



2023

YEAR IN REVIEW

2023 ACTIVITY SNAPSHOT

36%

- DEI HIRES IN US

~30%

- LOWER TURNOVER THAN SECTOR BENCHMARK

1.8%

- VOLUNTARY ATTRITION RATE

\$786M

- CAPITAL DEPLOYED IN 2023

FUND I	\$113M DEPLOYED
FUND II	\$91M** DEPLOYED
MOF I	\$84M DEPLOYED

\$661.1M

- GROSS CAPITAL RETURNED

\$3.5B

- AUM OVERALL*

\$1,483M

- COMPLETED CO-INVEST SINCE MGC FOUNDING

~2.1M

- TONS OF CARBON EMISSION AVOIDANCE IN 2023

\$31.02

- AVERAGE HOURLY RATE OF ALL US EMPLOYEES

3

- PLATFORM ACQUISITIONS

1

- ADD-ON ACQUISITIONS

12,257

- LINKEDIN FOLLOWERS

*As of 9/30/23

**Includes Fund II, Fund II-X, and Fund-FF vehicles

2023 COMPANY CULTURE

EMPLOYEE BETTERMENT

"We believe that when you take care of your people, they produce their best work."

-John Stewart

A top priority will always be the well-being of our employees, and we prove that commitment with our company culture, emphasis on DEI, and continued expansion of employee programs. We ensure that employees can be themselves, free of judgment, by creating an inclusive environment

We've seen the return from our employee-centric approach with recurring state and nationwide rankings as best places to work and 30% lower turnover than sector benchmarks.

RECOGNITION

We're winners of state and nationwide workplace distinctions. In the 2023 Great Place to Work survey:

- 93% of employees say MGC is a great place to work, compared to a 57% average
- 99% say they are given a lot of responsibility
- 99% say special events are celebrated
- 98% believe layoffs are treated as a last resort



NEW EMPLOYEE METRICS

36%

US DIVERSE
HIRES IN 2023

157%

GROWTH OF
INTERNSHIP
PROGRAM YOY

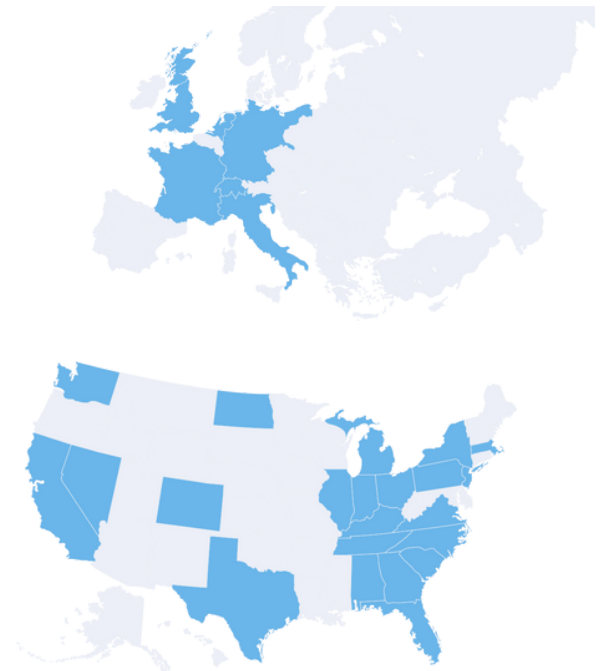
~51%
Gen Z

GENERATIONAL
BREAKDOWN OF
US/EU HIRES

~30%

LOWER TURNOVER
(AT 8.9%) THAN HRIS
SECTOR BENCHMARKING

WHERE MIDDLEGROUND EMPLOYEES ARE FROM



Our goal is to help our employees thrive both personally and professionally with a strong work-life integration. Our benefits programs help achieve that goal by supporting the physical, financial, and emotional well-being of our people at all stages of their lives.

Shelby Hundley
Director, Human Capital



| 2023 AWARDS

Innovator of the Year

The BluWave Top Private Equity Innovator Awards recognize the top 2% of private equity firms, out of 5,000 evaluated, that differentially embrace proactive due diligence, transformative value creation, modern private equity firm operations, and corporate citizenship. We're proud to have been recognized as a Innovator of the Year for the second consecutive time.



