



bridgepoint

INVESTMENT
BANKING

MIDWEST M&A QUARTERLY UPDATE

THIRD QUARTER 2018

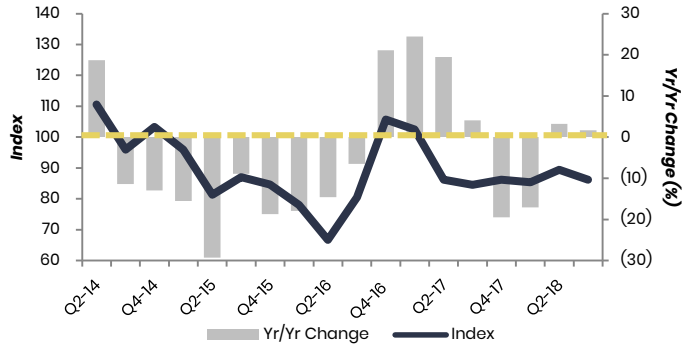
Bridgepoint Midwest M&A Index

MIDWEST M&A: OPTIMISM AND ELEVATED MULTIPLES CONTINUE IN Q3 2018, BUT VOLATILITY REMAINS ON THE HORIZON

INDEX SUMMARY: The Bridgepoint Midwest M&A Index, a measure of corporate merger and acquisition activity in the U.S. Midwest region, decreased by 3.6% in the third quarter of 2018. Year-over-year, the index rose 1.9% compared to Q3-18. Quarter-to-quarter, the index decreased to 86.2, a 3.2 point decrease from 89.4 in Q2-18 (Q3-06=100)

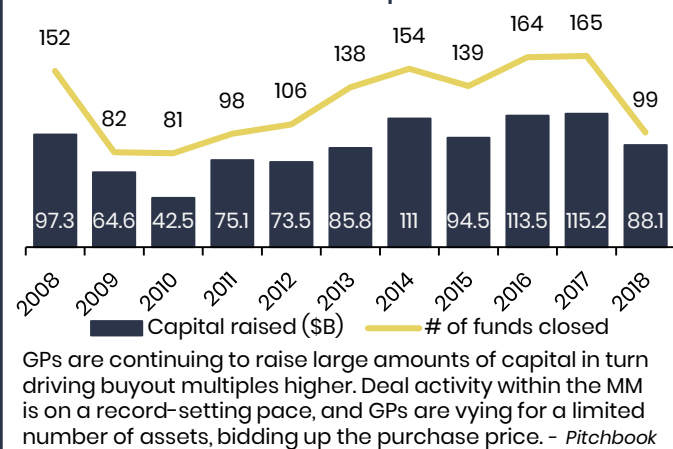
PROSPECTIVE / KEY DRIVERS: Midwest strategic buyers and investors continue to hold record levels of cash as they pursue the ever scarce qualified target opportunities. The limited qualified targets drive competition amongst willing buyers as valuations endure well above historical averages. In addition, the volatile public markets have allowed investors to increase their contributions to the private equity and debt markets all while maintaining normalized allocations. The sellers' awareness to ballooned valuations and eager capital not lasting forever has created an environment where they are equally, if not more, anxious to close a deal as the buyers. As both parties sense a another looming market recession, increased debt prices and continued slow natural growth amplify the straining economic relationship

Bridgepoint Midwest M&A Index^(a)



Another key driver taking place in the private equity markets has been the increase in holding periods on portfolio and add-on companies. The average holding period has increased and steadied around 5 years, due to the priority on acquiring add-ons for existing portfolio companies and improving business operations. More than half of all buyout activity is attributed to add-on M&A acquisitions in 2018. The middle-market has seen robust activity, accounting for 63% of US PE-backed deals, compared to 58% in 2017

Amount of PE Capital Raised



INDEX DEFINITION

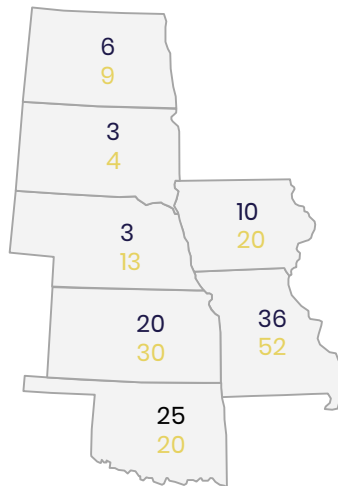
(a) Q3-06 = 100. As defined by Bridgepoint Investment Banking, the Bridgepoint Midwest M&A Index is assembled by summing the number of transactions (for transactions that meet the Transaction Requirements below, as sorted by announced date) announced over the latest two quarters. Year-over-year and quarter-over-quarter percent change is calculated and then applied to the index number for the previous applicable period.

