



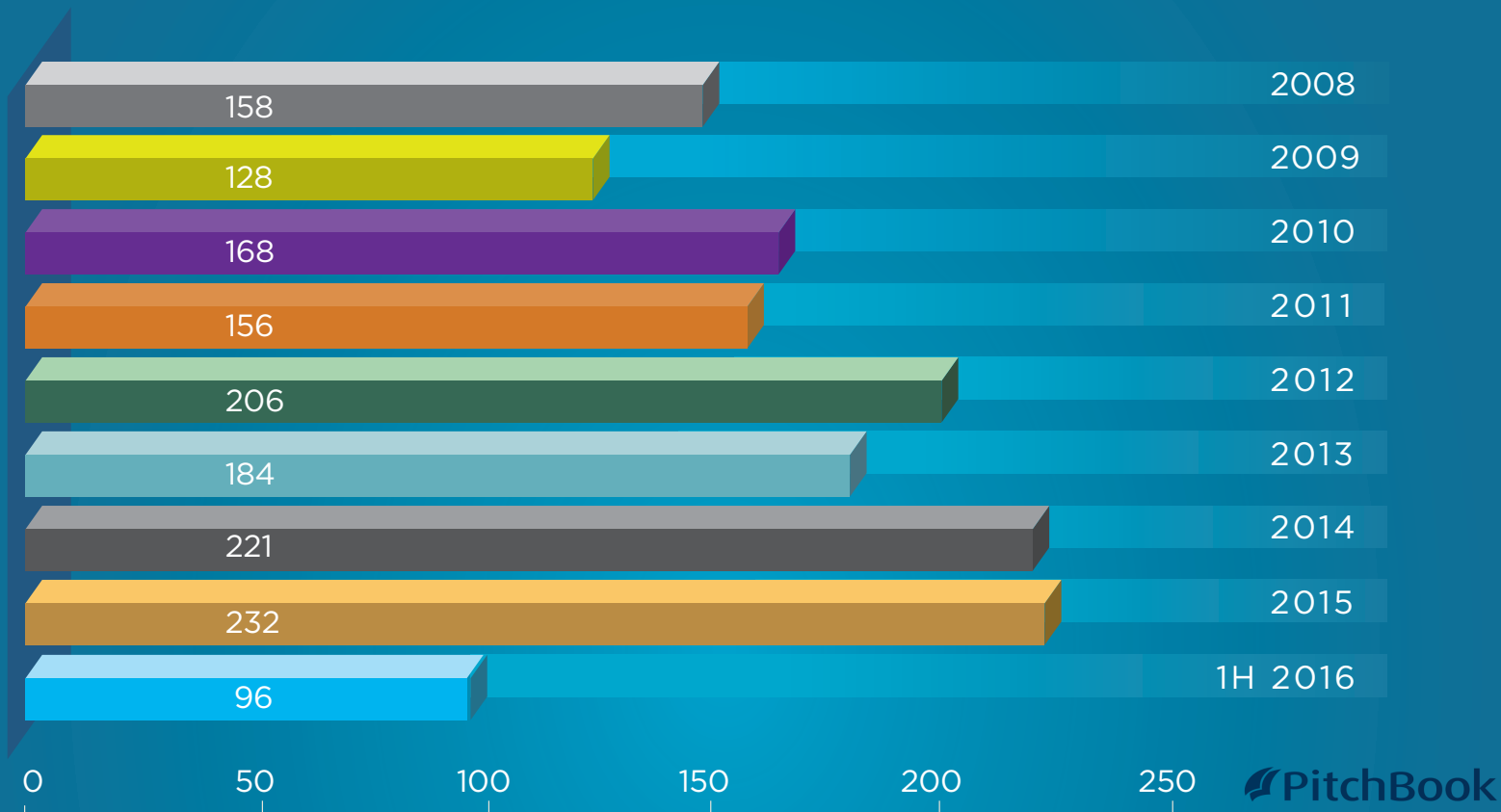
Cassel Salpeter & Co.
INVESTMENT BANKING

A VIEW OF FLORIDA: 1H 2016 FLORIDA PE DEAL REPORT

THIS INFOGRAPHIC REPORT AND ALL ASSOCIATED CHARTS, PREPARED BY CASSEL SALPETER & CO. WITH DATA FROM PITCHBOOK DATA AS OF JUNE 30, 2016, PROVIDES A TOP-LEVEL EXAMINATION OF PRIVATE EQUITY ACTIVITY IN FLORIDA. IT OFFERS IN-DEPTH INSIGHT AND DATA-DRIVEN ANALYSIS OF THE STATE'S PE TRENDS, WITH A FOCUS ON DEAL FLOW ACTIVITY.

THIS REPORT INCLUDES ALL PE INVESTMENTS (INCLUDING BUYOUT, ADD-ON, GROWTH AND RECAPITALIZATION), EXCLUDING REAL ESTATE INVESTMENTS, MADE INTO TARGET COMPANIES WITH HEADQUARTERS IN FLORIDA.

