



VISIONARY INVESTMENT BANKING



## **Mergers & Acquisitions Market Monitor Summer 2020**

**DISCLOSURE:** Raptor Partners LLC is a registered broker-dealer with the U.S. Securities Exchange Commission and a member of the Financial Industry Regulatory Authority. This document is not a "research report", as such term is defined by applicable laws and regulations. The information in this report has been obtained from third-party sources deemed to be reliable, but is not represented to be complete. This document has been prepared for general information purposes only and does not represent a complete analysis of any specific security, industry or issuer. This information contained in this document does not represent an offer or a solicitation of an offer to buy or sell securities of any form or to participate in any particular trading strategy. This document does not consider the investment objectives or financial situation of any individual or entity. Raptor Partners has provided, may continue to provide, or may seek to provide investment banking services for companies included in this document.

Mergers & Acquisitions

Divestitures & Carve-outs

Corporate Finance Advisory

Valuations & Fairness Opinions

Debt & Equity Financing

- Trusted Advisor
- +\$40 Billion Transactions Completed
- +400 Engagements
- Senior-Level Attention at All Phases
- Private and Public Company Clients
- Broad Industry Experience

**For a confidential consultation, contact:**

**Craig A. Wolfanger**  
President & Founder  
craig.wolfanger@raptorllc.com  
(412) 281-1101

**Brant G. Cappelloni**  
Managing Director  
brant.cappelloni@raptorllc.com  
(412) 281-1084

**Representative Engagements:**



VALVE SOLUTIONS  
has been acquired by  
IMI, PLC

---


*Raptor Partners acted as financial advisor to PBM, Inc. and assisted in the negotiations.*




has been acquired by  
Fortive Corporation

---


*Raptor Partners acted as financial advisor to Industrial Scientific and assisted in the negotiations.*

has been acquired by  
LIDAN MARINE AB

---

*Raptor Partners acted as exclusive financial advisor to W.W. Patterson Company and assisted in the negotiations.*




has been acquired by  
CÉMOI Group

---

*Raptor Partners acted as exclusive financial advisor to Chris Candies and assisted in the negotiations.*




has been acquired by  
NV5 GLOBAL

---

*Raptor Partners acted as financial advisor to The Sextant Group and assisted in the negotiations.*




has acquired  
FROST MAGNETICS

---

*Raptor Partners acted as financial advisor to Spang & Company and assisted in the negotiations.*



## In This Issue:

- I. Merger & Acquisition Activity..... 4
- II. Largest U.S. M&A Transaction.....5
- III. M&A Trends by Geography.....6
- IV. Sector M&A Analysis.....7
- V. Transaction Volume by Deal Size.....8
- VI. M&A Control Premiums.....8
- VII. Private Equity Activity.....9
- VIII. Economic Indicators.....11
- IX. Stock Market Performance.....12

## 2020 First Half M&A Highlights

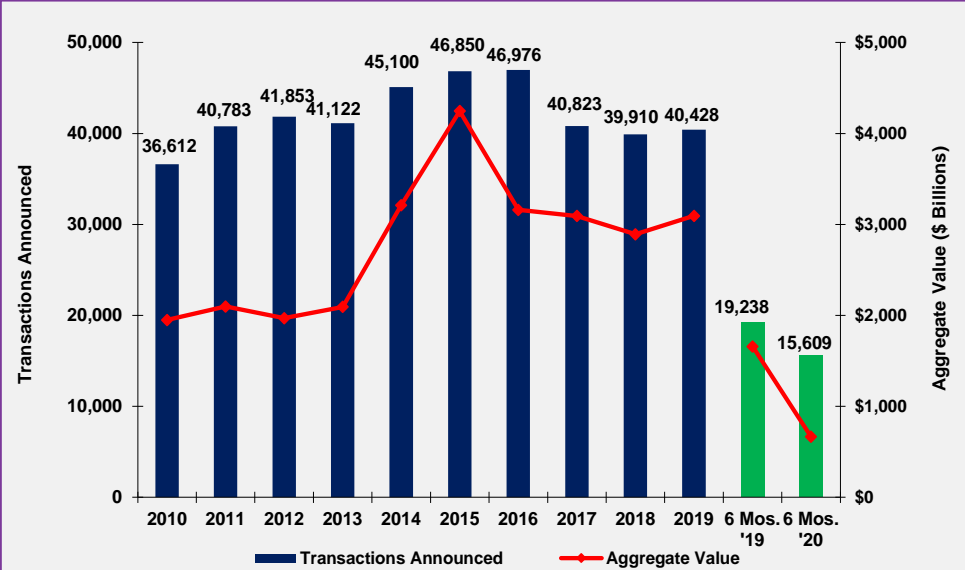
- With global economies shut down due to the coronavirus and widespread lockdowns during the first half of 2020, a large portion of merger and acquisition activity was put on pause.
- The lockdown of the U.S. economy beginning in February and March 2020, had a devastating effect on GDP and joblessness in the first half of the year.
- Total U.S. deal volume and aggregate announced transaction value decreased 23.6% and 75.1%, respectively, in the first half of 2020.
- The average size of announced deals declined 65% to \$128 million in 2020 from \$366 million in 2019.
- Based on weakness in the first half of 2020, LTM M&A takeover EBITDA multiples declined in each sector tracked by Raptor Partners except for the defensive Health Care and Consumer Staples sectors.
- Despite record levels of available capital, private equity firms began to see a decline in potential targets coming to market beginning at the end of the first quarter of 2020 as sale processes were delayed or deals under LOI slowed down.
- The U.S. government has responded to the crisis with unprecedented economic stimulus and monetary easing.
- Despite a sharp decline in March, the S&P 500 has roared back and erased nearly all its losses for 2020.

