Deal Volume Rebound*

90 deals completed in Q2 2024

Average Purchase Price Multiples*

7.4x

PE Dry Powder**

$1.25 TRILLION

Add-On Investment Spike*

44% of all deals in H1 2024

*GF Data M&A Report, August 2024
**S&P CapitalIQ Pro, Preqin North American PE Dry Powder, September 2024

VALUATION MULTIPLES

Average purchase price multiples on completed deals reached 7.4x EBITDA in the second quarter, up from 7x in Q1. However, deals valued between $100 million and $250 million saw a decline in average valuation, reflecting lower revenue growth and margins. This trend implies that while valuations are generally strong, caution about the financial health and growth potential of mid-sized companies is warranted.

DEAL OUTLOOK

The M&A market in the Philadelphia region is likely to remain active, with a continued focus on add-on acquisitions and platform building. Private equity firms and strategic buyers will likely pursue deals that enhance their existing capabilities and expand their market presence. Valuation multiples may continue to fluctuate, with a premium for companies demonstrating strong financial performance and growth potential. Smaller deals are likely to see higher valuations, while mid-sized deals may face more scrutiny.

Companies should be prepared for a more selective market where financial health and growth projections are closely examined. Focusing on improving financial metrics and demonstrating robust revenue growth and margins to attract favorable valuations will be imperative.

Dealmaking remains a complex process impacted by changing financial reporting requirements, increasing audit scrutiny, growing tax conflicts, and various regulatory and compliance elements. In such a dynamic environment, partnering with an independent valuation firm like VRC can provide significant value and help companies manage strategic acquisitions effectively.

STRATEGIC CONSOLIDATION AND EXPANSION

KEY INSIGHT

The Philadelphia M&A market is characterized by a strong trend of strategic consolidation and expansion across various sectors. Companies are actively acquiring smaller players to enhance their service offerings, expand geographic reach, and solidify their market positions.

EXAMPLES

- **LawnPRO Partners** has made multiple acquisitions (Highest Quality Lawn & Pest, Fairway Lawn & Tree Service, LawnRx) to expand its footprint and service offerings in lawn care and pest control.
- **Health Union** acquired **Adfire Health** to integrate patient and HCP data, enhancing their digital marketing and commercial intelligence capabilities.
- **Mabin Holdings** and **PA Steel** are expanding their steel manufacturing and service capabilities through acquisitions, aiming to become leaders in their respective markets.

IMPLICATIONS

- **Focus on Synergies:** Companies should prioritize acquisitions that offer clear strategic synergies, such as complementary services or geographic expansion, to maximize the deal's value and impact.
- **Integration Planning:** Effective integration planning will be crucial to ensure that the acquired assets and operations are seamlessly integrated into the existing business, driving long-term growth and efficiency.

TECHNOLOGY AND INNOVATION-DRIVEN ACQUISITIONS

KEY INSIGHT

Many transactions in the Philadelphia market are driven by the need to acquire technology and innovation, particularly in sectors like healthcare, legal services, and sales training.

EXAMPLES

- **Solenis** acquired **BASF's flocculants business** to gain access to sustainable solutions for mining operations.
- **Magna Legal Services** acquired **Bosco Legal Services** to enhance its suite of legal support services, including AI-led solutions.
- **Crossbeam** acquired **Reveal** to lead a new category of go-to-market software that leverages partner ecosystems.

IMPLICATIONS

- **Invest in Technology:** Companies should consider investing in or acquiring technology that can enhance their core competencies and offer competitive advantages.
- **R&D Focus:** Focus on research and development to stay ahead of technological advancements and ensure that the company remains innovative and relevant in its market.

PRIVATE EQUITY ACTIVITY AND PLATFORM BUILDING

KEY INSIGHT

Private equity firms are highly active in the Philadelphia market, with a significant focus on add-on acquisitions to build and scale platform investments. This trend suggests that PE firms are looking to create larger, more diversified companies through strategic acquisitions.

EXAMPLES

- **Renovus Capital Partners** acquired **QualX Corporation** to invest in technology and expand its capabilities in government services.
- **Guardian Capital Partners** formed a North American Door & Dock platform with the initial acquisition of **American Overhead Door & Dock.**
- **Verlinvest** and **Mistral Equity Partners** acquired **Insomnia Cookies** to expand the company's international and U.S. market presence.

IMPLICATIONS

- **PE Relationships:** Building strong relationships with private equity firms can provide access to capital and strategic guidance for growth and expansion.
- **Platform Strategy:** Companies should consider a platform strategy, focusing on add-on acquisitions to build a comprehensive and diversified business. This approach can help in achieving scale and market leadership.

TRANSACTION DETAILS

SEP 16

Richardson Sales Performance (Truelink Capital), a leading provider of sales training solutions, announced the strategic acquisition of Challenger. This merger unites two of the most influential names in the sales performance industry and will offer a comprehensive suite of consultative sales training solutions.

