



FOCUSED ON M&A: 2018

Regional Transaction Report



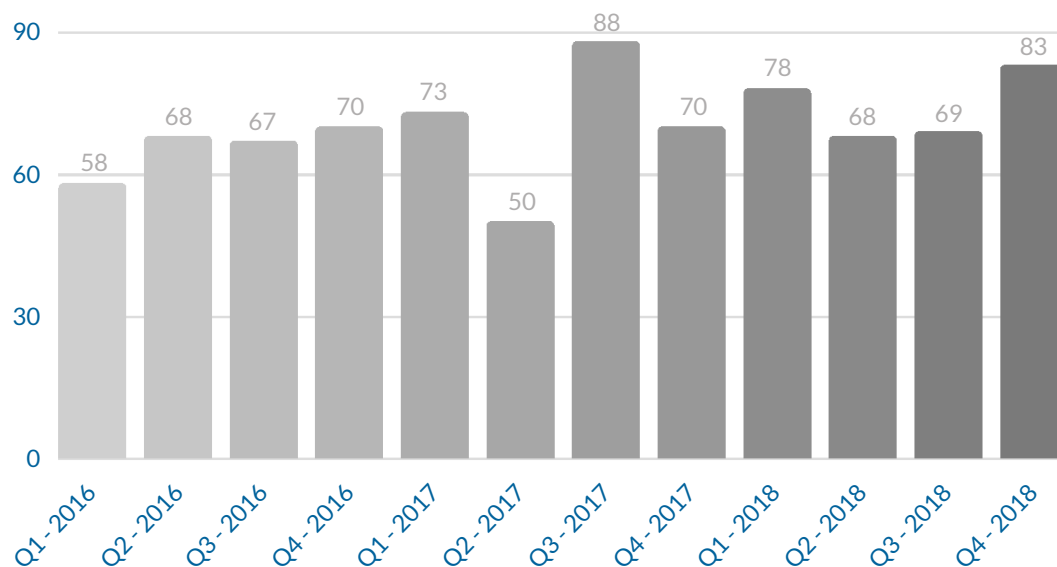
FOCUSED. ON YOU.

M&A ACTIVITY IN CENTRAL AND SOUTHEASTERN PA >

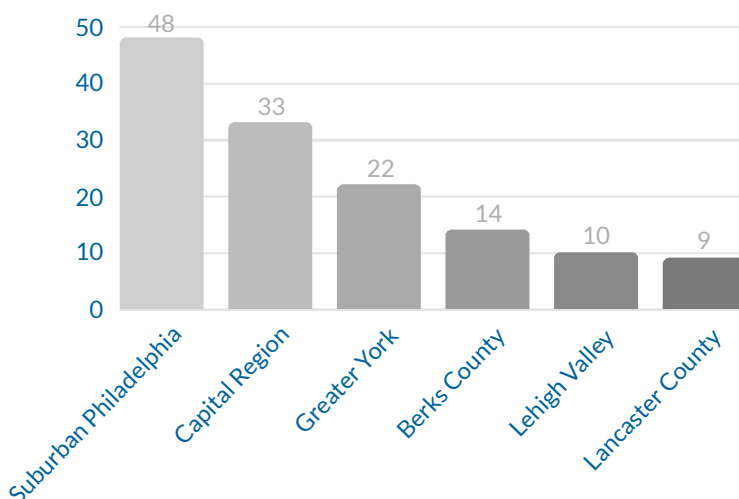
Mergers and acquisitions (M&A) activity in the RKL footprint remained strong in 2018. The number of transactions in the region increased again, from 281 in 2017 to 298 in 2018.

- While Suburban Philadelphia has historically accounted for about two-thirds of transactions in the region, transactions in this market decreased to below 2016 levels.
- The remainder of the region saw a significant boost in deal count, particularly in Greater York and Lancaster County. These burgeoning markets have become increasingly attractive to buyers seeking returns that outperform major metro markets.

