

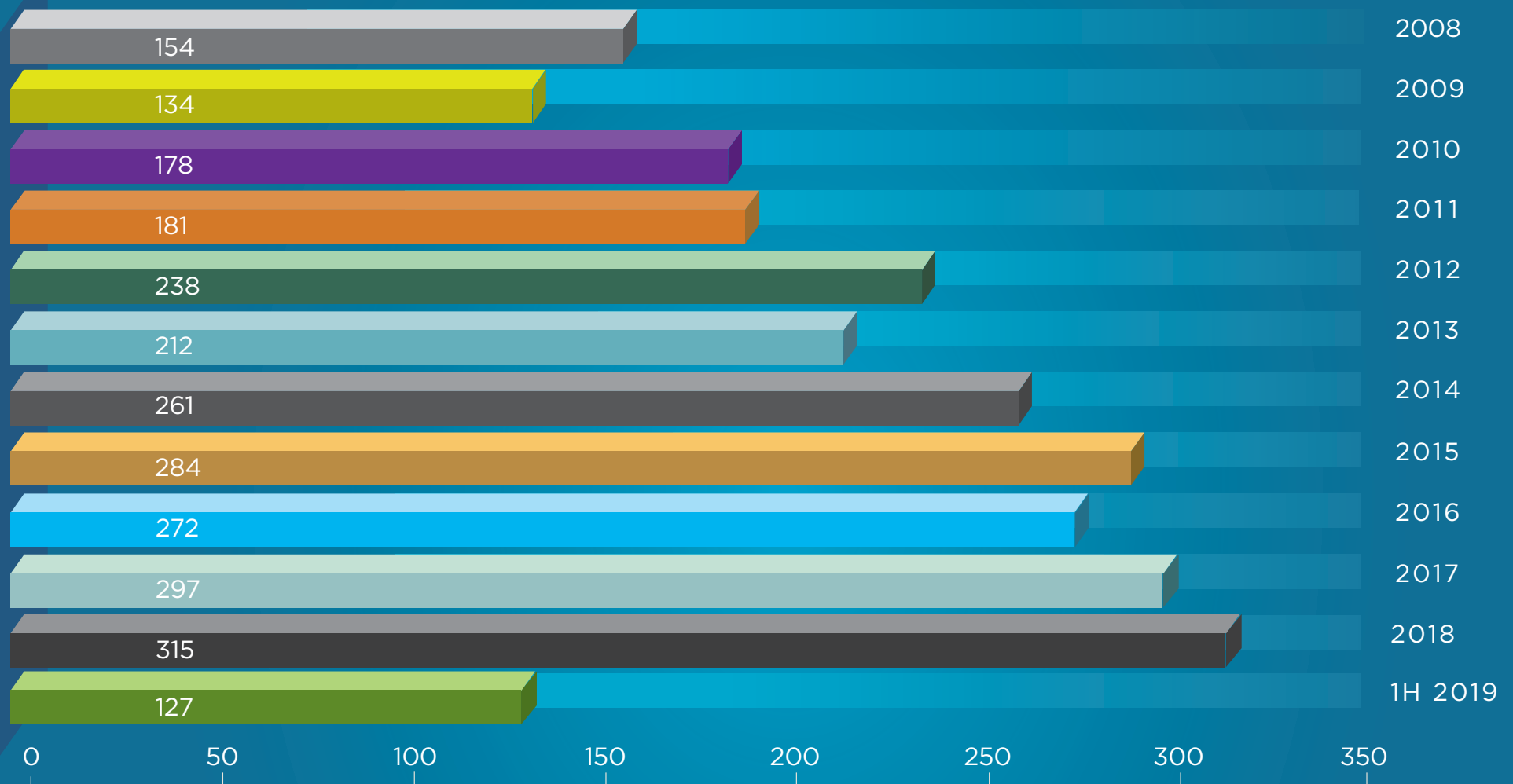


Cassel Salpeter & Co.
INVESTMENT BANKING

A VIEW OF FLORIDA: 1H 2019 FLORIDA PE DEAL REPORT

THIS INFOGRAPHIC REPORT AND ALL ASSOCIATED CHARTS, PREPARED BY CASSEL SALPETER & CO. WITH DATA FROM PITCHBOOK AS OF JUNE 30TH, 2019, 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.

