



MIDDLE MARKET UPDATE

Q2 2022

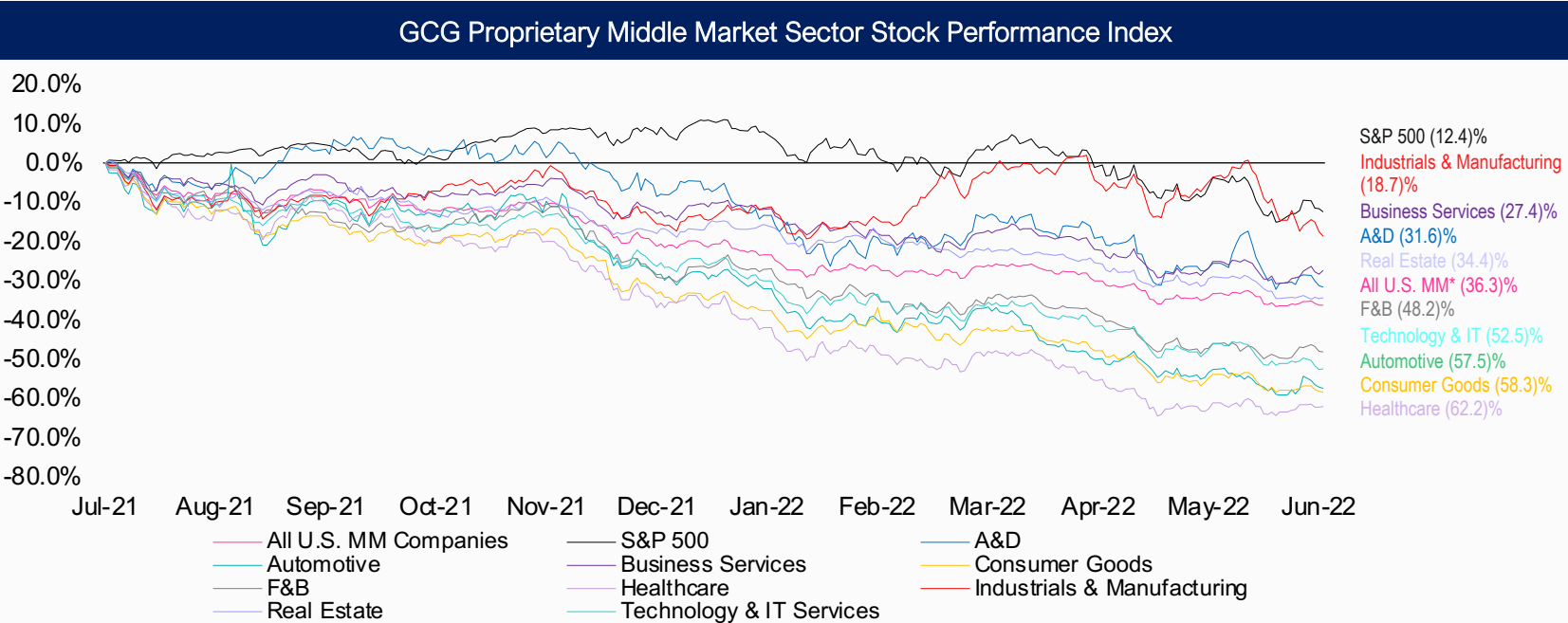


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GCG Public Company Index Market Performance

GCG's proprietary middle market industry sector performance index has taken a turn into negative territory overall during Q2 2022. Contrary to the previous few quarters, no middle market sector outperformed the large cap stocks over the prior 12 months, as measured by the S&P 500 index. The S&P 500 index had a total 12-month return of negative 12.4% as of June 2022. This significantly outgained the middle market index which returned (36.3)% for the 12-month period. This represents a continuation of the decline in performance since Q1 2021. Industrials and Manufacturing led the middle market over the past 12 months with a (18.7)% return, while the Healthcare sector was the worst performing sector with a negative 62.2% return during the same period. Inflation worries that set in during Q4 2021 continued into Q2 and hurt most sectors. Interest rates experienced their first increase since 2019 and the Federal Reserve has tightened monetary policy aggressively. This tightening has clearly impacted the middle market more than the large cap businesses.



