M&A Insight
Mergers, acquisitions, divestitures and valuations for middle-market companies

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GLOBAL M&A MARKET COMMENTARY

Total year-over-year (y-o-y) M&A deal counts involving targets based in the U.S., Europe and Asia Pacific decreased by a moderate 3.4% in the first two months of 2020 as many regions of the world were only beginning to feel the emergence of COVID-19. However, the rapid spread of the virus around the world drove a sharp decline in deal activity during March as y-o-y volumes fell by 23.9%. The combination of this dramatic drop in deal counts and fewer announced mega-deals in many regions led to steeper declines in global deal value with large drop-offs in U.S. and Asia Pacific deal value being partially offset by the benefits Europe experienced of a y-o-y uptick in multi-billion dollar mergers.

Sequential quarter-over-quarter M&A announced deal value and volume decreased in the first quarter by 36.0% and 11.0%, respectively. The decline was driven by a sharp decrease in deal activity during March, particularly for larger strategic mergers, as the COVID-19 pandemic has caused large corporations to shift their near term priorities. While many businesses expect to resume M&A initiatives as the economy begins to show signs of improvement, the length of the COVID-19 impact on global economies has yet to be determined.

Global equity indices displayed sharp declines in the first quarter of 2020 as the COVID-19 pandemic has led to widespread uncertainties impacting market valuations. As of late, equity markets have rebounded from their March lows but have not yet recovered to the levels seen at the start of 2020.
ASSESSING PRECEDENT MARKET DOWNTURNS

The COVID 19 outbreak led to a sharper, more immediate decline in the S&P 500 when compared to prior equity market shocks. While markets have rebounded from their lows, significant uncertainty persists and questions around whether the lows will be retested and how long the downturn will last remain to be answered.

U.S. M&A activity showed resiliency following the Financial Crisis with its recovery being quicker and more pronounced than that of the Dotcom Bubble as deal counts increased by over 60% in a similar 19-quarter timeframe after the market trough.

Source: FactSet. Includes deals where the target firm is headquartered in the United States; Number of transactions includes those with undisclosed values; Includes transactions with disclosed values over $10MM.
Despite the emergence of the COVID-19 pandemic, U.S. private equity activity remained strong in 1Q20 in comparison to 1Q19 with nearly 940 transactions closing in the quarter, an 18.0% year-over-year increase as transactions that had either previously signed or had advanced into the late stages pre-pandemic were able to be completed. In addition, as of 3/31/2020, approximately 445 private equity transactions with an estimated aggregate deal value of approximately $59.1 billion had been announced but had not yet closed. While private equity firms continue to hold ~$1 trillion of dry powder, prior to the impact of leverage, and most indicate that they are “open for business and actively looking for new investments”, the impact of COVID-19 has undoubtedly introduced near-term uncertainty to the private equity deal making environment. Among those firms who stand most likely to sustain, or even increase, activity levels in the coming months are those with more flexible mandates that allow them to deploy capital in scenarios beyond just buyouts, such as minority structured equity, convertible debt, PIPEs, bridge financings, etc.

Up until the emergence of COVID-19, middle market companies had continued to benefit from ready access to debt capital with total leverage multiples reaching 5.5x. However, as uncertainty spread rapidly, the credit markets experienced severe dislocation initially before more recently showing positive signs of life again. While underwriting terms, including from direct lenders, have become very case specific, borrowers should expect higher pricing and reduced leverage vs. pre-COVID levels. For those credits less suited to more traditional debt financing, opportunistic credit and structured equity investors are seeking to fill the void – albeit at a higher cost of capital.

U.S. real GDP growth, historically an accurate indicator of M&A activity, is estimated to have declined at an annualized pace of 4.8% in 1Q20 – a sharp decrease from the 3.1% increase experienced in 1Q19. GDP growth for 4Q19 remained unchanged at 2.1%. The 1Q20 GDP decline, largely driven by the 7.8% decrease in real personal spending, was principally due to the response to the spread of COVID-19. As governments issued “stay at home” orders in mid-March, businesses and schools switched to remote work or canceled operations, and consumers canceled, restricted, or redirected their spending.

