

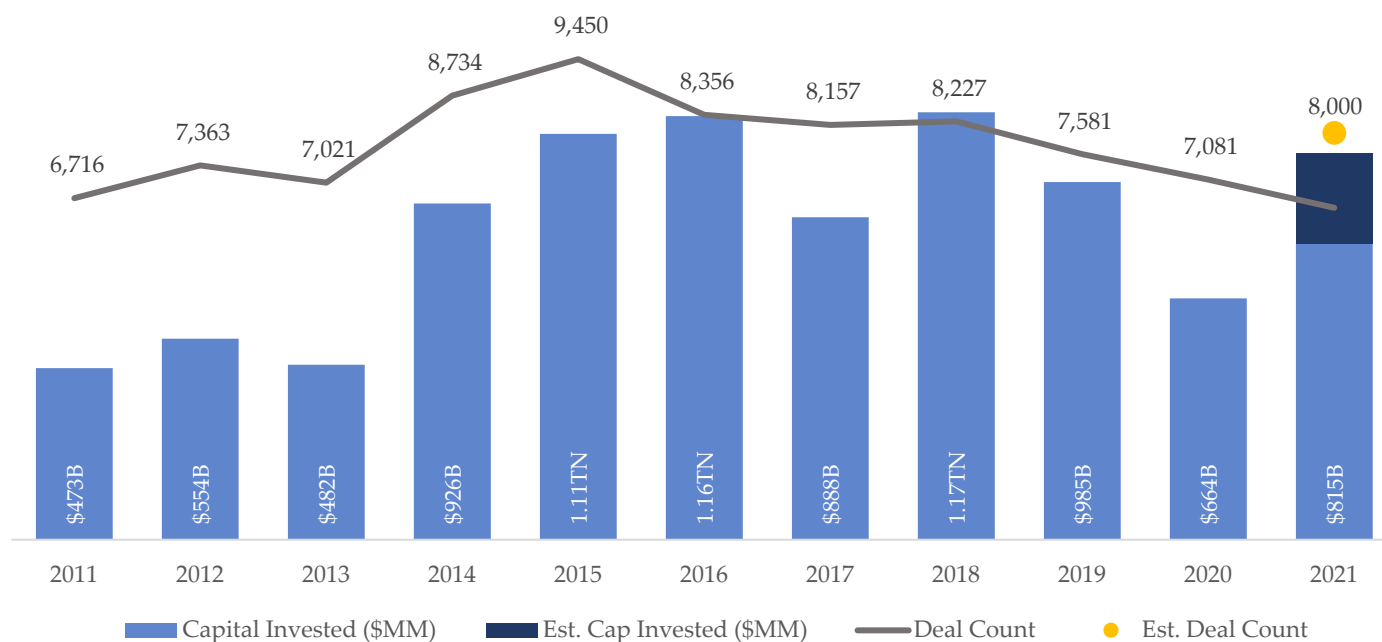


U.S. M&A Report

Q3 2021

OVERVIEW

Yearly M&A Activity



Source: PitchBook

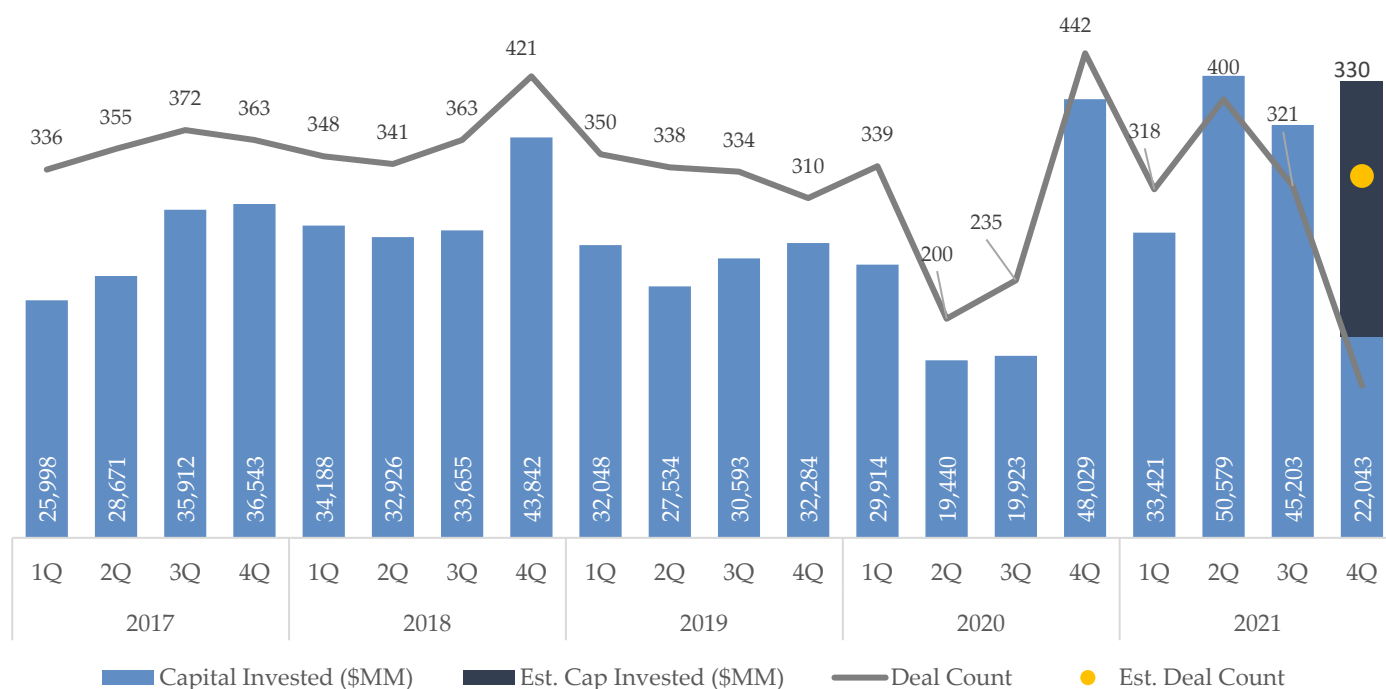
Perspectives on US M&A Market

U.S M&A activity has continued to rebound as the economy further recovers from the Covid-19 pandemic with an estimated 8,000 deals to be completed by years end totaling roughly \$1.4 trillion. Debt has remained historically cheap, and Private Equity dry powder has remained at record high levels throughout 2021. Additionally, higher stock prices have led to strong financing power for M&A activity. This has been reflected through over half of 2021's M&A transactions paid purely through stock or a hybrid of cash and stock, up from 40% in 2020.

