The background of the slide features a dark, grid-like pattern with various numerical values in red and yellow, resembling a financial data table or a stock market display. A prominent blue bar is located in the top-left corner, containing the firm's name. The overall aesthetic is professional and data-driven.

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Private Equity Buyer/Public Target M&A Deal Study

2015-17 Review and Comparative Analysis

Private Equity Buyer/Public Target M&A Deal Study 2015-17 Review and Comparative Analysis

In this edition of Schulte Roth & Zabel's *Private Equity Buyer/Public Target M&A Deal Study*, we survey private equity buyer acquisitions of U.S. public companies from 2015 to 2017. Focusing on key terms in middle- and large-market acquisitions valued at over \$100 million, we also compare our findings with our previous analysis of transactions from 2013 to 2014. The *Deal Study* identifies key market practices and deal trends, and its appendices present additional data that will be helpful to participants in today's M&A markets.

Table of Contents

Survey Methodology	2
Key Takeaways	3
Market Activity — Number and Value of Transactions	5
Deal Structure — One-Step Merger vs. Two-Step Tender Offer/Back-End Merger	6
Target Fiduciary Duty Issues	7
Deal Protections for Buyer	8
Deal Certainty Provisions for the Target	13
Appendix A — Surveyed Transactions	18
Appendix B — Marketing Periods	22
Appendix C — Break-Up Fees and Reverse Termination Fees	24
SRZ's M&A and Securities Group and the Authors	27



Survey Methodology

Consistent with our prior deal studies, we conducted the survey as follows:

- We reviewed certain key deal terms in all private equity buyer/public-company target cash merger transactions entered into in 2015, 2016 and 2017 involving consideration of at least \$100 million (a total of 56 transactions and, collectively, the “2015-17 Transactions”). For the purposes of our analysis, the 2015-17 Transactions are further divided into the following two groups:
 - Transactions involving consideration of at least \$500 million in enterprise value (a total of 36 transactions and, collectively, the “2015-17 Large-Market Transactions”); and
 - Transactions involving consideration of at least \$100 million but less than \$500 million in enterprise value¹ (a total of 20 transactions and, collectively, the “2015-17 Middle-Market Transactions”).
- We then compared such deal terms with those of similarly sized private equity buyer/public company target cash merger transactions entered into in 2013 and 2014 (which were the subject of our most recent deal study and which we refer to herein as the “2013-14 Transactions,” divided similarly into the “2013-14 Large-Market Transactions” and “2013-14 Middle-Market Transactions”) and, where applicable, set forth detailed analysis of any notable changes in market trends with respect to such deal terms.

Please note that (i) the findings of our survey are not intended to be an exhaustive review of all terms in the transactions — this survey reports only on those matters that we believe would be most interesting to the deal community; (ii) our observations are based on a review of publicly available information for the transactions; (iii) the transactions discussed herein account for only a portion of M&A activity during the surveyed periods and may not be representative of the broader M&A market; and (iv) our comparative analysis may be impacted by the relatively small sample size and differences in size of the sample groups.

A list of the surveyed transactions can be found in Appendix A.

¹ The enterprise values of the 2015-17 Large-Market Transactions ranged from \$530.6 million to \$18.6 billion, and the enterprise values of the 2015-17 Middle-Market Transactions ranged from \$127.0 million to \$496.9 million.



Key Takeaways

In general, we continue to observe a “market practice” regarding a number of the key deal terms.

Deal Structure

- One-step mergers continue to be more popular than two-step tender offers. Approximately 84% of all 2015-17 Transactions were structured as one-step mergers rather than two-step tender offers followed by back-end mergers, up from 71% of all 2013-14 Transactions. 92% of 2015-17 Large-Market Transactions were structured as one-step mergers, up from 75% of 2013-14 Large-Market Transactions. 70% of the 2015-17 Middle-Market Transactions were structured as one-step mergers, up from 33% observed in 2013-14 Middle-Market Transactions.
- Go-shop provisions were included in approximately 33% of the 2015-17 Large-Market Transactions and 20% of the 2015-17 Middle-Market Transactions as compared to 29% of the 2013-14 Large-Market Transactions and 22% of the 2013-14 Middle-Market Transactions.
 - The go-shop periods have lengthened slightly — the average go-shop was 37 days (median: 38 days) for the 2015-17 Transactions as compared to 33 days (median: 30 days) for the 2013-14 Transactions.

Marketing Period

- Consistent with the increasing trend observed in prior years, a large majority — approximately 81% — of the 2015-17 Large-Market Transactions contained marketing period provisions. In the 2015-17 Middle-Market Transactions, such provisions were considerably more rare. Only 15% of the 2015-17 Middle-Market Transactions contained “marketing period” provisions as compared to 44% of the 2013-14 Middle-Market Transactions. See Appendix B for more information on the length of marketing periods in the 2015-17 Transactions.

Buyer Deal Protections

- All of the 2015-17 Transactions provided the buyer with match rights and all but one with “last look” match rights.
- The target’s break-up fees declined on a mean/median basis:
 - For the 2015-17 Large-Market Transactions, the mean break-up fee was 2.4% of target equity value (median: 2.4%) as compared to 3.3% of target equity value (median: 3.2%) for 2013-14 Large-Market Transactions.
 - For the 2015-17 Middle-Market Transactions, the mean break-up fee was 3.1% of target equity value (median: 3.2%) as compared to 3.5% of target equity value (median: 3.6%) for 2013-14 Middle-Market Transactions.

Target Deal Protections

- Closing conditions for buyer financing continue to be essentially nonexistent, with specific performance rights and reverse termination fees constituting the target's deal protections.
- Approximately 68% of the 2015-17 Transactions (81% of the 2015-17 Large-Market Transactions and 45% of the 2015-17 Middle-Market Transactions, as compared to 83% and 78%, respectively, in 2013-14) gave the target company a limited specific performance right that was available only if (i) the buyer's closing conditions to the merger agreement were satisfied and (ii) the buyer's debt financing was available.
- The average size of a buyer's reverse termination fee ("RTF") has declined from 6.5% of the target's equity value in 2013-14 Transactions to an average of 4.5% in 2015-17 Transactions for deals with single-tier RTFs.²

2015-17 "What's Market" Summary Guide

Deal Term	Large Market	Middle Market
One-Step Merger Structure	✓	#
Go-Shop Provision	#	✗
Marketing Period Provision	✓	✗
Match/Last Look Match Rights	✓	✓
Mean Target Break-Up Fee	2.4%	3.1%
Target Only Has a Limited Specific Performance Right	✓	✗
Use of a Single-Tier Buyer RTF Mechanism	✓	#
Mean Buyer RTF (Single-Tier Structure)	4.6%	4.3%
Monetary Damages for Buyer Breach Capped at RTF	✓	✗

Key:

✓: Indicates prevalence in 75% or more of the relevant deals

#: Indicates prevalence in 25% or more but less than 75% of deals

✗: Indicates less than 25% prevalence

² All but four of the transactions surveyed which contained RTF provisions were single-tiered.

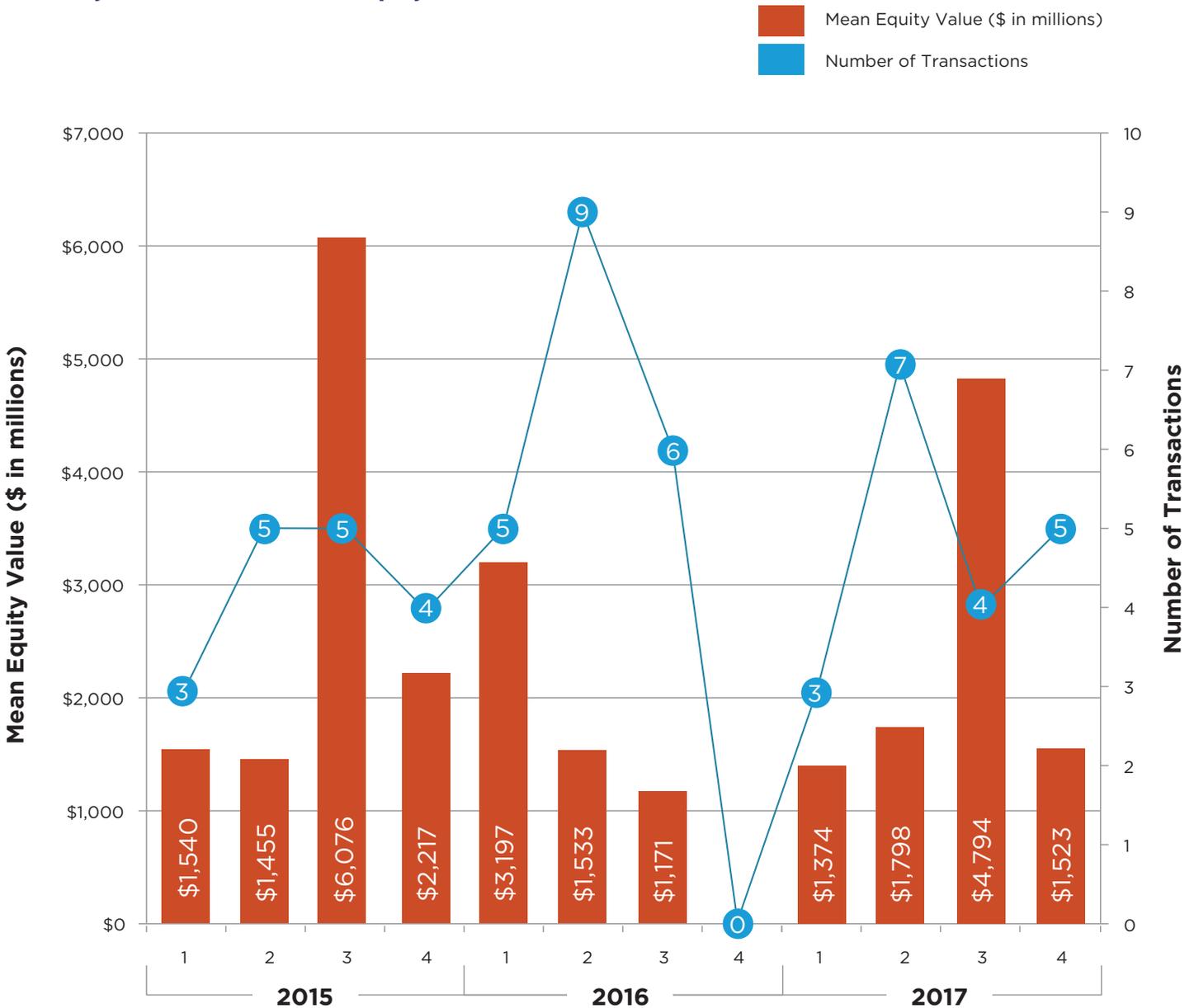


Market Activity — Number and Value of Transactions

As noted in the chart below:

- The average deal value for the surveyed large-market deals has decreased, although the median deal value has increased — with \$3.5 billion mean/\$1.7 billion median for the 2015-17 Large-Market Transactions as compared to \$4.2 billion mean/\$1.0 billion median for the 2013-14 Large-Market Transactions. For the middle-market deals, the average value increased while the median value decreased — from \$285.8 million mean/\$308.4 million median for the 2013-14 Middle-Market Transactions to \$321.2 million mean/\$300.2 million median for the 2015-17 Middle-Market Transactions.

