

BRG Quarterly M&A Report

Q3 2020

Prepared By:

William Epstein

Managing Director

wepstein@thinkbrg.com

213.261.7699

Chau Hoang, CFA, ASA

Director

choang@thinkbrg.com

212.782.1423

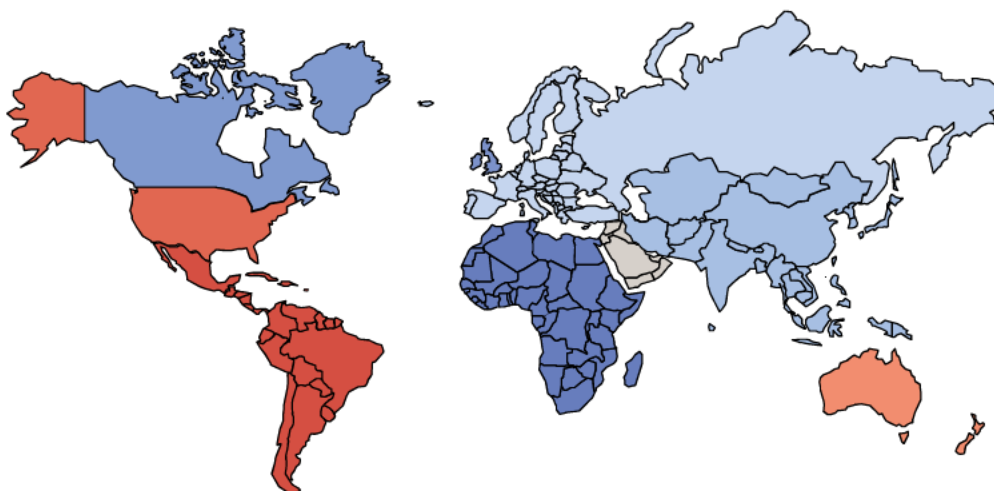


Description of BRG Quarterly M&A Report

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 Q3 2020, global M&A activity increased 20.3% QoQ, measured by transaction volume. Globally, Industrials was the most active sector with a 39.2% increase in deal volume QoQ, while Energy and Utilities was the least active sector with a 9.3% increase in transactions. Latin America exhibited the highest quarterly growth of 47.2%. M&A transaction volume in the U.S. increased 27.6% QoQ, primarily driven by a pickup in deal activity for the Industrial sector (54.0% growth QoQ).

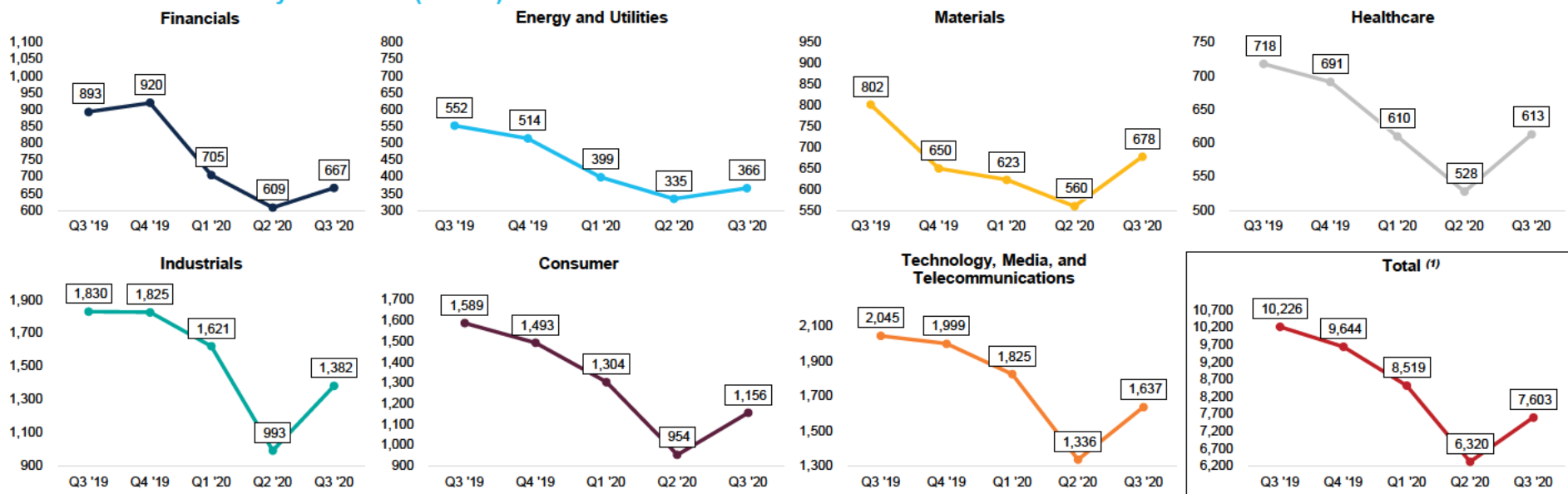
M&A activity remained muted in Q3 2020 as the global economy continued to be impacted by COVID-19. Despite most regions experiencing an uptick in the number of transactions closed over the prior quarter, deal making activity remains significantly down YoY with those countries hardest hit by COVID-19 generally experiencing the steepest declines. Total transaction value also saw a contraction in Q3 as middle market (\$500M-\$1B) companies were quicker to return to the M&A markets than their \$1B+ counterparts.

