

Issue 1: February 2021

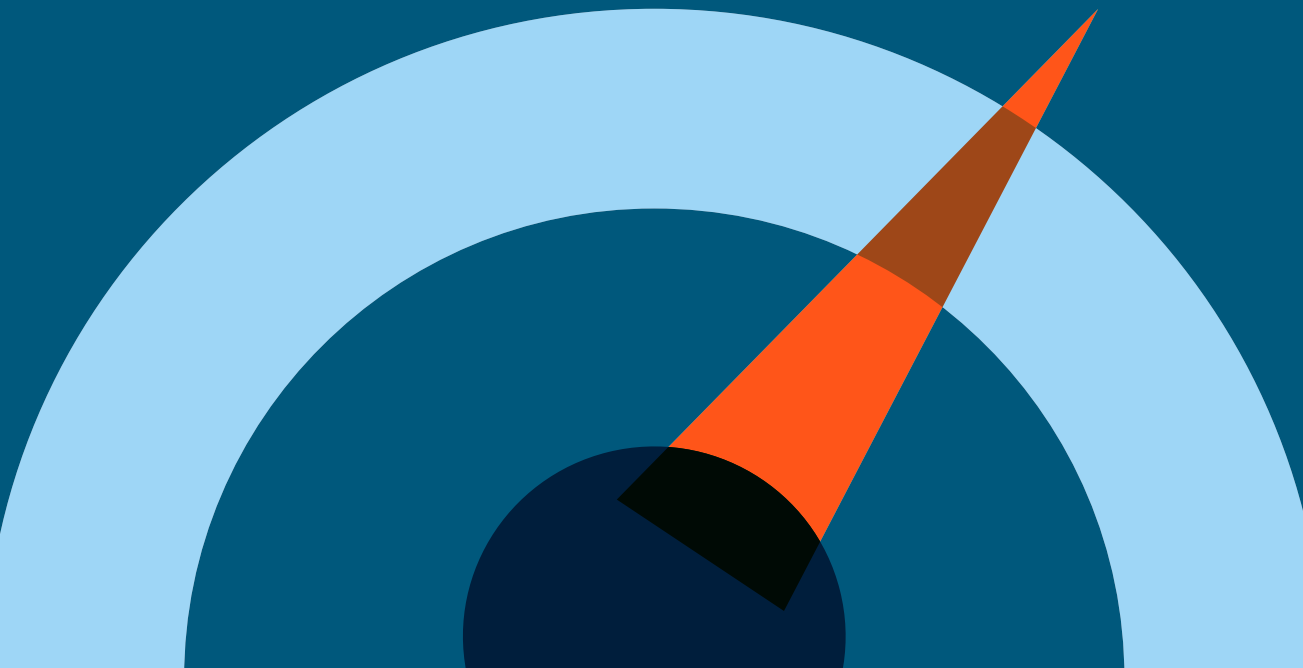
Mid-Market M&A Barometer

U.S. Mid-Market M&A makes recovery in second half of 2020, with positive outlook heading into 2021.



Mid-Market M&A participants used the first part of 2020 to evaluate strategic approaches and reposition themselves given the uncertainty in the business and financial markets due to the Covid-19 outbreak, but showed a willingness to engage in the second half of the year. We expect that increasing confidence and stability in the markets will result in increased Mid-Market activity in 2021. ”