Quarterly Deal Volume and Mean Equity Value





Deal Structure — One-Step Merger vs. Two-Step Tender Offer/Back-End Merger

Overall, the two-step tender offer/back-end merger structure (as opposed to a one-step statutory merger) was used less frequently in the 2015-17 Transactions than in the 2013-14 Transactions — 13% of all 2015-17 Transactions as compared to 21% of all 2013-14 Transactions.

Large-Market Deals

Only 8% of the 2015-17 Large-Market Transactions were structured as tender offers, whereas 92% were structured as one-step reverse triangular mergers. In comparison, 75% of the 2013-14 Large-Market Transactions were structured as reverse triangular mergers, and 25% were structured as tender offers.

Middle-Market Deals

70% of the 2015-17 Middle-Market Transactions were structured as reverse triangular mergers, and 30% were structured as tender offers. These percentages varied only slightly from what we observed in the 2013-14 Middle-Market Transactions, in which 67% were structured as reverse triangular mergers and 33% were structured as tender offers.



Target Fiduciary Duty Issues

Fiduciary Termination Rights

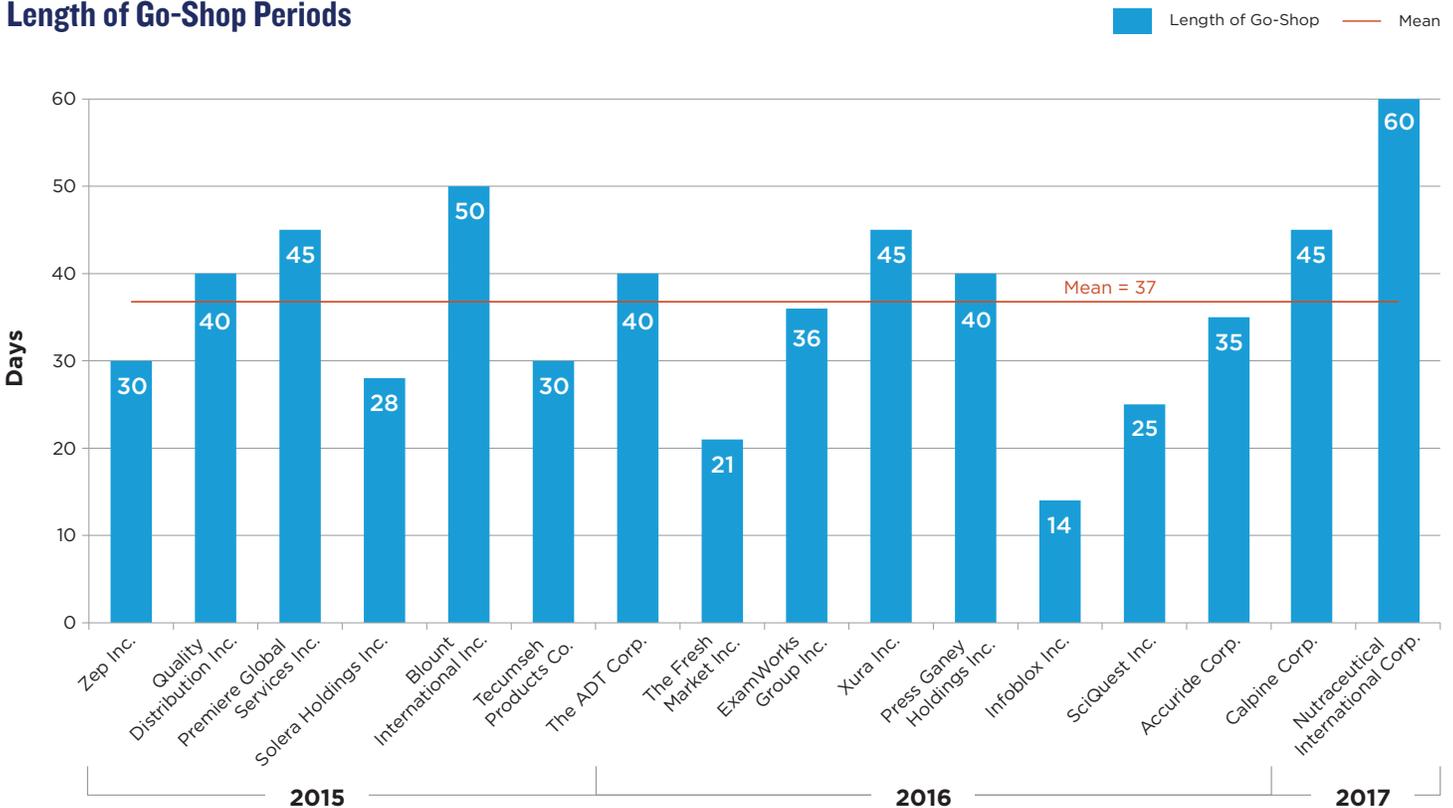
Consistent with the 2013-14 Transactions, all of the 2015-17 Transactions included a fiduciary termination right allowing the target to terminate the merger agreement with the buyer in order to enter into an alternative acquisition agreement deemed to be a superior proposal, subject in all cases to payment of a break-up fee and the buyer’s match rights, as described in the *Deal Protections for Buyer* section that follows.

Go-Shop Provisions

A go-shop is a provision that grants the target the affirmative right — during a specified period of time — to solicit alternative acquisition proposals.

Go-shop provisions were used more often in 2015-17 Large-Market Transactions but less often in 2015-17 Middle-Market Transactions, as compared to the 2013-14 Transactions (in 33% of 2015-17 Large-Market Transactions vs. 29% of 2013-14 Large-Market Transactions and in 20% of 2015-17 Middle-Market Transactions vs. 22% of 2013-14 Middle-Market Transactions), as fewer targets in the large market engaged in pre-signing market checks. As illustrated in the following chart, the lengths of go-shop periods have increased. In the 2015-17 Transactions, the average go-shop period was approximately 37 days (median: 38 days), as compared to 33 days (median: 30 days) for the 2013-14 Transactions.³ See the *Break-Up Fee Payable by the Target* section following for information regarding the amount of the go-shop break-up fee, compared to the general break-up fee.

Length of Go-Shop Periods



³ The duration of the go-shop periods in the 2015-17 Large-Market Transactions had a mean of 36 days and median of 40 days (range: 14 days to 50 days). The duration of such periods in the 2015-17 Middle-Market Transactions had a mean of 38 days and median of 33 days (range: 25 days to 60 days). For the 2013-14 Large-Market Transactions, both the mean and median were 32 days (range: 14 days to 45 days), while the 2013-14 Middle-Market Transactions had a mean and median of 35 days and 30 days, respectively (range: 30 days to 50 days).



Deal Protections for Buyer

We reviewed the 2015–17 Transactions for provisions designed to protect the buyer against topping bids and target stockholder opposition.

Match Rights and Last Look Rights

Initial match rights provide the buyer with an opportunity to negotiate with the target board during a specific period of time after receipt of notice from the target board of an intended change in recommendation (“CIR”) and propose modified terms that are sufficiently improved so as to preclude the target from effecting a CIR. We note that in *In re Smurfit-Stone Container Corp. Shareholder Litigation*, C.A. No. 6164 (Del. Ch. May 20, 2011), Vice Chancellor Parsons of the Delaware Chancery Court determined that each of the deal protections agreed to by the target, which included a three-day initial match rights period, were “standard,” whether considered alone or as a group.⁴

Last look match rights provide the buyer with a further right to negotiate in the event that the other bidder revises its proposed terms.

The terms of the initial match rights were consistent across the 2015–17 Transactions and 2013–14 Transactions. Of the 2015–17 Transactions:

- All had initial match rights (consistent with the 2013–14 Transactions).
- The mean and median time period for initial match rights were 3.6 business days and three business days, respectively,⁵ which is generally consistent with the initial match rights parameters in 2013–14 Transactions.

The terms of last look match rights were also generally consistent across 2015–17 Transactions and 2013–14 Transactions. All but one of the 2015–17 Transactions had last look match rights. The range of last look match rights was one to seven business days (mean: 2.5 business days; median: two business days), which is consistent with the time periods for last look match rights in the 2013–14 Transactions.

⁴ The other deal protection provisions included a no-shop clause and a break-up fee of approximately 3.4% of the target equity value.

⁵ For the 2015–17 Large-Market Transactions, the mean and median were 3.4 and three business days, respectively. For the 2015–17 Middle-Market Transactions, the mean and median were both four business days, respectively.

⁶ The mean and median break-up fees for the 2015–17 Middle-Market Transactions both exclude SciQuest Inc.’s acquisition by Accel-KKR LLC, which had a two-tiered break-up fee structure with a lower break-up fee of 4.1% and a higher break-up fee of 8.9%.

