

M&A MARKET UPDATE

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Presented by 7 Mile Advisors for ACCESS 2019

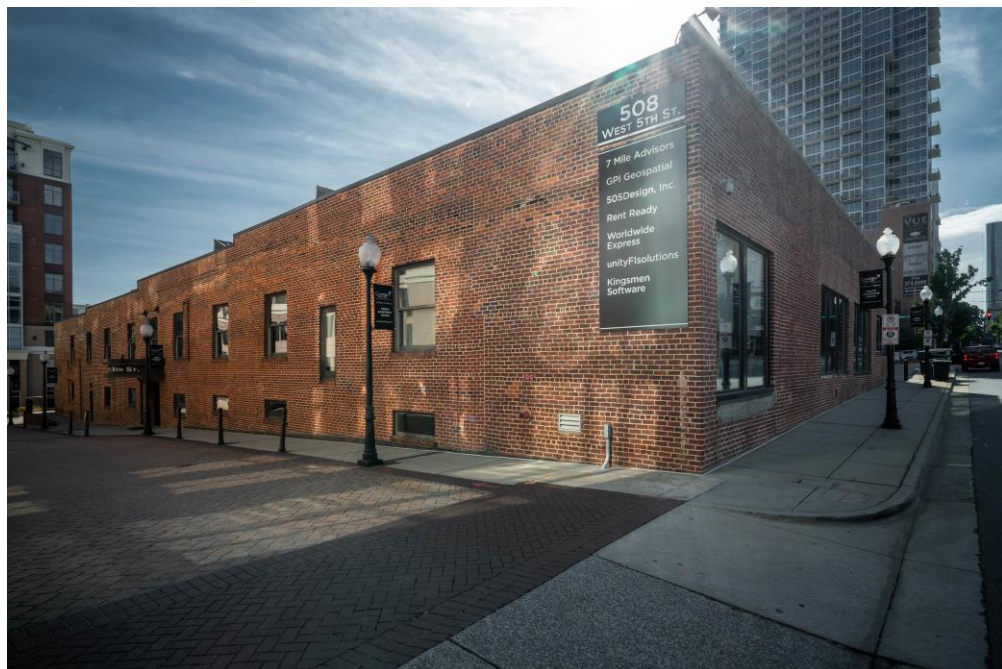
7 MILE
ADVISORS

CONTENT

- Intro to 7MA
- M&A and Private Placement Activity
- Cash, Financing, Valuations
- Tailwinds, Headwinds, and Sentiment



7MA AT A GLANCE



Founded in 2008

Verticalized approach to M&A focused on four discrete sectors -- Business Services, Infrastructure & Engineering Services, Healthcare, and Consumer

Transaction Advisory & Execution
Mergers & Acquisitions | Private Capital Placement

Offices and senior staff located in Charlotte, Houston, Chicago, Florida, and Pittsburgh; advising a global client base -- ~50% of 7MA Transactions involve a cross-border entity

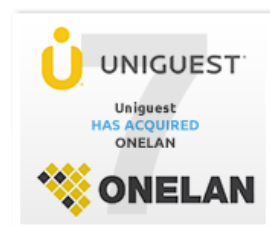
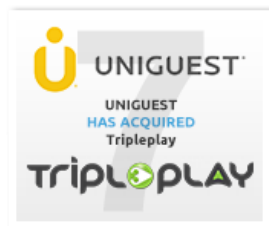
More than 150+ successfully closed transactions

20+ Industry Dedicated M&A Professionals

Advised on transactions totaling \$430M+ in EV last twelve months

2019 YTD & 2018 7MA TRANSACTIONS

2018



2018 LOOKBACK: GLOBAL M&A ACTIVITY

Deal Value

2018 up 8% compared to 2017

Deal Volume

2018 down 2% compared to 2017

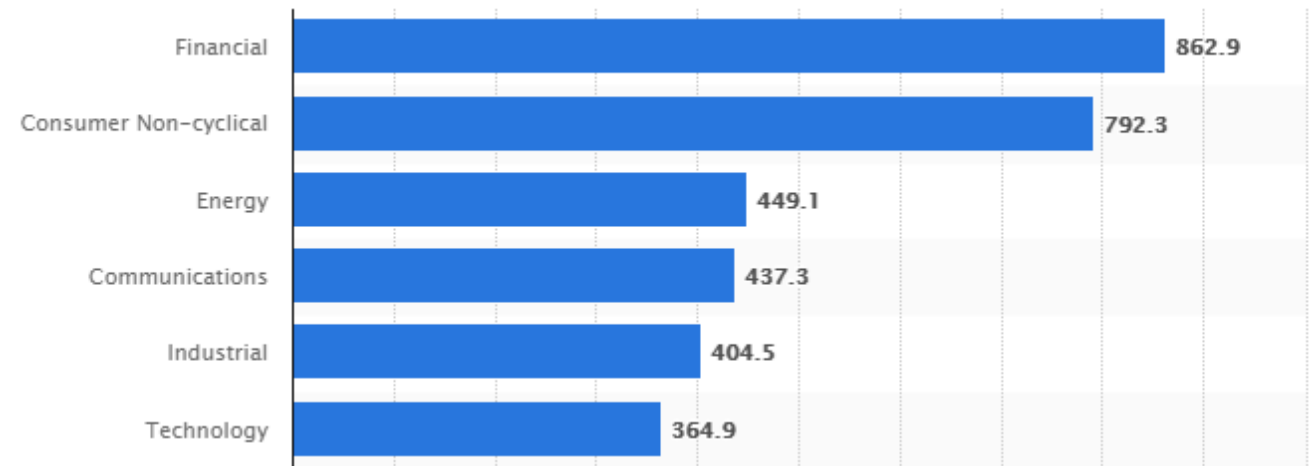
Deals by Geo

North America maintains top position representing..
49% of Deal Value
38% of Deal Volume

Industry

Leading industries by Deal Value...
Financial Institutions
Consumer
Energy
Communications
Industrial
Technology

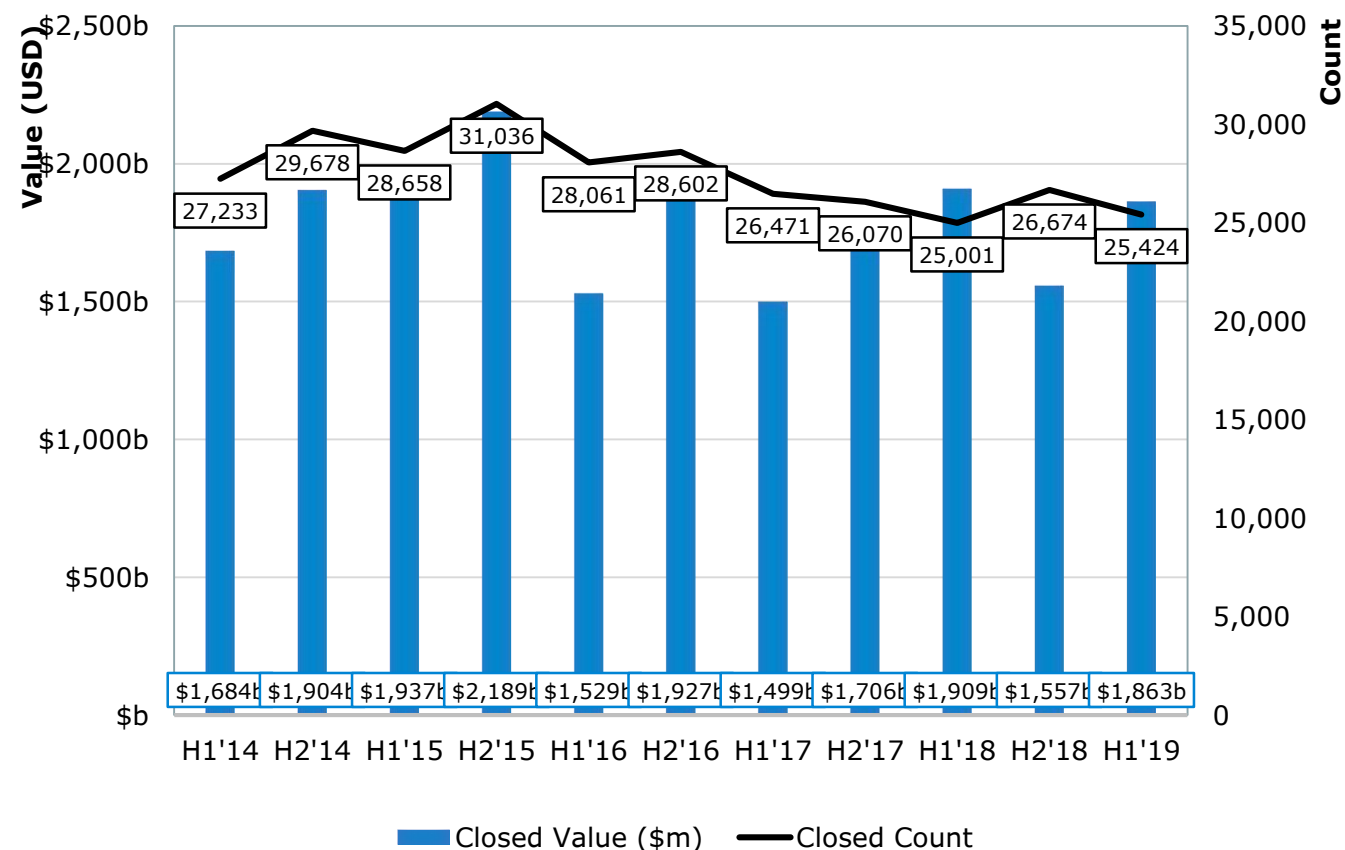
M&A Deal Value by Industry (In billion USD)



