

Q2 2019

# US M&A MARKET REPORT

INSIDE:

- Capital market trends
- Key economic metrics
- Sector activity
- Private equity activity

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## OVERVIEW

Since 1996, Croft & Bender has provided superior M&A, private capital raising, and financial advisory services to middle-market and emerging growth companies. The senior professionals have completed more than 1,000 corporate finance engagements, resulting in deep experience across a broad set of industries and types of transactions. In addition, the firm manages C&B Capital, three growth equity funds with over \$82 million under management.

## BROAD INDUSTRY EXPERTISE

### BUSINESS SERVICES

Information Services  
 Marketing Services  
 Financial Services  
 Outsourced Services  
 A/R Management  
 Staffing  
 Consulting

### TECHNOLOGY

Software/SaaS  
 Financial Technology  
 Human Capital Management  
 Internet Marketing  
 E-Commerce  
 Security/Compliance  
 Business Intelligence  
 Telecommunications

### INDUSTRIAL

General Manufacturing  
 Building Products  
 Logistics  
 Specialty Contracting  
 Distribution  
 Industrial Services  
 Chemicals  
 Durable Goods

### HEALTHCARE

Healthcare IT  
 Clinical Services  
 Outsourced Services  
 Alternate Site Care  
 Medical Products/Distribution

### CONSUMER

Products/Services  
 Franchising  
 Restaurants  
 Retail  
 Entertainment/Leisure

## DEAL CRITERIA

### MERGERS & ACQUISITIONS

- Buy side/sell side
- Enterprise Values up to \$300 million
- Exceptions to typical EBITDA criteria:
  - High growth companies
  - Technology companies
  - Special situations

### EQUITY & DEBT CAPITAL RAISES

- Middle-market companies
- Emerging growth businesses
- Large market opportunity
- Experienced management team
- Differentiated product or service
- Greater than \$10 million capital need



## REPRESENTATIVE TRANSACTIONS

### BUSINESS SERVICES

4THSOURCE

has been acquired by



4th Source is a leading provider of nearshore software development and IT services to sophisticated clients with complex technology requirements.

CROFT & BENDER

### TECHNOLOGY

GBG

has acquired

IDOLOGY

IDology is a leading provider of identity verification and fraud prevention services.

CROFT & BENDER

### INDUSTRIAL

THE MERIT DISTRIBUTION GROUP

a portfolio company of

CENTRE LANE PARTNERS

has been acquired by

CENTER ROCK

Merit is the leading distributor of paint sundries and flooring products and installation supplies.

CROFT & BENDER

### HEALTHCARE

Hospice Care of South Carolina

has been recapitalized by



VISTRIA

HCSC is a leading provider of hospice and palliative care services in the Southeast.

CROFT & BENDER

### CONSUMER

ASP AMERICAS SWIMMING POOL CO.

has been acquired by

AUTHORITY BRANDS

a portfolio company of

Apax PARTNERS

ASP is the leading swimming pool cleaning franchisor in the U.S.

CROFT & BENDER

Secretariat INTERNATIONAL

has been recapitalized by

JLL Partners

Secretariat is a leading provider of dispute resolution advisory services to public and private sector clients across the world.

CROFT & BENDER

SIP.US

has been acquired by

bcmone  
Human Focused. Technology Solutions.

a portfolio company of

THOMPSON STREET CAPITAL PARTNERS

SIP.US is a leading provider of on-demand, enterprise-class IP communications software solutions.

CROFT & BENDER

Lexington Manufacturing

has been acquired by

WATKINS  
Associated Industries

Lexington Manufacturing is a leading provider of engineered components to window and door OEMs in the United States and internationally.

CROFT & BENDER

dominion youth services

has been acquired by

CENTURY PARK CAPITAL PARTNERS

Dominion Youth Services a leading provider of behavioral and mental health support services to the youth and adolescent market.

CROFT & BENDER

Carousel designs

has been acquired by



Carousell Designs is a leading online provider of original and custom-designed baby bedding, fabric and nursery décor.

CROFT & BENDER

MUDLIK MAIL

has been recapitalized by

CLEARVIEW CAPITAL

Mudlick Mail provides data-driven, direct mail and related marketing solutions to small and medium-sized businesses.

CROFT & BENDER

Gro

has been acquired by

Q2

Gro Solutions provides a digital sales platform for financial institutions.

CROFT & BENDER

TEC

The Erosion Company

has been recapitalized by

TECUM CAPITAL

The Erosion Company provides erosion control and related site services to the construction industry.

CROFT & BENDER

NueMD  
See Patients. Get Paid.

has been acquired by

AdvancedMD

Nuesoft Technologies is a leading provider of SaaS solutions and RCM services for the healthcare industry.

CROFT & BENDER

Service Brands INTERNATIONAL

has been acquired by

DWYER GROUP Riverside

Service Brands is a leading multi-concept residential services franchisor.

CROFT & BENDER

COVERALL  
Health-Based Cleaning System™

has been acquired by

ICV PARTNERS

Coverall is a leading franchisor of commercial cleaning services.

