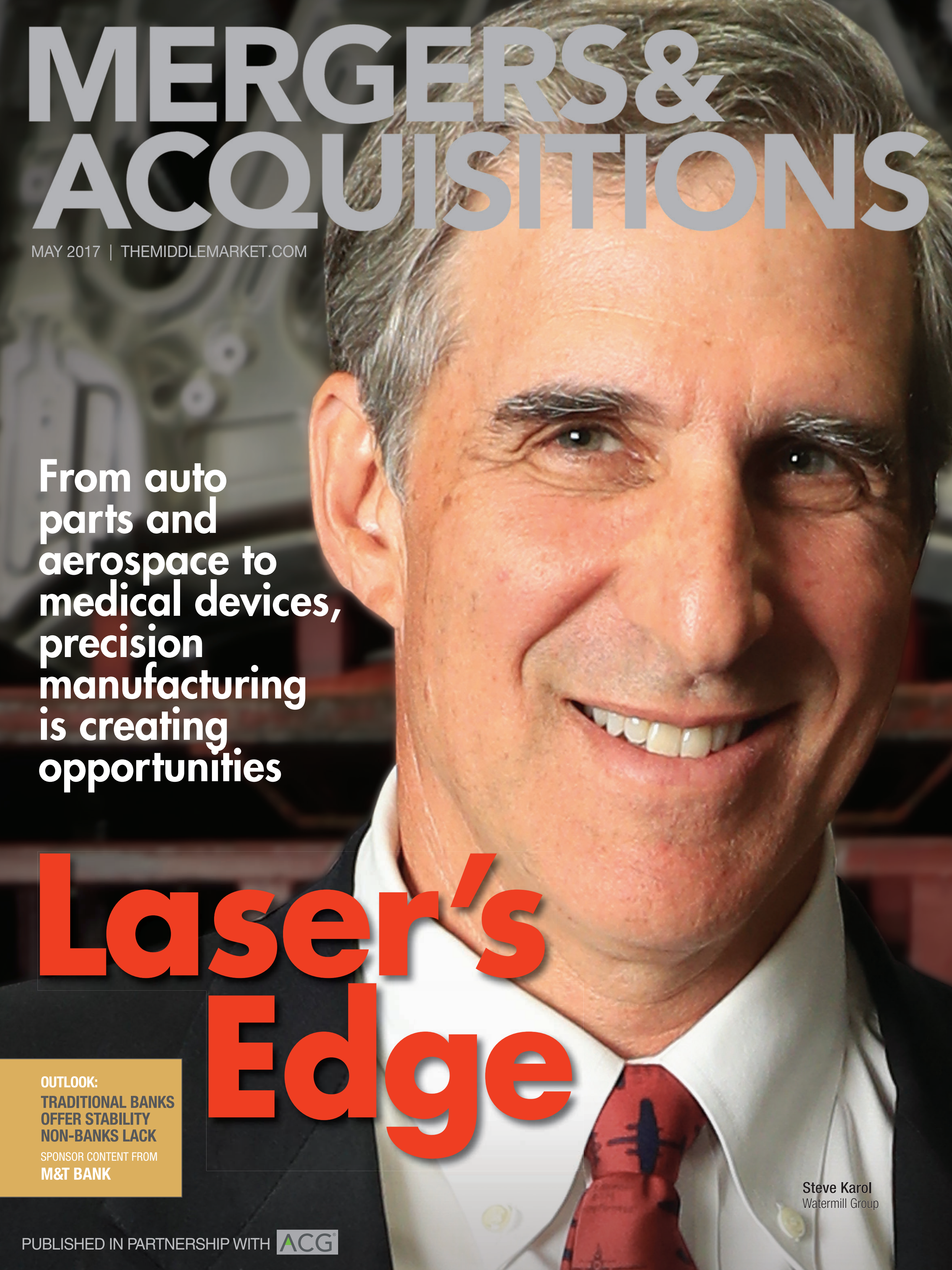

MERGERS& ACQUISITIONS

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From auto parts and aerospace to medical devices, precision manufacturing is creating opportunities

Laser's Edge

OUTLOOK:
TRADITIONAL BANKS OFFER STABILITY NON-BANKS LACK
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Steve Karol
Watermill Group

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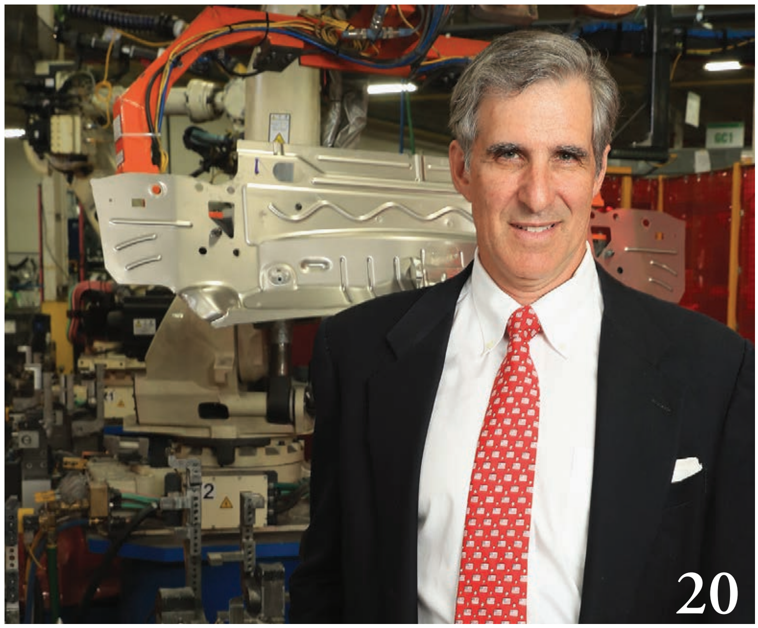

Cover Photograph by Fabrizio Costantini

Inside Word

Automation

M&A in the manufacturing sector is soaring. Respondents to Mergers & Acquisitions' monthly survey in March gave the manufacturing sector the highest score of any sector in our Mid-Market Pulse. And it's not just dealmakers who are enthusiastic about the sector. The industry has been expanding for nearly eight years, according to the Institute for Supply Management's monthly surveys, although growth slowed slightly in March according to the group's index.

"We are bullish on manufacturing in North America," says Steve Karol, the managing partner at Watermill Group, in our cover story. "Advanced manufacturing is creating a lot of new opportunities in many different sectors for many different companies. I believe this trend should continue."

A portfolio company of Watermill's provides a good illustration of some of the trends driving manufacturing deals. In 2015, Watermill bought Quality Metalcraft Inc. (QMC), a Livonia, Michigan-based maker of engineered structural metal components and assemblies, including advanced automobile prototypes. In 2016, Watermill bought Experi-Metal Inc., which now operates as a collaborative partner to QMC, offering prototype and niche production services to original equipment manufacturers, automakers and new entrants to the transportation market.

Chevrolet

Chevrolet Camaro ZL1

"When companies test cars, they are trying to see what works and what doesn't," says Karol. "These prototypes require highly accurate information and precise engineering." The Chevrolet Volt underbody, Chevrolet Camaro ZL1 hood (pictured) and Cadillac CTS coupe underbody all have been manufactured by QMC.

"As the auto industry continues to advance toward new drive trains and autonomous cars, it will continue to require a very precise manufacturing process," says Karol. "There can't be mistakes."

Developments in the aerospace and medical device sectors are also heating up, providing more opportunities for M&A in the middle market.

Mary Kathleen Flynn
Editor-in-Chief
Mergers & Acquisitions | TheMiddleMarket.com
Email me at marykathleen.flynn@sourcemedia.com
Follow me on Twitter @MKFlynn

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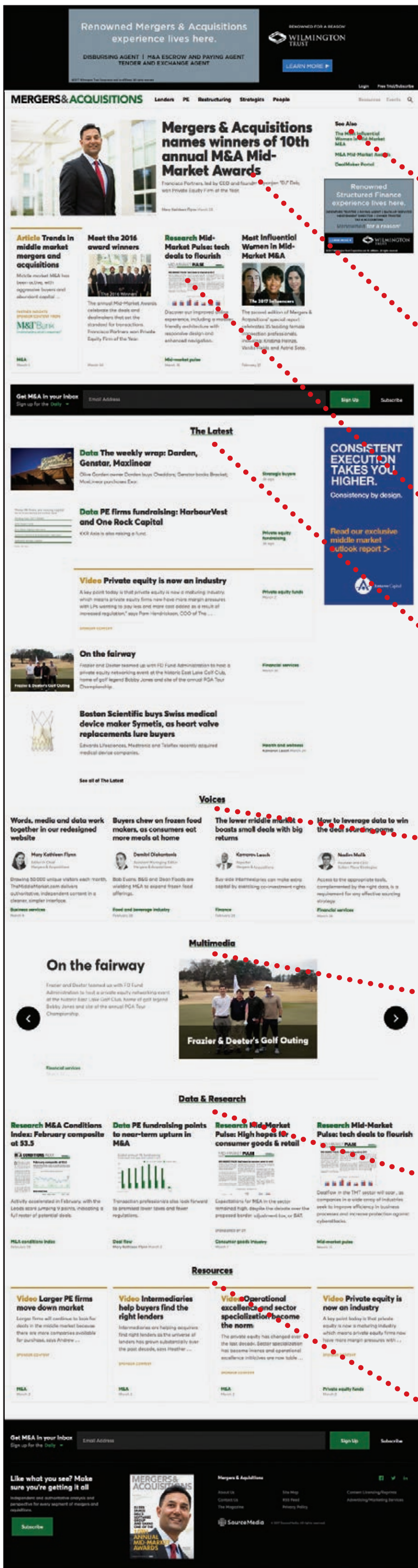

Words, media and data work together in our redesigned website.

The popularity and utility of our website has also been growing over the years. TheMiddleMarket.com draws 50,000 unique visitors each month. We recently revamped the site, giving it a cleaner, simpler interface that delivers our authoritative, independent content in a new user experience built specifically to meet the needs of busy dealmakers.

The home page offers quick access to the annual M&A Mid-Market Awards and The Most Influential Women in Mid-Market M&A.

The lead story showcases significant news and trends affecting the middle market.

The most important recent stories appear on the top half of the home page.

The Latest provides a steady stream of updated content, including news, features, research reports, slideshows and video interviews.

The Voices section highlights opinion pieces, including columns written by our M&A editorial team members and guest articles written by respected dealmakers.

The Multimedia section offers slideshows and videos, featuring prominent thought leaders.

The Data & Research section focuses on reports, including the Mergers & Acquisitions Conditions Index (MACI) and the Mid-Market Pulse (MMP), both based on our proprietary monthly surveys of 250-plus M&A professionals.

Resources showcases sponsored content.

The site has been reinvented to engage the entire community of middle-market dealmakers. Stories scroll, instead of click, so there are no unwanted page breaks. Just one click in the newsletter lets you read the full report on-site in a continuous reading list. The site has been optimized on all devices for ease of use and intuitive navigation, wherever you are.

