

Market Pulse Report Third Quarter 2019

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David Ryan, M&A Source Market Pulse Committee

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ACKNOWLEDGEMENTS

Special thanks to the following people at The Graziadio School of Business and Management for their contributions.

PEPPERDINE GRAZADIO SCHOOL OF BUSINESS AND MANAGEMENT

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I. About the Market Pulse Report

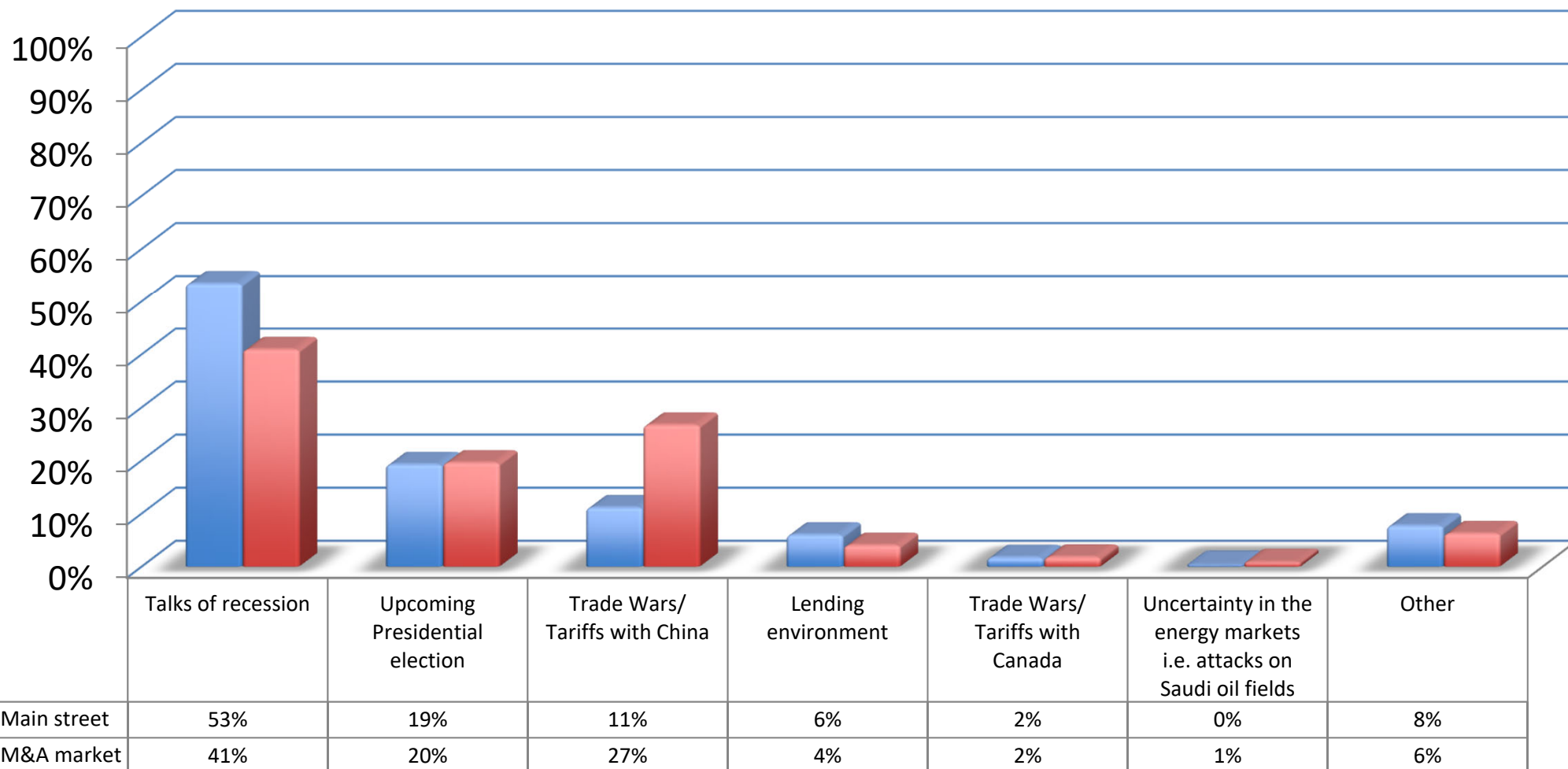
The International Business Brokers Association (IBBA) and M&A Source, in partnership with Pepperdine Private Capital Markets Project, have set a goal to provide quality information on a quarterly basis in order to become the go-to source for Main Street and Lower Middle Market transactions. The “Market Pulse Report” gives you timely and accurate data to help you build and maintain a successful and sustainable business.

About the Survey

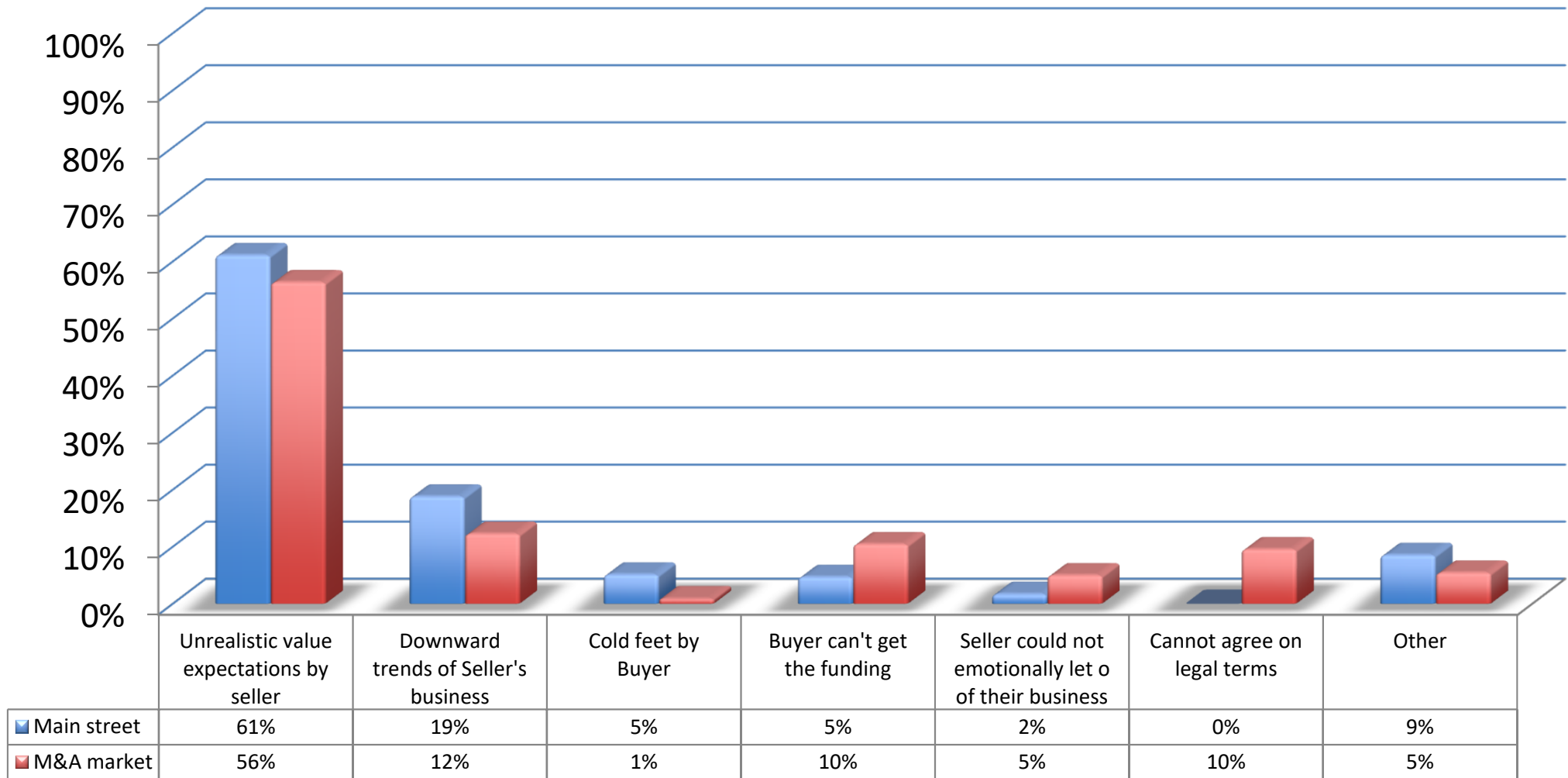
- 25 questions
- Invited participants were members of the International Business Brokers Association (IBBA), IBBA Affiliates/Chapters, and/or M&A Source
- 236 completed responses
- Responses collected from Oct 1 to Oct 17, 2019

II. Current Business Environment

The Biggest Concern Or Uncertainty That Is Affecting Business Valuations in The US?

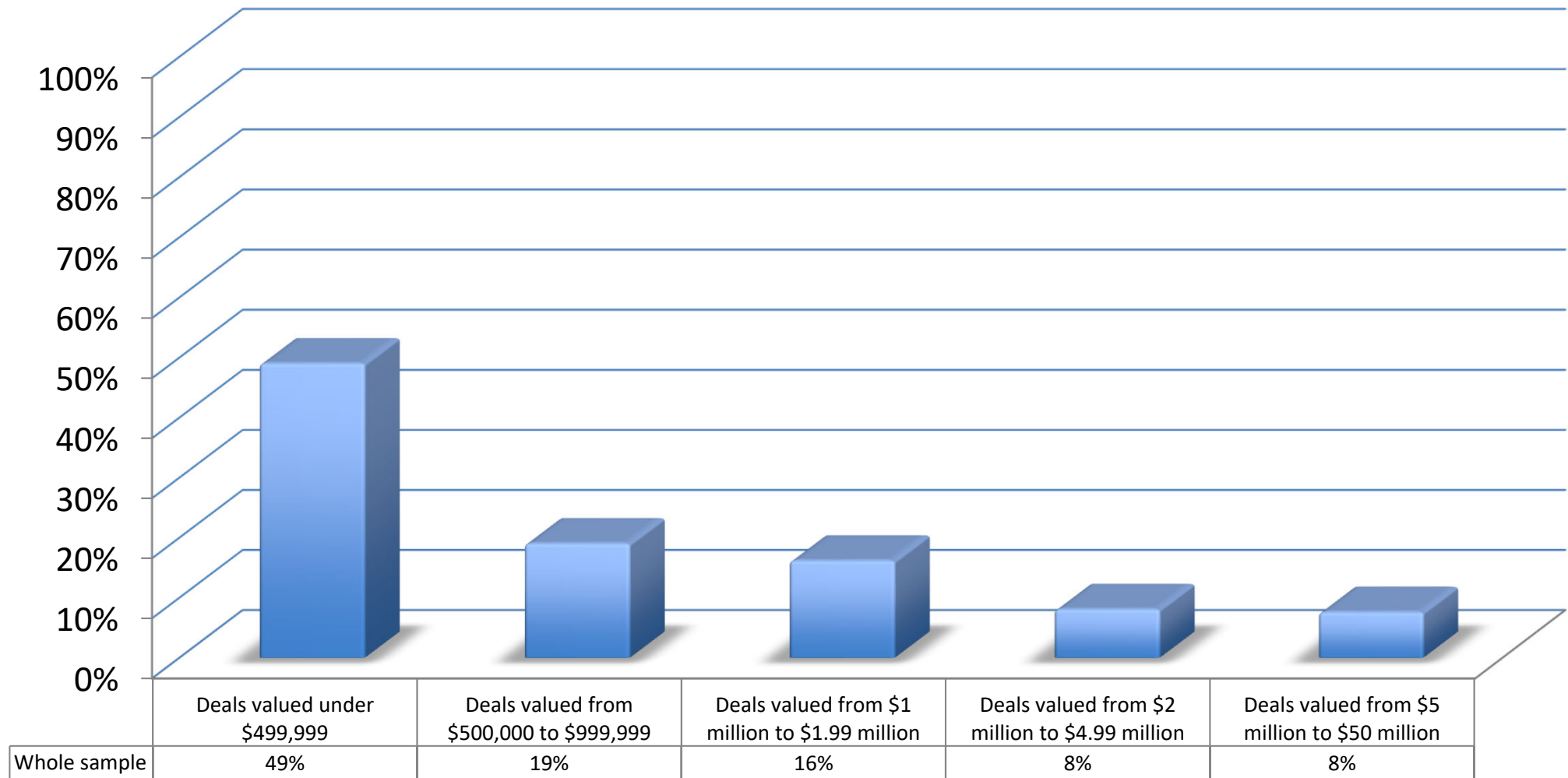


What Is The Number One Reason For Businesses Don't Sell?

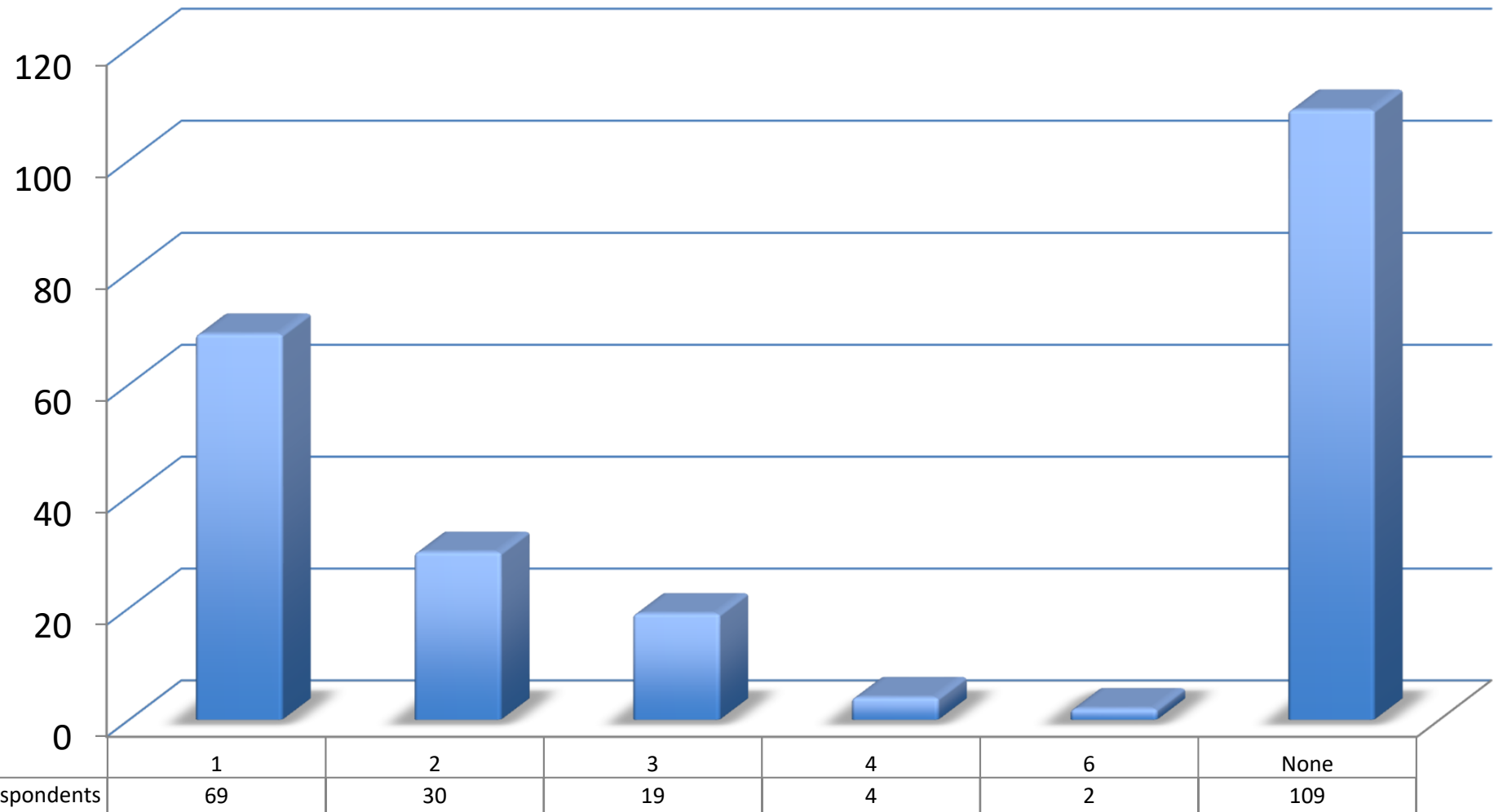


III. Business Transactions Closed in the Last 3 Months

Business Transactions that Were Closed in the Last Three Months by Deal Size



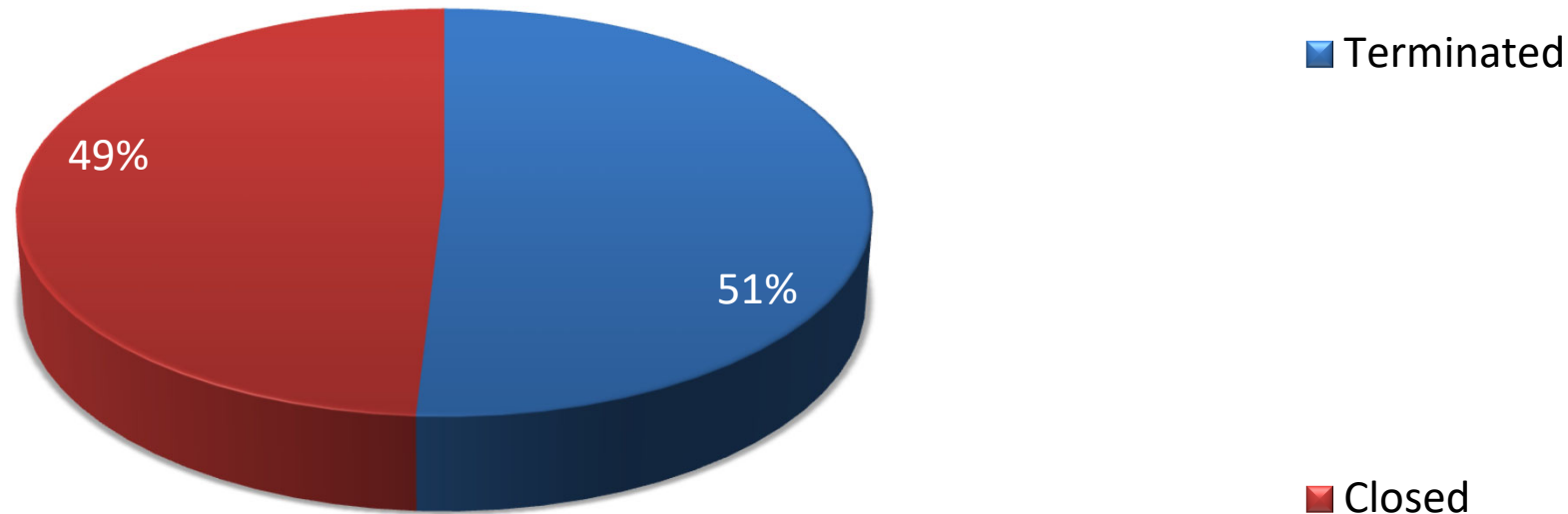
Number of Business Transactions Closed by Respondents in the Last 3 Months



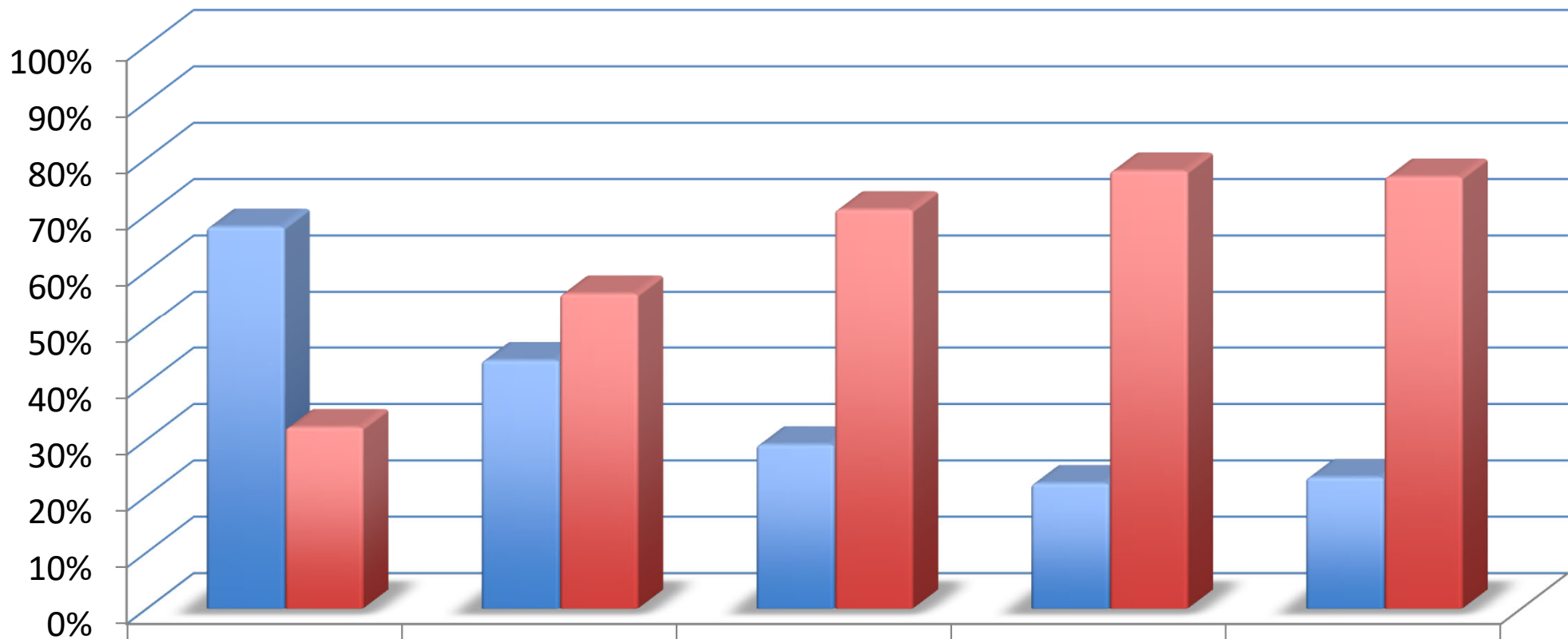
Change in the Number of New Clients by Deal Size in The Last 3 Months

Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under \$499,999	2%	15%	50%	30%	3%	3.2
Deals valued from \$500,000 to \$999,999	1%	13%	53%	32%	1%	3.2
Deals valued from \$1 million to \$1.99 million	3%	16%	52%	29%	0%	3.1
Deals valued from \$2 million to \$4.99 million	3%	14%	58%	25%	0%	3.1
Deals valued from \$5 million to \$50 million	4%	8%	62%	24%	1%	3.1

Percentage of Transactions Terminated without Closing in the Last Three Months



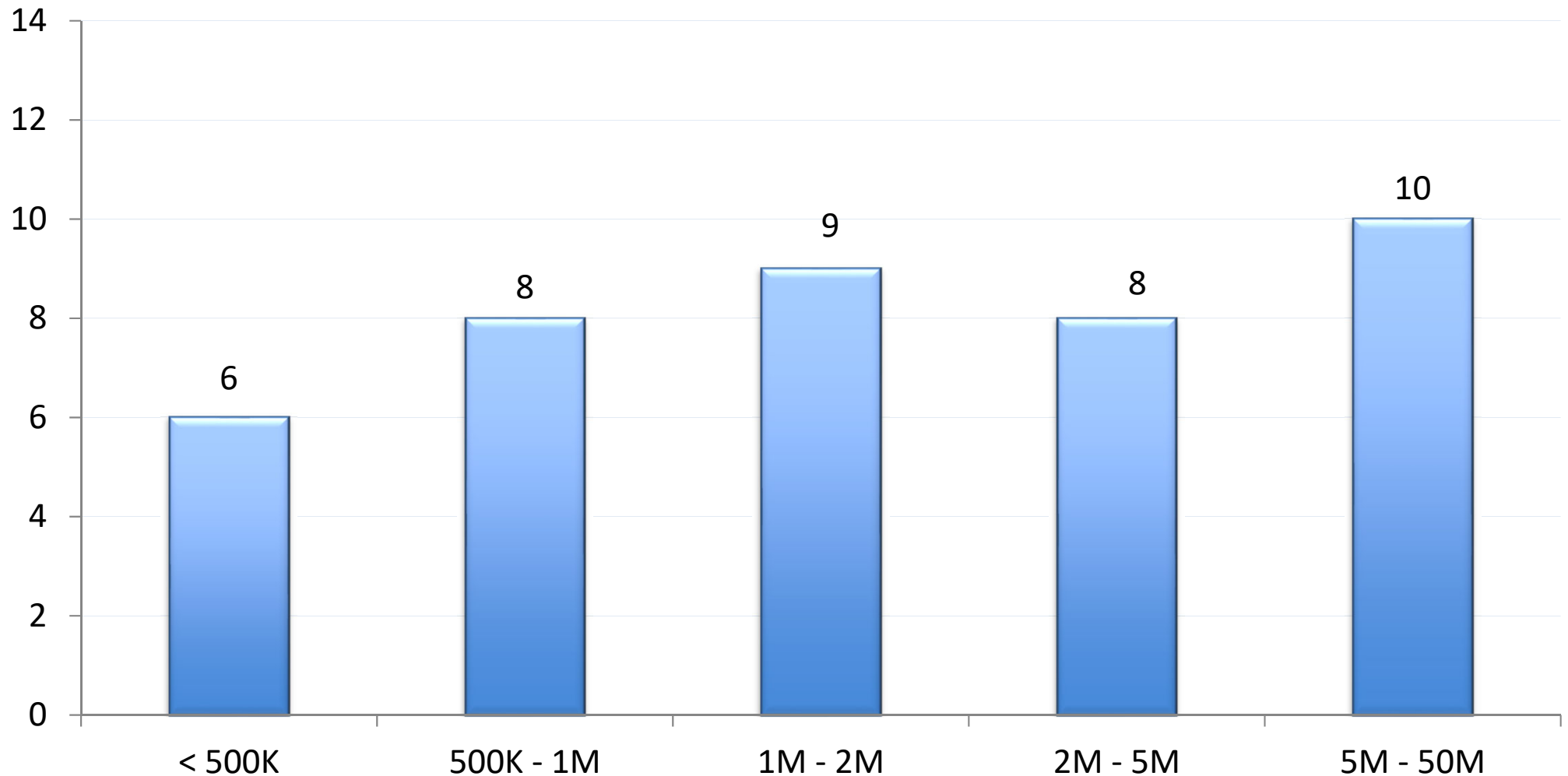
Was it Buyer's or Seller's Market in the Last 3 Months?



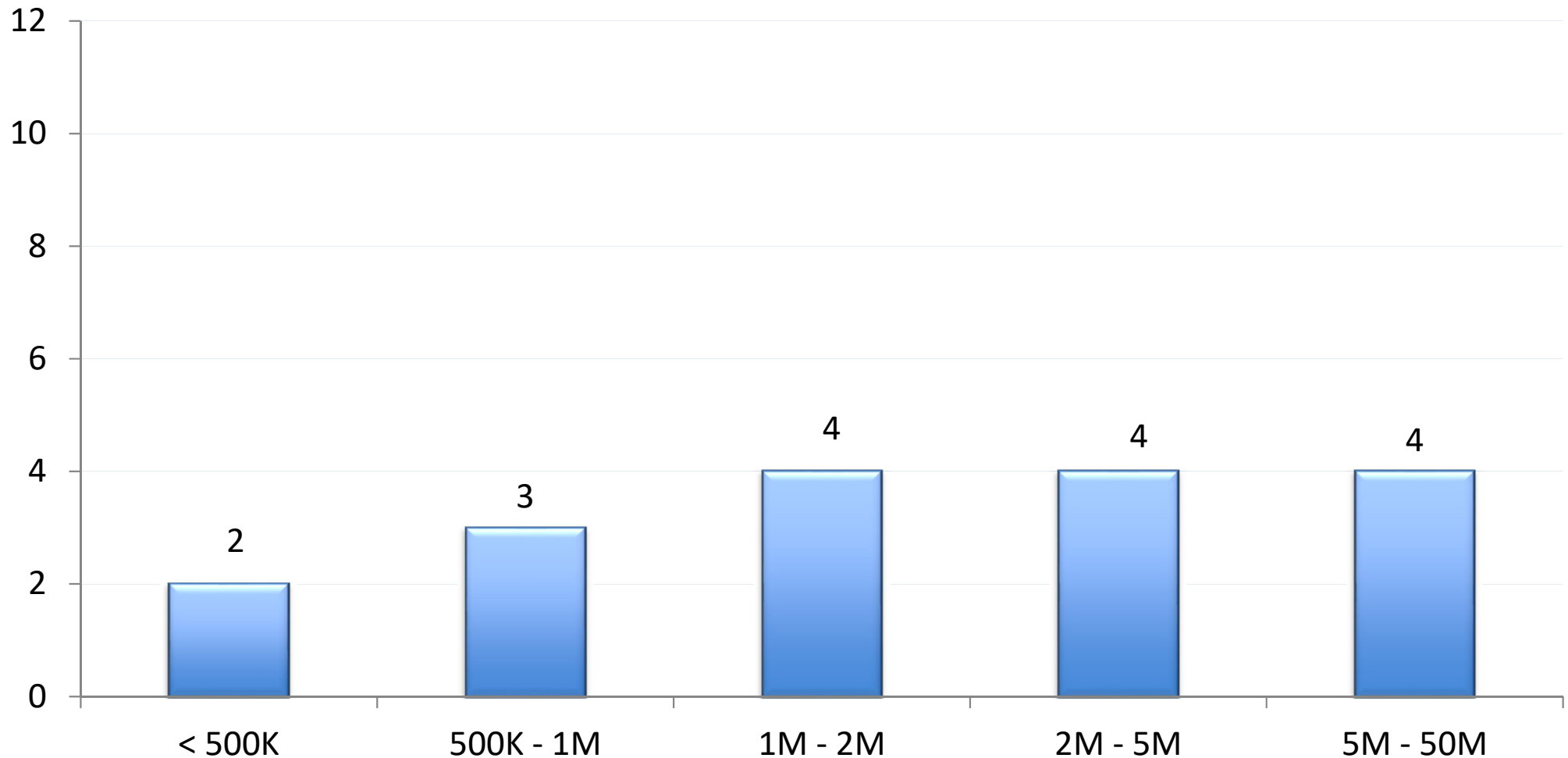
	Deals valued under \$499,999	Deals valued from \$500,000 to \$999,999	Deals valued from \$1 million to \$1.99 million	Deals valued from \$2 million to \$4.99 million	Deals valued from \$5 million to \$50 million
Buyer's market	68%	44%	29%	22%	23%
Seller's market	32%	56%	71%	78%	77%
Number of responses	143	134	110	108	73

Business Transactions of All Sizes, Comparison

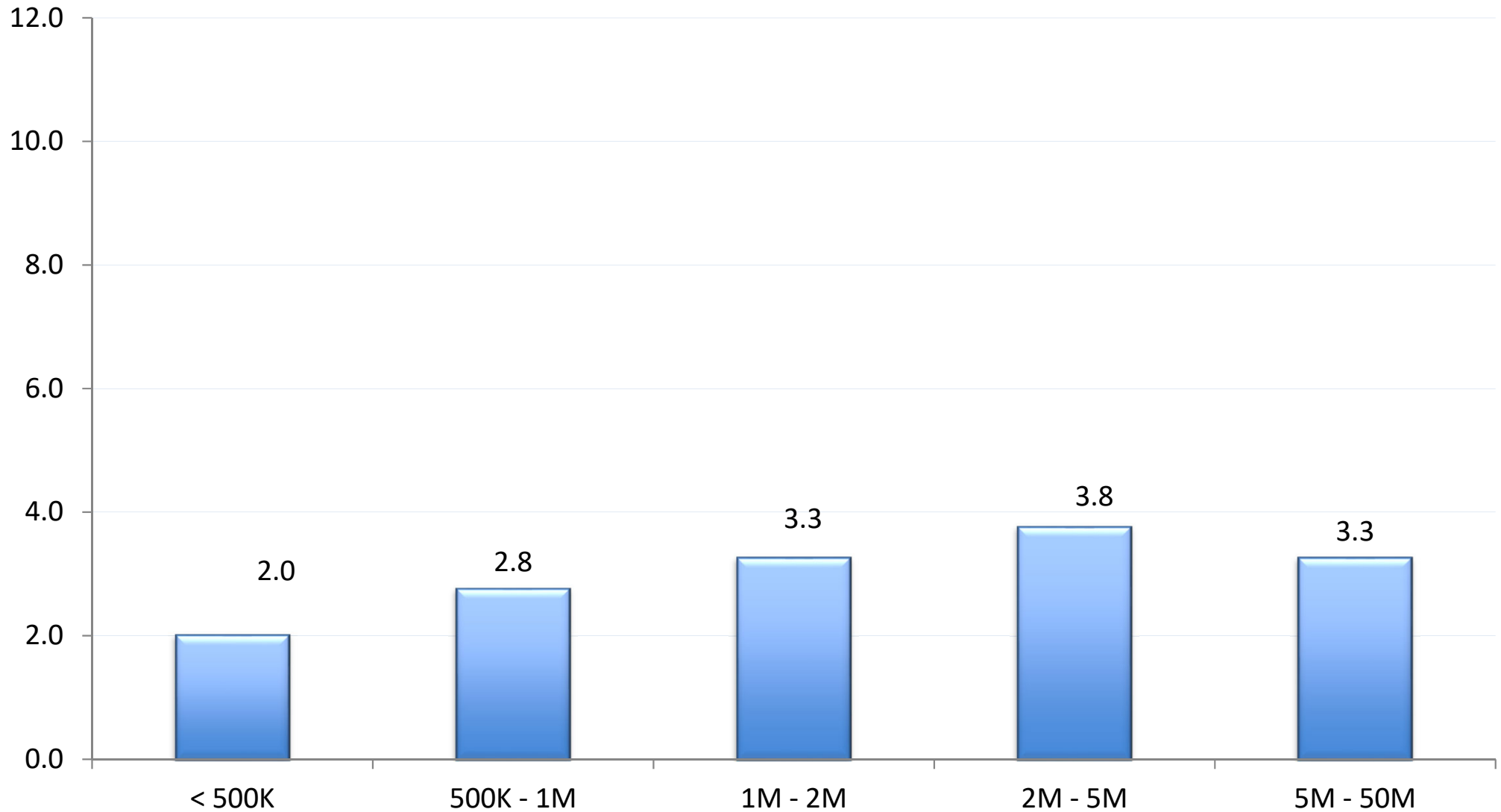
Median Number of Months from Listing/Engagement to Close



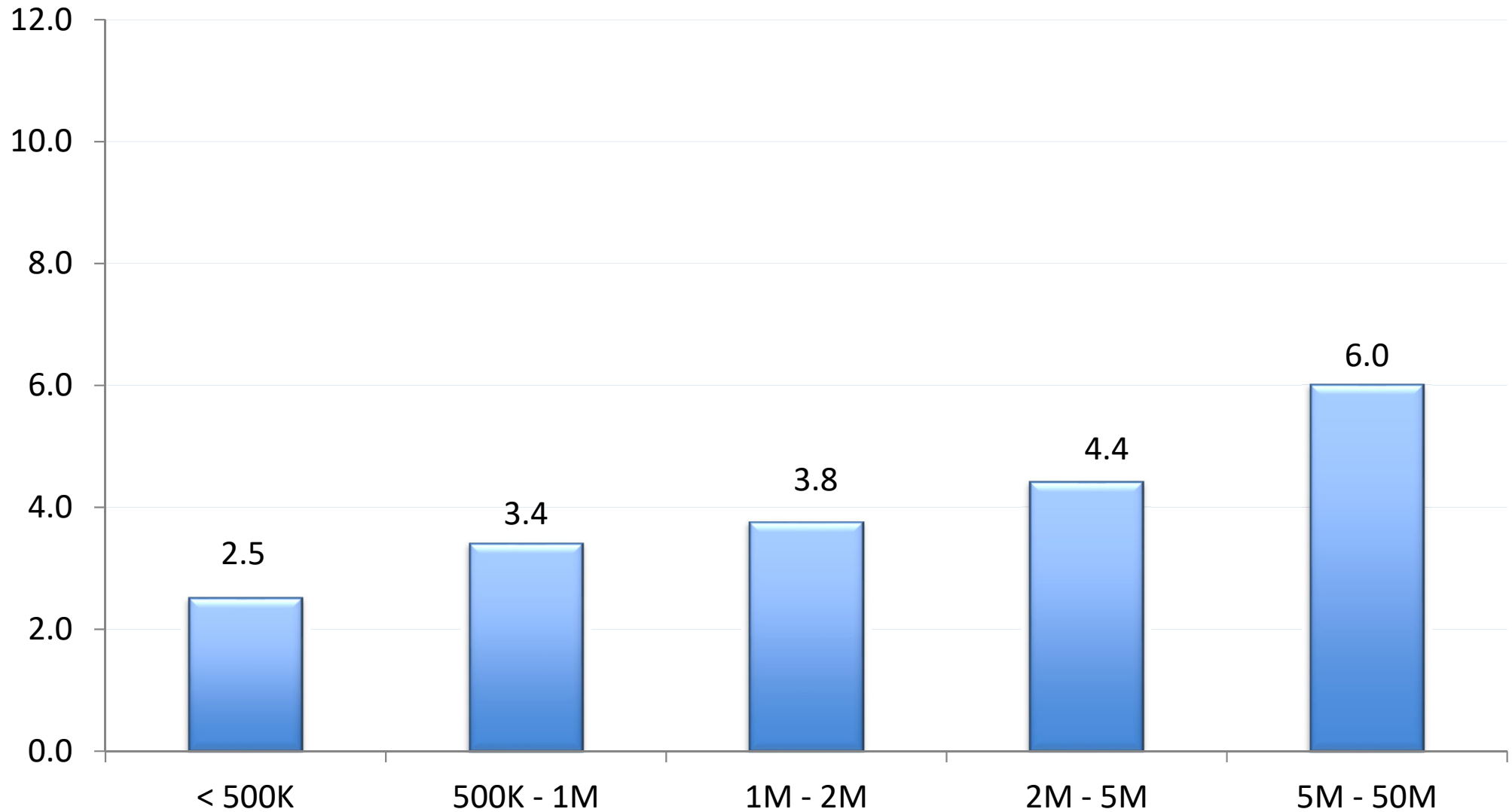
Median Number of Months from LOI/Offer to Close



