

AUTOMOTIVE M&A PULSE

FIRST QUARTER 2021



Q1'21

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Automotive Coverage Team

ABOUT PMCF

P&M Corporate Finance ("PMCF"), a U.S. registered broker-dealer, is an investment bank focused exclusively on middle market transactions with professionals in Chicago, Detroit, Denver, and across the globe through Corporate Finance International™ affiliates. Offering a depth of advisory services, PMCF helps clients worldwide meet their sale, acquisition, financing, and strategic growth objectives. Additional information on PMCF can be found by visiting our website, pmcf.com.

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ELLEN CLARK
Managing Director
248.603.5092
ellen.clark@pmcf.com



JOE WAGNER
Managing Director
248.603.5254
joe.wagner@pmcf.com



MIKE CONGLETON
Vice President
248.603.5036
mike.congleton@pmcf.com



BRIAN BOESKOOL
Analyst
248.223.3300
brian.boeskool@pmcf.com



NOLAN GUTENSCHWAGER
Analyst
248.603.5068
nolan.gutenschwager@pmcf.com

RECENT PMCF AUTOMOTIVE TRANSACTIONS



What We're Discussing with Clients



1

Prospects of a capital gains tax increase after year end have created a surge of deals preparing for or in the market. As the timeline to close by year end shrinks, sellers should now carefully weigh the benefits of accelerating a process to beat a potential tax increase (the magnitude and timing of which is unknown) against the cost of entering a potentially saturated M&A market with less-than-ideal preparation.

2

Just as specialization in the automotive sector (e.g., material competency, manufacturing processes) results in expertise and competitive advantages, the same holds true in the world of M&A. Tax, legal, and investment banking advisors focused on M&A and in specific industry segments develop specific expertise and have relationships generalists don't possess. Such expertise typically results in increased proceeds and/or better transaction terms for sellers.

3

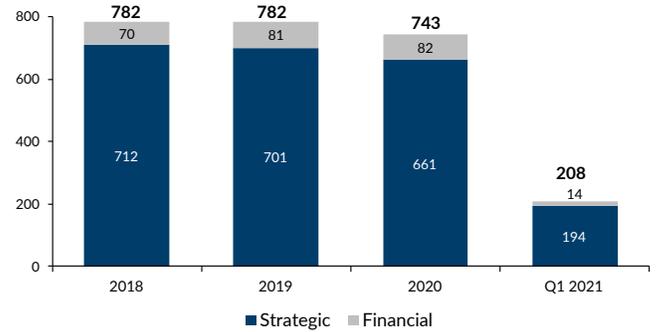
Selling a business can be a deeply emotional experience with multiple competing objectives – maximizing value, cultural fit, synergies, continued employment for personnel, legacy, etc. Defining and prioritizing shareholder objectives prior to undertaking a transaction often will streamline the sale process and better align the selected buyer with the seller's objectives.

Q1 2021 Market Summary & Outlook

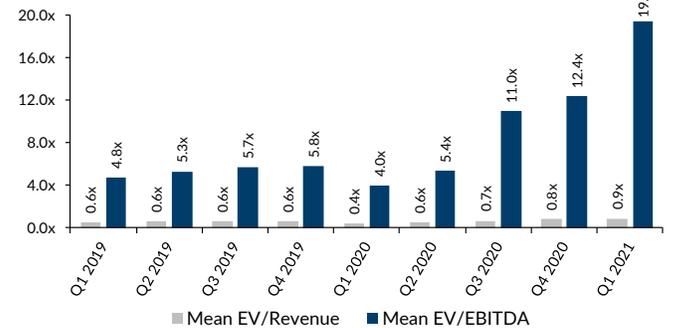
Q1 2021 AUTOMOTIVE M&A MARKET DYNAMICS

- Transaction activity (208 transactions) in Q1 2021 remained strong, reflecting a modest decrease from 263 transactions in Q4 2020 but a noticeable increase over the 167 transactions in Q1 2020. M&A remains a critical growth avenue for strategic investors looking to acquire product lines, expand geographically, gain key customers, or add “next-gen” technology. Private equity investors are playing a less active role but are strategically looking to position for future electrification and autonomy opportunities.
- Q1 2021 valuation multiples are artificially high – suppliers trading at a mean of 19.4x EV/EBITDA – as investor confidence in the sector bid up equity prices before reported EBITDA could “catch up”. Valuation multiples should remain high (relative to historical averages) as sales volumes continue to increase and potential acquirers chase technologies and products designed to address future market needs.
- As we move into Q2 2021, automotive markets should continue to see robust M&A volumes and valuations. Recovery from the COVID-19 pandemic, continued (some would say accelerating) consumer adoption of EV technology and mobility-as-a-service, and the longer-term proliferation of autonomous technology, create opportunities for acquirers and investors to back new technologies, as well as traditional companies in the midst of transformation.

