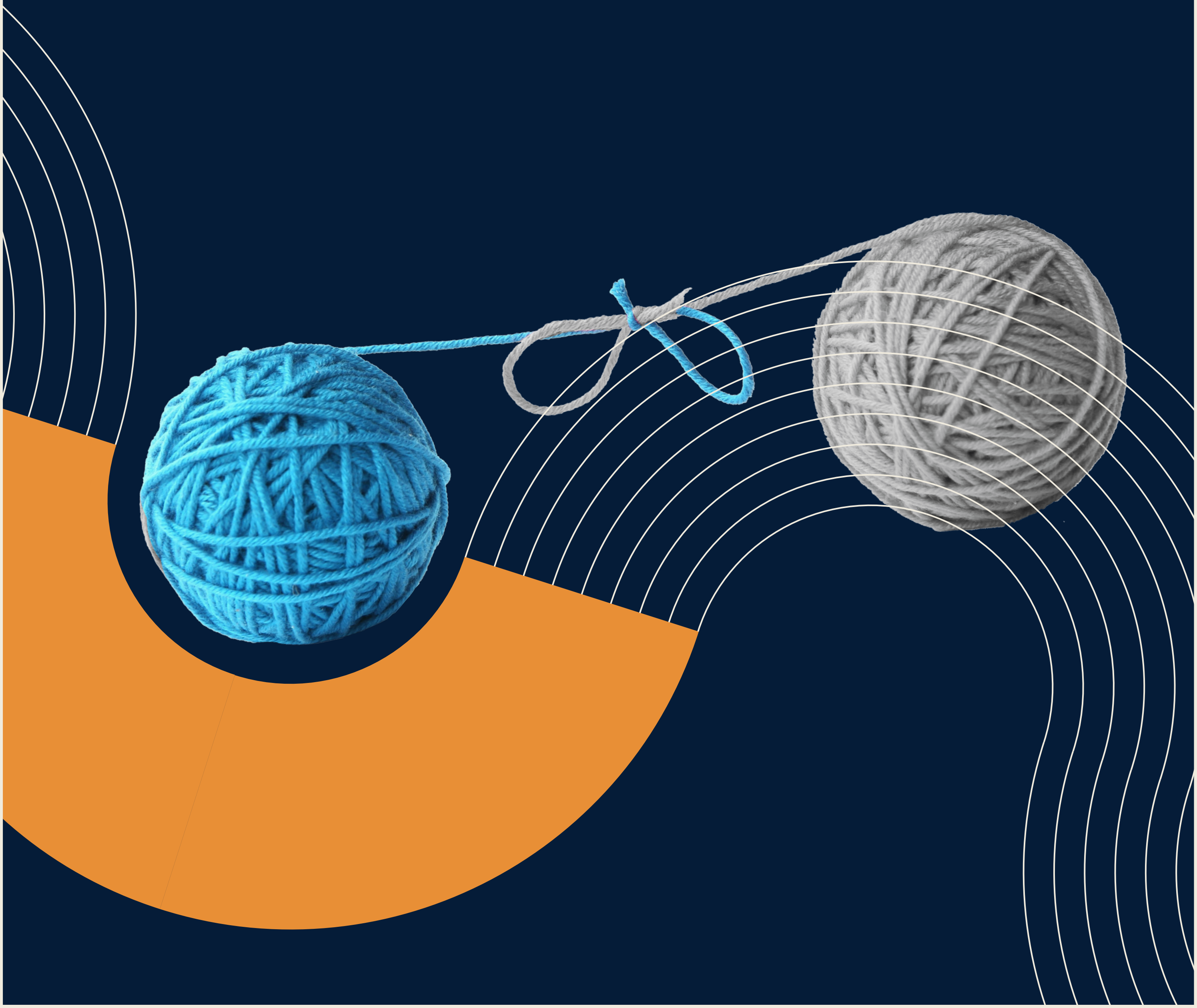
PitchBook

Q1 2023

GLOBAL M&A Report



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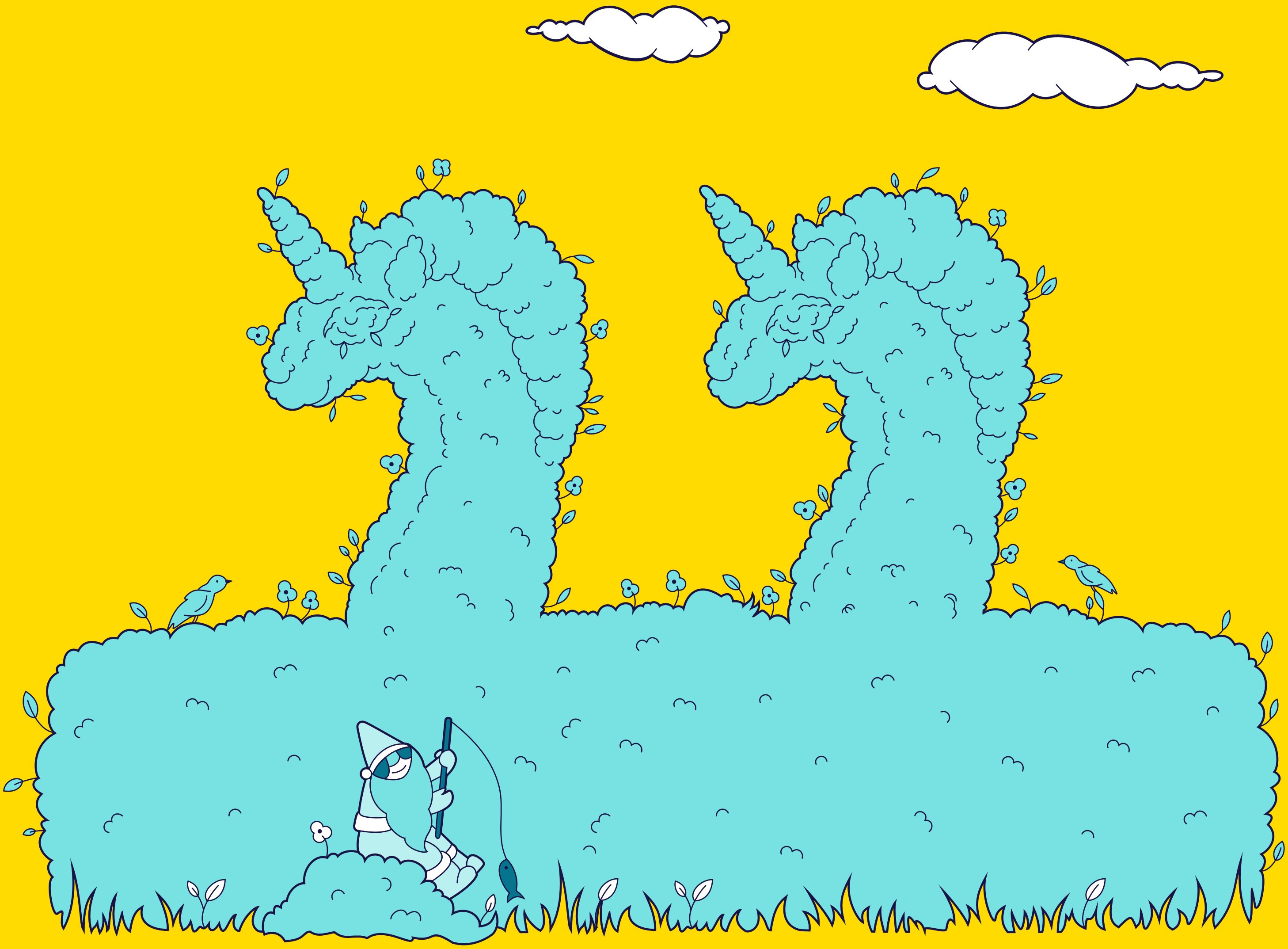

PitchBook

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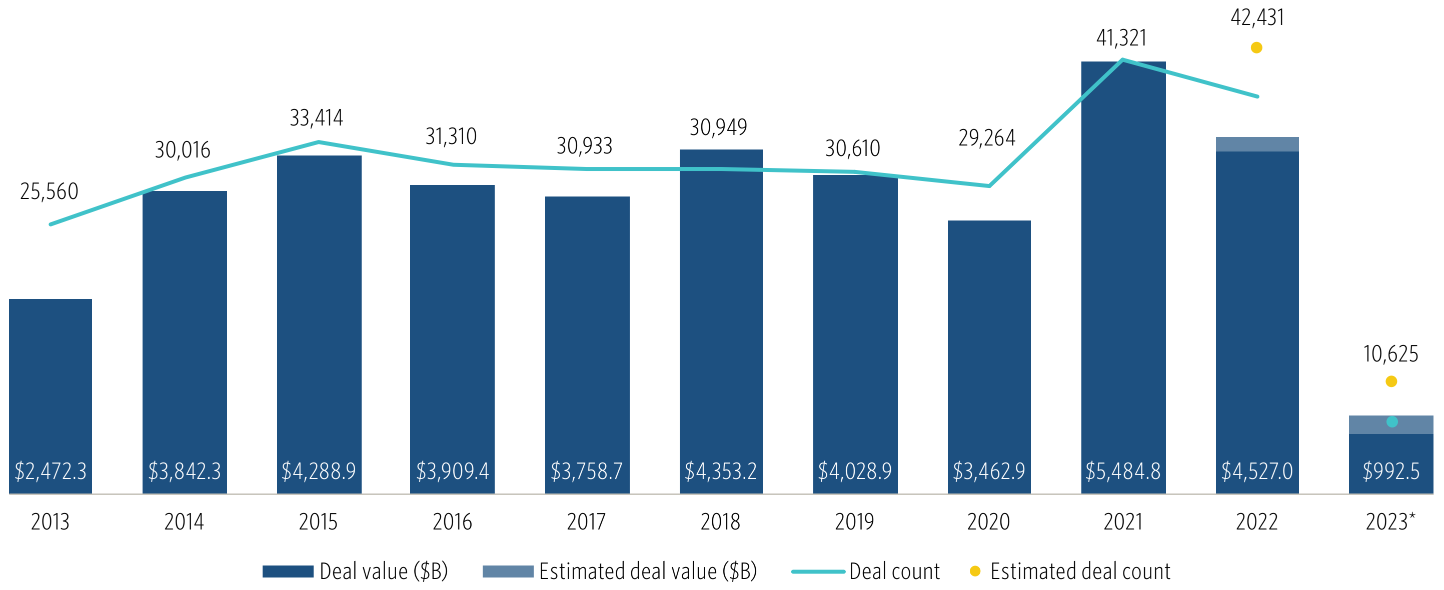
Overview

M&A activity



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Tim Clarke
Lead Analyst, Private Equity

Global M&A faltered in Q1 2023. Deal value retraced Q4 2022's modest gain and is now down 32.2% from the Q4 2021 peak. The harsh macroeconomic backdrop that drove the decline in 2022 persisted in the new year, joined by a near crisis in banking. Still, dealmakers managed to overcome those challenges and post another quarter in which deal value was just shy of $1 trillion.

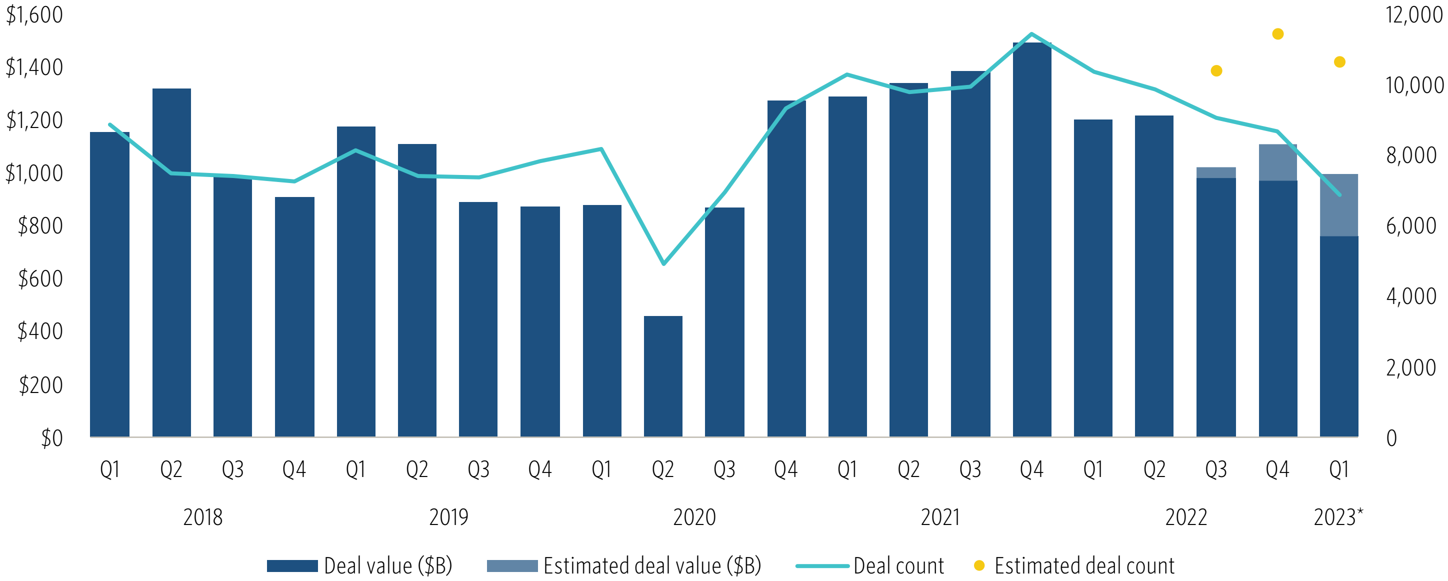
Heavily discounted prices helped support this activity, especially in the sub-$100 million size range. This segment comprises the cheapest part of the market by far, with a median enterprise value (EV) to revenue multiple of 1.1x based on the last 12 months of deal flow, a 31.3% discount. For comparison, the median (TTM) revenue multiple for global M&A overall was 1.6x.

