

Plasticity 2017

Anaheim, California

May 9, 2017



A BIG CONVERSATION ON THE FUTURE OF PLASTIC

STIFEL

Discussion Topics

- I. Plastic Market Trends**
- II. Key Themes In Recycling**
 - A. Why Companies are Interested in Recycling
 - B. Factors Affecting Global Recycling
- III. Company Case Studies**
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 - C. United States
 - D. Asia
 - E. Sino-European Partnership
- IV. Relative Valuation**

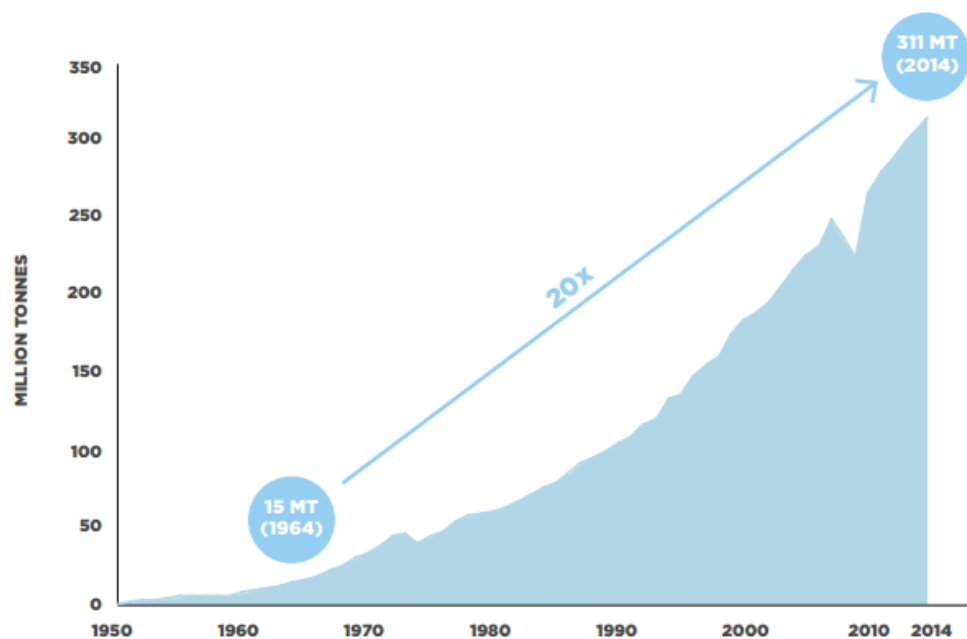
Plastic Market Trends

Global Plastic Market Sizes

Global Plastics Market

The use of plastics has increased 20x in the past 50 years and is expected to double again in the next 20 years (represents a ~5% CAGR)

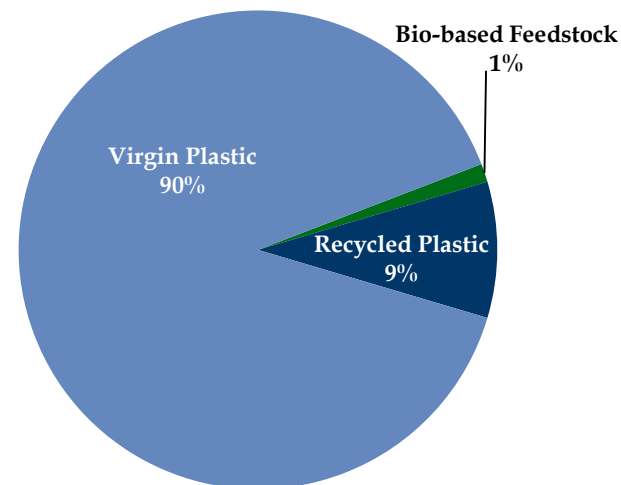
Figure 1: Growth in Global Plastics Production 1950–2014



Note: Production from virgin petroleum-based feedstock only (does not include bio-based, greenhouse gas-based or recycled feedstock)
Source: PlasticsEurope, Plastics – the Facts 2013 (2013); PlasticsEurope, Plastics – the Facts 2015 (2015).

