

# Utah Middle Market M&A Update

Q1 2015

## About W Partners

W Partners is an independent investment banking firm that provides financial advisory services to middle-market companies in the Western United States.

Our services include mergers, acquisitions, financings, capital raising, and strategic transaction advice to business owners and family offices.

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## Market Overview

Deal momentum continues into 2015 as U.S. corporations remain in a strong position to pursue M&A. Despite the expected dip from Q4 to Q1, deal volumes for the first half of 2015 are expected to be higher than for the same period in 2014. So far this year, \$583 billion worth of deals have been announced, surpassing the \$563 billion announced in Q1 last year.

Several factors have influenced the global increase in M&A volumes. First, the sharp decline in oil prices has created a new set of challenges required to adjust to new market conditions, and M&A has become one way to achieve cost reductions and operational efficiencies. Second, the appreciation of the U.S. dollar has led to a weakening of many other foreign currencies against the dollar, which empowers U.S. corporates cross-border M&A activities, as many assets abroad look more attractive in dollar terms. Third, the rise of China as a global player in M&A as Chinese companies are countering the slowdown in their economy with a remarkable international expansionary program. Lastly, the pressure of investors on companies to focus on top-line growth has forced companies to pursue M&A and take advantage of the extremely low interest rate environment.

Deal volumes for transactions under \$1 billion were down throughout 2014 and overall we expect to see larger deals in 2015, as acquirers are paying more attention to finding the right strategic fit and are willing to pay premium for it, shifting towards quality over quantity. For the quarter, middle market M&A deal flow increased strongly in March, after a slow January. The primary factors that have influenced increased deal flow include rising consumer confidence, which reached a 10-year high in the first quarter, and the motivation to complete deals before a potential interest rate hike later in the year.

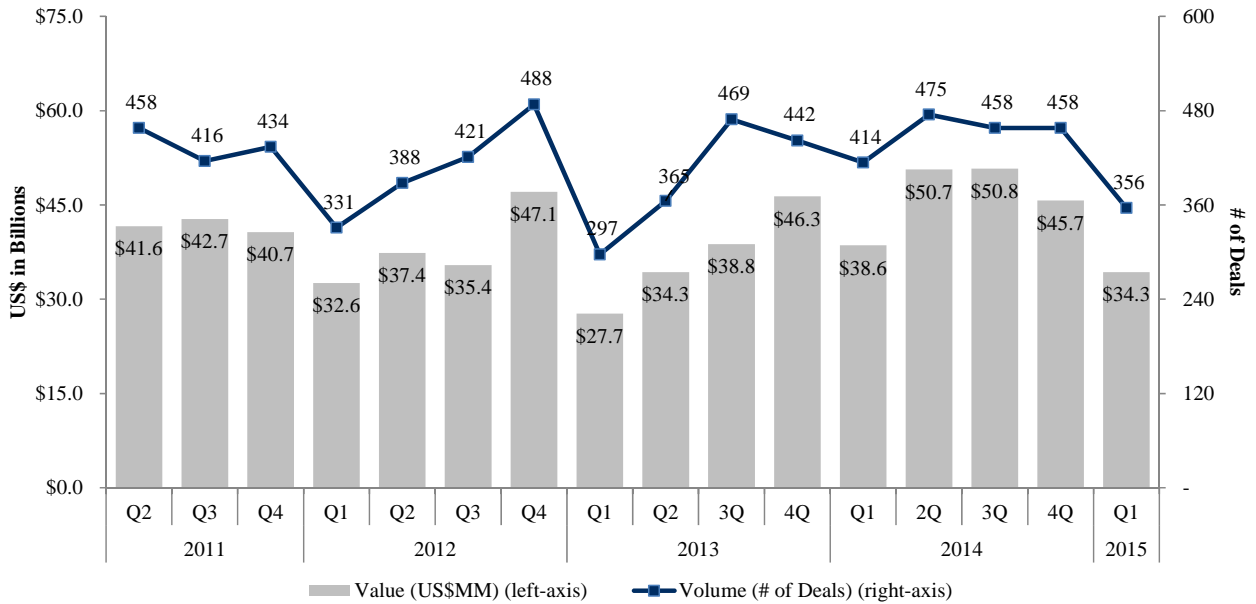
KPMG's 2015 M&A outlook survey report suggests that the healthcare sector will generate the most M&A activity during 2015, as it continues to benefit from consolidation opportunities triggered by the Affordable Care Act. Following healthcare, other attractive industries include technology, energy, consumer markets, financial services, and industrial manufacturing.

The year has gotten off to a disappointing start for new issuers, with initial public offering activity falling dramatically behind the banner year recorded in 2014. U.S. IPO activity this quarter was the lowest since Q3 2012 in terms of volume, and the lowest since the Q3 2011 in terms of value, as a blend of market volatility, robust private financing rounds and a dwindling backlog of sponsor-backed companies dampened demand for new issues. Despite the slow start, IPO activity is expected to ramp up as the year progresses as investor confidence is high and the U.S. has one of the strongest economies with some of the most attractive exchanges, and is currently the primary engine driving global growth.

