

# Market Pulse Report Second Quarter 2017

Scott Bushkie, CBI, M&AMI, Market Pulse Committee

Lisa Riley, Ph.D., CBI, IBBA Market Pulse Chair

Craig Everett, Ph.D.

Director, Pepperdine Private Capital Markets Project



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# ACKNOWLEDGEMENTS

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

## PEPPERDINE GRAZIADIO SCHOOL OF BUSINESS AND MANAGEMENT

Deryck J. van Rensburg, Ph.D.  
Dean

John K. Paglia, Ph.D.  
Associate Dean, Professor of Finance

Lisa Perry  
Director, Marketing and Communications

Irina Shaykhutdinova  
Research Associate

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# I. About the Market Pulse Report

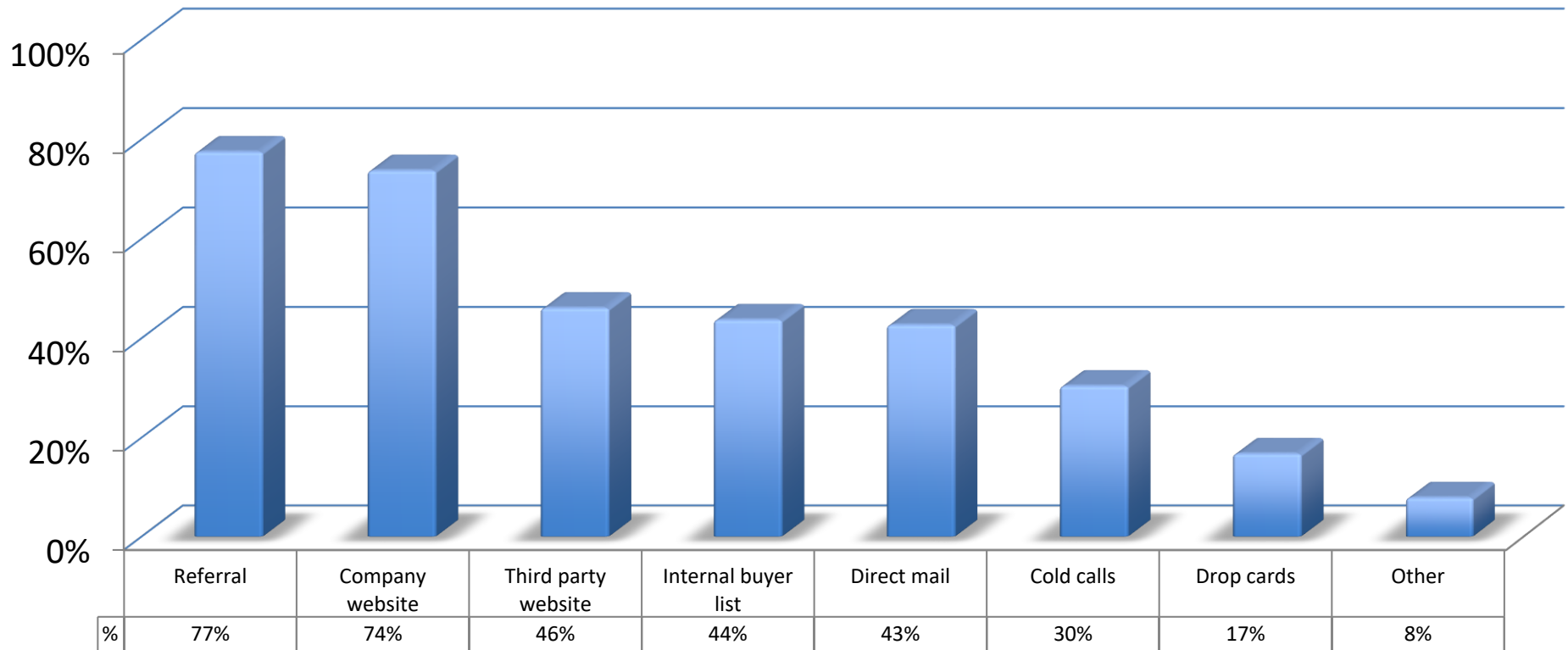
The International Business Brokers Association (IBBA) and M&A Source, in partnership with Pepperdine Private Capital Markets Project, have set a goal to provide quality information on a quarterly basis in order to become the go-to source for Main Street and Lower Middle Market transactions. The “Market 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
- 293 completed responses
- Responses collected from July 3 to July 18, 2017

## II. Current Business Environment

# Services/ Tools Consistently Utilized by Respondents in Marketing Their Listings

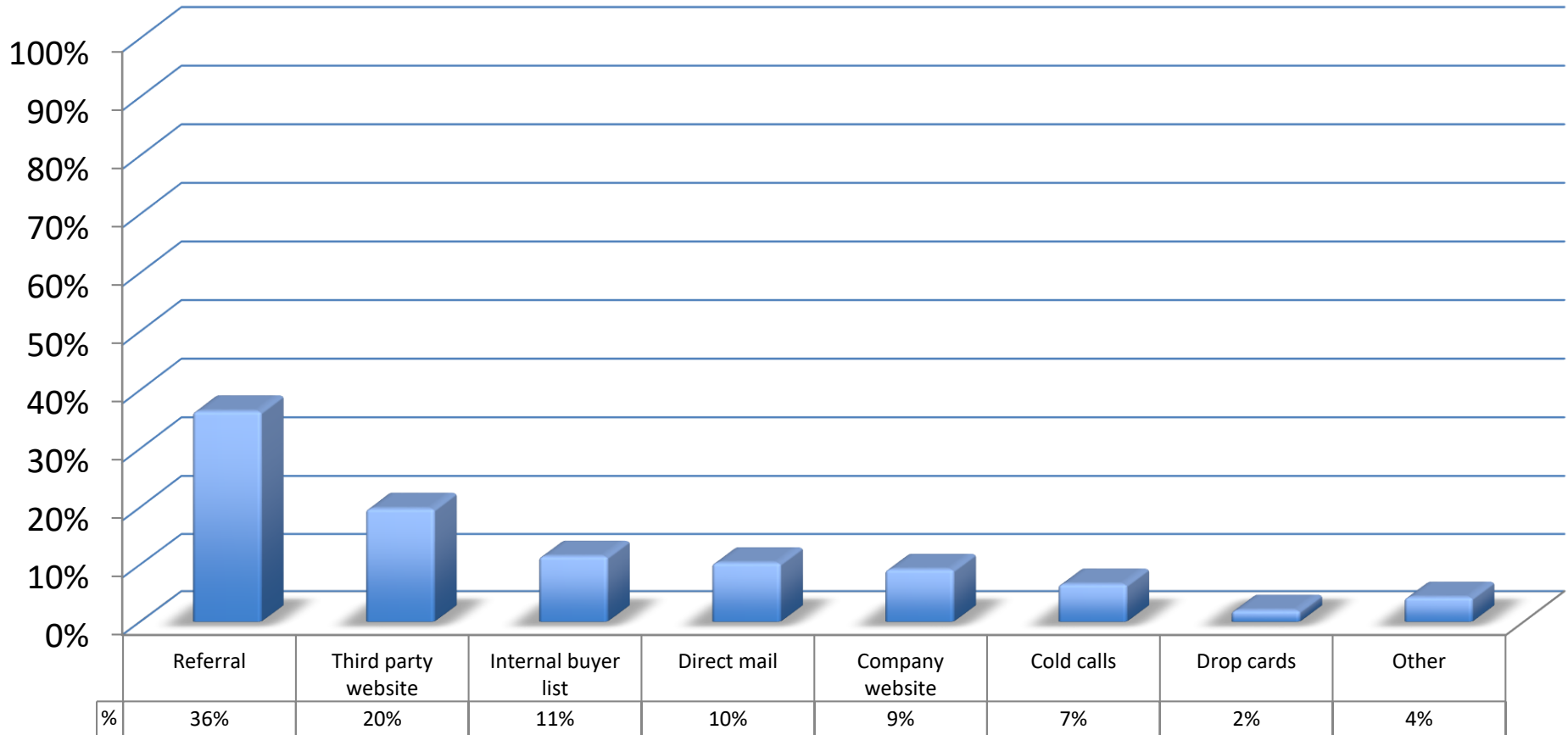


Total number of responses = 293

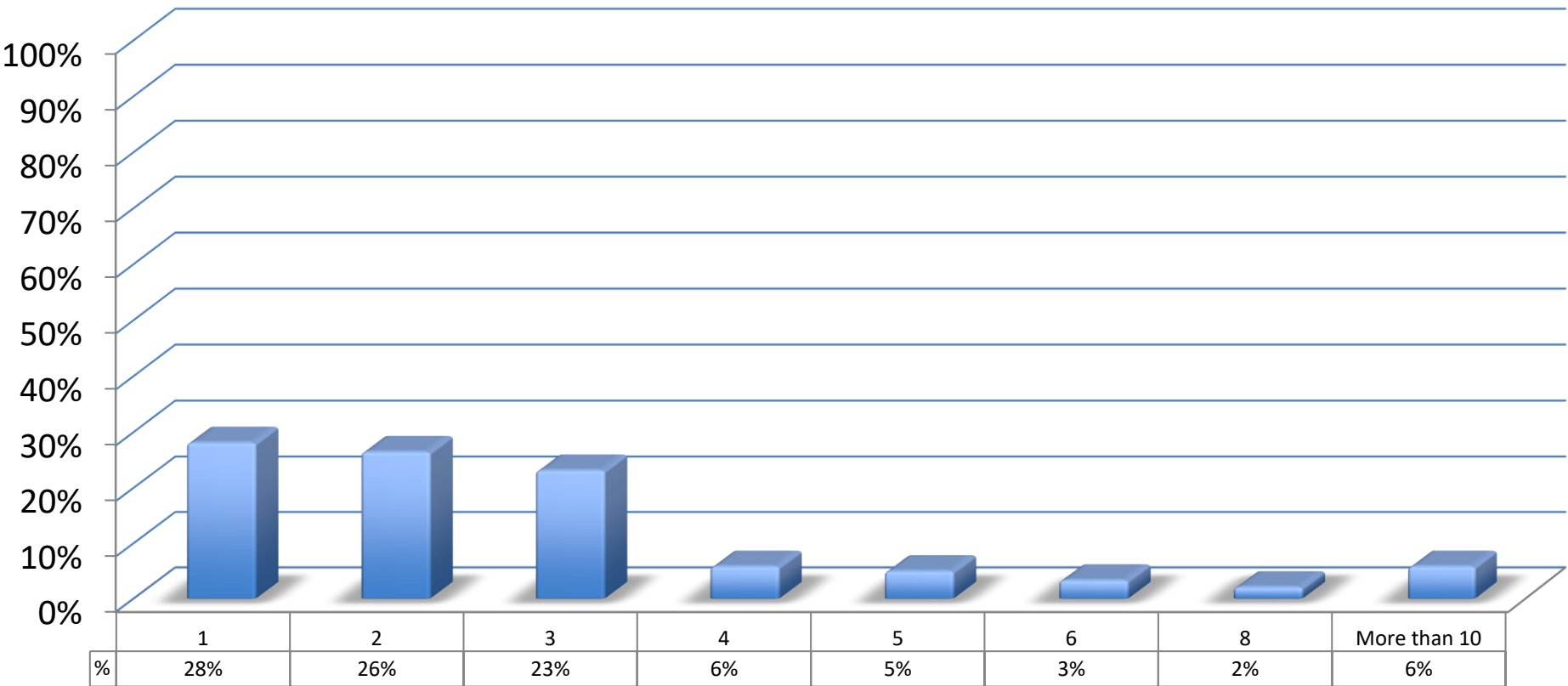
\* Number is more than number of respondents as many respondents overlap into 2 or 3 areas



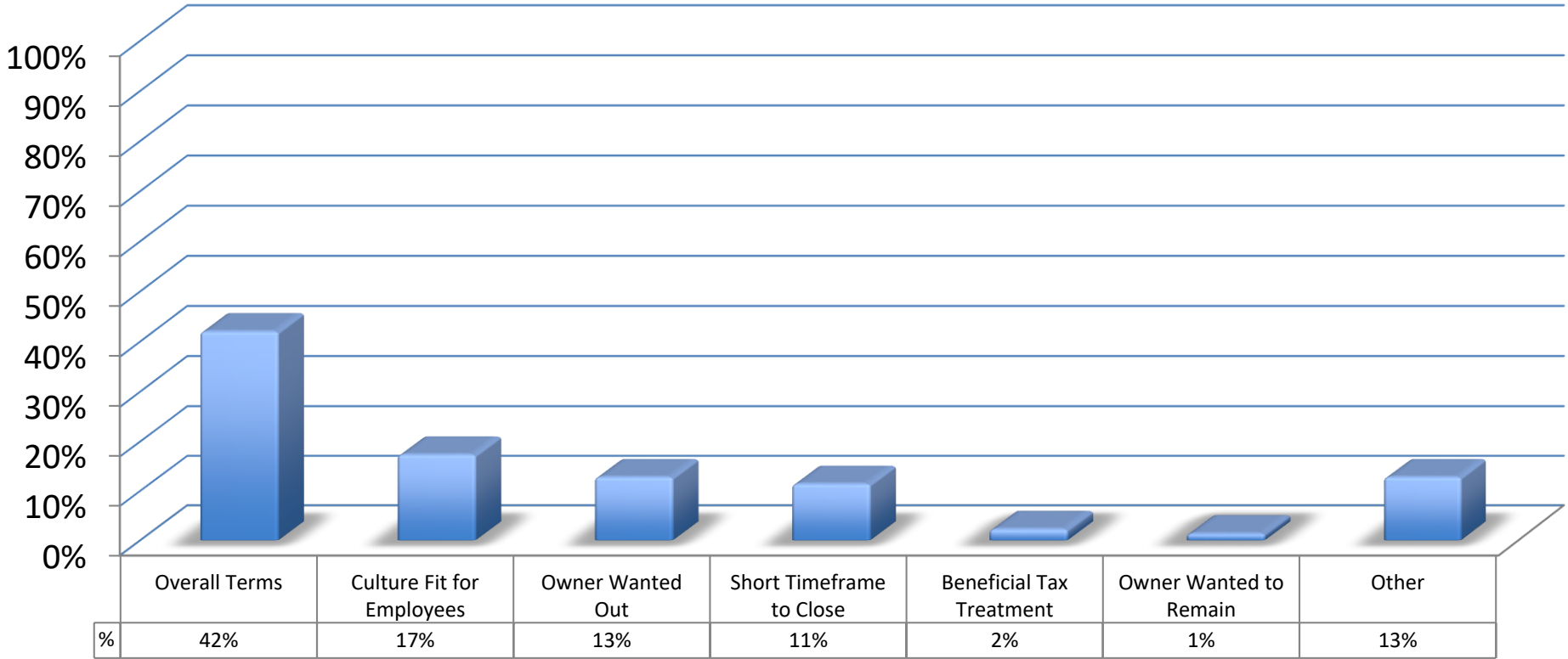
# Which Services/ Tools in Marketing Respondents Listings Produce The Best Buyers



# On The Most Recent Closing, How Many Offers/ Indications (Letters of Interest) Did Respondents Seller Receive

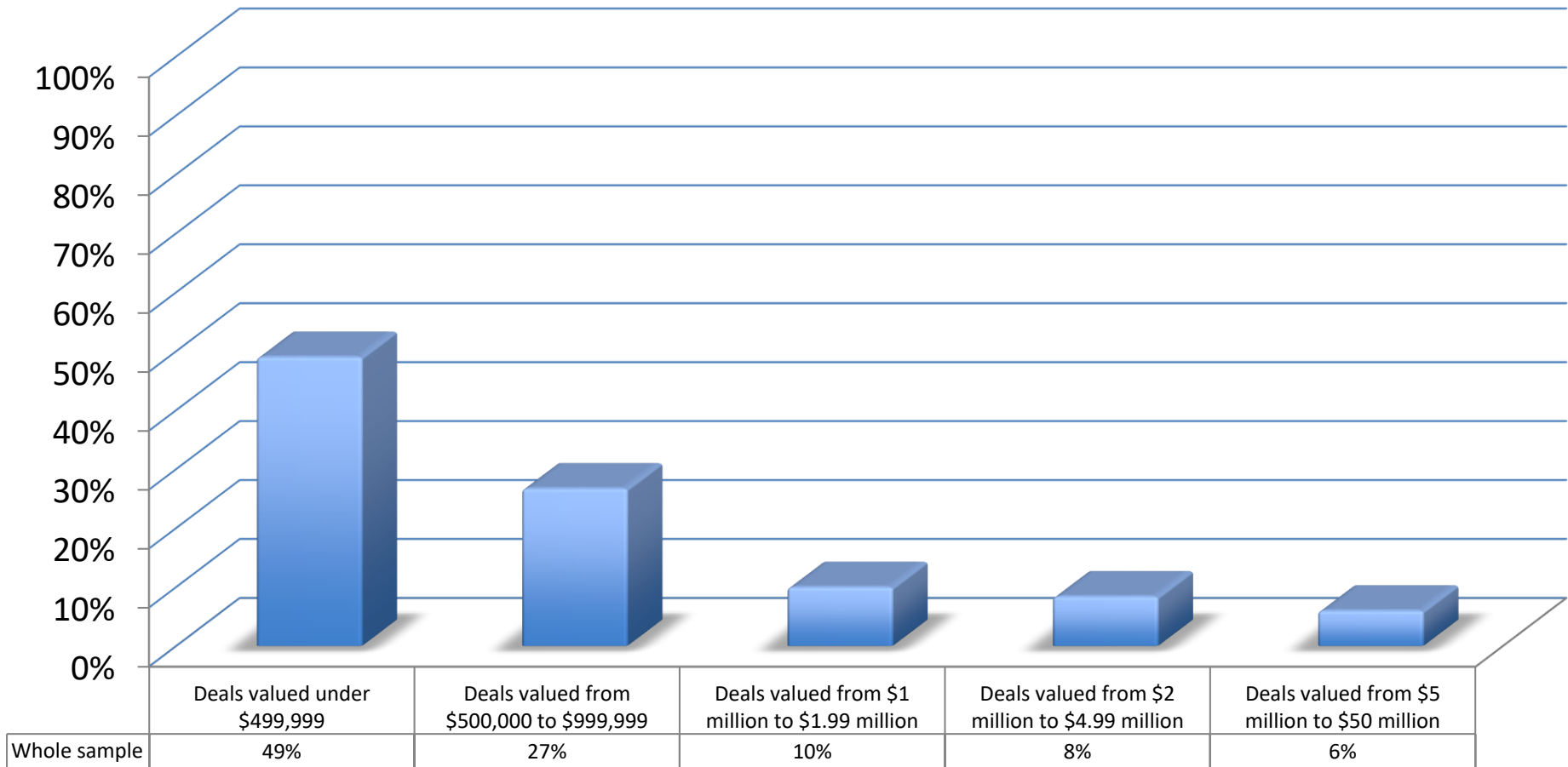


# If More Than One Offer Was Received, Other Than Cash At Closing, Why Did The Seller Select The Buyer

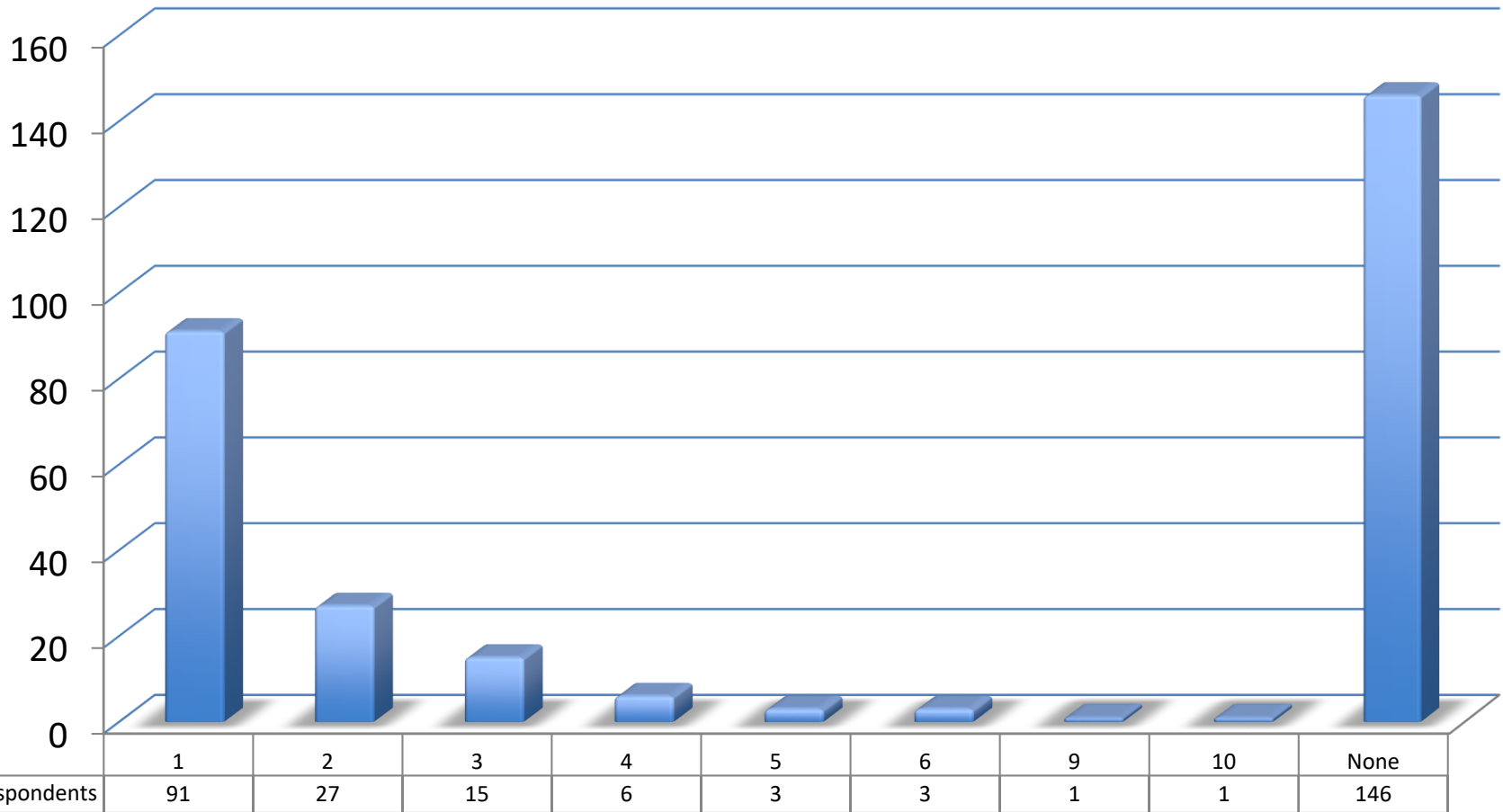


# III. Business Transactions Closed in the Last 3 Months

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



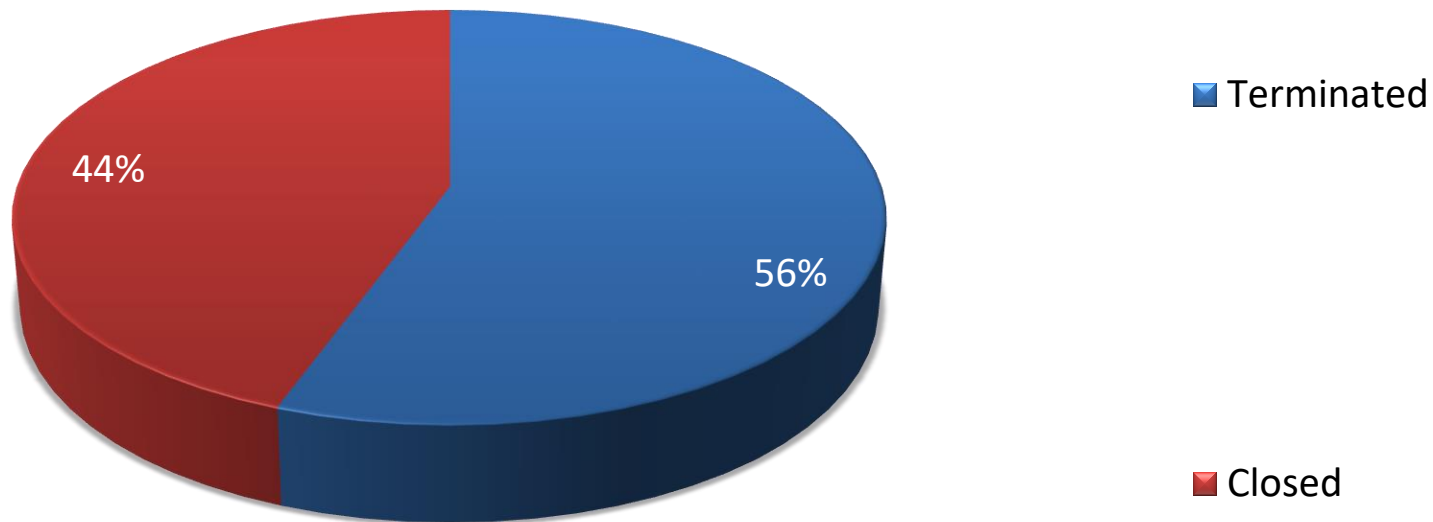
# Number of Business Transactions Closed by Respondents in the Last 3 Months



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

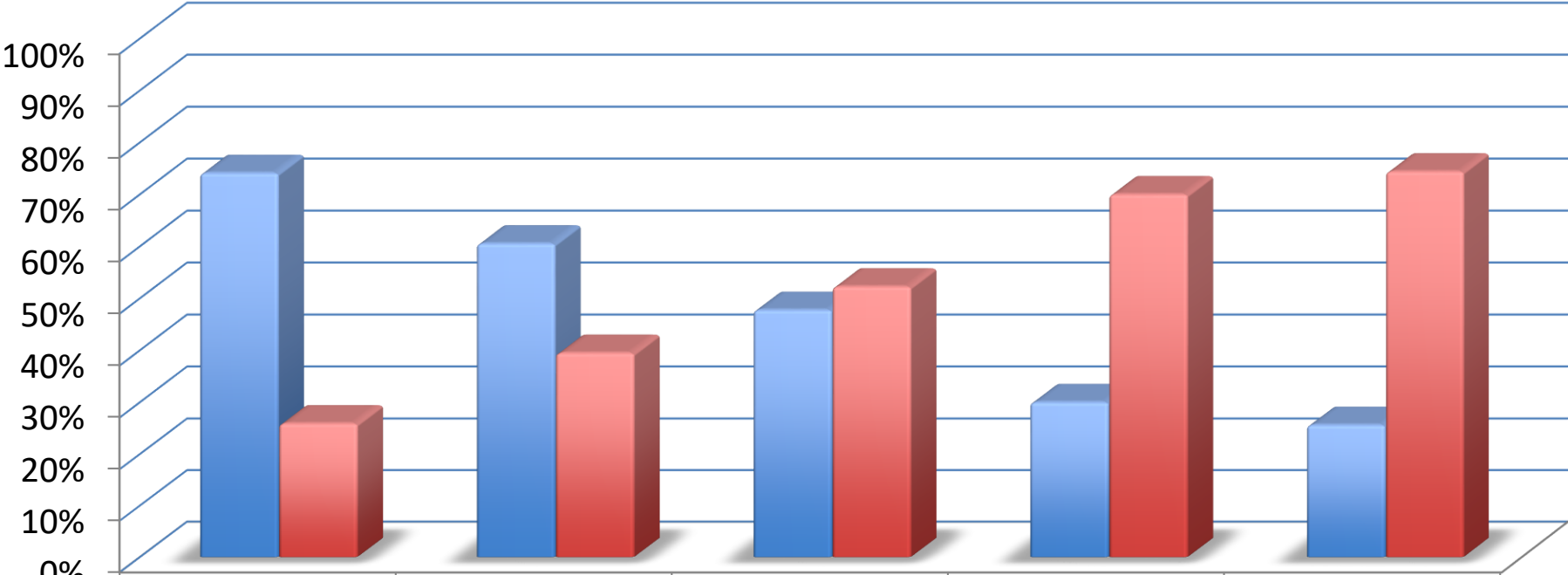
Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under \$499,999	5%	14%	49%	27%	6%	3.1
Deals valued from \$500,000 to \$999,999	3%	14%	52%	28%	3%	3.2
Deals valued from \$1 million to \$1.99 million	3%	6%	47%	42%	2%	3.3
Deals valued from \$2 million to \$4.99 million	4%	10%	54%	29%	2%	3.1
Deals valued from \$5 million to \$50 million	6%	2%	61%	27%	4%	3.2

# Percentage of Transactions Terminated without Closing in the Last Three Months





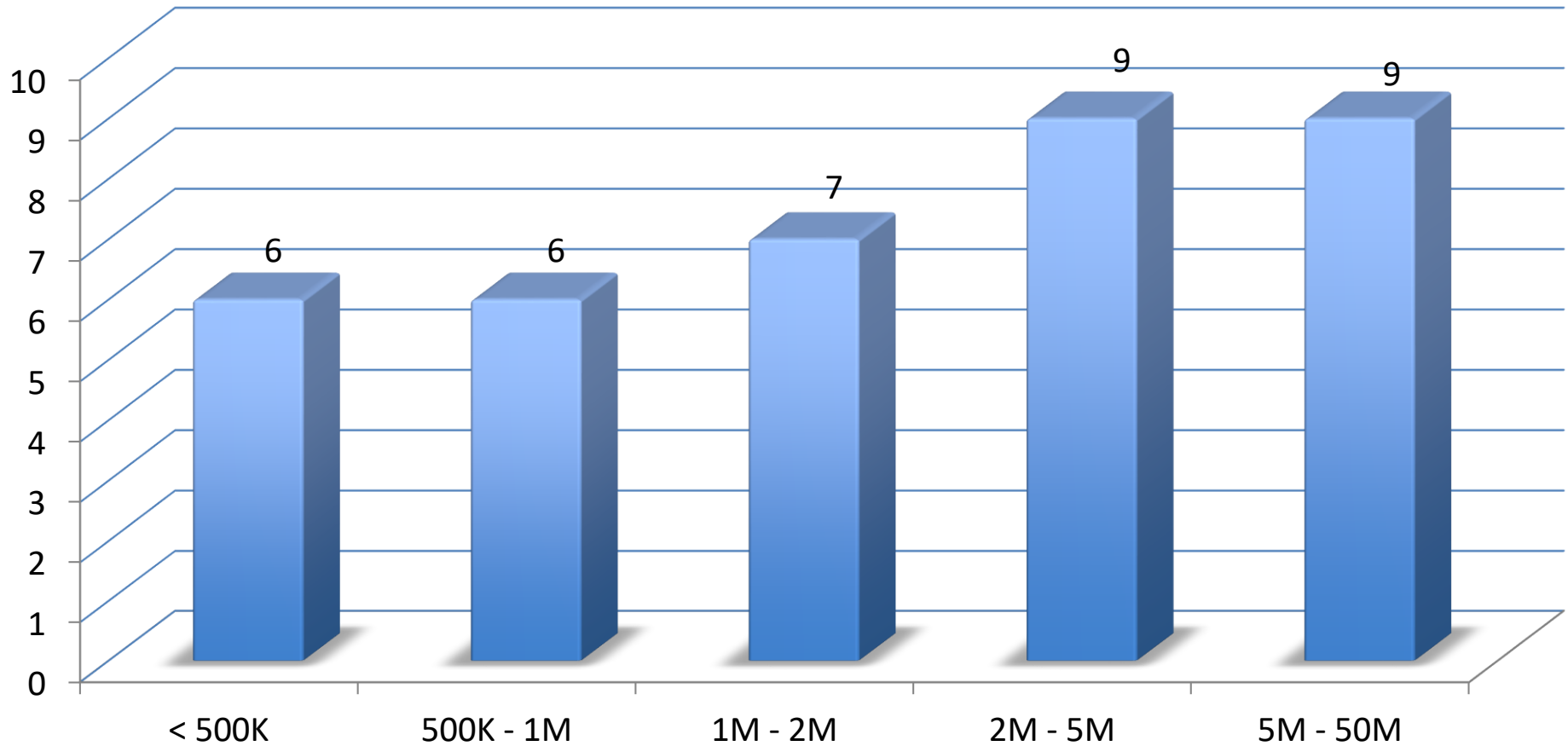
# Was it Buyer's or Seller's Market in the Last 3 Months?



