

Market Overview

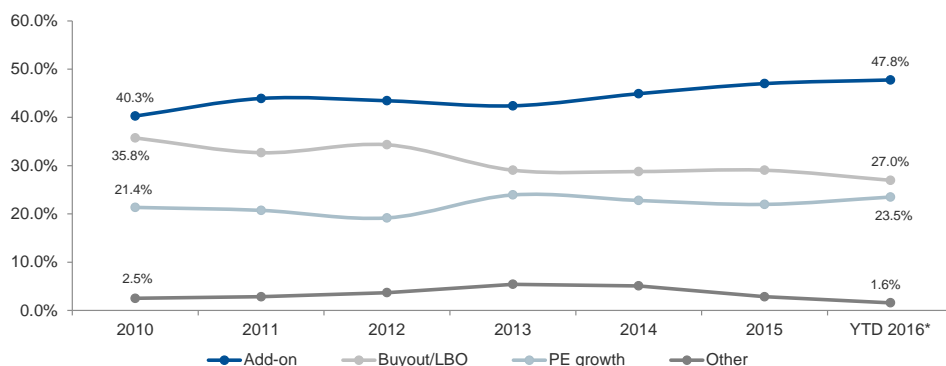
Demand for transactions exceeds supply

In a slow growth environment, strategic buyers are seeking impactful transactions to accelerate growth while financial buyers actively turn to add-on acquisition opportunities to enhance platform investments. With an abundance of capital chasing deals, strong demand continues to support high middle-market valuations with Q2 '16 enterprise value / EBITDA averaging 7.6x compared to 7.5x in Q1 '16.

With political and regulatory uncertainty around the impact of the upcoming presidential election, sellers are still seeking to capitalize on favorable market dynamics before a potential shift in climate. Buyers are also looking to take advantage of the existing conditions, as a change in economic or tax policies may impact deal structures. As such, we believe middle market M&A valuations and volumes will hold steady for the remainder of the year.

Private Equity: Uptick in Add-On Acquisitions

Add-on acquisitions have increased as a percentage of private equity deal flow, while traditional buyouts have declined



* Through September 30, 2016
Source: PitchBook

Increased Activity from Independent Sponsors

Independent sponsor-backed deals are becoming increasingly prevalent, particularly in the lower middle market. The shift towards private equity mega-funds, coupled with investment constraints and additional reporting requirements associated with raising a fund, has led many investment professionals to capitalize on the flexibility of fundless sponsorship.

Independent sponsors typically work with a small team and specialize in select market subsectors, leveraging deep industry and process expertise to compete on a deal by deal basis. With access to capital through traditional private equity firms, as well as mezzanine funds and lenders, independent sponsors have successfully gained traction in the marketplace. As the number of independent sponsors transacting has increased, so has the familiarity and comfort level. The growing influence of independent sponsors lays a strong foundation for increased deal flow in the lower middle market.

Contents

- Market Overview..... 1
- Private Equity: Uptick in Add-On Acquisitions..... 1
- Increased Activity from Independent Sponsors..... 1
- Transaction Environment..... 2
- Economic Environment..... 3
- Recent Transactions..... 4

Firm Overview


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.

Our transaction experience covers a broad range of industries, end markets and business models. Our focus sectors are listed below.

Focus Sectors


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

Recent Transactions




PALLET LOGISTICS OF AMERICA

has been acquired by




SILVER OAK SERVICES PARTNERS



DMV

has been acquired by



Watermill Group

Transaction Environment

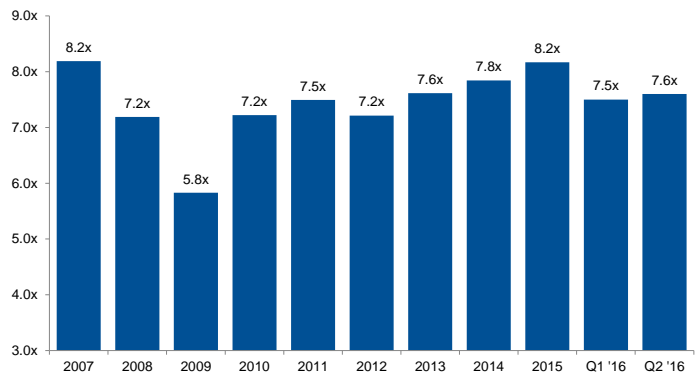
Deal Volume – Transaction volume in North America declined 31.1% in Q2 '16 compared to the same period in 2015, but the majority of the slowdown was at the higher end of the middle market. The lower middle market remains fragmented and active, with business owners seeking to capitalize on favorable market trends before the macroeconomic and market conditions shift.

