

# Midwest M&A Quarterly Update

*Third Quarter 2012*

# Midwest M&A Quarterly Update

## Bridgepoint Midwest M&A Index

### *Bridgepoint Midwest M&A Index Decreased Slightly in Q3-12*

▪ **Index Summary:** The Bridgepoint Midwest M&A Index, a measure of corporate merger and acquisition activity in the U.S. Midwest region, decreased 1.6% in Q3-12 after increasing 3.3% and 18.7% in Q2-12 and Q1-12, respectively. On a year-over-year basis, the index increased 18.7% from Q3-11. The latest decrease put the index at 117.9 (Q3-06=100), slightly lower from the previous high of 119.5 in Q2-12

▪ **Perspective:** Index reflects relatively continued elevated level of Midwest M&A deal volumes in the face of a downward trend in the U.S. M&A environment (according to Pitchbook, U.S. private equity deals decreased 10.0% in Q3). Current index level of 117.9 continues to reflect the relative strength of the Midwest deal environment in 2012 as the index increased 18.7%, 22.0% and 17.1% on a year-over-year basis in the first three quarters of the year. In addition, median Midwest M&A deal size and valuation (on a TEV/EBITDA basis) also increased from \$14.9mm and 8.5x in Q2-12 to \$17.6mm and 9.7x in Q3-12, respectively

▪ **Key Drivers:** Despite broader macro uncertainty and weak global M&A volumes, a stable regional economy in the Midwest continued to drive regional M&A and private equity volumes in the third quarter of 2012. The expected increase in the capital gains tax rate also continued to drive exit activity for investors and business owners looking to lock in return before 2013

▪ **Outlook:** A relatively stable regional economy in the face of a broader macro uncertainty suggests the Midwest deal environment will continue to outpace the national deal market in the near term. The Midwest remains an attractive region for corporates and sponsors seeking M&A opportunity due to potential proprietary deal flow

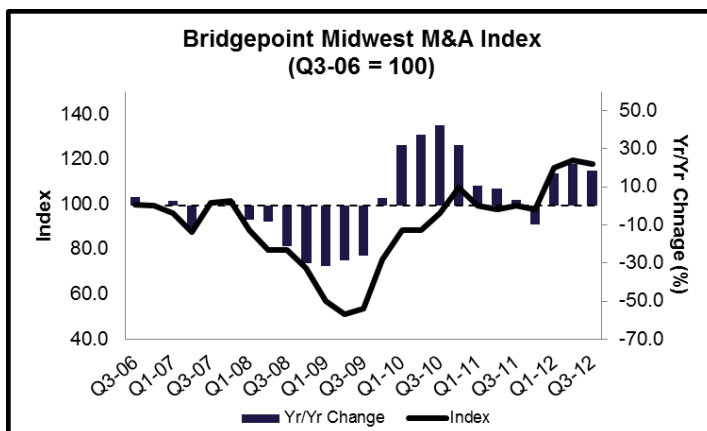
#### Index Definition

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 (9/30/12)



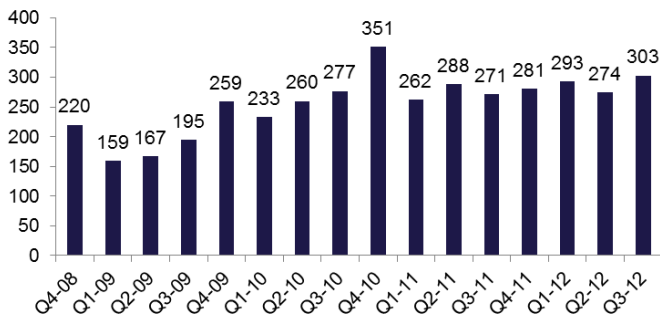
▪ **What the Index Means for You:** Deal volumes remain healthy, with higher median M&A valuations and deal size. The current environment represents an attractive opportunity for Midwest companies and business owners to:

