

Mergers & Acquisitions (M&A) Update

Fourth Quarter 2021

Elevated M&A Activity to Continue into 2022

Executive Summary

2021 was a record year for mergers and acquisitions, rebounding from a year in which portions of the economy essentially came to a halt. The 2021 economy was characterized by low borrowing costs, strong balance sheets, strong stock prices, and a surging economy, despite continued pressure from COVID-19, supply chain disruptions, and inflation concerns.

The surging economy contributed to more than 18,500 deals crossing the finish line and more than \$2.75 trillion in value consideration. Even the Midwest's current-reported 148 deals is on pace to top the busiest quarter in five years.

We expect existing economic conditions to carry over into 2022 and support continued activity. However, we may see some tapering, as the Federal Reserve plans to raise interest rates in the first half of the year, which will eventually curb investment.

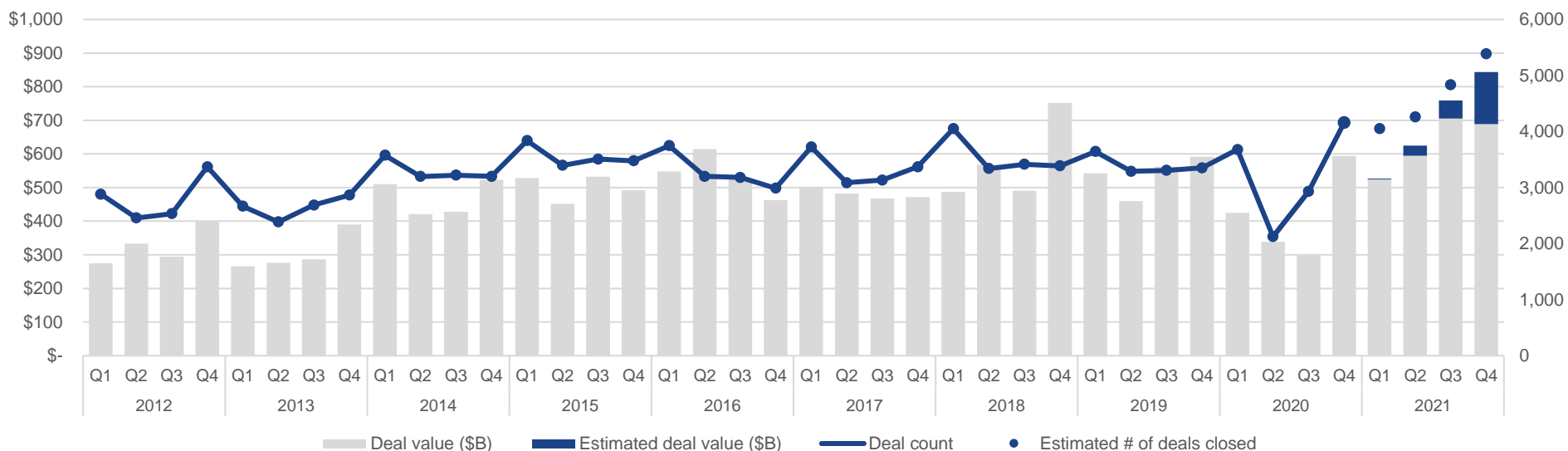
As always, contact us if you would like to receive information about activity in your specific industry or geography, or if you would like to discuss options for your business.

Q4 M&A Highlights

- M&A activity ended the year on a record note, with over 18,500 deals accounting for more than \$2.75 trillion of value
- Midwest deal value totaled \$52 billion during the quarter, largely driven by the acquisition of Kansas City Southern
- Valuations were relatively flat with 2020 and unchanged from the third quarter
- Heightened levels of M&A activity are expected in the near-term, as investors maintain strong balance sheets and continue to raise unprecedented capital; however, headwinds – namely rising interest rates – will likely soften activity in the longer term

