

# Midwest M&A Quarterly Update

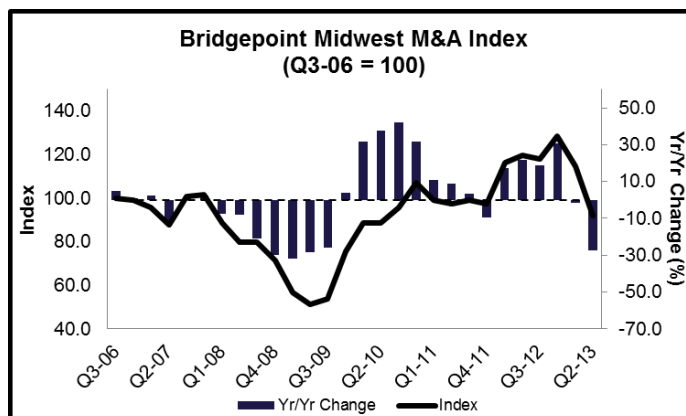
*Second Quarter 2013*

# Midwest M&A Quarterly Update

## Bridgepoint Midwest M&A Index

### *Bridgepoint Midwest M&A Index Declined; Record Valuations*

- Index Summary:** The Bridgepoint Midwest M&A Index, a measure of corporate merger and acquisition activity in the U.S. Midwest region, decreased 22.8% in Q2-13 after decreasing 13.8% in Q1-13. On a year-over-year basis, the index decreased 27.6% from Q2-12. Despite good deal fundamentals, the index declined to 91.9, dropping below 100 for the first time since Q4-11 (Q3-06=100)
- Perspective:** Coming off the heels of a record-breaking year in 2012, the second quarter of 2013 continued to see pullback in Midwest M&A activity volume. The broader U.S. deal environment also saw a similar decline, with Pitchbook.com reporting a 24.3% decline in private equity deals across the country in Q2-13 compared to the previous quarter. While deal volume during the first half of the year has been disappointing, deal fundamentals were very encouraging. Median TEV increased to \$13.8mm in Q2-13 from \$9.7mm in Q1-13. Median valuations (on a TEV/EBITDA basis) have continued to grow since Q1-12, reaching a new high of 14.6x
- Key Drivers:** After the significant run-up in and pull forward of deal closings in Q4-12, the slowdown in the first quarter of 2013 continued to Q2-13. Despite this, corporates and sponsors are increasingly paying premium valuations for Midwest companies
- Outlook:** Despite the slowdown in the index, Bridgepoint continues to see very strong deal-making activity in the region. Many industry insiders are reporting that deal activity had been picking up early in 2013 with closings later this year. A robust financing environment is also expected to drive a rebound in deal volume in the second half of 2013



- What the Index Means for You:** While the index decelerated in Q2-13, M&A valuations are very strong and continued to grow to an all-time high (on a TEV/EBITDA basis). The current environment represents an attractive opportunity for Midwest companies, management teams and business owners to:
  - ✓ *Take advantage of the strong capital markets environment to finance growth, acquisition or liquidity* – substantial private equity, bank financing and junior capital interest in the Midwest and core industries provide additional optionality for companies, management teams and business owners
  - ✓ *Evaluate strategic options and your company value* – Midwest companies are increasingly garnering premium valuations and strong M&A interest from both corporates and sponsors
  - ✓ *Opportunistically explore acquiring complementary assets* – infrequent access to capital for some smaller companies provides unique buying opportunities for those companies with firepower

#### 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

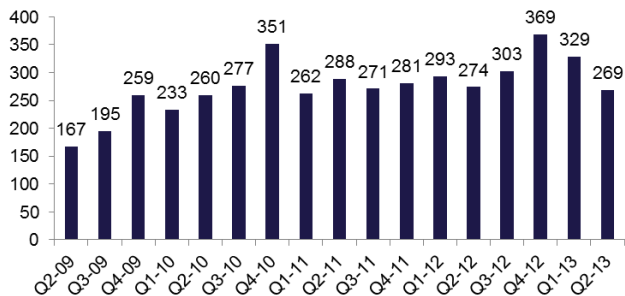
Buyer, target and/or seller must be located in the Midwest, and the Midwest participant must have purchased or sold majority control. Total Enterprise Value must be \$10mm or greater. Midwest defined as Iowa, Kansas, Missouri, Nebraska, North Dakota, Oklahoma, and South Dakota.

