

Issue 2: August 2021

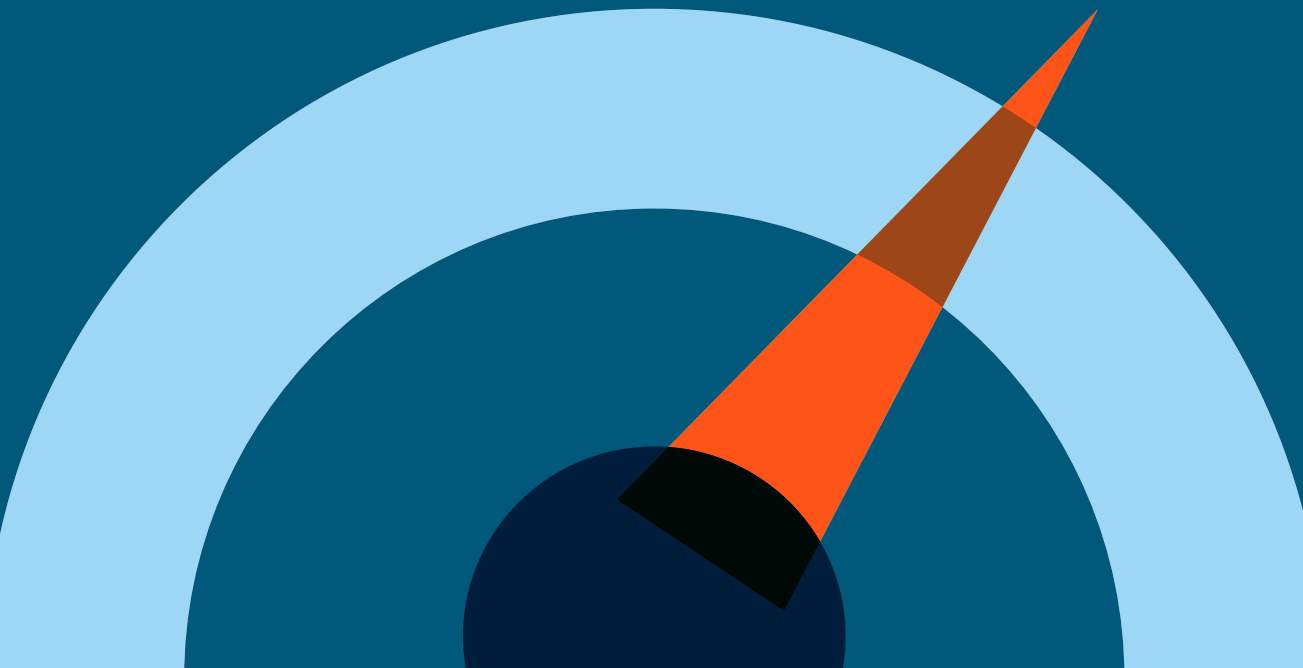
Mid-Market M&A Barometer

U.S. Mid-Market M&A continues a remarkable run in the first half of 2021.

Deal activity expected to remain robust going into 2022.

“
Sooner than expected, continued economic optimism is driving a trend of increased Mid-Market M&A activity over the previous four quarters – and the deals keep on coming. Despite the global pandemic fears we had this time last year, we are now poised for a record-breaking surge. 2021 could be an exceptional year for M&A activity.”

