MIDDLE MARKET Growth

// SPECIAL EDITION

AWARDS 2021

+ **DON'T MISS**
Young Professional Award Winners

Honoring
16 EXCEPTIONAL
MIDDLE-MARKET
Companies

ACG®
Association for Corporate Growth

An Occasion to Celebrate

KATHRYN **MULLIGAN**

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It's been over a year since the COVID-19 lockdowns began, and we're not quite out of the woods yet. The anniversary of the start of the outbreak has come with reflections on what the world has gone through, lessons learned and predictions about the future.

In this issue, *Middle Market Growth* is putting its own spin on the 2020 retrospective by profiling the winners and finalists of our first-ever *MMG* Awards.

We asked corporate applicants last fall to tell us about their achievements over the past year related to growth, innovation, job creation and retention, and workplace culture. For the Young Professional category, we asked emerging leaders to detail what they've accomplished this year, and how they've contributed to their own organizations and to the middle-market community more broadly.

Admittedly, it was a strange year to launch an awards program. Many businesses struggled or didn't make it. Thousands of Americans lost their lives, loved ones or jobs. But if COVID-19 has taught us anything, it's that tragedy can co-exist with optimism. The awards applications showed the resilience of middle-market businesses as they overcame adversity, and the role they play in creating and preserving jobs. The hard work and creativity that it took to steer these companies through a global pandemic is remarkable, and a cause for celebration.

Similarly, the Young Professional Award applicants were exceptional. They detailed their hard work helping their firms and clients navigate the crisis. Our judges were impressed by their achievements, which made narrowing the pool to just 10 winners a challenge in and of itself.

Launching a new program—pandemic or otherwise—is never easy, so I'm incredibly grateful to the judges who worked with us this year to evaluate our candidates. As you'll see in their profiles on p. 8, our judging panel comprises a distinguished group of seasoned M&A professionals and business leaders, and they were instrumental in making our first awards program a success.

On behalf of the *MMG* editorial team and our judges, I want to congratulate this year's winners and finalists on their achievements, particularly in a very difficult year. Here's hoping that the through-line for our awards issue next year will be less "adversity" and more "Roaring Twenties." We'll see what the next eight months have in store. //

"*MIDDLE MARKET GROWTH* IS PUTTING ITS OWN SPIN ON THE 2020 RETROSPECTIVE BY PROFILING THE WINNERS AND FINALISTS OF OUR FIRST-EVER *MMG* AWARDS.

Awarding Excellence in the Middle Market

THOMAS M. BOHN, CAE, MBA

President and CEO, ACG

The Association for Corporate Growth has long championed the middle market, a segment of the economy that doesn't get nearly the attention it deserves. Too often it's eclipsed by coverage of startups and corporate giants, which prompted ACG to introduce *Middle Market Growth* eight years ago. We've been writing about dynamic and innovative midsize businesses in these pages ever since.

With our inaugural *MMG* Awards, we're taking those efforts a step further to honor outstanding companies for their growth, innovation, workplace culture and job creation. We've also named 10 winners in our Young Professional category to recognize the up-and-coming leaders in the middle market.

We chose to honor middle-market companies in four of our categories because they form the backbone of ACG—the convening place for anyone who supports these businesses by sourcing and financing deals, running day-to-day operations or serving as a trusted advisor.

Private equity investors, investment banks, lenders and advisors have long filled the halls at ACG events. Increasingly, they're joined by private equity-backed executives, family offices and strategic acquirers. Even as our membership umbrella grows, these professionals' shared purpose—echoed in ACG's mission statement—remains unchanged: driving middle-market growth.

> "THE WINNERS AND FINALISTS FEATURED IN THIS SPECIAL EDITION OF *MMG* SUGGEST A BRIGHT FUTURE FOR OUR COMMUNITY.

The winners and finalists featured in this special edition of *MMG* suggest a bright future for our community. Many of the companies have partnered with private capital investors affiliated with ACG. Others cited the contributions of advisors within the ACG network. It's clear that our members continue to play a crucial role in the success of midsize companies, thanks to their capital, expertise and connections.

Our Young Professional honorees are another source of optimism. For one, the caliber of applicants in this category was exceptionally high. Based on scores from our independent panel of judges, we narrowed the list to 10 winners. As you'll read in their profiles, these emerging leaders are intelligent, energetic and driven. They're helping their organizations to grow and innovate and advancing the goals of their clients.

Although they work in an industry that's been slow to change, the Young Professional applicant pool reflected diversity across gender, race and ethnicity. Hastening the industry's progress toward diversity, equity and inclusion is a priority for ACG and the focus of our new DEI Task Force. There's still much more work to do, but the diverse class of Young Professional award winners gives me hope that change is already afoot. //


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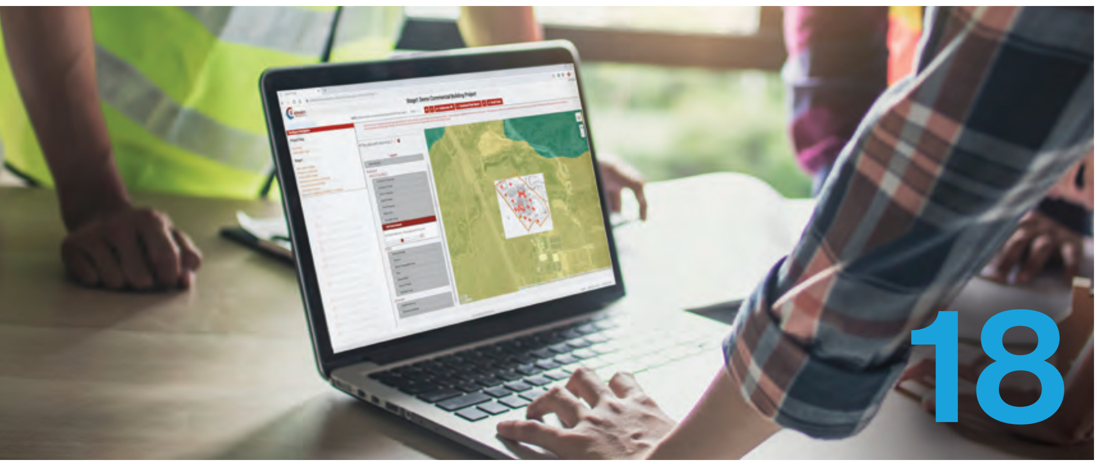

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MEET THE JUDGES

An esteemed panel of 10 judges drew on their own experiences working within and on behalf of middle-market companies to review this year's *MMG* Award applications. The judges scored each applicant based on criteria set by the *Middle Market Growth* editorial team, and those tallies in turn determined the finalists and winners featured in this issue.

ROBERT **ACKERMAN** is a senior partner at Watermill Group, a private investment firm. He has held senior management positions at industrial manufacturing and value-added distribution companies for more than 30 years. Ackerman has been creating value for portfolio investments as part of the Watermill team for the last 20 of these years as an advisor, portfolio company CEO and partner to Watermill Group and HMK Enterprises Inc., an affiliated holding company of Watermill.

SCOTT **ESTILL** is a partner at Lancor, a partner-led search firm, and leader of Lancor's New York City office. He has over 20 years of deal generation, M&A, financial services and executive recruiting experience. Through Lancor's Advisory practice, Estill and his team assist private equity funds with originating and appraising potential transactions, sourcing industry experts for pre-acquisition due diligence, and finding backable senior management teams.

JALYN **NOEL** is the managing director of Innovation and Development in the Marketing and Business Development division of Insperity, a provider of HR and business performance solutions. Noel's career with Insperity has spanned 30 years and her expertise ranges from overseeing various marketing and business areas, including thought leadership, authority marketing, vetting Insperity business partners, and ensuring the company's due diligence process.

JEFFERY **ROME** is an experienced leader of consumer product goods companies. He has led businesses in large corporate settings and turnaround situations, and he has experience building teams for growth, restructuring organizations, as well as running a startup company. He built a 25-year career at Mars, Inc. He has also been an entrepreneur in a startup beverage business, and most recently he served as CEO of a private equity-backed confectionery company.

VENITA **FIELDS** is a partner of direct lending firm Pelham S2K and a member of its Investment Committee. Previously, Fields was a senior managing director and partner of Smith Whiley & Company. She managed the firm's Chicago office and was a senior member of its Investment Committee that directed and managed its three private equity funds. Previously, Fields spent 19 years in the commercial finance departments of various financial institutions.

TERYN **GRATER** is a partner at ATKG, a provider of tax, accounting, assurance and advisory services for a select client base of closely held businesses and large family groups. She currently serves as chief financial officer for ATKG. Grater has more than 28 years of experience serving clients in areas such as M&A, real estate, oil and gas, closely held businesses, family offices, retail and professional services.

STEVE **MOON** is a managing director and deputy head of mergers and acquisitions for America at Duff & Phelps Securities, where he's worked for over 20 years. Moon is also co-head of the firm's Aerospace, Defense and Government Mergers & Acquisitions Group. Moon is the former chairman and president of the ACG Los Angeles chapter and is a previous recipient of M&A Advisor's "40 Under 40" Deal-maker Award.

ROBIN **SITVER** is a strategic planning and corporate development executive focused on delivering business profitability, growth and performance through M&A, licensing and strategic initiatives. She is currently vice president, corporate development at Alume Biosciences and CEO/founder of SitverStrategy, a boutique M&A and strategy consultancy. She recently retired after a career with Johnson & Johnson and Pfizer where she closed more than 60 transactions worth over $7 billion.

THOMAS A. **STEWART** is the chief knowledge officer of AchieveNext, a provider of peer advisory networks and specialized people and performance solutions to enterprise leaders, their teams and their workforce. Prior to joining AchieveNext, Stewart served as executive director of the National Center for the Middle Market. He is the author of three books, including "Woo, Wow, and Win: Service Design, Strategy, and the Art of Customer Delight."

KURT **WILKIN** is the co-founder of HireBetter, a strategic talent partner for growth-minded middle-market companies. Wilkin has experience growing, scaling and exiting high-growth companies. He also invests in entrepreneurs through Bee Cave Capital, an angel investing firm he co-founded 20 years ago. Prior to HireBetter, Wilkin founded and ultimately sold The Controller Group, a professional services firm focused on accounting and recruiting.


solo stove
solo stove

GROWTH ENGINE
AWARD

This award recognizes remarkable growth achieved over the past year. Judges selected one winner and three finalists based on the growth initiatives they outlined on their applications, including M&A activities, organic growth, new locations, and the addition of new products and services.

MIDDLE MARKET Growth AWARDS

GROWTH ENGINE

Growth Engine Award Winner // CLEARWAVE

Many health care practices still rely on paper to track critical information for patients and financial records, but Clearwave is working to change that. Its software platform handles tasks such as patient scheduling and patient intake, and automates insurance eligibility verification. With a customer base that includes independent and hospital-affiliated physician practices, the company aims to create more efficient processes that help practices grow. That goal has bolstered Clearwave's own success during the past year, thanks to its partnership with Frontier Growth, a private equity firm based in Charlotte, North Carolina.

> **"WE WORKED HARD TO LOOK AT THE FAST-EVOLVING MARKET AND THINK THROUGH HOW WE COULD STAY A STEP AHEAD OF OUR COMPETITION AND WOW OUR CUSTOMERS.**
>
> ROBERTO MUÑOZ
> Operating Partner, Frontier Growth, and Board Member, Clearwave

When the PE firm invested in Atlanta-based Clearwave in March 2019, it helped develop a comprehensive strategy to boost organic growth, increase Clearwave's capabilities through highly targeted M&A and expand the product line by closely examining customer needs, says Roberto Muñoz, operating partner at Frontier Growth and board member at Clearwave. "We worked hard to look at the fast-evolving market and think through how we could stay a step ahead of our competition and wow our customers," he says, noting Clearwave's gross retention and net retention are about 95% and 106%, respectively. "We are not only growing faster than our competition, but we also have raving customer fans," says Muñoz.

A long list of metrics highlights Clearwave's growth from 2019 to 2020—including a 52% increase in contracted annual recurring revenue (to $17.5 million), a 126% increase in bookings (to $7.2 million) and a 36% increase in staff (to 91 employees).

As part of the initial steps to fuel that growth, Frontier and Clearwave prioritized a small list of key initiatives, including the development and execution of a focused go-to-market strategy. This involved clearly identifying the handful of target segments that Clearwave wanted to dominate, and creating ideal customer profiles within each one.

To help Clearwave focus on these specific target segments and ideal customer profiles, Frontier supported improvements in the company's sales and marketing efforts.

When Frontier made its initial investment in 2019, Clearwave had a small, highly entrepreneurial sales team—but like many growth-stage companies, the team lacked focus and capacity. To address this, the leadership team created clear territory plans, success metrics, training programs and KPIs. This enabled sales to operate more effectively, establish best practices and hire the right team members to deliver on its strategy.

Investments in marketing also

PHOTOS COURTESY OF CLEARWAVE

played an important role in accelerating pipeline creation. Historically, Clearwave's pipeline came primarily from inbound leads and trade shows, with little additional marketing effort to drive new business. To accelerate organic growth in 2020, Clearwave's leadership team knew that marketing would be an essential component. The company hired an experienced vice president of marketing who developed and executed an integrated strategy, which included digital demand generation, advertising, thought leadership, social media and targeted outreach.

By listening more closely to customer needs, Clearwave increased sales opportunities.

In 2019, the company only offered a kiosk check-in solution. That changed in 2020, when Clearwave expanded its product offering to also include tablets and a mobile solution. By allowing customers to choose the modality that best suited their patient needs, Clearwave was able to appeal to a much larger audience.

In addition, the company expanded its suite to a robust digital patient-engagement platform by adding patient scheduling software through the acquisition of Odoro in late 2020. By combining Odoro's extensive patient scheduling functionality with Clearwave's award-winning digital check-in technology, Clearwave improved its ability to help customers improve efficiency and cost savings, as well as patient engagement and satisfaction.

Clearwave CEO Mike Lamb points to the Odoro acquisition as an example of how the partnership with Frontier helped fuel growth. "Frontier worked closely with us over the past year, understanding the market and doing research and diligence on several potential deals," Lamb says. "When we found the right one with Odoro, Frontier worked tirelessly to help achieve a successful outcome and close the deal. The platform helped us immediately recognize new incremental revenue in Q4 of 2020 and has driven tremendous pipeline interest from our clients and prospects."

Another high-priority initiative in 2020 was the transformation of Clearwave's pricing—from an old model of one-time hardware costs and monthly software support fees to a fully SaaS subscription model. This new pricing approach was more customer-centric, and allowed flexibility that fit well with budgets and buying processes, according to Muñoz. "Our customers have raved about the new pricing format, and it has been a catalyst for our great financial results," he says.

That winning pricing strategy was a meticulous initiative, and it was part of a team effort that included Frontier Co-Founding Partner Andrew Lindner, Vice President Tim Bechtold, as well as third-party SaaS pricing experts.

Although introducing the new pricing model came with risks outside of the company's control, the team's intuition ultimately proved to be right.

"Outside of COVID-19 challenges faced by most companies, our biggest challenge last year was implementing a completely new pricing model," Lamb says. "We were confident we had made the right choice, but pricing pivots can be unpredictable. Fortunately, the model worked terrifically and improved our average deal ARR (annual recurring revenue) by over 50%." //

MIKE **LAMB**
CEO, Clearwave

ROBERTO **MUÑOZ**
Operating Partner, Frontier Growth, and Board Member, Clearwave

ANDREW **LINDNER**
Co-Founding Partner, Frontier Growth

TIM **BECHTOLD**
Vice President, Frontier Growth

GROWTH ENGINE FINALIST

DSI LOGISTICS

> OUR BIGGEST CHALLENGE WAS EXECUTING ON SUBSTANTIAL GROWTH IN THE MIDDLE OF THE COVID PANDEMIC.
>
> JIM FORMAN
> CEO, DSI Logistics

As the pandemic's stay-at-home restrictions compelled consumers to purchase items like new sofas and flat-screen TVs, demand increased for the services of third-party logistics firm DSI Logistics LLC. Headquartered in Brea, California, DSI specializes in "white glove" home delivery—meaning, the delivery and installation of large, bulky items like furniture, electronics and appliances.

By October 2020, the company's revenue reached $148 million, a year-over-year increase of 38%. That growth wasn't just fueled by pandemic-related buying sprees. A strong focus on increasing customer diversification and growing wallet-share with existing customers such as Lowe's, Best Buy and Williams Sonoma also helped drive revenue. "We estimate that final-mile deliveries of big and bulky products have been growing at approximately 12% per year, so DSI's over 20% annual revenue growth rate over multiple years is outpacing both the market and its peers," says Keven Shanahan, a partner at Argosy Private Equity, a firm based outside of Philadelphia and one of DSI's investors.

After acquiring DSI in January 2019, Argosy and Headhaul Capital Partners, a PE firm based in Greenwich, Connecticut, helped build an operational foundation to support the company. "They were extremely helpful and influential in our growth," says Jim Forman, DSI's CEO. "Since their investment, we have added a COO, CFO and a chief compliance officer to strengthen our team." In addition, Argosy and Headhaul encouraged DSI to upgrade its IT infrastructure, which included a new call center solution, new accounting software and a complete shift to cloud computing.

"The most impressive aspect of DSI's strong growth over the last two years is that management was able to accomplish this—which included entering 15 new states and markets—while still maintaining the high level of customer service that our clients have come to expect," says Seth Wilson, Headhaul Capital's managing partner.

Because DSI's service involves entering consumers' homes, the company had to quickly implement additional precautions in 2020. "Our biggest challenge was executing on substantial growth in the middle of the COVID pandemic," Forman says. "We needed to dramatically increase our safety procedures to make sure both our teams and customers were out of harm's way. In addition to supplying the teams with sufficient PPE, a lot of our focus was on educating both the installers and the homeowner on appropriate ways to interact while the teams were in the house."

With national operations covering 29 states and 40 markets, DSI is paving the way for future growth. The company is expanding its core logistics offerings with two recently launched services. "We are now managing cross-dock operations for one of our customers, which we believe should enable us to move deeper into our customers' supply chains," Forman says. "In addition, we have also launched a complex installation service where we are delivering and installing multiple appliances in one visit to provide homeowners and contractors a one-stop solution." //

PHOTOS COURTESY OF DSI LOGISTICS

GROWTH ENGINE FINALIST

DEXIS CONSULTING GROUP

Many readers can relate to the fact that the world looks very different when your venture is born amid a crisis.

For Mihir Desai, that crisis was 9/11. “I had just quit my job at the World Bank, moved to New York and launched a management services firm for foreign assistance when the world changed forever. Job one: Trash your business plan,” he says. It was the best lesson in agility that remains at the core of the company 20 years later.

Headquartered in Washington, D.C., Dexis is a global services firm that has worked in more than 100 nations with offices in 13 countries. The firm helps U.S. federal agencies assess the social impact of fighting pandemics and countering illegal narcotics, lead stabilization efforts in fragile countries, and support the government’s effectiveness. Clients include the U.S. Agency for International Development, the U.S. Department of State and the U.S. Department of Defense, with contracts ranging from six months to five years.

During the past decade, the firm’s revenue achieved double-digit annual growth. Sales increased from about $1 million in 2010 to almost $80 million in 2020—a pivotal year for Dexis. Thanks to two acquisitions (self-managed and funded by Dexis) that closed early last year, the firm increased its headcount by more than 80%, from 266 employees to 487.

One tactic that has helped the firm succeed is the way it targets acquisitions, says Desai, who also serves as CEO. “We look to acquire companies that work in the social sector and we approach them directly,” he says. Of the three acquisitions made by the firm in the last few years, two were founder-led companies that were 50 years old. “In all cases, the owners sold to us directly,” Desai says. “We are buying firms based on values and not valuations.”

Huge percentage increases come equipped with growing pains. For Dexis, the immediate challenge was “global logistics hell,” Desai says. “Growing a company is always exciting and doubling of staff is even more so,” he says. “However, doubling staff in the midst of a crisis was one of our biggest challenges.”

During the pandemic, the firm was tasked with relocating dozens of staff from around the world back to home base—which was not always in the U.S. “In one instance, we had an American working in Afghanistan whose home was in the Philippines but was held up in New Delhi,” he says. “In another, we had folks routed from East Africa back to the United States but held up indefinitely in Johannesburg due to the pandemic. The list went on and on. But it all ended well. It was more than a test of our systems—it was a testimony of our perseverance.”

While many companies were forced to cut staff last year, Dexis has hired 40 more employees since the start of the pandemic. In keeping with its work on social issues, Dexis remains committed to diversity as it expands. For example, women make up 70% of staff and half of the executive leadership team. Over the next 10 years, the firm aims to reach $500 million in annual revenue through a combination of organic and inorganic growth.

Dexis is also using technology to advance social good, by building a strong robotic process automation and data visualization practice. Says Desai: “We consider purpose-driven digital to be one of the defining features of this coming decade, and see ourselves very much at the center of it.” //

MIHIR **DESAI**
Founder and CEO, Dexis Consulting Group

“

GROWING A COMPANY IS ALWAYS EXCITING AND DOUBLING OF STAFF IS EVEN MORE SO. HOWEVER, DOUBLING STAFF IN THE MIDST OF A CRISIS WAS ONE OF OUR BIGGEST CHALLENGES.

GROWTH ENGINE FINALIST

SOLO STOVE

It's hard to resist bad puns when describing Solo Stove's growth, so we'll stick with just one: The company is on fire.

Headquartered in Southlake, Texas, Solo Stove designs and manufactures a line of stainless steel fire pits, camping stoves and related outdoor accessories. Before COVID, the company was already on a tear, doubling and tripling its year-over-year sales, driven by glowing recommendations from those in the know. Then, as more consumers stayed at home and spent time outside during the pandemic, Solo Stove's growth trajectory reached another level.