Break-Up Fee Payable by the Target

As with other deal protection devices, Delaware courts have not provided any bright-line rules regarding when a break-up fee will be deemed unreasonable in amount. Nevertheless, practitioners can take comfort that fees in the range of 2% to 4% of equity value are generally permissible. Delaware jurisprudence, most recently in the *In re Cogent Inc. Shareholder Litigation*, suggests that equity value may be the appropriate metric for calculating a break-up fee where a target has minimal debt. Conversely, where the buyer is assuming a significant amount of a target’s debt, enterprise value may be the appropriate metric. This situation is illustrated by the Macquarie/WCA Waste Corporation transaction (2011), where the target had an enterprise value of \$526 million but an equity value of only \$154 million (due to its significant debt). The Macquarie/WCA transaction had a two-tier break-up fee: \$11 million (2.1% of enterprise value and 7% of equity value) payable in the event of termination for entering into an alternative transaction and \$16.5 million (3.2% of enterprise value and 10.7% of equity value) for other specified terminations.

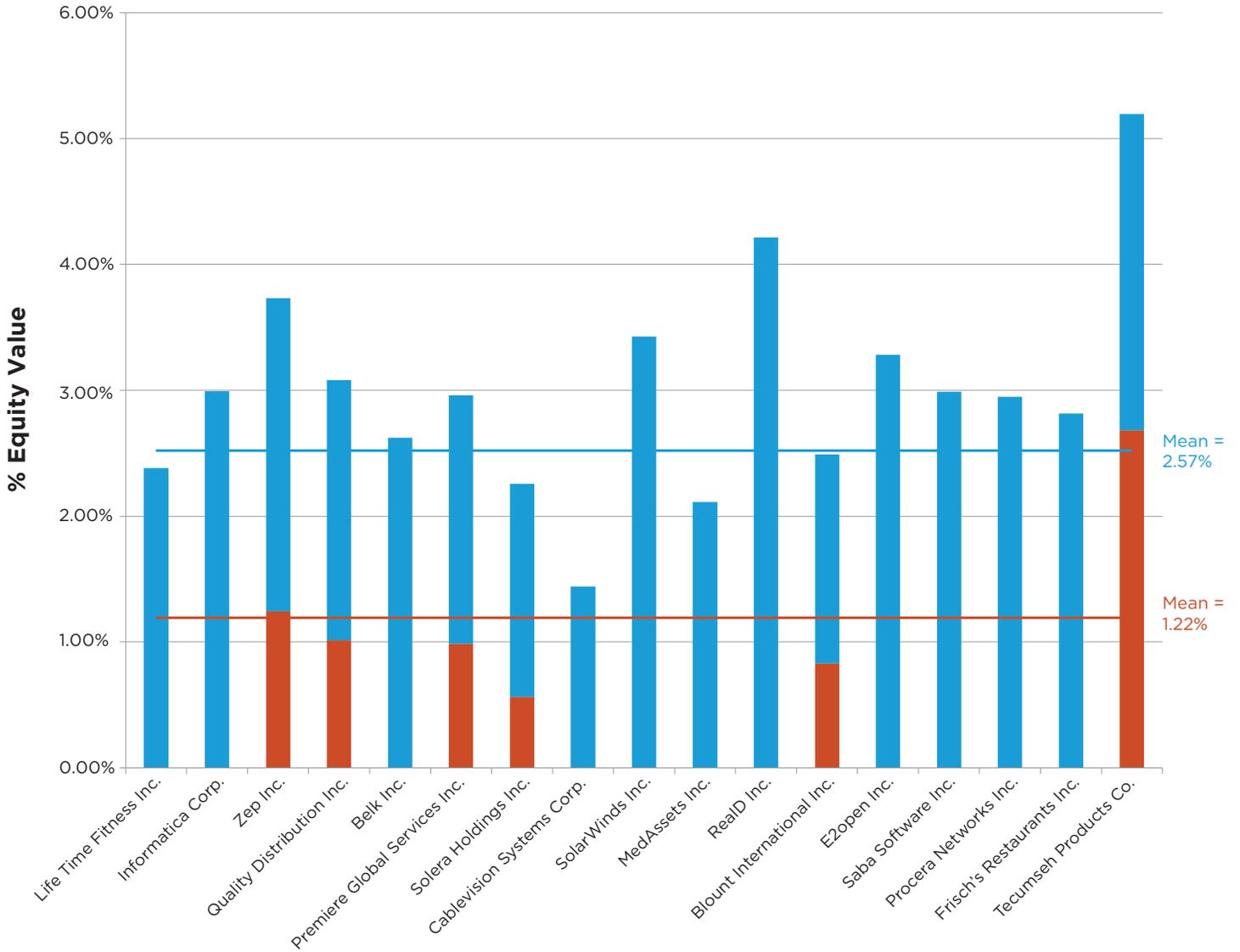
As noted in the following charts:

- For the 2015–17 Large-Market Transactions, both the mean and median break-up fees were 2.4% of equity value, which was lower than 3.3% and 3.2%, respectively, for the 2013–14 Large-Market Transactions.
- For the 2015–17 Middle-Market Transactions, the mean and median break-up fees were 3.1% and 3.2% of equity value, respectively, which also was lower than the 3.5% mean and 3.6% median for the 2013–14 Middle-Market Transactions.⁶