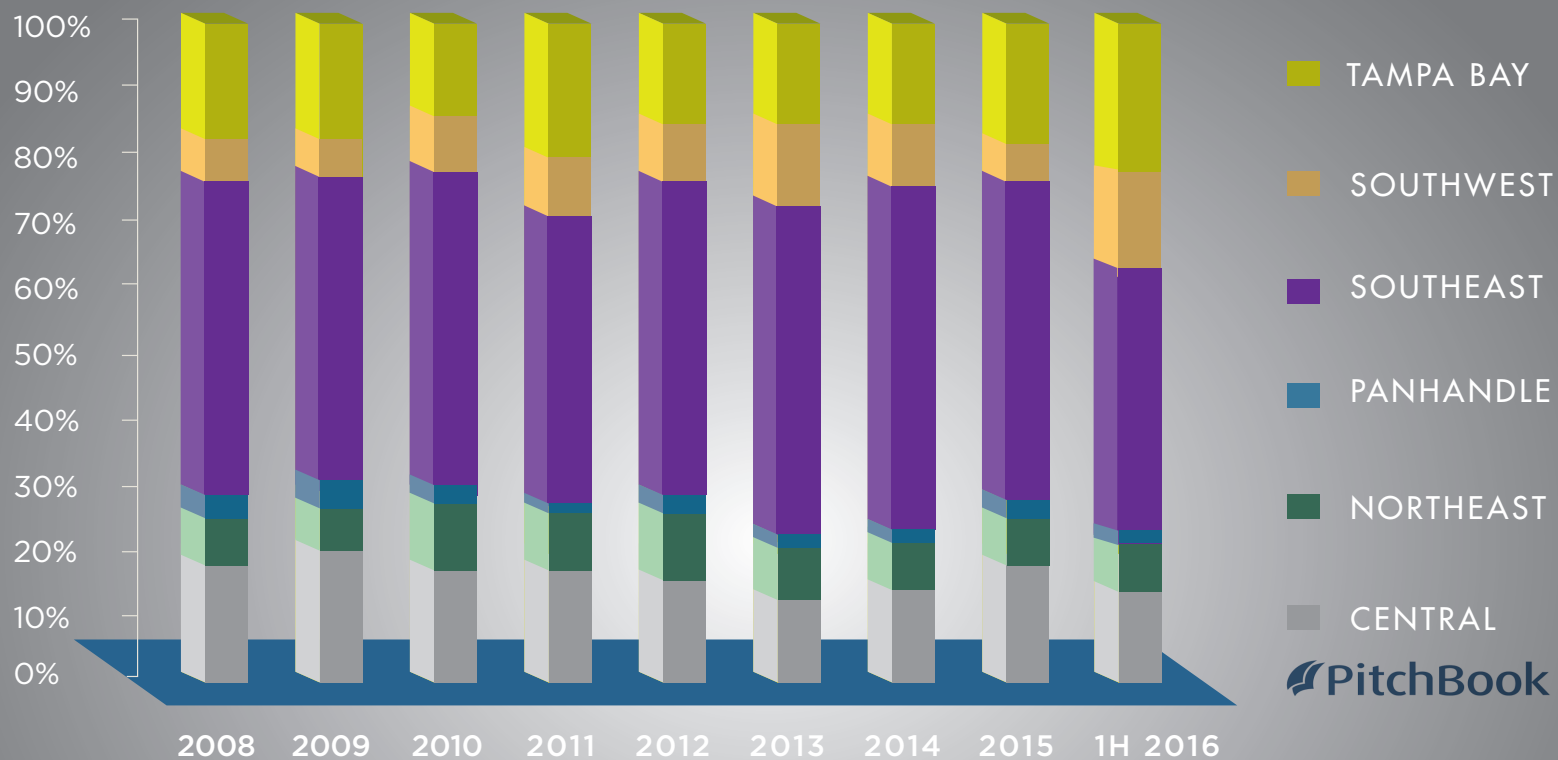
Florida PE Deal Flow by Year



As we have moved halfway through 2016, Florida PE deal flow was slightly down, however remaining relatively consistent with previous years' activity. 1H 2016 saw 96 Florida PE deals completed, representing a slight decline of approximately 6.8% from 1H 2015.

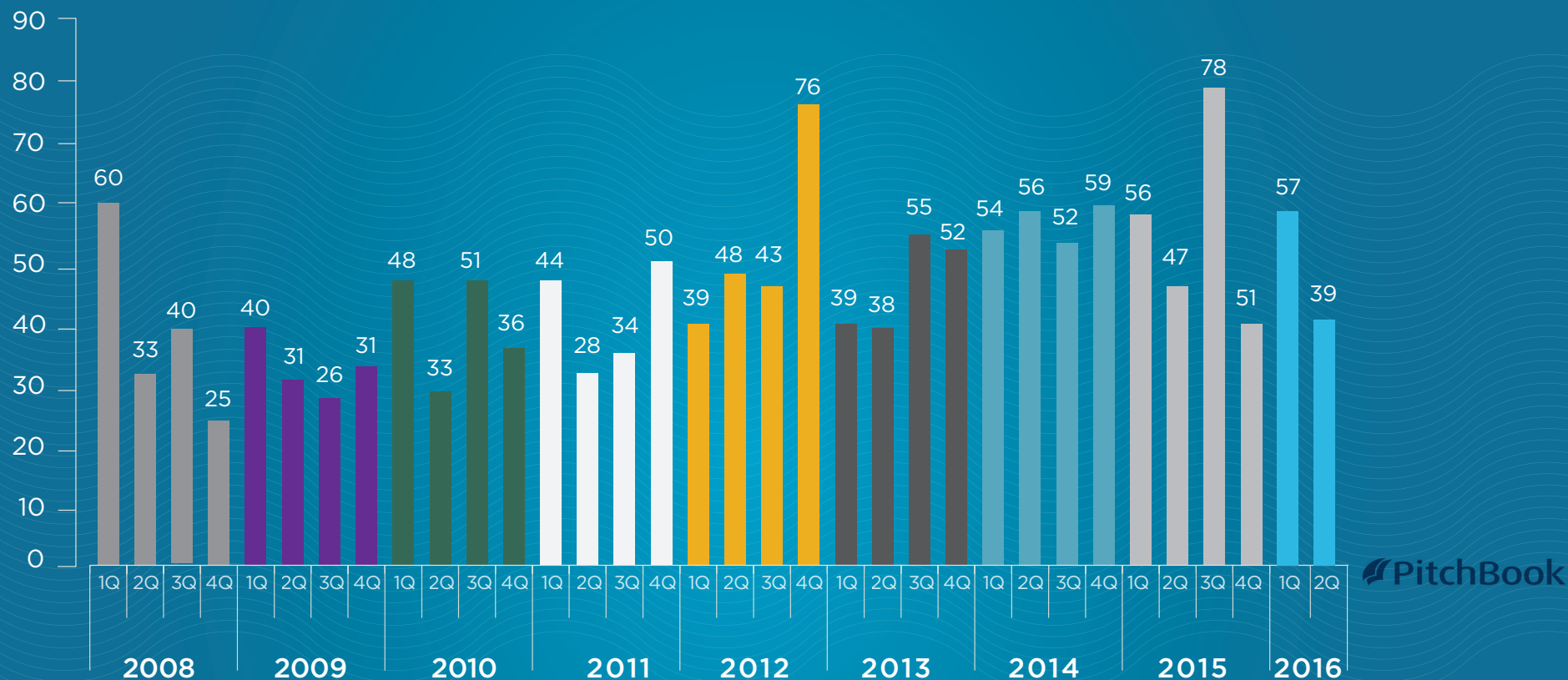
It is important to note, however, that reported 1H 2016 data may be lower than actual as PE firms tend to incrementally update data. Looking back at the time we published our 1H 2015 Florida Deal Report, only 75 Florida PE deals were reported for the 1H 2015, compared to the 103 Florida PE deals now reported for the same time period. Thus, while 1H 2016 Florida PE deal activity declined slightly based on current reported data, when compared to 1H 2015 reported from a midyear perspective, 1H 2016 Florida PE deal activity actually increased approximately 28%.

