STATE OF THE M&A MARKETS & ACHIEVING VALUE MAXIMIZATION

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September 2022

BDO CAPITAL ADVISORS, LLC
"Trusted Investment Bankers for the Middle Market"

Contents

Capital Markets Overview

Q2 2022 State of the M&A Market

- Despite economic uncertainty, M&A activity in the middle market has withstood volatility
  - Backlog of deal activity entering 2022 has supported elevated levels of deal making through the first half of the year with quality middle market companies chasing an exit
  - U.S. private equity firms' dry powder remains elevated, despite a record year in 2021 of capital deployment in defensible and growing sectors including Food & Beverage, Healthcare Services, and Technology.
  - Four-decade high inflation has placed an increased focus on cost controls to defend profitability
  - Middle market business owners have overwhelmingly indicated that rising costs have fueled their uncertain economic outlook and dampened earnings going into the final quarters of the year
  - Significant runway and backlog for Q3 2022 but concerns abound…valuations moderating, CEOs more cautious, economic fundamentals in doubt
  - Proven assets in defensible markets are expected to drive healthy deal flow in the middle market
  - Private equity firms are expected to remain active throughout 2022 by pursuing add-on acquisitions
  - Quality businesses have garnered strong EBITDA multiples, despite elevated financing costs

M&A Market Overview

2022 by the Numbers

3.4% ↓

Decrease in Deal Volume

Deal activity has normalized after a robust 2021 in middle market M&A volume, falling 3.4% YOY through the first half of 2022

3.9x ↓

Average Debt Multiple

Average debt multiples remain healthy, declining slightly to 3.9x in Q2 2022 from an elevated 4.0x in full-year 2021

9.2x ↑

Average EBITDA Multiple

The average EBITDA multiple for middle market deals was 9.2x in Q2 2022 compared to 9.0x in Q2 2021 but down from 10.7x in the full year 2021

$67.8M ↑

Average Deal Value

Average deal value through the first half of 2022 increased 2% YOY as buyers chased reputable companies with proven defensibility

3.7% ↑

Add-ons as a percent of LBOs

Total U.S. PE add-ons as a percent of all buyout activity increased to 78.2% through 1H 2022 compared to 74.5% through 1H 2021

10.8x ↑

$10 - $100 EBITDA Multiple

The average lower middle market ($10 - $100 million enterprise value) EBITDA multiple through Q2 has risen 12.0% YOY

27.4% ↓

Decrease in PE Transactions

Private equity activity declined 27.4% YOY as sponsors demonstrated selectivity amid economic uncertainty

15.2% ↓

Non-U.S. Buyer Transactions

Foreign buyer transactions fell 15.2% YOY due to Russia’s war on the Ukraine and supply chain issues.

$748.9B ↑

PE Dry Powder

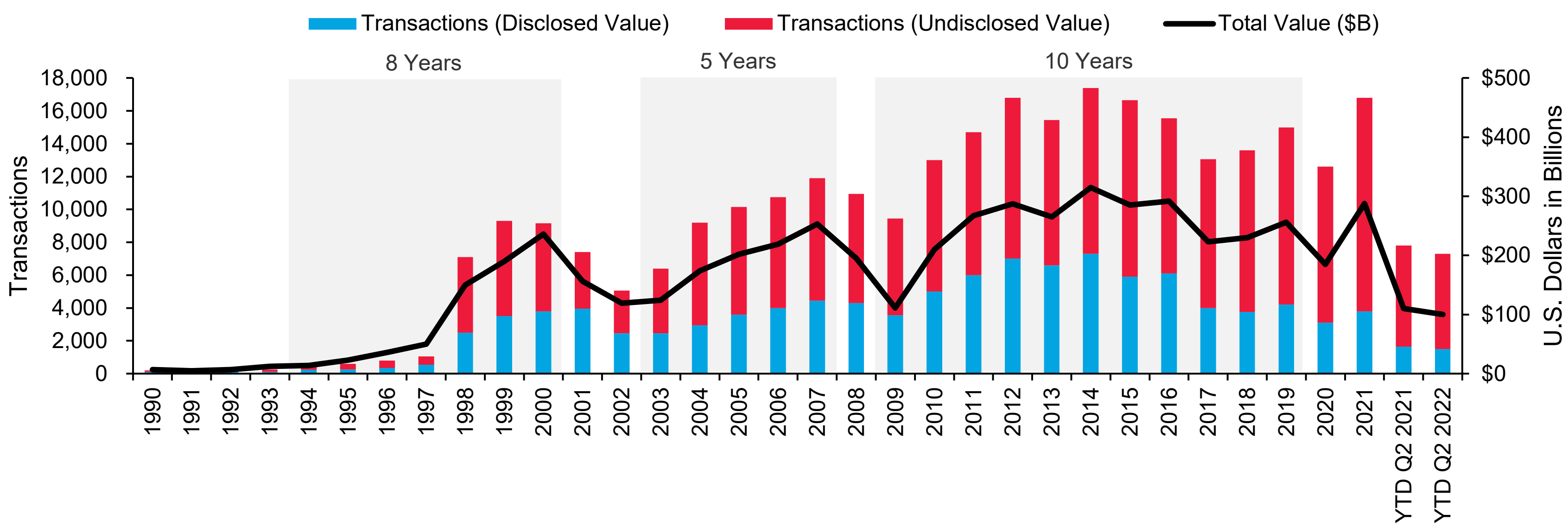
Elevated levels of dry powder remain to provide capital for deal making in 2022 to offset decreased leverage tolerances

Capital Markets Overview

Middle Market M&A Remains Healthy in 2022

- Middle market M&A has remained strong through the first half of this year, only trailing 2021's historic pace by 3.4%
- Average deal value through the first half of 2022 reached $67.8 million, a 2% year-over-year increase
- Quality companies with a strong footprint in growing markets continue to garner high valuations despite elevated interest rates

