

BRG Quarterly M&A Report

Q2 2021

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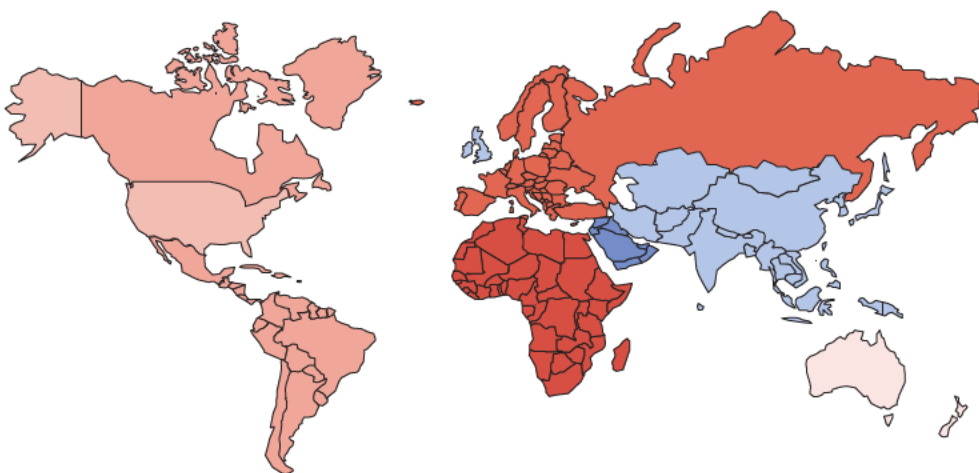


Description of BRG Quarterly M&A Report

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)



Low (%) High (%)

Source: S&P Global Market Intelligence

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General Market Trends

In Q2 2021, global M&A activity had a modest growth of 0.6% QoQ, measured by transaction volume. Globally, Financials were highly active with a 9.5% increase in deal volume QoQ, while Energy and Utilities was the sector that declined the most, with a 17.0% decrease in transactions. Geographically, Africa exhibited the highest quarterly growth of 17.6%. M&A transaction volume in the U.S. leveled off QoQ, with volume growth in financials and healthcare offset by declines in the other sectors.

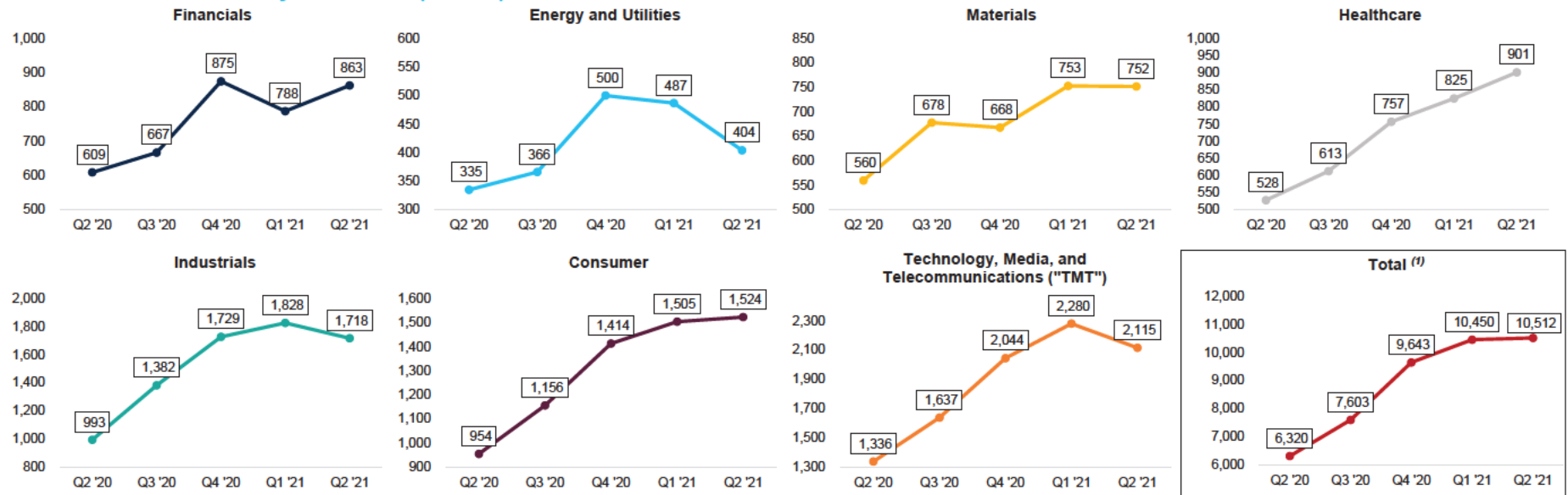
M&A activity started to slow in Q2 2021, a year after the start of the COVID-19 crisis. Transaction volume has grown at a slower rate than Q1's, as markets continue to stabilize since the beginning of the pandemic. This plateau, following a rapid post-pandemic recovery, signals a return to normalcy as U.S. states reopen with strong vaccination efforts while other countries lag behind. On the other hand, both total global deal value and average value per transaction ("AVPT") increased QoQ by 7.6% and 7.0%, respectively, indicating growth in high-value deals.

