

SECOND QUARTER 2019

**Capital Markets
Review**
Midwest Edition



In This Issue

Economic Review

Public Markets

Mergers & Acquisitions (M&A)

Private Equity

Venture Capital

www.skyline-advisors.com



Executive Summary

We are pleased to present our review of capital markets in the Midwest region for the second quarter of 2019. Though public markets continued to rebound in the second quarter, capital markets activity appeared to cool with fewer deals completed. Recurring economic themes through the quarter involved the evolving trade war with China, expectations for rate reductions from the Fed, and a flattening yield curve.

We continue to see mixed signals in the market. While certain indicators remain strong, dovish Fed language regarding potential rate hikes represents a two-way street: lower rates may spur economic growth, but their implementation is a cause for concern due to a slow- or negative-growth economy. Furthermore, capital markets deal volume continues to slow, despite higher valuations, as uncertainty looms.

As we enter the second half of 2019, we continue to pay close attention to a number of developments and trends:

- The Federal Reserve paused its rate-hike course earlier this year and seems to be on a rate-lowering agenda. How low will rates go?
- Investors still have significant amounts of dry powder. Will they seek to deploy this capital in smaller deals? Or will multiples continue to be pushed up at the larger end of the spectrum?
- Unemployment remains very strong. Will this pressure cause companies to increase costs through higher wages?
- The yield curve inverted again after a rebound early in the quarter, and other maturities are flattening further. Will we see an economic downturn in the near future?
- There is no apparent end in sight for the trade war. Will we see a conclusion before elections pick up?

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 to automatically receive quarterly and annual updates of this regional report.

We wish you all the best through the balance of the year.

-The Skyline Advisors team

Midwest Region

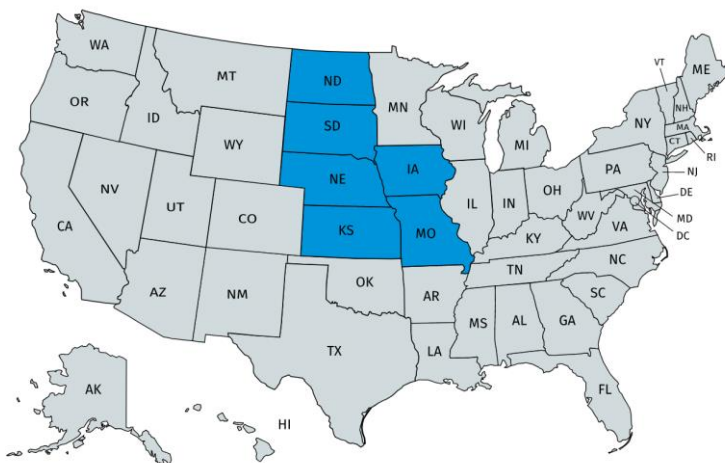


Table of Contents

Economic Review.....	3
Public Markets.....	4
Valuations.....	5
Mergers & Acquisitions.....	6
Private Equity.....	8
Venture Capital.....	11
Skyline Advisors.....	14

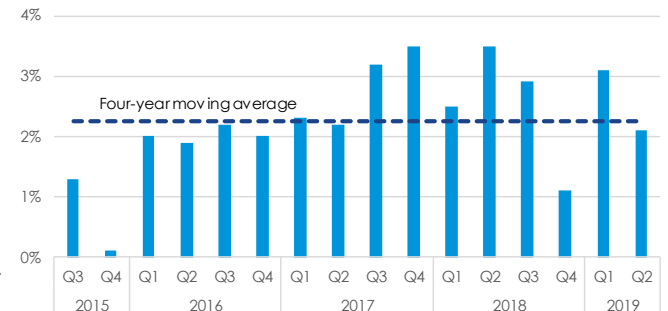


ECONOMIC REVIEW

GDP growth slows from Q1

In its advance estimate for the second quarter, the Commerce Department noted that real GDP increased at a 2.1% annualized rate, a deceleration from 3.1% in the first quarter. GDP was supported by strong consumer and government spending, as durable goods within personal consumption expenditures increased 12.9%, the largest gain since the second quarter of 2014. Similarly, non-defense government spending increased 15.9% during the quarter, the most since the second quarter of 2009. GDP growth was partially offset by a weak export market and weaker business investment – non-residential structures within private investment declined at a rate of 10.6%, the worst quarter since the fourth quarter of 2015.

Real Gross Domestic Product Growth
Percent Change from Preceding Period; Seasonally Adjusted at Annual Rates



Mainstreet Economy Report's Area Economic Index dips below growth neutral

In the June issue of Creighton University's Mainstreet Economy Report, a monthly survey of non-urban community bank CEOs and presidents within the Midwest, the Area Economic Index slumped to 48.5 in May, down from growth neutral (50.0) in April. This represented the first reading below growth neutral since November 2018. Creighton professor Ernie Goss commented, "The trade tensions and tariffs are hammering the farming economy. Grain farmers throughout the region continue to experience losses produced by trade issues and plentiful global supplies. On the other hand, the expanding US domestic economy is supporting livestock producers in the region. For May, according to bankers, the negatives far outweighed the positives."

Federal Reserve meets twice, leaves rates unchanged

The US Federal Reserve held its open meeting committee meetings twice in the second quarter (April 30 - May 1 and June 18-19) and elected at both to leave the federal funds rate - which impacts consumer loans such as credit cards, auto loans, and mortgage loans – unchanged at a range of 2.25% to 2.50%. In the two meetings, the Fed indicated strong economic growth, low unemployment, and lower inflation as reasons for maintaining the federal funds rate. However, in the second meeting, the Fed indicated it may cut rates at future meetings amid slowing global growth. (The Fed did, in fact, cut the federal funds rate range to 2.00-2.25% in its July meeting.)

Yield curve inversion continues further in Q2

Continued concerns of slowing global growth and implications from the US-China trade war led to a continued "flight to safety," as the yield on 10-year treasuries fell further in the second quarter. After dipping negatively briefly at the end of the first quarter and rebounding, the spread between 10-year and 3-month treasuries fell further into negative territory in the second quarter. Historically, a negative yield spread between short- and long-term treasuries has generally preceded a recession.

10-Year and 3-Month Treasury Spread
Percent



Unemployment hits 50-year low

The US economy added 263,000 jobs in April, its 103rd straight month of job gains, while the unemployment rate fell to 3.6%, its lowest since 1969. The unemployment rate stayed at 3.6% in May before ticking up to 3.7% in June. Unemployment remains a bright aspect in an economy that is sending several mixed signals.