When Bertram Capital, a private equity firm based in Foster City, California, acquired a control position in Solo Stove in September 2019, the company had $27 million in revenue and approximately $7 million in EBITDA. By the end of the third quarter of last year, those numbers had surged to $87 million and $34 million respectively. The company also opened two new warehouses in Pennsylvania and Utah in 2020, and headcount more than doubled—from 28 employees at the end of 2019 to 64 as of February 2021.

Around the time of Bertram's investment, a prominent consulting firm estimated the total U.S. market for wood-burning fire pits at about $120 million annually, according to Ryan Craig, partner at Bertram Capital. "Sixteen months later, Solo Stove itself had surpassed that size," he says. "The business quadrupled during the first year of our investment, with roughly 60% of new customers coming directly from word-of-mouth referrals. The product sells itself."

The company's success is grounded in more than word-of-mouth recommendations. Early in its investment, Bertram placed a high priority on using its 17-person digital development team—called Bertram Labs—to improve data flow, optimize the supply chain and streamline inventory for Solo Stove. In addition, Bertram Labs worked closely with Solo Stove's marketing and development team to bolster customer acquisitions online through social media advertising, podcast advertising and video marketing. By leveraging its extensive relationships with multinational delivery services, Bertram was also able to lower Solo Stove's shipping costs while expediting delivery time.

Due to the company's popular products and pandemic-induced supply chain problems, Solo Stove had to grapple with demand that exceeded available inventory. "Our biggest challenge was staying on top of customer communication, both pre- and post-purchase," says John Merris, Solo Stove's CEO. "It was no secret that the global

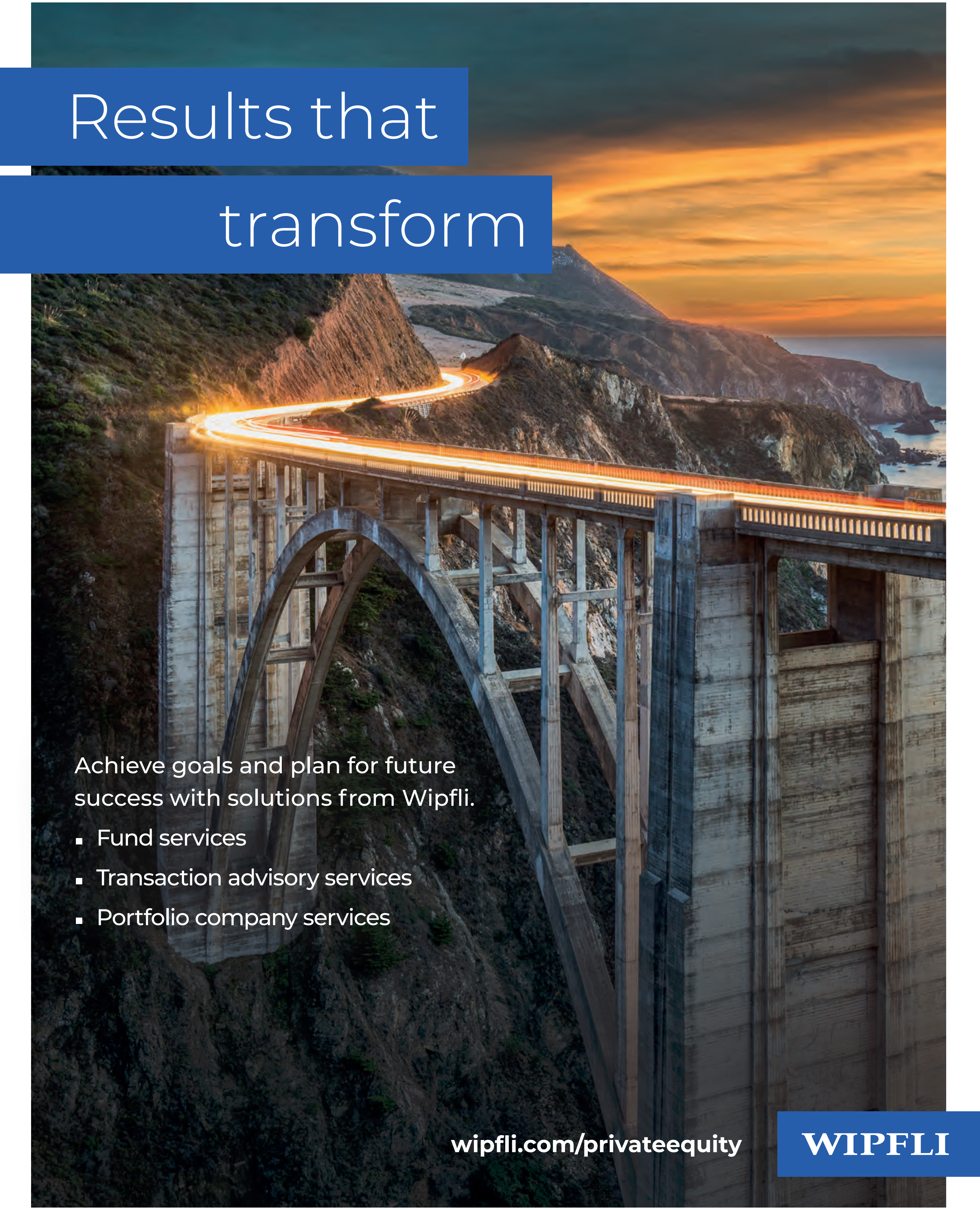
supply chain was severely underprepared for COVID and its impact on commerce."

Solo Stove's products have received accolades in the media—earlier this year, the technology review website Cnet chose the Solo Stove Yukon as the best smokeless fire pit.

Founded a decade ago, the company aims to expand its product lineup. "Innovation continues to be a big focus for Solo Stove," Merris says. "Our product roadmap is super exciting, and we're looking forward to bringing some awesome new products to market this year and into the next several years."

In addition, the company plans to improve shipping options in the near future. "We have exciting news to reveal in Q3, related to our international expansion project—which will allow us to offer localized free shipping to all of Europe and Canada," Merris says. //

PHOTOS COURTESY OF SOLO STOVE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INNOVATION AWARD

This award, sponsored by Cambridge Global Payments, recognizes innovation in the middle market. Judges selected one winner and three finalists, all of whom introduced a new offering, or grew an existing one, that represents a notable innovation within the company's industry. //

Innovation Award Winner // TERRACON

Completing site selection for a building project has traditionally been a time-consuming and costly endeavor for any company looking to acquire land for construction.

Terracon Consultants Inc., an engineering consulting firm based in Olathe, Kansas, has set out to change that. Its new product, Stage1, helps customers understand and mitigate risks, and enables them to make better-informed decisions about property acquisitions.

The private, 100% employee-owned company has tapped into its vast knowledge base to create Stage1, which makes it quicker and easier to assess whether a site is appropriate for a particular building project.

Introduced in 2018 and significantly enhanced in 2020, Stage1 allows customers to form an initial assessment of a site's geotechnical and environmental risks in just a few days, according to Terracon's Geotechnical National Service Line Director Victor Donald, who came up with the idea for the company to better use its vast data resources. (Geotechnical engineering is focused on the engineering behavior of soils and rock.)

Donald first conceived of the idea in the 1990s. He nurtured it over the years until technology evolved to the point where it was possible to utilize decades' worth of extremely valuable historical data that Terracon had accumulated since its founding in 1965.

> "BIG DATA IS THE FUTURE FOR US ALL, YET OUR INDUSTRY HAD NOT STARTED INCORPORATING THE USE OF BIG DATA INTO THEIR PROJECT APPROACH.
>
> VICTOR DONALD
> Geotechnical National Service Line Director, Terracon

The first evolution of Stage1 enabled practitioners to harness the value of more than 50 years of historical data by identifying nearby projects and enabling geographic information system (GIS) data, including spatial location analysis, maps and 3D renderings.

As the initiative progressed, the company realized how beneficial the innovation would be to its clients and decided to make it available to all of its customers.

"Data from Terracon's historical geotechnical projects were stored in banker boxes and warehouses," Donald says. "It was used to aid our internal practitioners to make more informed project scope decisions, but we knew it could help our clients."

Terracon's extensive project data is combined with environmental and geologic information derived from more than 750 public and private map sources. It is curated with the local experience of professionals from more than 150 of the company's offices throughout the U.S.

"Now our customers can conduct remote, site-specific research without the cost, time and risk associated with intrusive exploration and investigations required by traditional processes," Donald says. "With the initial assessment provided by Stage1, informed decisions and smart work plans can proceed."

Stage1 streamlines the site selection with information provided in three key areas: geotechnical, subsurface

PHOTOS COURTESY OF TERRACON

environmental and natural resources, which include cultural resources and historic places, wetlands and waters, and protected species.

Terracon used Stage1 to evaluate a site where a national client was considering a retail development. The analysis showed that the site featured a stone wall that marked the perimeter of a small cemetery dating to the mid-1800s, and which was in the location of the planned building.

"Knowing this information early in the process helped our client understand potential costs and schedule impacts, as well as informed negotiations with the property owner," Donald says. "The developer elected not to proceed with the site."

THE LAY OF THE LAND

More than 380 clients have used the service since Stage1 launched.

"Utilizing historical data is beginning to disrupt how owners, design teams and contractors develop preliminary designs, budgets and project timelines," Donald says. "They are identifying areas of concern earlier, which will lead to better property selection, reduced financial risk, and improved development of safety pre-task planning during traditional site characterization."

One of the customers using Stage1 is Kerri Smith, real estate development manager at fast-food giant McDonald's.

"The reports have been very valuable in assisting McDonald's with evaluating site costs accurately," she says. "The portal is extremely easy to use and takes me all of five minutes to make the request." She adds that McDonald's usually receives a report back within 48 hours and that the cost for the report is very reasonable.

"The amount of historical data Terracon has access to is impressive, and this has helped us tremendously during contract negotiations on various sites across the U.S.," she adds.

Another client, the Port of Little Rock—a governmental entity overseen by the city of Little Rock, Arkansas—used Stage1 for a geotechnical study of property it had recently acquired, and which has since attracted an occupant.

"Not long after this study was complete, we began working to recruit a major employer to locate their distribution center at the port," says Bryan Day, the port's executive director. "The Stage1 work Terracon provided was a basis for the beginning of this recruitment process. Eventually, Terracon completed more work at the port for this prospect, and at the end of the day, this major employer—the largest project ever to locate in the Port of Little Rock—chose to locate here. Terracon was a part of the team that helped make that happen."

He adds that the information provided by Stage1 enabled the port to demonstrate the desirability of the site in a matter of just a few days.

Stage1 did not have outside investors; rather, it sprang from a funding source within the company dedicated to incubating innovative ideas. It was developed by a centralized team within the company of more than 5,000 employees, who were removed from the whirlwind of traditional Terracon services and encouraged to participate in the free flow of ideas.

Donald expects the introduction of Stage1 to have a revolutionary effect on the construction industry, and he is pleased that Terracon is leading the way in using data to help its clients make better decisions.

"Big data is the future for us all, yet our industry had not started incorporating the use of big data into their project approach," Donald says. "Terracon's development of Stage1 is introducing our industry to how data can lead to informed decisions very quickly."

The company is planning to continue to refine and expand the tool, and will add even more information from public sources.

"Terracon is further developing Stage1 into a real-time, automated delivery platform," Donald says. "Using machine learning concepts, we are training digital models to combine our vast historical datasets with public domain resources to provide a platform that our clients use to make informed decisions in real time."

Donald says Stage1 is a sign of the future in his industry.

"Integrated, interactive platforms for information delivery of engineering services are the future, and Terracon is leading this innovation," he says. //

INNOVATION FINALIST

FATHOM

After the COVID-19 pandemic struck the U.S. in 2020, it soon became clear that hospitals and health care workers trying to save patients' lives were severely hampered by a shortage of ventilators, testing swabs and supplies, and personal protective equipment (PPE).

That's when Fathom, a digital manufacturing company with production locations around the world, decided to turn its powerful 3D printing resources to creating products needed to fill that gap.

The company, which was founded in 1984 and acquired in 2018 by CORE Industrial Partners, a Chicago-based private equity firm, has 180 employees and is headquartered in Hartland, Wisconsin.

Eager to join the fight to save lives and show the value of 3D printing on an industrial scale, Fathom accepted a challenge issued in March 2020 to the design and manufacturing industry to help solve the nasal swab shortage that was limiting COVID-19 testing.

Fathom was uniquely positioned to take up this quest. A leader in additive manufacturing, the company has 90 large-platform 3D printing machines and more than 200,000 square feet of manufacturing capabilities in five facilities across the U.S.

Just as its name implies, additive manufacturing utilizes computer-aided design software or 3D object scanners to direct a printer to add material in layers until it produces the desired object.

The company partnered with medical device company Abiogenix to create a spiral nasopharyngeal (NP) swab test kit that is manufactured by Fathom using multi-jet 3D printing technology.

Their swab was selected from more than 150 designs that were evaluated in a clinical trial.

"A Fathom team worked with clinicians on the front lines to develop a swab that's easier to use and more comfortable than other 3D printed swabs," says Rich Stump, co-founder and principal of Fathom.

Fathom and Abiogenix faced various challenges to create the product. The swabs had to be flexible yet sturdy enough to be safely inserted into the nasal cavity. They had to maximize the absorption of viral fluid, and they had to meet FDA requirements for approval.

"The final FAST Spiral NP swab was selected as one of the two most preferred swabs out of the 150 designs in the clinical trial," Stump notes.

The swabs are made of biocompatible, flexible plastic and have a spiral tip on one end that optimizes sample collection. They also have a single-handed, bend-and-twist functionality for swab separation after a sample is collected.

Through innovative use of the latest additive technologies, Fathom showed that large numbers of swabs could be produced in a short time frame.

"The team developed, tested, manufactured and delivered critical testing supplies across the U.S. in just 35 days, which is weeks—even months—faster than traditional manufacturing methods," Stump says.

To date, Fathom has manufactured more than 100,000 of the 1.4 million swabs produced.

John May, managing partner at CORE Industrial Partners, says strategic acquisitions have helped make goals like these possible.

"Since our initial investment, the combination of companies we have acquired under the Fathom umbrella, through both organic growth and add-on acquisitions, provide the expertise and technology to solve virtually any need our customers have," May says. //

PHOTOS COURTESY OF FATHOM

INNOVATION FINALIST

LUCK STONE

Building and rehabilitating roads, bridges and buildings is a difficult job, and customers of Luck Stone often work at all hours.

Knowing that it could help customers become more efficient, Luck Stone in 2020 launched JobSight, a new digital platform that means, in effect, that the doors of the largest family-owned producer of crushed stone, sand and gravel in the U.S. are always open.

Even in the middle of the night or from their cell phone, at a job site or on their home computer, customers can visit the platform to place orders and schedule deliveries.

"JobSight enables customers to easily engage with Luck Stone on any of their preferred devices," says Ryan Emmons, Luck Stone's vice president of information technology. "It quickly and conveniently connects them to our company, our products and our digital offerings."

Luck Stone, which was founded in 1923 and is headquartered in Richmond, Virginia, provides materials and services for roads, bridges and buildings throughout the Mid-Atlantic and Southeast.

The project to develop JobSight originated in 2019 as a collaboration between the company's Information Technology and Customer Experience teams.

With the COVID-19 pandemic placing unprecedented challenges on the nation's supply chain in 2020, John Pullen, chief growth officer for the company, says developing a digital platform that would be easy to use, accessible and would help customers thrive in a challenging business environment became even more important. Luck Stone surveyed its customers to find out what services they needed to run their businesses more effectively.

"Customers across our industry and geographic footprint told us that they would like the ability to place orders while working overnight, or frankly any time during a 24-hour period," says Billy Chenault, Luck Stone's vice president of customer experience. "In the past, they always had to wait until normal business hours."

Listening to customers' needs informed the platform's design in other ways, too.

"We built an online platform that also increases accuracy, reliability and speed in ordering crushed stone, sand and gravel," Emmons says. "Ultimately, this tool facilitates a more efficient process for all industry partners with less downtime and is available when customers are ready to move forward on their projects."

It took about a year for the in-house team, along with outside IT contractors who provided input, to develop the website—a cutting-edge offering within the industry.

"JobSight allows us to extend ourselves as trusted business partners providing high-quality aggregate materials for building and construction projects of all sizes via an online channel. We are dedicated to making the process easy and reliable so that projects can be completed on time and on budget," adds Chenault.

The company ensured the platform would meet customers' needs by pilot testing it with a few of them.

Andrew Cox, assistant project manager at Faulconer Construction Company in Charlottesville, Virginia, says the platform has reduced the hassle of accepting deliveries at a busy job site.

"Luck Stone's mobile ordering platform made it easy to specify exactly where stone was needed on our job site, which was critical because the site had significant access limitations," he says.

The company has helped another client estimate costs more accurately.

"The tool is an invaluable asset for us in job costing," says Jim Tracy, purchasing manager at William A. Hazel Inc., a site development and road construction business in Chantilly, Virginia. "We can access all of our tickets, download and separate them in Excel as needed, and see our daily activity in real time. There are other tools in the marketplace, but they are more cumbersome relative to Luck Stone's digital platform."

To date, customers have placed more than 4,600 orders through JobSight, resulting in the sale of more than 531,000 tons of material.

The company plans to upgrade the platform further to continue to meet customers' needs. //

PHOTOS COURTESY OF LUCK STONE

INNOVATION FINALIST

MODERN HIRE

Hiring a new employee is an important decision that can affect a company well into the future, and it's a choice that hiring managers and HR professionals strive to make without imposing their own unconscious biases.

Yet as much as a hiring manager may try to be fair, it's hard to leave behind their past experiences, background, upbringing and other factors entirely.

Modern Hire, a hiring platform headquartered in Cleveland and Delafield, Wisconsin, is tackling that challenge head on with innovative technology that promises to improve hiring managers' ability to make consistent and fair decisions when evaluating job candidates.

Last September, Modern Hire unveiled AIS, an on-demand interview feature that uses artificial intelligence to evaluate a candidate's interview responses. The tool provides recruiters and hiring managers with recommended scores to ensure unbiased hiring.

The costs of unconscious bias during hiring can be very high. A company accused of unfairly eliminating qualified job candidates based on race, age or other protected categories may face harmful consequences, including lawsuits and reputational damage. On top of that, it will miss out on the advantages of having a diverse workforce.

Modern Hire's new product offers a way to cut down on biased decision-making.

"AIS works because it presents a standardized method to score only the job-relevant content of an answer," says Modern Hire CEO Karin Borchert. "It does not evaluate facial expressions or audio properties, which avoids the potential for bias."

Modern Hire utilized an internal team of professionally trained experts who developed artificial intelligence models used by AIS.

Those models considered competencies that predict success on the job, and incorporated ratings of candidate responses to questions related to those competencies.

The team used tens of thousands of ratings to train the natural language and deep learning models used in AIS to replicate the human hiring process.

AIS has been shown to reliably replicate the judgment of professional trained experts, according to Borchert, who says other models demonstrate extremely strong correlations with expert raters, far exceeding the professional standard of 0.60 that has been recommended by authorities in the field.

AIS is the culmination of years of research and work for Modern Hire, which has 250 employees. The company's Science-Labs, Technology, Professional Services and Product teams form the core of the company's innovation engine, and played crucial roles in developing the tool.

Development of AIS was aided by The Riverside Company, a global investment firm headquartered in Cleveland, which invested in Modern Hire in 2017.

"We made the initial investments in Shaker and Montage—now Modern Hire—because we saw that the human capital management market was, and still is, ripe for the type of innovation that Modern Hire has to offer," says John Kish, senior operating partner at Riverside.

"The application of science and the importance of ethical AI are forever changing how organizations find and add the right talent to their teams," he adds.

AIS touched every department within the company before it launched, making the innovation a true Modern Hire team effort, adds Borchert, who believes AIS can transform the hiring process.

"AIS provides interviewers with a tool that enables more consistent, accurate, efficient and fair hiring decisions, making it a game-changing, science-driven technology for the hiring field," she says. //

PHOTOS COURTESY OF MODERN HIRE


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How to Avoid Currency Risk When Investing Abroad

Sean Coakley of Cambridge Global Payments, the *MMG* Innovation Award sponsor, describes how to address foreign exchange risk during cross-border deals.

SEAN
COAKLEY

Title: National Account Manager and Market Strategist

Company: Cambridge Global Payments

Expertise: Based in Vancouver, British Columbia, Sean Coakley is national account manager and market strategist for Cambridge Global Payments, where he helps North American corporates and institutions deploy FX risk management, treasury and payment solutions.

What is your outlook for cross-border deal volume in 2021?

Since 2018 and especially true in 2020, the trend has been toward a lower level of cross-border deal flow both in number of transactions and dollar value. Starting in the second half of 2021, I expect this trend to begin to reverse.

For several years, the United States has dominated inbound and outbound deal flow and should maintain its preeminent spot in both categories. Fiscal largesse, reopening of businesses and a substantially diminished U.S. dollar make the United States an especially compelling target for inbound investment.

In fact, the U.S. is expected to significantly outpace other developed market economies, recording year-over-year GDP growth of 6.5%. This will provide a substantial tailwind.

What are some of the foreign exchange (FX) considerations that deal-makers should consider when investing or expanding abroad?

Investing abroad introduces complexity both at the deal and portfolio company level that can have a material impact on investment returns. The challenges presented and their potential solutions vary depending on where the FX exposure originates.

At the deal level, FX markets trade continuously such that their variation can significantly impact acquisition costs and ultimately IRR. This exposure is present throughout the deal process but can largely be managed in due diligence. Where we find acute challenges is during execution, especially if there are earn-out provisions in a foreign currency post-close.