A thing to watch in the market is the US antitrust policy taking a stronghold. In September, the Federal Trade Commission (FTC) stated that it is expanding its antitrust review to include cross-market effects, effects of transactions on labor markets, and potential post-transaction effects relating to venture capital or private equity ownership. The expansion of antitrust review under the FTC will result in more deals coming under scrutiny and an increase in review timelines for M&A deals. However, in the short term, companies are still pushing through deals without regulators' approval.

Source: PitchBook

Quarterly M&A Activity deals \$5MM-500MM



Source: PitchBook

Quarterly Analysis

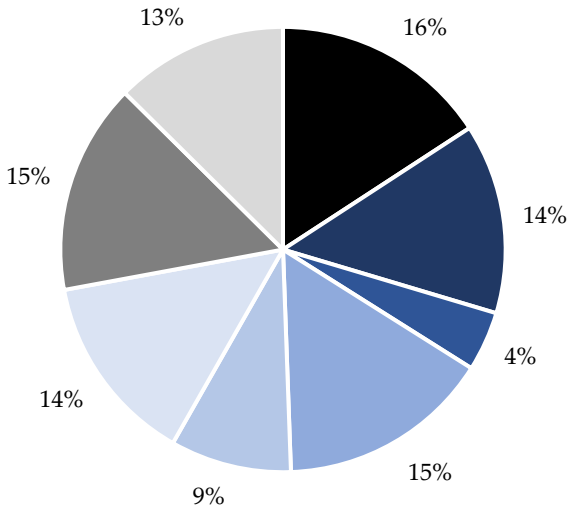
The 2021 bull run of M&A activity within the lower-middle market continued in Q3, with 321 completed deals totaling roughly \$45.2 billion. While there was a decrease in deal count from Q2 to Q3, a 36.5% increase in quarter-over-quarter M&A deal volume from Q3 2020 to Q3 2021 highlights the country's continued economic recovery from the Covid-19 pandemic. Strong M&A volume is expected to continue as cheap debt and the abundance of private equity dry powder has overshadowed an increase in inflation and labor shortages rippling across the United States.

While cheap debt and an abundance of dry powder have spiked M&A deal volume, it has created a pain point for sellers throughout 2021, continuing into Q3. Many sellers have felt that private equity firms have failed to provide the amount of mindshare as they have in the past when looking at potential deals. This feeling is warranted as there has been a downtrend in conversion percentage from confidential information memorandums to indications of interest in 2021 in comparison to previous years.

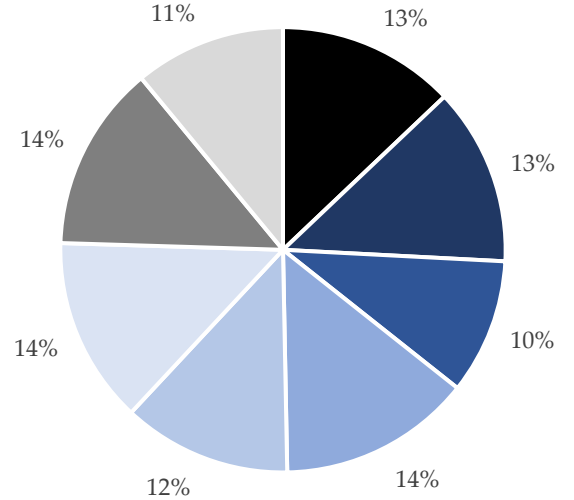
Source: PitchBook

YTD 2021 Deal Regionality \$5MM-500MM

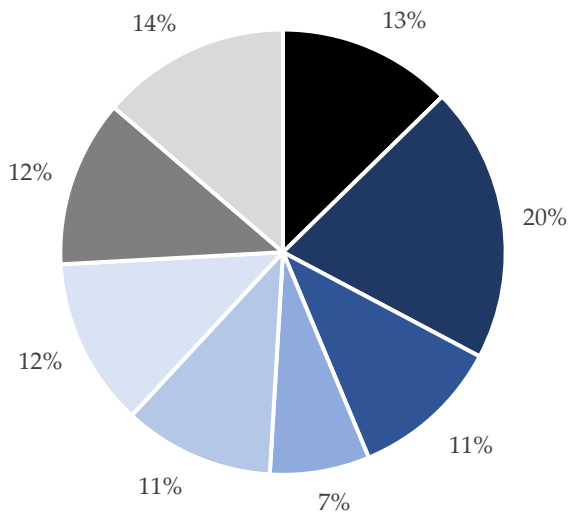
Q1



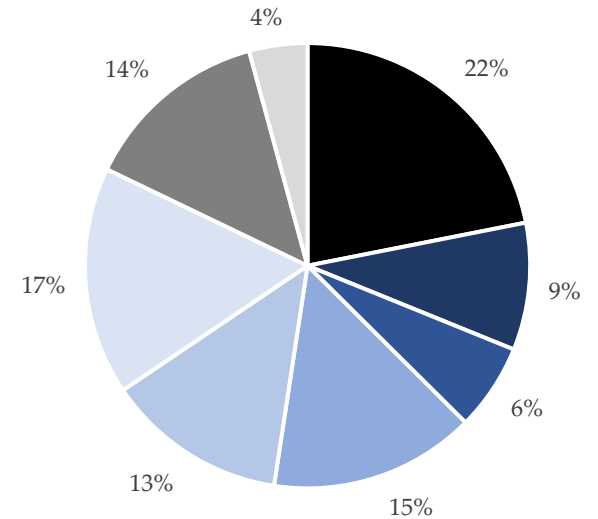
Q2



Q3



Q4



-
- Mid Atlantic
 - Mountain
 - Southeast
 - Great Lakes
 - Midwest
 - South
 - West Coast
 - New England

