

Divestitures Quarterly Update

Q2 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



Will Frame
Managing Director
Chicago, IL
wframe@deloitte.com



Tony Blanchard
Managing Director
Chicago, IL
anblanchard@deloitte.com



Mike Woodham
Senior Vice President
Chicago, IL
mwoodham@deloitte.com



Organization overview

#2

2021 Global M&A Advisor by volume of deals completed⁽¹⁾. Deloitte closed 662 deals in 2021 with a cumulative deal value of \$70B.

662

Completed deals in 2021⁽¹⁾.

- 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.

Table of contents

Divestiture trends	4
Case study – McDonald's Corporation	5
Deloitte thought leadership	6
Recent middle-market divestitures	7
Macroeconomic outlook	8
US historical divestitures	9
Global divestitures	10
Appendix	12








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>
Divestiture transaction volume declined in Q2 2022 compared to Q1 2022. Number of deals declined to 459 in Q2 2022 compared to 501 deals in Q1 2022, a drop of 8.4% QoQ.	Middle-market deals witnessed significant growth in Q2 2022, with deals between \$250m and \$1B making up 52.0% compared to 26.0% in Q1 2022. In Q2 2022, deals above \$1B contributed 23.0% of the overall transactions.	The average divestiture transaction multiple for Q2 2022 was 19.8x EBITDA. This marks the seventh consecutive quarter with no deals closing below 5x EBITDA and, it is the highest average quarterly multiple since the COVID-19 pandemic.	The mix of acquirors was largely consistent with previous quarters. In Q2 2022, 52.0% of the acquirors were domestic strategic, 37.0% private equity, and 11.0% foreign strategic acquirors.	In line with Q1 2022, the technology sector accounted for 15.4% of total deal volumes representing the largest share in Q2 2022, followed by Industrials at 13.5% and Energy & Power at 12.6%.

US divestiture activity slowed in Q2 2022, but there is still strong demand for high quality assets with average transaction sizes and multiples increasing compared to Q1. The mix of acquirors, and of industry focus, remained consistent.

Regional trends⁽¹⁾

<u>Americas</u>		<u>Europe</u>		<u>Asia</u>	
Divestiture activity in the Americas witnessed a 9.5% QoQ decline in Q2 2022. The Americas completed 381 transaction in Q2 2022 compared to 419 transactions in Q1 2022.		Deal activity among European acquirors declined 33.3% in Q2 2022 compared to Q1 2022, likely driven by ongoing geopolitical tensions.		Divestiture activity in Asia grew 21% QoQ with 17 closed transactions in Q2 2022 compared to 14 in the previous quarter.	
<u>United States</u>	<u>Canada</u>	<u>United Kingdom</u>	<u>Sweden</u>	<u>Japan</u>	<u>China</u>
The United States remains the most active acquiror in the Americas. However, the number of transactions declined to 368 in Q2 2022 compared to 391 in Q1 2022 .	Canada’s deal activity declined significantly with 7 transactions completed in Q2 2022 compared to 25 in Q1 2022, a drop of 72.0%.	The United Kingdom continued to be the most active European acquiror. However, number of transactions declined to 10 in Q2 2022 compared to 15 in Q1 2022.	Sweden completed only 1 transaction in Q2 2022 compared to 2 in Q1 2022.	The number of transactions increased 25.0% QoQ in Q2 2022.	3 deals were closed in China in Q2 2022 against 1 deal in Q1 2022.
		<u>Switzerland</u>		<u>Other Asian Countries</u>	
		The number of transactions increased 33.3% QoQ in Q2 2022.		India completed only 1 transaction in Q2 2022 compared to 4 transactions in Q1 2022. South Korea remained flat with the same deal volume in Q2 2022.	


Divestiture activity was down in the Americas and Europe with deal volumes decreasing by 9.5% and 33.3% respectively. Asia bucked the trend and saw an uptick in deals in countries such as China, Japan, and Singapore.

Source: (1) Please refer slide 12.
Copyright © 2022 Deloitte Development LLC. All rights reserved.

Case study


McDonald's Corporation

Deal contacts	Phil Colaco, Byron Nelson
---------------	---------------------------