Florida PE Deal Flow by Region



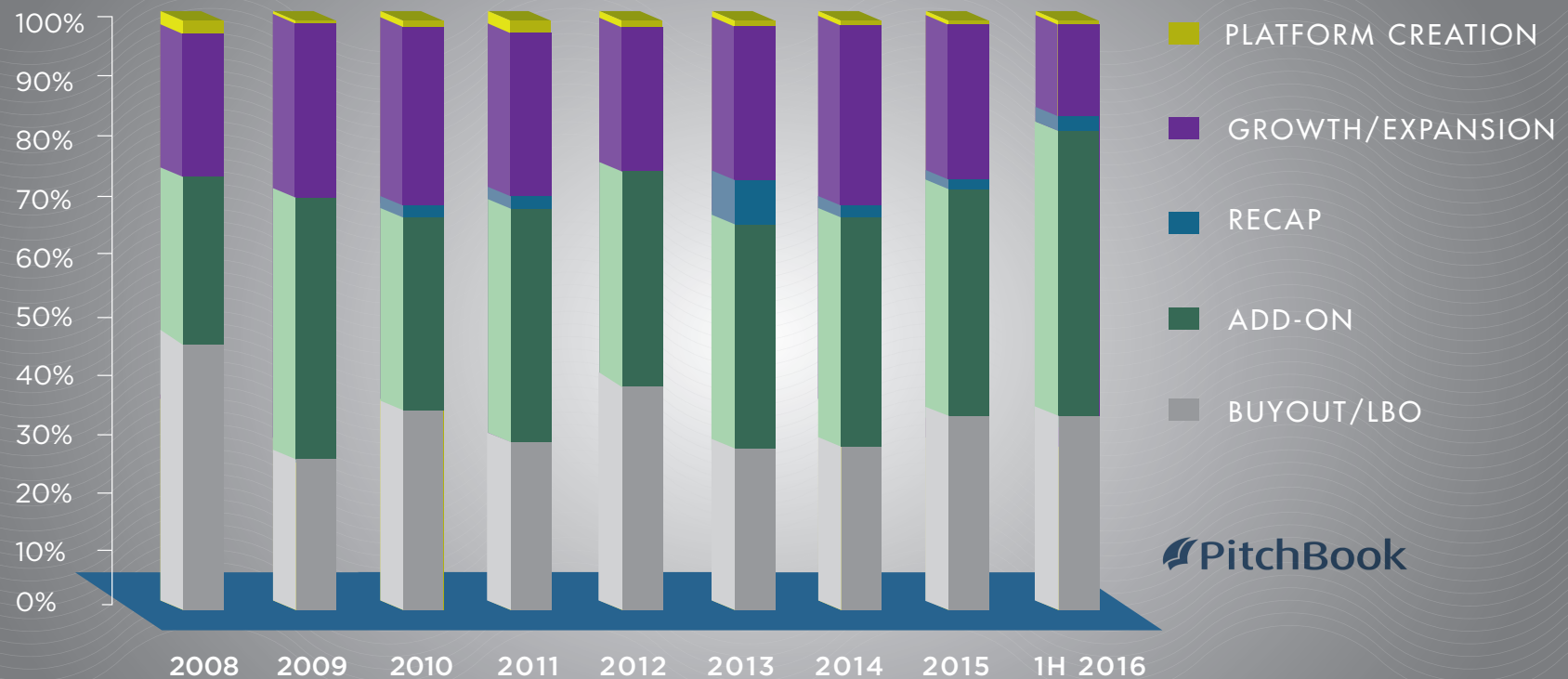
The Southeast has consistently remained the region with the most Florida PE deal flow, accounting for approximately 34.4% of total 1H 2016 Florida PE deals, followed by Tampa Bay, which represented approximately 27.1%, an increase of approximately 6.4% from 2015. The Southwest, which is tied with Central Florida for the third most active region, also saw a significant increase in Florida PE deal flow activity, and has already completed the same number of deals in 1H 2016 as it did for the full year in 2015.

Florida PE Deal Flow by Quarter



As James Cassel and Scott Salpeter predicted in our year-end 2015 Florida PE Deal Report, Florida PE deal-flow for 1H 2016 was at a similar pace to that of 4Q 2015. After reaching historic highs on a quarterly basis, Florida PE deal activity endured its inflection point in 3Q 2015, with activity in 4Q 2015 and 1H 2016 experiencing a slight decline. While 2015 as a whole finished as another strong year for Florida PE deal activity, 1H 2016 has felt considerable negative effects, with a mere 39 Florida PE deals completed in 2Q 2016.

