

Mergers & Acquisitions (M&A) Update

Second Quarter 2021

M&A Activity on Pace to Top 2019

Executive Summary

The year is shaping up to be a great year for M&A activity, as a number of factors – strong economic growth, record government spending and stimulus, low borrowing rates, and easing inflation worries – are leading to record dealmaking. Deal volume during the quarter was approximately double the volume in the second quarter of 2020, and year-to-date volume is 20% higher than the year-to-date period of 2019.

Though there are risks to continued growth, we believe the market will remain strong in the short-term. In addition to the reasons above, the stock market continues to touch new highs, and executives continue to be optimistic. Risks to economic growth include restrictions related to the ongoing COVID-19 pandemic, a resurfacing of inflationary concerns, and any changes to the Federal Reserve's existing policies.

We are excited to see how the year plays out for Midwest M&A. The second quarter was an improvement over the first in terms of volume, with various mega deals that have been announced that are scheduled to close later this year. This is highlighted by Canadian Pacific's offer to purchase Kansas City Southern.

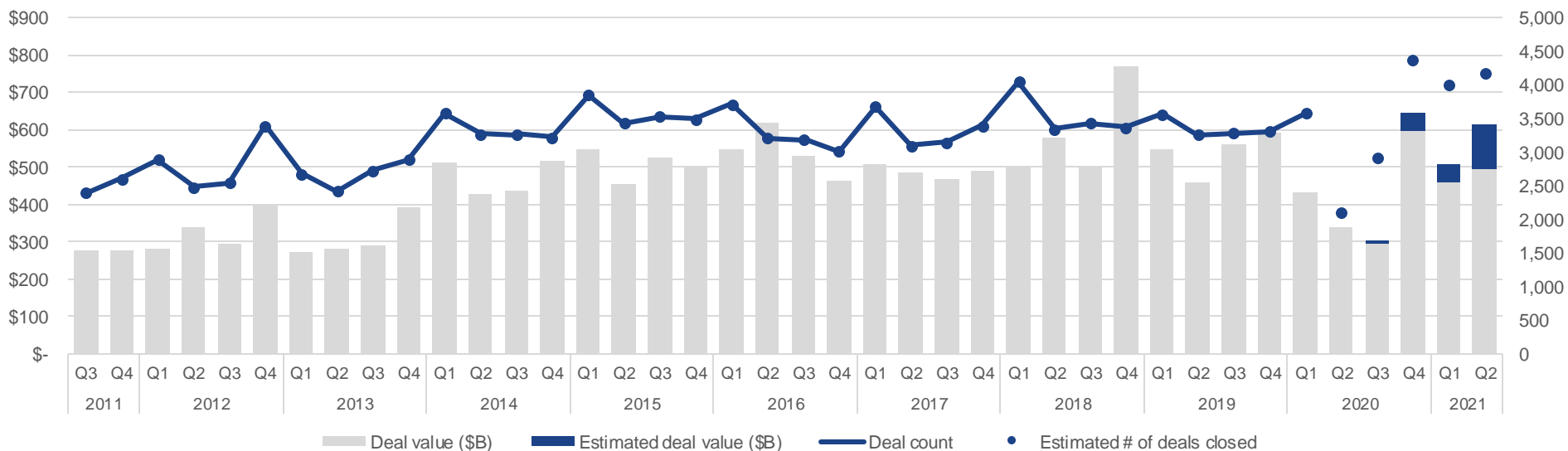
As always, contact us if you would like to receive information about activity in your specific industry or geography or if you would like to discuss options for your business.

