



## The Chinook Report 1H 2020

This report is published twice a year and provides an update on M&A activity for the first half of 2020 with a focus on global, national, and Pacific Northwest trends.

Selected transactions are profiled with an Enterprise Value (EV) generally between \$10 million and \$50 million. Our data is sourced from GF Data, PitchBook and other publications.

\*GF Data is a member-only subset of information that exclusively focuses on private equity transactions. PitchBook is a leading financial data provider that covers the global venture capital, private equity, and public markets.

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## CHINOOK M&A DASHBOARD

	2H 2018	1H 2019	2H 2019	1H 2020	
Global Deal Volume	↓	↑	↓	↓	32%
US Deal Volume	↓	↑	↑	↓	30%
PE Deal Volume	↑	↑	↓	↓	19%
PNW Deal Volume	↓	↓	↑	↓	16%

\*1H 2020 percent change compared to 1H 2019

## GLOBAL M&A DEAL ACTIVITY AND VALUE DROPPED IN 1H 2020

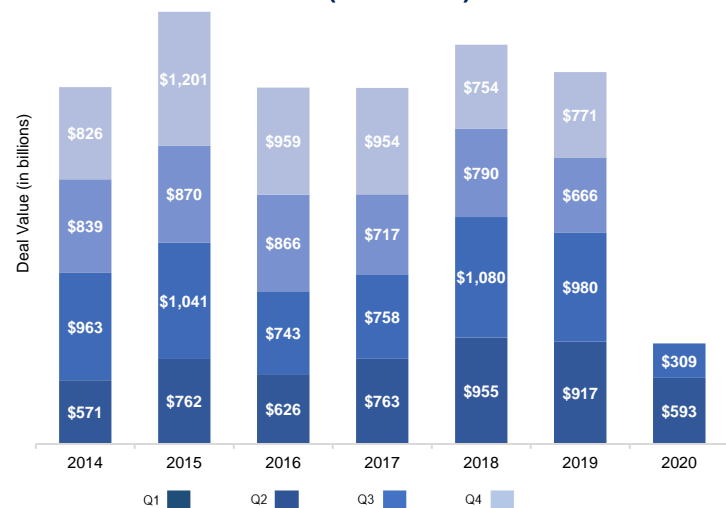
Global M&A deal volume in 1H 2020 decreased 32% to approximately 6,900 deals, compared to 10,200 in 1H 2019 according to a report by Mergermarket, an M&A research group. Deal value decreased 53% in the first half of 2020 to \$900 billion compared to the same period in 2019.

There were six “Mega Deals” valued at \$10 billion or more that closed in the first half of 2020 compared to five deals in the same period last year. However, other transactions collapsed during the first half of the year, including Boeing’s multi-billion-dollar deal with Brazilian aircraft manufacturer Embraer and Xerox’s offer for HP.

The COVID impact has been felt globally as all regions have experienced declines in M&A activity, led by the United States. Major economies, like the United States and Canada have announced they are in recession, creating more uncertainties in a world waiting for a COVID vaccine.

Other global uncertainties include whether a meaningful “second wave” of COVID will hit Europe and Asia, the 2020 U.S. presidential elections in November, and the risk of re-escalating trade wars between China and the U.S.

## GLOBAL M&A ACTIVITY (2014-2020)



Source: Mergermarket Global & Regional M&A Report 2020

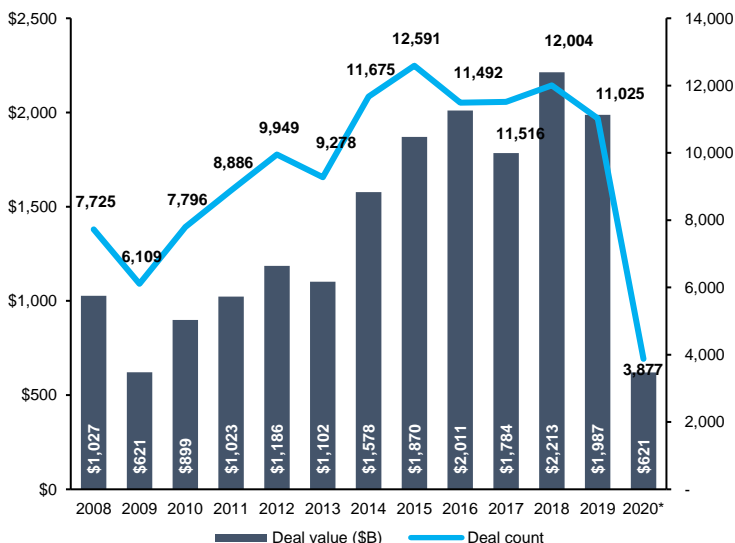
## 2020 U.S. M&A ACTIVITY REVEALED MIXED PICTURE

1H 2020 U.S. M&A deal volume fell 30% to 3,877 from 5,612 in the same period last year. U.S. M&A deal value was \$621 billion during the first half of the year, nearly 33.2% lower than \$929 billion in 2019.

