

M&A Market Newsletter

Kansas City & Middle Market Focus

First Quarter 2017





M&A Market Report

U.S. Market Highlights

- Global mergers and acquisitions (M&A) had a mixed first quarter with a slide in the number of deals announced but a rise in the overall value of deal making activity. While the total number of deals announced fell by 17.9% versus the first quarter of 2016, overall deal value was up by 8.9% to a total of \$678.5 billion. The move towards larger deals reflects a reversion back towards trends seen in 2015 after a 2016 that focused more on middle market activity. Key themes in evidence for the quarter were the spike in the consumer sector, an enormous scaling back of activity from Chinese buyers and a drop-off of inbound European M&A. ([CNBC](#))
- Oil prices have risen as a result of reports that Saudi Arabia, the de-facto leader of the Organization of the Petroleum Exporting Countries (OPEC), had told other producers that it wanted to extend a coordinated production cut beyond the first half of the year. OPEC and other producers, including Russia, have pledged to cut output by around 1.8 million barrels per day (bpd) during the first half of the year in an effort to rein in global oversupply and prop up prices. Despite this, there are still some concerns that oil markets remain bloated and oversupplied, especially in the United States where both production and inventories are surging. ([Reuters](#))
- The Fed has said it doesn't plan to sell the securities, a move that could abruptly drive up long-term rates and rattle the economy. Instead, it plans to stop reinvesting the proceeds as the assets mature. Fed policymakers also surprised economists last month by sticking to their forecast of two more similar quarter-point increases this year and three in 2018. ([USAToday](#))
- President Trump, frustrated by China's inaction on North Korea, opened the door on Tuesday to concessions on his trade agenda with Beijing in exchange for greater Chinese support in pressuring Pyongyang. Only China, with its vast economic leverage over its reclusive neighbor, can realistically force a change in the behavior of North Korea's dictator, Kim Jong-un. In his first concrete move on trade with China, Mr. Trump is preparing an executive order in coming weeks targeting countries that dump steel into the American market, a measure that would be aimed mainly at Beijing. ([NYTimes](#))