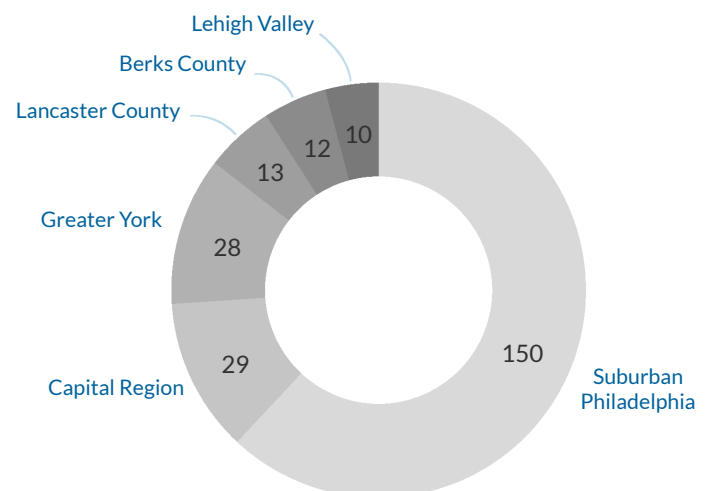
Regional Transactions by Quarter



2018 Transactions by Buyer Location



2018 Transactions by Target Location



REGIONAL PRIVATE EQUITY ACTIVITY >

In transactions within the region, 27 buyers were either private equity investors or sponsor-backed companies in 2018. Most of these transactions involved a sponsored buyer in the Suburban Philadelphia market or private equity group making an acquisition within the region, although private equity deals in other regional markets rose from three deals each in both 2016 and 2017 to six in 2018. Private equity buyer activity also increased in Suburban Philadelphia, nearly doubling from 12 deals each in both 2016 and 2017 to 21 deals in 2018.

In 2018, there was a noticeable decrease in regional sales among sellers sponsored by private equity or venture capital, from 46 transactions in 2017 to 32 in 2018. From 2016 through 2018, there were 15 announced sponsor-backed company sales in the Capital Region, Lehigh Valley, Greater York and Berks, underscoring the relatively low level of sponsor-backed companies in these markets.

REGIONAL M&A ACTIVITY BY INDUSTRY >

Transactions in the business services and manufacturing & distribution (M&D) industries were most prominent in 2018, representing 45% of all regional transactions. Technology consulting, accounting and business consulting were hot sub-sectors within business services while M&D transactions were in a variety of sub-sectors, most prominently medical products and devices. Ametek and Rentokil were two frequent buyers in 2018, with most of their transactions fitting into these two industries.

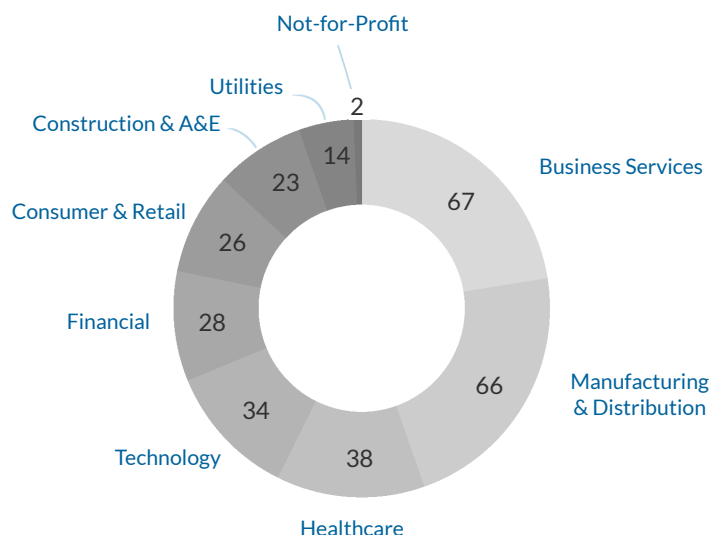
Excluding Suburban Philadelphia (which has disproportionately more business services, healthcare and technology companies than other markets), more than a quarter of the transactions occurred in the M&D industry. Four of the transactions took place in the medical products and devices sub-sector while others were spread evenly around multiple other sub-sectors. Other noteworthy industries in 2018 included business services, consumer & retail and construction and architecture & engineering (A&E).

