



PPE M&A Report

Acquirer Interest in Personal Protective Equipment Providers Remains High

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Intrepid is pleased to announce the launch of its Personal Protective Equipment (PPE) sector focus, which will be dedicated to M&A and capital advisory services for entrepreneurs, founders, private equity firms, and global corporations operating in the industry. This sector focus is part of our broader Industrials practice, and will cover organizations that manufacture and distribute protective equipment for use in industrial, construction/utility and other potentially hazardous workplaces.

Intrepid enjoys a rich history and deep expertise in the sector. Among other notable transactions, Intrepid advised **ML Kishigo** on its acquisition by Bunzl; Audax Group on its add-on acquisitions of **Westchester Protective Gear**, **Worldwide Protective Products** and **Primax Manufacturing**, and **5.11 Tactical** on its recapitalization with TA Associates. The launch of this dedicated sector focus is a continuation and formalization of the work we have done in this space.

To mark the launch, our team is excited to share the inaugural edition of Intrepid's Personal Protective Equipment M&A Report. The purpose of this report is to explore industry trends that impact M&A, highlight key transactions and active industry acquirers, and share our views on valuation and capital trends in the industry.

We are excited about the robust backlog of opportunities, and strong interest among acquirers for high-quality assets in the PPE sector.

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**Deal
Activity**

- Majority of in-market transactions were put on hold in late Q1'20/early Q2'20 due to COVID pandemic-related disruption, with robust activity returning in Q3 and Q4 of 2020.
- Select late-stage transactions involving respiratory, eye, and hand protection products moved forward even during the early stages of the pandemic given elevated level of importance in these categories.
- 2021 is poised to be another strong year, with valuations for performing assets expected at record levels.

**Strategic
Buyers**

- Liquidity, supply chain, and other internal operational issues became the primary focus for strategic buyers for first quarter of the pandemic .
- With internal issues stabilized, proactive industry consolidators began taking advantage of market weakness by increasing M&A activity, with a focus on highly strategic investments and portfolio realignment.

**Private
Equity**

- Wide range of private equity buyers are aggressively seeking PPE platforms, and remain willing to work remotely to close deals.
- Sponsors with existing PPE platforms continue to aggressively seek add-ons, with some hard-hit targets willing to sell at major discounts

Lenders

- Bank and non-bank lenders initially pulled back when the pandemic hit, causing challenges in deal fundings and restraining valuations in some cases.
- With the economy stabilizing in certain sectors, lenders have returned to fund high quality deals that performed well through COVID, in many cases supporting record purchase price multiples.
























The rapid global spread of COVID-19 triggered economic challenges across many industrials subsegments. PPE providers were not shielded from these difficulties. While demand for respiratory PPE grew dramatically as first responders and the general population sought protection from airborne virus particles, demand for other PPE, such as helmets, fall protection, and hearing protection products, declined as construction slowed and some non-essential manufacturing operations temporarily closed.

Early in the pandemic, many PPE providers also faced supply chain challenges, with roughly two-thirds of their products coming from Asia. To mitigate these disruptions, PPE providers focused expanding existing domestic production and finding new on-shore/near-shore sourcing relationships. Companies that successfully navigated this environment are well positioned to capture market share from competitors that continue to rely on traditional sourcing strategies. In addition, manufacturing of certain categories of PPE, including respiratory, eye, and hand protection, will continue to be on-shored/near-shored in the coming years to ensure national security. As a result, the PPE industry's trade balance is expected to shift from being a net importer to being a net exporter by 2025.

Together, these trends are positive from a merger and acquisition perspective. Large strategic acquirers continue to seek category leaders and quality-focused manufacturers to grow their market share and secure supply chains. Private equity groups, with more than \$2.6 trillion in uninvested capital, continue to aggressively search for PPE platforms and add-on opportunities for existing platforms. This interest is driven by the secure nature of PPE investments, which tend to grow alongside economic expansion and infrastructure spending, and often experience only modest declines during recessionary periods due to the strong and expanding regulatory framework supporting PPE.

Valuations for PPE providers that continue to grow during COVID have seen a return to all-time highs, while businesses that struggled during the pandemic find that acquirers discount values or require extended periods before closing to show stabilization. To bridge the valuation gap, present in underperforming deals, acquirers are increasingly using creative structures to provide partial liquidity today, including guaranteed and performance-based incentive payments to balance valuation and risk. In spite of this bifurcated valuation world, demand for quality PPE providers and niche product/brand leaders remains high, driven by an active universe of strategic and private equity-backed consolidators.