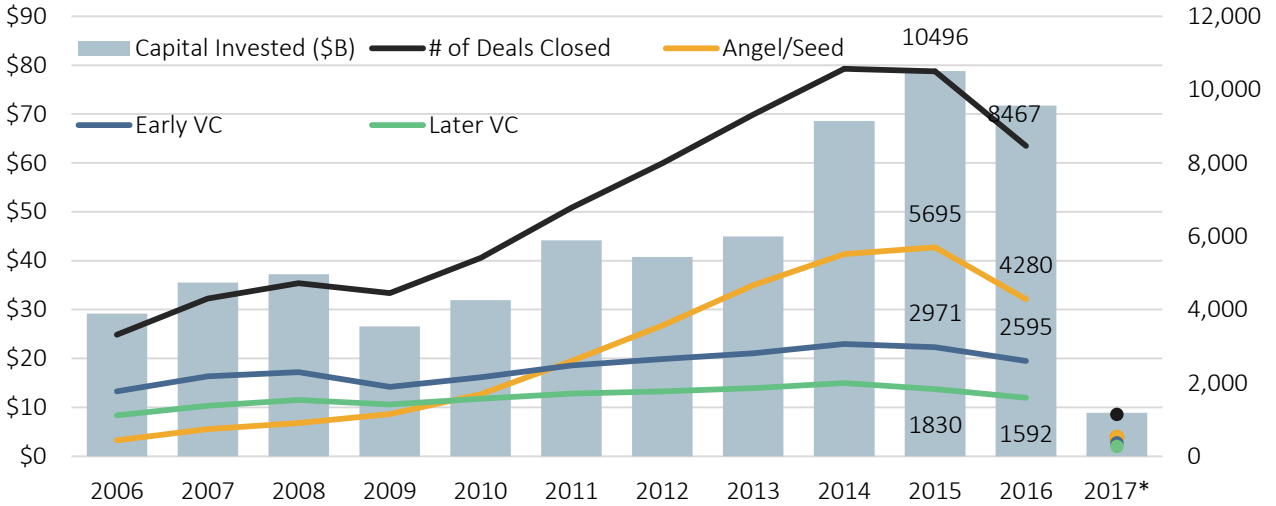


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Market Trends

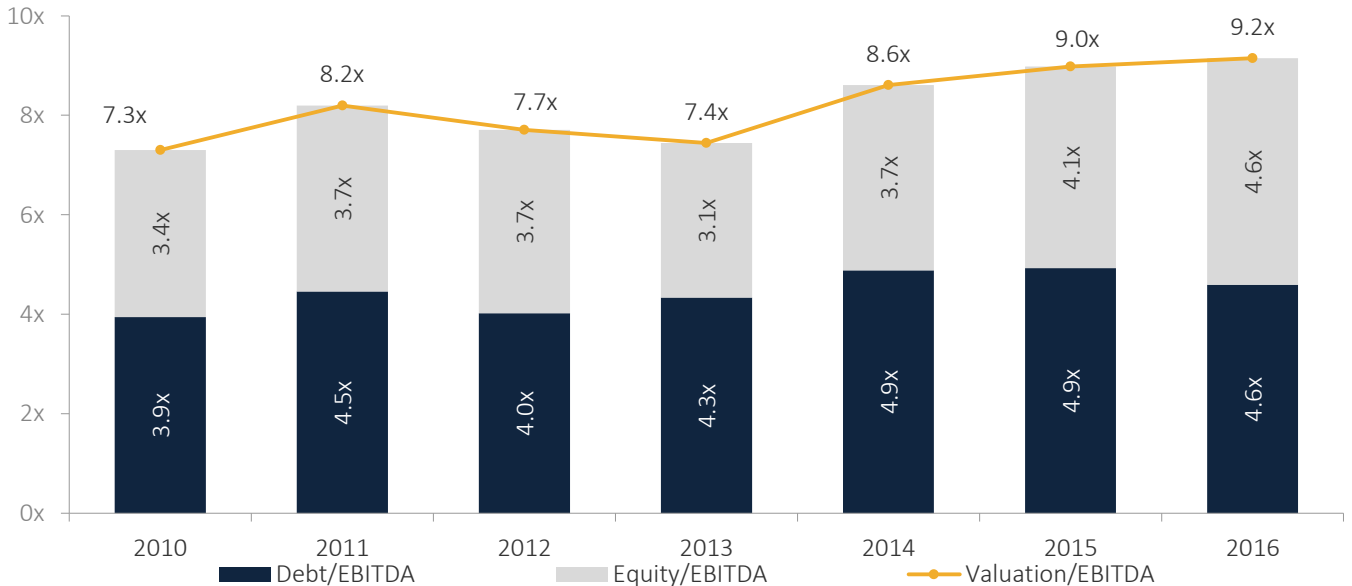
- Relative to historical figures, VC activity stayed high in 2016 as 8,467 deals were completed and the decade's second-highest capital sum made its way into startups. Deal sizes continued to grow as investors looked for companies with more traction and emphasized slower burn rates. Altogether, median valuations stayed elevated across the board, growing at nearly every stage in 2016.



We continue to see healthy buyer demand in the market, with strong fundamentals and the prospect for new U.S. policy such as tax reform, cash repatriation, and reduced regulation.

John Hense, Managing Director

Median EBITDA Multiples



- As corporates continue to sit on piles of cash ready to be put to work, equity contributions registered the highest level seen since 2010, at nearly 50%. On an absolute basis, debt remains cheap, but the combination of inflated equity prices and the excess of cash on corporate books allows strategics to move rather swiftly to get deals done.

