

BRG Quarterly M&A Report

Q1 2022

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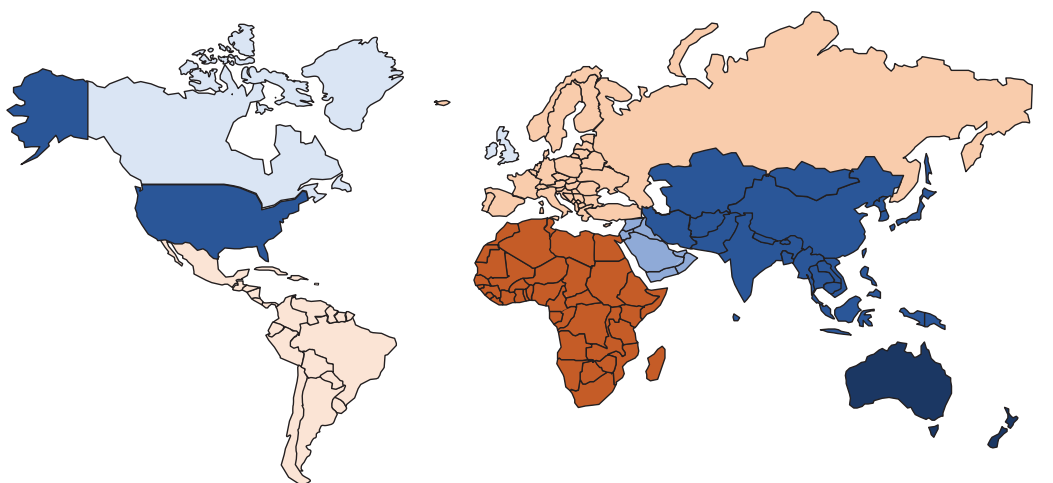


Description of BRG Quarterly M&A Report

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 as of 4/6/2022

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General Market Trends

In Q1 2022, global M&A transaction volume decreased approximately 12.0% QoQ, largely due to hesitation from investors in wanting to fully understand the potential impact of the conflict in Ukraine on credit markets. Further, deal volume has also decreased due to heightened scrutiny of special purpose acquisition companies (SPACs) and their targets by the U.S. Department of Justice, the Federal Trade Commission, and the U.S. Securities and Exchange Commission.

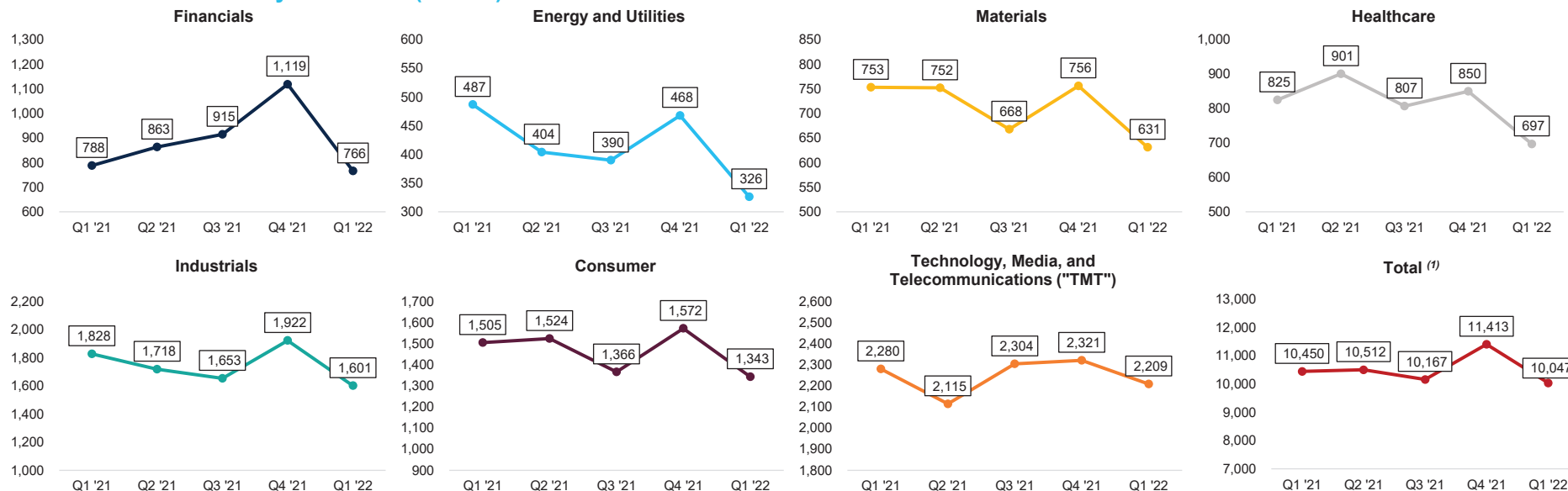
The Technology, Media, and Telecommunications ("TMT") was the least impacted sector on a global basis with a 4.8% decrease in deal volume QoQ, in contrast to the Financials sector, which experienced the largest decline in transaction volume of 31.5%. Africa had the highest transaction volume growth of 22.5% QoQ, whereas Australia and New Zealand experienced the largest decrease in transaction volume, declining 25.7% QoQ. Within the U.S., deal volume decreased significantly at 22.3% QoQ.

