

Divestitures Quarterly Update

Q1 2022



DCF's divestiture practice

Deloitte Corporate Finance LLC (DCF) is a leading global middle-market M&A adviser. Our professionals have extensive knowledge in the divestiture space and use their experience to help clients enhance value.



Divestitures leadership



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Organization overview

#2

2021 Global M&A Advisor
by volume of deals
completed⁽¹⁾.

662

Completed deals
in 2021⁽¹⁾.

Deloitte completed 662
deals in 2021 with a
cumulative deal volume of
\$70b.

- Deep relationships in place to gain **critical strategic intelligence** and effectively market businesses.
- Worldwide, DCF has access to **2,400 Corporate Finance professionals** across 60 countries that complement the North American team.
- **Top global middle-market financial advisor** in 2020 according to Mergermarket⁽¹⁾.

Source: (1) Please refer slide 12.

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Divestiture trends

This update will focus on news and trends in the following areas:

- US divestiture volume, value, and reported multiples
- US divestitures by buyer type
- US divestitures by industry
- Cross-border divestitures activity



Transaction Trends⁽¹⁾

				
<u>Transaction Volume</u>	<u>Transaction Size</u>	<u>Transaction Multiples</u>	<u>Acquiror Type</u>	<u>Industry Focus</u>
While there is typically a dip in Q1 activity, this year was more pronounced. Q1 2022 divestiture activity witnessed a slowdown compared to Q4 2021. Volumes in Q1 2022 declined to 501 deals compared to 649 deals in Q4 2021.	There was a shift in Q1 2022 toward significantly smaller deals. Transactions below \$250m made up the majority (70%) of disclosed deal value for the first time since Q2 2020 and there were no disclosed transactions above \$5b.	Transaction multiples improved marginally, with an LTM EBITDA multiple range of 10x – 25x making up 20.0% of transactions in Q1 2022 compared to 14.3% in Q4 2021. Multiples between 5x-10x accounted for 80% of total divestitures in Q1 2022.	The mix of acquirors was largely consistent with the previous quarters. In Q1 2022, 55% of the acquirors were domestic strategic, 37% private equity, and 8% foreign strategic acquirors.	In line with Q4 2021, technology accounted for 16.4% of total deal volumes representing the largest share in Q1 2022, followed by financials at 15.0% and industrials with 13.6%.

Despite a slower start in Q1 2022, M&A and divestiture activity is expected to ramp up for the remainder of FY 2022 as divestitures remain a key strategic tool for companies navigating continuously evolving business environments.

Regional Trends⁽¹⁾

	<u>Europe</u>	<u>Americas</u>	<u>Asia</u>
	Deal activity among European acquirors declined in Q1 2022 compared to Q4 2021 by 27.3%, likely driven by geopolitical unrest. We expect divestiture activity to pick up pace in the future.	Divestiture activity in the Americas witnessed a steep decline in Q1 2022. The region completed 419 transaction in Q1 2022 compared to 556 transactions in Q4 2021, a 24.6% decline QoQ.	Asian acquiror activity remained relatively flat with 12 transactions completed in Q1 2022 compared to 12 in the previous quarter.
	<div> <u>United Kingdom</u> The United Kingdom continued to be the most active European acquiror with 15 transactions completed in Q1 2022 compared to 16 in Q4 2021. </div> <div> <u>Sweden</u> Sweden completed only 2 transactions in Q1 2022 compared to 8 in Q4 2021. </div> <div> <u>Switzerland</u> Declined 50.0% QoQ in the number of transactions in Q1 2022. </div>	<div> <u>United States</u> The United States remains the most active acquiror in the Americas. However, the number of transactions declined from 521 in Q4 2021 to 391 in Q1 2022. </div> <div> <u>Canada</u> Canada’s deal volume declined 17.0% with 25 transactions completed in Q1 2022 compared to 30 in Q4 2021. </div>	<div> <u>Japan</u> Deal activity in Japan remained consistent at 4 transactions in both Q1 2022 and Q4 2021. </div> <div> <u>India</u> India witnessed the most growth by closing 4 transactions in Q1 2022 compared to 1 transaction in Q4 2021. </div> <div> <u>Other Asian Countries</u> South Korea and Singapore remained flat with the same deal volume in Q1 2022. </div>

Although Asia kept pace with prior transaction volumes, global divestiture activity lost momentum in Q1 2022.


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Case study

McDonald's Corporation


Deal contacts

Phil Colaco, Byron Nelson




McDonald's Corporation

has completed the divestiture of




McD tech labs

to



International Business Machines Corporation

The undersigned acted as exclusive financial advisor to McDonald's Corporation



Deloitte.

Client overview

- McDonald's Corporation (McDonald's or the Company) is one of the world's leading global quick-service restaurants (QSR), operating or franchising over 39,000 restaurants in over 100 countries.

