

Financing Update

Second Quarter 2021

VC, IPO Activity Breaking Records

Executive Summary

Early-stage investors continued to deploy capital in record-breaking sums, with the \$75 billion deployed in the second quarter matching the first quarter total. Despite a dip in transactions, transaction counts remain elevated from a historical perspective. It continues to be an optimal time for young companies looking to raise cash through equity investment.

Similar to the record-breaking taking place in the venture capital world, activity for initial public offerings is also taking place at a fast pace. In fact, the IPO market hasn't been this hot since the Dot-Com era. Private equity activity is down 5.2% compared to the first quarter of the year.

While equity financings are firing on all cylinders, the debt market remains an attractive option to raise cash, as rates remain suppressed and lending standards ease. Businesses in unique situations, such as those with an ESG focus, can even secure lower rates than conventional loans.

Despite rising concerns of further economic restrictions resulting from increasing risks of the Delta variant of COVID, we are highly optimistic of financing opportunities in the short term. The stock market is continuously reaching record highs, borrowing is cheap, and investment firms are raising record levels of cash.

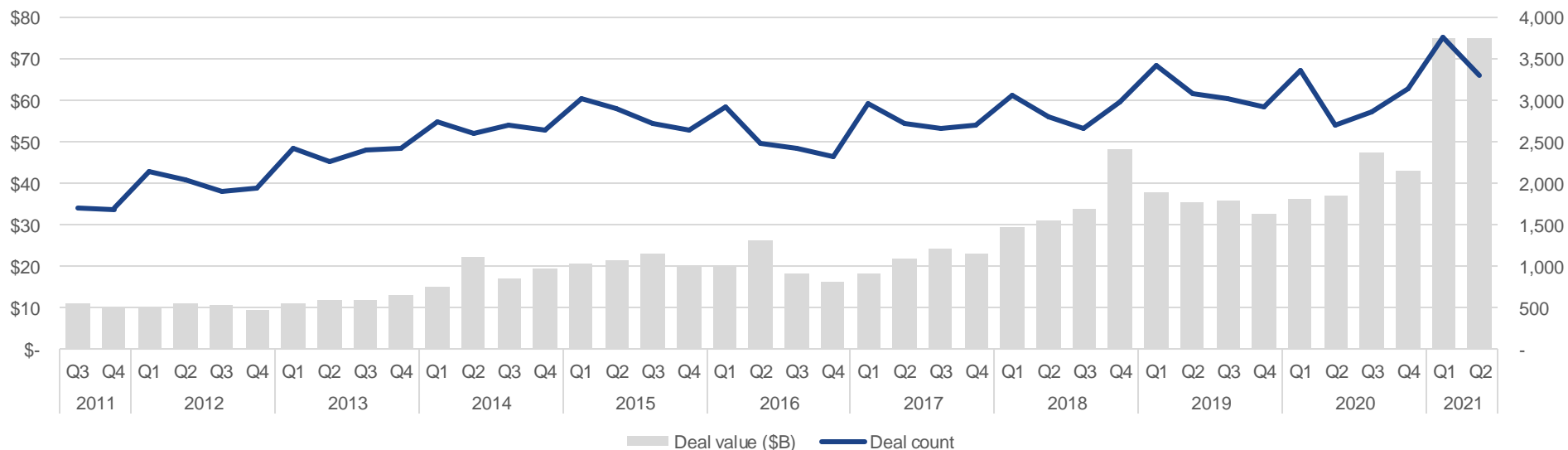
As always, contact us if you would like to receive information about activity in your specific industry or geography, or if you would like to discuss options for your business.

Q2 Financing Highlights

- 2021 is on pace to be a banner year for venture capital investing, as VC investors have deployed \$75 billion in the first two quarters
- Despite drop in SPAC (special purpose acquisition company) deals, IPO activity surpassed Q1, which also topped a two-decade-old record
- Lending standards continue to decline, and the Fed has signaled it will not increase rates despite inflationary concerns

