

## Texas M&A Trends

Second Quarter 2020

M&A activity in the U.S. and Texas continued its decline, reflected by a significant drop in number of deals and deal value (although somewhat more modestly in the Texas market). Investor concerns about the mid- to long-term economic effects of the COVID-19 pandemic and related shutdowns decreased appetite for deal-making. Similarly, many investors are questioning how long-term business plans and investment theses may be challenged by potential social and consumer shifts caused by the virus. These existential concerns are compounded by the continued logistical hurdles of signing and closing transactions. The statistics reflect a potential bottom for U.S. and Texas deal activity in April 2020, with modest upticks in both May and June 2020. Anecdotally, both strategic and financial acquirers seem cautiously interested in resuming deal activity. But it remains to be seen whether these upticks are the start of a U- or V-shaped recovery or, unfortunately, do not reflect recovery at all.



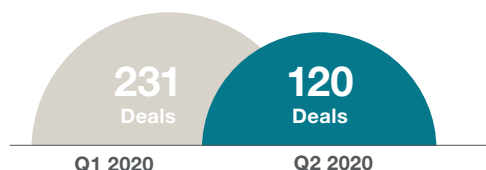
In Texas, while number of deals significantly declined, aggregate deal value declined only modestly and average deal value significantly increased. It is difficult to conclude whether this is a meaningful trend. There was a significant decrease quarter-over-quarter for smaller transactions (i.e., below \$100 million) with a disclosed deal value. But the question remains whether this reflects softening investor interest in the lower middle market, overexposure of the lower middle market to industries most affected by the COVID-19 pandemic, or simply a statistical quirk of smaller data sets and reduced interest in disclosing deal value if not legally required.

(1) Based on 37 deals with a disclosed transaction value.

(2) Of the 66 Texas transactions signed in 1Q20 with a disclosed transaction value, 38 transactions (~57.5%) had a transaction value of \$100 million or less. Of the 37 Texas transactions signed in 2Q20 with a disclosed transaction value, 15 transactions (~40.5%) had a transaction value of \$100 million or less. This shift in the transaction size distribution for transactions with a disclosed transaction value explains the significant decrease in number of deals coupled with a sizeable increase in average transaction value.

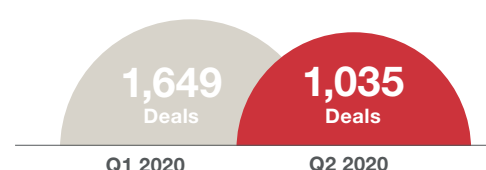
(3) Based on 414 deals with a disclosed transaction value.