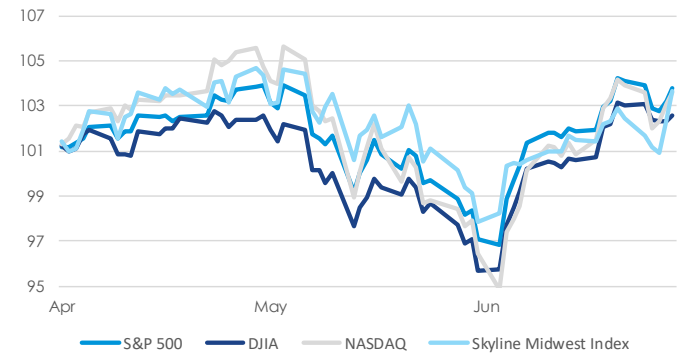
PUBLIC MARKETS

Stock market continues to elevate but at slower pace than Q1

After a strong first quarter, in which major indices increased in excess of 10%, the stock market increased in a seesaw fashion in a volatile second quarter. The S&P 500 increased 3.8% during the quarter, while the Dow Jones Industrial Average, Nasdaq, and Russell 2000 each increased 2.6%, 3.6%, and 1.7%, respectively.

Our "Skyline Midwest Index," which is comprised of 75 equally weighted companies headquartered within the region and with market capitalizations of at least \$500 million, increased 3.7% during the quarter. Some of the region's strongest performers included NRC Health, MetaBank, Perficient, Winnebago Industries, and ESCO Technologies, among others.

Q2 2019 Indexed Stock Market Performance



Index	Closing Price		Q2 2019 Return	52-Week	
	3/31/2019	6/30/2019		Low	High
S&P 500	2,834.40	2,941.76	3.8%	2,346.58	2,964.15
DJIA	25,928.68	26,599.96	2.6%	21,712.53	26,951.81
NASDAQ	7,729.32	8,006.24	3.6%	6,190.17	8,176.08
Russell 2000	1,539.74	1,566.57	1.7%	1,266.92	1,742.09
Skyline Midwest Index	100.0	103.70	3.7%	N/A	N/A

S&P 500 10-Year Performance



Nasdaq 10-Year Performance

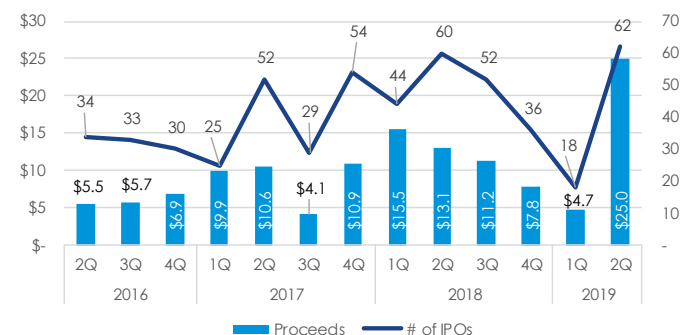


IPO activity rebounds sharply in Q2

IPO activity rebounded sharply after the slowest quarter by deal count in three years, as 62 IPOs were priced among US exchanges, raising \$25 billion. Value was boosted by the IPOs of Uber, Chewy, and Pinterest, which all topped \$5 billion. The year is shaping up to be a remarkable year, as Endeavor, WeWork, Peloton, and others are still expected to go public this year.

The Midwest did not have any IPOs in the first half of 2019.

US IPO Activity
(Proceeds in Billions)



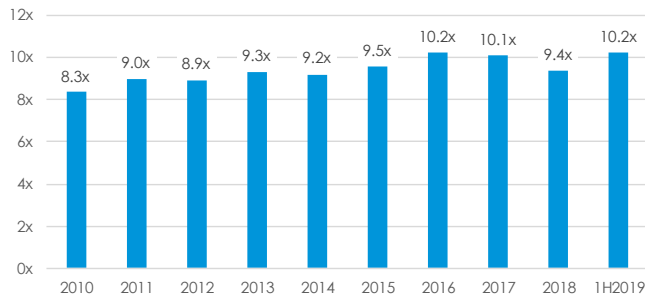
VALUATIONS

Market valuations mixed from Q1

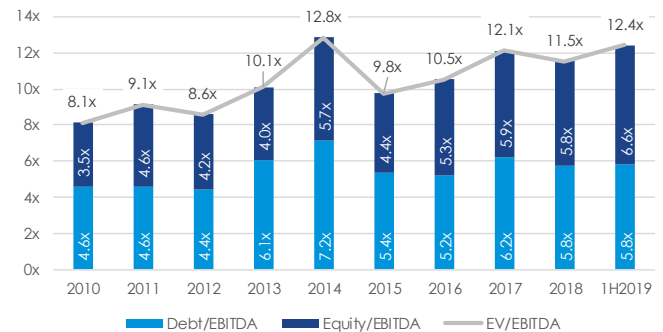
Median North American M&A valuations trended at 10.2 times earnings before interest, taxes, depreciation, and amortization (EBITDA) in the first half of 2019, while the median EBITDA multiple of US-based private equity buyouts was 12.4x for the first half of the year. While broader valuations have increased from 2018, valuations are mixed from the first quarter, as evidenced by the quarterly valuations by industry below.

It is important to note that valuations are not a one-size-fits-all application and valuations differ due to a variety of factors including company size, profitability, liquidity, industry, and other factors. For example, in 2018, median valuations of companies with enterprise values greater than \$500 million fetched a premium of over 80% (on a valuation multiple basis) compared to companies with enterprise values of less than \$25 million. In general, and as evidenced below, the technology sector commands higher valuation multiples than those of other industries in Skyline's focus. The trend in multiples may be more important than the absolute values, and businesses should view multiples as just the starting point for their valuation analysis. (Note: certain industries may have abnormal valuations due to a limited sample size of companies [e.g., Natural/Organic Foods])

North American EV/EBITDA Multiples
Median



US Private Equity Buyout Multiples
Median



Industry	Median Enterprise Value / TTM EBITDA			
	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Food/Beverages & Ag	13.1x	12.2x	13.8x	13.3x
Agribusiness	12.2x	10.5x	9.7x	10.5x
Alcoholic Beverages	15.9x	16.2x	16.5x	18.3x
Baked Goods	13.8x	13.0x	15.7x	17.1x
Branded/Processed Foods	13.2x	14.2x	14.2x	14.1x
Dairy	13.3x	13.1x	14.3x	12.7x
Food Wholesale	7.0x	6.2x	6.3x	5.8x
Foodservice	14.7x	13.0x	13.9x	14.6x
Fruits & Vegetables	18.0x	16.6x	16.4x	17.7x
Grocery Distribution	8.9x	12.1x	9.0x	7.7x
Ingredients & Flavors	18.4x	16.9x	20.3x	19.2x
Natural/Organic Foods	20.3x	20.3x	53.8x	56.4x
Non-Alcoholic Beverages	14.2x	13.7x	15.3x	16.2x
Other Restaurants	13.5x	10.9x	14.2x	14.5x
Private Label Food & Bev	16.8x	17.5x	16.9x	14.4x
Protein Processing	8.4x	8.8x	11.7x	13.7x
Quick-Service Restaurants	13.4x	12.7x	14.3x	15.4x
Snacks	15.0x	14.8x	16.3x	16.7x
Healthcare	14.2x	11.9x	12.6x	12.5x
Assisted Living	14.4x	14.1x	17.9x	16.0x
Behavioral Health	10.9x	9.5x	26.0x	19.4x
Distribution & Supplies	14.5x	11.9x	12.2x	12.4x
Healthcare IT	33.0x	29.9x	25.6x	23.3x
Physician Services	10.5x	8.7x	8.8x	8.0x
Staffing	17.0x	12.7x	11.6x	12.0x