Geographical Trends

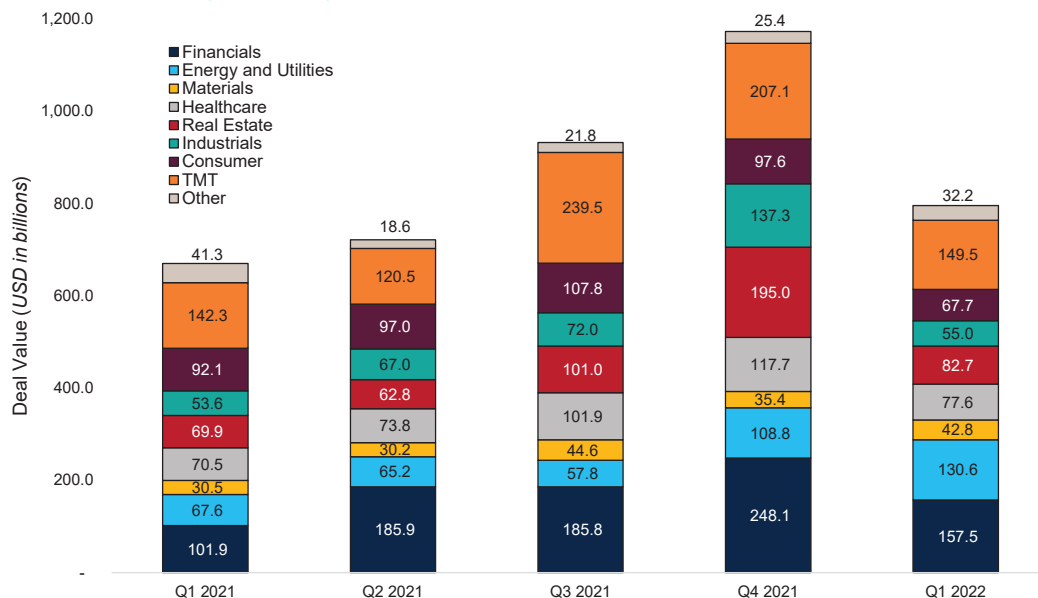
	Q1 2022 Volume	QoQ Growth	YoY Growth
Africa	136	22.5%	8.8%
Asia	848	-19.8%	-33.9%
Australia and New Zealand	301	-25.7%	-20.4%
Europe (incl. Russia, excl. U.K.)	2,582	7.4%	4.3%
Latin America	304	3.8%	11.8%
Middle East	107	-15.7%	-13.7%
North America (excl. U.S.)	577	-2.0%	-4.5%
United Kingdom	921	-0.3%	-15.0%
United States	4,273	-22.3%	4.0%

Transaction information based on publicly available data as of Q1 2022 end as obtained from S&P Global Market Intelligence and analyzed by BRG.