US League Lenders Table All Deal Sizes

Most Active Lenders to US companies

	Company Name	# of Loans
1	PNC (NYS: PNC)	165
2	Jefferies Finance	142
3	Truist (NYS: TFC)	139
4	Wells Fargo (NYS: WFC)	118
5	Credit Suisse (SWX: CSGN)	115
6	FS KKR Capital (NYS: FSK)	108
7	Madison Capital Funding	103
8	Twin Brook Capital Partners	96
8	MidCap Financial	96
10	The Goldman Sachs Group (NYS: GS)	91
10	Fifth Third Bank (NAS: FITB)	91
12	KKR Private Credit	87
13	Monroe Capital (NAS: MRCC)	78
14	Owl Rock Capital Corporation BDC (NYS: ORCC)	76
15	J.P. Morgan (NYS: JPM)	74
16	Golub Capital	72
17	U.S. Bancorp (NYS: USB)	71
18	The Carlyle Group (NAS: CG)	67
19	Varagon Capital Partners	66
20	JPMorgan Chase	65
21	KeyBank (NYS: KEY)	60
22	Silicon Valley Bank	56
23	Newtek Business Services BDC (NAS: NEWT)	54
23	Deutsche Bank (ETR: DBK)	54
25	Regions Financial (NYS: RF)	51
26	UBS Group (SWX: UBSG)	46
26	KeyBanc Capital Markets	46
28	NXT Capital	45
29	RBC Capital Markets	42
30	Kayne Anderson BDC	41
31	Huntington National Bank (NAS: HBAN)	38

	Company Name	# of Loans
31	FS KKR Capital Corp. II	38
31	Crescent Direct Lending	38
34	Owl Rock Core Income Corp	37
34	Morgan Stanley Direct Lending Fund BDC	37
36	Palmer Square BDC	36
36	Crescent Capital Group	36
38	Royal Bank of Canada (TSE: RY)	35
38	Morgan Stanley (NYS: MS)	35
40	Kohlberg Kravis Roberts (NYS: KKR)	34
41	MUFG Union Bank	33
42	Main Street Capital (NYS: MAIN)	31
43	Kayne Anderson Capital Advisors	30
43	First Eagle Alternative Credit	30
45	TD Bank	29
45	Golub Capital BDC 3	29
45	Golub Capital BDC (NAS: GBDC)	29
48	WhiteHorse Capital	28
48	Western Alliance Bank (NYS: WAL)	28
50	Nomura Securities (TKS: 8604)	27

US League Lenders Table \$5MM-500MM

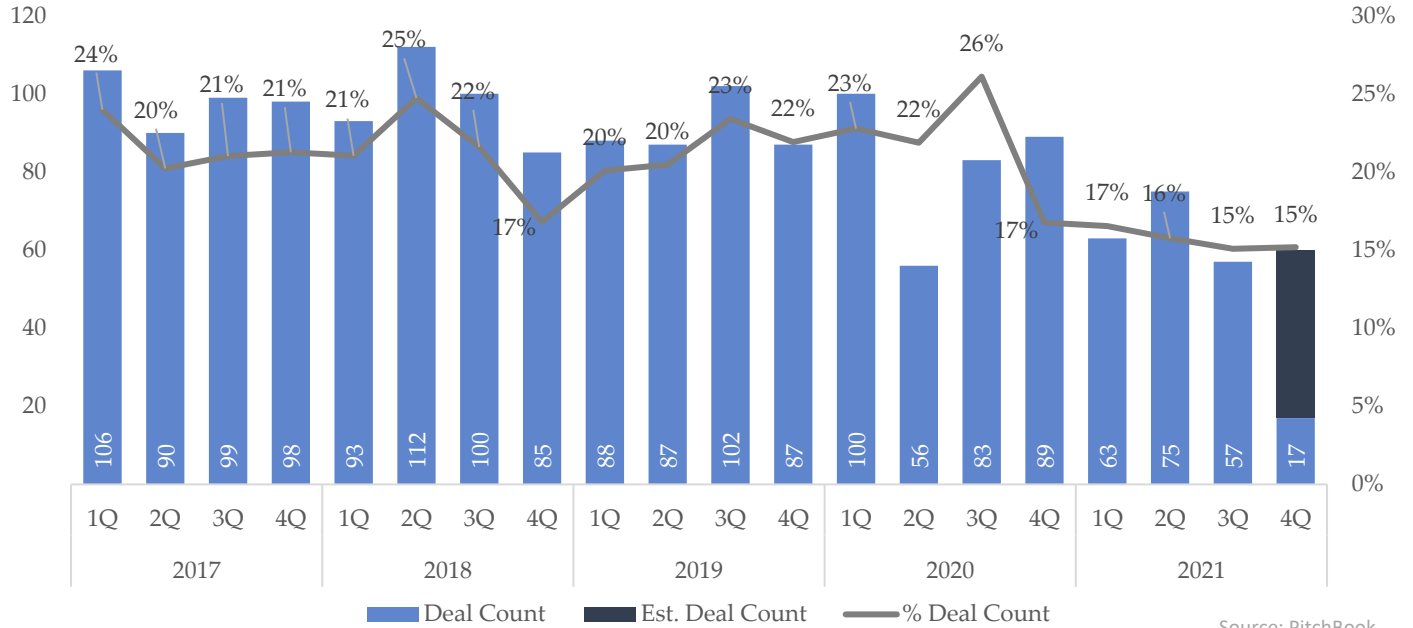
Most Active Lenders to US companies

	Company Name	# of Loans
1	Antares Capital	90
2	Churchill Asset Management	77
3	Capital One Financial (NYS: COF)	69
4	PNC (NYS: PNC)	57
5	Citizens Bank (NYS: CFG)	51
6	Twin Brook Capital Partners	49
7	Jefferies Finance	48
8	MidCap Financial	47
9	FS KKR Capital (NYS: FSK)	45
10	Truist (NYS: TFC)	43
11	Varagon Capital Partners	41
12	Barings	40
12	Fifth Third Bank (NAS: FITB)	40
12	KKR Private Credit	40
15	Bank of America (NYS: BAC)	38
16	Madison Capital Funding	36
17	BMO Harris Bank	34
18	Silicon Valley Bank	30
19	Monroe Capital (NAS: MRCC)	29
20	NXT Capital	28
20	Wells Fargo (NYS: WFC)	28
22	Ares Capital Corporation BDC (NAS: ARCC)	27
23	Ares Management (NYS: ARES)	26
23	J.P. Morgan (NYS: JPM)	26
23	The Carlyle Group (NAS: CG)	26
23	The Goldman Sachs Group (NYS: GS)	26
23	U.S. Bancorp (NYS: USB)	26
28	Golub Capital	23
28	KeyBanc Capital Markets	23
28	KeyBank (NYS: KEY)	23
28	Main Street Capital (NYS: MAIN)	23