Geographical Trends

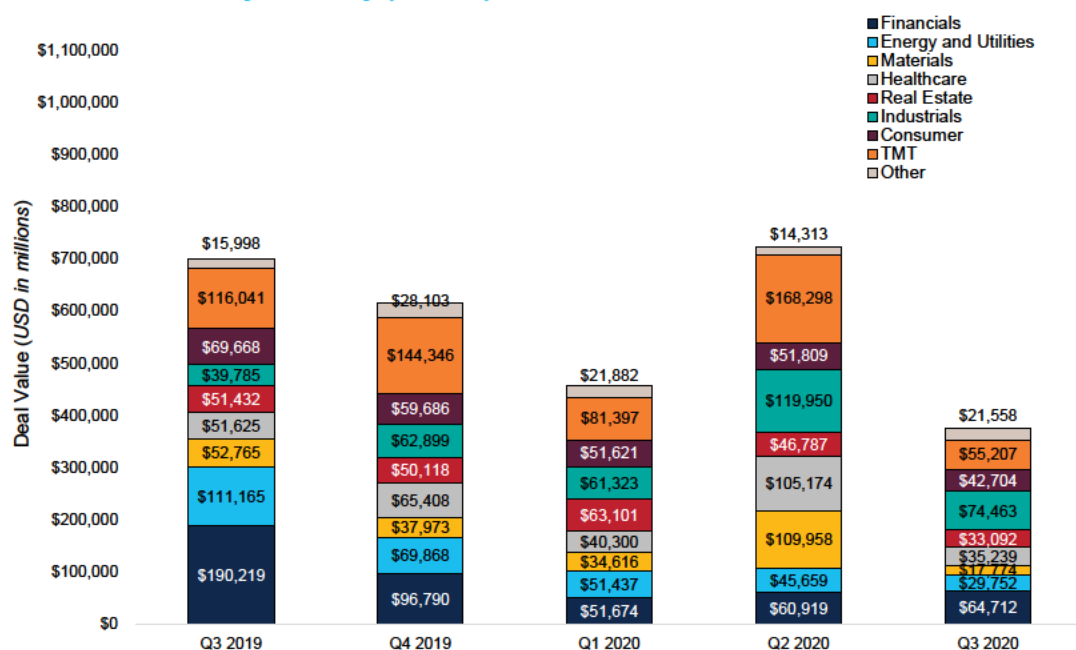
	Q3 2020 Volume	QoQ Growth	YoY Growth
Africa	121	-6.9%	-18.2%
Asia	1,143	16.2%	-10.9%
Australia and New Zealand	298	25.2%	-21.6%
Europe (incl. Russia, excl. U.K.)	1,958	16.5%	-25.7%
Latin America	290	47.2%	-14.2%
Middle East	102	17.2%	-6.4%
North America (excl. U.S.)	470	12.7%	-14.9%
United Kingdom	535	11.2%	-37.9%
United States	2,686	27.6%	-31.5%

Transaction information based on publicly available data as of Q3 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 Q3 2020, we observed a global growth in transaction volume in all of globally tracked industries. Overall, M&A volume increased 20.3% QoQ. The industry exhibiting the least activity this quarter was Energy and Utilities, which grew only 9.3% on a volume basis. Concurrently, Industrials experienced the largest growth of 39.2% QoQ.