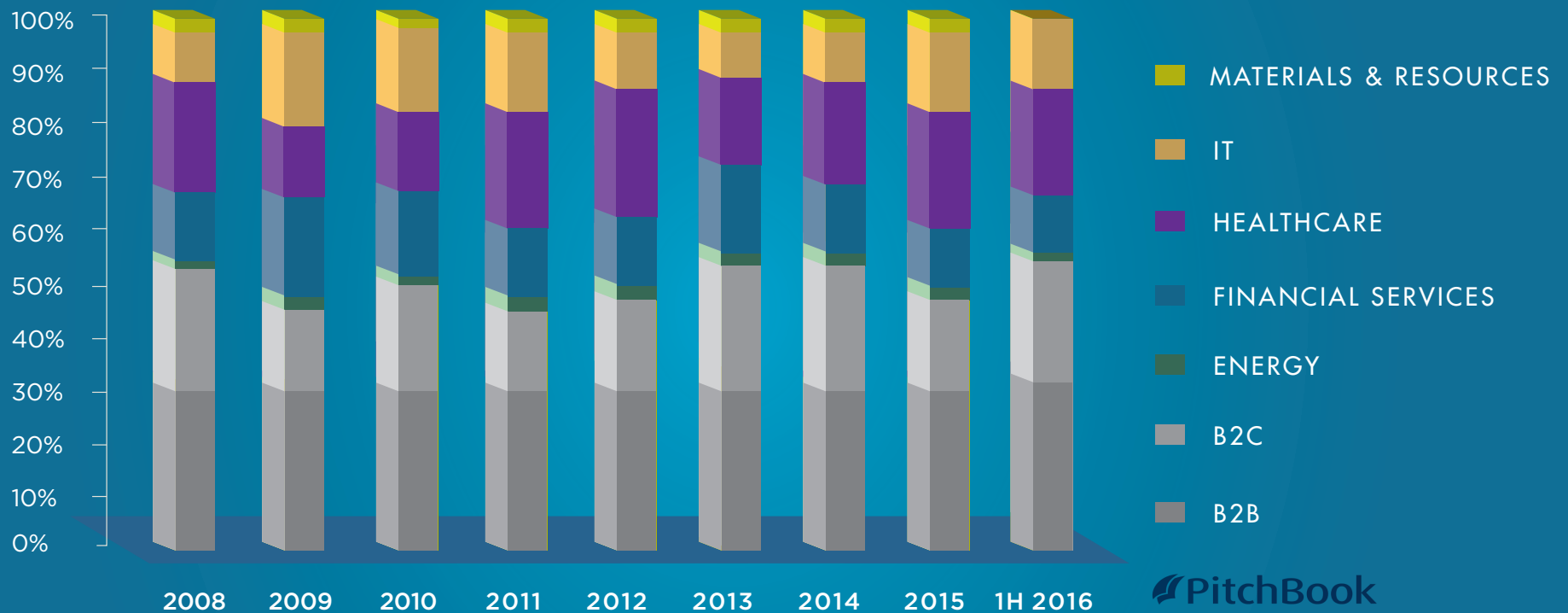
Florida PE Deal Flow by Type



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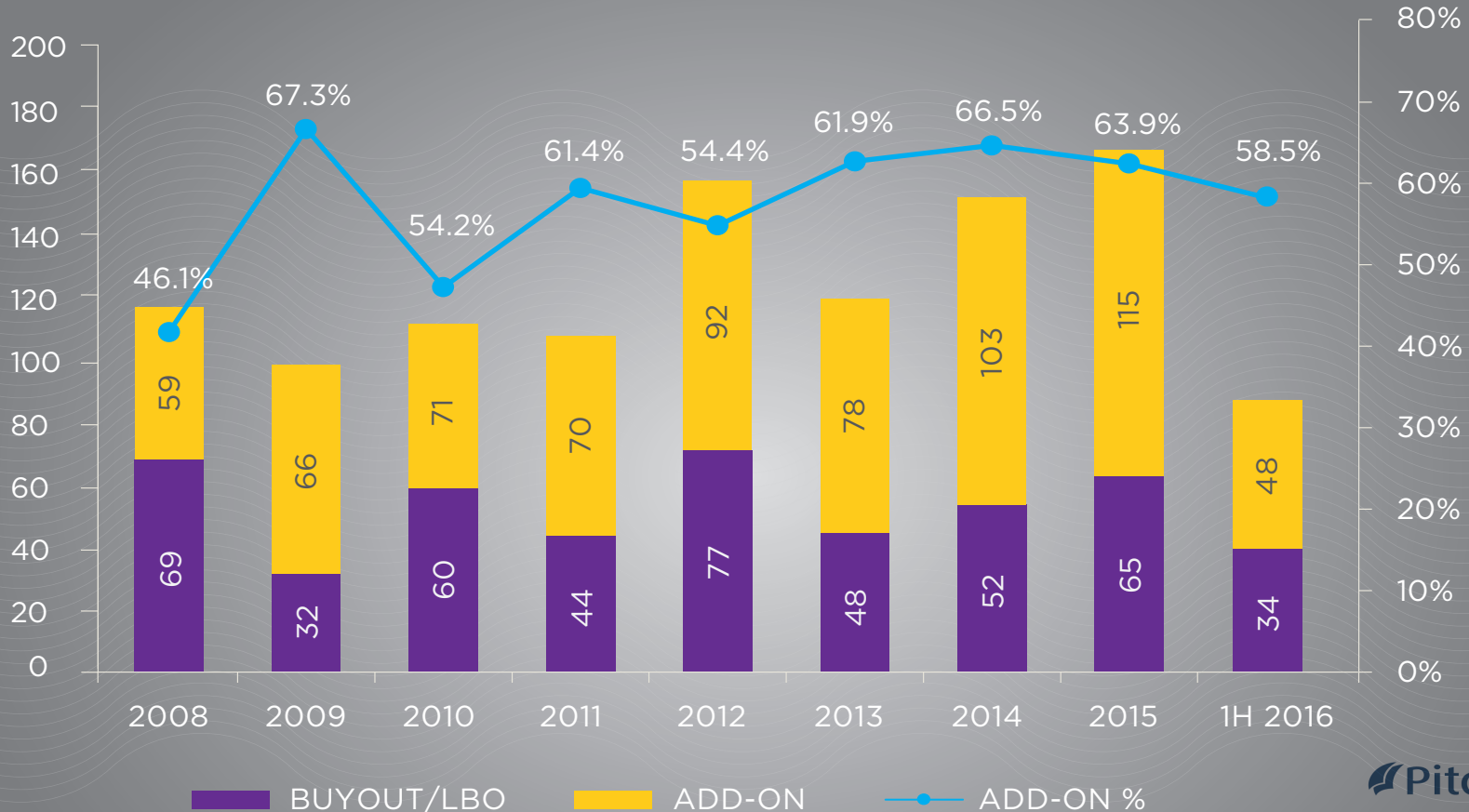
Add-ons eclipsed 50% of total Florida PE deal activity in 1H 2016, consistent with Florida PE deal activity in 2015, and representing a steady increase since 2008 at approximately 37.3%. Buyout/LBO and Growth/Expansion (i.e. minority) accounted for approximately 35.4% and 12.5% of total Florida PE deal activity, respectively. Recap and Platform Creation each accounted for approximately 1%.

