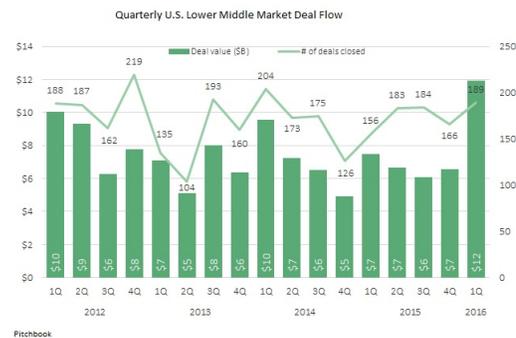


Monthly Capital Update

This publication is a compilation of monthly capital market-related news provided by Peridot Capital Advisors, dedicated to representing lower-middle-market clients in the B2B, Transportation and Logistics, Light Manufacturing, Real Estate, Aerospace, and Consumer Products. Summary of 1Q-16 Lower Middle Market M&A Activity



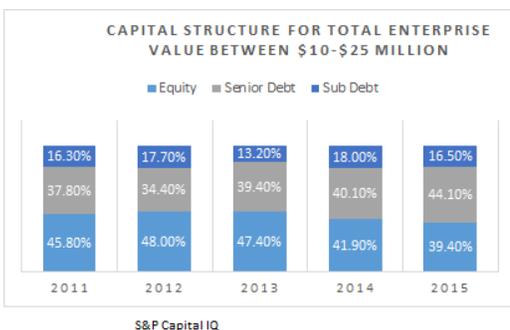
1Q-16 M&A Activity by Sector

Transaction Type by Sponsor Type

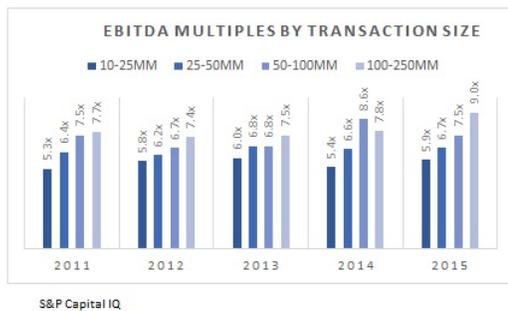
Sponsor Type	Distributions and Logistics	Manufacturing	Food and Beverage	Health and Wellness	Business Services
Financial	25%	62%	66%	38%	28%
Strategic	75%	38%	34%	62%	72%

various sources

Capital Structure and Multiples



S&P Capital IQ



Why now is a good time to sell for the lower middle market companies

M&A deals in the middle market continue to slow down and most Dealmakers do not expect 2016 to be a fantastic year, however, the lower end of the market is sparking the attention of private investors seeking high returns and quality.

While each industry faces its own challenges, more and more executives are turning to M&A as a vital option to grow, many of them citing as main reasons the desire to enter new lines of business, expand customer base, and expand geographic reach. Companies in the consumer sector, which have been struggling with the “customization movement” are in desperate need to retain and connect with their customers, either by developing products and services or improving existing ones. Similarly, the manufacturing sector faces challenges in accessing new markets, cutting costs, and improving technology.

Although most small businesses still turn to their local banks for capital, business owners and family-owned businesses should pay more attention and start looking at other sources of capital such as private equity firms or strategic buyers. Business owners should know that financial sponsors are paying attention to the improved consumer disposable income, job environment stability, and healthy credit environment, as signs of the great momentum in the lower middle market. Additionally, these investors also face competition challenges, and the fear of losing a deal over another investor makes the concerns about high valuations less important.

Transaction multiples for the lower end are still healthy and many strategic buyers and financial sponsors see M&A as the best strategy to realize meaningful growth. According to a recent survey, 59% of the buyers in the lower middle market are either currently involved or considering an acquisition transaction for 2016.

The economic conditions are aligned

On April 27 the FED left interest rates unchanged citing slower economic growth and moderate household spending, as the main reasons for the decision. Interesting enough, job growth remains steady and income growth remains strong. In addition, the FED reiterated the use of caution going forward, so we could expect an extended period of low interest rates.

The consumer confidence still alive

For the past two years the economy has shown signs of recovery, including job growth and healthier personal savings. Although the April's reading of the Michigan Consumer Sentiment Index did not bring great news, but showed 2.0 points decrease from the prior month from 91.0 to 89.0, the reading is still 1.4 points higher than the non-recessionary average of 87.6 and 19.7 points higher than the recessionary average of 69.3. Thus, despite the weakening expectations for the economy, the data collected by the Michigan Consumer Sentiment

Index indicate that real personal consumption will grow by 2.5% in 2016 and consumers continue to have a positive outlook on their personal finances. Yet, it is understood that there is uncertainty due to the election year environment.

Available capital and investors quest for quality companies

Private equity firms have plenty of cash available to invest and they are turning to the lower middle market (companies valued less than \$250MM), given their robust historical average rate of return of 25% or 10% higher than the deals from larger companies. These investors are seeking for add-on as well as platform investments, focusing on companies with a strong management team, and established niche. In addition, strategic investors are interested in increase revenues, expand geographically, and take advantage of still low interest rates and credit availability.

The lower middle market had a good start, with \$12 billion in deals in the first quarter, 60% higher year-over-year. The number of deals was also higher at 189 deals compared to 156 in the first quarter of 2015.

The Next Steps

This is the time for the 170,000 businesses representing the lower middle market to take a second look at the opportunities available to them to expand geographically, improve technology and customer reach, and develop new products. With the support of a financial sponsor, these businesses would be poised to make the difference in the economy, as they are already contributing with over

If you are ready or considering an acquisition transaction equip yourself with an M&A Advisor. Here are six reasons why companies in the lower end of the market also benefit from partnering with an M&A Advisor,

1. Obtain an objective valuation
2. Assess the selling opportunity
3. Design and implement a strategy
4. Build an optimal buyer list
5. Create a compelling sell book
6. Navigate the nuances of a bid negotiation

Some Industries We Serve:

Transportation and Logistics

Manufacturing

Real Estate

Consumer Products

B2B Services

Food and Beverage

Capital Restructuring Senior Debt

Asset Based Lending

Subordinated Debt

Mezzanine Debt

Re-negotiation of outstanding Debt **Mergers and Acquisitions** Buy side engagements

Sell side engagements

Joint Ventures

Valuations

Arranging Equity and Debt Financing



Marisol Puga

Independent Limited Registered Representative

mpuga@peridotcapitaladvisors.com

954-703-1657 ext.1

954-254-1829 (cell)

This is not an offer to sell securities, which may be done only after proper delivery of an offering memorandum. All investments have risks-- see risk factors in the offering memorandum. This email message is for the sole use of the intended recipients and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. Securities offered through 79 Capital Securities, LLC, member FINRA/ SIPC. Messages related to this email address will be maintained by 79 Capital Securities, LLC and are subject to monitoring, review and/or disclosure to someone other than the recipient. *Copyright © *2016* *Peridot Capital Advisors*, All rights reserved.*

Our mailing address is:

212 E Hillsboro Blvd. #774

Deerfield Beach, FL 33443

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#)