AUTOMOTIVE DEALS BY YEAR



AUTOMOTIVE SUPPLIER TRADING MULTIPLES

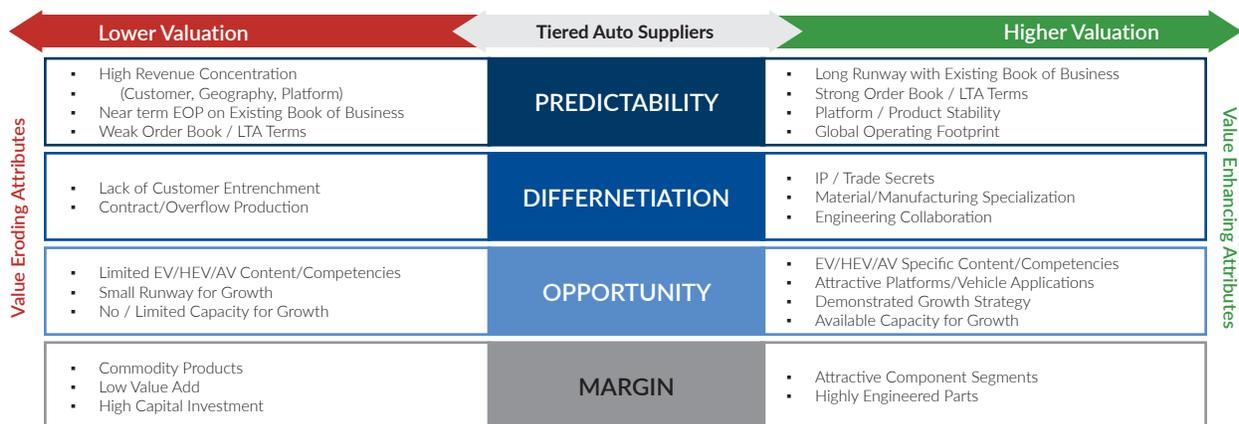


Sources: Capital IQ

PMCF PERSPECTIVES: AUTO SUPPLIER VALUATION – BACK TO BASICS

The tumultuous ride of a global pandemic, chip shortages, raw material price volatility, and improving vehicle demand have resulted in automotive supplier valuation multiples whiplashing from near-historic lows to near record highs. As investors weigh the prospects of the industry, valuation fundamentals remain in place – valuation is largely driven by future cash flows and the risk (real or perceived) to those cash flows.

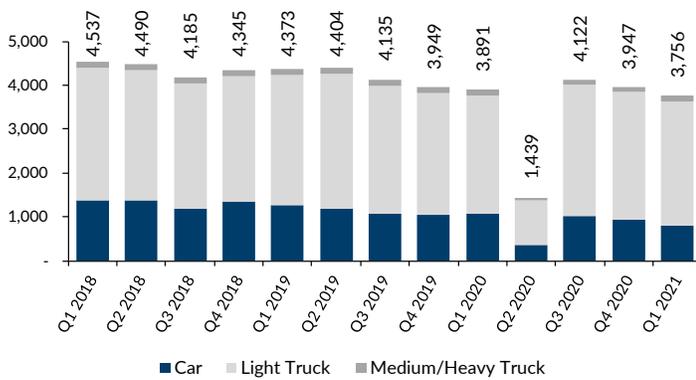
One tool PMCF utilizes when discussing valuation with both potential sellers and acquirers is the “valuation continuum” depicted here. The premise is simple – company attributes which increase future cash flows or minimize risks to those cash flows increase valuation; those that limit future cash flow or increase risk to those cash flows negatively impact valuation.



The continuum above is not designed to be all-inclusive but can serve as a tool for business owners to assess how their metrics stack up and drive (or detract from) valuation. It can also serve as a tool for business owners contemplating new strategies to increase enterprise value. PMCF welcomes discussions with business owners about how the continuum may apply to their specific business.