# MERGERS & ACQUISITIONS ACTIVITY

## GLOBAL M&A TRENDS

- With global economies shut down due to the coronavirus and widespread lockdowns during the first half of 2020, a large portion of merger and acquisition activity was put on pause.
- Global deal volume declined 18.9% while announced deal value declined a much greater 59.9% in the first half of 2020.
- Activity worsened as the year progressed, with deal volume down 34.2% and announced deal value down 75.9% in the second quarter.
- As buyers and sellers focus on managing their internal operations and reforecasting budgeted results in the face of the pandemic, many deals are being delayed.

### Global M&A Activity

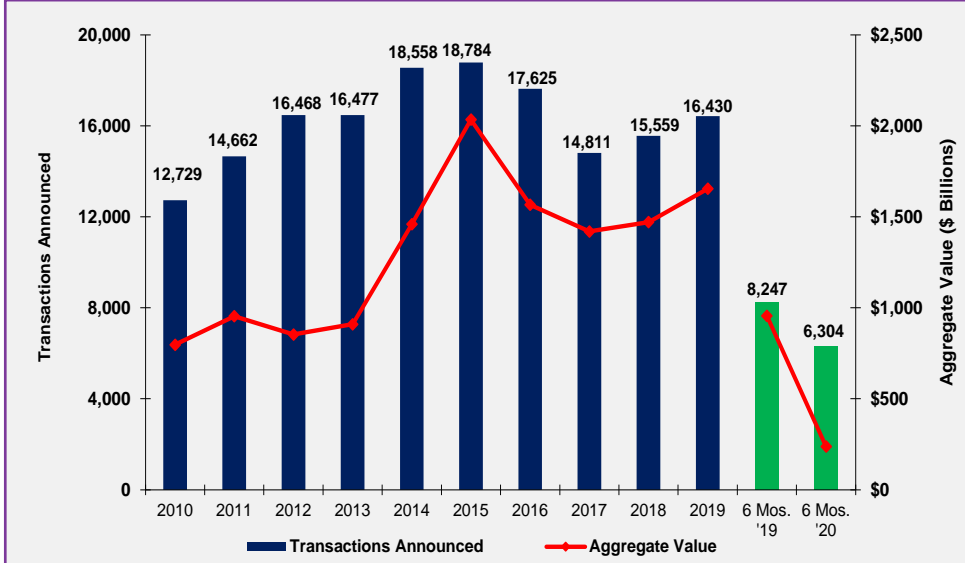


Source: Standard & Poor's Capital IQ  
Excludes minority interest purchases.

## U.S. M&A TRENDS

- U.S. M&A activity, which typically starts the year off a bit slower, saw an even greater decline, with deal volume declining 23.6% and announced deal value declining 75.1%.
- In the second quarter of 2020, U.S. M&A activity further deteriorated with deal volume down 44.8% and announced deal value down a whopping 88.9%, as large portions of country experienced shelter-in-place orders.
- Q2 and Q3 are expected to represent a trough for U.S. M&A, as more deals begin to come to market with the economy reopening.
- There were some bright spots in the technology sector as many Americans were forced to telecommute from home.

### U.S. M&A Activity



Source: Standard & Poor's Capital IQ  
Excludes minority interest purchases.