	Company Name	# of Loans
32	Owl Rock Capital Corporation BDC (NYS: ORCC)	21
33	Blackstone Secured Lending Fund BDC (NYS: BXSL)	20
33	Credit Suisse (SWX: CSGN)	20
33	FS KKR Capital Corp. II	20
33	Huntington National Bank (NAS: HBAN)	20
37	Kayne Anderson BDC	19
37	Morgan Stanley Direct Lending Fund BDC	19
39	Barings Capital Investment BDC	18
39	BMO Capital Markets	18
39	BMO Financial Group (TSE: BMO)	18
39	Morgan Stanley (NYS: MS)	18
39	Regions Financial (NYS: RF)	18
44	Audax Group	16
44	Hercules Capital (NYS: HTGC)	16
44	Oaktree Specialty Lending BDC (NAS: OCSL)	16
44	Western Alliance Bank (NYS: WAL)	16
48	Barings BDC (NYS: BBDC)	15
48	First Eagle Alternative Credit	15
48	MUFG Union Bank	15

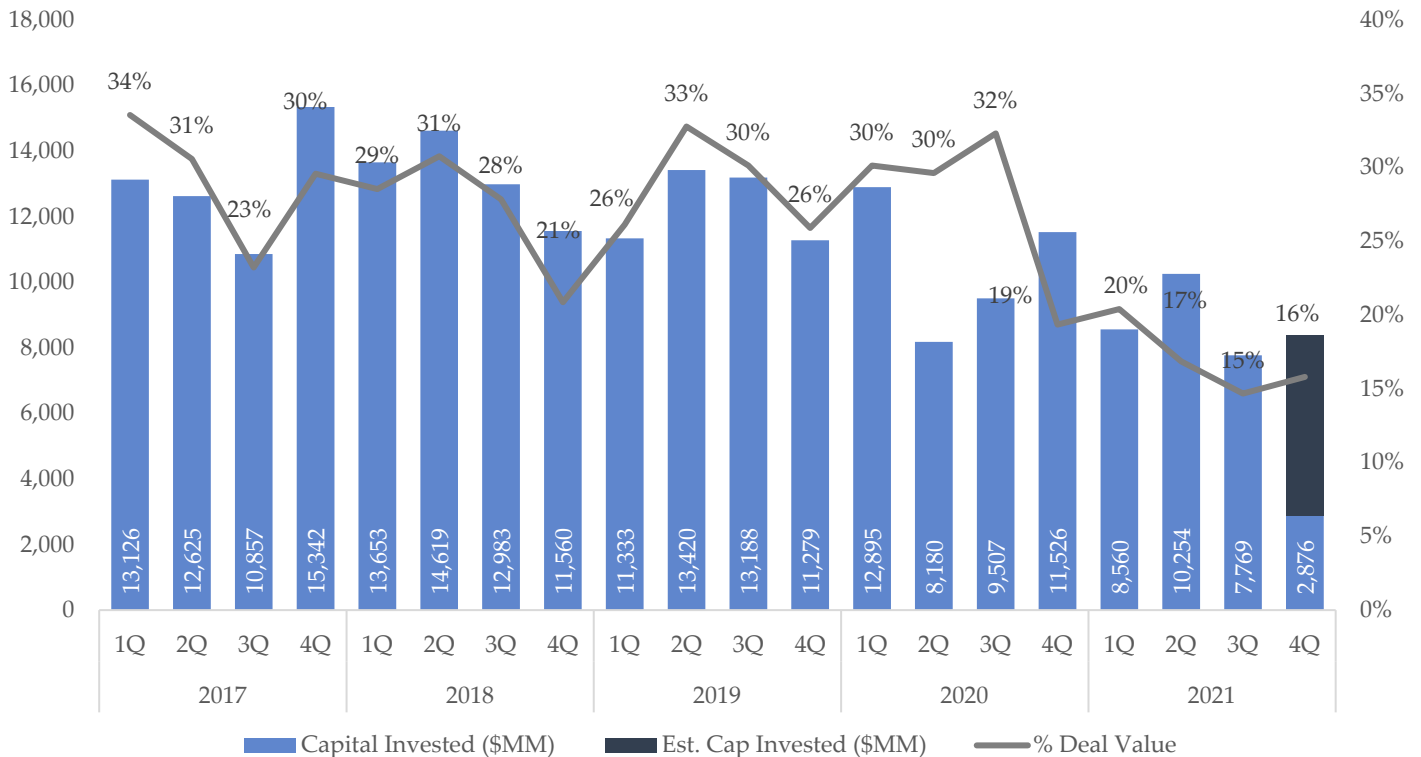
LBO Buyouts in Relation to Total M&A Activity \$5MM-500MM