Situation overview

- In September 2019, McDonald's acquired Apprente, Inc. (Apprente or McD Tech Labs), an artificial intelligence conversational technology company, to develop a proprietary voice agent platform to deploy Automated Order Taking (AOT) technology at scale in its drive-thrus throughout the US and then globally. Apprente, rebranded as McD Tech Labs, continued to develop the AOT technology and rolled out the platform to 10 test stores in Chicago in early 2021.
- After a change in leadership and subsequently corporate strategy, management assessed that the value of the McD Tech Labs extended far beyond its current drive-thru application. Shortly thereafter they sought a buyer with the resources and experience needed to effectively deploy and monetize the platform worldwide across QSR and new use cases.

DCF's Role

- The Company engaged Deloitte Corporate Finance LLC (DCF) to run a narrowly tailored sell-side process, which initially included four preeminent global technology conglomerates and relied upon DCF for advice and analysis to support the evaluation and negotiation of IOIs/LOIs.
- DCF assisted with the due diligence process, which included management presentations and detailed financial, legal, HR, and tax inquires, along with the negotiation of a commercial agreement in conjunction with potential definitive agreements.
- DCF added significant value by:
 - Running a sell-side process designed to meet the specific goals of McDonald's while maintaining the highest levels of confidentiality.
 - Effectively highlighting the Company's differentiated technology and software offerings to top-tier buyers.
 - Driving an efficient diligence process and providing support in negotiating various financial and legal terms.
 - Assisting McDonald's with valuation considerations for the potential transaction.

Deloitte thought leadership

Deloitte thought leadership

- Deloitte leverages deep transaction experience to deliver customized services and high-quality results to clients operating across multiple industry groups.
- Our surgical carve-out approach to divestitures assists management to achieve a clean, yet efficient, separation designed to find the sweet spot between value, certainty of close, and speed of process.
- A demonstrated track record of helping organizations transform throughout economic cycles, all the while turning challenges into opportunities.

Extensive knowledge network

- DCF can leverage its expansive cross-business knowledge network, extensive consulting reports, and in-depth industry research to drive results and provide differentiated insights for our clients.



Be Empowered



Pay It Forward



Be Resourceful









Build Knowledge

Recent insights



Recent middle-market divestitures⁽¹⁾

Technology 	Verisk Analytics divests a group of businesses in Europe, US, and Canada <ul style="list-style-type: none"> Verisk Analytics, Inc., a provider of data analytics solutions in the United States and internationally, entered into a Stock Purchase Agreement with New Mountain Capital LLC to divest Verisk 3e Europe GmbH, Verisk Analytics EOOD 3E USA, Verisk 3E Canada, and Verisk Europe for \$950 million on January 21, 2022. 	Announced Date: January 2022 Total Transaction Value: \$950 million
Consumer 	CANarchy divests its Craft Brewery business to Monster Beverage Corporation <ul style="list-style-type: none"> Monster Beverage Corporation, a US-based company engaged in development, marketing, sale, and distribution of energy drink beverages and concentrates in the United States and internationally, entered into a definitive agreement to acquire CANarchy Craft Brewery Collective LLC, for \$330 million on January 13, 2022. The transaction does not include CANarchy's stand-alone restaurants. 	Announced Date: January 2022 Total Transaction Value: \$330 million
Healthcare 	Biohaven Therapeutics Ltd agrees to purchase Channel Biosciences, LLC from Knopp Biosciences LLC <ul style="list-style-type: none"> Biohaven Therapeutics Ltd, a developer of novel treatments for neurological diseases, entered into a definitive membership interest purchase agreement to acquire Channel Biosciences, LLC from Knopp Biosciences LLC for \$1.2 billion on February 24, 2022. 	Announced date: February 2022 Total Transaction Value: \$1,238 million
Energy 	Civitas Resources, Inc. entered into an agreement to acquire Bison Oil & Gas II, LLC <ul style="list-style-type: none"> Civitas Resources, Inc. is an exploration and production company focusing on the acquisition, development, and production of oil and natural gas. Civitas agreed to acquire Bison Oil & Gas II, LLC from Bison Oil & Gas Partners II, LLC for a cash consideration of approximately \$340 million. Bison Oil & Gas Partners II, LLC engages in oil and gas production. 	Announced Date: February 2022 Total Transaction Value: \$340 million
Financial Services 	BRP Group, Inc. agrees to acquire Westwood Insurance Agency, Inc. from QBE Holdings, Inc. <ul style="list-style-type: none"> BRP Group, Inc., which markets and sells insurance products and services in the United States, entered into an agreement to acquire Westwood Insurance Agency, Inc. from QBE Holdings, Inc. Westwood Insurance Agency, Inc. provides insurance brokerage services whereas QBE Holdings, Inc. provides property and casualty, specialty, crop, financial institutions, and reinsurance products and services. 	Announced Date: March 2022 Total Transaction Value: \$280 million
Industrials 	STG Logistics, Inc acquires the Intermodal Business of XPS Logistics in North America <ul style="list-style-type: none"> STG Logistics, Inc acquired Intermodal Business of XPS Logistics in March 2022. Intermodal Business of XPS Logistics in North America comprises freight transportation services primarily truck brokerage whereas STG Logistics, Inc provides import/export and value-added warehouse logistics services. The deal value was approximately \$710 million. 	Announced Date: March 2022 Total Transaction Value: \$710 million

