

# Midwest Capital Raise Quarterly Update

Third Quarter 2018

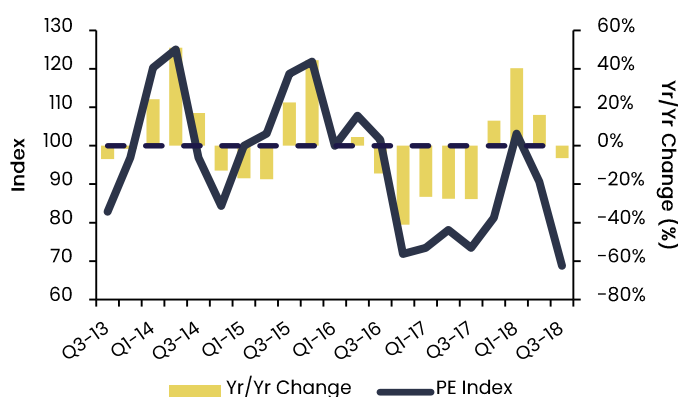
# Midwest Capital Raise Quarterly Update

## Bridgepoint Midwest Capital Raise Indices

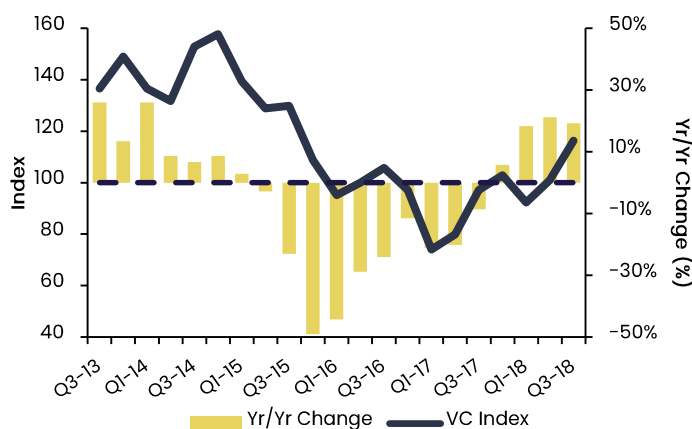
### *Non-Coastal Venture Market Starting to Receive More Attention*

- Private Equity Index Summary:** On a year-over-year basis, the Bridgepoint Index decreased 6.4% from 73.4 in Q3-17 to 68.8 in Q3-18. On a quarter-to-quarter basis, the Index decreased 24.1% from 90.6 in Q2-18 to 68.8 in Q3-18.
- Perspective / Key Drivers:** Private equity in the Midwest continued its decline from Q2-18 and reached a five year low. Nationally, deal sizes and multiples remain elevated and the middle market is on pace to surpass \$400 billion in total value for the first time. Buyout multiples have remained elevated as competition for prime assets has persisted. PE funds are trying to spend down dry powder and have faced increased competition from cash-rich strategics that just received an additional windfall from the recent reduction in corporate taxes.
- Venture Capital Index Summary:** On a year-over-year basis, the Bridgepoint Index increased 19.8% to 116.4 in Q3-18, from 97.12 in Q3-17. On a quarter-to-quarter basis, the Index increased 15.2% from 101.0 in Q2-18, continuing the upward trend since Q1-17.
- Perspective / Key Drivers:** The Midwest continued its strong upward swing in venture activity during Q3-18. The national market has also continues to flourish, with a record \$84.3 billion of deal value year to date. The venture industry is starting to pay more attention to startups in non-coastal regions of the country. This trend hasn't quite surfaced in the data yet, but positive sentiment and interest are emerging. This stems from the lower cost of startup operations, the demand for follow-on investments in a strong cohort of startups looking for additional growth capital, and a strong talent pool.