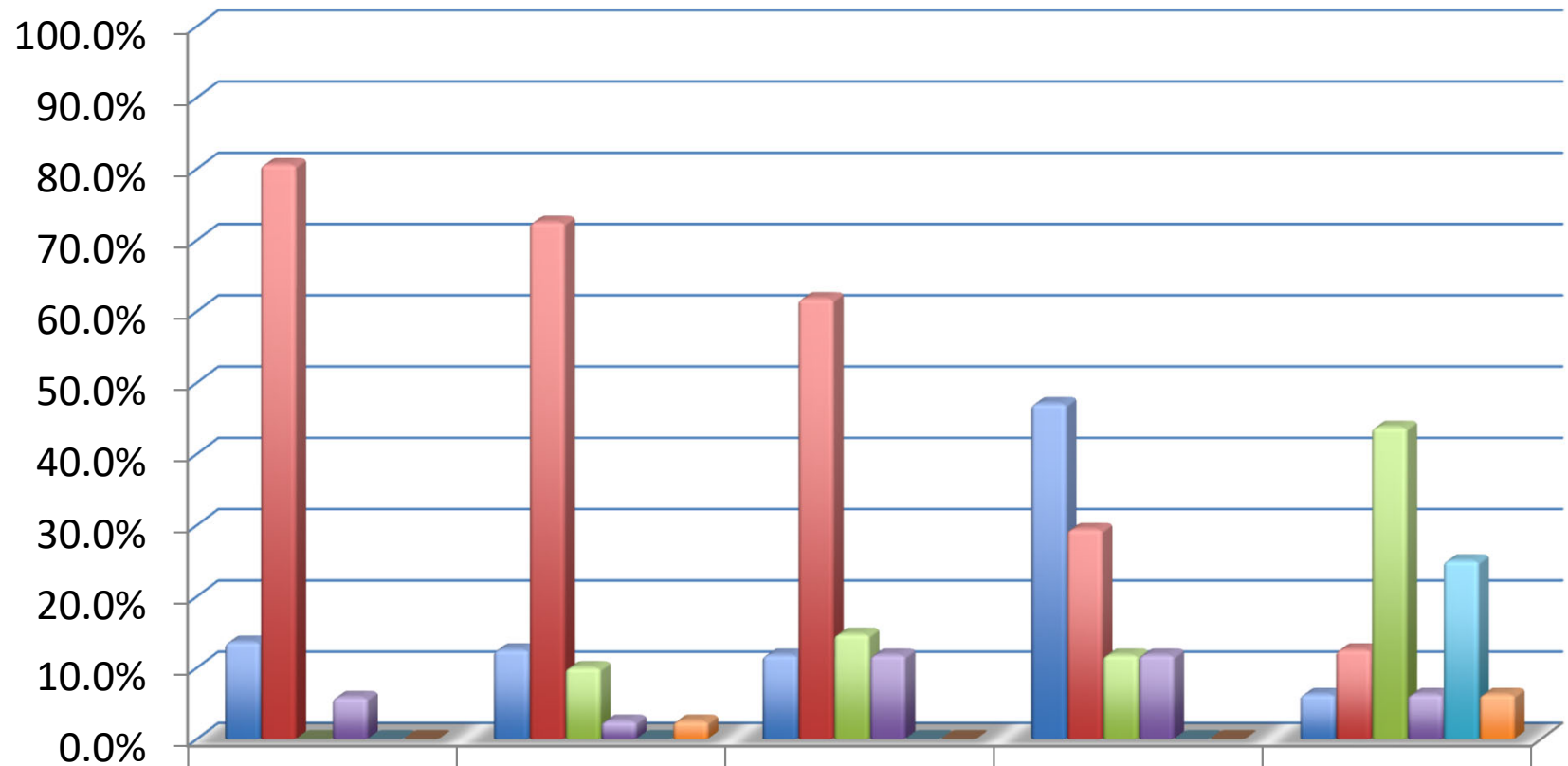
Median SDE Multiple Paid



Median EBITDA Multiple Paid

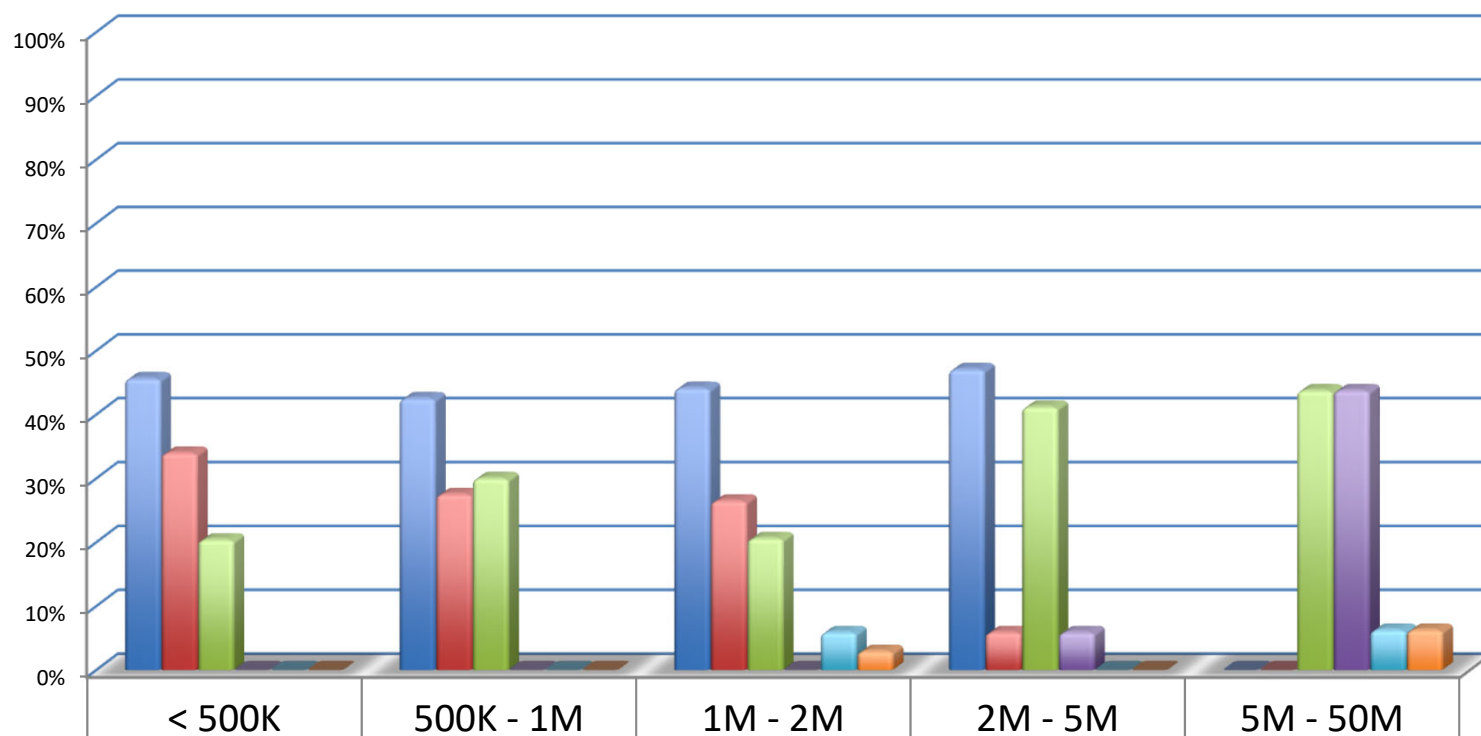


Multiple Type



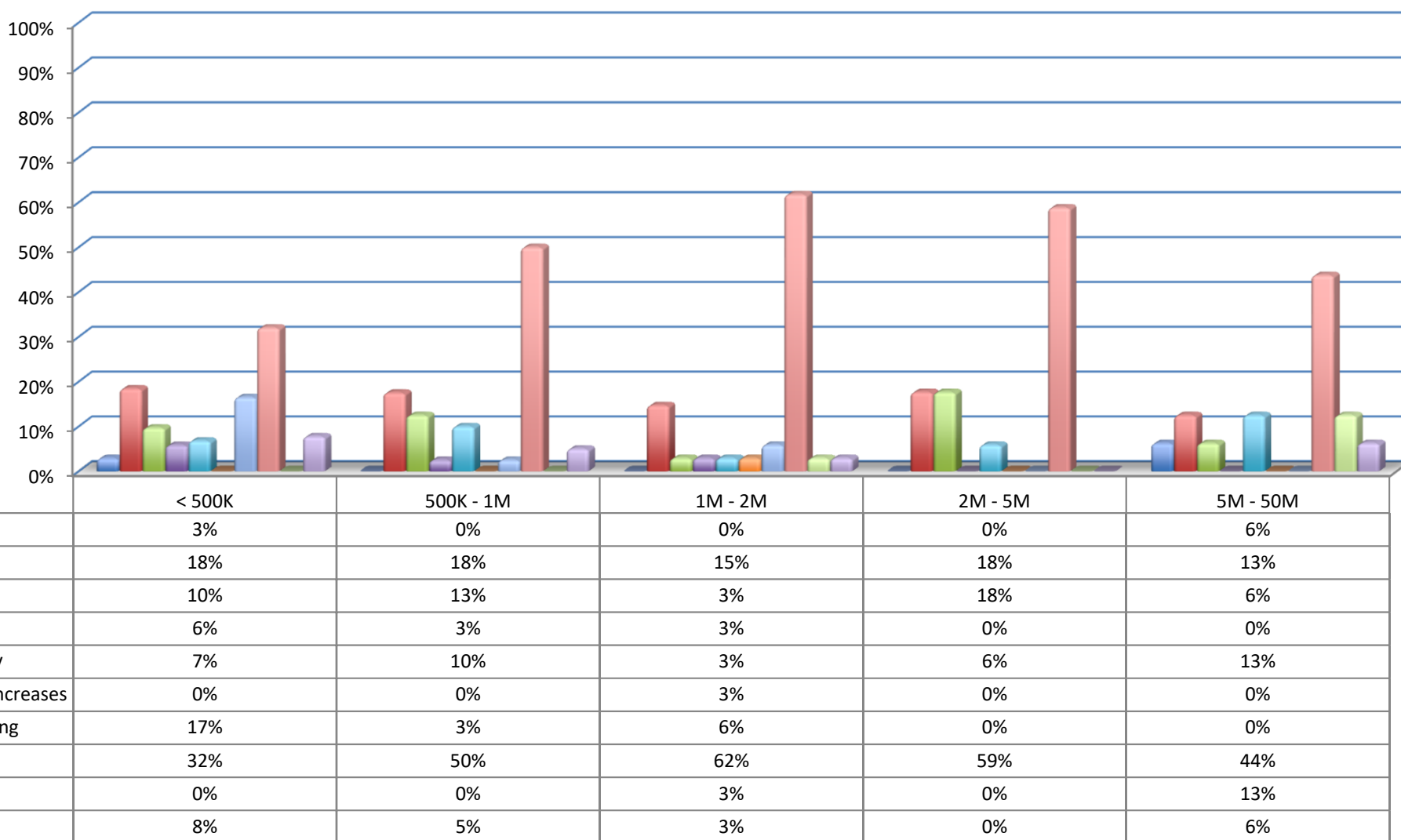
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ SDE including working capital	13.6%	13%	11.8%	47.1%	6.3%
■ SDE not including working capital	80.6%	73%	61.8%	29.4%	12.5%
■ EBITDA including working capital	0.0%	10%	14.7%	11.8%	43.8%
■ EBITDA not including working capital	5.8%	3%	11.8%	11.8%	6.3%
■ TTM EBITDA including working capital	0.0%	0%	0.0%	0.0%	25.0%
■ TTM EBITDA not including working capital	0.0%	3%	0.0%	0.0%	6.3%

Buyer Type

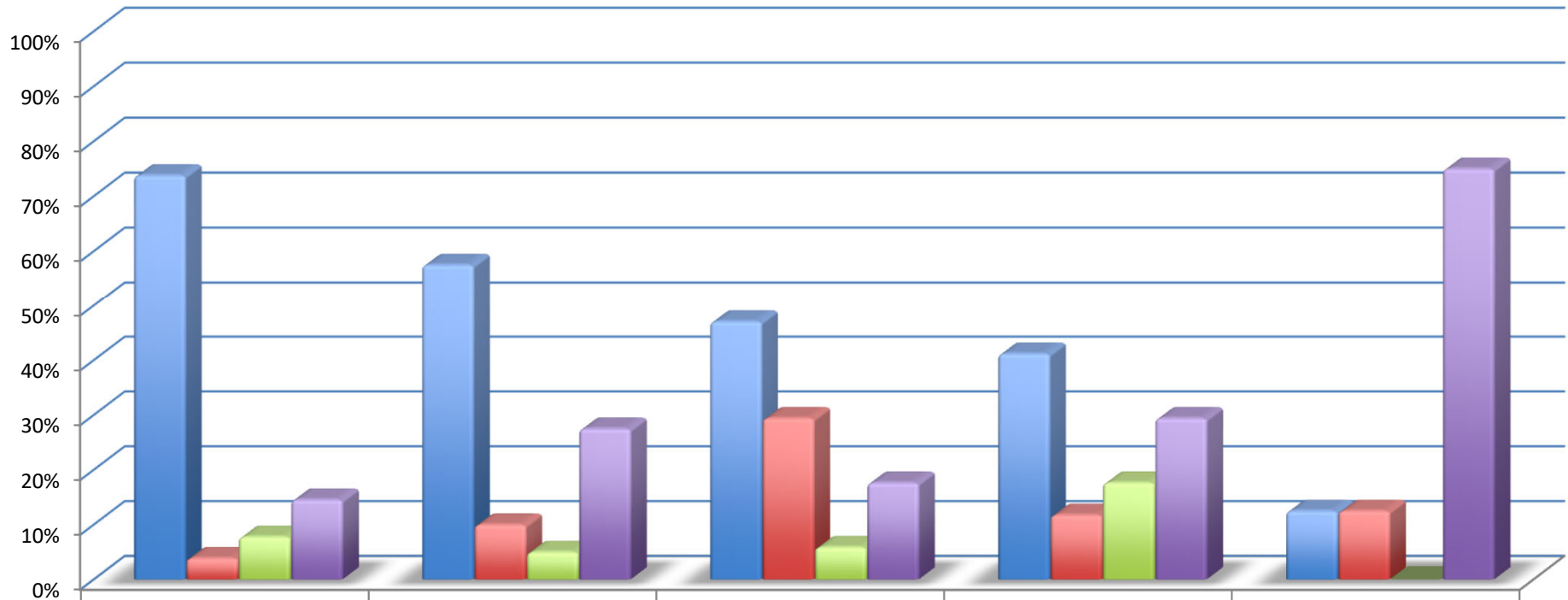


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
1st time individual	46%	43%	44%	47%	0%
individual who owned a business	34%	28%	26%	6%	0%
existing company/strategic buyer	20%	30%	21%	41%	44%
PE firm - Platform	0%	0%	0%	6%	44%
PE firm - Add-on	0%	0%	6%	0%	6%
Other	0%	0%	3%	0%	6%

#1 Reason for Seller to Go to Market

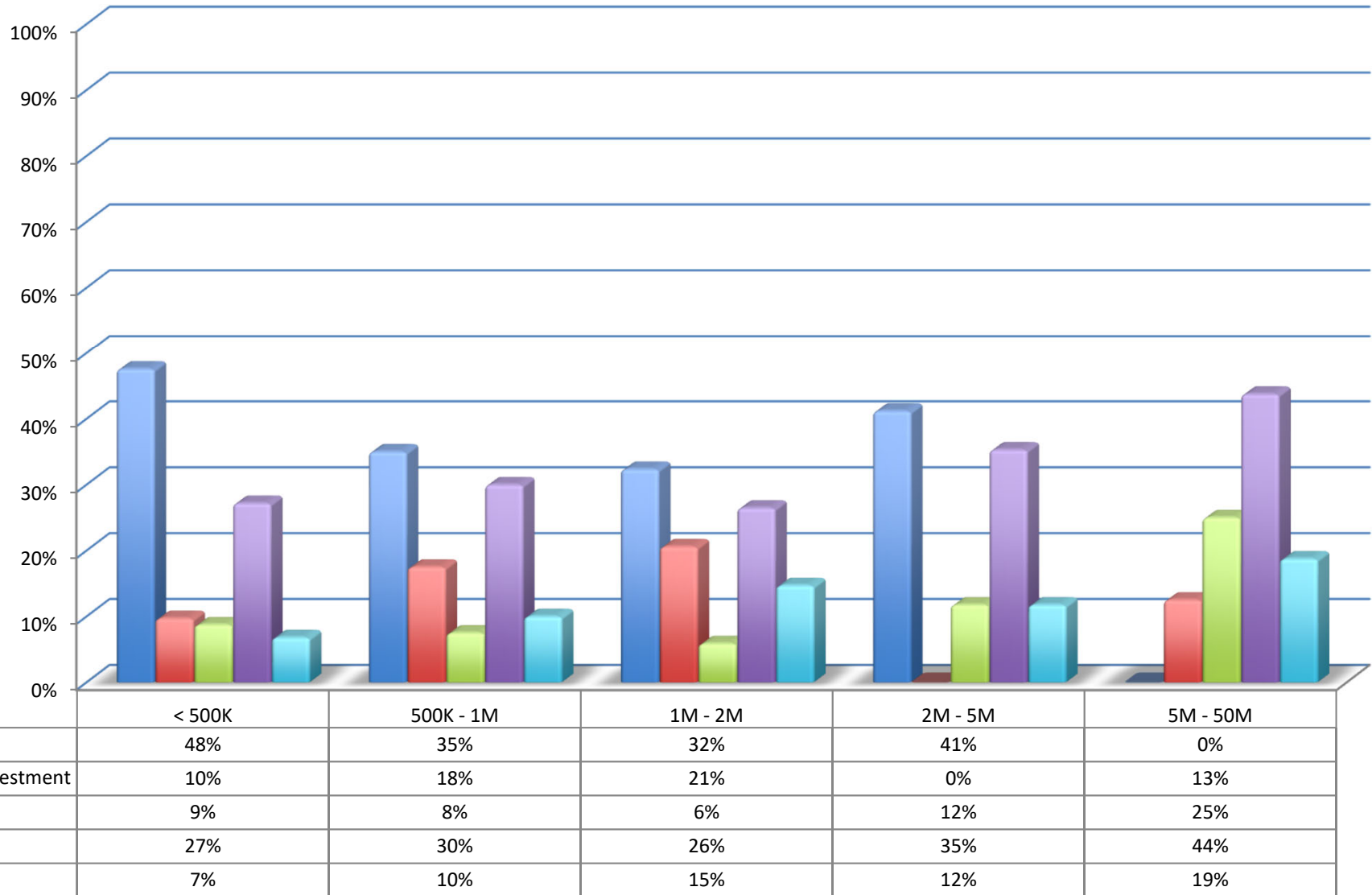


Buyer Location

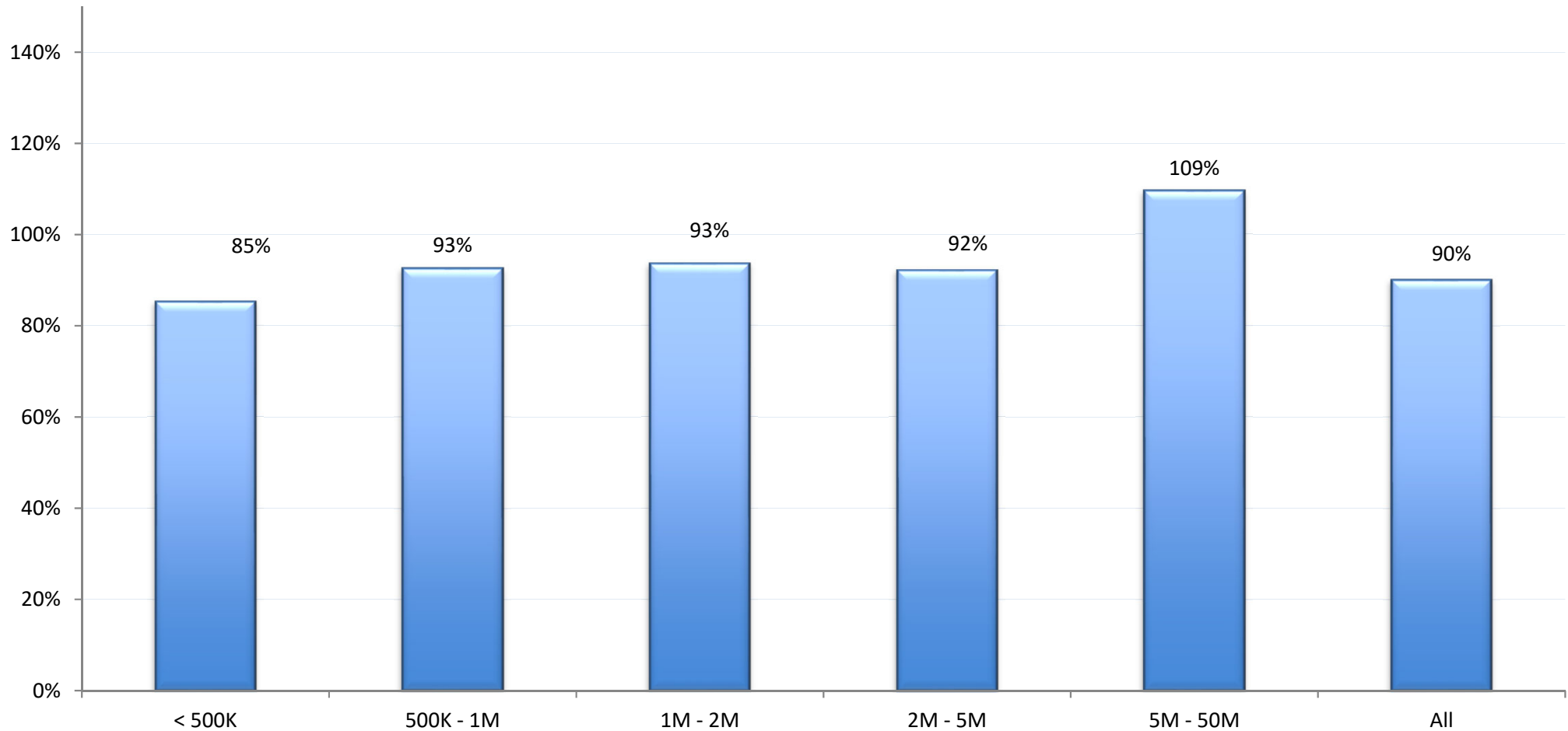


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
within 20 miles	73.8%	57.5%	47.1%	41.2%	12.5%
within 50 miles	3.9%	10.0%	29.4%	11.8%	12.5%
within 100 miles	7.8%	5.0%	5.9%	17.6%	0.0%
more than 100 miles	14.6%	27.5%	17.6%	29.4%	75.0%

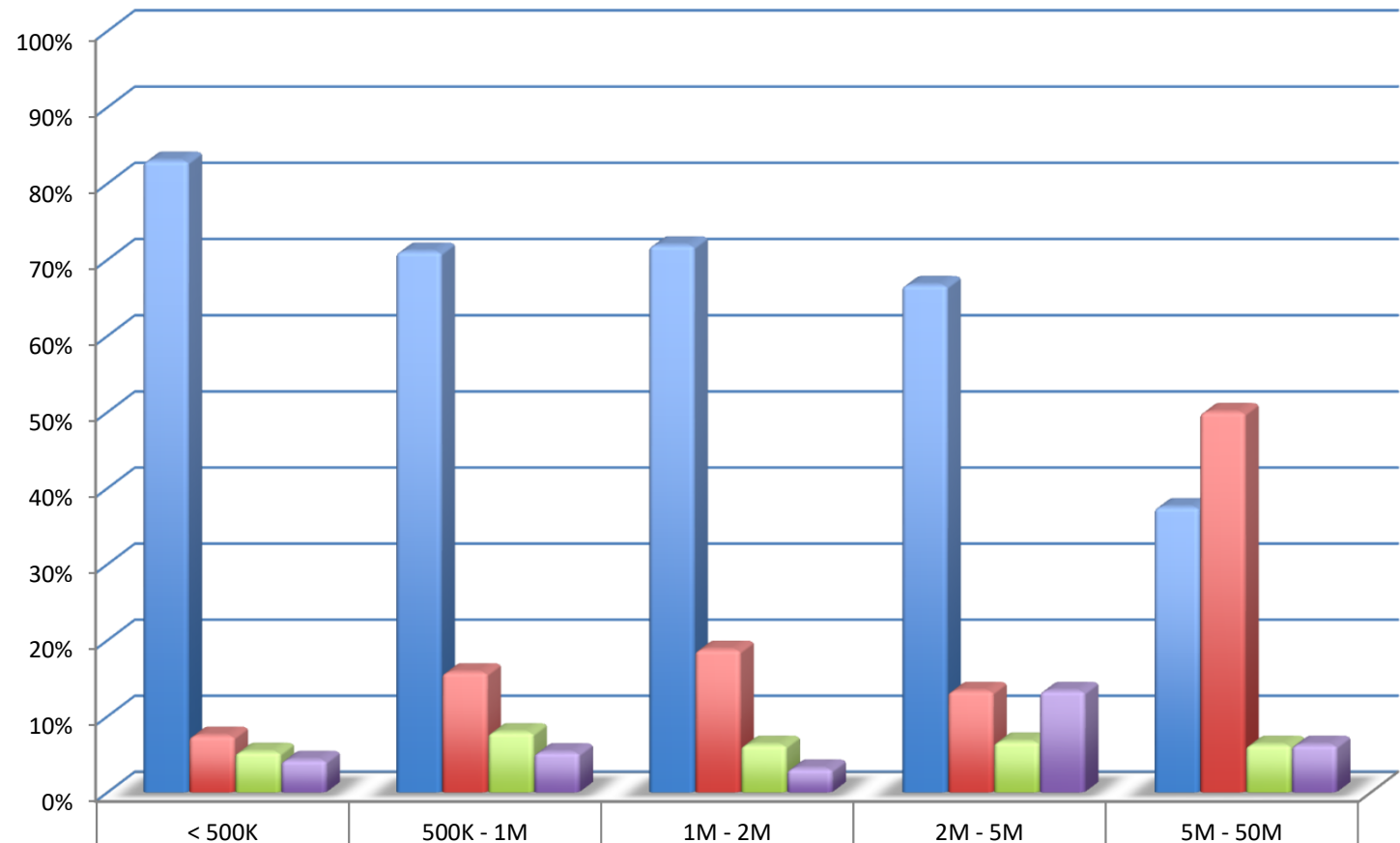
#1 Motivation for Buyer



Average Percentage of Final/Selling Price Realized to Asking/Benchmark Price

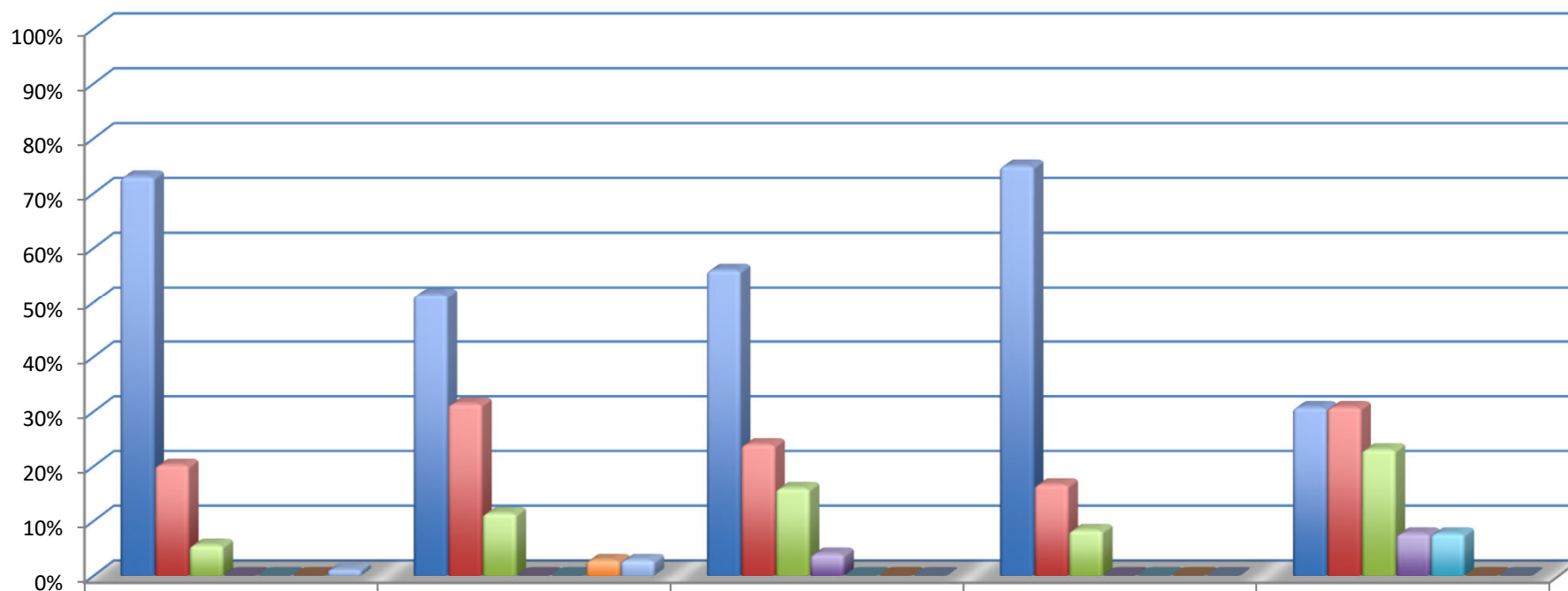


Exit Planning



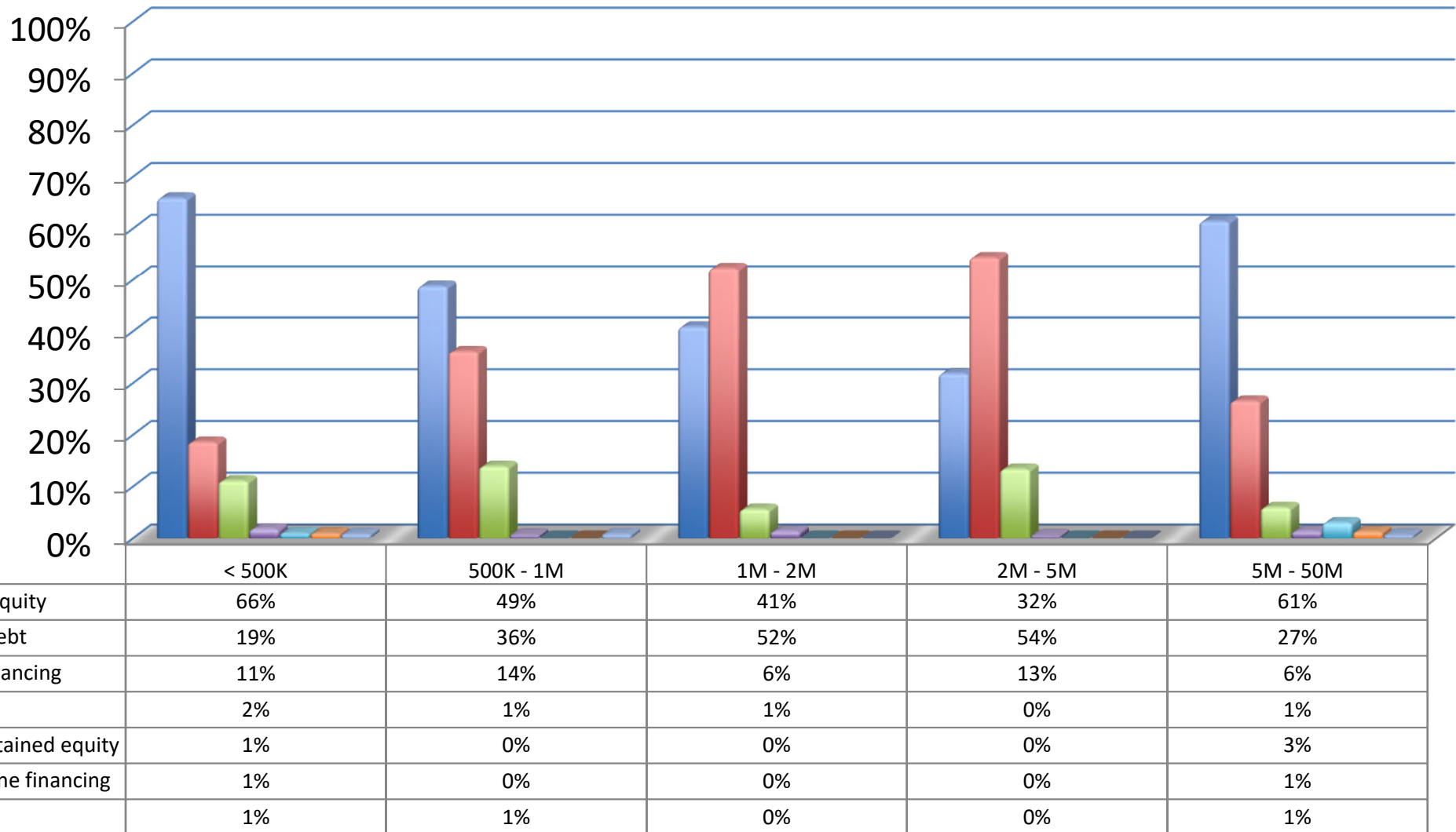
None - no formal planning prior to engagement to sell	83%	71%	72%	67%	38%
Met with an advisor (Wealth, CPA, Attorney) INCLUDING Broker for retirement needs prior to engaging broker	7%	16%	19%	13%	50%
Met with an advisor (Wealth, CPA, Attorney) for retirement needs prior to engaging broker (EXCLUDED Broker)	5%	8%	6%	7%	6%
N/A Represented Buyer	4%	5%	3%	13%	6%

Amount Of Exit Planning Prior To Marketing Business



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ none	73%	51%	56%	75%	31%
■ less than 1 year	20%	31%	24%	17%	31%
■ between 1 and 2 years	6%	11%	16%	8%	23%
■ between 2 and 3 years	0%	0%	4%	0%	8%
■ between 3 and 5 years	0%	0%	0%	0%	8%
■ greater than 5 years	0%	3%	0%	0%	0%
■ N/A represented buyer	1%	3%	0%	0%	0%

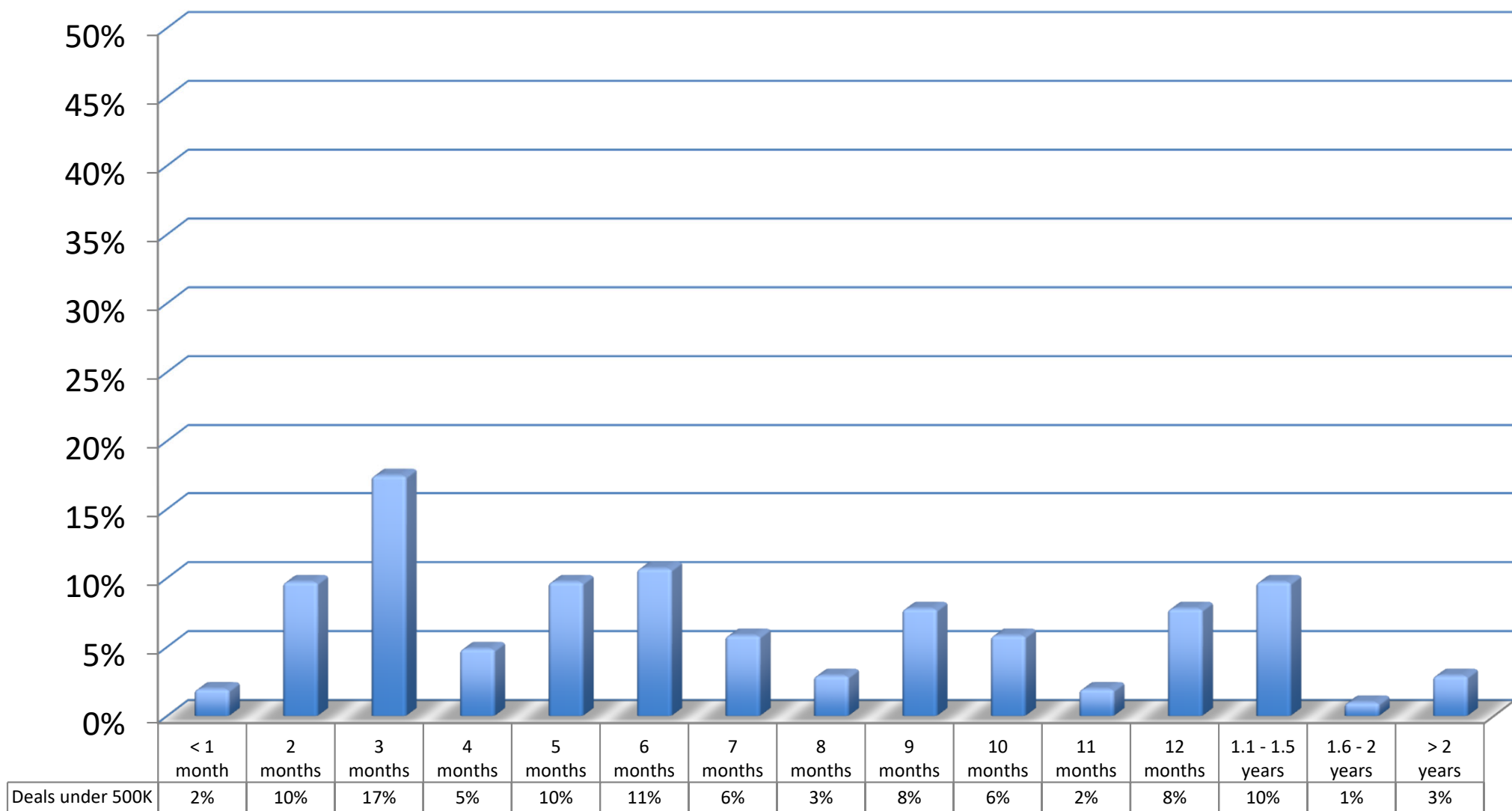
Financing Structure



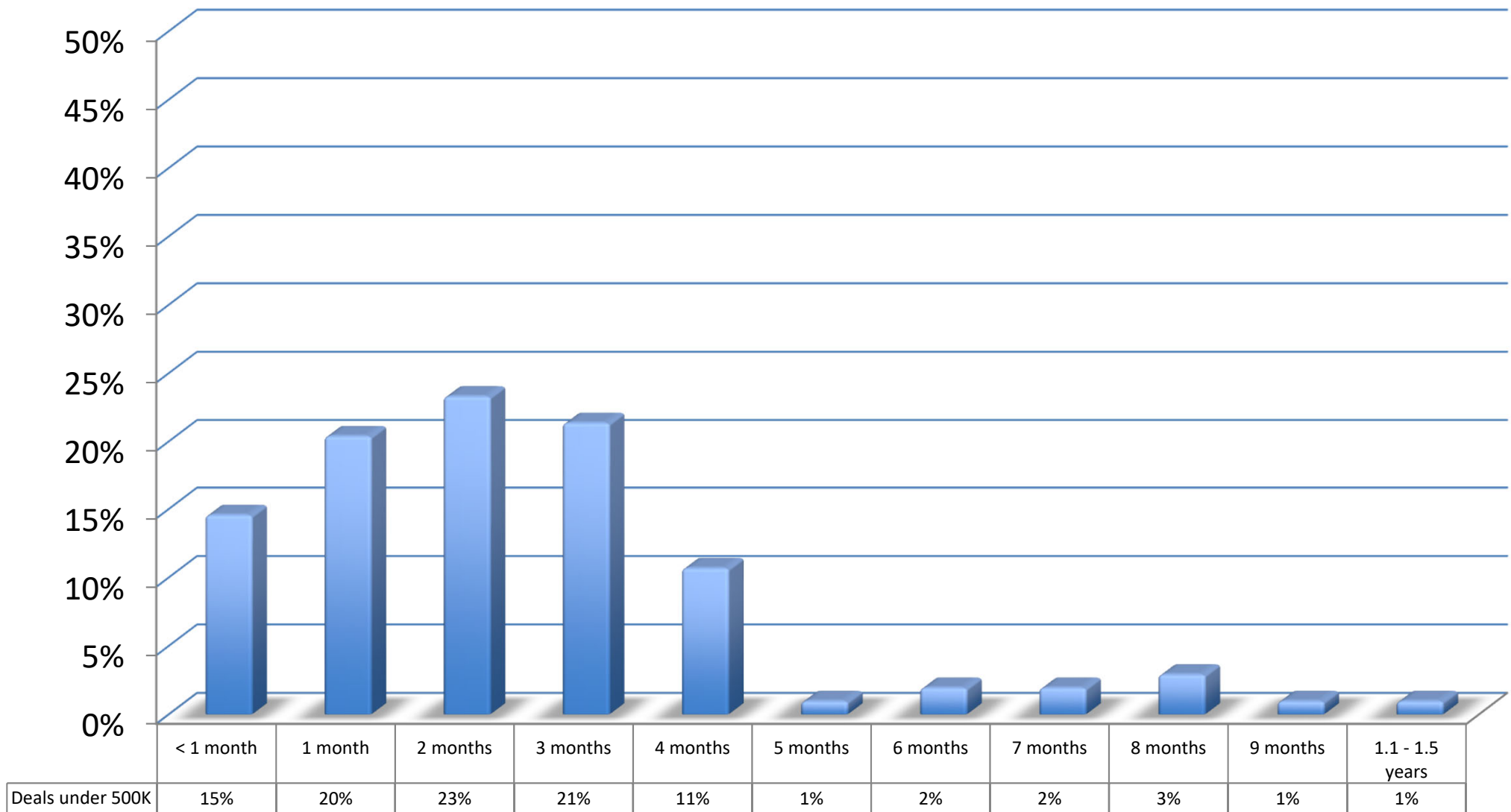
Business Transactions Valued under \$499,999

