

U.S. Mergers & Acquisitions Quarterly Insights

October 2020

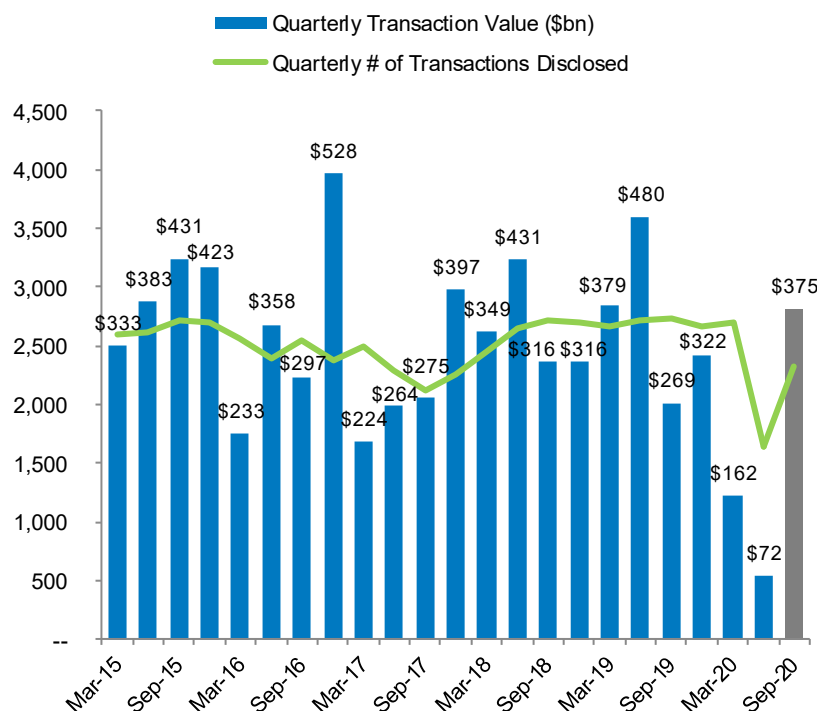


BMO Capital Markets

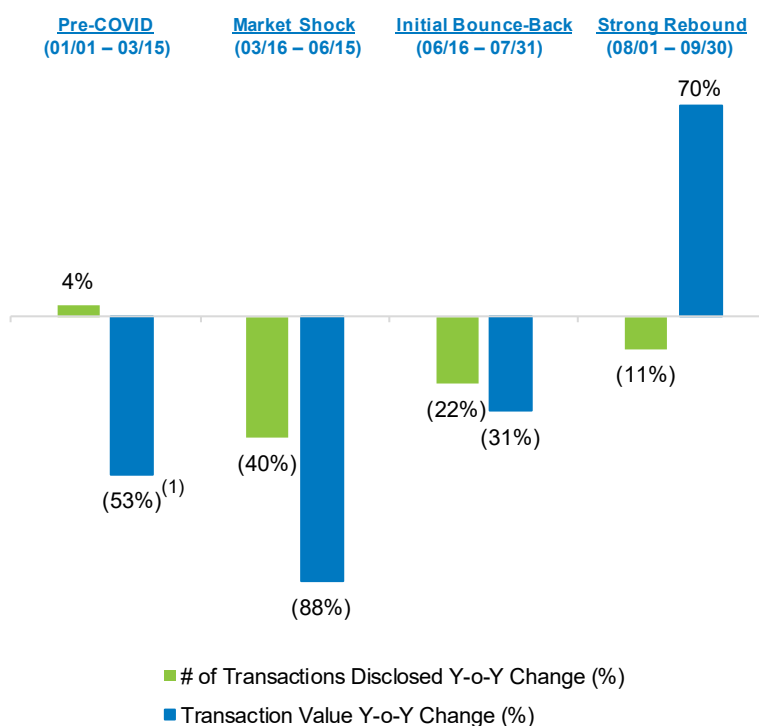
M&A Activity Has Rebounded in Q3 2020

- Despite continued uncertainty around the duration of the pandemic and the outcome of the upcoming presidential election, M&A activity in Q3 made a strong recovery from the lull in Q2
 - Quarter-over-quarter volume increased ~40% and deal value increased 400%+ as mega-deals re-emerged
 - Third quarter announced deal volume of \$375bn exceeded the quarterly average by ~13% for the 2015 to present bull market
 - The last two months of the quarter saw a 70% year-over-year increase in M&A deal value
- The 2020 M&A market has been defined by four main stages (Pre-COVID, Market Shock, Initial Bounce-Back, and Strong Rebound)
 - M&A transaction values decreased 88% year-over-year in the first three months of the pandemic as many buyers focused on cash preservation, operations, and risk mitigation
