

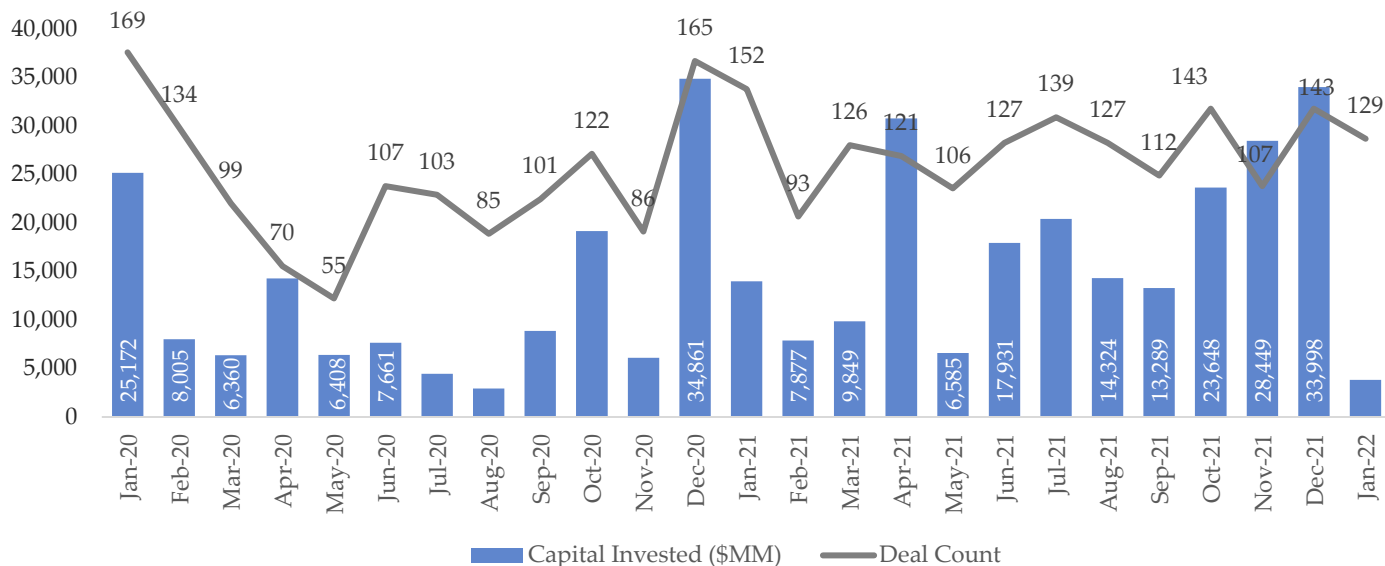


# Southeast M&A Report

*January 2022*

## OVERVIEW

### Trailing 24 Months M&A Activity



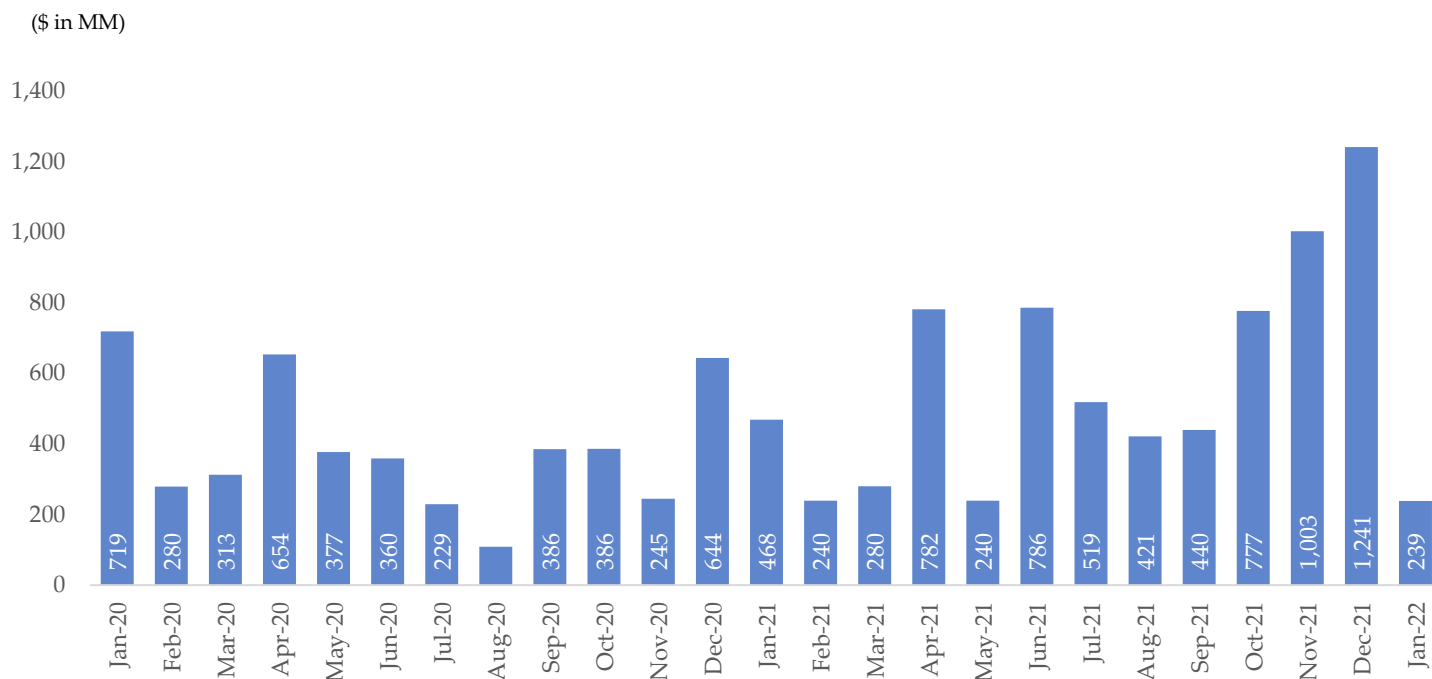
Source: PitchBook

### Perspectives on US M&A Market

January tends to be a fall-off month in terms of deal activity as many deals are pushed through before years end. However, Southeast M&A activity remained strong in January 2022 with 129 M&A transactions completed. Low interest rates will continue to drive M&A activity over the next few months with deal counts expected to continue YoY growth trends as seen from 2020 to 2021.

As we move into 2022, we are unlikely to see a wholesale reversal of the positive economic rebound in 2021. However, with the consumer price index rising 7% annually in the United States, the Federal Reserve intends to begin raising interest rates as soon as April 2022. These inevitable interest rate hikes will increase the cost of capital, reducing the buying power of firms. Therefore, it's expected that the M&A market will remain strong through the first half of 2022, slowing in pace in the latter half of the year.

