



# 2018 CAPITAL MARKETS REVIEW

## MIDWEST REGION

### In This Issue

Economic Review

Public Markets

Mergers & Acquisitions (M&A)

Private Equity

Venture Capital





## Executive Summary

We are pleased to present our 2018 annual review of capital markets in the Midwest region. The year was characterized by mixed signals. The economy seemed to be firing on all cylinders, yet there were signs of increasing risk in global trade. The stock market hit all-time highs, only to end lower on the year.

The capital markets were no different, showing mixed results. The number of mergers and acquisitions (M&A) deals has steadily declined since a peak in 2015, but overall deal value has been more consistent due to larger average deal size. During this same time, valuation multiples appear to have recently peaked in 2017 with a small decline in 2018. Private equity completed the highest volume and value of deals in 2018 compared to the last 10 years. Venture capital firms also invested the largest amount since the dot-com era, but also in fewer larger deals.

In 2019, we are paying close attention to a number of developments and trends. Some of the items we are watching include:

- Will valuations continue a gradual decline from their peak of 2017?
- Will corporations invest their cash in organic or inorganic growth and will private equity funds continue deploying record amounts of dry powder?
- Will the Federal Reserve continue to raise the cost of borrowing or do they see too many headwinds in 2019?
- Will low unemployment put pressure on wages companies have to pay, and how many unfilled job openings will remain open?
- Will the yield spread between long- and short-term Treasuries invert further, which typically signals an impending recession?

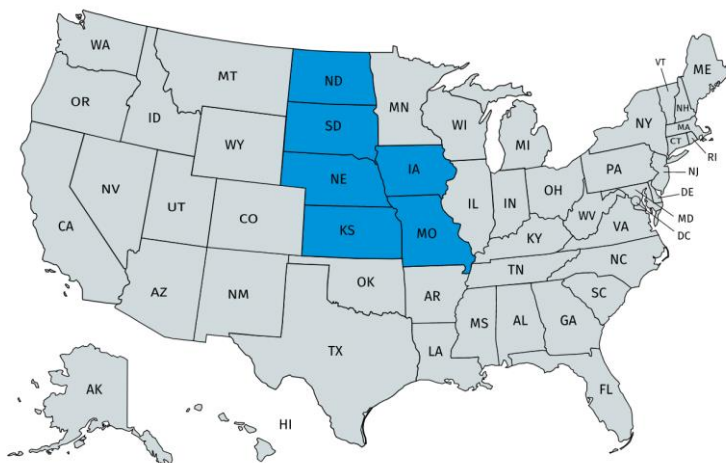
As always, contact our team if you have any questions or would like to learn more about capital markets activity within your region or industry.

Also, visit [www.skyline-advisors.com/midwest](http://www.skyline-advisors.com/midwest) to automatically receive quarterly and annual updates of this regional report.

We wish you all the best in 2019!

-The Skyline Advisors team

## Midwest Region



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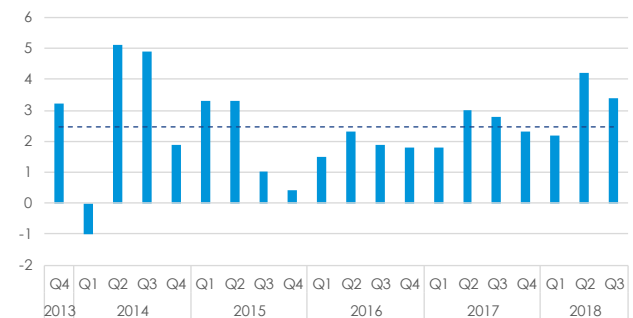


## ECONOMIC REVIEW

### GDP growth briefly surpasses 4%, cools to 3.4%

US gross domestic product, a measure of economic output, briefly reached an annualized growth rate of 4.2%, the fastest pace since 2014, in the second quarter before settling at 3.4% in the third quarter. Growth has been driven by the \$1.5-trillion Tax Cuts and Jobs Act. Through the third quarter, drivers of GDP attributed to consumer expenditures were recreational durable goods, food and beverages, and healthcare, while the largest contributor to GDP growth thus far – gross private domestic investment – was largely driven by non-residential equipment. Final estimates for fourth quarter GDP are scheduled to be released by the end of the first quarter of 2019.

Real GDP Growth  
Percent Change from Prior Quarter



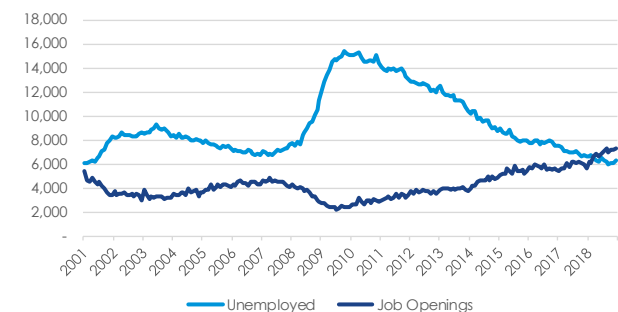
### Federal Reserve increases rates four times

The US Federal Reserve increased the Federal Funds Rate - which impacts consumer loans such as credit cards, auto loans, and mortgage loans – four times in 2018. The first rate increase, on March 22<sup>nd</sup>, increased a quarter percent to 1.75%, and the other three also increased a quarter percent each, ending at 2.5% on December 19<sup>th</sup>. The Federal Reserve raises or lowers rates in order to control inflation, which, excluding the volatile food and energy items, was at 2.2% in December.

### Unemployment hits 49-year low

The unemployment rate in the US fell to 3.7% in September, the lowest level since December 1969. The labor market was largely tight during the year, with the last six months holding an unemployment rate of below 4%, while non-farm payrolls increased an average of more than 200,000 per month. The year closed with an unemployment rate of 3.9% in December. While the labor force participation rate is still a few percentage points lower than historical highs, researchers at the Federal Reserve Bank of San Francisco estimate that the labor market was at full employment with a labor force participation rate of 62.8%.

Job Openings & Unemployment  
In Thousands



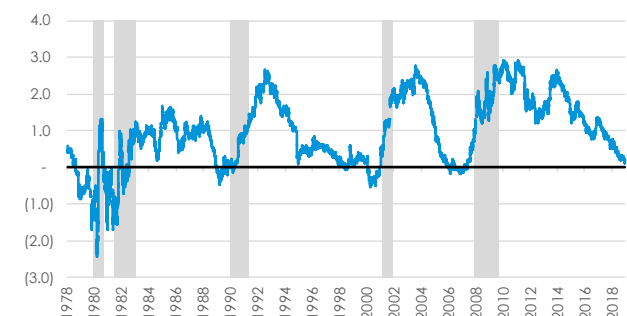
### Current deficit widens to 10-year high despite tariffs

In mid-December, the Commerce Department reported that the third quarter current account balance, the difference between the nation's trade and financial inflows and outflows, fell to a seasonally adjusted \$124.8-billion deficit, or the lowest in ten years. While differences in economic conditions among trading countries is a significant factor in the widening of the gap, trade tensions that flooded the media throughout 2018 certainly did not help in the short term. During the year, the US imposed more than \$300 billion in tariffs on imports from key trade partners, who were quick to respond with their own tariffs. Negotiations surrounding trade with key trade partners, namely China, are ongoing in 2019.

