

GENESIS CAPITAL



Market Insights

1st Quarter 2019

Q1 2019 Summary

Capital Markets Overview

- The S&P 500 Index closed 14.4% higher at the end of Q1 2019, versus the beginning of the year and 3.2% higher than its average closing price throughout 2018.
- The 10-year Treasury Note yield was 2.41% at the end of the Q1 2019, 25 basis points lower than its yield of 2.66% at the beginning of year, and 50 basis points below its average yield at close of 2.91% in 2018.
- The level of Dry Powder in private equity funds reported at the end of the first quarter of 2019 was \$1.26 trillion, higher than the reported \$1.2 trillion at the end of 2018 and \$1.0 trillion at the end of 2017.

U.S. M&A Market Overview

- In Q1 2019, the average TEV / EBITDA multiple for U.S. M&A transactions⁽¹⁾ was 11.5x, equivalent to the average of 11.5x for 2018 and below the average of 11.7x for 2017.
- In Q1 2019, the average TEV / EBITDA multiple for financial sponsor-backed middle market M&A transactions was 6.9x, lower than the average of 7.3x for 2018 and 2017.
- The value of M&A transactions completed in the U.S.⁽¹⁾ during Q1 2019 was \$353 billion, an increase of 20.1% from the comparable period in Q1 2018. However, the number of M&A transactions completed in the U.S. during Q1 2019 declined by 7.6% from the comparable period in Q1 2018.

Note:

1. Excludes real estate transactions.

Source: S&P CapitalIQ, Preqin, Pitchbook, GF Data

Public Market Valuation by Select Sectors

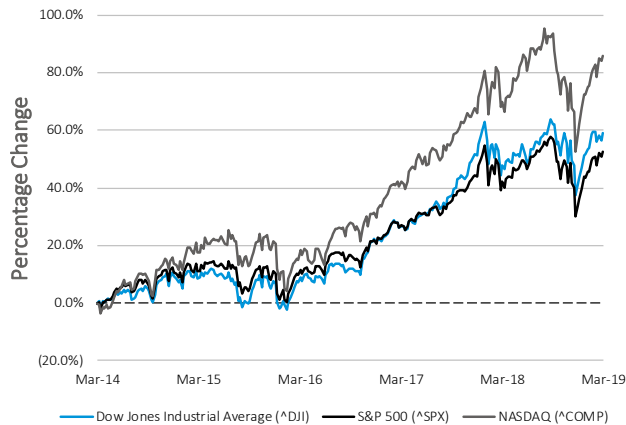
- Leisure & entertainment and technology/media/telecom sectors, as defined by Genesis Capital, traded at higher TEV / EBITDA multiples at the end of Q1 2019 than at the end of Q4 2018.
- Business services, consumer, healthcare, industrial/manufacturing sectors, as defined by Genesis Capital, traded at lower TEV / EBITDA multiples at the end of Q1 2019 than at the end of Q4 2018.

U.S. M&A Valuation by Select Sectors

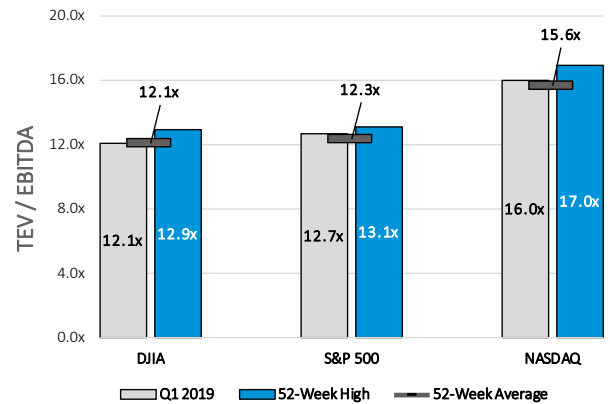
- Higher TEV / EBITDA valuation multiples were reported on average in Q1 2019 versus Q1 2018 for U.S. M&A transactions in business services, consumer, healthcare, industrial/manufacturing, and leisure & entertainment sectors, as defined by Genesis Capital.
- The volume of U.S. M&A Transactions completed also increased by 12.7% in Q1 2019 versus the comparable period in Q1 2018 for business services, consumer, healthcare, industrial/manufacturing, and leisure & entertainment sectors, as defined by Genesis Capital.

