



MIDDLE MARKET UPDATE

Q1 2023



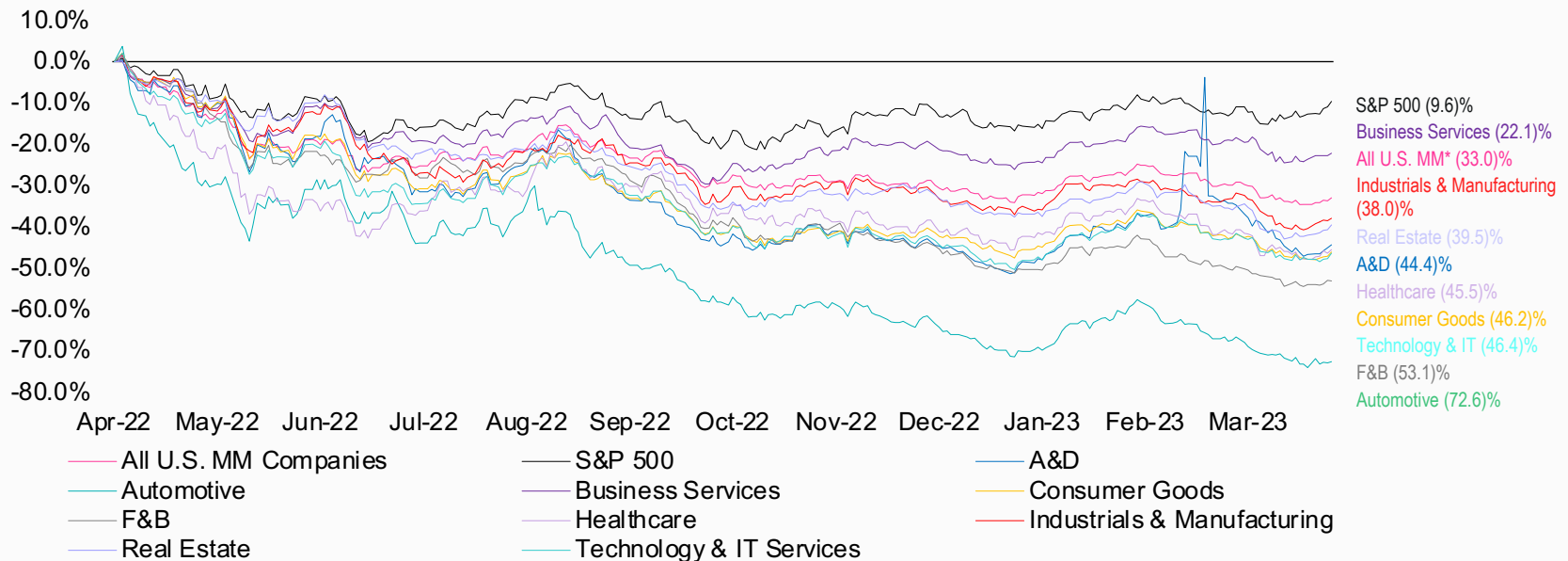
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GCG Middle Market Update | Q1 2023

GCG Public Company Index Market Performance

GCG's proprietary middle market industry sector performance index has continued its journey into negative territory in Q1 2023. Continuing a recent trend, 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 9.6% as of March 2023. This outgained the middle market index which returned (33.0)% for the 12-month period, which is worse than in Q4. Business Services led the middle market over the past 12 months with a (22.1)% return followed by Industrials and Manufacturing at (38.0)%. All sectors have significantly underperformed the S&P 500. Healthcare, Consumer Goods, Technology & IT, F&B and Automotive all dropped between 45 and 75 percent over the last 12 months. The ongoing economic tightening has clearly impacted the middle market more than the large cap businesses and is now leading many experts to forecast a looming recession in the next 12-36 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 3/31/2023