Deal Value – Aggregate deal value of middle market transactions in North America decreased 1.6% from Q1 '16 to Q2 '16, but overall trends are positive. Compared to the prior period in 2015, deal value has increased 13.7%. According to PitchBook, several transactions at the high end of the middle market drove the average deal size up to \$534 million in Q2 '16, compared to a median size of \$35 million. The disparity indicates significant activity at the lower end of the market, bolstered by a select number of very large transactions.

Transaction Multiples – Middle market enterprise value/EBITDA multiples increased slightly to 7.6x in Q2 '16 from 7.5x in Q1 '16. Transaction multiples continue to be driven by market-wide competition. Given a limited number of transactions, buyers are forced to pay a premium for key assets, particularly with respect to platform acquisitions. These trends are expected to continue in the second half of the year.

Deal Structure – Leverage for transactions fell in the second quarter of the year, reflecting conservative transaction capital structures with more equity dollars at close. Though equity contribution increased 4.8% from Q1 '16 to Q2 '16, credit terms remain favorable and leverage availability from both senior lenders and subordinated debt providers continues to support middle market transactions.

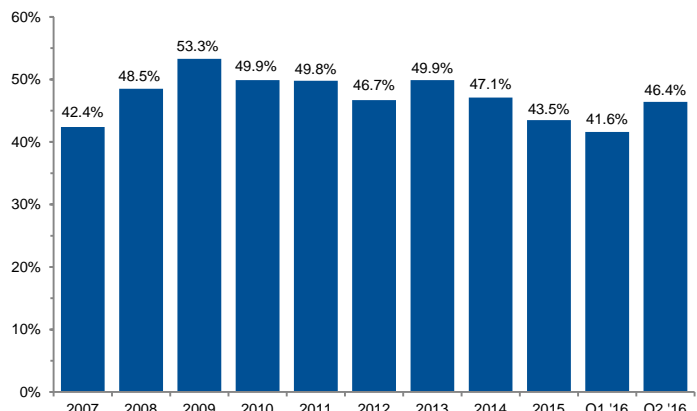
Middle Market Average TEV/EBITDA Transaction Multiples ⁽¹⁾



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

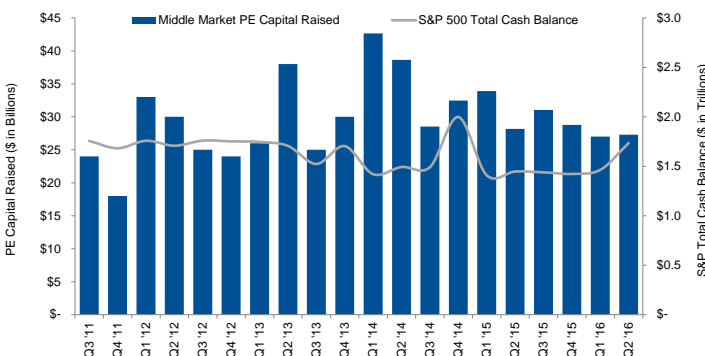
Source: Quarton International Research and S&P Capital IQ

