

2019 Annual Utah Deal Review

The Annual Utah Deal Review is prepared as a courtesy to the Utah business community based on our research and analysis of data from various sources on disclosed deals for Utah-based companies.

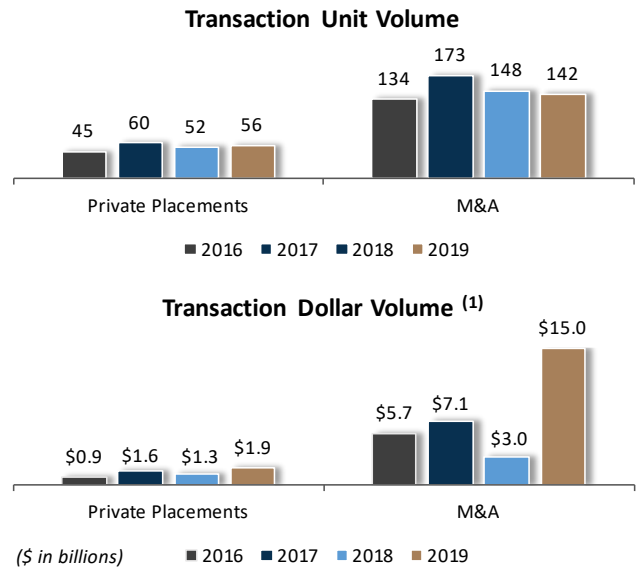
Drafting off a strong 2018, 2019 was a record year for stock market, M&A, and private placement activity both nationally and in Utah. Transaction dollar volume in 2019 for reported transactions was up 294.1% to \$16.9 billion in the state. By unit volume, Utah saw a 1.0% decrease to 198 total transactions. SAP's \$8.0 billion deal for cloud unicorn Qualtrics, while announced in November of 2018, closed early in the year, accounting for 53.5% of 2019 transaction dollar volume. This transaction demonstrates the difficult nature of assessing Utah transactions, which are dominated by large but inconsistent enterprise software company sales and commonly skewed by whether or not values are disclosed.

Utah dropped two spots to #4 on the Forbes Best State for Business list in 2019, but maintained the nation's highest total job growth at 3.3% and private sector growth of 3.6%. The Utah unemployment rate ended the year with the lowest ever recorded at 2.3%, which also ties for lowest among U.S. states. Strong economic metrics and transaction dollar volume increases pointed to a promising business outlook and near-perfect climate for M&A going into 2020 prior to the COVID-19 outbreak. The Utah market saw M&A transactions increase by 396.2% in dollar volume over 2018. The top 10 M&A transactions accounted for 96.9% of total M&A dollar volume, compared to 87.2% in 2018. The median M&A transaction value was \$43.0 million, actually down from \$55.0 million in 2018, emphasizing the impact of the Qualtrics transaction.

Private placement dollar volume experienced an increase of 49.6% to approximately \$1.9 billion, and unit volume increased 7.7%. The top ten 2019 private placement transactions accounted for 76.7% of total dollar volume, compared to 65.2% in 2018. The median private placement transaction value was \$16.1 million, an uptick of 8.0% year-over-year. In short, Utah saw increased volume and dollar value in private placements and continued its trend of at least 50 private placement transactions for the third straight year.

The Technology/Software/Services sector led Utah in transaction activity, driving 54.4% of total transaction dollar volume. Business Services and Electronics/Semiconductors followed suit, with 17.7% and 14.0% of the total, respectively. The Medical/Healthcare/Biotech sector accounted for only 6.8% of total transaction dollar volume, a significant drop from 2018, but maintained healthy unit volume with 19.2% of the total. Of the 13 industries analyzed, eight showed growth in either unit volume or total transaction dollar volume.

The Utah transaction environment will be negatively impacted by the national sentiment, as concerns about the novel coronavirus and China trade disputes have dampened cross-border 1Q20 M&A volume and caused dealmakers to shift their focus domestically. Data from Dealogic shows M&A activity in 2020 involving Chinese companies has fallen 70% compared to this same period in 2019. Virus-suppression efforts will also have a strong economic impact globally in 2020, creating uncertainty regarding employment, the magnitude of the likely GDP decline, and M&A activity which will be



* Excludes Real Estate, Mining, Energy Exploration, Project Finance, 144a placements and transactions smaller than \$5.0 million.