Q3 2020 total global deal value decreased 48.2% QoQ, from \$722.9 billion in Q2 2020 to \$374.5 billion in Q3 2020. In addition, the average value per transaction ("AVPT") decreased 56.9%, from \$114.4 million in the prior quarter to \$49.3 million. The Financials sector witnessed the highest growth in deal value (+6.2%) in Q3 with AVPT decreasing 3.0%.

In Q3 2020, M&A transaction volume began to show early signs of a recovery as companies resumed deal-making activity. While the number of transactions closed showed a significant improvement over the levels observed in Q2 2020, the height of the pandemic, M&A activity in every sector except for Materials was still well below 2019 levels. Additionally, global transacted value declined significantly QoQ driven by the limited number of closed mega deals and the higher number of smaller size transactions closed this quarter. Many of the large multi billion dollar deals that occurred in Q2 2020 had planned closes long before the COVID-19 pandemic.

(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 Q3 2020 end as obtained from S&P Global Market Intelligence and evaluated by BRG.

EV/EBITDA Multiples ⁽¹⁾

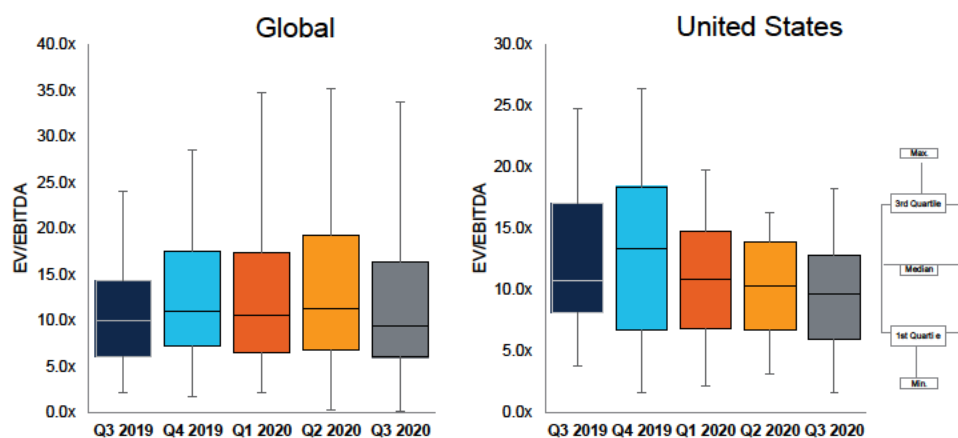
\$ in millions

\$ in millions

	Q3 2019				Q4 2019				Q1 2020				Q2 2020				Q3 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	9.4x	\$ 100		61	12.1x	\$ 179		61	9.7x	\$ 90		43	9.6x	\$ 1,588		18	9.1x	\$ 197		24
Energy and Utilities	5.9x	441		14	7.7x	460		16	7.9x	862		14	14.3x	2,153		6	3.1x	80		7
Financials	n/a	n/a		0	n/a	n/a		0	n/a	n/a		0	14.5x	2,482		1	6.5x	-		2
Healthcare	14.2x	122		12	15.1x	206		16	14.3x	406		14	13.6x	183		11	12.6x	225		15
Industrials	9.0x	79		39	9.9x	108		26	10.3x	92		24	10.6x	545		7	8.2x	629		12
Materials	10.1x	586		13	7.0x	89		12	9.2x	553		20	10.8x	832		16	9.5x	215		14
TMT	(2) 10.8x	71		51	11.0x	163		41	10.9x	156		34	8.7x	241		34	11.1x	179		29

