

The logo for the Alliance of Merger & Acquisition Advisors (AM&A). It features the letters 'AM&A' in a bold, blue, sans-serif font. The ampersand is a stylized, white, cursive script that overlaps the 'M' and 'A'. The background is a blue gradient with a pattern of overlapping, semi-transparent circles of various sizes and shades of blue.

ALLIANCE OF MERGER & ACQUISITION ADVISORS®

## GF DATA®

- The most reliable source of data on private equity-backed M&A transactions in the \$10-250M deal size range at multiples ranging from 3 to 12 times Last Twelve Months Adjusted EBITDA
- More than 1900 transactions in universe, including data on deals in more than 200 NAICS industry categories
- More than 220 private equity firms have contributed data on transactions closed since January 1, 2003
- PE contributors and paid subscribers receive quarterly valuation and leverage data reports, detailed key deal terms data (e.g., indemnity caps and baskets and escrow/holdback amounts) and continuous access to the on-line searchable data base

For subscription info, contact Bob Wegbreit (610) 260-6263 [bw@gfdata.com](mailto:bw@gfdata.com)

# Valuation Overview

## TOTAL ENTERPRISE VALUE (TEV)/EBITDA

	2003					YTD		
TEV	-10	2011	2012	2013	2014	2015	Total	N =
10-25	5.6	5.3	5.8	6.0	5.4	5.9	5.6	892
25-50	6.2	6.4	6.2	6.8	6.7	6.7	6.3	674
50-100	6.7	7.5	6.8	6.8	8.6	7.8	7.0	471
100-250	7.2	7.7	7.4	7.5	7.8	9.1	7.5	206
<b>Total</b>	<b>6.1</b>	<b>6.4</b>	<b>6.3</b>	<b>6.5</b>	<b>6.7</b>	<b>6.8</b>	<b>6.3</b>	
<b>N =</b>	<b>1273</b>	<b>211</b>	<b>245</b>	<b>155</b>	<b>208</b>	<b>152</b>		<b>2243</b>

**SOURCE: GF DATA®**

Permission to reprint or distribute any content copyrighted by GF Data® requires consent from GF Data Resources LLC.

# Business Category Drilldowns

## TEV/EBITDA—BY INDUSTRY CATEGORY

INDUSTRY	2003-10	2011	2012	2013	2014	2015 YTD	Total	N =
Manufacturing	5.9	6.0	5.9	5.9	6.3	6.8	6.0	955
Business services	6.2	6.6	5.9	6.6	6.5	6.7	6.3	412
Health care services	6.8	7.5	7.1	7.6	7.2	7.6	7.0	205
Retail	6.6	5.8	5.9	7.5	8.5	5.4	6.7	70
Distribution	6.0	6.4	6.6	6.8	7.1	6.7	6.3	245
Media & Telecom	7.6	8.4	11.4	6.1	NA	7.3	7.6	39
Technology	6.3	8.1	7.4	10.0	9.5	9.0	7.8	71
Other	5.9	5.9	6.3	6.2	6.8	5.9	6.0	247
N=	1273	211	245	155	208	151	246	2243

