



THE NEXT STAGE FOR MID MARKET M&A IN THE COVID-19 ERA

As we all process the nearly incomprehensible effect on human life and the economy this virus has inflicted on all of us we are beginning to see businesses slowly emerge from the full shutdown phase of the Crisis. Having endured endless Zoom meetings, opinionated in-laws, PPP loan applications, and the knowledge that there is such thing as spending too much time with the family, business owners are realizing intermission is over. The next normal is here and now it is time to get moving.



Business Challenge- Business Owners Want to Know "WHAT'S NEXT?"

LESSONS FROM OUR LAST CRISIS

TEMPORARY PAIN, THEN SURVIVAL OF THE FITTEST

Previous crisis history tells us that though M&A volume is slowing down and valuations multiples are being driven lower, those that take action now will outperform those who stand still. Smart money will be looking to make deals. The last recession recovery resulted in our longest economic expansion period ever recorded but some who were slow to adapt did not survive the initial downturn.

HISTORICAL LEVEL OF CAPITAL AVAILABLE WILL DRIVE DEALS

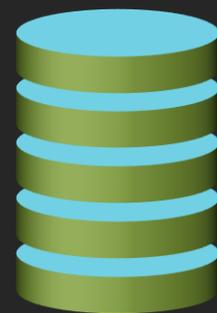
Unlike in 2008 the level of capital available (a major driver of deals) for acquisitions is much greater than in previous downturns. Private Equity learned this lesson after the great recession and they are ready this time. We expect a quicker recovery for M&A.



M&A Deal Volume
Quarter 1 2020



M&A Deal Volume 2008



Private Equity has \$2.5 Trillion
in Dry Powder For
Acquisitions. Highest Ever.



solutions brief

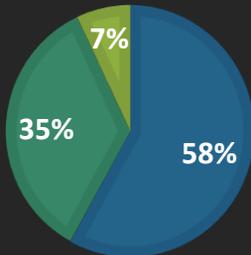
WHAT EXECUTIVES ARE SAYING NOW REGARDING THEIR M&A PLANS

Our previous article on Covid-19 addressed the initial stage of the crisis, now we turn our focus to the next stage the “next normal” for business owners. A recent survey conducted by Ernst and Young of global leaders gives us some insights into what is ahead.

WHAT IS YOUR EXPECTATION FOR THE M&A MARKET IN THE NEXT 12 MONTHS?

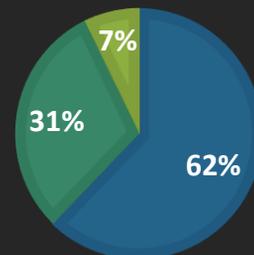
BEFORE FEB 19, 2020

■ Improve ■ Stay The Same ■ Decline

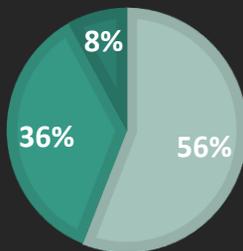


AFTER FEB 19, 2020

■ Improve ■ Stay The Same ■ Decline

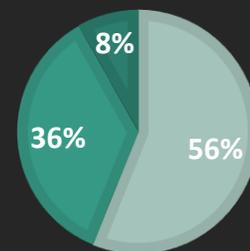


HOW DO YOU EXPECT YOUR PIPELINE TO CHANGE IN NEXT 12 MONTHS



■ Improve
■ Stay The Same
■ Decline

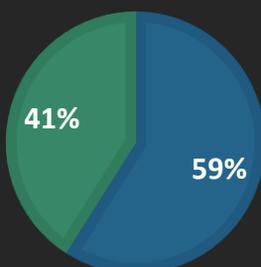
HOW DO EXPECT NUMBER OF DEAL COMPLETIONS TO CHANGE IN NEXT 12 MONTHS



■ Improve
■ Stay The Same
■ Decline

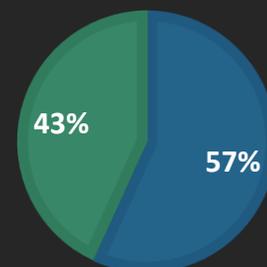
DO YOU EXPECT YOUR COMPANY TO ACTIVELY PURSUE M&A IN THE NEXT TWELVE MONTHS?

BEFORE FEB 19, 2020



■ Yes
■ No

AFTER FEB 19, 2020



■ Yes
■ No



What Does It Mean For Business Owners?

DEAL FLOW WILL CONTINUE

Certainly some industries and some companies will not recover very easily. But despite the setback companies are still focused on long term growth, and for many M&A is still seen as the most viable path. Some may actually see the crisis as an opportunity to purchase at more favorable valuations early on before the overall market normalizes. Look for industries to consolidate.

MEGA DEALS MAY TAKE A HIT BUT SMALLER ADD ON DEALS WILL MAINTAIN VELOCITY

The primary deal flow will likely come from add on acquisitions rather than huge mega deals. Primary drivers are businesses that complement the business model, add valuable new innovative capabilities and provide fresh talented personnel.

SELLERS NEED TO BE TRANSACTION READY.

Buyers can be choosy so they will be looking for deals from resilient companies that successfully weathered the storm and are transaction ready. Consider acquisition strategies or consolidation strategies of your own. Some companies may not make it, but this may create a good opportunity to you to expand or simply acquire available talented personnel.

CONTACT YOUR PROFESSIONAL ADVISORS

The strong will survive, once the smoke clears many sellers will be ready to find strategic partners for growth. Baby boomers who have continued to hang on longer than expected before this may perceive this as their sign to call it quits. The seller market may become flooded quickly. Positioning your company in a competitive marketplace will require professional help, readiness is a sign of resilience to buyers. Buyers will not waste time on the unprepared they will simply move on to their next prospect. Utilizing professional advisors signals you are a viable target that is worth pursuing.

We know these are challenging times, and there still remains great uncertainty for the future. But as we learned from the last recession, crisis also creates opportunity for those who are proactive. Contact us today so we may forge a strategy for you to survive and thrive during this critical period.

Michael Wehl
Gulfstream Mergers

Next Steps

Contact us to schedule a confidential no obligation meeting to discuss how we can design a program to perform your ideal exit or acquisition.

Gulfstream works together with wealth advisors, accounting firms, legal firms and other advisors to business owners.

Office: +1 (704) 892-5151

info@gulfstreammergers.com

www.gulfstreammergers.com

Offices

Charlotte / Miami / Atlanta / Boston / Philadelphia