BRG Quarterly M&A Report

Q1 2021

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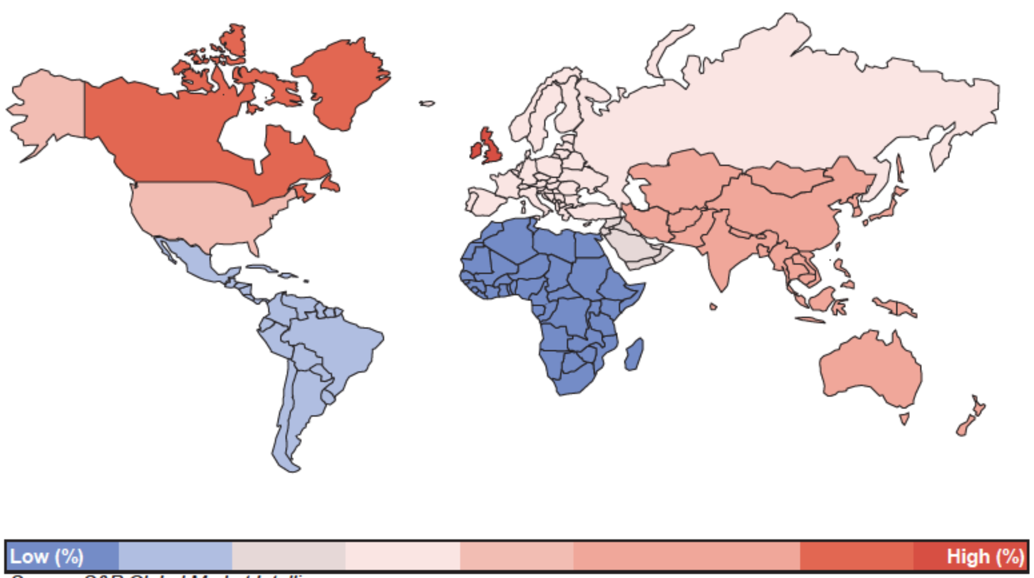
Description of *BRG Quarterly M&A Report*

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)



Source: S&P Global Market Intelligence

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General Market Trends

In Q1 2021, global M&A activity increased 8.4% QoQ as measured by transaction volume. Globally, Materials was highly active with a 12.7% increase in deal volume QoQ, while Financials declined the most, with a 9.9% decrease QoQ. The U.K. exhibited the highest quarterly growth rate of 33.4%. M&A transaction volume in the U.S. increased 7.8% QoQ, primarily due to an increase in activity in the Technology, Media, and Telecommunications ("TMT") and Healthcare sectors, which grew 20.3% and 16.4%, respectively, QoQ.

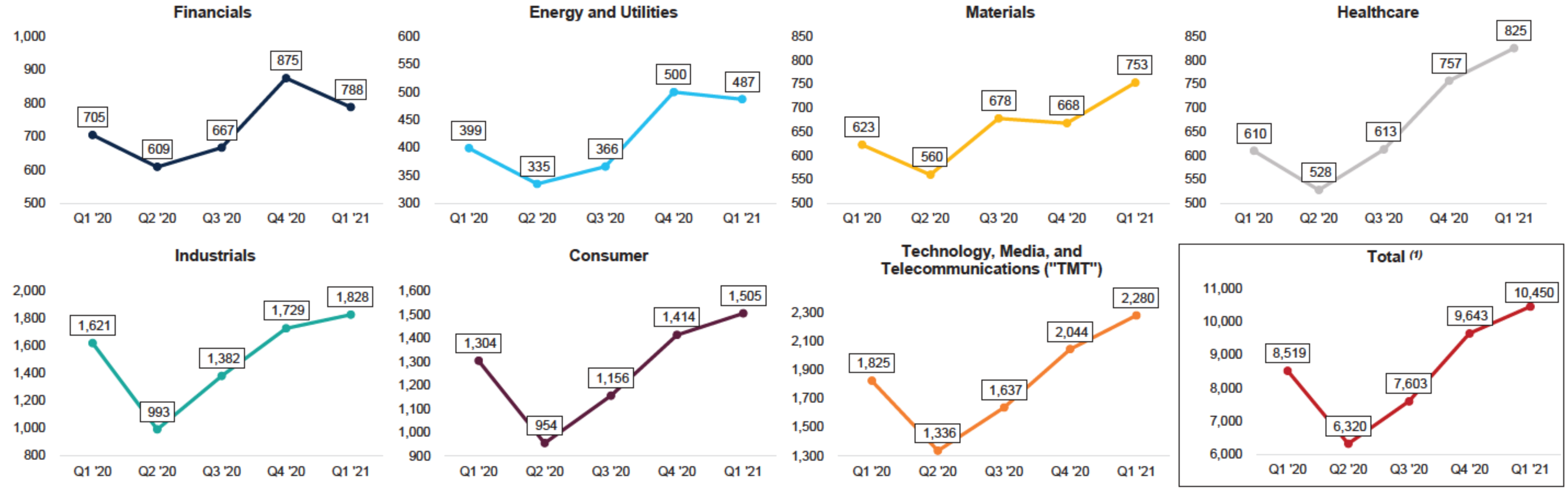
M&A activity continued to rebound in Q1 2021 as the economy recovers from the COVID-19 pandemic. However, QoQ volume growth was not as sharp as the recovery witnessed in Q3 and Q4 2020 signaling a stabilizing environment amidst mass vaccination efforts and an anticipated return to normalcy in the coming months. Furthermore, total global deal value increased only slightly quarter over quarter and the average value per transaction ("AVPT") decreased only slightly, representing a stark contrast from the volatility seen in 2020.

