

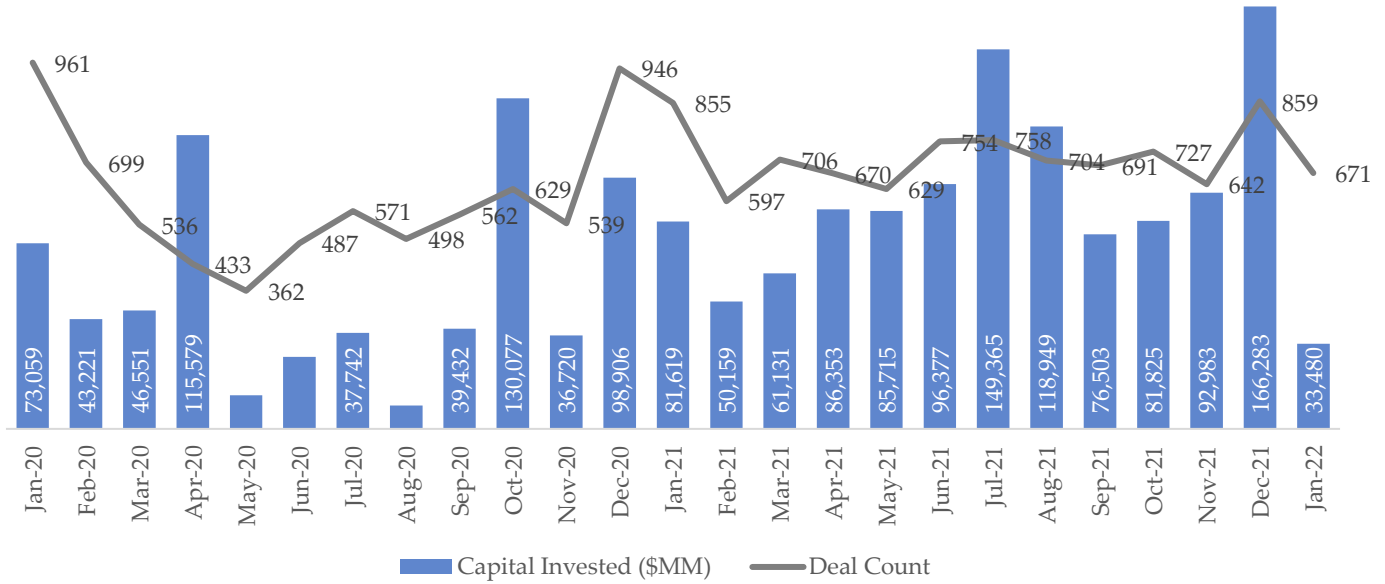


# U.S. M&A Report

*January 2022*

# OVERVIEW

## Trailing 24 Months M&A Activity



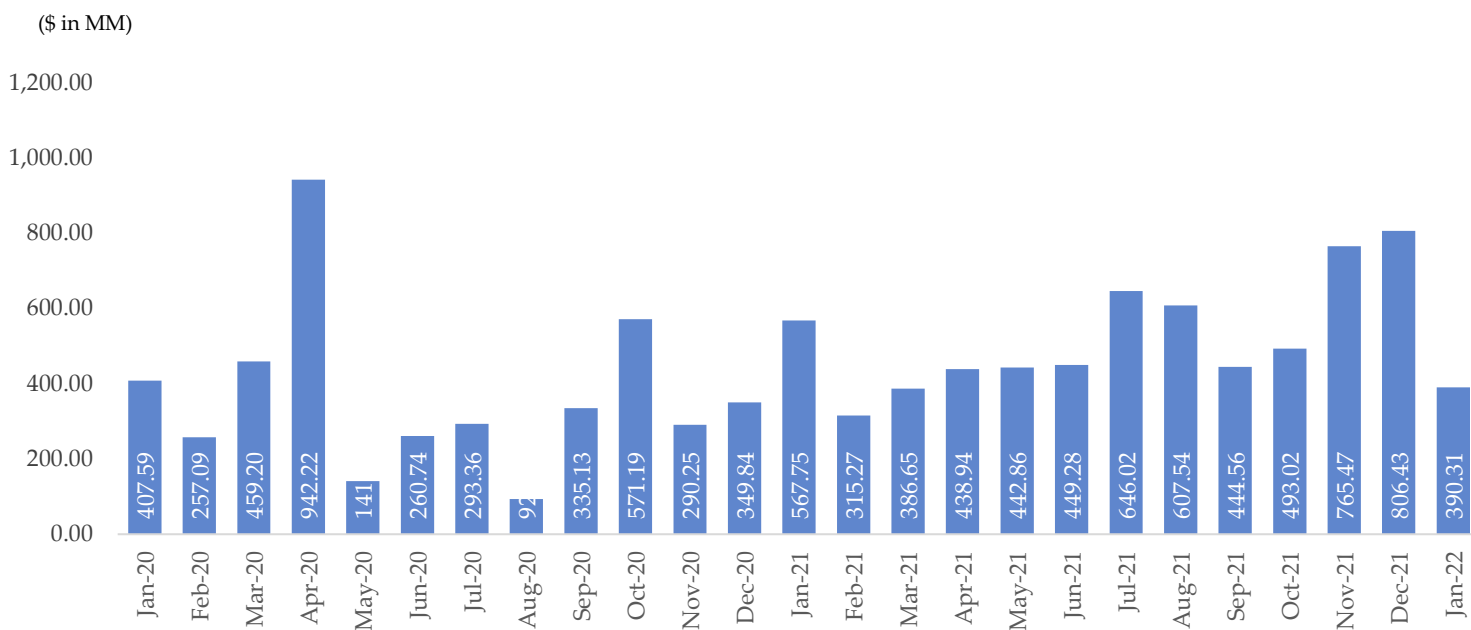
Source: PitchBook

## 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, U.S M&A activity remained strong in January 2022 with 671 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



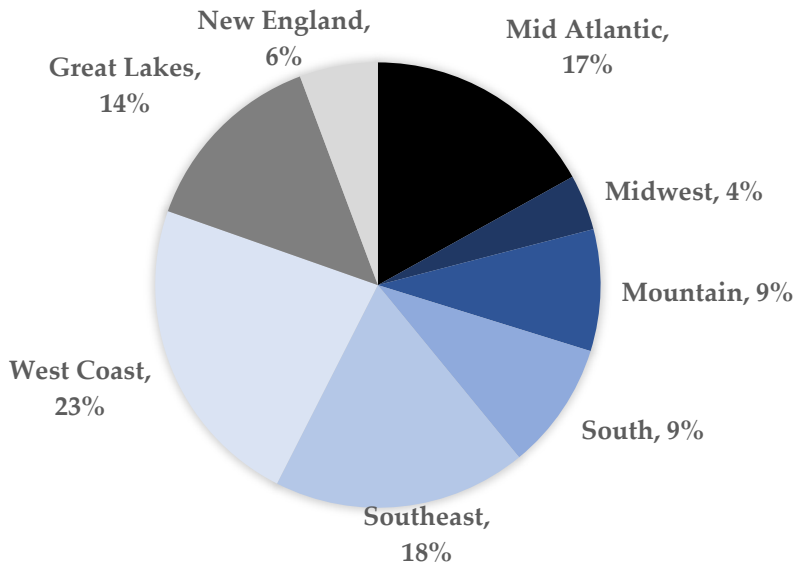
Source: PitchBook

### Monthly Analysis

Average monthly deal size 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.

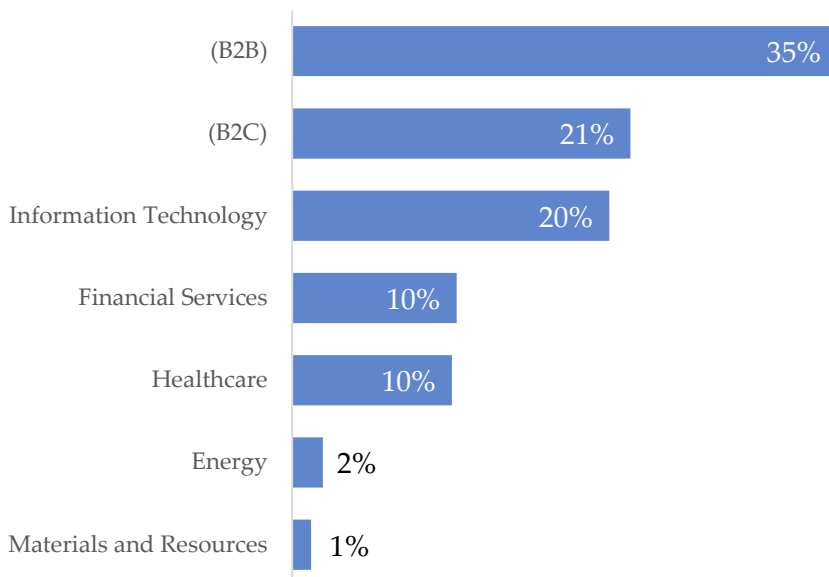
Average deal size in January 2022 can be attributed to a lower number of larger mergers completed in comparison to the last five months in the United States. Average deal size could see a decline in comparison to YoY numbers as we move into 2022 with multiple expected interest rate hikes, resulting in 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 West Coast and Southeast led the U.S. regions in percent of deals done in December 2021 coming in with 153 and 123 deals, respectively. The Mid-Atlantic, Great Lakes, and South regions followed suit with 113, 93, and 62 deals, respectively.

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



The B2B and B2C led M&A activity in January 2022 combining for 56% of deals. Information technology, healthcare, financial services, energy services, and material and resources sectors followed suit accounting for the other 44%. 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.

# January Transaction Highlights

## 8x8 / Fuze (California)

On January 20<sup>th</sup>, The company was acquired by 8X8 (NYS: EGHT) for \$250 million. This acquisition will expand 8x8's communication services within California.



## The Toro / Intimidator Group (Illinois)

On January 14<sup>th</sup>, The company was acquired by The Toro (NYS: TTC) for \$400 million. The acquisition strategically positions The Toro to be a stronger player in the large and rapidly growing zero-turn mower market.



## Plaid / Cognito (California)

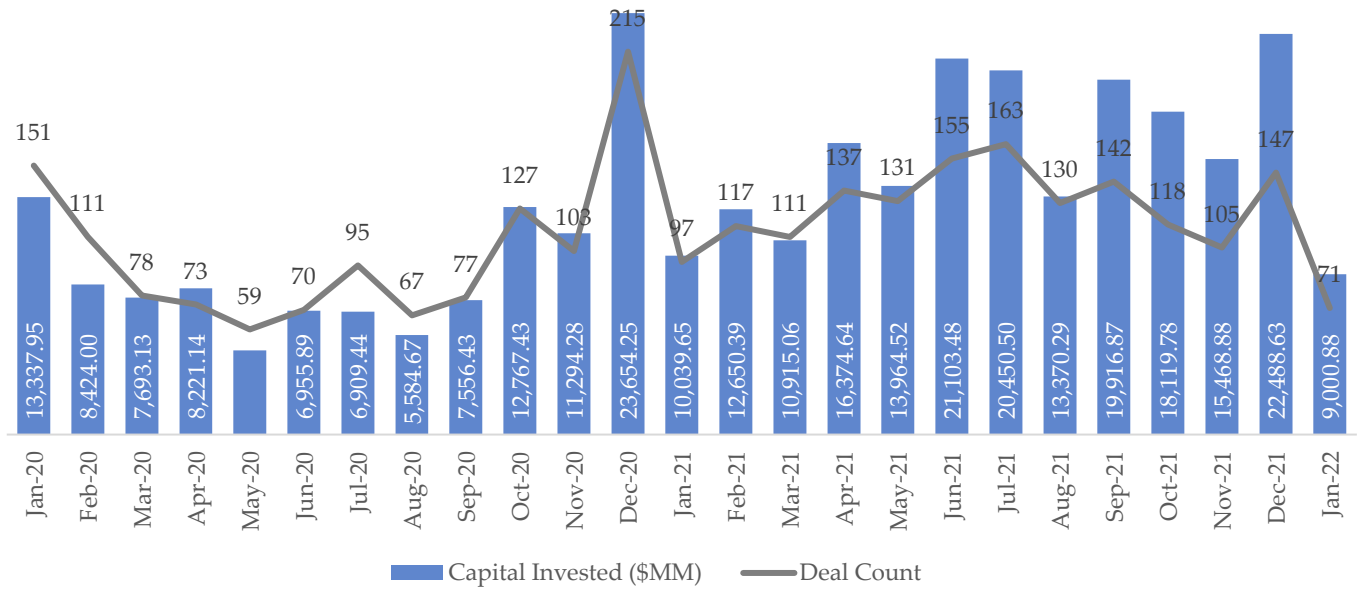
On January 20<sup>th</sup>, Cognito was acquired by Plaid for \$250 million. With this acquisition Plaid will add to their network management solutions through Cognito's application programming interface.



# Lower-Middle Market

(\$5MM-500MM Transactions)

## Trailing 24 Months M&A Activity



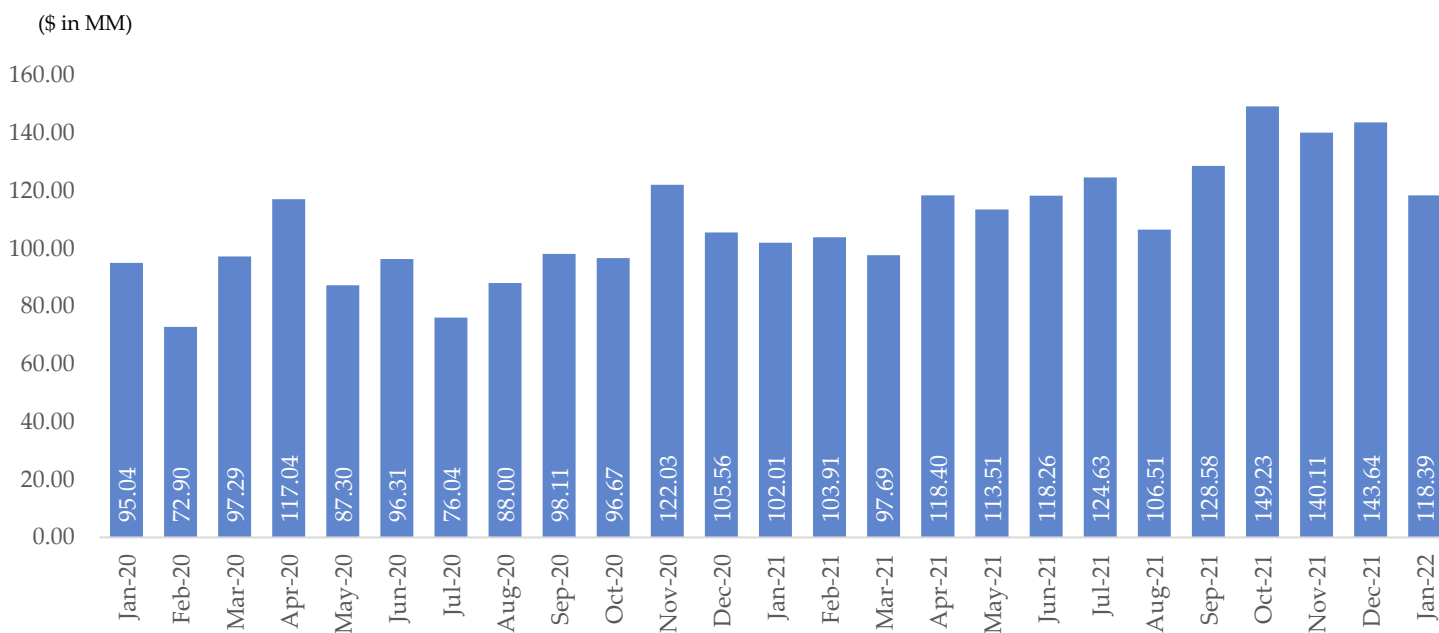
Source: PitchBook

## Monthly Analysis

Lower-middle market U.S M&A activity has followed a similar trend 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 United states 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



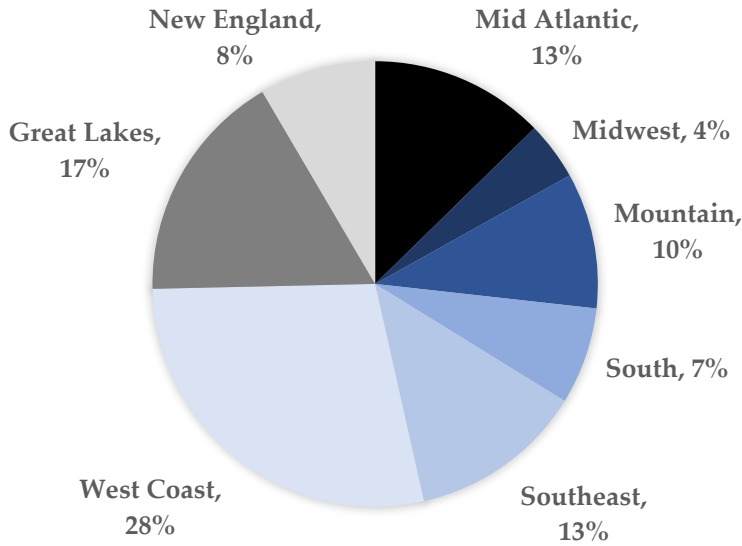
Source: PitchBook

## 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.

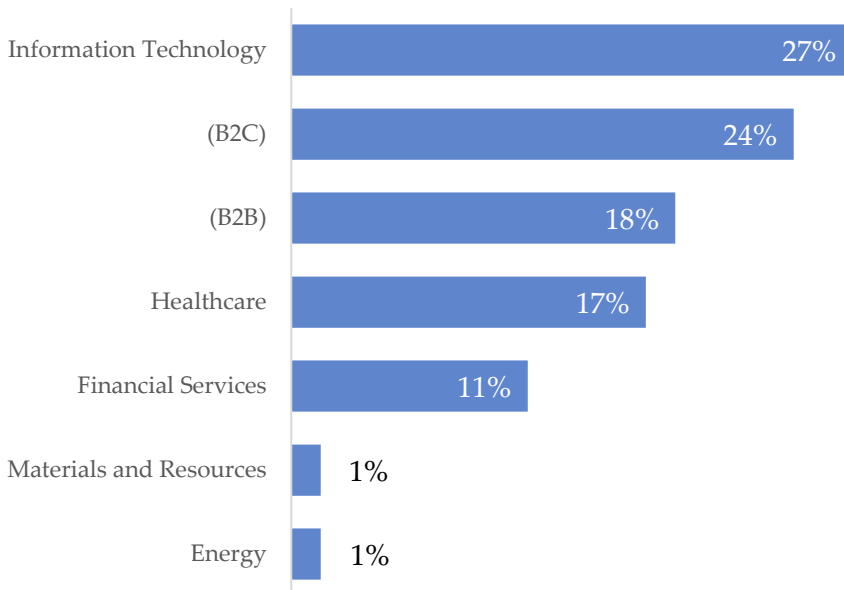


## January 2022 M&A Deal Regionality



The West Coast led U.S. regions in January 2022 coming in 20 completed deals. The Great Lakes, Mid-Atlantic, and Southeast regions followed suit with 38 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.

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



The information technology, B2C, and B2B industry sectors dominated the M&A activity in January 2022 combining for 69% of deals. Healthcare, financial services, material and resource, and energy service sectors followed suit accounting for the other 31%. 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.

# January Transaction Highlights

## Rocky Mountain Bank / FourQ (Connecticut)

On January 26<sup>th</sup>, The company was acquired by BlackLine for \$165 million. With this acquisition Blackline, will add to their financial management platform and provide a centralized accounting function services.



## XPDI / Core Scientific (Washington)

On January 20<sup>th</sup>, The company acquired Power & Digital Infrastructure Acquisition (NAS: XPDI) for approximately \$190 million through a reverse merger, putting the company's pre-money valuation at an estimated \$2.81 billion, resulting in the combined entity trading on the NASDAQ Stock Exchange under the ticker symbol CORZ

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

On January 11<sup>th</sup>, The company was acquired by Vitec Group for \$54.3 million. The acquisition expands Vitec Group's TAM by bringing a premium microphone brand serving the music, professional vocal and enterprise market, complementing its growing JOBY and Rycote brands. The acquisition amount will be paid in cash.



## Selected U.S. Lower/Middle Market Transactions for January 2022

	Target Company	Investors	Primary Industry Sector	Company State/Province	Deal Size (\$MM)
31-Jan-2022	EYP Mission Critical Facilities	Ramboll Group	Business Products and Services (B2B)	New York	15.21
31-Jan-2022	New England Cannabis Corporation	4Front Ventures (CNQ: FFNT)	Healthcare	Massachusetts	55.00
31-Jan-2022	Solar Innovations	Fortune Brands Home & Security (NYS: FBHS)	Business Products and Services (B2B)	Pennsylvania	63.00
31-Jan-2022	Credly	Pearson Ventures	Information Technology	New York	160.00
28-Jan-2022	MyChem	TriLink BioTechnologies	Materials and Resources	California	240.00
27-Jan-2022	Boardroom Insiders	Euromoney Institutional Investor (LON: ERM)	Business Products and Services (B2B)	South Carolina	25.00
27-Jan-2022	AerisWeather	Vaisala (HEL: VAIAS)	Information Technology	Minnesota	26.00
26-Jan-2022	FourQ	BlackLine (NAS: BL)	Information Technology	Connecticut	165.00
20-Jan-2022	Core Scientific (NAS: CORZ)	Power & Digital Infrastructure Acquisition (NAS: XPDI)	Information Technology	Washington	190.00
20-Jan-2022	Cognito (Network Management Software)	Plaid (Financial Software)	Information Technology	California	250.00
20-Jan-2022	Fuze (Communication Software)	8X8 (NYS: EGHT)	Information Technology	Massachusetts	250.00
19-Jan-2022	Bloom Dispensaries	Curaleaf (CNQ: CURA)	Consumer Products and Services (B2C)	Arizona	211.00
18-Jan-2022	SolAero Technologies	Rocket Lab (NAS: RCLB)	Business Products and Services (B2B)	New Mexico	80.00
17-Jan-2022	RightRice	The Planting Hope (TSX: MYLK)	Consumer Products and Services (B2C)	California	7.00
14-Jan-2022	Eagle Alcohol Company	Alto Ingredients (NAS: ALTO)	Business Products and Services (B2B)	Missouri	14.00
14-Jan-2022	Joule Processing	Plug Power (NAS: PLUG)	Energy	Texas	30.00
14-Jan-2022	Gelesis (NYS: GLS)	Capstar Special Purpose Acquisition	Healthcare	Massachusetts	276.00
14-Jan-2022	Intimidator Group	The Toro (NYS: TTC)	Business Products and Services (B2B)	Arkansas	400.00
12-Jan-2022	Telkonet	VDA Group	Consumer Products and Services (B2C)	Wisconsin	5.00
11-Jan-2022	Audix Microphones	Vitec Group (LON: VTC)	Consumer Products and Services (B2C)	Oregon	54.30