CROFT & BENDER

ControlScan

has merged with

ECHOSAT INC.

a portfolio company of

THOMPSON STREET CAPITAL PARTNERS

ControlScan is a leading provider of security and compliance solutions.

CROFT & BENDER

VNS Corporation

has been acquired by

BMC  
Building Materials and Construction Services

VNS is a leading supplier and manufacturer of building products.

CROFT & BENDER

ML Healthcare

has been recapitalized by

777 PARTNERS

ML Healthcare provides financing and access to care for patients unable to afford medical services.

CROFT & BENDER

THE HOME DEPOT

has sold  
Harris Research, Inc.  
Franchisor of

ChemDry to NFinance  
Baird Capital Partners BAIRD

HRI is a leading franchisor of in-home consumer services.

CROFT & BENDER

## FEATURED TRANSACTIONS

### COMPANY OVERVIEW

- Headquartered in Chester, UK, GB Group is a \$1.4 billion, publicly-traded company that is a leading data intelligence specialist
- The Company can quickly validate and verify the identity and location of 4.4 billion people globally and accesses a breadth of data from over 200 global partners to establish trust between businesses and their customers
- Headquartered in Atlanta, Georgia, IDology is a fast-growing provider of identity verification services that helps remove friction both in onboarding customers and in the detection of fraud

### DEAL OVERVIEW

- GB Group had been impressed with Croft & Bender's approach on the other side of another process
- GB Group engaged Croft & Bender to advise the Company on its strategy and approach in acquiring IDology
- Croft & Bender worked with the Company to analyze the market and advise on bidding strategy, which resulted in successfully securing a Letter of Intent
- Croft & Bender supported the Company throughout confirmatory diligence, including negotiating the final definitive documentation
- Croft & Bender successfully advised on the \$300 million acquisition of IDology by GB Group



has acquired



IDology is a leading provider of identity verification and fraud prevention services.



### COMPANY OVERVIEW

- Hospice Care of South Carolina is a leading provider of hospice and palliative care services
- Hospice Care of South Carolina provides all four levels of hospice care, as defined by Medicare, as well as pediatric and adult palliative care
- The Company employs highly trained, certified and dedicated professionals providing evidence-based care through home-, facility-, clinic- and hospital-based settings

### DEAL OVERVIEW

- Croft & Bender was engaged to help the Company evaluate strategic alternatives, including a majority recapitalization or strategic sale of the business
- Croft & Bender worked with the Company to build a financial model, develop marketing materials, conduct management presentations, manage the diligence process and negotiate with buyers
- Croft & Bender ran a competitive process that included a broad group of potential strategic and financial buyers
- Croft & Bender successfully negotiated a recapitalization with The Vistria Group, LP



has been recapitalized by

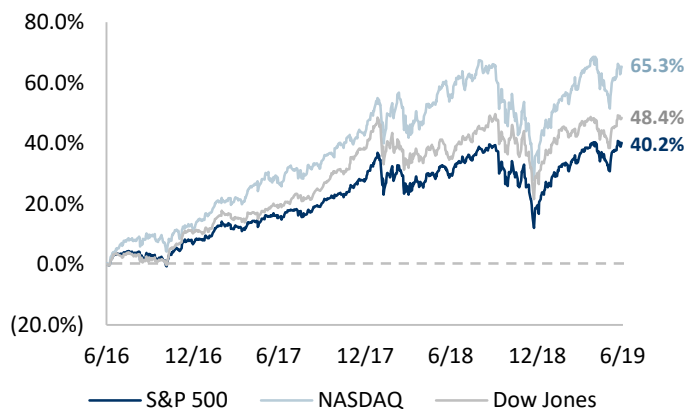
  
**VISTRIA.**

HCSC is a leading provider of hospice and palliative care services in the Southeast.



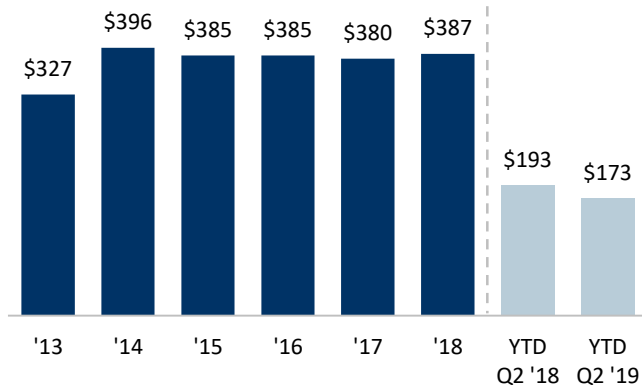
## KEY CAPITAL MARKETS DATA

### Public Equity Markets



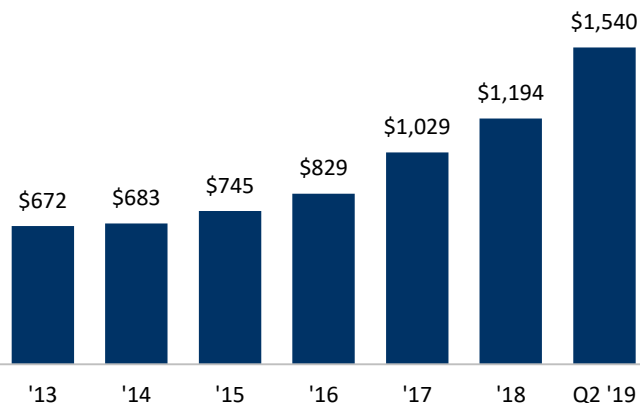
### Middle Market Deal Volume

(\$ in billions)



