



**Mergers & Acquisitions
(M&A) Update**

Third Quarter 2021

North American M&A Activity on Record Pace

Executive Summary

M&A activity continues its record pace, supported by strong economic growth, borrower-friendly interest rates, and robust balance sheets. More than \$1.8 trillion has been spent on North American M&A this year, topping \$1.1 trillion and \$1.6 trillion in the year-to-date periods of 2020 and 2019, respectively.

While these factors may continue to drive activity in the near-term, the Federal Reserve will likely raise interest rates to counter inflation, which may hamper activity down the road. This may impact valuations more than deal volume as an increasing number of Baby Boomers plan to retire.

The Midwest continues to garner M&A interest, with over 100 deals completed and 24 announced during the quarter. Kansas City Southern continues to capture headlines as the Midwest's darling \$29-billion deal, as it aims to join Canadian Pacific in forming the only single-line railroad that links the US, Mexico, and Canada.

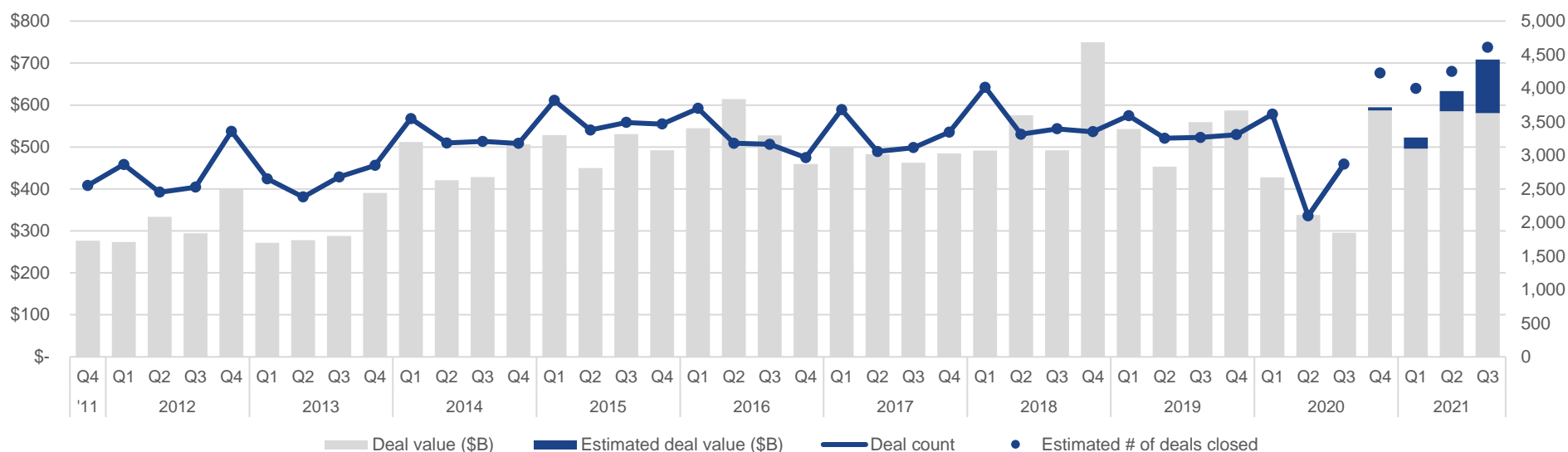
As always, contact us if you would like to receive information about activity in your specific industry or geography, or if you would like to discuss options for your business.

Q3 M&A Highlights

- M&A activity is on pace for a record year, with more than 4,600 transactions amounting to over \$700 billion in the third quarter
- Midwest deal value totaled \$27 billion during the quarter, an increase of roughly 200% from the third quarter of 2020
- Valuations on par with 2020 and unchanged from the second quarter
- M&A activity is supported by low interest rates, strong cash positions, and a strong economy

