

TRAFFIC SERVICES DEEP DIVE




Q1 2021

RECENT TRAFFIC SERVICES TRANSACTIONS



TRAFFIC SERVICES

SDR's Recent Traffic Services Deals

CLOSED	SERVICES	GEOGRAPHIC COVERAGE
	<p>July 2020</p> <p>Traffic Signaling; ITS Installation and Maintenance</p>	<p>Colorado, Georgia</p>
	<p>April 2019</p> <p>Traffic Data Collection</p>	<p>Colorado, Washington, Georgia, Florida, Oregon, California</p>
	<p>May 2019</p> <p>Traffic Control</p>	<p>Colorado</p>

Transaction Highlights – Lumin8 Transportation Technologies



ABOUT LUMIN8 TRANSPORTATION TECHNOLOGIES

Formed in 2020 and headquartered in Arvada, Colorado, with additional offices in Marietta and Newnan, Georgia, Lumin8 Transportation Technologies is a leading provider of traffic and intelligent transportation systems ("ITS") services and technology.

Lumin8 was formed through the merger of three leading players in the traffic and ITS services and technology industries: W.L. Contractors ("WL"), Carlson Construction Services ("Carlson") and Wilburn Engineering ("Wilburn"). The combined business represents one of the largest providers in the industry, boasting over 250 employees and serving government entities, agencies, and national contractors throughout the Mountain West and the Southeastern United States.

VALUE DRIVERS: EVOLUTION INTO A TRAFFIC TECHNOLOGY LEADER

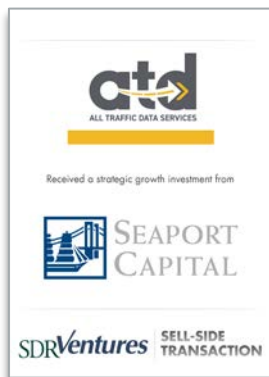
Traffic Signal Installation Contractor

Go-to Provider for Traffic Signal Maintenance

Trusted Partner for Managing Technological Traffic Signal Assets

	WL	WILBURN	CARLSON
Founded:	1985	2007	2007
HQ:	Arvada, CO	Newnan, GA	Marietta, GA
Services:	<input type="checkbox"/> Emergency Response <input type="checkbox"/> Remote Monitoring <input type="checkbox"/> Preventative Maintenance <input type="checkbox"/> Long-Term Planning	<input type="checkbox"/> Traffic Signal & Streetlight Engineering & Installation <input type="checkbox"/> Routine Maintenance <input type="checkbox"/> Remote Monitoring	<input type="checkbox"/> ITS Maintenance / Monitoring <input type="checkbox"/> ITS Systems <input type="checkbox"/> On-Call Maintenance <input type="checkbox"/> Upgrade / Improvements <input type="checkbox"/> Rebuild / Replace
Geographic Coverage:	<input type="checkbox"/> Colorado	<input type="checkbox"/> Georgia	<input type="checkbox"/> Georgia
Key Customer Types:	<input type="checkbox"/> DOTs <input type="checkbox"/> General Contractors <input type="checkbox"/> Cities and Municipalities	<input type="checkbox"/> Engineering Firms <input type="checkbox"/> DOTs <input type="checkbox"/> Transportation Consultants	<input type="checkbox"/> DOTs <input type="checkbox"/> Transportation Consultants <input type="checkbox"/> Traffic Signal Service Companies

Transaction Highlights – All Traffic Data



ABOUT ALL TRAFFIC DATA

All Traffic Data (“ATD”) provides traffic data collection and reporting, consulting services and transportation asset management to a multitude of civil engineering firms, state and local transportation networks, commercial establishments and cities across the U.S. ATD also has offices in Seattle, Atlanta, Jacksonville, Portland (OR), Columbia (SC), and San Jose (CA). ATD is on the leading edge of camera-driven AI to measure traffic volumes, speeds, and movements.

Client Feedback: “Having never experienced an M&A process, SDR worked alongside me and Dawn and guided us through the whole process...We could not have done it without them”

– Eric Boivin, Co-Founder and CEO

ALL TRAFFIC DATA

Founded: 2001

HQ: Wheat Ridge, CO

Website: <http://alltrafficdata.net/>

Services:

- ☐ Traffic Data Collection
- ☐ Average Daily Traffic Counts
- ☐ Turning Movement Counts
- ☐ Origin-Destination Studies
- ☐ Crash Diagrams

Geographic Coverage:

- ☐ Rocky Mountain Region
- ☐ West Coast
- ☐ Southeastern U.S.

