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Los Angeles & Orange County

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Trends. Updates.

CEO & CFO Leadership Awards

Change Is Good: Reimagining Business in a COVID-19 World

Many of the Intrepid founders have navigated the M&A seas for more than four decades and seen multiple cycles and societal changes. The past 18 months have been different. We all experienced moments of doubt, questioning the right next step, often with grave consequences for our businesses, employees, towns, and families. Assignments were put on hold, processes were delayed, capital markets came to a halt unable to price risk in a landscape beset by fog. Throughout every market disruption, there is an opportunity not only to survive but to thrive. The winners recognized this opportunity and acted swiftly to capitalize on it. Those who did not missed out.

The COVID-19 pandemic has felt different from any other event in history, threatening to bring the economy to a halt. Yet entrepreneurial energy and capital fueled the resurgence, allowing us to guide our clients through a record-setting number of transactions while witnessing in real-time business owners re-imagine what it will take to succeed in a sea of constant disruption.

Two forces were key drivers of premium outcomes in the COVID-19 M&A environment.

Corporate Cultures that Embraced Change

Many sectors of the economy thrived due to lifestyle changes and the new work-from-home environment. Computer peripherals, home furnishings, office supplies, personal care products, grocery, and telemedicine represent a sampling of sectors that benefited from tremendous tailwinds. But the big winners were those who embraced the digital economy and developed direct-to-consumer (DTC) capabilities and bypassed traditional channels when those shut down. Companies with dynamic cultures willing to pivot and capitalize on the disruption identified one or more of the following opportunities to adapt their business models and invest in critical areas:

- Invest in talent
- Accelerate investment in software and automation to reduce expense in a world of rising labor shortages
- Implement operational efficiencies and restructure supply chains
- Accelerate the digital transformation of key processes and delivery channels
- Focus on environmental, social, and governance (ESG) issues to address societal demands for greater responsibility

At Intrepid, we embraced these changes, taking a close-knit team of bankers and support professionals and adapting our processes to run very complex M&A and capital markets transactions in a virtual world where buyers and sellers exchanged hundreds of millions of dollars with minimal and sometimes no physical interaction. For Intrepid and our clients, going from a near shutdown economy to a record year in closed transactions was nothing less than a test of ingenuity, teamwork, and a culture that embraces challenges—we passed.

Unprecedented Levels of Capital and Pent-Up Investor Demand

As businesses worldwide emerged from the disruption of the COVID-19 pandemic, private equity proved to be a stable and increasingly vital source of capital for business owners with the vision and strategy to grow. 2020 was a year like no other for private equity investors, but despite its challenges, the ecosystem proved resilient. From a near-complete market freeze in the second quarter, U.S. private equity deal volume exploded during the second half of 2020 and experienced only a 3.4% decrease year-over-year from 2019. This trend continued into the first half of 2021, with deal volume increasing more than 20% compared to the same period last year. With unprecedented levels of capital sitting on the sidelines for much of 2020, private equity investors are eagerly deploying capital at an unprecedented pace against the backdrop of record fundraising and dry powder estimated at more than \$150 billion.

Taking advantage of this dynamic, many successful business owners have partnered with private equity investors to acquire weaker competitors and create powerful platforms with scale-complementary acquisitions by such platforms accounted for 72.5% of all buyouts in 2020, an all-time high. In addition to turning to institutional capital to fund acquisitions and gain scale, business owners also tapped institutional capital



for liquidity, taking advantage of record valuations and strong results from the surge in demand created by the pandemic in many sectors of the economy. “No one saw this coming,” said Ed Bagdasarian, CEO of Intrepid. “COVID accelerated changes in business models and consumer behavior that would have taken years—they all happened at warp speed. Disruption is the new reality, and capital is pouring into innovators and disruptors at unprecedented levels. Building a culture that embraces change is the only way to thrive in the new reality.”

Steven Nelson joined Intrepid in 2021 as Managing Director and Head of Financial Sponsor Coverage to continue developing and institutionalizing the firm's relationships with leading financial sponsors. He has more than 15 years of experience originating, managing, and executing M&A transactions across the consumer, industrial, healthcare, and business services sectors.

Intrepid provides M&A, capital raising and strategic advisory services to entrepreneurs and middle-market companies in various industry sectors. Our heritage breeds a culture that embraces teamwork, tenacity and creativity to help our clients win big. We believe that every company has an entrepreneurial passion that drives it and a story that defines it. Our team delivers results through skillful positioning and relentless execution. Based in Los Angeles, Intrepid augments its international capabilities through its active participation in Oaklins, an exclusive global alliance of M&A advisory firms.

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