



**Financing
Update**
Fourth Quarter 2021

What A Year for Early-Stage Companies...

Executive Summary

Strong economic fundamentals – strong balance sheets, low interest rates, and high financial returns – led to a record year for early-stage investing and initial public offerings. Venture capitalists (VC) raised \$128.3 billion during the year, a 47.5% year-over-year increase, while investors were also recapitalized by an astounding \$774.1 billion in liquidity from exiting investments. These factors, as well as the entry of nontraditional VC investors, contributed to the \$329.6 billion that was invested in early-stage companies during the year.

Private equity and other growth equity investment counts echoed venture capital activity, with a 50% increase in deal count in 2021. Meanwhile, nearly 400 IPOs raised a record \$142 billion during the year. A record 27 companies raised at least \$1 billion in their offerings.

It remains a low interest rate environment for the time being, but the Fed has signaled it will raise rates this year to combat rising inflation. Bank of America analysts are calling for seven rate hikes this year, which would certainly slow economic progression. However, for the time being, it is a great time to raise capital, and there is significant appetite from investors to deploy capital.

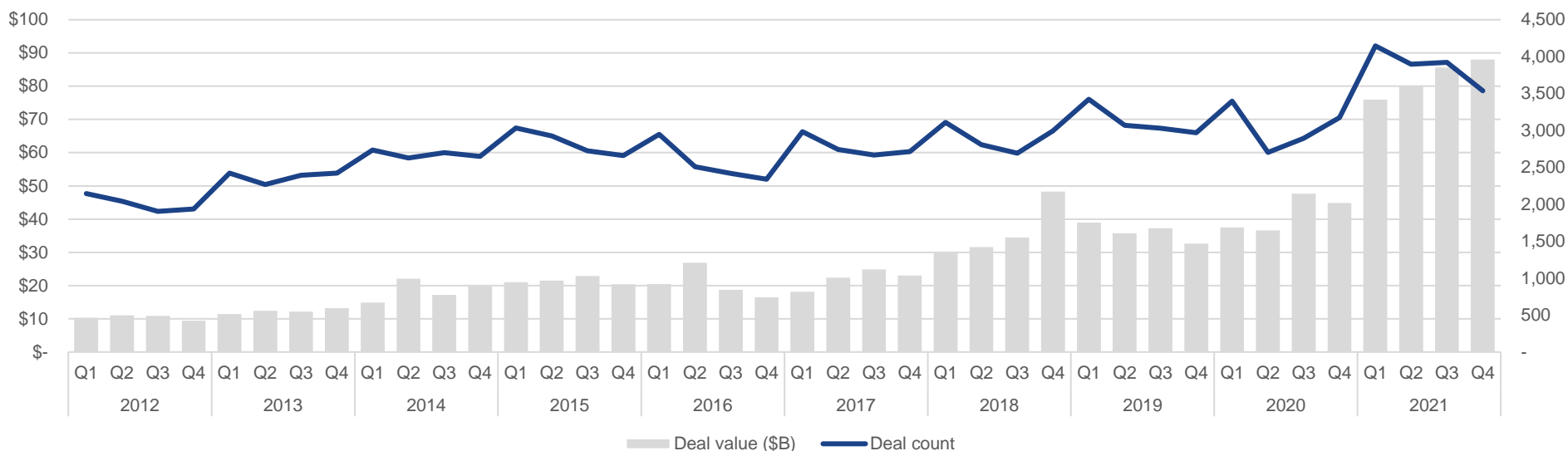
As always, contact us if you would like to receive information about activity in your specific industry or geography, or if you would like to discuss options for your business.