In March, the Federal Reserve cut interest rates as a response to the economic impact of COVID-19, while corporate spreads spiked as investors demonstrated a rapid de-risking and flight to quality.
COVID-19 DEAL MAKING IMPLICATIONS

The emergence of COVID-19 has introduced near-term uncertainty to M&A transactions across the spectrum. While many deals are being impacted, at least from a timing perspective, certain others for companies in later stage processes and/or for companies with more limited perceptions of direct downside exposure are forging ahead and getting signed. In addition to sharpening Buyers’ diligence focus on what the impact of the pandemic could be on a business, there are specific deal provisions that must be considered through a different lens in any deal in light of the outbreak. Navigating the negotiations around certain key deal points and other considerations in this environment is evolving and fluid but critical to finding an acceptable balance of risk between Buyers and Sellers.

ALTERNATIVE FORMS OF CONSIDERATION

The dislocation of the macro environment and corresponding decline in public equity markets has created widespread uncertainties that can impact valuation negotiations. While the impact can vary significantly by sector and company specific dynamics, in certain cases Buyers and Sellers may seek to bridge a potential valuation gap by introducing earn-outs, seller notes and/or buyer stock into the mix alongside cash at closing. While they can, in certain cases, be effective tools in bridging gaps, each of these forms of consideration comes with a host of issues that must be carefully thought through and addressed in negotiations. Things such as: how earn-out targets are set and measured and over what time period, and what assurances the Seller will have that the business will be run in a way that enables the earn-out to be achieved; what interest rate is ascribed to a seller note and whether such interest is paid in cash or accrues onto the principal; and what mechanism will be used to determine the value of any stock consideration being conveyed are but a few of the critical questions that must be addressed when contemplating the use of non-cash consideration.

MATERIAL ADVERSE CHANGE (“MAC”) PROVISIONS

Historically, courts have been reluctant to find that a Buyer can walk away from a transaction by claiming a MAC unless it can demonstrate the Target suffered a substantial threat to “the Company’s long-term earnings power over a commercially reasonable period, which one would expect to be measured in years rather than months.”(1) Given that the long-term effects of COVID-19 on most businesses remain largely uncertain, this standard would seem to suggest that, at least for now, it could be difficult to convince a court that the disease has impacted the overall earnings capacity of most companies over a multi-year period of time. That said, the unprecedented nature of the pandemic has the potential to cause an uptick in attempts to cite a MAC and the specific wording of MAC provisions significantly impacts the allocation of COVID-19 risk between the Buyer and Seller. Accordingly, specific exclusions for “epidemics”, “pandemics” or “COVID-19” itself have begun appearing as common carve-outs from MAC definitions in publicly disclosed merger agreements (potentially subject to disproportionate effect qualifiers) and will likely continue to in the near-term.

INTERIM OPERATING COVENANTS

Traditionally, transaction agreements contain interim operating covenants requiring that the Seller continue to operate “in the ordinary course of business” or consistent with how it has on a day-to-day basis in the period leading up to signing, with any deviations from such case requiring the Buyer’s consent. While proving a MAC is very challenging for a Buyer to do, there have been recent public examples of Buyers instead citing actions by a Seller such as closing locations, furloughing employees and/or drawing down on credit facilities as representing a failure by a Seller to comply with its operating covenants between signing and closing and, therefore, serving as cause for termination of or amendments to a signed transaction agreement. Heightened negotiations should be anticipated over these provisions as Sellers seek to retain the ability to make decisions, often quickly, that deviate from past practice in order to protect employee welfare, ensure business continuity, comply with governmental or regulatory edicts, etc. While Buyers want to ensure they aren’t saddled with negative, and potentially irreversible, strategic or financial implications post-closing.

REPRESENTATIONS & WARRANTIES (“R&Ws”) AND R&W INSURANCE (“RWI”)

As Buyers and Sellers think through risk allocation both in-terms of closing certainty and post-closing indemnification, both sides should expect nearly every R&W in a purchase agreement to be carefully scrutinized for how, if at all, it may be impacted by COVID-19. This includes, but is not limited to, impact to common R&Ws such as financial statements, customers & suppliers, compliance with contracts, insurance policies, employee matters, etc. Buyers may also seek even more specific comfort than usual in areas such as business continuity planning and data security & privacy in response to the rise in employees working from home. Additionally, while the use of knowledge and materiality qualifiers and the closing bring-down standards applied to the R&Ws are always closely negotiated, parties to a transaction should expect even greater sensitivity to these provisions as a result of COVID-19. Over the past several years there has been a dramatic increase in the use of RWI as a means to provide post-closing recourse for a Buyer in the event of a R&W being breached. However, these policies are subject to certain carve-outs and are meant to protect against unanticipated and unknown circumstances. Accordingly, parties to a transaction should expect insurers to carve-out COVID-19 related risks from RWI policies, including any related business interruption or losses due to the virus.