Break-Up Fees

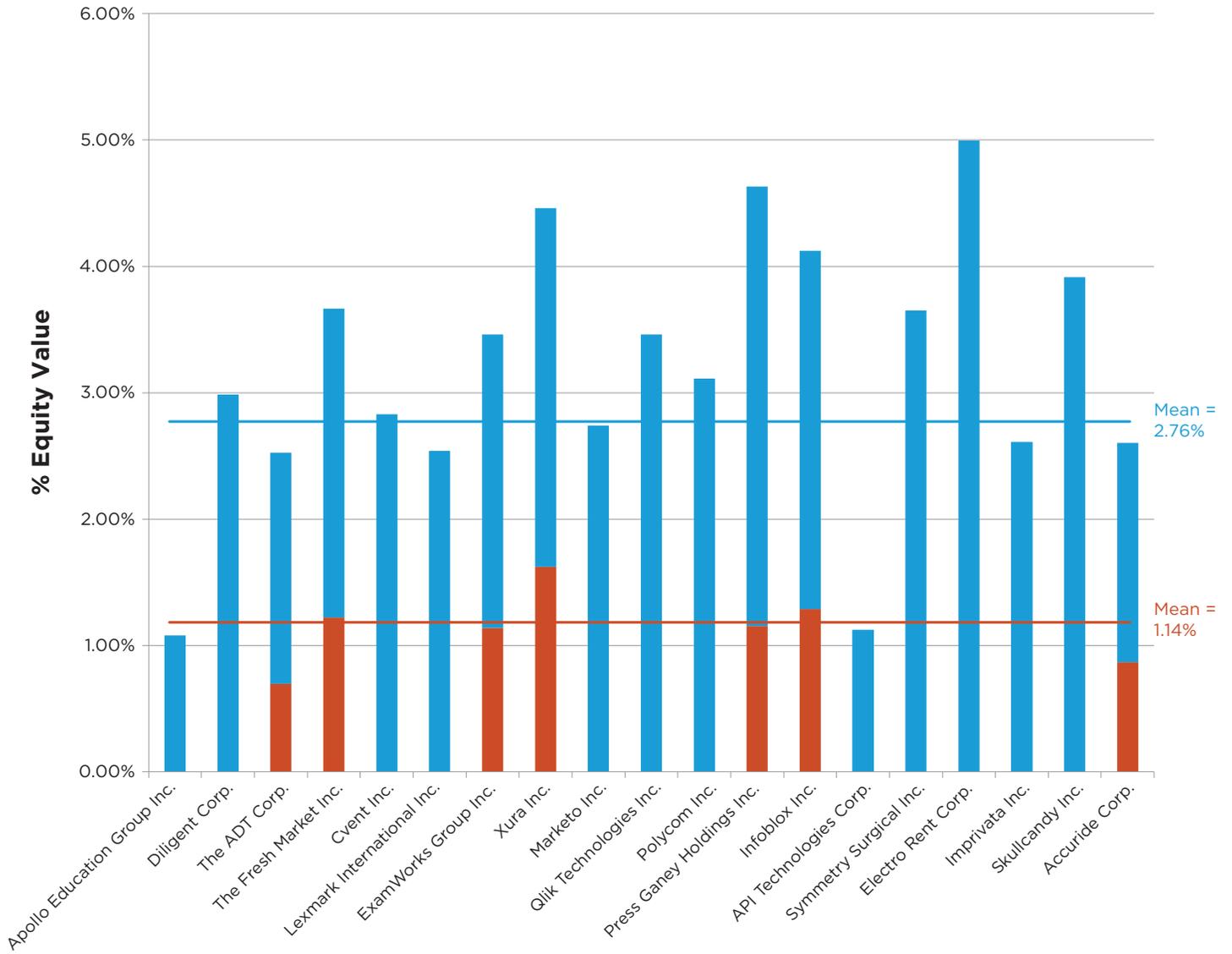
2015

■ General Break-Up Fee
■ Go-Shop Break-Up Fee



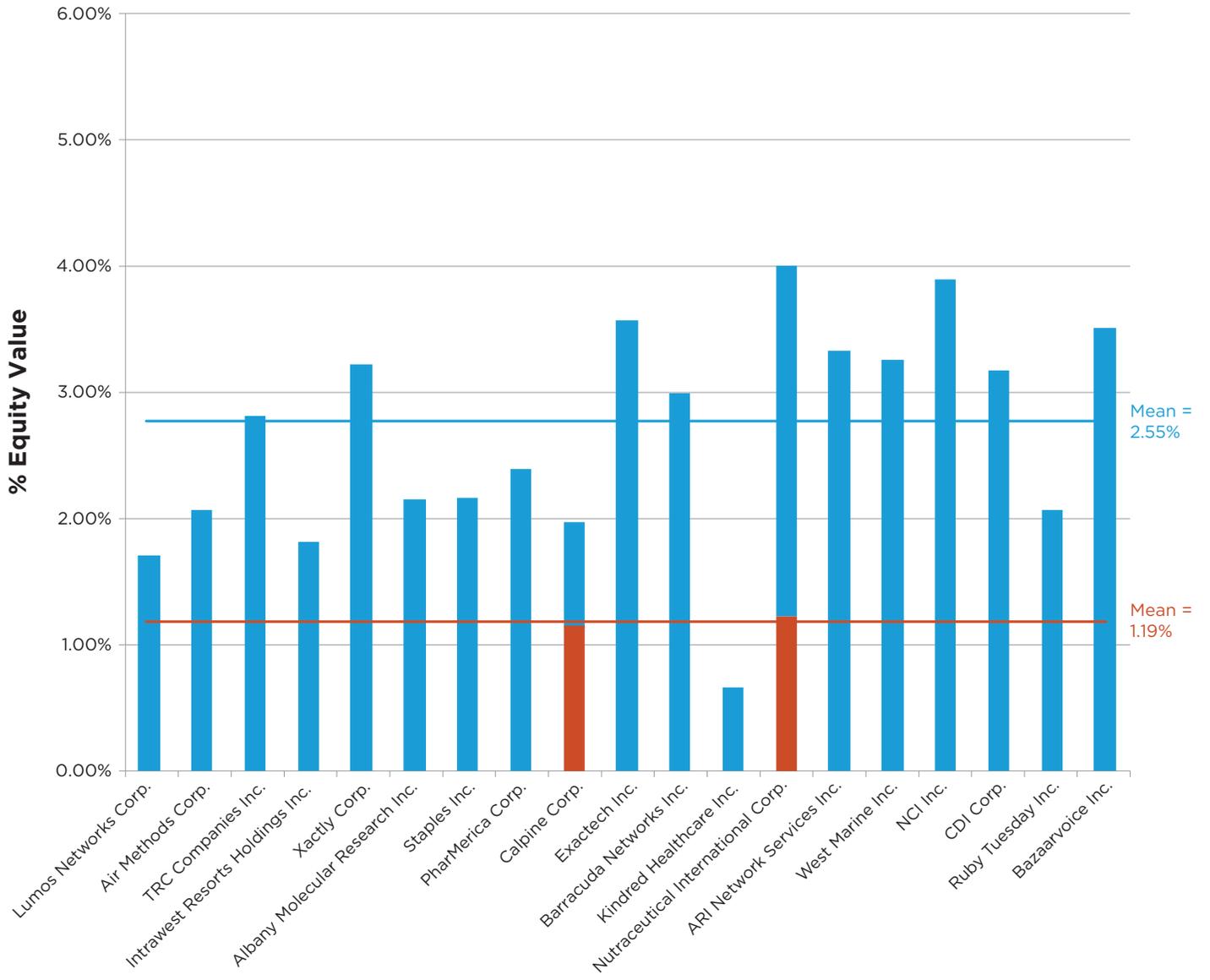
2016

General Break-Up Fee
Go-Shop Break-Up Fee



2017

General Break-Up Fee
Go-Shop Break-Up Fee



Given the wide range of fees and deal sizes, we grouped the 2015-17 Transactions by deal size based on equity value and noted the range of break-up fees (as a percentage of equity value). We note that the break-up fees as a percentage of equity value on a mean/median basis decreased as deal size increased.

Deal Size (Equity Value)	Break-Up Fees ⁷		
	Range	Mean	Median
2015-17 Middle-Market Transactions			
\$100 Million to \$250 Million	2.5% - 3.9%	3.2%	3.2%
\$250 Million to \$500 Million	1.1% - 5.0%	3.0%	3.1%
2015-17 Large-Market Transactions			
\$500 Million to \$1 Billion	1.7% - 3.6%	2.5%	2.7%
\$1 Billion to \$3 Billion	1.1% - 3.5%	2.5%	2.4%
\$3 Billion and up	0.7% - 3.4%	2.1%	2.2%

⁷ Figures are based on a percentage of equity value.



Deal Certainty Provisions for the Target

We reviewed the 2015–17 Transactions for provisions that are intended to provide the target with additional certainty of closing.

Target's Ability to Obtain Specific Performance Against the Buyer

Our review of the 2015–17 Transactions included an analysis of specific performance rights afforded to the target.

The limited specific performance remedy is a provision which conditions the target's ability to force the buyer to close on the buyer's debt financing being available at closing.

All transactions in our study had at least a limited specific performance remedy (i.e., no deal allowed the buyer to walk away by simply paying a reverse termination fee).

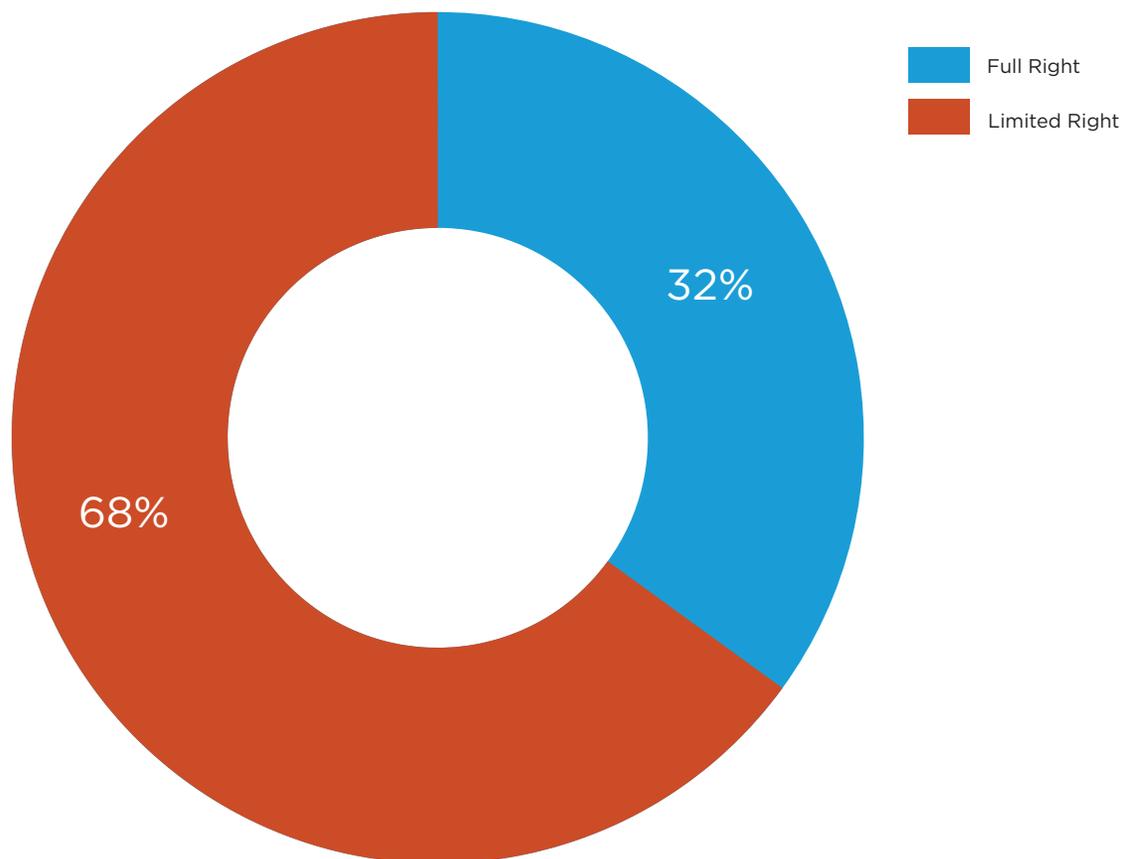
Large-Market Deals

The 2015–17 Large-Market Transactions provided the target with a limited specific performance right against the buyer in 81% of deals surveyed (with 19% providing the target with a full specific performance right). These findings are consistent with recent trends revealing the popularity of limited specific performance rights in larger deals: 83% of the 2013–14 Large-Market Transactions provided the target with limited specific performance rights (with 17% providing the target with a full specific performance right).

Middle-Market Deals

Only 45% of the 2015–17 Middle-Market Transactions contained a limited specific performance right (whereas full specific performance provisions were present in 55%). The popularity of full specific performance rights marks a drastic shift from the 2013–14 period, where of the Middle-Market Transactions that provided the target with any specific performance rights, 83% contained limited specific performance provisions and only 17% contained full specific performance provisions.

Target Specific Performance Rights



Reverse Termination Fees

Our review of the 2015-17 Transactions included an analysis of the structure (single-tier vs. two-tier) and the size of the RTFs (expressed as a percentage of the target's equity value) required to be paid by the buyer in connection with the termination of the merger agreement.

A two-tiered reverse termination fee structure is typically used to afford additional deal certainty to the target by requiring the buyer to pay a higher reverse termination fee if the buyer willfully breaches the merger agreement or if antitrust approval for the deal is not obtained.

In general, the buyer's RTF rates have decreased — from an average of 6.5% of the target's equity value in the 2013-14 Transactions to an average of 4.5% of the target's equity value in the 2015-17 Transactions — for deals with single-tier RTFs. (Note that of the 2015-17 and 2013-14 Transactions that contained RTFs, 90% of the 2015-17 Transactions and 81% of the 2013-14 Transactions used a single-tier (rather than a two-tier) RTF structure.)

Below is a summary of our findings:

Large-Market Deals

As noted in the following chart:

- 86% of the 2015–17 Large-Market Transactions had an RTF (as compared to 92% for the 2013–14 Large-Market Transactions):
 - 87% of transactions with an RTF had a single-tier RTF (as compared to 86% for the 2013–14 Large-Market Transactions).
 - 11% of transactions with an RTF had a two-tier RTF (as compared to 14% for the 2013–14 Large-Market Transactions). The four deals making up the 11% of deals had a higher RTF payable for the following reasons:
 - Apex Technology Co. Ltd., PAG Asia Capital and Legend Capital Management Co. Ltd.'s acquisition of Lexmark International Inc. — any breach, except for failure to obtain governmental merger approval, except in the case of merger approval from the People's Republic of China, financing failure⁸ or failure to obtain merger approval from the People's Republic of China.
 - Siris Capital Group LLC's acquisition of Polycom Inc. — willful breach.
 - KKR & Co. LP and Walgreens Boots Alliance Inc.'s acquisition of PharMerica Corporation — willful breach or failure to obtain antitrust approval.
 - Canada Pension Plan Investment Board, Access Industries Inc. and Energy Capital Partners' acquisition of Calpine Corp. — any breach, unless the agreement is terminated due to a lower rating by two rating agencies of the target's debt instruments.