Source: S&P Capital IQ and GCG Proprietary Research, all values based on publicly available data as of 06/30/2022
 Note: Benchmark index for comparison is All U.S. MM Companies, MM defined as average enterprise value in 2021 between \$10M and \$500M

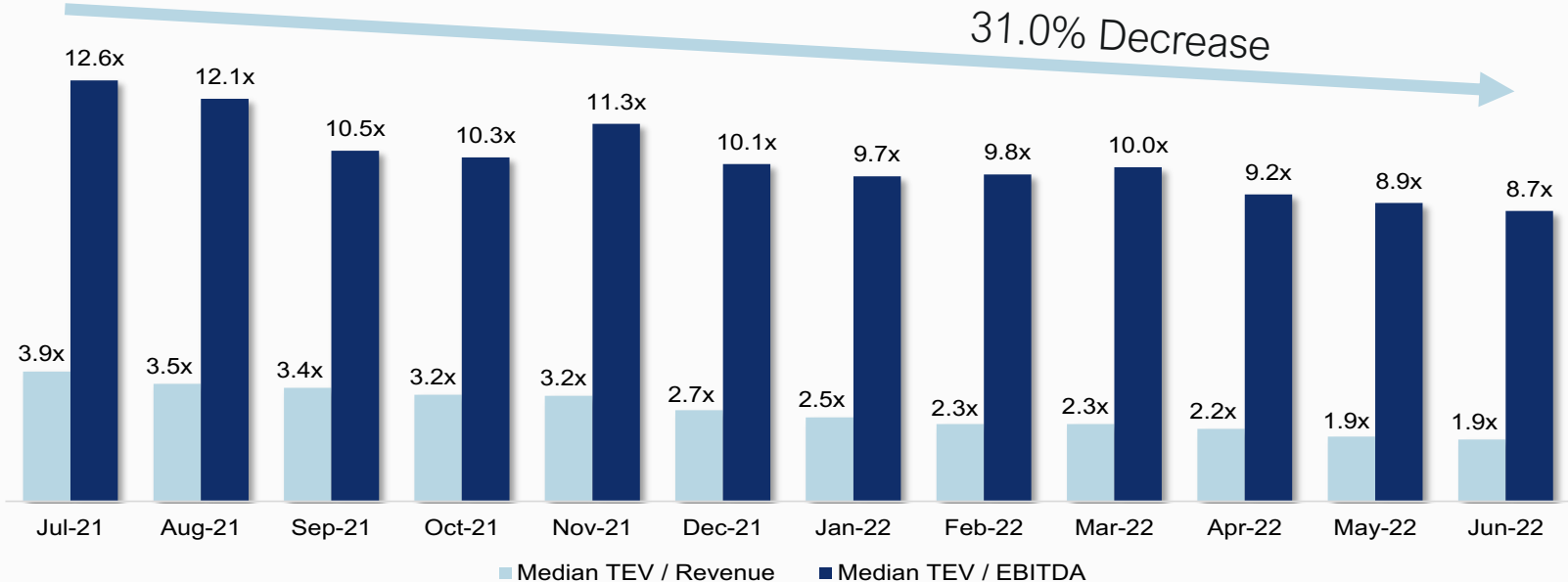


GCG Middle Market Update | Q2 2022

GCG Public Company Index Trading Multiples

The median quarterly middle market public company revenue and EBITDA multiples peaked in March 2021. Since then, the revenue and EBITDA multiples have been declining. As a result, EBITDA multiples have declined 31% over the last 12 months. Current multiples still reflect strongly improving earnings as the economy continues to recover from the pandemic. As earnings continue to escalate, we anticipate that multiples will continue to level out at a slightly lower level than the most recent 6 months. The median revenue and EBITDA multiple in 2021 were 3.1x and 12.6x, respectively. This was a significant improvement from 2020 which was 2.0x and 9.3x, respectively. While 2021 ended at a lower level compared to early in the year, it was still above 2020 levels. Q2 2022, however, ended at a lower level than at any point of 2021.

