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other corporations are pursuing
acquisitions aggressively

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The U.S. middle market generated \$400 billion for the first time, and private equity-backed deals hit a record.

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New hires and promotions

Harris Williams hires Kelly McPhilliamy as managing director. Kainos Capital promotes Jay Desai from managing director to partner. Fitness tech company Peloton hires Dion Camp Sanders as senior vice president, M&A.

Strategic buying

Target's acquisition of Shipt and Amazon's purchase of PillPack aim to improve the customer experience, a driver of today's corporate dealmaking



The March issue of Mergers & Acquisitions marks our annual look at Strategic Buyers. "Strategics have been really active," says John Neuner, managing director, Harris Williams. "They are aggressive in pursuing the assets they want, as long as it fits within their strategy. Scale is critical to them, and they have to meet consumer demands by adding new capabilities." In our cover story, we look at seven goals corporate dealmakers hope to accomplish through

M&A transactions today:

1. Integrate data with software
2. Improve the customer experience and relationship
3. Expand and improve distribution
4. Process payments more efficiently
5. Leverage tech trends, like autonomous vehicles
6. Make manufacturing processes more efficient
7. Achieve better outcomes and efficiencies in healthcare

Technology plays a key role in many transactions. But while technology is enabling developments, it's not an end unto itself for many corporations. Instead, strategic buyers are using innovations as a means to achieve goals, such as improving the customer experience. A couple of deals that exemplify the trends are Target's \$550 million acquisition of Shipt, which helps Target deliver everyday items, and Amazon's \$1 billion purchase of online pharmacy PillPack, which delivers medications in pre-sorted doses. Read the cover story to discover more. **M&A**

– Mary Kathleen Flynn



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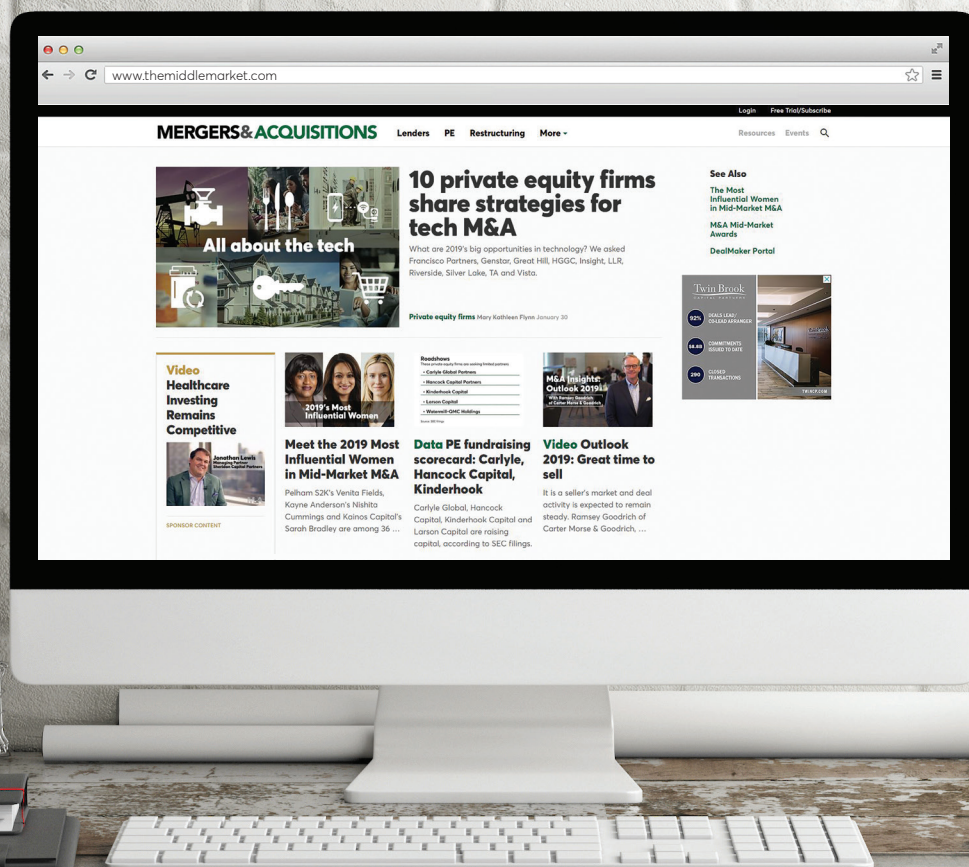


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Data

M&A soared in 2018

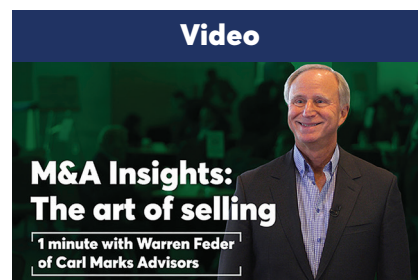
Autodesk's purchase of construction software provider PlanGrid, Hershey's acquisition of snacks maker Amplify, and Stryker's deal for medical device manufacturer Entellus, were among the many significant transactions that closed in 2018.



News & features

TSG raises eighth fund

TSG Consumer Partners has raised its eighth fund at \$4 billion. The consumer-focused PE firm will make investments between \$200 million and \$800 million. In 2018, TSG-backed Duckhorn Wine Co. acquired Pinot Noir winery Kosta Browne.



Video

Prepping for private equity

Family-owned businesses require a lot of preparation to sell to PE firms. Carl Marks Advisors' Warren Feder discusses what lower middle-market family companies need to do to get ready to sell to PE, in this video interview shot at M&A East.

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ADOBE STOCK

Software specialist

Thoma Bravo continues to flourish, raising its 13th fund, and investing in cybersecurity providers and other software companies

By Demitri Diakantonis and Mary Kathleen Flynn

Thoma Bravo has raised its 13th fund at \$12.6 billion. The fund underscores private equity firms' enthusiasm for backing companies that provide software and technology-enabled services and will allow "Thoma Bravo to continue to pursue its proven investment approach of owning and building high quality software companies," the firm says in a release.

"Our firm has a long history and proven track record of bringing innovation and growth to our software companies," says Thoma Bravo managing partner Orlando Bravo (pictured). "The number and size of private equity investment

opportunities in enterprise software and technology is expanding." Thoma Bravo is led by managing partners Orlando Bravo, along with managing partners Seth Boro, Scott Crabill, Lee Mitchell, Holden Spaht, Carl Thoma and partners Jack Le Roy, Robert Sayle and Hudson Smith, and has offices in Chicago and San Francisco.

Since 2003, Thoma Bravo has completed over 200 software and technology acquisitions worth around \$57 billion. In 2018, Thoma Bravo made 12 investments and also raised a \$2.4 billion middle-market fund. Some of the firm's recent



deals include: acquiring security testing company Veracode for \$950 million; taking a majority stake in business automation company Apttus; and investing in cybersecurity firm Centrifly.

Tech M&A gets a boost

PE firms, including Resurgens, are raising sector-focused funds

Resurgens Technology Partners has raised its first fund at \$200 million. The PE firm focuses on lower middle-market software and tech-enabled services businesses. Atlanta-based Resurgens has made two investments since 2017 in

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Watercooler

investment performance analytics company Investment Metrics, and in 2018, the firm carved out Assurance Software from Sungard Availability Services. Assurance recently announced a deal for business software firm ClearView.

Resurgens was founded by Fred Sturgis, John Baumstark and Adi Filipovic. Sturgis and Filipovic were previously with Accel-KKR, and Baumstark was previously an operating partner at H.I.G. Capital. "Our strategy is to acquire a relatively concentrated portfolio of companies, to invest deeply in a dedicated operating team and to build a portfolio management system which is unparalleled in our segment of the market," says Baumstark.

PE fundraising is benefiting from a boost in M&A in the tech sector, and young PE firms, including those that focus on tech and software, are raising funds. Luminate Capital Partners, founded by Hollie Moore Haynes, has raised its second fund at \$425 million. Haynes is a former managing director at Silver Lake Partners. ParkerGale, co-founded by Kristina Heinze, Devin Mathews, Jim Milbery and Ryan Milligan, has recently raised its second fund at \$375 million. Proskauer Rose represented Resurgens.

Making the DMV more efficient

PE firms, such as Arlington, are buying tech companies that are driving more value to customers

Arlington Capital Partners has acquired a majority stake in Intellectual Technology Inc. The target provides software and technology services to motor vehicles departments, allowing it to increase the speed, visibility, and security of motor vehicle transactions. Existing investor Vicente Capital is reinvesting in the deal.

"We are a company dedicated to operational efficiency, and our collective vision for current and prospective customers is to leverage technology to address the repetitive and predictable tasks that DMVs must perform on a daily basis so that they can focus on complicated, more nuanced constituent interactions," says ITI president Drew Nicholson. Arlington is a Washington, D.C.-based middle-market private equity firm that focuses on the healthcare, aerospace and defense, government services, technology and business services sec-



tors. The PE firm manages about \$2.2 billion in capital.

Piper Jaffray (NYSE: PJC) and Mitchell Silberberg & Knupp LLP advised Vicente and ITI. Goodwin Procter LLP and Sheppard, Mullin, Richter & Hampton LLP advised Arlington.

Lower mid market attracts PE

Carlyle's latest fund will invest in businesses in the U.S. and Europe

The Carlyle Group's (Nasdaq: CG) Carlyle Europe Technology Partners has raised \$1.55 billion for CETP IV. The transatlantic 19-person CETP IV team will continue its strategy of investing in business-to-business companies in the European

Watercooler

and U.S. lower middle market.

"CETP IV harnesses Carlyle's deep technology expertise, extensive global networks and substantial operating resources to create a clear edge in value creation," says Carlyle co-CEO Kewsong Lee. Funds focused on lower middle-market technology firms are flourishing.

Fundraising remains strong

TSG and NextEnergy raise capital

TSG Consumer Partners has raised its eighth fund at \$4 billion. The consumer-focused PE firm will make investments between \$200 million and \$800 million. The firm has now about \$9 billion under management. TSG, founded in 1987, focuses on the food, beverage, restaurant, beauty, personal care, household, apparel and accessories, and e-commerce sectors.

In 2018, TSG bought a minority stake a Dutch Bros. Coffee, the largest privately held drive-thru coffee company in the U.S. with more than 300 locations, and in that same year, TSG-backed Duckhorn Wine Co. acquired Pinot Noir winery Kosta Browne.

In other PE fundraising news, NextEnergy Capital has raised a new solar energy-focused PE fund at \$160 million. The fund will invest between \$5 million and \$30 million in its deals. MJ Hudson advised NextEnergy.