As PE firms balked at selling portfolio companies at lower prices—M&A exits by PE declined by 25.2% in the US in 2022—founder-owned businesses stepped in to fill the void. These private owners have always been the largest block of sellers in the M&A market, and in 2023 their share has stepped up to 85.3%, an all-time high. They also happen to dominate the sub-$100 million segment. As these two segments—founder-owned businesses and sub-$100 million companies—make up more of M&A transactions, they are exerting downward pressure on the median purchase price multiple.

The downward pressure can be seen very recently in PE-led deals. While corporate-led deals have been in full correction mode for some time, declining by 24.3% from 2021's peak, PE deal multiples have held firm at 2.5x revenue in 2021 and 2.4x in 2022. In 2023, however, multiples have finally collapsed. The median multiple on PE deals now stands at 1.7x revenue, with nearly half of those deals coming from the sub-$100 million segment and primarily involving founder-owned targets.

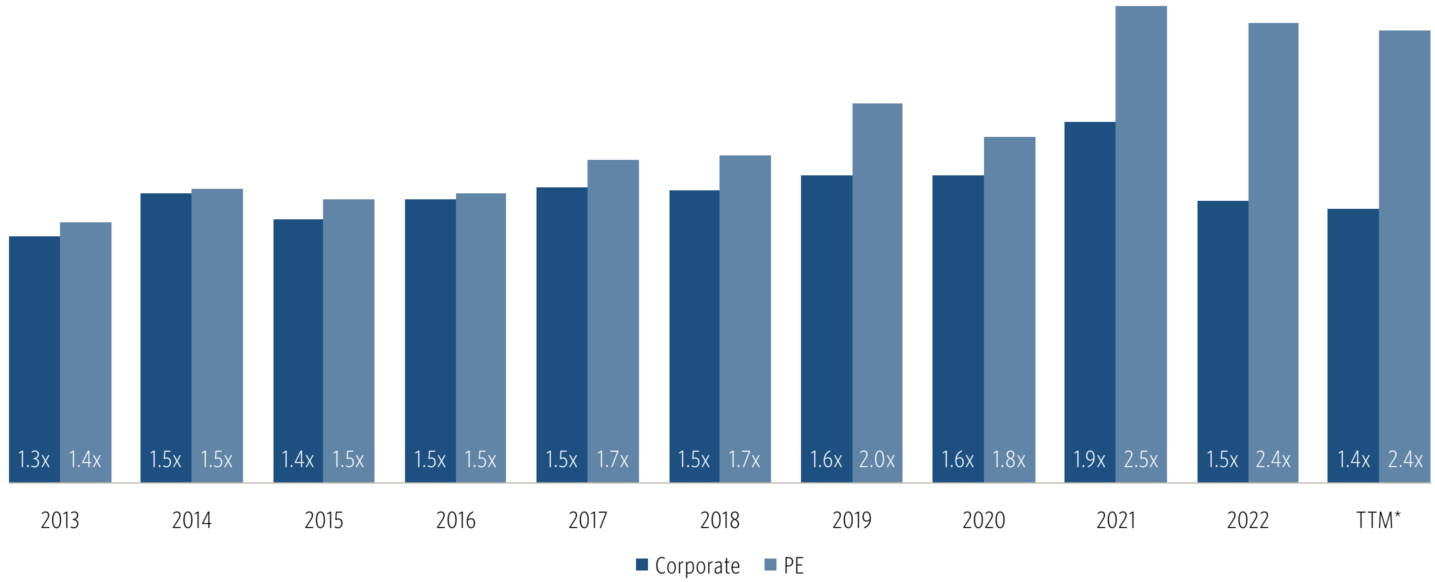
Lower valuations now available to PE and corporate buyers have helped prop up deal flow and avoid an even steeper decline. Q1 2023 deal value declined by 10.0%, pushing below a sluggish Q3 2022. Quarterly deal flow is now on par with pre-COVID-19 levels (up 37.9% by count), which we define as the 12 quarters spanning 2017 through 2019. At the time, these were considered very good quarters and years for M&A.

M&A activity by quarter



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

EV to revenue multiples paid by acquirer type

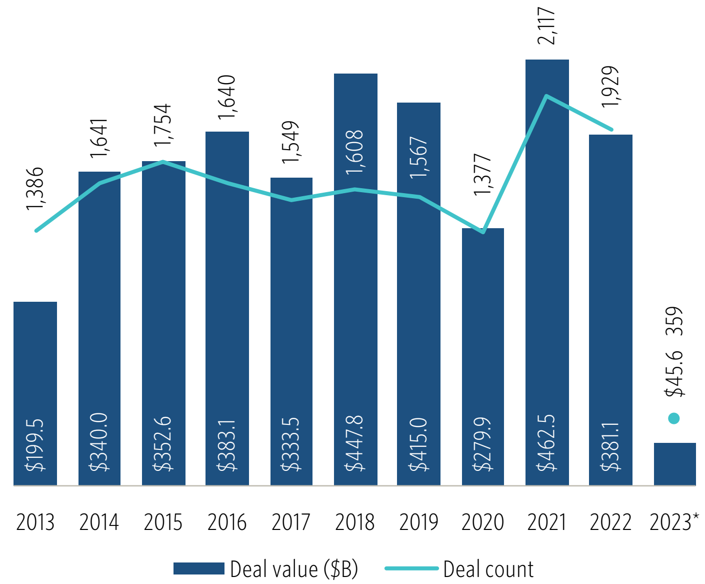


Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

North American M&A deal activity with non-North American acquirer

Source: PitchBook • **Geography:** North America
*As of March 31, 2023

European M&A deal activity with non-European acquirer



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

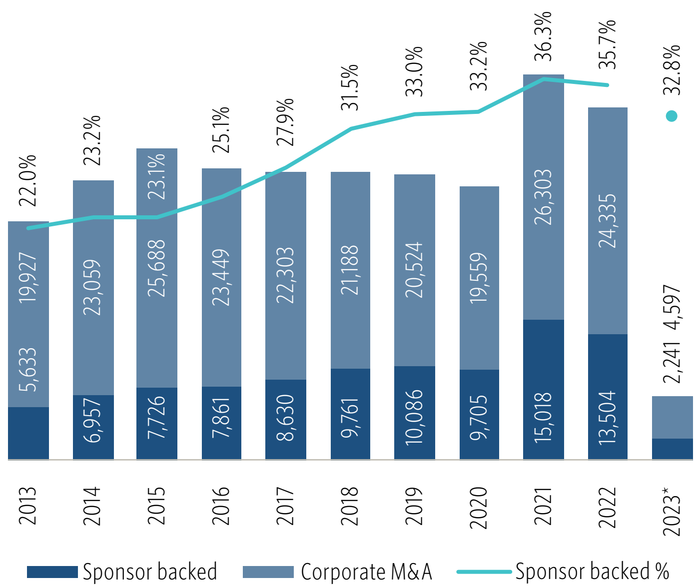
On the surface, PE buyers appear to pay higher purchase price multiples than corporate buyers. However, looks can be deceiving. PE has a disproportionately higher disclosure rate on pricier deals of $5 billion or more in size. For the most part, these are take-privates of public companies where purchase price multiples are readily discernable. Surprisingly, PE buyers have paid less for these larger targets than their strategic counterparts, especially on an EBITDA basis where the discount exceeded 50% in the 12 months ending Q1 2023. That said, PE has consistently paid up for middle-market companies: The median multiple on PE deals below $1 billion in the last year was 2.0x. That compares to 1.3x for corporate-led deals in the middle market.

Cross-border M&A has slowed significantly so far in 2023. After climbing to a 20-year high in 2022, the US dollar has retreated by more than 10%, reducing the purchasing power for North American acquirers which had accounted for one in 10 European M&A deals and 21.3% of value. Since then, however, the pace of cross-border activity between North America and Europe has slowed by 38.4% and 45.7%, respectively. The net flow of M&A capital to Europe has evaporated for now.

The near-banking-crisis in the US and Europe did not disrupt the M&A market. Indirectly, it changed the outlook on interest rates, with markets now expecting easier monetary policies before the year is out. At the same time, however, turbulence in the sector put downward pressure on leveraged loans that many big banks are seeking to offload. This has slowed the re-opening of the bank-led syndicated loan market, which had been picking up speed until recently.

Deal metrics

M&A deal count by acquirer type



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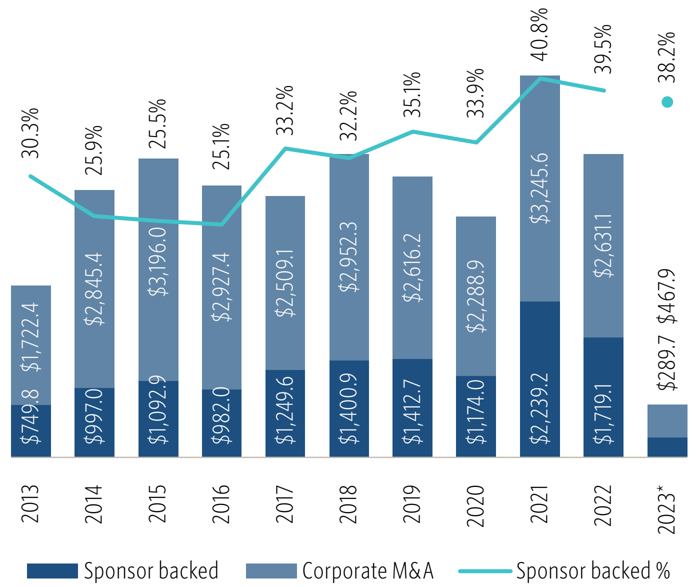
*As of March 31, 2023

M&A deal value by acquirer type ($B)



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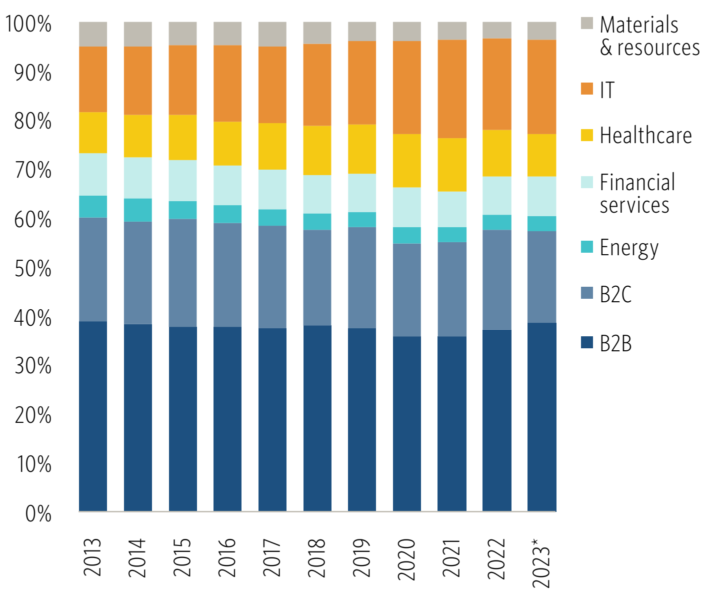
*As of March 31, 2023

Share of M&A deal count by sector



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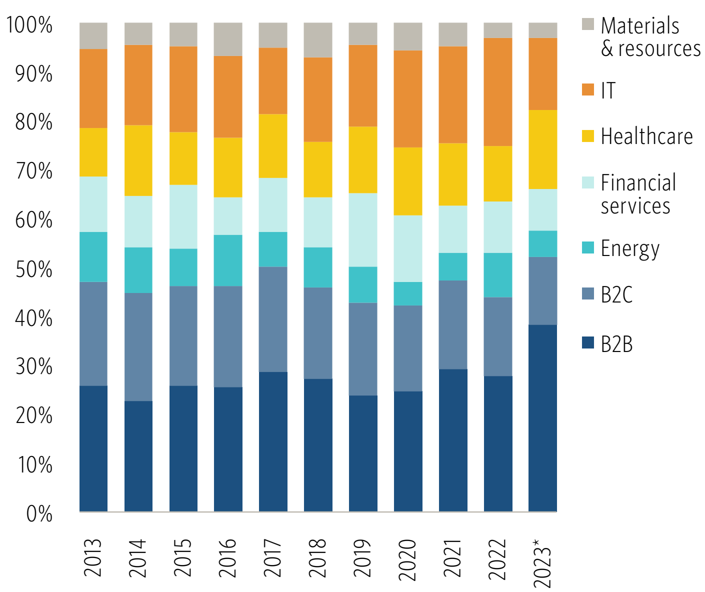
Share of M&A deal value by sector