Key Customer Types:

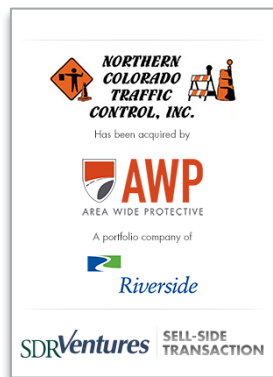
- ☐ Government Agencies
- ☐ Engineering Firms
- ☐ Commercial Establishments

PROCESS VALUE DRIVERS



- ☐ ATD’s early adoption of innovative collection methods, including the use of cameras
- ☐ ATD’s growing service offerings beyond standard traffic movement studies, including Origin-Destination Studies and Crash Diagrams
- ☐ Excellent revenue / FTE efficiency
- ☐ Geographic diversity with offices in regions with strong net-migration trends
- ☐ Repeatable and reoccurring nature of services provided
- ☐ Long-term customer relationships
- ☐ Inorganic growth opportunities

Transaction Highlights – Northern Colorado Traffic Control



ABOUT NORTHERN COLORADO TRAFFIC CONTROL

Northern Colorado Traffic Control (NCTC) is a leading provider of traffic control services and equipment in the Rocky Mountain region. For over 25 years, NCTC has successfully and reliably served prominent civil construction companies, city jurisdictions, utilities and others with a vast inventory of equipment and capable, qualified personnel.

Client Feedback: "SDR's team truly understood that this transaction represented the many years of work and dedication that our team put into building this company. Ultimately, we were able to identify a buyer that would ensure our company's legacy is appreciated for years to come."

–Trish Sandau, Founder

NORTHERN COLORADO TRAFFIC CONTROL

Founded: 1993

HQ: Greeley, CO

Services:

- ☐ Traffic Control
- ☐ Traffic Control Plans/Design
- ☐ Certified Traffic Control Supervisors
- ☐ Certified Flaggers
- ☐ Equipment Rentals
- ☐ Message Boards
- ☐ Speed Monitors
- ☐ Impact Attenuators
- ☐ Manufacture Signs

Geographic Coverage: ☐ Rocky Mountain Region

Key Customer Types:

- ☐ Civil Construction Companies
- ☐ City Jurisdictions
- ☐ Commercial Establishments

TRANSACTION HIGHLIGHTS

- ☐ Trish Sandau started in the traffic control business as a flagger when she was 16 years old.
- ☐ At 22, Trish decided to start Northern Colorado Traffic.
- ☐ Trish continued to build the business to 150+ employees and long-term customer relationships.
- ☐ Area Wide Protective (AWP), a leading North American provider of traffic control services and equipment, purchased NCTC in May of 2019. AWP is backed by private equity group, Riverside Companies. AWP has made 11 add-on acquisitions.