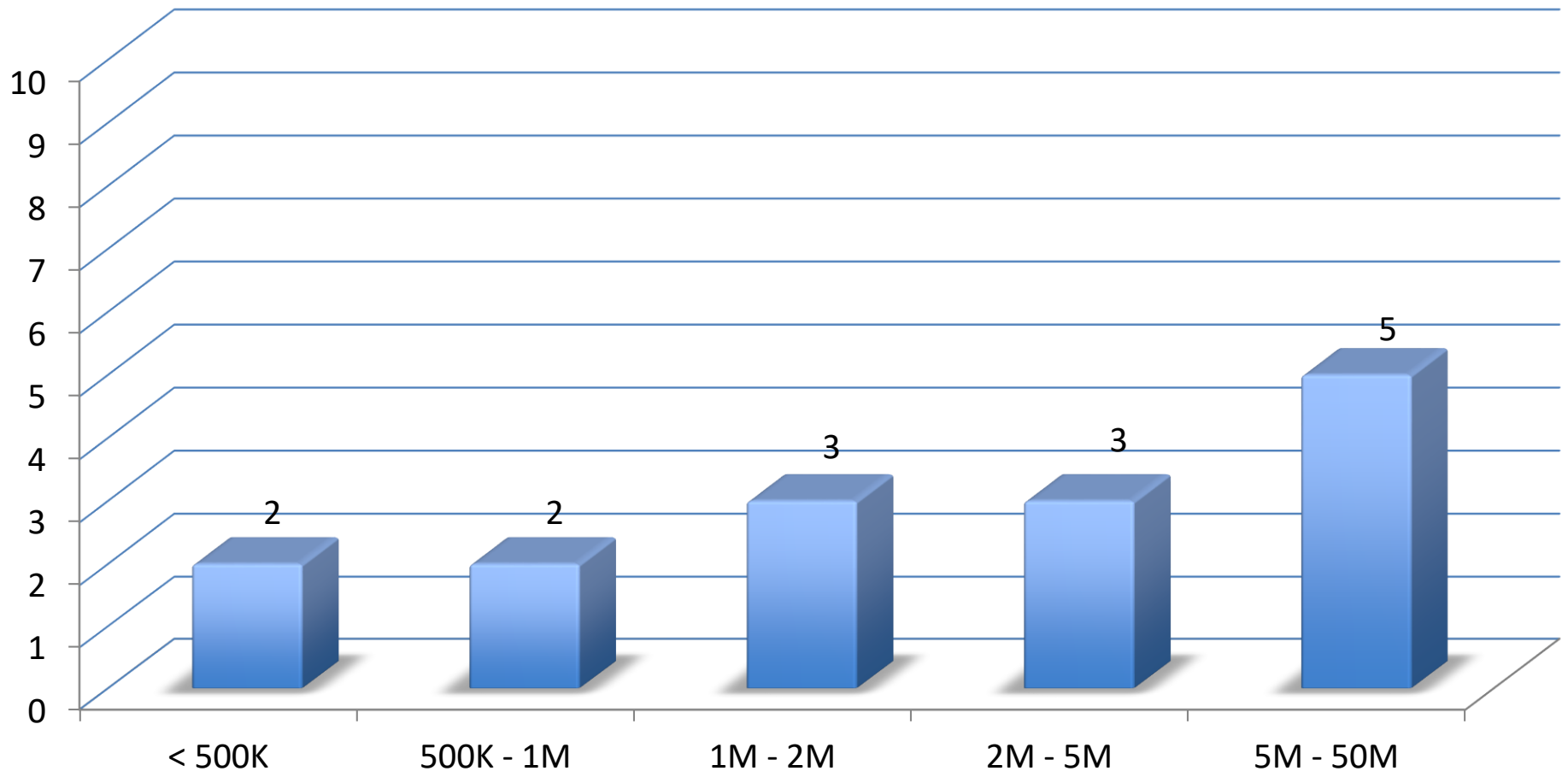
	Deals valued under \$499,999	Deals valued from \$500,000 to \$999,999	Deals valued from \$1 million to \$1.99 million	Deals valued from \$2 million to \$4.99 million	Deals valued from \$5 million to \$50 million
Buyer's market	74%	61%	48%	30%	26%
Seller's market	26%	39%	52%	70%	74%
Number of responses	206	156	129	114	97

# Business Transactions of All Sizes, Comparison

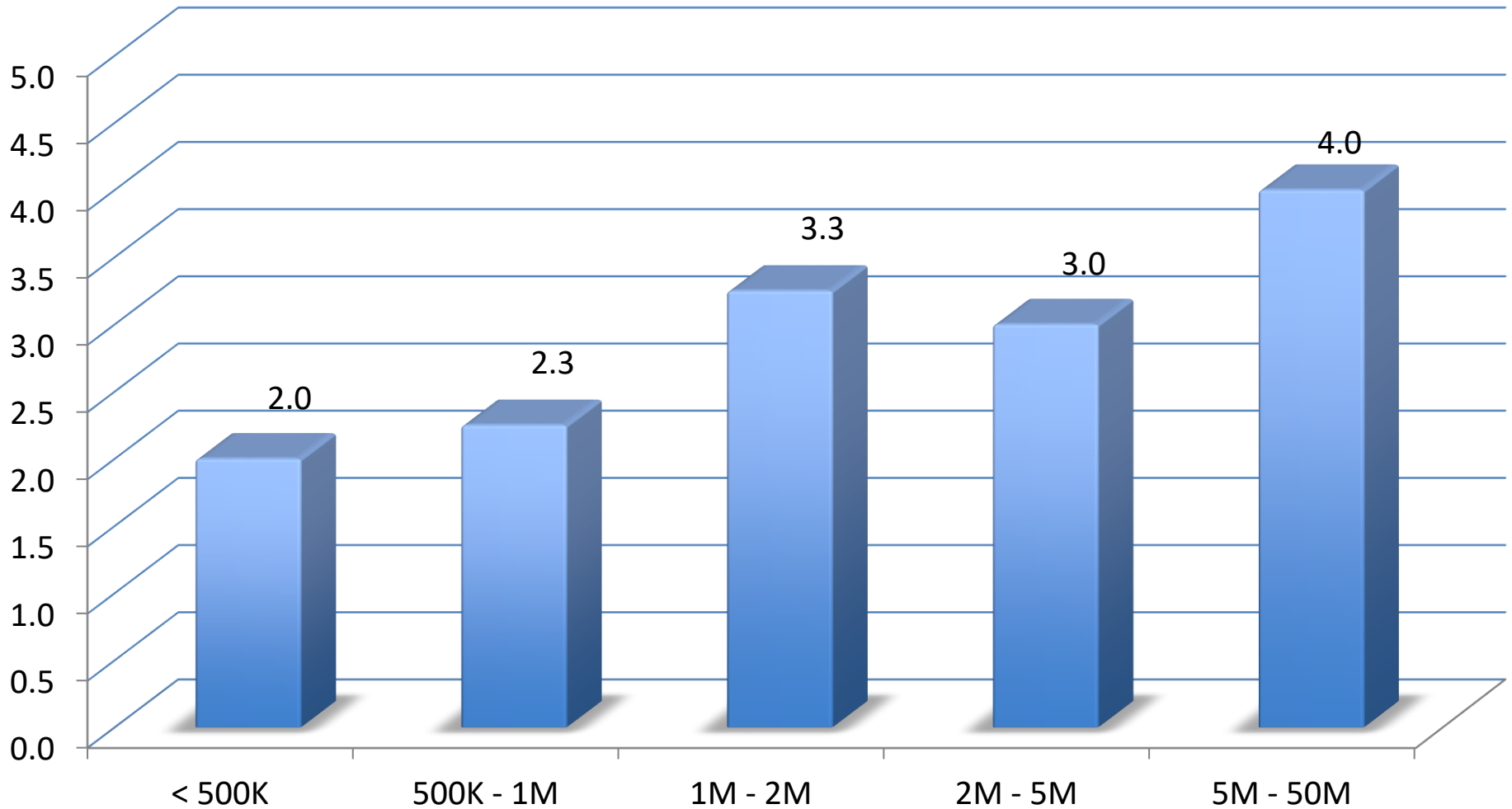
# Median Number of Months from Listing/Engagement to Close



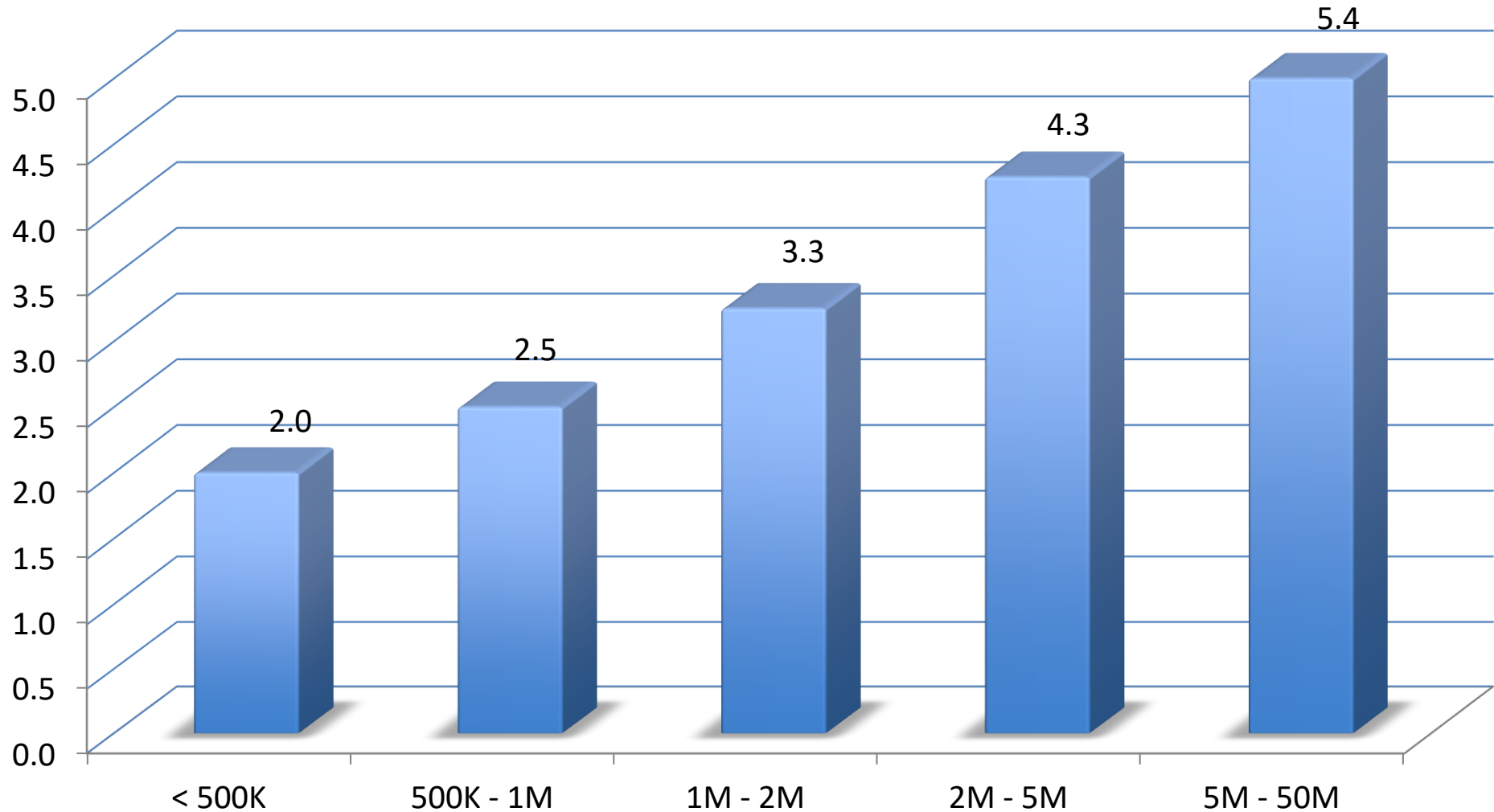
# Median Number of Months from LOI/Offer to Close



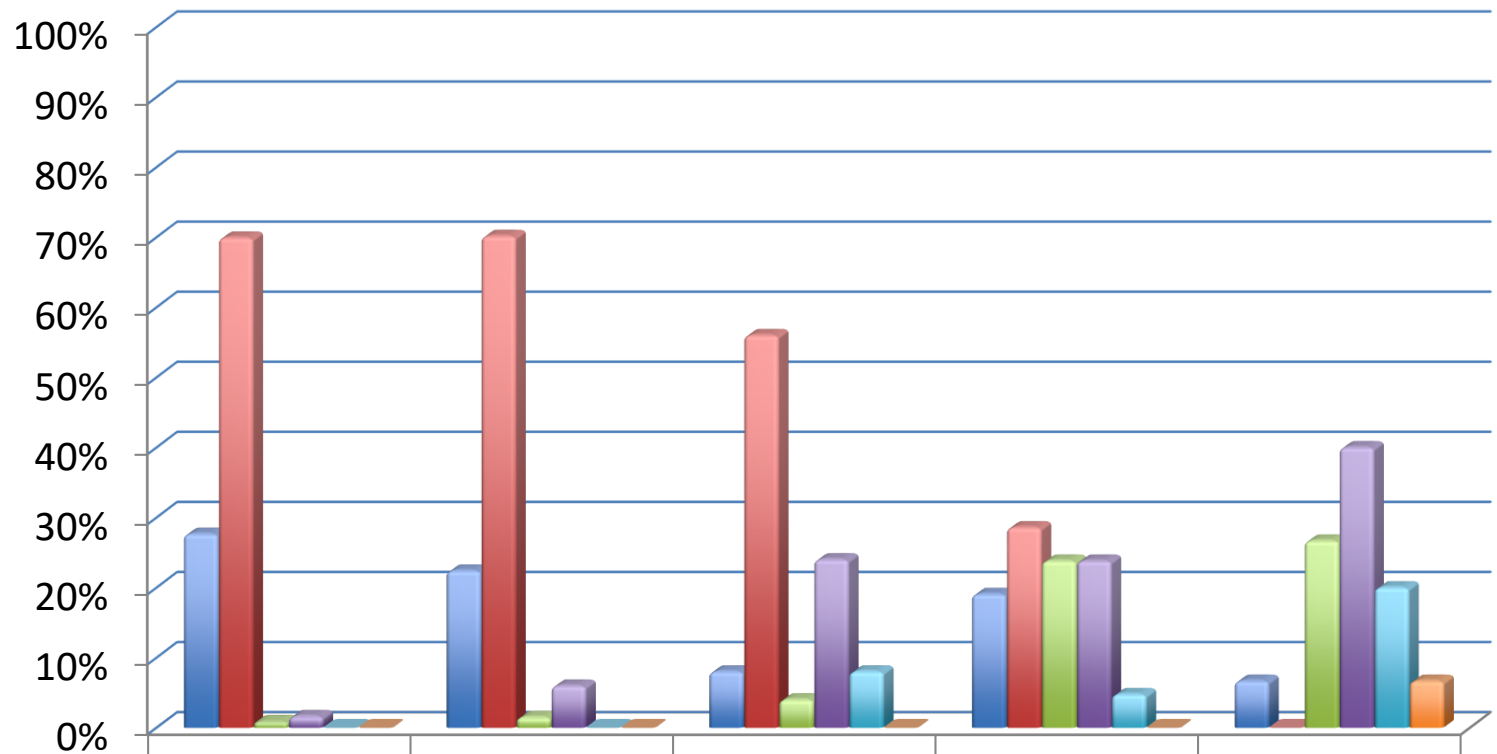
# Median SDE Multiple Paid



# Median EBITDA Multiple Paid

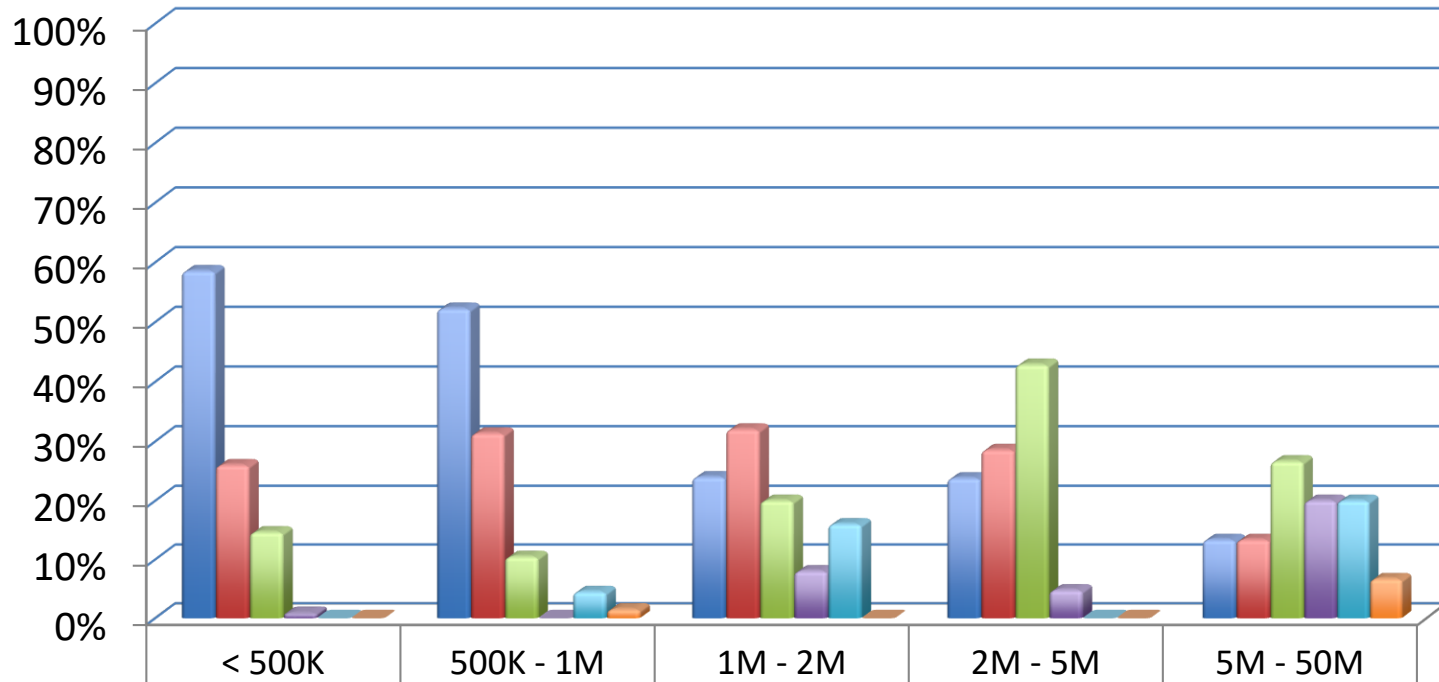


# Multiple Type



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ SDE including working capital	28%	22.4%	8.0%	19.0%	6.7%
■ SDE not including working capital	70%	70.1%	56.0%	28.6%	0.0%
■ EBITDA including working capital	1%	1.5%	4.0%	23.8%	26.7%
■ EBITDA not including working capital	2%	6.0%	24.0%	23.8%	40.0%
■ TTM EBITDA including working capital	0%	0.0%	8.0%	4.8%	20.0%
■ TTM EBITDA not including working capital	0%	0.0%	0.0%	0.0%	6.7%

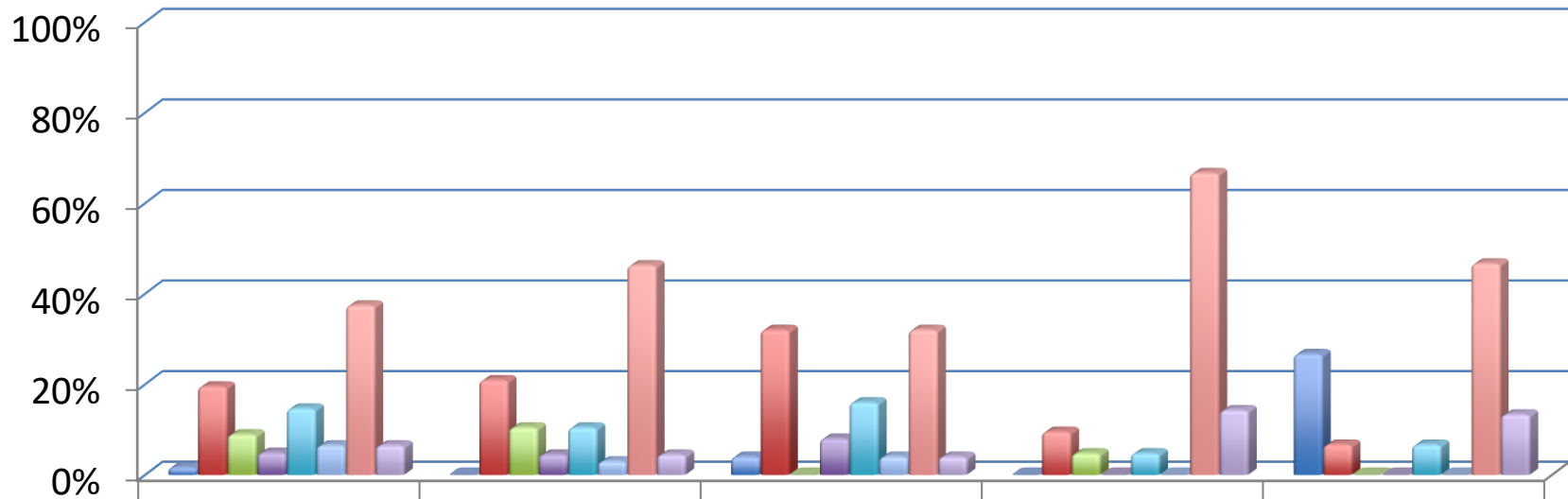
# Buyer Type



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
1st time individual	59%	52%	24%	24%	13%
individual who owned a business	26%	31%	32%	29%	13%
existing company/strategic buyer	15%	10%	20%	43%	27%
PE firm - Platform	1%	0%	8%	5%	20%
PE firm - Add-on	0%	4%	16%	0%	20%
Other	0%	1%	0%	0%	7%

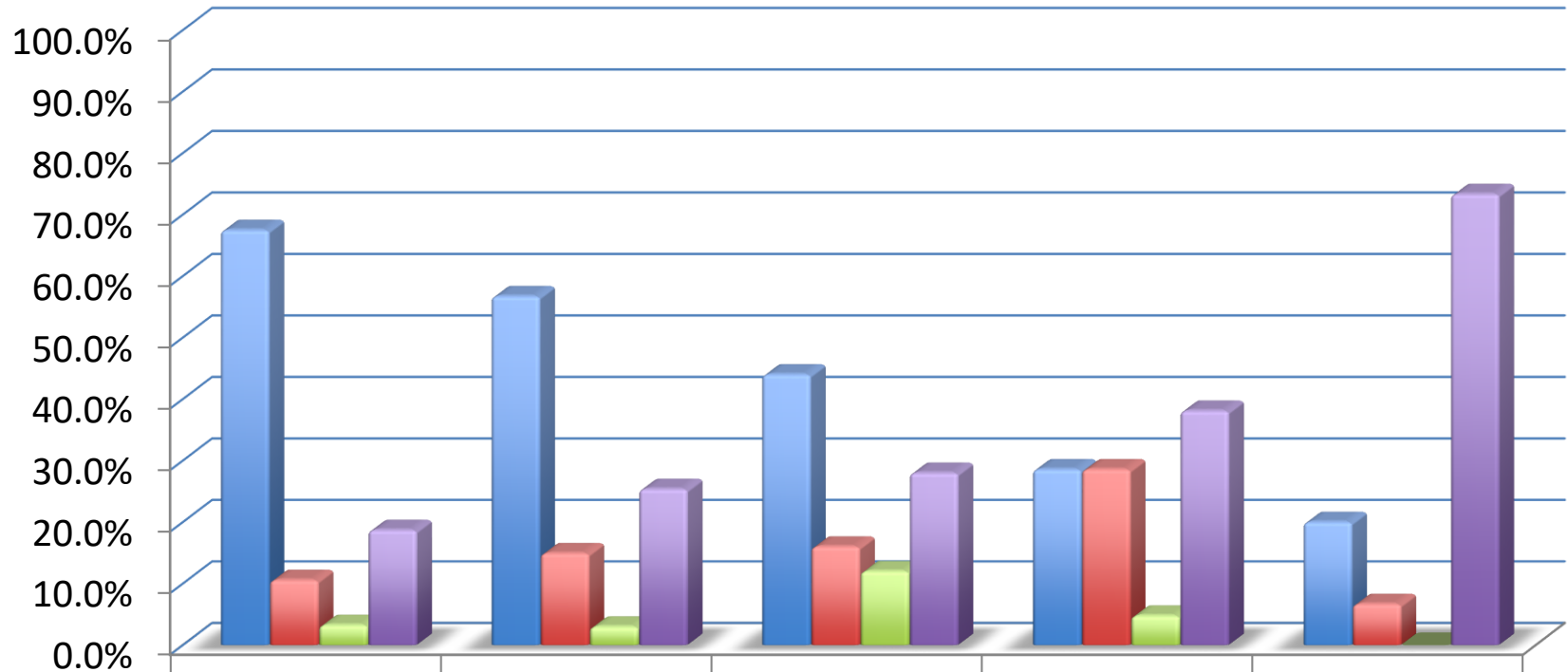


# #1 Reason for Seller to Go to Market



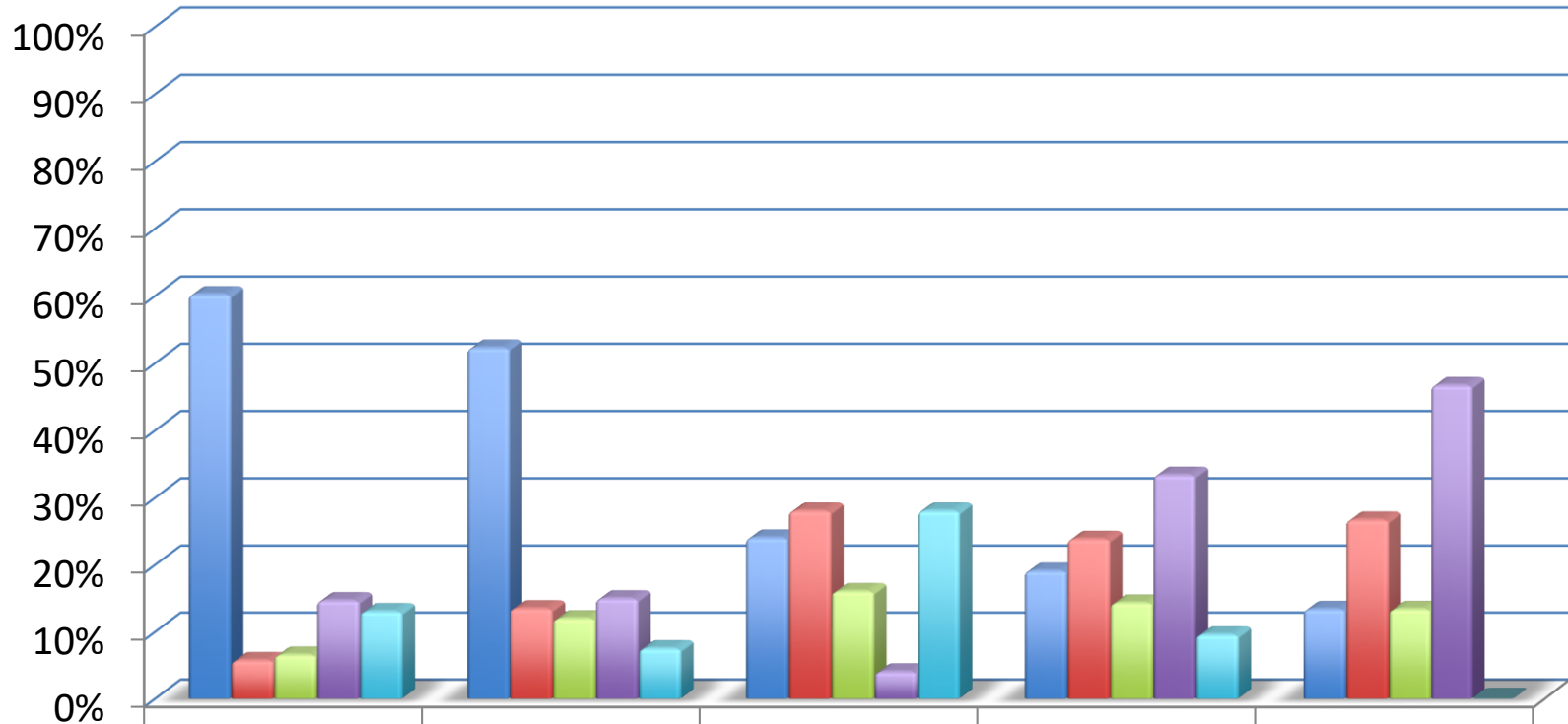
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Recapitalization	2%	0%	4%	0%	27%
Burnt out	20%	21%	32%	10%	7%
Family issues	9%	10%	0%	5%	0%
Health	5%	4%	8%	0%	0%
New opportunity	15%	10%	16%	5%	7%
Relocation/moving	7%	3%	4%	0%	0%
Retirement	37%	46%	32%	67%	47%
Other	7%	4%	4%	14%	13%

# Buyer Location



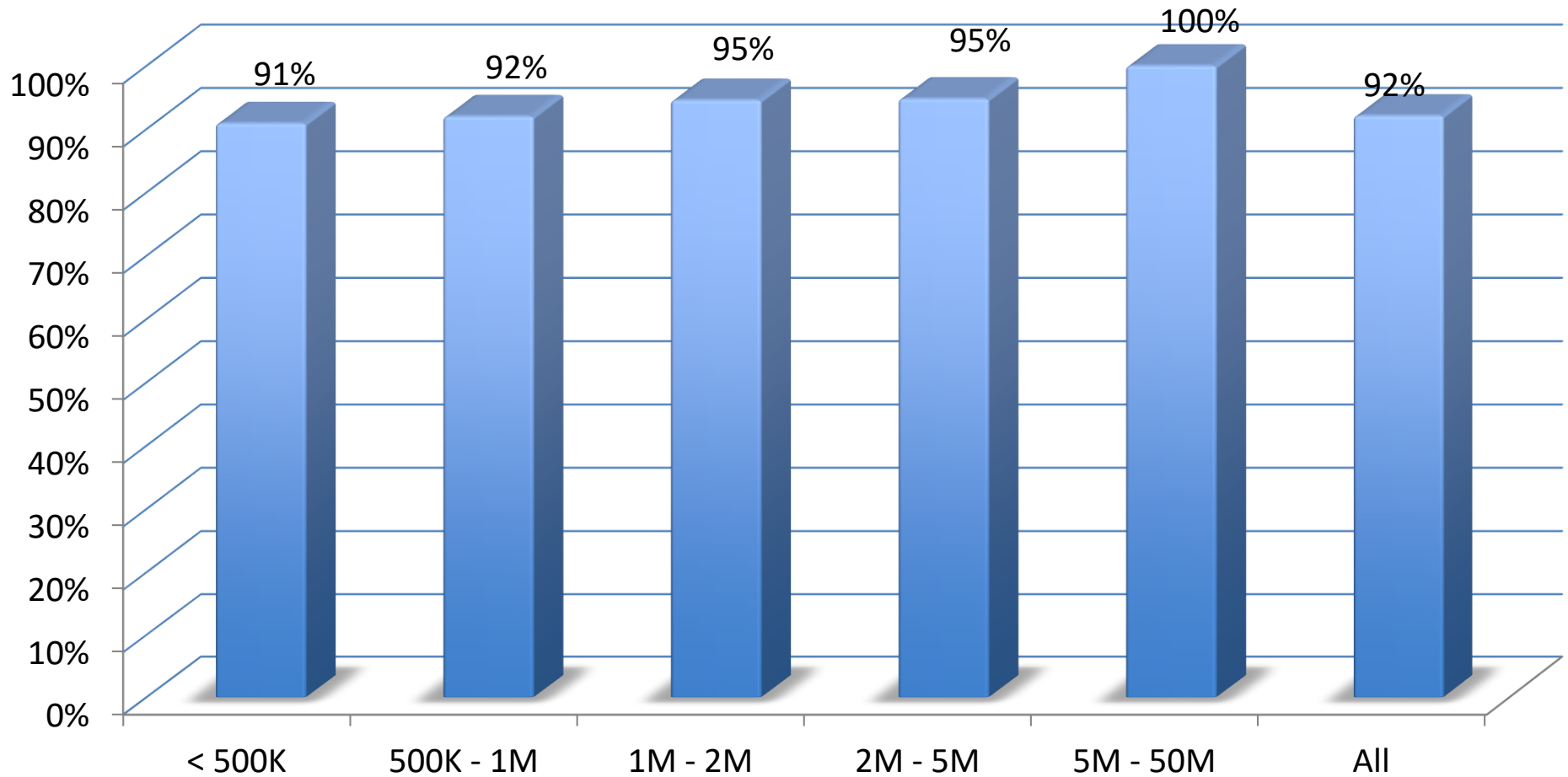
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ within 20 miles	67.5%	56.7%	44.0%	28.6%	20.0%
■ within 50 miles	10.6%	14.9%	16.0%	28.6%	6.7%
■ within 100 miles	3.3%	3.0%	12.0%	4.8%	0.0%
■ more than 100 miles	18.7%	25.4%	28.0%	38.1%	73.3%

# #1 Motivation for Buyer

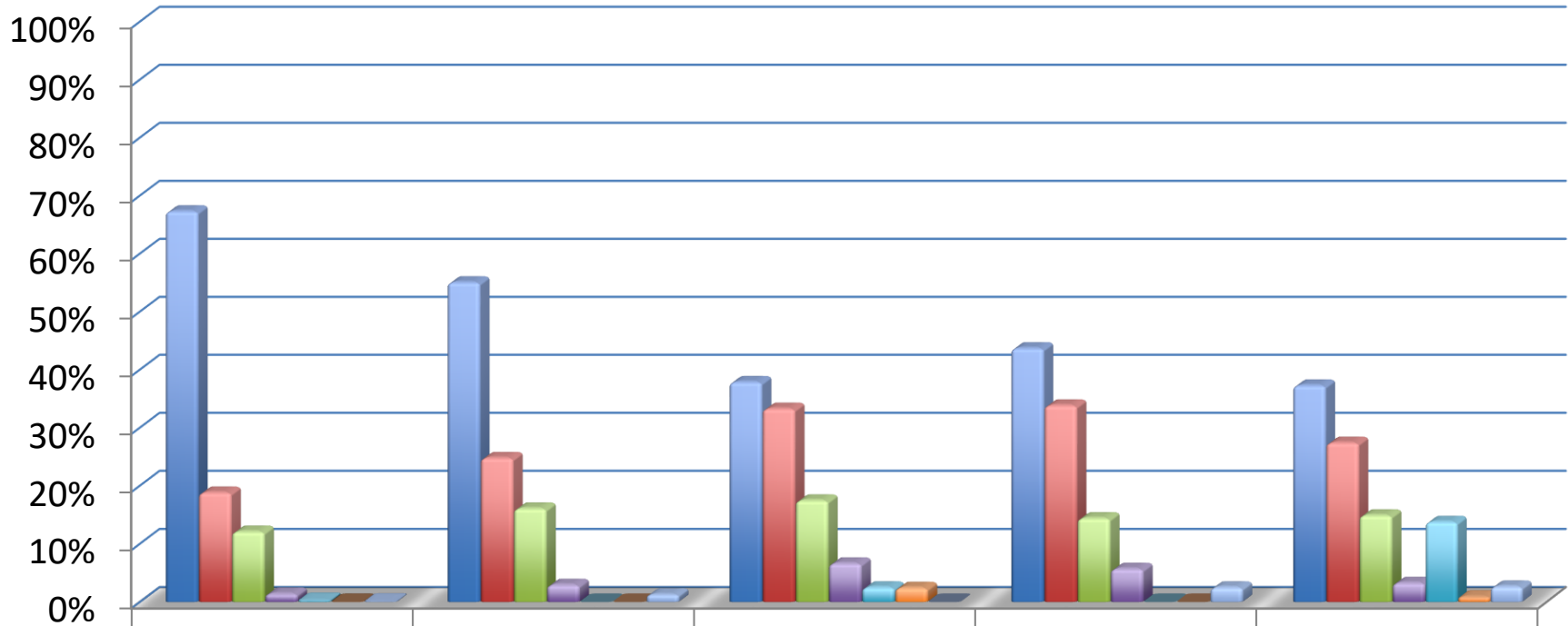


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Buying a job	60%	52%	24%	19%	13%
Better ROI than other investment	6%	13%	28%	24%	27%
Vertical add-on	7%	12%	16%	14%	13%
Horizontal add-on	15%	15%	4%	33%	47%
Other	13%	7%	28%	10%	0%

# Median Percentage of Final/Selling Price Realized to Asking/Benchmark Price



# Financing Structure

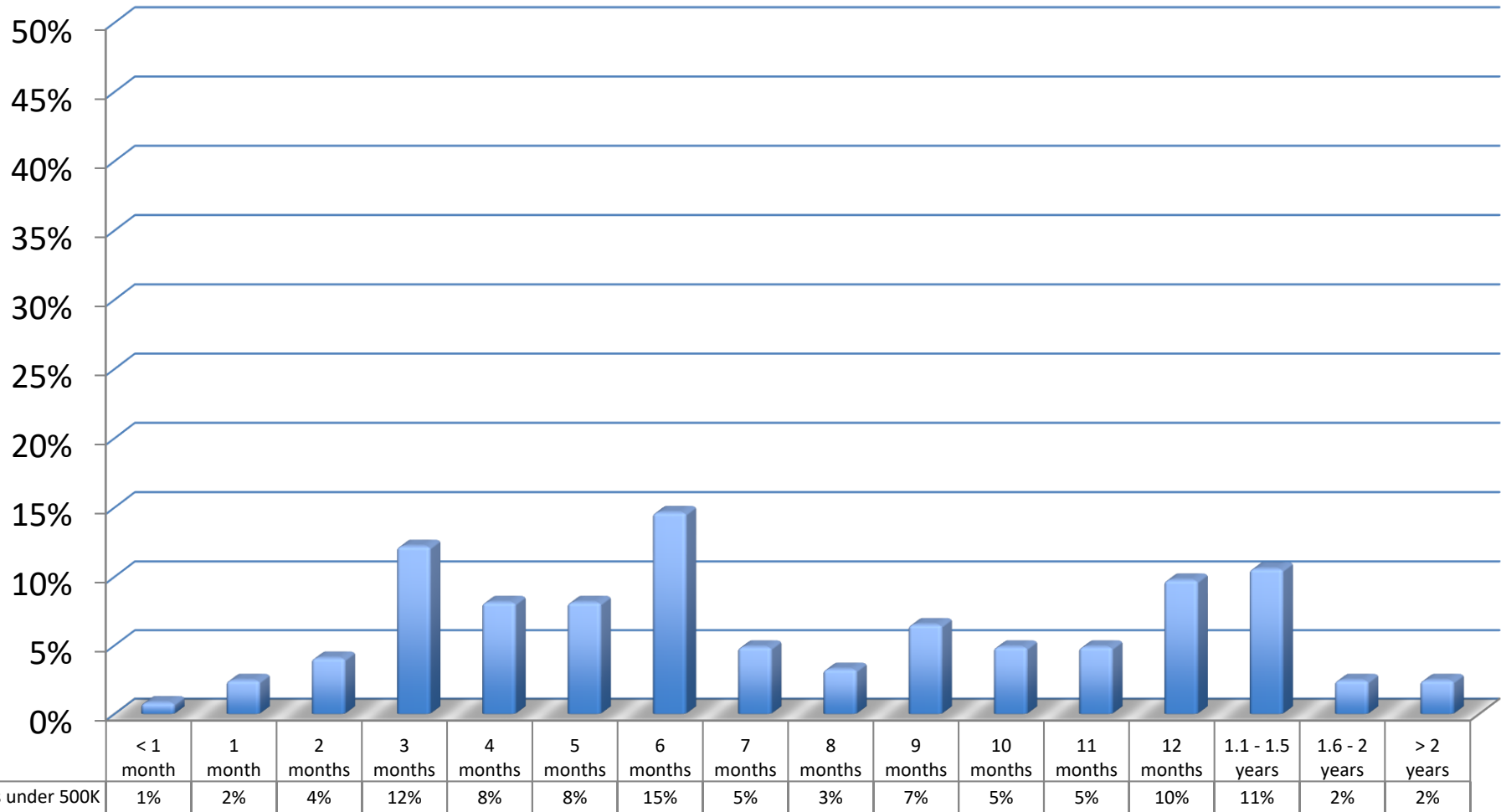


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Buyers equity	67%	55%	38%	44%	37%
Senior debt	19%	25%	33%	34%	27%
Seller financing	12%	16%	17%	14%	15%
Earn out	1%	3%	7%	6%	3%
Seller retained equity	0%	0%	2%	0%	14%
Mezzanine financing	0%	0%	2%	0%	1%
Other	0%	1%	0%	2%	3%