Q2 VC Spend Matches Record Q1

Quarterly US VC Activity¹



US VC Highlights

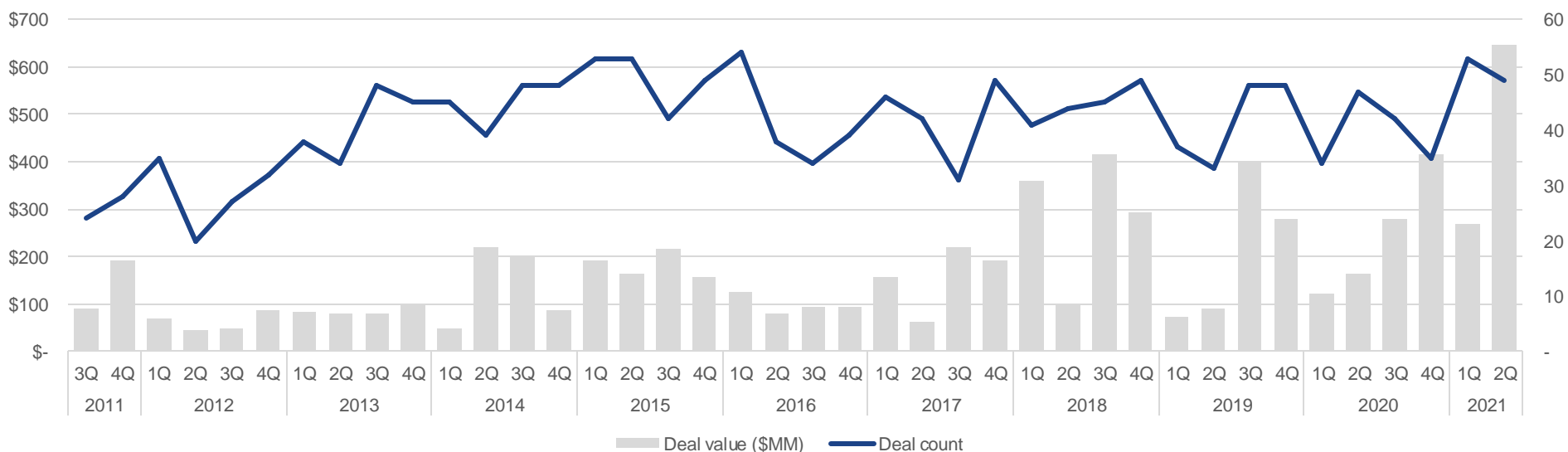
- Investors invested \$75 billion in the second quarter, continuing a record pace from the first quarter, across approximately 3,300 deals
- According to PitchBook, recent investment activity has been influenced by the COVID-19 pandemic, as entrepreneurs focus on opportunities to develop technologies and build companies that address the needs of a reopening economy and a different post-COVID environment
- Later-stage investment remains a focus for investors, as the category accounted for \$108.8 billion through the year-to-date period, roughly matching the \$109.8 billion of late-stage investments in all of 2020

Notable US Q2 VC Investments

Date	Target	Investor(s)	Investment (MM USD)
Jun 16	Waymo	Magna Int'l, AutoNation, Silver Lake	\$ 2,500
Apr 14	SpaceX	Sequoia Capital, Soul Ventures, <i>et al.</i>	1,160
Apr 13	Epic Games	Sony, Park West Asset Mgmt, Soul Ventures	1,000
May 12	Jellysmack	SoftBank Investment Managers, <i>et al.</i>	950
May 26	Perch	SoftBank Group, Spark Capital, <i>et al.</i>	775
Apr 12	Treeline Biosciences	GV, OrbiMed, ARCH Venture Partners	735

