## Pandemic Solidifies Investor Interest in Safety Products Businesses





From face masks to upgraded air filtration systems, employers implemented processes and protocols to keep employees safe throughout COVID-19. While demand for safety products skyrocketed during the peak of the pandemic, there has been a fundamental shift in the importance individuals place on health, wellness and safety that has "reset" demand at a "new normal."

Safety products have always been critical—not discretionary—which became even more apparent during COVID-19. As a result, many products have gone from "nice-to-have" to "must-have." As employee protection and workplace safety continue to move up the corporate agenda, the importance of safety on a global basis has risen. In turn, safety product companies provide an attractive investment opportunity.

Beyond the cultural shift with respect to safety, regulatory drivers globally have mandated an ongoing need for safety products, leading to long-term, sustainable growth for these businesses. Governing bodies like the Occupational Safety and Health Administration (OSHA) and the Centers for Disease Control (CDC) in the U.S. or the European Agency for Safety and Health at Work are updating standards at an increasing rate, driving the need for new and innovative safety products. Additionally, multinational companies are increasingly developing their own corporate standards for employee safety that go beyond regulatory requirements to standardize their policies across geographies.

While most safety products like disposable gloves or safety cutting tools are relatively immaterial in cost, they provide a layer of protection for companies far beyond their value. Prioritizing the purchase of safety products ultimately helps companies avoid headline risk and costly events such as worker compensation claims following an injury, lawsuits and even employee death.

## **LINCOLN PERSPECTIVE**

As safety remains top-of-mind during and post-COVID, investors are looking to capitalize on the opportunity to deploy capital in safety products businesses. Lincoln has identified several key considerations for safety products business owners as think about what drives value in a sale process.

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- 1 Proven, sustainable growth post-pandemic
  - During COVID-19, health, wellness and safety were of the upmost importance for all employers. Many safety products companies saw spikes in growth during the pandemic as employers implemented new protocols to keep their workers safe and consumers were extra cautious. However, investors are focused on determining what level of growth is sustainable and can be underwritten beyond the pandemic.
- **7** | Brand recognition and product innovation set businesses apart

Brand ownership matters to facilitate pricing power and end user demand; premium brands are highly sought after as they yield commercial and financial benefits. Companies with proprietary, patented products and new product development capabilities are highly coveted given the ever-changing marketplace.

**?** | Channel proves critical

Many safety products are sold through large industrial distributors. While the industrial distribution channel is effective at reaching a broad breadth of end-users, businesses that can demonstrate true end-user relationships are unique. The ability to influence the channel and drive attractive "push-/pull-through" dynamics is critical.

Many safety products require replenishing or replacement on a regular basis, driving desirable recurring revenue streams. This "consumability" factor is attractive to all investors—particularly private equity—as they evaluate the long-term profitability, stability and growth potential of a business.

Chief Safety Officers influence purchasing decisions

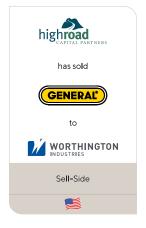
At many companies, a Chief Safety Officer (CSO) is tasked with creating and enforcing safety policies to minimize employee risk, as well as identifying and making safety product purchases to align with these policies. CSOs make purchasing decisions through a different lens—one that is focused first on employee safety and then price. For differentiated products that are proven to protect employees, price is far less important.

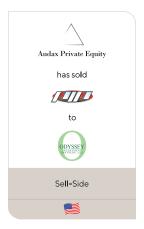
**C** | Leverage safety service provider relationships

Safety service providers perform thousands of audits of companies' facilities every year, often completing the process with a list of product recommendations to drive safety enhancements and, in certain cases, stay compliant with regulations. These service providers can be strong referral sources for products companies, making them a key audience to target with marketing and sales efforts.

Continued momentum in the safety sector strengthens Lincoln's position as a true expert in the space and leader in the middle market. Review our recent transactions in the sector below.











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To discuss these themes and the opportunities for your business, contact a member of Lincoln's global M&A team by visiting <a href="https://www.lincolninternational.com/services/ma">www.lincolninternational.com/services/ma</a>.