2019 AT A GLANCE

- 2019 H1 Deal Volume remains consistent with years past while Deal Value has jumped from H2'18 to H1'19
- In spite of macro market uncertainties, 2019 is set to mark another record year in M&A activity.
- Mega-deals (>\$10B) drove 2018 Deal Value, a trend that is expected to continue in 2019 with already three \$60B+ deals announced through H1'19.

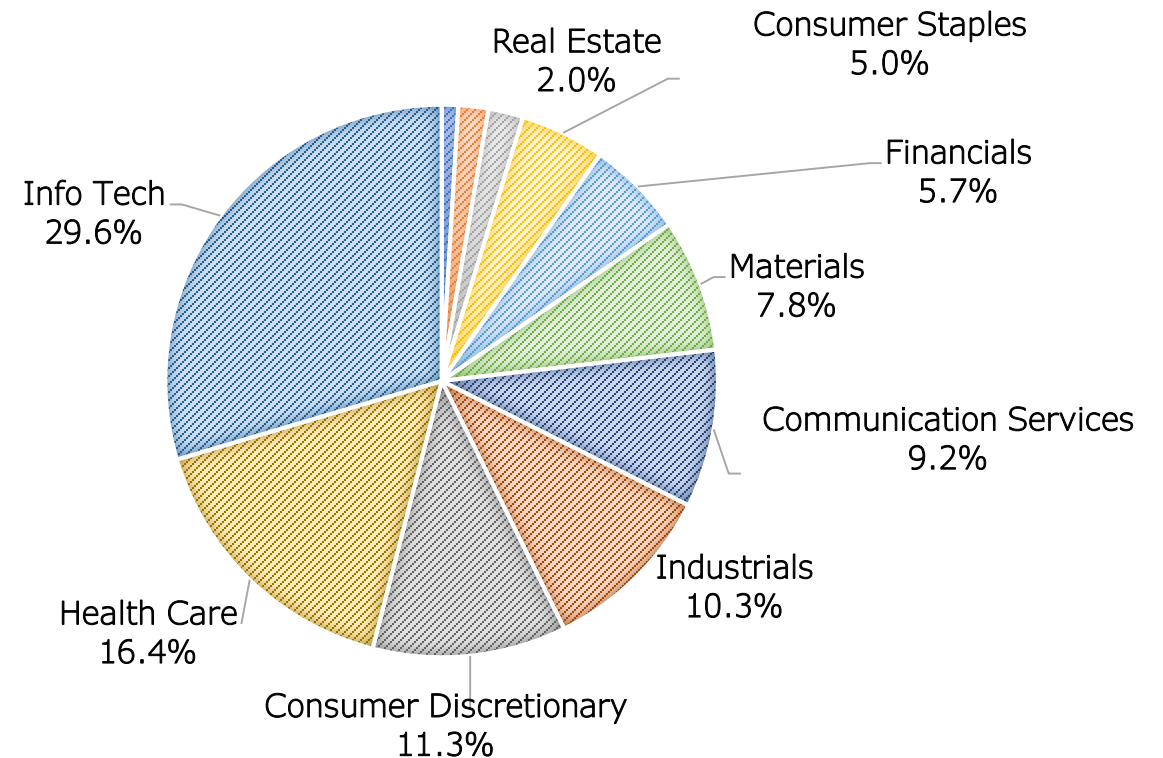
M&A ACTIVITY BY FISCAL HALF



GLOBAL PRIVATE PLACEMENT ACTIVITY

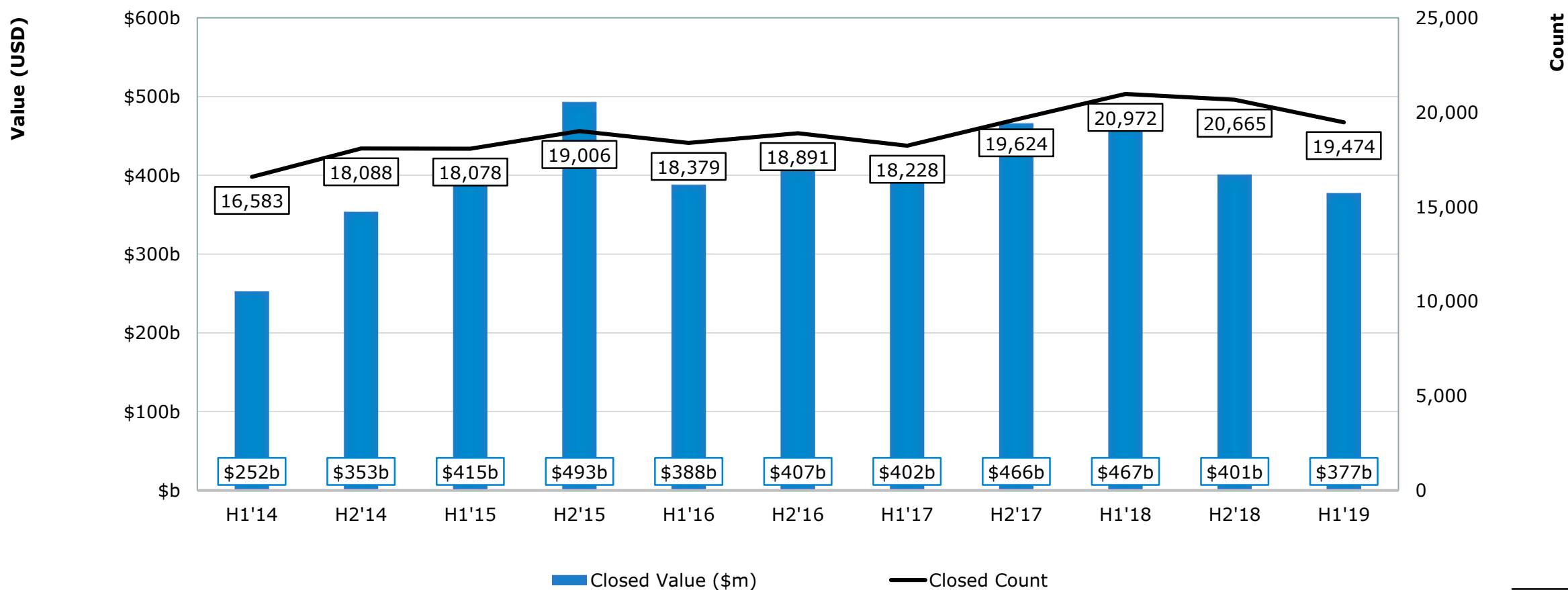
- In H1 2019, private placement volume remained flat, while transaction value has dipped down.
- With valuations at all time highs, PE appears to be cautiously putting capital to work in-spite-of record levels of fundraising and generally easy access to financing.