VC Investment in Midwest Companies Tops \$600 Million

Quarterly Midwest VC Activity¹



Midwest VC Highlights

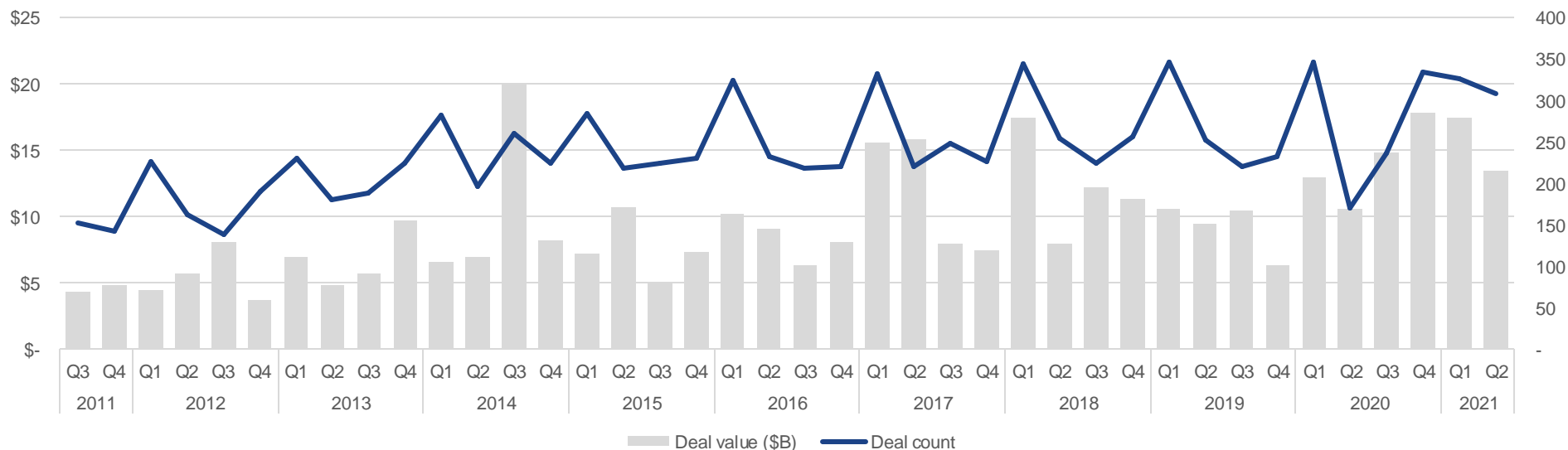
- \$645 million was invested across roughly 50 Midwest deals in the second quarter, with more than half of this total coming from EquipmentShare and Monolith Materials' deals
- Year to date, venture early investing in the Midwest is up approximately 26% over the same period a year ago
- As usual, companies in the information technology space captured the most interest, accounting for roughly a third of Midwest VC investments, followed by healthcare (~26%)

Notable Midwest Q2 VC Investments

Date	Target	Investor(s)	Investment (MM USD)
Apr 14	EquipmentShare	RedBird Capital Partners, <i>et al.</i>	\$ 226
Jun 17	Monolith Materials	SK Group, Azimuth Capital Mgmt, <i>et al.</i>	120
Apr 09	Oakstar Bank	Undisclosed Investors	66
Apr 20	Bushel	Continental Grain Co., Scoular, Cargill, <i>et al.</i>	47
Apr 21	Republica	Founders Fund, Revolution, <i>et al.</i>	41
Apr 19	Hungry Planet	Post Holdings, Trirec, Cure8 Ventures, <i>et al.</i>	25

Growth Equity Deal Volume Remains Elevated

Quarterly US Growth Equity Activity¹



US Growth Equity Highlights

- Despite a slight decline of 5.2% in deal volume from the first quarter, deal activity remains elevated from 2020, with activity up 81.8% from the second quarter of 2020 and up 22.8% for the comparative year-to-date periods
- In the Midwest, there were 11 growth equity investments during the quarter, highlighted by two deals that were in the hundreds of millions of dollars: a \$425-million investment in Security Benefit by undisclosed investors and a \$290-million investment in CivicPlus by Insight Partners.