# LARGEST U.S. M&A TRANSACTIONS ANNOUNCED

Date	Target	Acquiror	Enterprise Value	EV/ Revenue	EV/ EBITDA	Industry
02/02/2020	E*TRADE Financial Corporation (NasdaqGS:ETFC)	Morgan Stanley (NYSE:MS)	\$13.8 B	3.9x	9.0x	Financials
03/17/2020	TEGNA Inc. (NYSE:TGNA)	Najafi Companies and Trinity Broadcasting Network	\$8.6 B	3.8x	11.9x	Communication Svcs.
06/10/2020	Grubhub Inc. (NYSE:GRUB)	Just Eat Takeaway.com N.V. (ENXTAM:TKWY)	\$7.5 B	5.6x	NM	Technology
01/30/2020	Navistar International Corporation (NYSE:NAV)	Traton SE (XTRA:8TRA)	\$7.4 B	0.7x	9.2x	Transportation
02/24/2020	Credit Karma, Inc.	Intuit Inc. (NasdaqGS:INTU)	\$7.1 B	7.1x	NA	Technology
03/10/2020	U.S. State/Local Health & Human Svcs. Bus. Of DXC Technology Company (NYSE:DXC)	Veritas Capital Fund Management, L.L.C	\$5.0 B	3.6x	NA	Technology
03/02/2020	Forty Seven, Inc. (NasdaqGS:FTSV)	Gilead Sciences, Inc. (NasdaqGS:GILD)	\$4.6 B	NM	NM	Biopharmaceutical
02/18/2020	Legg Mason, Inc. (NYSE:LM)	Franklin Resources, Inc. (NYSE:BEN)	\$4.6 B	2.1x	8.4x	Financials
03/11/2020	Rockstar, Inc.	PepsiCo, Inc. (NasdaqGS:PEP)	\$4.6 B	NA	NA	Consumer Products
05/11/2020	Professional Beauty and Retail Hair Businesses from Coty Inc. (NYSE:COTY)	KKR & Co. Inc. (NYSE:KKR)	\$4.3 B	NA	NA	Consumer Products
01/27/2020	CenterState Bank Corporation (NasdaqGS:CSFL)	South State Corporation (NasdaqGS:SSB)	\$3.2 B	5.1x	14.3x	Financials
02/07/2020	FGL Holdings (NYSE:FG)	Fidelity National Financial, Inc. (NYSE:FNF)	\$3.0 B	1.4x	6.5x	Financials
01/24/2020	Cincinnati Bell Inc. (NYSE:CBB)	Macquarie Infrastructure Partners	\$2.9 B	1.9x	7.3x	Communication Svcs.
03/02/2020	Mobile Mini, Inc. (NasdaqGS:MINI)	WillScot Corporation (NasdaqCM:WSC)	\$2.9 B	4.7x	11.1x	Business Services
01/21/2020	Lummus Technology business from McDermott	Rhone Capital, L.L.C.; Haldia Petrochemicals Limited	\$2.7 B	NA	NA	Construction/Engineering
06/11/2020	Corvidia Therapeutics, Inc.	Novo Nordisk A/S (CPSE:NOVO B)	\$2.1 B	NA	NA	Biopharmaceutical
02/18/2020	RSA Security LLC from Dell Technologies Inc. (NYSE:DELL)	AlpInvest Partners B.V.; Symphony Technology Group, LLC; Ontario Teachers' Pension Plan Board	\$2.1 B	NA	NA	Technology
01/20/2020	Military Global Positioning System business of Collins Aerospace	BAE Systems plc (LSE:BA.)	\$1.9 B	NA	NA	Aerospace
02/06/2020	Forescout Technologies, Inc. (NasdaqGM:FSCT)	Advent International Corporation and Crosspoint Capital Partners, LP	\$1.8 B	4.8x	NM	Technology
02/23/2020	Xperi Holding Corporation (NasdaqGS:XPER)	Metis Ventures LLC	\$1.5 B	5.2x	26.2x	Technology
01/29/2020	Consolidated Aerospace Manufacturing, LLC	Stanley Black & Decker, Inc. (NYSE:SWK)	\$1.5 B	4.0x	NA	Aerospace
06/22/2020	ArcherDx, Inc.	Invitae Corporation (NYSE:NVTA)	\$1.4 B	24.9x	NM	Biopharmaceutical
06/26/2020	Zoox Inc.	Amazon.com, Inc. (NasdaqGS:AMZN)	\$1.3 B	NA	NA	Technology
02/24/2020	Saba Software, Inc.	Cornerstone OnDemand, Inc. (NasdaqGS:CSOD)	\$1.3 B	NA	NA	Technology
04/07/2020	Galileo Financial Technologies, Inc.	Social Finance, Inc.	\$1.2 B	NA	NA	Technology
02/06/2020	Unisys Federal from Unisys Corporation (NYSE:UIS)	Science Applications International Corporation (NYSE:SAIC)	\$1.2 B	1.7x	13.0x	IT Services

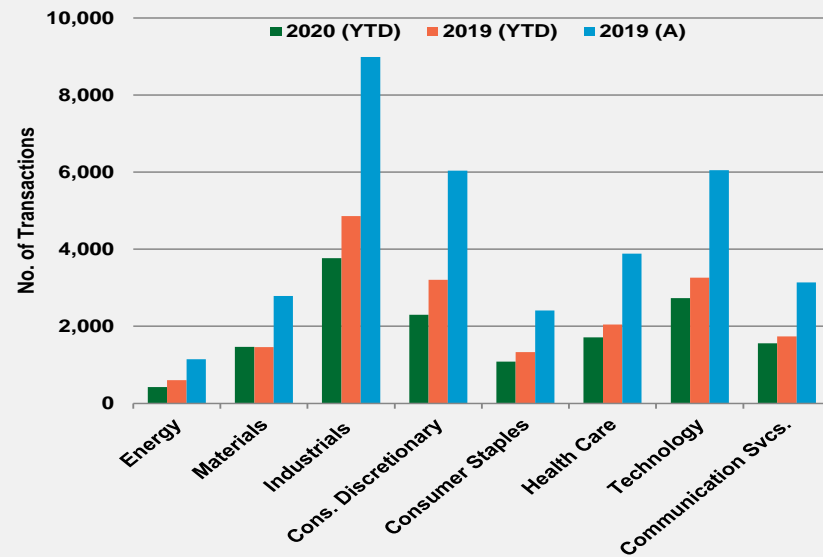
Source: Standard & Poor's Capital IQ

# M&A TRANSACTIONS BY SECTOR

## SECTOR TRENDS

- All major sectors tracked by Raptor Partners saw declines in M&A deal volume during the first half of 2020 except for the Materials sector which was up marginally.
- The Energy sector saw the largest decline, with deal volume down 29.4%, followed by Consumer Discretionary (-28.3%), Industrials (-22.5%), Consumer Staples (-18.2%), Health Care (-16.2%), Technology (-16.2%) and Communications Services (-10.1%).
- Although the overall value of announced deals declined sharply in the first half of 2020, the Technology sector saw the highest percentage (38.5%) of large value deals tracked by Raptor Partners (page 5), followed by Financials and Aerospace.