	Q3 2019				Q4 2019			Q1 2020			Q2 2020			Q3 2020		
United States	Median Multiple	Median EV	Count		Median Multiple	Median EV	Count		Median Multiple	Median EV	Count		Median Multiple	Median EV	Count	
Consumer	10.7x	\$ 152	19		14.2x	\$ 400	17		10.1x	\$ 90	15		12.4x	\$ 585	2	
Energy and Utilities	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	
Healthcare	14.7x	15	3		15.7x	1,517	10		14.0x	475	9		n/a	n/a	0	
Industrials	10.4x	101	9		10.5x	401	9		10.9x	1,400	7		10.1x	29,482	2	
Materials	10.8x	570	5		10.5x	1,842	2		8.6x	665	7		10.4x	532	6	
TMT	(2) 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 decreases in pricing multiples across 6 sectors. Energy and Utilities experienced the largest decrease, moving from 14.3x in the prior quarter to 3.1x in Q3 2020. TMT, on the other hand, experienced the largest increase. Domestically, 1 sector experienced multiple expansion, 3 sectors witnessed multiple contraction, and 1 sector remained flat. In the U.S., Industrials experienced the largest contraction in multiples QoQ based on 2 public transaction and primarily driven by deal size. The U.S. TMT sector, on the other hand, experienced the largest increase in EBITDA multiples, growing from 9.3x in Q2 to 12.3x in Q3.

QoQ multiple contraction experienced in Q3 2020 was largely driven by an increase in the number of deals involving companies in the \$0-500M range. After a flurry of mega-deals closed in Q2 2020, recent transactions appear to have centered around companies in the \$0-500M range as the median enterprise value fell across nearly every sector both domestically and abroad for those transactions with available public data.

(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 Q3 2020 end as obtained from S&P Global Market Intelligence and evaluated by BRG.

Number of Q2 2020 and Q3 2020 Deals by Market Capitalization and Industry

Global	\$0-500M			\$500M-\$1B			\$1B+			United States	\$0-500M			\$500M-\$1B			\$1B+		
	Q2 2020	Q3 2020		Q2 2020	Q3 2020		Q2 2020	Q3 2020			Q2 2020	Q3 2020		Q2 2020	Q3 2020		Q2 2020	Q3 2020	
Consumer	262	299	▲	4	5	▲	3	3	■	Consumer	53	59	▲	1	4	▲	1	1	■
Energy and Utilities	102	132	▲	3	4	▲	12	7	▼	Energy and Utilities	28	31	▲	0	2	▲	2	4	▲
Financials	143	135	▼	7	4	▼	9	13	▲	Financials	52	40	▼	3	3	■	3	5	▲
Healthcare	166	189	▲	6	7	▲	5	5	■	Healthcare	62	65	▲	5	3	▼	3	4	▲
Industrials	205	263	▲	5	6	▲	8	9	▲	Industrials	38	34	▼	2	1	▼	4	2	▼
Materials	264	304	▲	4	5	▲	6	3	▼	Materials	40	35	▼	2	0	▼	2	1	▼
TMT (1)	301	380	▲	9	9	■	12	10	▼	TMT	64	99	▲	4	2	▼	10	4	▼

Selected M&A Transactions

Announced August 2020 7-Eleven Inc. Announced acquisition of Speedway LLC For \$21B Convenience Store Chain	Announced July 2020 Analog Devices Announced acquisition of Maxim Integrated Products For \$20.9B Semiconductor	Closed July 2020 Eldorado Resorts, Inc. Has acquired Caesars Entertainment For \$17.3B Casinos and Gaming
Announced August 2020 Johnson & Johnson Agreed to acquire Momena Pharmaceuticals, Inc. For \$6.5B Biotechnology	Announced July 2020 Sunrun Inc. Agreed to acquire Vivint Solar Inc. For \$3.2B Solar Energy	Announced July 2020 Siemens Healthineers AG Announced acquisition of Varian Medical Systems For \$16.4B Healthcare

Selected Bankruptcy Filings

Filed July 2020 Ascena Retail Group Inc. Has filed for Chapter 11 Bankruptcy Protection. Assets: \$13.7B Liabilities: \$12.5B Retail	Filed August 2020 Tailored Brands Inc. Has filed for Chapter 11 Bankruptcy Protection. Assets: \$2.5B Liabilities: \$2.8B Retail	Filed September 2020 Oasis Petroleum Has filed for Chapter 11 Bankruptcy Protection. Oil & Gas
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Deal Commentary

In August, 7-Eleven, Inc. announced the acquisition of Speedway convenience stores and gas stations from Marathon Petroleum Corp. The \$21 billion all-cash agreement is the largest energy-related deal announced so far this year. The acquisition of Maxim Integrated Products by Analog Devices will create a chipmaker behemoth to rival Texas Instruments Inc.'s dominance in the semiconductor space. In July, Eldorado closed on the purchase of Caesars Entertainment, creating the largest domestic casino operator. The acquisition comes as the lodging and gaming sector continues to deal with depressed demand and the potential for future lock downs.