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Buyers apply skincare deals

A combination of aging baby boomers and a health-conscious younger generation is driving demand for skin treatments

Beauty company L'Occitane International SA is buying British luxury skincare brand Elemis from L Catterton-backed Steiner Leisure Ltd. for \$900 million. Elemis' products are sold in more than 1,600 spas, salons and retailers. "Elemis is well positioned for continued global growth due to the brand's broad appeal, award-winning product portfolio, robust new product development pipeline and effective consumer-focused digital and brick-and-mortar distribution strategy," says L'Occitane CEO Reinold Geiger.

"Elemis' products garner strong cross-generational consumer appeal, with a proven ability to attract Millennials while maintaining loyal Gen X and Baby Boomer consumers," according to a L'Occitane release. A combination of aging baby boomers and a more conscious younger generation is driving demand for skin treatments. Johnson & Johnson (NYSE: JNJ) is acquiring the stake it does not already own in

Ci:Z Holdings Co. for about \$2 billion, and in 2018, Colgate-Palmolive Co. (NYSE: CL) bought PCA Skin and EltaMD.

L Catterton was formed in 2016 when French luxury goods maker LVMH Moët Hennessy Louis Vuitton combined its PE arm L Capital with consumer-focused investment firm Catterton. L Catterton is majority owned by the partners of the firm, with the remainder being held by LVMH and Groupe Arnault, the family holding company of LVMH Chairman and CEO Bernard Arnault. In 2018, L Catterton announced plans to buy hot sauce distributor Cholula. JEFeries, Nomura and Kirkland & Ellis are advising Elemis.

Investing in communications

CACI buys communications firm LGS from Madison Dearborn and CoVant

CACI International Inc. (NYSE: CACI) is buying LGS Innovations from Madison Dearborn Partners and CoVant Management for \$750 million. LGS provides communications, intelligence, surveillance and cybersecurity services to federal government agencies, including the U.S. Department of Defense. MDP and CoVant bought LGS from Alcatel-Lucent in 2014.

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In 2012, MDP and CoVant formed a partnership to identify investments in the federal government technology sector. In 2018, the two firms acquired LinQuest Corp., a provider of space systems technology and software. J.P. Morgan Securities LLC (NYSE: JPM) and Gibson Dunn & Crutcher are advising CACI. Bank of America Merrill Lynch, Kirkland & Ellis LLP and Crowell & Moring LLP are advising LGS.

Automating oilfield tasks

FieldFX products allow field service workers to process work orders even when in remote areas

Luminate Capital Partners has purchased a majority stake in LiquidFrameworks from Houston Ventures and other early investors. The target offers cloud-based mobile field operations services for the oilfield, industrial and environmental services industries. LiquidFrameworks' FieldFX product automates the lifecycle of a job from origination to billing, helping to generate more accurate price quotes and invoices, and allowing field service workers to process work orders even when in remote areas that do not have an Internet connection.

"By focusing on customer needs, LiquidFrameworks has

created a mission critical software application used daily by field services professionals across multiple verticals, and we look forward to finding ways to provide further value to the industry," says Luminate founder Hollie Moore Haynes, who is a former managing director at Silver Lake Partners. In 2018, the PE firm invested in AutoQuotes, a technology provider for the foodservice equipment industry. Kirkland & Ellis advised Luminate on the LiquidFrameworks deal.

RLJ invests in environmental services

Pro-Vac provides support services to the infrastructure, municipal, and environmental markets

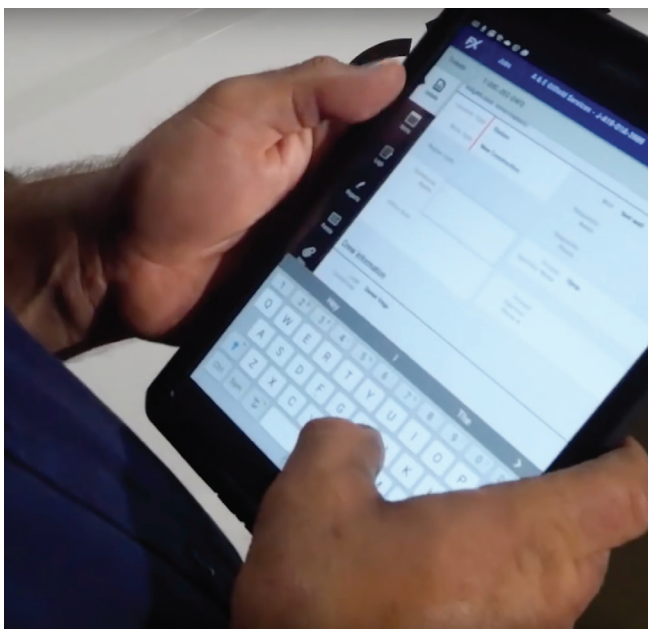
RLJ Equity Partners has purchased Olson Brothers Pro-Vac LLC, an environmental, infrastructure, and municipal services provider based in Puyallup, Washington. Sellers included: Peninsula Capital Partners, a Detroit, Michigan-based private investment firm; Silver Peak Partners, a Denver, Colorado-based private investment firm; and key Pro-Vac management team members.

Pro-Vac provides support services to the infrastructure, municipal, and environmental markets, including hydroexcavation, storm and sewer maintenance, pipe/line jetting, industrial vacuum cleaning, CCTV inspection, commercial sweeping, tank rental, and other specialty services. Investment bank Brown Gibbons Lang & Co. advised Pro-Vac in the sale.

Lock makers exchange hands

Stanley Black divests Sargent and Greenleaf, a manufacturer of locks for safes, vaults and safe deposit boxes

Opengate Capital is buying Sargent and Greenleaf from Stanley Black & Decker (NYSE: SWK). The target manufactures mechanical and electronic locks for safes, vaults and safe deposit boxes. The business, founded in 1857, serves the banking, cash transit, residential security, railroad / utilities and government security segments.





OpenGate CEO Andrew Nikou says the PE firm already started looking how it "can drive innovation into the busi-

ness through technological enhancements as part of our full potential strategy and believe real growth can be achieved." OpenGate has made more than 30 acquisitions since it was founded in 2005. The firm invests in businesses that have up to \$300 million in enterprise value across the consumer, business services and industrials sectors.

Stanley Black manufactures industrial and tool products, and is known for the Black and Decker brand. The company has been active in M&A. In 2018, Stanley Black announced plans to buy a 20 percent stake in outdoor power equipment manufacturer MTD Products Inc. for \$234 million. In 2017, the company bought Newell Brands Inc.'s (Nasdaq: NWL) tools business, including the Irwin brand, for \$1.95 billion, and acquired the Craftsman brand from Sears for \$900 million.

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Healthy mid-market fundraising

WindRose Health Investors' fifth fund will target healthcare subsectors

Healthcare-focused private equity firm WindRose Health Investors has raised its fifth fund at \$705 million. "It is gratifying to see our team's strategy and track record so well received in the market," says WindRose managing partner Oliver Moses. We are grateful for the trust placed in us by a distinguished group of investors and will work diligently to execute our plan."

"WindRose targets sectors that are poised to benefit from the strongest industry tailwinds and companies that differentiate themselves by delivering innovative and cost-effective solutions," the firm adds in a release.

PE fundraising in the middle market is robust. Audax Group recently raised \$3.5 billion, Center Rock Capital raised \$580 million, JMI Equity raised \$1.2 billion, and Ridgemont Equity raised \$1.65 billion. Weil Gotshal & Manges represented WindRose.

Seeking new lending sources

Audax's fund will have \$2.6 billion in capital to invest in North American mid-market companies

Audax Private Debt, the debt financing unit of Audax Group, has raised the Audax Direct Lending Solutions Fund with \$1.65 billion of capital. The fund will have \$2.6 billion in total capital to invest in North American middle-market companies.

"Direct Lending Solutions enhances our financing capabilities," says Kevin Magid, the head of Audax Private Debt. "And together with our senior debt and mezzanine debt funds, allows us to provide an extensive variety of financing solutions to our private equity clients." "The fund enables Audax Private Debt to utilize its senior and junior debt underwriting expertise to provide unitranche and stretch senior financings of up to \$175 million per transac-

tion," according to a release.

Other firms that have raised new lending funds include: Antares, Ares Management, Madison Capital Funding and Monroe Capital.

Data appeals to PE

Veeam will use the \$500 million it received from IVP and CPPIB to pursue M&A

Insight Venture Partners has invested \$500 million in cloud data management company Veeam Software. Canada Pension Plan Investment Board has also invested alongside Insight Venture Partners. Veeam has about \$1 billion in sales, and helps more than 325,000 customers with cloud data backup and protection. The target will use the investment for organic growth and pursue M&A. Insight Venture Partners previously acquired a minority stake in Veeam in 2013. The PE firm was founded in 1995 and manages more than \$20 billion.

Data management companies are appealing to PE investors as companies become more efficient. MidOcean Partners has acquired construction data providers Hanley



ADOBE STOCK

Wood and Meyers Research, and in 2017, ClearPoint Investment Partners has acquired a stake in data management company Shore Group Associates. Willkie Farr & Gallagher LLP represented Insight and Veeam.

Coca-Cola expands global reach

The company first invested in Chi in 2016

The Coca-Cola Co. (NYSE: KO) has acquired the majority stake it did not already own in Nigerian beverage company Chi.Ltd. Chi produces juices and dairy products under the Chivita and Hollandia brands. Coca-Cola purchased a 40

percent stake in the target in 2016.

"Coca-Cola is continuing to evolve as a total beverage company, and Chi's diverse range of beverages perfectly complements our existing portfolio, enabling us to accelerate expansion into new categories and grow our business in Africa," says Peter Njonjo, president of the West Africa business unit of Coca-Cola.

Investors are hot on the trail of software innovations

Apax, CareerBuilder and Nike bought AI companies recently

Cision Ltd. (NYSE: CISN) is buying TrendKite Inc. for \$225 million. TrendKite uses artificial intelligence to help communications professionals assess the impact of their efforts. "TrendKite and Cision have a shared understanding of the communications industry's need to quantify the business value of earned media campaigns," says TrendKite chief executive officer Erik Huddleston.

"The combination of TrendKite's rich analytics platform and the Cision Communications cloud platform will powerfully impact our joint customer base with the most robust, end-to-end Earned Media Management solution available," says Huddleston.

Strategic buyers and private equity firms are hot on the trail of innovations, including artificial intelligence, that will drive sustainable value to customers and make companies more efficient, more effective and less expensive to run.

CareerBuilder has acquired Textkernel, a provider of artificial intelligence and machine learning technology that matches people and jobs.