Domestically, while there was a slow GDP growth in Q1, a long-term trend growth is expected this year due to better consumer spending in 2015 relative to 2014, a quick increase in inflation on a year-over-year basis towards the end of the year and into 2016, and the increase of the Fed funds rate in September with the beginning of a normalization process.

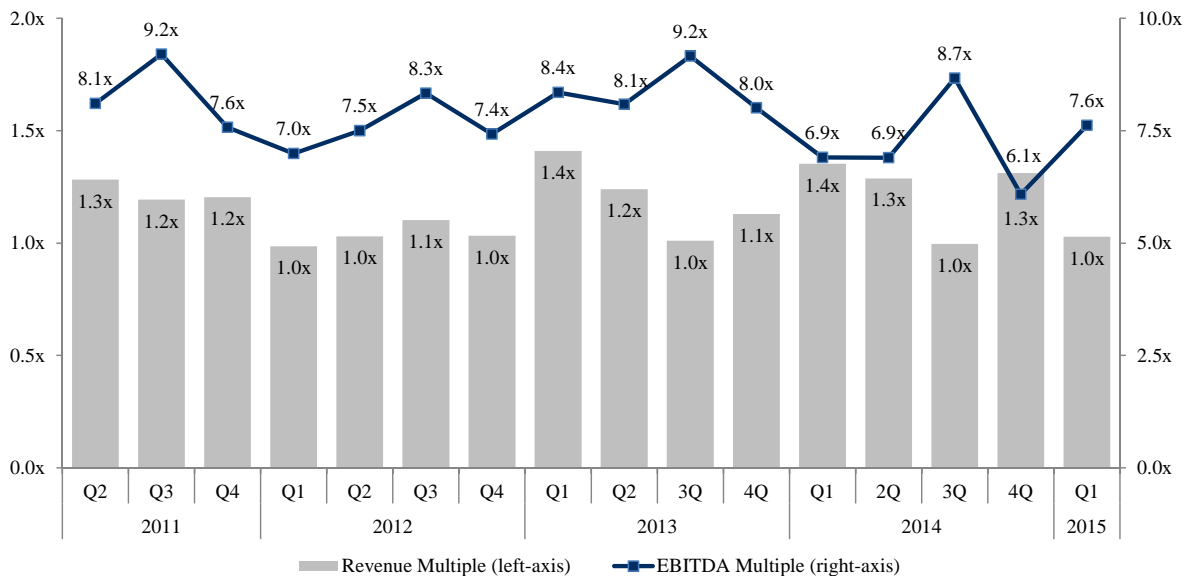
### M&A Activity – Middle Market

The first quarter of 2015 was weaker than anticipated. Compared to the prior year, middle market M&A dropped 11% in value and 14% in volume. While the dip from the last quarter of 2014 is expected, another strong year is projected in the middle market overall. However, recent economic data, including GDP growth in the first quarter of only 0.2% compared to 2.2% in the prior year, may dampen expectations for the second half of 2015.



### Valuation Multiples – Middle Market M&A Transactions

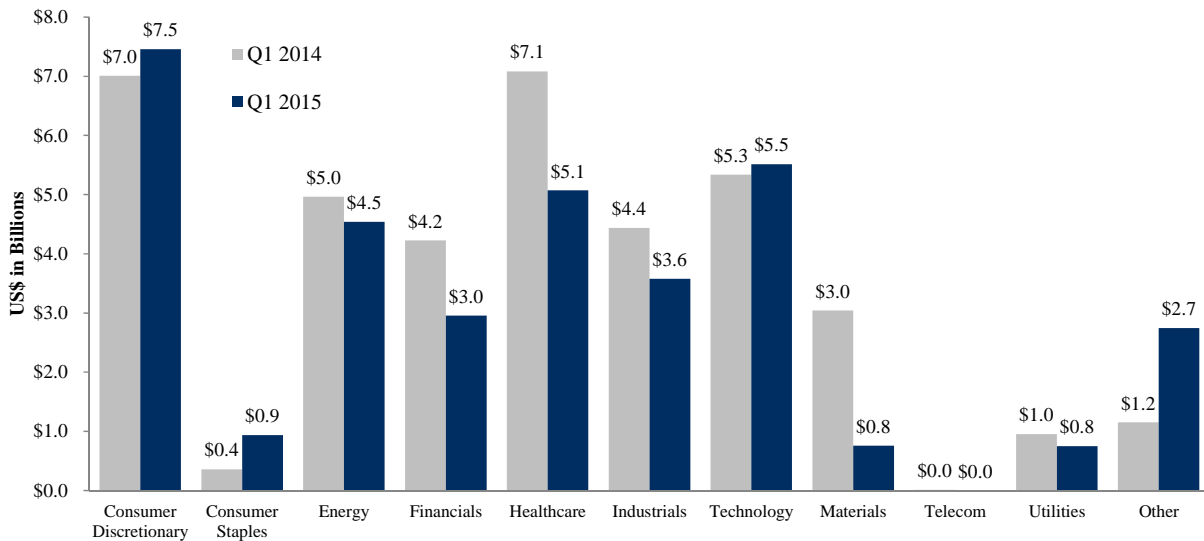
Transaction multiples have moderated somewhat recently as underlying earnings growth has accelerated. The Technology and Industrial sectors had the most disclosed transactions during the quarter with Technology companies transacting for an average revenue multiple of 2.2x and Industrial companies transacting at an average revenue multiple of 1.0x.



