



Capstone Partners

MAPPING, MODELING & SIMULATION

Q2 2017

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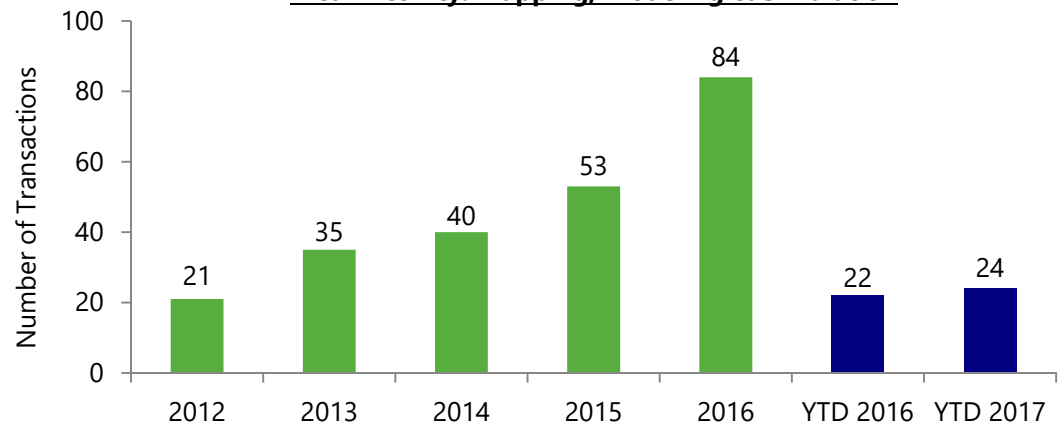
MERGER & ACQUISITION OVERVIEW

Following a year of record high deal volume in 2016, merger and acquisition (M&A) activity in the Mapping, Modeling & Simulation (MM&S) industry has made a promising start to 2017. Year-to-date, Capstone has identified 24 announced or closed acquisitions—putting deal volume on pace with the same period in 2016. Strategic buyers drove 73.7% of deal activity (14 transactions) in Q1 as they sought to acquire new technology, expand geographically and diversify their product offerings. The remaining 26.3% of deal activity (5 transactions) was made by private equity groups who sought to make platform or add-on acquisitions. Demand for MM&S software and applications in healthcare, government and defense, transportation, entertainment, aviation and space and other industries is expected to continue driving market growth and fuel M&A activity in the coming years.

Developing technology has created new capabilities in this sector for more immersive and interactive experiences and has spurred industry growth. As a result, an array of industries are utilizing MM&S. Specifically in simulation software the end-users are widely varied. For example, Virtual Reality (VR) headsets are being used to train soldiers for warfare, give tours to house hunters, teach children, treat patients and even as a novelty toy to attract customers to bars. Facebook has also announced it will utilize simulation technology for its new app Facebook Spaces. The platform will allow individuals to slip on a VR headset, log into their Facebook account and interact with friends. As this sector grows and leading players seek to dominate the market, Capstone expects robust M&A activity.

Another area growing rapidly is 3D mapping and modeling. These maps provide precise information on terrain and topography and are used for everything from mining operations to preparing for military missions in foreign theatres. Currently at \$1.6 billion, the Global 3D Mapping and Modeling market is expected to grow at an impressive compound annual growth rate (CAGR) of 38.5%, according to *Orbis Research*, reaching \$11.6 billion by 2022 and supporting, among others, the growth of the autonomous vehicle market.

M&A Activity: Mapping, Modeling & Simulation



Year-to-date (YTD) ended April 14

Sources: Capital IQ and Capstone Partners LLC Research

NOTABLE TRANSACTIONS

Several notable transactions have already been announced or completed in the MM&S industry this year. Select transactions are outlined below, followed by a more comprehensive list on the following table.

- ▶ **Palantir acquires Caesar Systems (March 2017)** – Data fusion platform developer Palantir Economic Solutions has agreed to acquire Caesar Systems, a provider of simulation software to the oil and gas industry. Terms of the deal were not disclosed. Trading as PetroVR, Caesar Systems has offices in Texas, Argentina and France. The acquisition will expand Palantir’s geographic presence, strengthen its staff and management team, and compliment its existing software.

