



WSG 2015 North America Regional Meeting

Friday, March 13

PARK CITY, UTAH



DURHAM
JONES &
PINEGAR

#WSGevents2015

2014 Review & 2015 Economic Outlook

PANEL DISCUSSION | 10:00 – 11:15

MODERATOR:

David A. Allard, Partner, *Lawson Lundell LLP*

PANELISTS:

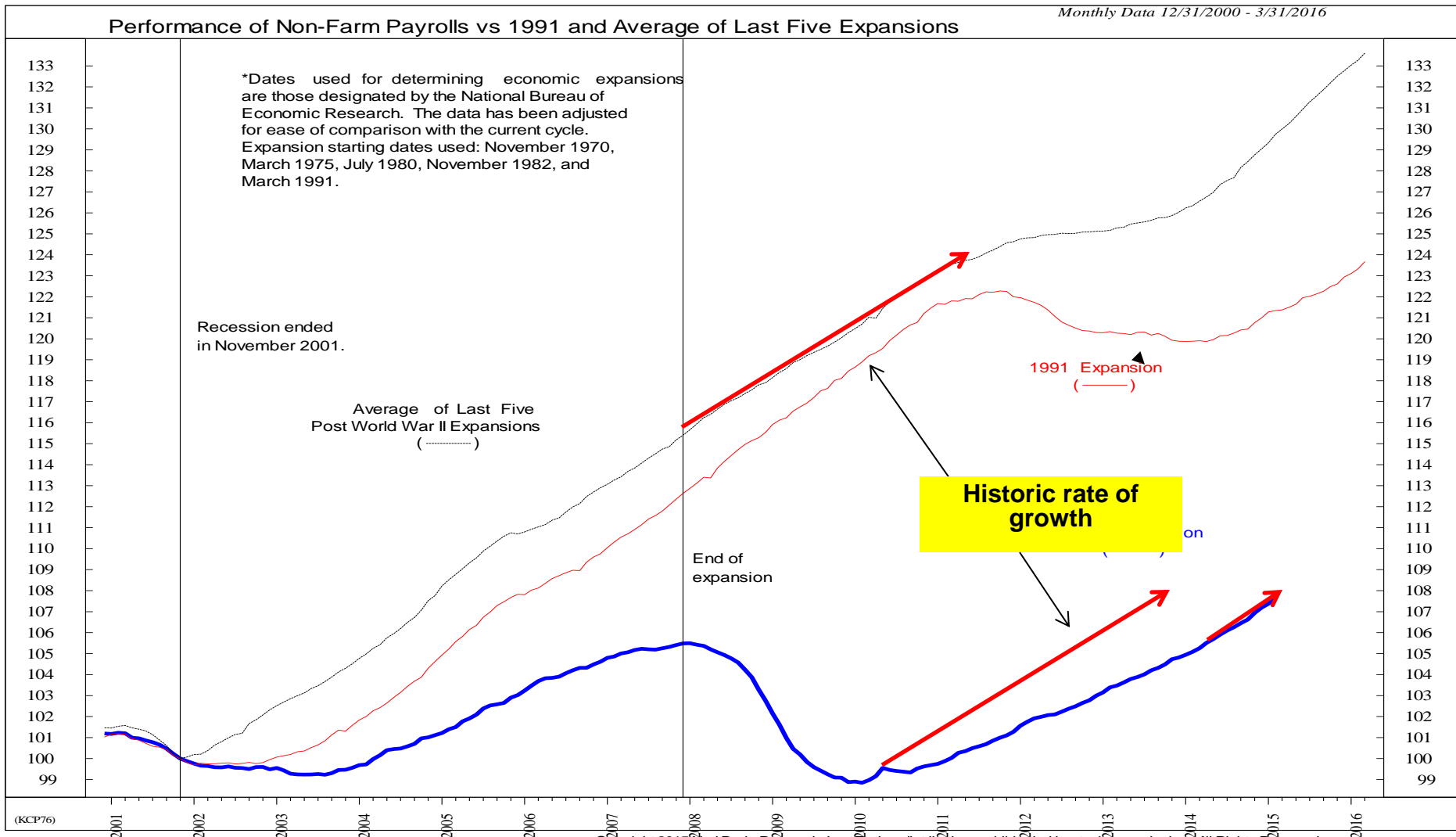
Bruce E. McCain, Chief Investment Strategist, *Key Private Bank*

Nick P. Jachim, Managing Director, *Stout Risius Ross*

Kevin M. White, Managing Director, *Western Reserve Partners*

Non-Farm Payrolls Growth After Recessions

“This has been an extremely disappointing cycle for jobs growth.”



© Copyright 2015 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.



Information is based on data from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations contained herein are subject to change without notice and are not intended as individual investment advice.

Measures of Unemployment

“Structural unemployment has been a much bigger problem throughout this cycle.”



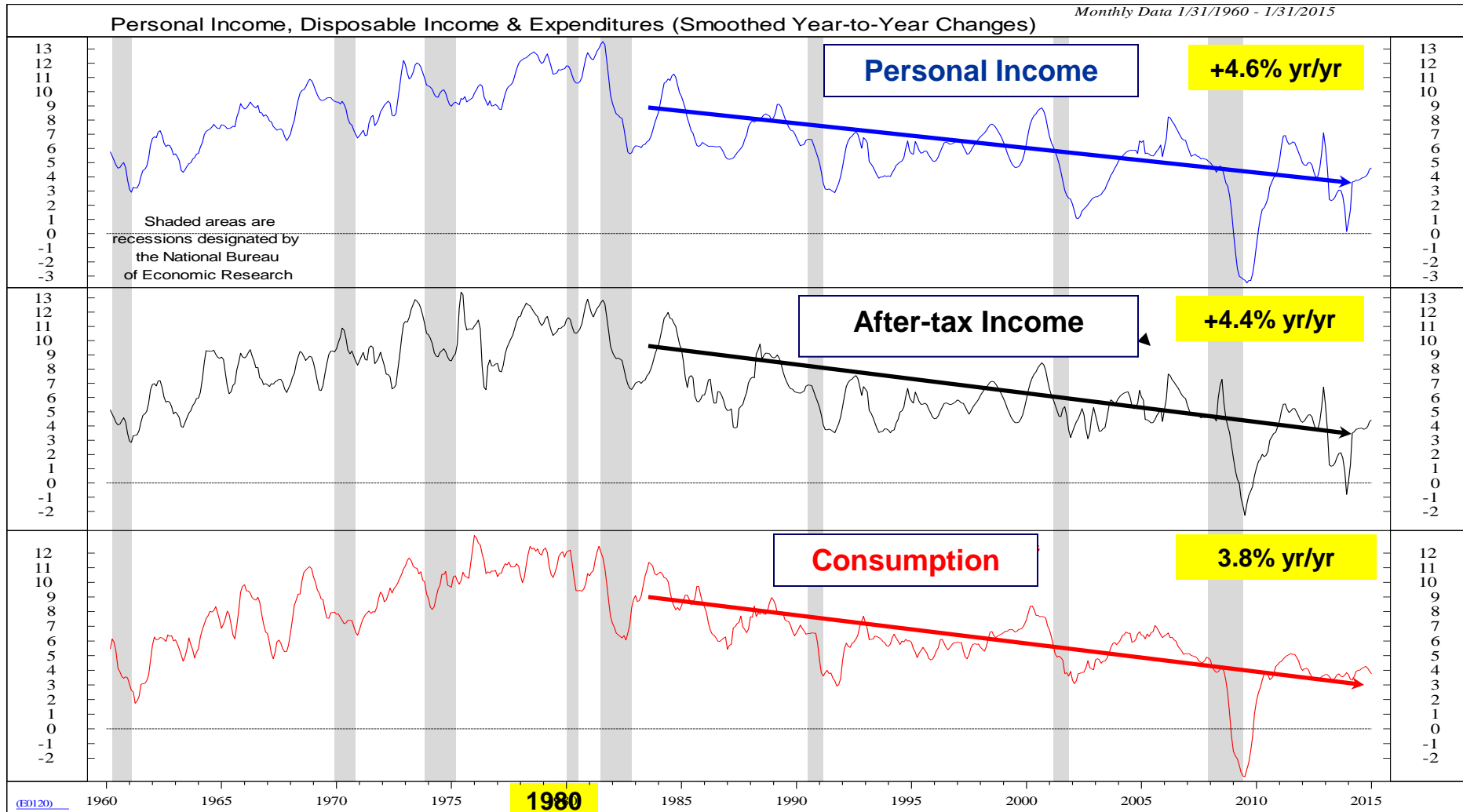
© Copyright 2015 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved.
See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.