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 06/30/2022

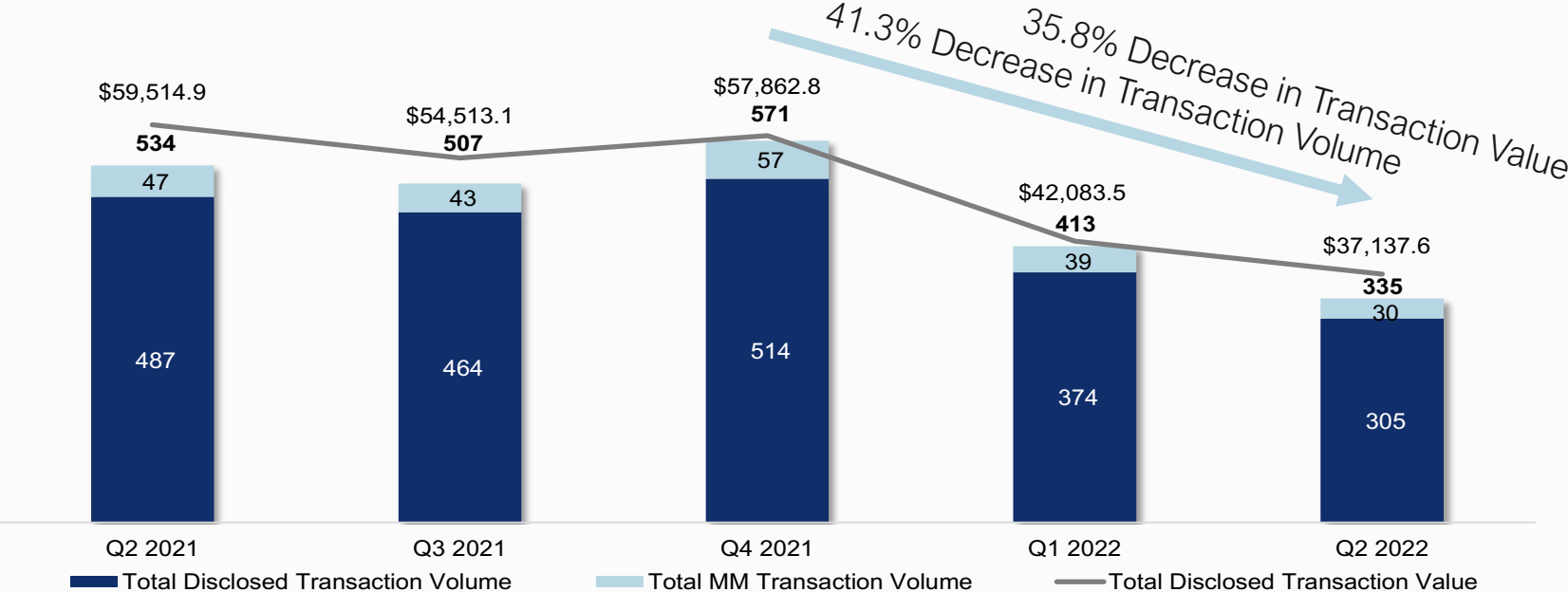


GCG Middle Market Update | Q2 2022

Middle Market M&A Activity

Middle market public and private company transaction deal value and volume for Q2 2022 decreased from Q1 of 2022 and was the lowest quarter since Q3 of 2020. Compared to Q1, values and volume decreased 11.8% and 18.9%, respectively. Q2 2022 value and volume also fell 37.6% and 37.3%, respectively over Q2 2021. Covid and uncertainty around tax law changes impacted 2020 and subsequently 2021 activity. 2021 Q2 through Q4 activity was significantly higher than prior quarters and broke M&A deal volume records for a given year. The 4th quarter, in particular, eclipsed the rest of 2021 by deal count as year end deal closings surged. It was to be expected that Q1 2022 would decline off of this torrid pace. During Q2 2022, the M&A environment was still very strong but rising interest rates gave pause to some buyers but were not prohibitive. Capital availability was still quite high and the economy was strong. All of this continues to fuel a strong M&A market.