Geographical Trends

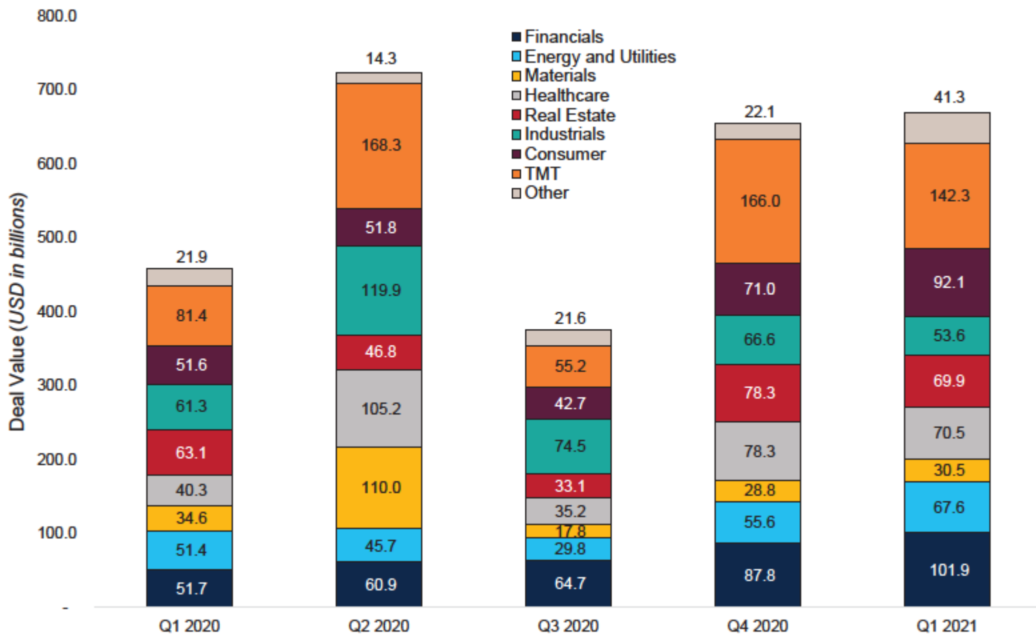
	Q1 2021 Volume	QoQ Growth	YoY Growth
Africa	125	-12.6%	-6.0%
Asia	1,282	9.2%	33.8%
Australia and New Zealand	378	9.2%	41.6%
Europe (incl. Russia, excl. U.K.)	2,475	3.0%	15.4%
Latin America	272	-5.9%	1.1%
Middle East	124	1.6%	17.0%
North America (excl. U.S.)	604	11.0%	40.8%
United Kingdom	1,083	33.4%	35.9%
United States	4,107	7.8%	20.7%

Transaction information based on publicly available data as of Q1 2021 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 Q1 2021, we observed mixed performance in the globally tracked industries. Overall, M&A volume increased 8.4%. Two industries exhibited declines while five industries grew QoQ. The industry exhibiting the largest decline this quarter was Financials, which declined 9.9% on a volume basis. Concurrently, Materials, the sector experiencing the largest growth, saw volume increase 12.7% QoQ.

