

M&T INVESTMENT BANKING GROUP

Perspectives on the Capital Markets & Value

M&T Investment Banking Group

March 19, 2019

M&A and Corporate Finance Group Overview

M&T Investment Banking Group

CAPABILITIES & FOCUS

AN ACTIVE MEMBER OF THE TRANSACTION COMMUNITY IN ROCHESTER

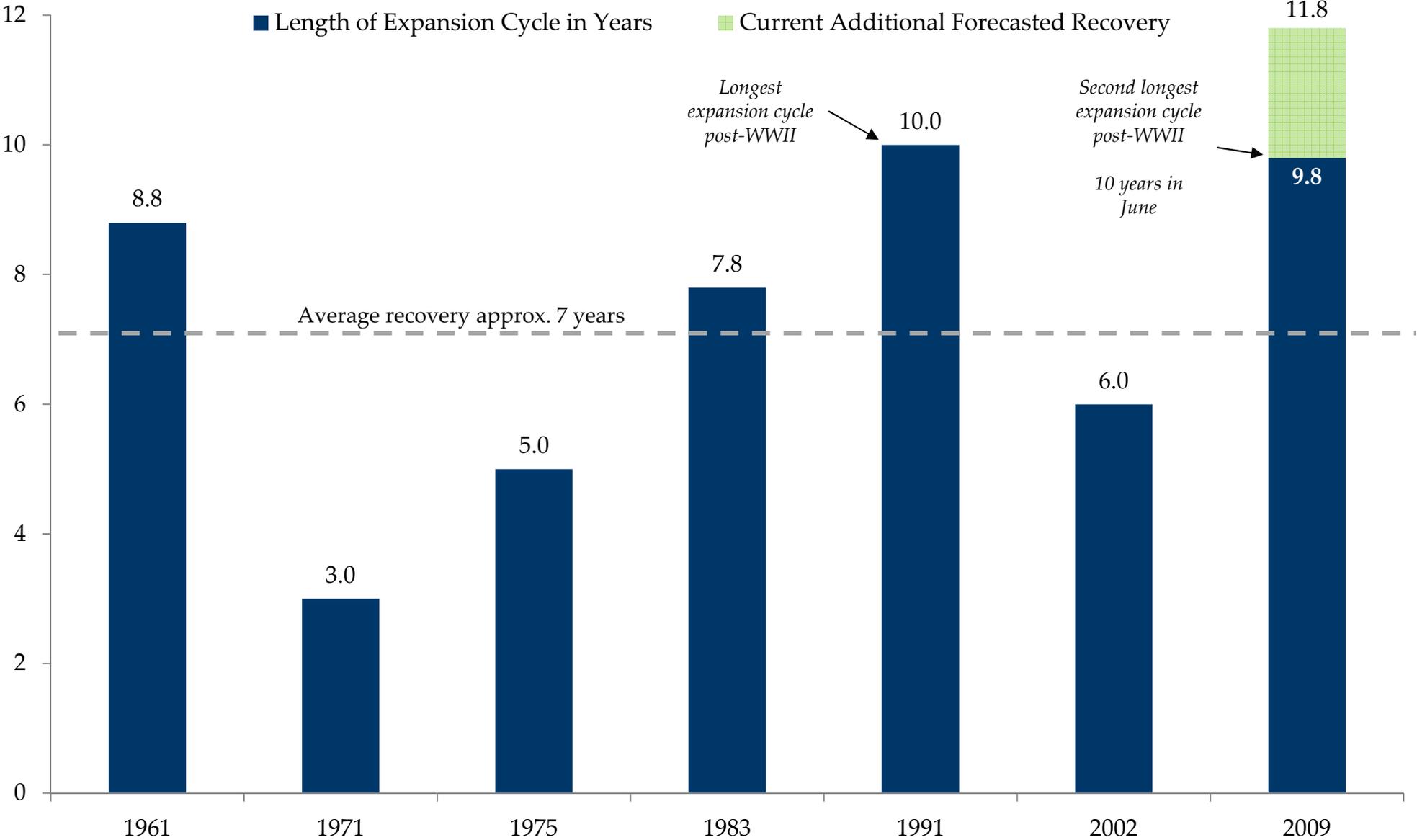
- *Longstanding Team of Professionals:*
 - Formerly PwC Securities
 - Top 15 global IB
- *Middle Market Focus:*
 - \$20M+ in enterprise value
 - \$3M EBITDA and above
 - \$20M - \$1B in revenue
- *Relationship Oriented Model:*
 - ~80% bank relationships
 - Privately held, owner operated
 - Consultative approach
 - Community focused
- *Flexible, Options Oriented Approach:*
 - Sales and corporate divestitures
 - LBO / leveraged recap
 - Growth and expansion capital
 - Acquisition financing
 - Shareholder / management buyout
- *Outsourced Corp. Dev. Model:*
 - Shoulder the workload
 - Tightly run process
 - Proactive, strategic oversight
 - Meticulous execution
 - Involvement from start to finish
- *History of Success:*
 - Unparalleled track record of success

<p>ZELLER CORPORATION THE RIGHT SOLUTION FOR YOU</p> <p>Sold to</p> <p>KAMAN</p>	<p>GCS</p> <p>Sold to</p> <p>L3 communications</p>	<p>Ovation Payroll</p> <p>Sold to</p> <p>Heartland PAYMENT SYSTEMS™</p>	<p>MONROE Trans Monroe School Transportation, Inc.</p> <p>Sold to</p> <p>national express</p>
<p>JML</p> <p>Recapitalized by</p> <p>BB&T CAPITAL PARTNERS</p>	<p>CM CENTURY MOLD CO., INC. EXCELLENCE IN PLASTICS</p> <p>Financed by</p> <p>PNC MEZZANINE CAPITAL</p>	<p>BL & WHOLESALE SUPPLY INC.</p> <p>Sold to</p> <p>SRS Distribution</p>	
<p>Nothnagle REALTORS®</p> <p>Sold to</p> <p>Howard Hanna Real Estate Mortgage Title Insurance</p>	<p>RMC Rochester Midland Corporation</p> <p>Sold select assets to</p> <p>impact S.P. RICHARDS CO.</p> <p>GPC</p>	<p>PARLEC Measurably Better</p> <p>Sold tooling division to</p> <p>TECHNIKS INDUSTRIES Leading Edge Productivity</p> <p>A portfolio company of</p> <p>Audax Group</p>	

4 active engagements in the greater Rochester area

- Where are we in this current cycle?
- How long can this bull market last?
- What are some differences between this recovery and the last?
- Why are the capital markets so aggressive?
- What are positive and negative signals that one should consider?
- Is my company ready for a Transaction?
- What do I need to be thinking about?

