

# Midwest M&A Quarterly Update

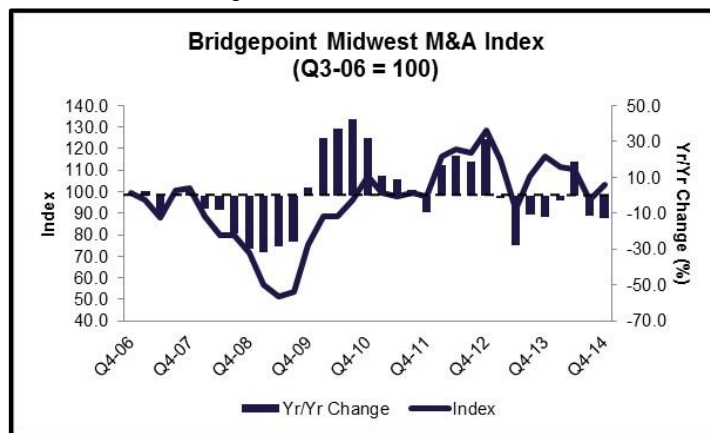
*Fourth Quarter 2014*

# Midwest M&A Quarterly Update

## Bridgepoint Midwest M&A Index

### Midwest M&A: Strong Valuations, More Buyers Than Sellers

- Index Summary:** The Bridgepoint Midwest M&A Index, a measure of corporate merger and acquisition activity in the U.S. Midwest region, increased by 7.4% in Q4-14 after having decreased 14.6% in Q3-14. On a year-over-year basis, the index decreased 13.0% from Q4-13. However, on a quarter-to-quarter basis the index rebounded to move above the baseline (Q3-06=100) after dipping below it in Q3-14
- Perspective:** The index rebounded in the latest quarter, climbing 7.4 points to close just above 100. Global 2014 deal volume reached \$2.5 trillion, one of the best years for deals since 2007. Valuations are at all-time highs in many sectors and elevated across the market, driven by a combination of near-record dry powder, abundant cheap debt for acquirors and increasing corporate confidence at U.S. companies
- Key Drivers:** Strategic buyers have record levels of cash on their balance sheets and if they are public, likely have favorable valuations in the market. Our private equity and lender contacts and clients are consistently reporting large quantities of capital chasing too few deals – there are more buyers than sellers. However, falling oil prices, concerns over global macroeconomic growth, geopolitical uncertainty and volatility in public equity markets inject fresh uncertainty into the deal-making process and could affect the market over the longer term
- Outlook:** We anticipate continued strong deal making activity and elevated valuations over the near-term. It is a good time for company owners and management teams; tougher time for PE firms and institutional lenders. Substantial optionality, premium valuations and capital solutions are currently available for Midwest companies. Cycle timing and urgency for owners that may be sellers or seekers of significant financing over the next few years is important, particularly for traditionally cyclical sectors (transportation, energy, etc.)



- What the Index Means for You:** Deal volumes rebounded strongly in the latest quarter while M&A valuations and deal sizes remain historically strong. The current environment represents an attractive opportunity for Midwest companies, management teams and business owners to:
  - Review Capital Structure and Financing Options* – Take advantage of the strong capital markets environment to finance growth, acquisition, liquidity or refinance. Given the strong current market conditions, companies should evaluate their capital structure and options available to ensure they are well positioned relative to their strategic and financial priorities
  - Evaluate strategic options and your company value* – Midwest companies continue to garner premium valuations and strong M&A interest from both strategics and sponsors; cyclical sector valuations are at or near all-time highs, potentially representing an opportunity that may not be matched for years
  - Explore nontraditional deal-making opportunities* – growth / expansion and recapitalization transactions can supplement traditional buy-out options given current market conditions

#### Index Definition

Q3-06 = 100. As defined by Bridgepoint Merchant 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

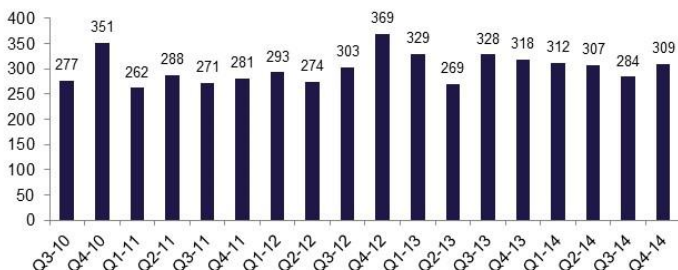
Buyer, target and/or seller must be located in the Midwest, and the Midwest participant must have purchased or sold majority control. Total Enterprise Value must be \$10mm or greater. Midwest defined as Iowa, Kansas, Missouri, Nebraska, North Dakota, Oklahoma, and South Dakota.