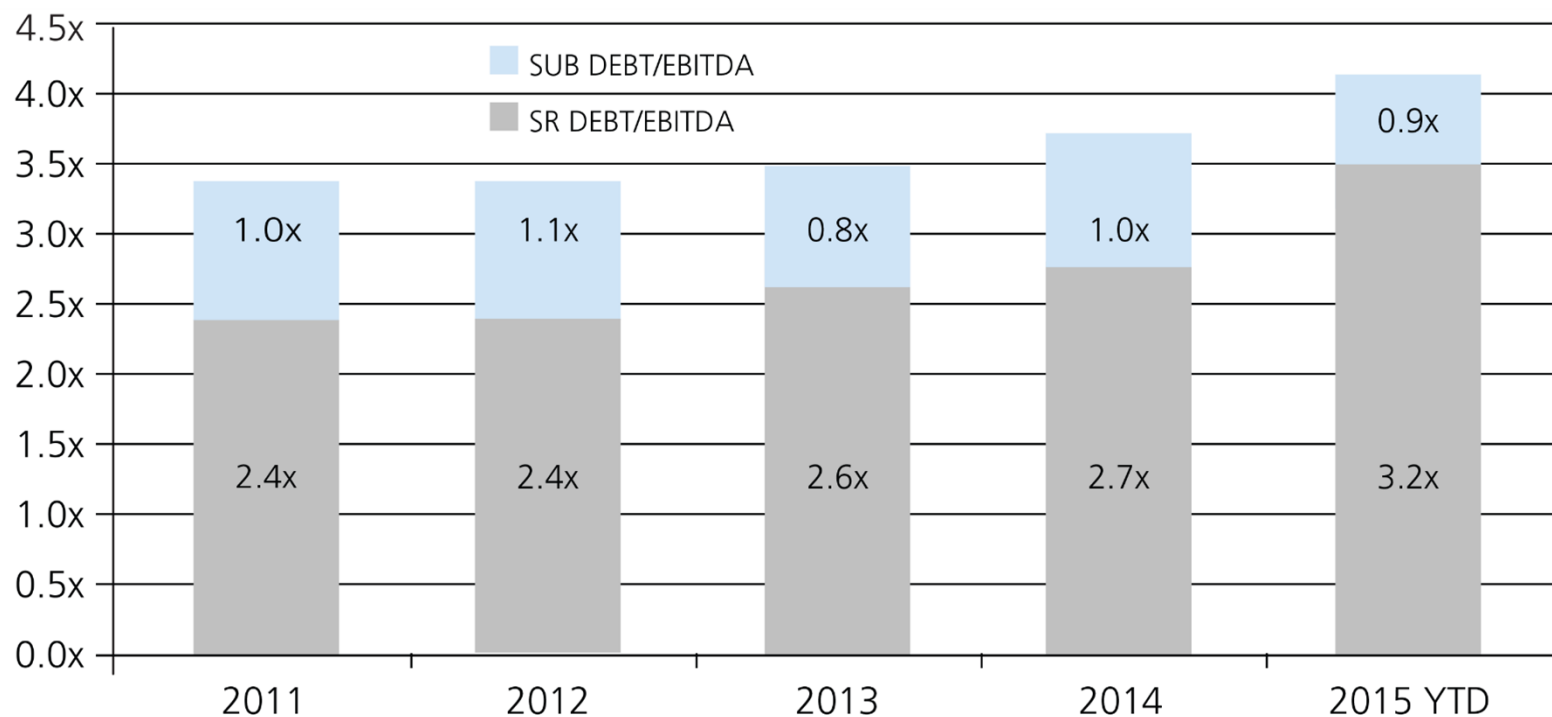
Please note that N for 2003-10 encompasses eight years of activity.

**SOURCE: GF DATA®**

Permission to reprint or distribute any content copyrighted by GF Data® requires consent from GF Data Resources LLC.