 - A gradual recovery occurred in June and July as the debt and equity markets recovered
 - Full health of the M&A markets and pent-up demand were demonstrated by 70% year-over-year growth in August and September (at a five-year high for the period)
- Looking forward:
 - Interest rates remain historically low and private equity dry powder is at a record high, which should continue to fuel the M&A market recovery
 - However, tremendous uncertainty still exists with:
 - The pace of the economic recovery and the lasting impacts from the pandemic
 - The effect that the upcoming elections may have on the M&A market (e.g., potential impact on taxes, concerns around a contested election)

Quarterly Announced M&A Transactions



COVID-19 Impact on Market Activity Year-over-Year



Source: FactSet

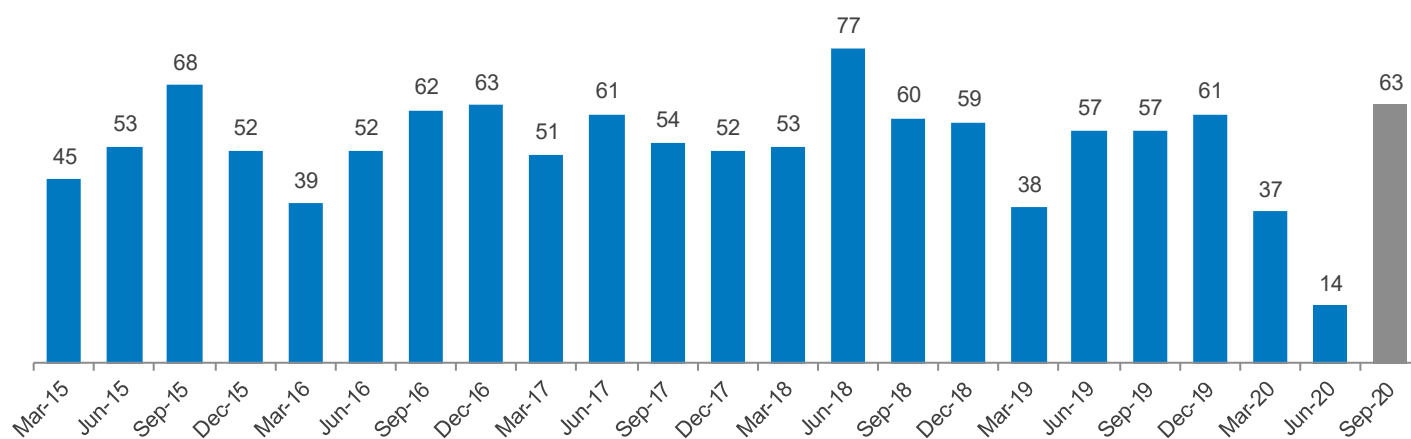
Note: Includes all complete and pending announced M&A and majority stake transactions with U.S. targets; as of 30-Sep-2020.

1. 2019 value skewed by a few large deals, including Celgene's ~\$94bn sale to Bristol-Myers Squibb.