118

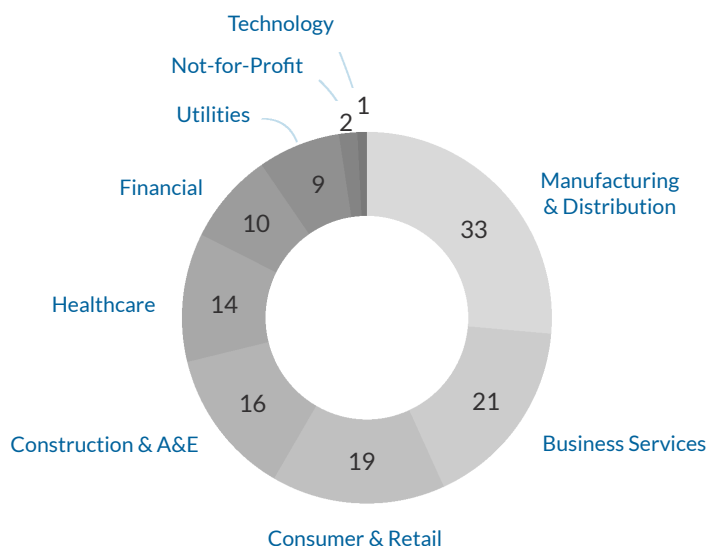
transactions that involved a private equity or venture capital buyer or seller in 2018

Transactions by Industry

Including Suburban Philadelphia



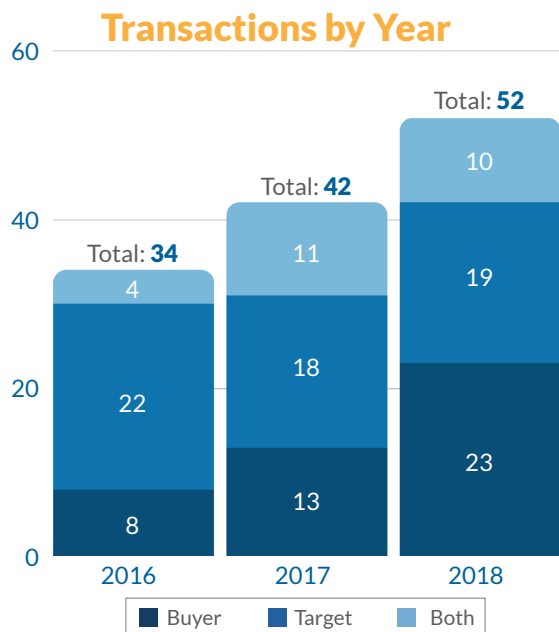
Excluding Suburban Philadelphia



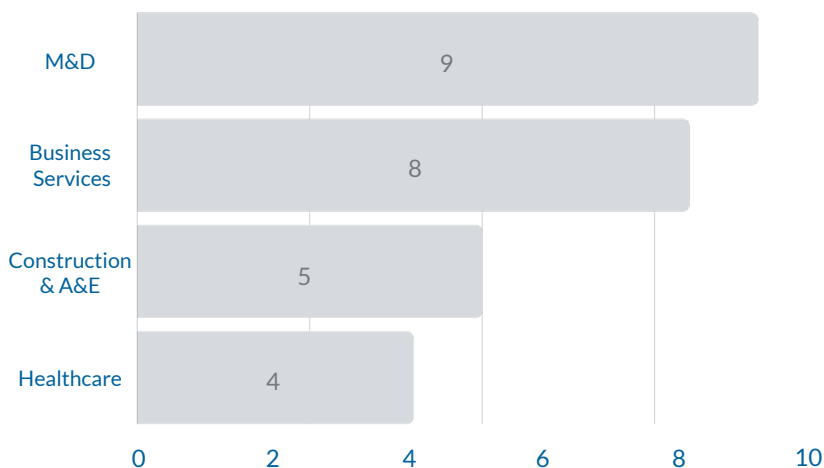
M&A MARKET FOCUS >

CAPITAL REGION

Capital Region activity grew markedly in 2018, following a strong increase in 2017. Capital Region buyers emerged for a second straight year while targets in the market remained flat. M&D and business services were the two strongest industries, which is consistent with the market's base of companies.