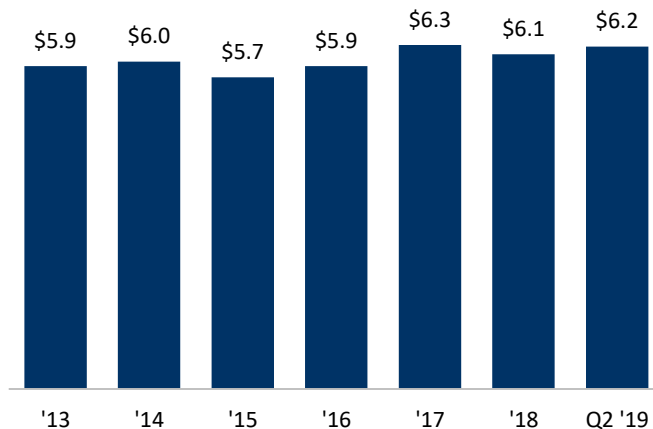
### Private Equity Dry Powder

(\$ in billions)

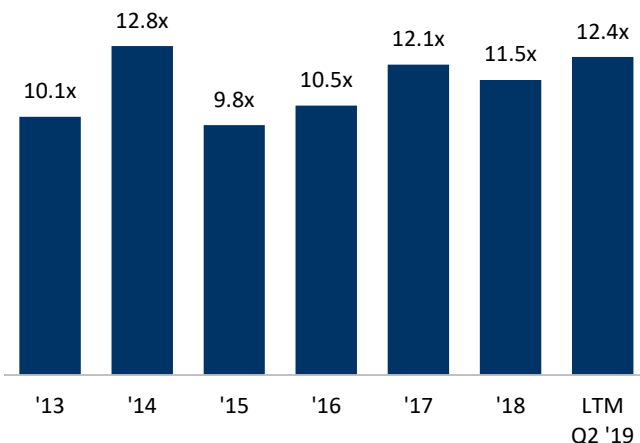


### Cash on Corporate Balance Sheets

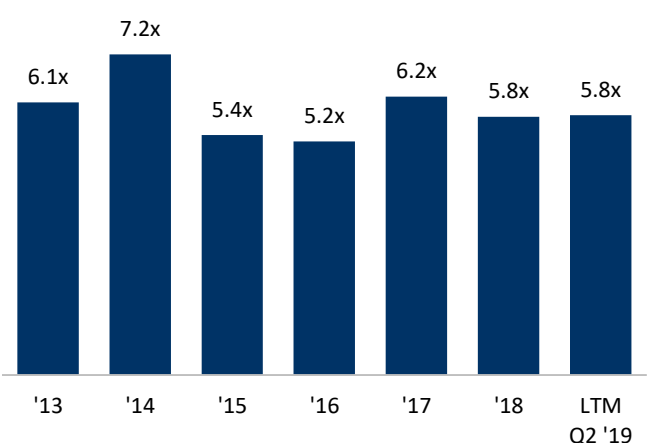
(\$ in trillions)