Note: Middle market defined as transactions between \$10 and \$500 million in the U.S., excluding transactions in real estate. Sources: Deloitte, Ernst & Young, S&P Capital IQ.

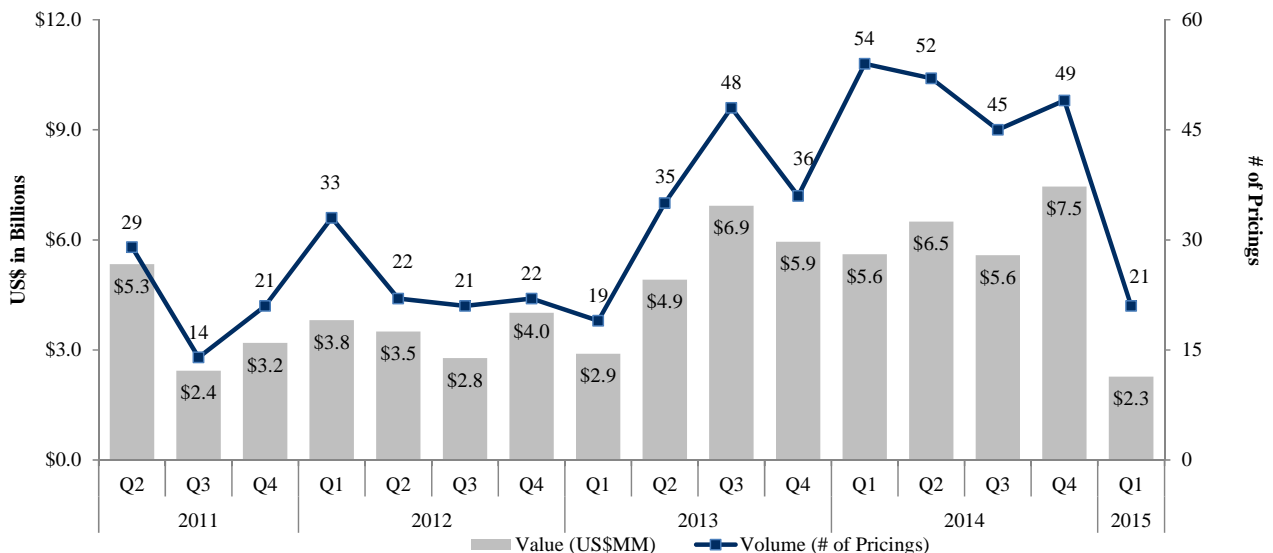
### M&A Activity by Sector – Middle Market

Middle market transaction values in the Financials, Healthcare and Materials sectors declined significantly in Q1 compared to the prior year period. While the Consumer Discretionary and Energy sectors were helped in the quarter with significantly larger average transaction values, the Financials and Materials sectors had significant declines in average transaction value during the quarter. The total value of Technology transactions remained relatively flat in Q1 compared to the prior year period with a 10% decline in deal volume being offset by a 14% increase in average transaction size.



