

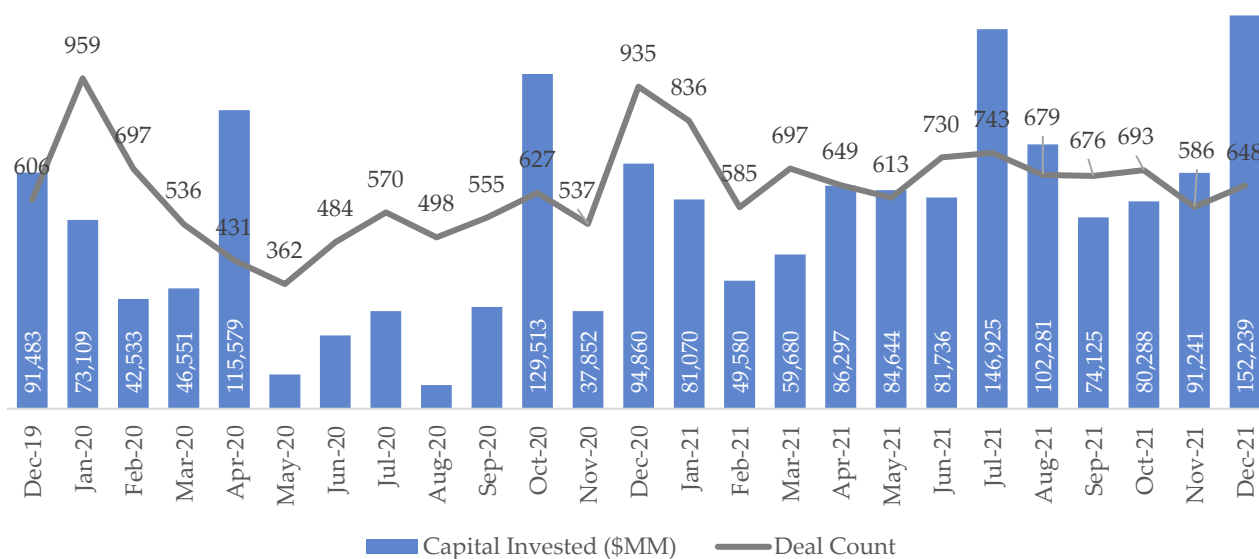


# U.S. M&A Report

*December 2021*

## OVERVIEW

### Trailing 24 Months M&A Activity



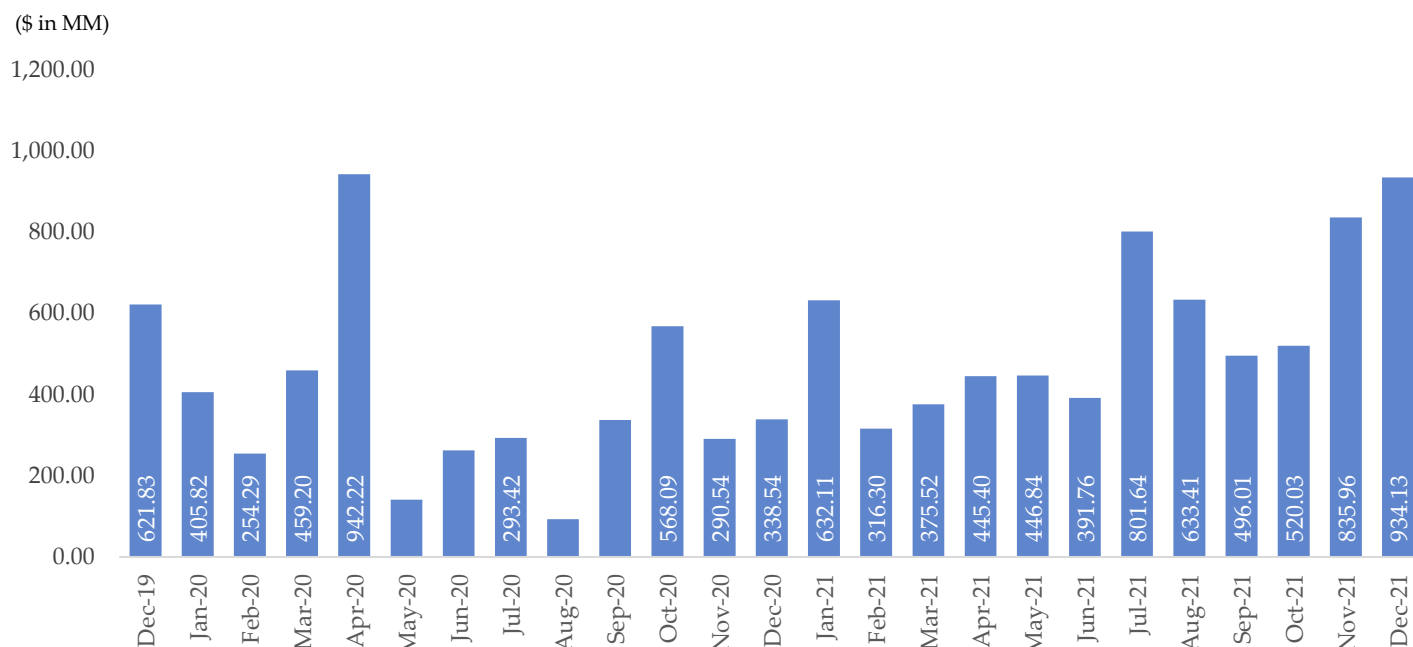
Source: PitchBook

## Perspectives on US M&A Market

U.S M&A activity has continued to rebound as the economy further recovers from the Covid-19 pandemic with 648 deals completed in December 2021 totaling \$152 billion. Debt remains historically cheap, and private equity dry powder has remained at record high levels throughout 2021. Half of 2021's M&A transactions have been paid through stock or a hybrid of cash and stock, up from 40% in 2020.

An item to watch in the market is the US antitrust policy taking a stronghold. In September, the Federal Trade Commission (FTC) stated that it is expanding its antitrust review to include cross-market effects, effects