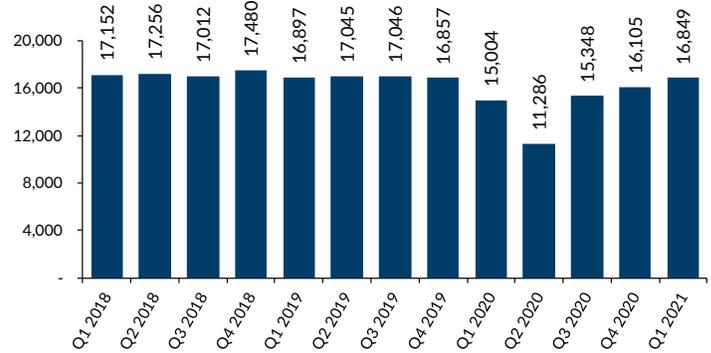
Macroeconomic Trends & Signals

QUARTERLY VEHICLE PROD. VOLUMES: NORTH AMERICA



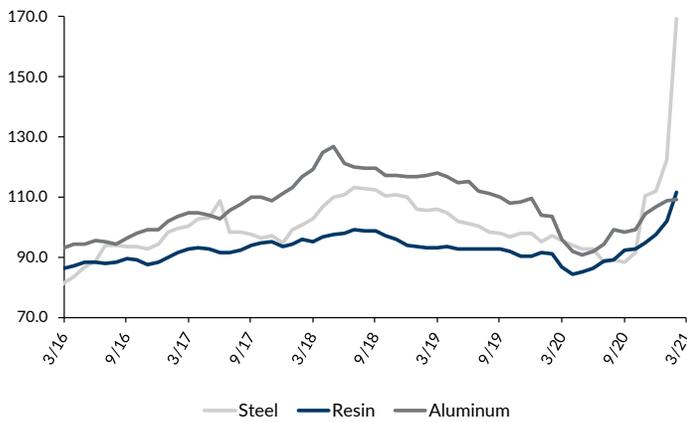
Source: AutoForecast Solutions

QUARTERLY LIGHT VEHICLE SALES VOLUMES: U.S.



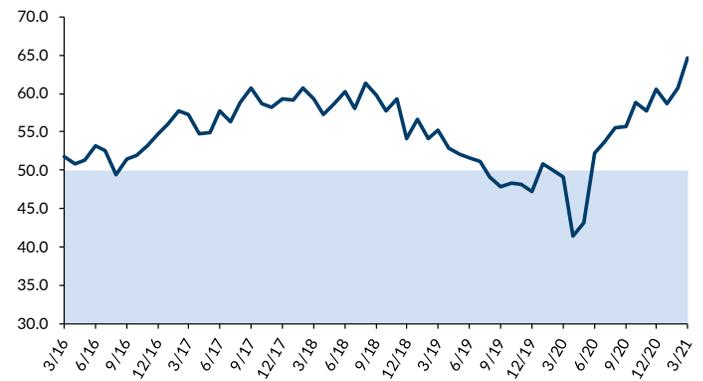
Source: Federal Reserve Bank of St. Louis

RAW MATERIAL PRICING INDICES



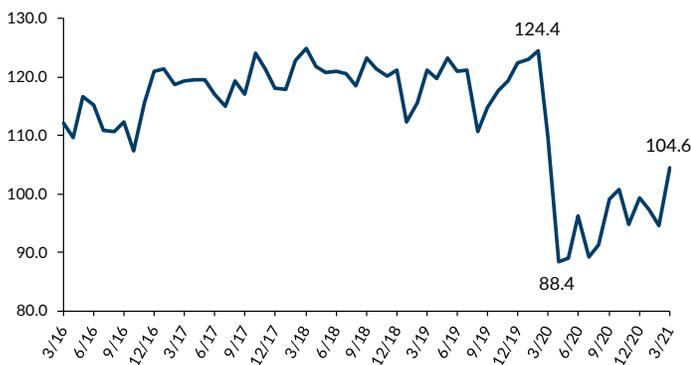
Source: Federal Reserve Bank of St. Louis, Note: Indices anchored at 100.0 on Jan 2014