Information is based on data from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations contained herein are subject to change without notice and are not intended as individual investment advice.

Income and Spending Growth

“Slower income and compensation growth has been one effect of globalization.”



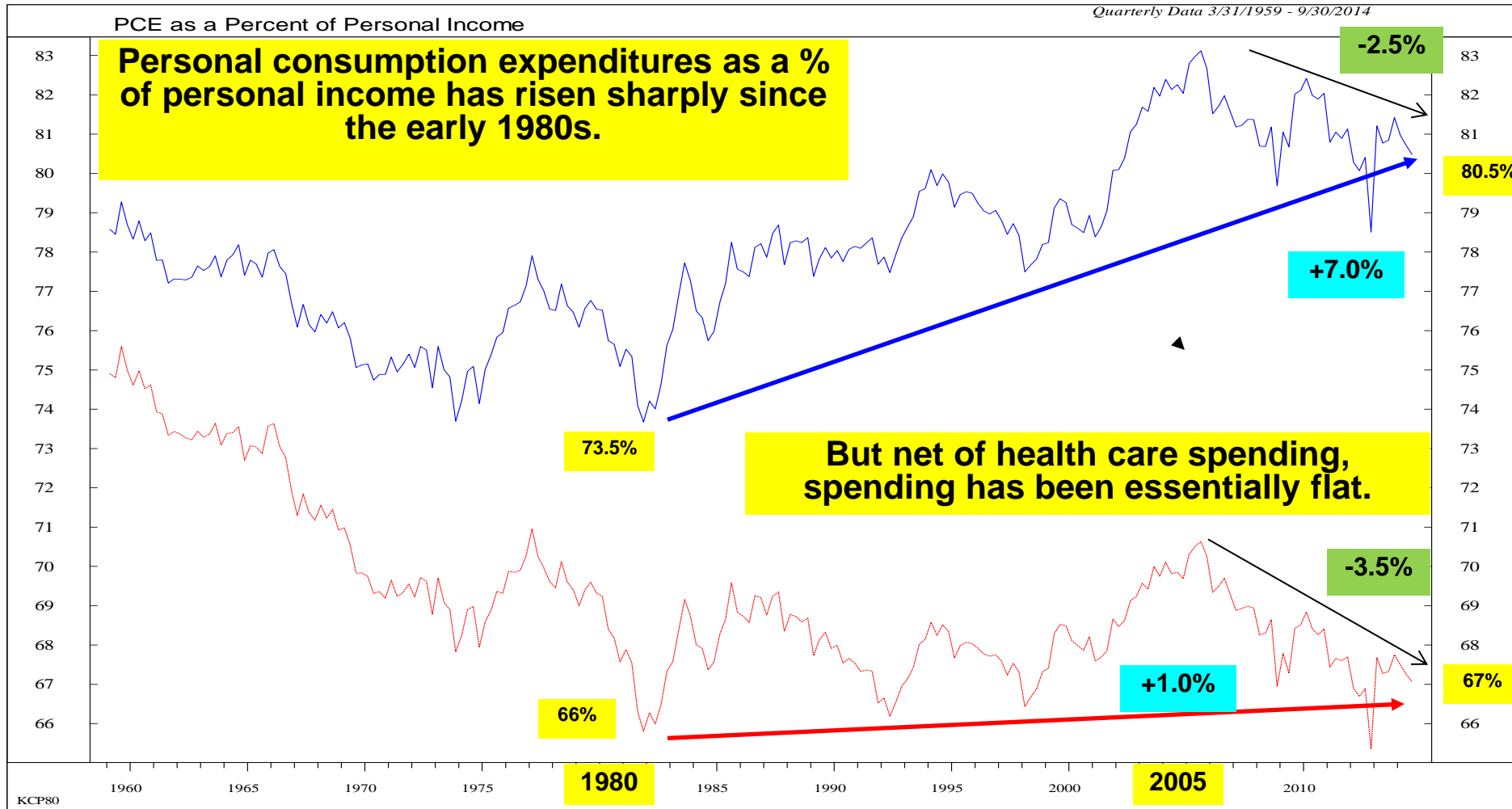
© Copyright 2015 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved.
 See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.



Information is based on data from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations contained herein are subject to change without notice and are not intended as individual investment advice.

Personal Consumption net of Health Care

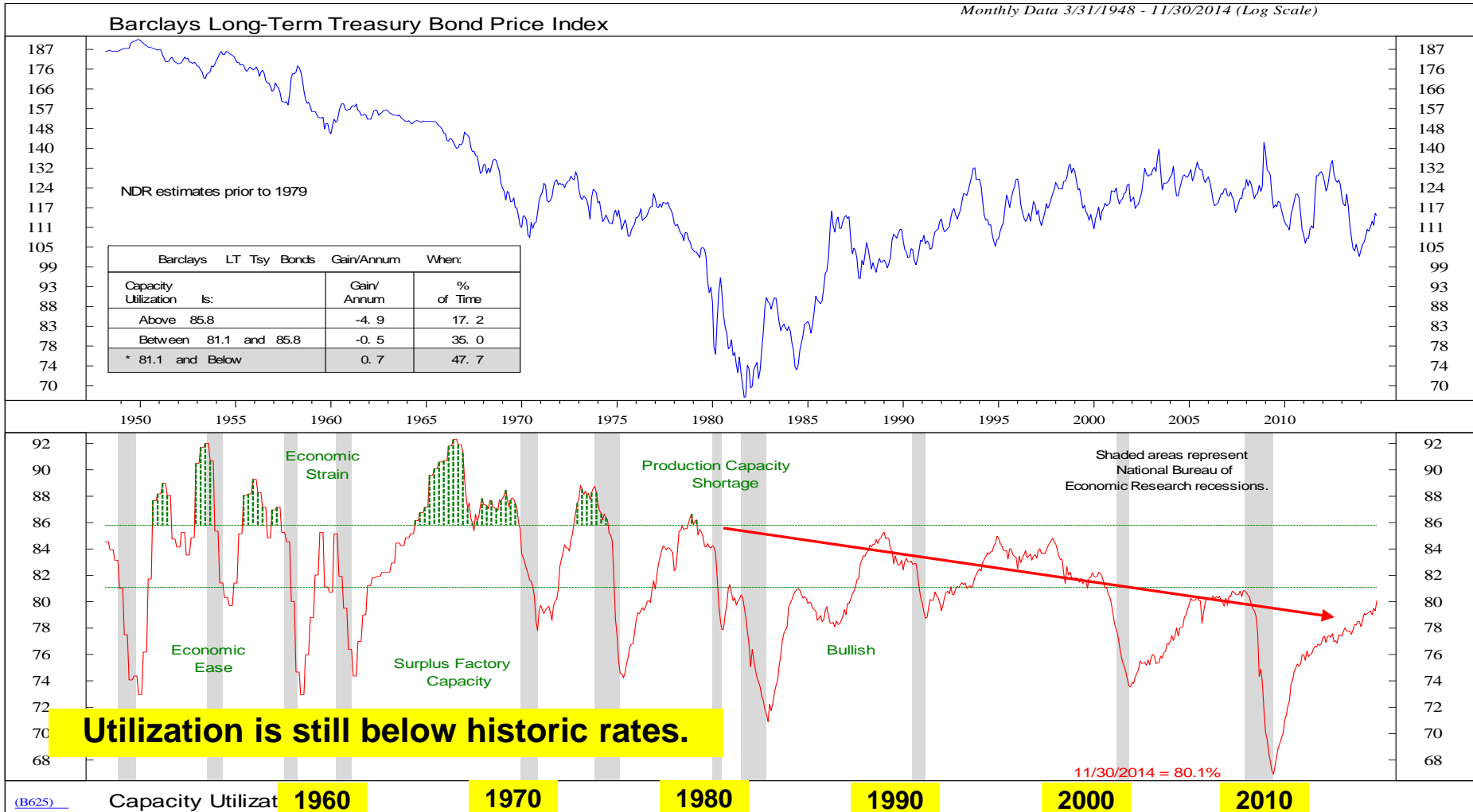
“Rising health care costs have accounted for much of the rising in personal consumption.”



