



MARKET SUMMARY

- Q3 2020 demonstrated signs of a recovering M&A market after being hit by an unprecedented pandemic; the number of deals completed increased 47% over a depressed Q2.
- TEV/EBITDA in Q3 2020 averaged 6.7x, down from 7.4x the previous two quarters.
- Valuations remained strong in Q2 due to an abnormal group of transactions completed that appeared attractive during the heart of the COVID-19 pandemic. In total, the “COVID effect” is 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 Q3 2020 were media & telecom and technology, at 8.8x and 8.5x, respectively. EBITDA multiples for all manufacturing companies averaged 6.9x, which is above historical averages of 6.2x.
- 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 7.9x vs. 6.3x for all others, a premium of 25%, slightly above the 21% premium in 2019.
- Although Q3 2020 saw a rebound in total debt to 3.7x versus 3.3x in Q2 2020, senior debt remained virtually unchanged at 2.7x as lenders remain cautious with tightening credit limits at most commercial lending institutions in response to the pandemic.
- With senior debt lenders acting cautiously because of the COVID-19 pandemic, the prominence of sub debt providers has returned. The average sub debt coupon has risen to L+ 11.2%, indicating that buyers are willing to adapt to the current lending environment to get deals done.

WHAT'S NEW AT TAUREAU GROUP

- **October** – Ann Hanna led session for BizStarts Institute’s newest program, “Entrepreneurship in Adversity”.
- **October** – Andrew Sannes joined the firm as Managing Director.
- **October** – Engaged by a technology services company for potential sale.
- **November** – Taureau Group published its Q3 Medical Device Report; [click here](#) to download the report.
- **November** – Ann Hanna joined the Wisconsin Chapter of the Private Directors Association and other panelists for a webinar on how the ownership structure of the company influences and impacts the role of the board.
- **November** – Michael Schroeder welcomed a healthy baby boy to the family.
- **November** – Tyler Carlson and Michael Schroeder joined Taureau Group’s ownership group.
- **December** – Ann Hanna hosted a follow-up webinar for WMEP on growth and the role of acquisitions during COVID.
- **December** – Completed the sale of an industrial contracting company to Kinsale Capital Partners, LLC.
- **December** – Completed the sale of Sanborn Tube Sales of Wisconsin, Inc. to Russel Metals, Inc. (TSX:RUS).

FEATURED ARTICLES

- *Wisconsin Banks Brace for Bad Loans (referenced Corey Vanderpoel)* - Visit [here](#).
- *Mezzanine Debt Consideration (authored by Michael Schroeder)* - Visit [here](#).

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.
- ESOP client looking to establish new platforms in a broad variety of niche manufacturing and business service industries with EBITDA of \$2 million or more and total enterprise values greater than \$10 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	6.1	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	8.1	7.3
100-250	7.4	8.8	9.1	8.7	9.4	9.1	8.2
Total	6.2	6.7	7.2	7.2	7.1	7.2	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	6.9	6.2
Business services	6.1	7.3	7.3	7.1	7.1	6.9	6.5
Health care services	6.9	7.6	8.1	7.8	8.4	7.8	7.3
Retail	6.3	7.0	7.3	7.5	9.3	7.4	6.8
Distribution	6.2	7.2	7.6	7.0	7.1	7.9	6.6
Media & Telecom	7.1	6.5	7.7	7.8	7.0	8.8	7.2
Technology	7.1	7.4	9.9	9.6	10.0	8.5	8.0
Other	5.8	6.9	6.5	7.0	6.6	6.3	6.1

Senior Debt/EBITDA—Splits by period

TEV	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320
10-25	2.3	4.1	3.4	2.4	3.5	2.9	4.0	2.7
25-50	2.5	3.1	2.5	3.4	2.9	2.9	2.3	2.6
50-100	3.5	3.5	2.9	3.1	3.1	3.4	2.2	2.3
100-250	3.4	3.6	5.1	3.3	3.8	5.0	2.6	3.2
Total	2.8	3.5	3.2	2.9	3.2	3.5	2.8	2.7

Source: GF Data®

The third quarter demonstrated an M&A market on the rebound from the months following the onset of the COVID-19 pandemic. The data showed an uptick in completed transactions in Q3, steady valuations and a bounce back in total debt levels. As the level of uncertainty declines and the release of a vaccine becomes more expansive, we anticipate overall deal activity to return to normal levels as deal capital remains readily available and confidence levels are improving.



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).

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