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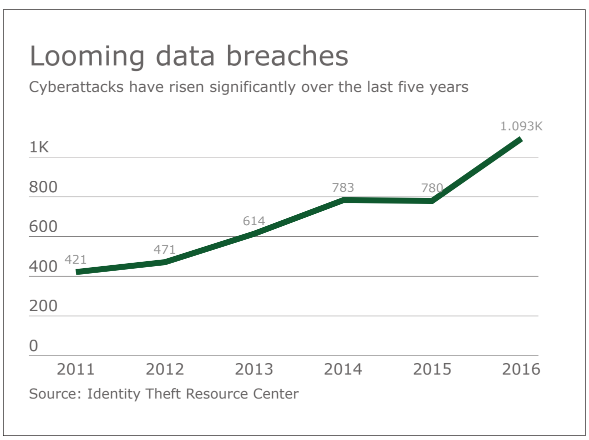
Cybersecurity providers add defense

The KeyW Corp. (Nasdaq: KEYW) has reached a deal to buy Sotera Defense Solutions, a cybersecurity service provider for the intelligence community, for approximately $235 million in cash. The transaction announcement comes on the heels of the FBI's opening a criminal investigation into the release of a large cache of potentially classified information by Wikileaks, which claims to have published thousands of documents revealing cyberespionage capabilities of the CIA.



Sotera is a national security technology company that provides cyber systems, IT applications, counter-terrorism, intelligence analysis, and data analytics services. Sotera, previously known as Global Defense Technology & Systems, went private in 2011 when it was bought by the Ares Management affiliate Ares Private Equity Group. Under the PE firm's ownership, the target endured struggles stemming from federal budget cuts impacting government contractors, eventually appointing Deborah Alderson as the new CEO in 2013. The target services the Department of Defense, Department of Homeland Security, the intelligence community, and federal law enforcement agencies from its headquarters based in Herndon, Virginia.

KeyW CEO Bill Weber says, "the acquisition will provide new and enhanced access to agencies within the IC; add significant scale, creating a unique, IC-focused solutions provider; add new and complementary capabilities; provide access to a larger portfolio of prime contracts and IDIQ vehicles; yield highly achievable cost synergies; and generate an enhanced cash flow profile and be accretive to EPS." The transaction is expected to close early in the second quarter of 2017.

KeyW is also a national cybersecurity company serving U.S. federal agencies. The buyer's products support the collection, processing, analysis, and use of intelligence data to solve cyberspace challenges. KeyW is headquartered in Hanover, Maryland with additional offices across the U.S.

RBC Capital Markets LLC and Guggenheim Securities are serving as financial advisers to KeyW, while Morrison & Foerster LLP is serving as legal counsel. Holland & Knight LLP is also serving as securities counsel to KeyW. Macquarie Capital and Sagent Advisors are serving as financial advisers to Ares Management and Sotera, while Proskauer Rose LLP serving as legal counsel to Sotera.

Middle-market deals for cybersecurity providers include: CA Technologies' (Nasdaq: CA) acquisition of Veracode for $614 million; Coalfire's, backed by two private equity firms, purchase of Veris Group; Tenable Network Security Inc.'s deal for IT security company FlawCheck Private Registry; ASRC Federal's acquisition of national security software contractor Vistronix Intelligence & Technology Solutions; Thoma Bravo LLC's backing of healthcare IT security company Imprivata (NYSE: IMPR); and LLR Partners' completed purchase of developer BluVector.

—By Kamaron Leach

PE firms back manufacturing products

Middle-market private equity firm Genstar Capital is investing in Power Products, a supplier of aftermarket electrical equipment for the construction and recreational marine sectors, to support the target's new product growth. Financial terms of the deal were not disclosed.

Power Products designs branded electrical consumables, wiring products, harsh-environment power conversion tools, transformers, inverters, switches and other electrical accessories. The target distributes its products through a variety of brands, including: Del City, Gardner Bender, Sperry Instruments, Lenco Marine, Marinco, Mastervolt, ProMariner, BEP, and Blue Sea Systems. Genstar is purchasing Power Products from Sentinel Capital Partners.

Power Products

"Technical innovation remains key to

our growth, and we are jointly committed to developing our technically differentiated portfolio of premium brands within diverse and growing end markets," states Power Products CEO David Scheer. The target is headquartered in Menomonee Falls, Wisconsin with additional locations across North America, Europe and the Asia Pacific region.

San Francisco-based Genstar invests up to $300 million in equity towards businesses that have at least $10 million in Ebitda. The PE firm focuses on the industrial technology, health care, software and financial services sectors. Genstar has been quite active lately. The firm recently acquired Duckworth Wealth Advisors through portfolio company Mercer Advisors Inc. and also began raising capital in January for its eighth private equity fund.

Deals involving maintenance and construction product businesses have been robust recently. Related deals include: Tech Air's, backed by CI Capital Partners, completed deal to buy two welding suppliers; Berkshire Hathaway Inc.'s purchase of Wilhelm Schulz GmbH; Graycliff Partners' backing sheet maker A-1 Machine Manufacturing Inc.; Liberty Hall Capital Partners' acquisition of aerospace parts supplier ZTM Inc.; and LFM Capital's investment in hydraulic clamps maker Vektek LLC.

—By Kamaron Leach

Tom Gores-led Platinum Equity raises fourth fund

Platinum Equity LLC has raised a fourth global buyout fund, called the Platinum Equity Capital Partners IV, with approximately $6.5 billion in capital commitments. "We have the capacity, the capability and the capital necessary to handle transactions of any size and complexity anywhere in the world," states Platinum Equity CEO Tom Gores (pictured).

Fund IV will follow the firm's well-established M&A&O investment strategy, by acquiring and operating companies in a broad range of business markets including: manufacturing, distribution, transportation and logistics, equipment rental, metals services, media and entertainment, technology, telecommunications. Simpson Thacher & Barlett LLP served as counsel and legal adviser to Platinum Equity for Fund IV.


Platinum Equity

Tom Gores (center)

Founded in 1995 by Detroit Pistons owner Tom Gores, Platinum Equity is a Los Angeles-based private equity firm with more than $6 billion in capital under management. The firm has completed more than 185 acquisitions since its inception and some of the firm's recent acquisitions involve: International Textile Group Inc., Broadway Industrial Group, and Electro Rent Corp. (Nasdaq: ELRC).

Private equity firms have been actively raising funds recently. Recent capital raises include: Quad-C Management's $1.1 billion private equity fund; The Carlyle Group's (Nasdaq: CG) fourth distressed

Gyms race to bulk up

Atlantic Street Capital has made an undisclosed investment in Planet Fitness (NYSE: PLNT) franchise operator Planet Fit Indy 10 LLC. The target's CEO, Mike Campagnolo, will have a stake in the company and remain in his role.

Planet Fit operates Planet Fitness franchises in Indianapolis. The company, based in Indianpolis, will use the investment to expand geographically, particularly throughout the Midwest. "Atlantic Street is the perfect partner for us as they share the same vision for our company," Campagnolo said.

Stamford, Connecticut -based Atlantic Street Capital is a private equity firm that invests in middle market companies with between $4 million and $12 million in Ebitda. The PE firm focuses on the consumer, transportation and logistics, business services, healthcare and manufacturing sectors. Some of Atlantic Street's current investments include: women's clothing company Alex Apparel Group; frozen spinach dip producer Double D Foods; and Fast Sandwich LLC, an operator of Jimmy John's franchises. The Planet Fit deal is Atlantic Street's first since it raised a $210 million fund in 2016.

Gym operators have been consilodating. In 2015, Pure Gym Ltd. purchased LA Fitness Corp.; In that same year, Leonard Green & Partners and TPG Capital bought Life Time Fitness Inc; In 2014, Silver Oak Services Partners invested in Vasa Fitness LLC.

—By Demitri Diakantonis

fund; Vector Capital's fifth private equity fund; Monroe Capital LLC's $800 million credit fund; and Chicago-based NXT Capital LLC's fourth debt fund at $900 million.

—By Kamaron Leach

Digital learning drives education M&A

Barnes & Noble Education Inc. (NYSE: BNED) has bought MBS Textbook Exchange LLC, a virtual bookstore operator in the U.S., for $174.2 million in cash. The MBS deal comes as BNED saw a 3.3 percent decrease in textbook sales, according to the buyer's second quarter earnings report for fiscal year 2017.

MBS is a Columbia, Missouri-based

Barnes & Noble

wholesaler of new and used textbooks to more than 3,700 physical college bookstores. The target also operates more than 700 e-commerce bookstores with cost-efficient digital course materials. MBS currently sources BNED's 770 campus bookstores and operates textbooks.com, an e-commerce website for new and refurbished books.

BNED and MBS will operate more than 1,490 physical and virtual bookstores as a result of the acquisition. BNED, based in Basking Ridge, New Jersey, spun off from Barnes & Noble Inc. (NYSE: BKS) in 2015 due to a slowdown in brick-and-mortar retail. The spin off came as Barnes & Noble Inc. decided to shed non-core assets, including the decision to stop competing in the tablet making business.

"We will increase our addressable market to include the growing virtual bookstore market, and will now be able to offer our campus partners physical, virtual and hybrid bookstore models," states BNED CEO Max J. Roberts. With MBS' wholesale and e-commerce customers, BNED will have new sales opportunities for its digital courses.

Guggenheim Securities and Evercore provided financial advice to BNED, while Gibson, Dunn & Crutcher LLP served as legal counsel. Peter J. Solomon Company served as financial adviser to MBS while Bryan Cave LLP served as legal counsel.

The middle-market has seen a fair share of deals involving textbooks, print publications and educational services. Related deals include: Japanese publisher Nikkei Inc.'s acquisition of Pearson Plc's FT Group for $1.3 billion, gaining control of the Financial Times newspaper; John Wiley and Sons Inc.'s (NYSE: JWA, JWB) purchase of test-prep service AnalystSuccess.com; and HarperCollins Canada's completed deal for the purchase of non-fiction book titles from Wiley Canada.

—By Kamaron Leach

Managing fintech deals

Investment advisory firm Littlejohn & Co. LLC has purchased Tidel, a manufacturer of cash management systems and smart safes for the retail industry, for an undisclosed amount.

Tidel makes storages machines for clients to manage their daily cash flow operations, reduce the risk of theft, and increase profits. The Carrolton, Texas-based target was founded in 1998 to help quick-service businesses automate and streamline cash handling. Tidel's products are used by convenience stores, grocers, money service businesses, healthcare providers, and general retailers.

"Smart safes offer compelling economics for all participants in the cash management ecosystem, including retailers, armored carriers and financial institutions," states Littlejohn managing director Tony Miranda. "As such, the industry is poised for rapid growth in adoption."

