

Financing Update

Third Quarter 2020

Several High-Profile IPOs Highlight Q3 Financing Activity

Executive Summary

Supported by a more “open” economy and record fiscal stimulus, the economy rebounded sharply in the third quarter. Though there was a sharp recovery, there is still reason for caution, as COVID cases reach record highs. It is considered likely that Congress will eventually pass further economic stimulus, though at a significantly smaller round than the CARES Act.

Though data supports the partial recovery narrative in the fourth quarter, lender data illustrates a tale of caution in the third quarter, including stricter lending standards.

Investors also showed some caution during the quarter, investing in fewer deals than they did in recent quarters. On a positive note, the amount of capital investors have been willing to deploy hasn't necessarily faltered. Investors continue to be willing to invest in high-quality companies in defensible industries.

Public stock investors had no shortage of new opportunities to invest in, as the third quarter was the busiest third quarter since the dot-com era. Eighty-one companies underwent initial public offerings during the quarter, raising just shy of \$26 billion.

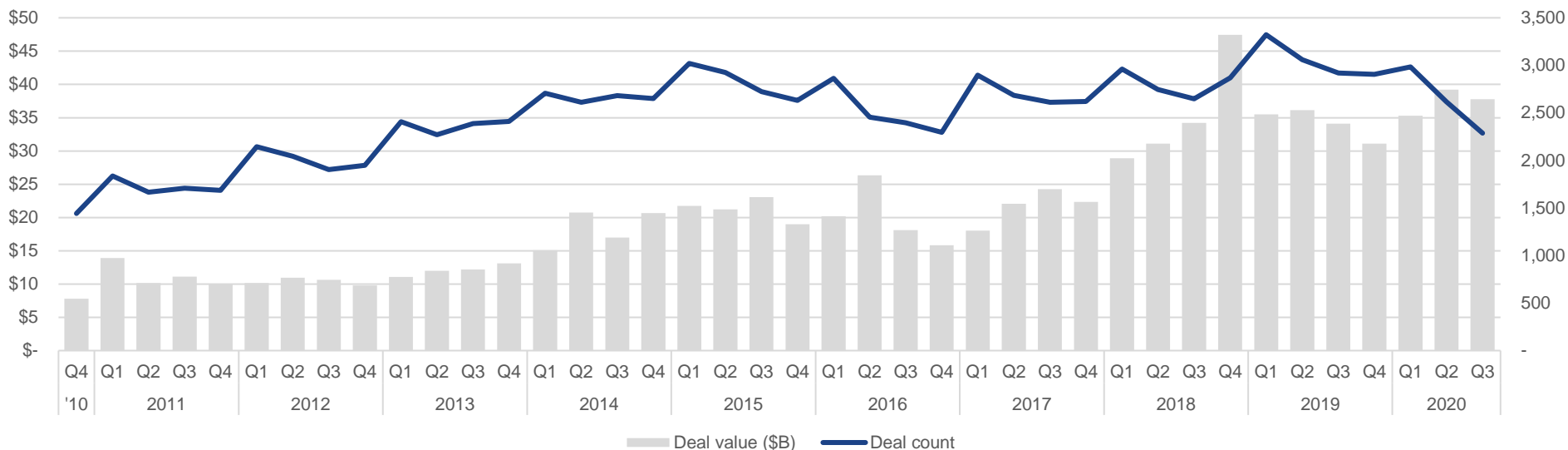
As always, contact us if you would like to receive information about activity in your specific industry or geography or if you would like to discuss options for your business.