Recycled Plastics Market

Recycled plastics expected to grow and gain share from virgin plastics:



2013 Production by Source Material

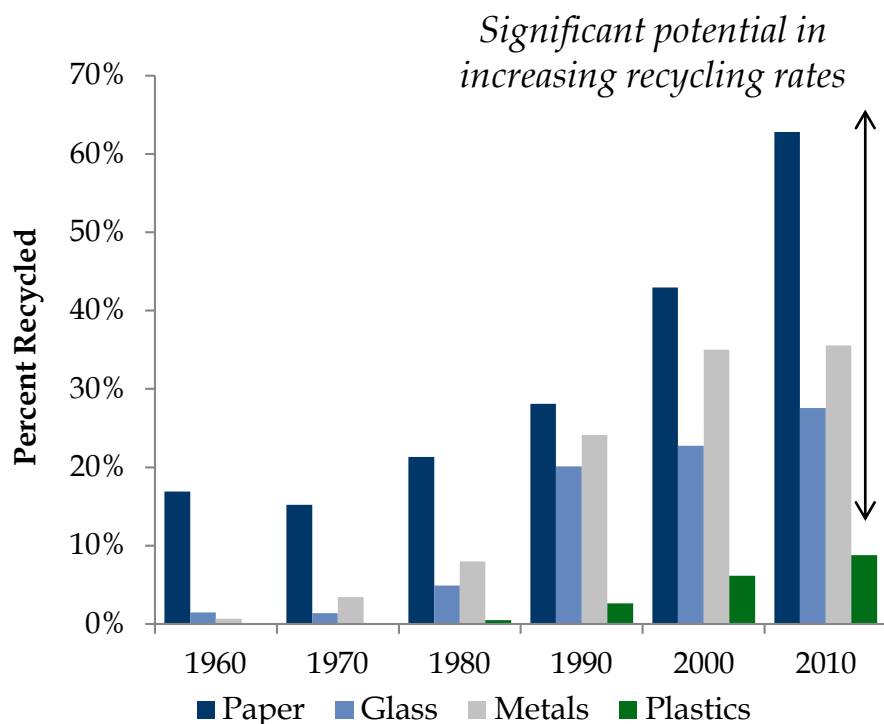
Expected CAGR of 13.5% for recycled plastics through 2020 far outpaces ~5% average growth for virgin

Plastic Market Trends

Abundance of Plastic-Rich Waste due to Low Recycle Rates

Recycle Rates By Decade

The recovery rate of thermoplastics is less than 10% compared to greater than 90% for metals from the exact same waste streams



Value

- After a short first-use cycle, 95% of plastic packaging material value, or \$80–120 billion annually, is lost to the economy
- Additional negative environmental externalities are estimated to cost at least \$40 billion a year

Opportunity

- Abundance of “above-ground mines” with undervalued plastic-rich content



Challenges

- Complexity of plastic waste streams
- Technology and know-how to effectively separate resin types at scale

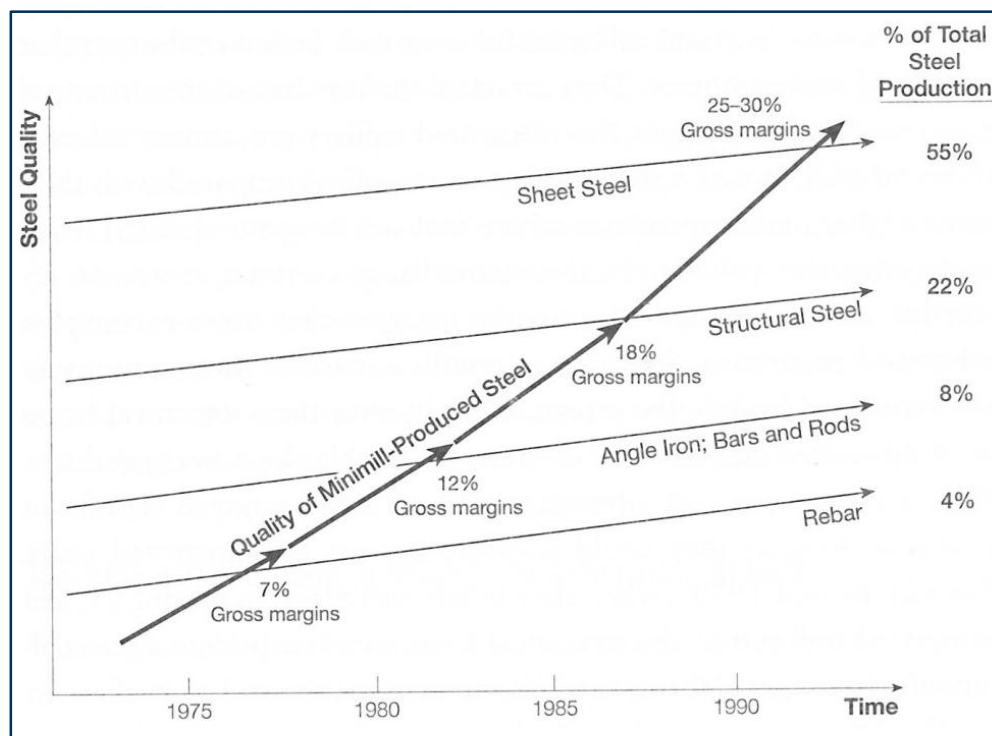
Source: Publicly available estimates, Triple Pundit, PlasticsEurope.