Innovator of the Year
BluWave



Top 50 Private Equity Firms (Middle Market)
GCI Publishing



Best Places to Work in Kentucky
Kentucky Chamber of Commerce



Top 50 PE Firm for Executives
Falcon



Best Places to Work in New York
FORTUNE Great Place to Work



Best Overall Supplier Excellence (Dura | Shiloh)
Seraph



Best Workplaces in Financial Services and Insurance
FORTUNE Great Place to Work



Top Deal Originator in the Middle Market
Sutton Place Strategies



Best Corporate Sustainability Strategy; Management Company
PE Wire



Top 10 Middle Market Deals of the Year
M&A



Best ESG Firm: Small Cap
PE Wire



Consumer Discretionary Deal of the Year (<\$100M)
M&A



Best Social Initiative; Management Company
PE Wire



Deal of the Year
The M&A Atlas Awards

FUND RETURNS

\$2.5B
Capital Deployed*

\$3.5B
AUM Overall*

BANNER EXIT TO CV

With the successful close of the MiddleGround Carbon CV, L.P., a single asset continuation vehicle ("CV") with ~\$440M in capital commitments that led to the purchase of Banner Industries and A.M. Castle & Co, we returned capital to Fund I investors and had the opportunity for a meaningful liquidity event. We are incredibly proud of this achievement and demonstrates our ability to find creative solutions in a difficult market for the benefit of our investors.

CAPITAL RETURNS

\$661.1M
2023 Capital Returns**

~\$1.2B
Total Capital Returns**

PORTCO	CAPITAL RETURN
Steel Craft	\$25.1M
Banner	\$309.6M
ATL	\$65.9M
Lindsay	\$44M
PVI	\$46.3M
SixAxis	\$38.6M
Castle	\$131.5M



As we reflect on the past year, it is evident that our prudent investment decisions have not only safeguarded capital but have yielded impressive returns. This success is a testament to the efforts of our team, navigating the dynamic investment landscape of 2023 with precision and foresight.

Justin Steil
Partner, Transaction Team

*As of 9/30/23
** Values in gross

I NEW PLATFORM



Investment Date: January 2023
Sector: Advanced Manufacturing
Headquarters: Quebec City, Canada
Footprint: 2 Facilities
Fund: Fund II

ABOUT MEGATECH

Founded in Quebec City in 1992, Megatech has become a leader in the precision machining industry, distinguishing itself from its competitors by its exceptional quality and customer service. Professional and detail-focused; nothing is left to chance. Over the last few years, Megatech has greatly modernized its machine fleet by acquiring numerous new pieces of numerically controlled, state-of-the-art equipment. Supported by the latest technology and by a team of trusted partners.

We are excited to partner with Megatech to build a scaled and diversified platform, expanding the technological and manufacturing capabilities and aligning with the tailwinds of Industry 4.0 manufacturing. Our Operations Team will ensure that Megatech has the tools to meet increased demand.

Marty Sjoquist

Director, Transaction Team



After almost two years of developing our Industry 4.0 thesis and mapping key advisors, we were excited to see the fruit of our labor. MegaTech was a limited process, with buyers restricted to those with deep expertise in the additive manufacturing space. It's always a win to be included on a limited buyers list due to our reputation as operators, but we were especially proud of the Industry 4.0 skill and knowledge our Investment Team displayed throughout the process and underwriting.

Dyana Baurley

Director, Head of NA Business Development

I NEW PLATFORM



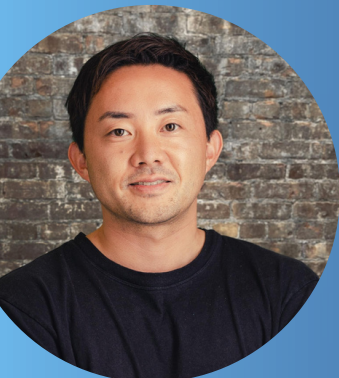
Investment Date: July 2022
Sector: Diversified Metal Distribution
Headquarters: Oak Brook, IL
Footprint: 37 Facilities
Fund: Fund II

ABOUT CASTLE METALS

A. M. Castle & Co. is a leading provider of metals, services, and supply chain solutions. Castle Metals has been in the metals business since 1976, distributing and processing alloy, carbon, stainless steel, nickel, aluminum, titanium, cast iron, and red metals. Operating in locations throughout North America, Europe, and Asia, Castle Metals leverages its long-standing metals expertise and focus on processing and other value-added services to meet the unique requirements of industries such as aerospace, defense, oil and gas, power generation, and heavy equipment.

Castle Metals was a highly strategic acquisition for us and the broader Banner platform. Castle has an attractive global footprint, significant value-added processing capabilities, an extensive metal portfolio, and a management team that is more than capable of partnering with us to usher in the next stage of growth. We believe that their Aerospace exposure and certifications will be a springboard for continued success in the coming years.

Ryan McComb
Director, Transaction Team



Castle Metals was a platform that was on our radar for years ahead of the acquisition. The similarities and synergies with our Banner Industries platform meant that we could run a similar playbook for increasing cashflow and value-added capabilities. We are confident in executing value-creation initiatives and supporting its future growth.

