April 2019

Internet Quarterly Market Pulse Q1 2019

STIFEL | Investment Banking

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Stifel Internet & Digital Media Investment Banking

Stifel 2019 Cross Sector Insight Conference This report highlights key Internet sector trends and tracks notable industry transactions in Q1 2019.

As we review recent activity in the public and private markets, we also offer insight into potential storylines that could develop in the coming months.

Deal Activity Remains Robust

Valuations continue to climb as the average Internet forward revenue multiple rose in Q1 2019 to 4.8x vs. 4.2x in Q4 2018, but remained flat vs. the same period a year ago.

We saw 15 meaningful acquisitions, a 50% increase vs. Q1 2018, and higher total deal value, \$13.7B vs. \$11.5B in Q1 2018. Transactions of note include Hellman & Friedman and Blackrock's \$6.4B majority stake in German online classifieds business Scout24 and Uber's \$3.1B acquisition of Middle Eastern rival Careem.

\$18.4B was invested across 94 deals in all subsectors, highlighted by Softbank committing another \$5B to The We Company and large raises by Grab, Go-Jek and DoorDash.

After several quiet months for U.S.-based IPO candidates, Lyft, one of the most highly anticipated IPOs in recent years, made its public debut.

Trends Worth Watching

Trend #1: The IPO market is open for business again with Lyft, the first ridesharing IPO, kicking things off.

Trend #2: Streaming video is heating up with several game changing announcements from major players in the space.

Trend #3: Activists are increasingly taking aim at public Internet companies (Yelp, eBay, Leaf Group).

Trend #4: Women-led businesses are receiving more funding than ever before as more female-founded unicorns are born.



Trend #1: DECACOR N IPOS ARE COMING

- After a freeze in the IPO market due to the geopolitical environment and U.S. government shutdown, there is now a backlog of high profile Internet offerings preparing for the public markets
- Several global "Decacorns" are among the candidates to go public with a possible combined valuation exceeding \$150B
- Gig economy / marketplaces are dominating public market activity as investors increasingly become more comfortable with these business models



Cumulative Market Cap of Internet Companies at IPO (2017 – 2019)

Trend #3: Shareholder Activists Shake Up the Boardroom

- Shareholder activism in the Internet sector increased by 20% in 2018 and additional campaigns have been launched in Q1 2019
- Activist hedge funds are increasingly seeking strategic / operational changes and are pushing for new board representation - and in some cases succeeding⁽¹⁾
- The level of scrutiny for certain new issuers with supervoting shares has increased substantially given the challenges surrounding several recent Internet IPOs with first time founder / CEOs and similar super-voting structures
- New activist campaigns include:



Trend #2: It's "Showtime" for Streaming TV

- We are witnessing one of the most profound shifts in the media consumption, delivery and business model – Over-The-Top (OTT) video
- Netflix, Amazon's Prime Video, and Hulu continue to lead the massive spend in original content creation
- In one of the largest media mergers ever, Disney acquired 21st Century Fox for \$71.3B, plans to launch a video streaming service, Disney+, later this year, and will remove its content from Netflix
- Apple also announced its own TV subscription service, Apple TV+, featuring original TV shows, movies, and documentaries marking another major entrant in the OTT video landscape
- CuriosityStream, founded by former Discovery Chairman & CEO, John Hendricks, raised \$140M for its subscription OTT video platform focused on premium factual content
- While the above activity attempts to shift the tectonic plates in the viewer consumption and business monetization, Viacom's \$340M acquisition of Pluto TV joins NBCUniversal in the fight to preserve the traditional role of advertising

Subscription Model	Advertising Model
V+ CuriositųStream Disnep	

ét 🕯

Trend #4: Women Take Their Seat at the Unicorns' Table

- Fashion subscription service Rent The Runway and makeup brand Glossier have become the latest femalefounded startups to achieve unicorn status in Q1 2019
- Not only are these companies female-led but also female-focused in their offerings, tapping into the mass market of female consumers
- These follow the likes of publicly-listed personal styling eCommerce business Stitch Fix and online luxury consignment retailer The RealReal which attracted swaths of investors and hefty funding rounds
- There are also a number of high profile female cofounded businesses on the rise with Houzz, Nextdoor, 23andMe and the recent IPO success of husband and wife co-founded Eventbrite



(1) Hedge Fund Research (HFR).



