

BRG Quarterly M&A Report

Q2 2020

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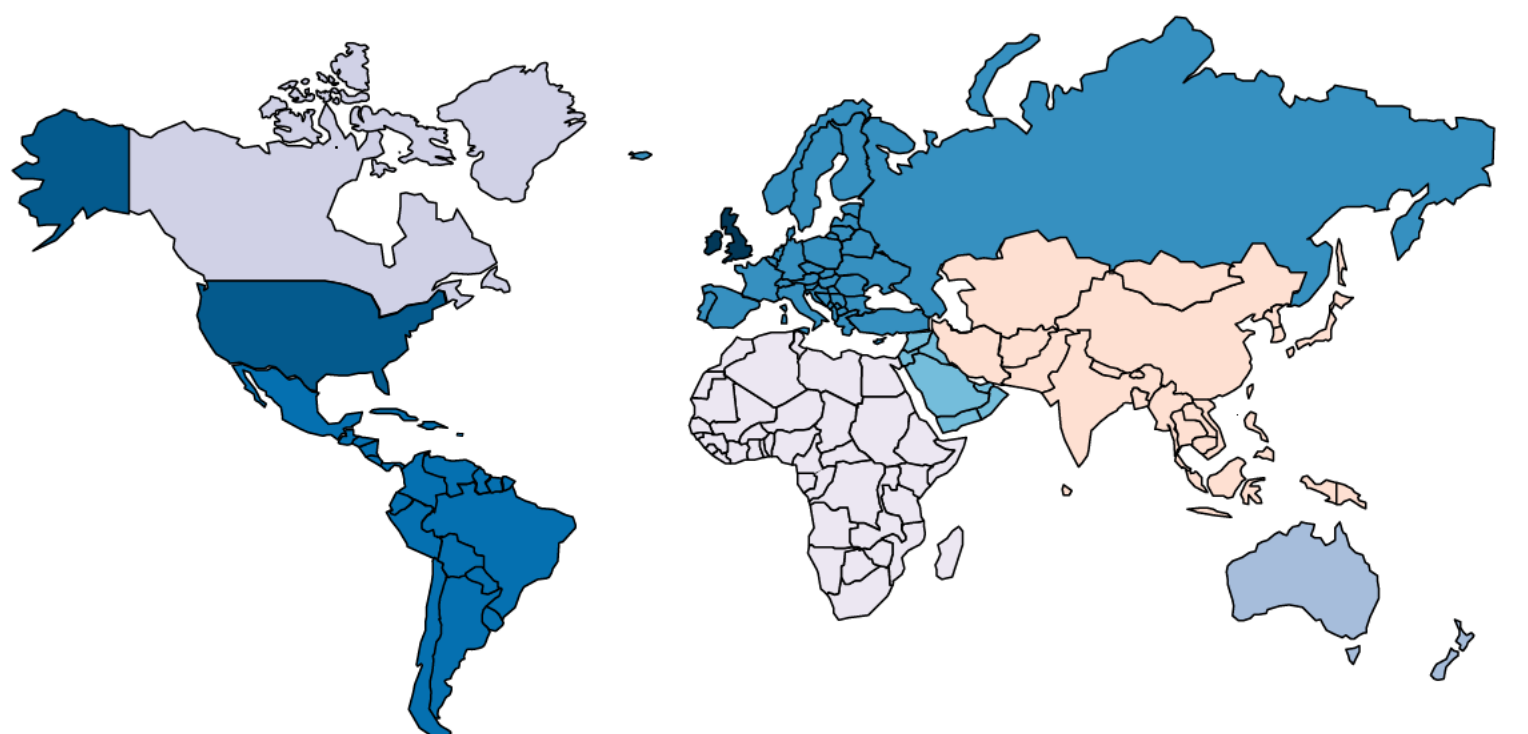


Description of BRG Quarterly M&A Report

This report provides geographic data, industry data, and our proprietary view on global activity in the M&A space. The purpose of this report is to analyze trends in geographical regions and industries, both globally and in the U.S., and to provide insight into changes in pricing as a result of those trends. We further strive to provide up-to-date information on attractive markets to help navigate our clients' M&A efforts.

The primary source for the data contained in this report is S&P Global Market Intelligence. BRG does not take any responsibility for the data presented and bases its conclusions solely on the information obtained. This material is intended merely to highlight market developments and is not intended to be comprehensive and does not constitute investment, legal or tax advice.