Industry	Median Enterprise Value / TTM EBITDA			
	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Industrials	12.1x	9.9x	11.1x	11.7x
Air Freight & Logistics	12.1x	10.2x	11.5x	11.1x
Building Products	12.8x	10.5x	11.9x	13.3x
Construction/Engineering	11.3x	7.3x	7.5x	10.4x
Distributors & Wholesalers	13.1x	10.4x	11.0x	11.4x
Diversified Industrials	11.3x	10.5x	13.0x	12.7x
Electrical Equipment	14.2x	11.1x	12.0x	12.6x
Machinery	12.1x	10.4x	13.0x	12.8x
Professional Services	11.7x	11.6x	12.5x	13.5x
Rail	12.7x	10.4x	11.9x	12.1x
Trucking	7.9x	5.5x	5.8x	5.5x
Technology	21.1x	17.4x	21.4x	21.2x
Data Hosting	22.3x	18.4x	20.3x	20.4x
Diversified Technology	16.3x	12.9x	15.5x	16.7x
Enterprise Software	16.5x	13.8x	19.3x	21.2x
Financial Technology	24.5x	20.3x	23.8x	27.0x
Healthcare IT	33.0x	29.9x	25.6x	23.3x
Human Capital Mgmt.	61.2x	37.1x	55.2x	46.9x
IT Services	14.6x	11.9x	12.5x	15.3x
Other SaaS	84.6x	59.9x	79.7x	90.9x
Supply Chain Software	21.0x	17.4x	24.1x	30.9x

MERGERS & ACQUISITIONS

Overall M&A activity down nearly 30% through the first half of 2019

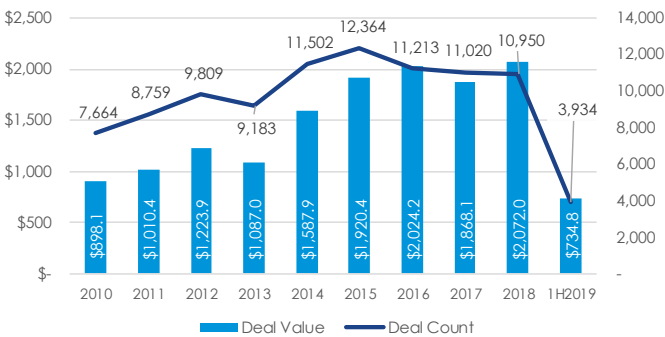
Estimates of mergers and acquisitions (M&A) value amounted to \$734.8 billion in the first half of 2019 in the US, while the number of M&A deals completed in the first half totaled 3,934. Value and volume are on pace to decline 29% and 28%, respectively, from 2018 levels. Quarter over quarter, total deal value declined \$177.7 billion, or 38.9%, to \$278.6 billion, while deal count declined 374 deals, or 17.4% to 1,780. While activity is down this year, Pitchbook notes that there are 10 announced deals with a combined value of \$486.7 billion, nearly equivalent to the total value of the first quarter's value, and should these deals close, 2019 may be the fifth consecutive year that North American M&A reaches near or above \$2 trillion in value.

In the Midwest, total value for the first two quarters came in at \$18.3 billion across 144 deals, on pace to decline 78.2% and 34.5%, respectively, from 2018. Last year may be seen as an extraordinary year, as two deals – Monsanto and Express Scripts Holding – accounted for \$115 billion alone. There were 70 deals in the second quarter, accounting for \$7.8 billion, compared to 74 deals for \$10.5 billion in the first quarter. Notable deals in the second quarter included AmeriCold Logistics' \$1.24-billion acquisition of Cloverleaf Cold Storage and Greenbrier Companies' \$430-million acquisition of American Railcar Industries.

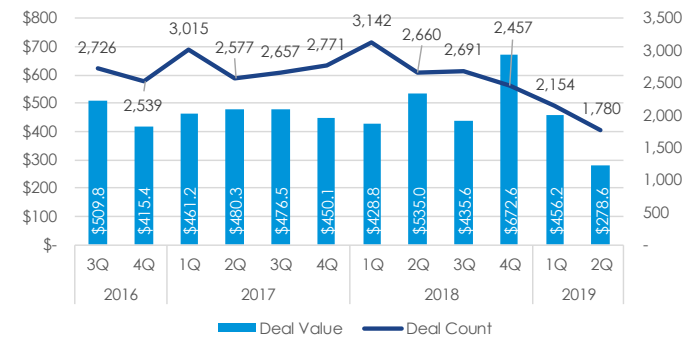
The trend towards larger deals and higher valuations amid increased competition continues. Once accounting for over 70% of total deal volume, transactions valued under \$100 million have consistently declined, as a proportion of all transactions, since 2015, going from 71.7% to 57.6% through the first half of 2019. Over the same period, transactions valued \$500 million and above went from accounting for 6.8% of total transactions in 2015 to 12.3% in the first half of 2019.

Information technology deals continue to grow their share of total M&A deals, closing out the second quarter at 21.3%. Driving this growth is interest in the software subsector, which accounted for 14.6% of all deals on a volume basis and 14.8% of all deals on a value basis, up from 13.6% and 10.8%, respectively, at the end of 2018.