Economic Snapshot

Note: Financial figures as of 4/7/2017

Economics	Current	3 Mo Ago	6 Mo Ago	Year Ago
Unemployment	4.5%	4.8%	4.8%	5.0%
Consumer Confidence	96.90	98.50	87.20	89.00
Housing Permits (millions)	1.29	1.25	1.34	1.17
S&P/Case-Shiller 20 City	192.81	192.81	191.79	186.63
CPI	1.40%	2.50%	1.64%	1.54%

- US unemployment rate fell to 4.5% in March 2017, better than market expectations of 4.7%. It was the lowest jobless rate since May 2007, as the number of unemployed persons declined by 326,000 to 7.2 million.

Equity Market	Close	Week Ago	4 Weeks Ago	Year Ago
Dow Industrials	20,656.10	20,663.22	20,902.98	17,576.96
S&P 500	2,355.54	2,362.72	2,372.60	2,047.60
NASDAQ	5,877.81	5,911.74	4,095.52	4,095.52
Dow Utilities	699.22	697.28	689.87	660.11
VIX: S&P 500 Volatility	12.87	12.37	11.66	15.36
S&P 500 Earnings / Share Projection		TTM - E	2017	2018
S&P		\$ 99.53	\$ 119.46	\$ 133.76
P/E Ratio (Trailing & Forward)		23.67x	19.72x	17.61x

- Despite recent turbulence in the stock market, the major indexes are wrapping up the first quarter on a positive note. The Dow gained nearly 5% during the three months of the year, while the Nasdaq is on track for a 10% jump, its best quarter since late 2013. All that is despite Trump's failure to repeal and replace Obamacare, a stumble that has raised doubts about his ability to push through the tax reform that has excited investors. While Wall Street took cues from Washington throughout the first quarter, there is reason to believe the focus will swing back to the fundamentals of the economy and earnings soon.

Economics	Last Q	1 Q Ago	2 Q Ago	3 Q Ago
GDP Growth	2.1%	3.5%	1.4%	1.1%

- The US economy advanced an annualized 2.1% on quarter in the fourth quarter of 2016, higher than 1.9% in the previous estimates. Consumer spending and inventories increased faster than anticipated while net trade subtracted more from growth. In 2016, the GDP expanded 1.6%, the lowest since 2011.

Sources: WSJ, US Treasury, Bloomberg, Yahoo Finance, Oanda.com, CME, Bureau of Labor Statistics, Bureau of Economic Analysis