TRANSACTION REQUIREMENTS

Buyer, target and/or seller must be located in the Midwest, and the Midwest participant must have purchased or sold majority control. Total Enterprise Value must be \$10mm or greater. Midwest defined as Iowa, Kansas, Missouri, Nebraska, North Dakota, Oklahoma, and South Dakota.

Source: Bridgepoint Investment Banking, CapitalIQ (June 2018), PitchBook

Q3-18 Midwest M&A By State



● Targets ● Buyers

MIDWEST TARGETS

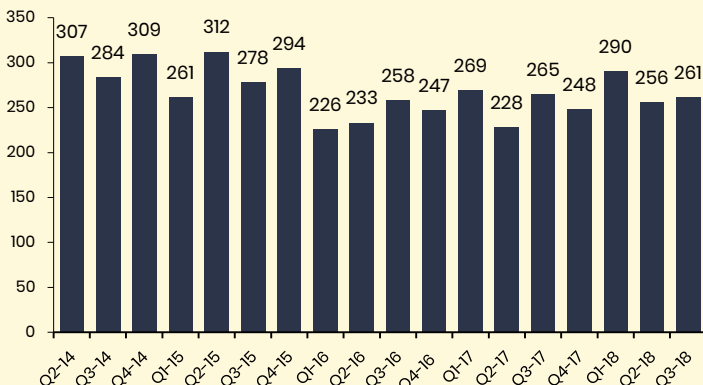
Missouri	36
Kansas	20
Oklahoma	25
Iowa	10
Nebraska	3
North Dakota	6
South Dakota	3
Total	103

MIDWEST BUYERS

Missouri	52
Kansas	30
Oklahoma	20
Nebraska	13
Iowa	20
North Dakota	9
South Dakota	4
Total	148

Selected Midwest Q3-18 M&A Transaction Statistics^(b)

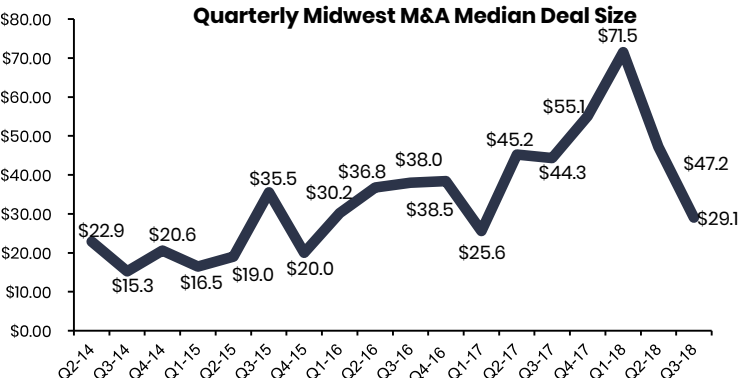
Quarterly Midwest M&A Transaction Volume



- Quarterly Midwest M&A transaction volume decreased from 265 transactions in Q3-17 to 261 transactions in Q3-18. Year-over-year volume decreased by 8.9% from Q3-17 to Q3-18
- Global M&A transaction volumes have remained strong after an incredibly strong first and second quarter – 758^(a) transactions were closed in Q3 of 2018. The strong quarter puts deal activity on pace to match last year's records in terms of deal value and transaction count throughout the US

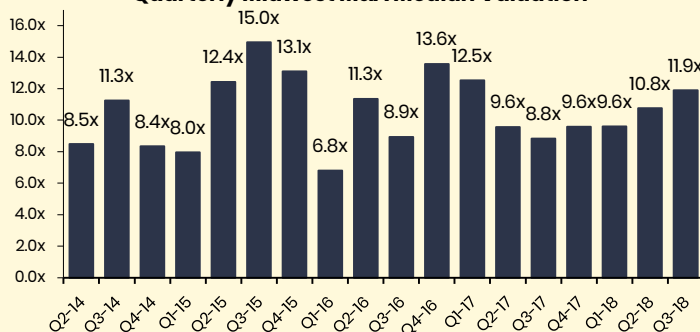
(a) Transactions in the US under \$20 M total transaction value