Geographical Trends

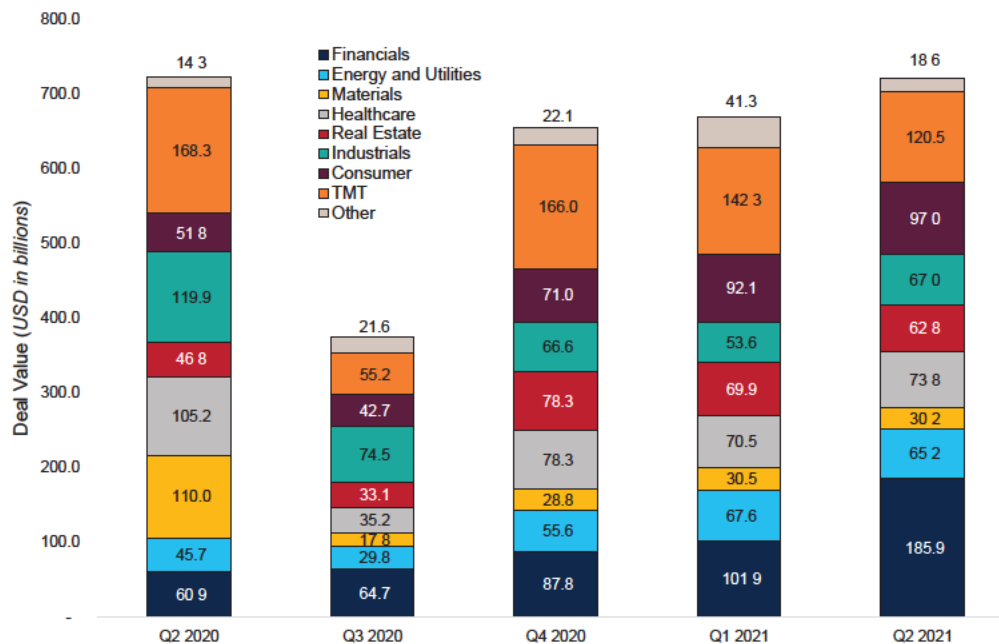
	Q2 2021 Volume	QoQ Growth	YoY Growth
Africa	147	17.6%	13.1%
Asia	1,105	-13.8%	12.3%
Australia and New Zealand	380	0.5%	59.7%
Europe (incl. Russia, excl. U.K.)	2,700	9.1%	60.6%
Latin America	283	4.0%	43.7%
Middle East	103	-16.9%	18.4%
North America (excl. U.S.)	656	8.6%	57.3%
United Kingdom	957	-11.6%	99.0%
United States	4,181	1.8%	98.6%

Transaction information based on publicly available data as of Q2 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 Q2 2021, we observed mixed performance in the globally tracked industries. Overall, M&A volume increased 0.6%. Four industries exhibited volume growth while three industries declined and one industry saw no change QoQ. The industry exhibiting the largest decline this quarter was Energy and Utilities, which declined 17.0% on a volume basis. Concurrently, Financials experienced the largest growth of 9.5% QoQ.

Total global deal value in the second quarter increased 7.6% QoQ, from \$669.8 billion to \$721.0 billion. In addition, the AVPT increased 7.0%, from \$64.1 million in the prior quarter to \$68.6 million. The Financials sector witnessed the highest growth in deal value (+82.5%) in Q2 with AVPT increasing 66.6%.

