

Market Pulse Report First Quarter 2021

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David Ryan, Market Pulse Committee

Kyle Griffith, CBI, CM&AP, Market Pulse Committee



This research was made possible with the support of the International Business Brokers Association (IBBA) and M&A Source.

Outline

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III.	Business Transactions Closed in the Last 3 Months.....	19
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I. About the Market Pulse Report

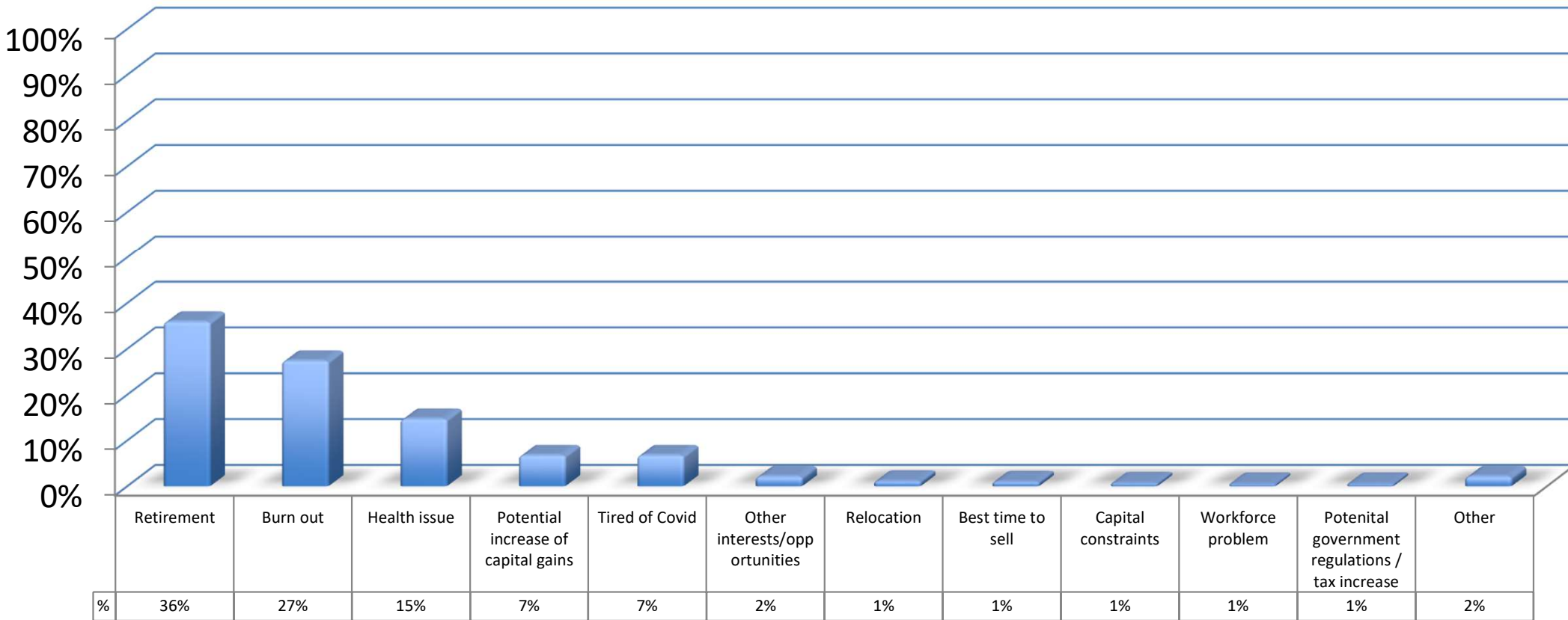
The International Business Brokers Association (IBBA) and M&A Source have set a goal to provide quality information on a quarterly basis in order to become the go-to source for Main Street and Lower Middle Market transactions. The “Market Pulse Report” gives you timely and accurate data to help you build 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
- 301 completed responses
- Responses collected from April 1 to April 23, 2021

II. Current Business Environment

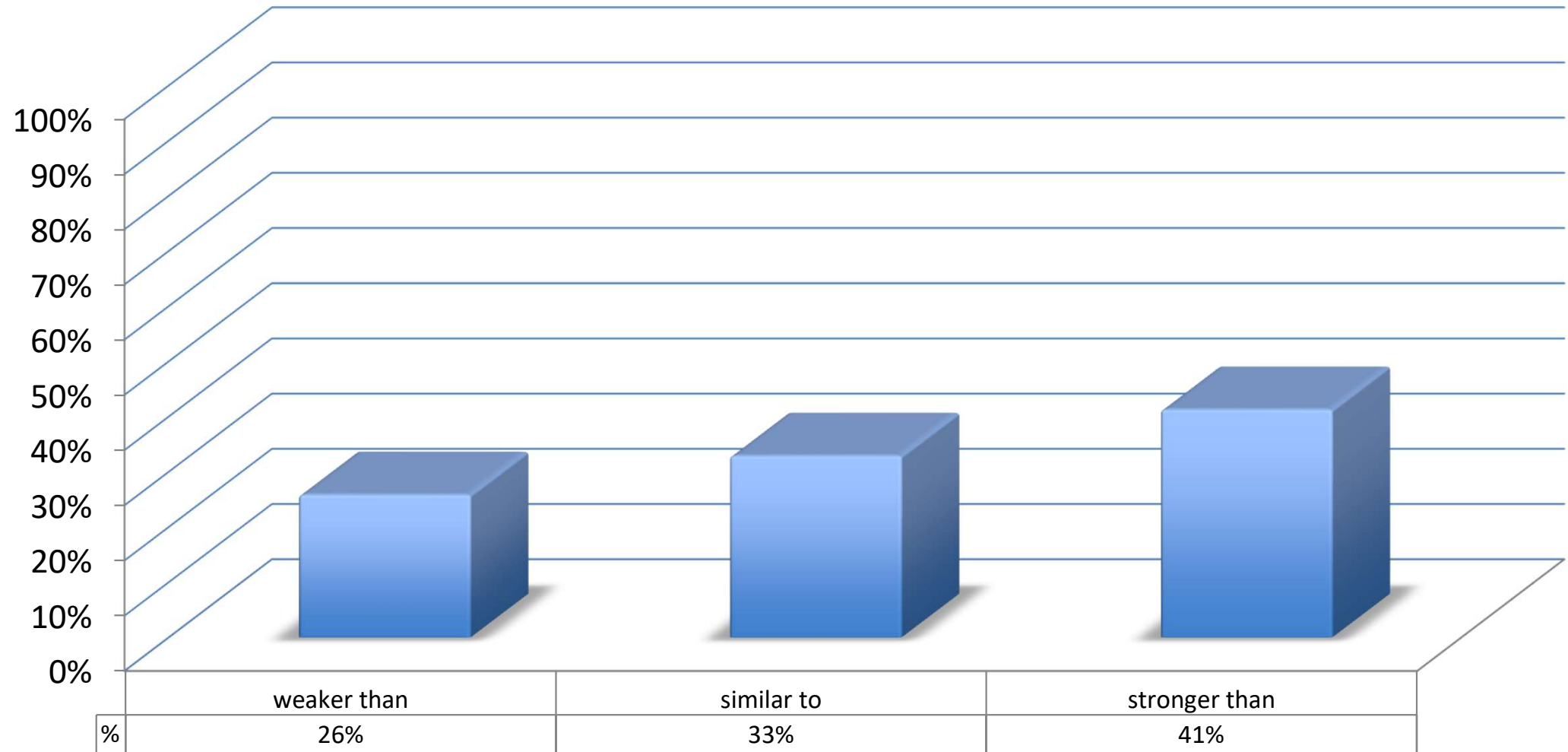
Top Reasons Clients Have Decided to Go to Market in 2021



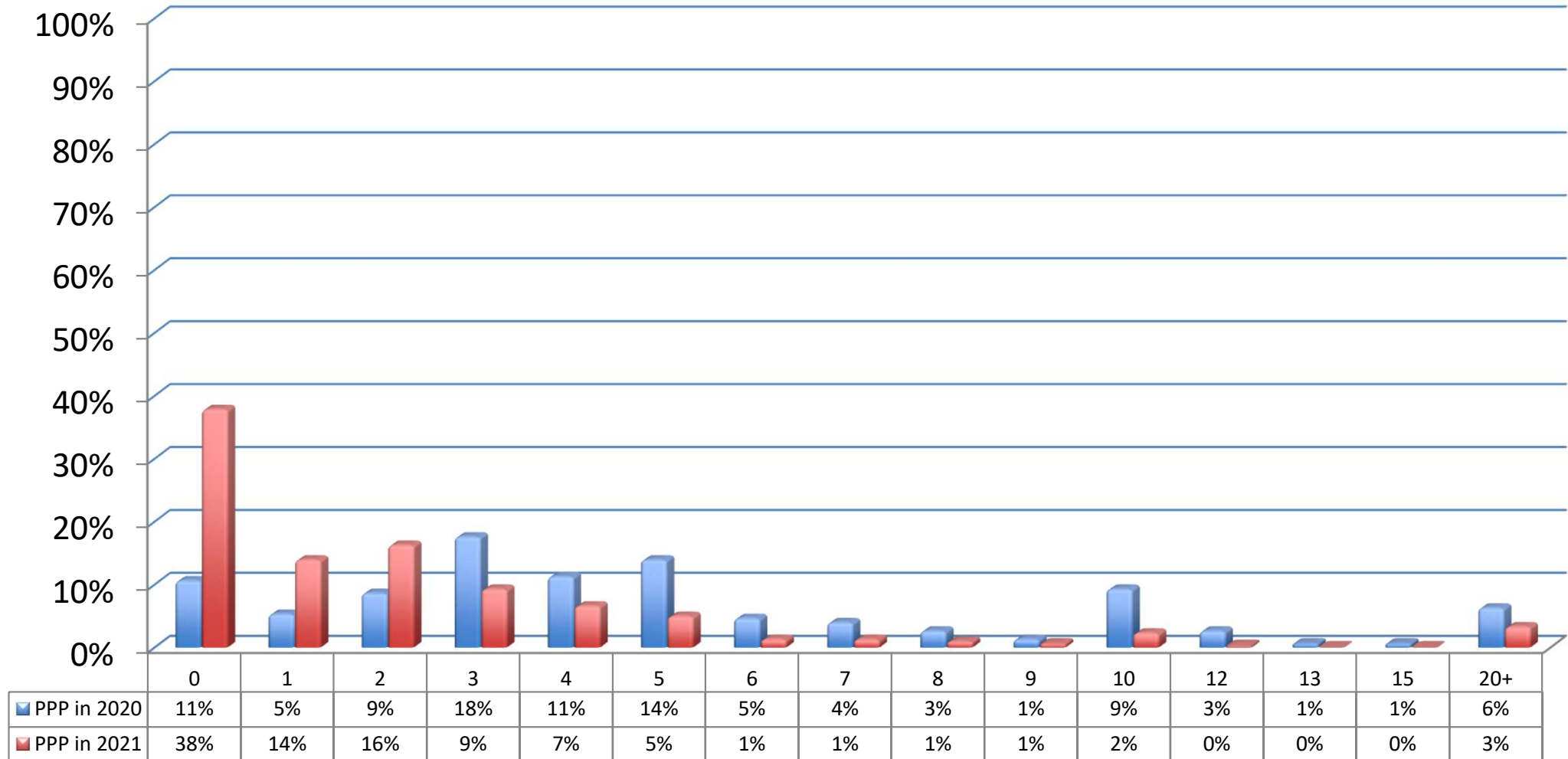
Total number of responses = 693

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

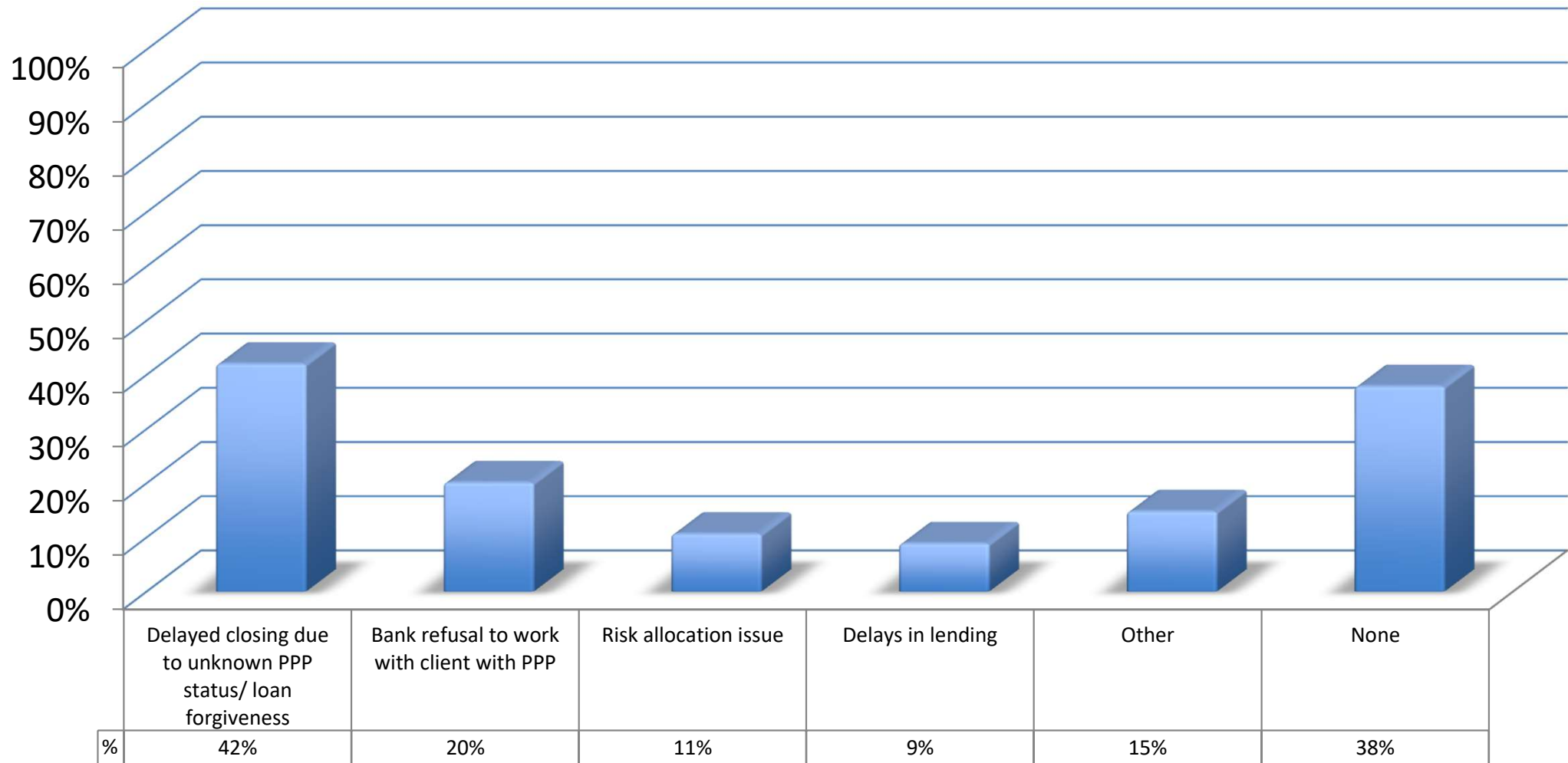
Respondents' 2021 Q1 Deal Flow Was _____ 2020 Q1 Deal Flow



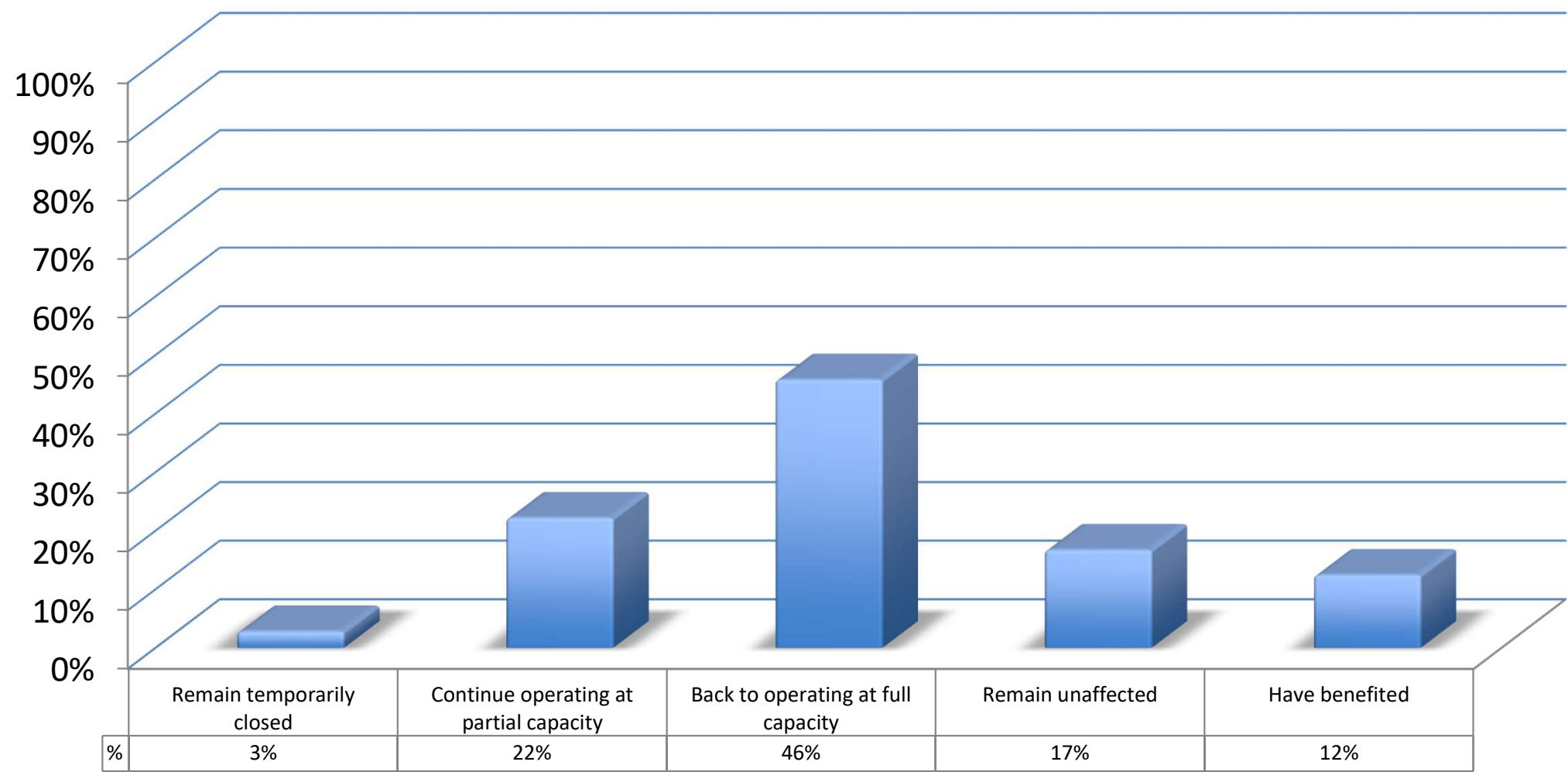
How Many of Respondents' Clients Received PPP



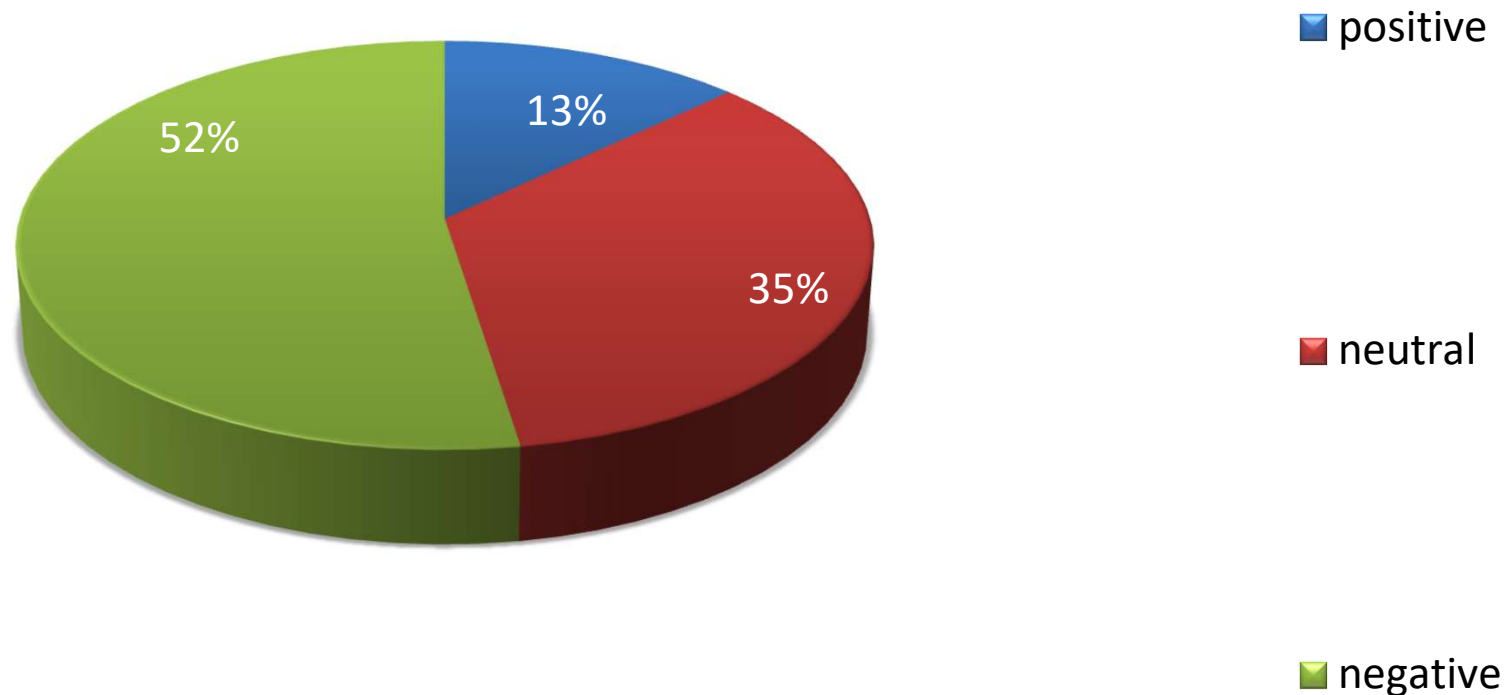
What Outcomes Have These Clients Experienced



Effects of Pandemic on Businesses Working with Respondents

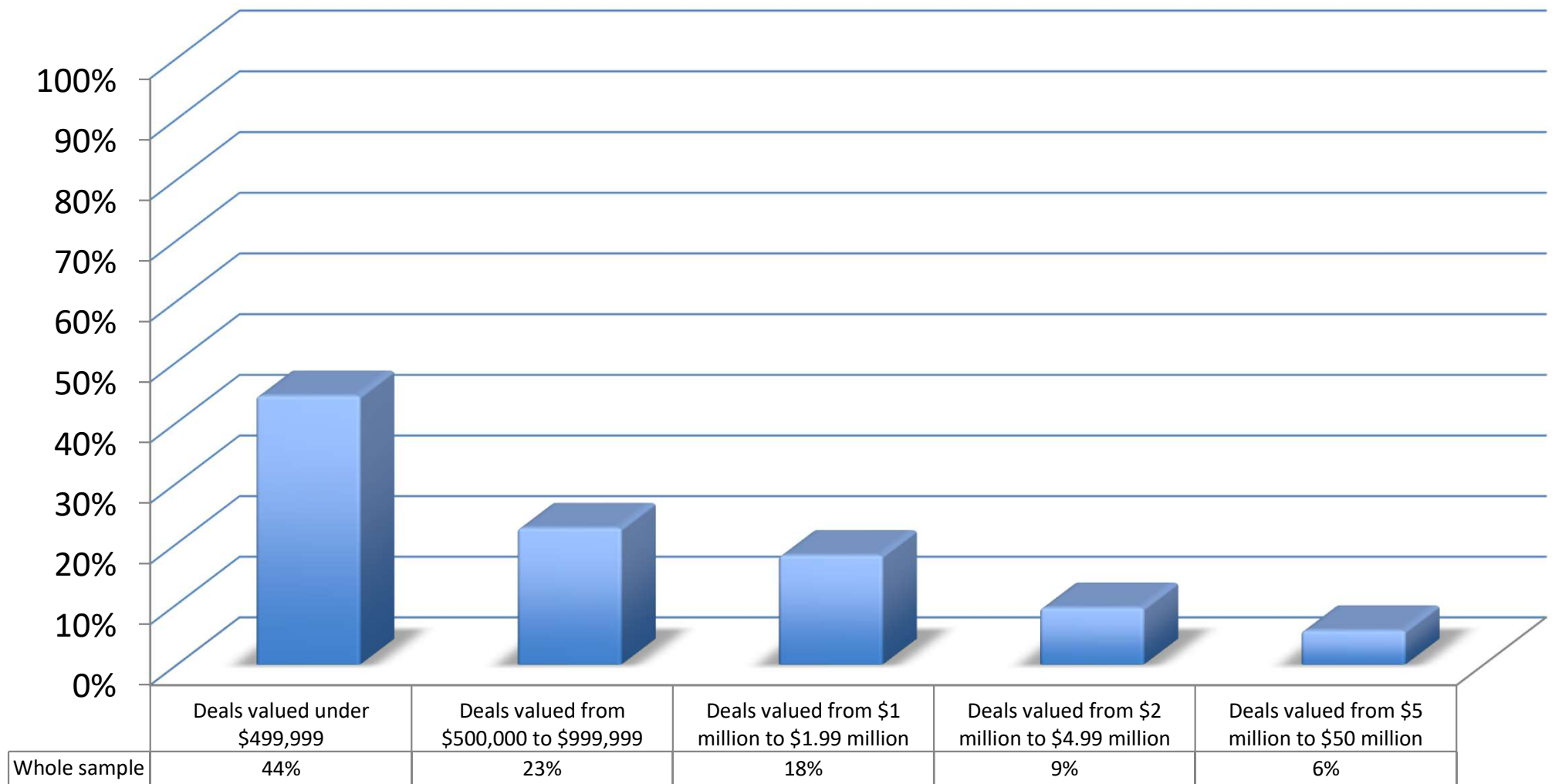


Overall Which Effect on Business Values the Pandemic Will Have

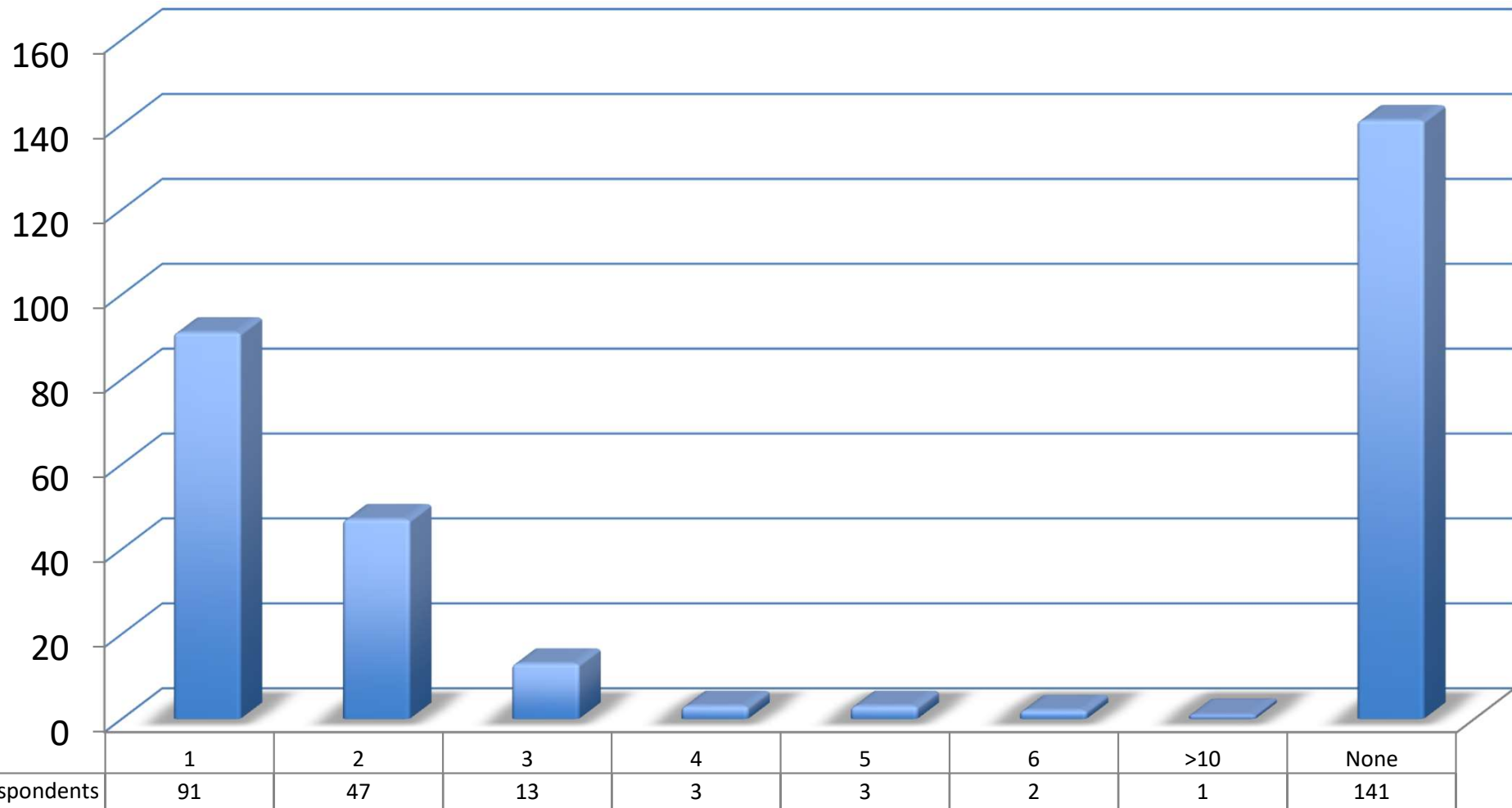


III. Business Transactions Closed in the Last 3 Months

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



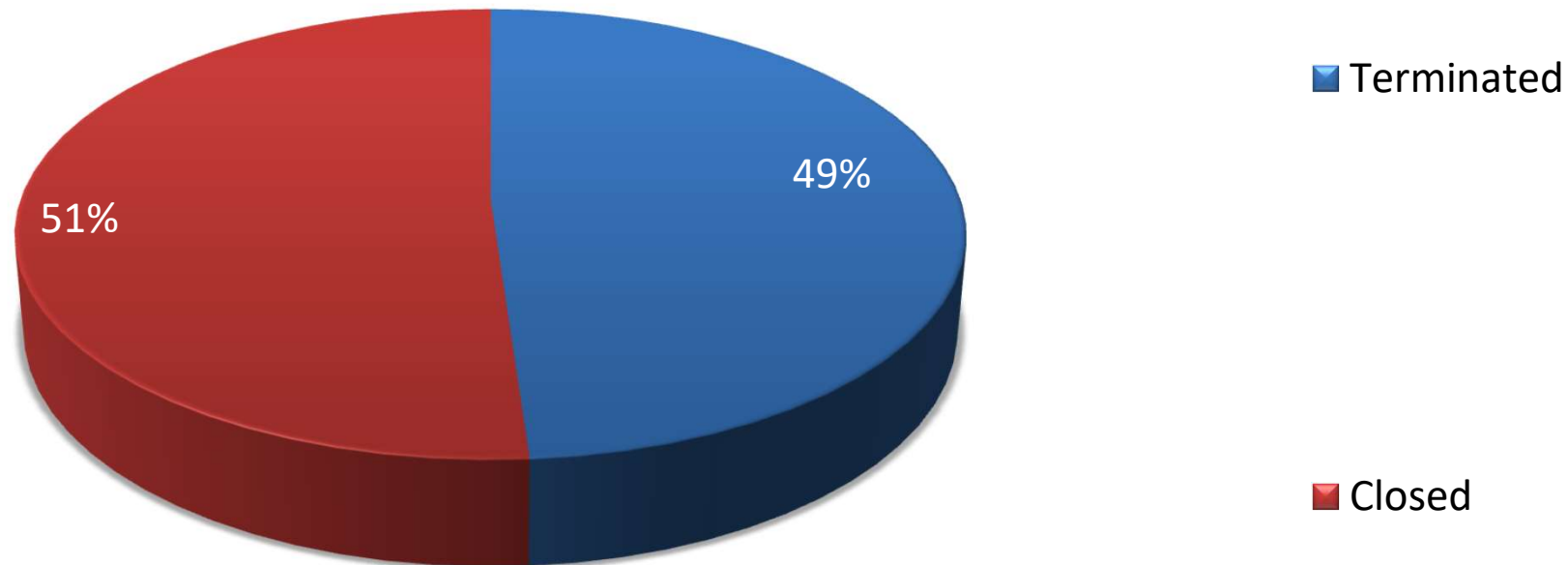
Number of Business Transactions Closed by Respondents in the Last 3 Months



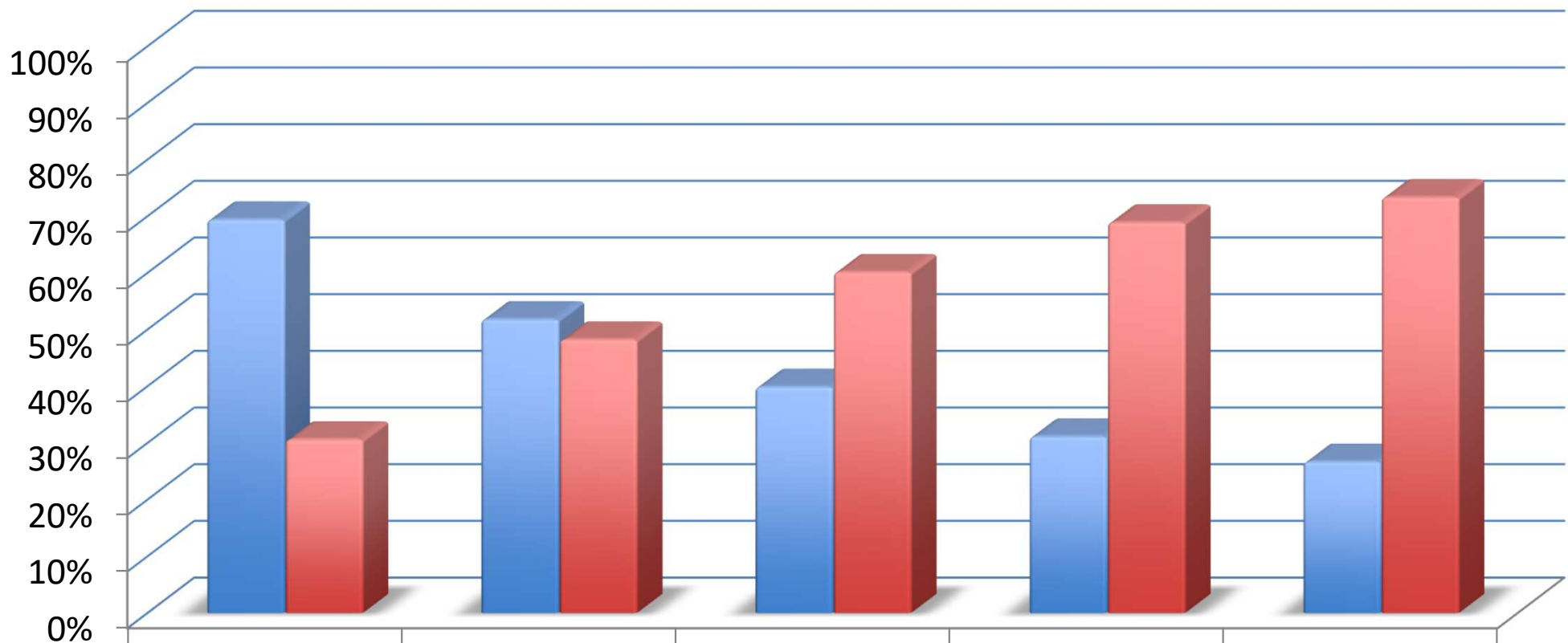
Change in the Number of New Clients by Deal Size in The Last 3 Months

Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under \$499,999	8%	27%	4%	16%	44%	3.6
Deals valued from \$500,000 to \$999,999	5%	33%	6%	15%	40%	3.5
Deals valued from \$1 million to \$1.99 million	5%	38%	5%	14%	38%	3.4
Deals valued from \$2 million to \$4.99 million	5%	34%	8%	18%	36%	3.5
Deals valued from \$5 million to \$50 million	8%	23%	12%	14%	42%	3.6

Percentage of Transactions Terminated without Closing in the Last Three Months



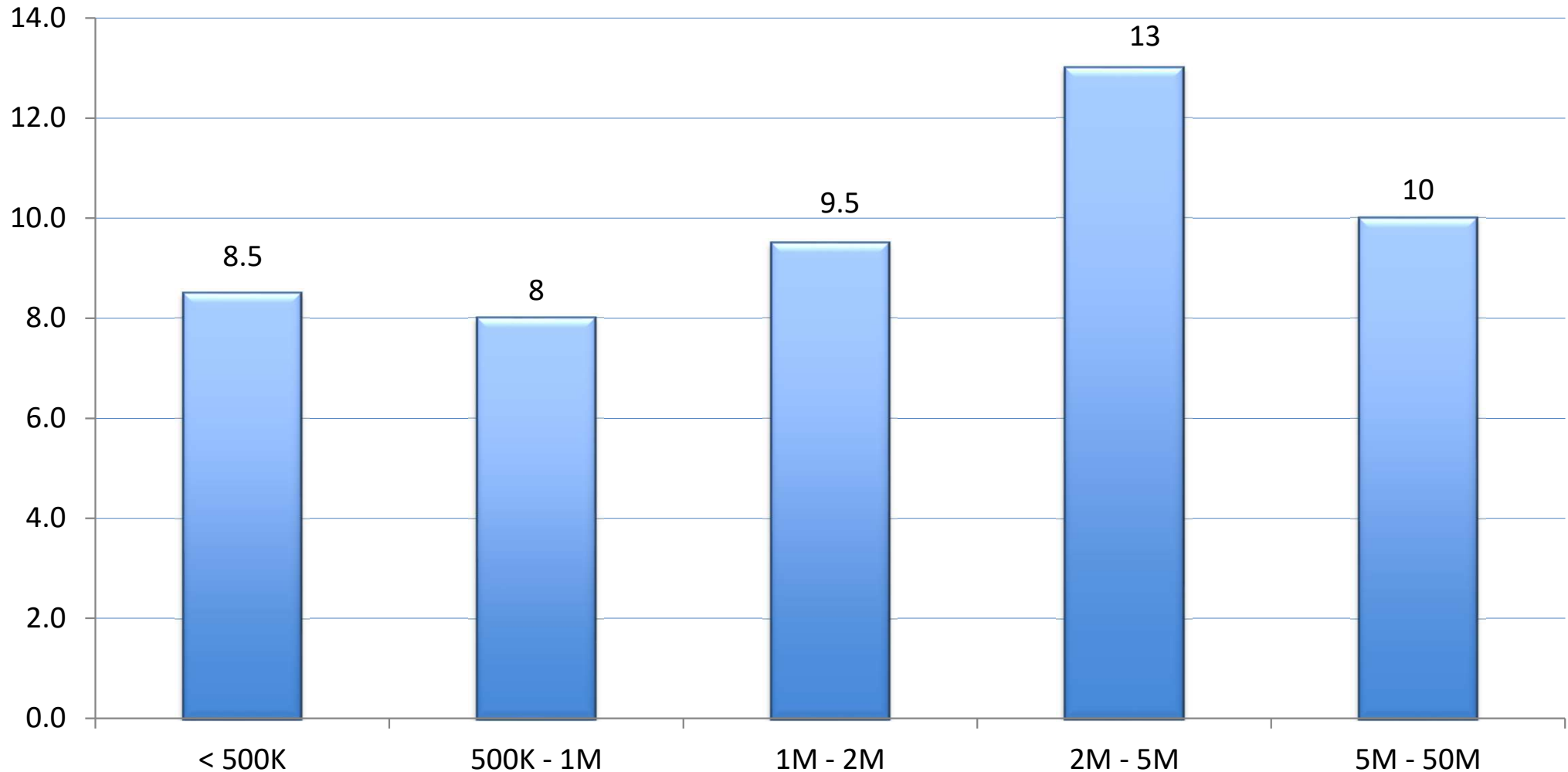
Was it a Buyer's or a Seller's Market in the Last 3 Months?



