

Q4

2018

**M&A
NEWSLETTER**

MARKET ATMOSPHERE

All eyes were focused on the equity market in the final quarter of 2018, with a down swing due to the uncertainty about a trade deal between the United States and China. This, in addition to the continued economic slowdown in China, is leaving investors concerned about the coming months for the market at home. Furthermore, an executive from the Chinese smartphone and telecommunications company Huawei was arrested in Canada and is facing extradition to the United States for violating a U.S. bank fraud statute.

The Chinese stock market continued to tumble in 2018 with the Shanghai Stock Exchange Composite Index (SHCOMP: IND) reporting a -25.06% return. Additionally, Alibaba Group (NYSE: BABA), the Chinese multinational conglomerate e-commerce, retail, and AI powerhouse has returned a shocking -37.6% since the middle of June where it reached \$210. In December, China's manufacturing sector showed that the sector contracted for the first time since May 2017. Additionally, pressure from the Trump administration through heightened tariffs has asserted a downward force on the direction of the Chinese market.

Shanghai Stock Exchange Composite Index (SHCOMP:IND)



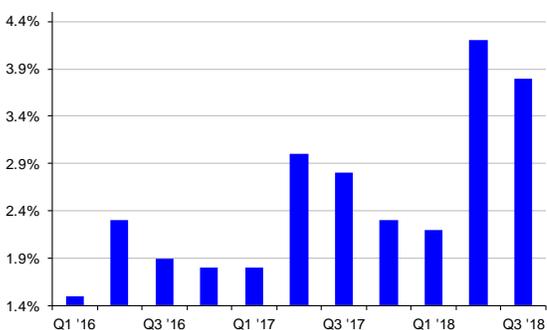
Index Performance			
Index Name	Index Price 12/31/2018	QoQ %	FYE%
NASDAQ	6,649.52	-17.8%	-5.1%
Dow Jones	23,153.94	-12.9%	-6.7%
S&P 500	2,498.94	-14.6%	-7.3%
Russell	1,338.52	-21.2%	-13.6%

In early January of 2019, Apple (NASDAQ: AAPL) had cut forecasts for sales in China, causing the stock to drop over 28% since November. According to Tim Cook, CEO of Apple, the change in its sales forecasts is a result of "economic deceleration," particularly in Greater China. Additionally, Apple's smartphone market share is quickly dropping in China. During Q4 of 2017, the iPhone accounted for about 10% of market share in China. During Q3 of 2018, it made up fewer than 5%.

In the United States, the Dow Jones Industrial Average and S&P 500 both recorded their worst quarters since 2011, returning -11.83% and -12.97% respectively. On Christmas Eve, the Dow and S&P fell 2.9% and 2.7%, but the market saw a quick rebound following Christmas, with the Dow and S&P gaining 5%. For the year 2018, the S&P 500 returned -6.24% with the Dow returning -3.74%.

ECONOMIC - HIGHLIGHTS

GDP Growth Rates 2016 - 2018



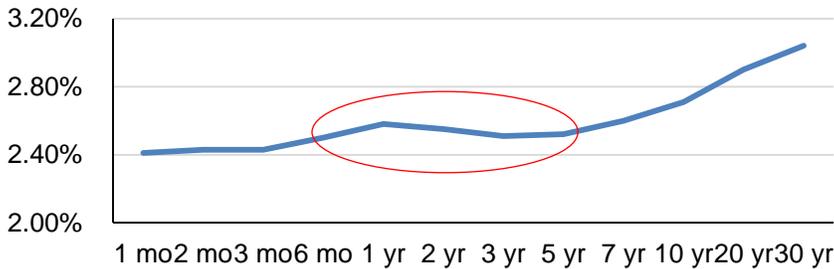
The US economy continued to see positive data come out. GDP growth seems to be on a slight decline from the prior two quarters. During Q2, GDP growth had a strong gain of 4.2% followed by a 3.4% gain in Q3. Estimates have Q4 growth hovering around 2.8%. Although not as aggressive as prior quarters, Q4 GDP estimates are still good.

In Q3, consumer spending grew 3.0%. However, exports are showing weak growth as a result of the trade war with China.