Q1 2021 total global deal value increased 2.3% QoQ, from $654.5 billion in Q4 2020 to $669.8 billion in Q1 2021. In addition, the AVPT decreased 5.6%, from $67.9 million in the prior quarter to $64.1 million. The Consumer sector witnessed the highest growth in deal value (+29.8%) in Q1 with AVPT increasing 22.0%.

In Q1 2021, M&A transaction volume continued to exceed pre-pandemic levels while total deal value remained relatively flat following a return to normalized levels in Q4 2020. While deal value in 2020 was impacted by a large number of mega-deals, Q1 2020 saw transaction activity increase in the middle and lower-middle markets with AVPT declining in most industries. Consumer and Energy and Utilities were the exception with deal value driven significantly higher by a number of large cap deals including LVMH's $15.8 billion acquisition of Tiffany & Co. and ConocoPhillips' $9.7 billion acquisition of Concho Resources.

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

Global and Domestic Pricing Trends

Pricing information is based on publicly available data as of Q1 2021 end as obtained from S&P Global Market Intelligence and evaluated by BRG. Pricing trends exclude Real Estate.

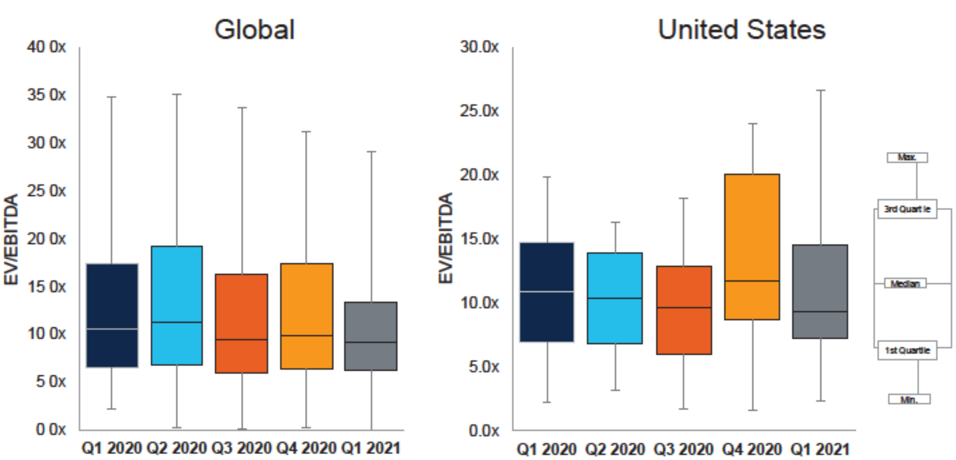
EV/EBITDA Multiples (1)

$ in millions

Global	Q1 2020 Median Multiple	Q1 2020 Median EV	Q1 2020 Count	Q2 2020 Median Multiple	Q2 2020 Median EV	Q2 2020 Count	Q3 2020 Median Multiple	Q3 2020 Median EV	Q3 2020 Count	Q4 2020 Median Multiple	Q4 2020 Median EV	Q4 2020 Count	Q1 2021 Median Multiple	Q1 2021 Median EV	Q1 2021 Count
Consumer	9.7x ▼	$ 90 ▼	43	9.6x ▬	1,588 ▲	18	9.1x ▼	$ 197 ▼	24	10.8x ▲	$ 207 ▬	56	9.1x ▼	$ 288 ▲	42
Energy and Utilities	7.9x ▬	862 ▲	14	14.3x ▲	2,153 ▲	6	3.1x ▼	80 ▼	7	6.8x ▲	565 ▲	13	7.3x ▲	954 ▲	16
Financials	n/a	n/a	0	14.5x	2,482	1	6.5x ▼	- ▼	2	n/a	n/a	0	77.2x	1,424	2
Healthcare	14.3x ▼	406 ▲	14	13.6x ▼	183 ▼	11	12.6x ▼	225 ▲	15	17.0x ▲	140 ▼	25	10.5x ▼	76 ▼	20
Industrials	10.3x ▬	92 ▼	24	10.6x ▬	545 ▲	7	8.2x ▼	629 ▲	12	8.1x ▬	117 ▼	30	9.4x ▲	220 ▲	31
Materials	9.2x ▲	553 ▲	20	10.8x ▲	832 ▲	16	9.5x ▼	215 ▼	14	6.7x ▼	881 ▲	16	7.9x ▲	670 ▼	21
TMT (2)	10.9x ▬	156 ▬	34	8.7x ▼	241 ▲	34	11.1x ▲	179 ▼	29	12.4x ▲	226 ▲	48	8.8x ▼	103 ▼	53