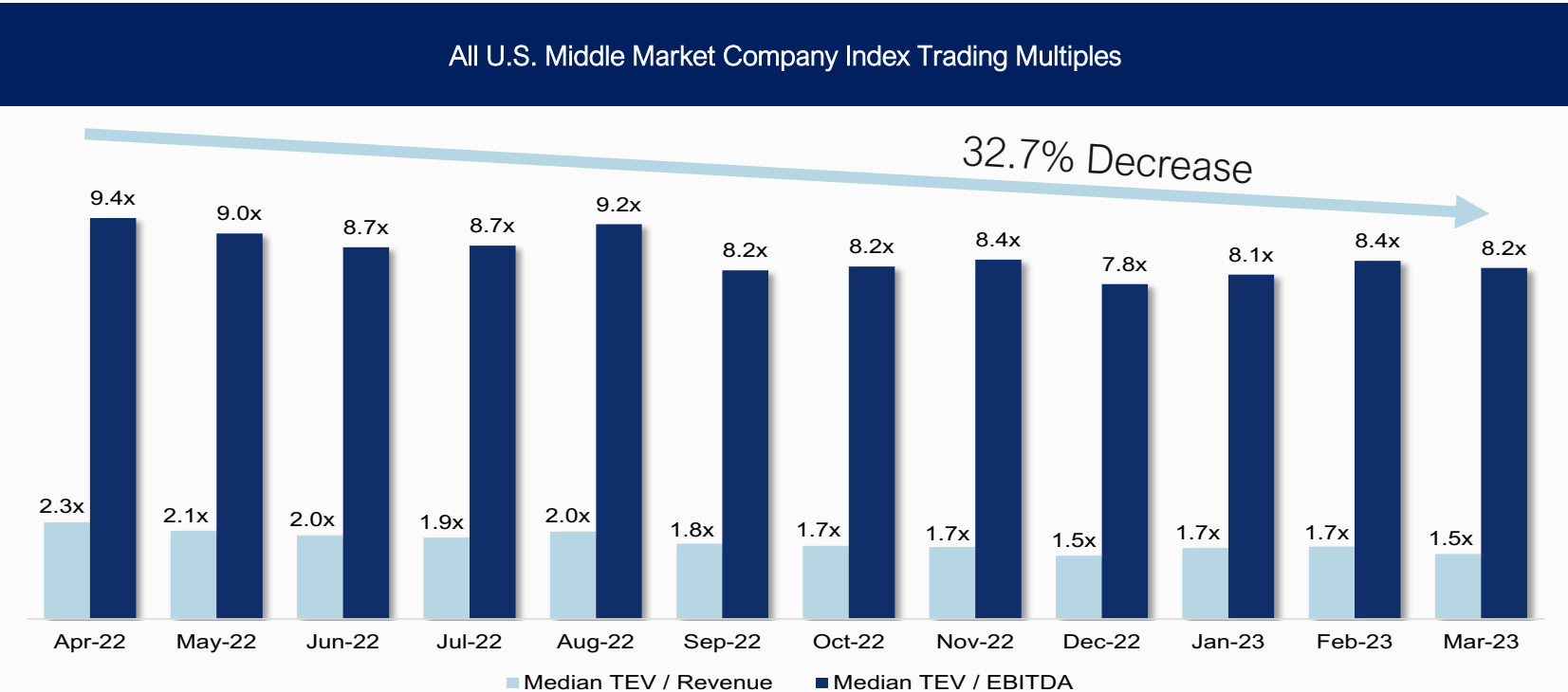
Note: Benchmark index for comparison is All U.S. MM Companies, MM defined as average enterprise value in 2022 between \$10M and \$500M



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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 33% over the last 12 months. With rising rates and inflation, it is not surprising that there is a contraction in multiples. We also believe that multiples are projecting lower earnings going forward. If earnings continue to remain strong, we would anticipate a reversal of this decline. That said, if the economy does fall into a recession and earnings suffer, then this trend should continue.



Source: S&P Capital IQ and GCG Proprietary Research
Note: All values based on publicly available data as of 3/31/2023