With respect to the size of the RTFs:

- For transactions with a single-tier RTF, the mean and median were 4.6% and 4.4% of target equity value, respectively (range: 1.4% to 6.9%), as compared to 6.4% and 6.3%, respectively (range: 0.5% to 10.7%), for the 2013–14 Large-Market Transactions. For transactions with a dual-tier RTF, the mean and median were 5.49% and 5.89%, respectively (range: 1.93% to 8.23%), as compared to 9.21% and 4.69%, respectively (range 3.09% to 19.84%), for the 2013–14 Large-Market Transactions.

Middle-Market Deals

As noted in the following chart:

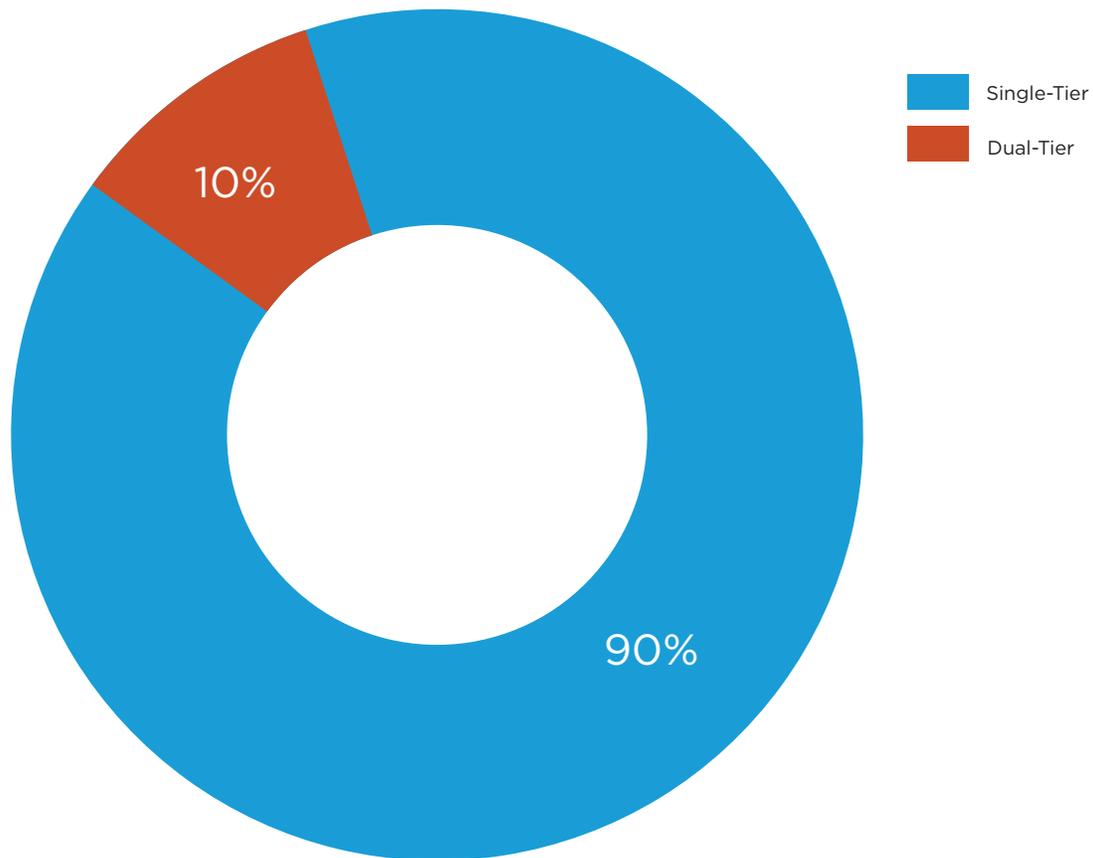
- Only 10 of the 20 2015–17 Middle-Market Transactions (50%) had an RTF (as compared to 83% for the 2013–14 Middle-Market Transactions), and each of the 10 transactions with RTFs had a single-tier structure (whereas of the 2013–14 Middle-Market Transactions with RTFs, 73% had a single-tier structure and 27% had a two-tier structure).

With respect to the size of the RTFs:

- The mean and median percentages of target equity value were 4.3% and 5.0%, respectively (range: 1.6% to 6.8%), as compared to 6.4% and 6.3%, respectively (range: 4.3% to 8.0%), for the 2013–14 Middle-Market Transactions with a single-tier RTF.

⁸ Lexmark is unique in that the agreement expressly provides that either the failure of the parent to comply with the financing covenants or failure of one of the acquirers to obtain shareholder approval for the merger constitutes a material and willful breach by the respective failing party.

Reverse Termination Fees



Reverse Termination Fee Triggers

We reviewed the 2015-17 Transactions with RTFs to analyze the types of RTF triggers. Below is a summary of our findings:

2015-17 Large-Market Transactions with RTFs

In 94% of the transactions with an RTF, the RTF was triggered by buyer's material breach of a representation, warranty or a covenant in the merger agreement — up from 86% in the 2013-14 transactions. Only one of the 2015-17 Large-Market Transactions limited the RTF to instances where buyer was unable to obtain financing, whereas none of the 2013-14 Large-Market Transactions provided such limitation.

2015-17 Middle Market Transaction with RTFs

In 70% of the transactions with an RTF, the RTF was triggered by buyer's material breach of a representation, warranty or a covenant in the merger agreement — a decrease from 73% in the 2013-14 transactions. 30% of the 2015-17 Middle-Market Transactions limited the RTF to instances where buyer was unable to obtain financing, whereas none of the 2013-14 Middle-Market Transactions provided such limitation.

Treatment of Buyer's Willful Breach

We reviewed the 2015-17 Transactions with RTFs to determine whether the target's damages for buyer's willful breach were capped and whether "willful breach" was defined. We observed a decrease in Large-Market Transactions that contained a cap on damages for buyer's willful breach equal to the amount of the RTF, whereas the number of Middle-Market Transactions featuring such a structure increased.

2015-17 Large-Market Transactions with RTFs

- Of the deals with RTFs, 90% of them had a specific damages cap, down from 95% in 2013-14. Of those deals with a specific cap, 86% were capped at the single-tier RTF and 14%, each providing for a dual-tier RTF, with capped damages at the higher RTF. Only one deal limited the remedy for buyer's willful breach to specific performance only.
- Of the deals with RTFs, only 3% of the 2015-17 Large-Market Transactions allowed for damages for buyer's willful breach that were uncapped, down from 5% of the 2013-14 Large-Market Transactions.⁹
- Buyer's willful breach was defined in 52% of the transactions with RTFs, and in 63% of such transactions the definition required the taking of a deliberate act or omission constituting a breach but did not require that the breach be the conscious object of the act or omission.

The formulation of "willful breach" used in these deals is generally consistent with Delaware Chancery Court Vice Chancellor Lamb's definition of a "knowing and intentional breach" in *Hexion Specialty Chemicals, Inc. v. Huntsman Corp.*, C.A. No. 3841 (Del. Ch. Sept. 29, 2008), holding that a "knowing and intentional" breach means "the taking of a deliberate act, which act constitutes in and of itself a breach of the merger agreement, even if breaching was not the conscious object of the act." We note that the "knowing and intentional" formulation in *Hexion* and in these transactions is target-friendly in that it avoids any need to establish that a buyer acted with the intent of breaching the merger agreement, which intent may be very difficult to prove.

2015-17 Middle-Market Transactions with RTFs

- Of the deals with RTFs, 80% of the 2015-17 Middle-Market Deals contained a specific cap on damages for buyer's willful breach and all but one of those deals were limited to the amount of the RTF, down from 87% of 2013-14 Middle-Market Deals. The only deal that had a specific damages cap and did not limit it to the RTF actually limited damages to an amount less than the RTF.¹⁰ No transactions limited the damages for willful breach by buyer to specific performance.
- Only 20% of the transactions with RTFs provided for uncapped damages for buyer's willful breach, whereas no transaction with an RTF was without a cap in 2013-14.
- In four of the 10 transactions with RTFs, willful breach was defined. In two of these cases, willful breach required intent.

Willful Breach, RTF and Specific Performance

As is noted at the beginning of this section, each of the 2015-2017 Transactions had at least a limited specific performance right. In each where the target is able to pursue damages, either explicitly capped or uncapped, it may also pursue specific performance from buyer to complete the transaction. This mechanic is important for transactions that limit the damages for willful breach by buyer to the RTF in order to prevent buyer from entering into an agreement with a set walk price. Without such mechanic, these agreements would essentially be reduced to option contracts.

⁹ One deal, Informatica Corp.'s acquisition by Permira and the Canada Pension Plan Investment Board, not included in the 6%, provided for uncapped damages only when buyer's willful breach resulted from fraud by buyer.

¹⁰ Monomoy Capital Partners' acquisition of West Marine Inc. provided for an RTF of \$17 million, but limited the damages for intentional breach of the buyer's covenants to \$15 million.