Q4 Financing Highlights

- Venture capital financings closed out a record year, with nearly \$330 billion invested across roughly 15,500 deals
- Deal activity in the Midwest echoed that of the broader United States, as deal value more than doubled from 2020
- It was the busiest year since 2000 for initial public offerings, with \$142 billion in proceeds on nearly 400 IPOs
- Commercial loans increased for the first time in six quarters, as companies aim to lock in rates amid rising inflation
- The Federal Reserve is anticipated to raise rates as early as March, and some analysts are calling for seven rate hikes in 2022

VC Investment Nearly Doubles 2020 Levels

Quarterly US VC Activity¹



US VC Highlights

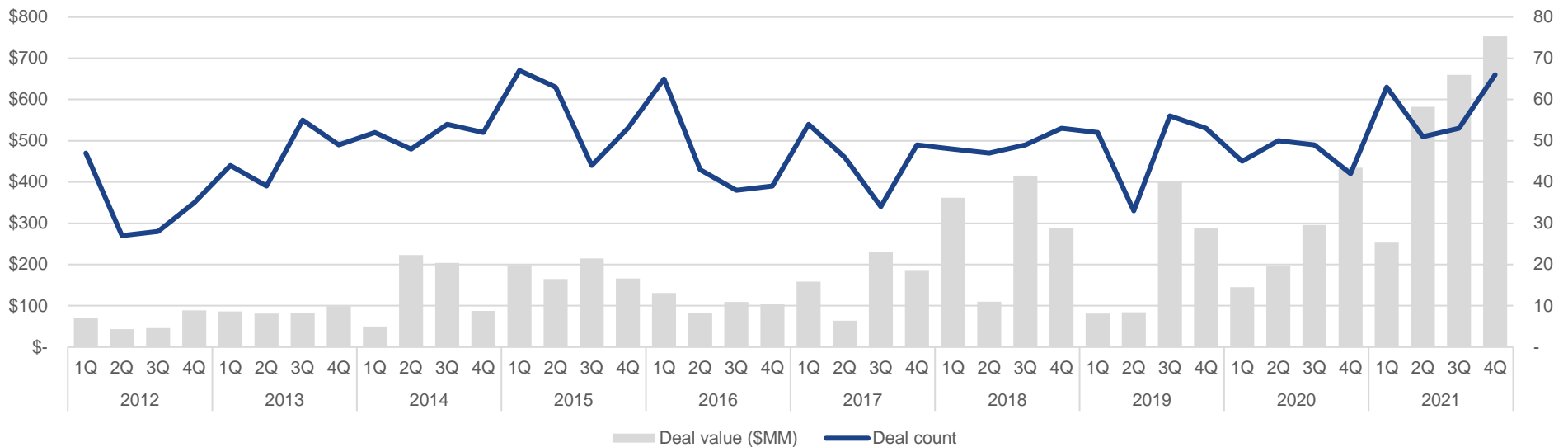
- \$88 billion was invested in early-stage companies in the fourth quarter, closing out a record-setting year in which the \$329.6 billion invested over 2021 nearly doubled that of 2020
- According to PitchBook, the record was partially accounted for by the participation of well-resourced, nontraditional investors such as corporate VC funds, hedge funds, PE firms, and sovereign wealth funds – these investors participated in 76.9% of total deal value
- Venture capital exits (instances in which a venture capital investor exits by means of the company either selling or going public) smashed records, as the estimated 1,875 exits during the year far surpassed the 1,123 in 2020, and exit value neared \$775 billion, a 277% increase over 2020

Notable US Q4 VC Investments

Date	Target	Investor(s)	Investment (MM USD)
Dec 01	Commonwealth Fushion Systems	Tiger Global, Khosla Ventures, <i>et al.</i>	\$ 1,800
Dec 16	Gopuff	Guggenheim Partners	1,500
Nov 19	Sierra Space	General Atlantic, Coatue Mgmt, <i>et al.</i>	1,410
Nov 18	Lacework	Sutter Hill Ventures, Tiger Global, <i>et al.</i>	1,300
Oct 25	Thrasio	Silver Lake, Corner Capital, <i>et al.</i>	1,000
Nov 30	Better	Calm Ventures, Sparq Capital, <i>et al.</i>	750