Q3 Financing Highlights

- Despite a decline in volume, overall dollar spend on venture capital deals is still strong, with value increasing 11% year over year in the third quarter
 - Similar trends exist among private equity growth investors, demonstrating a tendency to invest more but in fewer deals
- The third quarter of 2020 was the busiest third quarter for initial public offerings since the dot-com era, with notable IPOs from a number of special purpose acquisition companies (SPACs), Snowflake, Rocket Companies, Dun & Bradstreet, and others
- Lenders became stricter on lending standards in the third quarter as default rates increased

US VC Activity Declines but Remains Strong in Q3

Quarterly US VC Activity¹



US VC Highlights

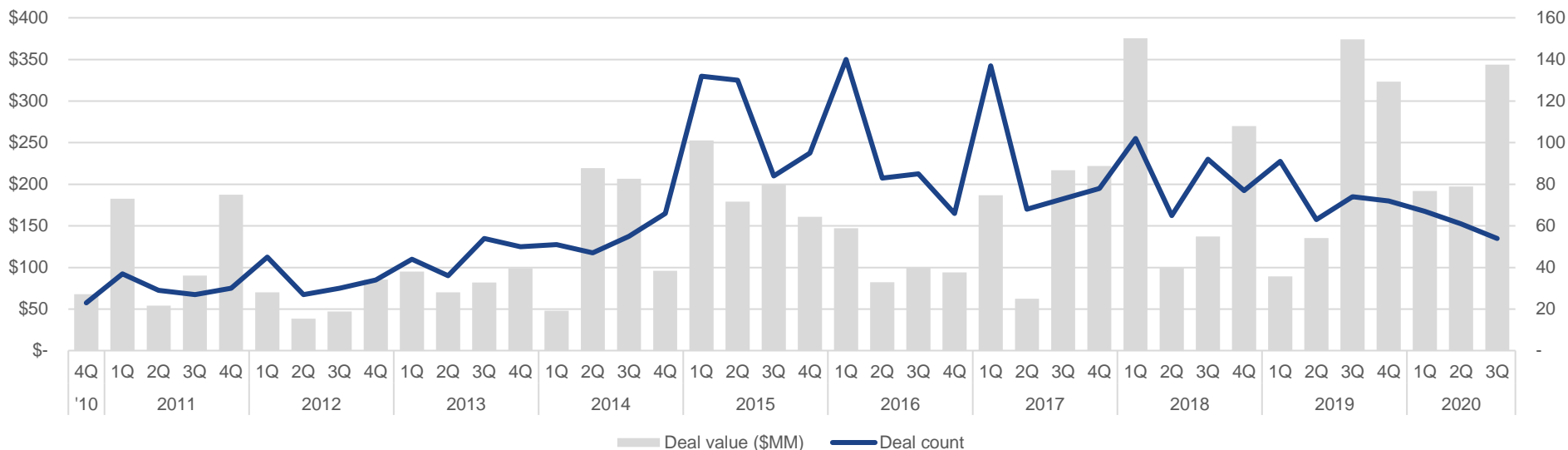
- Venture capitalists invested 10.7% more in the third quarter than they did in the same period a year ago but across 21.6% fewer opportunities; overall value and volume both declined from the second quarter
- The quarter marked the first occurrence in 15 quarters in which later-stage deal count declined year over year, suggesting that investors may be tightening their investment criteria until there is further certainty in the economy and market. Nonetheless, activity remained strong during the quarter relative to historical levels
- On an optimistic note, IPOs have returned as an attractive exit option - with notable exits including Palantir, Snowflake, and Unity – while venture capital fundraising has remained strong and is on pace to reach a record high

Notable US Q3 VC Investments

| Date | Target | Investor(s) | Investment (MM USD) |
|----------|-----------------------|---------------------------------------------------|---------------------|
| 08/18/20 | SpaceX | TrueBridge Future Ventures, <i>et al.</i> | \$ 1,900 |
| 09/22/20 | Robinhood | a16z, IVP, Ribbit Capital, DST Global | 660 |
| 07/13/20 | Robinhood | Sequoia Capital, TSG Consumer, <i>et al.</i> | 600 |
| 07/01/20 | Palantir Technologies | Sompo Japan Nipponkoa Hldgs, <i>et</i> | 550 |
| 09/16/20 | Affirm | Durable Capital Partners, GIC | 510 |
| 09/09/20 | Bright Health | The Blackstone Group, Tiger Global, <i>et al.</i> | 500 |