Littlejohn is an investment advisory firm that backs middle-market companies seeking a change in capital structure, strategy, operations or growth. Gibson, Dunn & Crutcher, LLP provided legal counsel to Littlejohn on the Tidel deal. The Greenwich, Connecticut-based firm is currently investing from Littlejohn Fund V, the firm's fifth fund with nearly $2 billion in capital commitments. The firm recently acquired patio furniture manufacturer Brown Jordan International in January 2017, and raised a $406 million collateralized loan obligation fund (CLO), called Wellfleet CLO 2016-2 in November 2016. In 2015, Littlejohn launched a credit management business, called Wellfleet Capital Partners, and now has more than $4 billion in assets under management.

The Tidel deal comes as many financial technology commentators predict that new technologies will lead to the downfall of cash. The theory isn't far fetched, even for plastic cards, with the emergence of Apple Pay, Google Wallet, Samsung Pay and PayPal.

—By Kamaron Leach

Golden Gate diversifies portfolio with Cole-Parmer

Golden Gate Capital has acquired Cole-Parmer, a distributor of medical lab and testing equipment, from private equity firm GTCR. Financial terms of the deal were not disclosed.

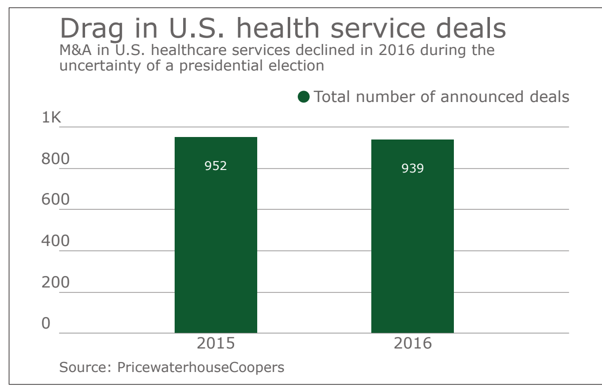
Cole-Parmer is a designer and manufacturer of laboratory and industrial fluid handling products, testing and measurement equipment. Founded in 1955, the Vernon Hills, Illinois-based company was founded in 1955 and services the healthcare, biotech, pharmaceutical, environmental and food industries. Cole-Parmer distributes its products to an international network of laboratory managers and independent dealers using a variety of brands, including: Masterflex, Ismatec, Oakton, and the Cole-Palmer private label brand.

San Francisco-based Golden Gate holds investments in more than 35 companies across six industry sectors that include: industrials, financial services, software, semi-conductors and IT hardware, retail and restaurants, and information technology and business services. The San Francisco-based private equity firm seeks out “change-intensive investments” in order improve a company’s “earnings by catalyzing strategic and operational change,” according to the firm. In 2017, Golden Gate purchased restaurant chain Bob Evans and also bought aircraft ground support equipment provider Tronair Parent Inc. the year prior. In 2015, the firm’s portfolio company Nassau Reinsurance Group bought a life insurance business for $217.2 million.

GTCR, based in Chicago, is a private equity firm focused on the financial services, healthcare, and technology, media and telecommunications sectors. In January, the firm formed a new financial technology provider called Dash Financial Technologies. In 2016, GTCR agreed to buy RevSpring Inc., a billing and customer communications service provider for businesses. The PE firm has invested more than $10 billion in capital to over 200 businesses since its founding in 1980. GTCR’s investments is underlined by the Leaders Strategy, a program that involves “finding and partnering with management leaders in core domains to identify, acquire and build market-leading companies through transformational acquisitions and organic growth.”

J.P. Morgan Securities LLC (NYSE: JPM) served as financial adviser to GTCR, while Morgan Stanley (NYSE: MS) acted as financial adviser to Golden Gate. Kirkland & Ellis LLP served as legal counsel to Cole-Parmer and GTCR, while PriceWaterhouseCoopers LLP served as accounting adviser. Goldman Sachs & Co. (NYSE: GS) and Jefferies LLC also advised Cole-Parmer on its sale to Golden Gate Capital.

—By Kamaron Leach



WNS grows benefits management business

WNS Holdings Ltd. (NYSE: WNS) has acquired healthcare management company HealthHelp for $95 million. The acquisition expands WNS’ healthcare and insurance business process management (BPM) services.

Founded in 1999, HealthHelp provides benefits management across key healthcare areas, including: radiology, cardiology, oncology, sleep-care, orthopedics, and pain management. The target works closely with healthcare providers and its customers to help improve patient outcomes and reduce carrier costs. The Houston, Texas-based healthcare tech provider aims to speed up the procedure authorization request process and also provides predictive analytics for the healthcare management process.

“HealthHelp’s deep industry expertise, differentiated market approach and extensive use of technology and analytics make this asset an excellent fit for WNS,” states WNS chief executive officer Keshav Murugesh. WNS expects to benefit from cross-sell opportunities.

WNS is a business process management company providing a variety of services such as finance and accounting, customer care, technology capabilities, research and analytics, and back office processes. The HealthHelp acquisition is expected to contribute nearly $2.3 billion in revenue for WNS in the fiscal year ending March 31, 2017. Cain Brothers & Co. served as financial adviser to WNS, and Reed

Smith LLP acted as legal counsel.

Some dealmakers say that M&A in the healthcare industry will continue to drag until there is more clarity about the move to repeal and replace the Affordable Care Act. The middle market, however, has seen a fair share of healthcare deals lately, including: Riverside Partners' purchase of Medical Reimbursement of America; private equity firm HGGC completing a majority investment in London-based Davies Group; the Riverside Co.'s investment in Medical Payment Exchange Inc., a Maryland-based claims management provider to the healthcare industry; and Equian's acquisition of AfterMath Claim Science Inc., a company that provides post-payment recovery services that aim to eliminate medical claim payment errors through data mining technology.

—By Kamaron Leach

Conagra keeps snacking

Conagra Brands Inc. (NYSE: CAG) has agreed to buy meat snacks maker Thanasi Foods LLC for undisclosed terms. The deal is part of Conagra's strategy to revamp its portfolio to focus on consumer brands such as Slim Jim and Chef Boyardee.

Thanasi, based in Boulder, Colorado, produces meat snacks that includes Duke's Smoked Shorty Sausages and Duke's Steak & Brisket Strips. The target's other brand, BIGS, makes sunflower and pumpkin seeds.

"This is another exciting step in our ongoing efforts to reshape our portfolio to be more premium and modern," says Conagra CEO Sean Connolly. Chicago-based Conagra owns the Slim Jim meat sticks and David Seeds Brands.

Before the acquisition was announced, Conagra has been busy shedding assets. At the end of 2016, the company completed the spinoff of the Lamb Weston frozen fries division; Also in 2016, Conagra sold the Spicetec seasonings and flavors business to Givaudan; And in that same year, Conagra sold food ingredients distributor JM Swank to Platinum Equity. Strategic buyers are reshuffling their businesses by shedding slow-growing brands and

Thanasi Foods

making acquisitions in their core divisions in an effort to boost profitability.

Houlihan Lokey Inc. (NYSE: HLI) and Brownstein Hyatt Farber Schreck LLP are advising Thanasi. Jones Day is representing Conagra.

—By Demitri Diakantonis

3i Group expands U.S. investments

London private equity firm 3i Group plc is establishing a U.S.-based infrastructure business, called North America Infrastructure, to access North American investment opportunities within the sector. The infrastructure sector covers the physical communications, construction, and transportation industries. 3i plans to "build a significant business in this market" and has appointed Rob Collins to lead the initiative as managing partner of the new business.

North America Infrastructure intends to fund investments initially with 3i's balance sheet and foresees deploying third-party capital at a later date. The U.S. launch follows a successful period for 3i's European Infrastructure business. The infrastructure business, founded in 1987, invests through four vehicles: 3i Infrastructure plc, Biff LP, Beif II LP, and 3i India Infrastructure Fund. The firm's infrastructure segment advised 3i Infrastructure plc on new investments of approximately $593 million in its current financial year.

3i is a U.K. investment company targeting investment opportunities across Europe and North America. The PE firm, one of the oldest private equity firms in Europe, is comprised of two complementary businesses consisting of private equity and infrastructure. 3i has roots dating back to 1945. In October 2016, the firm agreed to sale its debt management business to Investcorp to focus on building its private equity and infrastructure segments. 3i's debt management business contributed a significant role in the firm's operating cash profit and investment returns. The deal with Investcorp closed in March 2017.

In March, President Donald Trump began mapping out a $1 trillion plan for infrastructure spending. The plan would pressure state authorities to streamline local permitting, favor renovations of existing roads over new construction, and prioritize projects that would quickly begin construction. Related deals within the sector include: GI Partners' purchase of data facility Komo Plaza for $276 million; Blue Wolf Capital Partners LLC's acquisition of Tenon Holding's North American building products business Nacs USA Inc.; and Jaguar Growth Partners' first real estate private equity fund.

—By Kamaron Leach

Demand for coating suppliers remains healthy

TA Associates has invested in coatings supplier Ideal Cures Private Limited for undisclosed terms. The deal comes as demand for coating companies rises.

Ideal Cures, based in Mumbai, India, supplies coating products mostly to the pharmaceutical industry. The target, founded in 1999, makes both film and functional coatings. Film coatings allow for better swallowing and taste, while functional coatings provide certain moisture, oxygen and light protection for controlling drug delivery to a specific part of the gastrointestinal tract

"We believe that the film coating industry is a unique, yet evolving sector that has strong potential for growth globally," says TA Associates managing director Naveen Wadhera.

TA Associates is a Boston private equity firm that targets the technology, financial services, business services, healthcare, and consumer sectors.

Coating companies continue to attract buyer interest. Axalta Coating Systems Ltd. (NYSE: AXTA) has purchased Netherlands

Ideal Cures

distributor Geeraets Autolak; Audax Private Equity-backed Innovative Chemical Products (ICP) bought adhesives maker Fomo Products Inc.; and PPG (NYSE: PPG) is acquiring MetoKote Corp.

K Law served as legal counsel to Ideal Cures and DSK Legal served as legal counsel to TA Associates. TA Associates Advisory Private Limited provided advisory services on the investment.

—By Demitri Diakantonis

PE firms still like restaurants

Oak Hill Capital Partners has agreed to purchase Checkers Drive-In Restaurants Inc. from Sentinel Capital Partners for $525 million. The target's management team is also partnering with Oak Hill on the deal. The acquisition comes during a time with a number of private equity firms are investing in restaurant chains with national growth potential.

Checkers, based in Tampa, Florida, and founded in 1986, operates around 840 restaurants, both company-owned and franchised, under the Checkers and Rallys brands. The target is known for serving mostly burgers through its drive-thru locations. Sentinel purchased the chain in 2014.

"We believe Checkers is well-positioned to continue its long history of consistent growth," says Oak Hill managing partner Tyler Wolfram. Checkers operates in 29 states, mostly in the East, Southeast and Midwest. The company has aggressive plans to expand on the West coast by looking add up to 40 restaurants in California and at least 60 in Arizona.

Other PE firms have been investing in restaurants with growth opportunities. Golden Gate Capital has agreed to buy Bob Evans Restaurants from Bob Evans Farms Inc. (Nasdaq: BOBE); General Atlantic has taken a minority stake in Joe & the Juice; and Roark Capital bought a majority stake in Jimmy John's.