### US PE EBITDA Multiples

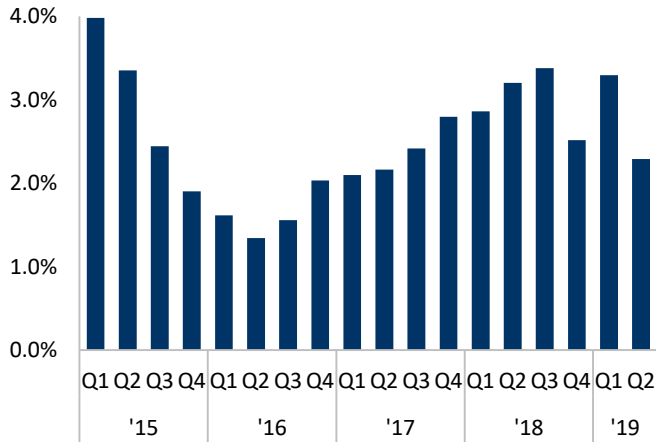


### US PE Leverage Multiples

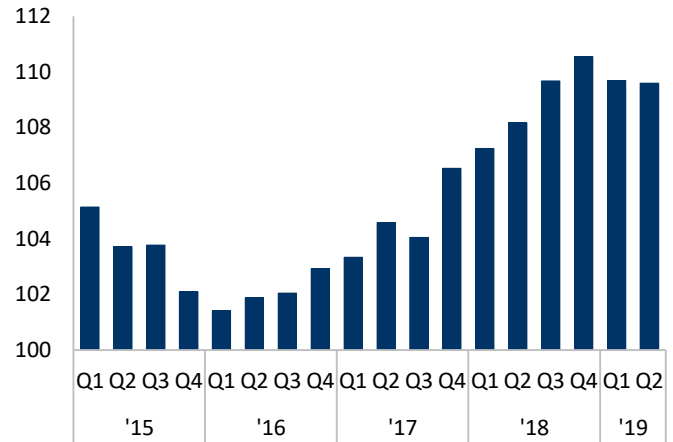


## KEY ECONOMIC DATA

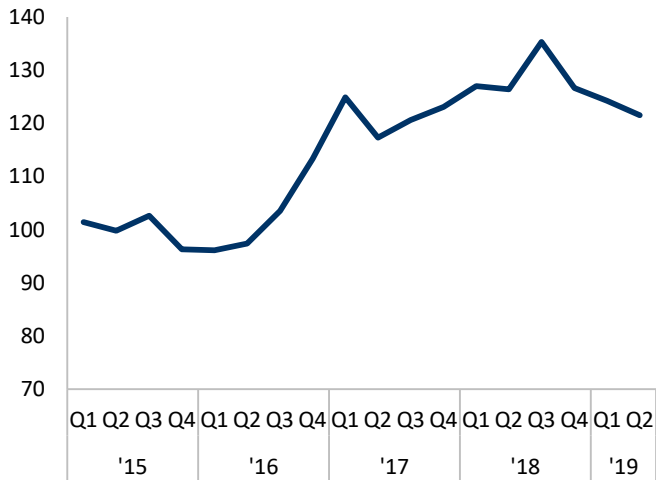
### Real GDP Growth



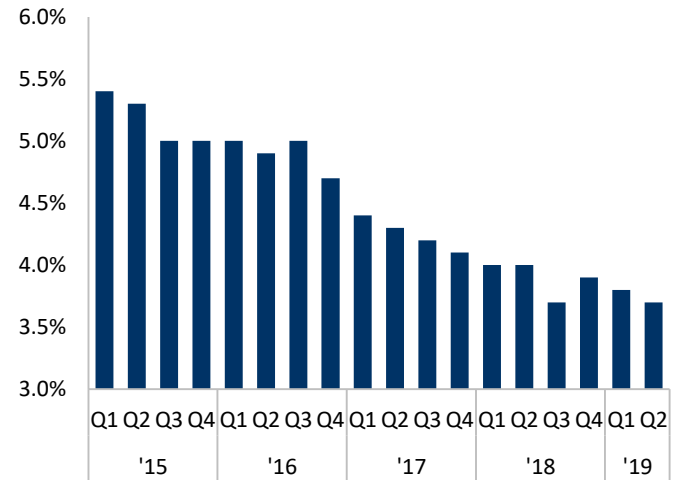