Despite the current global pandemic, certain sectors like healthcare and technology have seen stable deal activity as they have benefited from COVID. In addition, after declining in the first quarter, the S&P 500 rallied and gained 20% in the second quarter of 2020 following Federal stimulus support.

While the COVID risk in the United States continues to hamper economic growth and provide uncertainty, M&A transactions are still closing.

## U.S. M&A ACTIVITY (2008-2020)



\*Data through June 30. Source: PitchBook 2020 Annual North American M&A Report

## U.S. PRIVATE EQUITY DEAL ACTIVITY DROPPED IN 1H 2020

U.S. private equity deal volume dropped 19% to 2,173 deals during the first half of 2020, compared to 2,697 in the same period last year, according to PitchBook. Deal value also dropped to \$327 billion during the first half of 2020 compared to \$405 billion in the same period last year.

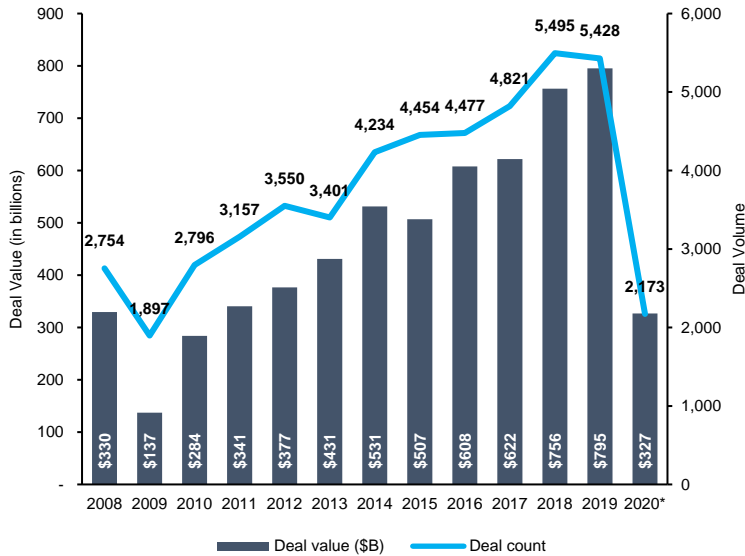
The COVID pandemic has caused private equity firms to focus on stabilizing current platform companies. Lenders have been affected by managing current loan portfolios and processing Paycheck Protection Program (PPP) applications from businesses nationwide.

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On the other hand, private equity firms continue to look for opportunities, especially in COVID-resistant industries such as e-commerce, technology, and healthcare services. To “normalize” 2020 performance, sellers and their advisors will be focusing on earnings adjustment based on COVID. To learn more, please read our article, “[How COVID is Impacting Private Company Valuations.](#)”

## U.S. PE DEAL ACTIVITY (2008-2020)

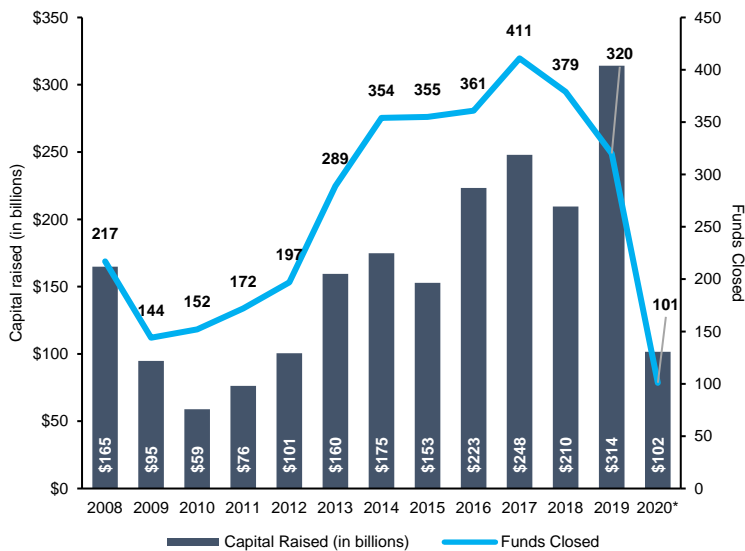


\*Data through June 30. Source: PitchBook Annual 2020 US PE Breakdown

## FUNDRAISING STALLS FOR U.S. PRIVATE EQUITY FIRMS

During the first half of 2020, private equity funds raised \$102 billion compared to the record \$301 billion in 2019 to finance future investment opportunities, despite COVID headwinds.