Annual Middle Market Transactions



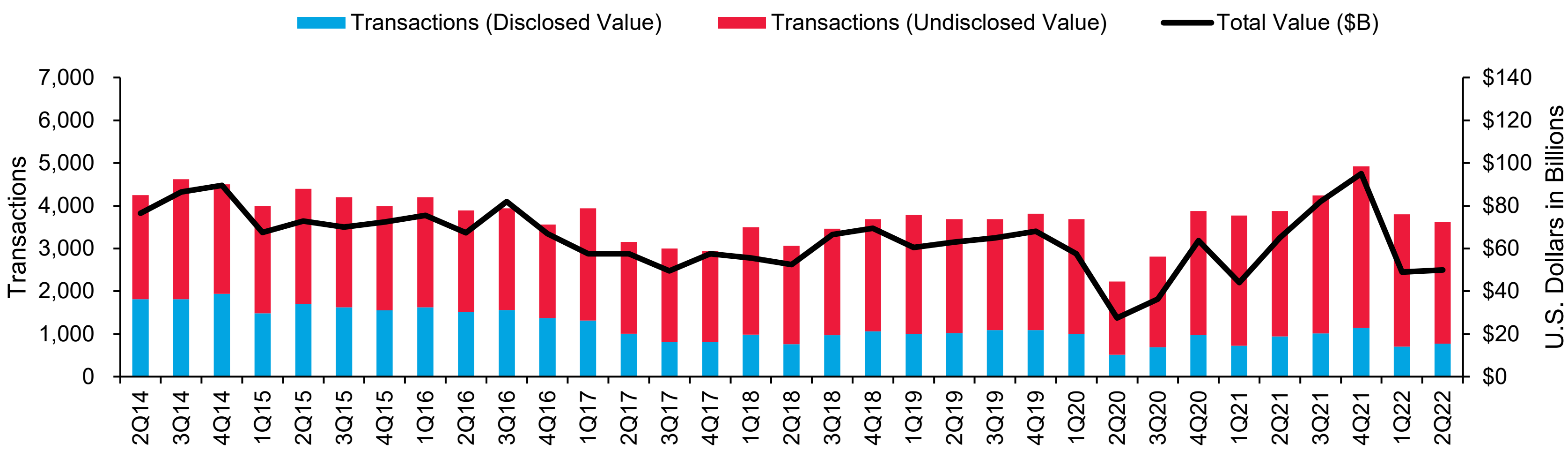
Shaded areas indicate expansion
Source: Source: Capital IQ
Enterprise Value < $500mm

Capital Markets Overview

Stable Deal Volume Through Q2

- Middle market M&A volume fell 4.6% quarter-over-quarter in Q2 2022
- Average deal value fell to $65.6 million, a 6.6% decline quarter-over-quarter, but above the five-year average of $62.6 million
- The middle market is expected to remain healthy through 2022, despite economic uncertainty

Quarterly Middle Market Transactions



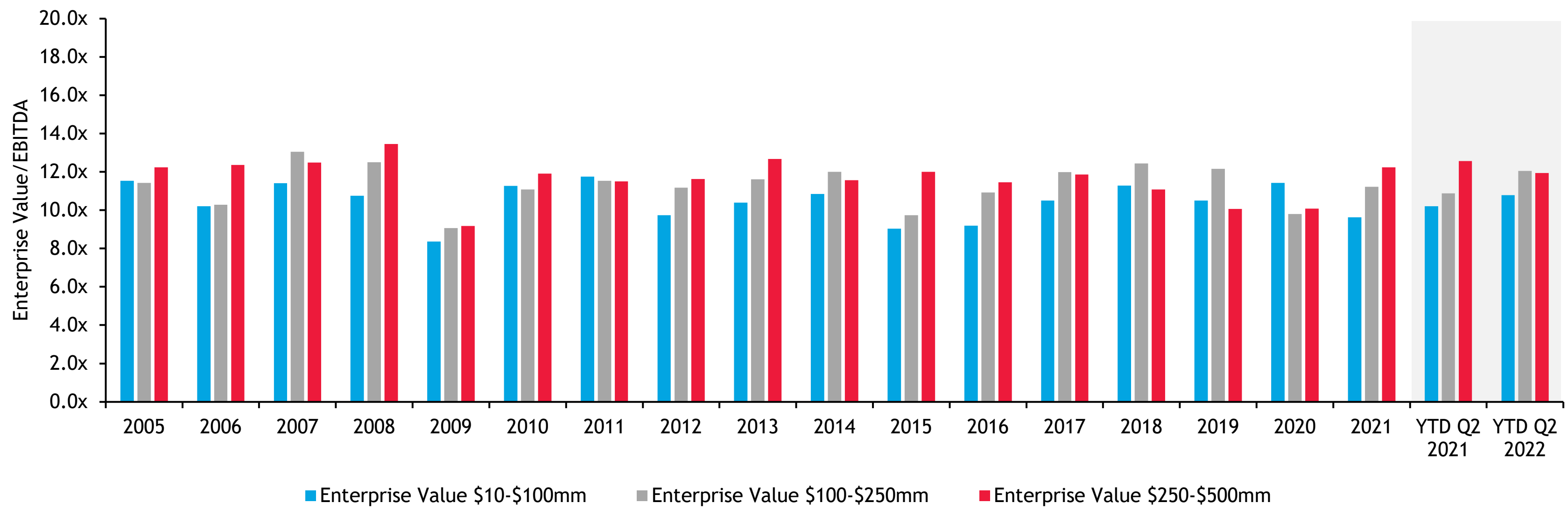
Source: Capital IQ
Enterprise Value < $500mm

Capital Markets Overview

Lower & Core Middle Market EBITDA Multiples Surge

- During the first half of 2022, increased competition in the lower middle market ($10-$100 million enterprise value range) and core middle market ($100-$250 million enterprise value range) has driven valuations to rise to 10.8x from 10.2x and 12.1x from 10.9x, respectively
- Valuations for upper middle market deals ($250-$500 million in enterprise value) fell from 12.6x to 11.9x amid uncertainty, larger buyers will often move down market and fuel competition for smaller businesses
- Through the second half of 2022, the valuation environment remains unclear. Buyers are carefully factoring in supply chain challenges and inflationary costs to earnings projections

Average Enterprise Value to EBITDA Multiple



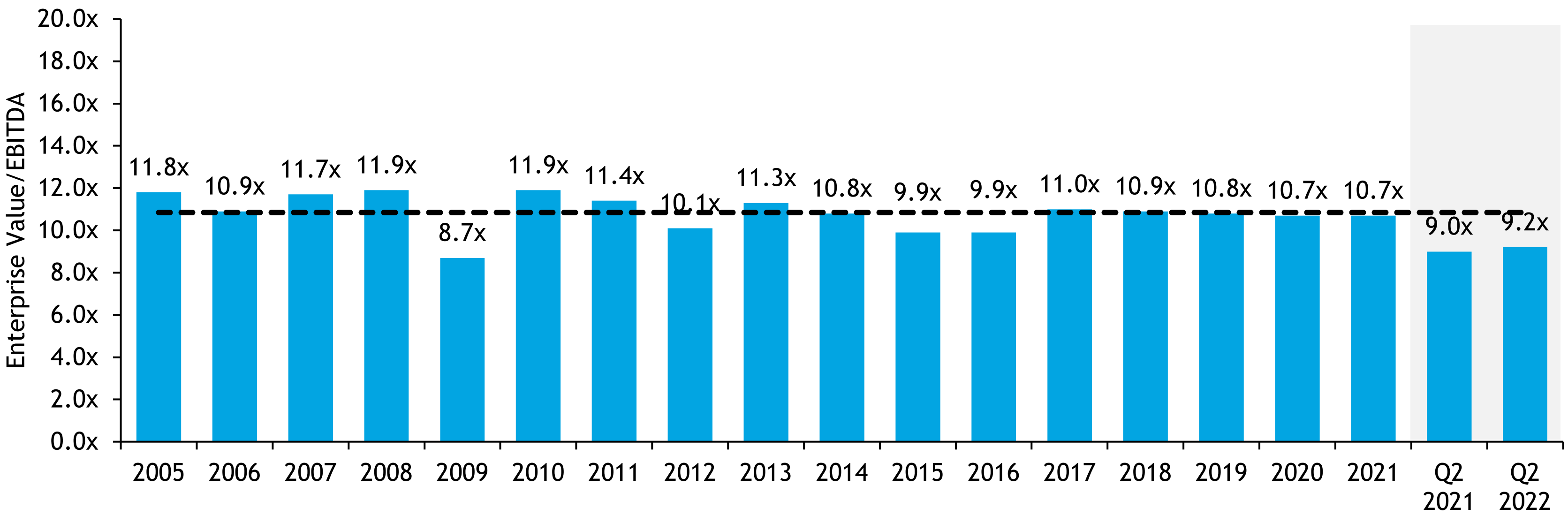
Source: Capital IQ
Includes multiples 3x-30x
Enterprise Value < $500mm