Midwest VC Investments Increase \$1.2 Billion over 2020

Quarterly Midwest VC Activity¹



Midwest VC Highlights

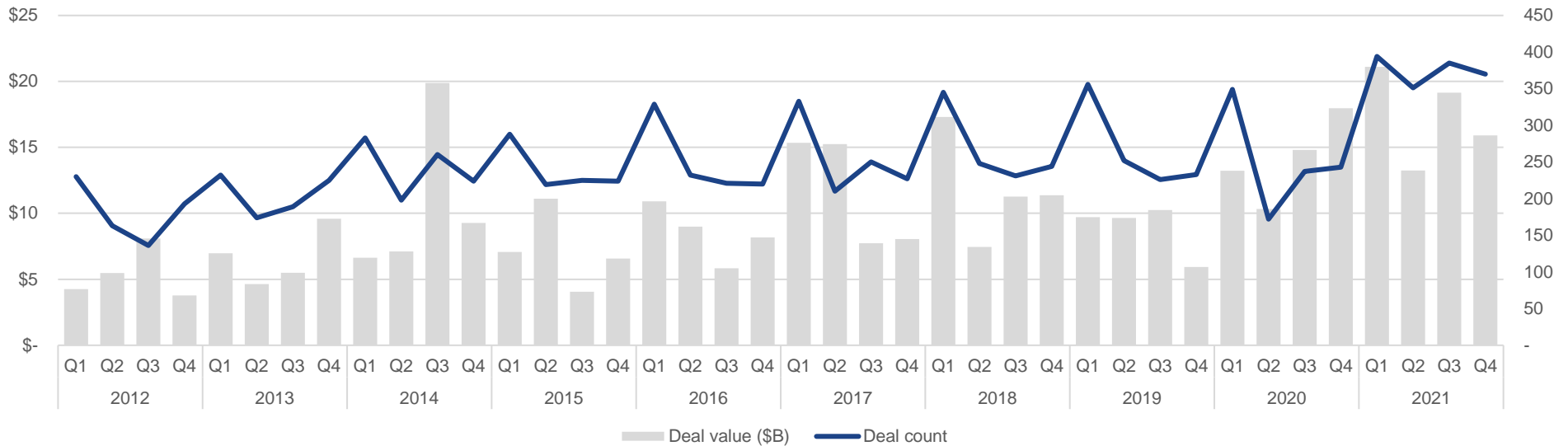
- \$753 million was invested across an estimated 66 Midwest deals in the fourth quarter, with nearly half of total value coming from investments in Bardavon Health Innovations, Geneoscopy, and Navvis
- Deal value for the year increased \$1.2 billion, or 109.7%, over 2020 on 47 more deals
- Companies in the information technology space accounted for one-third of all Midwest investments

Notable Midwest Q4 VC Investments

Date	Target	Investor(s)	Investment (MM USD)
Nov 02	Bardavon Health Innovations	Matrix Capital Mgmt, WestCap Group	\$ 107
Nov 16	Geneoscopy	NT Asset, Lightchain Capital, <i>et al.</i>	105
Dec 02	Navvis	Undisclosed Investors	105
Dec 29	C2FO	Transform VC, <i>et al.</i>	75
Nov 30	Virtual Incision	Baird Capital, Endeavor Vision, <i>et al.</i>	46
Oct 26	CompanyCam	Insight Partners, JMI Equity, WndrCo	30

Growth Equity Deal Volume Increases 50% in 2021

Quarterly US Growth Equity Activity¹



US Growth Equity Highlights

- Growth equity investors invested \$15.9 billion across 370 deals in the fourth quarter, \$3.2 billion less than the third quarter and \$2 billion less than the fourth quarter of 2020
- For the year, 1,500 deals captured \$69.4 billion in investment, a 50% increase in volume over 2020 and a 23.2% increase in value
- In the Midwest, there were 12 growth equity investments during the quarter, highlighted by a \$42-million investment in Valley Vet Supply by Main Street Capital

