



CALABASAS CAPITAL

About Us

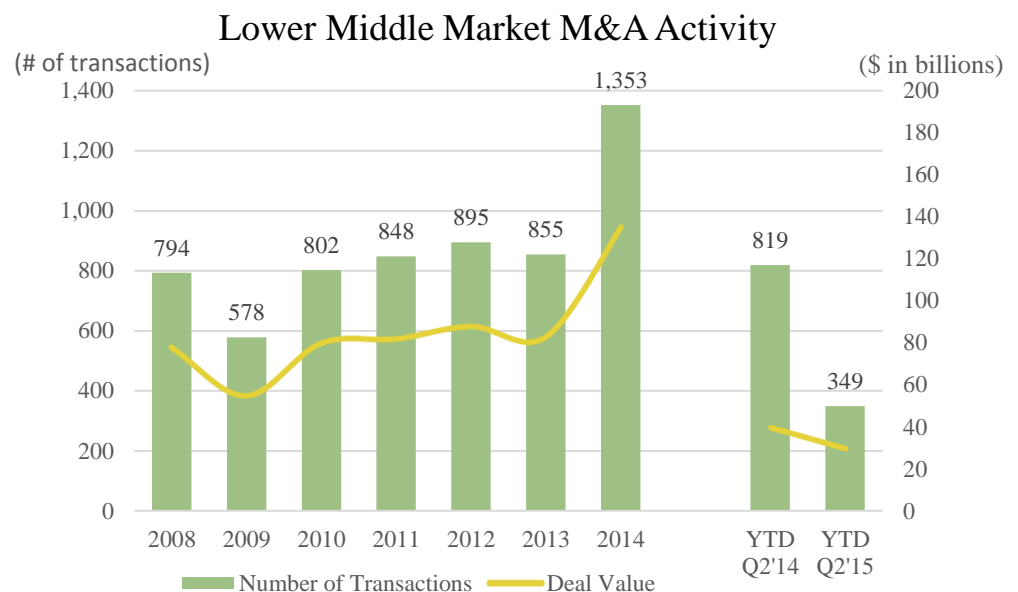
M&A Lower Mid- Market Update 2nd Quarter 2015

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

Still a Seller's Market Despite Drop in Volume

The first half of 2015 saw a meaningful drop in lower middle market deal activity as compared to the first half of 2014.

- However, while the number of deals in the first half of 2015 dropped by more than half, the value of deals dropped by approximately 25% indicating a significantly higher average deal value this year.



Source: Thomson Financial. Deal sizes of \$25 million to \$250 million.

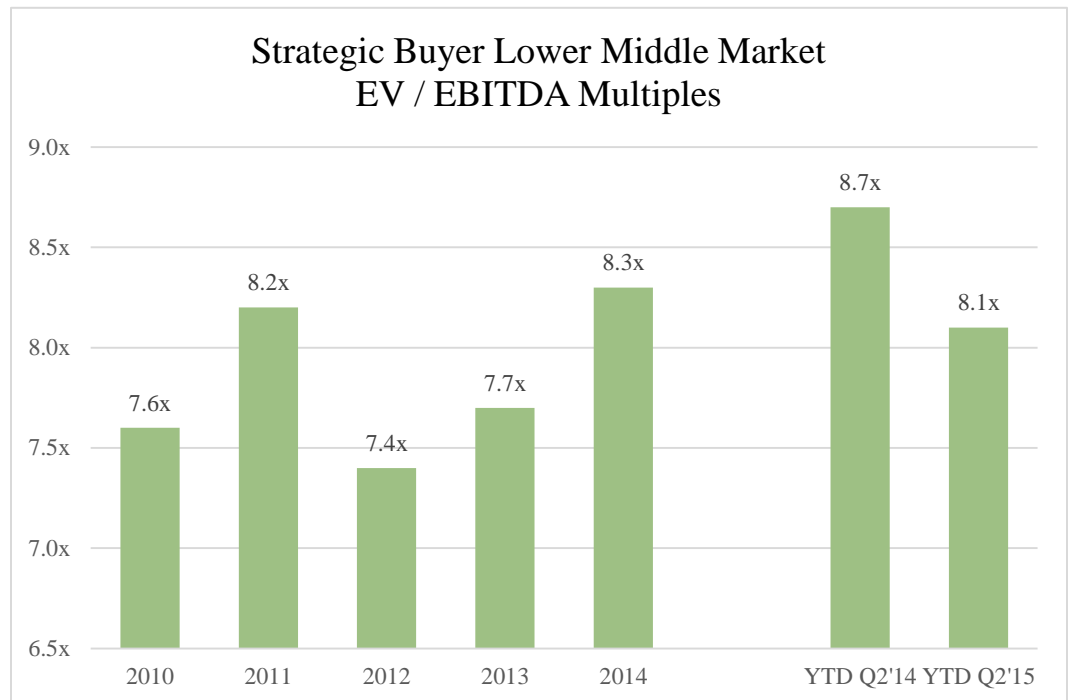
Nevertheless, the market remains strong for high quality middle-market companies:

- **Limited Supply:** There is still a limited supply of quality middle market companies pursuing a sale, fueling increased competition among strategic and financial buyers and driving strong valuations.
- **Rising Strategic Interest:** While the spike in M&A activity in recent years has largely been driven by private equity buyouts, current activity is mostly attributed to strategic buyers looking to consolidate.