### Industrial Production<sup>(1)</sup>



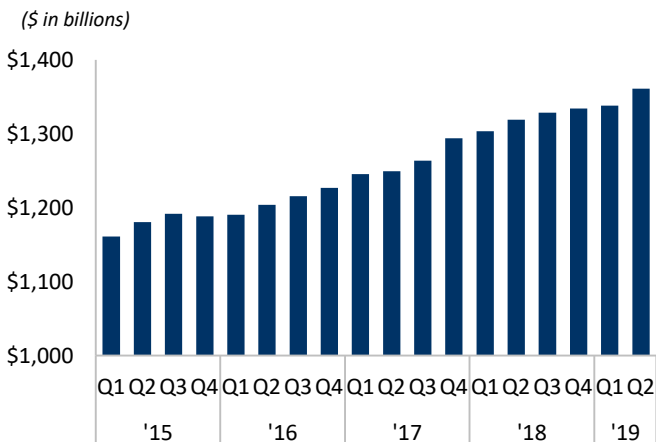
### Consumer Confidence<sup>(2)</sup>



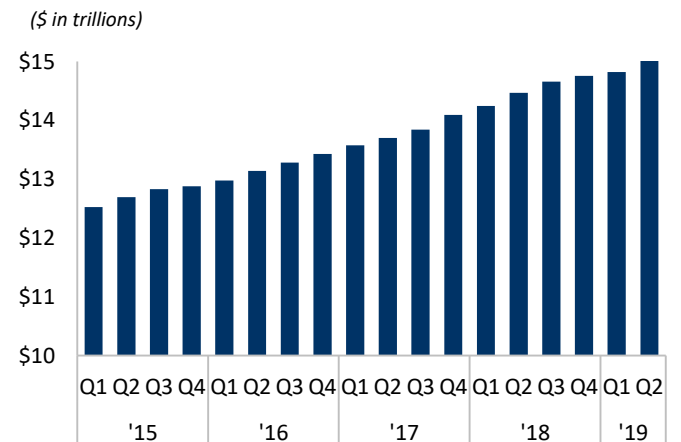
### Unemployment Rate



### Retail Sales



### Consumer Spending



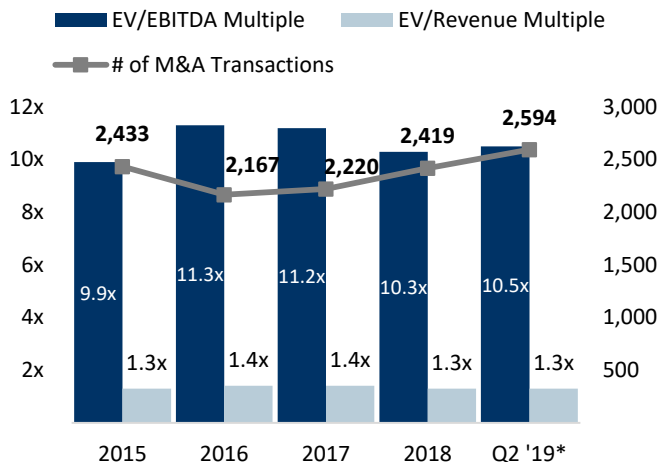
(1) Indexed relative to 2012.

(2) Indexed relative to 1985.