"The combination of Palantir and PetroVR creates the best, most diversified oil and gas planning software company in the world," Ken Blott, President and CEO of PetroVR, stated in press release. "Together, the merged company will have the finest business and field development planning software designed for use by National Oil Companies, Majors, Super-Majors and Independent oil and gas companies operating unconventional, conventional, mature and deep water assets."

- ▶ **Hexagon acquires MSC Software Corporation (February 2017)** – Hexagon, a provider of information technology solutions for geospatial and industrial landscapes, has agreed to acquire MSC Software Corporation (MSC), a developer of multidiscipline simulation software solutions for engineers. The implied enterprise value of the deal is \$834.0 million. MSC has deep roots in the aerospace industry and was awarded a contract with NASA in 1965. Today, MSC is based in California and employs more than 1,300 professionals throughout 22 countries. MSC will continue to operate as a wholly owned subsidiary of Hexagon within its Manufacturing Intelligence (MI) division.

"Our mission continues to be laser-focused on driving leadership in simulation tools, with solutions from materials to systems," Dominic Gallelo, President & CEO of MSC commented in a press release. "We will continue to work toward delivering breakthrough value to our customers. Although our mission and roadmap does not change, we anticipate that our ability to offer additional process oriented solutions from design to manufacturing will be enhanced by joining forces with Hexagon."

In addition, the acquisition will strengthen Hexagon’s position in the simulation and analysis market and will diversify its product offerings.

"MSC represents a game-changer in our mission to deliver actionable manufacturing intelligence, taking us another step closer to realizing our smart connected factory vision in discrete manufacturing industries such as automotive and aerospace," said Hexagon President & CEO Ola Rollén in a press release. "We can now leverage the data our MI division is generating to improve design choices and processes upstream in the workflow. The acquisition will also open up new markets and touchpoints for MSC via our Process, Power & Marine division."

MAPPING, MODELING & SIMULATION: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
04/11/17	Sitemap	1Spatial	Provides geospatial software.	-	-	-
04/10/17	Nitero	Advanced Micro Devices	Develops chips that power VR headsets.	-	-	-
03/28/17	Caesar Systems	Palantir Economic	Provides simulation software solutions for the petroleum exploration and production industry.	-	-	-
03/15/17	Col-East International	Bluesky International	Provides aerial photography and photogrammetric mapping products.	-	-	-
03/07/17	GM&P	TecnoGlass	Offers 3D modeling and form-finding, advanced visualization and building information modeling.	\$35.0	0.3x	-
02/24/17	DigitalGlobe	SSL MDA	Provides earth-imagery, data and analysis.	\$3,401.6	4.7x	8.7x
02/02/17	MSC Software	Hexagon	Develops multidiscipline simulation software solutions for engineers.	\$834.0	-	-
01/31/17	IDV Solutions	Everbridge	Provides threat assessment and operational visualization software for organizations.	\$27.4	2.7x	-
01/31/17	DiSTI	Akoya Capital & Dos Rios	Provides 2D and 3D graphical user interface software and services.	CF	CF	CF
01/12/17	Impulsonic	Valve	Develops physics-based audio software solution for video games and VR.	-	-	-
01/11/17	DIYonline.com	MiTek Industries	Provides design and visualization software for the home improvement and building materials industry.	-	-	-
01/11/17	Joy Surveying Company	SGM	Offers geographical survey, mapping and aerial imagery.	-	-	-
01/10/17	Chiaro Technologies	Cognex	Develops 3D cameras for robotics, simultaneous location and mapping.	-	-	-
01/03/17	Floored	CBRE	Develops 3D modeling software for commercial and residential real estate companies.	-	-	-
12/21/16	Anderson & Associates	Hurt & Proffitt	Provides civil and environmental engineering, surveying and GIS services.	-	-	-
11/21/16	Vantage Vertical	Falcon	Offers aerial surveying, agricultural mapping, 3D mapping services and drone services.	-	-	-
11/04/16	NaturalPoint	Planar Systems	Offers products used for VR, robotics, movement science and animation applications.	\$125.0	-	-
11/03/16	VOKE	Intel	Delivers a virtual-reality solution for live actions and events, such as sports, concerts and fashion shows.	-	-	-
10/24/16	Eyefluence	Google	Develops an eye-interaction technology solution for controlling augmented reality, VR and mixed reality.	-	-	-
10/11/16	BDS Vircon	DBM Global	Provides building information modelling, steel detailing and rebar detailing services.	-	-	-
10/05/16	Advanced Technical	Draper Aden Associates	Offers 3D laser scanning, interactive building information modeling, mapping and seismic surveying.	-	-	-
10/04/16	Aerosim	L-3 Communications	Develops simulation-based training solutions.	-	-	-
10/03/16	Point Grey Research	FLIR Integrated Imaging	Designs digital cameras for industrial, medical and life science, traffic, biometric and GIS.	\$252.5	-	-
09/29/16	Cincinnati Land Surveying	CT Consultants	Provides surveying and construction staking services.	-	-	-
09/29/16	Sharecare Reality Lab	Sharecare	Develops a 3D software platform for digital health.	-	-	-