© Copyright 2014 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.

Capacity Utilization

“Large amounts of productive capacity has made businesses reluctant to expand.”



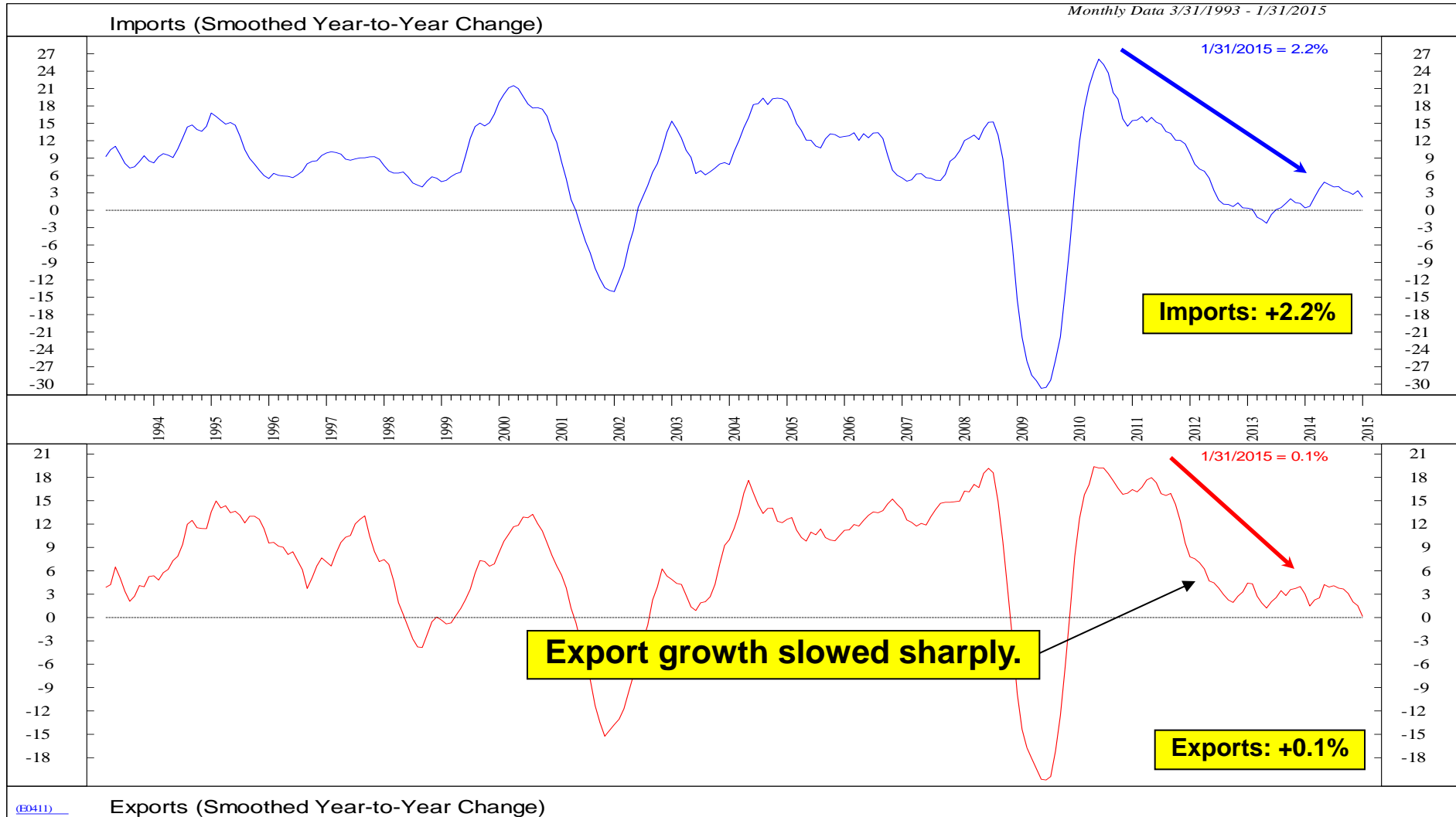
© Copyright 2014 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.



Information is based on data from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations contained herein are subject to change without notice and are not intended as individual investment advice.

Growth of Imports & Exports

“World trade has slowed substantially over the last two years.”



© Copyright 2015 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.



Information is based on data from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations contained herein are subject to change without notice and are not intended as individual investment advice.



M&A and Capital Markets Perspective

Nick Jachim – Managing Director, Investment Banking

SRR

STOUT | RISIUS | ROSS

Investment Banking

SRR is one of the largest, fastest growing, and most respected independent financial advisory services firms in the U.S., known for its premier expertise, deep industry knowledge, and unparalleled responsiveness.

- Top ranked M&A and financial advisor with more than 3,000 engagements executed each year
- Recognized as a leading advisor in Thomson Reuters' M&A Financial Advisory Review (Full Year 2013)
- 23 years of history, a proven execution model, and a reputation for attracting and retaining top industry talent
- 350 professionals across 12 offices in the United States

Investment Banking

Mergers & acquisitions
Private market financing
Distressed transaction advisory
Strategic assessments

Valuation & Financial Opinions

Fairness & solvency opinions
Financial reporting
Corporate tax related valuations
ESOP & ERISA advisory
Succession & shareholder planning
Real estate valuation
Machinery & equipment valuation

Dispute Advisory & Forensic Services

Pre-litigation consulting
Forensic investigations
Discovery services
Complex damage analysis
Economic assessments for settlement and case evaluation
Expert opinions and consultations

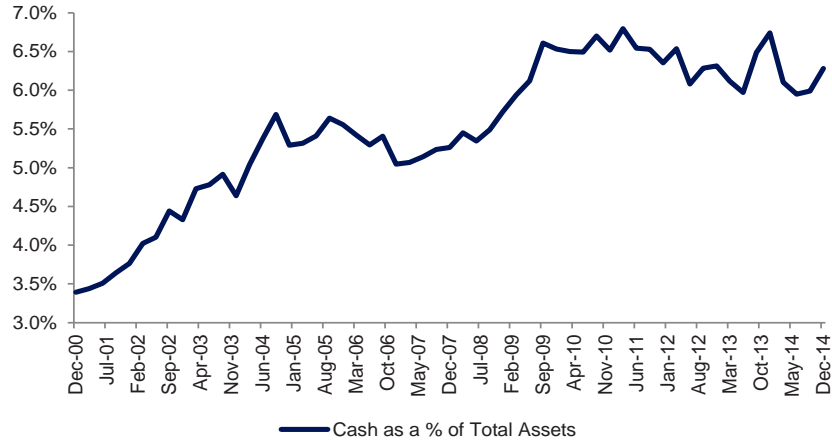
Atlanta Baltimore Chicago Cleveland Dallas Denver Detroit Houston Los Angeles New York Tysons Corner Washington, DC

SRR is a trade name for Stout Risius Ross, Inc. and Stout Risius Ross Advisors, LLC, a FINRA registered broker-dealer and SIPC member firm.