Deals from January 2017

Announced	Target (Parent)	Buyer	Comments	Press Release
1/1/2017	Roxbury Bank Roxbury, KS	Central Kansas Bancshares Council Grove, KS	Central Kansas Bancshares Inc. has applied to become the bank holding company of Citizens State Bank and Trust Co. According to the filing submitted to the Federal Reserve Bank of Kansas City, it has also applied to buy Roxbury Bancshares Inc.'s Roxbury Bank.	
1/1/2017	Bank of Lee's Summit Lee's Summit, MO	Security Bank of Kansas City Kansas City, MO	The Bank of Lee's Summit was acquired by Security Bank of Kansas City for an undisclosed amount on January 1, 2017.	
1/3/2017	Security Bank of Kansas City Kansas City, MO	Valley View Bancshares Kansas City, MO	Seven local banks operating under the BancAbility brand have filed an application to merge with the FDIC, using the name Security Bank of Kansas City.	Link
1/3/2017	US Pet Vaccines Portfolio (Boehringer Ingelheim Vetmedica) St. Joseph, MO	Elanco Overland Park, KS	Elanco US Inc., a subsidiary of Eli Lilly and Co., announced it has completed the acquisition of Boehringer Ingelheim Vetmedica, Inc's (BIVI) U.S. feline, canine and rabies vaccines portfolio.	Link
1/4/2017	PPM Services Overland Park, KS	Norcal Mutual Insurance Co. San Francisco, CA	Based in Overland Park, KS, PPM provides medical professional liability insurance for anesthesia practices.	Link
1/3/2017	US Cydectin Products (Boehringer Ingelheim Vetmedica) St. Joseph, MO	Bayer Pittsburgh, PA	Bayer and Boehringer Ingelheim Vetmedica, Inc. announced they have signed an agreement stating Bayer would acquire BIVI's CYDECTIN bovine and ovine endectocide products in the US.	Link
1/10/2017	Crosswind Industries Parkville, MO	Archer Daniels Midland Co. Decatur, IL	Archer Daniels Midland Company announced it has signed an agreement to acquire Crosswind Industries, Inc., a Kansas-based producer of dry-expanded, dual-texture, semi-dry and semi-moist treat products for pets.	Link
1/11/2017	FC Kansas City Soccer (Likens Family) Kansas City, MO	North Central Equity Minneapolis, MN	FC Kansas City has been acquired by Minneapolis businessman Elam Baer. Baer is CEO of North Central Equity LLC. He acquired FC Kansas City from Chris, Brad and Greg Likens, who also own the Kansas City Comets.	Link
1/18/2017	Hint Kansas City, MO	DEG Kansas City, MO	DEG, the Overland Park-based digital agency acquired Kansas City-based Hint, a creative content and experience design shop.	Link
1/18/2017	All Seasons Event Rental Kansas City, KS	M&M Event Rentals Carol Stream, IL	All Seasons Event Rental in Kansas City, Kan., was acquired by Illinois-based M&M Event Rentals, a portfolio company of Florida private equity firm Dubin Clark & Co. Inc.	Link
1/20/2017	Rural Broadband Investments (GTCR) Overland Park, KS	Cable One Inc. Phoenix, AZ	Cable One Inc., a Phoenix-based cable provider, will acquire RBI for \$735 million. The transaction is expected to close in the second quarter.	Link

Deals from January 2017 cont.

Announced	Target (Parent)	Buyer	Comments	Press Release
1/23/2017	Nordic Cinema Group Holding AB Solna, Sweden	AMC Entertainment Leewood, KS	AMC Entertainment announced an agreement to acquire Nordic Cinema. The company is the No. 1 theater operator in Sweden, Finland, Estonia, Latvia and Lithuania, and No. 2 in market share in Norway.	Link
1/23/2017	Minority Stake in Tidal Oslo, Norway	Sprint Corp. Overland Park, KS	Sprint Corp. will acquire 33 percent of Jay Z's music streaming service, Tidal, and will partner with Tidal to provide exclusive content to customers.	Link
1/24/2017	Weld Racing Kansas City, MO	Momo USA Detroit, MI	MOMO USA is the leader in European and road racing focused products including road wheels, steering wheels and safety products reaching over 60 countries. WELD is known for its domination of the North American motorsports wheel markets.	Link

Deals from February 2017

Announced	Target (Parent)	Buyer	Comments	Press Release
2/8/2017	Midwest Wholesale Hardware Kansas City, MO	High Road Capital Partners New York, NY	Midwest Wholesale is a wholesale distributor of commercial and institutional door hardware, electronic access control and security products.	Link
2/9/2017	Mediware Information Systems Lenexa, KS	TPG Capital Ft. Worth, TX	Mediware Information Systems, Inc., a leader in software for healthcare and human services providers, announced TPG Capital, the global private equity fund of leading alternative asset firm TPG, has entered into a definitive agreement to acquire the company from private equity firm Thoma Bravo.	Link
2/13/2017	Universal Printing Co. St. Louis, MO	Henry Wurst Inc. North Kansas City, MO	Henry Wurst said it would keep Universal's account management and client services office in St. Louis, but move its production operations to Kansas City.	Link
2/16/2017	Pleasant Hill Bank Pleasant Hill, MO	Goppert Financial Bank Lathrop, MO	The Pleasant Hill Bank will be merged into Goppert Financial Bank, to create a \$160.5 million-asset bank. The Goppert family has owned both banks for more than 50 years.	Link
2/22/2017	Studio Hive Minneapolis, MN	DLR Group Overland Park, KS	Overland Park-based DLR Group has acquired Studio Hive, a Minneapolis interior design firm.	Link
2/23/2017	Sega Inc. Overland Park, KS	Power Engineers Inc. Meridian, ID	Idaho-based Power Engineers Inc., which has an office in Lenexa, announced Thursday that it will acquire Overland Park-based Sega Inc. in a deal expected to close May 23.	Link