Notable US Q2 Growth Equity Investments

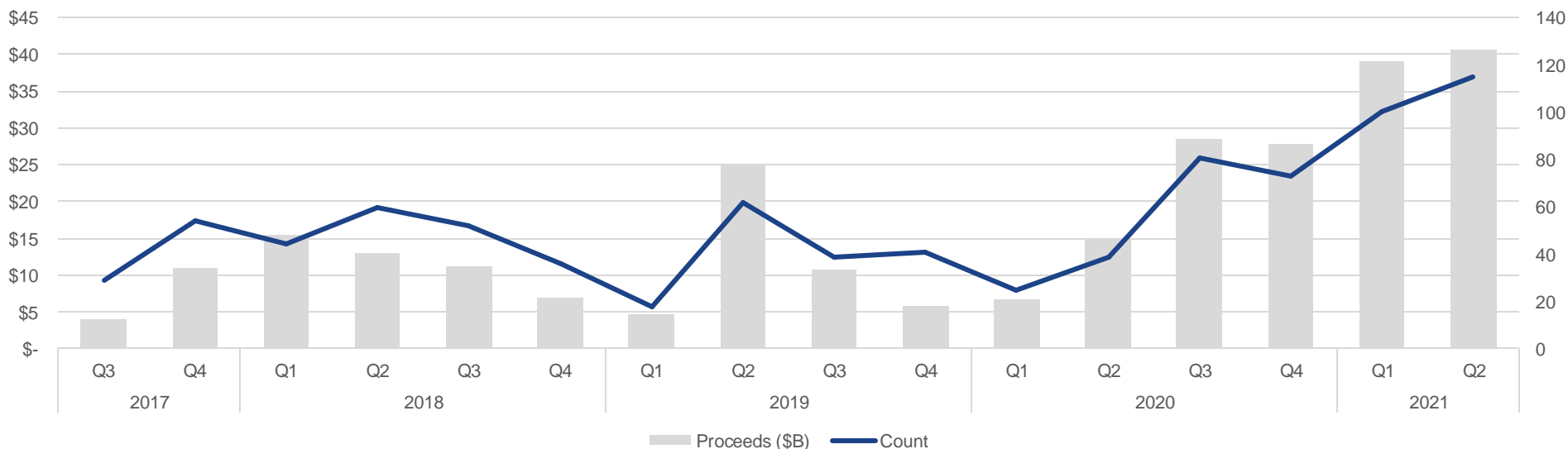
Date	Target	Investor(s)	Investment (MM USD)
Jun 22	Security Benefit	Undisclosed Investors	\$ 425
Apr 30	CivicPlus	Insight Partners	290
Jun 02	MetroNet (Indiana)	Oak Hill Capital, KKR	N/A
Apr 28	Mariner Wealth Advisors	Leonard Green & Partners	N/A
Jun 11	Propio Language Services	TT Capital Partners	29
Apr 16	Barrier Compliance Services	WP Global Partners, Lincolnshire Mgmt.	N/A

Notable Midwest VC & Growth Equity Investments

Date Closed	Target	Investor	Target City	Target Description
Apr 09	Oakstar Bank	Undisclosed Investors	Springfield, MO	Provider of personal and commercial banking services
Apr 14	EquipmentShare	RedBird Capital Partners, Tiger Global Management, <i>et al.</i>	Columbia, MO	Developer of a fleet management software platform
Apr 19	Hungry Planet	Post Holdings, Trirec, Amand Ventures, Cure8 Ventures, <i>et al.</i>	Saint Louis, MO	Provider of plant-based meats
Apr 20	Bushel	Continental Grain Company, Lewis & Clark AgriFood	Fargo, ND	Developer of a software platform for grain trading
Apr 21	Replica	Founders Fund, Innovation Endeavors, <i>et al.</i>	Kansas City, KS	Developer of a transportation-planning and city-design platform
Apr 28	Mariner Wealth Advisors	Leonard Green & Partners	Overland Park, KS	Provider of wealth advisory services
Apr 29	Artio Medical	NorthPoint Development, <i>et al.</i>	Prairie Village, KS	Developer of medical devices
Apr 30	CivicPlus	Insight Partners	Manhattan, KS	Developer of a platform of integrated technology services
May 04	Adalo (Software Development Applications)	Tiger Global Management, OldSlip Group, <i>et al.</i>	Saint Louis, MO	Developer of a no-code application development software
May 13	Query.AI	ClearSky, South Dakota Equity Partners, Secure Octane, <i>et al.</i>	Brookings, SD	Developer of a platform to simplify security investigations
Jun 01	Digital Diagnostics	Undisclosed Investors	Coralville, IA	Developer of an AI-based diagnostic platform without physician input
Jun 02	LeverageRx	Undisclosed Investors	Omaha, NE	Developer of a digital lending and insurance platform
Jun 02	MetroNet (Indiana)	Oak Hill Capital, Kohlberg Kravis Roberts	Ames, IA	Provider of fiber-optic telecommunication services
Jun 10	StoneLock	Tactico	Overland Park, KS	Manufacturer of biometric access control systems
Jun 11	Propio Language Services	TT Capital Partners	Overland Park, KS	Provider of language translating services
Jun 17	Monolith Materials	SK Group, Azimuth Capital Management, Warburg Pincus	Lincoln, NE	Converter of natural gas into materials, such as carbon black and hydrogen
Jun 22	Security Benefit	Undisclosed Investors	Topeka, KS	Provider of retirement and investment services