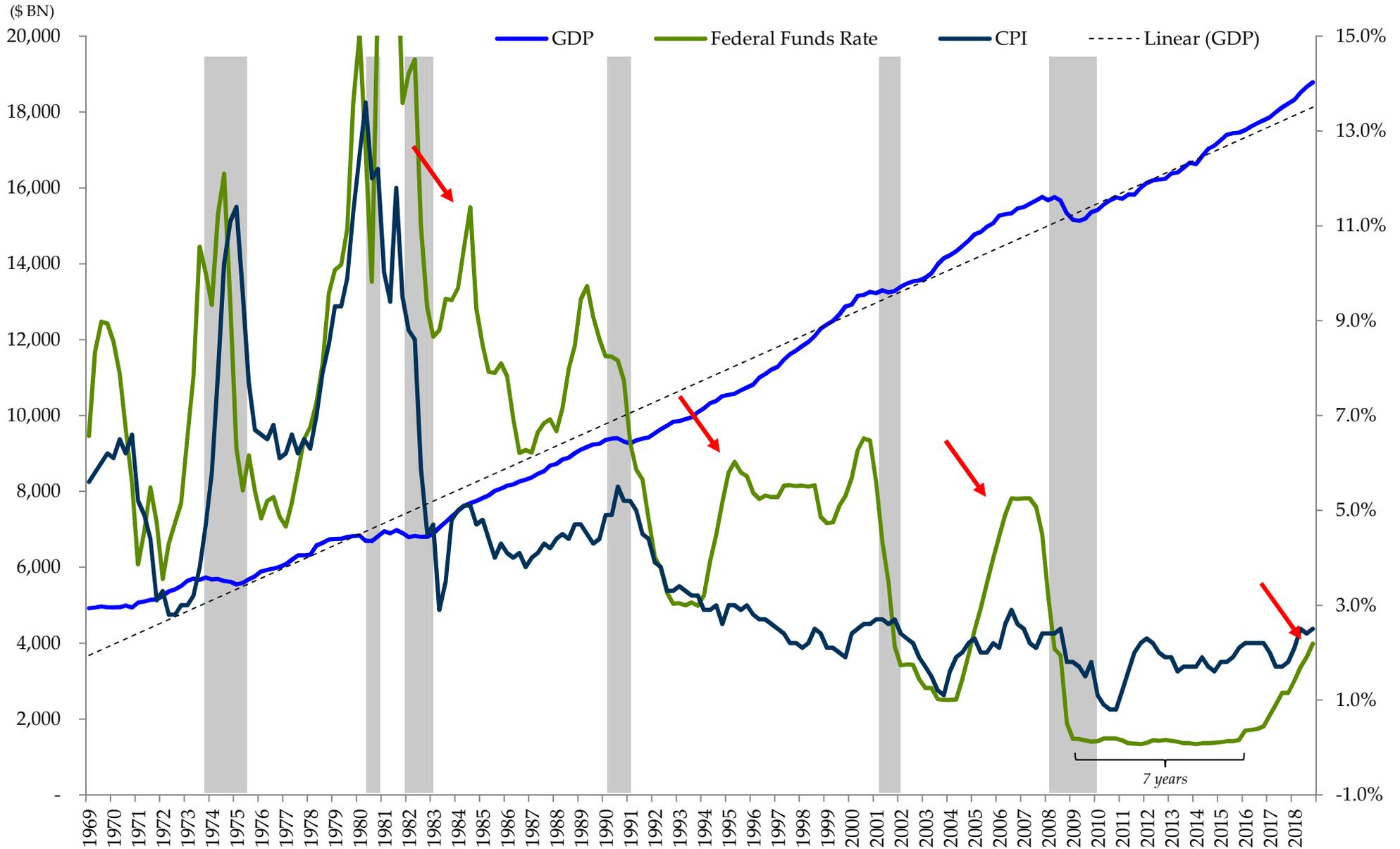
HISTORICAL LENGTH OF US ECONOMIC RECOVERY



Source: [US Economic Outlook for 2019 and Beyond](#)

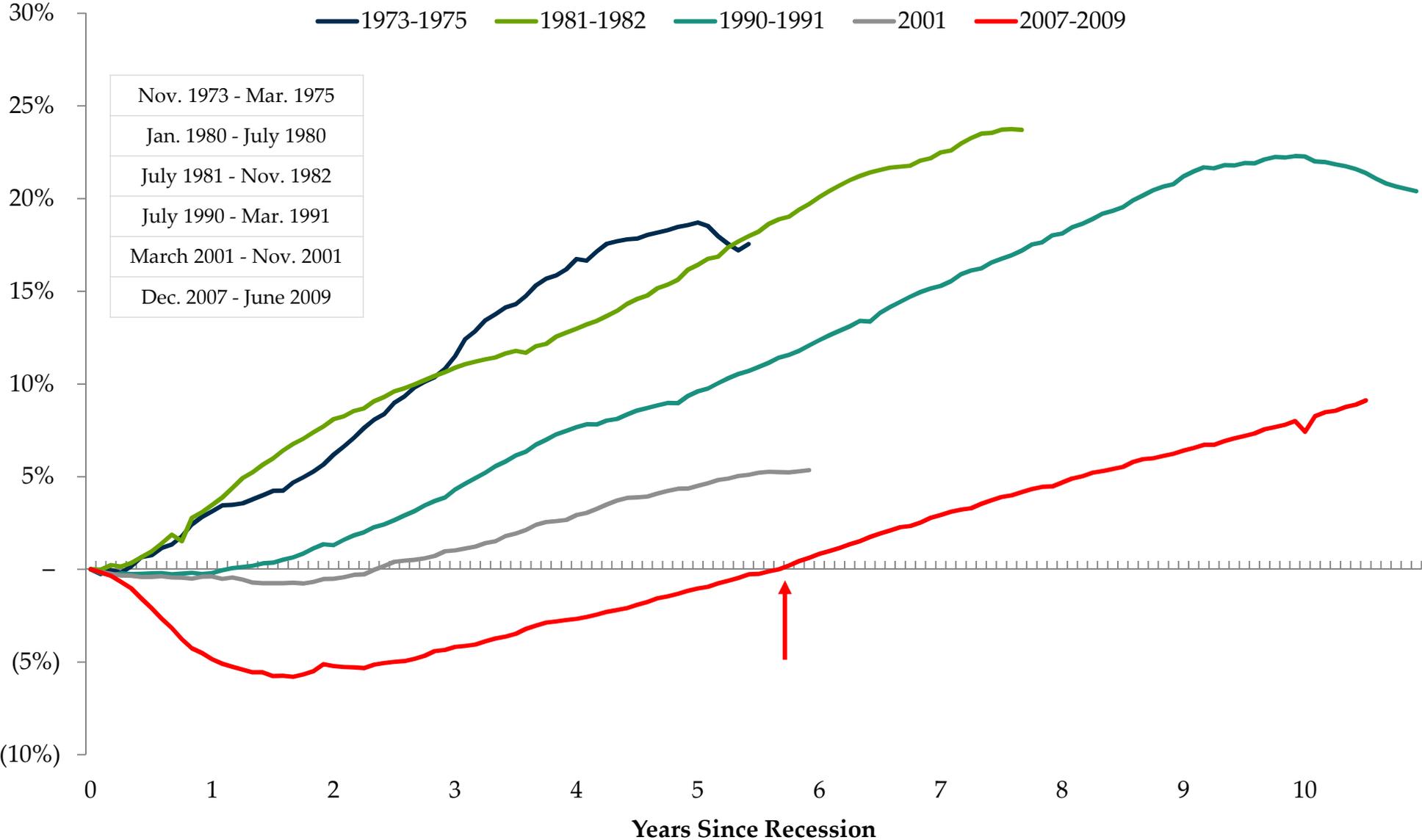
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US GDP, FED FUNDS AND INFLATION HISTORY



Source: Federal Reserve Economic Database as of 3/11/2019, Real GDP billions of chained 2012 dollars; quarterly data displayed. Bureau of Labor Statistics.

