

Financing Update

First Quarter 2022

Rising Borrowing Costs, Market Uncertainty to Shape Future

Executive Summary

Q1 capital market activity declined from the record-breaking levels of 2021 but was still historically high. In fact, PitchBook estimates that the first quarter may set a record in venture capital deal volume when factoring in deals that have not yet been reported.

Growth equity investments were strong, early-stage investments generally had a dip, and IPO markets decreased more significantly.

It has been well-known for a while that inflation was like to become a concern after the significant stimulus injected into the markets. However, the exacerbation of price increases by a variety of factors, including the Russia-Ukraine crisis, contributed to the potential market slowdown and volatility.

It should be emphasized that investors are still flush with cash. Even if the final figures for Q1 do not exceed 2021 levels, the quarter's deal volume was higher than the individual quarters of 2020 and prior years.

With the Federal Reserve on track to raise its key interest rate a further six times in 2022, we will closely monitor how borrowing costs impact financing activity – particularly valuations. We also anticipate that we may see a shifting of investment activity between sectors as some become more out-of-favor while others become increasingly attractive.

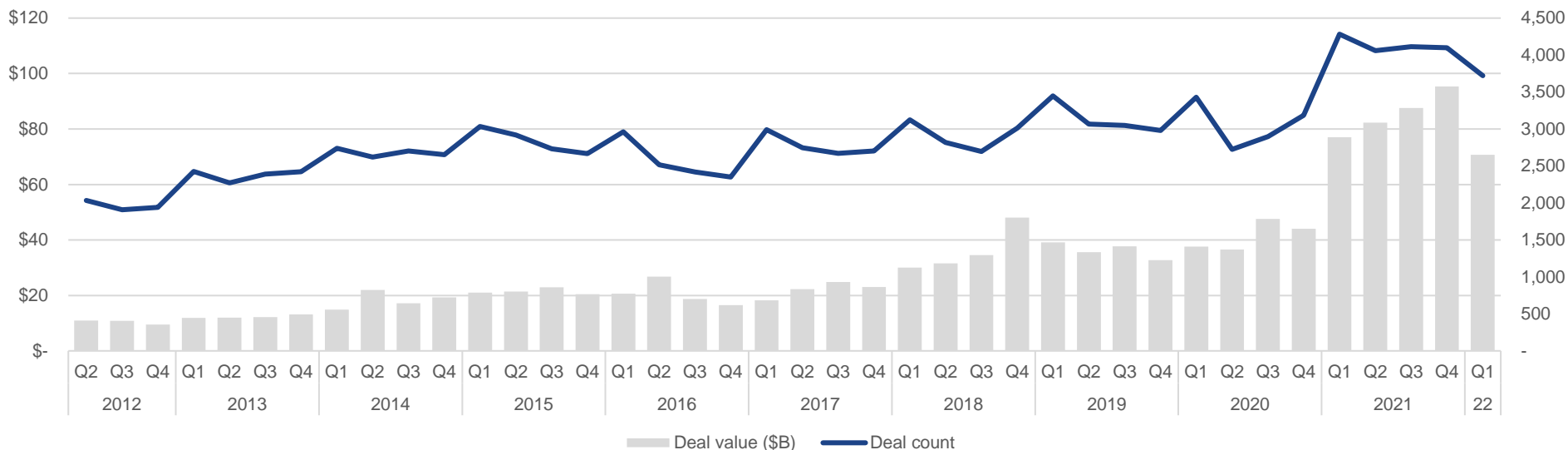
As always, contact us if you would like to receive information about activity in your specific industry or geography, or if you would like to discuss options for your business.

