



bridgepoint

INVESTMENT
BANKING

MIDWEST M&A QUARTERLY UPDATE

FIRST QUARTER 2019

Frothiness Persists, but Sectors Diverging

Middle market valuations remain elevated due to excess dry powder at both private equity groups and strategic buyers; certain industries are experiencing headwinds in 2019 driven by uncertainty in the macro environment

EXECUTIVE SUMMARY

Midwest strategic buyers and investors continue to hold record levels of cash as they pursue increasingly scarce attractive target opportunities. The limited number of qualified targets have been driving competition amongst buyers as valuations endure well above historical averages – valuation multiples in Q4 2018 for \$10–\$250mm transactions rose to an average 7.8x TEV / Adjusted EBITDA

Seller awareness of ballooned valuations and eager capital requiring near-term deployment has created an environment where they are equally, if not more, anxious to complete a transaction. As both parties sense looming market risk, increased debt prices and continued slow organic growth, the urgency to transact has increased

Buyer Trends

Moving Down Market



A factor driving frothiness in the middle market is larger buyout firms and strategic acquirors, priced out of their own markets, coming down market to find deals

Minority Investments



In order to deploy capital, many PE firms are increasingly willing to make minority equity investments – which was historically uncommon in middle market M&A

Roll-up Acquisition Strategies

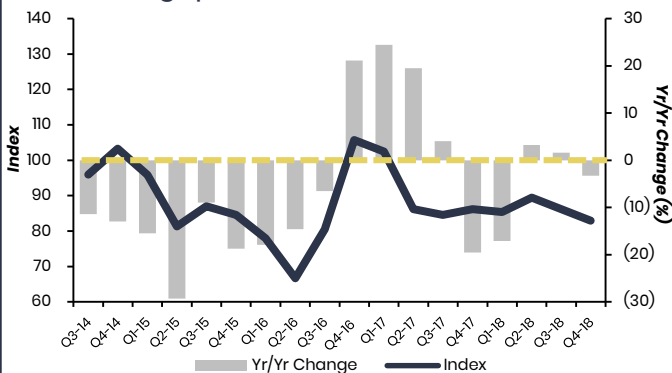


After acquiring a sizable platform company, buyers often move down market to find add-on opportunities to meet return thresholds

“ It continues to be a seller’s market, with both debt and equity investors hungry to deploy capital. However, we have begun to see a move to normalization in certain sectors as the timing of an eventual slowdown weighs on every buyer’s mind. Potential sellers should consider exploring their options while valuations remain high; particularly those in more recession-resistant industries, as investors are willing to pay a premium for future stability. ”

Erik Latterell, Director
Stone Arch Capital

Bridgepoint Midwest M&A Index^(a)



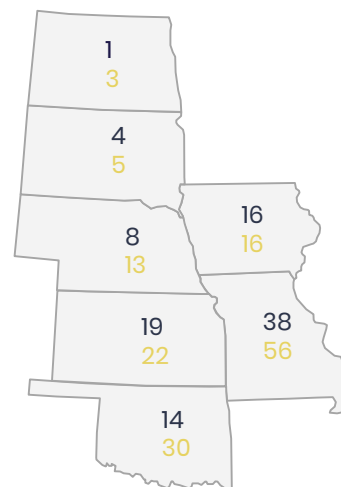
INDEX SUMMARY: The Bridgepoint Midwest M&A Index, a measure of corporate merger and acquisition activity in the U.S. Midwest region, decreased by 3.6% in the fourth quarter of 2018. Year-over-year, the index decreased 3.3% compared to Q4-17. Quarter-to-quarter, the index decreased to 82.9 from 86.2 in Q3-18

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.

