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TRIVARIATE RESEARCH

KMB / KVUE AND HOW TO THINK MORE STRUCTURALLY ABOUT M&A

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OUTLINE AND CONCLUSIONS

- 1) **Summary statistics:** Data on the M&A landscape, including by style, substance, size, transaction size, type of deal (public / private, non-US vs. US), and transaction type (cash, stock, combination). See Slide 3 for key summary points.
- 2) **Post-announcement results:** How did the acquirers trade immediately after the deal announcement and what acquirer and deal attributes were associated with strong or poor results. See Slide 9 for key summary points.
- 3) **3-Year Results:** How did the acquirers trade for the three-years after the deal announcement and what acquirer and deal attributes were associated with strong or poor results. See Slide 15 for key summary points.

CONCLUSIONS:

On average over the last 25-years, acquirers have performed poorly, with **GROWTH** companies performing the worst, lagging their industry-averages by 12% over the subsequent three years. Acquirers engaging in all-stock deals perform worse than those that do all-cash deals. Performance of acquirers that buy non-US public companies is inferior to those buying US entities. Private deals are better than public deals. Expensive companies shouldn't do deals. Avoiding targets with low net margins and those that don't have extremely high forecasted revenue growth will increase the chance of success. Acquirers that are cheap, not growth, and using all cash to buy a private company appear to have the most attributes of a successful acquisition. Recent deal announcements and the key attributes are shown on Slide 20.

SUMMARY DESCRIPTIVE STATISTICS OF M&A THE LAST 25 YEARS

Background: There has been some recent pick-up in M&A, but, without a doubt, a smaller surge than many market observers forecasted following the “Red Sweep” last November. Hence, we looked at all M&A for the last 25 years for US companies, small-cap or larger, that did a deal of at least 10% of the market capitalization, where they acquired more than 50% of the target. **Our study is comprised of 3,008 announced deals.** The median transaction size of the M&A we evaluated was about 25% of the market cap. of the acquirer, across the market cap. spectrum. Of the announced deals we studied, 91% ultimately closed.

Size, style, substance: Among the acquirers we analyzed, 56% were small-caps, 29% mid-caps, and 15% mega-/large-caps. About one-third of the acquirers were growth stocks, one-third value, and one-third in the middle ground we call neither. The acquirers were also evenly distributed across substance quartile, with between 20% and 30% in each of high-, and mid-, low-, and junk quality.

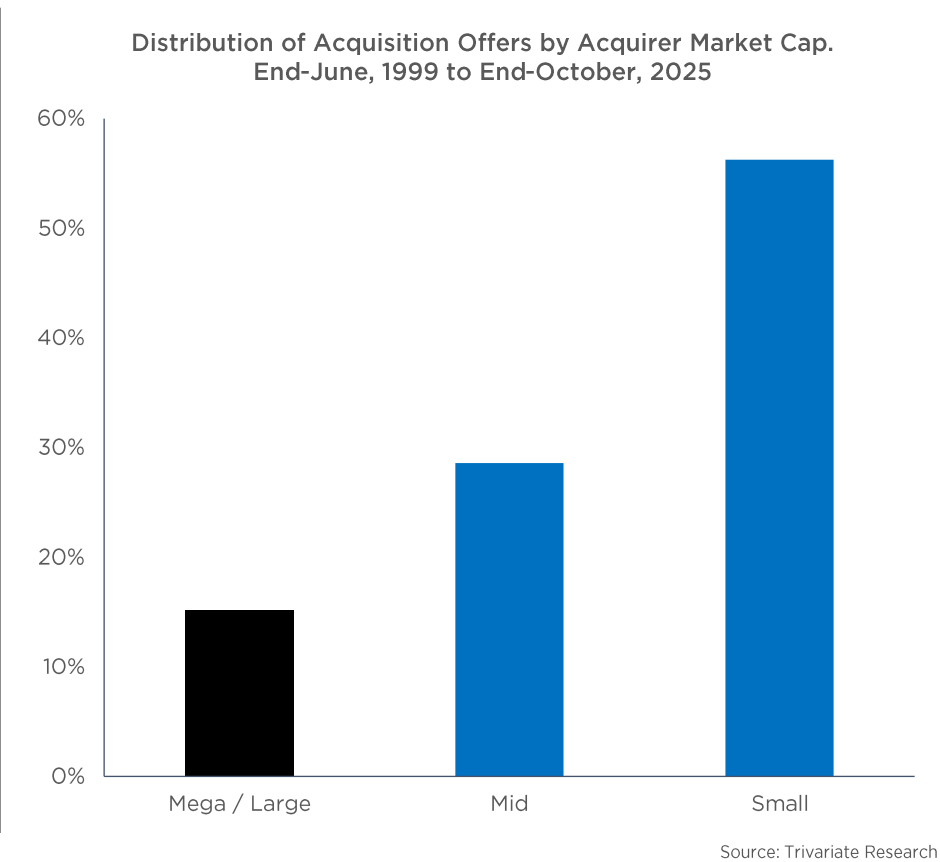
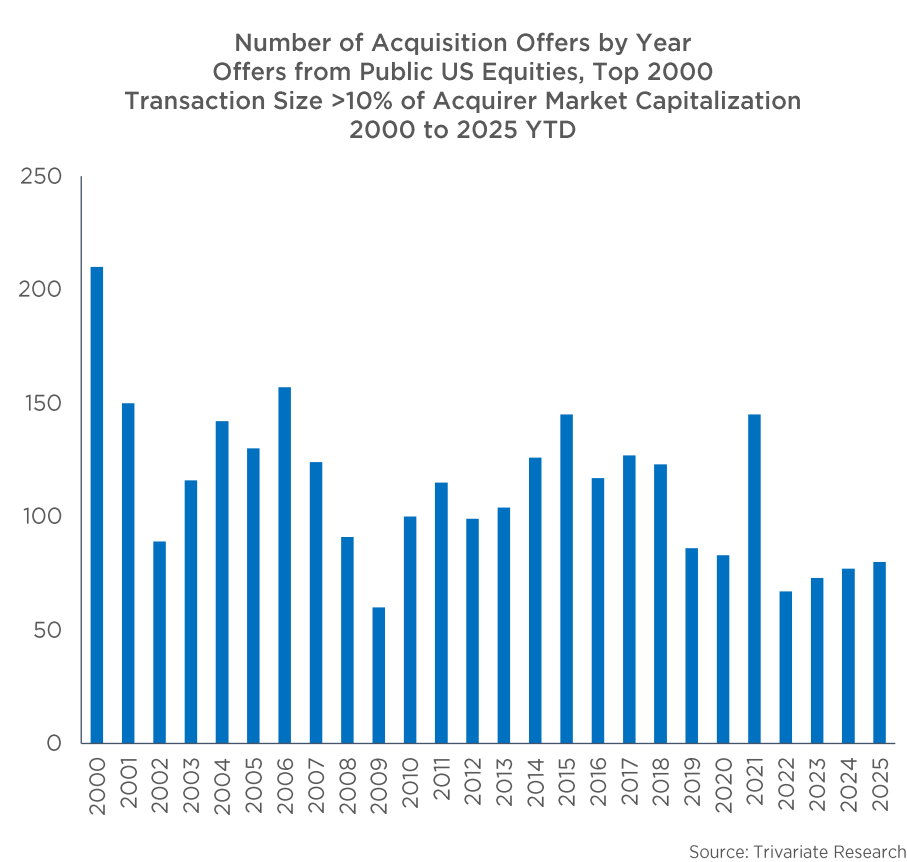
Public / private, domestic / foreign: 56% of all the transactions we analyzed were a US public company buying another public company, and 44% were a US public company buying a private company. Among the US companies that bought public companies, 80% of the targets were US, and 20% were foreign public equities.