Number of Transactions - Key Industries (Global)



Total Deal Value by Industry (Global)



Commentary

In Q1 2022, we observed a significant drop in activity in the globally tracked industries. Similar to global deal volume, total deal value decreased 32.1% in Q1 as M&A activity started to normalize following a record-breaking year in 2021. Average value per transaction ("AVPT") fell by 53.0% within the same time period as deal size declined for all transaction sizes.

In terms of deal value, Materials witnessed the highest growth of 20.9%, with AVPT increasing 44.8% in Q1. A combination of demand for industrial materials due to U.S. clean energy and infrastructure spending, along with strong metal and agriculture prices, spurred this growth. The significant supply chain bottlenecks that have been in place for the past few years may continue to be a constraining factor on the Materials industry.

The largest transaction closed during Q1 took place in the TMT sector through the acquisition of IHS Markit by S&P Global at an enterprise value of \$49.4 billion. Despite the Energy and Utilities sector's significant decline in transaction volume of 30.3%, the industry experienced growth in transaction value of 20.0%. One such high-value transaction was the acquisition of Oasis Midstream Partners by Crestwood Equity Partners for \$1.7 billion.

(1) Total is inclusive of Real Estate industry transactions and transactions uncategorized by S&P Global Market Intelligence.
Source: S&P Global Market Intelligence as of 4/6/2022.

Pricing information is based on publicly available data as of Q1 2022 end as obtained from S&P Global Market Intelligence and evaluated by BRG. Pricing trends exclude Real Estate and Financials.

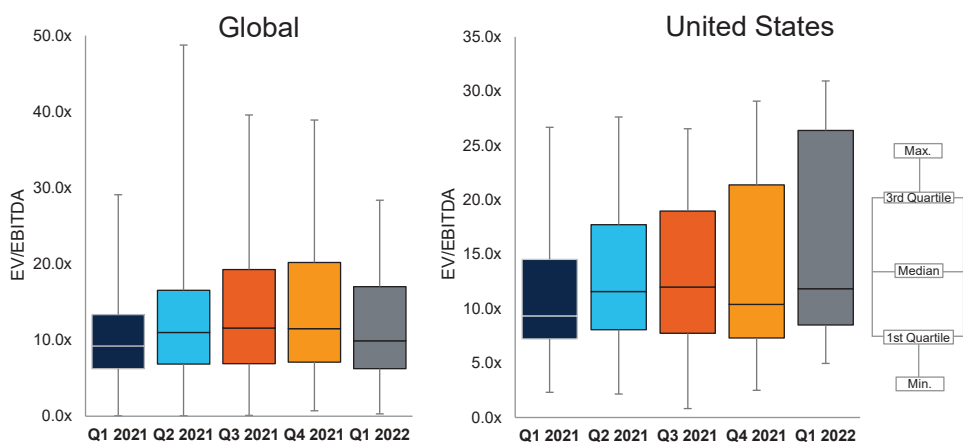
EV/EBITDA Multiples ⁽¹⁾

\$ in millions

	Q1 2021			Q2 2021			Q3 2021			Q4 2021			Q1 2022		
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	9.1x ▼	\$ 288 ▲	42	12.5x ▲	227 ▼	48	9.2x ▼	\$ 327 ▲	46	9.5x ▼	\$ 103 ▼	56	10.5x ▲	\$ 307 ▲	25
Energy and Utilities	7.3x ▲	954 ▲	16	10.6x ▲	575 ▼	13	10.0x ▼	1,423 ▲	7	12.8x ▲	686 ▼	18	13.2x ▼	1,712 ▲	11
Healthcare	10.5x ▼	76 ▼	20	13.8x ▲	257 ▲	21	15.0x ▲	718 ▲	25	11.7x ▼	448 ▼	38	9.9x ▼	532 ▲	15
Industrials	9.4x ▲	220 ▲	31	8.1x ▼	182 ▼	37	9.5x ▲	405 ▲	24	8.7x ▼	300 ▼	35	5.9x ▼	201 ▼	19
Materials	7.9x ▲	670 ▼	21	11.4x ▲	818 ▲	16	7.7x ▼	370 ▼	17	8.2x ▼	482 ▲	18	7.1x ▼	1,650 ▲	15
TMT (2)	8.8x ▼	103 ▼	53	10.7x ▲	178 ▲	54	12.4x ▲	306 ▲	56	13.4x ▲	195 ▼	58	11.5x ▼	298 ▲	34