Capital Markets Overview

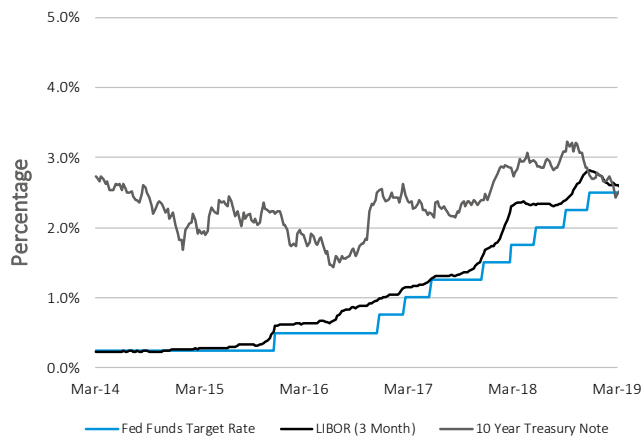
Public Market Index Performance (1)



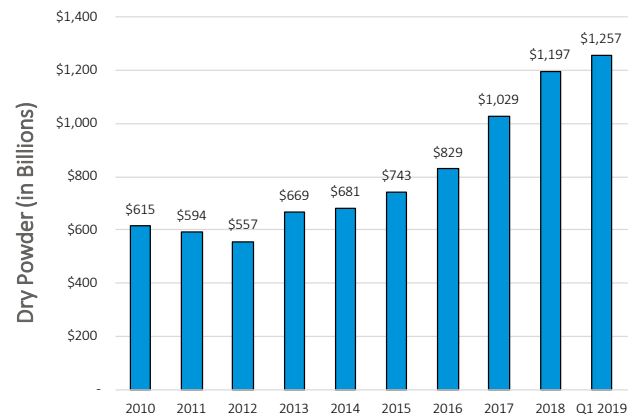
Public Index Valuation (TEV / EBITDA)



Interest Rates



Private Equity Dry Powder



IPO Activity by Select Sectors

Sector	Q1 2018		Q1 2019		Q1 2018 vs. Q1 2019	
	\$ (MM)	Volume (#)	\$ (MM)	Volume (#)	% Change (\$)	% Change (#)
Business Services	\$1,470.0	1	\$2,340.0	1	59.2%	0.0%
Consumer / Retail	\$0.0	1	\$626.9	2	100.0%	100.0%
Healthcare	\$961.4	12	\$1,120.2	13	16.5%	8.3%
Industrials / Manufacturing	\$739.5	2	\$0.0	0	(100.0%)	(100.0%)
Lodging, Leisure, Entertainment	\$0.0	0	\$0.0	0	N/A	N/A
Technology, Media, Telecom	\$967.0	3	\$25.0	1	(97.4%)	(66.7%)
Total IPO's	\$4,137.9	19	\$4,112.1	17	(0.6%)	(10.5%)
Follow-On Offerings	\$21,898.7	142	\$12,771.0	119	(41.7%)	(16.2%)
Total Public Offerings	\$26,036.7	161	\$16,883.1	136	(35.2%)	(15.5%)

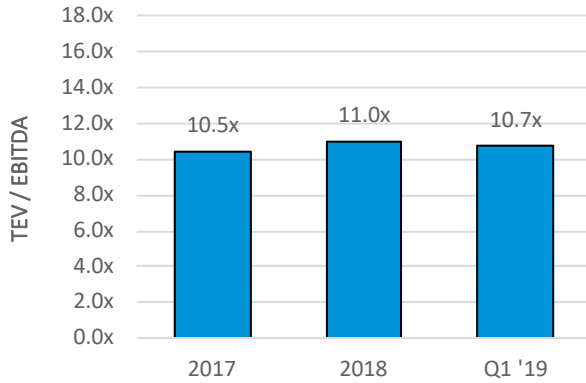
Note:

1. Indexed relative to March 31, 2014.

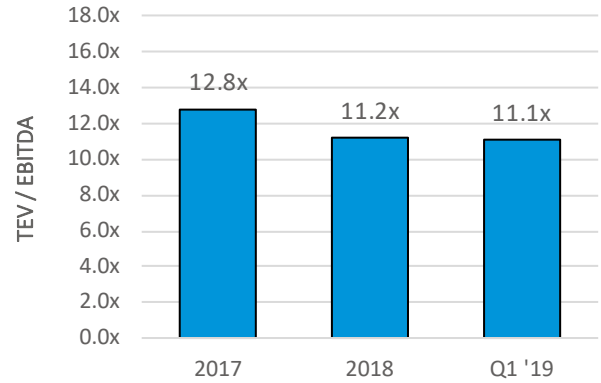
Source: S&P CapitalIQ, Preqin, Pitchbook, GF Data

Public Market Valuation by Select Sectors

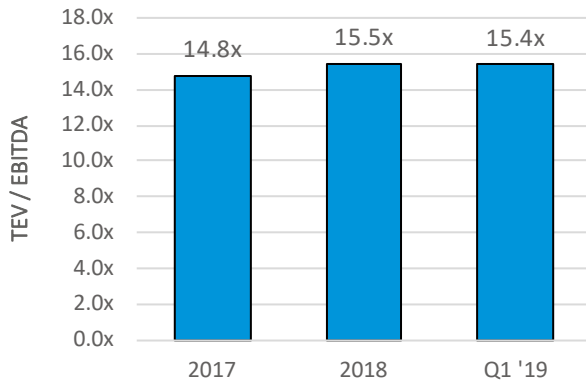
Business Services



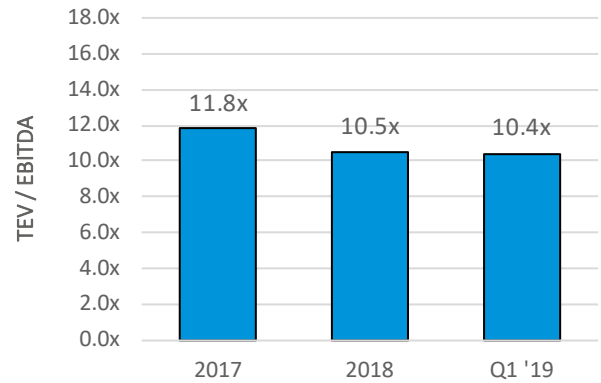
Consumer



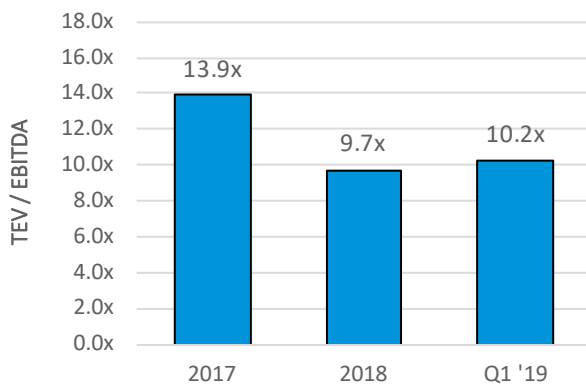
Healthcare



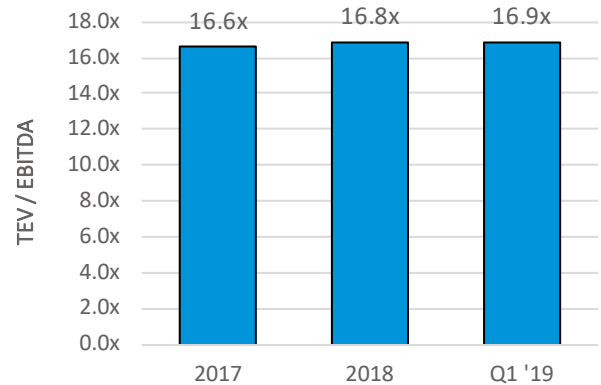
Industrial / Manufacturing



Leisure & Entertainment



Technology / Media / Telecom

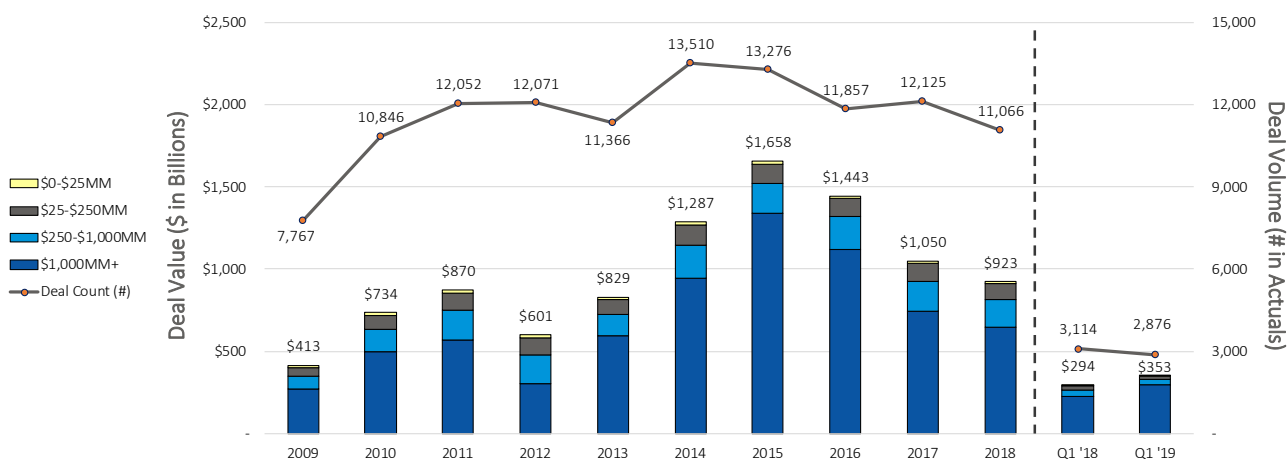