United States	Q1 2020 Median Multiple	Q1 2020 Median EV	Q1 2020 Count	Q2 2020 Median Multiple	Q2 2020 Median EV	Q2 2020 Count	Q3 2020 Median Multiple	Q3 2020 Median EV	Q3 2020 Count	Q4 2020 Median Multiple	Q4 2020 Median EV	Q4 2020 Count	Q1 2021 Median Multiple	Q1 2021 Median EV	Q1 2021 Count
Consumer	10.1x ▼	$ 90 ▼	15	12.4x ▲	$ 585 ▲	2	8.5x ▼	$ 470 ▼	4	11.8x ▲	$ 296 ▼	17	9.2x ▼	$ 218 ▼	10
Energy and Utilities	6.9x ▲	1,653 ▲	5	11.9x ▲	10,161 ▲	1	7.3x ▼	2,204 ▼	2	2.9x ▼	664 ▼	4	7.1x ▲	3,128 ▲	8
Financials	n/a	n/a	0	n/a	n/a	0	6.0x	-	1	n/a	n/a	0	n/a	n/a	0
Healthcare	14.0x ▼	475 ▼	9	n/a	n/a	0	11.6x	25	4	14.9x ▲	190 ▲	10	9.7x ▼	225 ▲	6
Industrials	10.9x ▬	1,400 ▲	7	10.1x ▼	29,482 ▲	2	4.6x ▼	14 ▼	2	9.7x ▲	213 ▲	11	10.5x ▲	735 ▲	8
Materials	8.6x ▼	665 ▼	7	10.4x ▲	532 ▼	6	10.0x ▬	202 ▼	3	7.7x ▼	221 ▬	2	9.0x ▲	460 ▲	2
TMT (2)	8.7x ▼	140 ▼	9	9.3x ▲	1,708 ▲	11	12.3x ▲	305 ▼	9	28.2x ▲	220 ▼	6	11.8x ▼	134 ▼	15

EV/EBITDA Multiples (3)



Commentary

Globally, we have seen QoQ increases in pricing multiples across 3 sectors. Healthcare experienced the largest decrease, moving from 17.0x in the prior quarter to 10.5x in Q1 2021. Industrials, on the other hand, experienced the largest increase. Domestically, 3 sectors experienced multiple expansion and 3 sectors witnessed multiple contraction. In the U.S., TMT experienced the largest decrease in multiples QoQ as the number of transacted mega-deals slowed down. The U.S.'s Energy and Utilities sector, on the other hand, experienced the largest increase in EBITDA multiples, growing from 2.9x in Q4 to 7.1x in Q1.

After a year of historically volatile commodity prices, the domestic Energy and Utilities sector saw an uptick in activity. Diamondback Energy, a Permian Basin-focused E&P company, acquired Denver-based QEP Resources, Inc. in a $2.2 billion all-stock merger at an EV/EBITDA multiple of 4.2x. WPX Energy and Devon Energy combined in an $8.5 billion merger of equals at an EV/EBITDA multiple of 7.2x. The merger created one of the largest companies in the Delaware Basin and underpinned the return of E&P companies to the M&A markets as oil prices reached their pre-COVID levels.

(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 Volume by Market Capitalization and Industry

Deal size information is based on publicly available data as of Q1 2021 end as obtained from S&P Global Market Intelligence and evaluated by BRG.

Number of Q4 2020 and Q1 2021 Deals by Market Capitalization and Industry

Global	$0-500M			$500M-$1B			$1B+		
	Q4 2020		Q1 2021	Q4 2020		Q1 2021	Q4 2020		Q1 2021
Consumer	340	▲	374	13	▼	9	9	▼	6
Energy and Utilities	159	▲	162	11	▼	8	8	▲	12
Financials	139	▼	114	11	▼	10	12	▲	15
Healthcare	210	▼	164	5	▲	12	11	▬	11
Industrials	315	▲	317	6	▲	11	12	▼	9
Materials	280	▲	309	2	▬	2	4	▲	5
TMT *(1)*	431	▼	394	11	▬	11	20	▼	18

United States	$0-500M			$500M-$1B			$1B+		
	Q4 2020		Q1 2021	Q4 2020		Q1 2021	Q4 2020		Q1 2021
Consumer	87	▲	93	7	▼	5	3	▼	2
Energy and Utilities	50	▼	45	4	▼	2	5	▲	7
Financials	37	▼	27	5	▲	6	6	▲	8
Healthcare	56	▬	56	4	▲	5	10	▼	6
Industrials	74	▼	43	3	▲	4	6	▼	4
Materials	34	▲	35	0	▲	1	1	▼	0
TMT	124	▼	102	5	▼	3	12	▼	9