Apax Partners is investing \$200 million to acquire a minority stake in Fractal Analytics, which offers artificial intelligence to Fortune 500 companies, and Nike Inc. (NYSE: NKE) purchased Invertex Ltd., which uses 3D technology and mobile applications aimed at providing retailers with information to customize products to meet specific customer needs. **M&A**



BLOOMBERG NEWS

Private Equity Perspective



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Accolades

Mark your calendars for our annual lists: the M&A Mid-Market Awards, the Rising Stars of Private Equity and the Most Influential Women in Mid-Market M&A

By Mary Kathleen Flynn

To celebrate deals, dealmakers and dealmaking firms, Mergers & Acquisitions produces three special reports every year. Here's the timeline.

For the M&A Mid-Market Awards, we open up the nominations in January, and the deadline is in early February. As with all our special reports, nominations are helpful but not required. There are no fees, and there is no limit on the number of nominations, for any award category or categories, submitted by a firm or individual. The awards

honor leading dealmakers and deals that set the standard for transactions in the middle market in the previous year. We look for companies and individuals who overcame the challenges the year brought, embodied the trends of the period and took their businesses to the next level. We bestow awards in eight categories: Deal of the Year, Dealmaker of the Year, Private Equity Firm of the Year, Investment Bank of the Year, Private Equity Seller of the Year, Strategic Buyer of the Year, Law Firm of the Year, and Lender of the Year.

We announce the winners on TheMiddleMarket.com in late March and in the April issue of the magazine. The 2018 winners will mark the 12th edition of the awards.

For the Rising Stars of Private Equity, we open up the nominations in May, and the deadline is in early June. We look for individuals who are full-time private equity investors and whose best days are yet to come. These are the folks you predict will one day play a key leadership role at your PE firm – or will head up their own. There is no age cutoff. We publish the list online in late June and in the July/August issue of the magazine. In 2018, we named 11 Rising Stars of Private Equity. The 2019 list will be the second edition of the list.

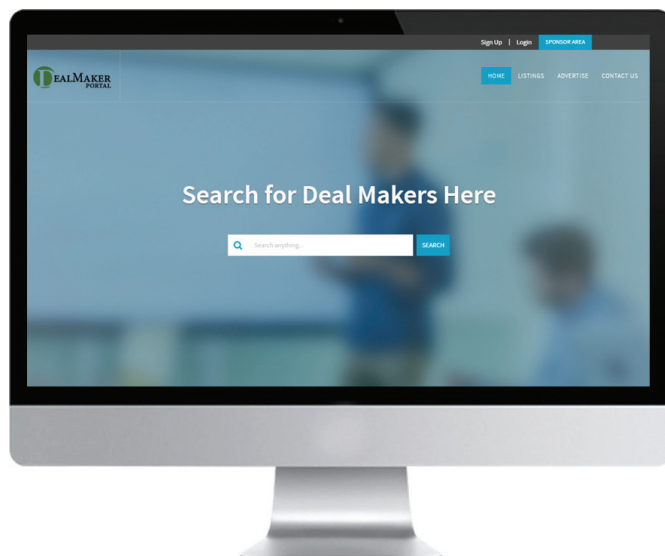
For the Most Influential Women in Mid-Market M&A, we open up nominations in September, and the deadline is in mid-October. We look for women who are outstanding dealmakers both inside and outside of their firms. Evidence of influence in the broader M&A industry is essential. We publish the list online in December and in the January issue of the magazine. We named 36 dealmakers to the 2019 Most Influential Women in Mid-Market M&A. The 2020 list will be the fifth edition. **M&A**

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Securing the cloud

Cybersecurity is critical for small and mid-sized companies looking to adopt cloud technologies

By Demitri Diakantonis



The majority of small and mid-sized businesses have yet to migrate to the cloud, which means there's still lots of room for growth in the cybersecurity sector, and strategic buyers have been eagerly snatching

up service providers.

In November, BlackBerry Ltd. (NYSE: BB) announced plans to buy Cylance for \$1.4 billion. Cylance's software is designed to protect mobile and connected devices from cyberattacks. More than 3,500 businesses use Cylance's technology, including 20 percent of the Fortune 500. "Cylance's leadership in artificial intelligence and cybersecurity will immediately complement our entire portfolio," BlackBerry CEO John Chen said when the deal was announced. In recent years, BlackBerry has been diversifying to focus on more technology and software, including cybersecurity, and less on mobile devices. In 2016, the company bought cybersecurity firm Encription.

In January, Akamai Technologies (Nasdaq: AKAM) acquired cybersecurity provider Janrain. The target helps protect businesses by securing their websites and social media channels. "Adding identity management to the Akamai Edge will provide an added layer of security for our customers," said Akamai CEO Tom Leighton. "With our acquisition now complete, we can work towards provid-

ing them with a sophisticated identity management solution, enabling trusted digital experiences for their end users."

Also in January, data protection services provider Zix Corp. (Nasdaq: ZIXI) announced it is buying AppRiver from Marlin Equity Partners for \$275 million. To help fund the deal, Zix received a \$100 million investment from private equity firm True Wind Capital. AppRiver serves more than 60,000 companies, offering e-mail and web protection services. "E-mail is typically the first application that gets moved to the cloud, and this acquisition puts us squarely at the beginning of our customers' cloud migration," Zix CEO David Wagner said.

E-mail protection

In 2017, Zix purchased e-mail encryption

provider Entelligence Messaging Server from Entrust Datacard. EMS' encryption technology works on most major e-mail servers, including Microsoft Outlook. In that same year, Zix bought another e-mail security company called Greenview Data.

The way businesses use and exchange information is changing rapidly, not just across the cloud, but also on social media. Zix's technology aims to make it easy for users to protect their information, Wagner pointed out. He expects Zix to remain active in seeking cybersecurity deals.

"Cybersecurity will remain a robust environment for M&A," Wagner said. "We're still in the early innings of cloud migration, The landscape is clear. Everything is moving to the cloud." **M&A**



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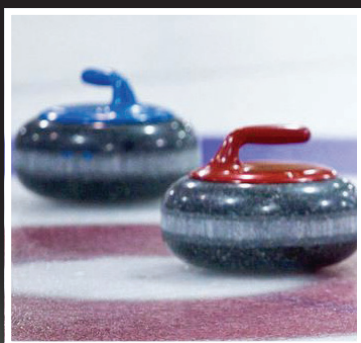
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7 reasons why smart companies buy

Amazon, FedEx, Target and other corporations
are pursuing acquisitions aggressively

By **Demitri Diakantonis**



Cover Story

Businesses are competing harder than ever to attract and retain customers. Strategic buyers are pursuing acquisitions aggressively to gain new technologies, increase their offerings and expand their customer bases.

"Strategics have been really active," says John Neuner, Harris Williams managing director. "They are aggressive in pursuing the assets they want, as long as it fits within their strategy. Scale is critical to them and they have to meet consumer demands by adding new capabilities."

"Capital is at the ready and will continue to be deployed in 2019 to acquire

new brands, scale and technologies that facilitate growth and enhance perceived value to the customer experience," says John Potter, U.S. consumer markets deals leader at PwC, in the firm's Q4 Consumer Markets Deal Insights Report.

Technology plays a key role in many transactions. But while technology is enabling developments, it's not an end unto itself for many corporations. Instead, strategic buyers are using innovations as a means to achieve goals, such as improving the customer experience.

For example, Target paid \$550 mil-

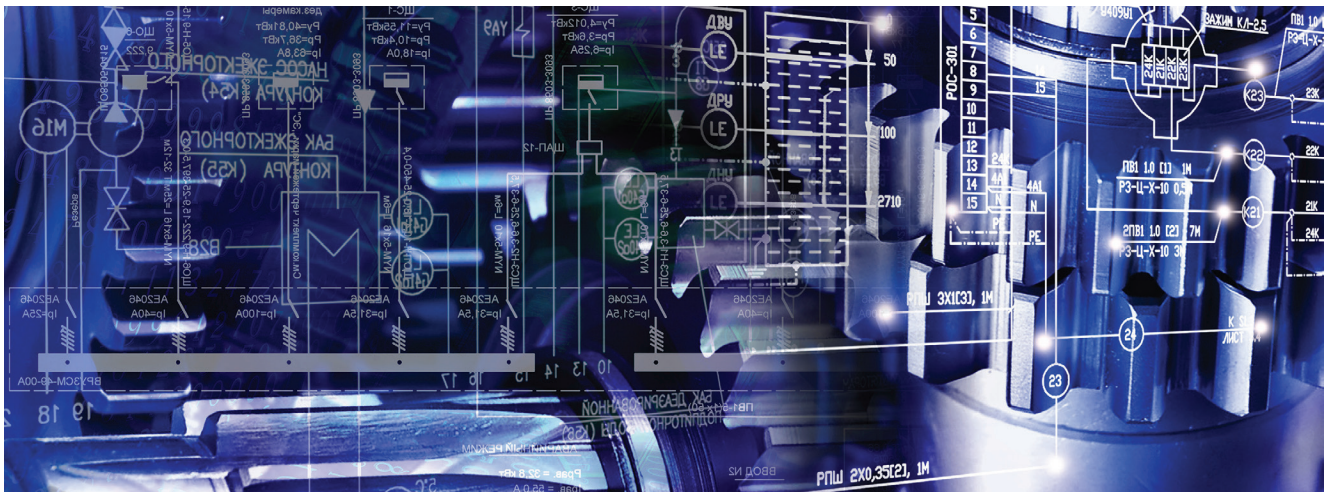
lion for Shipt in 2017. The deal will help Target deliver everyday items, such as groceries, straight to customers' doors.

In 2018, Amazon bought online pharmacy PillPack. The target delivers medications in pre-sorted dose packaging to customers. PillPack aims to help customers save time.

Customers want more convenience when it comes to mobile payments, and that is another M&A driver. Grubhub is buying restaurant payments processor LevelUp.

Here are 7 outcomes strategic buyers hope to achieve through today's M&A deals.

Integrate data with software



Adobe Stock

Companies are becoming more efficient, and businesses are relying on data to improve their operations. Data management, data virtualization and artificial intelligence are among the software developments appealing to strategic buyers.

Cision Ltd. (NYSE: CISN) said in 2019 that it is buying TrendKite Inc. for \$225 million. TrendKite uses artificial intelligence to help communications professionals assess the impact of their efforts. "TrendKite and Cision have a

shared understanding of the communications industry's need to quantify the business value of earned media campaigns," says Erik Huddleston, TrendKite CEO. "The combination of TrendKite's rich analytics platform and the Cision Communications Cloud platform will powerfully impact our joint customer base with the most robust, end-to-end earned media management solution available."

