

Market Overview

2016 was another strong year for M&A

Despite several uncertainties driving the M&A environment, including the presidential election, a continued low-growth economy and concerns that the period of low interest rates was coming to an end, middle market enterprise value/EBITDA multiples remained high in 2016 at 8.0x vs. 8.2x in 2015. The slight decrease in value can largely be attributed to lower multiples associated with increased activity in lower middle market transactions and an increase in add-on transactions. The large amount of available capital, increased corporate acquisition activity and buying power, improved financing markets and expected policy reforms from the new administration position 2017 to be a strong year for M&A activity.

Optimistic M&A Outlook with New Administration

Potential policy reforms are expected to increase M&A activity in 2017

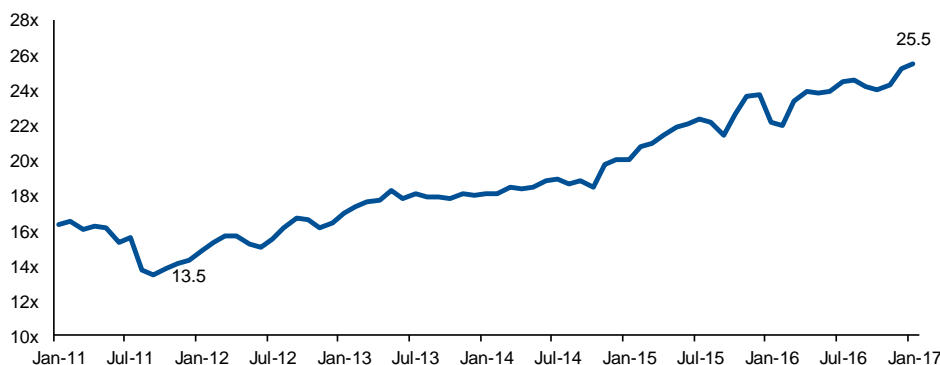
Tax Reform	<ul style="list-style-type: none"> With Republican control of the White House and both houses of Congress, tax reform is expected to be a priority item for 2017 Lower corporate taxes will enable companies to invest more in M&A Furthermore, a possible tax holiday allowing foreign cash to be repatriated at a lower tax rate will also likely bolster M&A activity in the U.S. Close attention is being paid to interest deductibility which could have a significant impact on the private equity and debt financing community
Financial Regulation	<ul style="list-style-type: none"> Trump administration is expected to roll back the Dodd-Frank Act and other regulations that have arguably stifled M&A activity in financial services Furthermore, these regulatory changes can also pump in new sources of debt financing for M&A
Regulatory Oversight	<ul style="list-style-type: none"> Republican administration is typically seen as friendlier to M&A activity However, unclear if Trump administration will follow traditional Republican policies

Strategic Buyers Driving High Purchase Multiples

High trading multiples and large cash balances enable strategic buyers to pay higher multiples

An increase in corporate purchasing power is expected to keep multiples high in 2017. The S&P 500 price-to-earnings ratio is currently 25.5x, compared to a low of 13.5x just six years ago. The increased trading multiples and excess cash on balance sheets have led to an increase in M&A activity. Multiples are expected to remain high as corporates increase M&A activity and justify loftier acquisition prices given where they are trading.

S&P 500 Price to Earnings Ratio



Contents

Market Overview.....	1
Optimistic M&A Outlook with New Administration.....	1
Strategic Buyers Driving High Purchase Multiples.....	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



has been acquired by



and




has been acquired by



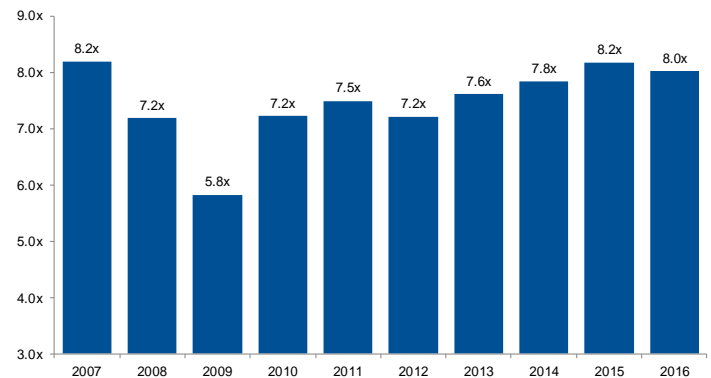
Transaction Environment

Deal Volume – Middle market deal volume in 2016 decreased 11% year-over-year, according to GF Data. Decreases in certain sectors, such as healthcare, drove overall volume declines due to political uncertainty about reimbursement rates and pricing pressures, while other sectors, like information technology, saw increased activity.

