



# Ironline

A D V I S O R S

## 2020: A Better Year Than You Thought

All Transactions*	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
# of Deals	92	81	63	72	308	92	35	53	117	297
EBITDA Multiples	6.8x	7.2x	7.3x	7.1x	7.1x	7.4x	7.3x	6.7x	7.0x	7.1x

Source: GF Data Feb 2021 M&A Report

\*Private equity-sponsored M&A transactions - \$10 to \$250 million enterprise value.

### 2020 acquisition activity and values can be viewed in three distinct periods of time:

#### PRE-COVID (1Q2020)

M&A activity got off to a robust start in deal volume (92 transactions) and deal value (7.4x) in what appeared to be another good year. On February 29, the market's light switch flipped to OFF as the first COVID-related death was announced in the U.S. Late 2019 originated M&A transactions closed or were restructured while professional investors assessed the pandemic's health and economic impact. Investors took steps to mitigate risk by adding liquidity to their portfolio company balance sheets to ensure enterprise survival in an unknown business environment.



#### COVID PERIOD (2Q-3Q2020)

Closed-deal pipeline declined 43% from the 2019 same period as acquisition interest waned and

investors focused on managing business damage and utilizing PPP loan funding. Active deals within impacted industries (retail, restaurants, hospitality, travel, etc.) were put on hold; COVID-insulated deals were largely restructured to share future risk. Deal values bottom in 3Q2020 at 6.7x as the vaccine development news became encouraging. Industries such as technology, healthcare, and E-commerce benefitted during the period as work routines changed dramatically. In late 3Q20, we noticed a remarkable increase in both buyer and seller interest in transactions.

#### POST-COVID PERIOD (4Q2020)

With the vaccination approval in place, deal activity set a quarterly record of 117 transactions, up 62% over 4Q19 while average deal values stabilized at 7x. Overall, the "Covid effect" in the market dampened valuations 0.3-0.4x. "Quality Premium" for high-quality acquisitions (i.e., above-industry revenue growth and EBITDA margins) was also

priced into the market.

With two bad quarters and two good quarters on the books, 2020 M&A activity was down only 4.3% versus 2019 – not bad considering the circumstances.

### LOOKING FORWARD

So far, deal momentum from late 2020 has carried over into 2021. Buyer and seller interest continues to be elevated. Quality sellers are attracting considerable investor interest fueled by an abundance of

investible dry powder and low financing interest rates. While it would be easy to get caught up in the M&A excitement, we're not out of the woods yet, and the world is still changing rapidly.

While we expect substantial M&A activity in 2021, U.S. economic recovery, business revenue growth, Covid vaccinations, Biden Administration programs and the Biden tax plan are a few of the uncertainties that businesses will face going forward.

Visit [IronlineAdvisors.com](https://www.IronlineAdvisors.com)

Ironline continues to assist our clients in the evaluation and implementation of a variety business transitions. Please contact us at (205) 873-9597 if interested in further discussions about the M&A environment.

**CAFI**  
*d/b/a*  
**Architectural Finishes & Capps Customs, Inc.**

HAS BEEN ACQUIRED BY

**Alabama Specialty Products, LLC**

*Ironline Advisors acted as Advisor to CAFI, LLC*

**Jeffrey Weissman, D.D.S.**

HAS BEEN ACQUIRED BY

**MARQUEE DENTAL PARTNERS**  
An affiliate of  
**CHICAGO PACIFIC FOUNDERS**

*Ironline Advisors acted as exclusive advisor to Jeffrey Weissman, D.D.S.,*

**SUNBELT PAPER & PACKAGING**

HAS ACQUIRED

**Wholesale Paper & Chemical LLC**

*Ironline Advisors acted as Advisor to Sunbelt Paper & Packaging and Wholesale Paper & Chemical*

**Marcum Electric, Inc.**

HAS BEEN ACQUIRED BY

**MILLER**  
MILLER ELECTRIC COMPANY

*Ironline Advisors acted on behalf of Marcum Electric, Inc.*

**Shamrock Paper Company**

HAS BEEN ACQUIRED BY

*A confidential strategic buyer under the name*

**SHAMROCK PAPER, LLC**

*Ironline Advisors acted as Advisor to Shamrock Paper Company*

**MoheganRenewableEnergy**

ENTERED INTO

\$7.5 MILLION EXPORT-IMPORT CREDIT FACILITY  
\$12 MILLION TERM CREDIT FACILITY  
& PRIMARY BANKING RELATIONSHIP WITH

**REGIONS**

*Ironline Advisors acted as Advisor to Mohegan Renewable Energy*

**SOUTHEASTERN AUTOMATIC SPRINKLER COMPANY**

HAS BEEN ACQUIRED BY

**MTECK**  
DESIGN. BUILD. SUPPORT.  
A portfolio company of  
**TRIVE CAPITAL**

*Ironline Advisors acted as Advisor to Southeastern Automatic Sprinkler Co.*

**Alliance SOURCE TESTING**  
PORTFOLIO COMPANY OF ALIGN CAPITAL

HAS ACQUIRED

**AIR SAMPLING ASSOCIATES, INC.**

*Ironline Advisors acted on behalf of Alliance Source Testing.*

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