Checkers

Piper Jaffray Cos. (NYSE: PJC), North Point Advisors and Kirkland & Ellis are advising Checkers. Jefferies LLC and Paul Weiss Rifkind Wharton & Garrison are advising Oak Hill.

—By Demitri Diakantonis

Cross-border deals pick up, KPS purchases WHA

KPS Capital Partners LP is acquiring steel abrasive manufacturer WHA Holding SAS (Winoa) from a group of investors. Financial terms of the transaction were not disclosed.

Winoa is a global manufacturer of metal abrasives for the transportation, equipment, energy, and construction sectors. The target's products serve as cleaning, cutting, peening and preparation materials for on-site metal surface work on large structures like bridges and offshore rigs. Le Cheylas, France-based Winoa has 11 manufacturing facilities located in France, Spain, Canada, South Korea, U.S., Japan, Slovenia, Brazil, Thailand, South Africa and Russia. The deal comes as the target intends to "pursue a range of growth initiatives," according to Winoa CEO Pierre Escolier.

Based in New York, KPS is a private equity firm with approximately $5.5 billion in assets under management and looks to make control equity investments in specialty manufacturing companies. The firm also collaborates with major industrial and service unions to sponsor transactions. In November 2016, KPS sold bottle packaging company Anchor Glass Container Corp. to CVC Capital. The PE firm initially backed Anchor Glass in 2014, growing the target's business with a 50 percent profit increase. Raquel Palmer, a partner at KPS, was recognized as one of The Most Influential Women in Mid-Market M&A.

Paul, Weiss, Rifkind, Wharton & Garrison LLP is serving as legal counsel to KPS, alongside Gide Loyrette Nouel. DC Advisory is acting as financial adviser to KPS. GSO Capital Partners LP will provide financing for the transaction.

The cross-border Winoa acquisition comes as investors are uncertain of the true impact Britain's vote to exit the European Union will have on cross-border M&A. Despite the uncertainty, recent cross-border deals include: Crisis Prevention Institute's, backed by private equity firm FFL Partners, acquisition of U.K.'s Pivotal Education Ltd.; Italy-based Ferrero International S.A.'s deal to buy chocolate manufacturer Fannie May Confections Brands from 1-800 Flowers.com Inc. (Nasdaq: FLWS); 21st Century Fox Inc.'s agreement to acquire Europe's pay-TV company Sky Plc for $14.6 billion; and AMC Entertainment Holdings Inc.'s (NYSE: AMC) acquisition to expand with more movie theaters in Sweden.

—By Kamaron Leach

Private Equity Perspective

The Time is Right for Fintech

MARY KATHLEEN FLYNN

Technology, outsourced services and specialty finance are driving deals in the financial services sector, despite regulatory uncertainty. Private equity firm Lovell Minnick Partners has been especially active, announcing four financial services investments in the first quarter: Currency Capital, Engage People, Foreside Financial and Trea. The firm has been expanding its focus on financial technology, including closing its fourth fund with $750 million of commitments in 2015.

> "The financial services sector has been historically slow to innovate."

In 2016, Steve Pierson, an investment banking veteran focused on financial institutions and the financial technology sector, joined the firm as president. Pierson had most recently served as the head of financial institutions group (FIG) investment banking Americas and global head of financial technology and services at UBS (NYSE: UBS). Previously, he served as vice chairman and co-head of FIG investment banking Americas at Credit Suisse. Over the years, Pierson has worked on huge, high-profile deals, such as State Street's $4.5 billion acquisition of Investors Bank & Trust in 2007, and also well-known middle-market deals, including the $530 million sale of the Hull Group to Goldman Sachs Group Inc. (NYSE: GS) in 1999.

"We have been privileged to work closely with Steve over many years and have been continually impressed by his superior investment acumen and professional skills," said firm co-chairs Jeffrey Lovell and James Minnick in a joint statement when Pierson joined the firm. "He brings to Lovell Minnick an enviable record of success and a deep network." Investors and strategic acquirers see opportunities to leverage data, analytics and new applications to create efficiencies and better customer experiences in an industry that's historically slow to innovate, says Pierson. Subsectors likely to see significant activity include: insurance, regulatory compliance, asset and wealth management and capital markets.

INVESTMENTS ANNOUNCED IN Q1

THE FIRM'S RECENT TARGETS USE TECHNOLOGY TO DELIVER DIFFERENTIATED PRODUCTS AND SERVICES

Currency Capital	Online equipment financing exchange
Engage People	Payments processing for loylty programs
Foreside Financial	Outsourced compliance services
Trea	European asset management

Source: Lovell Minnick Partners

Outsourced services companies will continue to provide options in response to the changing competitive and regulatory pressures affecting all types of financial companies, resulting in continued demand for these businesses. Specialty finance will continue to fill the void left in the many asset classes where bank lending activity is still below pre-recession levels, thereby creating valuable, differentiated platforms that ultimately will be acquired, according to Pierson. M&A

Traditional Banks Offer Stability Non-Banks Lack

Based in Baltimore, Maryland, Aji Fadahunsi is a Managing Director in the Investment Banking division of M&T Bank. Mr. Fadahunsi supports leverage finance transactions for sponsored and non-sponsored companies often in the context of M&A transactions. Over the last 12 years, Mr. Fadahunsi has executed transactions across a variety of industries in the middle market totaling more than $12 billion. M&T Bank is a regional bank with over $100 billion in assets and works to meet its clients' immediate needs as well as help them scale for the future.

What role do non-bank finance companies play in private equity transactions today?

There's been an undeniable shift in recent years and non-bank finance companies now play an increasingly broader role in leveraged finance transactions. If you look at market participation rates, less than 25 percent of the lending on mid-market private equity sponsor recaps is absorbed by traditional commercial banks. As a result of a number of factors, banks have been effectively dis-intermediated by non-bank financials and their impact on liquidity, pricing, and structure is material. Variables that haven't changed are risk management as well as tolerance for cycles and that's where the traditional banks excel. Banks still play a vital role in leveraged finance transactions and M&T Bank specifically continues to support operating companies in its communities with scale, execution and experience. Continuity in market as a trusted capital provider remains critical and our view is that non-bank lenders often struggle to match that value proposition.

How do traditional banks differ from non-bank finance companies?

Full-service financial institutions such as M&T offer a complete suite of products and services to support our clients. The relationship goes beyond funding a single transaction — we can support our clients' multiple business objectives on an ongoing basis to achieve their growth objectives. This full-service solution helps clients navigate markets, cycles and events whereas the typical non-bank provider isn't as flexible. Banks have the infrastructure to be patient capital providers and true partners in the process. That's not how most non-bank finance companies are set up and that's not their strength — they're transactional lenders with no appetite to handle much else.

How will the deregulation of banks impact non-finance companies?

Non-bank finance companies have enjoyed plenty of runway as banks deal with heightened regulations. Interagency guidance on leveraged lending is definitely a catalyst to the rise of alternative lending sources and drives share away from banks. That said, traditional financial institutions understand and embrace sensible regulation as a necessary part of doing business; however, keep in mind, leveraged lending in and to the mid-market did not contribute to the financial crisis yet traditional bank providers were mandated to curb a very successful and well-managed component of their relationship banking strategies. M&T still thrives in the current environment because we're serious about doing the right thing for our clients; however, no one likes to spend more on regulation than they think is wise. Deregulation will certainly affect non-banks as their competitive advantage will be diluted. I think traditional banks will still remain cautious and prudent in a deregulated world but they will also be more thoughtful and creative as to how they serve their clients.

What should borrowers look for in non-bank finance companies?

It boils down to the relationships in the end. If a borrower is considering working with a non-bank finance company, they should think about the temperament and character of the provider. Who is going to be on the other end of the phone or responding to your emails? At M&T you get bulge bracket execution with a middle market feel. You get a higher level of engagement from senior staff that will take your call, face your problems, work for your success and execute on your strategy. You also have a team that can ride through market cycles. Our portfolio mandates that we think about cycles. Non-bank finance companies may not be able to ride out market cycles and give you those other advantages.

What can we expect from the lending industry going forward?

Despite their differences, banks and alternative lenders will work together more frequently. Non-bank finance companies have a great deal of flexibility while traditional banks have the established credibility. Together these two approaches can come up with attractive solutions to meet clients' needs. The market is asking us to do this. If you do not find the right solutions for your clients you will not remain relevant. The market forces us to keep getting better at what we do. We are excited to see the opportunities out there and what we can bring to our clients to be as constructive as possible. ■

The Buyside

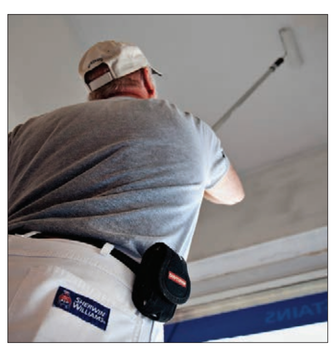
Coating Abroad

DEMITRI DIAKANTONIS

Strategic buyers are pursuing targets in the fairly fragmented chemicals sector that will expand both their geographic and product reach. Axalta, Maroon Group and Sherwin-Williams are buying companies that will help them grow in subsectors, such as food ingredients, while escalating their global presence. Century Industrial Coatings, Lincoln Fine Ingredients and Valspar are among recent targets.

> "Filling out the industrial product line is important for us, as well as to continue to complement our global market presence in refinish."

Axalta Coating Systems Ltd. (NYSE: AXTA) is not done making deals after acquiring Century Industrial Coatings for undisclosed terms. Jacksonville, Texas-based Century makes water-based primers and polyurethane coatings for steel, rail cars and the oil and gas industries. Axalta manufactures liquid and powder coatings for the transportation and industrials sectors.



Bloomberg News

Axalta CEO Charlie Shaver says the company will seek targets that have between $25 million and $100 million in revenue across those same industries. "Filling out the industrial product line is important for us, as well as to continue to complement our global market presence in refinish," Shaver told analysts. In an acquisition that expanded its international growth, in 2016, Philadelphia-based Axalta purchased Geeraets Autolak for an undisclosed amount. Geeraets, located in Druten, Netherlands, produces coatings, sealants and sprays. The target is a distributor of Axalta's Cromax brand in the Netherlands. Cromax makes basecoat color coatings and sealants that are mostly used in automotive and industrial manufacturing.

Additives supplier Maroon Group LLC of Avon, Ohio, bought Lincoln Fine Ingredients distribution for undisclosed terms. LFI, founded in 1976 and located in Lincoln, Rhode Island, distributes alcohol, amino acids, oils and sweeteners. The company works with the consumer, food and beverage and pharmaceutical sectors. In another related deal announced in 2016, Cleveland-based paint retailer Sherwin-Williams Co. (NYSE: SHW) agreed to buy rival Valspar Corp, (NYSE: VAL) for about $9.3 billion to give the company additional global scale. Valspar of Minneapolis, makes coatings for the food and beverage and packaging sectors. Chemicals M&A is poised to remain robust as companies continue to seek new growth channels. M&A

Finance Finesse

Hollywood's New Bottom Line

KAMARON LEACH

Talent agencies are diversifying how they generate capital beyond client representation, and the race to create value has begun. Firms, including United Talent Agency (UTA) and WME-IMG, have formed strategic partnerships with investment banks, hoping to forge a valuable bond going forward. The deals come as agencies seek to rely less on the traditional 10 percent cuts they receive.

