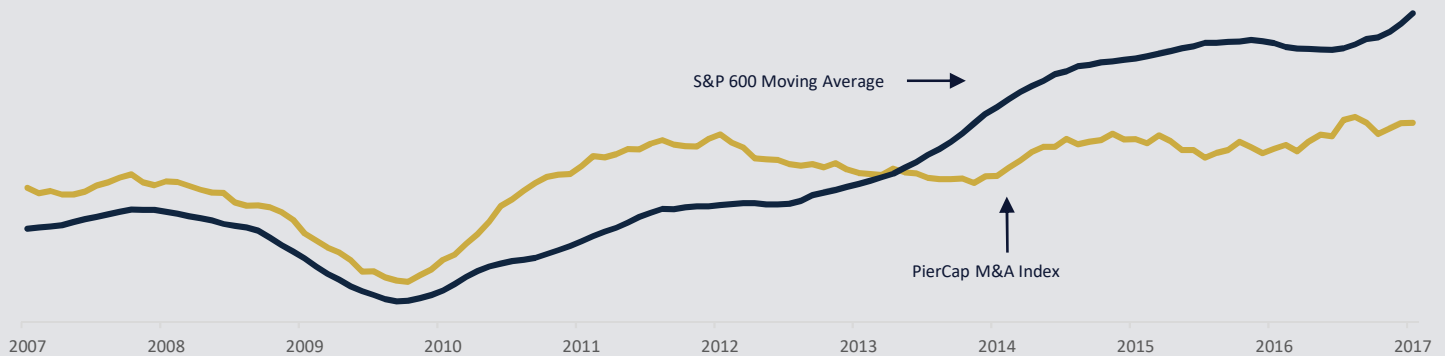


M&A MIDDLE MARKET INSIGHTS – JANUARY 2017

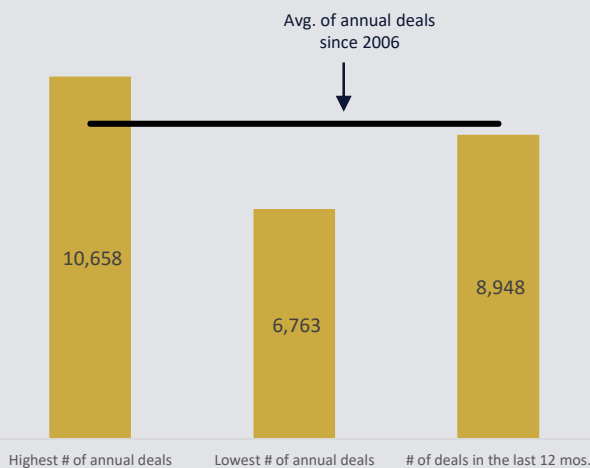
S&P OFF TO A STRONG START IN 2017

➤ PierCap's Middle Market Index



VOLUMES REMAIN BELOW AVERAGE, MULTIPLES CONTINUE TO BE STRONG

➤ All M&A Transaction Volumes



➤ Middle Market M&A Revenue Multiples

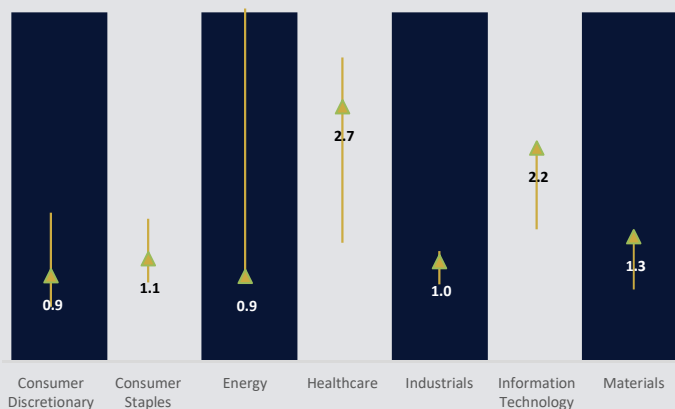


➤ Middle Market M&A EBITDA Multiples

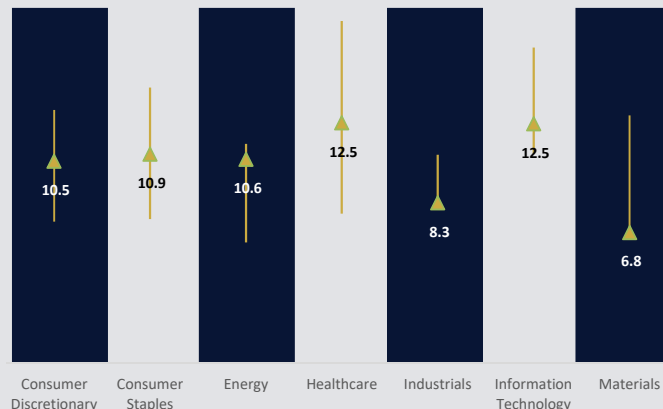


MULTIPLES STRONG BUT VARY BETWEEN APPROACHES FOR SOME SECTORS

➤ 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
1/4/17	Innotech Security, Inc.	Costar Video Systems, LLC	Electronic Equipment and Instruments	\$16	1.90x	-
<p>Buyer, a wholly owned subsidiary of Costar Technologies, Inc. (CSTI) provides a range of security solutions products, acquired Target for \$15.5 million. Target is a manufacturer of customized video, security surveillance systems and components. The purchase price for Target was comprised of \$7 million in cash at closing, assumption of a \$2.5 million three-year interest free subordinated seller note and potential earn out payments of up to \$6 million over three years. Buyer entered into a debt financing arrangement with Comerica Bank to facilitate the acquisition.</p>						

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
1/5/17	Craftsman Brand (Sears Holdings Corporation)	Stanley Black & Decker, Inc. (NYSE:SWK)	Household Appliances	\$775	3.90x	-
<p>Buyer, a Fortune 500 manufacturer of industrial tools and household hardware, signed a definitive agreement to acquire Craftsman Brand from Sears Holdings Corporation (Nasdaq:SHLD) for approximately \$775 million. Craftsman is a line of hand & power tools, lawn & garden equipment and work wear controlled by Sears and introduced first in 1927. Under the terms of the agreement Buyer will pay approximately \$525 million at closing and \$250 million at the end of year three, and annual payments on new Craftsman sales through year 15 - 2.5% through 2020, 3% through January 2023, and 3.5% thereafter. Sears Holdings to continue sourcing and selling Craftsman-branded products in all its retail channels under perpetual license agreement.</p>						

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
1/9/17	Anvil International, LLC	One Equity Partners LLC	Diversified Metals and Mining	\$315	0.90x	7.50x