Number of Closed Transactions: 103

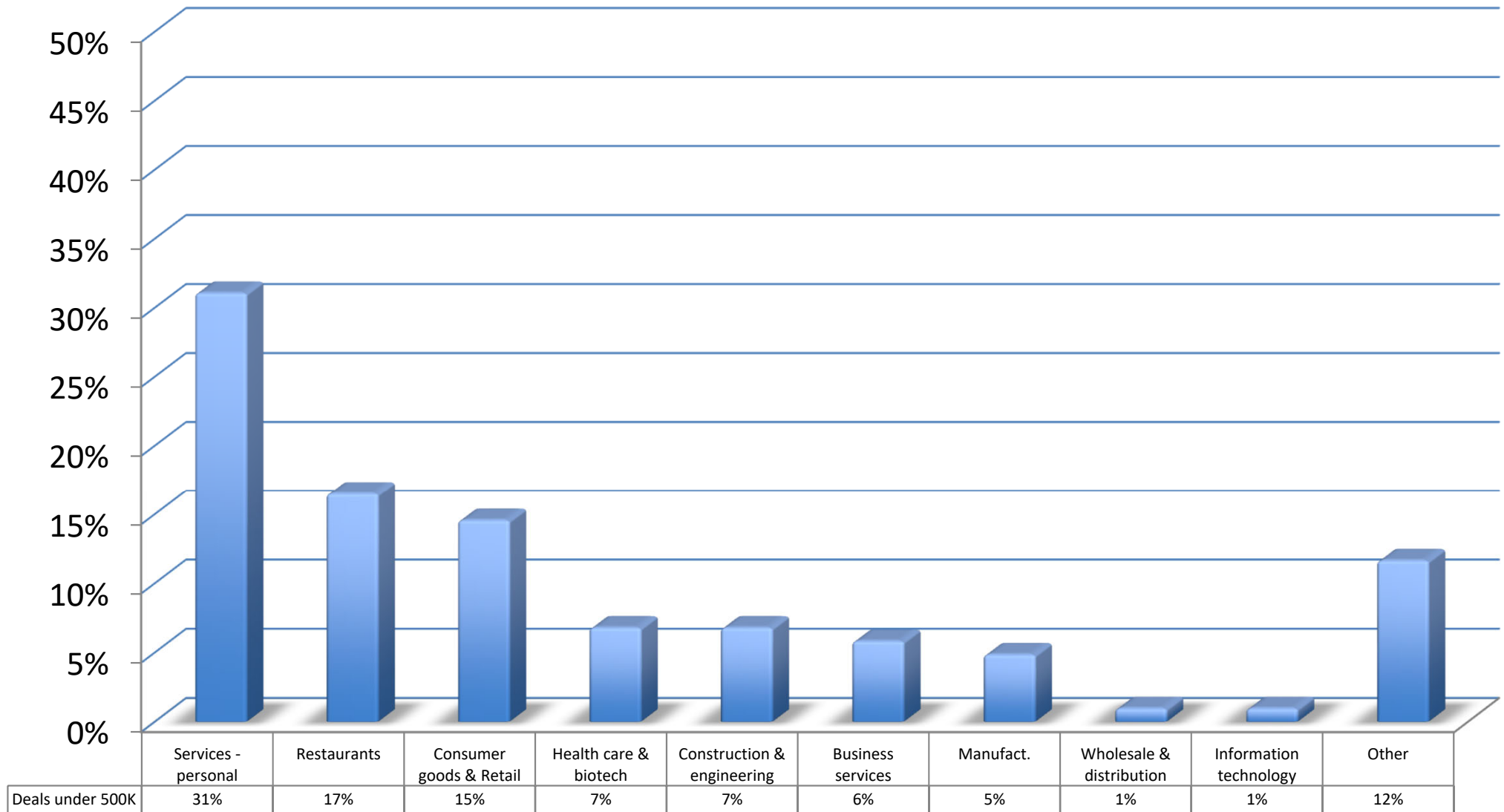
Engagement/Listing to Close



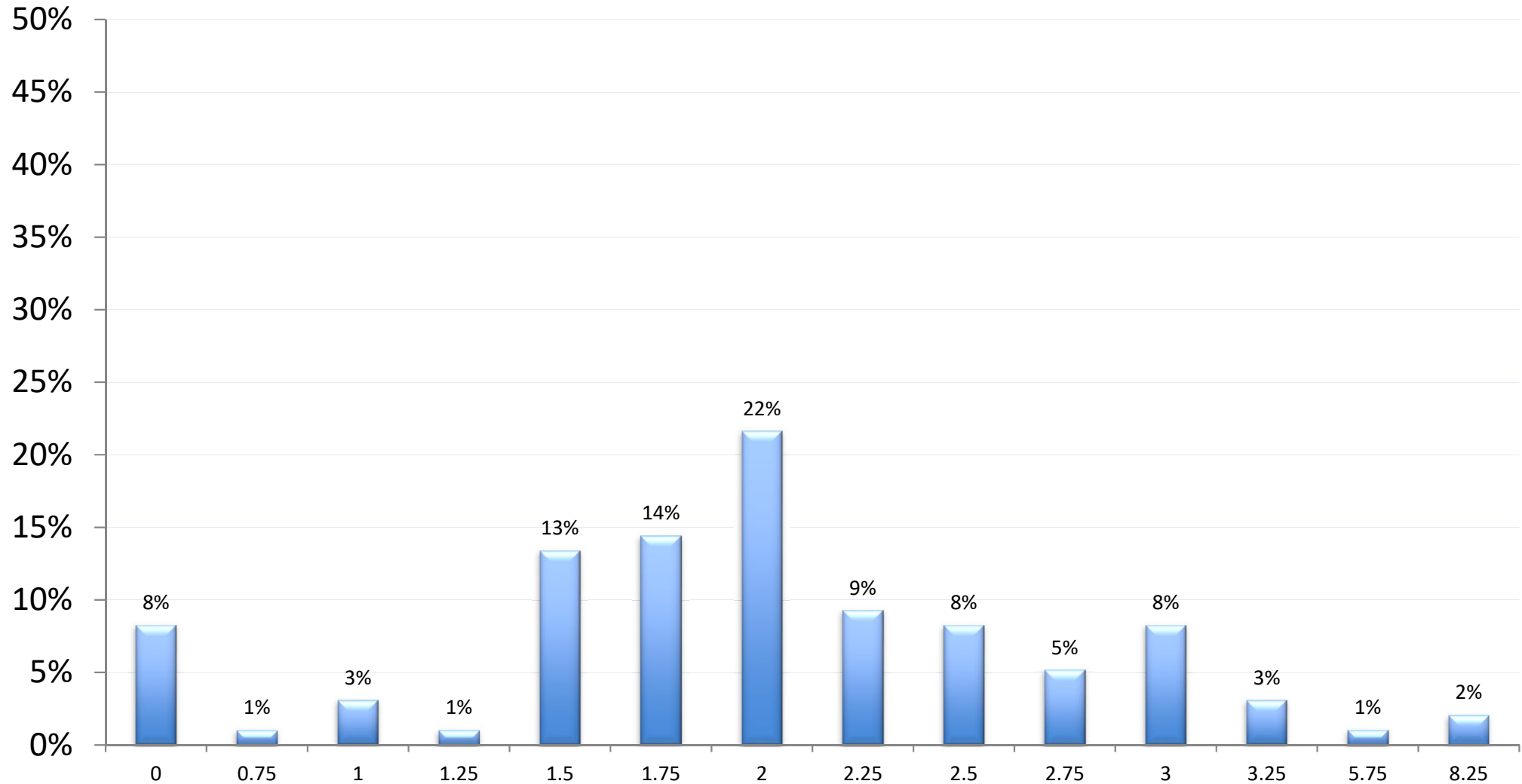
LOI/ Offer to Close



Industry

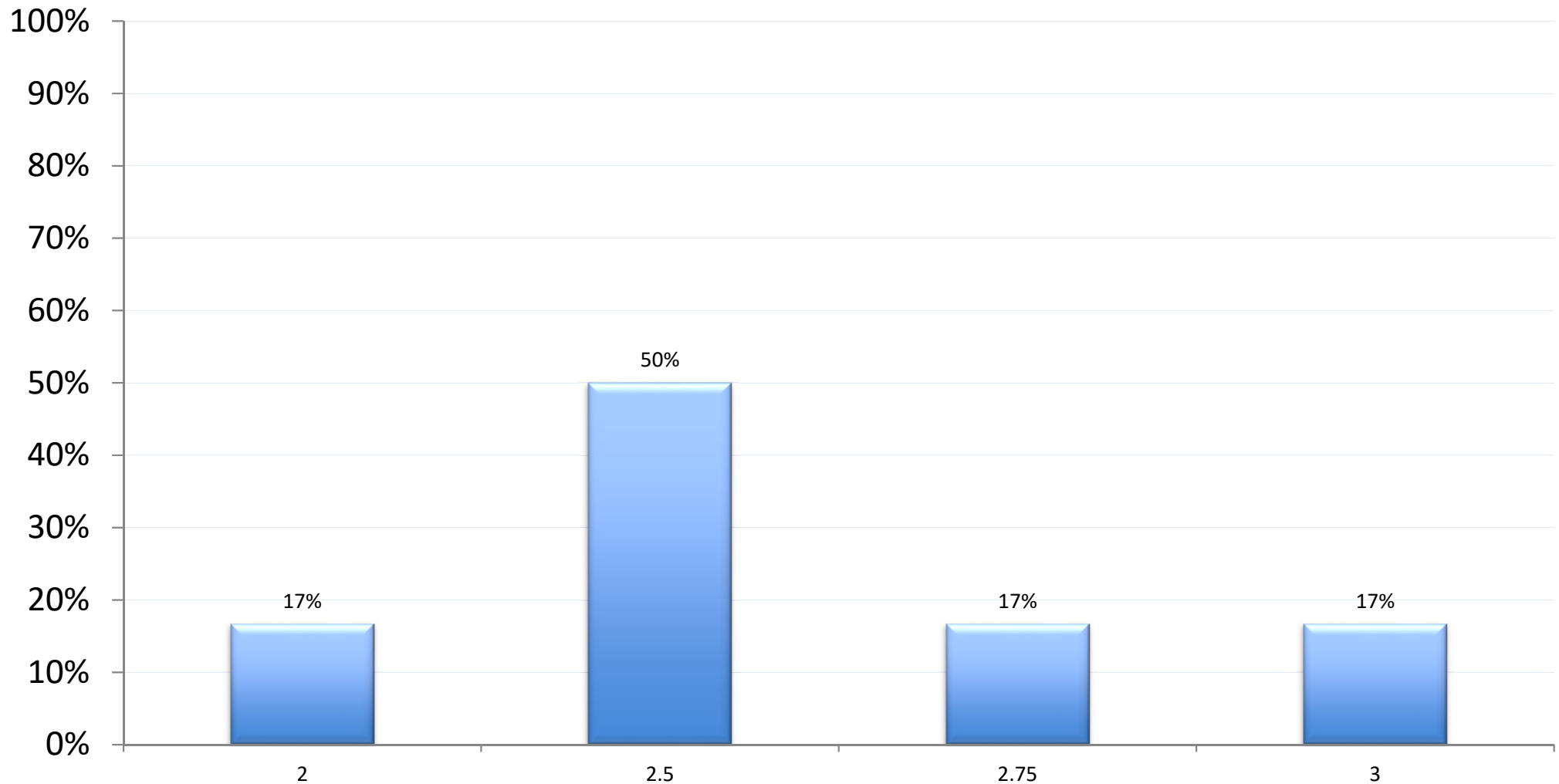


SDE Multiple Paid



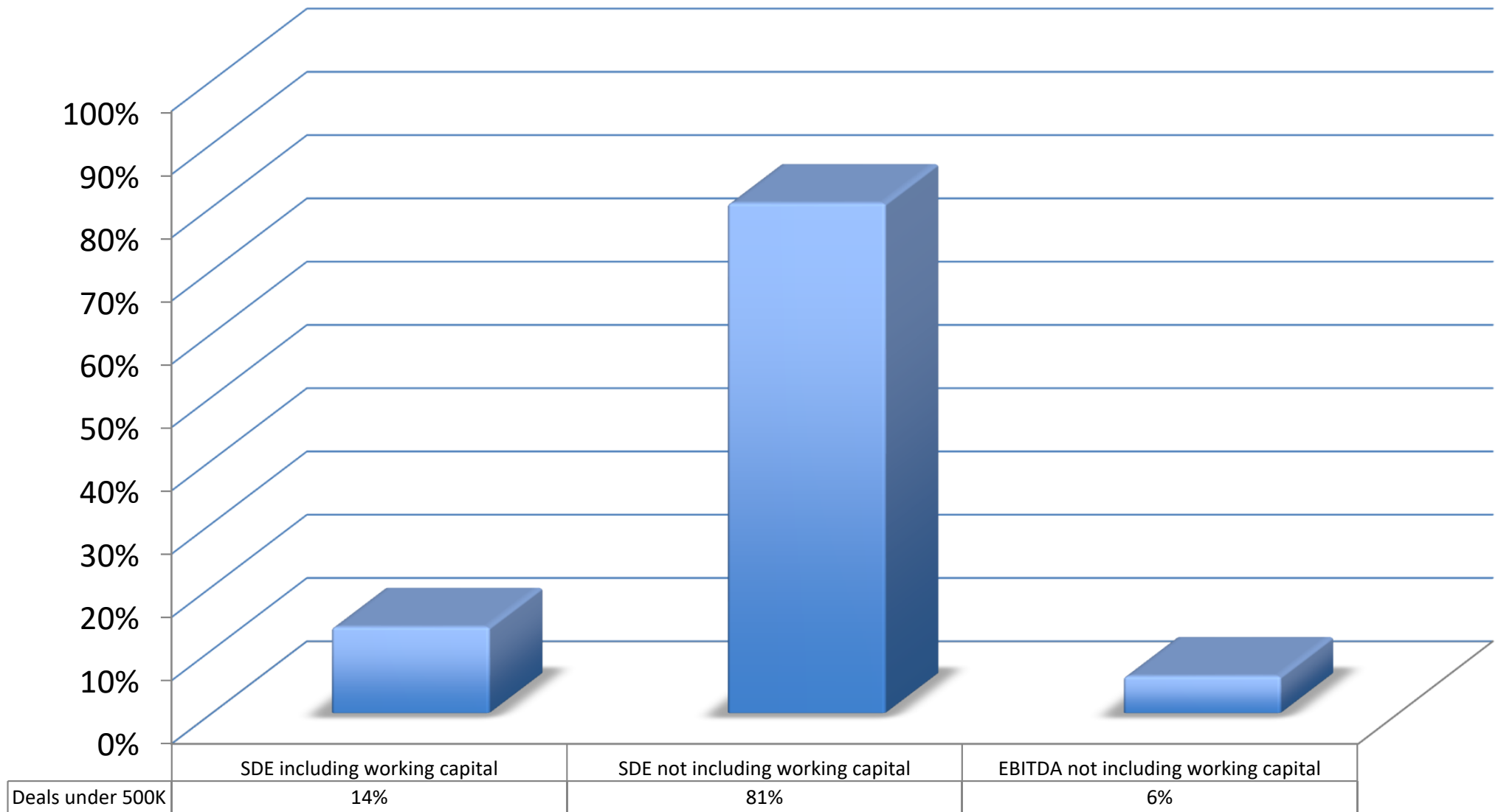
Number of responses: 97

EBITDA Multiple Paid

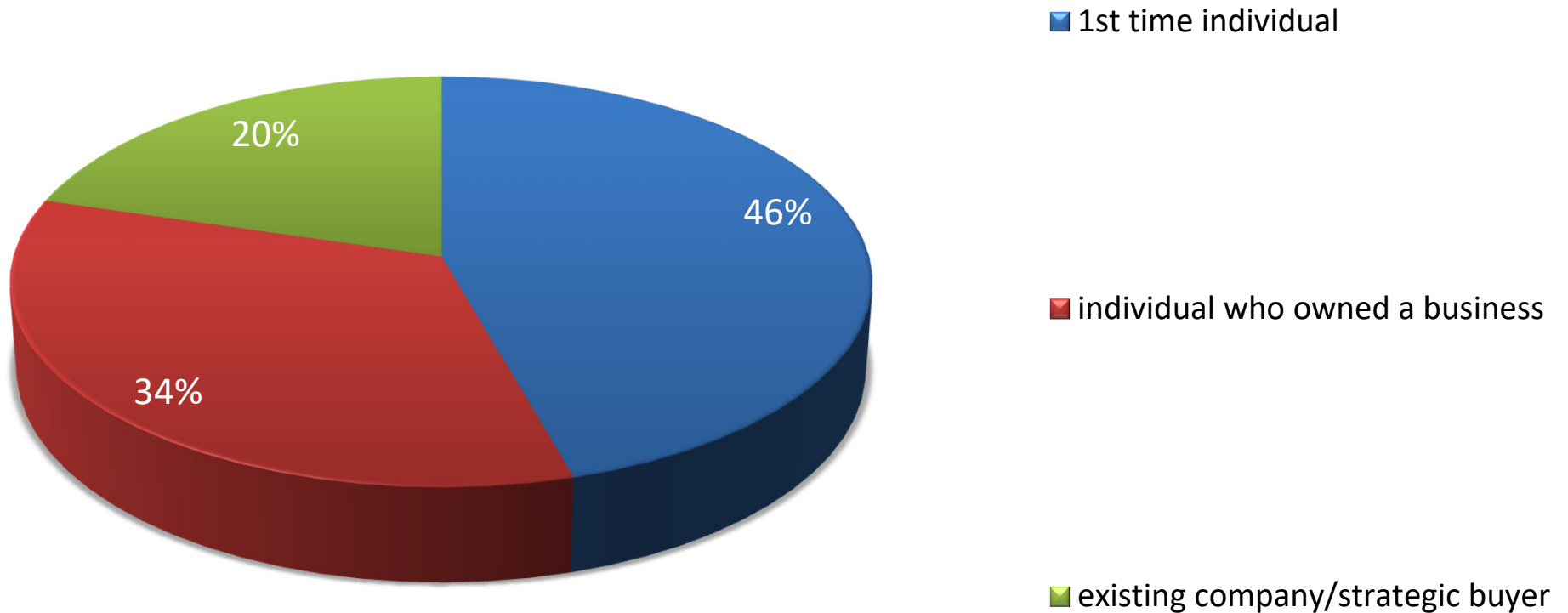


Number of responses: 6

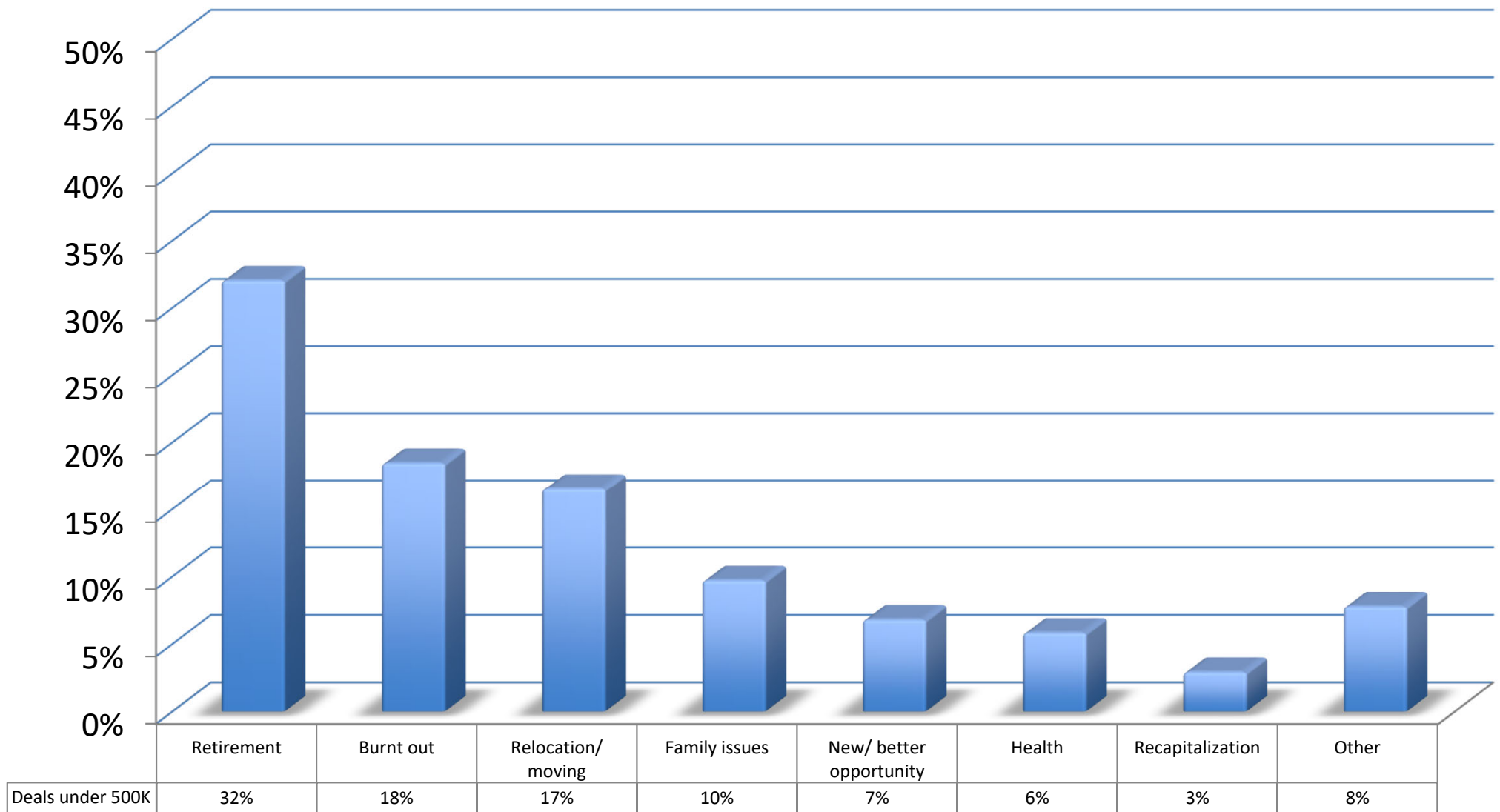
Multiple Type



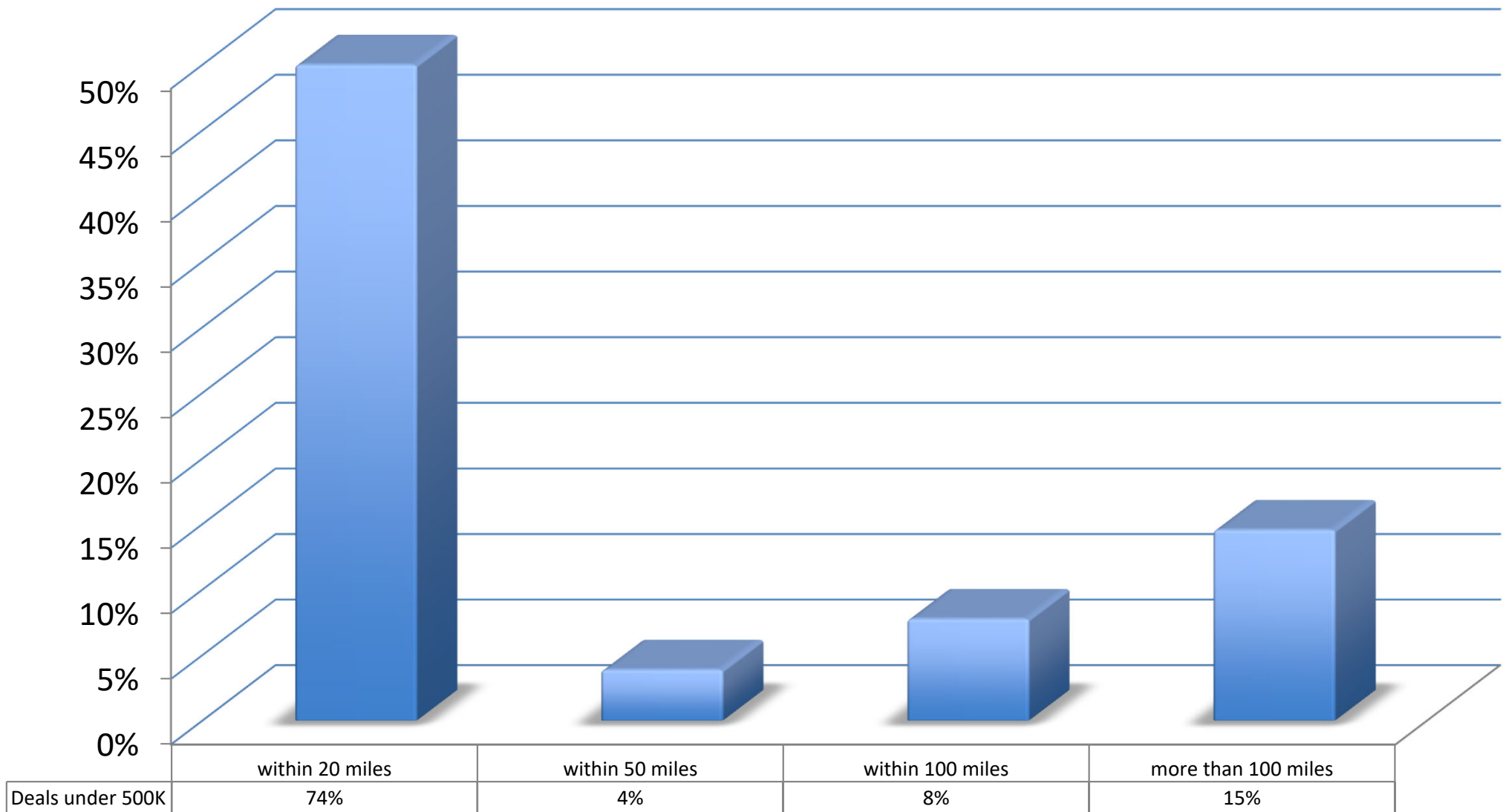
Buyer Type



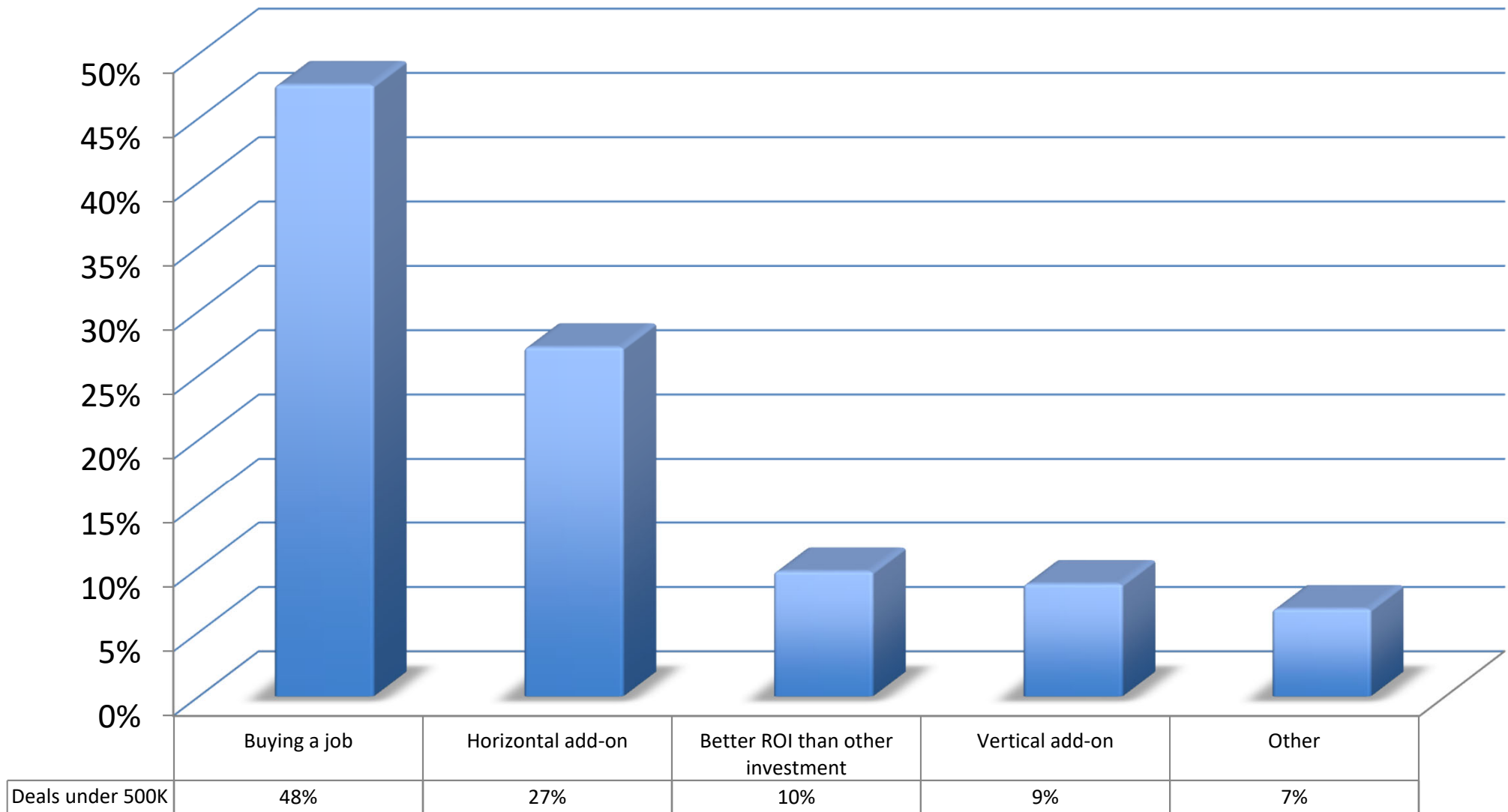
#1 Reason for Seller to Go to Market



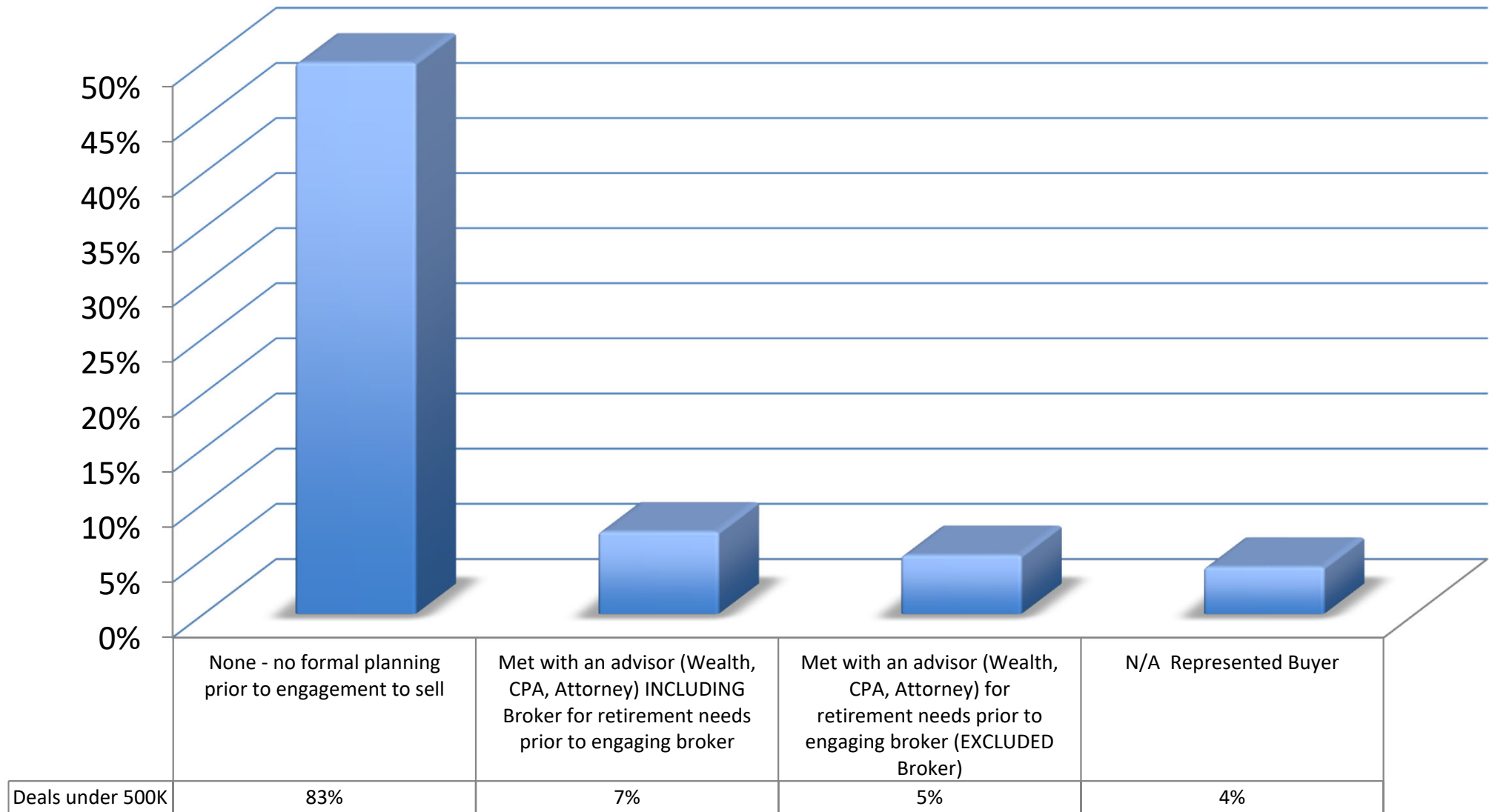
Buyer Location



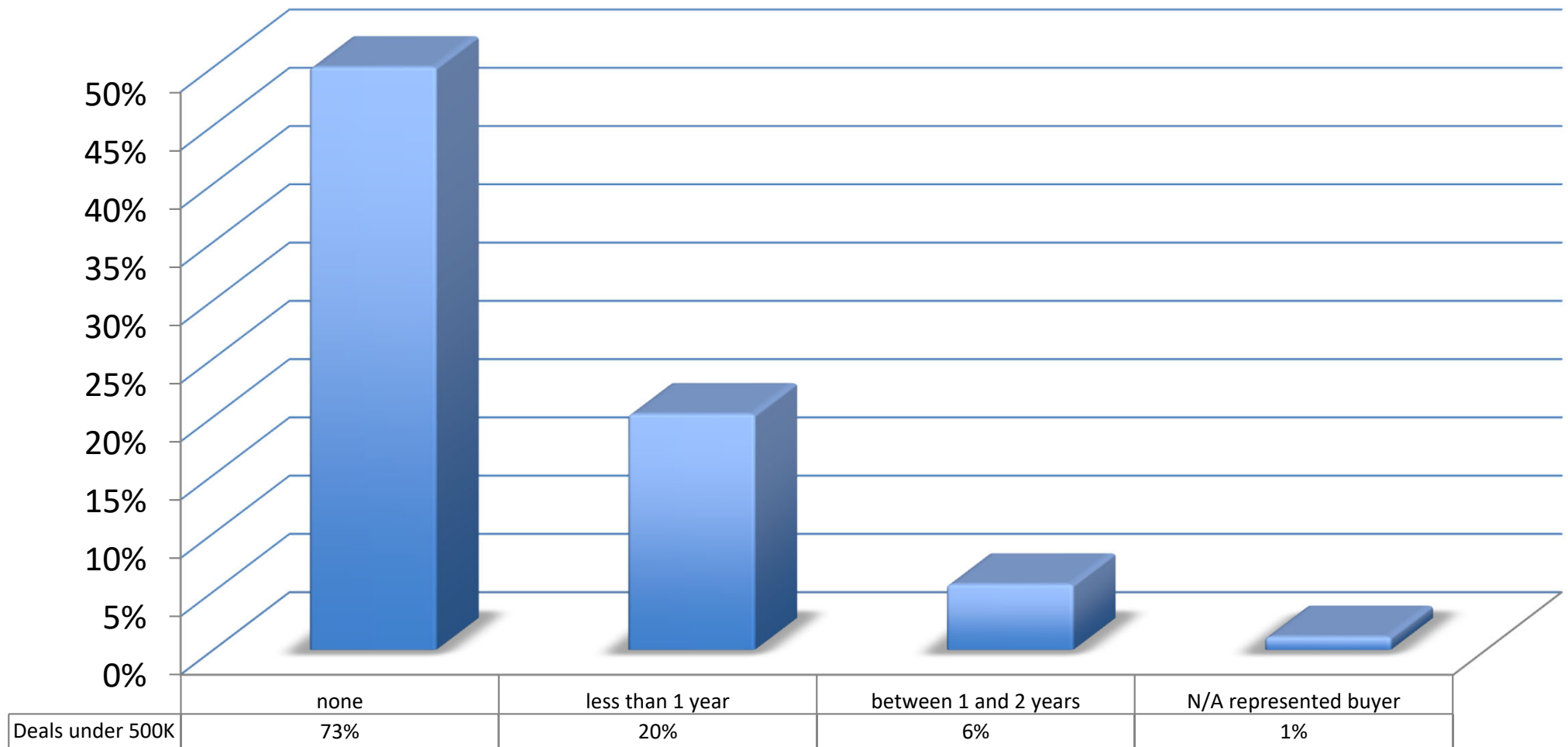
#1 Motivation for Buyer



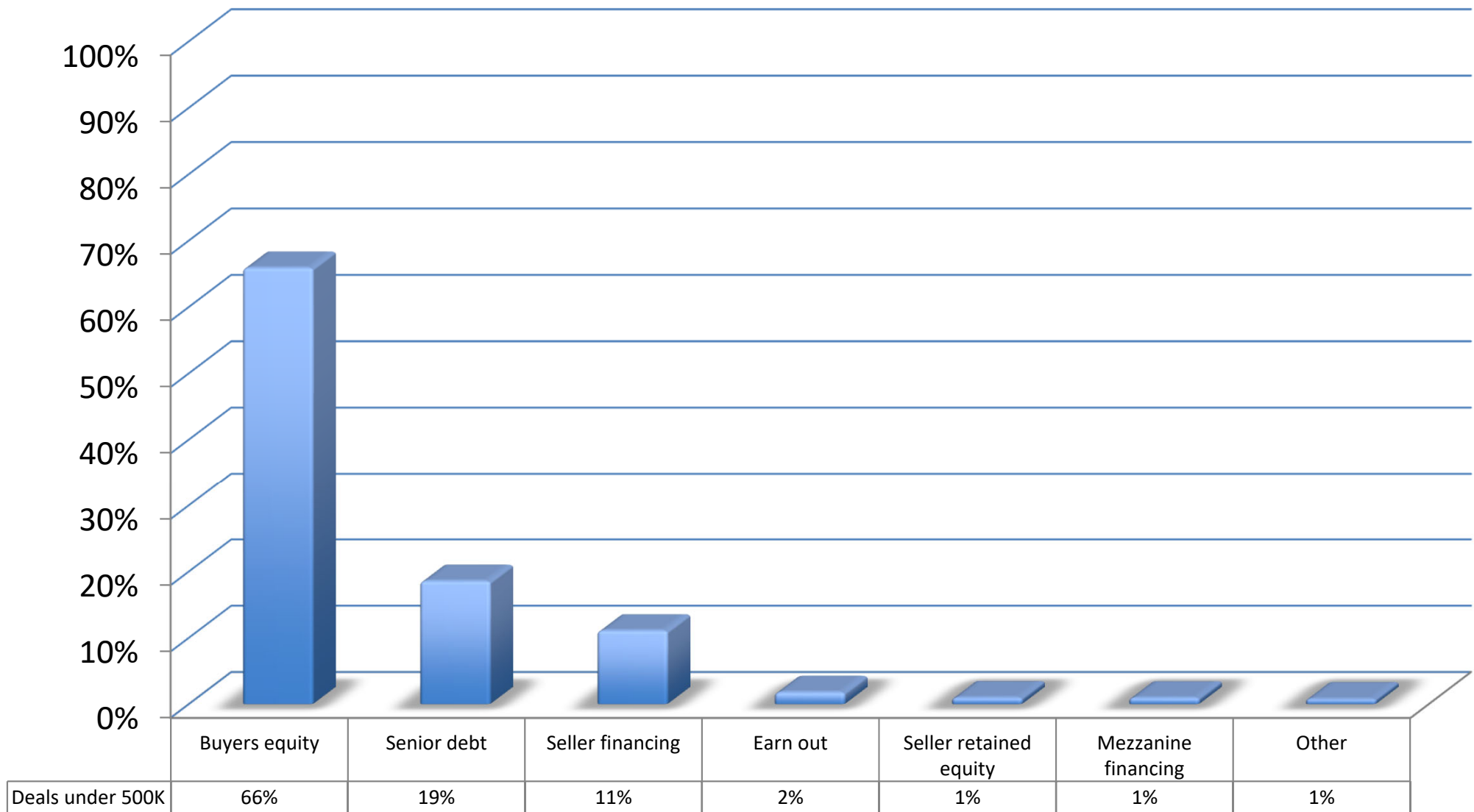
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

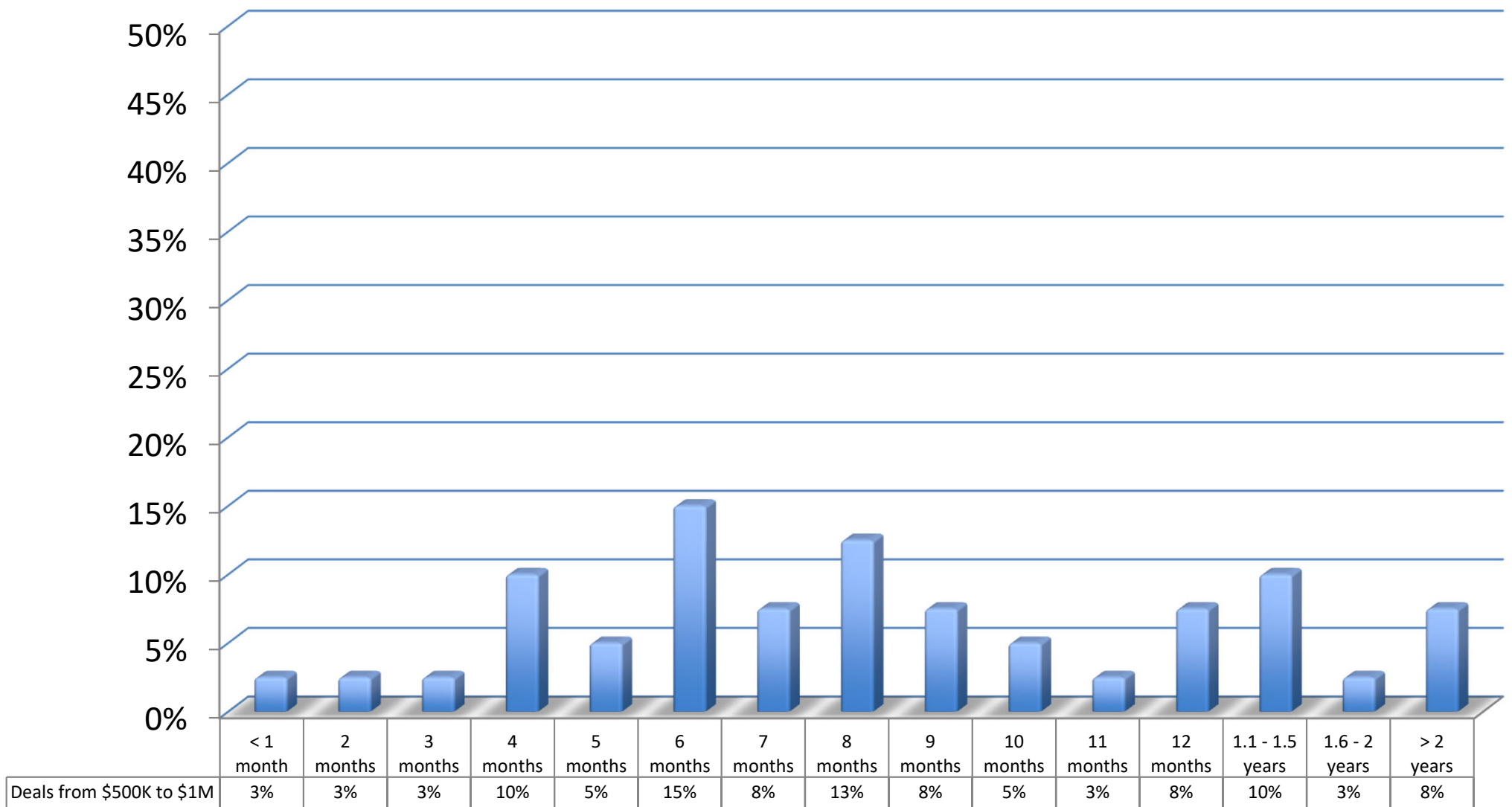


Financing Structure

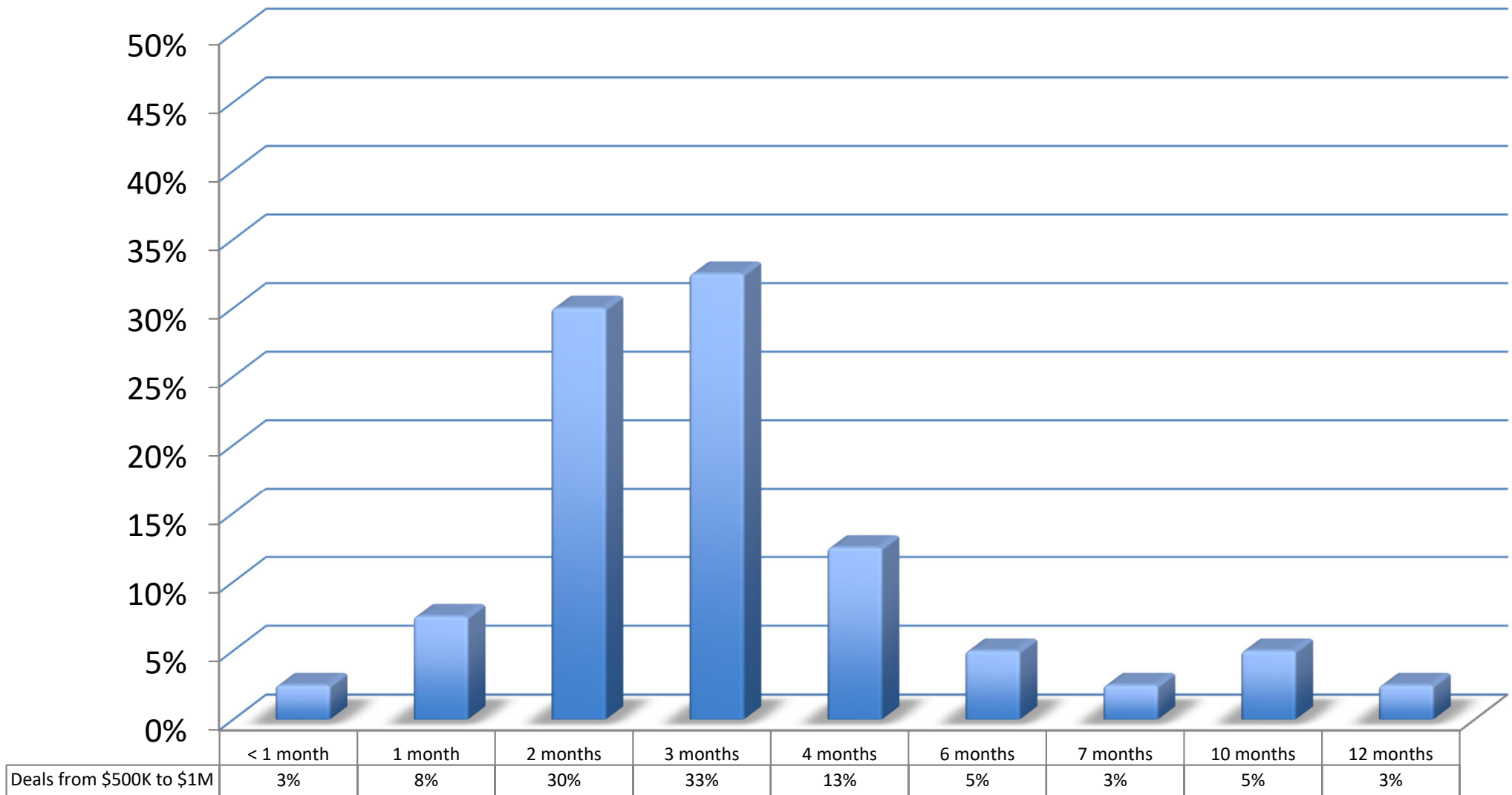


Business Transactions Valued
from \$500,000 to \$999,999
Number of Closed Transactions: 40