(1) Source: Akam, Inc., v. Fresenius Kabi AG, et al., C.A. No. 2018-0300-JTL.
M&A MARKET STATISTICS

CONSIDERATION OFFERED IN U.S. M&A TRANSACTIONS

U.S. MEDIAN QUARTERLY EBITDA MULTIPLES

AVERAGE SIZE OF U.S. M&A TRANSACTIONS

U.S. PRIVATE EQUITY FUNDRAISING

CROSS BORDER M&A DEAL ACTIVITY – YTD 2020

(1) Source: FactSet.
(2) Source: Capital IQ.
(3) Includes transactions with disclosed values over $10MM.
(4) Source: PitchBook.
(5) Includes all announced transactions from 1/1/20 to 3/31/20.
ECONOMIC COMMENTARY
Scott J. Brown, Ph.D. | April 24th, 2020

• COVID-19 has affected the data collection process for the major economic reports, including employment, consumer prices, retail sales, an industrial production. However, the incoming economic figures imply a stunningly swift, sharp decline in economic activity. This is especially clear in the two best real-time indicators, weekly jobless claims, and the UM Consumer Sentiment survey. We have not seen the economy bottom out, and forecasting the recovery is difficult. As Fed Chair Powell noted in mid-March, “the economic outlook depends critically on the spread of the virus, the measures taken to contain it and how long that goes on, and all that’s really not something that’s knowable.”

Parallels?

When considering the economic aspects of the pandemic, it’s important to ask if there are any parallels, any examples of previous shocks and their impacts on the economy. The 2007-09 financial crisis reflected the collapse of a housing bubble, but was also an unwinding of massive leverage within the financial sector. While financial strains are part of the current weakness, they are not the primary cause. The Great Depression was also caused by a financial crisis, but the reasons it was so severe and lasted so long was that policymakers made all the wrong moves – the Fed raised interest rates to defend the currency (because we were on the gold standard), the government raised taxes in the middle of the depression because lawmakers were worried about the budget deficit, and the government let thousands of banks fail, taking people’s life savings with them. The current situation is somewhat like World War II, in that we are going through a period self-sacrifice, but World War II also coincided with a redirection of capital into defense goods, which isn’t really going on right now. Hence, this is really an unprecedented event in economic history. Looking at past recessions for guidance is unlikely to be useful.

The key aspects of the coronavirus are its asymptomatic transmission (the fact that one can show no symptoms and still spread it) and its relatively long incubation period. That makes it difficult to contain. The death rate varies by age and the initial health of the individual. It’s more deadly if you’re older or have health issues, such as respiratory problems, diabetes, or heart disease. While many of the infected exhibit mild symptoms, about 20% of the cases are serious and require hospitalization. As with any virus, the spread appears to start slow, but builds exponentially, doubling every few days until it either runs out of potential hosts or is met by mitigation efforts (efforts to contain it). This is where social distancing comes in. Social distancing (staying at home and avoiding crowds) slows the spread of the virus, helping to insure that hospitals won’t be overrun with infected patients, and buys time for the development of palliatives (treatments or a vaccine). States and countries that adopted social distancing earlier have had better results in containing the virus. Testing is improving, but has long been inadequate. As a consequence, we haven’t had a good handle on how many people have had the virus and it has been much more difficult to track the spread. In a best case scenario, it will take 12-18 months to develop a vaccine, although that process has already begun. To date, we don’t have an effective treatment, which will be a key factor in re-opening the economy.

Ending social distancing too soon risks generating a wider outbreak of the virus and a more significant impact on the economy (as self-imposed social distancing would last a lot longer). The key is whether we can test enough people, and be able to detect and isolate infected individuals and those with whom they have come into contact. Coming up with an effective treatment will help to ease public fears and having a vaccine would be ideal.

There’s a lot of uncertainty now about how to loosen the social distancing and what the new normal is going to look like. Eventually, the pandemic will be behind us. However, the severity of the economic decline implies that this won’t be a V-shaped recovery.