Benson Hill Investment Highlights Midwest VC Activity

Quarterly Midwest VC Activity¹



Midwest VC Highlights

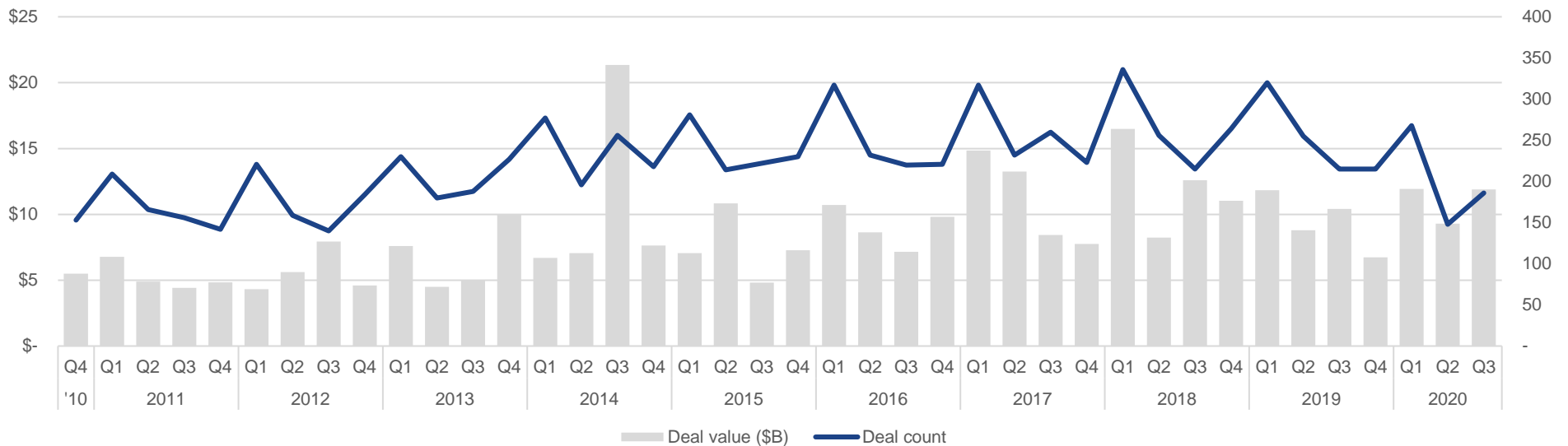
- In the third quarter, approximately 54 Midwest-based companies received a total of roughly \$344 million from VC investors
- Year to date, these levels represent an increase of 22.4% in consideration value from the same period a year ago and total deal volume trailing 2019 by 20.2%
- Overall deal value was highlighted by a \$150-million Series D round investment in Benson Hill, a Saint Louis, Missouri-based AgTech software developer
- As usual, companies in the information technology space captured the most interest, accounting for nearly half of Midwest VC investments, followed by healthcare

Notable Midwest Q3 VC Investments

| Date | Target | Investor(s) | Investment (MM USD) |
|----------|---------------------|---------------------------------------------------|---------------------|
| 07/31/20 | Benson Hill | GV, Wheatleaf Group, iSelect Fund, <i>et al.</i> | \$ 150 |
| 08/18/20 | Monolith Materials | Kiewit, Warburg Pincus, <i>et al.</i> | 60 |
| 07/08/20 | Growers Edge | Cox Enterprises, S2G Ventures, <i>et al.</i> | 40 |
| 09/05/20 | VIDA | First Analysis, Blue Heron Capital, <i>et al.</i> | 16 |
| 07/17/20 | Sab Biotherapeutics | MSD, South Dakota Equity Partners | 14 |
| 08/17/20 | PowerPollen | Ag Ventures Alliance, <i>et al.</i> | 14 |

Growth Equity Investors Continue to Put Capital to Work

Quarterly US Growth Equity Activity¹



US Growth Equity Highlights

- After a sharp drop in the second quarter, growth equity investments regained some ground, with total deal counts increasing nearly 26% to an estimated 186 deals in the third quarter
- Private equity investors haven't shown much hesitation to put capital to work, with year-to-date capital investments topping 2019's levels by nearly 7% despite increased uncertainties
- In the Midwest, there were three growth equity investments during the quarter: (1) a consortium investment led by Thomas H. Lee Partners in Phytech (office in Grand Island, NE), (2) an investment in Black Widow Imaging (O'Fallon, MO) by undisclosed investors, and (3) Pamlico Capital's investment in Fastpath (Des Moines, IA)