**Bridgepoint Midwest Private Equity Index**  
(Q1-11 = 100)



**Bridgepoint Midwest Venture Capital Index**  
(Q1-11 = 100)



**YTD U.S. venture capital total deal value of \$84.3 billion is already a record high, with a quarter remaining**

#### Index Definition

Q1-11 = 100. As defined by Bridgepoint Investment Banking, the Bridgepoint Midwest Capital Raise 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

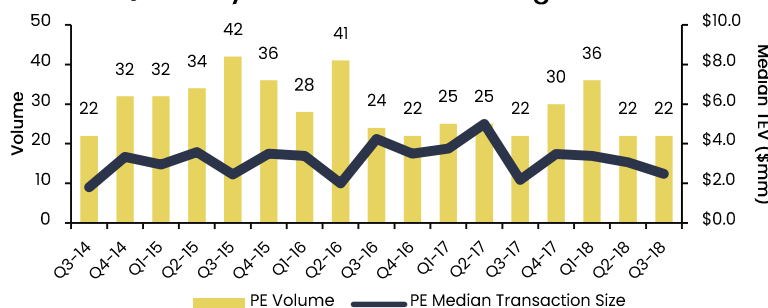
Target/Issuer must be located in the Midwest, and the Investor must be either a private equity or venture capital firm. Midwest defined as Iowa, Kansas, Missouri, Nebraska, North Dakota, Oklahoma, and South Dakota.

Source: Bridgepoint Investment Banking, Capital IQ, Pitchbook (9/30/2018)

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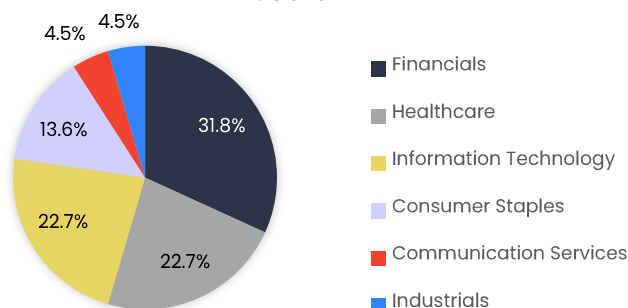
## Selected Midwest Q3-18 Capital Raise Transaction Statistics<sup>(a)</sup>

### Quarterly Midwest PE Financing Volume



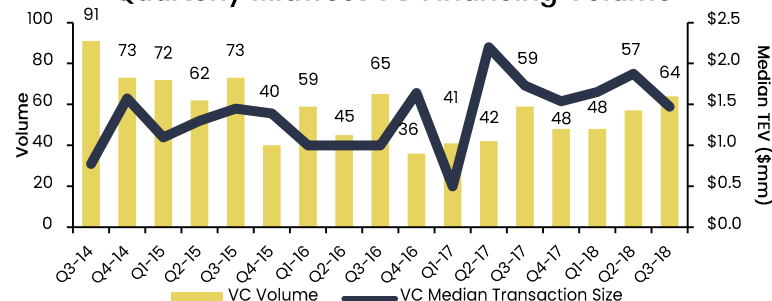
- Quarterly Midwest private equity financing volume remained flat over the third quarter at 22 transactions. This matches four other quarters as the lowest volume over the past four years.
- The Q3-18 PE median transaction size was 19.0% below the five year historical median, encumbered by the quarterly median transaction size decreasing by 19.0% to \$2.5mm in Q3.
- Although national transaction sizes are continually increasing, the Midwest has seen fairly consistent median transaction sizes over the past four years.

