



Third Quarter 2022

Mergers & Acquisitions

Quarterly

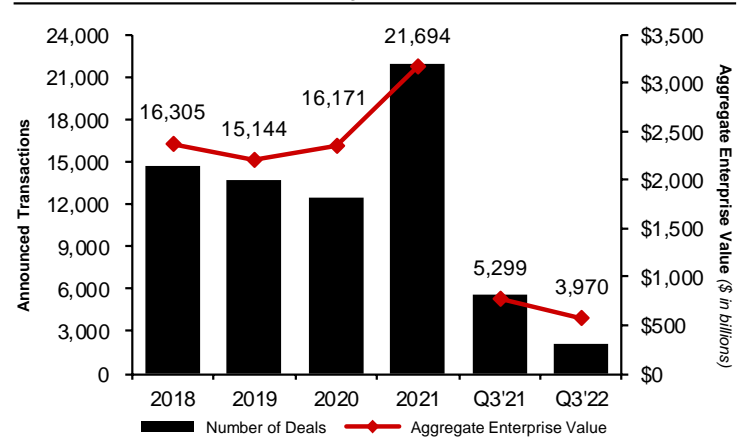
U.S. M&A Activity

U.S. M&A activity contracted in Q3'22 as concerns over economic conditions, ongoing geopolitical tensions and a sustained inflationary environment dampened activity after record-breaking deal volume in 2021. Q3'22 announced transaction volume and value decreased 25.1% and 61.5% YoY, respectively.

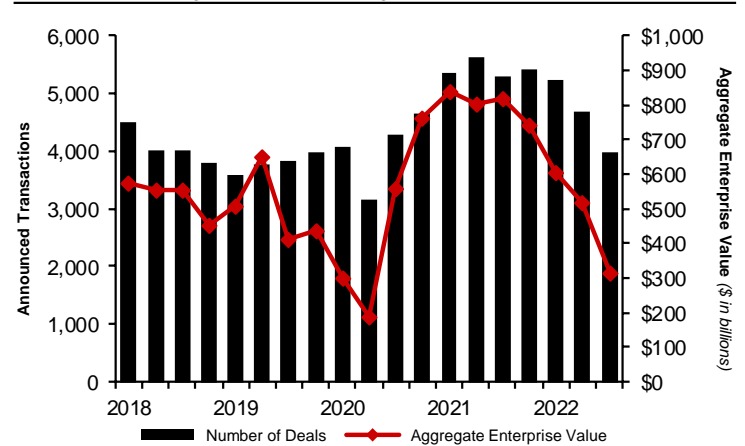
Economic conditions became a predominant consideration for many investors and buyers in the third quarter. While headwinds have appeared throughout 2022 to date, the third quarter revealed measurable economic weakness through sustained inflationary pressures, a slowdown in corporate hiring, stagnant housing market and slowing consumer spending growth. Inflation remained elevated at 8.2%¹, resulting in higher input costs for businesses and increased goods and services costs for consumers. The Federal Reserve continued to prioritize curbing inflation as economic uncertainty began to build. The benchmark Federal Funds Rate reached 2.5%² in September, the highest level since 2008. A higher benchmark rate has progressively increased the cost of financing, making M&A less appealing for buyers and creating tougher conditions to meet return hurdles. In addition, an overly aggressive interest rate policy has the potential to push the U.S. economy into a recession.

Despite current headwinds, steady M&A activity for high-quality assets is expected in the near term, driven by record levels of dry powder, resilient corporate balance sheets and a high volume of deal opportunities expected to launch in Q1'23.

U.S. Annual M&A Activity



U.S. Quarterly M&A Activity



U.S. M&A Activity By Value

	2017	2018	2019	2020	2021	Q3'21	Q3'22	YoY Change
Over \$1 billion	315	350	298	314	663	165	66	(60.0%)
\$500 million - \$1 billion	225	252	249	239	410	103	71	(31.1%)
\$250 million - \$500 million	342	367	349	351	700	163	102	(37.4%)
\$100 million - \$250 million	705	673	690	758	1,359	341	186	(45.5%)
Under \$100 million / Not Disclosed	15,106	14,663	13,558	14,509	18,562	4,527	3,545	(21.7%)
\$100 million - \$1 billion	1,272	1,292	1,288	1,348	2,469	607	359	(40.9%)
All Announced Transactions	16,693	16,305	15,144	16,171	21,694	5,299	3,970	(25.1%)
Aggregate Transaction Value (\$ in billions)	\$1,652	\$2,137	\$2,004	\$1,811	\$3,203	\$818	\$315	(61.5%)

Source: Thomson Reuters

¹ WSJ, ² St. Louis Federal Reserve Economic Data (FRED)

*Historical data has been adjusted from previous versions to account for changes in the data source to accurately reflect the comparison of current and historical periods

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Mergers & Acquisitions Quarterly

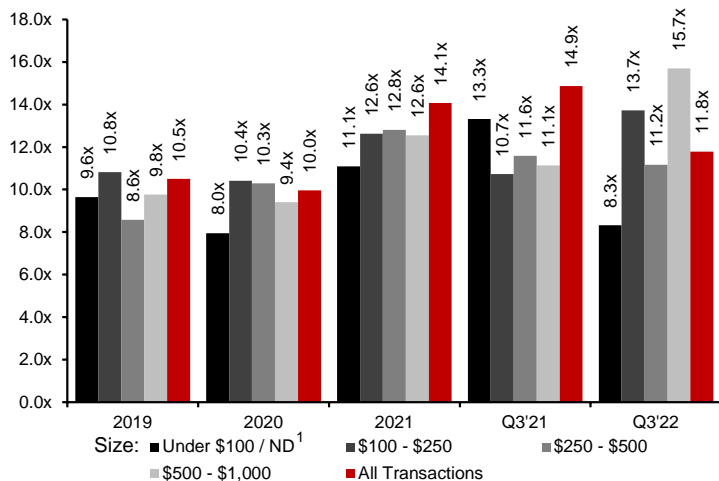
U.S. M&A Valuation

Disclosed middle-market transaction multiples (<\$1 billion) declined from 14.9x trailing EBITDA in Q3'21 to 11.8x in Q3'22, while trailing revenue multiples similarly declined from a high of 5.0x to 3.2x over the same period. U.S. valuations throughout 2022 have been affected by a variety of factors, including sustained high inflation, slowing economic growth and hawkish Federal Reserve actions. Persistently high prices added pressure on both companies and consumers, curbing corporate profits and consumer spending. M&A activity and valuation throughout the remainder of 2022 will depend on the state of the economy and how high interest rates reach in order to tamp down inflationary pressures.

Despite facing noteworthy headwinds in the third quarter, valuations are still near recent averages. Trailing EBITDA multiples since 2016 have averaged 11.0x, while trailing revenue multiples averaged 2.4x over the same period. On a relative basis, transaction valuations are in line with longer-term historical trends.

Public equity markets continued to perform poorly in Q3'22, although the rate of decline slowed and volatility increased with frequent market swings. The Dow Jones decreased by 6.7%, the S&P 500 declined 5.3% and the tech-heavy Nasdaq retreated 4.1%.

Middle-Market M&A EV / EBITDA Analysis



Transaction Size (\$ in millions)	2019	2020	2021	Q3'21	Q3'22	YoY Change
\$500 - \$1,000	9.8x	9.4x	12.6x	11.1x	15.7x	41.1%
\$250 - \$500	8.6x	10.3x	12.8x	11.6x	11.2x	(3.6%)
\$100 - \$250	10.8x	10.4x	12.6x	10.7x	13.7x	27.9%
Under \$100 / ND ¹	9.6x	8.0x	11.1x	13.3x	8.3x	(37.5%)
All Transactions	10.5x	10.0x	14.1x	14.9x	11.8x	(20.7%)

Source: Thomson Reuters

¹ Analysis for transactions under \$100 million can show distortion because of the select sample size of published M&A EV / EBITDA multiples

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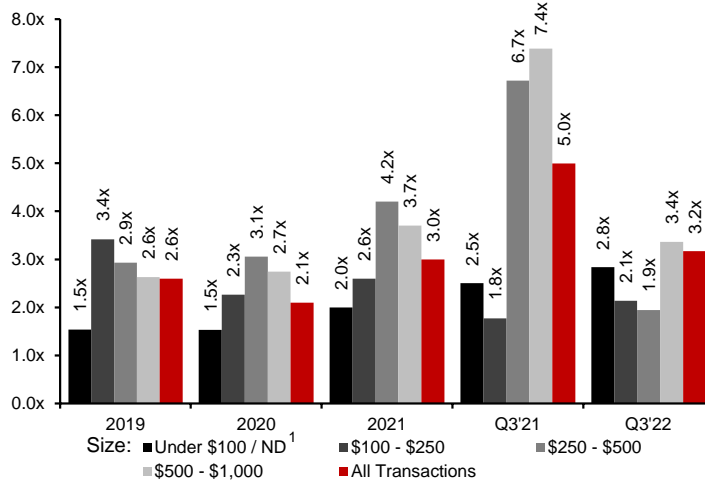
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Analysis of Premiums Paid

	2018	2019	2020	2021	Q3'21	Q3'22
1-Day Premium						
Average	26.0%	30.2%	28.8%	30.2%	28.2%	41.5%
Median	21.2%	25.9%	23.4%	27.0%	26.0%	34.1%
5-Day Premium						
Average	26.3%	31.1%	31.9%	30.6%	28.7%	40.0%
Median	23.0%	27.1%	24.9%	26.4%	25.8%	32.8%
30-Day Premium						
Average	27.9%	32.7%	37.5%	33.5%	30.0%	46.6%
Median	23.3%	28.5%	32.4%	31.3%	29.7%	44.8%

Average premiums paid (30-day) are elevated at 44.8% in Q3'22, demonstrating the willingness of buyers to pay up for quality assets throughout public market underperformance, economic uncertainty and a rising interest rate environment. Financial and strategic buyers will likely remain disciplined, but resilient corporate balance sheets and a surplus of dry powder enable buyers to continue selectively executing M&A transactions for high quality assets.

Middle-Market M&A EV / Revenue Analysis



Transaction Size (\$ in millions)	2019	2020	2021	Q3'21	Q3'22	YoY Change
\$500 - \$1,000	2.6x	2.7x	3.7x	7.4x	3.4x	(54.4%)
\$250 - \$500	2.9x	3.1x	4.2x	6.7x	1.9x	(71.1%)
\$100 - \$250	3.4x	2.3x	2.6x	1.8x	2.1x	20.5%
Under \$100 / ND ¹	1.5x	1.5x	2.0x	2.5x	2.8x	13.4%
All Transactions	2.6x	2.1x	3.0x	5.0x	3.2x	(36.6%)

Mergers & Acquisitions Quarterly

Activity by Industry Group

Q3'22 M&A transaction volume declined YoY in the consumer, industrial, healthcare and technology sectors. Real estate transactions increased slightly and energy activity remained even compared to the prior year. **Consumer** M&A activity declined noticeably in the previous quarter but remains elevated above 2019 and 2020 levels on an annualized basis. A curb on inflationary pressures and line of sight to economic stability will be critical in supporting deal activity in the sector moving forward. Q3'22 M&A in the **energy** sector remained relatively flat and will likely see consistent deal flow as a stabilized price environment supports M&A activity for traditional oil & gas energy companies. Interest in renewable projects has supported deal activity in the alternative energy sector as companies use M&A to acquire more advanced projects. **Healthcare** deal activity has slowed meaningfully YoY, but interest in the sector is expected to remain steady as M&A drives access to the latest technologies and advancements.

Consumer

	2019	2020	2021	Q3'21	Q3'22
Median EV/Revenue	1.6x	1.4x	1.5x	1.0x	0.6x
Median EV/EBITDA	11.5x	8.0x	10.6x	12.8x	12.6x
Transaction Count	3,013	3,025	4,156	1,002	798

Prominent Announced Deals Q3'22 (Announced Date)

- \$410MM Authentic Brands Group Inc. to acquire Ted Baker Plc (08/16)
- \$398MM Sterling Jewelers Inc. to acquire Blue Nile, Inc. (08/09)

Energy

	2019	2020	2021	Q3'21	Q3'22
Median EV/Revenue	2.6x	2.5x	4.7x	4.1x	1.3x
Median EV/EBITDA	11.1x	7.9x	10.8x	13.0x	10.0x
Transaction Count	822	757	924	251	268

Prominent Announced Deals Q3'22 (Announced Date)

- \$10.1B Phillips 66 to acquire DCP Midstream, LP (08/17)
- \$2.0B Sitio Royalties Corp. to acquire Brigham Minerals, Inc. (09/06)

Healthcare

	2019	2020	2021	Q3'21	Q3'22
Median EV/Revenue	4.3x	3.4x	6.7x	3.4x	4.4x
Median EV/EBITDA	14.7x	11.5x	12.5x	9.2x	12.9x
Transaction Count	1,611	1,970	2,517	607	414

Prominent Announced Deals Q3'22 (Announced Date)

- \$8.1B CVS Pharmacy Inc. to acquire Signify Health, Inc. (09/05)
- \$4.4B Amazon.com, Inc. to acquire 1Life Healthcare, Inc. (07/21)

Global **industrial** M&A deal activity faced headwinds as economic conditions waned throughout the quarter. Looking into 2023, a more difficult operating environment may benefit deal activity through divestments as companies focus on returning capital to investors and shoring up balance sheets of their most attractive business segments. Activity has remained resilient in the **real estate** sector, with activity slightly above last year's pace. Moving forward, deal activity is likely to taper in the near term as rising interest rates make acquisition and construction debt more expensive and projected operating income becomes more uncertain as the economy weakens. Recent activity in the **technology** sector has pulled back in tandem with the broader markets as buyers and investors place more emphasis on profitability. Despite the recent pullback, buyer interest in the sector remains high as companies seek to acquire complementary technologies and accelerate growth through investment in innovative and disruptive companies.

Industrial

	2019	2020	2021	Q3'21	Q3'22
Median EV/Revenue	1.2x	1.8x	2.3x	2.0x	NM
Median EV/EBITDA	9.4x	10.4x	10.7x	10.9x	NM
Transaction Count	3,013	3,025	3,363	818	611

Prominent Announced Deals Q3'22 (Announced Date)

- \$3.0B Whirlpool Corporation to acquire InSinkErator, Inc. (08/08)
- \$2.9B Domtar Corporation to acquire Resolute Forest Products (07/06)

Real Estate

	2019	2020	2021	Q3'21	Q3'22
Median EV/Revenue	3.8x	6.2x	12.6x	8.8x	16.1x
Median EV/EBITDA	13.8x	11.0x	16.1x	14.1x	NM
Transaction Count	1,318	1,090	1,051	231	292

Prominent Announced Deals Q3'22 (Announced Date)

- \$13.8B GIC Real Estate, Inc. & Oak Street Real Estate Capital, LLC to acquire Store Capital Corporation (09/15)
- \$3.2B Safehold Inc. to acquire iStar Inc. (08/11)

Technology

	2019	2020	2021	Q3'21	Q3'22
Median EV/Revenue	2.5x	1.9x	4.5x	4.6x	3.5x
Median EV/EBITDA	9.5x	10.3x	11.4x	13.4x	NM
Transaction Count	4,197	5,122	7,272	1,759	1,146

Prominent Announced Deals Q3'22 (Announced Date)

- \$19.4B Adobe Inc. to acquire Figma, Inc. (09/15)
- \$4.7B Unity Software Inc. to acquire ironSource Ltd. (07/13)

Sources: Thomson Reuters, S&P Capital IQ

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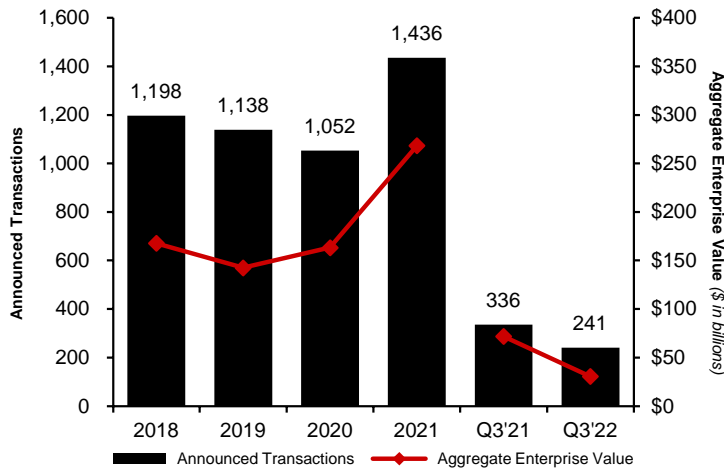
Leveraged Buyout Activity

Sponsors announced 241 leveraged buyouts comprising \$30.7 billion in Q3'22, representing YoY decline in transaction volume of 28.3% and a prominent decline in aggregate value of 57.2%. Sponsors accounted for approximately 43.7% of all middle-market transactions (<\$1 billion) in Q3'22, slightly lower than the 48.2% share of transactions in Q3'21. The decrease in overall deal volume is a result of sponsors assessing the uncertainty of current economic conditions and the continuing increase of interest rates by the Federal Reserve throughout the quarter.

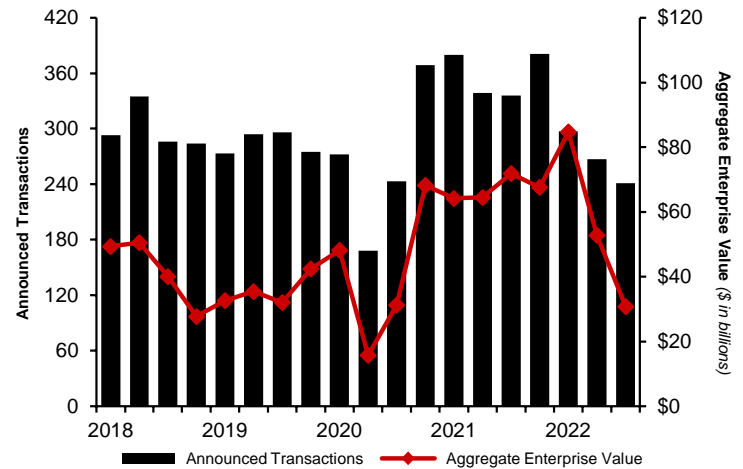
Leveraged loan activity in the M&A market continued to decline in Q3'22 with \$50 billion raised, down from an already weak \$65 billion last quarter; however, a \$43 billion pipeline of issuances is waiting on the sidelines until volatility abates.¹

In terms of private equity activity, “buy-and-build” strategies remain popular as firms drive growth in fragmented markets by adding lower-cost add-on acquisitions. Through Q3'22, the proportion of buyouts that are add-ons has reached 77.9%², the highest ever recorded. Investors have favored add-ons because these deals typically come in smaller sizes, making them easier to finance. In addition, buyers and sellers tend to disagree less on valuations in smaller scale acquisitions. Deal volume for add-ons is expected to climb further amid the existing market downturn. In terms of future LBO activity, 296 funds raised \$260 billion² through Q3'22, in line with last year's highly-active fundraising market. This will positively impact buyout activity as managers look to deploy newly raised funds in Q4'22 and Q1'23.

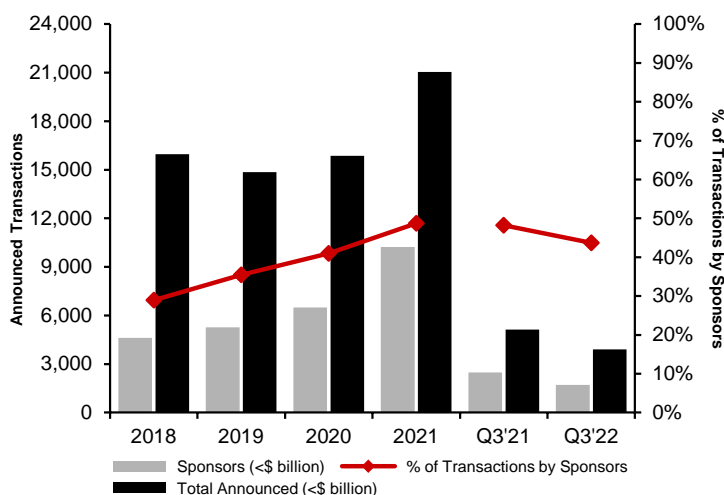
Annual LBO Activity



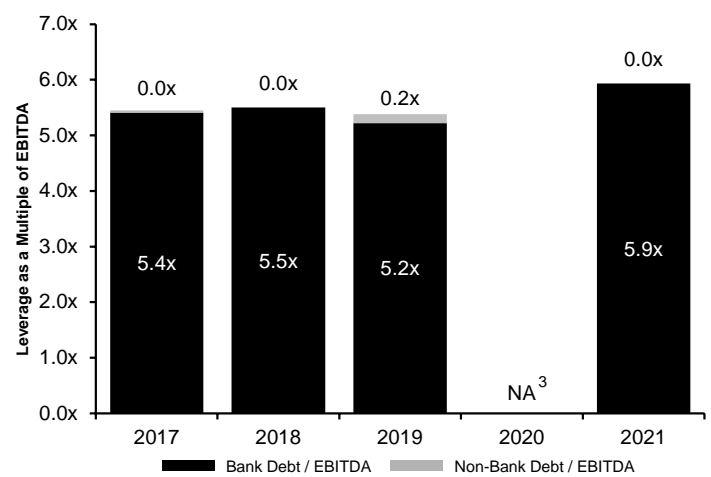
Quarterly LBO Activity



Middle-Market Deals Conducted by Sponsors



Leverage Multiples of Middle-Market LBOs



Source: Thomson Reuters

¹ PwC, ² Pitchbook, ³ Insufficient observations available

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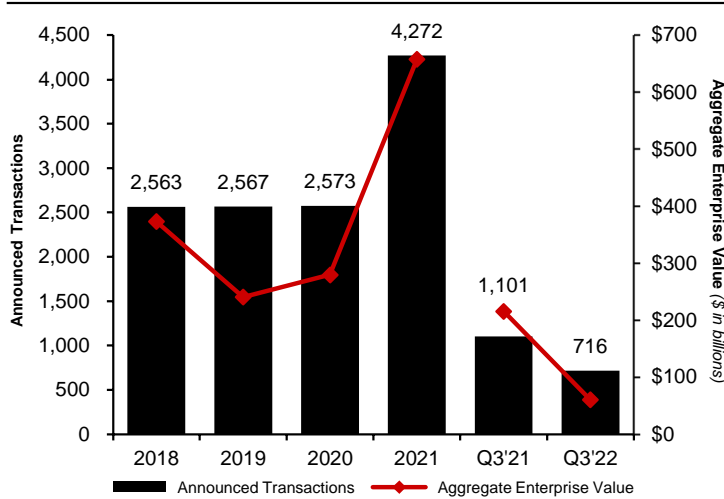
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U.S. / Foreign Cross-Border M&A Activity

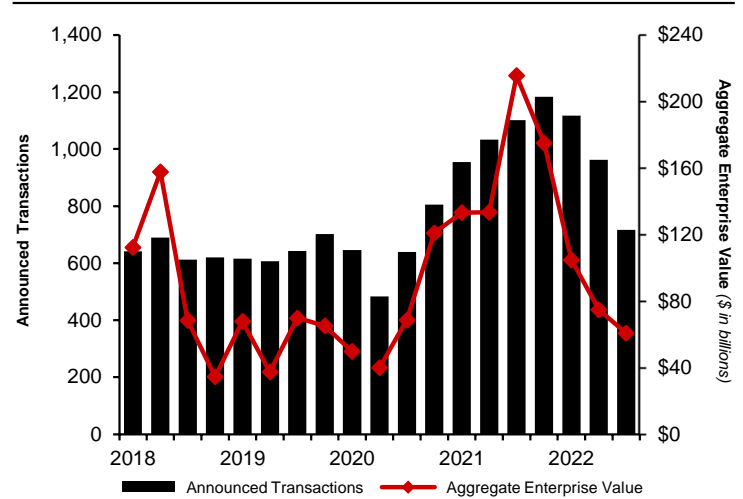
Q3'22 U.S. acquisition of foreign targets deal volume declined by 35.0%, while aggregate transaction value declined more prominently by 71.8% YoY. Q3'22 foreign acquisition of U.S. targets transaction volume decreased 35.2% and aggregate transaction value declined by 46.8% YoY. Foreign acquisitions of U.S. based companies accounted for 11.5% of U.S. deal volume and 17.5% of value in Q3'22, down noticeably from recent historical trends and negatively impacted by a strengthening dollar. The third quarter reduction in cross-border M&A activity falls in line with the broader M&A market amid economic uncertainty and rising interest rates. However, companies will continue to leverage M&A in order to secure supply chain stability through vertical integration, penetrate new markets and acquire advanced technologies to drive growth.

With proper execution, these transactions have the potential to opportunistically create new or maintain existing competitive advantages on a global scale. Notable Q3'22 cross-border transactions include Canada-based Open Text Corp.'s acquisition of UK-based Micro Focus International, Israeli-based NewMed Energy's acquisition of UK-based Capricorn Energy and Eutelsat Communications acquisition of UK-based OneWeb. These transactions, like many cross-border deals, enabled immediate access to new geographies, technologies and a more diverse asset base for the acquirers. Domestically, the U.S. market remains highly attractive on a global scale, drawing strong interest from a diverse group of foreign buyers looking to establish subsidiaries or increase growth potential through access to leading technologies.

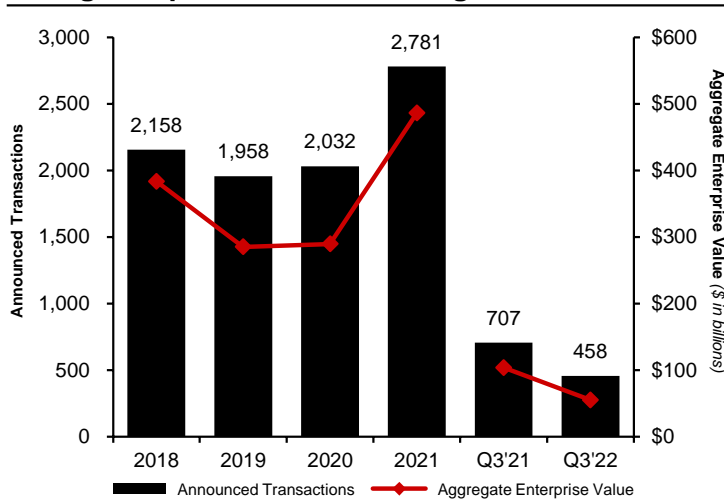
U.S. Acquisitions of Foreign Targets



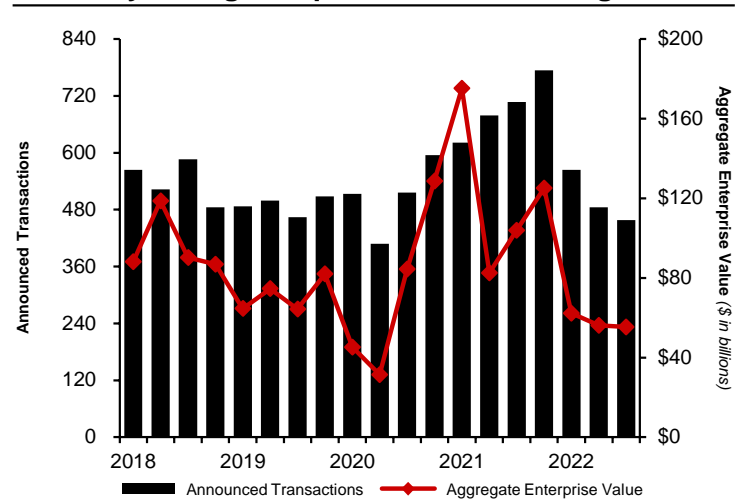
Quarterly U.S. Acquisitions of Foreign Targets



Foreign Acquisitions of U.S. Targets



Quarterly Foreign Acquisitions of U.S. Targets



Sources: Thomson Reuters, S&P Capital IQ

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KeyBanc Capital Markets Contacts

Full-service investment banking capabilities with over 600 professionals across 20 offices nationwide

Head of Corporate and Investment Banking

Randy Paine
216.689.4119
rpaine@key.com

Mergers & Acquisitions / Private Capital

Jeff Johnston
216.689.4115
jjohnston@key.com

Healthcare, Cain Brothers *A division of KeyBanc Capital Markets*

Rob Fraiman
212.981.6947
rfraiman@key.com

Technology

Patrick Kratus
415.659.0926
pkratus@key.com

Industrial

Mike McMahon
216.689.4658
mike.mcmahon@key.com

Real Estate & Financial Sponsors

Dave Gorden
617.385.6220
dgorden@key.com

Utilities, Power & Renewables

Andrew Redinger
216.689.4085
aredinger@key.com

Oil & Gas

Keith Buchanan
713.221.3970
keith.buchanan@key.com

Consumer & Diversified

Mike Jackson
216.689.4441
mjackson@key.com

Debt Capital Markets

Amy Carlson
216.689.4227
acarlson@key.com

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