Note: Data for years 2017 & 2018 is as of December 31st.

Source: S&P CapitalIQ, Preqin, Pitchbook, GF Data

U.S. M&A Market Overview

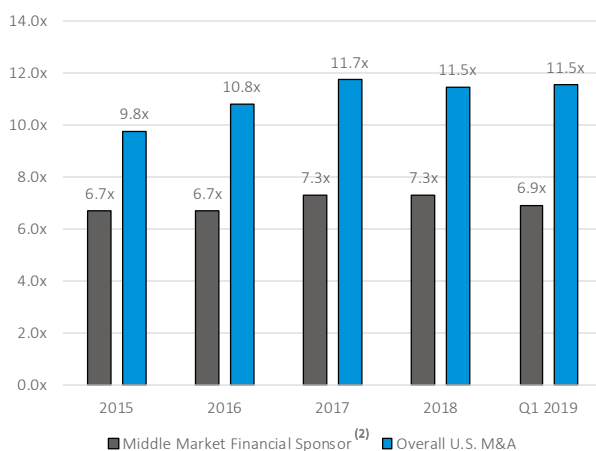
U.S. M&A Activity by Year ⁽¹⁾



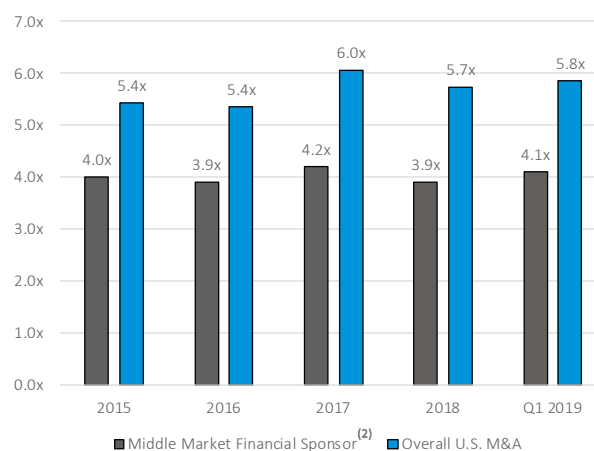
U.S. M&A Deal Volume (# in Actuals) by Size

TEV Range	2009 - 2018 Average	Q1 '18	Q1 '19	Q1 '18 vs. Q1 '19
\$1,000MM+	152	40	53	32.5%
\$250-\$1,000MM	325	83	73	(12.0%)
\$25-\$250MM	1,137	299	202	(32.4%)
\$0-\$25MM	2,074	348	272	(21.8%)
Not Disclosed	7,907	2,344	2,276	(2.9%)
Total:	11,594	3,114	2,876	(7.6%)