Appendix A — Surveyed Transactions

Large-Market Transactions

Target	Acquirer	Signing Date	Enterprise Value	Equity Value
Life Time Fitness Inc.	Leonard Green & Partners LP, TPG Capital LP, LNK Partners	March 15, 2015	\$4,063,490,000	\$4,072,660,000
Informatica Corporation	Italics Inc., an affiliate of Permira Advisers Ltd., Canada Pension Plan Investment Board	April 6, 2015	\$4,844,370,000	\$5,343,090,000
Zep Inc.	New Mountain Capital LLC	April 7, 2015	\$699,430,000	\$702,560,000
Quality Distribution Inc.	Apax Partners LLP	May 6, 2015	\$801,440,000	\$807,870,000
Belk Inc.	Sycamore Partners	Aug. 23, 2015	\$2,866,730,000	\$3,051,020,000
Premiere Global Services Inc.	Siris Capital Group LLC	Sept. 10, 2015	\$978,840,000	\$999,950,000
Solera Holdings Inc.	Vista Equity Partners	Sept. 13, 2015	\$6,272,430,000	\$6,752,030,000
Cablevision Systems Corporation	Altice NV	Sept. 16, 2015	\$18,636,730,000	\$19,433,300,000
SolarWinds Inc.	Silver Lake Partners; Thoma Bravo LLC	Oct. 21, 2015	\$4,446,310,000	\$4,639,850,000
MedAssets Inc.	Pamplona Capital Management LLP	Nov. 1, 2015	\$2,775,220,000	\$2,775,220,000
Blount International Inc.	American Securities, P2 Capital Partners LLC	Dec. 9, 2015	\$856,910,000	\$882,010,000
Apollo Education Group Inc.	Apollo Global Management; Vistria Group LP	Feb. 7, 2016	\$534,900,000	\$1,158,750,000
Diligent Corporation	Insight Venture Management LLC	Feb. 12, 2016	\$581,860,000	\$652,080,000
The ADT Corporation	Apollo Global Management LLC	Feb. 14, 2016	\$12,395,380,000	\$12,470,380,000
The Fresh Market Inc.	Apollo Global Management LLC	March 11, 2016	\$1,329,920,000	\$1,390,760,000
Cvent Inc.	Vista Equity Partners	April 17, 2016	\$1,413,640,000	\$1,590,760,000
Lexmark International Inc.	Apex Technology Co. Ltd., PAG Asia Capital, Legend Capital Management Co. Ltd.	April 19, 2016	\$3,613,830,000	\$3,740,830,000
ExamWorks Group Inc.	Leonard Green & Partners LP	April 26, 2016	\$2,005,340,000	\$2,021,340,000
Xura Inc.	Siris Capital Group LLC	May 23, 2016	\$671,950,000	\$792,170,000
Marketo Inc.	Vista Equity Partners	May 27, 2016	\$1,700,430,000	\$1,795,140,000

Target	Acquirer	Signing Date	Enterprise Value	Equity Value
Qlik Technologies Inc.	Thoma Bravo LLC	June 2, 2016	\$2,614,880,000	\$2,984,830,000
Polycom Inc.	Siris Capital Group LLC	July 8, 2016	\$1,226,090,000	\$1,928,850,000
Press Ganey Holdings Inc.	EQT Partners Inc.	Aug. 9, 2016	\$2,382,180,000	\$2,428,560,000
Infoblox Inc.	Vista Equity Partners	Sept. 16, 2016	\$1,254,310,000	\$1,512,410,000
Lumos Networks Corp.	EQT Partners AB	Feb. 18, 2017	\$869,080,000	\$940,730,000
Air Methods Corporation	American Securities LLC	March 14, 2017	\$2,486,490,000	\$2,492,390,000
TRC Companies Inc.	New Mountain Capital LLC	March 30, 2017	\$681,330,000	\$687,550,000
Intrawest Resorts Holdings Inc.	Aspen Skiing Company LLC, KSL Advisors LLC	April 7, 2017	\$1,369,450,000	\$1,561,650,000
Xactly Corporation	Vista Equity Partners LLC	May 30, 2017	\$530,640,000	\$574,810,000
Albany Molecular Research Inc.	GTCR LLC, The Carlyle Group LP	June 6, 2017	\$1,593,510,000	\$1,628,710,000
Staples Inc.	Sycamore Partners	June 28, 2017	\$6,613,720,000	\$7,903,720,000
PharMerica Corporation	KKR & Co. LP, Walgreens Boots Alliance Inc.	Aug. 1, 2017	\$1,363,490,000	\$1,376,990,000
Calpine Corporation	Canada Pension Plan Investment Board, Access Industries Inc., Energy Capital Partners	Aug. 17, 2017	\$17,315,890,000	\$17,337,720,000
Exactech Inc.	TPG Capital LP	Oct. 23, 2017	\$709,620,000	\$721,340,000
Barracuda Networks Inc.	Thoma Bravo LLC	Nov. 26, 2017	\$1,405,060,000	\$1,611,640,000
Kindred Healthcare Inc.	TPG Capital LP; Welsh, Carson, Anderson & Stowe; Humana Inc.	Dec. 19, 2017	\$4,171,180,000	\$4,399,620,000

“Enterprise Value” is used primarily in circumstances requiring a business valuation (such as in the acquisition of a target company) and reflects the economic value of a company at a point in time, typically based on an analysis of a company’s earnings or EBITDA multiplied by an appropriate multiple (usually determined based on the company’s industry). The average enterprise value for the 2015–17 Large-Market Transactions was approximately \$3.3 billion as compared to \$4.2 billion for the 2013–14 Large-Market Transactions.

“Equity Value,” on the other hand, is a measure of the value of a company’s common equity, typically on a fully diluted basis. Equity value can be expressed as the company’s enterprise value less its outstanding preferred stock and funded debt plus the company’s cash and cash equivalents. The average equity value for targets in the 2015–17 Large-Market Transactions was approximately \$3.5 billion as compared to \$3.7 billion for the 2013–14 Large-Market Transactions.

On average, for the 2015–17 Transactions, the target’s enterprise value was approximately 0.94 times its equity value.

Value: Middle-Market Transactions

Target	Acquirer	Signing Date	Enterprise Value	Equity Value
E2open Inc.	Insight Venture Partners Group LLC	Feb. 4, 2015	\$249,920,000	\$274,090,000
Saba Software Inc.	Vector Capital	Feb. 10, 2015	\$272,320,000	\$272,320,000
Procera Networks Inc.	KDR Holding Inc.	April 21, 2015	\$136,370,000	\$244,020,000
Frisch’s Restaurants Inc.	NRD Capital Management LLC	May 21, 2015	\$172,780,000	\$177,410,000
Tecumseh Products Company	Atlas Holdings LLC, DENO Investment Company II	Aug. 5, 2015	\$126,950,000	\$142,650,000
RealD Inc.	Rizvi Traverse Management LLC	Nov. 8, 2015	\$492,330,000	\$569,250,000
API Technologies Corp.	J.F. Lehman & Company	Feb. 28, 2016	\$306,680,000	\$311,200,000
Symmetry Surgical Inc.	RoundTable Healthcare Partners	May 2, 2016	\$142,170,000	\$153,410,000
Electro Rent Corporation	Platinum Equity	May 27, 2016	\$352,110,000	\$382,170,000
SciQuest Inc.	Accel-KKR LLC	May 30, 2016	\$375,600,000	\$487,040,000
Imprivata Inc.	Thoma Bravo LLC	July 13, 2016	\$496,900,000	\$521,030,000
Skullcandy Inc.	Mill Road Capital	Aug. 23, 2016	\$153,630,000	\$175,810,000
Accuride Corporation	Crestview Partners LP	Sept. 2, 2016	\$433,020,000	\$460,850,000
Nutraceutical International Corporation	HGGC LLC	May 22, 2017	\$426,540,000	\$432,680,000
ARI Network Services Inc.	True Wind Capital	June 20, 2017	\$137,830,000	\$143,380,000

Target	Acquirer	Signing Date	Enterprise Value	Equity Value
West Marine Inc.	Monomoy Capital Partners	June 29, 2017	\$290,660,000	\$337,630,000
NCI Inc.	H.I.G. Capital LLC	July 3, 2017	\$285,060,000	\$289,240,000
CDI Corp.	AE Industrial Partners LLC	July 31, 2017	\$154,210,000	\$173,390,000
Ruby Tuesday Inc.	NRD Capital Management LLC	Oct. 16, 2017	\$314,510,000	\$362,580,000
Bazaarvoice Inc.	Marlin Equity Partners LLC	Nov. 26, 2017	\$455,990,000	\$521,200,000

The average enterprise value for the 2015-17 Middle-Market Transactions was approximately \$289 million, as compared to \$279 million for the 2013-14 Middle-Market Transactions.

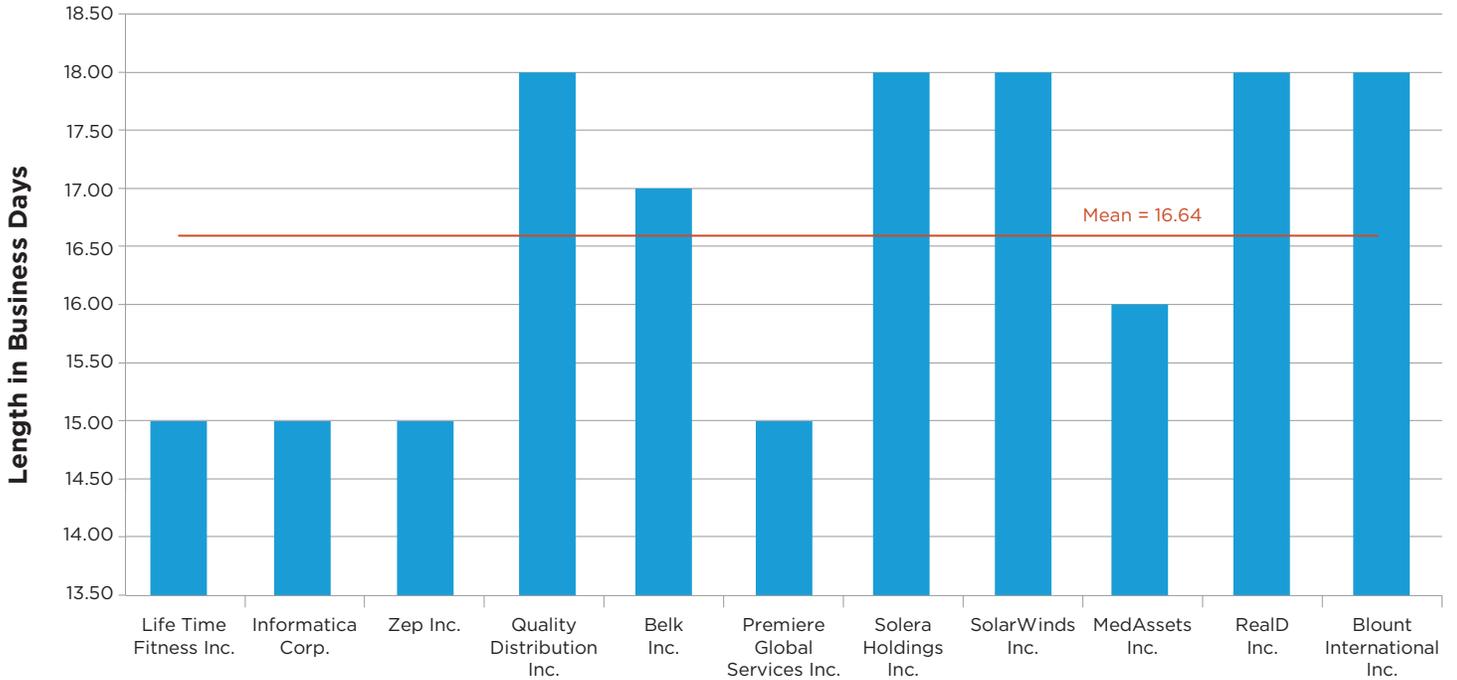
The average equity value for targets in the 2015-17 Middle-Market Transactions was approximately \$322 million, as compared to \$297 million for the 2013-14 Middle-Market Transactions.