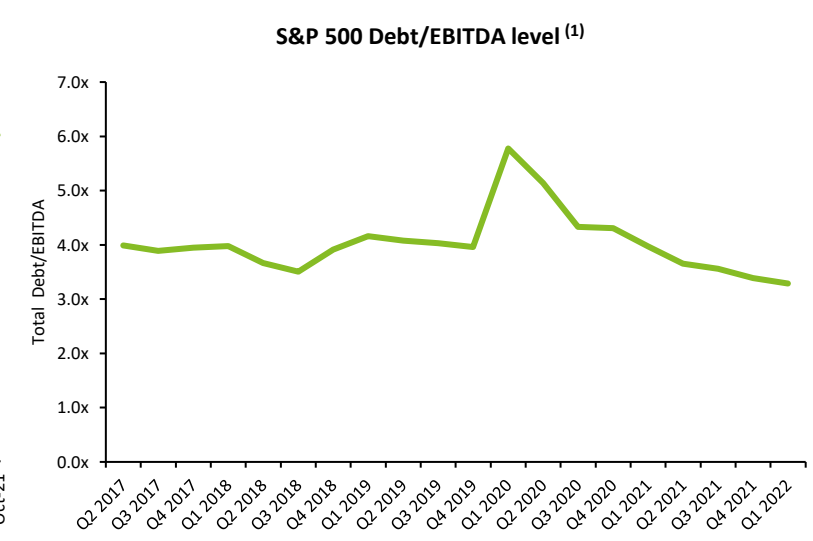
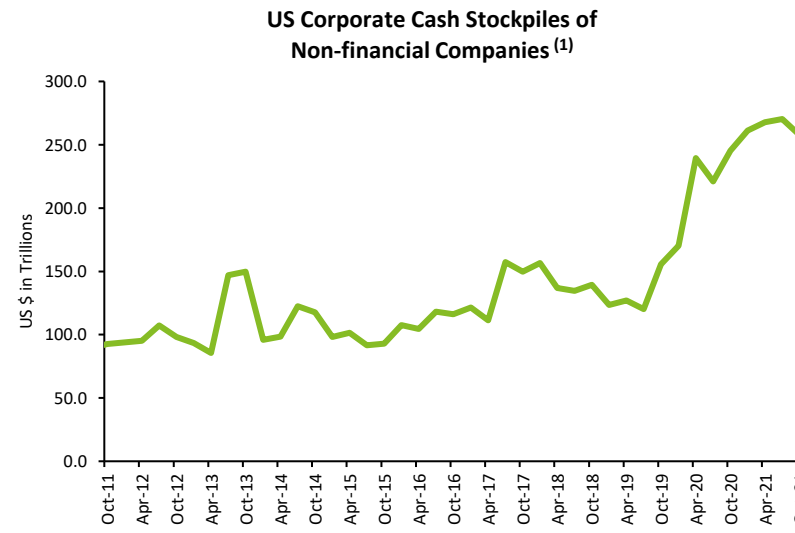
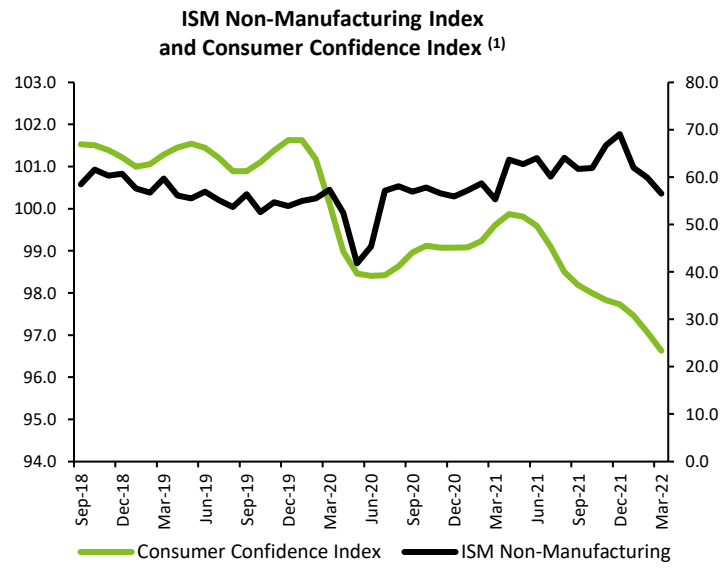
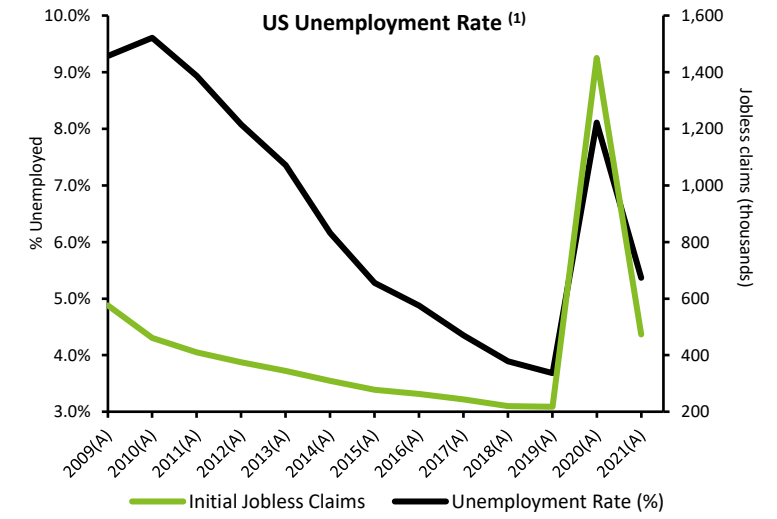