### Yield curve inverts for first time since 2007

On December 3<sup>rd</sup>, the spread between 3-year and 5-year treasuries turned negative. While the spread between 2-year and 10-year treasuries is more notable and has historically predicated a recession when turning negative, the occurrence of inversion is a notable event in that it suggests investors see more risk in the short-term than the long-term, and that an inversion of the notable 2-year and 10-year treasuries may not be too distant. The event sent the S&P 500 lower 3.2% the following day and contributed to a poor month for equities in December.

10-Year & 2-Year Treasury Spreads  
Percent; Highlighted areas indicate recession



## PUBLIC MARKETS

### Stock market closed out worst performance since 2008

Stock markets closed out their worst performance since the bull market that began after 2008, as the S&P 500, Dow Jones Industrial Average, and Nasdaq fell 6.2%, 5.6%, and 3.9%, respectively. Prior to December, which was the worst December for market returns since 1931, markets were up single-digit returns. Markets fell in a volatile month in December, in which the market saw the Dow Jones fall 350 points or more six times in a seven-day stretch.

Our “Skyline Midwest Index,” which is comprised of 77 equally weighted companies headquartered within the region and with market capitalizations of at least \$500 million, fell 6.8% during the year. This was comparable to the S&P 500 decline.

2018 Indexed Stock Market Performance



Index	Closing Price		2018 Return	52-Week	
	12/31/2017	12/31/2018		Low	High
S&P 500	2,673.61	2,506.85	(6.2%)	2,346.58	2,940.91
DJIA	24,719.22	23,327.46	(5.6%)	21,712.53	26,951.81
NASDAQ	6,903.39	6,635.28	(3.9%)	6,190.17	8,133.30
Russell 2000	1,535.51	1,348.56	(12.2%)	1,266.92	1,742.09
Skyline Midwest Index	100.0	93.2	(6.8%)	88.38	107.44

S&P 500 10-Year Performance



Nasdaq 10-Year Performance

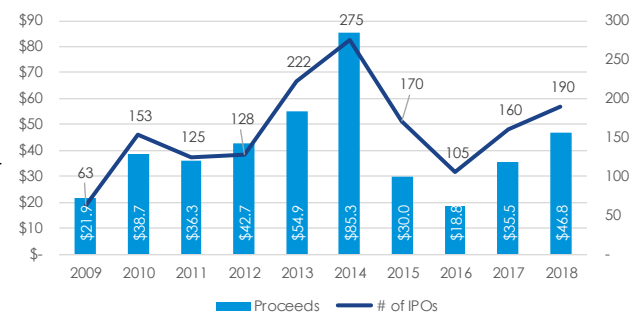


### Midwest lacks presence in 2018 IPO market

In 2018, more than 190 companies completed an initial public offering, raising approximately \$46.8 billion in proceeds. These are up 19% and 32%, respectively from the 160 companies that raised \$35.5 billion in 2017. Notable IPOs in 2018 included AXA Equitable Holdings, ADT Security Services, AmeriCold Logistics, Cushman & Wakefield, and Dropbox. 2019 is expected to be another blockbuster year for IPOs, as companies such as Uber, Lyft, Slack, and Airbnb are expected to file.

The Midwest did not have any significant IPOs in 2018. Kansas City, Missouri-based DERMAdoctor was the lone Midwest company to file for an IPO during the year but scrapped plans after management cited rocky market conditions and a reduced need for capital.

US IPO Activity  
(Proceeds in Billions)





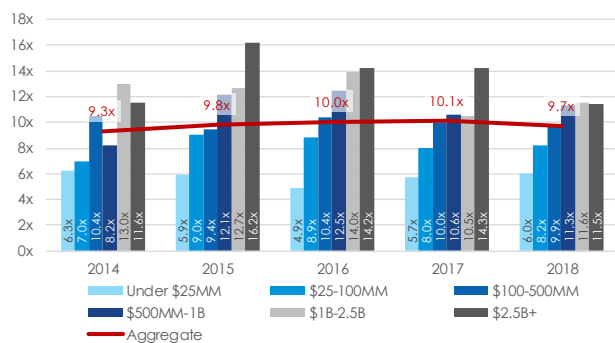
# VALUATIONS

## Market valuations decline in fourth quarter

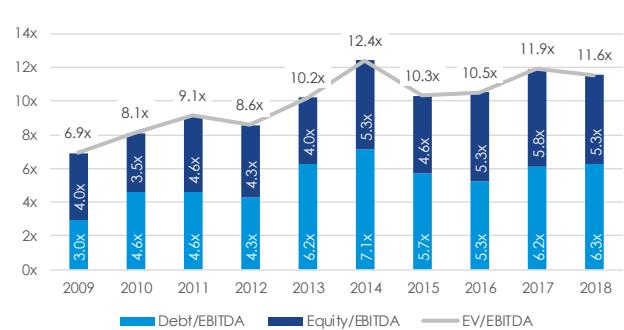
Valuations declined slightly in 2018, with overall median M&A valuations dropping from 10.1 times earnings before interest, taxes, depreciation, and amortization (EBITDA) in 2017 to 9.7x EBITDA in 2018. Valuations in private equity-led deals experienced a similar decline, falling to 11.6x EBITDA from 11.9x in the same timeframe. The decline in valuations may have been due to the increased volatility in the market in the fourth quarter, as the stock market declined into negative territory during that timeframe, also evidenced by the fourth-quarter deterioration of valuations of companies in Skyline's industry focus.

While the national median multiple was 9.7x EBITDA, actual multiples vary significantly by industry and by deal size. For example, deals with an enterprise value (combined value of debt and equity) below \$25 million in 2018 carried a median multiple of 6.0x EBITDA. This multiple increases to 8.2x for deals with enterprise values between \$25 million and \$100 million, and 9.9x for deals with enterprise values between \$100 million and \$500 million. All ranges above \$500 million had median multiples of at least 11.3x. In general, the Technology sector is commanding higher multiples, followed (in order) by Healthcare, Food and Ag, and Industrials.