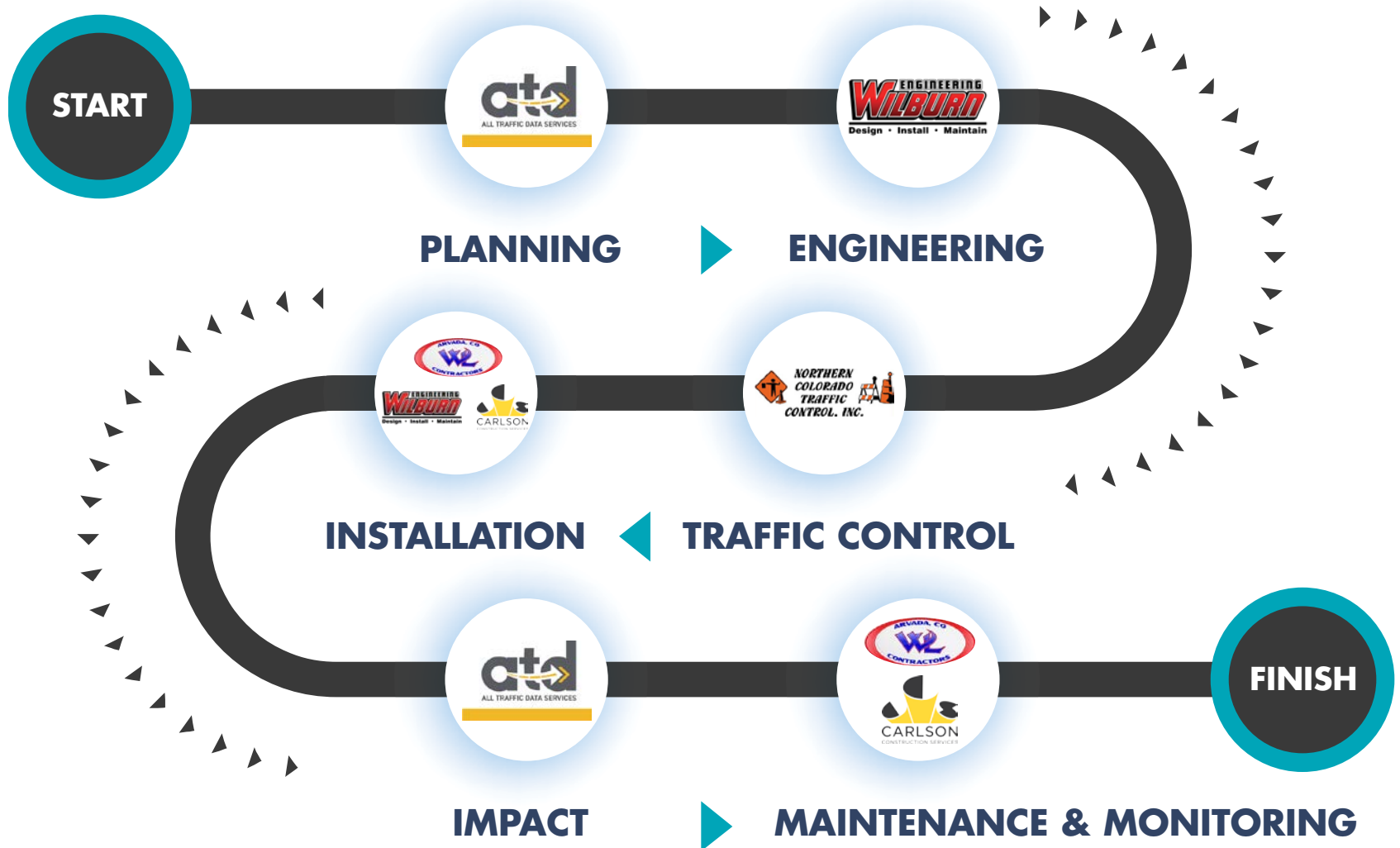
"Trish Sandau and Bill Moran have done a great job building a safe, strong team and company. We couldn't be happier to welcome them into our AWP team as we jointly advance our mission to make roads safer."

– John Sypek, President and CEO of AWP

* Kohlberg & Company Acquired Area Wide Protective and Related Portfolio Companies from The Riverside Company in December of 2020

Full Lifecycle of Traffic Services

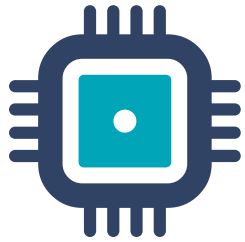
SDR Ventures has helped owners across the entire lifecycle of traffic services successfully exit their businesses.



INDUSTRY TRENDS



Value Drivers in the Industry



TECHNOLOGY

- ❑ Traffic assets are no longer just electrical assets, but rather technology assets
- ❑ Connected vehicles, automation and other emerging capabilities will continue to lead the Traffic Services Industry



REOCCURRING REVENUE

- ❑ Unscheduled maintenance and traffic system repairs and replacements provide valuable revenue stimulants



RECURRING REVENUE

- ❑ Recurring maintenance contracts along with consistent technological advances create recurring and predictable revenue streams
- ❑ Traffic data expires in a short period of time, requiring frequent and iterative studies
- ❑ Many transportation authorities and cities require annual traffic studies