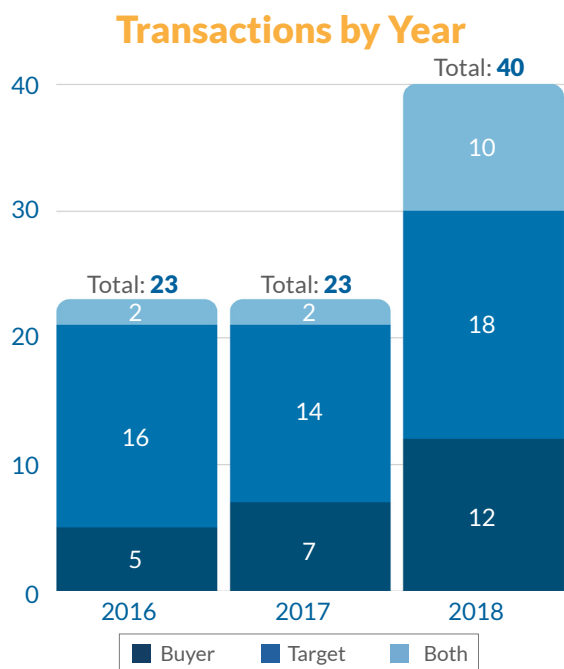


Industries with Highest Transaction Activity

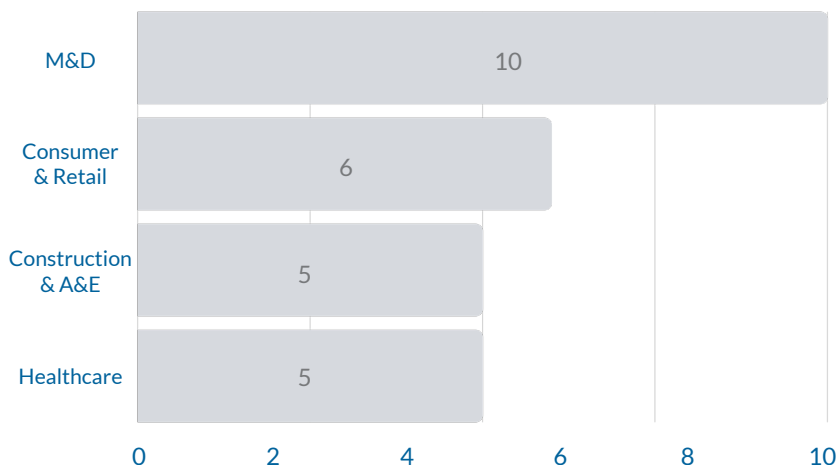


GREATER YORK

Greater York activity increased significantly in 2018, following no increase in 2017. Greater York buyers acquiring companies both inside and outside the market drove this growth, while sales of companies to out-of-market buyers remained stable. M&D drove much of the industry activity in the market in 2018.



