



MIDDLE MARKET UPDATE

Q1 2020

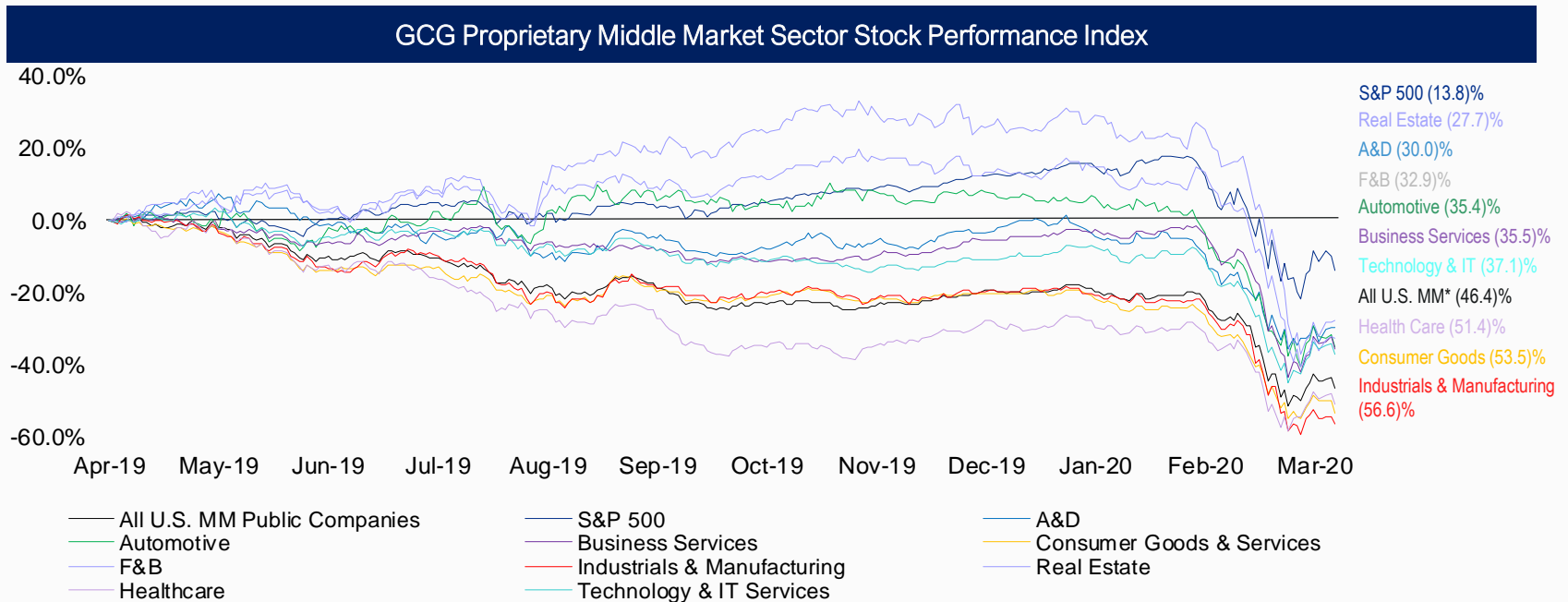


GREENWICH
CAPITAL GROUP

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GCG Public Company Index Market Performance

GCG's proprietary middle market industry sector performance index has shown negative results in each industry. In all cases, the middle market performed well below the large cap stocks as measured by the S&P 500 index. The S&P 500 index had a total return of negative (13.8)% since April 2019, one year ago. The S&P erased all its gains from the previous year before ending deep in negative territory by the end of Q1 2020. The relative overall return for the middle market based on our index was a disappointing negative (46.4%) for the period. Real Estate was the single biggest industry gainer in the middle market at negative 27.7%. The Industrials & Manufacturing and Consumer Goods sectors dropped 56.6% and 53.5% in the same 12-month period. The main driver of the complete reversal in stock market performance in Q1 2020 was the global pandemic of the COVID-19 virus. While all sectors experienced declines, Consumer Goods and Industrials & manufacturing were the worst performers. The performance of both sectors have been impacted by tariffs and supply chain issues relating to the coronavirus. Additionally, the continued underperformance of the small cap stock sector compared to larger cap stocks has been consistent throughout the last 12+ months.