Deals from March 2017

Announced	Target (Parent)	Buyer	Comments	Press Release
3/1/2017	ViralNova Leawood, KS	BumpClick	BumpClick finalized the acquisition of all ViralNova assets. Sean Beckner, the Founder and CEO of BumpClick, was the CEO and controlling member of ViralNova, LLC prior to selling the company to Zealot Networks in 2015.	Link
3/7/2017	Brightergy LLC Northeast Division Assets Kansas City, MO	Solect Energy Boston, MA	The assets include Brightergy's Northeast sales and project management operation as well as part of the company's intellectual property tied to solar lead generation.	Link
3/8/2017	Provant Health Solutions LLC East Greenwich, RI	Hooper Holmes Inc. Olathe, KS	The combined entity will offer biometric screenings, health coaching services, assessments and data analytics.	Link
3/9/2017	XperienceLab LLC Chesterfield, MO	Barkley Kansas City, MO	The Kansas City-based advertising agency acquired XperienceLab LLC, which was founded in 2013. XperienceLab LLC will retain its St. Louis-area office.	Link
3/10/2017	Prairie State Bancshares, Inc. Hoxie, KS	Equity Bancshares, Inc. Wichita, KS	Equity Bank has branch locations in Hoxie, Grinnell and Quinter, Kan., giving the company 37 branches total and 18 in Kansas.	Link
3/13/2017	62 Wendy's Locations (Valenti Mid-Atlantic Management LLC) Memphis, TN	NPC International, Inc. Overland Park, KS	NPC said it has a deal to buy the restaurants from Valenti Mid-Atlantic Management LLC for \$52.6 million plus an unspecified amount for working capital. The restaurants are in south-central Pennsylvania.	Link
3/13/2017	Midwest Perinatal Associates P.A. Overland Park, KS	MEDNAX, Inc. Ft. Lauderdale, FL	MEDNAX Inc. said it has acquired Midwest Perinatal Associates P.A. The practice has patient offices in Overland Park and North Kansas City and provides services to Overland Park Regional Medical Center, Research Medical Center and Centerpoint Medical Center.	Link
3/14/2017	Aero Transportation Products Independence, MO	Wabtec Wilmerding, PA	Aero Transportation Products has manufacturing plants in Missouri and Kansas. It's more than 30 years old and had sales of \$40 million in 2016.	Link
3/15/2017	Kaw Valley Bancorp, Inc.; Kaw Valley Bank Topeka, KS	Topeka Bancshares, Inc. Topeka, KS	Kaw Valley Bancorp Inc. of Topeka entered into an agreement for the sale of Kaw Valley Bancorp and Kaw Valley Bank to Topeka Bancorp Inc. The sale, which will need regulatory approval, is expected to be completed during the summer.	
3/27/2017	StepOne, Inc. Austin, TX	FanThreeSixty LLC Kansas City, MO	The acquisition of StepOne helps FanThreeSixty accelerate its development of business intelligence software for sports and entertainment clients.	Link

Deals from March 2017 cont.