Activity in Q1 2019... IPO Window is Open!!

Valuations

- Internet stock price performance recovered in Q1 2019 from the overall market sell-off at the end of 2018, when the Dow and Nasdaq dropped 12% and 17%, respectively
- By the end of quarter, the biggest gains were seen in Subscription Services +31% (Spark Networks +102%, Stitch Fix +65%), Online Marketplaces +31% (EverQuote +78%, MercadoLibre +73%), Online Marketing +30% (Telaria +132%, The Trade Desk +71%) and Social Media +26% (Snap +100%)
- In Q1 2019, the only subsectors to not appreciate 10%+ were Online Travel and FoodTech
- The average Internet forward revenue multiple continued to climb in Q1 2019 to 4.8x (vs. 4.2x Q4 2018) but remained flat compared to Q1 2018

Top Movers (Q1 2019)		Laggards (Q1 2019)		
Subscriptions	Marketplaces	Online Travel 5%	FoodTech	
31%	31%		7%	

NTM Revenue Multiple 1 to 4.8x

Private Capital Raising Activity

- Internet companies raised \$18.4B in Q1 2019, higher than the \$15.2B raised in the Q1 2018; the number of deals increased 62% to 94 deals across all Internet
- While more companies raised capital, the size of the rounds were smaller on average this quarter as compared to Q1 2018 (\$196M vs. \$263M)
- There were several massive \$1B+ transactions this quarter, including The We Company (\$5B), Grab (\$1.5B), Chehaoduo (\$1.5B) and Go-Jek (\$1B)
- Most of the largest private capital raises from this quarter were diverse across geographies and subsectors, with considerable activity in Asia



IPO Activity

- 2019 is expected to be the year of IPOs, and we have one already with the \$2.6B IPO of Lyft in Q1 2019 as some processes were delayed due to the U.S. government shutdown while other companies remain on the sidelines to see the market's reaction to the first IPO of the year
- Lyft was the first Internet company to go public in 2019, ahead of rival Uber, gaining substantial interest from investors who had been waiting for the next wave of large cap private companies to go public
- Q1 2019 also saw some large public follow-on offerings from Sea Ltd and MercadoLibre raising \$1.4B and \$1.9B, respectively, as both companies continue to dominate their home markets



M&A Activity

- M&A volume grew in Q1 2019 (\$13.7B vs. \$11.5B), and the number of deals (with disclosed valuations) increased 50% (15 vs. 10 in Q1 2018)
- Similar to prior quarters, strategics were more active than financial sponsors; however, the two largest deals in Q1 2019 were by a sponsor and a strategic i.e. the takeprivate acquisition of Scout24 by Hellman & Friedman / The Blackstone Group (\$6.4B) and Uber's acquisition of Careem (\$3.1B)
- Deal activity was concentrated in Online Marketplaces followed by Online Content



Note: All capital raises and acquisitions with announced values greater than or equal to \$25M in the Internet and Digital Media sector.

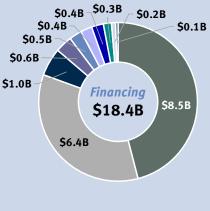
*Implied valuation based off of share price and equity sold.

Internet Deal Activity Dashboard



Q1 2019 Financing Transactions





Q1 2019 M&A Transactions



Source: 451 Research, Pitchbook, Capital IQ.

Note: All capital raises and acquisitions with announced values greater than or equal to \$25M in the Internet and Digital Media sector.