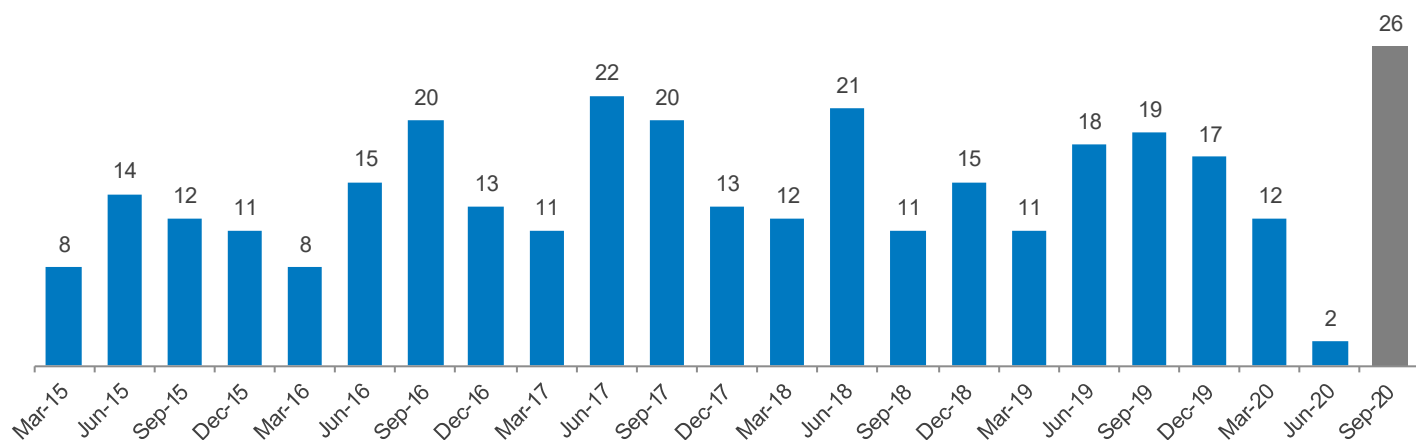
Transformative M&A Has Returned

- Following the least active quarter in recent history, the number of \$1bn+ transactions rebounded to levels that exceeded pre-COVID levels
- There were 19 mega deals (\$5bn+) announced during Q3, the second highest in a quarter since 2015
 - Notable mega-deals included the sale of Speedway to 7-Eleven for \$21bn and Berkshire Hathaway's acquisition of Dominion Energy for \$10bn
 - Transformative healthcare transactions also made the headlines:
 - The sale of software firm Livongo Health to Teladoc Health for ~\$19bn
 - Illumina's acquisition of biotechnology firm GRAIL for ~\$8bn
 - The sale of biotechnology firm Immunomedics to Gilead Sciences for ~\$21bn
- Although most buyers were hesitant to deploy capital for M&A during the initial part of the pandemic, many have gained confidence and now view this as an opportunity to execute on updated long-term business strategies
- The number of \$1bn+ financial sponsor / private equity buyside transactions during the quarter was the highest in recent history, signaling the leveraged finance market is broadly supportive of larger M&A transactions for industry leaders

Number of Transactions With \$1bn+ Transaction Values



Number of Financial Sponsor / Private Equity Buyer Transactions With \$1bn+ Transaction Values