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



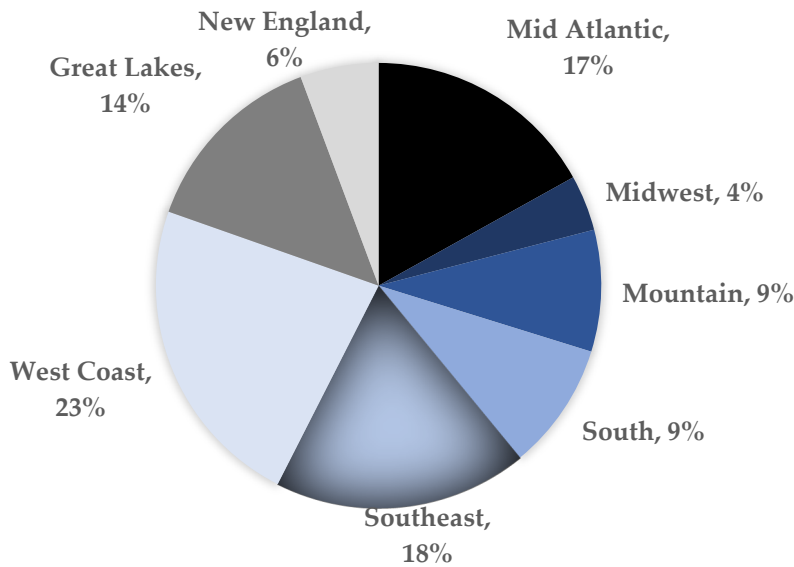
Source: PitchBook

### Monthly Analysis

Average monthly deal size has been on an upward trend as the United States continues to move out of the Covid-19 pandemic. Much of this can be attributed to cheap debt and high levels of dry powder, however emerging markets within the technology space have shown incredibly high EV/EBITDA multiples; these high multiples seen over the course of 2021 have also attributed to the steady rise in average monthly deal size.

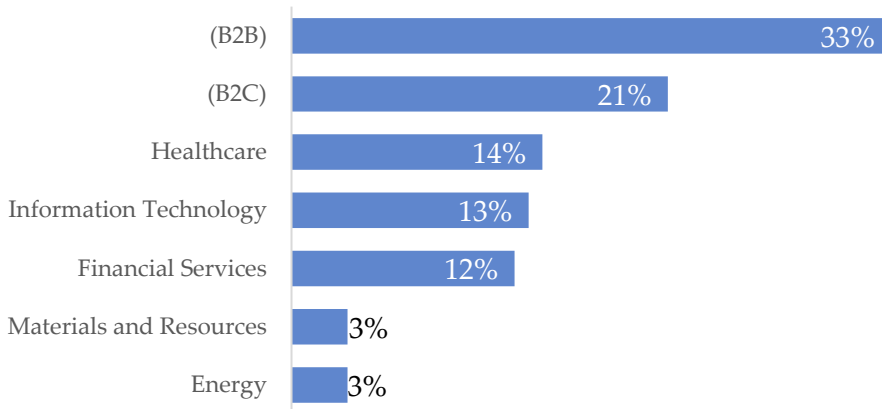
Average deal size in January 2022 can be attributed to a lower number of larger mergers completed in comparison to the last three months in the Southeast. Average deal size could see a decline in comparison to YoY numbers as we move into 2022 with multiple expected interest rate hikes, resulting in more expensive debt and lower valuation ceilings. Until interest rates rise, expect to see increasing growth trends in average monthly M&A deal size.

## January 2022 M&A Deal Regionality



The Southeast region totaled 129 of 671 total deals in the month of January 2022 ranking fourth in deal count by region across the United States. The southeast typically rests between 14-18% of total M&A deals across the country.

## January 2022 Top M&A Sectors (% of Total Deals)



The B2B and B2C industry sectors dominated the M&A activity in January 2021 combining for 54% of deals. Healthcare, information technology, financial services, energy services, and material and resources sectors followed suit accounting for the other 46%.

# January Transaction Highlights

## **New Wave Holdings / Pawtocol Holdings (Florida)**

On January 11<sup>th</sup>, New Wave Holdings completed its acquisition of Pawtocol Holdings for \$5.25 million. The acquisition adds to their portfolio of software as a Service companies.



## **Smith & Nephew / Engage Surgical (Florida)**

On January 19<sup>th</sup>, The company was acquired by Smith & Nephew (LON: SN.) for \$135 million. This acquisition strongly supports Smith & Nephew's strategy for growth by transforming its business through innovation and acquisition, while also providing differentiation for its customers.

## **Inotiv / Integrated Laboratory Systems (North Carolina)**

On January 10<sup>th</sup>, the company was acquired by Inotiv (NAS: NOTV) for \$56 million. The acquisition expands Inotiv in vivo and in vitro toxicology services, including the addition of significant pathology and toxicology expertise and extends its services into genomics, bioinformatics and computational toxicology.