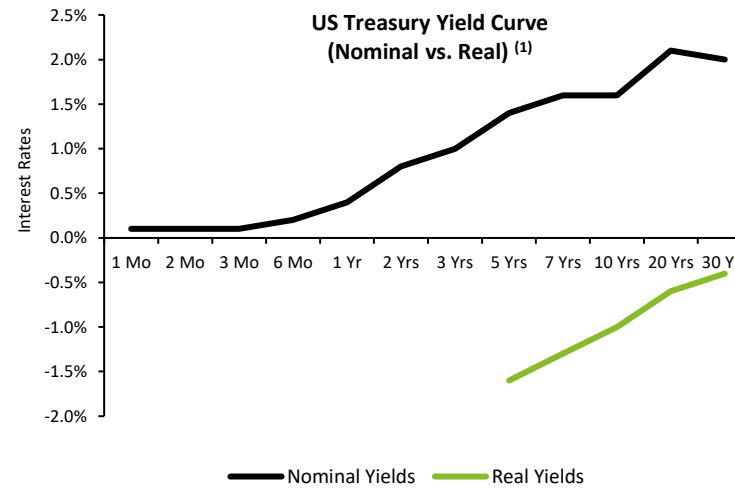
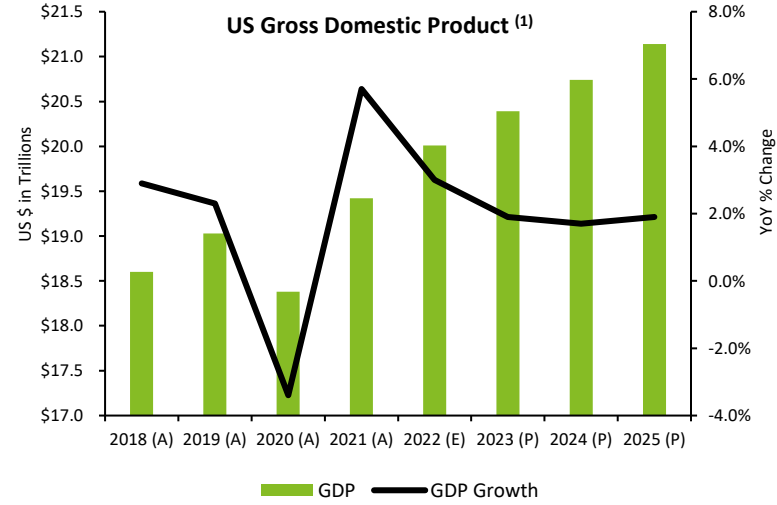
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Divestitures Quarterly Update

