

Arbor Capital Markets

Market Update

February 2018

Riding the Ups and Downs of M&A

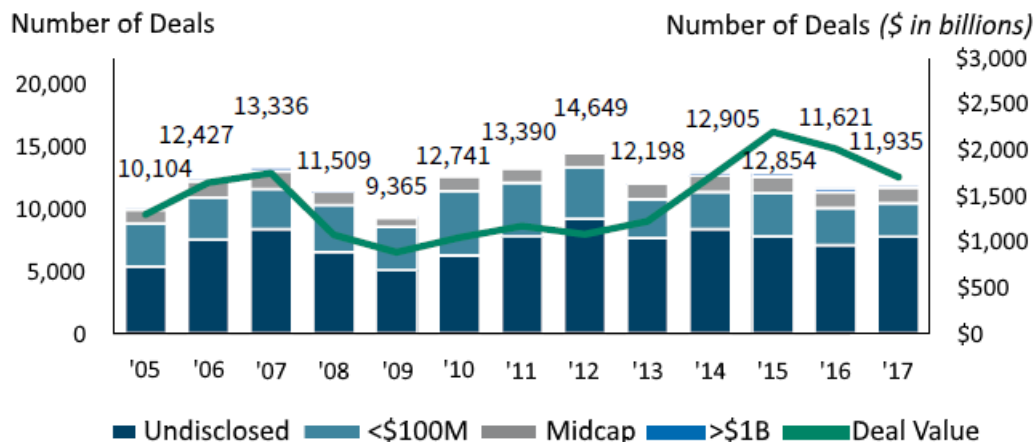
I used to love to ride on the roller coaster. In fact, I would beg my parents to take me so I could live the thrill of bottomless bottoms and topless tops!!! Wow, how exciting... as I have aged I still enjoy a roller coaster, but not quite to the extremes I used to find so exciting.

In some ways this market reminds me of a middle aged investor still longing for the tops, but now reasonably cautious about riding to the bottom. The knowledge that the ride will climb again is now clouded by the thought that the ride surely must stop at some time? And today, my youthful exuberance is tempered by my fears of inflation, my age and 401k balance, fear of government regulation, and Medicare and Social Security debates. Wow, so many loops, turns and bottoms; and they all seem to be throwing me into the abyss. But then again; hope for a thrill returns in the form of tax cuts, deregulation, rising equity markets, unemployment at historic lows, and wages and labor-participation rates climbing.

Can it truly be that Trump economic policy has given me new hope to recapture my youthful highs? Despite our individual politics the color of our blood still is green. Do I keep riding or get off the roller coaster? Well, it appears to us that M&A is going to give us all a thrill in 2018. Despite the prospect of higher interest rates, capital spending appears strong and able to sustain continued economic progress and a vibrant and active M&A market.

A few thoughts for you to reflect on as you ride your roller coaster...

U.S. merger and acquisition deal activity peaked at 14,469 deals in 2012 and deal value peaked at \$2.2 billion in 2015 according to William Blair, but both remain strong. There were 11,935 transactions in 2017, down from its historic peak, but up nearly 3% from 2016 despite a 15% decrease in total deal value. While deal sizes may be declining, valuations are increasing; the median EV/EBITDA multiple for U.S. deals increased from 10.5X to 11.3x, well above 15 year averages.



Source: Dealogic



We specialize in providing corporate finance solutions to "Second Stage Growth Companies".

Arbor Capital Markets

According to William Blair, deal activity in the auto sector is up 3%, consistent with the entire market, but healthcare activity, while robust, is up only 1%. Building industry activity is up 20% and chemical/plastic deals are up 11%. However, deal sizes in these industries are all down significantly; the exception being health care which saw an increase over 50%.

Tax Reform: Most aspects of the 2017 Tax Cuts and Jobs Act will have a positive impact on both equity and M&A activity. Lower corporate rates, combined with repatriated income, will clearly sustain valuations and free up capital for domestic transactions. On the other hand, lower tax rates, combined with limits on interest rate deductions, will negatively impact highly leveraged transactions; especially if interest rates continue to creep upward. Likewise, changes in NOL tax treatment will reduce incentives for NOL-based transactions.