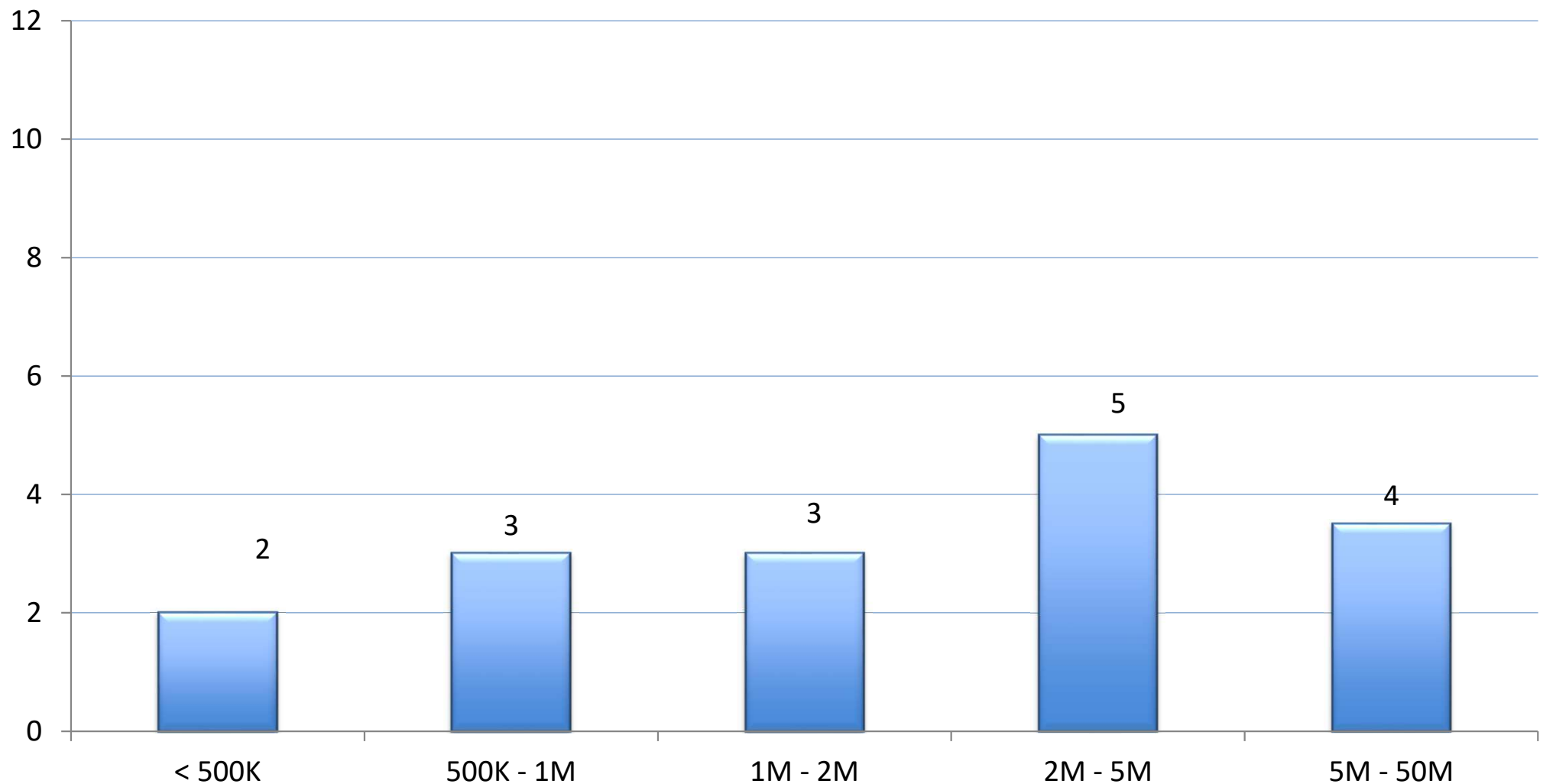
	Deals valued under \$499,999	Deals valued from \$500,000 to \$999,999	Deals valued from \$1 million to \$1.99 million	Deals valued from \$2 million to \$4.99 million	Deals valued from \$5 million to \$50 million
Buyer's market	69%	52%	40%	31%	27%
Seller's market	31%	48%	60%	69%	73%
Number of responses	183	168	158	135	90

Business Transactions of All Sizes, Comparison

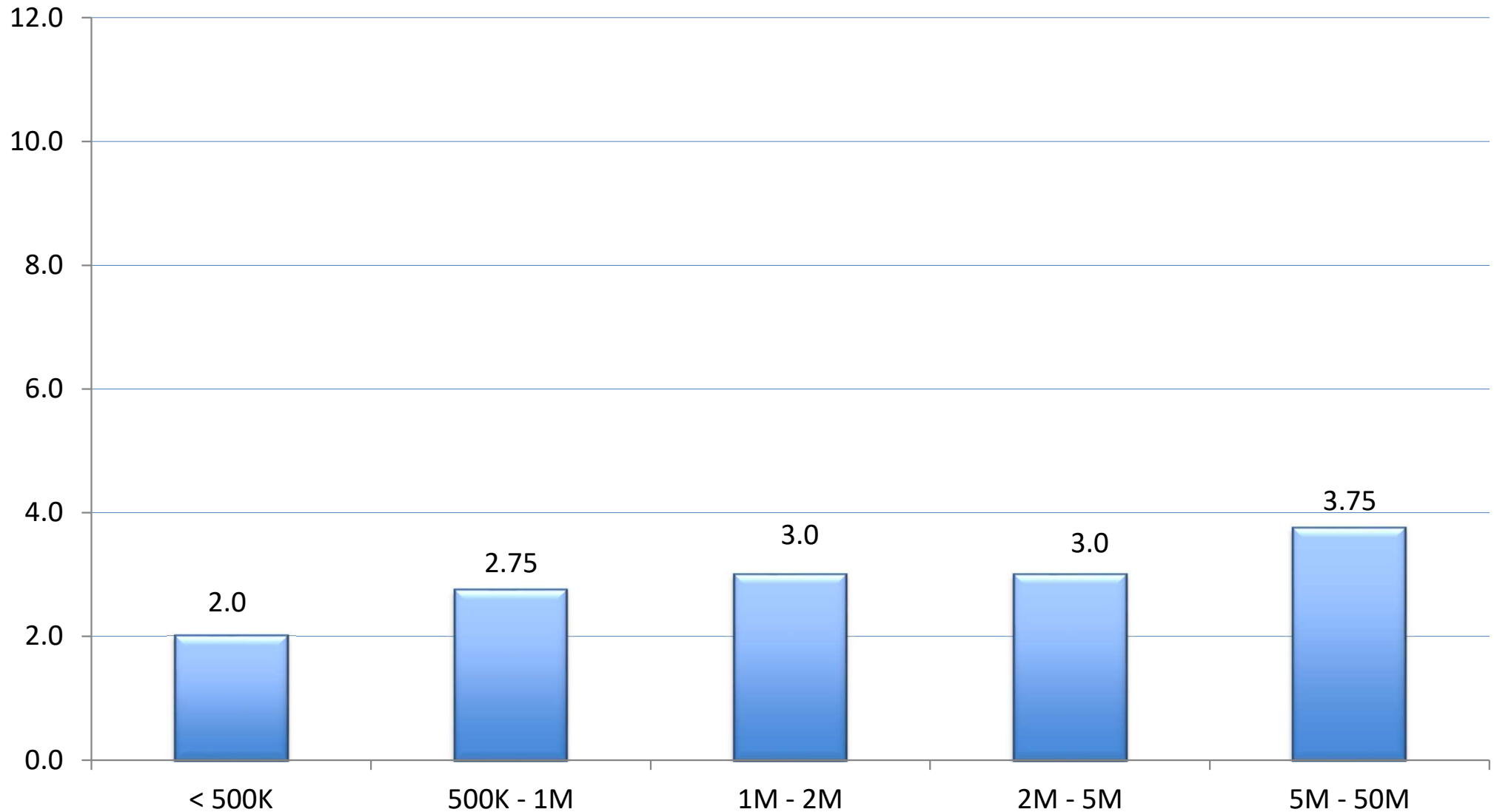
Median Number of Months from Listing/Engagement to Close



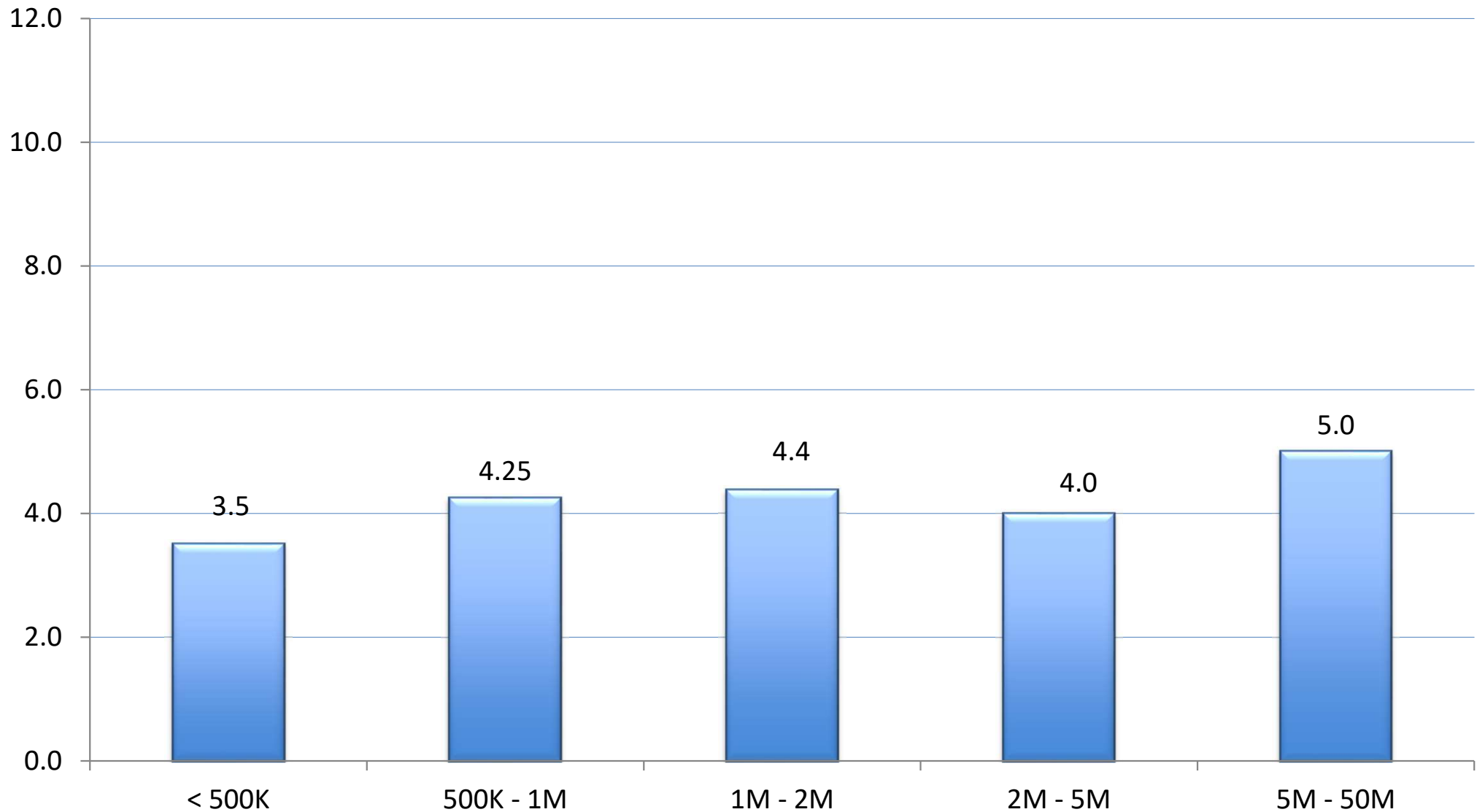
Median Number of Months from LOI/Offer to Close



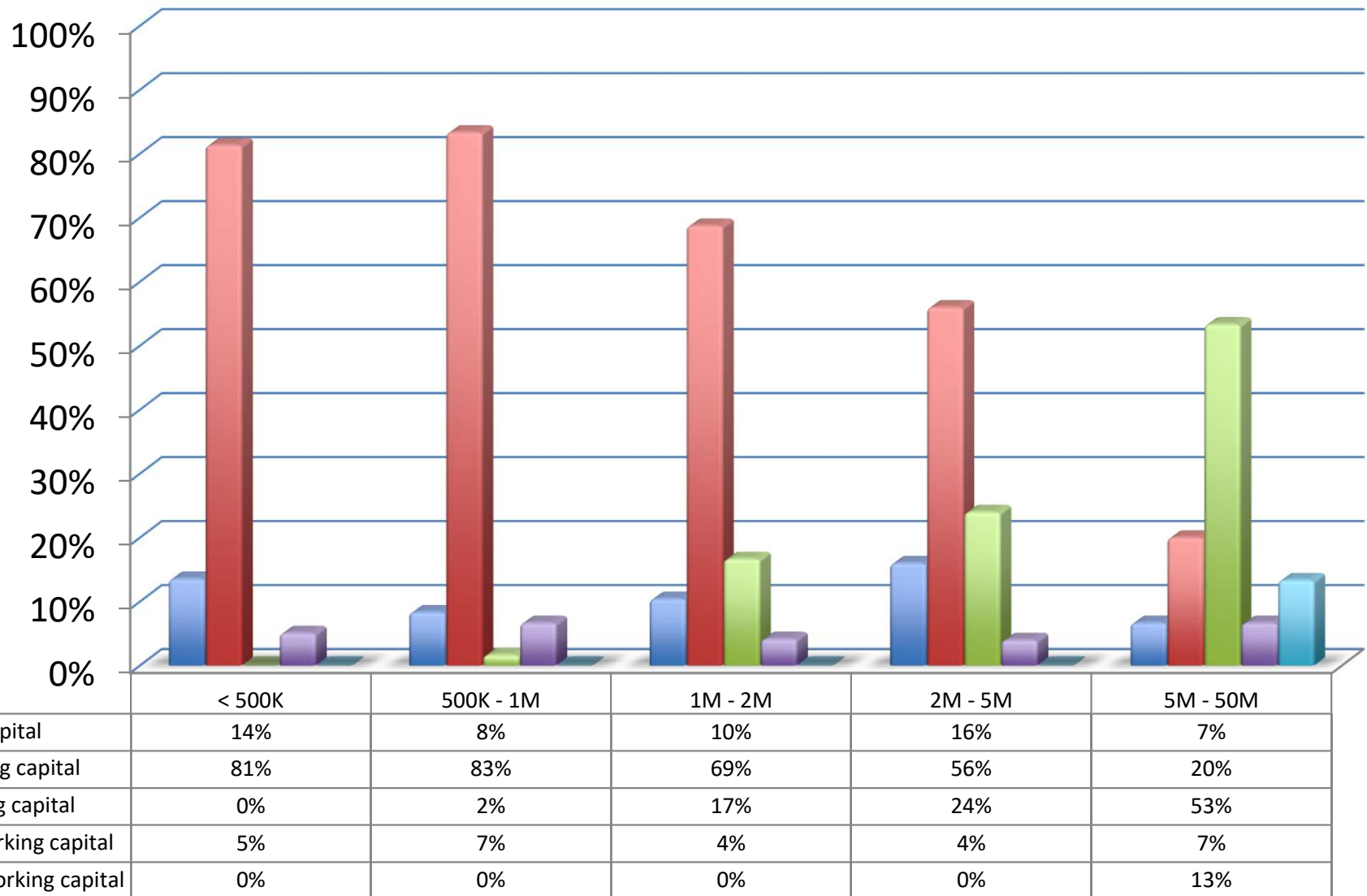
Median SDE Multiple Paid



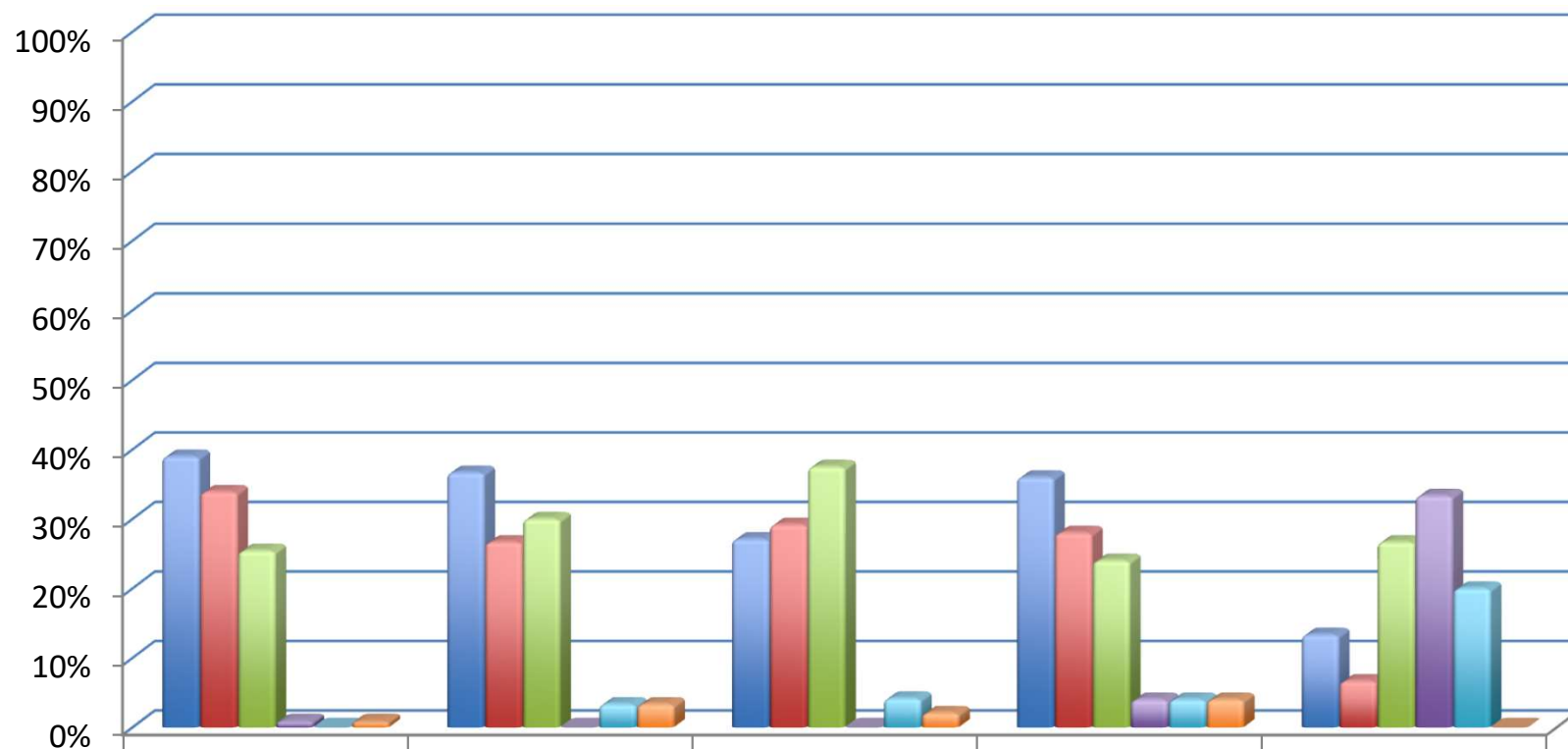
Median EBITDA Multiple Paid



Multiple Type

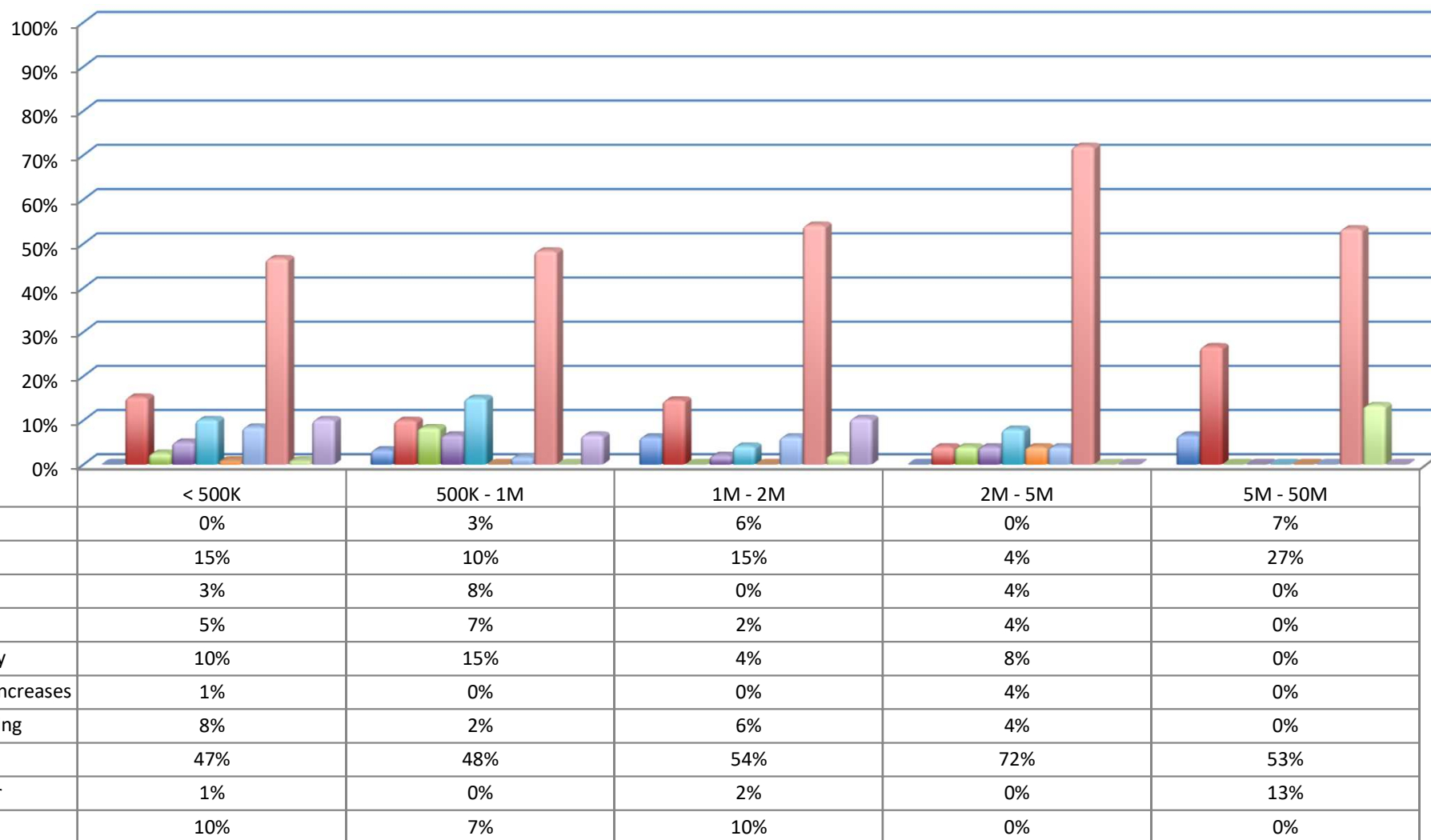


Buyer Type

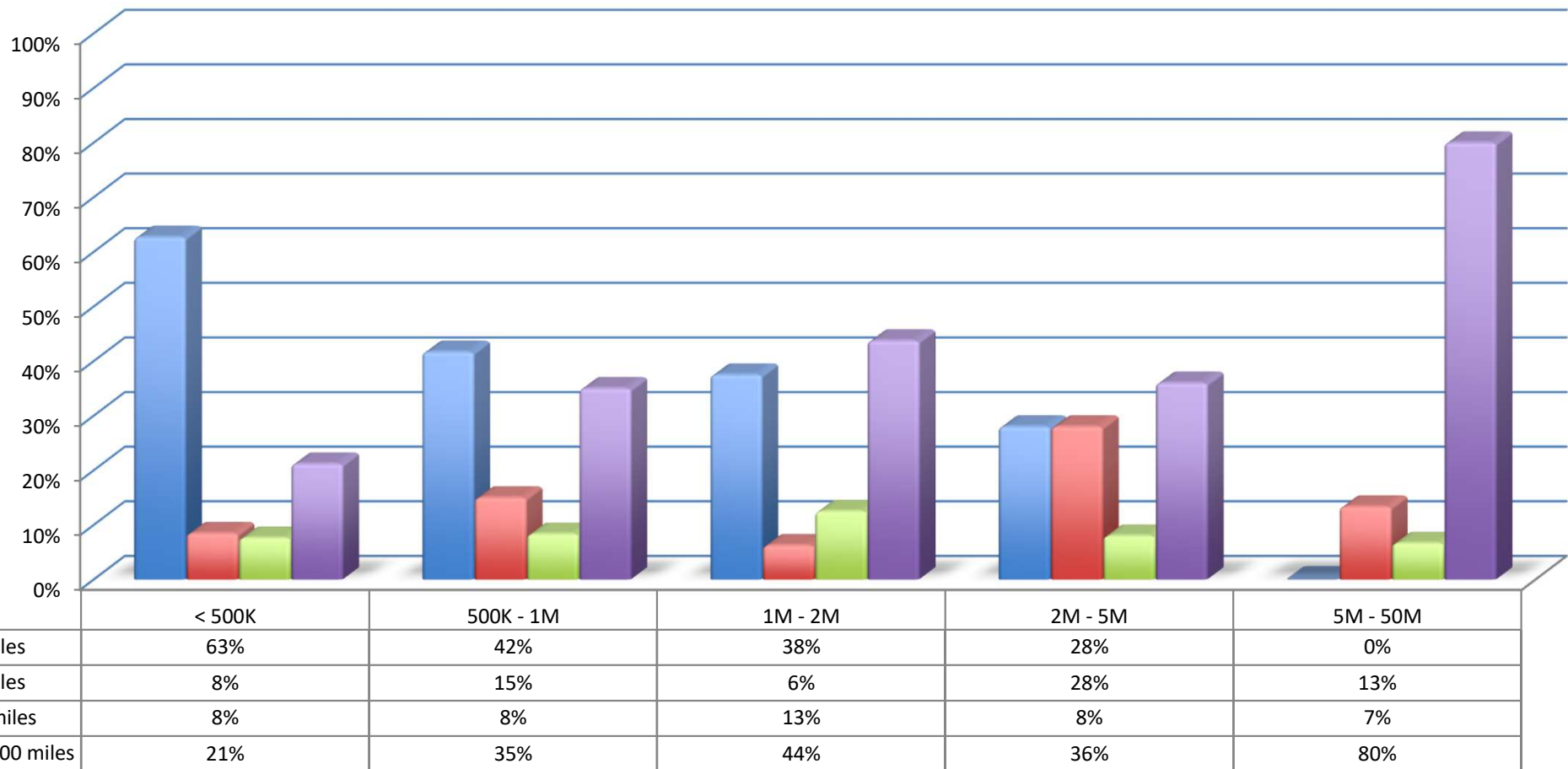


1st time individual	39%	37%	27%	36%	13%
individual who owned a business	34%	27%	29%	28%	7%
existing company/strategic buyer	25%	30%	38%	24%	27%
PE firm - Platform	1%	0%	0%	4%	33%
PE firm - Add-on	0%	3%	4%	4%	20%
Other	1%	3%	2%	4%	0%

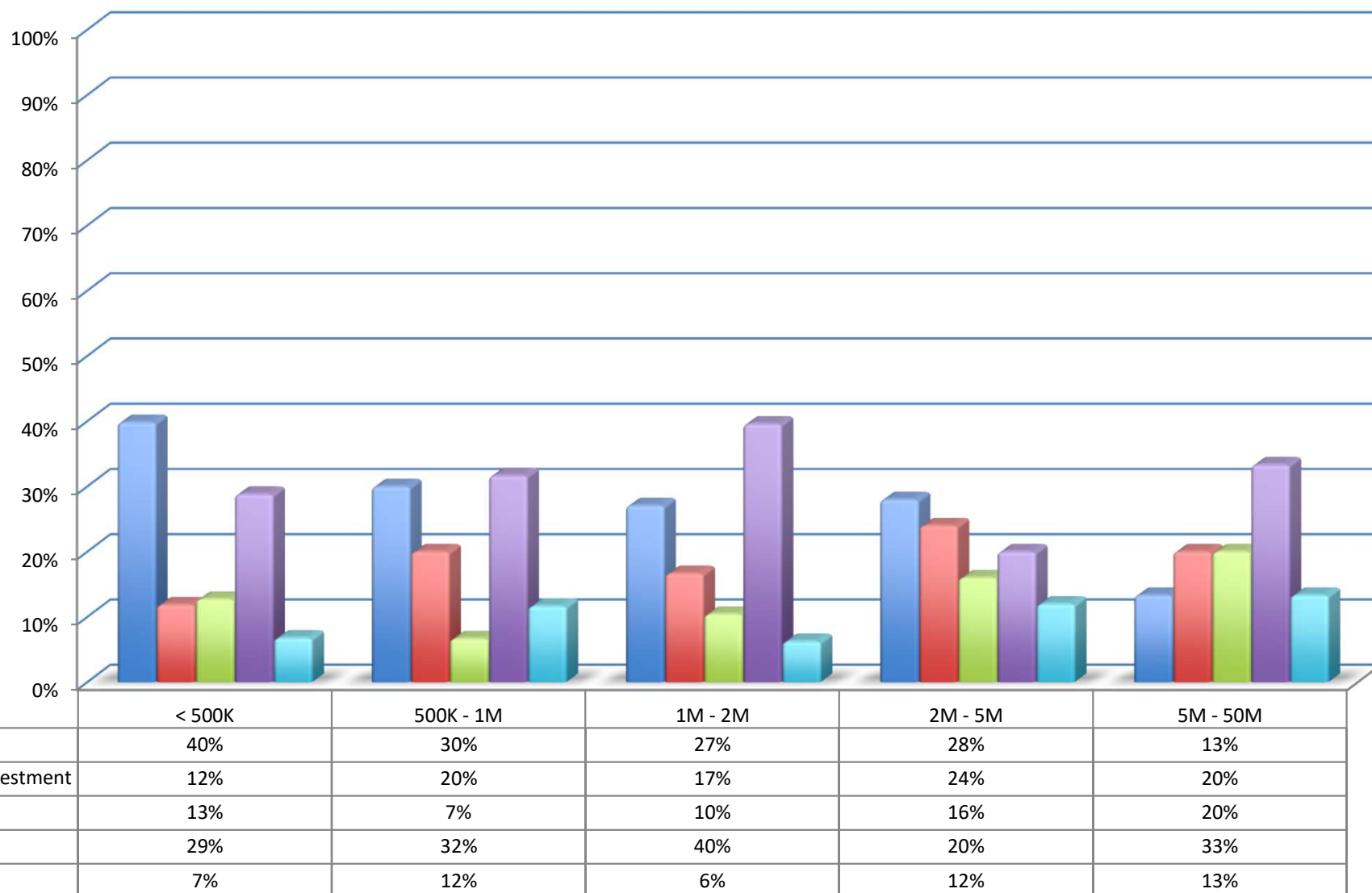
#1 Reason for Seller to Go to Market



Buyer Location



#1 Motivation for Buyer



Buying a job	40%
Better ROI than other investment	12%
Vertical add-on	13%
Horizontal add-on	29%
Other	7%

< 500K

500K - 1M

1M - 2M

2M - 5M

5M - 50M

40%

30%

27%

28%

13%

12%

20%

17%

24%

20%

13%

7%

10%

16%

20%

29%

32%

40%

20%

33%

7%

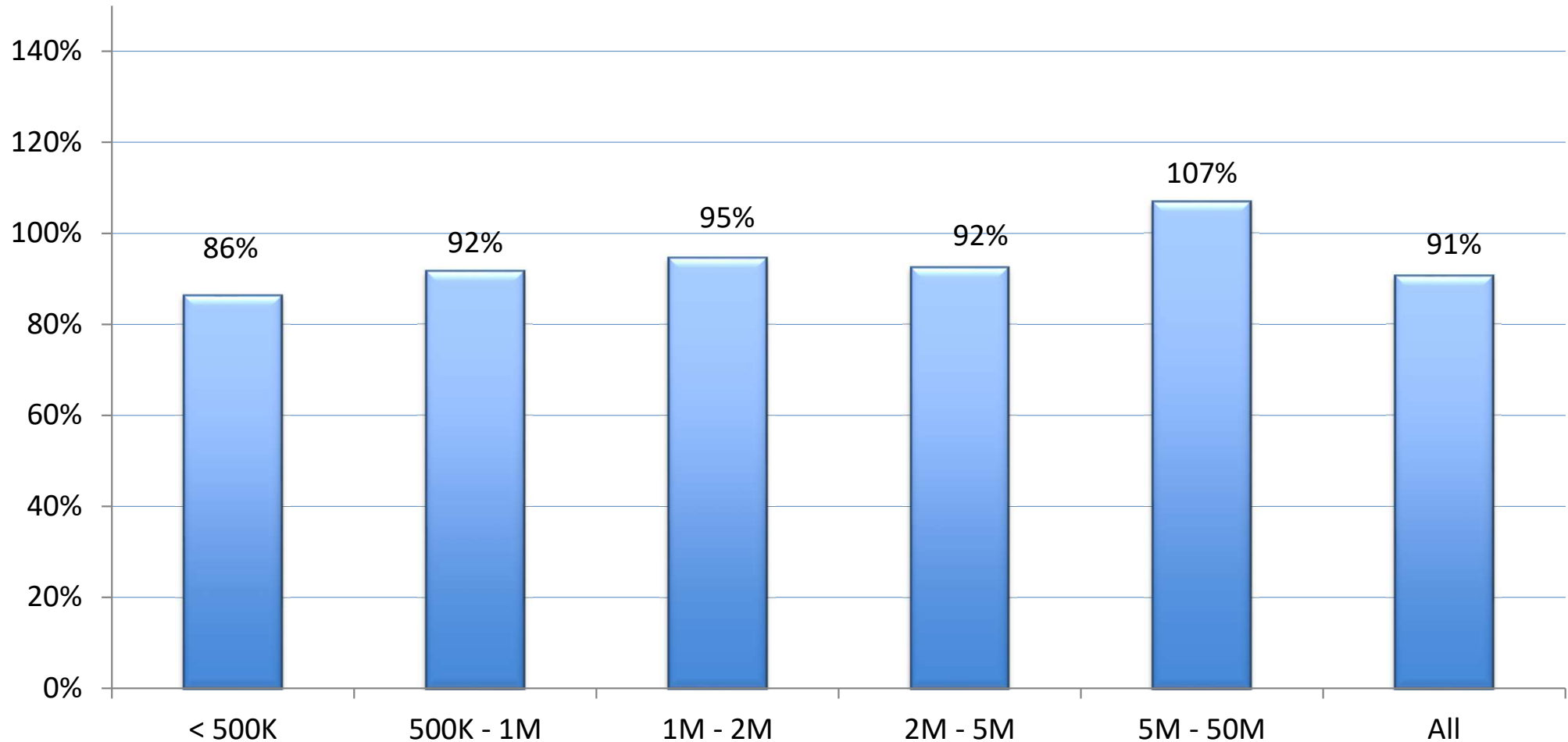
12%

6%

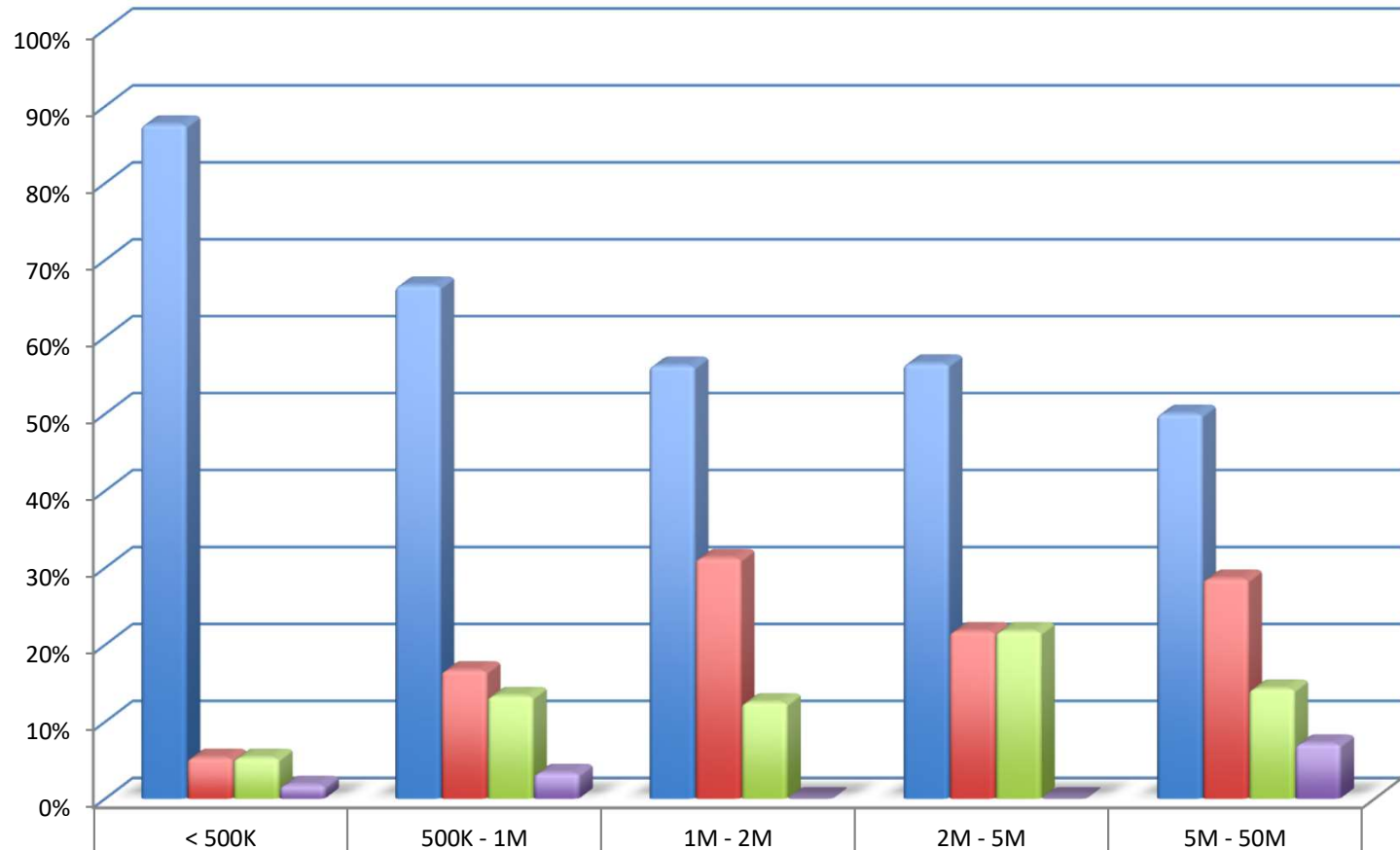
12%

13%

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

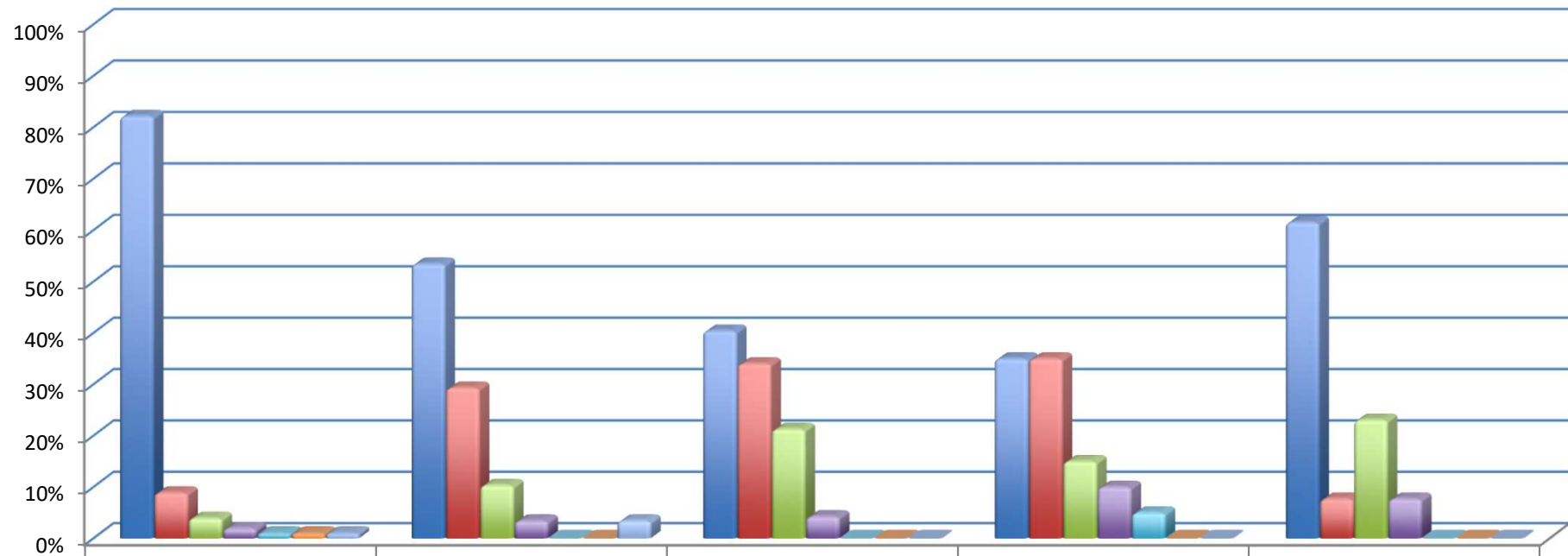


Exit Planning



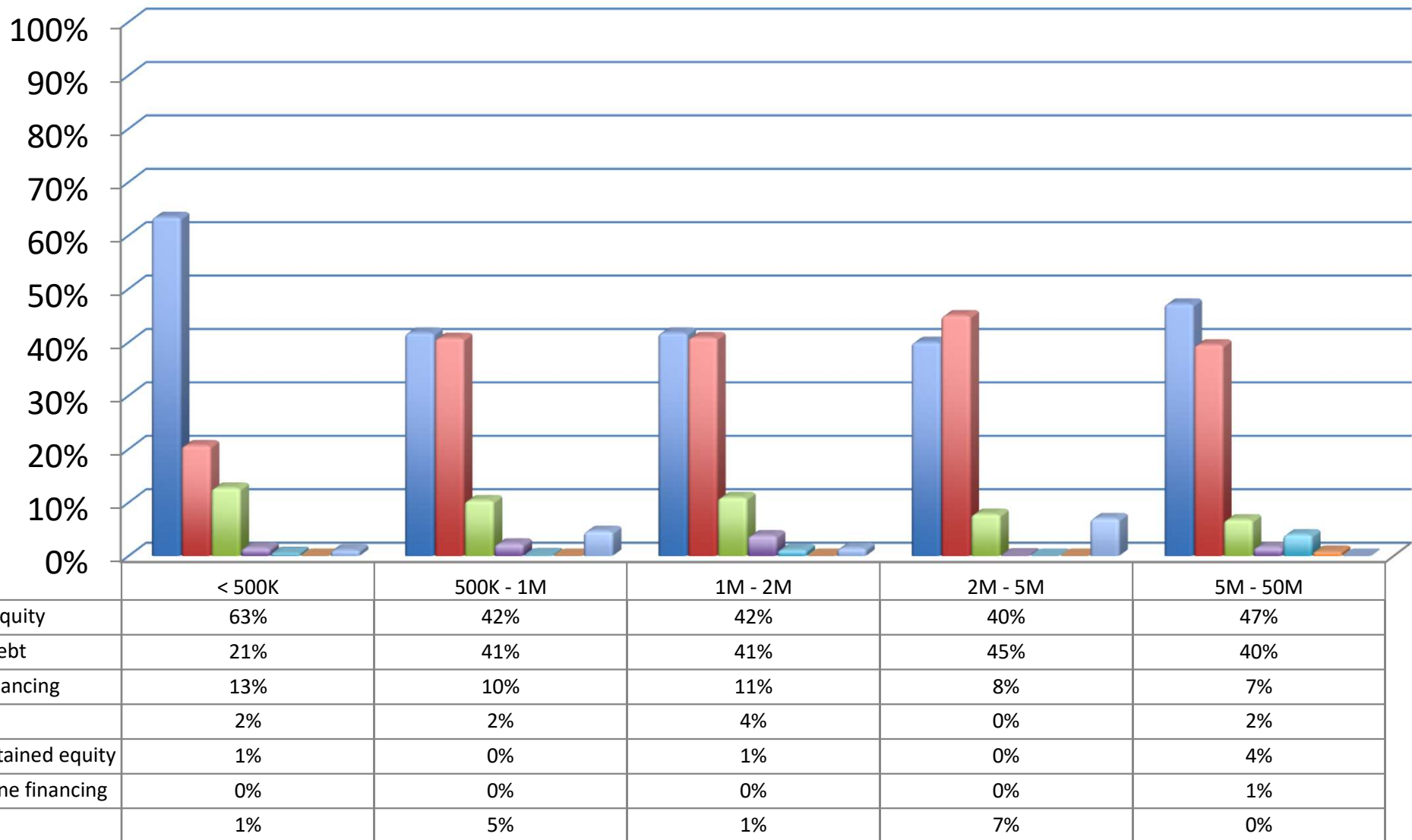
None - no formal planning prior to engagement to sell	88%	67%	56%	57%	50%
Met with an advisor (Wealth, CPA, Attorney) INCLUDING Broker for retirement needs prior to engaging broker	5%	17%	31%	22%	29%
Met with an advisor (Wealth, CPA, Attorney) for retirement needs prior to engaging broker (EXCLUDED Broker)	5%	13%	13%	22%	14%
N/A Represented Buyer	2%	3%	0%	0%	7%