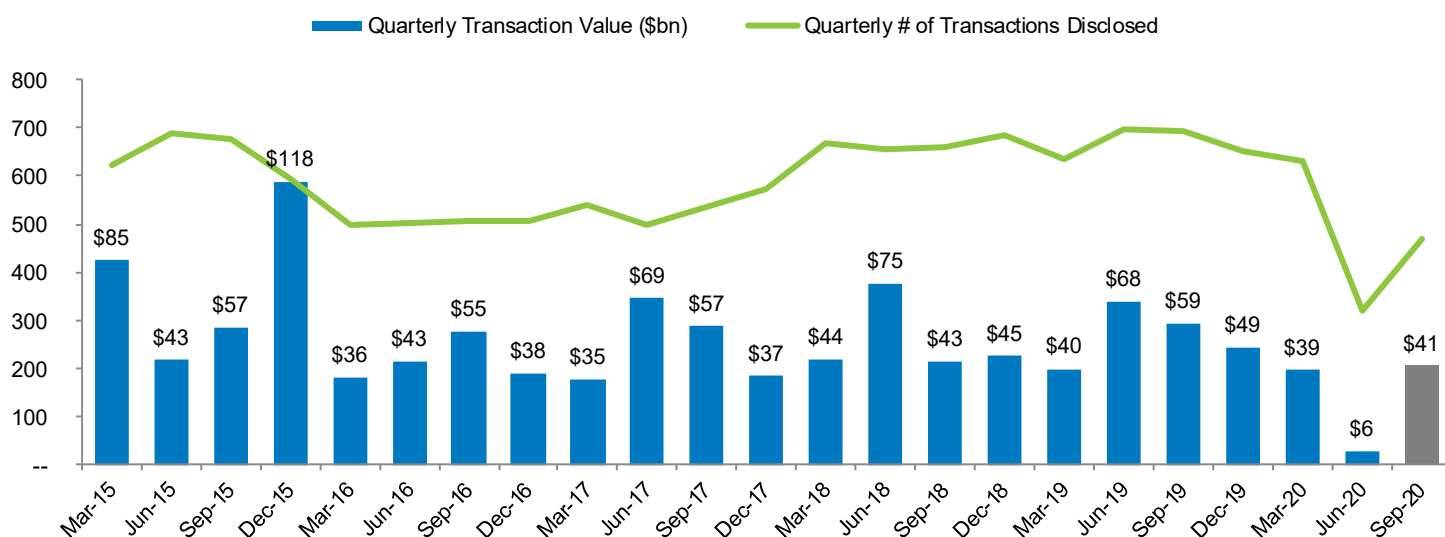
Source: FactSet

Note: Includes all complete and pending announced M&A and majority stake transactions with U.S. targets; as of 30-Sep-2020.

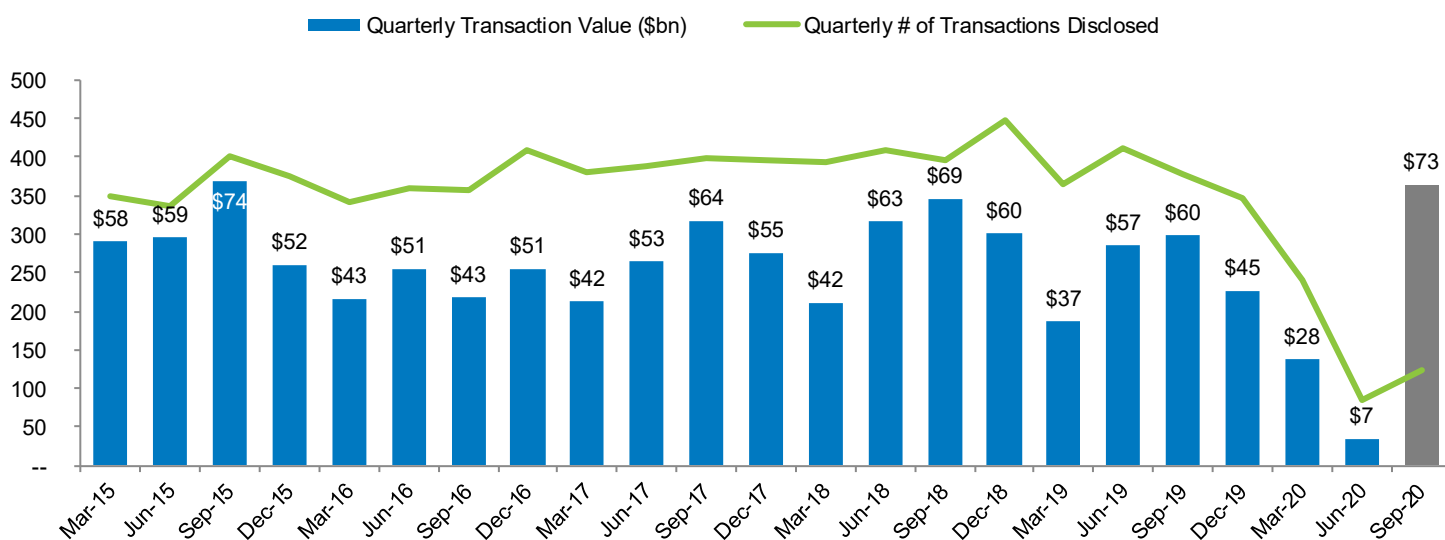
Backlog of Private Equity Exits is Building