Trade Policy: President Trump's recent tariff increases on steel and aluminum should have short-term positive impacts on domestic suppliers, but offsetting adverse effects on the auto industry and other steel and aluminum users. On the other hand, to the extent that the tariffs leverage improved could increase across the board.

Inflation and Interest Rates: The macro-economic question is whether productivity and output can keep up with the release of pent-up monetary demand. If not, then we will see higher inflation and even higher interest rates which will reduce valuations.

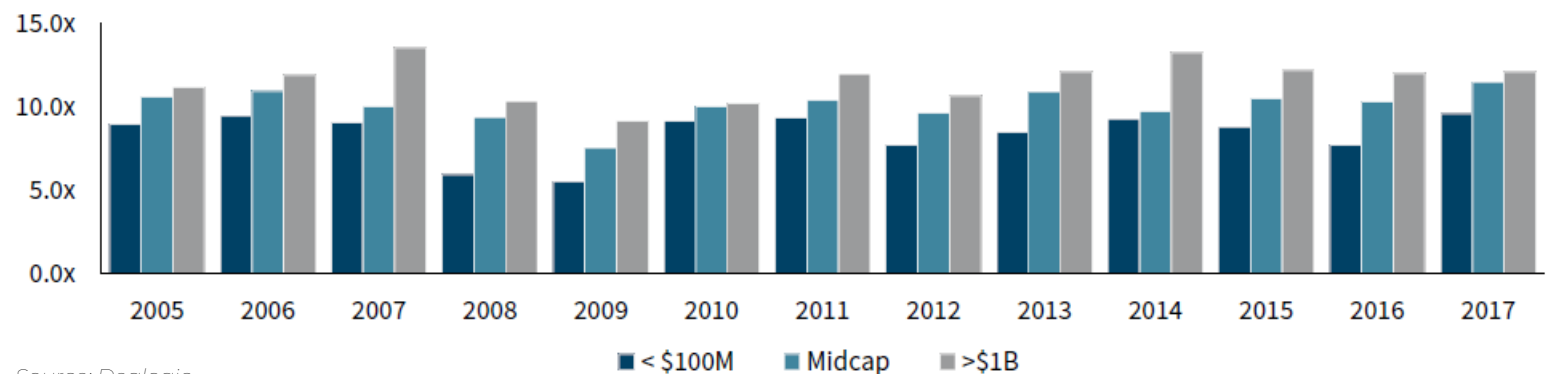
In general, economic trends, bolstered by tax cuts and deregulation, appear strong and can sustain high levels of merger and acquisition activity through 2018. ACM believes that activity in the small markets (under \$50 million) which are dominated by small family businesses is likely to see increased activity in 2018.

Call or email today to see how we can help you break out and increase shareholder value through a sale, acquisition or with growth capital. Find your industry transaction comparable in the following pages.

Greg Buck - 734.678.0483

Email – gbuck@arborcapitalmarkets.com
and visit www.arborcapitalmarkets.com to learn more about ACM principals and experience.

**U.S. - By Deal Size
(EV/EBITDA)**



Source: Dealogic



We specialize in providing corporate finance solutions to "Second Stage Growth Companies".