Source: Bridgepoint Merchant Banking, Capital IQ (12/31/2014), [www.axial.net](http://www.axial.net), [www.bloomberg.com](http://www.bloomberg.com), [www.deloitte.com](http://www.deloitte.com), [www.Pitchbook.com](http://www.Pitchbook.com)

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## Selected Midwest Q4-14 M&A Transaction Statistics<sup>(a)</sup>

Quarterly Midwest M&A Transaction Volume



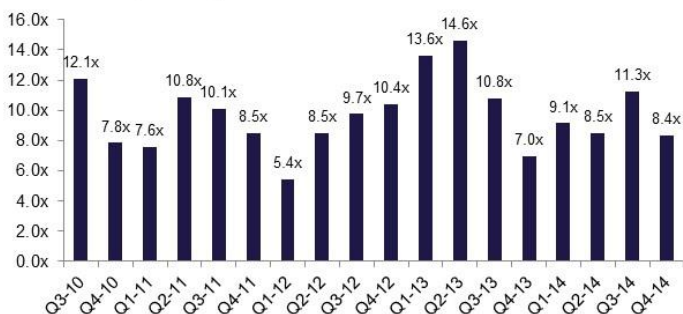
- Quarterly Midwest M&A volume rose, increasing by 8.8% from 284 transactions in Q3-14 to 309 transactions in Q4-14. On a year-over-year basis, quarterly Midwest M&A volume decreased by 2.8% from Q4-13
- From a long-term perspective, Midwest deal flow continues to reflect an upward trajectory; 2014 aggregate transaction volume is consistent with previous historically high levels

Quarterly Midwest M&A Median Deal Size



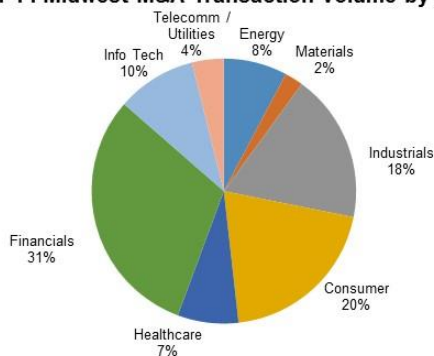
- Of the Midwest M&A transactions with transaction values, quarterly median deal size increased from \$15.3mm in Q3-14 to \$20.6mm in Q4-14
- Due to a high demand for quality companies, owners have increasingly explored looking to M&A monetization due to valuation trends in the lower middle market
- As the supply of these firms is reduced, corporates and sponsors have shown 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 dropped from 11.3x in Q3-14 to 8.4x in Q4-14. On a TEV/sales basis, median Midwest M&A valuations remained steady at 1.5x
- Lower middle market multiples in the Midwest remain elevated relative to the broader market. According to Pitchbook.com for transactions in the sub \$250mm range, multiples are hovering between 4.0x and 8.0x EBITDA

Q4-14 Midwest M&A Transaction Volume by Sector



- Core industries (including Industrials, Materials and Consumer) accounted for 40% of total Midwest M&A transaction volume in Q4-14, a decrease of 5% from Q3-14
- The Consumer sector strengthened marginally in Q4-14, up 1% from Q3-14. The Financials sector saw the biggest increase in Q4-14, up 3% from Q3-14

# Midwest M&A Quarterly Update

## Selected Midwest Q4-14 M&A Transaction Statistics (Continued)<sup>(a)</sup>

Quarterly Midwest M&A Buyers and Targets



- Quarterly M&A transactions with Midwest buyers increased to 175 in Q4-14 from 159 in Q3-14. Transactions with Midwest targets increased 38.8% to 161 from 116
- The increase in transactions with Midwest targets reiterates the strong buyer appetite for Midwest companies