# DEBT LEVELS BY YEAR

## LEVERAGE MULTIPLES

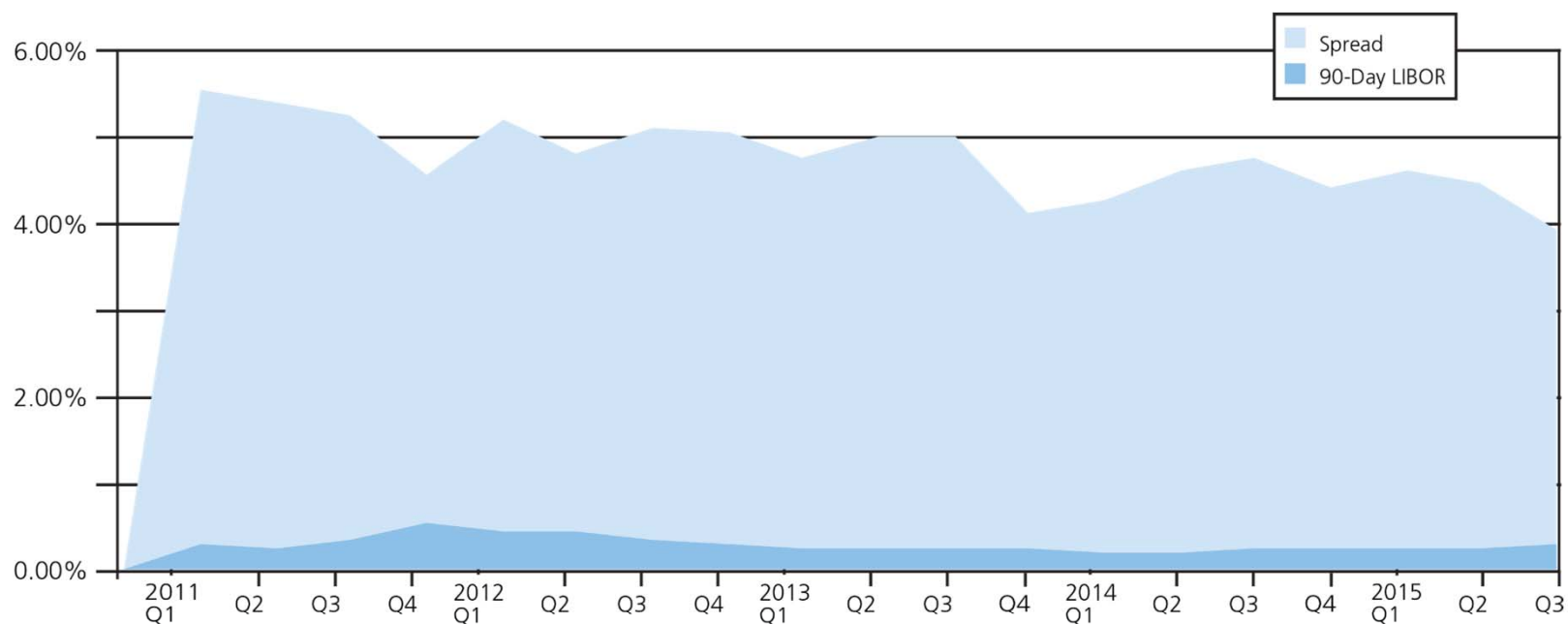


**SOURCE: GF DATA®**

Permission to reprint or distribute any content copyrighted by GF Data® requires consent from GF Data Resources LLC.

# DEBT PRICING

## SENIOR DEBT TO LIBOR SPREAD



**SOURCE: GF DATA®**

Permission to reprint or distribute any content copyrighted by GF Data® requires consent from GF Data Resources LLC.



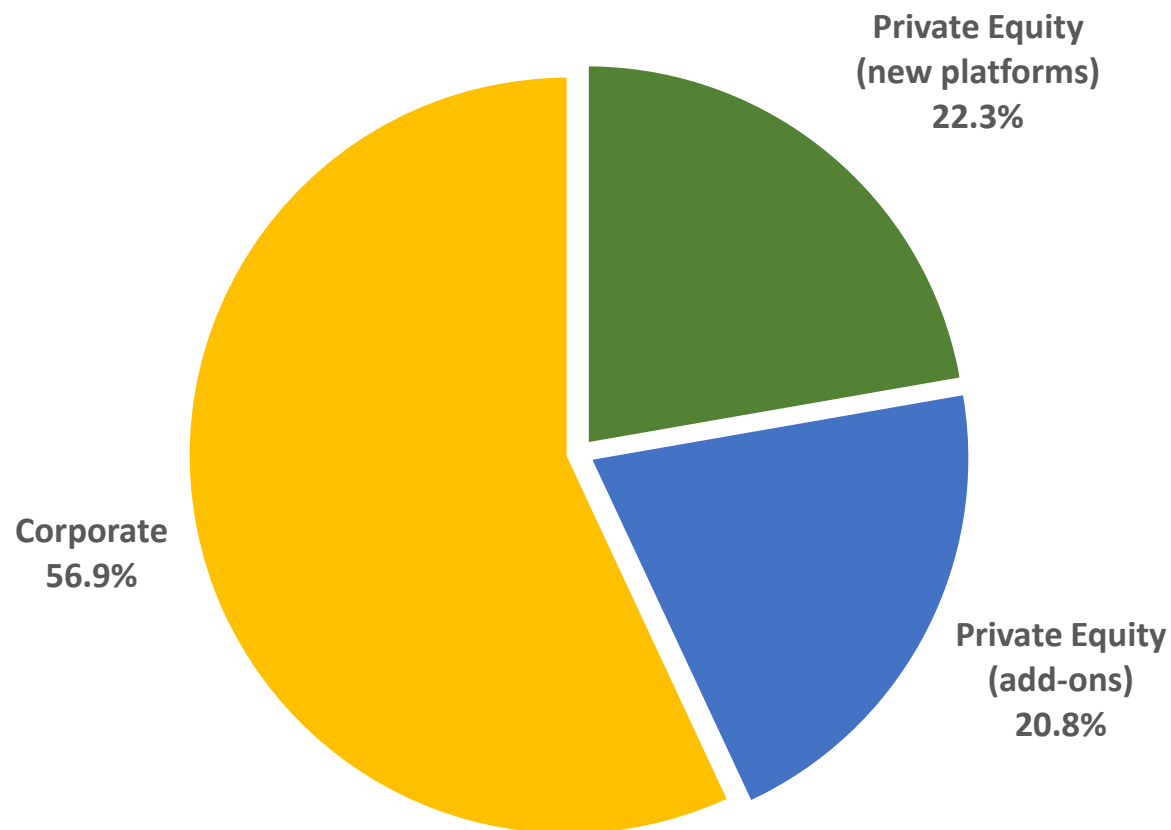
## Data Points - Buyouts

- Selected Raw Data on buyout transactions Northcreek participated in during the FY11-FY15 timeframe
- EBITDA and EV Multiples increased during the time period