of transactions on labor markets, and potential post-transaction effects relating to venture capital or private equity ownership. The expansion of antitrust review under the FTC will result in more deals coming under scrutiny and an increase in review timelines for M&A deals. However, in the short term, companies are still pushing through deals without regulators' approval.

## Trailing 24 Months Average Monthly M&A Deal Size



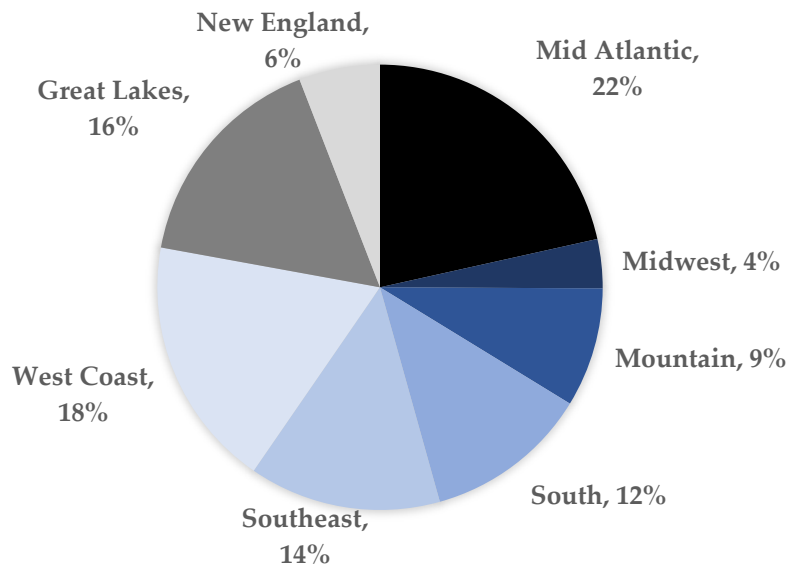
Source: PitchBook

## Monthly Analysis

Average monthly deal size is on an upward trend as the United States continues to move out of the Covid-19 pandemic. Fueled by cheap debt and high levels of dry powder, technology emerging markets have shown incredibly high EV/EBITDA multiples. These high multiples have driven the steady rise in average monthly deal size.