U.S. Middle Market Transaction Values and Volume



Source: S&P Capital IQ, all values based on publicly available data as of 06/30/2022
 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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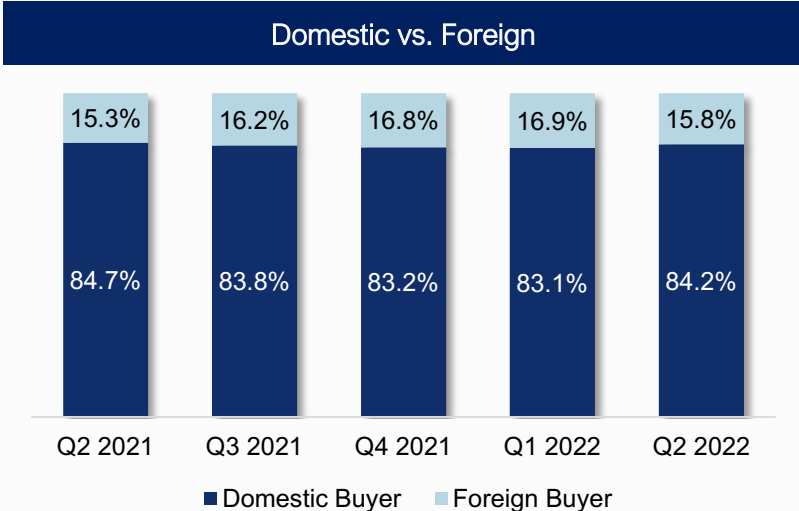
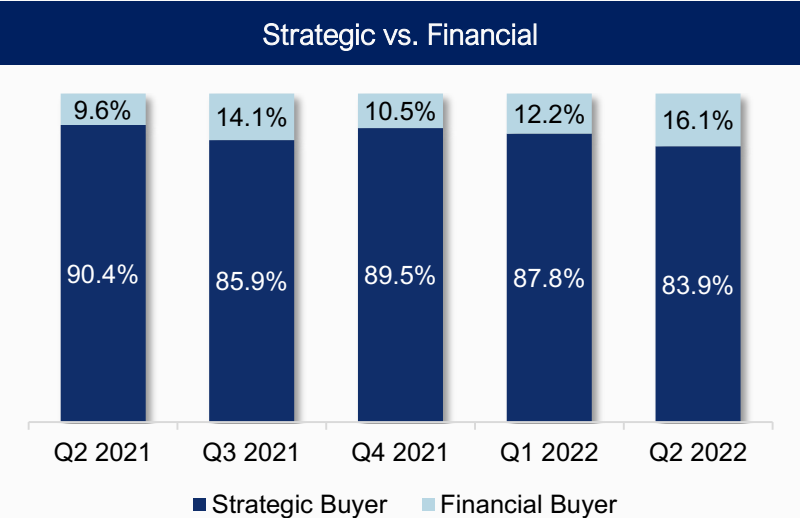
Middle Market M&A Buyer Analysis

Strategic acquirers continue to dominate middle market M&A activity, accounting for 83.9% of Q2 2022 deal flow, with financial buyers representing 16.1%. This is the lowest quarter of the past five (since Q1 2021) for strategic activity and the highest for financial. 2021 resulted in the highest share of strategic buyers of the past five years (since 2017).

Domestic buyers in Q2 represented 84.2% of middle market M&A activity, a slight increase from Q1 2022. It is the second highest month for middle market domestic buyers' activity over the past five quarters and the second lowest for foreign. This reversed the trend for the last five quarters as foreign buyers were increasing their share of deals. As uncertainty around global trade and the pandemic continues, domestic buyers are expected to continue their dominant position. The strong dollar is making foreign investment in the US more expensive and is having some impact on the investment into the US. However, the uncertainty and slowing of the global economies also makes the U.S. an attractive investment location.