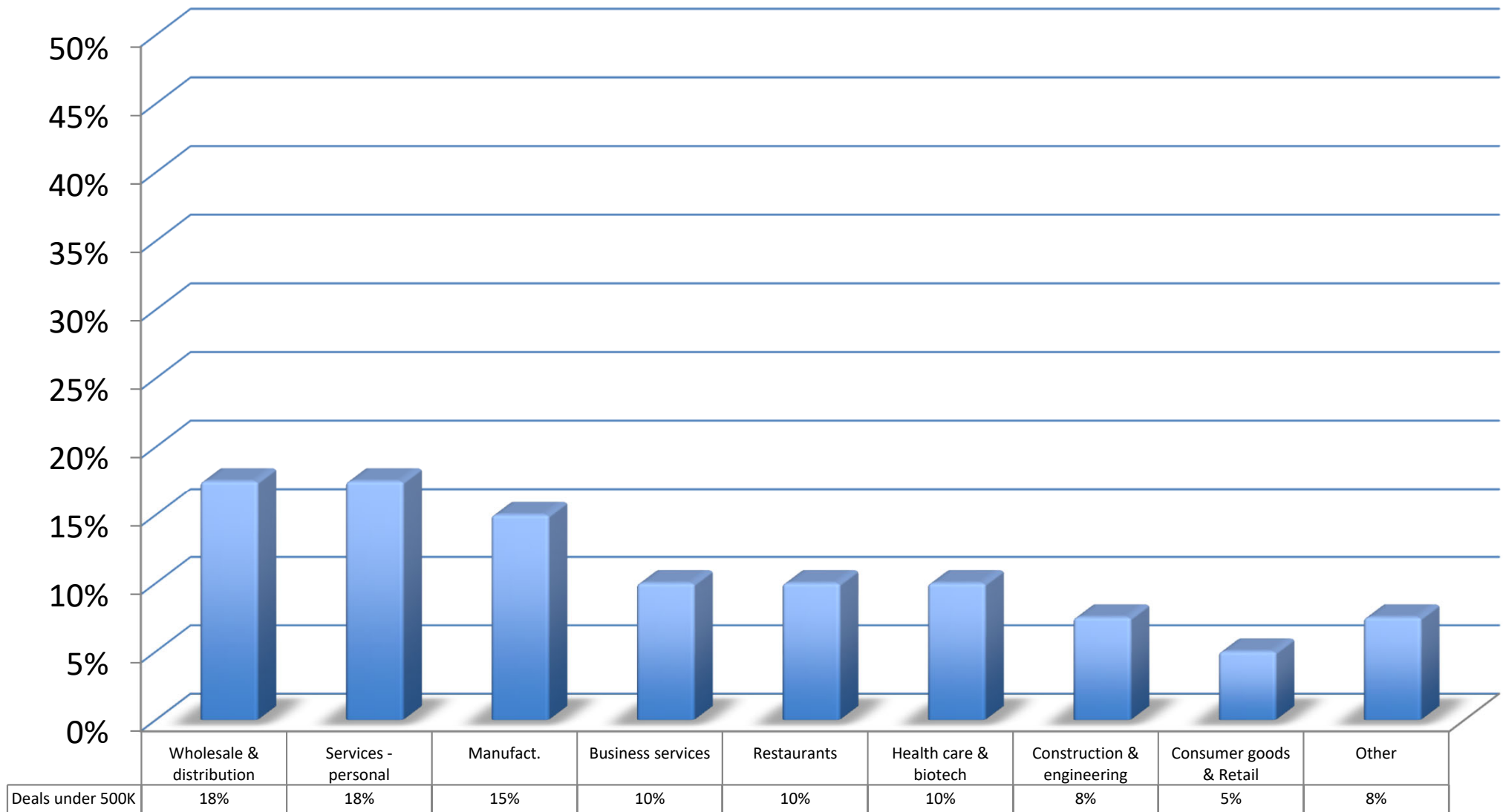
Engagement/Listing to Close



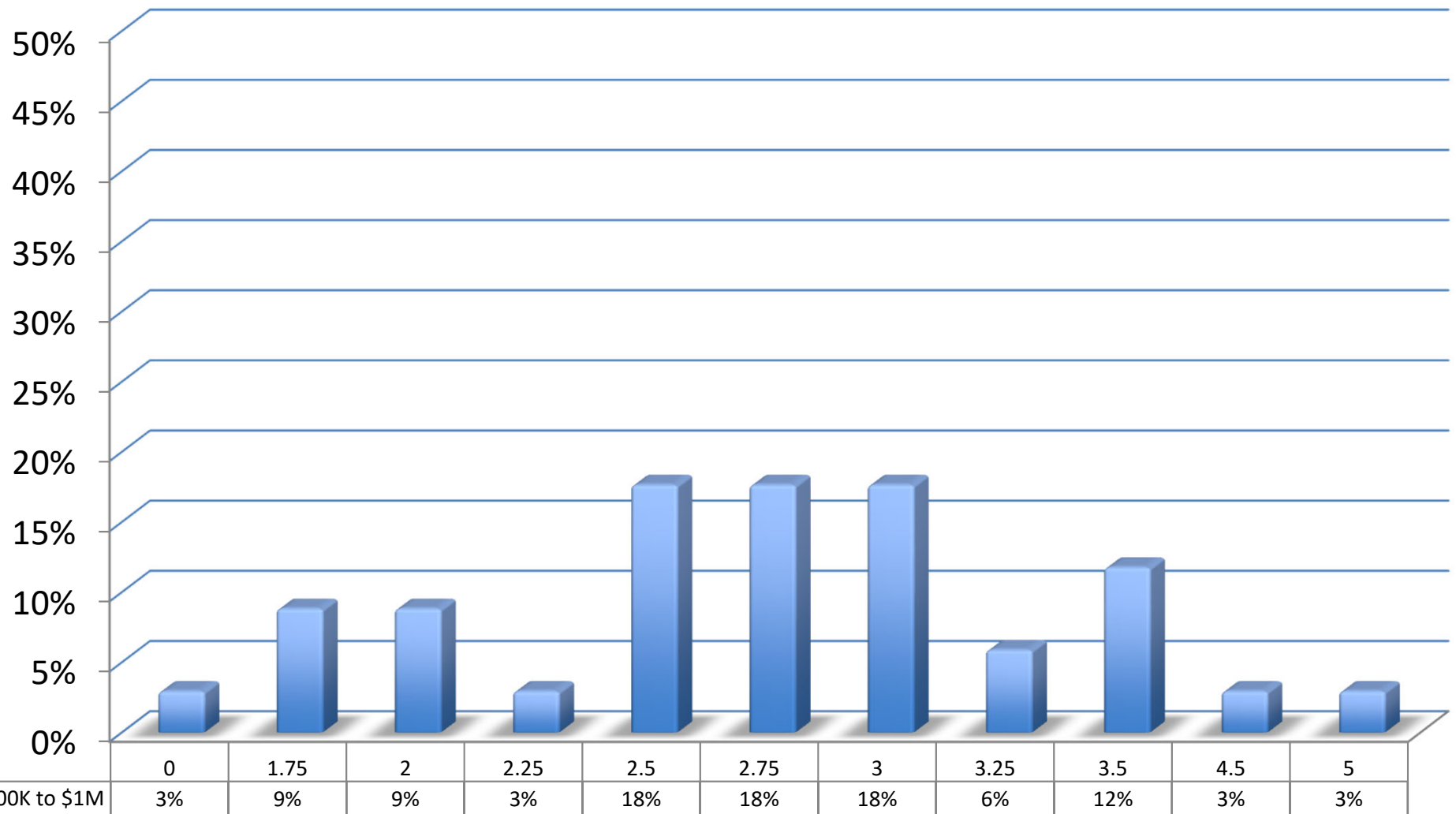
LOI/ Offer to Close



Industry

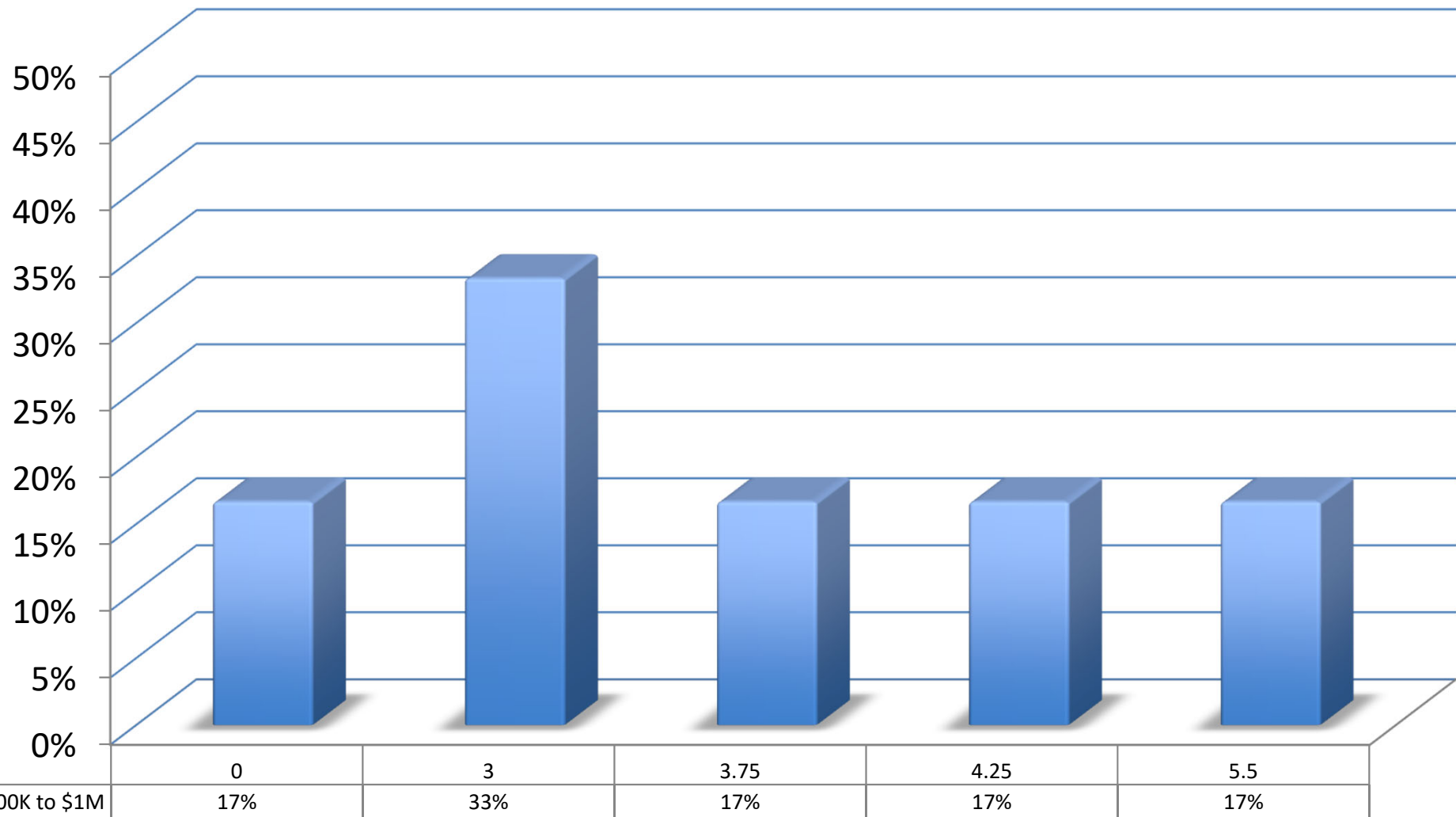


SDE Multiple Paid



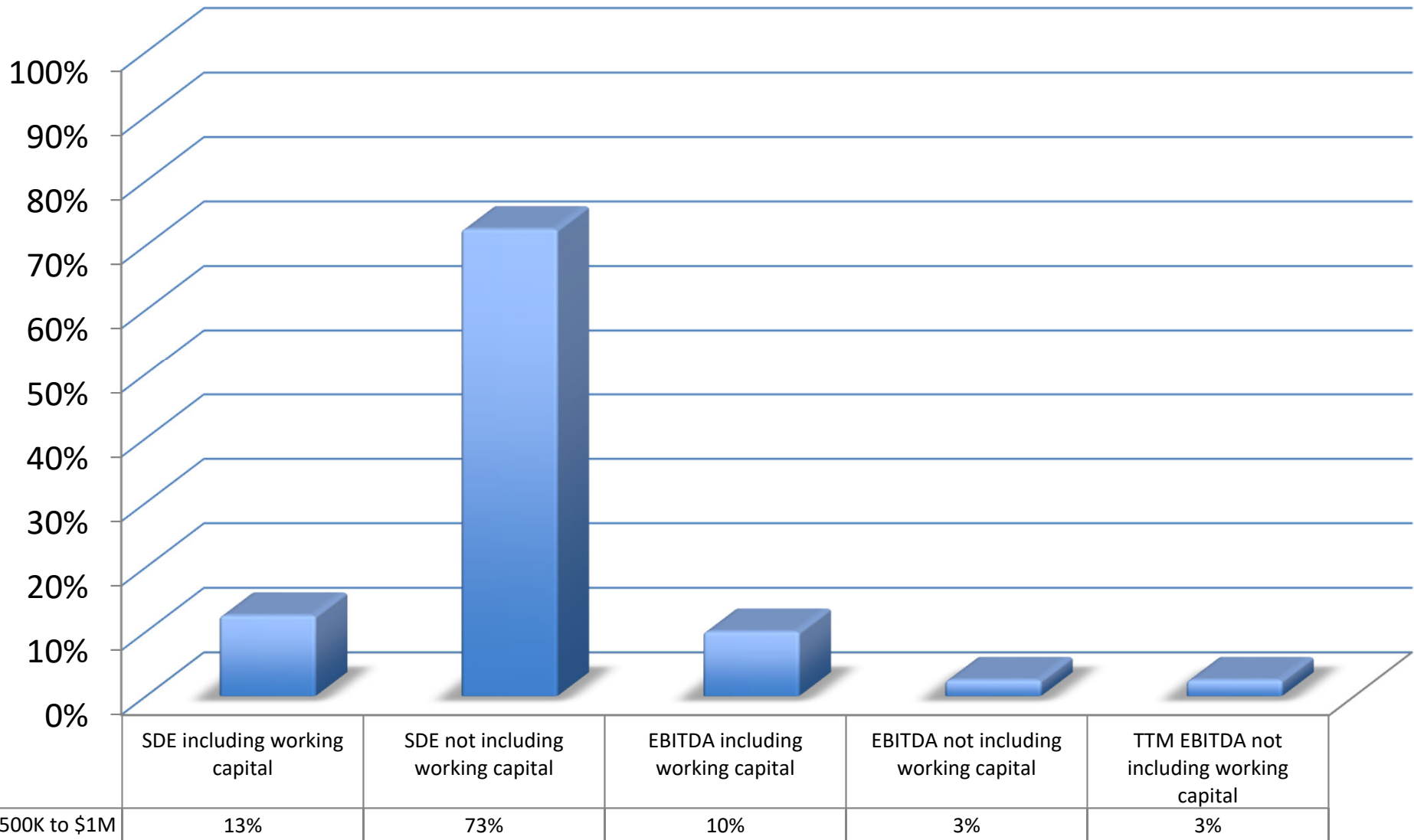
Number of responses: 34

EBITDA Multiple Paid

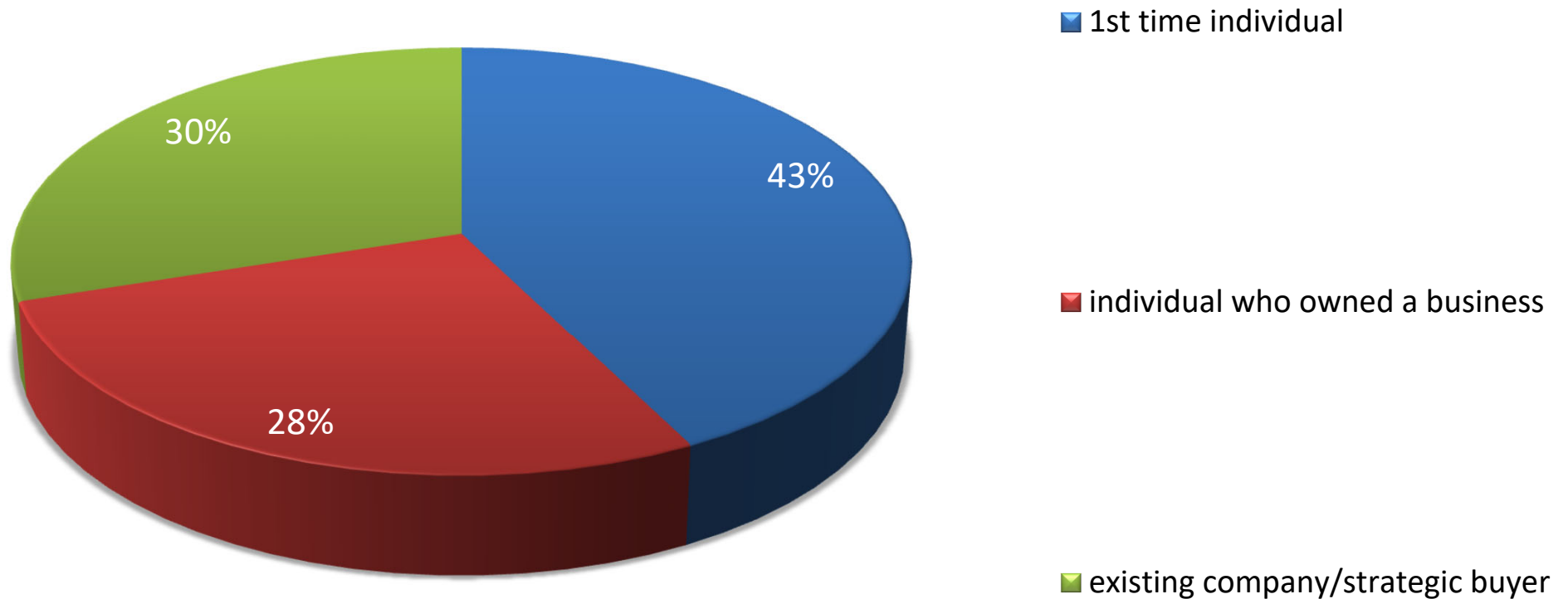


Number of responses: 6

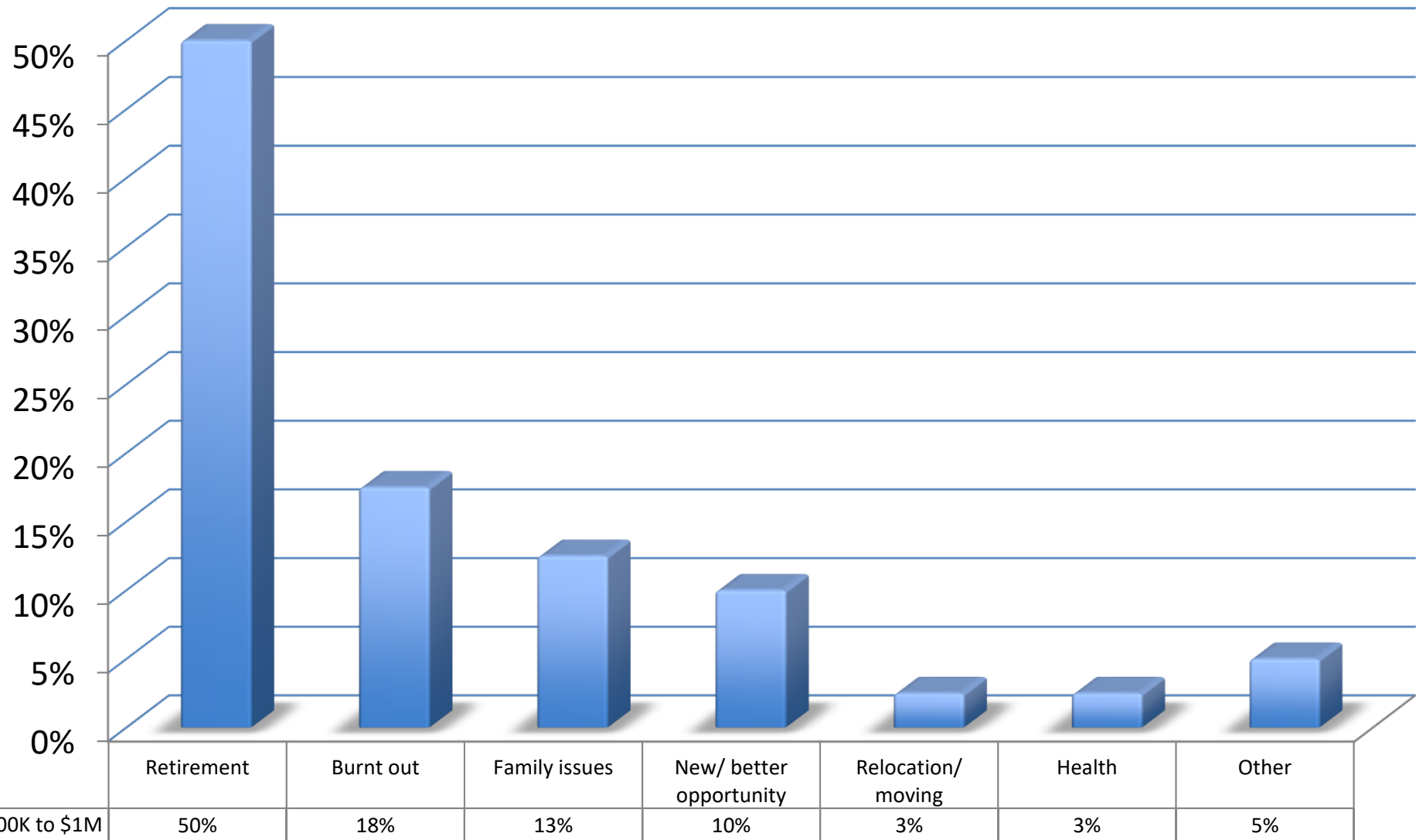
Multiple Type



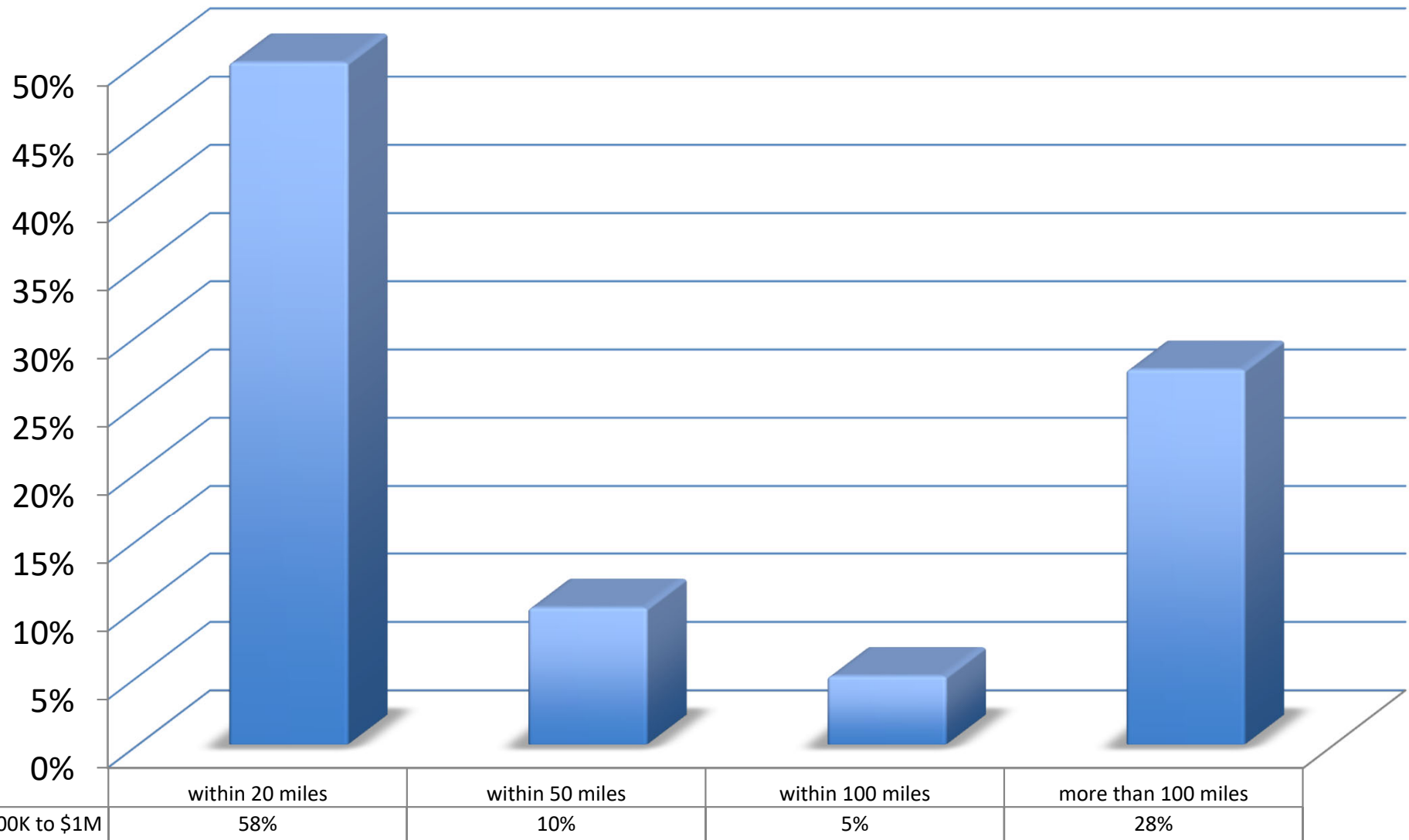
Buyer Type



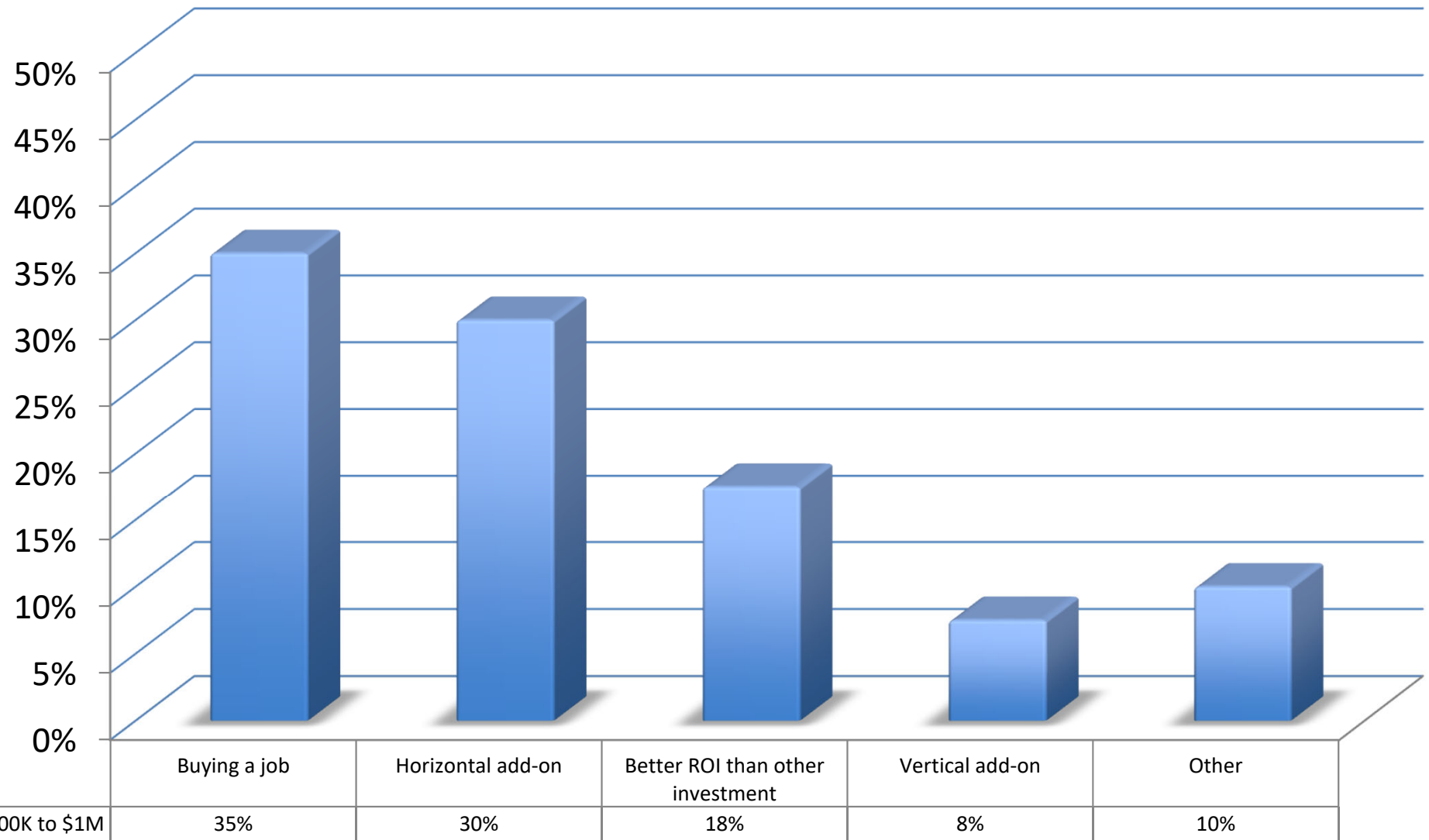
#1 Reason for Seller to Go to Market



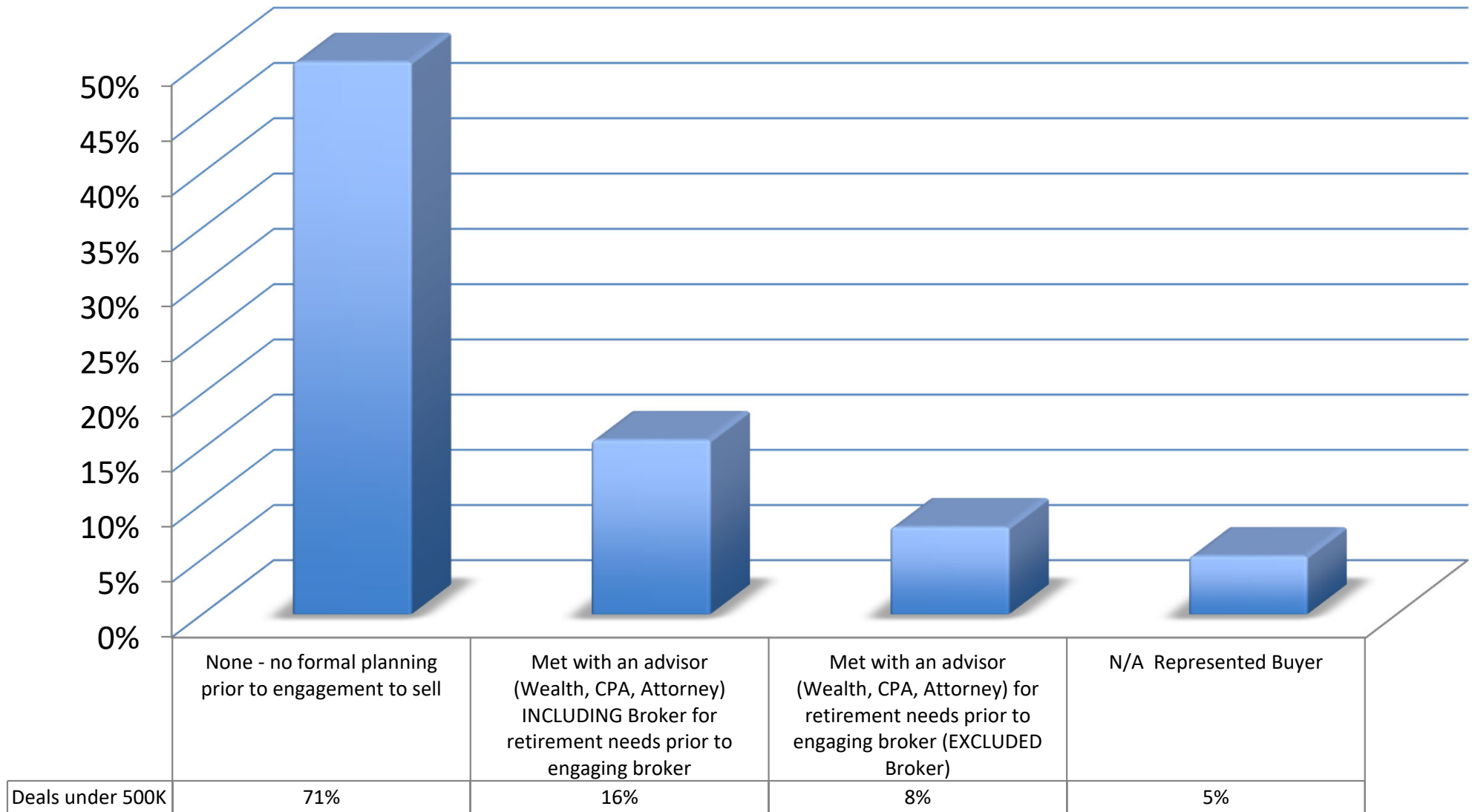
Buyer Location



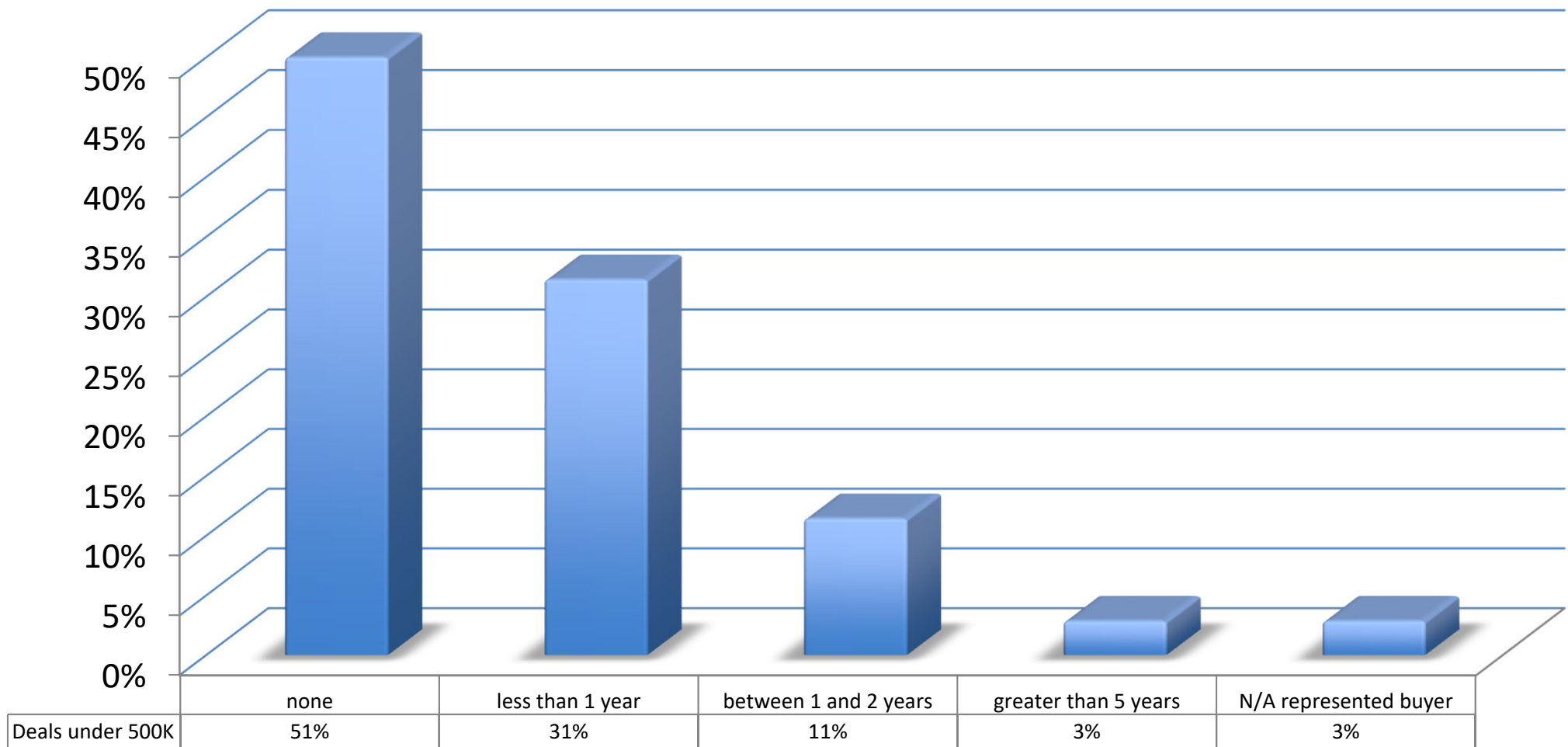
#1 Motivation for Buyer



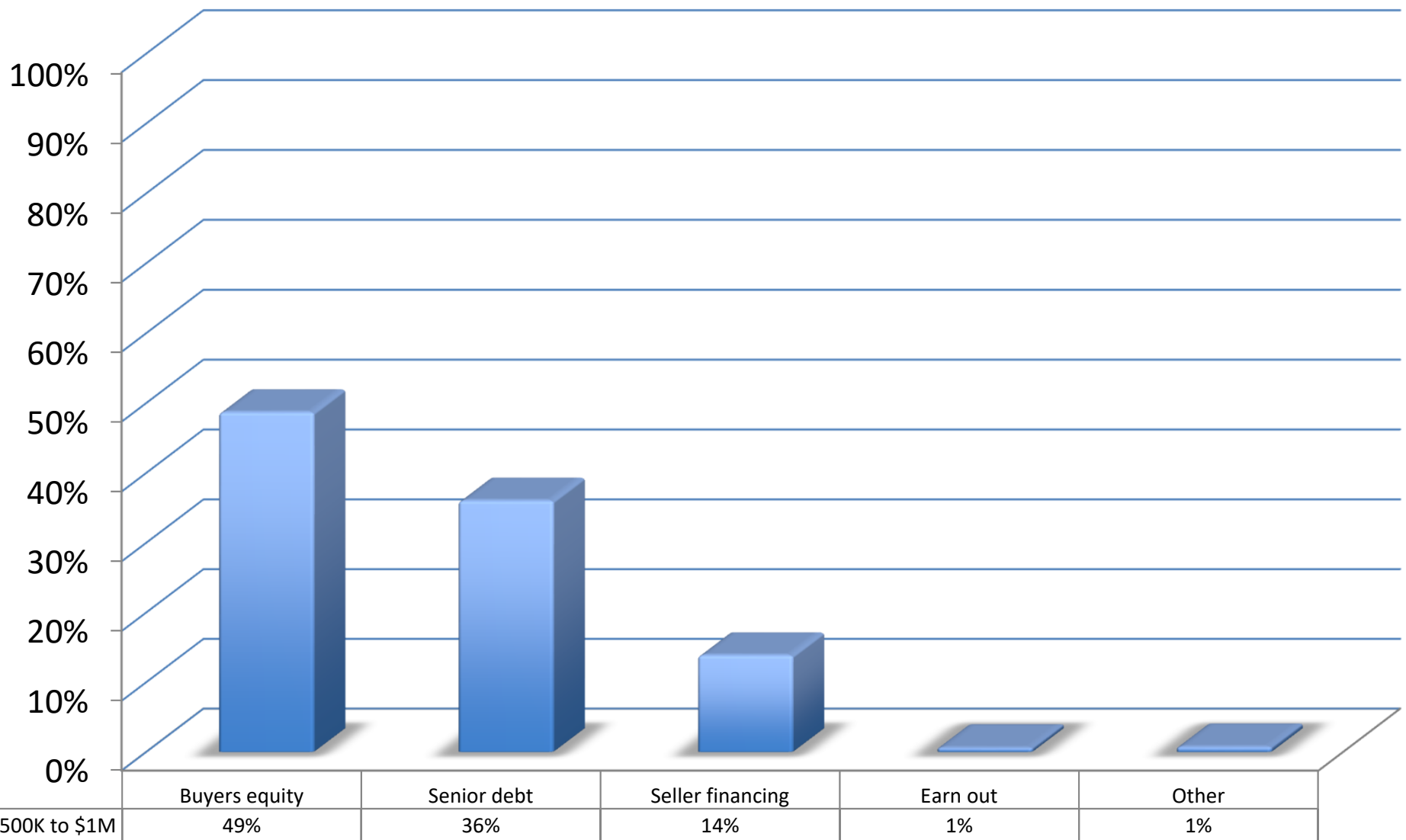
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