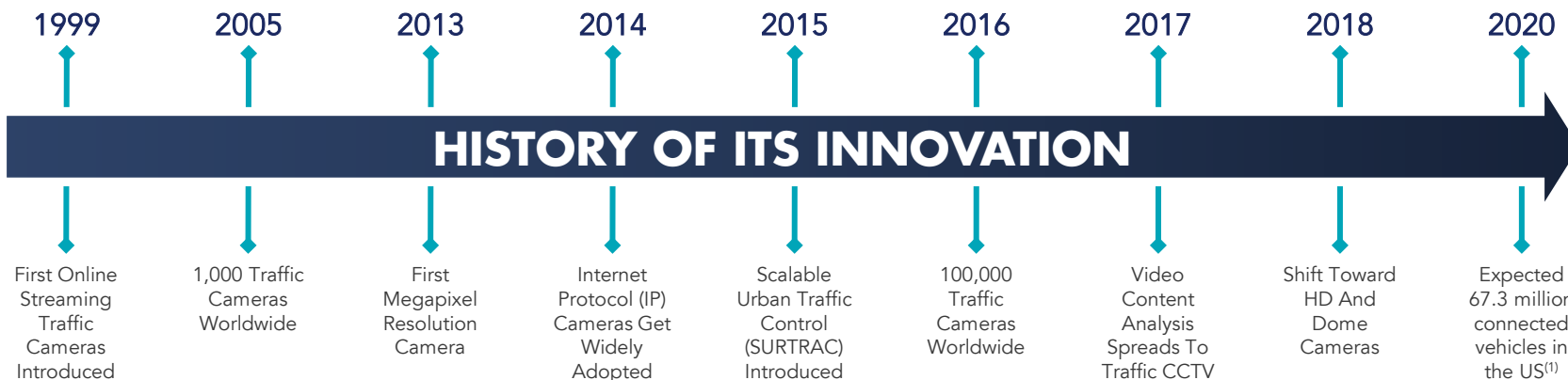


RECESSION RESISTANCE

- ❑ Maintenance and replacement spending on infrastructure projects is minimally impacted by recessionary times
- ❑ Project budgets are relatively resilient to economic downturns
- ❑ Public health & safety concerns create ongoing, mandatory spending

Technological Innovation

Intelligent Traffic Systems adoption is being driven by an increased focus on reducing congestion, managing traffic safety and utilizing connectivity and data for continuing transportation improvement.



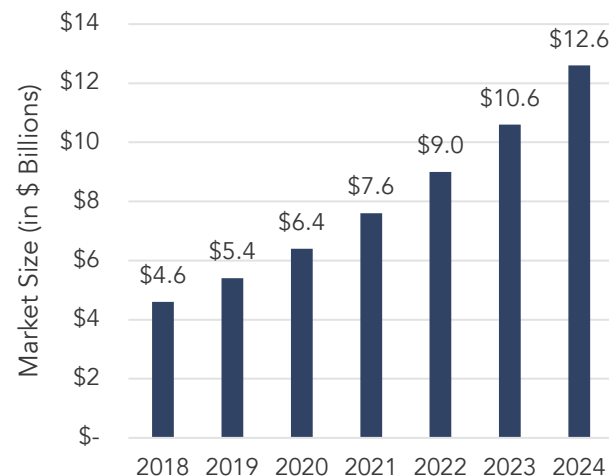
CURRENT STATE OF INNOVATION

Due to significant investment into its ITS program and concern for road safety, USDOT is ensuring that technology growth continues with a pipeline of emerging technologies. Technologies with the potential to impact the traffic management industry to the same extent as CCTV include:

- ❑ **Connected Vehicles (CV):** using wireless local networks to connect drivers to other cars and traffic infrastructure with the goal of communicating safety concerns and preventing traffic incidents.
- ❑ **Automation:** transferring some amount of vehicle control from the driver to the vehicles, which must include the infrastructure to support it.
- ❑ **Emerging Capabilities:** initiatives dedicated to future generations of transportation systems and technological applications.

The ITMS market is projected to grow at CAGR 18.4% from 2019-24, fueled by an accelerated asset lifecycle and new innovations on the horizon⁽²⁾.