Plastic Market Trends

Parallel to Steel Minimills and Recycled Steel

The Up-Market Migration of Steel Minimills

Since the introduction of the first minimills and steel recycling, the quality of recycled steel has improved significantly and now comprises a significant portion of total steel production in high margin products



Source: American Iron and Steel Institute.

Parallels from Steel to Plastics

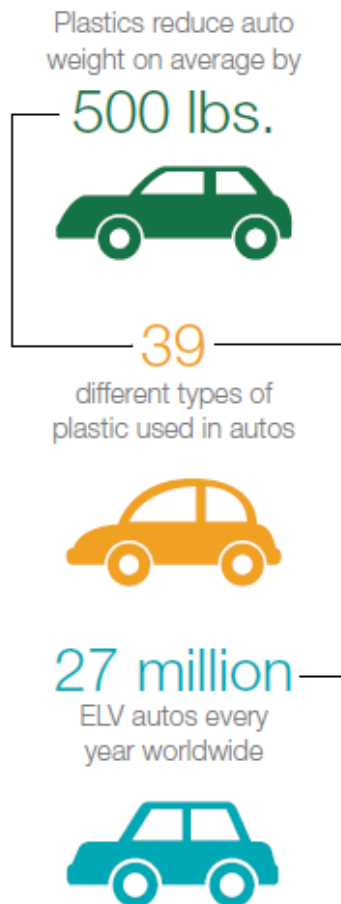
- Plastics is one of the biggest waste challenges/very little plastic gets recycled, as was the case for steel once
- Significant value in plastics waste (4-5x greater than steel on a \$/MT basis)
- Recycled plastics comprises less than 10% of global plastics production vs. >50% in steel productions
- Recycled content is set to increase as manufacturers become increasingly aware of the quality/economic/sustainability benefits of utilizing recycled plastics

Recycled Plastic Products

- Plastic Quality ↑
- Surface parts, 100% PCR content (higher margin)
 - Non-visible plastic components, requires virgin blends
 - Flower pots, bins, etc.
 - Plastic Lumber, pallets, spot market, etc. (lower margin)

Plastic Market Trends

Increase of Recycled Plastics in Automobiles



- Amount of plastics in automobiles has drastically increased: Today, plastics make up about 50% of a modern car's volume but only 10% of its weight
 - By 2020, IHS estimates the avg. car will incorporate about 770 pounds of plastic by weight compared to the 440 pounds averaged in 2014
- With the increased use of plastics, more attention is given to what happens to those plastics after its useful life
- However, with about 39 different types of plastics being used, **recycling those vehicles at their end-of-life is a major challenge**
 - 66% of the plastic comes from PP (32%), PE (17%), and PVC (16%)
- Quality of recycled materials have improved, increasing the ability to use recycled plastic for new components – reducing costs
 - Companies like Chrysler, Honda, Ford, Toyota, Nissan, GM, Mercedes and BMW are increasing the amount of recycled plastic content that goes into their vehicles, particularly new models

Key Themes In Recycling

Why Companies are Interested in Recycling....