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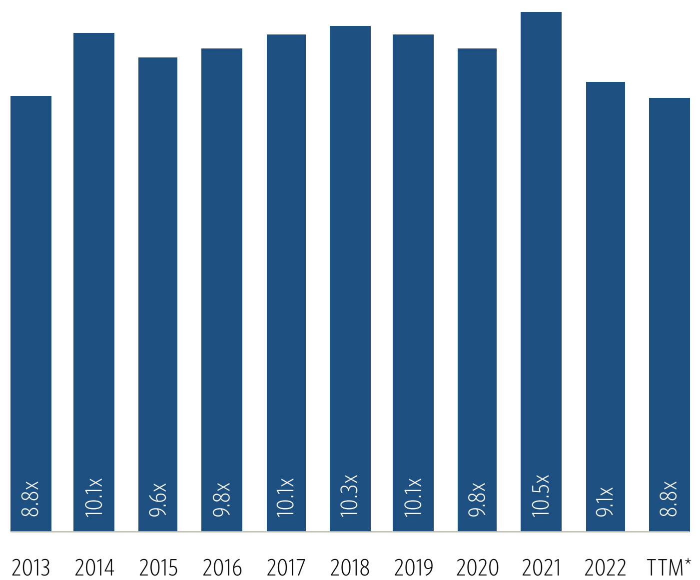
*As of March 31, 2023

Valuation metrics

M&A EV/EBITDA multiples



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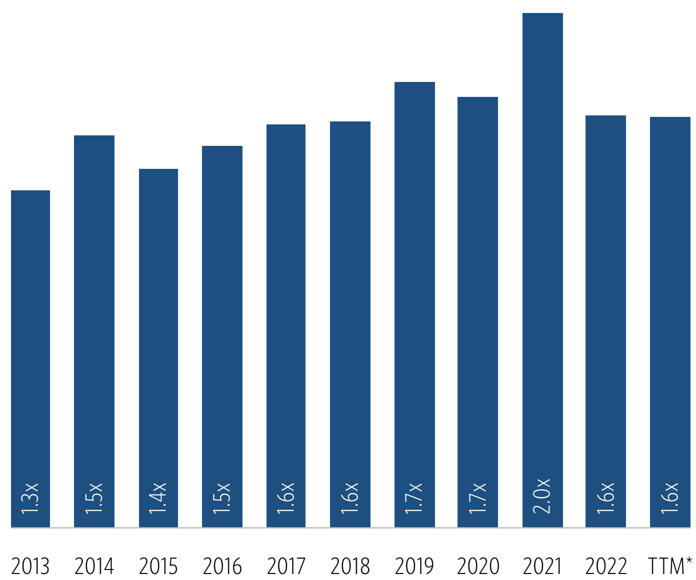
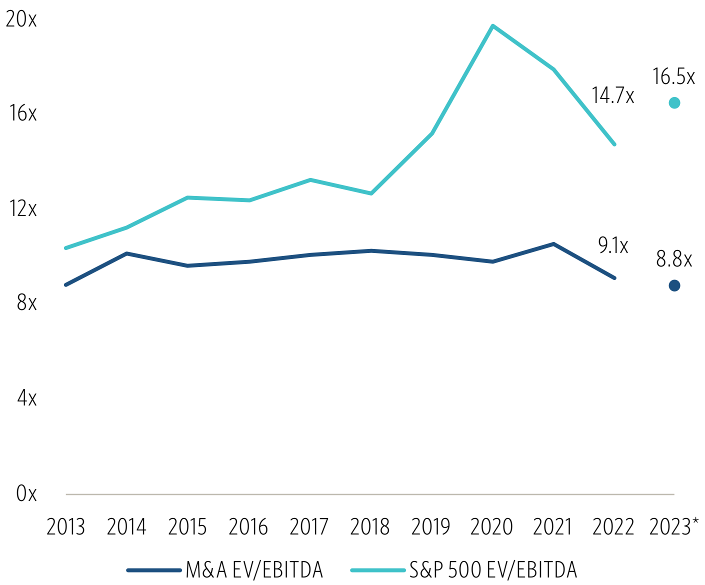
*As of March 31, 2023

M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

Public company trading multiples vs M&A deal multiples (EV/EBITDA)



Source: PitchBook • **Geography:** North America & Europe
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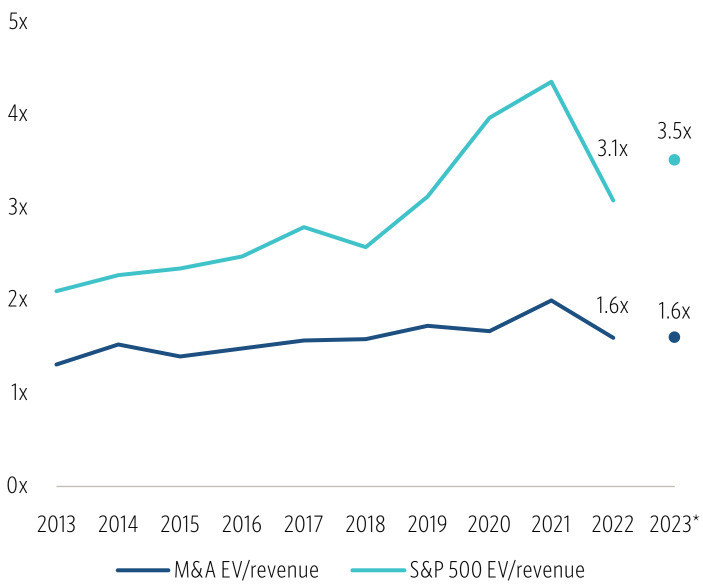
Public company trading multiples vs M&A deal multiples (EV/revenue)



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*As of March 31, 2023

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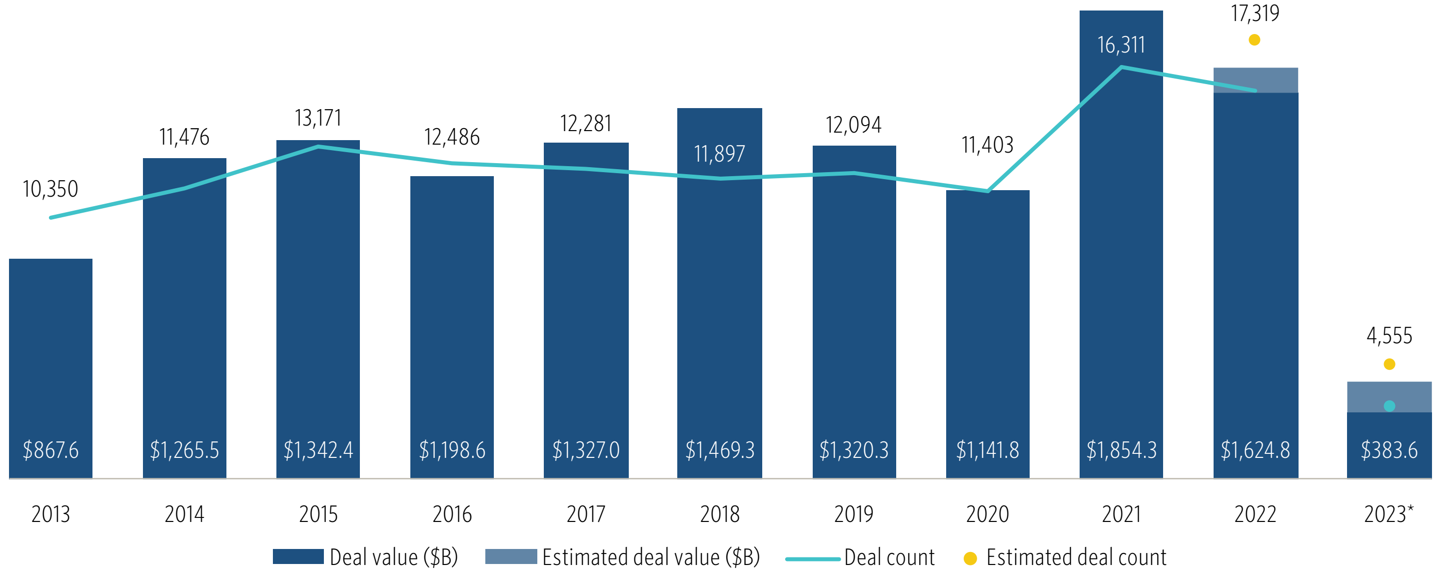
European M&A

M&A activity



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

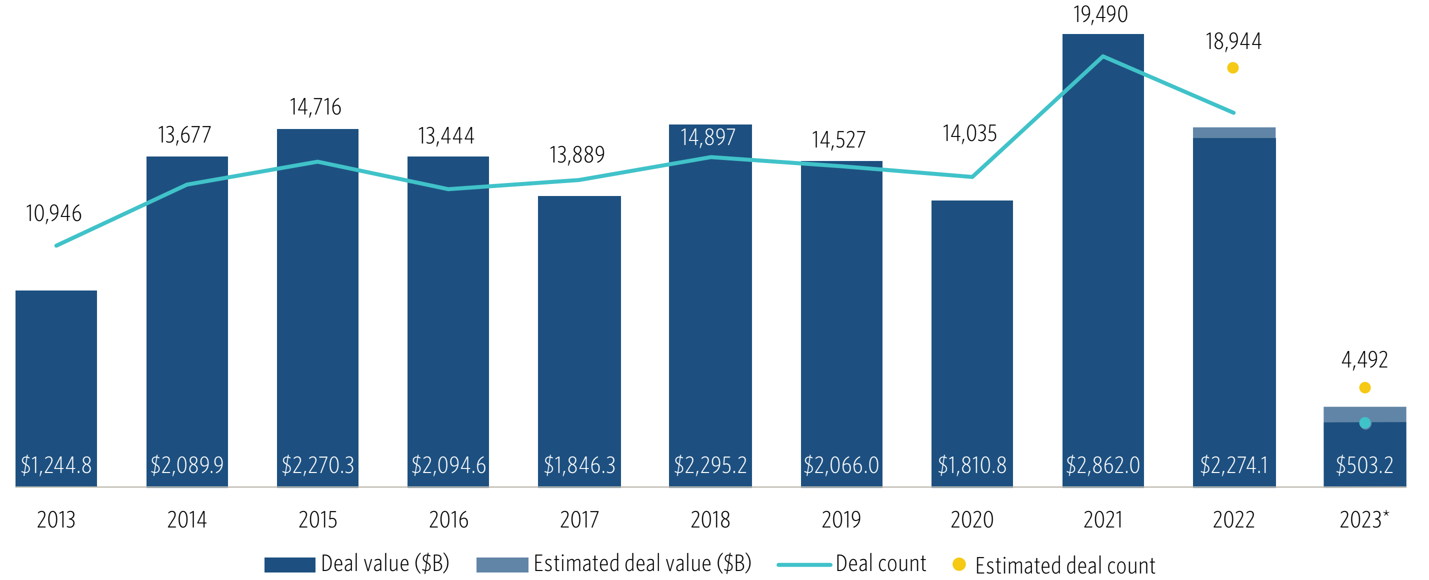
Nicolas Moura, CFA
Analyst, EMEA Private Capital

European M&A levels have scaled back slightly but remain in line with pre-pandemic levels. Q1 2023 saw an estimated 4,555 M&A deals, down 4.3% QoQ while M&A deal value dropped to $383.6 billion, down 10.7% QoQ. Q1 2023 will be remembered for some seismic global non-confidence moves in the banking sector in March, with the collapse of SVB in the US and the takeover of Credit Suisse in Europe both challenging the solvency of global banking. A doomsday scenario seems to have cleared thanks to the respective regulators stepping in. In Switzerland, Credit Suisse fell some 99% from its peak share price, and within a few days, the Swiss regulator forced its archrival UBS to purchase the bank for a symbolic $3.2 billion to avoid another bank collapse. The European Central Bank (ECB) and the Bank of England (BoE) nonetheless stayed the course to tackle elevated levels of inflation by increasing interest rates. The ECB twice hiked rates by 50 basis points in Q1, taking the benchmark interest rate to 3.0%; the BoE followed suit, albeit increasing by only 25 basis points the second time around. The UK base rate stands at 4.25% as of the end of Q1. These moves present a rather volatile and hostile environment for dealmakers and have contributed to the lower levels of M&A deals at the start of the 2023. Higher interest rates have caused borrowing costs to soar, making it costlier for sponsors to finance their M&A deals. The tighter credit market has also impacted the multiples sponsors are willing to pay, and we have seen a stronger decrease in multiples in Europe compared with the US. For more on multiples, please refer to our recent analyst note: Exploring European Buyout Multiples.

