



**CHARTER**  
*Capital Partners*

M&A Insights: September 2021

**CONTRACT FURNITURE  
INDUSTRY UPDATE**

# CONTRACT FURNITURE INDUSTRY UPDATE

## M&A TRENDS

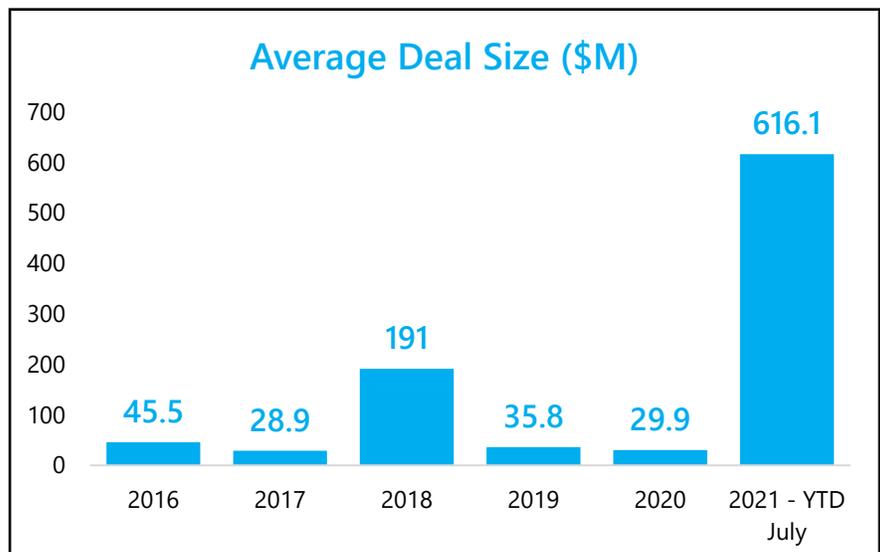
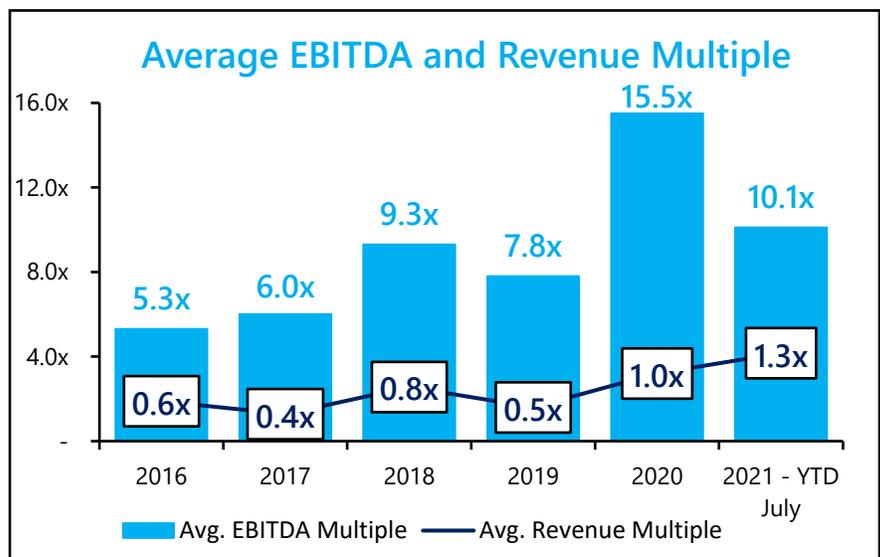


While contract furniture manufacturers and distributors have struggled with the impact of the pandemic on the industry, reported EBITDA multiples represent a five-year high.

Reported deal activity in 2020 remained relatively consistent with historical performance, on a global basis, despite the negative impact of the COVID-19 pandemic-related shutdowns on the contract furniture industry overall. Deal count through July of 2021 is down 46.2% compared to the same period in 2020. However, it would not be surprising to see an increase in M&A activity during the second half of 2021, which would mimic deal activity for 2020 and align with industry-wide M&A activity trends for the year.

Reported EBITDA multiples for 2020 and YTD July 2021 were 15.5x, and 10.1x, respectively, representing a five-year high for the industry, globally, with 2020 figures nearly doubling 2019 performance.

Reported average deal size remains relatively low, as many of the larger industry players continued to focus on smaller strategic acquisitions. However, the MillerKnoll deal in 2021, has significantly skewed that number higher.



Source: Pitchbook, Capital IQ

# CONTRACT FURNITURE INDUSTRY UPDATE

## KEY FACTORS IMPACTING M&A



### M&A Market Activity

Over the past several years, private equity firms have been sitting on significant sources of capital available for deployment, or “dry powder,” which was partially responsible for the increased level of deal activity in the years leading up to 2020. During the first half of 2020, deal volume and multiples declined, driven down by several factors including market risk, uncertainty, increased financing costs, and decreased financing availability, among others. When activity resumed in 2020 as business outlooks became clearer, buyers, specifically private equity buyers, were eager to deploy capital. Industry-wide deal volume increased to record levels in 2020 and 2021 YTD is trending in that direction.