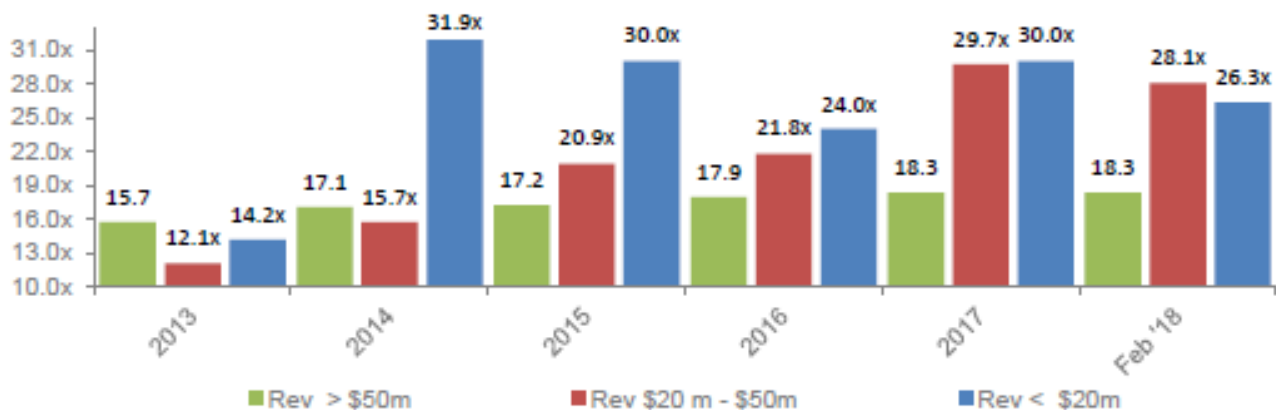
Arbor Capital Markets

Selected Industry Year-to-Date Transactions

Auto Industry

Buyer	Seller	Target Location	Target Description	Valuation	Comments
October					
KV Private Equity Inc	Off Grid Trailers	Canada	Off-road expedition and teardrop trailers		Private equity platform
SF Motors Inc.	InEvit Inc.	California	Battery modules for electric vehicles	\$33m	Patented chassis technologies
November					
Mosaic Capital Corporation (TSXV:M)	Circle Tool and Mold	Canada	Injection molding		Succession issues
Zhejiang VIE Science & Technology Co. Ltd. (SZSE:002590)	Evatran LLC	Virginia	Wireless electric vehicle charging systems	\$10.5 million Rev, 1.8x EBIT	Wireless technology
December					
Horizon Global Corporation (NYSE:HZN)	Brink Group B.V.	Netherlands	Towing systems	\$200 million, 1.3x Rev.	Product portfolio and expertise
Deshler Group	Uni-Bond Brake LLC.	Michigan	Brake components	\$3 million 0.2x Rev	Aftermarket focus
February					
Crestview Partners L.P.	ATC Drivetrain LLC.	Oklahoma	Automatic transmissions and gas engines.		

Price-LTM Normalized Earnings by Revenue



Source: Industry reports and S & P Intelligence



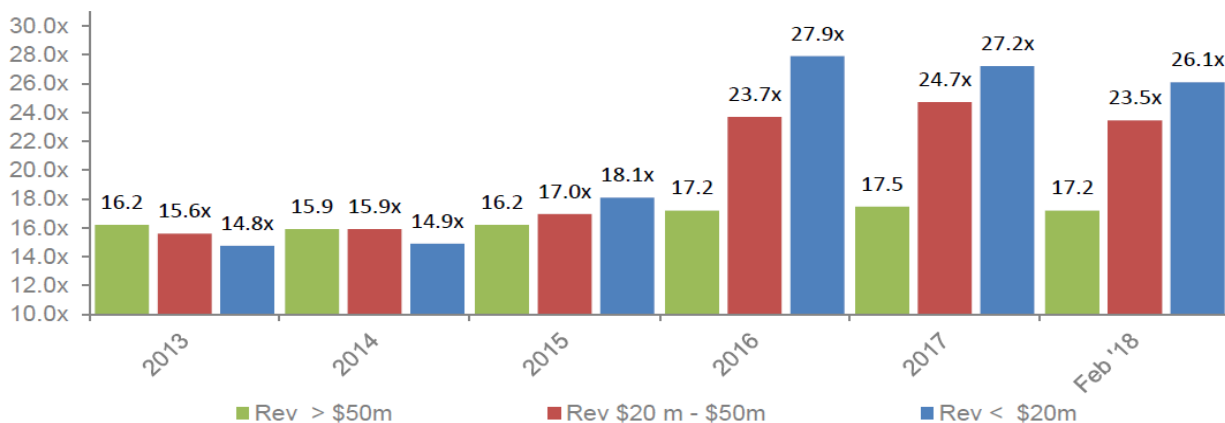
We specialize in providing corporate finance solutions to "Second Stage Growth Companies".