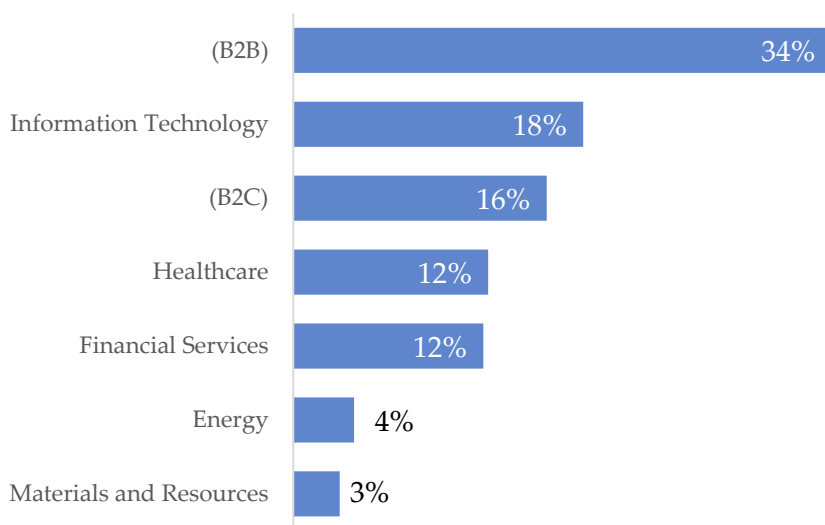
December 2021 continued the trend over the past few months in rising deal size as valuations remain high with cheap debt and an emerging technology sector. Average deal size could see a decline as we move into 2022 with multiple expected interest rate hikes, resulting in more expensive debt and lower valuation ceilings. Until interest rates are raised, expect to continue to see a continued growth trend in average monthly M&A deal size.

## December 2021 M&A Deal Regionality



The Mid-Atlantic and West Coast led the U.S. regions in percent of deals done in December 2021 coming in with 139 and 118 deals, respectively. The Great Lakes, Southeast, and South regions followed suit with 105, 90, and 77 deals, respectively. The Mid Atlantic was highlighted by a \$696 million deal in Walker & Dunlop’s acquisition of Alliant Capital.

## December 2021 Top M&A Sectors (% of Total Deals)



The B2B and information technology industry sectors led M&A activity in December 2021 combining for 51% of deals. B2C, healthcare, financial services, energy services, and material and resources sectors followed suit accounting for the other 49%. The information technology sector has continued its hyper-growth stage as technological advancements continue in the U.S.; the sector is expected to continue to boom in the M&A market as larger firms look for add-ons and synergies to maintain a competitive advantage in the market.

# December Transaction Highlights

## **Dominion Energy / Southwest Gas** *(Nevada)*

On December 31<sup>st</sup>, Southwest Gas completed its acquisition of Dominion Energy for \$1.53 billion. The acquisition will enable Southwest Gas to expand its natural gas operations in the north.



## **BK Medical Holding / GE Healthcare** *(Illinois)*

On December 21<sup>st</sup>, GE Healthcare completed its acquisition of BK Medical Holding for \$1.45 billion. With the acquisition, GE Healthcare expands its post-operative ultrasound capabilities, creating a full continuum of care from diagnosis through therapy and beyond.