COVID Rebound Sets M&A Record in 2021

Quarterly North American M&A Activity¹



North American M&A Highlights

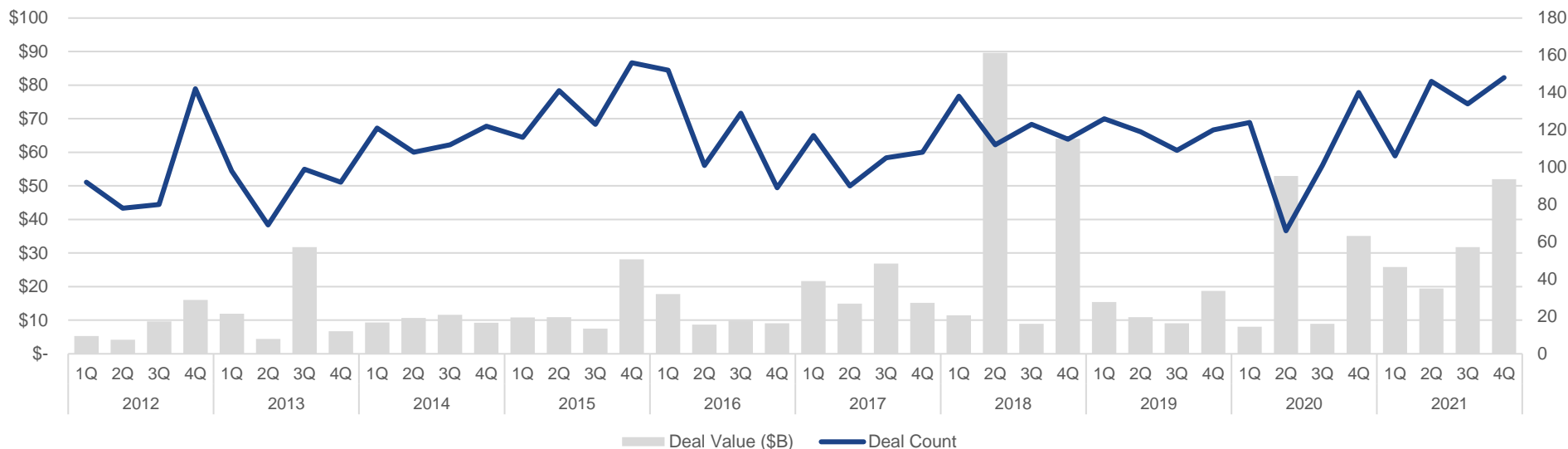
- An estimated \$843 billion was spent across 5,387 North American deals in the fourth quarter, increases of 42% and 30%, respectively, over the fourth quarter 2020
- 2021's \$2.75 trillion in spend across roughly 12,500 deals sets a record, rebounding from a relatively weak 2020, and topping 2019 values by 28% and 36%, respectively
- Cheap financing, a strong economy, and large amounts of cash on acquirer balance sheets have been factors driving record-setting M&A activity
- Though the short-term outlook remains positive, long-term activity may slow amid rising borrowing costs, higher inflation, geopolitical events, and other factors

Notable US Q4 Transactions

Close Date	Target	Acquirer	Consideration (millions, USD)
Dec 14	Kansas City Southern	Canadian Pacific Railway	\$ 31,000
Dec 08	Pharmaceutical Product Development	Thermo Fisher Scientific	17,400
Nov 01	MailChimp	Intuit	12,000
Nov 19	Accelaron Pharma	Merck & Co	11,500
Nov 01	VEREIT	Realty Income	11,000
Dec 13	Hill-Rom Holdings	Baxter International	10,500