## Selected Midwest Q4-14 M&A Transactions<sup>(a)</sup>

Announced	Target	Target Location	Buyer	Buyer Location	Target Sector	TEV (\$mm)
12/22/2014	<b>Avantas, LLC</b>	NE	AMN Healthcare Services Inc. (NYSE:AHS)	CA	Healthcare	\$25.0
12/22/2014	<b>Southern Bancshares Corp.</b>	MO	<b>Midwest BankCentre, Inc.</b>	MO	Financials	74.5
12/22/2014	<b>Eagle Nonwovens Inc.</b>	MO	AstenJohnson Inc.	SC	Consumer	-
12/22/2014	EchoSat Communications Group, Inc.	KY	<b>Thompson Street Capital Partners</b>	MO	Telecomm / Utilities	-
12/18/2014	Zeon Solutions, Inc.	WO	<b>Perficient Inc. (NasdaqGS:PRFT)</b>	MO	Info Tech	38.5
12/18/2014	<b>John Deere Insurance Company and John Deere Risk Protection, Inc.</b>	IA	<b>Farmers Mutual Hail Insurance Company of Iowa</b>	IA	Financials	-
12/18/2014	Open Road Rent A Car Houston, LLC	TX	<b>Enterprise Rent-A-Car Company</b>	MO	Industrials	-
12/16/2014	<b>Cimarron Energy, Inc.</b>	OK	Turnbridge Capital, LLC	TX	Energy	100.0
12/12/2014	Flogistix, LP	OK	White Deer Energy	TX	Energy	-
12/10/2014	Tri-Delta Plastics, Inc.	NJ	<b>Pretium Packaging, LLC</b>	MO	Materials	-
12/10/2014	Interactive Retirement Systems, LTD	MN	<b>Alerus Financial, National Association</b>	ND	Financials	3.5
11/24/2014	<b>Henderson Products, Inc.</b>	IA	Douglas Dynamics, Inc. (NYSE:FLOW)	WI	Industrials	95.0
11/19/2014	Oplink Communications, Inc.	CA	<b>Koch Industries, Inc.</b>	KS	Info Tech	444.9
11/17/2014	First Wind Holdings, Inc.	MA	<b>SunEdison, Inc. (NYSE:SUNE)</b>	MO	Telecomm / Utilities	2,372.0
11/17/2014	<b>MoGas Pipeline LLC and United Property Systems, LLC</b>	MO	<b>CorEnergy Infrastructure Trust, Inc. (NYSE:CORR)</b>	KS	Energy	125.0
11/13/2014	Duracell International Inc.	CT	<b>Berkshire Hathaway Inc. (NYSE:BRKA)</b>	NE	Industrials	4,724.5
11/11/2014	<b>Prism Technologies LLC</b>	NE	Internet Patents Corporation (NasdaqCM:PTNT)	CA	Industrials	81.9
11/04/2014	<b>Avionics Interface Technologies, LLC</b>	NE	Teradyne Inc. (NYSE:TER)	MA	Industrials	21.0
11/03/2014	Joan Wellman & Associates, Inc.	WA	<b>Simpler Consulting, L.P.</b>	IA	Healthcare	16.0
11/03/2014	<b>Integra Plastics, Inc.</b>	SD	<b>Raven Industries Inc. (NasdaqGS:RAVN)</b>	SD	Materials	48.4
10/30/2014	<b>Overland Solutions, Inc.</b>	KS	Exlservice Holdings, Inc. (NasdaqGS:EXLS)	NY	Financials	53.0
10/24/2014	<b>KCWI-TV</b>	IA	Nexstar Broadcasting Group, Inc. (NasdaqGS:NXST)	TX	Consumer	3.5
10/23/2014	<b>Braden Creek LLC</b>	OK	Oro Capital Advisors LLC	CA	Financials	7.1
10/23/2014	Community Bank Corp Of Sheboygan, Inc.	WO	<b>Heartland Financial USA, Inc. (NasdaqGS:HTLF)</b>	IA	Financials	52.0
10/21/2014	<b>Alexander Wind Farm, LLC</b>	KS	NJR Clean Energy Ventures Corporation	NJ	Energy	-
10/20/2014	<b>ShipWorks</b>	MO	Stamps.com Inc. (NasdaqGS:STMP)	CA	Info Tech	22.0
10/13/2014	<b>Specialty Commodities Inc.</b>	ND	Archer-Daniels-Midland Company (NYSE:ADM)	IL	Consumer	170.0
10/13/2014	MasterWorks, Inc.	MD	<b>Hexagon Lincoln, Inc.</b>	NE	Industrials	1.7
10/09/2014	<b>Plaza Vista Office Tower</b>	KS	EverWest Real Estate Partners	CO	Financials	103.6
10/06/2014	Shakespeare Composite Structures, LLC	SC	<b>Valmont Industries, Inc. (NYSE:VMI)</b>	NE	Materials	-
10/03/2014	Cell Marque Corporation	CA	<b>Sigma-Aldrich Corporation (NasdaqGS:SIAL)</b>	MO	Healthcare	170.0
10/01/2014	<b>Barr-Nunn Transportation, Inc.</b>	IA	Knight Transportation Inc. (NYSE:KNX)	AZ	Industrials	115.9