"PE firm Rizvi Traverse invested in ICM in 2015, the beginning of a beautiful friendship between private capital and talent management."

2017 is shaping up to be a defining year for some talent agencies, foreshadowing who could be at the top of the leaderboard over the next decade. In March, UTA agreed to buy a stake in New York investment bank AGM Partners. The strategic alliance between UTA and AGM allows the agency and its clients to receive financial guidance from AGM on deals. UTA will also use AGM for principal investing opportunities.

Based in Los Angeles, UTA represents a full slate of clients, including: Uzo Aduba, who portrays Suzanne 'Crazy Eyes' Warren in Netflix's Orange is the New Black; DJ Khaled, a disc jockey and social media influencer; Phil McGraw, host of the Dr. Phil Show; Sofia Vergara, who plays Modern Family's Gloria; and Constance Wu, who plays Fresh Off the Boat's Jessica Huang. In 2015, UTA acquired The Agency Group to form a music touring and representation practice, now called UTA Music.


Bloomberg News

Sofia Vergara, with Jesse Tyler Ferguson

In 2016, Softbank Group Corp., the Japanese telecommunications giant led by billionaire Masayoshi Son, invested $250 million in powerhouse talent agency WME-IMG, joining private equity firm Silver Lake Partners as an investor. WME-IMG plans to use the Softbank funds to make investments, joint ventures and acquisitions.

Ever since 2005, when private equity firm Rizvi Traverse invested in ICM Partners, the relationship between talent agencies and private capital providers has soared. In 2010, Creative Artists Agency (CAA) received a $225 million investment from TPG Capital. CAA has single-handedly raised the bar by launching a venture capital fund, founding tech startups, creating a brand marketing company and starting a private equity vehicle. The move to diversify beyond talent representation is a potential gold mine for agencies, who look forward to initial public offerings in the years ahead. M&A

MID-MARKET PULSE: Hopes for healthcare M&A were high

The forecast for M&A in the healthcare sector was rosy in early March, according to *Mergers & Acquisitions*' Mid-Market Pulse (MMP). Survey participants gave the healthcare sector a score of 71.5 for the 3-month outlook and 75.1 for the 12-month outlook. The 3-month score was about the same as back in August, the last time we highlighted the sector. But the 12-month score was 3 points higher in March than in August.

When asked about the expected impact of healthcare regulation on M&A in the sector during 2017, more than three-quarters of survey respondents said it would result in the same level of M&A or higher.

Participants were surveyed March 10-14, prior to the March 24 withdrawal of House Speaker Paul Ryan's American Health Care Act, which would have repealed the Affordable Care Act, also known as Obamacare.

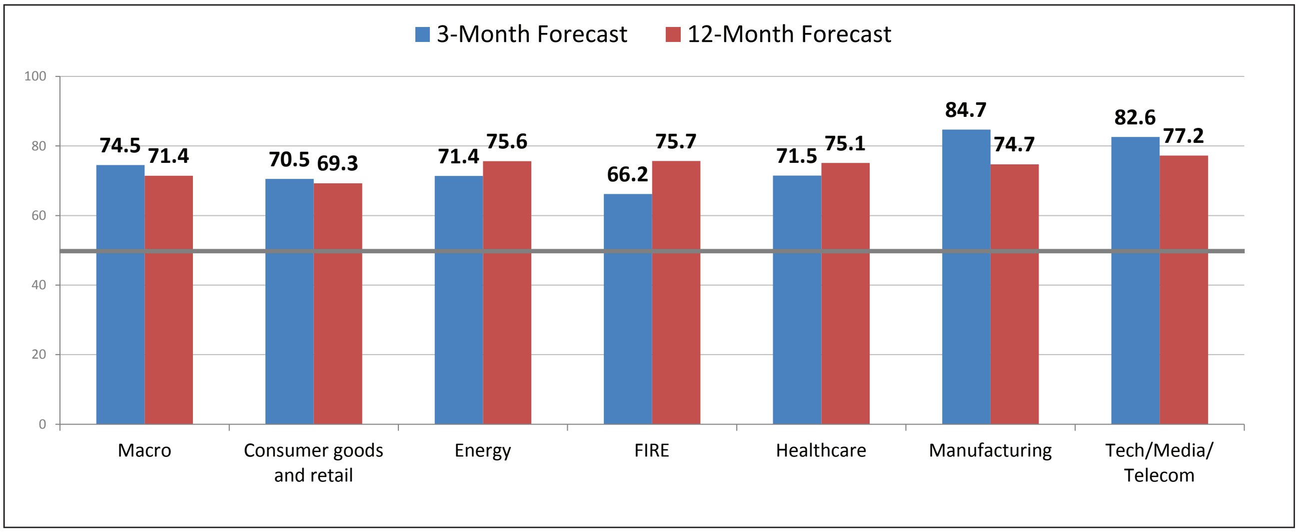
The 3-month outlook score of 84.7 for the manufacturing sector was the highest score received in March. As reported in our cover story, 2017 is expected to be a very strong year for manufacturing deals.

The 3-month outlook score of 82.6 for the technology, media and telecommunications sector was the second highest score in March.

The lowest score was the 3-month score of 66.2 for the financial services, insurance and real estate sector. But even that number was well above the 50-point mark, indicating expansion.

The numbers for overall M&A were strong, at 74.5 for the three-month forecast and 71.4 for the 12-month outlook.

The MMP is a forward-looking sentiment indicator, published in partnership with CT, a provider of business compliance and deal support services. ■



ABOUT THE *MERGERS AND ACQUISITONS* MID-MARKET PULSE (MMP)

The MMP is a monthly barometer for the outlook of M&A activity and conditions from the collective viewpoint of approximately 250 business executives in private equity firms, investment banks, lenders and advisor firms, such as accounting, law, and consulting firms, involved in M&A activity. Various sub-indicators that make up the overall MMP composite include projected deal volumes and pricing, staffing and resource utilization levels, and the expected impacts of economic conditions, taxes, and regulatory policy on respondents' future M&A activity.

MMP results are presented as rolling aggregate indicators for both three- and 12-month outlook periods for macro M&A issues as well as for individual industry sector issues in healthcare, consumer/retail, manufacturing, energy, and technology/media/telecommunications on a monthly rolling basis. A diffusion index is produced by calculating the sum of percentages of those indicating on survey responses that describe a change in sentiment for three and 12 months (e.g., increase/positive, decrease/negative, or no change/neutral) to arrive at three-month and 12-month aggregate index values that are then averaged to create a total composite for the month. A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

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Laser's Edge

Precision manufacturing drives deals for PE firms, including Watermill Group, founded by Steve Karol

By Danielle Fugazy

Photograph by Fabrizio Costantini

> We are manufacturing today with more efficiency and less human labor.

Manufacturing in its simplest form used to mean assembly lines comprised of humans creating and piecing together components that would eventually become an end product. Today, manufacturing is so much more. While manual manufacturing can still be a part of the process, today manufacturing encompasses humans with automated processes and the increasing use of robotics to make the process more efficient. Manufacturing advancements have had an astoundingly positive impact on many different broad manufacturing processes that impact many sectors. As a result of these advancements private equity firms and strategic acquirers have been snapping up manufacturing companies. "We are bullish on manufacturing in North America," says Steve Karol, the managing partner at Watermill Group. "Advanced manufacturing is creating a lot of new opportunities in many different sectors for many different companies. I believe this trend should continue." Here is a look at five areas that are benefiting from breakthroughs in manufacturing, and their impact on M&A.


Harris Williams

Jay Hernandez

Process Automation

Advancements in process automation companies have changed the manufacturing sector and many end markets. "Not long ago the question was 'if' and 'why,' but now the question is 'how' and 'how quickly can we adopt this technology?'" says Jay Hernandez, a managing director with Harris Williams & Co. "We are manufacturing today with more efficiency and less human labor."

Harris Williams has seen many process automation manufacturing companies participate in M&A recently. In March, Harris Williams advised Incline Equity Partners on its sale of Dorner Manufacturing Corp. to EQT Mid Market. Dorner, based in Harland, Wisconsin, is a maker of smart technology conveyor solutions for process automation applications. Most major consumer companies use this technology to ensure products face the right direction for bar code scans.

"Think about how much faster that manufacturing process is without someone having to line up the bar codes on a product. The use of robotics and end-of-arm tools are supplementing human labor and improving manufacturing processes all the time now," says Hernandez.

Additionally, at the end of 2016, Harris Williams advised Grohmann Engineering GmbH on its sale to Tesla Motors (NASDAQ: TSLA). Grohmann is a manufacturer of highly customized, high-yield engine equipment.

This manufacturing technology is so important that Elon Musk, founder and chief executive office of Tesla, says the deal is his company's "first acquisition of significance in our whole history. We expect this to help drive exponential improvements in our production process, in terms of both speed and quality of output, while cutting the cost-per-vehicle at the same time."

The purchase is expected to help Tesla grow, with the company aiming to add more than

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1,000 engineering and skilled manufacturing jobs in its new advanced automation division.

"Tesla felt they could have a more effective manufacturing process if they owned the company. Telsa wants to build 2,000 cars per week, and by bringing Grohmann in house they feel they can actually do that," says Hernandez. "The technology is very powerful."

"Every auto company from Ford to Tesla is striving for innovation."

Automobiles

The automobile industry has been on the forefront of the advanced manufacturing trend. Every auto company from Ford Motor Co. (NYSE: F) to Tesla is striving for innovation. For example, Ford announced plans to become the first auto company to introduce 3-D printing on a mass scale while Tesla is testing the boundaries of solar energy. These disruptions are of interest to dealmakers as they look to purchase manufacturing companies that will be of interest to the largest transportation companies or private equity firms in the future.

Lower middle-market independent sponsor Watermill Group is one such firm. Picking up on the trend in 2015, the firm purchased Quality Metalcraft Inc. (QMC), a Livonia, Michigan-based manufacturer of engineered structural metal components and assemblies, including advanced automobile prototypes. The prototypes are most often used in crash testing and to test other design features. "When companies test cars, they are trying to see what works and what doesn't," says Karol, the Watermill managing partner. "These prototypes require highly accurate information and precise engineering."

While many automobile companies can manufacture prototypes in-house, many well-known and new companies outsource the work. "We found there are a lot of new transportation companies being formed and that hasn't happened for 100 years," Karol says. "These companies are using new technologies, and need QMC's capabilities. In addition to manufacturing prototypes, the company can manufacture and assemble limited production runs to help the customers get to market." says Karol.

The Chevrolet Volt underbody, Chevrolet Camaro ZL1 hood and Cadillac CTS coupe underbody all have been manufactured by QMC.

QMC can also provide factory-assist services. "When an auto factory goes down, it is very expensive and every minute counts. QMC can help to defray those costs," say Karol.