An aging ownership base among privately held companies, specifically in the contract furniture manufacturing and distribution space, is likely to increase M&A activity in the near future. However, there are also many companies within the furniture industry that did not perform well in 2020 and may be waiting to recoup value before considering a sale. The resulting imbalance in the number of strong companies that performed well during the COVID-related shutdowns and the high demand from buyers has resulted in higher than historical valuation multiples across all industries, including contract furniture.

### Work from Home/E-commerce

The bulk of contract furniture purchasing, including office furniture, has historically occurred through intermediaries. In early 2020, as many workers began working remotely, the demand for direct-to-consumer availability, specifically online, became an important distribution channel for furniture manufacturers.

While the shift to online purchasing of goods and services is certainly not new, the pandemic-related shift in the way people live and work created an even higher demand for e-commerce, specifically in the home office space. This increase in demand forced larger OEMs to consider their direct-to-consumer availability, either adjusting their go to market strategy internally, or acquiring to meet that demand.

Even as employees begin heading back into physical workplaces in 2021, a majority still prefer to have the option to work remotely, at least part of the time, which one can assume will impact future spend on home office furnishings and equipment. This fundamental shift in the way the workspace is viewed has long term implications for furniture manufacturers and the way that they reach their end consumers.

### Diversification

Diversification of both end user and product line will continue to drive M&A in the contract furniture industry. With e-commerce distribution on the rise, manufacturers are seeking to expand their product catalog so that they can capture more spend per consumer by meeting more of their product demands. This is particularly relevant when considering the home office market and the customer desire to be able to purchase their full suite of home office furniture and equipment easily and quickly.

Diversification in terms of end market has also been impacted by COVID, with manufacturers expanding their focus beyond office furniture, and into the healthcare, education, and hospitality markets.

Source: Pitchbook, Capital IQ

# CONTRACT FURNITURE INDUSTRY UPDATE

## HIGHLIGHTED TRANSACTIONS



Date	Companies	Description
July 2021	 <b>HermanMiller</b> + <b>Knoll</b>	Herman Miller, Inc. (NASDAQ: MLHR) and Knoll, Inc. (NYSE: KNL) complete merger, becoming MillerKnoll. The combined company comprises 19 brands and has a presence in more than 100 countries.
January 2021	 <b>HNI</b> +  <b>DPC</b>	HNI Corporation (NYSE: HNI) completed the acquisition of Design Public Group, a leading e-commerce distributor of high design furniture for the office and home.
December 2020	<b>Kimball</b> +  <b>poppin</b>	Kimball International, Inc. (NASDAQ: KBAL) completed the acquisition of Poppin, Inc., a tech-enabled, market-leading B2B commercial furniture design company.
August 2020	<b>Knoll</b> +  <b>fully</b>	Knoll, Inc. (NYSE:KNL) completed the acquisition of Fully, the Portland, Oregon-based ecommerce furniture brand.
February 2020	 <b>innovative</b> design works +  <b>Sis</b> ERGO	Innovative Office Products completed the acquisition of Sis Ergo, a manufacturer of ergonomic electric and non-electric height-adjustable tables and accessory products for a broad range of workplace ergonomic needs
January 2020	 <b>innovative</b> design works +  <b>CompuCaddy</b>	Innovative Office Products completed the acquisition of CompuCaddy, a manufacturer of medical computer carts, medical cart workstations and other complementary products for medical and healthcare facilities.

Source: Pitchbook, Capital IQ, Press Releases



# CHARTER

*Capital Partners*

## About Charter

Founded in 1989, Charter Capital Partners is a premier investment banking firm headquartered in Grand Rapids, Michigan. Charter offers a comprehensive range of investment banking and private capital investing advisory services, including buy-side and sell-side M&A, succession planning, business valuation, and capital raise.

Charter was named one of the top 100 most referred middle-market advisory firms in the US, according to a survey of 1,000 private equity firms, strategic acquirers, and family offices compiled by Axial, a network of middle market investors, advisors, and CEOs. Our mission is to deliver superior professional guidance to both business owners and investors throughout the complete business lifecycle.

## Furniture Industry Expertise

Charter has served furniture industry clients for more than 30 years, closing transactions spanning OEMs, component suppliers, dealers, national manufacturers and leading brands. In 2013 we launched a dedicated furniture practice, leveraging our deep investment banking knowledge, furniture industry understanding and relationships to generate the best outcomes for our clients. As one of the few investment banking firms with a dedicated furniture practice, Charter is uniquely positioned to successfully guide clients through buy, sell, and capital raise transactions for companies ranging from \$10 million to \$250 million in enterprise value.

*Broker dealer services offered through M&A Securities Group, Inc., Member FINRA/SIPC, a separate entity from Charter Capital Partners.*

Charter Capital Partners • 140 Monroe Center NW • Suite 300 • Grand Rapids, MI 49503 • 616.235.3555

[chartercapitalpartners.com](http://chartercapitalpartners.com)

## Furniture Industry Practice Team Leader



**Elisa Berger**  
Vice President

[eberger@chartercapitalpartners.com](mailto:eberger@chartercapitalpartners.com)