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Macroeconomic outlook

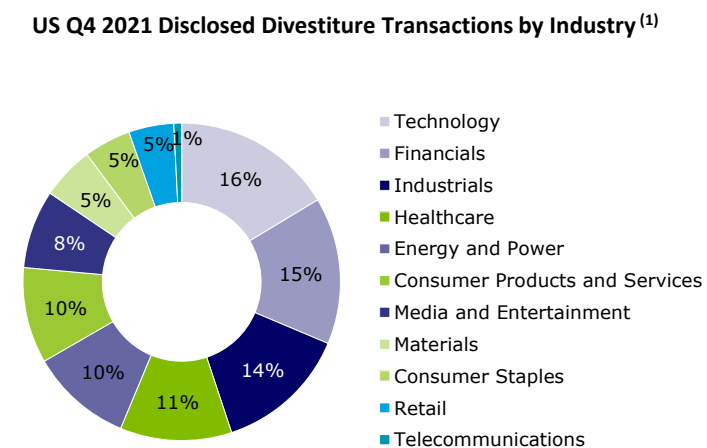
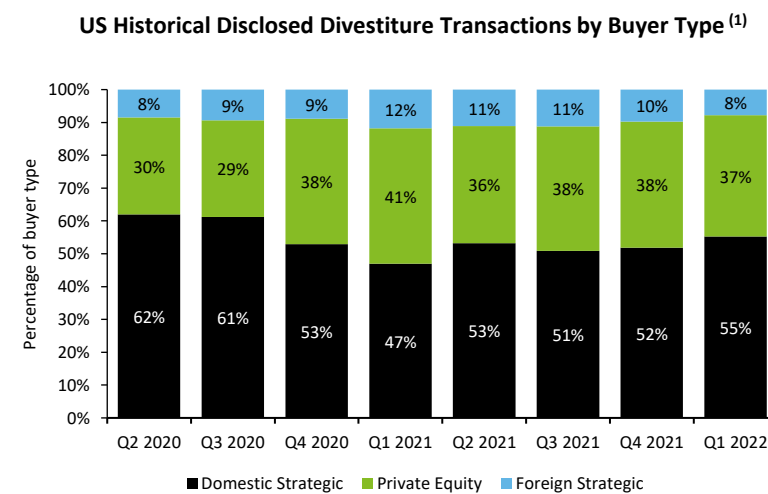
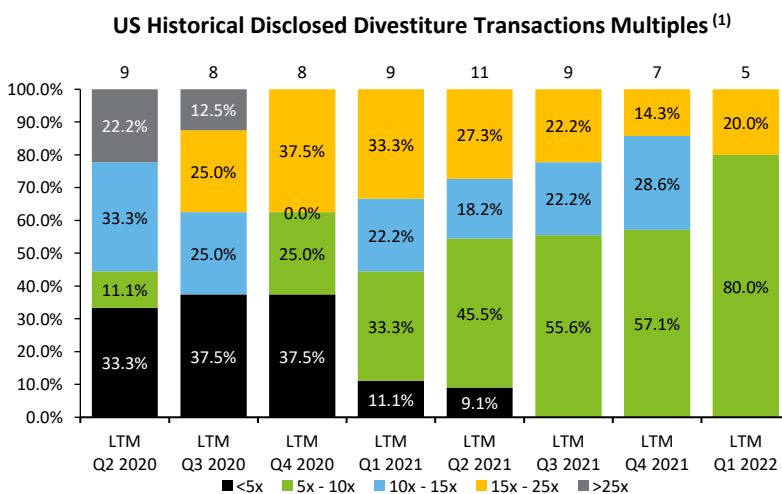
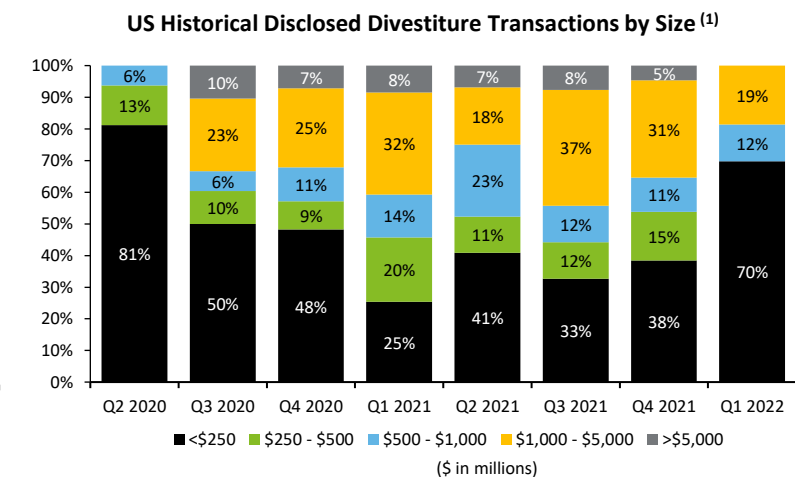
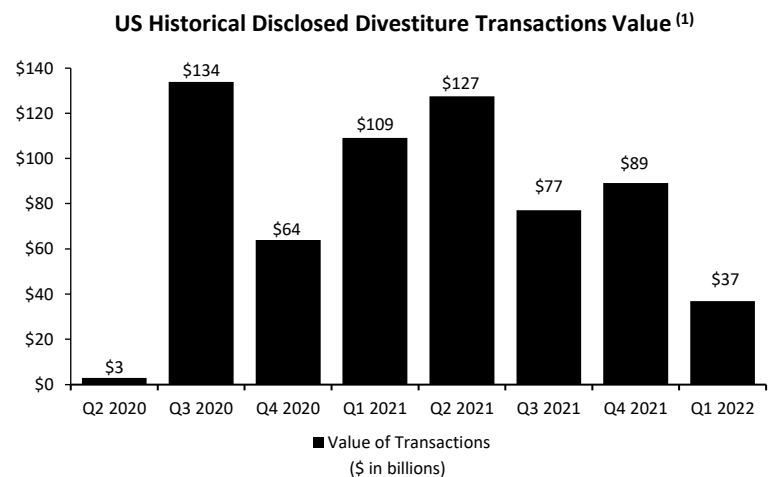
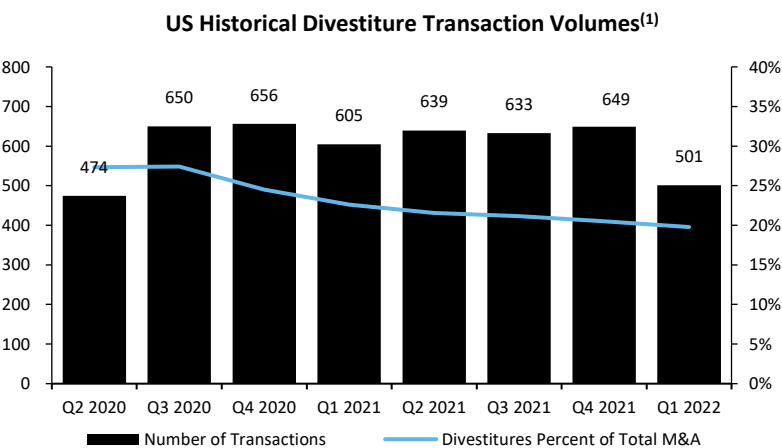