### TEXAS



a decrease of  
**48%**

### U.S.



a decrease of  
**37%**

### AGGREGATE VALUE

Q1 2020

\$10.8B

\$10.1B<sup>(1)</sup>

Q2 2020

**6%**  
decrease

### AGGREGATE VALUE

Q1 2020

\$309.2B

\$155.9B<sup>(3)</sup>

Q2 2020

**50%**  
decrease

### AVERAGE VALUE

Q1 2020

\$163.2M

\$273.3M

Q2 2020

**40%**<sup>(2)</sup>  
increase

### AVERAGE VALUE

Q1 2020

\$537.0M

\$377.5M

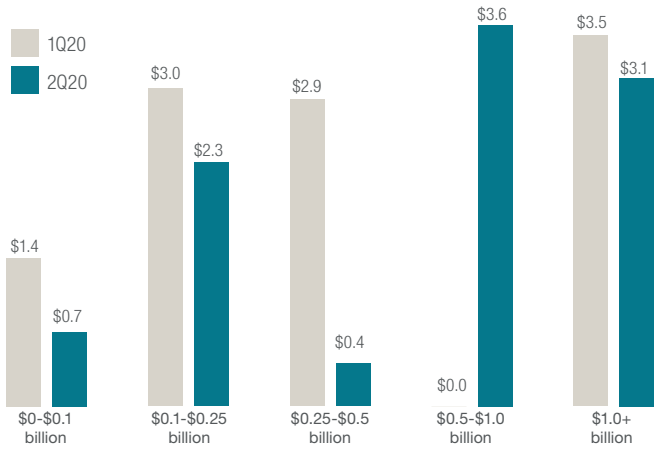
Q2 2020

**30%**  
decrease

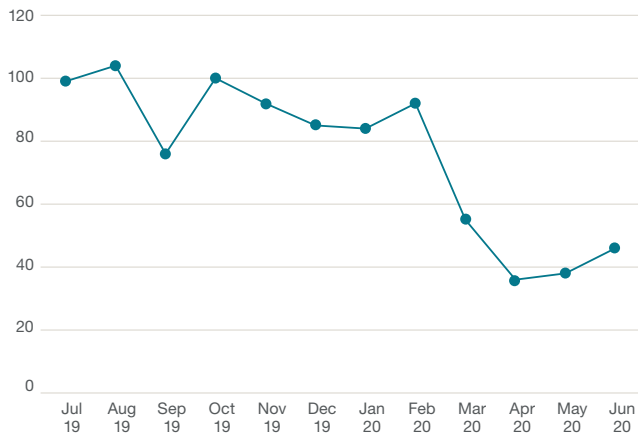
The figures included in this alert were compiled using Mergermarket for acquisitions of any value involving either public or private companies that were announced during the time period referenced and, in the case of data regarding Texas transactions, that involved at least one counterparty headquartered in Texas. Aggregate value of deals and average value of deals were calculated using only those deals that disclosed a deal value. All data was sourced as of July 7, 2020. "LTM" as used below means "last 12 months" and includes data for the preceding 12 months, including the current month. The industrial categories referenced herein were named and categorized by Mergermarket. Data obtained from Mergermarket has not been reviewed for accuracy by Baker & Hostetler LLP.