## U.S. PE ANNUAL FUNDRAISING ACTIVITY (2008-2020)

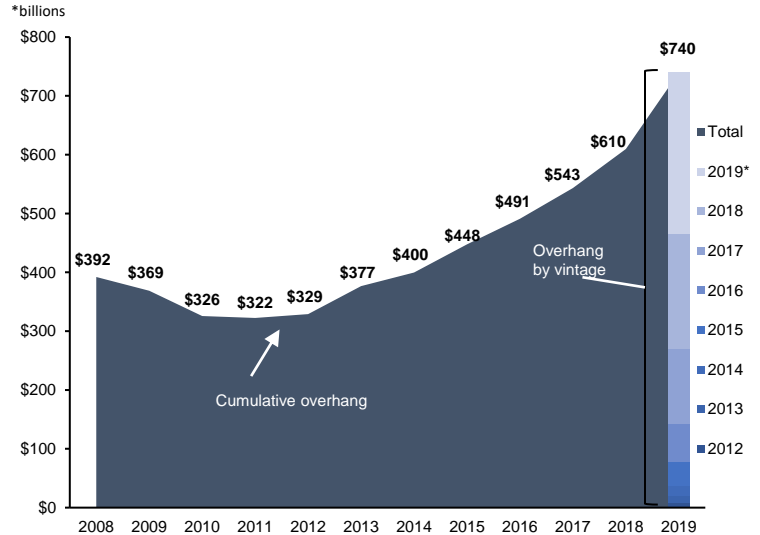


\*Data through June 30. Source: PitchBook Annual 2020 US PE Breakdown

## CUMULATIVE DRY POWDER CONTINUED GROWTH IN 2019

Even though private equity buyers are facing internal operational challenges with COVID, there has never been more cash in private markets for transactions. In 2019, cumulative dry powder in the United States reached \$740 billion, a 21% increase from the previous year.

## U.S. CUMULATIVE DRY POWDER (2008-2019)



Source: PitchBook

## LOWER-MIDDLE MARKET EBITDA MULTIPLES PAID BY PRIVATE EQUITY DROP SLIGHTLY

Average EBITDA multiples paid in the first five months of 2020 by private equity groups for companies with an enterprise value between \$10-25 million dropped to 5.7x, lower than the full-year 2019 average of 6.1x, although based on a much smaller sample size.

### EBITDA Multiples

Enterprise Value	2003 - 15	2016	2017	2018	2019	YTD 2020	Total	Volume
\$10-25M	5.6	5.8	6.3	5.9	6.1	5.9	5.7	1,399
\$25-50M	6.2	6.4	6.6	6.9	6.9	6.8	6.4	1067
\$50-100M	6.8	7.2	8.2	8.8	7.5	8.3	7.3	728
\$100-250M	7.4	8.8	9.1	8.7	9.4	9.5	8.2	379
<b>Total</b>	6.2	6.7	7.2	7.2	7.1	7.4	6.5	
<b>Volume</b>	2,361	243	267	288	301	113		3,573

\*Data through June 30<sup>th</sup>. Source: GF Data

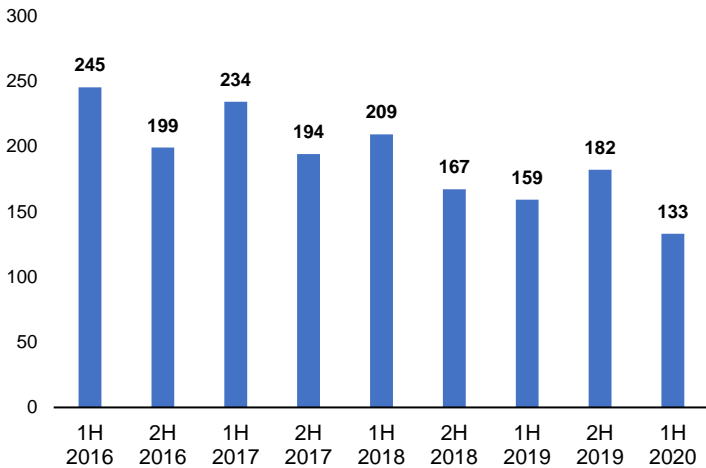
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## PACIFIC NORTHWEST DEAL VOLUME RECORDS FURTHER DECREASE

Total deal volume in the Pacific Northwest decreased to 133 transactions in the first half of 2020 compared to 159 during the same period last year. This represents a significant drop in regional transaction volume compared with previous periods.