Global M&A Activity by Number of Transactions (QoQ)



Low (%) High (%)

Source: S&P Global Market Intelligence

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General Market Trends

In Q2 2020, global M&A activity decreased 25.8% QoQ, measured by transaction volume. Globally, the least impacted sector in Q2 was Materials, which declined 10.1% QoQ, while Industrials, the most impacted sector in this quarter, decreased 38.7% QoQ. Volume in Asia grew 2.7%, the only geography to exhibit QoQ growth; however, YoY growth declined by 18.0%. M&A transaction volume in the U.S. decreased 38.1% QoQ, primarily due to a decrease in the Industrials sector, which declined 49.4% over the last quarter.

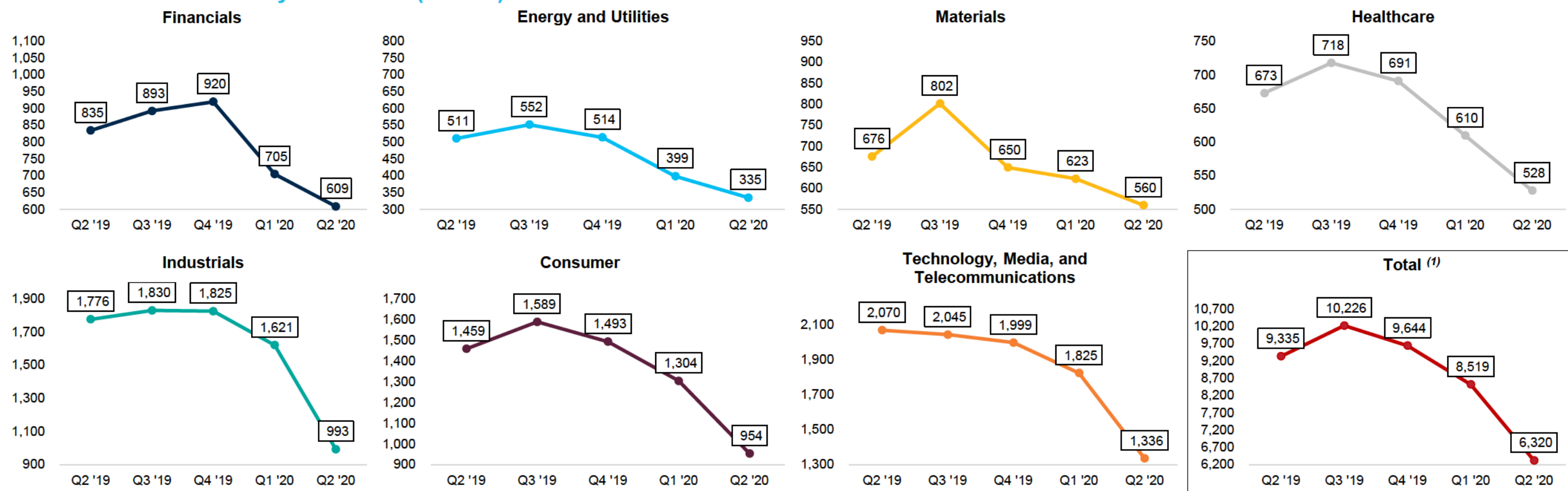
Global M&A deal activity came to a screeching halt in Q2 2020 as COVID-19 induced lockdowns brought the world economy to a standstill for much of the quarter. Deal volume fell across all industries and nearly all geographies as companies continued to call off or postpone transactions due to uncertainty around the spread of the virus. However, the average value per transaction increased QoQ leading to an increase in global transacted value. Most of these mega deals were in the process of closing prior to the pandemic.