Intelligent Traffic Management System Forecasted Market Size



(1) Grandview Research; (2) Statista

Intelligent Transportation Systems – USDOT Strategic Themes

The United States Department of Transportation (USDOT) leads R&D, adoption, and deployment of Intelligent Transportation Systems (ITS). These strategic themes align with strategic priorities and are embedded in USDOT program categories.⁽¹⁾



ENABLE SAFER VEHICLES AND ROADWAYS

Utilizing technology to improve crash avoidance, notification mechanisms, and other infrastructure and cooperative safety systems.



ENHANCE MOBILITY

Exploring methods and management strategies to increase system efficiency and improve individual mobility.



LIMIT ENVIRONMENTAL IMPACTS

Managing traffic flow, speeds, and congestions to improve vehicle efficiency and minimize pollution.



PROMOTE INNOVATION

Fostering technological advancement and innovation in ITS. Pursuing a forward looking and exploratory strategy aimed at meeting future transportation needs.



SUPPORT TRANSPORTATION SYSTEM INFORMATION SHARING

Designing systems architecture and utilizing advanced wireless technologies to enable communication between vehicles, infrastructure, portable devices and agencies.

(1) USDOT ITS Strategic Plan, 2015-2019

The background of the slide is a long-exposure photograph of a multi-lane highway at night. The image is oriented vertically, with the road running from the top to the bottom. Light trails from cars are visible as streaks of white, yellow, and red. The road has white dashed lane markings and a solid white edge line. The overall color palette is dominated by dark blues and blacks, with the light trails providing a vibrant contrast.

MARKET OVERVIEW

TRAFFIC SERVICES Market Map



ACQUISITION HISTORY: AREA WIDE PROTECTIVE



TRAFFIC SAFETY RENTALS

Dec 2020



ROADTEK TRAFFIC SOLUTIONS

Oct 2020



NORTHERN COLORADO TRAFFIC CONTROL

May 2019



SAFETY FIRST CONTRACTING

March 2018



FLAGPROS

Sept 2017

FLAGPROS

ALL STATE TRAFFIC CONTROL

Sept 2016



N-LINE TRAFFIC MAINTENANCE

June 2016



TRAFFIC SPECIALTIES INC

Nov 2015



Note: Kohlberg & Company Acquired Area Wide Protective and Related Portfolio in December of 2020

ACQUISITION HISTORY: STATEWIDE SAFETY SYSTEMS


**STERLING
PARTNERS**
MANERI SIGN CO.

May 2020

**ALTUS TRAFFIC MANAGEMENT**

June 2018

**TRAFFIC SOLUTIONS CORPORATION**

July 2008

**FLASHCO**

May 2008

**FLASH SAFETY COMPANY**

Feb 2008

FLASH SAFETY COMPANY**TOOMEY INDUSTRIES**

Dec 2007

TOOMEY INDUSTRIES**STATEWIDE TRAFFIC SAFETY AND
SIGNS**

Oct 2007

**SAFETY SYSTEMS AND SIGNS
HAWAII**

Oct 2007

**AMERICAN BARRICADE**

July 2007

AMERICAN BARRICADE

Note: Sterling Partners Acquired Statewide Safety Systems and Related Portfolio Companies in May of 2018