Selected M&A Transactions

Announced February 2021

ICON Plc

Announced acquisition of

PRA Health Services, Inc

For $12B

Life Sciences Tools and Services

Announced February 2021

Ardagh Metal Packaging

To be acquired by

Gores Group Holdings V

For $8.5B

Manufacturing

Announced February 2021

ARC Resources

To merge with

Seven Generations Energy

For $8.1B

Energy

Announced January 2021

Peraton

Announced acquisition of

Perspecta

For $7.1B

IT Services

Closed January 2021

Alstom

Has acquired

Bombardier Transportation

For €5.5B

Transportation

Closed March 2021

AVEVA

Has acquired

OSIsoft

For $5.0B

Software

Selected Bankruptcy Filings

Filed March 2021

Brazos Electric Power Cooperative

Has filed for Chapter 11 Bankruptcy Protection.

Assets: $3.35B

Liabilities: $5.06B

Utilities

Filed January 2021

Christopher & Banks Corp.

Has filed for Chapter 11 Bankruptcy Protection.

Assets: $166.40mm

Liabilities: $105.64mm

Retail

Filed January 2021

L'Occitane Inc

Has filed for Chapter 11 Bankruptcy Protection.

Assets: $161.03mm

Liabilities: $161.67mm

Retail

Deal Commentary

ICON announced that it will acquire PRA Health Services, a healthcare platform that allows patients to participate in clinical trials from their home, in a $12 billion deal. The deal highlights the consolidation happening in the Clinical Research Organization space. Gores Group Holdings V is acquiring Ardagh's metal packaging business for $8.5 billion and is applying to list its shares on the NYSE. The newly formed entity, Ardagh Metal Packaging, will be a beverage can business that creates infinitely-recyclable metal and glass packaging. The transaction takes advantage of consumers' desire for sustainability and the current rise in SPAC offerings. ARC Resources Ltd. and Seven Generations Energy Ltd. announced a strategic merger, valuing the two companies at approximately $8.1 billion.

Peraton has announced plans to acquire Perspecta, a leading government services provider, in an all-cash transaction valued at $7.1 billion. The deal will nearly double the size of Peraton, creating a powerhouse capable of providing end-to-end IT solutions for a diverse pool of government clients. Alstom closed on a €5.5 billion acquisition of Bombardier Transportation. The deal combines two major railway companies, creating a global leader focused on developing greener transport systems. AVEVA, a provider of engineering and industrial software solutions, has completed its $5.0 billion acquisition of OSIsoft. The deal allows AVEVA to pair its software with OSIsoft's data management capabilities, driving digital transformation in the Industrial sector.

Brazos Electric Power Cooperative generates and transmits electricity in Texas serving more than 1.5 million citizens. The Company filed for Chapter 11 bankruptcy to restructure amidst an influx of settlement charges related to the historic Texas winter storm in February 2021. Christopher & Banks Corp., a women's apparel retailer, filed for Chapter 11 bankruptcy protection citing pandemic-related disruptions and a shift away from brick and mortar as reasons for the filing. The Company will aim to sell its e-commerce business while permanently closing approximately 450 stores. The US branch of beauty retailer L'Occitane, Inc filed for Chapter 11 bankruptcy protection in New Jersey in January 2021. The company blamed financial troubles on the impact of COVID-19 on the retail sector.

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

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

Healthcare Analytics Practice – Key considerations to make in the pharmaceutical industry

Q1 2021

Based on recent buy-side valuation and diligence mandates, it is important to consider the **primary pharmaceutical assets** and their **attendant phases of development or commercialization** when evaluating an opportunity to acquire or invest in a pharmaceutical development company or manufacturer. *The chart below highlights key areas to consider in each phase.*

Clinical Development & FDA Approval Process

When evaluating the likelihood that the **product(s) will obtain FDA approval**, consider the following:

- The product's **phase of clinical development**:
  - Pre-clinical (animal testing)
  - Phase I (safety and dosing)
  - Phase II (efficacy and side effects)
  - Phase III (efficacy and monitoring of adverse events)
- **Timing, costs, and the probability of success** associated with each phase of development (*e.g.*, cost of contract research organizations)
- FDA's **special designations** (*e.g.*, Orphan Drug Designation) and **expedited programs** (*e.g.*, priority review) that may decrease development time and costs and increase likelihood of approval