Arbor Capital Markets

Building Industry

Buyer	Seller	Location	Target Description	Valuation	Comments
September					
Sun Capital Partners Inc.	Ames Taping Tools	Georgia	Automatic taping and finishing tools		Private Equity platform
October					
ORIX Mezzanine & Private Equity and AV Capital Holdings LLC	American Insulated Glass LLC	Georgia	Insulated, tempered, laminated, and beveled glass		Private Equity platform
Masonite International Corporation (NYSE:DOOR)	A & F Wood Products Inc.	Michigan	Wood and metal doors and frames with quick ship capabilities		Quick ship custom machined and finished wood doors
November					
USG Corporation (NYSE:USG)	Ceilings Plus Inc.	California	Metal and wooden ceilings and wall products	\$52 million	Penetration into architectural specifications and cross-selling opportunities
December					
Hexatronic Group AB (publ) (OM:HTRO)	Blue Diamond Industries, LLC.	Kentucky	High density polyethylene pipe and conduit products	\$23 million-0.8X Rev, 5.8X EBITDA	Complementary portfolio
January					
WillScot Corporation (NasdaqCM:WSC)	OnSite Space LLC	Indiana	Prefabricated mobile and modular commercial structures		Key Midwestern markets
February					
Jeld-Wen Holding Inc. (NYSE:JELD)	California Building Supply	California	Door, millwork, and hardware products		Expand customized door capabilities

Price-LTM Normalized Earnings by Revenue



Source: Industry reports and S & P Intelligence



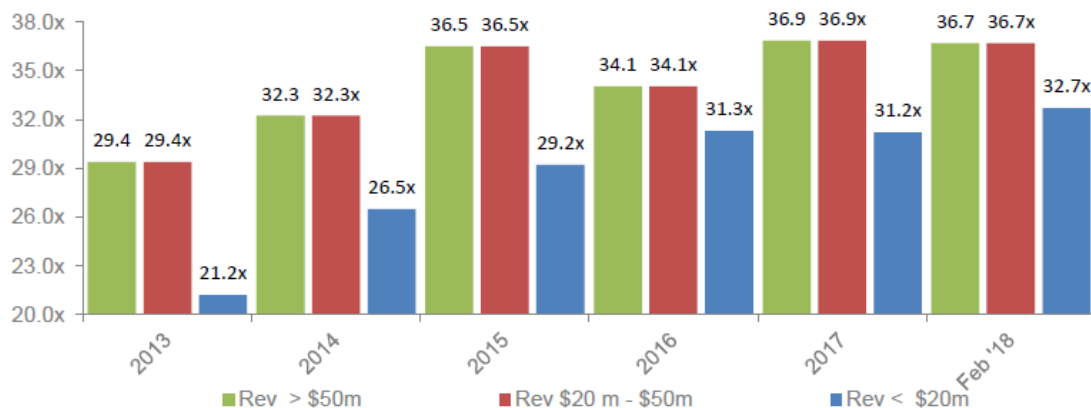
We specialize in providing corporate finance solutions to "Second Stage Growth Companies".

Arbor Capital Markets

Health Care Industry

Buyer	Seller	Location	Target Description	Valuation	Comments
September					
Diplomat Pharmacy Inc. (NYSE:DPLO)	Focus Rx Pharmacy Services Inc.	New York	Home infusion and specialty Rx management services	\$27 million	Geographic Growth
October					
Webster Capital	Cirrus Medical Staffing Inc.	North Carolina	Nurse Staffing	\$37 million	Private equity buyer
November					
McLaren Health Care Corporation	Mdwise Inc.	Indiana	Managed care for vulnerable population		Expand out-state
Diplomat Pharmacy Inc. (NYSE:DPLO)	Pharmaceutical Technologies Inc.	Nebraska	Pharmacy benefit manager	\$47 million	Proprietary claims-processing system
Great Lakes Management Services Organization	Walker Surgical Center LLC	Michigan	Surgery center		
January					
Alliance Physical Therapy Partners, LLC	Franklin Rehabilitation, Inc.	Wisconsin	Rehabilitation services.		Specialists in musculoskeletal and neurological conditions
February					
ComForCare Health Care Holdings LLC	CarePatrol Franchise Systems Inc.	Arizona	Assisted living placement company		Expands footprint in the older adult care space
Charles River Laboratories International Inc.	MPI Research Inc.	Michigan	Contract research organization	\$800 million	Biotechnology client base
RI RCM Inc. (NasdaqCM:RCM)	Intermedix Corporation	Florida	Technology-enabled revenue cycle management solutions	\$460 million; 2.4X Revenue	Technology-enabled revenue cycle service provider

Price-LTM Normalized Earnings by Revenue



Source: Industry reports and S & P Intelligence



We specialize in providing corporate finance solutions to "Second Stage Growth Companies".