Sector: Financials and Real Estate are the sectors that have engaged in the highest number of deals in the last 25 years, followed by Technology and Industrials. Communication Services and Utilities have the fewest number of deals.

Transaction type and size: 45% of deals were cash only, 31% were offered through a combination of stock and cash, and 24% were stock only. Interestingly, the median all-stock deal appeared to be much larger (46% of the acquirer’s market cap.) vs. the median all-cash deal (20% of the acquirer’s market cap).

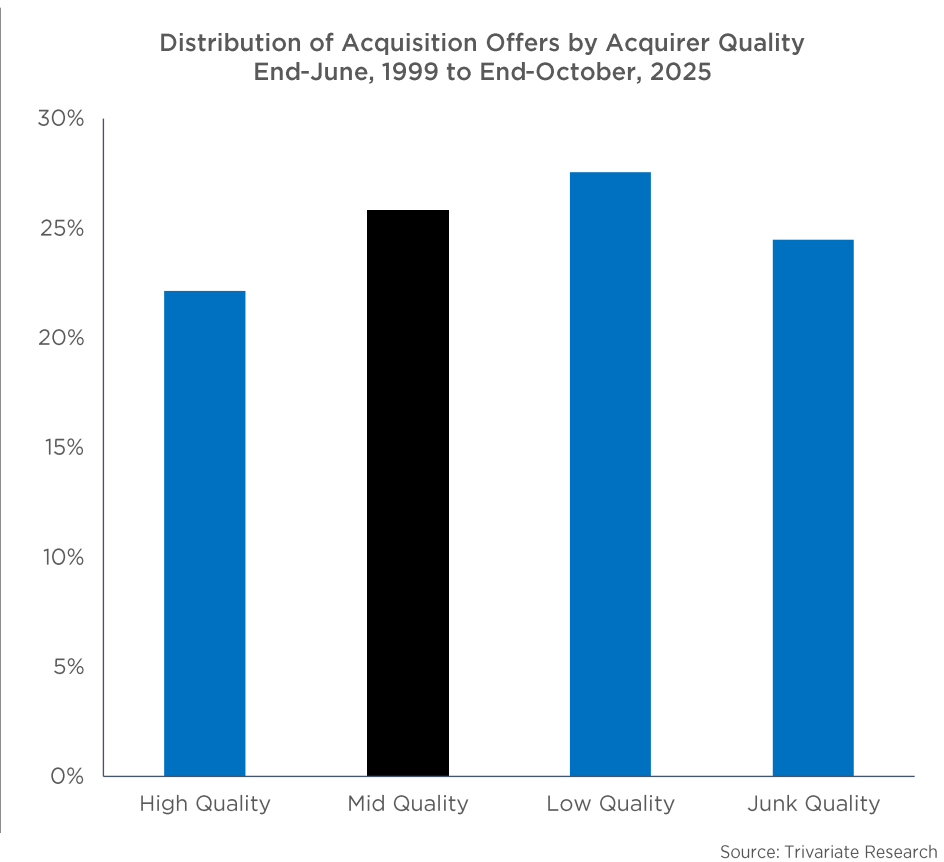
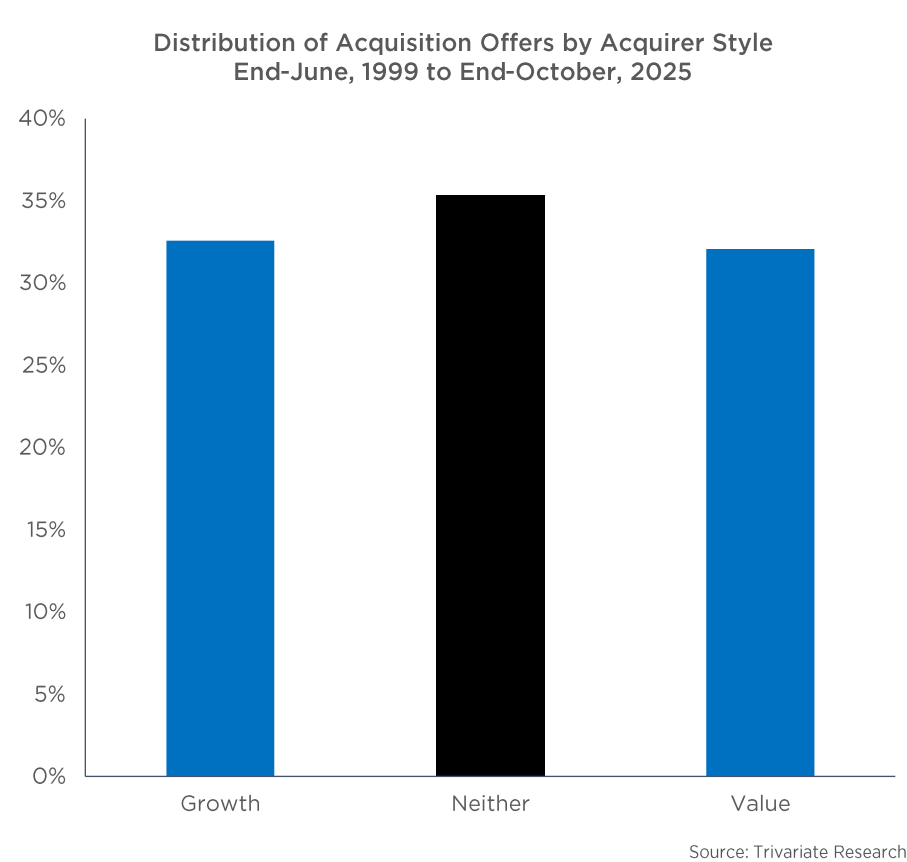
WE ANALYZED OVER 3000 DEALS, 56% WERE SMALL CAPS

We looked at all M&A for the last 25 years for US companies, small-cap or larger, that did a deal of at least 10% of their market capitalization, where they acquired more than 50% of the target. Our study comprises 3,008 announced deals. Among the acquirers we analyzed, 56% were small-caps, 29% mid-caps, and 15% mega-/large-caps (right).