Market Forecasting

When **forecasting product sales**, consider the following:

- **Addressable market:** product's target patient population (*e.g.*, new patients vs. continuing patients vs. patients switching from other competitors)
- **Market share:** FDA-approved competitors, which impact physician preference for the product and health plan decisions regarding product access
- **Reimbursement:** health plan product reimbursement for members and access restrictions (*e.g.*, prior authorization and step therapy)
- **Pricing:** list price vs. net price, the latter of which incorporates discounts and rebates
- **Duration of use:** patient's length of treatment (*e.g.*, chronic treatment vs. average number of cycles per treatment)

Product Launch & Commercialization

When **preparing to launch a product**, consider the following:

- When approaching product launch, manufacturers **ramp up production and testing** to meet forecasted sales.
- Companies develop a **marketing plan** and hire a **sales force** large enough to reach targeted prescribers. Sales representatives also require **training and promotional materials** for prescriber detailing.
- Companies choose a **Distribution Model:**
  - Buy & Bill – providers buy product from the manufacturer and reimburse directly with patient's health plan
  - Specialty pharmacy
  - Retail/mail-order pharmacy
- If a product is **licensed** to a partner, consider license royalty revenue and event-based milestone payments.

Market Share Protection

Once a **product is on the market**, consider the following:

- FDA grants exclusive marketing rights to approved drugs. This prevents approval of generic competitors. There are four types of **market exclusivity**:
  - Orphan Drug = 7 years
  - New Molecular Entity (NME) = 5 years
  - Other (non-NME, but not a generic) = 3 years
  - Pediatric = 6 months added to existing exclusivity
- Once market exclusivity expires, FDA can approve generic competitors. However, if patents have not expired, a company can use the **product's patent portfolio** to protect against entry of generic competitors and extend the life cycle of the product (*e.g.*, line extensions, new indications)

Case Study: BRG was retained to advise **Company X** on its potential acquisition of **Company Y**, a pharmaceutical development company with several products in development that rely on patents for a specific peptide. Company Y's lead product was entering Phase III clinical trials for the treatment of a specific type of cancer. Below are key considerations:

1. Due diligence uncovered manufacturing issues that BRG considered in its estimates for the **start date, length, and cost** of the lead product's **Phase III clinical trial**, which impacted the timing of Company X's potential future revenue.
2. BRG collaborated with Company X's board members and market research firm to solicit feedback from oncologists and health plans regarding **prescribing preferences** and the product's potential **pricing and reimbursement**. This research supported integral assumptions for BRG's valuation estimates.
3. The lead product's **Orphan Drug Designation** provided seven years of market exclusivity, which was a crucial component of BRG's product valuation. Due diligence also uncovered limitations on the product's patent portfolio, which impacted assumptions of generic competition after expiration of market exclusivity.

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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
- Valua ion 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

Evaluate opportunities	Realize synergies	Build value		Maximize return
PRE-ACQUISITION	**TRANSACTION EXECUTION**	**OPERATIONS**		**EXIT**
Market studies	Buy-side diligence	Acquisition integration	Operational effectiveness	Sell-side diligence
Business plan assessment	Quality of earnings, cash flows	Interim/surge resources	Transaction readiness	Carve-out stand up
Tax structuring alternatives	Transition services agreement	FP&A, liquidity	Fairness & solvency Opinions	Fairness & solvency opinions
	Fair market value opinions	Transforma ion management	Tax and financial reporting valuations	
	Fairness & solvency opinions	IT/systems		
	Purchase price allocation	Financial reporting		

Our Professionals

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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 transac ions. 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 transac ion advisory, corporate planning and strategy, financial reporting, and compliance purposes. She has provided solvency, fairness and other transac ion-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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Edward J. Buthusiem advises executive management and general counsel on a variety of strategic business and operational issues. A managing director in BRG's Health Analytics practice, Mr. Buthusiem is an expert in food and drug law, mergers and acquisitions, technology licensing transactions, and innova ion. Since joining BRG in 2013, Mr. Bu husiem has provided expert testimony and support in a number of litigation matters involving, among other things, the interpretation of licensing and development contracts relating to pharmaceutical product development, matters involving fiduciary responsibilities, securities disclosure, adequacy of internal controls and pharmaceutical pre-clinical and clinical development and commercialization.

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