Because the need for QMC was so robust in the second half of 2016, Watermill bought Experi-Metal Inc., which now operates as a collaborative partner to QMC, offering prototype and niche production services to original equipment manufacturers, automakers and new entrants to the transportation market.

"As the auto industry continues to advance toward new drive trains and autonomous cars it will continue to require a very precise manufacturing process. There can't be mistakes," says Karol. "QMC is ready to meet the needs of the expanding market."

Indeed, look no further than Intel Corp.'s (NASDAQ: INTC) announcement that it will acquire


Adobe Stock

Mobileye NV (NYSE: MBLY) for $15 billion. Mobileye makes chips for cameras and driver assistance features, which is crucial technology in self-driving cars. According to Bain & Co., self-driving and assistive safety features in automobiles will reach $22 billion to $26 billion by 2025.

Aerospace

According to Pricewaterhouse Coopers (PWC), aerospace and defense had a disappointing 2016 when it comes to M&A. However, while both deal volume and value declined overall compared to 2015, there was a 73 percent increase in deal activity in the fourth quarter of 2016.

The upswing was considered an indication of positive momentum in the industry after significant political changes. Kirk Griswold, founder of Argosy Capital, a private equity fund currently investing its $300 million fifth fund that mainly focuses on manufacturing, agrees the sector is on an upswing in the U.S.

"North America continues to be a huge manufacturing center. There's a lot of on-shoring taking place now because costs have gone up in China and there are shipping costs and transportation delays that are making China a less desirable place to manufacture," says Griswold. "The U.S. manufacturing market has a lot of tailwinds now. Although no one seems to know what President Trump will do, what he has said seems to support the continued on-shoring trend that is already taking place."


Argosy Capital

Kirk Griswold

> "The U.S. manufacturing market has a lot of tailwinds now."

In addition to on-shoring, there are other reasons M&A activity is increasing in the sector. With global demand for aircraft projected at $4.8 trillion through 2032—per a 2013 PWC estimate—the opportunities to make money appear to be abundant. Hoping to take advantage of the trends, Argosy has invested in two

ACL Airshop

aerospace manufacturing companies recently. "There is rising demand for both passenger and air cargo aircraft parts from around the world. Projections tracking increasing aircraft miles flown make it a relatively stable place to invest," says Griswold.

In 2016, Argosy purchased ACL Airshop, the largest manufacturer of air cargo containment systems in the U.S. "Everything that gets shipped by air goes on to pallets or in containers that are highly engineered and the shipments need to be strapped down or secured with a net. ACL manufacturers those Federal Aviation Administration approved straps and nets, and sells and leases other products as well," says Griswold.

"We make a customized device for each patient."

The Easley, South Carolina, company manufactures, leases, sells, repairs and manages pallets, containers, nets and straps for air cargo and has more than 30 locations on six continents.

Also in the aerospace sector, Argosy, along with Azalea Capital, bought InTech Aerospace, which is based in Houston, Texas, and manufactures and retrofits aircraft interior components, such as seats, floor panels, windows, wall panels and lavatories. The company has been adding customers since Argosy's investment the end of 2015 and is looking for acquisitions. "Commercial airlines refurbish their aircraft interiors, including the seats, every 18 to 36 months," says Griswold. "InTech is in growth mode and is continuously open to considering add-on acquisitions in aircraft interiors, which would add value to the InTech product offering."

Medical Devices

Demand for more personalized treatment options, an increasing aging population and constantly changing technology has kept medical device manufacturers busy. According to Today's Medical Developments, a medical device trade publication, the global market for medical devices should reach about $40 billion by 2018. With this in mind, strategic acquirers and private equity firms have been buying up medical devices for the past few years. Strategic acquirers such as Canon Inc. (NYSE: CAJ), Toshiba Corp., Johnson &

Huron Capital

Nick Barker

Johnson (NYSE: JNJ) and Abbott Laboratories (NYSE: ABT) were all involved in M&A in 2016. Private equity firms such as Frazier Healthcare Partners, New Mountain Capital, Bain Capital and Huron Capital Partners have been active buyers as well.

Advancements in manufacturing have made medical devices companies all the more valuable of late. At the end of 2016, Huron Capital Partners' portfolio company Six Month Smiles' process got even quicker thanks to advancement of 3-D printing. The Dallas company manufactures and markets kits that put braces on adult patients--a quick, less expensive alternative to traditional braces, which can take years, and linear systems, like Invisalign, which have limitations. Six Month Smiles' process takes about six months—the dentist takes an impression of the patient's mouth and sends it to the company, which reviews the impression, determines treatment and assembles the wires and brackets that the dentist secures on

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the patient's teeth. "We make a customized device for each patient," says Nick Barker, a partner with Huron Capital.

With new technology, instead of taking an impression and sending it to Six Month Smiles to make a mold, dentists can now take digital images of patients' mouths with a hand-held scanner and send the images immediately. Six Month Smiles has developed software that converts the digital images into a CADD (computer-aided design and drafting) drawing and creates the molds with a 3-D printer.

"The process is now faster and the 3-D model is much more accurate, making it easier for dentist to see exactly where the brackets should be placed on patients and how things should progress," says Barker. "3-D printing is really changing medical manufacturing. It's not as effective if you have to stamp out millions of parts at a time, but it works especially well in a shorter-run manufacturing environment and it is able to add customization, which is so important today. 3D printing is changing the manufacturing process."

"Precision is critical in aerospace and medical equipment."

The Riverside Co.

Brad Roberts

Precision Machining

Precision machining and manufacturing is expected to exceed $120 billion by 2020 globally, according to Technavio, a trade publication. Precision manufacturing simply means manufacturing products with extreme accuracy. Precision machinists control, design and operate computer-controlled equipment that is extremely precise. Precise machining is used in all sectors that need highly engineered components made to meet customer's specifications.

According to data from the Institute for Supply Management, the fabricated metal products industry, of which precision machining is a sub sector, was one of 11 industries that grew in December 2016. Most of the deals in this space have been completed by larger strategic acquirers such as ESCO Technologies Inc. (NYSE: ESE) and Precision Castparts Corp. But some middle market firms have found a way to play in the sector. For example, through its portfolio company Harvey Tool, the Riverside Co. completed an add-on acquisition that brought precision manufacturing into its suite of capabilities. Of Helical Solutions, manufacturer of highly engineered standard and custom end-mills that enable customers to increase production efficiencies, which can reduce machining time per part and save money compared to other competitive offerings.

"Helical maintains a highly fragmented end user base, selling its tools into diverse end markets and to thousands of different job shops and production facilities," says Brad Roberts, a principal with Riverside. "Helical tools are particularly popular in end markets where precision is most critical, including aerospace and medical equipment." The Gorham, Maine, company counts the Boeing Co. (NYSE: BA) as one of its customers. "With the current robust end market demand in aerospace and healthcare, Helical's ability to improve manufacturing efficiency really resonates," he says. M&A

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JOEL CONNER

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Mr. Conner has been involved with Bellisio Foods since Michelina's was created, and his tenure and contributions make him an invaluable leader to our team. Today, as Chairman and Chief Executive Officer, he leads the Company's day-to-day management and focuses on developing and overseeing strategic growth objectives. Mr. Conner has also helped lead consumer marketing and international sales and has led efforts in building sales in the alternative retail channel.

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Guest Article

GO TO THE SOURCE

Leads for new deals can be found by analyzing the details of recently completed transactions.

Nadim Malik

Adobe Stock

Deal sourcing is a constant grind and critical to a fund's long-term success, a credence regularly reverberated by PE professionals. Access to the appropriate tools, complemented by the right data, is a requirement for any effective sourcing strategy. Michael Lewis' celebrated book, Moneyball: The Art of Winning an Unfair Game, illustrated baseballs' success in utilizing statistics and analytics to their advantage. So, why not apply similar data concepts to the intensely competitive realm of deal sourcing? To do this, first, generate scorecards for each intermediary, and second promote awareness of current market trends, based on your sector and criteria, and adjust your approach accordingly.

Just as Moneyball describes a baseball manager's groundbreaking effort to engineer a competitive team using performance analytics, each intermediary should have a scorecard that relates to your firms' target criteria. The following performance parameters should be analyzed for each card: 1. Process Index: What type of processes does the deal intermediary run (limited, moderate or broad)? 2. Success Rate: What percentage of deals closed that the intermediary brought to market? 3. Relevancy: What percentage of the intermediary's closed deals were relevant to your firm's target criteria? 4. Coverage: Of the relevant closed deals, what percentage did your firm see?

Integrating this scorecard with your current strategy will prioritize your time and resources. Furthermore, it shouldn't be a time-consuming, manual task. Identifying and scoring each intermediary based on these four performance criteria should be programmatic and seamlessly updated, thereby giving you a competitive edge by directing your relationship building more astutely.

Complementing the scorecard, the second component involves dissecting current market trends and sector activity to evaluate their potential impact on your deal sourcing game plan. This involves a keen awareness of who the active intermediaries are, the location and the volume of deals that traded, and detecting potential new deal sources. To demonstrate these points, let's begin with a review of the Healthcare sector as an example.

Sutton Place Strategies

Nadim Malik

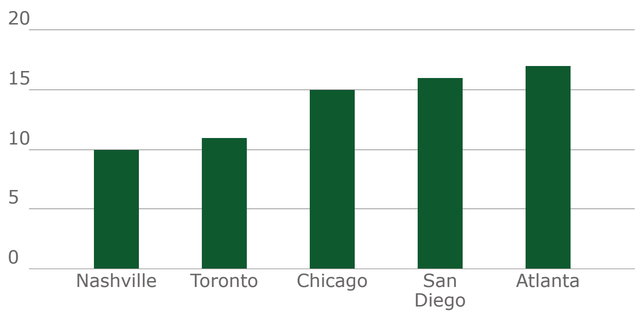
> "Each intermediary should have a scorecard that relates to your firm's target criteria."

Over the two-year period from January 1, 2015 to December 31, 2016, the top five cities for Healthcare deals based on target company location include Atlanta, San Diego, Chicago, Toronto, and Nashville. Reviewing the data from an intermediary perspective, the top four locations based on the professionals that represented these Healthcare companies include New York, Chicago, San Francisco, and Boston. Richmond and Minneapolis are tied for fifth. Below are two charts examining the Healthcare transactions that traded by location, as well as the location of the professionals that closed those deals.