Q2 M&A Highlights

- The market for mergers and acquisitions is on pace to match or beat previous records, with deal volume up 99% over the second quarter of 2020 and YTD volume up 20% over the first half of 2019
- Similarly, Midwest deal volume improved 21% from the first quarter, and the remainder of the year includes several blockbuster deals in the Midwest
- Valuations improved from the first quarter and are roughly in line with 2020
- A rebounding economy and a continued low-rate environment are a boon for continued M&A activity

2021 M&A Activity on Track to Surpass 2019

Quarterly North American M&A Activity¹



North American M&A Highlights

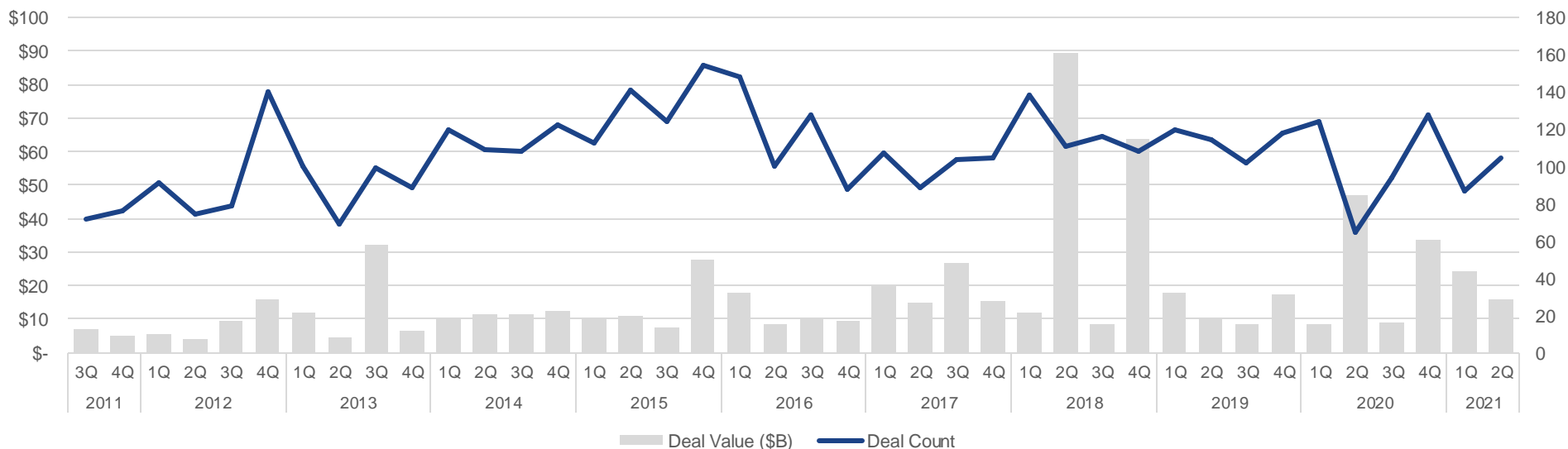
- An estimated \$614 million was spent across 4,178 North American deals in the second quarter, increases of 82% and 99%, respectively, over Q2 2020
- While 2020 was a down year due to the onset of the pandemic, the first half of 2021 deal activity is on pace to surpass that of 2019, with 20% more deals completed year to date
- While the economy is firing on all cylinders (real GDP increased at a 6.5% annual rate in Q2), the spread of the Delta variant of COVID-19 poses risks to economic growth and deal activity
- Despite ongoing COVID concerns, borrowing rates remain low, investor confidence is high, and inflation worries seem to be subsiding as commodity prices (e.g., lumber and oil) have fallen, promoting a continued and heightened environment for deal activity

Notable US Q2 Transactions

Close Date	Target	Acquirer	Consideration (millions, USD)
May 14	Speedway	7-Eleven	\$ 21,000
Apr 15	Varian Medical Systems	Siemens Healthineers	16,400
Jun 01	BBVA USA Bancshares	PNC	11,600
Apr 22	RealPage	Thoma Bravo	10,200
Apr 20	Inphi	Marvell International	10,000
May 14	FLIR Systems	Teledyne Technologies	8,290