McDonald's Corporation

has completed the divestiture of



McD tech labs


to



IBM

International Business Machines Corporation

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



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

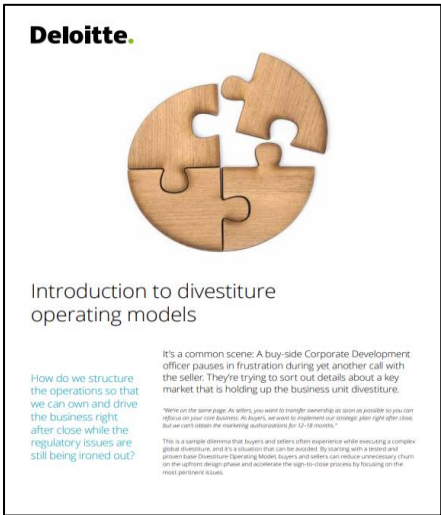


Be Resourceful









Build Knowledge

Recent insights



Recent middle-market divestitures⁽¹⁾

Industrials 	Gorman-Rupp acquires the Fuel Transfer Business Assets of Tuthill Corporation in North America <ul style="list-style-type: none"> Gorman-Rupp, which designs, manufactures, and sells pumps and pump systems in the US and internationally, acquired Fuel Transfer Business Assets of Tuthill Corporation including the Fill-Rite and Sotera Brands for approximately \$525 million. Tuthill Corporation designs and manufactures pumps, meters, vacuum pumps, blowers, and plastics. 	Announced Date: April 2022 Total Transaction Value: \$525 million
Energy 	Archaea Infrastructure LLC acquires Nextgen Power Holdings LLC from Riverview Investment Holdings LLC <ul style="list-style-type: none"> Archaea Infrastructure LLC, which is a subsidiary of Archaea Energy Inc., entered into an agreement to acquire Nextgen Power Holdings LLC from Riverview Investment Holdings LLC for approximately \$220 million. Nextgen Power Holdings LLC operates landfill gas to electric (LFGTE) plants at sites which combine gas flows into the facilities. 	Announced Date: April 2022 Total Transaction Value: \$215 million
Healthcare 	Taiho Pharmaceutical Co., Ltd. agrees to purchase Cullinan Pearl Corp from Cullinan Oncology, Inc. <ul style="list-style-type: none"> Taiho Pharmaceutical Co., Ltd. entered into a Share Purchase Agreement to acquire Cullinan Pearl Corp from Cullinan Oncology, Inc., a biopharmaceutical company, which focuses on developing a pipeline of targeted oncology and immuno-oncology therapies whereas Taiho Pharmaceutical Co., Ltd. develops, and manufactures pharmaceuticals worldwide. 	Announced date: May 2022 Total Transaction Value: \$405 million
Consumer 	General Mills Inc. divests its Helper & Suddenly Salad business to Eagle Family Foods Group LLC <ul style="list-style-type: none"> Eagle Family Foods Group LLC, which produces, and markets canned sweetened condensed milk and evaporated milk products, entered into a definitive agreement to acquire Helper Main Meals and Suddenly Salad Side Dishes businesses from General Mills, Inc. for \$610 million on May 25, 2022. General Mills, Inc. manufactures and markets branded consumer foods worldwide. 	Announced Date: May 2022 Total Transaction Value: \$610 million
Media & Entertainment 	Embracer Group AB agreed to acquire Crystal Dynamics, Square Enix Montreal, and IP assets from EIDOS INTERACTIVE CORP and Square Enix Holdings Co Ltd <ul style="list-style-type: none"> Embracer Group AB, a Swedish software company developing computer gaming products and brands, entered into an agreement to acquire Crystal Dynamics, Square Enix Montreal, and IP assets from Square Enix Holdings Co Ltd and its subsidiary, EIDOS INTERACTIVE CORP, for \$300 million on May 1, 2022. 	Announced Date: May 2022 Total Transaction Value: \$300 million
Technology 	Cornerstone OnDemand, Inc. agrees to acquire SumTotal Systems, LLC from Skillsoft (US) Corporation <ul style="list-style-type: none"> Cornerstone OnDemand, Inc., a provider of learning and people development solutions as software-as-a-service, entered into a Stock Purchase Agreement to acquire SumTotal Systems, LLC from Skillsoft (US) Corporation for \$200 million. SumTotal Systems, LLC provides learning and human capital management software for industries. Skillsoft (US) develops talent acquisition, onboarding, learning management, and talent management solutions. 	Announced Date: June 2022 Total Transaction Value: \$200 million