- ✓ *Evaluate strategic options & your company value* – Midwest companies are receiving strong M&A interest from both sponsors and other corporates with performing companies garnering premium valuations
- ✓ *Opportunistically explore acquiring complementary assets at potentially attractive prices* – infrequent access to capital for smaller or distressed companies provides unique buying opportunities for those companies with firepower
- ✓ *Explore attractive financing opportunities to finance growth, acquisition, or liquidity* – substantial private equity and junior capital interest in the Midwest and core industries provides additional optionality for healthy companies and business owners

# Midwest M&A Quarterly Update

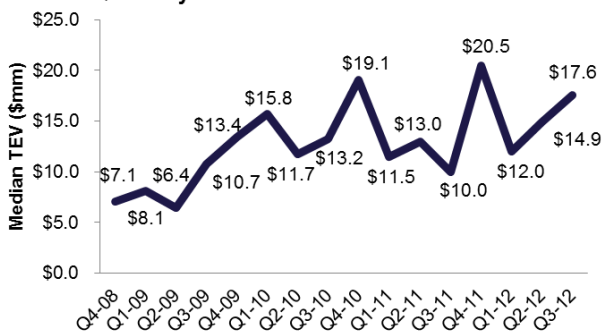
## Selected Midwest Q3-12 M&A Transaction Statistics<sup>(a)</sup>

Quarterly Midwest M&A Transaction Volume



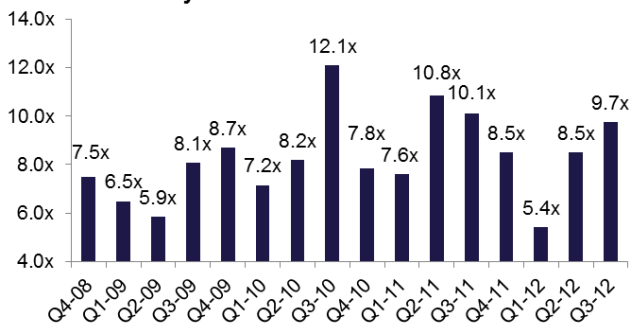
- Quarterly Midwest M&A volume increased 10.6% from 274 transactions in Q2-12 to 303 transactions in Q3-12. Year-over-year quarterly Midwest M&A volume also increased 11.8% from 271 deals in Q3-11 to 303 deals in Q3-12
- The increase in deal flow for the quarter continues to reflect an upward trending deal volume in the Midwest since Q1-09. 303 deals recorded for the quarter represents the highest volume since Q4-10

Quarterly Midwest M&A Median Deal Size



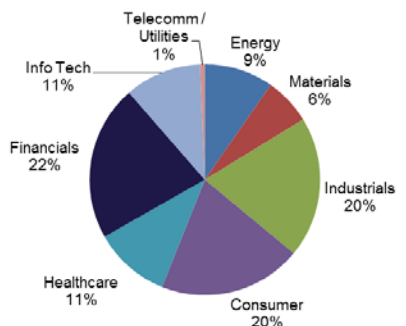
- Of the Midwest M&A transactions with available transaction values, quarterly median deal size increased from \$14.9mm in Q2-12 to \$17.6mm in Q3-12
- The median deal size increased 18.1% on a quarter-over-quarter basis and 76.0% on a year-over-year basis. On average, corporates and sponsors continued to focus their M&A interests on larger companies in the Midwest as growth engines

Quarterly Midwest M&A Median Valuation



- On a TEV/EBITDA basis, median Midwest M&A valuations increased from 8.5x in Q2-12 to 9.7x in Q3-12. On a TEV/sales basis, median Midwest M&A valuations stayed constant from Q2-12 at 1.0x in Q3-12
- The strong multiples indicate that healthy companies are garnering premium valuations from corporates and private equity firms with firepower
- Middle market lenders are also providing additional leverage for M&A transactions