Fed Chairman Jerome Powell pulled back on its planned rate hikes in 2019 from three to two, reaching a rate of or around 3%. Additionally, Powell had also said that the Fed will not slow the rate at which it plans to reduce its securities holdings.

Job growth continues to be strong. However, Kiplinger, a financial forecasting publication, estimates that in 2019 we should expect to see less than 200,000 jobs created per month. Instead of this being a lack of new jobs, this is as a result of a scarcity of workers (or full employment). However, this scarcity of workers is a likely indicator that the Fed could continue to raise rates.

Yield Curve - 1/11/2019



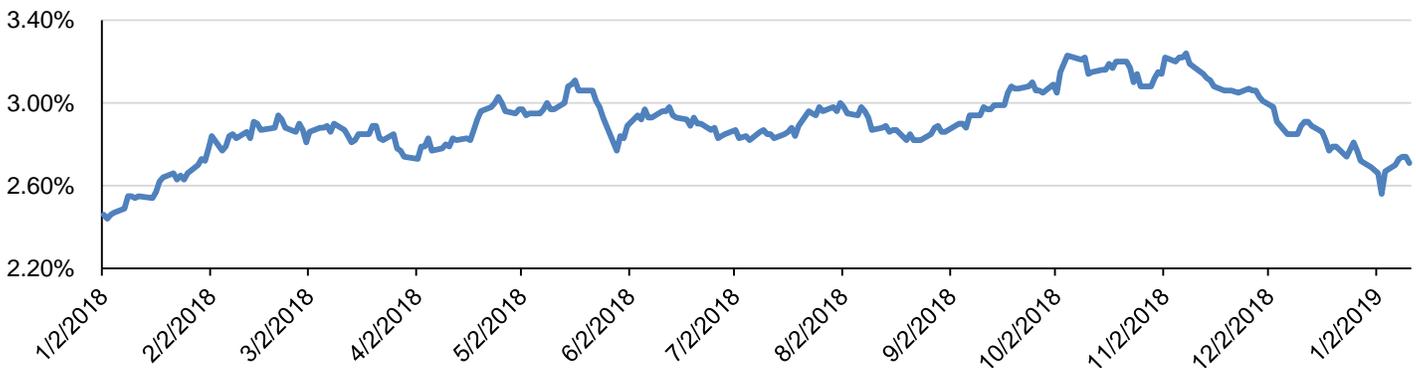
While many of the economic indicators remain strong, forecasts have been pulled back due to the elongated shutdown. The bearish sentiment can be seen in the yield curve inversion highlighted in the graph to the left. In a normal atmosphere the longer the maturity of the security the higher the yield, as the interest rate risk and reinvestment rate risk is higher ("maturity risk premium").

Although there is some academic debate around the importance and validity of this indicator; historically speaking there is a strong correlation between the yield curve inverting and a market correction or an economic slowdown. But what does the inversion represent and why do people see it as an indicator?

It is seen as an indicator because of the flow of funds and monetary policy, as the economy moves into a recession the Federal Reserve will lower rates to accommodate slower economic growth, and if investors believe a recession is coming they will seek to lock in high rates. Effectively the yield curve inversion happens as investors move into safer assets pushing the price up and the yields down. However correlation doesn't equal causation and the economic fundamentals remain strong.

On January 30, 2019 the Federal Open Market Committee (FOMC) issued a statement highlighting its decision to hold rates at 2.40%, a reversal of its hawkish approach in 2018. This is a message that sent the stock market soaring. They additionally noted that its target range remained unchanged at 2-1/4 to 2-1/2 percent. The Fed's decision comes after the longer government shut down in history, a rate inversion, and concerns about future economic growth.