### PACIFIC NORTHWEST DEAL VOLUME (2016-2020)

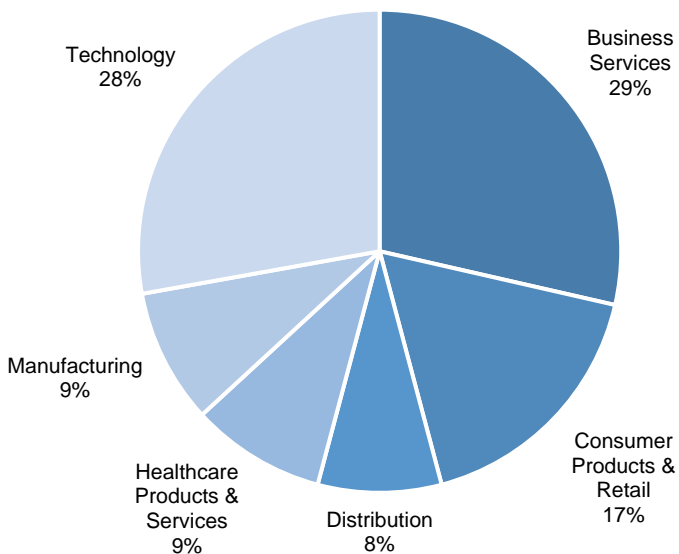


Source: PitchBook

## BUSINESS SERVICES AND TECHNOLOGY LEAD PACIFIC NORTHWEST REGION

Business Services and Technology transactions led Pacific Northwest M&A activity during the first half of 2020, similar to previous periods.

### 1H 2020 PACIFIC NORTHWEST DEAL ACTIVITY BY INDUSTRY

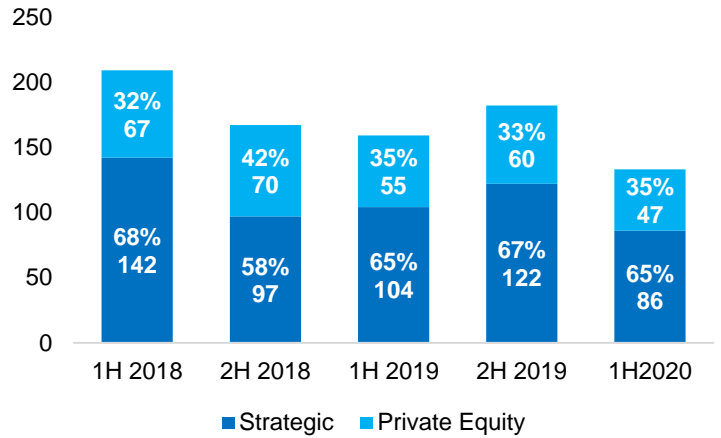


Source: PitchBook

## STRATEGIC BUYERS REPRESENT MAJORITY OF PNW DEALS

On average, private equity transactions have represented 35% of deal activity in the Pacific Northwest. This trend continued in the first half of the year.