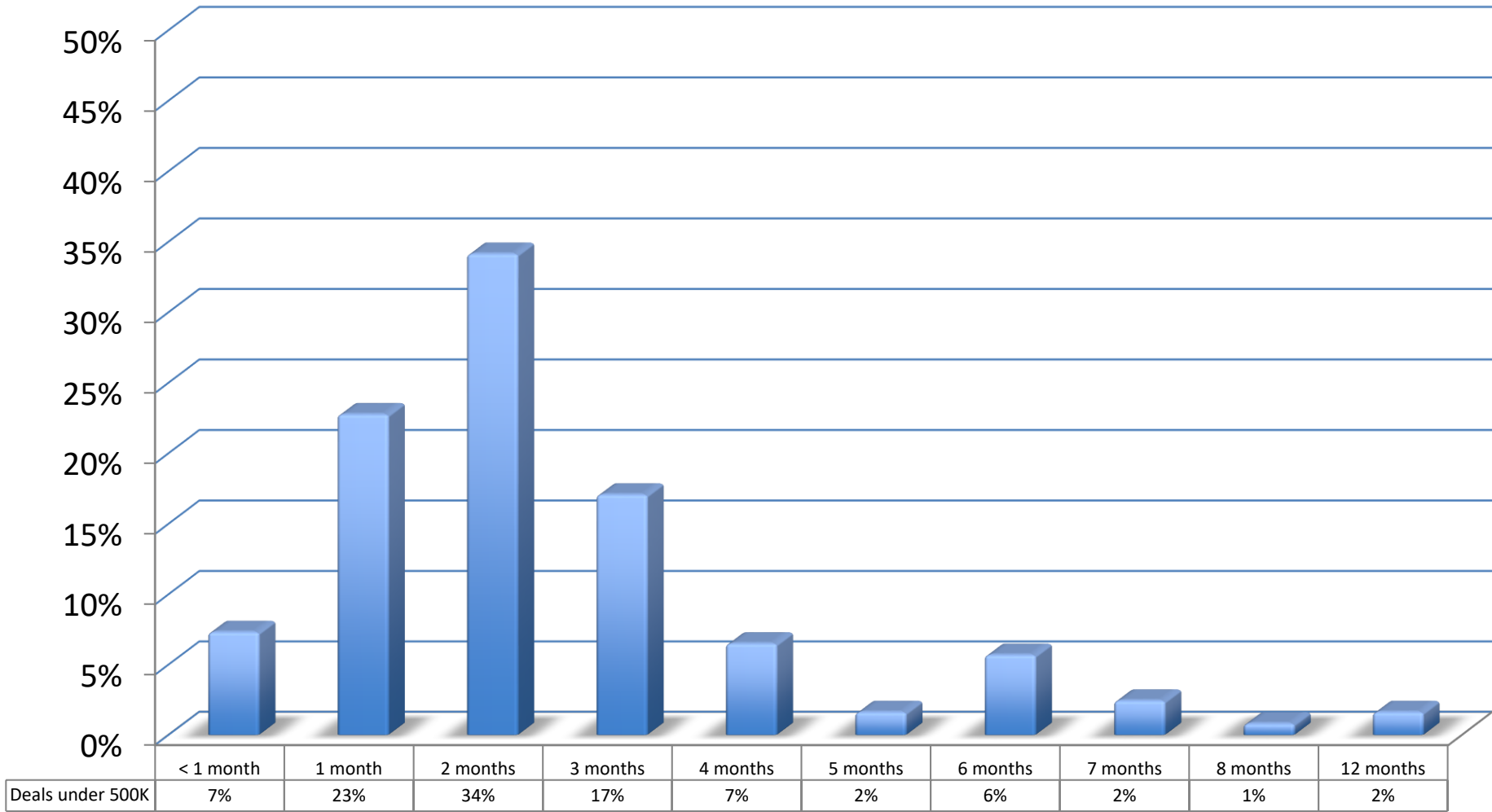
# Business Transactions Valued under \$499,999

