



The Chinook Report

2H 2022

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The latest bi-annual report of M&A activity, focusing on global, national, and regional (Pacific Northwest) trends. Includes profiles of transactions generally with an Enterprise Value (EV) between \$10 and \$100 million.

	2H 2019 v. 2H 2018	1H 2020 v. 1H 2019	2H 2020 v. 2H 2019	1H 2021 v. 1H 2020	2H 2021 v. 2H 2020	1H 2022 v. 1H 2021	2H 2022 v. 2H 2021	
Global Deal Volume	↓	↓	↑	↑	↑	↓	↑	11%
U.S. Deal Volume	↓	↓	↑	↑	↑	↑	↓	(8%)
PE Deal Volume	↑	↓	↑	↑	↑	↑	↓	(8%)
PNW Deal Volume	↑	↓	↓	↑	↑	↑	↓	(32%)

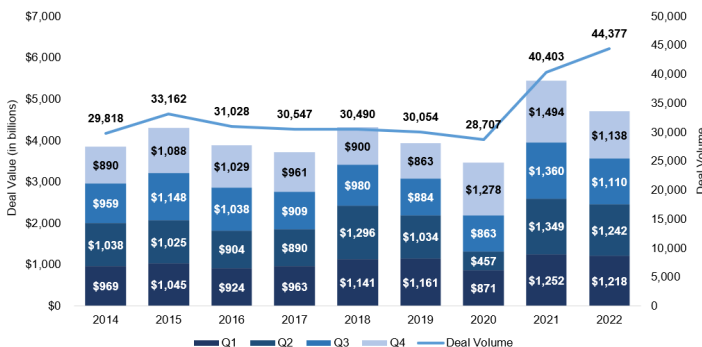
GLOBAL M&A DEAL MOMENTUM SHOWS MIXED RESULTS IN 2H 2022

Despite persistent inflation and rapidly rising interest rates, global deal volume grew in 2022. 2H 2022 deal volume totaled 23,159 transactions, 11% higher than the 20,891 recorded over the same period in 2021. There were 44,377 transactions recorded in 2022, 10% higher than the 40,403 recorded in 2021 according to the PitchBook 2022 Annual Global M&A Report. Annual deal volume remains 45% higher than pre-COVID levels when 30,530 transactions were closed on average from 2016-2019.

Despite a rise in M&A volumes, deal value declined year on year. Global deal value decreased 14% in 2022 to \$4.7 trillion compared to the record-high \$5.5 trillion last year. Despite the decline in value, deal value remains almost 20% higher than pre-COVID levels for the three years ending in 2019.

Deal activity in 2022 was a tale of two halves. 1H 2022 was reminiscent of the blockbuster deal activity of 2021. In March, momentum shifted when the Federal Reserve hiked interest rates for the first time since December 2018, and raised rates six more times in 2022. The federal funds rates in Dec-22 is 4.25-4.50%, up from 0-0.25% in Dec-21. Other impacts on global deal activity include supply chain challenges, inflation in response to the geopolitical crises, the war in Ukraine, and labor shortages.

GLOBAL M&A ACTIVITY (2014-2022)