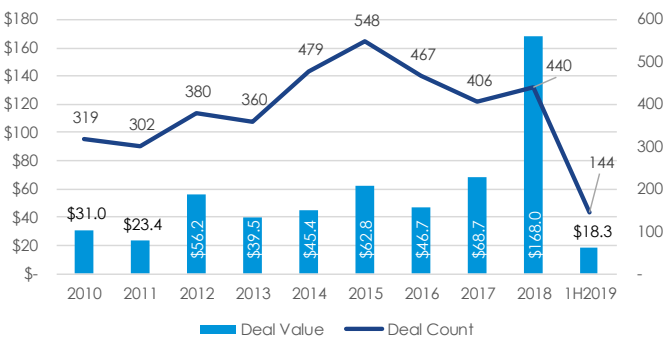
US M&A Activity
Deal Value in Billions



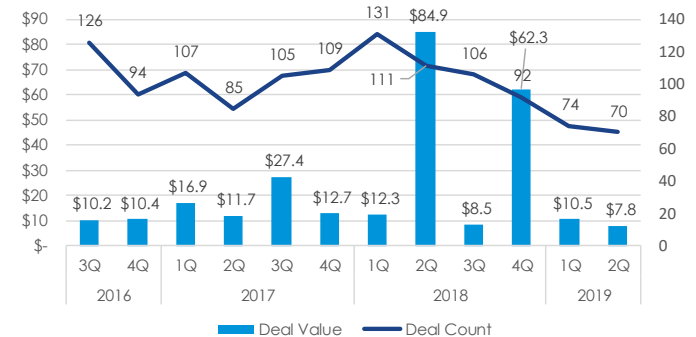
US M&A Activity
Deal Value in Billions



Midwest M&A Activity
Deal Value in Billions



Midwest M&A Activity
Deal Value in Billions



MERGERS & ACQUISITIONS

Notable Midwest M&A Deals in the second quarter of 2019

State	Date Closed	Target	Investor	Target City	Target Description
IOWA	05/01/2019	Cloverleaf Cold Storage	AmeriCold Logistics	Sioux City, IA	Provider of cold storage warehousing and food logistics services
	05/01/2019	ATBancorp	MidwestOneBank	Dubuque, IA	Provider of commercial banking services
	05/13/2019	Golf Digest	Discovery (Mass Media)	Des Moines, IA	Publisher of Golf Digest magazine
	04/29/2019	American Trust Retirement	First Mercantile Trust	Dubuque, IA	Provider of retirement solutions and services
	06/14/2019	Nurse Force	Recover Health	West Des Moines, IA	Provider of home healthcare and therapy services
KANSAS	04/08/2019	Mineral-Right	A. O. Smith	Phillipsburg, KS	Manufacturer of synthetic zeolite
	05/10/2019	Blue Valley Ban	Heartland Financial USA	Overland Park, KS	Provider of community banking services
	06/11/2019	Pulse Aerospace	AeroVironment	Lawrence, KS	Developer of un-manned helicopter systems
	06/10/2019	DaVinci Roofscapes	Royal Building Products	Lenexa, KS	Manufacturer and marketer of synthetic shingles
	04/01/2019	Morey Seafood Int'l (KC operations)	Fortune Fish & Gourmet	Kansas City, KS	Distributor of frozen fish and seafood
MISSOURI	04/18/2019	American Railcar Industries	The Greenbrier Companies	Saint Charles, MO	Manufacturer of hopper and tank railcars
	04/12/2019	Reliance Bancshares	Simmons First National	Frontenac, MO	Provider of banking services (multi-bank holding company)
	06/05/2019	Prattle Analytics	Liquidnet Holdings	Saint Louis, MO	Developer of an investment analytics platform
	06/03/2019	KCB Bank	Academy Bank	Kearney, MO	Operator of a commercial bank
	05/07/2019	Decision Insight	TABS Analytics	Kansas City, MO	Provider of marketing research and analytics services
NEBRASKA	05/07/2019	OTTR Complete Transplant Management	CareDx	Omaha, NE	Provider of organ transplant patient tracking software
	05/15/2019	Deliveron Consulting Services	Green House Data	Omaha, NE	Provider of custom application development and other IT solutions
	05/07/2019	SouthernCarlson	Kyocera	Omaha, NE	Distributor of construction and packaging machines and tools
	04/01/2019	Aulick Leasing	TFI International	Scottsbluff, NE	Provider of contract hauling services for aggregate materials
	06/30/2019	Gregg Young Chrysler Dodge Jeep Ram	Anderson Ford/Kia	Grand Island, NE	Dealer of Chrysler, Dodge, Jeep, and Ram autos in Grand Island, NE
NORTH DAKOTA	05/22/2019	SunDog	Perficient	Fargo, ND	Provider of marketing solutions
	05/01/2019	Laser Systems Security	Loffler Companies	Fargo, ND	Provider of print management solutions
	04/24/2019	Vertical Farm Mechanics	Limitless Venture Group	Valley City, ND	Developer of vertical-growing and lighting systems
	04/03/2019	EnergyQuest II (Bakken assets)	Empire North Dakota	N/A	Oil and gas production assets in North Dakota and Montana
SOUTH DAKOTA	05/09/2019	DocuTap	Practice Velocity	Sioux Falls, SD	Developer of healthcare software
	05/15/2019	Premier Home Mortgage	Open Mortgage	Rapid City, SD	Provider of home mortgage solutions
	06/06/2019	Hydra Beer Company	Lupulin Brewing Company	Sioux Falls, SD	Operator of a brewery and taproom [transaction pending]

PRIVATE EQUITY

PE activity up from first quarter but still down from 2018

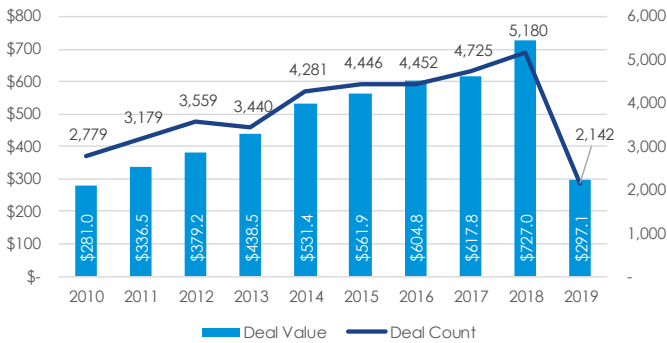
US private equity firms completed an estimated 2,142 deals worth a combined \$297 billion in the first half of 2019. On an annualized basis, deal value and volume is set to decline 18.3% and 17.3%, respectively, from 2018. Total deal value was estimated at \$160 billion in the second quarter, up 17.3% from the first quarter and down 0.4% from the second quarter of 2018, while deal count was up 14.4% from the first quarter and down 7.8% from the second quarter of 2018.

For the first half of 2019, private equity activity in the Midwest totaled \$9.4 billion, down from the first half of 2018's \$10.6 billion and on pace to decline 7.6% from 2018. Value in the second quarter totaled \$3.3 billion, down from \$6.1 billion in the first quarter and down from the \$5.5 billion in the second quarter of 2018. The 39 deals completed in the second quarter compared to 34 in the first quarter and 41 in the second quarter of last year. Notable deals included the buyouts of Flywheel and 3D Corporate Solutions and the growth financing of CivicPlus, among others.

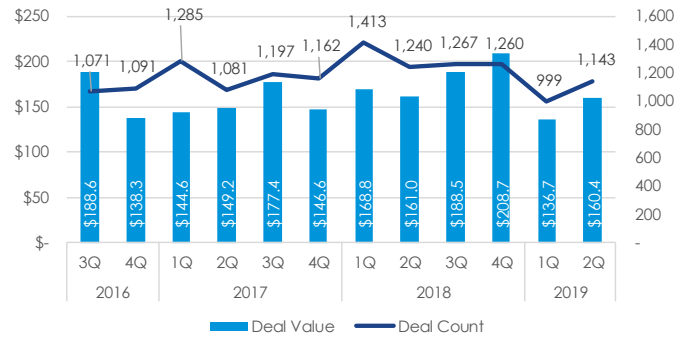
As valuations have increased, the median private equity deal size has soared in 2019. For instance, in 2018, the median deal size of secondary buyouts was \$410 million, while the median deal sizes of buyouts and add-ons were \$193.6 and \$85 million, respectively. So far in 2019, those medians have increased to \$740, \$271.4, and \$120 million, respectively. Growing fund sizes are leading the charge of increasing deal sizes.