ACQUISITION HISTORY: ROADSAFE TRAFFIC SYSTEMS

**A CONE ZONE**

Jan 2020

**OPTIM EARTH**

Aug 2018

**BETH'S BARRICADES**

July 2017

**PROTECTION SERVICES**

Oct 2016

**LYNDCO**

Dec 2012

LYNDCO**TRUTWIN INDUSTRIES**

March 2010










TRUTWIN INDUSTRIES**CSW SAFETY SERVICES**

Jan 2010

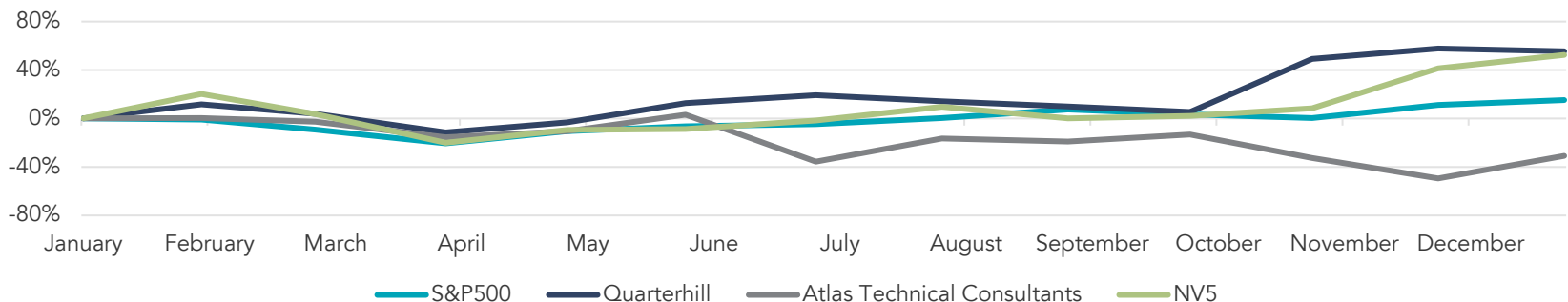


Note: Aperion Management Group & Orix Capital Partners Acquired RoadSafe Traffic Systems and Related Portfolio Companies in Feb 2016

TRAFFIC SERVICES IN THE PUBLIC MARKETS

COMPANY NAME	INVESTMENT FOCUS	RELEVANT ACQUISITIONS
	Quarterhill seeks to invest in companies that operate in ITS and adjacent markets.	  
	Atlas invests in companies that provide geotechnical engineering services, traffic services, environmental services and more.	
	NV5 Global invests in technical engineering and consulting services among several industries including transportation.	 

INDUSTRY TRENDS: STOCK PRICE PERCENT CHANGE FROM BEGINNING OF 2020



* Sensor Line GmbH Was Acquired by IRD, a Portfolio Company of Quarterhill in January of 2021

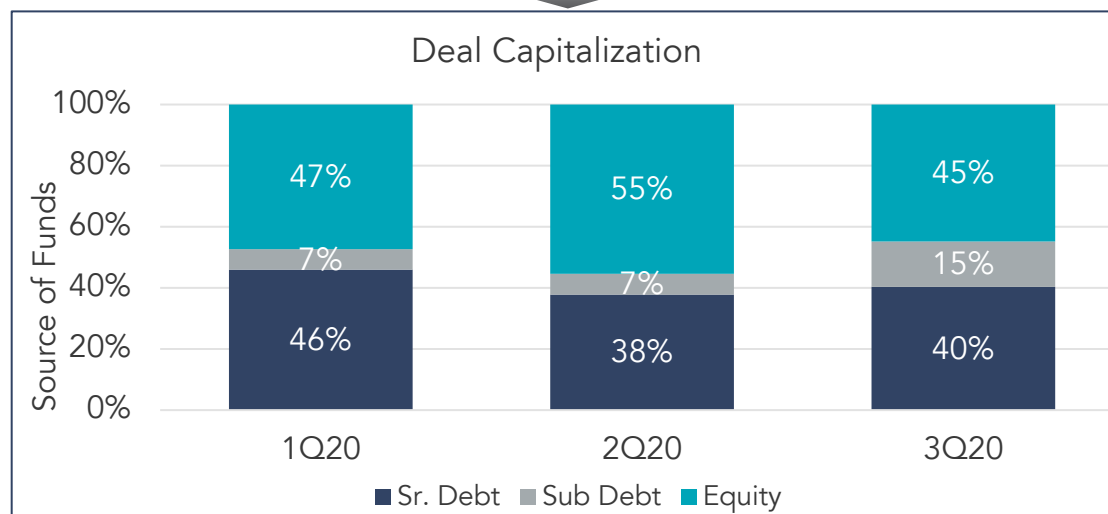
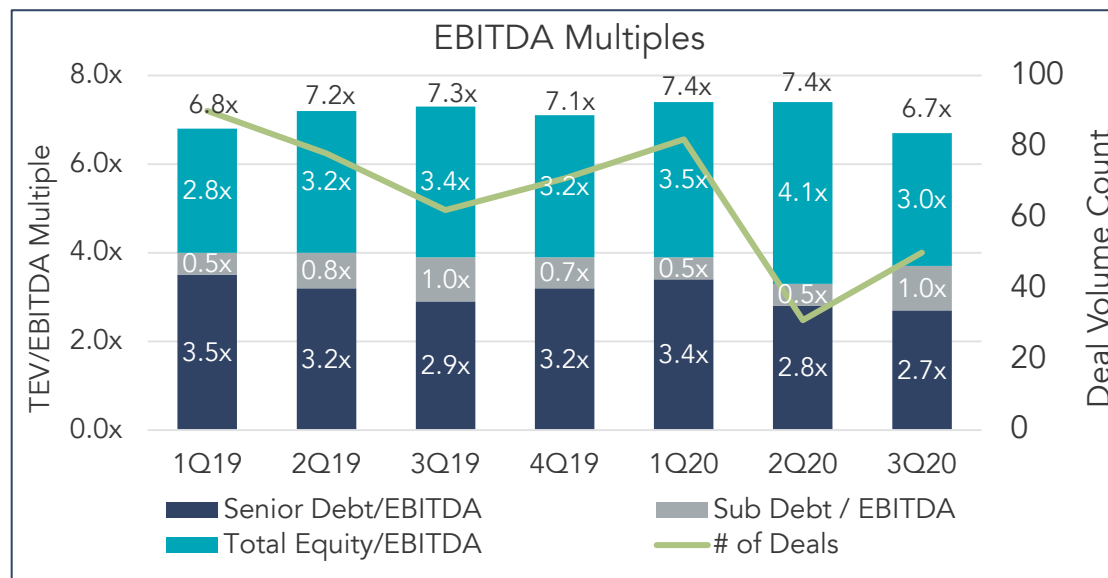
Impacts of COVID-19 on Lower Middle Market M&A Deals