Q1 Financing Highlights

- Despite a fall in overall value consideration, Pitchbook estimates a record first quarter in terms of deal volume with more than 4,800 deals completed
- Midwest activity declined but remained relatively strong, capturing more than \$500 million in investment
- After a record-breaking year, first quarter IPO activity declined sharply amid heightened market uncertainty
- A key theme for 2022 is the interest rate hikes anticipated by the Federal Reserve – currently anticipated at seven rate hikes for the year in total

Q1 Deal Volume Estimated to Top Record

Quarterly US VC Activity¹



US VC Highlights

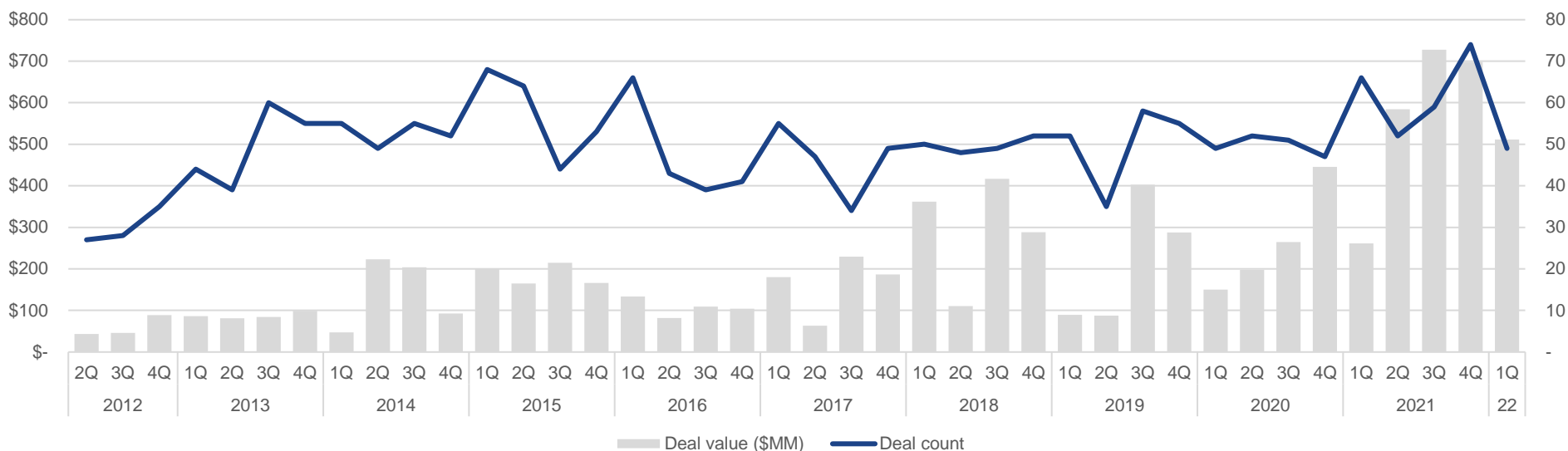
- \$71 billion of venture capital dollars was invested in young, growing companies in the first quarter, a 26% decline from the record-setting \$95 billion set in the fourth quarter, while reported deal volume declined 9% from the fourth quarter
- However, PitchBook estimates that an additional 1,100 deals have yet to be reported, signaling a record number of deals completed in a quarter
- Market uncertainty can be attributed to the relative softness in investment during the quarter, as well as exits
- Fundraising remained strong during the quarter, though many of these commitments were likely agreed upon in 2021

Notable US Q1 VC Investments

Date	Target	Investor(s)	Investment (MM USD)
Jan 20	Altos Labs	Foresite Capital Mgmt.	\$ 3,000
Mar 22	Sandbox AQ	First Light Capital Group, <i>et al.</i>	1,500
Jan 24	Flexport	MSD Private Capital, A16Z, <i>et al.</i>	935
Jan 27	Fireblocks	D1 Capital Partners, Spark Capital, <i>et al.</i>	550
Jan 06	Eikon Therapeutics	Soros Capital Mgmt., StepStone Group, <i>et al.</i>	518
Jan 26	FTX US	Paradigm, Tribe Capital, <i>et al.</i>	500