M&A Multiples (TEV / EBITDA)



Leverage Multiples (Total Debt / EBITDA)



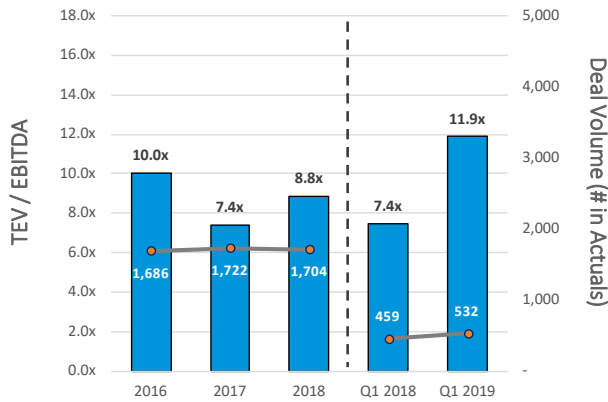
Note:

1. U.S. M&A Activity includes closed deals with U.S. targets only; excludes Real Estate transactions.
2. Middle Market defined as having Enterprise Values between \$10 - \$250MM.

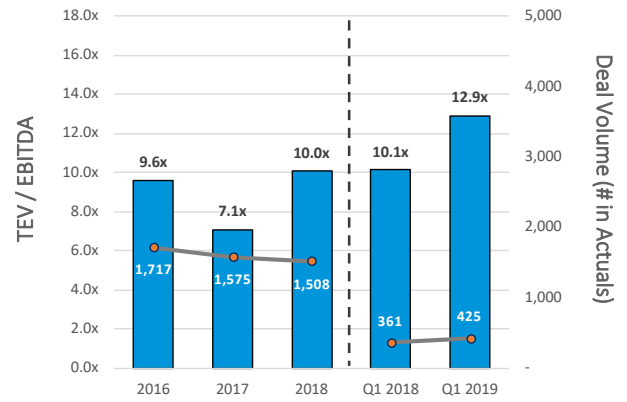
Source: S&P CapitalIQ, Preqin, Pitchbook, GF Data