The portfolio company level is where we find the largest ongoing challenges. FX variations can have a very material impact on cash flow volatility, operating margins and working capital management. These have downstream impacts on long-term profitability, growth and valuation that can be substantial. Additionally, capital structure choices and sources of financing add additional challenges, as translational FX exposures have been known to trigger covenant breaches.

How can technology mitigate currency risk?

Within the U.S. market, there is a wide variation in the quality of international banking capabilities and offerings. Often the solutions needed to address challenges emanating from cross-border activities are unavailable, difficult to access or expensive. Financial technology has been a great equalizer in terms of granting access to hedging, cash management and disbursement tools while also driving down their costs. //

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WORKPLACE AWARD

This award, sponsored by Insperity, recognizes exceptional employers in the middle market. Judges selected one winner and three finalists that demonstrated a vibrant corporate culture, strong employee retention and engagement, or innovative benefits. //

MIDDLE MARKET Growth AWARDS

WORKPLACE

Workplace Award Winner // AMS FULFILLMENT

Workforce development is something that comes naturally to Ken Wiseman. He graduated with a bachelor's degree in early childhood development and began a master's degree in special education. Although Wiseman switched to business and earned an MBA, he never forgot his initial passion.

"It's in my DNA to work with folks that have come to the world with challenges," says Wiseman, who now serves as the chief workforce development officer at AMS Fulfillment.

Based in Valencia, California, AMS is an outsourced logistics provider that offers order management, warehouse and inventory management, reverse logistics and other value-added, complex fulfillment services to consumer products companies primarily in the beauty and cosmetics, apparel, footwear and accessories sectors.

In 2017, AMS became certified as a B-Corp and is legally accountable for meeting high standards of social and environmental performance. Only about 3,500 companies meet the standard globally, according to B Lab, the classification's certifying body. Other B-Corps include recognizable brands like Ben & Jerry's and Patagonia.

> "ESSENTIALLY, WE EXIST ALMOST AS A NOT-FOR-PROFIT, EVEN THOUGH WE'RE A FOR-PROFIT COMPANY."
>
> KEN WISEMAN
> Chief Workplace Development Officer, AMS Fulfillment

"AMS keeps its community on its mind by dedicating energy, effort and financial resources toward developing numerous programs for potential and current employees, supporting, charitable organizations and employee opportunities," says Wiseman.

As a B-Corp, AMS receives funding from county, state and federal agencies, which the company uses to support its efforts to provide extensive training to employees from underserved communities.

The company has more than 400 employees spread across its seven locations throughout the U.S. A large portion of its talent pool includes employees who were formerly incarcerated, individuals with physical and cognitive disabilities, youth from at-risk communities and others struggling to maintain employment.

To reach these communities, AMS has partnered with almost a dozen agencies, including Pleasantview Industries, a nonprofit that provides training and support to consumers with developmental disabilities, and Los Angeles County's Workforce Development Department, to help youth and adults with criminal backgrounds, disabilities and other challenges to employment.

"Essentially, we exist almost as a not-for-profit, even though we're a for-profit company," Wiseman says. "It opens doors for us to be considered more like an agency in terms of what we do for the area of workforce development."

In 2019, Wiseman, also a co-founder of AMS, stepped down as CEO to focus exclusively on the company's workforce development efforts.

When a company has as many obligations to local and federal government entities as AMS does, it may be interpreted as a liability, but Fort Point Capital saw value in the company's B-Corp status.

"We were immediately impressed by

PHOTOS COURTESY OF AMS FULFILLMENT

the strength of its management team and firm culture," says Christina Pai, partner of Fort Point, a Boston-based private equity firm that acquired AMS in 2019. "Clients and sales prospects are intrigued, inspired and attracted by AMS's cultural programs, including its B-Corp status. This has driven excellent new client revenue, attracting many socially and environmentally conscious businesses."

According to Pai, AMS's executive team, including Wiseman and current CEO Jay Catlin, had developed a service offering that ingrained the company within its customer base. The company is the sole fulfillment provider for 95% of its clients, providing complex technology and customer service support, IT outsourcing, customized software integrations, freight management, reverse logistics and more.

"Additionally, its focus on attractive, recession-resistant end markets, including beauty/cosmetics, and its embedded growth potential made for an attractive investment opportunity," Pai says.

A COMMITMENT TO EMPLOYEES

Fort Point has been supportive of investing in AMS employees to help build the company's workplace culture. Throughout the past few years, the firm continued supporting AMS's B-Corp efforts, diversity and inclusion initiatives, and its work with local hiring organizations.

AMS prides itself on fostering a diverse and inclusive workforce through partnerships forged with county, state and federal agencies that have provided funding to support AMS to employ and provide training for its staff.

AMS hired 150 people in 2020, and approximately 45% of those hires were referrals from its community partners.

Once onboarded, AMS supports its employees with continuing education opportunities. In 2016, the company established a 2,500-square-foot computer and classroom learning center.

After a brief closure due to the coronavirus outbreak in 2020, AMS reopened the learning facility in June. Since then, the company has logged nearly 1,600 hours of employee training. Workplace safety, leadership training, resume writing and tutorials in Microsoft Excel were just a few of the courses offered.

If that seems excessive, Pai says it's worth the cost. While some employees use their newly minted skills to find better job opportunities elsewhere, the training programs have helped keep turnover rates low. In 2020, AMS had a turnover rate of around 20%—about half of the fulfillment industry's average, according to Pai.

Whenever a leadership position needs to be filled, AMS looks to its own employees first and conducts education and training for promising applicants. "The company provides training intended to help remind AMS's leaders to be more aware of forms of bias and drive home the importance of modeling inclusive behavior," Wiseman says.

Fort Point also supports the continued career advancement of the company's diverse leadership positions, and is focused on bringing additional diverse viewpoints into the boardroom. AMS has a significant number of directors, vice presidents and C-suite executives who are either women or from underrepresented minority groups.

During the COVID-19 pandemic, Fort Point supported the AMS team further by encouraging substantial investment in virus safety equipment as well as culture enhancement initiatives, such as morale-boosting lunches and compensation bonuses for all employees.

Diversity, inclusivity and employee engagement efforts have driven strong employee morale and retention and, in turn, financial performance, contributing to a more than 30% increase in revenue over the last year.

Fort Point says it will continue supporting AMS's workplace and culture initiatives, which it plans to expand to the East Coast with its 2020 acquisition of EchoData, a fulfillment and distribution company based in New Holland, Pennsylvania. (Now called AMS East.)

The company's continued expansion means more work to grow its employee development efforts, which is good news for Wiseman. "It feels like I'm sort of returning to my roots," he says. //

WORKPLACE FINALIST

AUTOQUOTES LLC

After transitioning from its founding family, AutoQuotes, LLC fostered a talent development initiative from the bottom up with the help of its private equity owner.

Headquartered in Jacksonville, Florida, AutoQuotes is a leading provider of technology solutions that enable sales of products for manufacturers and their distribution channels. Its software-as-a-service platform helps clients with design applications, visual configuration, guided selling, product information management, and data and integration products. The company serves customers throughout the Americas and Europe, through its other U.S. offices in Atlanta and Minneapolis, and its U.K. office in Birmingham.

Luminate Capital Partners, a private equity firm based in San Francisco, acquired AutoQuotes from its founding family in late 2018 and installed a new CEO and leadership team the following year. Immediately, the new team embarked on a robust cultural transformation initiative aimed at employee engagement, ownership of outcomes and talent development.

The team crafted a set of goals for the next five years. The goals included helping employees discover their "passion and purpose," and setting the tone for management to make decisions more independently, according to AutoQuotes CEO Jim Contardi.

"Because the broader team had never been entrusted with decisions or asked for their input, the process started out slowly, with excitement for some and trepidation for others," he says.

However, Contardi remembers a palpable sense of engagement during each quarterly planning cycle. "We had moved from a protective family culture with a sense of entitlement to a high-performing team culture with a sense of drive," he says.

By the end of the third quarter of 2020, external hires made up more than one-third of AutoQuotes' leadership team.

"This was driven in part by careful talent development," Contardi says.

As part of its five-year plan, AutoQuotes formed a "Culture Advocates Team," or CAT, to own the responsibility of nurturing this new culture and continuing its development. CAT organized the company's quarterly planning process and weekly stand-up meetings, as well as periodic social activities and philanthropic engagements.

The results were measurable. Early on, AutoQuotes' leadership team began tracking its Employee Net Promoter Score, or eNPS, a metric designed to gauge the percentage of employees likely to recommend the company as a place to work.

Through AutoQuotes' quarterly employee engagement surveys, the company found that before the initiative had begun, its eNPS was 3. But in its most recent survey, that score had risen to 63—a ranking similar to that of Apple and Hubspot.

The business impact of the cultural transformation initiative has been significant, even in a highly disruptive year.

According to Contardi, AutoQuotes' end market—a large portion of which is in commercial food service operations—was negatively impacted by the COVID-19 pandemic. Still, AutoQuotes grew new bookings and net new annual contract value for Q2 and Q3 on a year-over-year basis. That, in turn, drove growth in both revenue and EBITDA. //

PHOTOS COURTESY OF AUTOQUOTES, LLC

WORKPLACE FINALIST

THE PROMPTCARE COMPANIES

The COVID-19 pandemic hit health care services hard in 2020, including service providers of patients suffering from chronic conditions that require respiratory assistance—a lethal co-morbidity to the virus. But thanks to some proactive planning, one company not only remained steady but experienced its finest hour in supplying material support for its employees and care for its patients.

Established in 1985 and based in New Providence, New Jersey, The PromptCare Companies, Inc. is a provider of specialty respiratory equipment that serves more than 12,000 patients in 16 states across the Northeastern, Mid-Atlantic and Southeastern U.S.

PromptCare provides equipment and infusion drug therapies, and is a preferred partner of large hospital systems, physicians and payors in managing complex medical conditions such as ALS, chronic lung conditions and a number of nutritional and autoimmune disorders.

While COVID-19 was unexpected for most companies nationwide, PromptCare had proactively built a crisis plan and was prepared to respond quickly, which COO Joe Poliseo attributes to lessons learned in previous emergencies.

"We lived through Hurricane Sandy that knocked out power for two weeks when we were a smaller and much less capable company than we are now," he says.

In the opening acts of the pandemic, Poliseo says the company's management team quickly snapped into action, moving approximately 80% of its workforce across its 28 locations to home settings almost immediately. Employees who couldn't work remotely—like pharmacists and logistical personnel—were able to work in a safe and isolated environment. PromptCare also managed to supply protective equipment to frontline workers, including nurses and respiratory therapists, whose work in patients' homes put them at the highest risk of exposure to the virus.

The company has always been proud of its service-oriented culture, which had an unexpected chance to shine this year, according to Scott Plumridge managing director of The Halifax Group, a Washington, D.C.-based private equity firm that acquired PromptCare in 2017.

"The management team was quick to marshal appropriate PPE and resources for field employees at the peak of the crisis," Plumridge says. "Staff was immediately switched to a work-from-home model when possible, and the company implemented staggered start times for those who had to be onsite to allow for appropriate social distancing."

PromptCare was a fast adopter of secure technology platforms, using them for patient check-ins, after-hours troubleshooting and other non-emergency services.

"Staff at all levels, including nurses, technicians and corporate staff, showed remarkable flexibility and an inclination to pursue the greater good," says PromptCare President and CEO Tom Voorhees. "They worked exceptionally hard to quickly get people out of hospitals and into their homes for care, freeing up critical hospital ventilators and other resources to treat COVID-19 patients."

To date, PromptCare's staff attentiveness and resourcefulness has meant that the company has not lost or turned down a single patient during the pandemic, Voorhees says. "The COVID-19 pandemic and the resulting challenges have allowed PromptCare to have its finest hour, serving both its patients and the broader community in a critical way." //

> THE MANAGEMENT TEAM WAS QUICK TO MARSHAL APPROPRIATE PPE AND RESOURCES FOR FIELD EMPLOYEES AT THE PEAK OF THE CRISIS.
>
> SCOTT PLUMRIDGE
> Managing Director, The Halifax Group

PHOTOS COURTESY OF THE PROMPTCARE COMPANIES

WORKPLACE FINALIST

QUALFON

Through its wide array of engagement and retention efforts, Qualfon has created a work environment with high levels of employee satisfaction.

> “WE BELIEVE IN THE HOLISTIC DEVELOPMENT OF THE INDIVIDUAL.
>
> DOUG KEARNEY
> Chief Operating Officer, Qualfon

Headquartered in the Detroit Metro area community of Highland Park, Michigan, Qualfon is a business process outsourcing company (BPO) that offers a wide range of services, including contact centers, sales, back office, social media monitoring, marketing services and more.

Employee turnover can be costly. Disengaged workers and hiring cost U.S. businesses more than $1 trillion per year, according to Gallup research. Qualfon understands that low attrition and employee development are paramount to its success, according to the company's chief operating officer, Doug Kearney.

"Our mission has two parts," he says. "Be the best and make each person's life better. To deliver on our mission, it requires a complete focus on each person."

As part of its retention efforts, the company employs several techniques, including competitive compensation, workplace training, transportation benefits, additional health care services, service awards and donation programs, which Kearney says contribute to the company's retention efforts. "An engaged agent equals more customer engagement, which means higher performance and customer satisfaction."

The company even helps subsidize the cost of items like milk, rice and vitamins in several of its locations worldwide, including the Philippines, Guyana, Mexico, Costa Rica and India. It also supports education and other family-oriented services, which have led to increased employee retention abroad.

Twice a month, Qualfon posts survey results from employees on their workplace satisfaction, which are used by management to find new ways to improve employee retention. According to a recent survey, over 80% of Qualfon workers said they would recommend working at the company to a friend or family member.

"We believe in the holistic development of the individual, which means we take care of our employees first personally and in turn, they will be more engaged at work to ultimately affect positive performance for our clients," Kearney says.

The company's "person first philosophy" stems from its Chairman and Founder Alfonso Gonzalez, who established the company in 1995.

In addition to these company-wide retention and motivational programs, Qualfon also has unique training and educational opportunities available to its employees.

The company provides opportunities for employees and their family members to earn an accredited high school diploma, an accredited micro degree and a certified MBA from the Rochat School of Business, an online international higher education institution based in Switzerland, which helps develop leaders at all levels of the company, according to Kearney.

"Qualfon believes that when we invest in our people, they invest in you, and in return, they take great care of your customers by providing memorable customer service experience. Investing in our people means our employees are more engaged and stay longer," he says. //

PHOTOS COURTESY OF QUALFON

How PEO Can Transform a Merger

Donna JW Hare, senior business consultant for Insperity, sponsor of the *MMG* Workplace Award, discusses the steps that deal-makers ignore at their own risk: human resources and reassuring employees.

DONNA JW HARE

Title: Senior Business Consultant

Company: Insperity

Location: Spring, Texas

Expertise: Donna JW Hare has more than 23 years' experience in the professional employer organization (PEO) industry. For the past 20 years, she has worked for Insperity as a senior business performance consultant, advising C-level executives and HR leaders on strategies related to human capital and employment risk with a specialty in mergers and acquisitions, spinoffs and exit strategies.

What HR-related attributes should investors look at when considering a deal?

In an ideal world, a buyer would assess leadership alignment and company culture, as well as compliance, to determine the state of affairs within the organization. Unfortunately, the typical due diligence process focuses mainly on the finance and operational aspects of the business. This is true even today when it is well known that various HR-related issues often contribute to mergers and acquisitions failing to achieve the desired goals. These issues include corporate cultural issues, lack of alignment in leadership, attrition of key talent, missteps in poor planning and communication regarding organizational design, and compensation.

How do investors and buyers break these old habits? Incorporate a bit more of the people side into the evaluation of the potential transaction, such as asking the following questions:

- Describe the company culture—i.e., why do employees want to work here?
- Does the company have a handbook, mission statement or operational policies? If so, how are they communicated?
- Does feedback on Glassdoor reveal how the company is perceived as an employer?
- How does this organization align with the acquirer?

How can a PEO help private equity firms pre- and post-close?

The world has changed, and companies can no longer put HR in the back seat. It is now not only critical to an organization thriving, but to its survival.

Pre-transaction, let your PEO partner help you assess the human capital operational expenses of the target acquisition, complete an HR review that may highlight employment-related risks, and assist with navigating the transition to minimize disruption to the employees.

Post-close, let your PEO partner review and clean up, which means updating the employee handbook and HR policies. The PEO should also provide an HR infrastructure for your acquisitions.

How can leaders keep employees engaged after a merger or buyout?

If the organization provided good communication during the transaction, this is easier. If not, start communicating what you know as soon as possible, even if you don't have all the answers. Also, focus on the positives of the acquisition and the new opportunities it creates. //


Pre Product X
Product Y
Jacob
Product Z
Post ProductX
ProductX
Product Y
Product Z

JOB CREATOR AWARD

This award recognizes significant job creation or retention over the past year. Judges selected one winner and three finalists based on their efforts to create and retain jobs, exceptional creation or retention relative to industry peers, and the types of jobs created or retained. //

MIDDLE MARKET Growth AWARDS

JOB CREATOR

Job Creator Award Winner // **PRAIRIE INDUSTRIES**

Although last year was a time of crisis for many businesses, it was a period of opportunity for Prairie Industries Holdings. The contract packaging and contract manufacturer that specializes in consumer goods and food products not only retained workers; it grew its workforce and acquired a major firm overseas.

Founded in 1994, Prairie Industries Holdings is headquartered in Prairie du Chien, Wisconsin, and boasts nine locations and a workforce of 900 employees. It is owned by private equity firm The Halifax Group, based in Washington, D.C., which completed its investment in Prairie in 2019.

Prairie offers a wide range of packaging, converting, manufacturing and warehousing services for products in a variety of end markets, including home improvement, safety, sanitation and humidity control. Its Nu-Pak division is a USDA- and FDA-certified contract manufacturing and packaging company focused on ready-to-eat food—think packaging services for meat, cheese, peanuts and tree nuts.

Despite COVID-19's headwinds, 2020 was a successful, albeit challenging, year for the manufacturer, which saw strong demand for the company's liquid fill services, safety products and DIY products (such as disinfectants, eye protection and wall hooks, among other products). This organic growth has persisted, according to Scott Lamb, Prairie's CEO.

> "MANAGEMENT CREATED RETENTION INCENTIVE PROGRAMS FOR EMPLOYEES TO REINFORCE THEIR VALUE TO THE COMPANY.
>
> SCOTT LAMB
> CEO, Prairie Industries Holdings

"Prairie is on track to deliver around 15 million bottles of liquid fill product in response to the crisis, increasing production by 20 times. In the food business, Prairie has brought approximately 30 new SKUs online in response to shifting consumer demand for more shelf-stable food products," he says. "The company has invested more than $10 million into a major food products production line that became operational in March 2021 to manufacture additional products."

This activity has resulted in 100% job retention for Prairie's employees, thanks to a variety of practices that built operational prudence and employee loyalty. Lamb says the firm's HR staff worked hard to ensure that employees received all available benefits, and any workers required to quarantine were able to retain their previous position or a comparable one.

"The company level-loaded capacity across plants to support staffing needs and employee availability," he says. "Management created retention incentive programs for employees to reinforce their value to the company."

Lamb adds that Prairie "emphasized and enhanced health and safety protocols to ensure that employees knew that our first priority was their well-being, and we continue to compensate our employees at or above market rates."

The company did not make substantial changes to its employee benefit offerings, Lamb says, but it did implement a "minor improvement" to its retirement program. That said,

PHOTOS COURTESY OF PRAIRIE INDUSTRIES HOLDINGS

reassuring workers in the time of a global pandemic was paramount. “We provided protection for employee quarantine due to COVID-19 exposure or illness to ensure they would have a job on their return. We also ensured that employees understood that they would receive full benefits despite the ongoing crisis. We felt that reviewing and restating benefits was essential to maintaining a positive work culture and employee satisfaction,” says Lamb.

CREATING JOBS

Prairie was able to create jobs during this crisis as well.

Thanks to a significant increase in demand from both new and existing customers, Prairie added approximately 500 new positions with plans to open a new facility in the Midwest, which will add at least another 50 jobs.

New positions were created across the organization. “We hired new financial leadership, including a female CFO and a director of finance, to support our growing global business. We also hired several new senior engineers to help lead our solutions design capabilities. We brought on new local plant leadership for our new site in Indianapolis and hundreds of line workers to support the growing demand for our products,” says Lamb.

Prairie also looked beyond the U.S. borders for growth. Last November, it acquired the European contract packaging business of Sonoco, a large diversified global packaging company. That business has approximately 2,600 employees and produced net sales of approximately $300 million in 2019. According to a press statement from Sonoco, the divestiture deal for Sonoco Poland Packaging Services was valued at $120 million in cash.

“The acquisition creates one of the largest pure-play co-packaging businesses in the world and firmly positions Prairie as a global contract packaging leader,” says Mary Barnett, CFO of Prairie. “Prairie expects that the merger will drive continued organic growth and job creation, through expanding geographic capabilities to our existing customers and offering new product capabilities and end markets for new customers.”

The combined company now serves customers in North America, Europe, Africa, the Middle East and parts of Asia.

In 2019, private equity firm The Halifax Group completed an investment to recapitalize Prairie Industries as part of the PE firm’s mission to grow lower middle-market businesses with values that range from $50 million to $300 million.

“As consumer product companies continue to outsource their increasingly complex packaging and manufacturing needs, there is a growing demand for the high-quality services offered by Prairie Industries and Nu-Pak,” said Scott Plumridge, partner at Halifax, in a press statement. “We believe that this business sets itself apart through its specialized offerings, flexible service model, superior customer service, and best-in-class product quality and food safety.”