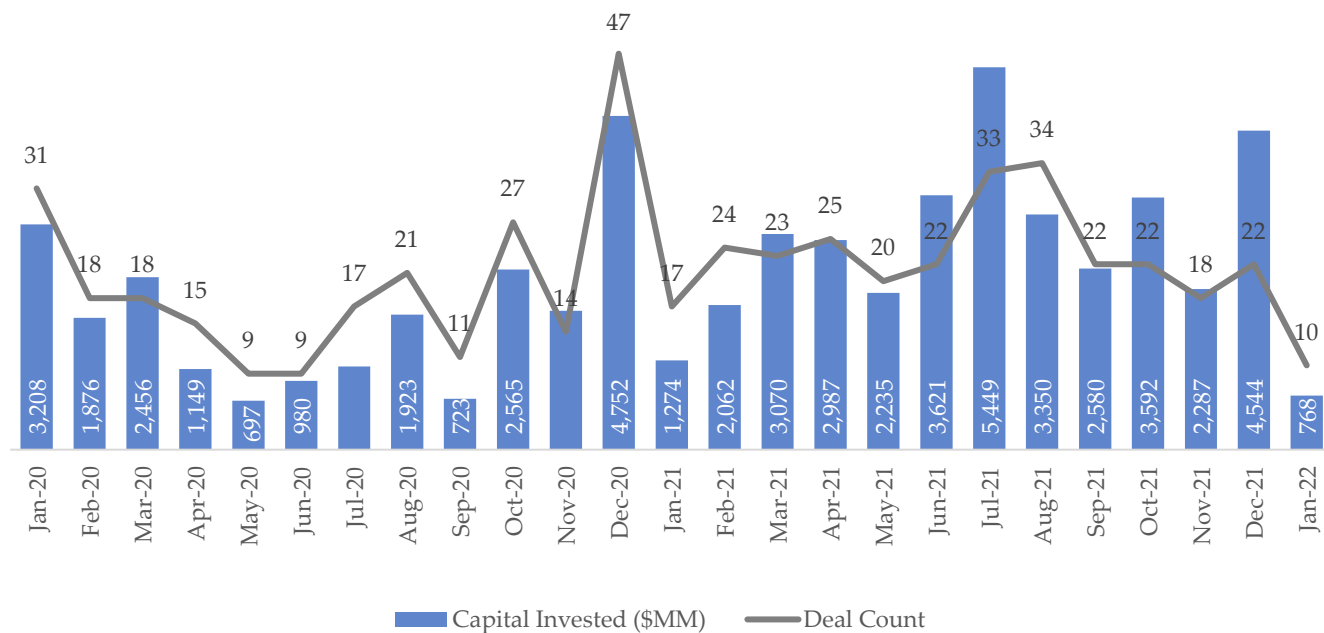
Advancing Science, Improving Lives



# Lower-Middle Market

(\$5MM-500MM Transactions)

## Trailing 24 Months M&A Activity



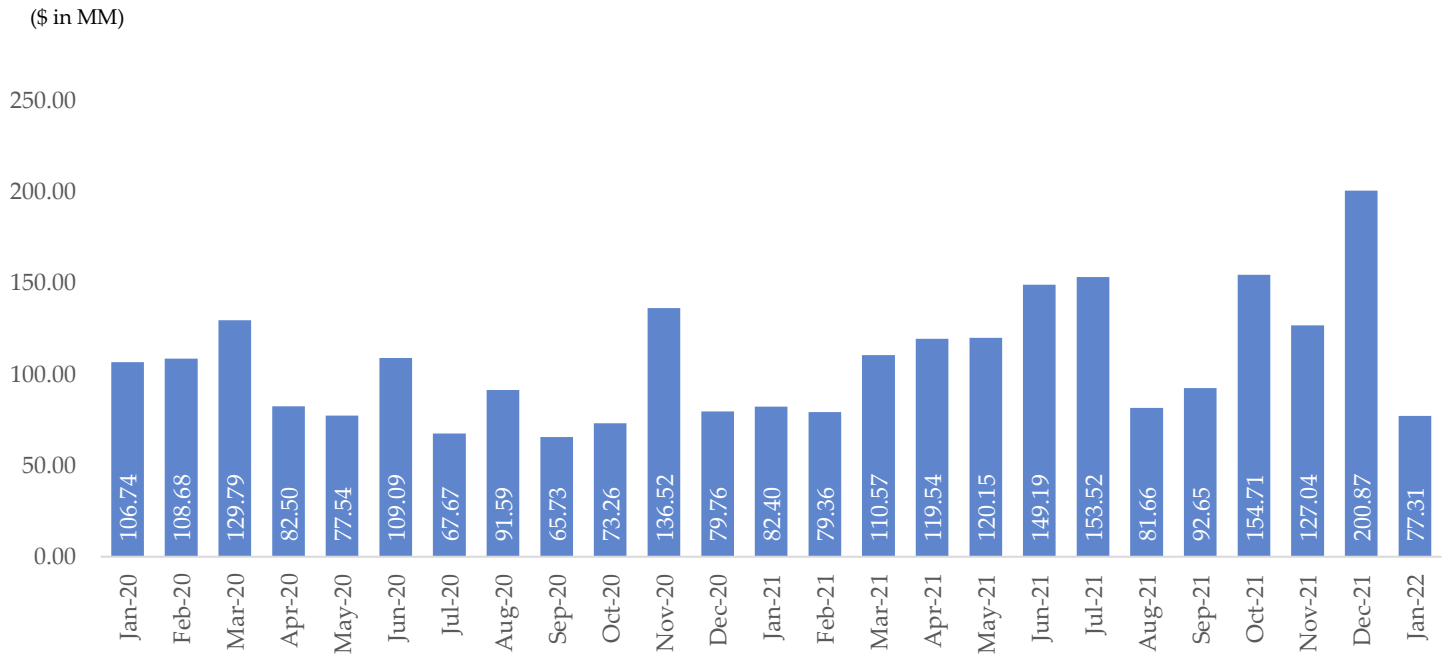
Source: PitchBook

## Monthly Analysis

Lower-middle market Southeast M&A activity has followed a similar trend to the broader market as January saw a dip in deal count. While some deals may not be accounted for on Pitchbook, the decline does make sense due to the typical push to get deals done by years end. As interest rates remain low, monthly deal count in the Southeast should climb back to levels seen in 2021 over the coming months. However, an increase in interest rates could deter such a climb.

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 as we head further into 2022 with eyes set on the FED's decisions on when and how many interest rate hikes will be put in place.

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



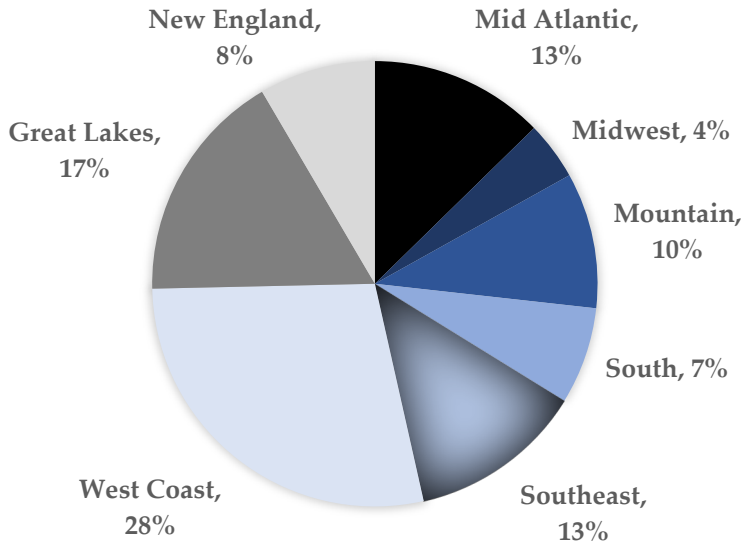
Source: PitchBook

### Monthly Analysis

The lower-middle market average deal size has been on a steady upward trend throughout the entirety of 2021. However, there was a fall-off in January of 2022. This can be attributed to a smaller deal count with many of the larger mergers in the works in 2021 wrapping up before years end. Average deal size should climb in February with interest rates still low. However, expect a decrease in average 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 will fight to keep average deal value levels above those seen from in the heart of the Covid-19 pandemic from 2020-2021.



## January 2022 M&A Deal Regionality



The Southeast region totaled 10 of 71 total deals in the month of January 2022 ranking fourth in deal count by region across the United States.

## Industry Sector Analysis

The healthcare sector is one to watch across the Southeast region over the next 12-18 months. Cities such as Charlotte, Atlanta, and Raleigh are seeing steady rises in smaller niche physician practices and healthcare tech companies. Larger healthcare companies are looking to roll-up these smaller practices and healthcare tech companies as niche add-ons to maintain a competitive advantage in the broader healthcare services and healthcare tech markets; this in turn has led to a boom in healthcare M&A activity within the lower-middle market in the Southeast.

# January Transaction Highlights

## **Euromoney / Boardroom (South Carolina)**

On January 27<sup>th</sup>, The company was acquired by Euromoney Institutional Investor (LON: ERM) for \$25 million. The acquisition enables Euromoney Institutional Investor to strengthen its People Intelligence business through a new customer base.

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**BOARDROOM  
INSIDERS.**

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**Euromoney  
Institutional  
Investor PLC**

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## **Landsea Homes/ Hanover Family Builders (Florida)**

On January 19<sup>th</sup>, The company was acquired by Landsea Holdings (NAS: LSEA) for \$179.2 million. The acquisition will enable Landsea Holdings to strategically expand its business to Central Florida and Orlando while raising its market share in the American cost-effective housing market.



## **Seacoast Bank / Sabal Palm Bank (Florida)**

On January 3<sup>rd</sup>, The company was acquired by Seacoast Bank (NAS: SBCF) for \$53.9 million. The acquisition complements Seacoast's breadth of offerings to grow presence and expand position in Florida markets.



## Selected Southeast Lower/Middle Market Transactions for January 2022

Deal Date	Target Company	Investors	Primary Industry Sector	Company State/Province	Deal Size (\$MM)
27-Jan-2022	Boardroom Insiders	Euromoney Institutional Investor (LON: ERM)	Business Products and Services (B2B)	South Carolina	25.00
21-Jan-2022	Expetitle	Real Broker (TSX: REAX)	Consumer Products and Services (B2C)	Florida	15.00
19-Jan-2022	Engage Surgical	Smith & Nephew (LON: SN.)	Healthcare	Florida	135.00
19-Jan-2022	Hanover Family Builders	Landsea Holdings (NAS: LSEA)	Consumer Products and Services (B2C)	Florida	179.20
12-Jan-2022	Pawtocol Holdings	New Wave Holdings (CNQ: SPOR)	Information Technology	Florida	5.25
11-Jan-2022	Medigap Healthcare	Reliance Global Group (NAS: RELI)	Financial Services	Florida	20.10
10-Jan-2022	Integrated Laboratory Systems	Inotiv (NAS: NOTV)	Business Products and Services (B2B)	North Carolina	56.00
03-Jan-2022	Florida Business Bank	Seacoast Bank (NAS: SBCF)	Financial Services	Florida	28.40
03-Jan-2022	Sabal Palm Bank	Seacoast Bank (NAS: SBCF)	Financial Services	Florida	53.90