<u>Year</u>	<u># of Transactions</u>	<u>EV</u>	<u>TTM EBITDA</u>	<u>Average Multiple</u>
<b>2011</b>	4	\$28,630	\$5,660	4.97
<b>2012</b>	5	\$48,655	\$9,419	5.14
<b>2013</b>	4	\$66,017	\$11,926	5.20
<b>2014</b>	6	\$145,150	\$26,253	5.43
<b>2015</b>	7	\$148,937	\$27,323	5.72
<b>Total</b>	<b>26</b>	<b>\$465,389</b>	<b>\$85,837</b>	<b>5.29</b>



# LTM Sep 2015 M&A: Corporate vs. Private Equity

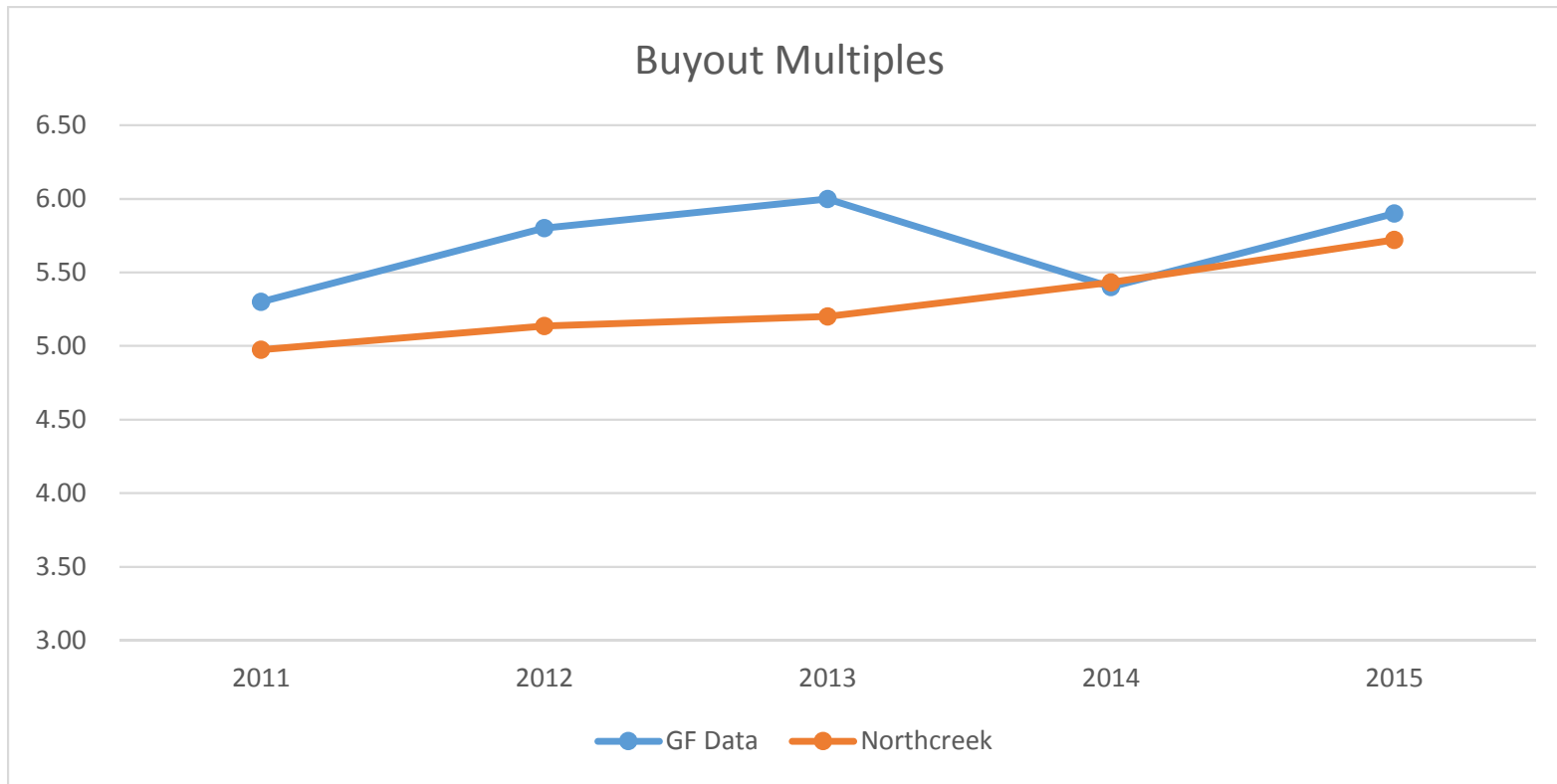


\*Based on completed PE and M&A transactions \$10 MM+ in transaction value, with the target located in the U.S. or Canada.





# Multiple Data



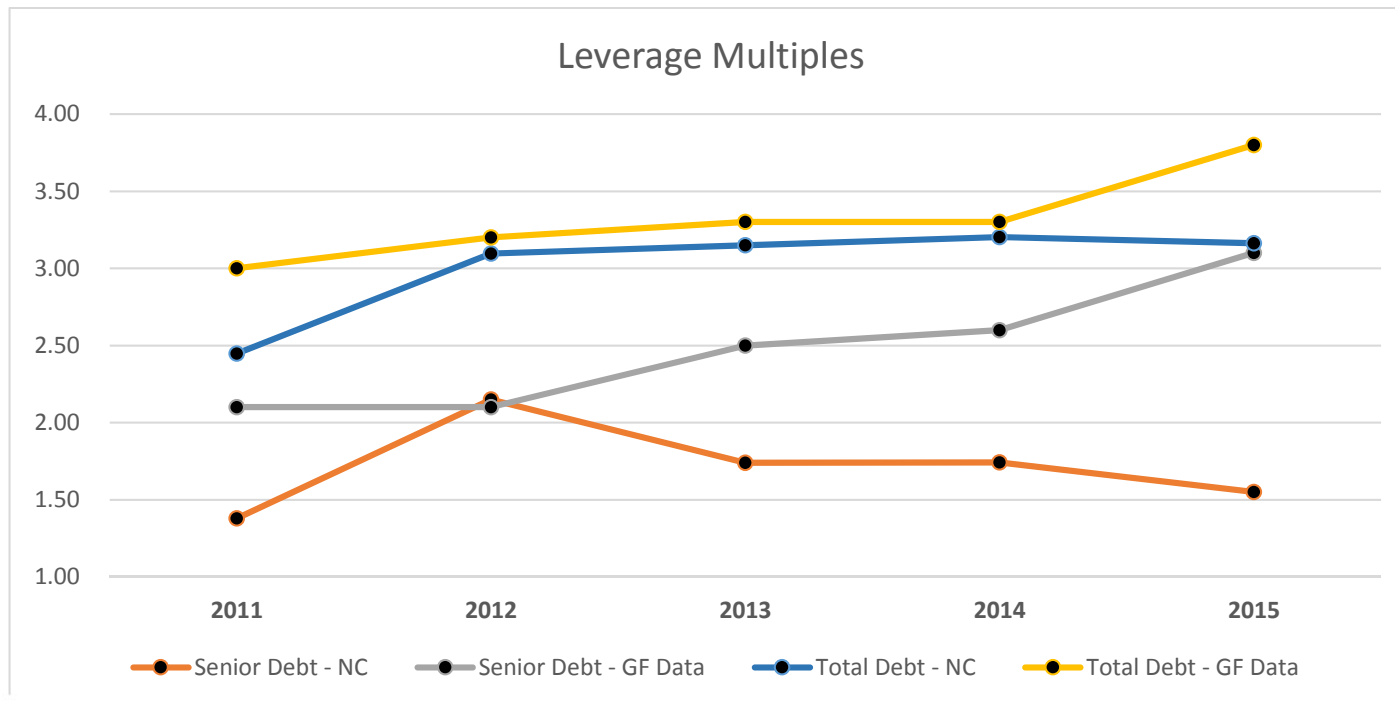
# Multiple Data

- Northcreek data highlighted below compared to the GF Data from the November 2015 report