- **Rising Average Transaction Size:** Because of more mega-sized deals, average deal size has increased.
- **High Leverage Has Been Sustained:** Alternative debt sources continue to sit on mountains of cash to put to work keeping leverage multiples high, debt pricing competitive and covenants flexible.

Valuation Multiples May Have Finally Hit a Plateau

While multiples still remain extremely attractive, recent data indicates that middle-market M&A multiples may finally have hit their cap.

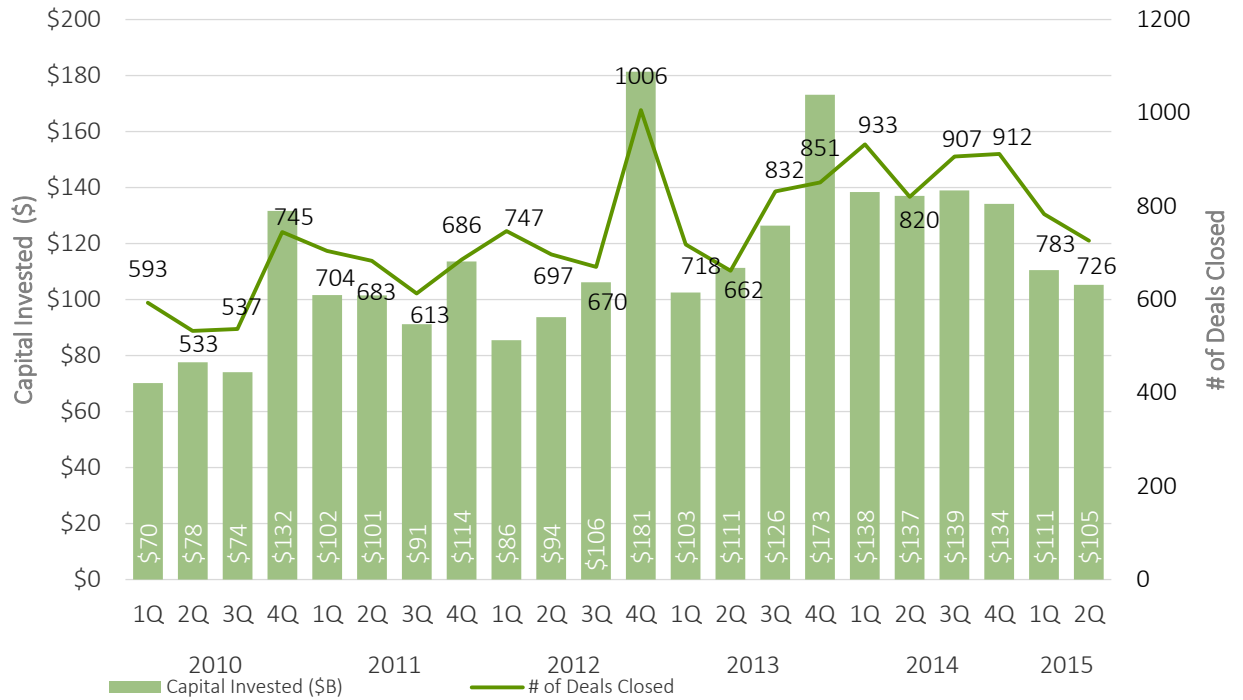


Source: Standard & Poors. Deal sizes of \$25 million to \$250 million.

U.S. Private Equity Market

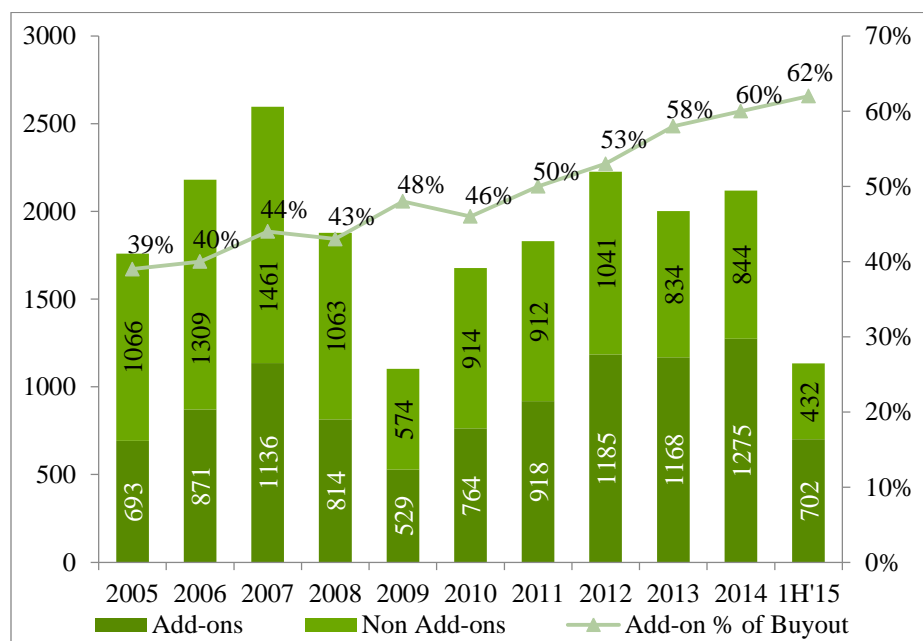
- According to PitchBook, private equity deal activity slowed slightly once again in 2Q 2015.
- In the second quarter of this year, 726 transactions were completed for a combined \$105 billion, both low points for the industry since early 2013.
- Through the first half of 2015, 1,509 deals have been finalized totaling \$215.9 billion, which puts 2015 on pace to be the softest year for private equity since 2012.
 - Despite the mountains of dry powder held by financial investors, the lofty valuations have made it increasingly difficult to put money to work.