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

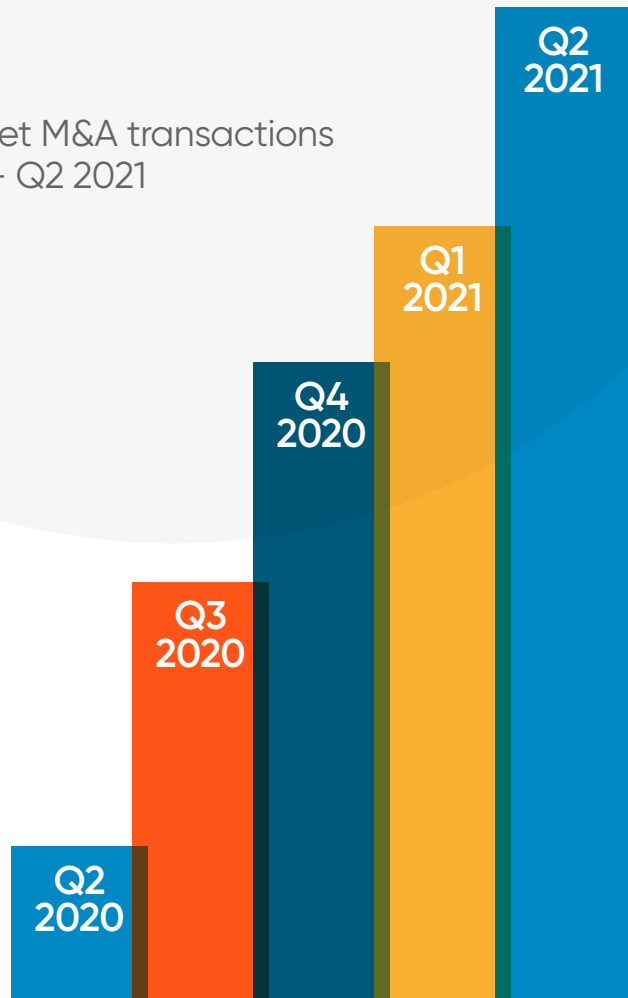




The 131 deals announced in the second quarter of 2021 is exceptional when compared to strong Mid-Market M&A activity in the two calendar years preceding the disruption caused by COVID-19 in 2020. ”

Mid-Market M&A transactions
Q2 2020 - Q2 2021

- Q1
- Q2
- Q3
- Q4



Activity ground to a halt in Q2 2020

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 2020

The announcement of 55 deals was an increase of 175% from the 20 deals announced in the second quarter of 2020.



Numbers continued to rebound in Q4 2020

There was a further increase of more than 50% with 84 deals announced.



Still climbing in Q1 2021

102 deals were announced at the end of Q1 2021, which was another 20% increase over the 4th quarter of 2020.

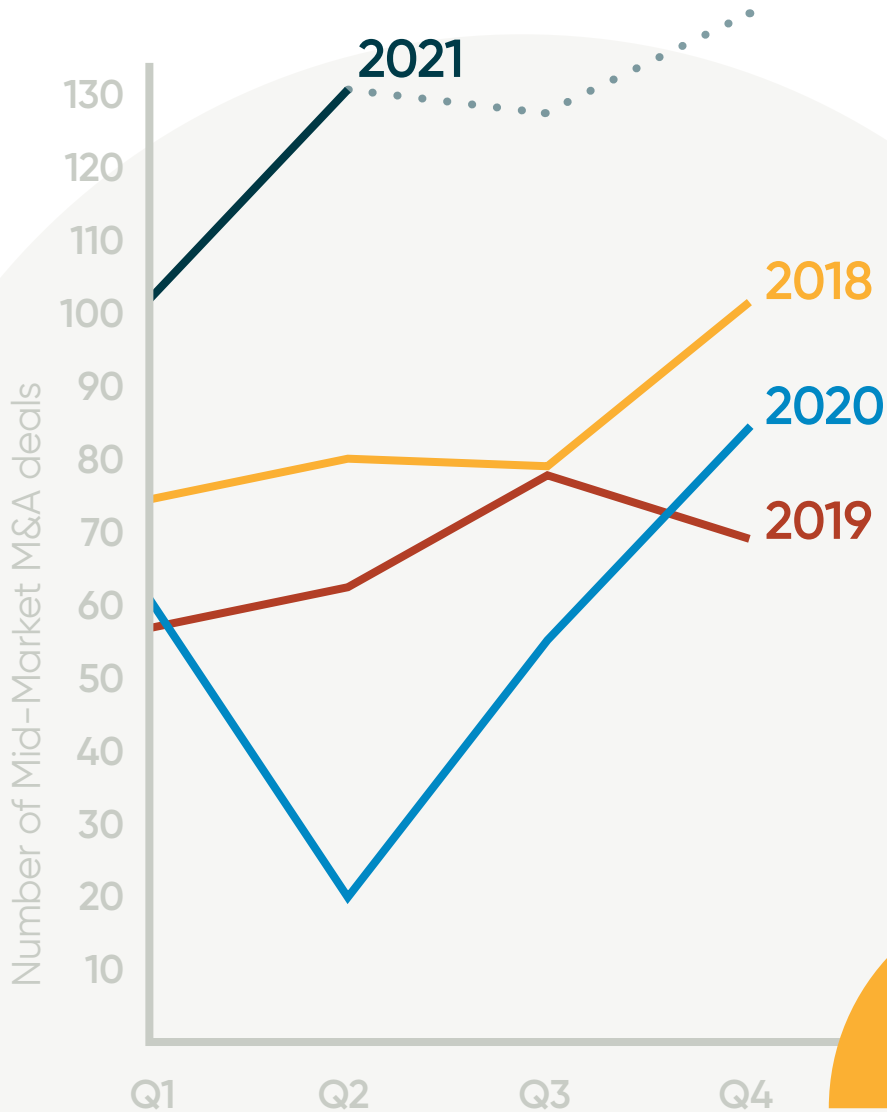


Activity continues to be robust in Q2 2021

The 131 deals announced in the second quarter of 2021 is exceptional when compared to strong Mid-Market M&A activity in the two calendar years preceding the disruption caused by COVID-19 in 2020.