## Transaction Value By Sector



Source: Standard & Poor's Capital IQ

## Sector Analysis

Industry	Transaction Value (\$BN)	Enterprise Value / LTM		EBITDA Multiple	% Δ vs. 2019
	LTM 6/2020	Revenue	EBITDA		
Industrials	\$ 285	1.17x	9.15x		-3.5%
Technology	\$ 259	1.72x	9.49x		-9.9%
Consumer Discretionary	\$ 243	1.11x	9.32x		-0.1%
Health Care	\$ 218	2.47x	11.11x		11.0%
Communication Services	\$ 162	1.62x	7.48x		-8.0%
Materials	\$ 127	1.42x	6.86x		-10.7%
Energy	\$ 111	1.98x	3.96x		-35.9%
Consumer Staples	\$ 102	1.26x	10.94x		3.0%

Source: Standard & Poor's Capital IQ

## SECTOR ANALYSIS

- Based on weakness in the first half of 2020, LTM M&A takeover EBITDA multiples declined in each sector tracked by Raptor Partners except for Health Care and Consumer Staples.
- The defensive Health Care and Consumer Staples sectors saw multiples increase 11% and 3%, respectively, as demand was strong.
- The Energy sector saw the largest takeover multiple decline of 35.9% as oil prices plummeted during the first half of the year.
- The other sectors saw more muted declines from the record levels reached in 2019.



# DEALS BY GEOGRAPHIC LOCATION

Region	2017		2018		2019		2020 6 Mos. (June)	
	Deals	%	Deals	%	Deals	%	Deals	%
North America	16,684	40.9%	18,196	45.6%	18,949	46.9%	7,358	47.1%
Europe	14,104	34.5%	14,177	35.5%	13,419	33.2%	4,996	32.0%
Asia/Pacific	8,075	19.8%	5,955	14.9%	6,397	15.8%	2,618	16.8%
Other	1,960	4.8%	1,582	4.0%	1,663	4.1%	637	4.1%
<b>Total</b>	<b>40,823</b>	<b>100%</b>	<b>39,910</b>	<b>100%</b>	<b>40,428</b>	<b>100%</b>	<b>15,609</b>	<b>100%</b>

Source: Standard & Poor's Capital IQ

Deal Volume By Region

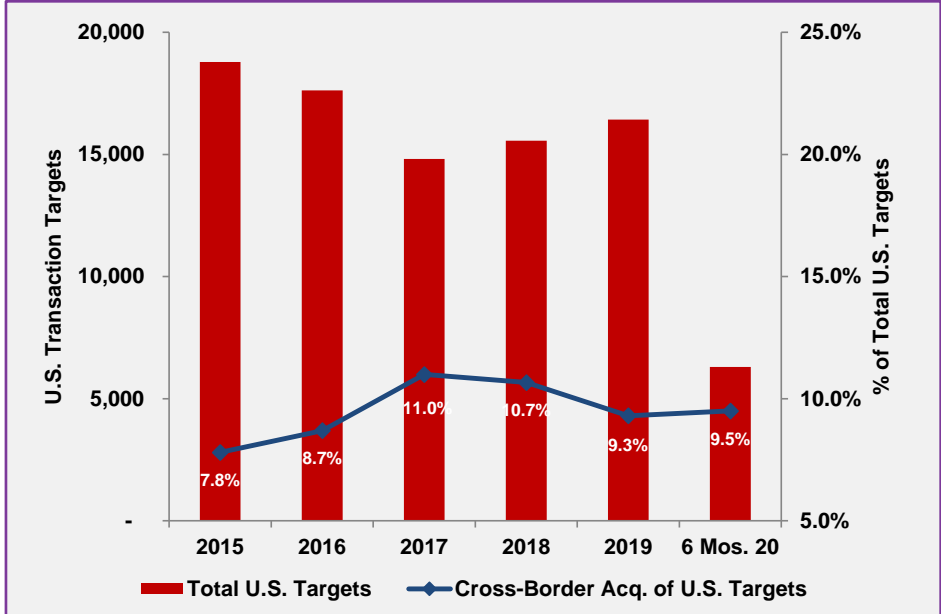
## GEOGRAPHIC TRENDS

- North American transactions represented the largest portion of global deals at 47.1% in the first half of 2020, although the volume was down sharply.
- European transactions fared the worst in the first half of 2020, with its proportion of deals completed declining from 33.2% to 32.0% as it experienced coronavirus outbreaks before the U.S.
- The Asia/Pacific region saw a slight increase in deal volume, although it was well below its historic growth.

## CROSS-BORDER TRENDS

- The percentage of foreign buyers acquiring U.S. targets remained relatively stable during the first half of 2020, although at lower levels due to the overall decline in activity.
- The majority of cross-border acquisitions of U.S. targets in 2020 occurred during the first quarter, so the trends are expected to decline in the second half as the pandemic continues.
- Despite the current headwinds, the U.S. targets remain a top priority for foreign acquirors given their desire to access the large U.S. market with local presence.

Foreign Acquisitions of U.S. Targets



Source: Standard & Poor's Capital IQ

# U.S. MERGERS & ACQUISITIONS STATISTICS

## U.S. Transaction Volume By Deal Size

Transaction Value	Transaction Volume			Aggregate Transaction Value (\$B)		
	6/2020	6/2019	% Δ	6/2020	6/2019	% Δ
\$10 Billion +	1	19	-94.7%	\$13.8	\$565.9	-97.6%
\$1B - \$10B	37	71	-47.9%	\$102.8	\$191.4	-46.3%
\$500MM - \$1B	40	70	-42.9%	\$27.8	\$47.7	-41.8%
\$250MM - \$500MM	77	126	-38.9%	\$26.0	\$44.3	-41.2%
\$100MM - \$250MM	196	291	-32.6%	\$30.5	\$45.0	-32.2%
\$50MM - \$100MM	244	328	-25.6%	\$16.7	\$32.6	-48.8%
>\$0MM - \$50MM	1,259	1,704	-26.1%	\$19.9	\$28.4	-29.8%
Undisclosed	4,450	5,638	-21.1%	NA	NA	NA
Total	6,304	8,247	-23.6%	\$237.5	\$955.3	-75.1%