MARKET TRENDS

- After falling by 60% in Q2, **in Q3 deal volume picked up (to ~80% of Year-over-Year)**.
- Purchase price EBITDA multiples declined somewhat in Q3 from COVID uncertainty.
- The **availability of Debt financing for deals came back in Q3**, but with more Subordinated Debt.

INSIGHTS

- Though overall multiples dropped as a result of lower quality deals that were “hung up” from Q2 closing in Q3, **the increase of debt availability is encouraging and points to rising multiples going forward**.
- Continued **surplus of private capital “Dry Powder” in the private capital markets** and lack of supply for quality deals also points to overall EBITDA multiples returning to pre-COVID levels.



The 2020 Election's Potential Tax Implications

HOW THE FUTURE CAPITAL GAINS TAX IS A THREAT TO YOUR BUSINESS VALUE

While there are many areas of economic policy that may shift under a new President, perhaps the most impactful to business owners (especially in the middle market) are Joe Biden's proposed changes to the treatment of capital gains taxes.

So exactly what are the effects of Biden's proposed changes and why is it important to understand as a business owner? To read the full blog, [click here](#).

BREAKING DOWN BIDEN'S PROPOSAL

- ❑ Looks to raise the top marginal tax rate to 39.6%
- ❑ Elimination of the 20% capital gains tax rate for those individuals who earn more than \$1 million annually
- ❑ Tax those capital gains as ordinary income at 39.6%.
- ❑ Equates to less money in business owners' pockets after selling their company
- ❑ The figures below illustrates the effect on the net proceeds for a middle-market business owner selling their company for \$25 million