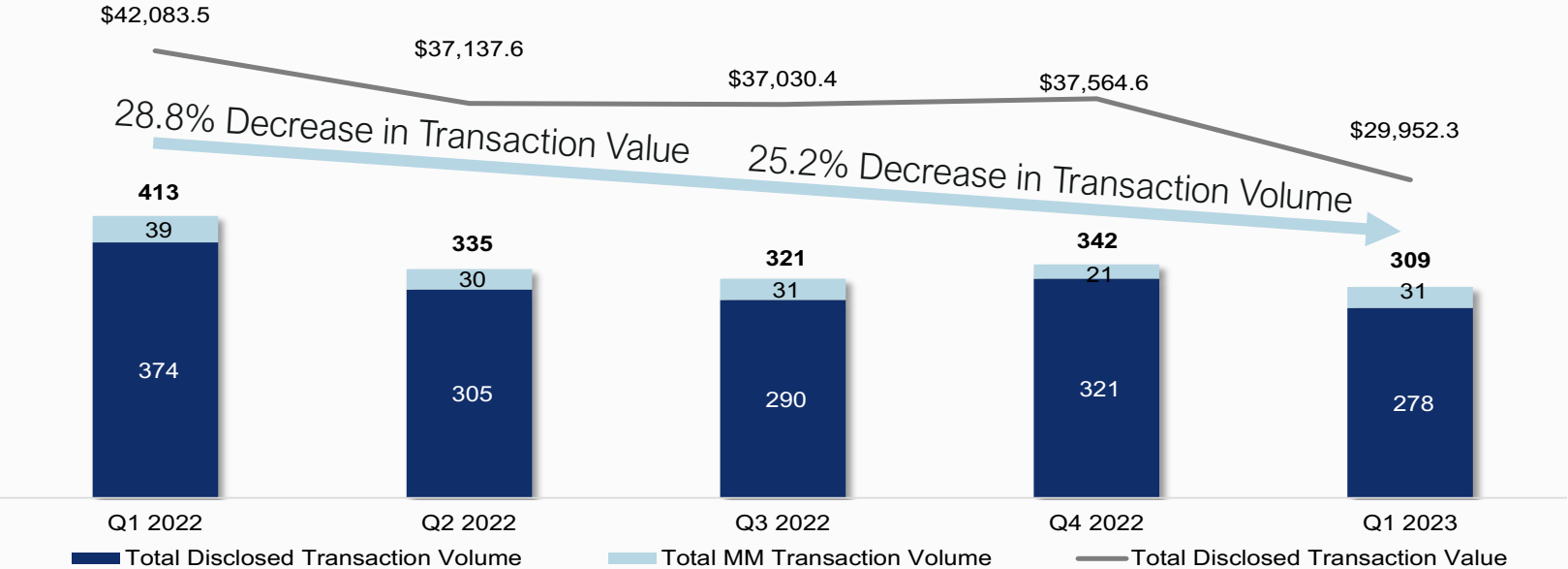


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Middle Market M&A Activity

Middle market public and private company transaction deal value and volume for Q1 2023 decreased from Q4 of 2022 to continue an ongoing decline. Compared to Q4, values and volume decreased 20.3% and 9.6%, respectively. Q1 2023 value and volume fell 28.8% and 25.2%, respectively over Q1 2022. 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 2021 eclipsed the rest of 2021 as year end deal closings surged. It was to be expected that 2022 would decline off of this torrid pace. During Q1 2023, the M&A environment was still active, however, rising interest rates and economic uncertainty have reduced the supply of deals and hurt overall multiples. Capital availability was still quite high and the economy maintained its strength which is fueling the M&A market even with lower volumes.