Internet Subsector Snapshot



Median Comp Set

	Public Comparab		2019E YoY Rev. Growth	2019E Gross Margins	2019E EBITDA Margins	2020E EBITDA Margins		Deals M&A)
EV / 2019E Rev EV / 2019E EBI		Revenue Median (3.7x) EBITDA Median (15.8x)						
FoodTech	4.0x	26.7x	36%	59%	1%	4%	2	0
Subscription Services	3.0x	20.6x	20%	44%	16%	18%	7	4
Online Real Estate	3.5x	18.2x	16%	60%	24%	30%	10	0
eCommerce	1.4x	17.5x	20%	43%	4%	5%	16	1
Online Content	3.8x	16.1x	12%	67%	17%	22%	5	3
Online Marketplaces	4.4x	15.6x	17%	79%	15%	18%	42	3
Social Media	6.3x	14.7x	17%	81%	28%	32%	3	0
Online Gaming	3.9x	13.4x	17%	64%	25%	25%	2	2
Online Travel	1.7x	13.2x	7%	83%	18%	18%	4	2
Online Marketing	11.1x		14%	61%	10%	13%	3	0

Online Travel composite includes: AMADY, EDR, EXPE, DESP, MMYT, BKNG, TZOO, TRIP, TRVG.

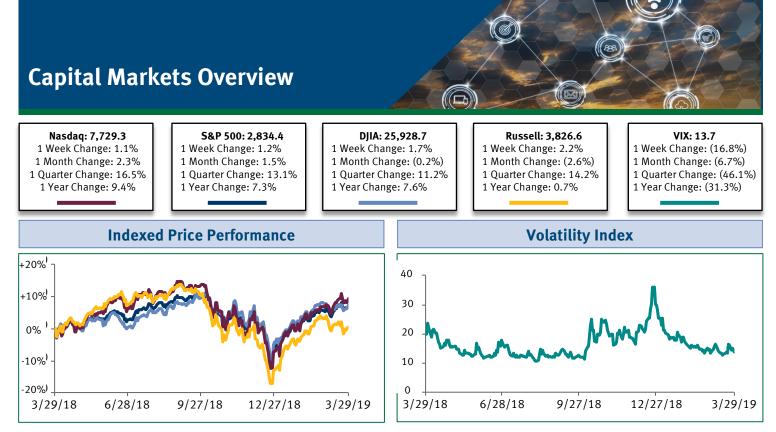
FoodTech composite includes: APRN, DHER, HFG, GRUB, JE, TKWY. Online Content composite includes: IAC, LFRG, MTCH, MOGU, LOV, TTGT.

Gaming includes: ATVI, BILI, CDR, CDM, DIB, EA, GLUU, HUYA, ROVIO, SE, SUMO, TM17, UBI, ZNGA. Social Media: FB, KAKAKU, LN, MEITU, RENN, SINA, SNAP, TWTR, WB, YELP. Real Estate: CSGP, PURP, REA, RP, RLGY, RDFN, RMV, G24, SFUN, ZG, ZPG.

Online Marketing composite includes: CRTO, GRPN, ICLK, MCHX, PERI, QNST, RUBI, SOGO, TTD, TLRA, TRUE.

Geommerce composite includes: AMZN, ASC, BOO, BTOW3, CVNA, 142, KOOV, LOVE, SOTK, PDD, RAKUTEN, SECO, SFLY, SFIX, W, ZAL. Marketplaces composite includes: AUTO, CARS, CAR-AU, CARG, DHX, EB, EBAY, ETSY, EVER, FTCH, GRUB, JE, LC, LYFT, TREE, MELI, SEK, SSTK, TRUE, UXIN, WEW.

Sub. Services composite includes: ALRM, APRN, CARB, CRCM, CHGG, EHTH, HFG, IQ, JCOM, LOV, MTCH, MMM, NFLX, P, SPOT, STMP, SFIX, SVMK, TME, TRUP.



