



MARKET SUMMARY

- TEV/EBITDA in Q2 2019 increased to 7.6x from 6.9x in the prior quarter, bringing the YTD 2019 average to 7.2x, in-line with 2018.
- The two industries showing the highest EBITDA multiples during Q2 2019 were technology and retail at 10.8x and 9.2x, respectively. EBITDA multiples for all manufacturing companies averaged 6.7x, 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 1.2x through Q2 2019, which is below the average historic level of 2.2x and the smallest size premium recorded since 2014.
- Buyers continued through Q2 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 7.6x vs. 6.6x for all others, a premium of 15% and a drop from the 25% average premium in 2018.
- Platform buyouts averaged a higher EBITDA multiple than add-ons through Q2 2019, 7.2x compared to 6.9x, respectively, in-line with historical averages.
- Debt utilization ticked up through Q2 2019 with senior debt/EBITDA multiples across all industries at 3.4x compared to 3.0x in 2018.
- Average equity contributions through Q2 2019 returned to historical levels of 44.5% after a spike to 49.0% in 2018; for reference, equity contributions had remained remarkably consistent in the 43-45% range from 2015 – 2017.
- Private equity buyers remain active, driven by historically low borrowing costs. The percentage of deals completed by PE firms increased to 39.4% through Q2 2019 from historical averages of 27-32%. Due to strong fundraising efforts, PE firms are currently sitting on nearly \$1 trillion of cash ready to deploy.

WHAT'S NEW AT TAUREAU GROUP

- **June** – Kicked off marketing of companies in the following industries: engineered casting; refrigerated transportation and brokerage; automated and engineering solutions equipment manufacturing; and industrial electrical & engineering services.
- **July** – Began demolition and renovation of Taureau Group's new office space, located at 320 E Buffalo St., Suite 401, Milwaukee, WI – stay tuned for an open house announcement forthcoming.
- **August** – Managing Director & Owner, Corey Vanderpoel, appointed to the Board of Directors of PSB Holdings, Inc. (OTCQX: PSBQ) and Peoples State Bank.
- **September** – Managing Director & Owner, Ann Hanna, appointed Chairperson of the Board of BizStarts, Inc., a Milwaukee organization that supports early-stage companies in southeast Wisconsin.

FEATURED ARTICLES

- *Looking to Sell Your Business? Read This First.*
Visit: taureaugroup.com/looking-to-sell-your-business-read-this-first
- *Purchase Agreement Focus: What Are Indemnification Baskets and Caps?*
Visit: taureaugroup.com/purchase-agreement-focus

ACTIVE BROAD ACQUISITION SEARCHES

- Add-on opportunities for buy-side clients in the plastics manufacturing and niche technology/automation industries.
- Add-on opportunities for buy-side client looking for engineering or architectural service firms with revenues between \$2 million - \$15 million.

MARKET STATISTICS

Total Enterprise Value (TEV)/EBITDA

TEV	'03-14	'15	'16	'17	'18	YTD '19	Total
10-25	5.5	5.9	5.8	6.3	5.9	6.4	5.7
25-50	6.2	6.6	6.4	6.6	6.9	7.1	6.3
50-100	6.7	7.8	7.2	8.2	8.9	7.2	7.2
100-250	7.3	9.0	8.9	9.1	8.8	9.3	8.0
Total	6.1	6.7	6.7	7.3	7.3	7.2	6.4

TEV/EBITDA—By industry category

Industry	'03-14	'15	'16	'17	'18	YTD '19	Total
Manufacturing	5.9	6.6	6.1	6.8	7.0	6.7	6.1
Business services	6.1	6.4	7.3	7.5	7.1	7.5	6.5
Health care services	6.8	7.7	7.6	8.1	7.8	7.6	7.2
Retail	6.4	5.5	7.0	7.6	7.0	9.2	6.6
Distribution	6.1	6.7	7.5	7.7	7.1	7.0	7.0
Media & telecom	7.2	6.4	6.6	8.2	8.6	NA	7.2
Technology	6.8	8.0	7.4	10.2	9.6	10.8	7.8
Other	5.8	5.6	6.9	6.5	7.1	6.1	6.1

Senior Debt/EBITDA—Splits by period

TEV	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
10-25	4.5	3.8	2.8	3.9	2.5	2.1	4.4	3.8
25-50	3.7	2.9	3.2	2.7	2.5	2.5	3.0	2.5
50-100	3.5	3.8	4.0	3.2	2.6	3.5	3.5	2.7
100-250	5.4	3.5	5.2	3.2	3.7	3.4	3.2	5.1
Total	4.4	3.4	3.3	3.5	2.7	2.9	3.4	3.4

Source: GF Data®

Register for our annual M&A Forum - to be held October 9th at the Lambeau Field Atrium Legends Club. Topic: Historic Proportions: How a Robust M&A Market is Paving the Way for Decision Makers. Go to www.taureaugroup.com/events to sign up now.

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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