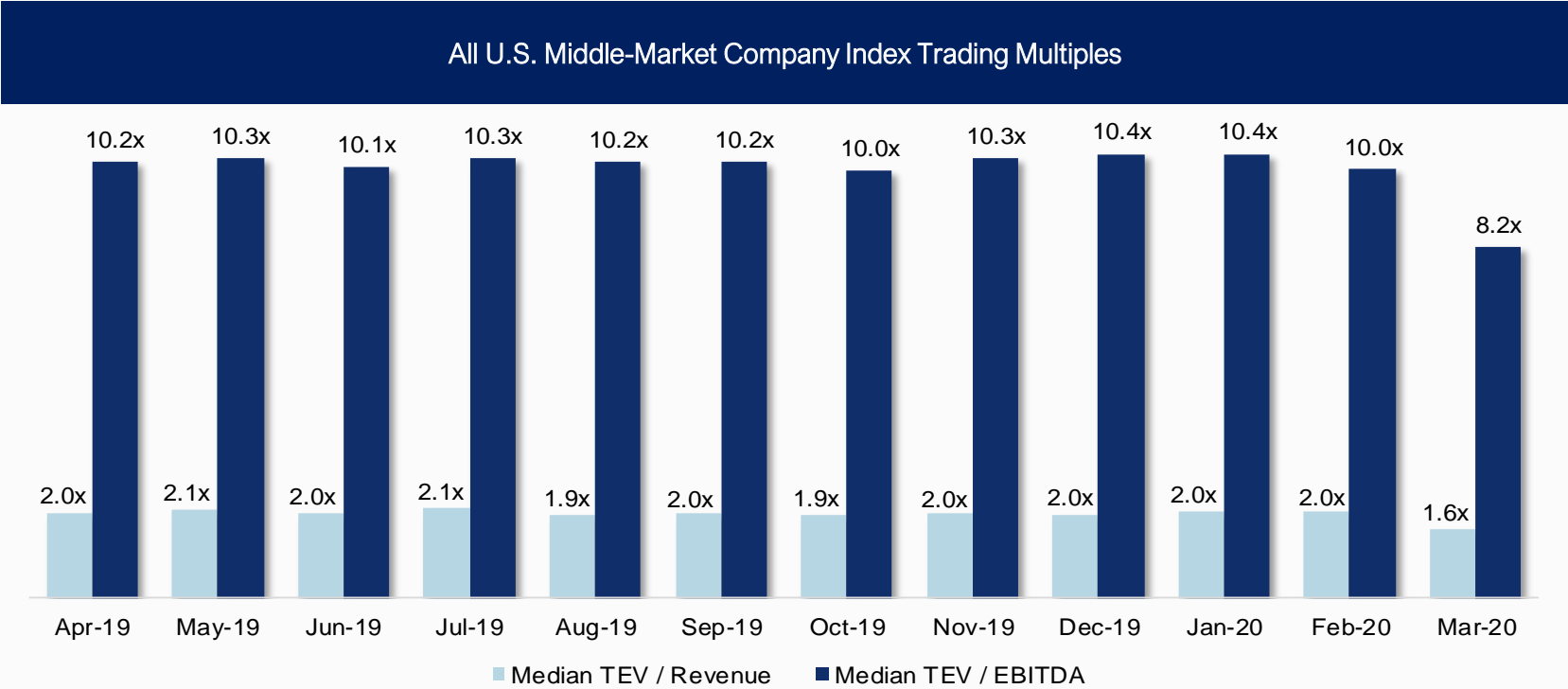
Source: S&P Capital IQ and GCG Proprietary Research, all values based on publicly available data as of 4/01/2020
 Note: Benchmark index for comparison is All U.S. MM Companies, MM defined as enterprise value between \$10M and \$500M



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GCG Public Company Index Trading Multiples

The median quarterly middle market public company revenue multiples remained basically unchanged from the end of Q1 2019 through mid-Q1 2020 remaining in the range of 1.9x – 2.0x. The median EBITDA multiples also remained in the range of 10.0x – 10.4x from the end of Q1 2019 through mid-Q1 2020. This changed abruptly in March 2020 when the U.S. began to experience the full brunt of the pandemic. Revenue multiples decreased to 1.6x and EBITDA multiples decreased to 8.2x, almost two full turns from February and over two from January and the start of 2020. The multiples in late-Q4/early-Q1 exhibited the highest of 2019 and 2020 YTD and continued a greater trend of higher valuations in the market before their decline. The increase in multiple throughout 2019 combined with decreasing stock prices for the middle market suggested that earnings in the middle market were significantly lower in 2019.