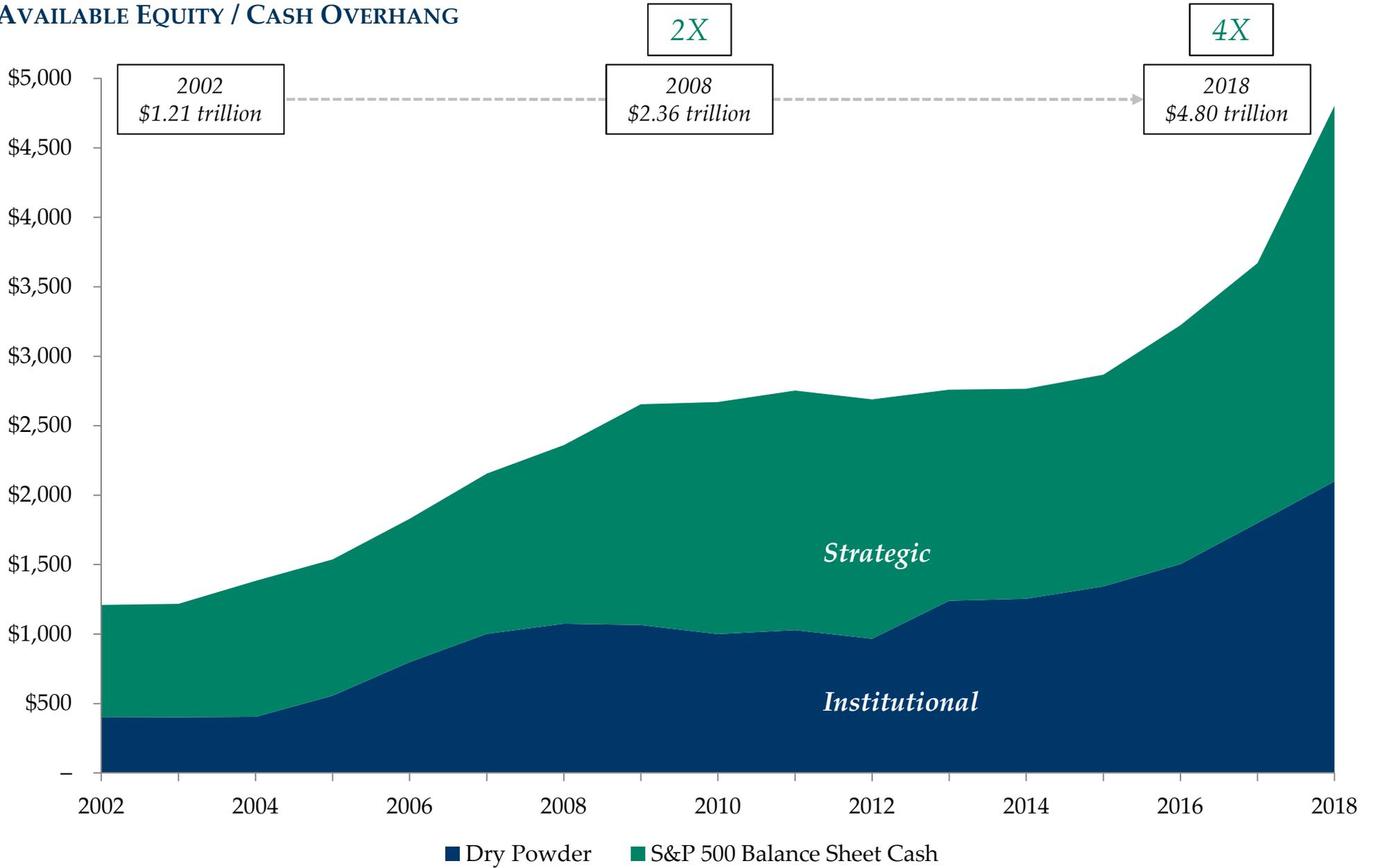
PERCENT CHANGE IN MONTHLY EMPLOYMENT DURING RECOVERY PERIODS



Source: Bureau of Labor Statistics; 1980 excluded due to short period before next recession.