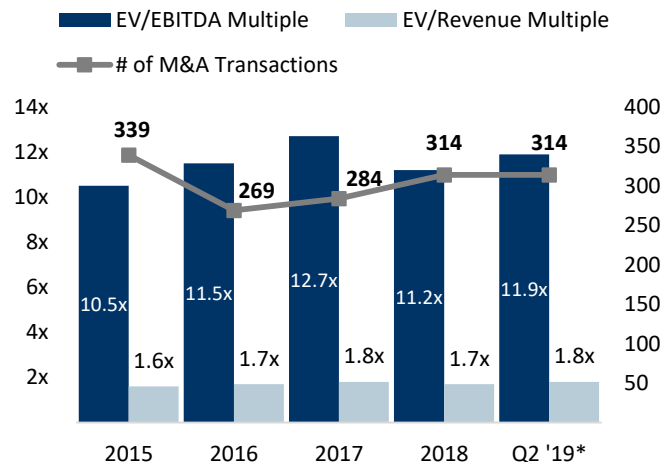


# AVERAGE PUBLIC MULTIPLES & U.S. DEAL ACTIVITY BY SELECT INDUSTRY GROUPS

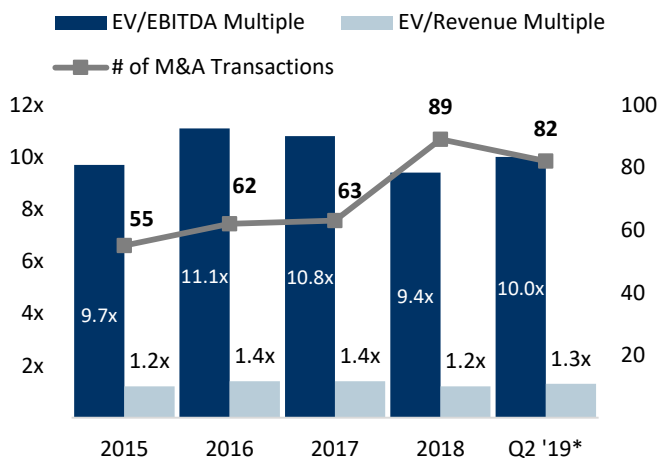
## General Industrial



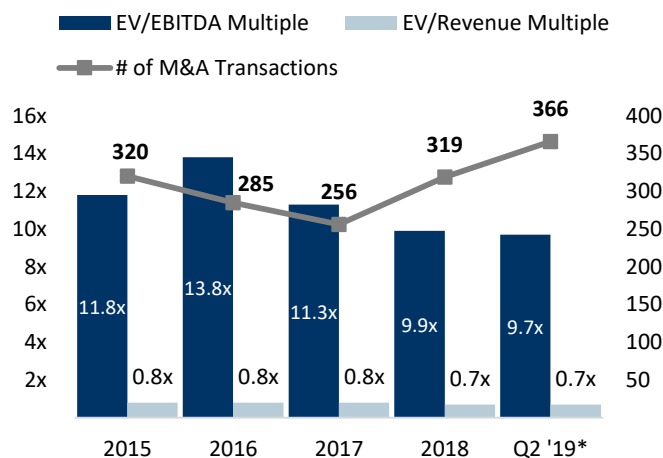
## IT Consulting & Other Services



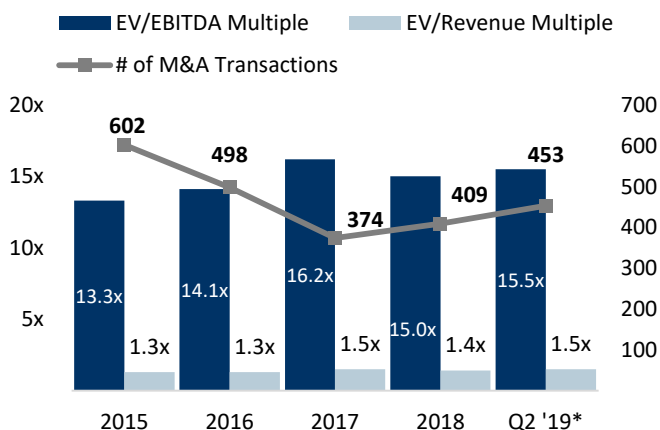
## Building Products



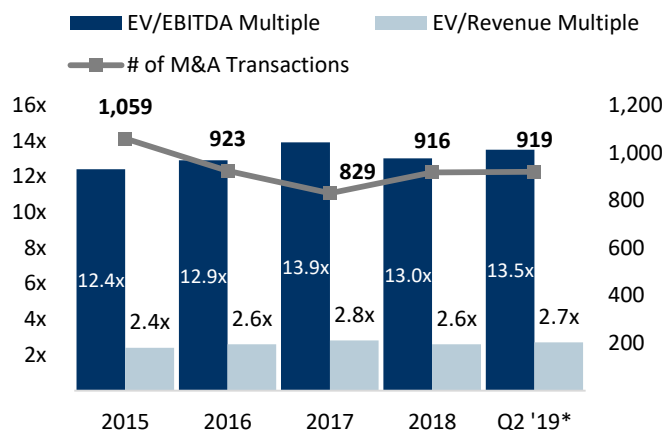
## Trading Companies & Distributors



## Retailing



## Consumer Services

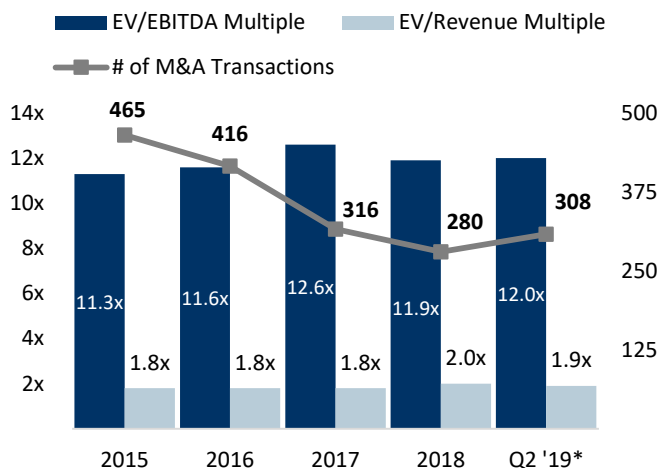


\*Latest twelve months as of June 30, 2019.

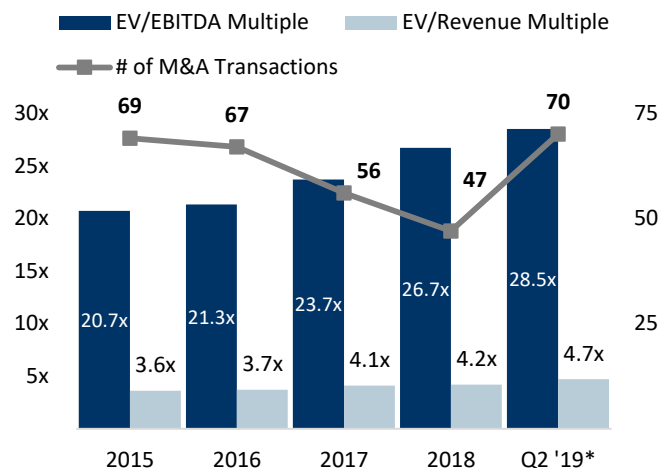
Note: EV = Enterprise Value.

