



2021 – “Right Place, Right Time”

The old cliché of “right place, right time” could very easily sum up FOCUS’ success over the past two years, but that would be oversimplifying things. Beyond the white-hot market that underpinned our success (and that of our peers) were two factors specific to FOCUS: **more great people and unmatched industry sector expertise.**

During the past two years, if you were in the M&A services business and you weren’t extremely busy, then something was likely wrong with your approach. FOCUS Investment Banking saw tremendous growth in the number of transactions we completed and the revenue we generated. Just as importantly, we added exceptional people, and strengthened our successful industry sector teams.

In 2021 FOCUS closed a record 40 transactions with a total deal volume of \$766 million across 13 focused industry teams. We also added highly talented team members across all areas of the firm: bankers, research staff, marketing team, and senior advisors. The FOCUS team now consists of over 65 professionals across the United States and also has partner firms around the world.

As a result of these efforts and successes, FOCUS was recognized by Axial in October 2021 as the #1 ranked Investment Bank and a Top 50 Business Services company. Axial is the trusted deal platform serving the lower middle market, with over 3,500 participating advisory firms and 1,800 corporate and financial buyers.



36

bankers located
across the USA



14

industries
covered



40

closed transactions
in 2021



\$766M

total transaction
value in 2021



15

new team members
in 2021

What fueled the M&A market?

What’s been driving market activity the past two years? There have been three primary drivers:

“Best market ever” just might be good enough: The pandemic made many Baby Boomers approaching retirement realize that good things don’t necessarily last forever, and there is more to life than owning and running a business. They were also reminded that diversifying their wealth is always a good idea. As a result, many owners decided this was the right time to exit, especially considering that valuations were at an all-time high.

Fear of higher taxes: The fear of large U.S. tax hikes on capital gains, such as the sale of a business, pushed many undecided sellers to move quickly and sell in 2021. Soon after taking office, the Biden administration proposed raising the maximum tax rate on long-term capital gains to 39.6% from the current 20%. According to some estimates, that could reduce the net proceeds from a business sale by more than 20%. While the administration and Congress have so far failed to enact such a tax increase, we believe that they will continue to try, especially given their aggressive spending plans and the large budget deficits the federal government continues to run.

Private equity money: PE firms have amassed large sums of cash that they must invest soon. These dollars are creating a large pool of buyers competing for deals and driving up valuations, intriguing potential sellers about their prospects in this highly active market.



Source: CapIQ

Preliminary 4Q 2021 data as of 1.12.2022. We expect transaction volume for the quarter to increase in a meaningful way.

2022 Outlook - Strong, but it won't be 2021 again

We believe the M&A market will continue to be highly active in 2022, but perhaps not quite as hot as 2021.

Modest tax increase vs. high valuations: As noted, the Biden administration was not able to enact tax increases in 2021, but we expect them to revisit the issue in 2022, with capital gains remaining in the crosshairs. Should such an increase become law, it could reduce the enticement for owners to sell. However, modest increases in capital gains taxes will only be a slight disincentive for owners to consider. It would seem that the all-time high valuations we are seeing would outweigh the downside of higher capital gains.

Rising interest rates?: The Federal Reserve has indicated very clearly that it plans to tighten monetary policy in 2022, including raising interest rates—although interest rates would likely still remain near all-time lows. Higher interest rates lead to higher borrowing costs and tend to reduce the amount that acquirers are able or willing to pay. As we have noted in many of the thought leadership articles we published in 2021, asset valuations could decline even as the pace of business remains robust, so any reduction in pricing may encourage prospective sellers to wait.

Private equity still cash flush: Despite putting a tremendous amount of funds to work the past two years, PE firms are still sitting on a lot of dry powder. Plenty of attractive targets remain. We see PE firms bolstering their existing portfolio companies with new add-ons and additional acquisitions, particularly among managed IT service providers and healthcare companies, to name just two.

FOCUS continues to build

Clearly, client M&A activity in 2021 kept FOCUS more than busy, but we have also continued with our long-term strategy of building highly focused niche industry practice areas and providing them with superior support.

Two investment banking firms were merged into ours, and we also added excellent people across the firm in marketing, research, industry experts and additional bankers.