Florida PE Deal Flow by Sector



B2B remained dominant as the largest sector of Florida PE deal activity in 1H 2016, followed by B2C, and Healthcare, accounting for approximately 38.5%, 24.0%, and 16.7%, respectively. This is somewhat synonymous with U.S. PE sector activity during the same time period, with B2B, B2C, and Healthcare accounting for approximately 35.0%, 18.3%, and 14.7%, respectively.

Florida Buyouts vs. Add-ons



Add-ons continue to grow their proportion of activity. As PE firms have looked lower in the value chain to find platform deals, add-ons have continued to make up a larger share of the number of buyouts. The buy-and-build strategy will continue to be essential for PE buyers as they look to position portfolio companies to endure any dip in the economic and business cycle. Add-ons represented approximately 58.5% of the number of Florida PE deals in 1H 2016, slightly up from the 57.9% reported in our 1H 2015 Florida Deal Report.

Q&A



SCOTT SALPETER & JAMES CASSEL

Q // How do you see the rest of 2016 shaping up from a deal-making perspective?

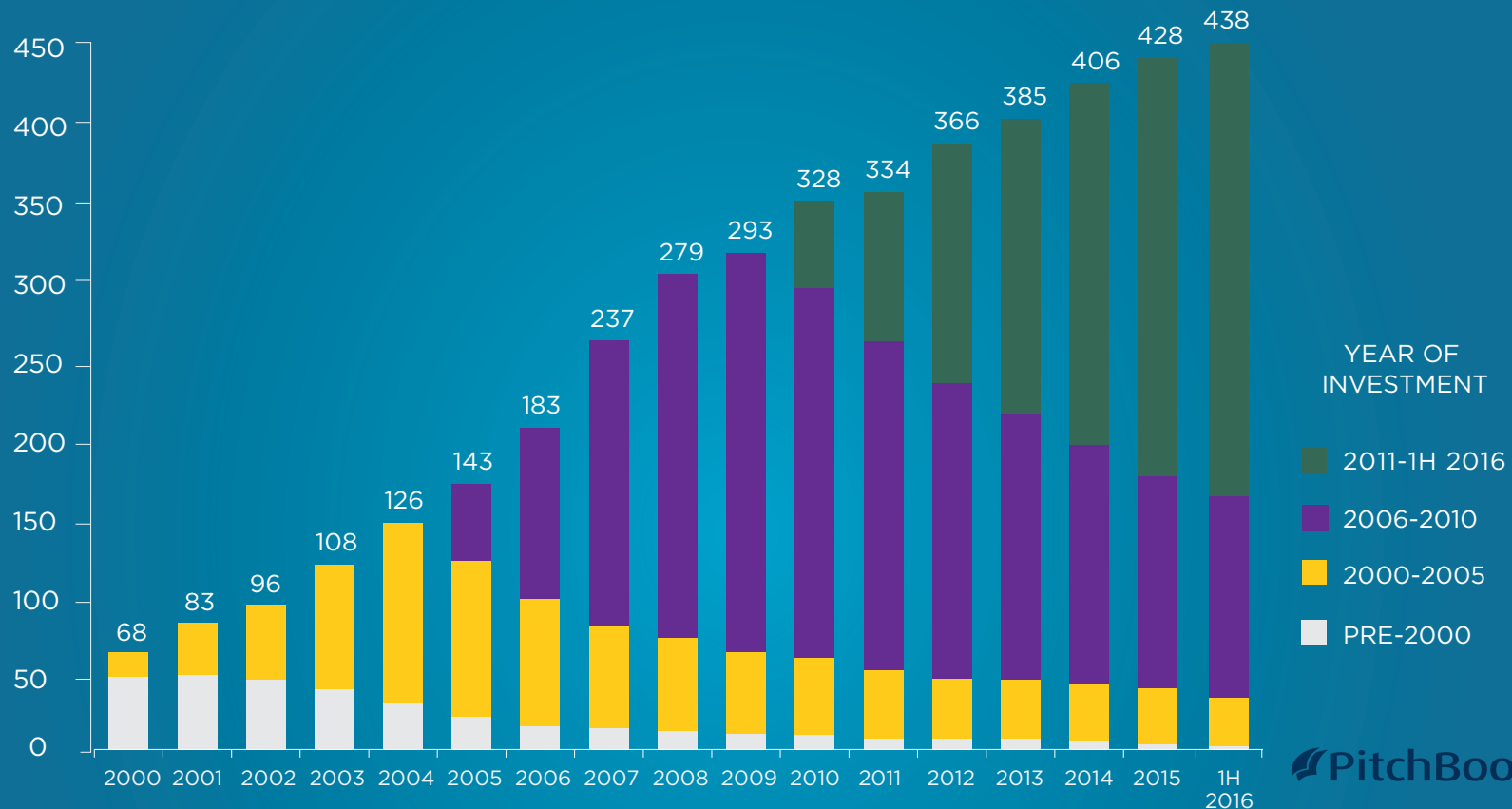
A // With significant macro events, both planned such as the elections on the horizon and unplanned such as Zika, forecasting 2H 2016 Florida PE deal activity is filled with uncertainty. That being said, with the current availability of debt and significant dry powder, we expect a strong finish to 2016 Florida PE deal activity.

Q // What are some of the ways PE buyers have adjusted to a lower-quality market, given the amounts of dry powder they continue to hold?

A // We have seen PE buyers use creative deal structures on platforms or initial investments, and also shift their focus to add-ons in their continuing efforts to increase deals closed in a lower quality market and grow companies with limited organic growth.



PE-Backed Florida Companies



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While PE-backed Florida company inventory is increasingly concentrated in relatively newly acquired portfolio companies, a portion acquired from 2006 to 2010 still remains in current inventory, declining approximately 7.7% from 2015 to 1H 2016.