PURCHASING MANAGERS' INDEX PERFORMANCE



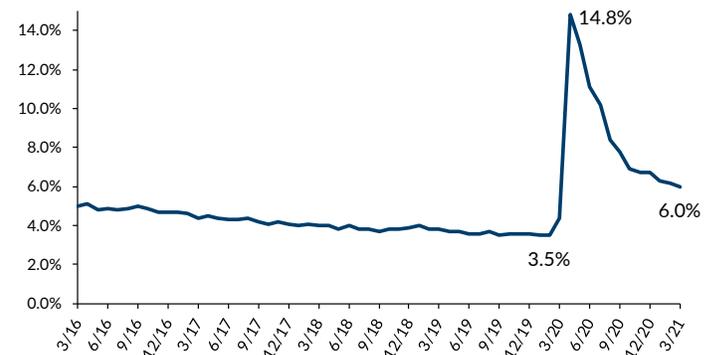
Source: Institute for Supply Management

CONSUMER CONFIDENCE



Source: Federal Reserve Bank of St. Louis, Note: Indices anchored at 100.0 on Jan 2014

UNEMPLOYMENT



Source: Federal Reserve Bank of St. Louis

PMCF Automotive Index

Company Name	Headquarters Location	Market Cap.	Enterprise Value	TTM Revenue	TTM Gross Profit	Adjusted EBITDA	TTM Gross Margin	TTM EBITDA Margin	Net Debt/ EBITDA	EV/ Revenue ⁽¹⁾	EV/EBITDA ⁽²⁾	
\$ in Millions												
Automotive OEMs												
Tesla, Inc.	United States	\$641,115	\$636,522	\$35,940	\$7,611	\$4,652	21.2%	12.9%	(1.0x)	20.2x	134.7x	40.9x
Toyota Motor Corporation	Japan	217,813	363,548	246,065	43,693	31,942	17.8%	13.0%	4.7x	1.5x	10.9x	5.5x
Volkswagen AG	Germany	164,838	351,773	270,195	47,082	31,907	17.4%	11.8%	5.9x	1.3x	11.2x	6.6x
Daimler AG	Germany	95,444	238,152	185,567	33,824	19,353	18.2%	10.4%	7.2x	1.3x	13.2x	17.4x
Ford Motor Company	United States	48,739	181,106	129,052	10,417	8,451	8.1%	6.5%	14.5x	1.4x	33.9x	13.2x
General Motors Company	United States	82,795	174,576	122,250	16,584	15,928	13.6%	13.0%	5.6x	1.4x	12.0x	9.2x
Bayerische Motoren Werke Aktieng-	Germany	67,104	172,826	120,324	16,379	12,293	13.6%	10.2%	8.6x	1.5x	14.5x	10.3x
Honda Motor Co., Ltd.	Japan	51,815	97,255	119,084	24,691	16,906	20.7%	14.2%	2.7x	0.8x	8.4x	6.2x
Nissan Motor Co., Ltd.	Japan	21,791	74,824	71,091	9,501	5,046	13.4%	7.1%	10.0x	1.1x	n/a	14.3x
Stellantis N.V.	Netherlands	55,236	47,497	74,292	13,639	6,990	18.4%	9.4%	(1.6x)	0.7x	6.8x	n/a
Mazda Motor Corporation	Japan	5,136	6,812	26,059	5,548	891	21.3%	3.4%	0.2x	0.3x	9.8x	2.9x
Median							17.8%	10.4%	5.6x	1.3x	11.2x	9.2x
Tiered Suppliers												
DENSO Corporation	Japan	\$51,474	\$52,780	\$44,636	\$5,981	\$4,471	13.4%	10.0%	(0.0x)	1.2x	19.4x	4.8x
Continental Aktiengesellschaft	Germany	26,456	32,058	44,474	10,294	4,325	23.1%	9.7%	1.0x	0.7x	7.1x	3.2x
Bridgestone Corporation	Japan	28,490	30,603	27,118	10,004	4,335	36.9%	16.0%	(0.4x)	1.1x	7.6x	4.3x
Magna International Inc.	Canada	26,517	29,638	34,169	4,867	3,461	14.2%	10.1%	0.7x	0.9x	8.1x	3.2x
BorgWarner Inc.	United States	11,081	13,733	11,895	2,281	1,802	19.2%	15.1%	1.2x	1.4x	8.8x	3.7x
Valeo SE	France	8,169	12,865	20,427	3,163	1,590	15.5%	7.8%	2.5x	0.7x	16.1x	4.3x
Lear Corporation	United States	10,896	12,548	17,046	1,236	1,133	7.3%	6.6%	1.3x	0.7x	9.4x	3.3x
Faurecia S.E.	France	7,334	11,397	18,196	2,088	1,374	11.5%	7.6%	2.8x	0.7x	9.1x	3.4x
The Goodyear Tire & Rubber Co.	United States	4,099	9,613	12,776	2,341	804	18.3%	6.3%	7.1x	0.8x	11.9x	4.0x
Adient plc	Ireland	4,157	7,426	12,890	731	495	5.7%	3.8%	6.1x	0.6x	8.9x	5.9x
Dana Incorporated	United States	3,529	5,942	7,443	666	579	8.9%	7.8%	3.8x	0.8x	9.7x	3.4x
Linamar Corporation	Canada	3,855	4,207	4,808	727	794	15.1%	16.5%	0.3x	0.9x	6.1x	3.3x
American Axle & Man. Holdings, Inc.	United States	1,100	4,185	4,792	623	757	13.0%	15.8%	3.9x	0.9x	5.6x	3.6x
Visteon Corporation	United States	3,404	3,558	2,651	265	187	10.0%	7.1%	0.2x	1.4x	17.8x	6.3x
Cooper-Standard Holdings Inc.	United States	614	1,328	2,390	173	66	7.2%	2.7%	n/a	0.6x	19.0x	3.1x
Median							13.4%	7.8%	1.3x	0.8x	9.1x	3.6x
Automotive Retailers												
CarMax, Inc.	United States	\$21,563	\$36,827	\$20,092	\$2,942	\$1,285	14.6%	6.4%	12.1x	1.9x	21.6x	13.5x
Lithia Motors, Inc.	United States	10,389	14,443	14,664	2,480	952	16.9%	6.5%	4.3x	1.1x	15.7x	8.0x
Penske Automotive Group, Inc.	United States	6,486	13,738	21,209	3,321	868	15.7%	4.1%	8.0x	0.7x	11.3x	9.0x
AutoNation, Inc.	United States	7,683	12,300	21,627	3,804	1,340	17.6%	6.2%	3.0x	0.6x	9.9x	8.2x
Asbury Automotive Group, Inc.	United States	3,798	6,168	7,717	1,334	511	17.3%	6.6%	4.2x	0.9x	12.9x	7.4x
Group 1 Automotive, Inc.	United States	2,757	5,389	11,171	1,843	684	16.5%	6.1%	3.6x	0.5x	8.4x	7.9x
Sonic Automotive, Inc.	United States	2,038	4,244	10,246	1,474	434	14.4%	4.2%	5.0x	0.4x	9.4x	6.5x
Median							16.5%	6.2%	4.3x	0.7x	11.3x	8.0x
Median							15.5%	7.7%	3.7x	0.9x	9.9x	5.9x
Mean							15.6%	8.9%	4.0x	1.0x	12.1x	6.7x