Geographical Trends

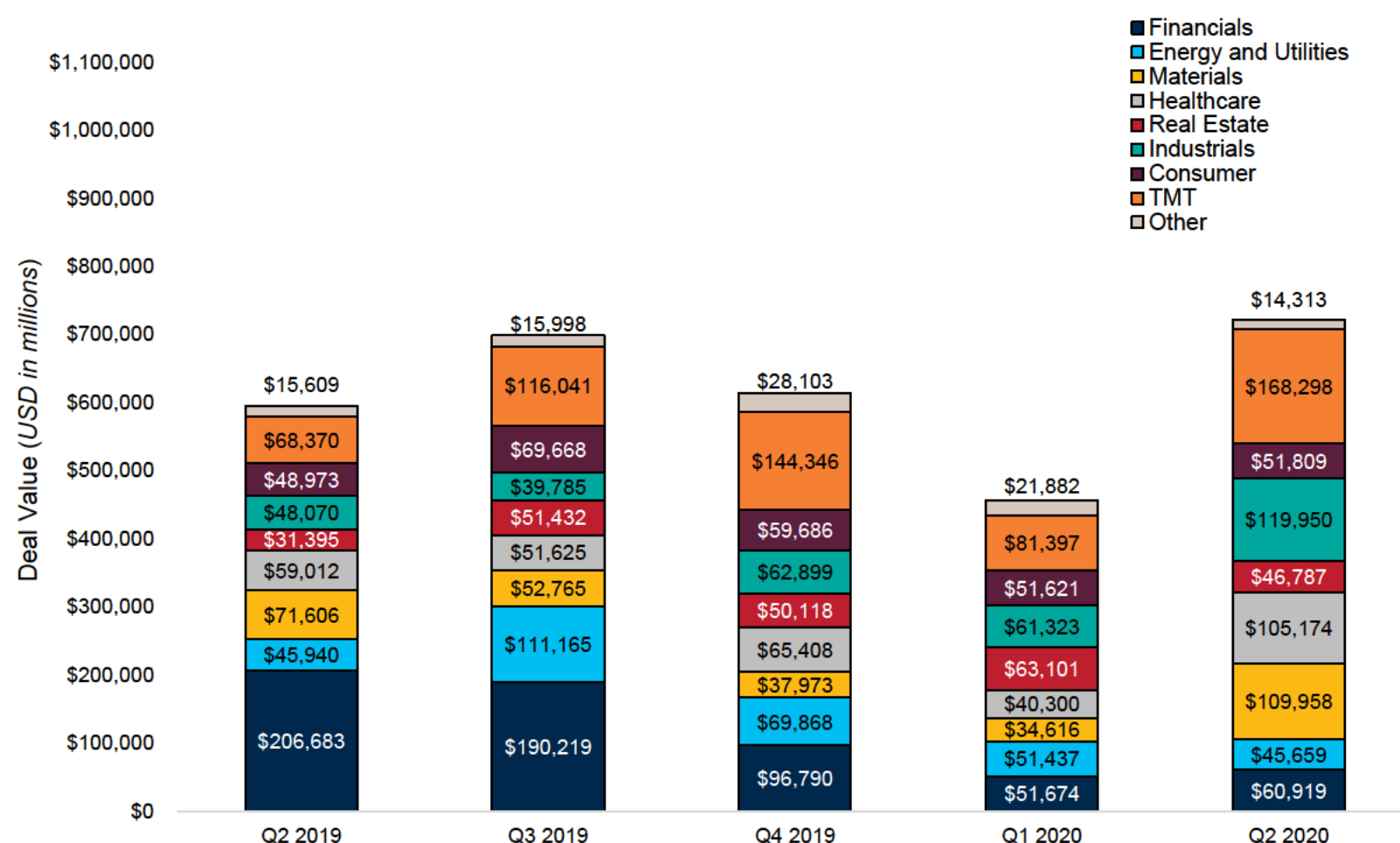
	Q2 2020 Volume	QoQ Growth	YoY Growth
Africa	130	-2.3%	-17.2%
Asia	984	2.7%	-18.0%
Australia and New Zealand	238	-10.9%	-21.2%
Europe (incl. Russia, excl. U.K.)	1,681	-21.6%	-28.3%
Latin America	197	-26.8%	-31.6%
Middle East	87	-17.9%	-16.3%
North America (excl. U.S.)	417	-2.8%	-24.0%
United Kingdom	481	-39.6%	-42.6%
United States	2,105	-38.1%	-40.0%

Transaction information based on publicly available data as of Q2 2020 end as obtained from S&P Global Market Intelligence and evaluated by BRG.

Number of Transactions - Key Industries (Global)



Total Deal Value by Industry (Global)



Commentary

In Q2 2020, we observed a global decline in transaction volume of 25.8%. The industry exhibiting the largest drop this quarter was Industrials, which declined 38.7% on a volume basis. Concurrently, Materials, the sector experiencing the smallest decline, saw volume drop 10.1% QoQ.

Q2 2020 total global deal value increased 58.1% QoQ, from \$457.4 billion in Q1 2020 to \$722.9 billion in Q2 2020. In addition, the average value per transaction ("AVPT") increased 113.0%, from \$53.7 million in the prior quarter to \$114.4 million. The Materials sector witnessed the highest growth in deal value in Q2, with AVPT increasing 253.4%.

The increase in deal value across multiple industries was due to several large transactions closing throughout the quarter. These deals were scheduled to close in Q2 prior to the COVID-19 pandemic. Mega-deals, such as United Technologies' spin off of Otis and Carrier and its merger with Raytheon in the Industrial sector, the Sprint acquisition by T-Mobile and the Kronos-Ultimate Software merger in the TMT space, and Saudi Basic Industries Corp's \$68.9B acquisition by Saudi Aramco in the Materials sector, provided uplifts to industries that otherwise saw dealmaking slow to a crawl.