10 Yr Treasury



Market Rates

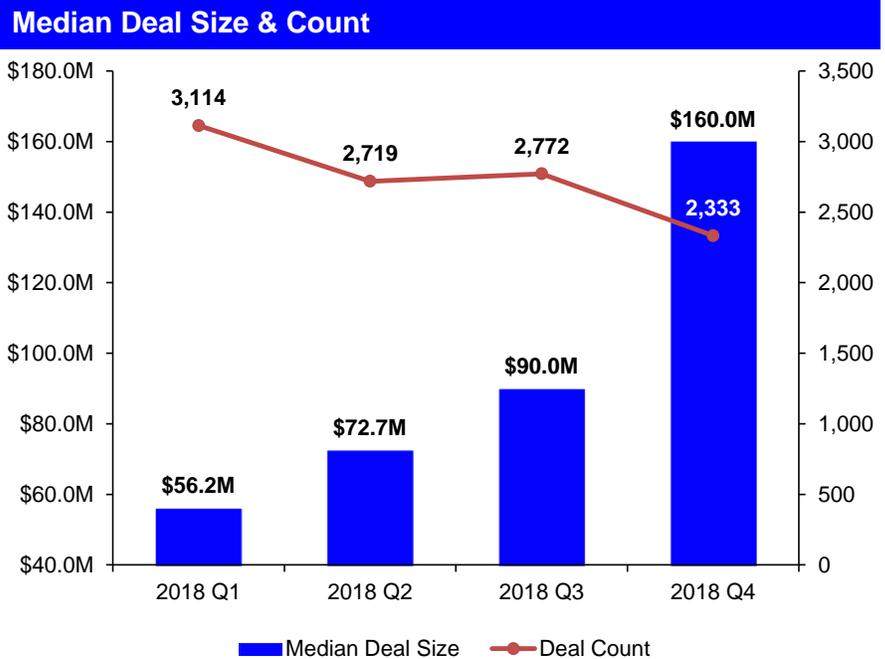
5yr Treasury	2.56%	5yr Swap Stack	2.64%	Fed Funds Target	2.50%
7yr Treasury	2.63%	7yr Swap Stack	2.68%	1 Month Libor	2.51%
10yr Treasury	2.72%	10yr Swap Stack	2.75%	3 Month Libor	2.74%
30yr Treasury	3.05%	30yr Swap Stack	2.87%		

BROAD MARKET INVESTMENTS

As consolidation grows, more funds are raised, bids become more competitive, which is why we saw Median deal size increased progressively throughout 2018. In Q3, median deal valuation was at \$90mm, growing to \$160mm in Q4. This represents a QoQ growth of 77.7%.

Deal volume has gone the opposite direction in 2018, however. During the first quarter, there were 3,114 transactions, decreasing to a total of 2,333 transactions in Q4 represents a -15.8% QoQ change and a -25.1% YoY change.

In the fourth quarter, total US M&A activity was north of \$640 billion. This is a decrease from Q4 of 2017, which total M&A activity was around \$800 billion.

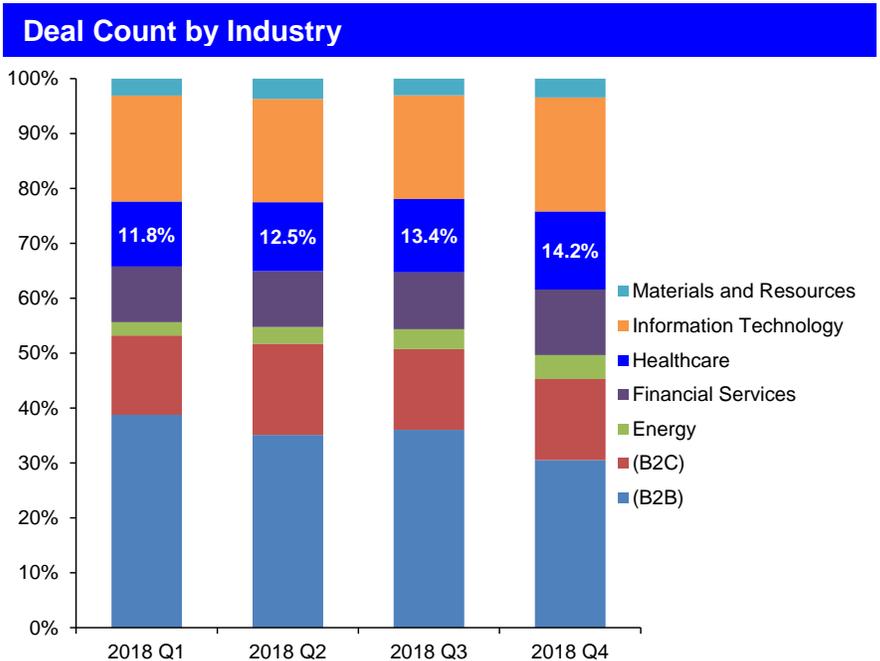


Source: PitchBook Data, Inc.