European M&A continued to benefit from cross-border deal flow. The 20-year high in the US dollar provided a strong tailwind in 2022: North American buyers accounted for 21.2% of all European M&A value and $100.8 billion net flow in favor of Europe, setting a 16-year high. Since then, however, the dollar has retreated by more than 10%, and cross-border activity between North America and Europe has slowed significantly in both directions, down 38.4% and 45.7%, respectively. Nonetheless, the second largest M&A deal in Europe saw US manufacturer Chart Industries acquire Scottish industrial equipment maker Howden for $4.4 billion thanks to a bridge financing from JP Morgan and Morgan Stanley.

North American M&A

M&A activity



Source: PitchBook • **Geography:** North America
*As of March 31, 2023

Jinny Choi
Analyst, Private Equity

M&A activity in North America remained steady in Q1 2023, with an estimated 4,492 deals closed or announced for a combined value of $503.2 billion. Despite continuing market headwinds, quarterly M&A value is now on par with pre-pandemic (2017-2019) levels and is down 22.1% in count and 35.9% in value from the Q4 2021 peak. Compared to Q4 2022, M&A deal value dropped 5.5% while deal count fell 10.1% as the sudden seizures of banking institutions in March put a damper on Q1's activity. Nonetheless, the top 10 deals in Q1 accounted for $109.6 billion, as both corporate and PE buyers closed gargantuan deals. Pfizer's $42.0 billion acquisition of Seagen marked the largest North American deal for Q1, followed by PE players' $12.5 billion take-private of Qualtrics.

The US Federal Reserve (Fed) pressed ahead with a 25-basis-point interest-rate hike in March despite the recent banking crisis in a sustained fight against inflation, but showed signs that hikes are nearing an end. A less hawkish tone from the Fed led many US banks to expect potential rate cuts in the second half of the year after another expected 25-basis-point raise in May, which would bring the rate to a 5.0%-5.25% range.[1]

Other than forcing distressed sales of a handful of banking institutions, the Silicon Valley (SVB) meltdown did not disrupt the M&A market. Indirectly, it changed the calculus on interest rates, with markets now discounting the possibility of a Fed Funds cut before the year is out. That would certainly be a positive in a market that has been throttled by high interest rates. On the negative side, however, SVB's demise has postponed the nascent recovery in the bank-led leveraged loan market used to fund M&A in years past. These same banks are struggling to offload an estimated $40 billion in hung deals, and the SVB crisis has reduced the carrying value of those loans, thus tying up more capital, which has kept big banks on the sidelines for longer as a source of lending for future M&A deals.

1: "Factbox: Wall St Banks Expect One More Fed Rate-Hike as Recession Looms," Reuters, April 13, 2023.

A WORD FROM LIBERTY GTS

CLRI: A mitigation tool for litigation risks

Litigation can be expensive, unpredictable, and time consuming. No matter the merits of the client's arguments, prolonged litigation and potential liabilities can also cast a shadow over a company's future. Even when companies have been awarded damages, an appeal by the counterparty could reduce or erode damages or delay a prevailing party's ability to monetize the judgment and use the proceeds to grow the business. Fortunately, contingent legal risk insurance (CLRI) policies can provide protection to companies against potential legal risks associated with business operations. Legal risks can arise from various sources, including existing or anticipated litigation, contractual disputes, regulatory investigations, and intellectual property (IP) infringement.

Ankit Patel

Underwriter, Contingent Legal Risk Insurance
Liberty GTS

Ankit is an Underwriter in the Contingent Legal Risk Team. Prior to the joining Liberty GTS in 2022, Ankit was Senior IP Underwriting Counsel at Ambridge Partners LLC focusing on reps & warranties, IP and contingency liability insurance. Prior to Ambridge Partners, Ankit was an associate in the intellectual property team at Gibbons PC, where he advised clients in patent litigation and prosecution matters.

While contingent legal risk insurance is a relatively new insurance product, we have seen a substantial increase in submissions over the past two years as clients and lawyers have gained a better understanding of the product.

Types of contingent legal risk insurance

Currently, contingent legal risk insurance policies fall into three categories: adverse judgment insurance, judgment preservation insurance, and specific contingency insurance. Below is a brief description of each type and how it can be used by companies:

- Adverse judgment insurance policies are designed to protect defendants from the financial impact of a negative judgment in an existing or potential dispute.

- Judgment preservation insurance policies are designed to protect an award issued to plaintiffs against the risk of reversal or reduction of the damages award in post-trial or on appeal. Clients may further utilize these policies to monetize lower court judgments via financing. In other words, these policies allow clients to benefit immediately from lower court by allowing clients the ability to "lock in" an award and seek financing at more attractive terms in the amount of the policy limits.

- Specific contingent insurance policies are designed to protect clients against known legal issues that create potential legal exposure—for example, permitting risks, and missing, invalid or unenforceable provisions in agreements.

These policies are typically customized to meet the specific needs of the insured. This means that the policy will be tailored to the specific legal risks that the company faces, thus ensuring that the coverage is relevant and effective. Some policies may provide coverage for specific types of legal disputes, while others may be broader in scope. Some policies may require the insured to pay a deductible or self-insured retention, while others may not. Insureds should work with dedicated contingent legal risk brokers to negotiate a policy specifically tailored for their needs.

Judgment preservation insurance for IP issues

Currently, roughly 40% or more of our submissions are IP-related, and remaining submissions are spread across other commercial litigation risks.

While the amount of the submissions related to IP matters appears to be disproportionate to the overall number of litigations, given the value of IP damage awards and the uncertainty of appellate outcomes, judgment preservation policies provide a substantial value to parties engaged in IP litigation. In a patent infringement litigation, in a scenario wherein the client has obtained at $250 million judgment, the client may be able to procure a policy limit of up to $250 million to ensure the award in the event the Federal Circuit vacates the awards and turns the value of the award to $0. In that context, an insurance policy could protect the client's funds and profit and loss (P&L) from a reversal or reduction in damages awarded.

Value-add of CLRI for small companies

As awareness of the product increases, buyers, sellers, brokers, and lawyers are beginning to see value in using the tool. The product has seen huge growth in the US market, at least partly due to the litigious nature of the environment in the US. Here, the requested insurance limit ranges between $1 million to $2 billion. Europe is also experiencing growth, due to the sophistication of the market and the existing understanding of the product. In Europe, submissions are slightly lower than the US and tend to range between $10 million and $300 million. In Asia, the product has just started to take off but may take time to penetrate the market due to the economic, legal, and political environment in certain countries.

Across the US and Europe, we are starting to see more sophisticated submissions. Recently, we have seen an uptick in strong submissions from smaller companies that are taking on larger players. While a bespoke policy can be expensive, it can help the business to monetize immediately without having to wait for the outcome of an appeal, which may not go in their favor. In many cases, it also allows the business to free up funding to grow their business—money that, had they been in long and drawn-out legal proceedings with an unknown outcome, would have had to be held back in reserve.

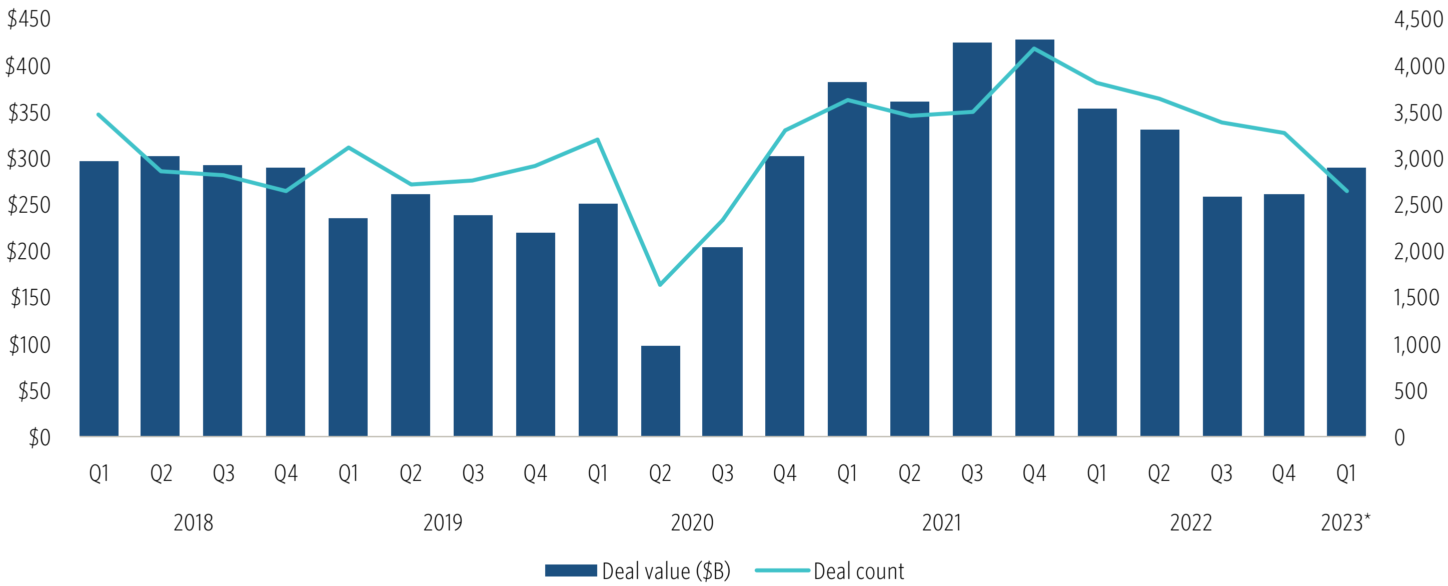
As buyer activity increases, the contingent legal risk product is evolving, and our experience from multiple deals means it is becoming more flexible and able to meet specific client needs. Over the last year, for example, we have seen a considerable change in policy forms. However, as understanding of the product grows, more significant changes are being made to meet the requirements requested by brokers. Reporting structures are also constantly evolving as more deals are written. The product is becoming extremely flexible, which makes it much more user friendly for clients.

About Liberty CLRI Team

At Liberty GTS, we have a one of the largest global teams of dedicated CLRI underwriters in the industry. Our CLRI underwriters focus exclusively on contingent legal risks, and as we operate across multiple jurisdictions, we have the local legal knowledge and deal experience to evaluate and underwrite each risk. Our underwriters bring a full complement of skills and experience that includes both litigation and M&A expertise in both common law and civil law systems, thus enabling our team to deliver CLRI policies on a broad spectrum of contingent legal risks.
We are able to deploy limits of up to $165 million on CLRI policies. As well as the advantage of being able to purchase a large limit from a single insurer, our clients benefit from our dedicated team of claims counsel who specialize in dealing with complex M&A claims, including those on CLRI policies.

B2B

B2B M&A activity by quarter



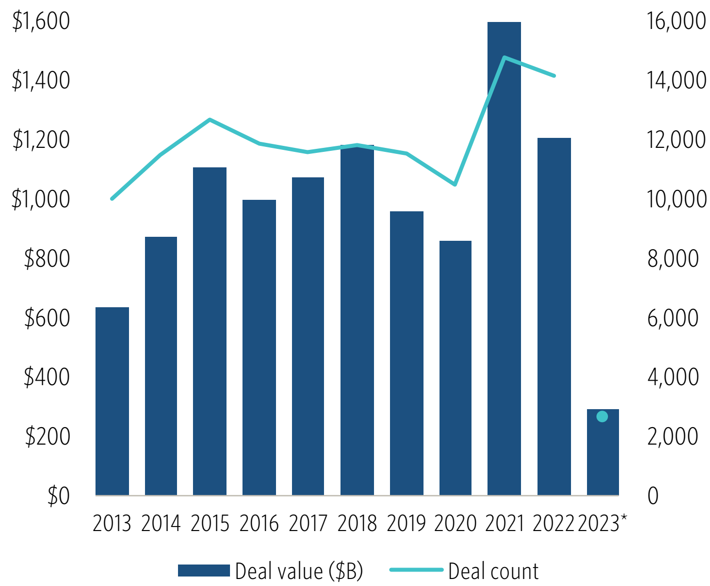
Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

Kyle Walters
Associate Analyst, Private Equity

B2B delivered mixed results amid a challenging M&A environment: B2B M&A deal count activity declined into the new year. The sector saw an estimated 4,102 deals transpire to start the year and was down 5.1% QoQ. Conversely, deal value was up 27.4% from the lower end of 2022. The total deal value for the sector was $378.2 billion in the first quarter of 2023, a higher figure than each of the previous four quarters. The increase in deal value was driven by the five deals of $7 billion or more and the ten deals of $2 billion or more. The bulk of this activity was driven by lower valuations and take-private transactions that benefited from the former.[2]

Lower valuations are taken advantage of in the B2B sector: Seven take-privates took place in the B2B sector in Q1, carrying on a trend demonstrated in 2022 as sponsors and corporates took advantage of battered public valuations. The largest of the take-privates announced belonged to Apollo and its announced acquisition of Univar Solutions for

B2B M&A activity



Source: PitchBook • **Geography:** Global
*As of March 31, 2023
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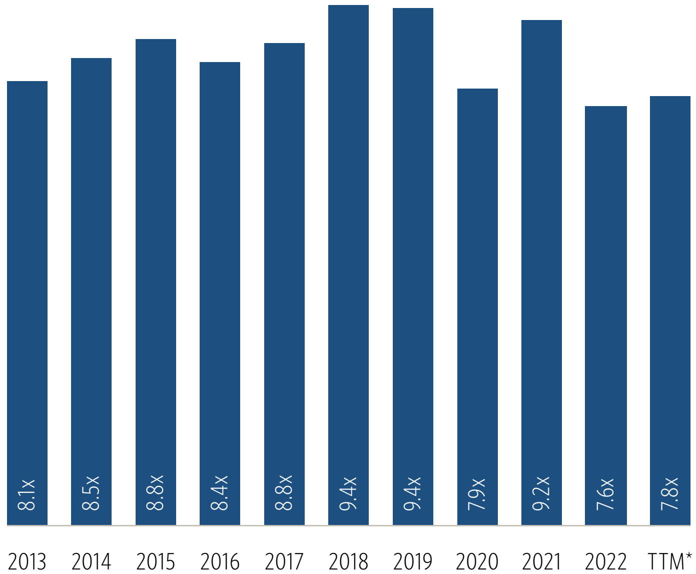
2: All Q1 2023 figures reflect estimated activity due to lag times in reporting.