Along with workforce retention and growth, Prairie also focused on workplace culture over the past year. Among the company’s human resources goals for 2020 was to focus on diversity and inclusion (D&I). Post-merger, women make up 40% of the senior management team.

“Prairie is dedicated to a D&I focus in 2021 and beyond and looks forward to continuing the momentum as the company continues to grow and expand,” Lamb says.

Asked about how other middle-market companies can increase job growth and retention, Lamb first recommends coordinating human resources across divisions and plants to create more opportunities to utilize existing talent. Second, he suggests rewarding employees in a more timely manner—rather than waiting until the end of the year—to help to keep people motivated and engaged. Finally, companies should hire a star.

“Given the opportunity, companies should make a ‘star’ hire, even if her or his immediate role may be unclear,” Lamb says. “It has been worth the investment for our company.” //

JOB CREATOR FINALIST

CLEARVIEW HEALTHCARE PARTNERS

Don't tell ClearView Healthcare Partners that 2020 was a year of historic job losses. Last year, the company—a health care and biopharmaceutical consultancy that offers scientific expertise, analytic approaches and business direction—increased its workforce by 26%, from 230 to 290 employees.

"We expanded our team at all levels of the organization, from senior executives to recent college graduates, in order to support the demands and needs of our customer base, who have been very active in 2020," says Steve Chao, partner and co-founder of ClearView, which is based in Boston and has offices in New York and San Francisco. "All of our growth has been organic, and in 2020 we were able to expand without requiring outside capital."

> "WE EXPANDED OUR TEAM AT ALL LEVELS OF THE ORGANIZATION, FROM SENIOR EXECUTIVES TO RECENT COLLEGE GRADUATES, IN ORDER TO SUPPORT THE DEMANDS AND NEEDS OF OUR CUSTOMER BASE.
>
> STEVE CHAO
> Partner and Co-founder, ClearView

ClearView was founded in 2007 and is jointly owned by management and RLH Equity Partners, a private equity firm based in Los Angeles.

ClearView invested heavily in 2020 to deliver its services virtually to client teams that were also operating remotely, in a technologically enabled environment, according to Rich Mynahan, partner and co-founder of ClearView. "This allowed us to bring on board roughly 85 new undergraduate hires and 40 Ph.D. hires over the summer months on schedule while many of our peers were delaying new hire classes to later in 2020 or even into 2021," he says.

"This allowed our firm to grow even as some of our valued colleagues left to pursue graduate education in business or medicine, or to join the burgeoning biotechnology industry," adds Kevin Richard, partner and co-founder of ClearView. All of the firm's consultants have scientific backgrounds and more than a third have earned a life sciences Ph.D., according to the company.

ClearView had support in retaining its top-caliber employees. RLH provided guidance that helped the company focus on the most important areas for growth and expansion, team-building efforts, sales strategies and account management techniques that drove demand for ClearView's solutions, according to the company.

ClearView's corporate culture and business success haven't gone unnoticed. The company was ranked #13 Overall and #1 Boutique in the 2020 Vault Consulting 50, a rating of the best consulting firms in the U.S. ClearView was included in *Forbes*' 2020 list of America's Best Management Consulting Firms.

Alongside its staff growth in 2020, the company also took a stand on racial justice issues, issuing a statement condemning the "bigotry, hate, and systemic racism that oppresses and devalues black lives that must not be allowed to continue." ClearView pledged to double down on its own efforts for diversity and inclusion "by investing in open forums for conversations on race and providing support to the NAACP in its fight to eliminate race-based discrimination. We pledge to continue our efforts to elevate dialogue and drive action in the weeks, months, and years to come." //

PHOTOS COURTESY OF CLEARVIEW

JOB CREATOR FINALIST

SAVATREE

A tree may grow in Brooklyn, if you recall the 1943 novel by Betty Smith, but a tree care company is thriving in Bedford, New York, the leafy Westchester suburban home of SavATree. The tree, shrub and lawn care company, which was founded in 1978, has 53 locations around the U.S. and employs 1,420 workers. It was able to retain and attract new talent last year by creating jobs for general tree care workers and tree climbers, whose wages range from $16 to $34 per hour.

"We recognize that we need to be nimble and creative in order to retain our vital team members during the pandemic, and to recruit new team members. Retention depends on our ability to keep our teams safe, informed and productively serving our customers," says Michael Reid, regional vice president of SavATree. "Our overall retention rate for the calendar year is 74% as of November 1, which is 20% higher than the industry average, and 5% higher than the same time last year."

SavATree's focus in 2020 was to ensure the company could generate enough work to retain tree care workers and tree climbers, and to satisfy strong customer demand during the pandemic. A top priority was to make sure that hourly workers did not experience a decrease in income. SavATree also faced the challenge of ensuring safety for workers whose job now requires both climbing trees and working during a pandemic.

Because SavATree is regulated at the state level, it quickly formed "The Solutions Squad," a group tasked with collaborating with industry partners to secure the "essential business" designation in each state. "We succeeded in continuing to provide our full suite of services in the vast majority of states we serve," says Michael Schoeni, regional vice president of SavATree. He adds that The Solutions Squad is also responsible for identifying all state-level mandates and guidelines that impact the company's business practices, so that it can maintain compliance in all locations.

SavATree relied on its partner, Manhattan-based private equity firm CI Capital Partners, to achieve its employee retention goals. Staffing was a main topic in all board meetings, and CI Capital facilitated the sharing of best practices from other portfolio companies to assist SavATree in achieving its retention and broader personnel goals, while also leveraging its network to clarify state-level restrictions early in the pandemic.

When asked what middle-market companies can learn from SavATree's job retention success, Reid and Schoeni were clear: First, lower the barriers to entry into your organization by creating interesting entry-level positions. "There are many people who want to change fields—specifically leave industries that were impacted by COVID and move into those that were more resilient," they said.

Second, develop career paths and training programs for entry-level workers. Finally, acknowledge and reward both new recruits and seasoned veterans who complete training. "Have a formal process for identifying high-potential team members and be sure that they are adequately challenged, know they are valued, and can see a future with your company," Reid and Schoeni said. //

> "WE RECOGNIZE THAT WE NEED TO BE NIMBLE AND CREATIVE IN ORDER TO RETAIN OUR VITAL TEAM MEMBERS DURING THE PANDEMIC.

MICHAEL REID
Regional Vice President, SavATree

PHOTOS COURTESY OF SAVATREE

JOB CREATOR FINALIST

VIRTUS

In a year rocked by a global pandemic, many companies went into survival mode and threw their long-term projections out the window.

Yet Virtus, an insurance brokerage and consultancy headquartered in Kansas City, stayed focused on becoming a Top 50 insurance brokerage over the next five years.

Attention was required to manage through short-term uncertainty, but this uncertainty also created an opportunity to invest in Virtus' team to achieve long-term growth goals.

In 2020, the firm was able to recognize more than 100% revenue growth and expanded its staff from 49 to 65 across its five offices.

Virtus plans to accelerate this growth trajectory in 2021 through a combination of strong organic growth and the strategic acquisition of teams and individuals.

"We are bullish on our ability to attract world-class talent in the current market environment," says Andrew Gray, the company's CEO and co-founder. "Our long-term vision, financial structure and culture have helped us attract some of the best insurance professionals in the industry and we are just getting started."

The insurance industry has experienced significant consolidation over the past 20 years, with M&A transactions at record levels in terms of the number of acquisitions and valuation multiples.

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WE ARE BULLISH ON OUR ABILITY TO ATTRACT WORLD-CLASS TALENT IN THE CURRENT MARKET ENVIRONMENT.

ANDREW GRAY
CEO and Co-founder, Virtus Insurance

Virtus has elected not to compete in the traditional acquisition market; instead, the firm has focused its attention on recruiting top industry talent and strategically partnering with firms that fit the company's culture and vision.

"There is so much opportunity with what is going on in the industry right now," says Tom Pollock, co-founder and senior vice president at Virtus. "We have focused on building out a platform that attracts the best talent. This is based on a combination of our culture, industry expertise and the growth opportunity."

In an industry focused on consolidation, expansion of margin and scale, Virtus says that it sees an opportunity to focus on its team, partners and clients to build what the firm describes as best-in-class opportunities and services, effectively accelerating scale over the long-term.

The firm's focus on a people-first approach in a people-centric business has been the key to not only surviving, but thriving in a challenging economic environment. //

ANDREW **GRAY**
CEO and Co-founder, Virtus

TOM **POLLOCK**
Co-founder and Senior Vice President, Virtus

PHOTOS COURTESY OF VIRTUS


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YOUNG PROFESSIONAL AWARDS

CHRISTOPHER **LETTS**

▸ Senior Vice President and Co-Founder, *The Pine Harbor Group at Morgan Stanley*

Christopher Letts, the senior vice president and co-founder of the financial advisory firm The Pine Harbor Group at Morgan Stanley, has a deep passion for the city of Detroit. As a 15-year-old growing up in Toronto, he remembers choosing the Motor City as the place he wanted to build his career.

> **"I BELIEVE THERE IS AN INHERENT RESPONSIBILITY FOR LEADERS TO ADDRESS THE BIG PROBLEMS OF OUR TIME.**

He followed through with that plan and ultimately moved to Detroit. It was there that he co-founded Pine Harbor, where today he advises high net worth families and middle-market entrepreneurs—including those who are preparing to sell their businesses. His group is among the fastest-growing teams in Morgan Stanley, reaching nearly $1 billion in assets under management. Pine Harbor is one of the largest millennial-led wealth management practices in the country, a position that Chris takes seriously.

"I understand the transformative power that capital brings—and it's an awesome responsibility to assist families in stewarding that tremendous influence and potential," he says.

Chris has used his professional reputation to help raise awareness of the middle market's outsized impact on the U.S. economy. This advocacy has included giving media interviews, meeting with legislators and speaking on college campuses.

At 33, Chris was elected the youngest president in the history of ACG Detroit, becoming the youngest of all of ACG's chapter presidents. He went on to lead various initiatives that increased membership, attendance, sponsorship and awareness of the organization.

But his dedication to the city Chris calls home goes beyond his professional life. During his tenure as ACG Detroit's president, he created a mentorship program that paired leaders of ACG with clients of HAVEN, a nonprofit focused on aiding victims of domestic and sexual violence. He served on HAVEN's executive committee and mentors two boys who've received services from the organization.

Chris has led fundraising efforts over the last 10 years to support causes in the Detroit area. Much of this philanthropy stems from a desire to see decades-long racism, poverty and injustice in the region overturned, according to Chris.

"I believe there is an inherent responsibility for leaders to address the big problems of our time," he says. //

KEITH **SWEETMAN**

▸ **Director of Financial Planning & Analysis,**
Center for Vein Restoration

“

I BELIEVE THAT ACG IS BECOMING INCREASINGLY VALUABLE TO YOUNG MIDDLE-MARKET LEADERS, AND BY EXTENSION, THE GROWTH POTENTIAL WITHIN THE BROADER MIDDLE-MARKET COMMUNITY.

Keith Sweetman showed a knack for business early on. He launched a landscaping company as a teenager and later helped a college classmate hone his pitch to reinvent the camping blanket—a venture that went on to become a successful enterprise.

Today, he's applying those talents as director of financial planning and analysis at the Center for Vein Restoration (CVR), a fast-growing outpatient medical practice headquartered in Greenbelt, Maryland, that benefited from Keith's insights and forecasting throughout the pandemic.

Keith joined CVR as a financial analyst in 2015 and was promoted to director three years later. Leading cross-functional teams, he helped CVR add new service lines, complete acquisitions and improve operational efficiencies. These efforts enabled the company to grow threefold, to more than $120 million of annual revenue in under five years. Since he joined the company, CVR has grown from 30 vein clinics to 95 across the United States.

Although the pandemic threatened to curb that growth, CVR was able to stabilize early and quickly restart its acquisition activity. Keith was appointed to the company's COVID-19 Response Team, and he provided analytical insights and a redesigned forecasting approach that helped CVR maximize its recovery and resume M&A six months ahead of plan. His strategic planning efforts were critical to developing CVR's workforce management approach that saved all 600 jobs at the company and set it on track to provide security to the jobs absorbed through acquisitions in early 2021.

Keith is an active member of ACG Maryland, and a graduate of the chapter's inaugural ACG Maryland University Program. As a member of the chapter's Young Professionals Committee, he organized programs and events that helped recruit more than 40 young professionals to ACG Maryland.

Keith has grown particularly interested in developing leadership talent within the middle market, and in the future he plans to contribute to ACG programs for corporate development and executive members. “Between the network and access to ACG's growing array of professional development resources, I believe that ACG is becoming increasingly valuable to young middle-market leaders, and by extension, the growth potential within the broader middle-market community,” Keith says. //

AMARIS **SAHOTA**

▸ **Senior Management Consultant,**
The Poirier Group

Through her own approach to generating value in the post-acquisition environment, Amaris Sahota has helped position her clients for rapid growth—even amid a global pandemic.

The Poirier Group is a boutique management consulting firm based in Toronto, where Amaris has served clients in the private equity, M&A and financial services space. She joined the firm in 2018, but has worked on transactions valued up to nearly $1 billion earlier in her career.

In her first year with the firm, Amaris met with an asset management firm, to lead post-acquisition value creation.

The asset manager originally wanted to restructure back-office operations to reduce operating costs, but after discussions with management, Amaris identified other areas of improvement. Those included enhancing workflow, upgrading antiquated systems, negotiating vendor contracts and fostering complex client relationships.

Implementing those improvements became a challenge when the COVID-19 pandemic arrived, and Amaris and the firm's management team could no longer interact in person. But they began holding daily virtual huddles to enforce collaboration and accountability.

These initiatives helped save nearly $3 million for the client, providing it with a solid foundation as it prepares for future acquisitions.

Today, Amaris is leading a post-acquisition integration project for a prominent Canadian retailer, where she will be applying the same full-potential approach.

Amaris is an active member of ACG Toronto and the chapter's young professional community. In 2020, she hosted a webinar presented by The Poirier Group in partnership with ACG Toronto to share insights learned during the coronavirus pandemic. "Although the guiding principles of the work have not changed, the pandemic has challenged us to find creative ways to build strong relationships virtually and maintain project momentum," she says. //

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THE PANDEMIC HAS CHALLENGED US TO FIND CREATIVE WAYS TO BUILD STRONG RELATIONSHIPS VIRTUALLY.

ALEX **JOHNSTON**

▸ **Director,**
Clearsight Advisors

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I LOOK FORWARD TO CONTINUING TO PROVIDE CRITICAL SERVICES AND THOUGHT LEADERSHIP TO OUR INDUSTRY.

Specialized expertise is key to establishing credibility in the M&A sphere, particularly for a boutique investment bank like Clearsight Advisors, which focuses exclusively on professional and tech-enabled services businesses.

Alex Johnston, a director at Clearsight, recognized the importance that domain knowledge plays in a firm's brand when he assumed leadership of the firm's Big Data practice last year. He quickly made the coverage area his own by incorporating the Cloud Transformation services space to create a new practice area: Cloud, Data & Analytics.

Alex worked to get the word out via a quarterly newsletter featuring industry research sent to 10,000 industry professionals, and by regularly writing blog posts. Last year, he worked on five new M&A engagements with clients in his practice area, and he regularly speaks with investors looking to understand the space. "When private equity firms call Clearsight to discuss cloud services, they know to call Alex," says Gretchen Frary Seay, co-founder and managing director at Clearsight.

As he embarked on these initiatives, Alex was also working closely with clients to navigate challenges caused by COVID-19. One client, a business advisory services provider based in Arizona, began accepting bids in early March, immediately before the lockdowns began. Despite the broader economic uncertainty, Alex and his team led the client through 14 virtual management presentations and two subsequent rounds of bidding over the summer. Alex also arranged introductions with a potential financing source, amid doubts from the final bidder about financing. Ultimately, the business was acquired by a private equity firm based in Palo Alto, California, at an increased final valuation.

A member of ACG National Capital, Alex regularly represents Clearsight at ACG events. In addition to his external-facing work, he has been building his stature within the firm, too. Last year, Alex became the youngest member and sole director on Clearsight's Client Review Committee, which oversees new engagement committments and fee proposals.

"I am proud of my contributions to Clearsight and the middle-market M&A industry," Alex says. "I look forward to continuing to provide critical services and thought leadership to our industry." //


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ANNEKA **SCIOLA**

▸ Director of Advisory Services, *Calvetti Ferguson*

As the director of advisory services at Calvetti Ferguson, one of the largest independent accounting and advisory firms based in Texas, Anneka Sciola has a full plate. She leads teams of up to 10+ resources a year to generate over 10% of the firm's annual revenue.

This means overseeing more than 50 projects per year, but that's not all. She also strives to meet business development targets that include valuation, M&A transaction advisory, litigation advisory and expert witness testimony, corporate turnaround and restructuring, and technical accounting support.

With all of this, Anneka has big plans for 2021. "I hope to grow my firm's Advisory practice to new and different markets. I also plan on obtaining my Certified Valuation Analyst credential and continuing to grow and expand my skill sets in the areas of valuation and M&A," she says.

Last year, Anneka's team was nominated for the 2019-2020 ACG Houston Deal of the Year Award in the consumer products and services category for Jurassic Quest, the world's largest traveling animatronic dinosaur experience. Also during 2020, she was designated on several occasions to serve as a financial expert witness, explaining complex financial and accounting matters to judges and juries.

> "I RECENTLY SUPPORTED A CLIENT WHO DIDN'T KNOW HOW MUCH TIME SHE HAD LEFT TO LIVE, AND SHE THANKED ME FOR EFFICIENTLY GETTING HER THROUGH A NUANCED ESTATE PLANNING PROCESS.

Being of service is one of the most rewarding things about her job. "I recently supported a client who didn't know how much time she had left to live, and she thanked me for efficiently getting her through a nuanced estate planning process," Anneka says. "I felt really good knowing that I took care of her business needs so she could maximize the time she could spend with her family."

Anneka has big plans for the decade ahead. "I see myself leading my own book of business in the firm, concentrating in Houston and expanding to markets beyond, servicing clients in succession planning, M&A and litigation services," she says. "I find a lot of personal joy in helping develop other team members in their career trajectories. I am eager to watch them grow into future managers and partners as they move forward in their careers." //

JUSTIN **LOEB**

Vice President,
Clearsight Advisors

According to Clearsight Co-founder and CEO Joel Kallet, when Clearsight Advisors' former clients refer new ones to the firm, they often add a piece of advice: "Make sure you get Justin Loeb to work on your deal."

It's a testament to the rapport Justin builds with clients and deal sources alike in his role as vice president at Clearsight, a boutique investment bank headquartered in Washington, D.C., that focuses on the professional services, IT services and technology-enabled services industries.

After joining Clearsight in 2014, Justin worked on dozens of M&A advisory engagements, becoming a banker that former clients recommend by name. His current role includes staffer for the firm's analysts and associates as well as leading two of Clearsight's newest initiatives: Merchant Banking and Sponsor Coverage.

Clearsight launched its Merchant Banking group in 2020 as a way for the firm to deploy its own capital by investing in growth-oriented professional services and IT services firms.

According to Justin, "The capital markets for smaller, quickly growing high-end services businesses have historically been quite limited. With our exclusive focus on these growing end markets, we are excited to do our part to change that."

Although COVID-19 slowed the Merchant Banking effort last year, Justin used the pause to get in front of as many private equity firms as possible and now leads Sponsor Coverage for Clearsight. "As the number of PE firms interested in professional, IT and other high-end services industries explodes, there has never been a more important time for Clearsight to have a centralized sponsor coverage function to augment our existing relationships and to nurture new ones," he says.

Looking to the future, Justin is excited about his new responsibilities at Clearsight, crediting the experience he's gained through his time with the firm. "Clearsight is a unique platform—while we remain exclusively focused on certain subsectors, we are committed to providing a comprehensive suite of strategic, financial solutions to our clients and prospective clients," Justin says. "We are very well positioned to take advantage of the tailwinds in the industries we cover, and I've never been so excited about our future." //

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WE ARE VERY WELL POSITIONED TO TAKE ADVANTAGE OF THE TAILWINDS IN THE INDUSTRIES WE COVER.

SHAF **CHOWDHURY**

▸ **Senior Vice President,** *Houlihan Lokey*

Although no one expected a pandemic in 2020, some in the business community were starting to prepare for an eventual recession. Among them was Houlihan Lokey Senior Vice President Shaf Chowdhury, who led a coordinated effort to expand transaction advisory capabilities involving distressed companies within the global investment bank.

Historically, Houlihan Lokey's Transaction Advisory Services practice focused on providing M&A due diligence, tax and accounting advisory services for clients looking to acquire or divest healthy middle-market companies. In 2019, Shaf teamed up with the firm's industry experts in M&A, restructuring and financial advisory to develop tailored solutions for clients interested in acquiring businesses facing industry disruption, liquidity constraints, trade wars and other global macroeconomic forces.

That effort paid off. As the COVID-19 outbreak wreaked havoc last year, a large food and beverage company hired Houlihan Lokey to advise on its acquisition of a significant customer that had filed for bankruptcy. "Given our early momentum, we were able to mobilize quickly and help our client navigate a complex bankruptcy process and close the transaction in early 2020 during the peak of the pandemic," Shaf says.

But it wasn't just a successful outcome for Houlihan Lokey and the client, he adds. "The most notable achievement is that we helped our client make critical decisions quickly, which preserved nearly 12,000 jobs that were at risk due to bankruptcy during an unprecedented economic downturn."

Since joining Houlihan Lokey in 2015, Shaf has worked on more than 80 M&A transactions. He leads buy-side and sell-side due diligence engagements and is involved in all aspects of execution and client relationship management. His role also includes recruiting, training and developing members of his team.