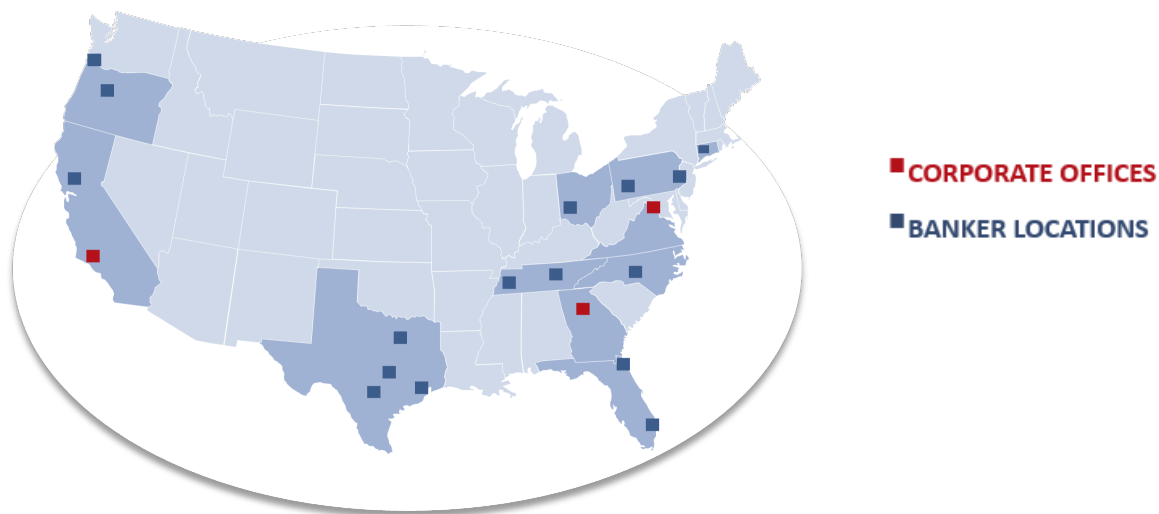
In May, Physicians First, a Nashville, Tennessee-based boutique investment banking firm focused on healthcare, merged its practice into FOCUS. Co-founder Eric Yetter now leads our newly expanded Healthcare Team.

In September we added Silva Capital Solutions, Inc., a Marietta, Georgia-based boutique advisory firm and leader in the Professional Employer Organization (PEO) industry. Its founder and president, Wanda J. Silva, has joined FOCUS as a Managing Director in our Human Capital Management group.

We also successfully launched our e-commerce team, headed by Leah White. E-commerce is one of the fastest growing industries in the world, with a thriving M&A market driven by so-called aggregators—often backed by PE firms, investment banks, and venture capital—that are buying up small entrepreneurial retailers that sell on Amazon’s third-party marketplace. We expect e-commerce to be a major growth area for our business going forward.

In addition, we brought in new marketing leadership, headed by Director of Marketing Kahla Cooper and Marketing Manager Amanda Damato. Since joining the firm in May, Kahla and Amanda have helped our professionals better connect with prospective clients and help the market better understand the degree to which FOCUS investment bankers are thought leaders and subject matter experts in the many industries we work in. The FOCUS team shared loads of industry insights with both prospective sellers and acquirers through numerous articles, blog posts and white papers on topical subjects of keen interest to our partners.

Established Investment Bank with a Nationwide Reach



Every FOCUS banker maintains a core practice in one of the thirteen industry verticals, keeping FOCUS abreast of developments in today’s rapidly changing market environments and offering our clients industry expertise.

Advanced Manufacturing

Food & Beverage

Human Capital
Management

Technology
Services

Automotive Aftermarket

Government,
Aerospace
& Defense

Industrials
& Energy

Supply Chain

Business Services

E-commerce

Healthcare

Life Sciences

Telecom

FOCUS Completed 40 Transactions in 2021

STRATUM	has been acquired by			has acquired	
Strolleria	has been acquired by			received an investment from	
ACCSCIENT a subsidiary of FUTURETECH HOLDING COMPANY	has acquired			has been acquired by	
VELMED Inc.	has been acquired by			has been acquired by	
RM ROTAX METALS	has been acquired by			has been acquired by	
BROTHERS Year #1 Source for 1947-1967 Chevy & GMC Truck Restoration	has been acquired by			has been acquired by	
GENERAL INFORMATICS COMPLEX IT MADE SIMPLE	has acquired			has been acquired by	
CYBERSHEATH SERVICES INTERNATIONAL	has been acquired by			has been acquired by	
	has been acquired by			has been acquired by	
VERSANT COMPLEX IT MADE SIMPLE	has been acquired by			has been acquired by	
	has been acquired by			has acquired	
	has been acquired by			has been acquired by	
	has been acquired by			has been acquired by	
GUARANTY RV SUPER CENTERS	has been acquired by			has been acquired by	
	has been recapitalized by			has been acquired by	

**10 transactions not listed as public*

In Conclusion:

As we look back on 2021 and ahead to 2022, we are confident in FOCUS and the direction the team is headed. Undoubtedly there will be more challenges to come, but we feel fortunate that we've been able to prosper in the face of a major global health crisis and one of the most challenging economic environments in generations. We couldn't have done that without the efforts of all of our people and the clients and partners who put so much faith in us. Here's to another successful year!

FOCUS
Investment Banking