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Source: (1) EIU and Capital IQ (Data as of May 2022)

US historical divestitures



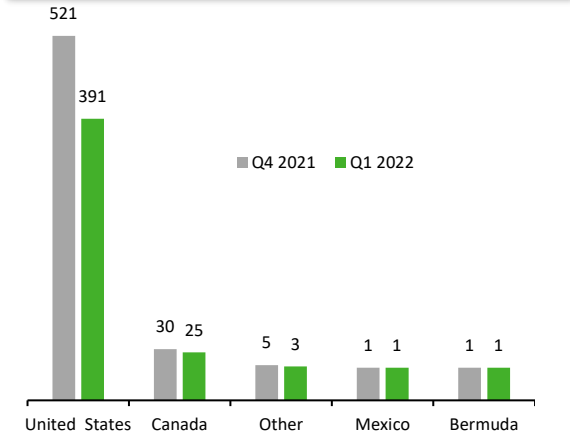
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Global divestitures – deal volume

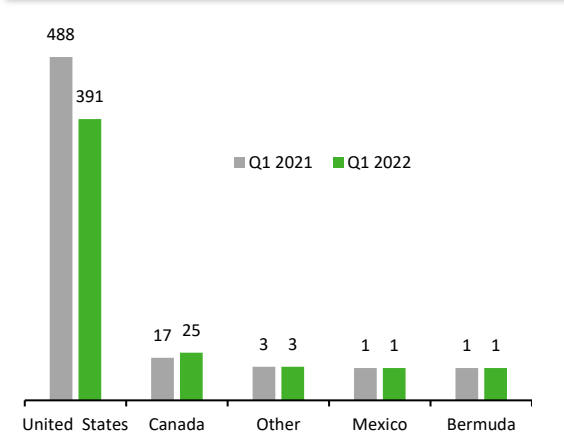
Most active acquiror countries by region⁽¹⁾