<b><u>EBITDA Grouping - GF Data</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
\$3-\$5MM GF Data	<b>6.2</b>	X	<b>5.9</b>
\$5-\$8MM GF Data	X	<b>6.8</b>	<b>6.5</b>
\$8-\$10MM GF Data	X	X	<b>7.8</b>
<b><u>EBITDA Grouping - Northcreek</u></b>			
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
\$3-\$5MM Northcreek	<b>6.0</b>	X	<b>5.6</b>
\$5-\$8MM Northcreek	X	<b>5.7</b>	<b>5.2</b>
\$8-\$10MM Northcreek	X	X	<b>5.9</b>
<b>\$3-\$5MM: # Transactions</b>	<b>2</b>	<b>3</b>	<b>2</b>
<b>\$5-\$8MM: # Transactions</b>			<b>1</b>
<b>\$8-\$10MM: # Transactions</b>			<b>1</b>

# Leverage Data

- Northcreek data compared to the GF Data (TEV \$10-\$25MM) for all industries from November 2015 report
- Modified sample size from the Buyout data; Total leverage stable at nearly 3.2x; senior leverage held between 1.5x and 2.0x



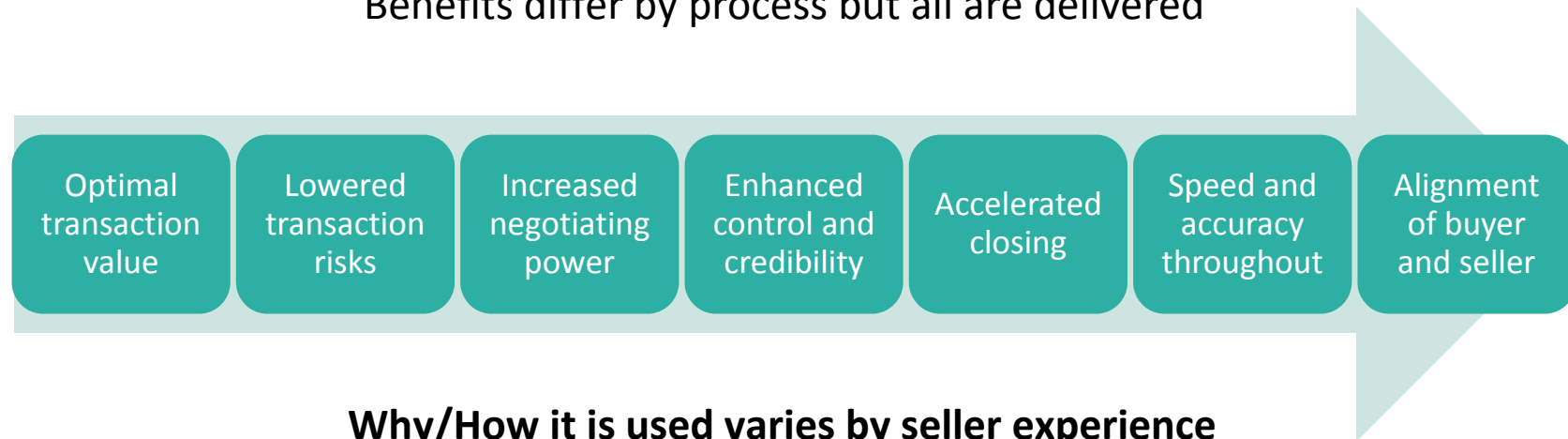
## SELL-SIDE DUE DILIGENCE TRENDS

In the current M&A environment, successful transactions face even greater challenges and sellers are looking to remove uncertainty.

- ✓ Estimated that sell side QoE has doubled each year for the last 3 calendar years composing upwards of 40%-50% of accounting firm TAS practices
- ✓ Gradually becoming fabric of U.S M&A landscape – European model
- ✓ Being recommended by national and boutique investments banks
- ✓ Family owned business struggle to understand benefits until too late
- ✓ Deliverables can vary and inexperienced service providers are affecting credibility of product.

