



MARKET SUMMARY

- TEV/EBITDA in Q4 2018 increased to 7.8x from 7.3x in the prior quarter and averaged 7.2x for all of 2018, which is in line with the prior year of 7.3x.
- The two industries showing the highest EBITDA multiples during 2018 were technology and media & telecom at 9.6x and 8.6x, respectively. EBITDA multiples for all manufacturing companies averaged 6.9x, which is 0.8x 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 2.9x in 2018 YTD, which is above the average historic level of 2.3x.
- Buyers 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%) during 2018. Buyouts for businesses with above-average financials averaged 7.9x vs. 7.2x for all others, a premium of 10%, which is in line with 2017.
- Platform buyouts averaged a higher EBITDA multiple than add-ons during Q3 2018, 7.4x compared to 6.9x, respectively.
- Debt utilization ticked up slightly in Q4 2018 with senior debt/EBITDA multiples across all industries at 2.9x compared to 2.7x the prior quarter; however, this is below the average during 2017 of 3.4x.
- Average equity contributions increased to 48.6% in 2018; for reference, equity contributions had remained remarkably consistent in the 44-45% range over the prior three years.

FEATURED ARTICLES

- *Due Diligence Expectations.* Go to: taureaugroup.com/due-diligence
- *Driving Value in Manufacturing.* Go to: taureaugroup.com/driving-value

WHAT'S NEW AT TAUREAU GROUP

- **December** – Completed the sale of an industrial manufacturer to a company in the power industry.
- **January** – Taureau Group announced ownership change and full independence as Ann Hanna & Corey Vanderpoel entered into an agreement to purchase the remaining shares held by Schenck SC.
- **January** – Brock Childers promoted to Associate.
- **February** – Completed the sale of an industrial coatings company to a private buyer.
- **February** – Complete valuation assessment for a company in the coatings and adhesive industry.
- **February** – Sponsored and presented to attendees at Manufacturing Matters! 2019 WMEP event.
- **March** – Engaged by a company in the transportation industry for consideration of potential sale.
- **March** – Engaged by an industrial machinery company for consideration of potential sale.

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	'03-13	'14	'15	'16	'17	'18	Total
10-25	5.5	5.5	5.9	5.8	6.3	5.8	5.6
25-50	6.1	6.4	6.6	6.4	6.6	6.9	6.3
50-100	6.7	7.6	7.8	7.2	8.2	9.0	7.2
100-250	7.2	7.5	9.0	8.9	9.1	8.8	8.0
Total	6.1	6.4	6.7	6.7	7.3	7.2	6.4

TEV/EBITDA—By industry category

Industry	'03-13	'14	'15	'16	'17	'18	Total
Manufacturing	5.9	6.1	6.6	6.1	6.8	6.9	6.1
Business services	6.1	6.1	6.4	7.3	7.5	7.2	6.4
Health care services	6.8	7.2	7.8	7.6	8.1	7.8	7.2
Retail	6.4	6.0	5.5	7.0	7.6	7.0	6.6
Distribution	6.0	7.2	6.7	7.5	7.7	7.1	6.5
Media & telecom	7.2	NA	6.4	6.6	8.2	8.6	7.2
Technology	6.6	7.7	8.0	7.4	10.2	9.6	7.7
Other	5.8	6.6	5.6	6.9	6.5	7.1	6.1

Senior Debt/EBITDA—Splits by period

TEV	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
10-25	3.2	2.7	4.3	3.8	2.8	3.9	2.5	2.1
25-50	2.7	3.2	2.7	2.9	3.1	2.8	2.5	2.5
50-100	2.9	4.5	3.0	3.8	4.0	3.2	2.6	3.5
100-250	3.7	3.9	4.1	3.5	5.2	3.2	3.7	3.4
Total	3.0	3.6	3.6	3.4	3.3	3.2	2.7	2.9

Source: GF Data®

M&A activity remained robust in 2018 with North America and Europe recording its fifth consecutive year of total deal value exceeding \$3 trillion. Transaction multiples though have begun to stabilize since the record highs achieved in mid-2017.

Full-service investment banking services:

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

Talk to one of our Taureau Group professionals:

ANN HANNA, MANAGING DIRECTOR
414.465.5537 | ah@taureaugroup.com

TYLER CARLSON, VICE PRESIDENT
414.465.5641 | tc@taureaugroup.com

BROCK CHILDERS, ANALYST
414.465.5622 | bc@taureaugroup.com

TAMMY HALFMANN, EXECUTIVE ADMIN
414.465.5625 | th@taureaugroup.com

COREY VANDERPOEL, MANAGING DIRECTOR
414.465.5607 | cv@taureaugroup.com

MICHAEL SCHROEDER, VICE PRESIDENT
414.465.5507 | ms@taureaugroup.com

TOM VENNER, ANALYST
414.465.5623 | tv@taureaugroup.com