Number of Closed Transactions: 123

# Engagement/Listing to Close

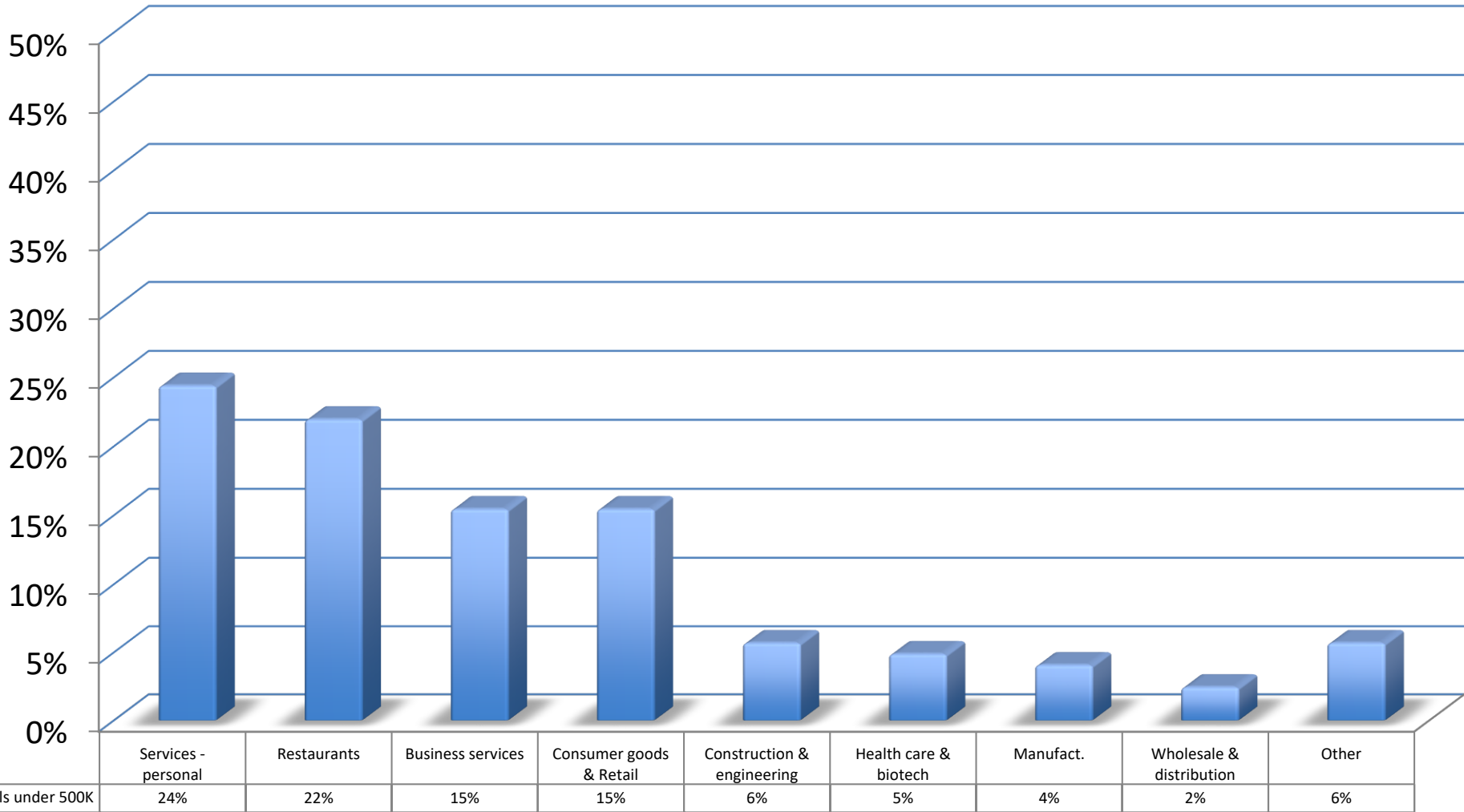


# LOI/ Offer to Close

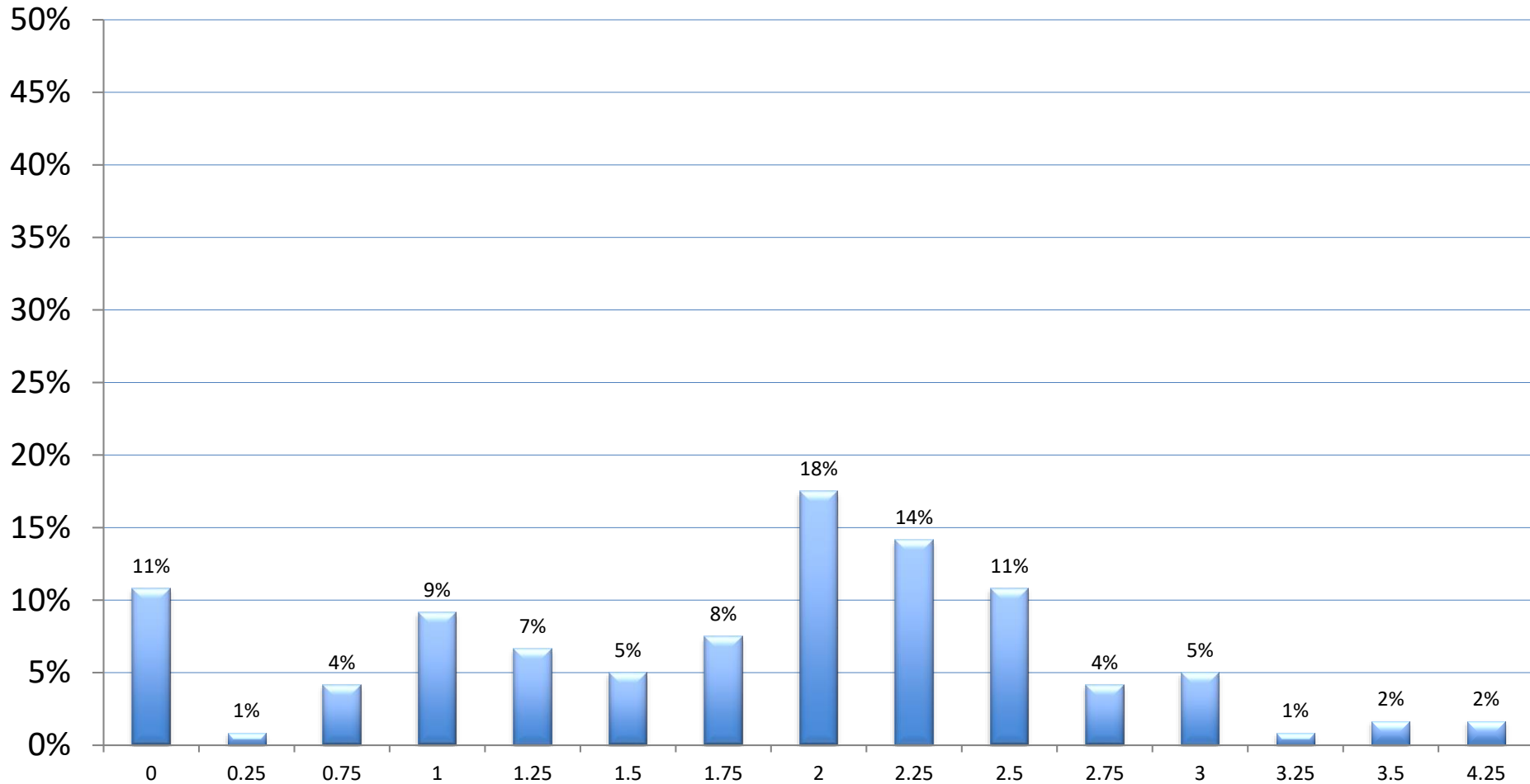




# Industry

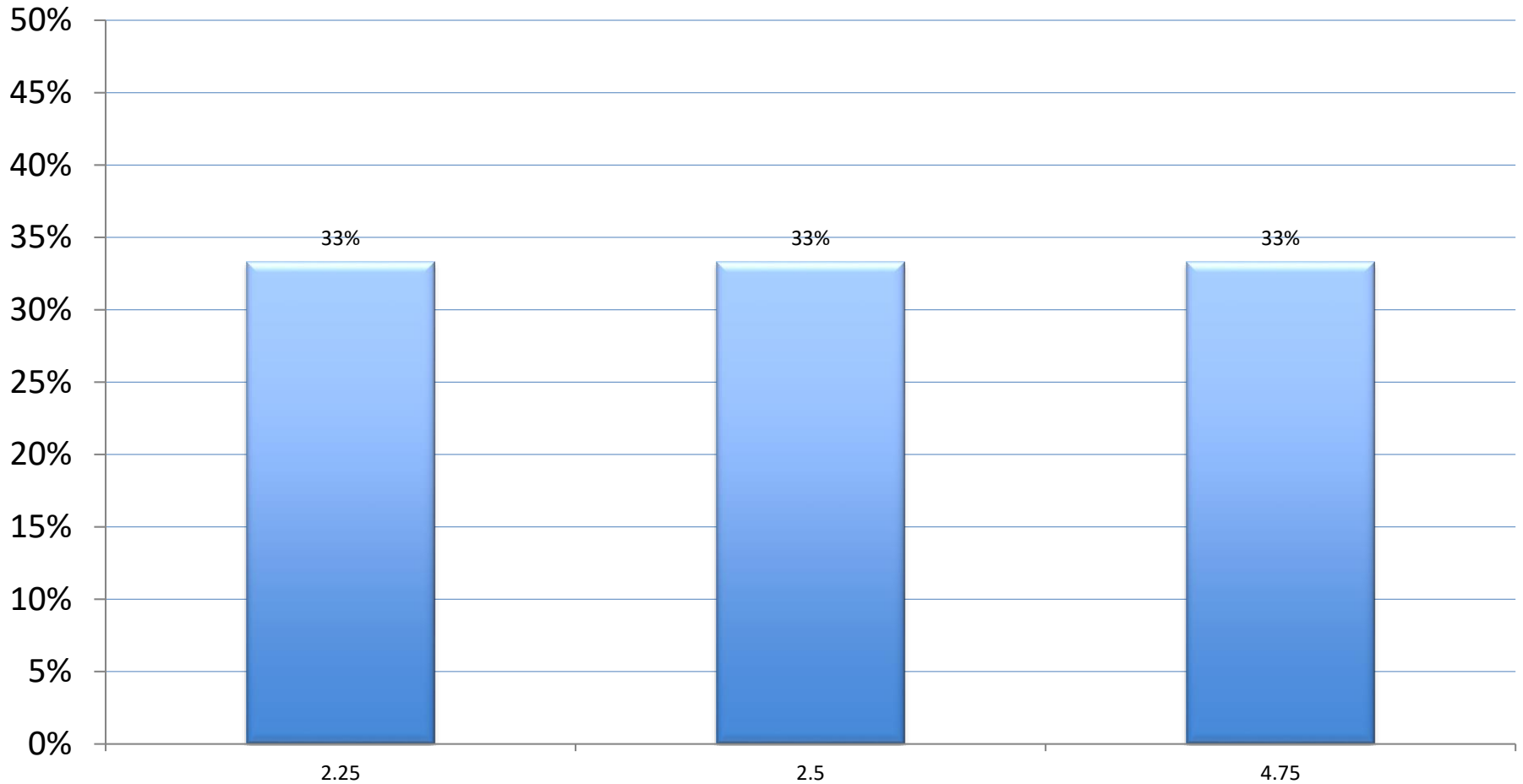


# SDE Multiple Paid



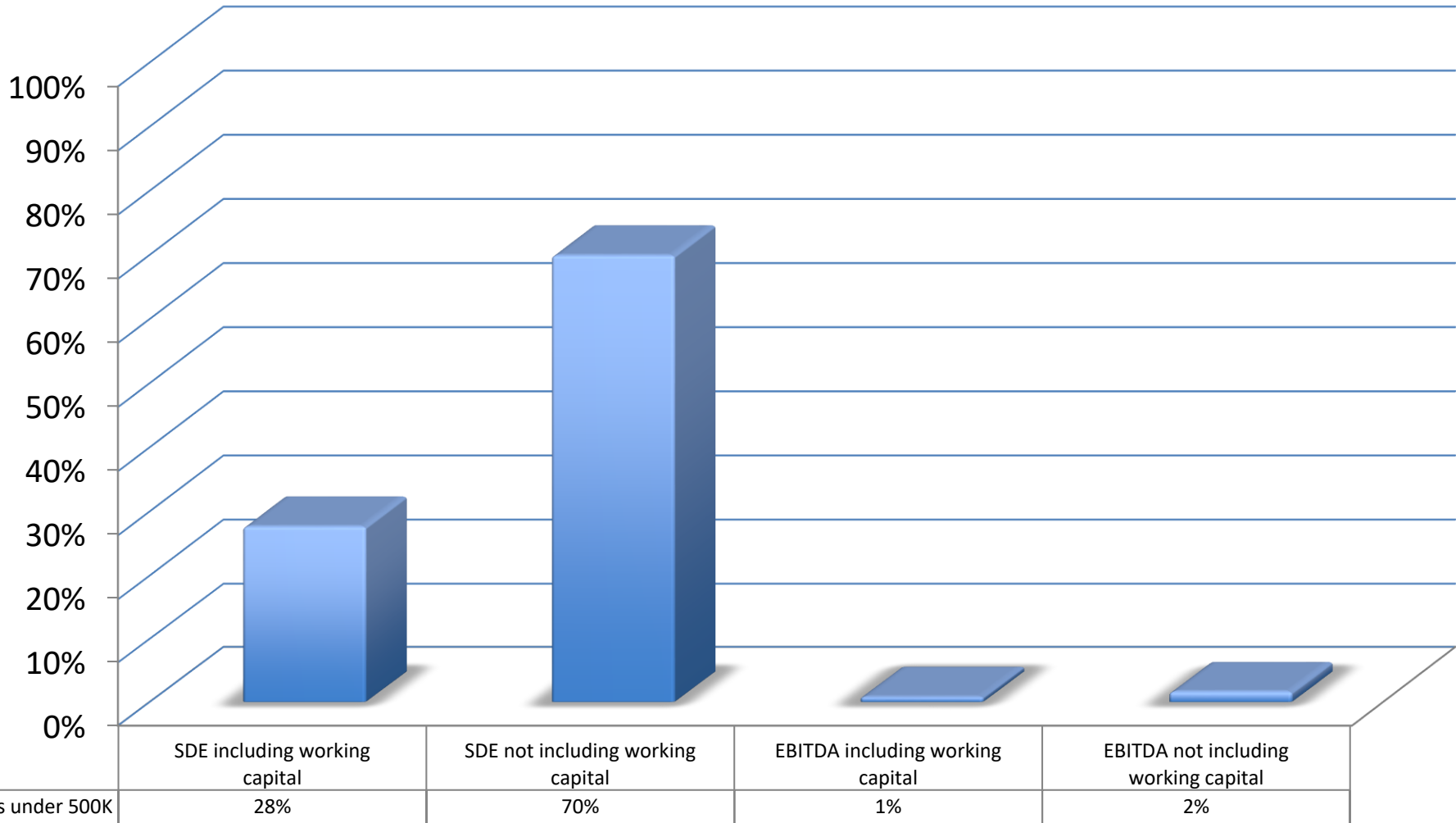
Number of responses: 120

# EBITDA Multiple Paid

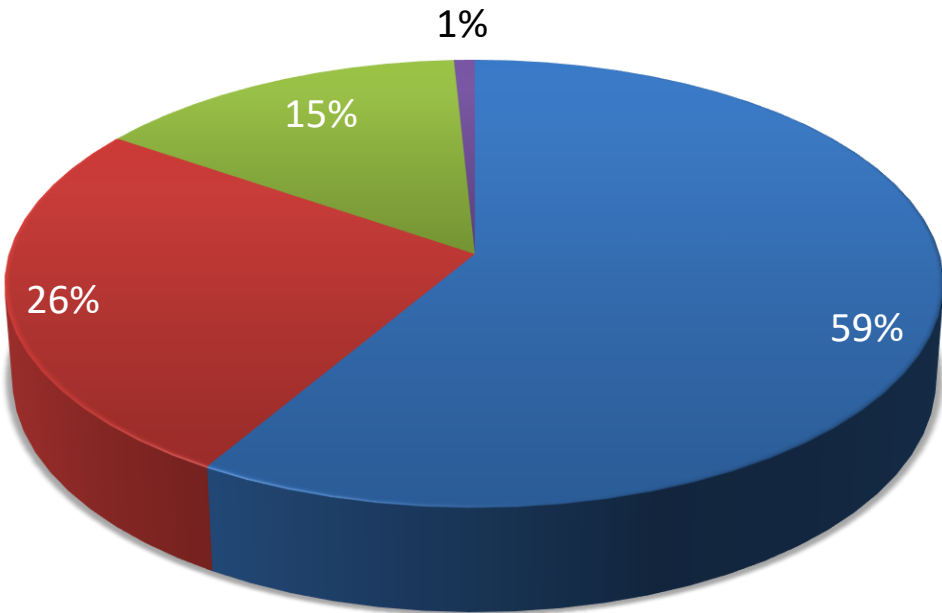


Number of responses: 3

# Multiple Type

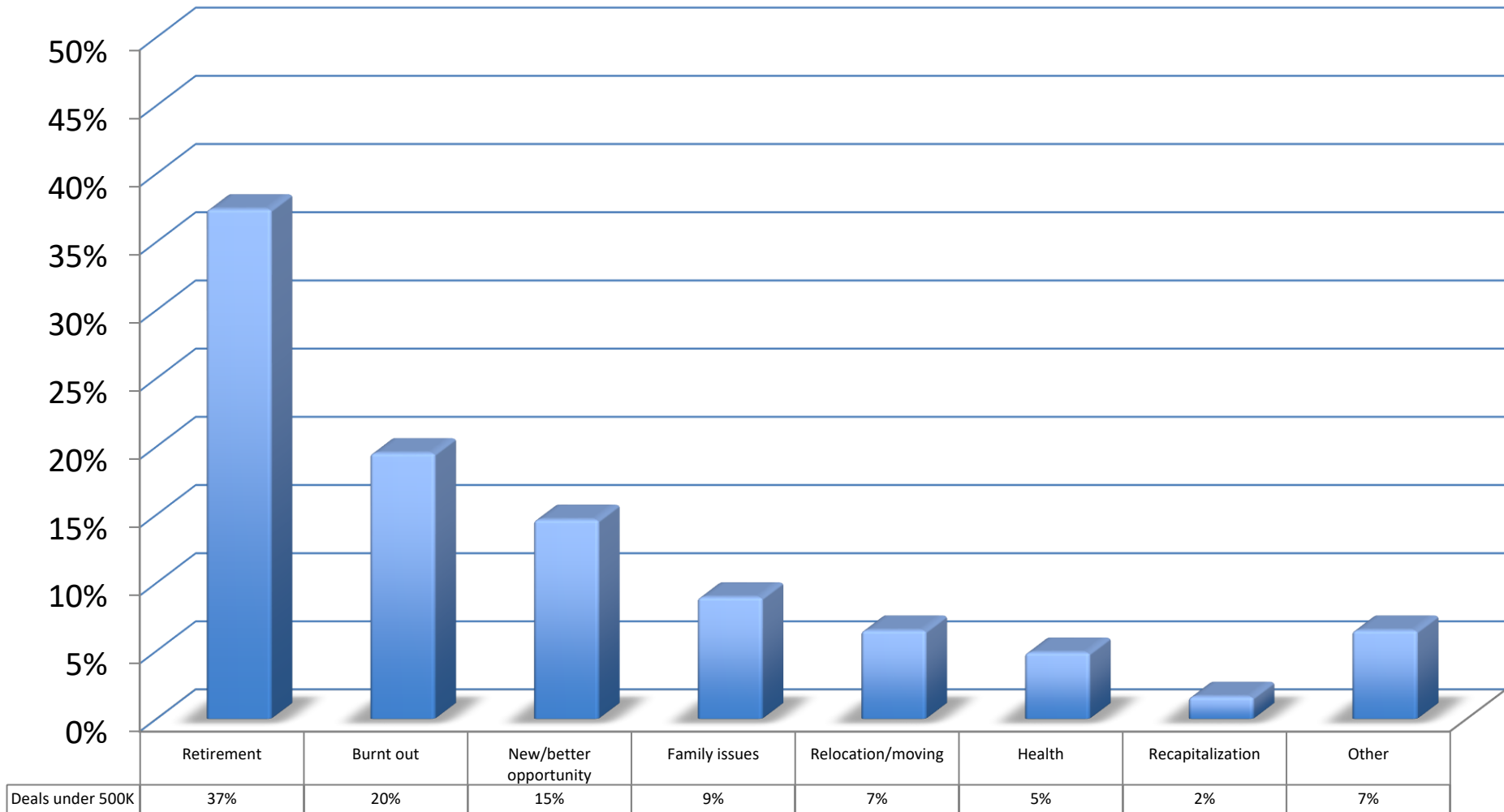


# Buyer Type

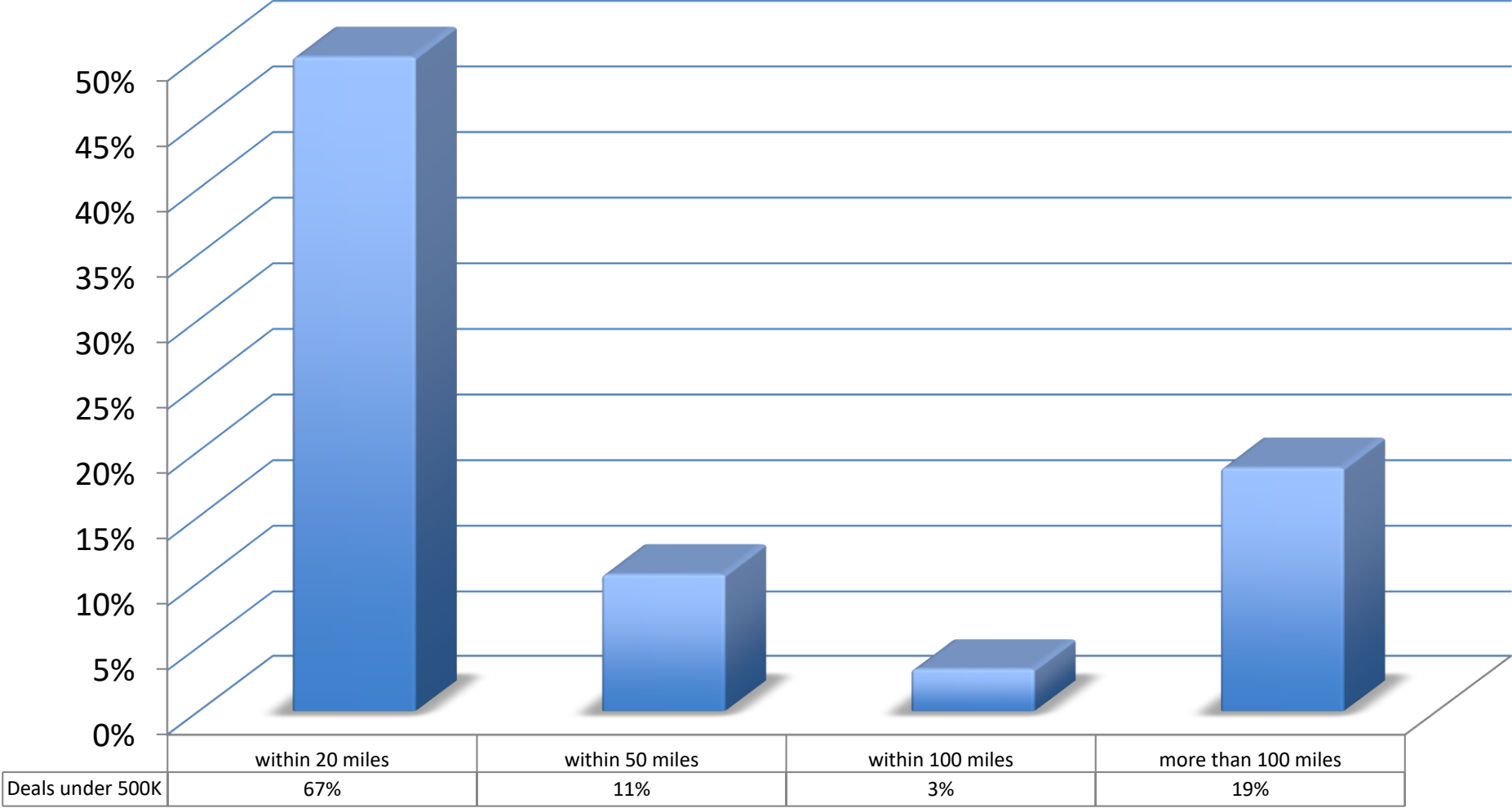


- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Platform

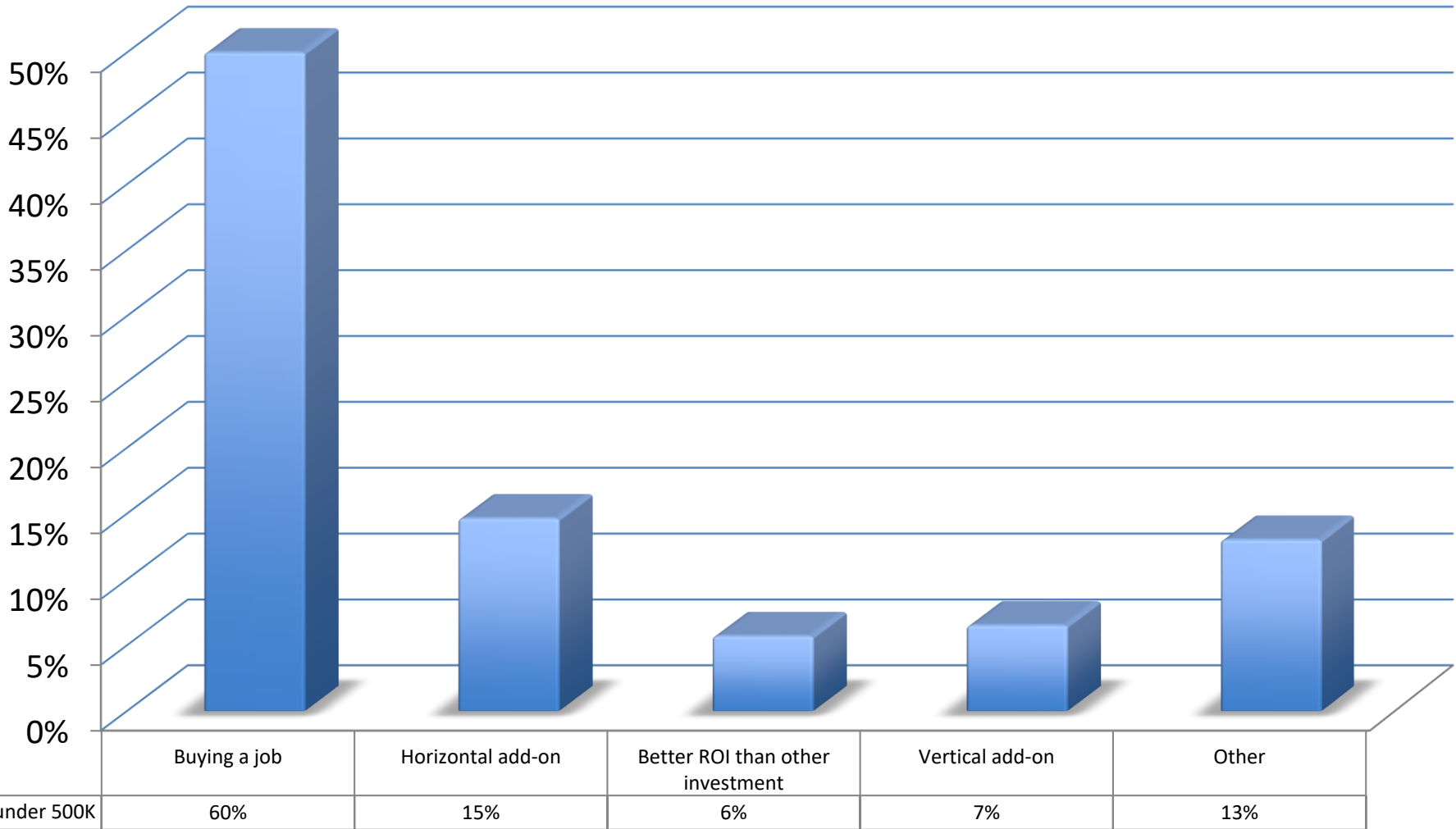
# #1 Reason for Seller to Go to Market



# Buyer Location

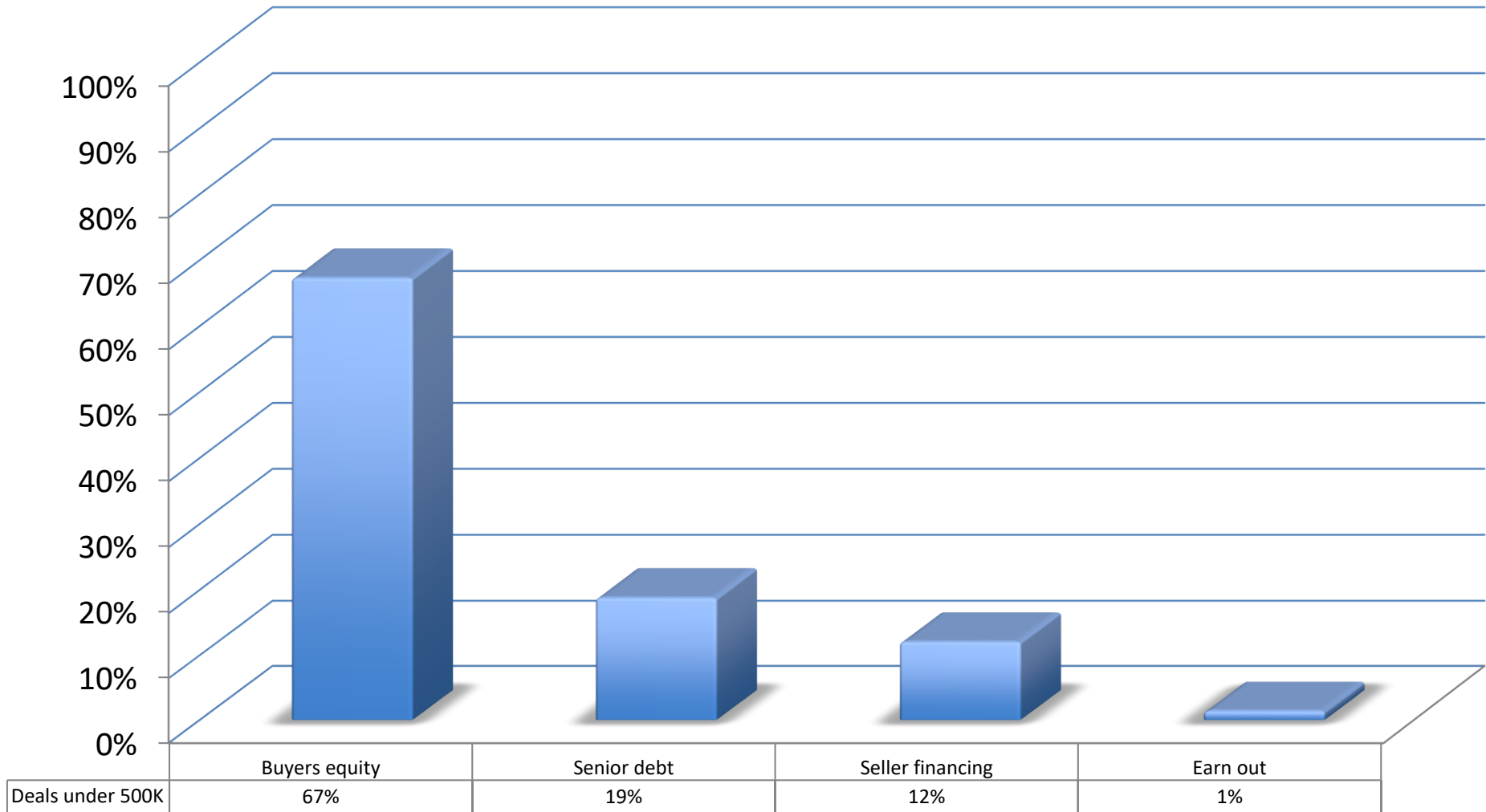


# #1 Motivation for Buyer



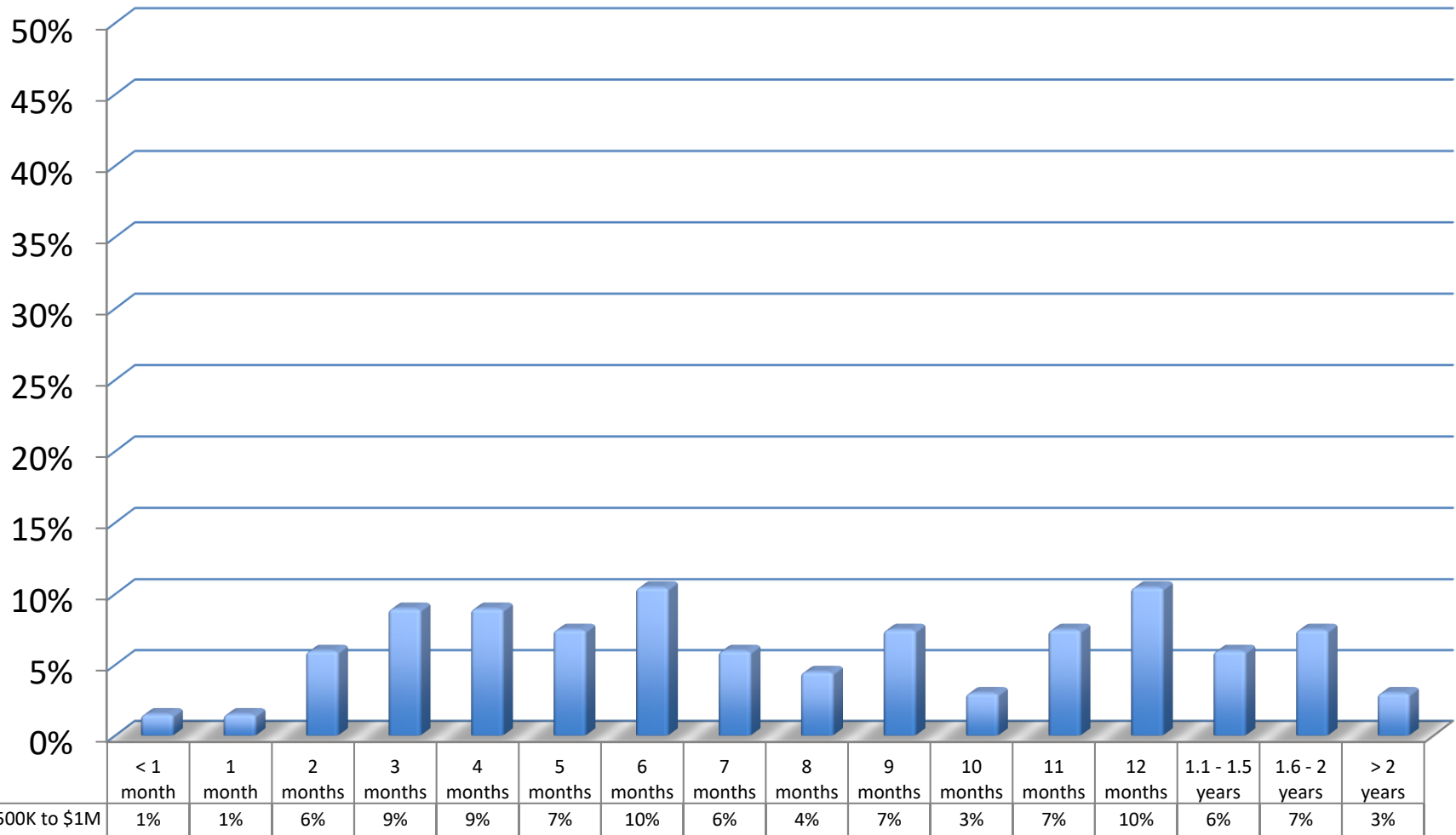


# Financing Structure



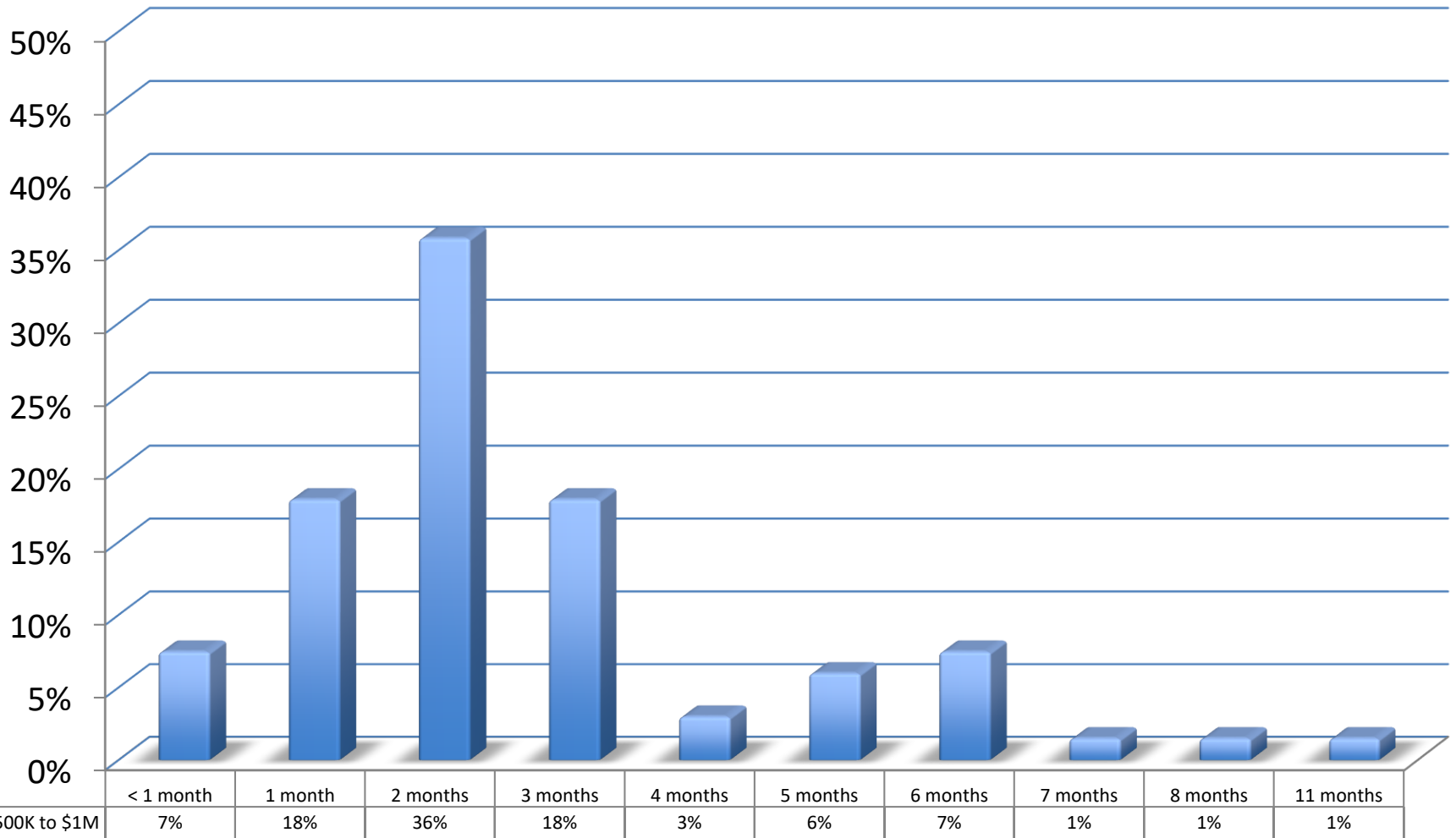
Business Transactions Valued  
from \$500,000 to \$999,999  
Number of Closed Transactions: 67

# Engagement/Listing to Close

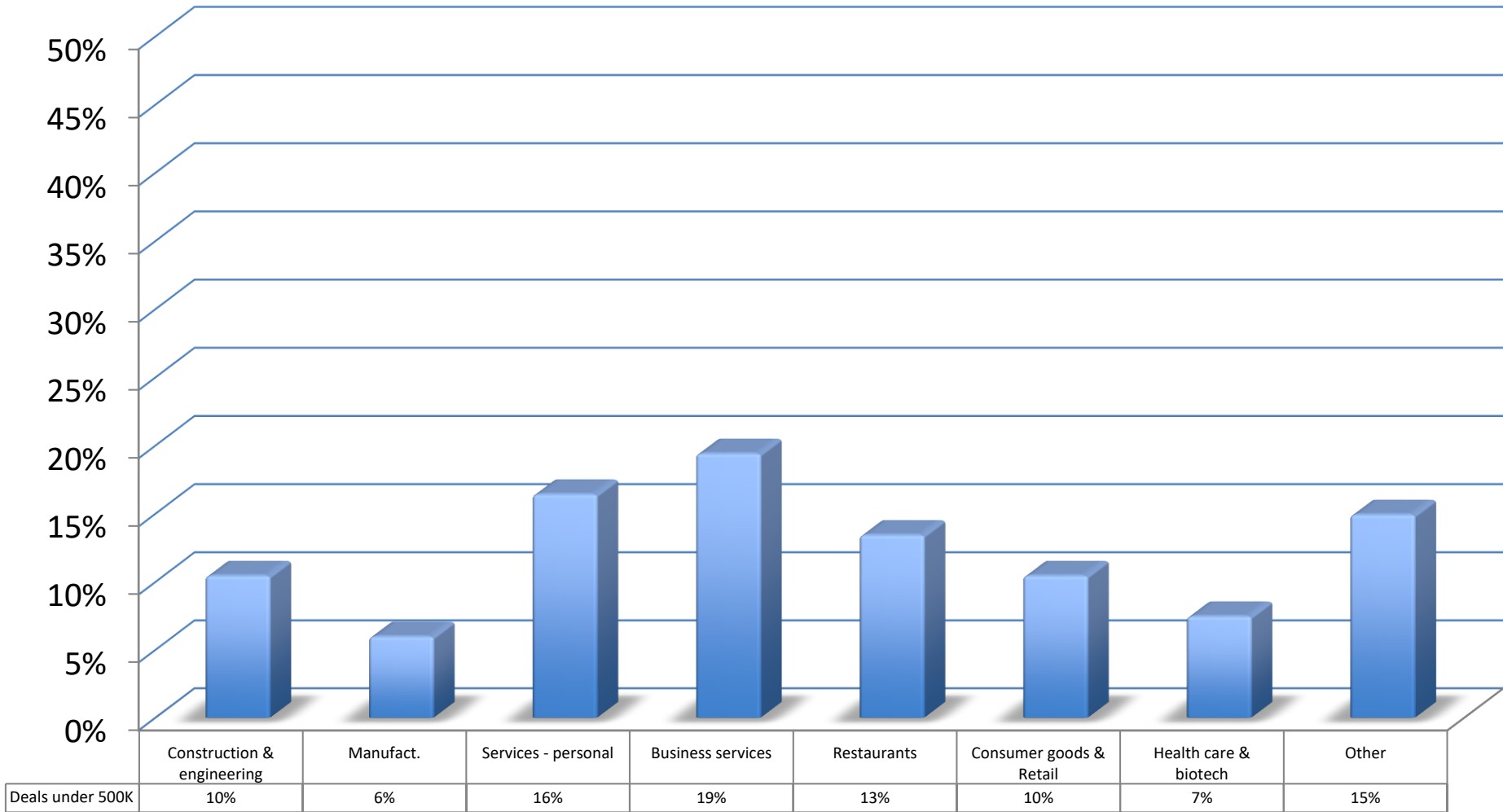


Deals from \$500K to \$1M

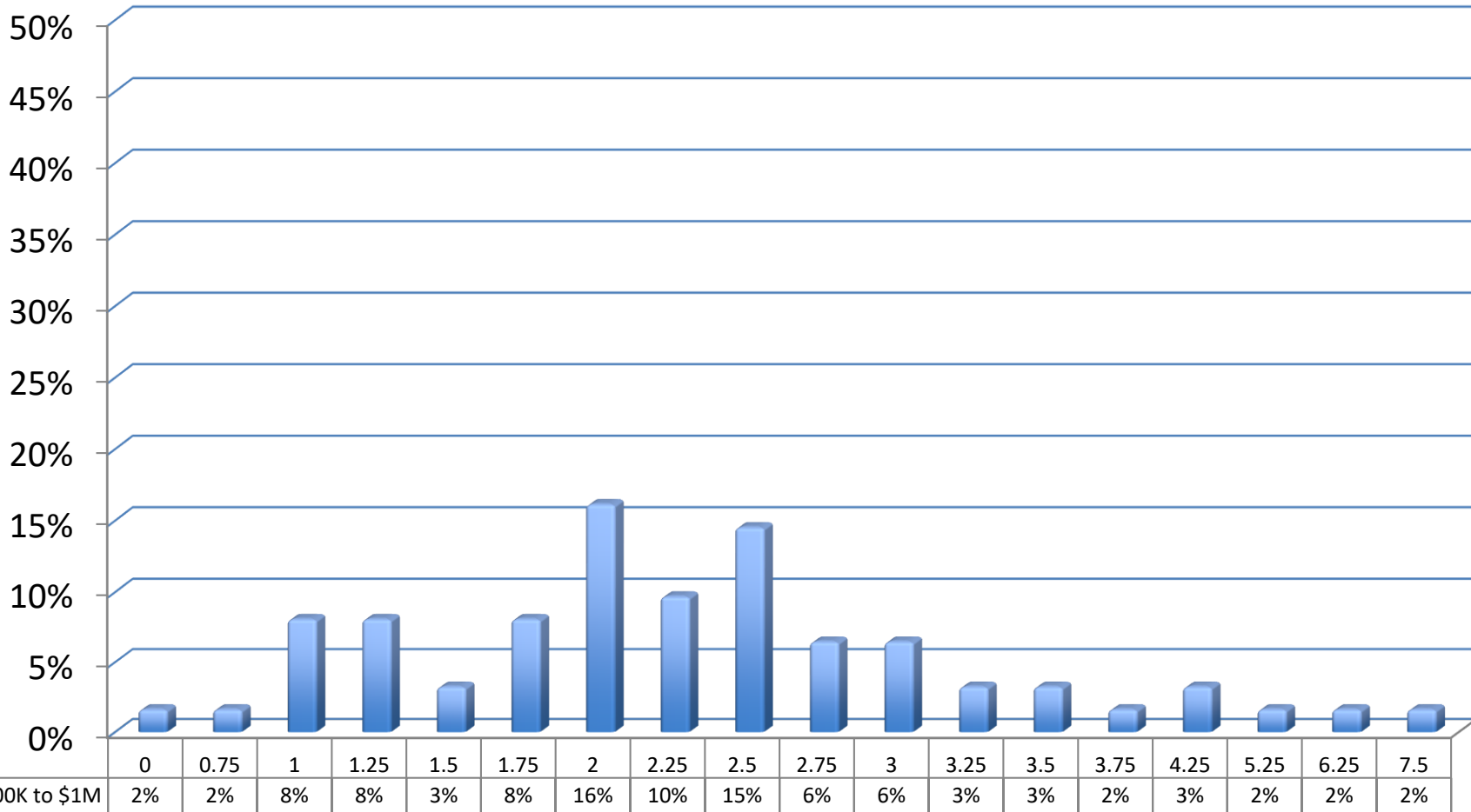
# LOI/ Offer to Close



# Industry

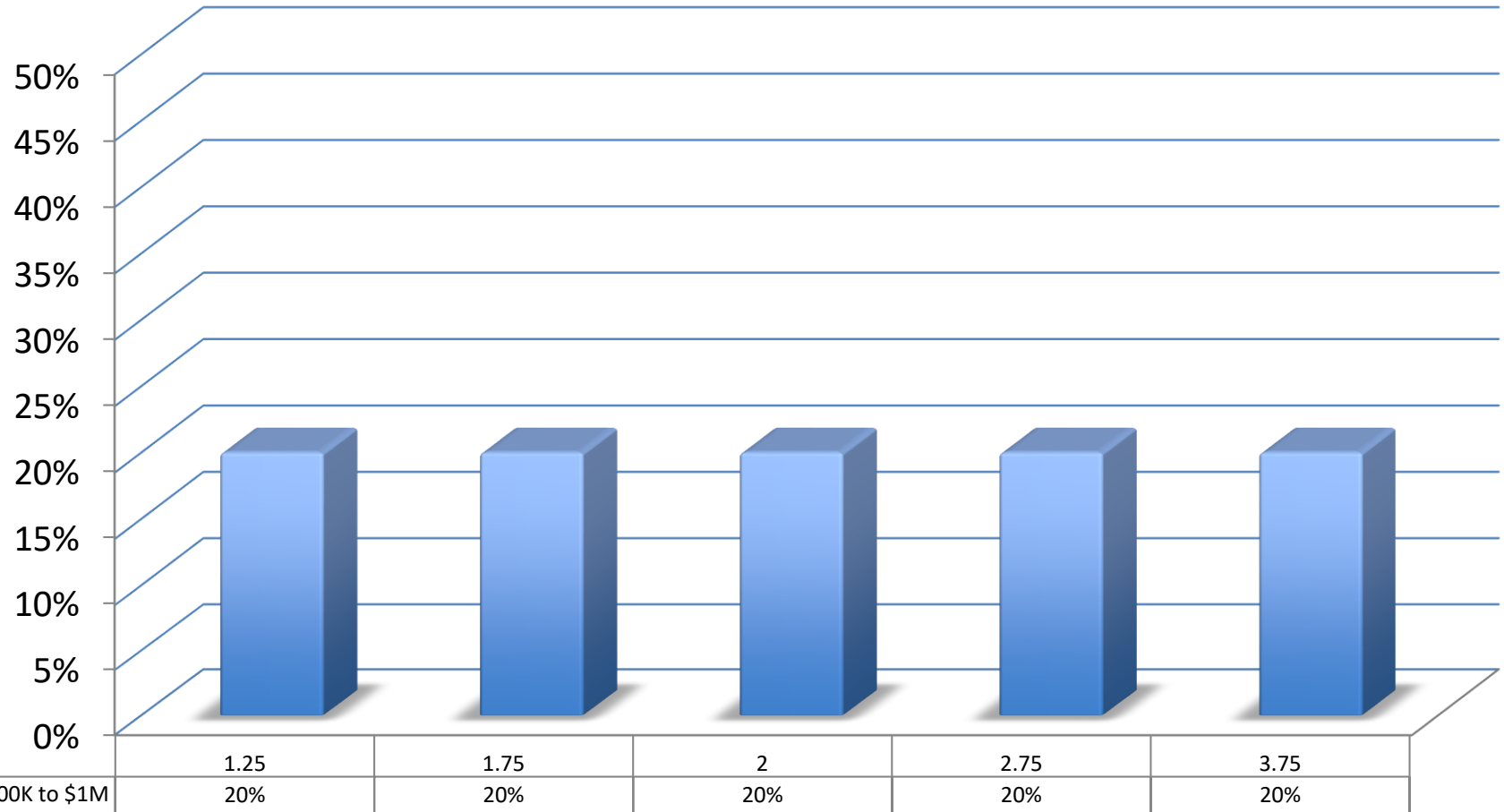


# SDE Multiple Paid



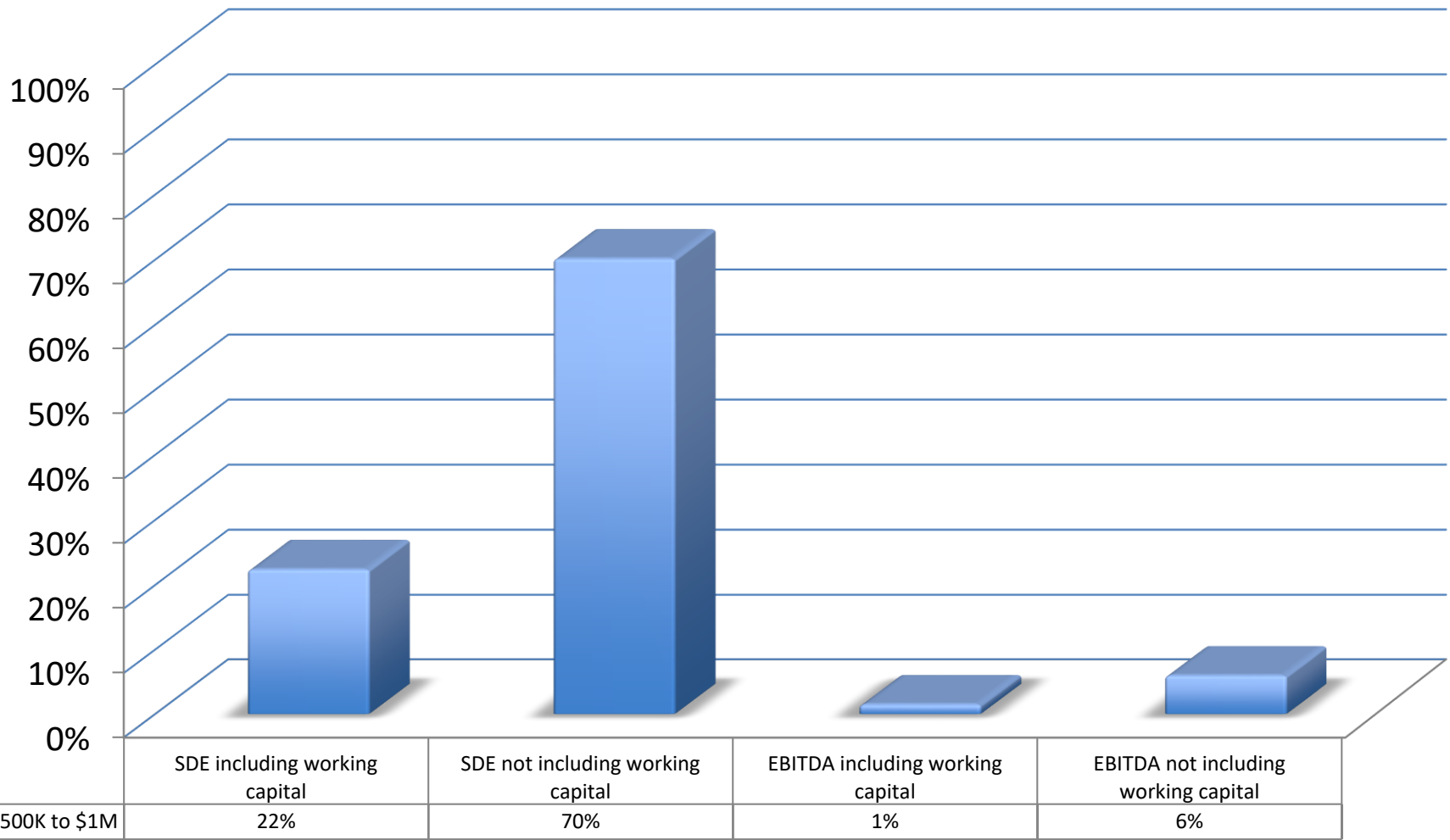
Number of responses: 62

# EBITDA Multiple Paid



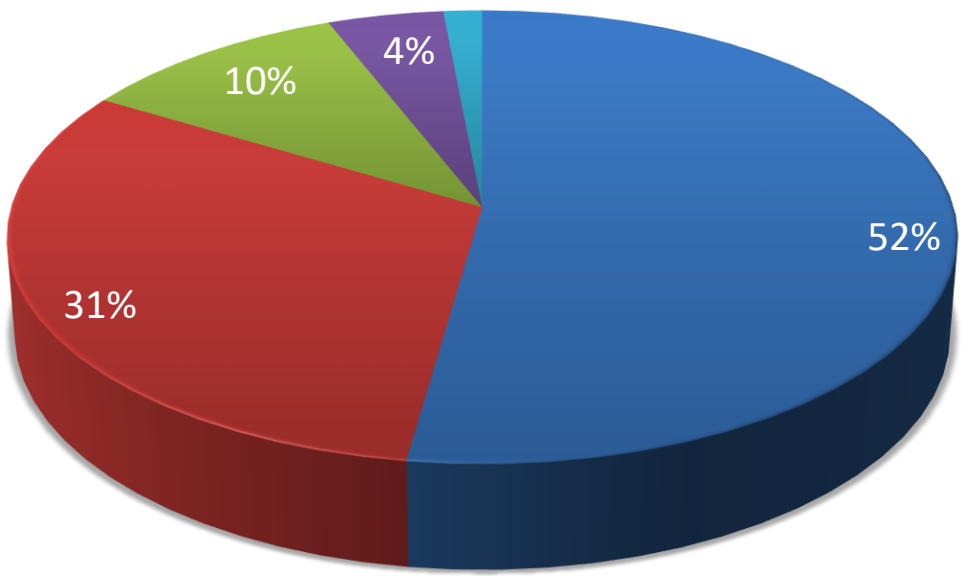
Number of responses: 5

# Multiple Type



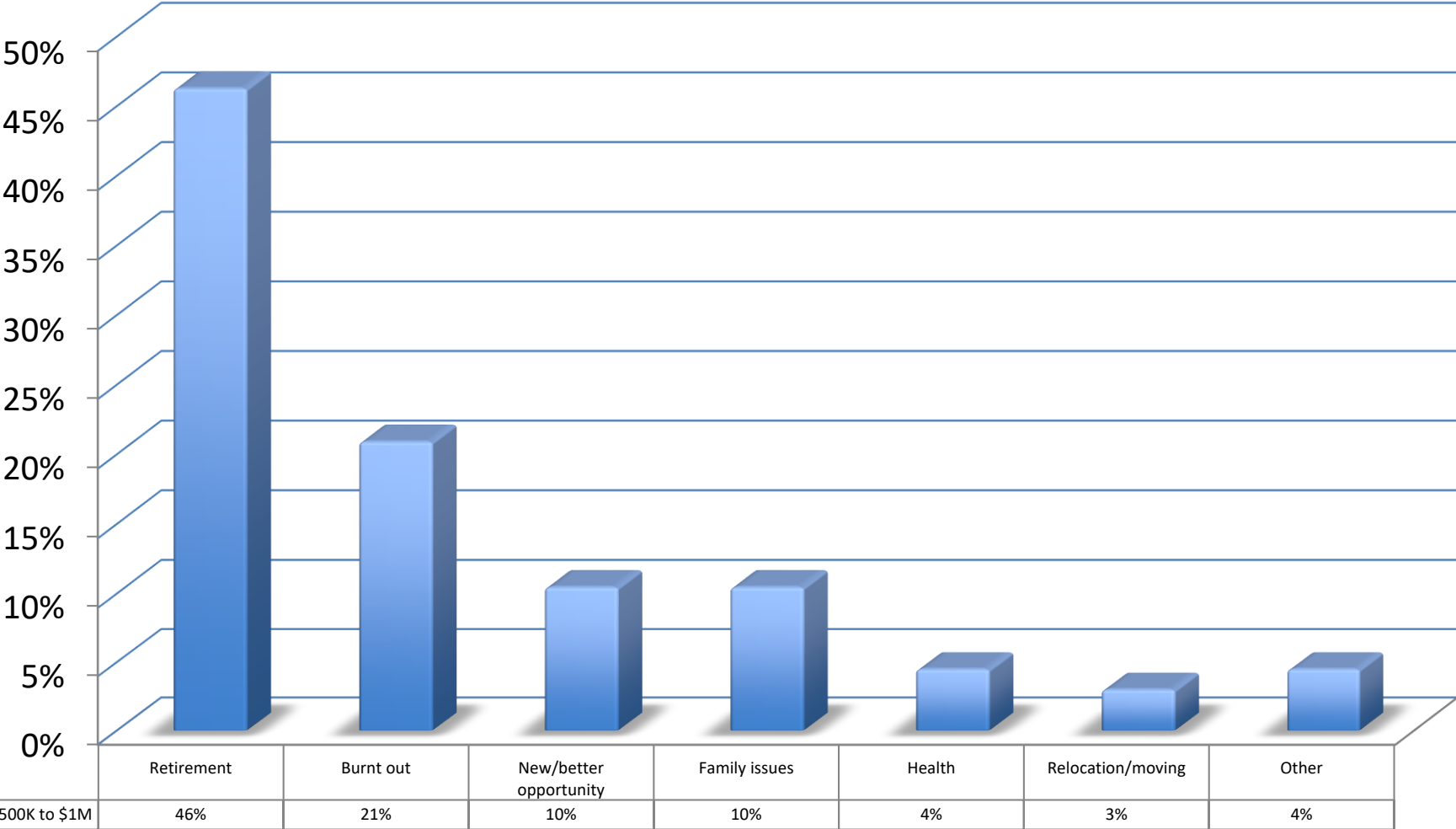


# Buyer Type



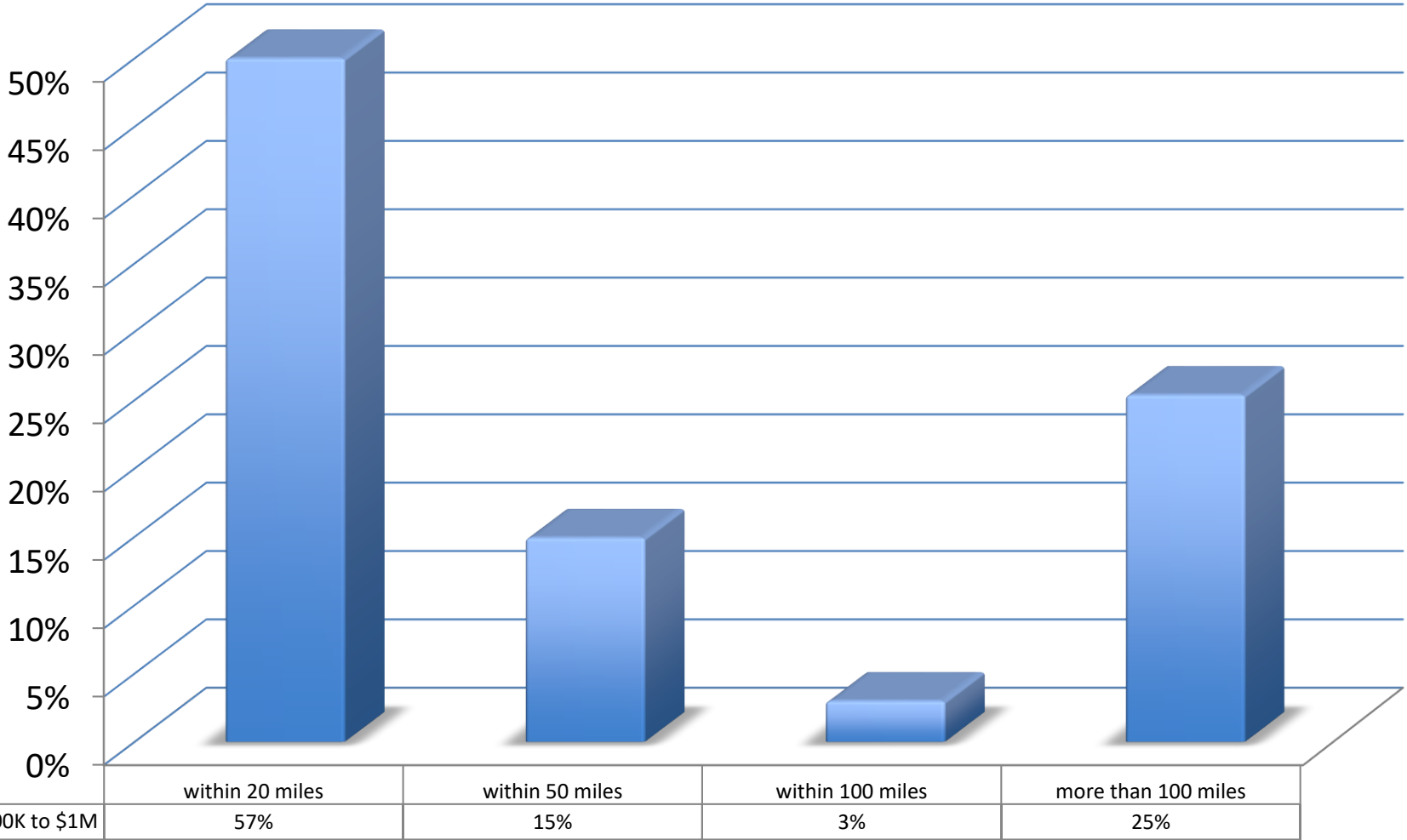
- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Add-on
- Other

