

DEAL VOLUME INCREASED DURING 2014



Source: Robert W. Baird & Co.

STRONG M&A MARKET CONTINUES

Middle-Market Deal Volume Up

Middle-market transaction volume increased nicely during 2014. According to Robert W. Baird, the number of transactions with values less than \$500 million increased 13.9% over 2013.

The number of transactions with values greater than \$1 billion increased 40.1%, as an abundance of credit and the availability of both public debt and equity has made it a favorable transaction environment. For transactions with values greater than \$1 billion, total transaction values increased an even more dramatic \$122.7 billion.

With the increased private equity exit activity, a growing number of baby boomers looking to retire, and strong credit markets, we expect transaction volume to continue to gain momentum in 2015.

Purchase Prices Rise Slightly

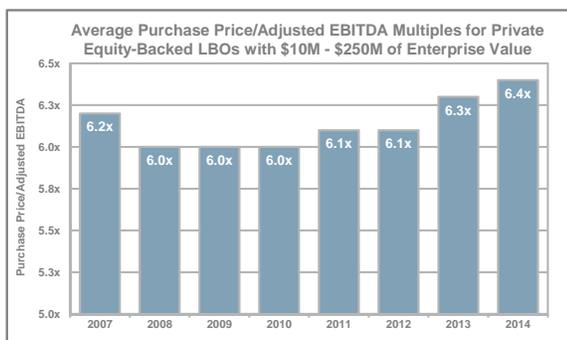
Along with the rise in transaction volume, middle-market purchase price multiples increased for LBOs reported to GF Data. The average was 6.4x EBITDA for 2014 compared to 6.3x for 2013.

While we recognize purchase price to EBITDA multiple averages ignore the unique characteristics of each transaction and company, in this case, the data trend is indicating a slight firming of prices which corresponds with our experience last year.

GF Data also reported that the gap in valuations between larger (\$100 - \$250 million) and smaller (\$10 - \$25 million) middle-market LBO transactions remained significant at 2.2x EBITDA, an increase from 1.2x in 2013. Interestingly, multiples for small transactions (less than \$50 million) that do not have above

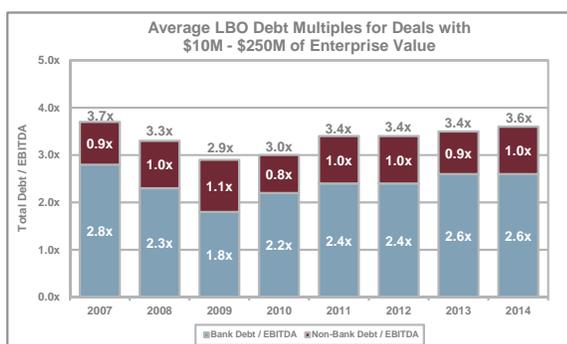
average characteristics declined, on average, from 5.8x in the first nine months of 2014 to 5.1x in the fourth quarter. Buyers were willing to pay premium prices for high quality companies, but maybe not for all companies.

PURCHASE PRICES PUSH HIGHER



Source: GF Data®

LEVERAGE MULTIPLES INCREASE



Source: GF Data®

A GOOD TIME TO BE A BORROWER

Debt Multiples Continue to Expand

Senior debt market support for lower middle-market LBOs remained strong during 2014. According to GF Data, the average senior debt/EBITDA multiple for \$10 - \$250 million enterprise value private equity-backed buyouts was 2.6x during 2014, the same as during 2013.

Average total debt/EBITDA for the LBO segment of the market increased to 3.6x during 2014 compared to 3.4x during 2013. Mezzanine debt accounted for all of the increase, rising, on average, to 1.0x EBITDA compared to 0.9x EBITDA during 2013.

There continues to be significantly more debt available for “larger” (\$100 - \$250 million enterprise value) transactions. Larger transactions achieved an average of 3.3x senior debt and 4.1x total debt compared to 2.4x senior debt and 3.3x total debt for “smaller” (\$10 - \$25 million enterprise value) transactions.

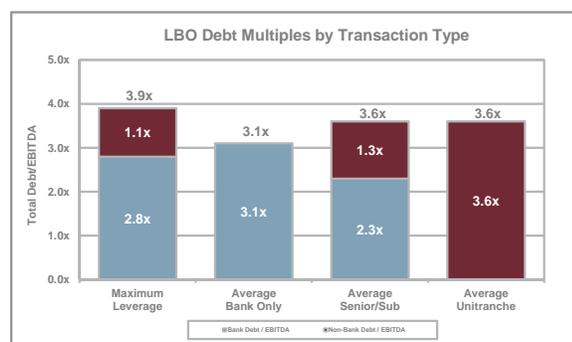
Many Capital Structure Choices

The strength in the lending market has provided lower middle-market buyers with much more choice in structuring their transactions.

GF Data analyzed a variety of different capital structures used by buyers. The maximum level of debt observed in lower middle-market LBOs was 2.7x senior debt and 4.0x total debt. For transactions where only senior debt was utilized, 3.1x bank debt was available. For transactions with an equity sponsor that used both senior and mezzanine debt, senior debt averaged 2.4x and total debt reached 3.8x. Deals with a unitranche lender had the most leverage, with on average, 4.2x total debt.

With new bank regulations from the Fed, OCC and FDIC limiting High Risk Borrowers (“HRBs”), non-bank lenders have the opportunity to continue to gain ground on traditional banks.

VARIETY OF AVAILABLE CAPITAL STRUCTURES



Source: GF Data®

FIRM OVERVIEW

Cleary Gull Inc. is an employee-owned firm providing specialized financial services since 1987 to individuals, institutional investors, and middle-market companies through two operating divisions: Investment Banking and Investment Management Services. *“A Firm Belief in the Entrepreneurial Spirit”* is our core ideology and the foundation for all of our client engagements.

Cleary Gull’s investment bankers help clients throughout the U.S. achieve their financial and business goals with advice on exclusive sales, mergers, acquisitions, raising debt and equity in private capital markets and other transactions, working through complex financial, legal, tax, accounting and other technical issues.

Cleary Gull Inc.
100 East Wisconsin Avenue
Suite 2400
Milwaukee, WI 53202
clearygull.com

John R. Peterson
Managing Director
414-291-4551
jpeterson@clearygull.com



Gregory T. Gorlinski
Managing Director
414-291-4559
ggorlinski@clearygull.com



Ryan C. Chimenti
Managing Director
414-291-4531
rchimenti@clearygull.com



James E. Olson
Vice President
414-291-4552
jolson@clearygull.com



GLOBAL REACH

Cleary Gull is a member of the International Association of Investment Bankers. The IAIB (www.iaib.org) is an affiliation of investment banking firms from Africa, Asia, Europe, and North and South America working together to broaden their reach and leverage their expertise.



International Association
of Investment Bankers

CONTACT

The Cleary Gull Investment Banking team has completed more than 120 transactions since 1995, representing over \$6 billion in transaction value.

Contact us for more information on Cleary Gull and our Investment Banking services.

Ronald D. Miller
Managing Director
414-291-4528
rmiller@clearygull.com



Ryan A. Olsta
Managing Director
414-291-4555
rolsta@clearygull.com



Patrick J. Bremmer
Vice President
414-291-4548
pbremmer@clearygull.com



This is not in any sense a solicitation or offer to purchase or sell securities. The factual statements herein have been taken from sources believed to be reliable, but such statements are made without any representation as to accuracy, completeness, or otherwise. Historical data is not an indication of future results.