	Q1 2021			Q2 2021			Q3 2021			Q4 2021			Q1 2022		
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	9.2x ▼	\$ 218 ▼	10	11.8x ▲	\$ 175 ▼	21	10.8x ▼	\$ 333 ▲	12	9.6x ▼	\$ 108 ▼	19	10.8x ▲	\$ 841 ▲	6
Energy and Utilities	7.1x ▲	3,128 ▲	8	8.7x ▲	538 ▼	4	8.9x ▼	1,005 ▲	3	16.9x ▲	471 ▼	7	10.9x ▼	307 ▼	3
Healthcare	9.7x ▼	225 ▲	6	22.8x ▲	1,822 ▲	7	15.0x ▼	1,100 ▼	11	21.8x ▲	503 ▼	21	10.8x ▼	1,126 ▲	6
Industrials	10.5x ▲	735 ▲	8	11.0x ▼	485 ▼	15	10.7x ▼	584 ▲	8	10.5x ▼	593 ▼	19	8.3x ▼	1,057 ▲	2
Materials	9.0x ▲	460 ▲	2	12.5x ▲	3,200 ▲	1	10.7x ▼	1,100 ▼	5	7.3x ▼	380 ▼	7	8.5x ▲	2,478 ▲	5
TMT (2)	11.8x ▼	134 ▼	15	11.3x ▼	700 ▲	21	14.7x ▲	1,508 ▲	22	11.5x ▼	269 ▼	23	27.7x ▲	1,951 ▲	9

EV/EBITDA Multiples ⁽³⁾



Commentary

EBITDA pricing multiples generally decreased QoQ across all global sectors. Industrials experienced the largest decrease from 8.7x in Q4 2021 to 5.9x in Q1 2022. Conversely, multiples in the Consumer sector increased from 9.5x in Q4 2021 to 10.5x in Q1 2022 as the industry benefitted from pent up consumer demand. Domestically, there were mixed pricing multiple results across all industries, with Consumer, Materials and TMT increasing, and Energy and Utilities, Healthcare and Industrials decreasing. The TMT sector experienced the largest increase in EBITDA multiples, growing from 11.5x in Q4 2021 to 27.7x in Q1 2022.

Globally, the decrease in the number of small-cap and mid-cap deals, alongside the increase in value of high-cap megadeals, caused median EVs to rise across several industries. In the US, the median EV for the Consumer sector increased by \$733M with the median EV/EBITDA multiple also increasing by 1.2x to 10.8x QoQ. Although many significant factors contributed to this increase in pricing, the historically high deal values are a primary contributing factor.

(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 Capital IQ as of 4/6/2022

Deal size information is based on publicly available data as of Q1 2022 end as obtained from S&P Global Market Intelligence and evaluated by BRG.