Source: Bridgepoint Merchant Banking, Capital IQ (6/30/13)

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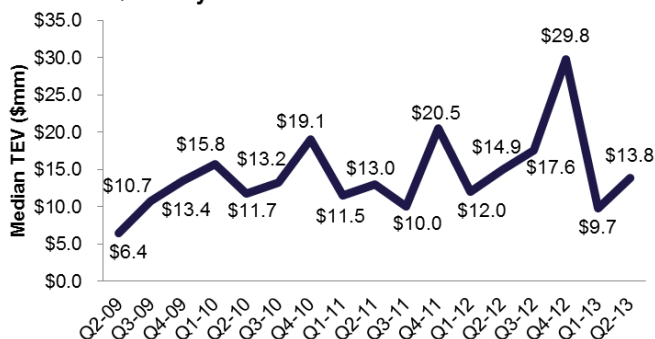
## Selected Midwest Q2-13 M&A Transaction Statistics<sup>(a)</sup>

Quarterly Midwest M&A Transaction Volume



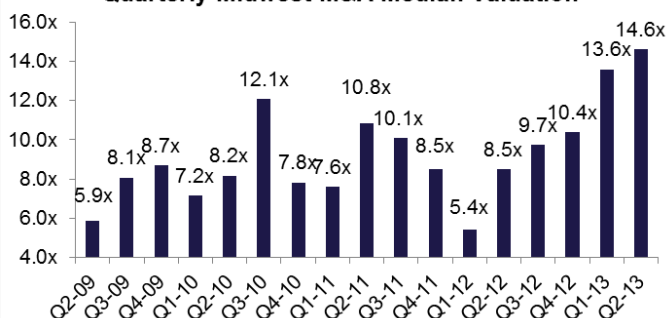
- Quarterly Midwest M&A volume decreased 18.2% from 329 transactions in Q1-13 to 269 transactions in Q2-13. On a year-over-year basis, quarterly Midwest M&A volume decreased 1.8% from Q2-12
- Midwest deal volume shows similar pullback in the latest quarter as reflected by the index. This decrease is not entirely unexpected due to the significant run-up of transaction volume in the last two quarters

Quarterly Midwest M&A Median Deal Size



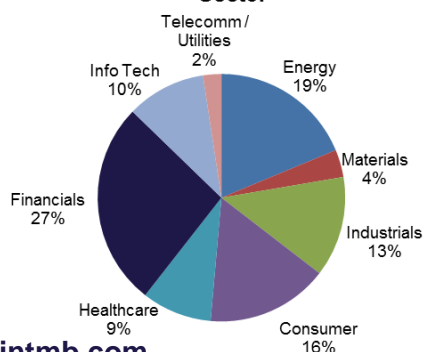
- Of the Midwest M&A transactions with available transaction values, quarterly median deal size increased from \$9.7mm in Q1-13 to \$13.8mm in Q2-13
- After recording one of the lowest median deal size in Q1-13, Q2-13 saw Midwest deal sizes return to the average level of the past 4 years
- Median deal size is expected to be on an upward trend for the second half of the year as corporates and sponsors slowly refocus attention on larger targets

Quarterly Midwest M&A Median Valuation



- On a TEV/EBITDA basis, median Midwest M&A valuations continued to increase to a new high, up from 13.6x in Q1-13 to 14.6x in Q2-13. On a TEV/sales basis, median Midwest M&A valuations decreased slightly from 1.8x to 1.6x
- The strong multiples indicate that corporates and private equity firms are still very hungry to put substantial firepower to work
- Capital markets are also supporting additional leverage for M&A transactions and LBOs

Q2-13 Midwest M&A Transaction Volume by Sector



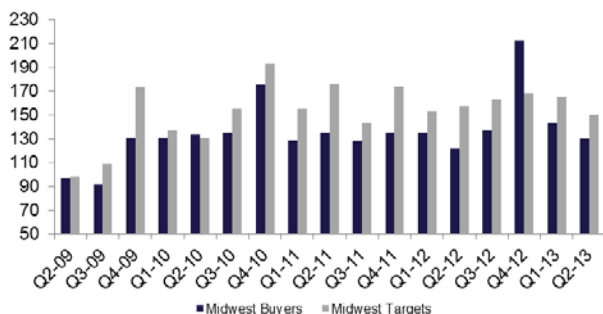
- Core industries (including Industrials, Materials and Consumer) accounted for 33% of total Midwest M&A transaction volume in Q2-13, an 11% decrease from Q1-13
- The Energy sector deal share saw the biggest increase in Q2-13, up 9% from Q1-13. The Financials sector saw a share increase of 3% while Telecomm/Utilities and Info Tech saw a 2% and 1% drop, respectively



