



MIDDLE MARKET UPDATE

Q3 2020



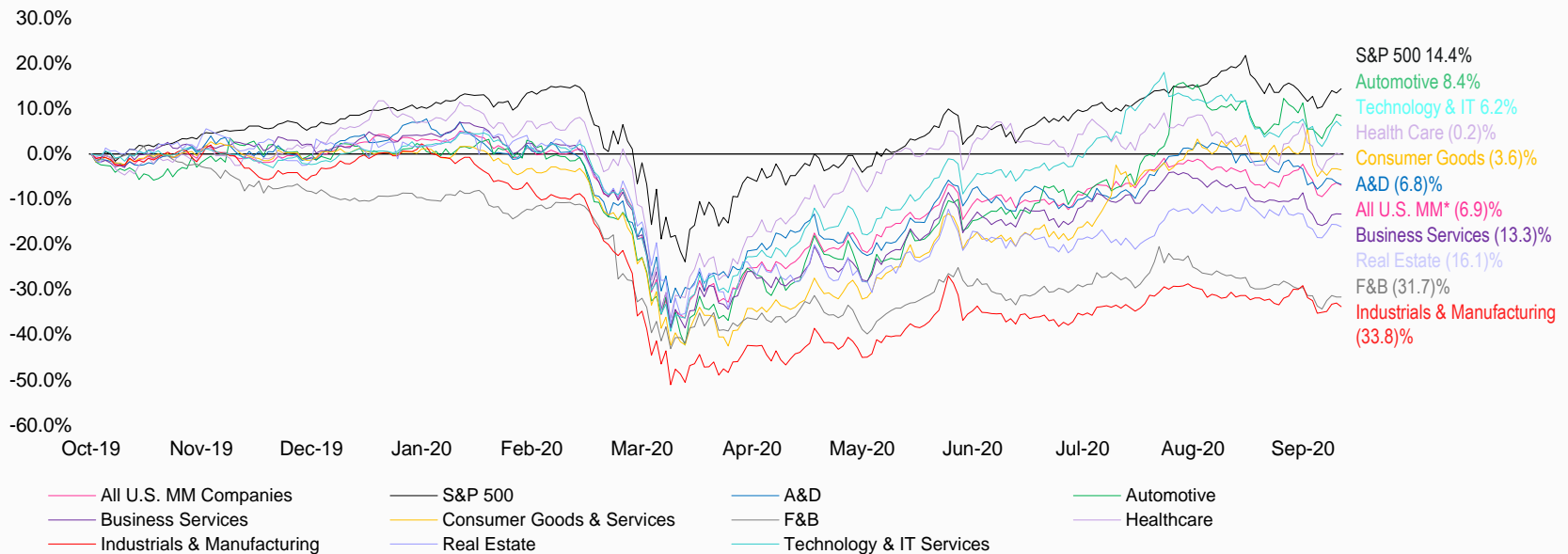
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GCG Public Company Index Market Performance

GCG's proprietary middle market industry sector performance index has shown negative results in all but two industries during the prior 12 months. In all cases, the middle market performed below the large cap stocks as measured by the S&P 500 index. The S&P 500 index had a total return of positive 14.4% since October 2019. The relative overall return for the middle market based on our index was a disappointing negative 6.9%, however, this is a significant improvement over the negative 20.4% return reflected at the end of the 2nd quarter. Automotive was the single biggest industry gainer in the middle market at 8.4%, followed by Technology & IT Services at 6.2%. The Industrials & Manufacturing sector was the worst performing at negative 33.8%. While all sectors increased from their Q2 lows, Real Estate, F&B and Industrials & Manufacturing were the worst performers. The performance of these sectors has been impacted by the WFH trend, 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.

