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Business Transfer & Valuation Information

VOLUME 18, ISSUE 1, 2021

How has COVID-19 Impacted the M&A Process?

Throughout 2020 business owners in every industry had to adapt in ways they could have never foreseen. Although no segment has been more affected by shutdowns and stay-at-home orders than the hospitality industry, the speed at which those companies adapted their business models is admirable. Likewise, manufacturers and health care providers, which already faced serious staffing shortages, are seeing their challenges exacerbated due to increased illness and lengthy absences.

The merger and acquisition market has not been immune to the pandemic. With some exceptions, companies firms like ours serve everyday are facing a decline in sales and profitability or lower growth rates than expected for 2020. This has understandably created a level of uncertainty among buyers, leading them to put deals on hold or back out entirely until more clarity on the future is available. Undoubtedly, we will overcome all of this in time. Deals are still happening, but the process from start to finish looks a little different.

First, meeting clients face-to-face is more difficult. Many client meetings continue to be done virtually. Although they lack the same level of personal contact that comes from sitting across the table, virtual meetings do allow us to safely remain in touch with clients throughout the process. The greater adoption of virtual meeting applications has allowed for more personable interactions than a phone call, while avoiding the expense of unnecessary travel.

In the same vein, scheduling management meetings and site visits has become more challenging. Just as we prefer to meet our clients in

person, most buyers want to speak with and meet company management personally, as well as walk through the facilities before committing to a purchase. Lacking these opportunities can be a dealbreaker for some, while others can be accommodated with creativity. Investment bankers have resorted to virtual management presentations, produced videos of facility walkthroughs, and have even performed live facility visits via FaceTime or similar applications.

Due diligence has become a bit more involved, particularly as it surrounds the effects of the pandemic not only on the business itself but on the future of its industry. Keeping track of additional costs incurred, sales and margin comparisons to pre-COVID periods, productivity trends, etc., will all be beneficial for due diligence and will accelerate the closing process. Questions regarding permanent versus temporary changes in a business and industry are also being asked frequently. Answers will not only determine the path forward under new ownership but will also affect the ability of buyers to receive financing for transactions. In some instances, buyers are paying less cash at closing and relying on a greater percentage of seller financing to share in the risk.

Selling your business in the current environment looks a bit different than it did prior to 2020. Despite slight changes in the process, buyers remain active and valuation multiples continue to be attractive for quality businesses. If you are contemplating selling your business, discuss with your advisory team whether now is the right time for you.

in this issue

Business Lines *page 2*

Our Newest Acquisition *page 2*

Finding a Partner to Maintain Quality *page 2*

Muncie Aviation Takes Des Moines Flying

Service Under its Wing *page 3*

On the Dotted Line *page 4*

The Market Front *page 4*



business lines



by Steve Jacobs

Effects of the COVID-19 pandemic, the state of the economy, and a new administration have all led to questions we have received from business owners recently. Determining when to sell your business is a difficult decision during normal times, let alone during this period of heightened risk and uncertainty. We believe 2021 could be a very strong year for M&A activity, not only due to an expected increase in distressed deals but also for healthy middle-market businesses. In some

instances, it could make sense for business owners to move up their future plans to sell.

Throughout President Biden's campaign, he called for a near doubling of capital gains tax rates to 39.6% for those earning more than \$1 million annually. Although Democrats now control both the House and Senate, popular opinion is tax law changes will take a backseat to pandemic recovery efforts for the time being. Even so, there is a slightly higher risk that business owners could see reduced after-tax proceeds if tax increases are enacted and made retroactive. Given the lead time of six to ten months to close a business sale, there could be an acceleration of business sales from those wanting to play it safe.

Additionally, the pandemic has likely caused aging business owners to reassess their futures. The past year has been trying on everyone, particularly with quickly changing business guidelines, added costs, and difficult decisions being made to balance employee health with continued business operations. With these environmental shocks occurring at an increasing rate, it very well could push many to evaluate a sale sooner than originally planned as opposed to weathering the next potential shockwave.

Despite some serious uncertainties about the economy's recovery in 2021, we believe the potential for business sales being pulled forward is strong due to possible tax increases and pandemic fatigue, particularly if selling within the next five years was already on a business owner's radar. The amount of available cash among buyers, historically low interest rates, and resilient valuations in most industries give us optimism that we will see a strong M&A market this year.

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Our Newest Acquisition



Jack Courter

We are pleased to announce Jack Courter has joined BCC Advisers' M&A team as a financial analyst. In this role, he is responsible for supporting senior team members in all aspects of the firm's sell-side and buy-side deal execution. He is a graduate of the University of Iowa with a degree in Finance and a certificate in Entrepreneurial Management. During his academic career Jack completed an internship valuing and selling commercial

real estate in Cape Town, South Africa. He is currently a 2021 Level 1 candidate in the Chartered Financial Analyst (CFA) program.

We'd like to hear from you!

Is there a topic related to mergers and acquisitions you'd like to learn more about?

Send your request to us at info@bccadvisers.com and we will do our best to address your question in a future issue!

Finding a Partner to Maintain Quality

Over time, businesses change, focuses shift, and capital and human resources need to be reallocated. This was true for Maintainer Corporation of Iowa (Maintainer). Founded in 1976, Maintainer has grown to become a leading manufacturer of best-in-class, heavy-duty customized service truck bodies, lube truck bodies, and extendable boom cranes. In 2009 it acquired Rescue Vehicles of Iowa, formerly known as Cayel Craft Ambulances and Amtech, which at the time of acquisition specialized in manufacturing rescue and specialty emergency vehicles. The addition of Rescue Vehicles of Iowa (renamed Maintainer Custom Bodies) diversified Maintainer's scope well beyond service and lube truck bodies.