(1) Total is inclusive of Real Estate industry transactions and transactions uncategorized by S&P Global Market Intelligence.
Source: S&P Global Market Intelligence

Pricing information is based on publicly available data as of Q2 2020 end as obtained from S&P Global Market Intelligence and evaluated by BRG.

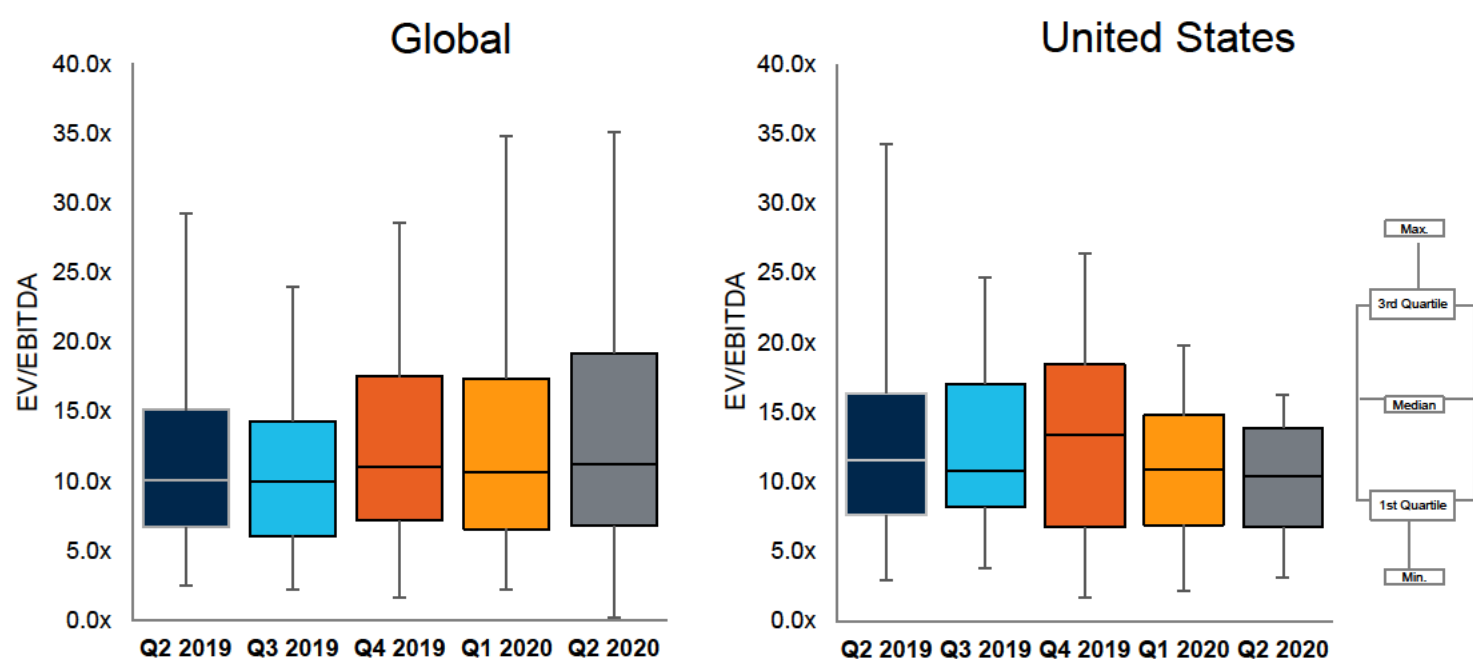
EV/EBITDA Multiples ⁽¹⁾

\$ in millions

	Q2 2019			Q3 2019			Q4 2019			Q1 2020			Q2 2020		
Global	Median Multiple	Median EV	Count	Median Multiple	Median EV	Count	Median Multiple	Median EV	Count	Median Multiple	Median EV	Count	Median Multiple	Median EV	Count
Consumer	9.8x ▼	\$ 130	38	9.4x ▼	\$ 100	61	12.1x ▲	\$ 179	61	9.7x ▼	\$ 90	43	9.6x ▼	\$ 1,588	18
Energy and Utilities	6.4x ▼	465	6	5.9x ▼	441	14	7.7x ▲	460	16	7.9x ▼	862	14	14.3x ▲	2,153	6
Financials	13.4x ▼	732	1	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	14.5x	2,482	1
Healthcare	10.5x ▼	67	13	14.2x ▲	122	12	15.1x ▲	206	16	14.3x ▼	406	14	13.6x ▼	183	11
Industrials	8.0x ▼	223	27	9.0x ▲	79	39	9.9x ▲	108	26	10.3x ▼	92	24	10.6x ▼	545	7
Materials	9.2x ▼	411	15	10.1x ▲	586	13	7.0x ▼	89	12	9.2x ▲	553	20	10.8x ▲	832	16
TMT (2)	12.2x ▲	63	43	10.8x ▼	71	51	11.0x ▼	163	41	10.9x ▼	156	34	8.7x ▼	241	34