Source: S&P Capital IQ and GCG Proprietary Research
Note: All values based on publicly available data as of 4/01/2020

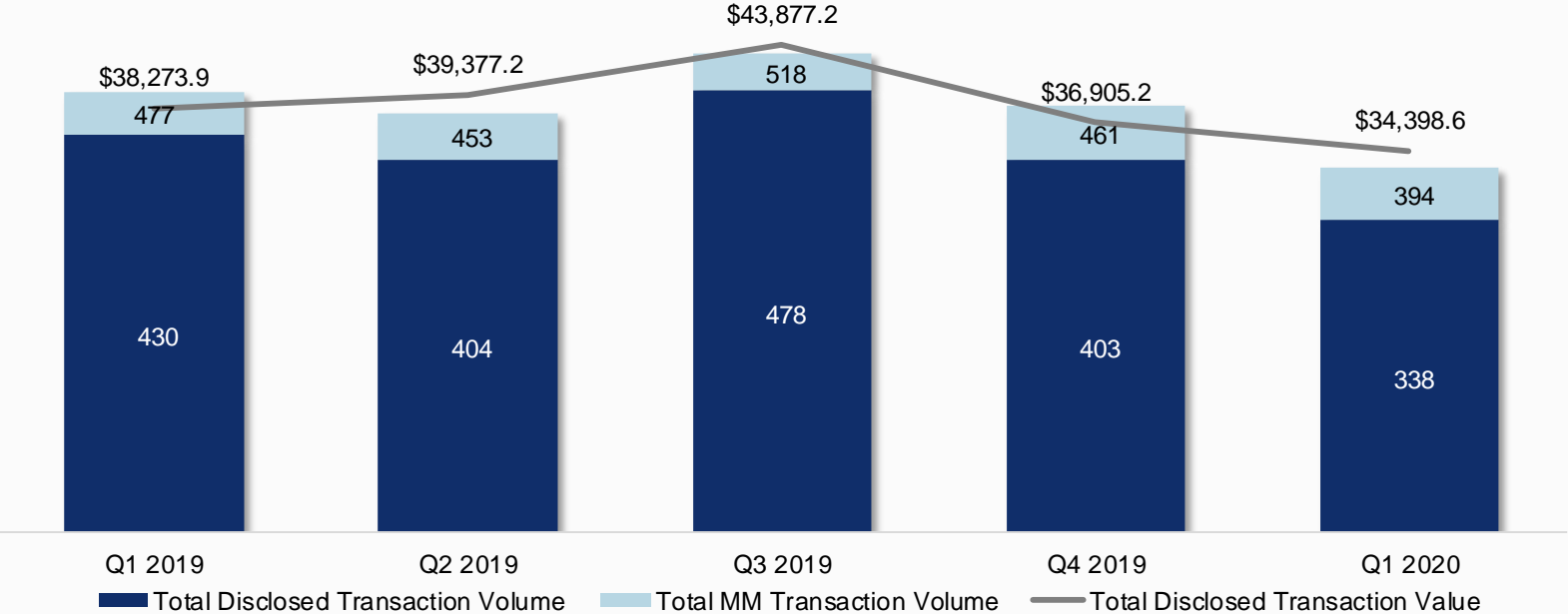


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Middle Market M&A Activity

Middle market public and private company transaction deal value and volume for Q1 2020 exhibited the worst performance of the previous five quarters, though deal value and volume were both only about 13% lower than Q2 2019 (the previous volume low). The data shows a decline in deal value and volume from the past quarter as well, which is to be expected as the pandemic ramped up in Q1. Deal value decreased 7% during the last quarter, while deal volume declined 15%. The decline was due to the increase in uncertainty surrounding both the recent oil price crash and the COVID-19 virus. The uncertainty resulting from the pandemic and the global economy will continue to put downward pressure on the volume and value of middle-market M&A.

U.S. Middle-Market Transaction Values and Volume



Source: S&P Capital IQ, all values based on publicly available data as of 4/06/2020

Note: M&A excludes private placements, MM defined as transactions with either value or revenue between \$10 and \$500M and therefore does not include transactions excluding this information. All deal-related figures exclude real estate deals.