Notable US Q3 Growth Equity Investments

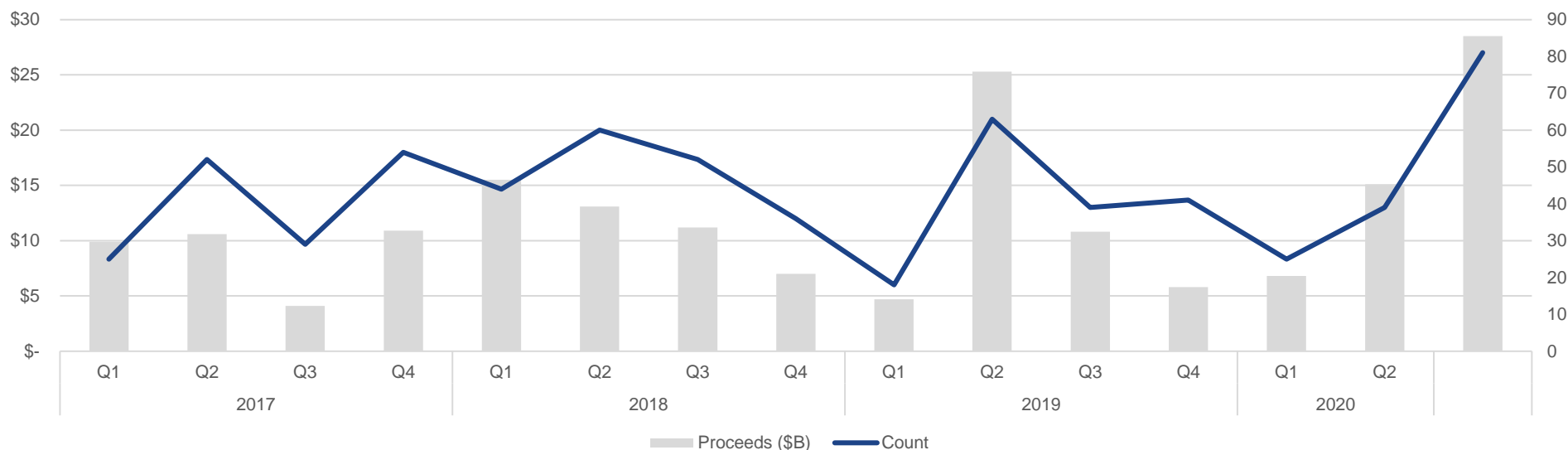
| Date | Target | Investor(s) | Investment (MM USD) |
|----------|--------------------------------|----------------------------------------------------|---------------------|
| 07/11/20 | Rivian Automotive | T. Rowe Price, BlackRock, <i>et al.</i> | \$ 2,500 |
| 09/16/20 | Lineage Logistics Holdings | D1 Capital Partners, Cohen & Steers, <i>et al.</i> | 1,600 |
| 08/21/20 | CPV Three Rivers Energy Center | Competitive Power Ventures, <i>et al.</i> | 1,300 |
| 08/25/20 | Cruise | Undisclosed Investors | 1,082 |
| 08/17/20 | Authentic Brands Group | Leonard Green & Partners, <i>et al.</i> | 600 |
| 08/04/20 | Diligent | Insight Partners, BlackStone, <i>et al.</i> | 500 |