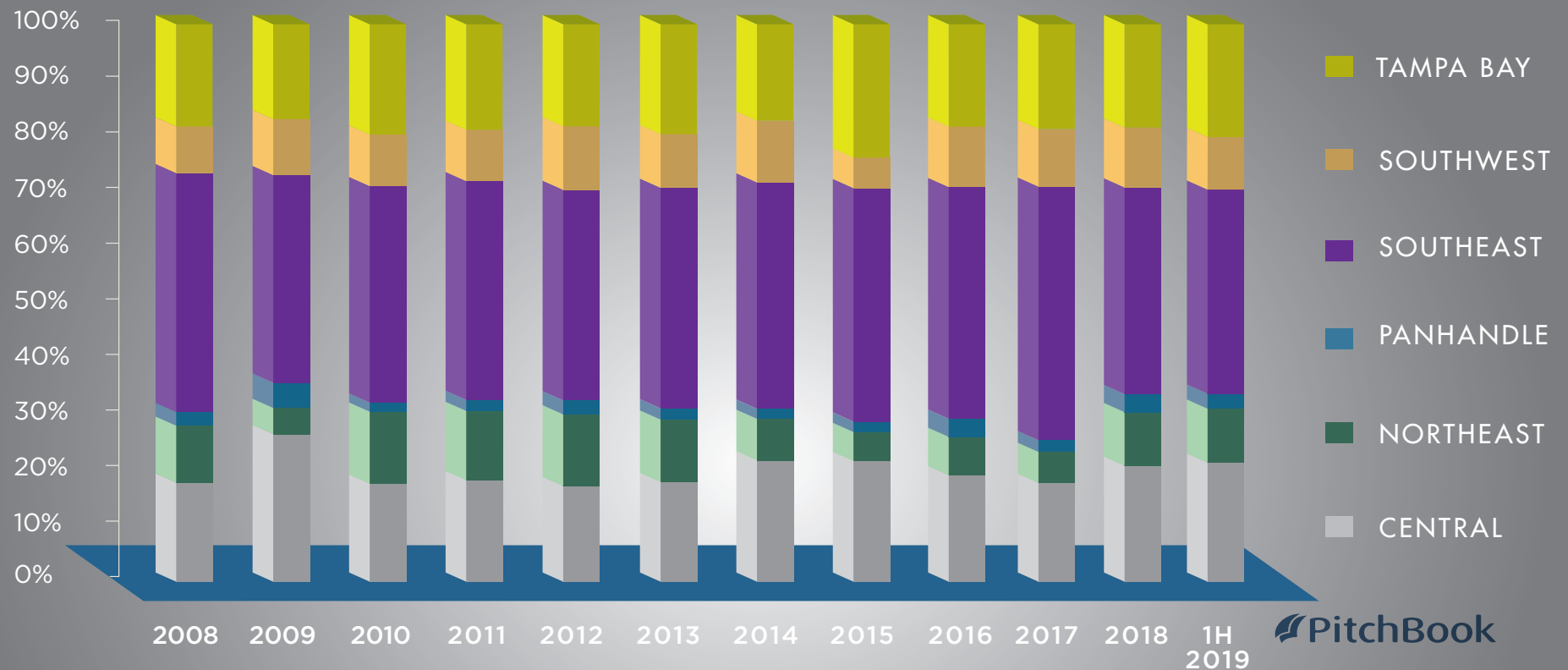
Florida PE Deal Flow by Year



 PitchBook

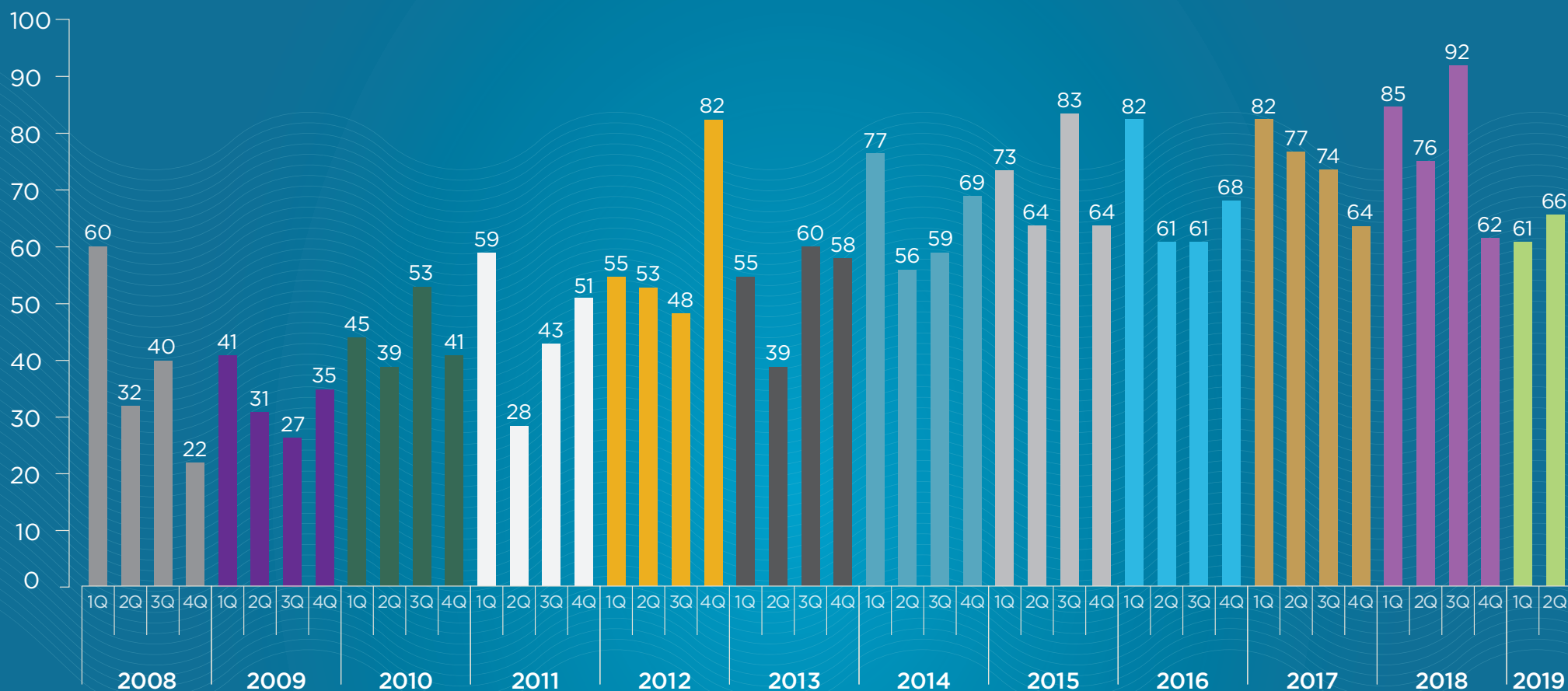
As we have noted in prior reports, all data is preliminary as data reporting generally lags behind actual activity. There has been no slowdown in Florida PE deals completed, even after a record breaking 2018. 1H 2019 surpasses our initial reported 1H 2018 Florida PE deals of 118 (note: the final reported number for 1H 2018 as seen in the PE Deal Flow by Quarter chart was 161 deals completed).