Transaction volume plateaued following multiple quarters of strong growth while total deal value continued to expand. Financials rebounded after a decline in Q1, seeing an increase in transaction volume and contributing most to the overall growth in total deal value seen in Q2. Total deal value was also impacted by the overall increase in number of high-value transactions across several sectors, including Consumer, Healthcare, and Industrials. In the Financials sector, Huntington Bank acquired TCF Bank for \$7.0 billion. In the Consumer space, 7-Eleven's \$21.0 billion acquisition of Speedway contributed significantly to an increase in total deal value.

(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 2021 end as obtained from S&P Global Market Intelligence and evaluated by BRG. Pricing trends exclude Real Estate and Financials.

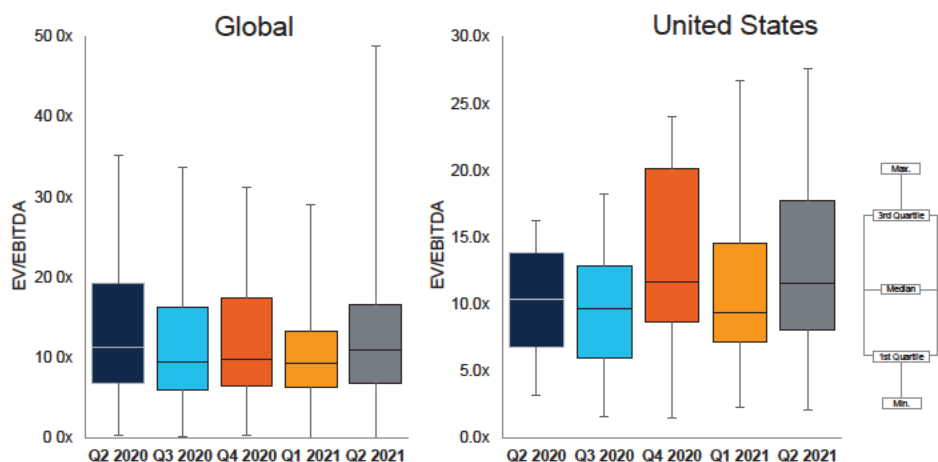
EV/EBITDA Multiples ⁽¹⁾

\$ in millions

	Q2 2020			Q3 2020			Q4 2020			Q1 2021			Q2 2021		
	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
Global															
Consumer	9.6x	\$ 1,588	18	9.1x	197	24	10.8x	\$ 207	56	9.1x	\$ 288	42	12.5x	\$ 227	48
Energy and Utilities	14.3x	2,153	6	3.1x	80	7	6.8x	565	13	7.3x	954	16	10.6x	575	13
Healthcare	13.6x	183	11	12.6x	225	15	17.0x	140	25	10.5x	76	20	13.8x	257	21
Industrials	10.6x	545	7	8.2x	629	12	8.1x	117	30	9.4x	220	31	8.1x	182	37
Materials	10.8x	832	16	9.5x	215	14	6.7x	881	16	7.9x	670	21	11.4x	818	16
TMT (2)	8.7x	241	34	11.1x	179	29	12.4x	226	48	8.8x	103	53	10.7x	178	54

	Q2 2020			Q3 2020			Q4 2020			Q1 2021			Q2 2021		
	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
United States															
Consumer	12.4x	\$ 585	2	8.5x	\$ 470	4	11.8x	\$ 296	17	9.2x	\$ 218	10	11.8x	\$ 175	21
Energy and Utilities	11.9x	10,161	1	7.3x	2,204	2	2.9x	664	4	7.1x	3,128	8	8.7x	538	4
Healthcare	n/a	n/a	0	11.6x	25	4	14.9x	190	10	9.7x	225	6	22.8x	1,822	7
Industrials	10.1x	29,482	2	4.6x	14	2	9.7x	213	11	10.5x	735	8	11.0x	485	15
Materials	10.4x	532	6	10.0x	202	3	7.7x	221	2	9.0x	460	2	12.5x	3,200	1
TMT (2)	9.3x	1,708	11	12.3x	305	9	28.2x	220	6	11.8x	134	15	11.3x	700	21

EV/EBITDA Multiples ⁽³⁾



Commentary

Globally, we have seen QoQ increases in pricing multiples across 5 sectors. Industrials experienced a decrease, moving from 9.4x in the prior quarter to 8.1x in Q2 2021. Materials had the largest multiple expansion of 3.5x. Domestically, 4 sectors saw multiple increase between 1.6x (Energy & Utilities) and 13.1x (Healthcare) while 2 sectors remained flat. The U.S. Healthcare sector experienced the largest increase in EBITDA multiples, growing from 9.7x in Q1 to 22.8x in Q2.