Outside of Houlihan Lokey, Shaf has fostered a community of junior deal-makers in New York, helping young M&A professionals build their network and find new opportunities.

"I believe that success is a combination of hard work, integrity and a little bit of luck," Shaf says. "While the latter can't be controlled, I believe we all have the ability to 'influence' luck, and I do it through encouraging myself and my colleagues to learn something new every week, which ultimately leads to both professional and personal growth." //

MICHELLE **MACKLIN**

▸ **Advisory Manager,** *Calvetti Ferguson*

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I WOULD LIKE TO HAVE A HAND IN ESTABLISHING CALVETTI FERGUSON AS THE MIDDLE-MARKET FIRM OF CHOICE IN DALLAS-FORT WORTH FOR BUSINESSES OF ALL TYPES.

When the call came, Michelle Macklin was ready for action.

Last June, the director of Calvetti Ferguson's Advisory Services practice went on maternity leave. Michelle was an advisory associate for the Houston-based accounting and advisory firm and was halfway through her second year at the time. (She was promoted to senior associate last July and to manager in January.) She jumped at the opportunity.

The Advisory Services practice consists of only three people who generate approximately $2 million per year in revenue. Michelle's responsibilities included training and developing its contingent staff, project management, analysis and execution, client relationship management and business development.

Her team began a sell-side transaction advisory project for a provider of large-scale capital construction projects. Michelle managed the first phase of this sell-side process, which consisted of both a quality of earnings report and a valuation. “We received feedback that the quality of earnings report prepared for this particular client was the best they had ever read,” she recalls.

“In just 12 short months I went from no experience to managing the process and executing a very high-quality product,” she adds.

Michelle followed a non-traditional path in her career. She graduated from the University of Arizona with a degree in psychology in 2001 and spent the next decade as a top-performing pharmaceutical sales rep in Tucson, Arizona. After being laid off in 2010, she stayed home with her young children and planned her next step.

She has clear thoughts about her future. “I would like to have a hand in establishing Calvetti Ferguson as the middle-market firm of choice in Dallas-Fort Worth for businesses of all types. And specifically, I would like to play a role in cementing our Advisory practice and all that we offer—M&A and transaction services, business valuations, corporate consulting and succession planning, bankruptcy and restructuring, and more—into the Fort Worth market,” she says. //


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ALON **DEBBI**

▸ **Vice President,** *White Wolf Capital LLC*

As a vice president for private equity firm White Wolf Capital, Alon Debbi is not satisfied with the status quo—especially when it comes to sitting in meetings that lack new ideas.

Last year, in response to perfunctory weekly management calls, Alon suggested improvements to the calls with White Wolf's portfolio companies. His proposed agenda and process changes focused on the specific business in question and the results were striking: A noticeable uptick in engagement, passion and suggestions that have led to meaningful—and effective—actions.

This role as a young leader makes sense for someone who served as a sergeant first class for an intelligence unit in the Israeli Defense Force's Special Forces.

"The training and selection process of the Special Forces Unit where I served weighed the following values far more heavily than any physical abilities: Your ability to be a team player, remain humble, and stay confident, despite all the challenges you face," says Alon.

His superiors at White Wolf have noticed these attributes and have called him "preternaturally calm and steady under duress, while at the same time driven to continuously improve."

> "ALON'S HUMILITY AND KNACK FOR ENCOURAGING ENGAGEMENT AMONG ALL COLLEAGUES IS UNIQUE.

"Given these endowments, Alon's humility and knack for encouraging engagement among all colleagues is even more unique," says Don Ronchi, managing director of White Wolf.

Alon joined White Wolf in 2015 as one of its earliest employees and he soon found that he enjoyed the challenges of working with a small team. Last year, Alon helped lead and significantly contributed to the closing of several acquisitions, after helping with four the year prior. That year, he also helped create a new roll-up strategy focused on anti-terrorism and force protection construction services to federal government agencies and commercial customers, all while completing his Executive MBA at Columbia Business School. //

ERIC **PERLMUTTER-GUMBINER**

Counsel, *Greenberg Glusker LLP*

Although the COVID-19 pandemic put many deals on ice in 2020, an enterprising few like Eric Perlmutter-Gumbiner, counsel at Los Angeles-based law firm Greenberg Glusker, not only kept deals flowing, but surged ahead for a banner year.

Eric was part of the team that represented digital media company Barstool Sports in its sale to Penn National Gaming in 2020, the first major transaction between a media and gaming company since the Supreme Court legalized sports betting in 2018.

In addition to Barstool's sale, Eric worked on a wide variety of M&A and financing transactions last year, including Liquid I.V.'s sale to Unilever. He also ran a few acquisitions for Assembly, a portfolio company of Providence Strategic Growth.

"I love doing these transactions because I am able to take the skills gained from my sell-side M&A representations and use them to understand the sellers' pressure points to quickly close deals," he says.

Separate from his M&A work, Eric assisted the co-founders of cannabis dispensary giant MedMen in their investment in Coastal Holdings. He also worked to secure debt financing for ACI Media Group.

Eric capped off the year with the completion of a $125 million Series A financing for one undisclosed client, which he helped take from signed term sheet to funding in 11 days. He also worked with Stage Venture Partners and Phoenix Rising in their seed investments.

"I understand the role of a lawyer as a facilitator and not a roadblock in business," says Eric, who holds an MBA as well as a JD. "This allows me to clearly and concisely communicate to my clients which risks are acceptable and which must be avoided."

Eric is an active member in ACG Los Angeles, where he's participated in the chapter's Rising Stars program. He has also been included on Super Lawyers' Rising Stars list every year since 2015. //

"I UNDERSTAND THE ROLE OF A LAWYER AS A FACILITATOR AND NOT A ROADBLOCK IN BUSINESS.

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US PE Middle Market Report

2020 Annual

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Introduction

The US middle market ended a tempestuous year by recording $480.9 billion in deal value—by a slim margin the highest annual number on record. After the near halt of deal activity in the wake of COVID-19 in Q2 2020, convergent trends drove the middle-market recovery in Q3 and a dealmaking frenzy in Q4. In 2020, deals priced under $500 million accounted for the greatest share of middle-market deals since the global financial crisis (GFC), as some PE firms acted opportunistically to acquire assets at a discount, while others snapped up small companies with growth potential buoyed by the pandemic. At the upper end of the market, a flight to quality drove elevated valuations in the technology, healthcare, and financial services sectors.

In 2020, US middle-market exits fell for the second year in a row as many GPs delayed Q2 exits amid market turmoil. However, by the end of the year, GPs were making up for lost time in earnest, driving Q4 exit activity above pre-pandemic levels—a trend that will likely continue into 2021. Although sponsor-to-sponsor exits declined YoY, they remained the most common exit type for middle-market portfolio companies. Looking ahead, special purpose acquisition company (SPAC) mergers may facilitate more public exits for middle-market companies.

Although the amount of capital raised dipped by approximately one third YoY, 2020's US middle-market fundraising proved resilient all things considered. GPs raised 127 middle-market funds for a combined $101.1 billion—a far cry from 2019's record-breaking heights but roughly on par with fundraising levels in 2016-2018. As a result of 2020's disruptions, LPs flocked to middle-market funds raised by the largest PE firms, especially funds focused on technology and healthcare.

Rebecca Springer, Ph.D.
PE Analyst

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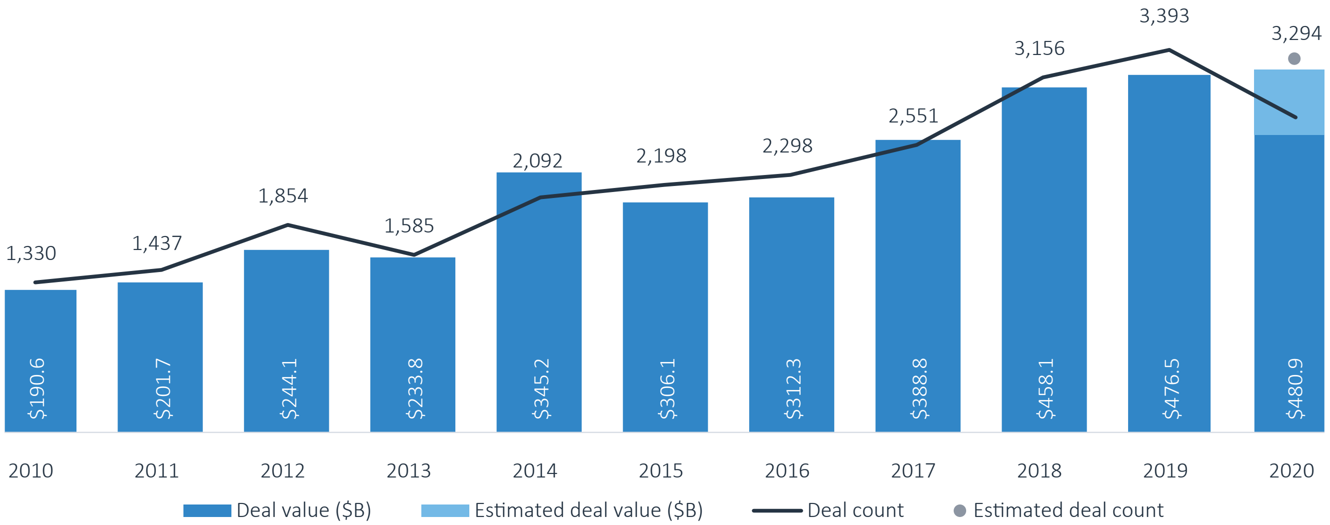
Overview

PE middle-market deal activity

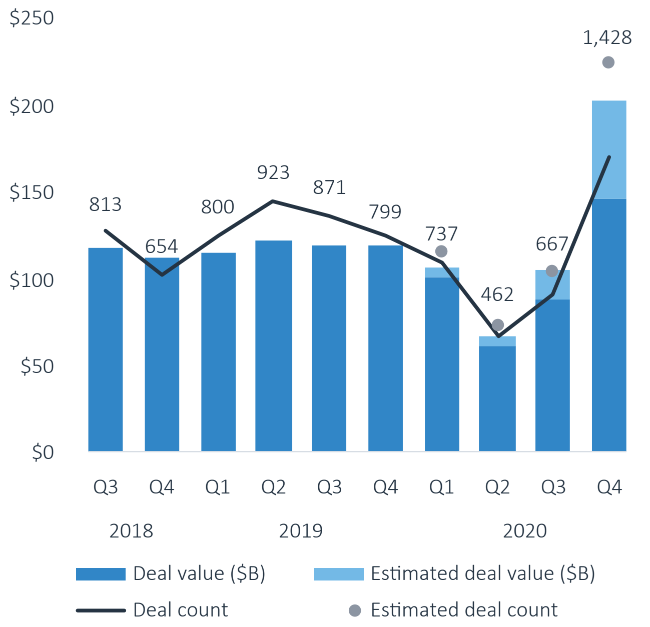


Source: PitchBook | **Geography**: US

US middle-market dealmaking in 2020 came in roughly flat with 2019's numbers. In 2020, middle-market PE firms closed 3,294 deals—just 2.9% under 2019's deal count—for a combined $480.9 billion, making it the highest annual deal value on record, albeit marginally. The fact that middle-market dealmakers not only weathered the unprecedented effects of the pandemic but also eked out a record-breaking year points to the resiliency and adaptability of PE middle-market strategies. By contrast, US PE as a whole declined 7.3% in deal volume and 3.4% in deal count YoY. Of course, these numbers obscure a more tumultuous story. In 2020, the US middle market posted both its worst quarter since 2013 with 462 deals for $67.3 billion in Q2, and its best quarter on record with 1,428 deals for $202.1 billion in Q4.

The narrative of Q2's dealmaking collapse followed by Q3's quicker-than-expected resumption and Q4's furious rebound of activity hardly needs repeating. The middle market was particularly hard hit in the early months of the pandemic: The default rate for companies with $25 million to $50 million in EBITDA leapt from 5.2% in Q1 to 6.7% in Q2.[1] Employment at US firms with between 50 and 999 employees—a rough approximation for the middle market—plummeted by 15.6% in April, dwarfing the effects of the GFC in 2008-2009 in both scale and immediacy.[2]

PE middle-market deal activity by quarter



Source: PitchBook | **Geography**: US

1: "Proskauer Releases Q4 Private Credit Default Index," Proskauer, February 8, 2021.
2: "ADP National Employment Report," ADP Research Institute," January 2021.

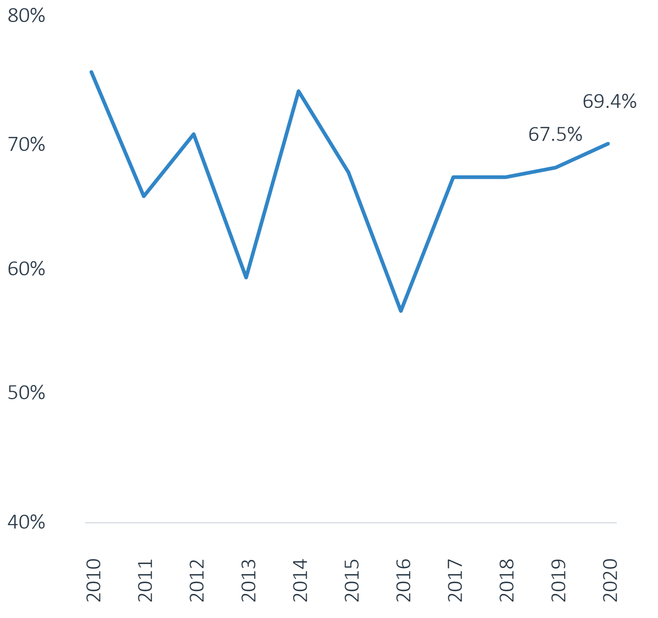
Overview

Congress and the Federal Reserve responded with unprecedented stimulus actions, which totaled around $3.9 trillion at the federal level, or around 18% of US' Q4 2020 GDP.[3,4] These interventions drove the macroeconomic recovery by pumping liquidity into the markets and boosting investor confidence. However, many PE middle-market portfolio companies were shut out of both congressional and Federal Reserve small-business loan programs. Congress' Paycheck Protection Program was available to companies with 500 employees or fewer, but the legislation counted the employees of a firm's majority-owned portfolio companies against that limit.[5] The Fed's small-business loan program was more inclusive, but it prohibited loans to companies leveraged over 4x EBITDA.[6]

Despite these challenges, the wave of restructurings that characterized the GFC did not materialize. GPs found alternative ways to shore up portfolio company balance sheets, including net asset value loans. PE firms worked closely with lenders—many of which are sponsors rather than banks—to prevent their portfolio companies from declaring bankruptcy. PE portfolio companies also benefited from guidance in cutting costs, moving product offerings online, and pivoting to take advantage of shifting consumer demand due to the pandemic lockdowns. Although revenue was hit hard in many verticals, rapid adaptation and the swift macroeconomic recovery meant that the economic impact of the pandemic was less than initially anticipated. In Q2, PE-owned middle-market companies projected an average 23.4% EBITDA decline for 2020; in Q3, they revised this projection to a decline of 13.1%. Finally, even if PE portfolio companies could not directly gain access to federal rescue loans, the Fed's overall program of debt purchasing and lowering interest rates fostered an environment of easy access to capital that facilitated the resumption of dealmaking during H2.

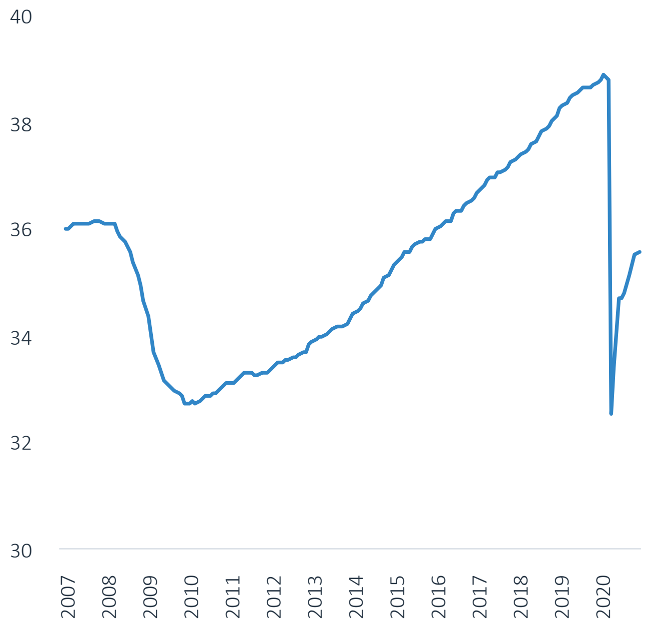
In the second half of 2020, progress in vaccine development and distribution provided a light at the end of the tunnel for many industries. In November and December, anticipation of a second large stimulus bill under the Biden administration pushed the Russell 2000 to new heights to close the year up 18.8%. Gains in the Lincoln Middle Market Index (LMMI), comprised of majority-PE-owned companies with a median EBITDA of around $30 million, look modest only by comparison: The LMMI finished 2020 up 7.3% after a record Q4, with average EV/EBITDA multiples at around 11x—above the pre-pandemic multiple.[7]

PE middle-market deals ($) as proportion of PE deal flow



Source: PitchBook | **Geography**: US

Employment by US firms with 50-999 employees (millions)



Source: ADP® National Employment Report™

3: "Policy Responses to COVID-19," International Monetary Fund, March 4, 2021.
4: "Gross Domestic Product, Fourth Quarter and Year 2020 (Second Estimate)," Bureau of Economic Analysis, February 25, 2021.
5: "H.R.7010 - Paycheck Protection Program Flexibility Act of 2020," Congress.gov, June 5, 2020.
6: "Main Street Lending Program," Federal Reserve, March 11, 2021.
7: "Q4 2020 Lincoln Middle Market Index," Lincoln International, February 2021.

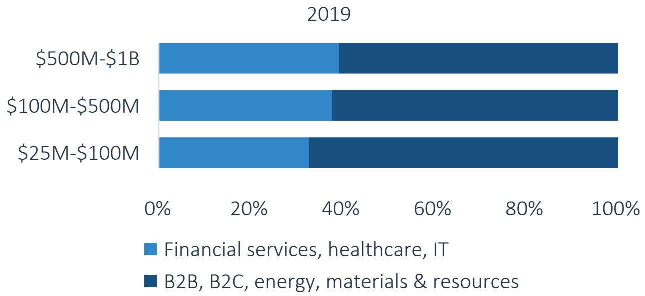
Overview

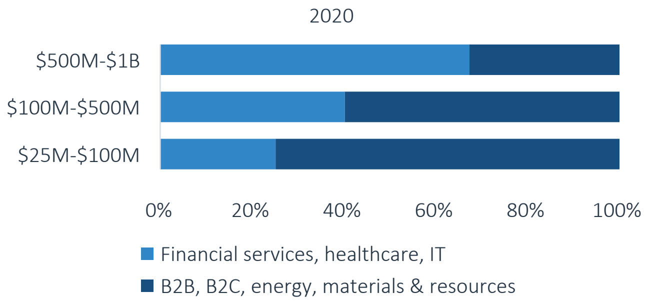
Looking ahead, many of the transactions that were initiated as confidence soared late in 2020 will close in Q1 and Q2 2021. Further, expanding vaccine distribution and recent employment gains suggest that the worst of the pandemic may be over. For these reasons, we anticipate elevated middle-market PE activity will continue in early 2021.

With these macroeconomic factors in the backdrop, convergent trends drove 2020's middle-market recovery. The median middle-market deal size declined sharply, from $200.0 million in 2019 to $165.5 million in 2020. Deals priced under $500 million accounted for the greatest share of middle-market deals since the GFC, with sectors that were more exposed to the effects of COVID-19—B2B, B2C, energy, and materials & resources—disproportionately represented. Some PE firms acted opportunistically to acquire assets at steep discounts to their fundamentals. For example, in August 2020, MiddleGround Capital bought a majority stake in DURA Automotive Systems, an automotive components manufacturer that had reportedly drawn buyout offers over $400 million in 2018, for just $65.0 million. DURA's bankruptcy administration had been complicated by COVID-19, which enabled MiddleGround to enter as a buyer.[8] Another noteworthy example of opportunistic dealmaking was Retail Ecommerce Ventures' (REV) purchase of intellectual property and e-commerce assets from several distressed consumer brands, including RadioShack and Pier 1 Imports. A fundless sponsor that partners with high-net-worth individuals (HNWIs), REV has found a wealth of targets since its 2019 inception.