M&A Activity Highlighted by Blockbuster Announced Deals

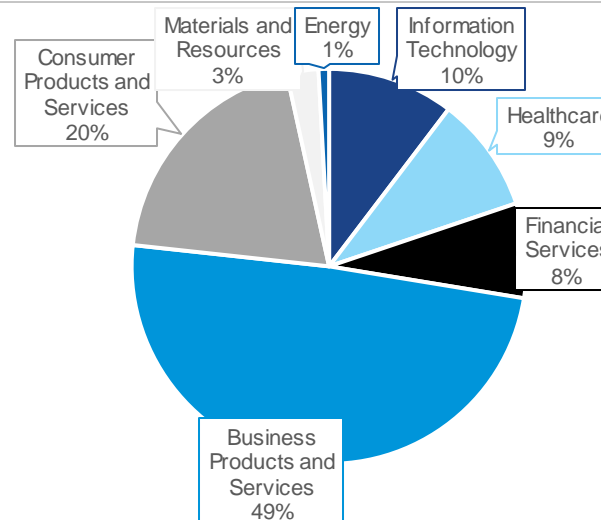
Quarterly Midwest M&A Activity¹



Midwest M&A Highlights

- Though overall value of Midwest M&A deals fell from the first quarter, deal volume was up 21% in the second quarter. More importantly, Midwest deal volume returned to its average level since the start of 2019.
- Business product and service companies accounted for the most deals, followed by companies that focus on consumer products and services
- Notable deals announced during the quarter, but have not closed yet, include Canadian Pacific Railway's increased offer of \$33.6 billion for Kansas City Southern, Danaher's \$9.6-billion purchase of Fargo-based Aldevron, and Quality Technology Services' \$6.7-billion sale to The Blackstone Group, among others.

Q2 Midwest Activity (#) by Sector



Notable Second Quarter Midwest M&A Transactions

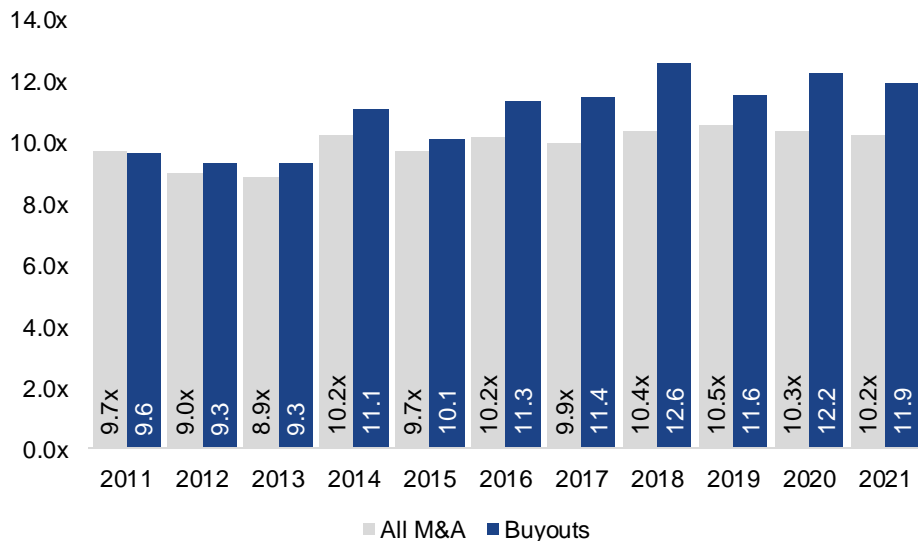
Date Closed	Target	Investor	Target City	Target Description
Apr 01	Custom Truck One Source	NESCO Specialty Rentals	Kansas City, MO	Provider of specialized truck and heavy equipment solutions, including rental, sales, and service
Apr 91	Intalere	Vizient	Saint Louis, MO	Developer of supply chain software for the healthcare industry
Apr 01	Luxco	MGP Ingredients	Saint Louis, MO	Producer of alcoholic beverages
Apr 01	Ungerboeck Software International	Cove Hill Partners	Saint Louis, MO	Developer of a SaaS-based event management software
Apr 19	Electric Power Systems International	Arcline Investment Management	Maryland Heights, MO	Operator of an electrical testing and engineering organization
Apr 22	NIC	Tyler Technologies	Olathe, KS	Provider of government services, sites, and secure payment processing
Apr 30	Equinor (Bakken Oil Assets)	Grayson Mill Energy (EnCap Investments)	North Dakota / Montana	Portfolio of on-shore oilfield assets
Apr 30	Waddell & Reed Financial (Wealth Mgmt. Business)	LPL Financial	Shawnee, KS	Provider of wealth management services
May 02	Waddell & Reed	Macquarie Asset Management	Shawnee, KS	Provider of asset management services with \$74.8 billion of assets under management
May 14	Buchanan Energy	Casey's General Stores	Omaha, NE	Operator of gas stations and provider of fuel
May 17	Aegion	New Mountain Capital	Saint Louis, MO	Provider of infrastructure protection and maintenance services
May 25	Fbl Financial Group	Farm Bureau Property & Casualty Insurance Company	Des Moines, IA	Provider of financial services, primarily insurance
Jun 01	Quality Food Processors	Monogram Food Solutions	Denison, IA	Producer and supplier of meat products to private label brands
Jun 09	Talema Group	Kamic Group	Rolla, MO	Manufacturer of toroidal transformers and related magnetic components
Jun 22	Nortek Air Solutions	Madison Industries	O'Fallon, MO	Manufacturer of heat and energy recovery ventilators
Jun 23	Integreon	EagleTree Capital	Fargo, ND	Provider of business intelligence and financial research services
Jun 28	Vetio Animal Health	Swedencare	Saint Louis, MO	Provider of contract development and manufacturing services for the animal health industry
Jun 30	Sachs Electric Company	One Rock Capital Partners	Saint Louis, MO	Operator of an electrical and technology construction firm

