

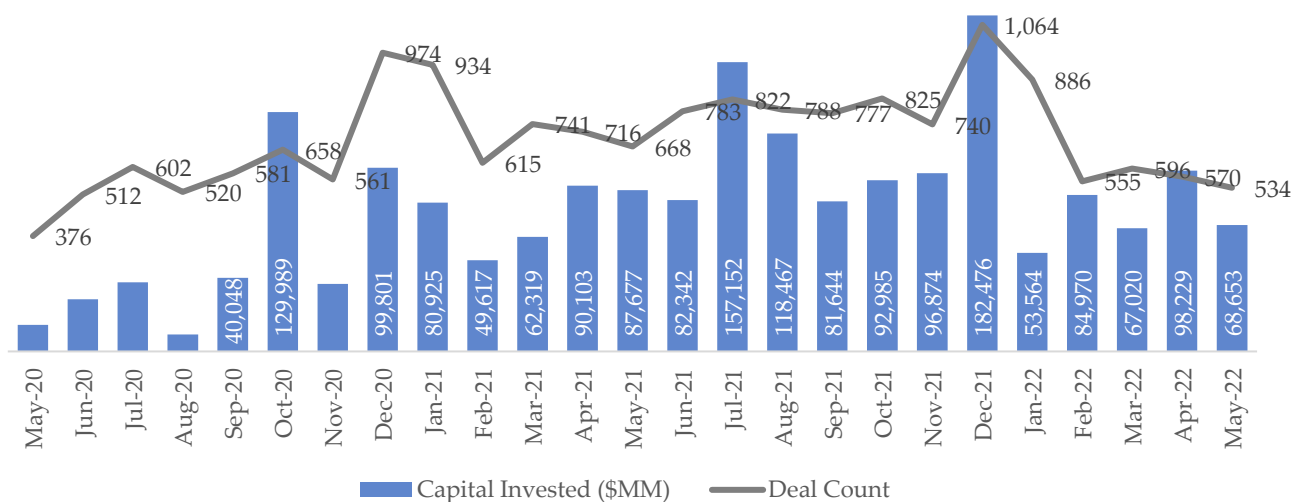


U.S. M&A Report

May 2022

OVERVIEW

Trailing 24 Months M&A Activity



Source: PitchBook

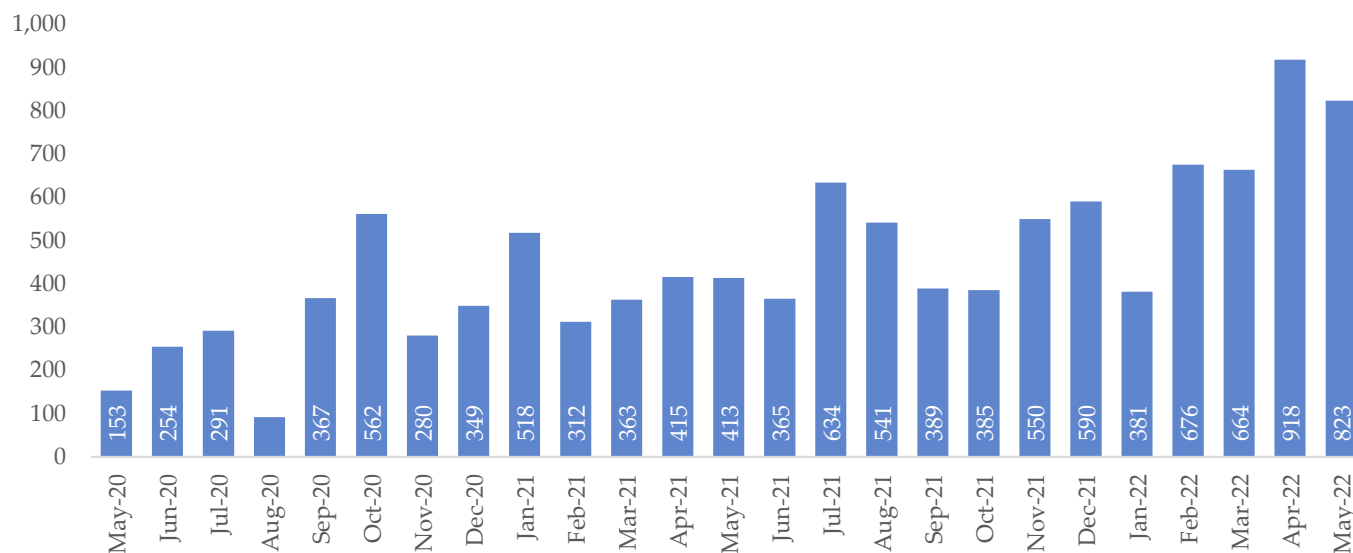
Perspectives on US M&A Market

There were 534 deals completed in May of 2022. Deal count YoY is lower for Q1 2022 than Q1 2021. Capital invested took a small dip comparative to April. Companies are using M&A to try and maintain competitive advantages within their respective markets as industry trends transformed under Covid-19.

As we've moved into the first portion of Q2, some investors have viewed the market uncertainty to close deals at more reasonable valuations in comparison to 2021. High-growth stocks have tumbled under fear of higher interest