## Sell Side Quality of Earnings/Diligence

Benefits differ by process but all are delivered



Why/How it is used varies by seller experience

### Recurring Sellers

- Holds value and significant negotiating power
- Certainty to close, speed of process
- Lowers transaction costs
- Avoid surprises

### One time sellers

- Maintain control
- Prepares management

# Audit vs. Quality of Earnings

## “Horses for courses”

### Audit

- ✓ Primarily balance sheet focus
- ✓ Primarily historical focus
- ✓ Adjustments proposed based on materiality thresholds
- ✓ Performed in accordance with the numerous standards (e.g., Generally Accepted Auditing Standards, PCAOB, COSO, GAAP, etc.)
- ✓ Give an opinion on the financial statements
- ✓ Includes testing of underlying transactions (invoices, bank reconciliations, contracts)
- ✓ Includes use of model audit programs and checklists
- ✓ Financial statements must be presented within strict guidelines

### Sell-side QoE / Due Diligence

- ✓ P&L focused
- ✓ Historical focus always with the thinking of how it will affect the future
- ✓ No materiality thresholds (i.e., an adjustment viewed as immaterial for an audit could be material for QoE due to EBITDA multiples)
- ✓ Performed under the AICPA Consulting standards
- ✓ Advisory capacity providing issues-based findings and recommendations
- ✓ Do not provide assurance or opinion
- ✓ Testing and rely on management assertions
- ✓ Methodology but no required procedures
- ✓ Deliverables are tailored

## LTM Sept 2015 Middle Market Sell-Side Financial Advisors\*

Firm	# of Deals	% of Total	Cumulative % of Total	Firm	# of Deals	% of Total	Cumulative % of Total
Houlihan Lokey	66	2.23%	2.23%	16 Firms completed 15-19 Transactions	279	9.44%	31.96%
Raymond James	61	2.06%	4.29%	29 Firms completed 10-14 Transactions	334	11.30%	43.25%
Generational Equity	60	2.03%	6.32%	98 Firms completed 5-9 Transactions	640	21.64%	64.90%
Sandler O'Neill & Partners	52	1.76%	8.08%	50 Firms completed 4 Transactions	200	6.76%	71.66%
Lincoln International	51	1.72%	9.81%	73 Firms completed 3 Transactions	219	7.41%	79.07%
William Blair & Co.	44	1.49%	11.30%	127 Firms completed 2 Transactions	254	8.59%	87.66%
Piper Jaffray & Co.	41	1.39%	12.68%	365 Firms completed 1 Transaction	365	12.34%	100.00%
Moelis & Co.	31	1.05%	13.73%	<b>Totals</b>	<b>2,957</b>	<b>100.00%</b>	
Robert W. Baird	31	1.05%	14.78%				
Deloitte Corporate Finance	30	1.01%	15.79%				
Harris Williams	29	0.98%	16.77%				
KPMG Corporate Finance	29	0.98%	17.75%				
BB&T Capital Markets	27	0.91%	18.67%				
Duff & Phelps Securities	27	0.91%	19.58%				
Lazard	24	0.81%	20.39%				
Jefferies & Co.	22	0.74%	21.14%				
Keefe, Bruyette & Woods	21	0.71%	21.85%				
Evercore Partners	20	0.68%	22.52%				

73%<sup>1</sup> of intermediaries active in LTM Sept. 2015 closed 3 deals or less

\* Includes completed private equity and M&A transactions with the target located in the U.S. and Canada with an estimated enterprise value between \$10-\$250 MM, with a sell-side financial advisor identified.