Market capitalizations and total enterprise values as of March 31, 2021; income statement and balance sheet data as of last period reported

(1) Excluded Tesla from Median/Mean calculations as an outlier

(2) Multiple of EBITDA based on EBITDA inclusive of equity income from affiliates; Excluded Tesla from Median/Mean calculations as an outlier

Currency conversions assume historical rate

Source: Capital IQ

Public Company Equity Performance & Trends

VALUATION TRENDS:

- The market cap weighted Automotive Index median public equity EV/EBITDA multiples increased across the OEM, Tiered Supplier, and Retailer segments in Q1 2021 compared to Q1 2020. Compared to last quarter, both Tiered Suppliers and Retailers are up, indicating that Automotive public market investors continue to believe the economic recovery will continue.

PMCF AUTOMOTIVE INDEX PUBLIC VALUATIONS								
	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Revenue Multiple⁽¹⁾								
Median	0.7x	0.6x	0.7x	0.5x	0.6x	0.7x	0.8x	0.9x
Mean	0.7x	0.7x	0.7x	0.6x	0.7x	0.8x	0.9x	1.0x
EBITDA Multiple⁽²⁾								
Median	6.5x	7.5x	7.6x	5.9x	6.7x	9.4x	11.1x	9.9x
Mean	7.7x	8.2x	8.3x	6.7x	8.4x	12.0x	13.0x	12.1x

(1) Excluded Tesla from Median/Mean calculations as an outlier

(2) Multiple of EBITDA based on EBITDA inclusive of equity income from affiliates; Excluded Tesla from Median/Mean calculations as an outlier