Industries with Highest Transaction Activity

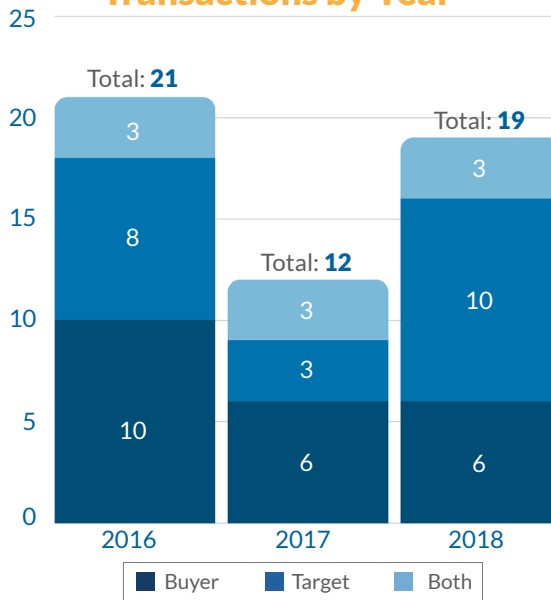


M&A MARKET FOCUS >

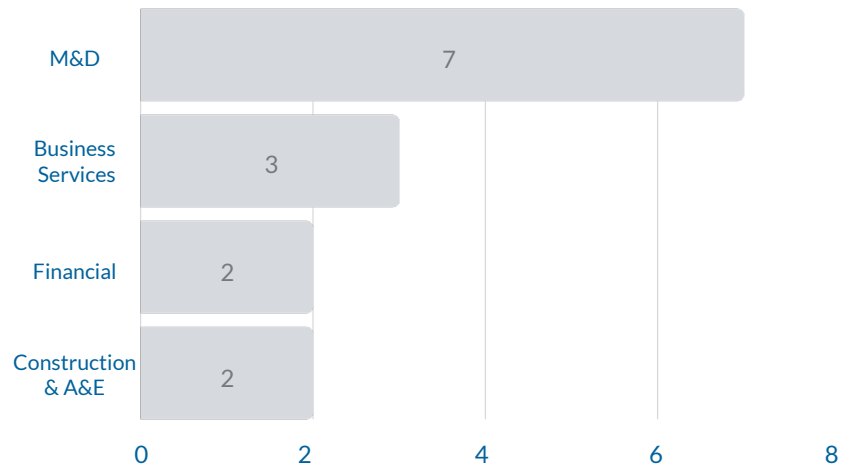
LANCASTER COUNTY

Activity in the Lancaster market resurged in 2018, following a significant decline in 2017. Much of this rebound was driven by a return of Lancaster sellers to the market, most of which who sold their businesses to buyers outside the local marketplace (including three internationally). M&D drove much of the industry activity in the market in 2018.

Transactions by Year



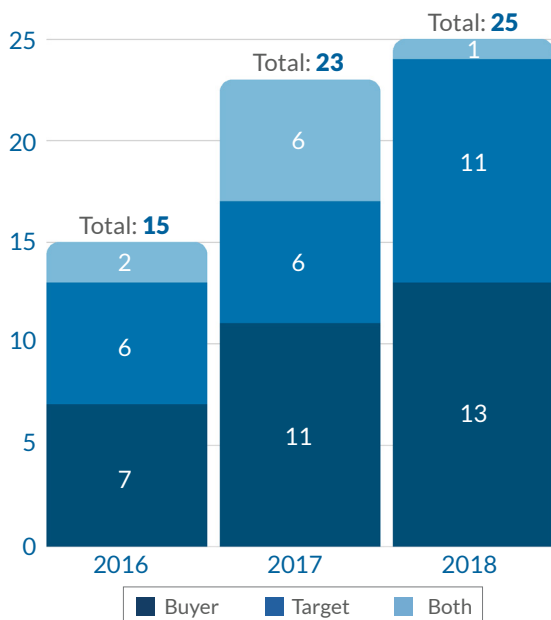
Industries with Highest Transaction Activity



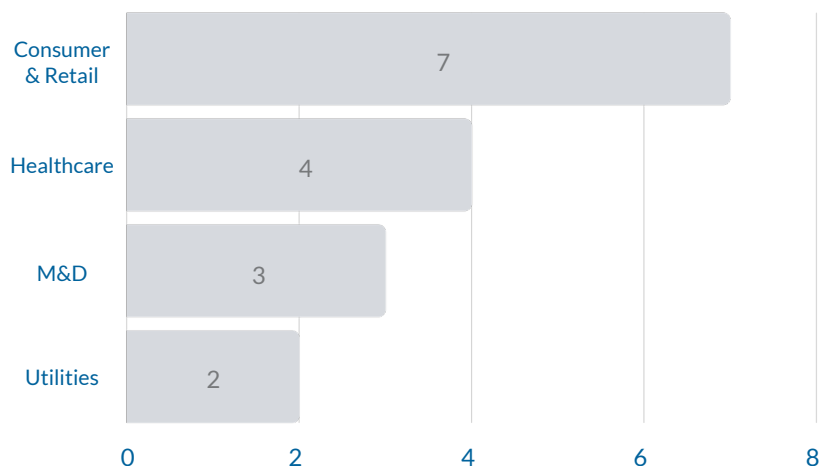
BERKS COUNTY

Berks County M&A activity grew slightly in 2018, following a noteworthy increase in 2017. Acquisitions of Berks companies in 2017 were split between local and out-of-market buyers, while in 2018 the vast majority of Berks sales were to buyers located outside the county. Multiple acquisitions by Rentokil Steritech and Penn National Gaming in 2018 drove activity in the consumer & retail industry.

