

# Midwest M&A Quarterly Update

*Third Quarter 2015*

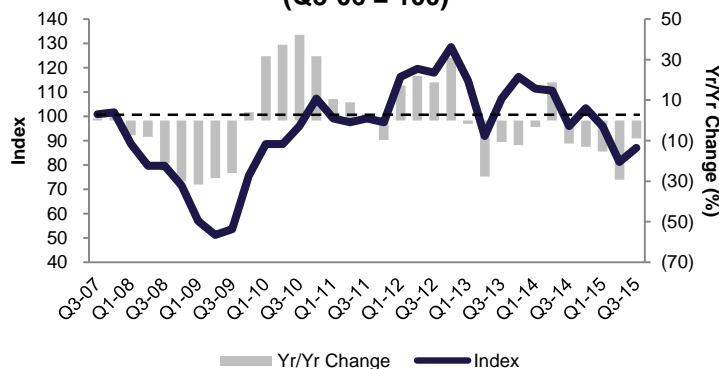
# Midwest M&A Quarterly Update

## Bridgepoint Midwest M&A Index

### Midwest M&A: It's a Seller's Market, Valuations at All-Time High

- Index Summary:** The Bridgepoint Midwest M&A Index, a measure of corporate merger and acquisition activity in the U.S. Midwest region, increased by 5.7% in Q3-15 after having decreased 14.6% in Q2-15. On a year-over-year basis, the index decreased 8.9% from Q3-14. However, on a quarter-to-quarter basis, the index rebounded closer to the baseline to 87.0 (Q3-06=100)
- Perspective:** The index recovered in the latest quarter, climbing 5.7 points. Global 2015 deal value is set to be the strongest year ever for M&A. Valuations are at all-time highs in many sectors and elevated across the market, driven by a combination of near-record buyer cash war chests and abundant cheap debt for acquirors. Bridgepoint projects the index to accelerate in the fourth quarter of the year
- 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, the possible rise in interest rates along with increased capital gains taxes could affect the deal-making process over the longer term
- Outlook:** We anticipate continued strong deal making activity and elevated valuations over the near-term. However, this favorable environment for company owners and management teams will likely normalize over time. Over the next five to 10 years, approximately 65 to 75% of small companies in the United States will be put up for sale, resulting in a buyer-friendly landscape. Cycle timing and urgency for owners that may be sellers or seekers of significant financing over the near-term is important, particularly for traditionally cyclical sectors (transportation, energy, building products, etc.)

Bridgepoint Midwest M&A Index  
(Q3-06 = 100)



- What the Index Means for You:** Deal volumes decreased slightly from the highs experienced in the latest quarter; however, M&A valuations and deal sizes are at all-time highs. The current environment represents an attractive opportunity for Midwest companies, management teams and business owners to:
  - ✓ *Evaluate the strategic options impacting your company's 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 a selling opportunity that may not be matched for years
  - ✓ *Review Capital Structure and Financing Options* – Take advantage of the strong capital markets environment to refinance or to finance growth, acquisition or liquidity. 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
  - ✓ *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

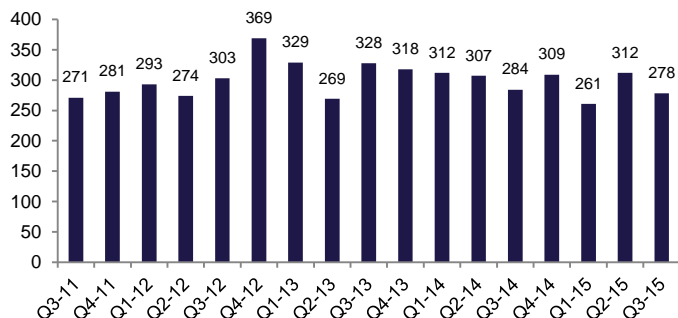
Buyer, target and/or seller must be located in the Midwest, and the Midwest participant must have purchased or sold majority control. Total Enterprise Value must be \$10mm or greater. Midwest defined as Iowa, Kansas, Missouri, Nebraska, North Dakota, Oklahoma, and South Dakota.

