



Fall 2016 Middle Market M&A Update

About Us

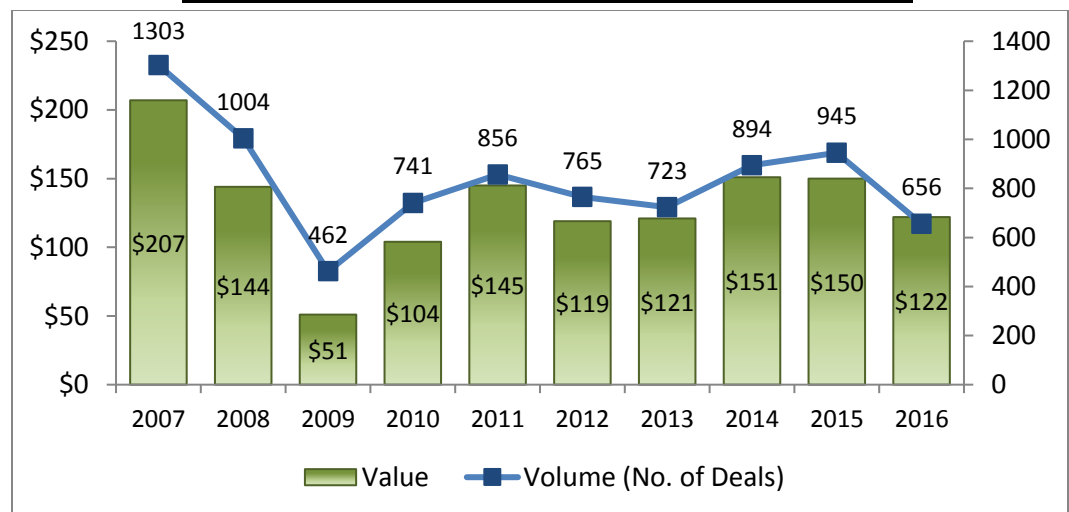
Calabasas Capital is a boutique investment banking firm focused on serving lower middle-market privately-held companies and their business owners. We specialize in representing and advising businesses on sell-side and buy-side mergers, sales and acquisitions and we raise private equity and debt capital.

Deal Activity Down in the First Half of 2016

Middle market M&A activity during the first half of this year was the lowest since the first half of 2009.

- The volume (number of deals) was down 31% this year as compared to last year and equivalent to roughly half of the historical peak in 2007.
- The value of deals was down 18% year over year.

Middle Market Deal Activity January to June



Source: Mergers & Acquisitions.

The Worst May Be Over However for 2016

According to Mergers & Acquisitions, the pace of middle-market M&A picked up in July and August, according to the most recent readings of Mergers & Acquisitions' M&A Conditions Index (MACI).

- The composite score for the MACI was 53.2, up from 51.8 in July.
- August was the third consecutive month to exhibit expansion, adding evidence of a rebound from the slow first half of the year.
- The scores for new transaction leads and signed letters of intent were high, indicating the earliest stages of deal making are seeing a lot of activity. The healthy early-stage scores bode well for future M&A.
- The score for completed deals in August was significantly higher than in July,

suggesting that some of the obstacles that stalled M&A in the first half of the year may be diminishing.

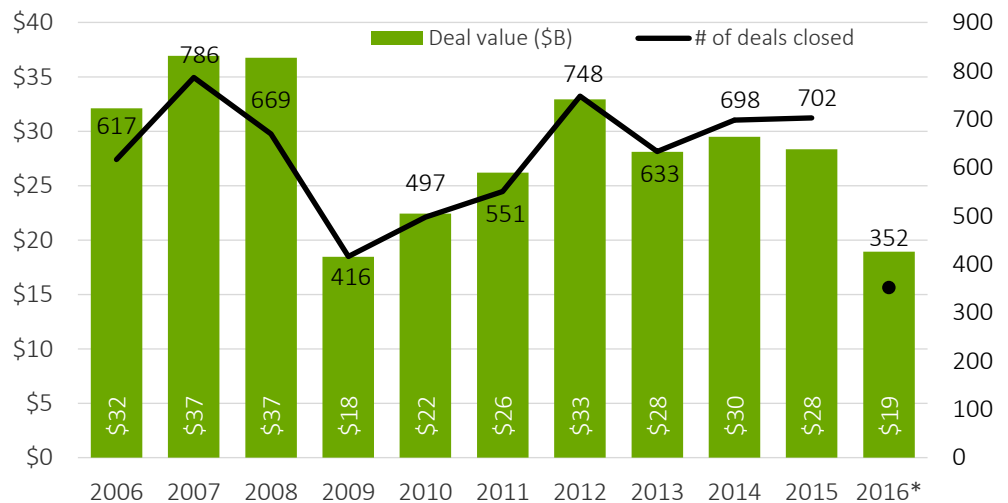
Private Equity Groups Continue to Flock to the Active Lower Middle Market

According to Mergers & Acquisitions, while the upper end of the middle market has appeared to peak, the lower middle market (\$10 million to \$250 million) is expected to remain very active.

- As an example, the Riverside Company recently raised its fourth microcap fund focused on investing in and acquiring companies with up to \$7 million in EBITDA.
- Family-owned businesses sense we may be coming to the end of the current economic cycle, and many have been coming to market in 2016.
- The following chart shows annual private equity activity in the lower middle market (the 2016 bar however is just the first half).

➤ The Lower Mid-Market is on pace to exceed 2015 in both value and volume of deals with 352 deals done in the first half of 2016 as compared to 702 for all of 2015 and \$19 billion in deal value for the first half of 2016 as compared to \$28 billion in all of 2015.

Private Equity Investment in the Lower Middle Market



*Jan to June 2016.

Source: PitchBook Data.

Calabasas Capital

Our comprehensive services include:

- Sell-Side and Buy-Side Mergers & Acquisitions Advisory
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring

Our industries of expertise include:

- Consumer Products & Services
- Business Services
- Building Products & Materials
- eCommerce & Software
- Industrial Products
- Healthcare

Team

- David Bonrouhi, Managing Director, David@CalabasasCapital.com
- Brandt Blanken, Managing Director & Principal, Blanken@CalabasasCapital.com
- Laura Azzalina, Vice President Laura@CalabasasCapital.com

For more information, please visit our website at www.calabasascapital.com

Calabasas Capital
26610 Agoura Road, Suite 120
Calabasas, CA 91302

Securities offered through Fallbrook Capital Securities Corp. Member FINRA - SIPC

This should not be considered in any way an offer to buy or sell a security. This is for informational purposes only. Buying or selling a security involves substantial risk. Investment may be worth more or less than the original investment. An investment in securities products involves a high degree of risk and there can be no assurance that the investment objectives will be attained.

This message is for the named person only. It contains confidential, proprietary or legally privileged information. No confidentiality or privilege is waived or lost by any mis-transmission. If you receive this message in error, immediately delete it and all electronic copies, destroy any hard copies of it and notify the sender. You must not, directly or indirectly, use, disclose, distribute, print, or copy any part of this message without Senders authorization. This communication is not an intention by the sender or the sender's client or principal to conduct a transaction or make any agreement by electronic means. Nothing contained in this message or in any attachment shall satisfy the requirements for a writing, and nothing contained herein shall constitute a contract or electronic signature under the Electronic Signatures in Global and National