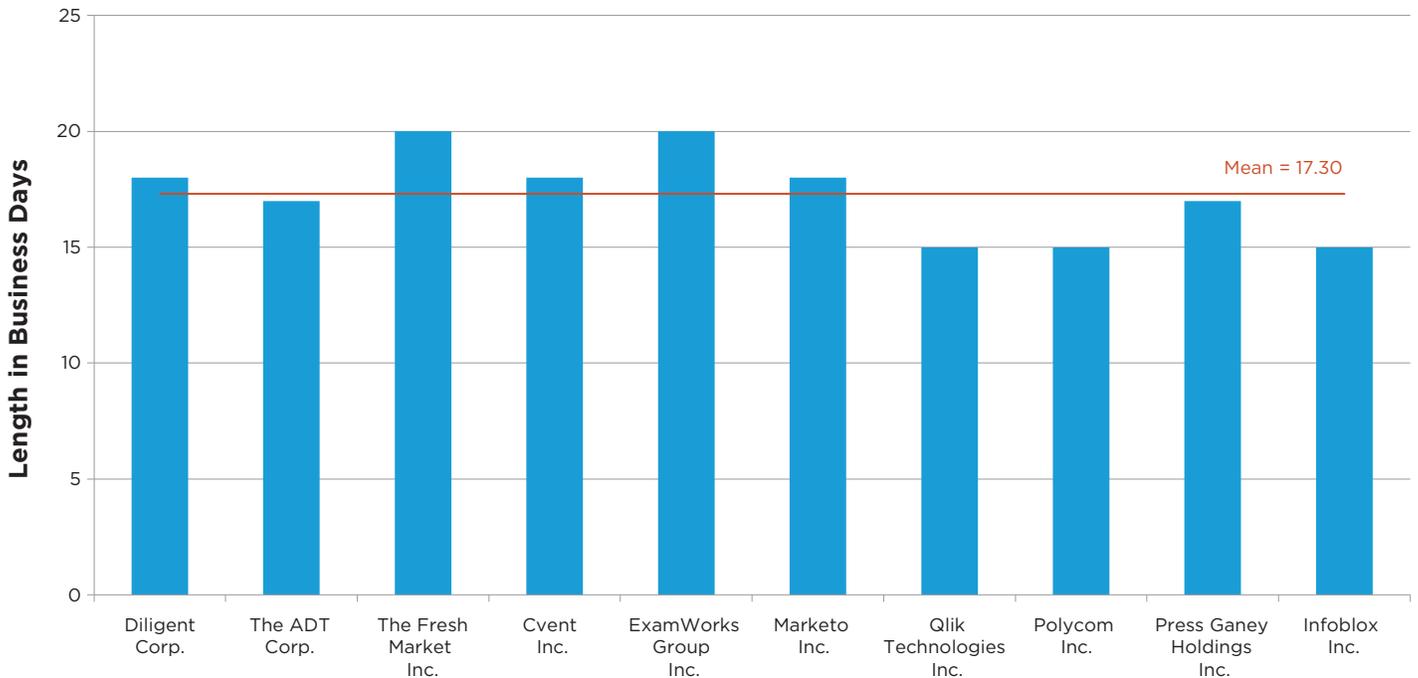
Appendix B — Marketing Periods

Business Days Mean

2015 - Marketing Period

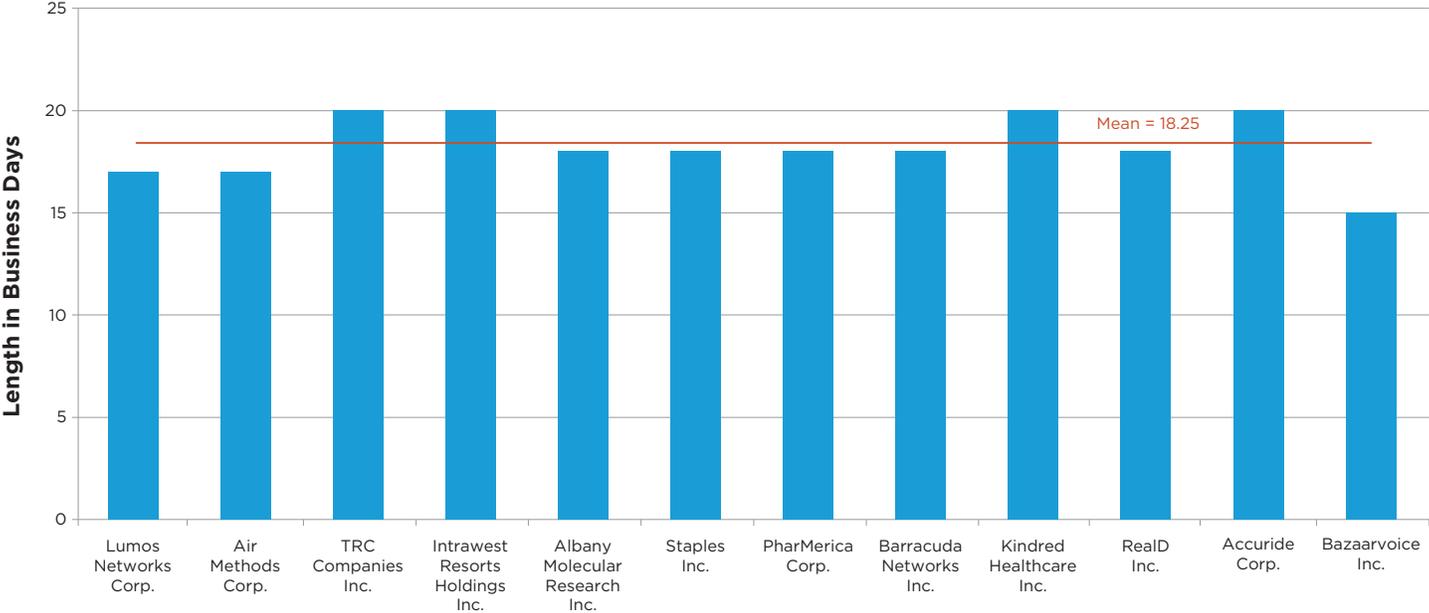


2016 - Marketing Period



Business Days Mean

2017 - Marketing Period





Appendix C — Break-Up Fees and Reverse Termination Fees¹¹

2015–17 Transactions

Target	Sponsor	Break-Up Fee	Break-Up Fee as % of Equity	RTF	RTF as % of Equity Value
E2open Inc.	Insight Venture Partners	\$9.0	3.28%	N/A	N/A
Saba Software Inc.	Vector Capital	\$8.1	2.99%	N/A	N/A
Life Time Fitness Inc.	Leonard Green & Partners LP, TPG Capital LP, LNK Partners	\$97.0	2.38%	\$167.0	4.10%
Informatica Corporation	Italics Inc., an affiliate of Permira Advisers Ltd.; Canada Pension Plan Investment Board	\$160.0	2.99%	\$320.0	5.99%
Zep Inc.	New Mountain Capital LLC	\$17.5	2.49%	\$33.8	4.80%
Procera Networks Inc.	KDR Holding Inc.	\$7.2	2.95%	N/A	N/A
Quality Distribution Inc.	Apax Partners LLP	\$16.7	2.07%	\$32.0	3.96%
Frisch's Restaurants Inc.	NRD Capital Management LLC	\$5.0	2.82%	N/A	N/A
Tecumseh Products Co.	Atlas Holdings LLC, DENO Investment Company II	\$3.6	2.52%	\$4.8	3.35%
Belk Inc.	Sycamore Partners	\$80.0	2.62%	\$165.0	5.41%
Premiere Global Services Inc.	Siris Capital Group LLC	\$19.7	1.97%	\$39.5	3.95%
Solera Holdings Inc.	Vista Equity Partners	\$114.4	1.69%	\$228.8	3.39%
Cablevision Systems Corp.	Altice NV	\$280.0	1.44%	\$560.0	2.88%
SolarWinds Inc.	Silver Lake Partners, Thoma Bravo LLC	\$159.0	3.43%	\$318.0	6.85%
MedAssets Inc.	Pamplona Capital Management LLP	\$58.6	2.11%	\$117.2	4.22%
RealD Inc.	Rizvi Traverse Management LLC	\$24.0	4.22%	\$29.0	5.09%
Blount International Inc.	American Securities, P2 Capital Partners LLC	\$14.7	1.66%	\$39.1	4.43%

¹¹ All dollar amounts are in millions.