Source: PitchBook 2022 Global M&A Report

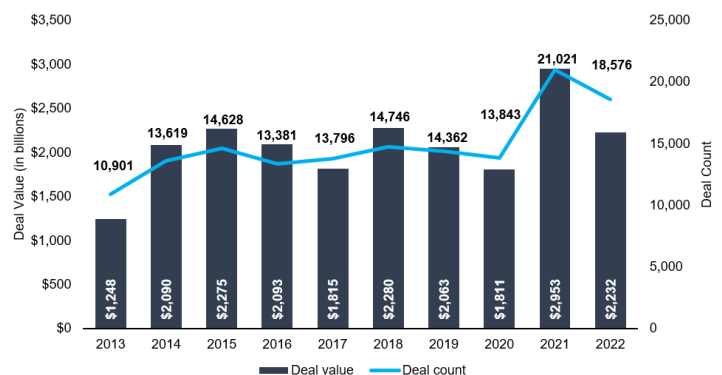
U.S. M&A ACTIVITY DECLINES IN 2H 2022

2H 2022 U.S. M&A deal volume decreased 8% to 9,399 transactions compared to 10,271 in the same period last year, according to PitchBook. U.S. M&A deal value was \$2.2 trillion in 2022, 22% lower than \$2.9 trillion in 2021. Despite the year-over-year decline, 2H 2022 deal value was in-line with the average 2H deal value from 2010-2021.

The U.S. economy remained strong in 2022 relative to its peers despite numerous challenges including persistent inflation, global conflicts, and contractionary monetary policy. The Consumer Price Index rose 6.5% in 2022 and consumer spending grew 2.1%. Unemployment hit a 53-year low in January, beating all estimates. Positive economic data complicate the Federal Reserve's plan to slow inflationary pressures, which could push the Federal Reserve to raise interest rates higher than previously expected.

In 2022, middle market deals, those under \$1 billion in size, comprised 27% of transactions by deal size, up from 22% in 2021. This is expected to continue in 2023. The recently passed Inflation Reduction Act introduced tax incentives for investments in clean energy and other sectors that may spur increased activity in the coming years.

U.S. M&A ACTIVITY (2013-2022)



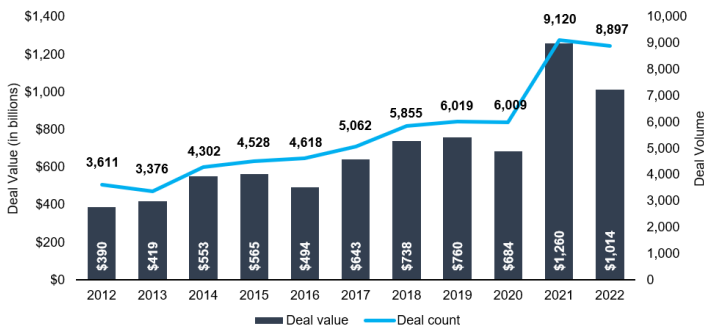
Source: PitchBook 2022 Global M&A Report

U.S. PRIVATE EQUITY ENDS 2022 WITH A SHARP DECREASE IN DEAL ACTIVITY

U.S. private equity deal volume decreased 2% during 2022 to 8,897 transactions compared to 9,120 last year. In addition, deal value fell 20% to \$1 trillion compared to \$1.2 trillion in 2021. 2H 2022 deal volume fell by 8% compared to 2H 2021 and deal value shrunk by 31% during the same period.

Private equity remains active in the U.S. market despite headwinds to M&A. In Q4 2022, deal value declined 36% from the same period last year to \$234 billion. Although if this quarterly pace continues in 2023, deal value would still be 31% above the pre-pandemic levels. In 2H 2022, expensive deal financing forced private equity firms to search for smaller deals with the median deal size declining to \$50 million in 2022 from a record-high \$70 million in 2021. In 2022, tailwinds to M&A activity were the abundance of dry powder, which remains at historically elevated levels, and the desire to complete add-on acquisitions to grow the size of their platform investments. The annual deal count is still higher than every year except in 2001.

U.S. PE DEAL ACTIVITY (2012-2022)



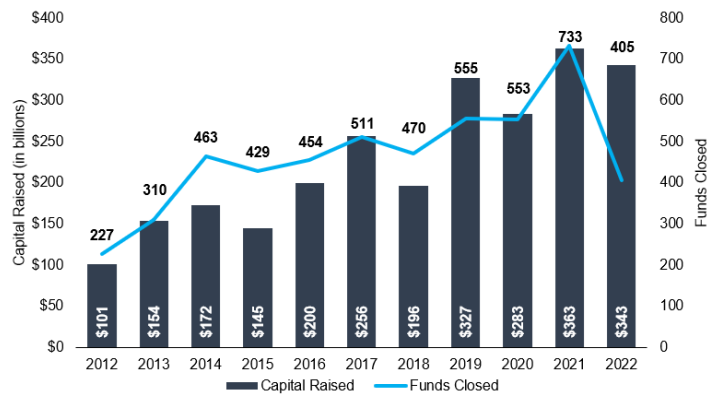
Source: PitchBook 2022 U.S. PE Breakdown