Florida PE Deal Flow by Region



The Southeast has consistently remained the region with the most Florida PE deal flow, accounting for approximately 39.7%. The Tampa Bay, Central, Northeast, and Southwest regions followed with approximately 21.4%, 19.0%, 7.9%, and 7.9%, respectively. Once again, the Panhandle trailed the group with approximately 4.0% of Florida PE deals. This, however, is a notable jump in number of deals for the Panhandle from the 1.7% and 3.0% in 2017 and 2018.

Florida PE Deal Flow by Quarter



PitchBook

1H 2019 started out strong with both 1Q and 2Q accounting for about half of the deals. We are surprised by the amount of deals reported in 2Q thus far, as previously mentioned, these numbers may be underreported. With this trajectory, it will be interesting to see where the final count ends up for 2019.

Q&A



SCOTT SALPETER & JAMES CASSEL

Q // How did trade policy and new tariffs affect Florida PE investments in the first half of 2019? Will it continue into the rest of 2019?

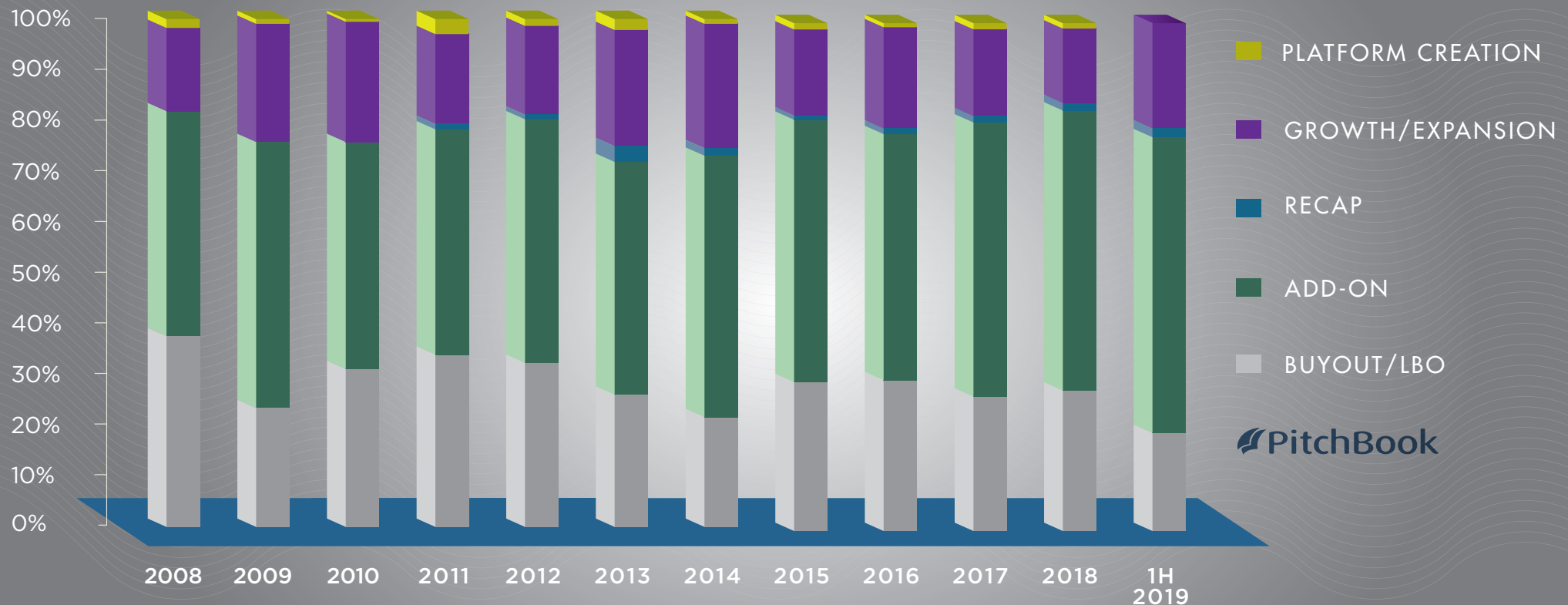
A // Trade conflicts escalated in 2019, and the end may not be in sight. PE firms are cautious with trade-reliant businesses and are taking a look at the short and long-term effects. This includes the option of alternative sourcing on the buying side and new markets on the sales side. The trade wars are starting to have an effect on businesses and therefore deals.