Average Equity Contribution of Middle Market Transactions ⁽¹⁾



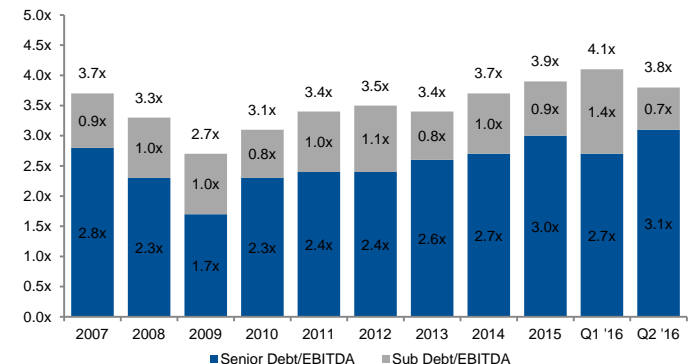
Source: GF Data

Strategic and Financial Capital Availability



Source: PitchBook and S&P Capital IQ

Average Credit Statistics of Middle Market Transactions ⁽¹⁾



Source: GF Data

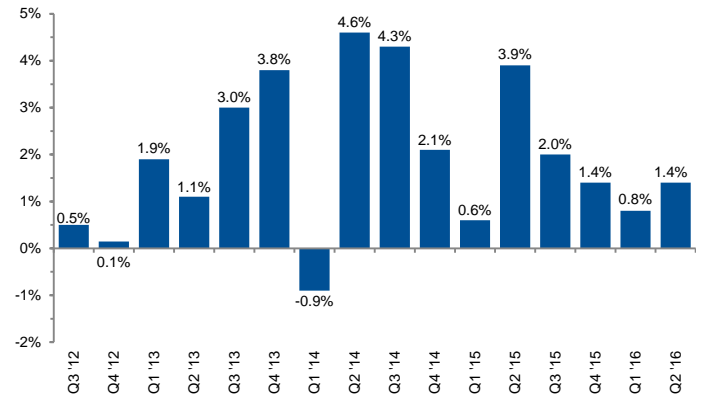
Economic Environment

Gross Domestic Product – Real Gross Domestic Product picked up in the second quarter, supported by consumer spending trends, stronger exports, a recovering jobs market, and positive tailwinds in nonresidential fixed investments. Nonresidential fixed investments, viewed as a proxy for business spending, rose at a rate of 1.0% compared to an estimated decline of 0.9%. The differential was due to a much smaller decline in structural investment than anticipated, as well as outsized investments in intellectual property. Software and research & development spending rose at the fastest pace in nearly a decade, indicating a focus on long term development.

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, but declined to 93.5 in June. Continued uncertainty around the macroeconomic climate and upcoming presidential election hampered overall sentiment. Proposed economic policies under various candidates differ significantly, which has resonated in the marketplace and resulted in some hesitation amongst the consumer base. However, lower gas prices, increased home values, and wage expansion continue to inspire confidence in the economy.

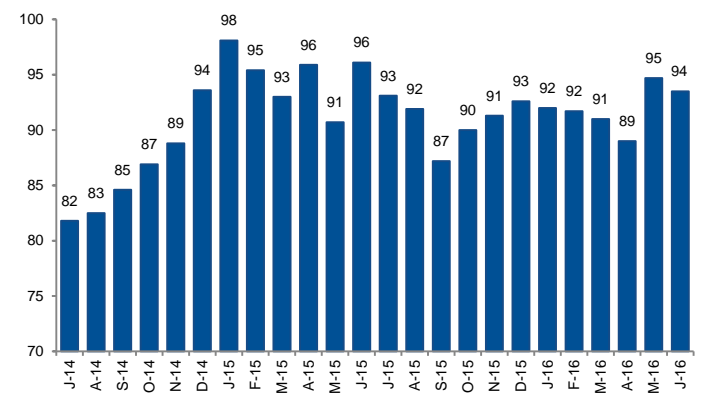
Employment – The unemployment rate increased from 4.7% to 4.9%, indicating a slight regression in the labor markets. While overall workforce dynamics have improved with the economic recovery, workforce participation remains an ongoing challenge. As working age adults who previously did not seek employment return to the labor force, the unemployment rate will likely shift to reflect the reintroduction of a previously discouraged workforce.