Capital Markets Overview

Stable Valuations

- Valuations were pressured due to elevated financing costs and dampened earnings in select sectors in Q2, although still exceeding Q2 2021
- Strategic and private equity buyers are increasingly assessing potential target companies' defensibility and margin sustainability
- While interest rates have pressured valuations, quality businesses have garnered strong EBITDA multiples, particularly if they add scale to the buyer's platform

Middle Market Average EBITDA Multiple



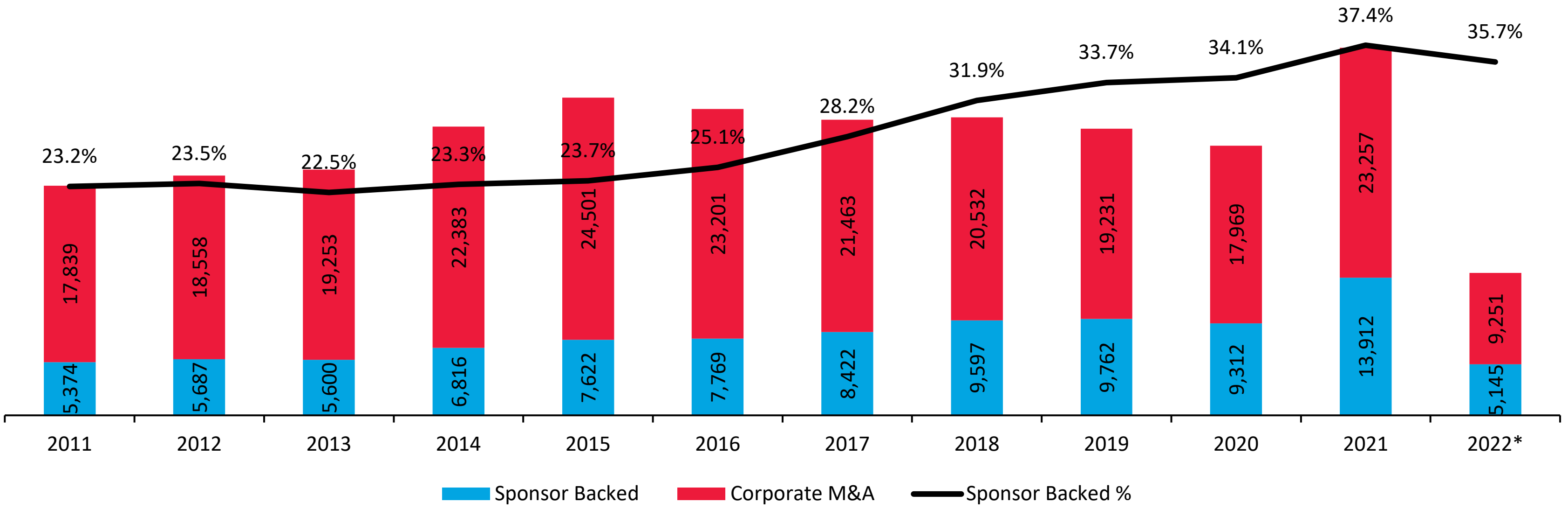
Dotted line indicates 2005 to 2021 average of 10.8x
Source: Capital IQ
Includes multiples 3x-30x
Enterprise Value < $500mm

Capital Markets Overview

PE Buyers Continue to Gain on Strategic Buyers

- Fueled by dry powder, abundant credit, and attractive growth prospects of target companies, PE buyers have been stretching valuations and winning a larger percentage of auctions
- Strategic buyer activity has trended lower over the last five years, in part due to competition from PE firms

M&A Count by Acquirer Type



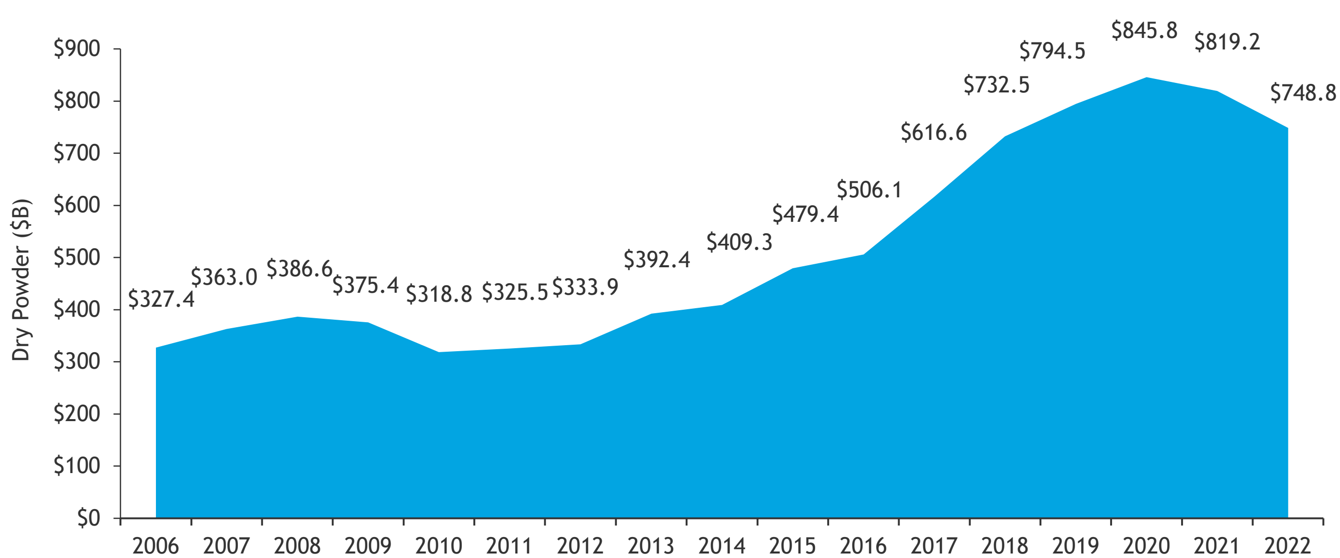
Source: PitchBook; *1/1/2011 through 6/30/2022*

