

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

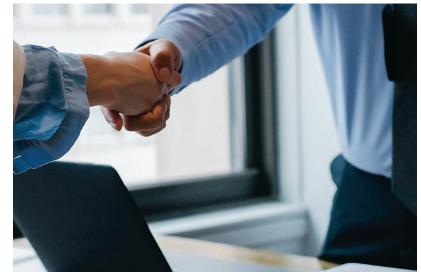
*Private equity-sponsored M&A transactions - \$10 to \$250 million enterprise value.

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 devel-

opment 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.

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