GCG Proprietary Middle Market Sector Stock Performance Index



Source: S&P Capital IQ and GCG Proprietary Research, all values based on publicly available data as of 10/05/2020

Note: Benchmark index for comparison is All U.S. MM Companies, MM defined as enterprise value between \$10M and \$500M

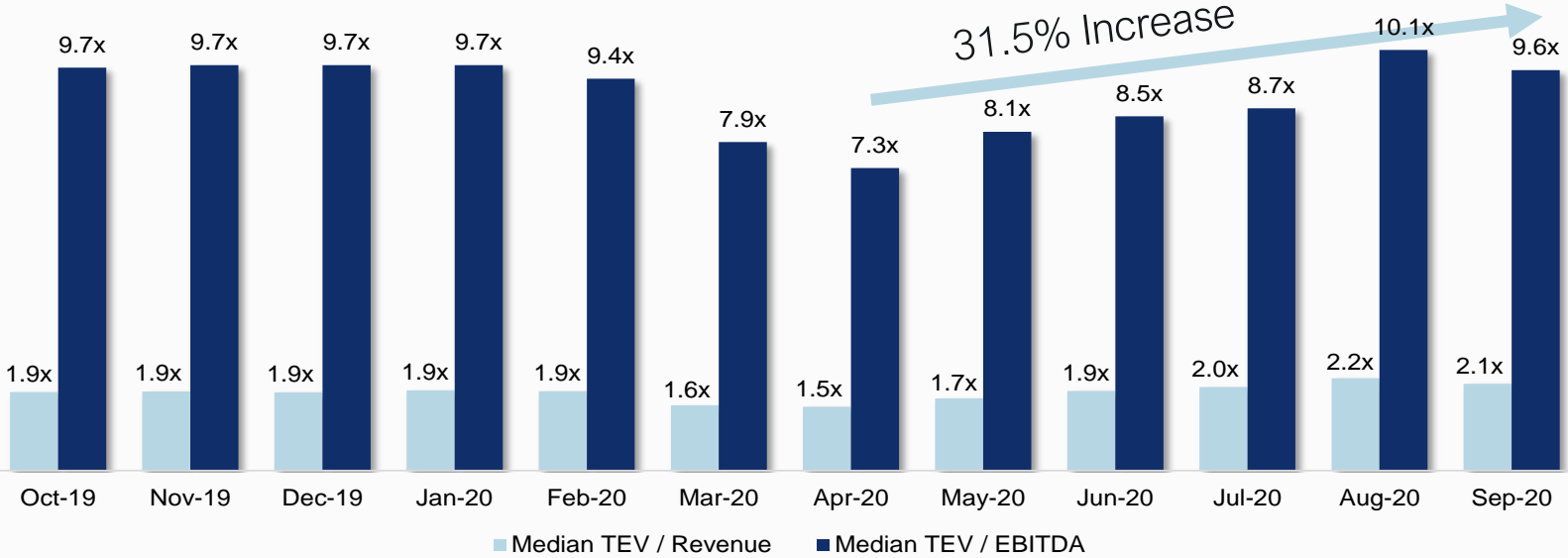


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GCG Public Company Index Trading Multiples

The median quarterly middle market public company revenue multiples remained basically unchanged from Q4 2019 through mid-Q1 2020 remaining at 1.9x. The only exception was the 21% drop in revenue multiples in the March/April 2020 timeframe. The revenue multiples have recovered past the 1.9x level by September 2020 to 2.1x, reaching a 12-month high of 2.2x in the process. The median EBITDA multiples also remained at 9.4x – 9.7x from Q4 2019 through mid-Q1 2020. This changed abruptly in March 2020 when the U.S. began to experience the full brunt of the pandemic. At its low in April 2020, EBITDA multiples decreased to 7.3x, over two full turns from February and two and a half from January and the start of 2020. By the end of Q3, however, multiples had returned to the February 2020 level and even momentarily passed the 9.7x seen through Q4 2019, before settling just below at 9.6x in September 2020.