LawnPRO Partners (HCI Equity Partners) announced it acquired Highest Quality Lawn & Pest, its seventh acquisition expanding its lawn care treatment and tree, shrub, and pest control services for residential customers across its New England footprint in New Hampshire and Massachusetts. This acquisition follows its August 21 acquisition of Fairway Lawn & Tree Service in Cape Cod, Massachusetts, and its July 21 acquisition announcement of LawnRx in Latrobe, Pennsylvania.

SEP 11

Private equity firm **Renovus Capital Partners** announced the acquisition of QualX Corporation, enabling QualX to further invest in innovative solutions for its federal agency clients, including the Departments of Defense, State, Treasury, Health & Human Services, Labor, and Homeland Security. QualX used enhanced technology solutions and a team of qualified professionals to deliver top-tier expertise in declassification and FOIA services. With the support of Renovus, the company intends to enhance its existing technology solutions, expand its team, pursue strategic acquisitions, and extend the Company's footprint.

SEP 10

Health Union (Court Square), a leader in condition-specific online health communities and patient engagement, announced its acquisition of healthcare professionals (HCP) data and digital engagement company, Adfire Health. Together with Health Union's own extensive, first-party patient identity graph, the companies' combined capabilities will activate the largest and most unique first-party patient and HCP dataset, enabling truly integrated, omnichannel media planning to reach the patient and their complete care team. Leveraging the strengths of both companies, Health Union plans to bring new, integrated programmatic media, digital marketing, and commercial intelligence solutions to market that drive holistic approaches to improving patient outcomes.

SEP 9

True Platform (founder owned True Equity, Vera Equity) announced its acquisition of Paradigm Search, a boutique executive search firm. This expansion of the company's global talent management platform and increase its ability to place elite engineering and product leaders.

Ballard Spahr and Lane Powell announced the business combination of their firms, which will now have more than 750 attorneys in 18 U.S. offices that now include a footprint in the Pacific Northwest in addition to the firm's Philadelphia roots. The combination of the professional firms will offer clients access to the scope and practice depth of an Am Law 100 firm with nationally recognized offerings in corporate transactions, banking and finance, intellectual property, emerging companies and M&A, private client services, life sciences, litigation, and real estate (particularly construction and senior living.)

TRANSACTION DETAILS

AUG 28

Mabin Holdings (family owned) announced the strategic acquisition of Martelli Companies, a provider of metal processing, fabrication, and related services for over 43 years. The integration amplifies Mabin Holdings' ability to deliver custom steel manufacturing solutions to a diverse customer base, including large multinational clients serving a wide array of industries from transportation to construction, with top-tier steel products and services now becoming the largest steel fabricator on the East Coast.

AUG 8

Inframark (New Mountain Capital) announced its acquisition of Georgia-based ESG Engineering, Inc., a firm that specializes in engineering and capital program management solutions for water and wastewater treatment projects. The combined resources will benefit current and future clients in the water, wastewater, and stormwater market segments across more than 550 water and wastewater treatment systems in 30 U.S. states that treat a billion gallons of drinking water and wastewater daily.

AUG 2

Eximia Research Network (VSS Capital Partners) announced its successful acquisition of Tidewater Clinical Research as Eximia continues expanding its national clinical trial site network to lead advancements in Women's Health and Ophthalmology.

JUL 24

Palvella Therapeutics, Inc. (BVF Partners, Frazier Life Sciences) announced that it has entered into a definitive merger agreement with Pieris Pharmaceuticals, Inc. (Nasdaq: PIRS) to combine the companies in an all-stock transaction. The combined company will focus on developing and commercializing Palvella's lead clinical product candidate for the treatment of a broad spectrum of serious, rare genetic skin diseases. Upon completion of the proposed merger, the combined company will operate under the name Palvella Therapeutics, Inc., and is expected to trade on the Nasdaq.

JUL 23

Bradford White Corporation (employee owned) announced the acquisition of FloLogic, a North Carolina-based manufacturer of premium plumbing lead detection and automatic shut-off solutions for homes and light commercial buildings. FloLogic's premium IoT-based leak detection and automatic shutoff technology offers a comprehensive solution and state-of-the-art protection from plumbing leaks, the most preventable cause of property damage and a significant source of water waste. The acquisition follows the company's July 2 announcement of the business combination with Heat-flo, a leader in stainless steel water-heating and hydronic storage tanks for residential, commercial, and industrial applications.

KKR & Co., Inc. (NYSE: KKR), a leading global investment firm, and The Penn Mutual Life Insurance Company announced a definitive agreement under which investment funds managed by KKR will acquire Janney Montgomery Scott LLC. Janney is a leading wealth management, investment banking, and asset management firm with over $150 billion in assets under administration with more than 900 financial advisors providing financial planning, asset allocation, retirement planning, and other financial advice and services to clients across 135 offices in the U.S. Following the close of the transaction, Janney will become a standalone private company that will continue operating independently.