Similar to trends in general M&A activity, technology appears to be an increasingly attractive space for private equity investors. The sector accounted for 14.2% of deal volume and 13.5% of total deal value in 2015 and has grown to account for 20.2% of volume and 27.2% of value through the first half of 2019. In the Midwest, healthcare and technology continue to be growing areas of interest; the two sectors accounted for 20.6% of total deal volume in 2015 and accounted for 38.4% through the first half of 2019. However, energy accounts for the largest portion of total deal value in 2019, at 35.3%, with Blackstone's first quarter acquisition of Tallgrass Energy Partners accounting for 35% alone.

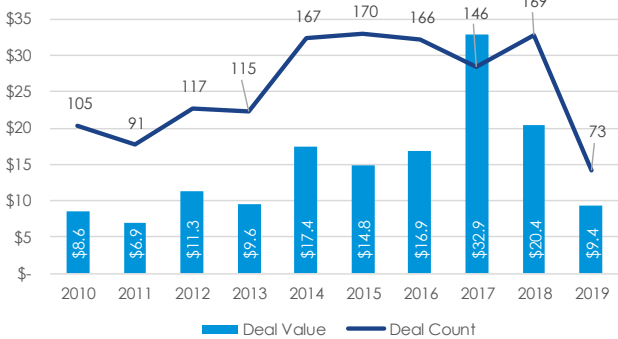
US Private Equity Activity
Deal Value in Billions



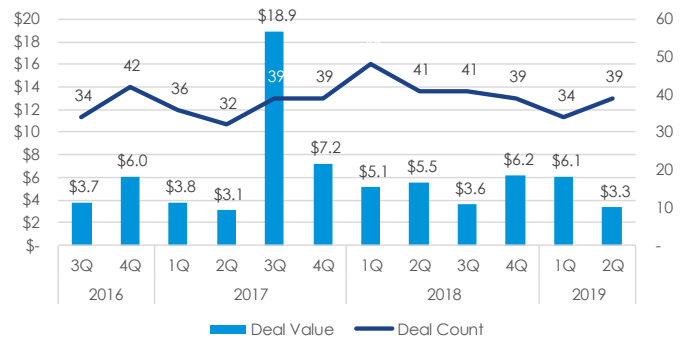
US Private Equity Activity
Deal Value in Billions



Midwest Private Equity Activity
Deal Value in Billions



Midwest Private Equity Activity
Deal Value in Billions



PRIVATE EQUITY

Fundraising down in second quarter but on pace to increase from 2018

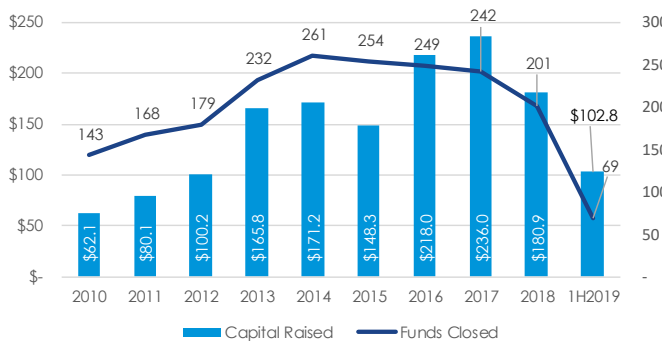
Private equity firms raised \$48.8 billion across 29 funds in the second quarter, a decline in value from the first quarter but an increase in the number of funds closed. For the first half of 2019, \$102.8 billion was raised across 69 funds, with total funds raised on pace to increase 13.7% from 2018's \$180.9 billion, though fund closings are on pace to decline 31.3% from 2018's 201 closings. The increase in fundraising is being driven by mega-funds (\$5 billion or more), and Pitchbook analysts expect 2019 to surpass 2018 levels. This is supported by general partners such as Warburg Pincus and Blackstone currently raising mega-funds in the tens of billions. The largest fund raised during the second quarter was Advent Global Private Equity IX, which totaled \$17.5 billion.

Exits down despite stronger second quarter

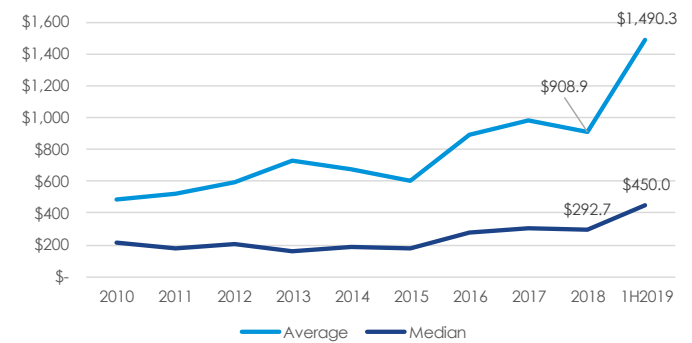
Second quarter private equity exits came in at \$62 billion across 168 exits, above the first quarter, though the first half is lagging compared to historical averages. In the first half, there was \$110.1 billion worth of exits, on pace to fall 48.4% from 2018, and there were 371 exits, or 38.3% below 2018 on an annualized basis.

It is interesting to note the long-term shift of exits towards those of secondary buyouts, or buyouts by other private equity groups. In 2009, secondary buyouts represented just 32.6% of exits based on exit volume, and the type's portion of total exits has now increased to 54.2%. Meanwhile, initial public offerings and strategic acquisitions from corporations transitioned from 6.7% to 2.7% and 60.8% to 43.1%, respectively, of exits over the same timeframe. On a value basis, however, corporate acquisitions represent 40.6% of exits, while IPOs represented 21.7%, and SBOs represented 37.8%. In a banner year for IPOs, including those of Uber, Lyft, Pinterest, and others, a notable PE-backed IPO in the second quarter was the June IPO of Grocery Outlet.