	Q2 2019			Q3 2019			Q4 2019			Q1 2020			Q2 2020		
United States	Median Multiple	Median EV	Count	Median Multiple	Median EV	Count	Median Multiple	Median EV	Count	Median Multiple	Median EV	Count	Median Multiple	Median EV	Count
Consumer	12.9x ▼	\$ 125	12	10.7x ▼	\$ 152	19	14.2x ▲	\$ 400	17	10.1x ▼	\$ 90	15	12.4x ▲	\$ 585	2
Energy and Utilities	40.8x ▲	2,916	1	6.8x ▼	2,170	6	3.8x ▼	1,165	7	6.9x ▲	1,653	5	11.9x ▲	10,161	1
Financials	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0
Healthcare	11.0x ▼	67	7	14.7x ▲	15	3	15.7x ▲	1,517	10	14.0x ▼	475	9	n/a	n/a	0
Industrials	8.6x ▼	441	12	10.4x ▲	101	9	10.5x ▼	401	9	10.9x ▼	1,400	7	10.1x ▼	29,482	2
Materials	10.4x ▼	2,391	4	10.8x ▼	570	5	10.5x ▼	1,842	2	8.6x ▼	665	7	10.4x ▲	532	6
TMT (2)	41.8x ▲	502	11	20.2x ▼	2,151	14	11.0x ▼	858	13	8.7x ▼	140	9	9.3x ▲	1,708	11

EV/EBITDA Multiples ⁽³⁾



Commentary

Globally, we have seen QoQ increases in pricing multiples across 2 sectors. TMT experienced the largest decrease, moving from 10.9x in Q1 to 8.7x in Q2 2020. Energy and Utilities, on the other hand, experienced the largest increase. Domestically, 4 sectors experienced multiple expansion and 1 sector witnessed multiple contraction. Industrials was the only sector that experienced a decrease in multiples QoQ. With only one transaction that had publicly available data, the U.S. Energy and Utilities experienced the largest increase in EBITDA multiples, growing from 6.9x in Q1 to 11.9x in Q2.

The gradual reopening of the domestic economy followed by increasing market valuations for mega deals were driving factors for the overall recovery of pricing multiples in the United States this quarter. When comparing purely large-cap deals QoQ, Blackstone's \$6.3B acquisition of Tallgrass drove a multiple expansion in the U.S. Energy and Utilities sector. Domestically, 4 out of 5 industries that reported transaction activity experienced an uptick in valuations driven by a smaller number of large deals. Globally, performance varied as foreign market valuations generally had fewer large-size deals than those in the United States.

(1) Changes in EBITDA multiples of 0.5x and less are characterized as not significant. Changes in Enterprise Value of 10% and less are characterized as not significant. Median Enterprise Value is in USD millions.

(2) TMT refers to Technology, Media, and Telecommunication.

(3) Graphed data excludes any multiples above the 90th percentile and the 85th percentile for the global and U.S. markets. BRG deemed these multiples as outliers and not representative of the market.

Source: S&P Global Market Intelligence

Deal size information is based on publicly available data as of Q2 2020 end as obtained from S&P Global Market Intelligence and evaluated by BRG.

Number of Q1 2020 and Q2 2020 Deals by Market Capitalization and Industry

Global	\$0-500M		\$500M-\$1B		\$1B+		United States	\$0-500M		\$500M-\$1B		\$1B+	
	Q1 2020	Q2 2020	Q1 2020	Q2 2020	Q1 2020	Q2 2020		Q1 2020	Q2 2020	Q1 2020	Q2 2020	Q1 2020	Q2 2020
Consumer	270	▼ 262	8	▼ 4	10	▼ 3	Consumer	71	▼ 53	4	▼ 1	1	▼ 1
Energy and Utilities	116	▼ 102	8	▼ 3	9	▲ 12	Energy and Utilities	34	▼ 28	1	▼ 0	7	▼ 2
Financials	127	▲ 143	7	▲ 7	6	▲ 9	Financials	50	▲ 52	4	▼ 3	2	▲ 3
Healthcare	137	▲ 166	3	▲ 6	9	▼ 5	Healthcare	57	▲ 62	3	▲ 5	7	▼ 3
Industrials	254	▼ 205	9	▼ 5	11	▼ 8	Industrials	52	▼ 38	2	▲ 2	6	▼ 4
Materials	213	▲ 264	8	▼ 4	4	▲ 6	Materials	24	▲ 40	4	▼ 2	0	▲ 2
TMT (1)	299	▲ 301	8	▲ 9	10	▲ 12	TMT	99	▼ 64	3	▲ 4	6	▲ 10