- Along with the broader M&A market, private equity buyer transactions rebounded rapidly in Q3 2020
 - Following an extremely quiet second quarter when numerous auction processes were pulled due to COVID-19, sponsors approached more typical amounts of M&A activity and a near record volume of quarterly sales in the third quarter
 - Notable transactions announced in the third quarter include Thoma Bravo’s ~\$11bn sale of Ellie Mae to Intercontinental Exchange and Providence Equity’s ~\$8bn sale of ZeniMax Media to Microsoft

Quarterly Announced Private Equity Buyer Transactions



Quarterly Announced Private Equity Exits



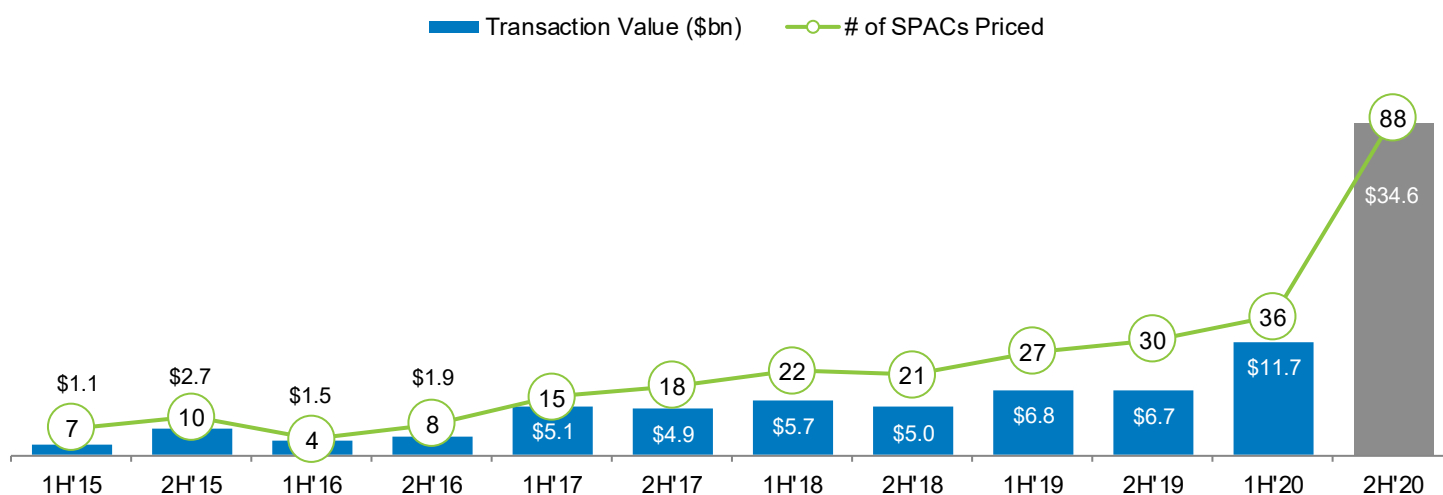
Source: FactSet

Note: Includes all complete and pending announced M&A and majority stake transactions with U.S. targets and sponsor buyers; as of 30-Sep-2020.

Monumental Year for SPACs

- Throughout 2020, there has been a dramatic increase in the number of SPACs raised and the number of announced transactions with a SPAC acquirer
 - SPAC issuance reached record levels in each of 2017, 2018, and 2019 before exploding further in 2020:
 - The third quarter of 2020 had approximately as much equity issuance as the period from January 2018 through June 2020
 - SPACs have comprised nearly half of the IPO market for the first nine months of 2020
 - At the quarter end, over 60 SPACs were in the IPO pipeline looking to raise more than \$17bn
- During Q3 2020, 35 SPAC M&A transactions were announced
 - 23 of the 35 targets were either pre-profitability or pre-revenue
 - The two largest SPAC M&A transactions ever were announced during the quarter:
 - September 2020: Merger of Gores Holding IV and United Wholesale Mortgage for \$16bn
 - July 2020: Merger of Churchill Capital Corp. III and Multiplan for \$11bn
- We expect SPACs to be an increasingly important buyer class for companies given the prolific amount of capital raised, the large number of reputable SPAC sponsors seeking targets, and the increasing participation by institutional investors participating in PIPE offerings in conjunction with de-SPACing transactions