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Middle Market M&A Buyer Analysis

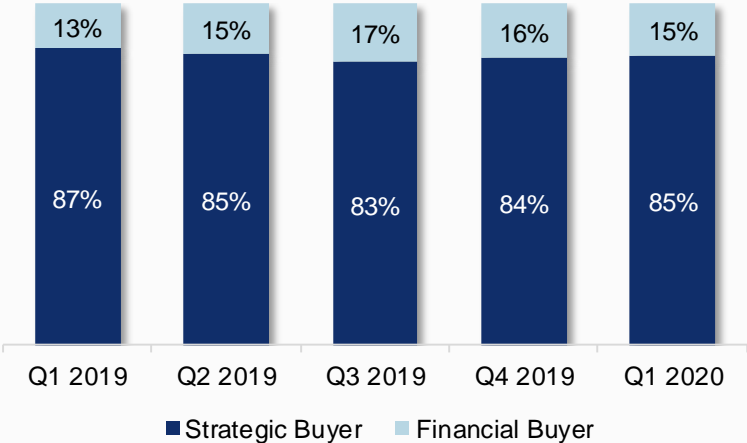
Strategic acquirers continue to dominate middle market M&A activity, accounting for 85% of Q1 2020 deal flow, with financial buyers representing 15%. Financial buyers decreased from 16% of the deal market in Q4 2019. This represents the third highest percentage quarter for financial buyer activity during the past five quarters (since Q1 2019).

Domestic buyers in Q1 represented 86% of middle market M&A activity, a slight increase from Q4 2019. It is the third strongest month for middle market domestic buyers' activity over the past five quarters. Domestic buyers are expected to continue their dominant position as uncertainty around global trade and the pandemic continues. However, the uncertainty and slowing of the global economies also makes the U.S. an attractive investment location.

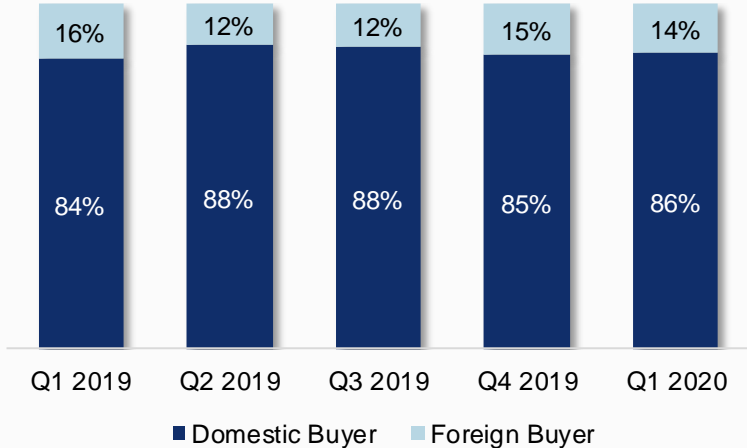
Q1 2020
Transaction Volume:
394

Q1 2020
Monthly Average Volume:
131

Strategic vs. Financial



Domestic vs. Foreign



Source: Capital IQ and GCG Proprietary Research



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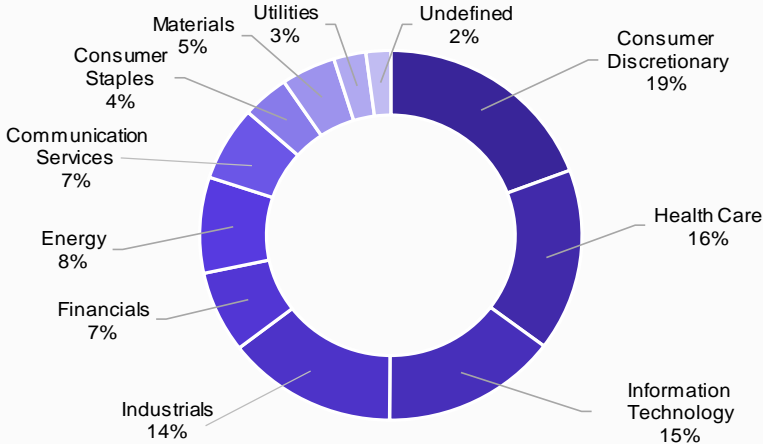
Middle Market M&A Sector Activity

The Q1 deal activity continued to show strength in the middle market Consumer Discretionary sector. Additionally, Healthcare, IT and Industrials accounted for a collective 44% of all middle market deals in Q1 compared to 45% in Q1 2019.