### IPO Activity – Middle Market

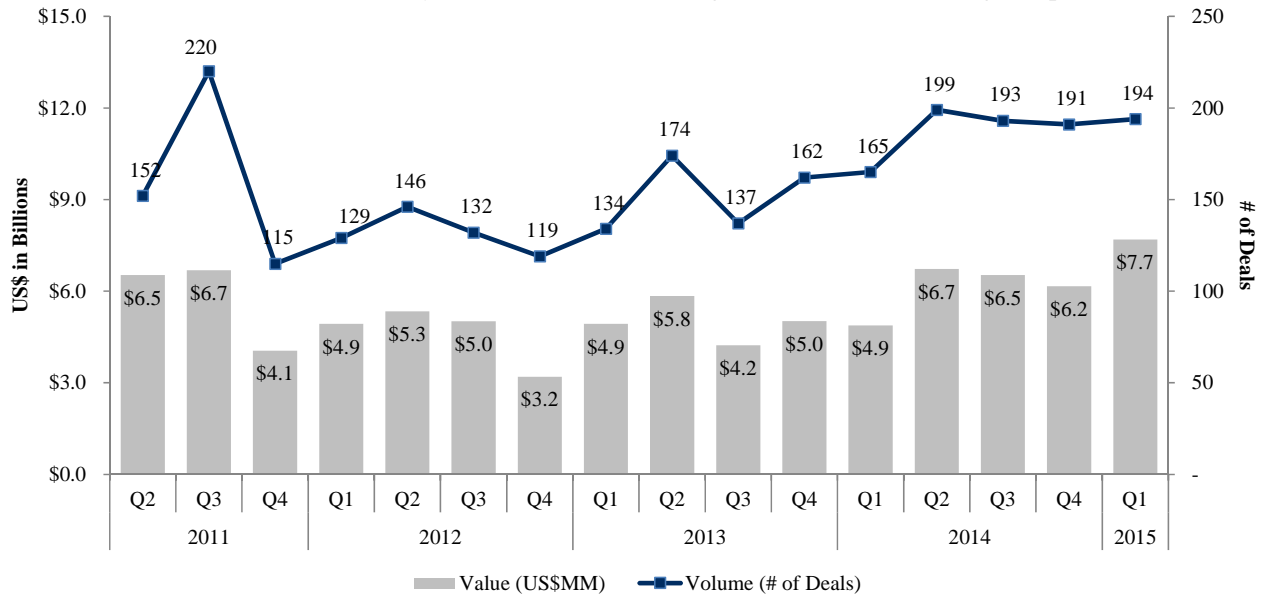
The opening quarter of 2015 was decidedly lackluster compared to the last seven quarters, both with regards to the number of offerings and amount of proceeds raised as only 21 IPOs were priced with proceeds of \$2.3 billion. The average IPO transaction value remained consistent with the prior year period but was considerably lower than the fourth quarter of 2014. While the IPO ‘window’ remains open, it remains uncertain if 2015 will be able to match the solid performance of initial public offerings in 2014.



Note: Middle market defined as transactions between \$10 and \$500 million in the U.S., excluding transactions in real estate. IPO activity includes pricings on major U.S. exchanges between \$10 and \$500 million, excluding share issuances for companies in the financial industry. Sources: S&P Capital IQ, PwC IPO Watch.

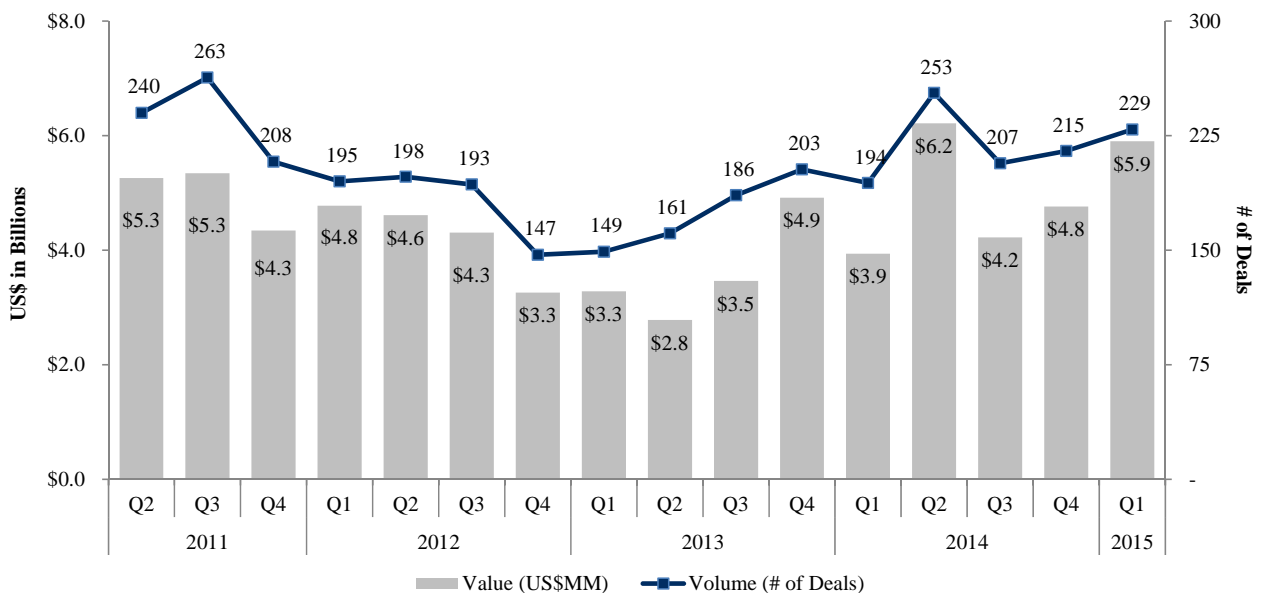
### Private Placement Activity – Middle Market

While investor demand exceeds supply and relatively inexpensive commercial bank debt are the biggest current challenges to the traditional private placement market, private funds have significantly increased their investments in Q1 over the prior year period. Whereas the volume of deals increased by 18%, the total value of deals increased over 50%, driven by a 35% increase in average transaction size during the quarter.