Buyers are hot on the trail of innovations, including artificial intelligence

that will drive sustainable value to customers and make companies more efficient and more effective. One recent deal that exemplifies this trend is S&P Global's (NYSE: SPGI) 2018 acquisition of Kensho Technologies Inc. Kensho is a developer of artificial intelligence for analytics and problem solving for Wall Street and national security clients. With Kensho, S&P strengthened its own analytical tools and internal operations, as well as the insights it can provide to clients.

Improve the customer experience and relationship



Businesses are vying to step up the services they offer to customers. One area where companies are looking to invest more is delivery, since consumers are

ordering more online. Target Corp. (NYSE: TGT) purchased Shipt Inc. for approximately \$550 million in 2017. Shipt uses a network of shoppers to deliver everyday items, such as fresh groceries, the same day to customers' doors, helping them save time.

"With Shipt's network of local shoppers and their current market penetration, we will move from days to hours, dramatically accelerating our ability to bring affordable same-day delivery to guests across the country," says John Mulligan, Target chief operating officer.

Amazon.com Inc. (Nasdaq: AMZN) bought online pharmacy PillPack in 2018. The target delivers medications in pre-sorted dose packaging, coordinates refills and renewals, and makes sure shipments are sent on time, aiming to make taking medication easier for people on multiple daily prescriptions. "PillPack is meaningfully improving its customers' lives, and we want to help them continue making it easy for people to save time, simplify their lives, and feel healthier," says Jeff Wilke, the CEO of Amazon Worldwide Consumer.

Expand and improve distribution



The e-commerce sector continues to grow, and companies are making acquisitions that will help them improve their logistics and distribution services. One

carrier that has been doing so is FedEx Corp. (NYSE: FDX). The company acquired P2P Mailing Ltd., a U.K. provider of transportation services, in 2018.

"Global e-commerce continues to grow at a rapid pace, and more and more merchants, marketplaces, e-commerce and social platforms are looking for innovative, cost-effective ways to get merchandise from distribution points in one country to customers in another," says Carl Asmus, CEO of FedEx Cross Border.

In 2018, FedEx said it will buy Australian logistics company Manton Air-Sea Pty. Ltd. With operations across Australia, Manton connects customers to global markets through regional gateways and relationships with multiple air carriers. Manton provides air and ocean freight forwarding services, as well as customs brokerage.

Ryder System Inc. (NYSE: R) is another company looking to beef up its logistics services. In 2018, Ryder bought fulfillment company MXD Group for about \$120 million.

Process payments more efficiently



Cards and cashless transactions—among the biggest growth drivers in the payments industry—will spark M&A. In the restaurant sector, operators are scrambling to meet the demands

of the next generation of diners, who want more convenience such as online ordering.

Online food ordering company Grubhub Inc. (NYSE: GRUB) agreed to buy LevelUp, a provider of payment processing technology for restaurants, for \$390 million in 2018. "For the last seven years, the LevelUp team has worked to provide our restaurant partners with a complete solution to engage customers in this rapidly evolving digital landscape," says Seth

Priebatsch, LevelUp CEO. "Together, we will provide restaurants with everything they need to grow profitably as more and more diners opt for the convenience, transparency and control of ordering online."

LevelUp gives GrubHub more tools to drive online delivery and pickup orders for restaurant chains like KFC, Taco Bell and Bareburger.

The whole payments processing sector is teeming with deals. In 2017, Vantiv Inc. (NYSE: VNTV) acquired Paymetric, which automates business-to-business payment workflows, from Francisco Partners for \$550 million.

Leverage tech trends, like autonomous vehicles



The automotive industry is going through a major shift, as cars are being made with additional technology, including innovations for self-driving cars and

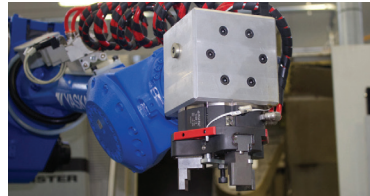
connected devices. In 2017, Aptiv Plc (NYSE: APTV), formerly known as Delphi Automotive Plc, paid \$450 million to acquire NuTonomy, which develops technology used to build self-driving cars.

"Our mission has always been to radically improve the safety, efficiency, and accessibility of transportation worldwide," says Karl Iagnemma, NuTonomy CEO. "Together we will set the global standard for excellence in autonomous driving technology."

Aptiv is not the only strategic buyer looking to grow in auto tech. In 2018, General Motors Co. (NYSE: GM) and Honda Motor Co. announced plans to team up to develop a new self-driving car, with the Japanese automaker taking an almost 6 percent stake in GM's self-driving car unit.

Self-driving and electric cars are fueling activity in the auto sector, according to an AlixPartners study, and will account for 3 million auto sales by 2030. On the M&A side, about 55 percent of automotive deals between 2016 and 2017 were electric and self-driving related.

Make manufacturing processes more efficient



Manufacturing in its simplest form used to mean assembly lines comprised of humans creating and piecing together components that would eventually

become an end product. Today, manufacturing is so much more. While manual manufacturing can still be a part of the process, today manufacturing encompasses humans with automated processes and the increasing use of robotics to make the process more efficient.

IPG Photonics Corp. (Nasdaq: IPGP) has bought Genesis Systems Group, a provider of robotic and automated services, for \$115 million in 2019. Genesis develops robotic systems that are used in manufacturing and industrial processes.

Advances in robotic technology are making it possible to complete more complex tasks at higher speeds and with improved control and repeatability, driving M&A. In 2018, Barnes Group Inc. (NYSE: B) bought Gimatic Srl from AGIC Capital, Xenon Capital Partners and the founder of Gimatic for about \$435 million. Gimatic develops robotic grippers and end-of-arm tooling systems. "With the accelerating adoption of robotic technologies, we expect favorable long-term industry trends will continue to support Gimatic's growth into the future," says Scott Mayo, Barnes Group SVP.

Achieve better outcomes and efficiencies in healthcare



Medical professionals are looking to reduce costs while improving patient results. That is one of the drivers at-

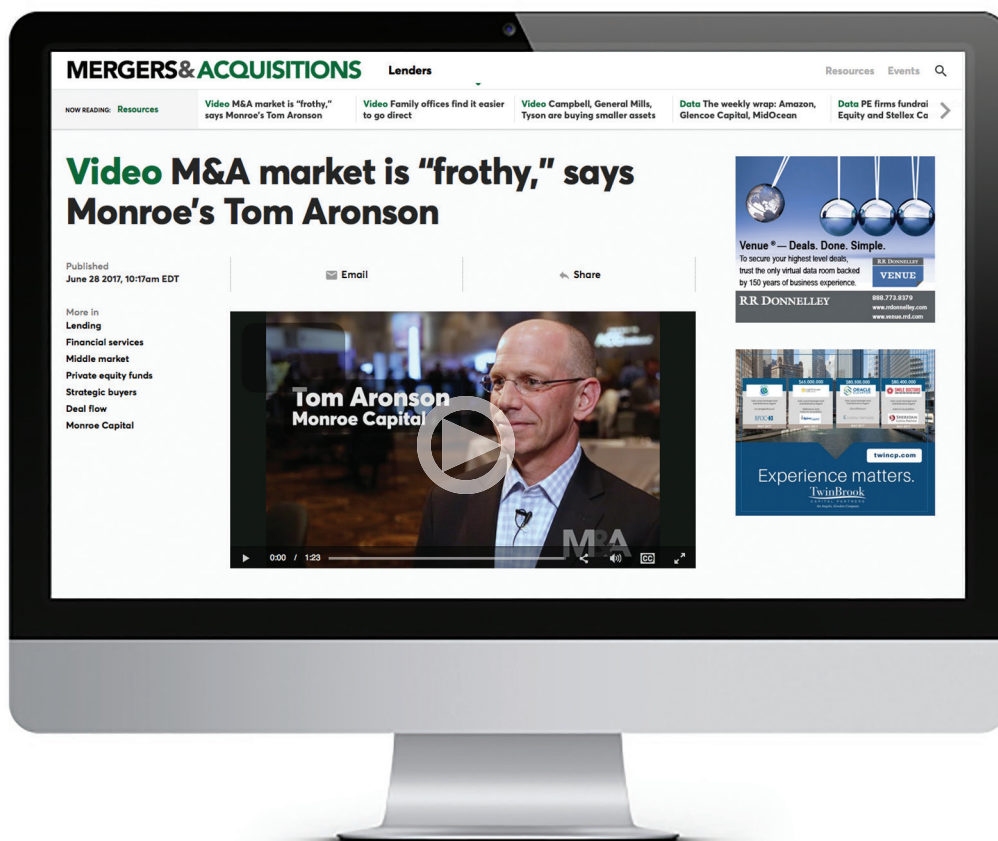
tracting strategic buyers in healthcare analytics. An example of such a deal is when Medidata Solutions Inc. (Nasdaq: MDSO) bought the 94 percent stake it did not already own in healthcare data company Shyft Analytics for \$195 million in 2018. Medidata and Shyft first teamed up in 2016.

"Together, Medidata and Shyft are powering customers' digital transformation with artificial intelligence and real-world analytics to reduce risk, optimize revenue, and ultimately help patients," says Medidata CEO Tarek

Sherif.

Another deal that exemplifies healthcare data integration is R1 RCM Inc.'s (Nasdaq: RCM) 2018 acquisition of Intermedix Corp. for about \$460 million. Intermedix provides data analytics to more than 15,000 healthcare providers in the U.S. R1 CEO Joseph Flanagan says the deal will help medical practices increase revenue and reduce costs "while improving the patient and physician experience." **M&A**

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Carve-out curveball: How to hit a home run

The carve-out is the financial equivalent of the curveball. Here's how to avoid striking out

By Gary Appelbaum, Eric Salit

We've said it before and we'll say it again: the carve-out is the financial equivalent of the curveball. But here's something new: it's no longer just a secondary pitch, at least not in private equity circles. Not only do carve-outs account for 10 percent of all M&A activity, the percentage of carve-outs conducted by buyout firms (as opposed to strategic buyers) is on the rise, and sharply at that.

And that's important, because, at the risk of overextending the curveball analogy, the carve-out is 'filthy stuff.' The inherent complexities of the deal can puzzle even serial acquirers.

Nowhere does that complexity rear its confounding head more than in the subsequent integration of a carved-out business. Here, strikeouts can happen at an alarming, if understandable, rate. So, let's take a look at what's behind the

swings and misses:

Strike 1: Overlooking the clubhouse culture

Every player has a unique presence, and every clubhouse a distinctive personality. Understanding the dynamics of each - with respect to the transferred employees' eagerness for the 'trade', receptivity to a new team, and ability to acclimate - must be a critical part of any integration strategy.

It is, however, particularly critical in a carve-out scenario, where employees arrive with a history with the seller/previous business. Now untethered from that former organization, they may have a feeling of disenfranchisement that will need to be addressed. On the flip side, they may well feel invigorated by a sense of opportunity, which should be nurtured.