Recent Market Activity

Markets	 Q4 2018's high volatility continued briefly into Q1 2019, before receding back to historically "normal" levels Markets have rallied back, driven primarily by a more dovish tone out of the Fed and market attention shifting towards probabilities of rate cuts rather than rate hikes The shift in central bank expectations, a solid earnings backdrop, and optimism over U.S. – China trade talk progress has largely overshadowed some data hinting at slower economic growth The S&P 500 notched one of its best quarterly performances of the past decade, with a 13% gain
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Key TMT Market Activity

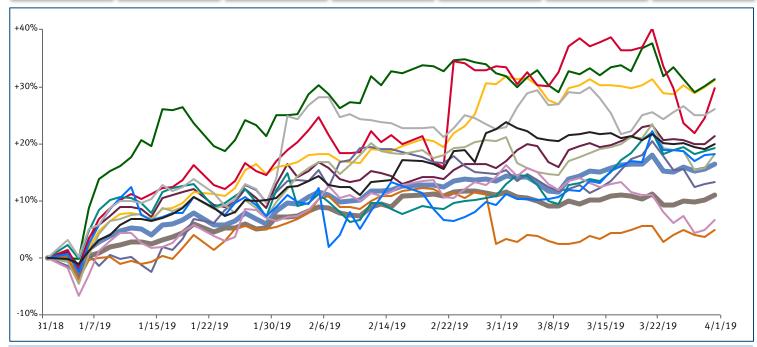
IPOs	 TMT led the 2018 IPO market in terms of dollar value, with \$19.5B in proceeds raised; a total of 49 deals priced, making it the third most active sector behind Healthcare (74 deals) and Financials (61 Deals) Compelling signs that Technology IPO strength should continue into the new year include the recent success of new issues as well as the substantial backlog of Tech IPOs that has formed since the beginning of 2018 4 TMT IPOs have priced YTD, with \$2.6B in proceeds raised; all priced within / above the filing range Lyft priced the first major Tech IPO of the year, raising \$2.7B of proceeds and pricing at the high end of an upwardly revised range
FOs	 TMT was a leader in the 2018 follow-on market, with \$22.7B in proceeds raised. A total of 77 deals priced, making it the second most active sector behind Healthcare (238 deals) Investors continue to reward performance and liquidity in transactions and aftermarket performance 24 TMT FOs have priced YTD, with \$8.6B in proceeds raised - in line with the \$6.6B in proceeds raised in 2018 YTD from 26 offerings
Converts	 6 TMT Convertibles have priced YTD, with \$3.1B in proceeds raised This is behind the \$5.1B in proceeds raised in 2018YTD from 12 offerings Issuance has picked up in recent weeks and the attractive terms being achieved by Tech issues are indicative of high demand in the market

Source: Dealogic and FactSet as of 3/29/2019.

Includes all SEC registered transactions with base deal value over \$20M.

Market Performance

NASDAQ	Sub. Services	Marketplaces	Online Marketing	Social Media	Internet Leaders	Real Estate
16%	31%	31%	30%	26%	21%	20%
DJIA	eCommerce	Gaming	SaaS	Online Content	FoodTech	Online Travel
11%	19%	19%	18%	13%	7%	5%



- DJIA and NASDAQ recovered in Q1 2019 after falling (12%) and (17%) during the Q4 2018 sell-off; the recovery (DJIA +11% and NASDAQ +16%) was driven by optimism around U.S. / China trade deal, as well as the Fed's dovish stance
- All the Internet sub-sectors have performed positively in Q1 2019; Internet stocks are slowly making a comeback as investors react to fourth-quarter earnings
- Subscription Services (+31%) became the best performing subsector in Q1 2019 after large gains by Spark Networks (+102%) on Zoosk M&A announcement and Stitch Fix (+65%) as the Company reported EBITDA above analysts' estimates
- Online Marketplaces (+31%) was one of the top performing subsectors led by EverQuote (+78%) as the insurance industry continues to shift online, as well as MercadoLibre (+73%), which saw a substantial growth in its off-platform payment volume; however, TrueCar fell ~19% overnight as it reported fourth quarter revenue and EPS miss due to 10% decrease in their average monthly unique visitors
- Online Marketing (+30%) saw a substantial jump in Q1 2019 after TTD soared ~30% overnight driven by a Q4 beat that showed revenue growth acceleration as the Company continued to make aggressive investments in high growth areas such as Connected TV and global expansion, including in China
- Online Travel (+5%) was the worst performing group, driven by broader concerns around the industry including a potential "hard Brexit," as well as disappointing forecasts by major players