### Venture Capital Investment Activity – Middle Market

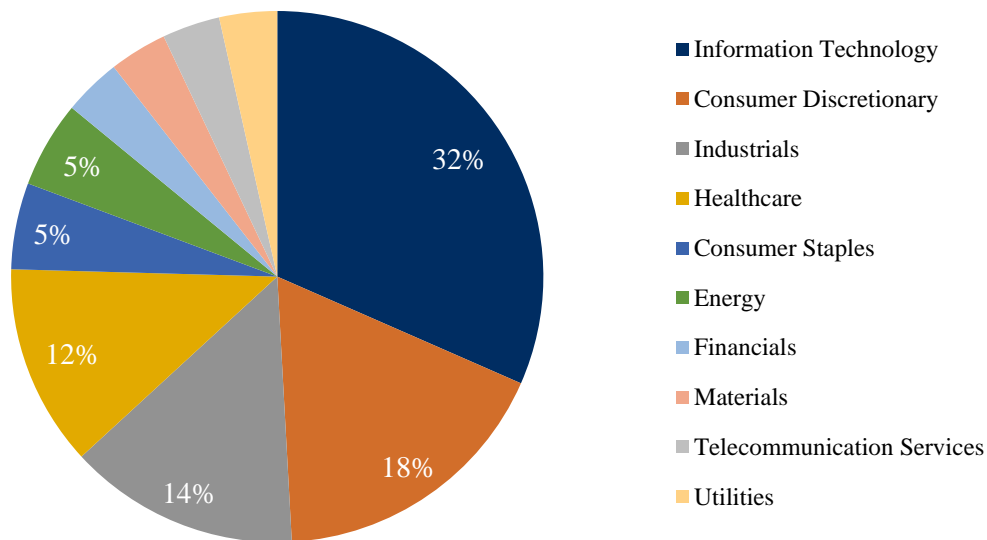
VC investment rebounded soundly in Q1 with the value of investments increasing over 50% compared to the prior year period. While Technology and Healthcare transaction volume constituted over 75% of total transactions, Technology transactions alone comprised over 50% of all transactions during the quarter as VC's bet that young startups will be able to disrupt existing markets. The average transaction size also increased over the prior year period and prior quarter, matching levels not seen since 2010.



Note: Private placement and venture capital transactions include closed U.S. investments between \$5 and \$250 million. Sources: S&P Capital IQ, Ernst & Young, PitchBook.

### Utah M&A Activity by Sector During Q1 2015

The year started off very strong for Utah related M&A with 57 transactions reported, a greater than 50% increase in volume over both the prior quarter and the prior year period. Technology, Healthcare and Consumer Discretionary transactions comprised greater than 60% of total transactions, consistent with prior quarters. Notable transactions included the sale of the Holladay-based natural gas storage handling business Magnum Development to NGL Energy Partners for \$280 million and the sale of Salt Lake City-based VISTA Staffing Solutions to EmCare for \$123 million. In the Technology sector, Salt Lake City-based Tomax Corporation which developed a cloud-based retail management platform was purchased by Demandware, Inc. for \$75 million.



### Utah M&A Transaction Details for Q1 2015

Announced Date	Target	Acquiror	Target Industry	Target Business Description	Size (\$mm)	TEV <sup>(1)</sup> / Revenue	TEV <sup>(1)</sup> / EBITDA
<b>Consumer Discretionary</b>							
03/31/2015	<b>Palmer Performance Engineering, Inc.</b>	Auto Meter Products, Inc.	Auto Parts and Equipment	Automotive instrumentation solutions	-	-	-
03/25/2015	<b>Trafficado LLC</b>	<b>Adduco Media, LLC</b>	Advertising	Online marketing solutions	-	-	-
03/24/2015	Human Movement LLC	<b>POWDR Corp</b>	Advertising	Event and production company	-	-	-
03/03/2015	<b>YESCO Electronics LLC - Seller: Young Electric Sign Company</b>	Samsung Electronics Co. Ltd. (KOSE:A005930)	Advertising	Electronic displays manufacturer	-	-	-
03/03/2015	<b>Punkz Gear Inc.</b>	Lexi-Luu Designs, Inc.	Apparel, Accessories and Luxury Goods	Women clothing and accessories	-	-	-
03/02/2015	Black Rhino Tools - <b>Seller: Bold, Inc.</b>	<b>Truck Shields, LLC</b>	Household Appliances	Tools manufacturer	-	-	-
02/19/2015	<b>GeoDynamics By Nilex</b>	Nilex Inc.	Distributors	Geotextiles distributor	-	-	-
02/05/2015	Nexus Technologies Pty Ltd	<b>Control4 Corporation (NasdaqGS:CTRL)</b>	Consumer Electronics	Video and audio distribution products	\$9	-	-
02/04/2015	<b>Career Step, LLC - Seller: DW Healthcare Partners*</b>	Revelstoke Capital Partners LLC	Education Services	Career-focused education	-	-	-
01/26/2015	Code School LLC	<b>Pluralsight LLC</b>	Education Services	Online learning services	\$36	-	-
<b>Consumer Staples</b>							
03/16/2015	<b>MonaVie LLC</b>	Jeunesse Global, LLC	Personal Products	Nutritional products	-	-	-
02/02/2015	Nutriband Ltd.	<b>Nutranomics Inc. (OTCPK:NRRX)</b>	Personal Products	Nutritional transdermal patches	-	-	-
01/21/2015	Bio-Serv, Inc., Entomology Division	<b>Frontier Scientific, Inc.</b>	Packaged Foods and Meats	Insect rearing	-	-	-