Midwest VC Investment Tops \$500 Million

Quarterly Midwest VC Activity¹



Midwest VC Highlights

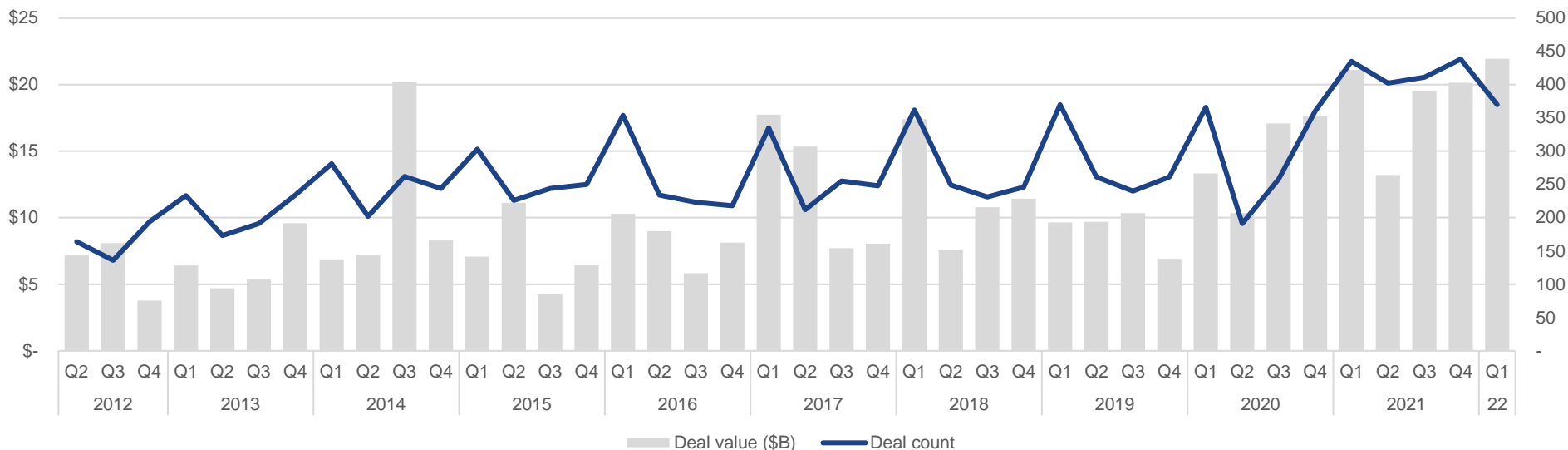
- Midwest venture capital investments in the first quarter paled back roughly a third of fourth quarter volume, though activity was roughly on par with the five-year average
- Approximately \$510 million was invested across an estimated 50 Midwest deals in the first quarter, down from the fourth quarter's roughly \$700 million of value among 75 deals
- As usual, companies in the information technology space garnered the most attention, accounting for a little more than one-third of all Midwest investments

Notable Midwest Q1 VC Investments

Date	Target	Investor(s)	Investment (MM USD)
Jan 31	C2FO	Third Point Ventures, <i>et al.</i>	\$ 140
Jan 19	EmpowerMe Wellness	Hermann Companies	100
Jan 24	BasicBlock	Nelnet, Clear Haven Capital, <i>et al.</i>	78
Jan 19	Capacity	Vellano Investment, Rice Park Capital, <i>et al.</i>	39
Jan 12	Anchor Ingredients	Undisclosed Investors	31
Jan 06	PowerPollen	Syngenta Ventures, Plains Angels, <i>et al.</i>	21

Growth Equity a Bright Spot in Otherwise Tough Market

Quarterly US Growth Equity Activity¹



US Growth Equity Highlights

- Despite deal volume declining roughly 15% over the prior quarter and from the first quarter of 2021, overall investment in expansion deals topped any quarter of the last ten years, signaling investors are still willing to put capital to work
- Approximately 30% of first quarter value was captured by two deals: investments in Illinois-based Duravant and Invenergy
- In the Midwest, there were seven reported growth equity investments during the quarter, highlighted by a \$500-million investment in TierPoint by Argo Infrastructure Partners