Healthcare M&A activity has increased throughout the year in relation to broad market M&A transactions. During Q1, healthcare accounted for 11.8% of all transactions, reaching 14.2% of all transactions in Q4.

B2B transactions, companies that offer services to other businesses, represent the largest, accounting for 30.56% of all transactions. This is a decrease, however, from 38.76% during the first quarter.

Information technology transactions remained relatively consistent throughout the year. During the first quarter, Information Technology activity accounted for 19.3%, and 20.73% in the fourth quarter. Materials and Resources, Financial Services, Energy, and B2C remained relatively consistent throughout the year.



Source: PitchBook Data, Inc.

TOP TRANSACTIONS

Deal Date	Target	Acquirer	% Acquired	Deal Status	Deal Size (\$mm)	Deal Synopsis
28-Nov-2018	Aetna	CVS Health (NYS: CVS)(Larry Merlo)	100.00%	Completed	70,000.00	The company was acquired by CVS Health (NYS: CVS) for \$70 billion on November 28, 2018. The combined company will connect consumers with the powerful health resources of CVS Health in communities across the country and Aetna's network of providers to help remove barriers to high quality care and build lasting relationships with consumers, making it easier for consumers to access the information, resources and services they need to achieve their best health.
20-Dec-2018	Express Scripts Holding	Cigna (NYS: CI)(David Cordani)	100.00%	Completed	52,000.00	The company (NASDAQ: ESRX) was acquired by Cigna (NYSE: CI) for \$52 billion on December 20, 2018. Under the terms of the definitive agreement, the transaction consideration will consist of \$48.75 in cash and 0.2434 shares of stock of the combined company per Express Scripts share, or \$54 billion in the aggregate as well as assumption of \$15 billion of debt. Together, both companies will create an expanded portfolio of health services, delivering greater consumer choice, closer alignment between the customer and health care provider and more personalized value. Cigna intends to fund the transaction through a combination of cash on hand, assumed Express Scripts debt and new debt issuance through debt financing from Morgan Stanley Senior Funding and The Bank of Tokyo-Mitsubishi UFJ. Upon closing of the transaction, Cigna shareholders will own approximately 64% of the combined company, and Express Scripts shareholders will own approximately 36%.
28-Oct-2018	Red Hat	International Business Machines (NYS: IBM)(Virginia Rometty)	100.00%	Completed	36,000.00	The company was acquired by International Business Machines (NYSE: IBM) for \$36 billion on October 28, 2018. The acquisition will enable the acquirer to get a better position with hybrid cloud computing.
19-Oct-2018	Energy Transfer Partners	Energy Transfer Equity	100.00%	Completed	27,000.00	The company was acquired by Energy Transfer Equity (NYSE: ETE) for \$27 billion on October 19, 2018.
01-Oct-2018	Andeavor	Marathon Petroleum (NYS: MPC)(Gary Heminger)	100.00%	Completed	23,300.00	The company (NYSE: ANDV) was acquired by Marathon Petroleum (NYSE: MPC) for \$23.3 billion on October 1, 2018. Andeavor shareholders will have the option to receive in exchange for each share of Andeavor common stock they hold 1.87 shares of MPC stock, \$152.27 in cash, or a combination of both, subject to a proration mechanism that will result in 15% of the shares of Andeavor common stock being exchanged for cash and the remaining shares being exchanged for MPC stock. The strategic combination, creates a large-scale, geographically-diversified and highly-integrated refining, marketing and midstream company.
26-Nov-2018	Rockwell Collins	United Technologies (NYS: UTX)(Gregory Hayes)	100.00%	Completed	23,000.00	The company (NYSE: COL) was acquired by United Technologies (NYSE: UTX) for \$23 billion on November 26, 2018. This acquisition adds tremendous capabilities to United Technologies' aerospace businesses and strengthens their complementary offerings of technologically advanced aerospace systems. Under the terms of the agreement, each Rockwell Collins shareholder will receive \$93.33 per share in cash and \$46.67 in shares of UTC common stock, subject to a 7.5 percent collar centered on UTC's August 22, 2017 closing share price of \$115.69. UTC plans to fund the acquisition of COL's equity, valued at nearly \$23 billion, through the issuance of approximately \$14 billion of new debt, \$1 billion of cash repatriated from overseas, and \$7 billion-\$8 billion of UTC shares, subject to adjustments. The company went private after this transaction.
05-Nov-2018	CA Technologies	Broadcom (NAS: AVGO)(Thomas Krause)	100.00%	Completed	19,000.00	The company (NASDAQ: CA) was acquired by Broadcom (NASDAQ: AVGO) for \$19 billion on November 5, 2018. This combination aligns the company's expertise in software with the acquirer's leadership in the semiconductor industry.