(1) Total enterprise value.  
 Note: Reflects all disclosed M&A transactions excluding real estate where the acquiror, target or seller headquarters are in the greater Utah area. The Utah-based company is denoted in bold. \* indicates that the seller was one of a group of sellers. Sources: S&P Capital IQ and W Partners research and estimates.

## Utah M&amp;A Transactions (Cont'd)

Announced Date	Target	Acquiror	Target Industry	Target Business Description	Size (\$mm)	TEV <sup>(1)</sup> /Revenue	TEV <sup>(1)</sup> /EBITDA
<b>Energy</b>							
02/18/2015	<b>Bison Petroleum, Corp. (OTCPK:BISN)</b>	HC Consulting Limited	Oil and Gas Exploration and Production	Exploration of domestic energy	-	-	-
02/09/2015	<b>Magnum NGLS, LLC - Seller: Magnum Development, LLC</b>	NGL Energy Partners LP (NYSE:NGL)	Oil and Gas Storage and Transportation	Natural gas liquids storage facility	\$280	-	-
01/15/2015	Tenax Energy Solutions, LLC, OrBIT Completion Drill Bit Product Line	Hard Rock Solutions, LLC; <b>Extreme Technologies, LLC</b>	Oil and Gas Equipment and Services	Mining equipment manufacturing	-	-	-
<b>Financials</b>							
02/04/2015	Alexander Insurance Agency, Inc.	<b>Hub International Transportation Insurance Services Inc.</b>	Insurance Brokers	Towing insurance brokerage services	-	-	-
01/13/2015	American Partnership Board, Inc.	<b>Central Trade &amp; Transfer, LLC</b>	Investment Banking and Brokerage	Automated auction website	-	-	-
<b>Healthcare</b>							
03/31/2015	<b>Millcreek Home Health, Inc.</b>	Signature Hospice, Home Health and Home Care	Healthcare Services	Home health and hospice services	-	-	-
03/02/2015	Eclipse Systems, Inc.	<b>BC Technical, Inc.</b>	Healthcare Distributors	Cardiology solutions distributor	-	-	-
02/10/2015	<b>Olive Medical Corporation</b>	DePuy Synthes, Inc.	Healthcare Equipment	Video surgical systems	-	-	-
01/27/2015	<b>American HealthCare Lending, LLC</b>	Prosper Marketplace, Inc.	Health Care Technology	Online financing platform	\$21	-	-
01/21/2015	Virtual Medical Sales, Inc.	<b>BC Technical, Inc.</b>	Healthcare Distributors	Medical imaging products	-	-	-
01/19/2015	<b>VISTA Staffing Solutions, Inc.</b>	EmCare Inc.	Healthcare Services	Search services	\$123	-	-
01/16/2015	nanoMR Inc. - <b>Seller: Signal Peak Ventures *</b>	DNA Electronics Limited	Life Sciences Tools and Services	Pathogen capture system	\$24	-	-
<b>Industrials</b>							
03/15/2015	Penguin Logistics LLC	<b>EnergySolutions, Inc</b>	Air Freight and Logistics	Integrated logistics solutions	-	-	-
02/23/2015	<b>Cardalls Insulation Company</b>	United Subcontractors, Inc.	Construction and Engineering	Insulation contracting services	-	-	-
02/12/2015	Carroll Chair Co.	<b>Mity-Lite, Inc.</b>	Office Services and Supplies	Restaurant furniture manufacturer	-	-	-
02/09/2015	74% stake in Jackson Transport Proprietary and Jackson Fleet Proprietary and Buffelshoek Transport - <b>Seller: Jackson Group</b>	OneLogix (Pty) Ltd.	Trucking	Logistics services	-	-	-
02/04/2015	Bik Air, LLC	<b>SpectrumDNA, Inc. (OTCPK:SPXA)</b>	Airport Services	Air transport services	-	-	-
01/16/2015	<b>Vision Security, LLC, Certain Assets</b>	<b>NorthStar Alarm Services, LLC</b>	Security and Alarm Services	Home alarm services	-	-	-
01/05/2015	Five Star Painting Inc. - <b>Seller: Five Star Franchising, Inc.</b>	Dwyer Franchising Llc	Construction and Engineering	Painting contractor	-	-	-
01/02/2015	<b>White Knight Fluid Handling, Inc.</b>	Graco Inc. (NYSE:GGG)	Industrial Machinery	Fluid handling equipment	-	-	-
<b>Information Technology</b>							
03/26/2015	CallSource, Inc., Media and Publishing Division	<b>ContactPoint LLC</b>	Application Software	Digital marketing software	-	-	-
03/04/2015	TimeSimplicity LLC	<b>MC2 Consulting Services, Inc.</b>	Internet Software and Services	Workforce management software	-	-	-
03/03/2015	Consmr, Inc.	<b>Purch</b>	Internet Software and Services	Online rating platform	-	-	-
03/03/2015	<b>Realovation Holdings, LLC</b>	Dotsignal LLC	Internet Software and Services	Real estate marketing software	-	-	-
02/24/2015	ewalk software corporation	<b>Obeo.com Inc.</b>	Diversified Support Services	Real estate photography services	-	-	-
02/23/2015	<b>TreeHouse Interactive, Inc.</b>	Kennet Partners	Internet Software and Services	SaaS based CRM solutions	-	-	-