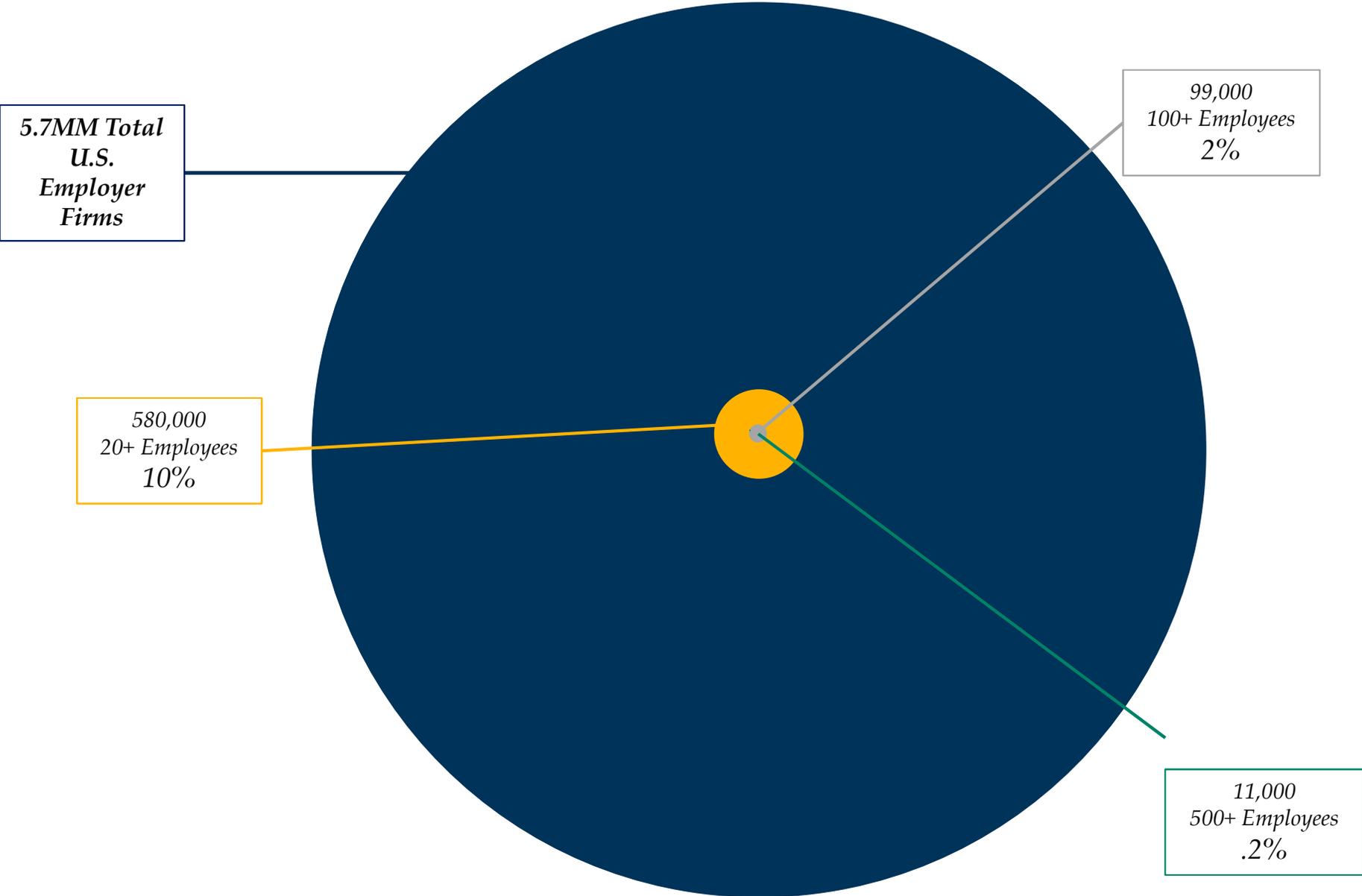
Capital Markets Update

AVAILABLE EQUITY / CASH OVERHANG



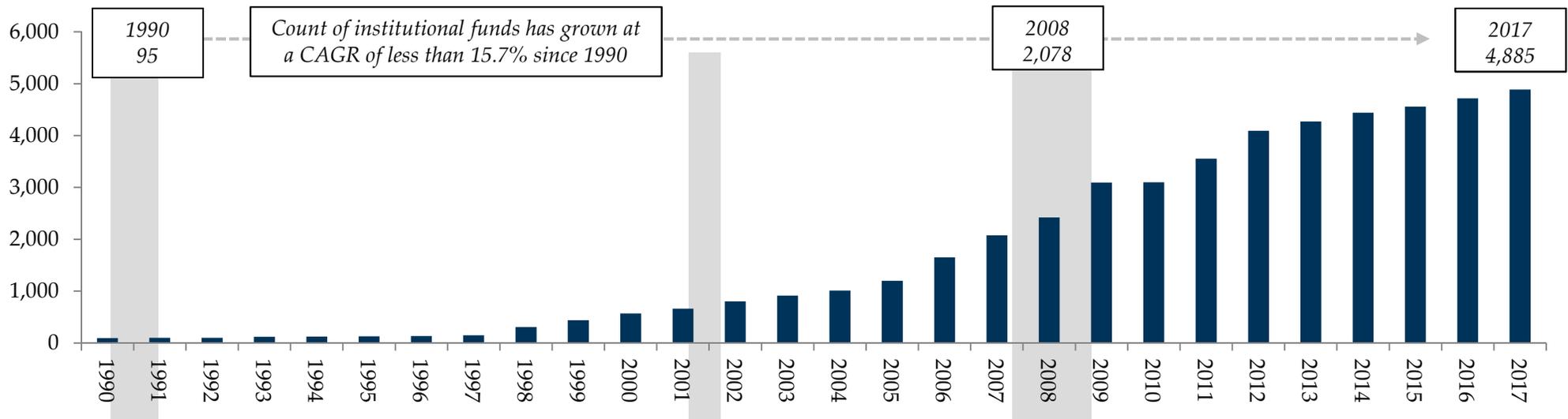
Source: Source: Preqin; CapitalIQ; EY

LANDSCAPE AND SCALE OF U.S. EMPLOYER FIRMS



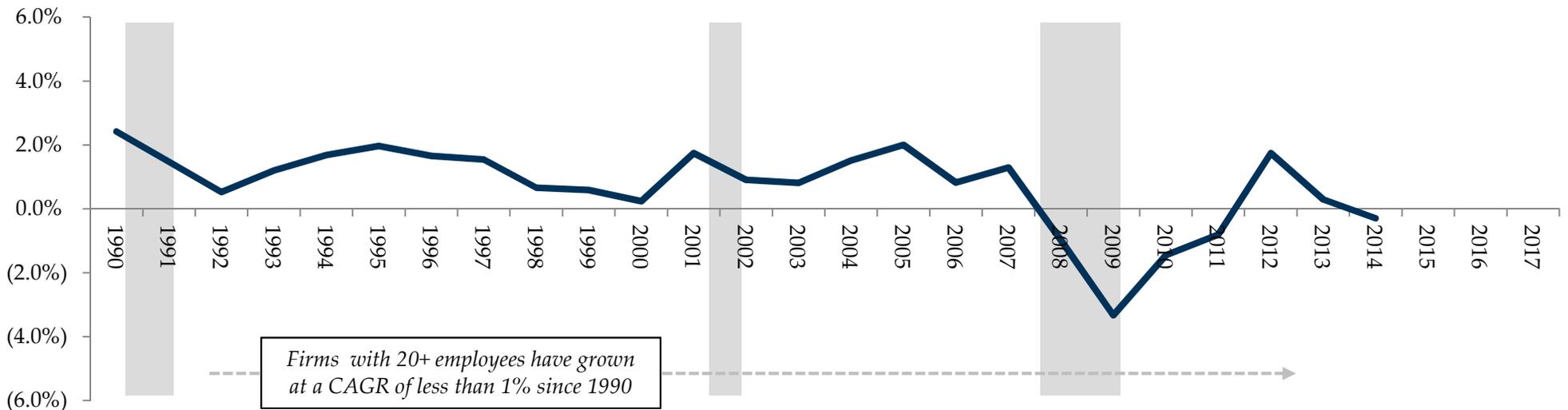
Source: U.S. Census Bureau, 2012 & 2013 M&T Estimates

GROWTH OF INSTITUTIONAL FUNDS OVER TIME



Source: Preqin; Pitchbook Online Database (data retrieved 5/3/2018).