Number of Q4 2021 and Q1 2022 Deals by Market Capitalization and Industry

Global	\$0-500M			\$500M-\$1B			\$1B+			United States	\$0-500M			\$500M-\$1B			\$1B+		
	Q4 2021	Q1 2022		Q4 2021	Q1 2022		Q4 2021	Q1 2022			Q4 2021	Q1 2022		Q4 2021	Q1 2022		Q4 2021	Q1 2022	
Consumer	382	▼	275	15	▼	11	18	▼	12	Consumer	134	▼	76	7	▼	5	7	▼	2
Energy and Utilities	165	▼	112	12	▼	10	20	▼	18	Energy and Utilities	59	▼	32	3	▲	6	10	▼	6
Financials	186	▼	153	29	▼	16	48	▼	29	Financials	66	▼	62	22	▼	11	31	▼	22
Healthcare	225	▼	146	13	▼	9	17	▼	13	Healthcare	88	▼	57	8	▼	5	15	▼	8
Industrials	314	▼	193	13	▼	7	22	▼	6	Industrials	103	▼	38	10	▼	4	12	▼	1
Materials	264	▼	229	6	▲	7	6	▲	11	Materials	39	▼	24	4	▼	2	5	▼	4
TMT	(1)	▼	434	26	▼	14	30	▼	12	TMT	244	▼	184	13	▼	9	21	▼	7

Selected M&A Transactions

Announced January 2022 Microsoft Corporation Announced acquisition of Activision Blizzard, Inc. <i>For \$79.6B</i> Communication Services	Announced January 2022 Evergreen Coast Capital Corp. & TIBCO Software, Inc. Announced acquisition of Citrix Systems, Inc. <i>For \$17.2B</i> Information Technology	Closed February 2022 S&P Global Inc. Has acquired IHS Markit Ltd. <i>For \$45.4B</i> Research and Consulting
Closed February 2022 Advanced Micro Devices Inc. Has acquired Xilinx, Inc. <i>For \$36.8B</i> Information Technology	Closed February 2022 Agnico Eagle Mines Limited Has acquired Kirkland Lake Gold Ltd. <i>For \$10.6B</i> Metals and Mining	Closed March 2022 Pfizer Inc. Has acquired Arena Pharmaceuticals, Inc. <i>For \$6.7B</i> Pharmaceuticals

Selected Bankruptcy Filings

Filed March 2022 Ruby Pipeline Has filed for Chapter 11 Bankruptcy Protection. <i>Assets: \$500M</i> <i>Liabilities: \$500M</i> Energy	Filed March 2022 MD Helicopters Inc. Has filed for Chapter 11 Bankruptcy Protection. <i>Assets: \$100M</i> <i>Liabilities: \$100M</i> Manufacturing	Filed January 2022 Seadrill New Finance Ltd. Has filed for Chapter 11 Bankruptcy Protection. <i>Assets: \$500M</i> <i>Liabilities: \$500M</i> Energy
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Deal Commentary

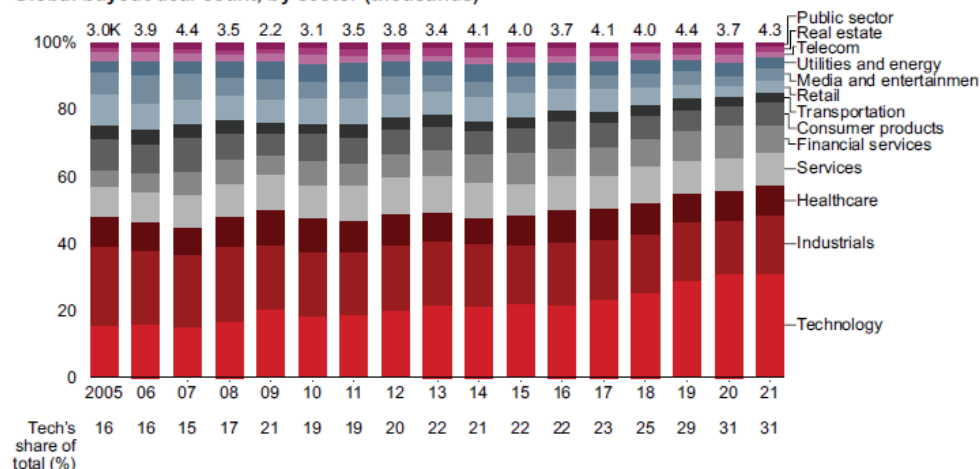
- Microsoft announced its acquisition of interactive entertainment content company Activision Blizzard. The deal allows Microsoft to accelerate its growth in the gaming industry across mobile, PC, console, and cloud devices.
- Evergreen Coast Capital and TIBCO Software have announced the acquisition of Citrix Systems. The transaction will see the software company merge with TIBCO, allowing for cross-selling of the companies' cloud computing and virtualization services, and supporting increasingly remote and hybrid workplaces.
- S&P Global and IHS Markit announced the completion of their merger in February. The deal gives S&P Global access to a data provider that supplies financial information to a wide range of business and government customers.
- In February, semiconductor company Advanced Micro Devices acquired Xilinx, increasing AMD's presence in key markets such as data centers, AI, 5G communications, automotive, industrials, and aerospace and defense.
- Agnico Eagle Mines Limited, a gold mining company, has acquired Kirkland Lake Gold. Through the acquisition, Agnico Eagle will be able to further its position as the leading low-risk global gold company.
- Pfizer Inc. has acquired biopharmaceutical company Arena Pharmaceuticals in March 2022. The deal allows Pfizer to add Arena's impressive pipeline to its business and develop further medical breakthroughs.
- Ruby Pipelines develops and operates interstate natural gas pipelines and supplies natural gas to consumers. The company has filed for Chapter 11 bankruptcy, seeking to continue negotiating around restructuring more than \$475M in maturing bond debt.
- MD Helicopters, Inc. manufactures and distributes helicopters. The company filed for Chapter 11 bankruptcy to strategically infuse the company with \$60M of fresh "debtor-in-possession" capital, discharge potentially crippling debt, and expedite the sale of its assets.
- Seadrill New Finance Ltd. is an offshore drilling firm. The company filed for Chapter 11 bankruptcy, and plans on renaming itself to Paratus Energy Services following its successfully completed pre-packaged restructuring.