CAPSTONE PARTNERS: SELECT GOVERNMENT CONTRACTOR TRANSACTIONS

Capstone Partners has represented numerous companies that serve the needs of federal, state and local or foreign governments, as well as the needs of civilian and defense-related agencies. We understand the nuances associated with sole-sourced, multi-year or subcontracted awards, the value of partnerships, GWACs, IDIQs and GSA schedules. We have completed transactions requiring complex CIFIUS filings, ITAR registrations and contract negotiations, and those involving classified information. Our advisory work has included multiple industries and involved companies of diverse specialties, many of which sell in both the public- and private-sector markets. Capstone's professionals have completed transactions and/or developed sector-specific expertise in the following areas:

- ▶ Battlefield Simulation Software
- ▶ Biometric Identification Software Systems
- ▶ C4ISR Products & Services
- ▶ Cryptography
- ▶ Data Communication Systems
- ▶ Educational Training of Defense/Government Personnel
- ▶ Enterprise IT Support
- ▶ Enterprise Software Systems for State Governments
- ▶ First Responder Public Safety Software
- ▶ Geospatial Information & Analysis
- ▶ Infantry Back Packs
- ▶ Intelligence Data Processing/Decision Support
- ▶ Large Aperture, Deep-Space Antennas
- ▶ Military Infrastructure Construction
- ▶ Mobile & Flyaway VSAT Antennas
- ▶ Photogrammetry
- ▶ Post-Conflict/Disaster Support
- ▶ Remote Sensing Systems
- ▶ SATCOM Antennas
- ▶ Tactical Data Linking & Remote Monitoring
- ▶ Testing Body & Vehicle Armor, Explosives & Ordnance
- ▶ Trailers & Shelters for the Military
- ▶ Workforce Automation & Efficiency Tools