Q2 2022
Transaction Volume:
335

Q2 2022
Monthly Average Volume:
112



Source: Capital IQ and GCG Proprietary Research



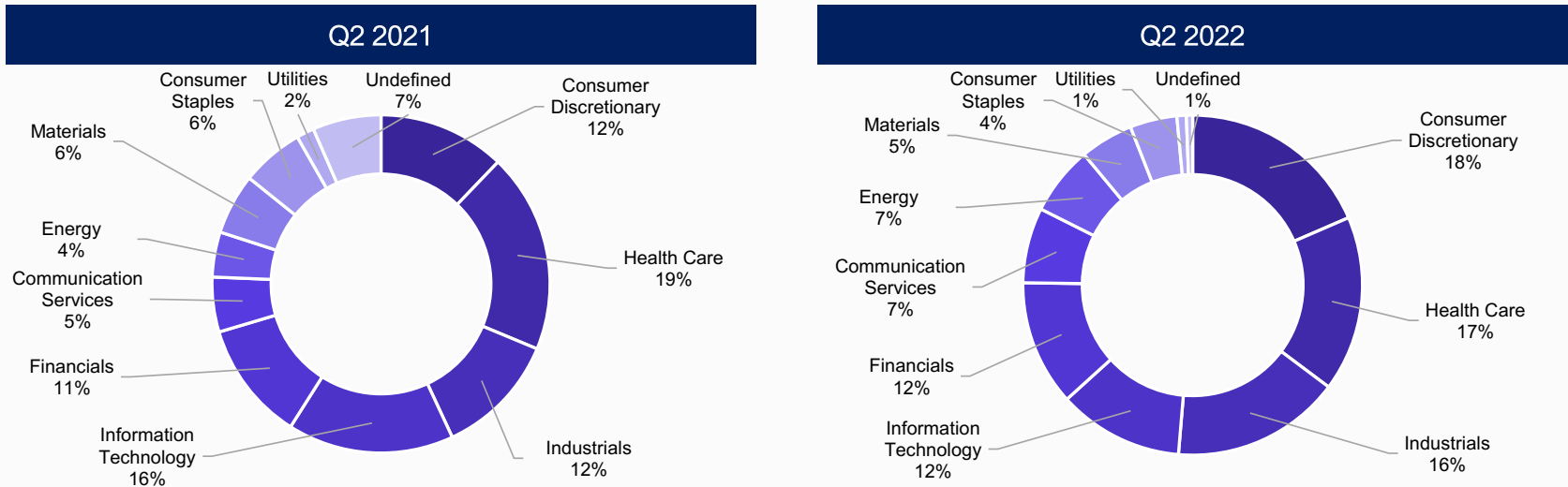
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Middle Market M&A Sector Activity

Q2 deal activity by sector was similar to Q2 2021 in terms of the sectors with the most market share. Health Care was the dominant sector in middle market transactions announced and closed in Q2 2021. It decreased to 17% in Q2 2022 and no longer has the highest percentage of deals. Consumer Discretionary deals made up 18% of the activity in the 2nd quarter followed by Health Care deals at 17%.

A few other industry sectors became more prominent on the deal front over the past year. Looking at 2022 vs 2021 data shows that the Consumer Discretionary, Industrials, Financials, Communication Services and Energy sectors increased their share of deal activity as a percentage of the overall market with positive changes between +1% and +6% with the increase in Consumer Discretionary being the largest. The remaining sectors decreased between 1% and 4% with the decline in IT 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.



Source: Capital IQ and GCG Proprietary Research

Note: The monthly average number of transactions in Q2 2021 was 178 and in Q2 2022 was 112.

GCG Middle Market Update | Q2 2022

Public Comparable Companies

The top three companies as measured by average enterprise value in 2021 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									
Satelloptic Inc.	\$602.83	\$3.99	(54.7%)	(58.9%)	55.8%	(1363.8%)	141.9x	NM	
Radiant Logistics, Inc.	470.47	7.22	16.6%	2.8%	16.2%	5.0%	0.4x	7.0x	
Byrna Technologies Inc.	150.73	8.46	3.5%	(60.6%)	54.0%	(20.2%)	3.8x	NM	
Mean	\$408.01	\$6.56	(11.5%)	(38.9%)	42.0%	(459.7%)	48.7x	7.0x	
Median	\$470.47	\$7.22	3.5%	(58.9%)	54.0%	(20.2%)	3.8x	7.0x	
Automotive									
Covenant Logistics Group, Inc.	\$478.14	\$25.32	23.3%	18.8%	19.0%	11.7%	0.4x	3.7x	
Horizon Global Corporation	368.17	1.57	(71.6%)	(81.7%)	18.2%	1.1%	0.5x	43.1x	
Elektros Inc.	47.38	0.11	(69.3%)	(90.4%)	0.0%	NA	-	-	
Mean	\$297.89	\$9.00	(39.2%)	(51.1%)	12.4%	6.4%	0.5x	23.4x	
Median	\$368.17	\$1.57	(69.3%)	(81.7%)	18.2%	6.4%	0.5x	23.4x	
Business Services									
Cardiff Lexington Corporation	\$801.52	\$0.00	0.0%	(98.4%)	85.5%	3.2%	111.1x	3490.9x	
Resources Connection, Inc.	680.27	20.67	19.1%	43.5%	38.8%	10.6%	0.9x	8.4x	
Franklin Covey Co.	626.35	47.13	(0.1%)	30.9%	77.5%	12.0%	2.5x	20.7x	
Mean	\$702.71	\$22.60	6.3%	(8.0%)	67.3%	8.6%	38.2x	1173.4x	
Median	\$680.27	\$20.67	0.0%	30.9%	77.5%	10.6%	2.5x	20.7x	