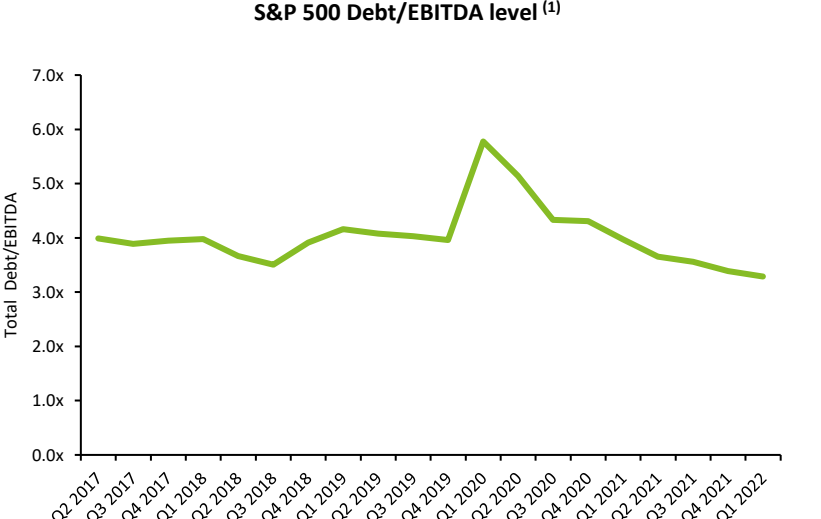
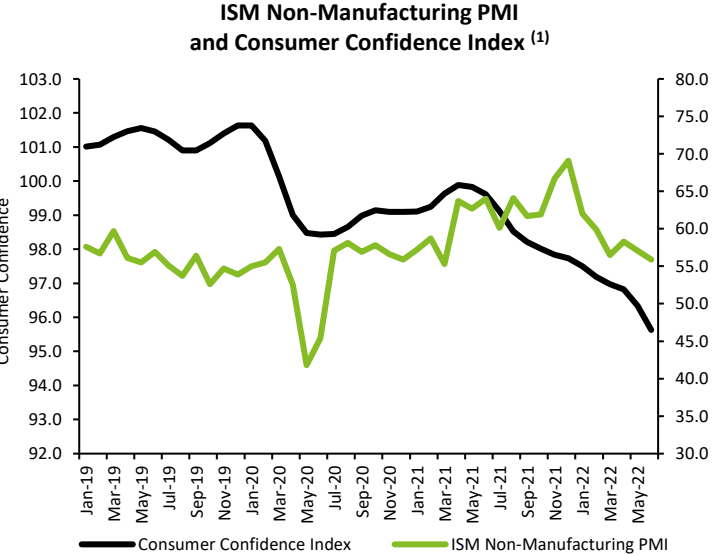
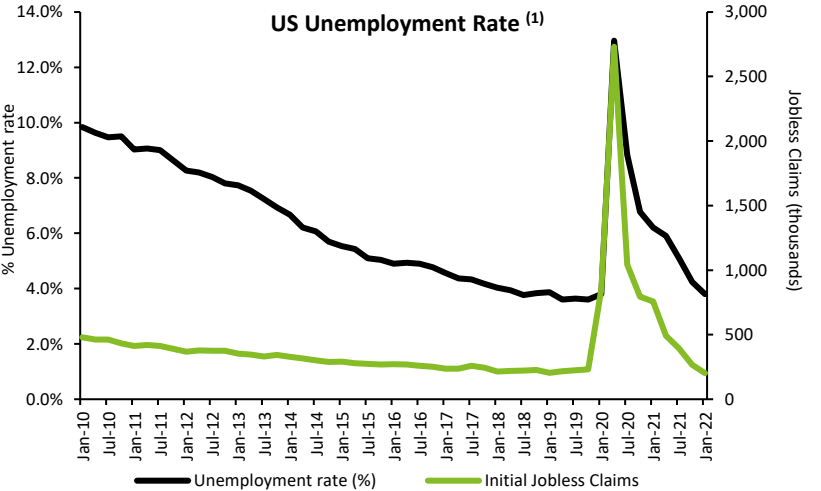
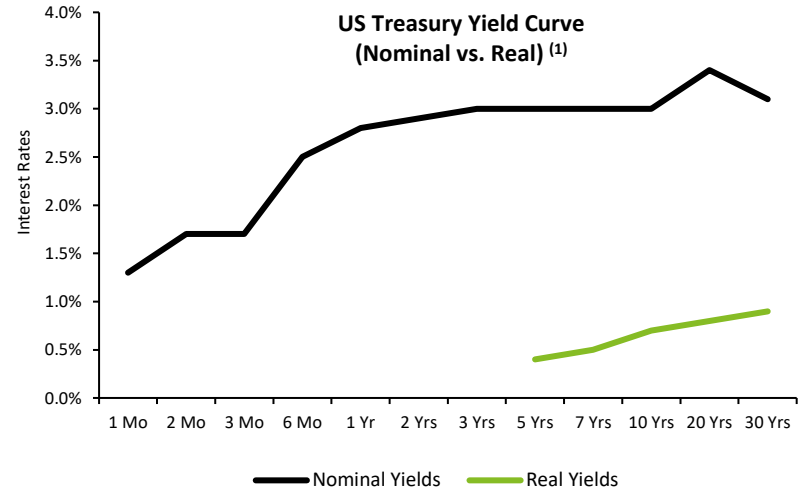
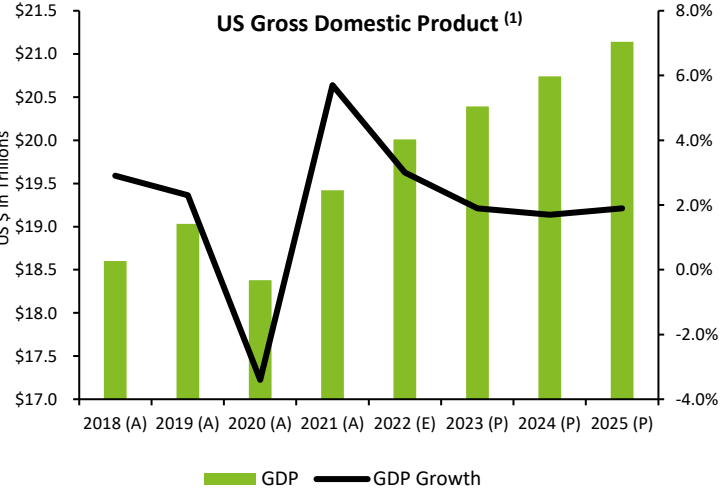
Source: (1) Please refer slide 12.

Copyright © 2022 Deloitte Development LLC. All rights reserved.