**PRIVATE PLACEMENTS CLOSED
(H1 2019)**



GLOBAL PRIVATE PLACEMENT ACTIVITY

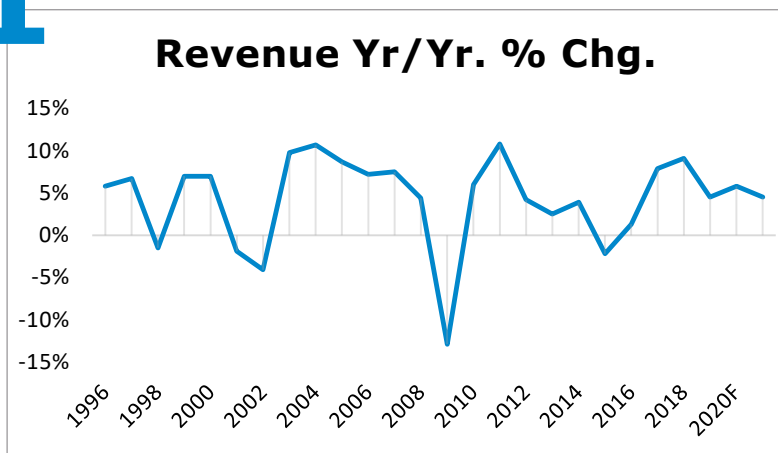
PRIVATE PLACEMENT ACTIVITY BY FISCAL HALF



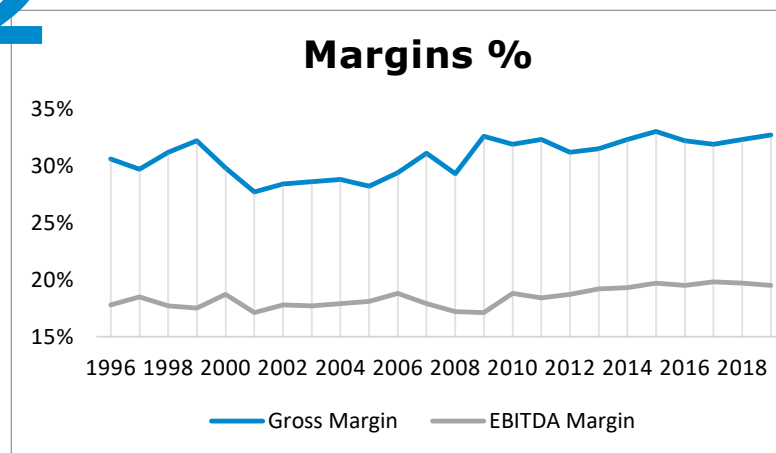
GROWTH RATES SLOWING, MARGINS GROWING

S&P 500 Index

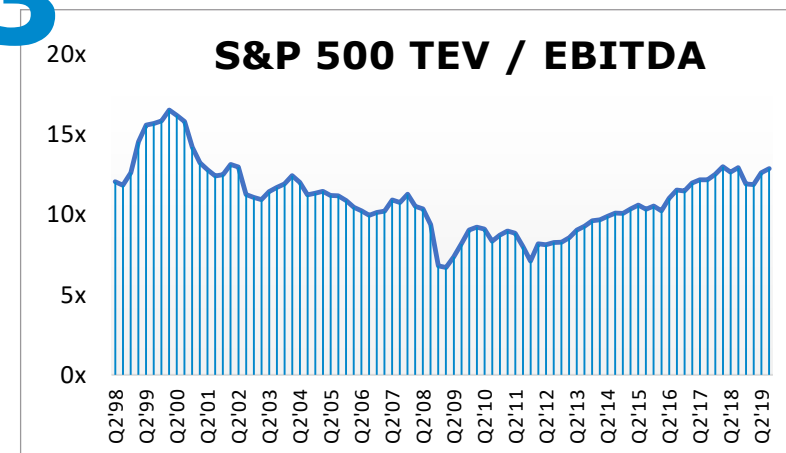
1



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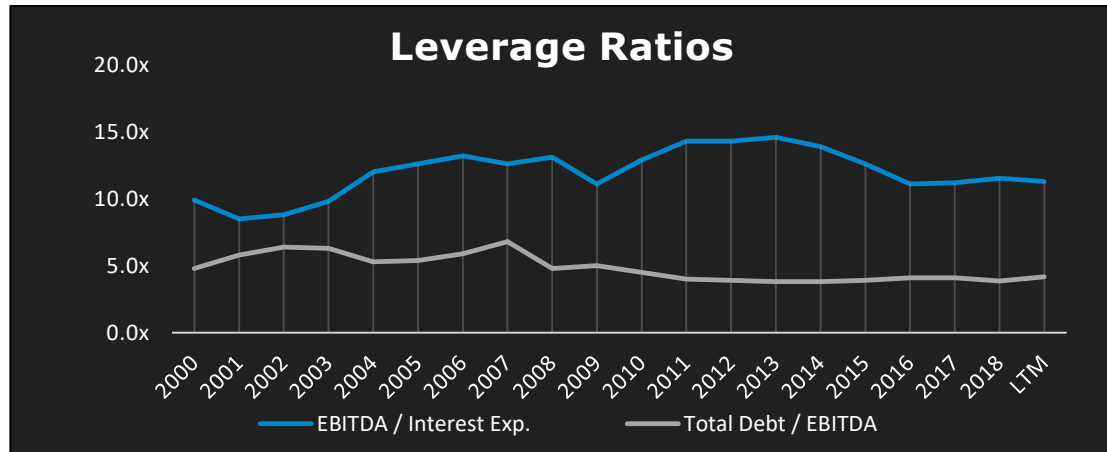
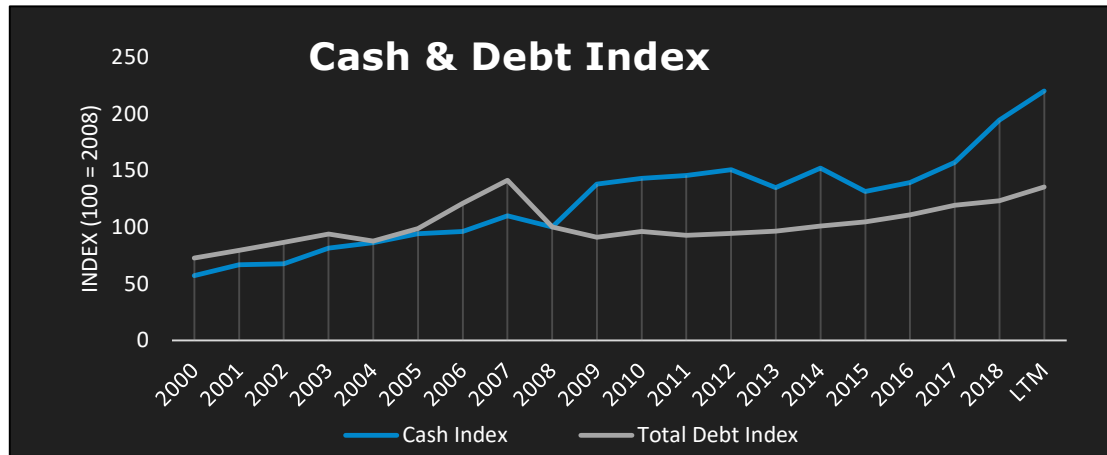


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- Revenue growth rates for the S&P 500 Index improved substantially in 2017 and 2018 but are expected to trail off in 2019F-2021F.
- Firms have been able to expand the multiple in their public valuation through driving EPS momentum from internal initiatives to improve the margin profile.