M&A Market Overview

PE Capital Balances Remain High, Driving Deal Activity

- PE firms have approximately $749B of dry powder available to deploy
- GPs have been spending the record level of dry powder, providing ample exit opportunities for transactions of all sizes; accelerated capital deployment and monetization are allowing GPs to return to the fundraising market more quickly
- Middle market PE fund count and total capital raised has decreased by 25.8% and 23.6% year-over-year during the first half of 2022, respectively in the wake of recessionary fears

U.S. Private Equity Capital Overhang ($B)



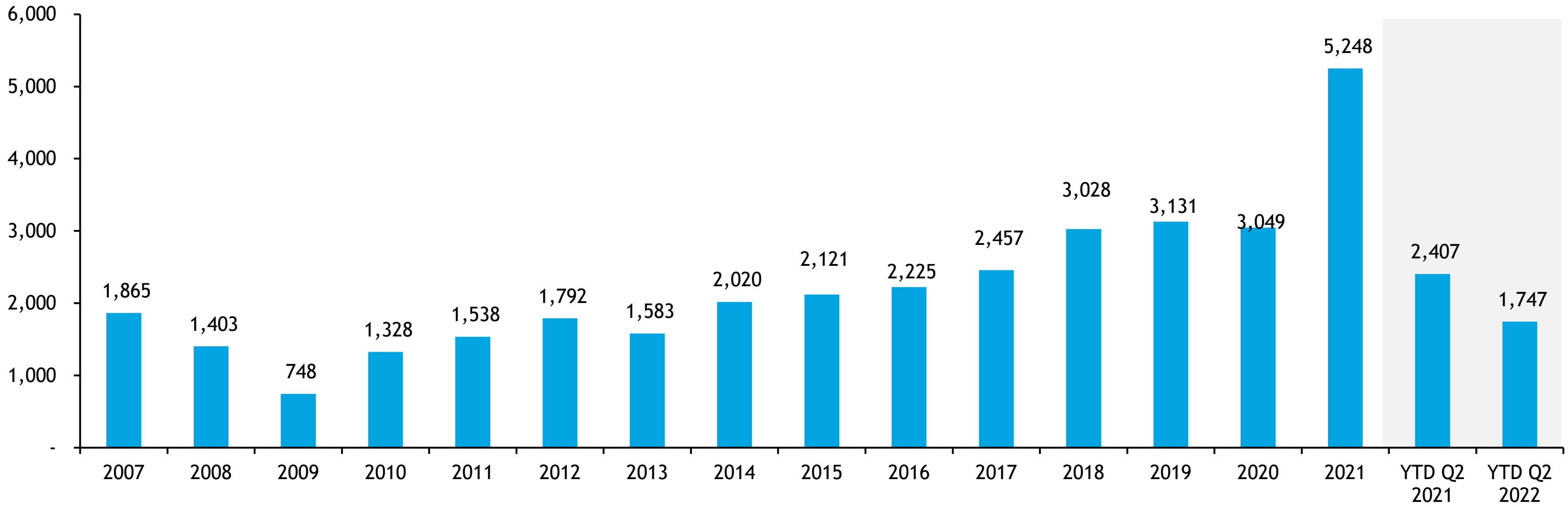
Source: PitchBook; 1/1/2006 through 6/30/2022

Capital Markets Overview

Slowdown in Private Equity Transactions

- Following unprecedented volume in 2021, middle market PE transactions experienced a significant decline of 27.4% year-over-year through the first half of 2022
- However, 2021 also makes for a complex year-over-year comparison. Private equity deal activity remains healthy relative to pre-pandemic years with activity through the first half of 2022 up 8.5% over the same period in 2019
- Focus is on recession-proof sectors including Food & Beverage, Healthcare Services and Industrial Services & Distribution

Middle Market Transactions Closed by Private Equity Firms



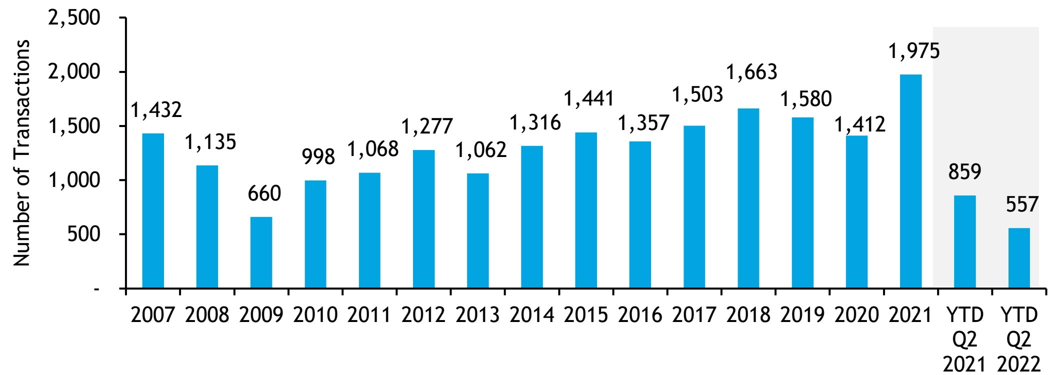
Source: PitchBook
Enterprise Value; $25-$500mm, Fund size < $5B

M&A Market Overview

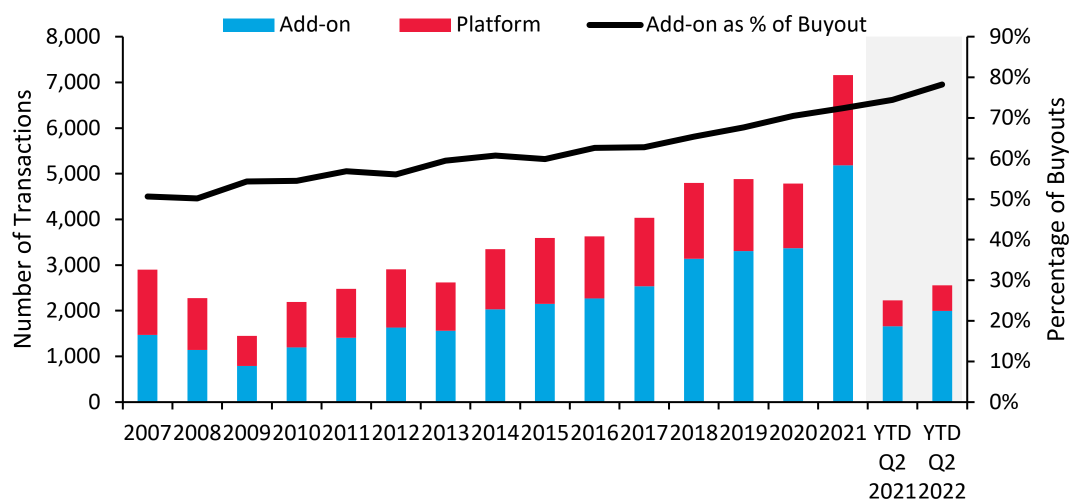
Add-On Acquisitions Comprise for Larger Share of PE Deals