Q3-12 Midwest M&A Transaction Volume by Sector



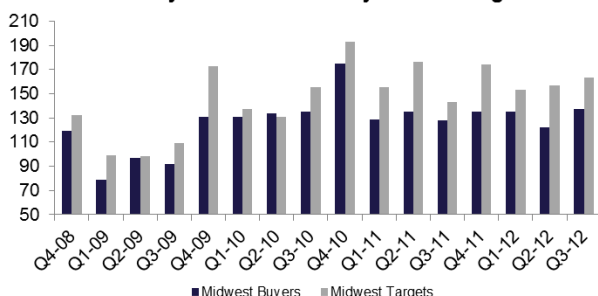
- Core industries (including Industrials, Materials and Consumer) accounted for 46% of total Midwest M&A transaction volume in Q3-12, flat from Q2-12
- Industrials and Healthcare sectors deal share saw the biggest increase in Q3-12, up 5% each from Q2-12 level. On the other hand, both Consumer and Financials sectors saw drops of 7% and 6%, respectively



# Midwest M&A Quarterly Update

## Selected Midwest Q3-12 M&A Transaction Statistics (Continued)<sup>(a)</sup>

Quarterly Midwest M&A Buyers and Targets



- Quarterly M&A transactions with Midwest buyers increased from 122 in Q2-12 to 137 in Q3-12, while quarterly transactions with Midwest targets increased from 157 deals in Q2-12 to 163 deals in Q3-12
- Midwest targets continue to be the top U.S. region for private equity investment, accounting for 24% of U.S. private equity deal flow (by count) in Q3-12 (according to Pitchbook.com)