Median EV/EBITDA  
by Deal Size



US Private Equity Buyout Multiples  
Median



Median Enterprise Value / TTM EBITDA

Industry	Q1	Q2	Q3	Q4
<b>Food/Beverages &amp; Ag</b>	13.2x	13.8x	12.9x	11.6x
Agribusiness	12.8x	13.8x	12.2x	10.5x
Alcoholic Beverages	17.5x	18.0x	15.9x	14.3x
Baked Goods	14.1x	12.7x	13.0x	11.5x
Branded/Processed Foods	13.2x	14.1x	13.2x	12.2x
Dairy	13.7x	13.6x	11.7x	11.2x
Food Wholesale	6.5x	6.8x	6.8x	6.2x
Foodservice	13.1x	14.5x	14.7x	11.7x
Fruits & Vegetables	14.8x	18.2x	17.9x	16.4x
Grocery Distribution	9.2x	10.2x	8.4x	12.1x
Ingredients & Flavors	16.8x	14.9x	18.4x	21.5x
Natural/Organic Foods	22.7x	23.0x	20.3x	15.4x
Non-Alcoholic Beverages	17.7x	14.5x	15.3x	13.7x
Other Restaurants	11.6x	13.9x	13.2	10.9x
Private Label Food & Bev	16.4x	17.7x	16.8x	17.5x
Protein Processing	7.2x	8.2x	8.4x	8.4x
Quick-Service Restaurants	13.0x	12.5x	13.3x	12.7x
Snacks	13.9x	14.9x	15.0x	14.8x
<b>Healthcare</b>	12.3x	12.9x	14.2x	11.9x
Assisted Living	12.9x	12.3x	18.4x	16.4x
Behavioral Health	10.8x	11.5x	10.9x	9.5x
Distribution & Supplies	11.3x	12.9x	14.5x	11.9x
Healthcare IT	26.9x	25.5x	28.8x	22.2x
Physician Services	10.7x	10.5x	10.3x	8.4x
Staffing	17.0x	16.0x	17.0x	12.7x

Median Enterprise Value / TTM EBITDA

Industry	Q1	Q2	Q3	Q4
<b>Industrials</b>	11.5x	11.4x	11.9x	9.9x
Air Freight & Logistics	10.7x	11.1x	12.1x	10.3x
Building Products	12.0x	12.7x	13.1x	10.2x
Construction/Engineering	10.1x	11.1x	11.3x	7.3x
Distributors & Wholesalers	12.8x	10.8x	11.7x	10.4x
Diversified Industrials	11.2x	11.3x	11.3x	10.5x
Electrical Equipment	12.4x	12.6x	14.2x	11.1x
Machinery	13.2x	11.7x	11.9x	9.7x
Professional Services	11.3x	11.1x	11.7x	11.5x
Rail	11.1x	11.4x	12.7x	10.3x
Trucking	10.0x	8.9x	7.9x	5.5x
<b>Technology</b>	21.2x	22.2x	22.6x	18.0x
Data Hosting	23.3x	22.2x	22.3x	18.4x
Diversified Technology	16.4x	16.6x	16.2x	12.9x
Enterprise Software	20.1x	19.9x	17.1x	13.8x
Financial Technology	22.2x	23.1x	24.5x	20.3x
Healthcare IT	26.9x	25.5x	28.8x	22.2x
Human Capital Mgmt.	65.3x	59.1x	79.5x	49.9x
IT Services	14.4x	13.7x	14.6x	11.9x
Other SaaS	49.9x	78.5x	84.6x	59.9x
Supply Chain Software	31.1x	32.8x	32.9x	24.6x

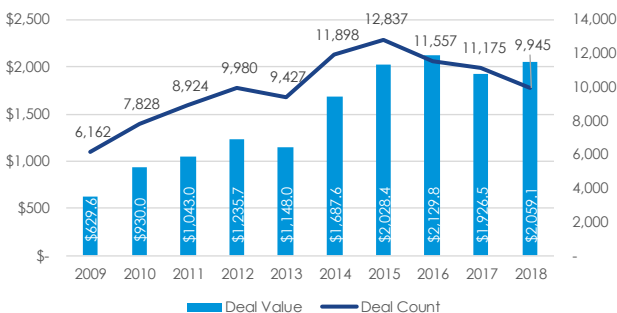
# MERGERS & ACQUISITIONS

## M&A value up in 2018 on fewer deals

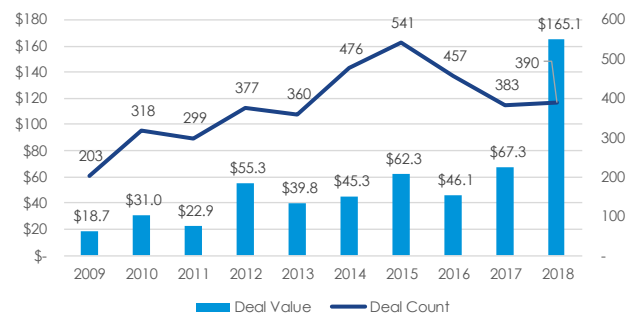
Mergers and acquisitions (M&A) value topped \$2.1 trillion in 2018 in the US, an increase of 6.9% from 2017. The number of M&A deals completed in 2018 totaled 9,945, a decline of 11% from 2017, meaning deals were generally larger. In the six-state Midwest region – the Dakotas, Nebraska, Kansas, Missouri, and Iowa – M&A value far exceeded values reached in the past ten years, as deal value amounted to \$165 billion, or over 45% higher than 2017. Total deal value in the region was aided by Bayer's \$63-billion acquisition of Monsanto in the second quarter and Cigna's \$52-billion acquisition of Express Scripts in the fourth quarter. Deal count in the Midwest was relatively unchanged in 2018, as 390 transactions were completed, compared to 383 in 2017.

Historically, deals valued under \$100 million have accounted for the majority of deals completed. In 2018, the proportion of deals under \$100 million hit a historic low, while the proportion of deals in the range of \$100 million to \$250 million increased at the greatest rate to 15.2% of all deals. Meanwhile, in terms of value, deals greater than \$5 billion in value accounted for over 30% for the third time on record.

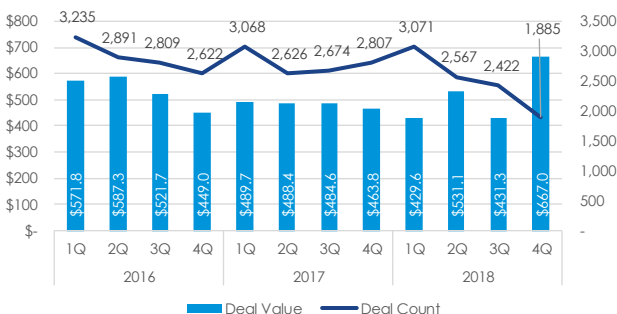
**US M&A Activity**  
Deal Value in Billions



**Midwest M&A Activity**  
Deal Value in Billions



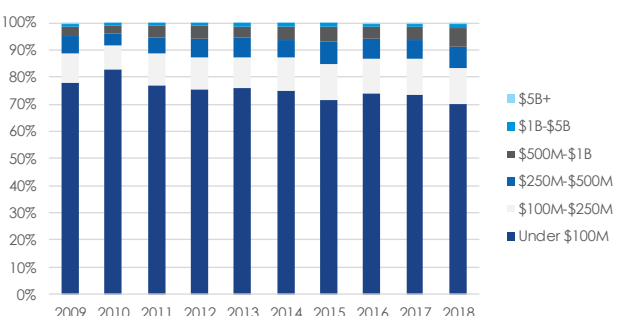
**US M&A Activity**  
Deal Value in Billions