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2021 and Dec-2021



GCG Middle Market Update | Q2 2022

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								
Drive Shack Inc.	\$400.98	\$1.32	(12.6%)	(59.0%)	16.3%	2.6%	1.4x	53.7x
Tuesday Morning Corporation	279.19	0.34	(69.6%)	(92.3%)	27.2%	(2.8%)	0.4x	NM
Thorne HealthTech, Inc.	250.19	4.70	(32.3%)	-	53.3%	7.2%	1.3x	17.8x
Mean	\$310.12	\$2.12	(38.2%)	(75.6%)	32.3%	2.3%	1.0x	35.7x
Median	\$279.19	\$1.32	(32.3%)	(75.6%)	27.2%	2.6%	1.3x	35.7x
F&B								
Limoneira Company	\$407.79	\$13.69	(3.4%)	(23.6%)	6.1%	0.1%	2.4x	2831.9x
HF Foods Group Inc.	396.71	5.01	(24.7%)	(5.8%)	18.5%	5.8%	0.6x	9.6x
22nd Century Group, Inc.	313.53	2.13	(7.8%)	(49.4%)	5.7%	(90.5%)	9.4x	NM
Mean	\$372.68	\$6.94	(11.9%)	(26.3%)	10.1%	(28.2%)	4.1x	1420.8x
Median	\$396.71	\$5.01	(7.8%)	(23.6%)	6.1%	0.1%	2.4x	1420.8x
Healthcare								
NantHealth, Inc.	\$290.44	\$0.43	(42.8%)	(81.0%)	63.5%	(60.6%)	4.6x	NM
SeaSpine Holdings Corporation	164.26	5.79	(52.5%)	(72.0%)	61.3%	(21.0%)	0.8x	NM
Ontrak, Inc.	15.02	1.09	(48.8%)	(96.7%)	64.9%	(45.5%)	0.2x	NM
Mean	\$156.58	\$2.44	(48.0%)	(83.2%)	63.2%	(42.4%)	1.9x	NM
Median	\$164.26	\$1.09	(48.8%)	(81.0%)	63.5%	(45.5%)	0.8x	NM

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GCG Middle Market Update | Q2 2022

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								
SEACOR Marine Holdings Inc.	\$486.73	\$5.60	(31.3%)	20.7%	18.5%	(3.1%)	2.7x	NM
Transcat, Inc.	483.73	56.65	(32.1%)	(2.5%)	28.5%	12.0%	2.4x	19.7x
Karat Packaging Inc.	396.49	17.16	(11.7%)	(16.9%)	30.6%	9.9%	1.0x	10.2x
Mean	\$455.65	\$26.47	(25.0%)	0.4%	25.9%	6.3%	2.0x	14.9x
Median	\$483.73	\$17.16	(31.3%)	(2.5%)	28.5%	9.9%	2.4x	14.9x
Real Estate								
New England Realty Associates Limited Partnership	\$556.52	\$77.00	(3.7%)	21.8%	66.8%	48.8%	8.7x	17.8x
RE/MAX Holdings, Inc.	426.07	25.04	(8.2%)	(25.9%)	75.0%	27.5%	1.2x	4.4x
Tejon Ranch Co.	425.63	15.65	(15.2%)	1.8%	24.4%	17.7%	6.5x	36.6x
Mean	\$469.41	\$39.23	(9.0%)	(0.8%)	55.4%	31.3%	5.5x	19.6x
Median	\$426.07	\$25.04	(8.2%)	1.8%	66.8%	27.5%	6.5x	17.8x
Technology & IT Services								
Startek, Inc.	\$363.14	\$2.81	7.7%	(68.4%)	13.3%	NA	-	NM
SolarWindow Technologies, Inc.	153.95	3.07	(37.8%)	(60.5%)	0.0%	9.4%	0.5x	5.5x
Clubhouse Media Group, Inc.	10.15	0.00	(85.7%)	(99.9%)	11.6%	(258.7%)	2.2x	NM
Mean	\$175.74	\$1.96	(38.6%)	(76.3%)	8.3%	(124.7%)	1.4x	5.5x
Median	\$153.95	\$2.81	(37.8%)	(68.4%)	11.6%	(124.7%)	1.4x	5.5x

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GCG Middle Market Update | Q2 2022

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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