Selected M&A Transactions

Announced June 2020 Grubhub Proposed acquisition by Just Eat Takeaway For \$7.3B Mobile Food Delivery	Closed April 2020 T-Mobile Has acquired Sprint For \$26.5B Mobile Telecommunication	Closed May 2020 AbbVie Has acquired Allergan plc For \$63B Biopharmaceutical
Closed April 2020 Raytheon Corp Has merged with United Technologies Corp For \$86.8B Aerospace and Defense	Closed May 2020 BlueJeans Has been acquired by Verizon For \$400M Video Conferencing	Closed April 2020 Kronos Has merged with Ultimate Software For \$22B Human Capital Management Software

Selected Bankruptcy Filings

Filed May 2020 Hertz Corp. Has filed for Chapter 11 Bankruptcy Protection. Asset: \$26B Liabilities: \$24B Car Rental	Filed May 2020 J.Crew Group Has filed for Chapter 11 Bankruptcy Protection. Assets: \$1B Liabilities: \$1B Retail	Filed April 2020 Diamond Offshore Drilling Inc Has filed for Chapter 11 Bankruptcy Protection. Assets: \$6B Liabilities: \$3B Oil & Gas
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Deal Commentary

Several mega deals made the headlines in Q2 2020. The proposed acquisition of Grubhub by Just Eat Takeaway is poised to create the largest food delivery company outside of China. Sprint and T-Mobile finally merged after a drawn-out regulatory approval process. The merger creates a third dominant player in the domestic cellular market alongside Verizon and AT&T and will allow T-Mobile to further establish its 5G network. In the healthcare sector, the \$63B acquisition of Allergan by AbbVie represents one of the largest transactions conducted this quarter and significantly expands AbbVie's revenue base in addition to establishing it as one of the dominant players in the medical aesthetic market.

The combination of Raytheon and United Technologies further exemplifies the trend of consolidation in the aerospace and defense sector. As millions of people have transitioned to working or schooling remotely due to the COVID-19 crisis, makers of videoconferencing tools have gained significant traction. The recent acquisition of Zoom-rival BlueJeans by Verizon is one of the latest examples of companies trying to capitalize on this "new normal." The merger of Kronos and Ultimate Software, both with majority stakes held by private equity firm Hellman & Friedman, has created one of the largest companies in the workplace software space.

Unlike online service industries, travel and brick-and-mortar retail was particularly hard hit in Q2 2020. Hertz, the nation's second-largest car-rental agency, was negatively impacted by a nationwide slowdown in travel during the COVID-19 pandemic. Its bankruptcy represents the largest filing as a result of the pandemic. J.Crew was the first major national retailer to file for bankruptcy protection as the pandemic forced a wave of store closures. In recent years, J.Crew had struggled to adapt to changing consumer tastes and an industry-wide shift towards e-commerce. Diamond Offshore cited the plunge in oil prices and a general downturn in business activity related to the pandemic as the reasons for its filing.

(1) TMT refers to Technology, Media, and Telecommunication.

Source: S&P Global Market Intelligence, Reuters, Business Insider, The Deal, CNBC

The effects of the COVID-19 pandemic have impacted virtually every aspect of life around the globe. For construction companies and their projects, there is no doubt that it is causing a profound impact, with many in the industry looking closely at their Force Majeure clauses in their contracts. While there may indeed be projects that are stopped altogether due to COVID-19, there will also be many that will push forward but with great disruption. It is imperative that participants in transactions be aware of the potential financial implications of ongoing construction projects as budgets and forecasts are impacted by the pandemic. Below are some challenges faced by the construction industry and actions that can be taken to measure, assess, and quantify impacts to a construction company's future cash flows. In short, buyers beware.

KEY CHALLENGES

SUPPLY CHAIN | Difficult or impossible to timely procure materials. Project owners may still direct that all available work proceed, leading to the construction company working under changed conditions. Results in significant disruption.

LOSS OF LABOR PRODUCTIVITY | Acceleration will likely occur (a) To limit lost time during impact and/or (b) To recover unavoidable lost time. Potential additional costs/cash required to support acceleration.

THIRD PARTY DISRUPTION | Other contractors and/or the property owners are unable to deliver materials to the project site, impacting another contractor's planned progress and productivity.