### Midwest Private Equity Transaction Volume by Sector



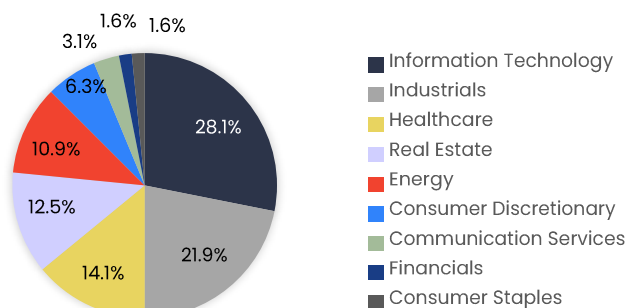
- Financials, Healthcare, and Information Technology were the three most active sectors and accounted for nearly 75% of the total Midwest private equity transactions in Q3-18, which is consistent with Q2-18.
- The Financials sector has been lifted lately by PE firms and insurance companies forming relationships, whereby PE firms have allowed insurance companies to invest more aggressively.
- Communication Services saw its first activity since Q2-17 with Corsair Capital's acquisition of Spring Venture Group, a marketing and technology firm.

### Quarterly Midwest VC Financing Volume



- Quarterly Midwest venture capital volume increased to 64 transactions in Q3-18, up 12.2% for the quarter. On a year-over-year basis, total transaction volume increased by 8.5% from Q3-17.
- The median transaction size in Q3-18 was \$1.5mm, a 20.2% quarterly decrease. This is 13.1% greater than the 5 year historical median and is inconsistent with the national trend of increasing deal sizes. As non-coastal venture prospects garner more later stage attention, median deal sizes should increase.

### Midwest Venture Capital Transaction Volume by Sector



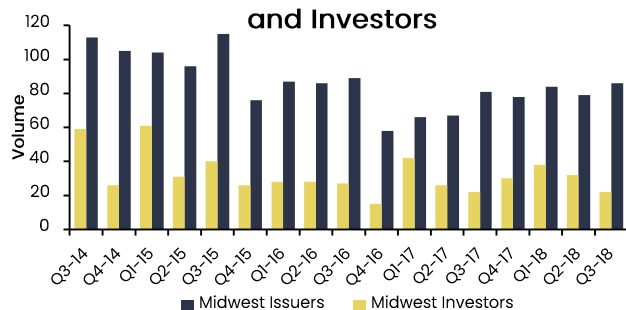
- Financings in the Information Technology and Industrials sectors accounted for 50% of all venture activity in the Midwest region for the quarter.
- Information Technology, Real Estate, Industrials, Energy, Communication Services, and Consumer Staples all saw increased activity from the previous quarter.
- With only 1 financing in Q3-18, Financials experienced an 86% drop from 7 financings in Q2-18.

# Midwest Capital Raise Quarterly Update

## Selected Midwest Q3-18 Capital Raise Transaction Statistics (Continued)<sup>(a)</sup>

### Quarterly Midwest Financings Issuers

#### and Investors



- Transactions with Midwest investors decreased 31.3% from 32 in Q2-18 to 22 in Q3-18.
- Total private equity and venture capital transactions with Midwest issuers increased 9.0% from 79 in Q2-18 to 86 in Q3-18.
- On a year-over-year basis, Midwest issuers saw an increase of 6.1%, while Midwest investors remained flat. These levels reinforce the issue of a lack of capital available from Midwest investors.