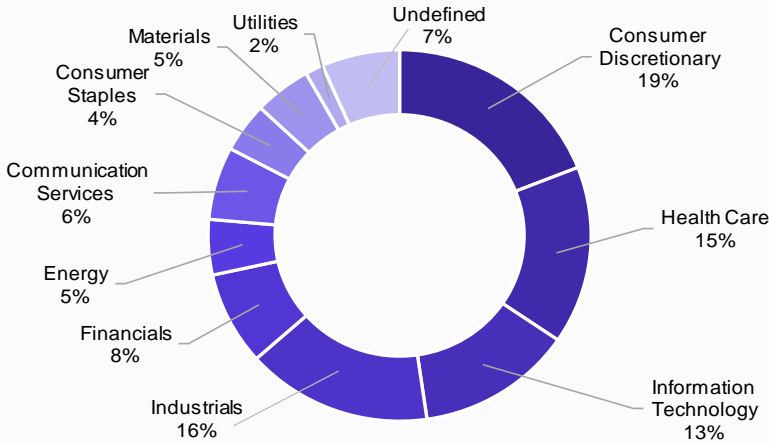
A few industry sectors became more prominent on the deal front over the past year. Looking at 2020 vs 2019 data shows that the Industrials and Financials sectors increased their share of deal activity as a percentage of the overall market. Of all sectors, they made the only positive changes of +2% and +1%, respectively. Materials, Consumer Staples and Consumer Discretionary remained unchanged. The remaining sectors decreased between 1% and 3% with the decline in Energy being the largest.

Each sector has been impacted uniquely by external factors including interest rate changes, global economic activity, trade wars, political challenges, supply chain issues as a result of the pandemic and changing governmental policies.

Q1 2019



Q1 2020



Source: Capital IQ and GCG Proprietary Research
Note: The monthly average number of transactions in Q1 2019 was 159 and in Q1 2020 was 131.



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Public Comparable Companies

The top three companies as measured by enterprise value are presented below for each of our proprietary sectors. These tables reflect various performance metrics for the listed companies such as share price movement, LTM margins and total enterprise value to LTM revenue and EBITDA figures.

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA
A&D								
National Presto Industries, Inc.	\$358.49	\$73.26	(17.1%)	(32.3%)	23.3%	16.2%	1.2x	7.2x
Radiant Logistics, Inc.	223.34	3.58	(35.7%)	(44.1%)	20.0%	4.4%	0.3x	6.3x
Park Aerospace Corp.	115.69	12.61	(22.5%)	(20.9%)	31.9%	20.6%	1.9x	9.2x
Mean	\$232.51	\$29.82	(25.1%)	(32.4%)	25.1%	13.7%	1.1x	7.5x
Median	\$223.34	\$12.61	(22.5%)	(32.3%)	23.3%	16.2%	1.2x	7.2x
Automotive								
P.A.M. Transportation Services, Inc.	\$376.74	\$27.01	(53.2%)	(45.7%)	22.9%	13.3%	0.7x	5.5x
Miller Industries, Inc.	284.03	26.57	(28.4%)	(14.6%)	11.8%	7.6%	0.3x	4.6x
XPEL, Inc.	257.94	9.55	(34.8%)	61.6%	33.5%	14.5%	2.0x	13.7x
Mean	\$306.24	\$21.04	(38.8%)	0.4%	22.7%	11.8%	1.0x	7.9x
Median	\$284.03	\$26.57	(34.8%)	(14.6%)	22.9%	13.3%	0.7x	5.5x
Business Services								
Ennis, Inc.	\$420.86	\$17.71	(18.2%)	(15.0%)	29.6%	15.8%	1.0x	6.2x
Resources Connection, Inc.	389.28	10.32	(36.8%)	(37.7%)	39.4%	8.4%	0.5x	6.4x
Willdan Group, Inc.	376.38	19.61	(38.3%)	(47.4%)	30.5%	5.8%	0.8x	14.6x
Mean	\$395.51	\$15.88	(31.1%)	(33.3%)	33.1%	10.0%	0.8x	9.0x
Median	\$389.28	\$17.71	(36.8%)	(37.7%)	30.5%	8.4%	0.8x	6.4x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2020 and Mar-2020