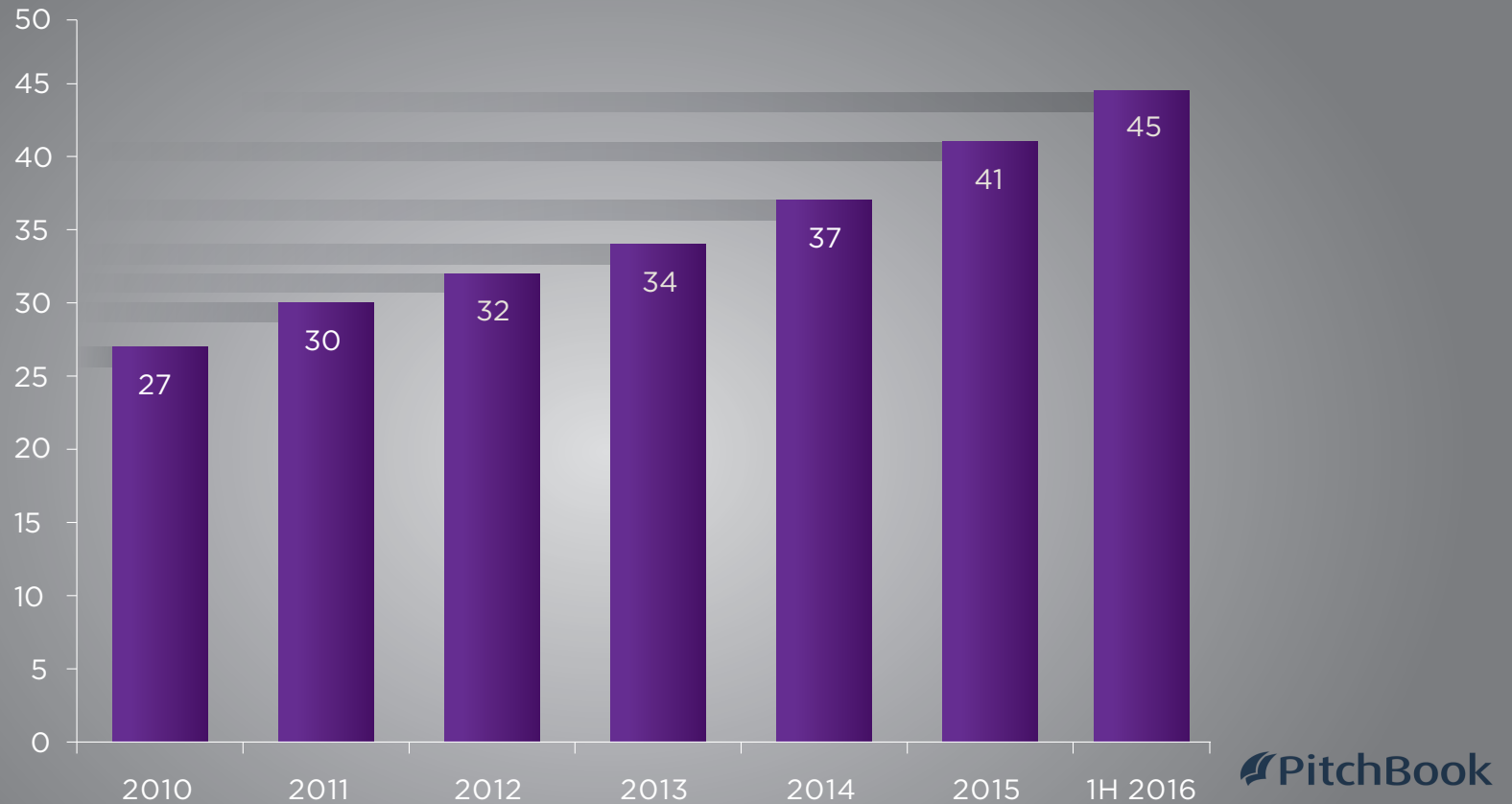
From 2011 to 1H 2016, PE-backed Florida company inventory grew at a CAGR of approximately 6.2%, a decline when compared to the CAGR from 2006 to 2010 of approximately 15.7%.

Approximately 61.6% of the current PE-backed Florida company inventory can be attributed to investments completed between 2011 and 1H 2016, with just over 33% stemming from investments made between 2006 and 2010. 2007, just prior to the financial collapse, accounts for more than 24% of aging investments in current inventory completed from 2006 to 2010, indicating longer hold periods to realize from PE-backed Florida company investments completed during that time period.