B2B M&A EV/EBITDA multiples



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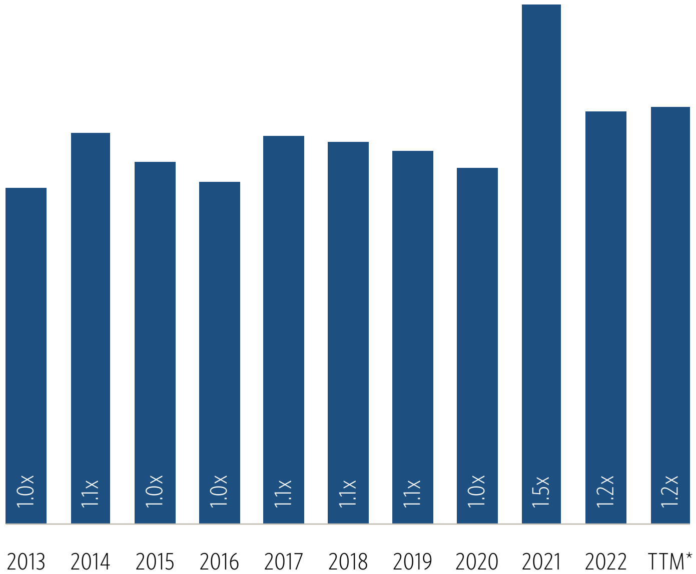
B2B M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

$8.1 billion, including debt. In March, EQT and Public Sector Pension Investment Board announced the acquisition of Radius Global Infrastructure for $3.0 billion. Take-privates are a staple transaction type that allows assets to be purchased at lower valuations or recently steep discounts. This trend will likely continue while valuations recover from the beatdown higher interest rates have delivered.

Large industrials M&A continues with multiple billion-dollar-plus transactions: While industrials businesses can be cyclical, the subsector has seen resilient M&A activity as input prices have declined and industrial capacity has rebounded. In March, Chart Industries announced the closing of its acquisition of Howden, a provider of mission-critical air and gas handling products, from KPS Capital Partners for $4.4 billion. The offerings of Chart and Howden are highly complementary, bringing multiple cost synergies and efficiencies within the first year.[3] In January, Xylem Inc. agreed to acquire Evoqua Water Technologies, a mission-critical water treatment solutions and services business for $7.5 billion. The combination of these businesses unlocks new growth opportunities and is expected to deliver run-rate cost synergies of around $140 million within three years, driven by scale efficiencies in network optimization and corporate costs.[4]

3: "Chart to Acquire Howden," Chart Industries, November 9, 2022.
4: "Xylem To Acquire Evoqua in $7.5 Billion All-Stock Transaction," Xylem, January 23, 2023.

B2C

B2C M&A activity by quarter

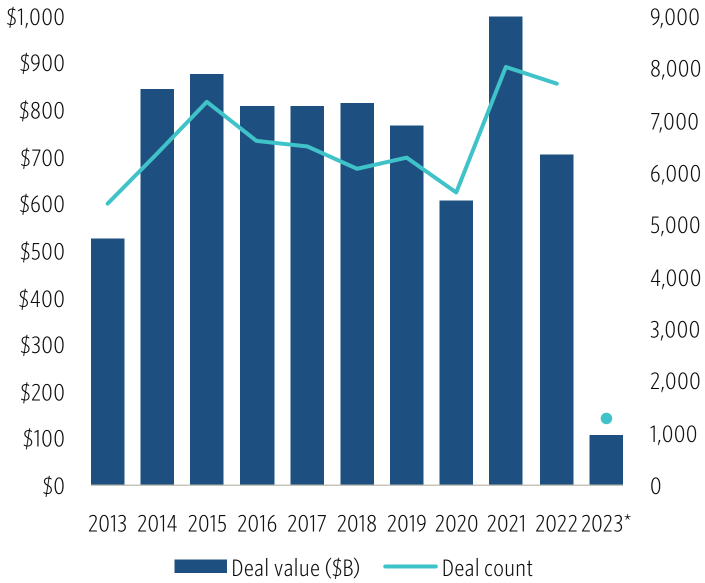
Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

Tim Clarke
Lead Analyst, Private Equity

M&A activity continues to slump in B2C: The B2C sector has been one of the weaker sectors since the correction in the M&A market began in Q4 2021. Quarterly deal value has declined 46.8% from that peak, or nearly twice the rate of decline in the overall market, and deal count is also down by 9.6%. Quarterly activity was weak again in Q1 2023, registering the largest sequential decline in value among all sectors from Q4 2022. The persistent weakness in B2C reflects deteriorating margins. Except for the most defensive ones, companies have struggled to fully pass on rising costs to consumers. This has dampened buyer interest in the sector, at least until the outlook for inflation improves.

Reduced enthusiasm for the sector is also reflected in purchase price multiples paid. Since 2021, the median EV/EBITDA multiple in the B2C sector has contracted by 31.9%. This compares to a 16.7% decline across all sectors. That multiple now stands at 6.7x on a trailing 12-month basis, or a 23.9% discount to the overall M&A median of 8.8x.

B2C M&A activity



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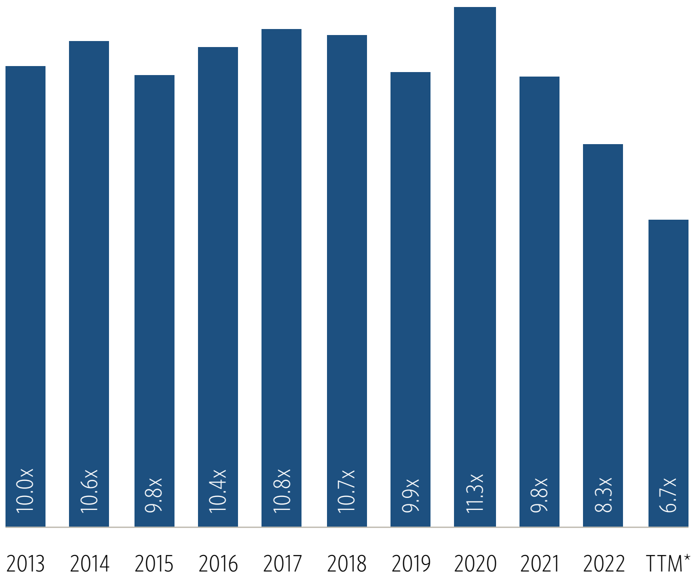
B2C M&A EV/EBITDA multiples



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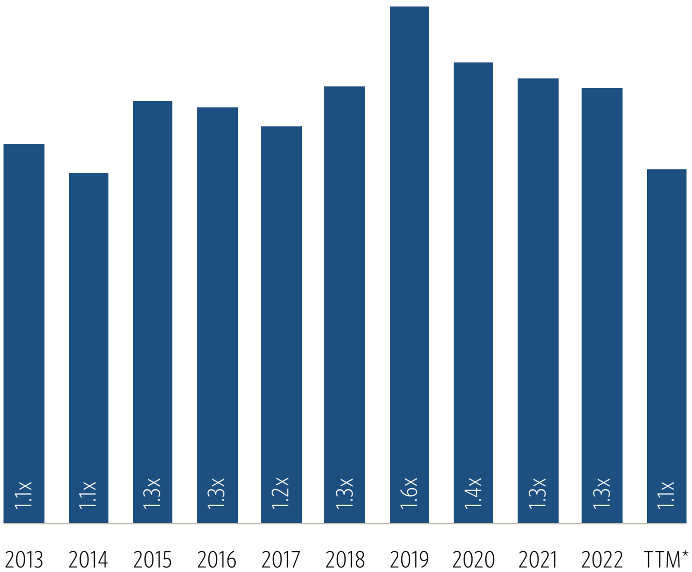
B2C M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America & Europe
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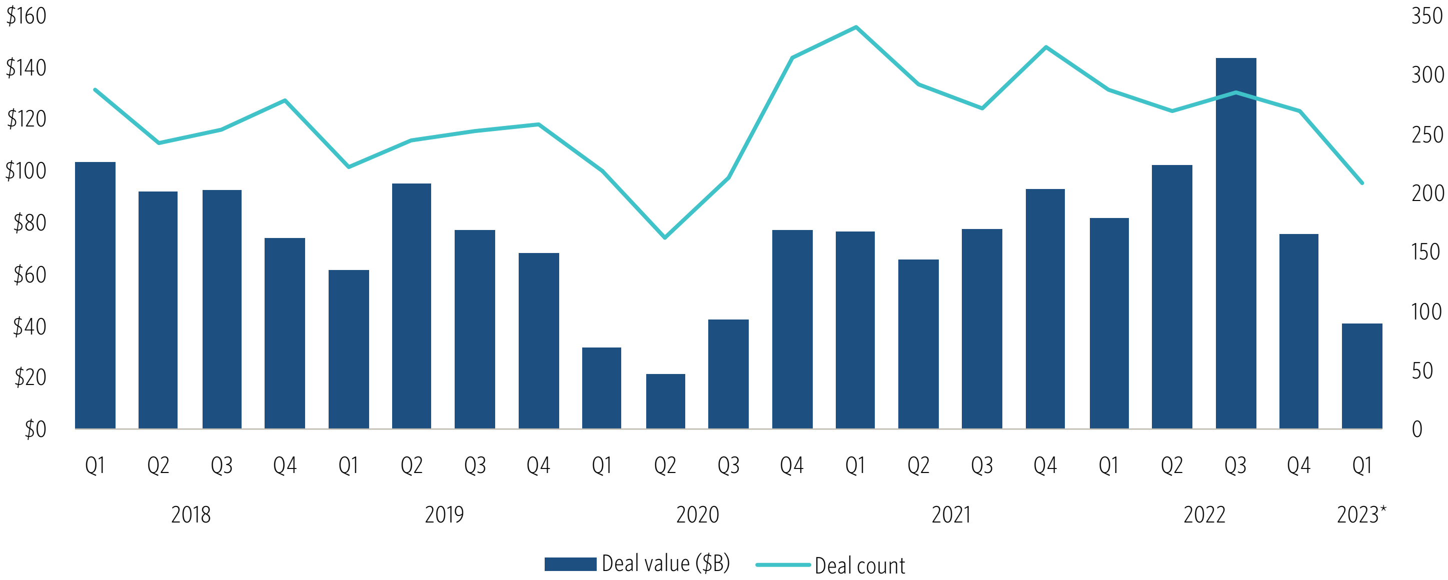
BP bets on travel, biofuel, and EV: Among the more notable large transactions in the quarter was BP's announced acquisition of TravelCenters of America (NASDAQ: TA). The $1.3 billion all-cash offer sent shares up by 79.1%. Inclusive of net debt and long-term lease obligations, the deal values the company at a total enterprise value of $3.1 billion or 1.6x net revenue. TA is a US operator of convenience stores and gas stations. The deal supplements BP's core travel center footprint, which it seeks to further expand and refit into an extensive electric vehicle charging network.[5]

Sports continue to fetch large deals: Also notable was the private sale of controlling shares in the Milwaukee Bucks NBA franchise to Haslam Sports Group, which also owns the Cleveland Browns NFL franchise. The $3.5 billion purchase price is believed to be the second highest price ever paid for a professional basketball team, following the $4.0 billion sale of the Phoenix Suns at the end of 2022. The prior owner of the Bucks, Marc Larsey, bought the team in 2014 for $550.0 million. Professional sports teams are perceived as stable growth media businesses in an otherwise disrupted live streaming entertainment market and continue to command strong M&A interest from qualified buyers.

5: All Q1 2023 figures reflect estimated activity due to lag times in reporting.