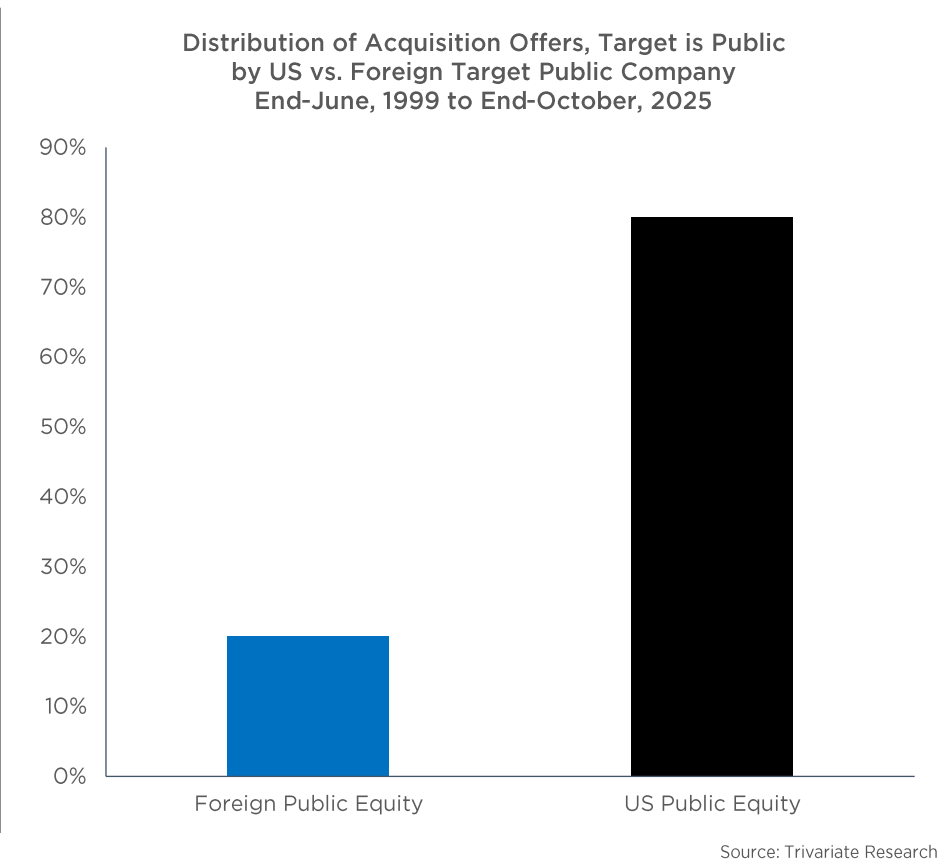
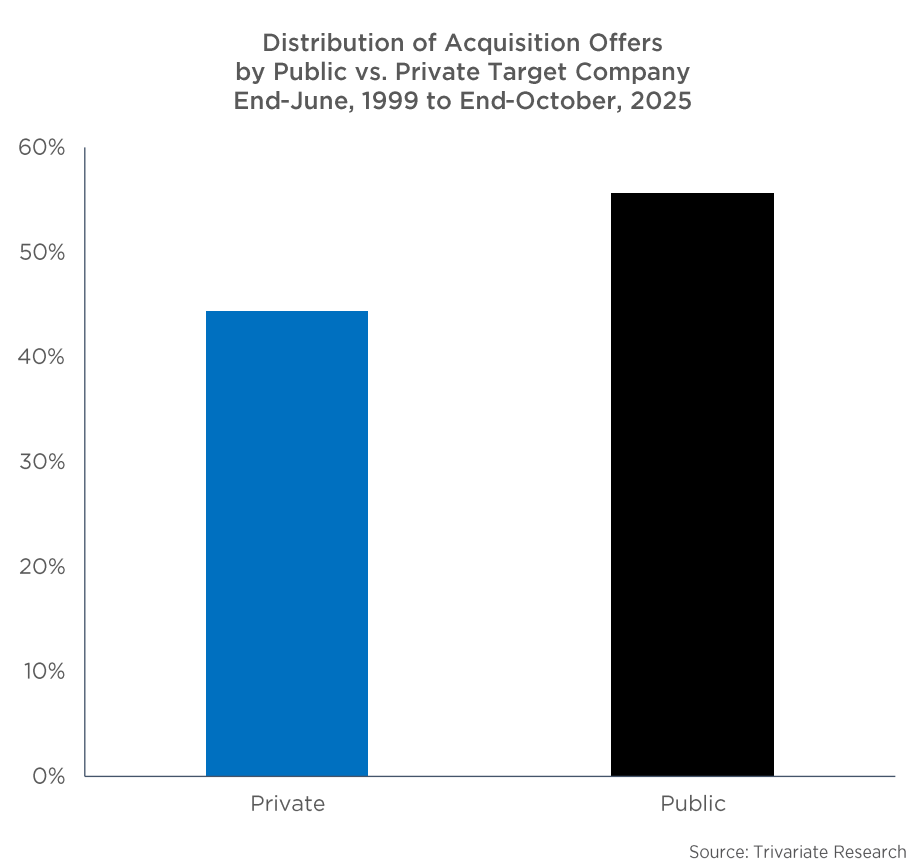
ACQUIRERS WERE EVENLY DISTRIBUTED BY STYLE AND SUBSTANCE

Among the deals we analyzed, about one-third of the acquirers were growth stocks, one-third value, and one-third in the middle ground we call neither (left). The acquirers were also evenly distributed across substance quartile, with between 20% and 30% in high-, mid-, low-, and junk quality (right).



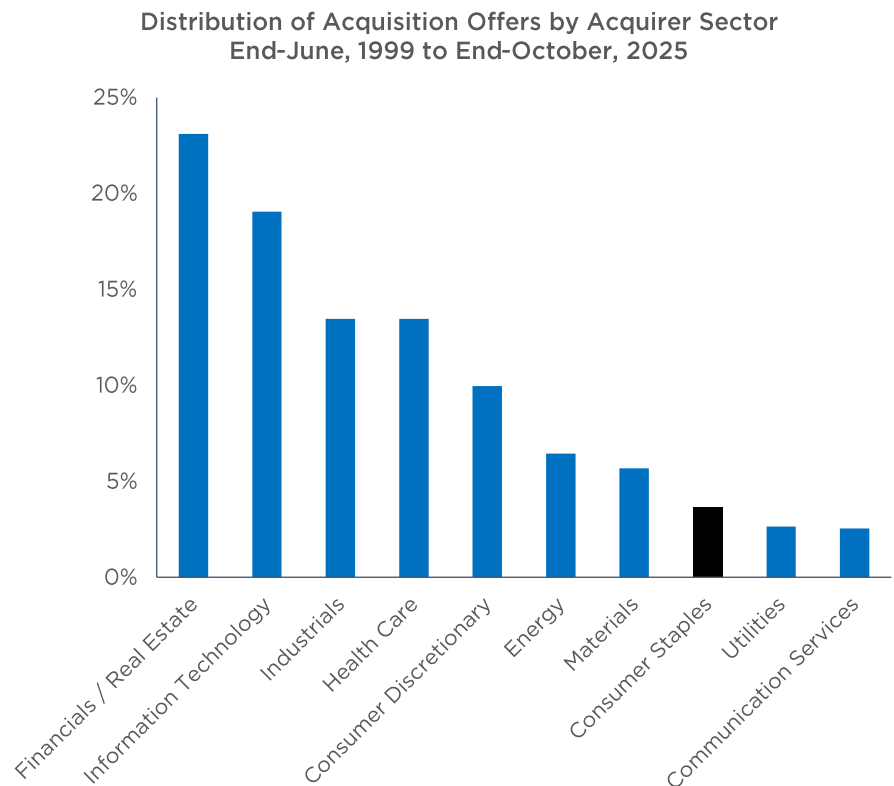
NEARLY ½ OF DEALS ARE PRIVATE, 80% OF THE PUBLICS ARE US