01-Oct-2018	Refinitiv	The Blackstone Group (NYS: BX)(Martin Brand)	55.00%	Completed	17,000.00	The Financial & Risk business of Thomson Reuters (NYSE: TRI) was acquired by The Blackstone Group, Canada Pension Plan Investment Board and GIC Private through a \$17 billion LBO on October 1, 2018. Blackstone Group has agreed that annual payments of \$325 million would be made for 30 years to the Reuters which would amount to almost \$10 billion over three decades. Thomson Reuters will retain a 45 percent holding. In a transaction valued at \$30.1 billion, just over \$5 billion is funded with equity. The deal consists of a \$13.5 billion loan and a \$750m revolving credit facility provided by The Blackstone Group, Bank of America Merrill Lynch, J.P. Morgan, Citigroup, Wells Fargo, Morgan Stanley, The Goldman Sachs Group, UBS, Credit Suisse, HSBC Holdings, Deutsche Bank, Barclays, Royal Bank of Canada and Sumitomo Corporation. Subsequently, the Financial and Risk business unit was renamed Refinitiv.
17-Dec-2018	Endeavor Energy Resources		100.00%	Failed/Cancelled	15,000.00	The company was in talks to be acquired by Chevron, ExxonMobil, and ConocoPhillips for \$15 billion on December 17, 2018. Subsequently, the deal was cancelled.
13-Nov-2018	Johnson Controls (Power Solutions Business)		100.00%	Announced/In Progress	13,200.00	Johnson Controls International (NYSE: JCI) has entered into a definitive agreement to sell its Power Solutions automotive battery business to Brookfield Business Partners, Caisse de dépôt et placement du Québec and other undisclosed investors through a \$13.2 billion LBO on November 13, 2018. Brookfield and CDPQ will each fund about 30 per cent of a \$3bn equity cheque for the business, with other institutional investors financing the remainder. The private equity group plans to raise more than \$10bn of debt for the takeover. Financing will be led by a syndicate of banks including Barclays, Credit Suisse, JPMorgan Chase, Bank of America Merrill Lynch, BMO Capital Markets, CBC World Markets, Citigroup, Deutsche Bank, The Goldman Sachs Group, HSBC Holdings, RBC Capital Markets, Bank of Nova Scotia and TD Securities. Closing of the transaction remains subject to customary closing conditions including regulatory approvals. Closing is expected to occur by June 30, 2019. The company expects to deploy \$3 to \$3.5 billion of proceeds towards debt paydown and retain an investment grade credit rating. The remaining proceeds will be available to return to shareholders, with more specific details to be announced around the close of the transaction. The deal would enable Johnson Controls to strengthen and invest in its global market-leading positions in H/VAC (heating, ventilation, and air conditioning), fire and security solutions and integrated building management systems businesses.
07-Dec-2018	Forest City Realty Trust	Brookfield Asset Management (TSE: BAM.A)(Brian Kingston)	100.00%	Completed	11,400.00	The company (NYSE: FCEA) was acquired by Brookfield Asset Management (TSE: BAM.PF) for \$11.4 billion on December 7, 2018.
26-Oct-2018	Pinnacle Foods	Conagra Brands (NYS: CAG)(Sean Connolly)	100.00%	Completed	10,900.00	The company (NYSE: PF) was acquired by Conagra Brands (NYSE: CAG) for \$10.9 billion on October 26, 2018. The transaction will enhance Conagra Brands' multi-year transformation plan and expand its presence and capabilities in its most strategic categories, including frozen foods and snacks.
11-Oct-2018	Envision Healthcare	Kohlberg Kravis Roberts (NYS: KKR)(James Montazee)	100.00%	Completed	9,900.00	The company (NYS: EVHC) was acquired by Kohlberg Kravis Roberts through a \$9.9 billion public-to-private LBO on October 11, 2018. The debt financing for the acquisition includes \$5.05 billion term loan B, \$2.15 billion of high-yield bond and \$850 million of loan financing.
13-Sep-2018	Smiths Medical	ICU Medical (NAS: ICUI)	100.00%	Failed/Cancelled	9,126.29	The company was in talks to be acquired by ICU Medical for GBP 7 billion on September 13, 2018. Subsequently, the deal was cancelled.
29-Nov-2018	Energen	Diamondback Energy (NAS: FANG)(Travis Stice)	62.00%	Completed	8,370.00	The company (NYSE: EGN) was acquired by Diamondback Energy (NASDAQ: FANG) for \$8.37 billion on November 29, 2018. Under the terms of the acquisition agreement, EGN shareholders will be entitled to receive 0.6442 of a FANG share for each EGN share they own, representing consideration of \$74.26 based on FANG's August 15 trading price. Finally, upon completion of the transaction EGN shareholders will only have a 38% stake in ownership of the combined company. This acquisition represents a transformational moment for both Diamondback, as they are set to benefit from owning the premier large cap Permian independent with industry leading production growth, operating efficiency, margins and capital productivity supporting an increasing capital return program. The deal is expected to close by the end of the fourth quarter of 2018.