Energy

Energy M&A activity by quarter

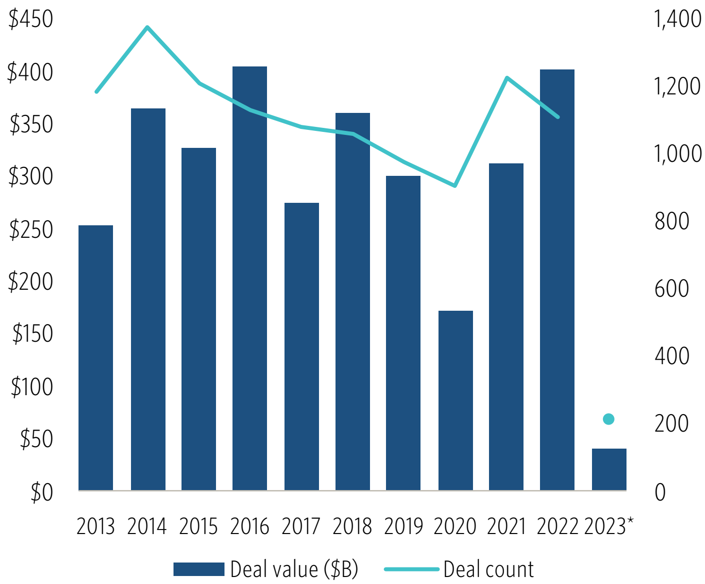


Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

Jinny Choi
Analyst, Private Equity

Energy M&A activity saw a steep decline: Prolonged macroeconomic and geopolitical headwinds slowed down dealmaking as investors cautiously navigated the markets. In Q1, the sector saw an estimated 323 deals close or be announced for a combined value of $53.1 billion—a quarterly decline of 8.6% and 38.2%, respectively. YoY, deal value was down 34.6% while deal count was up 13.0% as megadeals declined relative to Q2 2022 but investors continued to seek opportunities created by high commodity prices and increased divestitures of noncore assets. There were only eight megadeals in Q1 for an aggregate of $15.2 billion compared to 12 in Q2 2022 for a cumulative $62.2 billion. Investors opted for smaller deals in Q1, and median deal size dropped to $41.1 million, the lowest level since 2009.[6]

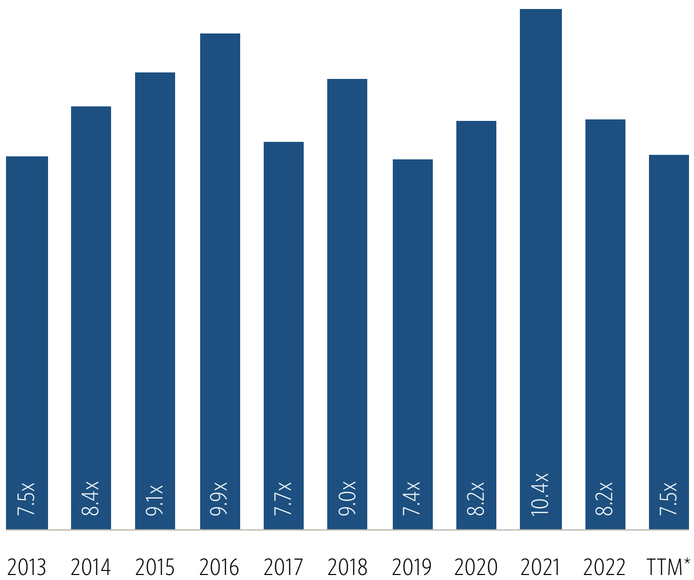
Energy M&A activity



Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

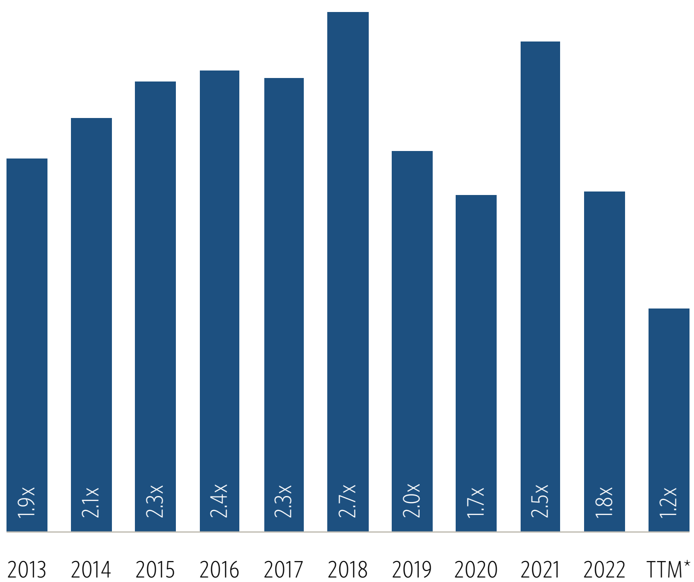
6: All Q1 2023 figures reflect estimated activity due to lag times in reporting.

Energy M&A EV/EBITDA multiples



Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

Energy M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

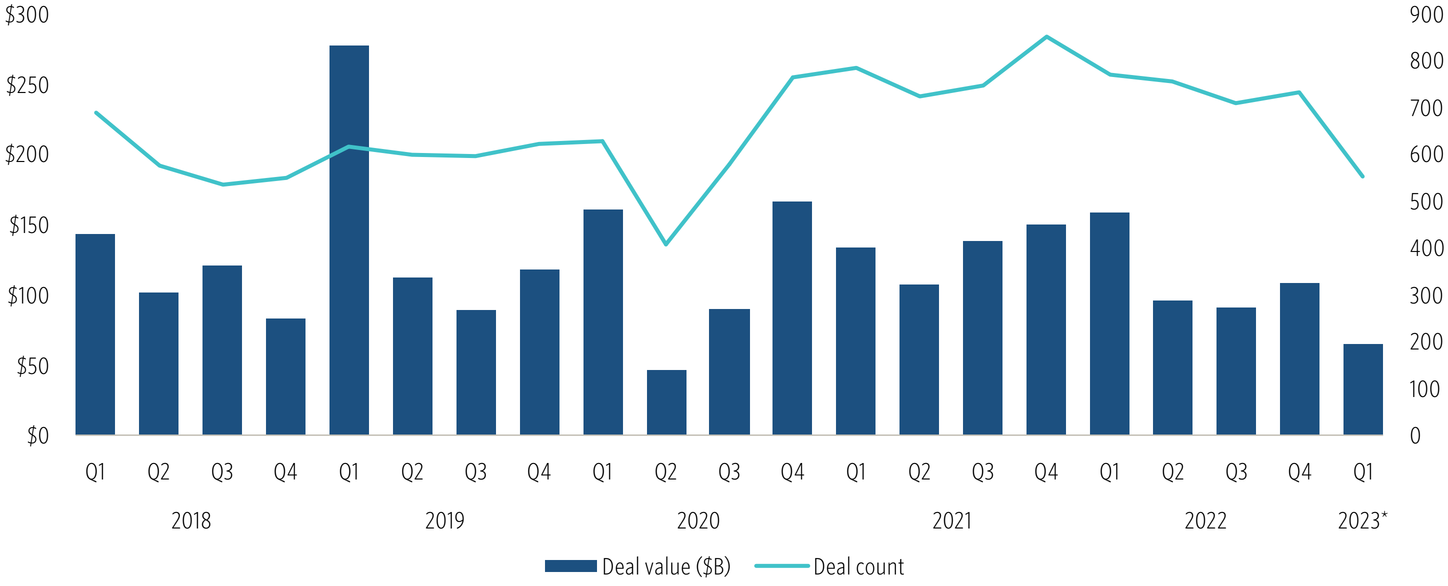
Corporate push to meet decarbonization goals drive deals: Across the globe, the push for energy transition continues to create and broaden M&A opportunities for both companies seeking to add renewable assets to meet decarbonization initiatives and investors putting capital behind the industries expected to accelerate in their growth. For example, Japanese utility company JERA acquired Parkwind, Belgium's largest offshore wind platform, for $1.7 billion in its efforts to expand its renewable power assets. JERA aims to hold 5.0 gigawatts (GW) of renewable power assets by March 2026 through both organic and inorganic growth and will boost its current assets to 2.8 GW from the Parkwind acquisition.[7]

Carveouts and add-ons gain popularity in traditional oil & gas: Traditional oil & gas energy companies increasingly spun out assets to expand into renewable strategies or acquired bolt-on deals to strengthen existing positions rather than taking on larger and more transformational deals in uncertain markets. For instance, Norway-based oil & gas company Equinor is to acquire Suncor Energy UK from Suncor Energy for $850.0 million, which would deepen its core countries' assets. Canada-based Suncor Energy's decision to sell its UK E&P business enables the company to focus its capital allocation and deliver value in the rest of its portfolio. Matador Resources also announced its $1.7 billion acquisition of Advance Energy Partners, which had been merged with Ameredev II by EnCap Investments in 2021. The acquisition of the E&P company is a strategic bolt-on opportunity for oil & gas producer Matador to take advantage of elevated crude oil prices and increase its operational scale.

7: "Japan's JERA to Buy Belgium's Top Offshore Wind Company for $1.7 Billion," Reuters, March 22, 2023.

Financial services

Financial services M&A activity by quarter

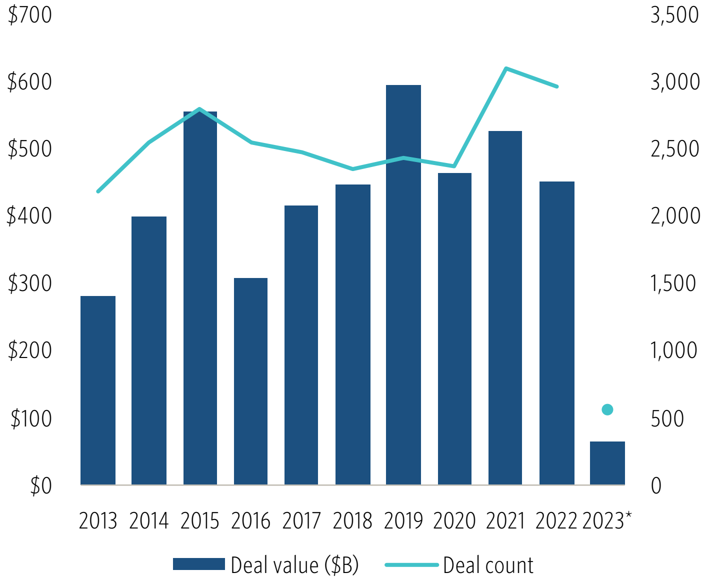


Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

Kyle Walters
Associate Analyst, Private Equity

Financial services M&A saw a decline in activity: M&A activity in the space was subdued in 2022 compared to the year prior, and this trend has continued into 2023. The sector saw an estimated 856 deals transpire, a decrease of 11.4% QoQ. While the distressed bank deals brought attention to the space, the quarterly deal count slowed in the new year. Deal value for the sector also sank in Q1, representing QoQ and YoY declines of 31.7% and 47.0%, respectively. Deal value is tracking lower due to smaller-sized deals and a more mature state of consolidation in certain subsegments within the industry. All things considered, deal activity in the space is now tracking at levels not seen since the start of the pandemic.[8]

Financial services M&A activity



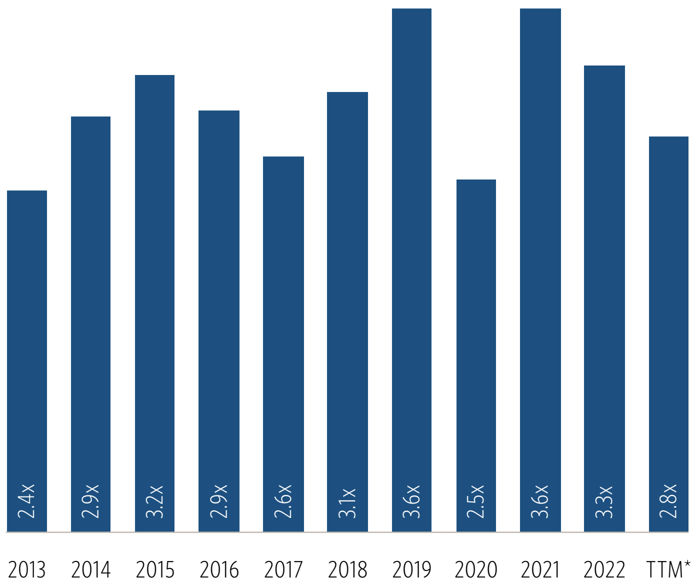
Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

8: All Q1 2023 figures reflect estimated activity due to lag times in reporting.