Transaction Multiples – Middle market enterprise value/EBITDA multiples decreased to 8.0x in 2016, compared to 8.2x in 2015. The small decrease in value can be attributed to an increase in lower middle market deal activity, which command lower multiples. Deal value in the lower middle market expanded over 21% in 2016, according to GF Data, driving lower overall multiples. Increased activity in the lower middle market is also evidenced through a record number of add-on transactions as a percentage of total buyout activity – 64% according to PitchBook.

Capital Structure – Average equity contribution of middle market transactions increased to 45.4% compared to 43.5% in 2015, a consequence of valuations remaining high while debt loads remained steady. The increases in equity contribution occurred in the \$10-25 million and \$100-250 million TEV brackets, reflecting limitations in debt support at the smaller end and continued upward pressure in valuation at the upper end. While total debt levels remained unchanged at 3.9x, there was a retreat in debt levels on transactions not featuring junior capital separately from the senior debt. Average debt on senior-only transactions in 2016 declined to 3.4x vs. 3.8x in 2015 and average leverage on unitranche transactions declined to 3.7x vs. 4.0x in 2015. Several factors could have contributed to the slight decrease in leverage on senior-only deals including greater lender caution and more aggressiveness on the part of sponsors completing deals.

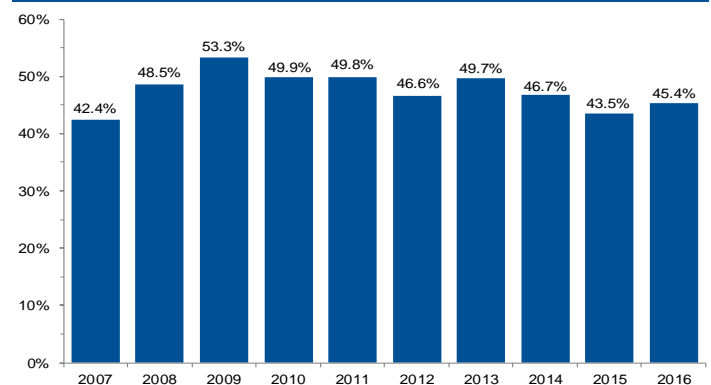
Middle Market Average TEV/EBITDA Transaction Multiples ⁽¹⁾



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

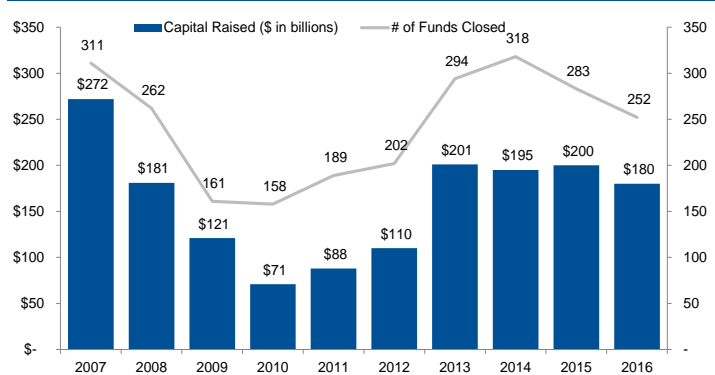
Source: Quarton International Research and S&P Capital IQ