rates leading to an increase in discount rates. This would in turn drag down valuations seen over the past year and further stifle M&A activity going forward. The Fed plans for five more interest rate hikes in 2022 in hopes to curb rampant inflation in the United States.

Trailing 24 Months Average Monthly M&A Deal Size

(\$ in MM)



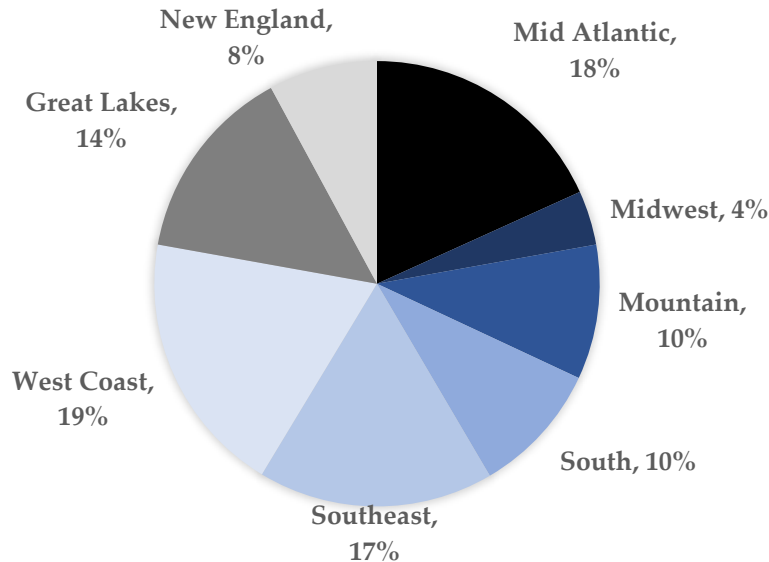
Source: PitchBook

Monthly Analysis

Average monthly deal size is on an upward trend as the United States continues to move out of the Covid-19 pandemic. Cheap debt, high levels of dry powder, and tech-emerging markets have driven EV/EBITDA multiples higher as seen over the last twenty-four months. However, this may adjust as interest rates rise.

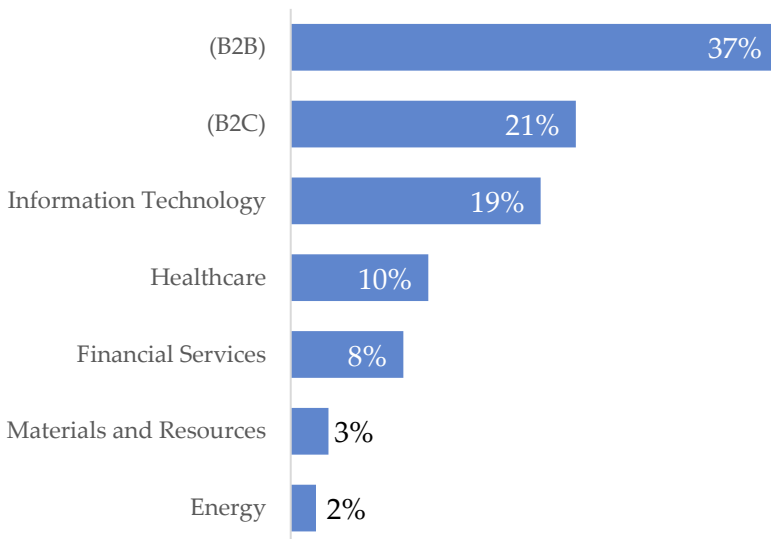
Average deal size in April 2022 can be attributed to a multiple multi-billion-dollar transactions that took place. Average deal size could see a decline in comparison to YoY numbers as we move into 2022 with multiple expected interest rate hikes, resulting in more expensive debt and lower valuation ceilings.

May 2022 M&A Deal Regionality



The West Coast and Mid-Atlantic led the U.S. regions in percent of deals done in April 2022 coming in with 109 and 105 deals, respectively. The Southeast, Great Lakes, and South regions followed suit with 102, 69, and 66 deals, respectively.

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



The B2B and B2C sectors led M&A activity in April 2022 combining for 54% of deals. Information Technology, healthcare, financial services, energy services, and material and resources sectors followed suit accounting for the other 46%. 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.

May Transaction Highlights

QuidelOrtho / Ortho-Clinical Diagnostics (New Jersey)

On May 27th, QuidelOrtho acquired Ortho-Clinical Diagnostics for \$6.0 billion. The acquisition not only bolsters QuidelOrtho's technologies and platforms, but also advances their goal of customer satisfaction through expanded access to clinical chemistry, immunoassay, molecular diagnostics, and more.



Ortho Clinical Diagnostics



Advanced Micro Devices / Pensando (California)

On May 26th, Advanced Micro Devices acquired Pensando for \$2.0 billion. The merger enables AMD to broaden their data center product portfolio. AMD can now concentrate their efforts on addressing growing market opportunities.

Brookfield Asset Management Reinsurance / American National Group (Texas)

On May 25th, Brookfield Asset Management Reinsurance acquired American National Group for \$5.1 billion. The acquisition allows for Brookfield to continue expanding their insurance business.

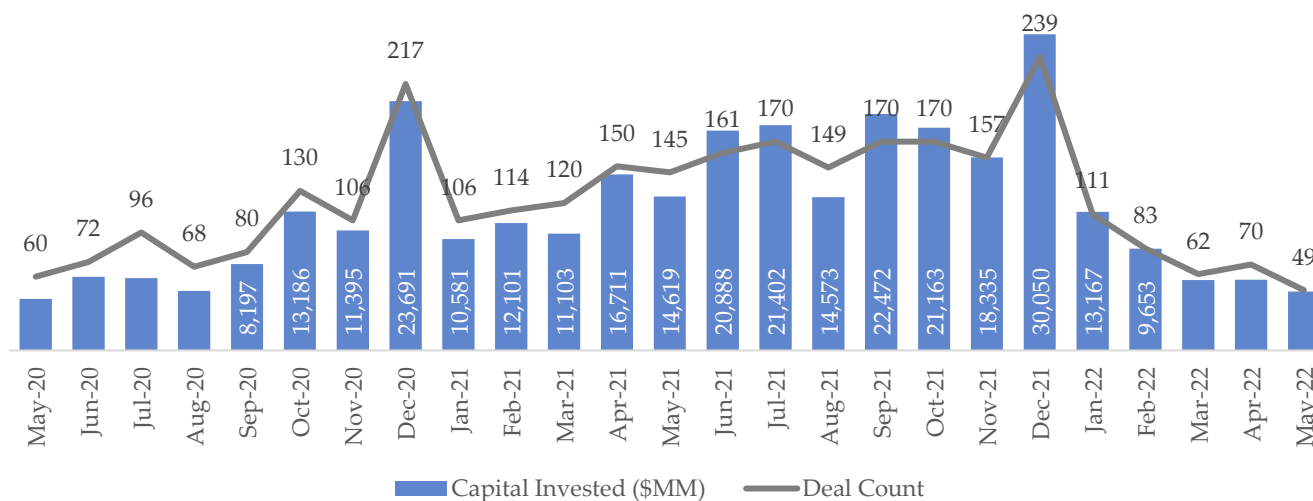
Brookfield



Lower-Middle Market

(\$5MM-500MM Transactions)

Trailing 24 Months M&A Activity



Source: PitchBook

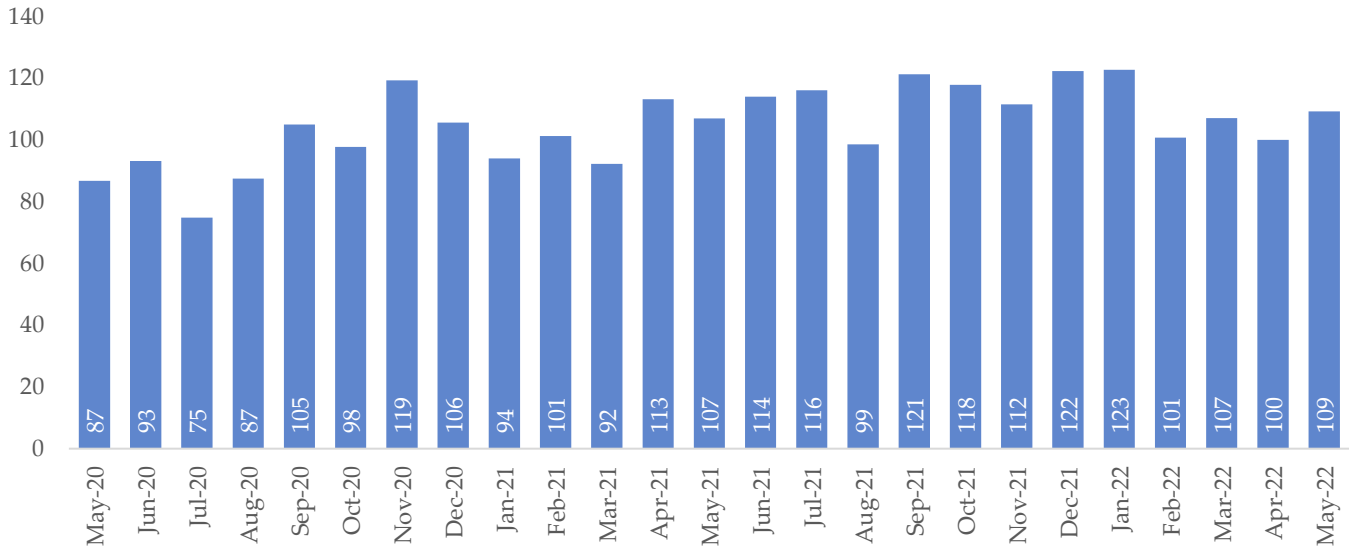
Monthly Analysis

Lower-middle market U.S M&A activity has followed a similar trend to that of the broader market. As seen in both the lower-middle market and the broader market, there have been lower deal counts to start the year. 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. Private Equity firms are still carrying strong amount of dry powder, helping mitigate the economic downturn currently happening in the United States. However, an increase in interest rate hikes over the middle half of the year will ultimately dampen valuations and restrict M&A activity in comparison to 2021.

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 in regards to interest rate hikes.

Trailing 24 Months Average Monthly M&A Deal Size

(\$ in MM)

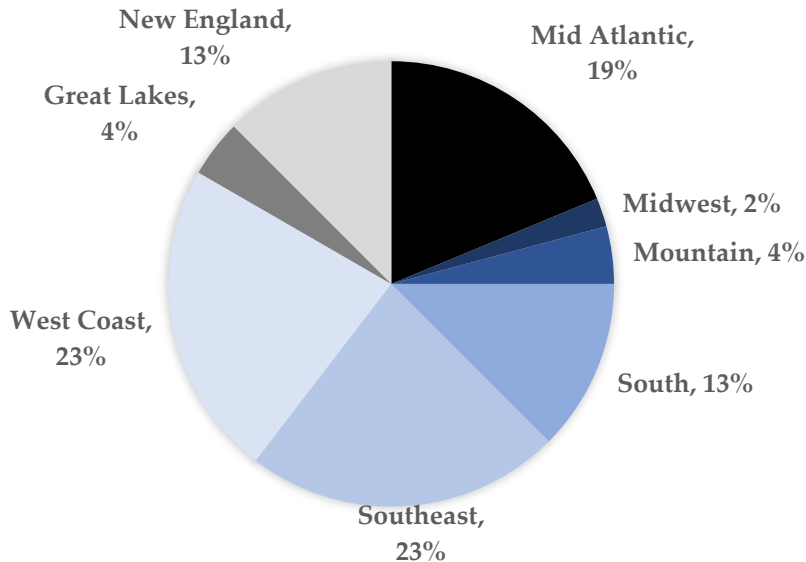


Source: PitchBook

Monthly Analysis

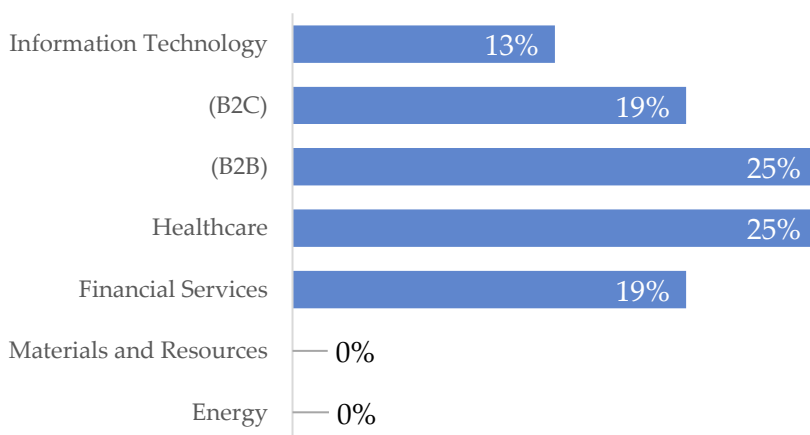
The lower-middle market average deal size has been on a steady upward trend throughout the entirety of 2021. However, there has been a fall-off each month in 2022. This can be attributed to a smaller deal count with many of the larger mergers in the works in 2021 wrapping up before years end. While hikes in interest rates will continue to hamper valuations, the high valuations seen within the emerging tech and healthcare markets will fight to keep average deal value levels above those seen from during the heart of the Covid-19 pandemic from 2020-2021.

May 2022 M&A Deal Regionality



Both the West-Coast region and the Southeast region led U.S. regions in May of 2022, both coming in with 11 completed deals. The Mid Atlantic, South, and New England regions followed suit with 21 deals between the three.

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



The Healthcare and B2B industry sectors dominated the M&A activity in May 2022 combining for 50% of deals. Financial services, B2C, and information technology sectors followed suit accounting for the other 50%. 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.

May Transaction Highlights

Paddle / ProfitWell (Massachusetts)

On May 25th, Paddle acquired ProfitWell for \$200 million. The acquisition aligns with Paddle's aim: remove growth barriers for SaaS (Software as a Service) companies globally.



Parsons / Xator (Virginia)

On May 23rd, Parsons acquired Xator for \$343 million. The acquisition will allow the company to expand its presence within global critical infrastructure markets while also providing new customer access at the Department of State.

Asenda Health / Post Acute Healthcare (Washington)

On May 20th, Asenda health acquired Post Acute Healthcare for \$5.45 million. The acquisition allows for Asenda Health to integrate themselves in Florida's fast-growing market.