U.S. Middle Market Transaction Values and Volume



Source: S&P Capital IQ, all values based on publicly available data as of 3/31/2023
 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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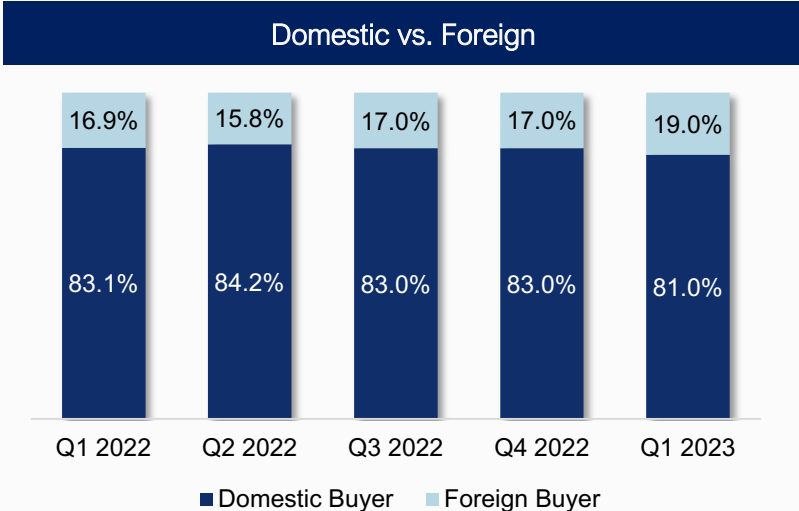
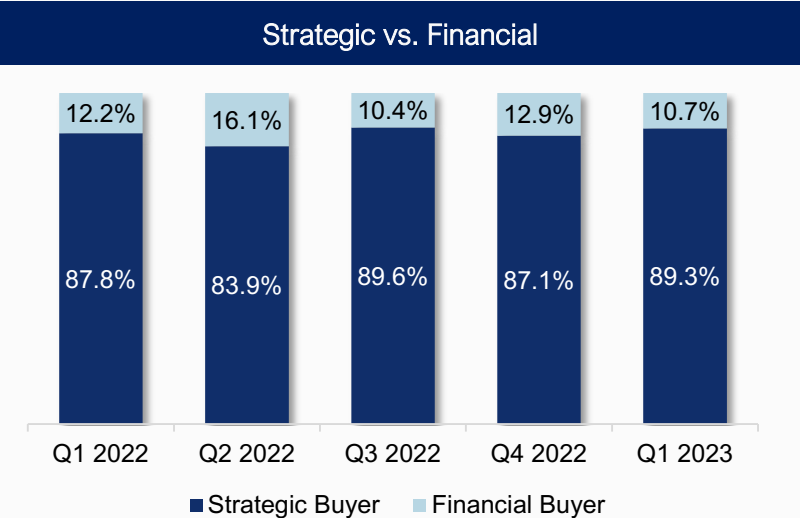
Middle Market M&A Buyer Analysis

Strategic acquirers continue to dominate middle market M&A activity, accounting for 89.3% of Q1 2023 deal flow, with financial buyers representing 10.7%. This is the second highest quarter of the past five (since Q1 2022) for strategic activity and the second lowest for financial. 2021 resulted in the highest share of strategic buyers of the past five years (since 2017) and 2022 the second highest. With rising interest rates, strategic acquirers are becoming more competitive against private equity.

Domestic buyers in Q1 represented 81.0% of middle market M&A activity. This was the highest quarter of the past five for foreign activity. 2022 was the strongest year for foreign buyer activity since at least 2015. 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 U.S. more expensive and is having some impact on the investment into the U.S. However, the uncertainty and slowing of the global economies also makes the U.S. an attractive investment location.

Q1 2023
Transaction Volume:
309

Q1 2023
Monthly Average Volume:
103



Source: Capital IQ and GCG Proprietary Research



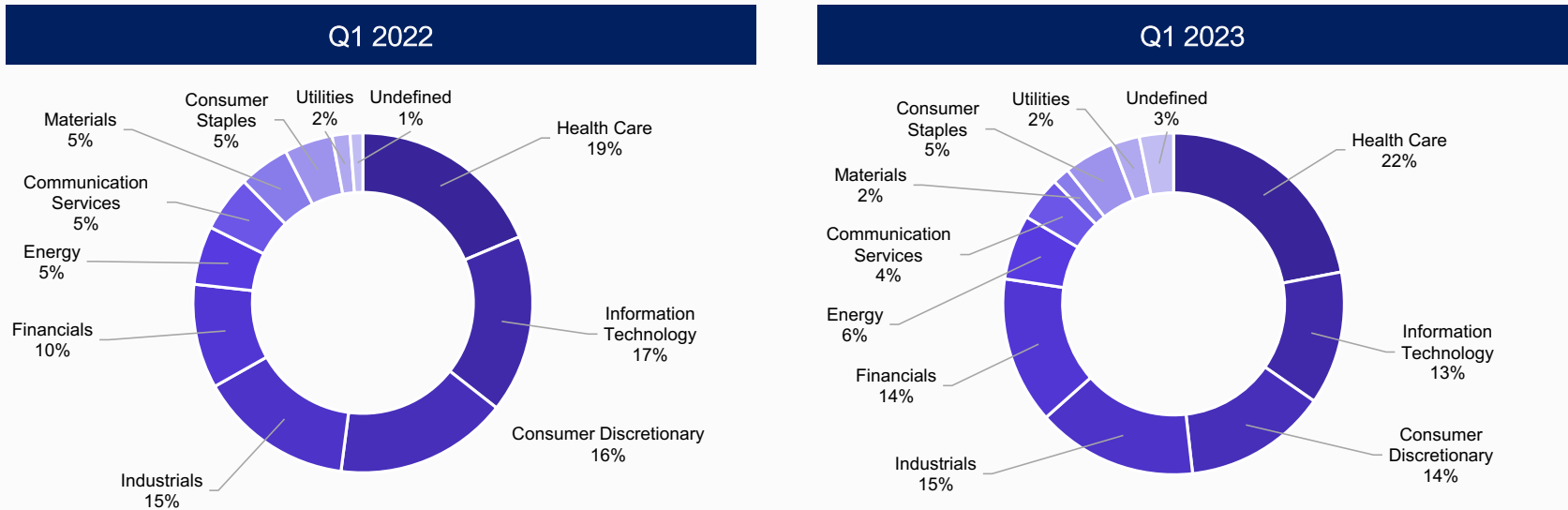
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Middle Market M&A Sector Activity