Announced	Target (Parent)	Buyer	Comments	Press Release
3/28/2017	Majority Stake, International Financial Data Services Ltd. (State Street Corp) Boston, MA	DST Systems, Inc. Kansas City, MO	State Street sold its 50% stake in one of the ventures, International Financial Data Services Ltd., to DST and its affiliates for approximately \$175 million in cash.	Link
3/29/2017	PAS Technologies Kansas City, MO	Standard Aero Scottsdale, AZ	StandardAero has signed an agreement to acquire PAS Technologies, which provides support services for the oil-and-gas sector, industrial-gas-turbine and aerospace markets.	Link
3/31/2017	Strenuus Overland Park, KS	Zelis Healthcare Bedminster, NJ	Strenuus is a healthcare information technology company and provider of healthcare provider network analytics. Strenuus is the largest collector of managed health care data in the U.S.	Link

KC-area M&A activity slows in 2016 but still shows promise

Mergers-and-acquisitions activity in the metro area slowed slightly in the past year, but the deals were much bigger, according to a report by Kansas City-based CC Capital Advisors.

To read the April 6th article from the Kansas City Business Journal, please [click here](#).

Investment Bankers Add Value for 100% of Sellers

Meghan Daniels
Axial

Looking to sell your business?

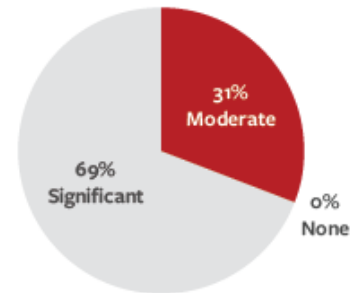
M&A is complex, and sellers in the middle market have a few inherent disadvantages that can make the process more difficult, including:

- Many sellers don't have experience with transactions
- Most sellers don't know the true value of their business
- It's hard to uncover middle market M&A transaction data
- Sellers are balancing the demands of the transaction and day-to-day operations

Investment bankers position themselves to business owners as a solution to these inefficiencies. They help sellers manage the deal process, stay on top of their business, and find the right buyer at the best price.

But do investment bankers actually add value?

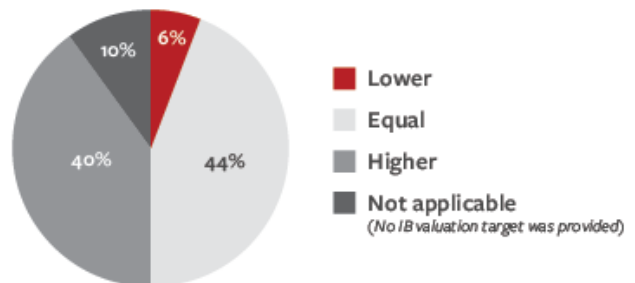
How much value did your investment banker add?



One-hundred percent of owners who sold their business with the help of an investment banker said yes, according to a recent study from Fairfield University professor Dr. Michael McDonald, titled "[The Value of Middle Market Investment Bankers.](#)" McDonald surveyed 85 business owners who sold their businesses with the help of investment bankers for between \$10 million and \$250 million during the period from 2011 to 2016. Sixty-nine percent said that the value added by bankers was "significant."

1. For 84% of business owners, their final sale price was equal to or higher than the initial sale price estimate provided by the banker.

How did the final purchase price (inclusive of earnouts) compare to your investment banker's?



This article was originally published on Axial Forum, which provides news and advice for CEOs and deal professionals. To read the original content, please visit: <http://www.axial.net/forum/2-ways-investment-bankers-add-value-ma/>

Investment Bankers Add Value for 100% of Sellers

Meghan Daniels
Axial

An increased purchase price can make the fee of partnering with an investment bank more than worth it. As the study notes, “Final transaction fees vary widely from firm to firm but are typically based on the size of the transaction and the services provided. Retainer fees paid by the client are sometimes deducted from the final transaction fee that is paid at closing.”

“Notably, these fees decrease as the transaction size increases,” the report notes. “Many banks tier their fees so they get paid a set percentage of the likely purchase price (which is agreed upon by the client and investment banker at the beginning of the process) and then set a higher percentage above that target providing incentives and reward for exceeding expectations.”

2. Business owners saw “managing the M&A process” as the most valuable service the banker provided.

This includes organizing a go-to-market plan and executing on that plan, including creating teasers and CIMs, managing the data room, negotiating key terms and conditions, and managing to a timeline.