# Midwest M&A Quarterly Update

## Selected Midwest Q2-13 M&A Transaction Statistics (Continued)<sup>(a)</sup>

Quarterly Midwest M&A Buyers and Targets



- Both Midwest buyers and targets experienced similar declines in the latest quarter. Transactions with Midwest buyers decreased from 143 in Q1-13 to 130 in Q2-13, while quarterly transactions with Midwest targets decreased from 165 to 150
- According to Pitchbook.com, other regions across the country experienced a similar or worse decline in private equity investment in Q2-13

## Selected Midwest Q2-13 M&A Transactions <sup>(a)</sup>

Announced	Target	Target Location	Buyer	Buyer Location	Target Sector	TEV (\$mm)
06/28/2013	Austen Group, LLC	CO	RuffaloCODY, LLC	IA	Industrials	-
06/27/2013	Canyon Engineering Products, Inc.	CA	ESCO Technologies Inc.	MO	Industrials	-
06/27/2013	Hartford Life International, Ltd.	CT	Columbia Insurance Company	NE	Financials	\$285.0
06/25/2013	Palisade Systems, Inc.	IA	Absolute Software Corporation	Canada	Info Tech	-
06/21/2013	Ozarks Legacy Community Financial, Inc.	MO	Southern Missouri Bancorp, Inc.	MO	Financials	9.9
06/17/2013	Solutionary, Inc.	NE	Nippon Telegraph and Telephone Corporation	Japan	Info Tech	-
06/17/2013	Mid America Brick & Structural Clay Products L.L.C.	MO	Shamrock Proppants, LLC	MO	Materials	5.2
06/12/2013	Morrill Bancshares, Inc.	KS	Heartland Financial USA, Inc.	IA	Financials	61.5
06/06/2013	Western Tool Supply	OR	Carlson Systems Holdings, Inc.	NE	Industrials	-
06/05/2013	Internet Solver, Inc.	IA	Alliance Technologies, Inc.	IA	Info Tech	-
06/03/2013	Liberty Resources LLC, Additional Assets in Williston Basin	ND	Kodiak Oil & Gas (USA) Inc.	CO	Energy	660.0
06/03/2013	Choice Ethanol Holdings, LLC	ND	Green Plains Renewable Energy, Inc.	NE	Energy	15.0
05/31/2013	Funkwerk Information Technologies York Ltd	England	Trapeze Software, Inc.	IA	Info Tech	-
05/30/2013	Life Uniform Company, Inc.	MO	Scrubs & Beyond, LLC	MO	Consumer	22.6
05/29/2013	NV Energy, Inc.	NV	MidAmerican Energy Holdings Company	IA	Energy	10,674.0
05/19/2013	Simonsen Iron Works, Inc.	IA	Thurston Manufacturing Company	NE	Industrials	-
05/17/2013	Clear Task, Inc.	CA	Perficient Inc.	MO	Info Tech	11.6
05/16/2013	Marex Group, Inc.	NE	Upland Software, Inc.	TX	Info Tech	-
05/15/2013	Summit Bancshares Inc.	OK	CBI-Kansas, Inc.	MO	Financials	40.6
05/09/2013	Calcium Products, Inc.	IA	First Capital Partners, LLC	NE	Materials	-
05/08/2013	Surge Energy USA Inc.	Canada	Corinthian Exploration (USA) Corp.	ND	Energy	42.8
05/06/2013	Crestwood Midstream Partners LP	TX	Inergy Midstream, L.P.	MO	Energy	1,854.5
05/03/2013	Soy Energy, LLC, Biodiesel Plant In Mason City	IA	Renewable Energy Group, Inc.	IA	Energy	16.6
05/02/2013	TriTek Solutions, Inc.	VA	Perficient Inc.	MO	Info Tech	18.5
05/01/2013	Energy Manufacturing Company, Inc.	IA	Ligon Industries, LLC	AL	Industrials	-
05/01/2013	Merit Resources, Inc.	IA	Iowa Network Services, Inc.	IA	Industrials	-
05/01/2013	Mid-America Midstream Gas Services, L.L.C.	OK	SemGas, L.P.	OK	Energy	300.0
04/29/2013	Bartnet Wireless Internet, Inc.	OK	Totah Communications, Inc.	OK	Telecomm	-
04/19/2013	Broadwind Energy, Inc., Tower Manufacturing Plant in Brandon, South Dakota	SD	Marmen, Inc.	Canada	Industrials	11.8
04/19/2013	AGC Incorporated	CT	Harlow Aerostructures LLC	KS	Industrials	5.7
04/16/2013	Dominex Natural Foods, LLC	NE	Westin, Inc.	NE	Consumer	-
04/16/2013	TEAK Midstream, L.L.C.	TX	Atlas Pipeline Mid-Continent Holdings, LLC	OK	Energy	1,000.0
04/15/2013	AxelaCare Health Solutions, LLC.	KS	Harvest Partners, LP	NY	Healthcare	-
04/09/2013	Palmer Mfg. and Tank Inc.	KS	Worthington Industries, Inc.	OH	Industrials	113.5
04/08/2013	250 Megawatt wind farm in Kansas	KS	GE Energy Financial Services	CT	Energy	40.0
04/01/2013	Pension Plan Services, Inc.	IA	Qualified Plan Consultants, LLC	IA	Financials	-