GROWTH OF US EMPLOYER FIRMS OVER TIME (NON-FARM ENTITIES) – 20+ EMPLOYEES



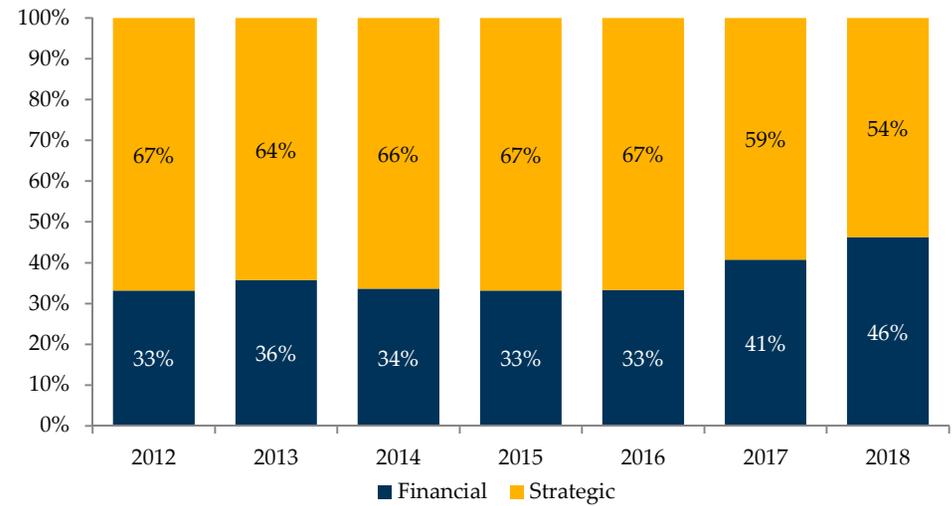
Source: U.S. Census Bureau, 2014

Capital Markets Update

CURRENT DEMAND DYNAMICS

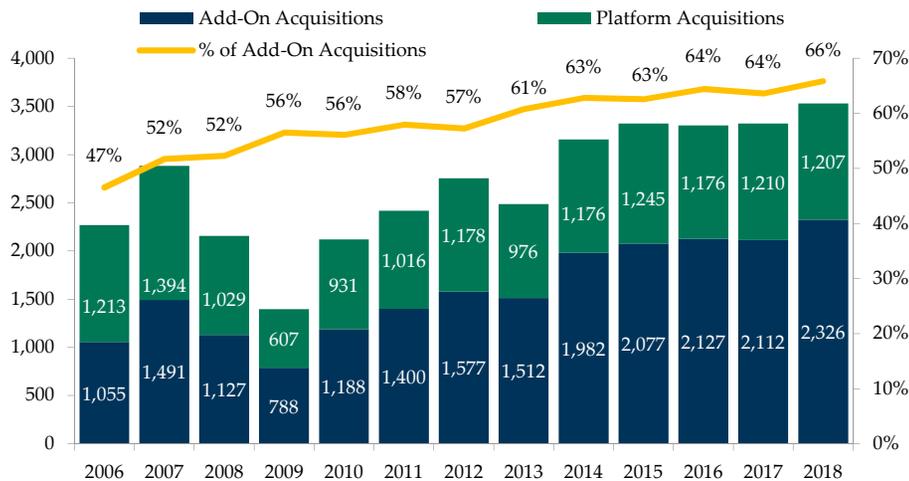
- Institutional investors have grown rapidly over the past 25 years
- Today, there are nearly 5,000 funds all looking for a good investment opportunities against the backdrop of a finite and static supply of companies
- Funds are achieving their returns through operations and scale, creating a well-capitalized, professional *and* synergistic buyer
- In an effort to differentiate themselves, funds are offering a variety of capital, a variety of transactions and looking across many verticals

MIX OF BUYER – MIDDLE MARKET TRANSACTIONS



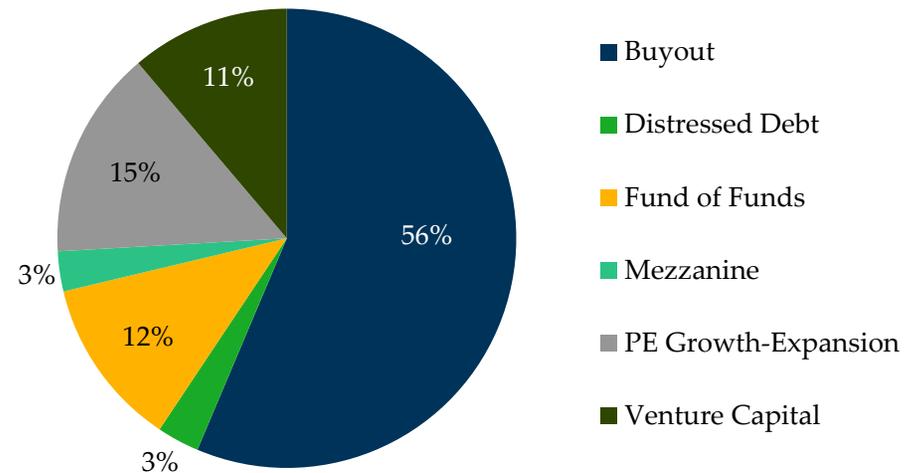
Source: CapitalIQ

PE PLATFORM & ADD-ON ACQUISITIONS



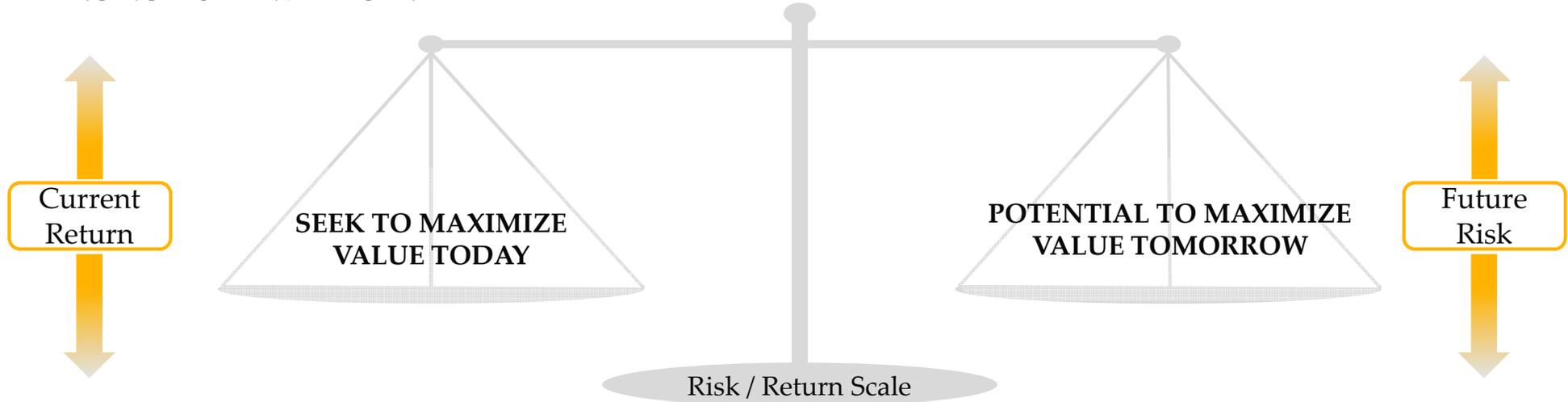
Source: PitchBook Online Database; *Data as of 3/11/2019.

DIVERSITY OF INSTITUTIONAL FUNDS



Source: PitchBook Online Database (data retrieved 5/3/2018).

BALANCING RISK AND RETURN



	SALE TO STRATEGIC BUYER	LEVERAGED BUYOUT	MINORITY RECAP	DIVIDEND RECAP
RATIONALE	<ul style="list-style-type: none"> ▪ Potential to maximize value with synergies ▪ Full near-term liquidity ▪ Takes advantage of current market environment ▪ Manageable execution risk / limited downside ▪ Pathway to fairly rapid exit from the business 	<ul style="list-style-type: none"> ▪ Substantial diversification ▪ Maintain operating control and culture / team continuity ▪ Takes advantage of current market environment ▪ Ability to roll equity and retain partial benefit of upside ▪ Access to capital and strategic resources 	<ul style="list-style-type: none"> ▪ Partial diversification ▪ Maintain operating and board control ▪ Takes advantage of current market environment ▪ Maintain majority ownership for next bite at the apple ▪ Access to capital and strategic resources 	<ul style="list-style-type: none"> ▪ Modest financial diversification if balance sheet can support leverage ▪ No change – maintain full operating and board control ▪ 100% upside for existing shareholders
ISSUES	<ul style="list-style-type: none"> ▪ Relinquish upside / long-term value ▪ Management distraction and business disruption ▪ Potential confidentiality and competitive concerns ▪ No upside or control going forward 	<ul style="list-style-type: none"> ▪ May not result in maximum valuation with synergies ▪ Sets clock started for full exit – 4-6 years ▪ Added controls and reporting required ▪ Board of new investors and growth requirements 	<ul style="list-style-type: none"> ▪ May not result in maximum valuation with synergies ▪ Will need to recap out partner in 4-6 years ▪ Added controls and reporting required ▪ Board of new investors and growth requirements 	<ul style="list-style-type: none"> ▪ Does not eliminate business risk ▪ Additional leverage impacts operating flexibility and ability to grow ▪ Not taking advantage of bullish market conditions