The Economic Impact

When we started to look at the economic impact of COVID-19, it initially looked like there was going to be a large, temporary effect in China, which would disrupt supply chains for U.S. manufacturers and reduce sales for U.S. firms into China. As the virus quickly spread to other countries, the implication was that we would see significantly slower global growth, further supply chain problems, and a substantial reduction in global trade. As the virus has spread throughout the U.S., social distancing soon became the main mitigating effort. There was an immediate effect on restaurants, air travel, hotels, cruise lines, sporting and spectator events, and retail shopping. We now worry about second-round effects. As people lose jobs, the lost income reduces spending, which is someone else’s income. Credit problems will cascade. State and local government revenues shortfalls show up quickly. Economic weakness will tend to snowball. Policymakers have reacted rapidly to counter this.

While the near-term picture of the economy remains muddled, the incoming data have provided some clarity. The base-case outlook is that economic activity contracted in 1Q20. The advance estimate of GDP growth will be reported on April 29, and is likely to be around a -4% annual rate). A huge decline is anticipated for 2Q20 (advance estimate to be reported in late July). Bear in mind that GDP is a quarterly figure, but it’s reported at an annual rate. So, an 8% decline in a single quarter would be reported as a -30% annual rate (as if that 8% decline were compounded over four quarters). At this point, with limited data, it looks as if second quarter GDP growth may be between -25% and -35%. We probably get a rebound in the second half of the year, leaving 4Q20 GDP 5%, or 10%, maybe even 20%, below the level of 4Q19.

Economic data are generally backward-looking and noisy. There’s a lot of statistical uncertainty and seasonal adjustment difficulties even in the best of times. Prior to seasonal adjustment, March through June is a strong period for the U.S. economy. We normally see more business creation and big gains in jobs, retail sales, and housing activity. Hence, the virus has hit at a very bad time. COVID-19 has had an effect on the collection of economic data, including many of the key figures (employment, consumer and producer prices, retail sales, and industrial production). So one should take the reported numbers with a grain of salt. However, the direction is pretty clear and the magnitude is large. Retail sales were reported to have fallen 8.7% in March. Retailers weakened in restaurants, department stores, clothing stores, bars, and auto dealerships. The March weakness was enough to push the retail sales for the first quarter to a -9.2% annual rate (relative to 4Q19). Prior to seasonal adjustment, retail sales edged up 0.2%, but rose 16.5% in March 2019 – that’s a big shortfall relative to the usual seasonal pattern. Manufacturing output was reported down 6.3%, with sharp weakness in motor vehicle production, leaving a 7.1% annual rate in 1Q20. These are indicative of a sharp recession. Single-family housing starts are normally choppy, but fell 17.5% in March, down at a 3.5% annual rate in 1Q20.

We have two good real-time indicators for the economy, weekly jobless claims and the University of Michigan’s Consumer Sentiment Index. The claims figures have been horrific, totaling more than 26 million over the last five weeks. That is inflated somewhat by the seasonal adjustment (unadjusted claims typically run low during this time of year). Prior to seasonal adjustment, 24.4 million have filed claims in the last five weeks – representing about 15% of the labor force (that’s one out of seven workers). However, the claims data underline the weakness in the job market, many laid-off individuals (such as part-time workers or the self-employed) haven’t been able to file (and some states have had problems processing claims). The CARES Act expands eligibility, so the claims numbers are going to remain elevated and in the near term.

The UM Consumer Sentiment Index and other confidence measures are widely followed by financial market participants, but consumers don’t spend sentiment. Income is the key driver of consumer spending, along with wealth and the ability to borrow. Consumer sentiment doesn’t add much to the spending outlook. However, sentiment figures are indicative of the fundamentals and arrive earlier than data on jobs and income. So when you see a big drop in consumer sentiment, that decline reflects a deterioration in the household sector fundamentals. The drop in April was the largest on record.

Policy Support

In early March, we started to see dislocations in the credit markets, including the Treasury market (the most liquid market in the world). While there is limited evidence so far, we can expect to see issues with missed debt payments. Delinquencies are expected to build in the near term. There are mitigating efforts through the CARES Act, but these problems are still going to be there. Longer-term, solvency and bankruptcy will be an issue for a lot of companies. These are all very serious concerns.

