



MARKET SUMMARY

- TEV/EBITDA in Q1 2019 declined to 6.9x from 7.8x in the prior quarter, almost identical to the drop reported in Q1 2018; for reference, in 2018, it was followed by strong quarterly performance as the year unfolded.
- The two industries showing the highest EBITDA multiples during Q1 2019 were retail and business services at 9.2x and 7.4x, 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 1.6x in Q1 2019, which is below the average historic level of 2.3x and the smallest size premium recorded since 2014.
- Buyers continued during Q1 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 7.2x vs. 6.3x for all others, a premium of 14% and a drop from the 25% average premium in 2018.
- Platform buyouts averaged a higher EBITDA multiple than add-ons during Q1 2019, 7.1x compared to 6.3x, respectively.
- Debt utilization ticked up slightly in Q1 2019 with senior debt/EBITDA multiples across all industries at 3.3x compared to 2.9x the prior quarter, which is above the 2018 average of 3.0x.
- Average equity contributions returned to average historical levels of 43.4% in Q1 2019 after a spike to 48.9% in 2018; for reference, equity contributions had remained remarkably consistent in the 43-45% range from 2015 – 2017.

WHAT'S NEW AT TAUREAU GROUP

- **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.
- **April** – Taureau Group moved to new offices located in Milwaukee's Third Ward at 320 E. Buffalo St., Suite 401.
- **April** – Completed valuation assessment for a company in the cutting tool manufacturing industry.
- **May** – Faith Greene joined Taureau Group as a Marketing & Office Manager.
- **May** – Completed the sale of a specialty buildings products manufacturer to a private equity buyer.
- **May** – Engaged by a niche manufacturing company for consideration of potential sale.

FEATURED ARTICLES

- *Purchase Agreement Focus: What Are Indemnification Baskets and Caps?*
Visit: taureaugroup.com/purchase-agreement-focus
- *Due Diligence Expectations.* Visit: taureaugroup.com/due-diligence

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	Q1-'19	Total
10-25	5.5	5.9	5.8	6.3	5.9	5.8	5.6
25-50	6.2	6.6	6.6	6.6	6.9	6.8	6.3
50-100	6.7	7.8	7.8	8.2	9.0	7.2	7.2
100-250	7.3	9.0	9.0	9.1	8.8	8.0	8.0
Total	6.1	6.7	6.7	7.3	7.3	6.4	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	7.2	7.4	6.5
Health care services	6.8	7.8	7.6	8.1	7.8	6.9	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	6.2	6.4
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	7.0	7.7
Other	5.8	5.6	6.9	6.5	7.1	5.4	6.1

Senior Debt/EBITDA—Splits by period

TEV	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
10-25	2.7	4.3	3.8	2.8	3.9	2.5	2.1	4.3
25-50	3.2	2.7	2.9	3.1	2.8	2.5	2.5	2.8
50-100	4.5	3.0	3.8	4.0	3.2	2.6	3.5	3.6
100-250	3.9	4.1	3.5	5.2	3.2	3.7	3.4	3.2
Total	3.6	3.6	3.4	3.3	3.2	2.7	2.9	3.3

Source: GF Data®

M&A activity slowed in Q1 2019 following a strong finish in 2018. The outlook for the year remains mixed. On one hand, strategic and financial buyers remain aggressive and senior lenders have shown willingness to lend. Yet on the other hand, the U.S. is experiencing a slight decline in manufacturing output which could lead to questions around the economy in general as the year progresses. Accordingly, if considering a sale or recapitalization in the near future, it would be insightful to start conversations soon.

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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