Low Multiple (3 – 5x)

Value Drivers

Premium Multiple (6– 10+x)

- One or two major customers
- Heavy dependency on integrators
- Customers behind middle men



- Low “Top 10” concentration
- Attractive mix
- “Direct” customer relationships

- Low-end, price driven markets
- Deep fragmentation / local players
- Smaller end market



- High-end, value driven markets
- Fragmentation and consolidators
- Good market share and end markets

- Capacity / volume play
- Material costs drive margins
- Heavily standardized



- Trade secrets and patents
- Branded technology
- Customized/consultative approach

- Capital and asset intensive
- Significant labor input
- Long-lead times



- Process engineering IP
- Unique ability to solve problems
- Rapid turnaround

- Heavily regionalized
- Limited international opportunity
- Low barriers for foreign comps



- Critical mass in multiple markets
- International growth positioning
- Rapid delivery

- Tactical / day-to-day approach
- Financially reactionary
- Poor G/L, systems and processes



- Strategic vision
- Financial and data sophistication
- Good systems and processes

- Lumpy, event driven revenue
- Commodity driven gross margins
- Inflated, inefficient overhead



- Recurring, high margin revenue
- Scale and double digit EBITDA
- Leveragable infrastructure

- Smaller



- Larger

VALUING PUBLIC COMPANIES: STRENGTHS OF VALUATION METHODS

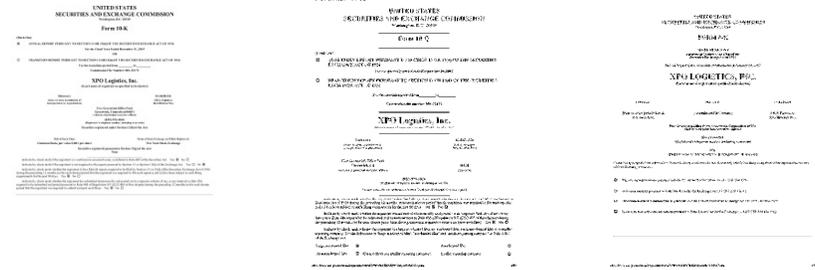
Public Filings

- Initial prospectus communicates strategy, business plan, outlook, and MD&A
- Investor Presentations



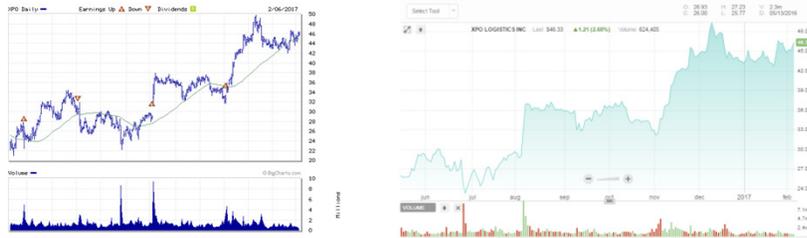
Financial Reporting

- Report financial results on a quarterly basis (10-K, 10-Q)
- Disclose material events (8-K)



Public Markets

- Shares are traded freely amongst individuals and institutional shareholders



Compliance & Governance

- Held to strict compliance and governance standards



U.S. SECURITIES AND EXCHANGE COMMISSION

Equity Research

- Covered by analysts who publish periodic reports
- Analysts participate in earnings calls

Financial Reconciliations		Third Quarter 2018 Highlights	
<p>Financial Reconciliations table showing metrics for 2018 and 2017.</p>		<ul style="list-style-type: none"> \$3.7 billion of gross revenue \$21.3 million of net income, \$49.8 million of adjusted net income⁽¹⁾ \$232.7 million of adjusted EBITDA⁽¹⁾ \$12.0 million of cash flow from operations \$6.8 million of cash flow⁽²⁾ 26.1% transportation net revenue margin, compared with 22.6% in Q3 2017 40% increase in LTV operating income versus last year's second quarter pre-acquisition Logistics revenue increase of 38% and operating income increase of 100% benefited from a continued volume rebound in North America and Europe <p>XPO named Fortune 500's fastest growing company</p>	

Equity Research Coverage

J.P.Morgan Morgan Stanley



This methodology is transparent and efficient

VALUING PRIVATE COMPANIES: WEAKNESSES OF VALUATION METHODS

Public Comparables

- Larger and diversified
- Trade in a public, liquid market
- Transparency through reporting requirements, equity research and earnings calls

\$ in millions, except per share data

Company Name	Ticker	Enterprise Value	Valuation Data	
			EV / LTM Revenue	EBITDA
Gaming				
Activision Blizzard, Inc.	NasdaqGS:ATVI	\$31,281	5.3x	16.5x
Electronic Arts Inc.	NasdaqGS:EA	21,970	4.8x	18.4x
NetEase, Inc.	NasdaqGS:NTES	27,109	5.3x	15.8x
Zynga Inc.	NasdaqGS:ZNGA	1,484	2.0x	NM
		Mean	4.4x	16.9x
		Median	5.0x	16.5x
		High	5.3x	18.4x
		Low	2.0x	15.8x

Online Marketplaces

Alibaba Group Holding Limited	NYSE:BABA	\$243,656	NM	37.2x
Amazon.com, Inc.	NasdaqGS:AMZN	388,919	3.0x	35.5x
eBay Inc.	NasdaqGS:EBAY	34,848	3.9x	11.5x
Expedia, Inc.	NasdaqGS:EXPE	20,790	2.5x	20.4x
The Priceline Group Inc.	NasdaqGS:PCLN	79,245	7.6x	19.8x
TripAdvisor, Inc.	NasdaqGS:TRIP	7,080	4.8x	NM
		Mean	4.4x	24.9x
		Median	3.9x	20.4x
		High	7.6x	37.2x
		Low	2.5x	11.5x

Comparable Transactions

- Few data points and valuation can be misleading

\$US in millions

Closed	Target	Buyers/Investors	Enterprise Value	EV/Rev	EV/EBITDA
12/28/2016	Alibaba Group Holding Limited	Group of Private Investors	-	-	-
11/21/2016	Artur Technologies, Inc.	LivKamp, Inc.	-	-	-
08/29/2016	IronPlanet, Inc.	Ritchie Bros. Auctioneers Incorporated	758.5	-	-
12/21/2015	Major League Gaming, Inc., Substantially All	Activision Blizzard, Inc.	-	-	-
12/31/2015	Biibu Systems, Inc.	Amazon.com, Inc.	-	-	-
12/28/2015	Alibaba Group Holding Limited	Group of Private Investors	-	-	-
03/17/2015	Wize Commerce, Inc.	Regent Equity Partners, LLC	-	-	-
12/14/2015	HomeAway, Inc.	Expedia, Inc.	3,347.8	NM	54.5x
10/15/2015	Alire, Inc.	Auction.com, LLC (nka:Ten-X, LLC)	-	-	-
09/25/2015	Safaba Translation Solutions, LLC (nka:Amazon Machine Translation R&D Group)	Amazon.com, Inc.	-	-	-
09/10/2015	The Royalty Exchange, Inc.	Group of Private Investors	-	-	-
08/31/2015	College Copywriters, Inc.	Harvard Student Agencies, Inc.	-	-	-
08/31/2015	Orbus Inc.	Amazon.com, Inc.	-	-	-
09/30/2015	zully, Inc. (nka:zully, llc)	OVC, Inc.	2,162.6	1.7x	49.1x
08/05/2015	Tindie, Inc.	Hackaday, llc	-	-	-
11/02/2015	eBay Enterprise, Inc. (nka:Radial)	Permira Advisers Ltd; Sterling Partners; Innotrac Corp; Bancroft Partners, LLC; Longview Asset Management Ltd; Permira V	925.0	0.7x	-
06/30/2015	11 Main, Inc.	Opensky Corp.	-	-	-
06/09/2015	Themis, Inc.	WeddingWire, Inc.	-	-	-
04/29/2015	Charter, Inc.	Amazon.com, Inc.	30.0	-	-
04/29/2015	ReplyManager LLC	XSeed Limited	-	-	-
03/03/2015	Rocket Travel, Inc.	The Priceline Group Inc.	-	-	-
09/17/2015	Orbitz Worldwide, Inc.	Expedia, Inc.	1,674.4	1.8x	12.0x
01/27/2015	Zetrip, Inc.	TripAdvisor, Inc.	-	-	-