1. Control of supply chain and costs (commodity prices likely to make a comeback)
 - Diversification of raw materials/decreased dependence on oil
 - Decreased exposure to volatility in oil prices
2. Abundant availability of raw recycled plastic material at attractive economics due to:
 - A. Increased production and use of plastic
 - Large quantities of post-consumer goods with high plastic content
 - B. Improved collection systems, technology, and initiatives
 - Availability of “purer” recycled raw material
 - C. Ability to achieve quality and pricing at similar levels to virgin material
3. Increased costs, regulations and restrictions around disposal of waste (notably Europe)
 - Landfill costs and environmental regulations increasing
4. Increased consumer demand and awareness for environmentally friendly products
 - Marketing and advertising tool
 - Rise of rankings/evaluation tools (EPEAT/Eco-labels) to aid consumers
5. Increased use/trust of recycled content in applications and end-markets
 - Quality/standards of recycled products have increased
 - Auto – increasingly consist of more % plastics and accepting of recycled content
 - Food packaging
6. Regulatory imperatives for sustainability and environmental responsibility (Europe)
 - WEEE directive, ELV Directive, etc.
 - New Plastics Economy initiative (Ellen MacArthur Foundation)

Key Themes In Recycling

Factors Affecting Plastic Recycling

1. Low Commodity Prices (oil)
 - Limited economic incentive
2. Import legislation in China (Green Fence and National Sword) presents:
 - Challenges for Western waste exporters and creates a surplus of raw recycled material outside of China
 - Presents huge business opportunity
 - China partnering with Western nations
 - Improved domestic collection and cheaper RM supply in China
 - Chinese companies becoming more involved in recycling
3. Know-how, Technology, and Expertise
 - Plastics are complex and hard to recycle at a large scale due to their properties
 - Companies that have developed technology and “cracked the code” in plastics recycling may command premium consideration

Company Case Studies

Global: Veolia

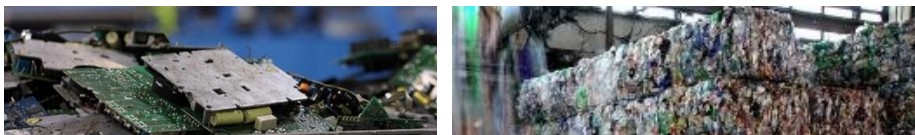
Company Overview

- Headquarters: Paris, France
- Employees: 150,000+
- CEO: Antione Frérot
- Public Company founded in 1853
- Operates through Water, Waste, and Energy businesses
- Closed loop plastics recycling operations in Germany, the Netherlands, Sweden & Switzerland



Other Recycling Operations

- German facility recycles 1 billion PET plastic bottles annually without using a melting stage (50% of recycled PET can be used to produce new bottles)
- Subsidiary Triade Electronique in France operates a facility able to process 80,000 tons of WEEE per year
 - ▶ Recycle more than 80% of almost all types of WEEE
 - ▶ Recovery rates: 94% for large appliances, 91% for small appliances and 88% for screens
 - ▶ 99% purity rate guaranteed



Recent M&A Activity

7/4/16 - Acquired the manufacturing assets of Closed Loop Recycling in London

- Will collect 200 million plastic bottles and turn into 10,000 tonnes of food grade HDPE pellets annually

9/4/15 – Acquired Dutch plastics recycling company AKG Kunststoff

- Recycles polypropylene plastics from industrial and household waste with innovative technology (capacity is anticipated to be 75,000 tonnes per year)

Other Recycling Efforts

- Developing solutions to treat waste from electrical and electronic equipment (WEEE) for over 15 years
- Core Partner of the New Plastics Economy initiative (led by the Ellen MacArthur Foundation), a 3 year initiative to build momentum towards a sustainable plastics system
- Also involved in the recycling of ferrous/non-ferrous metals, waste-to-energy solutions, as well as innovative waste sorting solutions

Company Case Studies

Europe: Ravago

Company Overview

- Headquarters: Belgium
- Employees: 5,500
- CEO: Theodoros Roussis
- Family Company founded in 1961
- Serves 40,000 customers in 55 countries
- 4 million metric tons of annual polymer sales
- 30 manufacturing facilities
 - ▶ 19 recycling & compounding plants in N. America and Europe – Capacity of 500,000 metric tons
 - ▶ 11 production plants offering finished products



Company Origin & History in Recycling

- Founded by Raf Van Gorp in 1961
- Bought the site of a dynamite company in Belgium
- Raf intended to recycle production waste from the plastics producing petrochemical companies
- Afterwards, the company served the petrochemical industry as a distributor and reseller of plastic resins before diversifying into production and distribution of building products
- Today, recycling & compounding are Ravago's largest activity

Company Mission:

"We define our mission as a sustainable service."