Quarterly U.S. LBO Deal Count Volume



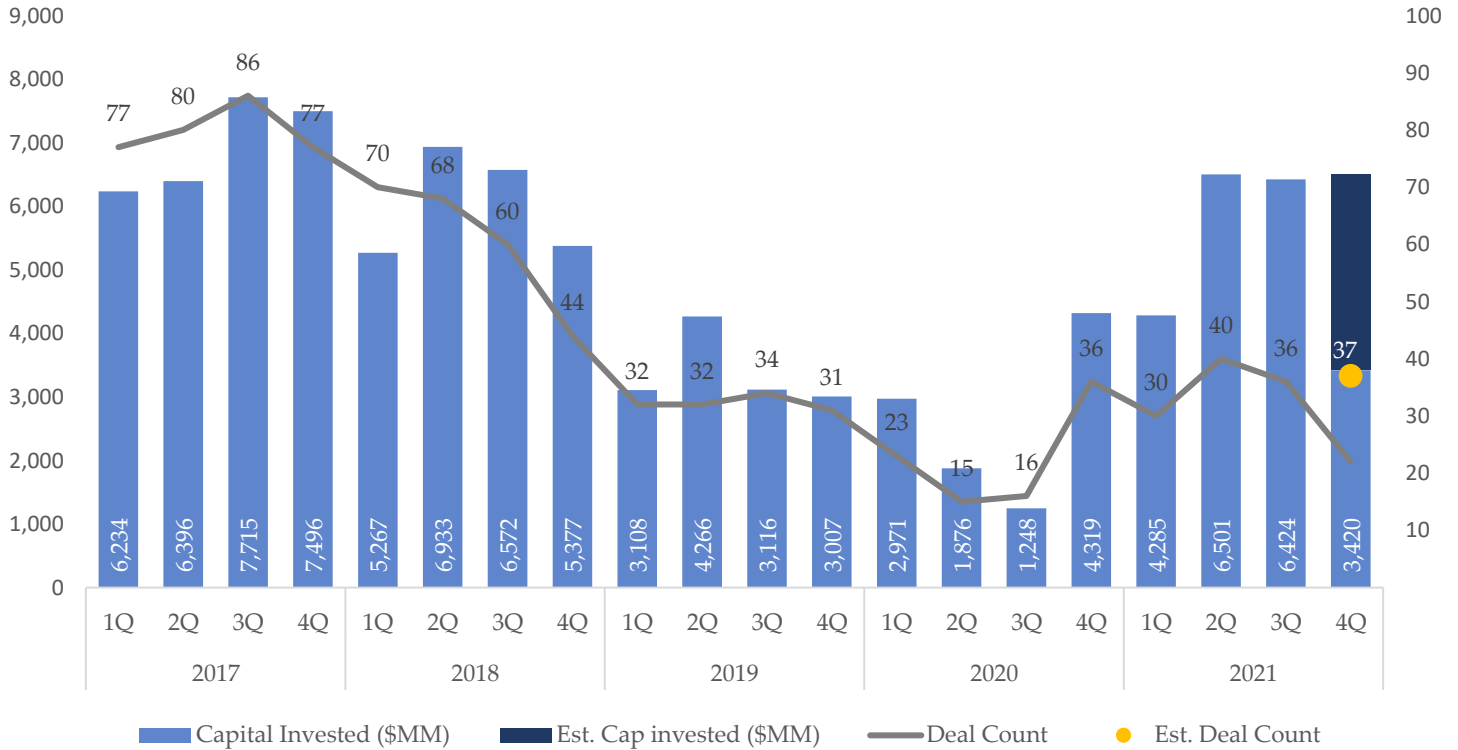
Source: PitchBook

Quarterly U.S. LBO Capital Invested Volume (\$MM)



Source: PitchBook

Industrials



Source: PitchBook

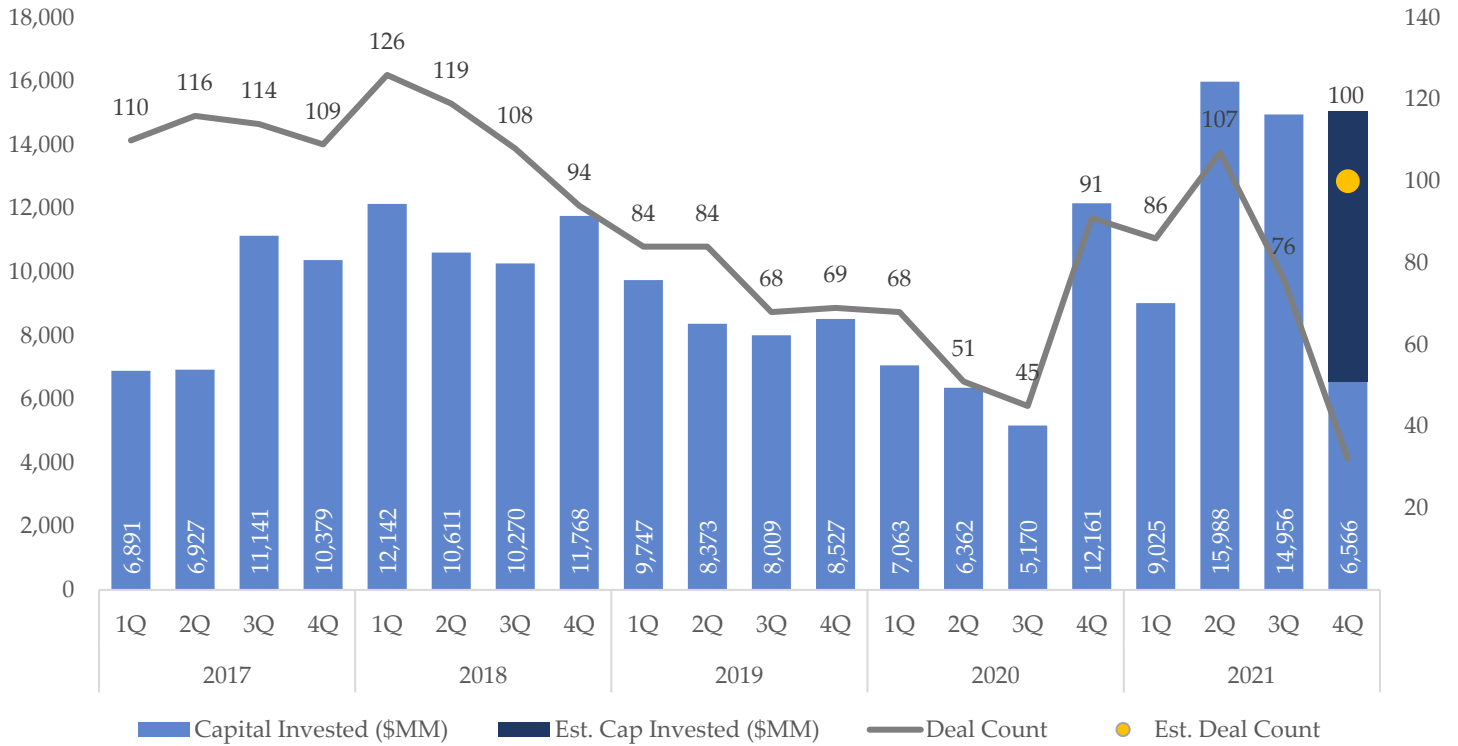
Sector Analysis

Lower-middle market M&A volume in the industrials sector took a step-back during the Covid-19 pandemic. However, there has been a steady uptick quarter-over-quarter from 2020 to 2021 in both deal count and capital invested. Q3 2020 marked the lowest capital invested in the sector over the past 4 years. Capital invested quarter-over-quarter jumped 415% in Q3 2021 as the U.S. continues to move out of the Covid-19 pandemic.