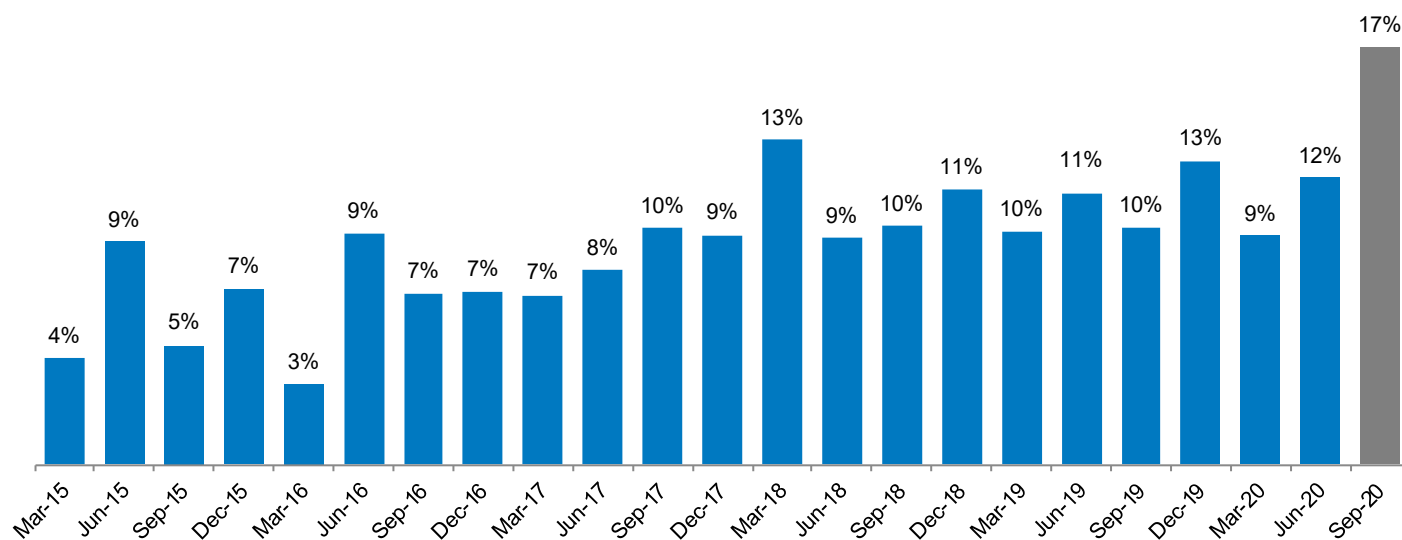
SPAC Issuance Over Time



All-Stock Transactions Increasingly Common

- All-stock transactions are more common during recessionary periods, particularly for larger transactions
 - In Q3 2020, all-stock transactions accounted for 17% of all \$50mm+ transactions with a public acquirer, the highest quarterly percentage in recent history
 - During the last few months, there has been an uptick in transformative all-stock transactions (e.g., Uber / Postmates, Analog / Maxim, GCI Liberty / Liberty Broadband, Grubhub / Just Eat Takeaway, Noble Energy / Chevron)
- Stock transactions are particularly attractive during recessionary times given:
 - Buyers are often more hesitant to deploy balance sheet cash given the uncertainty of future cash needs
 - Debt financing is often not readily available
 - The buyer and seller relative valuations are likely to be impacted similarly by market swings