U.S. M&A Valuation by Select Sectors

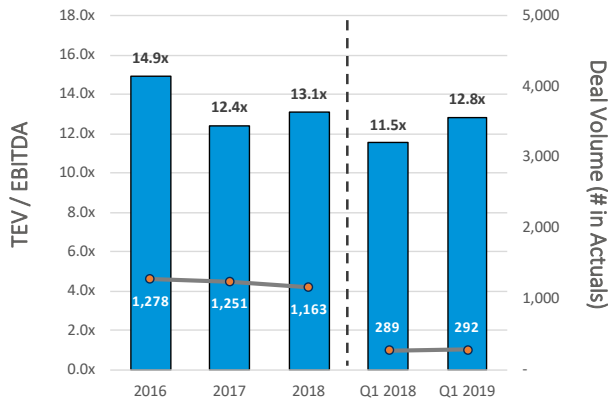
Business Services



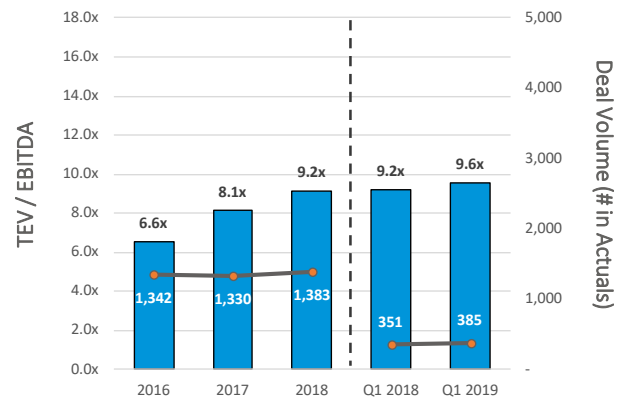
Consumer



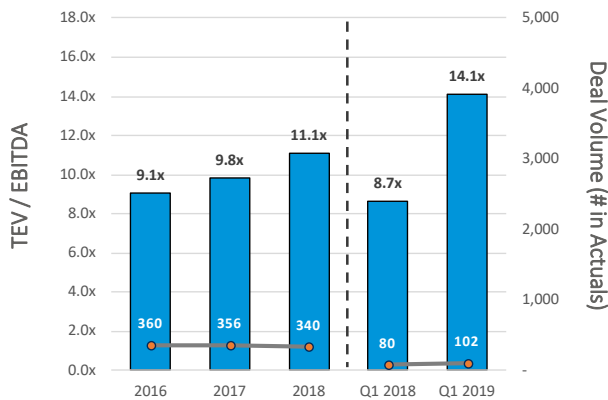
Healthcare



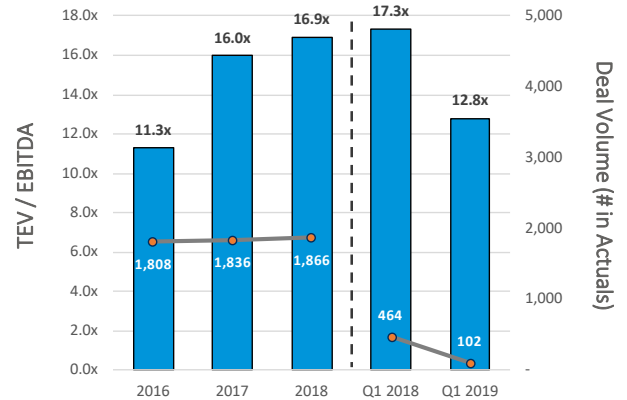
Industrial / Manufacturing



Leisure & Entertainment



Technology / Media / Telecom



Source: S&P CapitalIQ, Preqin, Pitchbook, GF Data

An Independent Investment Bank

EXPERTISE

Mergers, Acquisitions, & Sales

- Sell-side and Buy-side
- Management Buyouts
- Restructurings
- Corporate Divestitures

Financial Advisory Services

- Capital and Strategic Planning
- Fairness and Valuation Opinions
- Committee Representation

Capitalizations

- Private Placements
- Recapitalizations
- Private investment in public equity (PIPE)
- Employee stock ownership plans (ESOP)

INDUSTRIES

Business Services

Consumer

Healthcare

Industrial / Manufacturing

Leisure & Entertainment

Technology / Media / Telecom

What Distinguishes Us

- Successful Outcomes With
 - Family Businesses
 - Entrepreneur-Led Companies
 - Public Corporations
- Independent Platform
 - No conflicts of interest from asset management, lending, research or trading
 - Multi-industry practice creates diversification and prevents conflicts with same investors / buyers / sellers
- Focus on "Need" vs. Size
 - Clients Range from under \$50 million to over \$30 billion
 - Transactions range from under \$30 million to over \$1 billion
- Deep Knowledge and Experience With Various Transaction Types
- Buy-Side Expertise
 - Approximately 1/3 of our transactions
- Corporate Divestitures
 - Public Companies & Family Businesses
- International & Cross-Border Transactions
 - Executed numerous transactions on six continents
- Complex, "Storied" Transactions

Definitions:

- **Total Enterprise Value (TEV)** — Equity Value (fully-diluted shares outstanding x current market share price) + market value of debt + minority interest - cash and equivalents.
 - TEV may include payments to seller(s) in cash or stock, the present value of notes or similar instruments, net long-term debt assumed by a buyer, and appropriate adjustments for other assets retained by a seller or liabilities assumed by a buyer.
 - **Total Debt** — Short-Term Debt (interest-bearing liabilities due in 12 months or less, including, but not limited to, short-term bank loans and lease payments) + Long-Term Debt (interest-bearing liabilities with a maturity date longer than 12 months, including, but not limited to, bonds, lease payments, term loans, revolving lines of credit, and notes payable).
 - **EBITDA** — Earnings Before Interest, Taxes, Depreciation, and Amortization. It is calculated as: Net Income + Interest + Taxes + Depreciation + Amortization
 - **Dry Powder** — Capital/funds raised by private equity firms that are available to be invested.
 - **Middle Market** — Companies having Total Enterprise Values between \$10 and \$250 million.
 - **Middle Market Financial Sponsor** — A Private Equity firm which invests in companies with Total Enterprise Values between \$10 and \$250 million.
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Disclosure:

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