M&A and Capital Markets Perspective

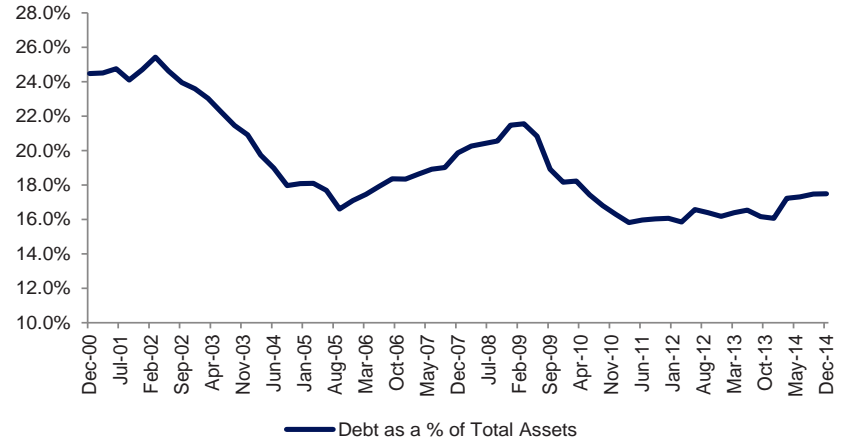
Availability of Capital

Corporate Cash Balances



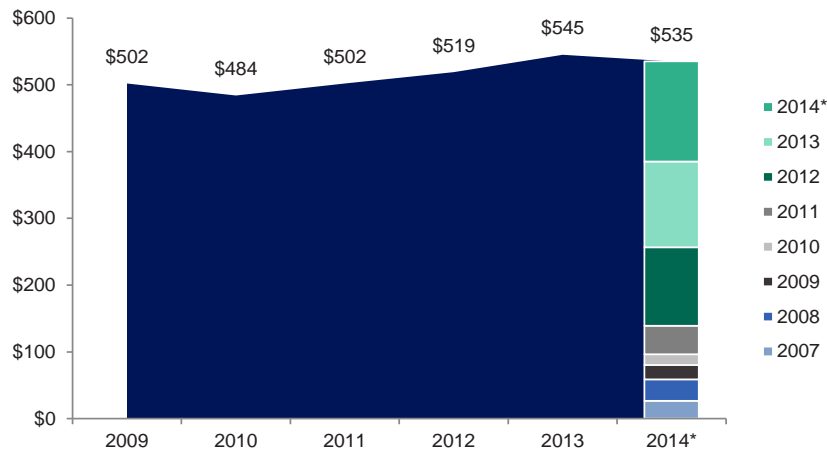
Note: Includes all non-financial companies in S&P 500
Source: S&P Capital IQ, Inc.

Corporate Debt Balances



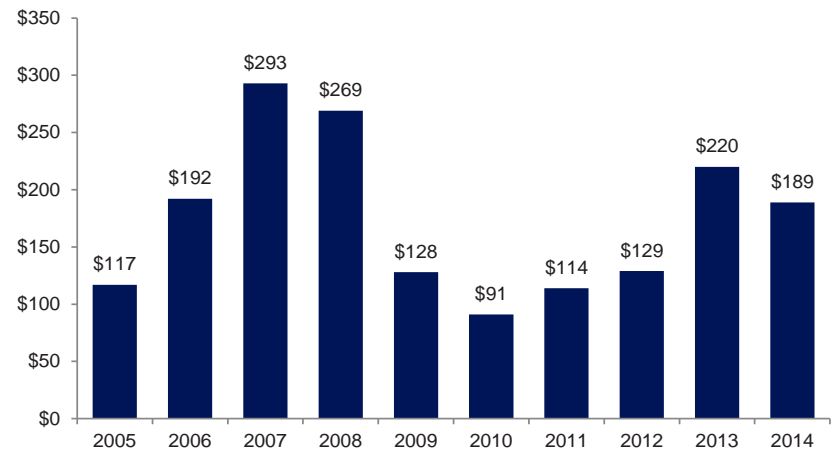
Note: Includes all non-financial companies in S&P 500
Source: S&P Capital IQ, Inc.

Private Equity Overhang (\$ billions)



* Through 6/30/2014
Source: PitchBook

Private Equity Fundraising (\$ billions)

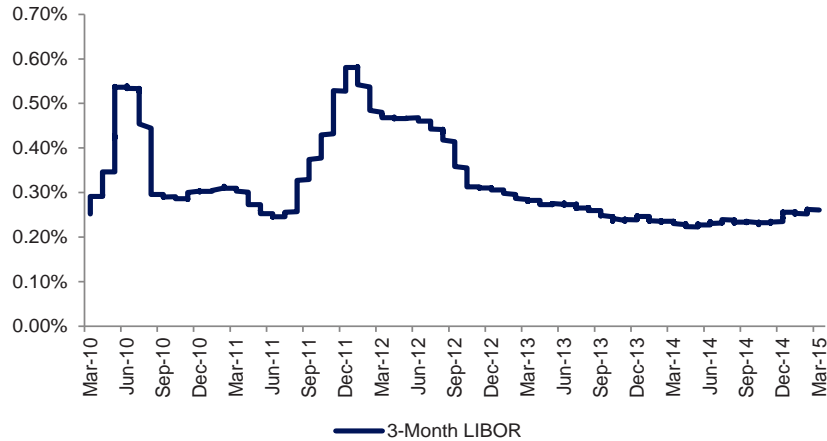


Source: PitchBook

M&A and Capital Markets Perspective

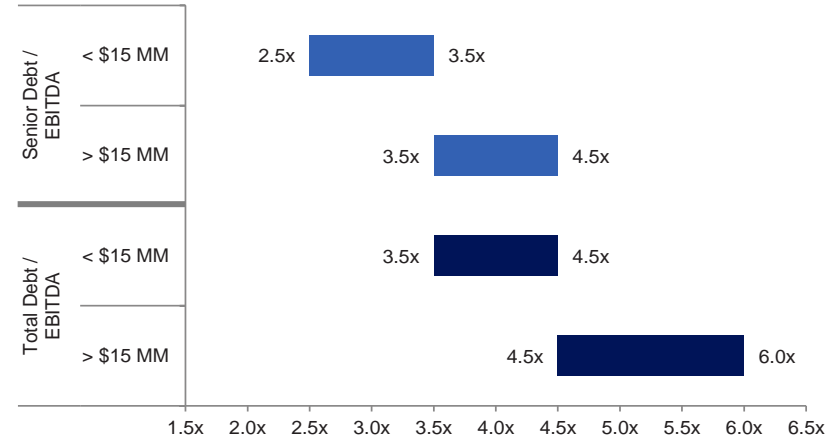
Availability of Capital (cont.)