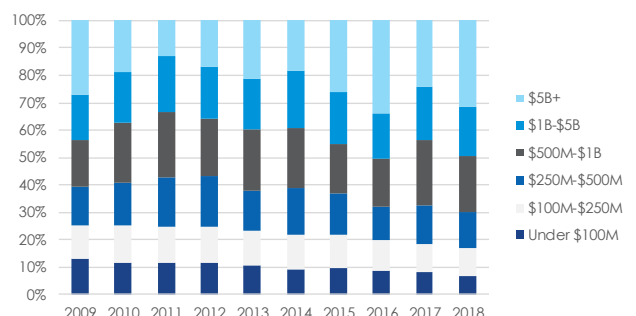
**Midwest M&A Activity**  
Deal Value in Billions



**North American & European M&A Deals by Size**  
Volume



**North American & European M&A Deals by Size**  
Value



# MERGERS & ACQUISITIONS

## Notable Midwest M&A Deals in 2018

State	Date	Target	Investor	Target City	Target Description
IOWA	05/31/2018	Advanced Analytical Technologies	Agilent Technologies	Ankeny, IA	Manufacturer of a fully automated nucleic acid analysis system
	01/09/2018	Rodale	Penguin Random House	Harlan, IA	Publisher of healthcare books and magazines
	12/31/2018	Genesis Systems Group	IPG Photonics	Davenport, IA	Manufacturer of integrated robotic welding and automation solutions
	01/05/2018	HTG Peer Groups	ConnectWise Automate	Harlan, IA	Provider of coaching and consulting services
	12/04/2018	Classic Builders	D.R. Horton	Ankeny, IA	Builder of residential and commercial homes
KANSAS	06/15/2018	Ash Grove Cement	CRH	Overland Park, KS	Manufacturer of cement
	04/06/2018	Guggenheim Investments' ETF Div.	Invesco	Topeka, KS	Operator of an exchange-traded funds business
	05/24/2018	Westar Energy	Great Plains Energy (merger of equals)	Topeka, KS	Provider of regulated electric utility services
	02/01/2018	WoodSpring Hotels	Choice Hotels Internatioal	Wichita, KS	Operator of an economy extended-stay lodging company
	06/01/2018	Invista apparel & adv. textiles division	Shandong Ruyi Group	Wichita, KS	Manufacturer of apparel and clothing
MISSOURI	06/07/2018	Monsanto	Bayer	St. Louis, MO	Global agribusiness, focusing on seeds and crop-protection products
	12/20/2018	Express Scripts Holding	Cigna	St. Louis, MO	Provider of pharmacy benefit management services
	04/16/2018	DST Systems	SS&C Technologies	Kansas City, MO	Provider of specialized technology, strategic advisory, and business operations outsourcing services
	06/06/2018	National Beef Packing Company	Marfrig Global Foods	Kansas City, MO	Provider of meat processing services
	12/27/2018	Maiden Reinsurance N.A.	Enstar Group	Jefferson City, MO	Provider of insurance services
NEBRASKA	05/01/2018	Nebraska Book Company	Ratex Business Solutions (merger of equals)	Lincoln, NE	Operator of a chain of independent college book stores
	06/04/2018	Smart Chicken	Tyson Foods	Waverly, NE	Producer of air-chilled chicken products
	08/31/2018	Waitt Outdoor	Link Media Outdoor	Omaha, NE	Provider of outdoor advertising services
	02/01/2018	International Gamco	Pollard Banknote	Omaha, NE	Manufacturer of gaming products
	05/21/2018	Kruger Commodities	Darling Ingredients	Omaha, NE	Provider of rendering services
NORTH DAKOTA	10/02/2018	Clinical Supplies Management	Clinigen Group	Fargo, ND	Provider of clinical and biological sample management services
	10/19/2018	ICTC Group	BEK Communications	Nome, ND	Provider of internet and telecommunications services
	04/02/2018	Kotapay	First International Bank and Trust	Fargo, ND	Provider of electronic payments processing services
	01/26/2018	Quality Bankshares	Cyrus Bancshares	Page, ND	Operator of a bank holding company
	01/01/2018	Citizens Community Credit Union	First Community Federal Credit Union	Devils Lake, ND	Operator of a credit union
SOUTH DAKOTA	02/01/2018	Wheat Growers	North Central Farmers Elevator (merger of equals)	Aberdeen, SD	Provider of grain and agronomy cooperative services
	10/04/2018	Sweetman Construction	MDU Resources Group	Sioux Falls, SD	Provider of aggregates, asphalt, and ready-mix concrete
	01/08/2018	Vanguard Sciences	SGS	North Sioux City, SD	Provider of food safety testing services
	01/10/2018	Brown & Saenger	Innovative Office Solutions	Sioux Falls, SD	Provider of a range of business products and services
	07/23/2018	Dakota Farm Equipment	Gooseneck Implement	Lemmon, SD	Manufacturer and dealer of farm equipment

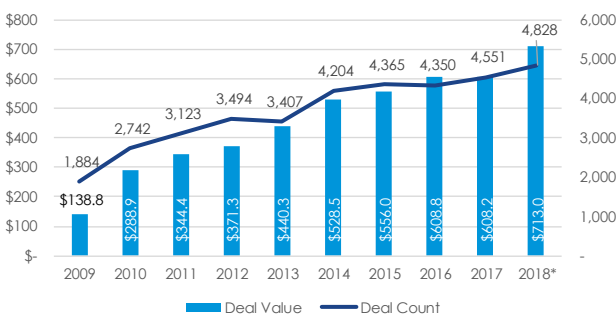
# PRIVATE EQUITY

## Private equity firms set a record number of deals in 2018

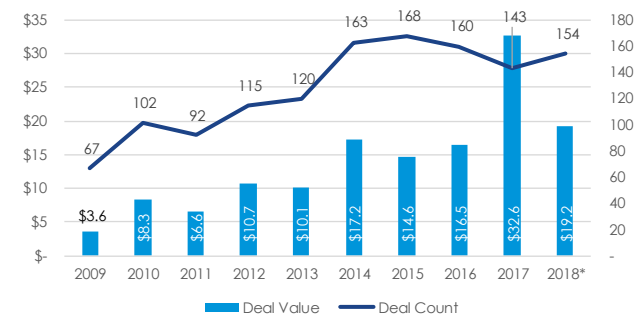
US private equity firms completed an estimated 4,828 deals worth a combined \$713 billion in 2018. The figures were the highest deal count and second-highest value on record and represent increases of 5.5% and 7.2%, respectively, from 2017 levels. The value of Midwest private equity deals declined to \$19.2 billion, or 41.3% lower than 2017. However, 2017 activity in the Midwest was an anomaly as it included several large deals such as JAB Holdings' \$7.2-billion buyout of Panera Bread, Bass Pro Shops' \$5.5-billion purchase of Cabela's, HD Supply's acquisition of Core & Main, and the acquisition of West Corporation.