Source: Pitchbook Data, Inc.

Lawrence, Evans & Co., LLC. is a boutique healthcare financial advisory and investment banking firm comprised of senior level professionals who provide lead advisory services to private companies, lenders, and other parties-in-interest that are executing financial and strategic transactions. Founded in 2003, the firm provides a wide array of services such as finance and capital raising, mergers and acquisitions, management consultancy services, turnaround management and restructuring, and real estate finance and development. The firm caters to the healthcare providers and service companies (senior housing, hospital, physician services, dental, dermatology, ophthalmology, physical therapy, behavioral health, RCM, HCIT, Population Health, etc.), transportation and logistics, and select niche manufacturing sectors. Transactions are typically under \$250 million or \$10 million EBITDA.

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- Private Market Financings
- LBO's and Recapitalizations
- Strategic Planning
- Organizational Reviews
- Expert Testimony & Opinions
- Chief Restructuring Officer (CRO)
- Bankruptcy Planning / 363 Sales
- Receivership / Trustee

Represented Healthcare Transactions

 <p>SALE TO</p>  <p>ACTED AS ADVISOR</p>	 <p>PURCHASED</p> <p>MULTI SPECIALTY MEDICAL BILLING COMPANY</p> <p>ACTED AS ADVISOR</p>	<p>SOUTHEASTERN US HOSPITAL OPERATOR</p> <p>\$65,000,000 3 HOSPITALS</p> <p>ACTED AS ADVISOR</p>	 <p>GROWTH CAPITAL RAISE</p>  <p>ACTED AS ADVISOR</p>
 <p>175 ROOM \$18,026,000</p> <p>NON-RECOURSE HOTEL CONSTRUCTION LOAN</p> <p>ACTED AS ADVISOR</p>	 <p>SALE TO</p>  <p>ACTED AS ADVISOR</p>	<p>SKILLED NURSING & ASSISTED LIVING PORTFOLIO</p> <p>\$35,000,000 MULTI-FACILITY REFINANCING</p> <p>ACTED AS ADVISOR</p>	<p>\$70MM MIDWEST SPECIALTY WAREHOUSE, BROKERAGE, TRUCKING</p> <p>BUY-SIDE SEARCH</p> <p>ACTED AS ADVISOR</p>

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