Percentage of Announced Transactions With All-Stock Consideration



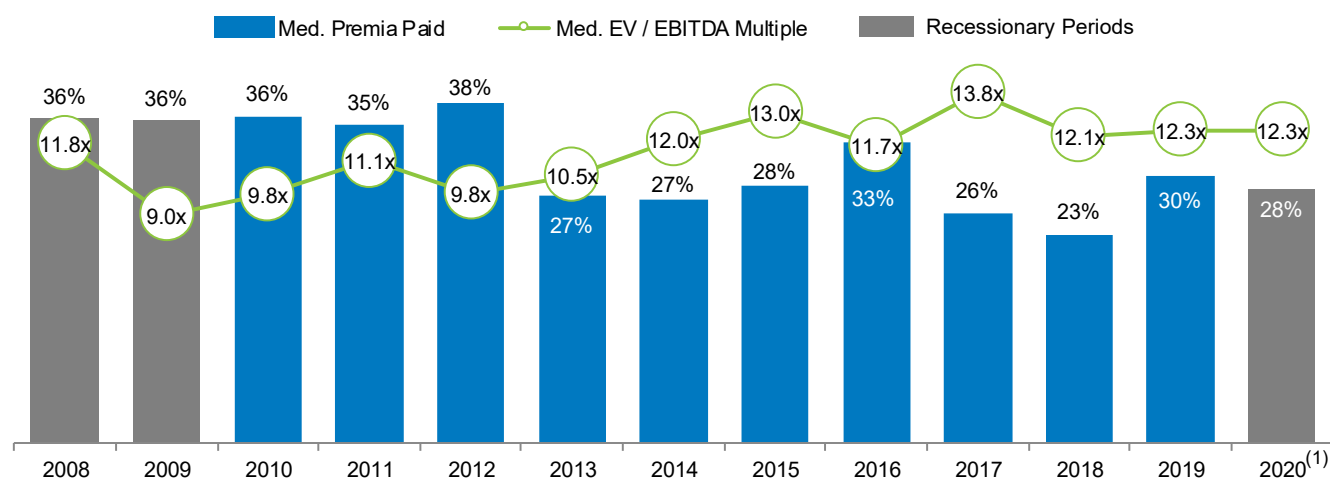
Source: FactSet

Note: Includes all complete and pending announced M&A transactions with U.S. targets, public acquirers, and transaction value above \$50 million; as of 30-Sep-2020.

M&A Valuation Trends

- An inverse relationship generally exists between acquisition premia and EV / EBITDA multiples
- During market downturns, acquisition premia tend to increase, implying depressed / undervalued stock prices, and transaction multiples tend to decrease
 - For example, during the Great Recession:
 - Median market premia rose to 36% as equities began to recover from the 2009 trough
 - Median EV / EBITDA multiples dropped from 11.8x in 2008 down to 9.0x in 2009
- Overall, premia and transaction multiples in 2020 have remained relatively flat compared to 2019
 - The relatively flat trend in premia is likely due to the overall strength in the equity markets since the initial downturn at the end of Q1, which have been fueled by federal monetary policy, optimism about a quick recovery, accelerations of various technology trends in the marketplace, and treatment / vaccine developments
 - The stability in transaction multiples demonstrates buyers' continued willingness to pay a premium for strong assets despite the pandemic

Median Annual Acquisition Premia & EV / EBITDA Transaction Multiples Over Time



Source: FactSet

Note: Premia data includes all announced M&A and majority stake transactions with U.S. public targets. 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; as of 30-Sep-2020.

1. YTD 2020 as of 30-Sep-20.

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- As a member of BMO Financial Group (NYSE, TSX: BMO), we leverage the financial strength and capabilities of one of North America’s leading financial services organizations.
- BMO Capital Markets is a single-stop provider. Depending on your needs, you may use a combination of our capabilities, or only one. Our experience and deep sector knowledge enable us to develop the solution that fits you best.



We offer a complete suite of products and services:

Access to capital

- Initial public offerings
- Debt financing
- Equity financing
- Private equity financing
- Corporate lending
- Structured & project financing
- Securitization

Distribution

- Institutional
 - Equity sales & trading
 - Fixed income sales & trading
- Retail
 - Direct brokerage
 - Private banking

Strategy & growth

- Strategic advisory
- Mergers & acquisitions, including cross-border opportunities
- Valuations & fairness opinions
- Acquisition & divestitures
- Leverage buyouts
- Restructurings & recapitalizations
- Take-over & activism defense
- Share buybacks
- Joint ventures and other partnership models