2021 M&A Activity Firing on All Cylinders

Quarterly North American M&A Activity¹



North American M&A Highlights

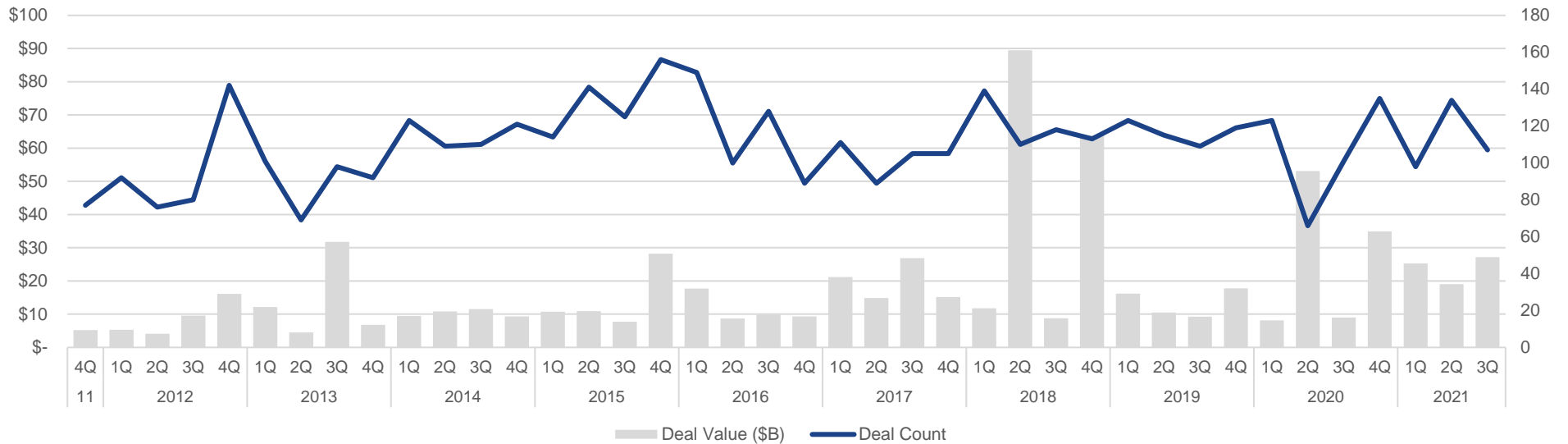
- An estimated \$708 billion was spent across 4,609 North American deals in the third quarter, increases of 140% and 61%, respectively, over the third quarter 2020
- The nearly \$1.9 billion year-to-date spend across nearly 12,900 deals represent increases of 120% and 127%, respectively, over 2019
- Cheap financing, a strong economy, and large amounts of cash on acquirer balance sheets are factors driving record-setting M&A activity, which should continue in the near-term
- Sales of small businesses rose for the third straight quarter, according to BizBuySell, and supply of businesses for sale is expected to rise as Baby Boomers retire

Notable US Q3 Transactions

| Close Date | Target | Acquirer | Consideration (millions, USD) |
|------------|---------------------------|----------------|-------------------------------|
| Jul 21 | Alexion | AstraZeneca | \$ 39,000 |
| Jul 21 | Slack | Salesforce.com | 27,700 |
| Aug 26 | Maxim Integrated Products | Analog Devices | 23,000 |
| Aug 31 | Proofpoint | Thoma Bravo | 12,300 |
| Jul 01 | PRA Health Services | Icon | 12,000 |
| Aug 30 | Aldevron | Danaher | 9,600 |

Midwest M&A Value Rebounds from Q2

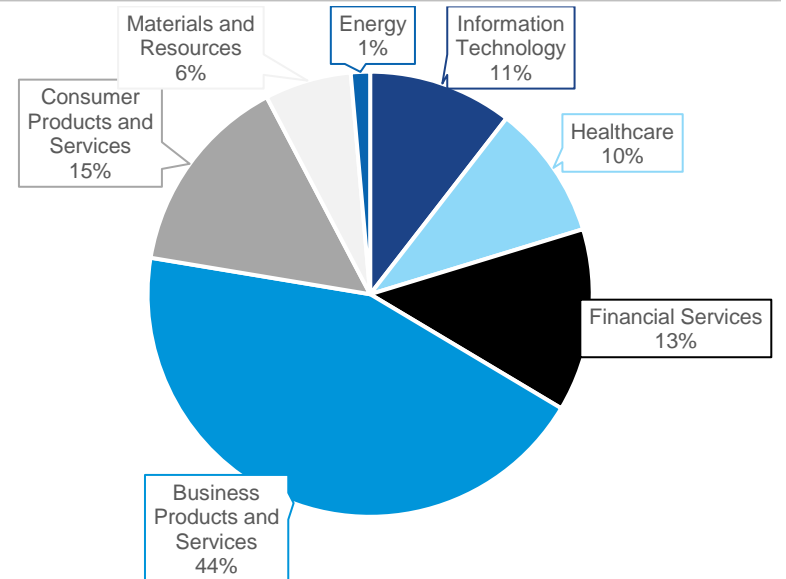
Quarterly Midwest M&A Activity¹



Midwest M&A Highlights

- There were 107 Midwest M&A deals in the third quarter, accounting for \$27.2 billion of value
- Business product and service companies accounted for the most deals, followed by companies that focus on consumer products and services
- Notable deals announced during the quarter, but have not closed yet, include Canadian Pacific Railway's offer of \$29 billion for Kansas City Southern, First Interstate Bank's \$2-billion purchase of Great Western Bank, and Sierra Income BDC's \$624-million sale to a subsidiary of Barings, among others.