## **Alliant Capital / Walker & Dunlop** *(Maryland)*

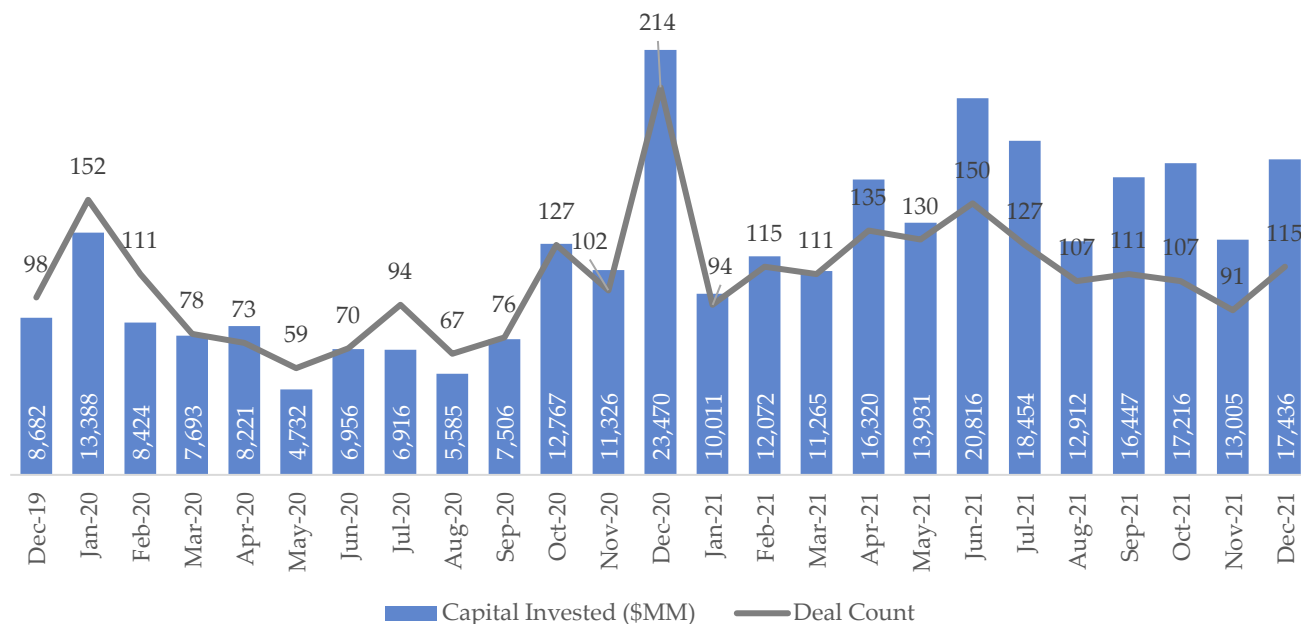
On December 16<sup>th</sup>, Walker & Dunlop completed its acquisition of Alliant Capital for \$696 million. The acquisition helps Walker & Dunlop further strengthen its position as a market leader in lending, sales, affordable housing, and tax credit syndication.



# Lower-Middle Market

(\$5MM-500MM Transactions)