Median private equity deal sizes nearly doubled in 2018 amid increased competition for add-ons. The average deal size was near ten-year highs at \$635.4 million, just below 2016's average of \$636.8 million. The median and average deal size in the Midwest fell, as there were fewer multi-billion-dollar buyouts in 2018. Koch Equity Development's backing of the Time Magazine acquisition by Des Moines-based Meredith was the largest Midwest private equity deal of the year, at \$4.2 billion, including debt.

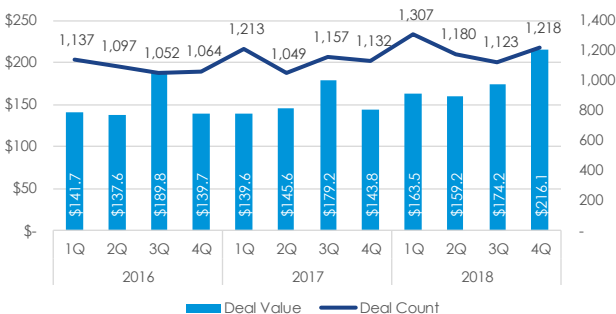
**US Private Equity Activity**  
Deal Value in Billions



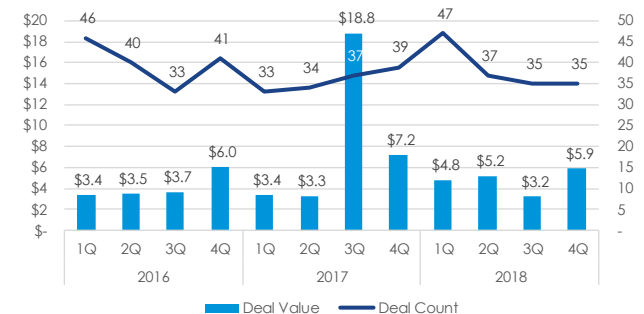
**Midwest Private Equity Activity**  
Deal Value in Billions



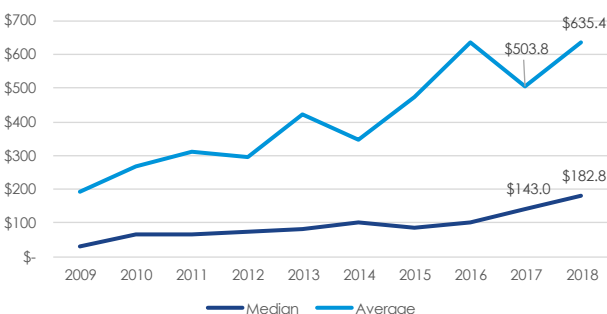
**US Private Equity Activity**  
Deal Value in Billions



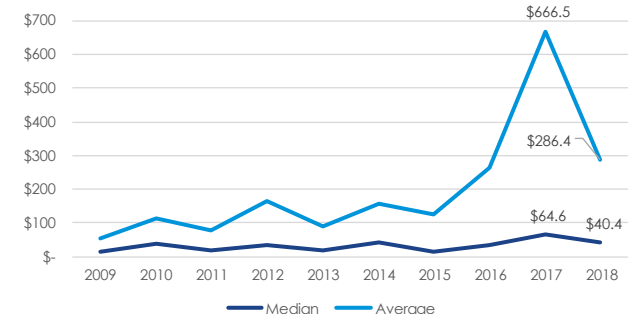
**Midwest Private Equity Activity**  
Deal Value in Billions



**US Private Equity Buyout Sizes**  
In Millions of USD



**Midwest Private Equity Buyout Sizes**  
In Millions of USD





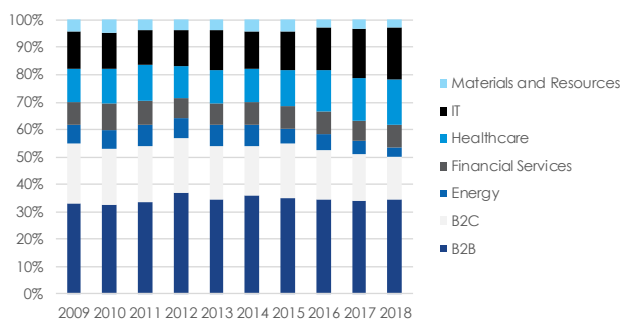
# PRIVATE EQUITY

## Healthcare and information technology gaining traction

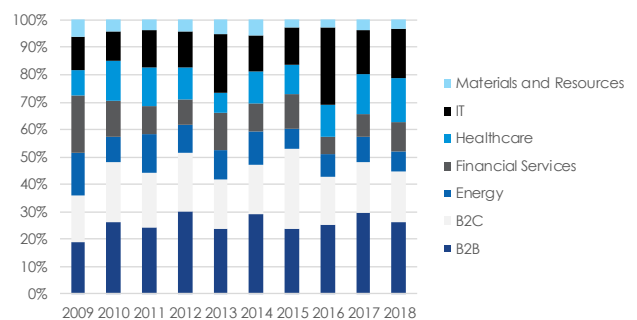
In recent years, private equity firms have shifted their attention to investments in healthcare and information technology (IT). In 2015, these sectors accounted for 25% of all deals in terms of total value and 27% of total deal count. These metrics increased to 34% and 35%, respectively, in 2018.

In the Midwest, private equity firms increased investments in business-to-business, financial services, healthcare, and materials & resources companies in 2018. Energy firms, despite a very small representation of Midwest deals, saw an increase in value of nearly 500% in 2018 after being nearly shut out of the market since the low energy prices of early 2016.

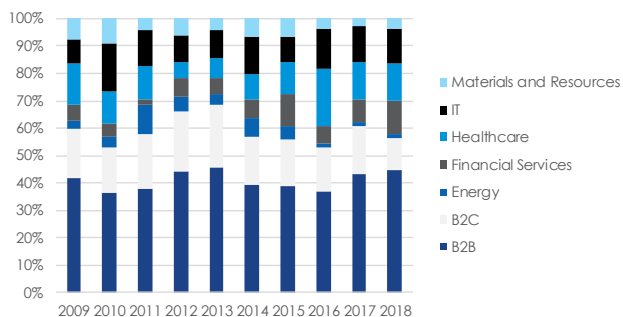
US Private Equity Deals by Sector  
Volume



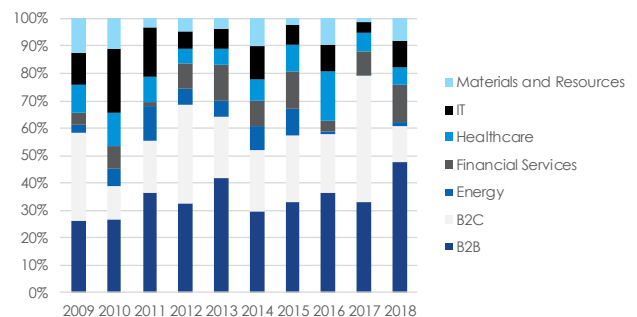
US Private Equity Deals by Sector  
Value