Source: Bridgepoint Merchant Banking, Capital IQ (9/30/2015), [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)

# Midwest M&A Quarterly Update

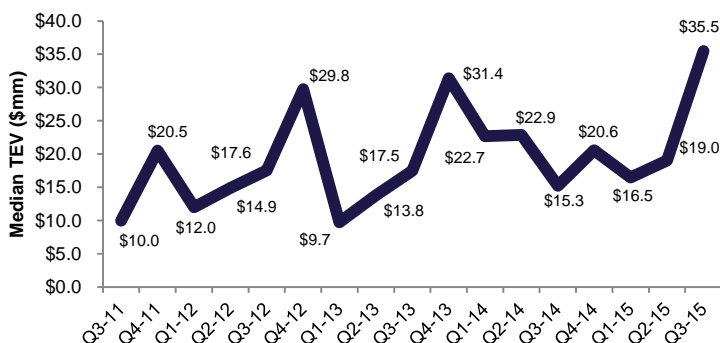
## Selected Midwest Q3-15 M&A Transaction Statistics<sup>(a)</sup>

Quarterly Midwest M&A Transaction Volume



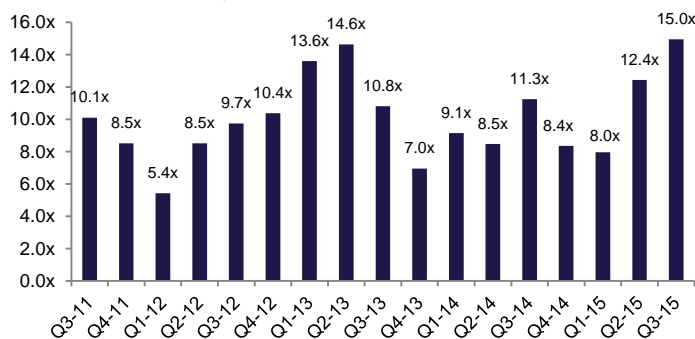
- Quarterly Midwest M&A volume decreased by 10.9% from 312 transactions in Q2-15 to 278 transactions in Q3-15. On a year-over-year basis, quarterly Midwest M&A volume decreased by 2.1% from Q3-14
- Midwest deal volume shows similar pullback in the latest quarter as the index did in Q3-14. This decrease is not entirely unexpected due to the significant run-up of transaction volume in the last quarter

Quarterly Midwest M&A Median Deal Size



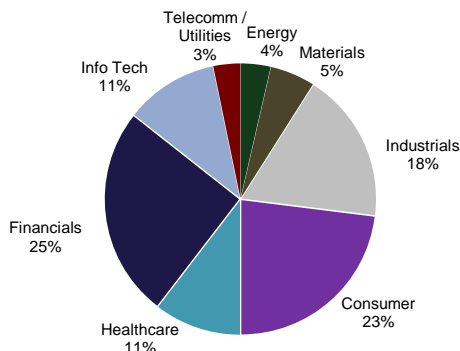
- Of the Midwest M&A transactions with transaction values, quarterly median deal size increased from \$19.0mm in Q2-15 to \$35.5mm in Q3-15
- Midwest owners have increasingly explored M&A monetization due to valuation trends in the lower middle market; however, many buyers are staying disciplined
- As the supply of high quality 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 increased from 12.4x in Q2-15 to 15.0x in Q3-15. On a TEV/sales basis, median Midwest M&A valuations went up from 2.1x to 2.5x in Q3-15
- Lower middle market multiples in the Midwest remain elevated relative to broader market historical average figures of approximately 7.2x – 8.5x EBITDA
- Q3-15 Median Valuation represented an all-time high

Q3-15 Midwest M&A Transaction Volume by Sector

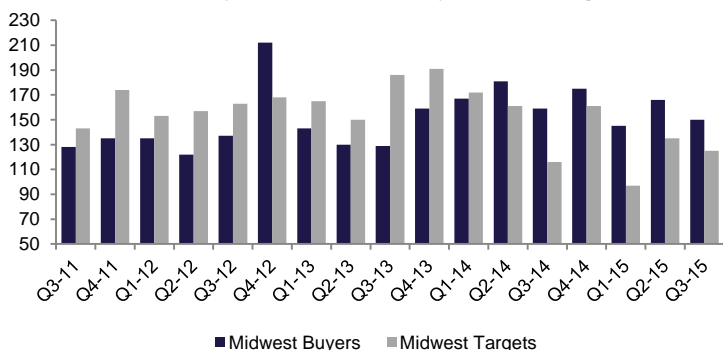


- Top targeted industries (Financial Services, Consumer Products & Services and Industrials) accounted for 66% of total Midwest M&A transaction volume in Q3-15
- Transaction volume share by sector in Q3-15 is largely unchanged relative to Q2-15. The Information Technology sector saw the biggest increase in Q3-15, up 2.2% from Q2-15