In response to liquidity and credit concerns, the Federal Reserve has taken aggressive action. In two intermeeting cuts, the Fed lowered the target range for the fed funds rate to 0-0.25% and issued forward guidance (the Fed indicated that it expects to maintain these low levels of short-term rates until it’s confident that economy has weathered recent events and is on track to achieve its goals maximum appointment and priced stability). The Fed also restarted large scale asset purchase (what most people call quantitative easing) and then made that unlimited. The Fed will expand its balance sheet, buying as much as needed to provide liquidity it to the markets. The Fed has restarted a number of emergency credit and lending facilities that it had employed in response to the financial crisis and added a number of new ones. It’s important to note that the Fed cannot give grants or take credit risk, but the Treasury can through the Fed. Some of the features of the CARES Act, such as the paycheck protection program are Treasury efforts done through the Fed (and the Fed can lever those up to some extent).
ECONOMIC COMMENTARY – CONTINUED
Scott J. Brown, Ph.D. | April 24th, 2020

- COVID-19 has affected the data collection process for the major economic reports, including employment, consumer prices, retail sales, an industrial production. However, the incoming economic figures imply a stunningly swift, sharp decline in economic activity. This is especially clear in the two best real-time indicators, weekly jobless claims, and the UM Consumer Sentiment survey. We have not seen the economy bottom out, and forecasting the recovery is difficult. As Fed Chair Powell noted in mid-March, “the economic outlook depends critically on the spread of the virus, the measures taken to contain it and how long that goes on, and all that’s really not something that’s knowable.”

We’ve now had four phases of fiscal support from lawmakers in Washington, totaling about $4 trillion or about 18% of GDP. These efforts include public health expenditures, an expansion of unemployment benefits, lending to small businesses, $1200 “recovery rebate” checks to individuals, and additional funding for state and local governments. There have been some issues in implementation, especially lending to small business, but that’s not unusual. These things are rarely smooth. However, support has come rapidly.

One of the key concerns in the recovery process will be budget strains at the state and local government level. This was a problem in the recovery from the financial crisis. In the $837 billion American Recovery and Reinvestment Act of 2009 (ARRA), a third of that was aid to the states. State and local governments have balanced budget requirements. In a downturn, spending increases and revenues decline. Even with federal support, strains on state and local government budget led to a huge amount of public-sector job losses in the early stages of the recovery. That was unusual. Normally, government jobs and spending provide some cushion in an economic downturn. Instead, government spending was subtracted from GDP growth, weakening the pace of recovery. From late 2009, we lost about 700,000 state and local government jobs. These included police, firefighters, and teachers. It was only within the last year that we saw the level of state and local government payrolls recover. Legislators have promised support for state and local governments, but we know that a lot more will be needed.

In FY09, amid the worst of the financial crisis, the federal budget deficit hit $1.4 trillion, or about 10% of GDP. Ahead of COVID-19, with the economy operating near full employment, the budget deficit had been running at a little more than $1 trillion per year, or about 4.7% of GDP. Fiscal support measures to counter the effects of the virus will add another $3 trillion, bring the deficit to around $4 trillion or about 18% of GDP – and we will need more support in the weeks ahead.

Many investors are concerned about the expansion in the Fed’s balance sheet and the increase in government borrowing. Will the Fed’s actions lead to higher inflation? Will the surge in government borrowing create problems later on and how are we going to pay off the debt? These questions had also come up in the aftermath of the financial crisis and the answers are the same as they were then. Currently, deflation is more of a concern than inflation. Over the last several years, the Fed has struggled to achieve its 2% inflation goal (as measured by the PCE Price Index). In the near term, with demand weak, there should be little upward pressure on prices. There may be some concern that productive capacity will be diminished and supply chains disrupted enough to lead to shortages once demand picks up, but that doesn’t seem likely. The Federal Reserve and other central banks have not abandoned their commitments to keep inflation under control over the long term. Amid strong demand for “safe” assets, the government has no problem borrowing. Interest rates are low. We, our kids, and our grandkids do not have to pay off the debt. We never paid off the debt from WWII. All we have to do is be able to roll over the debt and meet the interest payments – and that should not be a problem.