Financial services M&A EV/EBITDA multiples

Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

Financial services M&A EV/revenue multiples

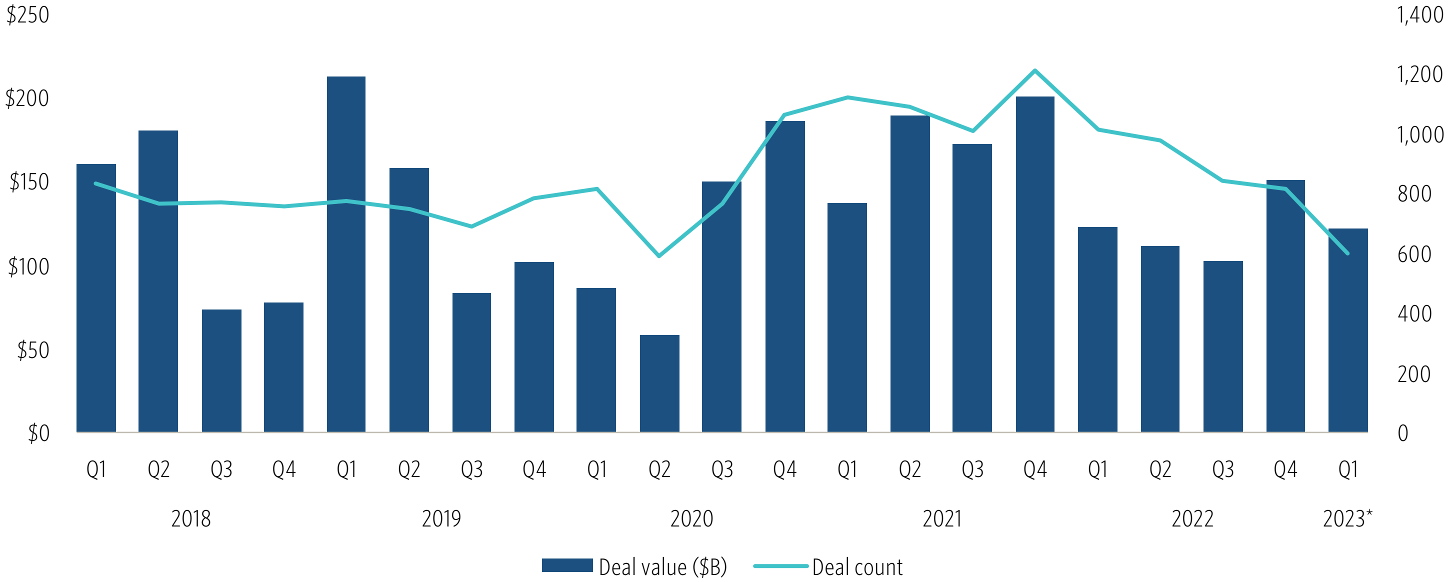


Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

SVB crisis leads to a round of distressed sales: SVB, Signature Bank, and Credit Suisse were all acquired by various financial institutions after a tumultuous few weeks for the banking industry. SVB was acquired from the Federal Deposit Insurance Corporation (FDIC) by First Citizens Bank after an extensive sale process, with certain SVB assets still on the table. As part of the agreement, First Citizens Bank will assume Silicon Valley Bridge Bank, N.A., assets of $110.0 billion, deposits of $56.0 billion, and loans of $72.0 billion. Just a week prior, Flagstar Bank, a subsidiary of New York Community Bancorp, acquired certain assets and assumed certain liabilities of Signature Bank from the FDIC. Flagstar purchased assets of approximately $38 billion, including cash totaling approximately $25 billion and approximately $13 billion in loans. There were $36.0 billion of assumed liabilities, approximately $34 billion of which were deposits, and $2.0 billion in other liabilities. The third deal in as many weeks was for Credit Suisse. The Swiss financial services firm was acquired by fellow Swiss giant UBS. The merging of the two firms is expected to create a business with more than $5 trillion in total invested assets between asset management and wealth management arms. While these distressed banks have caused a feeling of uneasiness and a lack of confidence in the industry, they have also enabled peers to acquire assets for steep discounts.

Healthcare

Healthcare M&A activity by quarter

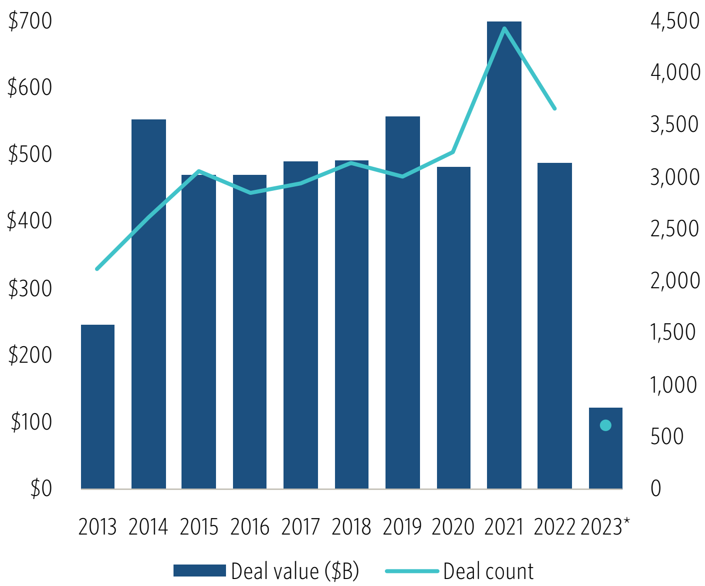


Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

Rebecca Springer, Ph.D
Sr. Analyst, Healthcare

Healthcare deal activity lags: Healthcare deal count slid 13.7% from the previous quarter while deal value dropped 7.7%. Healthcare providers continue to feel the after-effects of COVID-19, including staffing churn and patients presenting with more behavioral comorbidities and more advanced conditions due to missed screenings. Additionally, providers in many markets have limited ability to pass along labor-cost inflation due to government price setting and/or reimbursement. Stress in the healthcare services segment has sent ripple effects across other areas of the industry, including devices, supplies, and IT. By contrast, the life sciences sector has remained resilient.[9]

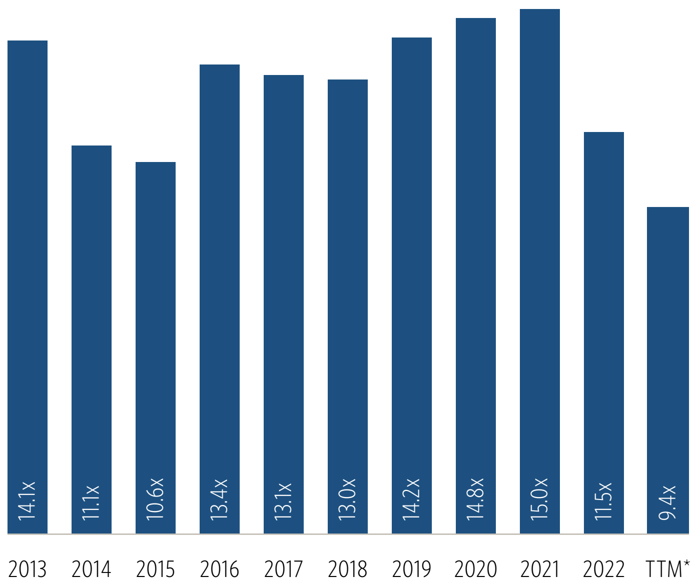
Healthcare M&A activity



Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

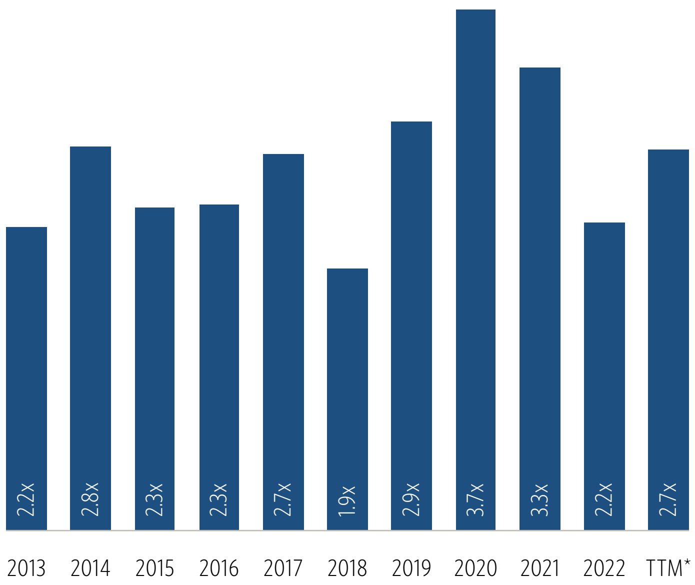
9: All Q1 2023 figures reflect estimated activity due to lag times in reporting.

Healthcare M&A EV/EBITDA multiples



Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

Healthcare M&A EV/revenue multiples



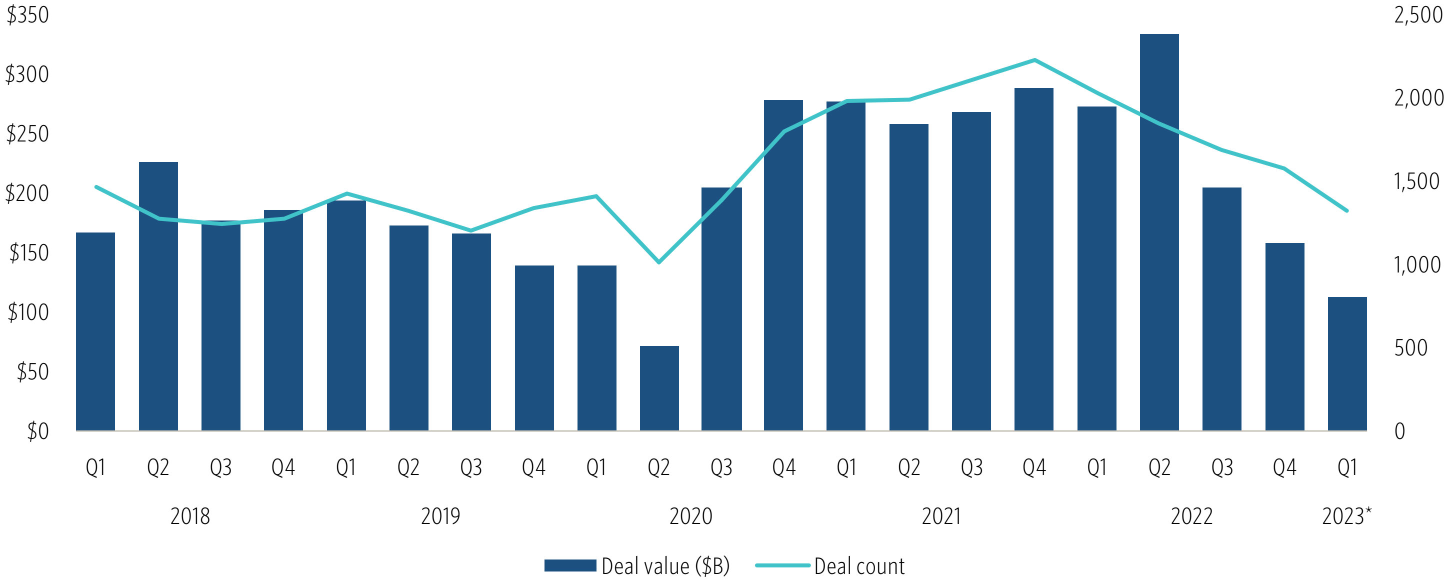
Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

Pfizer leads biopharma buying spree: Industry observers (including us) have been predicting increased biotech M&A due to depressed valuations for several quarters now. In 2022, many pharmaceutical buyers still believed that valuations were too high and hesitated to execute deals amid macroeconomic uncertainty. However, although market volatility has not yet subsided, biotech valuations look increasingly attractive: The XPI Biotech ETF is underperforming the S&P 500 over a one, three, and five-year horizon. Just as importantly, many well-capitalized pharmaceutical companies face mid-term patent cliffs and, with generics under significant pricing pressure and biosimilars gaining traction, need to continue to acquire innovative products or companies capable of producing them. Recently announced blockbuster deals include Pfizer's $43.0 billion Seagen buy—the company's sixth acquisition, and fourth over $5 billion, in 12 months—and Amgen's acquisition of Horizon Therapeutics. We tracked seven additional $500 million+ biotech deals announced or closed in Q1.

Value-based care land grab: Several large provider acquisitions by strategics show up in Q1's deal total, including Amazon's acquisition of One Medical (closed), CVS's acquisitions of Signify (closed) and Oak Street Health (announced), Walgreen's (VillageMD's) acquisition of Summit (closed), and Optum's acquisition of LHC (closed). All these deals represent moves in a chess game where the ultimate goals are value-based care and site-of-care innovation. CVS is now positioned as the primary competitor to Humana and UnitedHealth in the Medicare Advantage market, while Walgreens' multispecialty play represents a longer-term, and riskier, bet. In this competitive environment, organic growth alone will not allow the key players to grow their market share quickly enough, and we expect strategic M&A for mid-sized primary care, multispecialty, behavioral health, and home health groups will continue in key markets.