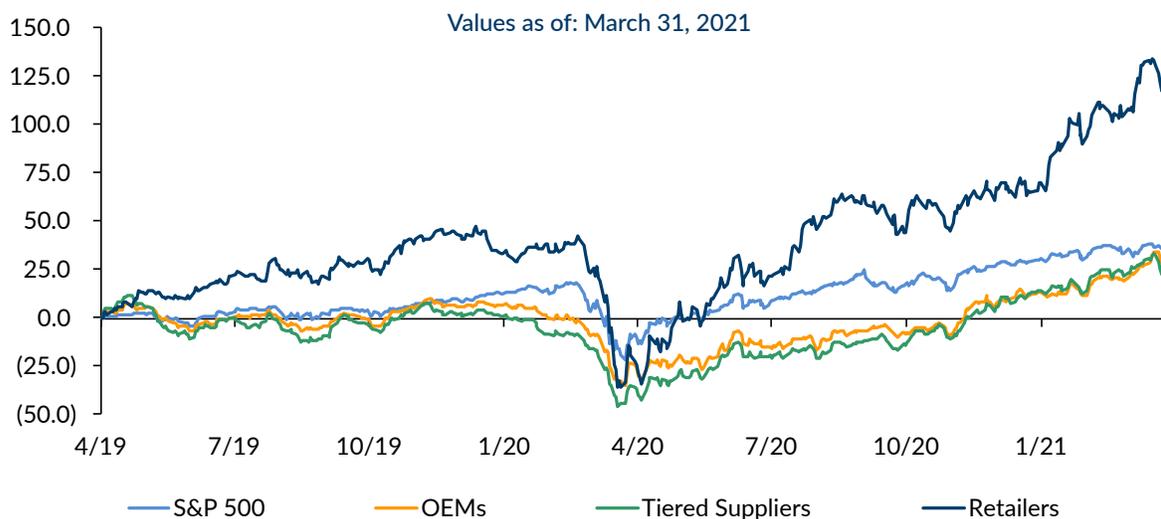
Quarterly figures based on the last trading day of each quarter shown

Source: Capital IQ

EQUITY PERFORMANCE:

- Each automotive sector experienced significantly increased market capitalization year-over-year, all besting the robust 61% growth of the S&P 500. Strong gains can be attributed to investor confidence in forthcoming consumer demand.
- Automotive Retailers saw the largest year-over-year increase at 221%, ahead of Tiered Suppliers and OEMs with 111% and 93% increases, respectively. Retailers benefitted from a surge in demand due to affordable credit and an influx of rental car needs as travel restrictions eased, as well as increased utilization of online retail channels.
- Retailers have continued to see the strongest growth relative to Q4 2020, with an increase of 38% attributed to robust demand and low inventories, resulting in improved Retailer profit margins.

PMCF AUTOMOTIVE INDEX PUBLIC EQUITY PERFORMANCE



Market capitalization indices with mixed currencies are converted into USD using historical spot rates

Local currency quotes converted to USD using historical spot rates

Excluded Tesla from OEMs as an outlier

Source: Capital IQ

Market Commentary

Despite uncertainty related to the ongoing chip shortage, top executives remain optimistic about future opportunities due to pent-up consumer demand for traditional vehicles and growing trends in the electric vehicle segment.

March 2021: “I would tell you, over the last 6 months, we’ve had a number of inbound inquiries from both strategic buyers, from potential financial buyers, who are actually looking at pieces of our portfolio and expressing an interest. So we do believe there is a market opportunity to execute value-creating transactions out there as we look to dispose of some of these businesses. Again, generally good businesses, just not part of our long-term financial profile of what we’re looking for from our company, but probably a nice fit for what some other companies are looking for.”

Kevin Nowlan, Executive VP & CFO, BorgWarner

March 2021: “So on the light vehicle impact of the chip shortage, we’re getting to the end of the quarter, and the impact for us was a bit less than we thought. So we were a bit cautious a few months ago when we weren’t quite sure how things were going to play out. But for all intents and purposes, the impact to our operations in that market has been relatively limited. We’ve seen small impact in commercial vehicle. But again, nothing meaningful yet. As we look into the second quarter, we’ll probably continue to be a bit cautious. The indication we’re getting from experts and from our customers is this is going to take a little bit of time to work through. So we’re watching it carefully. But I would say, particularly in the first quarter, the impact was a bit less than what we had accommodated for.”

