

## M&A MIDDLE MARKET INSIGHTS – OCTOBER 2017

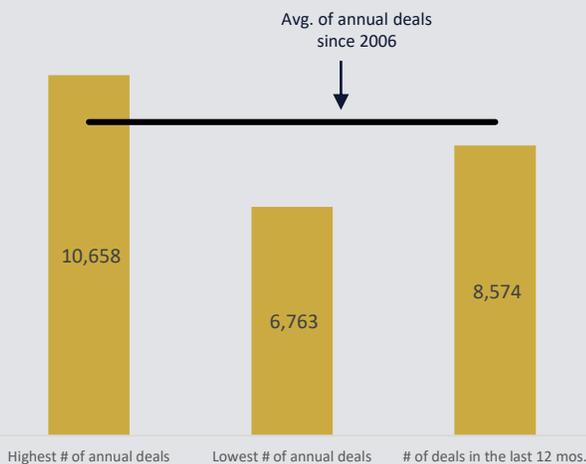
### M&A INDEX STABILIZES

#### ➤ PierCap's Middle Market Index

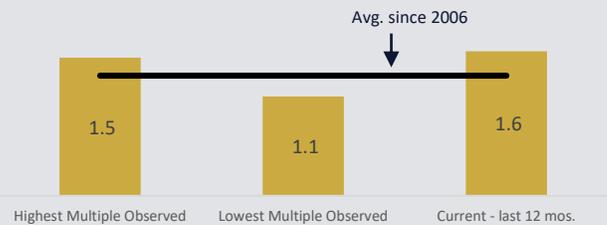


### PRICING SIGNALS CONTINUE TO SHOW STRENGTH

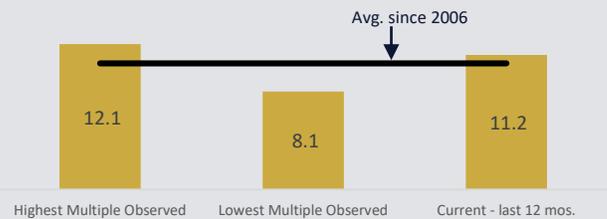
#### ➤ All M&A Transaction Volumes



#### ➤ Middle Market M&A Revenue Multiples

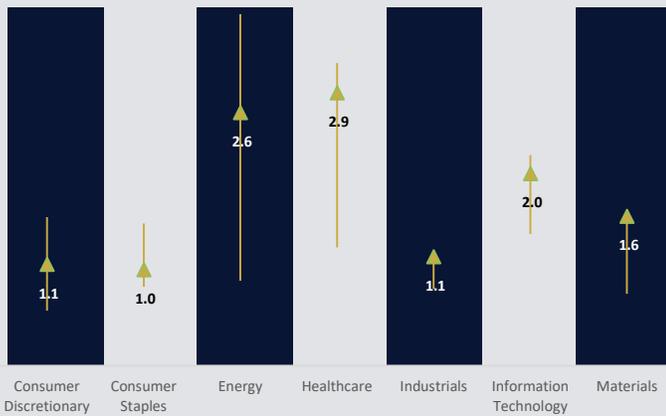


#### ➤ Middle Market M&A EBITDA Multiples

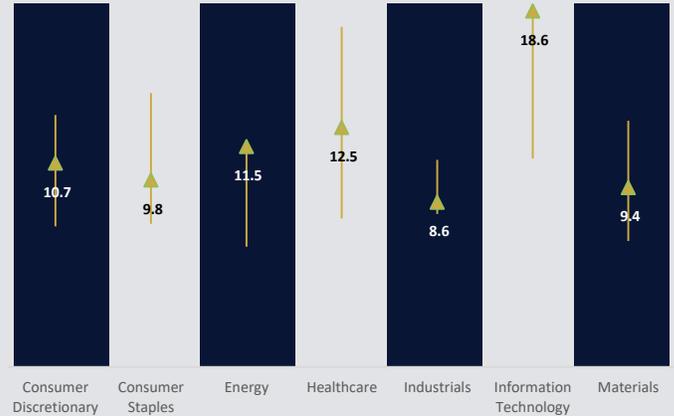


## STRENGTH ACROSS MAJORITY OF THE SECTORS

### ➤ Middle Market Revenue Multiples by Sector



### ➤ Middle Market EBITDA Multiples by Sector



## NOTEWORTHY TRANSACTIONS...

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
10/2/2017	Comdel, Inc.	XP Power Limited (LSE:XPP)	Electronic Equipment and Instruments	\$23	1.39x	-

Buyer, a provider of power solutions, including AC-DC power supplies and DC-DC converters, acquired the business and assets of Target for \$23 million. Target is a Massachusetts, US-based designer, developer, and manufacturer of radio frequency (RF) and direct current (DC) power systems for companies in the semiconductor, solar, metal heat-treating, dielectric heating, medical lasers, and thin film markets. The purchase price is on a debt free, cash free basis and paid in cash on completion. Buyer funded the acquisition with a new revolving credit facility of \$40.0 million. Scott Johnson, Chief Executive Officer of Comdel, will remain with the business and head up XP Power's newly formed RF Power division. Target reported a pretax profit of \$1.8 million and sales of \$16.5 million.