The pandemic is not over, but the global economy is showing signs of recovery. Deal activity is expected to remain strong going into 2022. ”



Conclusion

In 2018, the strongest year for Mid-Market M&A activity in the past four years, 243 deals were announced in the entire year (with 80 deals announced in the second quarter). By comparison, in just the first two quarters of 2021, 233 deals have already been announced – approximately 96% of the total for all of 2018.

Even if Mid-Market M&A activity is flat in the third and fourth quarters of this year, we could see activity for the year at about 30% higher than the strong 2018 totals and nearly 100% higher than the pandemic-disrupted 2020 totals.

The pandemic is not over, but the global economy is showing signs of recovery. Deal activity is expected to remain strong going into 2022.

Total number of deals 2018 - Q2 2021

335
2018

266
2019

220
2020

233
Q1-Q2 2021

Sector Growth

We are seeing significant sustained growth in Mid-Market M&A activity across many sectors. Two sectors in which activity has been particularly strong are in the areas of **FOOD & AGRIBUSINESS** and **BANKING & FINANCIAL SERVICES**.



Food & Agribusiness

Transactions involving target companies in the Food & Agribusiness sector have been an important driver of Mid-Market M&A activity for several years. This is due in part to several features of companies in this sector, including growth orientation, cutting-edge technology, and backing by venture capital and private equity. Companies in these sectors have also benefitted from growth in other sectors following the disruptive effects of COVID-19, including the hospitality and retail sectors.

In the first half of 2021, seven Mid-Market M&A transactions involving targets in the Food & Agribusiness sector have been announced. We expect continued growth in this area as 2021 continues.

A growing number of agricultural and food-related technology startups are choosing SPACs as their path to public markets, which will in turn lead to increased M&A activity as that capital is deployed. Colleagues in the industry expect to see perhaps a half dozen ag tech SPACs in the U.S. by year end.

M&A activity in traditional agribusiness will continue to be fueled by consolidations and spinoffs as companies seek increased efficiencies in grain commodities, processing, inputs and protein production/processing. While this trend has been in place for some time, increased grain commodity prices and volatility, for example, are attracting a significant number of financial investors back to agribusiness assets.

Additionally, developing a credible ESG (Environmental, Social, and Corporate Governance) strategy is becoming a key to maximizing value. Traditional agribusinesses looking to improve their ESG profiles are increasingly looking at technology-based targets that have sustainable production solutions. We are also seeing increasing drill down in ESG due diligence even when the deal isn't driven by ESG principles. We anticipate ESG remaining top-of-mind for both acquirers and targets in the coming months.

We represented **Luxco**, a leading branded beverage alcohol company, in its acquisition by MGP Ingredients, Inc. (NASDAQ: MGPI) for an enterprise value of \$475 million. The transaction, which merged privately-held Luxco into publicly-held MGP Ingredients, will provide MGP Ingredients with an established platform of extensive operational capabilities and a comprehensive national sales footprint with a portfolio of higher-value branded-spirit brands.



Banking & Financial Services

Transactions involving the banking sector have also been strong in 2021. So far in 2021, 14 Mid-Market M&A deals involving bank targets have been announced. This is in addition to an upward trend in Mid-Market M&A activity in the wider financial services sector, which also includes payment processing, financial services software, insurance and investment funds.

We advised **Nicolet Bankshares** (NASDAQ: NCBS) in its acquisition of County Bancorp and its wholly owned banking subsidiary Investors Community Bank in a deal valued at \$219 million, and (2) Mackinac Financial Corporation (NASDAQ: MFNC) and its wholly-owned banking subsidiary, mBank, for \$244 million.

We also represented **Heritage Southeast Bancorporation Inc.**, the holding company for Heritage Southeast Bank, in the sale of substantially all assets and liabilities to VyStar Credit Union for \$195.7 million.

GETTING IN TOUCH

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

MICHAEL A. SCHWARTZ (author)

Partner, St Louis
michael.schwartz@bclplaw.com
T: +1 314 259 2591

CARRIE TRENT

Marketing Manager, Corporate
carrie.trent@bclplaw.com
T: +1 314 259 2527

[bclplaw.com](https://www.bclplaw.com)

For the 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

Source: S&P Global Market Intelligence, a provider of multi-asset class and real-time data, research, news analytics to institutional investors, investment and commercial banks, investment advisors and wealth managers, corporations, and universities. Subsidiaries include Leveraged Commentary & Data.