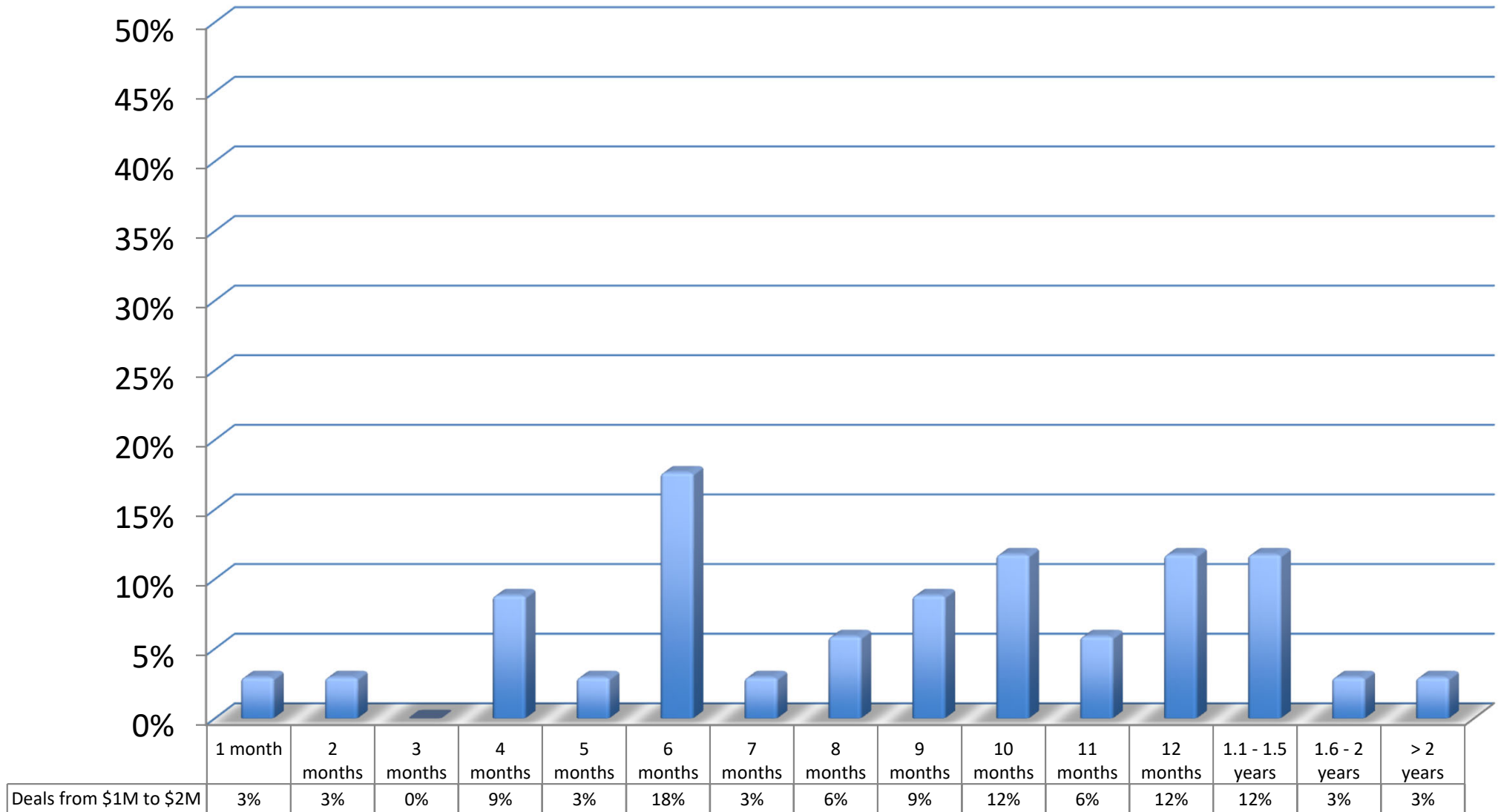


Financing Structure



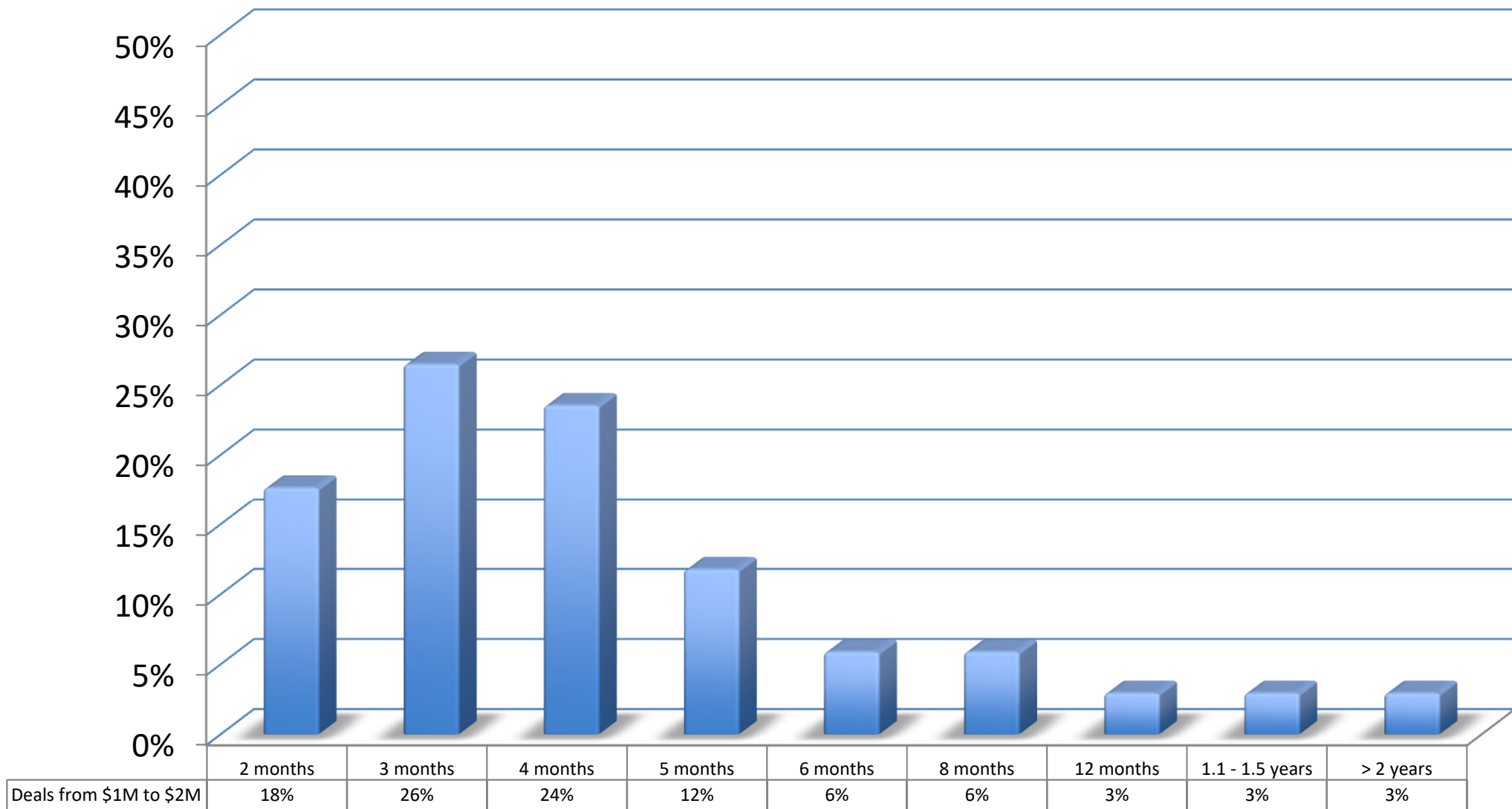
Business Transactions Valued
from \$1 Million to \$1.99 Million
Number of Closed Transactions: 34