U.S. PRIVATE EQUITY FUNDRAISING REACHES SECOND-HIGHEST ANNUAL AMOUNT ON RECORD

During the second half of 2022, private equity firms raised \$167 billion, 37% higher compared to the \$122 billion raised during the same period last year. Total fundraising for 2022 reached \$343 billion, the second-highest amount on record. An increasing portion were for large private equity funds, \$3 billion or greater. These large funds made up 53% by value of total funds raised in 2022, an increase from 43% in 2021.

Although fundraising in 2022 was strong, 2023 may prove to be challenging due to the denominator effect. This happens as a result of the slow-to-adjust valuations in private equity, leading to an overallocation when compared to falling returns in the public markets.

U.S. PE ANNUAL FUNDRAISING ACTIVITY (2012-2022)

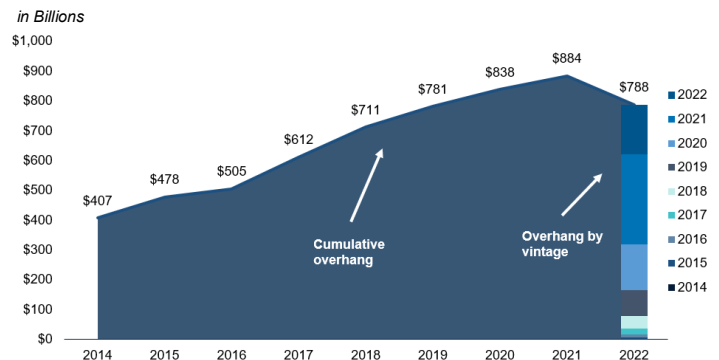


Source: PitchBook 2022 U.S. PE Breakdown

PRIVATE EQUITY DRY POWDER IN ABUNDANCE FOR TRANSACTIONS

Through the second half of 2022, cumulative dry powder in the United States remained relatively steady at nearly \$790 billion. Nearly 60% of this was raised in 2021 and 2022. Due to rising borrowing costs, private equity funds will use less leverage to finance an acquisition, but with near-record amounts of dry powder for acquisitions, the push for these funds to find portfolio companies and add-ons continues.

U.S. CUMULATIVE DRY POWDER (2014-2022)



Source: PitchBook

LOWER-MIDDLE MARKET EBITDA MULTIPLES PAID BY PRIVATE EQUITY REACH RECORD IN 2022

According to GF Data, average EBITDA multiples paid in 2022 by private equity groups for companies with an enterprise value between \$10-25 million increased to 6.5x, a record high. However, by Q4 2022, EBITDA multiples retreated to 6.1x, bringing valuations in line with prior periods. Impacts on valuation include macroeconomic uncertainty, lower debt coverage, and increased interest rates.