Supply-chain issues and blue-collar labor shortages pose a risk to the industrials sector over the next few months. Inventory shortages of raw materials have led many companies within the sector to delay the manufacturing process, pushing out revenue by two to three quarters. With strong advancements in domestic automation, many companies are considering moving production domestically to become less reliant on foreign supply chains.

Source: PitchBook

TMT



Source: PitchBook

Sector Analysis

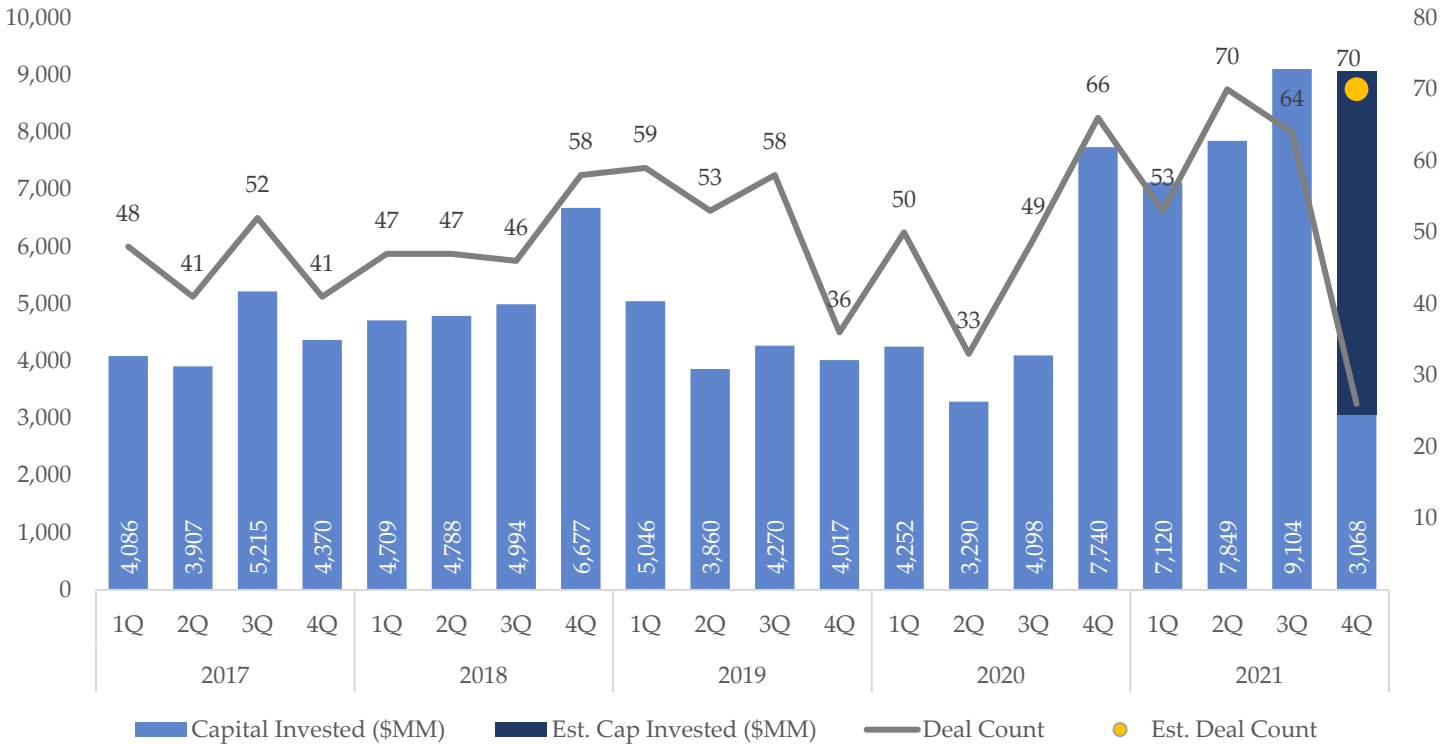
The technology, media, and telecom sector had seen a steady drop in M&A deal volume and capital invested over the three years to 2021, capped off by its lowest deal count of 45 deals and capital invested of \$5.17 billion in Q3 of 2020. Q3 2021 saw a 68% increase in deal count and a 189% increase in capital invested quarter-over-quarter when compared to Q3 2020.

The U.S has seen a rise in technical, environmental, social, and governance (ESG) companies. Many companies are planning for future potential governmental requirements to report on the three topics. Therefore, there has been a boom in investments in ESG tech providers with the trend expected to continue into 2022. E-commerce and cybersecurity have been two other subsectors driving M&A activity within the TMT sector as the technology continues to take a foothold in the everyday life of Americans and U.S-based businesses.