Engagement/Listing to Close

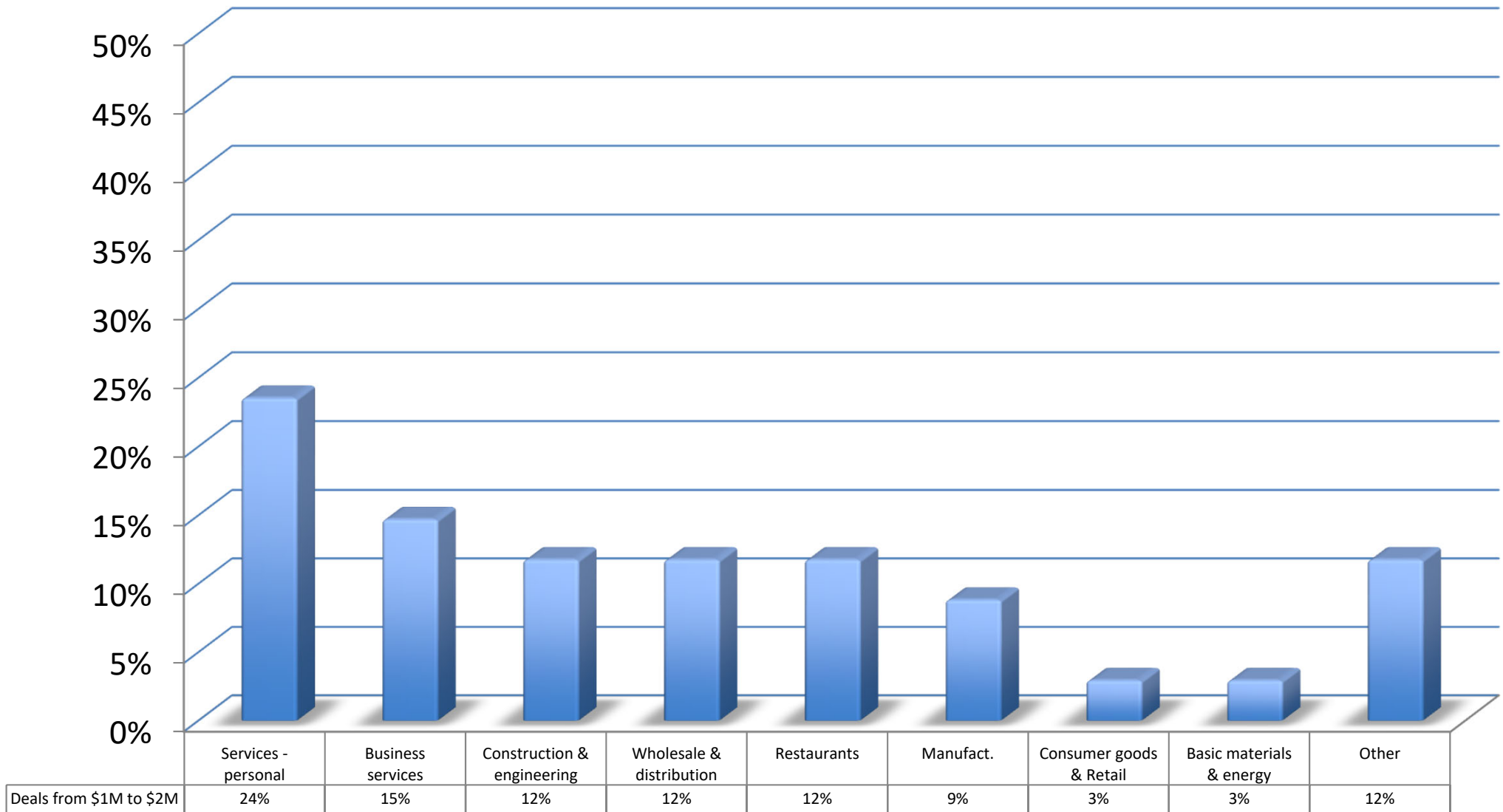


Deals from \$1M to \$2M

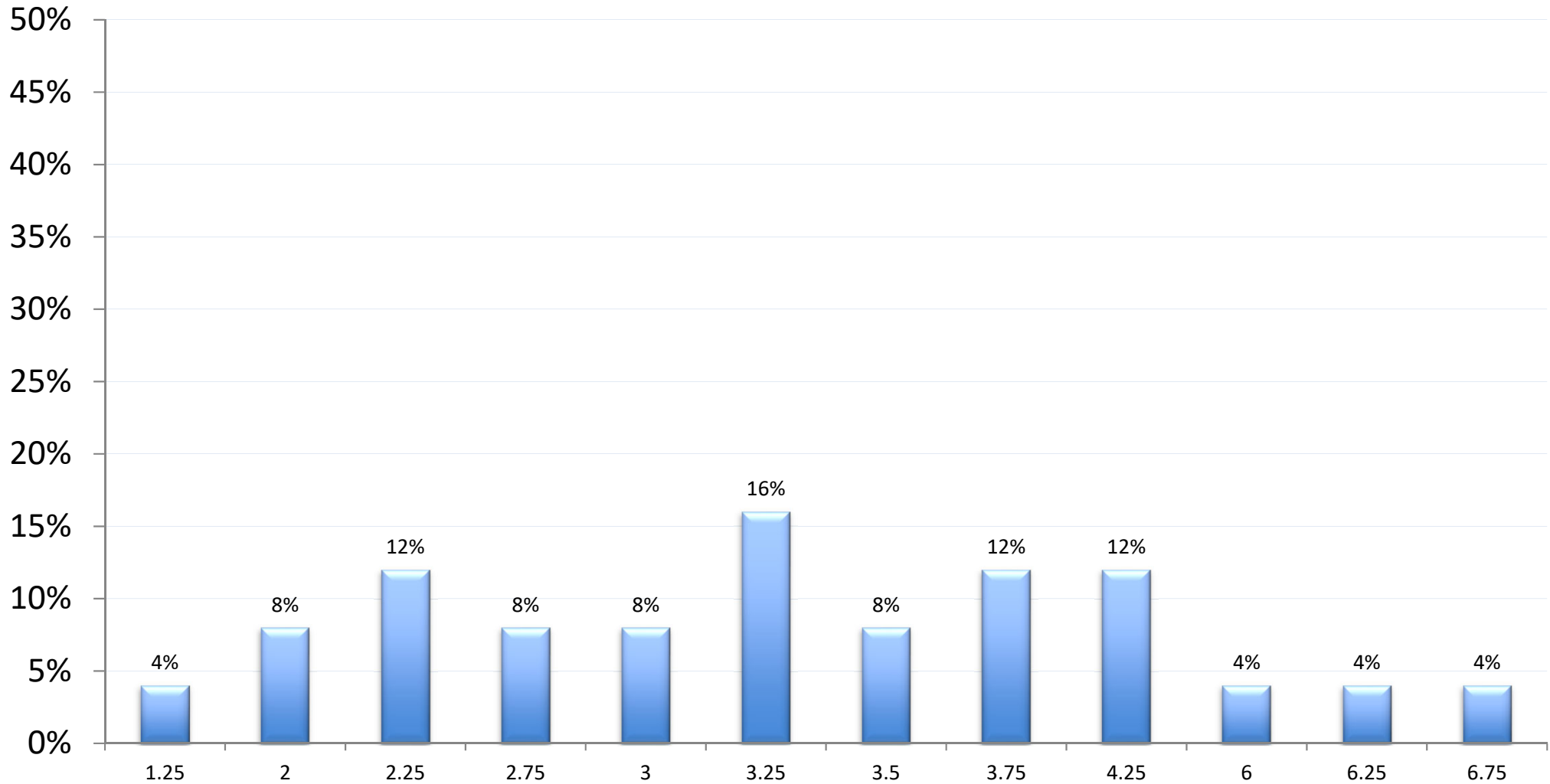
LOI/ Offer to Close



Industry

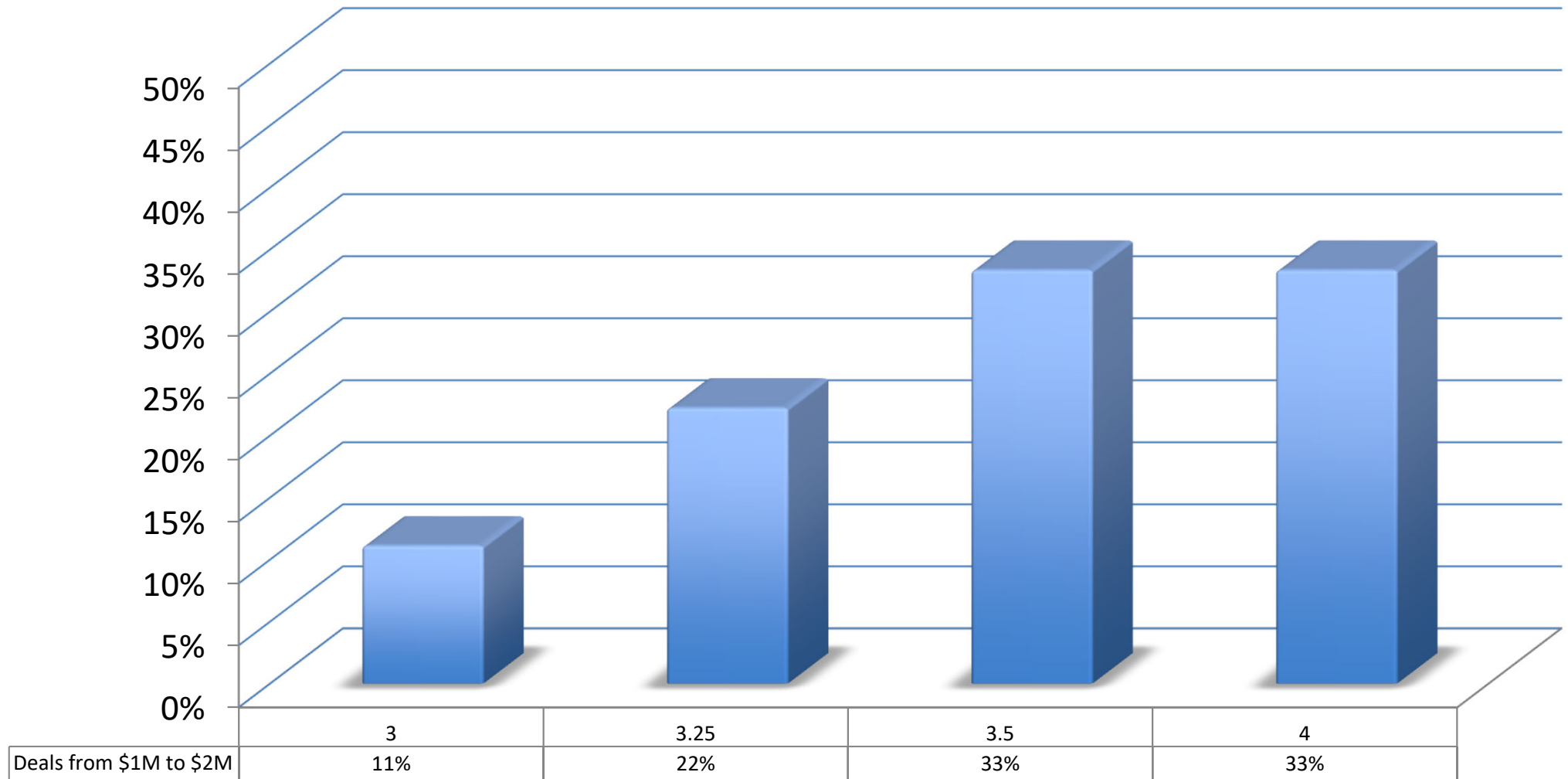


SDE Multiple Paid



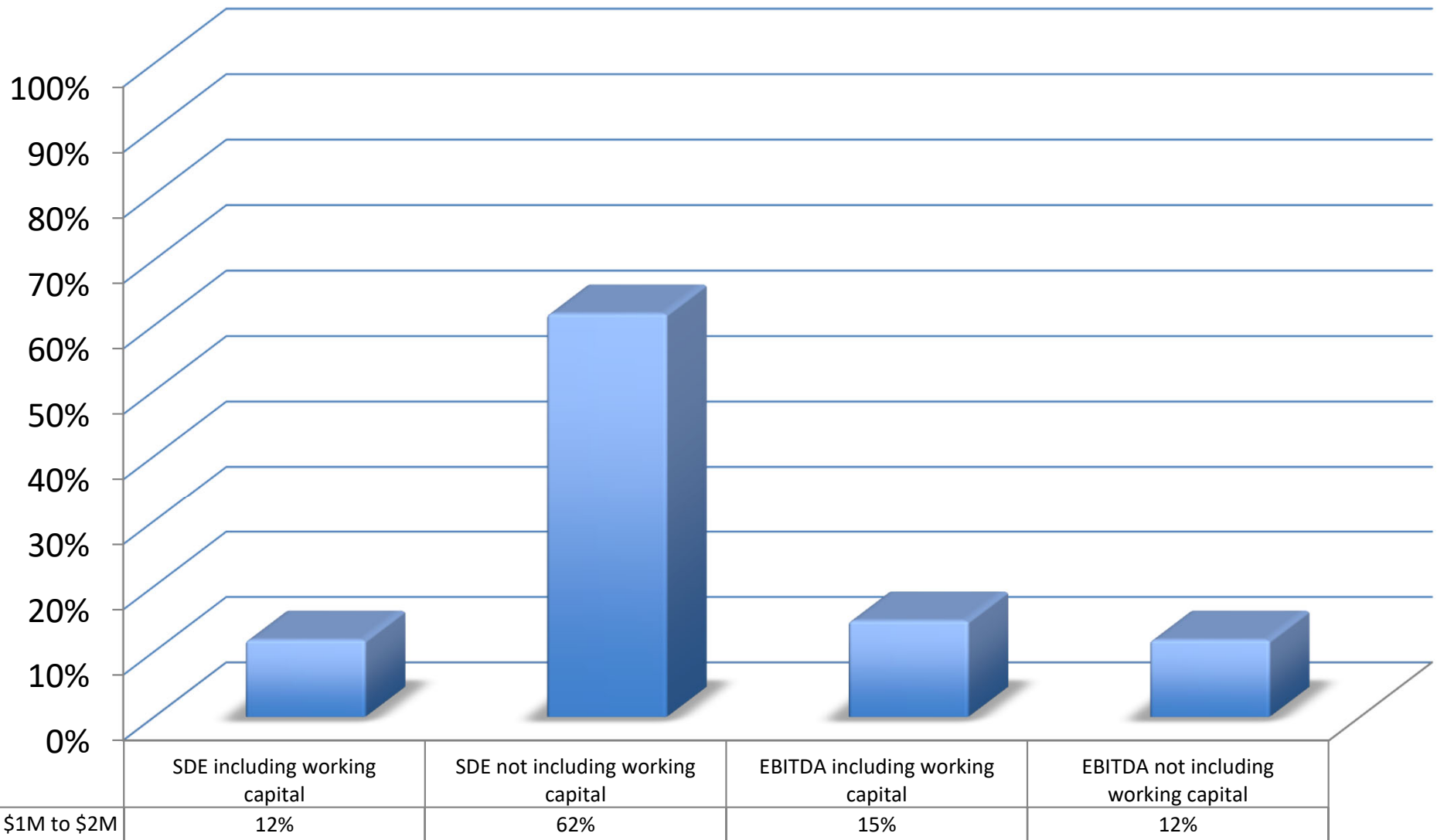
Number of responses: 25

EBITDA Multiple Paid

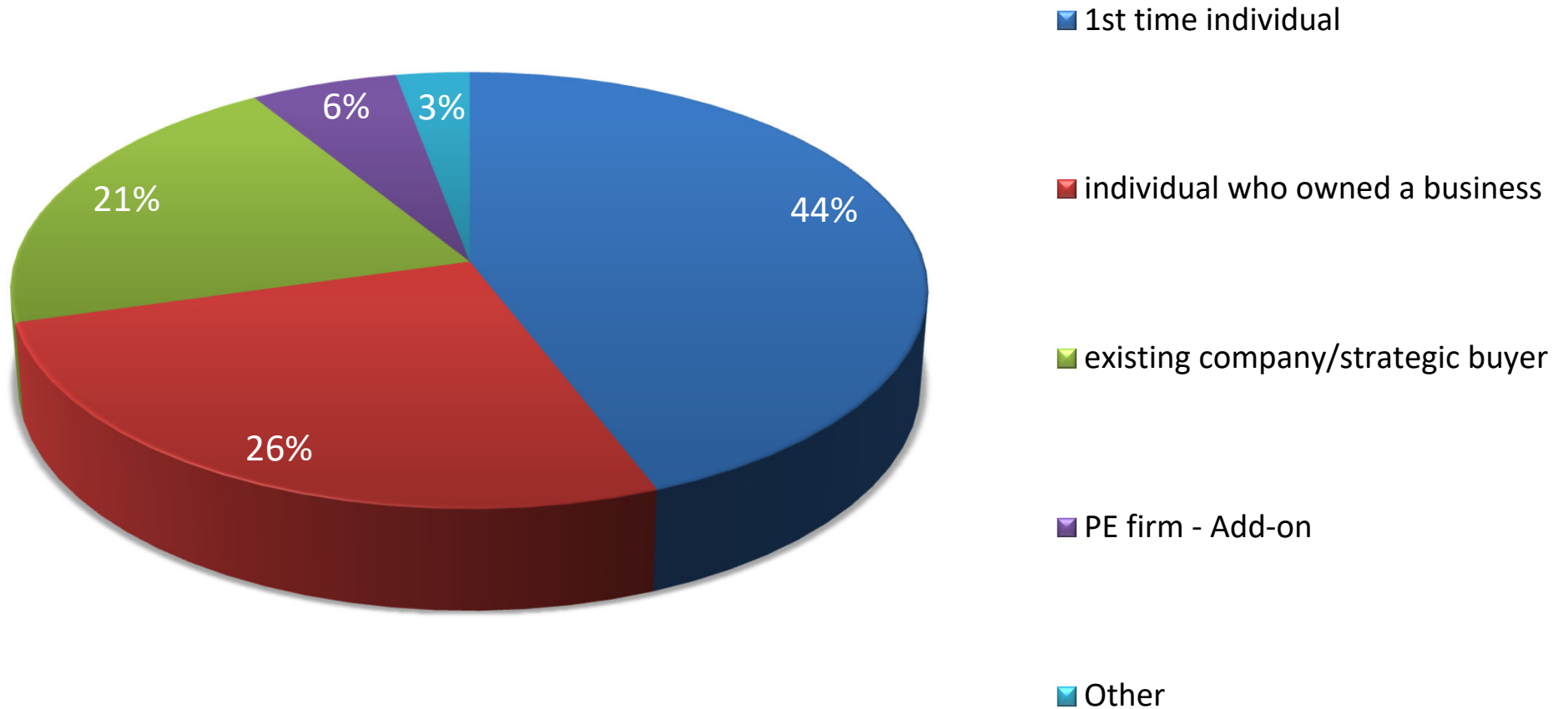


Number of responses: 9

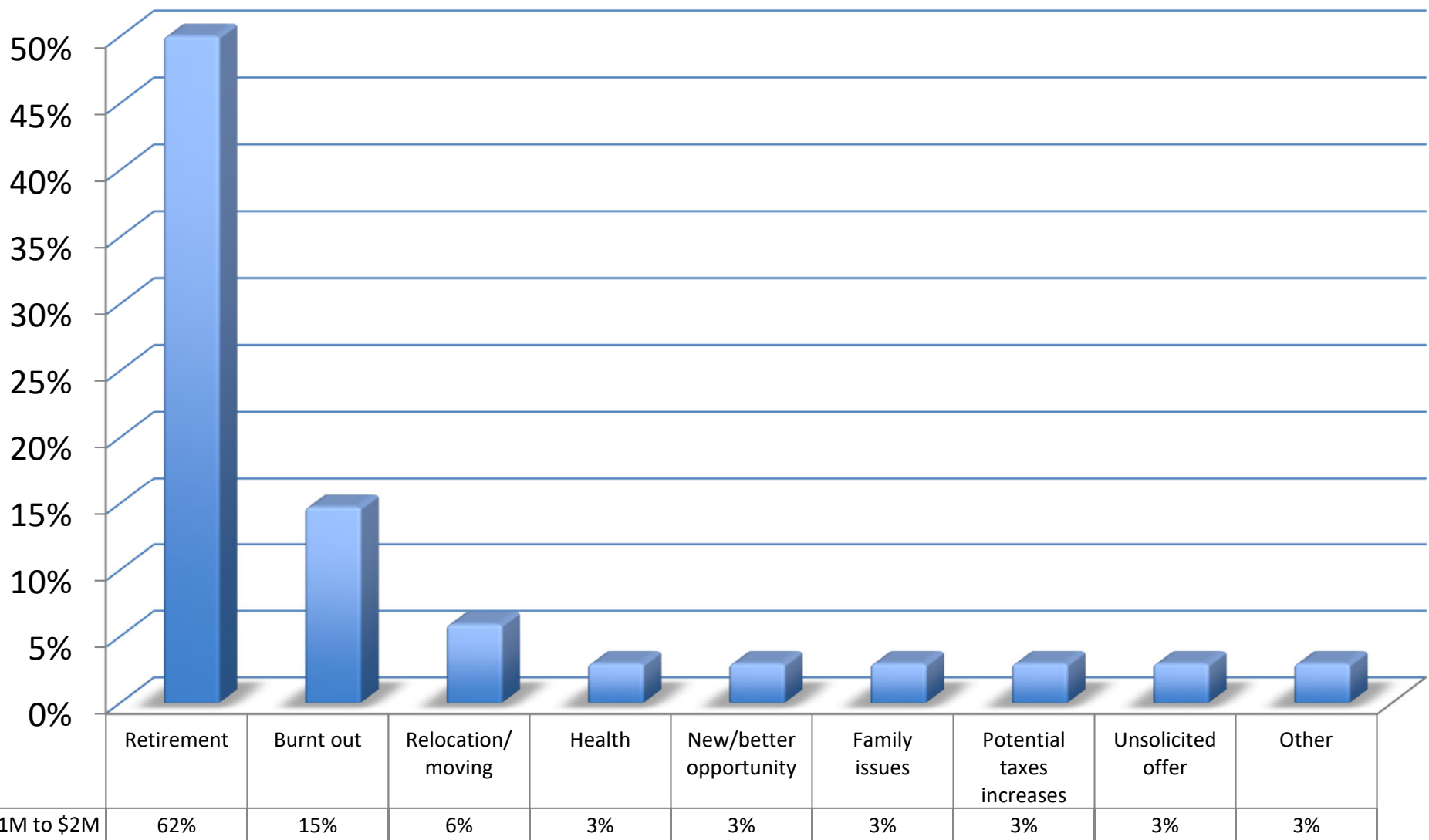
Multiple Type



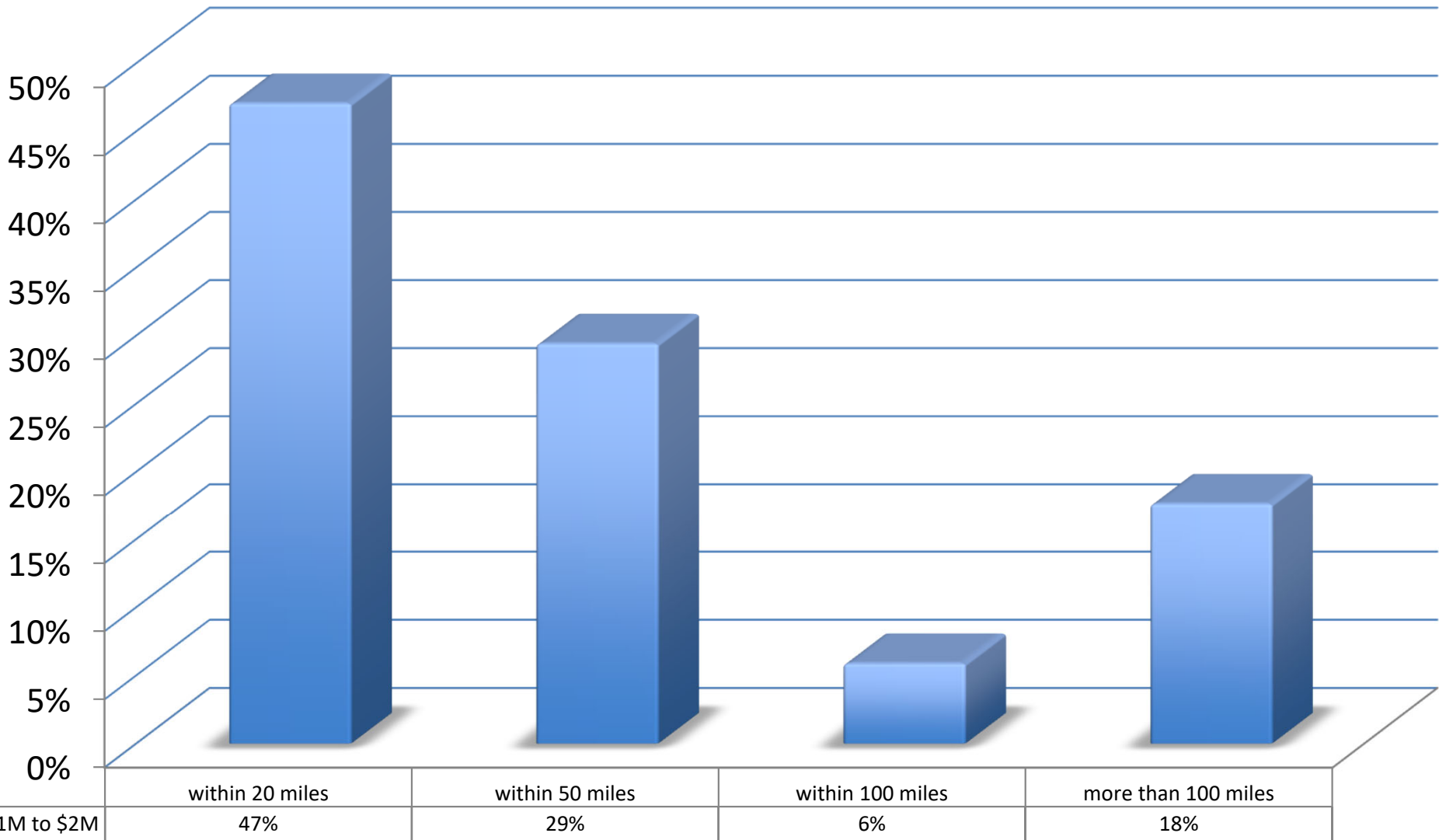
Buyer Type



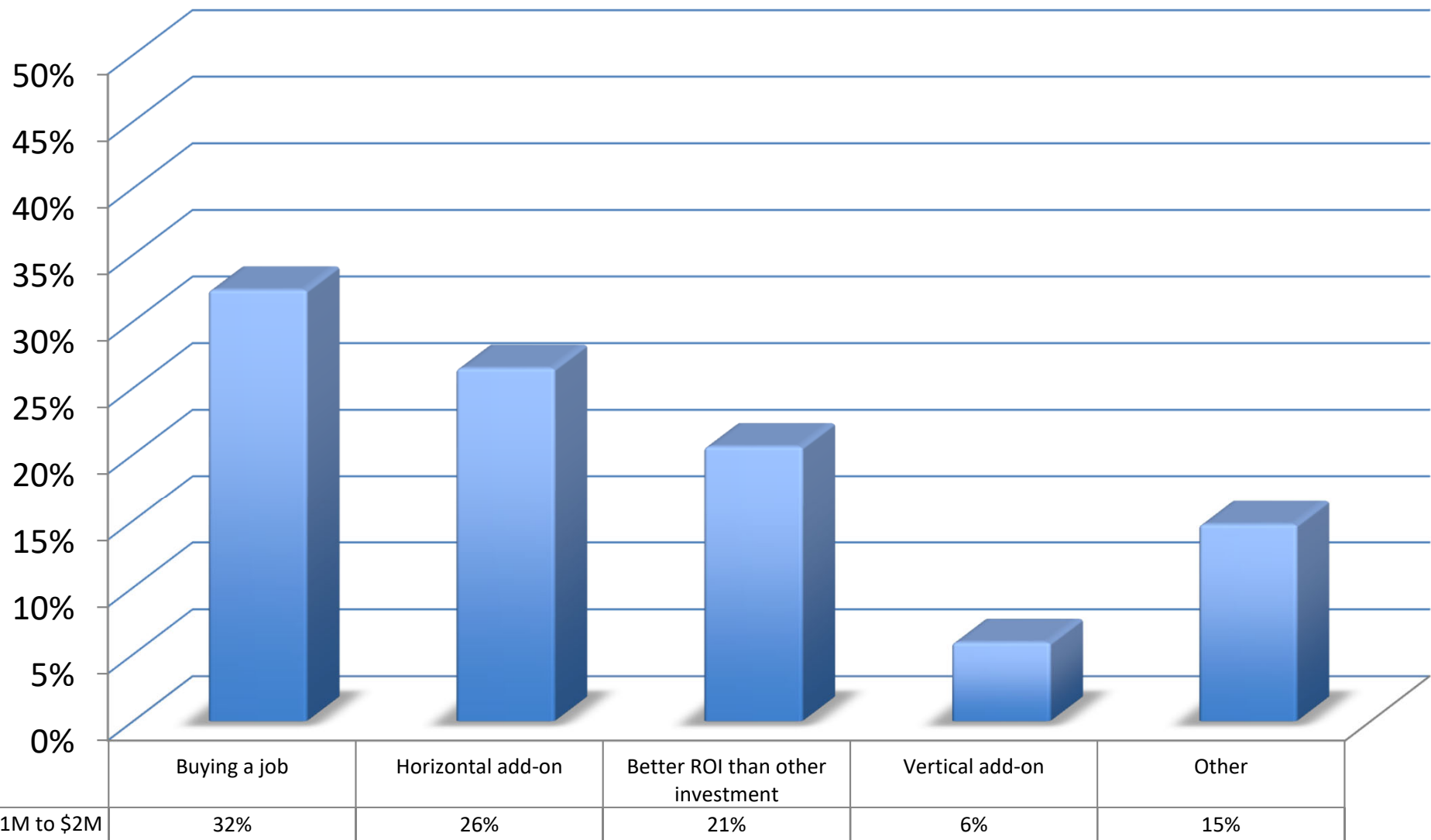
#1 Reason for Seller to Go to Market



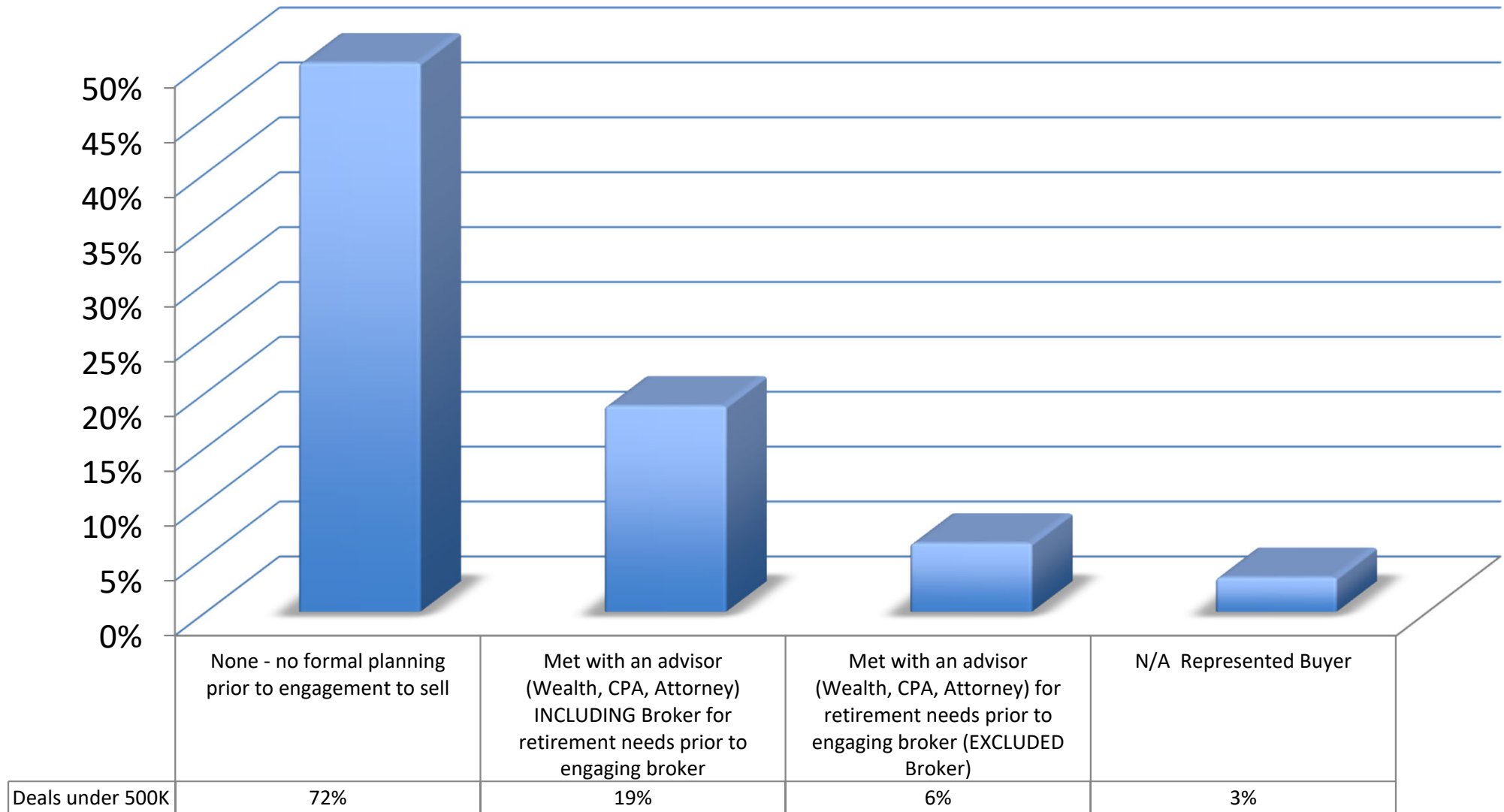
Buyer Location



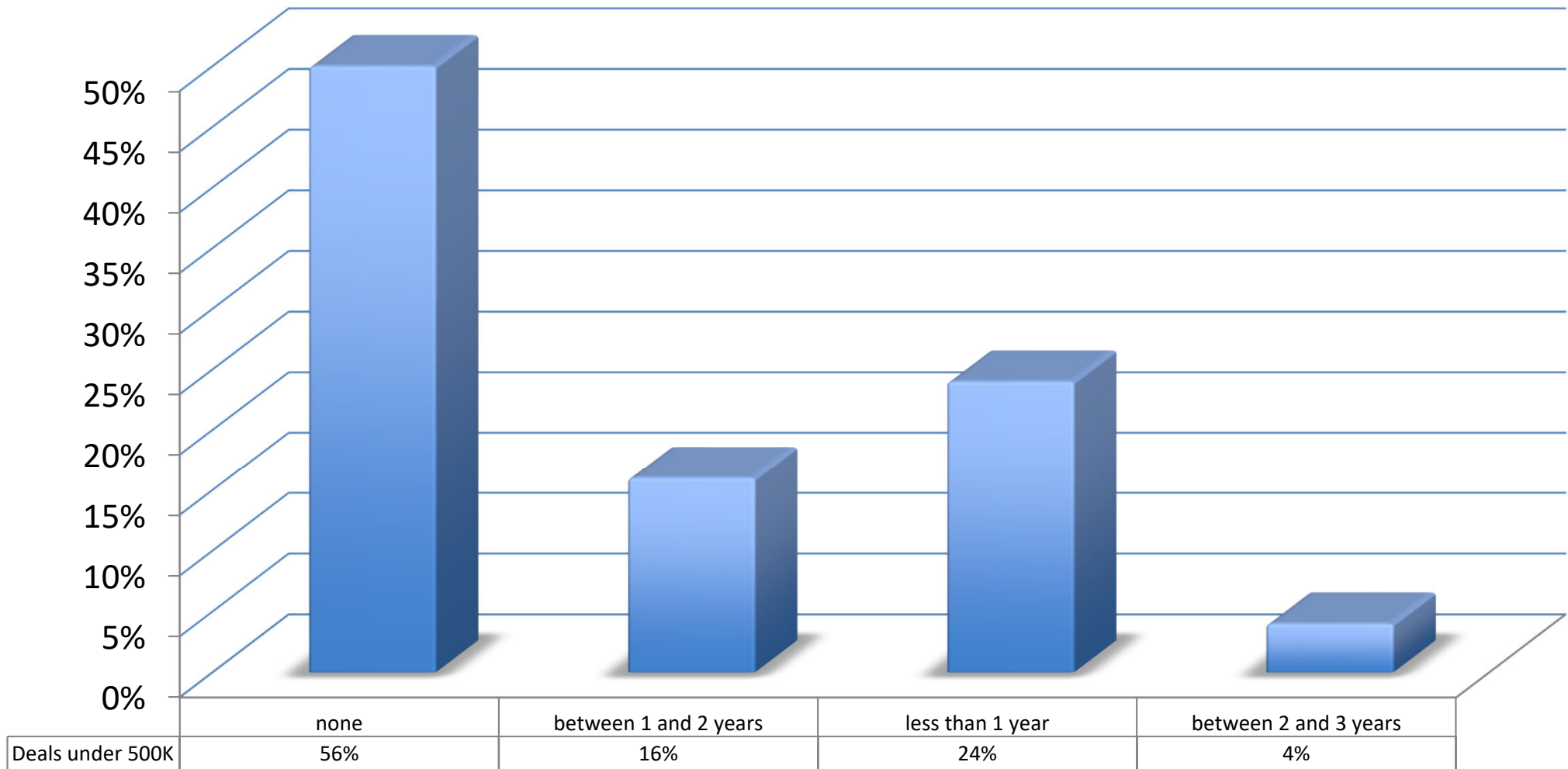
#1 Motivation for Buyer



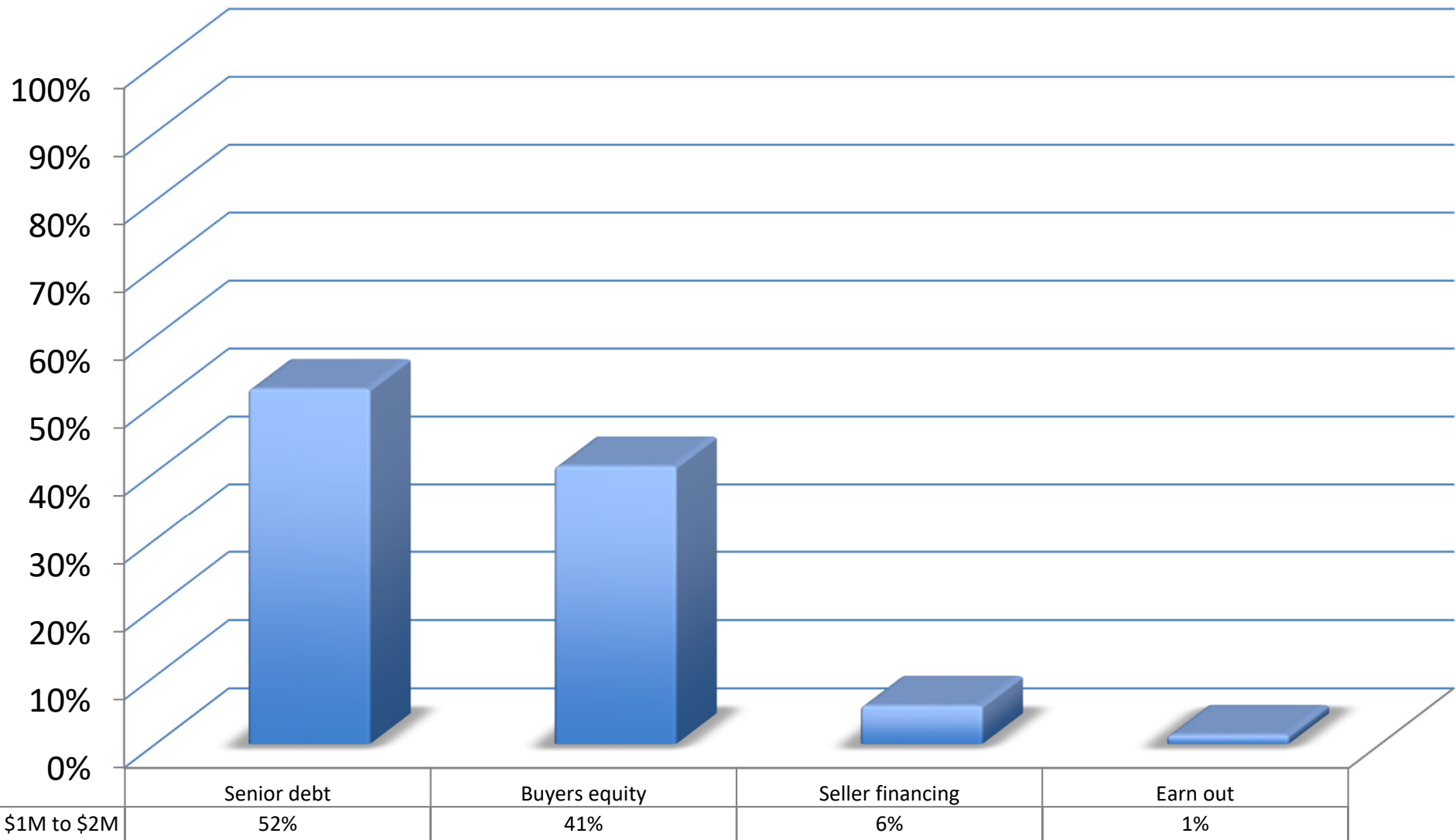
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

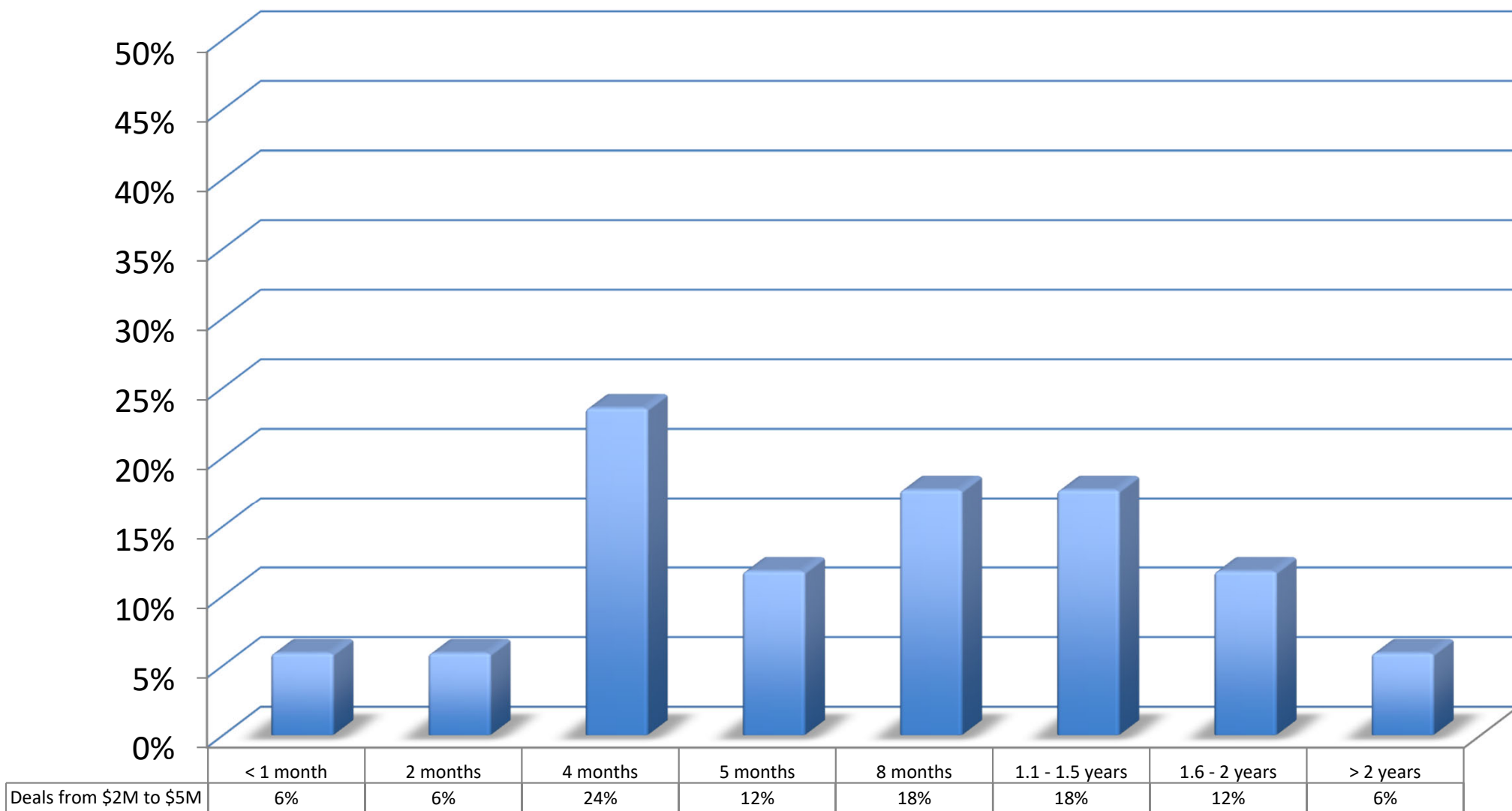


Financing Structure

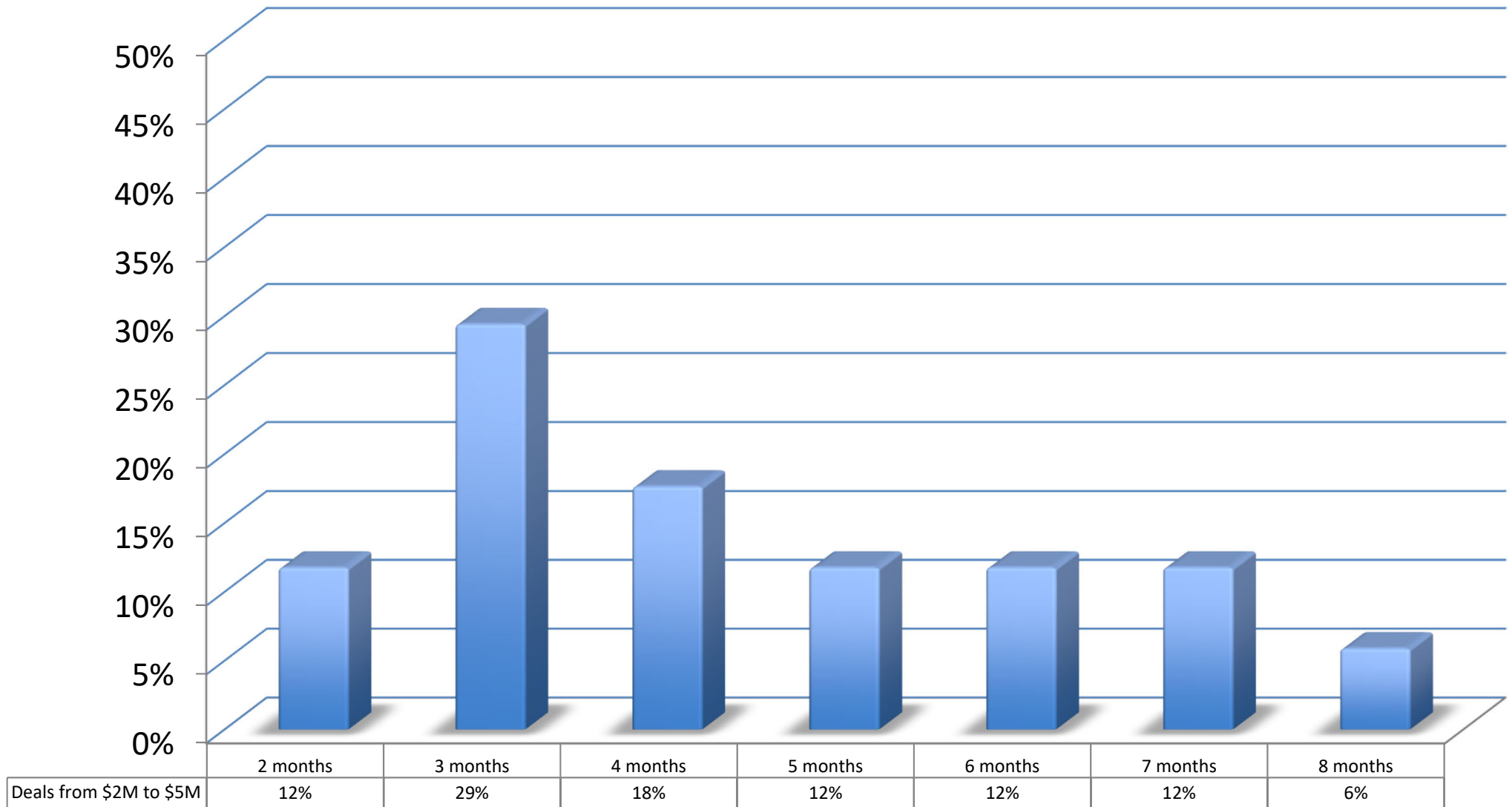


Business Transactions Valued
from \$2 Million to \$4.99 Million
Number of Closed Transactions: 17