# Midwest M&A Quarterly Update

## Selected Midwest Q3-15 M&A Transaction Statistics (Continued)<sup>(a)</sup>

### Quarterly Midwest M&A Buyers and Targets



- Quarterly M&A transactions with Midwest buyers decreased to 150 in Q3-15 from 166 in Q2-15. Transactions with Midwest targets decreased 7.4% to 125 in Q3-15 from 135 in Q2-15
- The demand for Midwest targets is undoubtedly strong with the decrease in the number of transactions being caused by the low supply of quality deals

## Selected Midwest Q3-15 M&A Transactions<sup>(a)</sup>

Announced	Target	Target Location	Buyer	Buyer Location	Target Sector	TEV (\$mm)
09/18/2015	Kaiser-Whiting, LLC	OK	Energy 11 Operating Company, LLC	TX	Energy	\$257.0
09/14/2015	Legumex Walker Canada Inc.,	Canada	The Scouler Company	NE	Consumer	70.1
09/08/2015	Meredith Corporation (NYSE:MDP)	IA	Media General, Inc. (NYSE:MEG)	VA	Consumer	3,094.6
08/31/2015	WPX Energy Inc., North Dakota Gathering System	ND	EIF Management, LLC	MA	Energy	185.0
08/28/2015	Cedar Rapids Television Company, Inc.	IA	Gray Management, Inc. (NYSE:GTN)	MS	Consumer	100.0
08/24/2015	Cytovance Biologics, Inc.	OK	Hepalink USA Inc.	IL	Healthcare	205.7
08/11/2015	Symetra Financial Corporation	WA	Sumitomo Life Insurance Company	Japan	Financials	4,413.7
08/10/2015	Precision Castparts Corp. (NYSE:PCP)	OR	Berkshire Hathaway Inc. (NYSE:BRK.A)	NE	Industrials	37,916.7
08/06/2015	Merge Healthcare Incorporated	IL	International Business Machines (NYSE:IBM)	NY	Healthcare	995.7
07/31/2015	Centrix Solutions, Inc.	NE	Q2 Software, Inc.	TX	Information Technology	29.0
07/31/2015	Imperium Renewables, Inc.	WA	Renewable Energy Group, Inc.	IA	Energy	37.5
07/27/2015	Contrast Media and Delivery Systems	MO	Guerbet SA (ENXTPA:GBT)	France	Healthcare	270.0
07/22/2015	Beethoven Wind, LLC	CA	Northwestern Corporation (NYSE:NWE)	SD	Utilities	143.0
07/20/2015	Vivint Solar, Inc. (NYSE:VSLR)	UT	SunEdison, Inc. (NYSE:SUNE)	MO	Utilities	2,279.7
07/15/2015	Susser Holdings Corporation	TX	Sunoco LP (NYSE:SUN)	TX	Consumer	1923.6
07/14/2015	NewWoods Petroleum	OK	WPX Energy, Inc. (NYSE:WPX)	OK	Energy	2750.0
07/14/2015	Starplex Operating LP	TX	AMC Entertainment Inc.	KS	Consumer	171.8
07/13/2015	Northstar Agri Industries, LLC	ND	CHS Inc.	MN	Industrials	127.0
07/12/2015	SourceGas Holdings LLC	CO	Black Hills Utility Holdings, Inc.	SD	Utilities	1691.7
07/09/2015	Wealth Management Systems Inc.	NY	DST Retirement Solutions, LLC	MO	Information Technology	64.0
07/09/2015	ViralNova, LLC	KS	Zealot Networks, Inc.	CA	Consumer	100.0
07/07/2015	Northland Plaza	IL	Sterling Properties, LLLP	ND	Financials	52.5
07/06/2015	White Oak Resources, LLC	IL	Alliance Resource Partners LP (NasdaqGS:ARLP)	OK	Energy	50.0
07/02/2015	Shillington Box Company, LLC	MO	New-Indy Containerboard LLC	CA	Materials	-
07/01/2015	Cargill Pork, LLC	AR	Swift Pork Company	CO	Consumer	1,450.0