Notable Midwest VC & Growth Equity Investments

| Date Closed | Target | Investor | Target City | Target Description |
|-------------|---------------------|--------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------|
| Jul 07 | MākuSafe | EMC Insurance Group, Next Level Ventures, <i>et al.</i> | West Des Moines, IA | Developer of wearable technology |
| Jul 08 | SwipeSum | Cequel III, Greenway Family Office, <i>et al.</i> | Saint Louis, MO | Operator of an online marketplace for credit card processing |
| Jul 08 | Growers Edge | Cox Enterprises, Argonautic Ventures, <i>et al.</i> | Johnston, IA | Provider of fintech products for farmers to manage risk |
| Jul 17 | Sab Biotherapeutics | MSD, South Dakota Equity Partners, <i>et al.</i> | Sioux Falls, SD | Provider of a therapeutic engine to produce immunotherapies |
| Jul 17 | BWR Innovations | Undisclosed Investors | Fargo, ND | Developer of thermal sanitation solutions |
| Jul 21 | Readout Health | iSelect Fund, BioGenerator, The Living Fund, <i>et al.</i> | Saint Louis, MO | Operator of a clinical digital biomarker research company |
| Jul 31 | Benson Hill | GV, Wheatsleaf Group, iSelect Fund, <i>et al.</i> | Saint Louis, MO | Developer of a crop design platform |
| Aug 04 | ShotTracker | ward.ventures, KCRise Fund, Chapter One Ventures | Merriam, KS | Developer of a digital platform to improve athletic skills |
| Aug 05 | Healthy Bytes | Cultivation Capital | Saint Louis, MO | Operator of a dietician telehealth platform |
| Aug 13 | Pitchly | Next Level Ventures, Nelnet, Great North Labs, <i>et al.</i> | Des Moines, IA | Developer of a data collaboration application |
| Aug 17 | SentiAR | Vcapital, Service Provider Capital, Neue Fund | Saint Louis, MO | Developer of a real-time augmented reality platform |
| Aug 17 | PowerPollen | Ag Ventures Alliance, Iowa Economic Development, <i>et al.</i> | Ankeny, IA | Provider of agricultural technologies to enhance crop productivity |
| Aug 18 | Monolith Materials | Imperative Science Ventures, Kiewit, Warburg Pincus, <i>et al.</i> | Lincoln, NE | Operator of a carbon-black manufacturing company |
| Sep 01 | TapOnIt | Next Level Ventures | Davenport, IA | Developer of an opt-in tech-based platform to drive traffic to local businesses |
| Sep 09 | VIDA | First Analysis, OSF Ventures, Blue Heron Capital, <i>et al.</i> | Coralville, IA | Developer of a medical analysis platform |
| Sep 22 | SmartScripts | Undisclosed Investots | Washington, IA | Developer of a medication management system |
| Sep 28 | Atomation | Undisclosed Investors | Saint Louis, MO | Developer of an Internet-of-Things platform |

IPO Activity Drives Busiest Q3 Since Dot-Com Era

Quarterly US IPO Activity¹



US IPO Highlights

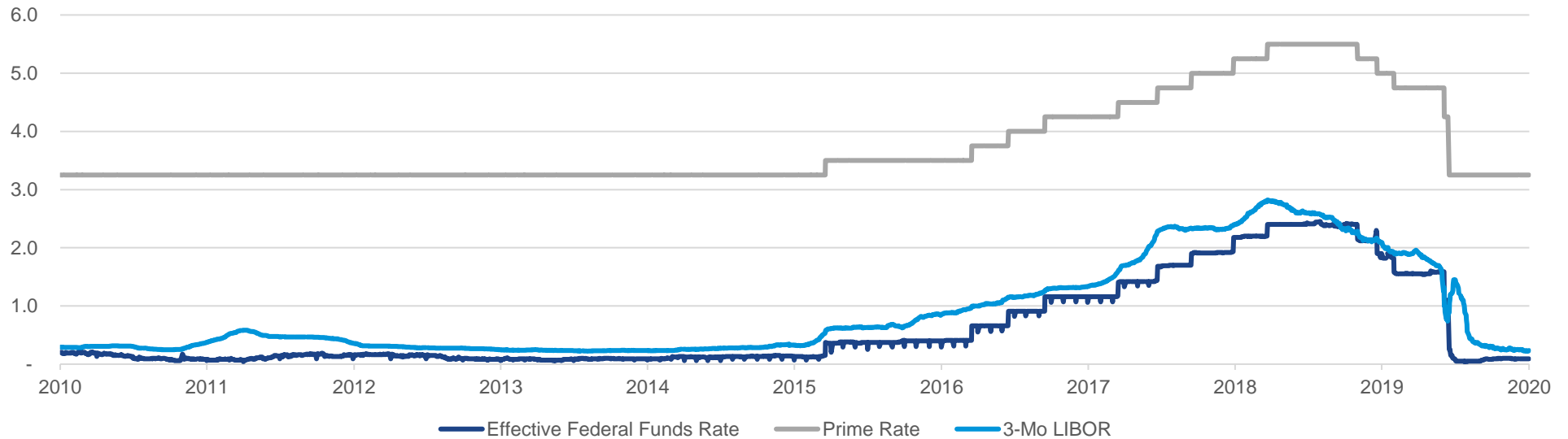
- 81 companies completed IPOs in the busiest third quarter since 2000, raising \$25.8 billion
- Healthcare accounted for nearly half of IPO activity
- Special-Purpose Acquisition Companies and direct listings were a notable alternative to the traditional initial public offering
- AirBnB and DoorDash, among others, are set to continue the trend of prolific IPOs in the fourth quarter

