



MARKET SUMMARY

- While historical statistics are important, the more meaningful data currently is future-oriented. Read all our COVID-19 articles and trends at www.taureaugroup.com/news.
- TEV/EBITDA in Q1 2020 increased to 7.4x from 7.1x the prior quarter, with two-plus months of “normal activity” preceding the onset of the coronavirus pandemic.
- The two industries showing the highest EBITDA multiples during Q1 2020 were distribution and technology, at 8.9x and 8.7x, respectively. EBITDA multiples for all manufacturing companies averaged 6.8x, which is 0.6x above historical averages.
- On average, larger buyouts receive a premium to their EBITDA multiples. The spread on size premiums for larger deals between \$50 and \$250 million compared to deals between \$10 and \$50 million was 2.2x through Q1 2020, which is in line with average historic levels.
- Buyers continued through 2019 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 8.1x vs. 6.8x for all others, a premium of 18%, and a drop from the 20% average premium in 2019.
- Platform buyouts averaged a higher EBITDA multiple than add-ons through Q1 2020, 7.8x compared to 6.5x, respectively, slightly higher than historical averages.
- Debt utilization ticked up in Q1 2020 with senior debt/EBITDA multiples across all industries rising from 3.3x in 2019 to 3.5x in Q1 2020.
- Average equity contributions through Q1 2020 were above historical levels at 49.6% compared to 46.3% in 2019 and 48.9% in 2018; for reference, equity contributions had remained remarkably consistent in the 43-45% range from 2015 – 2017.

WHAT'S NEW AT TAUREAU GROUP

- **March** – Taureau Group sponsored and spoke at BizTimes M&A Forum in Milwaukee.
- **March** – Michael Schroeder named Debt Placement Lead to assist clients to identify and negotiate the right debt and capital solutions.
- **March** – Tom Venner named Private Equity Coverage Lead to manage inbound communications with the thousands of private equity groups with which Taureau Group has relationships.
- **April** – Taureau Group’s three newest team members (Mike Erwin, Nick Mydlach and Tim Greci) get settled into their respective roles.
- **April** – Engaged by a sheet metal fabrication company for consideration of potential sale.
- **April** – Engaged by metal sourcing and manufacturing company for consideration of potential sale.
- **April** – Nick Mydlach welcomes a healthy baby boy to the family.
- **May** – Ann Hanna is featured by Ellenbecker Investment Group Wealth Advisors on its radio show, Money Sense, to speak on the impacts of buying and selling businesses during COVID-19.
- **May** – Corey Vanderpoel and Rob Macklin, a partner at Epiphany Law, host a webinar focusing on strategies for maximizing value.

FEATURED ARTICLES

- *Normalizing EBITDA: Results of the COVID-19 Impact* - Visit: taureaugroup.com/normalizing-ebitda-results-of-covid19
- *Market Responses to COVID-19* - Visit: taureaugroup.com/market-responses-to-covid19

ACTIVE BROAD ACQUISITION SEARCHES

- Strategic add-on opportunities for buy-side client looking for engineering or architectural service firms with revenues between \$2 million - \$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.

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	5.7	5.7
25-50	6.2	6.4	6.6	6.9	7.0	6.9	6.4
50-100	6.8	7.2	8.2	8.9	7.6	8.1	7.2
100-250	7.4	8.8	9.1	8.7	9.4	9.6	8.1
Total	6.2	6.7	7.3	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	6.8	6.2
Business services	6.1	7.3	7.3	7.1	7.2	7.2	6.5
Health care services	6.9	7.6	8.1	7.8	8.4	7.4	7.3
Retail	6.3	7.0	7.6	7.5	9.3	NA	6.8
Distribution	6.2	7.2	7.6	7.0	7.1	8.9	6.6
Media & telecom	7.1	6.5	7.8	7.8	7.0	NA	7.1
Technology	7.1	7.4	10.2	9.6	10.0	8.7	7.9
Other	5.8	6.9	6.5	7.1	6.3	6.5	6.1

Senior Debt/EBITDA—Splits by period

TEV	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20
10-25	3.9	2.4	2.1	4.1	3.4	2.5	3.5	2.8
25-50	2.8	2.5	2.5	3.1	2.5	3.4	2.9	3.1
50-100	3.2	2.6	3.5	3.5	2.9	3.1	3.2	3.5
100-250	3.2	3.5	3.4	3.6	5.1	3.3	3.8	4.8
Total	3.2	2.7	2.8	3.5	3.2	3.0	3.2	3.5

Source: GF Data®

While first quarter statistics show positive trends and volumes in the M&A market, COVID-19 has had a significant impact on the M&A market causing certain deals to be on hold while others are getting done due to their strategic nature or the tactical recognition of both buyers and sellers to adapt to the current market realities. Going forward, Taureau Group will continue to help business owners navigate these unique challenges and opportunities.

Full-service investment banking services:

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

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