(a) 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

# Midwest M&A Quarterly Update

## Bridgepoint Merchant Banking Contact Information

<p><b>Matt Plooster</b> Managing Principal mplooster@bridgepointmb.com 402.817.7900</p>	<p><b>Adam Claypool</b> Managing Principal aclaypool@bridgepointmb.com 515.325.7615</p>	<p><b>Wm. Lee Merritt</b> Managing Principal wmerritt@bridgepointmb.com 402.817.7900</p>	<p><b>Bill Oliver</b> Managing Principal bill@oliverinvestmentbanking.com 303.425.0733</p>
---	---	--	--

Lincoln, Nebraska  
Omaha, Nebraska



Des Moines, Iowa  
Denver, Colorado

## About Bridgepoint Merchant Banking

Bridgepoint Merchant 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 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

<p><b>USD1.9 million</b> Convertible Debt and Preferred Equity Placement Sole Financial Advisor</p>	<p><b>NOT DISCLOSED</b> Buy-side Advisory on its potential acquisition of publicly traded technology services company and related acquisition financing Sole Financial Advisor</p>	<p><b>NOT DISCLOSED</b> Sell-side Advisory and Buy-side acquisition financing Sole Financial Advisor</p>	<p><b>USD1.0 million</b> Follow-on equity offering Senior Co-Manager</p>	<p><b>USD300 million</b> Joint Bookrunner and Joint Arranger for new revolving credit facility and senior note offering</p>	<p><b>USD200 million</b> Exit financing facilities Bookrunner</p>	<p><b>USD3.0 billion</b> Joint Bookrunner on senior notes offering Joint Bookrunner</p>	<p><b>USD300 million</b> Secondary equity offering Joint Lead Bookrunner</p>	<p><b>USD200 million</b> BridgepointMonroe Capital Investors, LLLP Lead Bookrunner &amp; Sole Financial Advisor</p>
<p><b>GOOD YEAR</b> SD1.9 billion Senior secured credit facilities Joint Bookrunner</p>	<p><b>THE EXPRESS GROUP</b> USD1.17 billion Buy-side Advisor to private equity consortium on its acquisition Cooper Standard Automotive Sole Financial Advisor</p>	<p><b>INTEGRITY'S</b> Not Disclosed Buy-side advisory and acquisition financing for management buyout Sole Financial Advisor</p>	<p><b>VALUE PLACE</b> USD5.1 million Secured Promissory offering Lead Bookrunner</p>	<p><b>Ag Services Company</b> Not Disclosed Equity and debt capital raise Sole Bookrunner September 2015</p>	<p><b>US\$10 million+</b> Preferred stock offering Joint Bookrunner</p>	<p><b>KOCH INDUSTRIES INC</b> USD20 billion Joint Lead Arranger for the financing supporting Koch's acquisition of Georgia Pacific Joint Lead Arranger</p>	<p><b>Constar's redbox</b> USD200 million Convertible notes offering Joint Bookrunner</p>	
<p><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</p>	<p><b>Ag Services Company</b> Not Disclosed Equity and debt capital raise Sole Bookrunner September 2015</p>	<p><b>LKQ</b> USD765 million Senior secured credit facilities (financing for LKQ's acquisition of top competitor) Joint Bookrunner</p>	<p><b>BirdDog</b> Not Disclosed Equity Capital Raise Sole Bookrunner June 2014</p>	<p><b>T-STONE</b> \$100 million Senior on senior Joint Bookrunner</p>	<p><b>METLCAST PRODUCTS, INC.</b> Not Disclosed Buy-side advisory and financing on acquisition of metal foundry Sole Financial Advisor &amp; Sole Financing Arranger</p>	<p><b>Powderhook</b> Not Disclosed Unsecured Promissory Note Financial Advisory</p>	<p><b>ScanMed</b> Not Disclosed M&amp;A advisory Sole Financial Advisor</p>	
<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>

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 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.