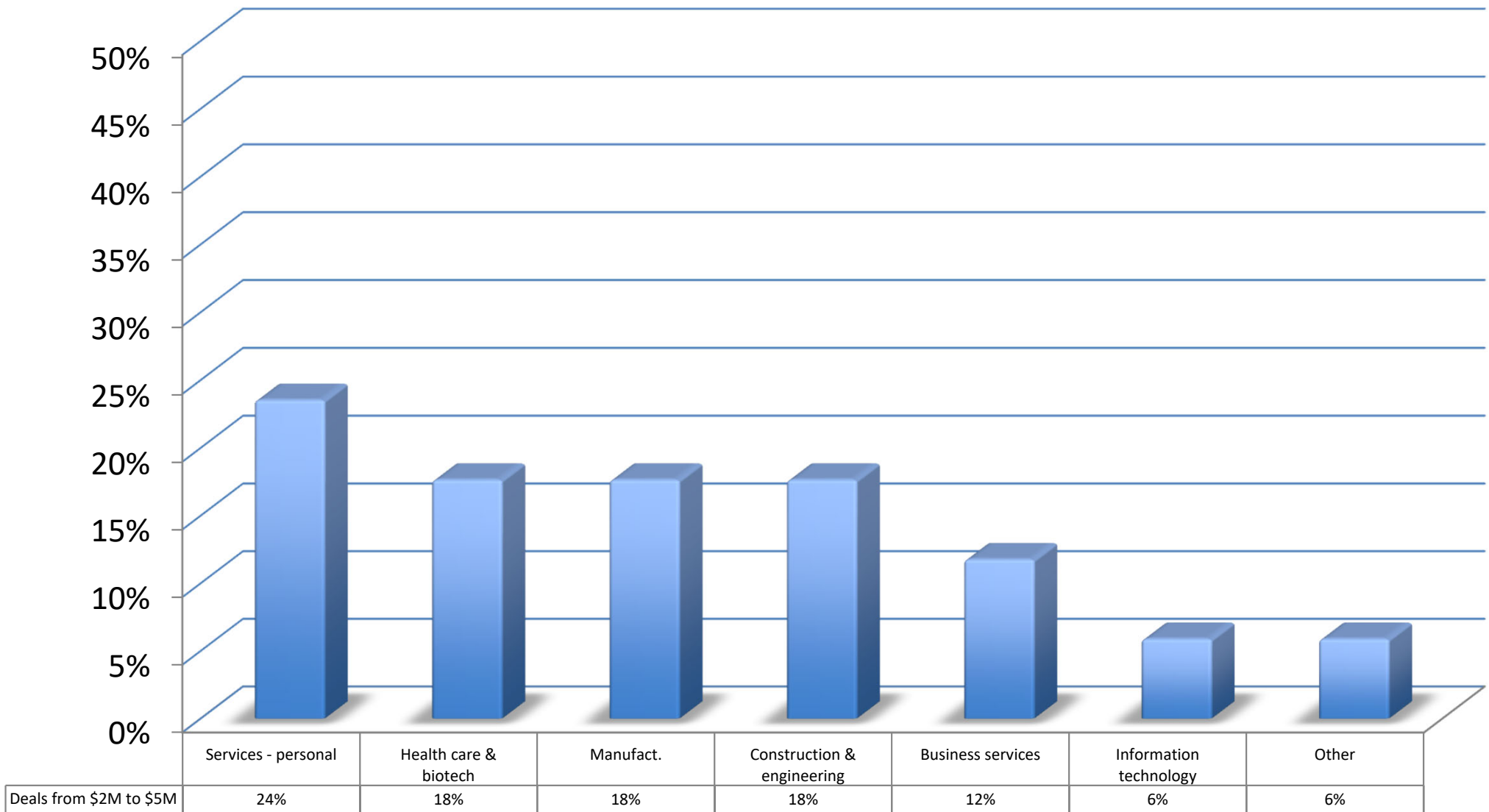
Engagement/Listing to Close



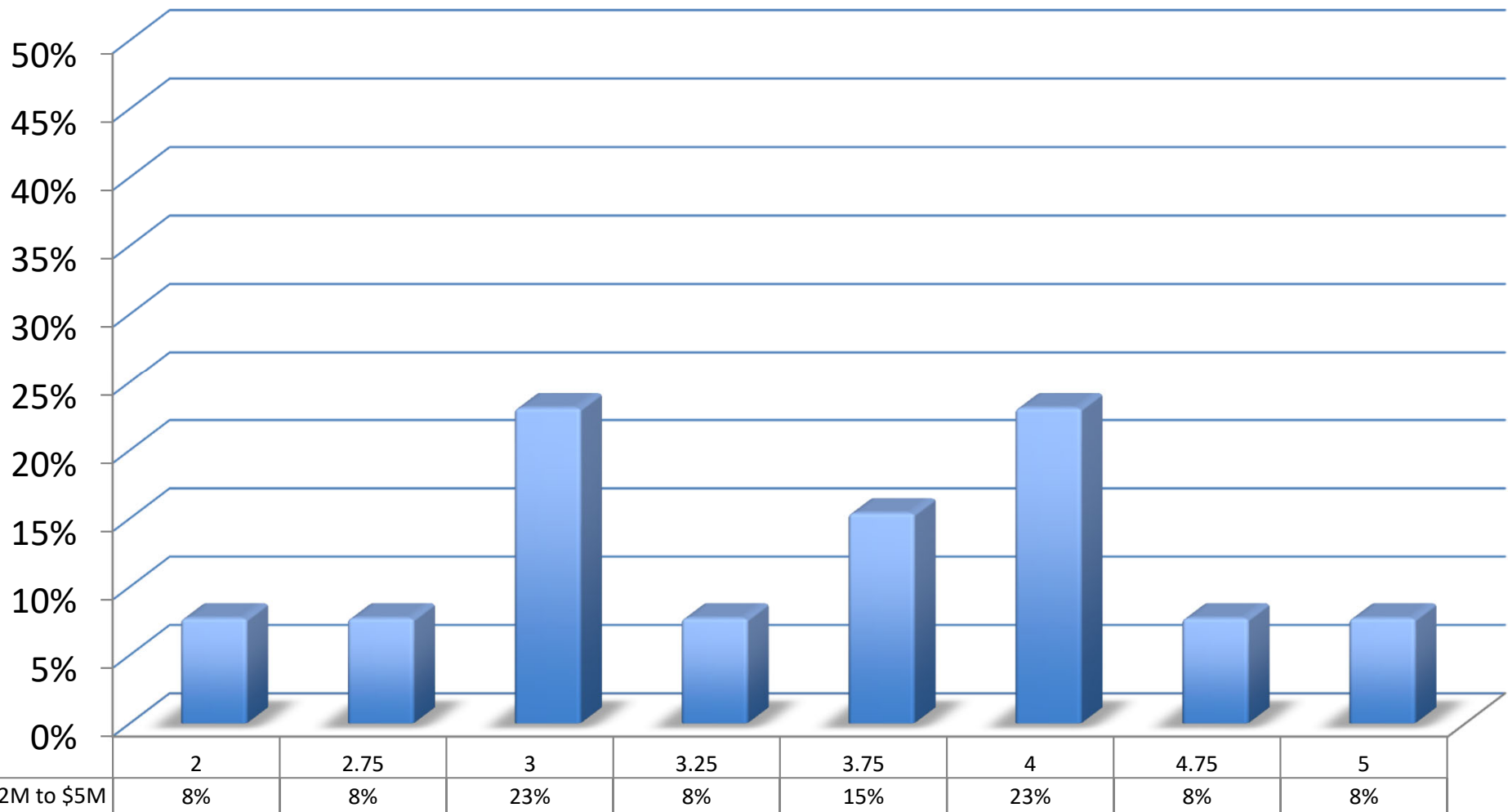
LOI/ Offer to Close



Industry

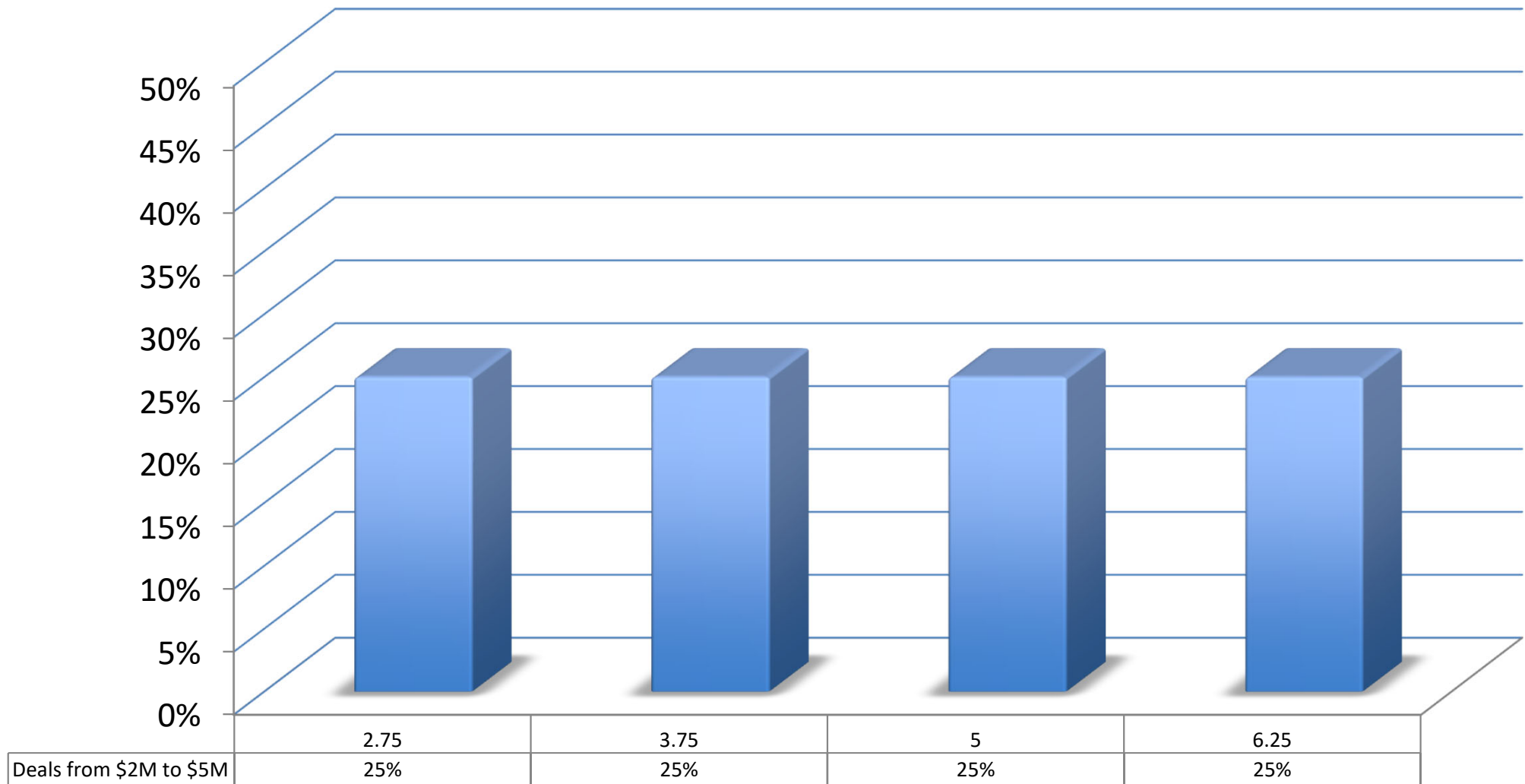


SDE Multiple Paid



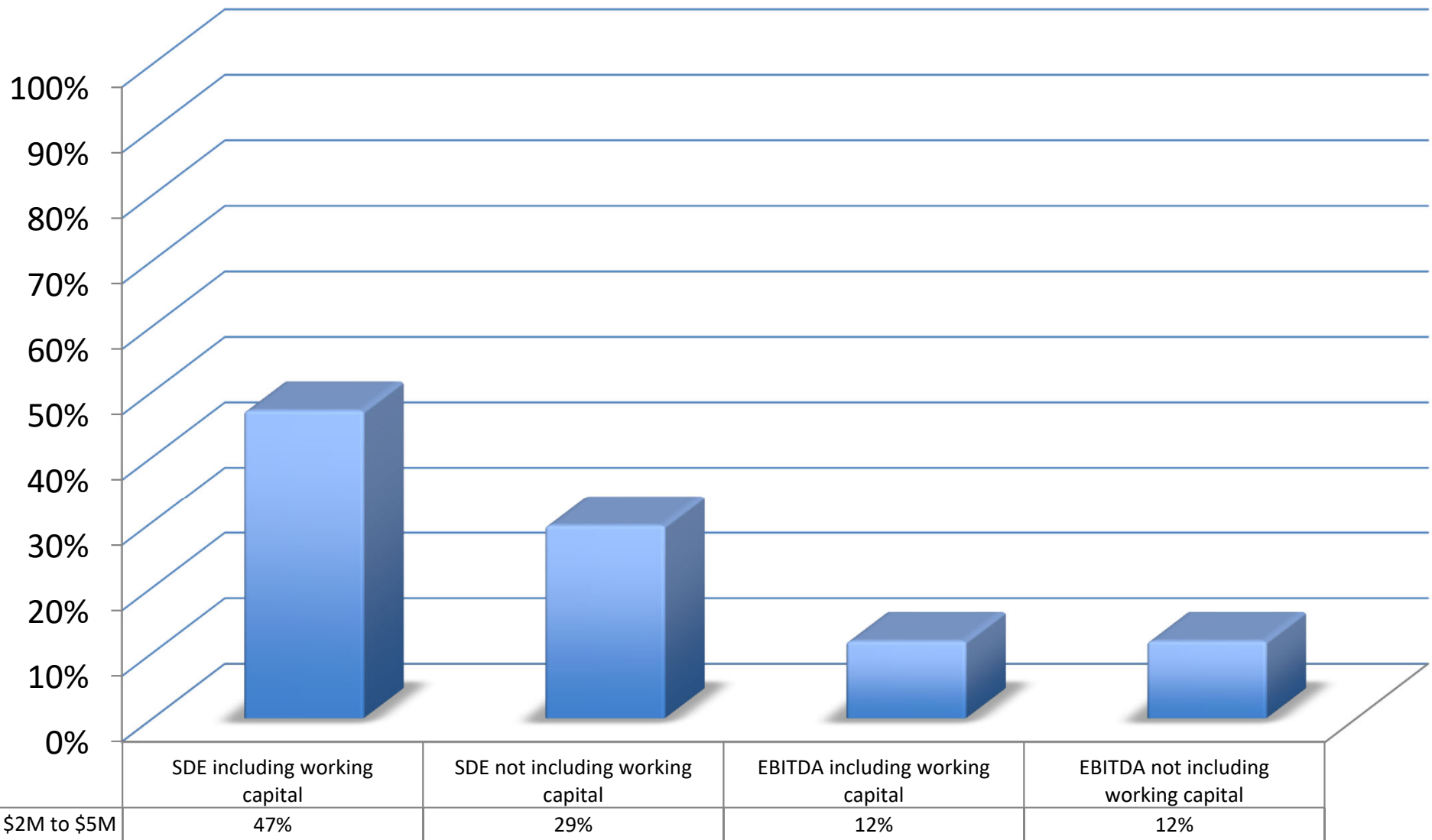
Number of responses: 13

EBITDA Multiple Paid

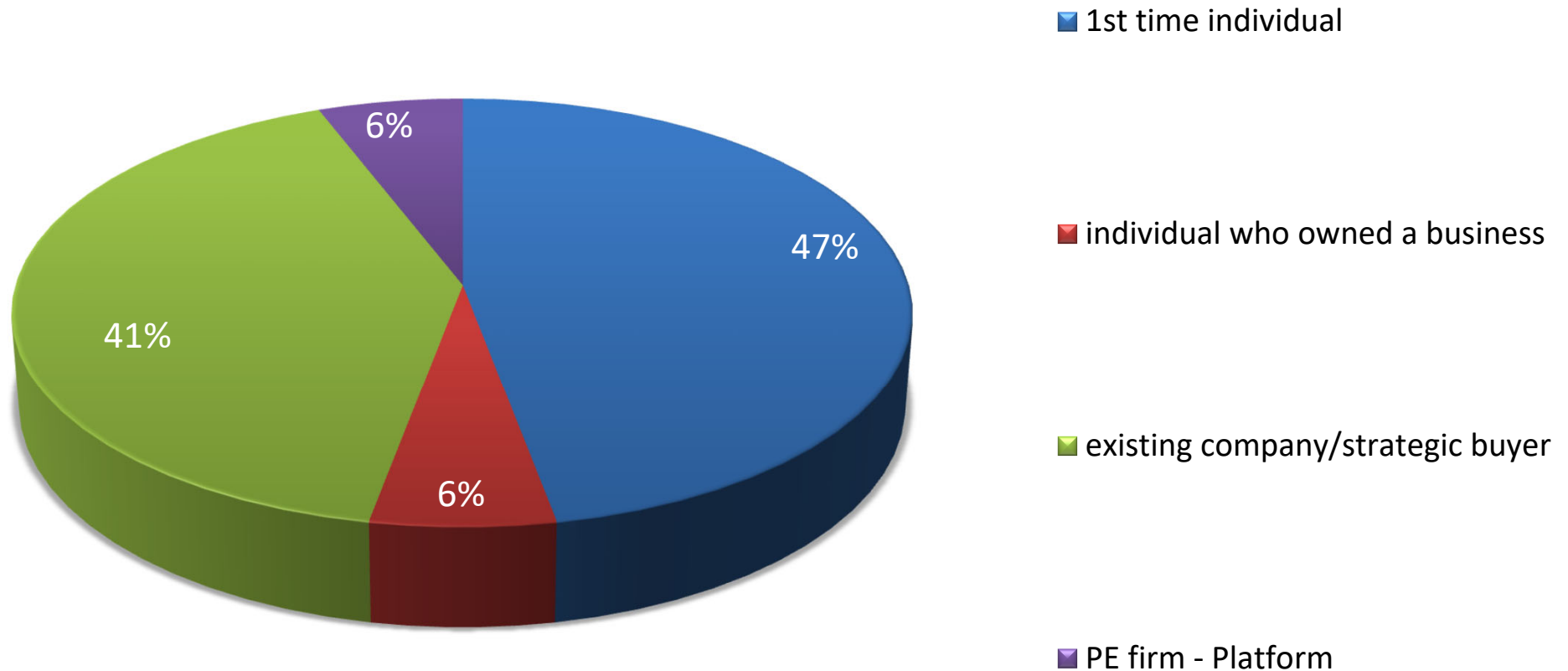


Number of responses: 4

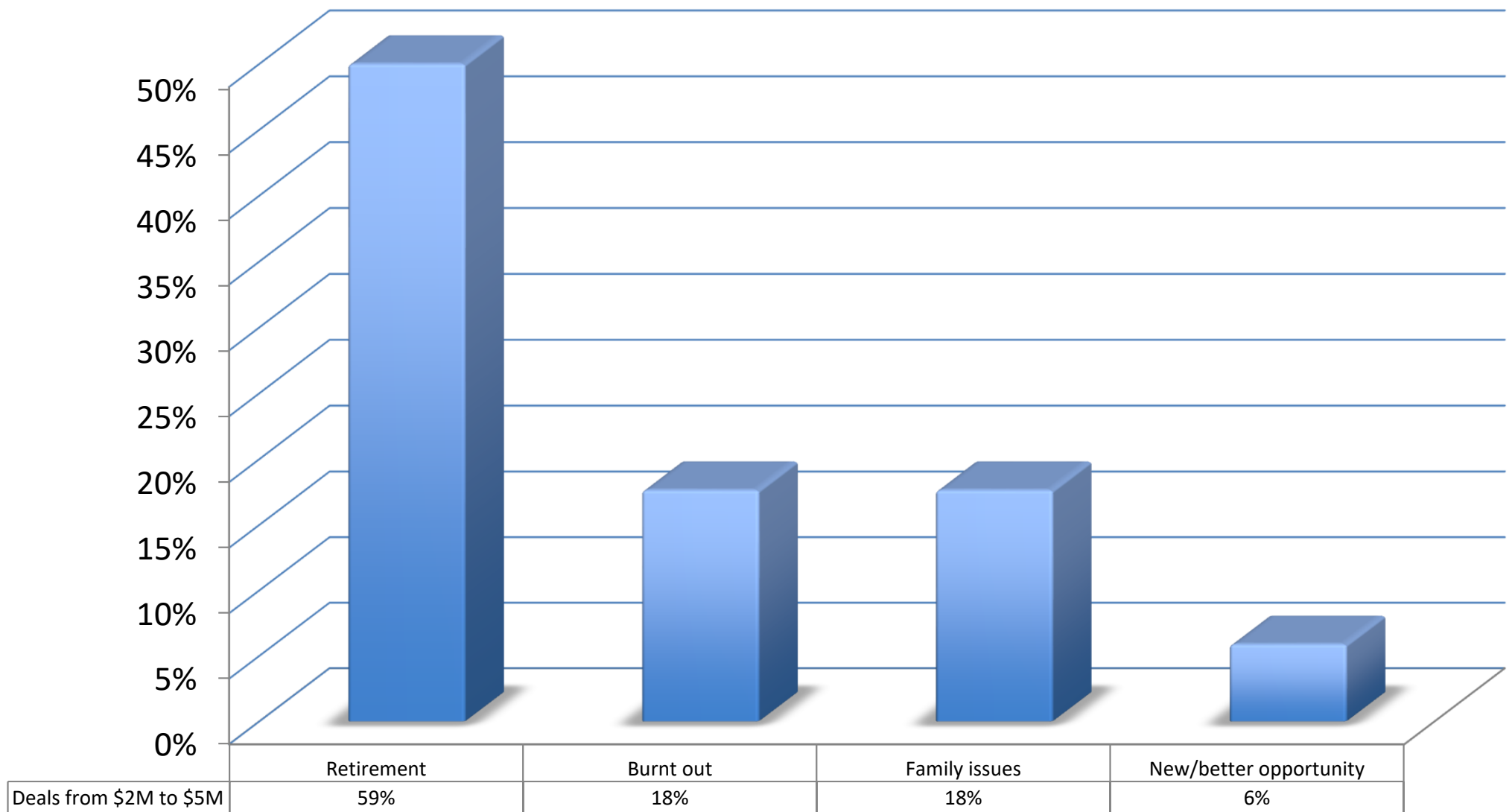
Multiple Type



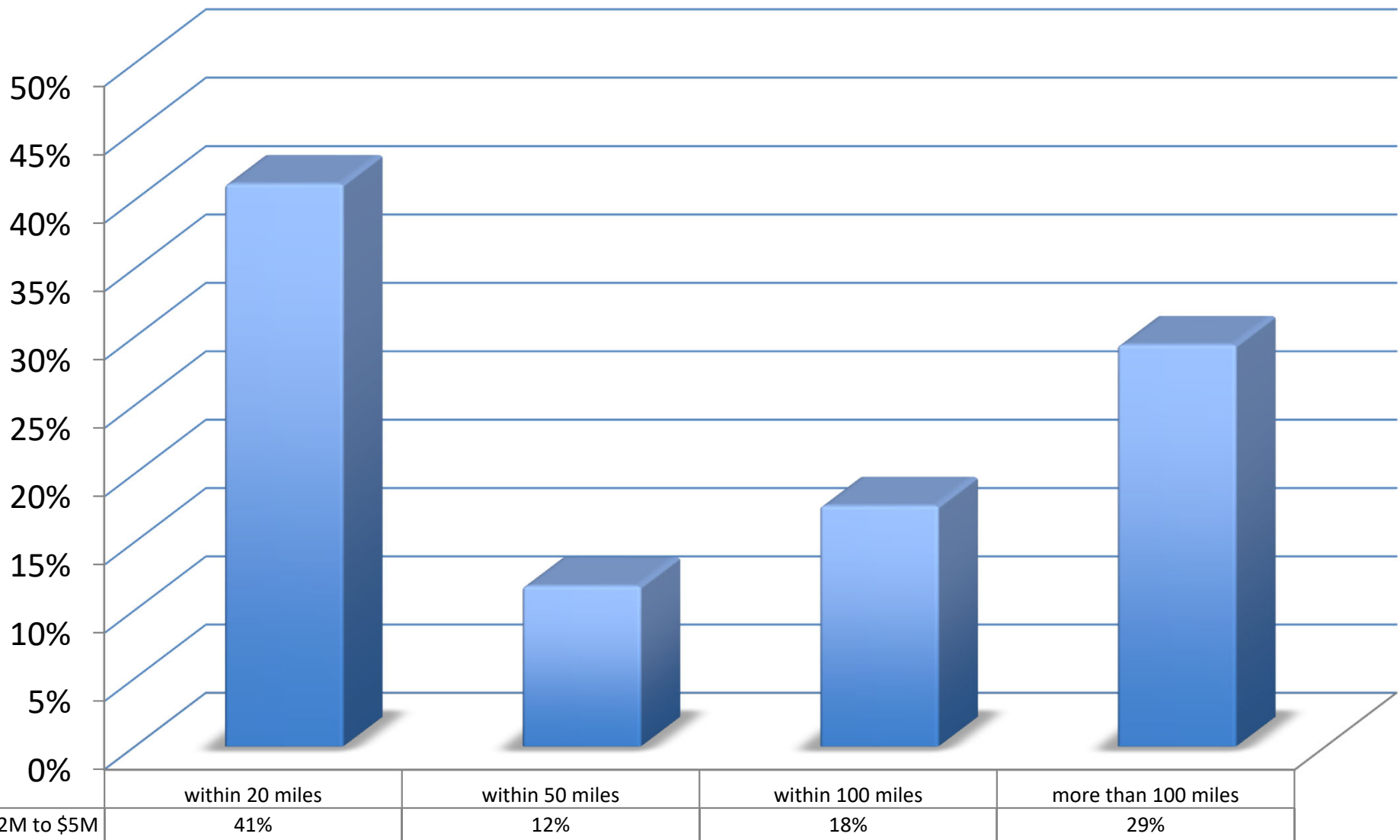
Buyer Type



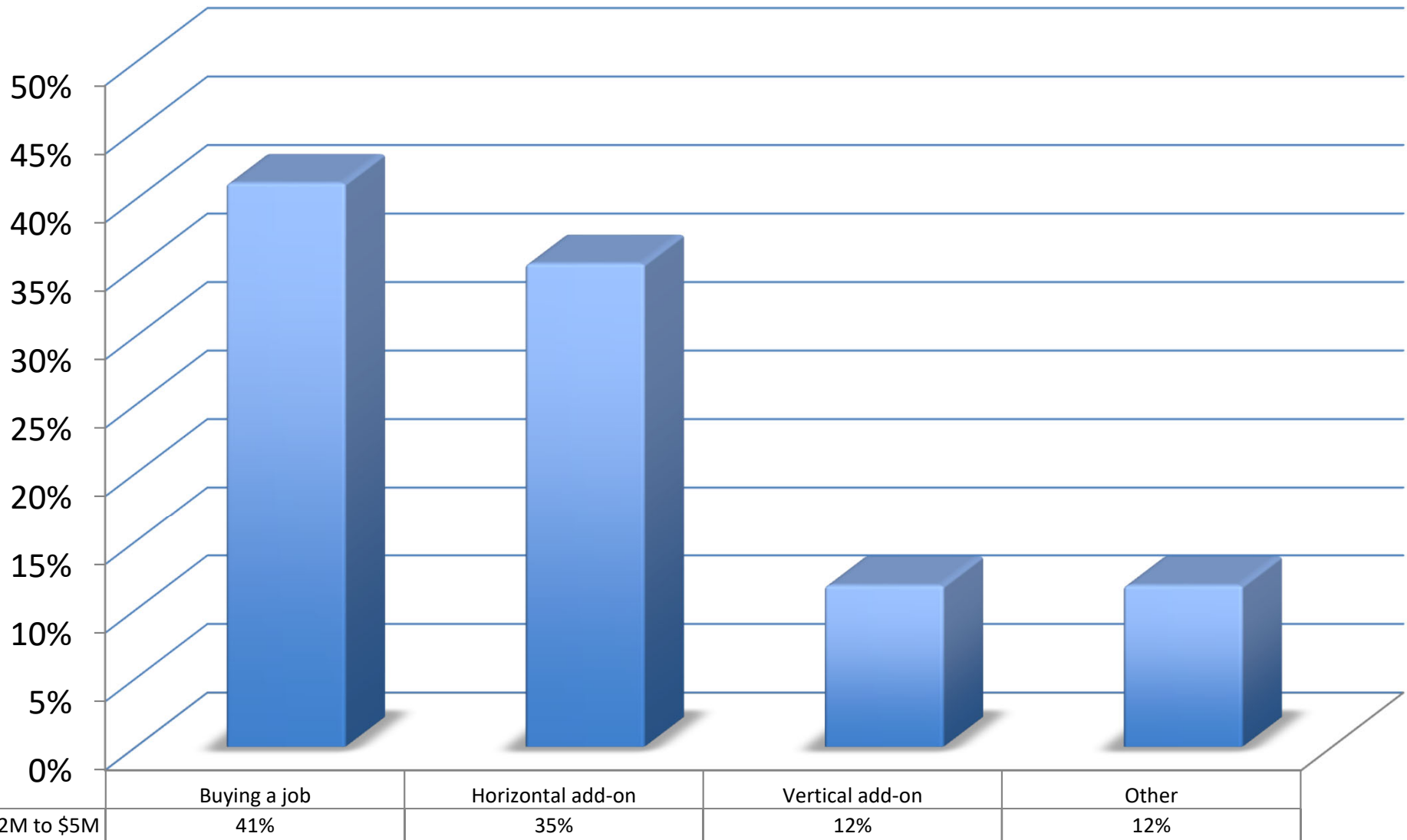
#1 Reason for Seller to Go to Market



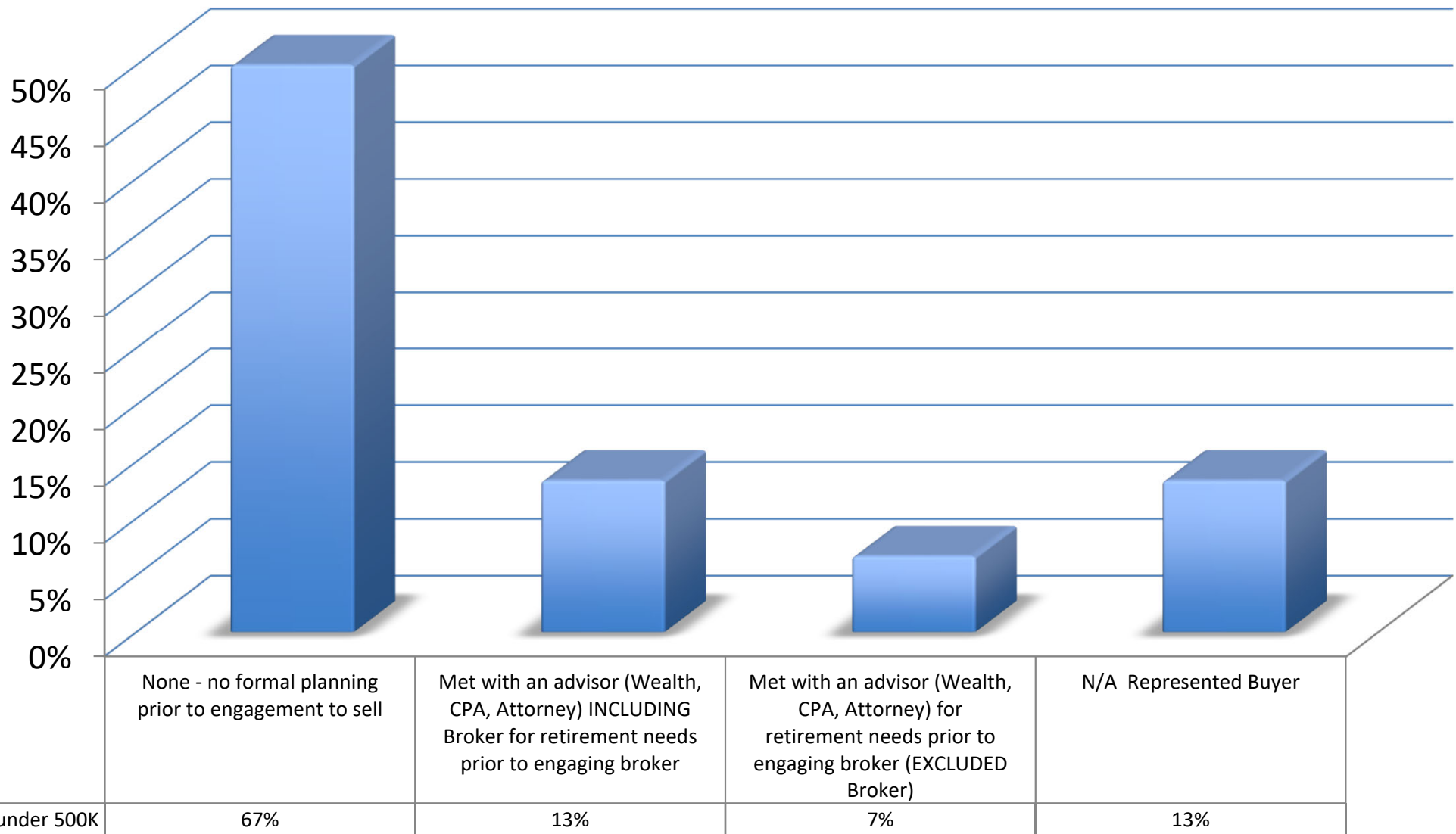
Buyer Location



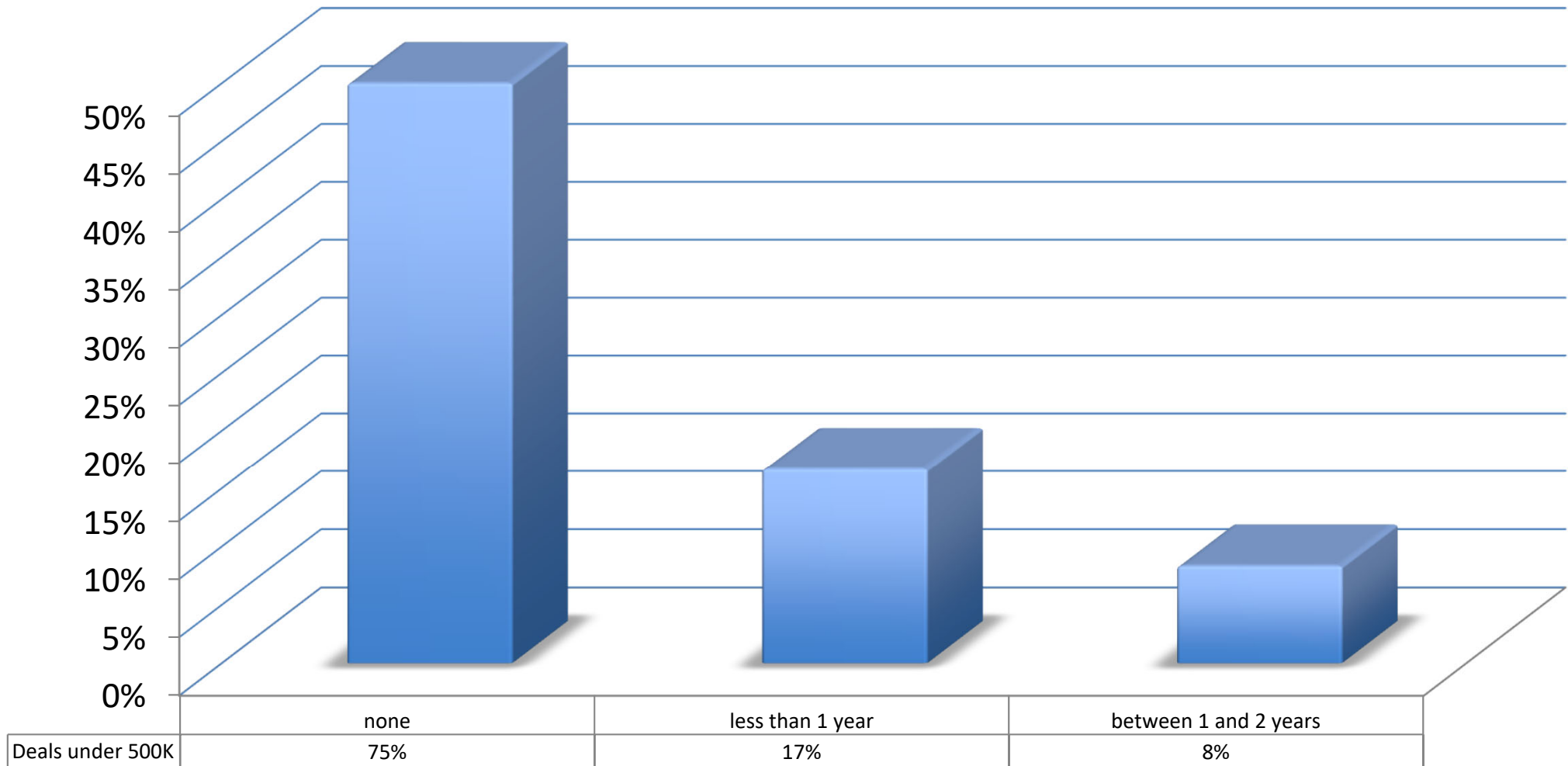
#1 Motivation for Buyer



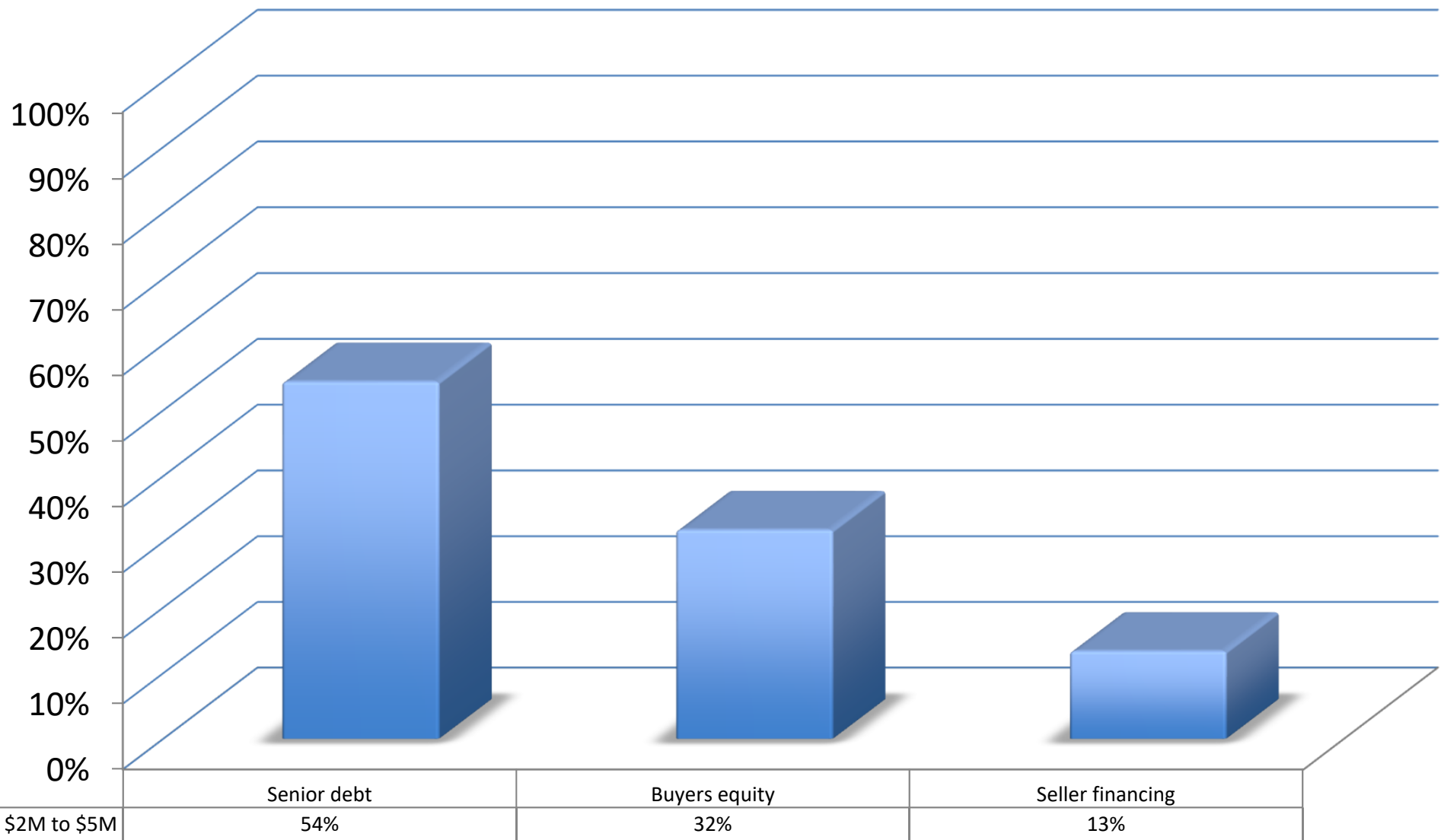
Exit Planning



Amount Of Exit Planning Prior To Marketing Business



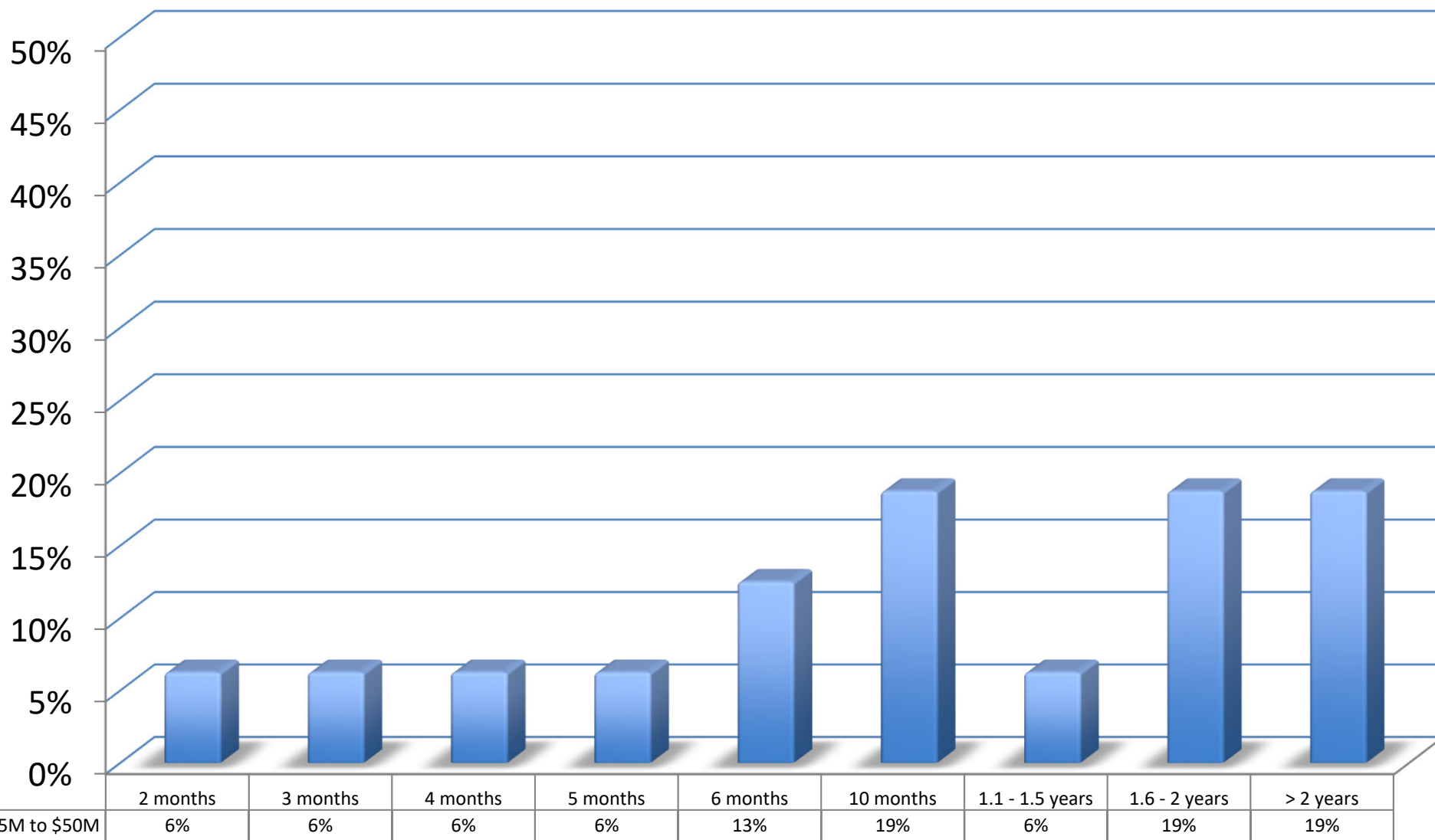
Financing Structure



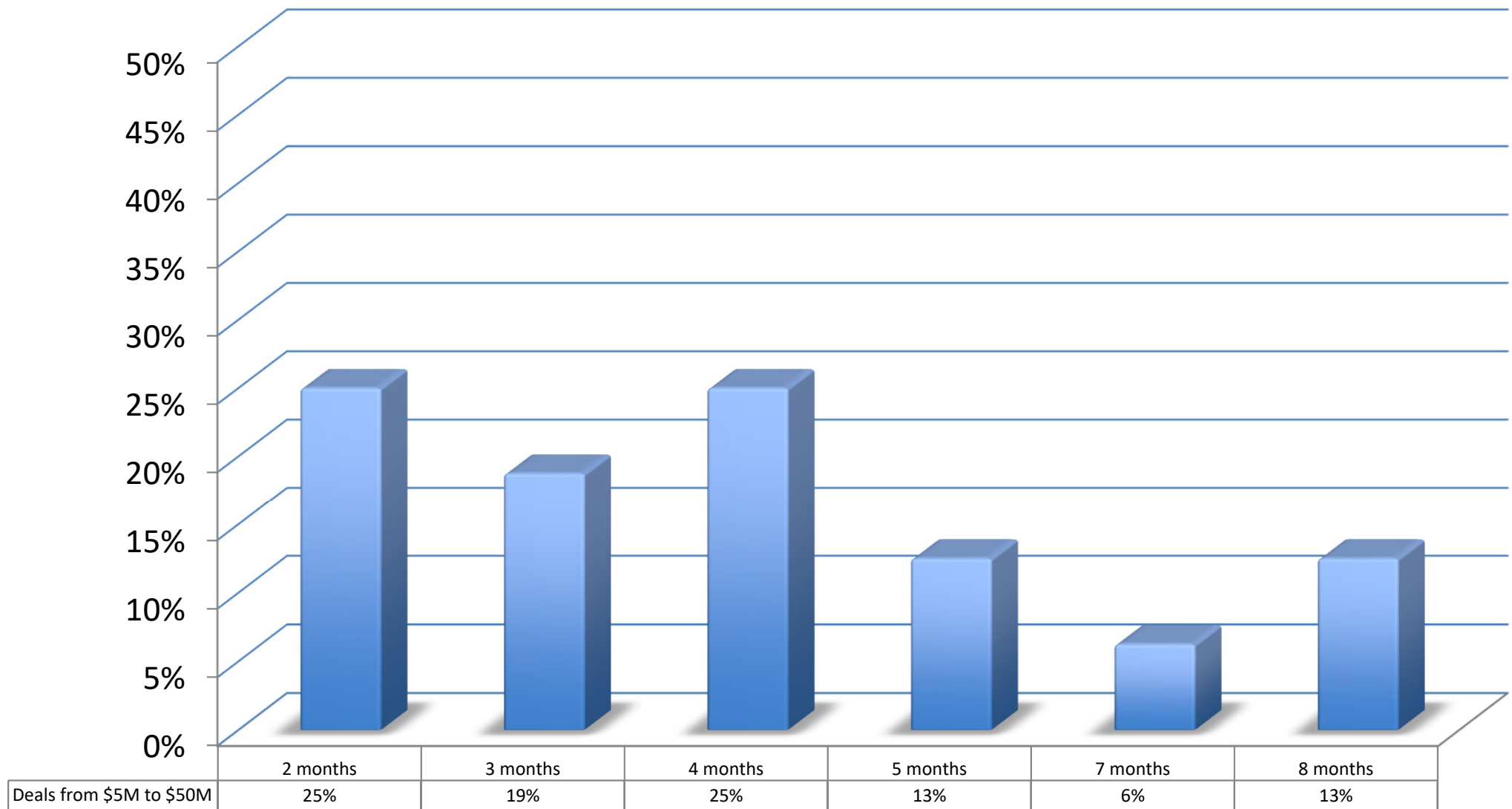
Business Transactions Valued Over \$5 Million