Johnson & Johnson, already making headlines for its role in the race to develop a COVID-19 vaccine, announced the acquisition of Momena Pharmaceuticals, Inc. in a \$6.5 billion all-cash deal. The acquisition will bolster J&J's offerings of autoimmune diseases treatments. The combination of Sunrun Inc. and Vivint Solar Inc. will create one of the largest companies in the residential solar market. The deal is expected to result in cost and go-to-market synergies that will make solar power more accessible to consumers. In the medical technology industry, the \$16.4 billion acquisition of Varian Medical Systems by Siemens Healthineers AG will bolster the German company's expertise in cancer therapy.

Retailers with large brick and mortar presence continued to be especially hard hit by the COVID-19 pandemic during Q3 2020. Ascena Retail Group, the parent company of clothing retailers Ann Taylor and Lane Bryant and owner of Loft, Justice, and Catherine's, filed for bankruptcy in July and announced plans to permanently close up to 1,600 stores. Similarly to Ascena Retail Group, Tailored Brands, parent of Men's Wearhouse and Jos. A. Bank, filed for Chapter 11 in August and announced plans to close up to 500 stores in the US and Canada. Both Ascena Retail Group and Tailored Brands have struggled in recent years with the transition to e-commerce and the shift towards more casual wear. Oasis Petroleum joined the list of E&P companies that have filed for bankruptcy among depressed oil prices and uncertain demand outlook.

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

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

With COVID-19 cases continuing to rise, the accelerated shift to online buying is poised to increase as consumers shy away from crowded in-store holiday shopping, resulting in a formidable holiday shipping spike. Heading into the fall and holiday season, the combination of consumers' unwillingness to shop in crowded stores, local laws and health guidelines limiting indoor capacity, and store closures stemming from bankruptcies and potential COVID issues will drive a record level of online purchases. Retailers' distribution centers and their logistics partners do not have the physical capacity to handle this increase; they must develop plans to support the much-needed holiday sales.

KEY CHALLENGES

SUPPLY CHAIN | The suddenness of COVID closures and record orders has taken its toll on fulfillment speeds, delaying almost every step in the supply chain.

LOGISTICS DIFFICULTIES | While most retailers could handle the dramatic increase in order volumes, logistics carriers (UPS and FedEx) showed signs of stress and took actions: dropping on-time guarantees, implementing package surcharges, throttling volume available to some retailers, and across-the-board dips in on-time delivery.

TRADITIONAL STRATEGIES FAILURE | Traditional strategies like Black Friday deals, holiday floor sets/decorations, and promotions to drive in-store traffic likely will not deliver the same punch at the register.

IN-STORE PURCHASE REDUCTION | Some consumers will be unwilling to shop in crowds, some stores may remain closed; even if stores remain open through the holiday period, more consumers will still opt for online shopping or BOPIS (buy online, pick up in store) to reduce exposure risks.

CORE QUESTIONS TO BE ANSWERED

1. What is the financial and operational risk to our business if this happens?
2. Who should own mitigation, and what steps need to be taken if this happens?
3. What does successful mitigation look like for this scenario?
 - a) What risks remain to our business if we mitigate successfully?
 - b) Will we be able to recover all potential lost sales?

Depending on the scenario, other key areas to build strategies around include:

How will this impact promotional plans?