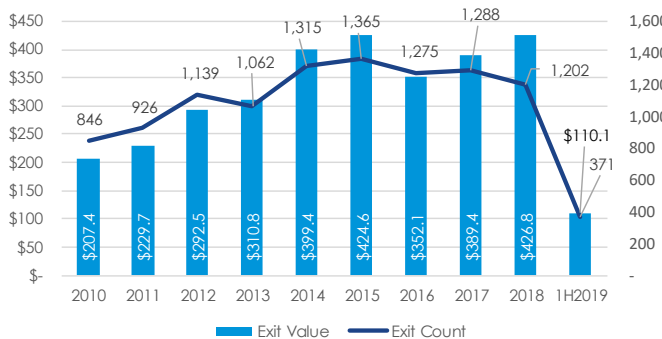
US Private Equity Fundraising
In Billions



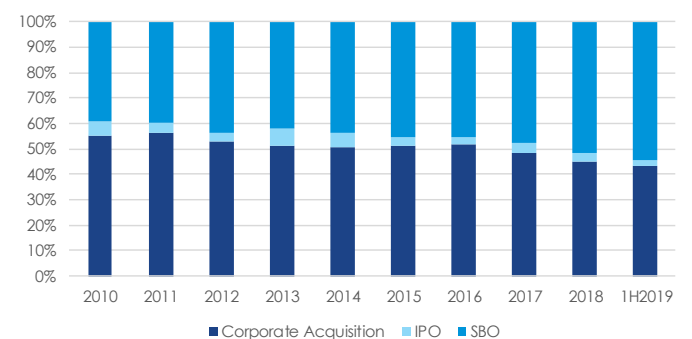
Private Equity Fund Sizes
In Millions



US Private Equity Exits
In Billions



Exits by Type
Based on Volume



PRIVATE EQUITY

Notable Midwest PE Deals in the second quarter of 2019

State	Date Closed	Target	Investor	Target City	Target Description
IOWA	06/01/2019	AgCertain Industries	Midwest Growth Partners	Ames, IA	Refiner and manufacturer of glycerin and edible oils
	05/29/2019	Eagle Technology Management	Sovos Compliance (HgCapital Trust et al)	Cedar Rapids, IA	Developer of web-based financial software
	05/15/2019	HK Payroll Services	iSolvedHCM (Accel-KKR)	Dubuque, IA	Provider of payroll services
	05/09/2019	Icon Laboratories	Sectigo (Francisco Partners)	West Des Moines, IA	Provider of cross-platform security solutions
	04/30/2019	SouthGate Companies	Hillcrest Holdings	Iowa City, IA	Operator of a real estate investment and development company
KANSAS	04/02/2019	AgileHR	PrismHR (Summit Partners et al)	Wichita, KS	Developer of cloud-based talent management software services
	05/13/2019	CivicPlus	BV Investment Partners	Manhattan, KS	Developer of a cloud-based technology platform
	06/05/2019	RxNet	OmniSYS (Cohesive Capital Partners et al)	Shawnee, KS	Provider of automated price management and monitoring services
	06/18/2019	Solomon Corporation	Sunbelt Transformer (Trilantic Capital)	Solomon, KS	Provider of refurbishment, repair, and salvage services
	04/11/2019	Taben	Navia Benefit Solutions (Shore Capital)	Kansas City, KS	Provider of administrative services for employer-sponsored benefit programs
MISSOURI	04/29/2019	3D Corporate Solutions	Olympus Partners	Monett, MO	Manufacturer and distributor of pet food and food ingredients
	06/19/2019	Gateway Bobcat	Brightstar Capital Partners	Valley Park, MO	Distributor of industrial equipment sales, parts, and rental services
	05/02/2019	Ellis Battery	Continental Batteries (Incline Equity)	Fredericktown, MO	Distributor of aftermarket batteries
	04/15/2019	Butler Merchandising Solutions	Presence from Innovation (various)	Saint Louis, MO	Provider of custom-corrugated displays for retail and point of purchase
	06/24/2019	Pathfinder Health Innovations	CentralReach (Insight Partners)	Kansas City, MO	Provider of a cloud-based software designed to provide treatment for autism and other disorders
NEBRASKA	04/25/2019	CleanCore Solutions	Burlington Capital	Omaha, NE	Provider of sanitizing solutions
	06/19/2019	Milan Laser Holdings	Leonard Green & Partners	Omaha, NE	Operator of laser hair removal clinics
	04/25/2019	O-Z Tech Water	CleanCore Solutions (Burlington Capital)	Omaha, NE	Provider of water cleaning and treatment solutions
	04/23/2019	Parsons Technology	Hawk Ridge Systems (Main Street Capital)	Bennington, NE	Provider of manufacturing and shop floor solutions
	06/01/2019	Perrin Manufacturing	Platform Capital Holdings	Alliance, NE	Manufacturer and designer of HVAC systems
NORTH DAKOTA	06/05/2019	Bakken Midstream	Undisclosed Investors	Bismarck, ND	Operator and developer of a value-added natural gas infrastructure
	06/13/2019	Bakken Midstream	North Dakota Development Fund	Bismarck, ND	Operator and developer of a value-added natural gas infrastructure
SOUTH DAKOTA	04/03/2019	Inanovate	South Dakota Equity Partners	Sioux Falls, SD	Developer of a technology for screening of multiple proteins
	04/12/2019	TBI	Eberhart Capital	Sioux Falls, SD	Provider of truckload dry van and refrigerated shipment services

VENTURE CAPITAL

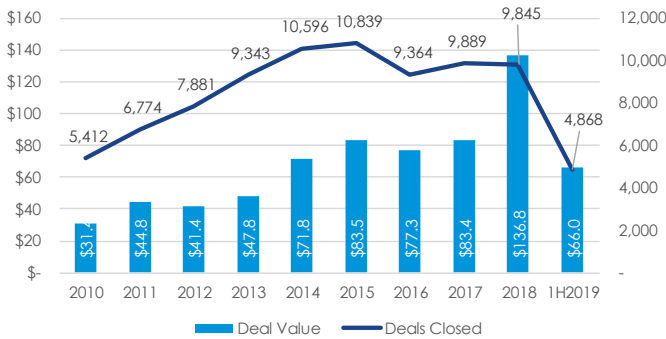
US VC investment cools in Q2

After a strong start to the year, US venture capital activity declined in the second quarter. There were an estimated 2,338 VC deals in the second quarter for a total of \$31.5 billion, a 7.6% drop from the first quarter's 2,530 deals and an 8.9% decline from the \$35.5 billion invested in Q1. Year over year, total deal value increased 11.6% to \$66 billion in the first half of the year, while deal count declined 2.6% to 4,868. On an annualized basis, value and volume are set to lag 2018 by 3.5% and 1.1%, respectively, as 2018 finished on a record high with \$45.8 billion invested in the fourth quarter.