Number of Closed Transactions: 16

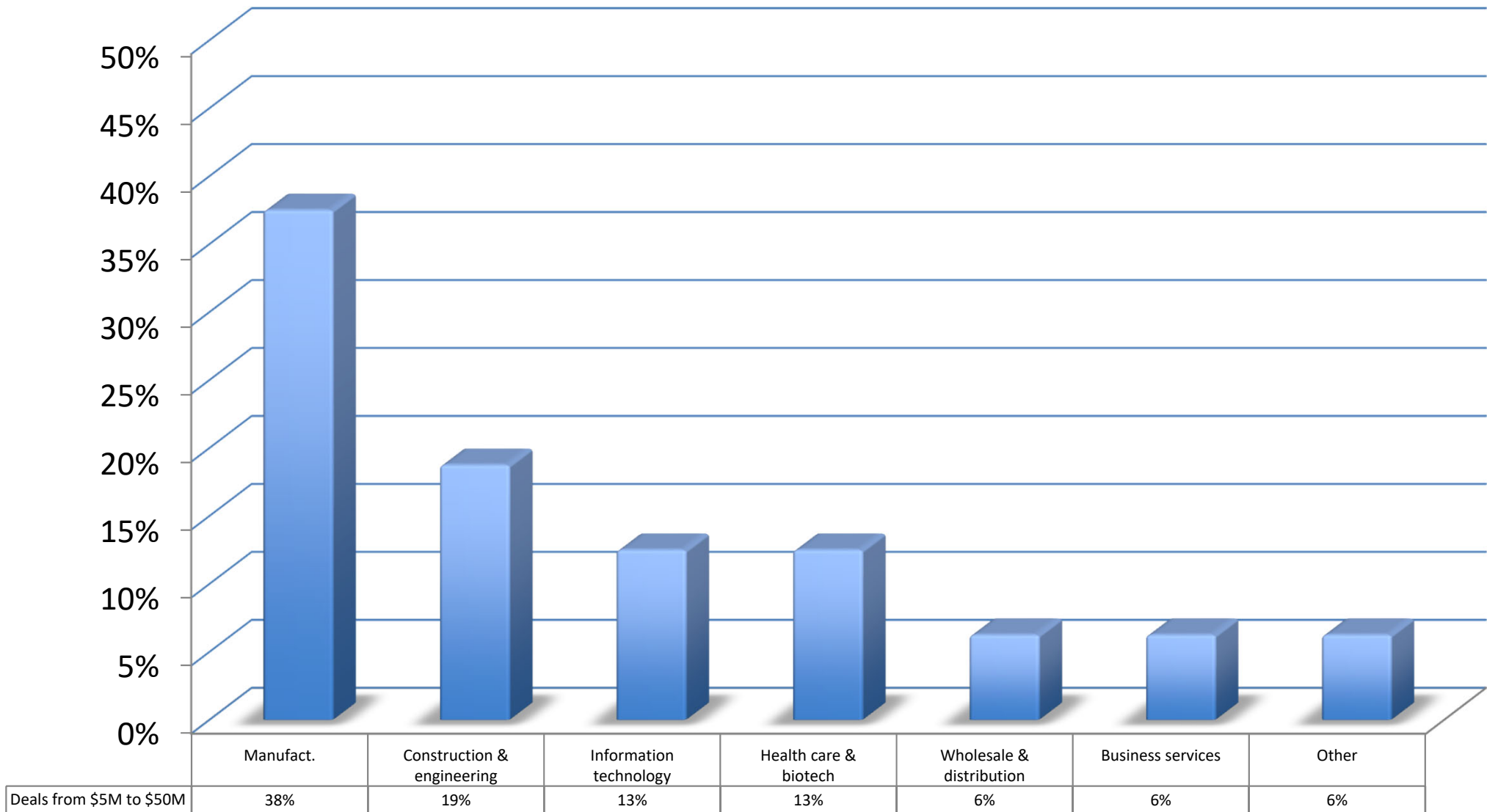
Engagement/Listing to Close



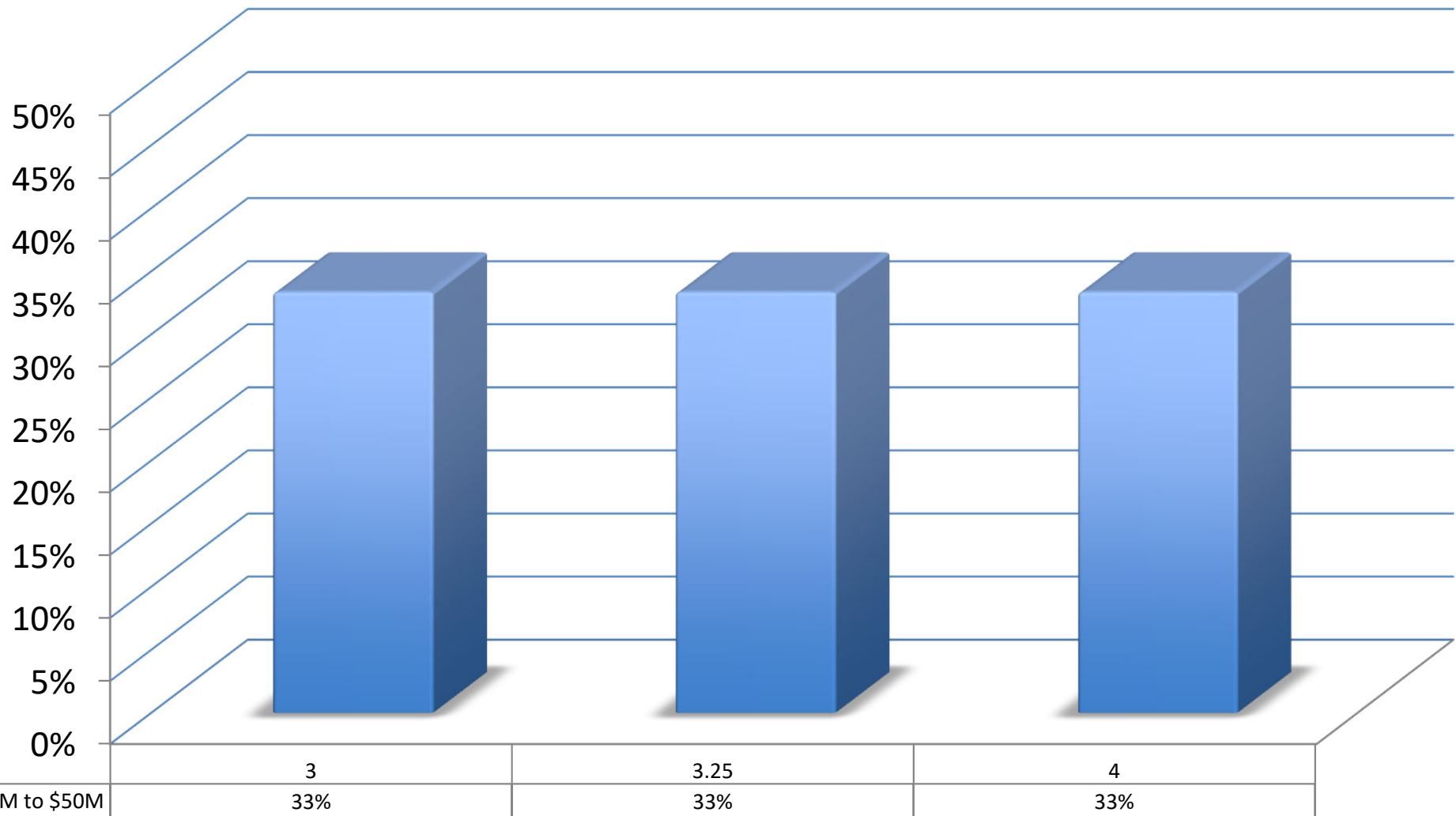
LOI/ Offer to Close



Industry

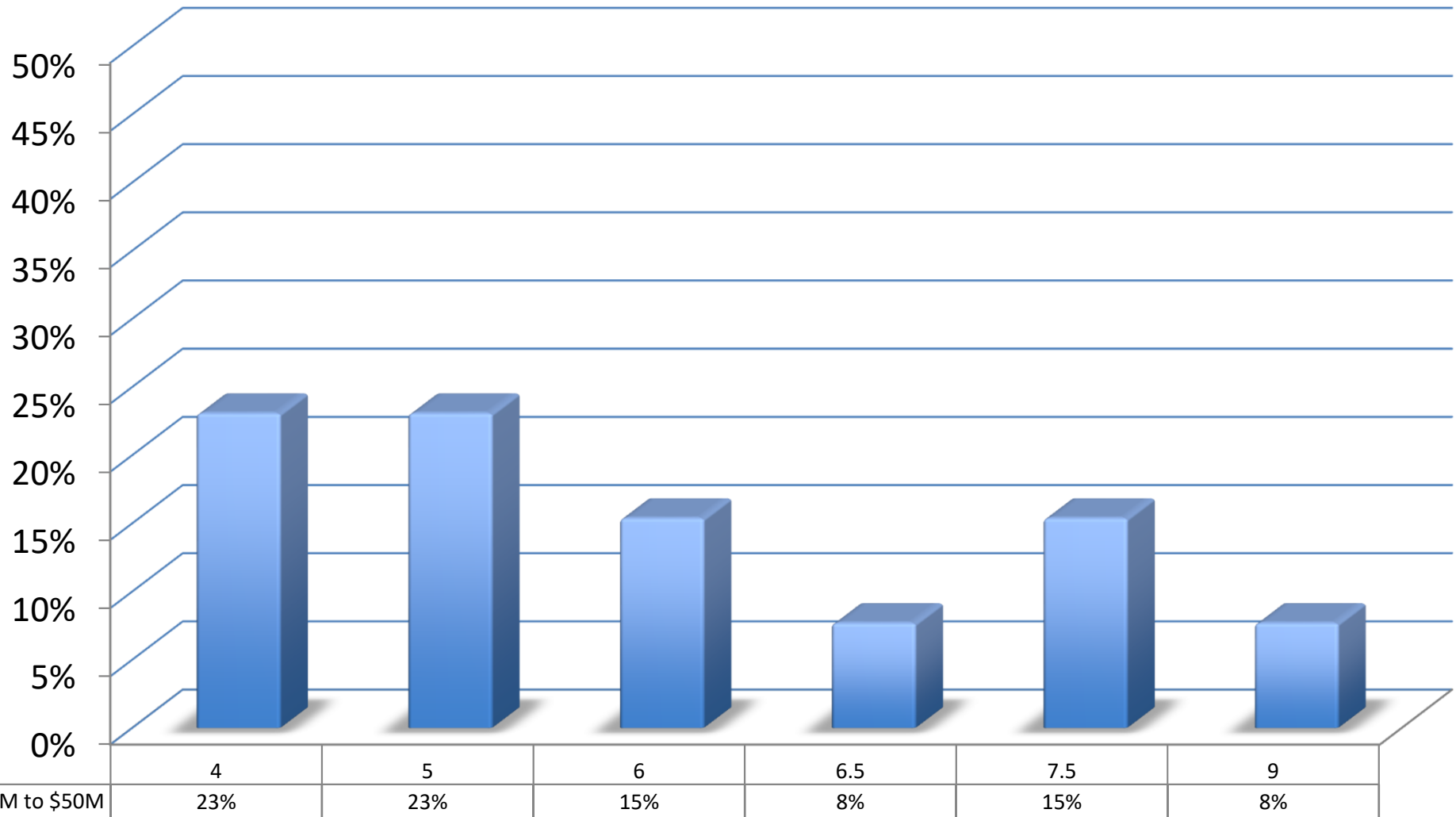


SDE Multiple Paid



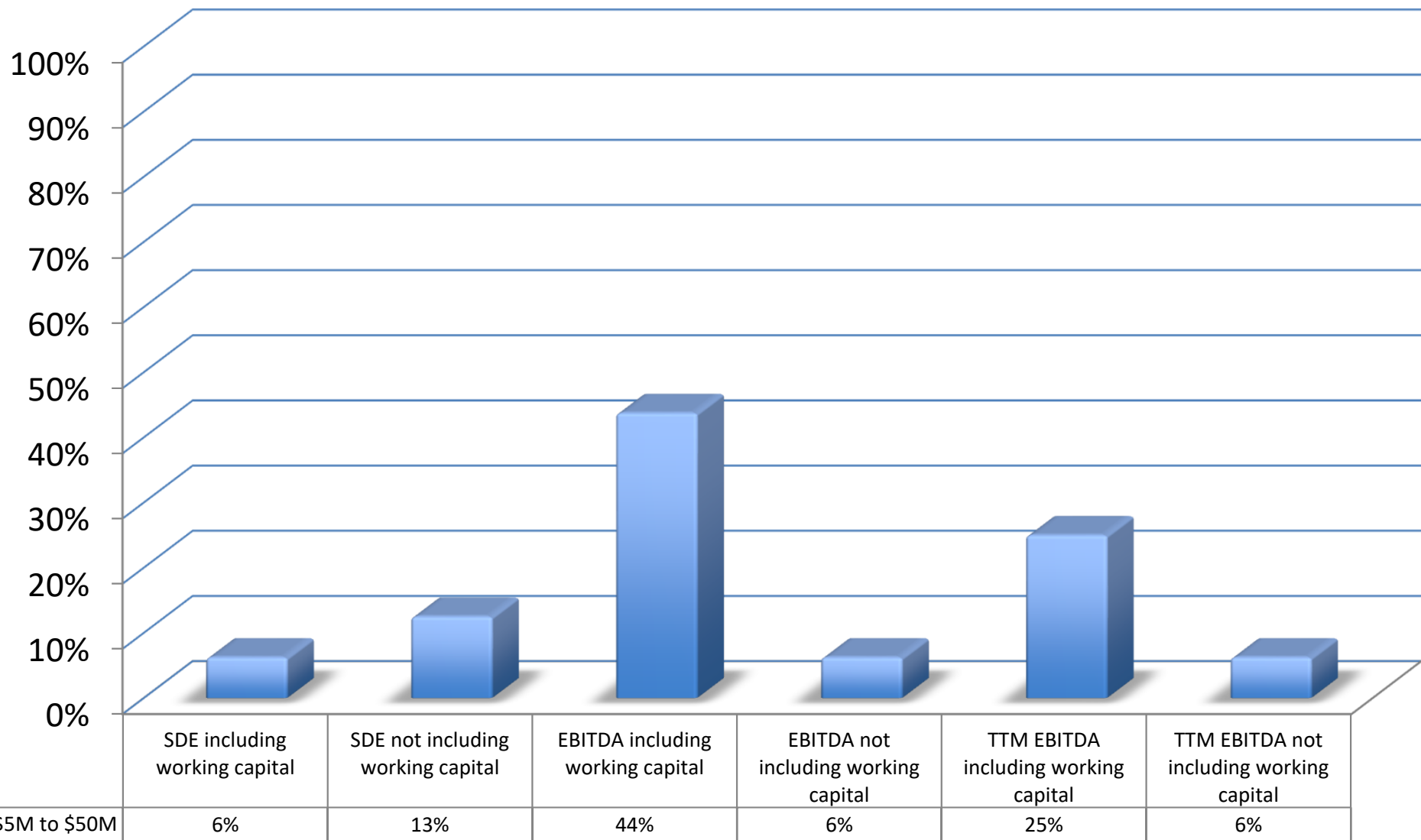
Number of responses: 3

EBITDA Multiple Paid

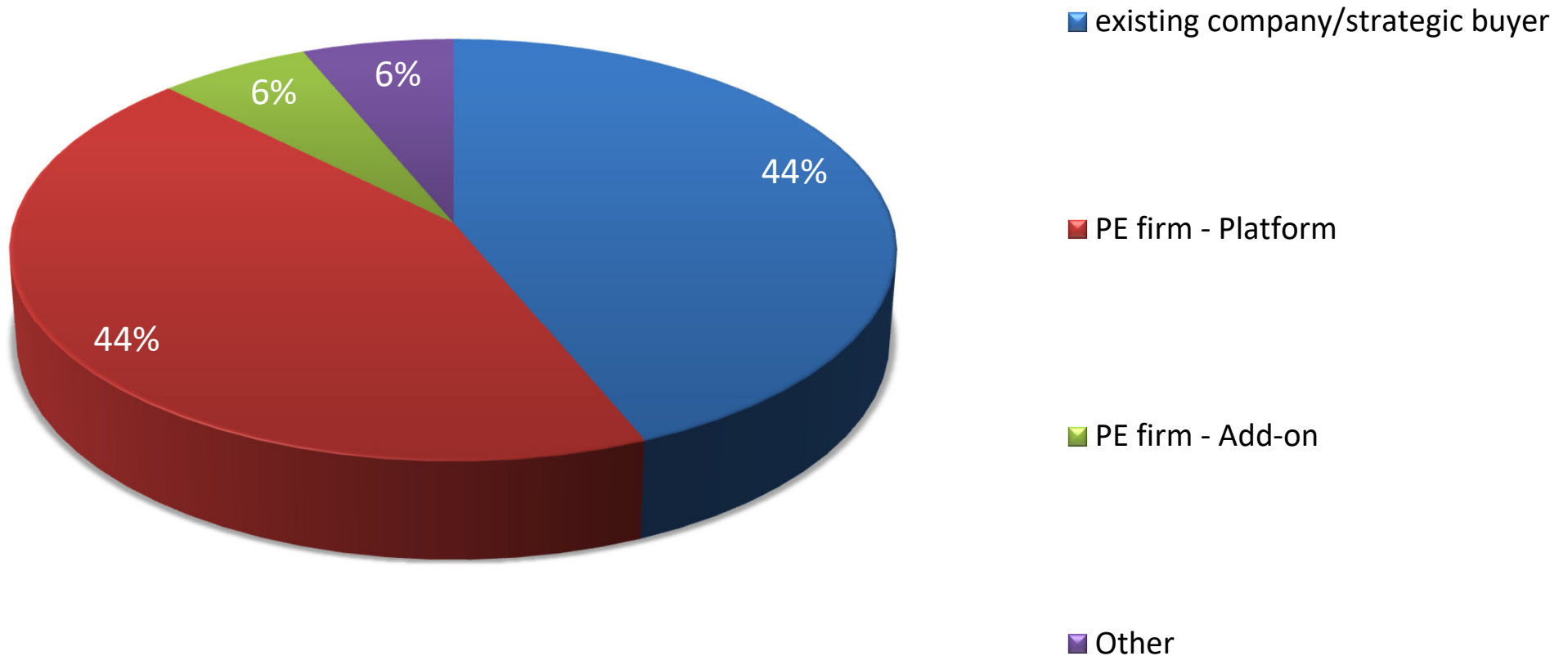


Number of responses: 13

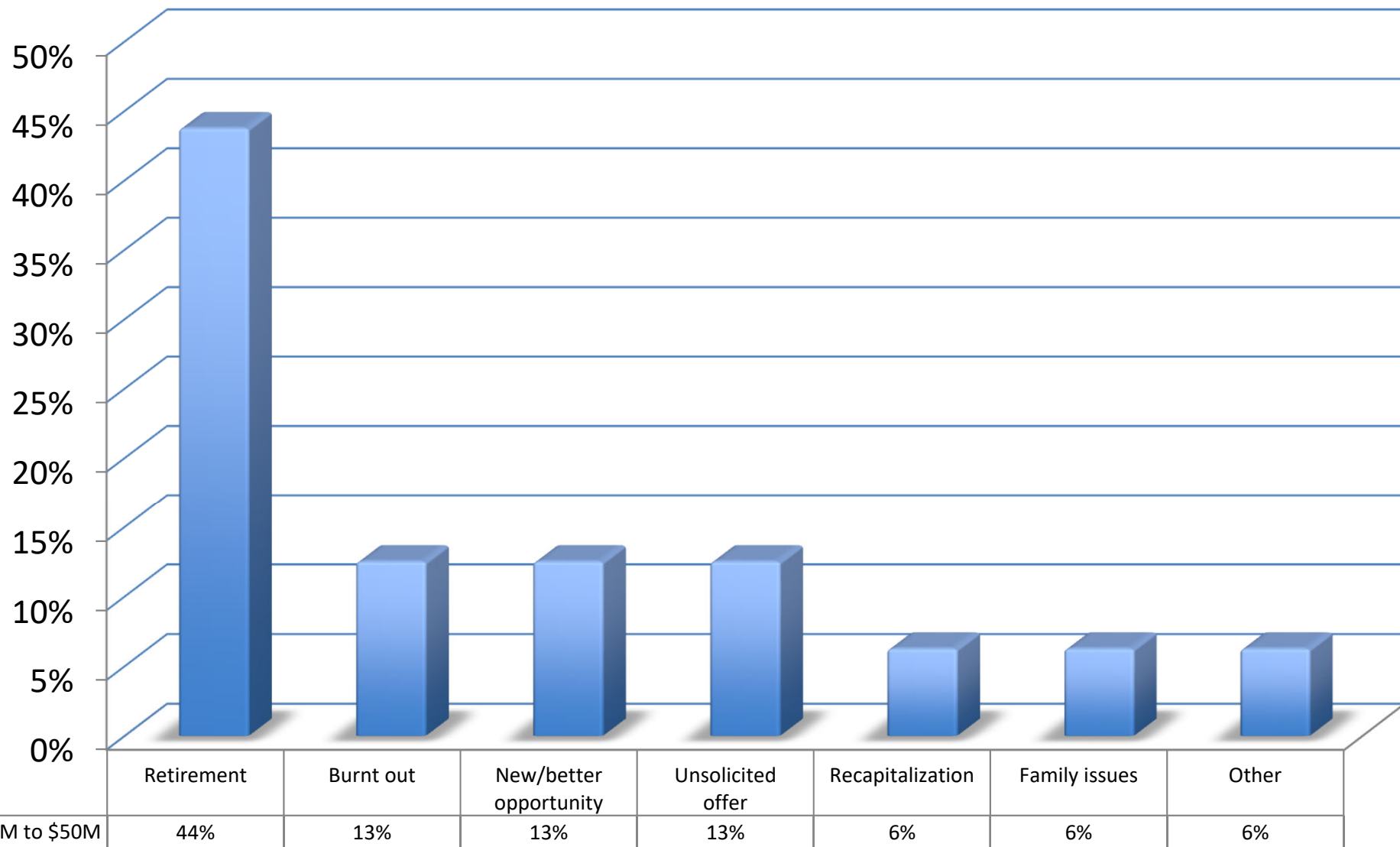
Multiple Type



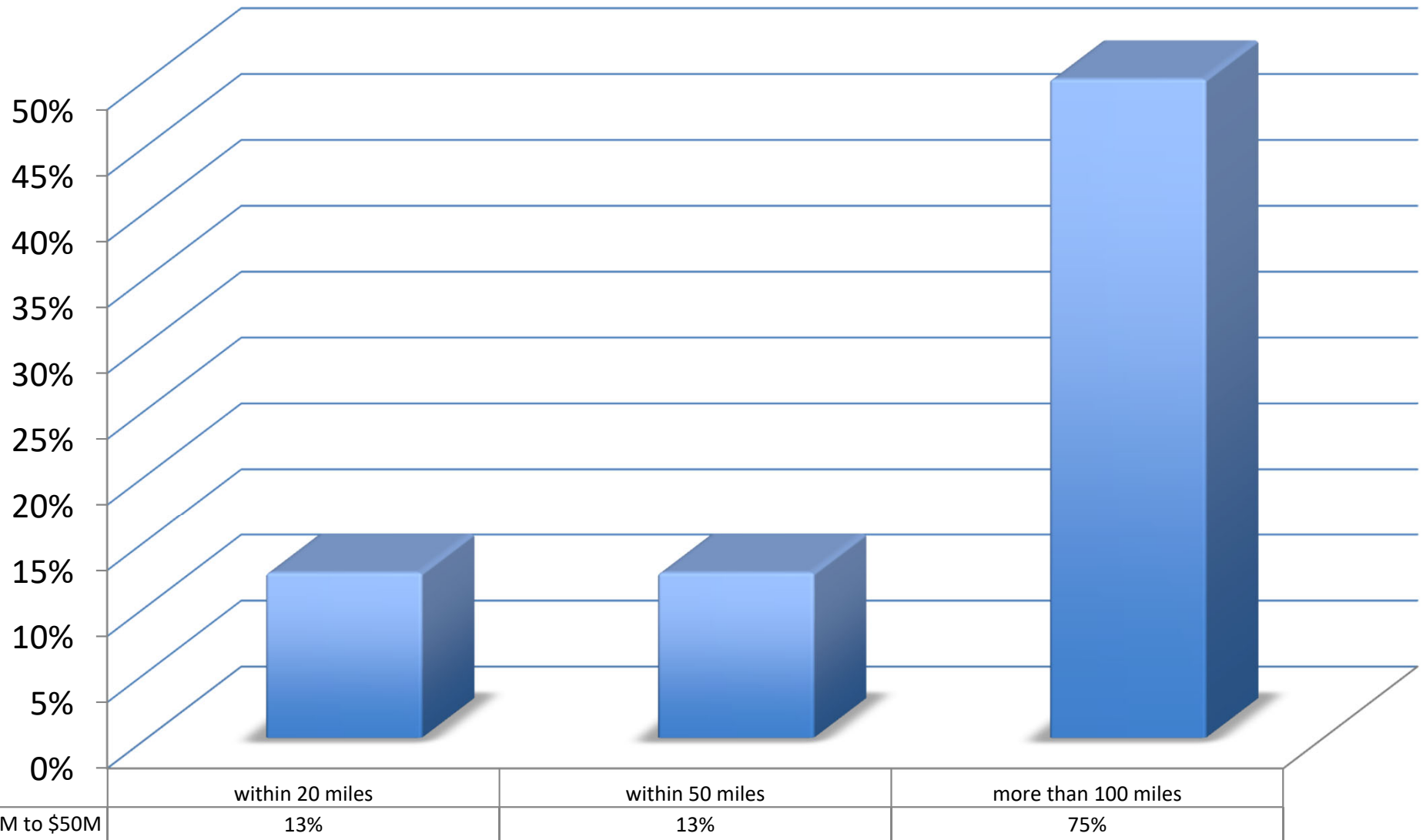
Buyer Type



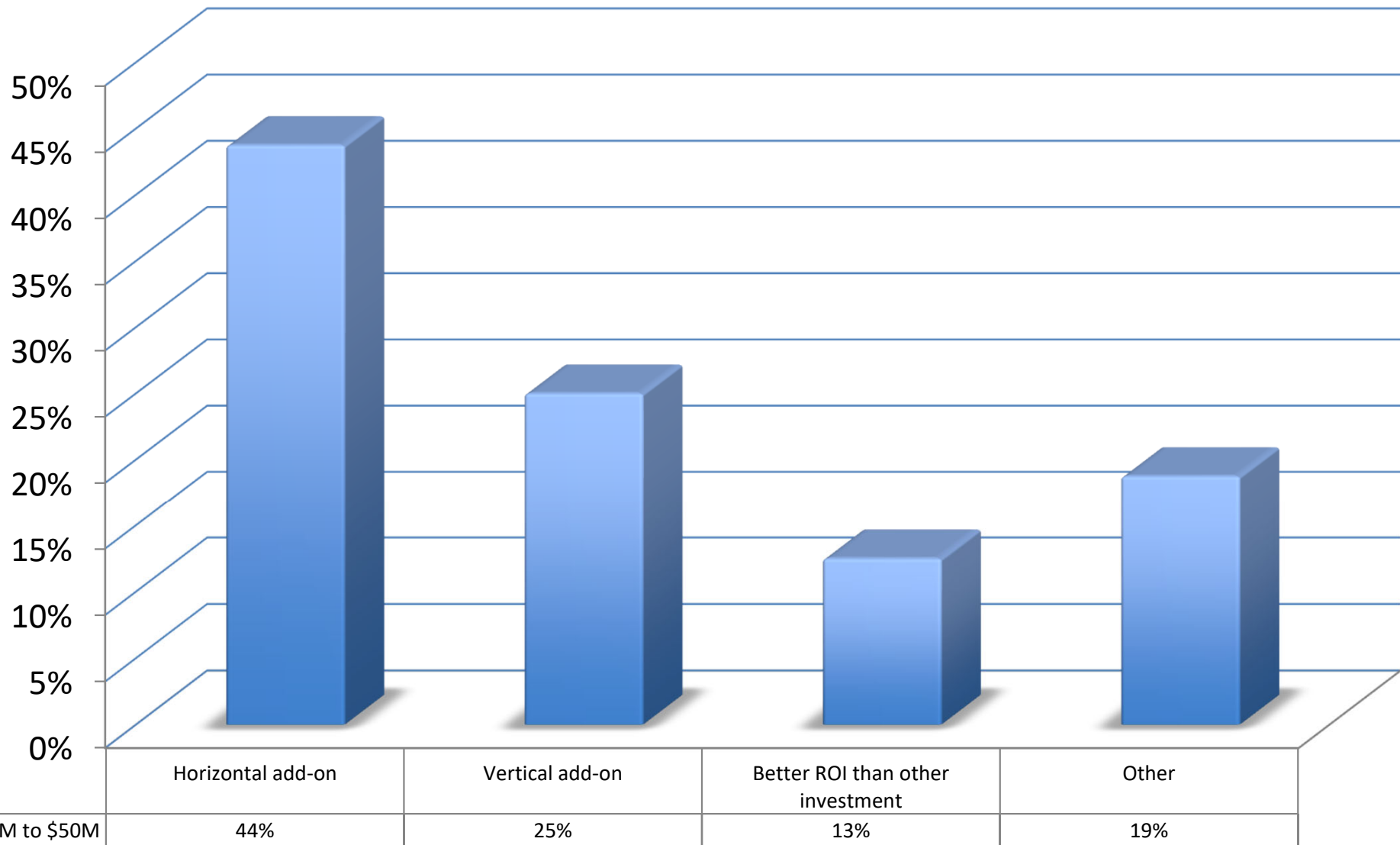
#1 Reason for Seller to Go to Market



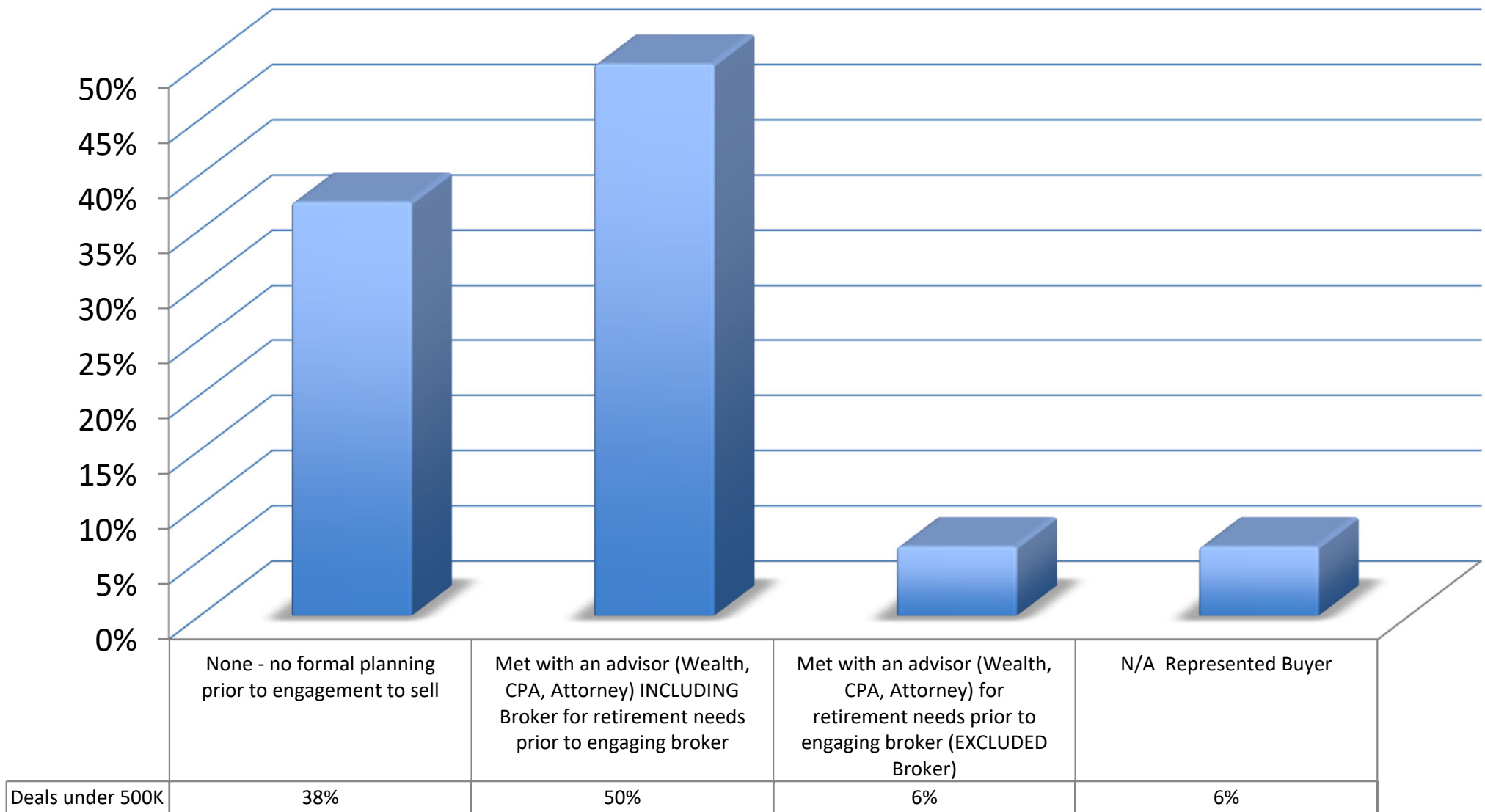
Buyer Location



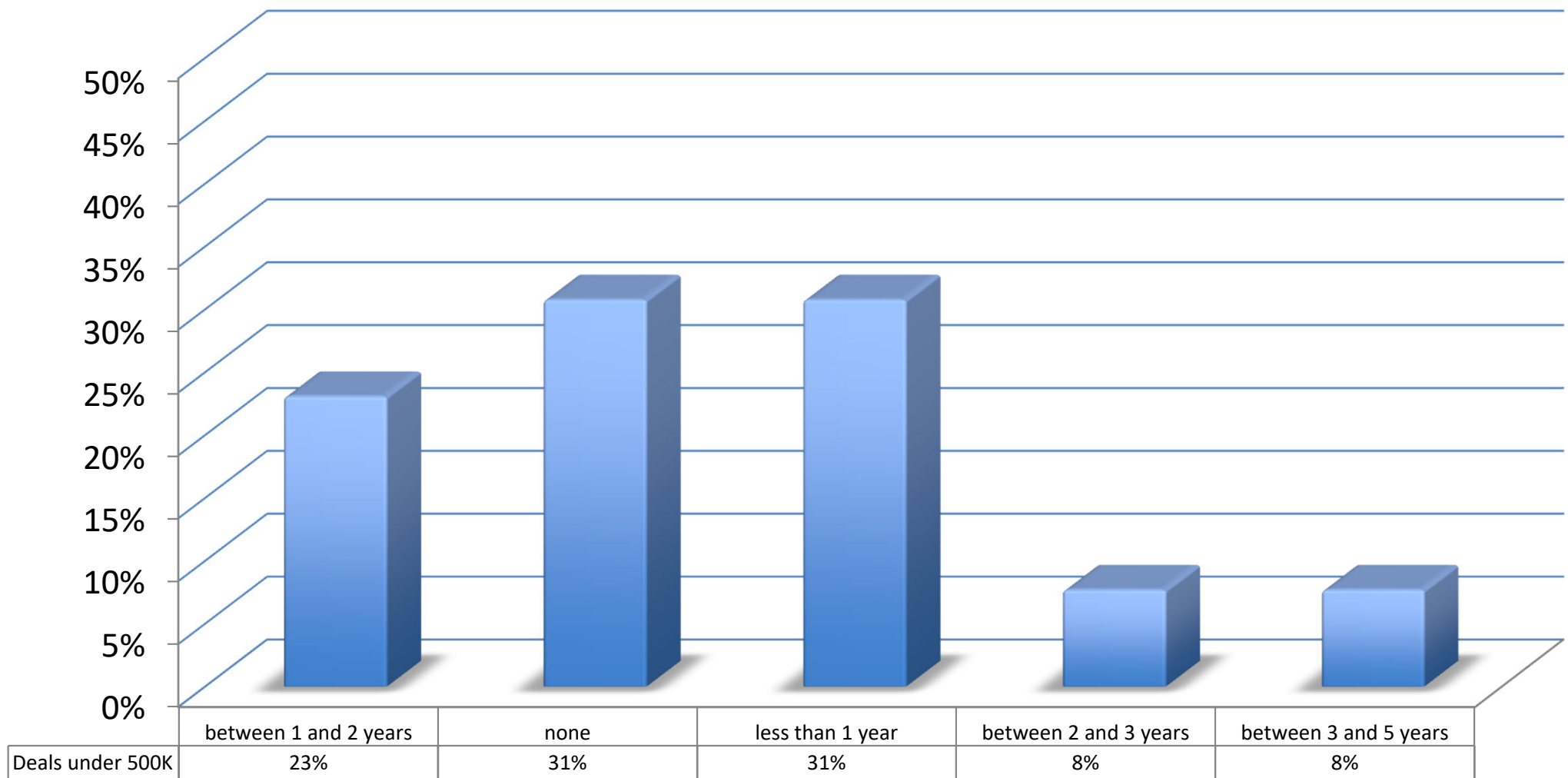
#1 Motivation for Buyer



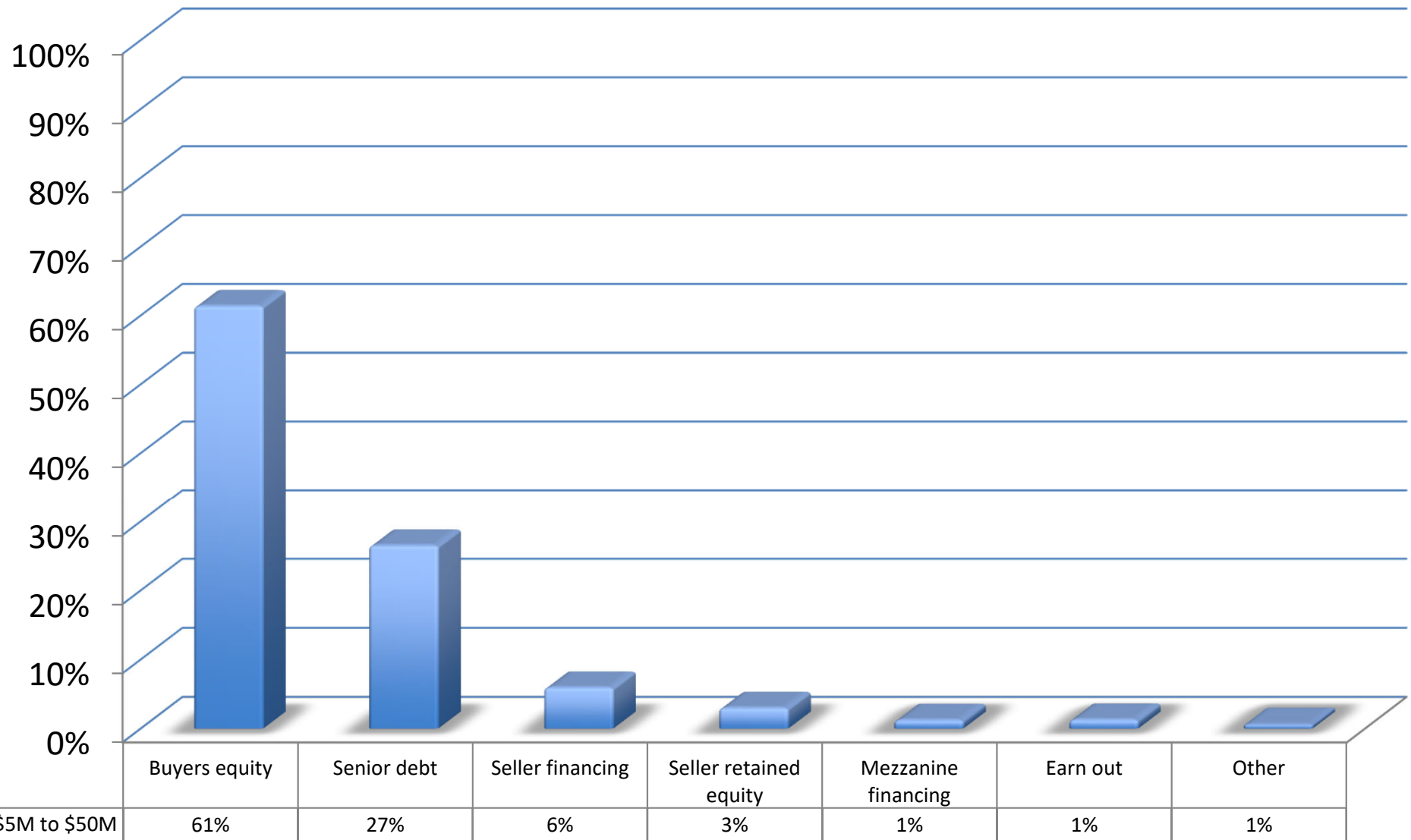
Exit Planning



Amount Of Exit Planning Prior To Marketing Business



Financing Structure



IV. Expectations

Expectations of Business Listings / Engagements from New Clients in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	1.4%	10.5%	39.9%	44.8%	3.5%	3.4
Deals valued from \$500,000 to \$999,999	0.0%	5.9%	37.8%	56.3%	0.0%	3.5
Deals valued from \$1 million to \$1.99 million	0.0%	5.3%	44.2%	48.7%	1.8%	3.5
Deals valued from \$2 million to \$4.99 million	0.0%	8.9%	43.8%	46.4%	0.9%	3.4
Deals over \$5 million	1.3%	5.3%	56.0%	37.3%	0.0%	3.3

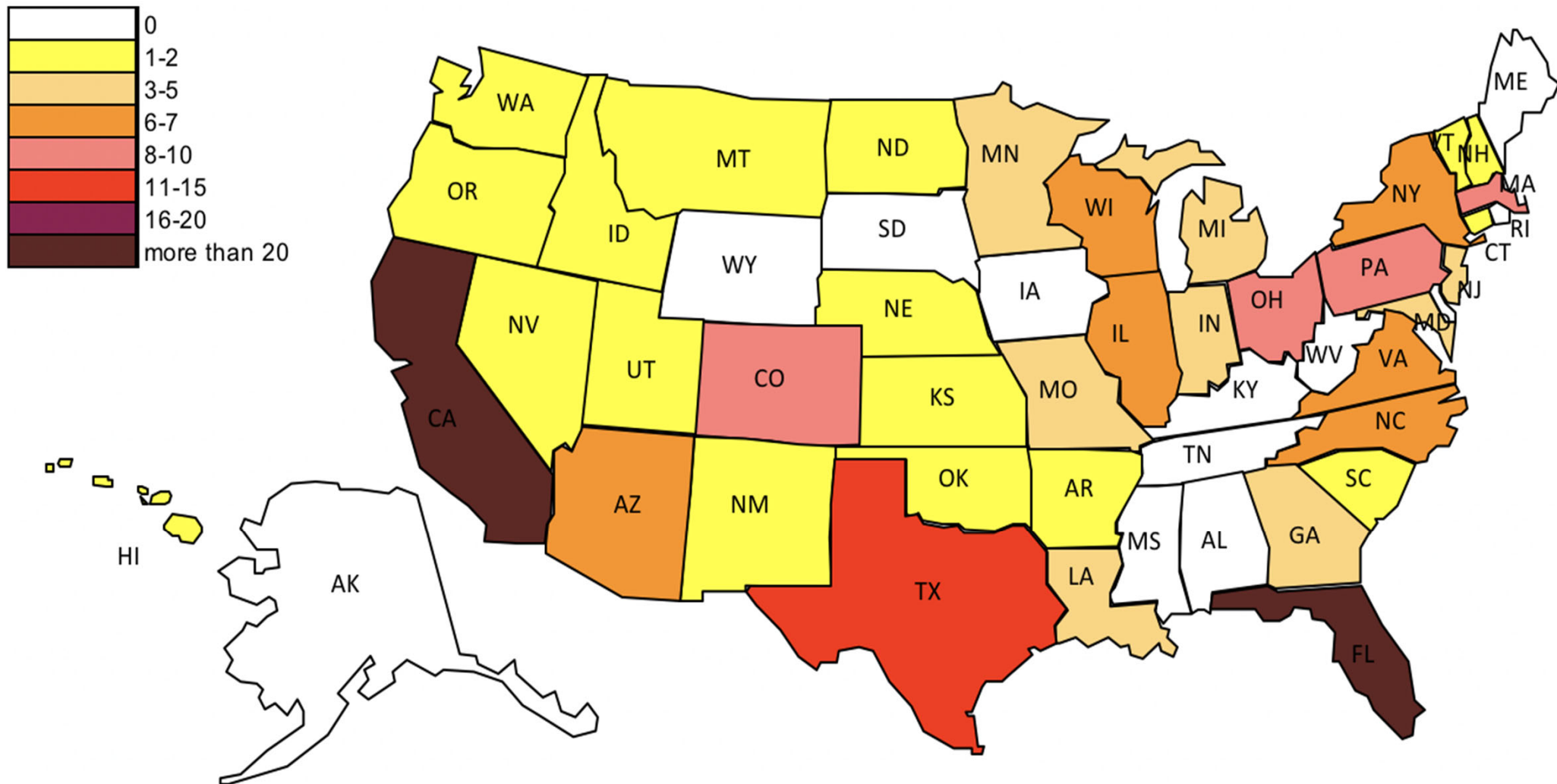
Expectations for Business Valuation Multiples in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	0.0%	11.3%	85.2%	2.8%	0.7%	2.9
Deals valued from \$500,000 to \$999,999	0.0%	10.4%	86.6%	3.0%	0.0%	2.9
Deals valued from \$1 million to \$1.99 million	0.0%	8.8%	83.2%	8.0%	0.0%	3.0
Deals valued from \$2 million to \$4.99 million	0.0%	12.4%	79.6%	8.0%	0.0%	3.0
Deals over \$5 million	0.0%	12.0%	82.7%	5.3%	0.0%	2.9

V. About the Respondents

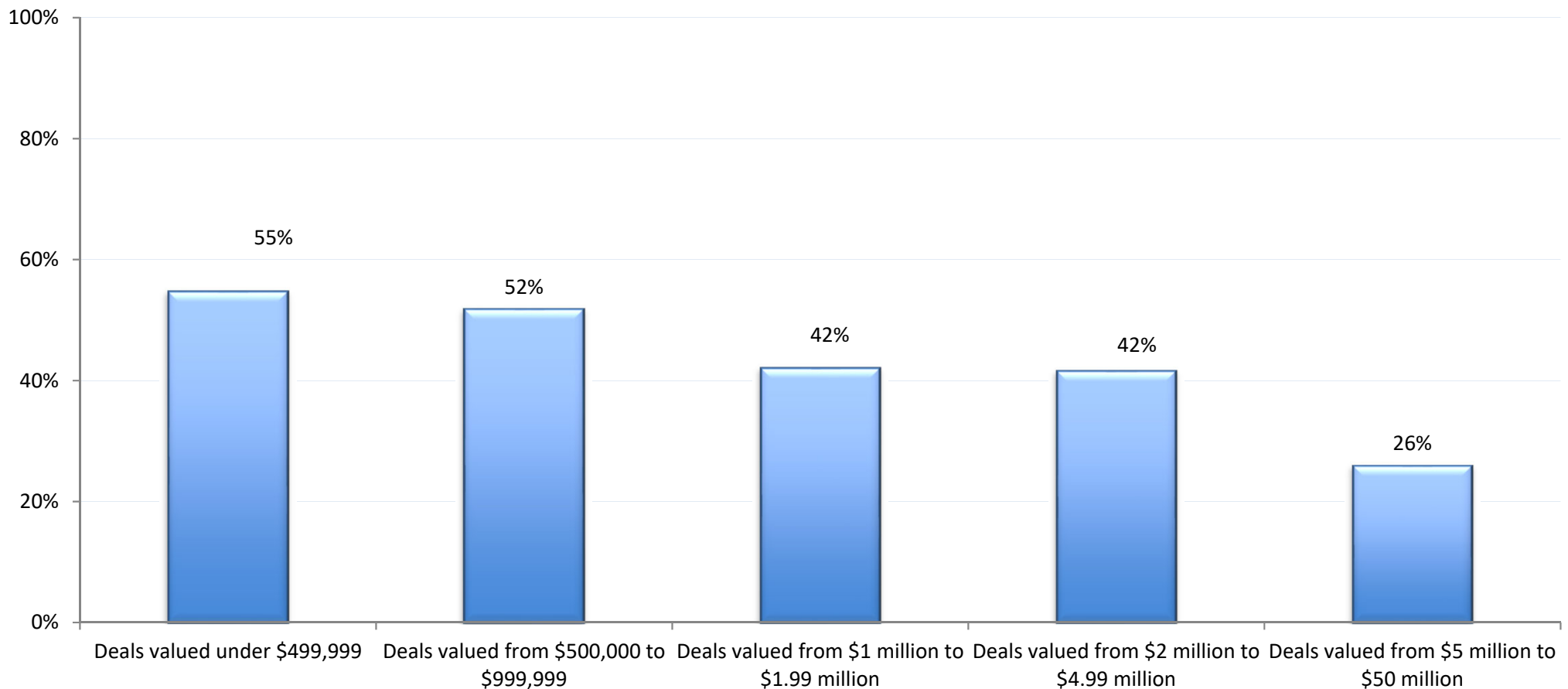
Details About the Respondents

Geographic Location



Details About the Respondents

Typical Size of Business Transactions

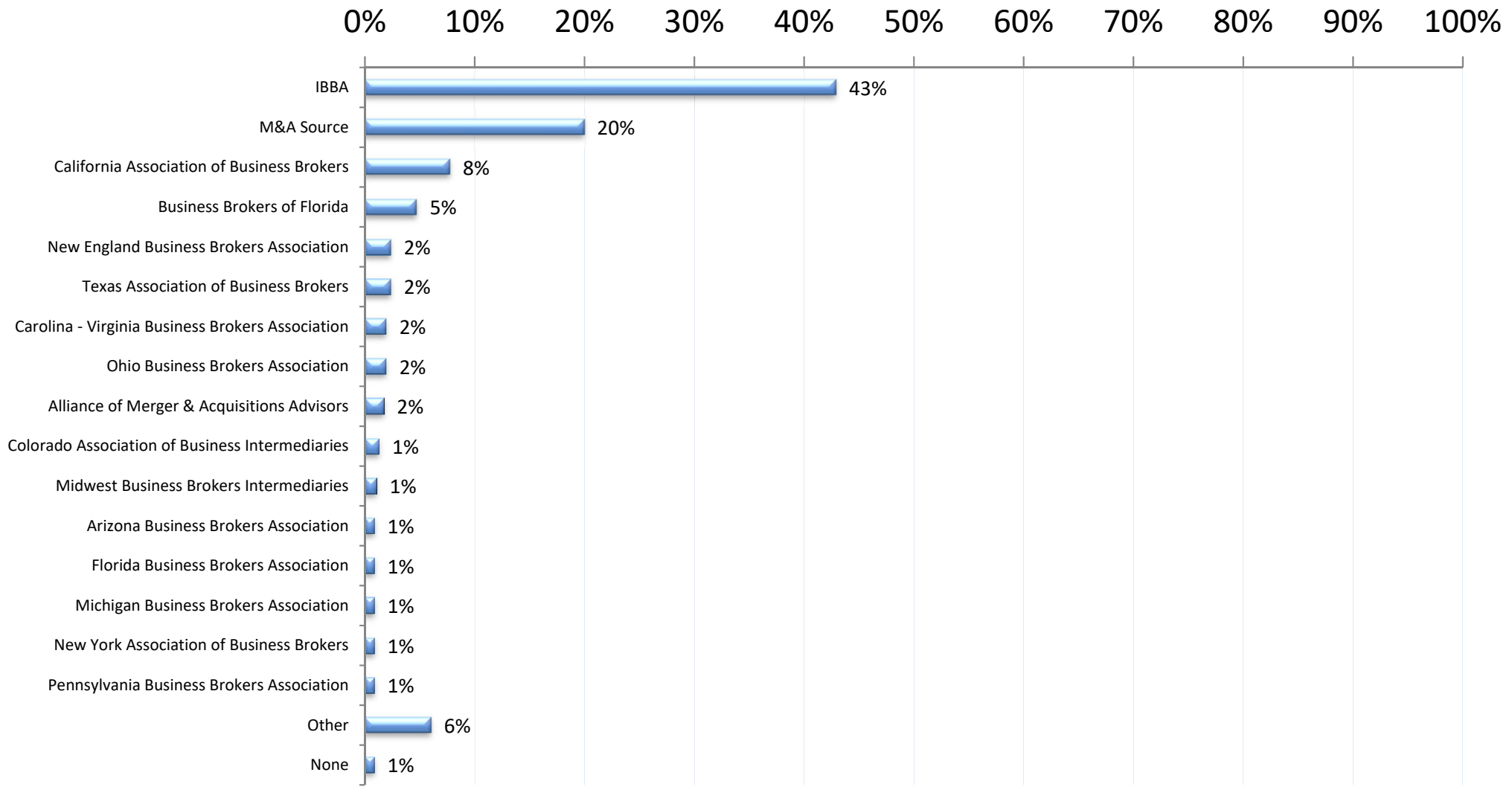


Total number of responses = 527

* Number is more than number of respondents as many respondents overlap into 2 or 3 areas

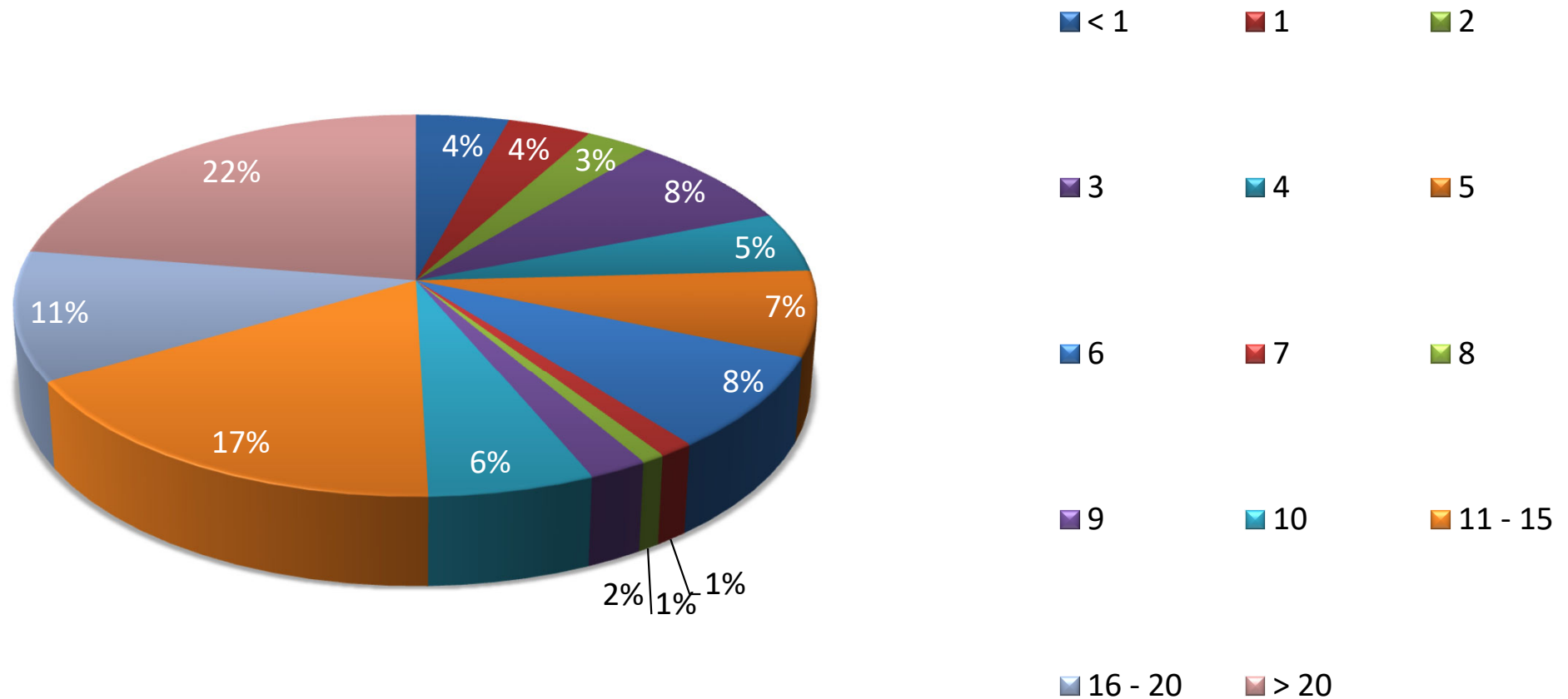
Details About the Respondents

Memberships/ Multiple Memberships



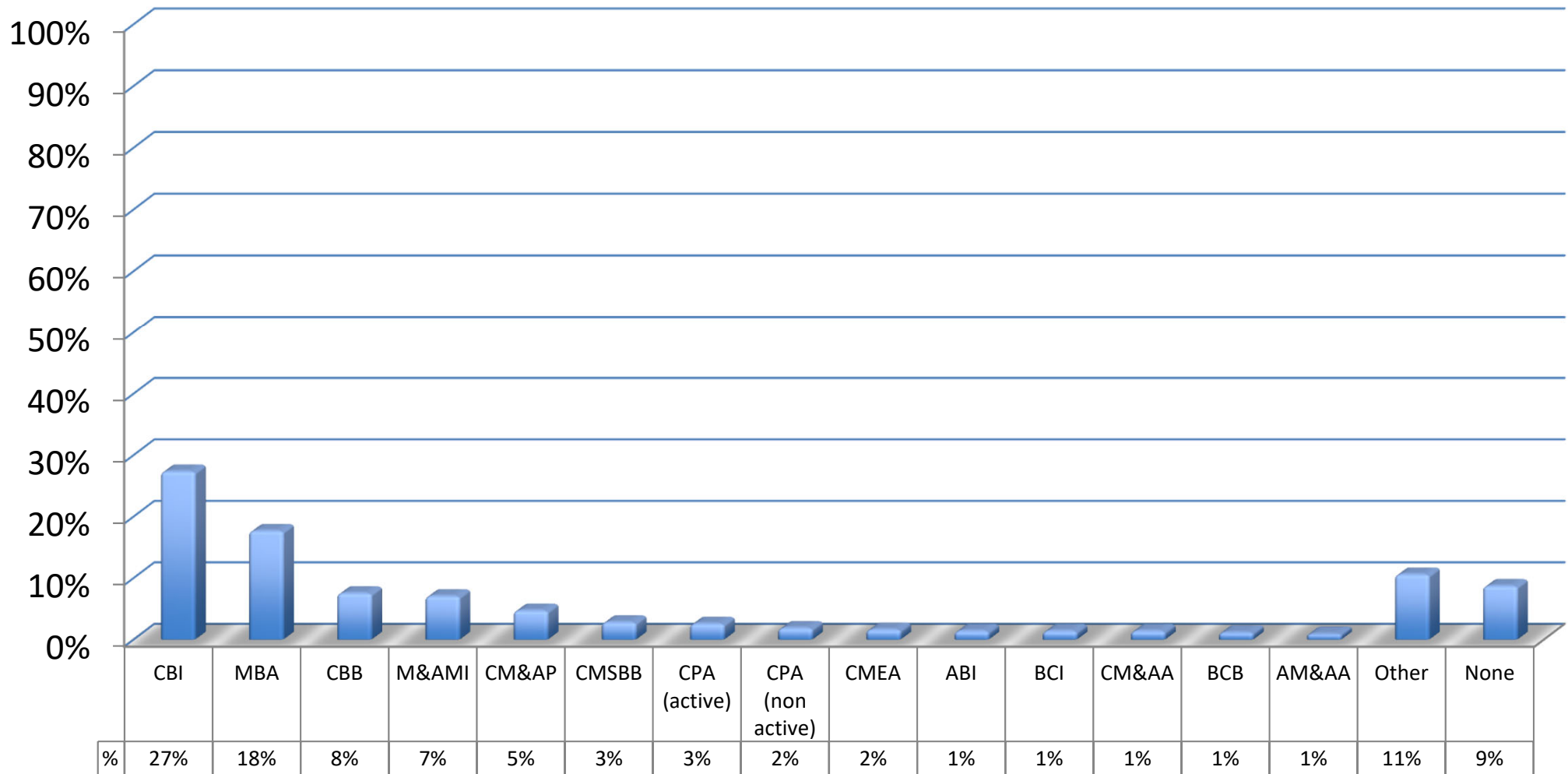
Details About the Respondents

Working Experience



Details About the Respondents

Professional Credentials



THANK YOU!

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