Yuji Yokoi
Vice President, Operations Team

I NEW PLATFORM



Investment Date: July 2023
Sector: Automotive
Headquarters: Thatcham, United Kingdom
Footprint: 3 Facilities
Fund: Fund II

ABOUT XTRAC

Xtrac is the leading global supplier of professional motorsport and specialized high-performance automotive transmission systems across internal combustion engine, hybrid, and electric vehicles, providing in-house manufacturing as well as design and engineering services. Xtrac's focus on performance and reliability has made them the benchmark in the industry, testified by their longstanding supply to a large number of the world's top professional race teams and organizations, including teams in Formula One, Formula E, Sportscar and touring car racing globally, world rallying and off-road racing, IndyCar and NASCAR.

The closing of Xtrac was an exciting milestone as our first European-HQ platform investment. We look forward to partnering with the Xtrac team to build upon the Company's existing leadership position in the motorsport and high-performance automotive market. We believe the Company is poised to continue on its growth trajectory through continued investment in new product innovation, coupled with our Operations Team's identified initiatives to unlock incremental capacity.

Brandon Hamel

Vice President, EU Transaction Team



The Xtrac deal was a true partnership and proved that MGC's hands-on operational approach translates from the US to Europe. We teamed up with Xtrac's management team to increase the operational performance of all aspects of the organization while maintaining customer and technology excellence.

Robert Jonkers

Managing Director, Head of EU Operations Team

I CONTINUATION VEHICLE



Investment Date: November 2023
Sector: Metal Processing, Metal Distribution
Headquarters: Carol Stream, IL
Footprint: 30 Facilities
Fund: MiddleGround Carbon CV

ABOUT CASTLE/BANNER

Castle Metals/Banner Industries is a leading processor and distributor of metal bar products for a diverse set of industrial, medical, and aerospace end markets. Castle Metals/Banner Industries provides supply chain solutions and a variety of value-added metal processing services, including centerless grinding, chamfering, turning, precision saw cutting, straightening, material ID and full traceability, waterjet cutting, ultrasonic testing, and CNC machining to its OEM, contract manufacturer, and precision machining customers. They work with stainless steel, carbon steel, alloys, aluminum, titanium, and more in bar, sheet, tube, and plate formats.

While Banner has been successful for Fund I, the CV has a lot of opportunity to create value and we uptake from Fund I investors in the CV alongside newcomers. We've always focused on building strong relationships and executing our differentiated approach and this is a perfect example of those ideals coming together.

John Stewart
Founder and Managing Partner



By joining forces, we stand to greatly enhance our specialty metals platform, ensuring we have the ability to address a broader range of key end markets while simultaneously better serving the needs of our customers.

Dan Stoettner
Chief Executive Officer, Castle Metals/Banner Industries

Our motto is "to leave everything better than we found it" and we stick by it. We have not executed everything perfectly, but we recognize that and we are dedicated to living up to this as our standard. Environmental, Social, and Corporate Governance (ESG) matters help measure a company's sustainability and societal impact. We've made ESG central to our business and have committed to make a measurable impact across our portfolio as the first sub \$1 Billion AUM industrials-focused firm to be a Principles for Responsible Investment (PRI) signatory.



John Stewart
Founder and Managing Partner

501c3 CHARITABLE FOUNDATION

In July of 2023, our ESG Team formed the MiddleGround Charitable Foundation. This nonprofit organization focuses on five key areas:

- Protecting the environment
- Improving social welfare
- Combatting community deterioration
- Educating the public
- Providing relief to the poor and distressed

By the end of the year, there was ~\$100,000 donated to the organization and ~\$34,000 was put to work supporting philanthropic causes from Big Brothers Big Sisters to homeless shelters and public health organizations. In addition to donating directly to causes from the foundation, we also support up to \$500 of employee matching per year to any 501c3 organization.



~\$120K
In Employee Charitable Giving in 2023



~\$1.48M
Total MGC and employee charitable giving



1600
Employee Volunteer Hours in 2023



~2.1M
Tons of CO2 Emission Avoidance in 2023

Key Charities Supported:

Reforest the Bluegrass | National Parks Foundation | University of Kentucky | Junior Achievement
Big Brothers Big Sisters | Lexington Humane Society | Chordoma Foundation | God's Pantry



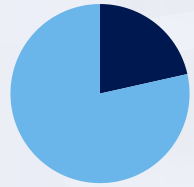
Inspired by our strategic plan forged in 2022, 2023 propelled our ESG team into a year of purposeful action. As stewards of sustainability, we embraced each challenge, adapting, learning, and growing with unwavering commitment. Our team eagerly anticipates the opportunities and challenges that lie ahead in 2024.

Madelyn Tutewiler
Director, ESG

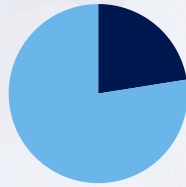
ESG AT OUR PORTFOLIO COMPANIES

ESG is woven throughout the deal process for all companies within our portfolio.