U.S. PE Deal Flow by Quarter

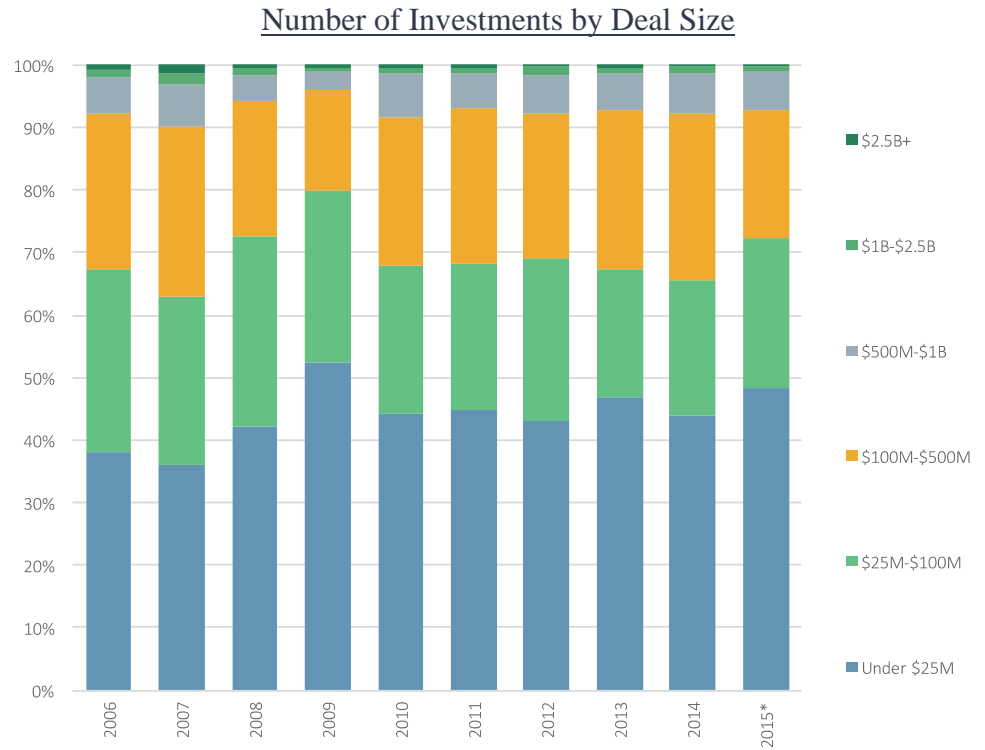


Add-Ons Continue to Dominate PE Activity

- While the heated environment in the upper middle market has made it a challenge for PE firms to acquire larger platform companies, the lower-middle market, which is less heated, has been a good place to identify smaller add-on acquisitions for existing portfolio companies.
- In 1H 2015, 62% of all PE investments were add-ons as compared to 38%, which were platforms. This is an increase from the 60% add-ons proportion seen in 2014 and a continuation of a multi-year trend.



Smaller Deals Continue to Dominate PE Activity



Source: PitchBook Private Equity Breakdown 3Q 2015.

- According to PitchBook, about 48% of all deals in 1H 2015 were below \$25 million.
 - Deals of less than \$25 million also exceeded 3% of total deal value in 1H 2015 for the first time in years.
 - This pickup in small deal activity is largely a function of the increase in add-on activity.

Calabasas Capital

Our comprehensive services include:

- Sell-Side and Buy-Side Mergers & Acquisitions Advisory
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring
- Sales of non-core assets/divisions of larger public and private companies

Our industries of expertise include:

- Consumer Products & Services
 - Food, Restaurants, Household Goods, Apparel/Footwear
- Business Services
 - IT, Marketing, Equipment Rental
- Technology/Telecom/Media
 - Software, eCommerce, Digital Media
- Industrial
 - Facilities Maintenance, Equipment Repair
- Healthcare
 - Physical Therapy, Light Manufacturing

Team

- David Bonrouhi, Managing Director, david@calabasascapital.com
- Brandt Blanken, Managing Director & Principal, blanken@calabasascapital.com
- Leslie Lum, Vice President, leslie@calabasascapital.com

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

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

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