Notable US Q1 Growth Equity Investments

Date	Target	Investor(s)	Investment (MM USD)
Mar 14	Duravant	Warburg Pincus, The Carlyle Group	\$ 3,530
Jan 07	Invenergy	Blackstone	3,000
Jan 04	Lineage Logistics Holdings	StepStone, Rabobank Group, <i>et al.</i>	1,700
Mar 02	Fanatics	BlackRock, MSD Capital, <i>et al.</i>	1,500
Feb 14	Securonix	Vista Equity Partners, Volition Capital, <i>et al.</i>	1,000
Jan 31	Legendary Entertainment	Apollo Global Mgmt.	760

Notable Midwest VC & Growth Equity Investments

Date Closed	Target	Investor	Target City	Target Description
Jan 01	Freight Science	FINTOP Capital	Creve Coeur, MO	Developer of an AI-driven analytics platform for the transportation industry
Jan 05	CryptoSlam	Animoca Brands, <i>et al.</i>	Overland Park, KS	Developer of an NFT data aggregation platform
Jan 06	PowerPollen	Syngenta Ventures, Plains Angels, <i>et al.</i>	Ankeny, IA	Developer of pollination systems designed to enhance crop productivity
Jan 12	Anchor Ingredients	Undisclosed Investors	Fargo, ND	Supplier of specialty ingredients to serve food and pet food industries
Jan 19	Capacity	Vellano Investment, Rice Park Capital, <i>et al.</i>	Saint Louis, MO	Developer of an AI-powered support automation platform to transform the modern workplace
Jan 19	EmpowerMe Wellness	Hermann Companies	Saint Louis, MO	Operator of a tech-enabled healthcare organization
Jan 20	Voltage	Trammell Venture Partners, Craft Ventures, Fulgur Ventures, <i>et al.</i>	Wichita, KS	Operator of a network node hosting platform
Jan 24	BasicBlock	Nelnet, Clear Haven Capital Mgmt. Autotech Ventures, <i>et al.</i>	Omaha, NE	Developer of a mobile app for document management and payment services
Jan 31	C2FO	Third Point Ventures, Mubadala Capital Ventures, <i>et al.</i>	Leawood, KS	Developer of a B2B cash flow and working capital optimization platform
Feb 02	CoinLedger	DRW Venture Capital, Voyager Digital, FinTech Collective, <i>et al.</i>	Kansas City, MO	Developer of tax reporting software for the cryptocurrency industry
Feb 14	OpenLoop	SpringTide Investments, Next Level Ventures, <i>et al.</i>	Des Moines, IA	Developer of an online hiring platform
Feb 23	Haber Technologies	Undisclosed Investors	Ames, IA	Developer of grain drying technologies
Feb 28	Opendorse	Undisclosed Investors	Lincoln, NE	Developer of an open endorsement platform
Feb 28	TierPoint	Argo Infrastructure Partners	Saint Louis, MO	Provider of IT infrastructure services
Mar 18	Generation Esports	Undisclosed Investors	Kansas City, MO	Organizer of high school-level sports leagues
Mar 18	Spinal Simplicity	Keiretsu Forum, <i>et al.</i>	Overland Park, KS	Developer of spinal implants
Mar 31	Flight Schedule Pro	Mainsail Partners	Overland Park, KS	Developer of a cloud-based management software for flight schools

IPO Activity Comes to Halt from Record 2021

Quarterly US IPO Activity¹



US IPO Highlights

- Only 18 non-SPAC IPOs were completed in the first quarter, raising \$2 billion in a sharp decline from the first quarter
- Micro-cap companies accounted for the majority of IPOs – just seven IPOs topped \$50 million - dropping the median deal size to a multi-decade low
- 35 SPACs raised \$9 billion amid a rise in IPO withdrawals, merger terminations, and redemption rates
- The IPO market could pick up pace, as approximately 50 IPOs (including SPACs) were announced during the quarter