## Selected Midwest Q3-12 M&A Transactions <sup>(a)</sup>

Announced	Target	Target		Buyer		TEV (\$mm)
		Location	Buyer	Location	Target Sector	
09/28/2012	<b>TCI Services, Inc.</b>	OK	Team Industrial Services, Inc.	TX	Industrials	\$22.3
09/24/2012	<b>TownePlace Suites Des Moines Urbandale</b>	IA	<b>Supertel Hospitality, Inc.</b>	NE	Consumer	10.2
09/24/2012	<b>Mississippi Lime Joint Venture</b>	OK	Atlas Resource Partners, L.P.	PA	Energy	40.0
09/20/2012	<b>Becker Underwood, Inc.</b>	IA	BASF SE	Germany	Materials	1,020.0
09/19/2012	<b>GT Exhaust, Inc.</b>	NE	Industrial Acoustics Company, Inc.	NY	Industrials	-
09/18/2012	Geeknet Inc.	VA	eFinancialCareers Ltd.; Dice Career Solutions Inc.	London, IA	Info Tech	20.0
09/18/2012	<b>Radio Fargo Moorhead Inc.</b>	ND	Midwest Communications, Inc.	WI	Consumer	25.0
09/17/2012	<b>Fabpro NetWrap LLC</b>	KS	<b>Fabpro Oriented Polymers, LLC</b>	KS	Materials	11.8
09/17/2012	<b>Midwest Metals Recycling, Inc.</b>	NE	<b>Sadoff Iron &amp; Metal Company, Inc.</b>	NE	Industrials	-
09/14/2012	<b>Teva Animal Health, Inc.</b>	MO	Bayer HealthCare, LLC	NY	Healthcare	145.0
09/14/2012	<b>St. Louis Women's Surgery Center, LLC</b>	MO	Symbion, Inc.	TN	Healthcare	7.6
09/13/2012	<b>Sergeant's Pet Care Products, Inc.</b>	NE	Perrigo Co.	MI	Consumer	285.0
09/12/2012	<b>Mediware Information Systems, Inc.</b>	KS	Thoma Bravo, LLC	IL	Healthcare	196.3
09/07/2012	<b>Eagle Iron Works Corp.</b>	IA	McLanahan Corporation	PA	Industrials	-
09/05/2012	<b>The Weitz Company, LLC</b>	IA	Orascom Construction Industries Company	Egypt	Industrials	-
09/03/2012	Info Management Systems AG	Zurich	<b>Trapeze Software, Inc.</b>	IA	Info Tech	-
08/31/2012	<b>180 Medical, Inc.</b>	OK	ConvaTec Inc.	NJ	Healthcare	321.0
08/26/2012	<b>Dollar Thrifty Automotive Group Inc.</b>	OK	Hertz Global Holdings, Inc.	NJ	Industrials	4,147.0
08/24/2012	<b>The Fuller Brush Company, Inc.</b>	KS	Victory Park Capital Advisors, LLC	IL	Materials	18.0
08/23/2012	Presstek Inc.	CT	<b>MAI Holdings, Inc.</b>	MO	Info Tech	29.5
08/20/2012	<b>Surety Life Insurance Company</b>	NE	<b>Government Employees Health Association, Inc.</b>	MO	Financials	-
08/19/2012	GUARD Financial Group, Inc.	PA	<b>National Indemnity Company</b>	NE	Financials	221.0
08/06/2012	<b>Deal Garden</b>	NE	CrowdSavings.com, LLC	FL	Info Tech	-
08/06/2012	<b>Dunn's Tank Service, Inc. and Nassau Disposal, Inc.</b>	OK	Quality Distribution Inc.	FL	Industrials	37.9
08/06/2012	<b>DMI Industries, Inc.</b>	ND	Trinity Industries Inc.	TX	Industrials	20.0
08/03/2012	<b>R&amp;M Transportation, Inc. and Sortino Transportation, Inc.</b>	NE	Roadrunner Transportation Systems, Inc.	WI	Industrials	29.4
08/02/2012	First Shares, Inc.	WI	<b>Heartland Financial USA Inc.</b>	IA	Financials	11.0
07/31/2012	CIBER, Inc., Certain Assets Of Global IT Outsourcing Business	CO	<b>Savvis, Inc.</b>	MO	Info Tech	19.0
07/31/2012	<b>Zito Media, L.P., Nebraska Fiber Network</b>	NE	<b>Unite Private Networks LLC</b>	MO	Telecomm	-
07/31/2012	Legends Gaming, LLC	IL	<b>Global Gaming Solutions, LLC</b>	OK	Consumer	125.0
07/30/2012	<b>Triad Catalog Co., LLC</b>	MO	Brentwood Associates, Inc.	CA	Consumer	200.0
07/30/2012	Conopco, Inc., Bertolli and P.F. Chang's Home Menu Frozen Meals Business Unit		<b>ConAgra Foods, Inc.</b>	NE	Consumer	267.0
07/25/2012	<b>KMIZ Television and Me-TV and KQFX-LP and MyZouTV</b>	MO	<b>News-Press &amp; Gazette Company</b>	MO	Consumer	16.0
07/25/2012	<b>Backyard Broadcasting Holdings LLC, Six Stations in Sioux Falls, S.D.</b>	SD	Midwest Communications, Inc.	WI	Consumer	13.4
07/18/2012	<b>Cequel Communications Holdings I, LLC</b>	MO	BC Partners; CPPIB Equity Investments Inc.	London	Consumer	6,579.0
07/13/2012	<b>LaserBand, LLC</b>	MO	Zebra Technologies Corp.	IL	Healthcare	58.4
07/12/2012	<b>Hawkeye Foodservice Distribution, Inc.</b>	IA	US Foods, Inc.	IL	Consumer	-

(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: Capital IQ (9/30/12), Bridgepoint Merchant Banking

# Midwest M&A Quarterly Update

## Bridgepoint Merchant Banking Contact Information

**Matt Plooster**  
*Managing Principal*  
 mplooster@bridgepointmb.com  
 402.817.7900

**Adam Claypool**  
*Managing Principal*  
 aclaypool@bridgepointmb.com  
 515.325.7615

**Joe Liss**  
*Managing Principal*  
 jliss@bridgepointmb.com  
 515.325.7616

**Nebraska Office**  
 816 P. Street, Suite 200  
 Lincoln, NE 68508



**Iowa Office**  
 601 E. Locust Street, Suite 104  
 Des Moines, IA 50309

## 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 over their corporate lifecycles by providing merger and acquisition and corporate finance advisory services.