- Private Equity firms were unwilling to form investments in highly cyclical sectors (Consumer Discretionary) amid economic uncertainty, resulting in a significant drop in platform investments through Q2 2022
- Add-on acquisitions represented 78.2% of buyouts in Q2 2022, an 3.7% increase when compared to Q2 2021
- Due to heighten levels of dry powder, private equity firms are expected to continue to pursue add-on acquisitions to mitigate risk when deploying capital

Private Equity Platform Investments



Private Equity Add-On Acquisitions



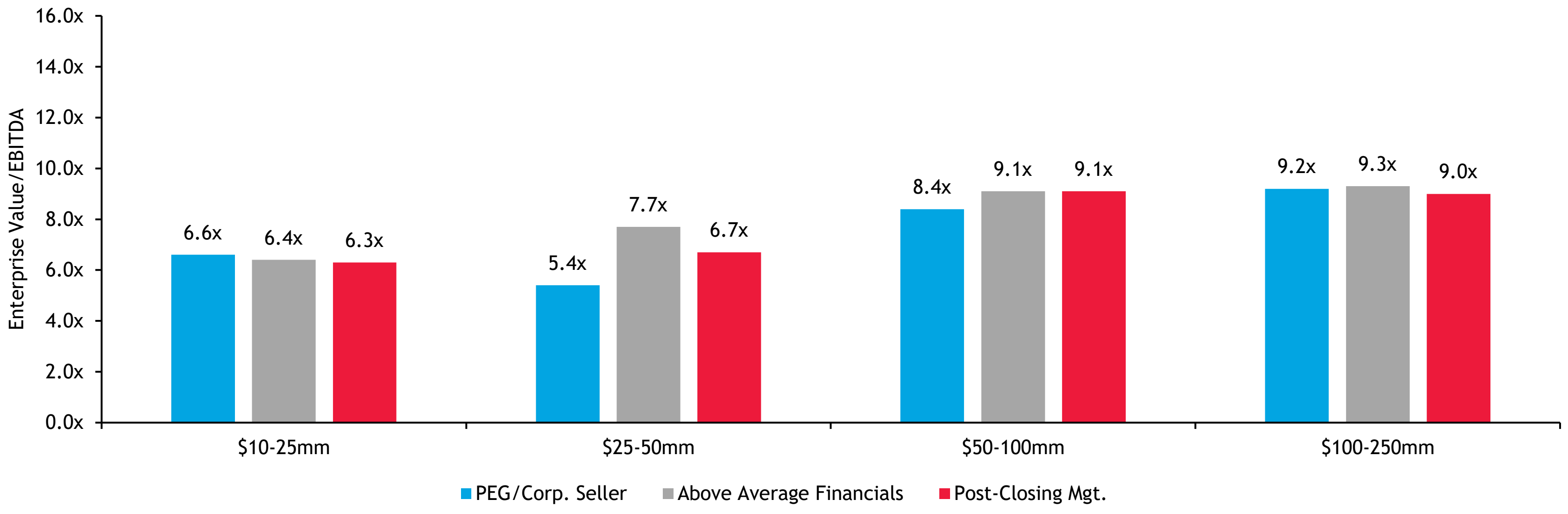
Note: Includes all U.S. PE transactions
Source: PitchBook

Capital Markets Overview

Prioritizing Proven Financials

- Companies with higher enterprise values have attracted strong pricing
- Increased competition and valuations for companies with proven financials in growing markets is due to elevated dry powder

Key Transaction Valuation Drivers



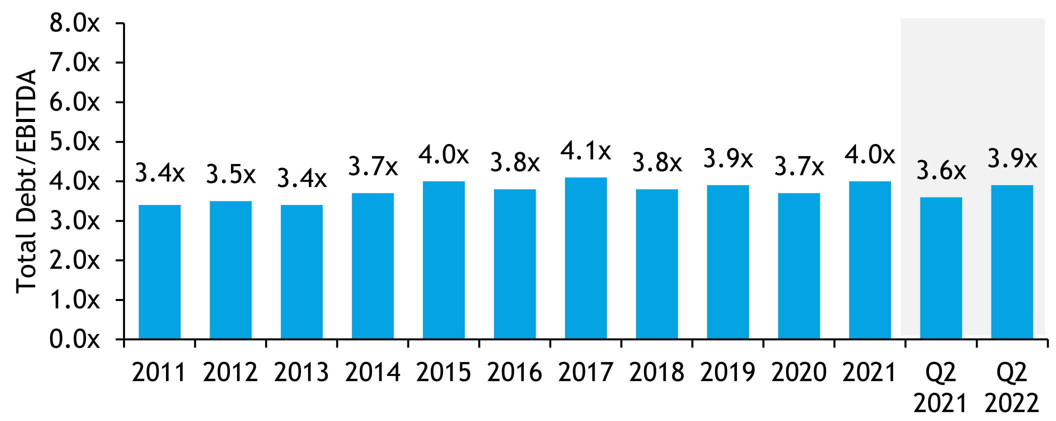
Source: GF Data®
GF Data® defines Above Average Financial Performers as businesses with TTM EBITDA margins and revenue growth above 10%, or one above 12% and the other metric at least 8%
Includes multiples 3x-15x; Enterprise Value $10mm-$250mm