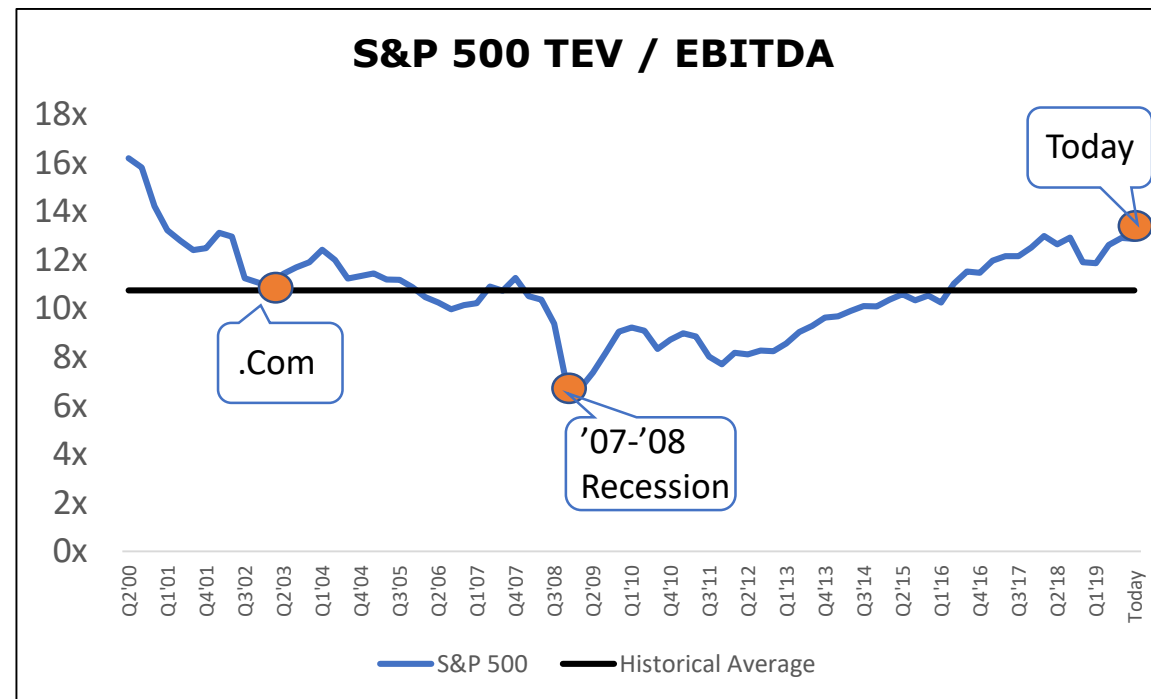
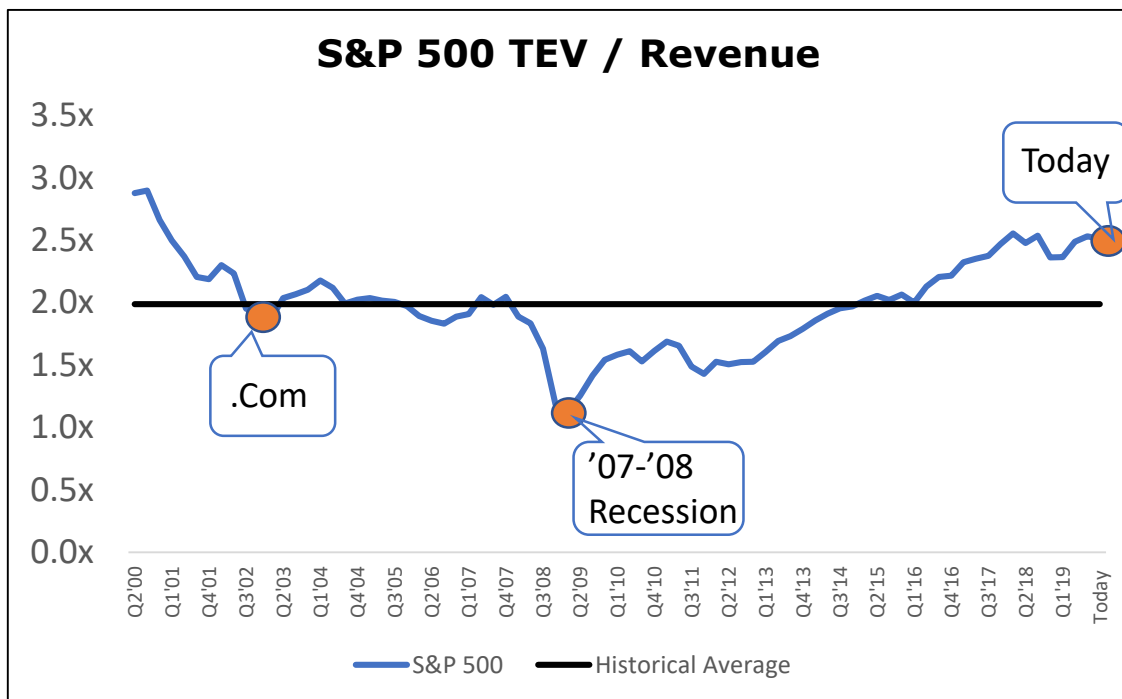
BALANCE SHEET CONDITIONS



The two charts to the left provide a pictorial view of Balance Sheet indices relating to the capital structure of firms in the S&P 500 Index. The top left chart profiles an index of Cash and Total Debt levels while the lower chart profiles leverage metrics.

- Since the 2008 recession, there is a clear trend of conservatism in how firms view their capital structure.
- The group is sitting on record levels of cash and while debt has been on the rise, it has not surpassed where it was pre-2008.
- Firms previously operated at ~5.0x Total Debt to EBITDA and ~10.0x EBITDA interest coverage. Post-2008, these numbers migrated towards ~4.0x and ~13.0x, respectively, but have since receded.

