

## M&A MIDDLE MARKET INSIGHTS – MAY 2018

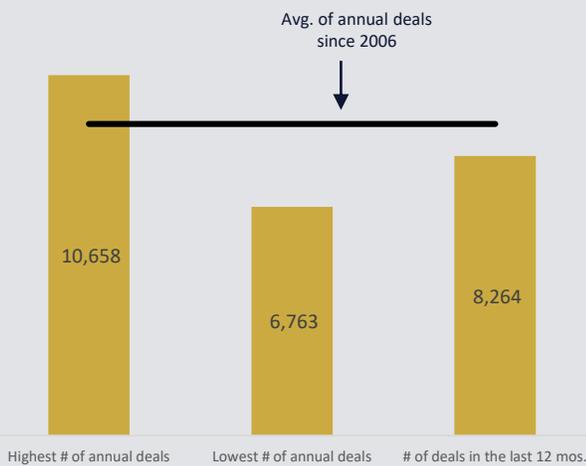
### S&P 600 – UNRELENTING CONTINUUM

#### ➤ PierCap's Middle Market Index



### VOLUME AND PRICING ACTIVITY MAINTAINING TREND

#### ➤ All M&A Transaction Volumes



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

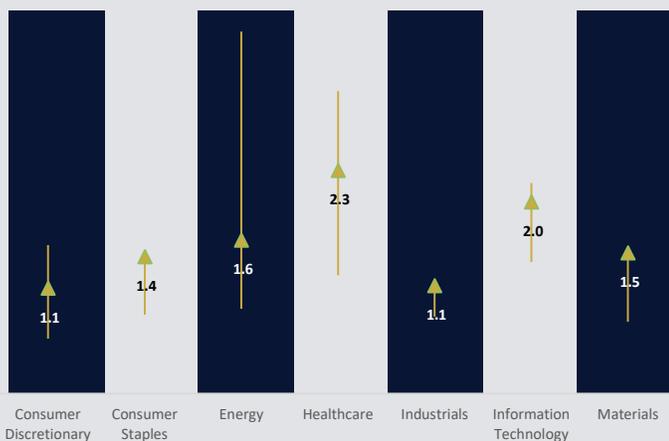


#### ➤ Middle Market M&A EBITDA Multiples

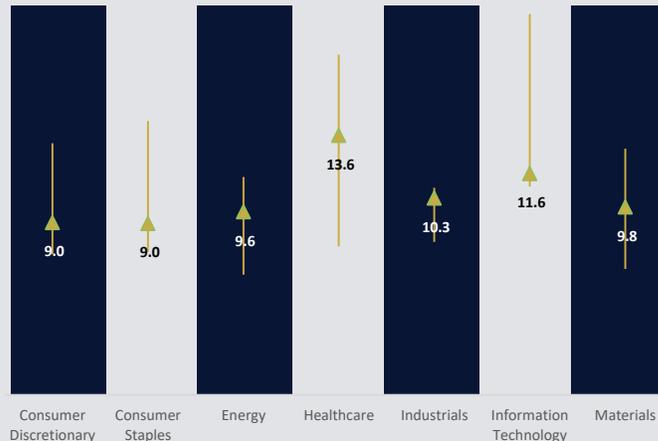


## REVENUE MULTIPLES SHOW STRENGTH ACROSS SECTORS

### ➤ 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
5/1/18	All Integrated Solutions	MSC Industrial Direct Co., Inc. (NYSE:MSM)	Trading Companies and Distributors	\$86	1.30x	-

Buyer, a distributor of metalworking and maintenance, repair, and operations (MRO) products and services, acquired Target's stock from High Road Capital Partners for about \$86 million. Target is a value-added distributor of industrial fasteners/components, MRO supplies and assembly tools, and also provides vendor managed inventory (VMI) services. High Road Capital acquired Target in 2012 and made three add-on acquisitions since then, added new locations, expanded sales force, and added to the management team. The purchase price is subject to working capital adjustments. Inclusive of transaction and post-closing costs, Buyer expects approximately 5 cents of EPS dilution in fiscal 2018, a roughly neutral impact on EPS in fiscal 2019 and steadily increasing accretion going forward. This is Buyer's second acquisition in past 12 months in the fragmented MRO distributor space.