All U.S. Middle-Market Company Index Trading Multiples



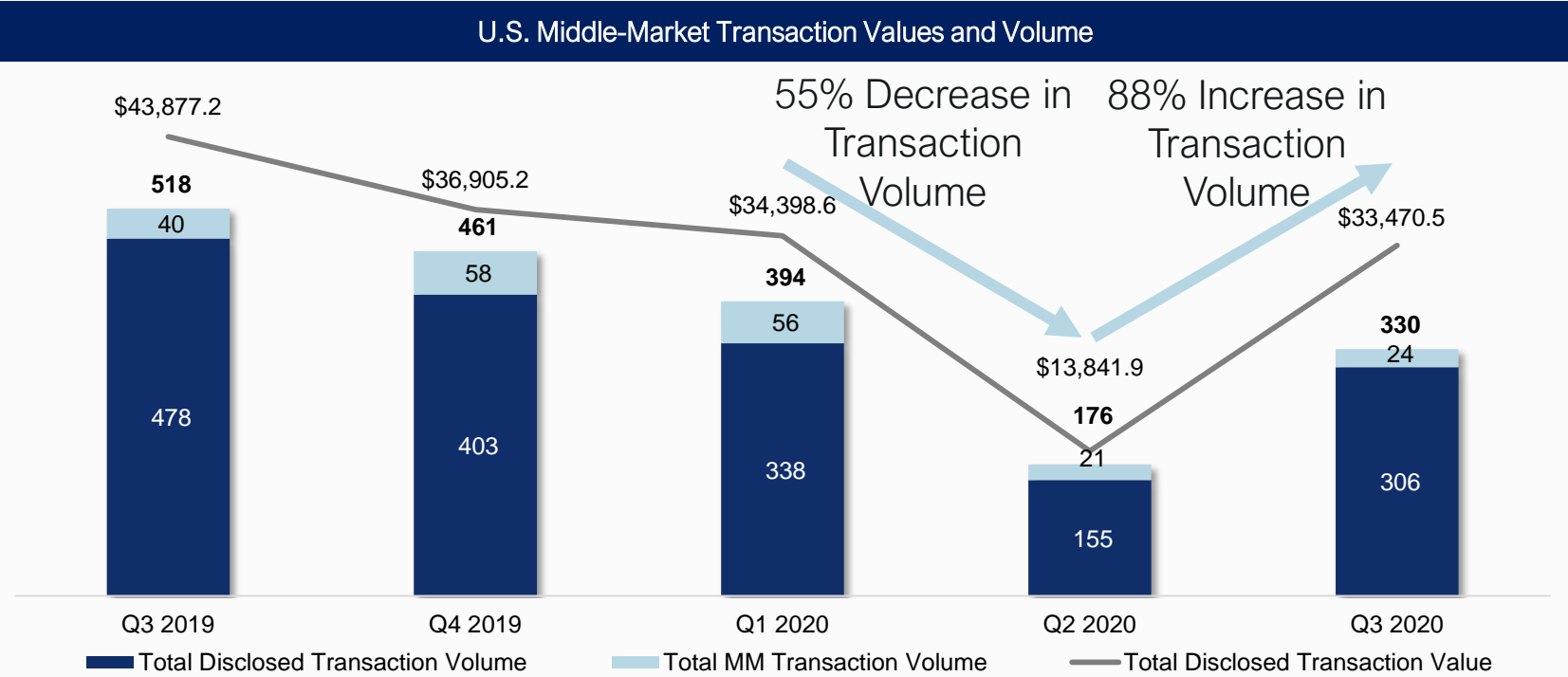
Source: S&P Capital IQ and GCG Proprietary Research
 Note: All values based on publicly available data as of 10/05/2020



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Middle Market M&A Activity

Middle market public and private company transaction deal value and volume for Q3 2020 rebounded from the worst performance of the previous five quarters in Q2, with increases of 142% and 88%, respectively. There is still a significant decline on a year-over-year basis with deal value and volume decreasing 24% and 36%, respectively. The large decline was due to the uncertainty of the COVID-19 virus and the economic impact on target companies and acquirers alike. 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 until a significant change to the current situation arises, such as a vaccine or therapeutic that greatly reduces the chance of serious illness. Q4 will also be heavily influenced by the upcoming election and investors' predictions on the outcome.