Recent M&A Activity in Recycling

9/2/16 - Acquisition of Industrial Resin Recycler (IRR)

- IRR, based in Michigan is focused on post-industrial plastics, including PVC, PE, polycarbonate and PP
- Handles 40mm pounds of post-industrial plastics
- Acquisition expands Ravago's recycling platform and gives greater access to feedstock for its recycled resins, including recycled PP and PE
- *"As we expand our commitment to recycling, we see this acquisition as a critical next step in our ability to offer customizable solutions to the market where we can manage the entirety of the recycling ecosystem including collection, conversion, and the sale of recycled resins,"*
- Ravago Americas, President and CEO Jim Duffy



Other Recycling Efforts

- Ravago joined the Healthcare Plastics Recycling Council (HPRC) in 2015
- Started a partnership with Royal DSM (Life/Material Sciences) to develop recycled compounds in 2013



Company Case Studies

United States: Consolidated Container Company and Placon Corporation

Consolidated Container Company

- Headquarters: Atlanta, GA
- Employees: 2,300
- CEO: Sean R. Fallmann
- Acquired by Bain Capital in 2012
- 57 total manufacturing facilities (2 recycled resin)
- Loews Corp. announced agreement to acquire CCC for \$1.2bn on April 11, 2017



Recent M&A Activity

6/17/14 – CCC acquires plastics recycling companies Envision Plastics and Ecoplast Corp.

- Envision - 2 facilities for recycled HDPE resin production
- Ecoplast – supplies recycled and custom resins; oldest thermoplastics recycler in California

“We believe that recycling and sustainability are megatrends in the economy.. We believe that recycling is both a good financial investment and an important industry for our society.”

– Seth Meisel, Managing Director of Bain Capital

4/11/17 – Loews Corp. announced agreement to acquire CCC for \$1.2bn on April 11, 2017

Placon Corporation

- Headquarters: Madison, WI
- Employees: ~600
- CEO: Dan Mohs
- Family-owned company founded in 1966
- Operates 4 facilities
- One of the largest vertically integrated designers, thermoformers and injection molders of light gauge rigid plastic packaging



Plastic Recycling Efforts

- As early as the 90's, it extruded/thermoformed post-consumer recycled PET into retail plastic clamshells to help mitigate the dependence on virgin, petroleum-based materials
- Opened state-of-the-art PET recycling facility in 2011
- Facility processes 1+ billion recycled PET bottles and turns them into new non-food and FDA LNO food-grade PCR PET extruded rollstock using the EcoStar Brand:



Company Case Studies

Asia: Kingfa and Wistron

Kingfa Company Overview

- Headquarters: Guangzhou, China
- Employees: ~6,000
- General Manager: Nan Jing Li
- Public Company founded in 1993
- Largest Chinese plastic compounder
- Expanded production into Europe, the U.S. and India
- Plan in 2014 was to reach \$4.2bn in recycling sales by 2018



Kingfa Efforts in Recycling

In 2012, Kingfa produced 150,000 to 160,000 metric tons of recycled-content plastic using about 100,000 metric tons of plastic scrap

- At this time, their internal goal was to quintuple its plastic recycling to reach 500,000 metric tons by 2015

Established a newly formed plastics recycling business with a 455-acre recycling plant in 2014

- The plant is expected to process 1 million tons of plastics waste, mostly PS, PP and PE

Wistron

- Headquarters: Taiwan
- Employees: ~60,000
- CEO: Simon Lin
- Public Company founded in 2001
- Operations in the Americas, Europe and Asia which consist of 25 locations



Wistron Efforts in Recycling

In May 2014, Wistron and Dell announced a partnership for a sustainable e-waste recycling solution