Divestitures Quarterly Update

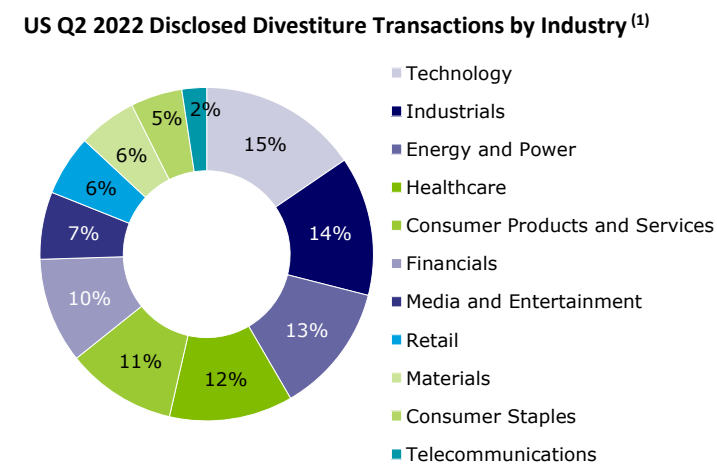
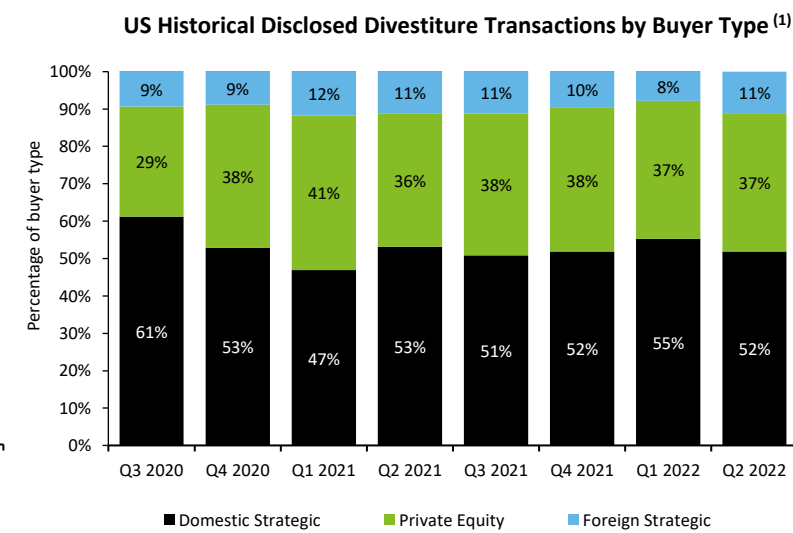
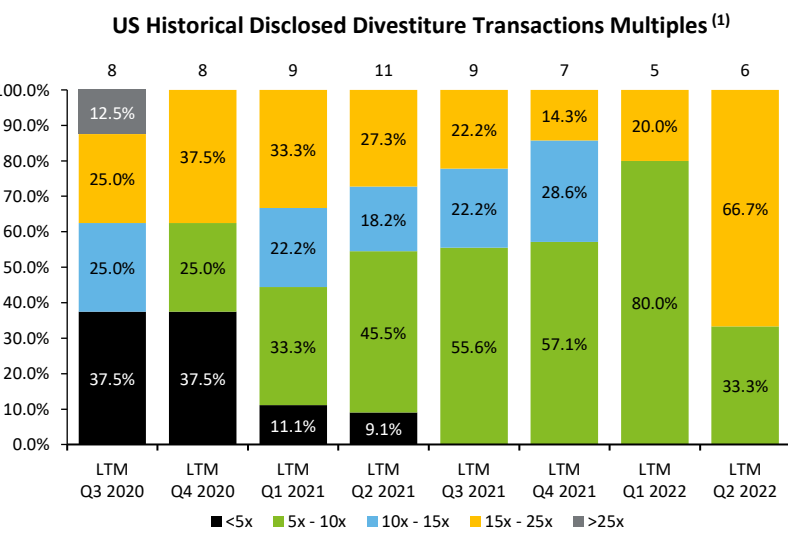
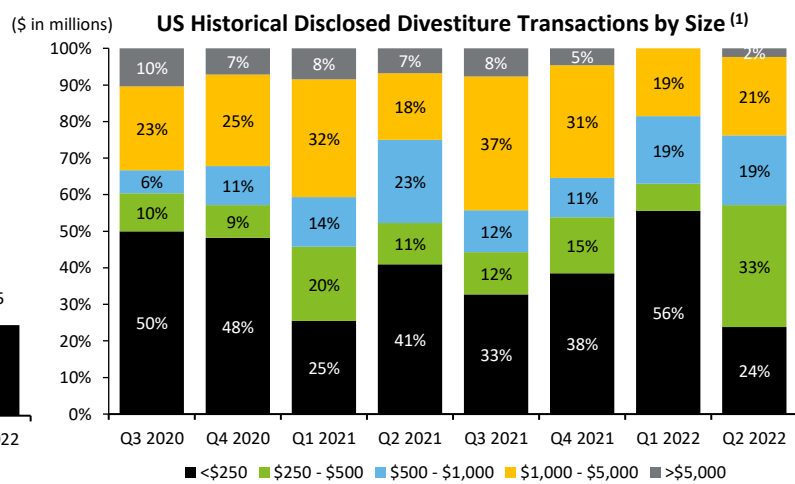
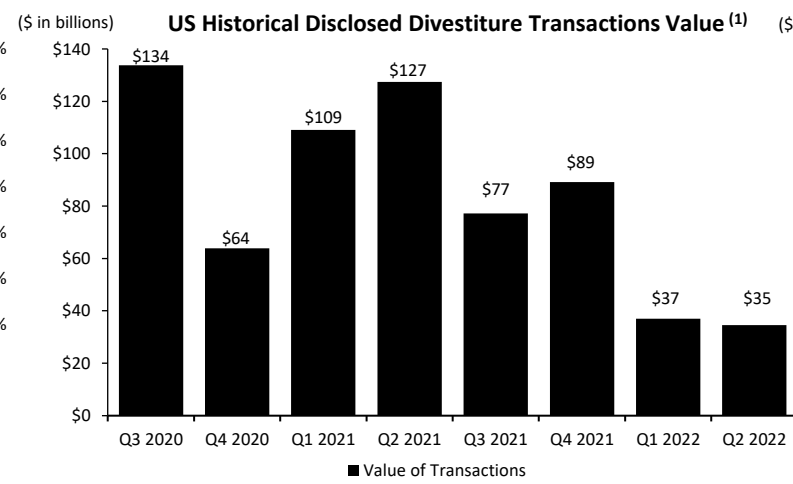
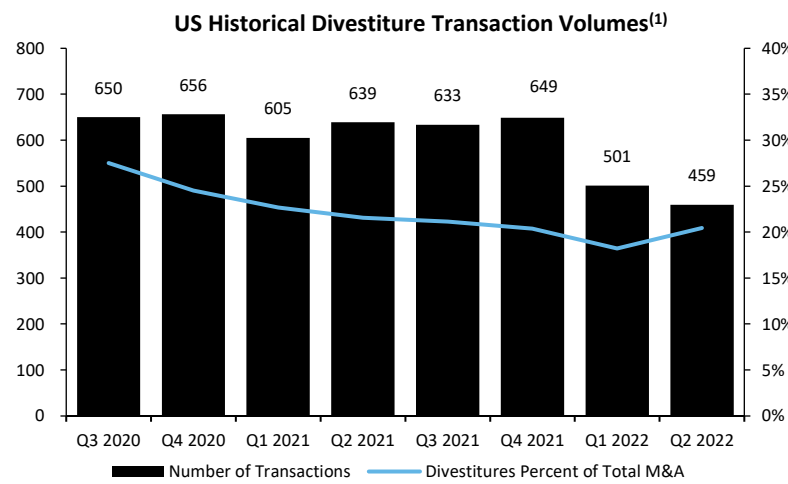
7

