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M&A
DEAL
UPDATE
Spring 2020

A Message from BCMS

Dear clients, partners, colleagues and friends,

We have spoken with many of you over the last few weeks as the COVID-19 situation has unfolded. We hope that you, your team and your family are healthy and safe and are adjusting as well as possible to this rapidly changing environment.

Just like you, we are working remotely. Nonetheless, we are fully operational and are striving to understand this new reality. We are working with clients as we always have – providing insights into the dynamics in the market, helping you find solutions to your challenges and delivering outcomes that serve your needs.

While some industry sectors continue to perform through this pandemic, many of you are being challenged in unforeseen ways and are often alone in having to plot the course forward. We have a range of in-house skills to help with the critical elements of business continuity, including financial, operational and people management.

We strongly encourage you to reach out to a BCMS banker for support or just to let us know how you are doing. Human contact seems more important than ever and we value the connection. We are committed to helping either formally or even informally where and when we can.

BCMS has been working with private business owners for more than 30 years. We have been here during the good markets and also during times of crisis. We look to be a source of stability and informed and balanced guidance. While it is not business as usual, we know that this too will pass. We are open for business and are here to help.



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Safeguarding the Future of Your Company: Coronavirus Mitigation Advice for Private Business Owners

Robert Goldsmith

Bob Goldsmith is President and CEO, as well as a founding partner, of BCMS North America. He has been advising entrepreneurs, family businesses, and other organizations on issues such as sale transactions, succession and exit planning, divestitures, corporate growth, international expansion, and general strategy for over 15 years. Prior to BCMS, in addition to advising clients, Bob spent ten years working in senior roles in consumer, commodity and international business.



This article was originally published on his [M&A blog on Forbes](#) in March 2020.

Until last week, my job involved a lot of travel and conferences throughout North America. The highlight? Meeting energetic, dynamic business owners and listening to their plans and goals for the future. For me, business is about the people with whom you engage. It's about connection.

How fast things have changed.

In-person contact has been temporarily substituted by digital conferences and video meetings. Alas, as useful as it is, an online PowerPoint-sharing session just isn't the same experience as meeting over coffee, but it's the safest option we have right now. In business and in our daily lives, we are being forced to adapt to vast changes at a frightening speed. Understandably, there is fear for the future.



Of course, though this crisis is absolutely daunting, we have faced challenging times before. I was in midtown Manhattan during 9/11. Several colleagues lost loved ones. Quite a few lost access to their homes. NYC and the entire country were in a state of shock.

Most of us – many of my clients – were also severely tested during the Global Financial Crisis that officially began in December 2007 and officially (but not really) concluded in June 2009.

There was Black Monday in 1987.

And the list goes on ...

But every time we have managed to rally and find our way out.

Today, along with the extraordinary health crisis, the economy is rapidly eroding and our routines have either been completely disrupted or are about to be.

But now more than ever, I am reminded of what one of the founders of BCMS, Brian Rebbettes, said to me back at the height of the last crisis in 2008. "Fear is the enemy here. And planning is the way to beat fear." →

Business Owner Resources

He's right, of course. From a business transaction perspective, the world has not ended and opportunity will exist just around the corner. There will be setbacks but also positive news that will re-enforce our hope for the future. This is the new normal, at least for the next few months. It is already apparent that federal, state and local governments will intervene massively. The private sector is adapting rapidly in positive ways such as modifying the supply chain and getting medical products to the healthcare providers who need them.

From an M&A perspective you can expect a pause in large strategic combinations — the types of mergers that created Exxon-Mobil or Kraft Heinz; the withdrawal of Xerox's hostile bid for HP is an example.

However, the middle market for private companies (where my clients and my firm, BCMS, operate) will continue to be active if at a more modest level versus last year. We completed a transaction involving a manufacturing company on the day I am writing this article and another one is on schedule for this week — and I expect more when the dust begins to settle. The companies that navigate through the current turbulence financially and operationally will continue to be attractive to the thousands of private equity groups with their near \$1.5 trillion dollars of investable funds. They will undoubtedly remain on the radar of the many public corporations and larger private companies seeking access to your clients, your products and the services you provide, your distribution channels, your human capital, and even your location. Your business might help them build their own path out of uncertainty, and back into growth.

As we have in the past, we advise our clients to lay the groundwork now, so they are ready to approach the market when the timing feels right, or to respond to a buyer who approaches them. While making exceedingly difficult decisions involving your company and employees, also prepare your business if you are considering a sale of your company at any point in the future.

Whenever I speak with potential clients, one of my first comments to them is that we have achieved continued growth and global expansion throughout economic cycles. People who have been around for long enough understand the message. The point is stability — we do not panic. Because markets tighten and relax — because a buyer or opportunity can manifest at any time — you always have to be prepared. You have to be ready.