Source: Standard & Poor's Capital IQ

## Median M&A Control Premiums

Premiums	Years Ended December 31,						
	2014	2015	2016	2017	2018	2019	Jun-20
One Day	28.2%	23.2%	26.7%	25.5%	23.0%	22.1%	32.0%
One Week	28.5%	26.4%	30.0%	27.5%	27.1%	25.4%	33.5%
Four Week	31.0%	29.7%	33.1%	31.3%	29.1%	31.9%	39.2%

## Median M&A Minority Discounts

Discounts	Years Ended December 31,						
	2013	2014	2015	2016	2017	2018	2019
One Day	-22.3%	-22.0%	-18.8%	-21.1%	-20.3%	-18.7%	-18.1%
One Week	-24.9%	-22.2%	-20.9%	-23.1%	-21.6%	-21.3%	-20.3%
Four Week	-27.6%	-23.7%	-22.9%	-24.9%	-23.8%	-22.5%	-24.2%

Source: Standard & Poor's Capital IQ

## Large Deals Decline Significantly

- Total U.S. deal volume and transaction value decreased 23.6% and 75.1%, respectively, in the first half of 2020.
- Mega Cap transactions were nearly nonexistent in the first half of 2020, with only one deal announced over \$10 billion.
- Morgan Stanley announced its acquisition of E\*TRADE Financial for \$13.8 billion in February. There were 19 deals over \$10 billion for an aggregate value of \$566 billion in the first half of 2019.
- The average size of announced deals declined 65% to \$128 million in 2020 from \$366 million in 2019.
- Lower middle market transactions (<\$100 million) fared better than larger transactions, with the volume on smaller deals falling 26% versus 39% for those over \$100 million.
- Transactions with no value disclosed, which tend to be small transactions, saw the lowest decrease of 21% in 2020s.
- Public market M&A control premiums were at levels not seen since the Great Recession as sharp declines in the stock market between March and June 2020 increased the control premiums being paid in order to entice sellers during the downturn.

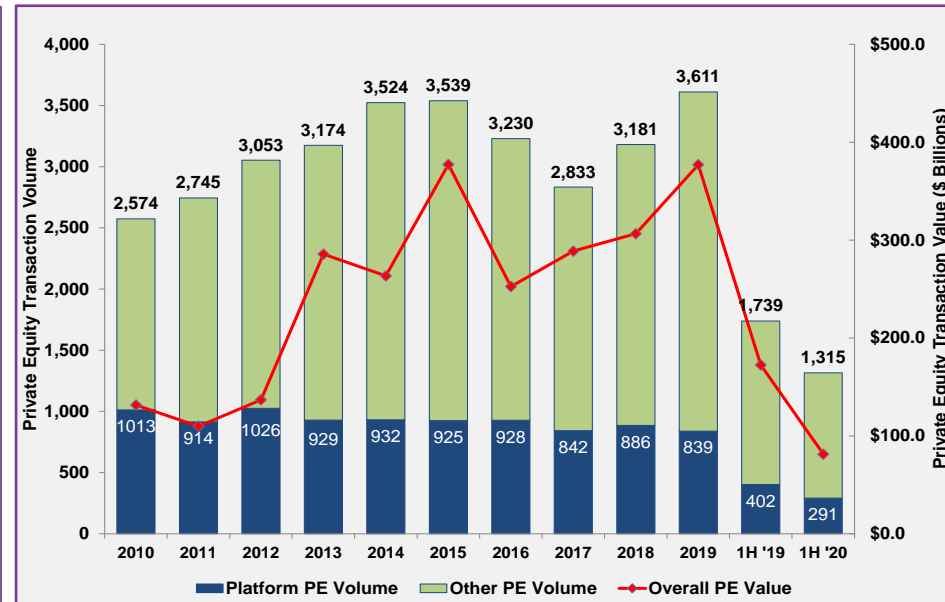


# PRIVATE EQUITY ACTIVITY

## U.S. Private Equity-Sponsored Acquisitions

- U.S. PE transaction volume and value decreased by 24.4% and 52.9%, respectively in the first half of 2020.
- The number of new platform transactions initiated in the first half of 2020 fared slightly worse, falling 27.6%.
- Despite record levels of dry powder, private equity firms began to see a decline in potential targets coming to market beginning at the end of the first quarter of 2020 as sale processes were delayed or deals under LOI slowed down.
- The uncertainty around the pandemic has caused end market demand, revenue, and cash flow estimates to be highly scrutinized.