## Trailing 24 Months M&A Activity



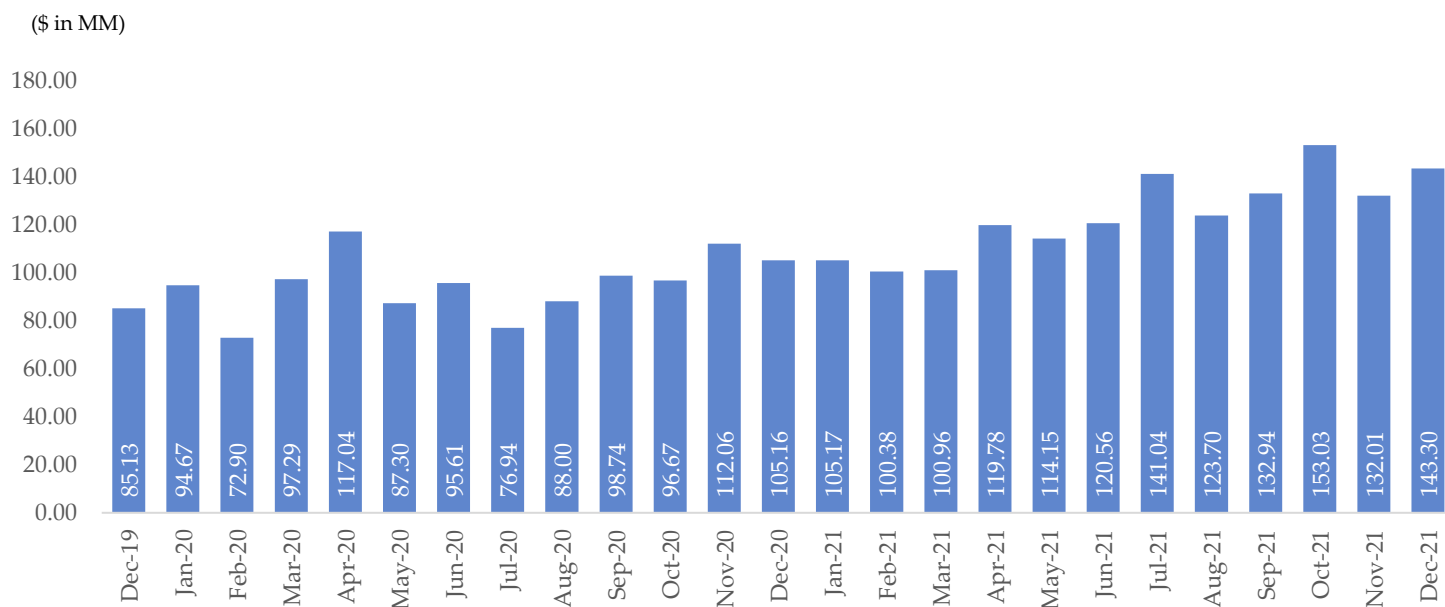
Source: PitchBook

## Monthly Analysis

Lower-middle market U.S M&A activity has followed a similar trend as the broader market. It continues to rebound as the economy further recovers from the Covid-19 pandemic with 115 deals completed in December 2021 totaling 17.43 billion. US lower-middle market M&A activity has remained relatively stable over the past twelve months. As interest rates remain low, monthly deal count in the Southeast should continue to stay steady as we move into 2022.

Healthcare IT and SaaS sectors have seen explosions in M&A activity within the lower-middle market as larger companies look for niche add-ons that provide synergies to maintain a competitive advantage in the two growing competitive markets. The lower-middle market will continue to follow trends of the broader market heading into 2022 with high deal counts and valuations with cheap debt and an abundance of dry powder available.