- 3rd party certified (by UL Environment) closed-loop recycled plastics used for Dell computers
- Wistron subsidiary in Texas collects circuit boards and batteries while subsidiary in China serves as a post-consumer resin recycler and compounder who supplies finished recycled plastic materials
- Dell reported that it used 14.1 million pounds of post-consumer plastics in its products in 2016 (about 75% came from plastics on the market and 25% came from its own recovered e-plastics)

Company Case Studies

Sino-European Partnership: Alba and Techcent Joint Venture

Alba Company Overview

- Headquarters: Berlin, Germany
- Employees: ~75,000
- CEO: Alex Schweitzer
- Private Company founded in 1968
- Operates under 2 brands in Europe and Asia:
 - ▶ Alba – Waste management; extraction/marketing of secondary raw materials; and operates recycling/manufacturing plants
 - ▶ Interseroh – Take-back and recycling loop systems for packaging/products



Alba/Techcent Joint Venture Overview

- Facility: Advanced waste electrical and electronic equipment (WEEE) treatment and recycling facility
 - ▶ Large household appliances such as refrigerators, air conditioners, televisions, washing machines and computers
- Location: Southeast Asia
- Ground-breaking: January 2016
- Majority owned by Alba (60%)



Alba Recycling Overview

- ALBA operates several advanced sorting & recycling plants in E-waste recycling that use a combination of mechanical & manual processing
- Capacity: Recycled ~5.5 million tons of different raw materials to save more than 51.8 million tons of raw materials through its recycling activities in 2015

Techcent Perspective

"The ALBA technology enjoys an excellent reputation in China. Based on our experience in our home market, we jointly aim to take recycling to the state of the art level in China"

- Deng Xiang, managing partner at Techcent.

Relative Valuation

Selected Illustrative Public Comparables

	Stock Price			Market Value		Valuation Multiples						Growth Data		
	5/5/17	Above	Below	Equity	Ent.	EV/Rev		EV/EBITDA		P/E		LTG	PEG	
		Low	High	Value	Value	CY16	CY17	CY16	CY17	CY16	CY17	Rate	CY16	CY17
Enviro. Services / Recycling														
Veolia	\$20.64	25%	10%	\$11,317	\$20,614	0.8x	0.8x	7.0x	5.9x	35.5x	18.1x	10%	3.6x	1.8x
Suez	\$18.13	30%	0%	\$10,229	\$20,879	1.3x	1.2x	9.3x	7.0x	24.5x	20.3x	12%	2.0x	1.7x
Stericycle	\$87.00	22%	19%	\$7,418	\$10,245	2.9x	2.8x	12.6x	11.5x	41.8x	18.8x	8%	5.5x	2.5x
Covanta	14.30	6%	17%	1,876	4,532	2.7x	2.7x	13.8x	11.0x	N.M.	N.M.	N.M.	N.M.	N.A.
Clean Harbors	61.33	43%	0%	3,509	4,845	1.8x	1.7x	12.4x	10.6x	N.M.	N.M.	3%	N.A.	N.A.
JSR Corp	17.91	57%	5%	3,984	3,407	1.1x	0.9x	8.8x	7.3x	17.6x	16.6x	3%	5.4x	5.1x
Tetra Tech	46.00	64%	2%	2,679	2,854	1.4x	1.3x	13.6x	11.3x	30.9x	20.1x	14%	2.3x	1.5x
US Ecology	51.80	36%	4%	1,137	1,402	2.9x	2.8x	12.8x	11.5x	33.0x	29.6x	8%	4.2x	3.8x
Renewi	1.28	40%	14%	1,028	1,457	1.5x	0.8x	14.1x	7.8x	25.7x	19.9x	22%	1.2x	0.9x
Heritage-Crystal	14.90	55%	11%	338	356	1.0x	1.0x	11.1x	7.8x	N.M.	23.4x	21%	N.A.	1.1x
Hudson Tech	7.10	130%	16%	309	269	2.6x	1.8x	12.7x	8.8x	23.7x	16.7x	N.A.	N.A.	N.A.
Vertex Energy	1.02	13%	43%	33	45	0.5x	0.4x	N.M.	7.2x	N.M.	N.M.	20%	N.A.	N.A.
3rd Quartile		55%	17%	\$4,843	\$6,195	2.58x	2.0x	13.2x	11.1x	33.6x	20.3x	18%	4.8x	2.8x
Mean		43%	12%	\$3,655	\$5,909	1.7x	1.5x	11.6x	9.0x	29.1x	20.4x	12%	3.5x	2.3x
Median		38%	11%	2,278	3,130	1.5x	1.3x	12.6x	8.3x	28.3x	19.9x	11%	3.6x	1.7x
1st Quartile		24%	4%	855	1,140	1.1x	0.9x	10.2x	7.2x	24.3x	18.1x	8%	2.2x	1.4x

Source: CapIQ.