Notable US Q3 IPOs

| Date | Company | Size (millions, USD) |
|----------|-------------------------------------|----------------------|
| 07/22/20 | Pershing Square Tontine Holdings | \$ 4,000 |
| 09/16/20 | Snowflake | 3,360 |
| 07/31/20 | Churchill Capital Corp IV | 1,800 |
| 08/06/20 | Rocket Companies | 1,800 |
| 07/01/20 | Dun & Bradstreet | 1,720 |
| 08/19/20 | Foley Trasimene Acquisition Corp II | 1,300 |

Tighter Lending Standards Push Yields Higher

Benchmark Rate History

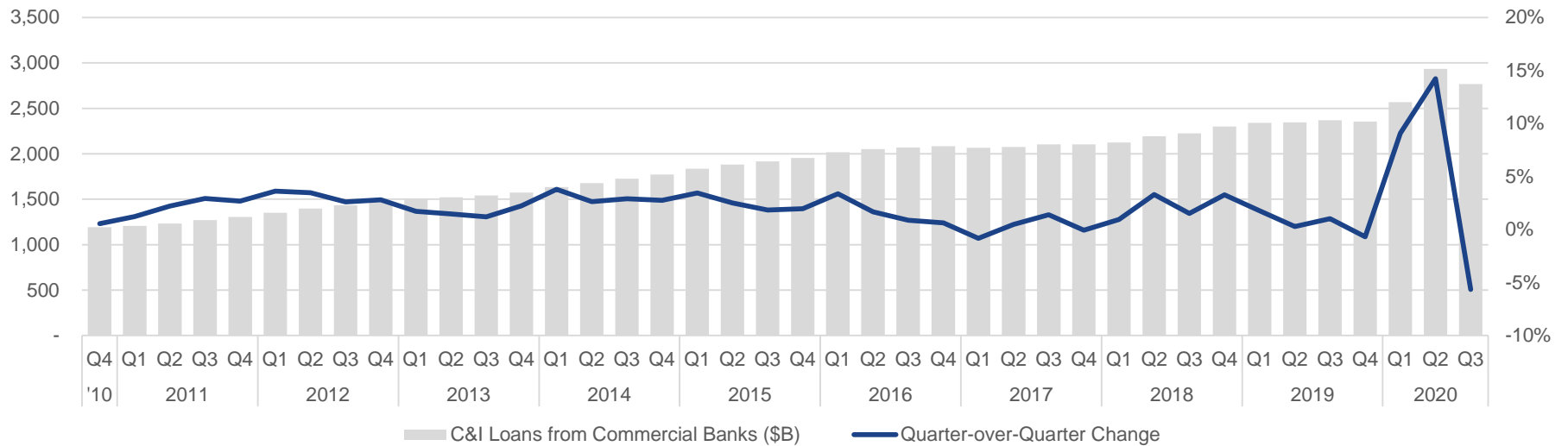


Financing Highlights

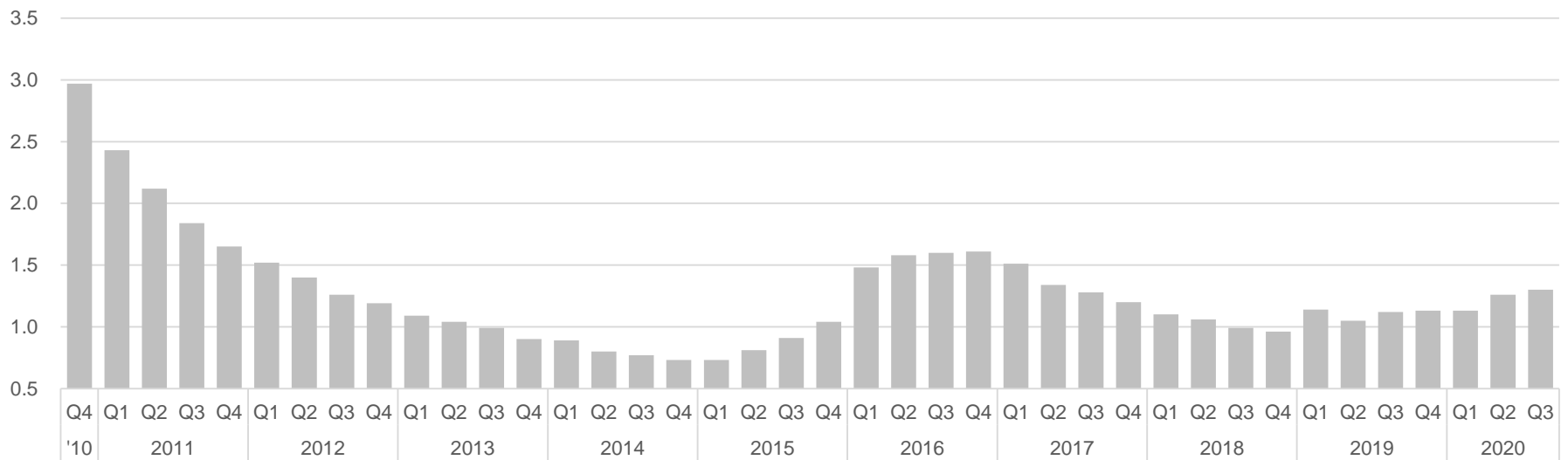
- After a sharp elevation in uncertainty caused by the coronavirus, corporations, many of which were not eligible for PPP loans, issued a substantial amount of corporate debt in the second and third quarters of 2020. The quarter-over-quarter decline in commercial and industrial loans held on bank balance sheets, despite a still-uncertain economy, may signal that banks have become stricter on loan terms
 - In fact, according to the Federal Reserve Board of Governors, survey results show that lenders have tightened lending criteria, and an increasing number of banks have elevated the rates they charge to customers. Though recent survey readings show some recovery (i.e., fewer survey respondents are citing the need for stricter lending standards and wider spreads), they nonetheless show a far harsher lending climate than historical periods.
- [S&P Global recently noted that global corporate defaults reached 200 for the first time since 2009](#) and that the amount that debt investors are recouping in bankruptcy is at a historic low