# #1 Reason for Seller to Go to Market

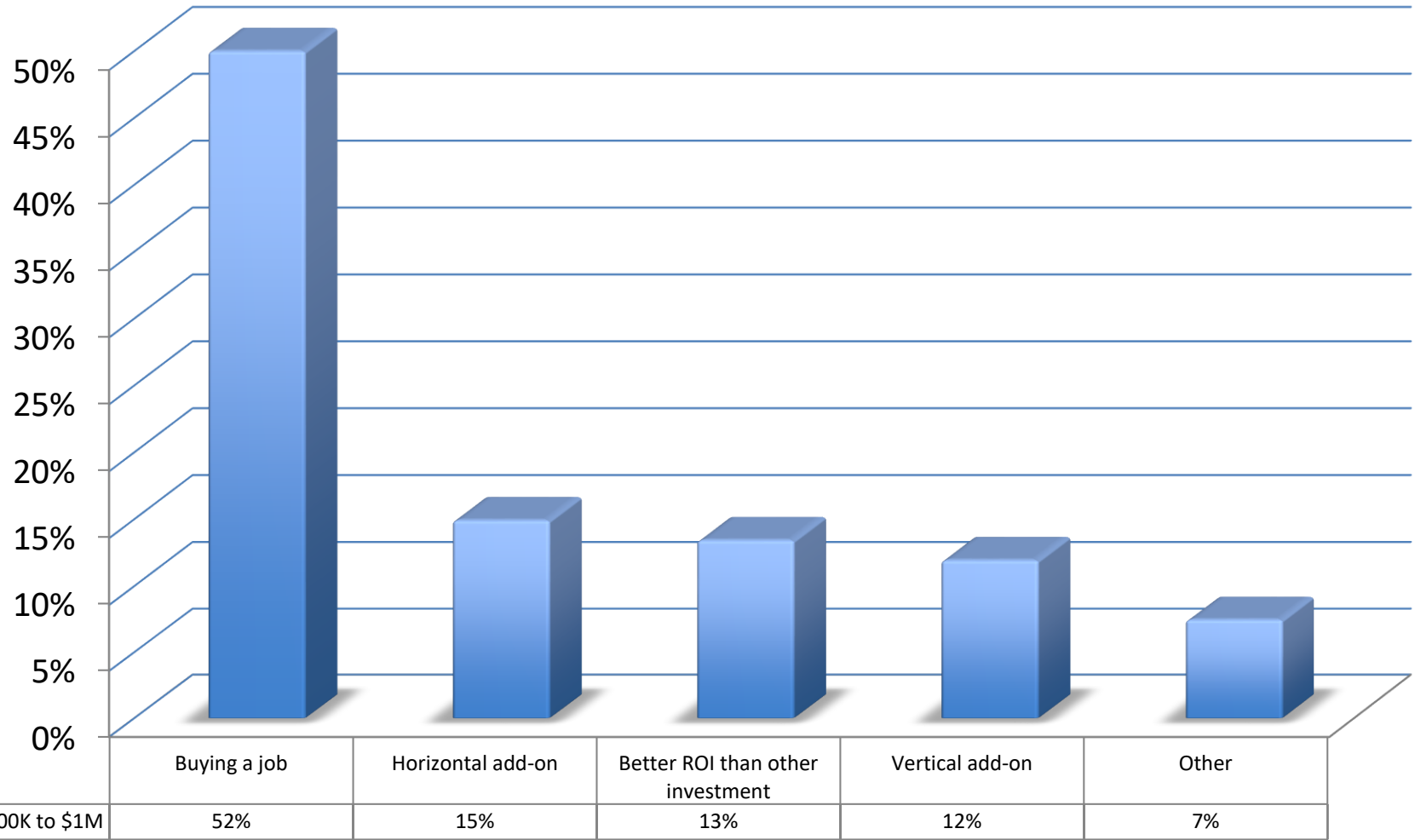


Deals from \$500K to \$1M

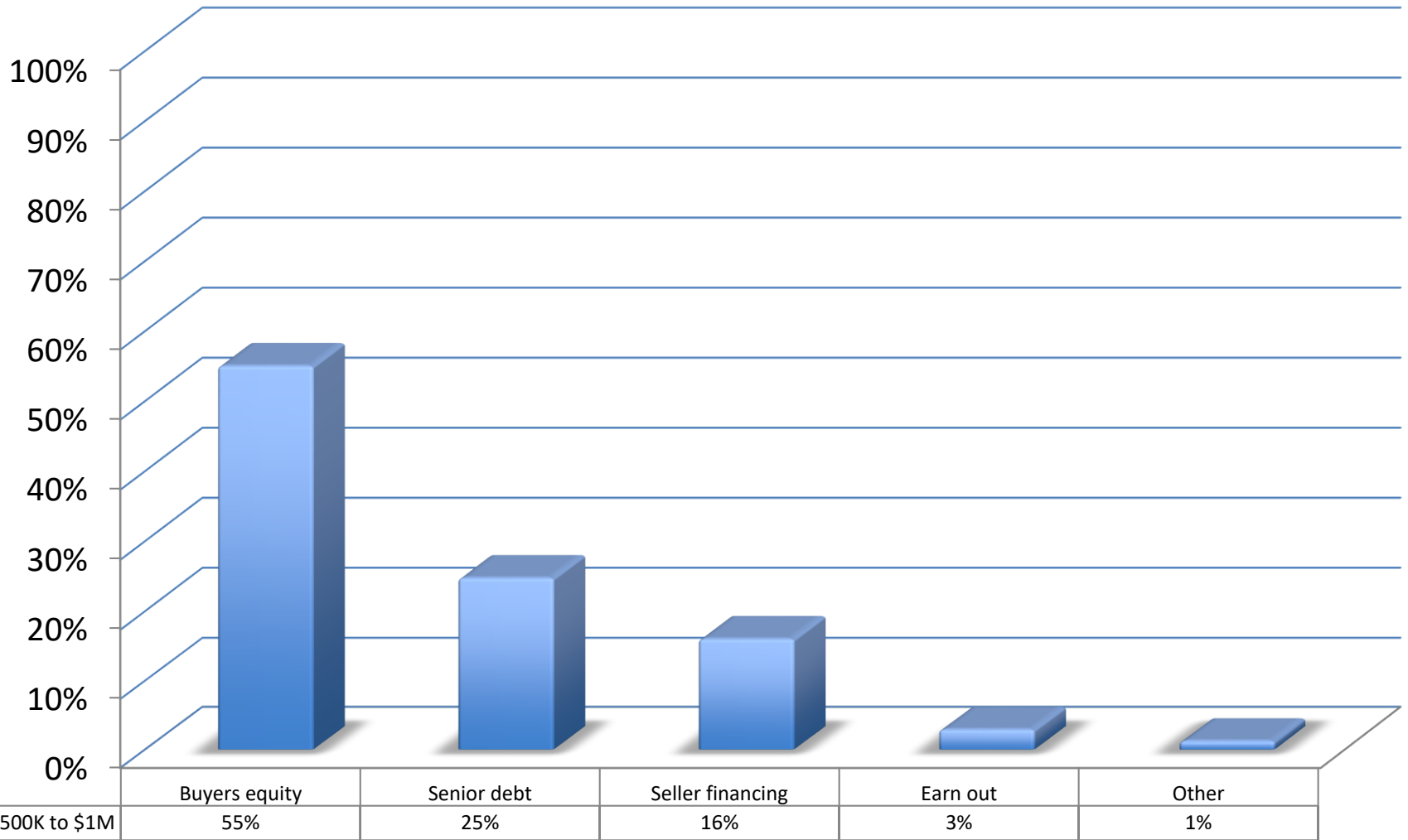
# Buyer Location



# #1 Motivation for Buyer

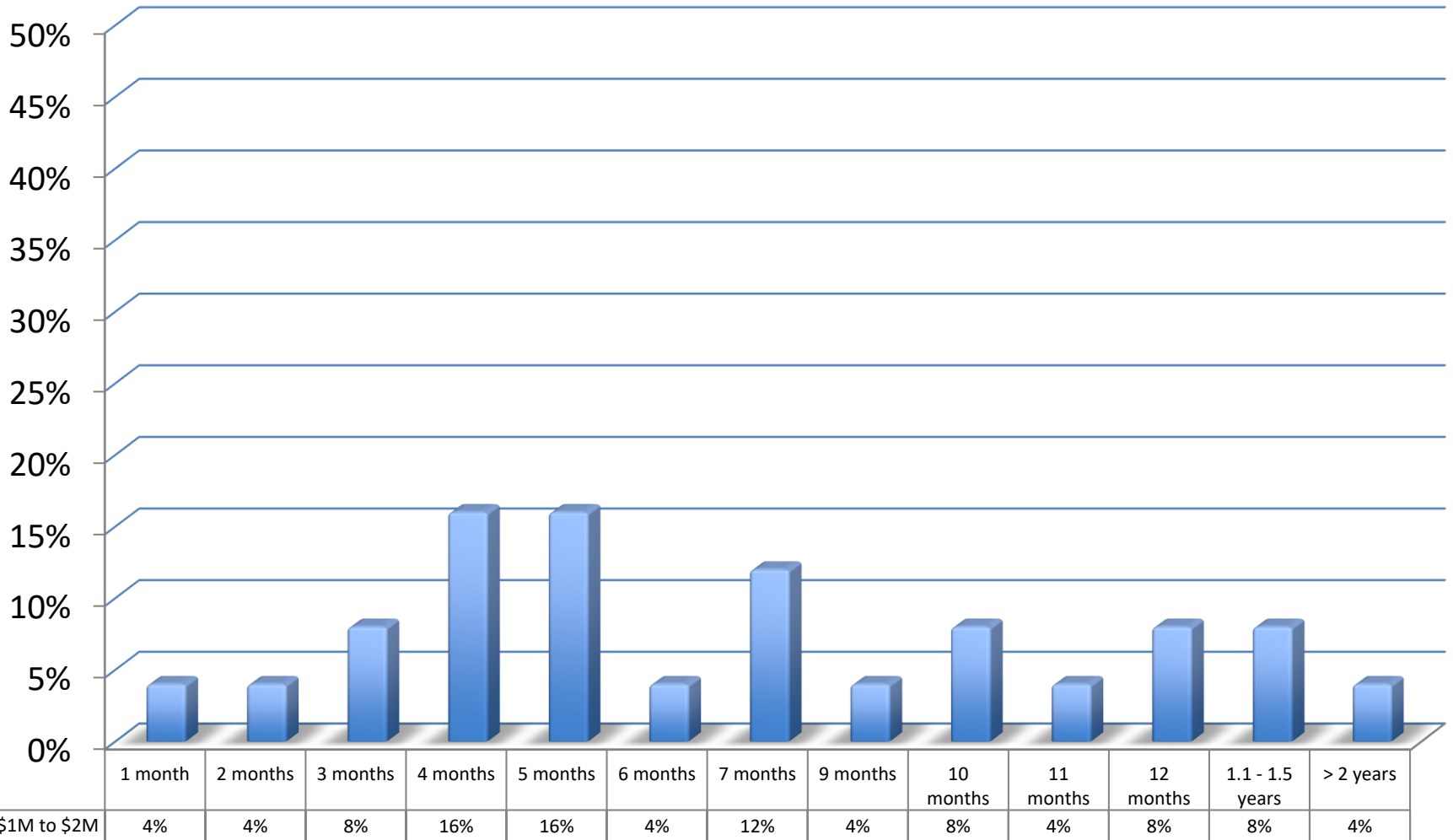


# Financing Structure



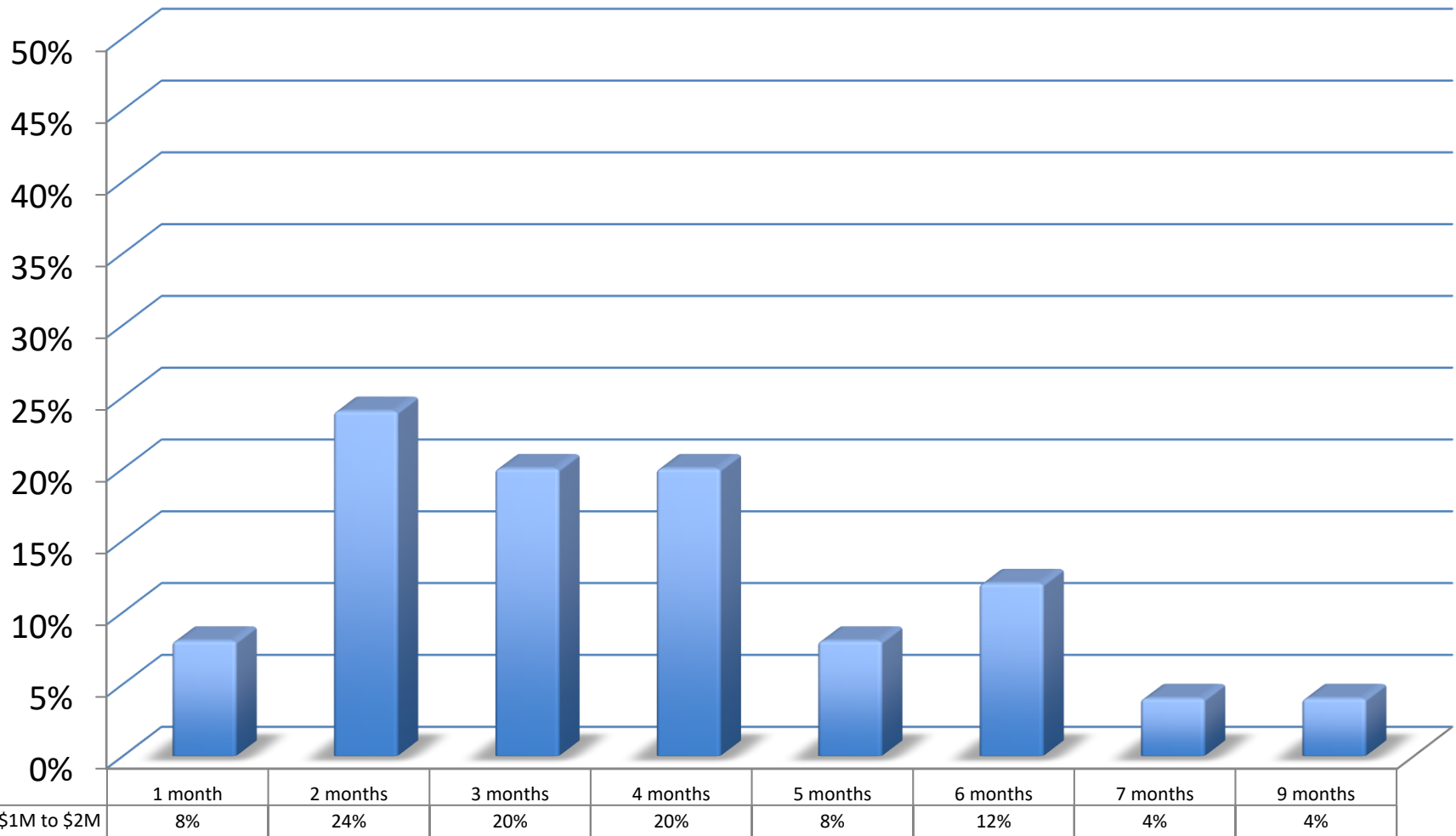
Business Transactions Valued  
from \$1 Million to \$1.99 Million  
Number of Closed Transactions: 25

# Engagement/Listing to Close



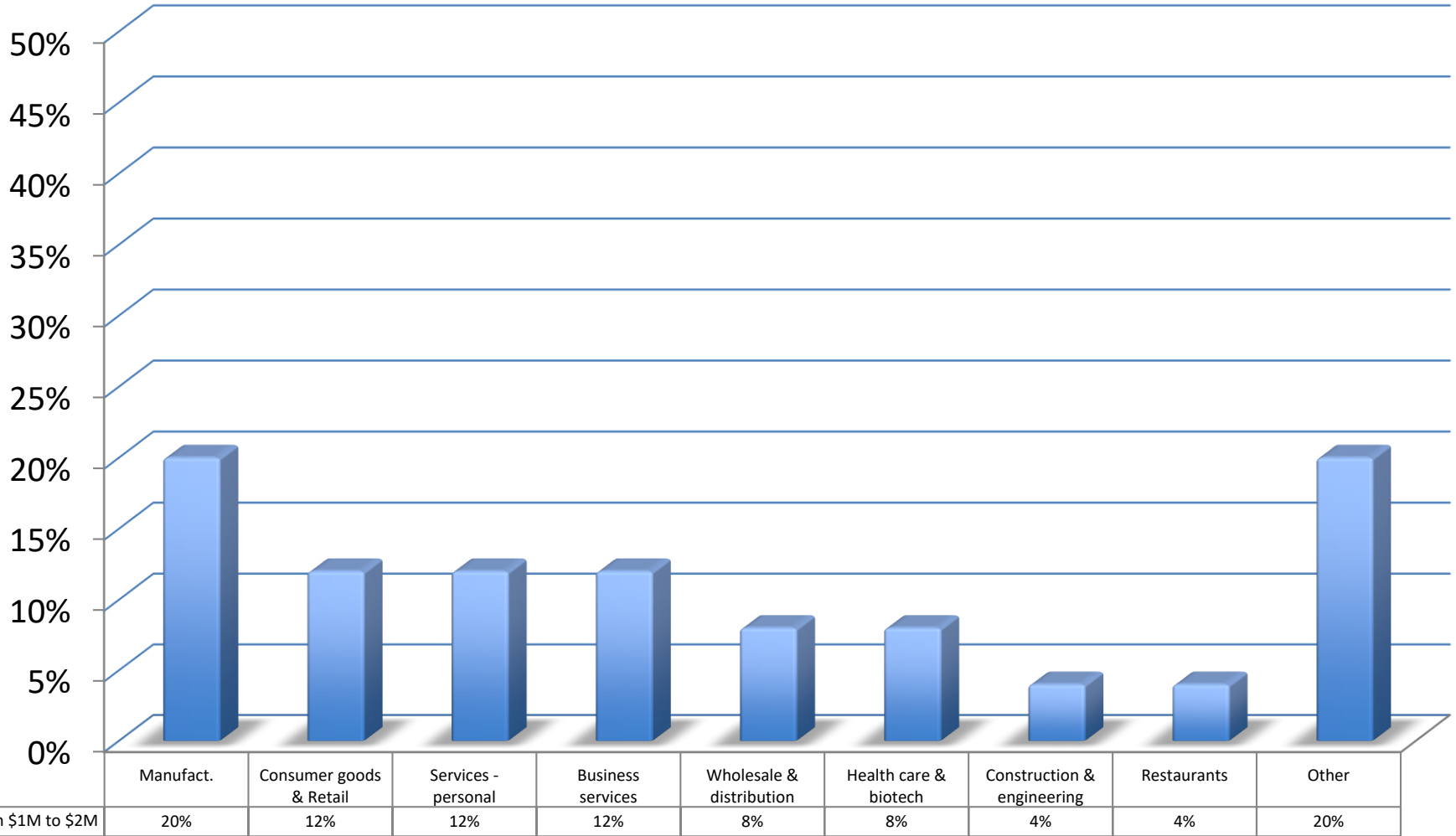
Deals from \$1M to \$2M

# LOI/ Offer to Close



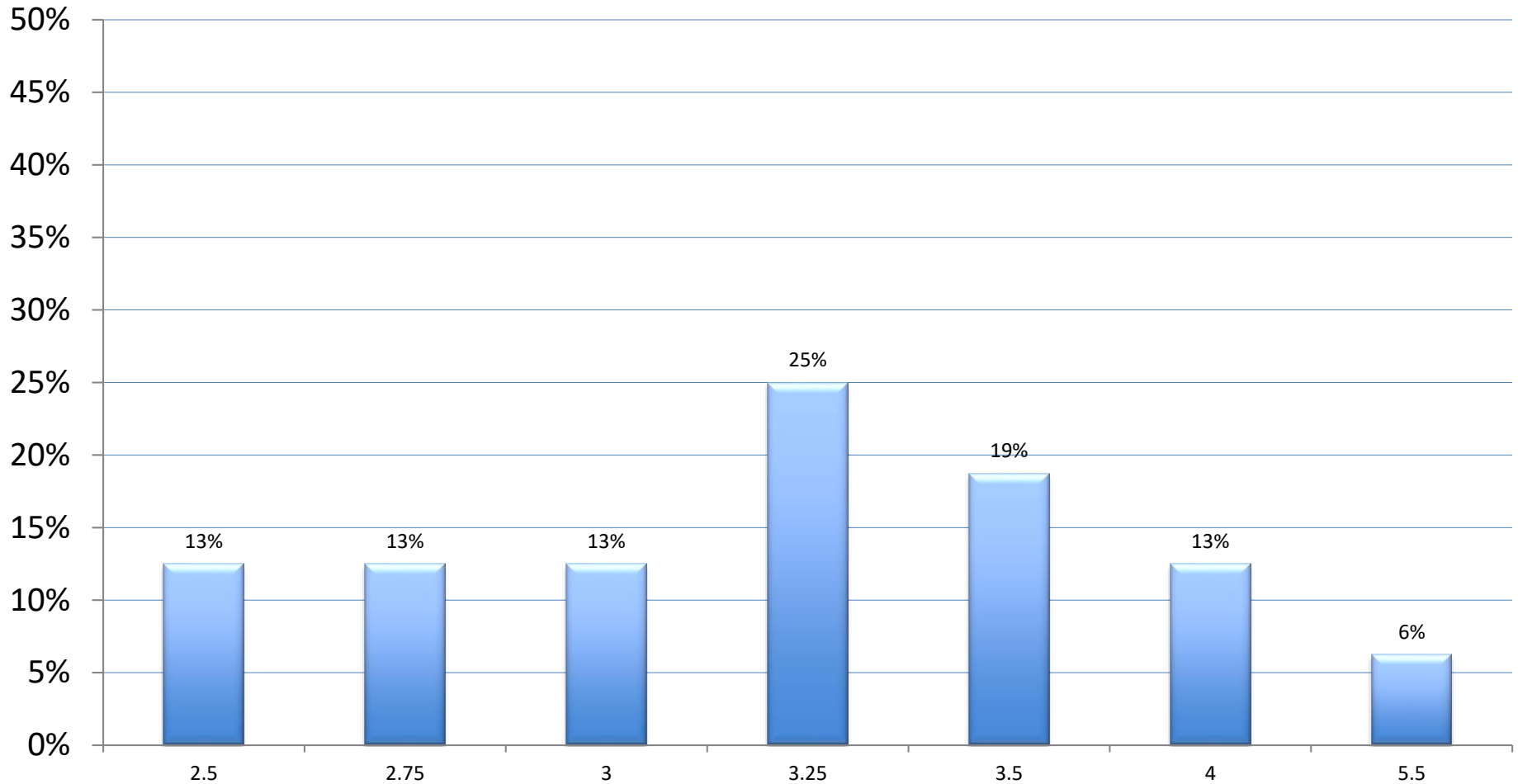


# Industry



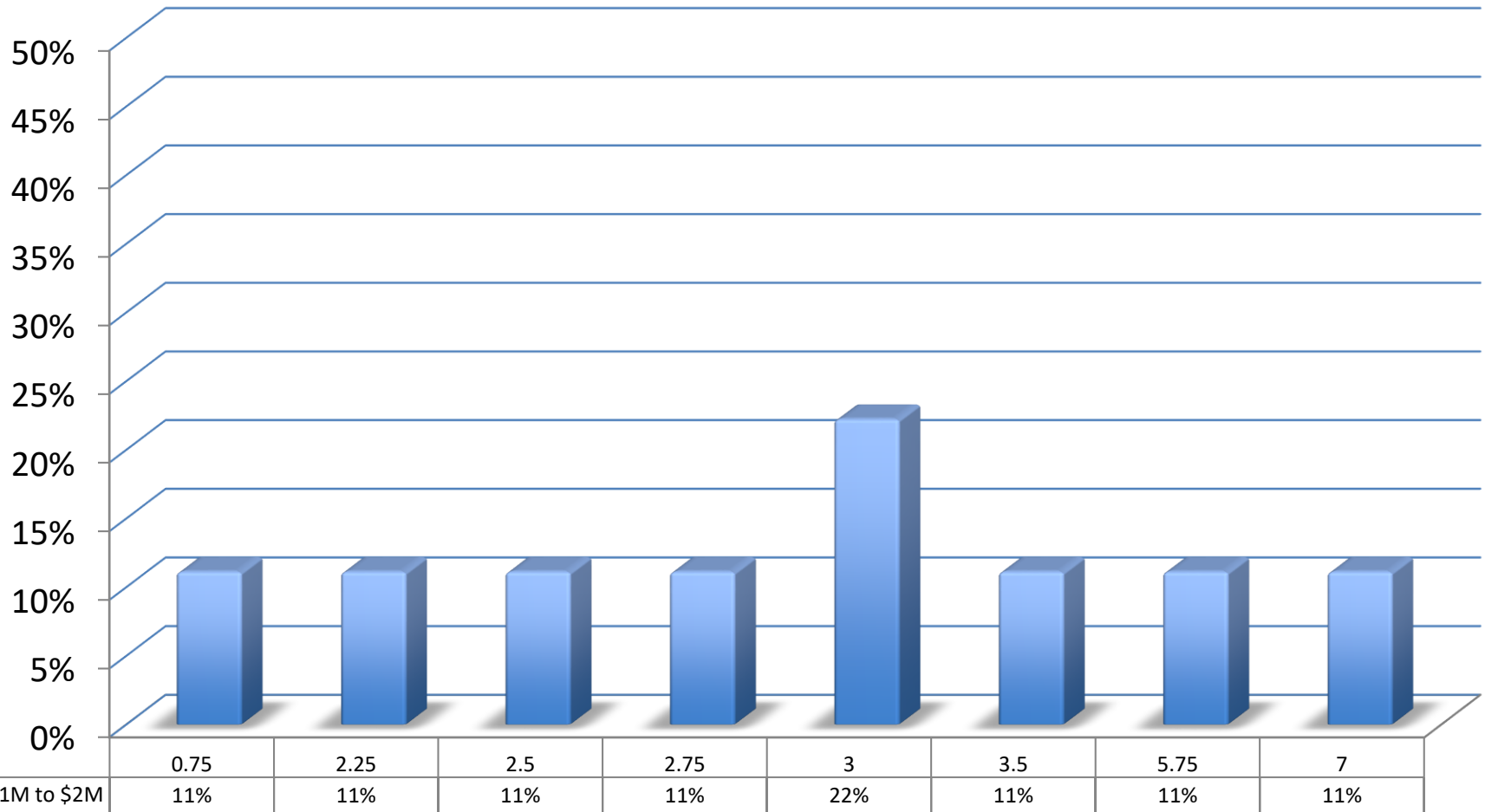
Deals from \$1M to \$2M

# SDE Multiple Paid



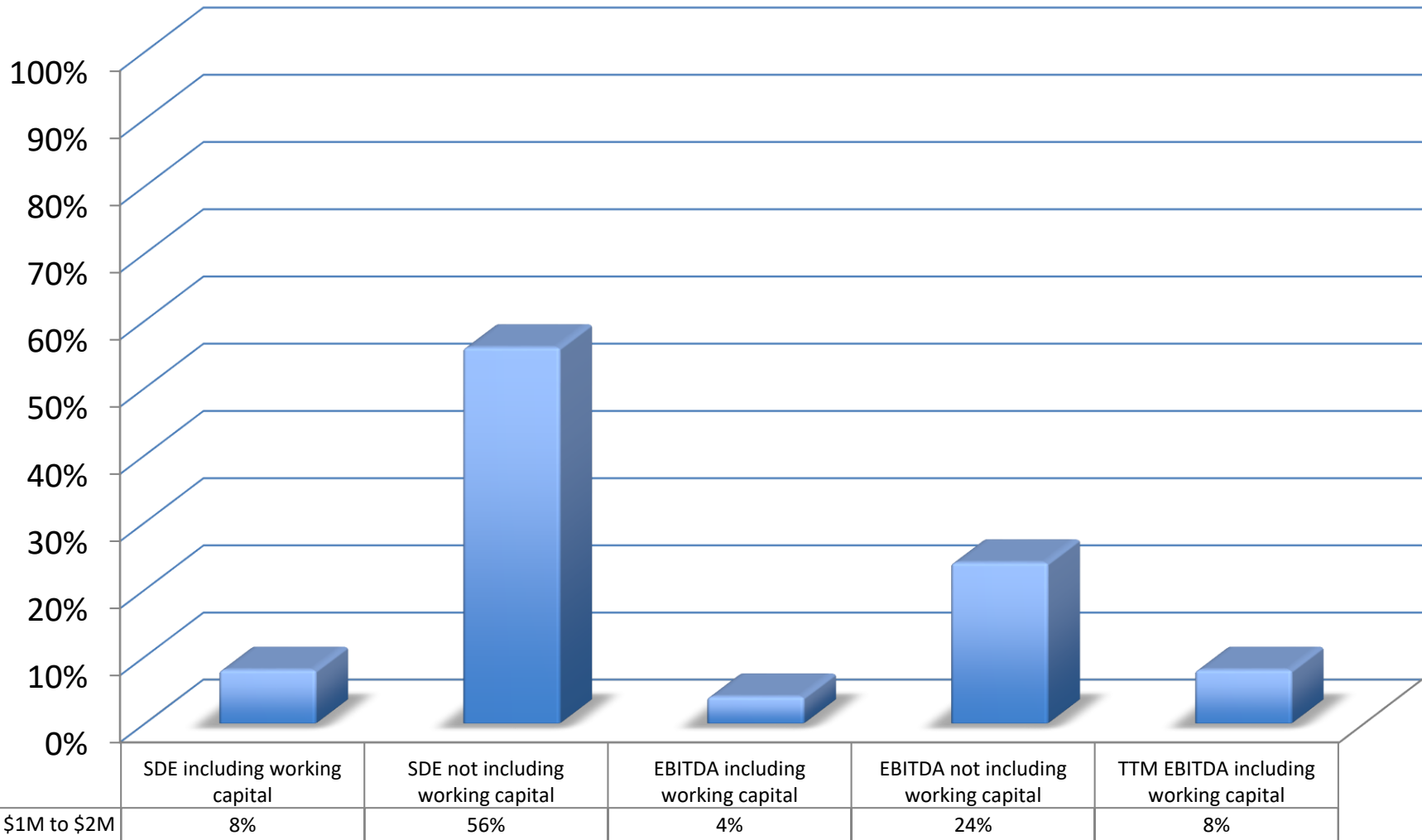
Number of responses: 16

# EBITDA Multiple Paid

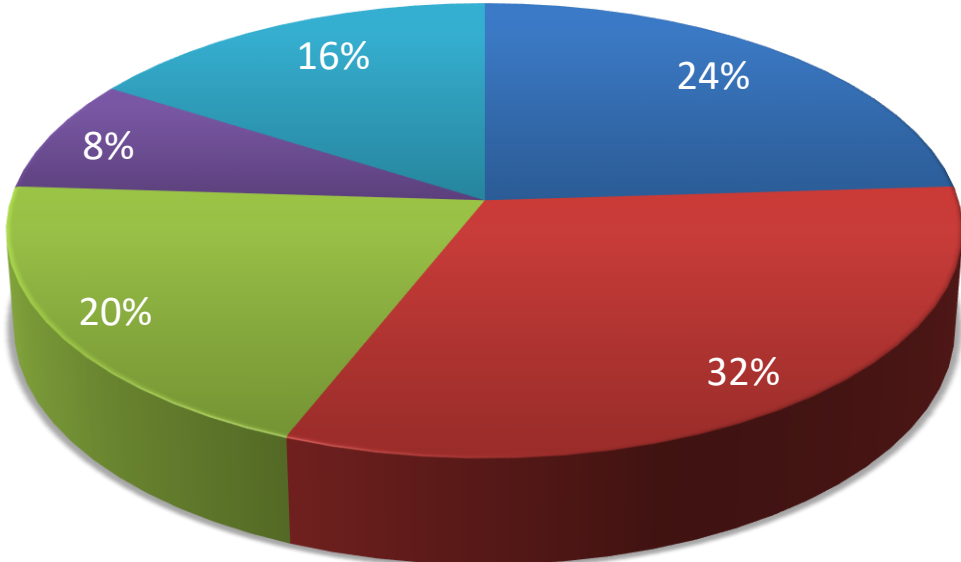


Number of responses: 9

# Multiple Type

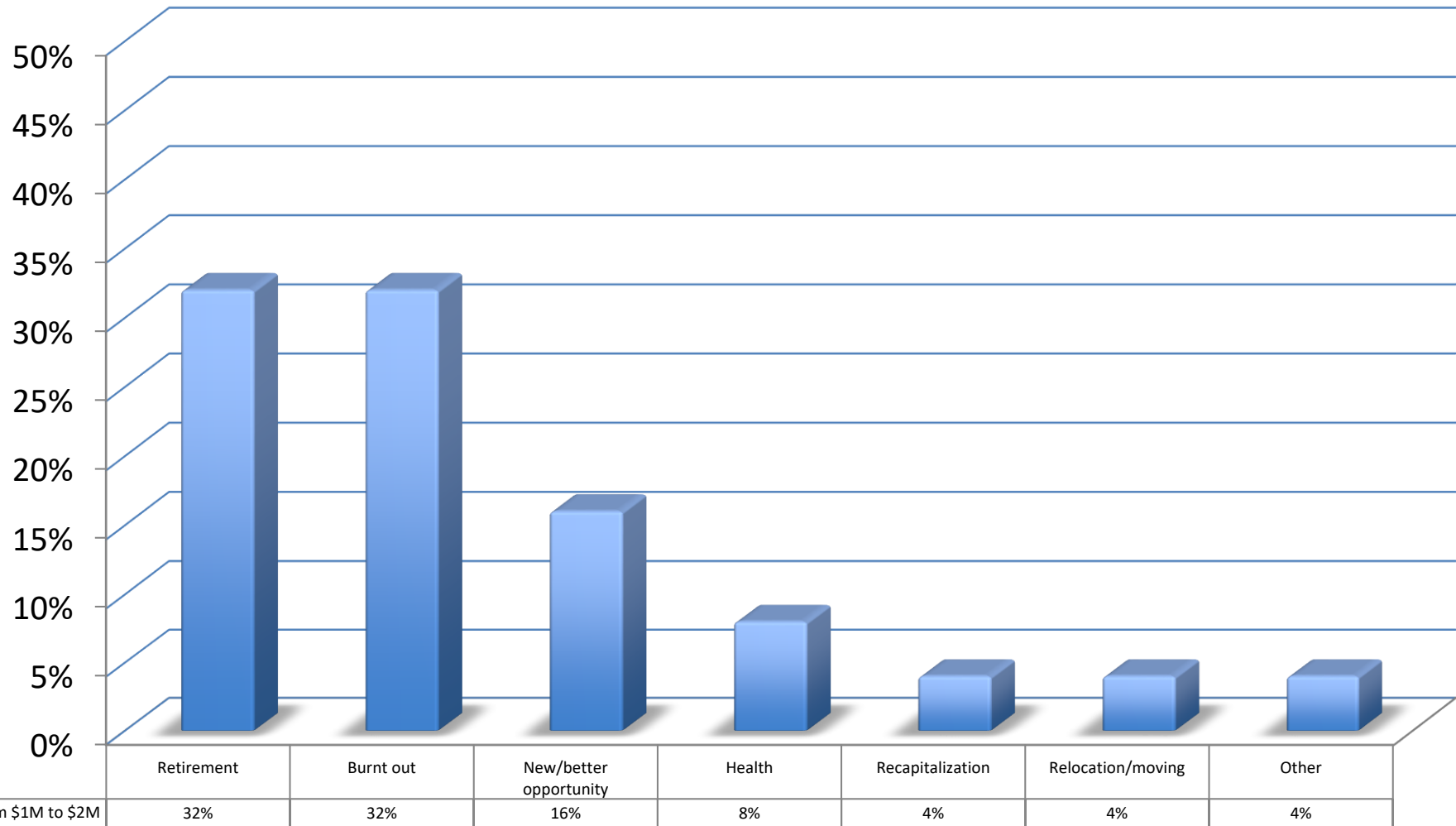


# Buyer Type

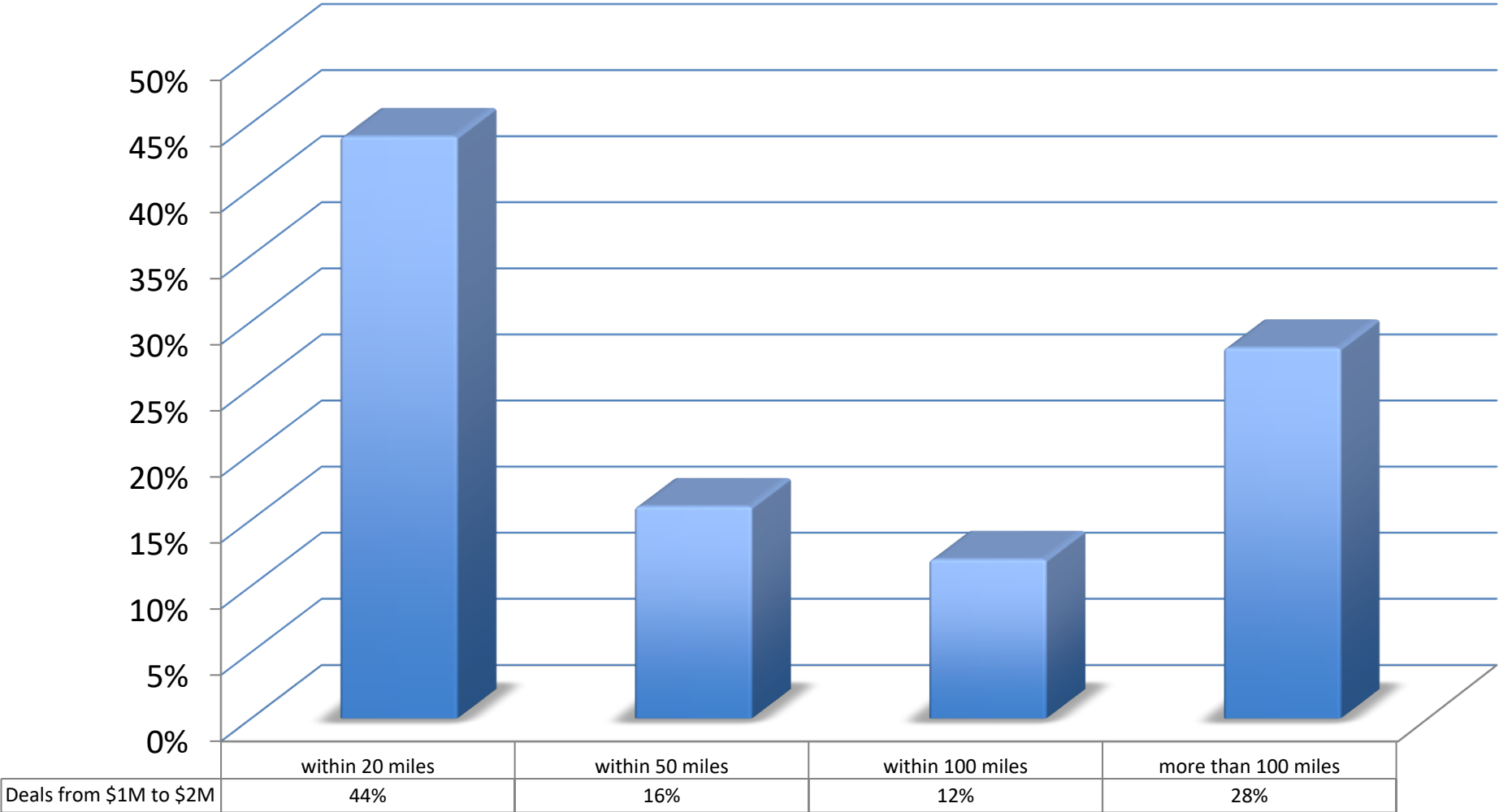


- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Platform
- PE firm - Add-on