# TEXAS

### TRANSACTION SIZE DISTRIBUTION

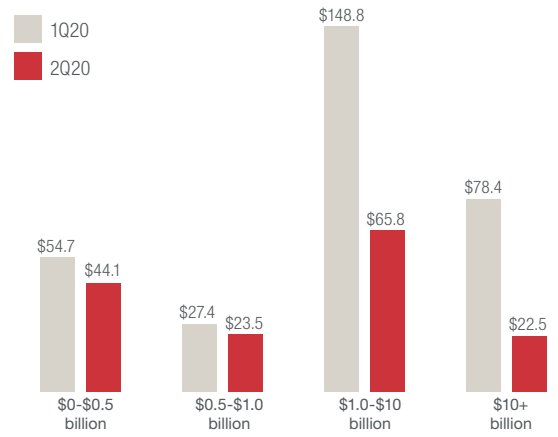


### NUMBER OF DEALS (MONTH BY MONTH)

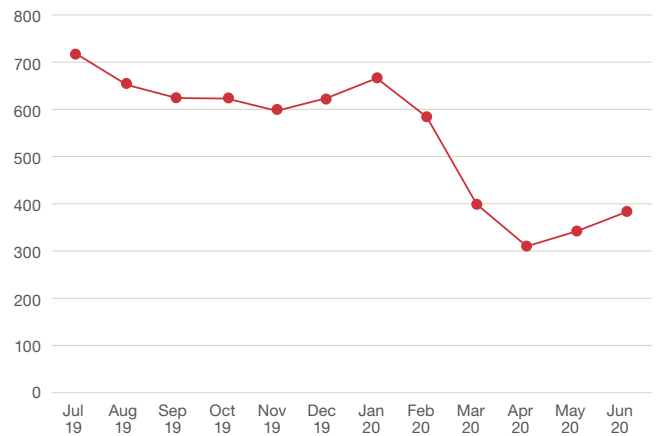


# U.S.

### TRANSACTION SIZE DISTRIBUTION



### NUMBER OF DEALS (MONTH BY MONTH)

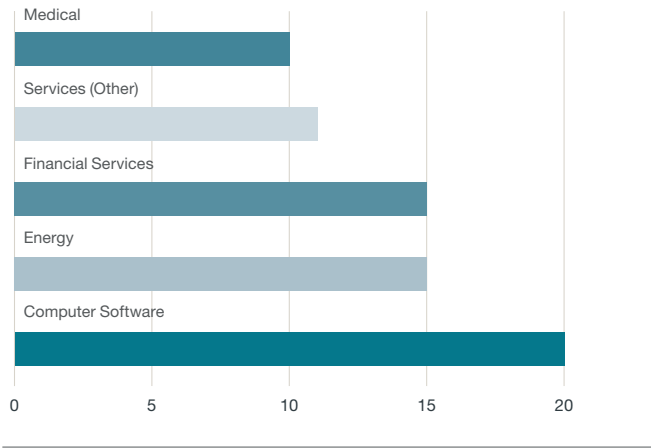


# TEXAS

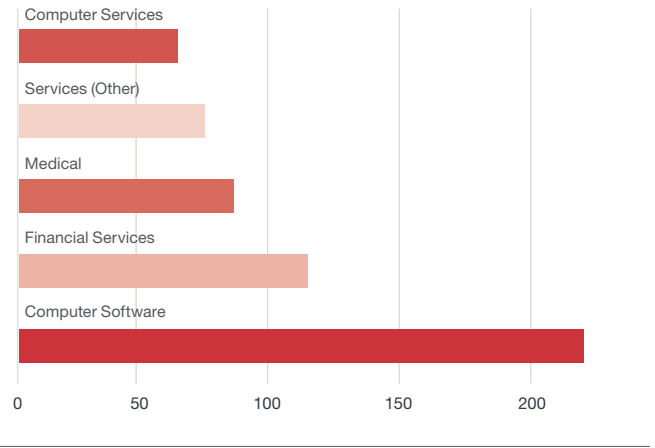
# U.S.

## Most Active Industries

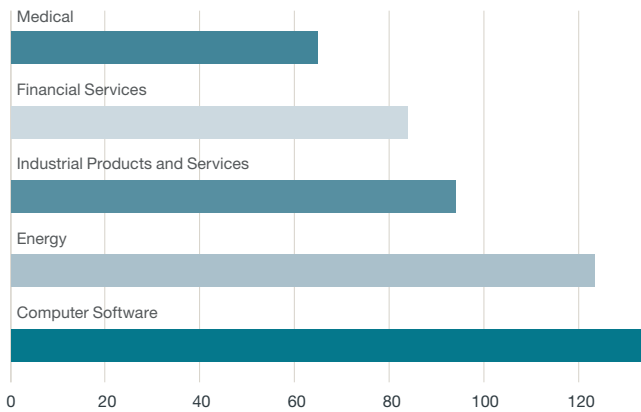
### NUMBER OF DEALS (2Q20)



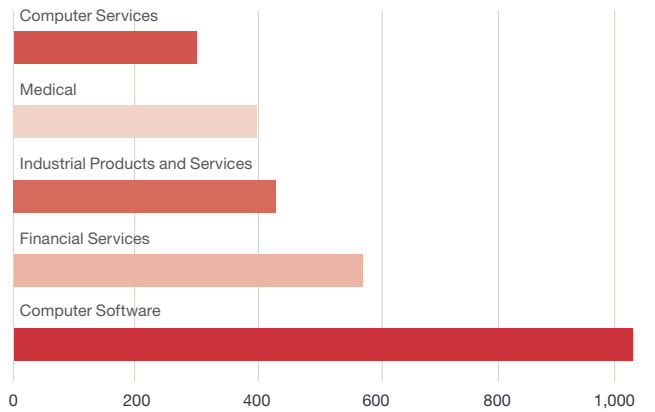
### NUMBER OF DEALS (2Q20)



### NUMBER OF DEALS (LTM)



### NUMBER OF DEALS (LTM)



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We regularly provide advice to strategic buyers, financial sponsors, portfolio companies, targets and special committees of targets in all forms of transactions – inbound and outbound, public and private – cutting across numerous industries.

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