As we have grown in size, capacity, and knowledge over the years, our ESG team has been focused on expanding our reach in improving ESG performance while creating value. We have developed a propriety safety assessment process, built ESG planning tools for our hold period, expanded ESG training, and continue to expand our bench of third-party advisors to support our growing portfolio. With new growth comes new opportunities, but we will always remain focused on leaving everything better than we found it.



21.5%
Diverse BOD Members



22.5%
Independent BOD



15.86%
Increase in average US
workforce pay represented
as an hourly rate

The average hourly rate of all US employees in our portfolio is **\$31.02**.

81.8%* of our portfolio companies saw reduced turnover in 2023.

8 of our portfolio companies had a 2023 TRIR at or below industry average.

KEY INITIATIVES

LEVEL UP SAFETY INITIATIVE

Our Operations and ESG teams partnered to gather safety data and share safety learnings across our portfolio. We used foundational elements, cultural elements, and performance metrics to develop a scoring matrix. Depending on the score received, the company is assigned corrective actions and cultural improvement items to support strengthening its safety program.

1400

action items created after evaluating 51 portfolio locations

75%

complete with action items

DECARBONIZATION INITIATIVE

From our inception, we have prioritized the measurement of firm-level and portfolio company emissions. In April 2023, we took it to the next level by partnering with Gravity, a carbon management software platform, to accurately measure our footprint. This has enabled us to create customized decarbonization plans for our facilities with plans to execute across the portfolio!

155 MWh

of energy sources at Plasman come from climate neutral sources

100%

Transition to renewable electricity at Arrow Tru-Line

*11 portfolio companies considered, those excluded did not have YoY turnover data

MARKETING UPDATE

OUR STRATEGY

The MiddleGround Capital brand is built on a culture of transparency, unwavering reliability, and a firm focus on operational excellence... all without taking ourselves too seriously. This is reflected in our marketing strategy, which makes our portfolio, investment strategy, and private equity approachable.

In 2023, our Marketing Team continued to execute on existing channels, ending the year with over 12k LinkedIn followers (3.7k followers gained in 2023), production of ten blogs, and strong web traffic, while also launching new avenues to deliver video and audio content. Through our newly established YouTube and podcast presence, we're able to showcase our expertise and portfolio in an easy-to-digest medium while having some fun along the way.

MIDDLEGROUND.COM

Our website had strong web traffic, over 60% of sessions in 2023 were active sessions. Keeping the site up to date and producing fresh, relevant content that is cross-promoted on marketing channels is the key to continued web growth.

62% of our new users originated from organic search, indicating strong SEO rankings and 6% of new users originated on social media, indicating that our LinkedIn content is engaging enough that new people are clicking through to our website to learn more.

110k
Web Sessions
in 2023*

YOUTUBE

In 2023, we capitalized on our strong video library by cementing our presence on YouTube. The videos produced vary between portfolio company walkthroughs with our "MiddleGround Made" series, deep dives into industrial manufacturing topics with our video podcast "executive sessions", and content that showcases our company culture.

This marketing channel makes understanding our portfolio and strategy approachable.

5.3k
Video Views on
YouTube

PODCAST EXECUTIVE SESSIONS

In 2023 we launched our podcast, "executive sessions". In this industrial-manufacturing-focused marketing channel, we dedicate 30-60 minutes to a new industry expert a month, digging into topics like economic trends in manufacturing, how to identify opportunities for shop floor improvements, and integrating ESG into operations without sacrificing profitability.

This podcast often features our Managing Partner, John Stewart, and is hosted on our website, YouTube, and anywhere you listen to podcasts.

2.7k
Views/Listens in
2023

I LOOKING AHEAD

2023 was proof that MiddleGround is not only able to weather storms but also can thrive throughout them. As of Q4 2023, we had \$3.5 billion in assets under management, deployed \$786 million of fund capital, and returned \$661.1 million to our investors, all while launching three new funds.

I've said this many times, but a difficult market is NOT an excuse to underperform. There will always be down markets, and truly skilled professionals can show their true capability by succeeding in these times. I'm incredibly proud of my team. They thought outside the box, returned capital to our investors, were tenacious in deal sourcing, and maximized operational improvements throughout the year.

The groundwork done in 2023 will act as a springboard for 2024. In 2023, we invested time and focused on creating equity value for our investors, developing our leadership, and strengthening our operational expertise. These pillars will set us up for success in the new year and beyond.

2024 AND BEYOND

In 2024 we will raise capital for our third flagship fund focused on the continued execution of our strategy of investing in Industrial B2B and specialty distribution that have demonstrated historical growth with differentiated processes and products when we can identify areas to create equity value based on our experience as operators.



JOHN STEWART
Founder & Managing Partner

A handwritten signature in white ink that reads "John Stewart".





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