Valuations Improve from Q1, Flat over 2020

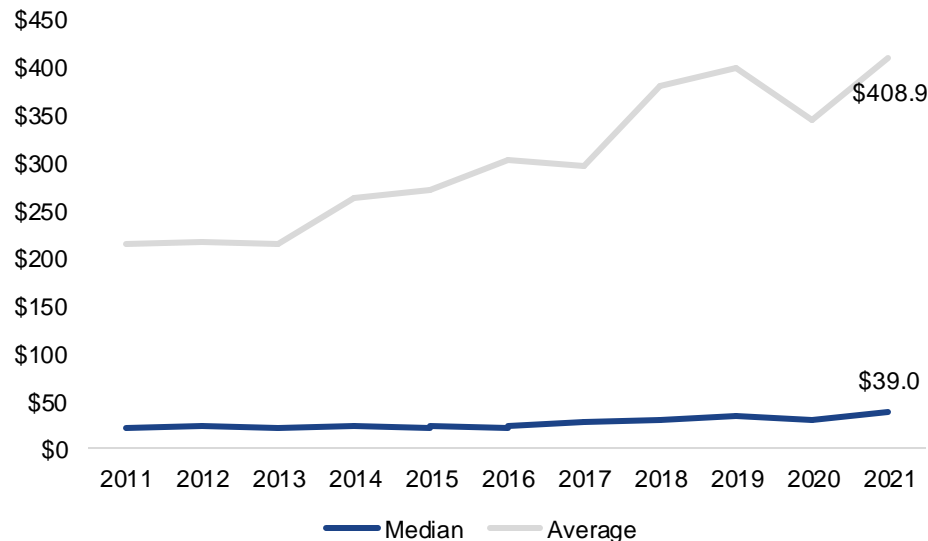
Valuation Highlights

- Broader M&A valuations in 2021 are relatively flat from 2020, with a median valuation of 10.2 times Earnings Before Interest, Depreciation, & Amortization (EBITDA). Valuations, however, improved from 9.3 times EBITDA in the first quarter.
- Valuations paid by financial buyers (investors by primary nature) remain higher than valuations paid by strategic buyers
- Average and median deal sizes remain elevated, with average deal sizes topping \$408 million in 2021 and median deal sizes amounting to \$39 million
- It is important to note that valuations are not a one-size-fits-all application and that valuations differ due to a variety of factors, including company size, profitability, industry, access to financing, liquidity, and other factors. Businesses should view multiples as just the starting point for their valuation analysis.

Median M&A Valuations (EV / EBITDA)



Median & Average Deal Sizes (\$M)



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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