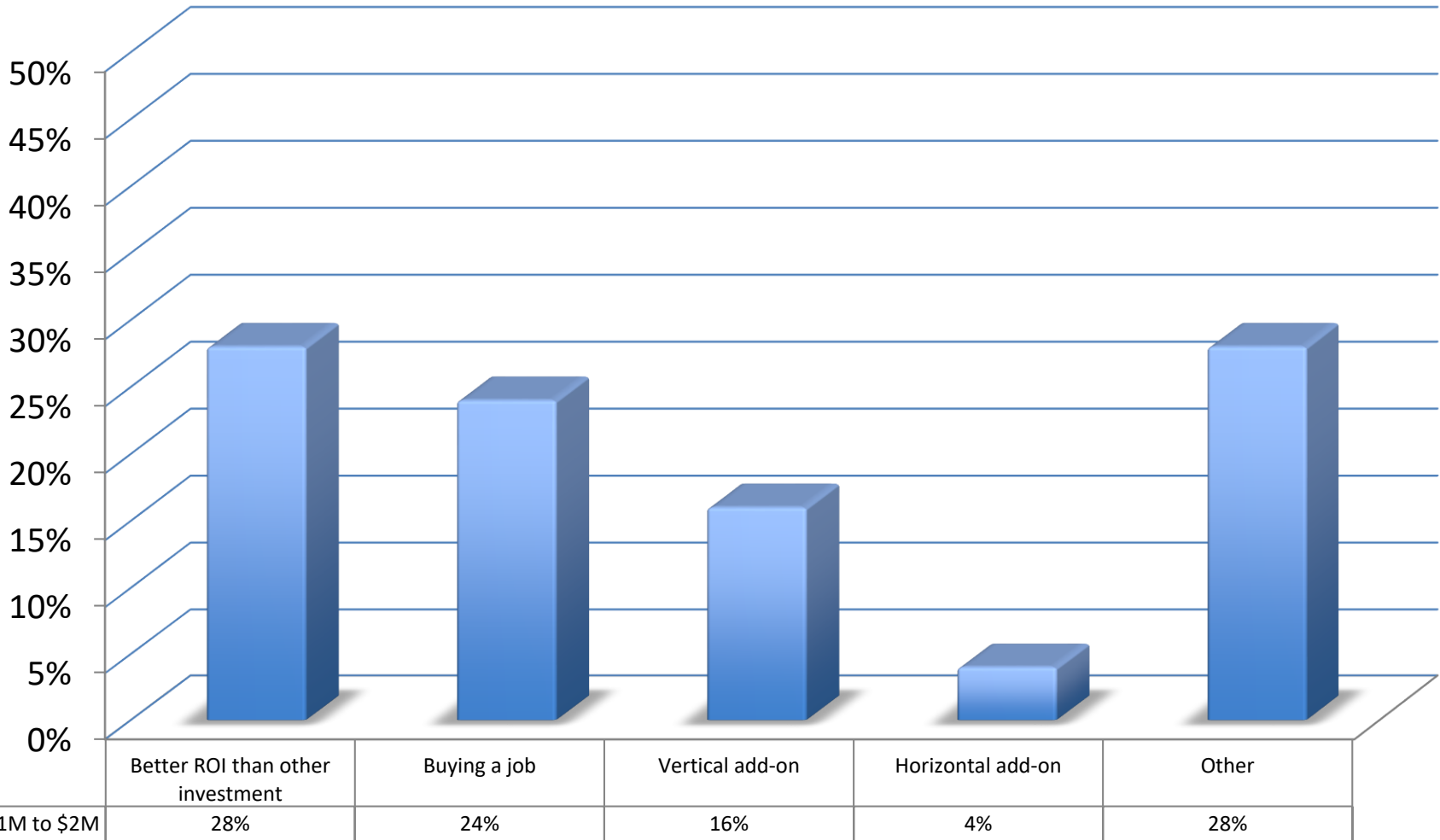
# #1 Reason for Seller to Go to Market



# Buyer Location

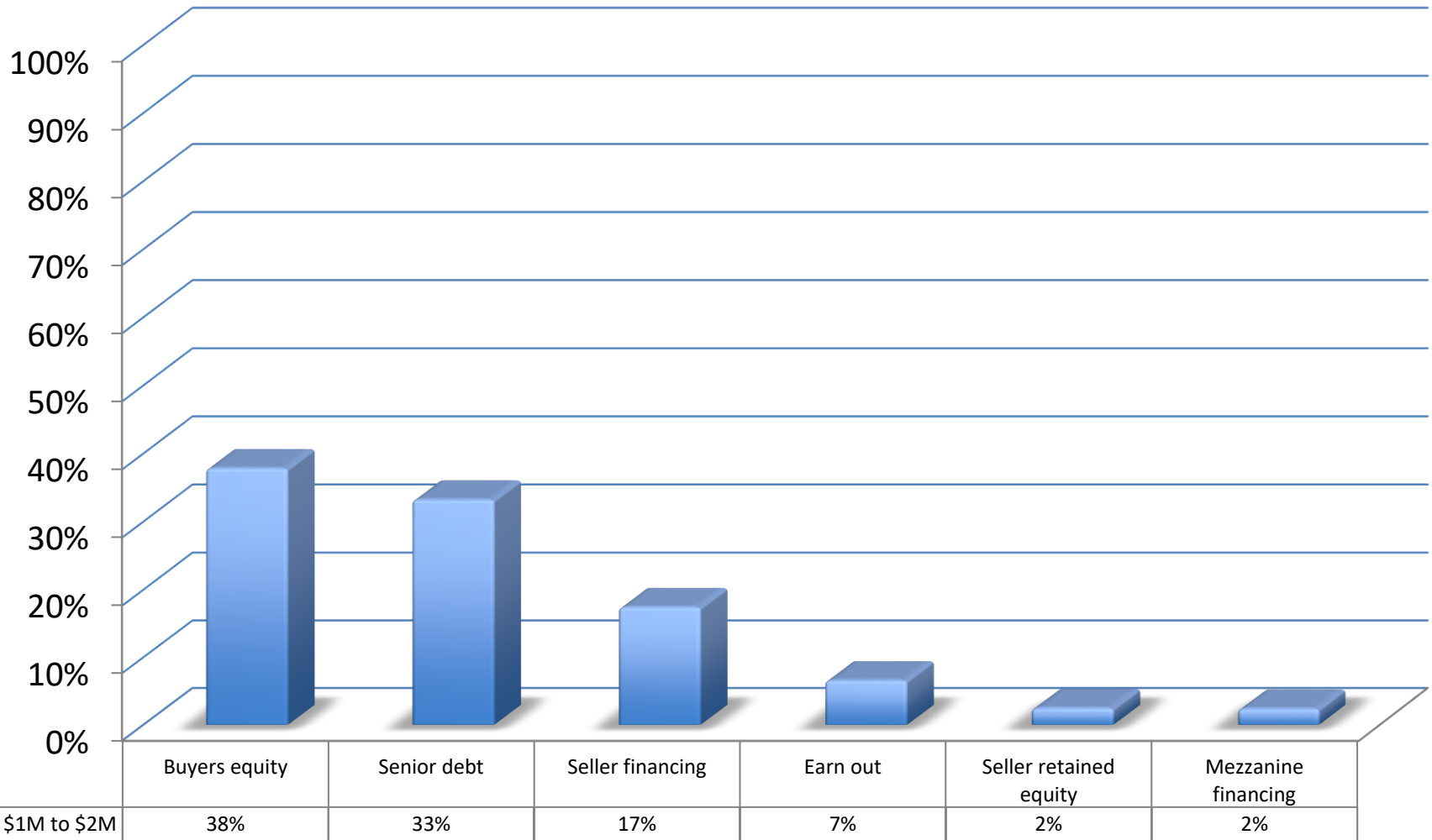


# #1 Motivation for Buyer



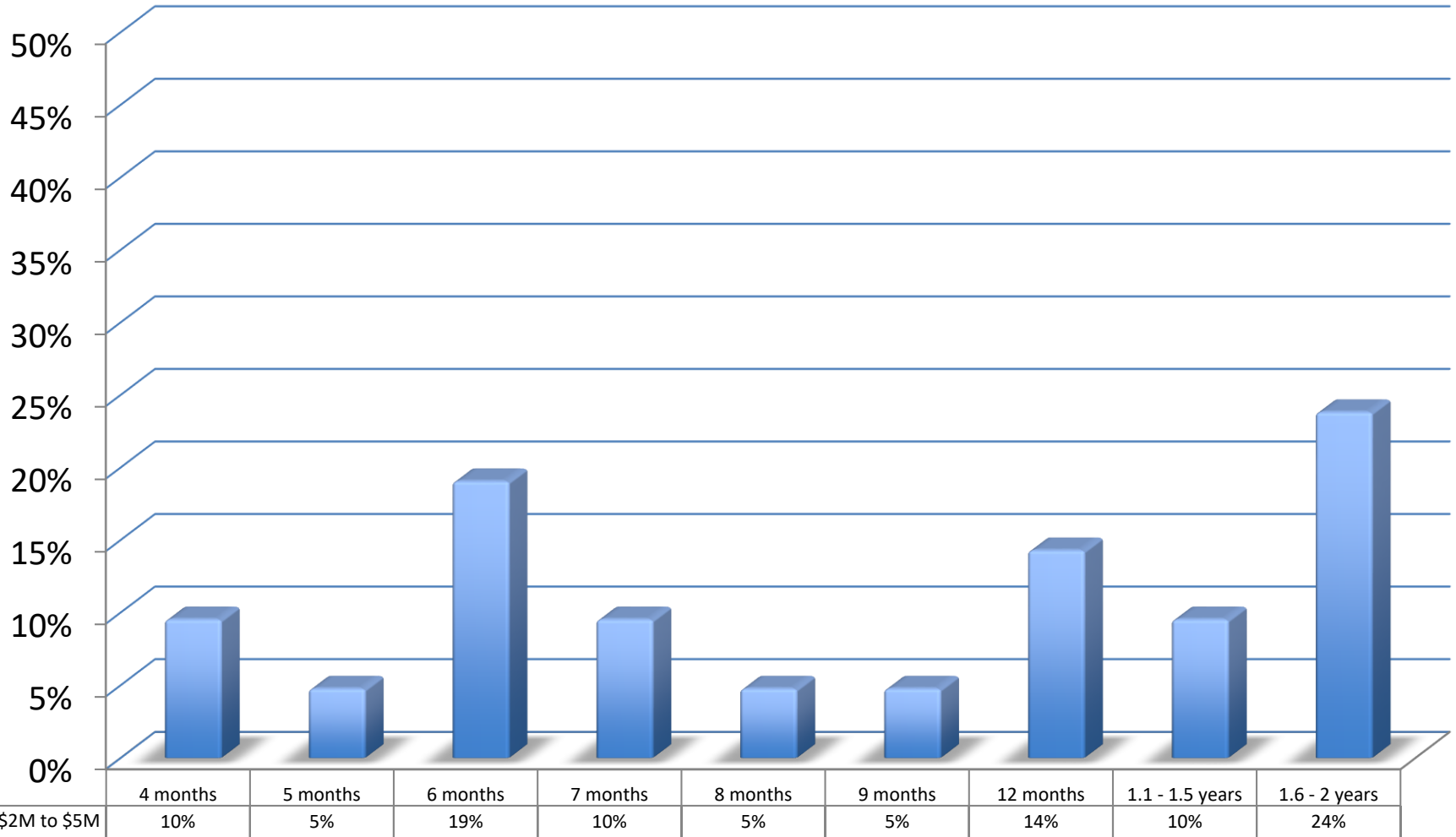


# Financing Structure



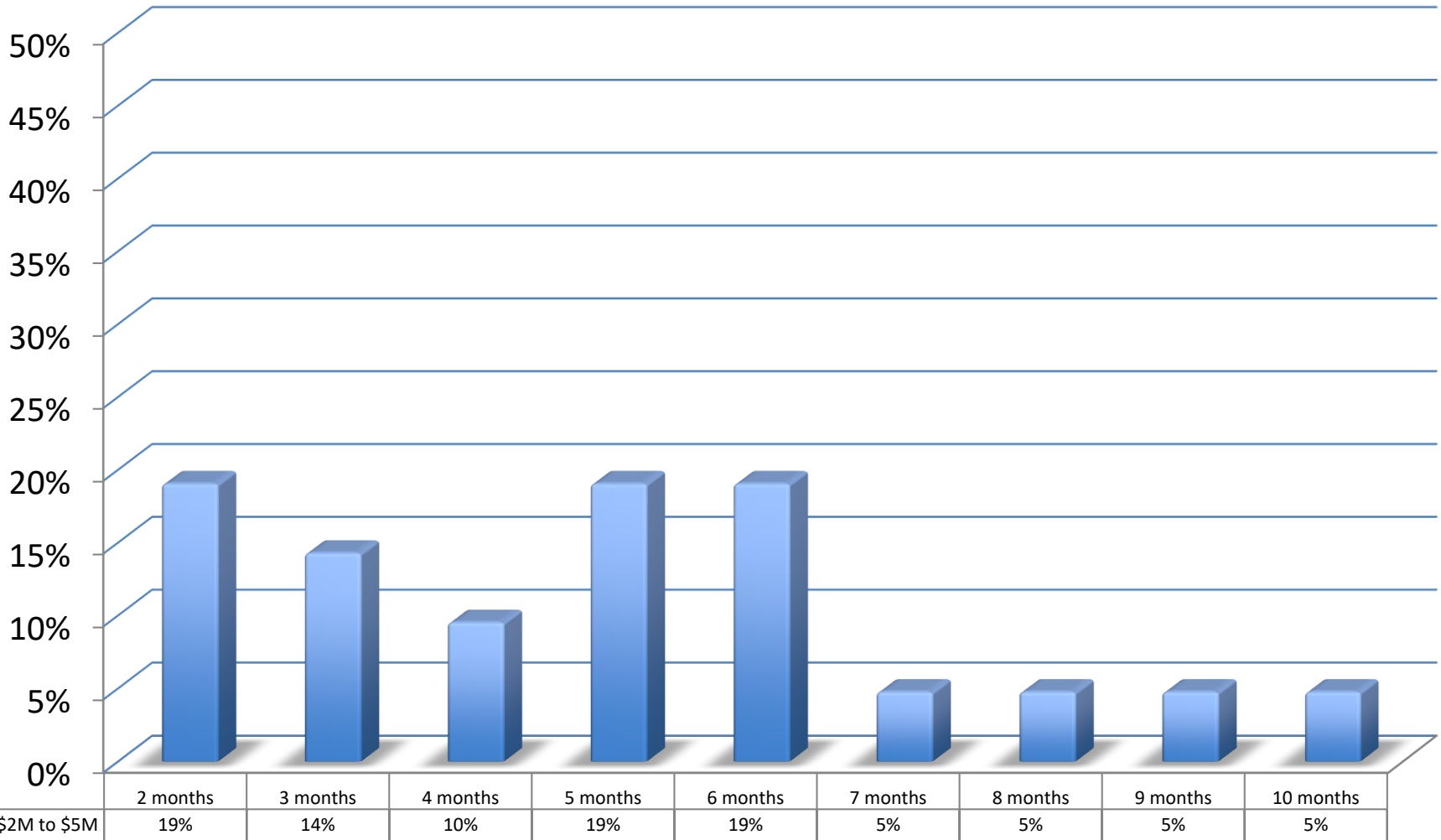
# Business Transactions Valued from \$2 Million to \$4.99 Million Number of Closed Transactions: 21