Other GPs sought healthy companies with growth potential buoyed by the pandemic. Often, founder-owners of smaller companies decide to sell based on both personal and financial motivations. Faced with both H2 2020's continued market uncertainty and, in many cases, nearing retirement age, many small-business owners became more receptive to acquisitions. The specter of corporate and individual tax rate hikes by a Democratic-controlled Congress also spurred some to consider selling. Mechanisms such as earn-outs and seller rollover investments—deal terms that were already growing in popularity prior to the pandemic—were incorporated into deals and enabled parties to bridge pricing expectation gaps even in the market trough. In a deal that encapsulates several aspects of 2020's middle-market climate, Brand Velocity Partners led a $140.0 million buyout of BBQGuys, a company that sells outdoor grilling and kitchen equipment and had nearly

PE middle-market deals ($) by sector group and segment





Source: PitchBook | **Geography**: US

doubled its revenue in 2020. BBQGuys' founder sold in order to spend time with his family after recovering from COVID-19.[9]

At the upper end of the market, a flight to quality drove elevated valuations in the technology, healthcare, and financial services sectors. Deals in these three sectors together accounted for around two thirds of upper-middle-market buyout deal value in 2020, compared with less than half in 2019. Healthcare, a longstanding haven for investors during downturns, was joined by technology as the pandemic bolstered demand for digital solutions and software-as-a-service (SaaS) business models proved their potential to generate sticky revenue. Bolt-on deals allowed PE-backed technology companies to add market share in key growth industries. For example, Ivanti Software, an enterprise security software company backed by Clearlake Capital Group and TA Associates, paid $872.0 million for MobileIron and an undisclosed amount for Pulse Secure, both software providers that secure employee mobile devices in remote work environments.
The financial services sector benefited from both 2020's

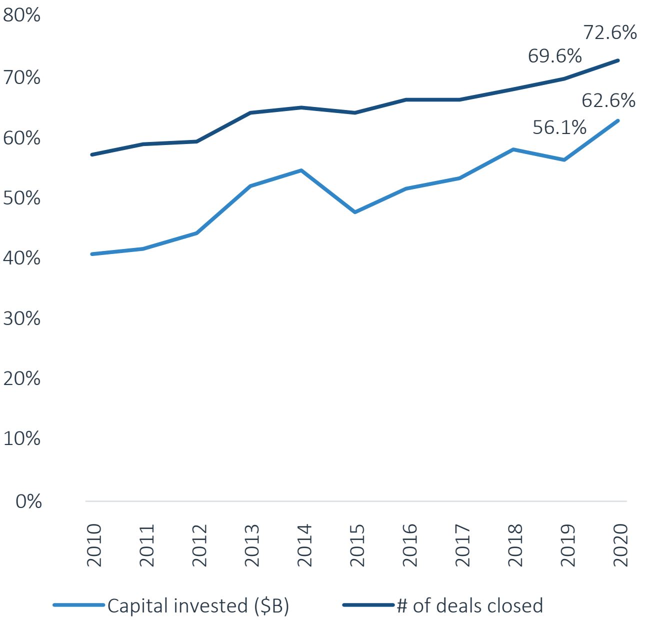
8: "Four Auto Trends Ripe for PE Investment," Buyouts Podcast, Chase Collum, November 30, 2020.
9: "How a Brush With COVID-19 Spurred the Sale of an Outdoor Grill Maker," *Barron's*, Luisa Beltran, September 29, 2020.

flight to technology and the continued popularity of roll-ups. Insurers have increasingly looked to technology providers to modernize processes and cut costs. In September 2020, Thoma Bravo took Majesco private for $729.0 million, and in November, Clearlake Capital Group purchased Zywave, an automation SaaS platform for the insurance distribution industry, for $900.0 million—becoming the third private equity group to buy out the company.

At the same time, in the highly fragmented insurance brokerage space—a favorite playground for PE firms that specialize in roll-ups—the economic downturn put temporary pressure on top-line revenues for insurance distribution. Because middle-market insurance brokers typically sell to small enterprises, the knock-on effects of exposure to verticals such as retail and hospitality may have contributed to the supply of business owners willing to sell. While some acquisitive insurance brokerage platforms such as Madison Dearborn Partners' NFP paused add-ons midyear before accelerating in Q4, others, such as GTCR and HarbourVest Partners' AssuredPartners, continued to roll up small brokerages even during the darkest months of the pandemic. Add-ons accounted for just under 85% of middle-market financial services deals in 2020, which is roughly on par with 2019's figures.

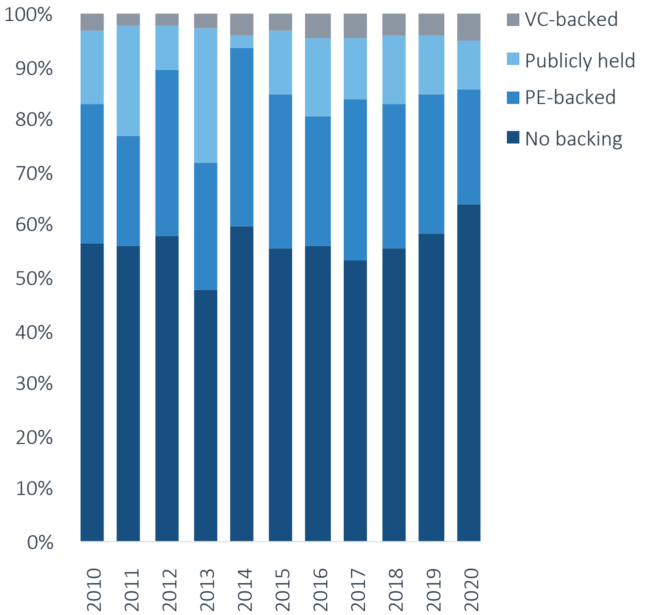
Add-ons continued to propel middle-market activity in

Add-ons (#) as a proportion of PE middle-market deals



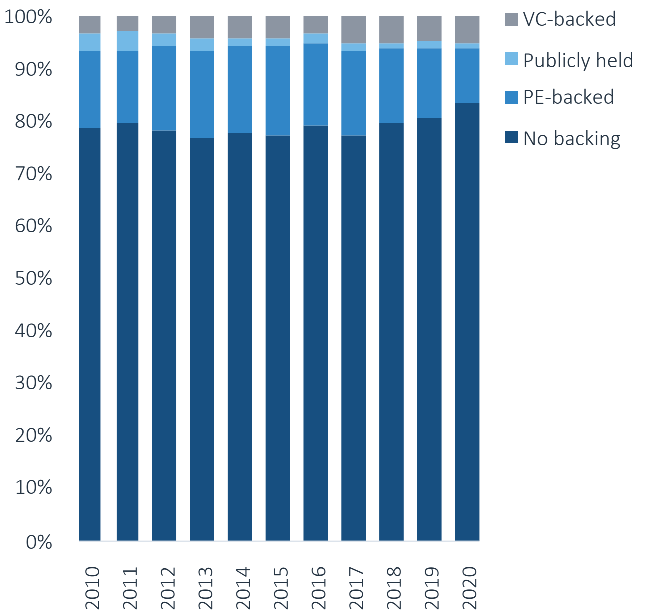
Source: PitchBook | Geography: US

PE middle-market deals ($) by backing status



Source: PitchBook | Geography: US

PE middle-market deals (#) by backing status



Source: PitchBook | Geography: US

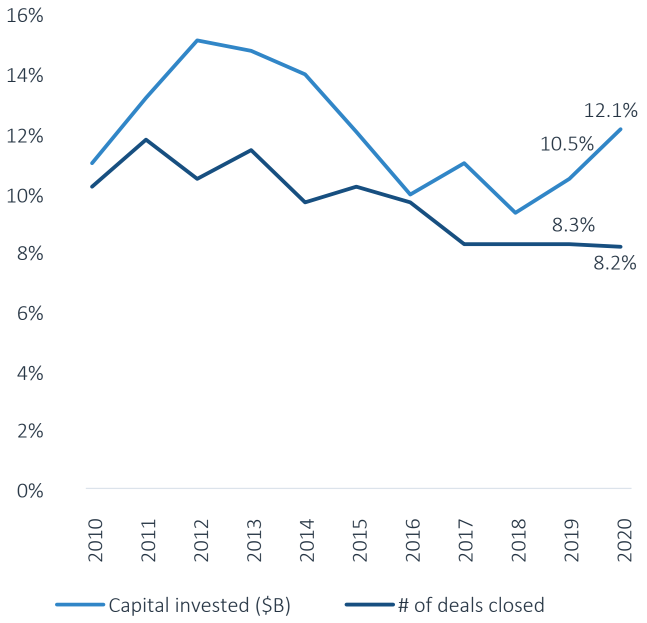
2020, topping 70% of middle-market deals for the first time. Although the strategy has grown in popularity over the past two decades regardless of macroeconomic trends, it is worth noting that add-ons can be particularly attractive to PE as a recessionary hedge. Volatility and depressed valuations in some sectors caused GPs to delay exits in 2020. In the face of elongated hold periods and the resulting drag on IRR, completing an add-on acquisition can help accelerate growth.

In a related trend, sponsor-to-sponsor buyouts sharply declined as a proportion of middle-market deals, ultimately hitting 20.0%—the lowest reading since 2009. Opportunistic sponsors were on the hunt for COVID-19 discounts to valuations, particularly for smaller companies, while PE sellers held on to portfolio companies with strong fundamentals in hopes of exiting at better prices as the pandemic subsides. Coupled with the attractiveness of smaller add-on targets—which are less likely to be institutionally backed—this misalignment pushed buyouts of private companies with no institutional backing to 64.0% of middle-market buyouts by deal size and 83.2% by deal count, the highest reading since 2009.

Meanwhile, venture-backed companies—especially enterprise SaaS companies—continued to account for a growing proportion of middle-market buyouts. On the heels of raising three buyout funds, Thoma Bravo was particularly active in this space. The firm acquired Exostar, a cloud-based identity management provider, in a $100.0 million buyout. It also bolted Conga, a cloud-based commercial operations platform, on to its portfolio company Apttus for $715.0 million.

Although median middle-market deal size declined in 2020, corporate divestitures continued to augment. Carveouts represented just 8.2% of PE middle-market deals by count—but 12.1% by value. Large carveouts allowed diversified companies to refocus on their core businesses with added liquidity. For example, in December 2020, Kainos Capital acquired Nutrisystem, a weight loss meal program, from Tivity Health (NASDAQ: TVTY), which manages senior healthcare and wellness brands. Expected synergies between Tivity and Nutrisystem had not materialized, and the sale price of $575.0 million was less than half of the $1.3 billion that Tivity Health had paid for Nutrisystem just 15 months earlier.

Carveouts and divestitures as a proportion of PE middle-market deals



Source: PitchBook | **Geography:** US

Q&A: Antares Capital

Optimism serves as a highly effective vaccine for the economy...

Lately, middle-market PE deal activity has cooled from Q4 2020's record pace, but the outlook nevertheless remains favorable for 2021. Based on our recent Fifth Annual Compass Survey of PE sponsors, borrowers, and investors, confidence in the US economy is high. In fact, it is up from the already high reading from our early 2020 pre-pandemic survey—and up even more for the global economy. Previous worries of a possible COVID-19 next-wave-induced downturn seem to have evaporated, and default rate expectations have declined with most 2021 US GDP growth estimates near 5%. Given this reassuring backdrop, most of our survey respondents expect M&A activity will rise over the next 12 months—especially given the specter of higher capital gains tax rates looming in 2022.

...but beware of side effects.

Anxiety over inflation may seem undue with the 10-year treasury note yield at 1.4% at time of writing—and some transitory inflation and a steepening yield curve would be welcome tell-tails of an entrenching recovery. However, stretched valuations could become vulnerable to a "taper tantrum" narrative from those lamenting froth (e.g. green bubbles, SPAC bubbles) from too much stimulus as inoculated consumers emerge from their winter dens, ready to take vacations with stimulus checks in hand. Even if inflation proves to be as tamable and transient as hoped, supply chain constraints and rising input costs could squeeze margins for certain borrowers short on pricing power. As the pandemic determined winners and losers in the downturn of 2020, so it may in differing ways in the upturn of 2021.

The private debt market appears to have passed 2020's stress test with flying colors, but another shock, such as virus mutations or Sunburst hack fallout, could come at any time. As a lender, it's okay to be optimistic, but it's never a good time to be complacent.

Q&A with Dave Brackett

With 2020 in hindsight, how do you feel private debt performed? Any key learnings to take moving forward?

Dave Brackett

Chief Executive Officer
Antares Capital

Dave is a member of Antares' Investment Committee as well as Antares' Board of Directors. Previously, Dave served as president and CEO for GE Antares. He was a founding partner when Antares was formed in 1996. Prior to starting Antares, Dave was a senior executive with Heller Financial.

There was variance among lenders, but in general, private debt as an asset class appears to have performed quite well through the COVID-19 stress test. Credit rating agencies have been cutting their default rate forecasts from initially dire levels that were near those of the global financial crisis to more benign levels. Public business development company nonaccruals have been trending down since their peak in Q2 2020. For our part, given such a challenging year, we are happy that losses net of recoveries were consistent with our low historical average.

In terms of lessons learned, the experience certainly reinforced our preference for sponsor-backed companies and our biases on industry exposure. Our sponsors were very agile in supporting their companies and infusing equity when needed. Also, certain environmental, social, and corporate governance-related (ESG) considerations such as increased focus on employee health and safety and supply chain sustainability came to the forefront. The period also underscored that strong governance and controls over ESG factors are indicative of a more mindful management team that can better monitor potential risk factors to drive business resilience.

What is the outlook for 2021? Can you share some of your findings from your recent Compass Survey?

The outlook for 2021 looks bright. Based on our Fifth Annual Compass Survey completed in February 2021, 75% of sponsors, 65% of borrowers, and 79% of investors are confident in the US economy over the next 12 months. These readings were generally above last year's pre-pandemic survey results, with a higher percentage of the mix now very confident. Confidence in the global economy rose more sharply YoY, though it is still below the levels of confidence in the US economy. On the flip side, compared with 2020's survey, a greater majority see a recession as unlikely or very unlikely in 2021. The earnings outlook also looks bullish, with 87%+ of borrowers expecting to see moderate to strong revenue and EBITDA growth over the next 12 months. Given such favorable trends, it is unsurprising that most—53%—of investors surveyed expect default rates to end 2021 below 4%—with 85% expecting them to fall below 5%.

On the deal activity front, 74% of investors expect leveraged loan volume to increase this year versus only 19% in our early 2020 survey. Most—42%—expect an increase in the range of 3%-10%, with 32% predicting a rise of over 10%. This no doubt reflects expectations of higher M&A activity, with 65% of sponsors and 53% of investors expecting a pickup in M&A versus readings of only 17% and 21%, respectively, in the survey one year ago.

Coverage of the pandemic's impact on portfolios has been expansive. Are you seeing any second- and third-order impacts that may be underappreciated?

Since the pandemic hit, we have been closely tracking COVID-19's impact on our borrowers with heat maps that aggregate our borrowers up to the industry level. There are all kinds of secondary and tertiary impacts at the industry level—good or bad depending on which side of the K-shaped recovery you are on—such as restaurant shutdowns affecting food distributors and packaging companies, among others. Most of these impacts have been dissipating; our watch list counts are way down.

As the pandemic ebbs and demand rebounds, supply chain issues and rising raw material and labor costs are areas that may come into increasing focus. Prices for raw materials such as copper, silver, lumber, and other key inputs have already risen sharply. Some areas have been starved of capital, and many supply chains remain unsettled and face bottleneck issues. For example, a well-publicized shortage of semiconductor chips has already caused auto production cuts, which can ripple through to other areas. In our Compass Survey, supply chain management and rising costs were among the top of the list of external challenges anticipated in the year ahead.

How is the competitive landscape shaping up for private debt?

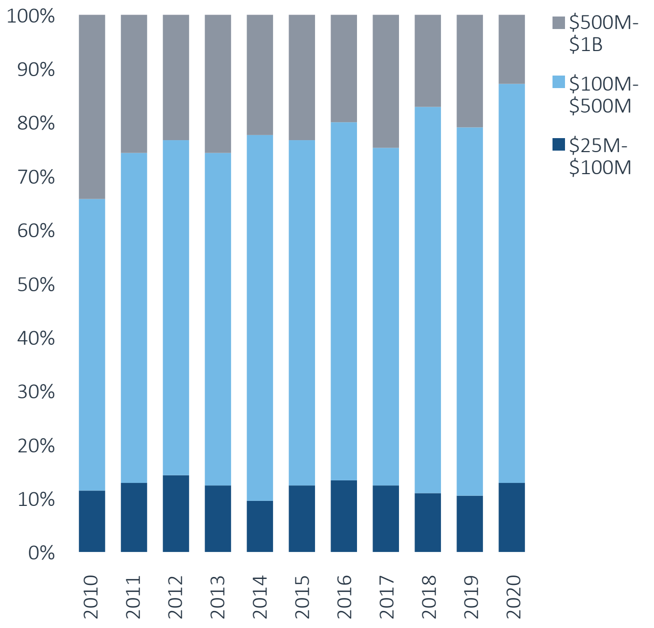
The pandemic played well to the strengths of the larger, established direct lenders. Investors sought comfort in allocating to experienced players with long track records, strong relationships, and the ability to mine add-on deal flow from their large, well-diversified portfolios of known credits. Q4 2020 was a particularly attractive period for deal flow for those able to go on offense, with high-quality companies issuing at attractive terms and spreads.

In Q1 2021, loan markets have become more issuer friendly as loan demand surged and new issue supply slackened. On the demand side, loan ETF and mutual fund net flows turned significantly positive in January 2021 for the first time since September 2018, with collateralized loan obligation (CLO) issuance continuing its rise. This has led to spread pressure, which has been most acute in broadly syndicated loans. This pressure has been rippling down into the upper middle market, but lately, core-middle-market spreads have been stable.

Looking forward, a slight majority—53%—of investors polled in our Compass Survey expect middle-market spreads to decline by 50-100 basis points over the next 12 months, while 47% expect middle-market spreads to hold flat at around 50 basis points. Recent spread pressure may abate in H2 2021 if M&A-related new issuance activity picks up as expected.

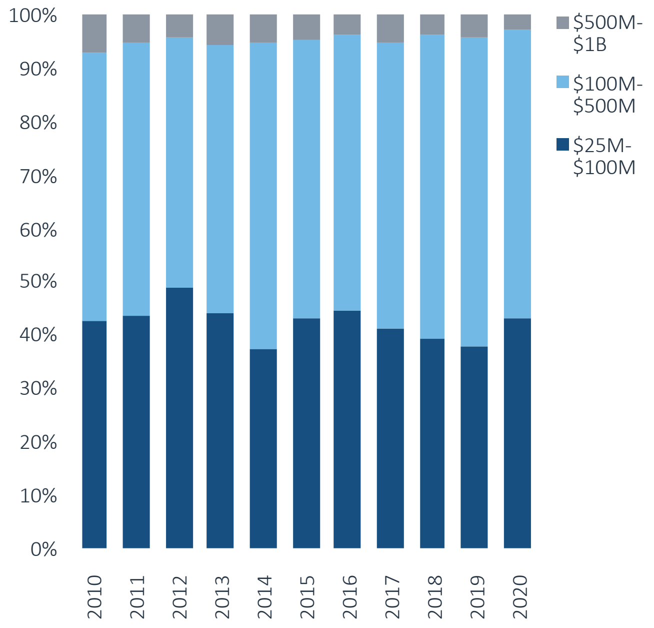
Deals by size and sector

PE middle-market deals ($) by size



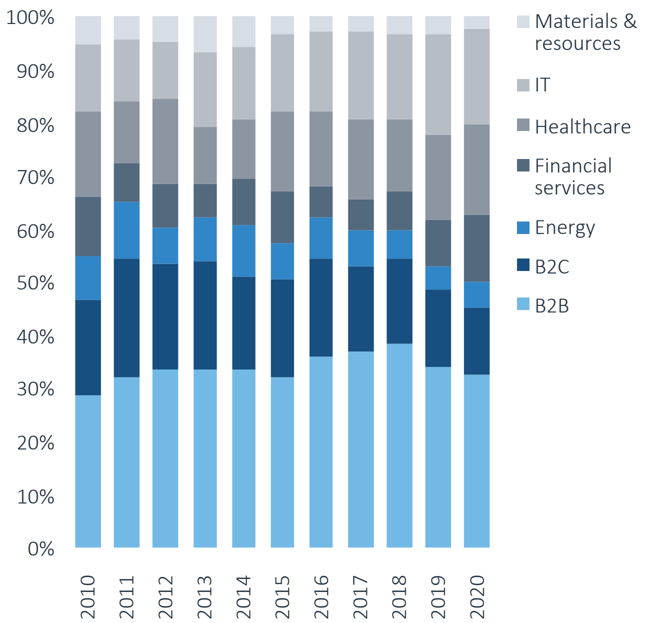
Source: PitchBook | **Geography:** US

PE middle-market deals (#) by size



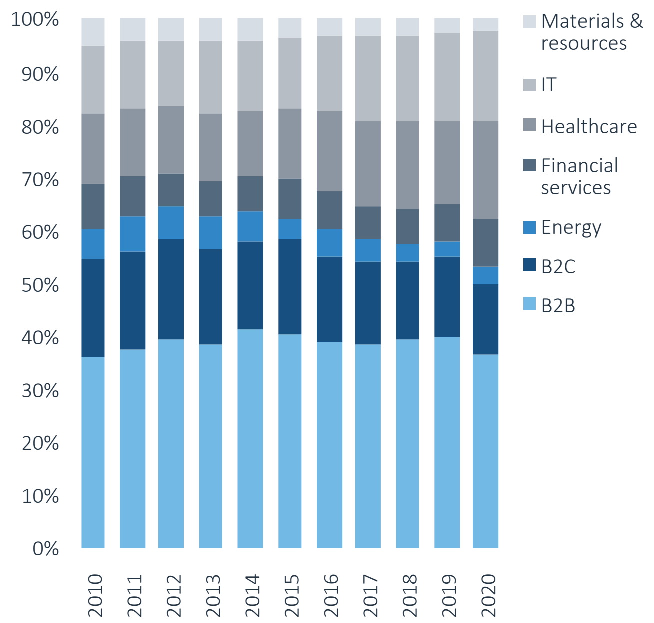
Source: PitchBook | **Geography:** US

PE middle-market deals ($) by sector



Source: PitchBook | **Geography:** US

PE middle-market deals (#) by sector



Source: PitchBook | **Geography:** US


Evaluating opportunities should never be a gamble.
Let our experts help you improve the odds.

Q&A: Corporate Resolutions, Inc.