Sources: Bridgepoint Investment Banking, S&P Capital IQ, PitchBook, GF Data

Q4-18 Midwest M&A By State

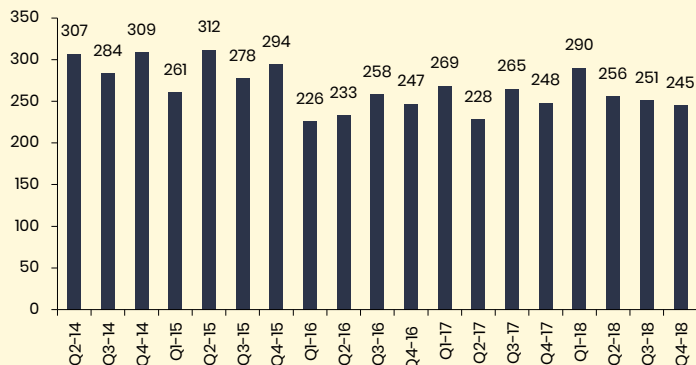


● Targets ● Buyers

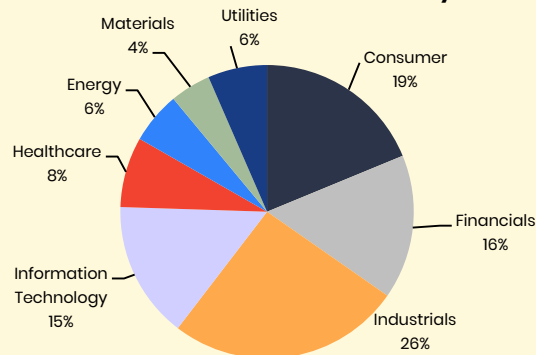
MIDWEST TARGETS	
Missouri	38
Kansas	19
Iowa	16
Oklahoma	14
Nebraska	8
South Dakota	4
North Dakota	1
Total	100
MIDWEST BUYERS	
Missouri	56
Oklahoma	30
Kansas	22
Iowa	16
Nebraska	13
South Dakota	5
North Dakota	3
Total	145

Selected Midwest Q4-18 M&A Transaction Statistics

Quarterly Midwest M&A Transaction Volume



Q4-18 Midwest M&A Transaction Volume by Sector

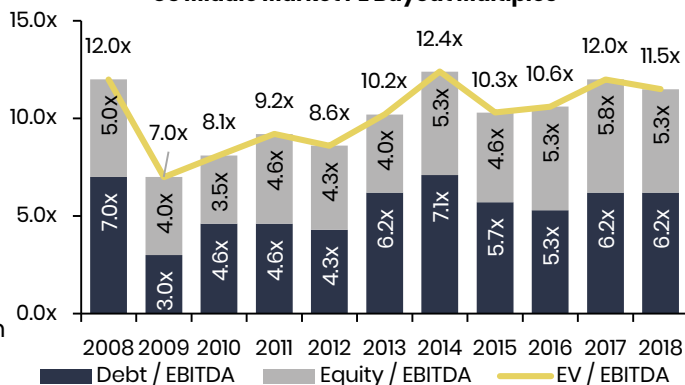


The Inflow of capital into the private markets is driving the average TEV / EBITDA multiple of private assets above that of public assets for the first time since the financial crisis in 2008

The size premium and the quality premium expanded in 2018 – reflecting the demand by PE groups to invest in high quality businesses. Deals valued between \$50-\$250mm sold for almost 3 turns more in EBITDA than deals in the \$10-\$50mm space

Add-on acquisitions continue their prevalence in the middle market M&A, constituting over half of all deals in 2018 (53.3%) – Bridgepoint expects this trend to continue throughout 2019