Macroeconomic outlook



Source: (1) Please refer slide 12.
Copyright © 2022 Deloitte Development LLC. All rights reserved.

US historical divestitures



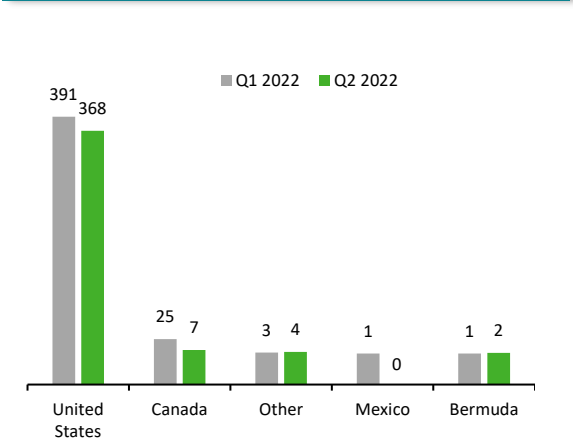
Source: (1) Please refer slide 12.
Copyright © 2022 Deloitte Development LLC. All rights reserved.

Global divestitures – deal volume analysis

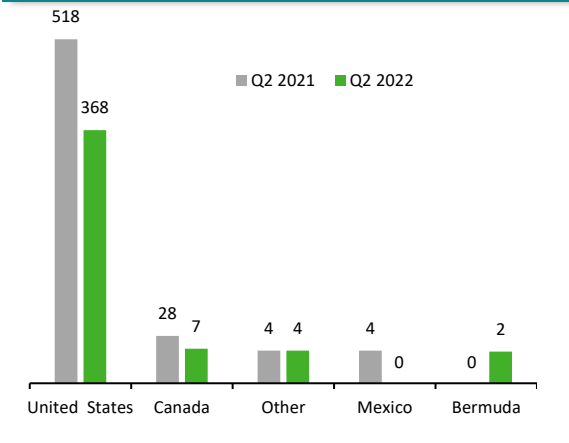
Most active acquiror countries by region⁽¹⁾