Arbor Capital Markets

About Us

Greg has over 30 years of finance and investment banking experience as a senior executive and investor in early and mid-stage growth companies. He has served as a Partner in the Ernst & Young Corporate Finance Consulting Group as Managing Director of Alternative Investments for Telemus Capital Partners and as Credit Officer for Citibank. He co-founded Leonard Capital Markets and prior to that served as a partner of

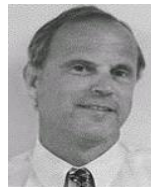


Greg Buck

Managing Director

M Group, Inc., an investment firm based in Birmingham, MI, where he focused on technology investments and diversified manufacturing and service company acquisitions. He graduated from the University of Michigan with a BA and holds a MBA from Western Michigan University.

John has over 30 years experience as an investment banker and business consultant. He was a lead investor and served on the Board of Relume, Inc (an LED pioneer). He began his private sector career as an investment banker, specializing in public offering and consolidation in the financial sector; first with Johnston Lemon & co. and then First of Michigan Corporation. In 1991 he formed JMP Financial, Inc. He began his professional career in Economic Policy with The Heritage Foundation, as Chief Economist to Dan Quayle and senior political appointee of President Reagan. He has an MBA from the University of Michigan and post graduate economics studies at George Mason University.



John Palfy
Affiliate

Keith has nearly 40 years of lighting industry experience, including two decades of senior business leadership at Future Electronics, Luminus Devices, Inc., GE and Iwasaki Electric driving profitable growth companies, transforming traditional lighting companies while driving adaption of LED and the eco-system of supporting technologies. He was responsible for the successful



Keith T.S. Ward
Affiliate

restructuring and sale of Luminus Devices and is currently serving advisory/board director roles in for MLS, LEDvance, Forest Lighting, Alternative Lighting Technology, Global Value Lighting, Arborlight, Inc. and Standard Products. Keith has a BSBA from Clarion University of Pennsylvania and an MBA from John Carroll University..

A Note to our Readers,

Are you interested in more fully understanding how the highs and lows of the US M&A marketplace impact your company value or how the decisions of our President impacts your ability to sell or recap or raise funds for your company? ACM is in the market and ready and willing to share our experiences and review with you how this market will influence your alternatives, business, and shareholder decisions. We encourage you to share your thoughts with us as we continue to represent closely held companies in meeting their shareholder objectives. Contact us today and let us provide you with a preliminary idea of value and potential purchasers.

Greg Buck

Managing Director

734.678.0483

gbuck@arborcapitalmarkets.com

M&A advisory options for companies valued between \$2 to \$20MM is limited and often times serviced with unlicensed "finders" and national firms selling "fill in the blank" offering memorandum's.

Arbor Capital Markets believes there is a better way. We specialize in delivering high quality, fully licensed, corporate finance/M&A investment banking services to small and midsize companies at moderate fee levels. Our clients have the exclusive focus of senior deal makers who have closed and walked away from many situations over the course of their 30+ year careers.

Arbor Capital Markets takes the time to:

- Analyze and discuss your strategic goals and options;
- Create the business-specific plan to achieve those goals;
- Develop individualized marketing documents and plans that highlight the distinct advantages of your business;
- Market your business to a focused prospective list.

Arbor Capital Markets

www.arborcapitalmarkets.com

Ann Arbor, Michigan

Securities transactions conducted through StillPoint Capital, LLC located in Tampa, FL. Member FINRA & SIPC" .



We specialize in providing corporate finance solutions to "Second Stage Growth Companies".