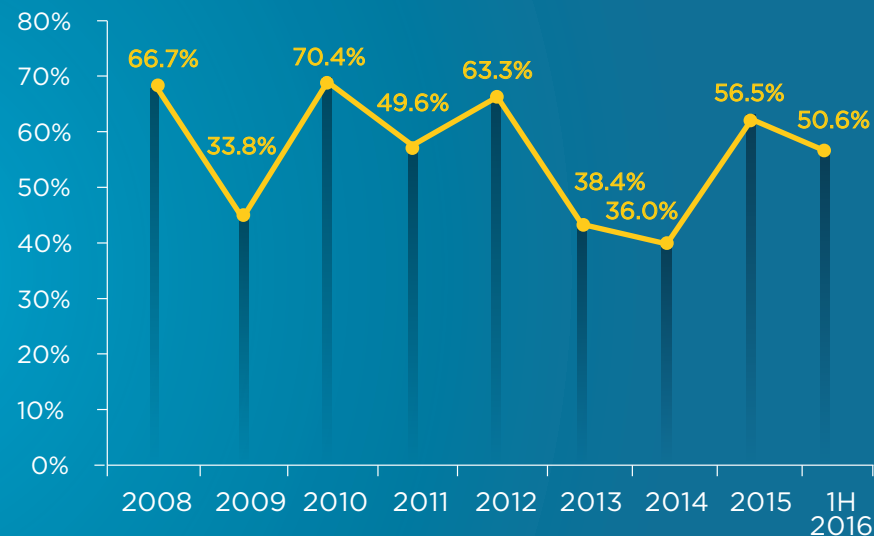
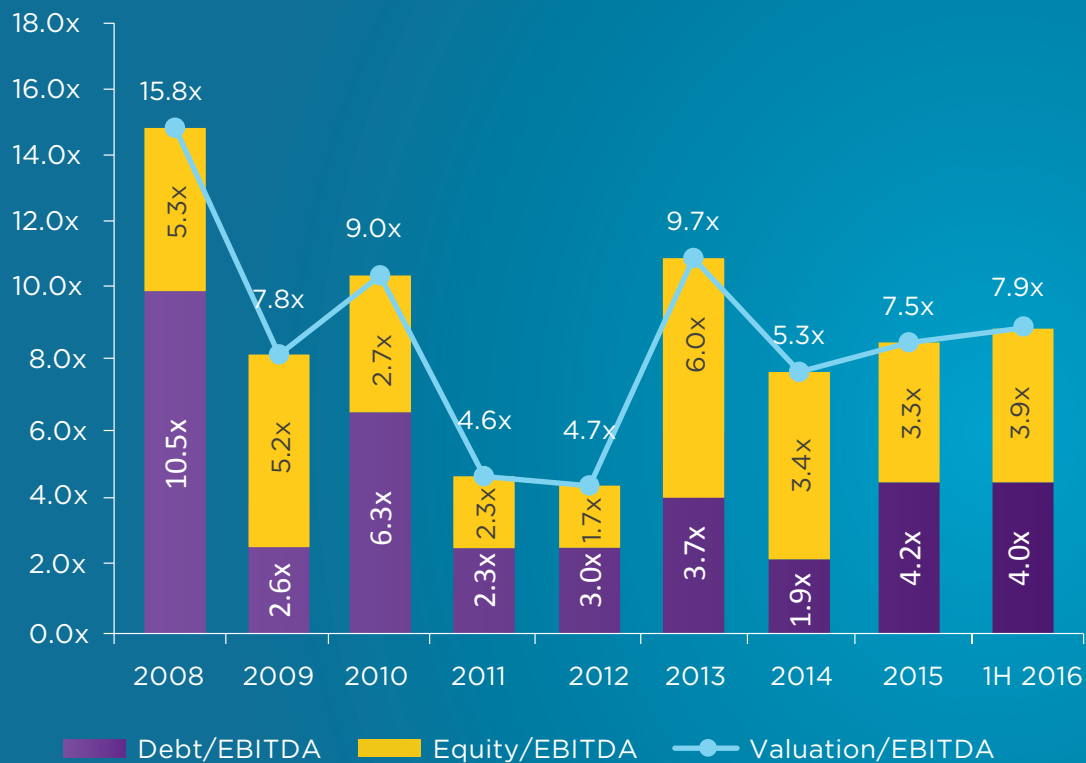
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Florida Headquartered PE Firms



The number of PE firms with headquarters in Florida continues to grow, with 1H 2016 seeing an additional 4 Florida-based PE firms since year-end 2015 and a CAGR of approximately 9.7% from 2010 through 1H 2016.

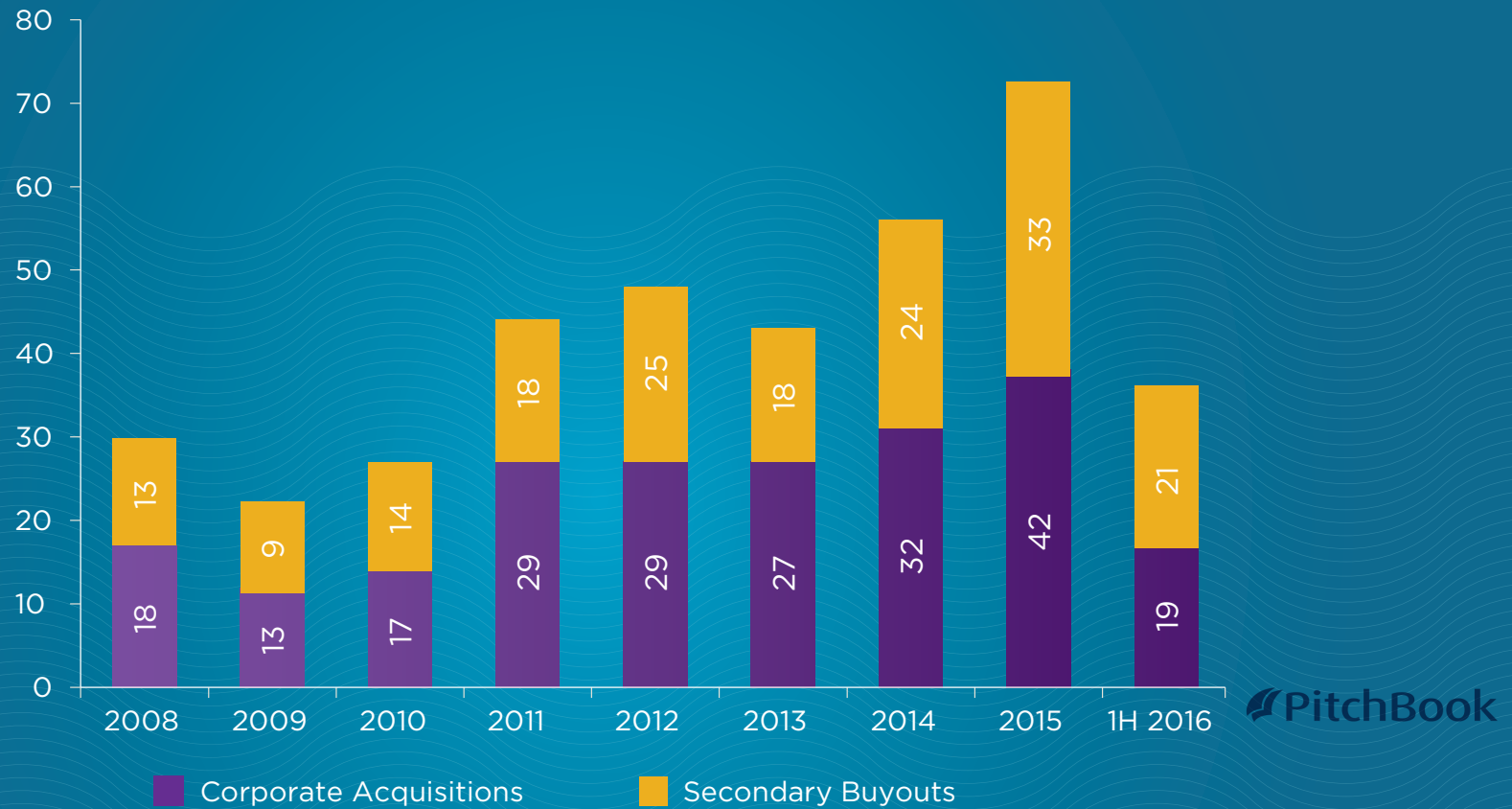
Florida Buyouts Median EBITDA Multiples & Debt Percentages