### U.S. Private Equity M&A Activity

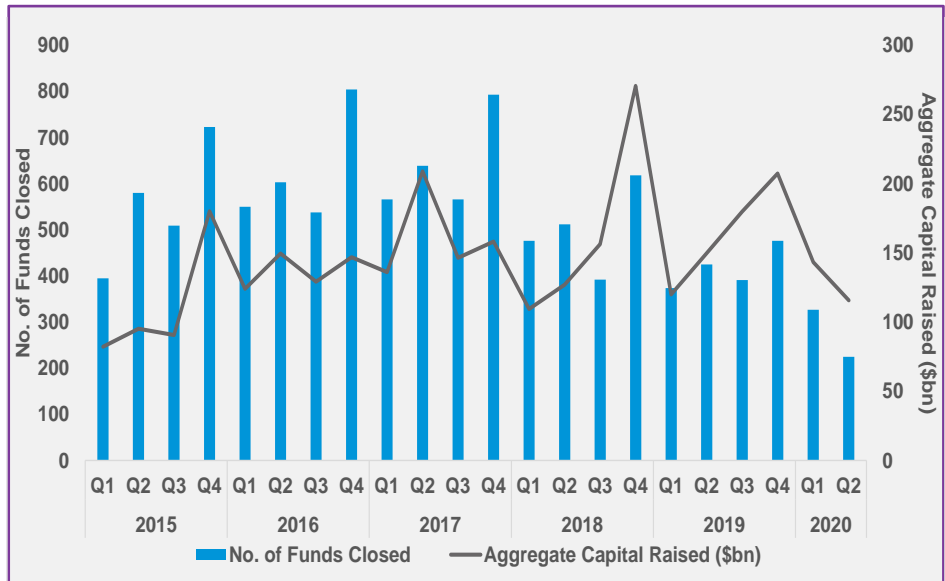


Source: Standard & Poor's Capital IQ

## Record Private Equity Cash Stockpiles

- At the end of June 2020, private equity and venture capital firms around the globe had amassed nearly \$1.5 trillion in dry powder available for transactions.
- Private equity investment funds remain popular as an alternative asset class given its long-term track record of outperformance versus traditional asset classes.
- According to the Preqin Q2 2020 update, the impact of COVID-19 on PE fund raising was relatively muted in Q1 2020, but activity slowed significantly in Q2 and was at the lowest level of the last five years.

### Global Private Equity Fundraising



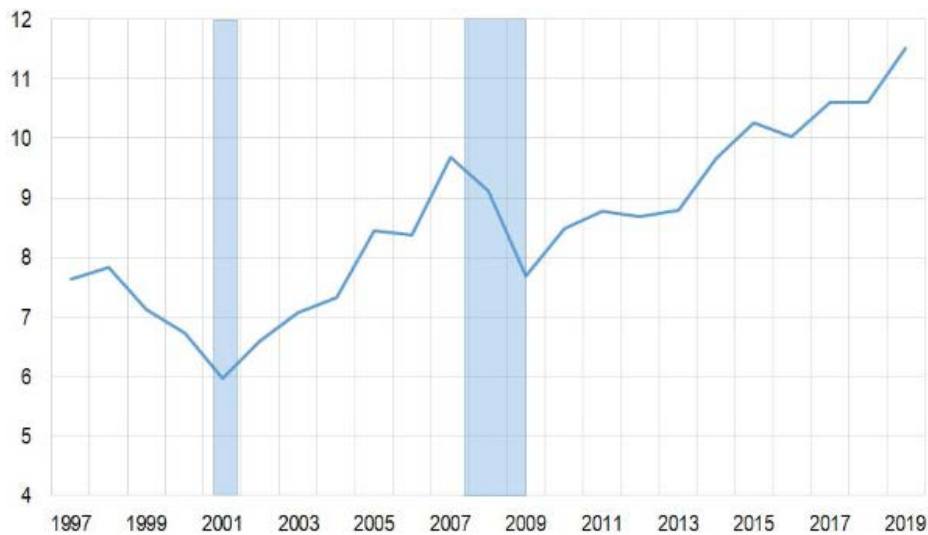
Source: Preqin Pro

# PRIVATE EQUITY ACTIVITY

## Purchase Price Multiples (PPMs) in Recession

- During the past two recessions (2001 & 2008/'09) the EBITDA purchase price multiples that private equity funds had to pay to complete deals declined.
- Private equity funds will be searching for investment opportunities during this recession.
- In the past two recessions, PPMs began declining into the economic downturn and then rose above previous highs during the recovery.
- Multiples decline as earnings and projected growth rates decline.
- Sellers, who can withstand the downturn, tend to move to the sidelines in these environments.

Private Equity EBITDA PPMs

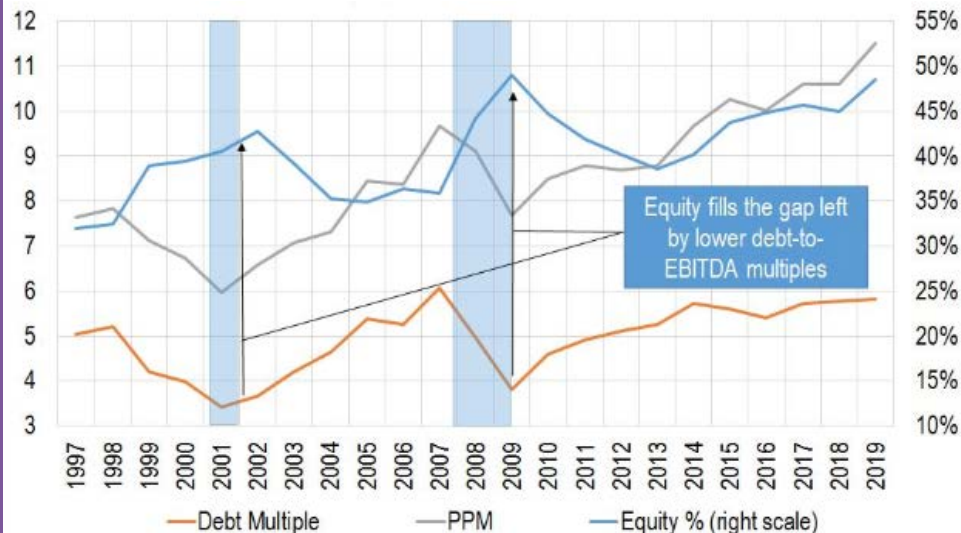


Source: S&P LCD

## Equity vs. Debt Contributions to PPMs

- As detailed in the chart to the right, during the past two recessions, the amount of leverage that can be used to purchase a business declined significantly.
- As the availability of debt diminished, increased equity contributions are required to complete the transactions, although at lower overall valuations.
- As the economy and investor confidence recovers, PPMs and debt availability both tend to rise.
- Equity checks also rise in periods of expansion as PE investors compete for high valuation targets.