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Public Comparable Companies

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA
Consumer Goods								
OneWater Marine Inc.	\$458.12	\$6.16	-	-	22.1%	7.1%	0.6x	7.9x
Ethan Allen Interiors Inc.	368.56	9.46	(50.4%)	(50.7%)	55.9%	9.3%	0.5x	5.6x
Unifi, Inc.	274.49	9.50	(62.4%)	(51.7%)	9.2%	5.6%	0.4x	7.0x
Mean	\$367.06	\$8.37	(56.4%)	(51.2%)	29.1%	7.3%	0.5x	6.8x
Median	\$368.56	\$9.46	(56.4%)	(51.2%)	22.1%	7.1%	0.5x	7.0x
F&B								
Natural Grocers by Vitamin Cottage, Inc.	\$599.99	\$8.46	(14.3%)	(29.4%)	26.3%	5.1%	0.7x	13.0x
Standard Diversified Inc.	421.23	10.07	(31.3%)	(44.5%)	39.6%	13.8%	1.1x	7.8x
Limoneira Company	363.79	11.72	(39.1%)	(50.4%)	6.5%	(1.6%)	2.1x	NM
Mean	\$461.67	\$10.08	(28.2%)	(41.4%)	24.2%	5.8%	1.3x	10.4x
Median	\$421.23	\$10.07	(31.3%)	(44.5%)	26.3%	5.1%	1.1x	10.4x
Healthcare								
RTI Surgical Holdings, Inc.	\$353.11	\$1.59	(42.0%)	(73.7%)	54.0%	6.8%	1.2x	17.4x
Osmotica Pharmaceuticals plc	344.12	2.83	(59.5%)	(22.7%)	53.5%	22.5%	1.4x	6.4x
Ardelyx, Inc.	285.63	5.38	(28.3%)	84.9%	88.6%	(1681%)	54.1x	NM
Mean	\$327.62	\$3.27	(43.3%)	(3.8%)	65.4%	(550.5%)	18.9x	11.9x
Median	\$344.12	\$2.83	(42.0%)	(22.7%)	54.0%	6.8%	1.4x	11.9x

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Public Comparable Companies

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA
Industrials & Manufacturing								
Hawkins, Inc.	\$417.95	\$32.69	(28.6%)	(12.2%)	18.3%	11.3%	0.8x	6.8x
Clean Energy Fuels Corp.	366.53	1.66	(29.1%)	(47.6%)	38.4%	15.9%	1.1x	6.7x
IES Holdings, Inc.	357.12	16.36	(36.2%)	(8.3%)	17.2%	4.9%	0.3x	6.6x
Mean	\$380.53	\$16.90	(31.3%)	(22.7%)	24.6%	10.7%	0.7x	6.7x
Median	\$366.53	\$16.36	(29.1%)	(12.2%)	18.3%	11.3%	0.8x	6.7x
Real Estate								
New England Realty Associates Limited Partnership	\$463.55	\$46.98	(24.2%)	(28.8%)	70.7%	54.1%	7.5x	13.8x
Tejon Ranch Co.	371.40	13.65	(14.6%)	(22.7%)	16.0%	6.8%	7.5x	109.7x
RE/MAX Holdings, Inc.	163.68	20.07	(47.9%)	(49.2%)	74.4%	32.8%	0.6x	1.8x
Mean	\$332.88	\$26.90	(28.9%)	(33.6%)	53.7%	31.2%	5.2x	41.8x
Median	\$371.40	\$20.07	(24.2%)	(28.8%)	70.7%	32.8%	7.5x	13.8x
Technology & IT Services								
Casa Systems, Inc.	\$444.67	\$3.15	(8.8%)	(9.9%)	57.6%	4.4%	4.7x	108.1x
CEVA, Inc.	411.56	24.58	(23.0%)	(62.9%)	88.4%	2.6%	1.6x	60.8x
Cass Information Systems, Inc.	315.44	34.10	(40.9%)	(27.6%)	43.9%	32.9%	1.9x	5.9x
Mean	\$390.56	\$20.61	(24.3%)	(33.5%)	63.3%	13.3%	2.7x	58.3x
Median	\$411.56	\$24.58	(23.0%)	(27.6%)	57.6%	4.4%	1.9x	60.8x

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More about Greenwich Capital Group

Greenwich Capital Group (“GCG”) is a middle market focused advisory firm offering a range of investment banking and consulting services to private companies, public companies and private equity investors. Our senior bankers have held leadership positions at global investment banking firms, bringing a wealth of experience to each of our clients. GCG operates with the highest integrity, providing credibility and an excellent client service experience through our proven transaction process. These core values are the common thread in establishing our extensive relationships with privately held businesses, private equity investors and publicly traded companies. With each engagement, GCG’s senior bankers have a common goal. We strive to build relationships by representing our clients’ long-term interests in order to earn ultimately their trust. It is our privilege to be called trusted advisors in the middle market.

For additional perspective or to discuss M&A related opportunities in the middle market, please reach out to GCG’s CEO and Managing Director, Bob Coury. For more information, please visit www.greenwichgp.com.



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Data Sources: We have based our findings on data provided by industry recognized sources. Data and information for this publication was collated from the S&P Capital IQ database. For more information on this or anything else related to our research, please email info@greenwichgp.com.

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