Q // What should Florida PE firms prioritize in the second half of 2019?

A // There has been record high pricing for deals over the past few years and Florida PE firms should try to offload some of their aging, well-performing portfolio companies to reap the benefits of the high returns while it lasts. Time, is of the essence, and it may not be their friend.

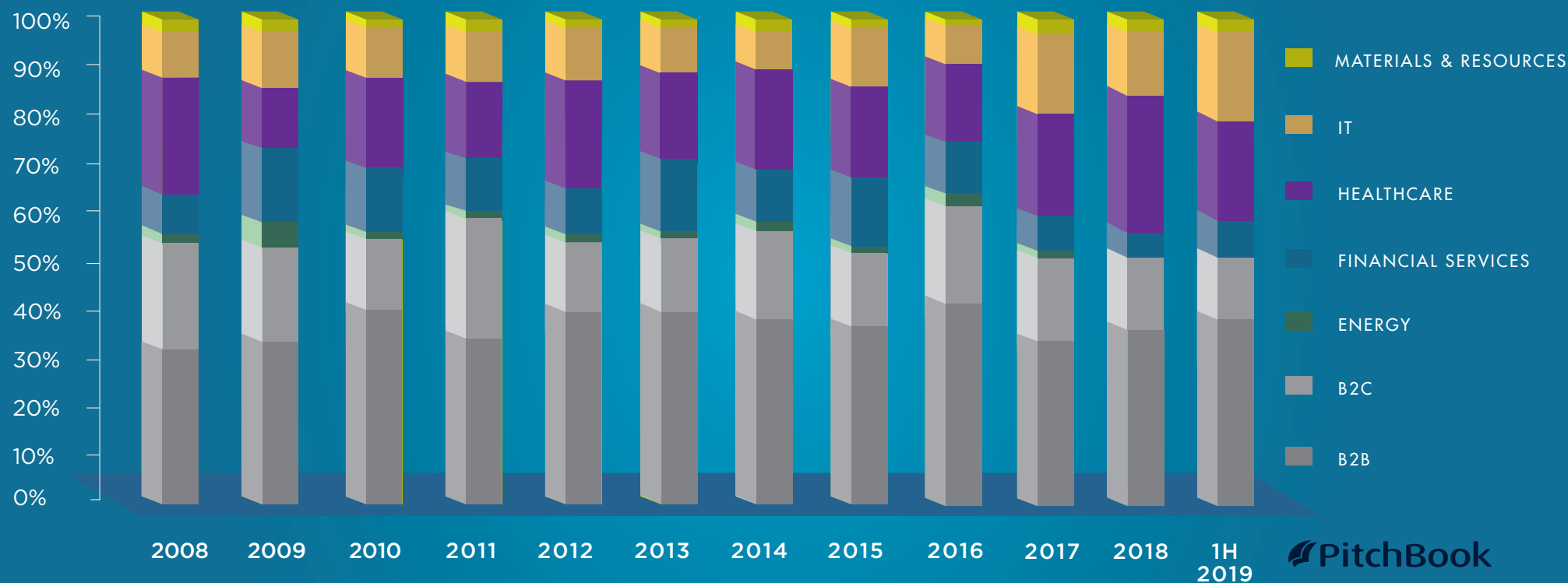


Florida PE Deal Flow by Type



Add-ons have consistently been the dominant type of Florida PE deals, accounting for approximately 56.7% of total Florida PE deals for 1H 2019. Growth/Expansion (i.e. minority) and Buyout/LBO accounted for approximately 23.0% and 18.1%. This is the first time since beginning our reporting that Growth/Expansion has accounted for more than Buyout/LBO, indicating that Florida PE firms have more of a willingness to look at and take a minority stake in companies.