Relative Valuation

Selected Illustrative Precedent Transactions

Announced Date	Target	Business Description	Acquiror	Enterprise	EV / LTM		EBITDA
				Value (\$mm)	Sales	EBITDA	Margin
04/11/17	Consolidated Container Company LLC	Manufactures and supplies rigid plastic packaging solutions.	Loews Corporation	1,200.0	NA	NA	NA
04/11/17	ClearCircle Environmental Limited	Offers resource recovery and resource management services.	Not Disclosed	31.5	0.3x	2.9x	10.0%
04/05/17	DCC Environmental Limited	Provides waste management and recycling services to the industrial/commercial construction and public sectors.	Exponent Private Equity LLP	273.2	NA	NA	NA
03/17/17	Advanced Environmental Recycling Technologies	Develops and commercializes technologies to recycle waste polyethylene plastics.	Oldcastle Architectural, Inc.	102.4	1.2x	7.2x	16.7%
02/15/17	Container First Services	Provide industrial, commercial, and residential waste and recycling services.	Meridian Waste Solutions, Inc.	41.4	1.7x	NA	NA
11/11/16	Trinity Recyclers, LLP	Operates as an electronic waste recycling company in Laguna Niguel, California.	Green Tree Electronics Recycling	NA	NA	NA	NA
10/03/16	Stena Recycling AB	Offers recycling services for companies internationally.	Växjö Aktrans AB	NA	NA	NA	NA
10/03/16	Rizzo Environmental Services, Inc.	Provides waste control services to home and business owners in the metro Detroit area.	GFL Environmental Inc.	NA	NA	NA	NA
09/02/16	Industrial Resin Recycling, Inc.	Recycles plastic products.	Ravago Holdings America, Inc.	NA	NA	NA	NA
07/07/16	Van Ganssewinkel Groep B.V.	Provides waste collection and recycling services.	Shanks Group plc (nka:Renew i plc)	569.8	NA	NA	NA
07/04/16	Closed Loop Recycling	Recycles HDPE plastic bottles in London.	Veolia	NA	NA	NA	NA
06/26/16	NOVAGO Sp. o.o.	Provides waste management services for municipalities	China Everbright International Limited	131.2	3.9x	NA	NA
05/16/16	ENER-G Cogen International Limited	Operates and supplies combined heat and power solutions for industrial and commercial customers.	Centrica plc	208.8	NA	NA	NA
04/13/16	Selot Environment (Shanghai) Co., Ltd.	Provides waste recycling services.	Sound (Tianjin) Renewable Resources	24.0	1.3x	NA	NA
02/04/16	EEW Energy from Waste GmbH	Engaged in waste incineration, and the production of power and heat from waste.	Beijing Enterprises Holdings Limited	1,608.2	NA	NA	NA
02/03/16	Suzhou Baina Renewable Resources	Recycles waste paper, scrap metals, and consumable wastes.	Dejuxin Technology Co., Limited	20.2	3.8x	NA	NA
12/31/15	Integrated Waste Solutions Group	Provides waste recycling and waste solutions services.	Chow Tai Fook (Holding) Limited	60.6	1.5x	NM	NM
11/05/15	Rock River Environmental Services, Inc.	Provides waste disposal and composting, waste hauling and recycling, and environmental services.	Waste Connections US, Inc.	225.0	3.0x	NA	NA
10/29/15	Fuyang Shen-neng Solid Waste Recycling	Engages in the regeneration and recycling of non-ferrous metals and solid waste.	Beijing Orient Landscape and Ecology	383.9	1.0x	NA	NA
07/20/15	Energy Developments Limited	Engages in the development and operation of power generation projects.	DUET Group	1,414.2	4.4x	9.0x	48.5%
06/16/15	ECO Industrial Environmental Engineering	Provides waste management services.	Beijing Capital (Hong Kong) Limited	183.0	4.4x	NA	NA
05/04/15	Laibin Zhongke Environmental Power	Operates waste-to-energy power plant that generates electricity.	Dongguan Kewei Environmental Power	11.8	1.9x	NA	NA