Amount Of Exit Planning Prior To Marketing Business



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ none	82%	53%	40%	35%	62%
■ less than 1 year	9%	29%	34%	35%	8%
■ between 1 and 2 years	4%	10%	21%	15%	23%
■ between 2 and 3 years	2%	3%	4%	10%	8%
■ between 3 and 5 years	1%	0%	0%	5%	0%
■ greater than 5 years	1%	0%	0%	0%	0%
■ N/A represented buyer	1%	3%	0%	0%	0%

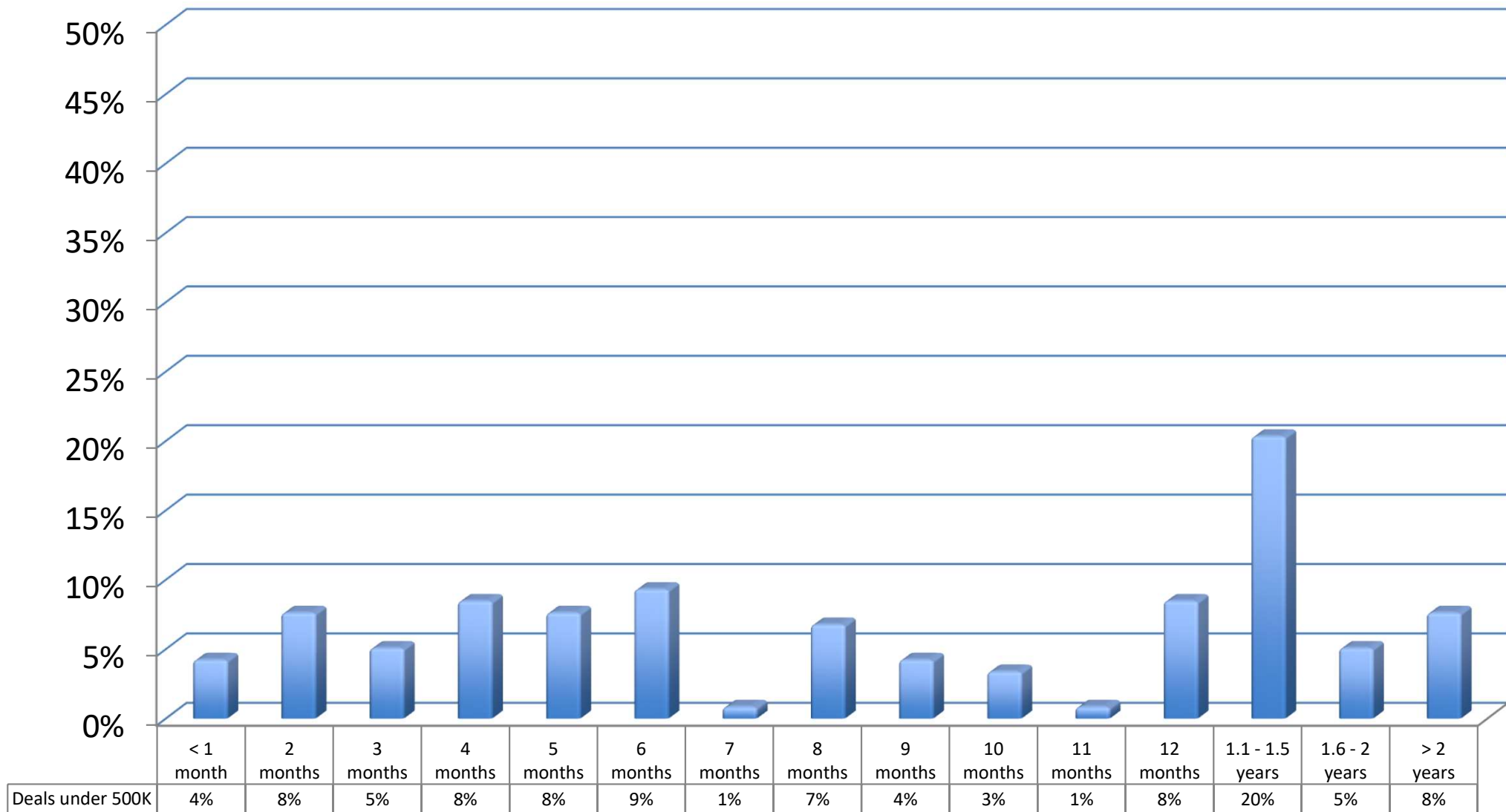
Financing Structure



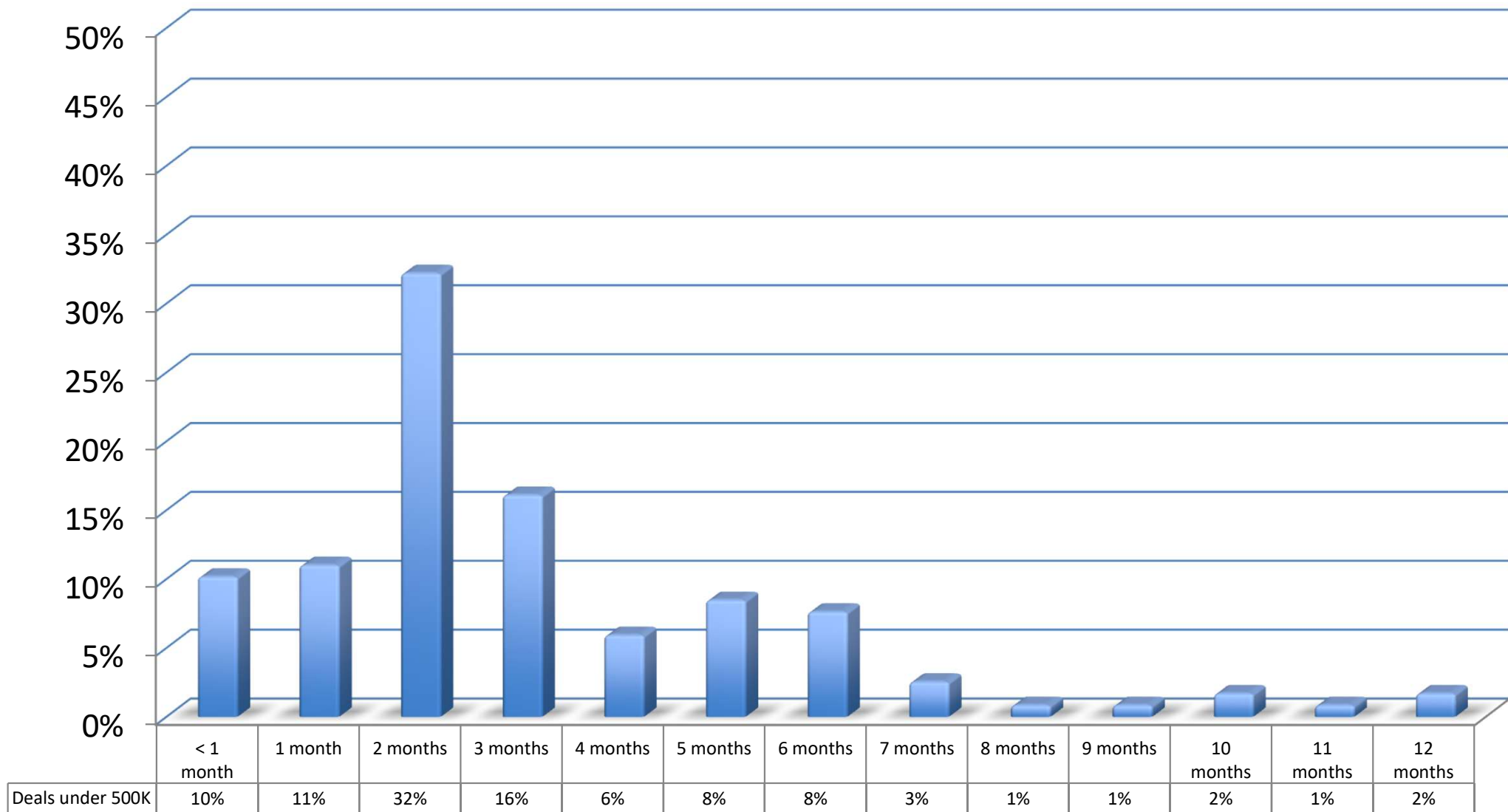
Business Transactions Valued under \$499,999

Number of Closed Transactions: 118

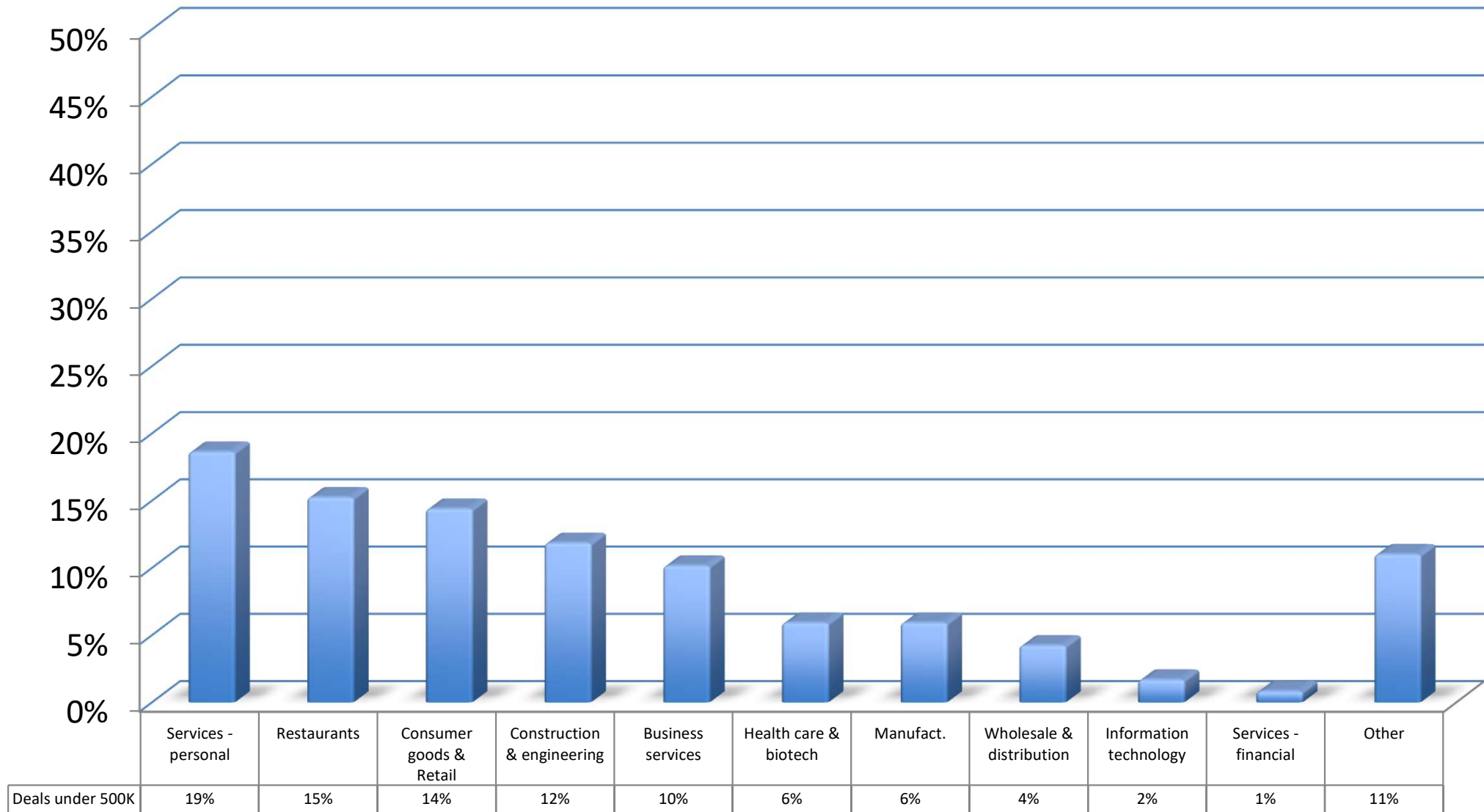
Engagement/Listing to Close



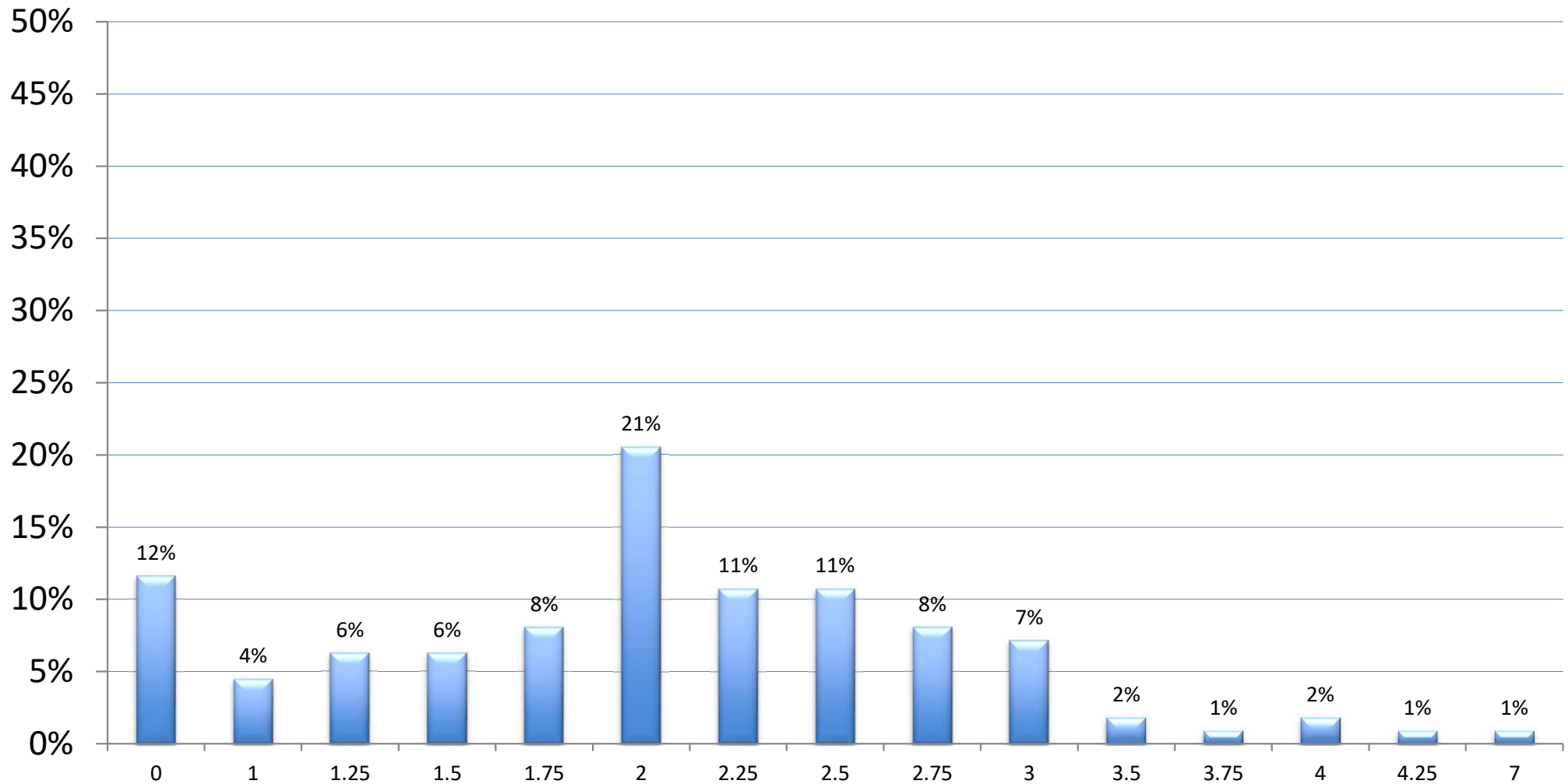
LOI/ Offer to Close



Industry

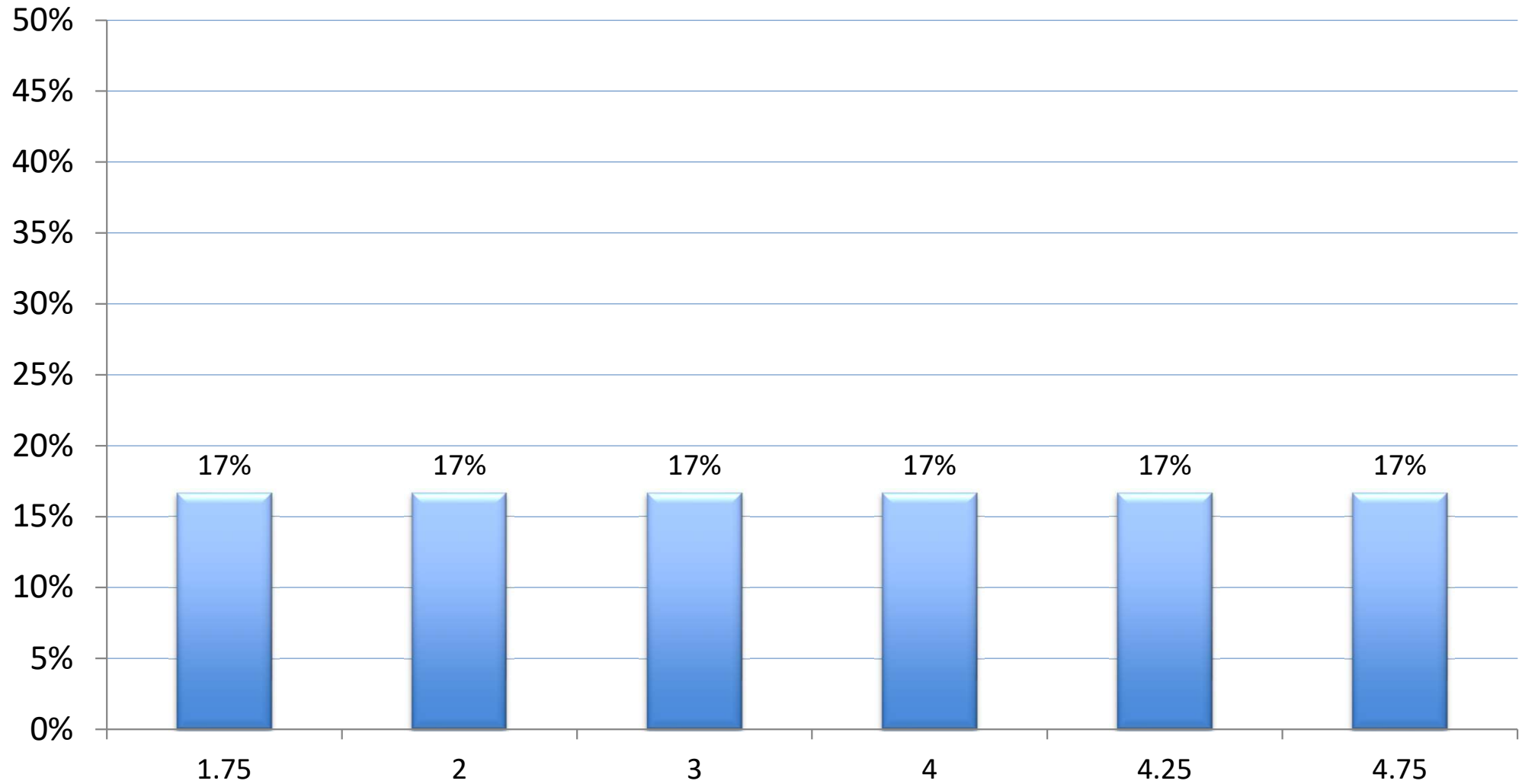


SDE Multiple Paid



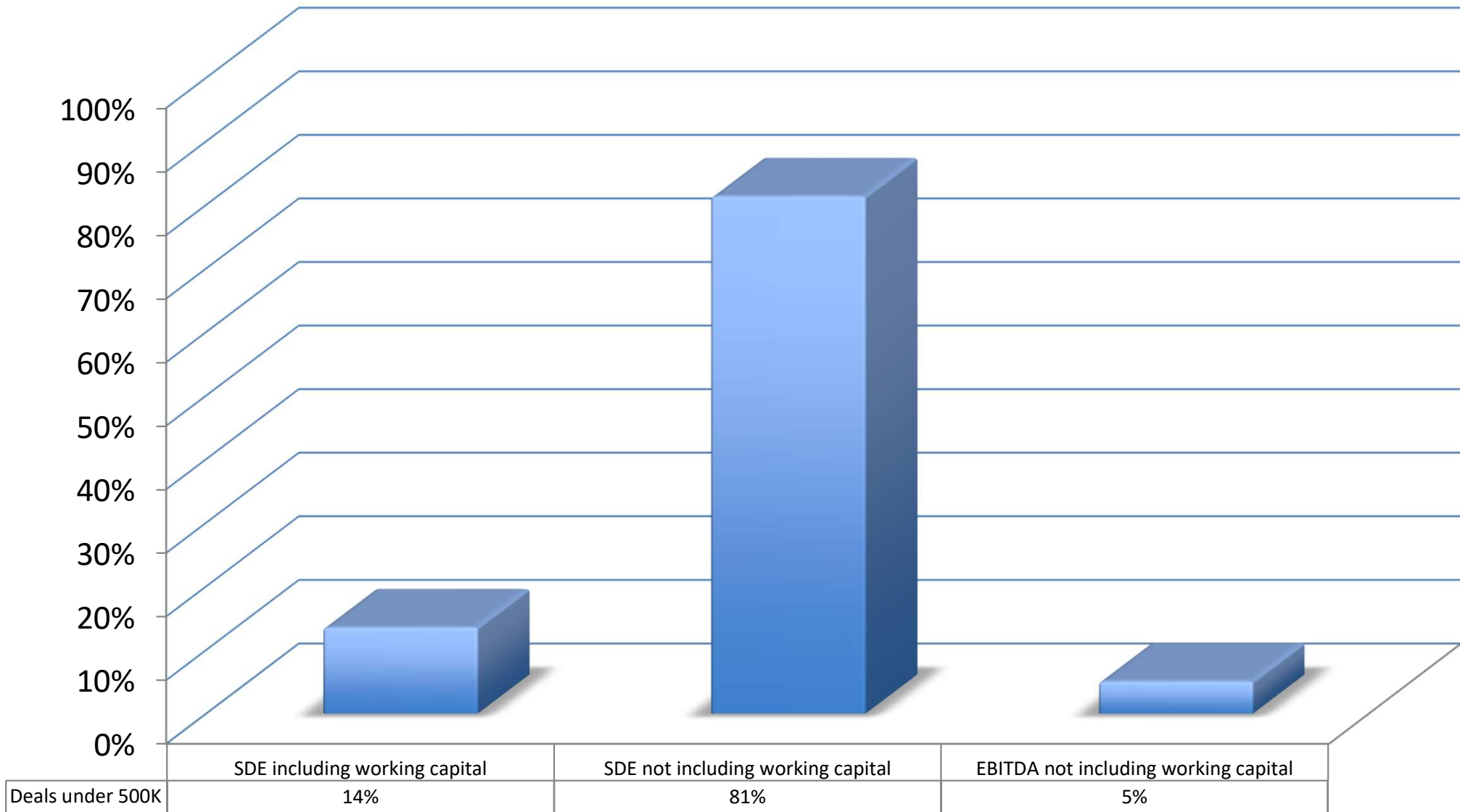
Number of responses: 112

EBITDA Multiple Paid

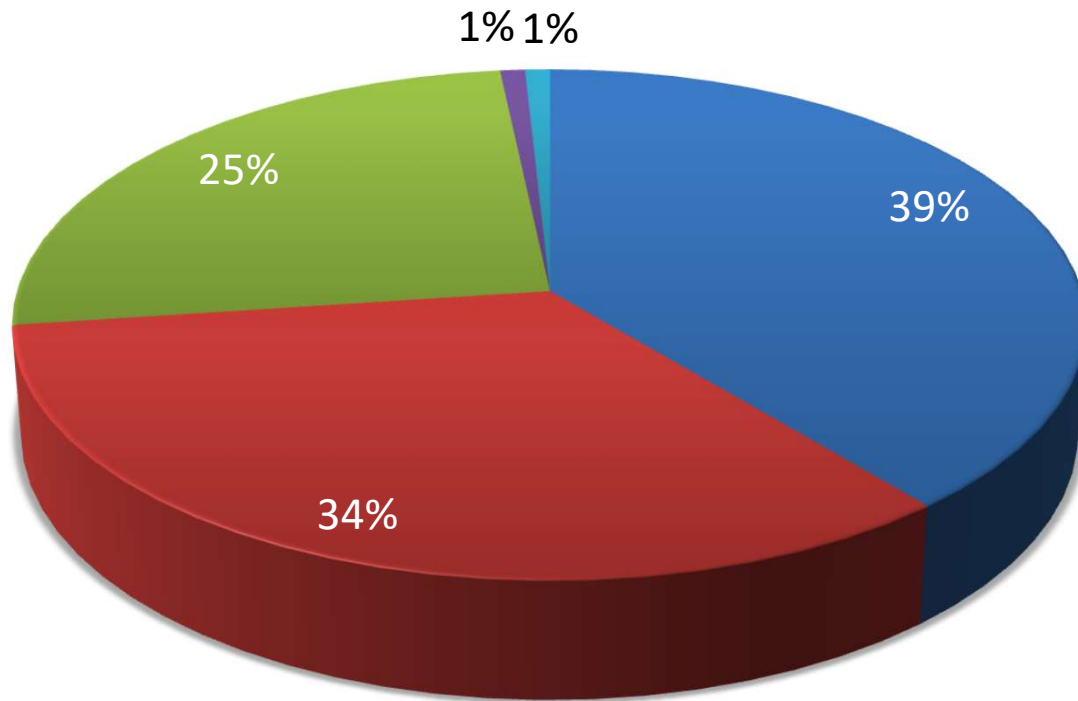


Number of responses: 16

Multiple Type



Buyer Type



■ 1st time individual

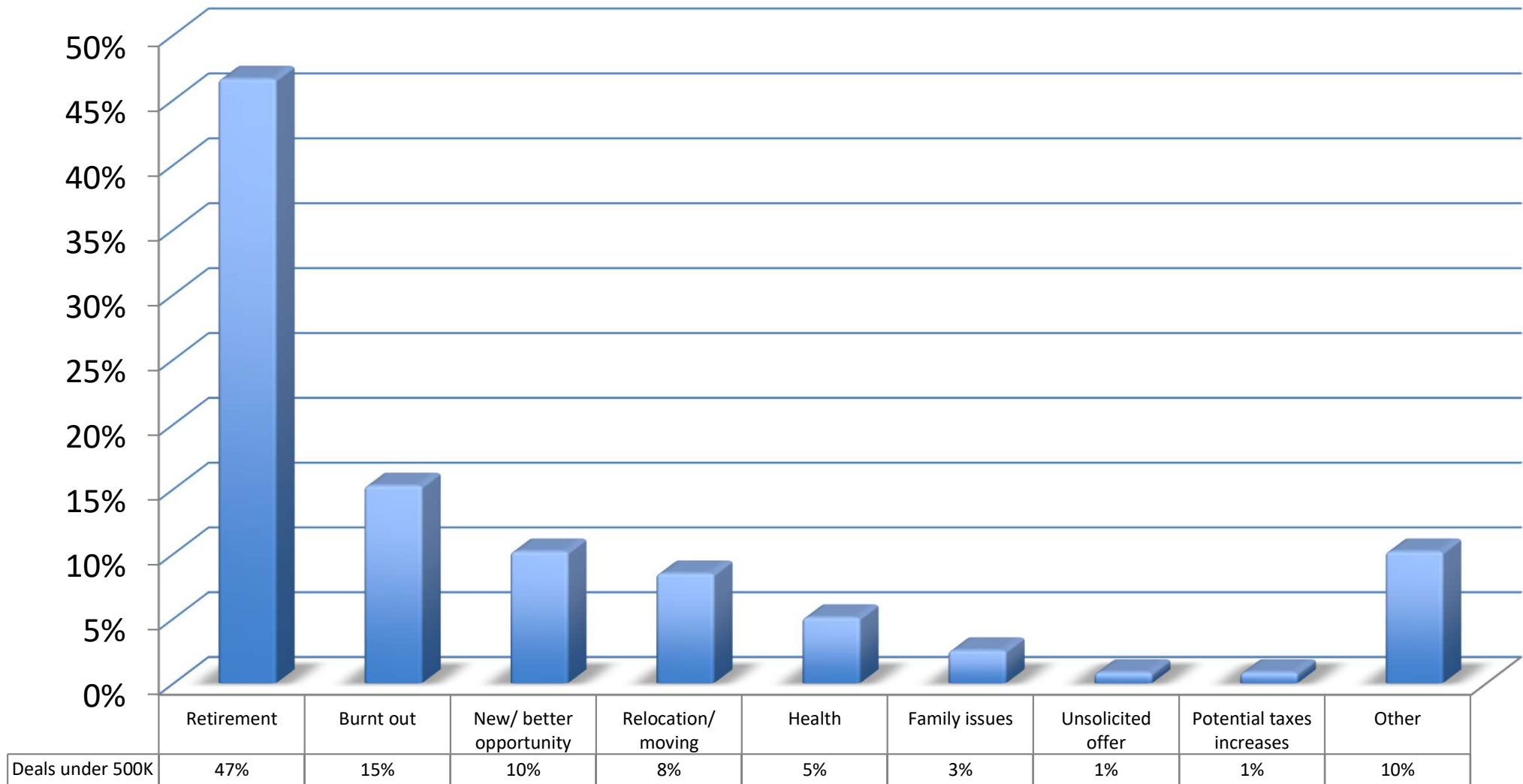
■ individual who owned a business

■ existing company/strategic buyer

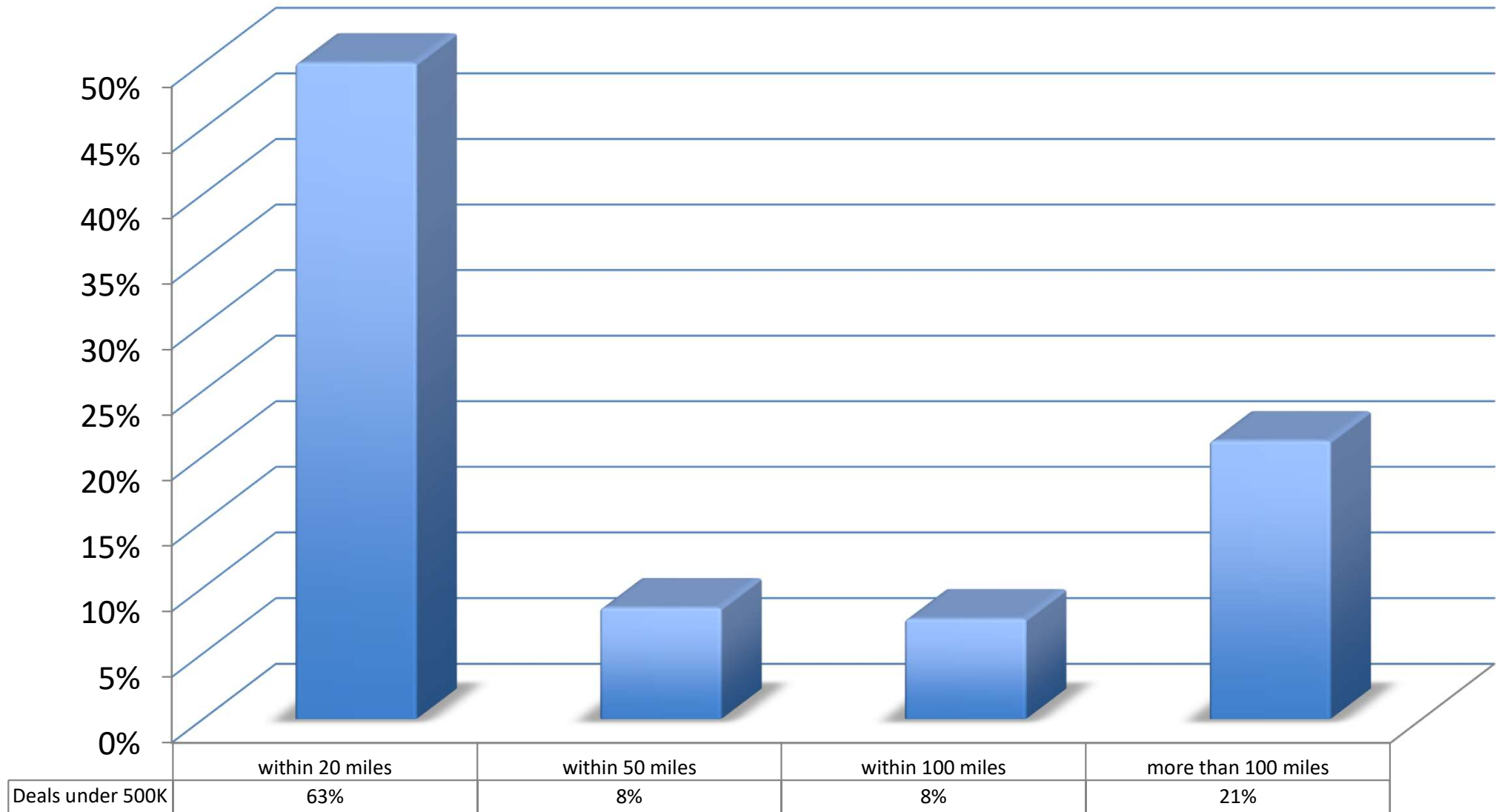
■ PE firm - Platform

■ Other

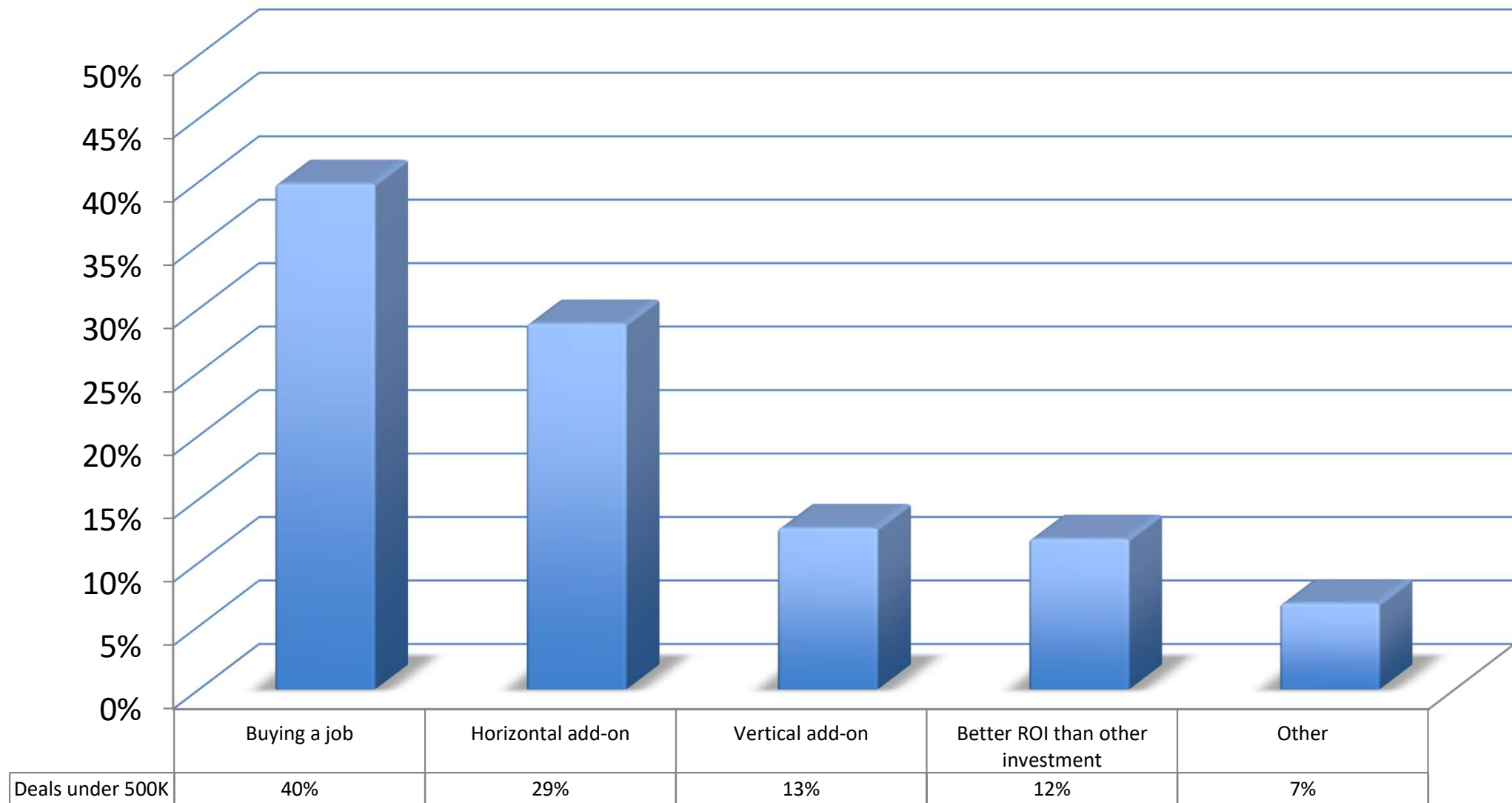
#1 Reason for Seller to Go to Market



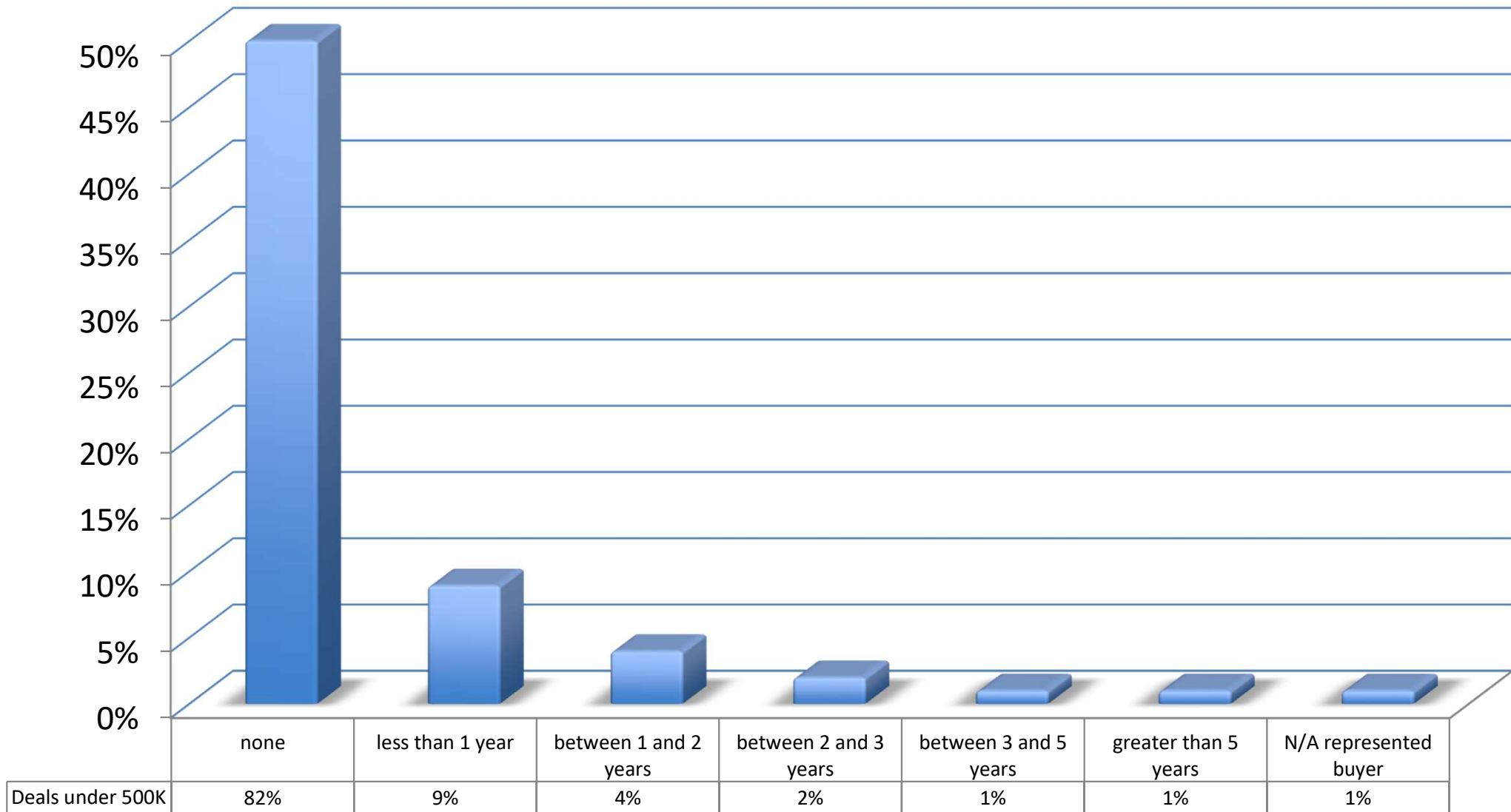
Buyer Location



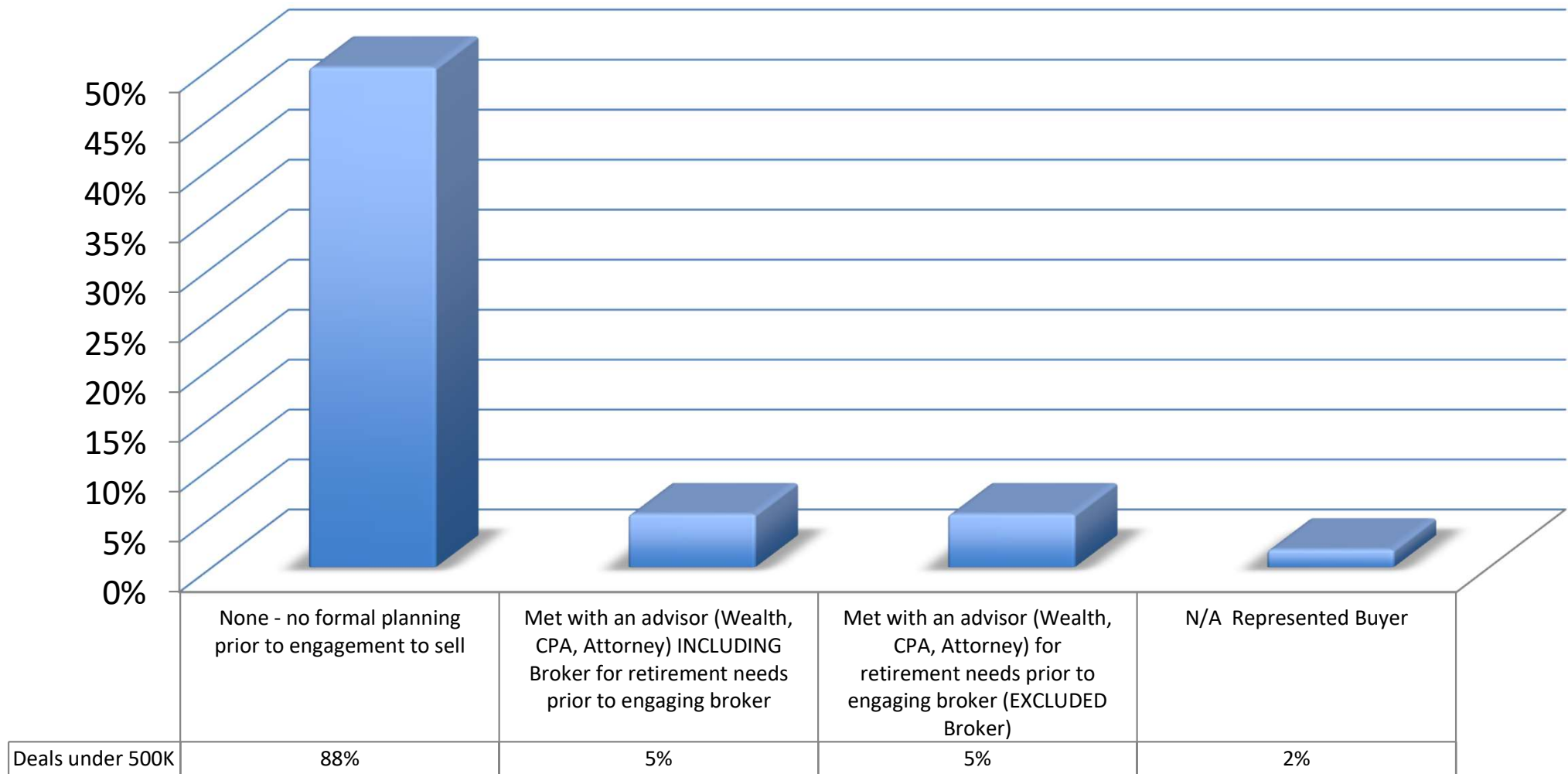
#1 Motivation for Buyer



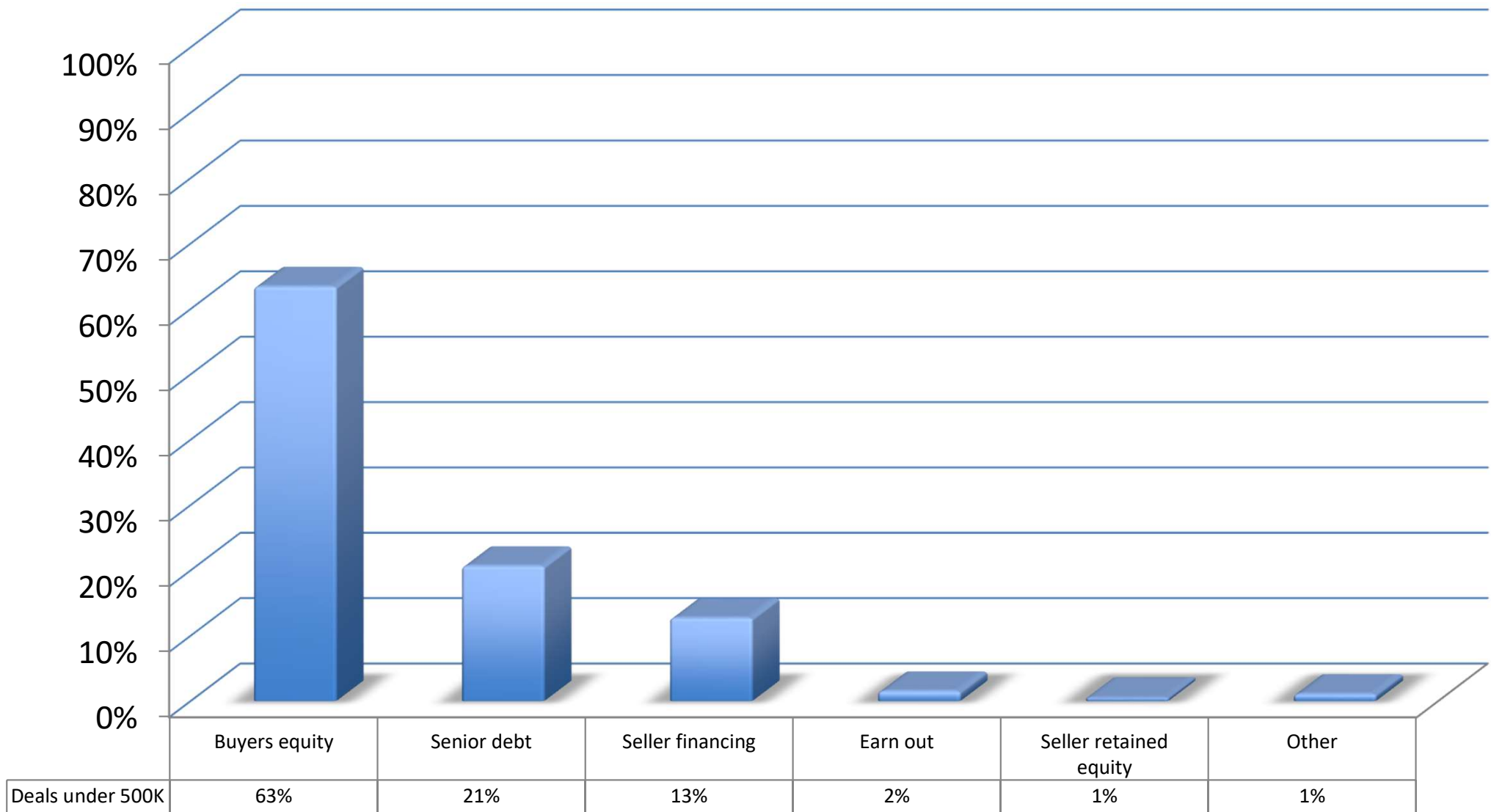
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