Source: PitchBook

Source: KPMG

Healthcare



Source: PitchBook

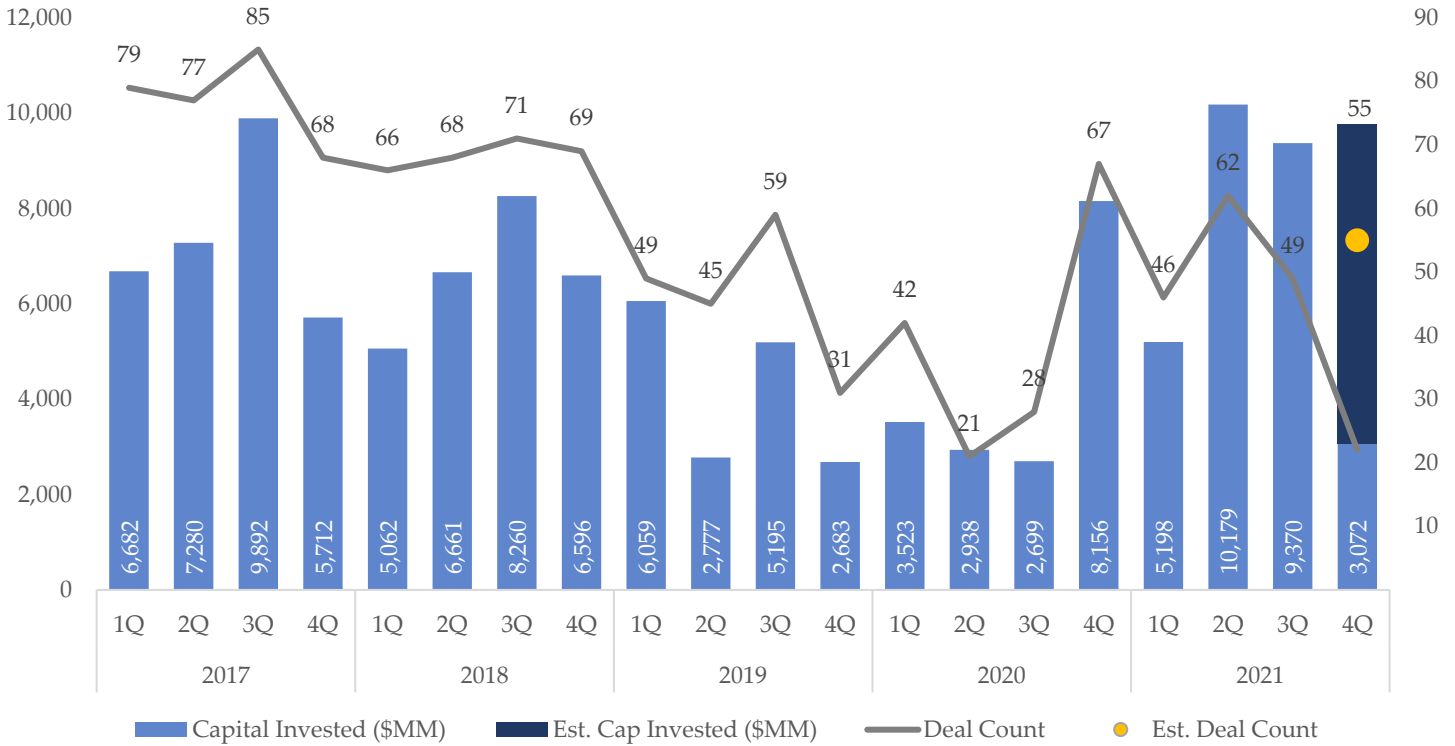
Sector Analysis

The healthcare sector has been one of the top emerging lower-middle M&A markets in 2021. 64 deals closed for \$9.1 billion in Q3 2021. Healthcare IT is the primary driver of M&A volume within the broader healthcare sector as larger Healthcare IT companies look to add on niche providers to build cutting-edge multifunctional digital platforms. Additionally, there has been consistent roll-up of smaller niche healthcare physician practices, mental health providers, and therapy centers as the importance of holistic care has become more recognized.

Q4 2021 is projected to be on par with a historic Q2 2021 in terms of number of deals and capital invested. This is mostly attributed to an increased sense of urgency to get deals done before the year end and outrun a potential capital gains hike in the first half of 2022.

Source: PitchBook

Manufacturing



Source: PitchBook

Sector Analysis

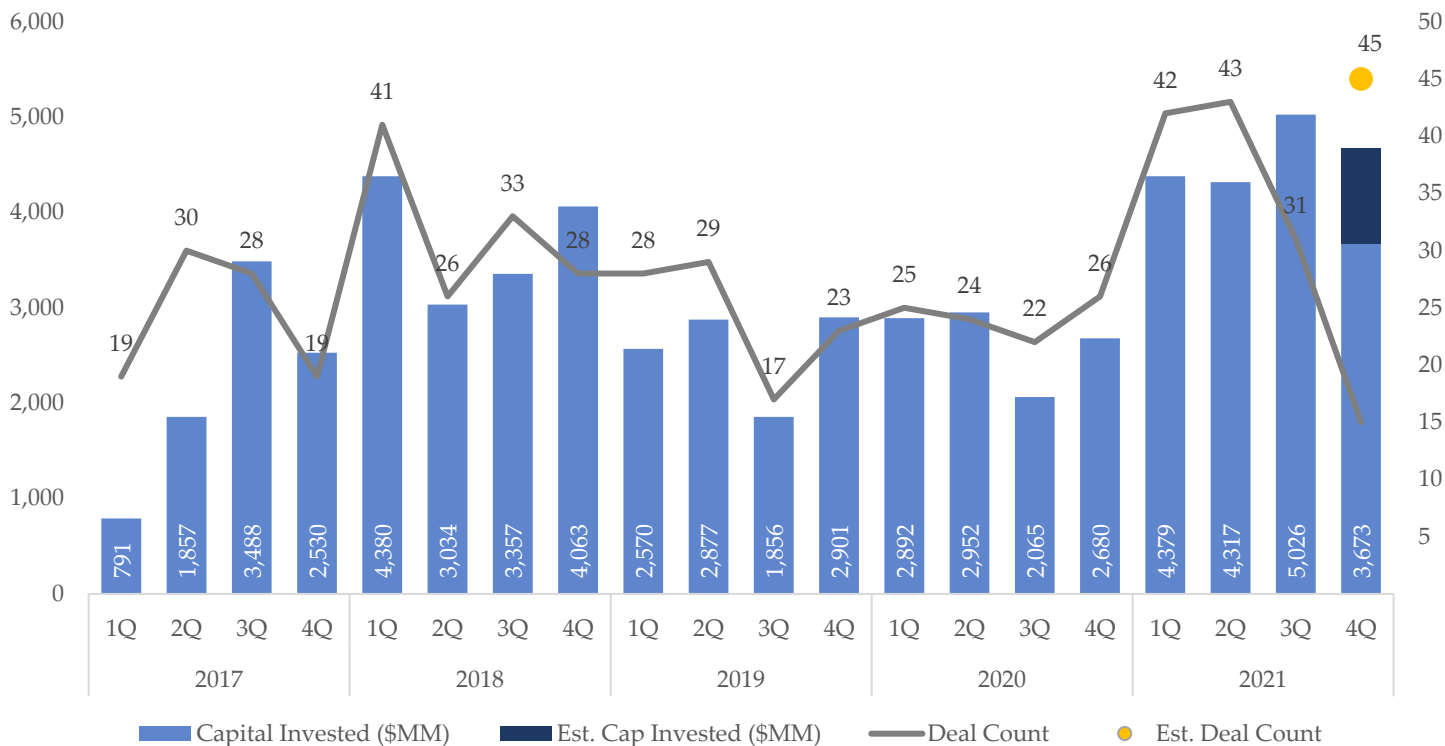
The manufacturing sector has seen a substantial rebound lower-middle market M&A activity in 2021 following a decrease in deal count and capital invested in the sector from 2018 through 2020. Forty-nine deals were closed in Q3 of 2021, totaling \$9.37 billion. This marks a 75% increase in deal count and an 247% increase in capital invested quarter-over-quarter in Q3 2020 and Q3 2021.