Q3 Midwest Activity (#) by Sector



Notable Second Quarter Midwest M&A Transactions

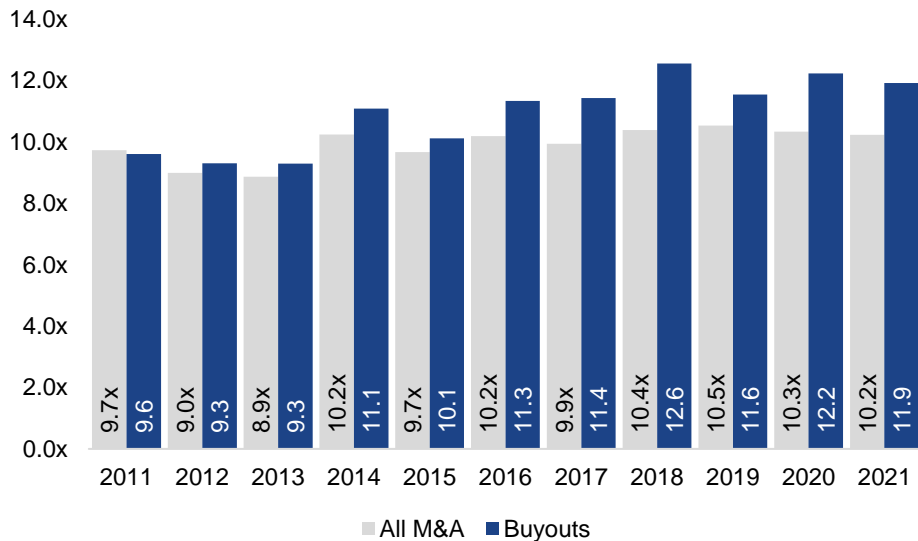
| Date Closed | Target | Investor | Target City | Target Description |
|-------------|---|--|---------------------|---|
| Jul 01 | Americraft Carton | Graphic Packaging | Prairie Village, KS | Manufacturer of paperboard packaging products |
| Jul 06 | American Construction Source | US LBM Holdings (Bain Capital) | Springfield, MO | Holding company of lumber and building material distributors |
| Jul 08 | Geotechnology | Universal Engineering Sciences | Saint Louis, MO | Provider of applied earth and environmental science consulting services |
| Jul 14 | Fred Weber (aggregates and asphalt business units) | New Frontier Materials | Saint Louis, MO | Operator of an aggregates and asphalt processing business |
| Jul 20 | Rapid Fire Protection | Pye-Barker Fire & Safety (Leonard Green & Partners, <i>et al</i>) | Rapid City, SD | Provider of fire protection systems and services |
| Jul 26 | Sapper Consulting | Abstrakt Marketing Group | Saint Louis, MO | Provider of e-mail marketing solutions |
| Jul 28 | Safari Belting Systems | Chlorino (Tamburi Investment Partners) | Olathe, KS | Manufacturer of plastic modular belts |
| Aug 02 | Elanco Animal Health (Shawnee and Speke facilities) | TriRx Pharmaceutical Services | Shawnee, KS | Operator of animal food products |
| Aug 06 | Home Instead | Honor Technology | Omaha, NE | Provider of in-home care for elderly persons |
| Aug 24 | CHC Health | Pack4U | Des Moines, IA | Provider of medication management services |
| Aug 26 | Tortoise Acquisition Corp II | Volta Charging | Leawood, KS | Blank check company acquired by an operator of electric vehicle charging stations |
| Aug 31 | Quality Technology Services | The Blackstone Group | Overland Park, KS | REIT involved in the ownership and management of data centers throughout the US |
| Sep 01 | Airxcel | Thor Industries | Wichita, KS | Designer and manufacturer of climate-control products |
| Sep 02 | Valeer Insurance | Marsh & McLennan Agency | Grand Forks, ND | Provider of insurance and risk management products |
| Sep 14 | LightEdge Solutions | GI Partners | Des Moines, IA | Provider of cloud computing and data center services |
| Sep 20 | Schroer Manufacturing | Midmark | Kansas City, KS | Manufacturer of animal health equipment |
| Sep 24 | Milestone Equipment Holdings | Barings, Partners Group, <i>et al</i> | Saint Charles, MO | Operator of a transportation equipment leasing and asset management company |
| Sep 30 | Grossman Iron and Steel Company | Advantage Metals Recycling | Saint Louis, MO | Operator of a full-service ferrous and non-ferrous scrap metal recycling facility |