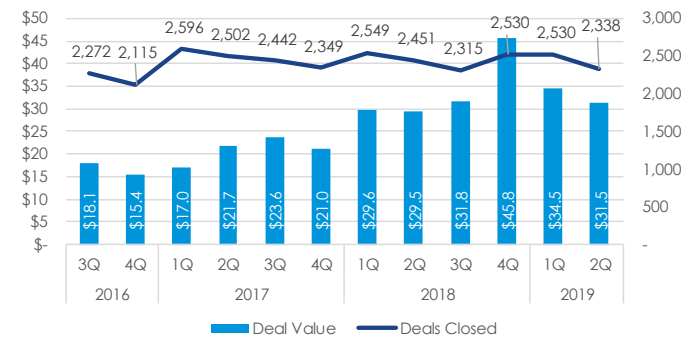
Midwest VC activity was relatively weak during the quarter, with just \$67.1 million invested across 27 deals. The last quarter with fewer deals was the second quarter of 2012 (25), and the last quarter with less capital invested was the second quarter of 2017 (\$41.4 million). Total deal value fell 61.7% from the first quarter, while deal count fell 41.3%. Year over year, deal value declined 34.9%, while deal count declined 30.8%. Through the first half of the year, Midwest VC deal value totaled \$242.2 million, on pace to be 51.8% lower than 2018's \$1-billion mark, and deal count totaled 73, 14.6% less than 2018's 171 when annualized. It's important to note that slightly more than a quarter of The \$1 billion invested in 2018 was from one deal (Cerner's investment in Essence Group Holdings). Notable Midwest deals during the second quarter included a series B round for BacklotCars, which was led by Stripes Group, and a series A round led by Yield Lab in Nanoguard Technologies, among others.

By far the single most-attractive subsector for VC investment during the first half of the year was in software. The subsector accounted for 1,766 of the 4,868 deals through the first half of the year and accounted for \$20.5 billion of the total \$66 billion in capital invested during the period. Similarly, technology deals accounted for \$134.1 million of the \$242.2 million that Midwest VCs invested in the first half (and 26 of the 73 deals).

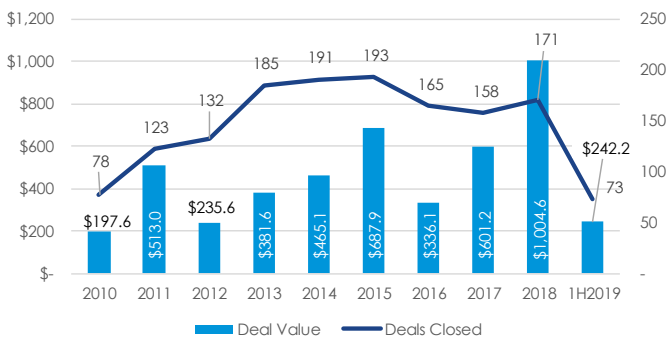
US Venture Capital Activity
Deal Value in Billions



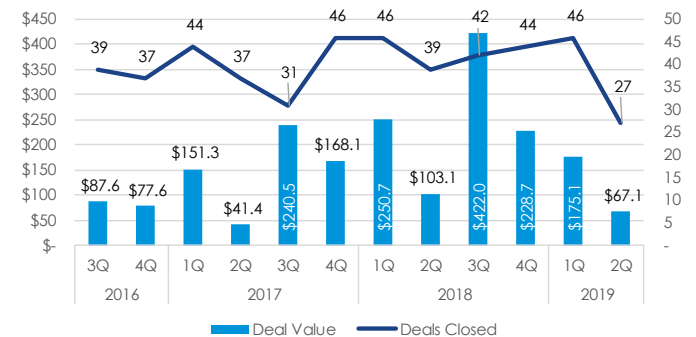
US Venture Capital Activity
Deal Value in Billions



Midwest Venture Capital Activity
Deal Value in Millions



Midwest Venture Capital Activity
Deal Value in Millions



VENTURE CAPITAL

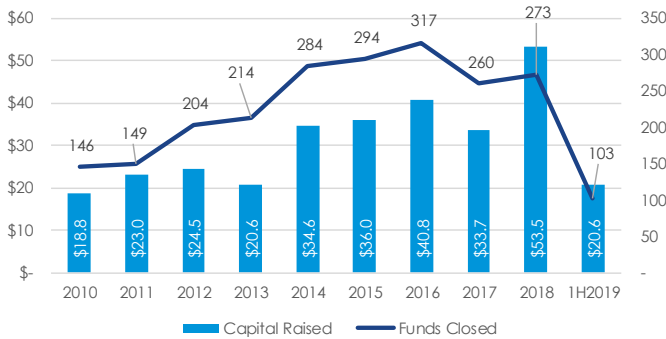
US VC fundraising down, exit values soar

Venture capitalists raised \$20.6 billion across 103 funds through the first half of the year, on pace to trail 2018 levels by 22.8% and 24.5%, respectively. However, total value is on pace to just top the five-year average of \$39.7 billion. Fund sizes cooled slightly in what Pitchbook calls a healthy tapering, with average fund sizes for the first half declining to \$202.4 million, while the median fund size increased to \$81 million. The micro-fund share (less than \$50 million) of the market is consistently declining, accounting for 34% of total funds in 2019 as opposed to nearly 55% in 2012.

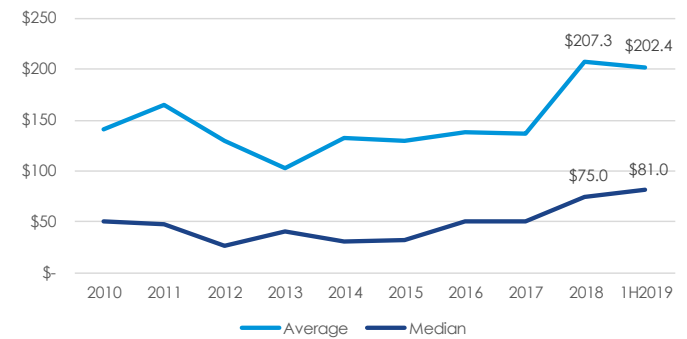
Exits were by far the biggest story of the second quarter, with values soaring in the first half of the year to \$188.5 billion, topping every full year on record. This was accomplished on an estimated 383 deals, which is 20.1% less than 2018's deal count when annualized. Exit values in the second quarter amounted to \$138.3 billion alone, driven primarily by high-profile unicorns such as Uber, Pinterest, Zoom, Slack, and others. Nearly half of Q2 exit value was accounted for by Uber's IPO alone.

Corporate acquisitions continue to decline as the go-to option for VC exits. The proportion of VC exits to corporate buyers is now just 66.3% after being as high as 89% in 2009. Over the same period, IPOs grew from 2.3% of exits to 12.5%, and private equity buyouts increased from 8.7% to 21.1%. Yet, most striking are exits in the first half on a value basis. Due to the unicorn exits, the IPO proportion of exit value swelled to a record 82.9%, more than doubling the previous five-year average proportion of 40%. The year, or next year, could continue to amaze, as there are rumors of other major unicorns filing to go public yet. That list includes The We Company (formerly WeWork), iHeartMedia, Airbnb, Peloton, Postmates, Robinhood, Casper, and Aramco, which could be the world's largest IPO ever and was once valued as much as \$2 trillion.