Of the deals we analyzed, 56% were a US public company buying another public company, and 44% were a US public company buying a private company (left). Among the US companies that bought public companies, 80% of the targets were US, and 20% were foreign public equities (right).

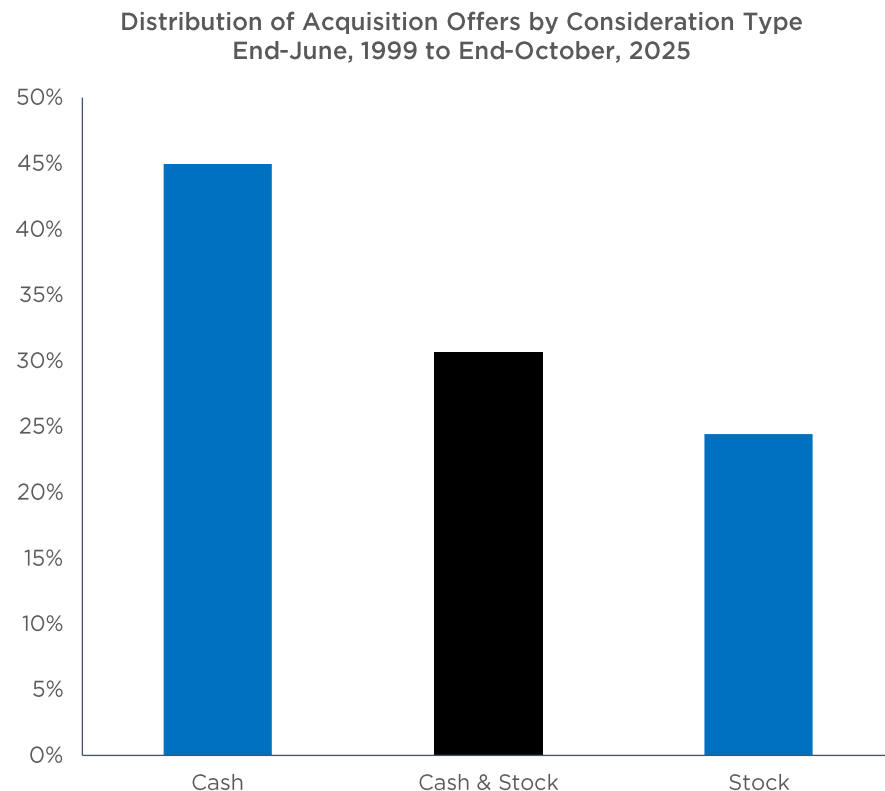


FINS / REITS HAVE THE MOST ACTIVITY, 45% OF DEALS ARE ALL CASH

Financials and Real Estate are the sectors that have engaged in the highest number of deals in the last 25 years (left), followed by Technology and Industrials. Communication Services and Utilities have the fewest number of deals. 45% of deals were cash only, 31% were offered through a combination of stock and cash, and 24% were stock only (right).



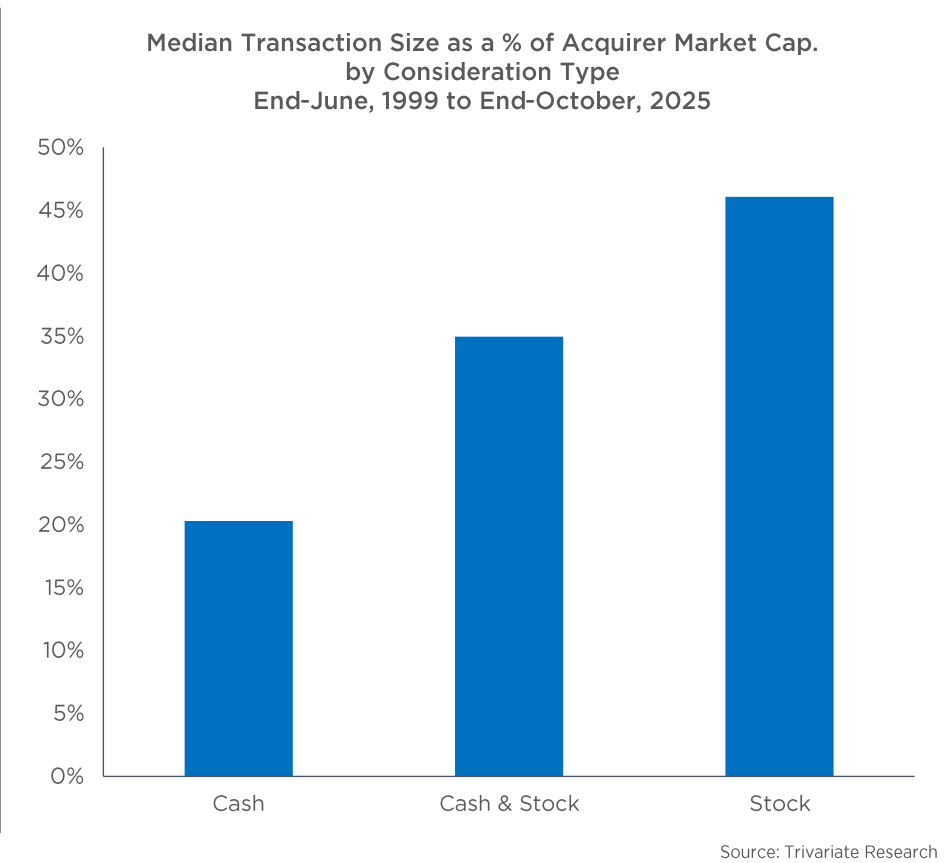
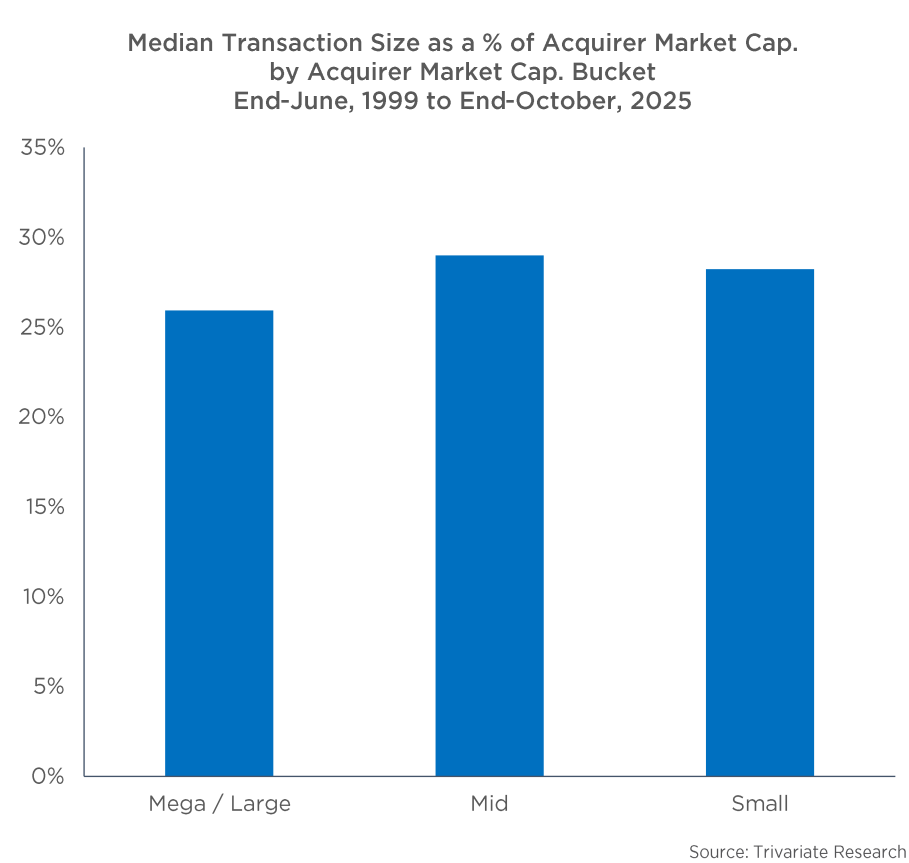
Source: Trivariate Research