Second Quarter IPO Activity Tops Remarkable Q1

Quarterly US IPO Activity¹



US IPO Highlights

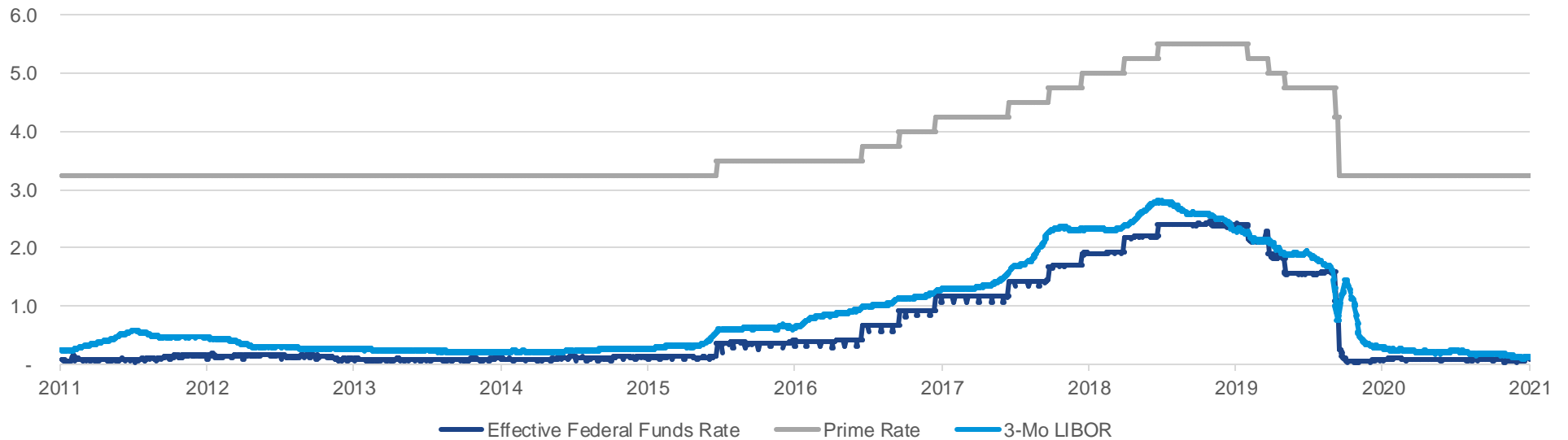
- 115 IPOs raised \$40.7 billion during the second quarter, topping a two-decade-old record that was also surpassed last quarter
- Healthcare and tech continued to be the most active sectors
- SPAC activity declined 79% from the first quarter, though announcements continued
- The IPO pipeline continues to be strong

Notable US Q2 IPOs

Date	Company	Size (millions, USD)
Apr 14	Coinbase	\$ 37,700
Apr 15	AppLovin	2,000
May 26	ZipRecruiter	1,820
Apr 15	TuSimple	1,350
Apr 21	UiPath	1,340
Jun 09	Marqeta	1,230