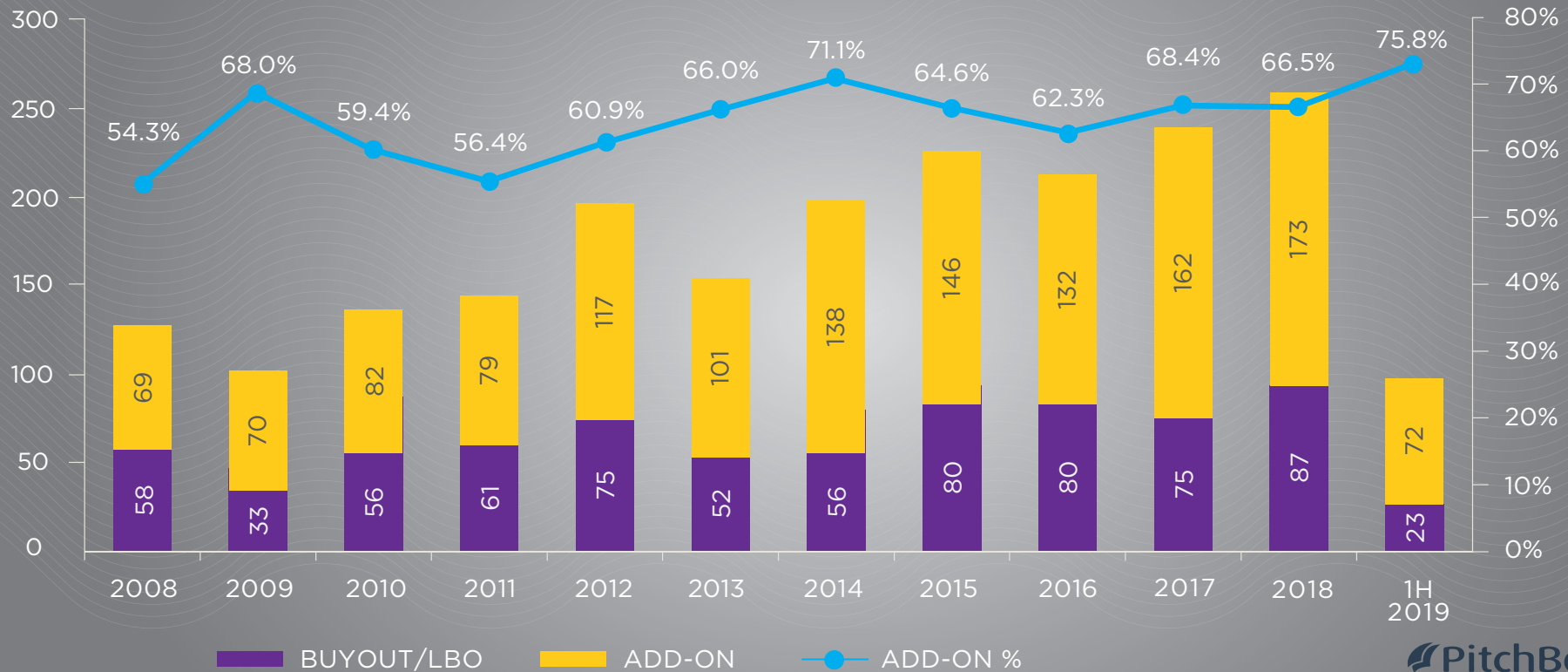
Florida PE Deal Flow by Sector



B2B remained dominant as the largest sector of Florida PE deal activity in 1H 2019, more than doubling any other sector at approximately 37.0%. Healthcare and IT both remained ahead of B2C once again, both accounting for approximately 18.1%.

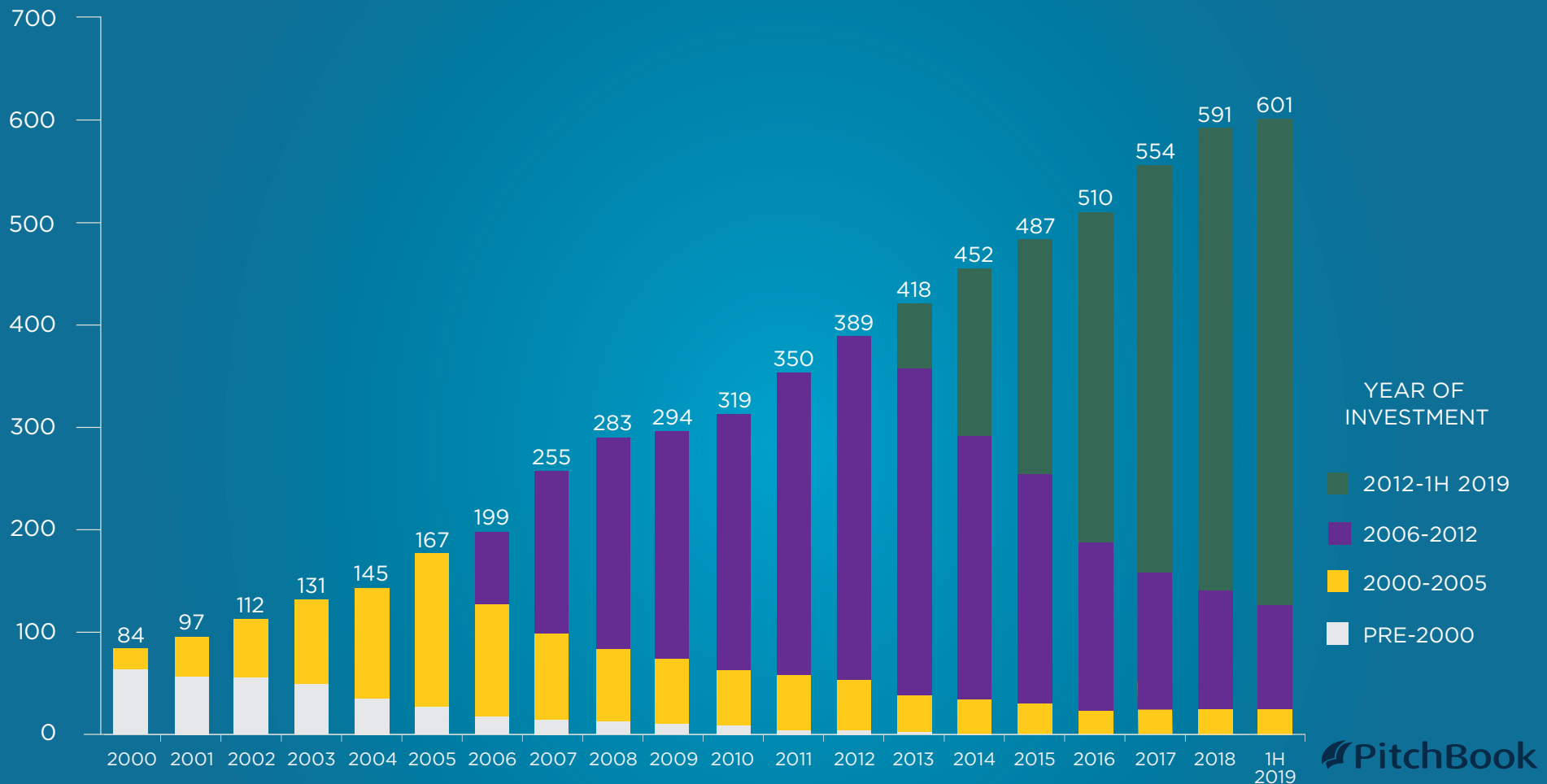
B2C accounted for approximately 16.5% of Florida PE deal activity, in line with 2017 and 2018 for this sector.