12/23/14	Newalta Corporation, Industrial Division	Provides environmental and recycling solutions.	Birch Hill Equity Partners Management	258.0	NA	NA	NA
12/08/14	Essencis Soluções Ambientais S.A.	Provides waste management and treatment, and environmental recovery solutions.	Solvi Participações S.A.	384.3	3.3x	NA	NA
04/07/14	EQ Parent Company, Inc.	Operates as an integrated environmental services company in North America.	US Ecology, Inc.	604.6	1.7x	15.3x	11.1%
08/23/13	Rothsay Ltd.	Engages in collecting, processing, and recycling edible and inedible food and animal by-products.	Darling International Inc.	614.3	4.0x	7.2x	55.3%
06/17/13	AVR Afvalverwerking B.V.	Converts waste into process steam, district heat, and electricity.	Cheung Kong (Holdings) Limited	1,258.3	3.7x	8.7x	42.2%
05/02/13	Fulghum Fibres, Inc.	Provides fibre processing services for wood chips production.	Rentech, Inc.	125.9	1.2x	7.6x	15.9%
01/31/13	Greenstar, LLC	Provides recycling solutions in the recycle processing, commodity upgrading, services, and commodity trading.	WM Recycle America, LLC	210.0	NA	NA	NA
11/16/12	Choice Environmental Services, Inc.	Offers solid waste collection, recycling, processing, and disposal services.	Waste Services Of Florida, Inc.	125.0	1.7x	NA	NA
10/25/12	Beijing China Sciences General Energy & Enviro	Provides services for financing, building, operation, and support for environmental solutions.	Anhui Shengyun Environment-Protection Gro	106.0	NA	NA	NA
07/23/12	SKB Environmental, Inc.	Provides solid waste processing, recycling, hauling, and waste disposal services in Minnesota.	Waste Connections US, Inc.	86.8	2.9x	NA	NA
07/18/12	Veolia ES Solid Waste, Inc.	Provides a range of solid waste services.	Advanced Disposal Services South	1,909.0	2.3x	NA	NA
05/25/12	TerniGreen S.p.A.	Operates in the environmental, technology, and metals businesses in Italy.	TerniEnergia S.p.A.	21.3	1.5x	6.2x	23.7%
03/08/12	Thermo Fluids, Inc.	Provides environmental and oil recycling services in the Western United States.	Heckmann Corporation	245.0	2.2x	8.1x	26.6%
02/14/11	Choice Environmental Services, Inc.	Choice Environmental Services, Inc. offers solid waste collection, recycling, processing, and disposal services.	Swisher Hygiene Inc.	98.2	2.0x	11.7x	17.0%
07/06/09	Veolia ES Waste-to-Energy, Inc.	Operates and maintains waste-to-energy (WTE) plants in North America.	Covanta Holding Corporation	450.0	NA	10.0x	NA
Third Quartile					3.5x	9.5x	38.3%
Mean					2.4x	8.5x	26.7%
Median					2.0x	8.1x	20.3%
First Quartile					1.5x	7.2x	16.1%

Source: CapIQ.

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Independence of Research

Stifel prohibits its employees from directly or indirectly offering a favorable research rating or specific price target, or offering to change a rating or price target, as consideration or inducement for the receipt of business or for compensation.

Basis of Presentation

References herein to "Stifel" collectively refer to Stifel, Nicolaus & Company, Incorporated and other affiliated broker-dealer subsidiaries of Stifel Financial Corp. References herein to "Stifel Financial" refer to Stifel Financial Corp. (NYSE: SF), the parent holding company of Stifel and such other affiliated broker-dealer subsidiaries. Unless otherwise indicated, information presented herein with respect to the experience of Stifel also includes transactions effected and matters conducted by companies acquired by Stifel (including pending acquisitions publicly announced by Stifel), or by Stifel personnel while at prior employers.