Jonathan Collins, Executive VP & CFO, Dana Incorporated

March 2021: “I think it’s also critically important to point out that the type of equipment utilized to machine parts for electrified vehicles is literally identical to the equipment used to machine parts for internal combustion engine vehicles. Electric vehicles use gears, they use shafts, structural parts and a variety of housing just like internal combustion engine vehicles. A gear grinder or a shaper used to make a gear for an internal combustion engine vehicle is the very same equipment we would use to make a gear for an electric vehicle. I highlight this point as it means we will not have significant levels of stranded assets to deal with as the world transitions into electric vehicles.”

Linda Hasenfratz, CEO & Non-Independent Director, Linamar Corporation

March 2021: “From a start-up perspective...those new EV entrants absolutely create a really interesting opportunity for our company, in particular, and really for a variety of different reasons. Obviously, the new start-ups, they’re focused on a lot of different activities inside of their business in starting up. They need technical expertise, especially on the driveline side that would be either through the EDU or through the component side, which is absolutely critical to the function of vehicle, to the noise, vibration harshness of the vehicle. This is technical expertise we can bring.”

Christopher May, VP & CFO, American Axle & Manufacturing Holdings

Key Deal Highlights

Product Line Expansion

Nivel Parts & Manufacturing Co. acquires HLP Holdings, Inc.

On January 19, Nivel Parts & Manufacturing Co. (“Nivel”) – a leading provider of golf car aftermarket parts and accessories – acquired HLP Holdings, Inc. (“High Lifter”) for an undisclosed amount. High Lifter develops and markets aftermarket accessories for utility, 4-wheel drive ATVs, UTVs, and RUVs. Brent Moore (CEO of Nivel) commented, “High Lifter is one of the most recognized brands in the UTV accessories category and developed the first ATV lift kit 25 years ago. We are thrilled to welcome them to the Nivel family as one of the crown jewels in our portfolio.”

Opportunistic Investment

Wynnchurch Capital, L.P. acquires Cia Wheel Group

On February 2, Wynnchurch Capital, L.P. (“Wynnchurch”) acquired aftermarket wheel manufacturer and distributor Cia Wheel Group (“The Wheel Group”) for an undisclosed amount. The Wheel Group is a leading designer of branded aftermarket wheels, specialty tires, and related accessories serving the truck, SUV, and car markets. Neel Mayenkar (Managing Director at Wynnchurch) commented, “The Wheel Group has built a strong reputation based on a portfolio of proprietary brands, high-quality products, and best-in-class sourcing capabilities. We are excited to partner with management and help facilitate the Company’s next stage of growth.”

Brand Acquisition

The Goodyear Tire & Rubber Company acquires Cooper Tire & Rubber Company

On February 22, The Goodyear Tire & Rubber Company (“Goodyear”) – a global tire manufacturer – acquired rival tire manufacturer Cooper Tire & Rubber Company for \$3.2 billion. The acquisition solidifies Goodyear as one of the world’s top 3 tire manufacturers. Richard Kramer (Chairman, CEO, & President of Goodyear) commented, “The addition of Cooper’s manufacturing assets, coupled with Goodyear’s technology leadership and industry-leading distribution, provides the combined company with opportunities to drive efficiencies.”

Brand Acquisition

Automotive Keys Group, LLC acquires Midwest Keyless, Inc.

On March 23, Automotive Keys Group, LLC (“AKG”) – a leading remanufacturer and distributor of replacement automotive keyless entry remotes – acquired rival Midwest Keyless, Inc. (“Midwest Keyless”) for an undisclosed amount. Ayal Sharvit (CEO of AKG) commented, “The Midwest Keyless team is an invaluable addition to AKG and together we will enhance the growth potential of our combined businesses. The integration of Midwest Keyless will allow us to better serve our customers and expand our relationships with locksmiths and other professionals nationwide and in Canada.”