M&A Market Overview

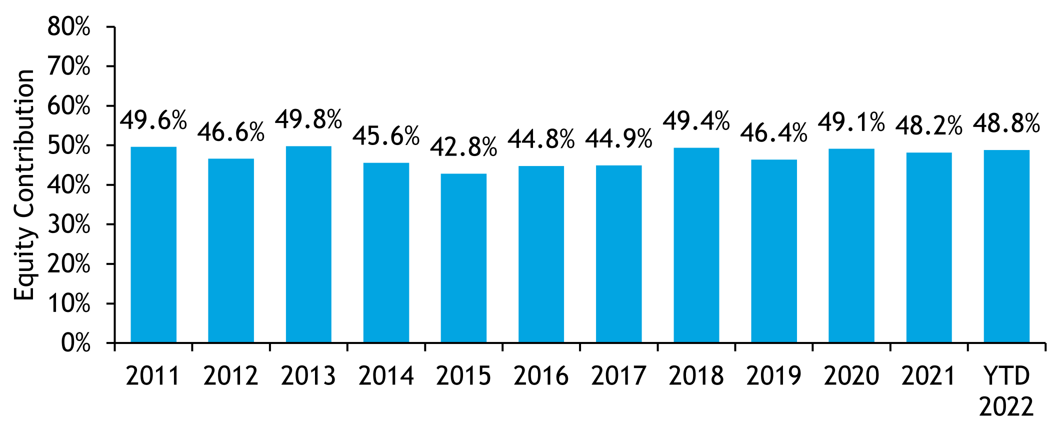
Regardless of Rate Hikes, Debt Multiples Remain Strong

- The average debt multiple in LBO transactions remains strong despite interest rate increases
- In year-to-date 2022, the average equity contributions for LBO transactions reached 48.8%, raising by 0.6% when compared to full-year 2021
- Lower debt multiples and more conservative deal terms are anticipated due to higher interest rates

Average Debt Multiples of Middle Market LBO Transactions



Average Middle Market LBO Equity Contribution



Source: GF Data®
Includes multiples 3x-15x; Enterprise Value $10mm-$250mm

Capital Markets Overview

Outlook for Q’3 and Beyond

- After two 75-basis point interest rate hikes, consecutive quarters of GDP (gross domestic product) contraction and volatility rippling through the equity markets, many have reasoned a recession is underway
- Four-decade high inflation has placed an increased focus on cost controls to defend profitability
- The M&A markets remain open, absent any drastic declines in activity that would point to a systemic weakness
- Buyers continue to look for quality deals but are increasingly assessing targets through the lens of an imminent downturn
- Economic uncertainty trends will temper dealmaking and valuations creating a divide between buyer and seller valuation expectations
- Concern surrounding Russia’s war on Ukraine, potential antitrust scrutiny, interest rate increases, and foreign relations will be major factors in cross-border dealmaking through the remainder of 2022
- Economic growth and deal activity will experience headwinds persisting through the end of the year and into 2023
- Quality companies with recessionary–proof business models and predicable cash flow will emerge as the “favored darlings” going into 2023

Contents

Value Maximization

Process Scope Alternatives

- BDO Capital has significant experience crafting and successfully executing a broad spectrum of transaction processes tailored to achieve shareholders' particular goals and objectives

Negotiated Sale

- Proven ability to negotiate price and terms with a single buyer (i.e. "pre-emptive")
- Maintain leverage by preparing to go to a broader group of buyers
- Potentially shortest time to close
- Maximizes confidentiality
- 3-5 months

Targeted Solicitation

- Limited number of targeted buyers contacted
- Maintains flexibility - allows shareholders to "test the waters"
- Focuses on most logical buyers
- Process duration may be abbreviated relative to a comprehensive process
- 4-6 months

Controlled Sale

- Comprehensive / diverse universe of potential buyers contacted
- Maximizes alternatives (buyer types, structures and price)
- Eliminates any doubts that the best offer was achieved (i.e. no "seller's remorse")
- 5-8 months

Number of Potential Buyers Approached

Maximization of Shareholder Value

Value Maximization+_+_=

Negotiated Sale vs Targeted Buyer

	Advantages	Disadvantages
PROCESS	• Negotiations with interested party • Direct path to LOI negotiations (concern over market factors / company performance, interest in expediting a process) • Belief that buyer is the perfect partner for the business	• Difficult to drive timeline • Will forego negotiating leverage on price and structure due to exclusivity • No back-up parties or pressure on buyer to execute • Decreased probability of close
DEAL TERMS	• Negotiated LOI – price agreed to by buyer and “fully baked” • Asking price of seller - throw out a large number and see if it sticks • Due diligence with only one party • Maintain confidentiality of process • Quick execution (in theory) – expectation was 3 months • Do not have to pay for an advisor	• Typically, an asset deal structure • No other deal terms negotiated (i.e., baskets, escrows, indemnity caps, WC PEG, RWI insurance not considered) – skeleton LOI • No environmental review is performed prior to negotiations (Phase I or Phase II) – extends timeframe • Deal terms are re-traded at the 11th hour

Value Maximization

Preparing to Go to Market

- Assembling the Deal Team
  - Sellers should assemble a deal team well in advance of a sale (6-9 months)
  - Can address tax, legal, and deal structuring points prior to a market launch
  - Remember “You get what you pay for”
  - Investment Banker, M&A law firm/advisor, Tax & Accounting Advisors

- Financial Review
  - Preparation should begin 12 months prior to anticipated sale
  - Have financial statements prepared by a third party (audit, Sell-Side QoE)
  - Preliminary “market valuation” by investment banker or other qualified valuation firm
  - Remove excess cash/property from the balance sheet
  - Prepare and assess adjustments to EBITDA (excess salaries, non-recurring items, employee bonuses, capitalized vs. expensed items)
  - Manage working capital levels in the year prior to sale (A/R, inventory)

Value Maximization

Preparing to Go to Market

- Tax / Structuring
  - Assess optimal transaction structure
  - *C-Corp → Stock sale / S-Corp → Stock Sale or 338(h)(10)*
- Facilities & Operations
  - Environmental compliance
    - Phase I / Phase II
    - Timing of Phase I / Phase II during a process
  - Organize the Company to reduce transitional risk to the buyer (e.g., partnership, SH's agreement)
  - Reduce dependence on any single customer or supplier (diversify revenue streams)
  - Enter into binding contracts with key lenders, customers and suppliers (revenue predictability)
  - Non-competes for employees?