## Selected Midwest Q3-18 Capital Raise Transactions<sup>(a)</sup>

Announced	Target	Target location	Investor	Investor Type	Target Sector	Transaction Size (\$mm)
09/27/2018	NextStream Growth I, LLC	Oklahoma	-	Venture Capital	Information Technology	100.00
09/21/2018	EquipmentShare.com, Inc.	Missouri	-	Venture Capital	Industrials	10.01
09/19/2018	OPS-KC, LLC	Kansas	-	Venture Capital	Real Estate	-
09/19/2018	Site 1001, Inc.	Missouri	-	Venture Capital	Information Technology	6.28
09/12/2018	IDx Technologies, Inc.	Iowa	Heritage Provider Network, Inc.; Eight Partners; Optum Ventures; Alpha Edison	Growth Capital/Private Equity	Health Care	33.00
09/10/2018	Sterling Filters, LLC.	Missouri	-	Venture Capital	Industrials	-
09/10/2018	CityPlace Royale Investors, LLC	Missouri	-	Venture Capital	Real Estate	-
09/06/2018	KNOXX, LLC	Kansas	-	Venture Capital	Industrials	-
09/06/2018	InnovaPrep, LLC	Missouri	-	Venture Capital	Health Care	-
08/31/2018	Ascent Resources, LLC	Oklahoma	-	Venture Capital	Energy	575.00
08/29/2018	N.B.C. Bancshares in Pawhuska, Inc.	Oklahoma	-	Growth Capital/Private Equity	Financials	12.00
08/28/2018	SAB Biotherapeutics, Inc.	South Dakota	-	Venture Capital	Health Care	22.00
08/28/2018	CitySmart, LLC	Missouri	Quake Capital Partners	Venture Capital	Information Technology	0.15
08/27/2018	MakuSafe Corp.	Iowa	-	Venture Capital	Information Technology	-
08/20/2018	Security State Bancshares, Inc.	Missouri	-	Growth Capital/Private Equity	Financials	-
08/16/2018	iDocsWeb, LLC	Missouri	-	Venture Capital	Health Care	-
08/15/2018	Industry People Group Inc.	Iowa	Providence Strategic Growth Capital Partners LLC	Growth Capital/Private Equity	Information Technology	-
08/15/2018	River's Edge Energy, LLC	North Dakota	-	Venture Capital	Energy	0.12
08/10/2018	Invisibly, Inc.	Missouri	-	Venture Capital	Information Technology	10.23
08/08/2018	Ascent Resources Equity Holdings, LLC	Oklahoma	-	Venture Capital	Energy	58.76
08/03/2018	Elira Therapeutics, Inc.	Missouri	-	Venture Capital	Health Care	0.92
08/02/2018	San Joaquin Renewables, LLC	Iowa	-	Venture Capital	Energy	-
07/31/2018	Real Quantum, LLC	Kansas	-	Venture Capital	Information Technology	0.85
07/30/2018	Phoreus Biotechnology, Inc.	Kansas	-	Venture Capital	Health Care	-
07/25/2018	Tractor Zoom, Inc.	Iowa	Innova Memphis Inc	Venture Capital	Communication Services	1.00
07/20/2018	Invisibly, Inc.	Missouri	-	Venture Capital	Information Technology	10.00
07/16/2018	Zero Card, Inc.	Oklahoma	-	Venture Capital	Health Care	-
07/16/2018	Legal GPS, Inc.	Missouri	-	Venture Capital	Information Technology	0.08
07/13/2018	Flex Air Inc.	Kansas	-	Venture Capital	Consumer Discretionary	0.05
07/11/2018	Enduralock, LLC	Kansas	-	Venture Capital	Industrials	-
07/09/2018	SE Ventures, LLC	Nebraska	-	Venture Capital	Real Estate	-
07/09/2018	BastCore LLC	Nebraska	-	Venture Capital	Consumer Discretionary	0.15

(a) Midwest defined as Iowa, Kansas, Missouri, Nebraska, North Dakota, Oklahoma and South Dakota. Issuer must be located in the Midwest.  
Source: Bridgepoint Investment Banking, Capital IQ



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## About Bridgepoint Investment Banking

Bridgepoint Investment Banking, a Division of Bridgepoint Holdings, LLC, is a lower and middle market investment banking firm that serves clients throughout the corporate lifecycle by providing merger and acquisition and corporate finance advisory services.

With more than 186+ years of cumulative experience, Bridgepoint Investment Banking professionals have completed over \$102 billion of merger and acquisition, capital raising, corporate finance and transaction advisory services across a wide range of industries.

When considering a sale of your business, the acquisition of a business, and/or raising capital for a business or transaction, the Principals of Bridgepoint Investment Banking, through our broker dealer relationship, can help you to achieve your personal and business goals. Our specialized expertise helps our clients achieve better value, identify better transaction partners, reach smarter decisions and negotiate more favorable outcomes. Please reach out to us at the contact information above to discuss how we can help you.

