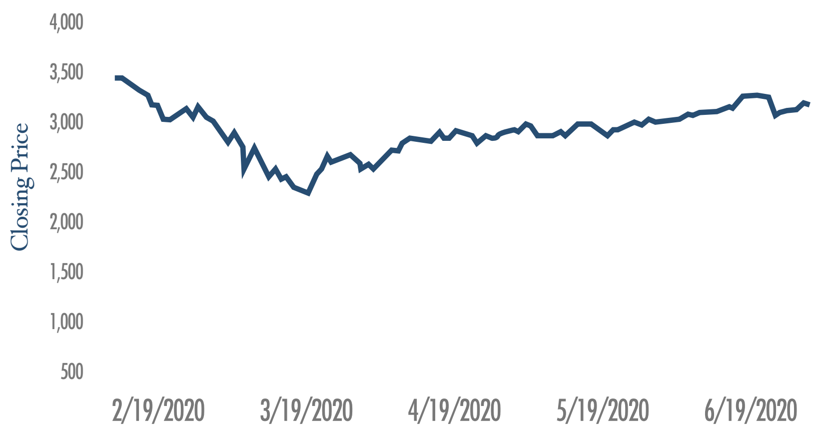
I. RECOVERY!

Recovery has been the hallmark of global capital markets following the Covid setback, with gains that have signaled the fastest recovery in market history. The U.S. stock market (S&P 500 Index) experienced a 39% recovery from the March 23, 2020 sell off. There is optimism for further recovery as analysts attribute prior bear markets in the U.S. to the financial collapse of the housing and mortgage markets (2008) and mispricing of technology companies (2001). The Covid crisis differed because this was caused by government shutdown of a productive economy rather than the underlying financial system. This presented a rationale for faster economic and stock market recovery than prior recoveries. Governments across the globe responded to the crisis with record stimulus packages; interest rates were cut to zero in a number of the world's largest economies. As the U.S. and global economies continue to recover as the number of virus cases decline and unemployment figures improve, there will be continued growth in the stock market and volatility is expected to stabilize.

Global M&A markets have been affected by the combination of Covid and uncertainty in the marketplace. For the first half of 2020 transaction volume decreased by 18.3% (18,199 transactions) and deal value decreased by 54.2% ($759.6bn) over the same time period in 2019. There is a sizeable decrease in the total announced monthly M&A deal value and volume in the second quarter. The total M&A transaction value for April and May is $59.8bn and $68.8bn, respectively. This represents a -68% and -64% decline from the average monthly first quarter values of $188.1bn, however, there is potential for further recovery in Q3/Q4 2020. As the prospects for a vaccine increase and travel begins to open up, M&A volume will continue to rise. It is estimated that private equity funds have over $1.6 trillion in dry powder to invest and take advantage of any market mispricing.

Chart I: *S&P 500 Index Recovery Post Covid-19 Crisis*



II. EUROPE VERSUS USA RECOVERY

The most active regions in terms of total deal value and volume in 2020 were North America and Europe, accounting for 36% ($274bn) and 33% ($251bn) of the global transaction deal value, respectively. When combined, these markets represent nearly 70% of the deal value globally in H1 2020. The USA has been the most affected region where deal value decreased -73% from $1.0 trillion in 2019 to $274bn in 2020. European transaction deal value increased by 8% in the first half of 2020 while transaction volume decreased by 23% compared to the prior year time period. This increase in transaction deal value however this was sustained by a few large-scale transactions including the $30.1bn merger of insurance brokers Aon plc and Willis Towers Watson (United Kingdom) and the $18.8bn acquisition of Thyssenkrupp AG's elevator business (Germany) by the consortium of Advent, Cinven and Germany's RAG foundation.

Geographically by country, the USA represented the highest share of M&A transaction value (34.1%), followed by China (11.7%), the United Kingdom (8.7%) and Germany (6.8%). It is anticipated that recovery in the UK and Europe may take longer as the advent of stimulus packages in these countries followed the USA and more time may be required for these to take effect.