Transactions by Year



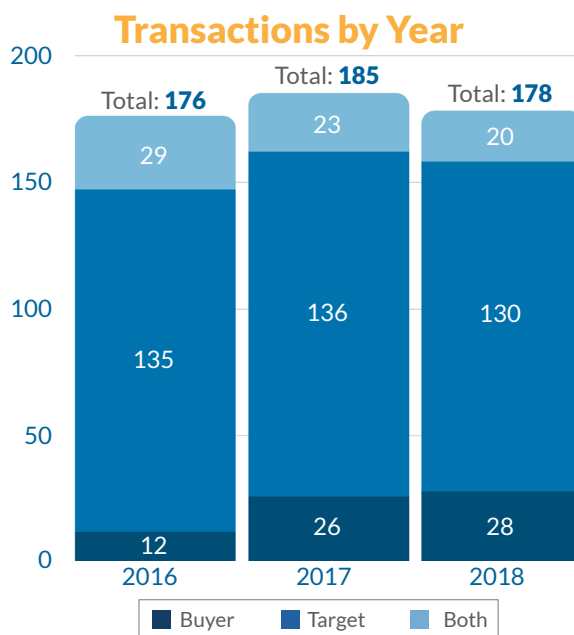
Industries with Highest Transaction Activity



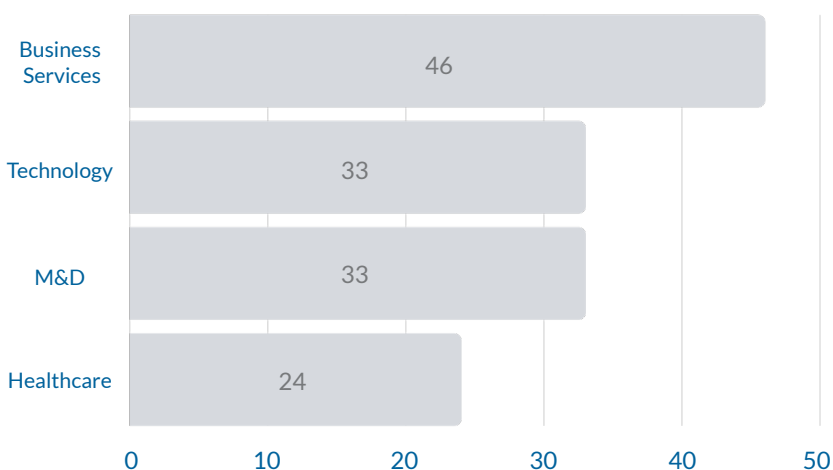
M&A MARKET FOCUS >

SUBURBAN PHILADELPHIA

Suburban Philadelphia M&A activity in 2018 remained strong, although off 2017 levels. This market is home to substantially more private equity backed and publicly traded companies than other markets in the region. In 2018, these types of buyers accounted for the vast majority of acquisitions by a Suburban Philadelphia company. Meanwhile, nearly a third of the targets in this market were backed by a financial sponsor or public company at the time of their sale in 2018. Business services, technology, healthcare and financial companies represented four of the five largest industry groups for this market in 2018.