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
5/7/18	Barteca Restaurant Group, LLC	Del Frisco's Restaurant Group, Inc. (NasdaqGS:DFRG)	Restaurants	\$315	2.54x	10.25x

Buyer, operates 53 restaurants offering steaks, chops and fresh seafood, entered into a definitive agreement to acquire Target for all cash from Rosser Capital Partners, General Atlantic LLC and others for about \$330 million. Target is a 20-year-old company with two brands, Barcelona, an upscale casual dining restaurant that specializes in Spanish and Mediterranean cuisine, and Bartaco, which features a menu of "upscale street food" with bold South American, Mediterranean and Asian flavors. JPMorgan Chase and Citizens Financial Group are providing committed financing for the transaction. Post-acquisition, Barteca will continue to be led by Jeff Carcara, its current Chief Executive Officer, who will now report up to Norman Abdallah, Chief Executive Officer of Del Frisco's. The transaction is subject to receipt of U.S. antitrust clearance and other customary closing conditions. As of May 21, 2018, the transaction was granted early termination notice by FTC. "We've been looking for growth concepts, not maintenance concepts," Del Frisco's CEO Norman Abdallah.

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
5/10/18	Glassman High Voltage, Inc.	XP Power Limited (LSE:XPP)	Electrical Components and Equipment	\$45	2.57x	-

Buyer, a developer and manufacturer of critical power solutions for the electronics industry, agreed to acquire Target for \$44.5 million. Under the terms of the transaction, the consideration will be paid in cash on a debt and cash free basis and will be financed with \$45 million extension of the existing credit facility of Buyer. Target is a US-based designer and manufacturer of high voltage, high power, power supplies used in semiconductor manufacturing equipment, vacuum/plasma processing, analytical instrumentation, medical diagnostics and test equipment. Target is being acquired from the estate of Sanford Glassman, Glassman's founder and major shareholder, who recently passed away. The current President, Karolee Glassman, will leave Glassman at completion. The acquisition also includes the purchase of Glassman's small European sales business. This will be Buyer's third acquisition in past 2 years enabling them to provide low power modules to high power HV solutions.

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
5/15/18	Suwannee Lumber Holding Company LLC/Suwannee Timber Management, LLC/Caddo River Forest Products, LLC	Conifex Timber Inc. (TSX:CFF)	Forest Products	\$200	1.98x	14.29x
<p>Buyer, a Canadian company offering timber harvesting, reforestation, forest management, sawmilling logs into lumber and wood chips, and value added lumber finishing and distribution, entered into a securities purchase agreement to acquire Target for \$200 million. Target, with sawmills in Florida and Arkansas, produces Southern Yellow Pine softwood lumber and specialty products like decking. Under the terms of transaction, Buyer will pay \$150 million plus the net working capital at closing in cash, the value of US\$50.0 million through the issuance of common shares of Buyer with an issue price of \$6.50 per share (being the 20-day volume weighted average trading price), provided, however, that to the extent that such Common Shares issued to the Target would exceed 19.9% of the issued and outstanding Common Shares (the "Share Cap"), the excess amount shall be satisfied in cash; and 3.5 million warrants to purchase Common Shares for a period of five years after closing of the acquisition, at an exercise price of \$8.78 per share. If any of the warrants cannot be exercised at the end of the five-year term due to the Share Cap restriction, then the term of such number of warrants will be extended for an additional one-year. "This is a highly strategic and transformative transaction for Conifex, significantly increasing our presence in the U.S. South." Ken Shields, Conifex's President and CEO.</p>						

Announcement	Target	Buyer	Target Industry	Size (\$mm)	Revenue Multiple	EBITDA Multiple
5/23/18	Relish Labs LLC	The Kroger Co. (NYSE:KR)	Specialty Stores	\$700	2.80x	-
<p>Buyer, a retailer operating supermarkets, multi-department stores, jewelry stores, and convenience stores, entered into a merger agreement to acquire Target from L Catterton and other shareholders for \$700 million. The initial transaction price is \$200 million and future earnout payments of up to \$500 million over five years are contingent on achieving certain milestones, including significant growth of in-store and online meal kit sales. Target doing business as Home Chef, offers a meal delivery service that includes fresh ingredients and instructions needed to cook restaurant quality meals. After the deal closes, Target will maintain its e-commerce business on homechef.com, and assume responsibility for Buyer's meal solutions portfolio.</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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