<p>CONFIDENTIAL</p> <p>Corporate Sale (IN PROCESS)</p> <p>MILITARY SIMULATION TRAINING</p>	<p>CONFIDENTIAL</p> <p>Corporate Sale (IN PROCESS)</p> <p>AUDIO/VIDEO & IP CONNECTIVITY PRODUCTS</p>	<p>DiSTI[®]</p> <p>has been acquired by</p> <p>A K O Y A DOS RIOS PARTNERS</p>	<p>ON POINT TECHNOLOGY, INC.</p> <p>has been acquired by</p> <p>cp Lakeshore Capital Partners</p>	<p>Vardney TECHNICAL PRODUCTS, INC.</p> <p>has been acquired by</p> <p>CMG OM Group</p>	<p>HDM A HUNTER GROUP COMPANY</p> <p>has been acquired by</p> <p>THE FIRST AMERICAN CORPORATION The First American Corporation</p>
<p>Eii</p> <p>has been acquired by</p> <p>ESSI</p>	<p>Autometric, Incorporated</p> <p>has been acquired by</p> <p>BOEING</p>	<p>ATRIOT Antenna Systems</p> <p>has been acquired by</p> <p>COBHAM Defense Electronic Systems</p>	<p>H.P. White Laboratory</p> <p>has been acquired by</p> <p>Intertek</p>	<p>Vitronics Inc.</p> <p>has been acquired by</p> <p>WTB Technologies</p>	<p>ADVANCED ARMAMENT TECHNOLOGY</p> <p>controlling interest has been acquired by</p> <p>L-1 INVESTMENT PARTNERS, LLC</p>
<p>ProLogic INCORPORATED</p> <p>has been acquired by</p> <p>Ultra ELECTRONICS</p>	<p>AMERICAN ENGINEER UNIVERSITY</p> <p>has been acquired by</p> <p>JLL</p>	<p>MSI MOBILIZED SYSTEMS INC.</p> <p>has been acquired by</p> <p>ESSI</p>	<p>Command System, Inc.</p> <p>has been acquired by</p> <p>GENERAL DYNAMICS Stronger On Your Side</p>	<p>TRITECH SOFTWARE SYSTEMS</p> <p>has been acquired by</p> <p>TRITECH</p>	<p>MilesTek[®]</p> <p>has been acquired by</p> <p>CASTLE ISLAND PARTNERS, LLC</p>

THE GOVERNMENT & DEFENSE TEAM



Ted Polk, Managing Director
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Ted is Managing Director and Head of the Central Region at Capstone, based out of Chicago. Prior to Capstone, Ted ran the corporate finance practice in the Central region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. He has over 20 years of experience, having completed strategic sale and recapitalization transactions across a variety of industries. Ted is a frequent public speaker on the topic of business exits and recapitalizations of privately owned businesses. In 2008, Ted was recognized by The M&A Advisor for the Cross-Border Middle-Market Deal of the Year. In 2009, another of his transactions was recognized as the Middle-Market M&A Financing Deal of the Year and in 2011 he was recognized for lead-managing the Middle-Market Deal of the Year. Previously, Mr. Polk worked at Valuometrics, Inc. and in the Corporate Banking Group at The Bank of New York. Ted received his BSBA degree from Georgetown University and MBA from the University of Chicago. He is a Chartered Financial Analyst (CFA), a Series 7 and 63 Registered Securities Representative, and a Series 24 Registered Securities Principal.



Lisa Tolliver, Director
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Lisa has over 18 years of experience in the investment banking industry, primarily focused on advising middle market private business owners in liquidity related transactions. As a Director based in Capstone's Chicago office, she works closely with clients to advise and execute domestic and cross-border M&A transactions, recapitalizations and capital raises. Prior to Capstone, Lisa worked in the Capital Strategies Group at Morgan Stanley Smith Barney and also spent 10 years working for the middle market investment banking arm of Citigroup, where she was involved in the evaluation, marketing and closing of numerous transactions involving private businesses and corporate divestitures. Over her career, Lisa has developed M&A expertise in several industry sectors including technology-enabled business services, consumer products, ecommerce and government & defense. Lisa received her BA on academic scholarship from Illinois State University and is a Series 7 and 63 Registered Securities Representative.



Parker Dwyer, Associate
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Parker is an Associate in Capstone's Chicago office, working closely with private business owners to execute and optimize corporate finance transactions. Prior to joining Capstone, Parker was an Associate in Deloitte's Business Valuation practice, specializing in enterprise, equity and intangible asset valuations across multiple industries including consumer, industrials, manufacturing and healthcare. Parker received his BA in Finance from the University of Notre Dame and is a Series 79 and 63 Registered Investment Banking Representative.

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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is an award-winning investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Over the past 15 years, Capstone has earned a reputation as one of the most innovative firms in the industry, offering corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. The firm maintains seven industry practices, including: Business Services, Consumer Products, Education & Training, Government & Defense Services, Health & Medical, Industrial & Manufacturing, and Technology & Telecom. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

**For more information
about our expertise,
please visit
www.capstonellc.com**



Capstone Partners

World Class Wall Street Expertise. Built for the Middle Market