## Trailing 24 Months Average Monthly M&A Deal Size



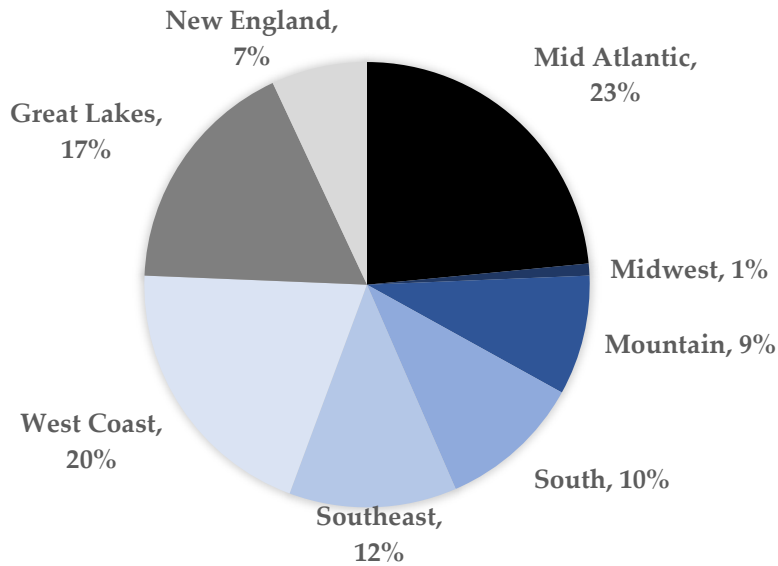
Source: PitchBook

## Monthly Analysis

The lower-middle market average deal size has been on a steady upward trend throughout the entirety of 2021. The average deal size in December 2021 came in at \$143.3 million. Average deal size for the entirety of 2021 came in at \$123.91 million. January 2022 is expected to continue along the same trend line as cheap debt, ample dry powder, and high valuations continue to drive deals and deal sizes higher. Expect a decrease in deal size if interest rates are increased later in 2022 as debt will become more expensive and hamper valuations. However, the high valuations seen within the emerging tech and healthcare markets would fight to keep average deal value levels above those seen from in the heart of the Covid-19 pandemic from 2020-2021.

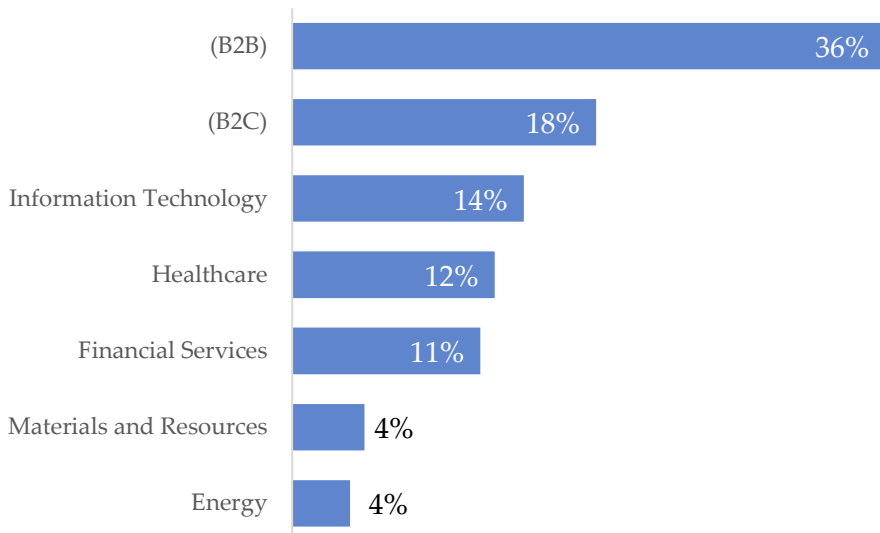


## December 2021 M&A Deal Regionality



The Mid Atlantic led U.S. regions in December 2021 coming in 27 completed deals. The West Coast, Great Lakes, and Southeast regions followed suit with 57 deals between the three. The Southeast was home to one of the largest mergers of December 2021 within the lower-middle market with Aveanna Healthcare’s acquisition of Comfort Car Home Health for \$345 million.

## December 2021 Top M&A Sectors (% of Total Deals)



The B2B, B2C, and healthcare industry sectors dominated the M&A activity in December 2021 combining for 68% of deals. Information technology, financial services, material and resource, and energy service sectors followed suit accounting for the other 32%. The healthcare sector has continued its hyper-growth stage within the lower-middle market as well as many firms in it are sought after for niche add-ons for larger healthcare companies.

## December Transaction Highlights

### Rocky Mountain Bank / First Western Financial (*Colorado*)

On December 31<sup>st</sup>, First Western Financial completed its acquisition of Rocky Mountain Bank for \$47.75 million. The acquisition with help to expand First Western Financial's footprint in the Rocky Mountain region.



### Shoemaker Manufacturing / CSW Industrials (*Texas*)

On December 15<sup>th</sup>, CSW Industrials completed its acquisition of Shoemaker Manufacturing for \$41.3 million. The acquisition further expands CSW's HVAC product offering and exposure to the northwest United States.



### Comfort Care Home Health / Aveanna Healthcare (*Georgia*)

On December 10<sup>th</sup>, Aveanna completed its acquisition of Comfort Care Home Health for \$345 million. Consolidation within the healthcare services space continued into December as larger companies in the healthcare service industry looked to add niche branches to their operations.