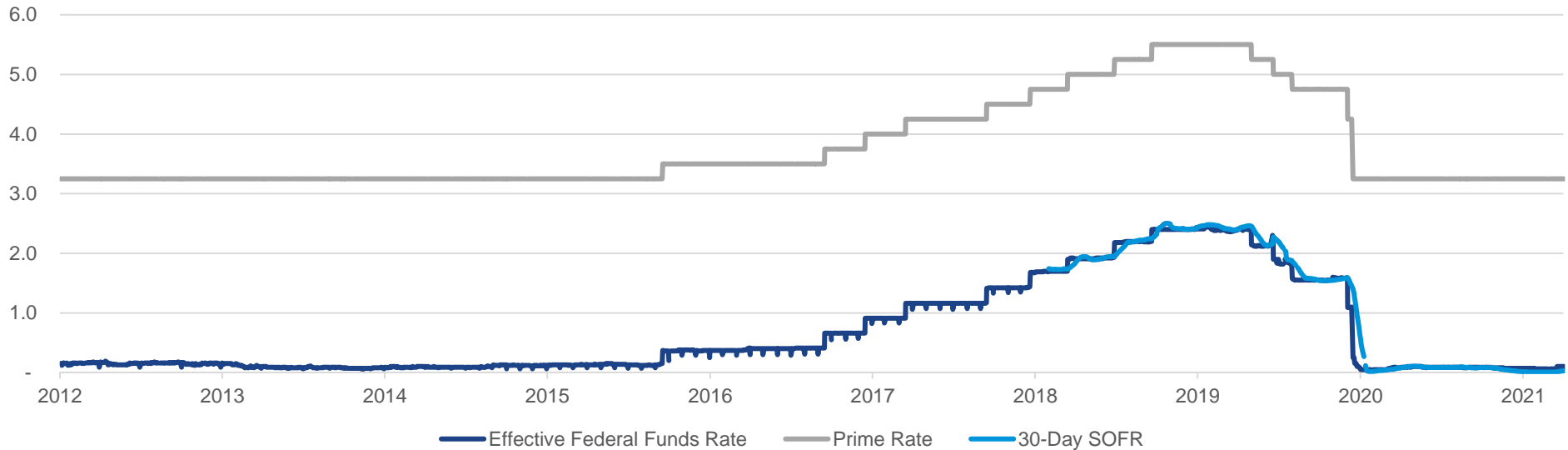
Notable US Q1 IPOs (inc. SPACs)

Date	Company	Size (millions, USD)
Jan 13	TPG	\$ 1,000
Jan 27	PIMCO Access Income	866
Jan 06	Screaming Eagle Acquisition	750
Jan 31	Wolfspeed	650
Jan 12	Gores Holdings IX	525
Feb 24	Cohen & Steers Real Estate Opportunities and Income Fund	305

¹Renaissance Capital. Excludes SPAC activity.