Q1 deal activity by sector was similar to Q1 2022 in terms of the sectors with the most market share. Healthcare was the dominant sector in middle market transactions announced and closed in Q1 2022. It increased to 22% in Q1 2023 and remained the highest percentage of deals. Industrials, Financials and Consumer Discretionary deals made up 14-15% of the activity in the 1st quarter followed by Information Technology deals at 13%.

Some significant trends have emerged over the past 12 months. Information Technology deal activity has declined significantly dropping 4 percent. Financials and Healthcare made significant upticks in overall deal percentages to gain share with a 3-4 percent increase.

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 per month in Q1 2022 was 138 and in Q1 2023 was 103.



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Public Comparable Companies

The top three companies as measured by average enterprise value in 2022 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								
Astronics Corporation	\$581.26	\$13.36	29.7%	2.6%	12.2%	(1.3%)	1.1x	NM
Applied Energetics, Inc.	457.96	2.19	11.9%	5.9%	76.6%	(435.6%)	350.2x	NM
Radiant Logistics, Inc.	373.95	6.56	28.9%	6.0%	16.8%	5.6%	0.3x	4.6x
Mean	\$471.06	\$7.37	23.5%	4.8%	35.2%	(143.8%)	117.2x	4.6x
Median	\$457.96	\$6.56	28.9%	5.9%	16.8%	(1.3%)	1.1x	4.6x
Automotive								
Mullen Automotive, Inc.	\$410.86	\$0.13	(54.1%)	(95.4%)	0.0%	NA	-	NM
Workhorse Group Inc.	138.04	1.33	(12.5%)	(72.0%)	NA	(2531%)	27.5x	NM
Hyzon Motors Inc.	(203.20)	0.82	(47.4%)	(86.8%)	(144.4%)	(1199%)	-22.7x	NM
Mean	\$115.24	\$0.76	(38.0%)	(84.7%)	(72.2%)	(1865%)	2.4x	NM
Median	\$138.04	\$0.82	(47.4%)	(86.8%)	(72.2%)	(1865%)	2.4x	NM
Business Services								
Meltwater N.V.	\$542.62	\$1.69	22.1%	(8.1%)	71.7%	(3.1%)	1.2x	NM
Universal Technical Institute, Inc.	537.08	7.38	9.8%	(17.8%)	57.4%	8.2%	1.2x	15.1x
Barrett Business Services, Inc.	470.96	88.64	(5.0%)	13.6%	22.3%	5.9%	0.4x	7.5x
Mean	\$516.89	\$32.57	9.0%	(4.1%)	50.4%	3.7%	1.0x	11.3x
Median	\$537.08	\$7.38	9.8%	(8.1%)	57.4%	5.9%	1.2x	11.3x