Americas

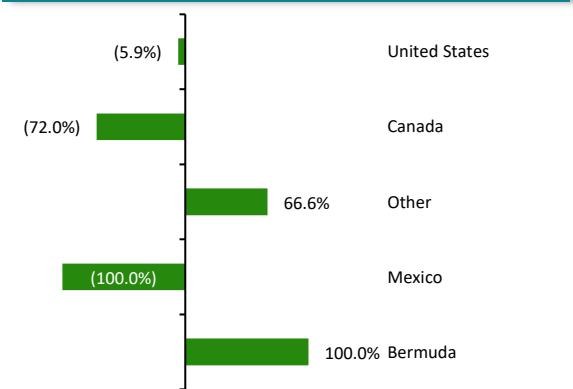
Deal volumes – Q2 2022 vs Q1 2022



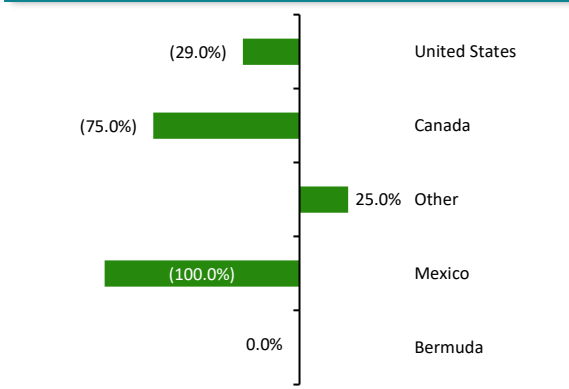
Deal volumes – Q2 2022 vs Q2 2021



Deal volume % change – Q2 2022 vs Q1 2022

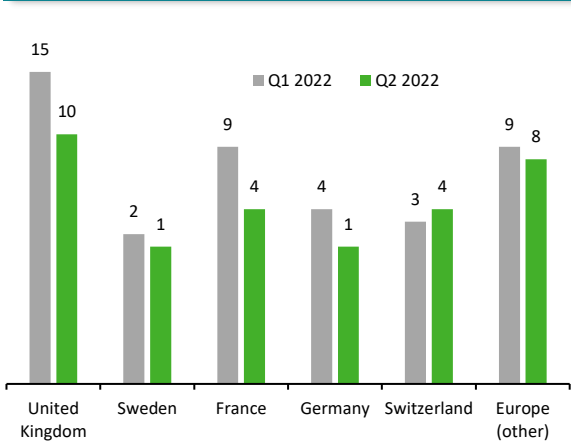


Deal volume % change – Q2 2022 vs Q2 2021

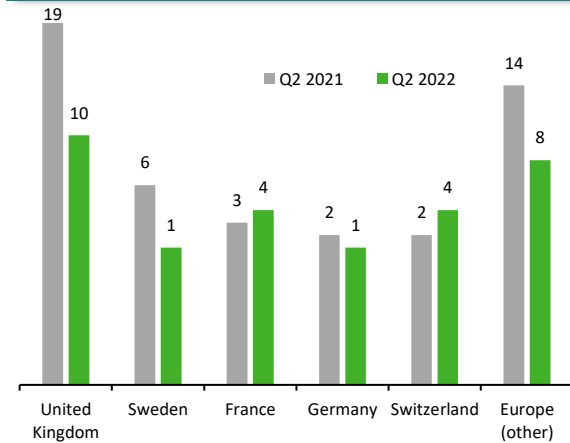


Europe

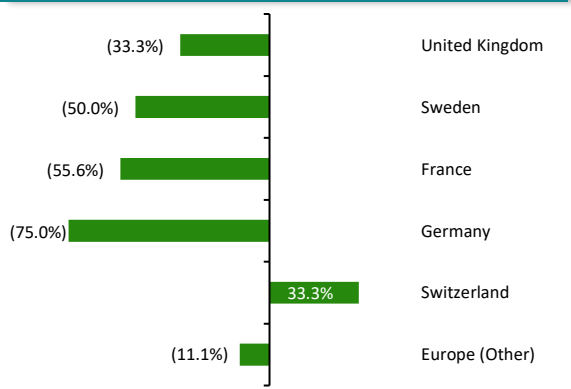
Deal volumes – Q2 2022 vs Q1 2022



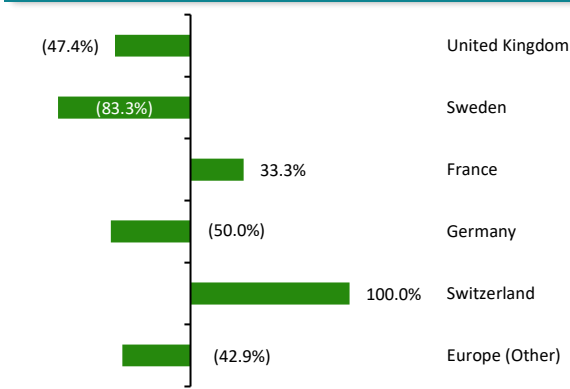
Deal volumes – Q2 2022 vs Q2 2021



Deal volume % Change – Q2 2022 vs Q1 2022