INGRESS / EGRESS TO SITE

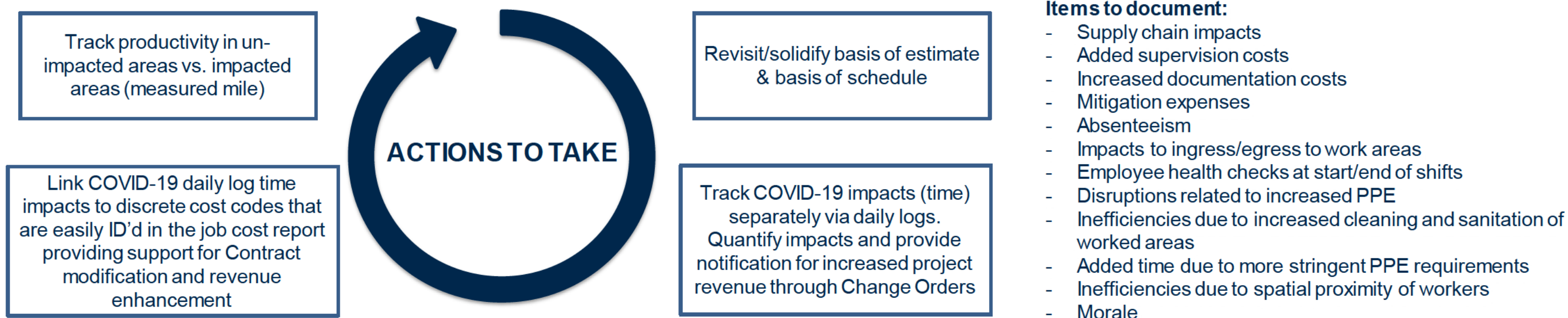
1. More buses to mobilize labor due to "social distancing."
2. Multiple pick-up locations for project team.
3. Creates many additional unproductive minutes/hours just to get to the site negatively impacting cash flow.

INGRESS / EGRESS TO WORK AREAS ON SITE

1. Lift/elevator transport time/trips increased.
2. Adding supervision to monitor more simultaneous work and work areas than originally planned.
3. Loss of crew continuity / impact on learning curve.

ADDED PPE

1. Repetitive hand washing.
2. Extra PPE (besides simple masks); sanitation.
3. Extensive cleaning of work areas and equipment.



INGRESS / EGRESS TO WORK AREAS WHILE ON SITE

CASE STUDY 1: PLANNED USE OF LIFTS/ELEVATORS IN A 50 STORY BUILDING

- **All** of your remaining work is on the 50th floor.
- Your 100 person crew arrives on site first to avoid waiting on the lift.
- Estimated 20 workers on 5 lifts **at the same time**.
- Mass crew mobilization from lobby to Floor 50 took 5 minutes; 10 minutes total when accounting for demob at the end of the day.
- Minimizes lost time / labor expenses on unproductive work.

CASE STUDY 2: IMPACTS DUE TO COVID-19 PRE-CAUTIONS IMPOSED BY REGULATORY ENTITY(IES)

- Limit 5 workers per lift (social distancing).
- Owner assigns 1 lift to 5 different contractors, continuously until each is mobilized.
- Only 1 lift to mob 100 person crew from Lobby to 50th Floor, 5 people per trip, 20 times = 100 minutes, x 2 for demob at the end of the day = 200 minutes.
- Impact of 190 minutes every day.

BRG Corporate Finance

BRG's Corporate Finance group is a leader in providing multidisciplinary services to lenders, companies, investors, and attorneys through our core practice areas:

- Alternative Investment Advisory
- Bank Regulatory Services
- Business Transformation Services
- Capital Markets Services
- Litigation, Forensics, and Dispute Resolution Services
- Restructuring, Bankruptcy, and Creditor Rights
- Transaction Advisory
- Valuation Services

BRG Transaction Opinion Services

BRG serves as an independent advisor by providing transaction opinions to help companies, their boards of directors, and other stakeholders fulfill their fiduciary duties in connection with a proposed transaction. Our services also provide a valuable and independent aid to decision-making. We work on behalf of boards of directors, special committees, trustees, investors, and other fiduciaries to provide:

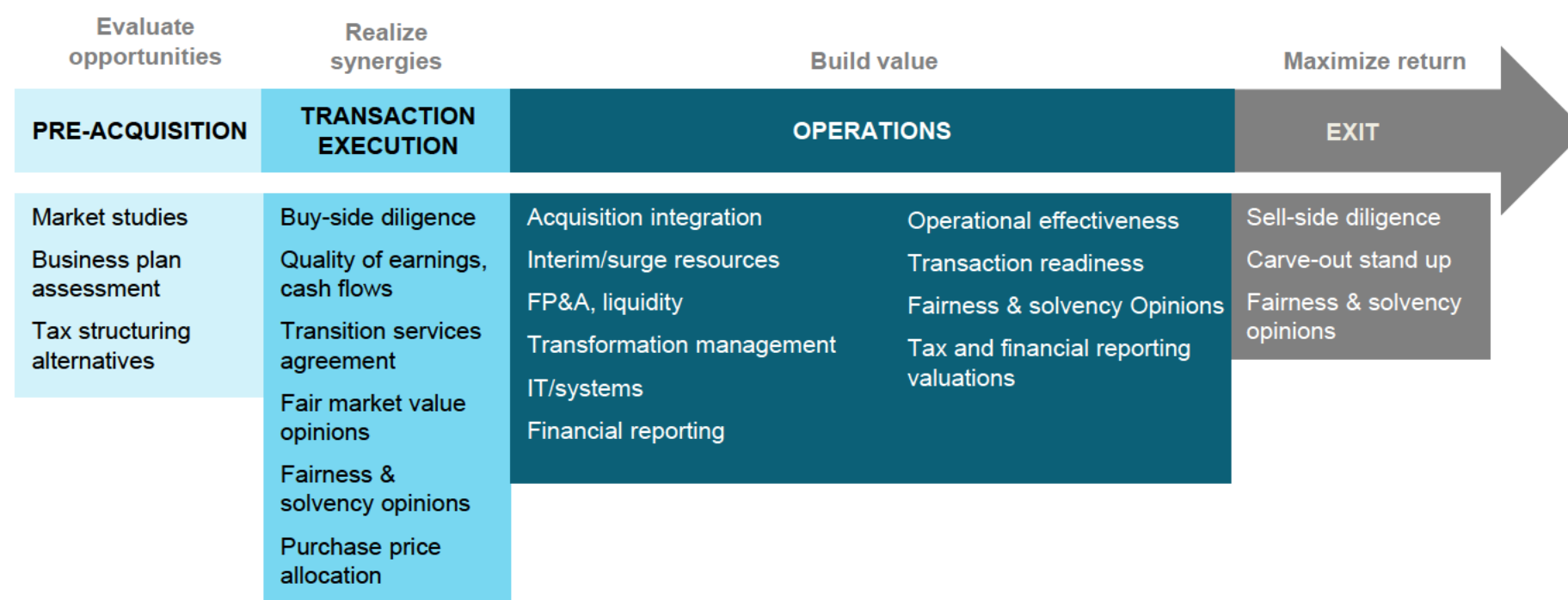
- Solvency opinions
- Fairness opinions
- Capital adequacy opinions
- Valuation opinions
- Strategic support

Our clients include a variety of constituents taking part in a transaction, including:

- Boards of Directors and Special Committees of Public and Private Companies
- Attorneys
- Private Equity Funds
- Hedge Funds
- Business Development Companies
- Pension Funds
- Family Offices
- Lenders

Visit our website at <https://www.thinkbrg.com/expertise-transaction-opinions-valuations.html> to learn more about the services we provide.

BRG Value Add Continuum



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William Epstein has almost 30 years of experience in valuation, and specializes in transaction-related opinions and other valuation services. He has provided financial advice and independent opinions to Fortune 500 and middle-market clients.

Mr. Epstein has extensive experience providing fairness and solvency opinions in connection with many types of transactions, including mergers, acquisitions, recapitalizations, exchange offers, spinoffs, distressed financings, leveraged buyouts, and related-party transactions. He also has testified numerous times as a designated expert regarding valuation.



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Chau Hoang specializes in financial modeling and valuation analysis for transaction advisory, corporate planning and strategy, financial reporting, and compliance purposes. She has provided solvency, fairness and other transaction-related opinions in connection with spinoffs, dividend recapitalizations, leveraged buyouts, foreign investments and mergers and acquisitions. Ms. Hoang's valuation experience also includes solvency analysis for fraudulent conveyance action, valuation of intangible assets for an allocation of purchase price, fair market value of investments for tax purposes and fair value of private equity investments for financial reporting.



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Rick Fultineer leads BRG's Global Construction practice and has over twenty-five years of industry experience in providing testimony and consulting services in the areas of claims and damages analysis, construction management, mechanical engineering design, and information management.

Mr. Fultineer has participated in the evaluation of a wide range of commercial, institutional, power, oil and gas, and industrial projects, including steel plants, oil refineries, road and bridge work, utility plants, wastewater treatment plants, manufacturing plants, hospitals, airports, jails, stadiums, arenas, commercial developments, and environmental cleanup projects, both in the United States and internationally.

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