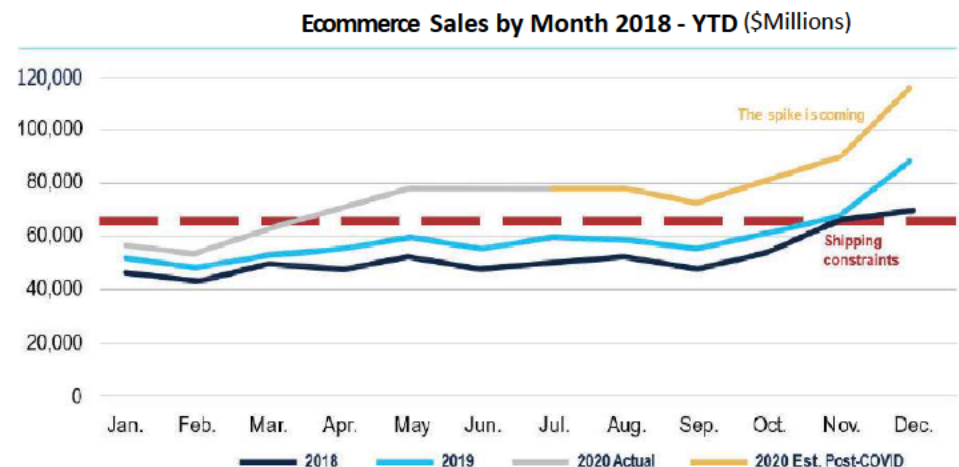
- Can we shift promotions to pull sales forward and mitigate risk?
- Do we need to change our promotional strategy if this happens?

Will this impact the broader market/competitors?

- How will broader market impacts further increase the challenges we will face?
- Do we need to change our promotional strategy if this happens?

What does this mean for my shipping network?

- What options do I have to fulfill the order from a different location (distribution center or store)?
- Can we induct our orders into the shipping network closer to the destination?
- Can we use the store network to mitigate the shipping constraints?



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 provide:

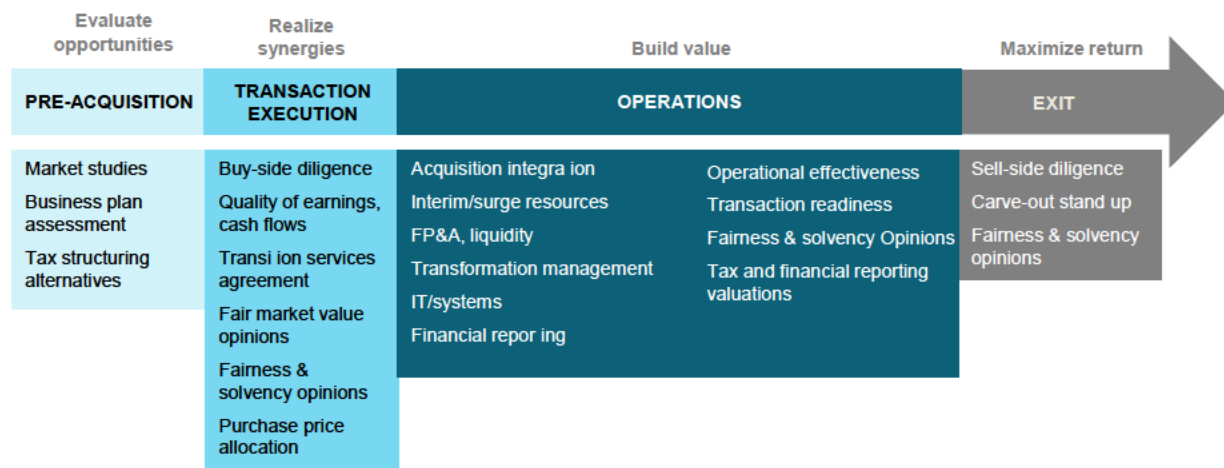
- Solvency opinions
- Fairness opinions
- Capital adequacy opinions
- Valuation opinions
- Strategic support

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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Our Professionals



William Epstein
Managing Director
wepstein@thinkbrg.com
213.261.7699

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.



Chau Hoang
Director
choang@thinkbrg.com
212.782.1423

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.

"Shipping Networks Prime for Challenges During 2020 Holiday Shopping"

Authors:

Rick Maicki | rmaicki@thinkbrg.com | 216.906.1580
Drew Goins | dgoins@thinkbrg.com | 248.978.8482

[BRG Retail Improvement](#)

Co-authors: Tomas Fanta, Kyle Ozuna