The Rest of the World

While the focus of investors has been on the domestic economy, developments in the rest of the world will have significant implications on the U.S. economy and firms doing business abroad. In the April update to its World Economic Outlook, the IMF lowered its estimate for global growth in 2020 from +3% (in January) to -3% and stressed that the risks are weighted to the downside. China reported negative GDP growth for the first quarter. Its recovery will depend a lot on what happens in Europe and the U.S., as they are the country’s key export markets. China has some fiscal and monetary space to support its economy. Europe’s economy is undergoing a major contraction. There are limited prospects for fiscal coordination across Europe. Germany still favors tight budgets, while the southern economies will experience severe budget strains. This will seem familiar to Spain, Italy, and Greece, and we are likely to see a renewed euro crisis (which, if you recall, was a big deal for U.S. financial markets in the early part of our recovery). Emerging economies are unprepared. They have limited capacity in their healthcare systems to deal with the pandemic, and limited fiscal space to counter the economic impact. The outlook for the rest of the world implies a substantial hit to U.S. exports in the near term and probably lower export growth once the virus has passed. In addition, with the virus circulating around the world, the world economy could return to the U.S., especially if we were to drop our vigilance. By definition, a pandemic is a worldwide phenomenon. To fight it, we need global coordination and cooperation.

Opening up the Economy

Unwinding social distancing should be coordinated, gradual, in phases, with widespread testing, continued elevated hygiene, plenty of personal protective equipment, and contact tracing. The key to slowing a pandemic is to identify and isolate those infected. We need more testing. We need to identify those infected, trace who they have come into contact with, and isolate those individuals. The process should be dynamic, so that if the virus appears to be spreading more rapidly in one area, we can resume social distancing to tap that down. However, we could find that the opening up is uncoordinated, haphazard, and self-defeating. If we move too quickly, the virus will spread a lot more and social distancing, largely self-imposed, will last longer and the economic impact will be a lot larger.

Make no mistake, there is a trade-off between the economy and lives. That may sound cold, but as a society, we make these kind of choices all the time. In food and product safety, for example, there’s always a trade-off between doing what we can to prevent unnecessary deaths and the cost of doing so. We could save tens of thousands of lives per year by setting the speed limit at 20 miles an hour, but we don’t. We could prevent thousands of deaths from the flu by adopting social distancing every year, but we don’t. Social distancing has helped to flatten the curve, slow the spread of the virus, and prevent our hospitals from being overrun. Without a widely available vaccine, we will make a trade-off. However, we clearly want to reduce that possibility of additional deaths as much as possible.

Forecasting the economy has been especially difficult over the last several weeks. The worst-case scenario one week becomes the base-case scenario the next week. Figures on jobless claims have been horrific in recent weeks, leading to a very rapid deterioration in the near-term economic outlook. COVID-19 has affected data collection for most GDP components, adding to the usual noise and uncertainty in the headline growth figure. However, the March figures appear weak enough to push 1Q20 GDP growth below zero. Second quarter GDP will be much more severe.

There is a wider dispersion in expectations for the economy in the third and fourth quarter of this year and beyond. Clearly, the recovery is going to depend on how we end social distancing and how rapidly that occurs. Going into social distancing was uneven across states. Without central coordination, re-opening the economy will also be uneven. Some may go too soon, leading to a wider outbreak of the virus and greater economic damage in the long run.

In summary, there is still a lot of uncertainty about the virus and the economic impact. The economic data will be distorted in the near term, but we do know that this is going to be a very large shock to GDP growth in 2020. The U.S. economy should rebound, but gradually – and there are downside risks in getting the re-opening wrong. Credit conditions are worrisome in the near term. There are a lot of questions about missed debt payments and so on, but we should see strains helped somewhat by the Fed’s liquidity injections. Fiscal support is large. It won’t prevent the economy from weakening, but it should help to lessen the damage and should aid in the recovery. Anecdotally, there is severe hardship for those at the lower rungs of the economy. The Fed’s survey of consumer finances had noted that half of all households did not have the means to deal with an unexpected bill of $400. Food banks around the country have been overwhelmed, although we should see some improvement as food distribution networks are re-worked.

There will be some significant long-term changes to the U.S. economy once the pandemic has passed. Individuals may be less likely to travel, to go out to restaurants, or to go to theaters and sporting events. Households may increase their savings (spending less out of income). We will definitely see some changes in global trade, not just in supply chain issues, but in the amount of the global trade.

This ought to be a stock pickers market. Investors should focus on companies with strong balance sheets, adequate cash flows, and good prospects for survival. The market focus is long-term and investors remain generally optimistic, but there is likely to be a lot of volatility in the near term as the outlook shifts.
Raymond James appoints Allan Bertie as co-head of European Investment Banking

LONDON – Raymond James has appointed Allan Bertie as co-head of its European Investment Banking practice. Bertie will co-lead the firm’s fast-growing European investment banking practice alongside current Head of European Investment Banking and Chief Operating Officer Steve Hufford.

