

Private Bank

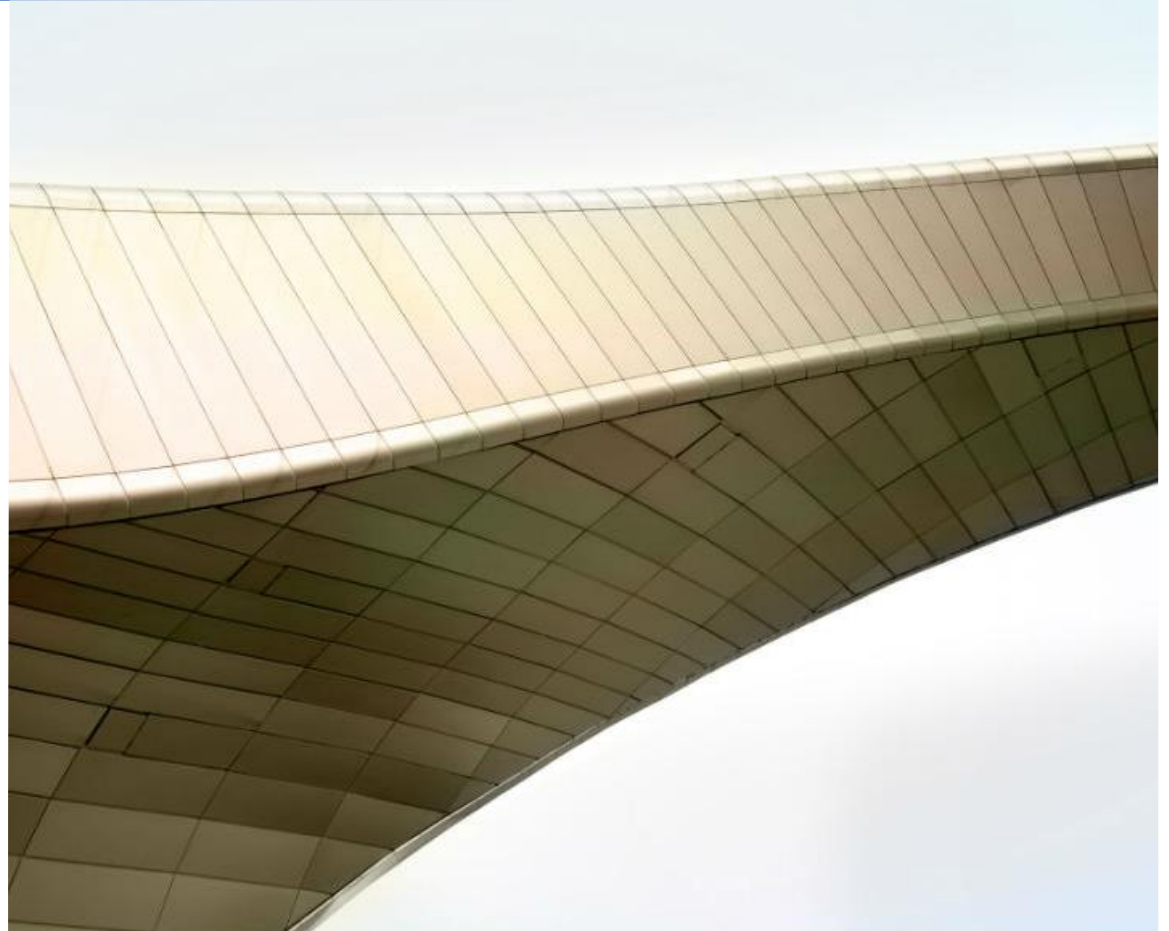


Escrow Trends:

Impact of COVID-19 on the M&A Escrow Market

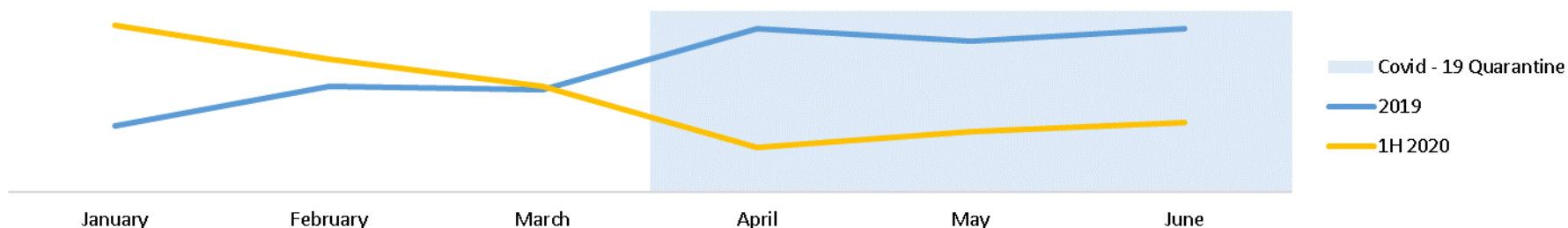
August 24th, 2020

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Director



Impact of COVID-19 on the M&A Escrow Market

Monthly Deal Volume 2019 vs 2020



Observations: Deal Volume

- Current estimates have the M&A market down over 30% in the first half of 2020 vs 2019¹
- Citi Law Firm Group saw a decrease of 23% in deal volume vs H1 2019
 - 2020 Q1 escrow volume was up by 47% vs 2019
 - 2020 Q2 escrow volume decreased by 63% vs 2019
- As many quarantines were put in place in March, March deal volume was able to remain flat year over year
- As the full effect of the quarantine took effect, April had the largest decrease in volume, down by 72%
- We started to see a rebound in volume in June vs April lows, with a 35% increase in transactions

Observations: COVID-19 Escrow Specific Trends

- We saw a decrease in 12 month escrows from Q1 to Q2, from 66% to 56%
- We saw an increase in 18 month escrows from Q1 to Q2, from 8% to 18%
- May had the lowest usage of 12 month escrows at 50%, and the highest usage of 18 month escrows at 31%
- Throughout Q2, we saw an increase use of PPP (Payroll Protect Plan) and CARE Act escrows. Buyers fund the escrow until the funds are determined to be either a loan or a grant

Source:

¹ Mergermarket, "Global & Regional M&A Report 1H2020, July 2020
Citi Private Bank Escrow Agreements & Account Data

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