Fed Hikes Rates in March, Six More to Go

Benchmark Rate History

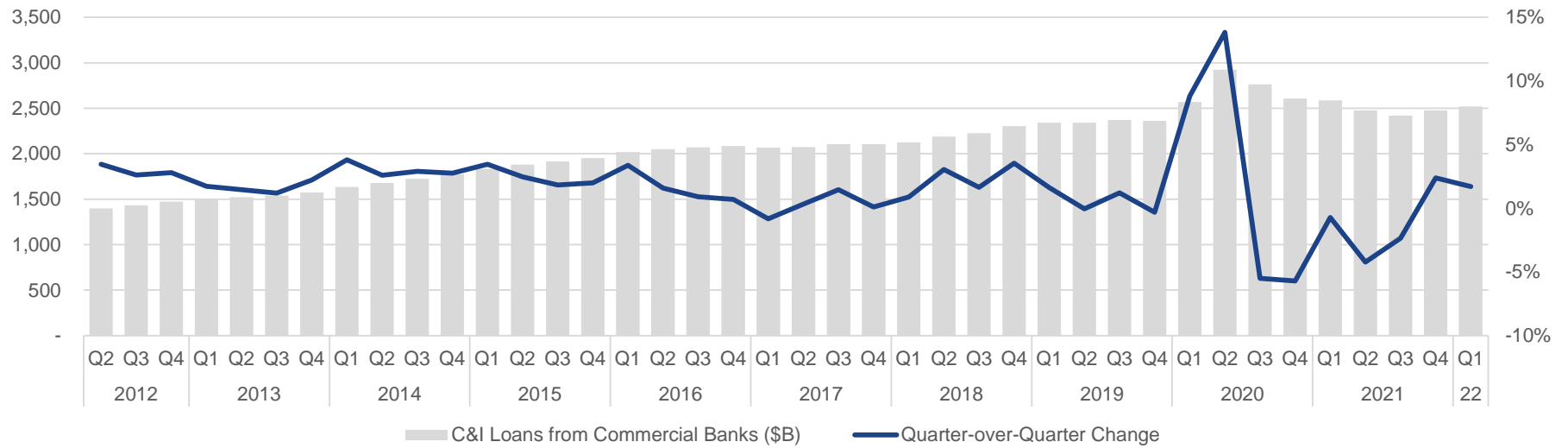


Financing Highlights

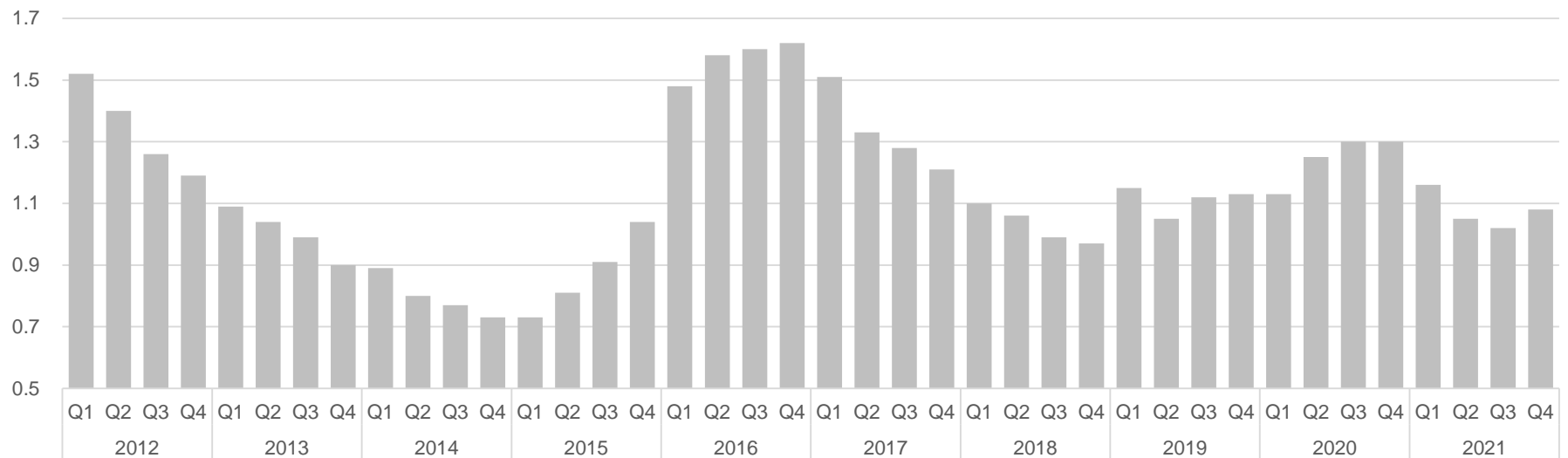
- The Federal Reserve approved its first interest rate hike in more than three years in March, hiking its key rate by 25 basis points to a range of 25-50 bps
- The Fed signaled it would increase rates at its remaining six meetings this year, suggesting a consensus funds rate of 1.9% by year end
- The Secured Overnight Financing Rate, also known as SOFR and is largely anticipated to replace LIBOR, tripled its 30-day average, growing from roughly five basis points at year end to a little more than 15 basis points by the end of the first quarter
- After reversing for the first time in six quarters in the fourth quarter, bank loan assets increased again in the first quarter, likely a sign of borrowers trying to lock in rates in an increasing rate environment – in fact, the first quarter was the highest response rate among bank officials reporting stronger demand for commercial and industrial loans since the third quarter of 2014