Yields Remain Flat Amid Inflation Concerns

Benchmark Rate History

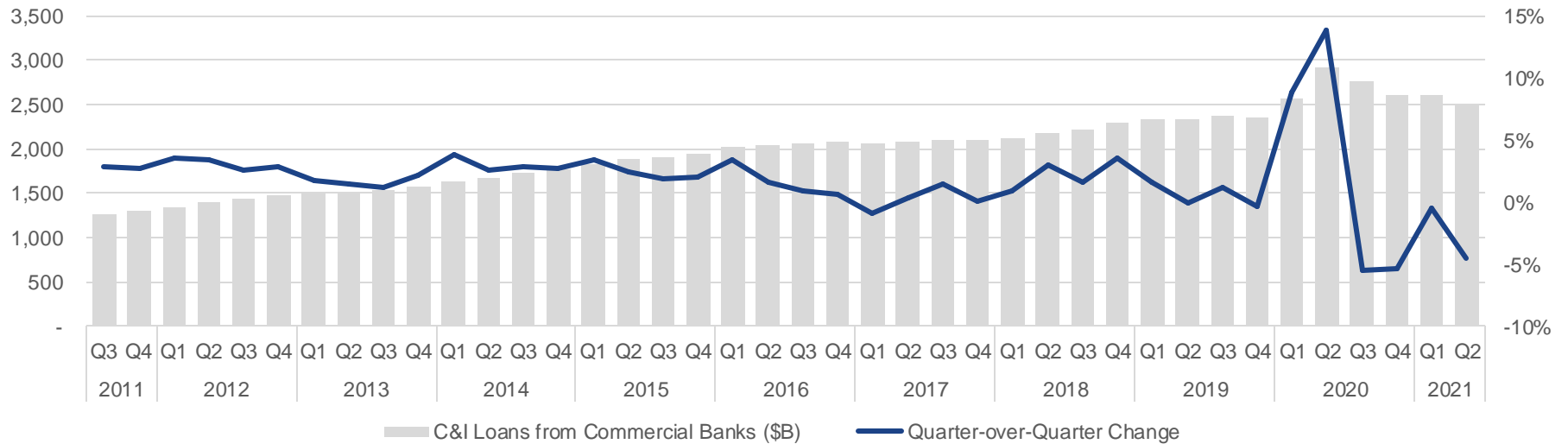


Financing Highlights

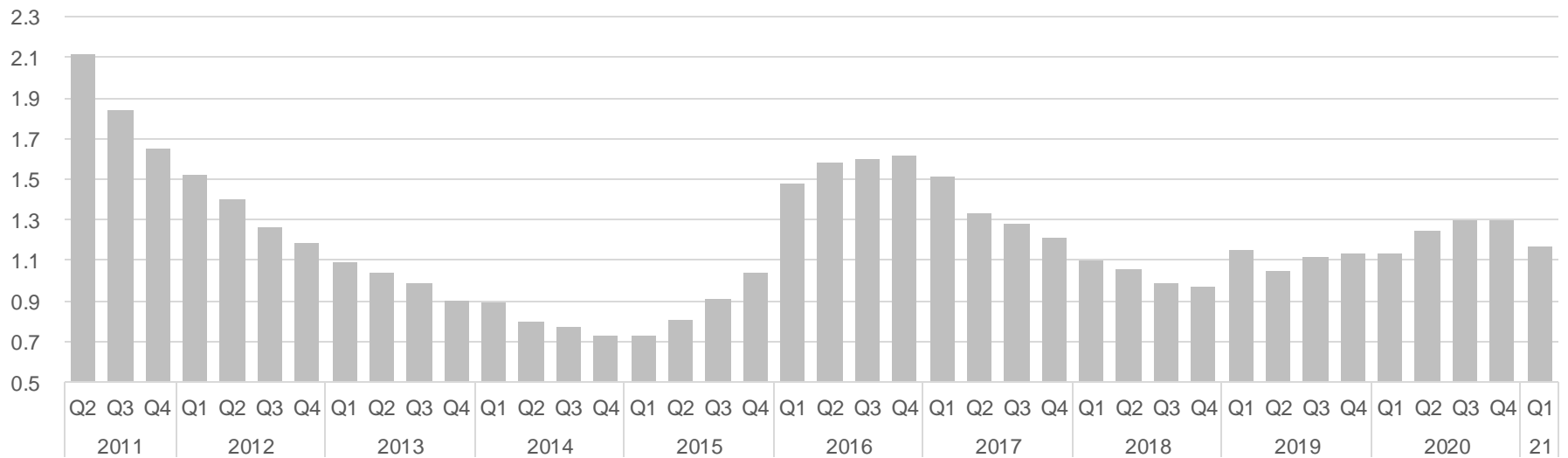
- Commercial loan activity retreated again after a return to growth-neutral in the first quarter – one consideration of this is that many companies may be opting to raise equity rather than debt
- Banks are continuing to loosen lending standards, and survey results suggest that more lenders are lowering the rates they charge to customers
- Despite rising inflation concerns in the second quarter, the Federal Reserve opted to keep its benchmark rate at a range of 0.00%-0.25%, while Fed Chairman Jerome Powell noted that inflation may be temporary (and certain prices have come down since)