LIBOR Rate



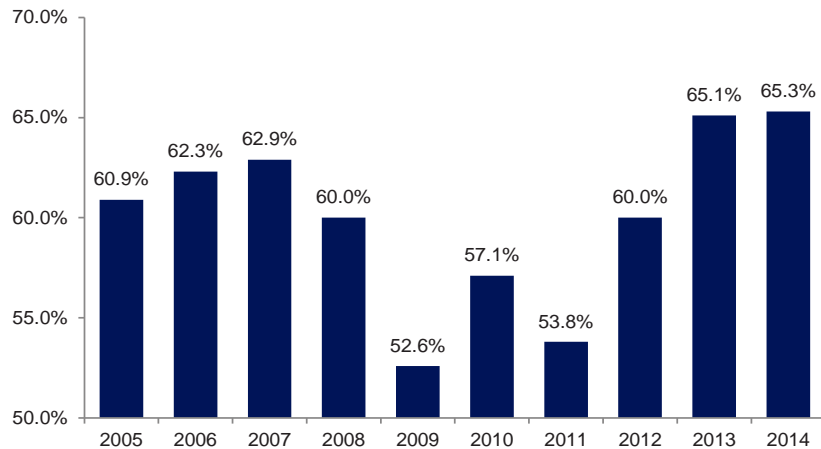
Source: Federal Reserve

Cash Flow Leverage Multiples



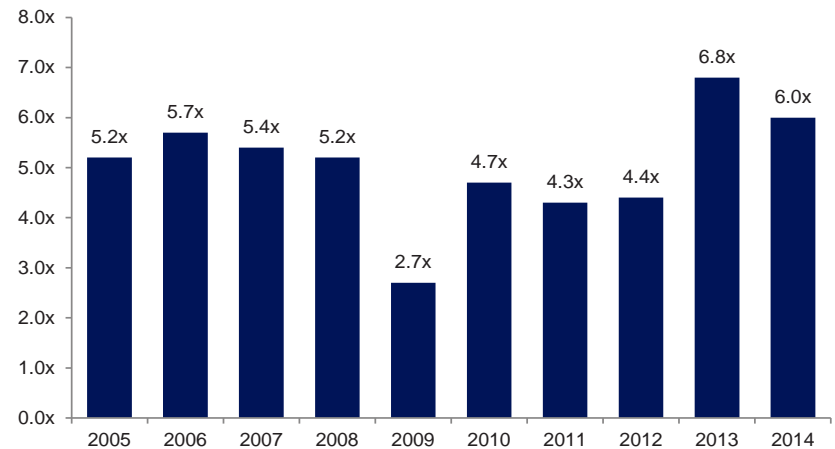
Source: SRR Research

LBO Median Debt Percentages



Source: PitchBook

LBO Median Debt/EBITDA Multiples



Source: PitchBook

M&A and Capital Markets Perspective

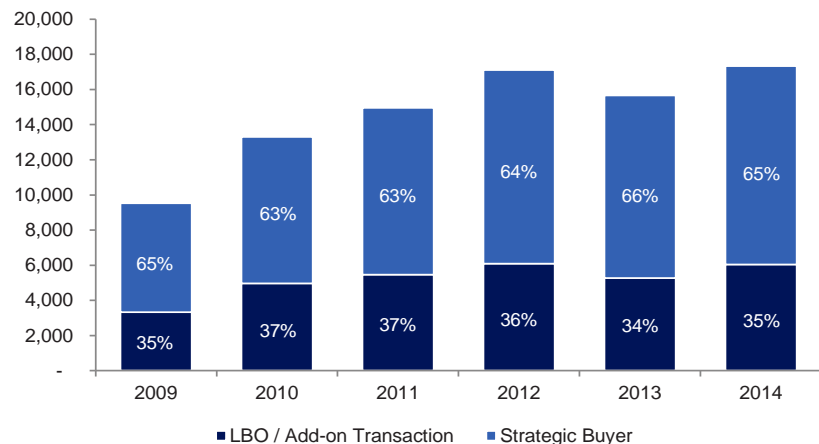
Recent M&A Activity

U.S. M&A Overview

Deal Size	Number of Deals			Agg. Value (\$ billions)		
	12 Months Ended		%	12 Months Ended		%
	12/31/13	12/31/14		Change	12/31/13	
\$ 1 Billion +	167	233	39.5%	\$697.8	\$1,173.8	68.2%
\$500M to \$999.9M	161	161	0.0%	112.9	113.9	0.8%
\$250M to \$499.9M	272	317	16.5%	91.7	109.7	19.6%
\$100M to \$249.9M	576	716	24.3%	88.5	110.9	25.4%
\$50M to \$99.9M	726	775	6.7%	50.8	53.2	4.7%
\$25M to \$49.9M	1,012	1,089	7.6%	35.9	38.4	7.0%
\$10M to \$24.9M	1,569	1,685	7.4%	25.3	26.9	6.5%
Under \$10M	3,333	3,264	(2.1%)	11.5	11.4	(0.2%)
Value Not Disclosed	9,755	11,224	15.1%	N/A	N/A	N/A
Total	17,571	19,464	10.8%	\$1,114.4	\$1,638.3	47.0%

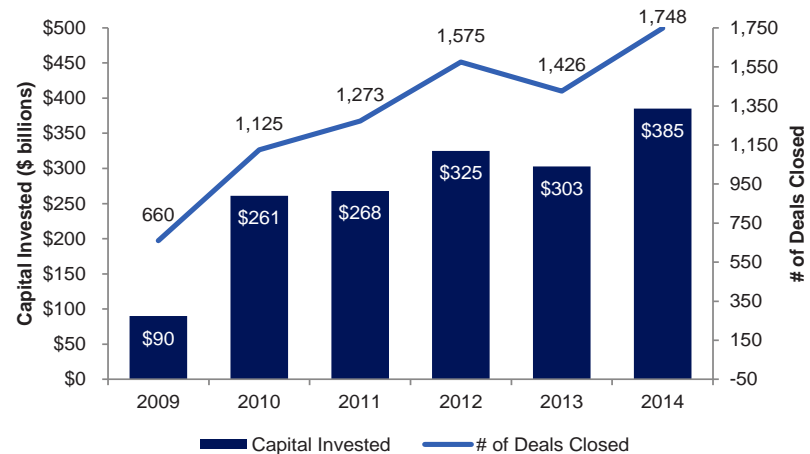
Source: S&P Capital IQ, Inc.

U.S. M&A Volume by Buyer Type



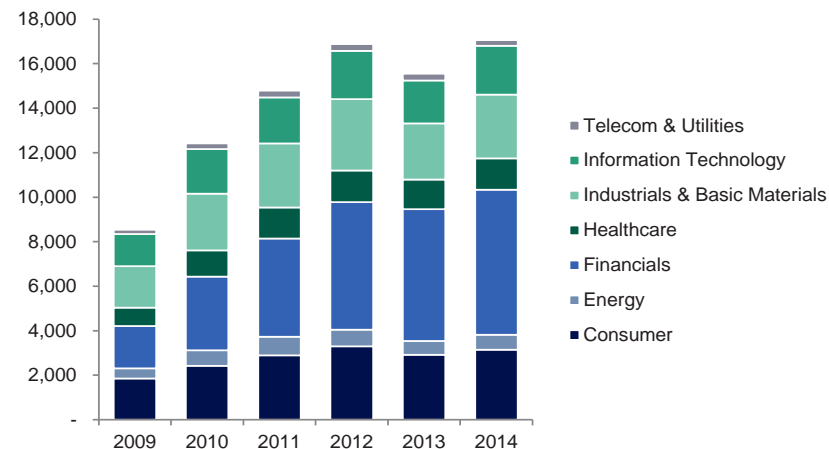
Source: S&P Capital IQ, Inc.

Middle Market Private Equity Investment



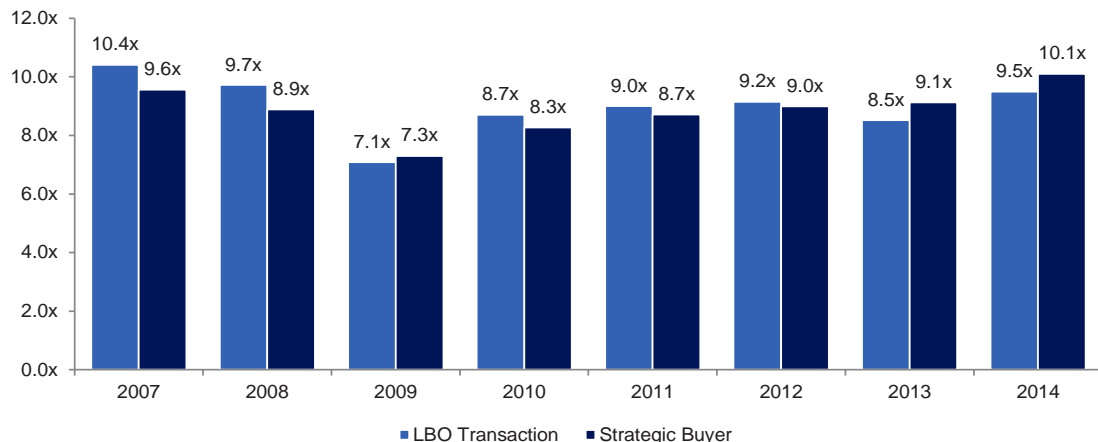
Source: PitchBook

U.S. M&A Volume by Sector



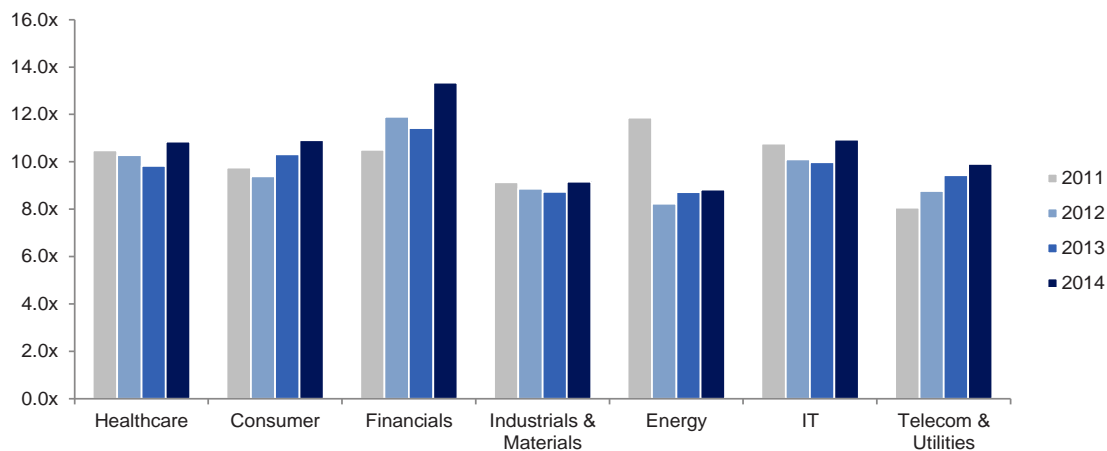
Source: S&P Capital IQ, Inc.