Average Equity Contribution of Middle Market Transactions ⁽¹⁾



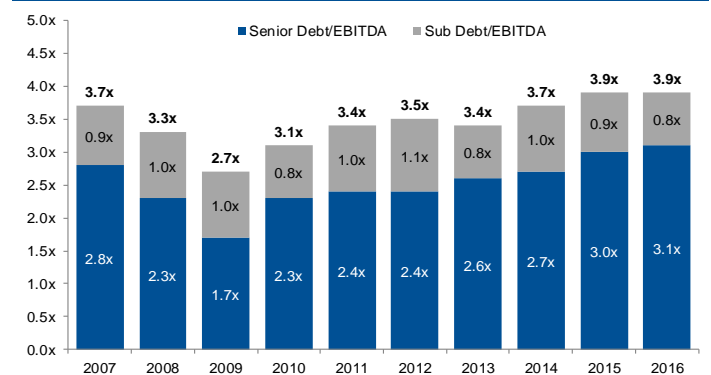
Source: GF Data

U.S. Private Equity Capital Fundraising



Source: PitchBook

Average Credit Statistics of Middle Market Transactions



Source: GF Data

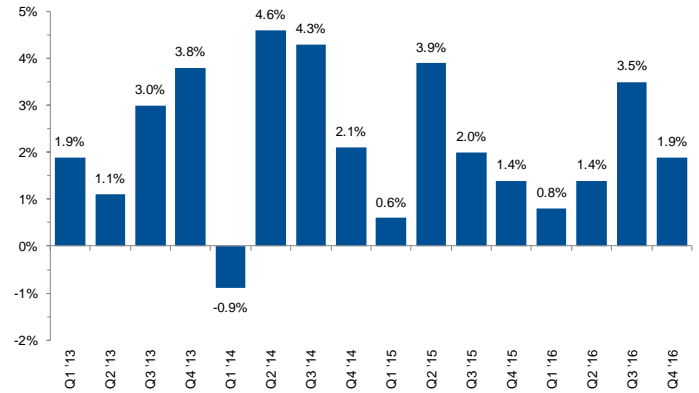
Economic Environment

Gross Domestic Product – Real Gross Domestic Product expanded by 1.9% in the fourth quarter, reflecting contributions from personal consumption expenditures, private inventory investment, residential fixed investment, nonresidential fixed investment, and government spending. The deceleration in Real Gross Domestic Product compared to the third quarter reflected a downturn in exports and an acceleration in imports as the strong dollar weighed on global traders.

Consumer Confidence – The Thomson Reuters/University of Michigan Surveys of Consumers reported that consumer confidence increased to 98.5 in January, the highest level in the last twelve years and an increase from last January’s reading of 92.0. The post-election surge in confidence was driven by a more optimistic outlook for the economy and job growth during the year as well record high stock prices. Consumers reported a favorable outlook for personal finances, with reported anticipated income gains the highest since 2008. 44% of consumers also anticipated an improved economy for the year ahead, the highest number since 2004.

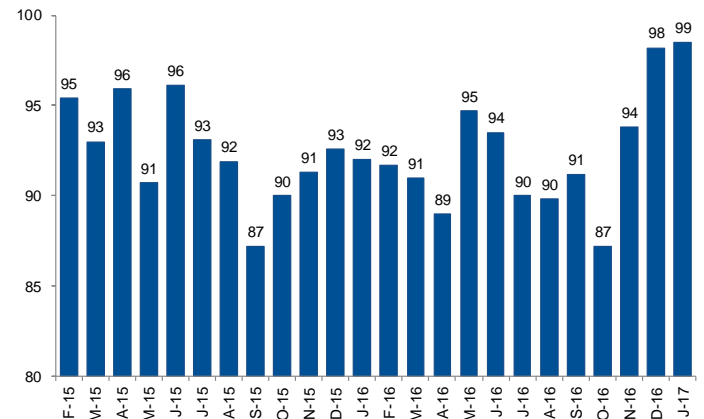
Employment – The unemployment rate in January was reported at 4.8%, a slight increase compared to the unemployment rates of 4.7% in December and 4.6% in November. The uptick in the unemployment rate was primarily caused by 584,000 more people looking for work compared to December. While the unemployment rate was slightly higher, 227,000 new jobs were generated in January, the biggest gain in four months. Construction and retail hiring increased in January while government and manufacturers decreased net jobs compared to December.