Delinquencies Edged Up at End of 2021

Commercial & Industrial Loan Assets on Commercial Bank Balance Sheets

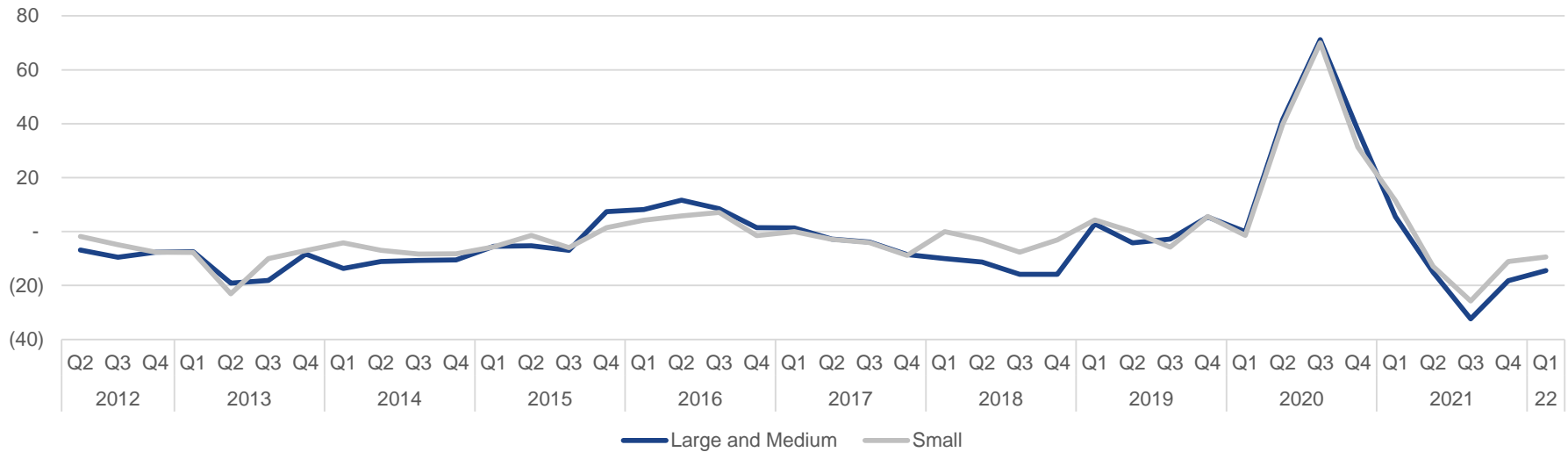


Delinquency Rate on Commercial & Industrial Loans (%)