Bank Loan Assets Decline After Peak in Q2

Commercial & Industrial Loan Assets on Commercial Bank Balance Sheets

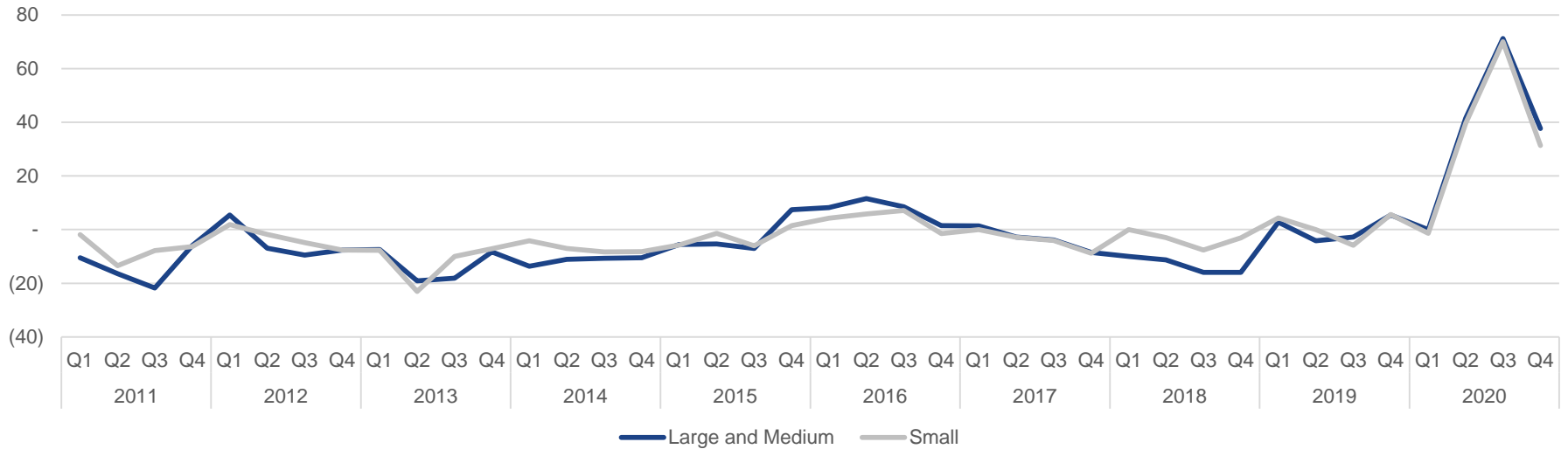


Delinquency Rate on Commercial & Industrial Loans (%)

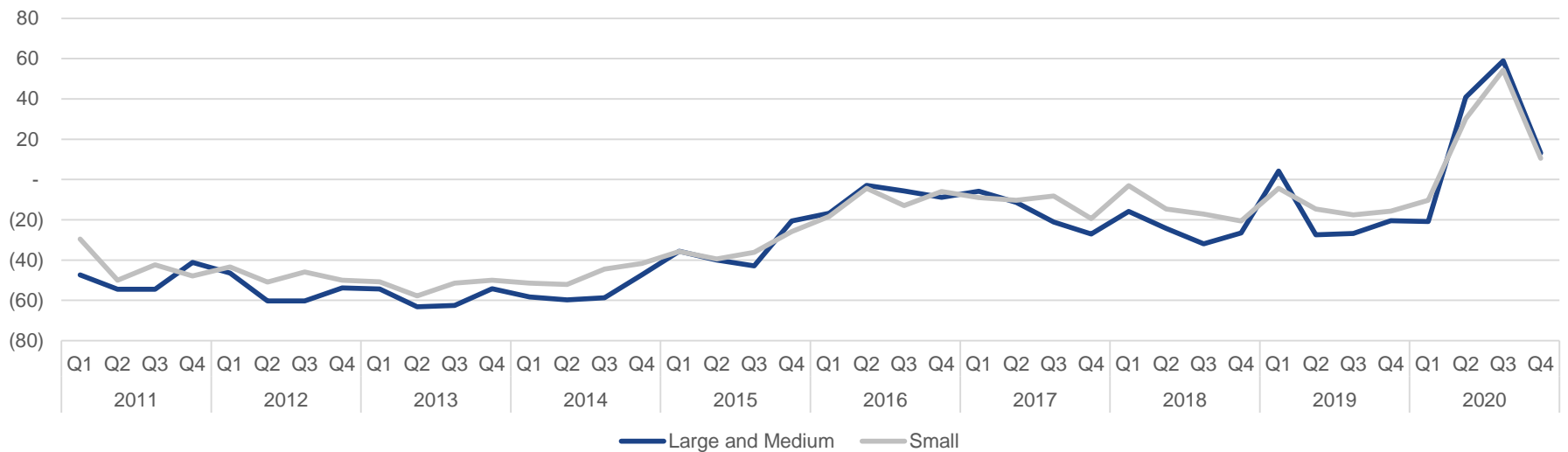


Banks Begin Easing Standards, Spreads from Q3

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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