TRANSACTION DETAILS

JUL 22

Verlinvest, a global, consumer-focused evergreen investment company, in partnership with Mistral Equity Partners, announced it has acquired an interest in Insomnia Cookies from Krispy Kreme, Inc. (NASDAQ: DNUT). Insomnia, acquired by Krispy Kreme in 2018, has grown rapidly and now operates in three countries with nearly 300 bakeries. Verlinvest will partner with Insomnia Cookies as part of its broader plans for international growth and broader penetration across the U.S.

JUL 17

Solenis (Delaware Platinum Equity), a leading global producer of specialty chemicals, has acquired BASF's flocculants business for mining applications. BASF's mining solutions business provides sustainable solutions that increase productivity, recovery, and flexibility throughout the hydrometallurgical process of mining operations in leaching, solvent extraction, and flotation.

JUL 15

Magna Legal Services (Odyssey Investment Partners LLC), a provider of litigation support services, has acquired Bosco Legal Services, a firm specializing in legal investigations, record retrieval, and process serving. The workforce now exceeds 800 employees in 24 U.S. locations and supports Magna's full-service suite, including court reporting, document translation, interpreting, medical record retrieval, social media surveillance, visual communications, and jury consulting services.

Alternative legal services provider Execo (privately owned) announced its strategic acquisition of Cacti Legal, an AI-led legal managed services organization. This follows Execo's recent acquisitions of Aspire Marketing, LLC, Bandalier, Inc., and Africa AI, Inc., which were announced in the days prior. The most recent Cacti acquisition marks Execo's sixth in just 12 months, highlighting the company's strategy to enhance the integrated capabilities of AI-embedded legal process outsourcing firms and alternative legal service providers into its global portfolio.

JUL 9

IntegriChain (Nordic Capital) announced the acquisition of Federal Compliance Solutions, a leading Pharma advisory and managed services firm. The companies plan to jointly advance their portfolio of solutions and consultative services for top commercial challenges, including increasingly complicated drug contracting, 340B's explosive growth, the Inflation Reduction Act's impact on pricing and reimbursement, and rapidly evolving drug distribution channels. This acquisition is IntegriChain's seventh expansion.

JUL 2

Phenom People, Inc. (privately owned) announced its acquisition of Tydy, a human resource technology company focused on delivering preboarding and onboarding employees.

JUL 1

GlacierPoint Enterprises, Inc. (Mill Point Capital LLC), a direct-store delivery distributor of ice cream, frozen and fresh foods, and beverages, announced its strategic acquisition of Chicago-based Joe & Ross, Inc. and J & R Dairy Service, Inc.

JUN 26

Guardian Capital Partners, a private equity firm, announced the formation of its North American Door & Dock platform with its initial acquisition of American Overhead Door & Dock, LLC. The platform is focused on scaling commercial- and industrial-focused doors, docks, and related services and equipment through a buy-and-build strategy.

TRANSACTION DETAILS

JUN 25

DuPont (NYSE: DD) announced that it has acquired Donatelle Plastics, a leading medical device company specializing in medical components and devices. The acquisition of Donatelle brings complementary advanced technologies and capabilities including medical device injection molding, liquid silicone rubber processing, precision machining, device assembly, and tool building. Donatelle has a strong growth profile with offerings aligned to attractive therapeutic areas including electrophysiology, drug delivery, diagnostics, cardiac rhythm management, neurostimulation, and orthopedic extremities.

Crossbeam (privately owned) announced its acquisition of Reveal in an all-stock transaction. The combined company will lead a new category of go-to-market software that enables marketing, sales, and partnership teams to leverage their partner ecosystems to attract, convert, and grow customer relationships.

Toptal (Andreessen Horowitz), the world's largest fully remote workforce, announced its strategic all-cash acquisition of Growth Collective, a leading freelancer marketing platform that gives businesses access to top freelance marketers specializing in digital marketing, SEO, content creation, social media strategy, and more.

JUN 20

The J.G. Wentworth Company (Axar Capital Management LP) completed its acquisition of Ottopay, a digital debt-management and payments platform created by parent company New Foundation Labs, Inc. The acquisition of Ottopay will provide consumers with financial advice and financial management tools to help them save money and pay off debt by using analytics to break down a consumer's credit card debt and payment and spending habits to develop customized management strategies. J.G. Wentworth purchases structured settlements, annuities, and lottery payments in exchange for cash.

JUN 18

FOX Rehabilitation, Inc. (Blue Wolf Capital Partners) acquired Ageility Physical Solutions from AlerisLife Inc. With this strategic acquisition of a provider of physical and occupational therapy and speech-language pathology for older adults, FOX will expand its footprint across 36 states and Washington D.C. now also includes California, Colorado, Kansas, Nevada, New Mexico, and Oregon.

Ed Hamilton, CFA
Managing Director
Tel. No. 609-243-7018
EHamilton@ValuationResearch.com

VRC
VALUATIONRESEARCH.COM