Midwest Private Equity Deals by Sector  
Volume



Midwest Private Equity Deals by Sector  
Value

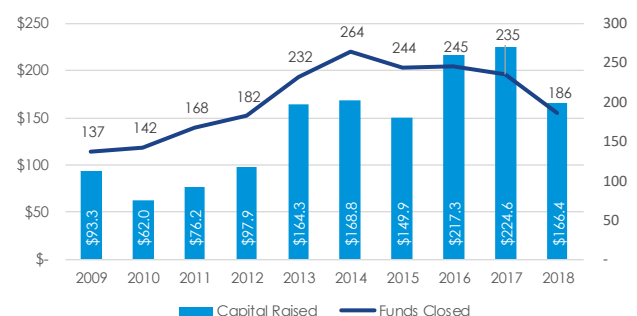


## Fundraising falls from 2017 high

Private equity fundraising fell in 2018 to an approximate \$166 billion across 186 funds, down from \$225 billion raised across 235 funds in 2017. Two years in excess of \$200 billion in fundraising in 2016 and 2017 helped 2018 set a record for deals closed and the second-highest record for invested capital.

At the end of 2018, there was a record of \$803 billion in North American and European private equity dry powder, estimated to last 3.6 years, at current investment pace, before being fully deployed, assuming no more funds were raised.

US Private Equity Fundraising  
In Billions



# PRIVATE EQUITY

## Notable Midwest PE Deals in 2018

State	Date	Target	Investor	Target City	Target Description
IOWA	01/31/2018	Meredith	Koch Equity Development	Des Moines, IA	Media company that focuses on publications and marketing around home, family, and lifestyle
	11/16/2018	CPM Holdings	American Securities	Waterloo, IA	Manufacturer of processing equipment for pelleting, feed milling, etc.
	03/30/2018	United Fire, United Life Insurance division	Kuvare US Holdings	Cedar Rapids, IA	Provider of life insurance services
	05/07/2018	Fansteel	TerraMar Capital, Trive Capital	Creston, IA	Manufacturer of precision-engineered components
	12/04/2018	Lincoln Savings Bank	Castle Creek Capital, et al	Reinbeck, IA	Provider of community banking services
KANSAS	04/25/2018	NPC International	Eldridge Industries	Overland Park, KS	Operator of more than 1,100 Pizza Hut locations
	04/27/2018	Airxcel	L. Catterton and Constitution Capital	Wichita, KS	Designer and manufacturer of climate-control products
	05/14/2018	KBP Foods	DNC Capital, Pritzker Organization	Overland Park, KS	Operator of a chain of restaurants
	09/20/2018	UnitedLex	CVC Capital Partners	Overland Park, KS	Provider of legal consulting and outsourcing services
	11/05/2018	CrossFirst Bank	Undisclosed Investors	Kansas City, KS	Operator of a banking institution
MISSOURI	12/05/2018	American Railcar Industries	ITE Management	Saint Charles, MO	Manufacturer of hopper and tank railcars
	03/26/2018	Perimeter Solutions, Fire Safety business	SK Capital Partners	St. Louis, MO	Operator of two specialty chemical businesses
	06/29/2018	Rawlings Sporting Goods	Seidler Equity and MLB Advanced Media	St. Louis, MO	Manufacturer of sporting goods and equipment
	11/21/2018	Peak Resorts	Undisclosed Investors	Wildwood, MO	Owner and operator of ski resorts
	12/20/2018	Jackson Products	SureWex	Fenton, MO	Manufacturer of industrial and traffic safety products
NEBRASKA	10/17/2018	Great Plains Communications	Grain Management	Blair, NE	Provider of telecommunications services
	01/24/2018	Geist Global	Vertiv	Lincoln, NE	Manufacturer of rack power distribution units and other data center products
	03/22/2018	Scooter's Coffee	McCarthy Capital	Omaha, NE	Operator of a specialty coffee chain
	12/17/2018	DocuLynx	DRS Imaging Services	Omaha, NE	Developer of data management and storage solutions
	09/19/2018	TEAM Software	Accel-KKR	Omaha, NE	Developer of cloud-based business management software
NORTH DAKOTA	08/12/2018	EarthKind	Sweat Equities Fund	Bismarck, ND	Manufacturer of plant-based prevention products to repel insects from infested areas
	06/21/2018	McKenzie Energy Partners	Gravity Oilfield Services	Watford City, ND	Provider of water management solutions
	07/03/2018	Grizella	Internet Truckstop Group	Hebron, ND	Developer of freight transportation software
	02/16/2018	Challenger Industries	Koninklijke Ten Cate	Bismarck, ND	Manufacturer of pipe, valves, and fittings
SOUTH DAKOTA	01/24/2018	Behavior Care Specialists	Pharos Capital Group	Sioux Falls, SD	Provider of treatments for autism spectrum disorder
	03/22/2018	Diamond Mowers	Lineage Capital, Abacus Finance	Sioux Falls, SD	Manufacturer of mowing, mulching, and brush cutting equipment
	08/13/2018	Dakota American Transformers	Solomon Corporation	Flandreau, SD	Provider of distribution transformers and other electrical equipment
	10/01/2018	Agan Drywall Supply	Foundation Building Materials	Sioux Falls, SD	Distributor of building supplies and materials for residential and commercial projects

# VENTURE CAPITAL

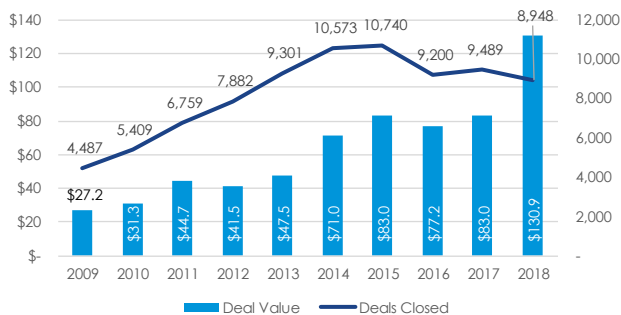
## US venture capital investment hits all-time high in 2018

US venture capital investment topped \$130 billion in 2018, the first time it has topped \$100 billion since the dot-com era. Though deal counts declined from 2017, from 9,489 to 8,948, deal value increased from \$83 billion to \$130.9 billion. Approximately 42% of deals were in angel/seed rounds, 35% were in early stage rounds, and 23% in later-stage rounds.

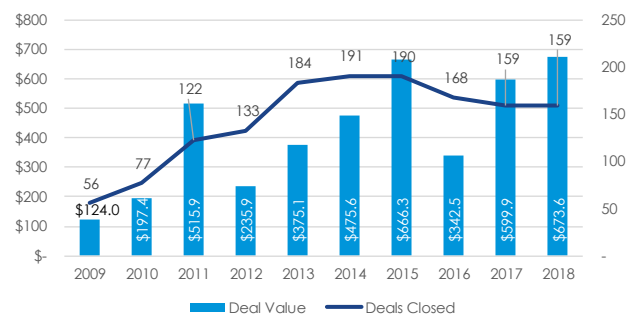
Midwest venture capital also topped a new high, in terms of invested capital, at \$673.6 million. The number of deals completed in the Midwest in 2018 was 159, on par with 2017 but down from the high of 191 set in 2014.