Quarterly Midwest M&A Median Deal Size



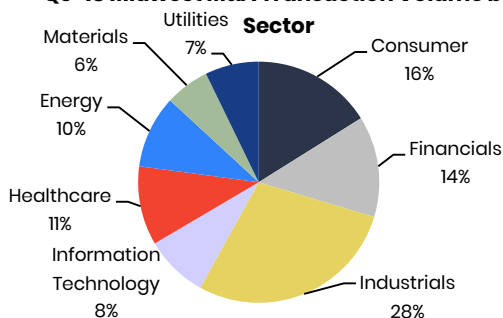
- Quarterly median deal size decreased from \$47.2mm in Q2-18 to \$29.1mm in Q3-18. The region has seen a few large ticket deals. Examples include Southeastern Asset Management's acquisition of Sonic Corp. for \$2.3 billion and Southwestern Energy Company's acquisition of Fayetteville Shale for \$2.3 billion
- As the supply of high quality firms is limited and corporations and sponsors are sitting on ample amounts of cash, they continue to show a willingness to pay a premium to close deals

Quarterly Midwest M&A Median Valuation



- On a TEV/EBITDA basis, median Midwest M&A valuations increased from 10.8x in Q3-17 to 11.9x in Q3-18. Valuations in the middle-market remain steady relative to a broader market historical average of approximately 8.5x EBITDA
- Sellers have been looking to capitalize on this window of opportunity before it closes and valuations are beginning to normalize and hold around 9.6x TEV/EBITDA – Bridgepoint expects multiples to remain elevated throughout 2018 and the beginning of 2019

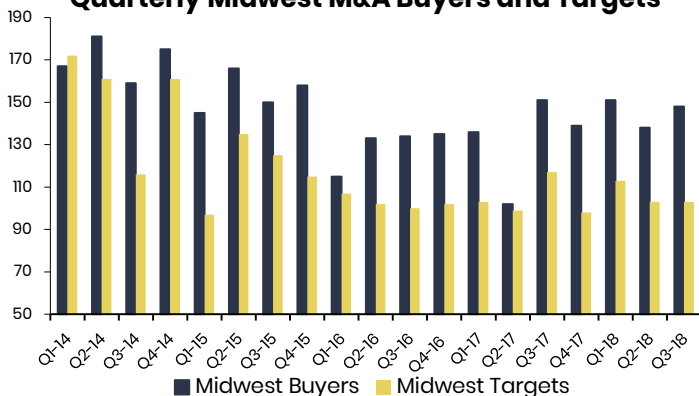
Q3-18 Midwest M&A Transaction Volume by Sector



- Materials & Resources make up the lowest proportion of deals in the past decade. Tax reform's negative impacts of decreasing CapEx bonus depreciation and limited interest deductions will negatively pressure deal activity and valuations in CapEx intensive sectors, such as Materials & Resources
- Healthcare continues to increase their position on total Midwest M&A transaction volume in Q3-18. Bridgepoint foresees this trend continuing – key drivers include low cost of capital, excess dry-powder and fragmentation within certain healthcare subsectors

Selected Midwest Q3-18 M&A Transaction Statistic^(b) (CONTINUED)

Quarterly Midwest M&A Buyers and Targets



- M&A transactions involving Midwest targets increased marginally from the previous quarter. The demand for Midwest targets is undoubtedly strong as the number targets and buyers remain near peak levels in Q3-18 over the past 3 years
- Around half of middle market exits in Q3-18 were derived from a secondary buyouts. Sponsors are continually seeking liquidity for their portfolio companies – at the same time investors / private equity firms, equipped with abundant dry-powder, are probing for businesses that fit the traditional LBO mold. As a result, there has been an uptick in both buyers targets in the Midwest middle market year-over-year

Selected Midwest Q3-18 M&A Transactions^(b)