EBITDA MULTIPLES

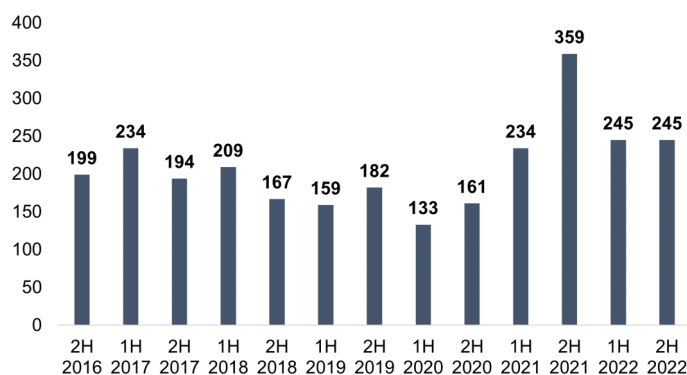
Enterprise Value	2003 - 17	2018	2019	2020	2021	2022	Total	Volume
\$10-25M	5.7	6.0	6.1	5.9	6.1	6.5	5.8	1,792
\$25-50M	6.4	6.9	7.0	6.7	7.2	7.1	6.6	1,401
\$50-100M	7.3	8.9	7.5	8.0	8.4	8.6	7.7	965
\$100-250M	8.0	8.8	9.2	8.7	9.3	9.3	8.5	527
Total	6.5	7.2	7.1	7.0	7.4	7.5	6.8	
Volume	2,944	305	332	337	470	297		4,507

Source: GF Data M&A Report 2022

2H 2022 PACIFIC NORTHWEST DEAL VOLUME REMAINS ELEVATED ON A HISTORICAL BASIS

Total deal volume in the Pacific Northwest decreased 32% to 245 transactions in 2H 2022 compared to 359 in 2H 2021. 2H 2022 activity remains 32% above the pre-pandemic average activity of 186 deals during the second half of the year.

PACIFIC NORTHWEST DEAL VOLUME

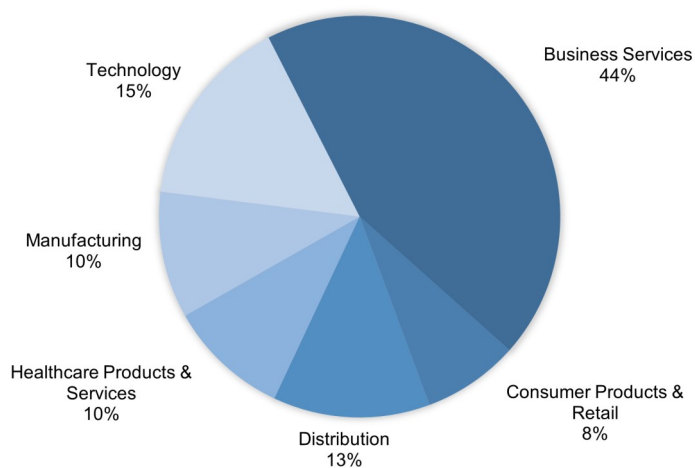


Source: PitchBook

BUSINESS SERVICES AND TECHNOLOGY DEALS LEAD PACIFIC NORTHWEST REGION

Business Services and Technology transactions led Pacific Northwest M&A activity during the first half of 2022, consistent with previous periods. Distribution increased from 2% of deals in 1H 2022 to 13% in 2H 2022, the highest percentage increase of any industry during this period. Consumer Products & Retail declined from 17% of deals in 1H 2022 to 8% in 2H 2022, which is in line with the industry average during prior periods.

2H 2022 PACIFIC NORTHWEST DEAL ACTIVITY BY INDUSTRY

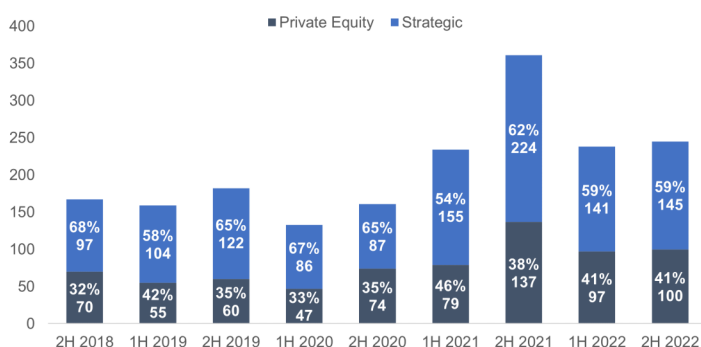


Source: PitchBook

PRIVATE EQUITY INVESTORS REPRESENT A LARGE SHARE OF PNW DEALS

From 2H 2018 to 2H 2022, private equity transactions made up nearly 40% of deal activity in the Pacific Northwest. Private equity investors' share of transactions in 2H 2022 represented 41% of transactions while strategic acquisitions represented 59%.