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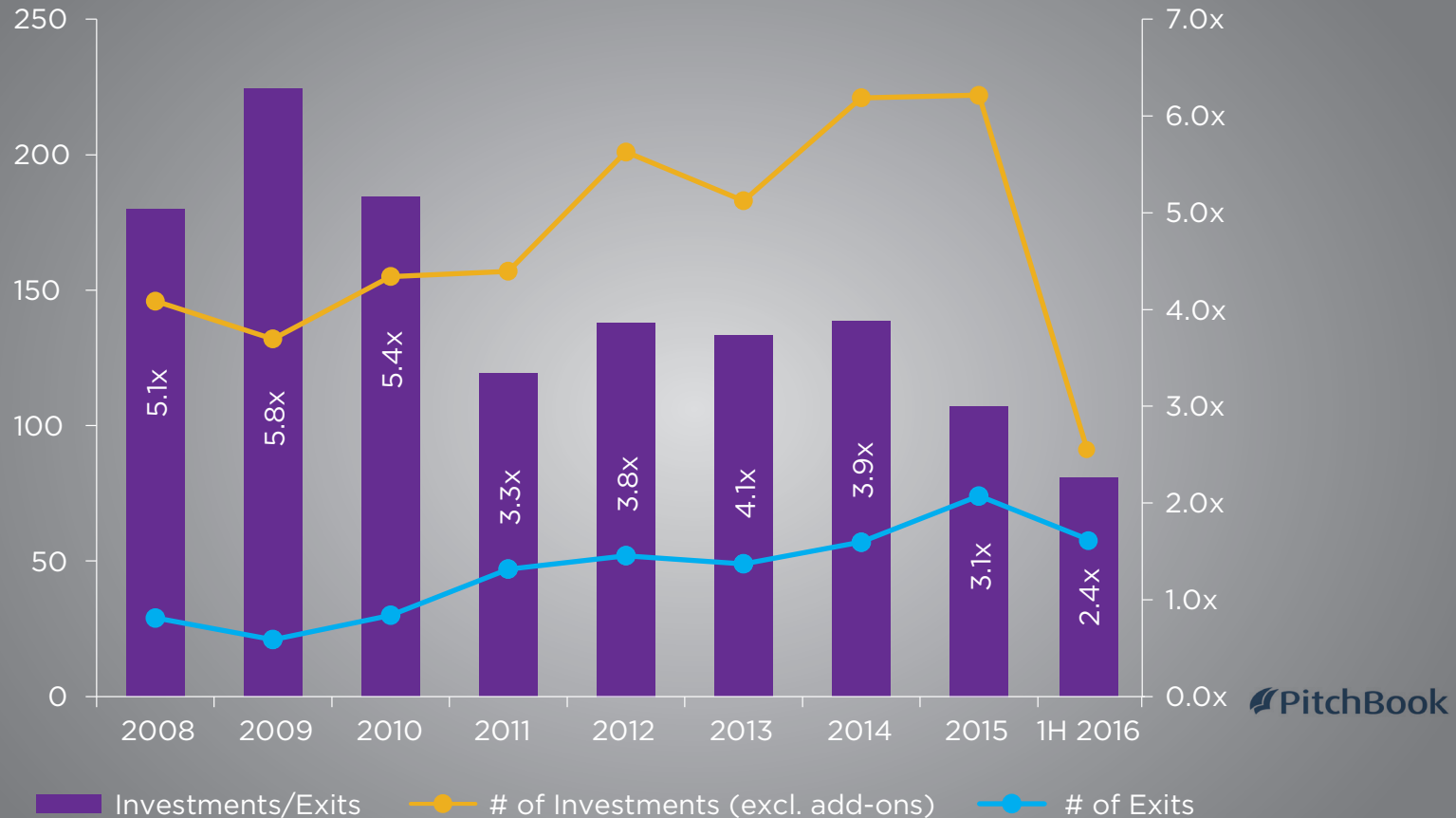
Multiples and debt levels appear to be normalizing. Florida PE deals completed through 1H 2016 were done at substantially similar valuation-to-EBITDA multiples to 2015, increasing from 7.5x to 7.9x, particularly when compared to the 2014 valuation-to-EBITDA multiple of 5.3x. Debt components since 2015 are also comparable, only minimally decreasing both on a debt/EBITDA basis and as a percentage of size.

Florida PE Exits by Type



After a record setting year for exits in 2015 of 75 Florida PE exits, 2016 is on track to break this record, with 1H 2016 already recording 40 Florida PE exits. 1H 2016 corporate acquisitions fell below 50% of total Florida PE exits, putting 2016 on pace to be the first year post-recession where secondary buyouts represented the primary exit route for Florida PE. Moving through the remainder of 2016 there will likely be a rise in Florida PE exits, yet with many investments still in the beginning years of their hold periods and therefore too early to come to market, while its likely to see exits continue to grow, it will likely do so at a lower percentage.

Florida PE Investments vs. Exits



The Florida PE investment-to-exit multiple hit an all-time reported low. With Florida PE acquisition activity declining in 1H 2016 and exits continuing to grow, the investment-to-exit multiple declined to 2.4x and the PE-backed Florida inventory grew at a slower pace in 1H 2016.

METHODOLOGY



PRIVATE EQUITY DEALS

This report includes all PE investments (buyout, growth, PIPE, recapitalization, and add-on), excluding real estate investments, made into target companies, with headquarters in Florida. Only investments made directly by private equity firms or their portfolio companies are counted. Buyout deals are defined as transactions in which the PE investors receive controlling ownership stakes in the target companies. Growth deals are defined as minority investments in target companies. Add-on deals are defined as acquisitions by companies with private equity backing.



FLORIDA-BASED PRIVATE EQUITY FIRMS

This report includes PE firms with headquarters in Florida that were either actively investing or raising funds during the reported periods.



PE-BACKED FLORIDA-BASED COMPANIES

This report includes companies headquartered in Florida that are in part or in whole backed by PE firms.

Cassel Salpeter & Co. is a boutique investment banking firm focused on providing independent and objective advice to middle market and emerging growth companies.



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