Value Maximization

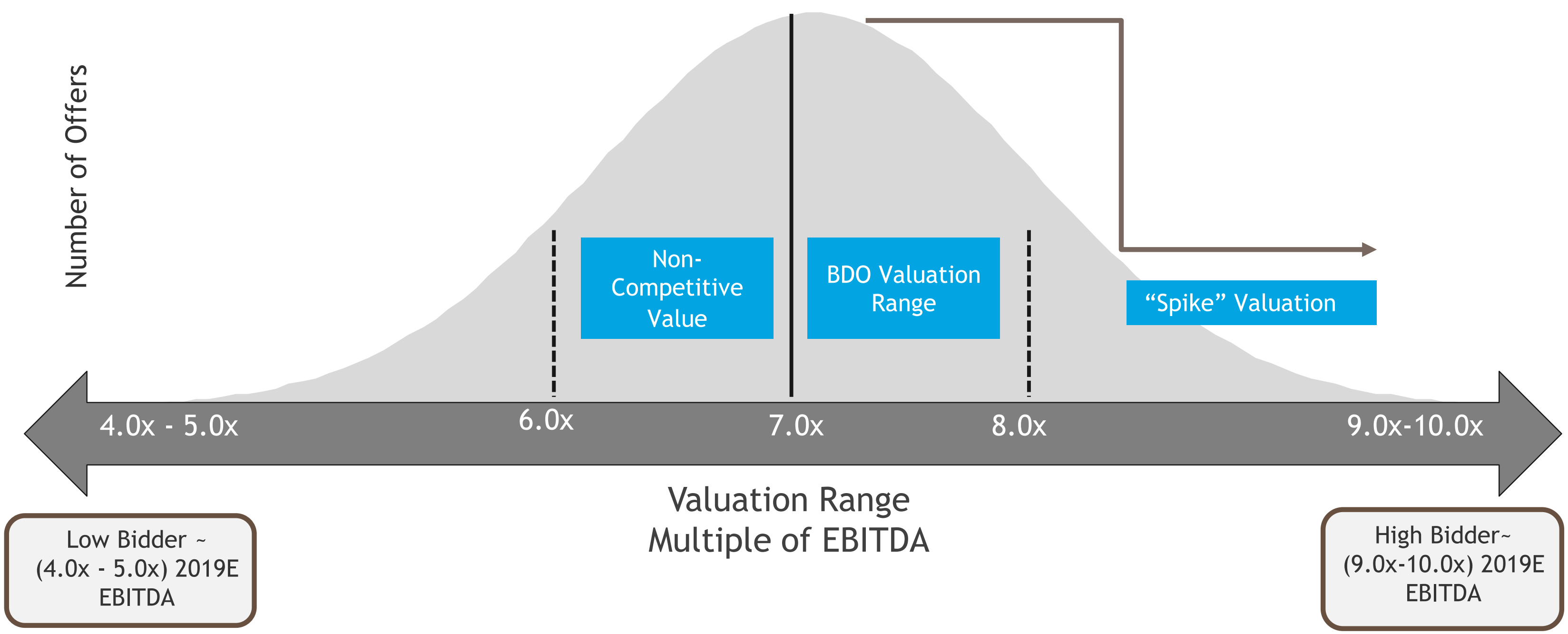
Two Step Auction Process

Phase I Marketing the Company		Phase II Solicit Letters of Intent / Negotiate Deal Closing		
Prepare the Company	**Market the Company / Indications of Interest**	**Management Presentations / Letters of Intent**	**Competitive Negotiations**	**Exclusivity / Closing**
4-6 Weeks	*4-6 Weeks*	*4-5 Weeks*	*1-2 Weeks*	*4-12 Weeks*
• BDO Capital due diligence, define key selling points • Draft Offering Memorandum • Prepare Teaser & Confidentiality Agreement • Define buyer universe • Set process timeline	• Contact buyers • Deliver Teasers and NDAs • Deliver CIM and process letters subject to NDAs • Receive Indications of Interest on specified Round 1 bid date • Approve "short list" based on strategic fit, price and proposed deal terms • Opportunity to have buyers re-bid	• Meetings with select buyers • Preliminary buyer due diligence • Data room access • Site visits and additional due diligence calls • Receive Letters of Intent	• Negotiate with multiple parties • Drive all buyers to best price and terms • "Round 3" bids if necessary • Secure back-up parties • Negotiate all economic and non-economic deal terms	• Grant exclusivity for additional consideration • Set closing timeline • Buyer conducts "confirmatory" due diligence • Negotiate SPA and definitive agreements • HSR filing / regulatory approvals if necessary • Closing

Value Maximization

Achieving the “Spike” Valuation

- BDO Capital provides clients with a market valuation, where it believes sellers will receive multiple offers
- This valuation range is predicated on a valuation methodology used by both buyers and sellers; this is the value at which reasonably aggressive buyers will likely “cluster”
- A well orchestrated sale process creates competitive tension resulting in a “spike bid”



B2BGATEWAY
GLOBAL EDI & API NETWORK
B2BGateway has been acquired by TrueCommerce
TrueCommerce
A portfolio company of Accel-KKR
AKKR
Served as exclusive financial advisor to B2BGateway

Value Maximization

Case Study

B2BGateway is a leading global provider of managed cloud service solutions for Electronic Data Interchange and API data connectivity to suppliers, manufacturers and retailers.

Company Profile

- Privately owned by the Company's Founder/CEO
- Founded in 1999 and headquartered in Hope Valley, RI
- A world leader in in the provision of cloud-based, fully-integrated EDI, API and automated supply chain solutions
- The Company's broad offerings on its proprietary IP and technology platform led to it being a globally recognized and respected brand with a large and diversified client base
- The Company has 10,000+ trading partner relationships and processes $30B+ transactions per month
- Predictable recurring revenue with consistent organic revenue growth and low costs

Situation Overview

- The Company had a buyer in place in Q4 of 2019 prior to engaging with BDO Capital Advisors
- CEO and Founder was uncertain regarding the post-closing integration with the new buyer and whether the purchase price was a premium bid.
- BDO Capital discussed pursuing a sales process with the Company and was engaged in March 2020
- Despite the engagement commencing concurrent with Covid-19 shut-downs BDO Capital was able to consummate the transaction within 5 months of launching into market.
- Core objectives (i) maximize value for the SH's; (ii) offer continued employment for operating SH's and employee base

Value Maximization

Two-Step Auction Process

Broad, Dynamic Potential Buyer Universe

- ✓ Leading PE firms
- ✓ PE-backed strategics
- ✓ Large private/public strategics

aptean, GTCR, BainCapital, AKKR, DELL, Cleo, SPS COMMERCE, DASSAULT SYSTEMES, BLUJAY, SUMMIT PARTNERS, DESCARTES, FP FRANCISCO PARTNERS, CommerceHub, helpsystems, DI central, THOMA BRAVO, WCAS, TrueCommerce, opentext, MuleSoft, logicbroker, Rocket, Elemica, VOLARIS, Audax Group, TA ASSOCIATES, VISTA EQUITY PARTNERS, EPICOR, KKR

100+ Parties

First Round Bidders

(Indications of Interest)

- ✓ Understand today's market
- ✓ Can move quickly
- ✓ Will play in a competitive process
- ✓ Will underwrite lower returns

PSG PROVIDENCE STRATEGIC GROWTH, SEP, VOLARIS, Rocket, Elemica, TrueCommerce, TA ASSOCIATES, SPS COMMERCE, aptean, Jitterbit, VISTA EQUITY PARTNERS, AKKR, Audax Group, logicbroker, DESCARTES

~15 Parties

Final Round Bidders

(Letters of Intent)

- ✓ Spend money early → limited confirmatory diligence
- ✓ Right senior people involved