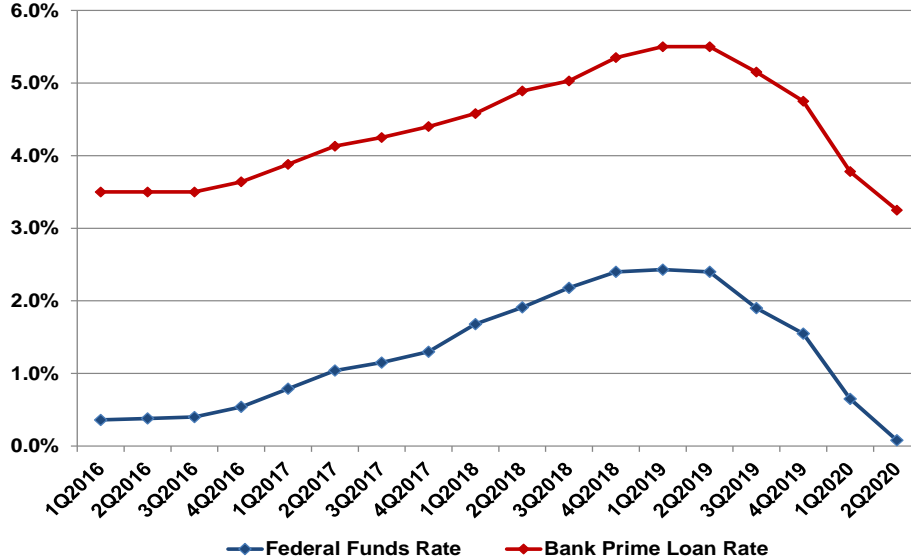
Equity and Debt vs. EBITDA PPMs



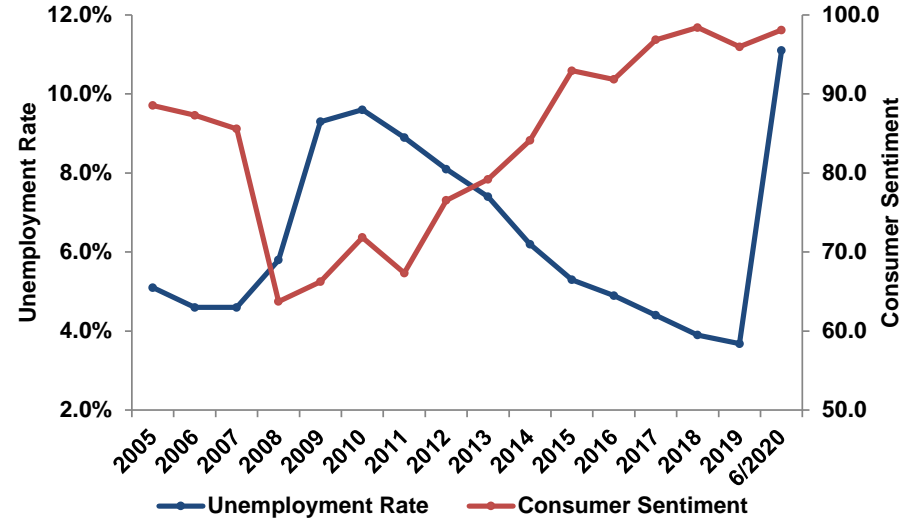
Source: S&P LCD

# Economic Indicators

## Federal Funds Rate & Prime Lending Rate



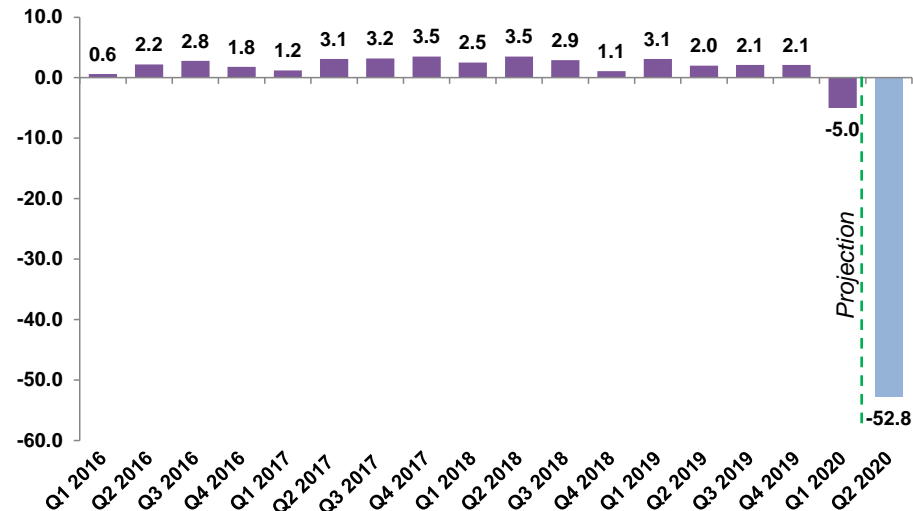
## Unemployment Rate & Consumer Sentiment



## Economic Analysis

- The lockdown of the U.S. economy beginning in February and March 2020, had a disastrous effect on GDP.
- First quarter GDP decreased 5.0%, while second quarter GDP is projected to decline a staggering 52.8%.
- During April 2020, the U.S. lost 20.8 million jobs and the jobless rate reached 14.7%, numbers significantly greater than the peak of the Great Recession.
- As the economy began to reopen in May and June, nonfarm payrolls soared by 2.7 million and 4.8 million, respectively, bringing the unemployment rate to 11.1% at the end of June.
- The U.S. government has responded to the crisis with unprecedented economic stimulus and monetary easing.

