



## FAST START TO 2022 AND REFLECTING ON LAST YEAR

As we quickly enter into the new year, we wanted to take a moment to reflect on 2021.

We are grateful for the enduring relationships we have with our clients, colleagues, and counterparties. Last year, we worked more closely together than ever to advise our clients and complete deals in an M&A market that continued to be impacted by the pandemic.

Our firm expanded last year with the addition of two principals and our entire team is building on the momentum we generated in 2021. The following is a selection of some of our noteworthy transactions, insightful industry reports, and informative webinars.

We are deeply honored by the trust that you have placed in Heritage and look forward to continued collaboration this year.

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## Heritage Capital Group 2022 M&A Outlook: Gearing Up for Another Strong Year

Companies and dealmakers worldwide are gearing up for what looks like another strong year of M&A in 2022.

Despite a record year of M&A activity in 2021, deal professionals are expecting similar results for 2022 as interest rates remain low, private equity fundraising remains high, and companies look to grow both organically and inorganically. Private equity investments surged in Q4 2021, according to S&P's Capital IQ, with nearly \$1.5 trillion invested across 3,073 reported deals. That compares to \$141 billion invested in Q4 2020 over 2,532 deals.

The drivers of increased dealmaking activity are numerous, but low costs of capital combined with a tremendous amount of private equity fundraising in recent years are viewed to be the two primary causes of the current robust M&A environment. Low costs of capital are a result of accommodative monetary policies by central banks across the globe that have been in place since the Great Recession and are expected to remain accommodative in 2022, though recent bouts of inflation in developed economies are causing central bankers to think hard about how long they will remain unnerved by the threat of inflation. Private equity fundraising, however, shows

no signs of abating as investors chase returns from public markets to private markets. Valuations appear to be more stretched in public markets than in private markets, leading investors to seek returns via private equity and debt.

Inflation could be the catalyst that slows down the global economy as well as M&A activity in 2022. Persistent supply chain and labor market disruptions seem to be the source of recent spikes in reported inflation indicators and should be manageable with appropriate policies, but it remains to be seen if surges in prices for goods and services will have a domino effect on capital markets, M&A, and overall economic activity for the coming year.



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**Alex Kellison**  
Principal

## Heritage Capital Group Metal Industry: Looking Back and Looking Forward

As the world adjusted to the realities of working through a pandemic in late 2020 and early 2021, metal fabricators and end-use manufacturers began to ramp back up and metal distributors started rebuilding their inventories. At the same time, metal producers were reluctant to ramp up production lines until the economic outlook became clearer. This increase in demand coincided with a shortage of raw materials, further complicating the situation. With supply low and demand high, metal producers took this opportunity to raise prices to unprecedented heights and metal distributors were happy to pass along the increases. Metal producers and distributors made record profits as a result.

Toward the end of 2021, supply caught up with demand for rebuilding inventories at the distribution level and satisfying end-use demand for most products. As a result, price increases have abated, and pricing in some major product categories has started to soften but remains at historic highs.

As a result of record profits in 2021, many distributors decided to put their companies up for sale while the "going is good." Others in the metal distribution industry are deploying their excess cash generated to acquire companies that strategically fit. EBITDA multiples are running higher as a result, and 2022 should be a more active year for M&A in metals for the reasons mentioned previously. However, no buyer is paying based solely on 2021 results, as almost all feel the record bottom-line results are not sustainable and historic EBITDA's are still the norm for determining valuation.



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**Bert Tenenbaum**  
Principal

**H**eritage Capital Group is a member of Oaklins with offices located worldwide. Collectively, we bring to the table vast industry expertise and knowledge. Regardless of the industry, we understand the unique challenges you face and provide you with in-depth market knowledge, expertise, and experience.

## Oaklins Distribution Spot On Distribution ups and downs: an M&A boom, significant disruptions

Oaklins' Distribution Specialist Donald Wiggins reports on the ups and downs in the distribution sector. On the one hand, it faces ongoing issues resulting from COVID-19 in combination with problems already present before the pandemic. On the other, completed M&A deals rose by 40% in Q2 2021, compared to 2020, although year-on-year valuations were down.

This Distribution Spot On covers these contrasting realities while also looking at valuations and trends in four distribution subgroups. The report also includes interviews with key players in the industry where they discuss present challenges and how supply companies could do things differently in the future.

[Click here to view Oaklins' Distribution Spotlight](#)



"Serious supply chain disruptions continue, benefitting some logistics companies and hurting others. However, the distribution sector remains strong, thanks in particular to value-added companies that provide specialty services, sub-assembly, fulfillment and other services. Ocean vessel backups and shortages of labor, trucks and containers will continue to be problematic at least into 2022."

**Don Wiggins**  
Oaklins Distribution Specialist

## Oaklins M&A Insights from India Investing in a safe and healthy future

Doug Kravet, Oaklins' organic & sustainable agriculture specialist, contributed to the Oaklins' M&A Insights from India publication. His contribution to the report outlined critical global trends in the rapidly growing organic and sustainable agriculture sector.