1. Firms closing 3 deals or less (565) / total active firms (776) = 72.8%





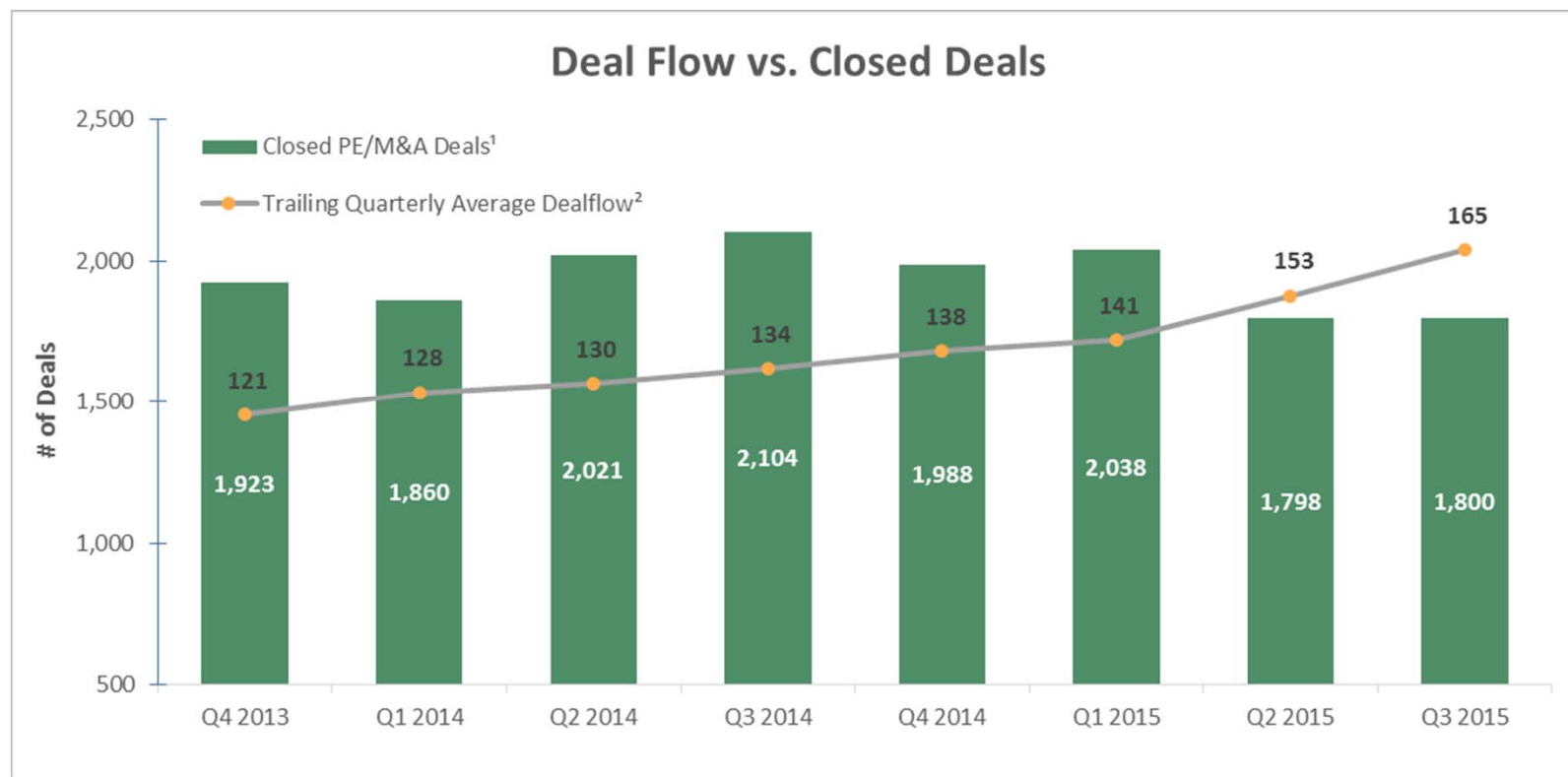
## PE Deal Origination Market Coverage Statistics

	Average	Max	Min	Top Quartile
Market Coverage <sup>1</sup>	18.6%	55.3%	2.8%	42.2%
Market Coverage Boutique Intermediaries	12.0%	47.2%	1.5%	35.8%
Market Coverage Most Active Intermediaries	21.8%	59.8%	1.0%	45.1%
Generalist PE Firms Market Coverage	17.0%	31.1%	5.5%	24.7%
Quasi-Generalist PE Firms Market Coverage	17.1%	41.3%	3.1%	33.8%
Sector Focused PE Firms Market Coverage	22.5%	55.3%	7.5%	43.4%
Upper Middle Market PE Firms Market Coverage	38.3%	50.2%	27.6%	44.6%
Lower Middle Market PE Firms Market Coverage	9.3%	26.3%	2.8%	20.4%

<sup>1</sup>Percentage of completed PE transactions with a sell-side advisor in relevant size ranges and sectors reviewed by a PE firm.

\*As of June 2015, based on SPS' 99 clients that qualified for the annual Deal Origination Benchmark Report (DOBR).

# M&A Activity and Deal Flow



1) Deals closed in North America, \$10+ MM in transaction value, with a private equity or corporate investor.

2) Average of last 4 quarters' dealflow for a PE firm (average of 80+ firms).

## Presentation Materials Disclaimer and Usage

---

Sutton Place Strategies (“SPS”) analysis and reports have been prepared for informational and marketing purposes only and are not intended to be used as a complete source of information on any particular company or trend in the industry. SPS accepts no liability in contract, negligence or otherwise for any error or omission in the information, data, or analysis provided by SPS.

SPS does not make any representations, warranties or covenants of any kind, express or implied, and shall have no responsibility or liability for the business or other decisions based upon the use of SPS’s reports or the results obtained from the use of information and reports provided by SPS, or the analysis or interpretation of content or data used in connection with, resulting from or derived from the use of information or reports provided by SPS.