With deal flow at record highs, investors continue to seek unique opportunities to deploy capital. According to PitchBook, more than one third of all PE and VC deals closed in 2020 took place in the fourth quarter. Whether sticking with traditional structures or joining the special purpose acquisition company (SPAC) excitement, we know that the success of any investment relies on the quality of the management team. It takes only one bad actor to destroy earnest intentions and bruise a company's reputation.

20 years ago, conducting a background investigation before committing capital was tantamount to subterfuge. The subtext was that the investor was wary of the company, suspect of its management team, or just paranoid. Fast forward to today: Hiring a background check company has become as rote as engaging legal teams—albeit far less expensive.

Now, a target company's management teams expect to be checked out. Investors who follow strict protocols on requiring all teams to be vetted have stellar reputations: They take their deals seriously, believe in their investments, and suffer no fools. Also, most LPs demand this level of scrutiny.

Not all background checks are created equal. A comprehensive background investigation is a qualitative endeavor requiring multiple ingredients to formulate a thorough review on which investors can rely. CRI offers experience, intelligence, access, and resourcefulness. Without each of these components, the information can be erroneous, misleading, or give a false sense of security.

As any scrupulous investor knows, the use of intelligent intelligence is boundless. The question is never why it should be commissioned but rather how it is exercised. In a competitive deal environment, it is even more important to have a trusted due diligence partner who can quickly assess opportunities and highlight key risks before writing a check.

To evaluate service providers in this space, experience and expertise, along with a balance of technology and human analysis, are priorities. When it all comes together, our clients' capital and reputation are preserved.

Joelle Scott

Chief Operating Officer
Corporate Resolutions, Inc.

With 20+ years of experience helping alternative investors mitigate risk, Joelle Scott oversees all aspects of research operations and client management at CRI. She is co-author of Digging for Disclosure: Tactics for Protecting Your Firm's Assets from Swindlers, Scammers, and Imposters. She earned her BA from Colgate University and her MS in journalism from Columbia University, where she also served as television executive Richard Wald's assistant for ten years.

How has the internet and social media affected your industry? Why can't I just Google the person?

To quote Kurt Vonnegut, "In this world, you get what you pay for," and Google is free. While the internet grants us access to thousands more sources, people are often eager to flaunt their accomplishments through social media, blogs, and biographies, among other outlets—while often disguising their true selves. This breadth of information is a great starting point for us, but it neither hastens nor replaces the research landscape upon which we rely.

Further, for CRI, performing a Google search is more than just typing a name into a search bar. We apply customized search strings, reverse imaging, and other creative research tools to find the real information.

For every bit of quality information online or through open sources comes an equal amount of bad: illegitimate sites, false social media profiles, and countless conspiracy theories that use the same names as well-respected businesspeople. Going to the primary source is critical. From the courthouse to the archive room, the original source determines the information's validity. After we identify these principle sources, we analyze the data to ensure our clients get an accurate picture rather than a pixelated one. Without these methods, we would've been unable to uncover the VP who tried to mask his predilection for inappropriate selfies or unveil the truth about the CEO who was accused of having connections to ethically questionable groups.

Q&A: Corporate Resolutions, Inc.

You have worked with private capital investors of all shapes and sizes. Do their needs and risk tolerance vary, and how do you address that in your research?

For 30 years, we have sought to protect the reputation and capital of each of our 300+ alternative investment clients. Our goal is not to make the ultimate decision on the deal—that is up to the investor. We provide firms with as much information as possible so that the decisions are easy to make. This ethos applies to every one of our clients.

Every investor has a different appetite for risk. One person's killed deal is another person's opportunity. We always hope that the management team we investigate will have a clean result—boring is never a bad thing for our clients. Often, however, that is not the case. When we find damaging information, a client's response varies. Some clients have walked away from a deal because of drunk driving incidents, while others have invested in a manager with a history of criminal behavior. Each investor's goal dictates the ways they respond to unsavory findings in a background check.

Some clients prefer a deep dive into every executive at a target company, while others need only a quick red flag review to close the deal. No matter the scope, the quest for risk mitigation applies to all of our clients. We have maintained—and expanded—an impressive client roster because of our ability to make our research bespoke enough to be valuable and standardized enough to be reliable.

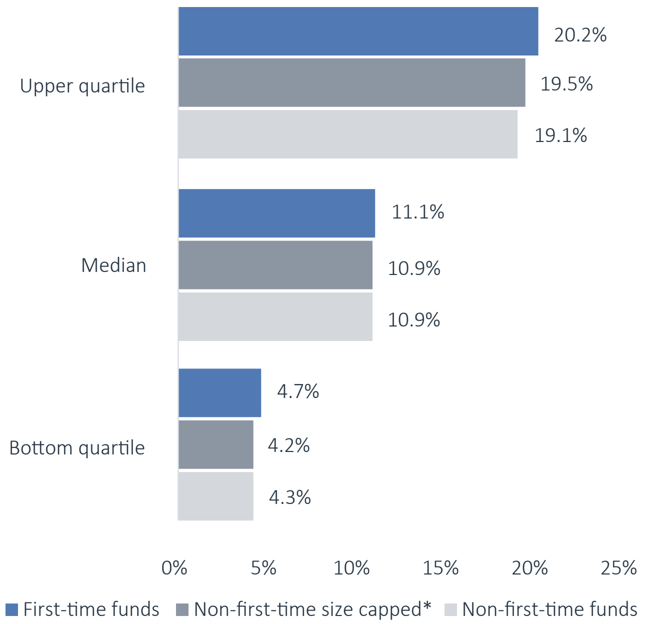
PE always has a "flavor of the month"—healthcare and technology are hot while manufacturing has been set aside. Do you specialize in a target industry? How do you address those needs?

The only industry in which we specialize is background investigations. We apply our creative methodology to every project. For instance, healthcare deals are more complex than investigating a company that manufactures auto parts. The healthcare sector requires us to independently gain access to the state licensing departments, federal agencies, and ancillary organizations that most medical professionals either belong to, are accredited by, or maintain licensure with. These departments are not interwoven; the records of one are not reflected in another. Without this knowledge, a background investigation in healthcare is rendered meaningless. From a research perspective, every industry has a distinctive set of criteria.

Like a newsroom, our team of analysts has differing perspectives and skill sets that are applied to specific projects. There is the young technophile who spends hours locating veiled social media profiles and reverse imaging geometric symbols; the land document specialist who loves investigating the real estate developer with hundreds of LLCs and property records; and the analyst who can recite the public record availability and sourcing of more than 76 countries. It is not the firm that needs to be specialized but rather the team that needs to be diverse.

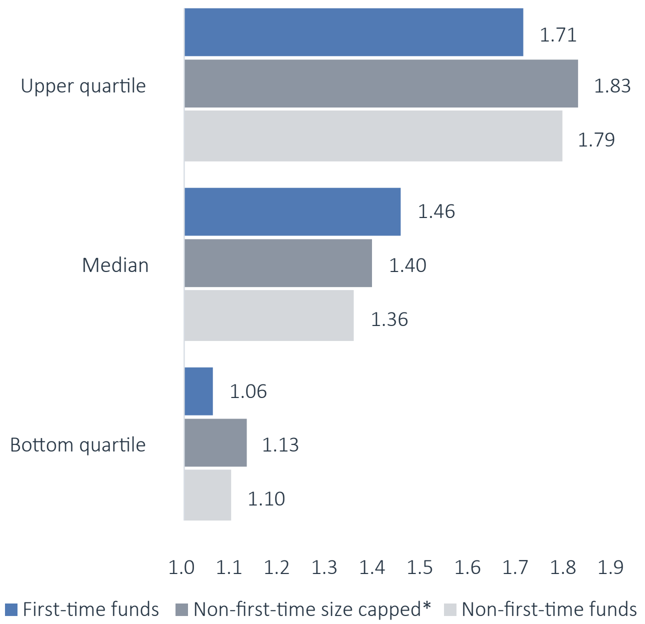
Spotlight: First-time PE funds

IRR quartiles by PE fund type



Source: PitchBook | **Geography**: US
**Fund size capped at the size of the largest first-time fund in each group.*

TVPI quartiles by PE fund type



Source: PitchBook | **Geography**: US
**Fund size capped at the size of the largest first-time fund in each group.*

Note: This spotlight was abridged from an analyst note on first-time PE funds. Please see this note for more detailed analysis.

There are several competing narratives around investing in first-time managers. Some LPs are attracted by the concept of the hungry emerging manager whose existence as a GP depends on the first fund's performance, while others commit to first-time funds precisely because they are pure strategy plays, with managers who left large generalists to focus on a niche. Still other LPs focus on building relationships with the next generation of great managers, which gives them preferential access to the GP's larger funds as the firm matures. Finally, a growing number of LPs, including several of the largest pension funds, operate emerging manager platforms that often explicitly aim to invest with diverse managers—either women- and/or minority-owned.

Fund performance

Despite the narrative around first-time funds outperforming their more-established peers, our data suggests outperformance levels are minimal in aggregate and sporadic in timing. Comparing first-time funds with more established funds reveals that first-time funds outperform by approximately 1 percentage point or less for IRRs across the bottom quartile, median, and top quartile—though first-time funds do hold the performance edge in each IRR quartile, even compared with other funds of a similar size. Looking at cash multiple returns, the results are clearer. But again, the difference between first-time, non-first-time, and size-capped non-first-time funds is negligible across the bottom quartile, median, and top quartile. This lends nuance to the notion of significant first-time fund outperformance and emphasizes the importance of picking top-quartile managers, regardless of the fund number from which the manager is investing.

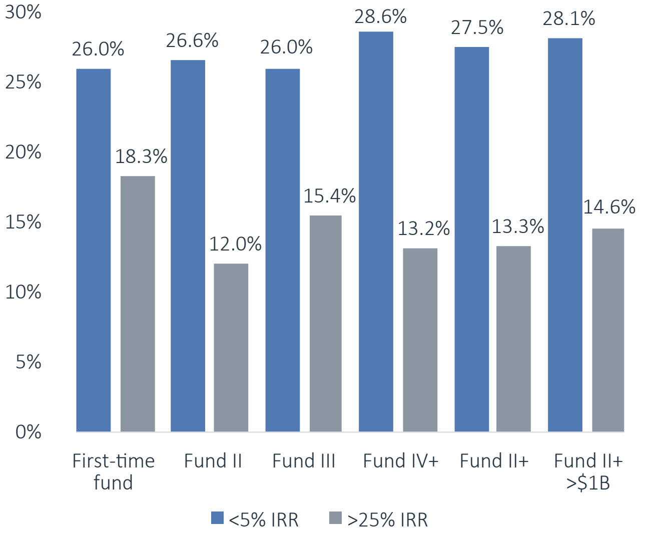
The data reveals that first-time funds have a comparable level of downside risk to more-established vehicles. First-time funds have just over a 25% chance of achieving an IRR of less than 5%, which is marginally lower than second, third, and other funds. The bull case, however, does appear more promising, with first-time funds delivering IRRs of more than 25% most frequently—at 18.3% of the time. Similarly, although first-time funds often post lower IRRs than more-established funds despite equal cash multiples, first-time funds have a quicker payback period.

Fundraising trends

The run-up to the GFC was the heyday of first-time fundraising. During this period, the private equity industry was less developed, which resulted in more opportunities for new managers to prove themselves. Since the GFC, however, LPs have been more conservative in their allocations to first-time funds. The unprecedented buildup of dry powder in recent years has been driven not by new entrants to the PE manager landscape but by investors' appetite for mega-funds—as well as established managers launching new strategies and entering new geographies.

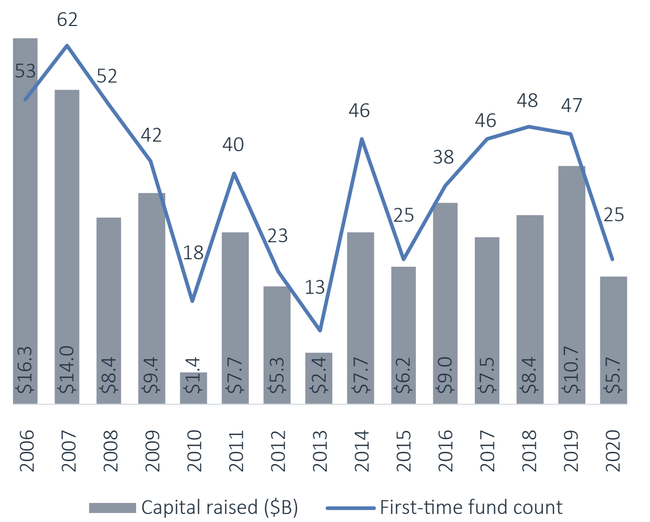
Meanwhile, first-time fundraising as a percentage of funds raised overall has held relatively steady since the mid-2010s. This includes 2020, a year that many observed anecdotally to have been particularly challenging for first-time fundraisers because of the problems posed by conducting due diligence without in-person meetings. Although the number of first-time funds raised nearly halved from 2019 to 2020, the drop-off was commensurate with overall declines in PE fundraising. This may be because funds that closed in early 2020 had already completed most of their fundraising before the pandemic hit. The pandemic may have even provided a tailwind for firms that specialize in resilient, fast-growing sectors such as technology and biotechnology. It remains to be seen whether there will be a lagged decline in the proportion of first-time funds raised in 2021, but our PE outlooks predict the best numbers in more than a decade.

Performance outcome by fund number



Source: PitchBook | **Geography:** US

US PE first-time fundraising activity

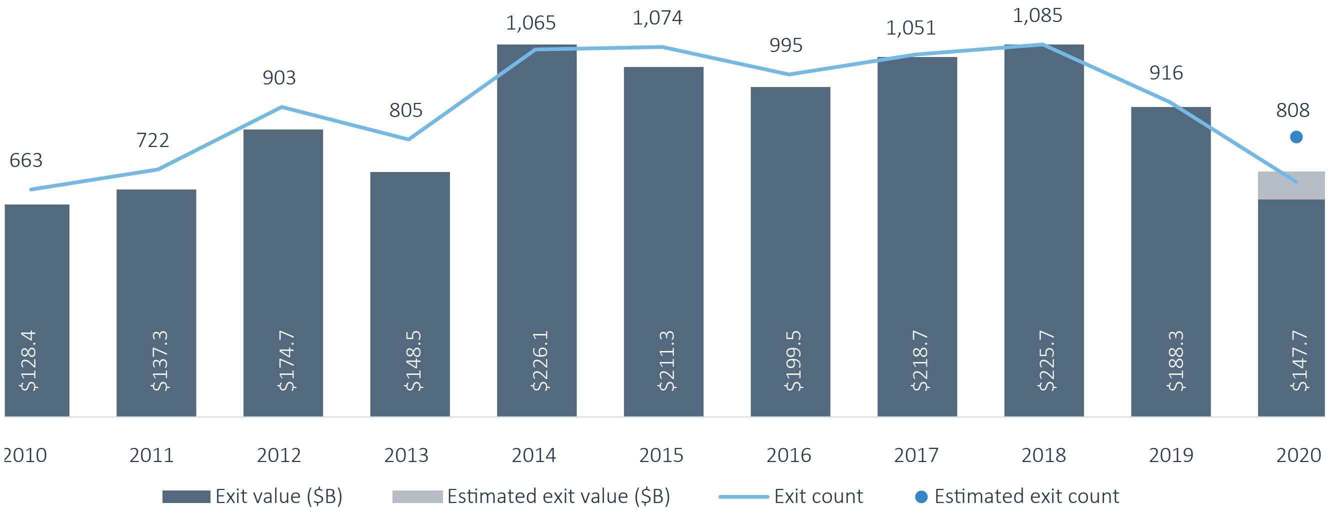


Source: PitchBook | **Geography:** US

Raising a first-time fund is difficult and labor intensive for both LPs and GPs. The due diligence process is notoriously arduous, and first-time managers may have to fund company expenses out of their own pockets. Because first-time fund managers often lack fully attributable track records, prospective LPs lean heavily on references to determine which role the manager has played in dealmaking—from sourcing through execution—and portfolio company management at their prior firm. However, the playbook for raising a first-time fund has more options now than before the GFC, including developing a track record as an independent sponsor before raising an institutional fund, seeking backing from a seeding platform, and securing an anchor commitment.

Exits

PE middle-market exit activity

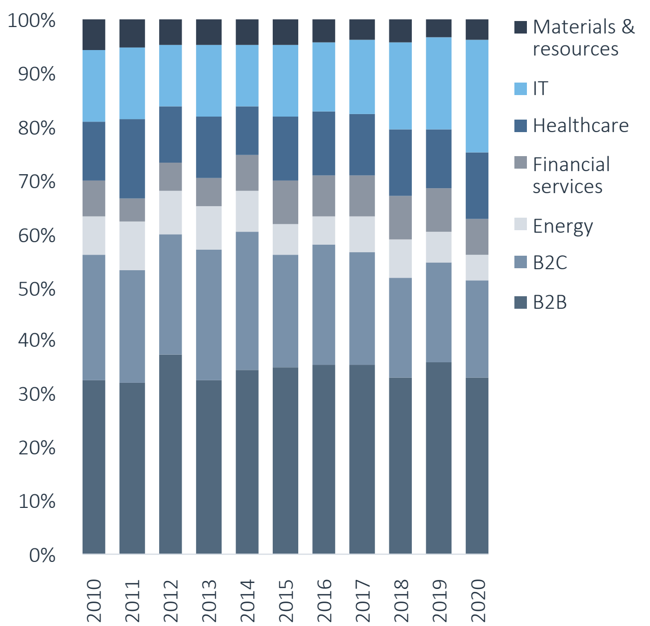


Source: PitchBook | **Geography:** US

In 2020, US middle-market exits fell for the second year in a row, with 808 exits for a combined $147.7 billion—11.8% and 21.6% YoY declines, respectively. Many GPs delayed exits in order to avoid crystallizing the deleterious effects of COVID-19 on portfolio company valuations. (Although the median middle-market hold time fell to just over five years, the drop in exit counts portends an uptick in hold times beginning in 2021.) Beginning midyear, GPs worked to make up for lost time, eventually driving Q4 exit activity above 2019's levels.

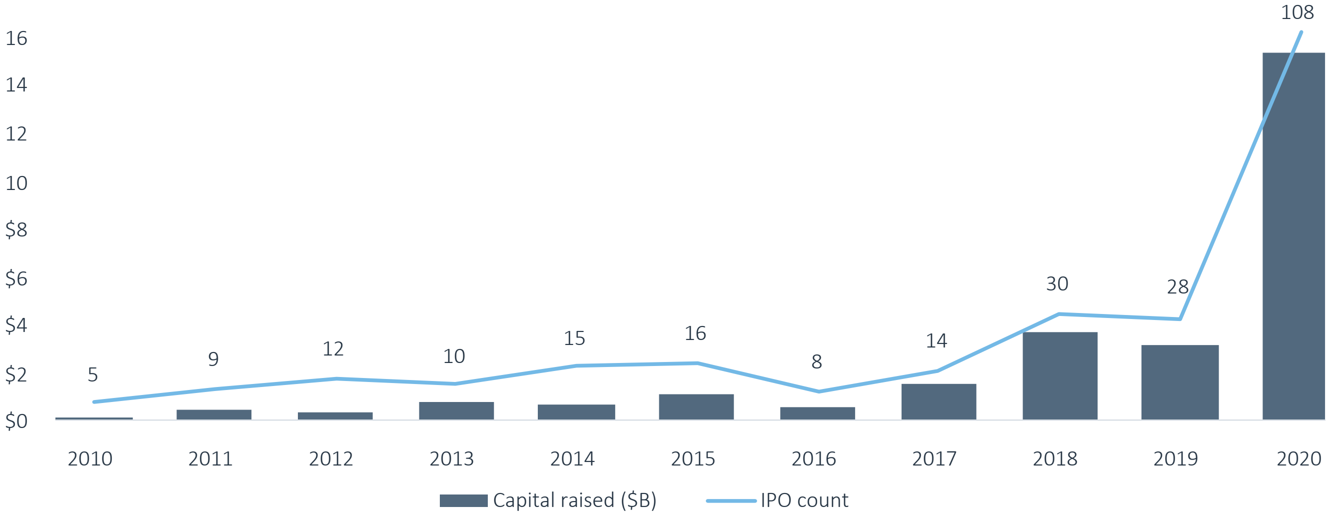
The proportion of middle-market deals exited through sponsor-to-sponsor exits declined from 57.0% in 2019 to 53.8% in 2020, likely because many GPs paused buyouts in the middle of the year. Even so, 2020 was the fourth year in a row that more middle-market portfolio companies were exited through sponsor-to-sponsor deals than through strategic acquisitions. We expect the longstanding trend toward more sponsor-to-sponsor exits will resume in 2021. While some LPs still look askance on sponsor-to-sponsor deals, dubious of another sponsor's ability to make improvements—and sometimes find themselves contributing transaction fees on both sides of a purchase, many middle-market firms have expertise in specific company growth stages. This expertise allows subsequent PE buyers to add significant value as companies graduate from the lower to upper middle market and beyond. For example, Cove Hill Partners, a Bain spinout, will seek to grow online safety

PE middle-market sponsor-to-sponsor exits (#) by sector



Source: PitchBook | **Geography:** US

PE middle-market SPAC IPOs under $200 million



Source: PitchBook | **Geography**: US

training provider Kalkomey Enterprises following its $157.0 million buyout of the company from lower-middle-market-focused Inverness Graham and Riviera Investment Group.

In 2020, middle-market companies in the materials & resources, healthcare, and technology sectors were the most likely to be sold through sponsor-to-sponsor deals, while financial services and B2C were the least likely. Technology has accounted for a growing proportion of sponsor-to-sponsor exits as PE firms increasingly covet—and are willing to pay top dollar for—the resiliency and scalability of software business models.

