



MARKET SUMMARY

- TEV/EBITDA in Q4 2019 declined to 7.1x from 7.5x the prior quarter, bringing the full year 2019 average to 7.2x, in line with 2018.
- The two industries showing the highest EBITDA multiples during Q4 2019 were retail and technology, at 9.9x and 9.4x, respectively. EBITDA multiples for all manufacturing companies averaged 6.7x, which is 0.5x 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 1.9x through Q4 2019, which is slightly below average historic levels of 2.2x.
- 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 7.6x vs. 6.4x for all others, a premium of 19%, and a drop from the 23% average premium in 2018.
- Platform buyouts averaged a higher EBITDA multiple than add-ons through Q4 2019, 7.3x compared to 6.6x, respectively, in line with historical averages.
- Debt utilization ticked up in 2019 with senior debt/EBITDA multiples across all industries at 3.3x compared to 3.0x during 2018.
- Average equity contributions in 2019 were slightly above historical levels at 46.1% after a spike to 49.1% in 2018; for reference, equity contributions had remained remarkably consistent in the 43-45% range from 2015 – 2017.

WHAT'S NEW AT TAUREAU GROUP

- **December** – Completed the sale of a metal fabrication and branded products company.
- **December** – Completed the merger of The C.A Lawton Co. to Temperform, LLC, a portfolio company of Oakland Standard Co.
- **December** – Completed the acquisition of Sambatek's North Dakota transportation group for Moore Engineering, Inc.
- **January** – Completed the sale of Leick Furniture, Inc. to DHI Corp.
- **January** – Completed valuation assessment for a company in the industrial machinery industry.
- **January** – Mike Erwin joined Taureau Group as a senior operating partner.
- **February** – Engaged by private equity group to lead search efforts for new platform companies.
- **February** – Sponsored and presented to attendees at WMEP Manufacturing Matters! event.
- **February** – Tom Venner promoted to associate and takes on the private equity coverage lead role.
- **February** – Tim Greci joined Taureau Group as an analyst.
- **February** – Completed valuation assessment for a company in the water technology industry.
- **March** – Nick Mydlach joined Taureau Group as an associate.
- **March** – Taureau Group sponsored and spoke at BizTimes M&A Forum in Milwaukee.

FEATURED ARTICLES

- *Recap Introduction* - Visit: taureaugroup.com/recap-introduction
- *Buyer or Seller: Is it a Zero-Sum Game?* - Visit: taureaugroup.com/buyer-or-seller-is-it-a-zero-sum-game

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.
- Buy-side 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	'03-14	'15	'16	'17	'18	'19	Total
10-25	5.5	5.9	5.8	6.3	5.9	6.1	5.7
25-50	6.2	6.6	6.4	6.6	6.9	7.0	6.4
50-100	6.7	7.8	7.2	8.2	8.9	7.4	7.2
100-250	7.3	9.0	8.8	9.1	8.8	9.5	8.1
Total	6.1	6.7	6.7	7.3	7.2	7.2	6.5

TEV/EBITDA—By industry category

Industry	'03-14	'15	'16	'17	'18	'19	Total
Manufacturing	5.9	6.6	6.1	6.8	7.0	6.7	6.2
Business services	6.1	6.4	7.3	7.4	7.1	7.3	6.5
Health care services	6.8	7.7	7.6	8.1	7.8	8.4	7.3
Retail	6.4	5.5	7.0	7.6	7.0	9.9	6.7
Distribution	6.1	6.7	7.5	7.6	7.0	7.0	6.5
Media & telecom	7.2	6.4	6.5	7.8	8.6	7.0	7.1
Technology	6.8	8.0	7.4	10.2	9.6	9.4	7.8
Other	5.8	5.6	6.9	6.5	7.1	6.4	6.1

Senior Debt/EBITDA—Splits by period

TEV	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19
10-25	2.8	3.9	2.5	2.1	4.1	3.2	2.5	3.9
25-50	3.2	2.7	2.5	2.5	3.1	2.5	3.4	3.0
50-100	3.9	3.2	2.6	3.5	3.5	2.9	3.1	3.2
100-250	5.2	3.2	3.7	3.4	3.6	5.1	3.4	3.8
Total	3.3	3.2	2.7	2.8	3.5	3.1	3.0	3.4

Source: GF Data®

For the past several months, the coronavirus, or COVID-19, has been dominating headlines across the world and progressively impacting the markets, economy and personal life. Accordingly, we expect the strong M&A market to continue but for there to be a short-term "pause" in certain deals until the impacts of the virus are more understood.

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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