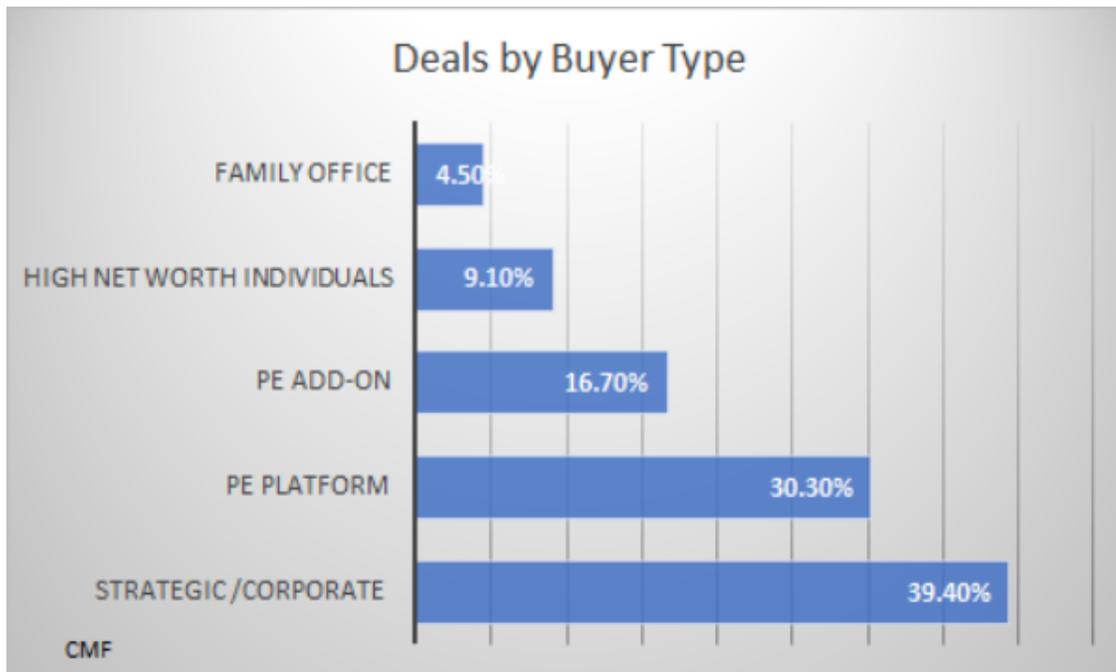
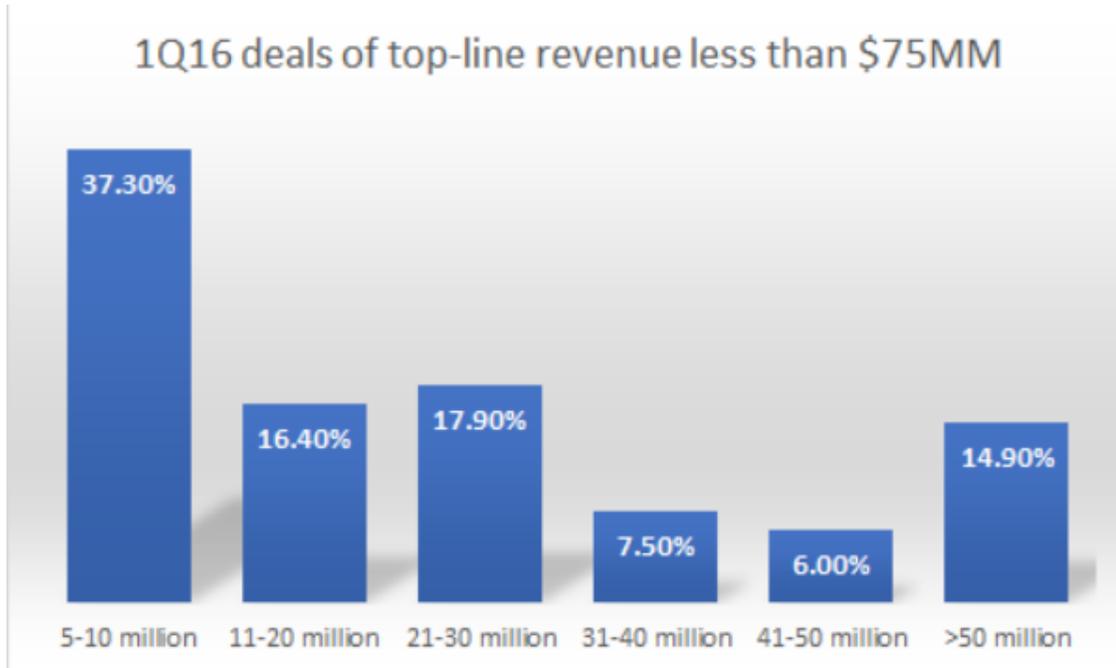


Peridot Capital Advisors Monthly Capital Update

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. Why now is a good time to sell for the lower middle market companies. Part-2 Summary of 1Q-16 Deals



Lower Middle Market transactions remains active. How to position your business to attract buyers.

Last month we dedicated our article to the lower middle market companies because they have been defending their contribution to investors. This month's update continues to focus on the lower middle market as M&A transactions for the sector remains strong, with manufacturing, consumer/retail, business services, and

distribution /wholesale leading, closing deals valued at less than \$75MM.

In addition, the turnaround time for closing has improved from six to eight months to four to six months, multiples have remained strong, between 5x to 7x, and EBITDA around \$3 to \$5 million.

In these times outside funding is necessary for most growing businesses, but the question for many operators is how to attract the right strategic or financial investor. So there are some basic areas you can work on to make your business more attractive to potential investors and here are the six basic ones:

1. *Have good quality financial data.* Most investors will require audited financial statements, but if your business is making between \$5MM to \$10MM, at the very least you should have reviewed financial statements for the past three years, prepared by a reputable CPA firm.
2. *Have a pulse on operating costs.* We all know that sales minus expenses equal profit, and profitable companies make more money than they spend, so eliminate excess costs. Here you can apply the theory of constraint, identify the expense that is limiting the company to achieve its targeted net income, make improvement and work with what you have, review that the initiatives implemented support eliminating or modifying the expense, if not, consider further actions.
3. *Have an A+ leadership team.* One of the most appealing factors for any investor is to be able to work with a management team that proactively engage in solutions and opportunistic growth. Your management team should be able to articulate the vision and mission of the business just as if they were you.
4. *Have an actionable Know-How plan to take the business from survival to sustainable growth.* Positioning your products and services as essential and hard to substitute by your customers and the market, are one of the most important pieces to attract investors. Investors want to see that your business is difficult to replicate and the potential for growth is quantifiable. Include reasonable and attainable projections, but do not be afraid to push the envelope a bit and show some ambition.
5. *Have a clear goal of the transaction you are seeking.* Depending on the transaction you are seeking, tell investors why you want to expand the business, what are the benefits of the expansion, why you want to sell, what are the core values of the business that should remain after your departure, and what is your plan to exit the business. Not being able to answer these questions can delay or stop the process.
6. *Focus on exceeding your goals.* Because the time to complete the funding might take more than three months, you cannot afford to derail from maintaining strong operations. Reporting poor performance during the process diminishes the investor's confidence in management to control the business; however, if you continue to exceed your goals, investors will become afraid of losing you over a competitor; thus improving valuation and closing time. Economic Data by Industry



US GDP FROM PRIVATE SERVICES PRODUCING INDUSTRIES



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

US GDP FROM TRANSPORTATION AND WAREHOUSING



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS