

2022

U.S. M&A Outlook and 2021 Review



BMO Capital Markets

2021 was a record year for the U.S. M&A Market

86% *increase* in total year-over-year transaction value⁽¹⁾

35% *increase* in total year-over-year transaction volume⁽¹⁾

46%
of transactions fully or partially funded with stock, (highest in recent history)⁽²⁾

478
\$1bn+ transactions in 2021 (highest in recent history)⁽¹⁾

4.7%
Estimated⁽³⁾ annual rate of inflation in 2021

16k+
M&A transactions in the U.S.⁽¹⁾

27%
year-over-year increase in the S&P 500

168%
growth in sponsor transaction value (including SPACs)⁽¹⁾

\$504mm
Average M&A transaction size⁽¹⁾

\$2tn+
In total transaction value⁽¹⁾

5.6%
Estimated⁽³⁾ 2021 U.S. GDP *expansion*

3.9%
U.S. unemployment rate at the end of 2021 vs. 6.7% at the end of 2020

1.5%
10-year treasury yield at the end of 2021 vs. 0.9% at the end of 2020

Source: BMO Estimates, Bureau of Labor Statistics, FactSet, U.S. Department of Treasury

1. Includes all complete and pending announced M&A and majority stake transactions with U.S. targets; as of 31-Dec-21.

2. Includes all complete and pending announced M&A and majority stake transactions with U.S. targets, public acquirers, and transaction values above \$50 million.

3. BMO Estimates as of 23-Dec-21.

571 SPACs

With \$153bn in capital looking to be deployed (26% has a liquidation deadline in 2022 and 74% in 2023)⁽¹⁾

Vertical Integration?

Acquisitions to alleviate supply chain disruptions gain momentum

2022 will be shaped by economic growth, inflation, the pandemic, and central bank policy

Fiscal Stimulus & Tax Increases?

Potential for trillions in spending funded through increases in corporate and capital gains taxes



Continued Focus on ESG

ESG considerations will continue to gain influence in corporate strategy

U.S. – China Relationship

Ongoing tension between the two countries will impact geopolitics and global economic activity

Increased Regulatory Hurdles?

Likely increased regulatory pressure on antitrust enforcement, cross-border deals, and SPAC transactions



Total announced activism situations remain at high levels despite record high equity and M&A markets

\$829bn

Amount of equity dry powder accumulated by U.S. private equity investors⁽²⁾

\$2tn+

Amount of cash on corporate balance sheets⁽¹⁾

Corporate Carve-outs?

Numerous conglomerates are pursuing portfolio optimization strategies through carve-outs, spin-offs and bolt-on acquisitions



Disruptive technologies continue to rapidly redefine a number of sectors including automotive, financial, and retail

Source: FactSet, SpacResearch, Pitchbook, MarketWatch, CapIQ

1. As of 31-Dec-21.

2. As of 30-Sep-21.

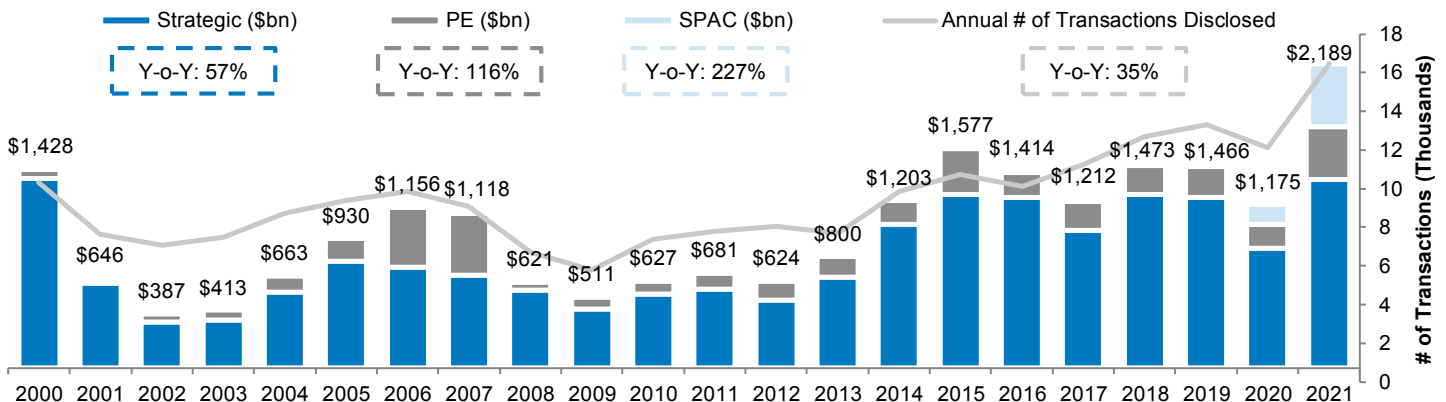
Key Developments to Track in 2022

Inflation & Monetary Policy Pressure	<ul style="list-style-type: none"> Surging demand combined with labor shortages, supply chain woes, and elevated energy prices are driving higher inflation Tightening monetary policy conditions that result in lower economic growth and higher debt financing costs have the potential to dampen M&A activity
Fiscal Policy Uncertainty	<ul style="list-style-type: none"> Trillions in stimulus spending would have important economic consequences and has potential to drive M&A across sectors Increased corporate taxes could decrease future cash flow expectations / valuations while higher capital gains taxes would likely pull forward certain M&A transactions
Increased Regulatory Scrutiny	<ul style="list-style-type: none"> Regulators are broadening their approach to merger review to include impact on labor markets as well as cross-market effects Foreign direct investment continues to be a key concern for the U.S. government in certain sectors and has the potential to hamper/complicate cross-border deals
Tech Disruption & Cybersecurity	<ul style="list-style-type: none"> Digitalization, blockchain and AI are becoming more widely adopted, disrupting business models and forcing management teams to respond The significant increase in the amount of information stored on and transferred over the internet emphasizes the need to implement effective cybersecurity measures
Transition to COVID-19 Endemic	<ul style="list-style-type: none"> Following the vaccine rollout, a second economic downturn of the same magnitude seems unlikely but the rise of new variants will be an ongoing risk to the economy and appetite for M&A activity

M&A Market Review

M&A value increased 86%, surpassing \$2tn in 2021, while the amount of transactions rose 35%

- Emerging from the COVID-19 downturn has spurred unprecedented M&A activity to drive growth, increase scale and transform businesses amid escalating competition



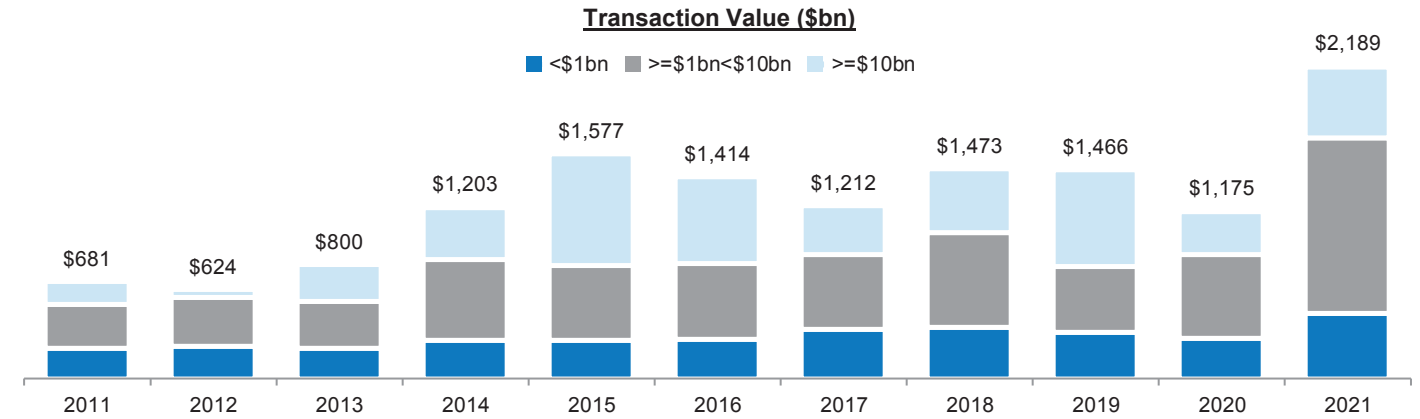
Source: FactSet

Note: Includes all complete and pending announced M&A and majority stake transactions with U.S. targets; as of 31-Dec-21.

M&A Market Review (cont'd)

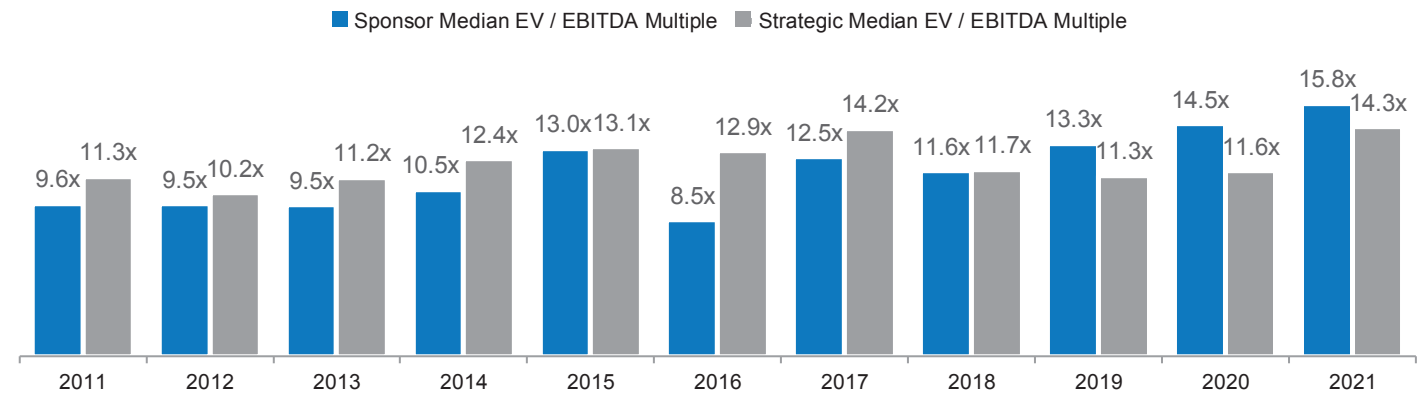
\$1bn+ transactions made up nearly 80% of total M&A value, the highest since 2016⁽¹⁾

- 2021 had 478 \$1bn+ transactions totaling over \$1.7tn in value



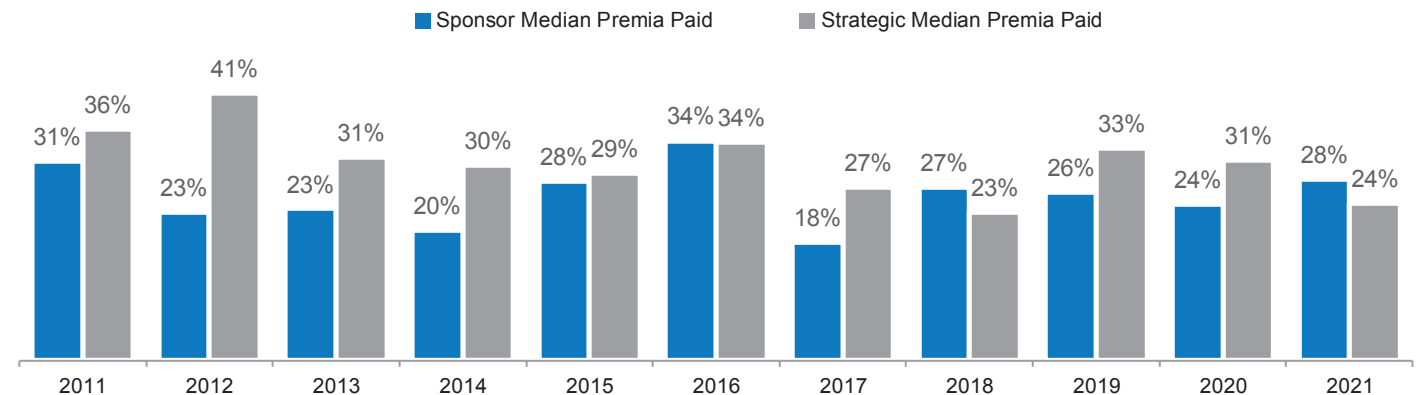
Transaction multiples for public targets in 2021 increased year-over-year⁽²⁾

- Sponsor and strategic transaction multiples were the highest in recent history



Transaction premia remained at healthy levels⁽³⁾ despite strong stock market performance

- For only the second time in the last 11 years, Sponsor premia paid exceeded Strategic premia paid



Source: FactSet

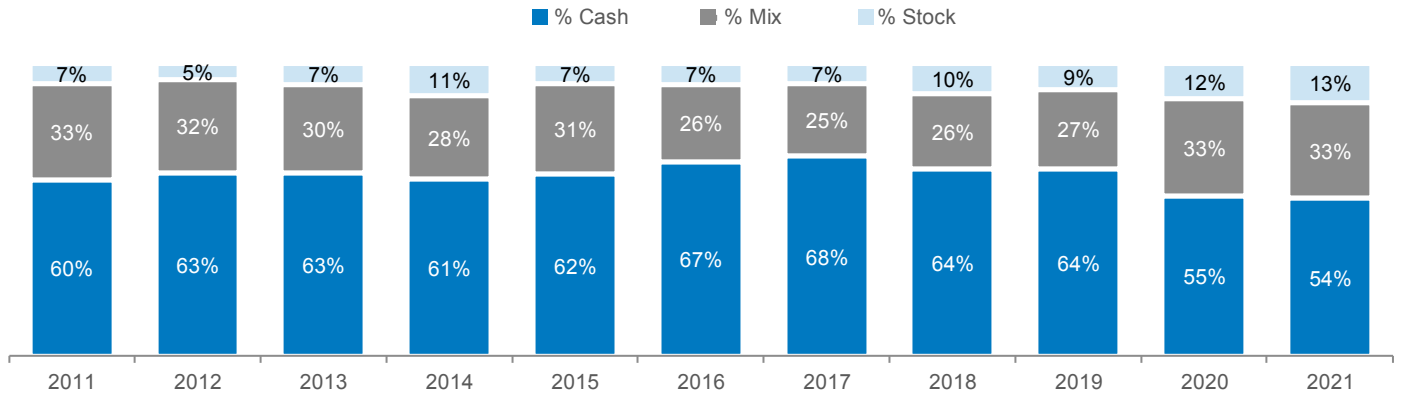
Note: As of 31-Dec-21.

1. Includes all complete and pending announced M&A and majority stake transactions with U.S. targets.
 2. EV / EBITDA data includes all announced M&A and majority stake transactions with U.S. public targets with EV / LTM EBITDA multiples between 3x and 40x.
 3. Premia data includes all announced M&A and majority stake transactions with U.S. public targets.

Strategic M&A Viewpoint

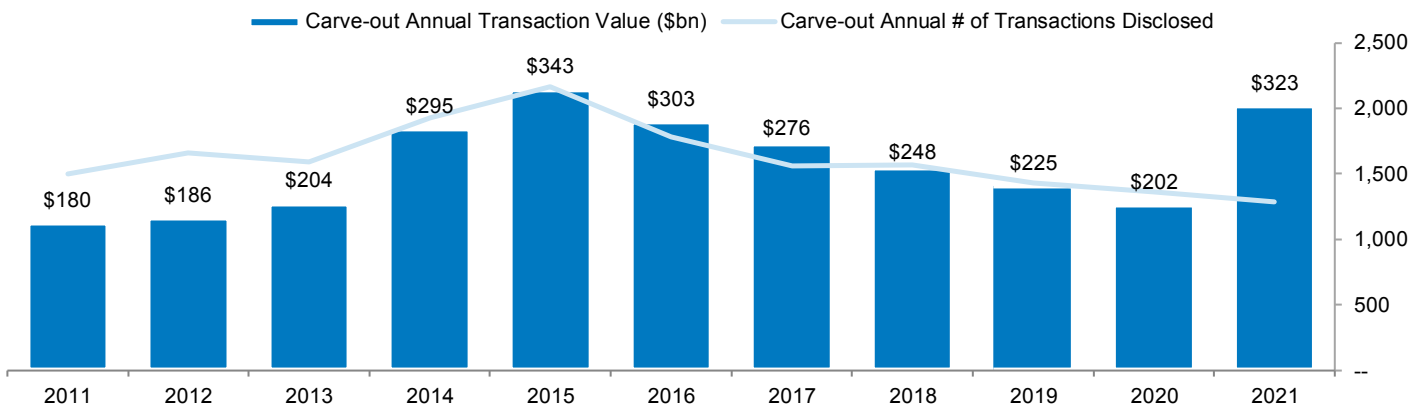
% of transactions including stock consideration remained at elevated levels⁽¹⁾

- Strong stock prices increased purchasing power and emboldened management teams and boards



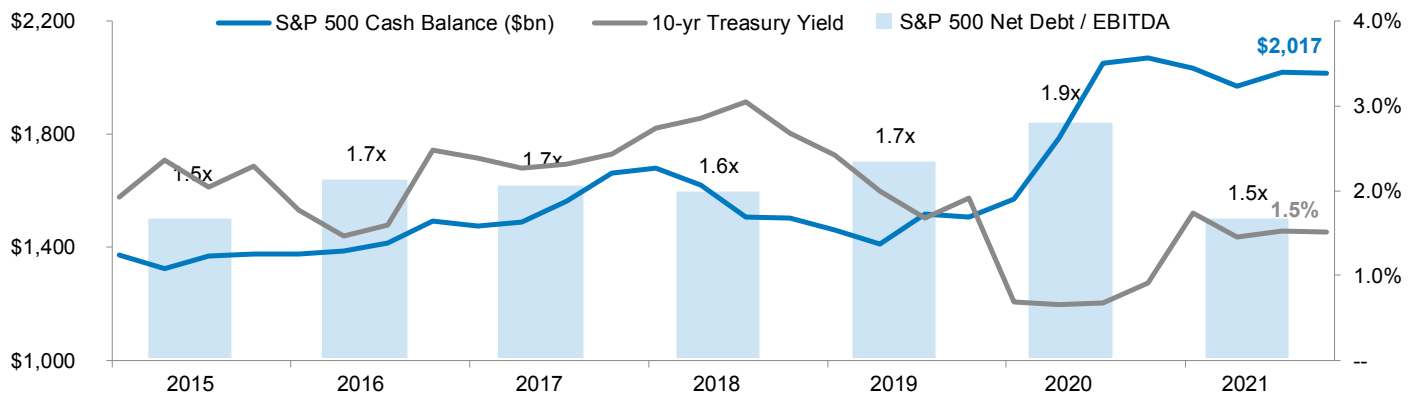
Carve-out transaction value increased as corporations looked to enhance portfolios

- Corporate breakups, spin-offs, and carve-outs offer divestiture alternatives to drive shareholder value



Near record levels of cash and healthy balance sheets should sustain Strategic M&A activity

- Strong stock prices and constructive debt markets also contribute to a very strong transaction climate



Source: FactSet, Pitchbook

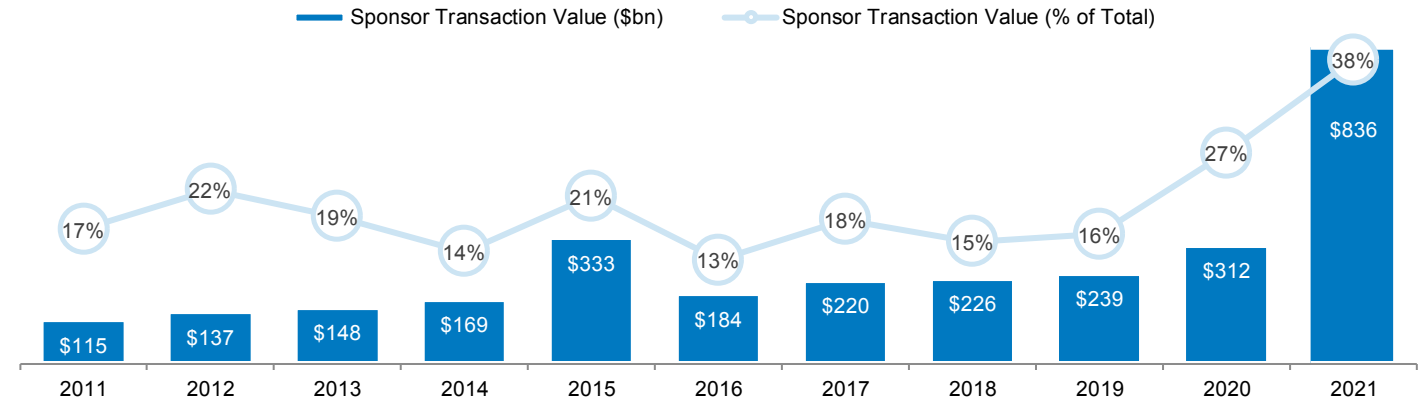
Note: As of 31-Dec-21.

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Sponsor M&A Viewpoint

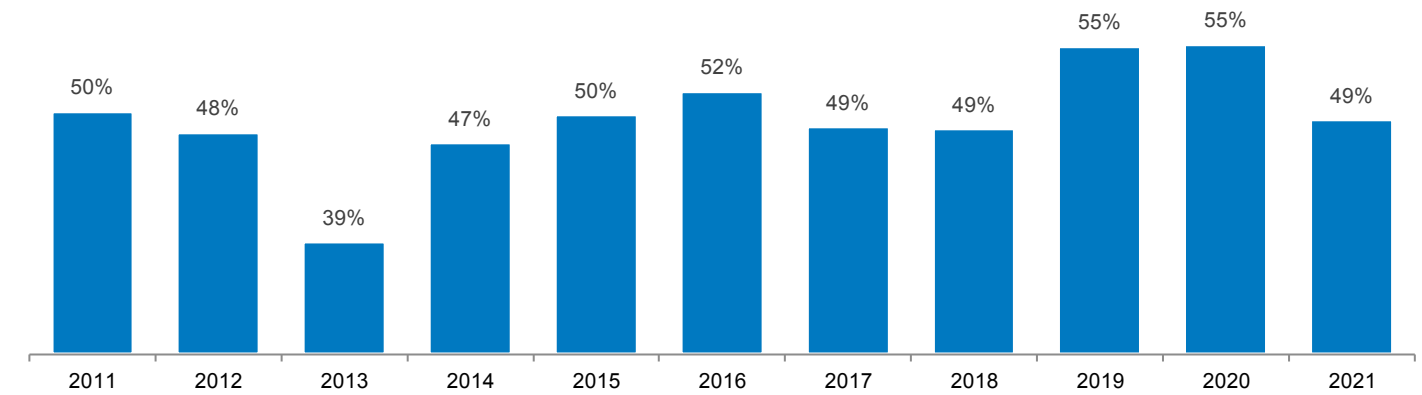
Sponsor transaction value grew 168% while the number of transactions increased 53%⁽¹⁾

- Average disclosed acquisition size was nearly \$1.8bn in 2021, a \$1bn increase compared to 2020



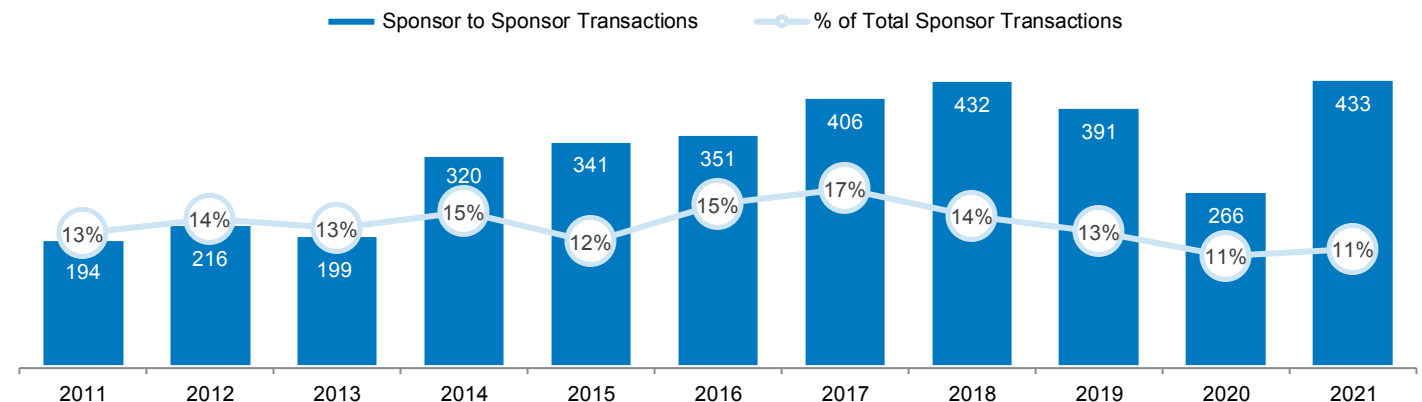
Equity % of total acquisition consideration returned to 2018 levels⁽²⁾

- Highly accommodative debt financing markets reflect the low interest rate backdrop and investor demand for higher yielding debt



Sponsor to Sponsor deals reached their highest level in recent history⁽³⁾

- Growth primarily attributable to the increase in the overall amount of Sponsor transactions



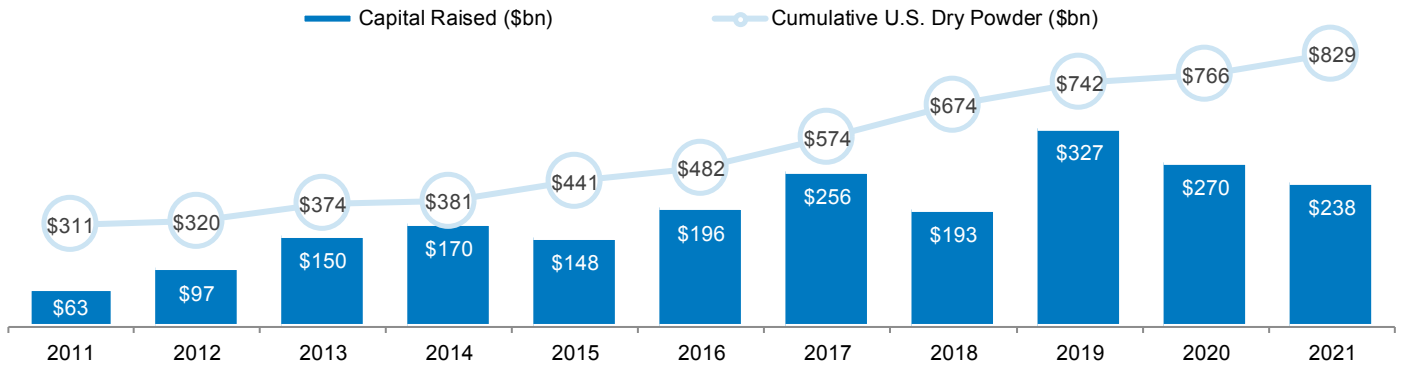
Source: FactSet, Pitchbook

1. Includes all complete and pending announced M&A and majority stake transactions with U.S. targets (includes SPAC activity); as of 31-Dec-21.
 2. As of 30-Sep-21
 3. Includes all complete and pending announced M&A and majority stake transactions with U.S. targets; as of 31-Dec-21.

Sponsor M&A Viewpoint (cont'd)

Private equity dry powder is at an all-time high as fundraising conditions remain robust⁽¹⁾

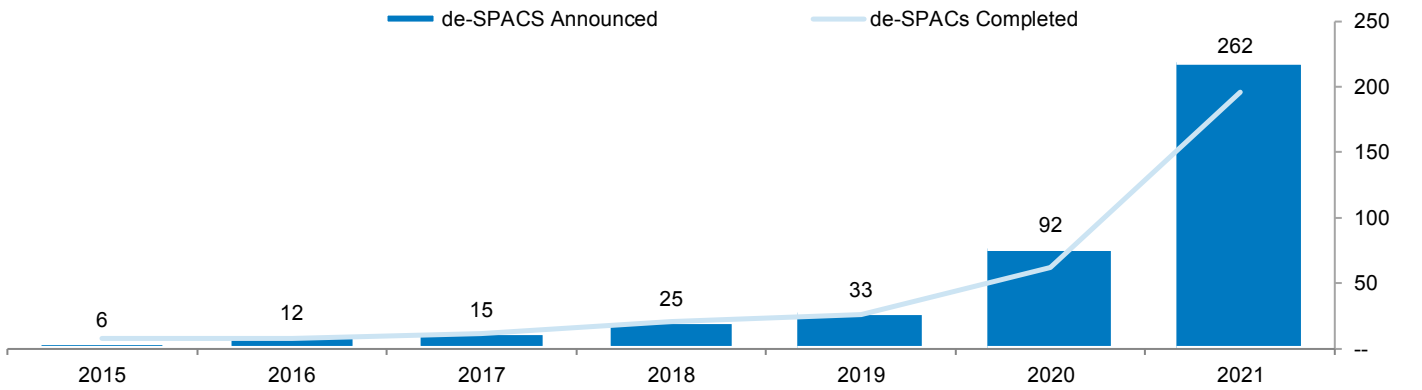
- This level of firepower positions PE to compete at every level of the M&A market and likely puts a floor under M&A activity as sponsors' need to deploy capital grows



SPAC M&A Viewpoint

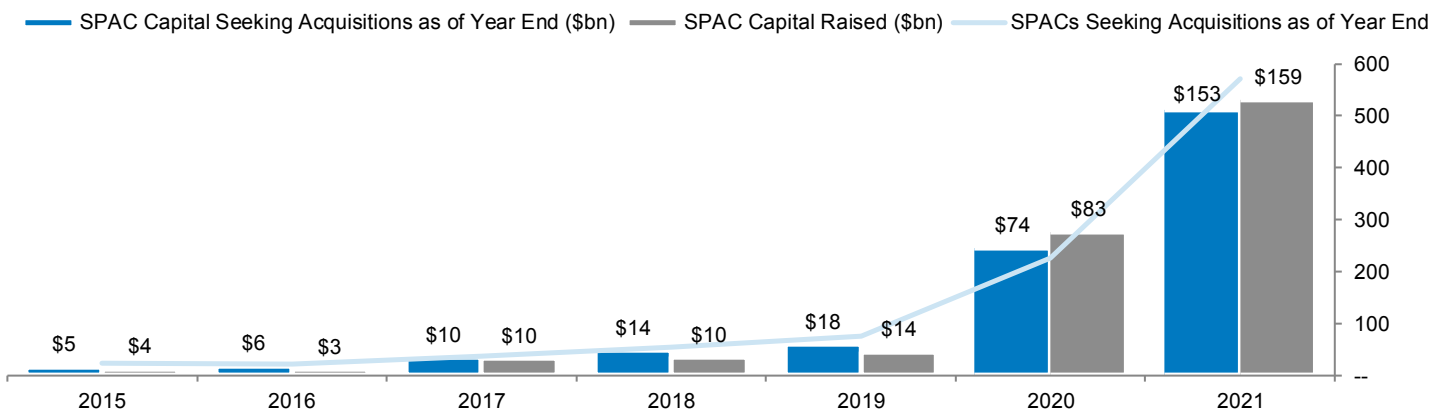
Completed and announced de-SPAC transactions reached record levels in 2021⁽²⁾

- Completed de-SPAC transactions totaled \$466bn representing 20%+ of total M&A value



571 SPACs are actively seeking acquisitions⁽²⁾

- Of the \$153bn of capital looking to be deployed, 26% has a liquidation deadline in 2022 and 74% in 2023



Source: Pitchbook, SpacResearch

1. As of 30-Sep-21.

2. As of 31-Dec-21.

BMO M&A Overview and 2021 U.S. Highlights

Experienced Team

- Global M&A practice with ~100 M&A professionals in seven offices around the world
- Including over 25 Managing Directors and Directors

Full Product Capabilities

- Sell-side, buy-side and cross-border advisory
- Recapitalizations and restructurings
- Fairness opinions
- Takeover defense
- Activism defense
- Leveraged and management buyouts
- Strategic alternatives review

Proven Results

- ~US\$550bn of global transaction value in ~750 deals since 2010⁽¹⁾
- Average deal size of US\$1.6bn⁽¹⁾ since 2018

Approach

- Deep sector expertise in close alignment with BMO's industry groups
- M&A professionals partner with industry experts to drive enhanced insights and execution

BMO  **Financial Group**
\$16.3 billion

Acquisition of **Bank of the West** from **BNP Paribas**

Financial Advisor
Pending

 **eVOQUA**
WATER TECHNOLOGIES

\$196.3 million

Acquisition of **MarCor**

Financial Advisor
Pending

 **SLATE**

\$2.3 billion

Acquisition of commercial real estate business from **ANNALY**

Financial Advisor
Pending

 **PAN AM**

Sale to **[CSX]**

Financial Advisor
Pending

 **SYMEO**
ABSOLUTE POSITIONING
subsidiary of **ANALOG DEVICES**
(NASDAQ: ADI)
has been acquired by **indie**
(NASDAQ: INDI)

Financial Advisor
Pending

enerPLUS

\$312 million

Acquisition of Williston Basin assets from **Hess Corporation**

Financial Advisor
Pending

 **CN**

Select US and Canadian assets

Sale to **WATCO**

Financial Advisor
Pending

 **Independence Realty Trust**

\$4.1 billion

Financial Advisor to Independence Realty Trust on its merger with **Steadfast Apartment REIT**


Financial Advisor
December 2021

 **CP** ★

\$31 billion

Acquisition of **Kansas City Southern**

Financial Advisor
December 2021

 **sprint**

has been acquired by **EG America**
A subsidiary of EG Group

Financial Advisor
December 2021

 **BIG BEAR AI**

\$1.6 billion

Business Combination with **GigCapital4**

Financial Advisor
December 2021

Phillips
DISTILLING CO

Acquisition of Select Brands of **Beam SUNTORY**

Financial Advisor
December 2021

Source: Bloomberg, FactSet

BMO deal tombstones as of January 3, 2022.

1. Bloomberg, completed deals where an acquirer or target is located in North America. Market data as of January 3, 2022.

★ Deal was the 5th largest deal of 2021. FactSet, includes all complete and pending announced M&A and majority stake transactions with U.S. targets. Market data as of 31-Dec-21.

2021 U.S. M&A Highlights (cont'd)


BMO  **Financial Group**

\$845 million

Sale of EMEA Asset Management Business and Transfer of U.S. Asset Management Clients to

Financial Advisor
November 2021

\$52 billion

Spin-off of



Financial Advisor
November 2021

 **LOCKTON**

Retirement Services

Sale to

 **CREATIVE PLANNING**

Financial Advisor
November 2021

 **FORTIS SOLUTIONS GROUP**

Sale to

 **HARVEST PARTNERS**

Financial Advisor
October 2021

 **FIVESTARS**

\$317 million

Sale to

SumUp Holdings

Financial Advisor
October 2021

 **PFG** Performance Food Group

\$2.5 billion

Acquisition of

 **Core-Mark**

Financial Advisor
September 2021

 **AmeriQual GROUP, LLC**

Sale of AmeriQual Group to

 **HARLAN BAKERIES**

Financial Advisor
August 2021

 **SPORTSMAN'S GUIDE**  **tgw**

subsidiaries of

 **NORTHERN TOOL + EQUIPMENT**

have been acquired by

 **BHG Ventures**

Financial Advisor
August 2021

 **McGraw Hill Education**

Portfolio Company of


APOLLO

~\$4.5 billion

Sale to

 **Platinum Equity**

Financial Advisor
July 2021

 **PQ Corporation**

\$1.1 billion

Sale of Performance Chemicals Segment to

Cerbus Koch

Financial Advisor
July 2021

 **CAPSTONE NUTRITION**

Portfolio Company of

 **BRIGHTSTAR CAPITAL PARTNERS**

Sale to

 **CORNELL CAPITAL**

Financial Advisor
June 2021

 **CAPVEST**

Acquisition of

 **LAKEVIEW FARMS**

and

 **PERIMETER BRANDS**

Financial Advisor
June 2021

 **PARAGON** payment solutions

Portfolio Company of

 **THE BEEKMAN GROUP**

Sale to

 **paya**

(NASDAQ: PAYA)

Financial Advisor
April 2021


 **Liberty TIRE RECYCLING**

\$750 million

Sale to


 **Energy Capital PARTNERS**

Financial Advisor
April 2021

 a portfolio company of

WESTWARD PARTNERS

has been acquired by

 **FEDERAL SIGNAL**
Moves. Cleans. Protects.

Financial Advisor
February 2021

 **TENNANT COATINGS**


Sale to

 **SHERWIN WILLIAMS**

Financial Advisor
February 2021

Source: FactSet

BMO deal tombstones as of January 3, 2022.

 Deal was the largest spin-off of 2021. FactSet, includes all complete and pending announced spin-off transactions with U.S. targets. Market data as of 31-Dec-21.

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