ANNOUNCED	TARGET	TARGET LOCATION	BUYER	BUYER LOCATION	TARGET SECTOR
10/03/2018	TSi Auto Solutions Inc.	Canada	NCM Associates, Inc.	Missouri	Information Technology
10/01/2018	Sellers Equipment, Inc.	Kansas	Berry Companies, Inc.	Kansas	Industrials
10/01/2018	CPM Holdings Inc.	Iowa	American Securities LLC	New York	Industrials
09/30/2018	Stuteville Chevrolet Buick GMC	Oklahoma	Stuteville Automotive Group	Oklahoma	Consumer Discretionary
09/28/2018	AVALA Inc.	Missouri	Rollick Inc	Texas	Communication Services
09/27/2018	Loring Ward Holdings Inc.	California	BAM Advisor Services, LLC	Missouri	Financials
09/27/2018	Saint Louis Effort for AIDS	Missouri	AIDS Resource Center of WI (ARCW), Inc.	Wisconsin	Industrials
09/25/2018	Sonic Corp. (NasdaqGS:SONC)	Oklahoma	ARG Holding Corporation	Georgia	Consumer Discretionary
09/24/2018	Simply Service Federal Credit Union	South Dakota	Highmark Federal Credit Union	South Dakota	Financials
09/24/2018	Koetter Construction Supply, Inc.	Oklahoma	Fastener Acquisition, Inc.	Nebraska	Industrials
09/24/2018	Verus Bank	Kansas	Citizens Bank of Kansas (Kingman, KS)	Kansas	Financials
09/21/2018	Facility Services Group, LLC	Missouri	Warehouse of Fixtures	Missouri	Industrials
09/18/2018	Advanced Technology Group, Inc.	Kansas	Cognizant Corporation (NasdaqGS:CTSH)	New Jersey	Information Technology
09/14/2018	Swisher Bankshares, Inc.	Iowa	Central State Bank (Elkader, IA)	Iowa	Financials
09/14/2018	Gan-AG Corp.	Kansas	Gateway Building Systems Inc.	North Dakota	Industrials
09/12/2018	Embassy Suites by Hilton Kansas Cit	Kansas	Encore Hospitality, LLC	Texas	Consumer Discretionary
09/12/2018	Montessorium, LLC	South Dakota	Higher Ground Education Inc.	California	Communication Services
09/11/2018	PhytoTechnology Laboratories, LLC	Kansas	CalibreScientific Inc.	California	Health Care
09/06/2018	Casillas Petroleum Energy Partners, LP.	Oklahoma	Fortress Investment Group LLC	Oklahoma	Energy
09/04/2018	Trio Printing Company, Inc.	Missouri	Modern Litho, Inc.	Missouri	Industrials
09/04/2018	BlackHawk Industrial Distribution, Inc.	Oklahoma	Snow Phipps Group, LLC	New York	Industrials
08/31/2018	TAGG Logistics, LLC	Missouri	Dot Family Holdings	Missouri	Industrials
08/30/2018	Bolivar OB/GYN LLC.	Missouri	Citizens Memorial Hospital District	Missouri	Health Care
08/24/2018	Concordia Tractor, Inc.	Kansas	Prairieland Partners, Inc.	Kansas	Industrials
08/22/2018	Digital Division of Squid Ink Creative	Kansas	Swindoll, Janzen, Hawk & Loyd, LLC	Kansas	Communication Services
08/20/2018	Soaring Eagle Distributing, Inc.	Missouri	D & D Distributors, LLLP	Missouri	Consumer Discretionary
08/20/2018	Broker Dealer Financial Services Corp.	Iowa	Cambridge Investment Research, Inc.	Iowa	Financials
08/16/2018	Processing Facility in Fremont	Nebraska	WholeStone Farms I, LLC	South Dakota	Consumer Staples
08/15/2018	Tierra Media Inc.	Oklahoma	OKCTalk.com	Oklahoma	Communication Services

(b) Midwest defined as Iowa, Kansas, Missouri, Nebraska, North Dakota, Oklahoma and South Dakota. Either buyer, target, or seller must be located in the Midwest, and the Midwest participant must have purchased or sold majority control.
Source: Bridgepoint Investment Banking, Capital IQ



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THIRD QUARTER 2018

EXECUTIVE SUMMARY

186+ years cumulative commercial banking and financial services experience

\$102+ billion of M&A, capital raising, corporate finance and transaction advisory service experience

40 completed M&A assignments spanning more than \$30 billion

77 completed corporate finance transactions, raising more than \$73 billion in capital

12 Investment bankers and professionals focused on middle-market companies

SECTORS



SELECTED BRIDGEPOINT TRANSACTION EXPERIENCE

 USD 60 million Global financing Sole Financing Arranger	 USD 45 million Uni-tranche financing for recapitalization Sole Financing Arranger	 Equity & debt capital raise to support management acquisition Sole Financial Advisor	 HAS BEEN ACQUIRED BY SRS Distribution Self-side advisory Financial Advisor	 USD 375 million Senior secured credit facilities/senior notes Joint Bookrunner
 HAS BEEN ACQUIRED BY Beacon Roofing Supply Sell-side advisory Financial Advisor	 HAS BEEN ACQUIRED BY DIAMOND CASTLE USD425 million Sell-side advisor to York Label and Wind Point Partners on the sale of York Label to Diamond Castle Financial Advisor	 USD 428 million Follow-on public equity offering Joint Bookrunner	 USD5.7 billion Buy-side advisor to private equity consortium Financial Advisor	 USD 99 million Initial public offering Joint Bookrunner

186

YEARS OF EXPERIENCE

\$102B

IN TRANSACTIONS

117

TOTAL TRANSACTIONS

SENIOR LEADERSHIP



Matt Plooster
Managing Director



Wm. Lee Merritt
Managing Director



Gary Grote
Managing Director



Mike Anderson
Managing Director



Adam Claypool
Managing Director



Natasha Plooster
COO



Subhash Marineni
Vice President



Joe Liss
Managing Director

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