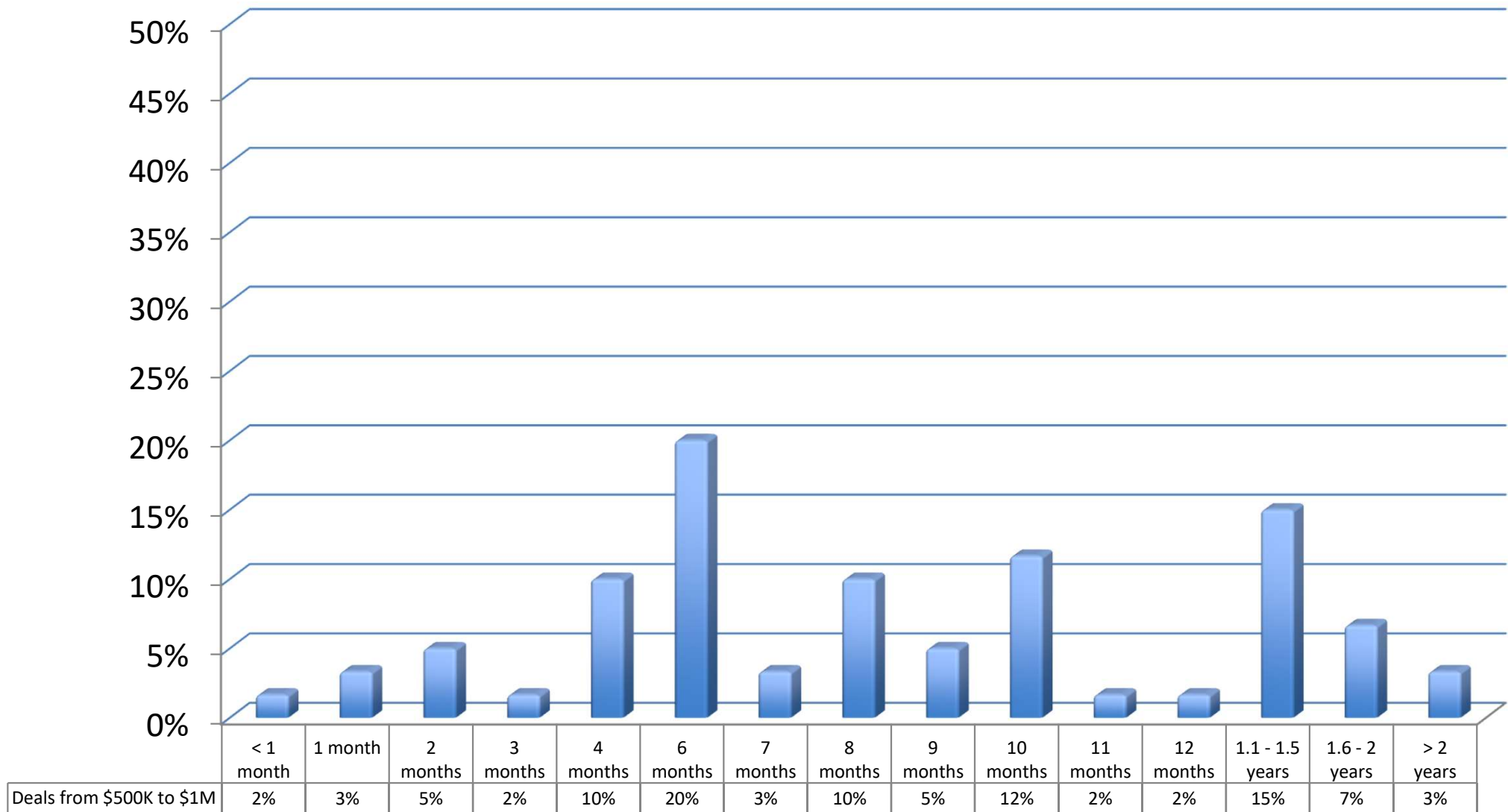


Financing Structure

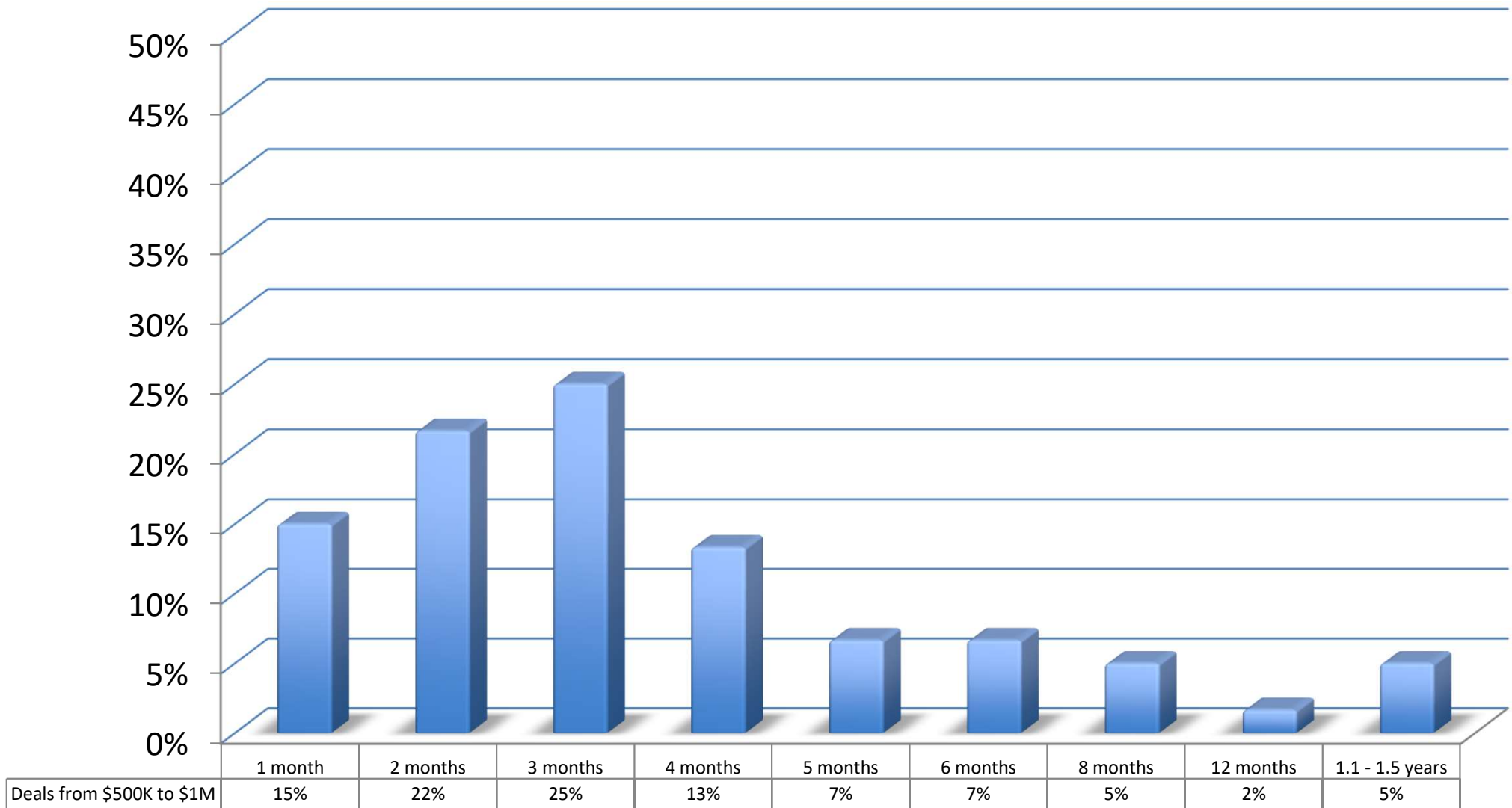


Business Transactions Valued
from \$500,000 to \$999,999
Number of Closed Transactions: 60

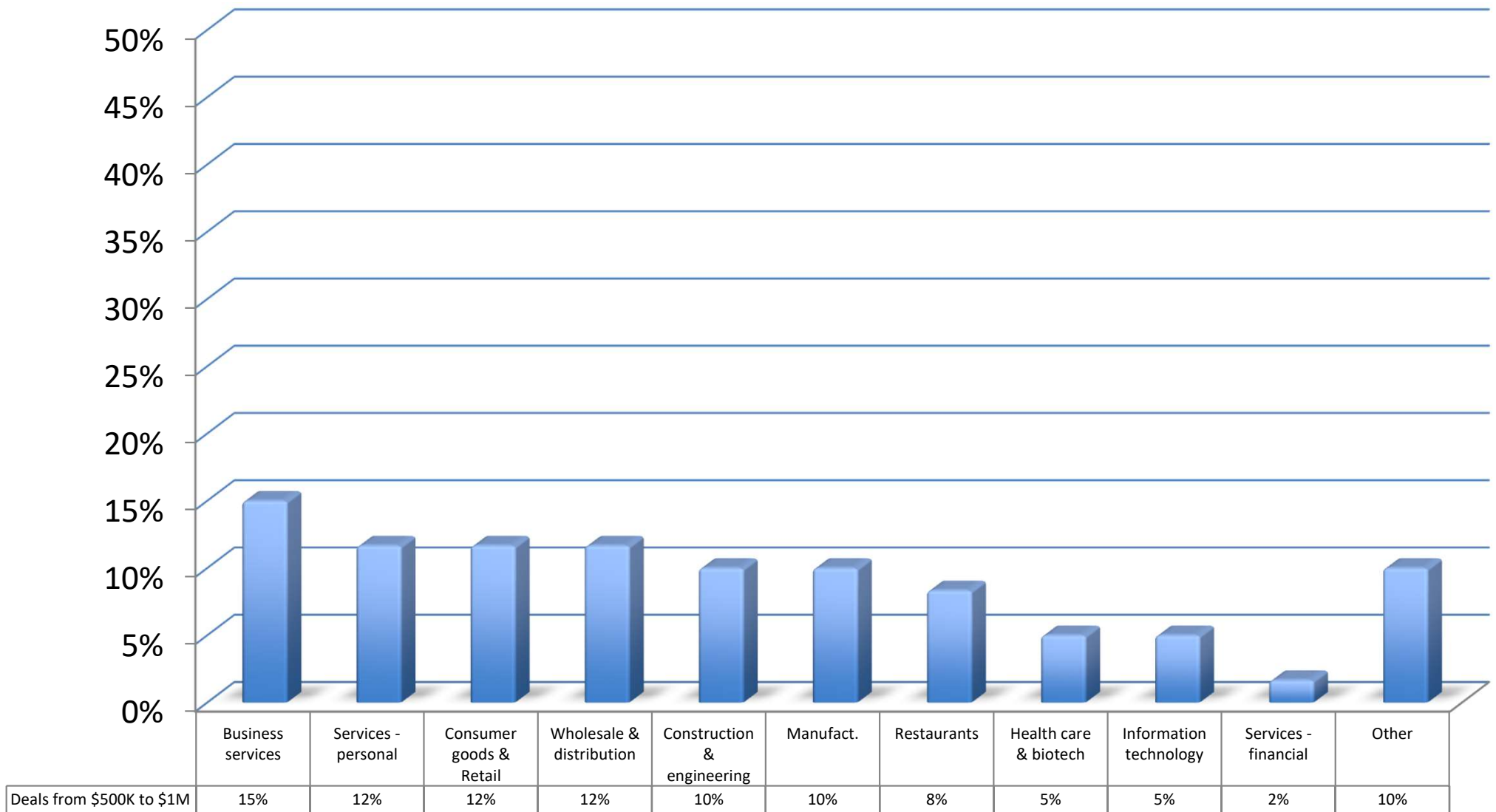
Engagement/Listing to Close



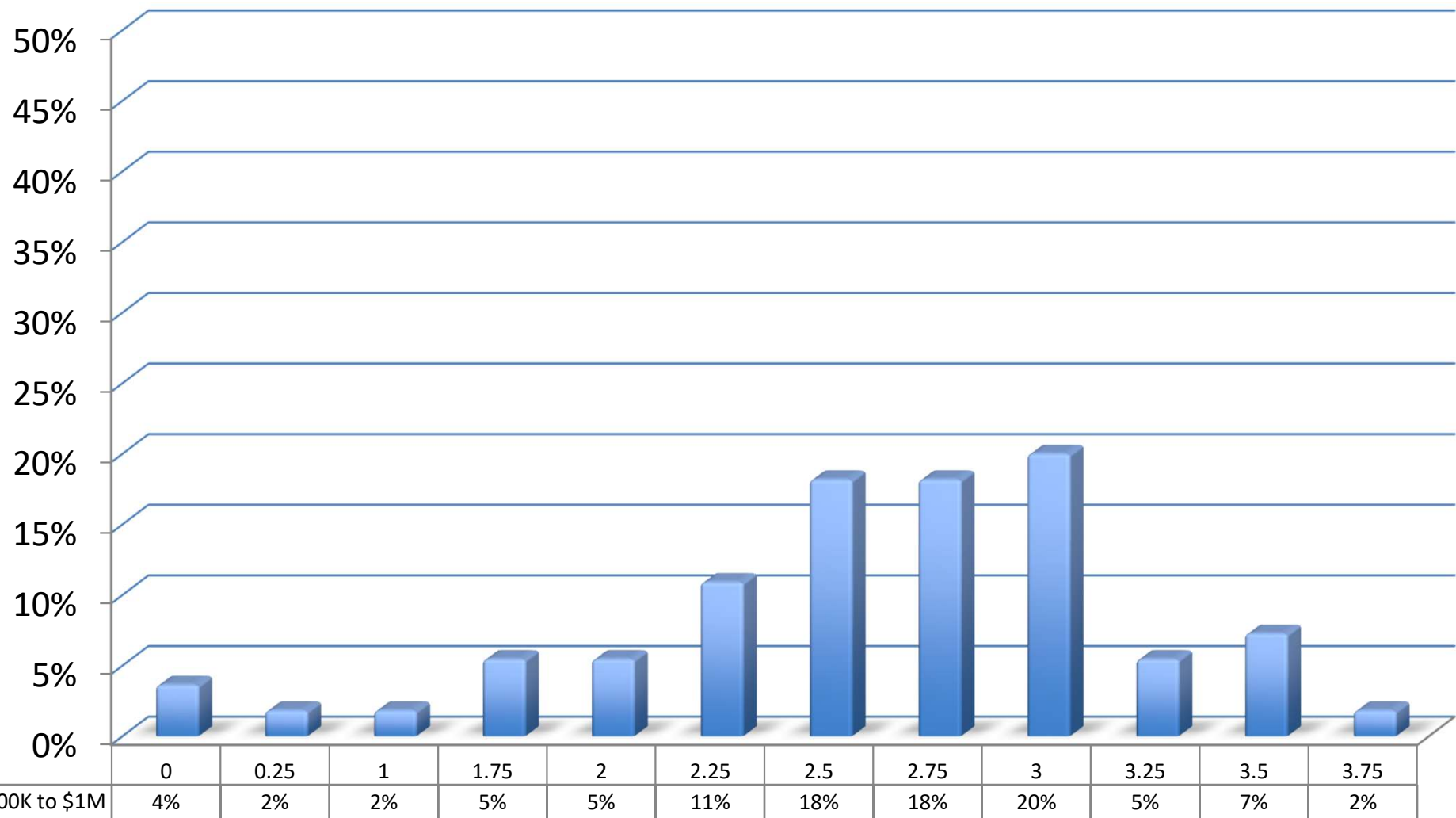
LOI/ Offer to Close



Industry

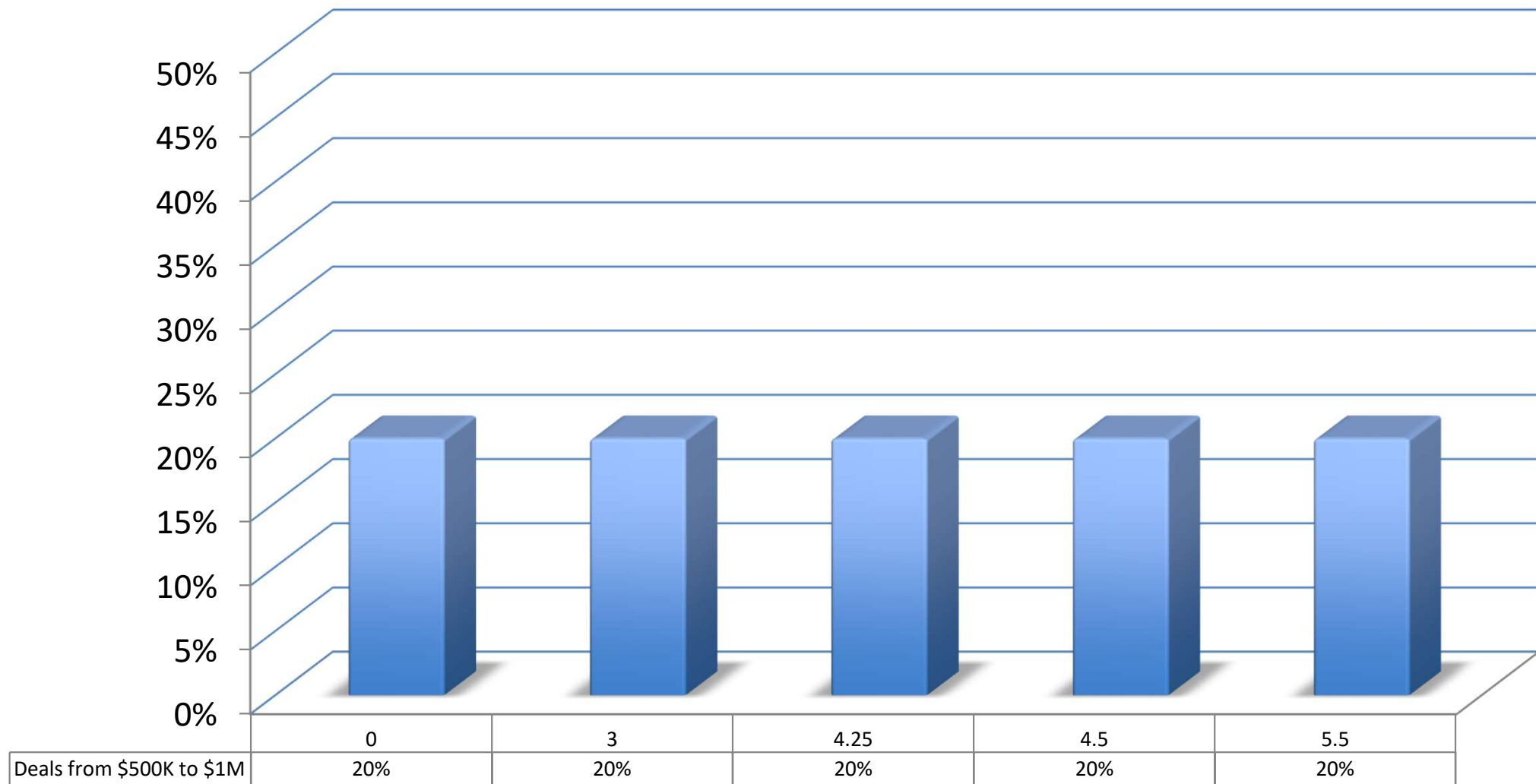


SDE Multiple Paid



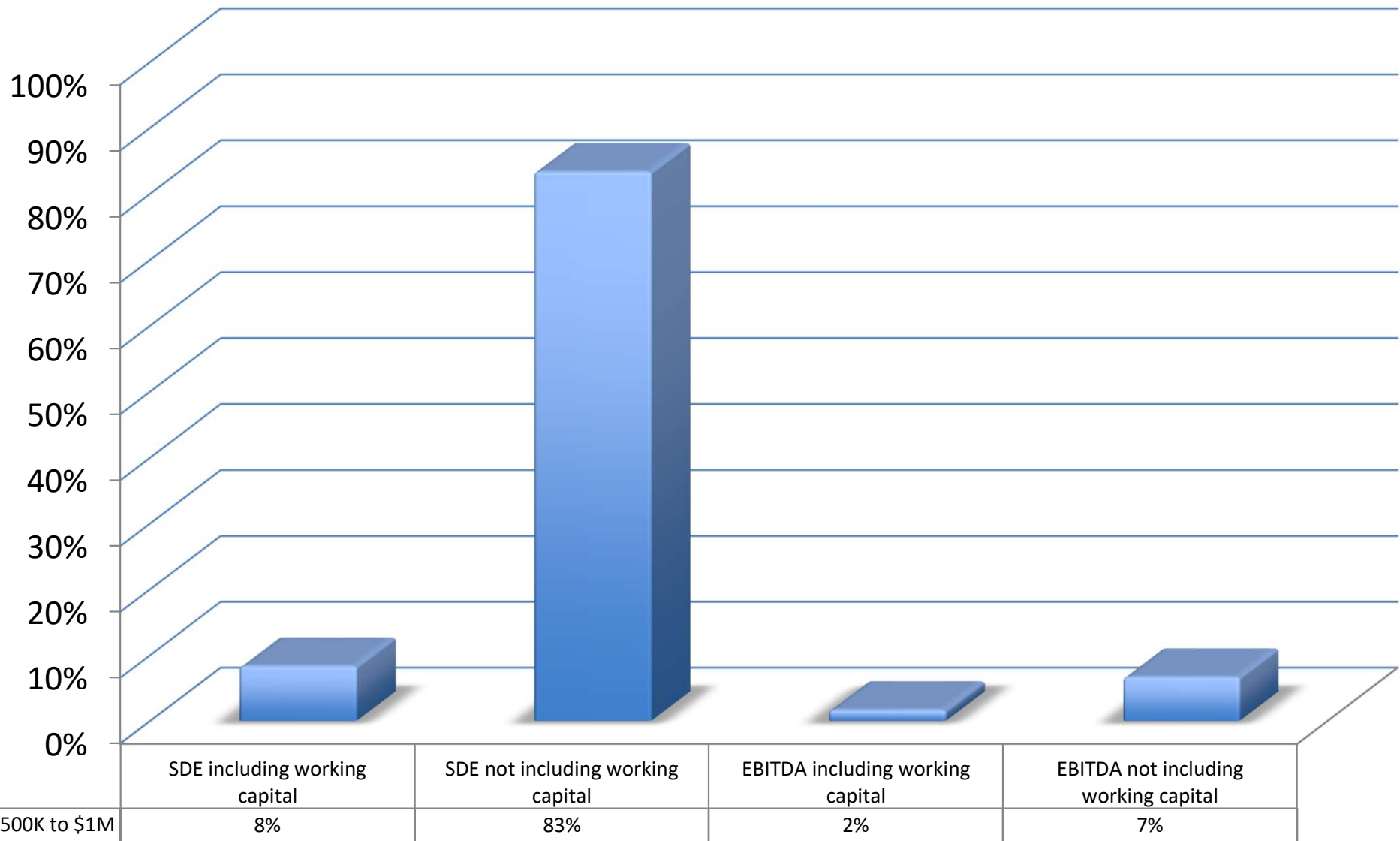
Number of responses: 55

EBITDA Multiple Paid

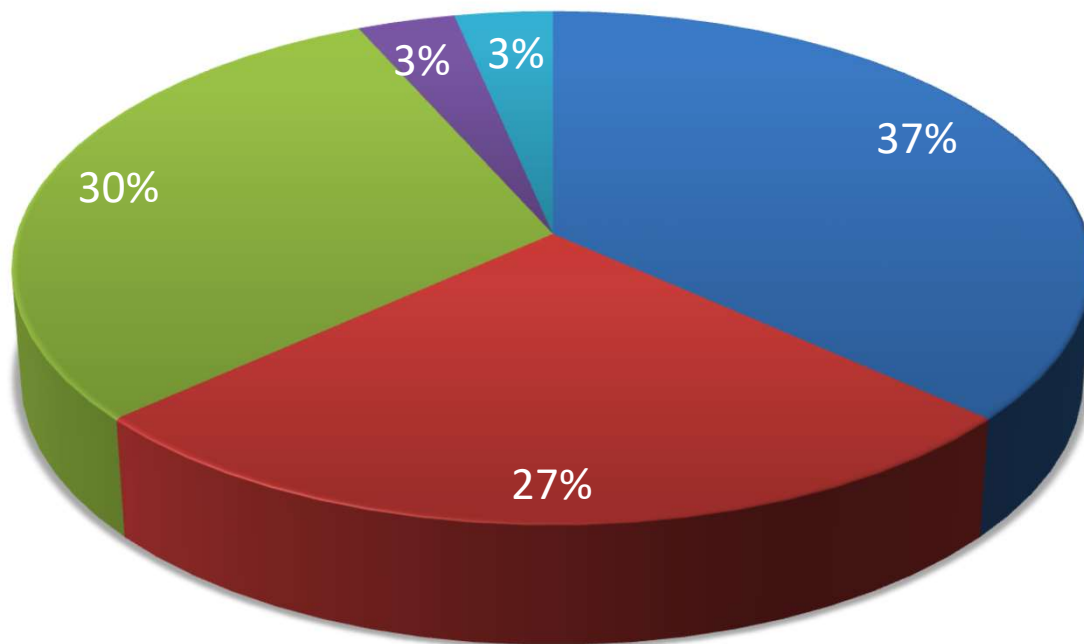


Number of responses: 5

Multiple Type



Buyer Type



■ 1st time individual

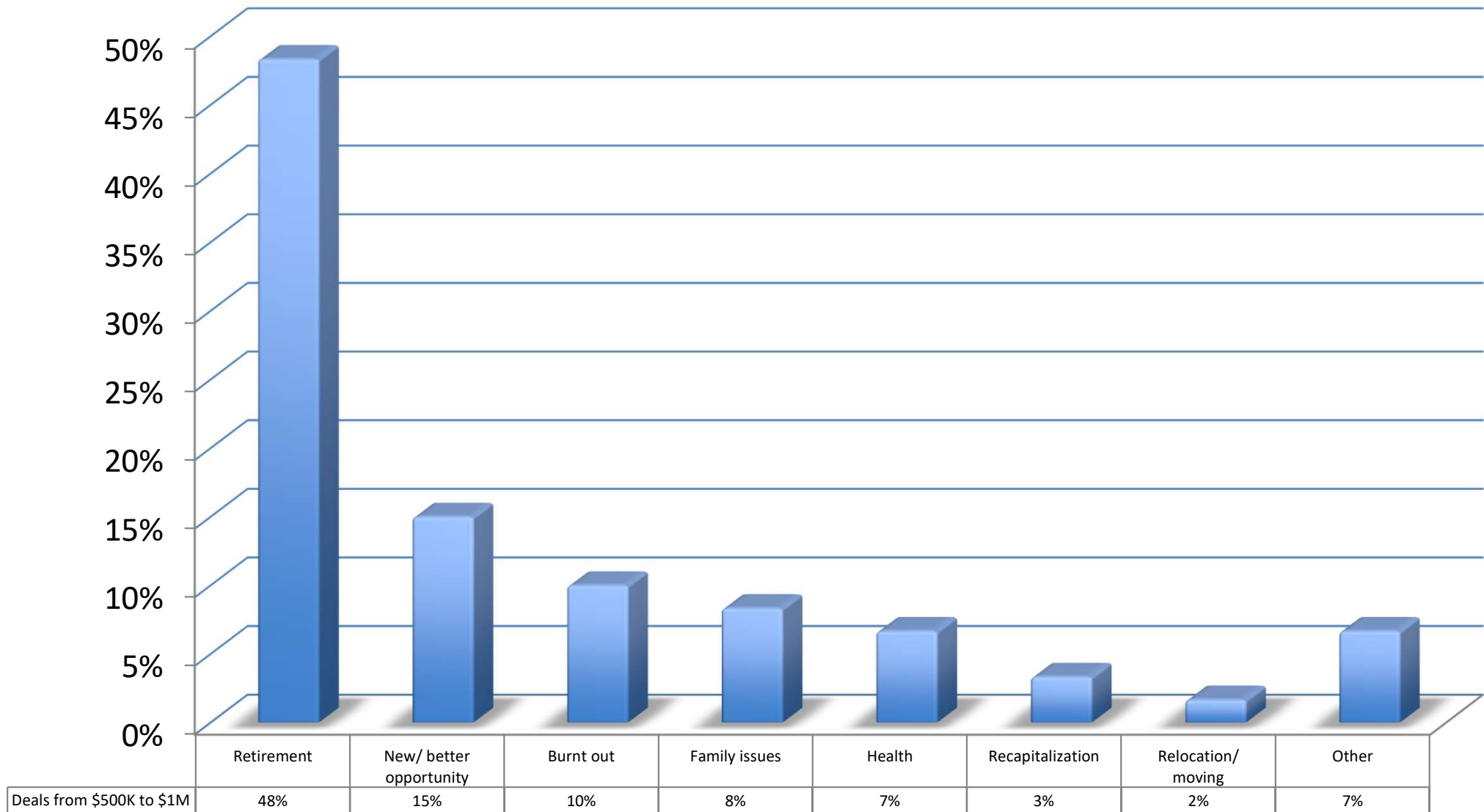
■ individual who owned a business

■ existing company/strategic buyer

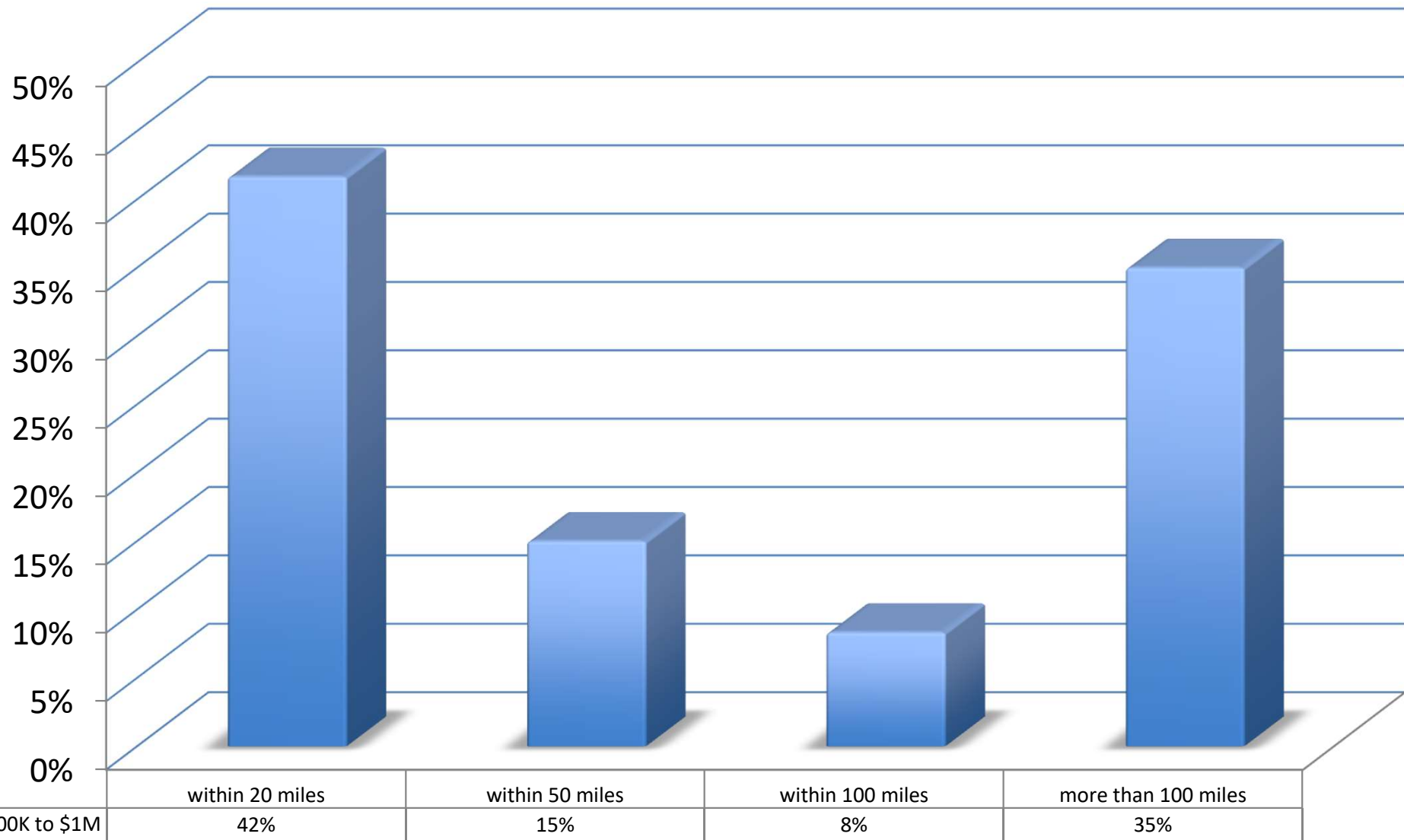
■ PE firm - Add-on

■ Other

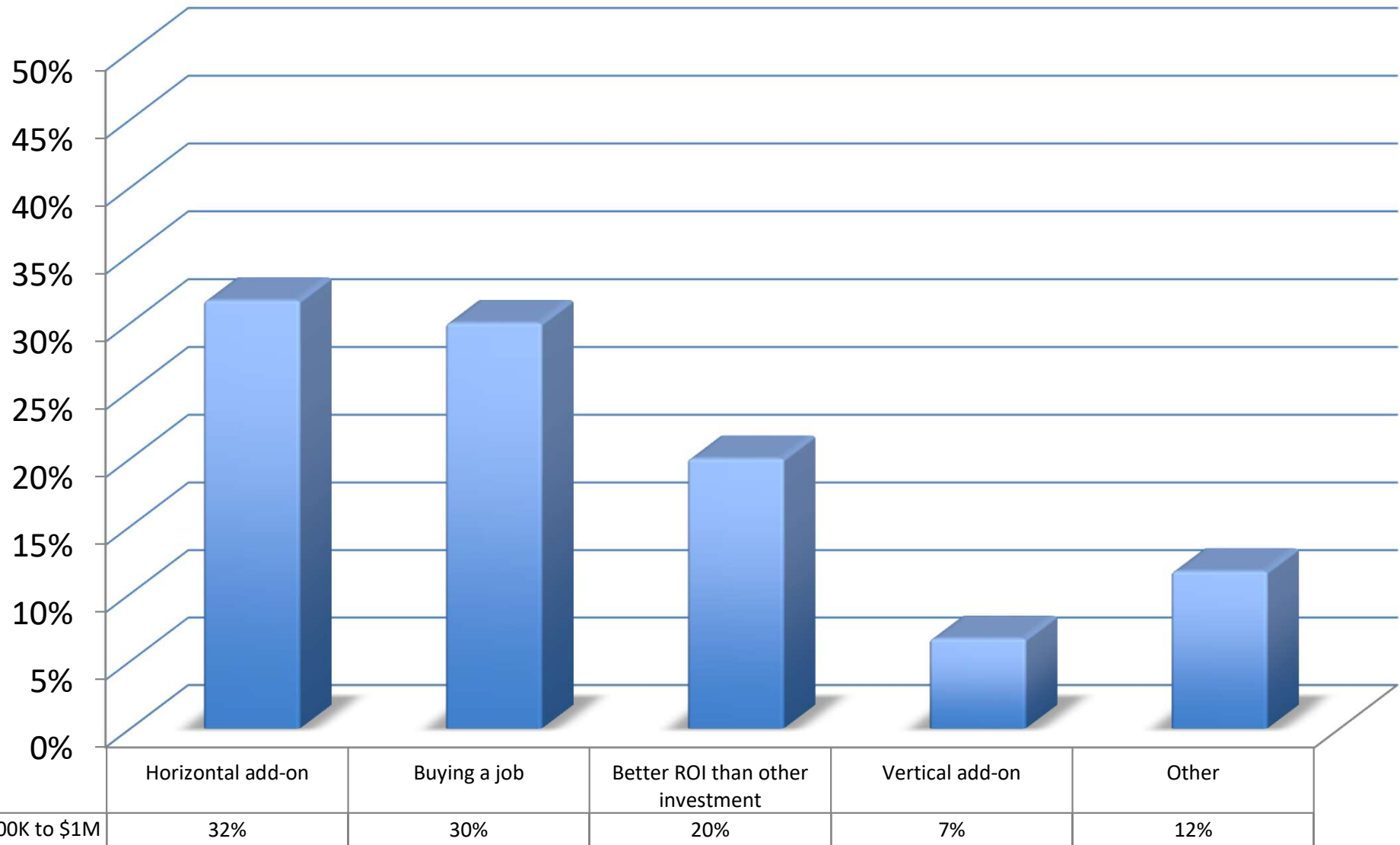
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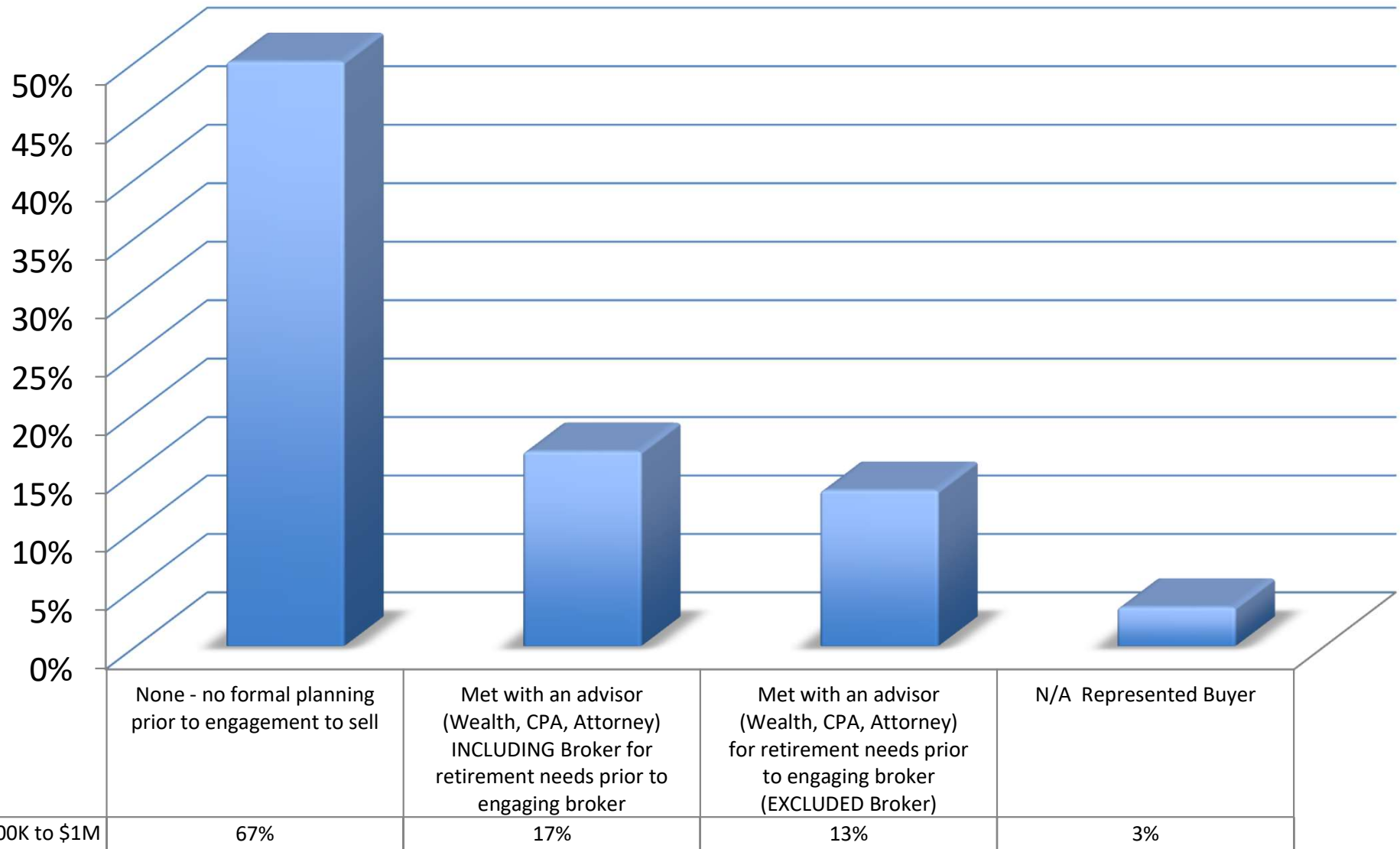
Buyer Location