QoQ multiple expansion in Q2 was largely driven by an increase in large-cap deals across several industries. In the Healthcare sector, which exhibited continued growth in deal volume since last quarter, several high-value deals accounted for its increase in median EV and EV/EBITDA multiples. For example, Siemens acquired medical device company Varian Medical Systems for \$16.0 billion at an EV/EBITDA multiple of 27.9x, and, in early June, STERIS completed its \$4.4 billion acquisition of Cantel Medical, a medical equipment manufacturer, with an EV/EBITDA multiple of 17.5x.

(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 2021 end as obtained from S&P Global Market Intelligence and evaluated by BRG.

Number of Q1 2021 and Q2 2021 Deals by Market Capitalization and Industry

Global	\$0-500M		\$500M-\$1B		\$1B+		United States	\$0-500M		\$500M-\$1B		\$1B+	
	Q1 2021	Q2 2021	Q1 2021	Q2 2021	Q1 2021	Q2 2021		Q1 2021	Q2 2021	Q1 2021	Q2 2021	Q1 2021	Q2 2021
Consumer	374	361	9	9	6	10	Consumer	93	96	5	3	2	6
Energy and Utilities	162	155	8	8	12	7	Energy and Utilities	45	48	2	4	7	1
Financials	114	163	10	15	15	36	Financials	27	45	6	8	8	25
Healthcare	164	215	12	6	11	12	Healthcare	56	92	5	4	6	9
Industrials	317	317	11	13	9	12	Industrials	43	63	4	3	4	5
Materials	309	289	2	8	5	5	Materials	35	31	1	2	0	0
TMT (1)	394	401	11	9	18	16	TMT	102	111	3	4	9	9

Selected M&A Transactions

<p>Announced May 2021</p> <p>Amazon.com, Inc.</p> <p>Announced acquisition of</p> <p>MGM Holdings Inc.</p> <p>For \$10.6B</p> <p>Entertainment</p>	<p>Announced April 2021</p> <p>Microsoft Corporation</p> <p>Announced acquisition of</p> <p>Nuance Communications, Inc.</p> <p>For \$19.8B</p> <p>Software</p>	<p>Closed June 2021</p> <p>Just Eat Takeaway.com N.V.</p> <p>Has acquired</p> <p>Grubhub Inc.</p> <p>For \$8.2B</p> <p>Retail</p>
<p>Announced May 2021</p> <p>Discovery, Inc.</p> <p>Announced acquisition of</p> <p>Warner Media, LLC</p> <p>For \$43B</p> <p>Entertainment</p>	<p>Closed June 2021</p> <p>PNC Financial Services Group</p> <p>Has acquired</p> <p>BBVA USA Bancshares, Inc.</p> <p>For \$11.6B</p> <p>Banks</p>	<p>Announced April 2021</p> <p>Thermo Fisher Scientific Inc.</p> <p>Announced acquisition of</p> <p>PPD, Inc.</p> <p>For \$21.9B</p> <p>Life Sciences</p>

Selected Bankruptcy Filings

<p>Filed April 2021</p> <p>GDC Technics LLC</p> <p>Has filed for Chapter 11 Bankruptcy Protection.</p> <p>Assets: \$54.2M</p> <p>Liabilities: \$55.2M</p> <p>Aerospace and Defense</p>	<p>Filed April 2021</p> <p>Liberty Power Holdings LLC</p> <p>Has filed for Chapter 11 Bankruptcy Protection.</p> <p>Assets: \$57.6M</p> <p>Liabilities: \$211.6M</p> <p>Utilities</p>	<p>Filed April 2021</p> <p>The Collected Group, LLC</p> <p>Has filed for Chapter 11 Bankruptcy Protection.</p> <p>Assets: \$128.2M</p> <p>Liabilities: \$216.1M</p> <p>Consumer Durables and Apparel</p>
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Deal Commentary