US Middle Market PE Buyout Multiples



Selected Midwest Q4-18 M&A Transactions

ANNOUNCED	TARGET	TARGET LOCATION	BUYER	BUYER LOCATION	TARGET SECTOR
12/31/2018	Humboldt Rotational Molding	California	Tank Holdings Corp.	Minnesota	Materials
12/20/2018	CEI Equipment Company LLC	Iowa	R.C. Tway Company, Inc.	Kentucky	Industrials
12/19/2018	OurPet's Company (OTCPK:OPCO)	Ohio	Hyper-Pet LLC	Kansas	Consumer Discretionary
12/07/2018	iSolutions, Inc.	Alberta	Emerson Electric Co. (NYSE:EMR)	Missouri	Information Technology
12/05/2018	Economics Partners, LLC	Colorado	Ryan, LLC	Texas	Industrials
12/04/2018	Hidden Creek Golf Club, L.L.C.	New Jersey	Dormie Network, LLC	Nebraska	Consumer Discretionary
11/29/2018	S&S Star Water Solutions, LLC	Oklahoma	Bison Oilfield Services LLC	Oklahoma	Industrials
11/28/2018	The First National Bank of Girard	Kansas	GNBank	Kansas	Financials
11/14/2018	Consolidated Lumber Company, LLC	Minnesota	American Construction Source LLC	Missouri	Consumer Discretionary
11/07/2018	RSS Roofing Services & Solutions, LLC	Missouri	Tecta America Corp.	Illinois	Industrials
11/02/2018	Uplift Data Partners LLC	Illinois	PrecisionHawk Inc.	North Carolina	Industrials
10/30/2018	WildHorse Resource Development	Texas	Chesapeake Energy Corporation	Oklahoma	Energy
10/25/2018	Zimmerman Alfa Romeo and Fiat	Iowa	Van Horn Automotive Group, Inc.	Wisconsin	Consumer Discretionary
10/22/2018	American Railcar Industries, Inc.	Missouri	ITE Management LP	New York	Industrials
10/22/2018	Dorsey Engineering, Inc.	Georgia	Kennedy Associates, Inc.	Missouri	Industrials
10/18/2018	Redel Insurance Agency, Inc.	Missouri	Seeman Holtz Property and Casualty, Inc.	Florida	Financials
10/15/2018	Fremont First Federal Credit Union	Nebraska	Pentagon Federal Credit Union	Virginia	Financials
10/10/2018	Metropolitan Fire Extinguisher, Inc	Arkansas	Marmic Fire & Safety Co.	Missouri	Industrials
10/04/2018	Sweetman Construction Co.	South Dakota	Knife River Corporation	North Dakota	Industrials
10/03/2018	TSi Auto Solutions Inc.	New Brunswick	NCM Associates, Inc.	Missouri	Information Technology






MIDWEST M&A QUARTERLY UPDATE

FIRST QUARTER 2019

Market-leading boutique investment bank providing M&A and capital raising advisory solutions

- 197+ years cumulative investment banking experience spanning 118 transactions
- \$102+ billion of M&A, capital raising, corporate finance and transaction advisory service experience
- 41 completed M&A assignments spanning more than \$30 billion
- 77 completed corporate finance transactions, raising more than \$73 billion in capital

SELECTED RECENT BRIDGEPOINT TRANSACTIONS

 <p>AULICK Leasing HAS BEEN ACQUIRED BY TFI International Sell-side advisory Financial Advisor</p>	 <p>USD 60 million Global financing Sole Financing Arranger</p>	 <p>USD 45 million Unitranche financing for recapitalization Sole Financing Arranger</p>	 <p>Equity & debt capital raise to support management acquisition Sole Financial Advisor</p>	 <p>CONTRACTORS SUPPLY WINDOWS & ROOFING SUPPLY HAS BEEN ACQUIRED BY S&S Distribution Sell-side advisory Financial Advisor</p>
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SECTORS OF FOCUS



197

YEARS OF EXPERIENCE









\$102B

IN TRANSACTIONS

118

TOTAL TRANSACTIONS

SENIOR LEADERSHIP

 <p>Matt Plooster Managing Director</p>	 <p>Wm. Lee Merritt Managing Director</p>	 <p>Gary Grote Managing Director</p>	 <p>Mike Anderson Managing Director</p>
 <p>Adam Claypool Managing Director</p>	 <p>Joe Liss Managing Director</p>	 <p>Natasha Plooster COO</p>	 <p>Subhash Marineni Vice President</p>

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