## Selected Bridgepoint Investment Banking Transactions

<b>USD1.9 billion</b> Investment Debt and Preferred Equity Placement  Sole Financial Advisor	<b>NOT DISCLOSED</b> Buy-side advisory on its potential acquisition of publicly traded technology services company and related acquisition financing  Sole Financial Advisor	<b>NOT DISCLOSED</b> Sell-side Advisor and Buy-side acquisition financing  Sole Financial Advisor	<b>USD1.0 billion</b> Follow-on equity offering  Senior Co-Manager	<b>USD300 million</b> Joint Bookrunner and Joint Arranger for new revolving credit facility and senior note offering	<b>USD200 million</b> Exit financing facilities  Bookrunner	<b>USD3.0 billion</b> Joint Bookrunner on senior notes offering  Joint Bookrunner	<b>USD300 million</b> Secondary equity offering  Joint Lead Bookrunner	<b>US\$100 million</b> Bridgepoint Monroe Capital Investors, LLLP  Lead Bookrunner & Sole Financial Advisor
<b>GOOD YEAR</b>  <b>USD1.9 billion</b> Prior secured credit facilities  Joint Bookrunner	<b>THE CORRAL GROUP</b>  <b>USD1.17 billion</b> Buy-side Advisor to private equity consortium on its acquisition Cooper Standard Automotive  Sole Financial Advisor	<b>INTERNATIONAL AG INSURANCE SOLUTIONS</b> Private equity management solution for acquisition  <b>USD500 million</b> Equity Capital Raise <b>USD2.5 million</b> Debt Capital Raise  Sole Financial Advisor	<b>VALUE PLACE</b>  <b>USD5.1 million</b> Secured Promissory offering  Lead Bookrunner	<div>             Buy-side Advisor             Undisclosed Multiple Transactions             Sole Financial Advisor         </div>		<b>QCommerce</b>  <b>USD10 million+</b> Preferred stock offering  Joint Bookrunner	<b>KOCH INDUSTRIES INC.</b>  <b>USD20 billion</b> Joint Lead Arranger for the financing supporting Koch's acquisition of Georgia-Pacific  Joint Lead Arranger	<b>Constar redbox</b>  <b>USD200 million</b> Convertible notes offering  Joint Bookrunner
<b>SAHI TEC</b>  <b>SD1.2 billion</b> Buy-side Advisor to Asahi Tec (Chinese automotive supplier) in its acquisition of N.A. automotive supplier  Financial Advisor	<b>AMC</b>  Buy-side Advisor  Undisclosed Multiple Transactions  Sole Financial Advisor	<b>LKQ</b> 2008 Recipient of Automotive Hall of Fame  <b>USD765 million</b> Senior secured credit facilities (financing for LKQ's acquisition of top competitor)  Joint Bookrunner	<b>BirdDogHR</b>  Not Disclosed Equity Capital Raise  Sole Bookrunner June 2014	<b>US \$1.5 to \$2.0 billion</b>  Sole Financial Advisor	<b>T-STONE</b>  <b>1 billion</b> Senior on senior  Joint Bookrunner	<b>METLCAST</b> PRODUCTS, INC.  Not Disclosed Buy-side advisory and financing on acquisition of metal foundry  Sole Financial Advisor & Sole Financing Arranger	<b>MEN'S STYLE LAB</b>  Sell-side Advisor  STITCH FIX  Sole Financial Advisor	<b>RCI</b> Roofing Supply, Inc.  Not Disclosed Sell-side advisory on sale to Beacon Roofing Supply, Inc.  Sole Financial Advisor
<b>WCC</b>	<b>YORK LABEL</b>	<b>Hertz</b>	<b>Manitowoc</b>	<b>WOODDIRECT</b>	<b>SOHO DEVELOPMENT</b>	<b>ACCURIDE</b>	<b>KanCham</b>	<b>NAVTEQ</b>

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