For that reason, buyers should use the diligence phase not only as an opportunity for talent assessment, but as a time to take the cultural temperature of the seller's organization, the business being carved-out, and the transferring employees.

Are these employees losing a sense of brand identity that had been important to their career, or, at least, their perception of it? If so, buyers will want to be mindful of employee hesitancy as they seek to integrate, creating rebranding or talent absorption strategies that serve to counteract employee apathy.

Or, have the transferred employees long felt part of an orphaned-business within their previous owner, and now view the carve-out as an opportunity for their business to shine, or at least, be more of a visible presence in a new organization. Here, while the lift may be lighter, it will be no less important. Buyers will want to take an approach

Guest article

to talent integration that nurtures early optimism and creates leadership roles to match it.

In either case, an honest assessment of clubhouse culture, and a proactive integration strategy to match, will be critical components to long-term organizational and deal success.

Strike 2: Ignoring the important acronyms

The Transition Service Agreement (TSA) is one of the most critical aspects of any carve-out scenario, where buyers are at the mercy of sellers providing continued, adequate services (as determined appropriate).

An effective TSA should follow a robust due diligence process around carve-out elements so that it can meticulously account for which processes, functions, and technologies the business will support independently post-close, and which will need seller assistance and/or additional capability development. But for all that meticulous pre-close planning, some things invariably get left out.

And that's where we see a critical swing and integration miss – the omission of an Omitted Services Clause (OSC). The OSC obligates the seller to continue previously provided services that were inadvertently excluded from the TSA and, as such, can be a buyer's best friend, ensuring that business continuity isn't negatively impacted by the absence of those services.

What it doesn't do, however, is ensure the quality of those services. What can? Buyer leverage – and in a carve-out integration that leverage can come from the unlikelyst of places: Reverse Transition Services (RTSAs).

An RTSA component of a TSA, (where services from the buyer are provided back to the seller, post-close), can cre-

ate an element of reciprocity in the service quality conundrum. It often comes into play where transferred employees had been supporting other parts of the seller's business not included in the carve-out, leaving the seller with substantive work that may need to be backfilled; (this is particularly relevant where the seller operates in a shared services model).

While the RTSA may first seem burdensome, the informed buyer will soon recognize it as their best insurance policy. With an RTSA, the seller must now also rely on the quality of transition services rendered by a buyer. As a result, the seller has a vested interest in making sure the transition services it provides the buyer meet the quality standards it expects to receive in return.

If baseball is a sport singularly obsessed with acronyms (RBI, OBP, OPS), private equity teams playing the carve-out integration long game must share in that obsession, focusing on the right combination of letters: TSA, OSC, RTSA.

Strike 3: Making the wrong trades

In 1920, the Boston Red Sox traded Babe Ruth and the rest was history. The 'Curse of the Bambino' taught a lesson to every GM: don't trade your star player. It's a lesson that has relevance beyond baseball, in a deal environment, where sellers should heed it, and buyers need to account for it.

While sellers may be eager to carve-out a product or service portfolio, they're in no way eager to part with the more talented executives associated with that business. In fact, the sage seller will find any number of reasons (shared services, employment loopholes, strategic imperatives) to keep those 'A' players around, even when said players squarely belong with the carved-out business.

And, that's a problem, because absence of these expert team members during integration will negatively affect the future value of the business being acquired.

The lesson to the buyer here is twofold.

First, heed the scouting reports

Conduct deep enough due diligence into the human capital aspects of the deal, that you understand, can identify, and can negotiate for the critical team members that must transfer with the deal, because they will be integral to integration and/or to the future of the business.

Second, mind the roster

You want a curated team of 'A' managers, coaches, and players. There's a reason 'people' are mentioned first in the 'people, process, technology' triangle. Here, the priority placed on the importance of quality talent should far exceed quantity of talent..

Is there room for strikes in a carve-out integration? Certainly. All integrations are complex; doing one on the back-end of a carve-out only multiplies that complexity. There will be mistakes, or at least a fair amount of swings and misses. What there can't be, however, are strikeouts. A buyer who ignores clubhouse culture and critical acronyms (TSA, OSC, RTSA), and who makes the wrong trades, is a buyer doomed to a failed integration and underachievement of the anticipated future value of the business.

On the other hand, a more strategic and well-planned approach to the curveball that is a carve-out integration, infinitely increases the chances of hitting a homerun, or, at the very least, having a successful plate appearance. **M&A**

Gary Appelbaum is a managing director, and Eric Salit is a vice president, with Accordion.

M&A soared in 2018; companies confident about dealmaking in 2019

The U.S. middle market generated \$400 billion for the first time, and private equity-backed deals hit a record

By Mary Kathleen Flynn and Demitri Diakantonis



2018

M&A was robust with in 2018, with deal activity in the U.S. middle market exceeding \$400 billion in 2018, the first year to achieve the milestone, according to a report by PitchBook. Dealmakers closed 2,971 transactions in the middle market (defined by deals worth \$1 billion and less) with a total deal value of \$427.9 billion. The activity represents an increase of about 15 percent in both volume and value from the previous year. "A sustained market appetite for high-yield bonds and leveraged loans led to an easy financing environment in which dealmakers were able to attain attractive pricing for deal financing," writes private equity analyst analyst Wylie Fernyhough. On a cautionary note looking forward, he points out that, "attitudes began to change in the fourth quarter, as the leveraged loan market—which has swollen in size since the financial crisis—saw downward swings in pricing."

Overall M&A thrived as well, with the aggregate value of announced global mergers and acquisitions reaching the highest level since 2015, according to information collected by Bureau van Dijk, a Moody's Analytics company. Deal value

increased 10 percent over the previous year, although volume declined 7 percent, according to the company's report.

The year yielded a bumper crop for private equity buyout deals, found Preqin. The research house reported that 5,106 PE deals were announced in 2018, making it the most active year the industry has ever recorded, as measured by deal volume. The activity built from the previous record of 4,829 deals announced in 2017. The total value of these deals rose to \$456 billion – close to the \$460 billion seen in 2015 – based on preliminary data.

Sectors that saw a lot of activity included: software and data, retail and consumer, and healthcare. Among the significant strategic buyer transactions to close in 2018 were: Autodesk Inc.'s (Nasdaq: ADSK) purchase of construction software provider PlanGrid; Hershey Co.'s (NYSE: HSY) \$1.6 billion acquisition of snacks maker Amplify; and Stryker's \$662 million deal for medical device manufacturer Entellus. On the PE side, notable deals included the Jordan Co.'s purchase of Carlisle FoodService Products for \$750 million. CFS



2019

manufactures supplies, table coverings, cookware, displayware, storage containers, catering and transport equipment, and meal delivery systems for the foodservice, hospitality, healthcare, and janitorial segments. Another PE deal of interest was HGGC's purchase of patent specialist RPX for about \$555 million.

Most companies in the U.S. middle market say they are optimistic about M&A in 2019, according to a recent survey. Sixty-eight percent of the 350 U.S. middle market companies surveyed by TD Bank say they plan to engage in M&A activity within the next six to 24 months, and 85 percent said there are no barriers to M&A activity. The survey included companies generating between \$50 million and \$500 million in annual revenues.

Weighing in on macro-economic issues, 71 percent of respondents said tax reform will have a positive impact on their business, while 46 percent said interest rate hikes will have a negative impact. The challenges to business operations most frequently cited include: domestic competition,

interest rate increases, global competition and trade policies.

"Middle market executives are also keenly watching the tight labor market," says TD Bank's Chris Giamo. "Although companies now have capital for expansion and want to grow staff, they are having trouble filling both skilled and unskilled positions, due to a persistently low unemployment rate."

Looking back at the year that was, here's a list of key middle-market transactions that closed in 2018. To measure activity in the middle market, Mergers & Acquisitions looks at transactions that fulfill several requirements: Deals must have a value of roughly \$1 billion or less; they must be completed (not just announced) within the timeframe designated; the coverage is global. Excluded from our charts are: recapitalizations; self-tenders; exchange offers; repurchases; stake purchases; and transactions with undisclosed buyers or sellers. Our data provider is Thomson Reuters, which updates its databases continuously. We use the data available at press time. The data for this chart was collected on January 16, 2019.

Key Middle-Market M&A Deals Completed in 2018

Acquirer	Target	Target Industry	Value (\$mil)
Aramark	Ameripride Svcs Inc	Personal Services	1,000.00
SK Capital Partners LP	Icl Israel Chem Ltd-Fire	Chemicals and Allied Products	1,000.00
Middleby Corp	Taylor Co	Machinery	1,000.00
Orient Hontai Capital	Imagina Media Audiovisual SL	Motion Picture Production and Distribution	1,000.00
Teleperformance SE	Intelenet Global Svcs Pvt Ltd	Business Services	1,000.00
Allied Universal Sec Svcs LLC	US Security Associates Inc	Business Services	1,000.00
Pt Danusa Tambang Nusantara	PT Agincourt Resources	Mining	1,000.00
Bondholders	Bharti Airtel Intl	Telecommunications	995.1
Inmobiliaria Colonial SOCIMI	Axiare Patrimonio SOCIMI SA	Investment & Commodity Firms,Dealers,Exchanges	990.3
Aristocrat Technologies Inc	Big Fish Games Inc	Prepackaged Software	990
First Finl Bancorp,Ohio	MainSource Finl Grp Inc	Commercial Banks, Bank Holding Companies	988.5
Aldar Properties PJSC	TDIC-Assets Portfolio	Hotels and Casinos	987
Wyndham Worldwide Corp	La Quinta Holdings Inc	Hotels and Casinos	985.7
Nippon Life Insurance Co	MassMutual Life Insurance Co	Insurance	980.9
CD Clean Energy &	8point3 Energy Partners LP	Electric, Gas, and Water Distribution	976.7
BOK Financial Corp	CoBiz Financial Inc	Commercial Banks, Bank Holding Companies	976.5
Off The Shelf Invests Fifty	Chevron South Africa (Pty) Ltd	Oil and Gas; Petroleum Refining	973
Motorola Solutions Inc	Avigilon Corp	Electronic and Electrical Equipment	971.8
Marfrig Global Foods SA	National Beef Packing Co LLC	Food and Kindred Products	969
BC Hydro	Teck Resources Ltd-Waneta Dam	Electric, Gas, and Water Distribution	960.8
Annaly Capital Management Inc	MTGE Investment Corp	Investment & Commodity Firms,Dealers,Exchanges	956.5
Bank BGZ BNP Paribas SA	RBPL-Core Banking Operations	Commercial Banks, Bank Holding Companies	954.9
Sompo Canopus AG SPV	Sompo Canopus AG	Insurance	952.4
Eagleclaw Midstream Svcs LLC	Caprock Midstream LLC	Oil and Gas; Petroleum Refining	950
Koninklijke Bunge BV	Loders Croklaan Group BV	Food and Kindred Products	946
PTC Therapeutics Inc	Agilis Biotherapeutics Inc	Drugs	945
Linamar Corp	MacDon Industries Ltd	Machinery	936.5
Enbridge Inc	Enbridge Energy Management LLC	Oil and Gas; Petroleum Refining	928.9
WeddingWire Inc	XO Grp Inc	Business Services	927.5
Bankia SA	Banco Mare Nostrum SA	Commercial Banks, Bank Holding Companies	926.4
Invesco Real Estate Ltd	URW-Capital 8	Real Estate; Mortgage Bankers and Brokers	922.3
Greenko Group Ltd	Orange Renewable Power Pvt Ltd	Electric, Gas, and Water Distribution	922
Hershey Co	Amplify Snack Brands Inc	Food and Kindred Products	921
Givaudan SA	Naturex SA	Food and Kindred Products	920.3
Kong Rise Development Ltd	TCP Participacoes SA	Transportation and Shipping (except air)	920.2
Aurora Cannabis Inc	CanniMed Therapeutics Inc	Drugs	918.3
Reliance Worldwide Corp Ltd	John Guest Holdings Ltd	Metal and Metal Products	917.5
AAPC Ltd	Mantra Group Ltd	Hotels and Casinos	915.3
Shanghai Intl Port (Grp) Co Lt	Shanghai Star Bund Dvlp &	Real Estate; Mortgage Bankers and Brokers	914.9
Bondholders	Capita PLC	Business Services	911.7
Brunswick Corp	Power Prod Llc-Global Marine	Electronic and Electrical Equipment	910
Awh Invest Grp Pty Ltd	Wanda Australia Coml Ppty Pty	Real Estate; Mortgage Bankers and Brokers	903.9