Bridgepoint Merchant Banking professionals have completed more than \$103 billion of merger and acquisition and capital raising transactions across a wide range of industries over their 31+ years of cumulative investment banking industry experience. Bridgepoint Merchant Banking also invests and manages capital 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, Bridgepoint Merchant Banking can help you to achieve your goals by structuring and executing a well-run, highly organized process. 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 to achieve your personal and business goals.

## Selected Bridgepoint Merchant Banking Transactions

 <b>USD1.9 million</b> Convertible 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-Man	 <b>USD300 million</b> Joint Bookrunner and Joint Arranger for new revolving credit facility and senior note offering  Joint Bookrunner	 <b>USD266 million</b> Exit financing facilities  Joint Bookrunner	 <b>USD3.0 billion</b> Joint Bookrunner on senior notes offering  Joint Bookrunner	 <b>USD500 million</b> Secondary equity offering  Joint Lead Bookrunner	 <b>USD4 million</b> Bridgepoint Monroe Co Investors, LLLP  Lead Bookrunner Sole Financial At
 <b>USD1.9 billion</b> Senior secured credit facilities  Joint Bookrunner	 <b>USD1.17 billion</b> Buy-side Advisor to private equity consortium on its acquisition Cooper-Standard Automotive  Sole Financial Advisor	 <b>Not Disclosed</b> Buy-side advisory and acquisition financing for management buyout  Sole Financial Advisor	 <b>USD5.1 million</b> Secured Promissory offering  Lead Bookrunner	 <b>USD10 million+</b> Preferred Stock Offering  Joint Bookrunner	 <b>USD200 million</b> Joint Bookrunner for Merrill Corporation's dividend recapitalization  Joint Bookrunner	 <b>USD20 billion</b> Joint Lead Arranger for the financing supporting Koch's acquisition of Georgia-Pacific  Joint Lead Arranger	 <b>USD200 million</b> Convertible notes offering  Joint Bookrunner	
 <b>USD1.2 billion</b> Buy-side Advisor to Asahi Tec (Chinese automotive supplier) on its acquisition of TNA, automotive supplier  Financial Advisor	 <b>USD10 million+</b> Preferred stock offering  Joint Bookrunner	 <b>USD765 million</b> Senior secured credit facilities (financing for LKO's acquisition of US8 competitor)  Joint Bookrunner	 <b>USD10.2 million</b> Bridgepoint Invested Networks, LLLP  Lead Bookrunner & Sole Financial Advisor	 <b>USD10 million</b> Senior secured credit facilities  Joint Bookrunner	 <b>USD575 million</b> Bank and high-yield bond comprehensive debt refinancing transaction  Joint Bookrunner	 <b>USD1.63 billion</b> Sell-side Advisor to Dow Chemical on the sale of its Styren division to Bank Capital  Lead Financial Advisor	 <b>USD375 million</b> Senior secured credit facilities/senior notes  Joint Bookrunner	

This update is for informational use only. Information contained in this update is based on data obtained from sources believed to be reliable. Nothing in this publication is intended as investment advice. Use of any of the included proprietary information for any purpose without the written permission of Bridgepoint Merchant Banking is prohibited. The list contained herein represents selected transactions completed by Bridgepoint Managing Principals while associated with Bridgepoint Merchant Banking, as well as securities transactions on which they advised in their capacity as investment bankers registered with various broker-dealers.