Based on this analysis, Chicago should be a significant focus in terms of your strategy. There are a number of Healthcare transactions that have traded in the Chicago metropolitan

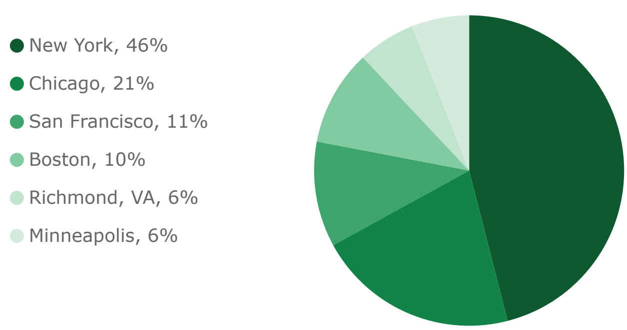
Where healthcare targets live

Companies headquartered in Atlanta closed the most deals in 2015 and 2016



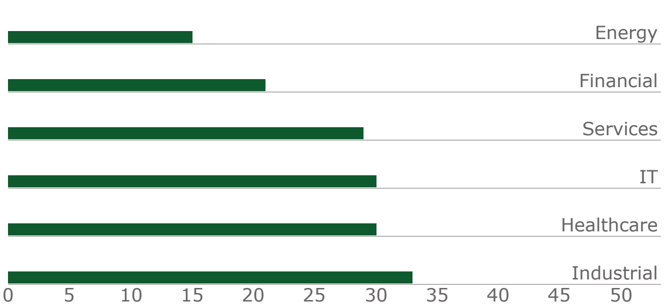
Where healthcare intermediaries live

Advisers headquartered in New York closed the most deals in 2015 and 2016



Most active sectors with new sources

The industrial sector generated the most deals closed by a new source in 2016



Source: Sutton Place Strategies

area, as well as a significant number of professionals that are closing Healthcare deals located in the area. Any successful deal sourcing strategy requires an understanding of both where the target companies are located, as well as the relevant sources of deal flow.

Now, to demonstrate the value in discovering potential new deal sources, let's review 2016 closed transactions. According to SPS data, there were 151 new deal sources that were active in 2016. These new sources closed in aggregate 191 transactions. The chart below breaks out the top five sectors that saw the highest volume of deals closed by a new deal source in 2016. The most closed deal activity came from the Industrial sector with 33 deals completed. This is followed by Healthcare and IT (tied for second) with 30, Services with 29, Financials with 21, and Energy with 15 new deal sources, respectively.

For a strategy that concentrates its investments in these top sectors (Industrials, Healthcare, IT, Services, Financials, Energy), there is a clear advantage to identifying and proactively reaching out to these new intermediaries before other deal professionals have the opportunity. Moreover, having less competition can lead to lower entry multiples, which can ultimately lead to better fund returns. Finally, it is important to remain top of mind with these new sources as part of a long term strategy, as they bring more relevant deals to market per your criteria.

If you're still not convinced of the importance of integrating data and analytics to current sourcing methods, perhaps LP due diligence is more persuading. As other sponsors take this message to heart and use data and metrics as a reporting tool, you could potentially be at a disadvantage. Furthermore, your firm could seem out of touch or dated in its sourcing approach. Combining similar data concepts from Moneyball with current marketing practices will help to prioritize your deal sourcing approach for your specific strategy, and put you on the path to win the World Series of deal sourcing.

Nadim Malik is the founder and CEO of Sutton Place Strategies, a provider of data and analytics for PE and M&A professionals to optimize their business development efforts. Catherine Daly, director of marketing communications, contributed to this article.

Yes, home of the Kentucky Derby. But also home to public companies Humana, Yum! Brands, Kindred Healthcare, Brown-Forman, Papa John's Pizza, Texas Roadhouse, and Pharmerica, as well as headquarters to major businesses UPS, WorldPort, Res-Care, GE's Appliance & Lighting Division and others. And there is much more… the Mid-South region is home to thousands of quality middle-market businesses in the areas of advanced manufacturing, healthcare, technology, automotive supply, food & beverage, logistics and more. Economic activity in the region is closely linked between Nashville, Louisville, Lexington, Cincinnati and Indianapolis which are all separated by a short car ride.

http://www.acg.org/midsouthconnection/

MID-MARKET
M&A CONDITIONS INDEX

MAY 2017

MERGERS & ACQUISITIONS

Dealmaking activity rose in March, reaching the highest level since June 2015, according to *Mergers & Acquisitions*' M&A Conditions Index (MACI). The MACI composite score increased 4 points to 57.5, up from the previous month's score of 53.5.

Most dealmakers who responded to the survey expressed optimism about the overall economy, reporting confidence that Republican control of all three branches of the federal government would yield fewer regulations and more mergers and acquisitions.

Participants were surveyed March 10 through March 14, prior to the March 24 withdrawal of House Speaker Paul Ryan's healthcare bill, which would have repealed the Affordable Care Act, also known as Obamacare. The failure to bring the Republican party together on the healthcare bill may portend challenges in passing legislation in other areas, such as dismantling the Dodd-Frank Wall Street Reform and Consumer Protection Act. ■

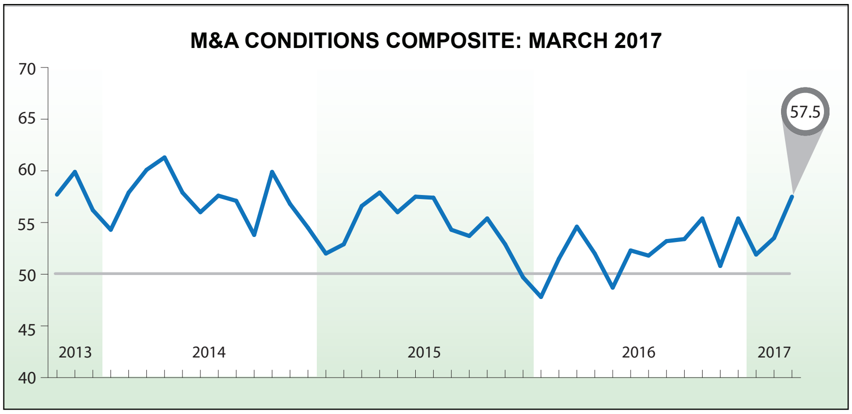
ABOUT THE MID-MARKET MERGERS AND ACQUISITIONS CONDITIONS INDEX (MACI)

The MACI is a composite index of mergers and acquisitions activity and conditions in the U.S. It is the result of the Mergers & Acquisitions' survey of executives in private equity firms, investment banks, lenders and advisor firms to track activity such as deals announced and deals completed, as well as acquisitions and divestitures.

Each sub-indicator is based on survey responses that describe a change from the previous month (e.g., increase, decrease, or no change). Respondents are also asked to elaborate on any of the changes and provide their opinions about other internal or external conditions that affect their firm's operations or business outlook. A diffusion index is produced for each sub-indicator by calculating the sum of percentages of those indicating "higher" (for positive sub-indicators) and "lower" (for negative sub-indicators) and half of those indicating the "same." A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

March composite at 57.5

Middle-market dealmaking flourished in early March, as leads for new deals soared to the highest level since October 2014. Survey respondents expressed optimism about the economy before the withdrawal of the healthcare bill.



Month to Month Trends

Index	March Index	February Index	% Point Change	Direction	Rate of Change	Trend (months)
Composite	57.5	53.5	4.0	Expansion	Faster	10
Leads	70.4	64.4	6.0	Expansion	Faster	14
Signed Letters	61.1	58.6	2.5	Expansion	Faster	2
Completed Deals	50.0	50.0	0	Even	Flat	2
Divestitures	58.6	45.8	12.8	Expansion	From Contraction	1
Financing Availability	56.1	55.9	0.2	Expansion	Faster	4
M&A Business Activity	59.8	52.6	7.2	Expansion	Faster	10
M&A Business Staffing	55.8	51.3	4.5	Expansion	Faster	2
Bidders	38.4	43.4	-5.0	Contraction	Faster	14


Derria Banta


John Calcagnini


Jeremy Cape

New Hires and Promotions By Kamaron Leach

Goodarz Agahi has joined **BakerHostetler** as a partner in Costa Mesa, California. Agahi focuses on M&A, leveraged buyouts, restructurings, recapitalizations and financings.

David Azema has joined **Perella Weinberg Partners** as a partner in the firm's advisory business. Based in London, Azema is responsible for leading the firm's investment banking practice in France.

Derria Banta has been promoted to managing director at Denver, Colorado-based **Platte River Equity,** in addition to her chief financial officer duties. Banta first joined the firm in 2012 and will oversee both firm and fund administration for Platte River.

James Barnes has joined **Blank Rome LLP's** Pittsburgh office as a partner. Most recently with Pepper Hamilton LLP, Barnes has experience in M&A, capital markets, corporate and securities law, and corporate governance.

David Brown was hired by **Nixon Peabody LLP's** Chicago office as a managing partner. Brown concentrates on M&A, private equity, securities and venture capital.

Mark Brown was promoted from principal to managing director at Denver, Colorado-based **Platte River Equity**. Brown joined Platte River in 2011 and focuses on the firm's investments in industrials, energy products and services companies.

John Calcagnini has joined **Stout Risius Ross Inc.** as a managing director in the investment banking group's healthcare industry practice. Calcagnini's experience extends to M&A, divestitures, joint ventures, restructurings, and equity and debt financings.

Jeremy Cape has joined **Squire Patton Boggs** as a partner in the firm's tax strategy and benefits practice group. Based in London, Cape advises on tax-related issues covering cross-border transactions including M&A, finance, restructuring and insolvency, funds and outsourcing.

Todd Cassidy was hired by **Raymond James** as a managing director. Based in Chicago, Cassidy will focus on middle-market M&A opportunities for automotive parts, aftermarket providers and services companies.

Glynna Christian has joined **Orrick's** San Francisco office as a partner co-heading the firm's global technology transactions practice. Most recently with Arnold & Porter Kaye Scholer LLP, Christian concentrates on M&A, financings and public offerings.

Paul Ciolino has joined Chicago-based **Wynnchurch Capital LLC** as an operating partner focused on investments in the heavy industrials, metals, flow technology, and building products sectors. Ciolino previously served as the CEO of U.S. Pipe (Nasdaq: FRTA), a manufacturer of water distribution products that was acquired by Wynnchurch Capital in April 2012.

Daniel Clare was hired by **Constitutional Capital Partners** as a partner heading the firm's new office in New York. Clare joins most recently from Ascribe Capital, which invests in the debt and equity securities of middle-market companies.

Megan Condon was hired by Chicago-based **Twin Bridge Capital Partners** as an associate. Condon was previously a credit research associate at Logan Circle Partners.

Dan Costello was promoted to managing director at San Francisco-based **TSG Consumer Partners LLC**. Prior to joining TSG in 2007, Costello worked at Wachovia Securities advising clients on M&A and debt and equity financings.

Sean Coyle was promoted associate to partner at **Akerman LLP.** Coyle concentrates on M&A, private placements and asset purchases. He is based in Fort Lauderdale, Florida.

Daniel Csefalvay has joined London-based **Latham & Watkins LLP** as a partner in the firm's corporate department and financial institutions group. Csefalvay's previous experience includes advising domestic and cross-border transactions and financial regulatory matters.

People

Melissa Dickerson

Renata Hesse

Alexander Lee

Chris Dardaman has joined Atlanta-based **Heritage Growth Partners LLC**, a private family investment office, as a partner. Former CEO of Brightworth, Dardaman focuses on minority recapitalization opportunities.

Matteo Daste has joined **Orrick's** San Francisco office as a partner in the law firm's technology group. Daste advises public and private clients on M&A, capital-raising, and reorganizations.