Consolidation Strategies by Strategics and Private Equity Platforms Expected to Continue

 Backed by 	 Dec-2020  May-2019	 Dec-2019  Apr-2019	 Oct-2019  Mar-2019	 Jun-2019  Nov-2018	
 Backed by LITTLEJOHN & CO.	Pacific Coast Air & Tool Supply Nov-2019	 Sep-2019	 Aug-2019	 Jun-2019	 Jan-2019
 Market Cap: \$6.4 Bn	 Dec-2020	 Nov-2020	 Aug-2020	 Mar-2020	 Apr-2017
	 Jan-2020	 Feb-2019	 Jan-2020		

 Intrepid transaction.

Other Select U.S Based PPE Industry Consolidators



Date	Acquirer	Target	Description
Dec-20	Odyssey Investment Partners	Protective Industrial Products	Manufacturer of industrial safety products
Dec-20	Bertram Capital	Safety Products Holdings	Manufacturer of safety cutting tools and equipment
Oct-20	Phoenix Partners	BBH Group	Manufacturer of personal protective equipment
Jun-20	H.I.G Capital	Supply Sources Enterprises	Manufacturer and distributor of branded and private label personal protective equipment
Apr-20	Honeywell	Norcross Safety	Manufacturer of protective and safety equipment for the fire service, utility and general industrial segments
Mar-20	Bunzl	Body Guard Workwear	Manufacturer of safety clothing for rail, utilities and construction
Feb-20	Walter Surface Technologies, backed by ONCAP	Arcone	Provider of workplace safety and personal protection equipment
Feb-20	Bergman & Beving	VIP Safety	Retailer of personal protective equipment
Jan-20	Pinnacle Textile Industries	Topps Safety Apparel	Manufacturer of flame resistant apparel
Dec-19	Protective Industrial Products, backed by Audax	Boss Manufacturing Company	Distributor of personal protection equipment

Company	Enterprise Value	Valuation Metrics				Operating Metrics							
		EV / Revenue		EV / EBITDA		Revenue		Revenue Growth		Gross Margin		EBITDA Margin	
		LTM	CY20E	LTM	CY20E	LTM	CY20E	LTM	CY20E	LTM	CY20E	LTM	CY20E
Alpha Pro Tech, Ltd.	\$155	3.0x	N/A	22.3x	N/A	\$47	\$47	N/A	N/A	39.5%	N/A	13.2%	N/A
Ansell Limited	4,721	3.1x	1.9x	19.6x	11.1x	1,527	1,499	2.3%	61.7%	39.3%	74.0%	15.8%	17.3%
Bergman & Beving AB (publ)	314	0.7x	0.7x	11.8x	7.7x	427	411	1.4%	-0.6%	41.6%	N/A	5.7%	9.2%
Delta Plus Group	360	1.4x	1.4x	9.4x	na	263	249	9.5%	-5.6%	52.1%	na	14.6%	na
Lakeland Industries, Inc.	103	1.0x	0.9x	13.6x	8.9x	108	116	8.9%	7.2%	35.2%	36.8%	7.0%	9.9%
MSA Safety Incorporated	4,974	3.5x	3.7x	16.4x	17.8x	1,417	1,354	3.2%	-3.4%	45.4%	45.2%	21.4%	20.6%
Sioen Industries NV	\$537	1.0x	1.1x	8.4x	9.6x	\$572	\$572	0.7%	-11.6%	34.6%	N/A	11.6%	11.5%
Mean		1.9x	1.6x	14.5x	11.0x	\$623	\$607	4.3%	7.9%	41.1%	52.0%	12.8%	13.7%
Median		1.4x	1.3x	13.6x	9.6x	\$427	\$411	2.8%	(2.0%)	39.5%	45.2%	13.2%	11.5%

Sources: S&P Capital IQ

Personal Protective Equipment Industry Valuations Outpaced S&P Over the Past Five Years



Sources: S&P Capital IQ

Deep Transaction Experience in Personal Protective Equipment Sector



has been acquired by



a portfolio company of





has been acquired by



a portfolio company of





has been acquired by




a portfolio company of





a portfolio company of




has been acquired by





has received an investment from



* Includes transactions completed by Intrepid senior bankers while at prior firms.



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About Intrepid's Personal Protective Equipment Practice

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