# AVERAGE PUBLIC MULTIPLES & U.S. DEAL ACTIVITY BY SELECT INDUSTRY GROUPS

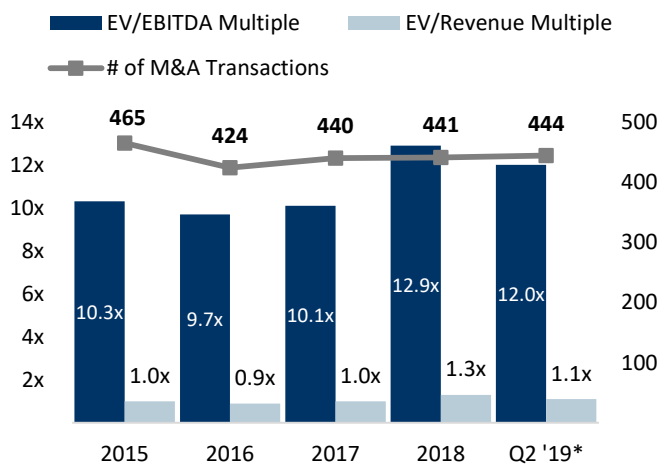
## Healthcare Facilities



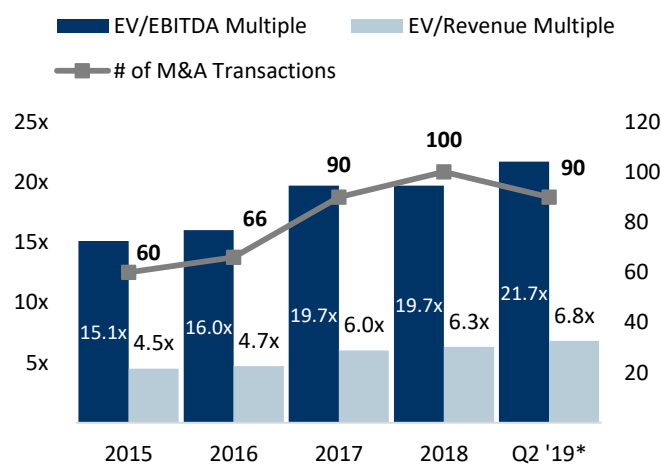
## Healthcare Software



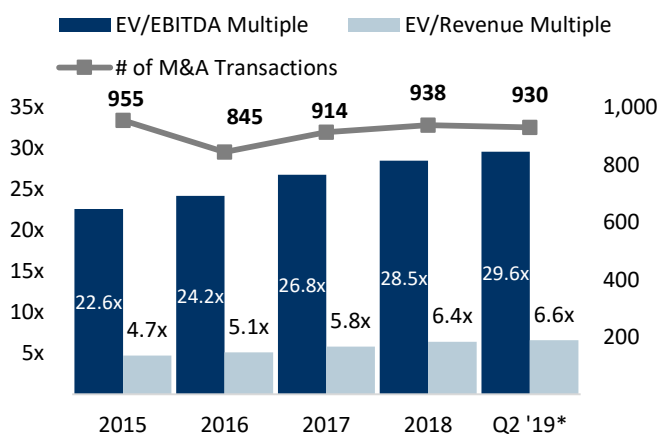
## Healthcare Services



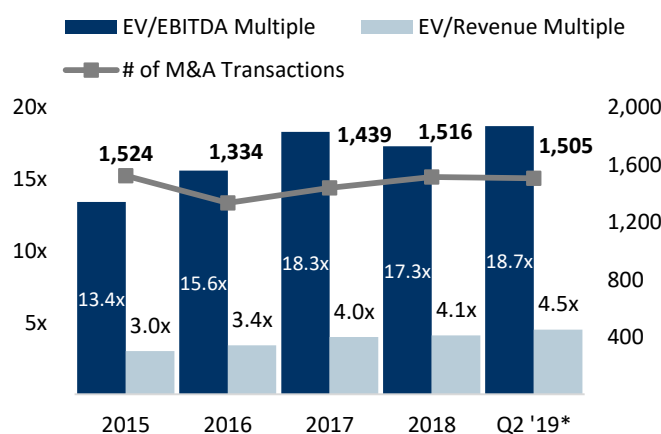
## Data Processing & Outsourced Services



## Application Software



## General Software & Services



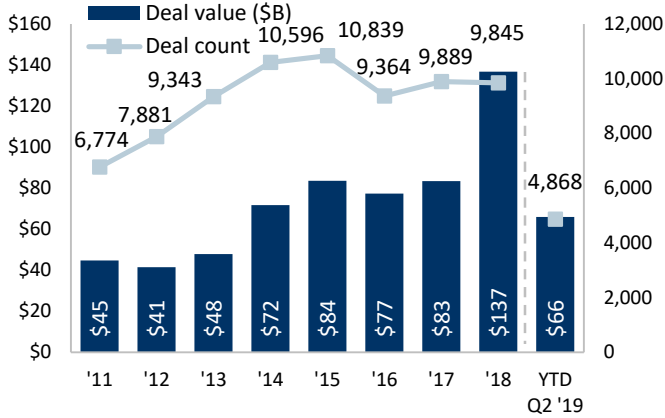
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Note: EV = Enterprise Value.