(a) Bold companies are located in the Midwest. 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 Merchant Banking, Capital IQ (12/31/2014)

# Midwest M&A Quarterly Update

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## About Bridgepoint Merchant Banking

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

With more than 35+ years of cumulative experience, Bridgepoint Merchant Banking professionals have completed over \$104 billion of merger and acquisition and capital raising transactions across a wide range of industries. Bridgepoint also manages capital and invests directly into operating companies through its private equity and venture capital funds.

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 Merchant 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 Merchant Banking Transactions

<b>USD1.9 million</b> Investible 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>USD200 million</b> BridgepointMonroe Capital Investors, LLLP Lead Bookrunner & Sole Financial Advisor
<b>GOOD YEAR</b> SD1.9 billion Senior secured credit facilities Joint Bookrunner	<b>THE EXPRESS GROUP</b> USD1.17 billion Buy-side Advisory to private equity consortium on its acquisition Coogen Standard Automotive Sole Financial Advisor	<b>INTEGRITY'S</b> Not Disclosed Buy-side advisory and acquisition financing for management buyout Sole Financial Advisor	<b>VALUE PLACE</b> USD5.1 million Secured Promissory offering Lead Bookrunner	<b>Consumer Products Company</b> Not Disclosed M&A Advisory Sole Financial Advisor November 2014	<b>QCommerce</b> USD10 million+ Preferred stock offering Joint Bookrunner	<b>KOCH INDUSTRIES INC</b> USD20 billion Joint Lead Arranger for the financing supporting Koch's acquisition of Georgia Pacific Joint Lead Arranger	<b>Constar's redbox</b> USD200 million Convertible notes offering Joint Bookrunner	
<b>SARI TEC</b> SD1.2 billion Buy-side Advisor to Sashi Tec (Chinese automotive supplier) its acquisition of N.A. automotive supplier Financial Advisor	<b>LKQ</b> USD765 million Senior secured credit facilities (financing for LKQ's acquisition of top competitor) Joint Bookrunner	<b>BirdDog</b> Not Disclosed Equity Capital Raise Sole Bookrunner June 2014	<b>T-STONE</b> \$100 million Senior on senior Joint Bookrunner	<b>METLCAST PRODUCTS, INC.</b> Not Disclosed Buy-side advisory and financing on acquisition of metal foundry Sole Financial Advisor & Sole Financing Arranger	<b>Powderhook</b> Not Disclosed Unsecured Promissory Note Financial Advisory	<b>ScanMed</b> Not Disclosed M&A advisory Sole Financial Advisor		
<b>WCC</b>	<b>YORK LABEL</b>	<b>Hertz</b>	<b>Manitowoc</b>	<b>IWCODIRECT</b>	<b>SOHO DEVELOPMENT</b>	<b>ACCURIDE</b>	<b>KamDham</b>	<b>NAVTEQ</b>

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