## Real GDP Percent Change

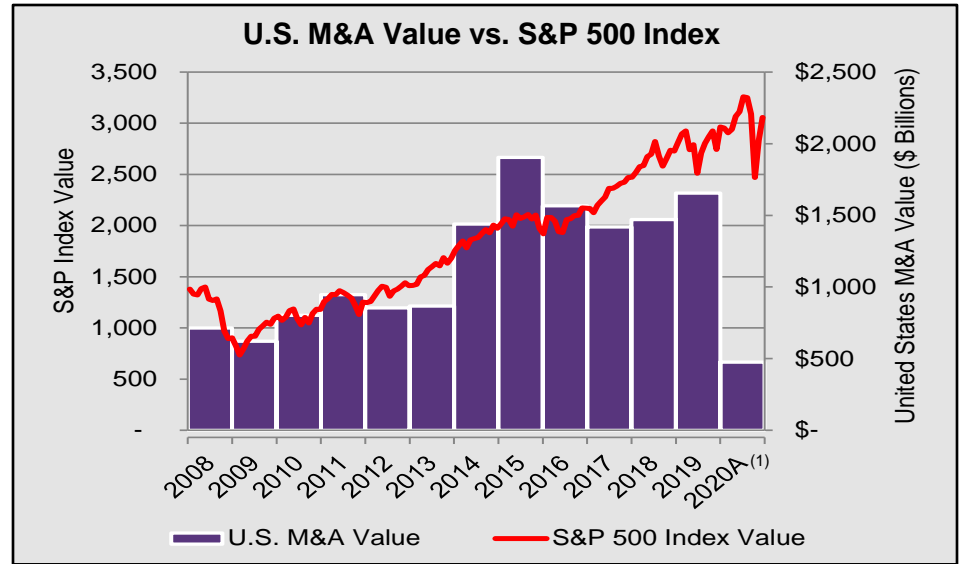


# Stock Market Performance

Industry	TTM Sector Performance	Enterprise Value (EV) (\$MM)	EV/ LTM Total Revenue	EV/ LTM EBITDA
Information Technology	33.1%	13,280	2.7x	14.2x
Health Care	15.7%	9,988	2.5x	14.5x
Consumer Discretionary	13.2%	12,026	1.4x	11.2x
Communication Services	12.6%	8,777	2.7x	8.7x
Materials	5.7%	6,051	1.3x	8.0x
Consumer Staples	2.4%	8,078	1.5x	11.9x
Utilities	-0.7%	5,248	2.4x	9.3x
Industrials	-6.1%	12,323	1.2x	9.0x
Financials	-13.9%	NA	NA	9.5x
Energy	-39.7%	6,926	1.2x	6.2x

\*LTM as of 7/20/2020.

Source: Standard & Poor's Capital IQ. Based on S&P 500 industry groups.

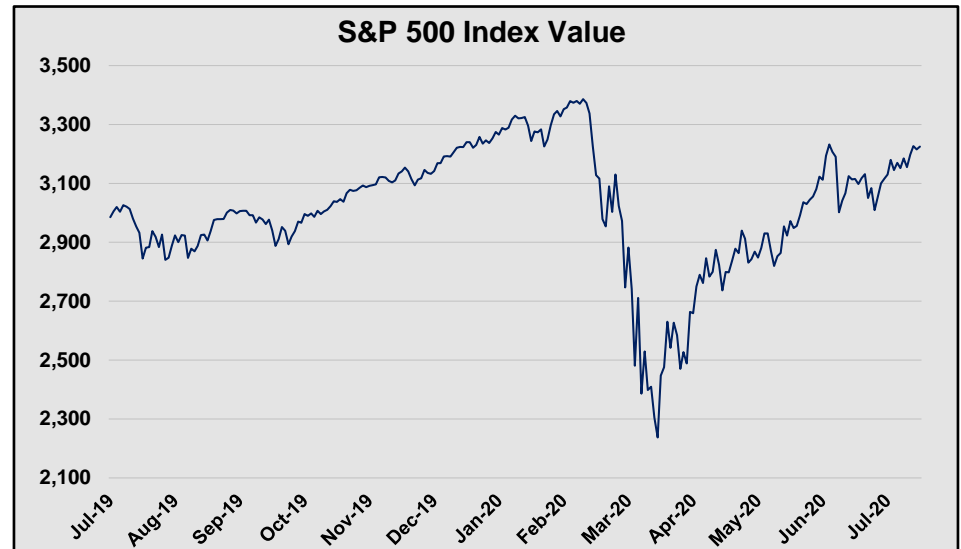


(1) Annualized activity as of 6/30/2020.

Source: Standard & Poor's Capital IQ

## Stock Market at Record Levels

- The S&P 500 closed at 2,237 on March 23, 2020, which represented a sharp 34% decline from its 52-week high of 3,393 reached just one-month earlier on February 19<sup>th</sup>.
- Despite the sharp decline, the S&P 500 has roared back and erased nearly all its losses as investors look for a V-shaped economic recovery, the U.S. government provides unprecedented economic stimulus, alternative investments provide minimal returns, and pharmaceutical companies race towards a COVID-19 vaccine.
- Technology, Health Care, Consumer Discretionary, and Communications Services companies have led the S&P 500 index higher.



Source: Standard & Poor's Capital IQ