- Stephanie Hosler, BCLP Global Leader,
Corporate and Finance Transactions

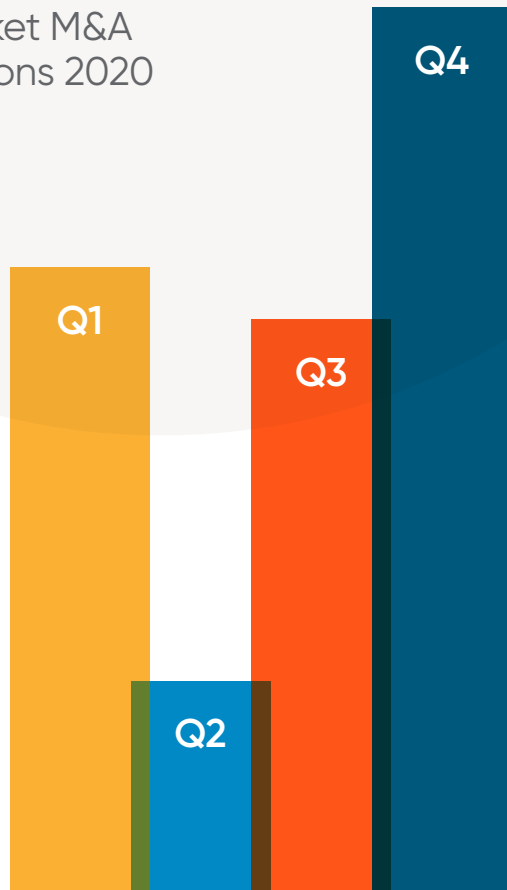




Despite a dip caused by the COVID-19 downturn and other factors, Mid-Market M&A made a strong and decisive recovery in the second half of 2020.

Mid-Market M&A transactions 2020

- Q1
- Q2
- Q3
- Q4



Q1 had a strong start in 2020

61 Mid-Market M&A deals were announced at the end of Q1, which was 7% higher than the same period of 2019.

This figure is notable considering that Covid-19 was present within the U.S. during the entire Q1 and the World Health Organization declared the situation a pandemic in early March.



Activity ground to a halt in Q2

Only 20 deals were announced during the 3-month period. This was just 32% of the number of deals announced during the same period of 2019 and just 25% of the number of deals announced in 2018.



Signs of life quickly emerged in Q3

The number of transactions almost tripled – with 55 deals announced. This uptick is particularly dramatic when viewed alongside comparative figures for previous years, showing a 25% increase from Q2 to Q3 in 2019 and a 1% decrease in 2018.



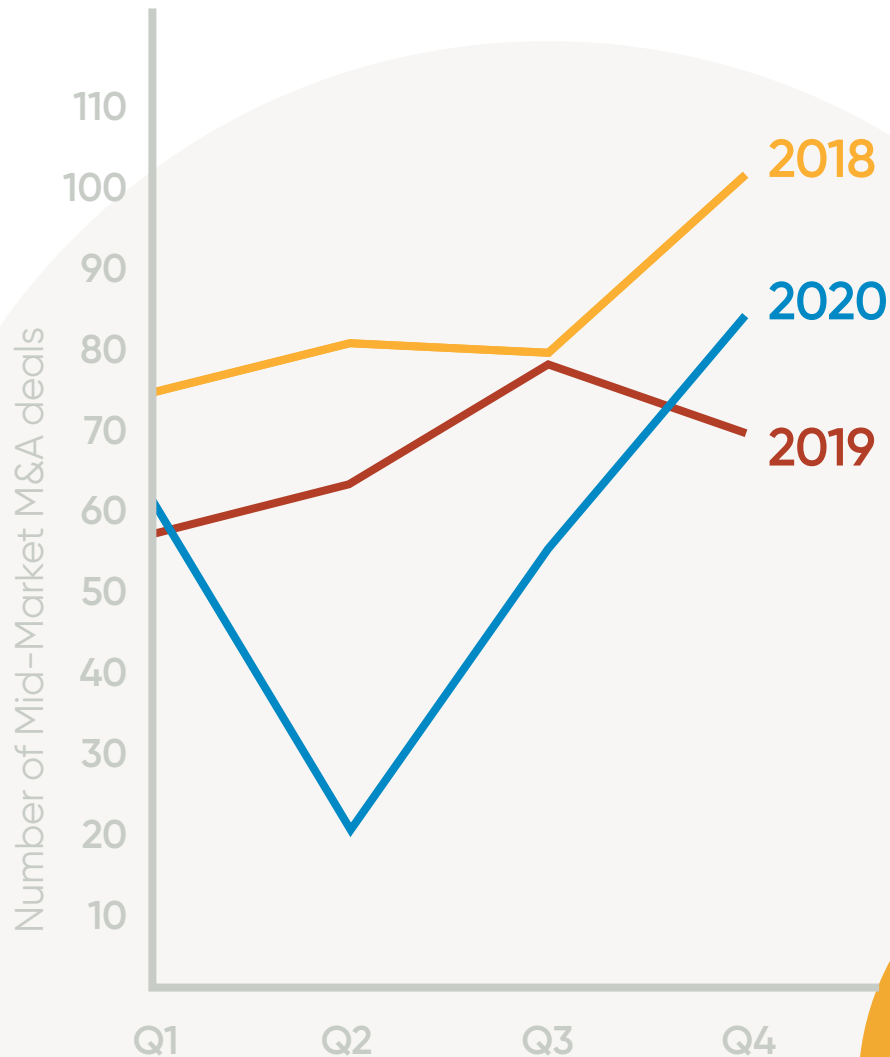
The outlook heading into 2021 is more promising based on figures for Q4

Based on data obtained on December 27, 84 deals have been announced in Q4 of 2020. This reflects an increase of more than 50% compared to the number of announced deals in Q2.