Bank Loan Assets Retreat Again, Delinquencies Fall

Commercial & Industrial Loan Assets on Commercial Bank Balance Sheets

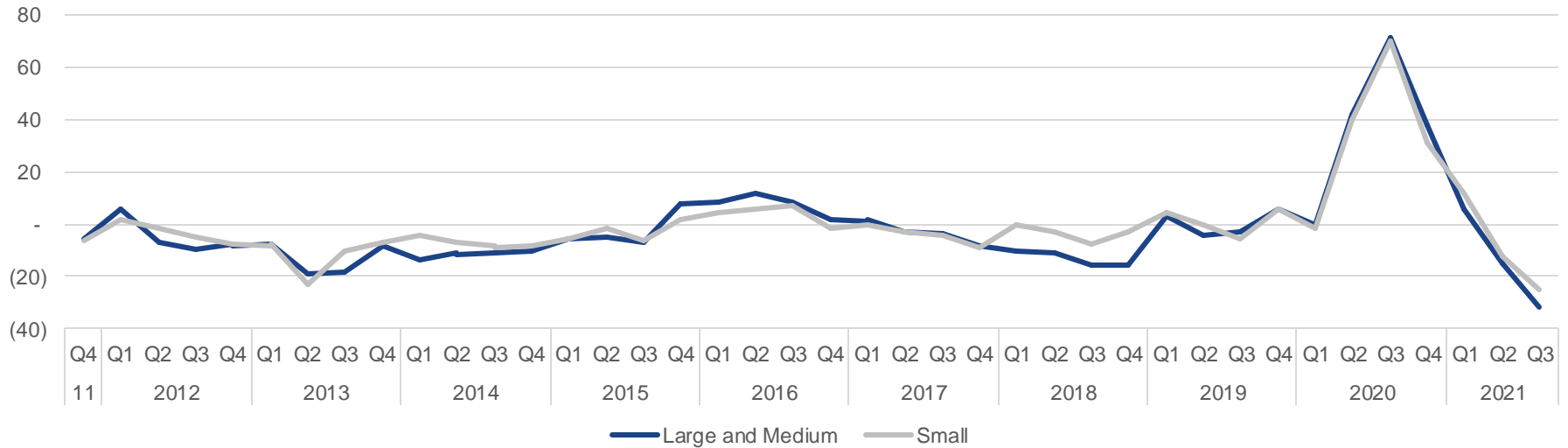


Delinquency Rate on Commercial & Industrial Loans (%)

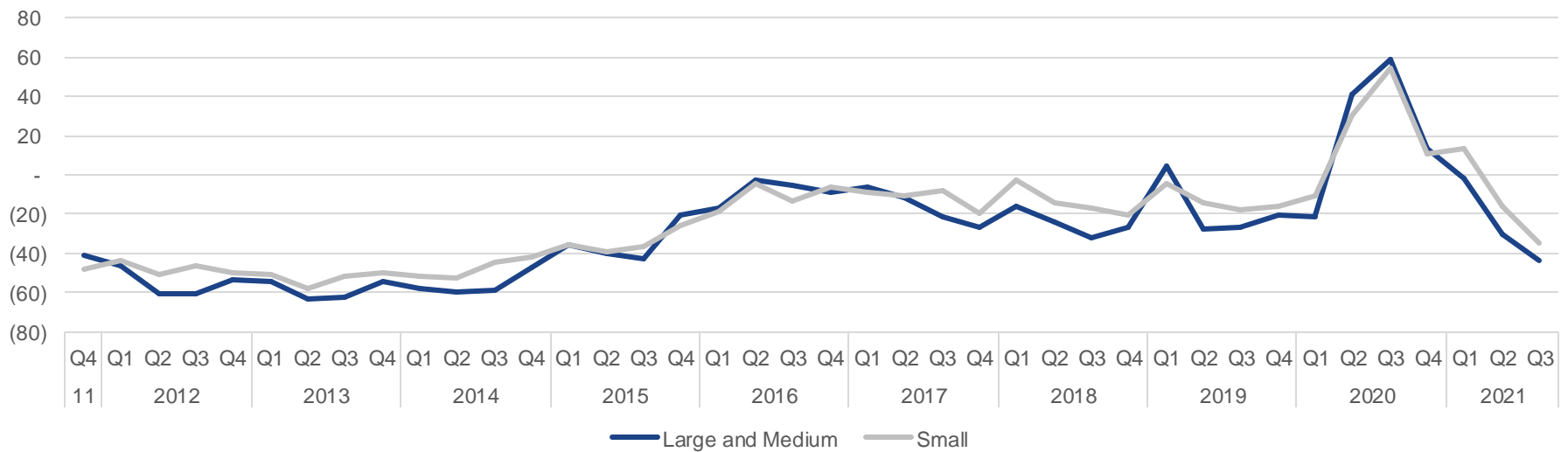


Banks Continue Easing Lending Standards

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

 <p>Acquired by</p> 	 <p>Acquired by</p> 	 <p>Airport lighting division acquired by</p> 	 <p>Acquired by</p> 	 <p>Merged with</p> 	 <p>Strategic transaction with</p> 	 <p>Acquired by</p> 
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