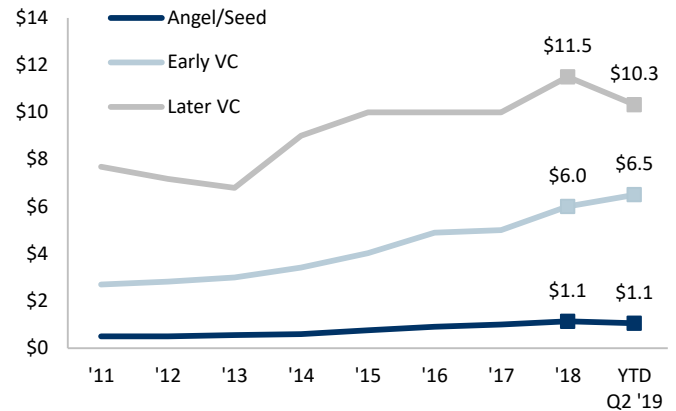


# PRIVATE CAPITAL DATA

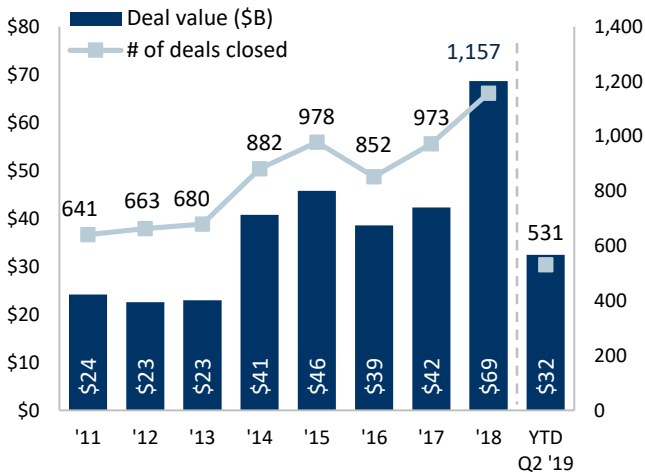
## U.S. VC Activity by Year



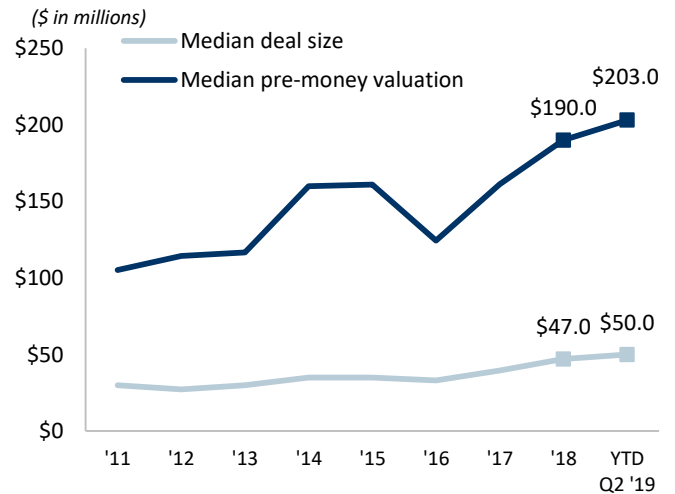
## Median VC Round Size by Stage



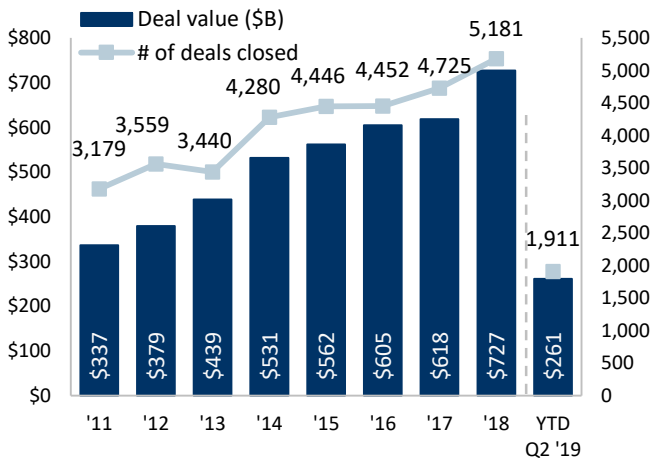
## U.S. Growth Equity Activity by Year



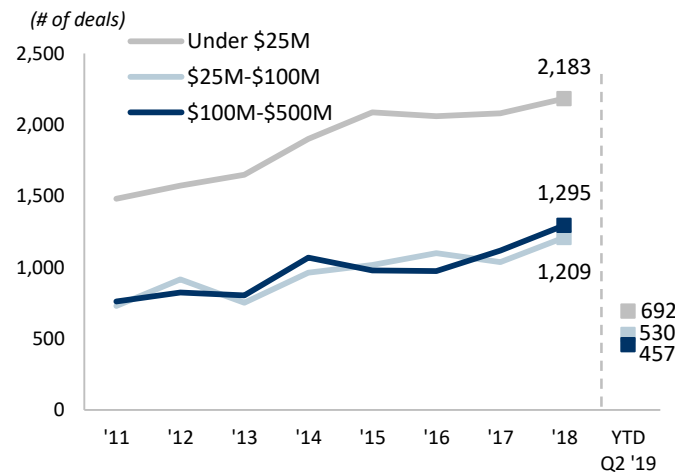
## U.S. Growth Equity Deal Size Metrics



## U.S. Private Equity Activity by Year



## U.S. Private Equity Deals by Deal Size





## DISCLOSURES

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Our strengths are our entrepreneurial spirit, local expertise, industry know-how, and close bonds among all team members spanning the globe.

300+

TEAM MEMBERS

Top 10

IN EUROPEAN  
MIDMARKET RANKINGS

Top 20

IN WORLDWIDE  
MIDMARKET RANKINGS

22

COUNTRY TEAMS  
AROUND THE WORLD

130+

DEALS CLOSED  
ANNUALLY

EUR 20 billion

CUMULATIVE DEAL  
VALUE LAST 5 YEARS



Leading independent  
M&A advisor for  
midmarket deals