Americas

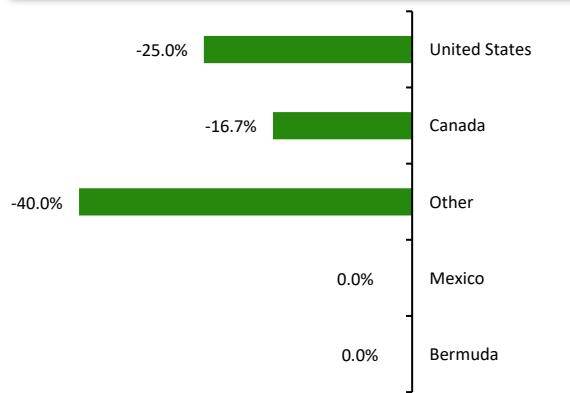
Deal Volumes - Q1 2022 vs Q4 2021



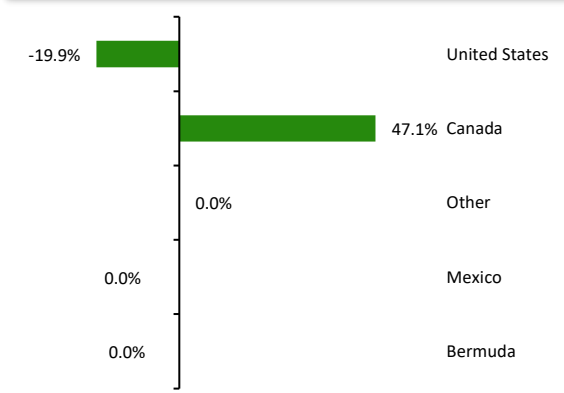
Deal Volumes - Q1 2022 vs Q1 2021



Deal Volume % Change - Q1 2022 vs Q4 2021

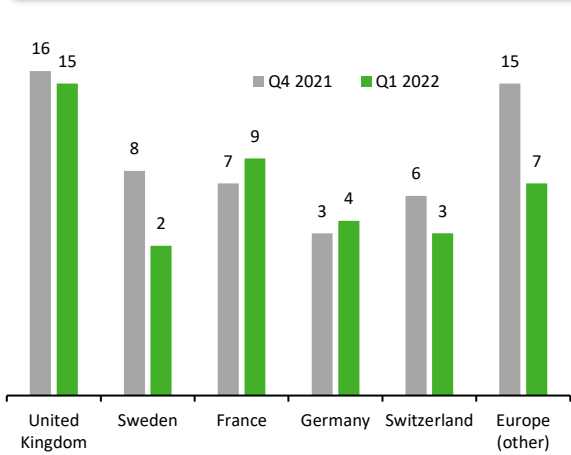


Deal Volume % Change - Q1 2022 vs Q1 2021

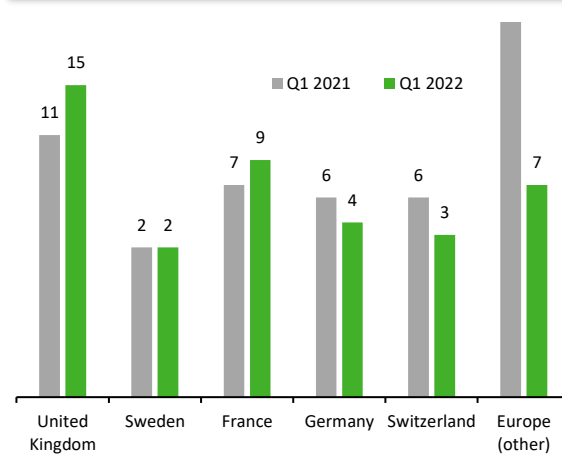


Europe

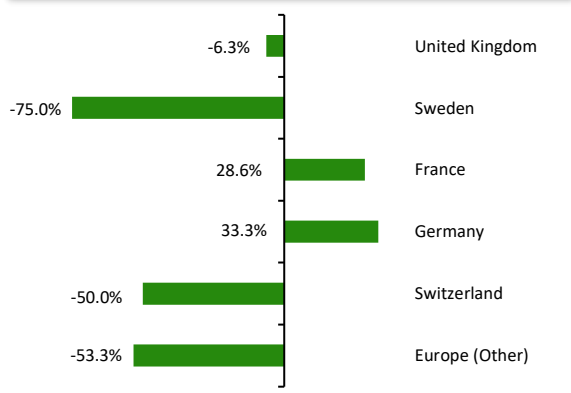
Deal Volumes - Q1 2022 vs Q4 2021



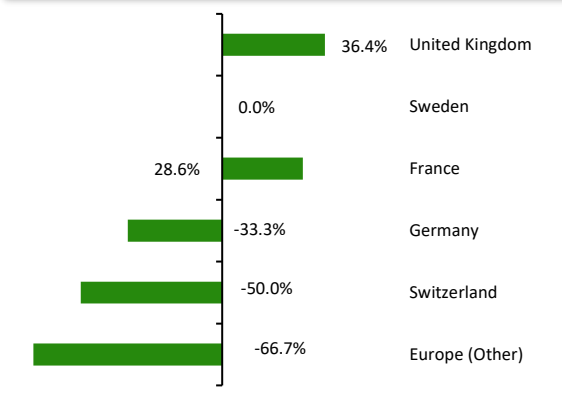
Deal Volumes - Q1 2022 vs Q1 2021



Deal Volume % Change - Q1 2022 vs Q4 2021



Deal Volume % Change - Q1 2022 vs Q1 2021



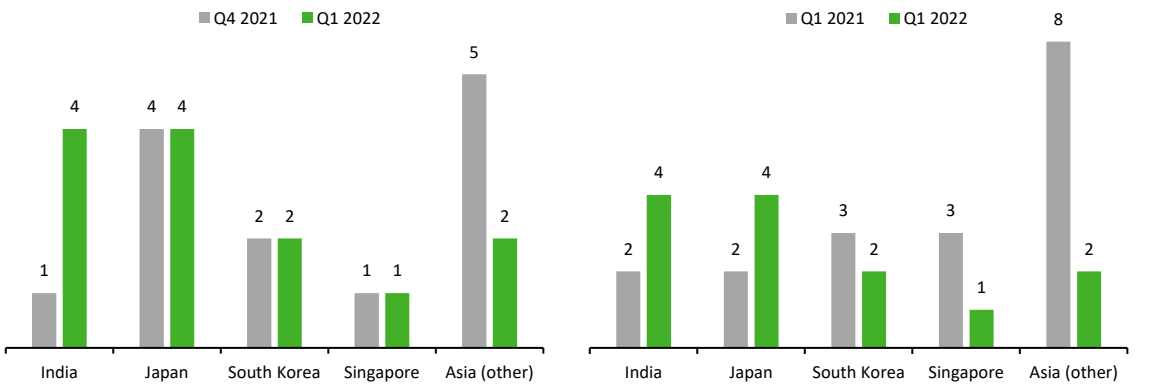
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Global divestitures – deal volume analysis