### PACIFIC NORTHWEST DEAL ACTIVITY BY INVESTOR TYPE



Source: PitchBook

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## SELECT 1H 2020 PACIFIC NORTHWEST M&A TRANSACTIONS

Date	Target	Buyer	Target Description
 <b>MANUFACTURING</b>			
May-20	<b>Applied Technical Services Company</b> Everett, WA	<b>Creation Technologies</b> Burnaby, Canada  A portfolio company of <b>Birch Hill Equity Partners</b> Toronto, Canada	Provider of end to end electronic manufacturing services including design, printed circuit board assembly, complete box builds, and final system integration.
Apr-20	<b>Lucidyne Technologies</b> Corvallis, OR	<b>Microtec Innovating Wood</b> Bressanone, Italy	Manufacturer of scanning technologies for the wood product industry. The company offers a quality control system, board tracking system and solutions for mills.
Mar-20	<b>Factor 55</b> Garden City, ID	<b>Warn Industries</b> Clackamas, OR  A subsidiary of <b>LKQ Corporation</b> Chicago, IL	Manufacturer of highly engineered rigging hardware including winch line and splice-on shackles, fairleads, pulleys, vehicle recovery kits and bags, recovery straps, rope and other specialty products.
Mar-20	<b>Bluemac</b> Portland, OR	<b>Blyncsy</b> Salt Lake City, UT	Provider of the branded Bluetooth travel time sensors and other technologies. The company manufactures traffic monitoring and airport traffic control devices to be used unmonitored or partially monitored.
 <b>DISTRIBUTION</b>			
May-20	<b>Henningsen Cold Storage</b> Hillsboro, OR	<b>Lineage Logistics</b> Novi, MI  A portfolio company of <b>Bay Grove Capital</b> San Francisco, CA	Provider of award-winning refrigerated logistics through a national warehouse network totaling more than 64 million cubic feet of multi-temperature-controlled storage.
Mar-20	<b>Masco Petroleum</b> Aberdeen, WA	<b>PetroCard</b> Kent, WA	Distributor of mobile lubricant products, diesel and gasoline products, and mobile refueling services.
Jan-20	<b>Rosen Supply Company</b> Tacoma, WA	<b>Winsupply</b> Dayton, OH	Wholesaler and distributor of plumbing and heating supplies including push fit accessories, radiant fittings, shark bite kits, tools, valves, and fixture supply fitting.
Jan-20	<b>FruitSmart</b> Grandview, WA	<b>Universal</b> Richmond, VA	Supplier of juices, concentrates, blends, purees, fibers, seed and seed powders and other value-added products to food, beverage, and flavor companies.

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## SELECT 1H 2020 PACIFIC NORTHWEST M&A TRANSACTIONS


Date	Target	Buyer	Target Description
 <b>BUSINESS SERVICES</b>			
Jun-20	<b>South West Plumbing</b> Seattle, WA	<b>The Flint Group</b> Seattle, WA  A portfolio company of <b>Skylight Capital</b> Seattle, WA	Provider of plumbing and heating services in the greater Seattle region for 35 years.
Mar-20	<b>Rainier Welding</b> Redmond, WA	<b>Ranch Creek Partners</b> Seattle, WA	Family owned provider of steel and aluminum fabrication for local and out-of-state contractors. Their scope of work includes casings and seismic upgrades, bridge work, structural steel, railings, and sign bridges.
Feb-20	<b>Indigitous</b> Seattle, WA	<b>Ascential</b> London, United Kingdom	Provider of Amazon advertising, strategic consulting, vendor representation and business intelligence solutions, providing its clients with strategies and resources necessary to achieve their objectives.
Feb-20	<b>Sullivan Heating &amp; Cooling</b> Bremerton, WA	<b>MJS Investors</b> Bellevue, WA	Provider of heating and cooling services to businesses and residents throughout Washington for over two decades.
 <b>TECHNOLOGY</b>			
May-20	<b>Fleet Logistics</b> Portland, OR	<b>Expeditors International</b> Seattle, WA	Operator of an online marketplace designed to simplify global trade for international logistics. The company offers end-to-end international freight shipping services, enabling businesses to manage international shipments with ease.
Mar-20	<b>DocuTech</b> Idaho Falls, ID	<b>First American</b> Santa Ana, CA	Provider of dynamic document generation, electronic signature, and compliance services to leading banks and mortgage lenders. The company's software interfaces with loan origination systems (LOS), guaranteeing accuracy, security, and compliance.
Feb-20	<b>Red Giant</b> Portland, OR	<b>MAXON Computer</b> Newbury Park, CA	Developer of filmmaking software including 3D object creation, virtual effects, color correction and other visual effects for filmmakers, editors, virtual effects artists, and motion designers.
Jan-20	<b>Fatbeam</b> Coeur d'Alene, ID	<b>SDC Capital Partners</b> New York, NY	Provider and lessor of high-capacity fiber optic network building services to businesses, hospitals, and other customers.

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## SELECT 1H 2020 PACIFIC NORTHWEST M&A TRANSACTIONS


Date	Target	Buyer	Target Description
 <b>TECHNOLOGY (CONTINUED)</b>			
Jan-20	<b>AppSheet</b> Seattle, WA	<b>Alphabet</b> Mountain View, CA	Developer of a no-code development platform designed to simplify app creation and enrich the end-user experience, enabling developers to create rich custom software solutions without writing code.
Jan-20	<b>Spectralux</b> Kirkland, WA	<b>Radiant Power</b> Sarasota, FL	Developer of human-machine interface products. The company has standard equipment on numerous in-production commercial transport aircraft, designs, and manufactures.