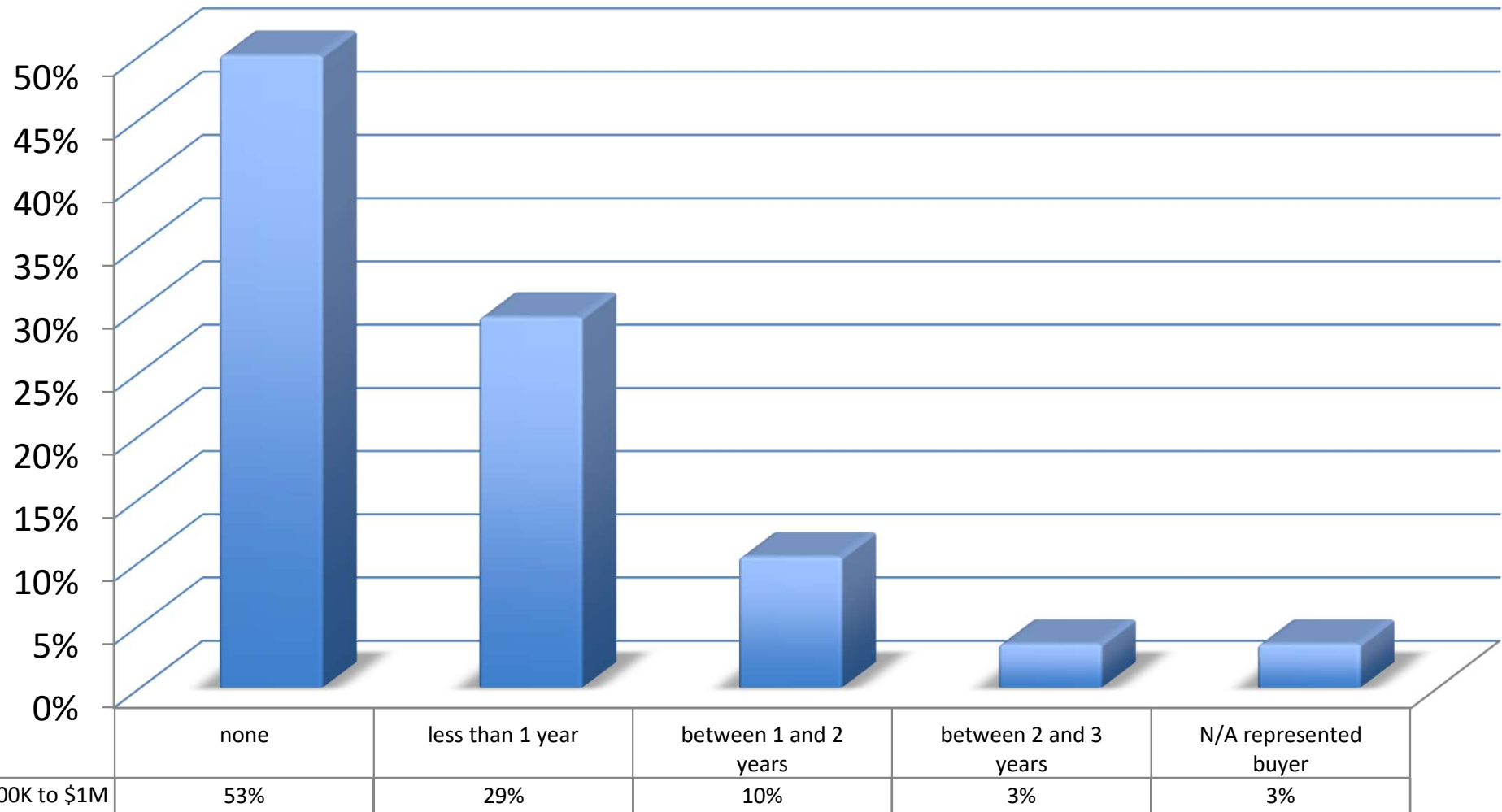
#1 Motivation for Buyer



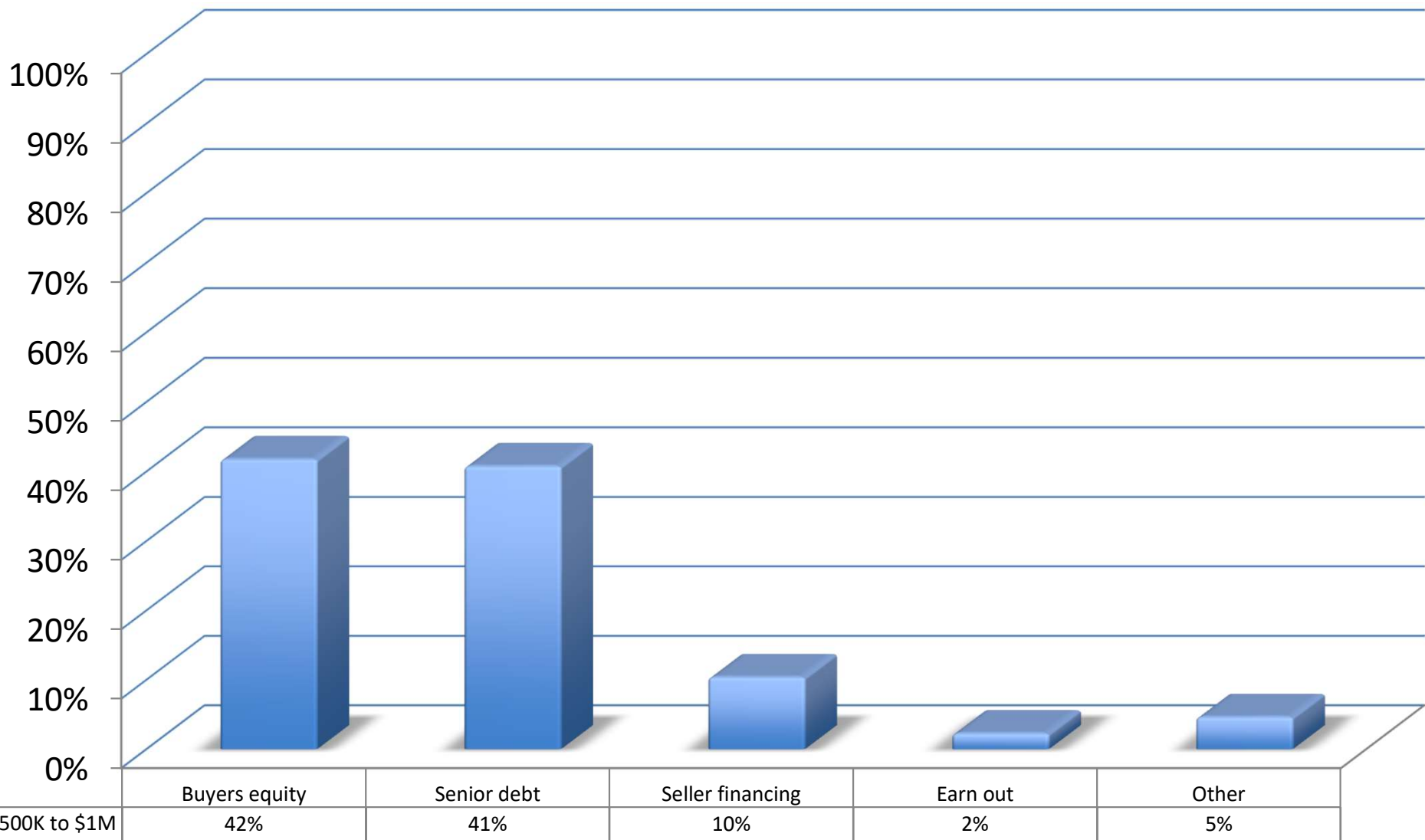
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

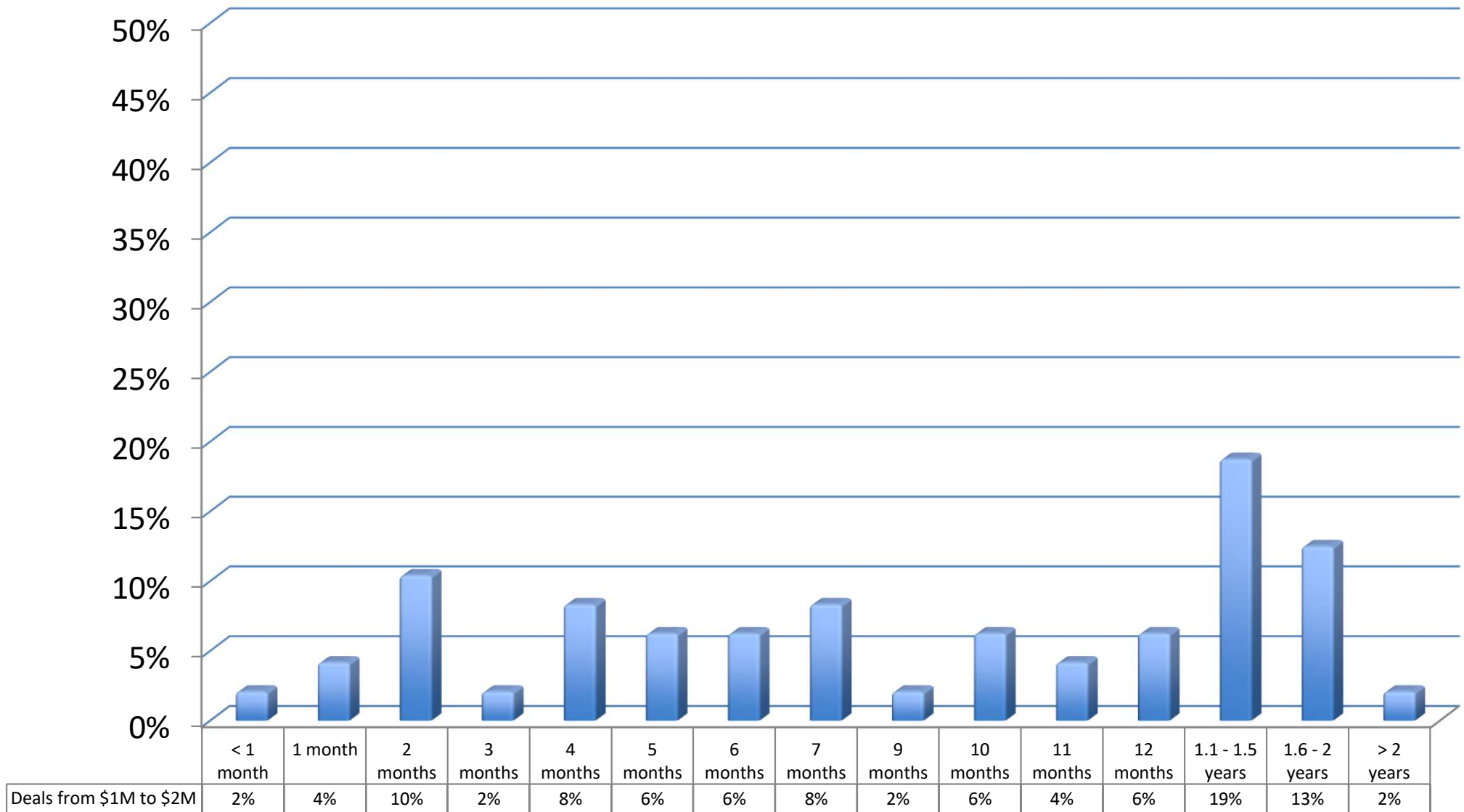


Financing Structure

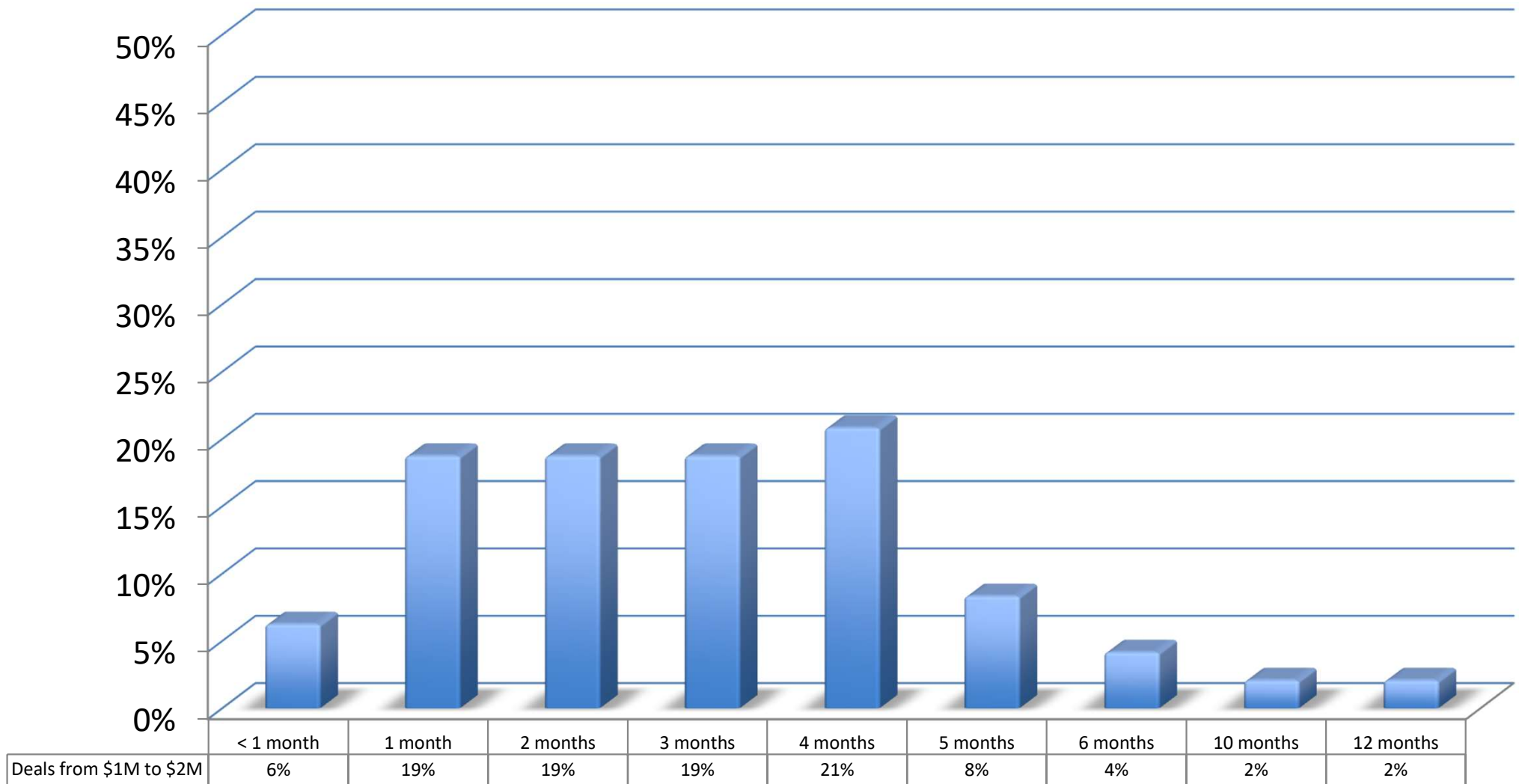


Business Transactions Valued
from \$1 Million to \$1.99 Million
Number of Closed Transactions: 48

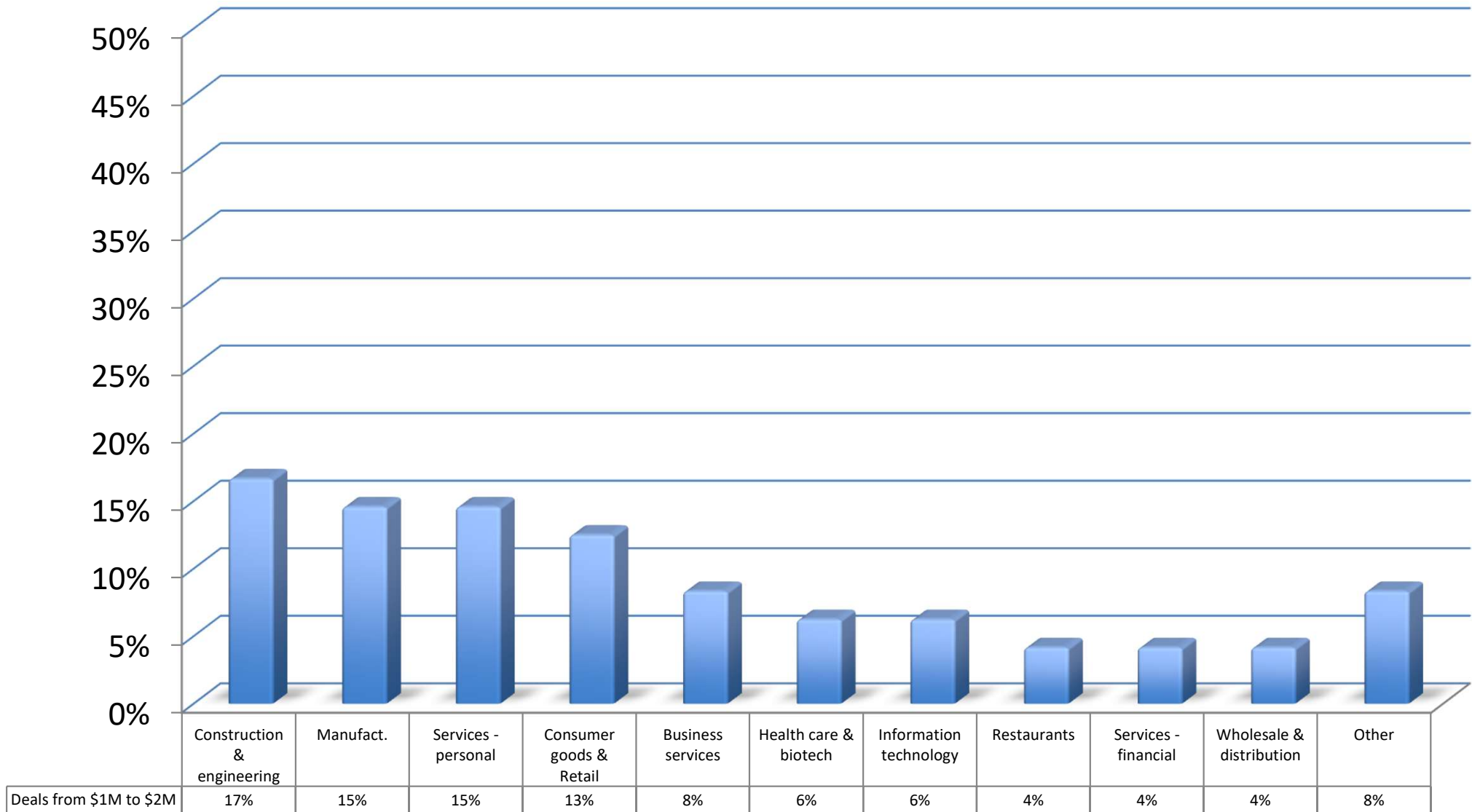
Engagement/Listing to Close



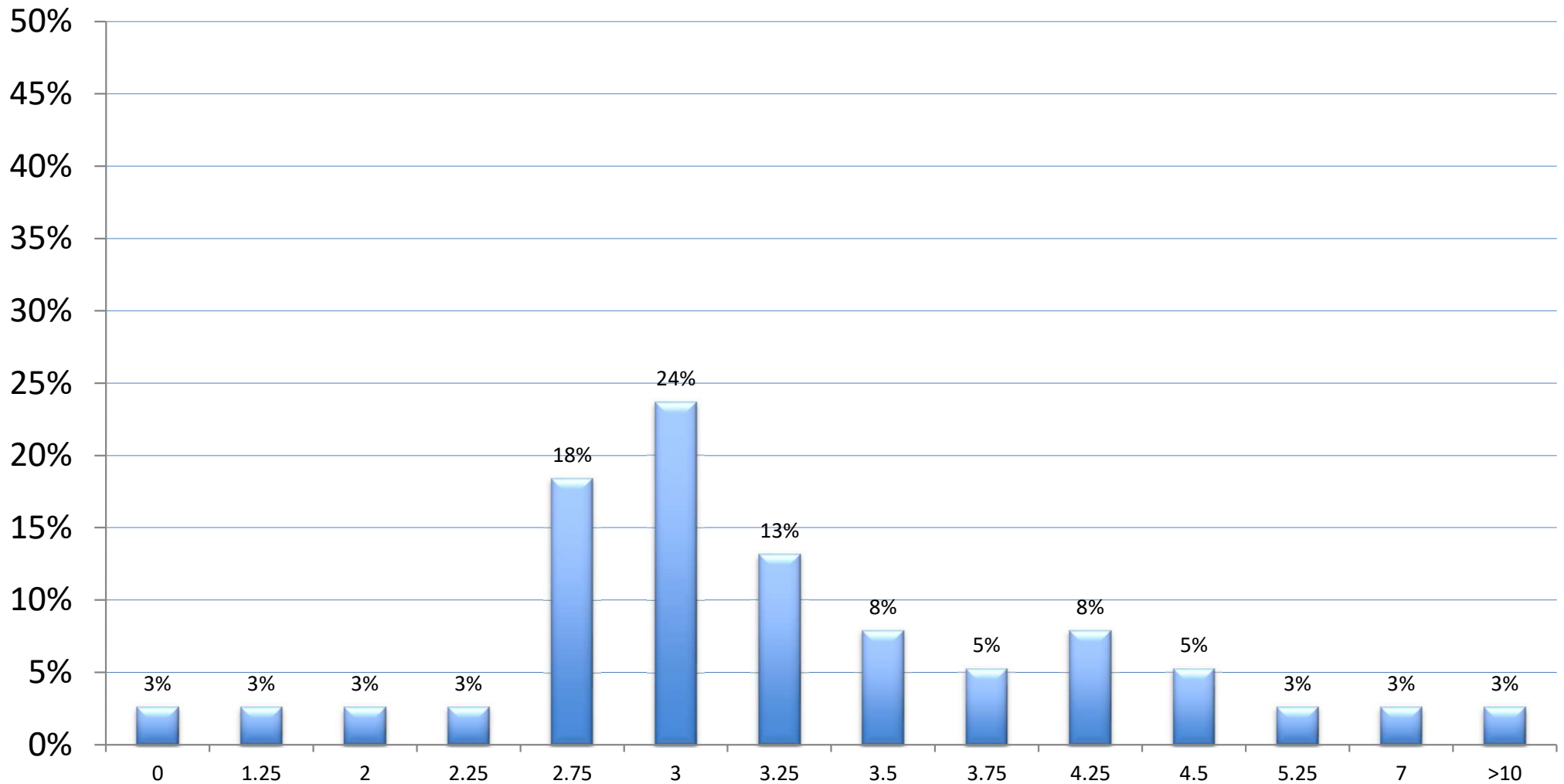
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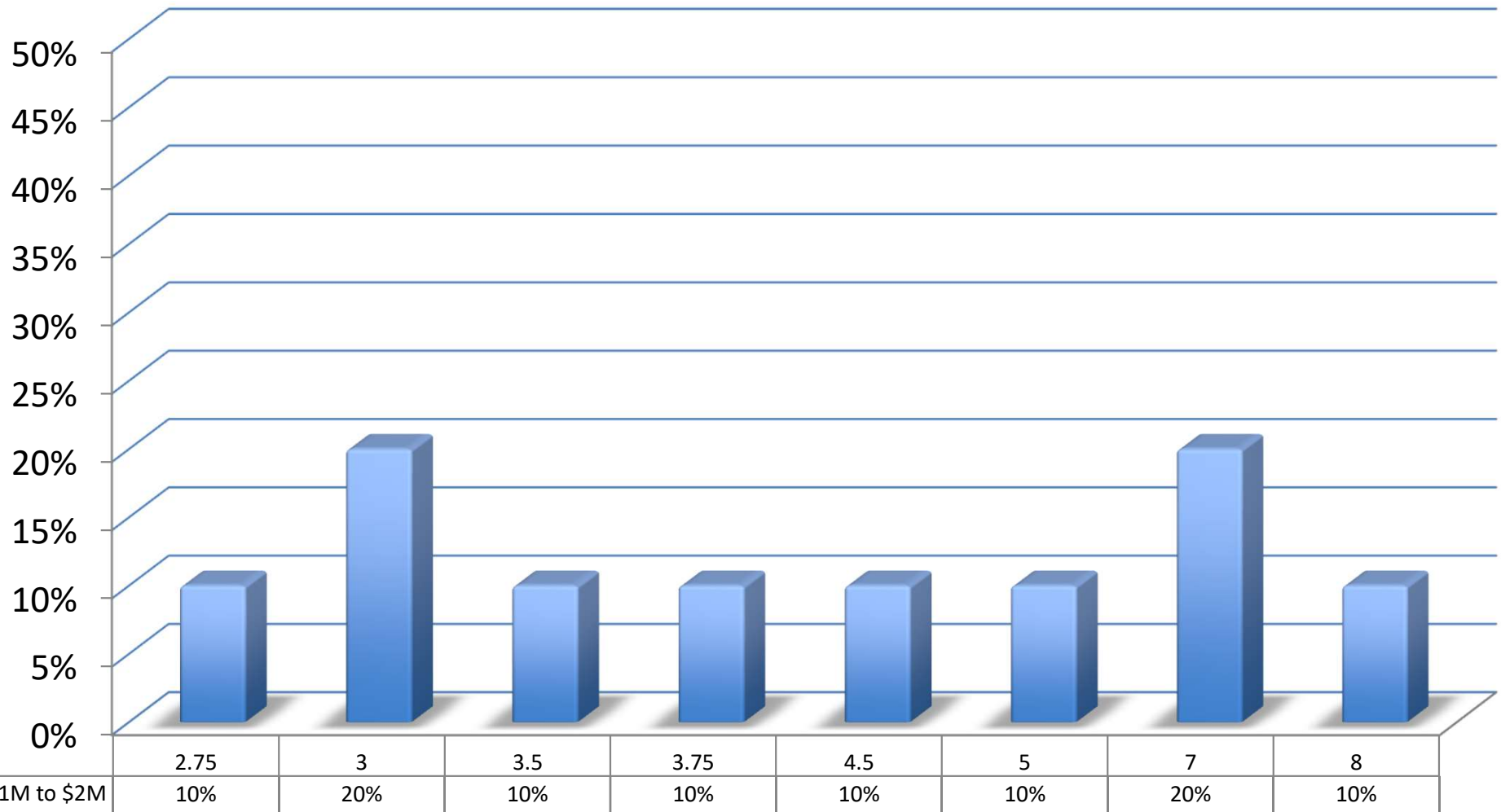