Gaming includes: ATVI, BILI, CDR, CDM, DIB, EA, GLUU, HUYA, ROVIO, SE, SUMO, TM17, UBI, ZNGA.

Social Media: FB, KAKAKU, IN, MEITU, RENN, SINA, SNAP, TWTR, WB, YELP,

Real Estate: CSGP, PURP, REA, RP, RLGY, RDFN, RMV, G24, SFUN, ZG, ZPG,

Source: FactSet Research Systems.

Online Travel composite includes: AMADY, EDR, EXPE, DESP, MMYT, BKNG, TZOO, TRIP, TRVG. Internet Leaders composite includes: BABA, AMZN, EBAY, FB, GOOGL, NFLX, TCEHY.

FoodTech composite includes: APRN, DHER, HFG, GRUB, JE, TKWY.

Online Content composite includes: IAC, LFRG, MTCH, MOGU, LOV, TTGT.

Online Marketing composite includes: CRTO, GRPN, ICLK, MCHX, PERI, QNST, RUBI, SOGO, TTD, TLRA, TRUE. SaaS composite includes: ALRM, APPF, TEAM, BOX, CARB, DBX, FIVN, LPSN, MB, RP, CRM, ZEN,

eCommerce composite includes: AMZN, ASC, BOO, BTOW3, CVNA, H24, KOOV, LOVE, OSTK, PDD, RAKUTEN, SECO, SFLY, SFIX, W, ZAL.

Marketplaces composite includes: AUTO, CARS, CAR-AU, CARG, DHX, EB, EBAY, ETSY, EVER, FTCH, GRUB, JE, LC, LYFT, TREE, MELI, SEK, SSTK, TRUE, UXIN, WEW. Sub. Services composite includes: ALRM, APRN, CARB, CRCM, CHGG, EHTH, HFG, IQ, JCOM, LOV, MTCH, MMM, NFLX, P, SPOT, STMP, SFIX, SVMK, TME, TRUP.

M&A Activity & Trends

Internet Convergence Continues to Rise

Deal activity was equally spread over most subsectors; however, Online Marketplaces received over two-thirds (71%) of the capital (\$9.7B, 3 deals)

A few transactions to highlight:

- 2/15/19 Hellman & Friedman and Blackstone acquired German classified website operator Scout24 in a deal that valued the Company at \$6.4B
 - Valuation was 10.6x LTM revenue, 22.8x LTM EBITDA and 18.1x NTM EBITDA (27% premium to the unaffected share price on 12/13/18)
 - Deal presents the largest take-private of a listed German company
 - Interestingly, Hellman & Friedman previously acquired 70% of Scout24 in November 2013 from Deutsche Telekom for \$2.9B (9.3x LTM revenue) and took the Company public in 2015
- 3/26/19 Uber acquired its Middle Eastern rival, Careem, for \$3.1B
 - Deal consisted of \$1.7B convertible notes and \$1.4B in cash
 - Careem has a large market share in Egypt, Jordan, Pakistan, Saudi Arabia and the United Arab Emirates
- 1/24/19 Subscription-based online music service Akazoo was acquired by Lew Dickey's Modern Media Acquisition Corp. (SPAC) for \$400M
 - Valuation was 3.4x LTM revenue
 - Akazoo is a leading music streaming provider with a customer base of 4.3M premium subscribers across 25 different countries with a focus on emerging markets
- 1/22/19 Viacom acquired Pluto TV, an adsupported streaming service, for \$340M in cash
 - Valuation was 5.0x LTM revenue
 - Pluto TV has around 12M MAUs with more than 100 channels and thousands of hours of ondemand content across sports, movies, TV shows, etc.