Deal volume % Change - Q2 2022 vs Q2 2021



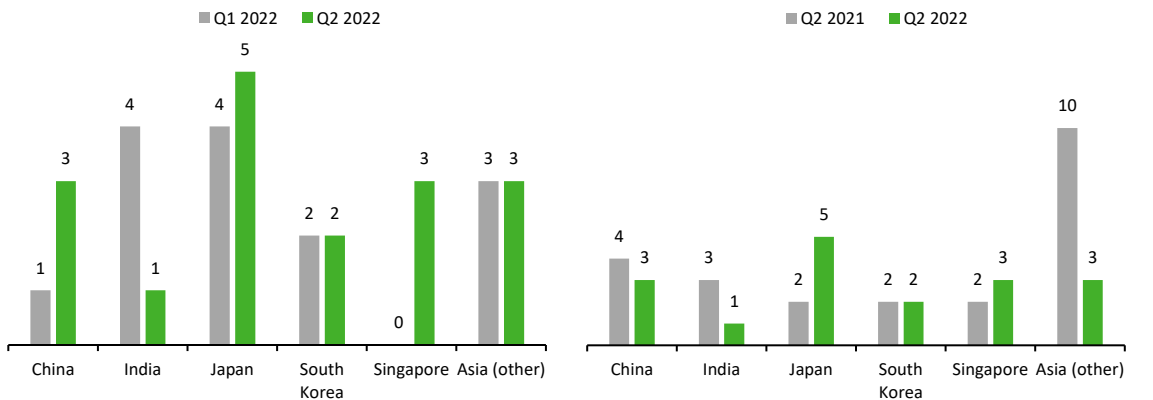
Source: (1) Please refer slide 12.
Copyright © 2022 Deloitte Development LLC. All rights reserved.

Global divestitures – deal volume analysis (cont.)

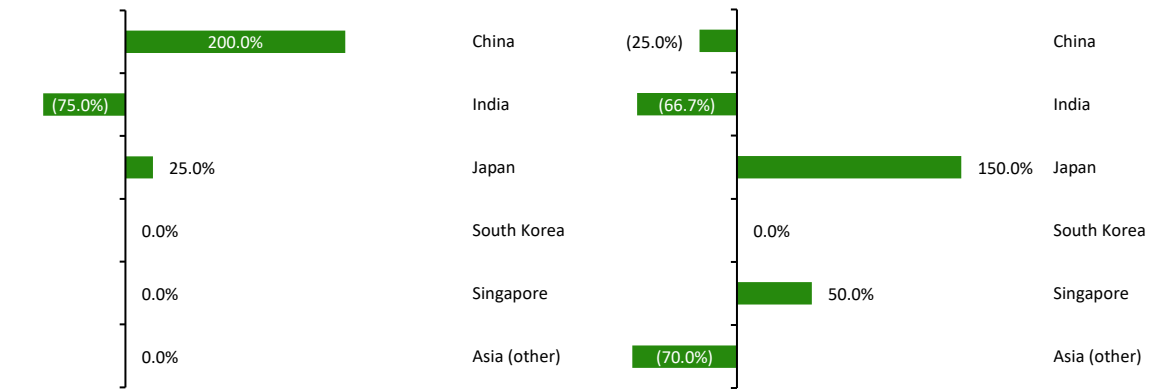
Most active acquiror countries by region⁽¹⁾

Asia

Deal volumes – Q2 2022 vs Q1 2022 Deal volumes – Q2 2022 vs Q2 2021

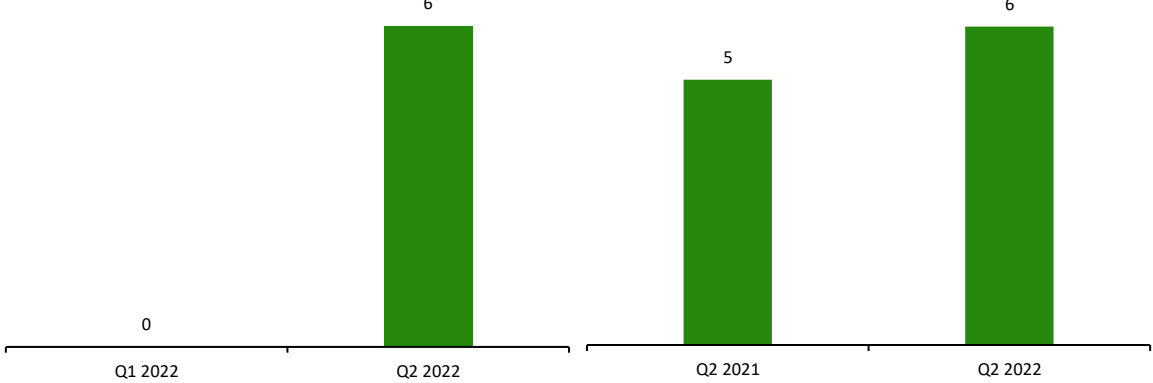


Deal volume % change – Q2 2022 vs Q1 2022 Deal volume % change – Q2 2022 vs Q2 2021