Chart II: *2017-2020 Global M&A Activity*

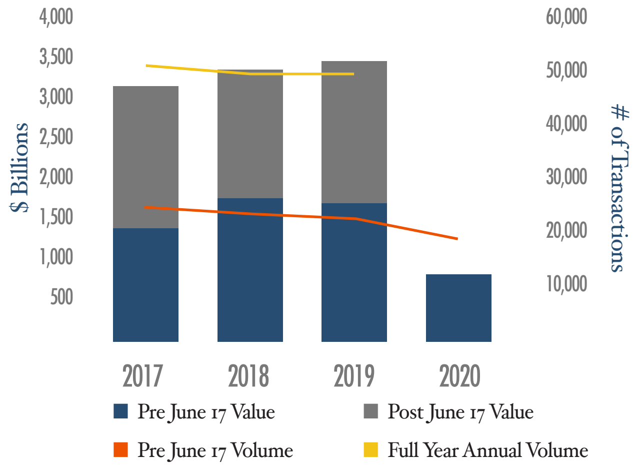
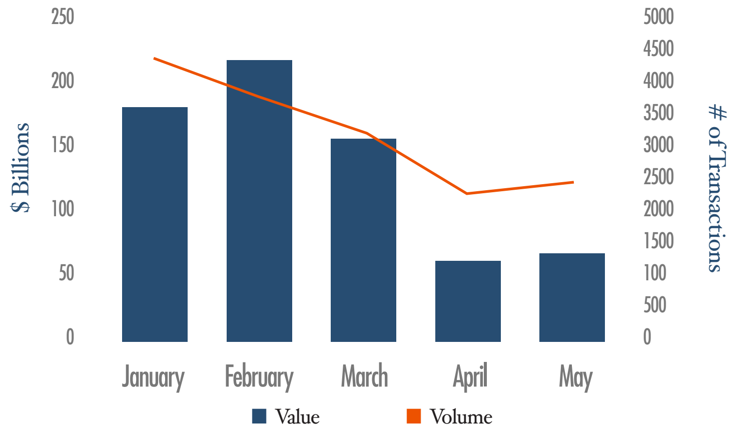


Chart III: *2020 Global M&A Activity by Month*

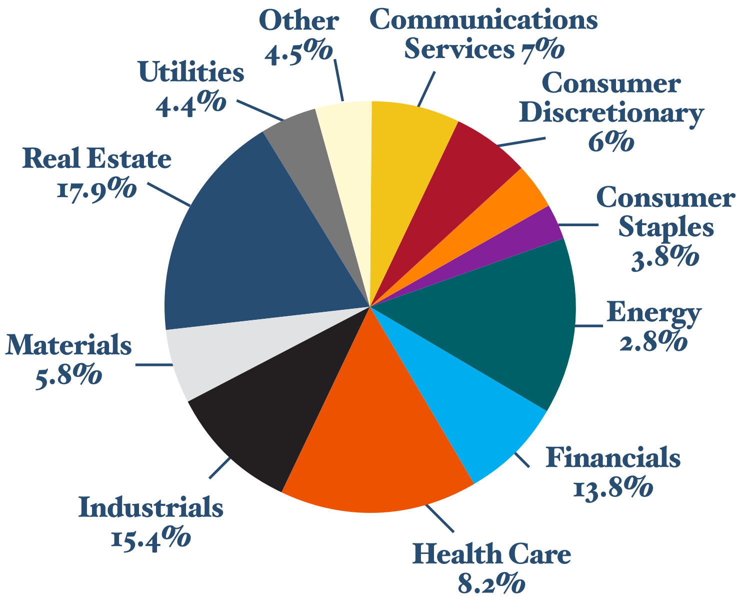


III. MAJOR GLOBAL TRANSACTIONS 2020

The sectors demonstrating the highest international transaction values in 2020 to date have been real estate, industrials, financials and information technology. Several high-profile transactions were announced in 2020, however, these transactions were all announced during Q1 2020. This indicates that large scale transactions of $5bn or more were put on hold during the crisis.

The largest announced transaction this year is the $30.1bn announced acquisition of Willis Towers Watson Public Limited Company (NasdaqGS:WLTW) by Aon Plc (NYSE:AON). This is one of a number of high-profile acquisitions that have been transacted in the insurance broker sector in the past several years. This announced acquisition will create one of the world's largest insurance brokers with annual revenues of morethan $20bn and a combined market value of approximately $80bn. Willis Towers investors will receive 1.08 Aon shares for each of their shares and, once the deal is completed, Aon investors will own approximately 63% of the combined company.

Chart IV: *Jan- June 2020 Global M&A Activity by Sector*



Other notable global transactions include the $18.8bn announced acquisition of Thyssenkrupp AG's elevator business by the consortium of Advent, Cinven and Germany's RAG foundation and the $13.8bn announced acquisition of E*Trade (NasdaqGS:ETFC) by Morgan Stanley (NYSE:MS) in an all stock deal. The E*Trade transaction will provide Morgan Stanley with a more diversified client base and e direct-to-consumer brokerage capabilities.

The largest transaction in the Asia/Pacific region was the $9.66bn announced take private acquisition of China's 58.com (NYSE:WUBA) by a consortium of investors, led by private equity firms Warburg Pincus and General Atlantic for $56 cash per American depository receipt. 58.com operates a multi-category online classified platform that allows local businesses and consumers to connect in China. 58.com's board approved the transaction after it was unanimously recommended by a special committee of independent directors and is expected to close in the second half of 2020.