 <b>HEALTHCARE PRODUCTS &amp; SERVICES</b>			
May-20	<b>Stratos Genomics</b> Seattle, WA	<b>Roche Holding</b> Basel, Switzerland	Developer of a genome sequencing technology, enabling scientists and clinicians to avail versatile and low-cost DNA sequencing methods.
May-20	<b>Alvaxa Biosciences</b> Seattle, WA	<b>Sensei Biotherapeutics</b> Gaithersburg, MD  A portfolio company of <b>SoftBank</b> Tokyo, Japan	Provider of research and development services, specializing in developing camelid antibodies and providing therapeutics services.
Mar-20	<b>YouScript</b> Seattle, WA	<b>Invitae</b> San Francisco, CA	Provider of a comprehensive software solution designed for safer, more targeted prescribing for health patients, thereby reducing adverse drug-related events and improving patient outcomes.
Mar-20	<b>NurseGrid</b> Portland, OR	<b>HealthStream</b> Nashville, TN	Developer of staffing, communication and schedule management tools designed to modernize staffing processes for healthcare facilities as well as improve employee retention and job satisfaction.

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Date	Target	Buyer	Target Description
 <b>CONSUMER PRODUCTS &amp; SERVICES</b>			
Apr-20	<b>Springstar</b> Woodinville, WA	<b>Willert Home Products</b> Saint Louis, MO	Designer, developer, and manufacturer of branded advanced pest and mosquito control products based on insect biology and pheromones.
Apr-20	<b>Ruff Trade Dog</b> Seattle, WA	<b>Pawsitivity Pet Products</b> Burlington, MA	Provider of all-natural and handmade dog grooming products such as dog shampoo, dog conditioner, nose balm, paw balm, and others.
Apr-20	<b>Cascade Brewing</b> Portland, OR	<b>Individual Investors</b> Portland, OR	Operator of a Portland-based brewery specializing in sour beers.
Feb-20	<b>Cyrus O’Leary’s Pies</b> Airway Heights, WA	<b>Sara Lee</b> Oakbrook Terrace, IL  A portfolio company of <b>Antares Capital</b> Chicago, IL	Provider of nationally distributed premium pie products and sold at major grocery chains.

Sources: PitchBook, Portland Business Journal, Puget Sound Business Journal

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## Qualified Team | Local Focus | Proven Results

**Leading Coffee Products  
Online Retailer**

Leading national online retailer of espresso equipment, accessories and speciality coffee

**RECAPITALIZED BY**

**East Coast  
Private Equity Buyer**

Chinook acted as exclusive strategic advisor to the seller




**NorthWest Construction Control, Inc.**  
National Support Services for Construction Lenders

Innovative fintech provider of loan management software and services for every phase of construction lending

**RECAPITALIZED BY**



North | Range | LLC

Chinook acted as strategic advisor to Northwest Construction Control



**PNW Manufacturer  
& Distributor**

Leading manufacturer and distributor of branded, niche equipment for healthcare settings

**ACQUIRED BY**

**Family Office Owned  
Strategic Buyer**

Chinook acted as exclusive strategic advisor to the seller




Premier provider of revenue cycle management software and services to the healthcare industry

**ACQUIRED BY**



a subsidiary of Constellation Software

Chinook acted as exclusive strategic advisor to First Pacific




**Doolittle**  
CONSTRUCTION

Premier road maintenance and repair contractor serving Pacific Northwest public and private sectors

**ACQUIRED BY**



Chinook acted as exclusive strategic advisor to Doolittle



**syntonic**  
FORM-FIT-FUNCTION SOLUTIONS

Leading provider of advanced electronic technology and systems for aerospace and defense applications

**ACQUIRED BY**



Chinook acted as exclusive strategic advisor to Syntonic




Pacific Northwest leading distributor of personal protective equipment for fire fighters

**RECAPITALIZED BY**



Chinook acted as exclusive strategic advisor to SeaWestern



**ARJAE**  
Over 30 years of excellence

Pacific Northwest leader in commercial & industrial HVAC installation, services and sheet metal fabrication

**ACQUIRED BY**



Chinook acted as exclusive strategic advisor to Arjae




Pacific Northwest leader in sealants, coatings and waterproofing products

**ACQUIRED BY**



Chinook acted as exclusive strategic advisor to Atlas Supply




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