IT

IT M&A activity by quarter

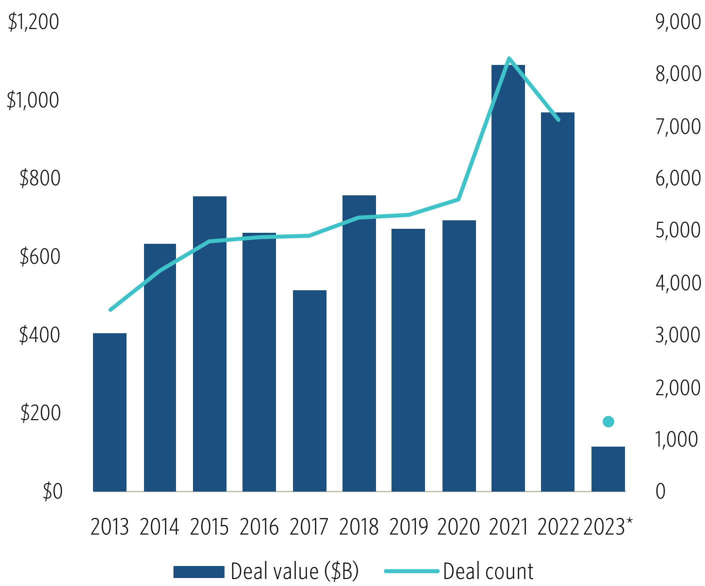


Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

Jinny Choi
Analyst, Private Equity

Tech experiences a slow start: In Q1 2023, an estimated 2,043 deals were closed or announced for a combined value of $146.8 billion. IT dealmaking buckled under the persistent market headwinds, and after three consecutive quarterly declines, deal value fell to its lowest level since Q2 2020. Although IT recorded its second-best year in M&A activity in 2022, it was largely driven by the tremendous volumes seen in H1 2022 (thanks to the $75.0 billion acquisition of Activision and the $70.4 billion acquisition of VMware), while dealmaking in H2 2022 tailed off against broad market volatility and prolonged inflationary pressures. Q1 2023 deal count saw a meager 1.3% decline QoQ while deal value was

IT M&A activity



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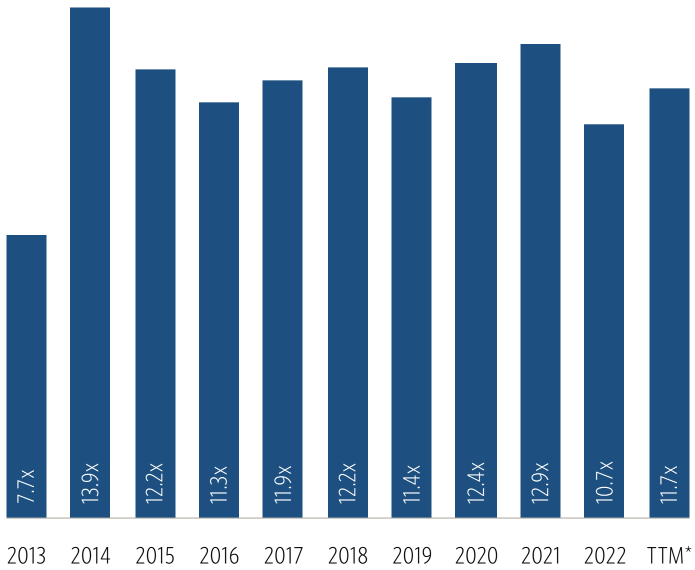
IT M&A EV/EBITDA multiples



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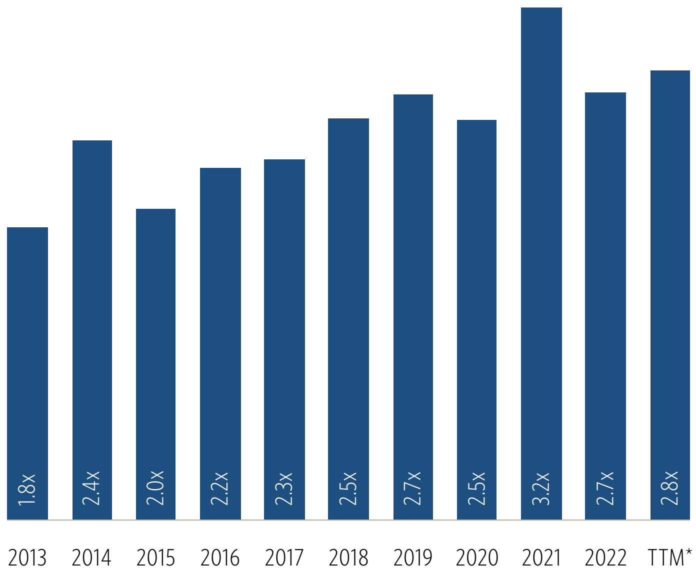
IT M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America & Europe
*As of March 31, 2023

down 18.1%, further demonstrating the impact of adjusting valuations on the sector and the difficulty financing large deals. That isn't to say megadeals are out for tech: Silver Lake and the Canada Pension Plan announced in March that they would take Qualtrics private for $12.5 billion, largely to be funded by equity commitments and just $1.0 billion in debt. Eight additional deals above $1 billion were made during the quarter.[10]

Private investors pick up discounted public companies: As we had expected, PE firms are taking advantage of tumbling public valuations to acquire high-growth tech companies at more attractive prices. For example, Vista Equity Partners acquired insurance software company Duck Creek Technologies for $2.6 billion in March, an offer that represented a 46% premium on the company's recent market closing price. Duck Creek Technologies went public in 2020 for a market cap of around $5 billion, which fell below $2 billion in 2022. Not all acquisitions closed as smoothly—Nellore Capital Management, the largest holder of subordinate voting shares of Magnet Forensics, issued a public letter in March against the proposed acquisition by Thoma Bravo, arguing that the $1.3 billion offer price is too low for the digital forensics software company and that the PE firm negotiated a lower premium that it typically does for slower-growing companies.[11] Nevertheless, the deal closed, and Magnet Forensics was combined with Grayshift, a provider of mobile device digital forensics. Take-privates made up six of the top 10 IT M&A deals in Q1 for a cumulative value of $24.2 billion.

10: All Q1 2023 figures reflect estimated activity due to lag times in reporting.
11: "Special Committee Allowing Thoma Bravo to Steal Magnet Forensics for Lowest Premium It Has Offered in 14 Year Deal History," CISION PR Newswire, March 8, 2023.

Materials & resources

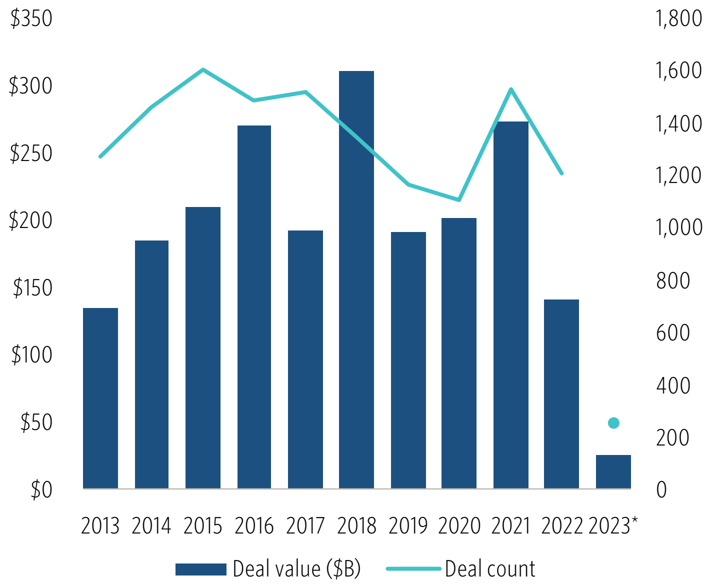
Materials & resources M&A activity by quarter

Source: PitchBook • **Geography:** Global
*As of March 31, 2023
Note: Excludes estimated activity due to lag times in reporting.

Kyle Walters
Associate Analyst, Private Equity

Cyclicality pressures the materials & resources industry: The materials & resources sector saw an estimated 387 deals transpire in Q1 worth $33.0 billion in total deal value. This is the fourth consecutive quarter of declining deal value, as the sector remains out of favor with investors. As commodity prices cooled from their recent surge, so did M&A activity, declining from its peak at the end of 2021. Materials & resources tend to be cyclical in nature, meaning investors are moving away from the sector to turn instead to more defensive sectors in a potential recession environment. While volatility and dwindling commodity prices persist, M&A activity in the space will struggle to buck the trend.[12]

Materials & resources M&A activity



Source: PitchBook • **Geography:** Global
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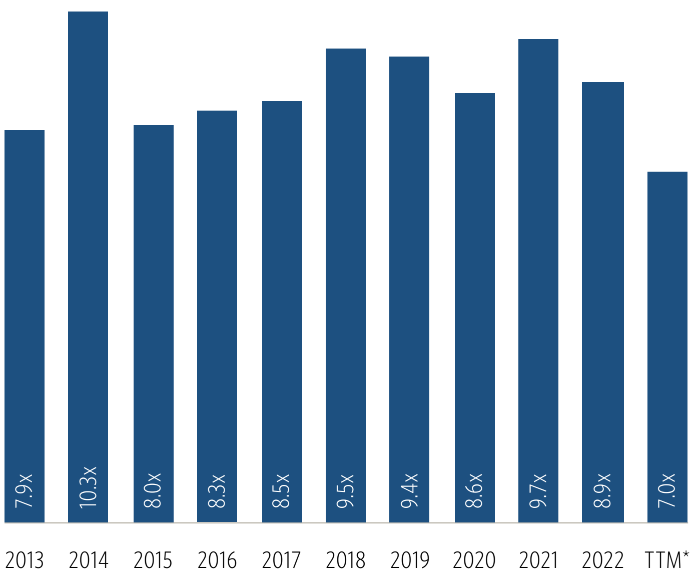
Materials & resources M&A EV/EBITDA multiples



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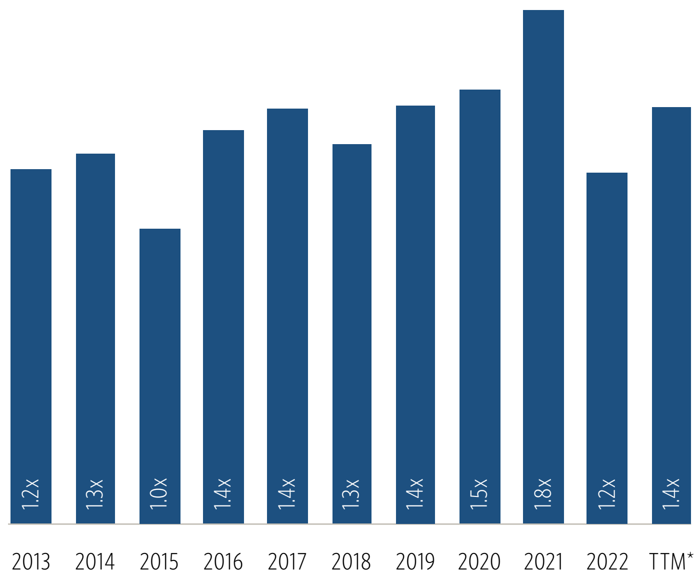
Materials & resources M&A EV/revenue multiples



Source: PitchBook • **Geography:** North America & Europe
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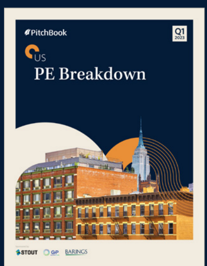
Materials & resources deal sizes continue to shrink: The largest and only deal in the materials & resources sector that was over $1 billion in size was the take-private of Diversey by specialty chemical manufacturer Solenis for $4.6 billion. The merger with Diversey, a hygiene and cleaning solutions provider, presents an opportunity to create a more diversified business with increased scale, broader global reach, and superior customer service capabilities.[13] Q4 2022 and Q1 2023 are the only quarters in the past two years that have seen fewer than five $1-billion-plus deals take place. This coincides with what is being seen in the broader market as deal sizes have started to shrink.

The metals industry could see the rich get richer: In April, Newmont, a Denver-based gold giant, increased its takeover offer for Australian rival Newcrest to $19.5 billion in stock from its previous offer in February to buy the company for around $17 billion in stock, which at the time represented a 46% premium. If the offer is accepted, it would be the largest deal in the materials & resources industry since the mammoth $68.9 billion acquisition of SABIC by Saudi Aramco in Q2 2020. Newmont Is already the world's largest gold miner, and buying Newcrest would give it nearly double the annual output of its closest rival, Barrick Gold. This deal would also increase Newmont's exposure to copper, a key material in the clean energy transition, at a time when analysts are predicting major shortages of the wiring metal over the coming decade.[14]

13: "Diversey to be Acquired by Solenis for $4.6 Billion," Solenis, March 8, 2023.
14: "Newmont Raises Newcrest Bid to $19.5 Billion," Bloomberg, James Fernyhough and Jacob Lorinc, April 11, 2023.

Additional research

Private markets



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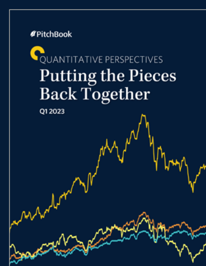

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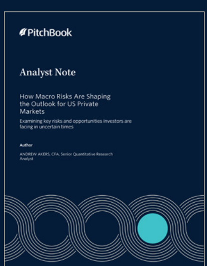

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