Maintainer successfully operated **Maintainer Custom Bodies** (MCB) for over ten years, expanding its distribution and carving out a niche in smaller, quick response vehicles. However, growth of Maintainer's service truck body segment continued to outpace that of MCB, creating the need for additional service truck production capacity. "Our Board evaluated several options for expanding our manufacturing in this segment. However, because emergency and rescue vehicles represented such a small portion of our overall revenue, the decision was made to divest this division. We engaged

Continued on page 4

Muncie Aviation Takes Des Moines Flying Service Under its Wing

Des Moines Flying Service (DMFS) has been a mainstay at the Des Moines International Airport since 1939 when Howard Gregory acquired the Piper Aircraft franchise. DMFS is one of the longest operating Piper Aircraft dealers in the world, originally appointed by William Piper himself, and has provided a wide variety of aviation products and services throughout its history, including pilot training during World War II. Today, under the chairmanship of Mr. Gregory's son-in-law, John Lowe, the company's focus is on the sale of Piper and HondaJet aircraft, aircraft maintenance, and avionics. DMFS is the only maintenance provider with on-call and scheduled service work at the Des Moines International Airport 24 hours a day, seven days a week.



DES MOINES
FLYING SERVICE

With a management team approaching retirement and an ownership group seeking liquidity, it was time for a transition of ownership. "Des Moines Flying Service has an incredible reputation in the industry, but we knew we couldn't confidentially approach buyers ourselves. We turned to BCC Advisers to help us find the best possible partner to continue the company's legacy for years to come," stated John.

Sales of fixed-base operators (companies that provide fuel and other services at airport facilities) have been plentiful in recent years. However, sales of aircraft dealers, which is what DMFS focused on after selling its fuel business in 1987, are few and far between. The buyer pool is limited as dealers are hesitant or restricted in their ability to acquire an aircraft dealer from competing manufacturers.

BCC identified a comprehensive list of potential buyers, and confidentially contacted and vetted the most qualified prospects. After discussions with multiple interested parties, DMFS owners decided to move forward with Muncie Aviation Company, the world's oldest Piper dealer and an employee-owned company in Muncie, Indiana. DMFS president Don Jay stated, "Our criteria for a qualified buyer included extensive knowledge of the industry, the financial strength to inventory aircraft, a strong focus on customer service, and the reputation to give comfort to the manufacturers we represent. Our confidence in BCC to find the right partner for us paid off. The team at Muncie possesses the same qualities that make DMFS such a highly regarded organization."

Muncie Aviation Company

Although the COVID-19 pandemic created some uncertainty and logistical challenges, both parties remained committed to seeing the deal through. With this transaction Muncie gains a successful dealership that expands its aircraft sales territory to eight additional states, bringing Muncie's presence to a total of 13 states across the Midwest. At the same time, the owners of DMFS are confident that Muncie will be a good steward of the Gregory family's legacy, providing growth and continuity for their employees and customers.



Finding a Partner to Maintain Quality



Continued from page 2

BCC Advisers to find a new home for MCB so we could dedicate our Rock Rapids facility entirely to the production of service truck bodies,” stated Maintainer’s president, Shelley Morris.

Maintainer’s strong reputation among its valued customers, suppliers, and employees is built upon a foundation of business ethics and commitment to quality. It was critical to find a buyer that not only had the capacity and know-how to complete current orders in various stages of production, but one who would also maintain the quality and customer focus for which MCB is known. Some of the strong ongoing customer relationships MCB established include customers who are also those of its service division, making it imperative these customer relationships remain healthy.

BCC set out to identify prospective buyers that met Maintainer’s criteria. Ultimately, it was determined that Ward Apparatus satisfied these expectations. Ward is a New York-based fire apparatus service company with significant experience in rescue vehicle manufacturing. MCB’s focus on smaller vehicles rounds out Ward’s

current product lineup of larger fire truck bodies. In addition, MCB has a substantial customer base in the Northeast making its product line a strong fit geographically for Ward.



“Ward Apparatus has ties to a time when this region was known as the ‘Fire Truck Capital of the World,’” said Ward Apparatus president/owner, Scott Beecher. “Ward LaFrance and American LaFrance were based in nearby Elmira, NY, and the tradition of excellence in fire truck manufacturing continues again with Ward Apparatus. We are positioned to continue and expand MCB’s tradition of manufacturing the finest emergency vehicles available in the fire industry.”

“Having BCC serve as a conduit between us and prospective buyers for MCB allowed us to continue running our company without distraction. BCC ensured we spoke only with the most qualified parties. We feel the sale to Ward will benefit both of our organizations alike,” finished Morris.

on the dotted line

Some Recent BCC Advisers Transactions:

Advised a general aviation sales and service business on a sale to a leading aircraft sales, service, and avionics company.



Advised a leading service truck manufacturer on the sale of its fire and rescue vehicle product line.



Advised an aquaculture company on the sale of its assets to a publicly-traded natural shrimp producer.



Prepared a fairness opinion regarding the acquisition of a communication and technology company by an ESOP owned company.



Performed a fair market valuation of a heavy equipment sales and rental company for estate and gift tax purposes.



Prepared a fair market valuation of a pharmacy company for purposes of annual ESOP plan administration.

The Market Front

Some opportunities available through BCC Advisers:

U.S.-based contract manufacturer - is seeking a buyer.

European-based developer of bioceramic dental materials - is seeking a buyer.

Midwest-based grain elevator - is seeking a buyer.

European-based producer of animal feed additives and ingredients - is seeking a buyer.