Melissa Dickerson has been promoted to chief financial officer and managing director of operations at San Francisco-based **Genstar Capital.** Before joining the firm in 2004, Dickerson worked as the controller at American Industrial Partners.

John Emery has joined **Alantra'**s Boston office as a managing director. Most recently with Bowen Advisors, Emery concentrates on technology M&A, including SaaS, security and communications.

Craig Farr was hired by New York-based **Carlyle Group** (Nasdaq: CG) as a senior adviser in the firm's global credit group. In his new role, Farr will help develop new strategic initiatives across Carlyle's credit platform, which includes loans and structured credit, private credit, energy credit and distressed credit.

Patrick Flanagan was hired by New York-based **Cooley LLP** as a partner in the firm's private equity practice. Flanagan focuses on both domestic and international leveraged finance transactions, including: acquisitions and debt financing.

Roger Fradin has joined the **Carlyle Group** as an operating executive for the firm's industrial and transportation team. Fradin was most recently with Honeywell International (NYSE: HON) where he was responsible for advancing the company's M&A strategy.

Jay Galluzzo was promoted from an operating adviser to managing director at Greenwich, Connecticut-based **North Castle Partners.** In his new role, **Galluzzo** will be responsible for pursuing new investments in general consumer businesses.

Seth Harward was promoted from principal to partner at Charlotte-based **Frontier Capital**. Harward joined Frontier Capital in 2008 and leads the firm's business development and sourcing strategy.

Kevin Hawkins was hired by **Altantra'**s Boston office as a vice president. Hawkins concentrates on technology M&A, including software, Internet of Things and communications. He was previously with Bowen Advisors.

Renata Hesse has joined **Sullivan & Cromwell LLP** as a partner in the firm's Washington, D.C. office. Most recently serving as the acting assistant attorney general in charge of the U.S. Department of Justice's antitrust division, Hesse focuses on antitrust counseling and merger clearance.

Gregory Hill has joined **Hogan Lovells'** Houston office as a partner. Hill will represent clients on M&A, capital investment and fund formation.

Scott Hoch was promoted from principal to partner at Charlotte-based **Frontier Capital.** Hoch joined the firm in 2007 and is responsible for executing new investments with a focus on healthcare information and human resources technology.

Justin Jacobi was promoted CEO to executive chairman of Addison, Illinois-based **SunSource**, a fluid power distribution company backed by Littlejohn & Co. Sacher joined SunSource in 2002 and focuses on strategic growth initiatives, including acquisition planning and new technology initiatives.

Rainey Janke has joined **Post Oak Energy Capital** as vice president of investor relations where she will serve as the primary liaison with institutional investors. Janke was most recently the vice president of investor relations at EnerVest. Post Oak is a Houston-based energy-focused private equity firm.

Thomas Kelso has been promoted to president at middle-market investment bank **Matrix Capital Markets Group Inc**. Based in Richmond, Virginia, Kelso's new role will be in addition to his current responsibilities as managing director and principal of Matrix's downstream energy and convenience retail group.

James Kirk was promoted from principal to managing director at New York-based **Corsair Capital LLC**. Kirk's focuses on M&A and capital raising. He joined the firm in 2004.

Michael Layman has been promoted to managing director at **TSG Consumer Partners LLC** in San Francisco. Layman joined TSG in 2009 and concentrates on M&A, debt and equity financings, and due diligence.

Ray LaSoya has joined Los Angeles-based **Cooley LLP** as a partner in the firm's M&A practice. Most recently with Stroock Stroock Lavan LLP, LaSoya's previous experience covers corporate transactions, acquisitions and divestitures, and private and public equity investments.

Alexander Lee was hired by **McDermott Will & Emery** as a tax partner in the firm's Los Angeles office. Lee joins most recently from Paul Hastings LLP and focuses on M&A, capital markets, lending and finance with an emphasis on the healthcare industry.

Jeff Legault was hired by **DLA Piper** in New York as a partner in the firm's corporate practice. Legault focuses on M&A and private equity across the life sciences, manufacturing and financial services industries.

Joe Manning was promoted to partner at **The Riverside Co**.'s Cleveland office. Currently the lead on three platform investments, Manning first joined the firm in 2006 and rejoined in 2011.

Niall McComiskey has been promoted from director to a managing director at New York-based **Greenbriar Equity Group LLC**. Since joining the firm in 2006, McComiskey has led the structuring and sourcing of numerous investments across the transportation sector.

Michele McHale was promoted to national private equity industry leader at Southfield, Michigan-based **Plante Moran**. McHale is also a partner in the firm's transaction advisory services practice and focuses on private equity and M&A across the manufacturing, distribution, construction and healthcare sectors.

Shawn McMenimen has joined New York-based **Gen II Fund Services LLC** as a senior managing director. McMenimen joins the firm from State Street, and will now be responsible for managing the firm's client relationships and oversight of Gen II's compliance department.

Winston Meade has joined investment bank **Stephens Inc.** as a managing director and head of the firm's telecommunications banking division. Based in New York, Meade joins the firm from UBS Investment Bank.

Gregory Metz has joined **McDermott Will & Emery** in Chicago as a partner in the firm's corporate and transactional practice group. Previously at Ropes & Gray LLP advising clients on M&A, Metz will focus on middle-market private equity.

Steve Mills has joined New York private equity firm **Bridge Growth Partners LLC** as a senior adviser. Mills previously served as executive vice president of International Business Machines Corp. (NYSE: IBM), where he oversaw the company's M&A strategy which included more than 150 transactions.

Guy Phillips was hired by **Stout Risius Ross Inc.** as a senior adviser in the firm's investment banking group. Phillips advises companies in the consumer products and retail sectors.

Matt Pennino has joined **Bryant Park Capital LLC** as a managing director in New York. Most recently with Brean Capital, Pennino focuses on capital raising and advisory transactions.

Matt Petrucci was promoted to national transaction advisory services leader at **Plante Moran**. Petrucci previously led the firm's transaction advisory services team in Chicago where he focused on middle-market buy-side and sell-side transactions.

David Quon was hired by **White Oak Global Advisors LLC** as a managing director. Quon will responsible for originating and structuring new investment opportunities in the greater Chicago, Midwest and Canadian regions.

Ben Marshall

Shawn McMenimen

Matt Pennino

People


Guy Phillips


David Quon


Katie Solomon

Andrew Rueff has been appointed as an operating partner at middle-market private equity firm **Waud Capital Partners**. Based in Chicago, Rueff will focus on pursuing new platform investments in the payments and financial technology sectors.

Garrett Ryan was hired by middle-market lender **Twin Brook Capital Partners** asa a partner and head of capital markets. Based in Chicago, Ryan was most recently a managing director at Fifth Third Bank. Twin Brook is a subsidiary of Angelp Gordon & Co.

Alejandro Ruiz has joined **McDermott Will & Emery** as a partner in San Francisco. Ruiz joins most recently from Greenberg Taurig where he advised on tax issues of domestic and cross-border transactions including: M&A, buyouts, debt and equity financing, and fund formations.

Joseph Salley was hired by New York-based **Arsenal Capital Partners** as an operating partner within the firm's specialty industrials group. Salley was most recently with Milliken & Co. as CEO, handling acquisitions, integrations, and business exits.

Ben Schryber has joined the New York office of **Carlyle Group LP** as a managing director leading credit sales and global business development efforts. Schryber previously held positions at First Avenue Partners, Albourne Partners, and Blue Ridge Partners.

Ian Schwartz has joined **McDermott Will & Emery** as a partner in New York. Schwartz, a former partner at Fried Frank Harris Shriver & Jacobson LLP, will head the firm's investment funds practice.

Paul Scrivano has joined New York-based **Ropes & Gray LLP** as a partner in San Francisco. Scrivano serves as global head of the firm's mergers & acquisitions practice.

David Shoulders was promoted from director to managing director at Richmond, Virginia-based **Matrix Capital Markets Group Inc**. Shoulders has been with the investment bank for more than ten years sourcing M&A and capital raising transactions, and will now head Matrix's consumer and industrial products group.

Katie Solomon has been promoted to managing director at San Francisco-based **Genstar Capital,** focusing on talent management. Solomon joined the firm in 2011 and works to help drive growth through the identification and acquisition of talent.

Steven Spiteri has been promoted to partner in the Melbourne, Australia office of **The Riverside Co**. Prior to joining the PE firm in 2010, Spiteri worked at Hastings Private Equity and KPMG Corporate Finance.

Craigh Stoehr was hired by **Michael Best'**s Milwaukee office as a partner. Previously with Latham & Watkins, Stoehr concentrates on private equity and M&A and restructuring. He also served as head of M&A at travel company Thomas Cook Group plc.

Adam Tope has joined New York-based **Hogan Lovells LLP** as a partner in the firm's corporate practice. Tope joins the law firm most recently from Greenberg Traurig LLP and will advise clients on all aspects of fund information.

Michael Vossen has been promoted from principal to managing director at Minneapolis-based **GMB Mezzanine Capital.** Before joining the firm as an analyst in 2005, Vossen worked at Piper Jaffray & Co. (NYSE: PJC) and Deloitte & Touche LLP.

Fred Wang was hired by Menlo Park, California-based **Adams Street Partners** as a partner and a member of the firm's ASP Capital investment team. Wang will focus on directly investing in enterprise and security software opportunities.

Brian Wornow has joined New York-based investment bank **Keefe, Bruyette & Woods Inc.** as a managing director in the financial services sector. Wornow will be responsible for advising clients on M&A, divestitures, private equity, and debt offerings for the real estate sector. He joins most recently from Clayton Holdings.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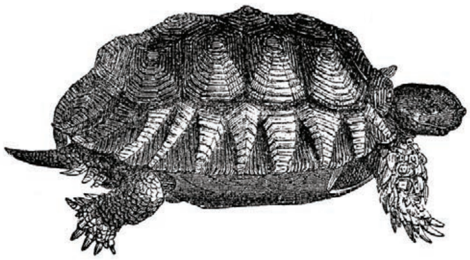

Figure 1:
Typical Paying Agent Process

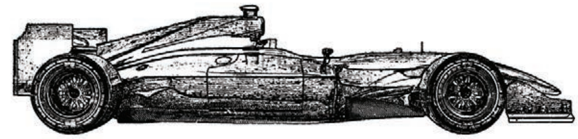

Figure 2:
Wilmington Trust FASTTRACK

Things are about to get **faster.**

WILMINGTON TRUST
FASTTRACK

The M&A paying agent process is getting a jolt from technology. Introducing FASTTRACK from Wilmington Trust, designed to save you time and hassle. With FASTTRACK, manually submitting forms by mail or fax is now a thing of the past. And what used to take weeks or even months can now take a matter of days. And because it's provided by Wilmington Trust – no matter if you need an escrow or paying agent – you can expect nothing less than personalized service at every turn. Secure, simple, and seamless. That's Wilmington Trust FASTTRACK. Let us help get your deal to the finish line at **wilmingtontrust.com/fasttrack.**

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