The actual numbers are likely significantly higher than those reported due to the number of deals that only become reportable in the final days of each year and the inevitable delay in announcing those deals.



The figures for Q3 and Q4 suggest pent-up Mid-Market M&A activity that is likely to continue into 2021. ”

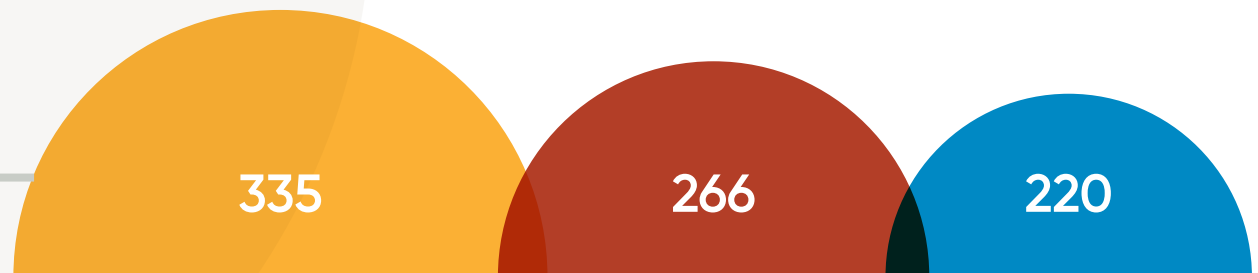


Conclusion

The positive trend in announced Mid-Market M&A deals in Q3 and Q4 is more remarkable considering 2 factors. First is that the magnitude of the increase in announced Mid-Market M&A deals in 2020 are unprecedented since at least the beginning of 2018. Of the 12 quarters from Q1 2018 to Q4 2020, the next largest increase in Mid-Market M&A between 2 consecutive quarters was an increase of approximately 30% between Q3 and Q4 of 2018. Second is that the outsized increases in activity this year have occurred in 2 consecutive quarters.

Overall, the number of announced deals are down for 2020. The 220 deals announced in 2020 (as of the date data was compiled on December 27) is 17% less than the 266 deals announced in 2019 and 34% less than the 335 deals announced in 2018. But, the figures for Q3 and Q4 suggest pent-up Mid-Market M&A activity that is likely to continue into 2021.

Total number of deals 2018-2020



Direction of Private Equity

Private equity continues to play a dominant role in Mid-Market M&A deal activity. In the years 2018 through 2020, private equity was reported as a participant in nearly half of announced Mid-Market M&A deals. In 2020, reported participation by private equity increased 10% compared to 2019, despite a dip from 2018-19. We think this upward trend is likely to continue into 2021.

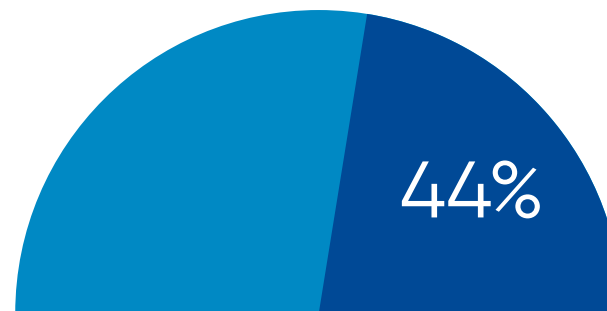
“Private equity is a key driver of Mid-Market M&A activity, bringing substantial financial resources and innovative approaches to deal-making. We anticipate robust activity from private equity participants in 2021.”

- Stephanie Hosler

For purposes of this report, Mid-Market M&A refers to transactions involving the acquisition of 100% of a U.S. company or business for a purchase price of \$200m up to \$1bn that were announced during the relevant period, even if those transactions were not completed.