## Selected U.S. Lower/Middle Market Transactions for December 2021

Deal Date	Target Company	Investors	Primary Industry Sector	Company State/Province	Deal Size (\$MM)
31-Dec-2021	Allyis	Tech Mahindra (BOM: 532755)	Information Technology	Washington	125.00
31-Dec-2021	Community Tax	NextPoint Financial (TSE: NPF.U)(Brent Turner)	Business Products and Services (B2B)	Illinois	90.00
31-Dec-2021	Deist Industries	Federal Signal (NYS: FSS)(Jennifer Sherman)	Business Products and Services (B2B)	Pennsylvania	40.00
31-Dec-2021	Edgile	Wipro (BOM: 507685)(Tony Buffomante)	Information Technology	Texas	230.00
30-Dec-2021	Petillo Companies	Sterling Construction (NAS: STRL)(Joseph Cutillo)	Business Products and Services (B2B)	New Jersey	195.00
29-Dec-2021	Hydrofera	Essity (STO: ESSITY B)(Ulrika Kolsrud)	Healthcare	Connecticut	131.00
29-Dec-2021	Quiet Logistics	American Eagle Outfitters (NYS: AEO)(Jay Schottenstein)	Business Products and Services (B2B)	Massachusetts	360.00
29-Dec-2021	ReCept Healthcare Services	Omnicell (NAS: OMCL)(Randall Lipps)	Healthcare	Texas	100.00
28-Dec-2021	CompoSecure (NAS: CMPO)	Roman DBDR Tech Acquisition(Donald Basile)	Business Products and Services (B2B)	New Jersey	236.00
28-Dec-2021	Heights Finance	Curo Financial Technologies (NYS: CURO)(Don Gayhardt)	Financial Services	South Carolina	360.00
28-Dec-2021	Kimes & Stone	Sterling Construction (NAS: STRL)(Joseph Cutillo)	Business Products and Services (B2B)	Mississippi	7.60
24-Dec-2021	Kestrel Labs	Zynex (NAS: ZYXI)(Thomas Sandgaard)	Healthcare	Colorado	31.00
23-Dec-2021	Arcadia (Building Products)	Dynamic Materials (NAS: BOOM)(Kevin Longe)	Business Products and Services (B2B)	California	282.50
23-Dec-2021	BW Electrical Services	Charge Enterprises (PINX: CRGE)(Andrew Fox)	Energy	New Jersey	18.00
23-Dec-2021	Community Savings Bancorp (PINX: CCSB)	Double Bottomline(Evan Stone)	Financial Services	Ohio	9.50
23-Dec-2021	Talis Clinical	Getinge (STO: GETI B)(Jens Viebke)	Healthcare	Ohio	65.00
22-Dec-2021	Belmont Confections	Tattooed Chef (NAS: TTCF)(Sam Galletti)	Consumer Products and Services (B2C)	Ohio	18.00
22-Dec-2021	Digit	Oportun (NAS: OPRT)(Raul Vazquez)	Information Technology	California	211.10
22-Dec-2021	Hyperfine (Diagnostic Equipment) (NAS: HYPR)	HealthCor Catalio Acquisition(Christopher Gaulin)	Healthcare	Connecticut	375.00
22-Dec-2021	Universal Refractories	Vesuvius (LON: VSVS)(Patrick Andre)	Business Products and Services (B2B)	Pennsylvania	57.10
21-Dec-2021	Clean Streak Ventures	Mister Car Wash (NYS: MCW)(John Lai)	Consumer Products and Services (B2C)	Florida	390.00
21-Dec-2021	Pilot Bancshares	Lake Michigan Credit Union(Sandy Jelinski)	Financial Services	Florida	96.60
20-Dec-2021	Advantage Label & Packaging	UFP Packaging(Chuck Krawczak)	Materials and Resources	Michigan	16.00