

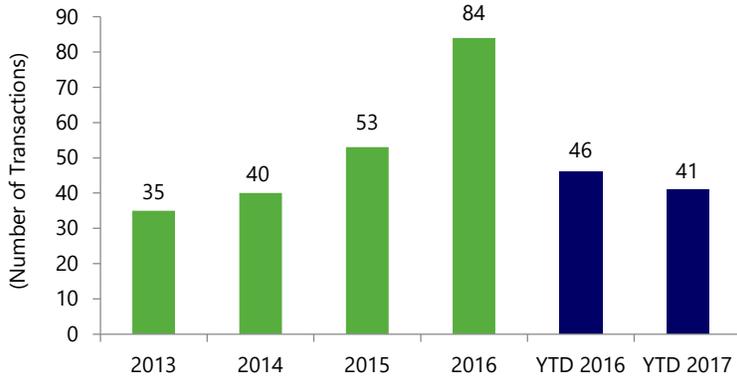


KEY M&A TAKEAWAYS

- ▶ Advancing technology – which has made mapping, modeling & simulation (MM&S) software more cost-effective – has been a boon for training and simulation activity. As a result of the growing accessibility of this technology, the end-markets in the MM&S Industry are incredibly diverse, ranging from healthcare, education and defense to construction, gaming and renewable energy.
- ▶ *ResearchandMarkets* predicted the global LIDAR market, just one indicator of the MM&S industry's growth projection, to increase at a compound annual growth rate of 15.9% to \$943.23 million between 2016 and 2022.
- ▶ Public and private companies looking for inorganic growth opportunities have historically been the dominant suitors in this industry. Year-to-date 2017 has echoed this pattern, with strategic buyers driving 73.2% of deal activity and financial buyers driving the remaining 26.8%.

DEAL VOLUME

- ▶ Deal volume flourished in 2016 with more than twice as many M&A transactions as in 2013 or 2014. Dovetailing off of this historic high, 41 transactions have been announced or closed in 2017 putting activity almost on pace with the record levels of 2016.



YTD July 13

INDUSTRY TREND

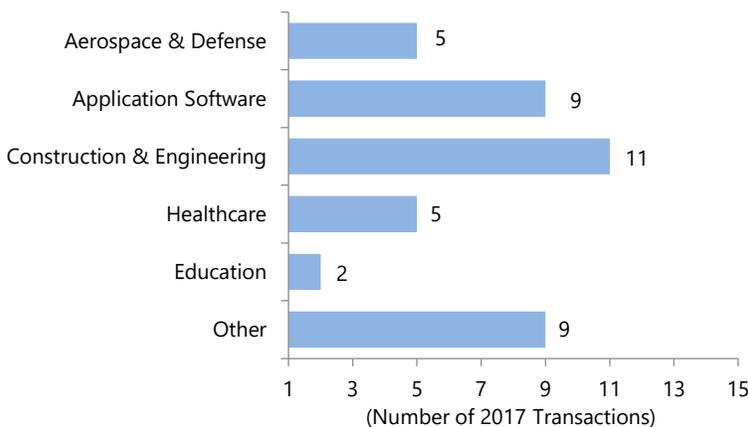
Virtual Training & Simulation – Virtual reality (VR) and simulation training is a low-cost, low-risk, immersive experience that is continually being utilized in new markets.

In one recent industry example, the Children's Hospital of Los Angeles (CHLA) collaborated with Oculus VR to simulate a crisis in the ER. The training, complete with crying mother and convulsing baby, is meant to help equip residents and medical students to think clearly in emotional, life-threatening situations. According to CHLA Dr. Joshua Sherman, the trainees' heart rates and hormone levels during the VR training were similar to a person in a real-life situation.

Another example is Microsoft's Aerial Informatics and Robotics platform, which teaches autonomous drones and self-driving cars to navigate. In addition to keeping people safe by training the vehicles off of the open roads and out of the airways, the software can create extraordinary and intensified learning experiences, provide the machines with ground-truth data and ultimately develop highly sophisticated self-driving vehicles.

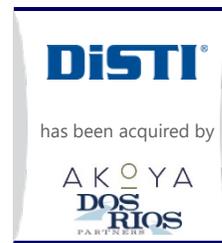
M&A ACTIVITY BY SEGMENT

- ▶ Companies that offer mapping, 3D modeling and design simulation for the Construction & Engineering Industry have been the most frequently bought segment in MM&S this year-to-date.



All chart sources: CapIQ and Capstone Partners LLC Research.

RECENT CAPSTONE TRANSACTION



Capstone advised The DiSTI Corporation (DiSTI) on its partnership with Dos Rios Partners and Akoya Capital. Terms of the deal were not disclosed. DiSTI provides software development toolkits and custom services for creating 3-D user interfaces that support human machine interaction and in particular, virtual simulations for training within the aerospace and defense industry.

Dos Rios is a private equity firm based in Austin, Texas that invests in privately-owned niche businesses. Akoya Capital is a sector focused investment firm that creates and nurtures partnerships between management and capital.

"It was an honor to represent DiSTI, a company that truly offers best-in-class products and services," commented Capstone Partners' Managing Director Ted Polk. "The business is well positioned to enjoy considerable growth with its new investment partners."