Recent Internet M&A Activity EV / LTM Revenue EV / LTM Revenue

3.6x

Median

 Q1 2019 saw a considerable increase in M&A volume compared to Q1 2018 (\$13.7B vs. \$11.7B), with the disclosed deal count 50% higher compared to Q1 2018 (15 vs. 10), led by H&F and Blackstone's \$6.4B acquisition of Scout24 and Uber's \$3.1B acquisition of Careem

15.1x

• Online Marketplaces accounted for the largest transactions for the second consecutive quarter

Select Transactions					
Date Announced	Acquirer	Target	Enterprise Value (\$M)	EV / LTM Revenue	EV / LTM EBITDA
2/15/19	Hellman & Friedman	SCOUT 24	\$6,424	10.6x	22.8x
3/26/19	Uber	Careem	3,100	N.A.	N.A.
3/6/19	👸 YY Inc.	BIGO LIVE	1,400	N.A.	N.A.
3/7/19	airbnb	Hotel Tonight	400	N.A.	N.A.
1/24/19	Modern Media Acquisition Corp.	🜔 akazoo	400	3.4x	35.2x
2/6/19	Spotify [®]	Anchor Gimlet	340	N.A.	N.A.
1/22/19	VIacom	PLUTO®	340	5.0x	N.A.
3/11/19	Евіх	yatra	336	5.0x	N.A.
3/22/19	spark networks	zoðsk	255	N.A.	N.A.
2/5/19	Unilever	graze	196	N.A.	N.A.
3/4/19	Delivery Hero	ZOMATO UAE Delivery Business	172	N.A.	N.A.

Private Capital Raising Activity & Trends

Macro Private Placement Trends

- \$18.4B was invested into Internet businesses during Q1 2019, maintaining the trend from Q1 2018 with another strong quarter
- Deal count was up ~62% in Q1 2019 (94 deals) compared to Q1 2018 (58 deals) with the aggregate deal value of \$18.4B (vs. \$15.2B in Q1 2018); investors remain active and continue to invest in high quality, high growth businesses across the sector
- The investment-to-exit ratio remains at a high point as late-stage companies continue to choose to raise more private capital (or debt) instead of heading for the public markets

Valuation & Sector Trends

- Median post-money valuation for private companies continued to climb in Q1 2019 (\$970M vs. \$862M Q1 2018), with an average disclosed post-money valuation of \$3.3B in Q1 2019 vs. \$3.2B in Q1 2018 as unicorns continue to raise more capital
- 16 unicorns raised additional capital in Q1 2019 – all up rounds compared to their last fundraisings
- Investors continued to fund Marketplaces / Gig Economy businesses to the tune of \$8.5B (46% of total) across 42 deals (45% of total); Online Real Estate also received a large portion of the total capital raised in Q1 2019 as SoftBank poured an additional \$5B in The We Company
- SoftBank has invested \$10B in aggregate into The We Company, making it one of its largest holdings – still a serious step back from the plan floated late last year to potentially spend \$16B on a controlling stake
- Most Active Subsectors in Internet:



Select Transactions					
Date Announced	Target	Deal Size (\$M)	Post Money Valuation (\$M)	Segment	Investors
1/9/19	we	\$5,000	\$47,000	Online Real Estate	SoftBank
3/7/19	Grab	1,500	13,400	Online Marketplaces	SoftBank
2/28/19	瓜子 Guazi	1,500	9,000	Online Marketplaces	SoftBank
2/1/19	GO JEK	1,000	9,500	Online Marketplaces	Google, JD.com , Tencent Holdings , Mitsubishi, Provident
2/28/19	型流 Danke Apartments	500	2,000	Online Marketplaces	Ant Financial, CMC Capital, Jo Capital, Primavera, Tiger Glol
2/21/19	TOORDASH	400	7,100	Online Marketplaces	Coatue, Dragoneer, DST Glob Sequoia Capital, SoftBank, Temasek
1/15/19	knock.	400	1,000	Online Real Estate	Foundry Group, RRE Ventures Corazon Capital, WTI, FJ Labs
3/20/19	Opendoor	300	3,800	Online Real Estate	Softbank, NVP, NEA, Kholsa Ventures, GV, GGV
2/21/19	VIALAMOVE	300	-	Online Marketplaces	Eastern Bell Venture Capital, Hillhouse Capital
2/11/19	😚 reddit	300	3,000	Social Media	Andreessen Horowitz, Fidelit Investments, Quiet Capital, Sequoia Capital, Tencent
1/11/19	+: O POSTMATES	300	1,080	Online Marketplaces	Tiger Global Management, Uncork Capital
1/15/19	Yimidida	266	-	Online Marketplaces	Boyu Capital, Source Code Capital, HOPU Investment
1/4/19	NIANTIC LABS	245	4,000	Online Gaming	IVP, aXiomatic Gaming, Sams
2/11/19	Zilingo	226	970	Online Marketplaces	Burda Principal Investments, EDBI, Sequoia Capital, Sofina Temasek Holdings
2/1/19	Clutter	225	450	Online Marketplaces	SoftBank
1/30/19	Grab	200	11,900	Online Marketplaces	Central Group
1/1/19	🔘 Niido	200	-	Online Travel	Airbnb, Brookfield Property
3/20/19	Doctolik	175	1,320	Online Marketplaces	Accel, General Atlantic
3/18/19	hotstar	153	-	Online Content	Star India
2/11/19	Curiosit <mark>y</mark> Stream	140	-	Subscription Services	Blum Capital Partners, TimesSquare Capital
3/22/19	R	125	1,000	eCommerce	Bain Capital Ventures, Frank Templeton Investments

Stifel Internet & Digital Media Investment Banking





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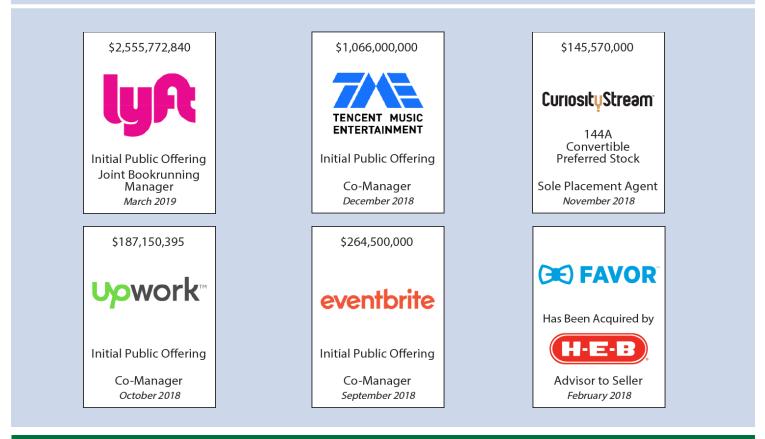


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Recent Internet & Digital Media Transactions







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SAVE THE DATE

STIFEL'S NEW MULTI-SECTOR CONFERENCE: Encompassing Consumer, Diversified Industrials & Services, Energy & Power, Internet, Media, Real Estate and Technology.

Emphasis on long-term cross sector trends
 Five minute company description and overview
 Interactive sessions led by Stifel Analysts

In addition to the company sessions, we will be hosting several unique collaborative panel presentations with opportunities for one-on-one meetings.

We hope to see you in Boston!



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