Source: Trivariate Research

THE MEDIAN TRANSACTION IS 25% OF THE ACQUIRER

The median transaction size of the M&A we evaluated was about 25% of the market capitalization of the acquirer (left), independent of the acquirer’s size. On the right, we show that the median all-stock deal appeared to be much larger (46% of the acquirer’s market cap.) vs. the median all-cash deal (20% of the acquirer’s market cap).



THREE-YEAR RESULTS

In aggregate, doing a deal isn't a good idea: The average acquirer lags its industry group by almost 6% over the subsequent three years following a deal. Clearly, the performance of growth companies executing deals is much worse than value, or the middle ground (neither). In fact, the average growth company that does an acquisition lags its industry-group's performance by 12% over the next 3 years.

The transaction type matters: The average acquirer doing an all-stock deal lags its industry group average by 11% over the next three years. Buying a foreign company on average results in inferior **performance versus buying a US company**, likely from less-than-expected cost synergies.

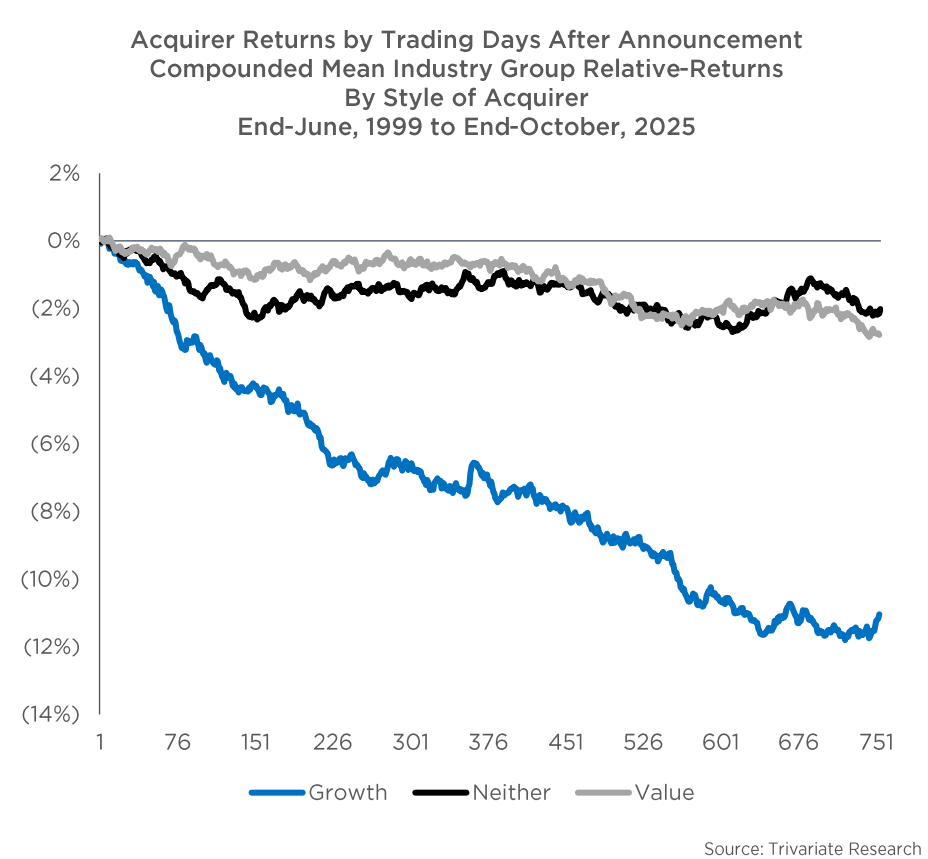
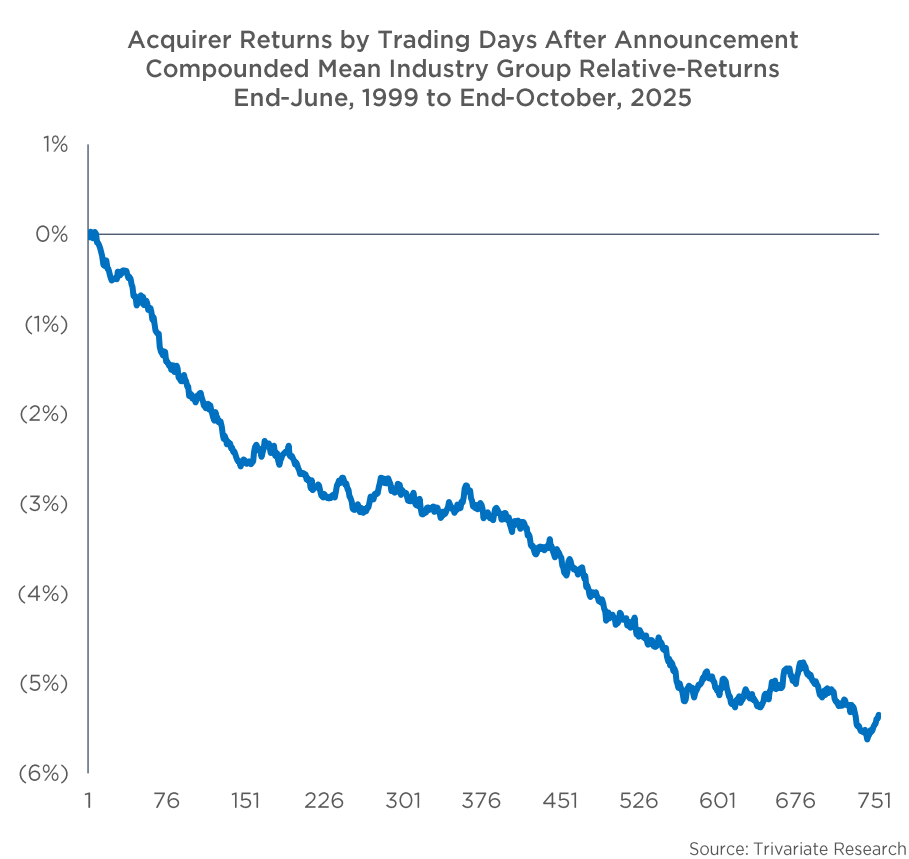
Expensive companies shouldn't do deals: Companies that are in the most expensive quintile of EV-to-forecasted sales and do a deal on average lag their industry groups by 10% over the next three years. Valuation doesn't seem to be a differentiator for the acquirer unless the company is in the most expensive quintile. **The target's valuation does seem to matter more.** Acquisitions of targets in the cheapest quintile perform in-line with their industries over the next three years, whereas those in the most expensive quintile lag by 10% on average.