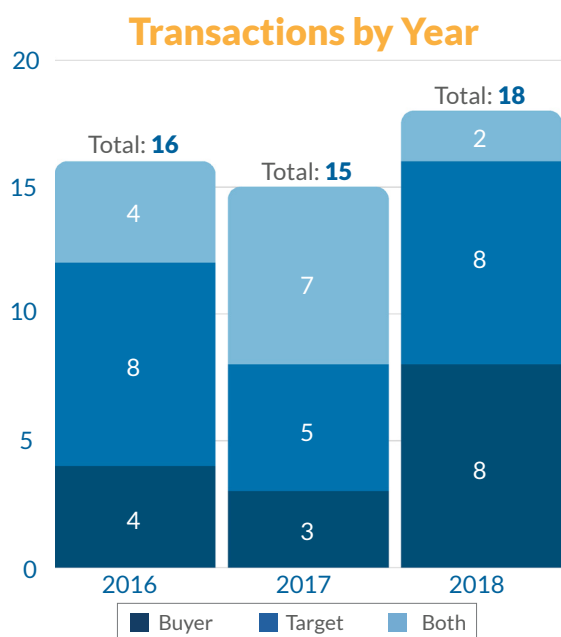


Industries with Highest Transaction Activity

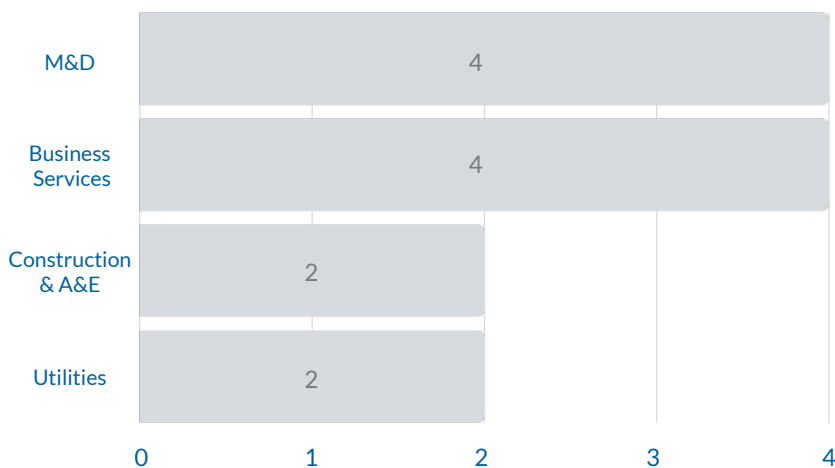


LEHIGH VALLEY

Lehigh Valley M&A activity in 2018 was up compared to 2017. This reflected increases in both buyers and sellers located in the Lehigh Valley that transacted with a party outside the market. In-market activity was down from 2017. Business services and M&D were the leading industries involved in transactions in 2018.



Industries with Highest Transaction Activity



TRANSACTION SPOTLIGHT >

LAND DISPLAYS

Buyer: Lamar Advertising, a publicly traded real estate investment trust (REIT) based in Louisiana. Lamar is one of the largest outdoor advertising companies in the world, with more than 348,000 displays across the United States and Canada.

Target: Land Displays, a Reading-based billboard company which had signage in Berks, Lancaster and Schuylkill counties.

RKL Approach: RKL worked with the owners of Land Displays for several years prior to the decision to sell. In that timeframe, RKL assisted them with their estate plans, apprised them of their exit options, and performed a business valuation, in addition to keeping them abreast of the market environment. Ultimately, Land Displays' owners decided it was time to exit the business and sell to an external party. After connecting with billboard giant Lamar, which already had a Berks County presence, Land Displays' owners sought RKL's transaction expertise to advise them on the pricing and structuring of a transaction, negotiating with the buyer, assisting legal counsel in drafting the purchase agreement, examining the tax implications of a sale and supporting the due diligence process.

Results: After 23 years of serving a great client base in a community-driven local economy, Land Displays' owners retired from the business and are celebrating their successful exit as they enter the next phase of their lives.

WEST SHORE HOME

Buyer: West Shore Home, a leading direct-to-consumer seller and installer of high-end residential, branded windows, doors and bathroom products based in Mechanicsburg, with additional locations in Lancaster, Pittsburgh and Tampa (pre-transaction).

Target: Brytons Home Improvement, a home improvement company specializing in bathroom remodeling, which served customers in North Carolina, South Carolina and Georgia.

RKL Approach: West Shore targeted further expansion into the southeastern U.S. through the pursuit of Brytons. The RKL Transaction Advisory Services team supported the acquisition process by conducting a quality of earnings report to facilitate transaction financing and buyer due diligence.

Results: The acquisition of Brytons made West Shore a dominant national player in residential bath, window and door renovation and installation, with locations spanning much of the East Coast from Pennsylvania to Florida. The acquisition brings West Shore's combined revenues to an estimated \$100 million with a platform for continued robust growth.

We recognize that transactions are as unique as the businesses conducting them, so we customize our expertise and services to meet your goals and priorities.

*Ryan Hurst, Practice Leader
RKL Transaction
Advisory Services*

TRANSACTION ADVISORY SERVICES >

RKL offers a wide range of transaction advisory services and the expertise needed to help your business successfully transition to its next phase. With your goals, vision and values as a guiding force, we customize an approach from a menu of services to give you exactly what you need, and nothing you don't. From tailoring financial due diligence to your unique situation to sourcing, structuring and negotiating deals to integrating operations post-transaction, the RKL team has the skills and capabilities to support your business on a variety of levels. Learn more at [RKLcpa.com/transaction](https://www.rklcpa.com/transaction).



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