



MARKET SUMMARY

- The first period to encompass the full impact of the COVID-19 pandemic demonstrated virtually no change in valuations on reduced volume with less debt usage.
- TEV/EBITDA in Q2 2020 remained flat from the previous quarter at 7.4x.
- The two industries showing the highest EBITDA multiples through Q2 2020 were media & telecom and technology, at 9.0x and 9.4x, respectively. EBITDA multiples for all manufacturing companies averaged 7.2x, a full turn above historical averages.
- On average, larger buyouts continued to receive a premium to EBITDA multiples. The spread in valuation between deals completed in the \$50-\$250 million TEV range compared to deals in the \$10-\$50 million range was 2.3x through Q2 2020, which is in line with historical averages.
- Buyers have continued to reward businesses with premiums for above-average financials (TTM revenue growth and EBITDA margins above 10% or one above 12% and the other 8%). Buyouts for businesses with above-average financials averaged 8.0x vs. 6.8x for all others, a premium of 18%, which is near the 21% premium in 2019.
- Platform buyouts averaged higher EBITDA multiples than add-ons through Q2 2020, 7.9x compared to 6.5x, respectively, which is slightly higher than historical averages.
- While valuations did not change significantly, senior debt/EBITDA multiples across all industries declined from 3.4x in Q1 2020 to 2.8x in Q2 2020 as a result of tightening credit limits at most commercial lending institutions in relation to the pandemic.
- Average equity contributions increased nearly 8%, from 48.8% in Q1 2020 to 56.5% in Q2 2020; for reference, equity contributions had remained remarkably consistent in the 44-46% range from 2016 – 2019, showing that buyers are willing to accept increased equity share to get deals done in 2020.

WHAT'S NEW AT TAUREAU GROUP

- June** – Taureau Group moderated an ACG NextGen M&A panel to discuss current trends in the M&A market with four local private equity professionals.
- July** – Ann Hanna and Corey Vanderpoel hosted Family Business Forum webinar to discuss impact of COVID-19 on M&A seller's market.
- July** – Completed the acquisition of Holly Beck Surveying & Engineering, Inc. for Moore Holding Co.
- August** – Mary Nicole Myles joined the firm as Marketing & Office Manager.
- August** – Corey Vanderpoel participated as a panelist for a webinar hosted by Quarles & Brady LLP to discuss the current state of middle market M&A.
- August** – Taureau Group published its Q3 Packaging Industry Report; [click here](#) to download the report.
- August** – Taureau Group commenced marketing of a specialty metal fabricator and value-add distribution company.
- August** – Ann Hanna hosted a webinar for WMEP on growth and the role of acquisitions during COVID.

FEATURED ARTICLES

- COVID Acquisition Strategies*
Visit: taureaugroup.com/resource-center/news-articles/covid-acquisition-strategies
- Experience in Finding the Right Debt and Capital Solutions*
Visit: taureaugroup.com/resource-center/news-articles/debt-placement-services

ACTIVE BROAD ACQUISITION SEARCHES

- Strategic add-on opportunities for buy-side client looking for engineering or architectural service firms with revenues between \$2 - \$15 million.
- Strategic add-on opportunities for buy-side client looking for precision machining operations or capabilities in the Upper Midwest with revenue up to \$75 million and EBITDA up to \$10 million.
- Private equity client looking to establish new platforms of industrial businesses with revenue up to \$75 million and EBITDA up to \$8 million.

Full-service investment banking services:

- Company sales and corporate divestitures
- Acquisitions
- Recapitalizations
- Management buyouts
- Exit planning
- Business valuations (market value)
- Debt placement

Talk to one of our Taureau Group professionals:

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MARKET STATISTICS

Total Enterprise Value (TEV)/EBITDA

TEV	'03-15	'16	'17	'18	'19	YTD'20	Total
10-25	5.6	5.8	6.3	5.9	6.1	5.9	5.7
25-50	6.2	6.4	6.6	6.9	6.9	6.8	6.4
50-100	6.8	7.2	8.2	8.8	7.5	8.3	7.3
100-250	7.4	8.8	9.1	8.7	9.4	9.5	8.2
Total	6.2	6.7	7.2	7.2	7.1	7.4	6.5

TEV/EBITDA—By industry category

Industry	'03-15	'16	'17	'18	'19	YTD'20	Total
Manufacturing	6.0	6.1	6.8	6.9	6.6	7.2	6.2
Business services	6.1	7.3	7.3	7.1	7.1	7.2	6.6
Health care services	6.9	7.6	8.1	7.8	8.4	7.0	7.2
Retail	6.3	7.0	7.3	7.5	9.3	8.9	6.8
Distribution	6.2	7.2	7.6	7.0	7.1	8.5	6.6
Media & Telecom	7.1	6.5	7.7	7.8	7.0	9.0	7.2
Technology	7.1	7.4	9.9	9.6	10.0	9.4	8.0
Other	5.8	6.9	6.5	7.0	6.6	6.4	6.1

Senior Debt/EBITDA—Splits by period

TEV	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220
10-25	2.5	2.3	4.1	3.4	2.4	3.3	2.8	4.0
25-50	2.5	2.5	3.1	2.5	3.4	2.9	2.9	2.3
50-100	2.7	3.5	3.5	2.9	3.1	3.1	3.1	2.2
100-250	3.5	3.4	3.6	5.1	3.3	3.8	5.0	2.6
Total	2.7	2.8	3.5	3.2	2.9	3.2	3.4	2.8

Source: GF Data®

The second quarter provided the first clear view of the M&A marketplace in the months following the onset of COVID-19. The data is showing virtually no change in valuations, dramatically reduced deal volume and less debt usage. As the level of uncertainty declines in later 2020, we anticipate overall deal activity to return to normal levels as deal capital remains readily available and confidence levels improve.