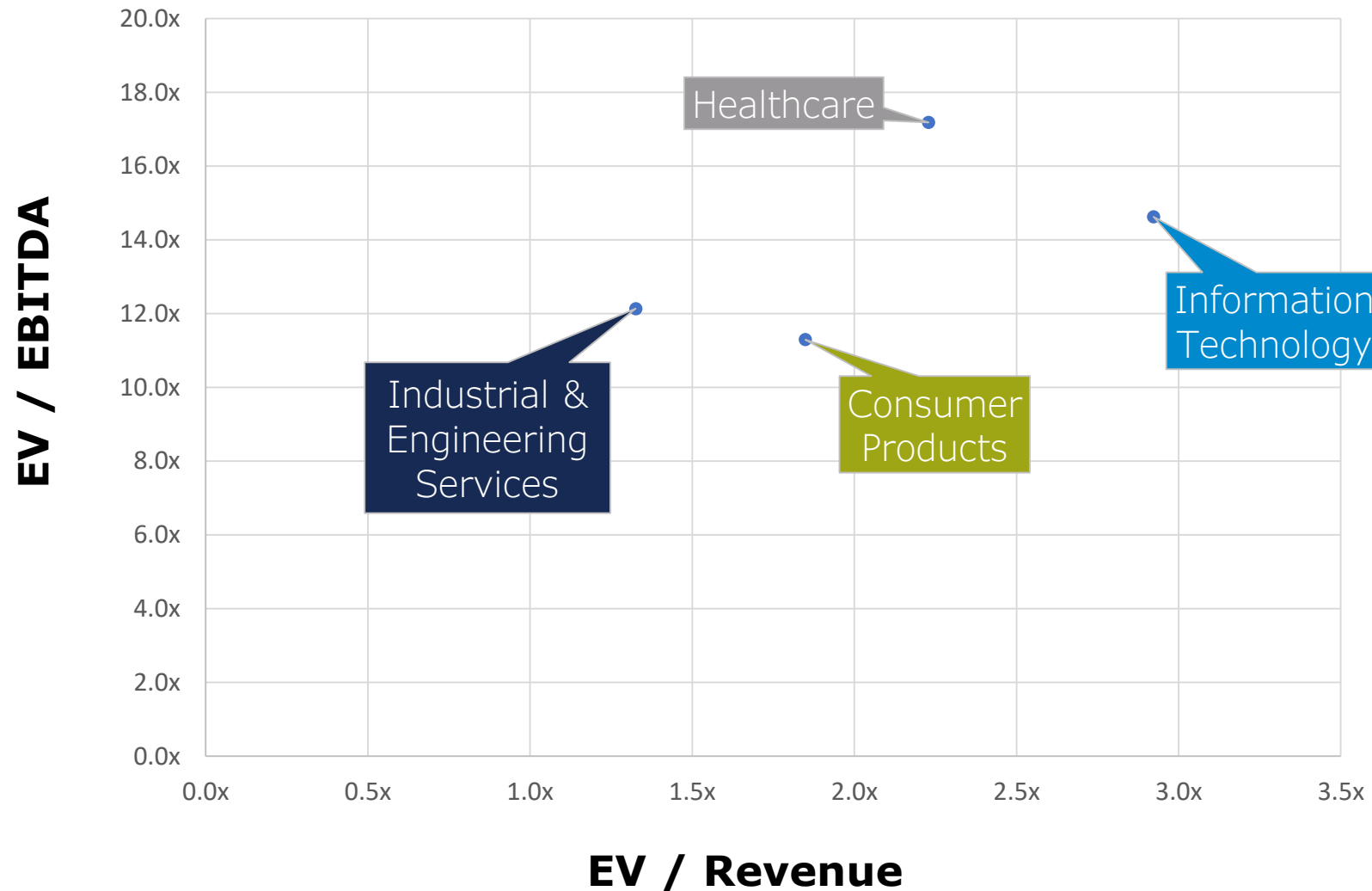
MACRO TRADING MULTIPLES



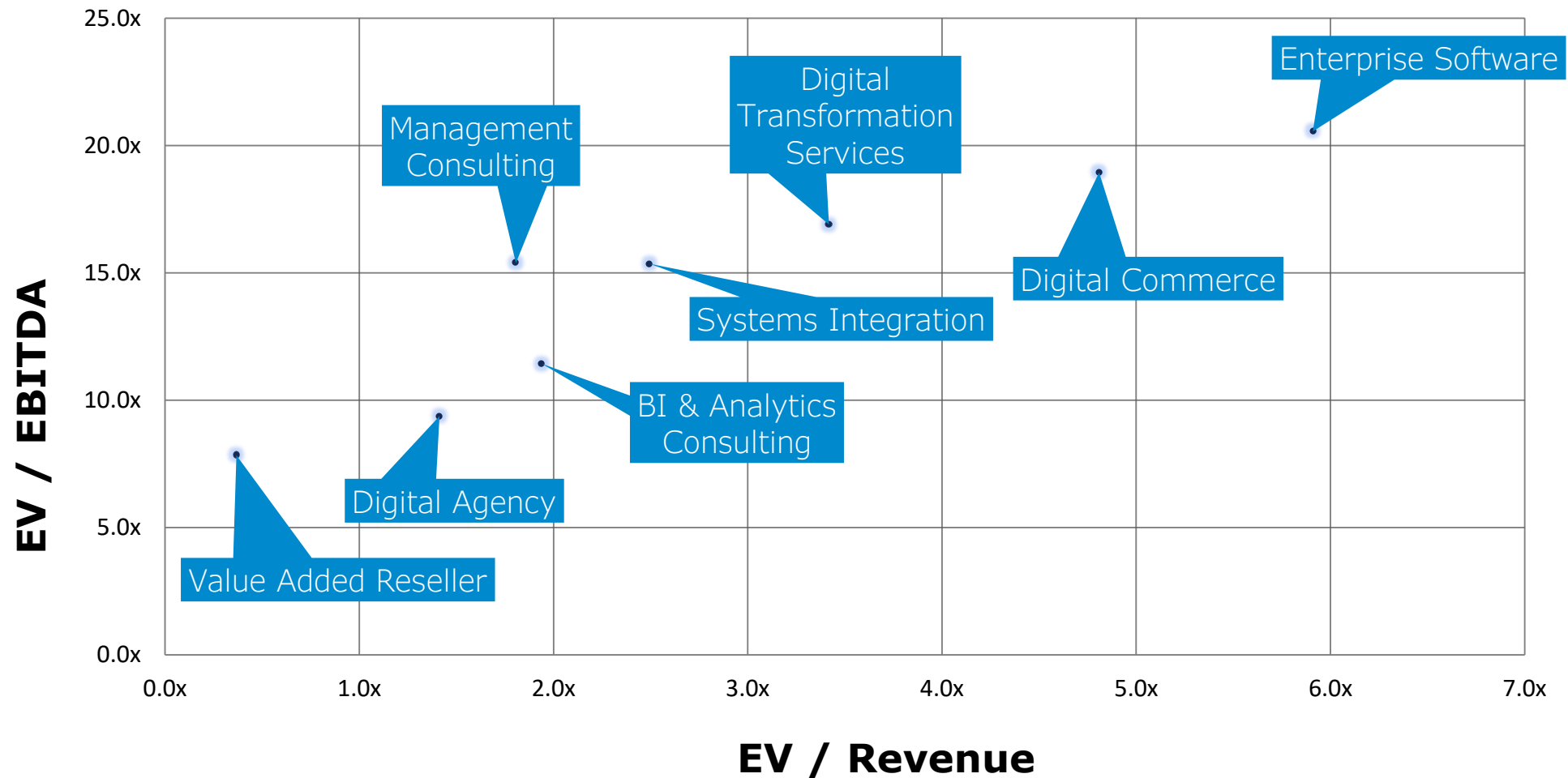
Current trading multiples of the S&P 500 are significantly above their historic averages:

- TEV / Revenue Premium = 26%
- TEV / EBITDA Premium = 20%

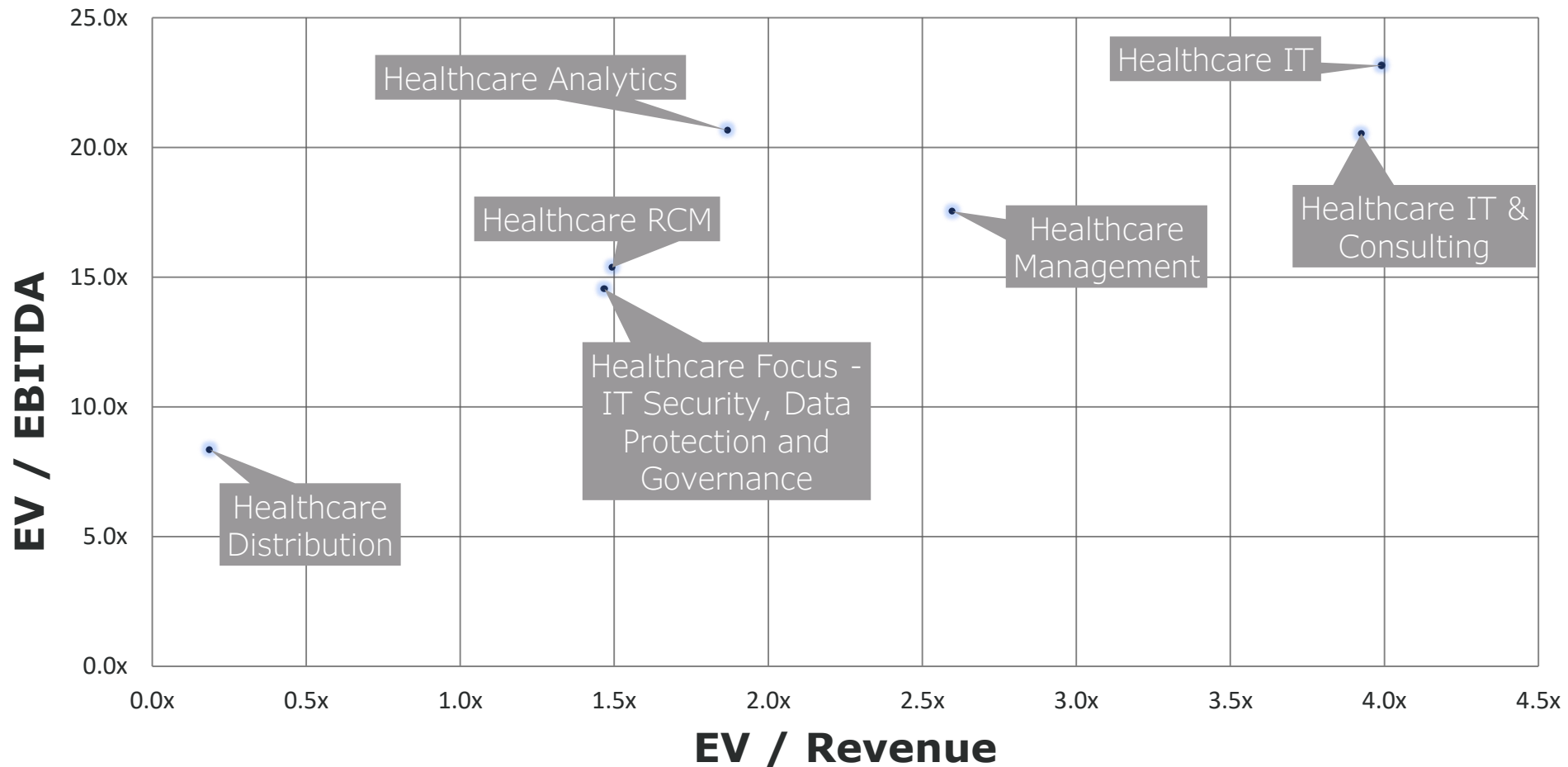
SECTOR SPECIFIC TRADING MULTIPLES



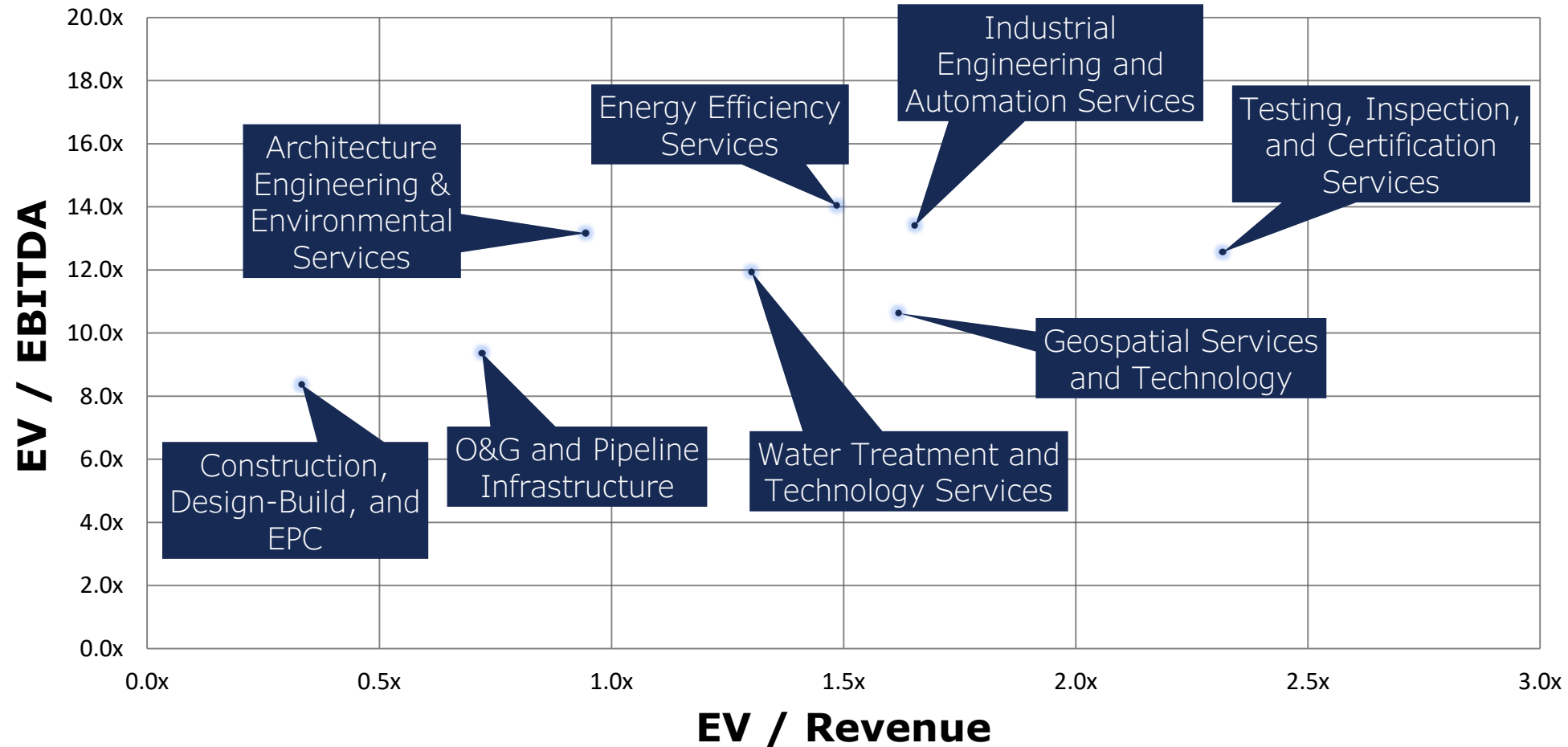
EQUITY COMPARABLES | Information Technology