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

Source: S&P Global Market Intelligence as of 4/6/2022, S&P Capital IQ, WSJ, NYT, Company Press Releases

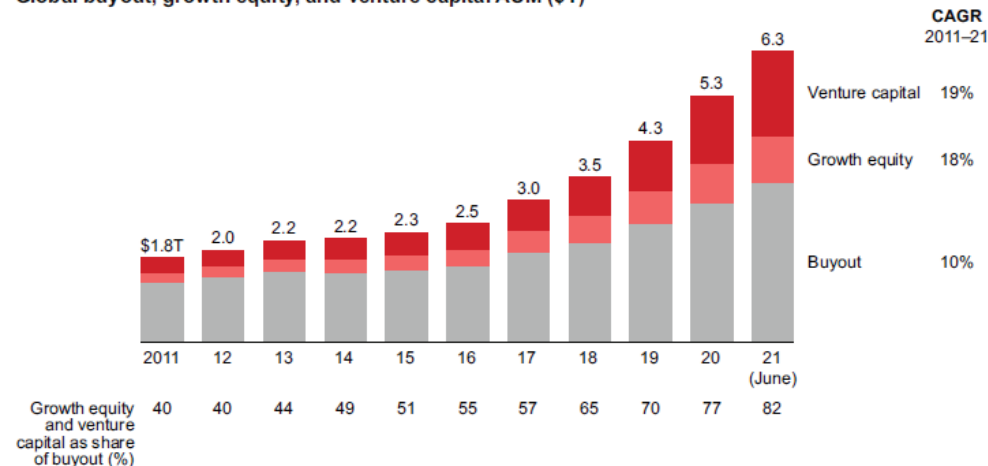
Despite high valuations, the Technology sector continued to be the most active sector for private equity investors in 2021, commanding 31% of the global buyout deal count, which matches 2020 and is an increase from 29% in 2019 (Source: Dealogic). Within Technology, sub-sectors attracting significant investment include DevOps, cybersecurity and technology-driven employee management tools given the continued war for talent. Established Technology-focused buyout firms such as Thoma Bravo, Vista Equity Partners, Silver Lake and Insight Partners continued to successfully raise record fund sizes by touting historical returns and industry expertise, though other large, multisector investors continue to devote more resources to Technology-specific investments through: (i) sector-specific investment teams; (ii) dedicated sector allocations within general funds; and (iii) buildout of proprietary operational playbooks for software companies. Given the appetite and competition to close deals, transaction structures varied from: (i) buyouts from founders and private equity sponsors; (ii) public-to-private transactions; (iii) carve-outs of desirable assets; and (iv) non-controlling investments, often through established growth funds separate from dedicated buyout funds (e.g. Blackstone, Bain Capital, TPG and KKR).