* Minority Interaction
^ Transaction pending

Underlying factors that can impact a valuation multiple

Margins and profitability

Add-backs

Customer mix and concentration

Systems and infrastructure

Growth history and expectations

Capex history and requirements

DCF

- Conclusion dependent on projections and discount rate, which are subjective

Scenario A: Assumes 5% Revenue Growth, 20% Discount Rate

Scenario A	Year 1	Year 2	Year 3	Year 4	Year 5
Rev	\$10.0	\$10.5	\$11.0	\$11.6	\$12.2
FCF	2.0	2.1	2.2	2.3	2.4
TV					14.6
FCF	\$2.0	\$2.1	\$2.2	\$2.3	\$17.0
NPV		\$12.4			

Scenario B: Assumes 10% Revenue Growth, 18% Discount Rate

Scenario B	Year 1	Year 2	Year 3	Year 4	Year 5
Rev	\$10.0	\$11.0	\$12.1	\$13.3	\$14.6
FCF	2.0	2.2	2.4	2.7	2.9
TV					17.6
FCF	\$2.0	\$2.2	\$2.4	\$2.7	\$20.5
NPV		\$15.1			

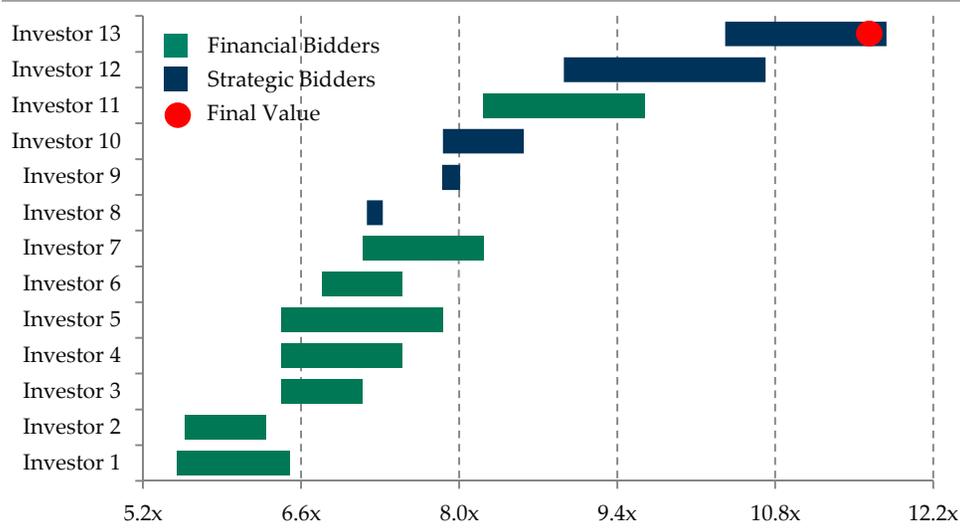
	Scenario A	Scenario B
Revenue Growth Rate	5.0%	10.0%
Discount Rate	20.0%	18.0%
Implied Value	\$12.4	\$15.1

Implied Value is 22% higher in Scenario B

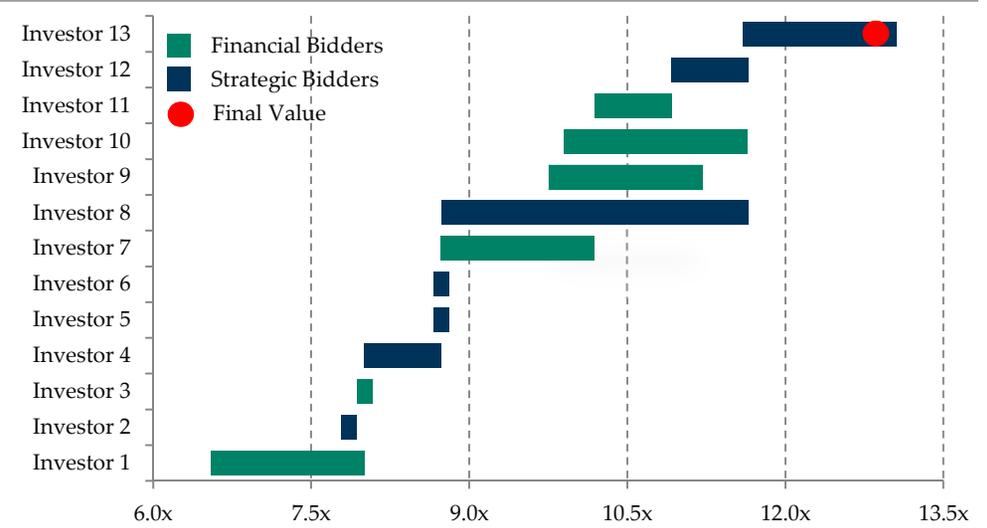
This methodology is opaque and inefficient