SDE Multiple Paid



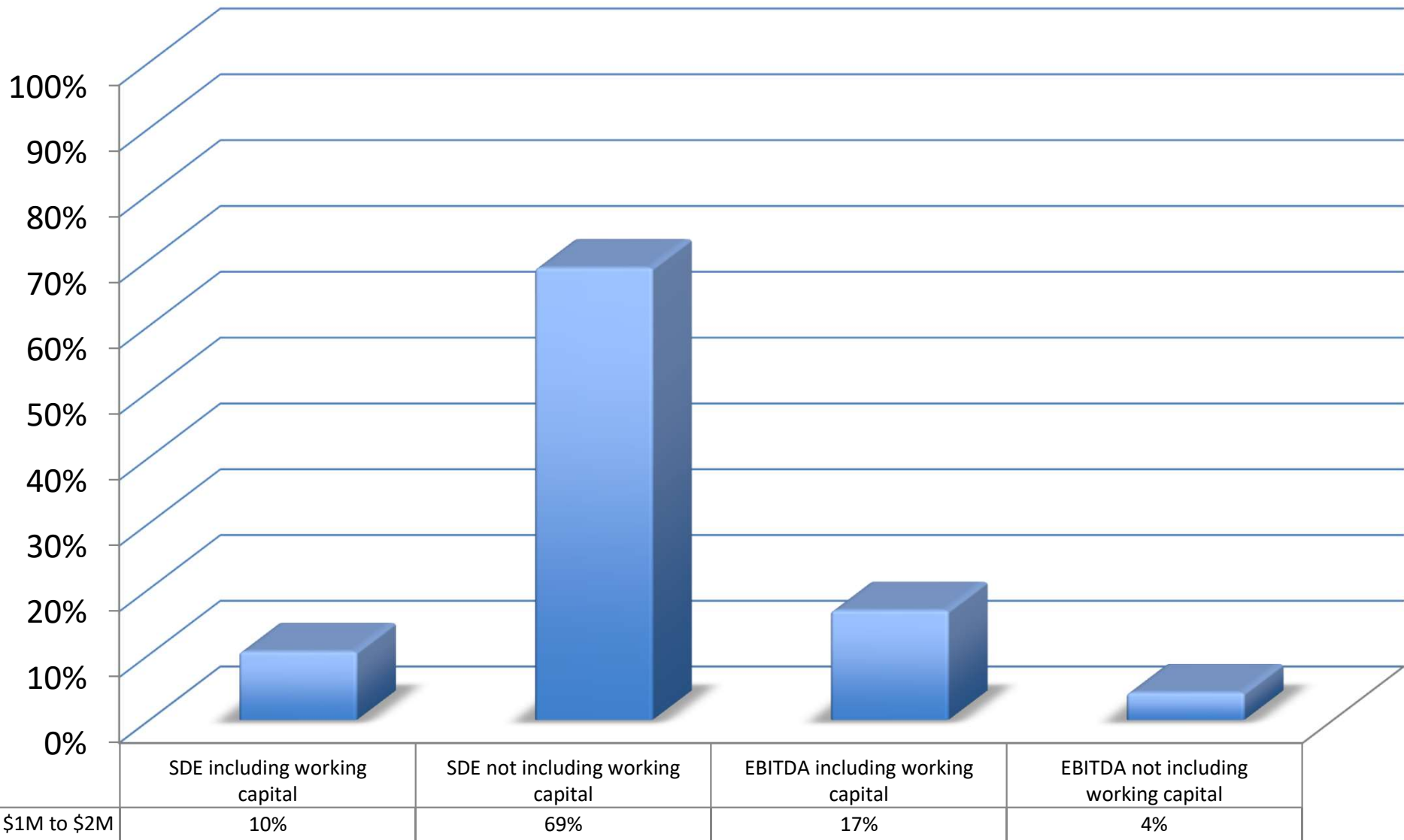
Number of responses: 38

EBITDA Multiple Paid

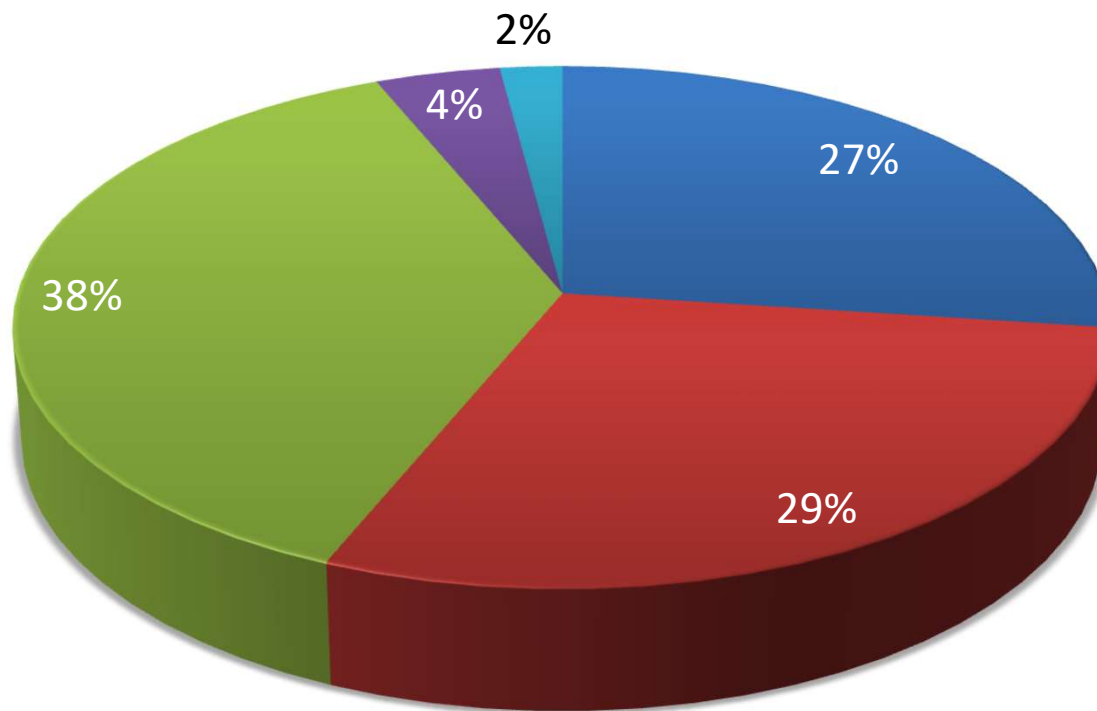


Number of responses: 10

Multiple Type



Buyer Type



■ 1st time individual

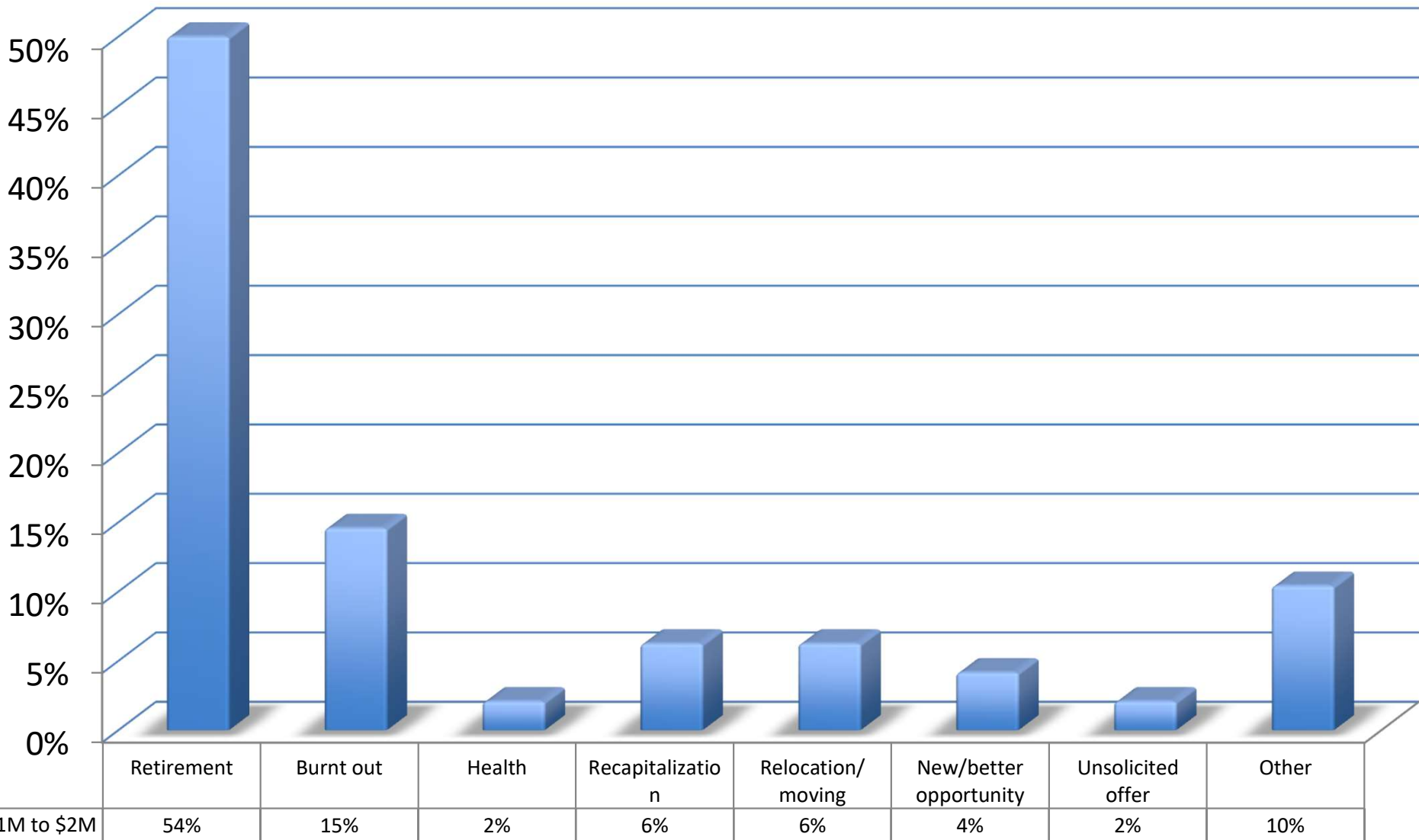
■ individual who owned a business

■ existing company/strategic buyer

■ PE firm - Add-on

■ Other

#1 Reason for Seller to Go to Market



Deals from \$1M to \$2M

54%

15%

2%

6%

6%

4%

2%

10%

Retirement

Burnt out

Health

Recapitalization

Relocation/moving

New/better opportunity

Unsolicited offer

Other

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Deals from \$1M to \$2M

54%

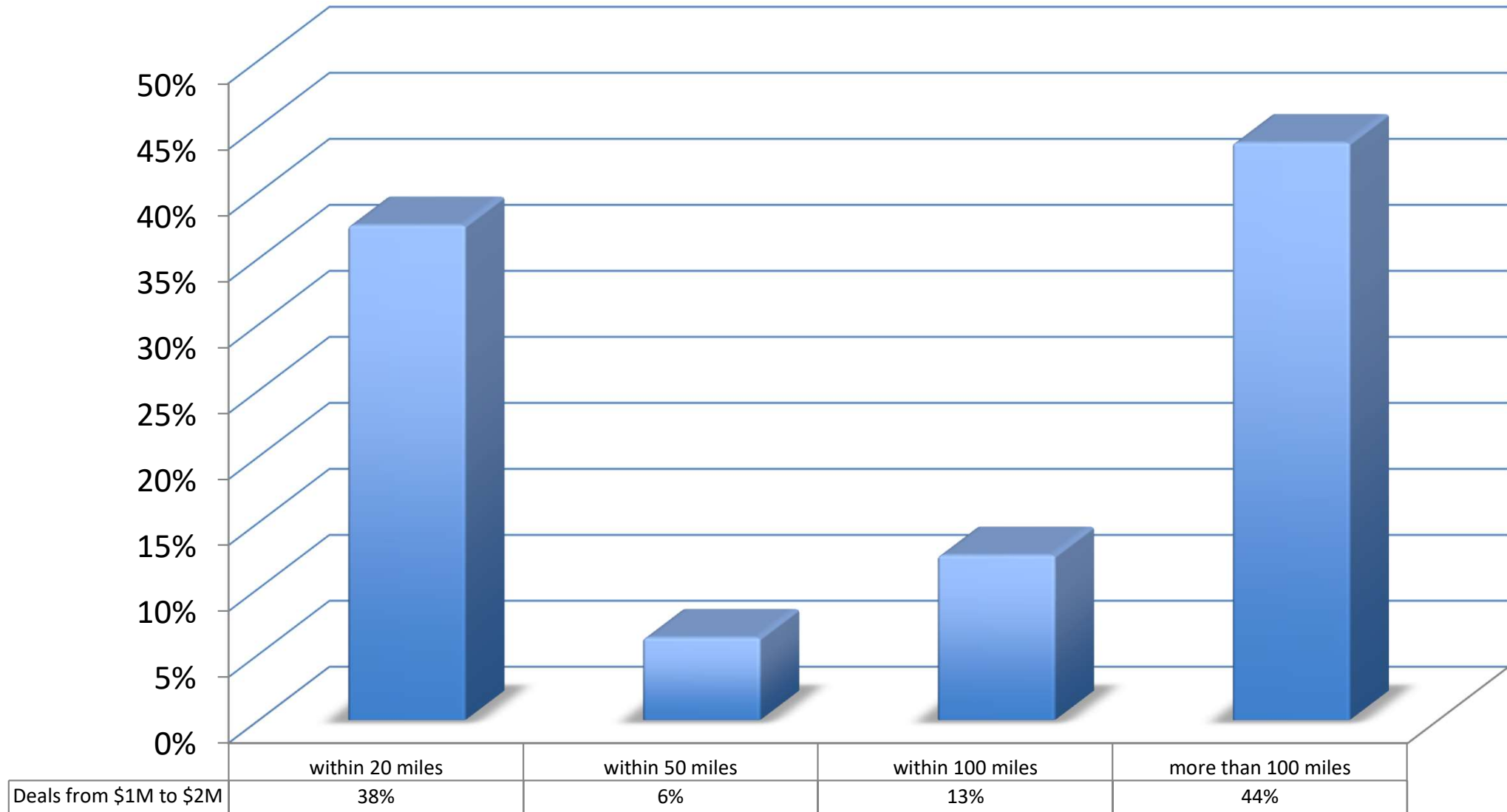
15%

2%

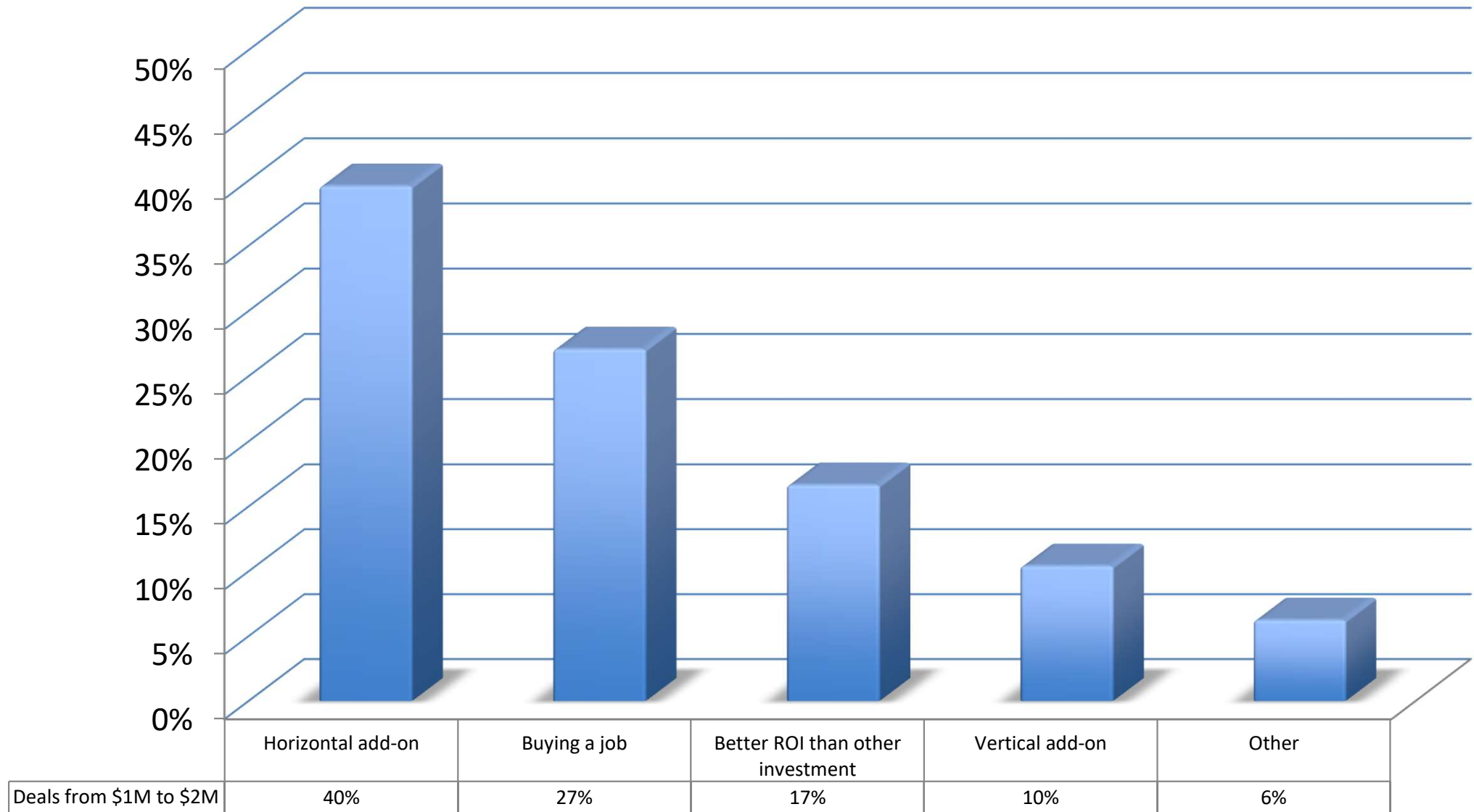
6%

6%

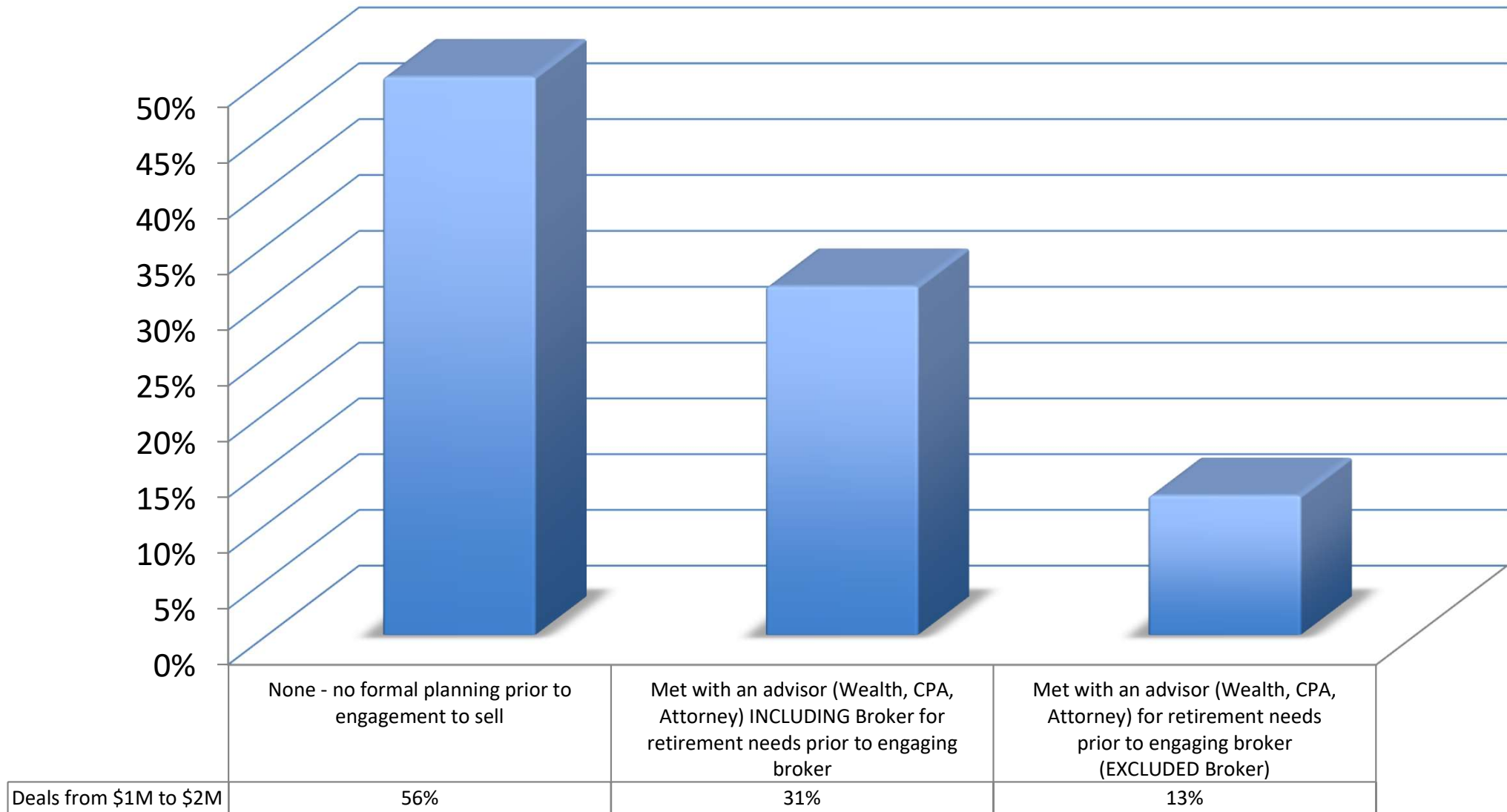
Buyer Location



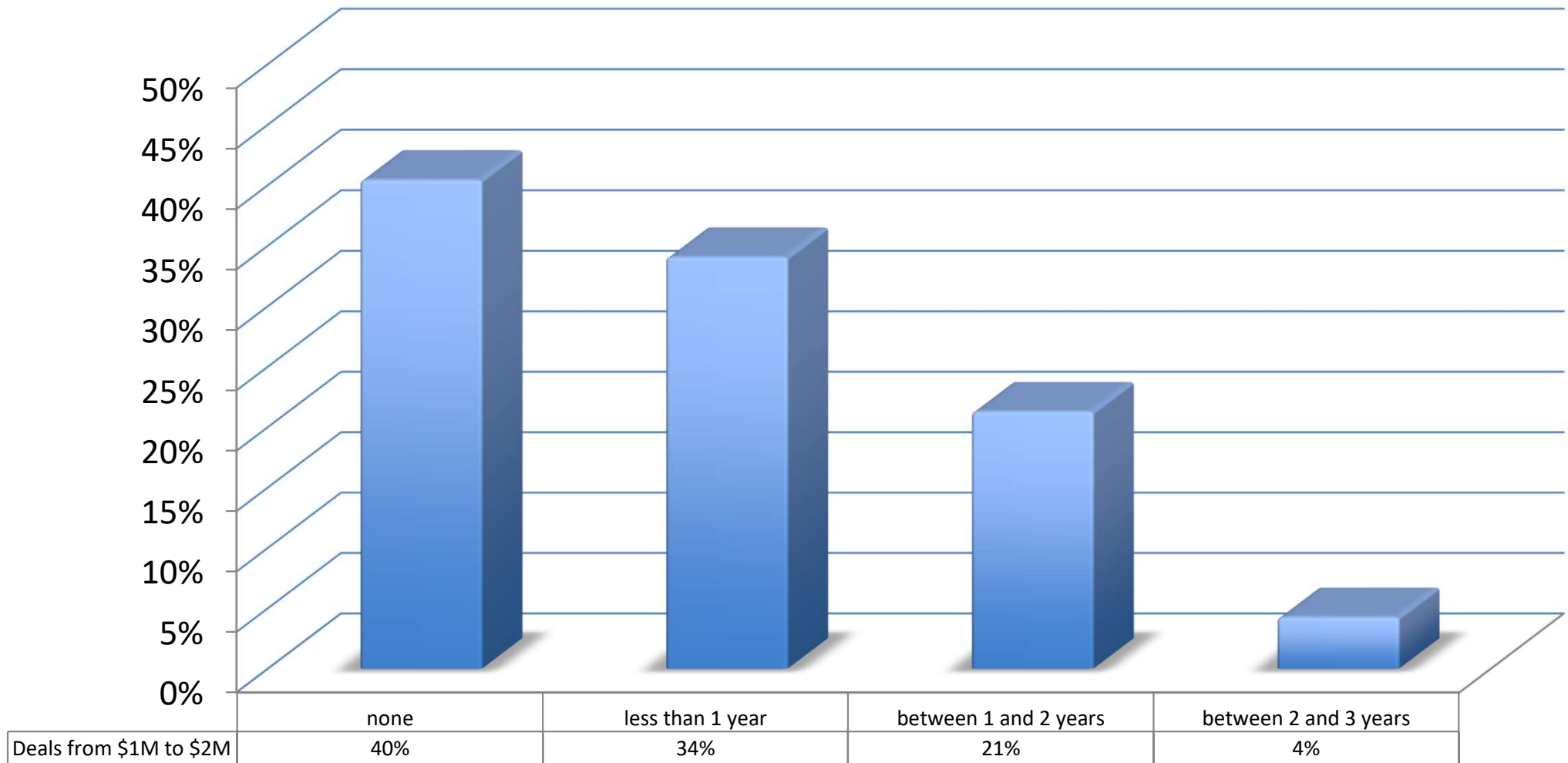
#1 Motivation for Buyer



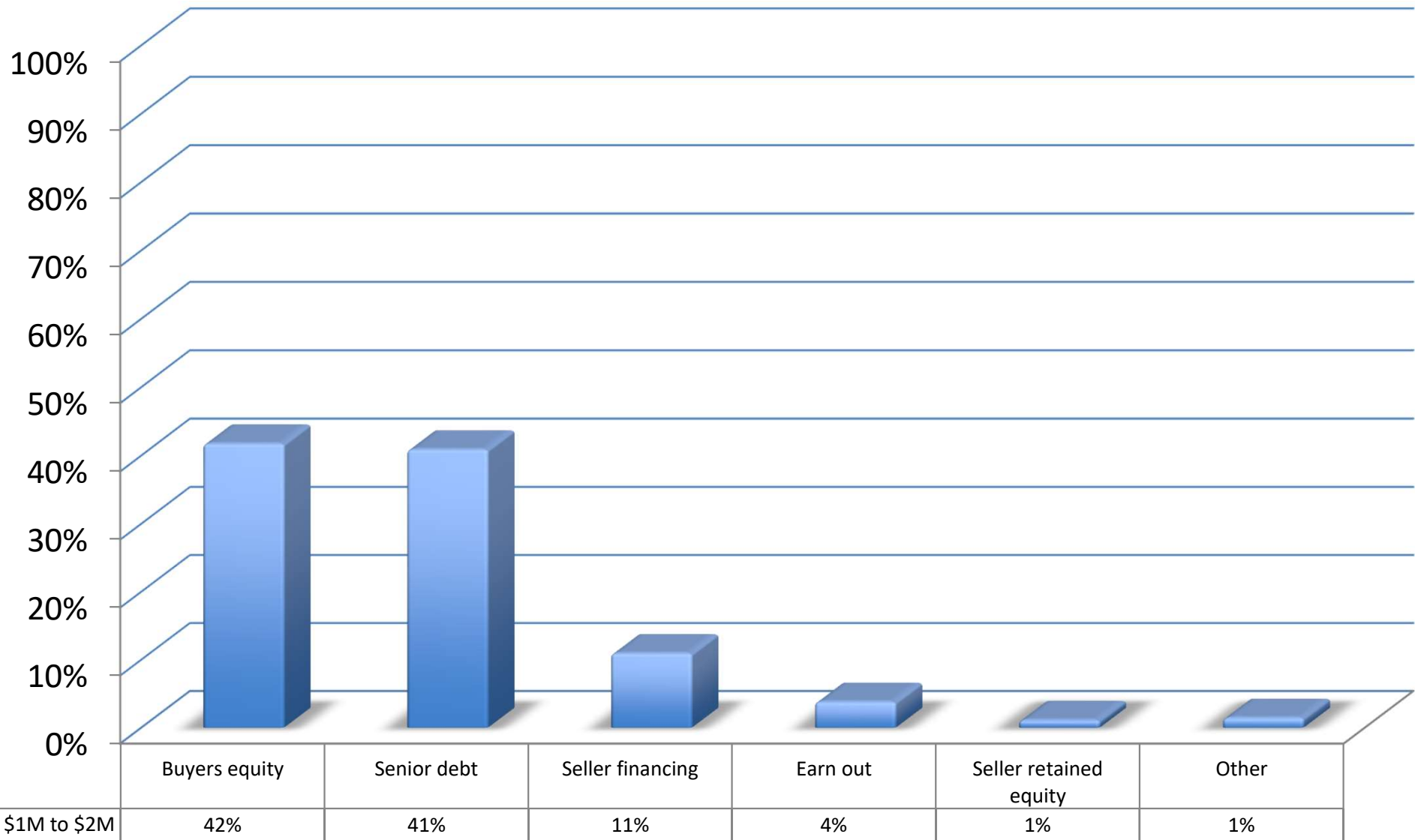
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

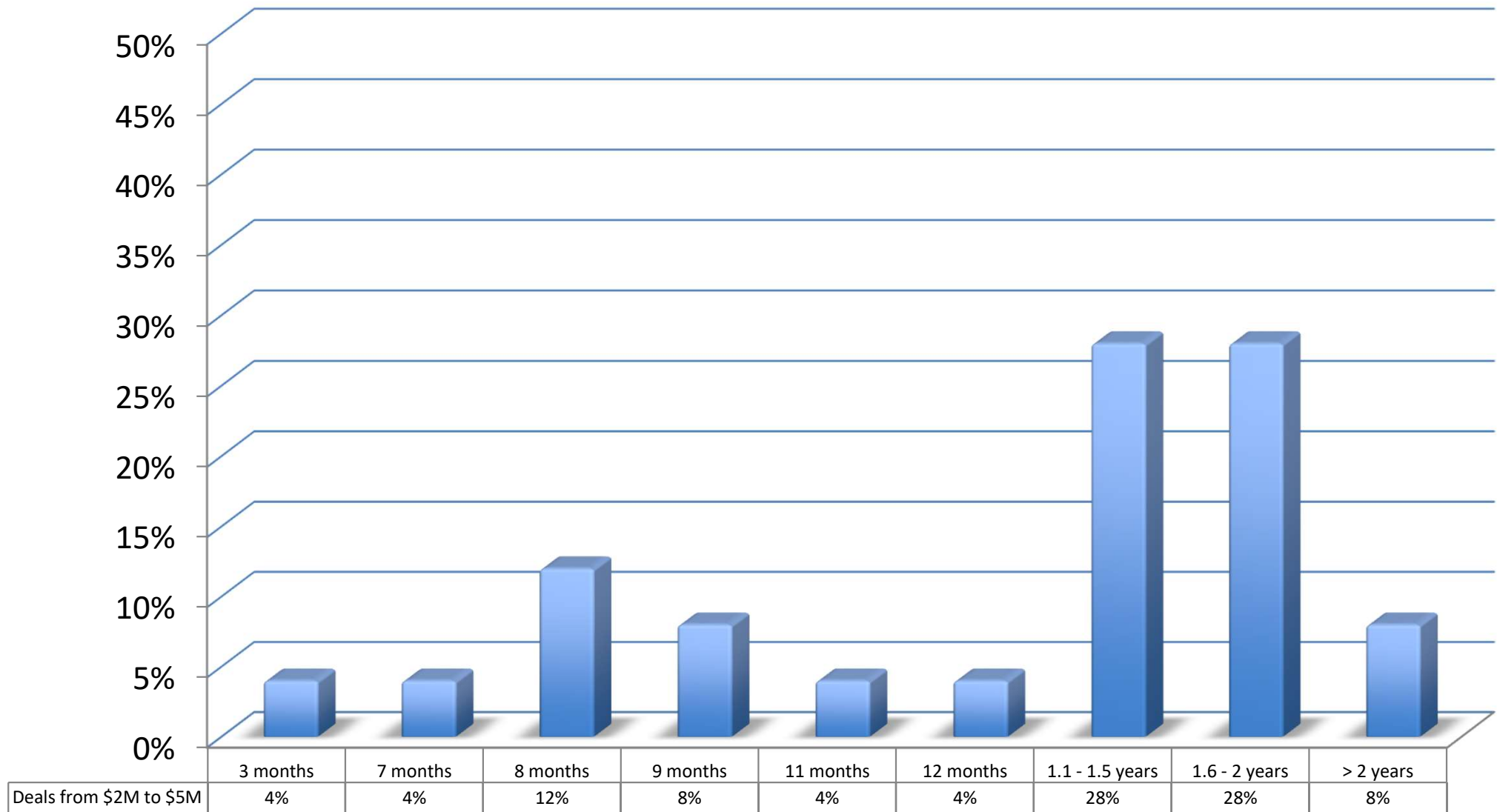


Financing Structure

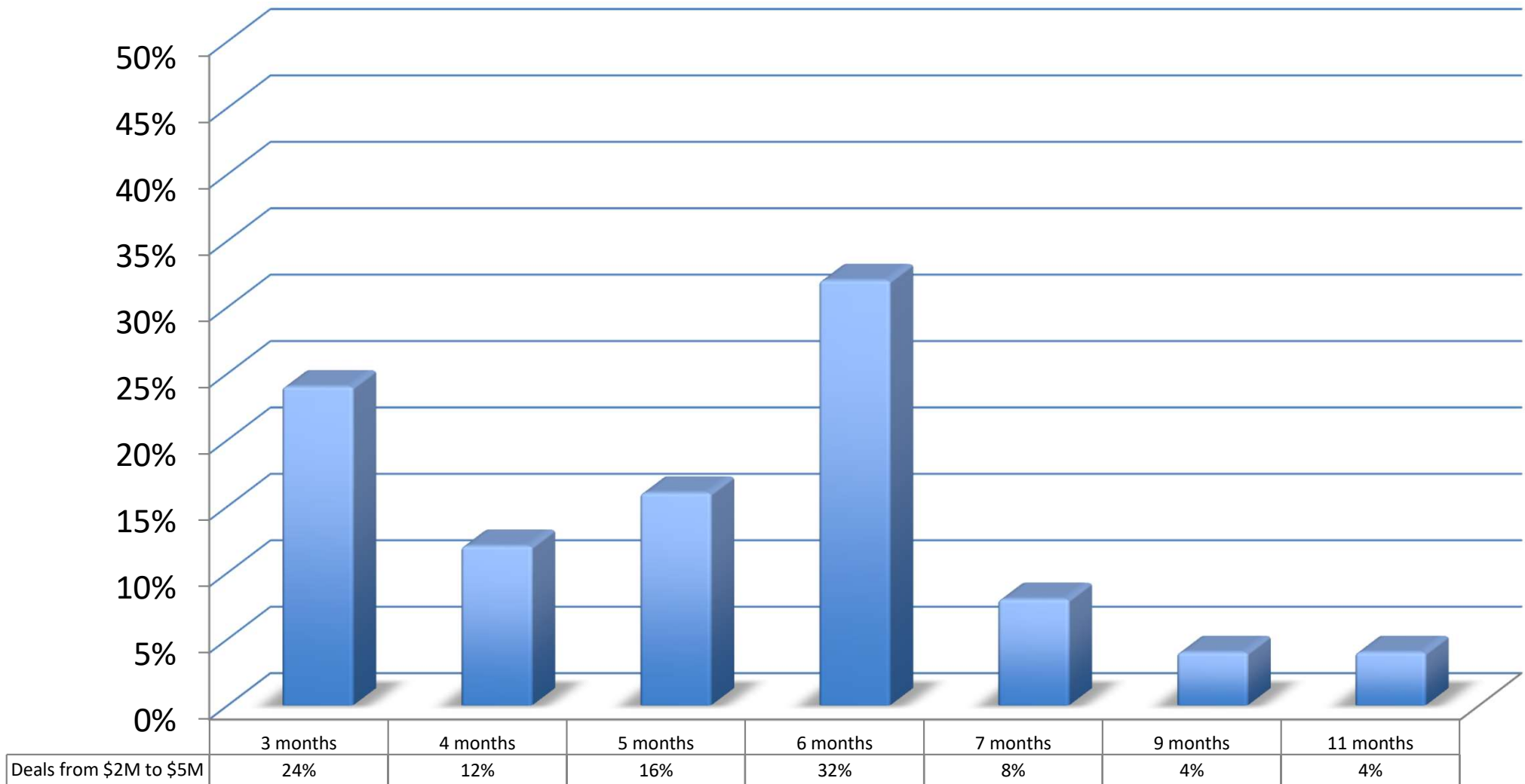


Business Transactions Valued
from \$2 Million to \$4.99 Million
Number of Closed Transactions: 25