TrueCommerce, aptean, SPS COMMERCE, DESCARTES, logicbroker, Jitterbit

A Handful of Firms

B2BGateway has been acquired by TrueCommerce

A portfolio company of Accel-KKR

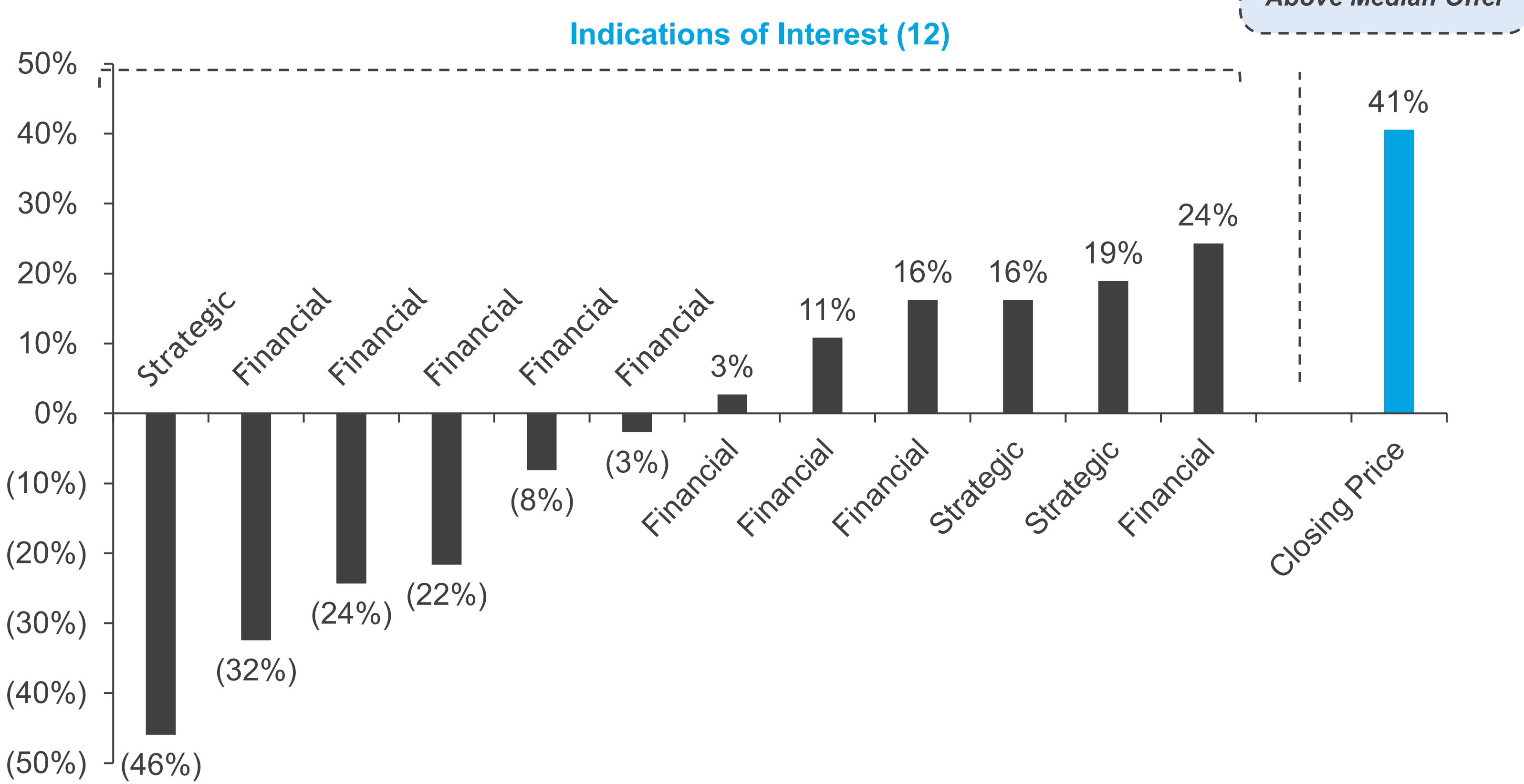
Served as exclusive financial advisor to B2BGateway

Value Maximization

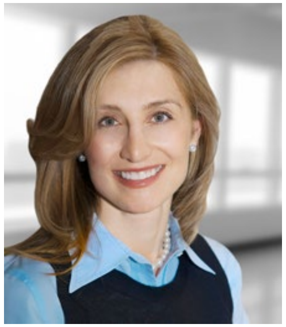
B2BGateway

- The competitive process led by BDO Capital resulted in 12 Indications of Interest and six Letters of Intent
- The initial valuation range varied by over $30M
- Final purchase price was 41% higher than median offer at IOI stage
- Final purchase price was also ~25% higher than the original offer price made to the Company prior to BDO Capital Advisor's sale process

Closing Price (+41%) Above Median Offer



Biography



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VALENTINA A. MIDURA

Senior Managing Director

EXPERIENCE

Ms. Midura is a Co-Founder and Senior Managing Director at BDO Capital Advisors with more than 20 years of investment banking experience. Ms. Midura advises privately-held and family-owned businesses with transaction structures including leveraged recapitalizations, shareholder transitions, management buy-outs, exclusive sales, corporate divestitures and private placements. Ms. Midura has closed transactions in a variety of industry segments including Manufacturing & Distribution, Healthcare & Life Sciences, Business Services and Technology, Media & Telecom. Geographically, Ms. Midura is focused on managing BDO Capital's relationships and clientele along the Eastern Seaboard.

Prior to joining BDO Capital in 2002, Ms. Midura served as a Director at Andersen Global Corporate Finance, LLP, a middle market investment banking firm. While at Andersen, Ms. Midura was responsible for developing the firm's investment banking Products Group where she had a particular focus on clients within the Manufacturing and Distribution sectors. In addition, Ms. Midura was a key architect in the firm's investment banking technology go to market strategy and a contributor to the firm's growth across a variety of technology sectors including software, hardware and IT services.

INDUSTRY FOCUS

Business Services: Consulting, Staffing and Third-Party Administration, Government Contracting, Specialty Consulting, Systems Integration, Tech-Enabled Services, Test & Measurement
Manufacturing & Distribution: Building Products, Packaging, Specialty Chemicals, and Transportation & Logistics
Technology: Data Analytics & Business Intelligence, E-Commerce, Education Technology, Infrastructure Software, IT Consulting, Security Software, Storage Technology, Supply Chain Technology, Value-Added Resellers

PROFESSIONAL AFFILIATIONS AND ACCREDITATIONS

General Securities Representative

ACG Member

Member of the American Institute of Certified Public Accountants (AICPA)

Certified Public Accountant

Member of The Commonwealth Institute (TCI)

EDUCATIONAL BACKGROUND

Bachelor of Science, Whittemore School of Business, University of New Hampshire

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