Labor shortages and increasing wages have changed the outlook for the manufacturing sector. Many companies have shifted towards automation and digital transformation, significantly cutting labor costs and reliance on the labor market. Deal volume is expected to remain steady in Q4 as companies look to add-ons to expand digital automation platforms and outrun a potential capital gains hike in the first half of 2022.

Source: PitchBook

Source: BDO

SaaS



Source: PitchBook

Sector Analysis

Software services has been one of the leading M&A market sectors within the lower-middle market over the past 5 years. The sector has seen a boom in 2021 with thirty-one deals done and \$5.02 billion capital invested in Q3 2021, marking a 41% increase in quarter-over-quarter deal count and an 143% increase in quarter-over-quarter capital invested from Q3 2020.

The continued desire for cloud-based software environments provides ripe opportunity for continued growth within the sector and sector M&A as companies look to stay competitive within the space. The continuance of remote work and learning has made SaaS businesses critical in conducting business and education; this should only continue this upward trend in SaaS M&A activity and increase multiples for future deals

Q3 Transaction Highlights

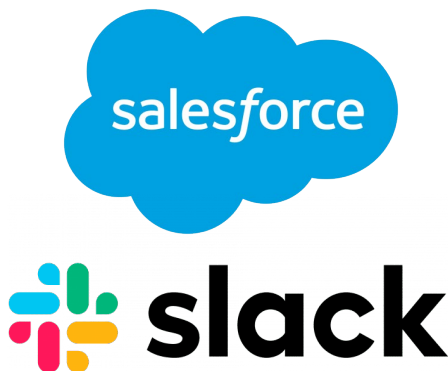
Alexion (Massachusetts)

On July 21st, AstraZeneca completed its acquisition of Alexion for \$39 billion. Alexion is a world leader in the discovery and development of medicines for patients with rare diseases. Alexion will support AstraZeneca's long-term goal of developing novel medicines in area of immunology with high unmet medical needs.



Slack (California)

On July 21st, Salesforce.com finished its acquisition of Slack for \$27.7 Billion. Slack is a messaging application for business that connects people specific the information they may need. Together, the two companies aim to define the future of enterprise software, creating a digital HQ that enables businesses to operate from anywhere. This transaction will accelerate Salesforce's mission to unify business computing onto a single platform.



Maxim Integrated Products (New Jersey)

On August 26th, Analog Devices completed its acquisition of Maxim Integrated Products for \$23 billion. Maxim Products designs analogue and mixed-signal semiconductor products created for providing enhanced security and increased energy efficiency. The acquisition strengthens Analog Devices' position as an analog semiconductor leader.



AHEAD OF WHAT'S POSSIBLE™



Q3 Transaction Highlights

MailChimp (Georgia)

On September 13th, Intuit completed its acquisition of MailChimp for \$12 Billion. With this acquisition, Intuit hopes to grow its end-to-end growth platform for small to medium sized businesses, allowing for greater ease of online marketing, customer relations management, and the accessibility to useful insights and analytics

The Intuit logo consists of the word 'intuit' in a lowercase, blue, sans-serif font.

Kansas City Southern (Missouri)

On September 15th, a definitive agreement was reached for Kansas City Southern to be acquired by Canadian Pacific Railway for \$27 billion. The objective for this transaction is to create the first direct railway linking Canada, the United States, and Mexico with the railway network spanning over 20,000 miles.



Selected U.S. Lower/Middle Market Transactions for Q3 2021

Deal Date	Buyers / Investors	Target / Issuer	Company State	Primary Industry Sector	Deal Size
28-Sep-21	Vista Outdoor (NYS: VSTO)	Foresight Sports	California	Information Technology	499
23-Sep-21	Elligo Health Research	ClinEdge	Massachusetts	Healthcare	135
22-Sep-21	ModivCare (NAS: MODV)	VRI	Ohio	Healthcare	315
16-Sep-21	SpotOn	Appetize	California	Information Technology	415
12-Sep-21	Nuix (ASX: NXL)	Topos Labs	Massachusetts	Information Technology	5
1-Sep-21	CheckPoint Software Technologies (NAS: CHKP)	Avanan	New York	Information Technology	280
31-Aug-21	Vitro Diagnostics	Infinivive MD	Colorado	Consumer Products and Services	5.75
27-Aug-21	Good Works Acquisition	Cipher Mining (NAS: CIFR)	Delaware	Information Technology	170
26-Aug-21	Point Pickup	GrocerKey	Wisconsin	Information Technology	42
23-Aug-21	Kadant (NYS: KAI)	Balemaster	Indiana	Business Products and Services	54
12-Aug-21	Trusted Media Brands	Jukin Media	California	Consumer Products and Services	115
11-Aug-21	Prophase Labs (NAS: PRPH)	Nebula Genomics	California	Healthcare	14.6
5-Aug-21	Deere (NYS: DE)	Bear Flag Robotics	California	Business Products and Services	250
5-Aug-21	Amryt Pharma (LON: AMYT)	Chiasma	Massachusetts	Healthcare	400
2-Aug-21	Perdoceo Education (NAS: PRDO)	Digitalcrafts	Georgia	Consumer Products and Services	18.75
1-Aug-21	Amedisys (NAS: AMED)	Contessa	Tennessee	Healthcare	250
30-Jul-21	Capelli New York	Ellen Tracy	New York	Consumer Products and Services	17
27-Jul-21	Iconic Brands (PINX: ICNB)	TopPop	New Jersey	Materials and Resources	8.92
21-Jul-21	BYJU'S	Epic!	California	Consumer Products and Services	500
15-Jul-21	Jushi (CNQ: JUSH)	OhiGrow	Ohio	Materials and Resources	5
14-Jul-21	Rodgers Silicon Valley Acquisition	Enovix (NAS: ENVX)	California	Business Products and Services	230
14-Jul-21	Aspirational Consumer Lifestyle	Wheels Up (NYS: UP)	New York	Business Products and Services	240
7-Jul-21	Parsons (NYS: PSN)	BlackHorse Solutions	Virginia	Information Technology	203
1-Jul-21	Chart Industries (NYS: GTLS)	L.A. Turbine	California	Business Products and Services	80
1-Jul-21	Falcon Capital Acquisition	Sharecare (NAS: SHCR)	Georgia	Healthcare	345