(1) Only includes transactions with disclosed values.



exacerbated by a volatile stock market, concerns surrounding the U.S. Presidential election, and the shift towards domestic deals.

With the proliferation of COVID-19, Utah will inevitably suffer in 2020 in line with the national economy. CW expects pain across all but a few sectors, with specific challenges in hospitality, restaurants and all brick and mortar retail, and aerospace companies affected by flight hours. M&A volume will continue to drag in early-mid 2020 as sellers will not yet capitulate to buyers' revised valuation demands and near-term survival becomes the agenda. As with the early years of the Great Recession, M&A will likely be characterized by contingent payments and seller debt and equity. Although banks almost ceased to lend in 2008-2010, we believe the imminent bailout package and executive branch urging will pressure banks to continue lending. We predict 2020 to have lower private placement dollar volume but greater unit volume as companies may be required to raise debt or equity capital to survive working capital needs, irrespective of valuation. One positive trend is the significant amount of private equity dry powder and the large cash balances carried by U.S. companies which could power enthusiasm for midmarket M&A and equity capital raising in 2020.

TOP 10 2019 M&A DEALS ⁽¹⁾

(\$ in millions)

1	Qualtrics International Inc.	\$8,000
2	WageWorks, Inc.	2,357
3	IM Flash Technologies, LLC	1,500
4	Spring Communications Holding, Inc	737
5	Control4 Corporation	694
6	HealthCare Partners Nevada, LLC	450
7	Simplifile, LC	338
8	GitPrime, Inc.	169
9	Opengear, Inc.	163
10	FNB Bancorp (Layton, UT)	85

TOP 10 2019 PRIVATE PLACEMENTS ⁽¹⁾

(\$ in millions)

1	DivvyPay, Inc.	\$250
2	Vivint Smart Home, Inc. (NYSE:VVNT)	225
3	DivvyPay, Inc.	200
4	iFit.com	200
5	Recursion Pharmaceuticals, Inc.	122
6	Health Catalyst, Inc. (NasdaqGS:HCAT)	100
7	MX Technologies Inc.	100
8	Vivint Solar, Inc. (NYSE:VSLR)	100
9	Galileo Processing, Inc.	77
10	Weave Communications Inc.	70

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UTAH DEAL SUMMARY BY INDUSTRY

(\$ in millions)

	2019			2018			Variance		% Growth	
	\$ ⁽¹⁾	%	#	\$ ⁽¹⁾	%	#	\$	#	\$	#
Medical / Healthcare / Biotech	\$1,145	6.8%	38	\$1,575	36.9%	27	(\$431)	11	(27.3%)	40.7%
Consumer / Retail	1,003	6.0%	20	689	16.1%	31	314	(11)	45.5%	(35.5%)
Manufacturing	50	0.3%	10	284	6.6%	9	(234)	1	(82.4%)	11.1%
Business Services	2,973	17.7%	42	191	4.5%	41	2,782	1	1,457.4%	2.4%
Financial Services	121	0.7%	8	145	3.4%	12	(23)	(4)	(16.0%)	(33.3%)
Electronics / Semiconductors	2,352	14.0%	8	36	0.9%	5	2,316	3	6,361.5%	60.0%
Technology / Software / Services	9,169	54.4%	55	607	14.2%	41	8,562	14	1,410.5%	34.1%
Gaming / Leisure / Lodging	5	0.0%	8	0	-	4	5	4	N/A	100.0%
Construction Service/Homebuilding	0	-	4	235	5.5%	18	(235)	(14)	(100.0%)	(77.8%)
Energy/Utilities	0	-	0	0	-	1	0	(1)	N/A	(100.0%)
Telecom	0	-	2	498	11.7%	7	(498)	(5)	(100.0%)	(71.4%)
Natural Resources	0	-	0	13	0.3%	2	(13)	(2)	(100.0%)	(100.0%)
Real Estate Services	23	0.1%	3	0	-	2	23	1	N/A	50.0%
TOTALS	\$16,842	100.0%	198	\$4,273	100.0%	200	12,568	(2)	294.1%	(1.0%)

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