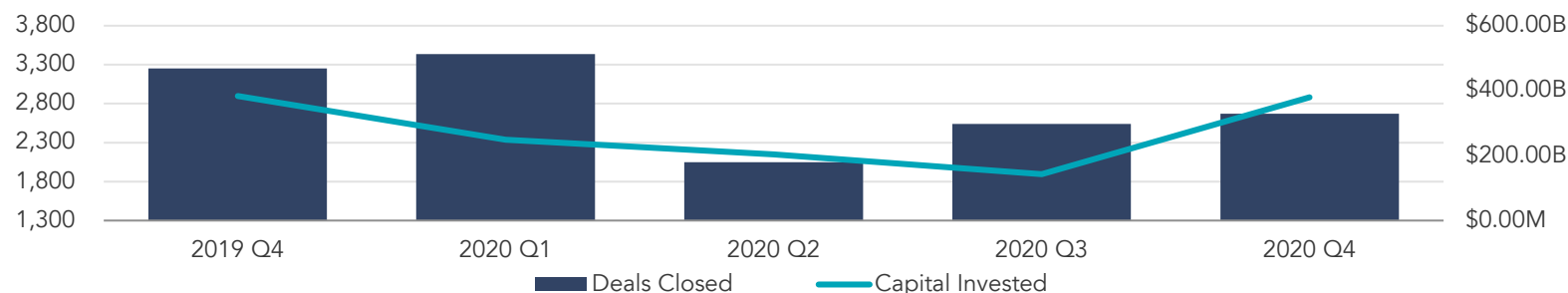
	Current Law	Biden Proposal
Sales Price	\$25.00M	\$25.00M
Depreciated Cost Basis	(\$3.00M)	(\$3.00M)
Ordinary Income Assets	(\$5.00M)	(\$5.00M)
Capital Assets	\$17.00M	\$17.00M
Tax/Ordinary Income	\$1.85M	\$1.98M
Tax/Long-Term Capital Gain	\$3.40M	\$6.73M
Net Proceeds	\$19.75M	\$16.29M
Income Tax Difference	\$3.46M	

Question: As the White House changes hands, will this proposal take effect? If so, how soon?

M&A MARKET & INDUSTRY ANALYSIS

U.S. M&A Activity Snapshot

OVERALL U.S. M&A ACTIVITY

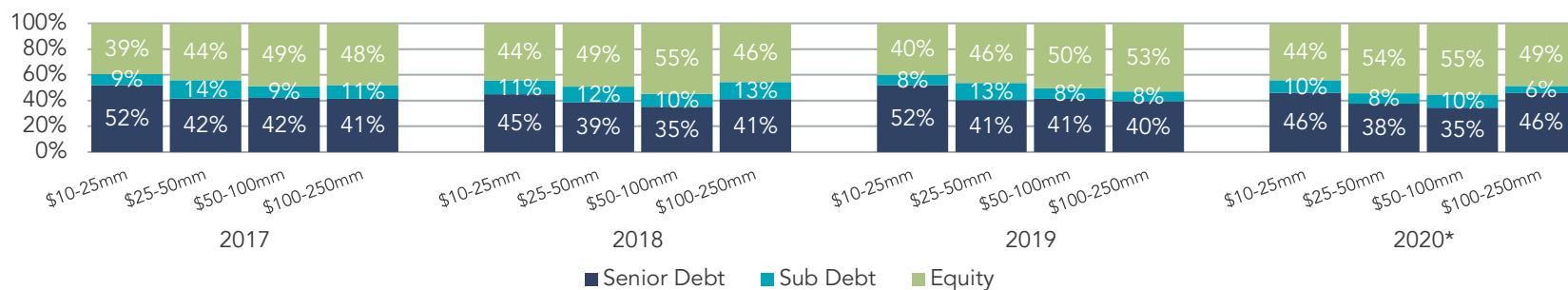


LOWER MIDDLE MARKET PRIVATE EQUITY TRANSACTION MULTIPLES

EBITDA Multiples By Transaction Size



CAPITAL BREAKDOWN – LOWER MIDDLE MARKET PRIVATE EQUITY TRANSACTIONS



Source(s): PitchBook Financial Data and Analytics, GF Data ©

* Data Updated Through November 2020

Colorado Is Home, But Our Expertise Travels Well



RESOURCES & PARTNERSHIPS



RECENT AWARDS



2020 AXIAL TOP 50 CONSUMER M&A ADVISOR

Top 10 Sell-Side Investment Bank in
Consumer Industry



2020 AXIAL COVID-19 CLOSED DEAL

First 50 Investment Banks to Successfully
Close a Deal During COVID-19



2020 AXIAL TOP 20 INVESTMENT BANKS

Ranked in Top 10 for Lower Middle
Market Investment Banks in Q2

Trusted M&A and Capital Advisors

SDR Ventures offers transaction advisory, private capital formation and business consulting services across a wide range of industries. We serve business owners and operators of privately held companies and provide them with a professional-class experience.



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SELECT TRANSACTIONS

<p>Has been recapitalized by</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>Received a strategic growth investment from</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>Has been acquired by</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>
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<p>Has been acquired by</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>Has been acquired by</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>Has raised funds to implement an Employee Stock Ownership Plan, with funding raised by</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>