PACIFIC NORTHWEST DEAL ACTIVITY BY INVESTOR




Source: PitchBook

Select PNW Transactions

Date	Target	Buyer	Target Description
	Business Services		
Dec-22	1st Class Autobody Bellingham, WA	Crash Champions PE-Backed, Clearlake Capital	Provider of collision repair services catering to fender and bumper repair, dent and auto frame repair.
Dec-22	Integrity Search Meridian, ID	Starfish Partners PE-Backed	Provider of recruitment services catering to the healthcare industry.
Dec-22	Northwest Geotech Wilsonville, OR	RMA Group PE-Backed, OceanSound Prts.	Provider of geotechnical engineering, environmental consulting, and construction inspection services.
Nov-22	Rock Solid Civil LLC Boise, ID	David Evans Enterprises, Inc. Strategic	Provider of civil engineering and land development consulting services across the Boise area.
Nov-22	BrightWire Networks Olympia, WA	Intelligent Technical Solutions PE-Backed, Tower Arch Capital	Provider of cloud, security, managed, and co-managed IT services for small and medium-sized businesses.
Oct-22	Pavement Surface Control Kennewick, WA	Colorado Barricade PE-Backed, Caymus Equity	Provider of road safety and infrastructure services including concrete barriers, pavement striping, and more.
Oct-22	Valentine Roofing Seattle, WA	Infinity Exteriors PE-Backed, North Branch Cap.	Provider of PVC and low-slope roofing system installation services.
Oct-22	Northwest Traffic Services Boise, ID	Area Wide Protective PE-Backed, Kolhberg & Company	Provider of traffic control services for construction and special events, and traffic sign manufacturing.
Sep-22	Sustainable Business Consult. Seattle, WA	Point B PE-Backed, Endeavour Capital	Provider of consulting services to help businesses develop ESG strategies, reporting, and goals.
Sep-22	T-O Engineers Meridian, ID	Ardurra Group PE-Backed, Kain Capital	Provider of planning, project design, land surveying, and administration services for public and private clients.
Sep-22	Market Equipment Spokane, WA	The Arcticom Group PE-Backed, Ares Capital	Provider of repair, maintenance, and installation services of commercial refrigeration equipment.
Aug-22	Alta Planning + Design Portland, OR	Trilon Group Strategic	Provider of design, planning, and implementation consulting services for urban mobility infrastructure.
Aug-22	47 Degrees Seattle, WA	Xebia Group PE-Backed, Waterland Invest.	Provider of IT consulting services, such as, cloud migration, analytics, and mobile development.
Aug-22	Telelanguage Portland, OR	Propio Language Services PE-Backed, TT Capital Partners	Provider of document translation and language assessment services for public and private clients.
Aug-22	Master Plumbing Meridian, ID	Bestige Holdings Strategic	Provider of plumbing and liquid waste hauling services for businesses and homeowners.
Jul-22	Launch Consulting Bellevue, WA	The Planet Group Strategic	Provider of IT consulting services including AI, analytics, cloud, data, and engineering.
Jul-22	Coopers Auto Repair Specialists Tacoma, WA	Sun Auto Tire & Services Strategic	Provider of automotive repair services.
Jul-22	Element Heating & Cooling Twin Falls, ID	The Seer Group Private Equity	Provider of HVAC products and services to residential and commercial clients.