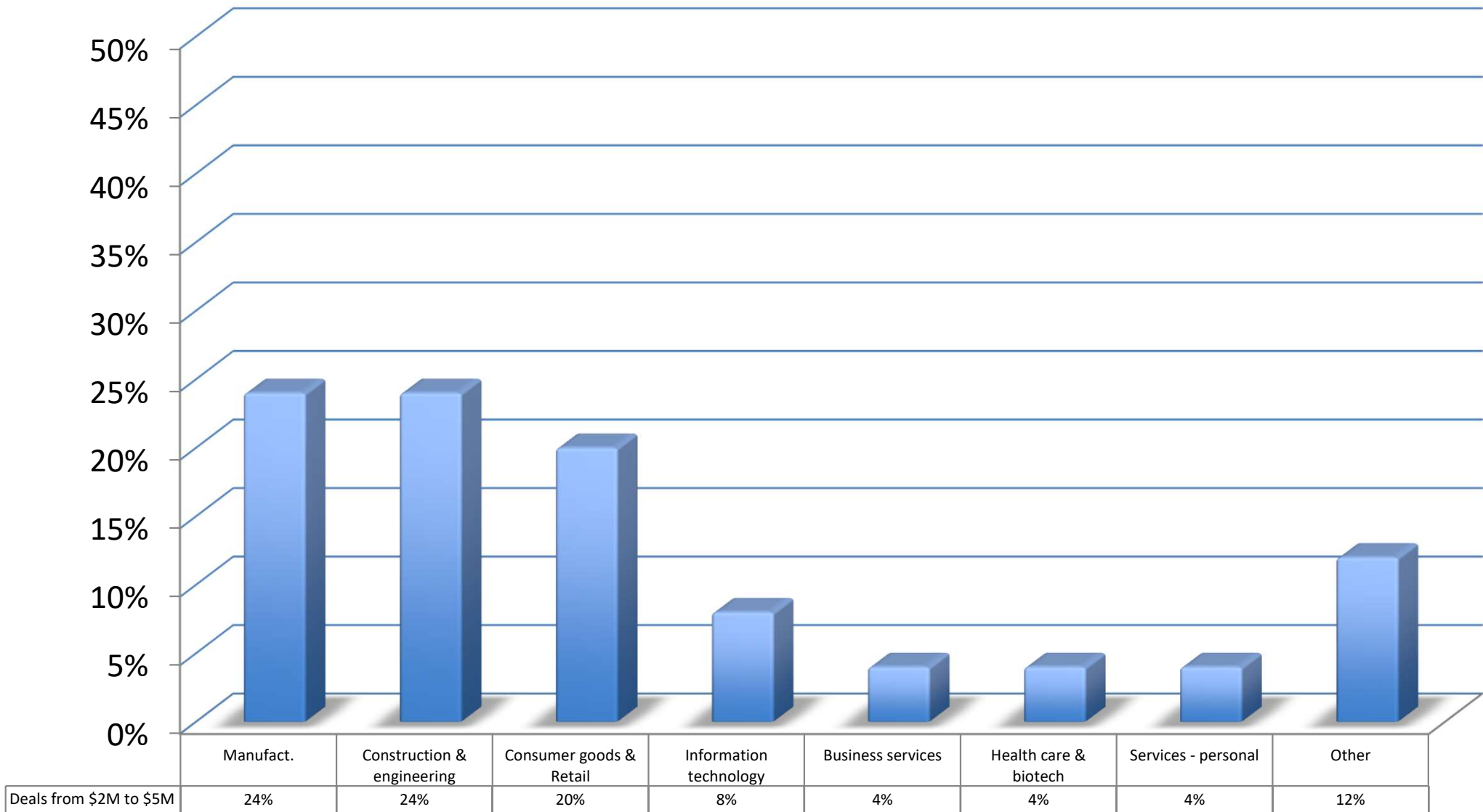
Engagement/Listing to Close



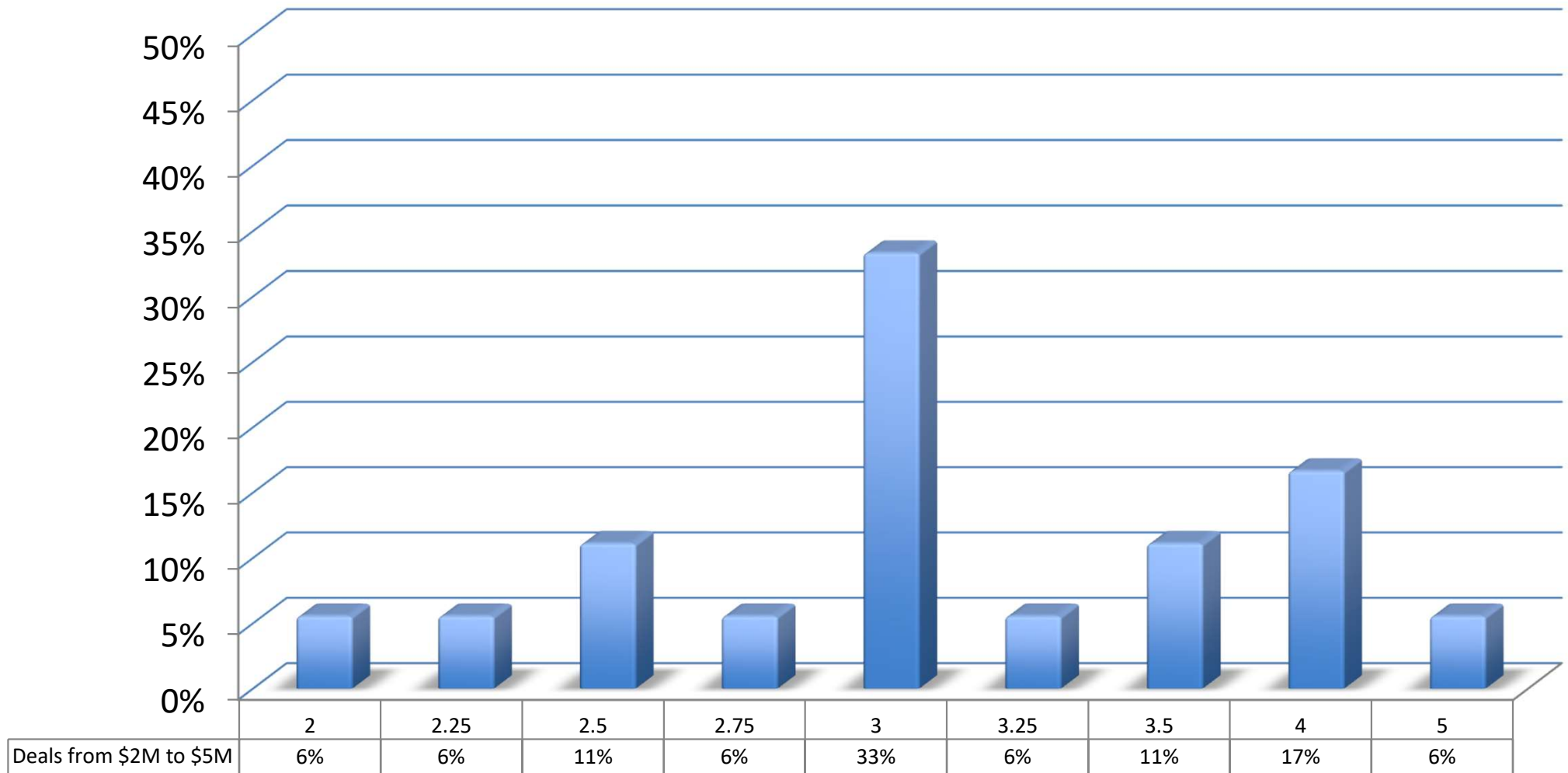
LOI/ Offer to Close



Industry

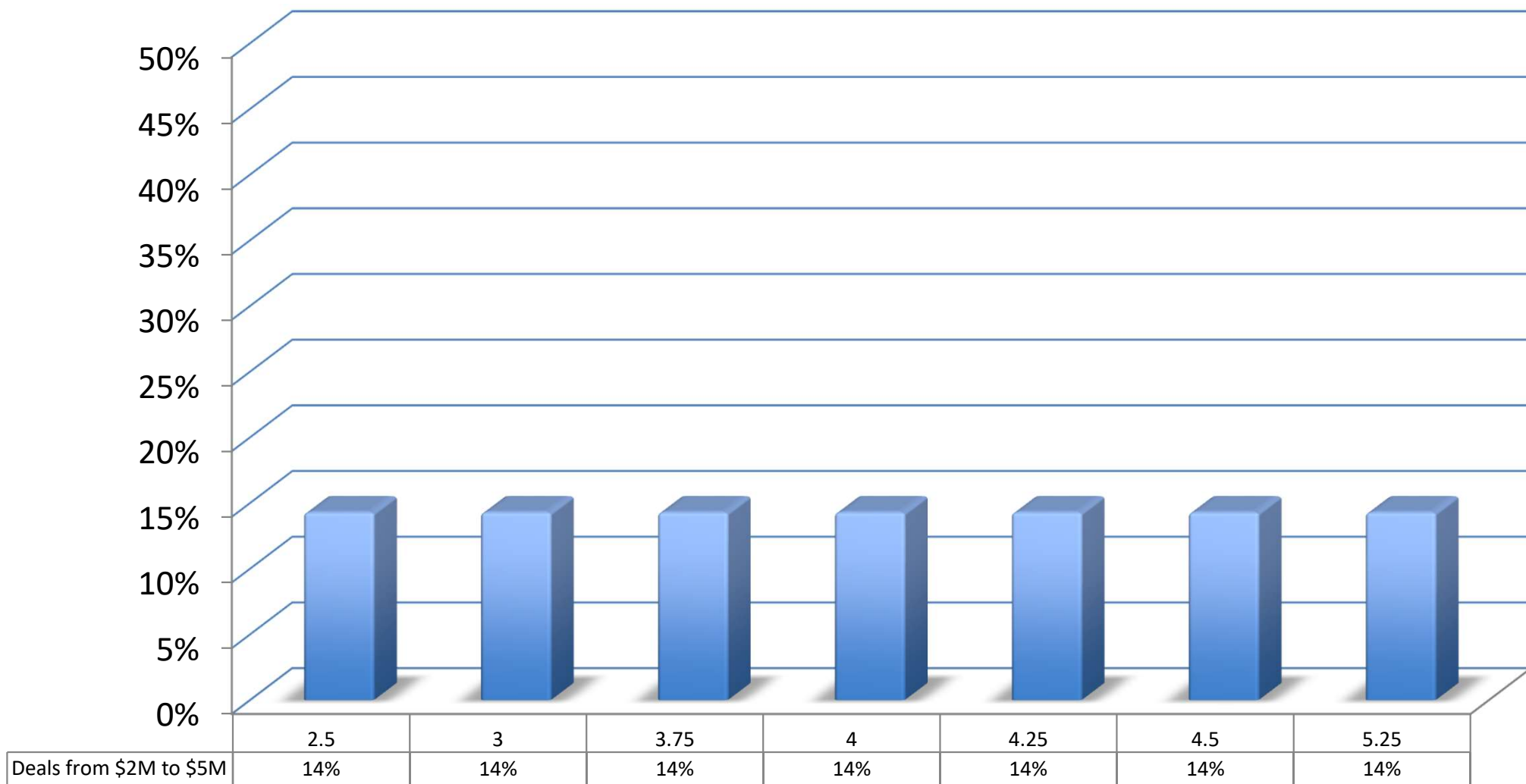


SDE Multiple Paid



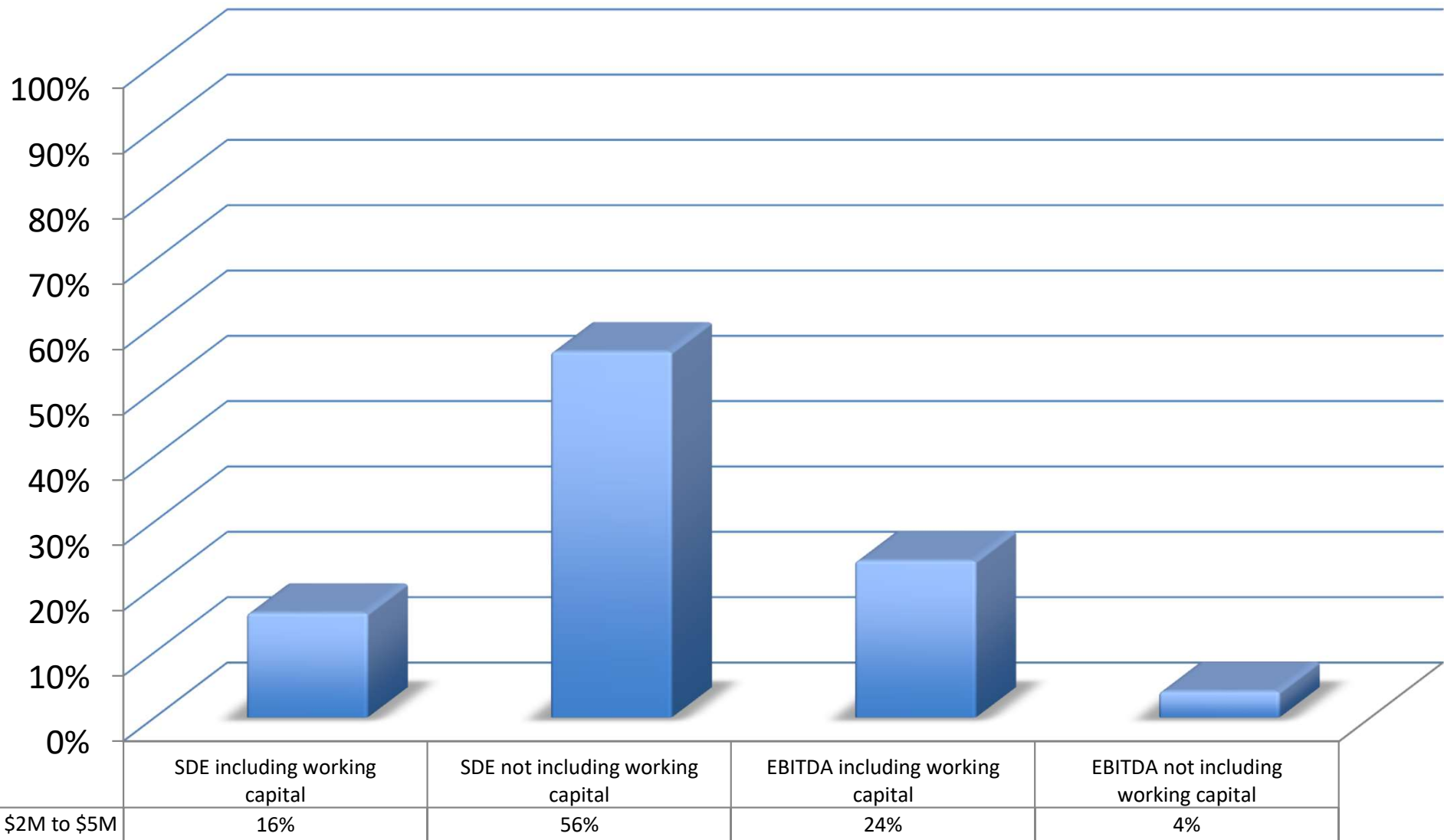
Number of responses: 18

EBITDA Multiple Paid

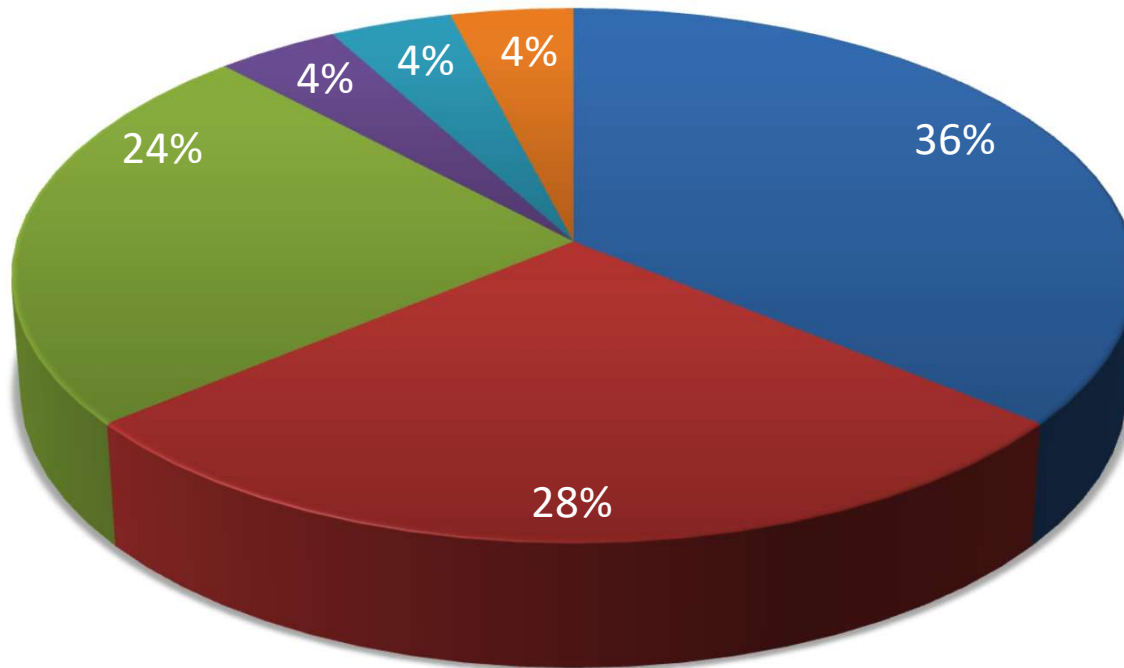


Number of responses: 7

Multiple Type



Buyer Type



■ 1st time individual

■ individual who owned a business

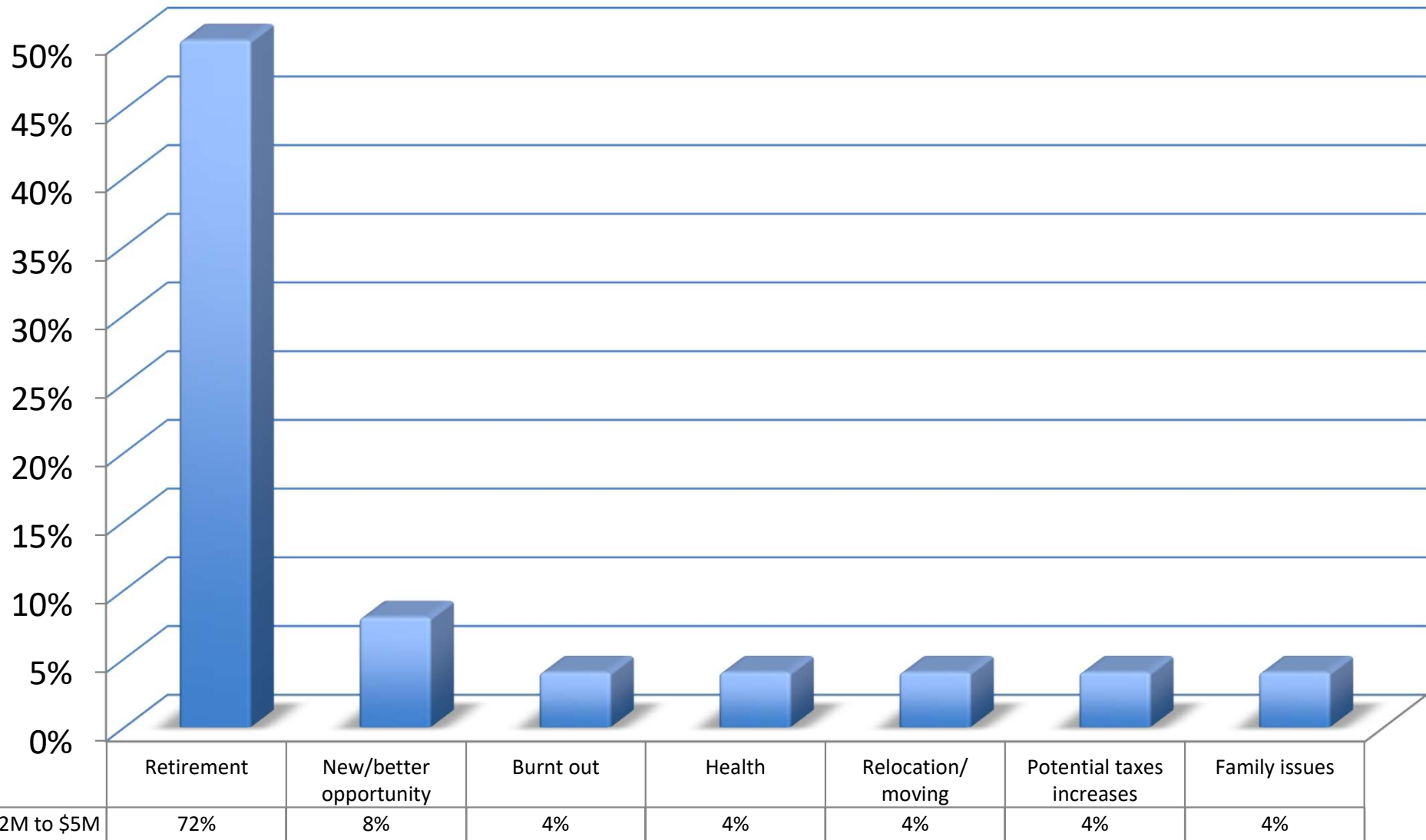
■ existing company/strategic buyer

■ PE firm - Platform

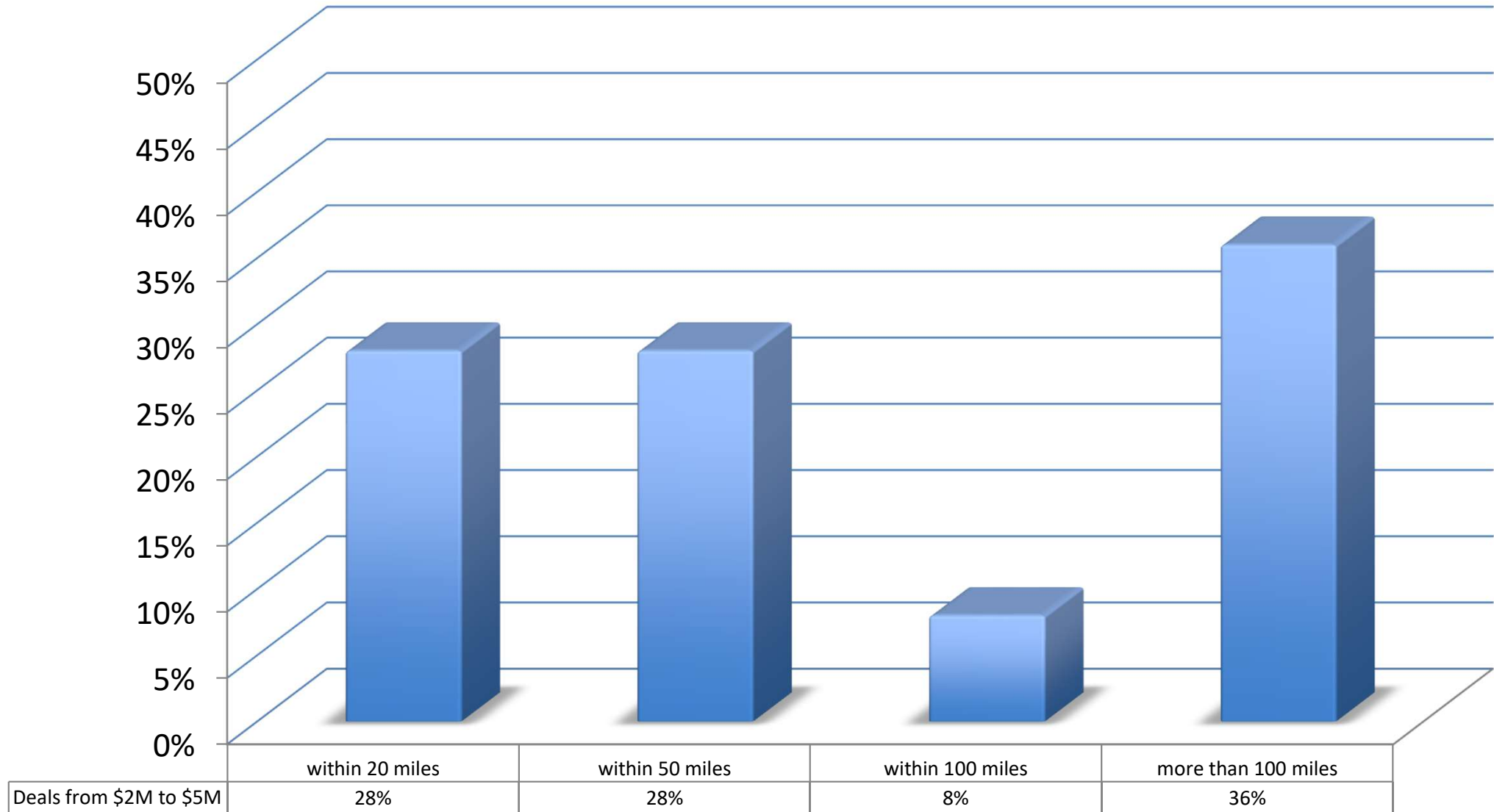
■ PE firm - Add-on

■ Other

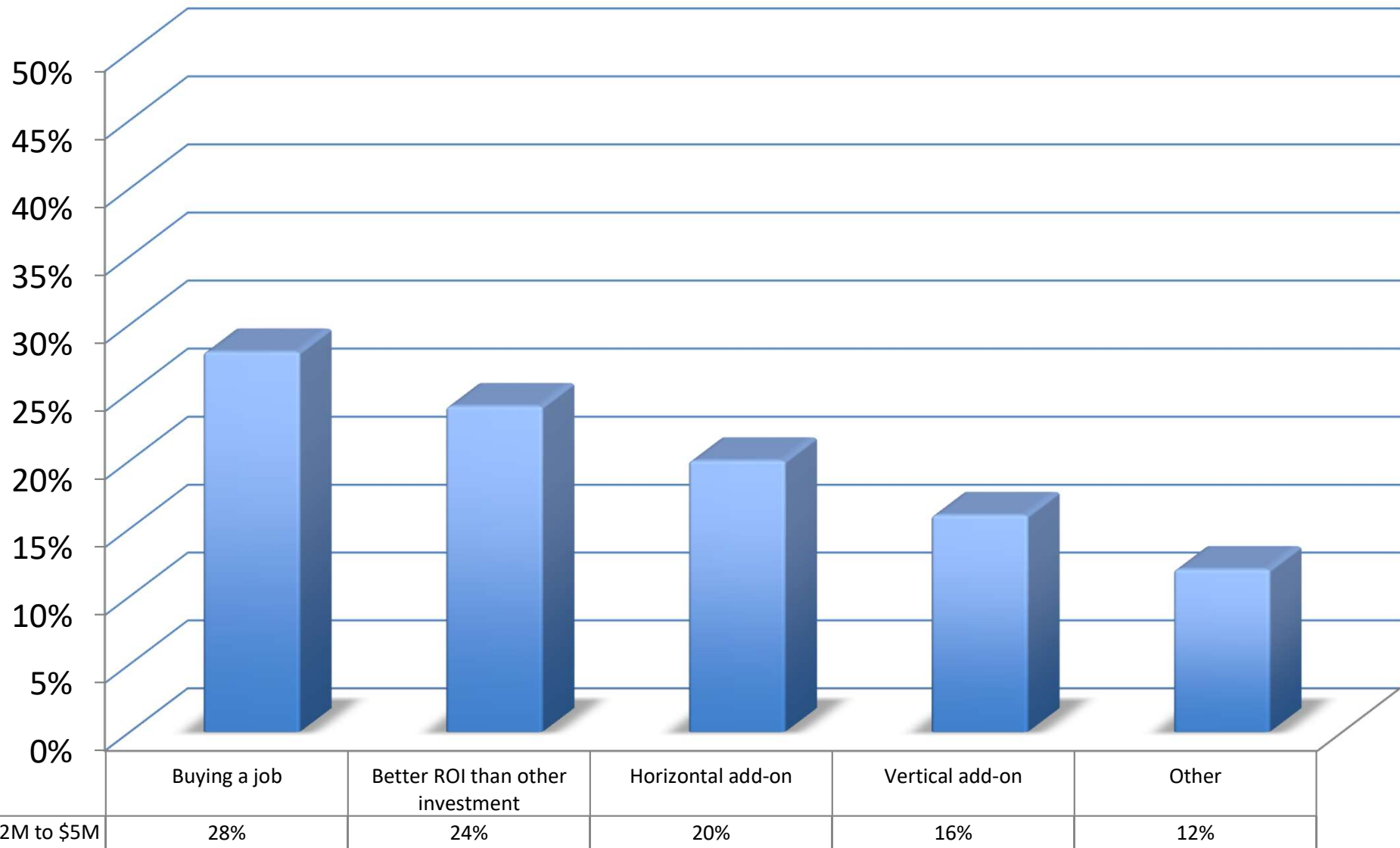
#1 Reason for Seller to Go to Market



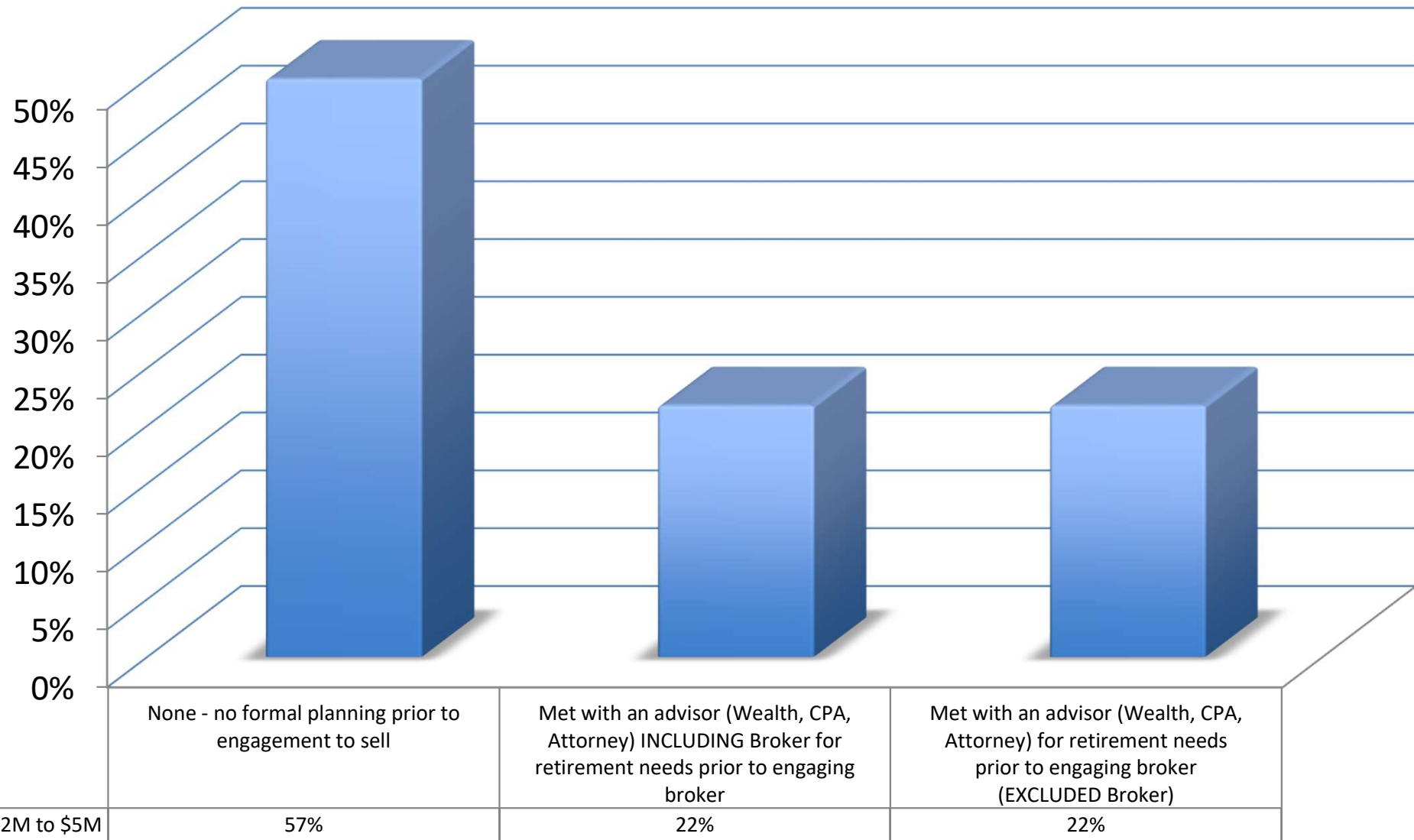
Buyer Location



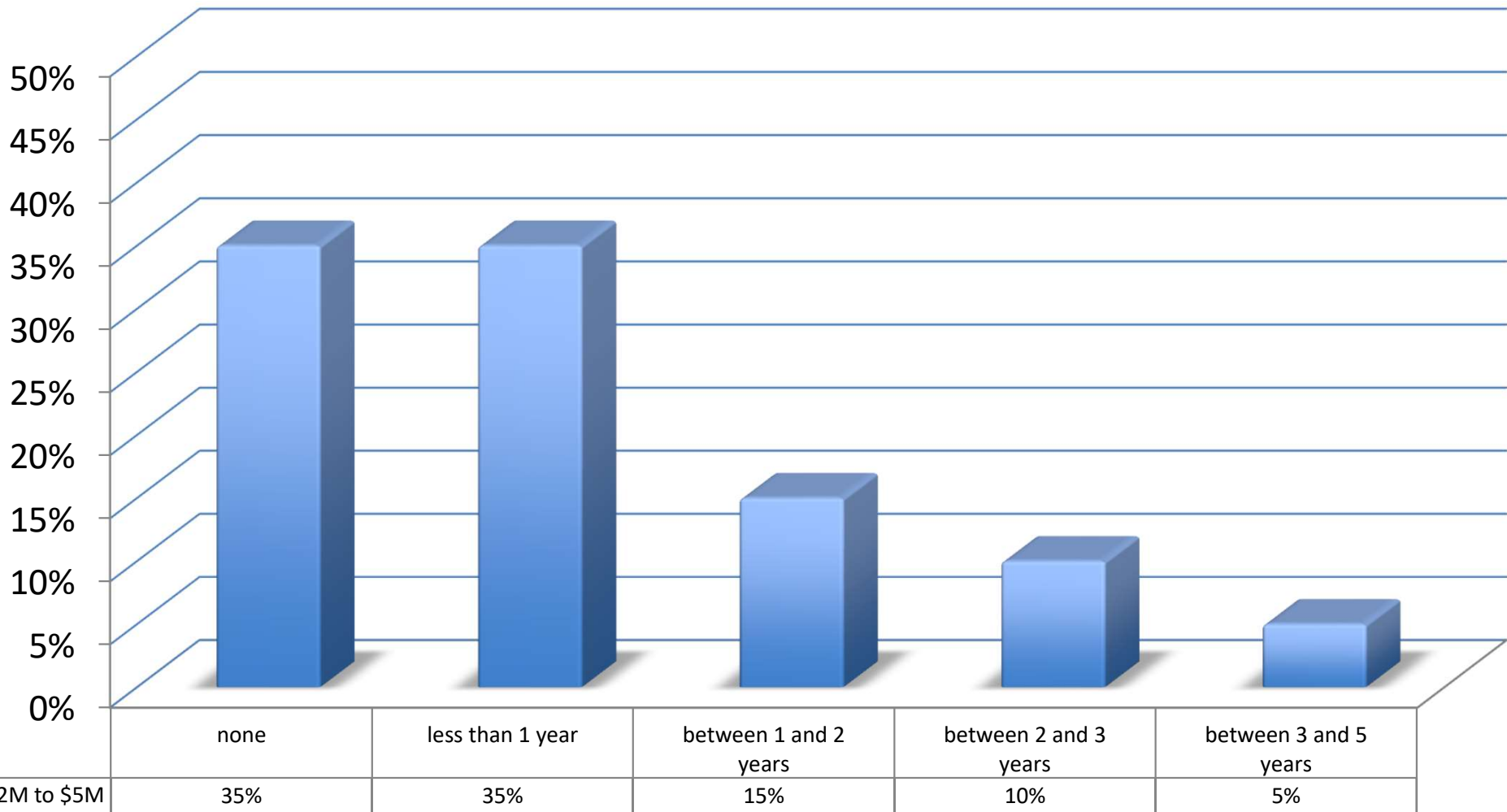
#1 Motivation for Buyer



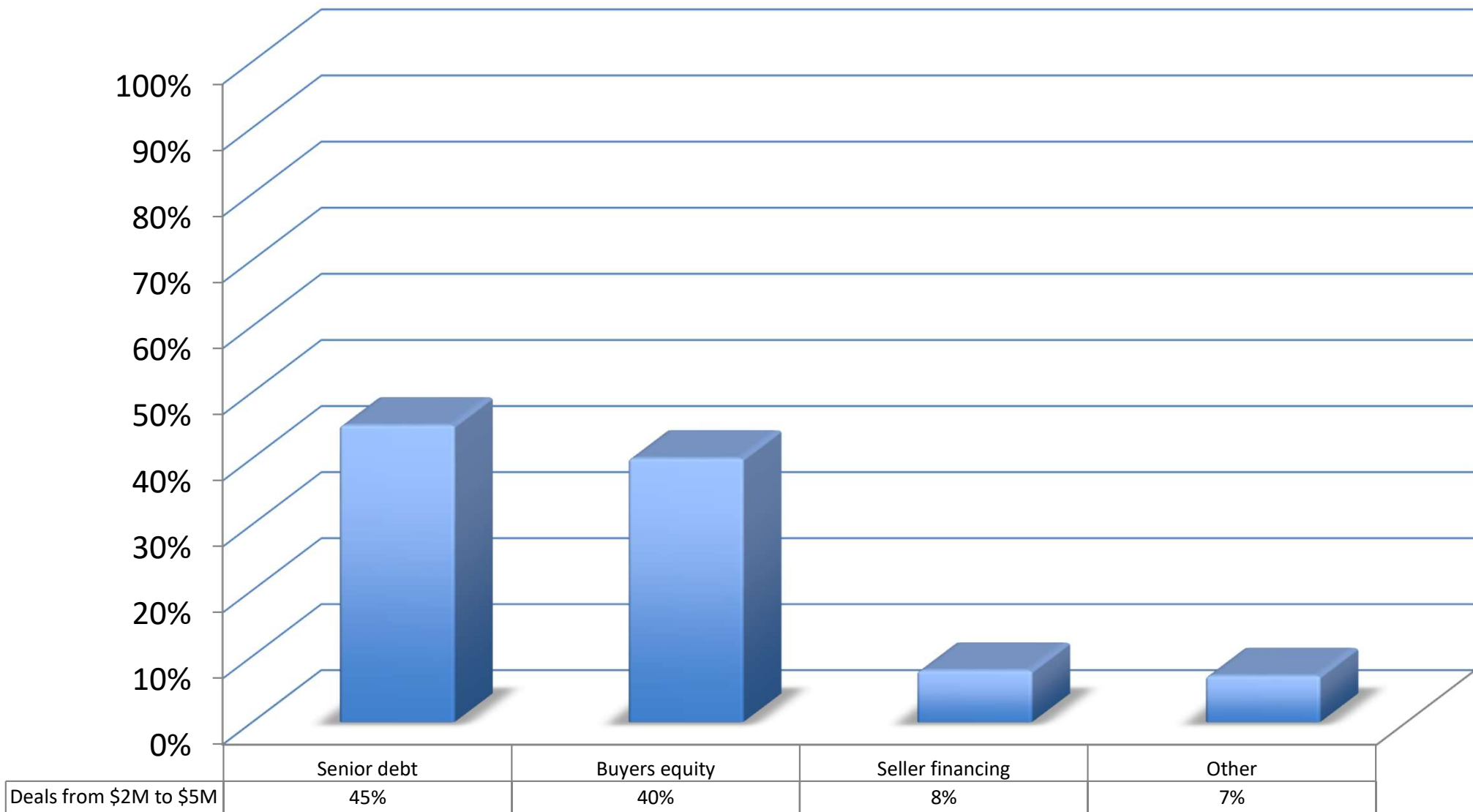
Exit Planning



Amount Of Exit Planning Prior To Marketing Business



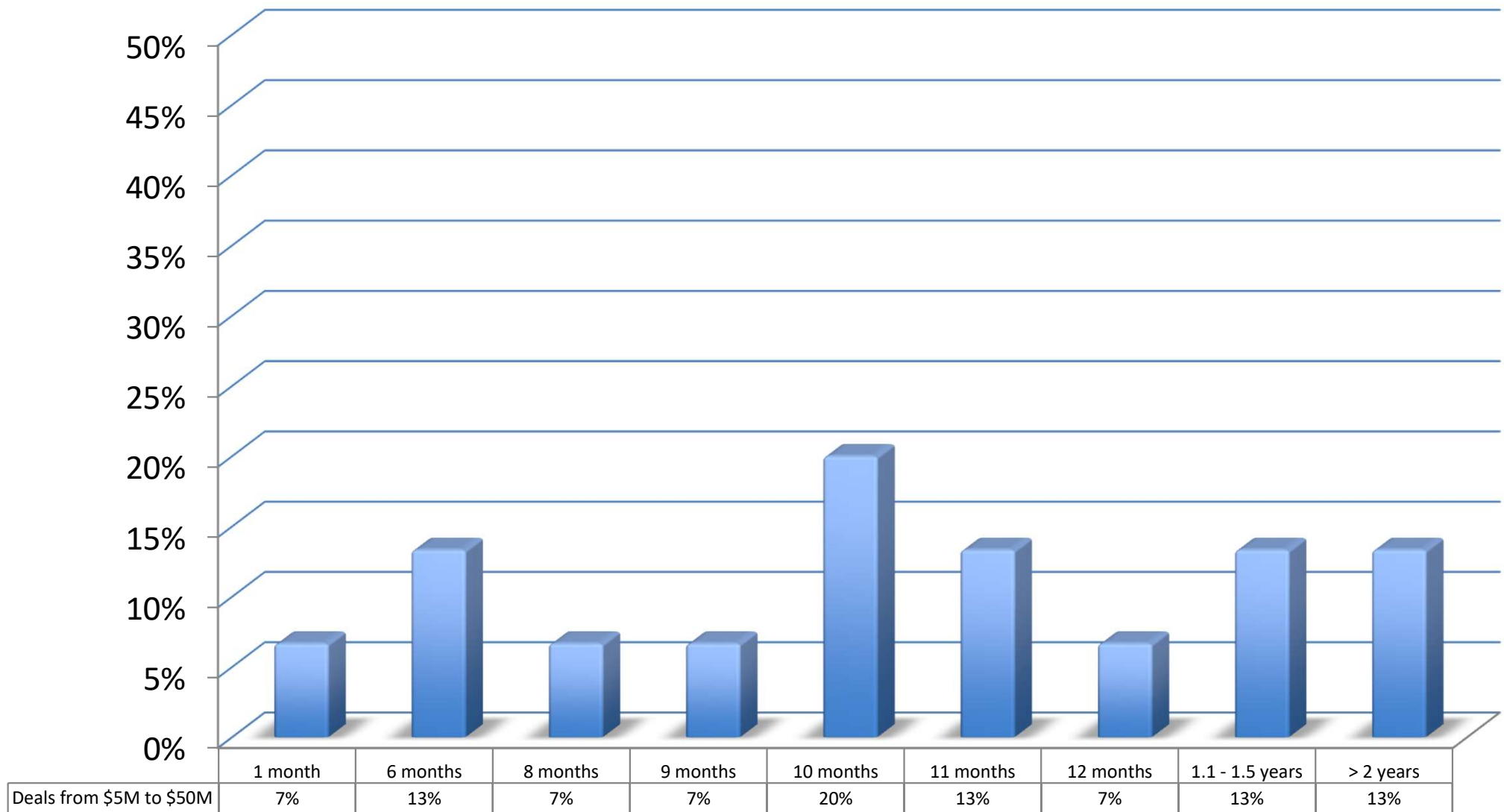
Financing Structure



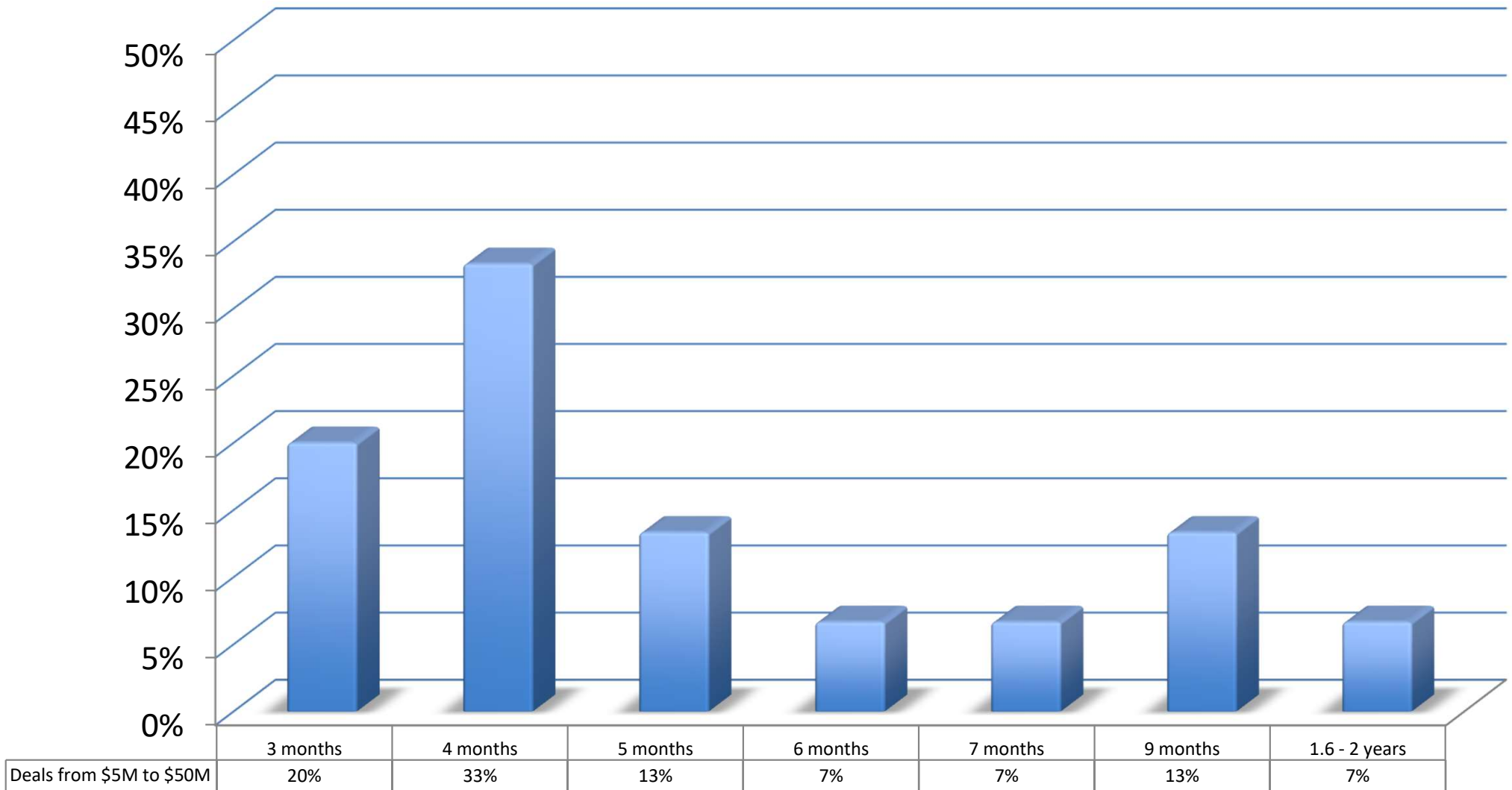
Business Transactions Valued Over \$5 Million