MERGERS & ACQUISITIONS



Acquirer	Target	Target Industry	Value (\$mil)
Corning Inc	3m Co-Commun Markets Div	Metal and Metal Products	900
Superior Plus Corp	NGL Propane LLC	Electric, Gas, and Water Distribution	900
Investor Group	Alpiq InTec AG	Measuring, Medical, Photo Equipment; Clocks	897.6
Grand Metro Intl Hldg Ltd	Sichuan Swellfun Co Ltd	Food and Kindred Products	892.8
Ramsay Generale de Sante SA	Capio AB	Health Services	889.8
Itron Inc	Silver Spring Networks Inc	Business Services	889.3
Datang Intl Power Generation	Datang Heilongjiang Power	Electric, Gas, and Water Distribution	888.7
DXC Technology Co	Vencore Holding Corp	Investment & Commodity Firms,Dealers,Exchanges	885.1
Hahn & Co No 14 Co Ltd	Sk Shipping Co Ltd	Transportation and Shipping (except air)	884
Mallinckrodt plc	Sucampo Pharmaceuticals Inc	Drugs	882.2
MLS Co Ltd	Harmony Mingxin (Yiwu)	Electronic and Electrical Equipment	879
CVB Financial Corp,Ontario,CA	Community Bank of Pasadena,CA	Commercial Banks, Bank Holding Companies	878.6
Phillips Edison & Co Inc	Phillips Edison Grocery Ctr	Investment & Commodity Firms,Dealers,Exchanges	875.8
Digital Telecommun	True Internet Corp Co-	Telecommunications	875.4
Autodesk Inc	PlanGrid Inc	Prepackaged Software	875
LHC Group Inc	Almost Family Inc	Health Services	866.9
FIT Hon Teng Ltd	Belkin International Inc	Electronic and Electrical Equipment	866
San Miguel Pure Foods Co Inc	Ginebra San Miguel Inc	Food and Kindred Products	865.6
Grandeur Pty Invests Ltd	Frasia Pty Sarl	Investment & Commodity Firms,Dealers,Exchanges	862
Strayer Educ Inc	Capella Education Co	Business Services	861.7
Sinotrans Ltd	Sinotrans Air Transp Dvlp Co	Air Transportation and Shipping	861.6
Shenzhen Shenbao Indl Co Ltd	Shenzhen Cereals Group Co Ltd	Wholesale Trade-Nondurable Goods	860.7
Zi Rete Gas SpA	Nedgia,Gas Natural Italia SpA	Electric, Gas, and Water Distribution	860.3
Evergrande Health Ind Grp Ltd	Season Smart Ltd	Health Services	859.9
Investor Group	L'Orange GmbH	Machinery	859.7
Creditors	Noble Group Ltd	Wholesale Trade-Nondurable Goods	854.9
Yield Smart Ltd	United Progress Grp Ltd	Real Estate; Mortgage Bankers and Brokers	853.7
Repsol SA	Viesgo-Low-Emissions Asts	Electric, Gas, and Water Distribution	853.6
Gazelle Univ	Grand Canyon University Inc	Educational Services	853.1
Shandong Weigao Grp Med	Argon Medical Devices Inc	Measuring, Medical, Photo Equipment; Clocks	850
Lindsay Goldberg LLC	Coveris Holdings SA-Global	Rubber and Miscellaneous Plastic Products	849
Investor Group	Intrum Justitia-Debt Business	Credit Institutions	848.5
Investor Group	53 State Street,Boston,MA	Real Estate; Mortgage Bankers and Brokers	845
Lucky Melody Ltd	Star Wing International Ltd	Investment & Commodity Firms,Dealers,Exchanges	841.8
Fluidra SA	Zodiac Pool Solutions Sasu	Construction Firms	841.7
JCDecaux SA	Apn Outdoor Grp Ltd	Advertising Services	829.5
Nanjing Ying Peng Hui Kang Med	China Cord Blood Corp	Health Services	828.9
Shutterfly Inc	Lifetouch Inc	Personal Services	825
Polaris Industries Inc	Boat Hldg LLC	Transportation Equipment	825
China Reinsurance (Group) Corp	Hanover Ins Intl Hldg Ltd	Insurance	824.1
RELX Group PLC	ThreatMetrix Inc	Prepackaged Software	821.7
Valley National Bancorp,NJ	USAmeriBancorp Inc	Commercial Banks, Bank Holding Companies	816
AmerisourceBergen Corp	HD Smith Whl Drug Co Inc	Wholesale Trade-Nondurable Goods	815
OneFortyOne Plantations	Nelson Forests Ltd	Wood Products, Furniture, and Fixtures	815
Vedanta Ltd	Electrosteel Steels Ltd	Metal and Metal Products	812.7
Fabulous New Ltd	Onwards Asia Ltd	Real Estate; Mortgage Bankers and Brokers	811.1
Fieldwood Energy LLC	Noble Energy Inc-Deepwater	Oil and Gas; Petroleum Refining	810
Emerson Electric Co	Textron Inc-Tools & Test Bus	Electronic and Electrical Equipment	810

Acquirer	Target	Target Industry	Value (\$mil)
Blue Sail Med Co Ltd	CB Cardio Hldg II Ltd	Measuring, Medical, Photo Equipment; Clocks	807.3
Newalta Corp	Tervita Corp	Sanitary Services	805.1
Littelfuse Inc	IXYS Corp	Electronic and Electrical Equipment	804.2
Patricia Industries AB	Piab Group AB	Machinery	802.8
TA Associates Management LP	Old Mutual PLC-Single	Investment & Commodity Firms,Dealers,Exchanges	802.8
Crane Co	Crane & Co Inc	Paper and Allied Products	800
Equinix Inc	ASB RE Investments-Infomart	Real Estate; Mortgage Bankers and Brokers	800
Charles River Labs Intl Inc	MPI Research Inc	Business Services	800
McKesson Corp	Med Specialties Distributors	Wholesale Trade-Durable Goods	800
Fujifilm Corp	Irvine Scientific Sales Co Inc	Drugs	800
Novo Nordisk A/S	Ziyo Ltd	Drugs	800
Bank of Nova Scotia	Jarislowsky Fraser Ltd	Investment & Commodity Firms,Dealers,Exchanges	799.9
Equinix Inc	Metronode Grp Pty Ltd	Business Services	791.2
Off The Shelf 10036 AB	Wilson Therapeutics AB	Drugs	790.8
Shareholders	Nyfosa AB	Investment & Commodity Firms,Dealers,Exchanges	785.4
Kindred Healthcare Inc SPV	Kindred Healthcare Inc	Health Services	782.4
Poly Real Estate Group Co Ltd	Poly (Hong Kong) Holdings Ltd	Real Estate; Mortgage Bankers and Brokers	779.7
KSE UK Inc	Arsenal Holdings PLC	Amusement and Recreation Services	779.5
KDDI Corp	Aeon Holdings	Educational Services	778.1
On Assignment Inc	ECS Federal Inc	Business Services	775
TTM Tech Inc	Anaren Inc	Communications Equipment	775
Fortive Corp	Gordian Group Inc	Business Services	775
The Carlyle Group LP	Accolade Wines Australia Ltd	Food and Kindred Products	771.6
Applied Industrial Tech Inc	FCX Performance Inc	Wholesale Trade-Durable Goods	768
IOOF Holdings Ltd	Australia & New Zealand Bkg-On	Insurance	765.4
Venado Oil & Gas LLC	Cabot Oil & Gas Corp-Eagle	Oil and Gas; Petroleum Refining	765
Cohu Inc	Xcerra Corp	Measuring, Medical, Photo Equipment; Clocks	764.7
DP World Ltd	Unifeeder A/S	Transportation and Shipping (except air)	762.5
Roche Holdings AG	Tusk Therapeutics Ltd	Drugs	762.4
China Transinfo Tech Co Ltd	Hangzhou Jiaozhi Tech Co Ltd	Electronic and Electrical Equipment	761.2
ATALIAN International SAS	Servest Ltd	Business Services	756.1
Concentra Inc	US Healthworks Inc	Health Services	753
The Jordan Co LP	Carlisle Foodsvc Prod Inc	Rubber and Miscellaneous Plastic Products	750
US Silica Holdings Inc	EP Minerals LLC	Stone, Clay, Glass, and Concrete Products	750
PTT Exploration & Production P	Bongkot Gas Field	Oil and Gas; Petroleum Refining	750
Fenti Dvlp Ltd	Omirico Ltd	Transportation and Shipping (except air)	750
EnerSys Inc	Alpha Tech Svcs Inc	Repair Services	750
Yintai Resources Co Ltd	Shanghai Shengwei Mining	Mining	745.7
Woodside Petroleum Ltd	WA-1-R	Oil and Gas; Petroleum Refining	744
Warwick Holding GmbH	VTG AG	Transportation and Shipping (except air)	741.3
Contura Energy Inc	Alpha Natural Resources Inc	Mining	739.5
Nustar Energy LP	Nustar GP Holdings LLC	Oil and Gas; Petroleum Refining	738.2
McKesson Corp	RxCrossroads LLC	Health Services	735
Emergent Biosolutions Inc	Adapt Pharma Ltd	Drugs	735
TPG Capital LP	Exactech Inc	Measuring, Medical, Photo Equipment; Clocks	734.8
Investor Group	Brassica Topco SA	Food and Kindred Products	734
Bain Capital Private Equity LP	Fedrigoni SpA	Paper and Allied Products	733.2
Blackstone Group LP	Indiabulls Re Co Pvt	Real Estate; Mortgage Bankers and Brokers	729.6
Investor Group	EPI Grp-114 Champs-Elysees Bld	Real Estate; Mortgage Bankers and Brokers	726.1