Table I: *Top 10 Announced Global M&A Transactions in 2020*

Announcement Date	Close Date	Target	Buyers	Total Transaction Value ($bn)	Sector
03/09/2020	Pending	Willis Towers Watson Public Limited Company (NasdaqGS:WLTW)	Aon Plc (NYSE:AON)	30.15	Financials
02/27/2020	Pending	thyssenkrupp Elevator AG	Advent International Corporation; Cinven Limited; thyssenkrupp AG (XTRA:TKA); RAG-Stiftung	18.88	Industrials
02/20/2020	Pending	E*TRADE Financial Corporation (NasdaqGS:ETFC)	Morgan Stanley (NYSE:MS)	13.83	Financials
02/03/2020	Pending	Ingenico Group - GCS (ENXTPA:ING)	Worldline S.A. (ENXTPA:WLN)	11.94	Information Technology
03/03/2020	Pending	QIAGEN N.V. (NYSE:QGEN)	Quebec B.V.	11.81	Health Care
04/02/2020	Pending	58.com Inc. (NYSE:WUBA)	General Atlantic Service Company, L.P.; Warburg Pincus Asia LLC; Ocean Link Partners Limited	9.66	Communication Services
03/17/2020	Pending	TEGNA Inc. (NYSE:TGNA)	Trinity Christian Center of Santa Ana Inc; Najafi Companies	8.71	Communication Services
01/13/2020	Pending	TerraForm Power, Inc. (NasdaqGS:TERP)	Brookfield Renewable Partners L.P. (TSX:BEP.UN)	8.58	Utilities
01/22/2020	Pending	CapitaLand Commercial Trust (SGX:C61U)	CapitaLand Mall Trust (SGX:C38U)	8.18	Real Estate
06/10/2020	Pending	Grubhub Inc. (NYSE:GRUB)	Just Eat Takeaway.com N.V. (ENXTAM:TKWY)	8.13	Consumer Discretionary
			Total	**$129.87**	

Certain sub-sectors have exhibited focused growth in market share during the pandemic. Research and Consulting (+749%), Asset management (+65%), renewable energy (+62%) and industrial machinery (+49%) have all had a minimum of 300 transactions and have seen transaction value increase during H1 2020. We anticipate further deal flow in these more popular sectors which will carry into H2 2020.

IV. GROWTH IN SPAC MARKET

While the traditional IPO market has been significantly affected by market turmoil in the first half of 2020, the Special Purpose Acquisition Company (SPAC) IPO market is on pace to surpass the 2019 record year of 59 SPAC IPOs. Through the first half of 2020, SPAC IPOs accounted for 37% of the 87 IPOs in 2020. Through June 15th SPACs generated 32 IPOSs and raised approximately $10bn, with an average IPO size of $324.5m.

SPACs are publicly traded company acquirers that raise capital through a listing with the purpose of acquiring one or more existing companies. The capital is raised through a public offering and held in trust until it is released to fund a business acquisition. SPACs will often target a specific sector in which the SPAC sponsor has significant business experience or operating knowledge to create future value. SPACs will typically have 18-24 months following a capital raise to make an acquisition that must be approved by shareholders; if an investment is not made in that time frame, the funds must be returned to investors.

The largest SPAC IPO to date this year is the $1.0bn raised by Churchill Capital Corp. III in February 2020. Churchill Capital Corp. III initially filed for $600m, but was able to upsize for $200m on two occasions. The SPAC is led by Michael Klein, founder of M. Klein & Co., a global strategic advisory firm. Churchill Capital Corp III is not focused on a specific sector and will target companies that complement the experience of its management team.

There have been several notable announced business combinations in 2020. In June 2020, Collier Creek Holdings announced the business combination with Utz Brands Inc, a leading U.S. snack food company that was founded in 1921. The company operates 14 manufacturing facilities across the U.S. It is anticipated that Utz brands, Inc. will have an initial enterprise value of $1.56bn, which is 11.6 times the 2020 Pro Forma adjusted EBITDA of $134m. Other notable business combination announcements include Former Merger II (Nasdaq:FMCI), a $482m June 2020 combination with plant-based food company Ittella International, and the $700m closing of hybrid truck manufacturer Nikola corporation with VectorIQ Acquisition Corp (Nasdaq:VTIQ).

An exit through a SPAC continues to be an appealing alternative to a traditional IPO or trade sale. SPACs offer the ability for sellers to retain shares, generate present liquidity and enjoy the potential of future value. A SPAC can be significantly less expensive when compared to a traditional IPO. SPAC buyers are typically highly motivated to complete a transaction.