Valuations Flat over 2020

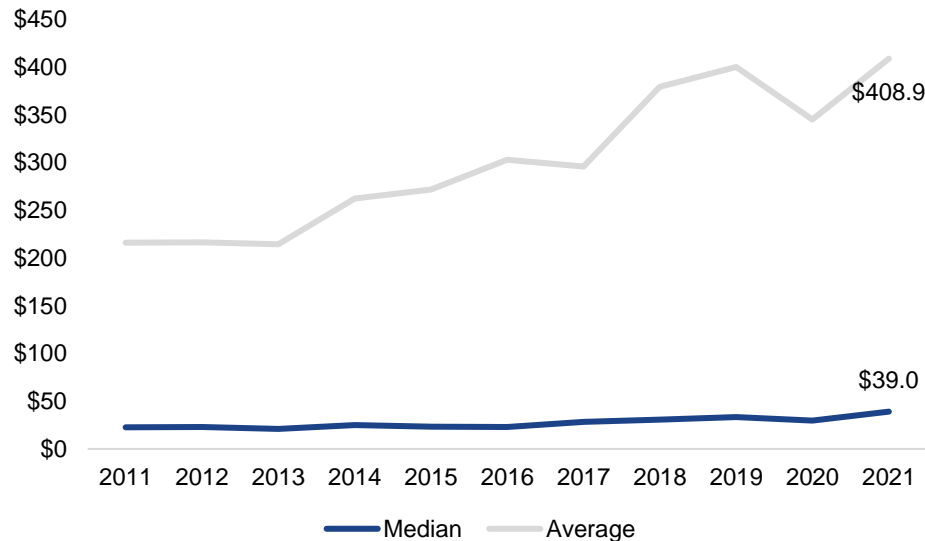
Valuation Highlights

- Broader M&A valuations in 2021 are relatively flat from 2020, with a median valuation of 10.2 times Earnings Before Interest, Depreciation, & Amortization (EBITDA).
- Valuations paid by financial buyers (investors by primary nature) remain higher than valuations paid by strategic buyers.
- Average and median deal sizes remain elevated, with average deal sizes topping \$408 million in 2021 and median deal sizes amounting to \$39 million. This difference between average and median deal size is an excellent illustration of how the largest deals impact the averages, while a significant majority of the deals conducted are completed at the smaller end of the scale.
- It is important to note that valuations are not a one-size-fits-all application and that valuations differ due to a variety of factors, including company size, profitability, industry, access to financing, liquidity, and other factors. Businesses should view multiples as just the starting point for their valuation analysis.

Median M&A Valuations (EV / EBITDA)



Median & Average Deal Sizes (\$M)



Partners for Strategic Transactions

Overview

Skyline Advisors partners with growth stage and lower middle-market companies to successfully position for, and then execute, strategic transactions. Our experience includes sitting on all sides of the deal table – serving as investors in, executives of, members of the board of directors for, and advisors to high-growth companies that have successfully completed debt and equity financings, acquired other companies, and successfully exited through multiple avenues. This experience provides unique perspective on what you are undertaking, and what is required to ensure a smooth transaction and post-closing transition. Our principal's securities and real estate licenses enable a broad offering of services to ensure all strategic options are explored to optimize results.

Services

Mergers & Acquisitions

- Buy-side and sell-side
- Divestitures, spin-offs, and spin-outs
- Management buyouts
- Strategic partnerships

Corporate Finance

- Growth and acquisition capital
- Taking-private transactions
- Strategic investments
- Recapitalizations
- Debt financing (senior and subordinated)

Strategic Advisory

- Valuation analysis
- Due diligence
- Financial consulting and modeling

Industries Served

Industry agnostic with a key focus on the following:

- Industrials
- Food and agribusiness
- Technology
- Healthcare

Professionals















John Gustafson, CFA | john@skyline-advisors.com

- 20+ years in investment banking, PE, and operations
- MBA – Northwestern University
- BS in Accounting – University of Nebraska-Lincoln
- Series 62, 63, and 79 securities licenses

Chris Moore | cmoore@skyline-advisors.com

- 5+ years in investment banking and other finance experience
- MS in Finance – Tilburg University (the Netherlands)
- BS in Business Administration – University of Nebraska-Omaha

Select Transactions

| | | | | | | |
|--|--|--|--|--|---|--|
|  <p>Acquired by</p>  |  <p>Acquired by</p>  |  <p>Airport lighting division acquired by</p>  |  <p>Acquired by</p>  |  <p>Merged with</p>  |  <p>Strategic transaction with</p>  |  <p>Acquired by</p>  |
|--|--|--|--|--|---|--|