U.S. M&A Valuations by Buyer Type



Note: Includes transactions with implied EV/EBITDA multiples between 1x and 20x
 Source: S&P Capital IQ, Inc.

U.S. M&A Valuations by Sector



Note: Includes transactions with implied EV/EBITDA multiples between 1x and 20x
 Source: S&P Capital IQ, Inc.

Nick P. Jachim
Managing Director
312.752.3396
njachim@srr.com



Stout Risius Ross Advisors, LLC
One South Wacker, 20th Floor
Chicago, IL 60606

312.857.9000
www.srr.com



M&A Market Outlook

March 13, 2015


W E S T E R N R E S E R V E

PARTNERS LLC

An M&A International Inc. firm 

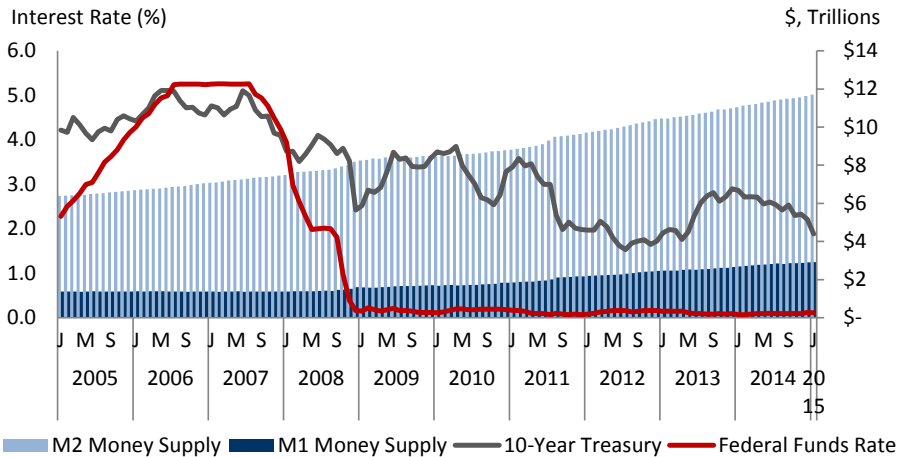
Western Reserve Overview

Western Reserve is a leading investment banking firm dedicated to providing customized solutions and unparalleled results to leading middle market companies

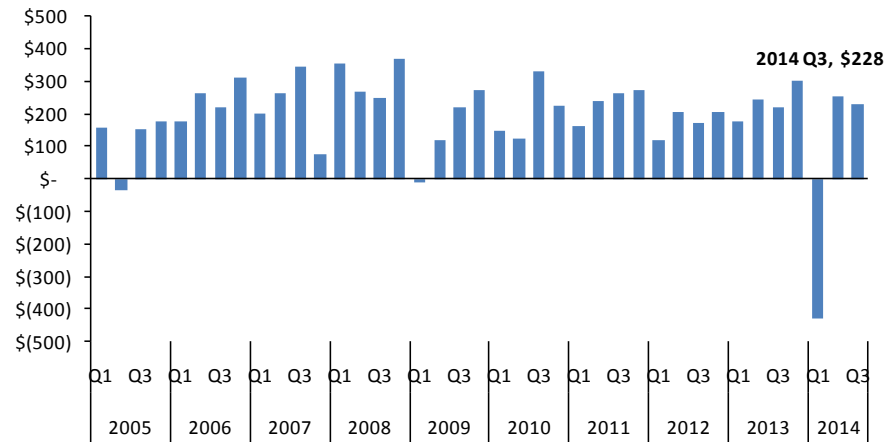
What We Do	Financial Advisory Services		Focused Industry Verticals	
	<ul style="list-style-type: none"> ▪ Mergers and Acquisitions ▪ Capital Raising ▪ Financial Opinions and Valuations ▪ Restructuring and Bankruptcy 		<ul style="list-style-type: none"> <li style="width: 50%;">▪ Industrial <li style="width: 50%;">▪ Distribution <li style="width: 50%;">▪ Consumer <li style="width: 50%;">▪ Services <li style="width: 50%;">▪ Healthcare & Technology <li style="width: 50%;">▪ Real Estate 	
Why We're Different	Dedicated Senior Attention	Long-Term Perspective	Global Reach	
	<ul style="list-style-type: none"> ▪ Partners average nearly 30 years of experience and have collectively executed more than 600 transactions ▪ All investment banking professionals are FINRA licensed, with Series 79, 24 and 63 designations, as appropriate 	<ul style="list-style-type: none"> ▪ As a private partnership, we are able to put the long-term interests of our clients ahead of short-term financial gain ▪ Many of our client relationships have spanned a decade or longer, and several have entrusted us with multiple engagements 	<ul style="list-style-type: none"> ▪ Member of M&A International Inc. ("MAI") and World Services Group ("WSG") <ul style="list-style-type: none"> – MAI: 48 investment banking firms in 42 countries – WSG: over 130 firms in more than 115 countries ▪ Senior leadership has completed over 40 transactions involving non-U.S. companies 	
Our Results	Industry Leading Clients		Unparalleled Results	
	<p>Western Reserve's reference list is extensive and is comprised of companies that are U.S. or global leaders in their respective industries:</p> 		<p>Thoughtful advice, keen market insight and well-crafted transaction processes have resulted in over 80% of our sell-side engagements closing at valuation ranges that meet or exceed expectations</p>	

Capital is Plentiful

U.S. Money Supply



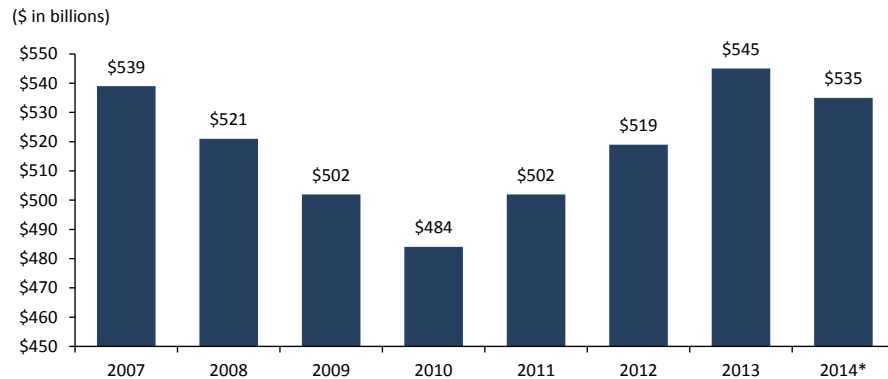
Cash Inflows into U.S.