Date	Target	Buyer	Target Description
Jul-22	Future State Consulting Tigard, OR	The Planet Group PE-Backed, Odyssey Invest.	Provider of engineering consulting services to technology organizations.
Jul-22	Maslonka Powerline Services Spokane, WA	MasTec Strategic	Provider of transmission construction services.
 Consumer Products			
Dec-22	Skylar Beaverton, OR	Starco Brands Strategic	Operator of a perfume brand intended to offer clean, consciously crafted fragrances.
Dec-22	Oughton Limited Bingen, WA	Tenth Avenue Holdings Private Equity	Operator of an equestrian-inspired leather goods and accessories lifestyle brand.
Oct-22	Seattle Gourmet Foods Kent, WA	Annabella Candy Company PE-Backed, Promise Holdings	Manufacturer of confections and gourmet foods.
Oct-22	Bowtech Archery Eugene, OR	JDH Capital PE-Backed	Designer and manufacturer of bows and archery equipment for sport enthusiasts.
 Distribution			
Dec-22	I/D/E/A Caldwell, ID	Whitewater Brands Strategic	Distributor of automotive repair tools intended to serve automotive repair centers across the PNW.
Dec-22	Airefco Tualatin, OR	Ferguson Enterprises Strategic	Distributor of air conditioners, heat pumps, gas furnaces, and other HVAC equipment, parts, and supplies.
Nov-22	GEM Shavings Auburn, WA	Lignetics PE-Backed, EagleTree Capital	Distributor and wholesaler of bailed wood shavings supplying the equine and live stock markets.
Oct-22	NW Foodservice Distribution Longview, WA	Harbor Wholesale Foods Strategic	Distributor of seafood, dairy, pantry, frozen, and other food products catering to restaurants and schools.
Oct-22	Westech Rigging Supply Eugene, OR	Bishop Lifting Products PE-Backed, Altamont Capital	Supplier of industrial and rigging safety products intended to serve the logging and construction markets.
Sep-22	Joe's Garage Coffee Kent, WA	Pod Pack International PE-Backed, LongueVue Capital	Distributor of coffee and related products.
Sep-22	Valley Supply Company Woodinville, WA	White Cap PE-Backed, Clayton	Supplier of construction materials serving contractors across the Puget Sound area.
Jul-22	United Oil Twin Falls, ID	Christensen Strategic	Distributor of lubricants and oil products for automotive, industrial, and marine applications.
 Manufacturing			
Dec-22	DENT Instruments Bend, OR	Bemsiq PE-Backed, Latour	Manufacturer of monitoring instruments, submeters, and current transformers for the metering industry.
Dec-22	Fred Tebb & Sons Gig Harbor, WA	Metrie Strategic	Re-manufacturing lumber mill specializing in premium wood products.
Dec-22	Schoolhouse Electric Co. Portland, OR	Food52 Strategic	Designer and manufacturer of household electrical fixtures, shades, and hardware accessories.