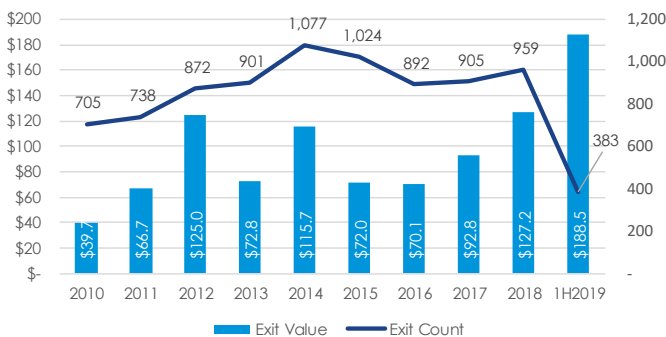
US Venture Capital Fundraising
In Billions



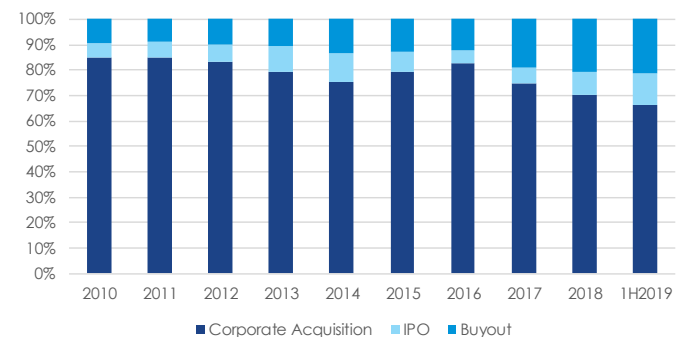
Venture Capital Fund Sizes
In Millions



US Venture Capital Exits
In Billions



Exits by Type
Based on Volume



VENTURE CAPITAL

Notable Midwest VC Deals in the second quarter of 2019

State	Date Closed	Target	Investor	Target City	Target Description
IOWA	06/13/2019	Holmes Murphy & Associates	Undisclosed Investors	Waukee, IA	Operator of an independent insurance brokerage
	06/12/2019	Opioid Clinical Management	Undisclosed Investors	Des Moines, IA	Provider of opioid prescription risk/case management for self-insured employers
	04/17/2019	iotaMotion	Undisclosed Investors	Iowa City, IA	Developer of implantable robotics designed to reduce insertion forces
	06/20/2019	Point of Choice	Keiretsu Forum	Fairfield, IA	Developer of a marketing intelligence software
	05/24/2019	Haber Technologies	Undisclosed Investors	Ames, IA	Developer of a grain-drying technology
KANSAS	05/01/2019	RiskGenius	Factory Mutual Insurance Company	Overland Park, KS	Developer of a policy review platform
	04/18/2019	Plat-It Health	Startup Health et al	Overland Park, KS	Provider of a digital health platform to help patients maintain their health plan
	06/01/2019	Enduralock	Keiretsu Forum	Lenexa, KS	Designer of lock and ratcheting fasteners
	05/01/2019	Spinal Simplicity	Keiretsu Forum	Overland Park, KS	Developer of spinal devices to treat spinal and orthopedic disorders
	06/01/2019	Stor and Deliver	Keiretsu Forum	Wichita, KS	Operator of a storage / pick-up company
MISSOURI	04/15/2019	BacklotCars	Stripes Group et al	Kansas City, MO	Operator of an online auto marketplace
	05/13/2019	Nanoguard Technologies	Yield Lab et al	Saint Louis, MO	Developer of a High Voltage Atmospheric Cold Plasma Technology (HVACP)
	04/28/2019	Keystone Bio	Undisclosed Investors	Saint Louis, MO	Developer of antibodies intended to cure Alzheimer's and heart disease
	05/08/2019	Plastomics	BioGenerator et al	Saint Louis, MO	Developer of biotechnology intended to enhance crop efficiency
	06/27/2019	Kingdom Scene Endeavors	Undisclosed Investors	Saint Louis, MO	Developer of online virtual games to promote the Christian faith
NEBRASKA	04/08/2019	Flywheel	Undisclosed Investors	Omaha, NE	Developer of a website creation and management platform
	06/28/2019	Opendorse	Flyover Capital; Sierra Ventures	Lincoln, NE	Developer of an open endorsement platform for athletes' social media
	04/23/2019	TOI Pay	Undisclosed Investors	Omaha, NE	Provider of financial services for workforces and employers
	06/14/2019	HerHeadquarters	Murphy Family Enterprises; Invest NE	Omaha, NE	Developer of a collaboration applications for women entrepreneurs and freelancers
NORTH DAKOTA	06/06/2019	BWR Innovations	Undisclosed Investors	Fargo, ND	Developer of products intended to improve business efficiency
	Undisclosed	Aironomy	Undisclosed Investors	Grand Forks, ND	Developer of technology solutions intended to improve the efficiency of core operations
SOUTH DAKOTA	04/12/2019	Benaiah Co.	Undisclosed Investors	Sioux Falls, SD	Provider of insurance services



Select Transaction Experience

MWC

Acquired by

PAR-KAN
STRENGTH. QUALITY. SERVICE.

PrairieLand
DAIRY

Acquired by

Hilland
DAIRY PRODUCTS

Olson
INDUSTRIES, Inc.

Airport lighting
division acquired by

MILLERBERND

Alpha Galvanizing

Acquired by

AZZ

OREGON TRAIL
EQUIPMENT LLC

Merged with

LANDMARK
IMPLEMENT

ePAR

Convertible note
financing

Undisclosed
investors

O'NEILL GRAIN CO.
O'NEILL, NE

Strategic
transaction
with

Cargill

EXC

Acquired by

EXCS
Exterior Construction
Services Inc.

BANYAN
MEDICAL SYSTEMS

Debt facility
provided by

BANK OF
Bennington

Disclosure

Information contained in this report has been prepared by Skyline Advisors, a division of Ideation Ventures, Inc. ("Skyline") solely for information purposes. This report is for informational purposes only and does not constitute an offer or solicitation to sell securities in Skyline, a client, a prospective client, or any related or associated company. This report contains data from third-party sources that Skyline believes to be reliable. Skyline makes no representations or warranties about any of the data contained herein. Transaction data and stock market data are primarily sourced through Pitchbook and Morningstar, respectively.

Any logos, trademarks, and trade names contained in this report are the property of their respective owners.

Skyline Advisors is a division of Ideation Ventures, Inc. Services involving securities are offered through M&A Securities Group, Inc. ("MAS"). Services involving real estate brokerage are offered through Berkshire HomeServices Ambassador Real Estate ("BHHS"). Skyline, MAS, and BHHS are separate entities.

Copyright 2019. All rights reserved.

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.

Services

Mergers & Acquisitions

- Buy-side & sell-side
- 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

Contact

John Gustafson, CFA
President
john@skyline-advisors.com

Chris Moore
Associate
cmoore@skyline-advisors.com

Cale Pleak
Research Analyst
cpleak@skyline-advisors.com