S&P 500 Cash Balances

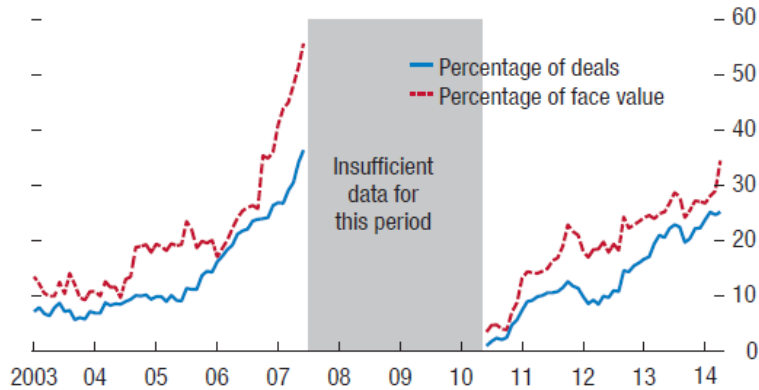


Uninvested PE Capital



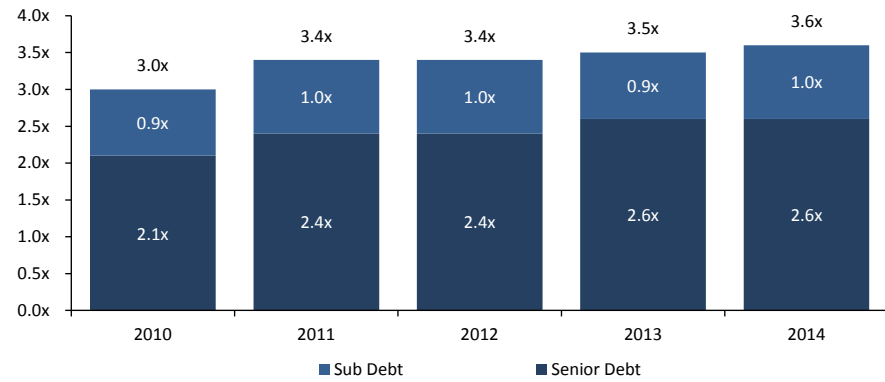
Leverage is Up and Pricing Down

Leveraged Loan Transactions Greater than 6x Earnings



Sources: Deutsche Bank; and IMF

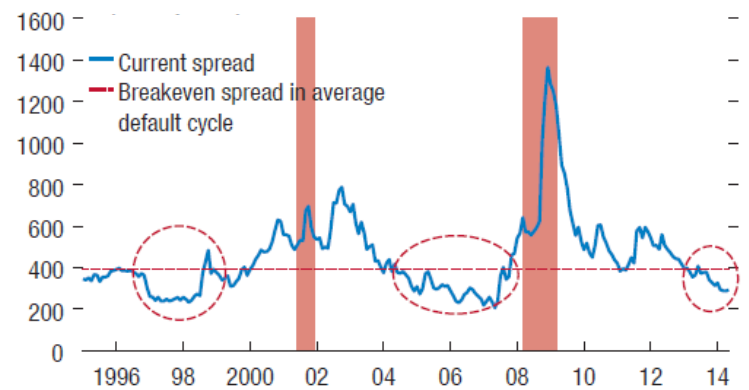
Middle Market Debt / EBITDA Multiples



Source: GF Data™

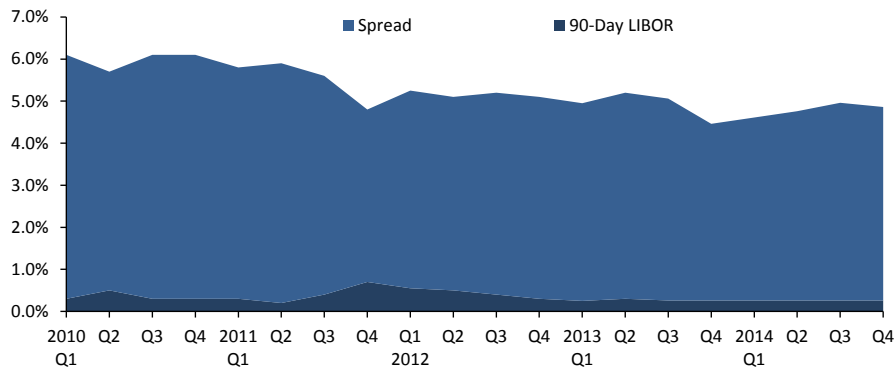
*Middle Market = transaction enterprise value between \$10 and \$250 million

B-Rated Corporate Bond Spreads



Sources: Bank of America Merrill Lynch; Moody's; and IMF

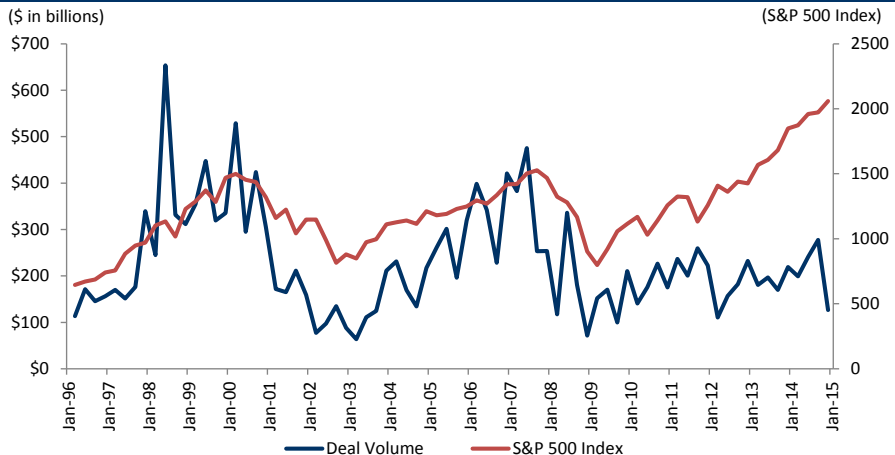
Senior Debt to LIBOR Spread



Source: GF Data™

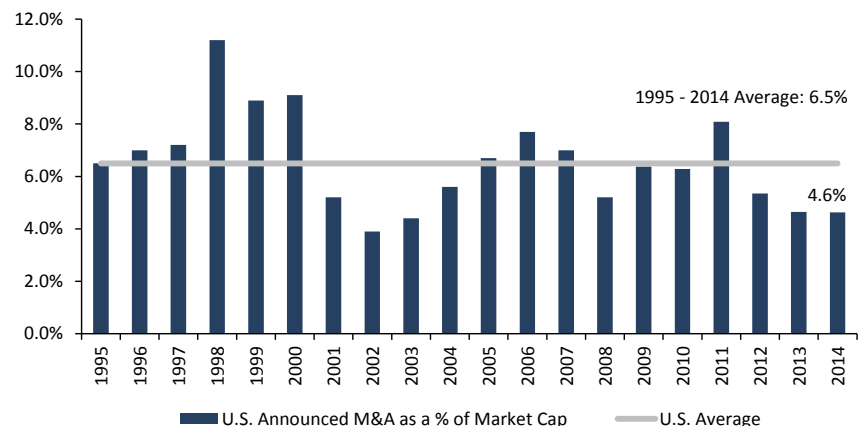
Valuations and Confidence High

M&A Volume and S&P 500



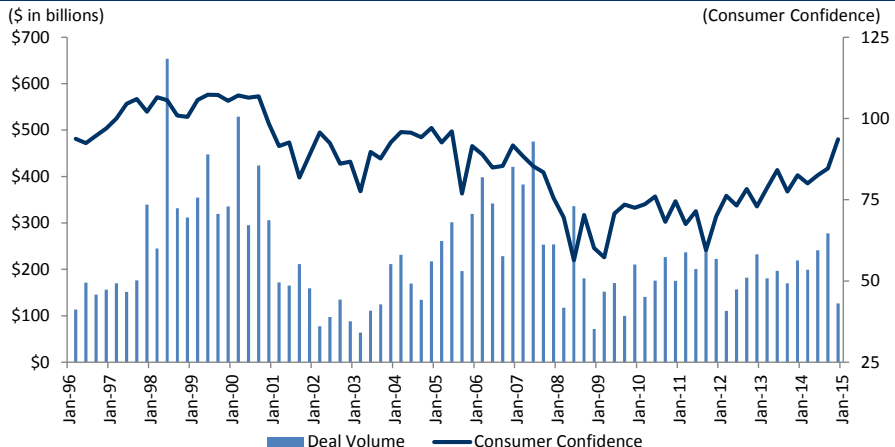
Source: Thomson Financial; S&P CapitalIQ

M&A Volume as a % of Market Cap



Source: Dealogic; S&P CapitalIQ

M&A Volume and Consumer Confidence



Source: Thomson Financial; University of Michigan

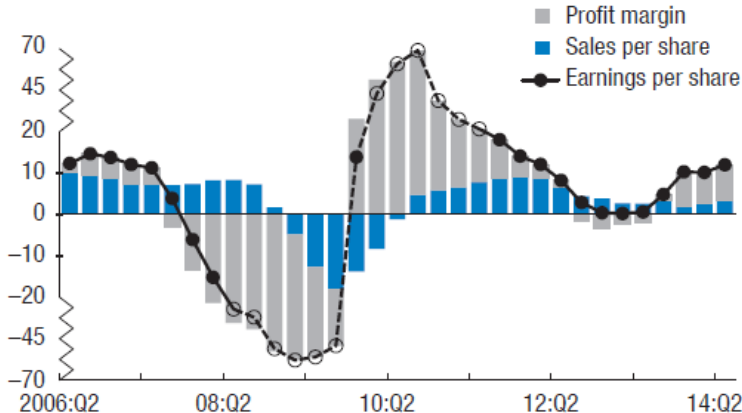
CEO Confidence in Business Growth Prospects