Target	Sponsor	Break-Up Fee	Break-Up Fee as % of Equity	RTF	RTF as % of Equity Value
Apollo Education Group Inc.	Apollo Global Management LLC, The Vistria Group LP	\$12.5	1.08%	\$25.0	2.16%
Diligent Corp.	Insight Venture Management LLC	\$19.5	2.98%	\$33.4	5.12%
The ADT Corp.	Apollo Global Management LLC	\$228.0	1.83%	\$421.0	3.38%
API Technologies Corp.	J.F. Lehman & Company	\$3.5	1.12%	\$5.0	1.61%
The Fresh Market Inc.	Apollo Global Management LLC	\$34.0	2.44%	\$95.0	6.83%
Cvent Inc.	Vista Equity Partners	\$45.0	2.83%	N/A	N/A
Lexmark International Inc.	Apex Technology Co. Ltd., PAG Asia Capital, Legend Capital Management Co. Ltd.	\$95.0	2.54%	\$95.0 \$150.0	2.54% 4.01%
ExamWorks Group Inc.	Leonard Green & Partners LP	\$47.0	2.33%	\$94.0	4.65%
Symmetry Surgical Inc.	RoundTable Healthcare Partners	\$5.6	3.65%	N/A	N/A
Xura Inc.	Siris Capital Group LLC	\$22.5	2.84%	\$38.6	4.87%
Marketo Inc.	Vista Equity Partners	\$49.2	2.74%	N/A	N/A
Electro Rent Corp.	Platinum Equity	\$19.1	5.0%	N/A	N/A
SciQuest Inc.	Accel-KKR LLC	\$19.8 \$43.5	4.07% 8.93%	N/A	N/A
Qlik Technologies Inc.	Thoma Bravo LLC	\$103.4	3.46%	\$206.7	6.93%
Polycom Inc.	Siris Capital Group LLC	\$60.0	3.11%	\$130.0 \$150.0	6.74% 7.78%
Imprivata Inc.	Thoma Bravo LLC	\$13.6	2.61%	N/A	N/A
Press Ganey Holdings Inc.	EQT Partners Inc.	\$84.5	3.48%	\$124.0	5.11%
Skullcandy Inc.	Mill Road Capital	\$6.9	3.91%	N/A	N/A
Accuride Corp.	Crestview Partners LP	\$8.0	1.74%	\$12.0	2.60%

Target	Sponsor	Break-Up Fee	Break-Up Fee as % of Equity	RTF	RTF as % of Equity Value
Infoblox Inc.	Vista Equity Partners LLC	\$42.9	2.83%	\$101.3	6.70%
Lumos Networks Corp.	EQT Partners AB	\$16.1	1.71%	\$32.1	3.42%
Air Methods Corp.	American Securities LLC	\$51.6	2.07%	\$95.3	3.82%
TRC Companies Inc.	New Mountain Capital LLC	\$19.4	2.82%	N/A	N/A
Intrawest Resorts Holdings Inc.	Aspen Skiing Company LLC, KSL Advisors LLC	\$28.4	1.82%	\$66.2	4.24%
Xactly Corp.	Vista Equity Partners LLC	\$18.5	3.22%	N/A	N/A
Albany Molecular Research Inc.	GTCR LLC, The Carlyle Group LP	\$35.0	2.15%	\$75.0	4.60%
Staples Inc.	Sycamore Partners	\$171.0	2.16%	\$343.0	4.34%
PharMerica Corp.	KKR & Co. LP, Walgreens Boots Alliance Inc.	\$33.0	2.40%	\$56.6 \$113.3	4.11% 8.23%
Calpine Corp.	Canada Pension Plan Investment Board, Access Industries Inc., Energy Capital Partners	\$142.0	0.82%	\$100.0 \$335.0	0.58% 1.93%
Exactech Inc.	TPG Capital LP	\$25.8	3.58%	N/A	N/A
Barracuda Networks Inc.	Thoma Bravo LLC	\$48.3	2.99%	\$96.5	5.99%
Kindred Healthcare Inc.	TPG Capital LP; Welsh, Carson, Anderson & Stowe; Humana Inc.	\$29.0	0.66%	\$61.5	1.40%
Nutraceutical International Corp.	HGGC LLC	\$12.0	2.77%	\$24.0	5.55%
ARI Network Services Inc.	True Wind Capital Management LLC	\$4.8	3.32%	\$8.3	5.76%
West Marine Inc.	Monomoy Capital Partners	\$11.0	3.26%	\$17.0	5.04%
NCI Inc.	H.I.G. Capital LLC	\$11.3	3.89%	\$19.7	6.81%
CDI Corp.	AE Industrial Partners LLC	\$5.5	3.18%	N/A	N/A
Ruby Tuesday Inc.	NRD Capital Management LLC	\$7.5	2.07%	\$7.5	2.07%
Bazaarvoice Inc.	Marlin Equity Partners LLC	\$18.3	3.51%	\$26.1	5.01%



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Acknowledgements

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Representative Deals



Acquisition of stake in HSH Nordbank
Pending



Acquisition of 80% of BBVA's property portfolio
€4 billion
Pending



Sale of BBB Industries
August 2018



Acquisition of GE Healthcare unit
\$1.05 billion
July 2018



Acquisition of Sustainable Growth Advisers
July 2018



Merger to form Perspecta Inc.
June 2018



Acquisition of PricewaterhouseCoopers' U.S. public sector business
May 2018



Acquisition of Bazaarvoice Inc.
\$521 million
February 2018



Acquisition of stake in El Rancho Supermercado
November 2017



Acquisition of Assets of Club Exploria and Club Exploria Resorts
November 2017



Sale of OnX Enterprise Solutions
October 2017



Acquisitions of Community Health Systems and IASIS Healthcare
September 2017



Acquisition of RockPile Energy Services
July 2017



Sale of YP Holdings
July 2017



Acquisition of Tangoe Inc.
\$256 million
June 2017



Acquisition of Bushkill Group
May 2017



Sale of Charter NEX Films
May 2017



Acquisition of ABC Group Inc.
July 2016
Sale of ABC Group Inc.
November 2016



Acquisition of a portfolio of U.K. loans from Permanent TSB
£2.29 billion
November 2016



Acquisition of Teradata's Marketing Applications Business
\$90 million
July 2016



Acquisition of Renew Inc.
July 2016



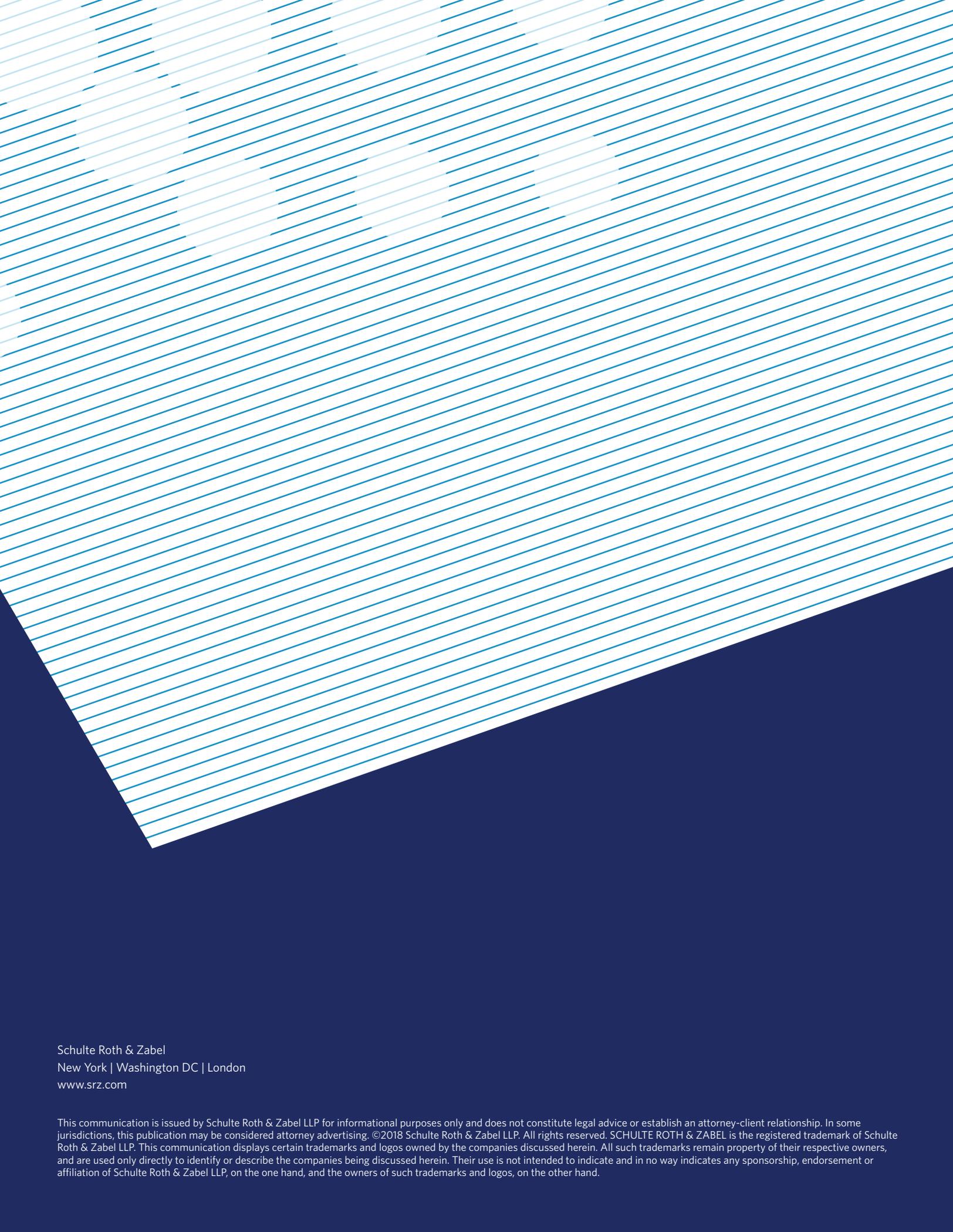
Acquisition of Trican Well Service Ltd.'s U.S. Assets
\$247 million
March 2016



Sale of Home Meridian International Inc.
\$100 million
February 2016



Acquisition of Safeway Inc.
\$9.2 billion
January 2015



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