Low net margins and high forecasted growth of targets are negatives for acquirer: We analyzed the profitability and forecasted revenue growth of the companies receiving the tender offer to see if that had an impact on the subsequent stock performance of the acquirer. The performance of acquirers buying companies in the lowest net margin quintile was on average poor, lagging the acquirer's industry-average by 12% over the next three years. Avoiding very fast growers was also prudent, though this is highly correlated to price.

Slide 20 shows the most recent deals and their key attributes. Acquirer performance has been generally better than the long-term averages recently!

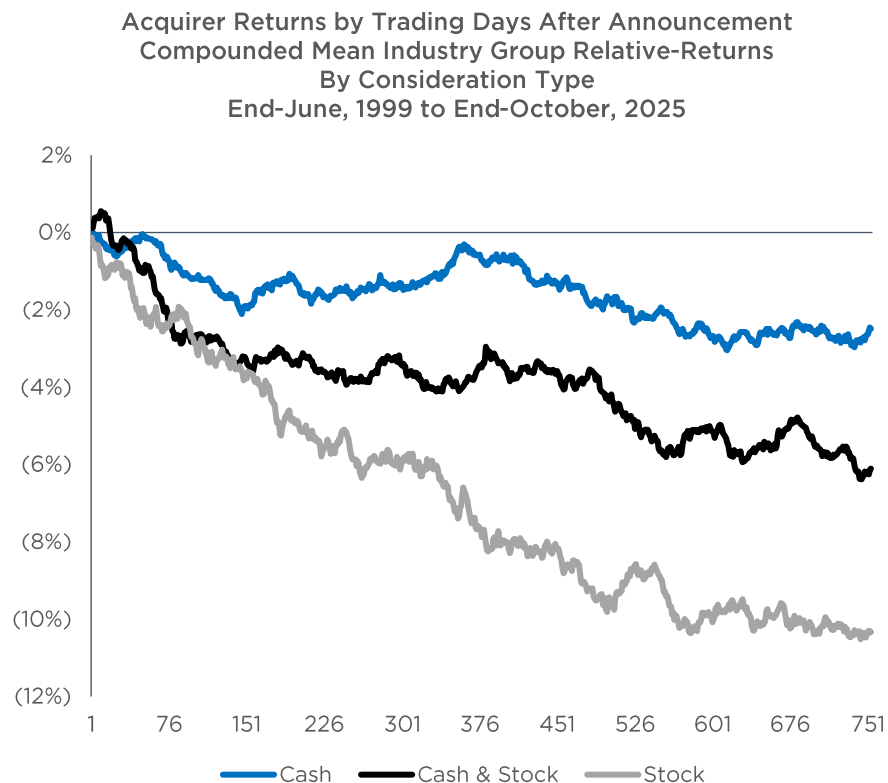
GROWTH COMPANIES SHOULD THINK HARD ABOUT DOING M&A

In aggregate, doing a deal isn't a good idea. The average acquirer lags its industry group by 6% over the subsequent three years following a deal (left). Clearly, the performance of growth companies doing deals is much worse than value, or the middle ground, "neither" (right). In fact, the average growth company that does an acquisition lags its industry-group's performance by 11% over the next three years.

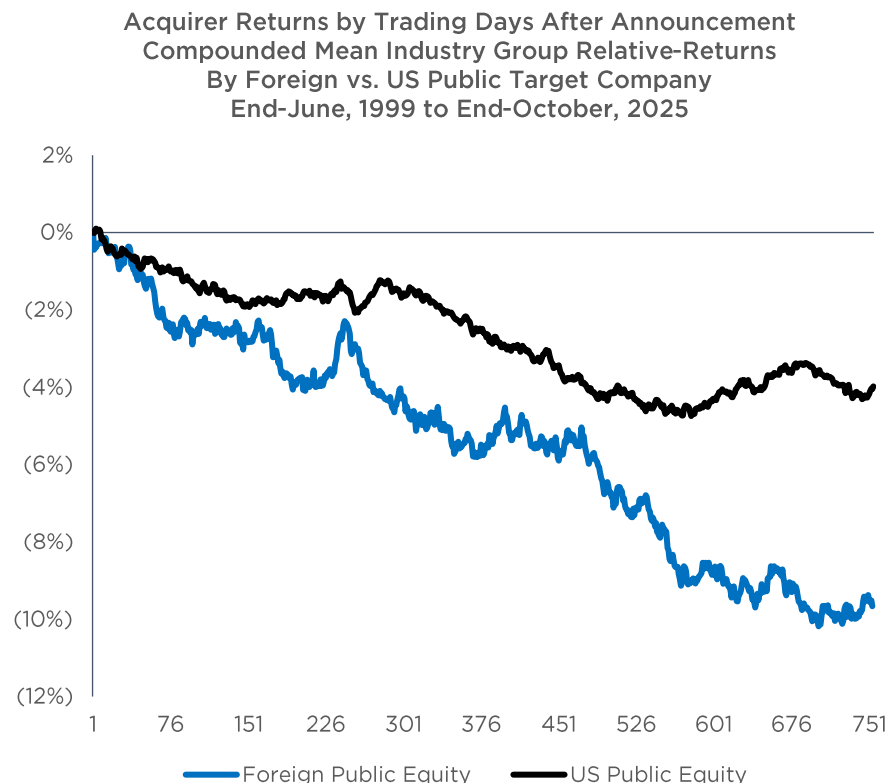


AN ALL-STOCK DEAL OF A FOREIGN PUBLIC COMPANY? NO THANKS

There is no question that the performance of companies doing all-cash deals is way better than those doing all-stock deals (left). The average acquirer doing an all-stock deal lags its industry group average by 10% over the next three years. Buying a foreign public company on average results in inferior performance versus buying a US company (right), likely due to a realization of less cost and revenue synergies.