Seed rounds continued to grow in size across the US, reaching a median value of \$2 million in 2018. From 2006 to 2013, the average of median seed financing was just half a million dollars; seed rounds have continued to grow in size since. The median VC deal size in the Midwest was \$1.2 million in 2018, and the average was \$4.6 million.

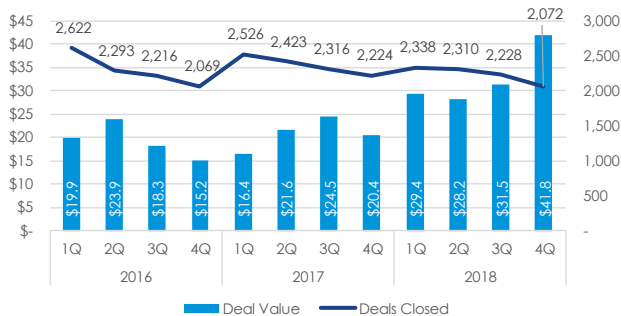
**US Venture Capital Activity**  
Deal Value in Billions



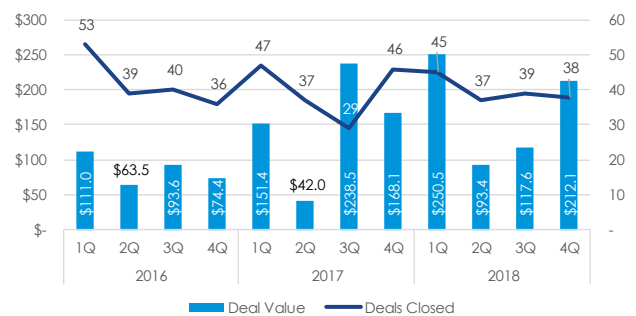
**Midwest Venture Capital Activity**  
Deal Value in Millions



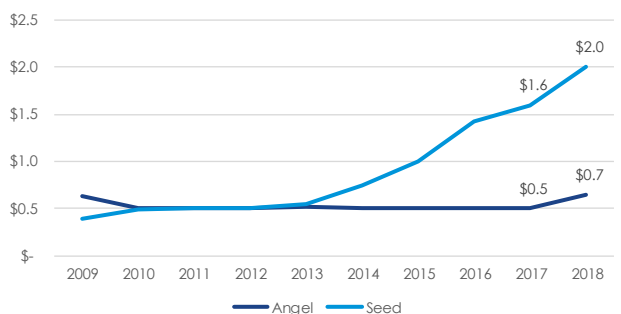
**US Venture Capital Activity**  
Deal Value in Billions



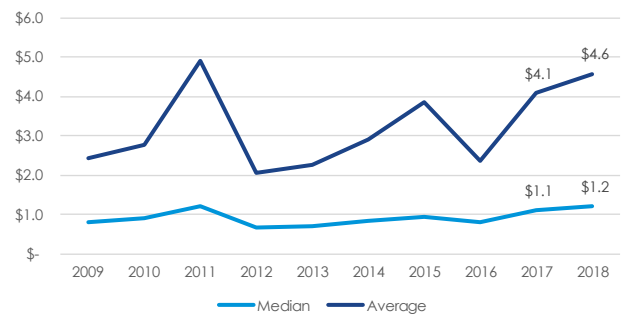
**Midwest Venture Capital Activity**  
Deal Value in Millions



**US Median Venture Capital Deal Size**  
In Millions



**Midwest Venture Capital Deal Size**  
In Millions

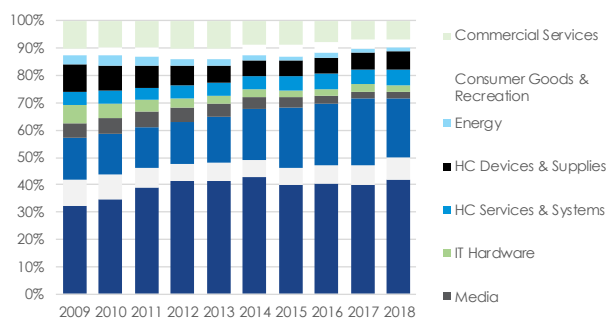


# VENTURE CAPITAL

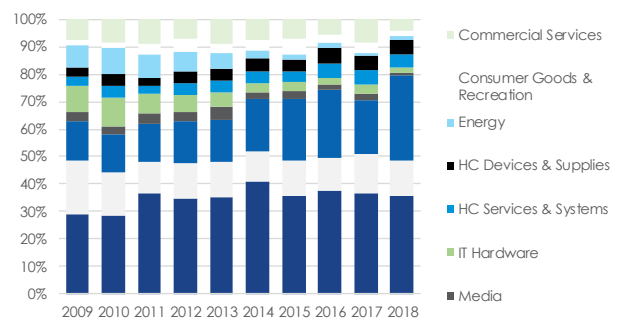
## Healthcare and information technology capture most VC investment in the Midwest

In the US, software remains the most attractive space for venture capital firms, as the sector accounted for nearly 42% of total deals in 2018 and nearly 36% of total dollar investment. In the Midwest, the healthcare and IT sectors accounted for the vast majority of deal flow and deal count. In 2018, IT and healthcare deals accounted for 39% and 30.8% of total deals, respectively, and 47.2% and 30%, respectively, of total deal value.

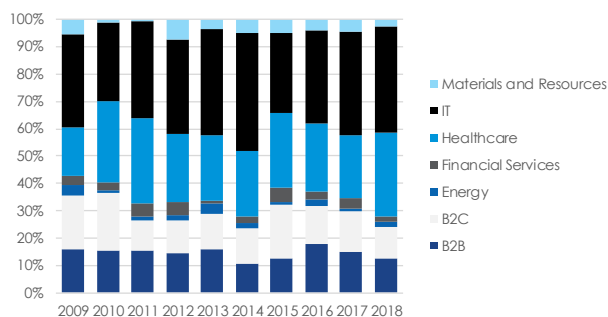
US Venture Capital Activity by Sector  
Volume



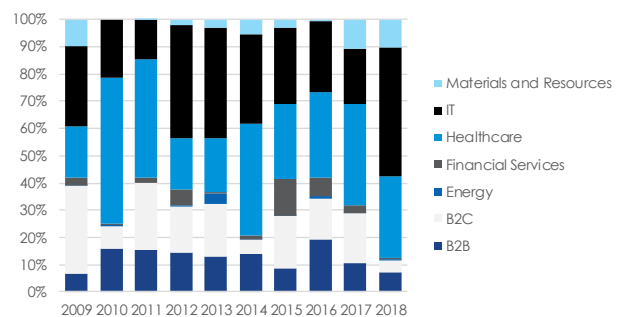
US Venture Capital Activity by Sector  
Value



