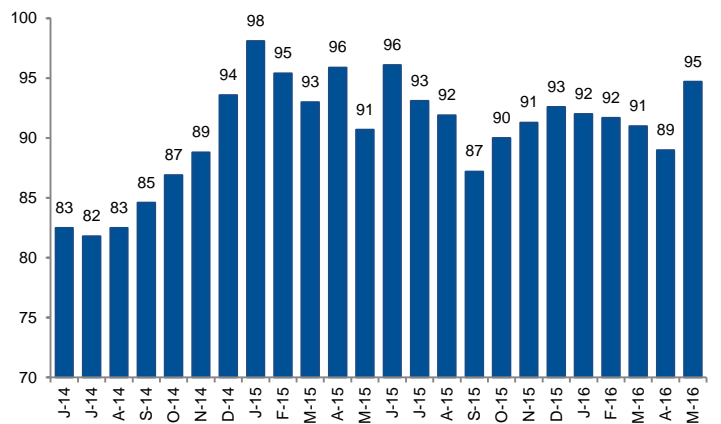
Employment – Nonfarm payroll employment rose by 38,000 jobs in May. The most significant increase came from the healthcare sector, which added 46,000 jobs in May and has contributed an aggregate 487,000 new jobs in 2016. Healthcare jobs increased in ambulatory services, hospitals, and nursing care facilities. Job growth was partially offset by losses in the mining and energy sectors, particularly oil and gas. The market is also grappling with a lack of participation in the workforce.

Change in Real Gross Domestic Product



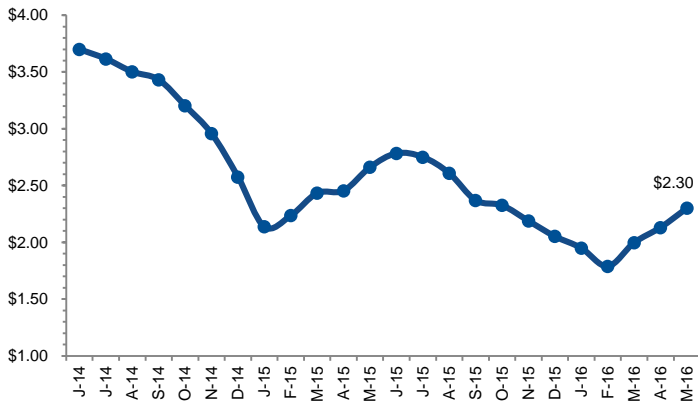
Source: Bureau of Economic Analysis

Consumer Confidence Index



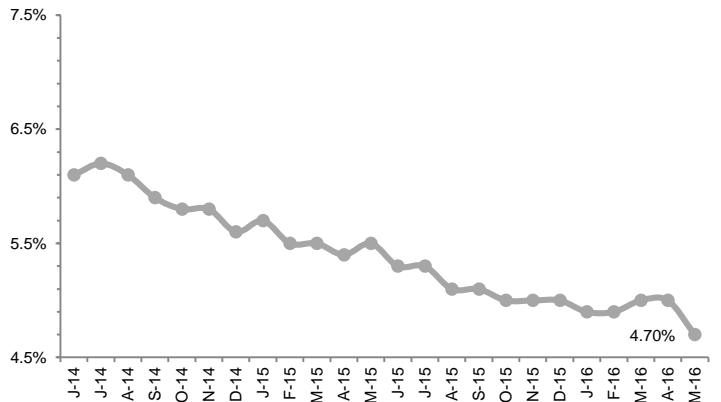
Source: Thomson Reuters/University of Michigan Surveys of Consumers

Average U.S. Conventional Retail Gasoline Prices



Source: U.S. Energy Information Administration














Unemployment Rate



Source: Bureau of Labor Statistics



Recent Transactions

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|---|---|---|--|
|  <p>ismet TRANSFORMATOREN</p> <p>has been acquired by</p>  <p>PHOENIX MECANO</p> <p>Customized Transformer and Inductor Manufacturer</p> |  <p>AUTO CREDIT EXPRESS Rebuilding America's Credit</p> <p>has been acquired by</p>  <p>ib Internet Brands</p> <p>Online Specialty Finance Lead Generation Provider</p> |  <p>m4e made for entertainment</p> <p>has obtained financing for the acquisition of co-production shares in</p>  <p>mia and me</p> <p>Media, and Entertainment Content Provider</p> | <p>SOUTHERN AIR & HEAT</p> <p>has been acquired by</p>  <p>MSOUTH EQUITY PARTNERS</p> <p>HVAC Service & Installation Service Provider</p> |
|  <p>Whitehall Industries</p> <p>has been acquired by</p>  <p>UACJ</p> <p>Structural Aluminum Components and Assemblies</p> |  <p>N3K NETWORK SYSTEMS</p> <p>has been acquired by</p>  <p>VR Equitypartner</p> <p>IT Service Provider</p> | <p>ALL-TEX PIPE & SUPPLY, INC. Since 1972</p> <p>has been acquired by</p>  <p>HAJOCA PLUMBING • HEATING • INDUSTRIAL SUPPLIES</p> <p>Pipe, Valves, and Fittings Distributor</p> | <p>interventional systems</p> <p>formed a joint venture with</p>  <p>Medtronic</p> <p>Medical Device Manufacturer</p> |

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