Change in Real Gross Domestic Product



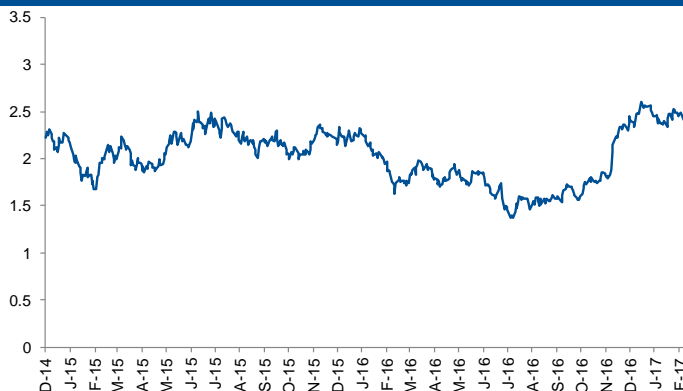
Source: U.S. Bureau of Economic Analysis

Consumer Confidence Index



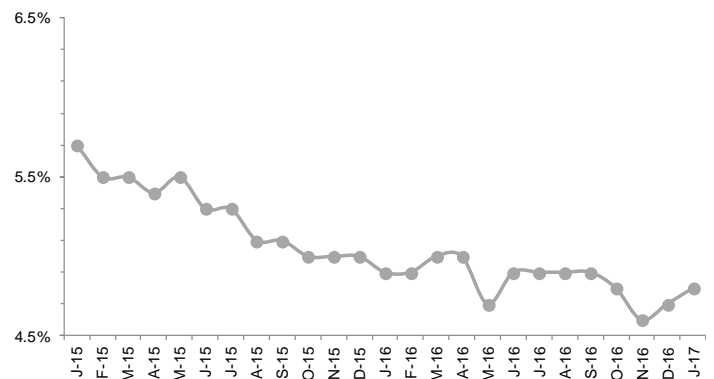
Source: Thomson Reuters / University of Michigan Surveys of Consumers

Ten-Year Treasury Yield



Source: U.S. Department of Treasury

Unemployment Rate



Source: U.S. Bureau of Labor Statistics

Recent Transactions

 Transforming Lives® has been recapitalized by  CAPITAL CORPORATION Manufacturer of Healthcare Rehabilitation Equipment	 Propelling Spinal Surgery has acquired  Spine Division Orthopaedic Spinal Implant Devices	 ENGINEERING PERFORMANCE a portfolio company of  CAPITAL PARTNERS has been acquired by  I T A L Y and  Manufacturer in Performance Wheel Market	 HOLDINGS a portfolio company of  O2 has acquired  Countertop Fabricator and Installer
 HOLDINGS a portfolio company of  O2 has acquired  Top Master, Inc. Countertop Fabricator and Installer	 a portfolio company of  Consulting Preferred performs. So achieve. has been acquired by  Audax Group Manufacturer of Elastomeric Compounds	 PARTY & EVENT RENTALS a portfolio company of  PARTNERS has been recapitalized by  and  Party and Event Rental Service	 PRODUCTS a portfolio company of  WYNNCHURCH has been acquired by  and  Manufacturer of Automotive Exterior Trim Components

Office Locations

Berlin, Germany Joachimsthaler Straße 34, 10719 Berlin +49 (341) 98 379 0	Detroit, USA 300 Park Street, Suite 480 Birmingham, MI 48009 +1 (248) 594-0400	Leipzig, Germany Universitätsstrasse 14 04109 Leipzig +49 (341) 98 379 0	Frankfurt, Germany Hochstraße 33 60313 Frankfurt am Main +49 172 6291547	Graz, Austria Glacisstraße 27 8010 Graz +49 (341) 98 379 0
Indianapolis, USA Coming Soon +1 (317) 808 7283	London, England Newcombe House, 6th Floor 45 Notting Hill Gate London W11 3LQ +44 (207) 243 4764	Minneapolis, USA 601 Carlson Pkwy Minnetonka, MN +1 (612) 669 8119	Munich, Germany Theatinerstrasse 7 80333 Munich +49 (89) 2000 393 0	Zurich, Switzerland Winkelwiese 2 8001 Zurich +41 (44) 265 40 80

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.