Kansas City Southern Deal Highlights Midwest Activity

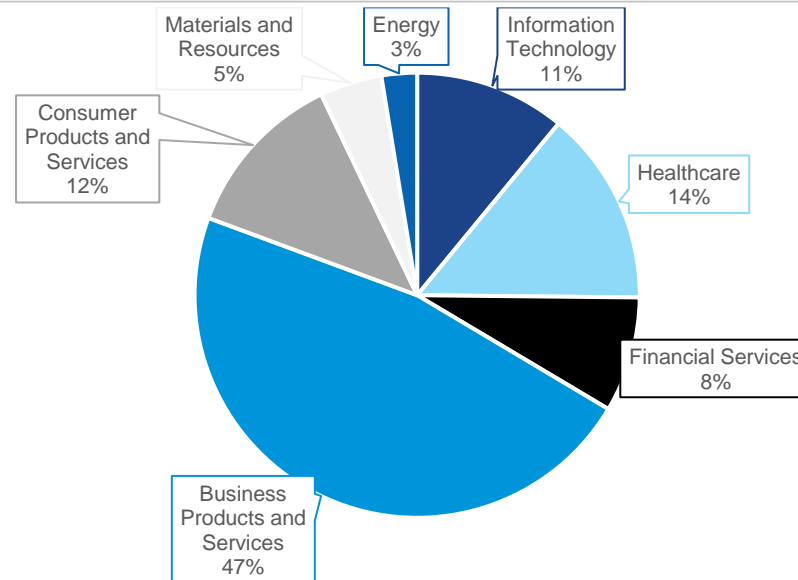
Quarterly Midwest M&A Activity¹



Midwest M&A Highlights

- There were 148 reported Midwest M&A deals in the fourth quarter, accounting for \$52 billion of value – Canadian Pacific’s acquisition of Kansas City Southern contributed more than half of total value
- For the full year, 534 deals totaling \$129 billion in spend topped 2020 figures of 431 deals and \$105 billion in value
- Business product and service companies accounted for the most deals, followed by companies that focus on consumer products and services
- Oracle announced in the fourth quarter that it would acquire Kansas City-based Cerner for \$28.3 billion, setting the stage for another quarter of elevated deal value

Q4 Midwest Activity (#) by Sector



Notable Fourth Quarter Midwest M&A Transactions

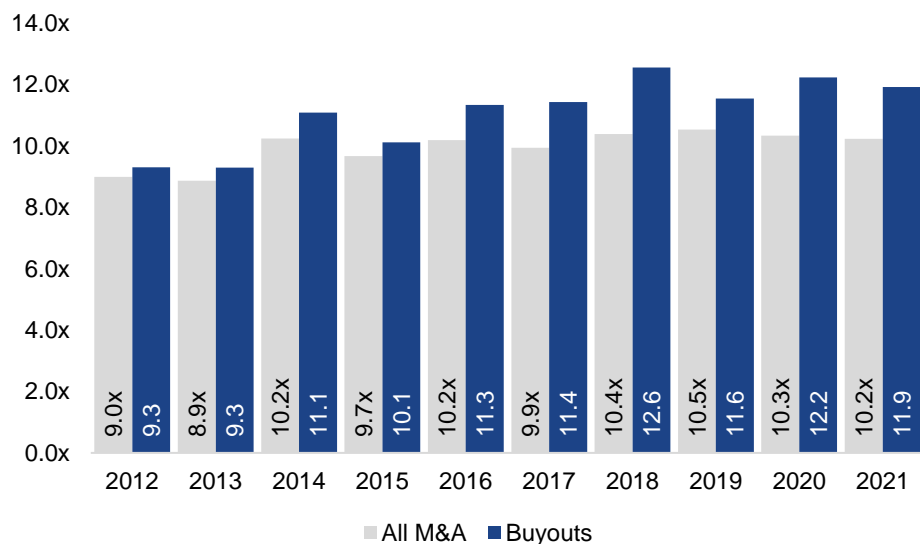
Date Closed	Target	Investor	Target City	Target Description
Oct 01	Alpha Packaging	Pretium Packaging (Clearlake Capital Group, Branford Castle)	Saint Louis, MO	Manufacturer of plastic bottles and jars
Oct 01	Sizewise Rentals	Agiliti Health	Lenexa, KS	Manufacturer of medical equipment and consumer sleep systems
Oct 21	Summit Truck Group	Rush Enterprises	Kansas City, MO	Operator of commercial truck and bus dealerships
Oct 25	Sab Biotherapeutics	Big Cypress Acquisition	Sioux Falls, SD	Developer of human antibodies produced from transchromosomal bovine herds
Oct 25	TerraSource Global	Right Lane Industries	Saint Louis, MO	Manufacturer and provider of material processing handling equipment
Nov 01	CIVCO Radiotherapy	Blue Wolf Capital Partners	Coralville, IA	Designer and manufacturer of radiotherapy positioning and immobilization devices
Nov 01	Medical Solutions	Centerbridge Partners, Caisse de dépôt et placement du Québec	Omaha, NE	Provider of travel nursing and medical staffing solutions
Nov 02	Avera eCare	Aquiline Capital Partners	Sioux Falls, SD	Provider of telemedicine services
Nov 09	EverArc Holdings	Perimeter Solutions	Clayton, MO	Manufacturer of firefighting products and lubricant adhesives
Nov 30	Raven Industries	CNH Industrial	Sioux Falls, SD	Provider of diversified technologies to industrial, agricultural, energy, and defense markets
Dec 01	Businesssolver	Stone Point Capital	West Des Moines, IA	Developer of SaaS-based employee benefits administration software
Dec 01	Meredith	Dotdash	Des Moines, IA	Publisher of media and marketing services
Dec 02	Premium Retail Services	Acosta (Oaktree Capital Management, <i>et al.</i>)	Chesterfield, MO	Provider of tech-enabled strategizing and analytics services
Dec 06	Midwest Motor Express	Knight-Swift Transportation	Bismarck, ND	Operator of a truckload carrier
Dec 14	Kansas City Southern	Canadian Pacific Railway	Kansas City, MO	Operator of a Class I railroad
Dec 21	Intouch Group	Eversana (Water Street Healthcare Partners, <i>et al.</i>)	Overland Park, KS	Provider of advertising and marketing services
Dec 27	Concentrix Catalyst	Concentrix	Omaha, NE	Operator of an enterprise information suite
Dec 31	Elessent Clean Technologies	BroadPeak Global, Asia Green Fund, Dussur, <i>et al.</i>	Chesterfield, MO	Provider of clean technologies for industrial processes