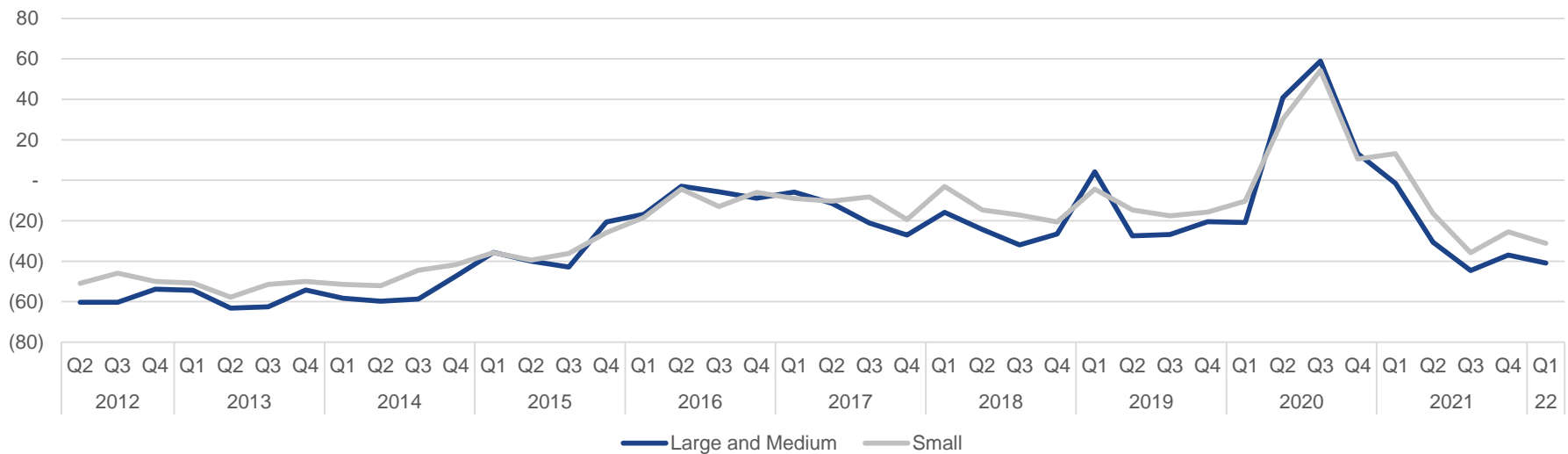


Banks Continue to Ease Standards, Reduce Spreads

Net Percentage of Banks Tightening Standards for Commercial and Industrial Loans to Large & Medium and Small Firms



Net Percentage of Banks Increasing Spreads of Loan Rates over Banks' Cost of Funds



Partners for Strategic Transactions

Overview

Skyline Advisors partners with growth stage and lower middle-market companies to successfully position for, and then execute, strategic transactions. Our experience includes sitting on all sides of the deal table – serving as investors in, executives of, members of the board of directors for, and advisors to high-growth companies that have successfully completed debt and equity financings, acquired other companies, and successfully exited through multiple avenues. This experience provides unique perspective on what you are undertaking, and what is required to ensure a smooth transaction and post-closing transition. Our principal's securities and real estate licenses enable a broad offering of services to ensure all strategic options are explored to optimize results.

Services

Mergers & Acquisitions

- Buy-side and sell-side
- Divestitures, spin-offs, and spin-outs
- Management buyouts
- Strategic partnerships

Corporate Finance

- Growth and acquisition capital
- Taking-private transactions
- Strategic investments
- Recapitalizations
- Debt financing (senior and subordinated)

Strategic Advisory

- Valuation analysis
- Due diligence
- Financial consulting and modeling

Industries Served

Industry agnostic with a key focus on the following:

- Industrials
- Food and agribusiness
- Technology
- Healthcare

Professionals
















John Gustafson, CFA | john@skyline-advisors.com

- 20+ years in investment banking, PE, and operations
- MBA – Northwestern University
- BS in Accounting – University of Nebraska-Lincoln
- Series 62, 63, and 79 securities licenses

Chris Moore | cmoore@skyline-advisors.com

- 5+ years in investment banking and other finance experience
- MS in Finance – Tilburg University (the Netherlands)
- BS in Business Administration – University of Nebraska-Omaha

Select Transactions

 Acquired by 	 Acquired by 	 Merged with 	 Airport lighting division acquired by 	 Strategic transaction with 	 Acquired by 	 Recapitalized by Undisclosed Party	 Acquired by 
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