Treasury & risk management

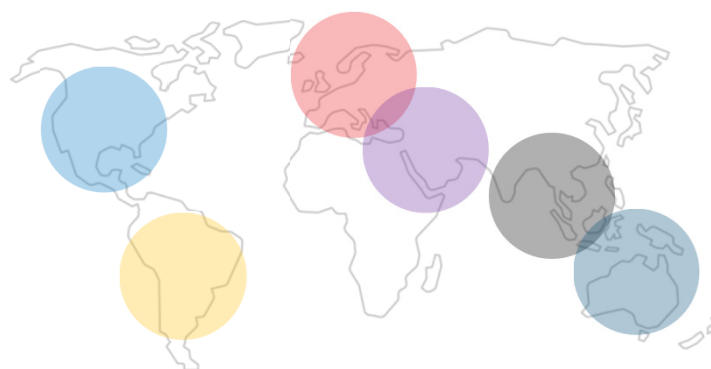
- Commodity products
- Money markets
- Trade finance
- Cash management
- Foreign exchange

Research

- Economics
- Commodities
- Debt
- Corporate

Americas	Europe & Middle East
Atlanta	Abu Dhabi
Boca Raton	Dublin
Boston	London
Calgary	Paris
Chicago	Zurich
Denver	
Houston	
Jersey City	
Mexico City	
Milwaukee	
Minneapolis	
Montreal	
New York	
Phoenix	
Rio de Janeiro	
San Francisco	
Seattle	
Toronto	
Vancouver	
Washington, D.C.	

Asia & Australia
Beijing
Guangzhou
Hong Kong
Melbourne
Mumbai
Shanghai
Singapore
Taipei



2,800+
professionals

33
locations

5
continents

BMO M&A Overview and Recent Highlights

Experienced Team

- Global M&A practice with ~100 M&A professionals in nine 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\$480bn+ of transaction value in 640 deals since 2010⁽¹⁾
- Average deal size of US\$1.5bn⁽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

ADTALEM
GLOBAL EDUCATION

\$1.5 billion

Acquisition of
WALDEN UNIVERSITY
A higher degree. A higher purpose.

Financial Advisor
Pending

Firefly computers

Sale To

TRINITY3 TECHNOLOGY

Portfolio Company of

Rotunda
Capital Partners

Financial Advisor
September 2020

Brookfield
Renewable Energy Partners

Acquisition of the remaining 38% interest in:

TerraForm POWER

Financial Advisor
August 2020

AgroFresh

Preferred Equity Investment of

\$150 million

from

PAINE SCHWARTZ PARTNERS

Financial Advisor
July 2020

Brookfield P&S Investments
WIND ENERGY TRANSMISSION TOWER, LLC

WETT

Sale of pure-play electric transmission company to:

AXIUM
INFRASTRUCTURE

Financial Advisor
July 2020

NightOwlGlobal.

Sale to

HAYSTACK

Portfolio Company of

QUAD-C

Financial Advisor
July 2020

ENGAGE THERAPEUTICS

\$270 million

Sale to

ucb

Financial Advisor
June 2020

FINASTRA

Portfolio Company of

VISTA EQUITY PARTNERS

Divestiture of the Enhancement Services business of Finastra to

SIGMA LOYALTY GROUP

Financial Advisor
June 2020

Dawn

Sale of North American Frozen Manufacturing Business to

R PARIS

Portfolio Company of

OLYMPUS PARTNERS

Financial Advisor
June 2020

dialog SEMICONDUCTOR

\$500 million

Acquisition of

Adesto

Financial Advisor
June 2020

STEADFAST INCOME REIT

\$1.1 billion

Sole Financial Advisor to Steadfast Income REIT on its sale to

STEADFAST APARTMENT REIT

Financial Advisor
March 2020

CONDADO TACOS • TEQUILA • MARGARITAS

Sale to:

THE BEEKMAN GROUP

Financial Advisor
February 2020

S&D COFFEE & TEA

Subsidiary of

COTT

\$405 million

Sale to

WESTBROOK BEVERAGE COMPANY

Financial Advisor
February 2020

HP HARVEST PARTNERS STRUCTURED CAPITAL

Minority Investment in

8TH AVENUE FOOD & PROVISIONS

Financial Advisor
January 2020

1. Bloomberg, completed deals where an acquirer or target is located in North America. Market data as of October 28, 2020.

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