Source: S&P Capital IQ, all values based on publicly available data as of 10/05/2020
 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

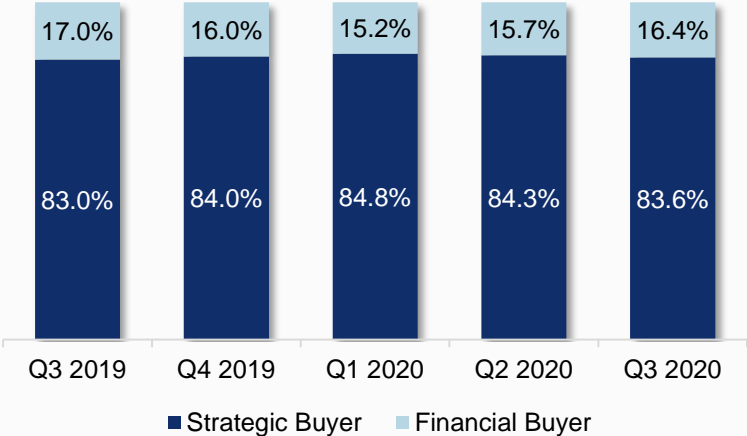
Strategic acquirers continue to dominate middle market M&A activity, accounting for 83.6% of Q3 2020 deal flow, with financial buyers representing 16.4%. These proportions are consistent with Q2 and, more broadly, with the past four quarters. Q3 represents the second highest percentage quarter for financial buyer activity during the past five quarters (since Q3 2019).

Domestic buyers in Q3 represented 85.2% of middle market M&A activity, a significant decrease from Q2 2020 but a return to the level seen before Q2. It is the second lowest 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.

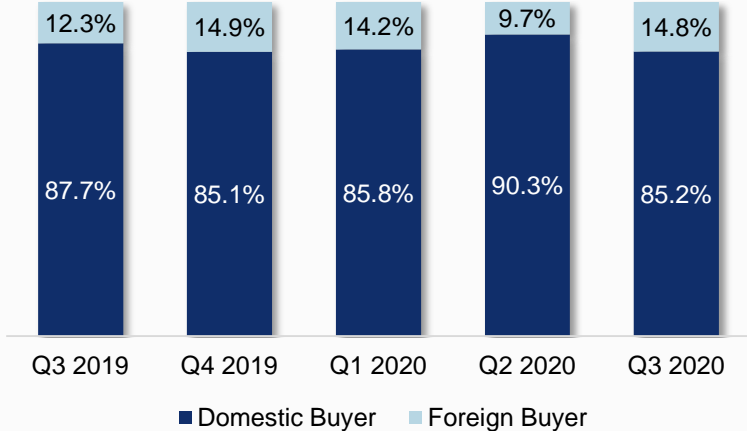
Q3 2020
Transaction Volume:
330

Q3 2020
Monthly Average Volume:
110

Strategic vs. Financial



Domestic vs. Foreign



Source: Capital IQ and GCG Proprietary Research



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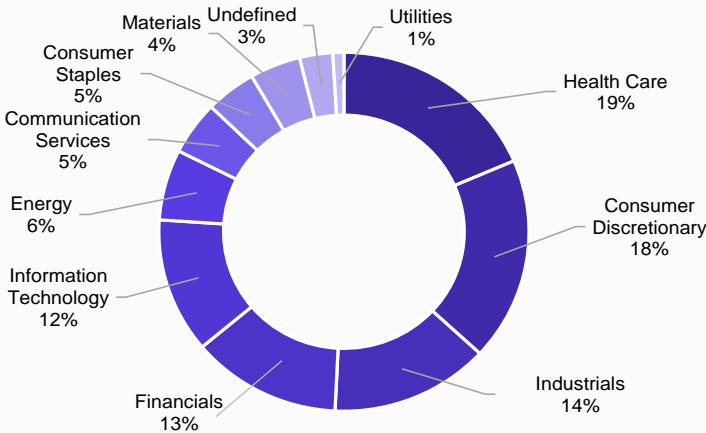
Middle Market M&A Sector Activity

Q3 deal activity exhibited some significant changes in terms of the sectors with the most market share. Health Care was the dominant sector at 18% of middle market transactions announced and closed in Q3. The next three largest sectors after Health Care in 2019, Consumer Discretionary, Industrials and Financials, accounted for a collective 36% of all middle market deals in Q3 compared to 45% in Q3 2019.