Notable US Q4 Growth Equity Investments

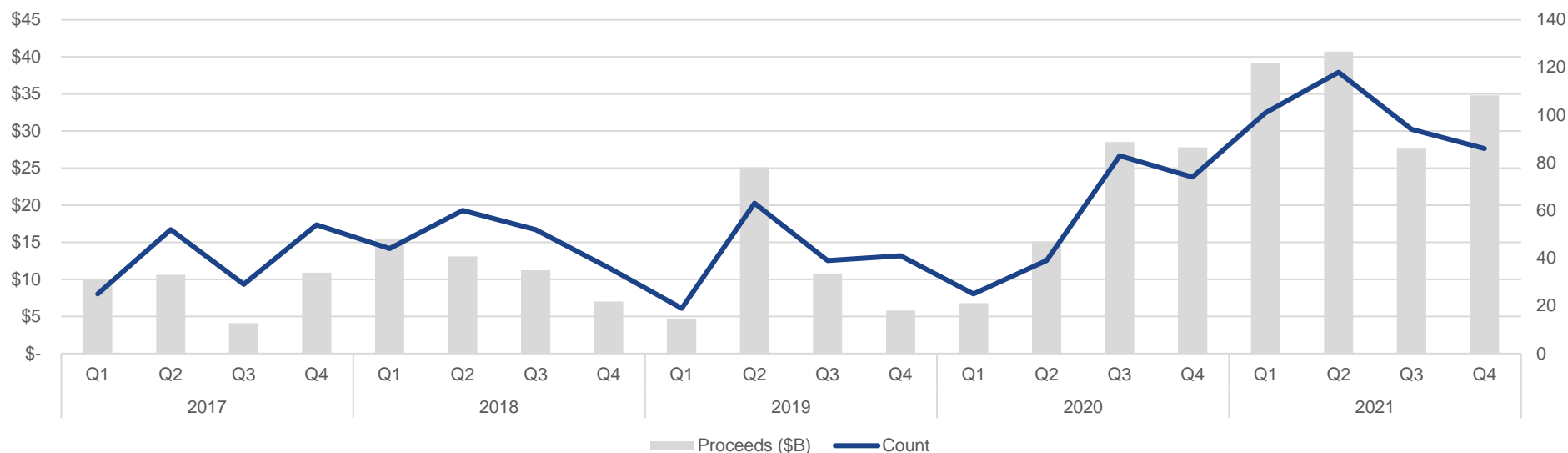
Date	Target	Investor(s)	Investment (MM USD)
Dec 01	Authentic Brands Group	CVC Capital Partners	\$ 2,750
Dec 29	Silicon Ranch	Undisclosed Investors	838
Oct 14	Spirit Music Group	Northleaf Capital Partners, <i>et al.</i>	802
Oct 14	Moon Valley Nurseries	Stonecourt Capital	775
Dec 14	NYDIG	WestCap Group, Affirm, Fiserv, <i>et al.</i>	767
Dec 06	Genesys	Salesforce Ventures, BlackRock, <i>et al.</i>	580