- Amazon.com announced its \$10.6 billion acquisition of entertainment company MGM Holdings. The deal highlights the film industry's shift from movie theater releases to streaming, boosted by social distancing requirements during the pandemic, further establishing Amazon as a content creator.
- Microsoft is acquiring Nuance Communications for \$19.8 billion in an effort to provide healthcare professionals with AI-driven technology solutions, driving the company's industry-specific cloud strategy.
- Food delivery platform Grubhub was acquired by Amsterdam-based Just Eat Takeaway.com, strengthening the platform's grip on the online food delivery market as it competes with apps such as UberEats and Postmates.
- Discovery announced its \$43 billion acquisition of WarnerMedia, gaining access to the entertainment conglomerate's multiple services and positioning the company to become a streaming giant.
- The PNC Financial Services Group entered into an agreement with Banco Bilbao Vizcaya Argentaria (BBVA) to acquire its US subsidiary for \$11.6 billion. The deal accelerates PNC's national expansion as a major commercial bank.
- Thermo Fisher announced that it will acquire clinical research services provider PPD for \$21.9 billion, aiding the Massachusetts-based company's growing impact on the pharmaceutical and biotechnology markets.
- GDC Technics is an engineering company specializing in the aerospace field, servicing the military, government, and aircraft industry. The company filed for Chapter 11 bankruptcy after Boeing terminated contracts with them in the midst of a legal battle between the two companies.
- Liberty Power Holdings, a subsidiary of Liberty Power Corporation, supplies electricity to New York. Liberty Power Holdings filed for Chapter 11 bankruptcy in the aftermath of an unexpected Texas winter storm in mid- February where its parent organization is domiciled.
- The Collected Group designs, manufactures, and distributes women's apparel. The company filed for Chapter 11 bankruptcy following declines in sales and liquidity due to COVID-19. The company plans to move away from their brick-and-mortar locations with the emergence of e-commerce.

(1) TMT refers to Technology, Media, and Telecommunication.
Source: S&P Global Market Intelligence, Capital IQ, WSJ, NYT

INCREASING RISK IN RENEWABLE PPAS In the United States, the combination of rapidly declining capital costs, federal tax incentives, state mandates, and corporate procurement have led to wind and solar power making up the majority of new generating resources. Developers, investors, and independent power producers are all highly focused on the market and revenue structures for renewable power. As the industry has grown, it has become increasingly competitive resulting in changing offtaker structures for project revenue and increasing merchant or regulatory risk for sellers of renewable energy.



Without proper consideration and mitigation of the market risk, losses can be quick and large. **For example**, RWE Renewables America is facing \$500 Million in losses just from the winter storm in Texas in February 2021. Many of the project contracts were under a volumetric hedging structure meaning that when the wind performed significantly lower than expectations while prices spiked, the owners of the projects were faced with crippling losses. These losses were not unique to RWE and many projects in ERCOT faced the same issues during this event.

HOW TO EVALUATE THESE RISKS Some risks, like merchant risk and shape risk, can be quantified through scenario analysis. BRG can evaluate hourly plant revenues under differing renewable penetration levels or other scenarios using its wholesale power market models, to assess both the likelihood and severity of sustained low power prices when plants operate. Other risks, including capacity market qualification risk or the long-term availability of REC swaps, can be mitigated by due diligence of regulatory outlooks, understanding alternative revenue streams, and testing project cash flow under less favorable policy environments to ensure returns are acceptable even in downside scenarios. BRG's power and valuation experts can help evaluate and quantify each of these risks to identify and support investment in the most favorable projects.

CONTRACT STRUCTURE DRIVES MERCHANT AND REGULATORY RISK Even five years ago, most renewable power was contracted under long-term bus-bar PPAs. This structure meant renewable power projects were fully contracted with an offtaker (typically a utility) with limited to no merchant pricing risk being borne by the project. Furthermore, these contracts were generally for 15-20 years with the full capital cost and return covered under the contract period. Owners of projects would only have to worry about "merchant tail risk" – exposure to wholesale power markets after the PPA expires.