Do that, and you will certainly get ahead of potential buyers waiting for the markets to calm. You will get ahead of this crisis and be ready for the results of the fast-approaching 2020 election.

You have to take action while others are sitting on the fence, so you are out front. You want to be ahead of potential buyers so when they decide they are in the market, you are ready to interact with them.

The time ahead will be dynamic. While nobody capitalizes on all opportunities, the most successful people are prepared. Be one of those people.



During this unprecedented time, BCMS is committed to assist all of our clients and private business owners affected by the current situation related to COVID-19. Our professionals are available to provide insights, guidance and help in navigating today's environment. To speak to us, email meetings@bcms.com

Market Update

The Current State of the M&A Market

With large portions of the global economy in shut-down mode due to widespread lockdowns and shelter-in-place orders, M&A activity has also been upended. According to analysis from Dealogic, the value of M&A activity in the first quarter of 2020 was down 35% globally (and 39% in the U.S.) compared to the last quarter of 2019. \$618 billion worth of deals have been completed worldwide in 2020 compared with \$956 billion by this time last year.

According to recent analysis from RBC Capital Markets, obstacles affecting deal-making include (1) a shift in mindset of corporate buyers towards prioritizing operational management issues and employee welfare, as well as shoring up liquidity; (2) valuation volatility impacting the ability to get negotiated deals over the finish line; (3) logistical challenges in managing the transaction process, such as the moratorium on in-person meetings; and (4) global economic uncertainty, which makes it difficult for buyers to adjust their projections and consider future strategic combinations. Concurrently, private equity firms have been impacted on both the sell and buy-side.

Looking Ahead

According to the recent PwC COVID-19 Pulse Survey, which polled CFOs and finance leaders between April 6th and April 8th, “realities of managing through a downturn are settling in.”

With regards to recovery time frames, 61% of CFOs surveyed believe they can be back to business as usual in less than three months, while another 18% think that it will take six months or more to recover.

When it comes to mergers and acquisitions, companies have a split outlook, with 49% taking a wait-and-see approach and 51% moving forward with plans. Those companies with cash may have an aggressive appetite for M&A, with 17% noting increased interest given current valuations.

A second-half of 2020 deal window could open pre-election, according to RBC Capital Markets.

While the future of economic recovery and M&A deal-making remains uncertain, it is important to keep the following factors in mind if considering a transaction process:

- **Preparation is key:** Now more than ever, it is imperative that you discuss potential financial and operational impacts of the outbreak with your investment banker and plan accordingly.
- **Due Diligence:** Buyers and sellers should adjust expectations and timetables. The use of technology (virtual data rooms, web conferences, etc.) can mitigate potential delays. Your investment banker should be able to provide access to one.
- **In-person Meetings:** In-person meetings with potential buyers are extremely important to the transaction process. Choose an investment banker with robust infrastructure and a global footprint as well as access to digital communication channels to counteract travel restrictions.
- **Valuations:** Market volatility might affect company valuations throughout the process. Talk to your investment banker about preparing for negotiations. Also, be mindful of the potential impact of buyer's financing and review acquisition financing documentation accordingly.



Transaction Spotlight

Boomerang Laboratories, Inc. has been acquired by Guy & O'Neill, Inc.

BCMS is pleased to announce the recent sale of Boomerang Laboratories, Inc. ("Boomerang") to Guy & O'Neill, Inc. ("Guy & O'Neill"), a portfolio company of Centre Partners Management LLC.

Founded in 1999 and based in Spring Park, Minnesota, Boomerang is a contract manufacturer of a diverse array of liquid-fill personal care and light-duty household cleaning products. Boomerang's facility is FDA regulated, registered with the EPA and operates according to current Good Manufacturing Practices (cGMPS).

Boomerang's strong market reputation, diverse product offering, deep customer relationships with leading consumer products companies such as S.C. Johnson & Son, Inc., Renpure, LLC and Williams-Sonoma, Inc., as well as its experienced workforce and highly efficient manufacturing operations, made it an attractive investment candidate.

Paul Nyberg, President of Boomerang, commented, "We are very excited to be a part of the Guy & O'Neill organization. The opportunity to share and adopt best practices, achieve operational efficiencies and be part of a larger platform will allow us to better meet the needs of our customers and help accelerate the continued growth of our combined business."

Both companies have expertise in safer, cleaner chemistries. The combined companies will become a world-class organization, expanding the breadth and capabilities in several attractive categories, providing meaningful additional liquid-fill capacity and creating a larger, more diversified and multi-site partner for customers. A collective commitment to innovation, quality and exceptional customer service, along with shared midwestern values provide the bedrock for this relationship.

Headquartered in Fredonia, Wisconsin, Guy & O'Neill, Inc. is a leading developer and manufacturer of wipes and liquid-fill products in the household cleaning and personal care categories. Guy & O'Neill holds the original patent for bathing wipes, works with Fortune 500 consumer product companies as a private label and contract manufacturer and manufactures its own suite of brands.