Number of Closed Transactions: 15

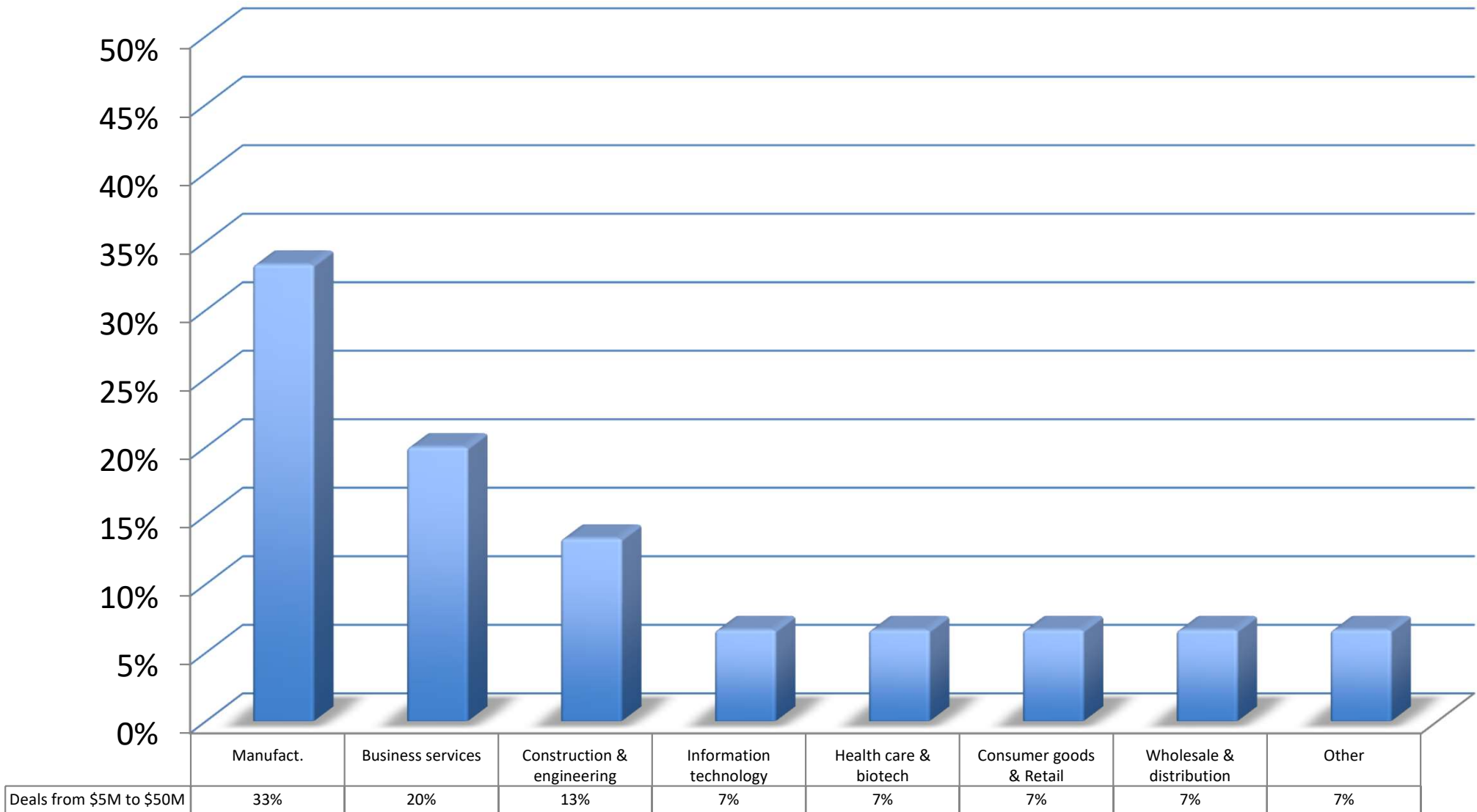
Engagement/Listing to Close



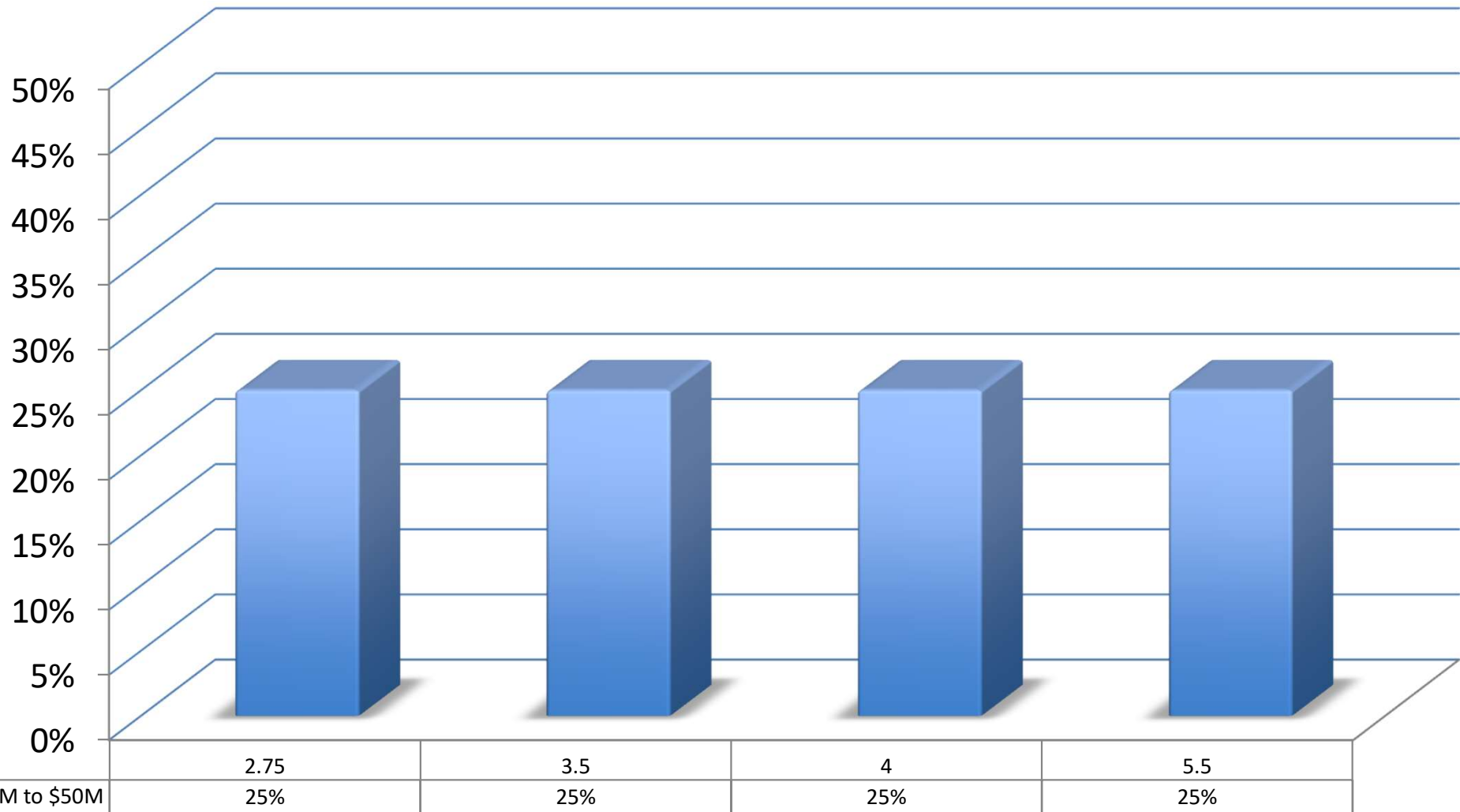
LOI/ Offer to Close



Industry

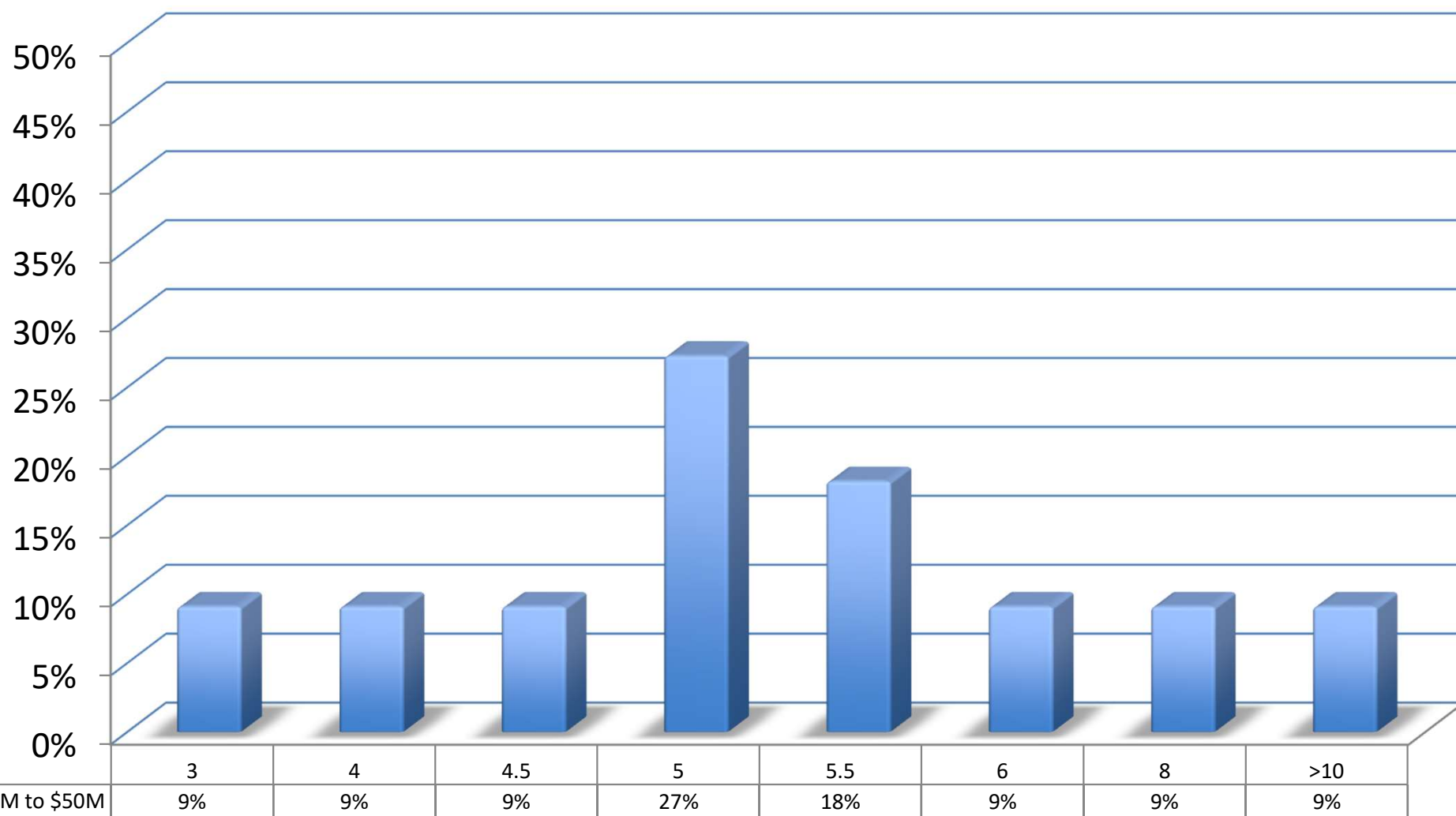


SDE Multiple Paid



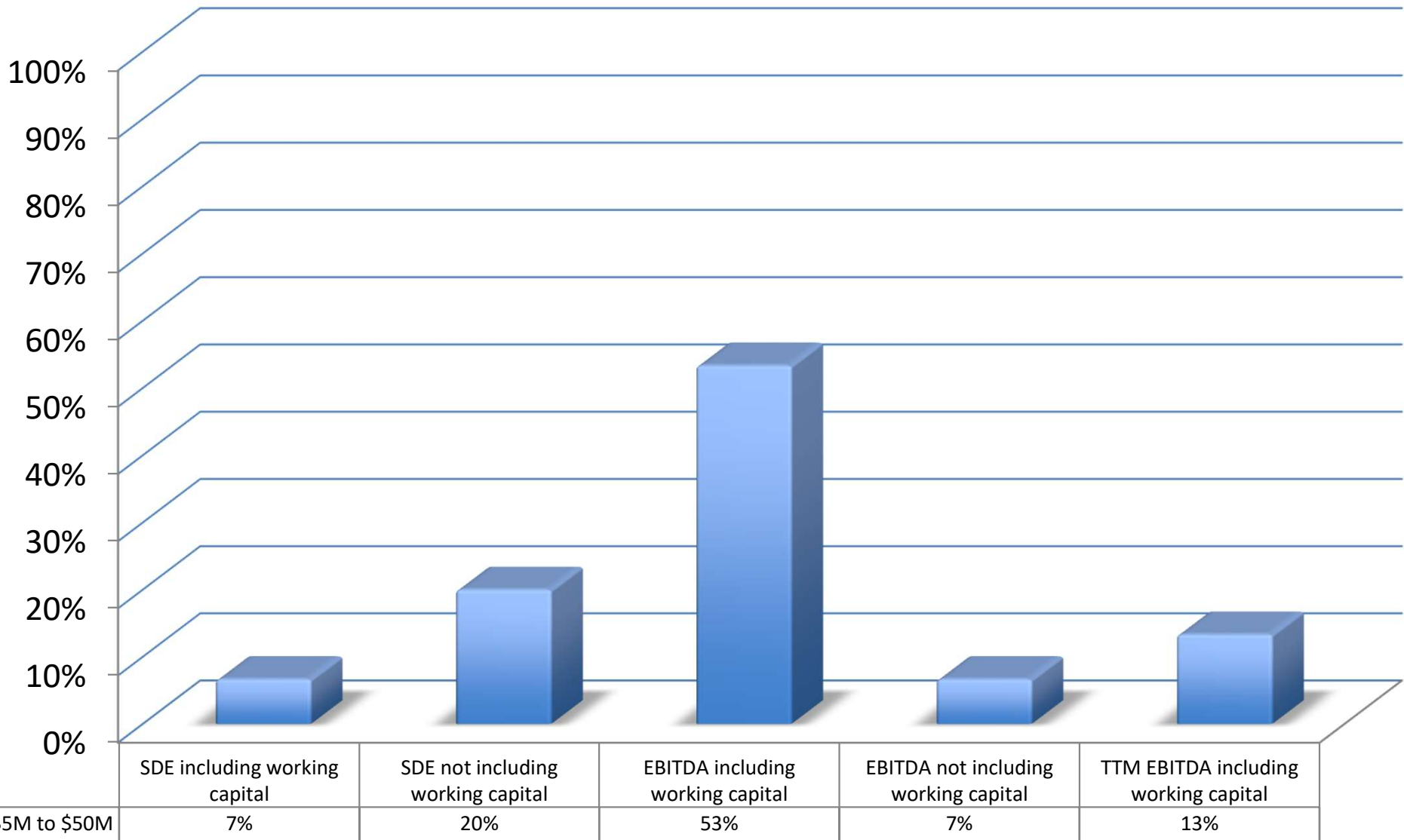
Number of responses: 4

EBITDA Multiple Paid

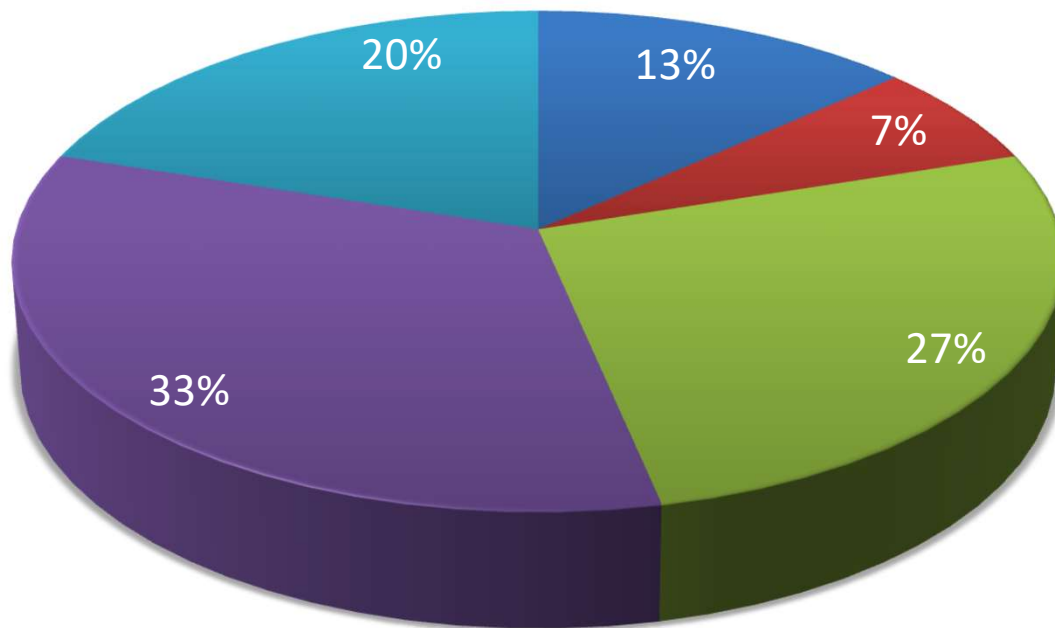


Number of responses: 11

Multiple Type



Buyer Type



■ 1st time individual

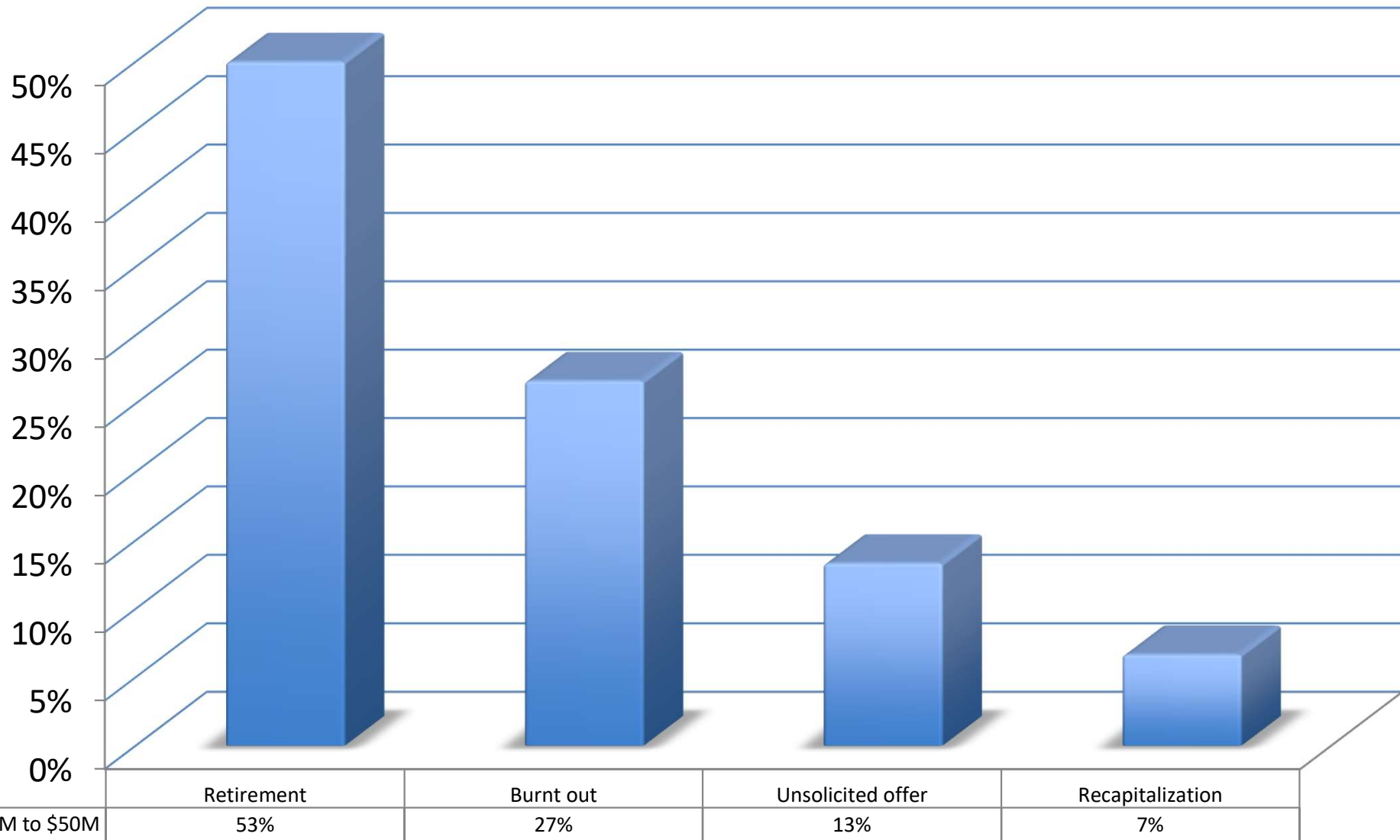
■ individual who owned a business

■ existing company/strategic buyer

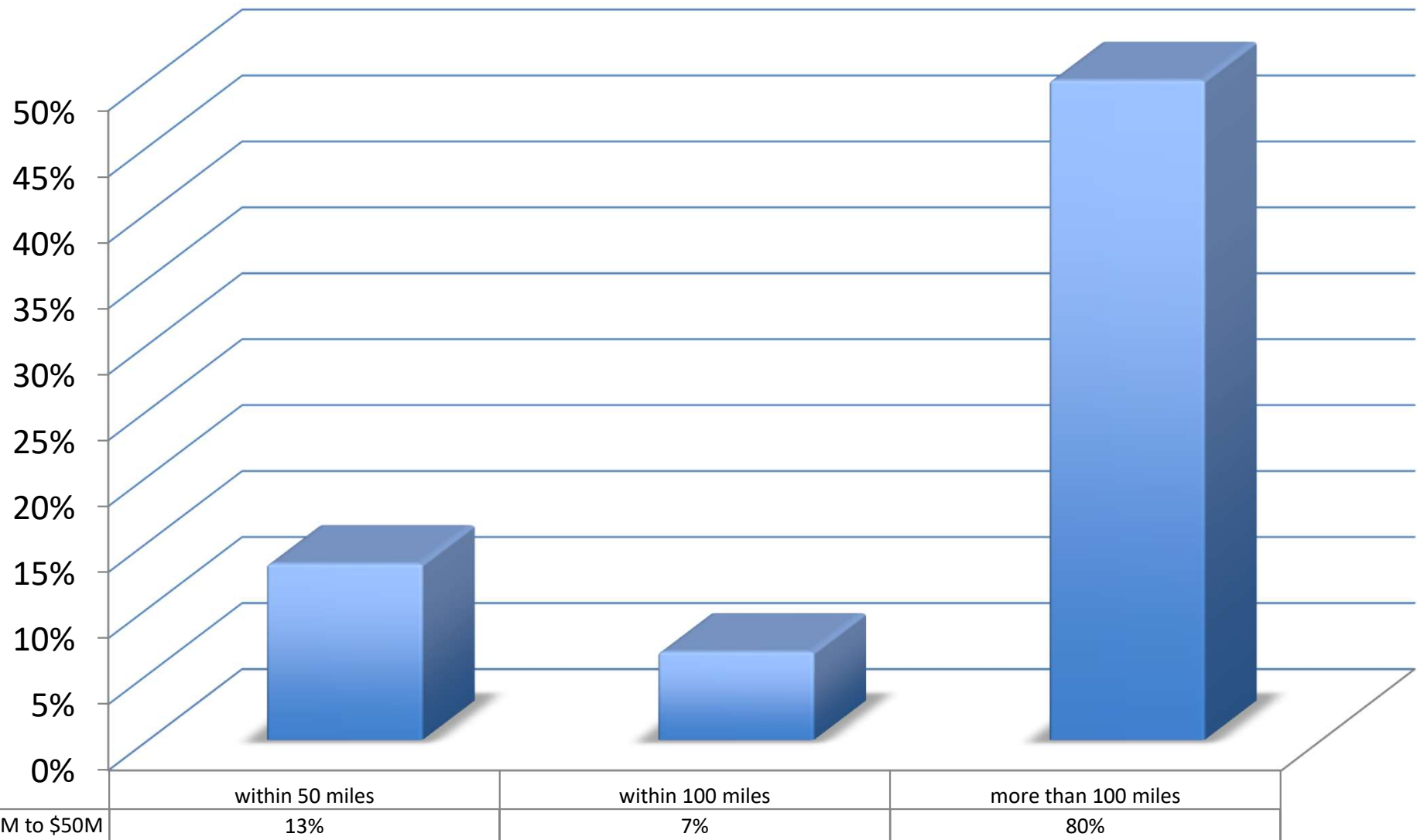
■ PE firm - Platform

■ PE firm - Add-on

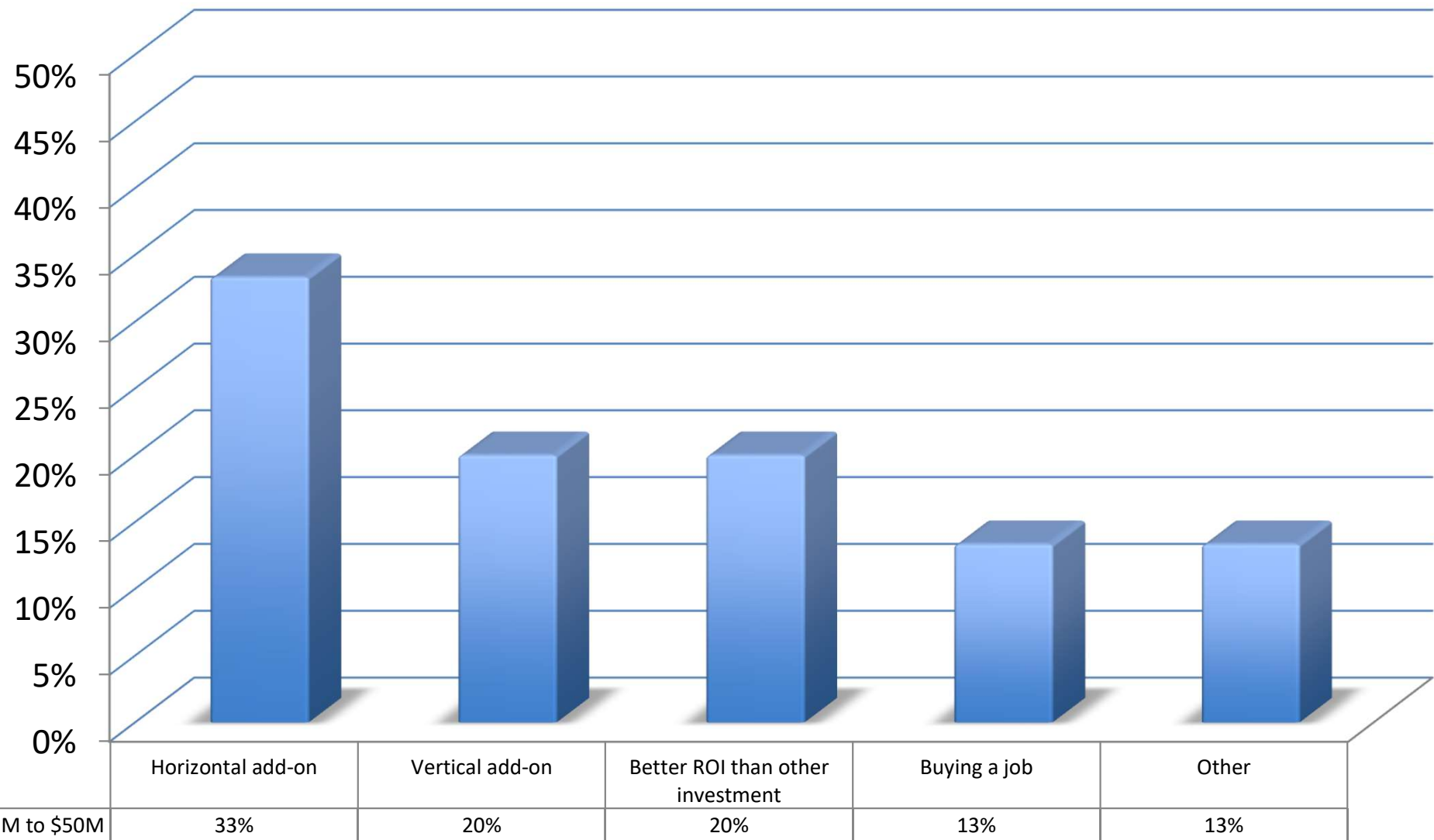
#1 Reason for Seller to Go to Market



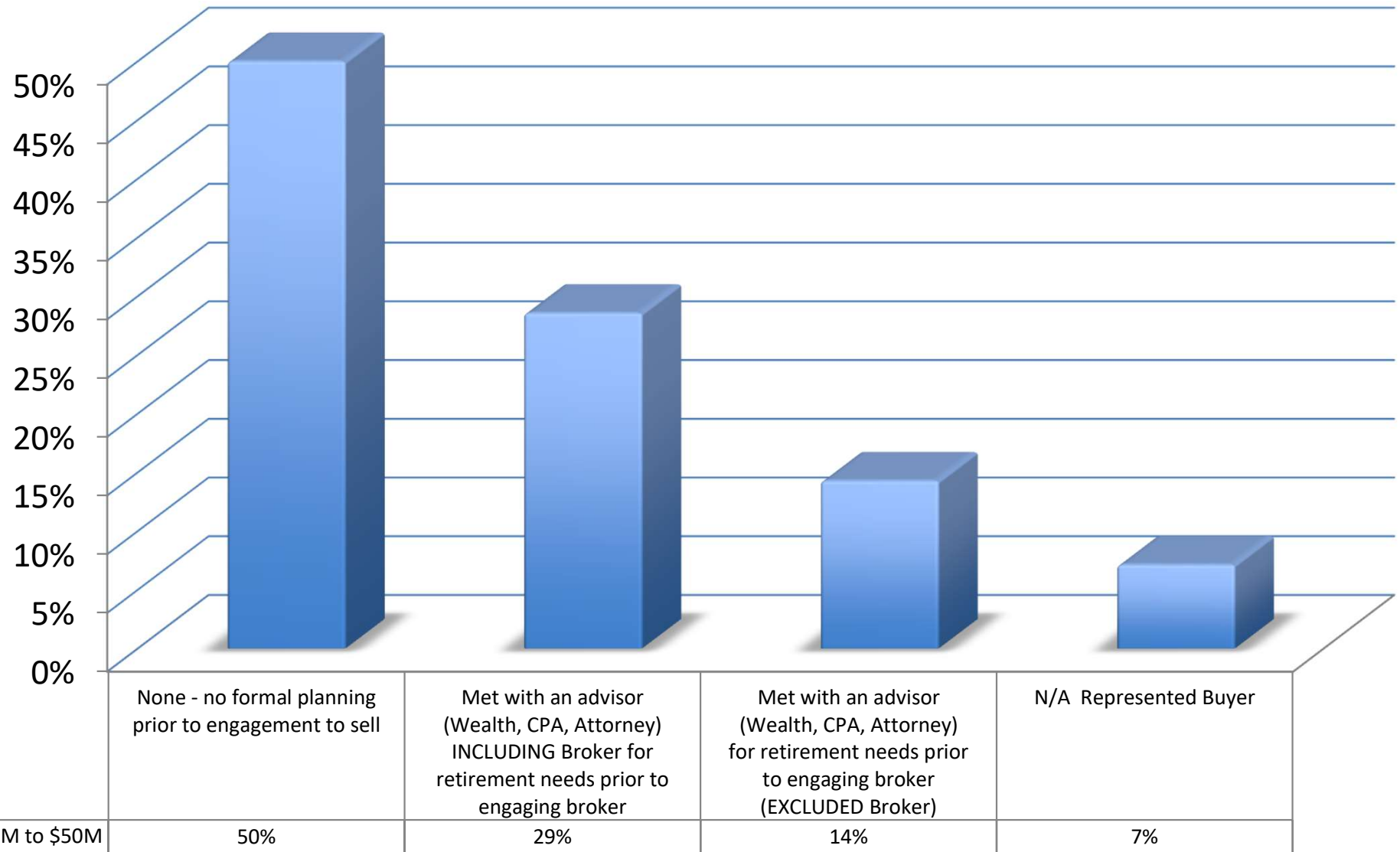
Buyer Location



#1 Motivation for Buyer



Exit Planning



Deals from \$5M to \$50M

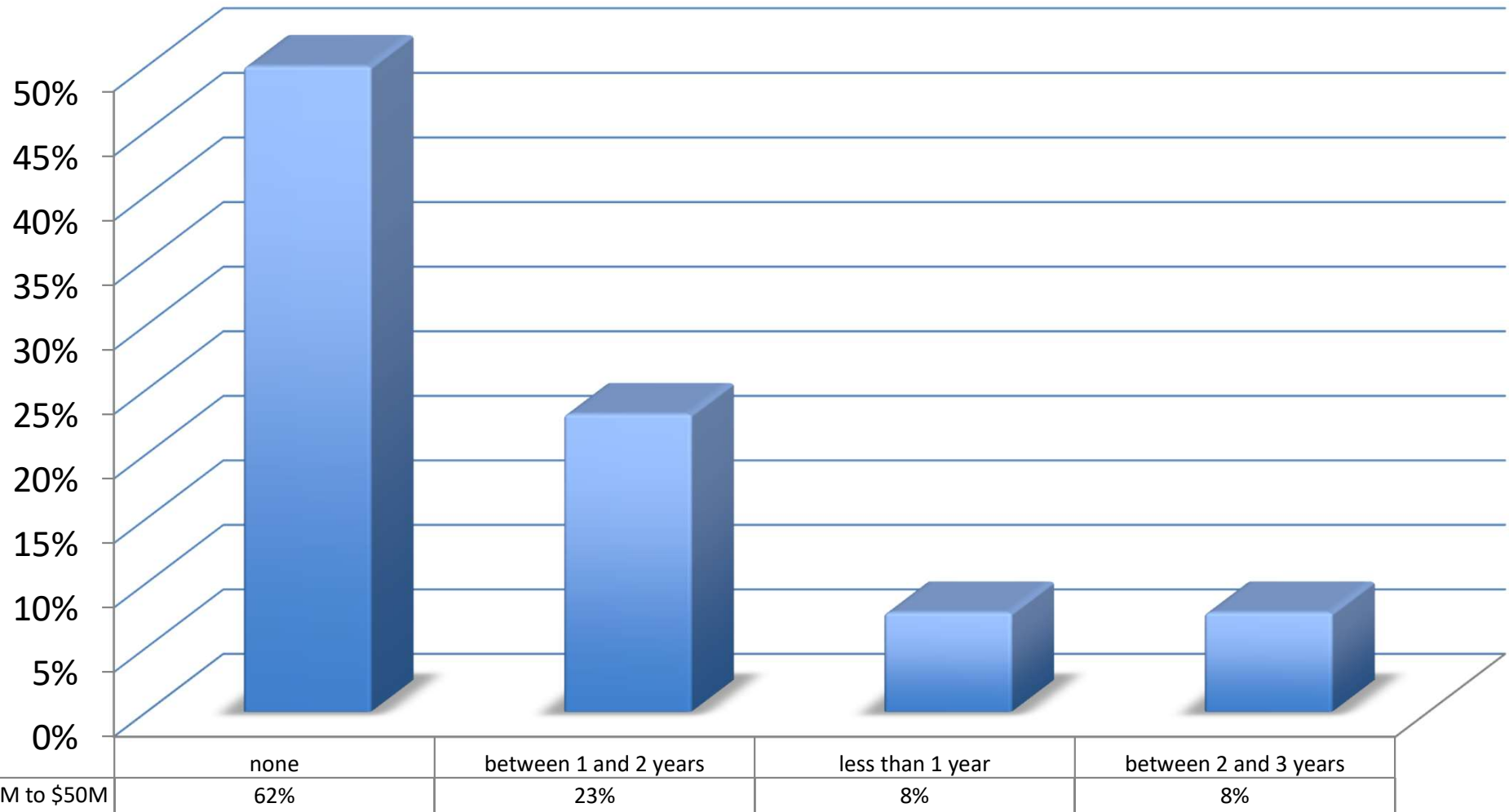
50%

29%

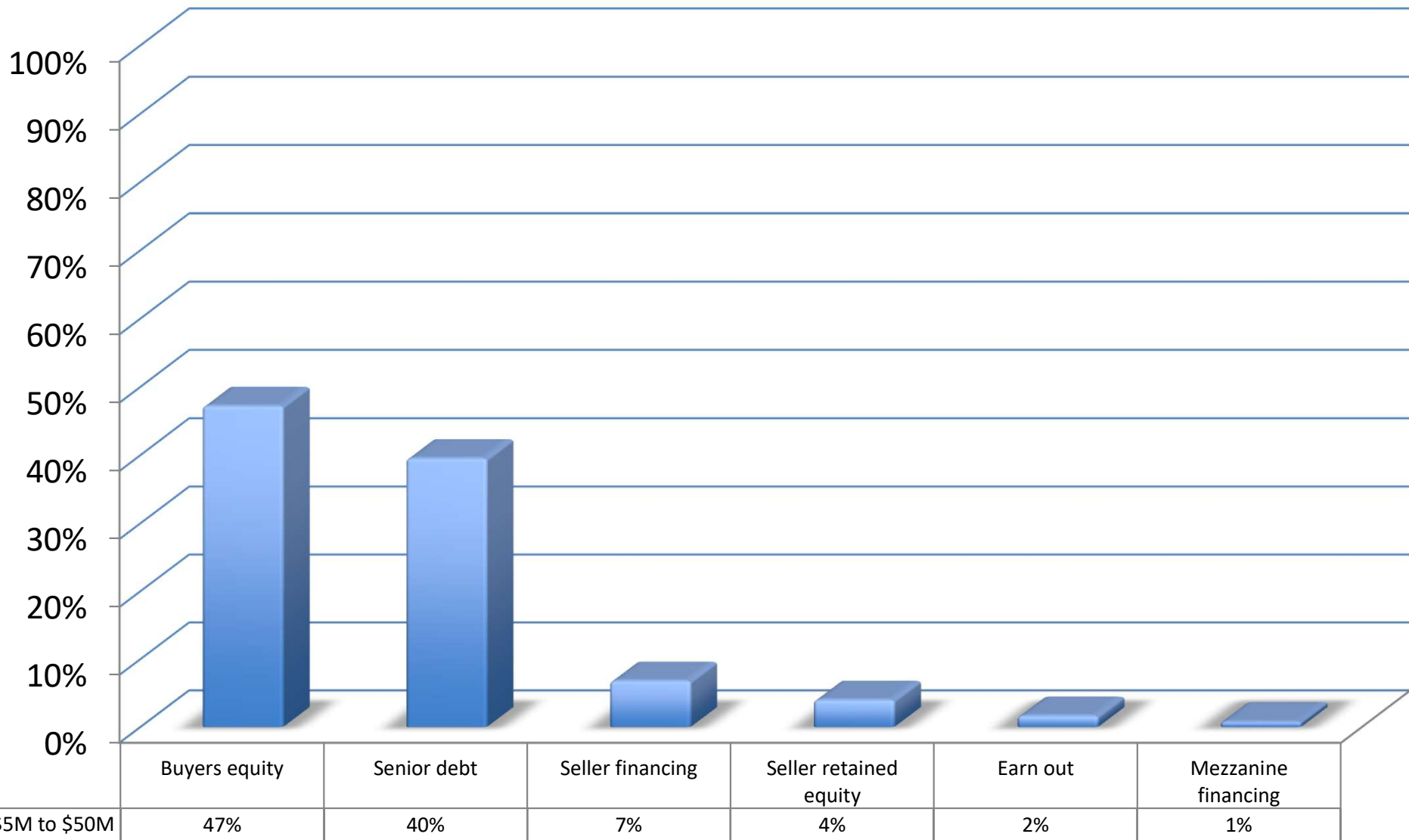
14%

7%

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	1.6%	6.0%	29.0%	56.8%	6.6%	3.6
Deals valued from \$500,000 to \$999,999	0.0%	5.1%	26.7%	60.2%	8.0%	3.7
Deals valued from \$1 million to \$1.99 million	0.0%	2.4%	30.5%	61.6%	5.5%	3.7
Deals valued from \$2 million to \$4.99 million	0.0%	5.6%	36.4%	53.1%	4.9%	3.6
Deals over \$5 million	0.0%	8.4%	43.2%	42.1%	6.3%	3.5

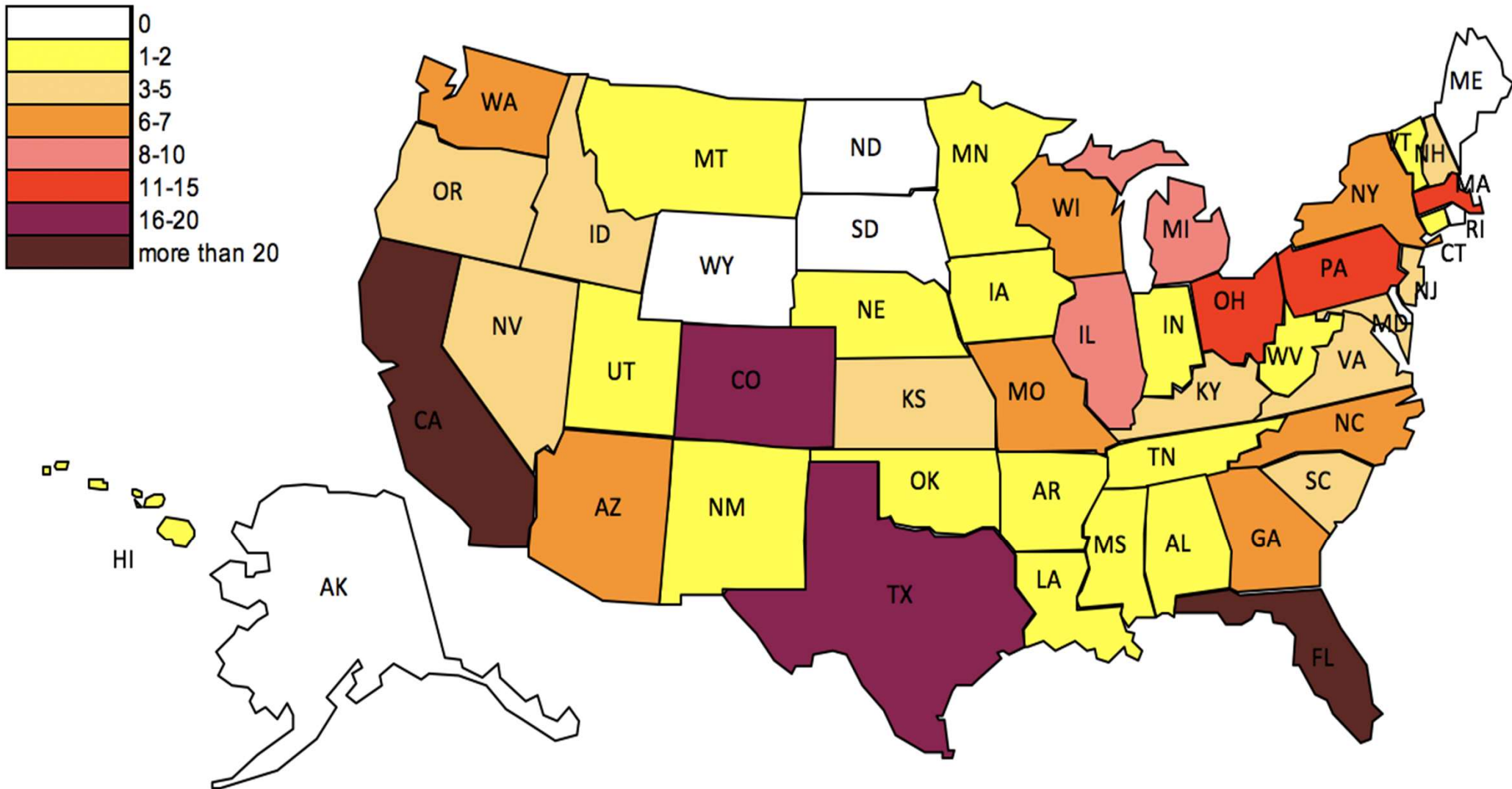
Expectations for Business Valuation Multiples in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	1.1%	15.1%	68.6%	14.6%	0.5%	3.0
Deals valued from \$500,000 to \$999,999	0.0%	10.9%	70.9%	17.7%	0.6%	3.1
Deals valued from \$1 million to \$1.99 million	0.0%	4.2%	66.1%	27.9%	1.8%	3.3
Deals valued from \$2 million to \$4.99 million	0.7%	5.6%	67.1%	25.9%	0.7%	3.2
Deals over \$5 million	0.0%	7.4%	61.1%	29.5%	2.1%	3.3

V. About the Respondents

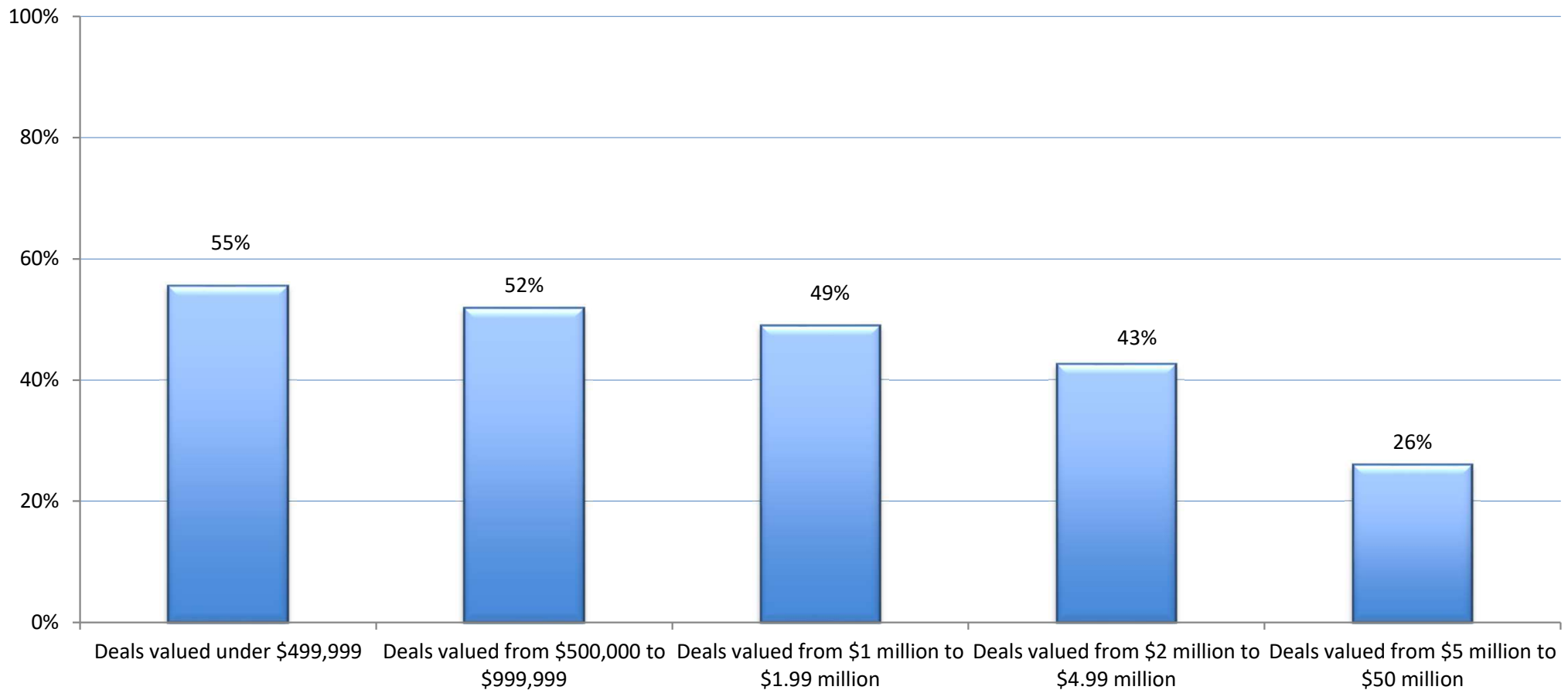
Details About the Respondents

Geographic Location



Details About the Respondents

Typical Size of Business Transactions

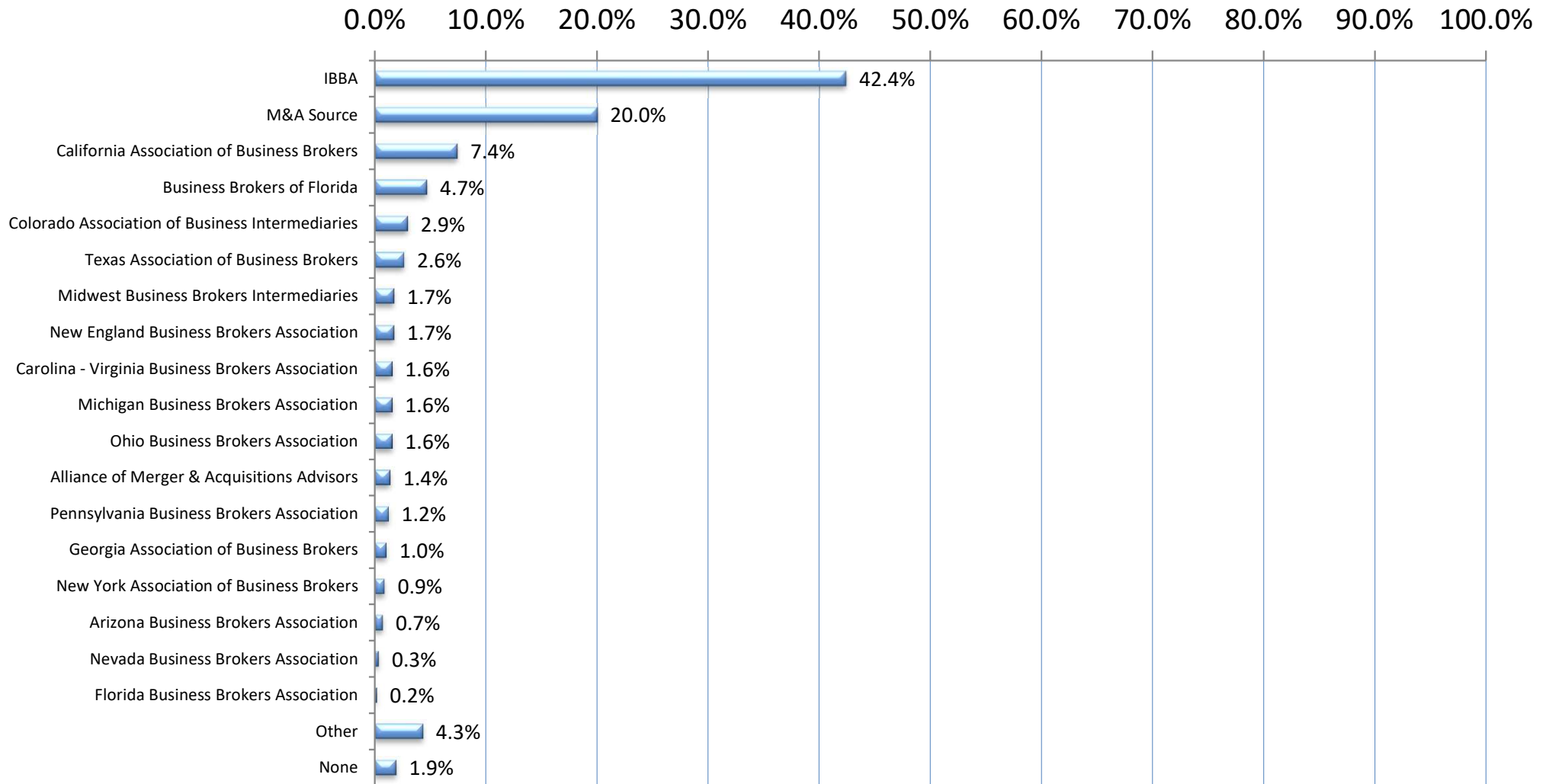


Total number of responses = 676

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

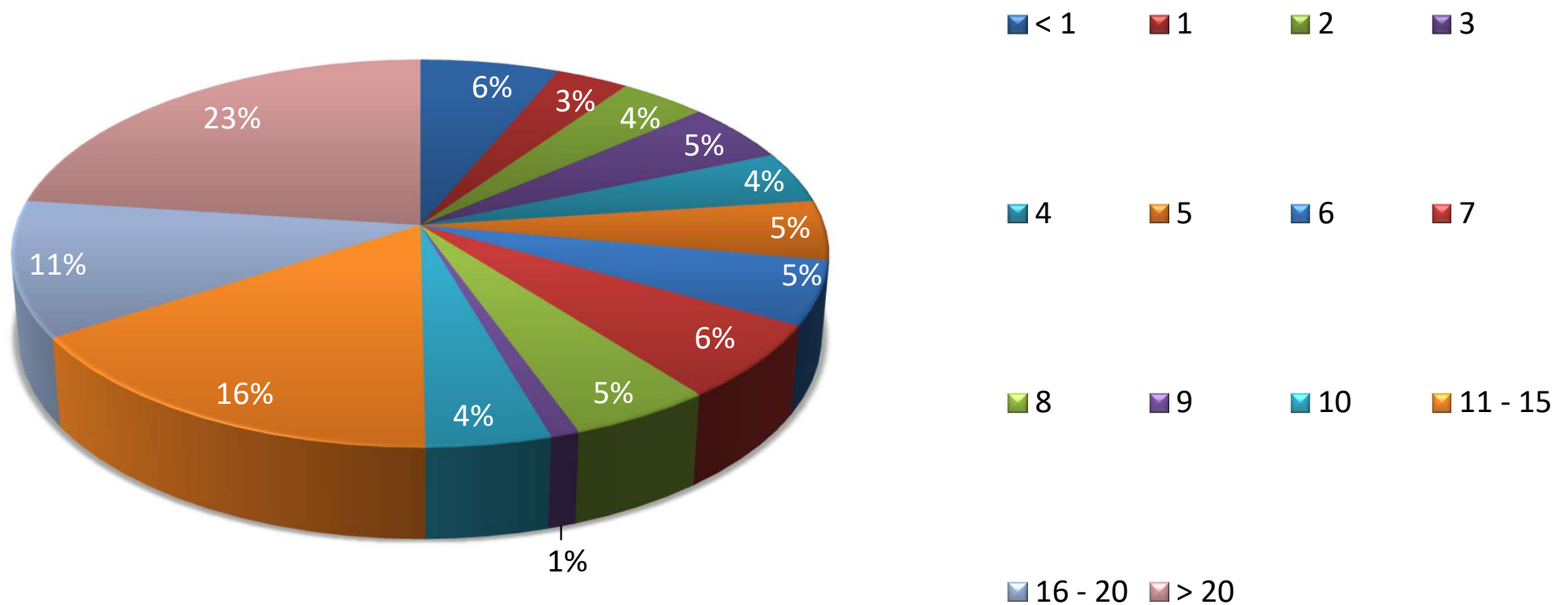
Details About the Respondents

Memberships/ Multiple Memberships



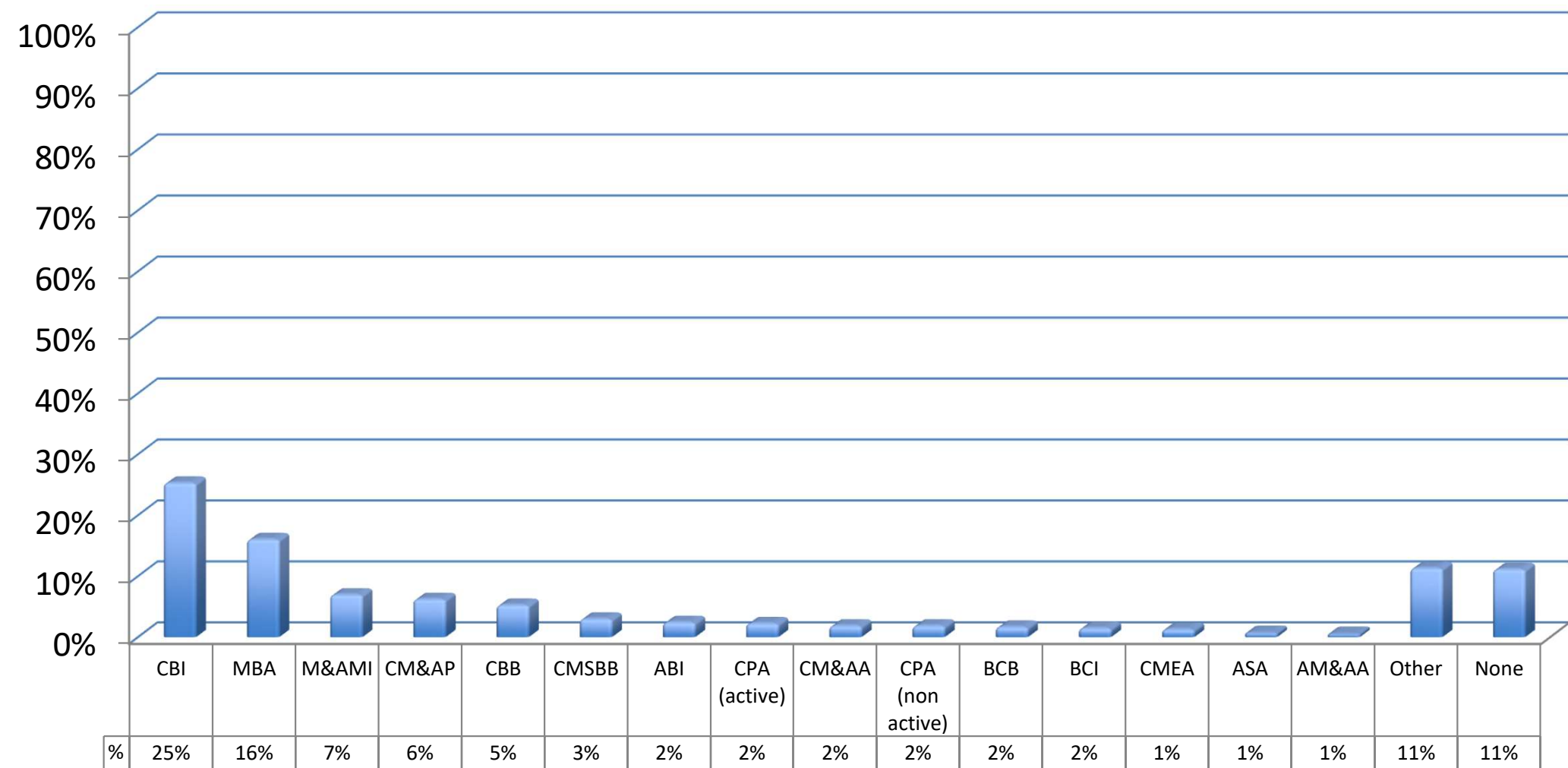
Details About the Respondents

Working Experience



Details About the Respondents

Professional Credentials



THANK YOU!

Lisa Riley, Ph.D., CBI, CM&AP, Market Pulse Chair

Lisa@DeltaBusinessAdvisors.com

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

SBushkie@Cornerstone-Business.com

David Ryan, Market Pulse Committee

Kyle Griffith, CBI, CM&AP, Market Pulse Committee