(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 (6/30/13), Bridgepoint Merchant Banking

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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 Managing 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

<p>potential acquisition of publicly traded technology services company and related acquisition financing</p> <p>Sole Financial Advisor</p>	<p>acquisition financing</p> <p>Sole Financial Advisor</p>	<p>Arranger for new revolving credit facility, and senior note offering</p> <p>Senior Co-Managing Director</p>	<p>notes offering</p> <p>Joint Bookrunner</p>	<p>notes offering</p> <p>Joint Lead Bookrunner</p>	<p>notes offering</p> <p>Lead Bookrunner &amp; Sole Financial Advisor</p>
<p><b>GOODYEAR</b></p> <p>USD1.9 billion Senior secured credit facilities</p> <p>Sole Financial Advisor</p>	<p><b>THE EXPRESS GROUP</b></p> <p>USD1.17 billion Buy-side Advisor to private equity consortium on its acquisition Cooper-Standard Automotive</p> <p>Sole Financial Advisor</p>	<p><b>INTEGRITY BOLLINGER</b></p> <p>Not Disclosed Buy-side advisory and acquisition financing for management buyout</p> <p>Sole Financial Advisor</p>	<p><b>VALUE PLACE</b></p> <p>USD6.1 million Secured Promissory offering</p> <p>Lead Bookrunner</p>	<p><b>QCommerce</b></p> <p>USD10 million+ Preferred stock offering</p> <p>Joint Bookrunner</p>	<p><b>KOCH INDUSTRIES INC</b></p> <p>USD20 billion Joint Lead Arranger for the financing supporting Koch's acquisition of Georgia-Pacific</p> <p>Joint Lead Arranger</p>
<p><b>SAHITEC</b></p> <p>USD1.2 billion Acquire Hoston to Asahi Tec (Chinese automotive supplier) &amp; its acquisition of N.A. automotive supplier</p> <p>Financial Advisor</p>	<p><b>METLCAST PRODUCTS, INC.</b></p> <p>Not Disclosed Buy-side advisory and financing on acquisition of metal foundry</p> <p>Sole Financial Advisor &amp; Sole Financing Arranger</p>	<p><b>LKQ</b></p> <p>USD765 million Senior secured credit facilities financing for LKQ's acquisition of top competitor</p> <p>Joint Bookrunner</p>	<p><b>bridgepoint</b></p> <p>USD10.2 million Bridgepoint Investment Partners I, L.P.</p> <p>Lead Bookrunner &amp; Sole Financial Advisor</p>	<p><b>T-STONE</b></p> <p>USD10 million Senior on senior</p> <p>Joint Bookrunner</p>	<p><b>HEXCEL</b></p> <p>USD575 million Bain and high-yield bond comprehensive debt refinancing transaction</p> <p>Joint Bookrunner</p>
<p><b>FleetPride</b></p> <p>USD375 million Senior secured credit facilities/senior notes</p> <p>Joint Bookrunner</p>	<p><b>DOW</b></p> <p>USD1.63 billion Senior secured credit facilities on the sale of its Styron division to Bain Capital</p> <p>Lead Financial Advisor</p>	<p><b>February 2013</b></p>	<p><b>COINSTAR</b></p> <p>USD200 million Convertible notes offering</p> <p>Joint Bookrunner</p>	<p><b>REDBO</b></p> <p>USD200 million Convertible notes offering</p> <p>Joint Bookrunner</p>	<p><b>REDBO</b></p> <p>USD200 million Convertible notes offering</p> <p>Joint Bookrunner</p>

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