Date	Target	Buyer	Target Description
Nov-22	Decimal Engineered Systems Canby, OR	Perergine Precision Systems Strategic	Manufacturer of cannabis/hemp extraction and processing equipment.
Nov-22	ATEC Systems Associates Seattle, WA	Cadiz Strategic	Manufacturer of groundwater filtration systems intended for municipal and agricultural use.
Nov-22	RANDYS WorldWide Everett, WA	Greenbriar Equity Group Private Equity	Manufacturer of highly-engineered drivetrain products for the automotive aftermarket.
Oct-22	Birch Infrastructure Lake Oswego, OR	Copia Power PE-Backed, The Carlyle Group	Developer of energy and water infrastructure for data centers to operate efficiently.
Oct-22	Senva Beaverton, OR	Carel Industries Strategic	Manufacturer of sensors to sense dry pressure, toxins, humidity, and other indoor air quality metrics.
Oct-22	Quarry Tile Company Spokane, WA	Fireclay Tile Strategic	Manufacturer of eco-friendly tiles with more than 150 shapes, sizes, and colors.
Sep-22	IDL Precision Machining Mukilteo, WA	CGI Automated Manufacturing PE-Backed, CORE Ind. Prts.	Contract manufacturer intended to serve medical, aerospace, and electronics companies.
Aug-22	Calvert Company Vancouver, WA	Revinat PE-Backed, Serent Capital	Manufacturer of laminated lumber products intended for industrial, commercial, and residential projects.
Aug-22	Cascade Poly Pipe & Conduit Woodburn, OR	FlashParking PE-Backed, L Catterton	Manufacturer of high-density polyethylene conduit.
Aug-22	Proctor Sales Lynnwood, WA	American Engineering Private	Manufacturer and provider of boiler, steam, hydronic, and HVAC products.
Jul-22	Strom Manufacturing North Plains, OR	Compass Precision PE-Backed, Main Street Capital	Manufacturer of precision metal components.
Jul-22	Linx Technologies Merlin, OR	TE Connectivity Strategic	Manufacturer of wireless components, such as, antennas, connectors, cable assemblies, and circuits.
	 Technology		
Dec-22	WatchGuard Technologies Seattle, WA	Vector Capital Private Equity	Designer and developer of network security products and services.
Nov-22	Seagull Scientific Bellevue, WA	Peak Rock Capital Private Equity	Developer of labeling and bar-coding software intended for aerospace, food & beverage, and logistics markets.
Oct-22	Petabyte Technology Bellevue, WA	Chewy Strategic (NYSE: CHWY)	Developer of veterinary software designed to streamline operations and improve efficiency.
Sep-22	Sound Life Sciences Seattle, WA	Alphabet Strategic (NAS: GOOGL)	Developer of clinically validated software designed for phones and smart speakers.
Sep-22	Knock Seattle, WA	RealPage PE-Backed, Thoma Bravo	Developer of CRM software and marketing tools intended for the real estate industry.
Sep-22	Summit Imaging Woodinville, WA	RS&A PE-Backed, Sheridan Cap. Prts.	Provider of repair and maintenance services on ultrasound and mammography imaging equipment.
Sep-22	PocketiNet Walla Walla, WA	LS Networks PE-Backed, Instar Asset Mgmt.	Provider of high-speed internet and security services to improve wireless internet access in the PNW.

Date	Target	Buyer	Target Description
Sep-22	Streaming Teacher Oregon City, OR	SolidProfessor Strategic	Operator of an online training platform.
Aug-22	FiLMiC Seattle, WA	Bending Spoons PE-Backed, Eagle Cap. Ventures	Developer of advanced mobile video imaging software for iOS and Android.
Jul-22	Shape Bend, OR	NinjaCat PE-Backed, Clovis Point Capital	Developer of budget management and automation software.

About Chinook Capital Advisors

Chinook Capital Advisors, based in Kirkland, WA, is a leading M&A advisory firm serving the needs of Pacific Northwest business owners. We help businesses prepare for and execute business ownership transition events. Chinook is a member of the Alliance of International Corporate Advisors. AICA is a global network of middle market M&A advisory firms that provide clients with access to buyers and investors around the world.

Our expertise includes sell-side advisory/seller representation services, recapitalizations, advisory board/transaction preparation services, and other services including business valuation and debt advisory. Chinook serves many of the key industries that drive the Pacific Northwest economy, including manufacturing, distribution, business services, technology, healthcare products & services, and consumer products & services.

We welcome inquiries from business owners wanting to discuss business valuation, M&A market updates, or how to build value towards a future exit or recapitalization.



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Local Focus | Team Approach | Industry Expertise | Proven Results

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 <p>Innovative fintech provider of loan management software and services for every phase of construction lending</p> <p>ACQUIRED BY</p> 	<p>PNW Manufacturer & Distributor</p> <p>Leading manufacturer and distributor of branded, niche equipment for healthcare settings</p> <p>ACQUIRED BY</p> <p>Family Office Owned Strategic Buyer</p>	 <p>Premier road maintenance and repair contractor serving Pacific Northwest public and private sectors</p> <p>ACQUIRED BY</p> 	 <p>Premier provider of revenue cycle management software and services to the healthcare industry</p> <p>ACQUIRED BY</p>  <p>a subsidiary of Constellation Software</p>