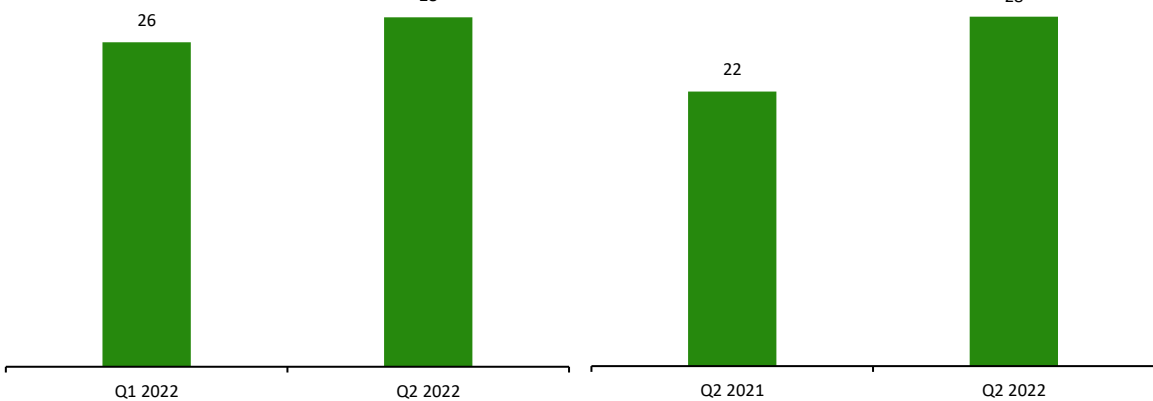
Rest of the world

Deal volumes – Q2 2022 vs Q1 2022 Deal volumes – Q2 2022 vs Q2 2021



Undisclosed acquirors

Deal volumes – Q2 2022 vs Q1 2022 Deal volumes – Q2 2022 vs Q2 2021



Source: (1) Please refer slide 12.
Copyright © 2022 Deloitte Development LLC. All rights reserved.

Appendix

Sources cited

Page 2:

1. [Mergermarket](#). Accessed July 12, 2022. Data as of June 30, 2022.

Page 4:

1. [Refinitiv](#). Accessed July 12, 2022. Data as of June 30, 2022.
2. [Morgan Stanley and PWC](#): Accessed July 25, 2022

Page 7:

1. Relevant transactions announced in Q2, 2022.
 - a. [S&P Capital IQ](#). Accessed July 12, 2022. Data as of June 30, 2022.
 - b. [Mergermarket](#). Accessed July 12, 2022. Data as of June 30, 2022.
 - c. [Refinitiv](#). Accessed July 12, 2022. Data as of June 30, 2022.

Page 8:

1. [US Bureau of Economic Analysis](#). Accessed July 12, 2022. Data as of June 30, 2022.
2. [US Department of the Treasury](#). Accessed July 12, 2022. Data as of June 30, 2022
3. [US Bureau of Labor Statistics](#). Accessed July 12, 2022. Data as of June 30, 2022.
4. [Institute of Supply Management](#) Accessed July 12, 2022. Data as of June 30, 2022.
5. [Organization for Economic Co-operation and Development](#) Accessed July 12, 2022. Data as of June 30, 2022
6. [Federal Reserve Economic Data](#) Accessed July 12, 2022. Data as of Jan 31, 2022.
7. [EIU and Capital IQ](#) Accessed July 12, 2022. Data as of March 2022

Page 9:

1. [Refinitiv](#). Accessed July 12, 2022. Data as of June 30, 2022.

Page 10 & 11:

1. Relevant transactions announced in Q2, 2022.
 - a. [S&P Capital IQ](#). Accessed July 12, 2022. Data as of June 30, 2022.
 - b. [Refinitiv](#). Accessed July 12, 2022. Data as of June 30, 2022.



This newsletter is a periodic compilation of certain completed and announced merger and acquisition activity. Information contained in this newsletter should not be construed as a recommendation to sell or a recommendation to buy any security. Any reference to or omission of any reference to any company in this newsletter shall not be construed as a recommendation to sell, buy or take any other action with respect to any security of any such company. We are not soliciting any action with respect to any security or company based on this newsletter. This newsletter is published solely for the general information of clients and friends of Deloitte Corporate Finance LLC. It does not take into account the particular investment objectives, financial situation, or needs of individual recipients. Certain transactions, including those involving early-stage companies, give rise to substantial risk and are not suitable for all investors. This newsletter is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Prediction of future events is inherently subject to both known risks, uncertainties and other factors that may cause actual results to vary materially. We are under no obligation to update the information contained in this newsletter. We and our affiliates and related entities, partners, principals, directors, and employees, including persons involved in the preparation or issuance of this newsletter, may from time to time have “long” and “short” positions in, and buy or sell, the securities, or derivatives (including options) thereof, of companies mentioned herein. The companies mentioned in this newsletter may be: (i) investment banking clients of Deloitte Corporate Finance LLC; or (ii) clients of Deloitte Financial Advisory Services LLP and its related entities. The decision to include any company for mention or discussion in this newsletter is wholly unrelated to any audit or other services that Deloitte Corporate Finance LLC may provide or to any audit services or any services that any of its affiliates or related entities may provide to such company. No part of this newsletter may be copied or duplicated in any form by any means or redistributed without the prior written consent of Deloitte Corporate Finance LLC.

About Deloitte Corporate Finance

Deloitte Corporate Finance LLC (DCF), a broker-dealer registered with the U.S. Securities and Exchange Commission (SEC) and member of the [Financial Industry Regulatory Authority \(FINRA\)](#) and the [Securities Investor Protection Corporation \(SIPC\)](#), is an indirect wholly-owned subsidiary of Deloitte Financial Advisory Services LLP and affiliate of Deloitte Transactions and Business Analytics LLP. Investment banking or other services that would require registration as a broker-dealer with the SEC and membership in FINRA would be provided exclusively by DCF. For more information, visit www.investmentbanking.deloitte.com. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (DTTL), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as Deloitte Global) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.