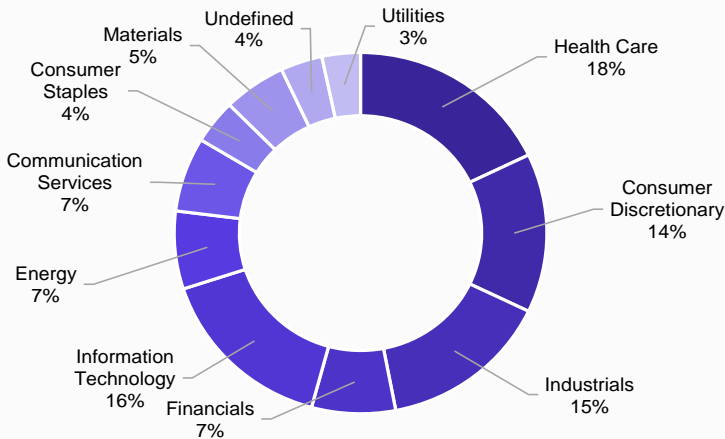
A few industry sectors became more prominent on the deal front over the past year. Looking at 2020 vs 2019 data shows that the Industrials, Information Technology, Energy, Communication Services, Materials and Utilities sectors increased their share of deal activity as a percentage of the overall market with positive changes between +1% and +4% with the increase in Information Technology being the largest. The remaining sectors decreased between 1% and 6% with the decline in Financials 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.

Q3 2019



Q3 2020



Source: Capital IQ and GCG Proprietary Research
Note: The monthly average number of transactions in Q3 2019 was 173 and in Q3 2020 was 110.



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Public Comparable Companies

The top three companies as measured by average enterprise value in 2020 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.	\$434.72	\$80.04	(6.7%)	(8.9%)	25.4%	18.3%	1.3x	7.3x
Radiant Logistics, Inc.	286.09	5.16	23.7%	4.9%	17.7%	4.2%	0.3x	7.9x
Air T, Inc.	122.77	9.25	(20.8%)	(55.1%)	21.1%	4.6%	0.5x	11.8x
Mean	\$281.19	\$31.48	(1.2%)	(19.7%)	21.4%	9.0%	0.7x	9.0x
Median	\$286.09	\$9.25	(6.7%)	(8.9%)	21.1%	4.6%	0.5x	7.9x
Automotive								
XPEL, Inc.	\$734.64	\$27.08	74.1%	132.0%	33.6%	14.5%	5.3x	36.2x
P.A.M. Transportation Services, Inc.	433.31	37.12	22.5%	(36.7%)	21.1%	11.6%	0.9x	7.9x
Horizon Global Corporation	418.63	5.83	132.3%	64.7%	13.4%	(6.3%)	0.7x	NM
Mean	\$528.86	\$23.34	76.3%	53.3%	22.7%	6.6%	2.3x	22.1x
Median	\$433.31	\$27.08	74.1%	64.7%	21.1%	11.6%	0.9x	22.1x
Business Services								
ORBCOMM Inc.	\$485.41	\$3.59	(5.8%)	(23.8%)	53.6%	19.6%	1.9x	9.4x
Willdan Group, Inc.	452.84	27.02	9.0%	(23.2%)	31.6%	3.5%	1.0x	29.3x
Mistras Group, Inc.	394.02	4.01	10.5%	(75.3%)	32.3%	6.0%	0.6x	10.1x
Mean	\$444.09	\$11.54	4.6%	(40.8%)	39.2%	9.7%	1.2x	16.3x
Median	\$452.84	\$4.01	9.0%	(23.8%)	32.3%	6.0%	1.0x	10.1x