(1) Total enterprise value.

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## Utah M&amp;A Transactions (Cont'd)

Announced Date	Target	Acquiror	Target Industry	Target Business Description	Size (\$mm)	TEV <sup>(1)</sup> / Revenue	TEV <sup>(1)</sup> / EBITDA
<b>Information Technology (continued)</b>							
02/16/2015	The DPL Group	<b>Grant Victor, Inc.</b>	Communications Equipment	Remote monitoring systems	-	-	-
02/10/2015	Pay OGFE Inc.	<b>ArbiterSports, LLC</b>	Internet Software and Services	Online payment solutions	-	-	-
02/10/2015	DSL Extreme, Inc. - <b>Seller: IKANO Communications, Inc.</b>	BroadVoice, Inc.	Internet Software and Services	Business communications services	-	-	-
02/05/2015	E2open, Inc. - <b>Seller: Cross Creek Advisors*</b>	Insight Venture Partners	Internet Software and Services	Supply chain management solutions	\$250	3.2x	-
02/04/2015	<b>Screen Rant, LLC</b>	Valnet Inc.	Internet Software and Services	Media news website	-	-	-
02/03/2015	<b>AirVend, Inc.</b>	365 Retail Markets, LLC	Electronic Equipment and Instruments	Cashless touchscreen devices	-	-	-
01/20/2015	<b>Sarcos Incorporated</b>	-	Electronic Equipment and Instruments	Robotic systems	-	-	-
01/13/2015	<b>TopVue Defense, Inc.</b>	Compusearch Software Systems, Inc.	Application Software	Program execution solutions	-	-	-
01/12/2015	<b>Tomax Corporation</b>	Demandware, Inc. (NYSE:DWRE)	Internet Software and Services	Retail management solutions	\$75	-	-
01/08/2015	Implementation Services Business - <b>Seller: GoEngineer, Inc.</b>	Kalypso LP	IT Consulting and Other Services	Product design tools reseller	-	-	-
01/06/2015	Recommind, Inc., Decisiv Email Business	<b>NetVoyage Corporation</b>	Internet Software and Services	Information management software solutions	-	-	-
01/05/2015	California Image Maker, Inc.	<b>360House.com, Inc.</b>	Application Software	Real Estate media	-	-	-
<b>Materials</b>							
02/06/2015	<b>Inception Mining Inc. (OTCBB:IMM) - Seller: Inception Resources, LLC*</b>	<b>Clavo Rico Ltd.</b>	Precious Metals and Minerals	Precious metal properties	-	-	-
02/04/2015	Cannon Resources, LLC	<b>SpectrumDNA, Inc. (OTCPK:SPXA)</b>	Gold	Gold mining services	-	-	-
<b>Telecommunication Services</b>							
01/12/2015	Comvoice Inc.	<b>Jive Communications, Inc.</b>	-	VoIP telephone service	-	-	-
01/09/2015	OneWave Networks, LLC	<b>Digis, LLC</b>	Alternative Carriers	Network services	-	-	-
<b>Utilities</b>							
03/11/2015	FLS Energy Inc., 63.1MWdc Solar Assets	<b>Sustainable Power Group, LLC</b>	Renewable Electricity	Solar energy provider	-	-	-
01/08/2015	15 MW (8 MW Net) Soda Lake Geothermal Facility in Fallon, Nevada	<b>Cyrq Energy, Inc.</b>	Renewable Electricity	Geothermal facility	\$9	-	-

(1) Total enterprise value.