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
10/3/2017	Brocade Communications Systems, Inc., Data Center Switching, Routing and Analytics Business	Extreme Networks, Inc. (NasdaqGS:EXTR)	Communications Equipment	\$43	-	-

Buyer, a provider of software-driven networking solutions, entered into asset purchase agreement to acquire switching, routing and analytics business from Brocade Communications Systems, Inc. (NasdaqGS:BRCD) for \$43 million. The consideration includes an upfront cash payment of \$23 million (inclusive of \$13 million representing target working capital, which is subject to a post-closing true-up adjustment), deferred payment equal to \$20 million to be paid in installments of \$1 million per quarter for the next 20 full fiscal quarters of Buyer and quarterly earnout payments equal to 50% of profits of the Business for the five-year period commencing at the end of the first full fiscal quarter of Buyer. Given the Brocade and Broadcom merger has been delayed, Buyer entered into a separate consent agreement with Broadcom to terminate their March 2017 Asset Purchase Agreement and consent to direct purchase of the business from Brocade for an additional \$25 million payment in cash to Broadcom. Buyer anticipates the Brocade transaction will generate over \$230 million in annualized revenue from the acquired assets. This will be Buyer's second acquisition this year.

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
10/19/2017	Andalou Naturals Inc.	BWX Limited (ASX:BWX)	Personal Products	\$91	2.61x	-

Buyer, a vertically integrated developer, manufacturer, distributor and marketer of branded skin, hair and body care products, entered into binding agreement to acquire Target for \$91.2 million. Target manufactures and distributes fruit stem cell-based skin care; hair care; instant treatments; and bath and body care products. As per the terms of agreement Buyer will pay 80% of initial consideration in cash (\$64 million) and 20% paid in BWX shares (\$16 million). The share will be issued at 30-day VWAP immediately prior to the date which is 3 trading days before closing and subject to a 3 year escrow period. In addition to consideration there are potential additional amounts payable up to \$11.2 million over the next 5 years, subject to Target achieving particular financial milestones related to gross profit. Transaction will be financed with \$78.3 million of Entitlement Offer by Buyer and existing credit facilities. Transaction is expected to be 10% EPS accretive on a pro forma FY2018 basis before expected annual cost synergies. Annualized cost synergies are expected to be \$1 million by end of first full year of ownership. The implied 2018 Proforma EBITDA multiple is about 9.4x.

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
10/24/2017	VMC Consulting, Inc. and Volt Canada Inc.	Keywords Studios Plc (LSE:KWS)	IT Consulting and Other Services	\$66	1.16x	10.38x
<p>Buyer, a leading international technical services provider to the global video games industry, entered into a stock purchase agreement to acquire Target from Volt Information Sciences (Seller), Inc for \$66.4 million in cash. Target provides production development, QA testing and customer support to companies primarily in the video gaming and mobile industries. Under the terms of deal, Buyer will acquire on a cash-free, debt-free basis and the consideration is subject to adjustment based upon an estimate of the working capital of Target at closing. The transaction will be funded by a fully underwritten cash placing of approximately \$100 million of new ordinary shares in the capital of Keywords Studio. Except in certain limited circumstances, upon termination of the purchase agreement the Seller will be entitled to retain as liquidated damages a \$0.5 million deposit previously placed into escrow by Buyer. Annualized cost savings are estimated to be \$1.5 million in the first year and a further \$1 million in the second year of ownership.</p>						

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
10/25/2017	O-Tex Pumping, LLC	C&J Energy Services, Inc. (NYSE:CJ)	Oil and Gas Equipment and Services	\$245	1.30x	-
<p>Buyer, a provider of well construction, well completions and well services. entered into a definitive agreement to acquire Target from White Deer Energy L.P and others for approximately \$250 million. Target offers specialty pump down services, such as chemical/acid squeezing; perforation breakdown; formation evaluation; testing newly constructed pipeline; pumping of wireline tools and equipment in vertical and horizontal applications; acid pumping; pumping slat and paraffin removal solutions; and wireless charting services to oil &amp; gas industry. The consideration comprised of \$132.5 million in cash, subject to certain customary purchase price adjustments, and approximately 4.42 million shares of Buyer's common stock. At closing, Buyer shall pay out of the total cash consideration to escrow agent, the closing adjustment escrow amount of \$2 million and the indemnification escrow amount of \$1.33 million. The cash consideration will be funded with cash on hand. In addition, Buyer will enter into lock-up agreements with each Target stockholder on the date of the closing, to restrict the ability of the stockholders to dispose of the Buyer common stock issued in the transaction for a period of 90 days following the closing date. 3Q 2017 annualized revenues for Target are \$189 million.</p>						

Notes: Middle Market defined as all M&A activity between \$10 million - \$1billion in transaction value. EBITDA and Revenue multiples are based on median observations and calculated for disclosed transactions only. Our data includes majority sales and excludes Financials, Telecommunication Services and Utilities sectors. Starting September 2016, trailing 12 month data also includes transactions that have been announced but not yet closed. Data Source: PierCap Partners, S&P, CapitalIQ.

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