Florida Buyouts vs. Add-ons



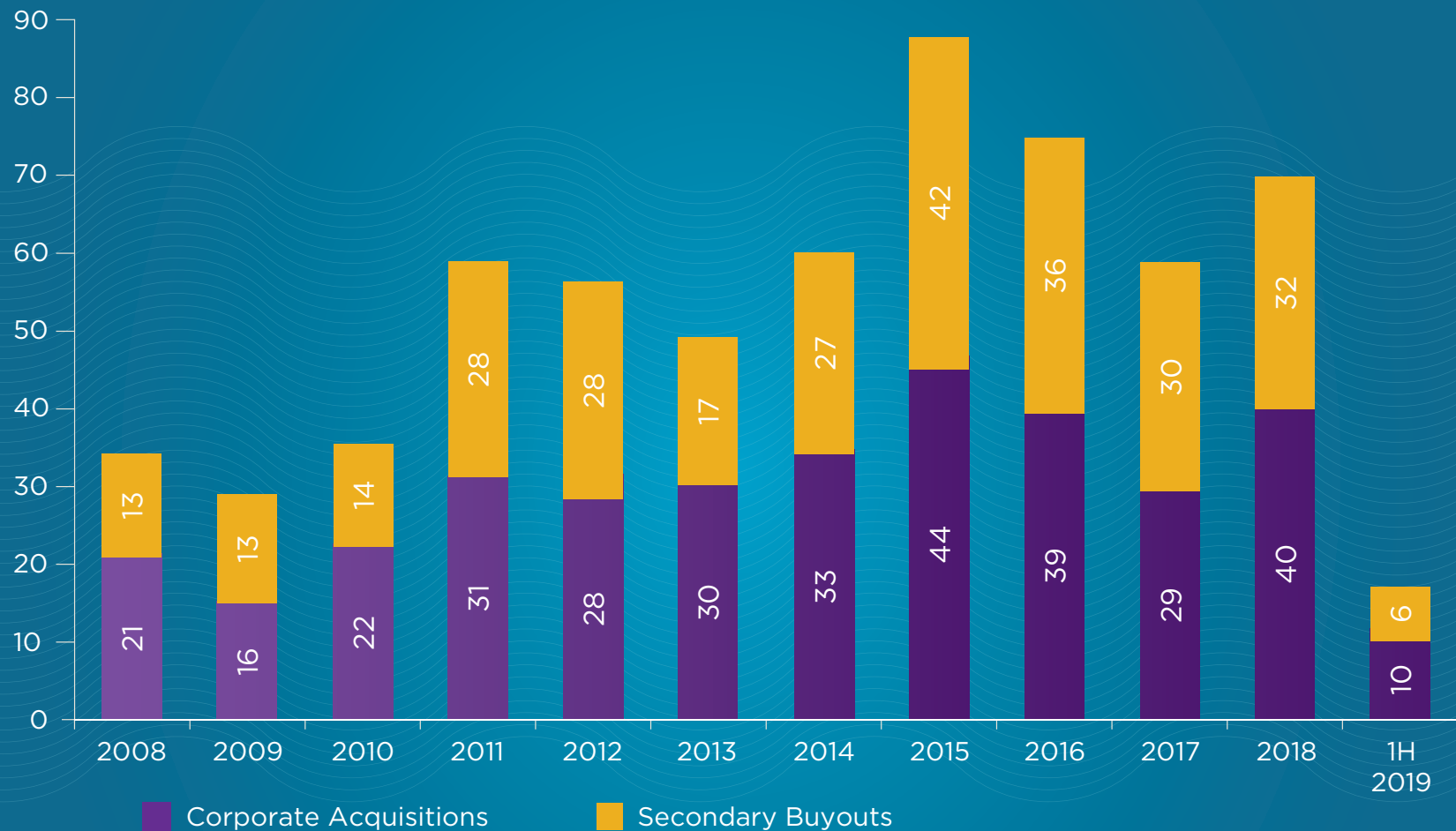
In 1H 2019, Add-ons accounted for approximately 75.8% of all control investments, a significant increase over prior years. As we have seen in prior reports, the first half of the year sees a higher percentage of Add-ons, then ultimately levels out around mid-60% by year-end. This is likely due to the nature of the deals being smaller and more readily available.