Note: Reflects all disclosed M&amp;A transactions excluding real estate where the acquiror, target or seller headquarters are in the greater Utah area. The Utah-based company is denoted in bold. \* indicates that the seller was one of a group of sellers. Sources: S&amp;P Capital IQ and W Partners research and estimates.

## Utah Private Placement and Venture Capital Activity

There were nine Utah-related private placement and VC transactions with disclosed values of approximately \$200 million during the first quarter of 2015. The Technology sector continues the positive trend from last year, with the largest number of transactions, followed by the Healthcare sector. Significant transactions during the quarter included Health Catalyst receiving \$70 million in a Series D round from a diverse investor base, that includes Lehi-based Sorenson Capital, and InsideSales.com receiving \$61 million in a Series D round that placed a post-money valuation of more than \$1.5 billion on the business.

Announced Date	Issuer	Round/Investors(s)	Issuer Industry	Issuer Business Description	Amount Raised (\$mm)
<b>Consumer Discretionary</b>					
02/23/2015	<b>Global Uprising PBC, Corporation</b>	New Enterprise Associates; Greycroft Partners LLC; Lerer Hippeau Ventures; Forerunner Ventures	Apparel, Accessories and Luxury Goods	Sport accessories	\$4
<b>Healthcare</b>					
03/12/2015	<b>Health Catalyst, LLC</b>	Series D: Norwest Venture Partners; Sequoia Capital; <b>EPIC Ventures</b> ; Kaiser Permanente Ventures; <b>Sorenson Capital</b> ; Sands Capital Management, LLC; Tenaya Capital; Partners Innovation Fund; CHV Capital, Inc.; <b>Leavitt Equity Partners</b>	Health Care Technology	Data warehousing and process improvement solution	\$70
02/18/2015	<b>Lineagen, Inc.</b>	Series C: HealthQuest Capital; Petra Capital Partners, LLC; Mountain Group Capital LLC; Sanderling Ventures; <b>Signal Peak Ventures</b> ; PrairieGold Venture Partners; Mesa Verde Venture Partners; Archipel Capital; <b>University Venture Fund</b> ; <b>Kickstart Seed Fund</b>	Biotechnology	Molecular diagnostics for childhood development	\$12
01/02/2015	<b>LSK BioPartners, Inc.</b>	HLB Co.,LTD. (KOSDAQ:A028300)	Pharmaceuticals	Pharmaceutical product development	\$6
<b>Industrials</b>					
01/14/2015	<b>Multi-Voice Radio, LLC</b>	OTTO Engineering, Inc.	Aerospace and Defense	Wireless intercoms manufacturing	\$5
<b>Information Technology</b>					
03/27/2015	<b>Alianza Inc.</b>	Not disclosed	Internet Software and Services	Cloud-based voice platform	\$6
03/18/2015	<b>InsideSales.com, Inc.</b>	Series D: Hummer Winblad Venture Partners; Kleiner Perkins Caufield & Byers; Polaris Partners; U.S. Venture Partners; Microsoft Ventures; <b>Zetta Venture Partners</b> ; Salesforce Ventures	Internet Software and Services	Cloud-based sales acceleration platform	\$61
03/12/2015	<b>Lendio Inc.</b>	Series C: North Hill Ventures, LP; Blumberg Capital; Tribeca Venture Partners; Highway 12 Ventures; Runa Capital; Napier Park Global Capital (US) LP; Pivot Investment Partners LLC	Internet Software and Services	Online business loans platform	\$20
02/13/2015	<b>Browz, LLC</b>	Not disclosed	Internet Software and Services	Qualification and management solutions	\$10

(1) Total enterprise value.

Note: Reflects all disclosed private placement transactions excluding real estate where the issuer is headquartered in the greater Utah area. Utah-based companies and funds are denoted in bold. Sources: S&P Capital IQ and W Partners research and estimates.



## Selected Recent W Partners Engagements

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Was Acquired by

Financial Advisory

Was Acquired by

Financial Advisory

Master Franchisee and  
Exclusive Development Agent  
for

Financial and Strategic  
Advisory

Private Placement of Debt  
and Equity Securities

Financial and Strategic  
Advisory

\$95 Million Credit Facility

Financial Advisory

\$100 Million Private  
Placement

Financial Advisory

Acquired the Marine  
Transportation Assets of

Financial Advisory

The Washington  
Companies

Strategic Advisory

\$200 Million Credit Facility

Financial Advisory

## Additional Information

Please contact the W Partners team for additional information regarding M&A transactions, private placements, venture capital investments or public market valuations in your particular industry or sector.

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