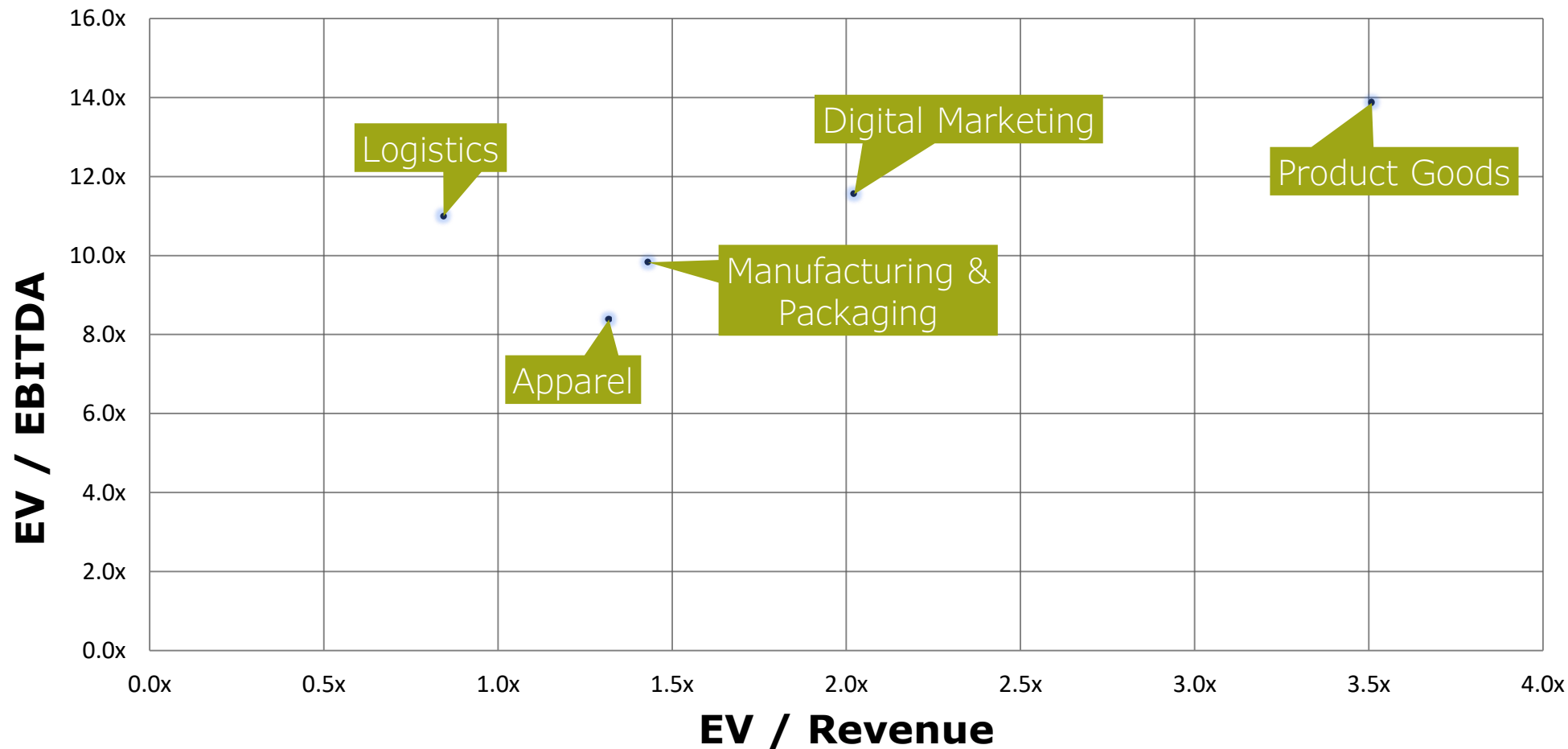
EQUITY COMPARABLES | Healthcare



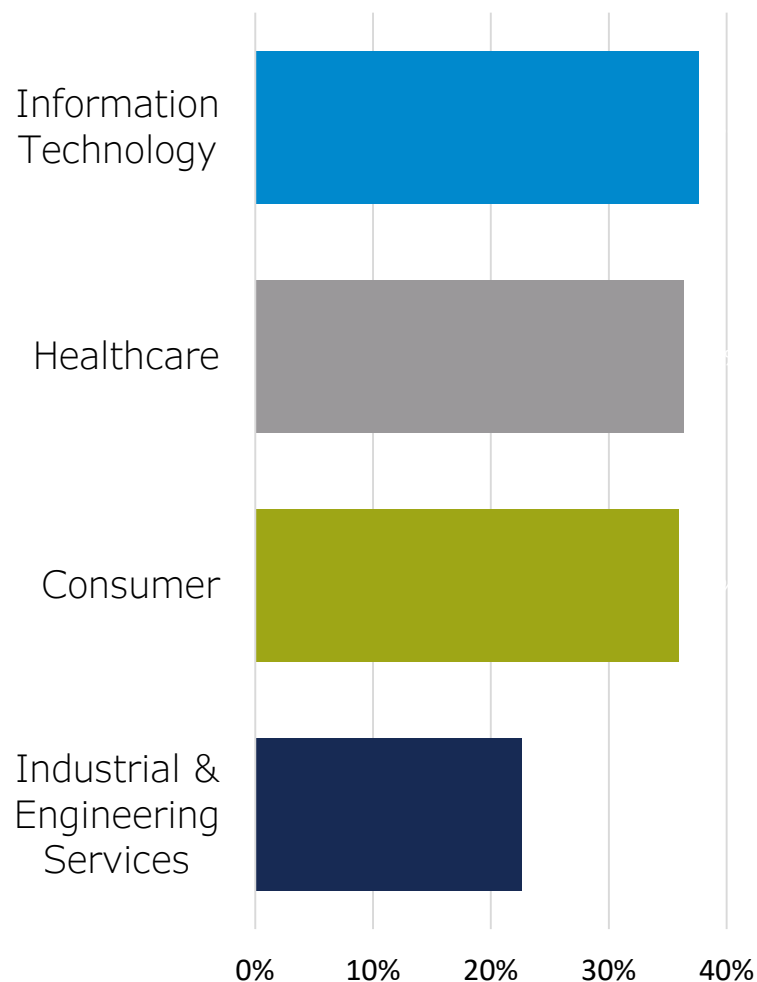
EQUITY COMPARABLES | Industrial & Engineering



EQUITY COMPARABLES | Consumer Products



LTM GROSS MARGIN



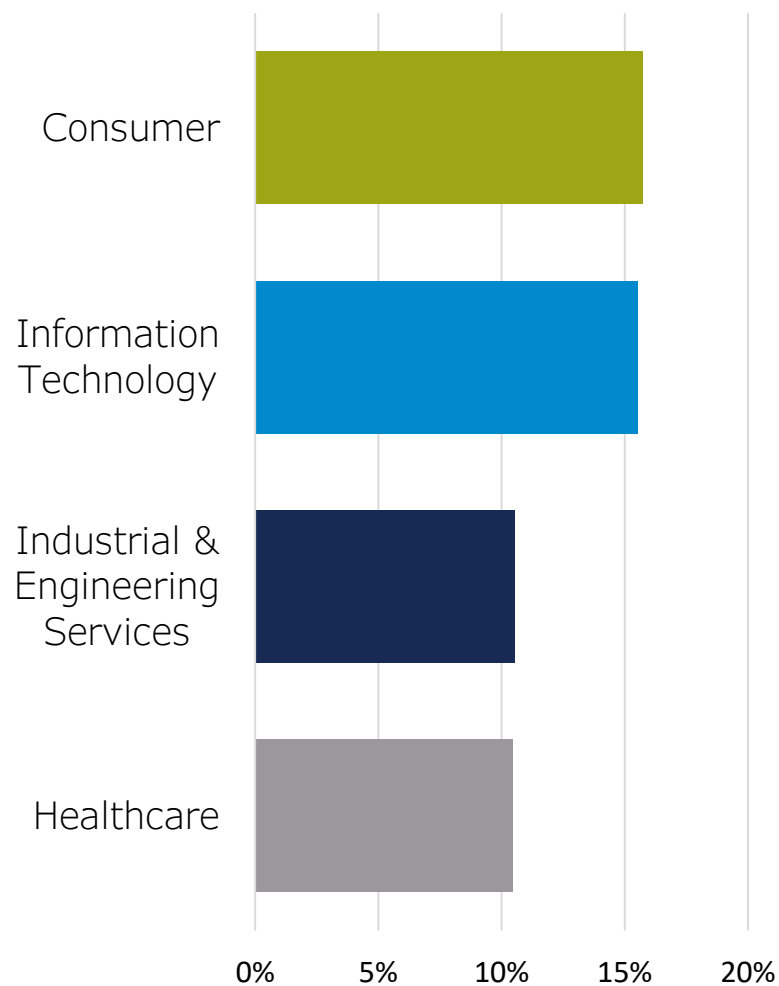
For our four focus sectors, average gross margins for Information Technology prove the best at **37.6%**. This is largely aided by the Enterprise Software and Digital Commerce sub-segments which boast 74.8% and 51.3% average margins, respectively.

Gross margins for the Healthcare segment were a close second at **36.4%**, with Healthcare IT (56.9% gross margin) and Healthcare IT & Consulting (53.2%) as the leaders, offset by Healthcare Distribution (10.0%).

The Consumer segment also demonstrated high gross margins at **35.9%**, primarily due to Apparel (54.5%) and Digital Marketing (46.0%), offset by Logistics and Manufacturing and Packaging which posted gross margins of 16.2% and 19.5%, respectively.

Finally, Industrial & Engineering Services reported an average gross margin of **22.6%**, lead by Geospatial Services (35.5%) and Testing / Inspection / Certification at 30.5%.