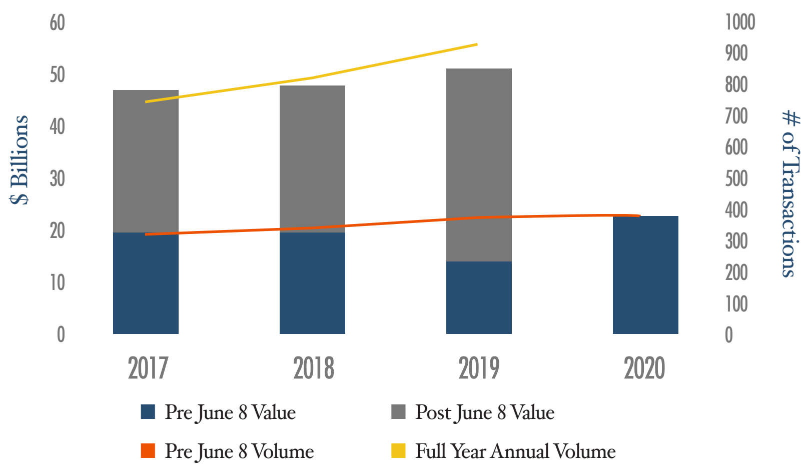
V. RENEWABLE ENERGY SECTOR GROWTH

The renewable energy sector is forecasted to have significant growth over the next several decades. Despite the Covid-19 pandemic, the International Energy Agency is forecasting that 167 gigawatts of renewable capacity will be added in 2020. This represents a 13% decline from growth in 2019 due to disruptions in supply chain and postponement of new projects. One sector in particular that is forecasted to grow significantly over the next several years is the offshore wind sector. The Ocean Renewable Energy Action Coalition (OREAC) has recently forecasted 1,400 GW of offshore wind globally by 2050. As governmental policies continue to stabilize and advancement in technologies continues to drive down renewable energy prices, global demand for renewable energy continues to rise.

The renewable energy sector was one of the few sectors that grew in total transaction value in the first half of 2020. Total transaction deal value increased by 62.0% ($22.5bn) year-over-year, and transaction deal volume (368 Transactions) decreased by 1.6%.

There were several notable transactions in the renewable energy sector in the first half of 2020. The largest transaction was the $8.6bn announced acquisition of the remaining 38.5% of TerraForm Power Inc. (Nasdaq:TERP) by Brookfield Renewable Partners L.P. (TSX:BEP.UN). The combined company will be one of the largest publicly traded renewable power platforms, with total assets of approximately $50 billion and expected annual revenue of approximately $1 billion. The second largest transaction of the first half of 2020 was ACS Servicios, Comunicaciones y Energia SL $2.5bn sale of its Spanish solar portfolio of approximately 3,000 MW to Galp Energia.

Chart III: *Renewable Energy M&A Activity*



VI. CONCLUSIONS

We anticipate continuing recovery in the global M&A market. Government stimulus will continue to fuel capital markets as the effect of Covid dissipates with a return to work in the industrialized countries.

- Private equity will continue to boost M&A activity in H2 2020. It is estimated that private equity funds have over $1.6 trillion in dry powder, committed but not yet invested, capital sourced from pension funds, sovereign wealth funds and family offices. 2019 resulted in a raise of over $654bn in new investment capital.
- Middle-market transactions will be a dominating factor in the global M&A market. Private equity firms will continue to take advantage of low interest rates and focus on add-on transactions that are more manageable and look to add new regional geographies or adjacent sector focus to platform companies.
- Transaction originations in H2 2020 will be fueled by financial restructurings, potential nationalization, bankruptcy reorganizations and capital infusions presenting new opportunities for value realization.
- We forecast 2020 to be a record year for SPAC IPOs as the quality of the sponsors continues to improve. Experienced private equity executives and successful corporate executives will utilize SPACs to bring companies public faster than the traditional IPO process. We expect the average size of SPACs to continue to grow as SPACs continue to target large scale transactions.
- The most popular M&A sectors will continue to be real estate, industrials, financials and information technology. The Covid pandemic has brought further focus into biotechnology, healthcare and ESG related investments which globally are estimated at $12 trillion. Renewable energy activity will continue to be institutional investors seek to reduce the carbon footprint.

ABOUT WINCHESTER CAPITAL

Founded in 1986 adjacent to the Campus of Yale University, Winchester Capital provides in-depth global research and strategic alternatives to its family office, multinational corporate and private equity clients. Winchester Capital focuses on bespoke global strategic research and M&A advisory se We assist boards, managers and institutions with supportive research to maximize value prior to the commencement of non-core divestment or sale. We also provide strategic research to support acquisition growth planning.

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Please visit our website at **www.winchestercapital.com** or contact David Bowen, Ph.D. Managing Director at **David.Bowen@winchestercapital.com.**

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