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2022 and Dec-2022



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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								
Purple Innovation, Inc.	\$390.03	\$2.64	(44.9%)	(55.3%)	36.6%	(4.0%)	0.7x	NM
Duluth Holdings Inc.	364.38	6.38	3.2%	(47.6%)	52.6%	5.5%	0.6x	10.2x
Heliogen, Inc.	(80.71)	0.24	(65.6%)	(95.4%)	(0.1%)	(1096%)	-5.9x	NM
Mean	\$224.57	\$3.09	(35.7%)	(66.1%)	29.7%	(364.8%)	-1.5x	10.2x
Median	\$364.38	\$2.64	(44.9%)	(55.3%)	36.6%	(4.0%)	0.6x	10.2x
F&B								
Vital Farms, Inc.	\$555.42	\$15.30	2.5%	20.1%	30.5%	2.7%	1.5x	56.9x
Lifecore Biomedical, Inc.	268.59	3.78	(41.7%)	(67.6%)	21.1%	(0.6%)	1.5x	NM
Local Bounti Corporation	203.22	0.80	(42.7%)	(90.9%)	20.5%	(384.8%)	10.4x	NM
Mean	\$342.41	\$6.62	(27.3%)	(46.1%)	24.0%	(127.6%)	4.5x	56.9x
Median	\$268.59	\$3.78	(41.7%)	(67.6%)	21.1%	(0.6%)	1.5x	56.9x
Healthcare								
P3 Health Partners Inc.	\$650.88	\$1.06	(42.4%)	(87.1%)	(0.7%)	(15.1%)	0.6x	NM
Agenus Inc.	417.09	1.52	(36.7%)	(40.9%)	84.3%	(176.8%)	4.3x	NM
Eagle Pharmaceuticals, Inc.	381.39	28.37	(2.9%)	(44.7%)	70.0%	35.5%	1.2x	3.4x
Mean	\$483.12	\$10.32	(27.3%)	(57.5%)	51.2%	(52.1%)	2.0x	3.4x
Median	\$417.09	\$1.52	(36.7%)	(44.7%)	70.0%	(15.1%)	1.2x	3.4x

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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								
Nine Energy Service, Inc.	\$553.41	\$5.56	(61.7%)	60.7%	23.0%	14.3%	0.9x	6.5x
PetroTal Corp.	480.12	0.55	10.5%	6.9%	83.6%	79.4%	1.5x	1.8x
Evolve Transition Infrastructure LP	479.45	0.20	67.3%	(68.6%)	72.6%	55.8%	13.3x	23.8x
Mean	\$504.33	\$2.10	5.4%	(0.3%)	59.7%	49.8%	5.2x	10.7x
Median	\$480.12	\$0.55	10.5%	6.9%	72.6%	55.8%	1.5x	6.5x
Real Estate								
Tejon Ranch Co.	\$479.21	\$18.27	(3.0%)	(1.0%)	29.6%	24.5%	6.0x	24.6x
The RMR Group Inc.	428.67	26.24	(7.1%)	(16.4%)	100.0%	49.5%	2.1x	4.2x
Stratus Properties Inc.	302.12	20.00	3.7%	(53.4%)	29.7%	(33.9%)	10.4x	NM
Mean	\$403.33	\$21.50	(2.2%)	(23.6%)	53.1%	13.4%	6.2x	14.4x
Median	\$428.67	\$20.00	(3.0%)	(16.4%)	29.7%	24.5%	6.0x	14.4x
Technology & IT Services								
Rubicon Technologies, Inc.	\$319.11	\$0.66	(73.8%)	(84.3%)	4.1%	(536.2%)	84.9x	NM
KwikClick, Inc.	71.66	0.55	(63.1%)	(93.5%)	66.6%	(36.8%)	0.5x	NM
Telos Corporation	71.30	2.53	(50.3%)	(74.3%)	36.4%	(22.8%)	0.3x	NM
Mean	\$154.02	\$1.25	(62.4%)	(84.0%)	35.7%	(198.6%)	28.6x	NM
Median	\$71.66	\$0.66	(63.1%)	(84.3%)	36.4%	(36.8%)	0.5x	NM

Note: MM public companies are defined as having enterprise value between \$10 and \$500M. Companies as measured by average enterprise value between Jan-2022 and Dec-2022



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More about Greenwich Capital Group

Greenwich Capital Group LLC (“GCG”) is a leading investment bank that advises clients including closely-held and family-owned businesses, private equity firms, and public companies. GCG’s senior bankers have collectively advised on hundreds of transactions over many years of experience in mergers and acquisitions, with most having backgrounds with large U.S. and global firms. GCG is focused on advising clients in key industry verticals throughout the U.S.

GCG was founded by entrepreneurially minded investment banking professionals focused on building an organization centered around advising clients. We strive to build relationships by representing our clients’ long-term interests and earning their trust. In contrast to the practice of pushing transaction responsibilities to junior resources, our philosophy is to deliver personalized, senior-level attention and experience to every GCG engagement. We are proud to offer references that will speak to a differentiated level of service and results.

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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