# Engagement/Listing to Close

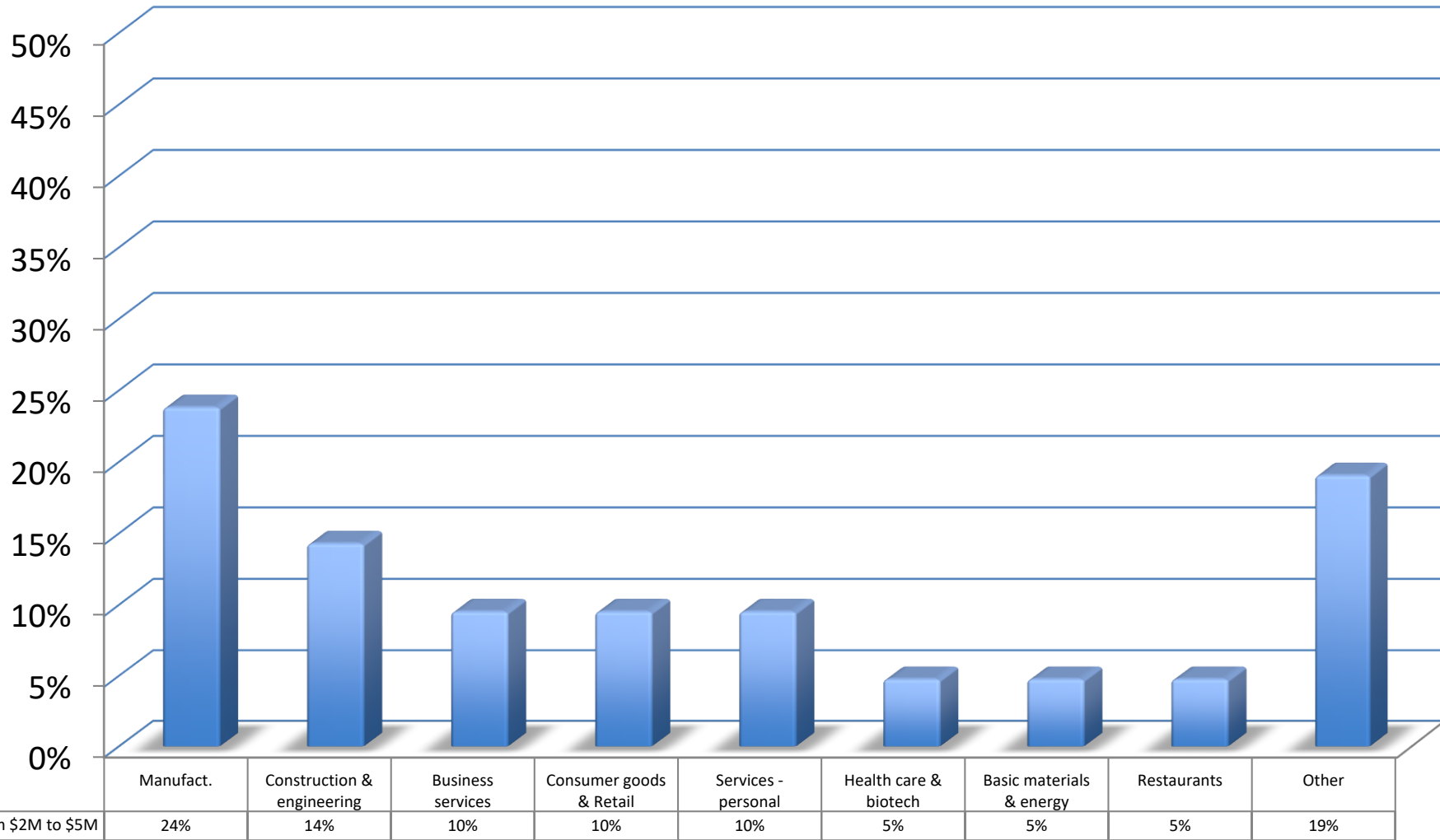


Deals from \$2M to \$5M

# LOI/ Offer to Close

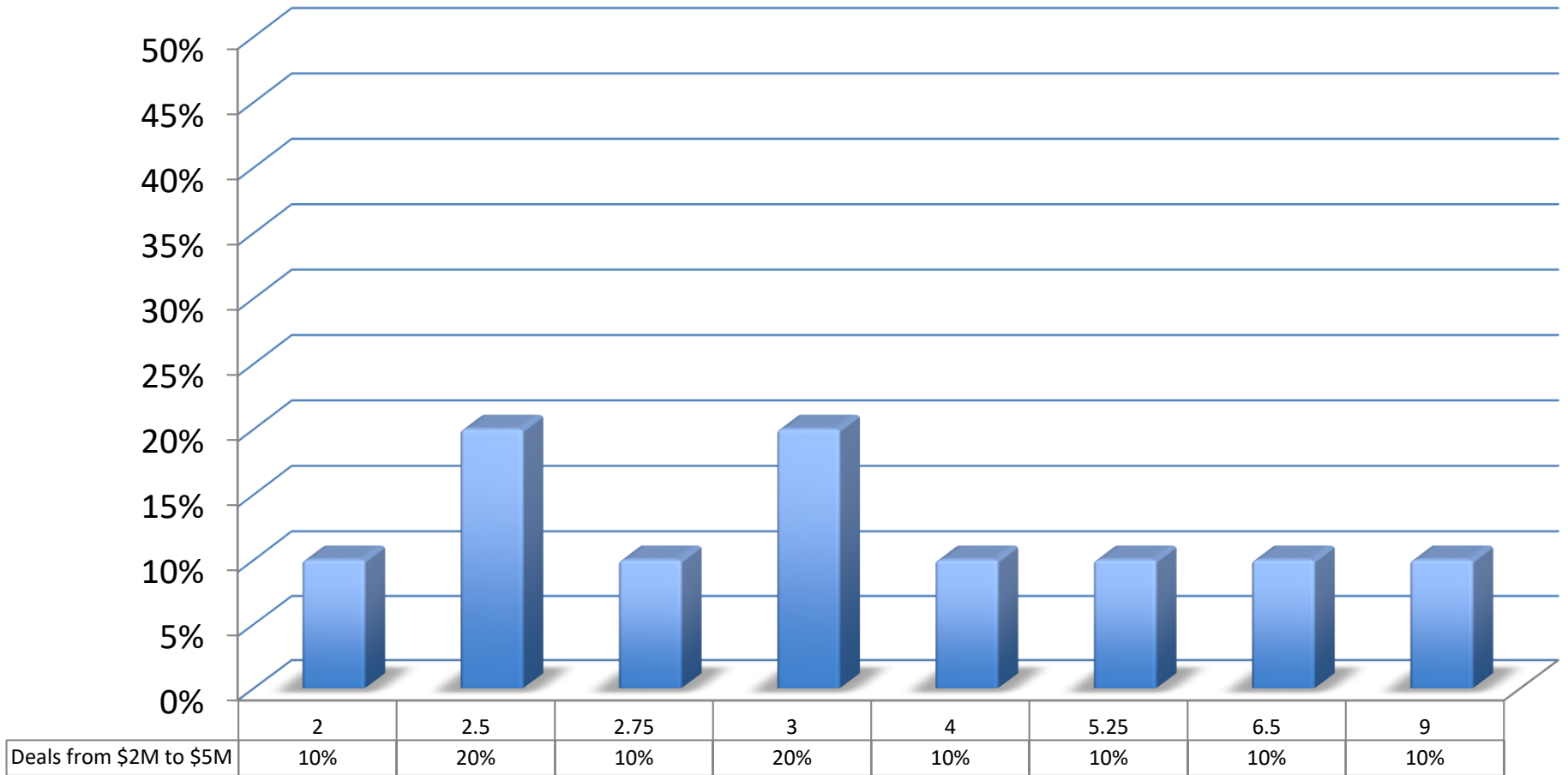


# Industry



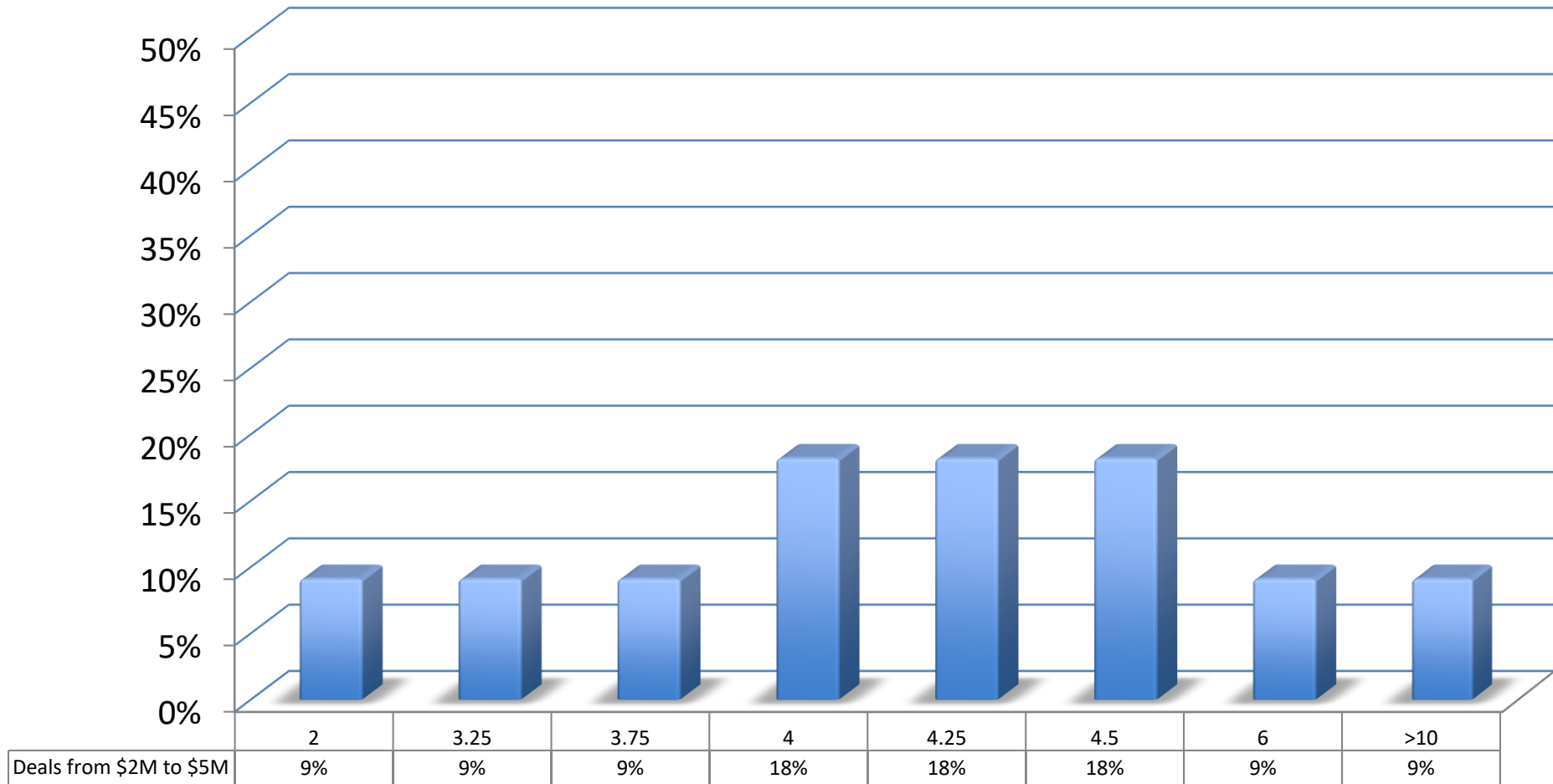
Deals from \$2M to \$5M

# SDE Multiple Paid



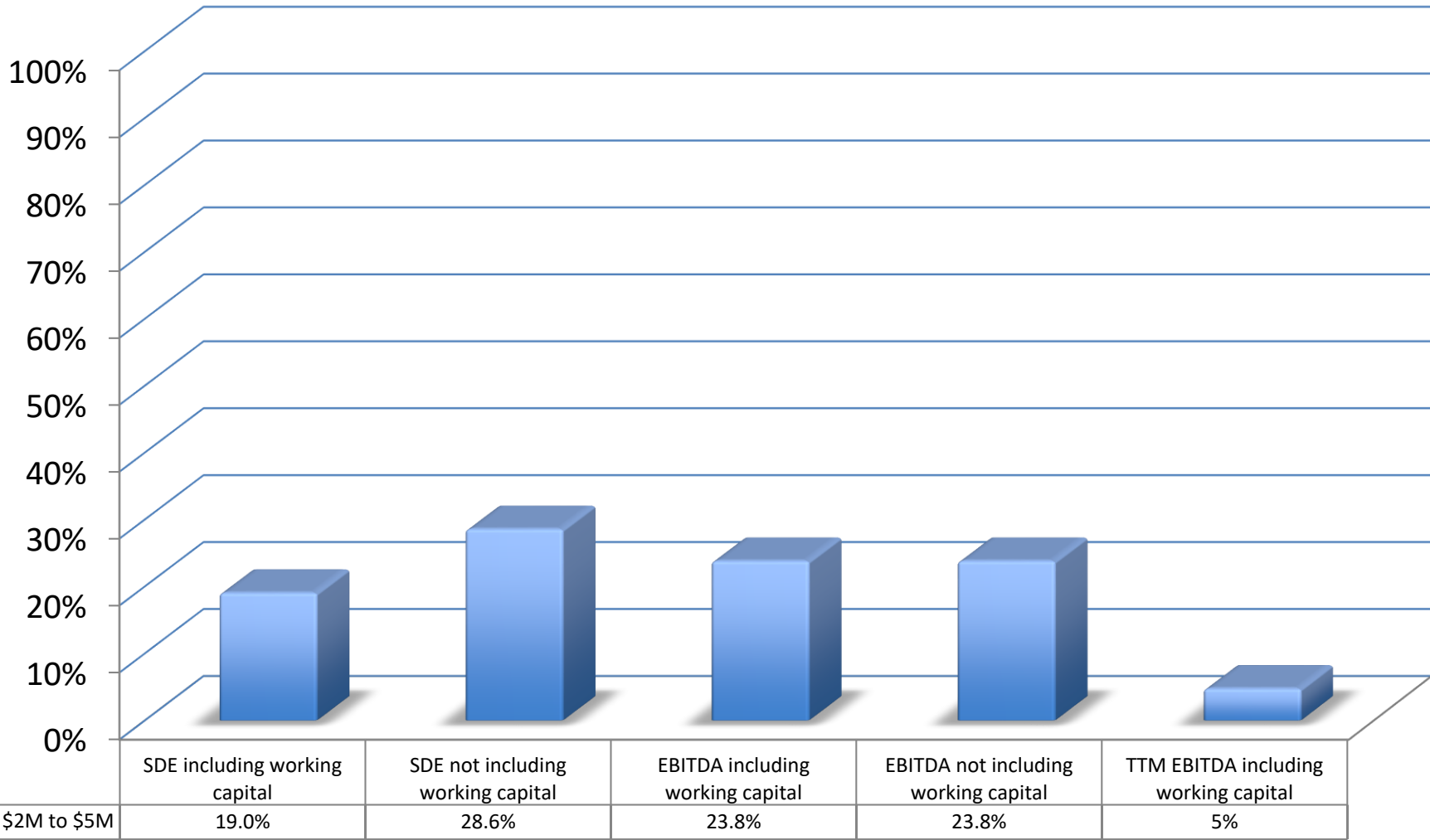
Number of responses: 10

# EBITDA Multiple Paid



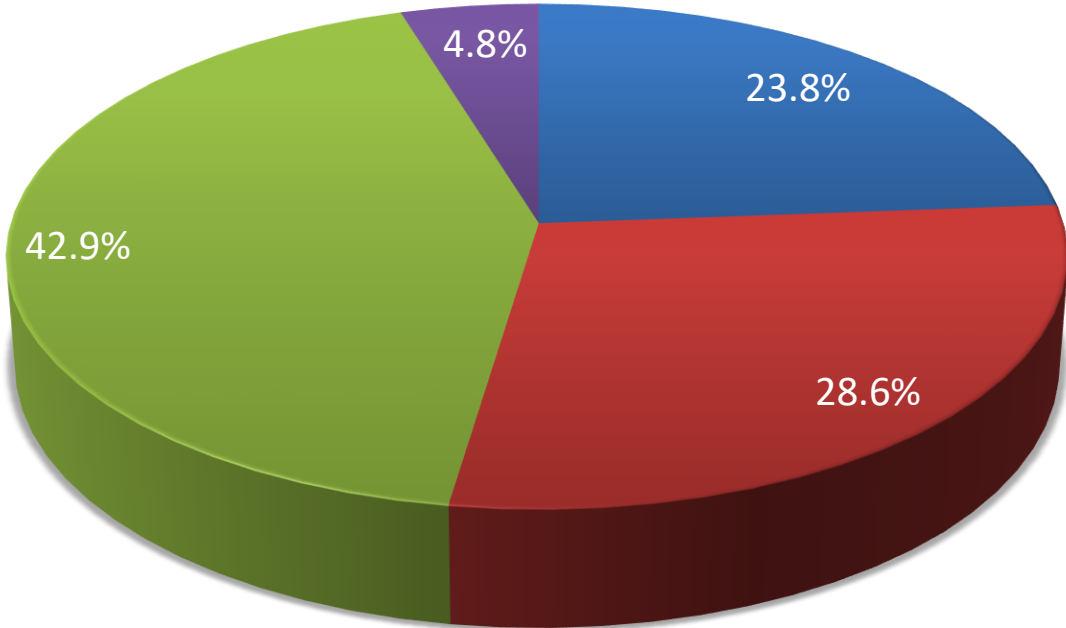
Number of responses: 11

# Multiple Type



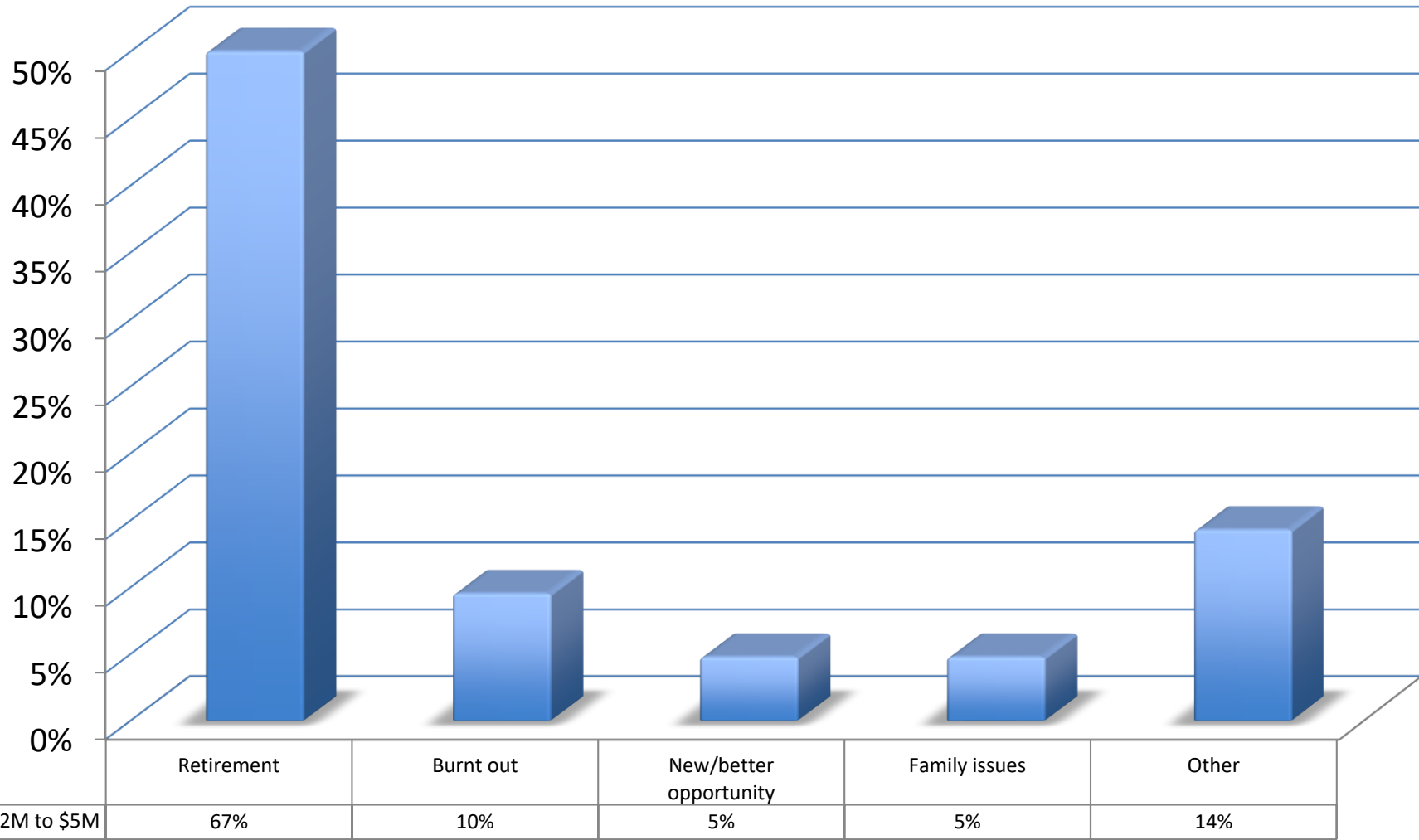


# Buyer Type

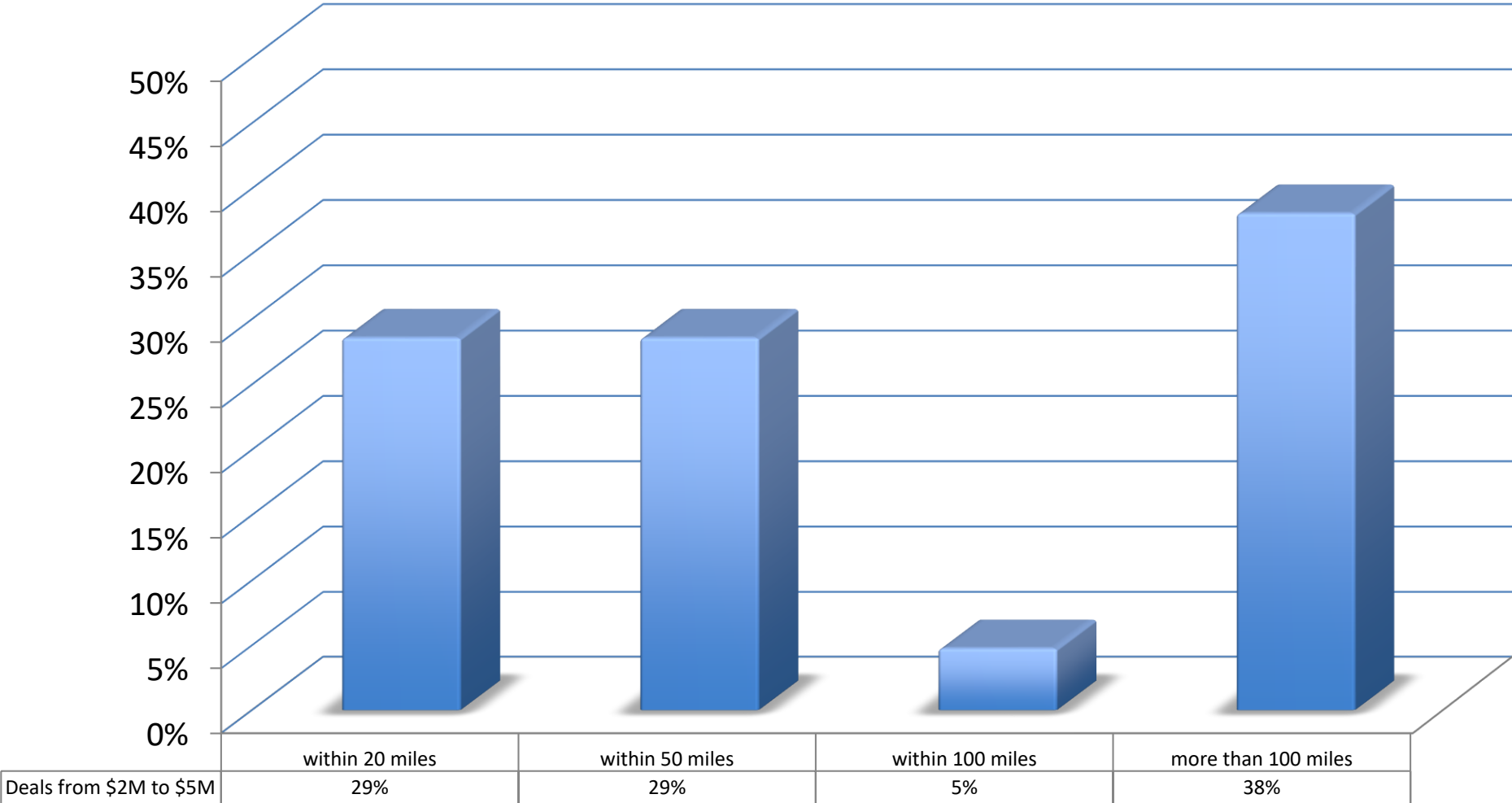


- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Platform

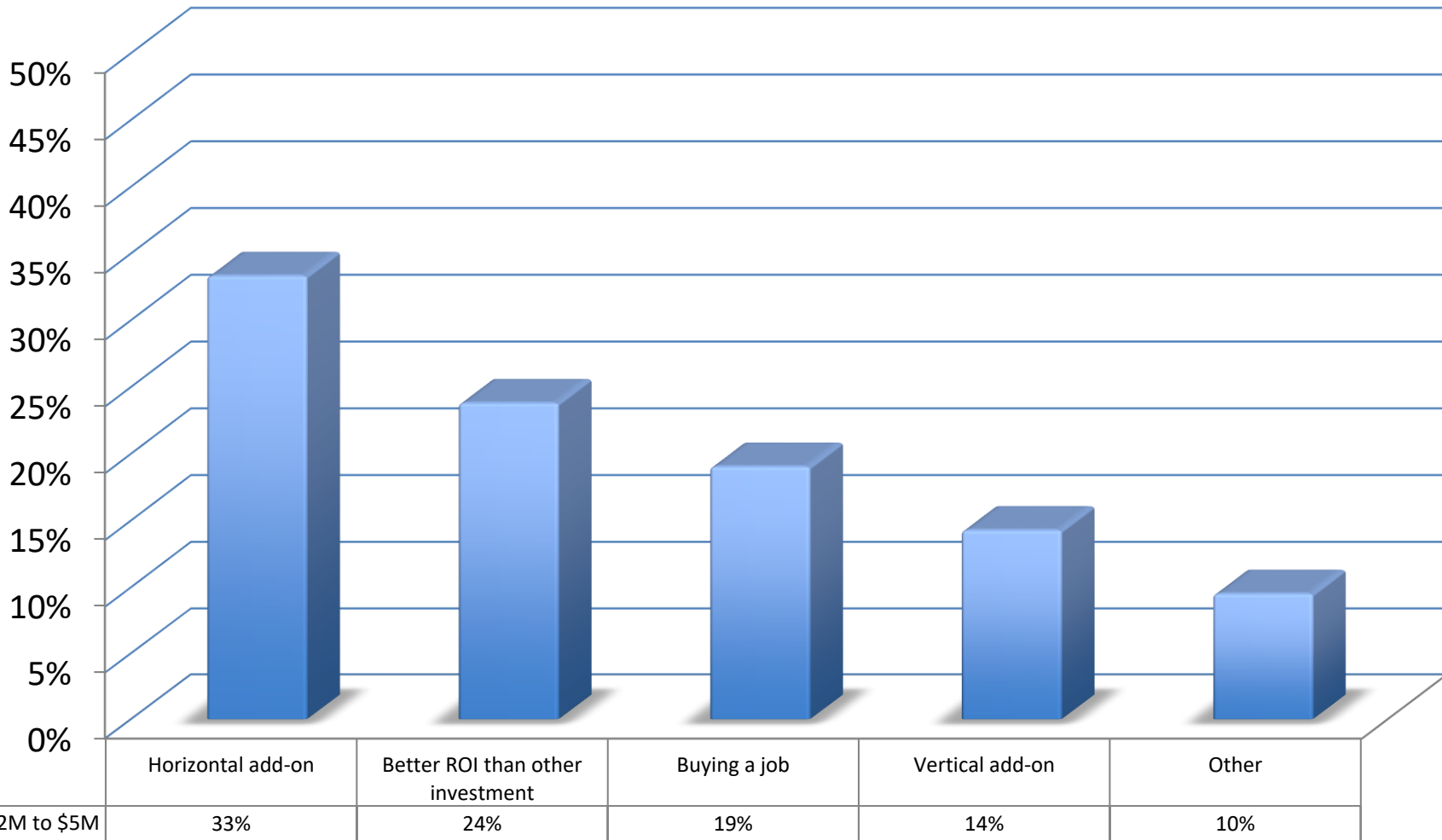
# #1 Reason for Seller to Go to Market



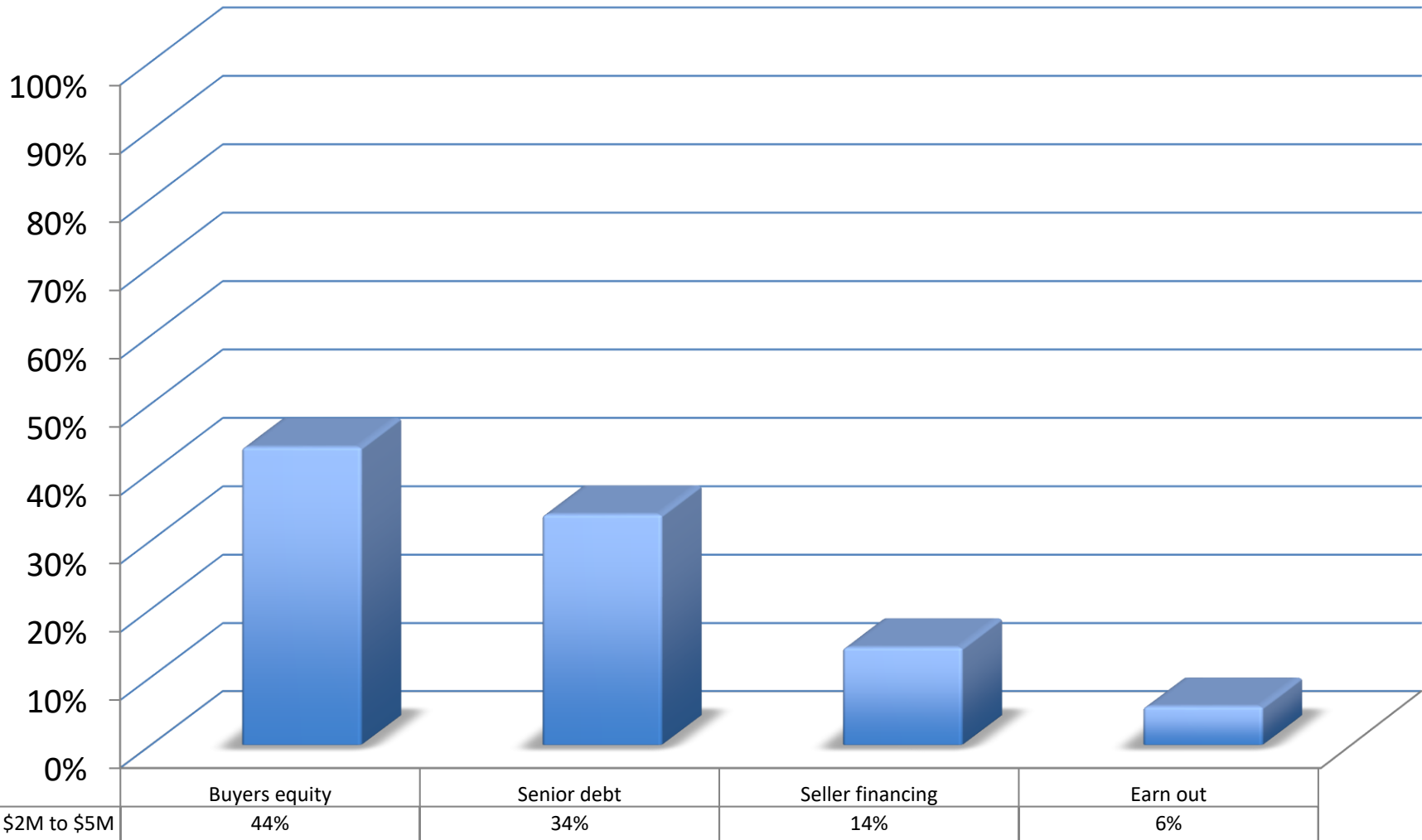
# Buyer Location



# #1 Motivation for Buyer



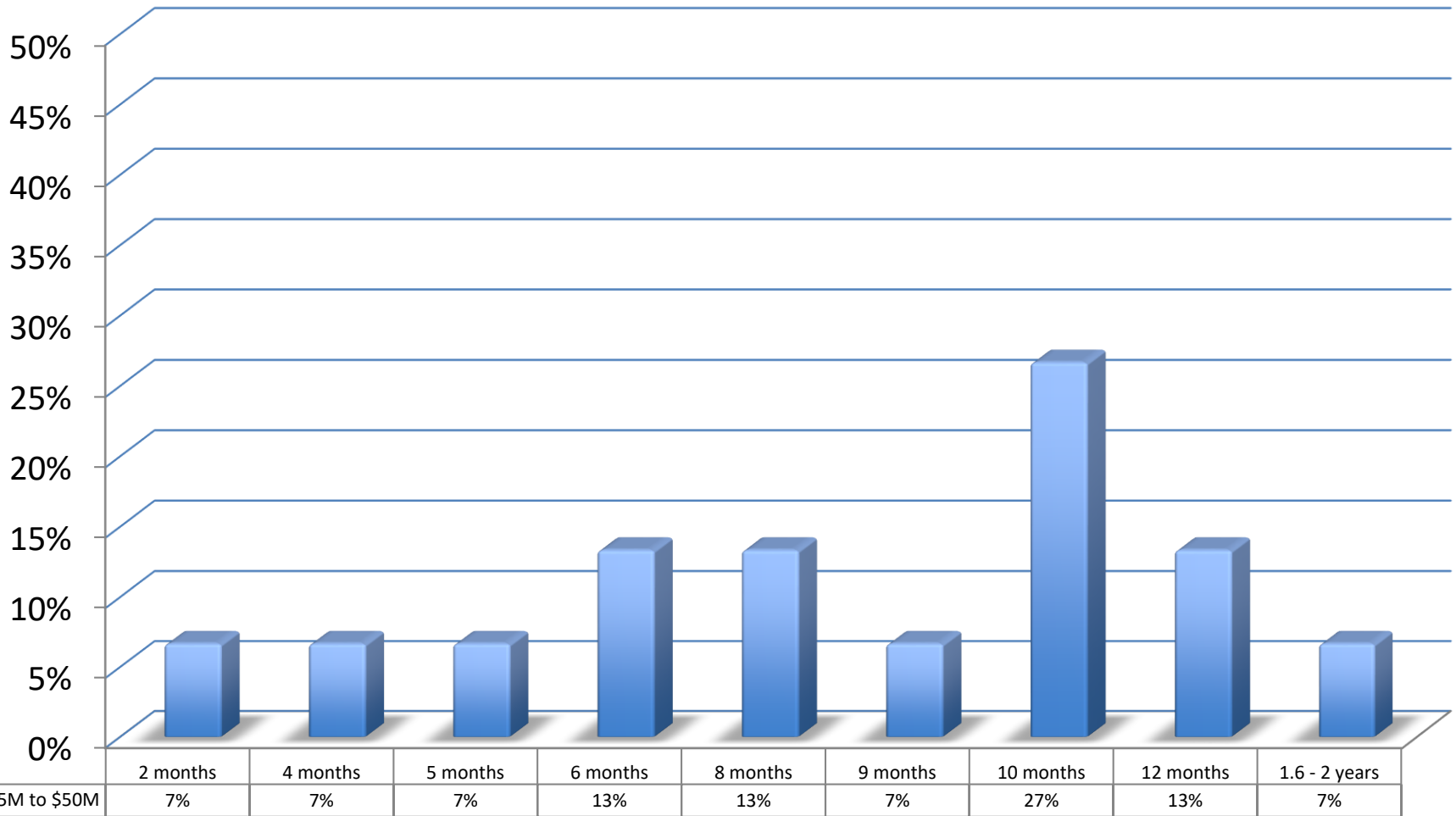
# Financing Structure



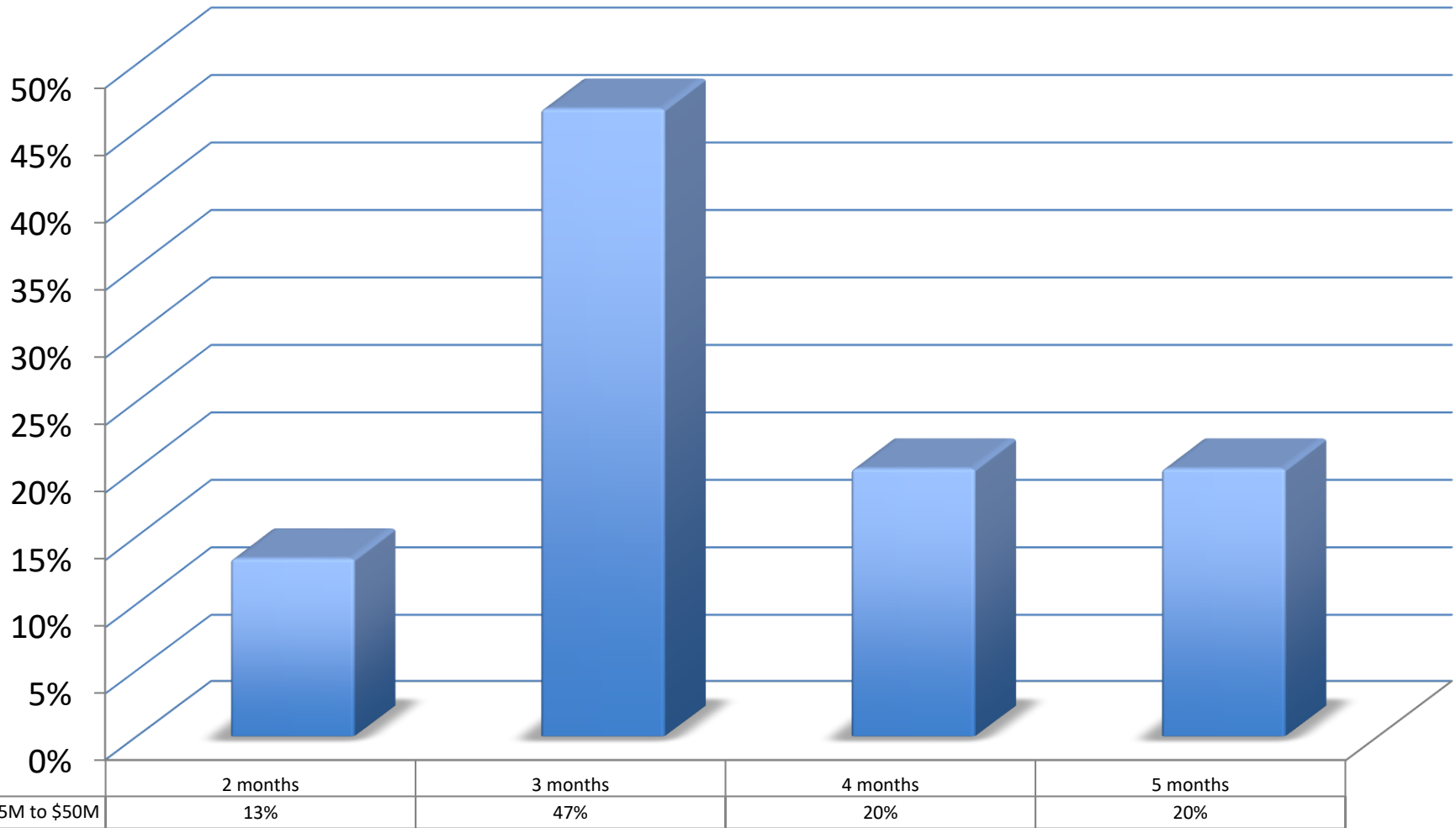
# Business Transactions Valued Over \$5 Million