PE-Backed Florida Companies



PE-backed Florida company inventory stayed pretty steady in 1H 2019, with only a slight increase of 1.1% from year-end 2018. The aging company inventory population between 2006 and 2012 is currently at approximately 20.8%, with the majority (approximately 77.2%) being acquired between 2013 and 1H 2019. Notably, the highest percentage in any given year was 2018, making up approximately 15.6% of the total 601 PE-backed Florida company inventory.

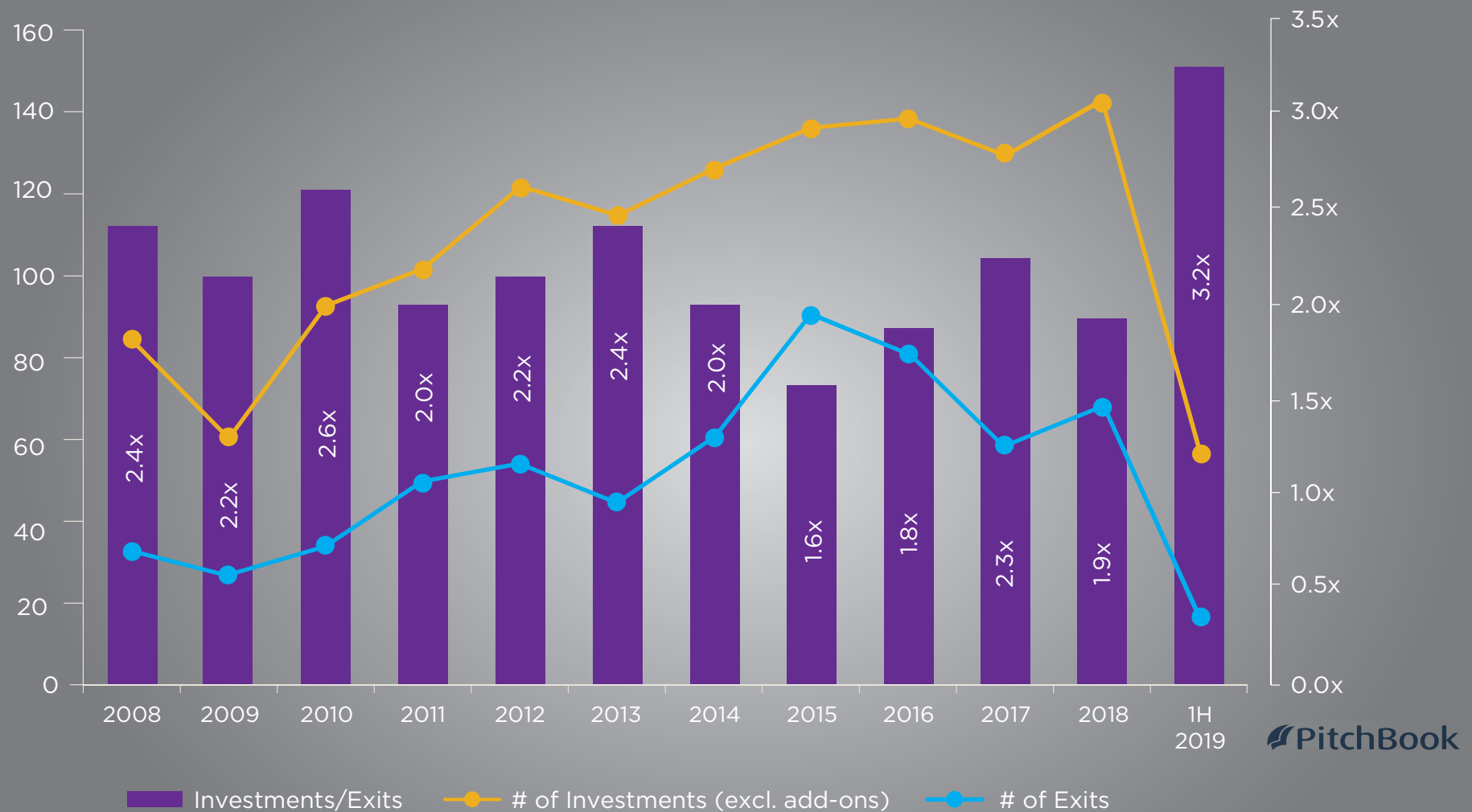
Florida PE Exits by Type



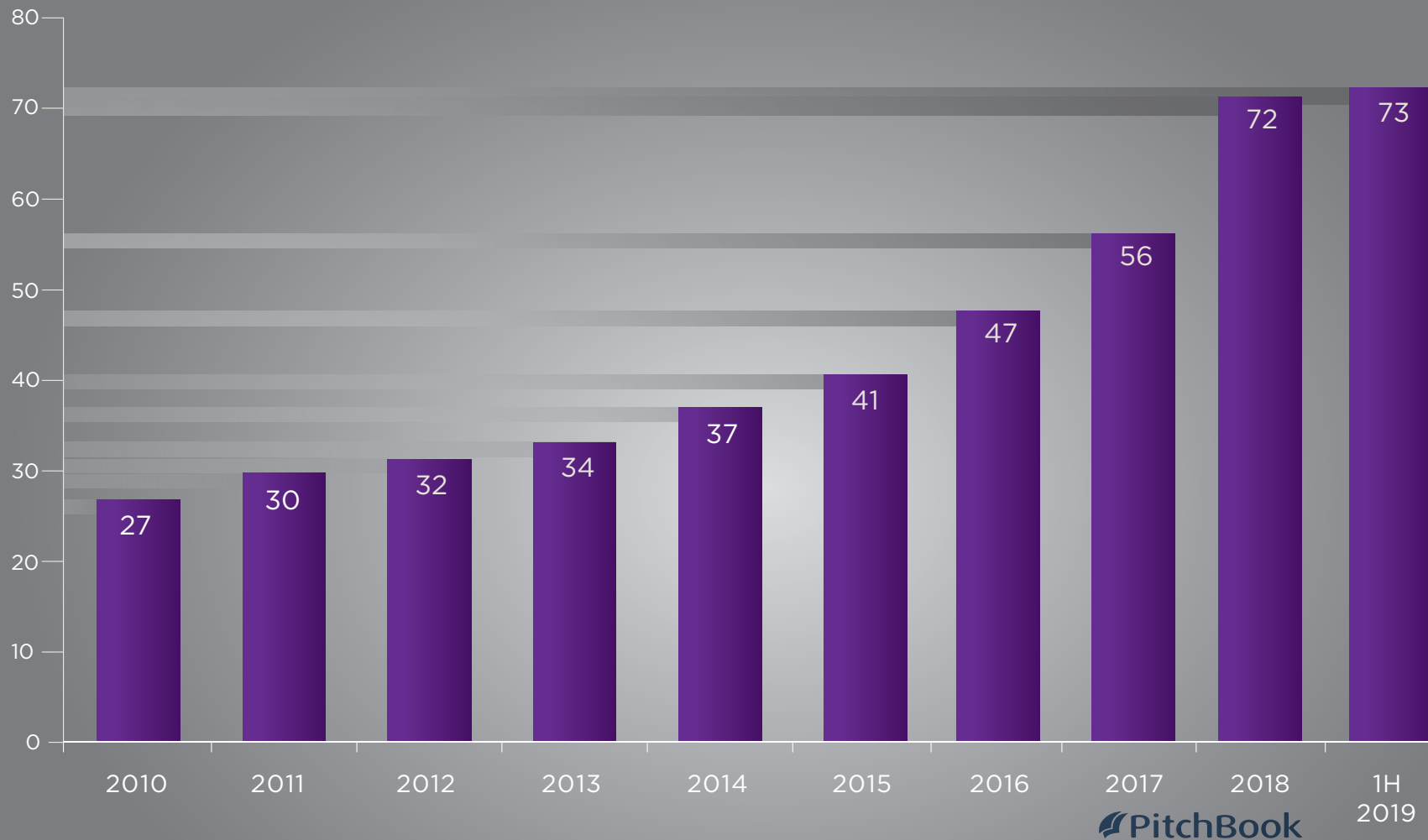
PitchBook

It seems that corporate acquisitions are back to being the primary exit route for Florida PE deals after a few years of secondary buyouts either surpassing or being closely in line with corporate acquisitions. In 1H 2019, corporate acquisitions and secondary buyouts represented approximately 62.5% and 37.5%, respectively, of Florida PE exits.

Florida PE Investments vs. Exits



The Florida PE investment-to-exit multiple increased in 1H 2019 from 1.9x at year-end 2018 to 3.2x in 1H 2019. There were only 17 exits reported thus far in 1H 2019, which is likely an underreported number as previously indicated.



After a significant jump in number of PE firms with headquarters in Florida in 2018, we are not surprised the growth slowed in 1H 2019. 1H 2019 saw an increase of 1 Florida headquartered PE firm, and a CAGR of approximately 12.4% from 2010 through 1H 2019.

METHODOLOGY



PRIVATE EQUITY DEALS

This report includes all PE investments (buyout, growth, 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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