Since then, contract structures have become more complex and have included increasingly more merchant risk being pushed onto the project owners. As well as merchant risk, there is also regulatory risk such as changing rules for renewable energy credit qualification or capacity market qualification that may be pushed onto project owners. The result is a much more complex market for both asset owners and offtakers when evaluating investment opportunities in the renewable space.

The following table describes some of the contract and market hedging structures commonly used in the renewable space with associated risk factors. These structures can also be combined within a PPA.

Contract Structure	Definition	Merchant Risk	Regulatory Risk
Bus-Bar PPA	Fixed price for generation at interconnection point	May include curtailment risk	None
Contract for Differences	Project has fixed price and either refunds or receives credit from offtaker based upon merchant prices	Products such as capacity may be carved out and cause merchant risk	None
Trading hub PPA	Fixed price for generation at trading hub. Project is responsible for congestion between there and interconnection.	Congestion between interconnection and settlement point + curtailment	None
Volumetric hedge	Fixed price for a set volume of generation or a set pattern of generation. Project is responsible for generation shape or volume deviations.	Impactful risk in high renewable systems where prices may spike because of correlated low renewable generation	None
Virtual PPA	Financial settlement of the PPA separate from energy delivery	Same risks as a trading hub PPA or a volumetric hedge depending on the contract	Green attribute value may decline as jurisdictions tighten requirements
REC Swap	Swapping compliance RECs with voluntary RECs to maximize the value of the sold green attributes	Project is subject to fluctuations in REC markets	Significant risk that swapped RECs may stop counting for RPS compliance due to GHG leakage concerns

As offtakers have become more sophisticated and particular about their risk exposure in PPAs, contracts are becoming more complex and may include combinations of these structures such as a trading hub PPA combined with a REC swap.

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:

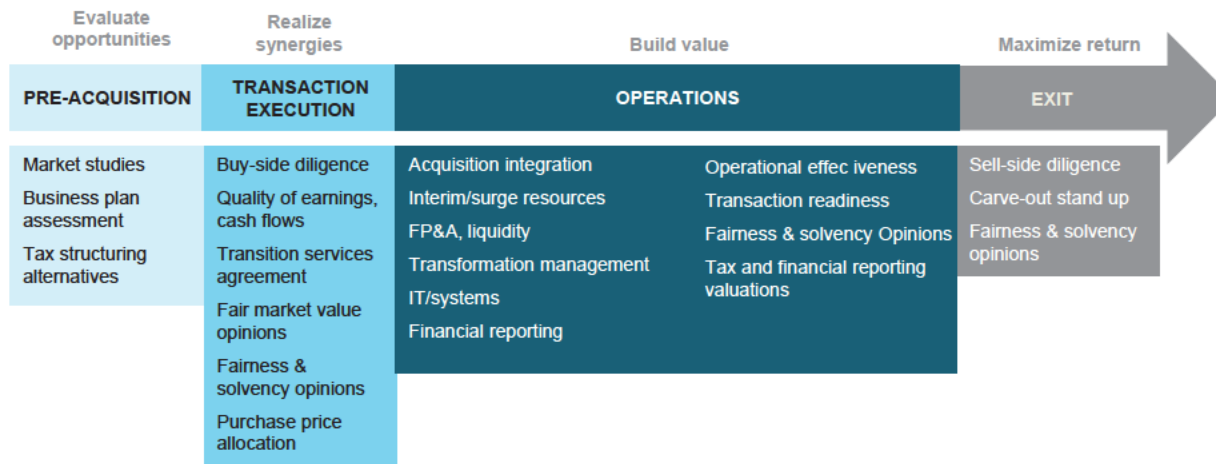
- Solvency opinions
- Fairness opinions
- Capital adequacy opinions
- Valuation opinions
- Strategic support

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

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- 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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Matthew Tanner, Ph.D., has over twelve years of experience advising clients across the power-sector value chain on strategy, risk, and planning matters.

His expertise includes renewable integration, market transformation, power systems modeling and forecasting, utility resource planning, and risk simulation. He advises clients on market opportunities, risks of changing market structures, resource planning, and investment strategy under uncertainty.

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