Notable Midwest VC & Growth Equity Investments

Date Closed	Target	Investor	Target City	Target Description
Oct 11	DeepSight	Deerfield Management, Wing Venture Capital, <i>et al.</i>	Clayton, MO	Developer of hardware and software for diagnostic imaging
Oct 12	Deck Commerce	Plymouth Growth	Saint Louis, MO	Developer of an order management platform
Oct 18	TripleBlind	Mayo Clinic, General Catalyst, <i>et al.</i>	Kansas City, MO	Developer of a cryptographic platform intended to share regulated data
Oct 21	Query.AI	SYN Ventures, South Dakota Equity Partners, ClearSky, <i>et al.</i>	Brookings, SD	Developer of a platform intended to simplify security investigations
Oct 26	CompanyCam	Insight Partners, JMI Equity, WindrCo	Lincoln, NE	Developer of a photo-syncing platform for contractors
Nov 01	San Joaquin Renewables	Undisclosed Investors	Nevada, IA	Provider of services to convert orchard residues into renewable CNG
Nov 02	Bardavon Health Innovations	Matrix Capital Management, WestCap Group, <i>et al.</i>	Overland Park, KS	Operator of a digital health partner, intended to improve the workers' compensation experience
Nov 02	PierianDx	OrbiMed, Inova Health System, RTI Int'l, ATW Partners, <i>et al.</i>	Creve Coeur, MO	Developer of a cloud-based software designed to facilitate research
Nov 09	Hawaiian Bros	Undisclosed Investors	Kansas City, MO	Operator of a restaurant chain serving traditional Hawaiian food
Nov 16	Geneoscopy	NT Asset, Lightchain Capital, BioGenerator, <i>et al.</i>	Saint Louis, MO	Developer of a diagnostics technology designed to treat digestive diseases
Nov 22	OptiFunder	Arthur Ventures	Maryland Heights, MO	Developer of an automated warehouse management platform
Nov 30	Virtual Incision	Baird Capital, Endeavor Vision, Bluestem Capital Company	Lincoln, NE	Developer of surgical devices
Dec 02	Navvis	Undisclosed Investors	Saint Louis, MO	Provider of healthcare consultancy services
Dec 06	SmartScripts	ISA Ventures	Washington, IA	Developer of a medication management platform
Dec 15	Advocado	Crescent Cove Advisors	Saint Louis, MO	Developer of a cross-media data management platform
Dec 29	C2FO	Transform VC	Leawood, KS	Developer of a cash flow optimization platform
Dec 29	Native Pet	Digitalis Ventures	Saint Louis, MO	Producer of pet-based organic supplements

2021 IPO Market Closes Out Best Year since 2000

Quarterly US IPO Activity¹



US IPO Highlights

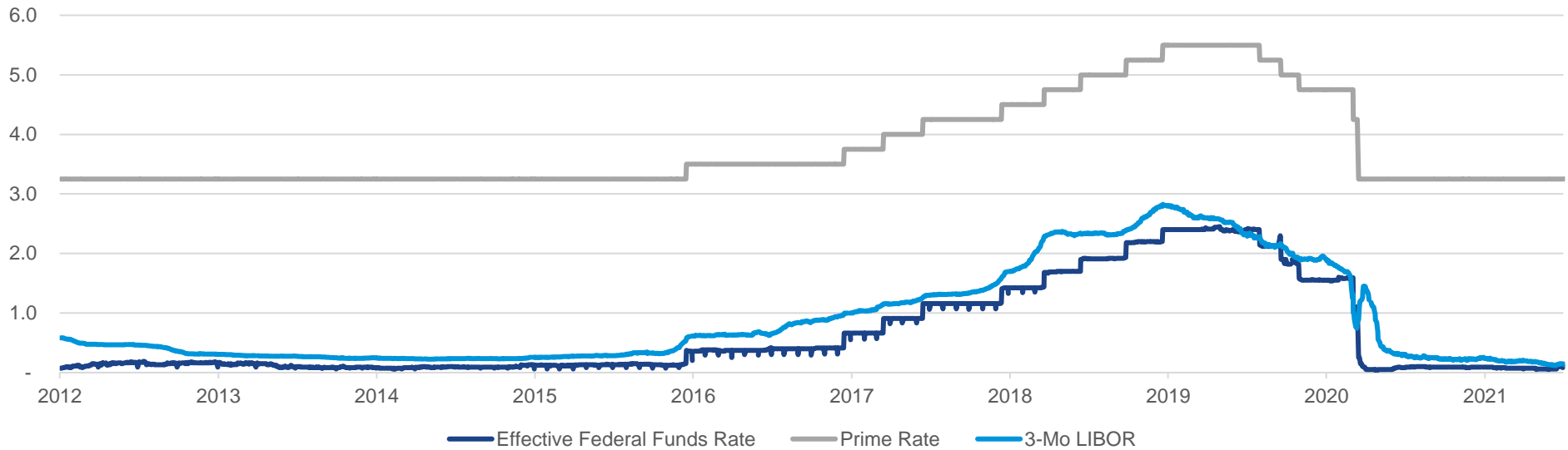
- 397 IPOs in 2021 set the tone for busiest year since 2000
- \$142 billion in proceeds set record for most proceeds in a year ever
- A record 27 IPOs raised at least \$1 billion during the year
- 86 IPOs raised nearly \$35 billion during the fourth quarter
- Technology and healthcare continued to be the most active sectors, though consumer brands showed some strength
- The IPO pipeline continues to be strong