Automotive M&A Activity

SELECT AUTOMOTIVE TRANSACTIONS

\$ in Millions

Closed Date	Target	Buyer	Implied EV	EV/TTM Revenue	EV/TTM EBITDA
Mar-21	Midwest Keyless, Inc.	Automotive Keys Group LLC	\$-	-	-
Mar-21	Cycle & Carriage Bintang Berhad	Jardine Cycle & Carriage Limited	79	0.3x	7.9x
Mar-21	C&W Motors, Inc. and Tucson Motorsports, Inc.	RumbleON, Inc.	617	-	-
Mar-21	Mountain View Tire & Service, Inc.	Monro, Inc.	-	-	-
Mar-21	Rimac Automobili	Porsche Automobil Holding	977	-	-
Mar-21	Cleer Vision Windows, Inc.	Airxcel, Inc.	-	-	-
Mar-21	Suncall Corporation	Marubeni-Itochu Steel Inc.	106	0.3x	3.9x
Mar-21	Neely Coble Company, Inc.	Sierra Freightliner Sterling Western Star, Inc.	-	-	-
Mar-21	Kansas City Freightliner Sales, Inc.	Penske Commercial Vehicles US, LLC	-	-	-
Mar-21	Vadotech/Zynit	AB Dynamics	36	1.8x	6.5x
Mar-21	Kaz Equipment LLC	Chadwick-Baross, Inc.	-	-	-
Mar-21	Pi Innovo LLC	Dana Incorporated	35	-	-
Mar-21	Triple A R.V. Center, Inc.	Camping World Holdings, Inc.	-	-	-
Feb-21	Kaymar 4WD Accessories	AutoPacific Group	-	-	-
Feb-21	Carolina Coach & Camper, LLC	RV Retailer, LLC	-	-	-
Feb-21	Cooper Tire & Rubber Company	The Goodyear Tire & Rubber Company	3,046	1.2x	6.7x
Feb-21	Modine Austria	Schmid Metall	-	-	-
Feb-21	Champion Co.	Goodspeed Co.	8	1.2x	-
Feb-21	Crossville BNRV Sales, LLC	Camping World Holdings, Inc.	-	-	-
Feb-21	SilverLeaf Electronics, Inc.	Winegard Company	-	-	-
Feb-21	Australian Clutch Services	GUD Holdings	25	-	-
Feb-21	Vision Tool & Mould Co.	Changxing Taite Equity Investment Partnership	185	2.2x	-
Feb-21	Starvolt Inc.	Advantagewon Oil Corporation	12	-	-
Feb-21	Bergen Engines	TMH International	177	-	-
Feb-21	CTA Acoustics, Inc.	Trèves SAS; Kotobukiya Fronte Co., Ltd.	-	-	-
Feb-21	Mando-Hella Electronics Corp.	Mando Corporation	291	0.5x	6.0x
Feb-21	Forecourt business of ASDA Group Limited	Euro Garages Limited	1,026	-	-
Feb-21	Cia Wheel Group	Wynnchurch Capital, L.P.	-	-	-
Feb-21	Buff Whelan Chevrolet	Serra Automotive, Inc.	-	-	-
Feb-21	Carbiz Inc.	EchoPark Automotive, Inc.	-	-	-
Jan-21	Bill Plemmons RV World	RV Retailer, LLC	-	-	-
Jan-21	HLP Holdings, Inc.	Nivel Parts & Manufacturing Co., LLC	-	-	-
Jan-21	Nor-Cal Vans, Inc.	Driverge Vehicle Innovations, LLC	-	-	-
Jan-21	Dipaco, Inc.	Diesel Forward, Inc.	-	-	-
Jan-21	Crodux derivati dva d.o.o.	Petrol d.d.	-	-	-
Jan-21	Electronic Controls Co Inc.	Clariance Technologies, LLC	-	-	-

Sources: Capital IQ, company websites, and PMCF proprietary research



Contact Info



DETROIT

Two Towne Square
Suite 425
Southfield, MI 48076
Phone: 248.223.3300



CHICAGO

120 S. Riverside Plaza
Suite 2100
Chicago, Illinois 60606
Phone: 312.602.3600



DENVER

8181 E. Tufts Avenue
Suite 600
Denver, CO 80237
Phone: 720.370.8181

Recent PMCF Awards



2021 M&A ATLAS AWARD WINNER – USA MIDDLE MARKETS
ENERGY PRODUCTS & SERVICES DEAL OF THE YEAR



2021 M&A ATLAS AWARD WINNER – USA MIDDLE MARKETS
PLASTICS & PACKAGING DEAL OF THE YEAR



2020 M&A ATLAS AWARD WINNER – AMERICAS
PLASTICS & PACKAGING DEAL OF THE YEAR



2020 M&A ATLAS AWARD WINNER – AMERICAS
INDUSTRIALS BOUTIQUE INVESTMENT BANK OF THE YEAR



2019 MiBiz DEAL OF THE YEAR WINNER
MANUFACTURING DEAL OF THE YEAR



2019 M&A ADVISORS AWARD FINALIST
BOUTIQUE INVESTMENT BANK OF THE YEAR

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Two Towne Square
Suite 425
Southfield, MI 48076

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