



MARKET SUMMARY

- Q4 2020 exhibited a flurry of M&A activity following two COVID-depressed quarters in the middle of the year; the number of deals completed in Q4 increased 121% from a recovering Q3; the number of completed deals in 2020 finished in line with a strong 2019.
- TEV/EBITDA in Q4 2020 rebounded to 7.0x, up from 6.7x the previous quarter, returning the collective average to 7.0x, which is in line with the years leading up to the 2020 pandemic; in total, the “COVID effect” to the M&A market can be fairly represented by averaging Q2 and Q3 at 7.1x, a slight drop from 7.4x in Q1.
- The two industries showing the highest EBITDA multiples through Q4 2020 were media & telecom and health care services, at 8.3x and 7.9x, respectively. EBITDA multiples for all manufacturing companies averaged 6.7x, which is above historical averages of 6.2x.
- 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 2.1x through Q4 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 7.8x vs. 6.1x for all others, a premium of 27%, slightly above the 20% premium in 2019.
- Platform buyouts averaged higher EBITDA multiples than add-ons through Q4 2020, 7.2x compared to 6.8x, respectively, which is slightly higher than historical averages.
- Senior debt levels began to edge back to pre-COVID levels with Q4 2020 showing 3.2x from 2.7x in Q3 2020.
- With commercial banks beginning to gain confidence in the M&A environment, the subordinated debt portion of the capital structure dropped to 8.5% in Q4 2020 versus 14.4% in Q3 2020.

WHAT'S NEW AT TAUREAU GROUP

- December** – Sold an industrial contracting company to Kinsale Capital Partners, LLC.
- December** – Sold Sanborn Tube Sales of Wisconsin, Inc. to Russel Metals, Inc. (TSX:RUS).
- January** – Andrew Sannes and Tyler Carlson presented, “Unmask M&A in 2021”, at the [BizTimes 2021 Economic Trends event](#).
- January** – Sold Geographic Information Services, Inc. (GISinc), to Continental Mapping Consultants, LLC, a portfolio company of Bluestone Investment Partners.
- February** – Ann Hanna, Tyler Carlson and Mike Schroeder discussed current M&A market dynamics at TEC (now Vistage).
- February** – Taureau Group was a proud Platinum Sponsor of WMEP’s Manufacturing Matters.
- February** – Commenced marketing of technology services company for potential sale.
- March** – Taureau Group published its Q1 Industrial & Contract Manufacturing Report; click [here](#).
- March** – Brandon Niemiec joined Taureau Group as an Analyst.
- March** – Sold a transportation & logistics company (further details to be announced).

FEATURED ARTICLES

- Is Now the Right Time to Sell My Business?* - Visit [here](#).
- Mergers and Acquisitions in the COVID-19 Era* (WMEP Guest Blog) - Visit [here](#).

ACTIVE BROAD ACQUISITION SEARCHES

Client Type	Search Description	Revenue/EBITDA
ESOP	Add-on opportunities for engineering or architectural firms	\$2 - \$15M revenue
Private equity	Establish new platforms of industrial businesses	<\$8M EBITDA
ESOP	New platforms in variety of niche manufacturing & business service industries	>\$2M EBITDA, TEV >\$10M
ESOP	Acquisitions of highly engineered industrial product manufacturers	<\$20M revenue



Pictured from left to right are:
 Tim Greci (Analyst), Nick Mydlach (Associate), Ann Hanna (Managing Director), Tyler Carlson (Vice President), Mary Nicole Myles (Marketing & Office Manager), Tammy Halfmann (Executive Administrative Professional), Michael Schroeder (Vice President), Corey Vanderpoel (Managing Director), Tom Venner (Associate) and Andrew Sannes (Managing Director). Not pictured is Mike Erwin (Senior Operating Partner) and Brandon Niemiec (Analyst).

MARKET STATISTICS

Total Enterprise Value (TEV)/EBITDA

TEV	'03-15	'16	'17	'18	'19	'20	Total
10-25	5.6	5.8	6.3	5.9	6.2	6.0	5.7
25-50	6.2	6.4	6.6	6.9	6.9	6.9	6.4
50-100	6.8	7.2	8.2	8.8	7.5	8.1	7.3
100-250	7.4	8.8	9.1	8.7	9.4	8.6	8.2
Total	6.2	6.7	7.2	7.2	7.1	7.1	6.5

TEV/EBITDA—By industry category

Industry	'03-15	'16	'17	'18	'19	'20	Total
Manufacturing	6.0	6.1	6.8	6.9	6.6	6.7	6.2
Business services	6.1	7.3	7.3	7.1	7.1	7.1	6.6
Health care services	6.9	7.6	8.1	7.8	8.4	7.9	7.3
Retail	6.3	7.0	7.3	7.5	9.3	6.9	6.8
Distribution	6.2	7.2	7.6	7.0	7.1	7.7	6.6
Media & Telecom	7.1	6.5	7.7	7.8	7.0	8.3	7.2
Technology	7.1	7.4	9.9	9.6	10.0	7.6	7.9
Other	5.8	6.9	6.5	7.0	6.6	6.6	6.1

Senior Debt/EBITDA—Splits by period

TEV	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420
10-25	4.1	3.4	2.4	3.5	2.9	4.0	2.7	3.0
25-50	3.2	2.6	3.3	2.9	2.9	2.3	2.6	3.0
50-100	3.5	2.9	3.1	3.1	3.4	2.2	2.6	3.0
100-250	3.6	5.1	3.3	3.8	4.9	2.6	3.2	4.0
Total	3.5	3.2	2.9	3.2	3.4	2.8	2.7	3.2

Source: GF Data®

After two COVID-impacted quarters with depressed M&A activity, Q4 2020 demonstrated a burst of closings, ultimately bringing the number of closed transactions in line with a strong 2019. The data showcased an uptick in completed transactions in Q4, rebounded valuations and a pickup in total debt levels. As levels of uncertainty continue to diminish, we anticipate pent-up seller and buyer interest through 2021 and overall deal activity to remain high as deal capital remains readily available and confidence levels are improving.

Full-service investment banking services:

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