Capital Markets Update

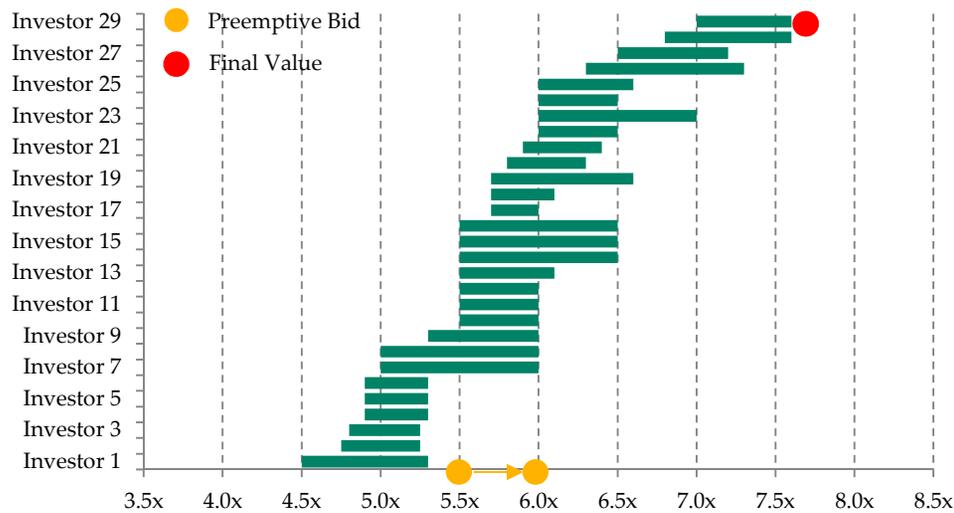
PROJECT SKY PRELIMINARY IOIs



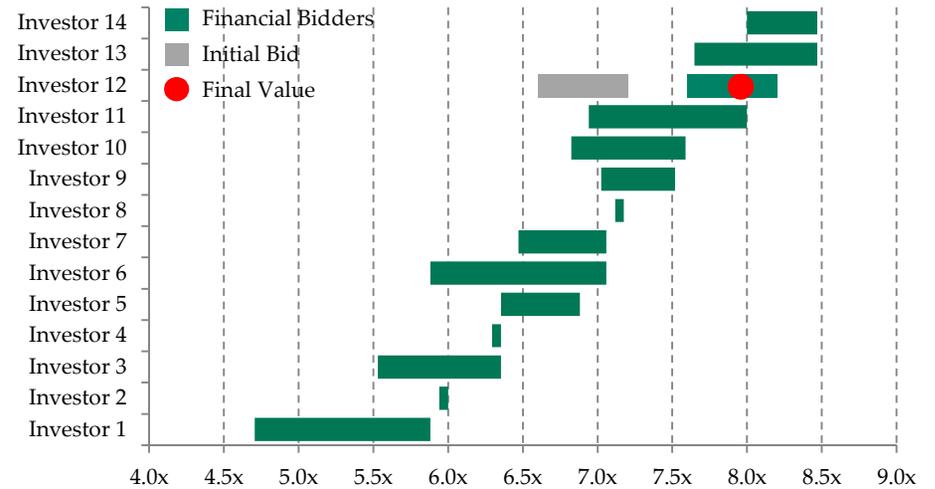
PROJECT ECHO PRELIMINARY IOIs



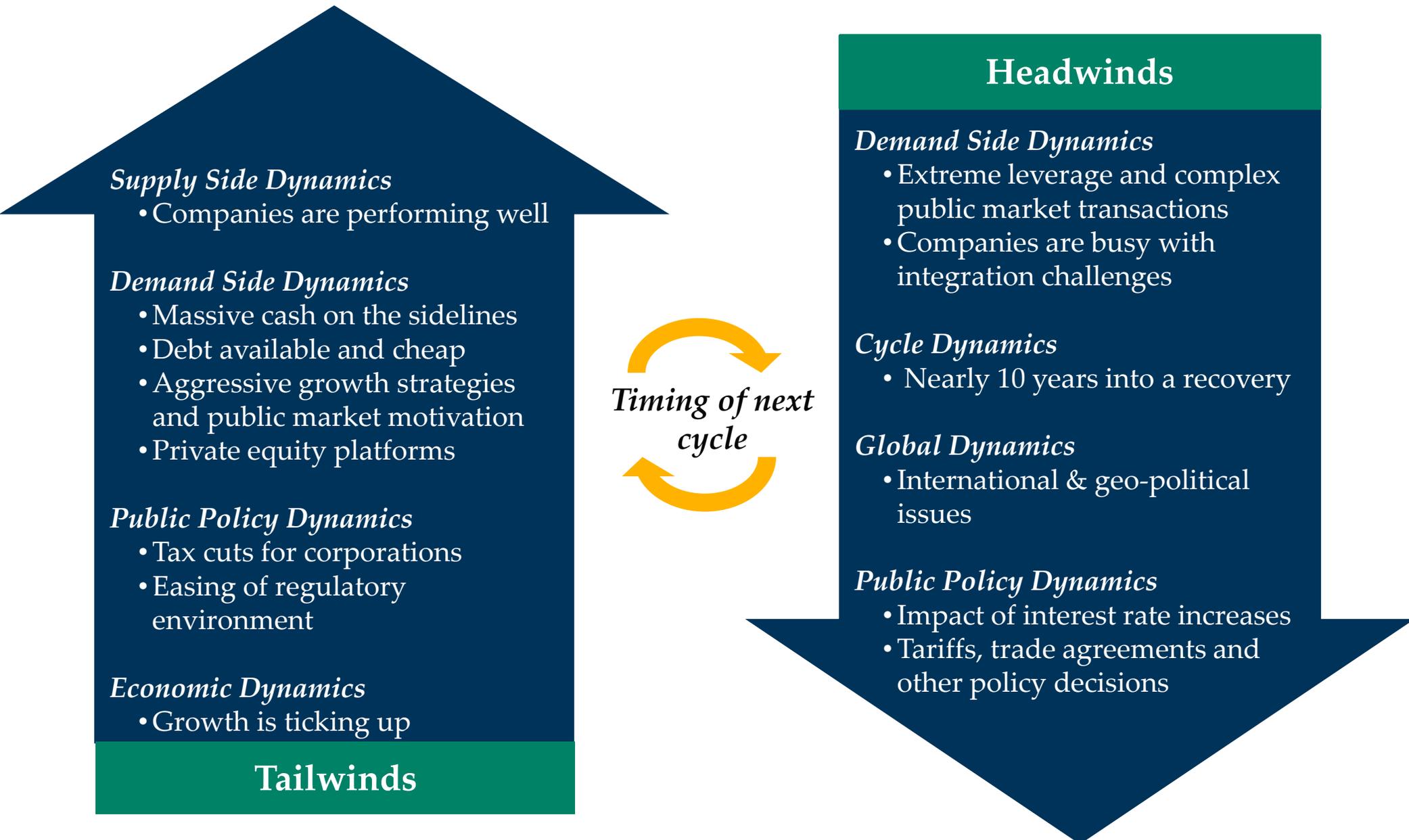
PROJECT ROVER PRELIMINARY IOIs



PROJECT EAGLE PRELIMINARY IOIs



GUESSING THE CYCLE...



ROBERT I. WHITE, MANAGING DIRECTOR



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EXPERTISE

- Sell-side M&A
- Acquisition Financing
- Industry Consolidations
- Leveraged Buyouts
- Leveraged Recapitalizations
- Management Buyouts
- Growth Financings

Mr. White is head and co-founder of M&T Bank's M&A and Corporate Finance Group. His primary responsibilities involve advising middle market clients on strategic transactions related to a variety of transformational events. His expertise ranges from assisting business owners with sale of their businesses to raising equity and mezzanine capital for liquidity or growth.

Over the past 25 years, Mr. White has advised clients in a variety of industries, including distribution, IT services, business outsourced services, medical devices, healthcare services, proprietary education, branded consumer goods, building products, specialty chemical, and automotive.

Prior to joining M&T, Mr. White worked in the Consumer and Industrial Products group at PricewaterhouseCoopers Securities, the investment banking division of PricewaterhouseCoopers. Prior to joining PwCS, Mr. White was a Manager in PwC's Financial Advisory Services ("FAS") practice, where his responsibilities included valuation of troubled companies, bankruptcy work and lost profit analyses.

Mr. White received his BA in Economics from Middlebury College and MBA from Georgetown University, where he graduated with honors and was elected Beta Gamma Sigma for academic achievement. He is active in the local community, serving on the Board of Director of a not-for-profit youth lacrosse organization and coaching several teams.