Valuations Unchanged from Third Quarter

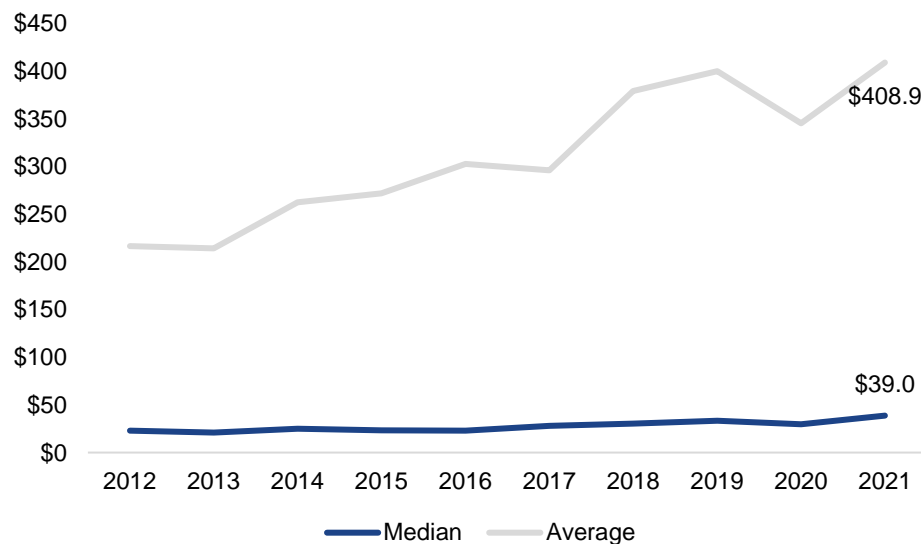
Valuation Highlights

- M&A valuations in 2021 are relatively flat from 2020, with a median valuation of 10.2 times Earnings Before Interest, Depreciation, & Amortization (EBITDA), and unchanged from the third quarter
- Valuations paid by financial buyers (investors by primary nature) remain higher than valuations paid by strategic buyers
- Softness in valuations may be on the horizon as the Fed begins to increase interest rates
- 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> 
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