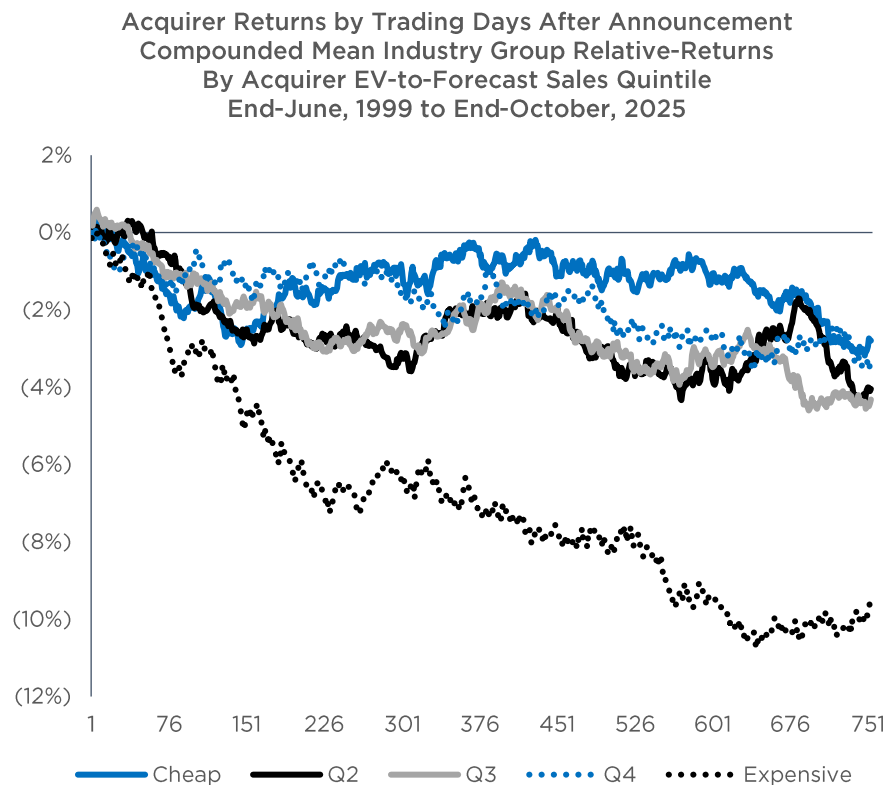
Source: Trivariate Research



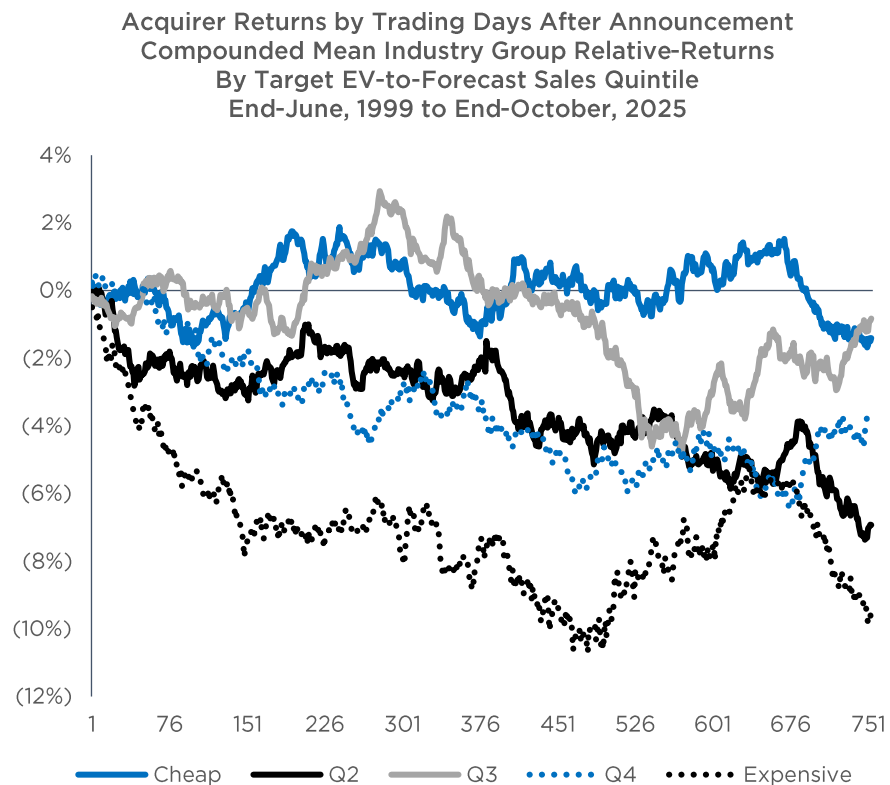
Source: Trivariate Research

EXPENSIVE COMPANIES SHOULDN'T BUY EXPENSIVE COMPANIES

Companies that are in the most expensive quintile of EV-to-forecasted sales and do a deal on average lag their industry group by 10% over the next three years. Valuation doesn't seem to be a differentiator for the acquirer unless the company is in the most expensive quintile (left). The target's valuation does seem to matter more. Acquisitions of targets in the cheapest quintile perform in-line with their industries over the next three years, whereas those in the most expensive quintile lag by 10% on average (right).