Midwest Venture Capital Activity by Sector  
Volume



Midwest Venture Capital Activity by Sector  
Value

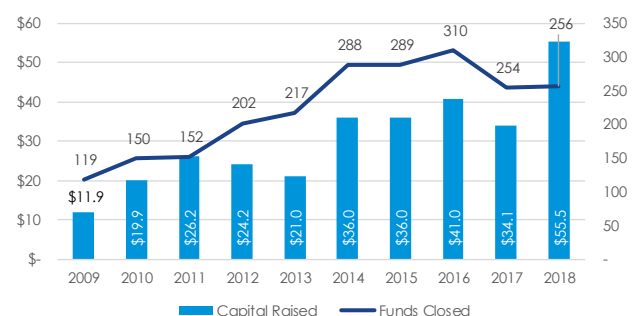


## Venture capital fundraising hits record in 2018

Venture capital fundraising hit a record high in 2018 at \$55.5 billion, up from \$34.1 billion in 2017. Funds closed in 2018 increased from 254 in 2017 to 256. Given the record amount of funds raised in 2018, we expect venture capital activity to continue to be strong in the near term.

North American and European venture capital dry powder reached \$328.9 billion in 2018, the second highest annual figure on record.

US Venture Capital Fundraising  
In Billions



# VENTURE CAPITAL

## Notable Midwest VC Deals in 2018

State	Date	Target	Investor	Target City	Target Description
IOWA	09/25/2018	IDx	8VC, Optum Ventures, et al	Coralville, IA	Developer of an artificial intelligence system that detects diabetic retinopathy
	02/12/2018	Dwolla	Foundry Group, et al	Des Moines, IA	Developer of financial technology for funds exchanges
	02/14/2018	Corvida Medical	Undisclosed Investors	Coralville, IA	Developer of a closed-system transfer device for the healthcare industry
	06/14/2018	Smart Ag	Stine Seed Farm	Ames, IA	Develops autonomous farming software
	11/08/2018	Performance Livestock Analytics	Erik Torgerson, et al	Ames, IA	Develops analytics tools for farm management
KANSAS	02/27/2018	C2FO	Allianz X, et al.	Leawood, KS	Developer of a working capital marketplace platform
	11/20/2018	Bardavon Health Innovations	NewRoad Capital Partners, et al	Overland Park, KS	Developer of a network platform to enable healthcare decisions
	07/11/2018	Cingulate Therapeutics	Werth Family Investment Assoc.	Kansas City, KS	Developer of a precision-timed-release drug delivery platform technology
	05/16/2018	ShotTracker	Ward Ventures, et al	Merriam, KS	Developer of a sensor-based system that automatically tracks statistics analytics
	01/16/2018	Cingulate Therapeutics	Undisclosed Investments	Kansas City, KS	Developer of a precision-timed-release drug delivery platform technology
MISSOURI	11/16/2018	Benson Hill Biosystems	GV, Lewis & Clark Ventures, et al	St. Louis, MO	Operator of a crop design platform designed to develop healthier and more sustainable food
	02/14/2018	Varsity Tutors	Learn Capital, et al	Clayton, MO	Provider of an in-home, live-learning platform
	10/05/2018	EquipmentShare.com	Undisclosed investors	Columbia, MO	Provider of an equipment sharing platform
	09/11/2018	Veran Medical Technologies	Undisclosed investors	St. Louis, MO	Developer of percutaneous technology to diagnose lung cancer
	08/08/2018	Cardialen	RiverVest Venture Partners, et al	St. Louis, MO	Developer of an atrial fibrillation device for people with heart arrhythmia
NEBRASKA	04/03/2018	Flywheel	Undisclosed Investors	Omaha, NE	Provider of a WordPress hosting platform to simplify website management
	04/01/2018	D3 Banking	Invest Nebraska	Omaha, NE	Developer of SaaS and cloud-based banking and financial management software
	04/15/2018	MatMaCorp	Invest Nebraska, et al	Lincoln, NE	Developer of devices and systems for science, medicine, and agriculture industries
	12/19/2018	CompanyCam	Invest Nebraska	Lincoln, NE	Developer of a photo syncing application for contractors to better manage fieldwork
	11/08/2018	MultiMechanics	Invest Nebraska, et al	Omaha, NE	Developer of a material modeling and simulation software
NORTH DAKOTA	04/26/2018	Packet Digital	Dakota Venture Group	Fargo, ND	Manufacturer of power management integrated circuits
	05/15/2018	Myriad Mobile	Undisclosed Investors	Fargo, ND	Develops of mobile applications and web technology solutions
	04/26/2018	Botlink	Undisclosed Investors	Fargo, ND	Developer of software for drone management
	07/02/2018	Virgin Plants	Linn Grove Ventures, et al	Fargo, ND	Operator of a plant biotechnology research agency
	05/08/2018	Two Track Malting	Undisclosed Investors	Bismarck, ND	Barley grower and craft brewery
SOUTH DAKOTA	03/03/2018	Equinox	Bluestem Capital, et al	Sioux Falls, SD	Operator of a medical device company that intends to treat diseases of the optic nerve
	10/0/2018	Immutrix Therapeutics	Undisclosed Investors	Rapid City, SD	Developer of a blood-cleansing treatment device
	05/09/2018	Renew Energy Maintenance	Undisclosed Investors	Sioux Falls, SD	Provider of wind turbine maintenance services
	01/22/2018	SecureMarking	Techstars	Rapid City, SD	Provider of an end-to-end supply chain security platform
	01/01/2018	SecureMarking	National Science Foundation	Rapid City, SD	Provider of an end-to-end supply chain security platform





## Select Transaction Experience

**MWC**

Acquired by



Acquired by



Airport lighting  
division acquired by



Acquired by



Merged with



Convertible note  
financing

Undisclosed  
investors



Strategic  
transaction  
with



Acquired by



Debt facility  
provided by



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## About Skyline Advisors

Skyline Advisors partners with growth stage and lower middle-market companies to successfully position for, and then execute, strategic transactions. Our experience includes sitting on all sides of the deal table – serving as investors in, executives of, members of the board of directors for, and advisors to high-growth companies that have successfully completed debt and equity financings, acquired other companies, and successfully exited through multiple avenues. This experience provides unique perspective on what clients are undertaking, and what is required to ensure a smooth transaction and post-closing transition. Our principal's securities and real estate licenses enable a broad offering of services to ensure all strategic options are explored to optimize results.

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- Divestitures, spin-offs, & spin-outs
- Management buyouts
- Strategic partnerships

### Corporate Finance

- Growth & acquisition capital
- Taking-private transactions
- Strategic investments
- Recapitalizations
- Debt financing

### Strategic Advisory

- Valuation analysis
- Due diligence
- Financial consulting & modeling

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