Agricultural markets proved their importance this year, when food security and global supply chain stability became the focal point as the pandemic expanded globally. After the initial shock to the food supply system, consumers reaffirmed their preferences toward organic food, sustainability, and health and wellness activities in general. When added to the need for technology to improve productivity in emerging markets, this translates to a large pent-up demand for M&A opportunities and investment in the overall agriculture sector.

[Click here to view Oaklins' M&A Insights from India](#)



**Doug Kravet**  
Oaklins' Organic & Sustainable Agriculture Specialist



## Heritage Capital Group Healthcare Trends Report

The Healthcare Industry report examines the trends in public market valuations for key healthcare sectors and tracks mergers and acquisitions. This report is compiled quarterly by Heritage Capital Group's healthcare team.

Merger and acquisition activity in the third quarter of 2021 looked much like Q2: A lower total number of transactions compared with pre-pandemic historical activity, but a notably high level of total transacted revenue and average seller size by revenue, driven in part by regional health system partnerships and divestitures of hospitals outside of core regional markets.

[Click here to view the latest report.](#)



Select the link below each webinar to view it on-demand.

**H**eritage Capital Group hosted free, live webinars throughout the year, providing valuable information on timely topics for our clients. Expert speakers delivered knowledge on various subjects and answered questions submitted by live viewers. The webinars are available on-demand using the links below.

## **Sale-Leaseback: Unlocking the Value of Your Real Estate**

Speakers: Bill Nicholson and Bill Joel

Business owners continually face challenges as they look to source capital. Now is a good time for those companies who own their real estate to consider a sale-leaseback. Compared to conventional debt financing, a sale-leaseback has many advantages.

In this webinar, Bill Nicholson and Bill Joel discuss what a sale-leaseback is and how the

transaction works. They examine the benefits associated with a sale-leaseback and the companies that are best suited for this arrangement. They also discuss the structure of a sale-leaseback and the market trends affecting these types of transactions.

**Click here to view the webinar**

## **Using Financial Modeling to Increase the Value of Your Real Estate**

Speakers: Don Wiggins and Bill Sorenson

Business owners want to make decisions that will increase the value of their companies. Financial modeling is an underutilized tool to help them make decisions more efficiently and with less risk. In this webinar, we give a brief overview of the valuation process and work through a case study using financial models to discover ways to increase a company's value.

**Click here to view the webinar**

## **Thorny Issues in Selling a Company**

Speaker: Don Wiggins

In the best of circumstances and times, selling a company is a complicated process with many potential landmines. This is especially true now in a time of:

- a more volatile economy, including geopolitical risks
- the continuing Covid pandemic
- supply chain disruptions
- labor shortages
- proposed tax increases
- uncertainty of the future path of the economy
- increasingly nervous buyers
- increasing inflation
- potential increases in interest rates, and
- others

This webinar identifies and discusses many of these difficult and dangerous issues, and how to eliminate or minimize them if you're in the sale process now, or if you plan to sell in the future.

**Click here to view the webinar**

## **Buying a Business – Getting it Right**

Speakers: Doug Kravet, Patrick Emmet and Bert Tenenbaum

One of the fastest ways to grow your business is by purchasing another company. Growth through acquisition can transform your business, and assist you in achieving goals such as expanding geographically, diversifying your customer base, and adding depth to your management team.

In this webinar, our panel of Heritage principals focus on the practical questions that business owners frequently ask when they are considering purchasing a business such as:

- Is acquiring a business the right strategy to achieve your growth plans?
- What is the best way to plan for an acquisition and find the right target?
- How long will it take to complete a deal?
- What type of financing is available for the deal?
- What are some of the major hurdles and obstacles that can be encountered in a transaction?

**Click here to view the webinar**

## **OTHER WEBINARS IN OUR GROWING LIBRARY**

- Surviving and Thriving in a Corona World
- Staying on Track: M&A War Stories
- Business Liquidity & Securing Capital
- Exit Planning: Protecting Your Family and Business

**Click on the titles above to view the webinars**

## EXPERIENCE. EXPERTISE. RESULTS

Heritage Capital Group is a highly respected and trusted investment banking and advisory firm with local and global reach. For more than 45 years, we have provided transactional and advisory expertise across key industries to our clients.

We work to ensure that your many years of hard work and vision come to fruition. Our team of experts can help guide you through a wide range of scenarios including:

- Selling a company
- Buying a company
- Mergers
- Divestiture of corporate assets or divisions
- Raising debt or equity
- Exit planning
- Value enhancement
- Process improvement
- Restructuring or reorganizing

With our extensive industry and deal experience, we can work with you to help build and maximize your transaction value. You will benefit from the global resources Heritage provides through our leadership position in Oaklins, an international organization focused on the middle market with offices worldwide. With these resources, Heritage is able to leverage global

contacts, industry expertise, and transaction experience to achieve exceptional results for you. We offer complete discretion and skilled and methodical negotiations to give you the competitive edge that is essential in today's highly competitive business environment.

## HERITAGE CAPITAL GROUP

Heritage Capital Group is a merger and acquisition advisory firm with offices in Jacksonville, Florida and Savannah, Georgia. Heritage is a member of FINRA/SIPC and Oaklins, the world's most experienced midmarket M&A advisor, with 850 professionals globally and dedicated industry teams in 45 countries worldwide.

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