This transaction, which is the latest among several recent deals that BCMS has completed, highlights the expertise of BCMS in several areas:

- Thoughtful positioning of Boomerang in the market
- Navigating an uncertain marketplace during the recent pandemic
- Delivering an outcome that satisfies the personal and financial objectives of our clients.



BCMS Corporate LLC acted as Exclusive Financial Advisor to Boomerang Laboratories, Inc.

Transaction Spotlight

Smartschoolsplus, Inc. acquired by Educational Services, Inc.



Smartschoolsplus, Inc. (“smartschoolsplus” or “the Company”) is a leading provider of employee staffing solutions for school districts in Arizona through return-to-work programs for retirees as well as substitute outsourcing. The Company is renowned in the market for its expertise and ability to serve its employees and clients and enjoys an excellent reputation for trust, respect, honesty and integrity.

The Company’s strong market standing and geographic presence, the compelling dynamics of the industry in which it operates, including the desire for organizations to retain a valued, experienced and skilled workforce, as well as smartSchoolsPlus’ stable and diversified customer profile, made it an attractive acquisition candidate.

Both smartSchoolsPlus and ESI are Arizona-based companies providing employee staffing solutions for school districts through substitute outsourcing, as well as return-to-work programs for retirees. The consolidated experience of these two industry leaders creates an even more effective resource to help address the personnel challenges facing schools. ESI and smartSchoolsPlus share a passion for improving education and impacting the lives of students.

Educational Services, Inc. (“ESI”) provides employee staffing solutions for school districts, colleges and municipalities. Headquartered in Scottsdale, Arizona, ESI designs programs and solutions statewide that benefit both districts and students. Employers turn to ESI to recruit and retain the right talent for any position, which saves them time and minimizes their HR costs.

This transaction, which is the latest among several recent completions advised by BCMS, highlights the firm’s expertise in several areas:

- M&A transaction leadership that facilitated the completion of the deal in the context of a lengthy approval process.
- Strategic positioning of smartSchoolsPlus, highlighting the synergies created by the combination for the buyer.
- Vital guidance during extensive negotiations to deliver an outcome that satisfies the personal and financial objectives of our client.

BCMS Corporate LLC acted as Exclusive Financial Advisor to Smartschoolsplus, Inc.

Additional Recently Completed BCMS Transactions

Le Boulanger, Inc. (certain assets)
acquired by Athens Baking
Company, Inc.



Advantis Credit Limited
acquired by JBW Group Limited



 Genesys International
acquired by H2O Innovation, Inc.



Learning from the Past

Whatever the size, businesses across the globe are facing an unprecedented challenge from the Covid-19 outbreak. With a rapidly-evolving situation – seemingly each day bringing new turmoil and obstacles – business leaders are being challenged to find the balance between following public health directives and implementing the best strategic option for their company. But, as noted earlier in this publication, we have faced difficult times before and we can turn to the past for lessons.



During a recent interview, our client Mike Bailey, former owner of UK-based Didsbury Engineering (or “the Company”), recalled how his company dealt with the negative effects of the SARS outbreak in 2002 - 2004. As a world leader in delivering high quality products to the aviation and defense industry, Mike’s business was impacted by the reduction in air travel caused by the SARS outbreak. Didsbury Engineering needed to quickly adjust their service offering in response to the slowdown in air travel and the changing needs of the airline industry.

Didsbury Engineering performed an in-depth assessment and identified an underutilized core competence that wasn’t being monetized – their expertise in the design and manufacture of precision handling solutions and equipment used for working in confined spaces. They were able to leverage this core competency and apply it in the airplane repair and maintenance market to allow the entry of airplane fuel tanks safely and efficiently for maintenance work.

The Company developed a system for safe fuel-tank entry, which eventually grew to 10% of their business. They were also able to cross-sell this service to other industrial sectors, such as shipping and the defense industry.

What started as an idea to save the business during a difficult period, led to the diversification and growth of their revenue streams in the following years. Being able to adjust their business model helped the Company not only overcome challenging times but also accomplish growth in subsequent years. Didsbury Engineering was successfully sold in 2016 to MEL Aviation Ltd in a transaction advised by BCMS.

BCMS has been working with business owners for over 30 years throughout various economic cycles. Our professionals are available to provide insights, guidance, expertise and perspective as you plan the best course for your business in the short and longer term.

For more information on how BCMS can assist you, contact us at:

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North America | Europe | Asia | Middle East | Australia

BCMS is committed to assist all of our clients and private business owners affected by the current situation related to COVID-19.

Our professionals are available to provide insights, guidance and perspective to help you navigate today's environment.

To speak to us, email meetings@bcms.com

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