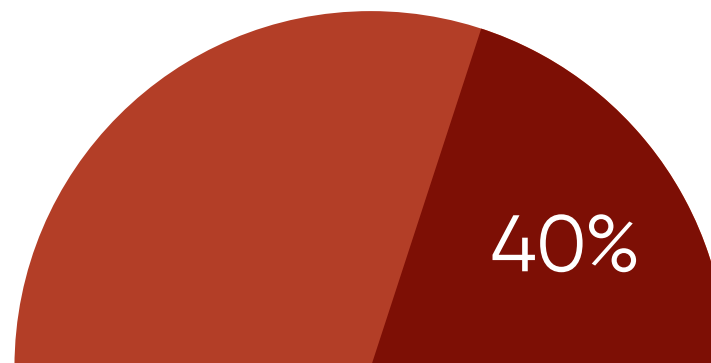
S&P Global

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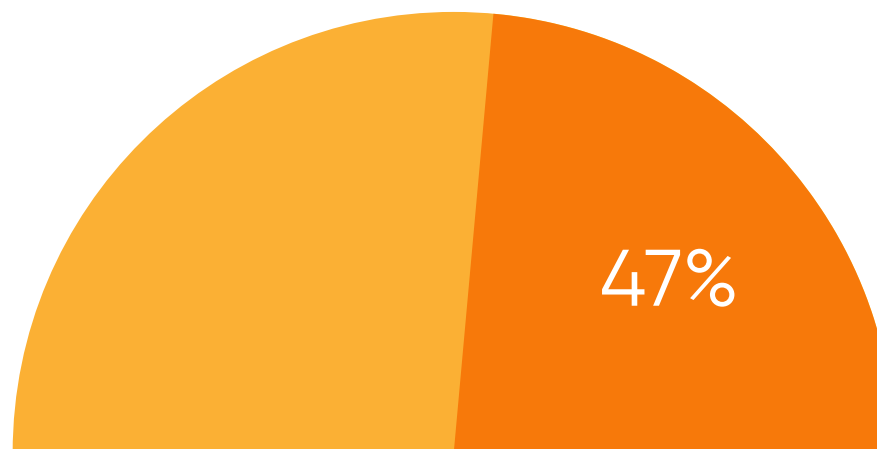
2020

96 PE deals
out of 220
total deals



2019

107 PE deals
out of 266
total deals



2018

157 PE deals
out of 335
total deals

What we're seeing in the market

The following case studies demonstrate the movement that we are experiencing in the market:



ReAlign Insurance Holdings

We represented ReAlign Insurance Holdings, LLC (a joint venture entity) in connection with its acquisition of National Lloyds Insurance Company and American Summit Insurance Company from Hilltop Holdings Inc. The acquisition involved a number of complex elements, including the formation of the joint venture entity between two private equity fund members and a two-step purchase transaction by which one of the joint venture partners first acquired the target companies, including insurers and related service companies, and then spun out the two insurers to ReAlign Insurance Holdings while retaining the service companies.



Vecima Networks

Advised Vecima Networks in its acquisition of Nokia's key, next-generation technology and products for cable service providers. Under the agreement, Nokia's Gainspeed portfolio along with all supporting technology and assets transitioned to Vecima Networks. Vecima is a global leader focused on developing integrated hardware and scalable software solutions for broadband access, content delivery and telematics. A cross-firm BCLP team in the US and Hong Kong advised Vecima in this transaction. Financial details were not disclosed.



Bed Bath & Beyond

We represented Bed Bath & Beyond (NASDAQ: BBBY) in several 2020 divestiture transactions in connection with the company's stated focus of divesting its non-core assets. We advised on the sale of One Kings Lane, which closed in April 2020 during the early days of the business disruption caused by the global pandemic. In Q4 2020, we advised on three separate carve-out transactions for the client, including the sale of Harbor Linen (October 2020), Christmas Tree Shops (November 2020) and Cost Plus World Market (December 2020). In addition to generating substantial cash proceeds for Bed Bath & Beyond, these transactions relieved also relieved the client of substantial lease liabilities.



American Pacific Corporation

Advised American Pacific Corporation, the leading specialty chemicals manufacturer for some of the U.S. Government's most vital military and space programs, in its sale to affiliates of AE Industrial Partners, LP.

GETTING IN TOUCH

To discuss the content of our Mid-Market M&A Barometer, please contact:

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