Acquirer	Target	Target Industry	Value (\$mil)
Davidson Kempner Capital Mgmt	Lexington Rlty Tr-Office	Real Estate; Mortgage Bankers and Brokers	726
Government of India	Indian Overseas Bank	Commercial Banks, Bank Holding Companies	722.4
Syntonic Brazil	Zenvia-Mobile Commerce Bus	Telecommunications	721.5
Alejandro Agag	Formula E Holdings LTD	Amusement and Recreation Services	719.2
TRG (Holdings) Ltd	Mabel Topco Ltd	Retail Trade-Eating and Drinking Places	715
United Rentals Inc	Bakercorp International	Oil and Gas; Petroleum Refining	715
Coca-Cola Co	Coca-Cola Femsa Philippines	Food and Kindred Products	715
Connect Infrastructure Bidco	Cityfibre Infrastructure Hldg	Metal and Metal Products	714.3
Investor Group	Student Transportation Inc	Transportation and Shipping (except air)	712.4
Owens & Minor Inc	Halyard Health Inc-Surgical &	Measuring, Medical, Photo Equipment; Clocks	710
YIT Oyj	Lemminkainen Oyj	Construction Firms	709.8
Veritas Capital Management LLC	Cambium Learning Group Inc	Printing, Publishing, and Allied Services	707.9
CVC Capital Partners Fund VI	Teva Pharms Ltd-Portfolio	Drugs	703
Canadian Western Bank,Edmonton	ECN Capital Corp-Canadian	Investment & Commodity Firms,Dealers,Exchanges	702.1
Siemens AG	Mendix Inc	Prepackaged Software	701.5
Investor Group	St. Johns Terminal Sitenew	Real Estate; Mortgage Bankers and Brokers	700
The Clorox Co	Nutranext	Drugs	700
Global Payments Inc	Advancedmd Software Inc	Prepackaged Software	700
Apollo Global Management LLC	Catalina Hldg (Bermuda) Ltd	Investment & Commodity Firms,Dealers,Exchanges	700
Banca Ifis SpA	Loan Portfolios(4)	Credit Institutions	699.5
New Generation Global Ltd	Jiahao Foodstuff Ltd	Food and Kindred Products	694.5
Fiserv Inc	Elan Inc-Third Party Debit	Other Financial	690
Capitaland Mall Trust	Infinity Mall Tr	Investment & Commodity Firms,Dealers,Exchanges	688.7
Youngwoo Frozen Foods Co Ltd	KX Holdings Corp	Transportation and Shipping (except air)	687.9
Intercontinental Exchange Inc	TMC Bonds LLC	Investment & Commodity Firms,Dealers,Exchanges	685
Union Bankshares Corp	Xenith Bkshares	Commercial Banks, Bank Holding Companies	683.3
FTF Galleon SA	Synthos SA	Chemicals and Allied Products	683.1
ESR-REIT	Viva Industrial Trust	Investment & Commodity Firms,Dealers,Exchanges	680.6
CPF Netherlands BV	PP Voiskovitsy AO, P Severnaia	Agriculture, Forestry, and Fishing	680
Transocean Ltd	Songa Offshore SE	Oil and Gas; Petroleum Refining	679.5
Investor Group	Shinko Real Estate Co Ltd	Real Estate; Mortgage Bankers and Brokers	677.1
Km Hldg	Kuroda Elec Co Ltd	Electronic and Electrical Equipment	676.9
LS Automotive Tech Co Ltd	LS-Automotive Components Bus	Transportation Equipment	675
Kocref Reit 43	Samsung C&T Corp-Seocho Bldg	Amusement and Recreation Services	674.3
Many Gain International Ltd	Richcoast Group Ltd	Real Estate; Mortgage Bankers and Brokers	671.8
Datang Intl Power Generation	Datang Hebei Power Generation	Electric, Gas, and Water Distribution	671.4
Samsung SRA Asset Management	Vestas Invest Mgmt-The K-Twin	Real Estate; Mortgage Bankers and Brokers	670.4
Reliance Industries Ltd	Saavn Media Pvt Ltd	Printing, Publishing, and Allied Services	670
Eurofins Scientific SE	Covance Inc	Business Services	670
Bain Capital Private Equity LP	DSM Sinochem Pharms Ltd	Drugs	665.1
Shareholders	Hyosung-Ind Materials Bus Dept	Chemicals and Allied Products	663.7
Transurban Group	A25 Bridge	Construction Firms	663.2
Hennessy Capital Acq Corp III	NRC Group Holdings LLC	Sanitary Services	662.5
Resona Holdings Inc	Kansai Urban Banking Corp	Commercial Banks, Bank Holding Companies	662.4
Senfluga Energy	DESFA	Electric, Gas, and Water Distribution	661.9
Investor Group	Dunkerque LNG	Oil and Gas; Petroleum Refining	661.8
KCA DEUTAG Drilling Ltd	Dalma Energy-Omani & Saudi bus	Oil and Gas; Petroleum Refining	660

Source: Thomson Reuters

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Rising demand for physical therapy drives deals

Consumerization of healthcare, high-deductible health plans, and more self-payment by patients are contributing to the overall increased demand for PT services

By Chelsea Stoner

Private equity has been making a big play in outpatient physical therapy (PT) with a frenzy of mergers and acquisitions heating up in the last few years. While interest in the \$35 billion industry isn't entirely new -- it's been steadily climbing over the last two decades -- shifts in market forces have intensified that interest, attracting countless private equity groups. Private equity groups are seeking attractive acquisitions and, despite the consolidation that's occurred thus far, outpatient PT remains fragmented compared to other healthcare services sectors making it ripe for consolidation.

But will the trend continue? If so, what's fueling the trend? And what types of operators are driving the strongest strategic interest?

The PT landscape

Over the last several years, the physical therapy sector has been experiencing significant consolidation, with private-equity investors now backing a number of the largest practices, many of which have been established through serial acquisitions. Even with the consolidation, there are more than 245,000 licensed PTs in the U.S. spread across approximately 35,000 outpatient clinics. No single provider has more than 10 percent market share, according to U.S. Physical Therapy.

The heavy fragmentation within the sector provides the opportunity for medical practices with capital to increase size and scale rapidly through acquisitions, or leverage brand equity and marketing strategies

to compete through de novo clinic openings. However, the large supply of small practices and limited number of consolidators has pushed investors towards the former -- leading to a surge in add-on acquisitions versus new platform investments.

"According to Bain & Company's 2018 Global Private Equity Report, between 2012 and 2016, 12 PE investors made initial platform investments in outpatient PT," said Nancy Ham, CEO of WebPT, a provider of software for rehab-therapy clinics and a Battery portfolio company. "Over the last couple of years, however, industry transaction volume has been shifting more heavily to add-on deals versus new platform investments. In fact, in the last three years alone, PE platforms made 72 publicly announced add-on acquisitions -- this is up three times from the three years prior."

Why the interest?

Physical therapy is a large industry with favorable tailwinds, and this has investors banking on the future of the industry. The consumerization of healthcare, high-deductible health plans (which cause patients to comparison shop), and more self-payment by patients are all factors contributing to the overall increased

Guest article

demand for PT services. Also driving demand are the aging U.S. population, whose members increasingly require outpatient therapy services; growing payer and provider focus on outpatient therapy over costly surgery and hospitalization; a backlash against other high-cost alternatives and opioids; and the shift to value-based care coupled with increased regulatory complexity. These are all coalescing to create steady growth in the industry, which has grown at a rate of approximately 3.8 percent from 2013 to 2018.

"The \$35 billion outpatient therapy market is projected to grow at five percent CAGR or more, making it an extremely attractive opportunity for investors and PE buyers," Ham said. "In addition to the aging population and increased payer/provider focus on outpatient therapy, government regulations are expanding patient access to therapy services. This should help raise awareness about PT among the 50 percent of Americans who develop a musculoskeletal injury, 90 percent of whom never seek physical therapy."

These tailwinds have fueled retail health buyout deals, which have been rapidly increasing in North America as PE investors realize the opportunity to help these businesses perform better and gain traction fast. In fact, buyout deals to boost organic growth by adding new outlets is proving to deliver very high returns on invested capital.

"M&A provides strong arbitrage on EBITDA multiples that historically have expanded with growing scale and clout," Ham said. "Businesses with less than 10 outlets are garnering multiples of around four to seven times EBITDA. Organizations with 10 to 50 clinics are selling for seven to nine times, and some marquee assets with more than

50 clinics are trading in the low teens."

Finding buyout deals does come with a few challenges, namely finding organizations of scale -- those that have established a solid customer base, strategic partnerships, and a commitment and reputation for excellence. As a software investor with a specialization in the healthcare space, I'm seeing providers who have demonstrated the value of their rehab services by way of outcomes and patient engagement data, and have focused on interoperability by leveraging the right tech, are proving to be in a stronger position.

"Data, and the technology used to collect, analyze and derive meaning from that data, have become core to rehab therapy, particularly for therapists who are aiming to assert their value," Ham said. "As the spotlight grows stronger on value-based care and the patient experience, providers must be prepared to measure and demonstrate high-quality experiences and clinical outcomes. Payment models are also shifting towards value, and therapy clinics that are set up to collect and report on that data are solidifying a stronger future."

What other factors make an outpatient PT company attractive? The following are five key areas to review in assessing potential deals:

1. Strong management, including a mix of leadership from inside and outside physical therapy;
2. Geographic concentration for operational efficiency and payer negotiation leverage;
3. High-quality clinical care and demonstratable outcomes;
4. A favorable payer mix generation; and
5. A highly scalable technology

foundation, including electronic medical records, practice management, revenue-cycle management, referrals management, patient relationship management and comprehensive data collection and analytics.