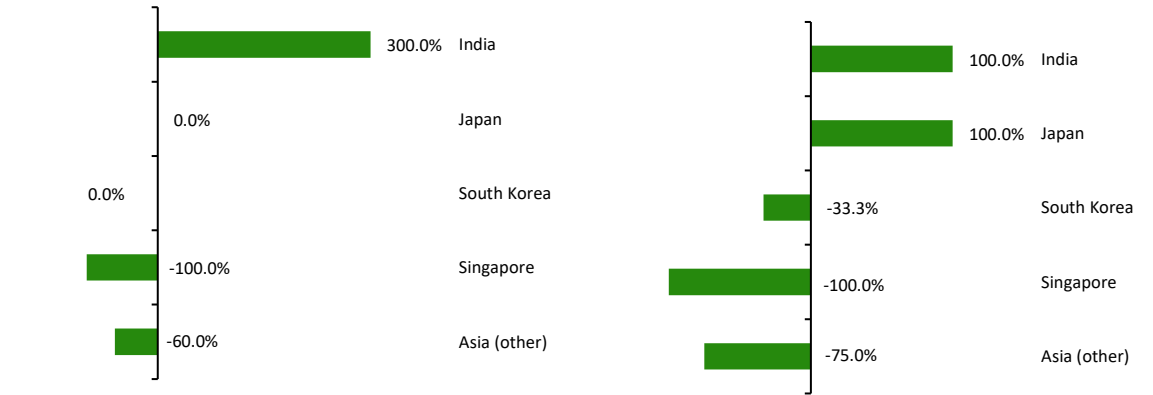
Most active acquiror countries by region⁽¹⁾

Asia

Deal Volumes - Q1 2022 vs Q4 2021 Deal Volumes - Q1 2022 vs Q1 2021

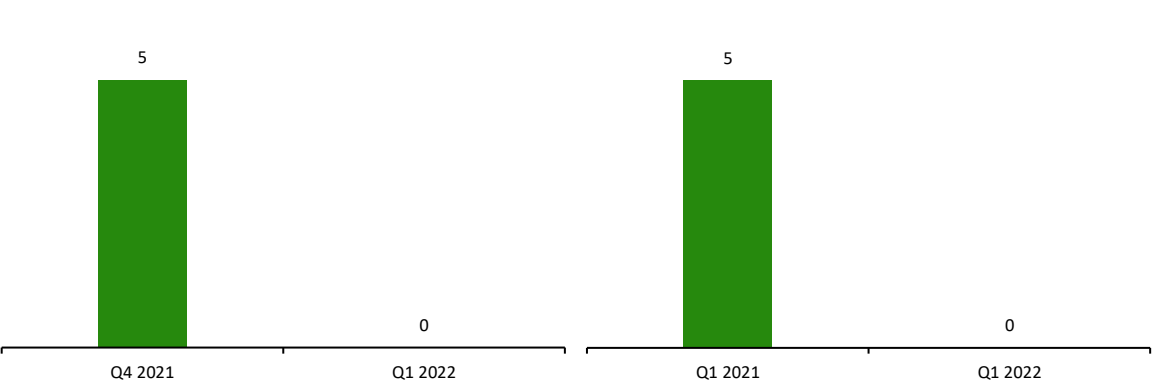


Deal Volume % Change - Q1 2022 vs Q4 2021 Deal Volume % Change - Q1 2022 vs Q1 2021



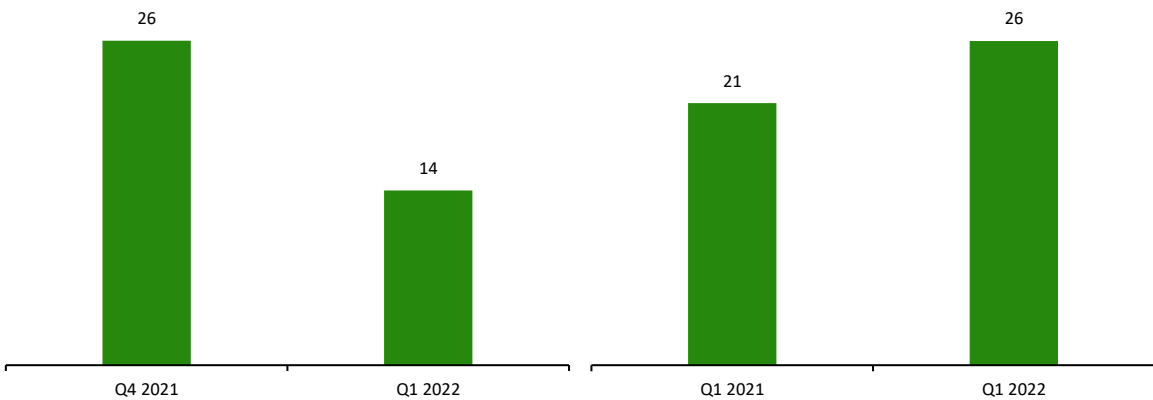
Rest of the World

Deal Volumes - Q1 2022 vs Q4 2021 Deal Volumes - Q1 2022 vs Q1 2021



Undisclosed Acquirors

Deal Volumes - Q1 2022 vs Q4 2021 Deal Volumes - Q1 2022 vs Q1 2021



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Appendix

Sources cited

Page 2:

1. [Mergermarket](#). Accessed April 20, 2022. Data as of March 31, 2022.

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1. [Refinitiv](#). Accessed April 20, 2022. Data as of March 31, 2022.

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 - b. [Mergermarket](#). Accessed April 20, 2022. Data as of March 31, 2022.
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 - b. [Refinitiv](#). Accessed April 20, 2022. Data as of March 31, 2022.



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