<p>Buyer, a middle market private equity firm, acquired Target from Mueller Water Products, Inc. (NYSE:MWA) for approximately \$315 million. Target manufactures a comprehensive range of pipe fittings, pipe hangers and piping support systems for more than 150 years. The purchase price is subject to a post-closing adjustment. Upon completion, all current employees of Anvil including the existing management team led by Patrick M. Donovan, President will be joining the new company.</p>						

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
1/17/17	CynergisTek, Inc.	Auxilio, Inc. (OTCPK:AUXO.D)	IT Consulting and Other Services	\$34	2.30x	6.80x
Buyer, a provider of complete document workflow solutions and IT security services, entered into a stock purchase agreement to acquire Target from Michael G. Mathews and Michael H. McMillan for \$34.2 million. Target provides information technology security consulting services. Under the terms of the agreement, Buyer paid net cash amount of \$14.2 million in cash, issued a total of 1.17 million shares of Buyer's common stock with each of Michael G. Mathews and Michael H. McMillan receiving 0.58 million shares and issued \$9 million worth of promissory notes. The sellers may be entitled to an additional \$7.5 million based upon the financial performance of Target after closing of the transaction, to be calculated based upon EBITDA generated during the earn-out period, which began as of January 1, 2017, and ends on December 31, 2021. Buyer will enter into a 5 year term loan from Avid Bank and California Bank and Trust in the amount of \$14 million to fund the cash portion of consideration.						

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
1/30/17	Wisdom Worldwide Adhesives	H.B. Fuller Company (NYSE:FUL)	Specialty Chemicals	\$122	1.20x	11.10x
Buyer, a Minnesota-based company formulates, manufactures, and markets adhesives, sealants, and other specialty chemical products worldwide, acquired Target from Wisdom family for approximately \$122 million. Founded in 1875, Target is a provider of adhesives for the packaging, paper converting, and assembly markets. Target will be included in Buyer's Americas Adhesives operating segment. Buyer expects to generate annual run rate synergies of approximately \$6 million starting in 2018, which would make the purchase price multiple equal to approximately 7x Target's fiscal 2016 EBITDA on a post-synergy basis.						

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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