The market for mergers and acquisitions in the outpatient PT market is booming, and the consumerization of healthcare and shift to value-based care has brought greater opportunity to those who've incorporated a methodical blend of retail and healthcare best practices. Retail investors bring expertise in retail management, site selection, branding and marketing. They use a consumer mindset to home in on target customers and meet their needs.



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Healthcare specialists attack the operations side of the business by improving clinical workflow, driving patient outcomes, optimizing billing practices, and improving negotiating power with payers.

The key to M&A success in PT is to find the right healthcare providers who've committed to optimizing workflow, clinical outcomes, billing, and the patient experience through innovation and the use of data. **M&A**

Chelsea Stoner joined Battery Ventures in 2006 and focuses on making investments in the software and healthcare-IT sectors.

New hires and promotions

By Demitri Diakantonis

Olamide Ajibesin has joined accounting firm **Anchin, Block & Anchin** where she is concentrating on due diligence. She was previously with Duff & Phelps.

Hunter Allen was hired by **Rockwood Equity Partners** as a senior analyst. He is responsible for transaction analysis and due diligence, financial and operational modeling and strategic and operational involvement with portfolio companies, and senior executive teams. Allen was most recently operational analyst at fuel distributor **Offen Petroleum**.

Joe Barone has joined accounting firm **Pine Hill Group** as a managing director. He was most recently with PwC.

Stuart Barr has joined **Fried, Frank, Harris, Shriver & Jacobson LLP** as a partner, where he focuses on M&A in the real estate sector. He was most recently with Hogan Lovells.

Darren Battistoni has joined **Charlesbank Capital Partners** as a managing director. He is the founding partner of Pamplona TMT.

Oliver Bradley has joined **Macquarie Capital** as a managing director, where he is focusing on digital infrastructure. Bradley

previously served as corporate finance director at **CityFibre Infrastructure Holidays**.

Chris Brink has been promoted from COO to CEO at **Peak Rock Capital**-backed **Hasa Inc.**, a producer and distributor of water treatment products.



Olamide Ajibesin



Jay Desai

Andy Burdick was promoted from managing director to partner at **Oak Hill Partners**. He joined Oak Hill in 2016 and also serves as head of marketing and investor relations.

Joe Cozzolino has joined **Siris Capital** as an executive partner, where he is helping the firm identify potential investments. Cozzolino was previously with Cisco Services.

Cameron Crosby has joined **Fried, Frank, Harris, Shriver & Jacobson LLP** as a partner, where he focuses on M&A in the real estate sector. He was most recently with Hogan Lovells.

Dominick DeRosa has joined **Tritium Partners**-backed **DCS Global** as chief growth officer. He most recently served as senior vice president of commercial strategy and partnerships at Nthrive.

Jay Desai was promoted from managing director to partner at consumer and food and

beverage-focused private equity firm **Kainos Capital**. He joined Kainos in 2016.

Rachel Diller was hired by **Hunt Capital Holdings** as a senior managing director and head of private real estate equity strategies. Diller previously founded real estate investment firm **UrbanView Capital**.

Terrence Everett was hired by **Blank Rome** as a partner. Everett was most recently with **Carlsmith Ball LLP** and concentrates on M&A.

Gerald Farano has joined **Gibson, Dunn & Crutcher LLP** as a partner. Farano was previously with Jones Day, and concentrates on M&A in the energy sector.

Matthew Gemello was hired by **Orrick**, where he is focusing on M&A in the technology sector. Gemello was most recently with **Baker & McKenzie**.

Bill George has been named CEO at **Yellow Wood Partners**-backed **Paris Presents**, a cosmetics and bath accessories company.

People Moves

George is currently the CEO of **Free-man Beauty**, another Yellow Wood portfolio company.

Megan Gess was hired by law firm **Haynes and Boone** as a partner. Gess was previously with Troutman Sanders LLP, and she focuses on M&A in the food and beverage sector.

Ben Gibson was hired by restructuring and advisory firm **Gordon Brothers**, where he is leading the firm's new Perth, Australia, office. Gibson was most recently with Tiger Asset Group.

Ana Goizueta was hired by **Littlejohn & Co.** as head of investor relations. Goizueta most recently held the same role at Oak Hill Advisors.

Brian Green was promoted from senior associate to vice president at **Abacus Finance**. He joined the firm in 2014.

Drew Greenwood was promoted from principal to managing director at **Littlejohn & Co.**

Michael Hardy has been named co-chair of law firm **Duane Morris'** private equity group. He represents clients in complex M&A transactions.

Mark Harvey was hired by **Metronome Partners** as a managing director, where he is responsible for M&A, capital raising, and financial advisory engagements. Harvey was previously with PwC.

Tim Healy has joined **Twin Brook Capital Partners** as a managing director, where he is focusing on originations. He was previously with Linsalata Capital Partners.

Nanette Heide has been named co-chair of law firm **Duane Morris'** private equity group. Heide is one of Mergers & Acquisitions' 2019 Most Influential Women in Mid-Market M&A.

Steven Huddleston has joined **Tritium Partners**-backed **DCS Global**, a provider of healthcare technology, as CEO. He was most recently with healthcare payments company Nthrive.



Megan Gess



Kelly McPhilliamy

Oliver s' Jacob has joined **Morrison & Foerster** as a partner. He was most recently with Reed Smith, and concentrates on private equity investments in real estate.

Robert Kahan was hired by **Blank Rome** as a partner. Most recently with DLA Piper, Kahan focuses on M&A across the entertainment, lifestyle, marketing and restaurant sectors.

Christian Keller was hired by investment bank **Houlihan Lokey (NYSE: HLI)** as a managing director, where he is leading financial sponsors coverage in the DACH region. He was most recently with HSBC.

Tim Kilgallon has been named CEO at **Varsity Healthcare Partners**-backed behavioral health services company **Ideal Option**. Kilgallon previously served as CEO at Free & Clear. Varsity invested in Ideal in 2018.

Paul Klick was hired by investment bank **The McLean Group** as a senior managing director. He focuses on M&A in the technology, media and telecom sectors, and was previously with Evergreen Advisors Capital and Outcome Capital.

Kevin Krakora has joined middle-market advisory firm **Getzler Henrich** as a managing director. Krakora currently serves as the chairperson for TMA Global, and he focuses on restructurings and distressed M&A.

Gregory Lai was promoted from managing director to partner at **Clayton, Dubilier & Rice**. He's been with the firm since 2007 and focuses on investment opportunities in Europe.

Joseph Lee was promoted from associate to senior associate at **Abacus Finance**. He joined the firm in 2014.

Bob Lockwood was hired by **Lincoln International's** technology, media and telecom group as a managing director, where he is concentrating on the Internet and digital media sectors. He was most recently with Raymond James & Associates.

Gabriel Loperena has been named partner at **Porter Hedges**. He focuses on private equity and M&A.

Ian Lopez has joined **Fried, Frank, Harris, Shriver & Jacobson LLP** as a partner. Lopez was previously with Norton Rose Fulbright, and concentrates on M&A across the healthcare and media sectors.

Scott Mackey has been promoted to managing director at **Littlejohn & Co.'s Wellfleet Credit Partners**. He joined Littlejohn in 2015 as a portfolio manager to launch the Wellfleet business.

People Moves

Adrian Maguire has joined **Kirkland & Ellis** as a partner. He was most recently with Freshfields Bruckhaus Deringer, and concentrates on private equity and M&A.

Chris Manderson has formed law firm **Manderson PC**. Manderson was previously with Skadden, Arps, Slate, Meagher & Flom LLP and Paul, Hastings, Janofsky & Walker LLP, and he focuses on M&A, restructuring and venture capital.

Kelly McPhilliomy was hired by **Harris Williams** as a managing director. She was previously the head of consumer investment banking at Wells Fargo.

Adam Nalley has been named partner at **Porter Hedges**. He represents public and private companies on M&A and private equity investments.

Greg Nelson has joined M&A services and technology provider **SRS Acquiom** as managing director and head of sales. He was previously with Wilmington Trust.

John Nives was hired by **Gridiron Capital** as an operating partner, where he is helping the firm's portfolio companies with digital marketing and data analytics. He was previously with IBM (NYSE: IBM).

David Quon has joined **KeyBank Business Capital**, the asset-based lending arm of KeyCorp (NYSE: KEY), as a senior business development execu-

tive. He is responsible for originating, structuring and growing the group's asset-based lending portfolio for institutional and commercial clients. Quon was most recently a managing director at White Oak Global.

Dan Rudgers was hired by **Stonington Capital Advisors** as a senior managing director, where he is focusing on private equity fund placement. He previously held roles at First Avenue Partners and Lazard.

Rafal Rydzewski was promoted from senior associate to vice president at **Abacus Finance**. He joined Abacus in 2014.

Ryan Saari has launched **The Old Boys Fund**, a \$180 million multi-family-office-backed private equity fund seeking investment opportunities in operating companies with attractive risk-adjusted returns and long-term growth potential. The fund, managed by Old Boys Capital LLC, is comprised of all high-net-worth individuals and is closed to new investors. Saari previously held roles at Springhouse Capital,

Landmark Group, Allegheny Financial and Steelgate.

Maggie Sahlman was hired by **Charlesbank Capital Partners** as head of investor relations. She was previously with Houlihan Lokey (NYSE: HLI) and before that, she was with Advent International.

Dion Camp Sanders has joined home fitness technology company **Peloton**

as senior vice president, M&A. Peloton offers studio style workouts at home. Sanders previously led corporate development and M&A at Leaf Group (NYSE: LEAF), which owns the website [Livestrong.com](https://www.livestrong.com).

Ann Sharkey has joined **Houlihan Lokey** as a managing director, where she is focusing on hedge funds and alternative investors. She was previously with Castlake and Carval Investors.

Anurag Sharma has been named head of European investment banking at investment bank **William Blair**. Sharma was most recently the head of West Coast investment banking for the firm.

Tom Stromberg has joined **Perkins Coie** as a partner. Most recently with Jenner & Block, Stromberg focuses on middle-market M&A in the life sciences, software and cryptocurrency industries.

Jeff Stute has joined **Perella Weinberg Partners'** healthcare group as a partner. He was previously with JPMorgan (NYSE: JPM).

Dennis Talley has been promoted to managing director at **Littlejohn & Co.'s Wellfleet Credit Partners**. He joined Littlejohn in 2015 as a portfolio manager to launch the Wellfleet business.

Carolyn Vardi has joined law firm **Ropes & Gray** as a partner. She was previously with White & Case, and focuses on private equity and M&A.

Brian Walker was hired by **Huron Capital** as a partner, where he will be in charge of strategic leadership at the portfolio company level, including financial and operational performance. He was previously the CEO of Herman Miller. **M&A**



David Quon



Dion Camp Sanders



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