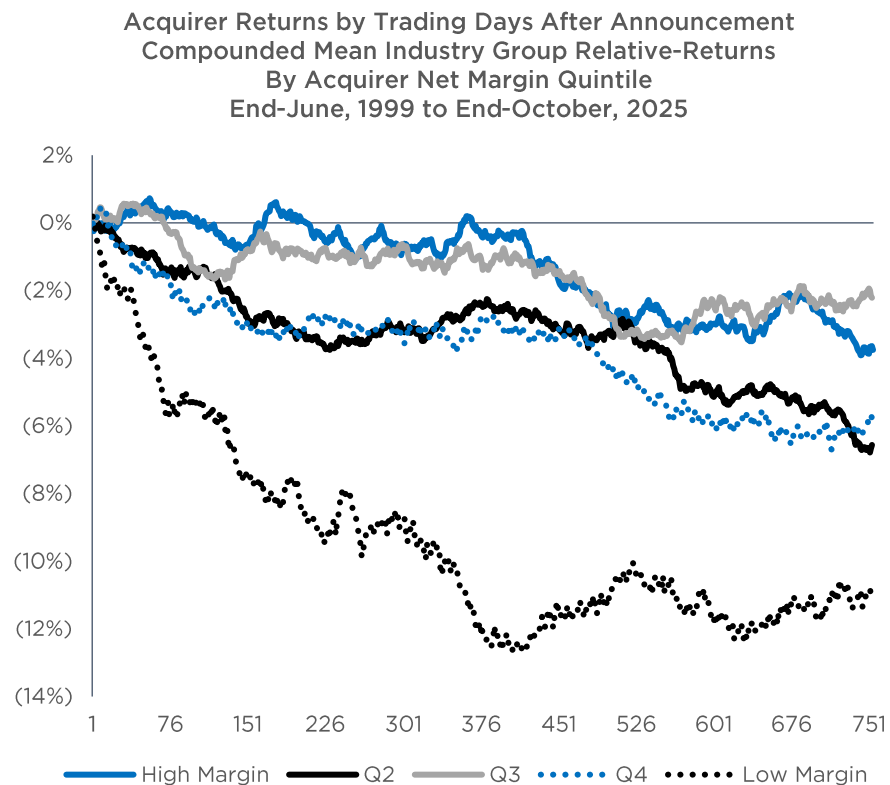
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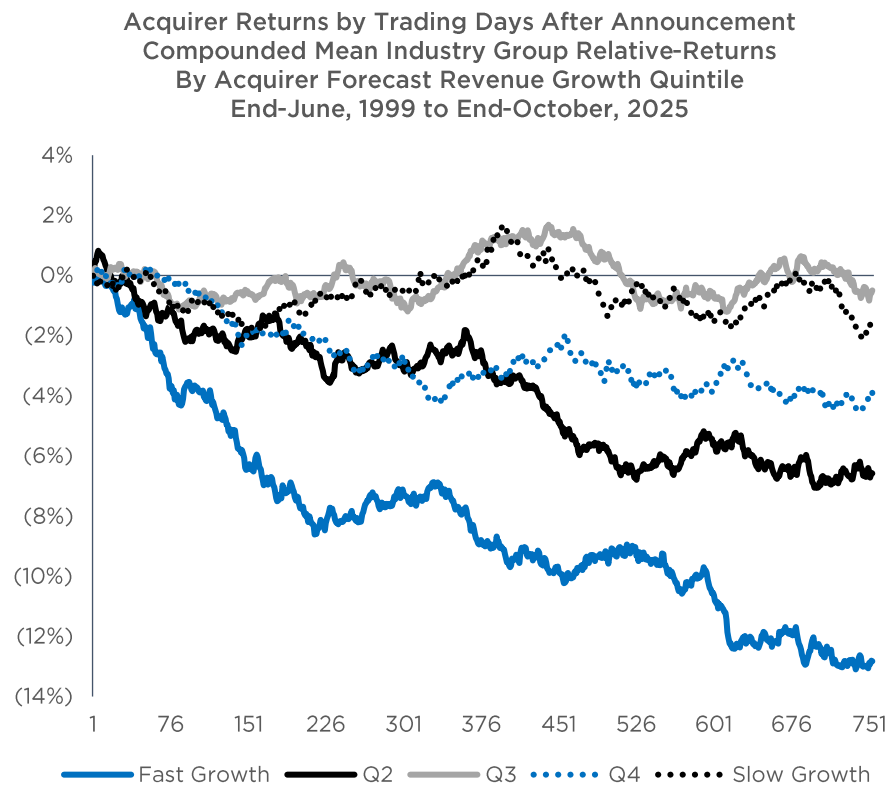
Source: Trivariate Research

AVOID TARGETS WITH LOW MARGINS OR HIGH FORECASTED GROWTH

We also analyzed the profitability and forecasted revenue growth of the companies receiving tender offers to see if that had an impact on the subsequent stock performance of the acquirer. Performance of acquirers buying companies in the lowest net margin quintile was on average poor, lagging the acquirer's industry-average by 12% over the next three years (left). Avoiding very fast growers was also prudent (right), though this is highly correlated to the result that acquirers should avoid companies in the highest quintile of EV-to-forecasted sales.



Source: Trivariate Research



Source: Trivariate Research

THE MOST RECENT M&A PERFORMANCE HAS BEEN WEAKER

Below is a screen of the most recent M&A announcements. Performance for acquirers has been poor over the last month.

Recently Announced M&A Transaction Offerings of Public US Equities
As of November 3rd, 2025

Announcement Date	Acquirer Ticker	Acquirer Company	Target Company	Transaction Size	Acquirer Style	Consideration Type	Net Margin Quintile	Return Since Announced
11/03/2025	KMB	Kimberly-Clark Corporation	Kenvue Inc.	48.70	Neither	Cash & Stock	Q2	(12.2%)
10/30/2025	TEX	Terex Corporation	REV Group, Inc.	3.27	Neither	Cash & Stock	Q4	(9.1%)
10/29/2025	CDRE	Cadre Holdings, Inc.	TYR Tactical, LLC	0.20	Growth	Cash & Stock	Q3	(0.9%)
10/27/2025	AWK	American Water Works	Essential Utilities, Inc.	20.07	Value	Stock	Q1	(7.0%)
10/27/2025	FSUN	FirstSun Capital Bancorp	First Foundation Inc.	0.89	Neither	Cash & Stock	Q4	(7.2%)
10/27/2025	PRK	Park National Corporation	First Citizens Bancshares, Inc.	0.32	Neither	Stock	Q2	(4.4%)
10/27/2025	VSEC	VSE Corporation	Aero 3, Inc.	0.35	Growth	Cash	Q4	(1.2%)
10/27/2025	SWKS	Skyworks Solutions, Inc.	Qorvo, Inc.	11.51	Neither	Cash & Stock	Q2	0.8%
10/23/2025	NIC	Nicolet Bankshares, Inc.	MidWestOne Financial Group, Inc.	0.89	Value	Stock	Q1	(7.2%)
10/22/2025	ALKS	Alkermes plc	Avadel Pharmaceuticals plc	2.13	Growth	Cash & Stock	Q1	(0.1%)
10/21/2025	NFG	National Fuel Gas Company	Vectren Energy Delivery of Ohio	2.62	Neither	Cash	Q4	(6.4%)
10/16/2025	CMC	Commercial Metals Company	Foley Products Company	1.84	Neither	Cash	Q4	1.9%
10/14/2025	BCRX	BioCryst Pharmaceuticals, Inc.	Astria Therapeutics, Inc.	0.80	Growth	Cash & Stock	Q2	6.0%
10/14/2025	RYN	Rayonier Inc.	PotlatchDeltic Corporation	4.59	Value	Stock	Q1	(6.5%)
10/01/2025	HALO	Halozyne Therapeutics, Inc.	Elektrofi, Inc.	0.90	Growth	Cash	Q1	(10.0%)
10/01/2025	ACLS	Axcelis Technologies, Inc.	Veeco Instruments Inc.	2.46	Neither	Stock	Q2	(16.8%)
09/25/2025	FRME	First Merchants Corporation	First Savings Financial Group, Inc.	0.24	Value	Stock	Q1	(8.7%)

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