Notable US Q4 IPOs

Date	Company	Size (millions, USD)
Nov 10	Rivian (RIVN)	\$ 11,930
Oct 27	GlobalFoundries U.S. (GFS)	2,590
Dec 09	HashiCorp (HCP)	1,220
Oct 28	Fluence (FLNC)	868
Oct 27	Informatica (INFA)	841
Dec 15	Samsara (IOT)	805

Rate Hikes Planned for 2022

Benchmark Rate History

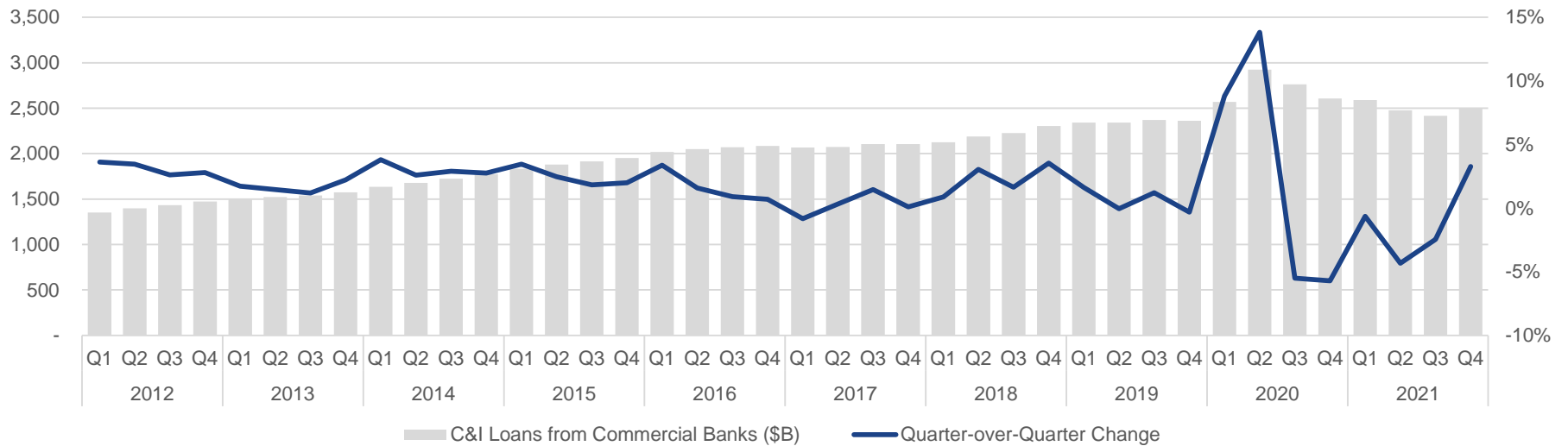


Financing Highlights

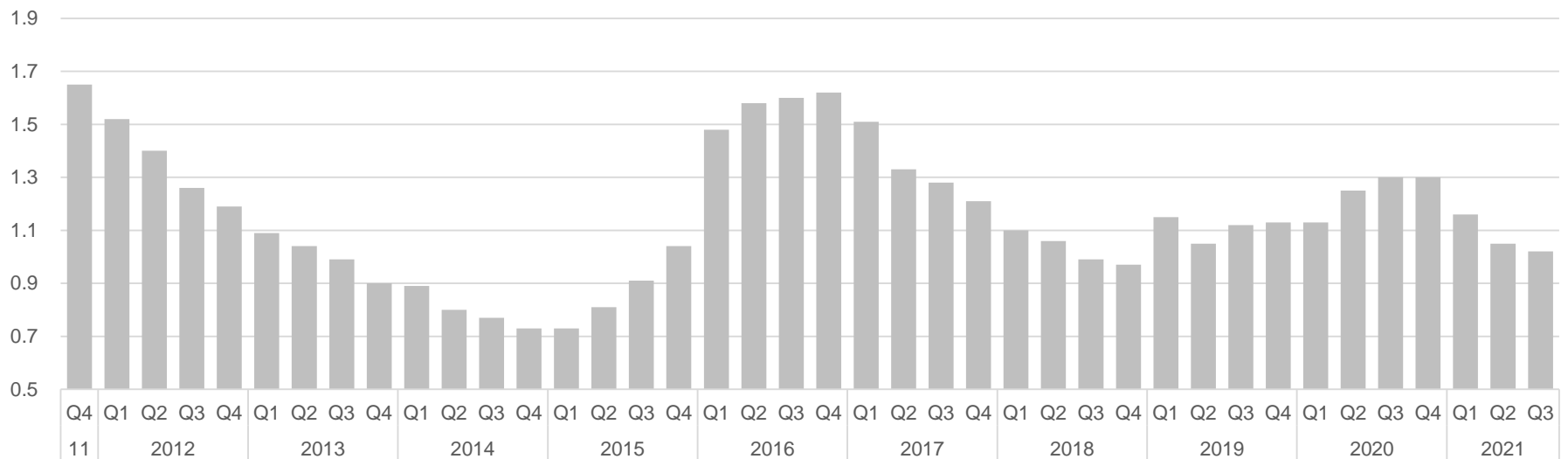
- Commercial loan activity reversed for the first time in six quarters, potentially in an effort to lock in fixed rates amid rising inflation
- Banks continue to offer favorable financing terms for well-capitalized companies, but rates are rising and are anticipated to continue rising
- LIBOR increased notably in the fourth quarter, with the 3-month rate ending at 0.209%, an increase of 0.079% from the end of the third quarter
- The Federal Reserve is largely anticipated to raise interest rates as early as March. Bank of America analysts are forecasting seven rate hikes in 2022, as inflation pressures mount