Although public listings represent a small proportion of middle-market exits—just 2.4% of exit value in 2020—the recent explosion of SPAC public listings may facilitate a greater proportion of public exits for middle-market companies going forward. SPAC reverse mergers can be an attractive exit option for middle-market companies approaching the $1 billion threshold because they offer simplified negotiations, less onerous due diligence, a compressed timeline, and the potential to raise more capital than might be available through a traditional IPO. In 2020, 108 US SPACs completed IPOs under $200 million, more than the previous five years combined.[10] Although no SPAC mergers of majority-PE-owned middle-market companies were completed in 2020, the large number of SPACs now searching for targets will render the SPAC merger an increasingly likely exit route for middle-market PE buyout firms over the next two years.

10: The $200 million threshold was selected because larger SPACs will likely seek firms above the middle-market cutoff.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THE POWER OF COMMUNITY IS MORE IMPORTANT THAN EVER.
Empower yourself and your business. Join ACG today and gain the strength of thousands of middle-market allies. Learn more and sign up/apply for membership with your local chapter today at ACG.org. Or inquire directly at membership@acg.org.
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Q&A: ACG

What's new at ACG?

Rapid change is underway at the Association for Corporate Growth as the organization rolls out new programs and offerings for members and streamlines the membership experience across ACG chapters.

ACG President and CEO, Thomas M. Bohn, who joined the organization in December 2019, discusses the company's evolution and what middle-market professionals can expect during 2021 and beyond.

You joined ACG only a few months before the onset of the pandemic. How did COVID-19 affect the plans you had for your first year as CEO?

Leading ACG through a global pandemic certainly wasn't what I expected as I stepped into the role. COVID-19 exacted an unprecedented toll on ACG. Social distancing and live events don't mix, so in order to keep our members safe, we canceled events all over the country. We followed the government's guidance and began operating remotely to reduce risk of exposure.

After addressing those immediate safety concerns, we started planning for ACG's future. To ensure ACG members could continue networking, sourcing deals, and making connections, we developed brand-new software to replicate the in-person event experience. We expanded our suite of media with the introduction of a video channel called GrowthTV and launched a series of special reports that we're publishing in conjunction with our flagship magazine, *Middle Market Growth*. We've also brought on several new endorsed partners who will offer exclusive benefits for ACG members.

Perhaps the most exciting development is the progress we've made toward building an integrated ACG community worldwide. Historically, ACG chapters have operated more or less independently as they serve their local and regional membership bases. Yet we know that many of the individuals and firms engaged with ACG do business across the US—and in some cases, the world. Through our initiative One ACG, we're building an integrated organization that helps our members do business seamlessly, wherever they are.

How will the One ACG initiative improve the experience for the middle-market professionals within ACG's membership?

Thomas M. Bohn, CAE, MBA

President and CEO
ACG

Thomas M. Bohn, CAE, MBA, joined ACG as president and CEO in 2019 after overseeing unprecedented growth at the North American Veterinary Community (NAVC). At NAVC, Tom fostered operational change and organizational growth by bolstering staff resources and revenue returns, including several acquisitions. Within six years, he grew revenue from $11 million to $26 million and fundamentally improved the relevance of the organization.

We are in the early stages, but by integrating the chapters and our national organization, One ACG will enable our entire organization to more effectively leverage resources. Chapters will have back-office and marketing support so that they can deliver high-quality networking events and programming for members.

The pandemic has underscored the power of technology and the importance of having the right systems. Through One ACG, investments in meeting scheduling tools, virtual event software, and more will benefit all One ACG chapters. Instead of each local ACG outpost having to design, buy, and implement its own technology, these tools can be leveraged to ensure all members benefit.

We are gearing up for collaborative events, wherein chapters within a region work together on programs and conferences. For individuals and firms doing business in multiple markets, One ACG will make it easier to attend nonlocal events. Similarly, if you're looking to market your firm through advertising and thought leadership across geographies, you'll no longer need to broker those deals chapter by chapter. The One ACG arrangement will ensure you have the options that best fit your marketing needs, whether that's a local campaign or a global one.

Chapters in Atlanta, Los Angeles, and Boston already have signed on to participate in One ACG as the first three chapters in the program—a number that will grow throughout the year. This will be a multiyear endeavor, but with every chapter that signs on, the One ACG network will only strengthen, with expanded and direct benefits for our members.

Can you talk about the ACG community itself and the types of firms or roles that benefit from the networking and thought leadership resources ACG offers?

ACG is the home for the middle market. We're the trade association for anyone involved in growing midsize companies, either organically or through M&A. For a long time, that has included private equity investors, investment bankers, lenders, attorneys, accountants, and consultants. In recent years, we've also been developing programs and offerings for private equity-backed executives, family offices, and corporate strategic acquirers. Meanwhile, the Private Equity Regulatory Task Force (PERT) offers a place for sharing best practices among chief financial officers and chief operating officers at the fund level.

Regardless of career stage, if you work in the middle market, there's a place for you within ACG. There are members who've worked within the industry for 50 years who come to our annual conference, InterGrowth, to reconnect with and strengthen existing relationships. For senior-level executives looking for a more intimate networking experience, chapters like ACG New York offer exclusive, bespoke networking events and dinners.

There are plenty of opportunities for young professionals as well. Chapters across the country offer Young ACG networking groups and programs that cater to those early in their career. In a few months, we'll be celebrating some of those up-and-coming leaders in the *Middle Market Growth* awards issue, which features profiles of the 10 Young Professional Award winners.

To help professionals of all ages improve their knowledge of the middle market, last year we launched our Middle Market Professional certification program. Known as MMP, the six-week, self-paced course provides ACG's community of high-achieving professionals the opportunity to strengthen their knowledge of—and standing within—the middle market.

Tailoring our offerings for professionals at all career stages is just one component of our efforts to achieve greater diversity within the middle-market community. Like many organizations, we heard the calls last year for more diversity, equity, and inclusion (DEI) in the workplace. That prompted ACG to form the DEI Task Force, a group that will create a DEI policy and complementary programming to foster a more equitable and inclusive middle market. We're actively working toward building a more diverse community, so expect to see more content for and about the diverse professionals in our industry.

Prior to the pandemic, ACG was known by many for its in-person networking events. What would you say to someone who's questioning the value of joining ACG in the absence of in-person events?

For a long time, live events really were the core value proposition that ACG offered to its members. Those will come back, so in-person networking will continue to be an important feature of what ACG has to offer. At the same time, we've evolved as an organization into so much more than just in-person events.

Exclusive virtual events powered by our customized, secure meeting technology give members a place to continue to network and build new relationships until we're back in person. Another digital tool is our member directory, which makes it easy to search and connect with fellow middle-market dealmakers.

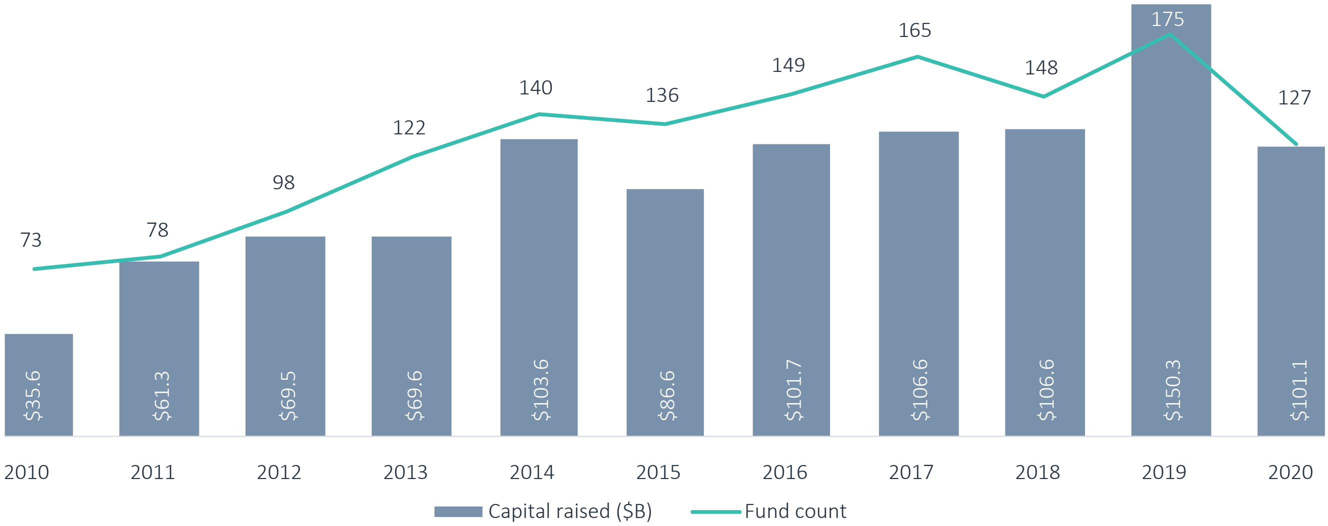
Members and middle-market professionals also have access to a wealth of expert intelligence through our media offerings, including *Middle Market Growth* and GrowthTV. In February 2021, we launched Next Target, a new members-only email produced in partnership with Grata, a middle-market company search engine platform that helps identify specific sections of industries that are primed for investment.

There are also exclusive offers from ACG's endorsed partners, including Cambridge Global Payments and Insperity, and new member benefits available through Founders Card, CLEAR, and more. I would direct prospective members to the "New Member Resources" tab on our website. As we add new offerings, we'll continue to update this page so that you have all of our member benefits at your fingertips.

Ultimately, ACG membership is about being part of the vibrant middle-market community. It's the place to meet the people you need to know before you need to know them and to access invaluable industry insights. If you're already a member, we thank you for your contributions to this powerful network. And if you haven't yet joined, we look forward to welcoming you into the fold.

Fundraising

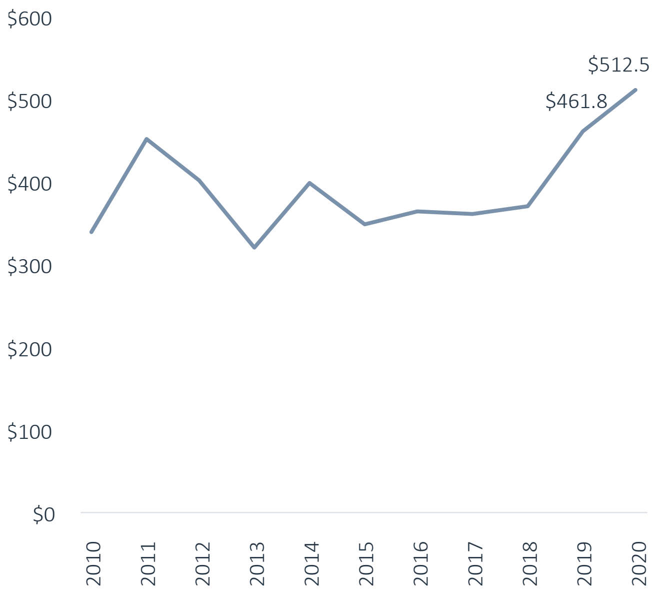
PE middle-market fundraising activity



Source: PitchBook | **Geography:** US

Although the amount of capital raised dipped by approximately one third YoY, 2020's US middle-market fundraising proved resilient all things considered. GPs raised 127 middle-market funds for a combined $101.1 billion—a far cry from 2019's record-breaking heights but roughly on par with fundraising levels in 2016-2018. Since 2017, funds over $1 billion have accounted for an increasing share of middle-market fundraising, while the proportion of funds under $500 million has diminished. That trend continued in 2020 as the median middle-market buyout fund size rose above $500 million for the first time ever.

PE middle-market median buyout fund size ($M)



Source: PitchBook | **Geography:** US

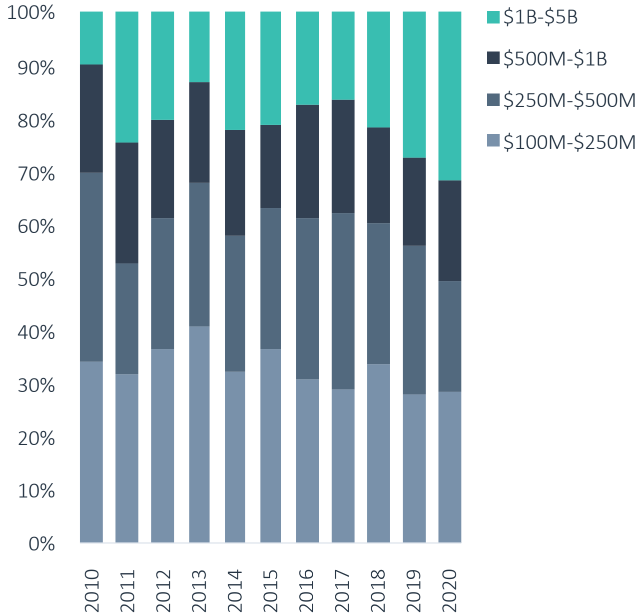
COVID-19 undoubtedly made 2020 a significantly more challenging fundraising year for middle-market GPs. Although the average time to close slid below one year for the first time ever in 2020, it is likely that 2021's data will show longer fundraising periods. During the pandemic's initial wave in Q2, LPs struggled to conduct due diligence via videoconference. Some LPs scaled back commitment plans to focus on existing relationships with well-established managers, a route requiring less work when performing due diligence. Many of the funds that closed in 2020 had begun fundraising in 2019, and anecdotal reports suggest that the pandemic's disruption may have forced some of these funds to delay closing. In some cases, emerging managers who were already near the end of their fundraising periods may have closed at or near their target rather than pushing for further commitments.

Despite 2020's turbulent environment, several established middle-market firms fared well. Wind Point Partners, Aquiline Capital Partners, and H.I.G. Capital, to name a few, all closed funds well over their targets. 2020 also saw successful fundraises by new GPs based in regions lacking significant private equity presence, including Breck Partners in Frisco, Texas, Rallyday Partners in Denver, and Pike Street Capital in Seattle. Although 2020 data does not show a marked increase in funds located in these nontraditional regions, it remains to be seen whether pandemic-induced migrations away from major financial centers will extend to private equity fundraising in 2021 and beyond.

Funds focused on technology and healthcare—both high-growth, haven sectors—were particularly attractive to LPs in 2020. The largest technology-focused GPs had standout fundraising years: Thoma Bravo raised $3.9 billion for its third Discover Fund and $1.1 billion for its Explore Fund, while Francisco Partners raised $1.5 billion for its second Agility Fund. Both firms raised these middle-market funds simultaneously with flagship mega-funds. In healthcare, Blackstone's Life Sciences V closed at $4.6 billion in July 2020.

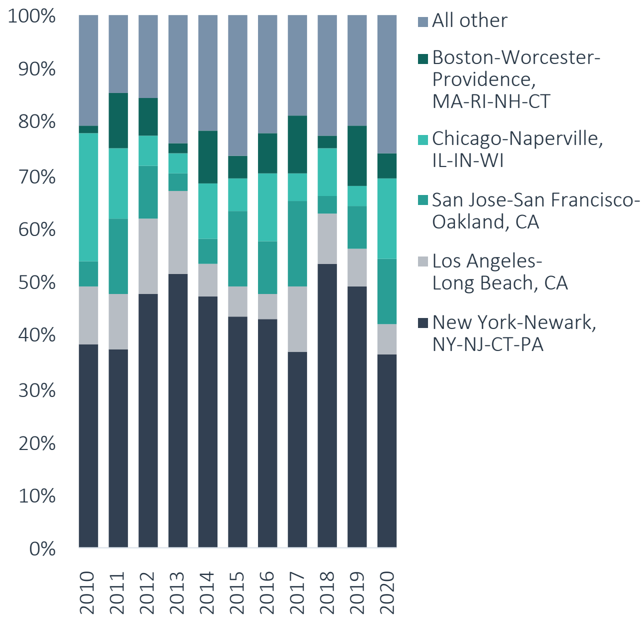
Turning to another key investing theme, two of the largest GPs closed ESG funds in 2020. KKR's $1.3 billion Global Impact Fund, which invests internationally in lower-middle-market companies that align with the UN's Sustainable Development Goals, closed in February 2020, while Bain Capital Double Impact II raised $800.0 million in November, more than double the amount raised by its predecessor fund in 2017. ESG fundraising faced headwinds in H2 from a new Department of Labor rule proposed in June and finalized in November that requires corporate pensions to select investments based on pecuniary factors only. The new rule caused widespread confusion because an earlier version had explicitly taken aim at ESG investing.[11,12] The Biden administration is reportedly reviewing the rule with a view to reversing it, and 2021 will likely produce an acceleration of middle-market ESG fundraising.

PE middle-market fundraising (#) by fund size



Source: PitchBook | **Geography:** US

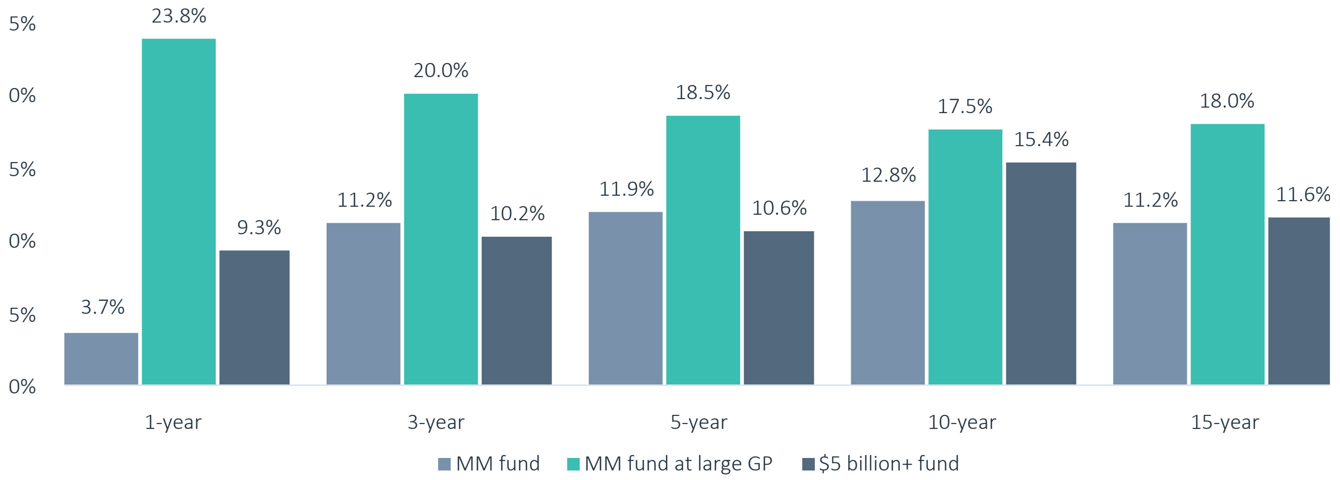
PE middle-market fundraising ($) by location



Source: PitchBook | **Geography:** US

11: "Financial Factors in Selecting Plan Investments," Federal Register, June 30, 2020.
12: "Financial Factors in Selecting Plan Investments," Federal Register, November 13, 2020.

PE middle-market fund horizon IRRs*



Source: PitchBook | **Geography**: US
*As of June 30, 2020
Note: For the purposes of this chart, we define "large GP" as a GP that has raised at least one $5 billion+ fund.

The technology-, healthcare-, and ESG-focused funds mentioned above are examples of another growing middle-market trend: GPs who manage mega-funds of $5.0 billion or more also launching middle-market strategies. Thoma Bravo, Francisco Partners, Blackstone (NYSE: BX), Bain, and KKR (NYSE: KKR) are just the latest examples. By fundraising for one or two smaller funds in tandem with the flagship fund, as with the Thoma Bravo and Francisco Partners funds, the largest firms can raise additional capital without needing to bring on the same number of staff that launching a new strategy would require. Raising middle-market funds as a mega-fund GP also removes friction for LPs, who can allocate to a different market segment without managing additional GP relationships. However, LP appetite for these funds is also performance driven: Middle-market funds managed by large firms have consistently outperformed both other middle-market funds at smaller firms and mega-funds—though it is important to note that this data likely exhibits some survivor bias, as only the most successful middle-market firms can raise $5 billion+ vehicles.

2020 US PE MM lending league tables

Overall

1	Antares Capital	175
2	Barings	113
3	Ares	112
4	Churchill	107
5	BMO Financial Group	86
6	MidCap Financial	78
7	Twin Brook Capital Partners	73
8	Crescent Capital	71
9	PNC	61
10	Golub Capital	58
10	NXT Capital	58
12	The Goldman Sachs Group	56
12	Varagon Capital Partners	56
14	Madison Capital Funding	55
15	Fifth Third Bank	49
16	Owl Rock	47
16	Citizens Bank	47
16	Capital One	47
16	KeyBank	47
20	Bank of Ireland	46
20	Jefferies Group	46
22	The Carlyle Group	45
22	Morgan Stanley	45

Source: PitchBook

Select roles*

1	Antares Capital	148
2	Twin Brook Capital Partners	57
3	MidCap Financial	53
4	BMO Financial Group	50
5	Ares	44
5	Churchill	44
7	Varagon Capital Partners	43
8	Crescent Capital	42
9	Citizens Bank	41
10	Madison Capital Funding	40
11	Fifth Third Bank	37
12	KeyBank	33
13	Jefferies Group	32
14	Capital One	31
14	NXT Capital	31
16	Golub Capital	30
17	Credit Suisse	24
18	Truist	23
19	The Carlyle Group	22
19	The Goldman Sachs Group	22
21	Bank of Ireland	20
22	Barings	18
22	Owl Rock	18

Source: PitchBook. *Select roles comprise only bookrunners, lead arrangers, mandated lead arrangers, and all types of agents that are specifically listed within PitchBook.