## Number of Closed Transactions: 15

# Engagement/Listing to Close

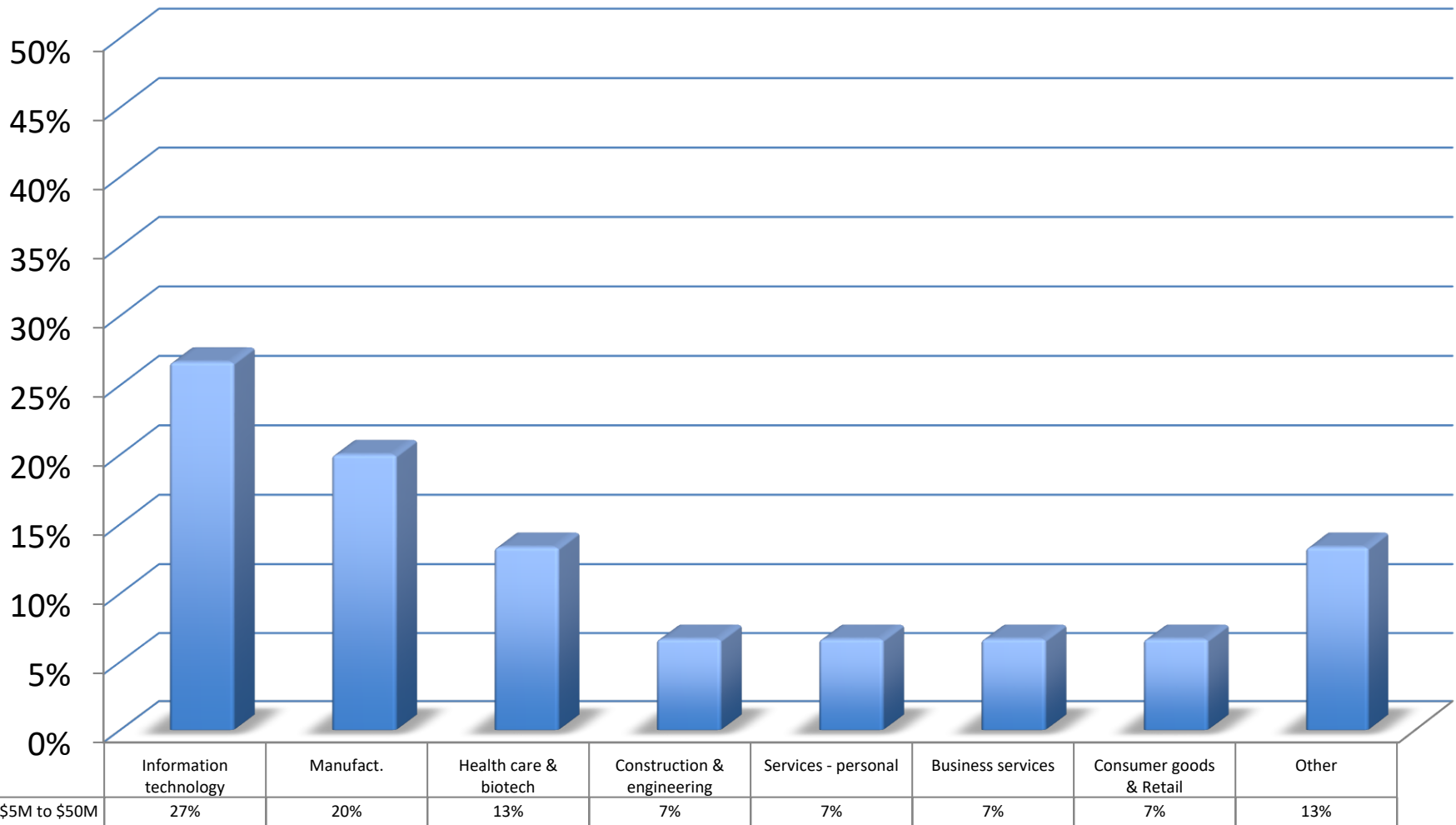


# LOI/ Offer to Close

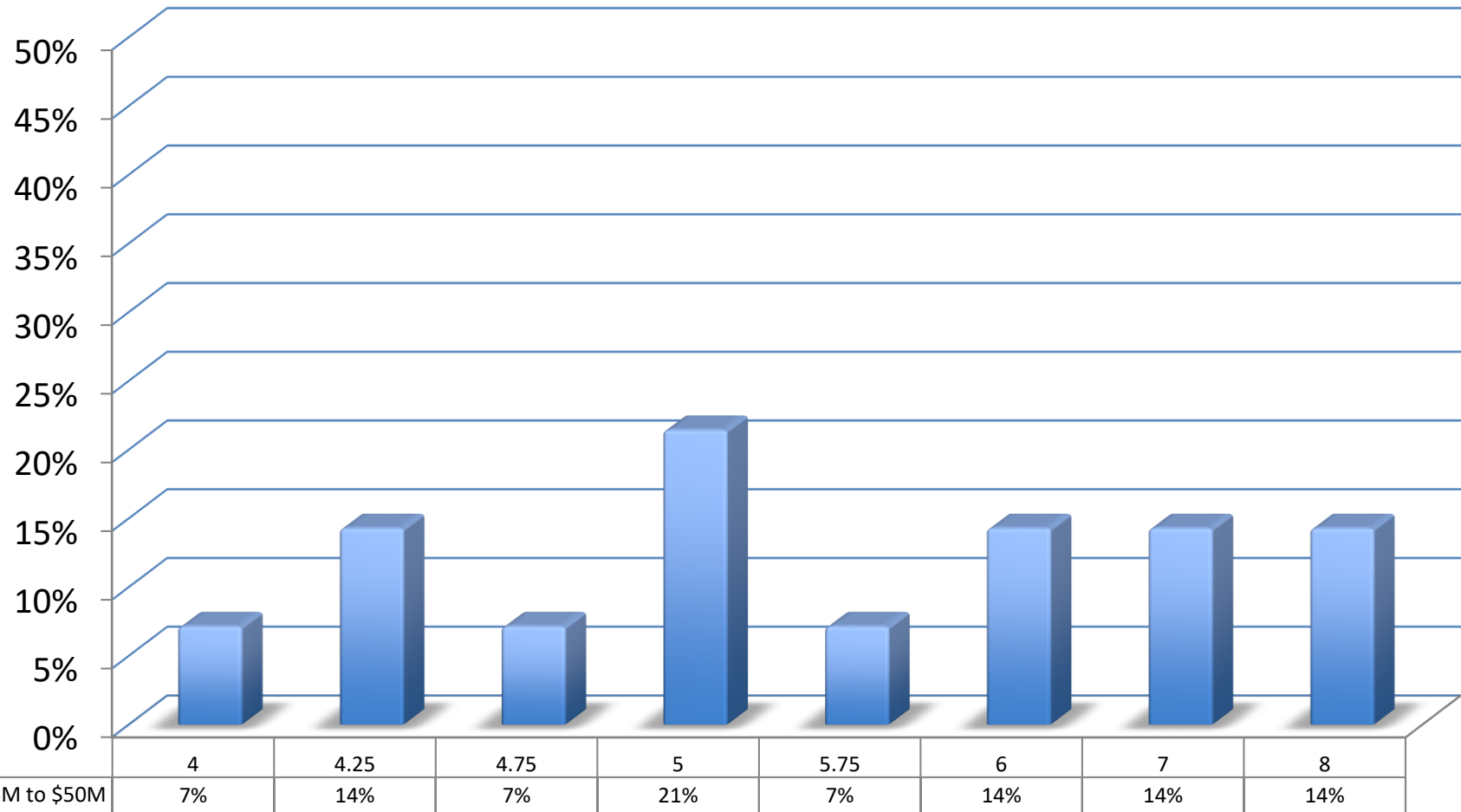




# Industry

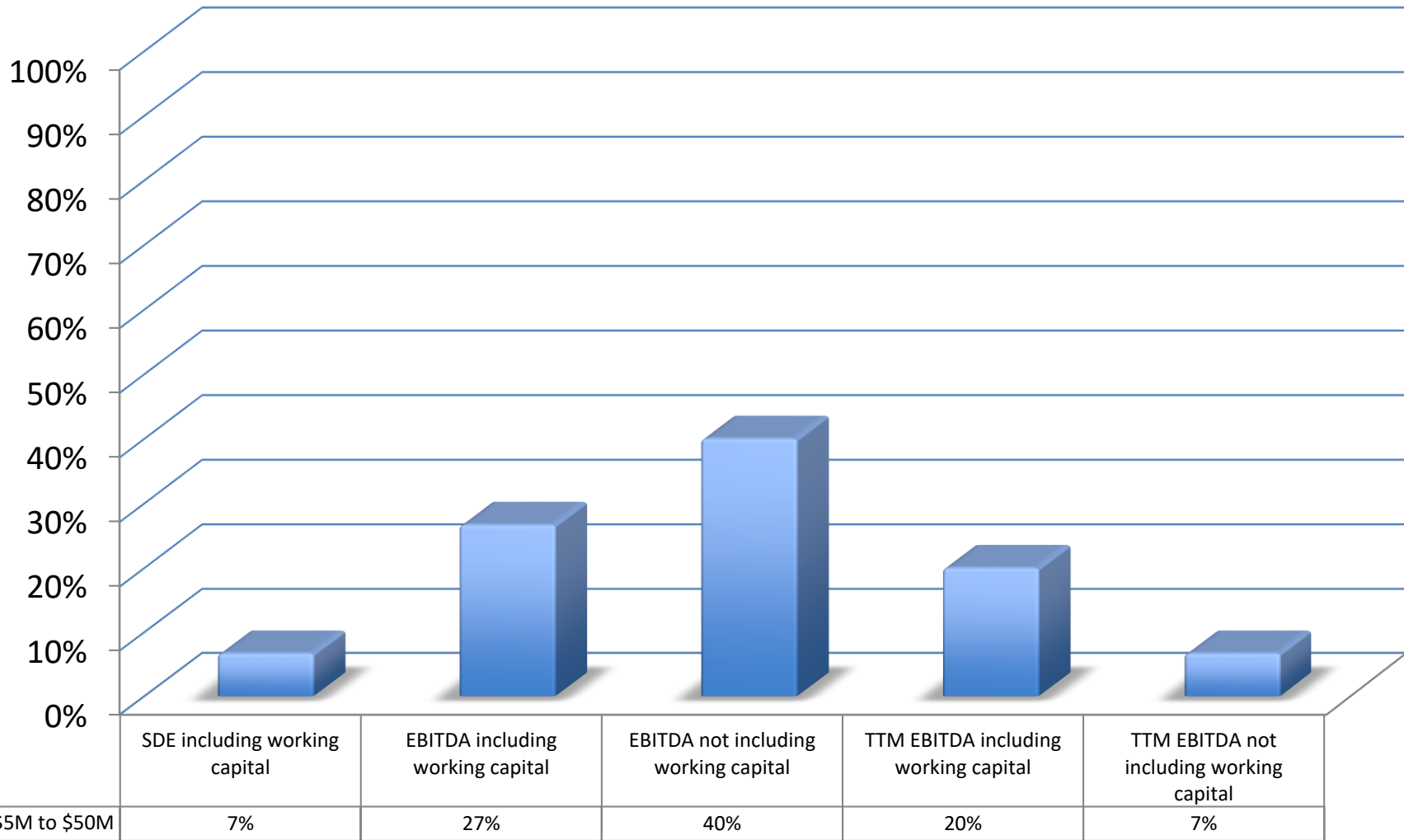


# EBITDA Multiple Paid

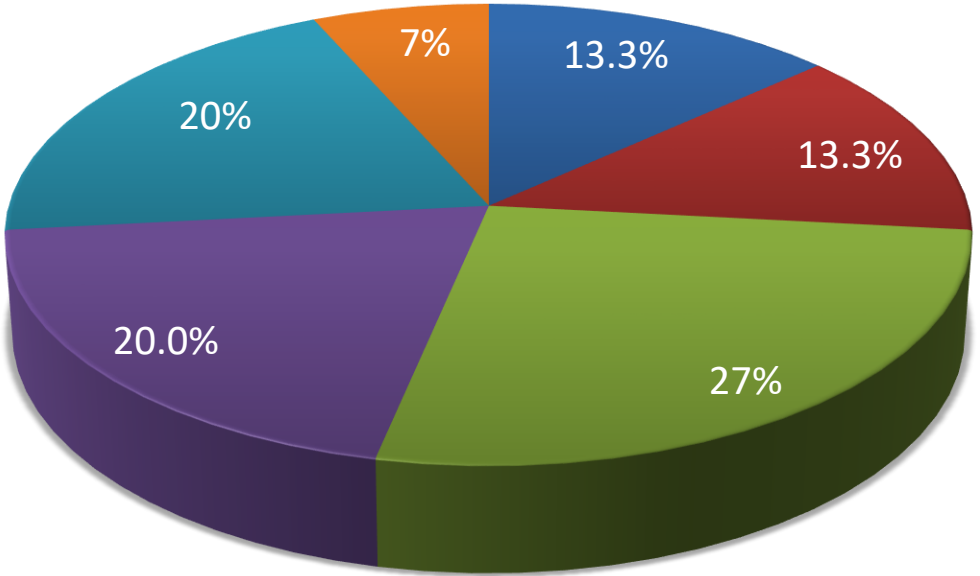


Number of responses: 14

# Multiple Type

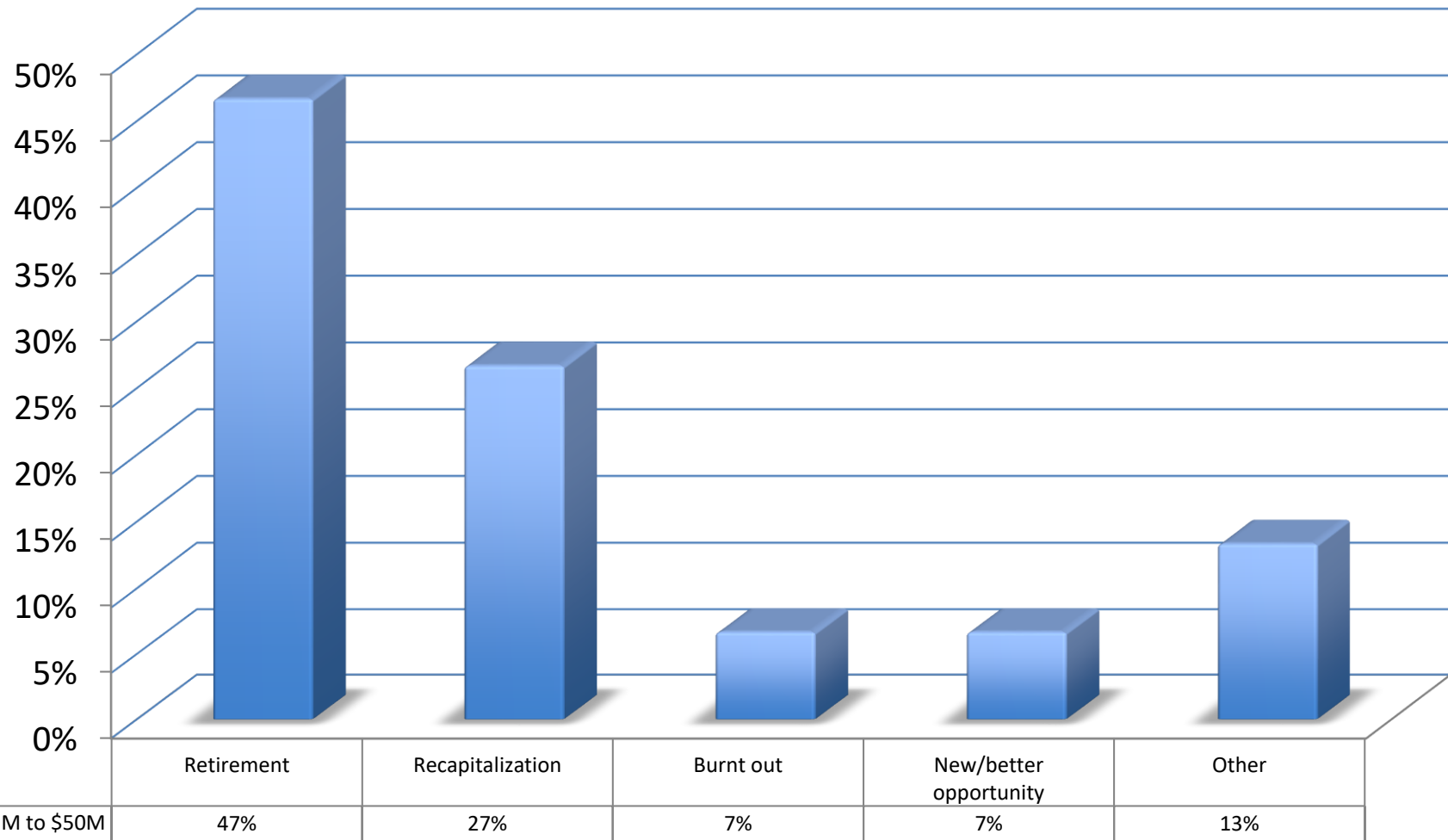


# Buyer Type

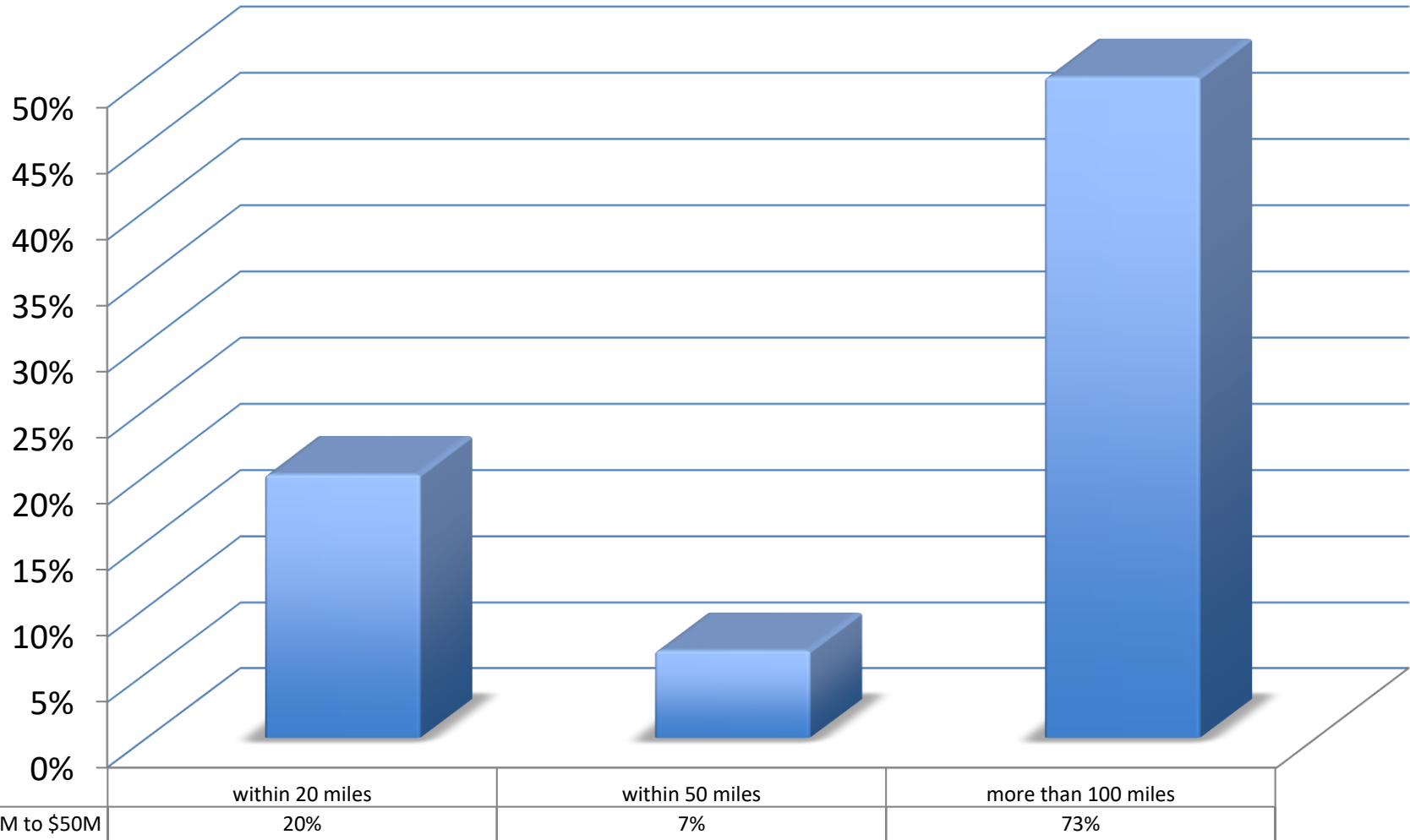


- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Platform
- PE firm - Add-on
- Other

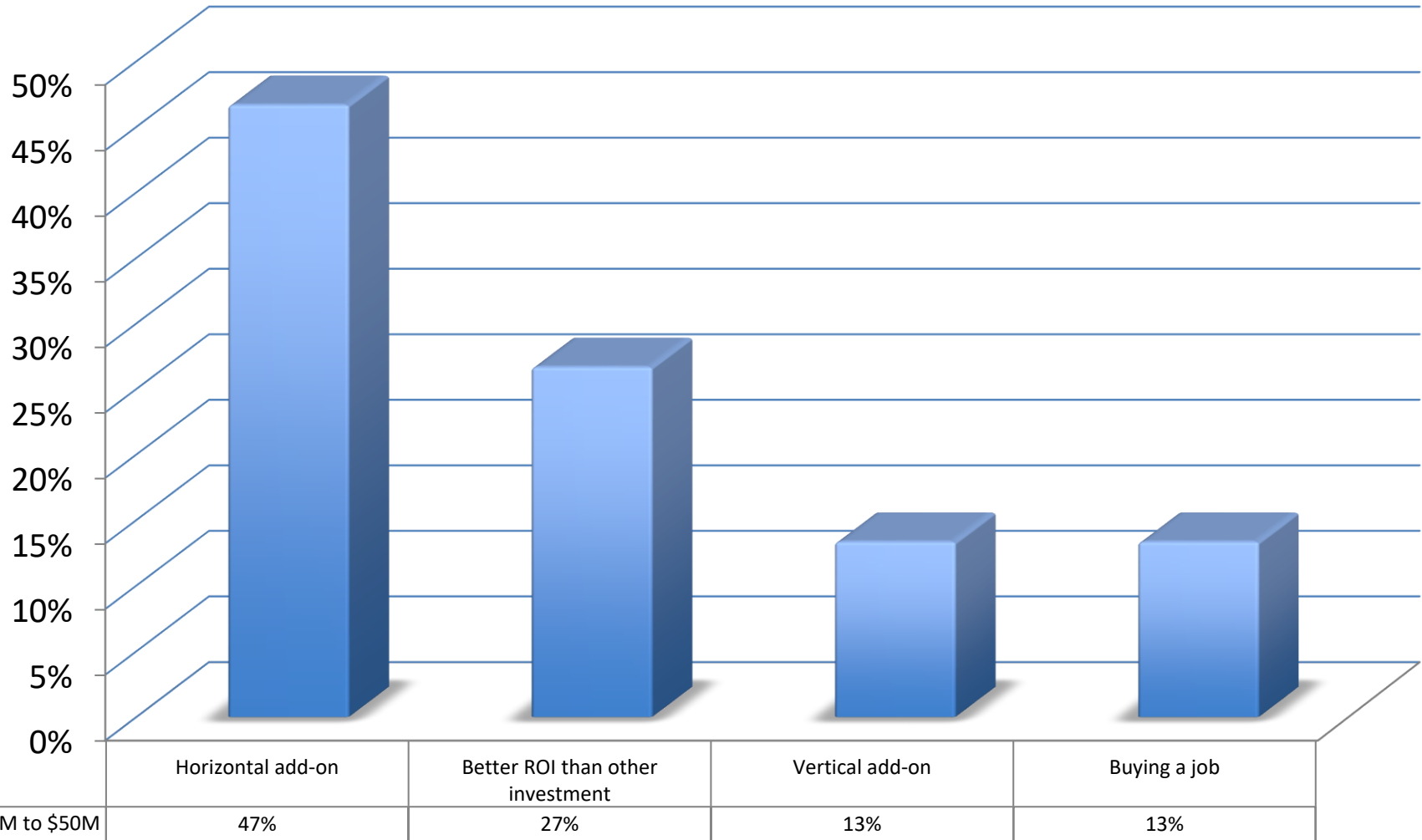
# #1 Reason for Seller to Go to Market



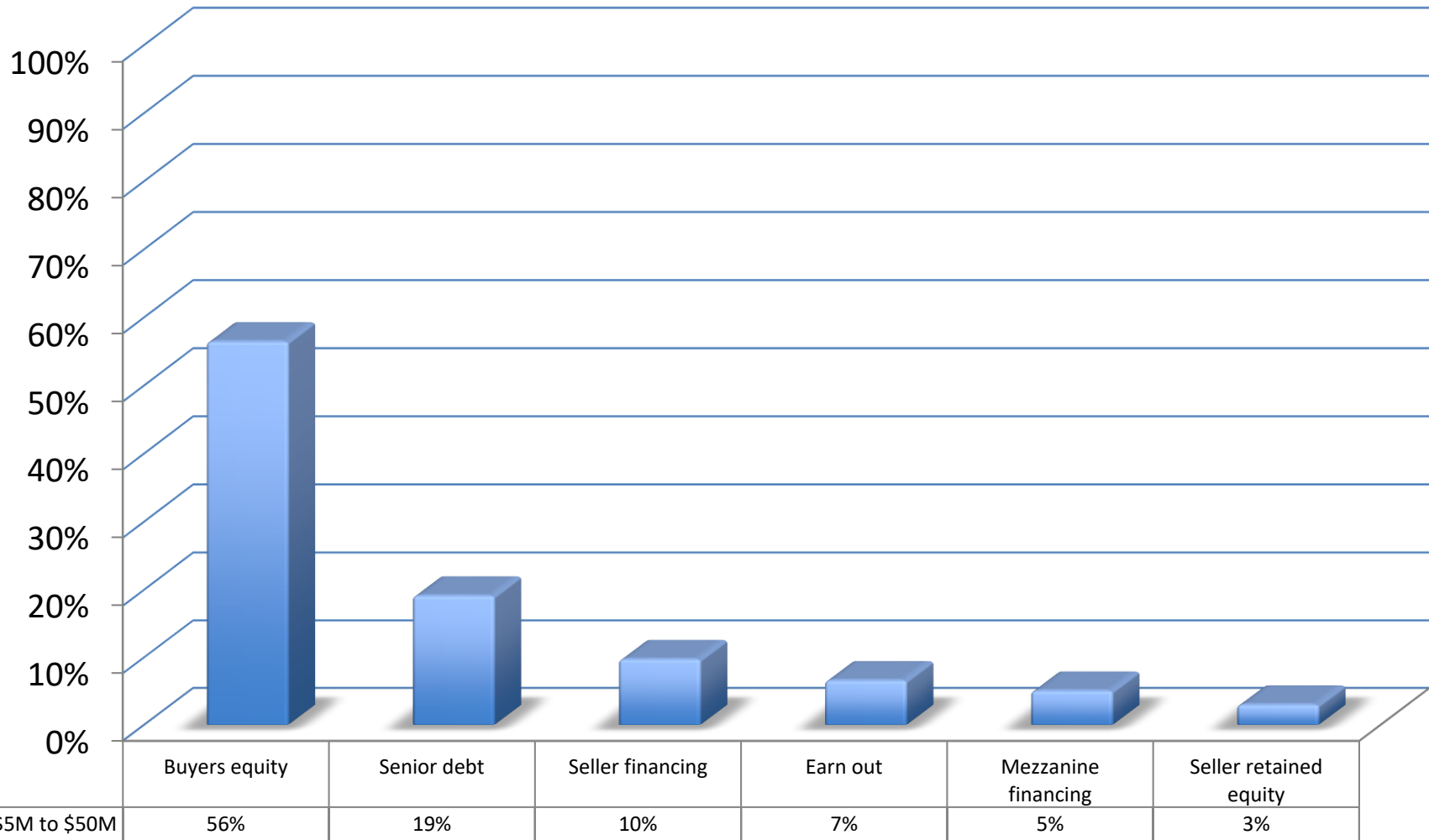
# Buyer Location



# #1 Motivation for Buyer



# 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	1.2%	5.8%	37.6%	52.0%	3.5%	3.5
Deals valued from \$500,000 to \$999,999	0.0%	4.0%	39.5%	54.0%	2.4%	3.5
Deals valued from \$1 million to \$1.99 million	0.8%	4.9%	41.8%	52.5%	0.0%	3.5
Deals valued from \$2 million to \$4.99 million	1.0%	5.7%	46.7%	44.8%	1.9%	3.4
Deals over \$5 million	2.3%	5.7%	58.0%	34.1%	0.0%	3.2

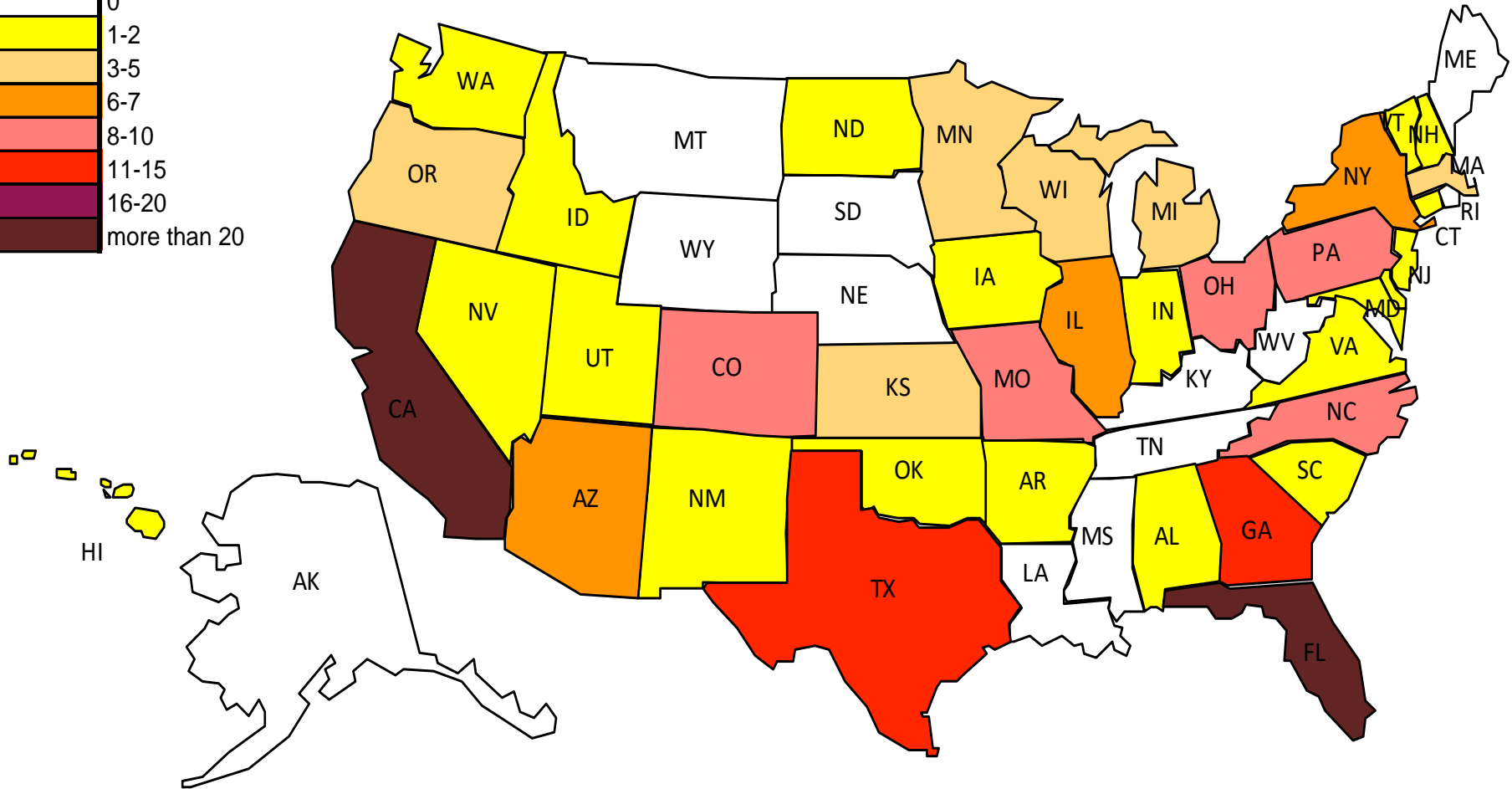
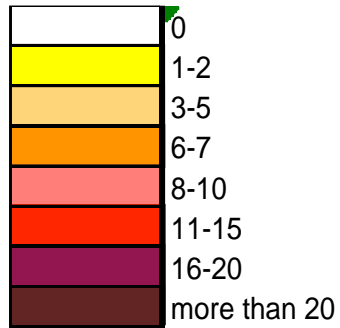
# Expectations for Business Valuation Multiples in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	1.2%	4.1%	85.5%	8.7%	0.6%	3.0
Deals valued from \$500,000 to \$999,999	0.0%	5.6%	83.9%	9.7%	0.8%	3.1
Deals valued from \$1 million to \$1.99 million	0.8%	2.4%	79.8%	16.9%	0.0%	3.1
Deals valued from \$2 million to \$4.99 million	0.9%	2.8%	75.2%	20.2%	0.9%	3.2
Deals over \$5 million	1.1%	2.2%	72.5%	23.1%	1.1%	3.2

# V. About the Respondents

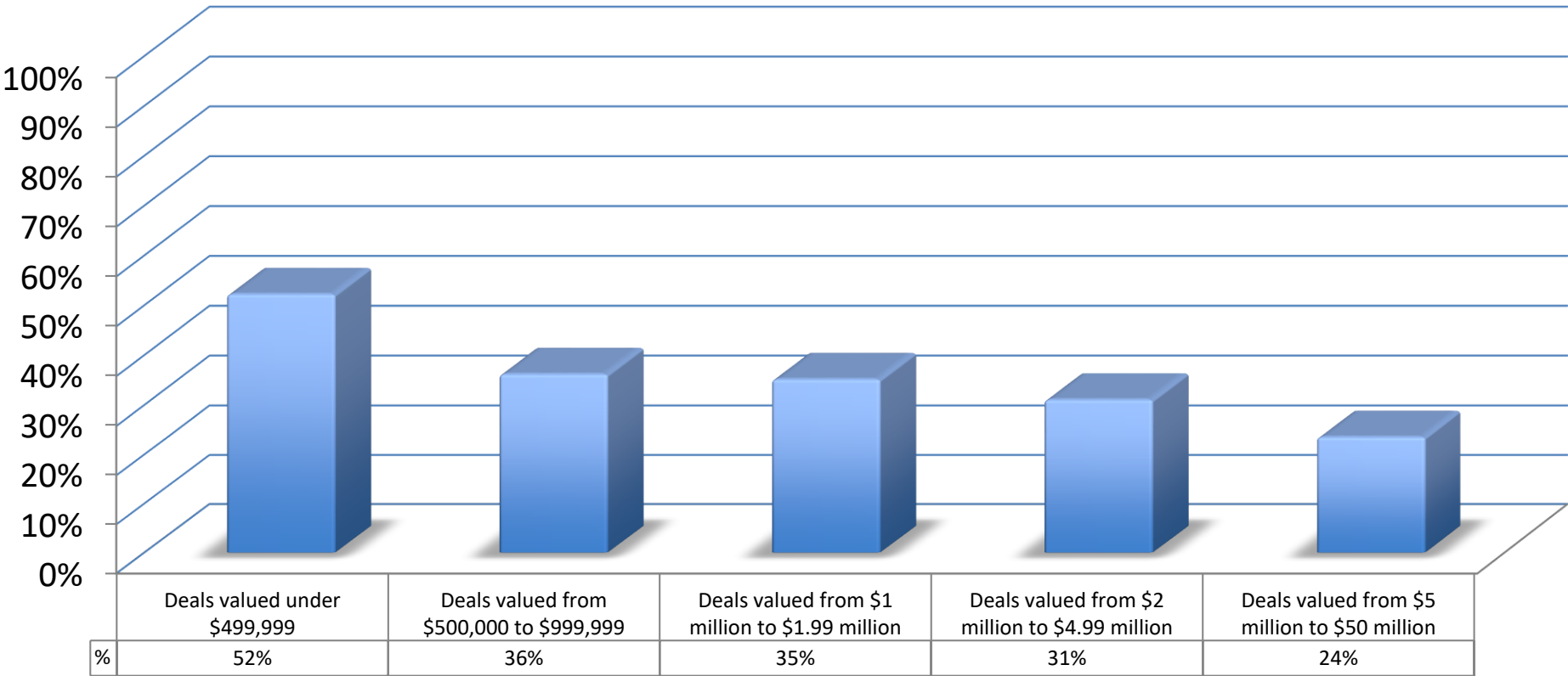
# Details About the Respondents

## Geographic Location



# Details About the Respondents

## Typical Size of Business Transactions

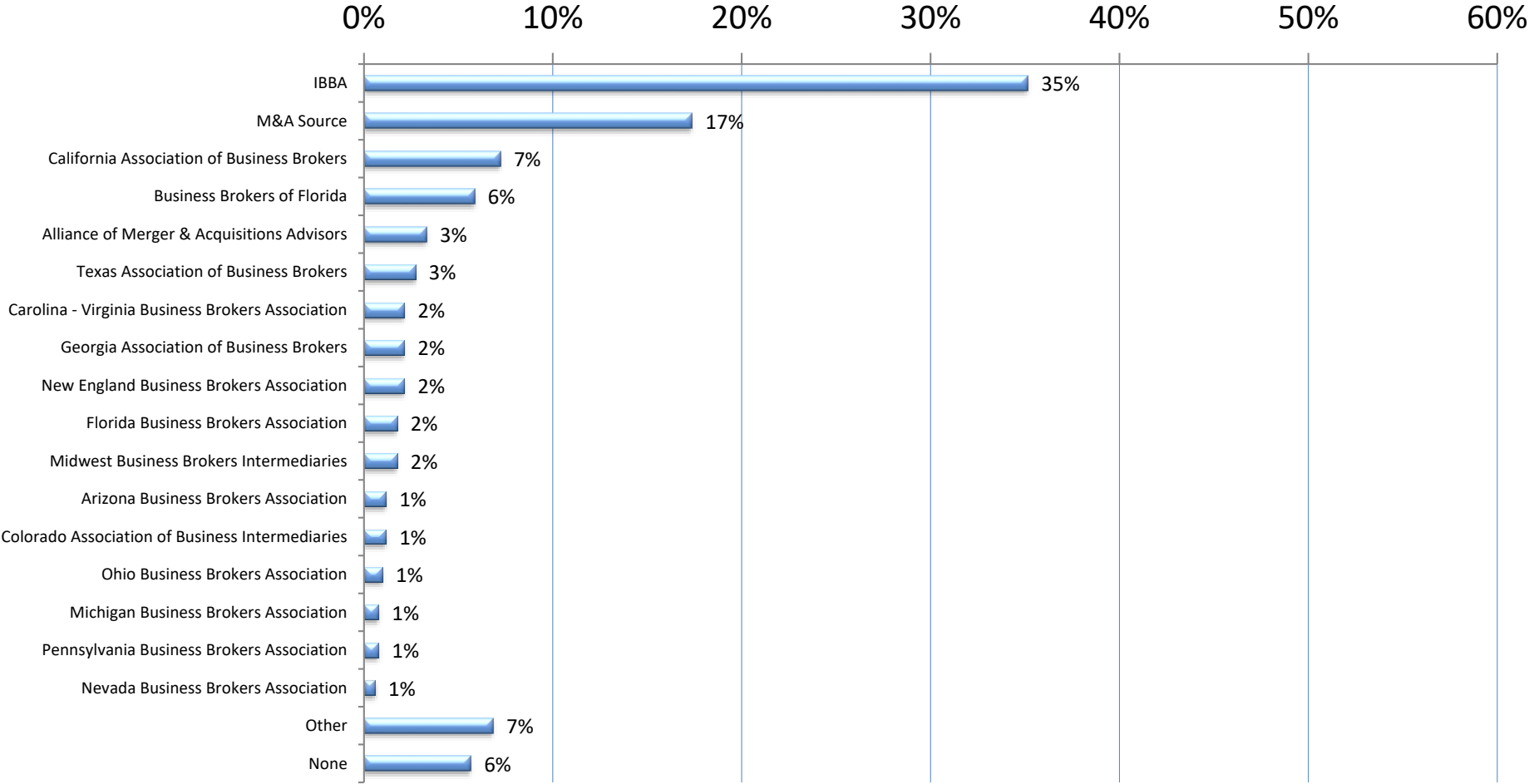


Total number of responses = 293

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

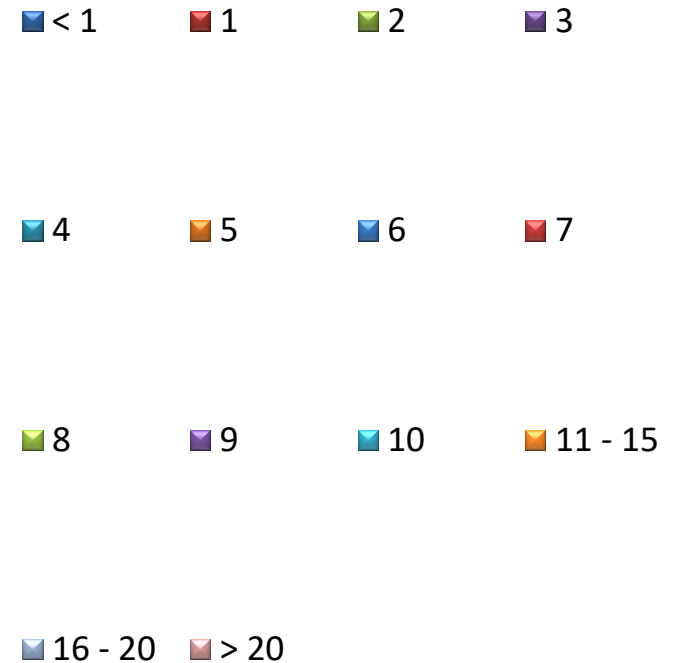
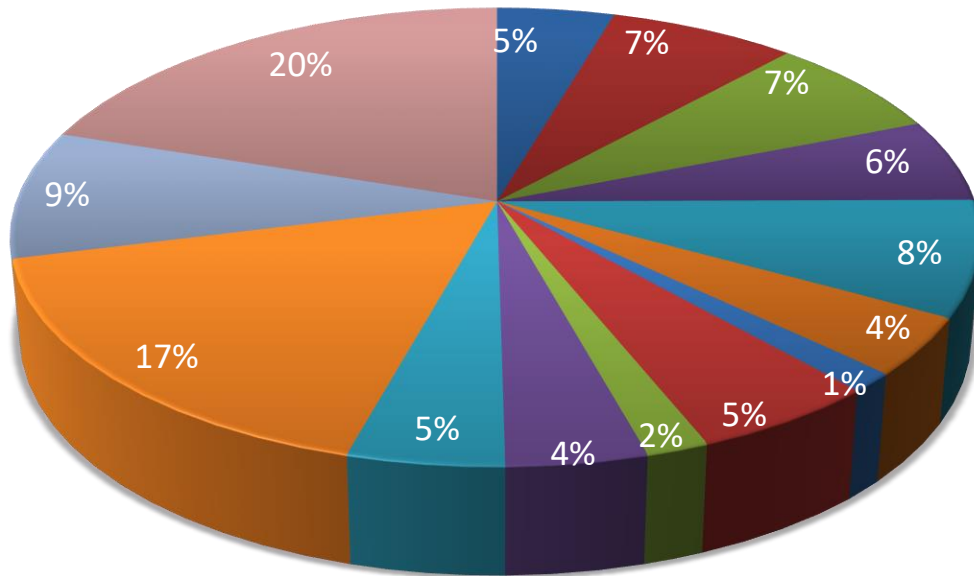
# Details About the Respondents

## Memberships/ Multiple Memberships



# Details About the Respondents

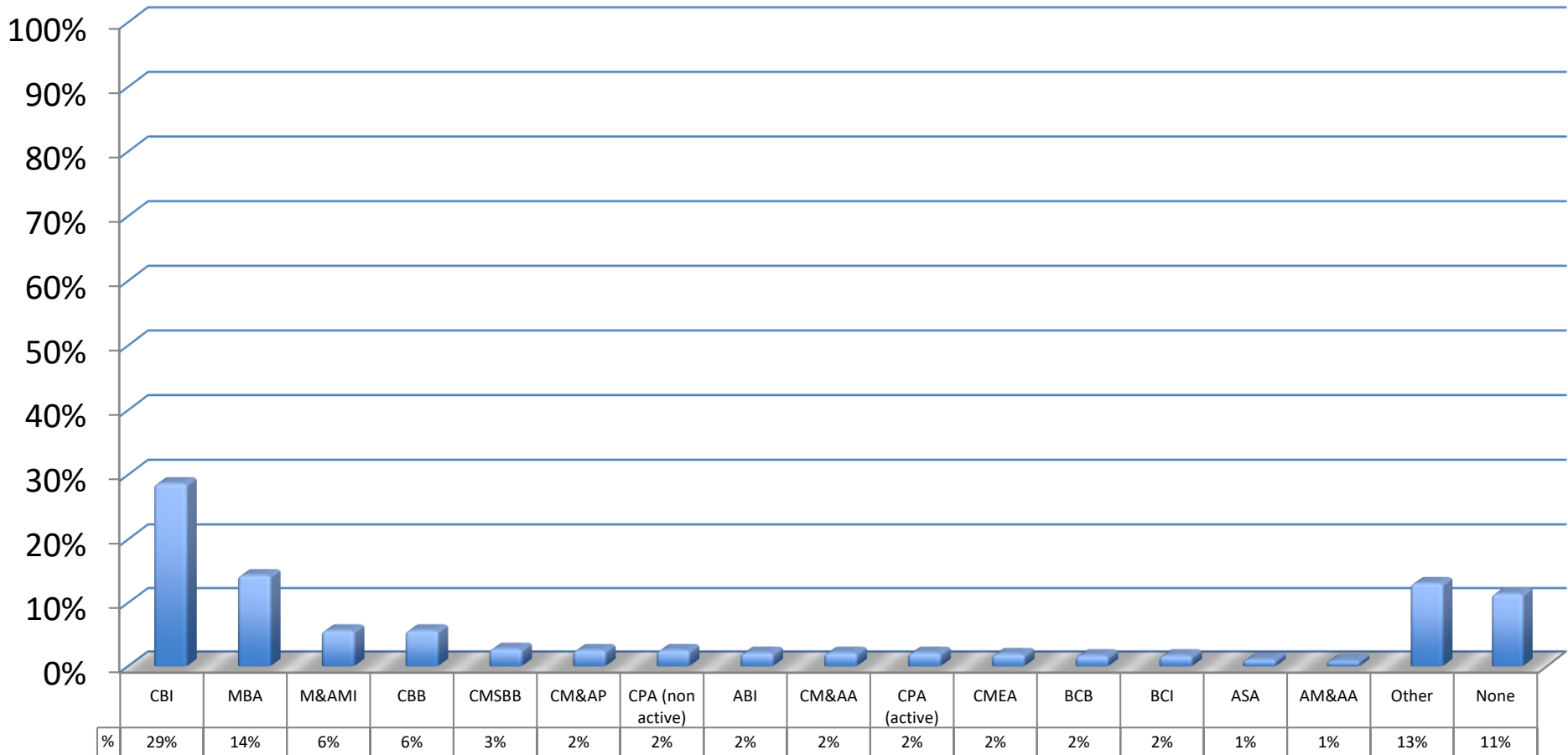
## Working Experience





# Details About the Respondents

## Professional Credentials



# THANK YOU!

Scott Bushkie, CBI, M&AMI, Market Pulse Committee

[SBushkie@Cornerstone-Business.com](mailto:SBushkie@Cornerstone-Business.com)

Lisa Riley, Ph.D., CBI, IBBA Market Pulse Chair

[Lisa@LINKBusiness.com](mailto:Lisa@LINKBusiness.com)

Craig Everett, Ph.D.

Director, Pepperdine Private Capital Markets Project

<http://bschool.pepperdine.edu/privatecapital>

[craig.everett@pepperdine.edu](mailto:craig.everett@pepperdine.edu)