Bertie will bring his three decades of investment banking and market experience to Raymond James to continue to grow the team of over 75 investment banking professionals in Europe. He will build on the firm’s strategic vision to continue to offer content-rich, sector-specific, high-value middle-market investment banking services on a global basis.

“Allan is a very skilled and talented banker who has deep relationships with many of the preeminent middle-market private equity houses in the UK and continental Europe. He also has a stellar reputation in those markets, and is known for his strategic insight, keen eye for a transaction and straightforward manner. We look forward to leveraging his deep relationships and expertise for the benefit of the firm and its clients,” said Jim Bunn, president of Global Equities and Investment Banking. “Since we launched our European operations in 2016, we have achieved significant growth. Allan’s appointment signifies an exciting new chapter and positions us for even greater expansion and success in European markets.”

Bertie joins Jefferies International, where he was managing director in the European M&A group based in London. Prior to this role, he held the position of senior managing director of Macquarie Capital’s Industrials, Communications and Sponsors (ICS) team. Bertie has also worked at GCA Savvian, Dresdner Kleinwort and Credit Suisse First Boston. He is also a member of the Campaign Leadership Board for the University of Glasgow.

“I’m thrilled to welcome Allan as co-head of our European team,” said Hufford. “We have continued to grow our revenues, deal counts and employee counts in London, Munich and Frankfurt, and as a strong investment banking leader, Allan is joining at an exciting time and will be a great addition to our client-focused team.”

“I’m delighted to be joining the experienced and respected team at Raymond James,” said Bertie. “As co-head I look forward to building upon the excellent work of Steve and my new colleagues.”

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Sources of data include FactSet, Capital IQ, PitchBook and other news organizations. Information obtained from third-party sources is considered reliable, but we do not guarantee that the information herein is accurate or complete. This report was prepared within Raymond James’ Investment Banking Department and is for information purposes only. This report is not a product of Raymond James’ Research Department; recipients of this report should not interpret the information herein as sufficient grounds for an investment decision or any other decision. The report shall not constitute an offer to sell or the solicitation of an offer to buy any of the securities mentioned herein; past performance does not guarantee future results.

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RAYMOND JAMES RECENT ADVISORY TRANSACTIONS (1/1/20 – 3/31/20)

March 2020

- Palatine
  Has completed a strategic investment in acora

March 2020

- Tri-County Financial Group, Inc.
  Has acquired H.F. Gehant Bancorp, Inc.
  The holding company for Gehant Bank

March 2020

- SourceHOV/Te
tax
  A subsidiary of Exela
  Has been acquired by Gain/Line Capital Partners

March 2020

- Buzzi Unicem
  Has sold its minority interest in Kosmos Cement Company to
  Eagle Materials

March 2020

- Palm
  Has been acquired by Landry's

March 2020

- MCL
  A portfolio company of Lead Equities
  Has entered into a definitive agreement to be acquired by One Equity Partners

March 2020

- XMedius
  A portfolio company of StoneCalibre
  Has been acquired by OpenText

March 2020

- AON
  Has received a strategic investment from
  AmrensSourceBergen

March 2020

- solovis
  Has been acquired by Nasdaq

March 2020

- docutech
  A portfolio company of Serent Capital
  Has been acquired by First American

March 2020

- 7-ELEVEN, Oklahoma
  Has been acquired by

March 2020

- altius
  Has been acquired by avanade

March 2020

- openline
  A portfolio company of Nordian Capital Partners
  Has been acquired by CapitalA

March 2020

- ATHENA
  Has been acquired by

March 2020

- DATAGROUP
  Has acquired a majority stake in

March 2020

- enovative Medical
  Has been recapitalized by Riverside Partners

March 2020

- WELCH HORSBY
  Has been acquired by CAPTRUST

February 2020

- wellbeing
  A portfolio company of Mission Capital
  Has entered into a definitive agreement to be acquired by Citadel Group

February 2020

- MAERSK
  Has entered into a definitive agreement to be acquired by

Past performance is not indicative of future results.
### RAYMOND JAMES RECENT ADVISORY TRANSACTIONS (1/1/20 – 3/31/20)