Source: PWC 18th Annual Global CEO Survey

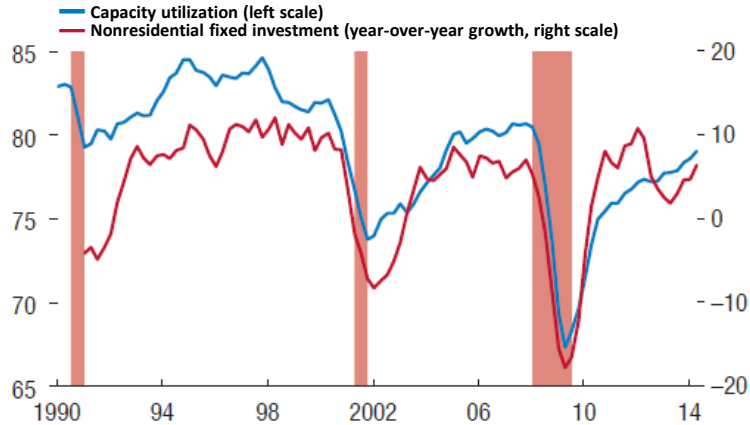
Organic Growth is Petering Out

Decomposition of S&P 500 EPS Growth



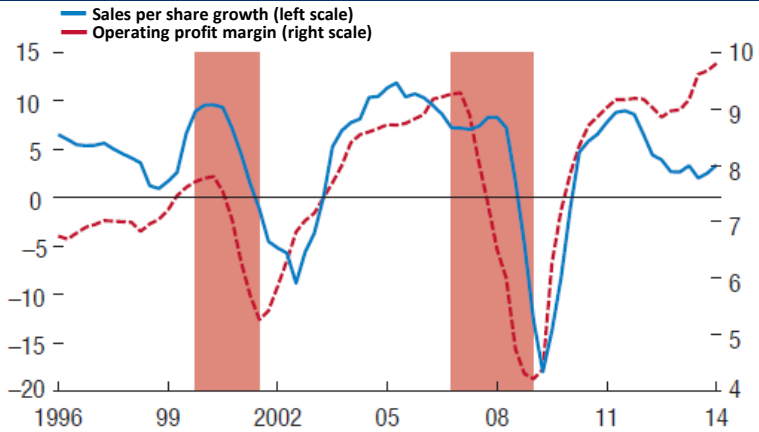
Sources: Standard & Poor's; and IMF

Capacity of Utilization and Business Fixed Investment



Source: Federal Reserve Senior Loan Officer Survey; and IMF
Note: Pink bars indicate National Bureau of Economic Research recession dates

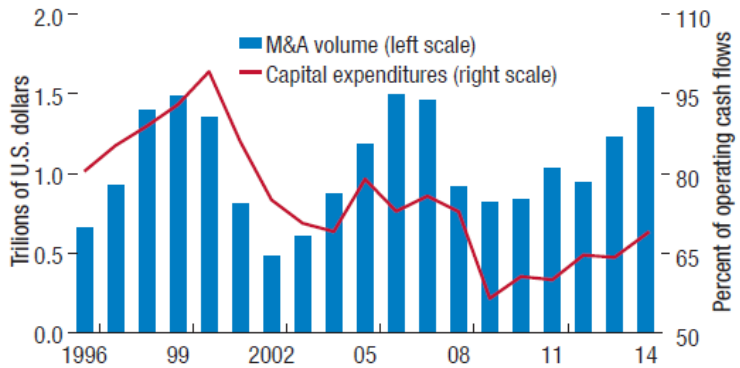
S&P 500 Sales per Share Growth and Profit Margin



Source: Standard & Poor's; and IMF
Note: Pink bars indicate National Bureau of Economic Research recession dates

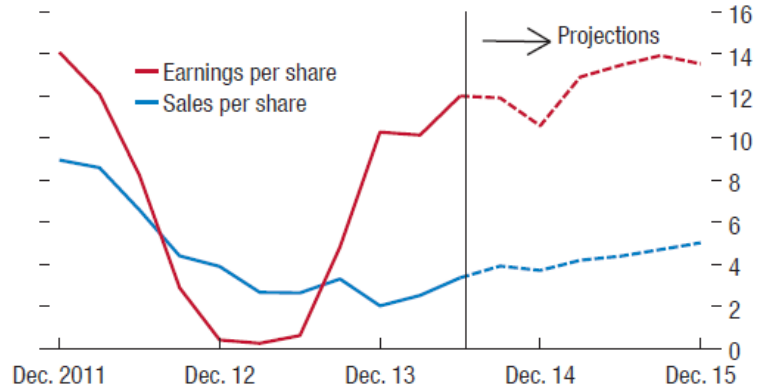
Leaving Acquisitions to Fill the Gap

M&A and Capital Expenditures by U.S. Companies



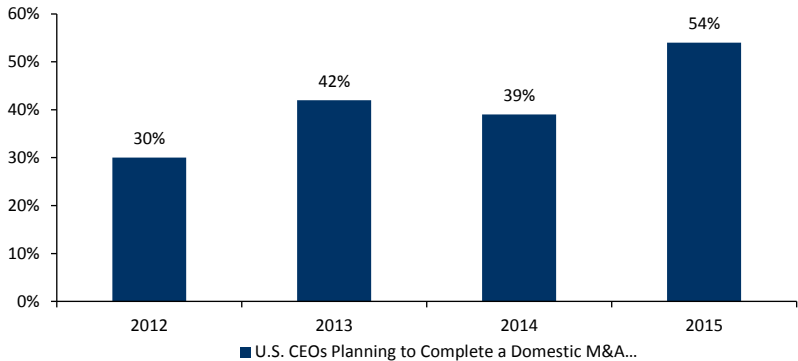
Source: Dealogic; Federal Reserve; and IMF
 Note: Capex as of Q2 2014. M&A volume for 2014 annualized as of Q2 2014.

S&P 500 EPS and Sales per Share Growth



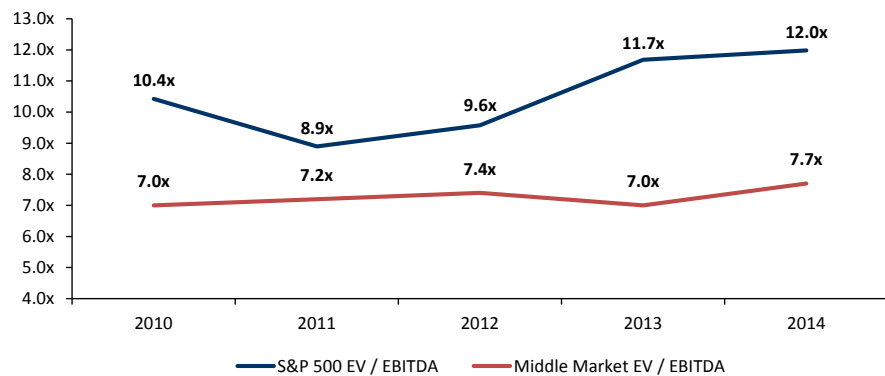
Source: Standard and Poor's Blue Chip Survey; and IMF
 Note: Projected EPS growth is based on market expectation compiled by S&P. Projected sales per share growth is derived from expected GDP growth from the Blue Chip Survey.

U.S. CEOs Plan to Make Acquisitions



Source: PWC Annual Global CEO Survey

Middle Market EBITDA vs. S&P 500 EBITDA Multiples



Sources: GF Data™; S&P *Middle Market = transaction enterprise value between \$10 and \$250 million



WSG 2015 North America Regional Meeting

Friday, March 13

PARK CITY, UTAH



DURHAM
JONES &
PINEGAR

#WSGevents2015