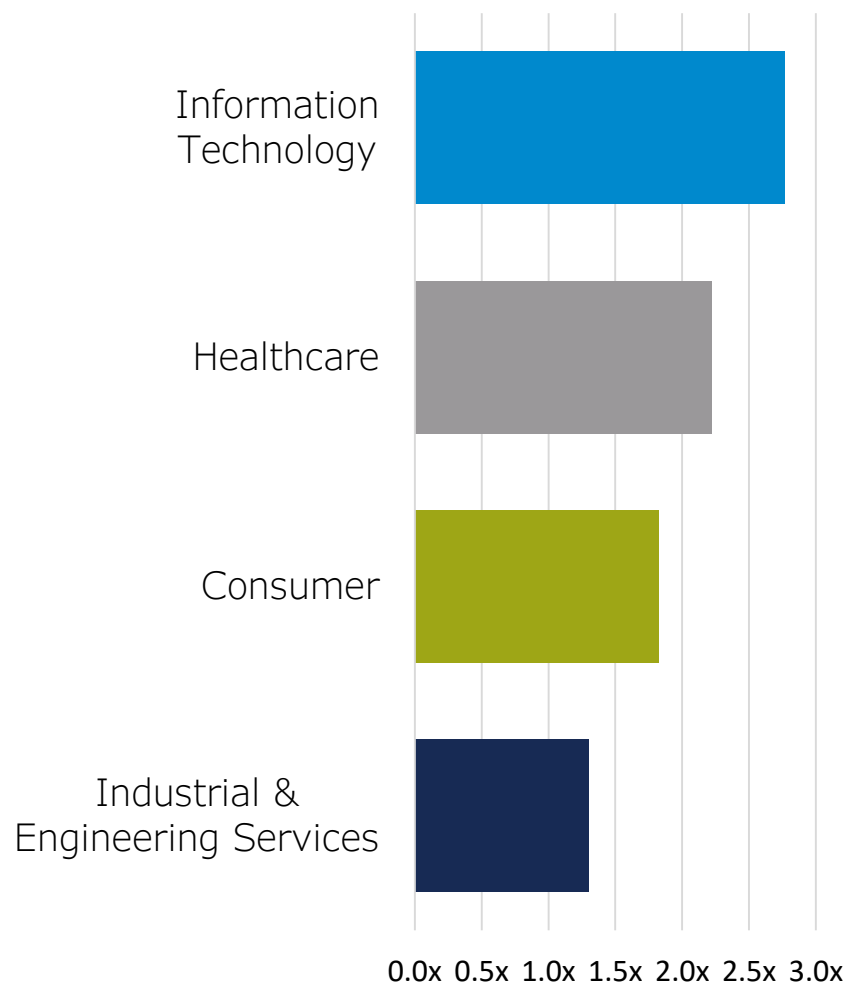
LTM EBITDA MARGIN



EBITDA Margins for our main focus sectors fall between 10% and 16%. Consumer leads the pack at 15.7%, largely driven by leaders in Product Goods (21.1%) and Digital Marketing (18.7%). However, Information Technology has a similar EBITDA margin profile at 15.5%, largely due to Enterprise Software (25.0%).

Industrial & Engineering Services and Healthcare are in the lower tier with similar EBITDA margin profiles of 10.5%. Like gross margins, Industrial & Engineering EBITDA margins were driven by Geospatial Services (14.6%), as well as Testing/ Inspection / Certification (18.0%). Meanwhile Healthcare benefited from Healthcare Management (15.0%).

TEV / LTM REVENUE MULTIPLES



Among our four focus sectors, average multiples range from 1.3 to 2.8x.

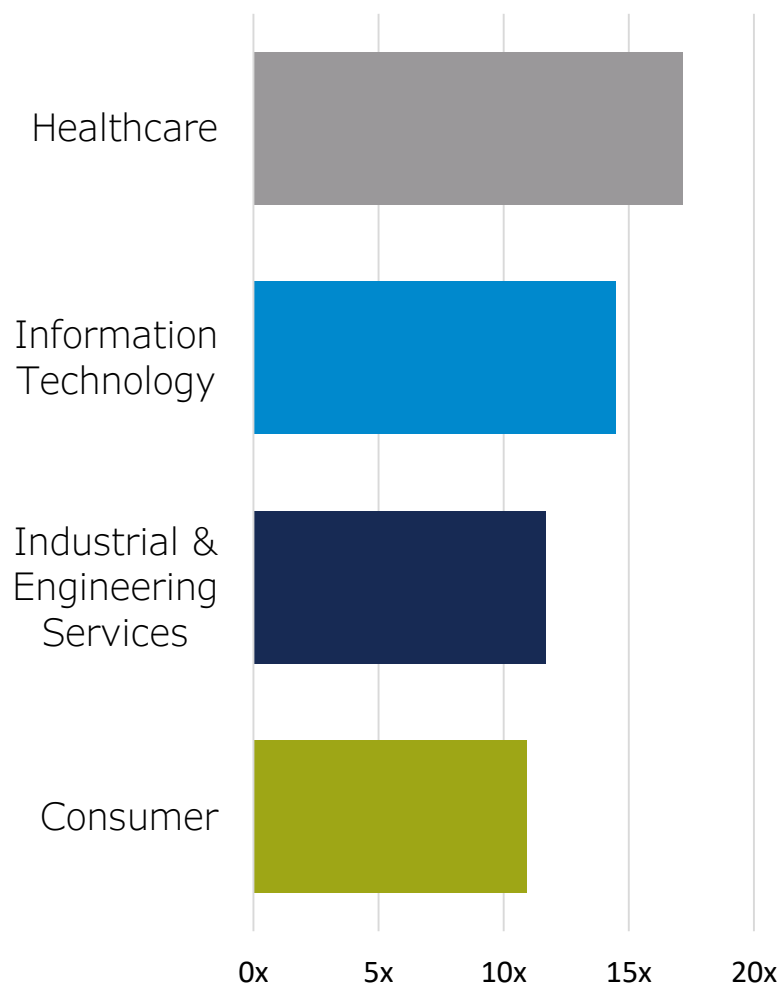
Information Technology enjoys the highest multiple at 2.8x. On a sub-sector basis, Enterprise Software and Digital Commerce were the leaders at 5.9x and 4.8x, respectively, while Value Added Resellers were the lowest multiple at 0.4x.

Healthcare multiples averaged 2.2x due to Healthcare IT (4.0x) on the high end, and Healthcare Distribution (0.2x) on the low end.

Consumer came in third with an average multiple of 1.8x. Product Goods was a notable high point at 3.5x.

Finally, Industrial & Engineering averaged 1.3x with Testing / Inspection / Certification as the leader at 2.3x and Oil and Gas and Pipeline Infrastructure as the laggard at 0.7x.

TEV / LTM EBITDA MULTIPLES



Current average multiples for our four focus sectors ranges from 10.9x to 17.2x.

Healthcare leads the pack at 17.2x largely due to Healthcare IT (23.2x), Healthcare Analytics (20.7x) and Healthcare Consulting (20.5x), offset by Healthcare Distribution at 8.3x.

Information Technology averaged 14.5x with Enterprise Software on the high end (20.6x) and Value Added Resellers on the low end (7.9x).

Industrial and Engineering Services was the third highest multiple of our focus sectors at 11.7x on average. Energy Efficiency Services augmented the average, coming in at 14.0x, offset by softness in Oil & Gas Pipeline Infrastructure at 9.4x and Construction, Design-Build, and EPC at 8.4x

Finally, Consumer was at the low end of our focus sectors at 10.9x EBITDA on average, driven by Product Goods at 13.9x on the high end, and Apparel at 8.4x on the low end.

MARKET TAILWINDS, HEADWINDS, SENTIMENT

M&A / Market Tailwinds – Deal valuations & deal activity have sustained all time highs

- Corporate Earnings Remain Strong
- Unemployment Remains Low
- Lower Leverage / Higher Cash Scenario Compared to Last Economic Cycle

M&A / Market Headwinds – Looming economic uncertainty persists

- Geo-Political Trade Conflict
- Upcoming Election Cycle
- Shaky IPO Market Punishing Highly-Valued, Loss-Making Companies

Buyer or Sellers Market? – Depends...

Companies achieving high growth, plus strong fundamentals with in-demand products / skillsets continue to attract acquiror interest and strong multiples while commoditized offerings combined with weak financial metrics struggle to gain interest.

THANK YOU

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