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 Sep-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								
Allied Motion Technologies Inc.	\$543.33	\$42.30	24.7%	23.8%	30.5%	11.5%	1.5x	13.0x
Tribune Publishing Company	532.65	11.79	18.7%	39.2%	60.1%	8.2%	0.6x	7.3x
J.Jill, Inc.	487.77	0.60	(14.3%)	(67.0%)	60.3%	(3.1%)	0.9x	NM
Mean	\$521.25	\$18.23	9.7%	(1.3%)	50.3%	5.5%	1.0x	10.1x
Median	\$532.65	\$11.79	18.7%	23.8%	60.1%	8.2%	0.9x	10.1x
F&B								
Limoneira Company	\$404.40	\$14.19	0.9%	(20.9%)	5.0%	(2.4%)	2.4x	NM
Village Super Market, Inc.	402.45	24.37	(8.9%)	(7.5%)	27.7%	3.4%	0.2x	6.9x
Alico, Inc.	353.91	28.65	(9.5%)	(15.7%)	36.9%	40.8%	4.0x	9.8x
Mean	\$386.92	\$22.40	(5.8%)	(14.7%)	23.2%	13.9%	2.2x	8.3x
Median	\$402.45	\$24.37	(8.9%)	(15.7%)	27.7%	3.4%	2.4x	8.3x
Healthcare								
Frequency Therapeutics, Inc.	\$475.84	\$19.88	(11.9%)	-	64.2%	(41.8%)	10.6x	NM
Antares Pharma, Inc.	467.01	2.84	5.6%	(14.2%)	60.3%	8.4%	3.4x	40.3x
Cue Biopharma, Inc.	383.94	15.61	(31.8%)	114.1%	NA	(975.8%)	95.8x	NM
Mean	\$442.27	\$12.78	(12.7%)	50.0%	62.3%	(336.4%)	36.6x	40.3x
Median	\$467.01	\$15.61	(11.9%)	50.0%	62.3%	(41.8%)	10.6x	40.3x

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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								
Contura Energy, Inc.	\$532.37	\$7.42	134.8%	(70.6%)	11.2%	7.9%	0.3x	3.5x
Lydall, Inc.	516.82	16.88	32.5%	(28.8%)	17.9%	5.1%	0.7x	13.6x
SEACOR Marine Holdings Inc.	513.82	1.99	(25.5%)	(84.2%)	39.1%	15.5%	2.7x	17.6x
Mean	\$521.00	\$8.76	47.3%	(61.2%)	22.7%	9.5%	1.2x	11.6x
Median	\$516.82	\$7.42	32.5%	(70.6%)	17.9%	7.9%	0.7x	13.6x
Real Estate								
Stratus Properties Inc.	\$553.05	\$22.03	13.1%	(24.1%)	16.3%	(7.9%)	23.4x	NM
FRP Holdings, Inc.	470.66	41.51	2.0%	(13.6%)	33.9%	35.4%	23.6x	66.8x
New England Realty Associates Limited Partnership	463.35	48.65	(9.9%)	(14.6%)	71.9%	55.5%	7.2x	13.0x
Mean	\$495.69	\$37.40	1.7%	(17.4%)	40.7%	27.7%	18.1x	39.9x
Median	\$470.66	\$41.51	2.0%	(14.6%)	33.9%	35.4%	23.4x	39.9x
Technology & IT Services								
Sezzle Inc.	\$1,022.89	\$5.29	43.8%	8.2%	56.8%	(14.3%)	3.5x	NM
MobileIron, Inc.	758.26	7.03	80.1%	237.5%	79.2%	(4.8%)	31.4x	NM
PDF Solutions, Inc.	627.13	19.76	2.9%	53.8%	59.6%	(2.7%)	7.2x	NM
Mean	\$802.76	\$10.69	42.2%	99.8%	65.2%	(7.3%)	14.1x	
Median	\$758.26	\$7.03	43.8%	53.8%	59.6%	(4.8%)	7.2x	

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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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