Business owners also lean on bankers to negotiate the transaction, prepare the company for sale, and add credibility to their profile as a seller.

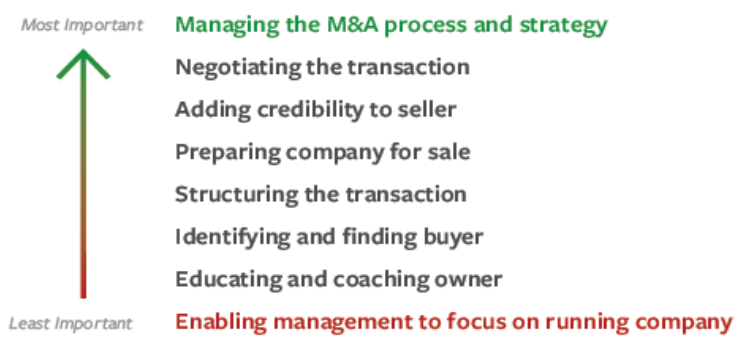
“Representation definitely got us a better price and more favorable terms,” noted one respondent.

Another advised, “Unless you have substantial expertise, a broad buyer network, and a lot of free time, partner with an investment bank. You *may* be able to get it done yourself, but you’ll be leaving millions of dollars on the table as well as closing a higher risk transaction (when it comes to representations, warranties, and indemnifications).”

According to the report, in a full auction process, fees likely fall into these ranges:

Sale Price	Transaction Fee
\$10MM	3.5 – 5%
\$50M	2 – 3%
\$100MM	1 – 1.5%
\$250MM	.75 – 1%

Which investment banker services are most important to you?





John Hense

Stephanie Siders

Julian Buegers

Mike Lierz

Terry Christenberry

Bill Conway

Chris Brito

Jill Mortensen

ABOUT CC CAPITAL ADVISORS

Our Kansas City-based team of professionals has earned the reputation for successfully initiating, structuring, negotiating and closing corporate transactions. More importantly, we approach each client relationship with the highest ethical standards. Entrepreneurial in attitude and accomplished in performance, CC Capital Advisors stand ready to deliver the expert advice you need with the personal attention and integrity you deserve. Leveraging the ironclad local reputation of Country Club Bank with global capabilities, as an investment bank, CC Capital Advisors provides companies a full range of advisory services including mergers and acquisitions, capital raising and other corporate finance alternatives.

Country Club Financial Services, Inc., dba CC Capital Advisors, Member FINRA, SIPC

RECENT CCCA TRANSACTIONS:



JPI GLASS
Kansas City, MO

has received development capital from

3PEQUITY PARTNERS
San Jose, CA

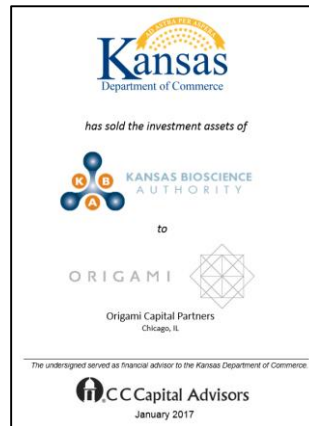
and


Silver Sail CAPITAL
Los Angeles, CA

The undersigned served as financial advisor to JPI Glass


 CC Capital Advisors
December 2016

JPI Glass received development capital from 3P Equity Partners and Silver Sail Capital on December 23rd, 2016. CCCA acted as an advisor to JPI Glass.




 Kansas
Department of Commerce

has sold the investment assets of

 KANSAS BIOSCIENCE AUTHORITY

to

ORIGAMI 

Origami Capital Partners
Chicago, IL

The undersigned served as financial advisor to the Kansas Department of Commerce

 CC Capital Advisors
January 2017

The Kansas Department of Commerce has divested the investment assets of the Kansas Bioscience Authority (KBA) to Origami Capital Partners. CCCA acted as an advisor to the Kansas Department of Commerce and the KBA.

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