Change in Real Gross Domestic Product



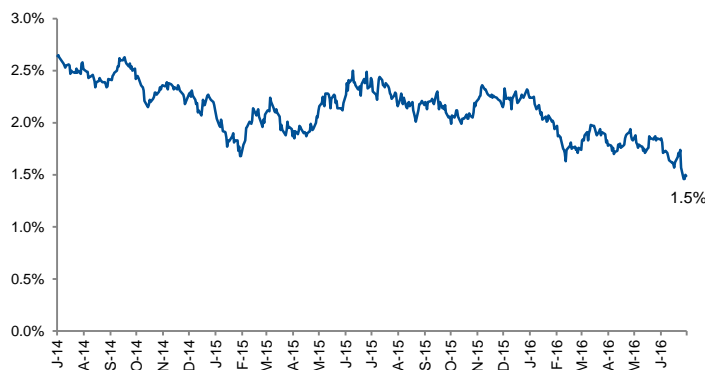
Source: U.S. Bureau of Economic Analysis

Consumer Confidence Index



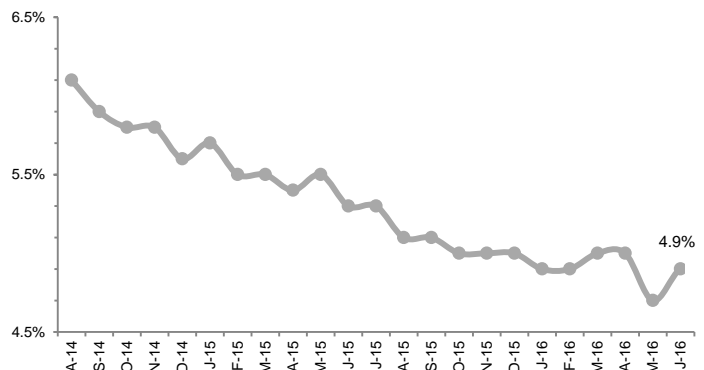
Source: Thomson Reuters / University of Michigan Surveys of Consumers

Ten-Year Treasury Yield



Source: U.S. Department of Treasury

Unemployment Rate



Source: U.S. Bureau of Labor Statistics

Recent Transactions

 <p>has been acquired by</p>  <p>Watermill Group</p> <p>Prototype Assemblies and Components</p>	 <p>AUTO CREDIT EXPRESS Rebuilding America's Credit</p> <p>has been acquired by</p>  <p>Internet Brands®</p> <p>Online Specialty Finance Lead Generation Provider</p>	 <p>PALLET LOGISTICS OF AMERICA</p> <p>has been acquired by</p>  <p>SILVER OAK SERVICES PARTNERS</p> <p>Pallet Management Service Provider</p>	 <p>ismet® TRANSFORMATOREN</p> <p>has been acquired by</p>  <p>PHOENIX MECANO</p> <p>Manufacturer of Customized Transformers and Inductors</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>has been acquired by</p>  <p>VR Equitypartner</p> <p>IT Service Provider</p>	 <p>has been acquired by</p>  <p>HAJOCA SINCE 1858 PLUMBING • HEATING • INDUSTRIAL SUPPLIES</p> <p>Pipe, Valves, and Fittings Distributor</p>

Office Locations

- | | | | | |
|--|--|---|--|--|
| <p>Berlin, Germany
Schönhauser Allee 10/11
10119 Berlin
+49 (341) 98 379 0</p> | <p>Detroit, USA
300 Park Street, Suite 480
Birmingham, MI 48009
+1 (248) 594-0400</p> | <p>Graz, Austria
Glacisstraße 27
8010 Graz
+49 (341) 98 379 0</p> | <p>Leipzig, Germany
Universitätsstrasse 14
04109 Leipzig
+49 (341) 98 379 0</p> | <p>Frankfurt, Germany
Coming Soon
+49 172 6291547</p> |
| <p>London, England
Newcombe House, 6th Floor
45 Notting Hill Gate
London W11 3LQ
+44 (207) 243 4764</p> | <p>Minneapolis, USA
Coming Soon
+1 (612) 669 8119</p> | <p>Munich, Germany
Theatinerstrasse 7
80333 Munich
+49 (89) 2000 393 0</p> | <p>Zurich, Switzerland
Winkelwiese 2
8001 Zurich
+41 (44) 265 40 80</p> | |

This material is for your private information, and we are not soliciting any action based upon it. This material is for general information only and should not be read as containing advice or recommendations. It has not been prepared taking into account any person's particular objectives or needs. Any person should consider whether the information is appropriate to their needs or seek advice before making a decision based on this information. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without Quarton International's prior written consent.

All securities are offered through Quarton Securities L.P., Member FINRA, Member SIPC and the affiliated broker-dealer of Quarton International.