Bank Loan Assets Reverse, Delinquencies Fall

Commercial & Industrial Loan Assets on Commercial Bank Balance Sheets

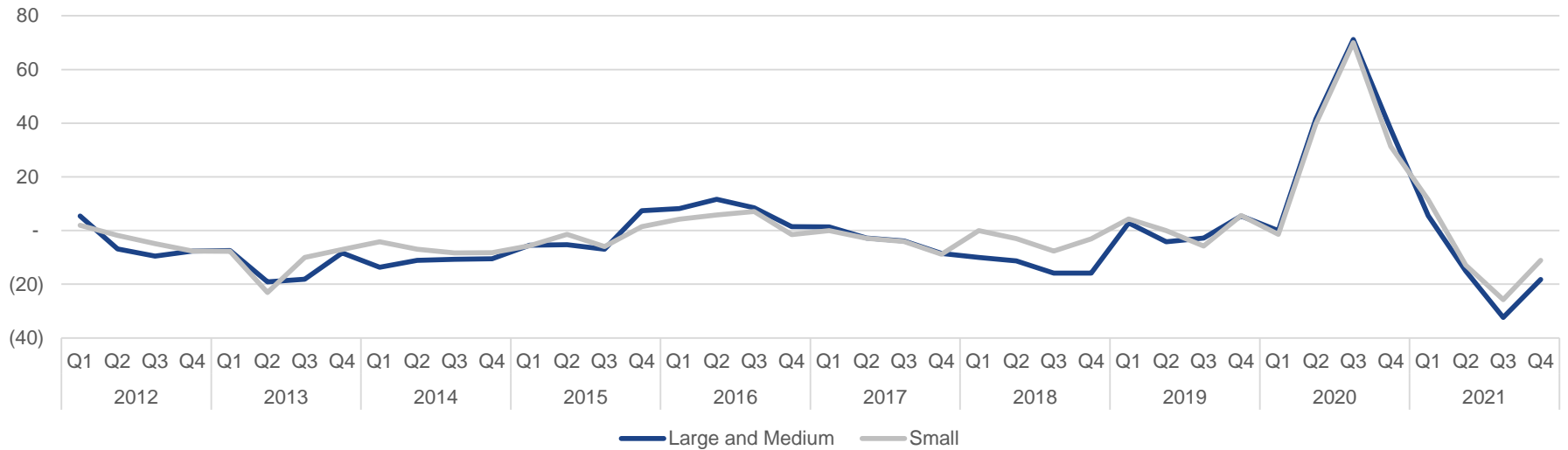


Delinquency Rate on Commercial & Industrial Loans (%)

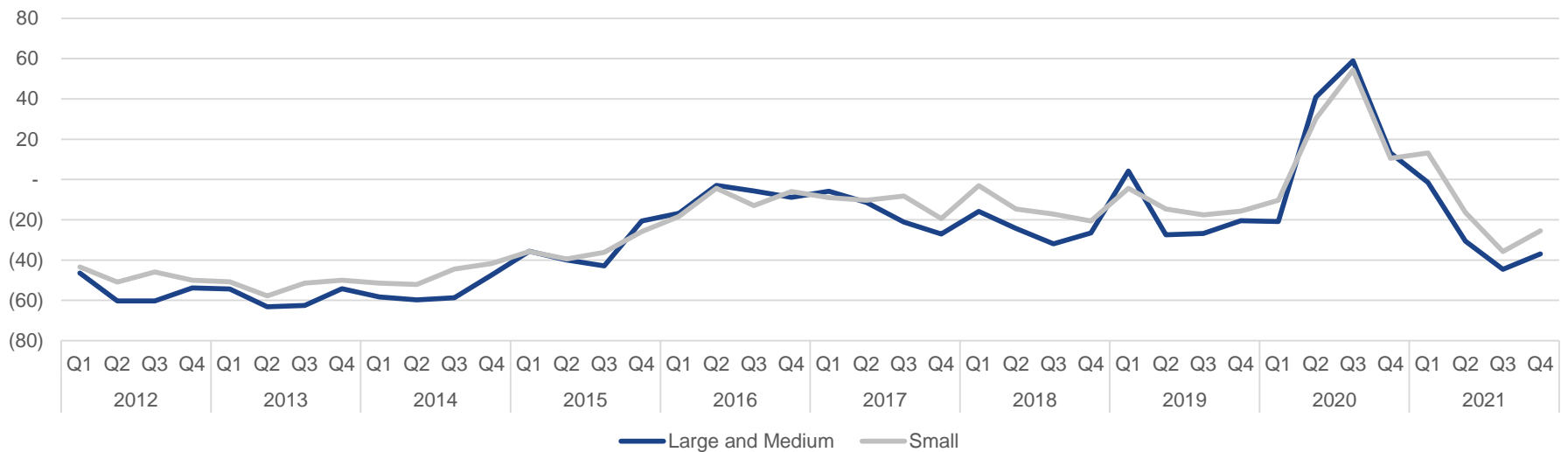


Easing Lending Standards May Have Hit Trough

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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