Global buyout deal count, by sector (thousands)



Notes: Includes add-ons; excludes SPACs; excludes loan-to-own transactions and acquisitions of bankrupt assets; based on announcement date; includes announced deals that are completed or pending, with data subject to change
Source: Dealogic

Global buyout, growth equity, and venture capital AUM (\$T)



Note: Buyout category includes buyout, balanced, coinvestment, and coinvestment multimanager funds
Source: Preqin

Key Performance Indicators for the Technology Sector

Given the continued transition of software being delivered on-premise to cloud hosted (software-as-a-service or "SaaS"), retention rates and annual recurring revenue continue to be important to investors as they evaluate the stickiness of service offerings to customers. In addition to these recurring revenue metrics, the following key performance indicators are generally important to investors when considering a transaction in the software sector:

- Velocity and sustainability of revenue growth. SaaS investors often utilize the Rule of 40 whereby attractive companies have a revenue growth rate plus EBITDA margin greater than 40;
- Gross margin. The investor should confirm whether compensation (employees focused on implementation, training, customer service, platform maintenance, etc.) and non-compensation (infrastructure costs such as hosting and/or server maintenance) costs are being accurately and completely captured within gross margin to model how much future revenue will convert to free cash flows;
- Customer acquisition costs and lifetime value. Customer acquisition costs generally include (i) marketing and advertising costs and (ii) commission and referral fees, while lifetime value estimates the total contribution expected from a customer based on historical revenue and customer lifespan rates. Ideally, companies and sub-sectors with higher customer acquisition costs correlate with higher retention and lifetime value;
- R&D spend as a gauge of capital intensity and competition. For example, R&D burn as percentage of revenue, EBITDA, cash on hand, etc. The investor should consider any development costs expenses capitalized to the balance sheet which may not be burdening EBITDA; and
- Contracted backlog, estimated pipeline and historical pull-through rates.

The BRG Transaction Advisory team is experienced in working with technology companies throughout their life cycle and synthesizing data into relevant information for users to make informed investment decisions.

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
- Transaction and Valuation Opinions

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:

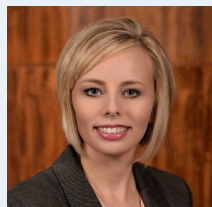
- Solvency opinions
- Fairness opinions
- Capital adequacy opinions
- Valuation opinions
- Strategic support

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 Valuation Team Update



Emily Johns
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BRG is pleased to announce that Emily Johns has joined its valuation practice in Dallas, Texas.

Ms. Johns has more than 16 years of experience and specializes in transaction-related opinions and other valuation services for clients in the healthcare (providers and payors) industry. Her extensive healthcare valuation experience includes mergers and acquisitions, disputes, purchase price allocations, management planning, and tax consulting and compliance.

Before joining BRG, Ms. Johns worked in the Advisory practice of a Big Four firm for sixteen years, specializing in healthcare valuation and modeling.

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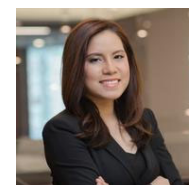
Our Professionals



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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 transactions.



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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, 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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Darren Harter is a Director in BRG's Transaction Advisory practice. Mr. Harter has worked on over 150 buy- and sell-side transactions advising private equity investors, strategic investors and investment bankers. His transaction advisory and financial due diligence experience includes identification of key deal issues, quality of earnings analysis, customer retention analysis, profitability analysis, price volume analysis, cash flow modeling, working capital adjustments and purchase agreement consultation. Mr. Harter has significant industry experience in software (enterprise, internet & consumer and fintech), IT services, business and professional services.

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