<table>
<thead>
<tr>
<th>Date</th>
<th>Company Name</th>
<th>Acquirer/Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2020</td>
<td>CVC Capital Partners</td>
<td>Has acquired webpros, A portfolio company of Oakley Capital</td>
</tr>
<tr>
<td>February 2020</td>
<td>Campus Edcentric</td>
<td>Portfolio companies of LEEDS Equity Partners</td>
</tr>
<tr>
<td>February 2020</td>
<td>AffiniPay</td>
<td>Has received an investment from TA Associates</td>
</tr>
<tr>
<td>February 2020</td>
<td>U.S. Sawmill Business</td>
<td>Has been acquired by Resolve Investments</td>
</tr>
<tr>
<td>February 2020</td>
<td>Outmatch</td>
<td>A portfolio company of Sunstone Partners</td>
</tr>
<tr>
<td>February 2020</td>
<td>Halifax Group</td>
<td>Has acquired Trimech</td>
</tr>
<tr>
<td>February 2020</td>
<td>Best Hometown Bancorp</td>
<td>Has been acquired by National Bank</td>
</tr>
<tr>
<td>February 2020</td>
<td>Sandy Spring Bank</td>
<td>Has acquired RPJ</td>
</tr>
<tr>
<td>February 2020</td>
<td>NewSouth Window Solutions</td>
<td>Has been acquired by 2G1</td>
</tr>
<tr>
<td>February 2020</td>
<td>InfoPro</td>
<td>A portfolio company of Towerbrook</td>
</tr>
<tr>
<td>February 2020</td>
<td>Alta Equipment Company</td>
<td>Has merged with Briley</td>
</tr>
<tr>
<td>January 2020</td>
<td>Peak View</td>
<td>Has been acquired by Summit</td>
</tr>
<tr>
<td>January 2020</td>
<td>SBI</td>
<td>Has been recapitalized by CIP Capital</td>
</tr>
<tr>
<td>January 2020</td>
<td>Awnings SRS</td>
<td>Has sold a majority interest to Amneal Pharmaceuticals</td>
</tr>
<tr>
<td>January 2020</td>
<td>Pixia</td>
<td>Has been acquired by Cubic Corporation</td>
</tr>
<tr>
<td>January 2020</td>
<td>Desalitech</td>
<td>Has been acquired by Dupont</td>
</tr>
<tr>
<td>January 2020</td>
<td>Five Points Capital</td>
<td>Has entered into a definitive agreement to be acquired by P10 Holdings</td>
</tr>
<tr>
<td>January 2020</td>
<td>Farmers Insurance</td>
<td>Has acquired Maple Leaf Financial, The holding company for Geauga National Bank</td>
</tr>
</tbody>
</table>

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RAYMOND JAMES RECENT CAPITAL MARKETS TRANSACTIONS (1/1/20 – 3/31/20)

March 2020

- Agree Realty Corporation
  - $175,000,000
  - Follow-On Offering

March 2020

- Safehold
  - $70,000,000
  - Follow-On Offering

March 2020

- EVOQUA
  - $254,000,000
  - Follow-On Offering

March 2020

- GFL
  - $1,425,000,000
  - Initial Public Offering

March 2020

- eHealth
  - $238,000,000
  - Follow-On Offering

February 2020

- Realty Income
  - $750,000,000
  - Follow-On Offering

February 2020

- Dynatrace
  - $863,000,000
  - Follow-On Offering

February 2020

- Kilroy Realty Corporation
  - $495,000,000
  - Follow-On Offering

February 2020

- Sol-Gel
  - $23,000,000
  - Follow-On Offering

February 2020

- Catalyst Biosciences
  - $34,000,000
  - Follow-On Offering

February 2020

- One Water
  - $64,000,000
  - Initial Public Offering

February 2020

- Nexpoint Real Estate Finance
  - $103,000,000
  - Initial Public Offering

January 2020

- Ares
  - $74,000,000
  - Follow-On Offering

January 2020

- Blueprint Medicines
  - $325,000,000
  - Follow-On Offering

January 2020

- Profound Medical
  - $40,000,000
  - Follow-On Offering

January 2020

- Zymeworks
  - $321,000,000
  - Follow-On Offering

January 2020

- Velocity
  - $108,000,000
  - Initial Public Offering

January 2020

- Mirum
  - $89,000,000
  - Follow-On Offering

January 2020

- Prov公元
  - $48,000,000
  - Follow-On Offering

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