



MARKET SUMMARY

- Q3 2018 averaged 7.3x TEV/EBITDA, unchanged from the previous quarter and in line with mid-2017 multiples.
- The two industries showing the highest EBITDA multiples during Q3 2018 were technology and health care services at 9.8x and 7.5x, respectively. EBITDA multiples for all manufacturing companies averaged 6.8x, which is 0.7x above historical averages.
- On average, larger buyouts receive a premium to their EBITDA multiples. The spread on size premiums for larger-sized deals between \$50 million and \$250 million compared to deals between \$10 million and \$50 million was 3.1x YTD through Q3 2018, which is above the average historical level of 2.2x.
- Platform buyouts averaged a higher EBITDA multiple than add-ons during Q3 2018, which was 7.3x compared to 6.8x, respectively.
- Buyers continued to reward businesses having above-average financials (TTM revenue growth and EBITDA margins above 10%, or one above 12% and the other 8%) during Q3 2018. These businesses averaged 7.7x versus 6.3x for all others, which is a premium of 22% and in line with 2017.
- Debt utilization ticked down in Q3 2018 with senior debt/EBITDA multiples across all industries at 2.8x, compared to 3.2x – 3.6x over the prior five quarters.
- Average equity contributions increased to 46.8% in Q3 2018 while equity contributions for the year have remained remarkably consistent in the 44-45% range over the past three years.

WHAT'S NEW AT TAUREAU GROUP

- **September** – Engaged by an electrical services company on consideration of potential sale.
- **September** – Engaged by Moore Engineering to pursue acquisition opportunities in the engineering or architectural service industries with revenues between \$2 million – \$15 million.
- **October** – Presented to nearly 200 attendees in the Fox Valley at our annual *M&A Forum: Fact or Fiction, Taking the Mystery out of M&A*.
- **October** – Completed the sale of Camera Corner Connecting Point to Arlington Computer Products LLC.
- **October** – Completed the sale of Pak-Rite, Ltd. to a Nasdaq-listed company.
- **November** – Engaged by a metal manufacturing company for consideration of potential sale.
- **November** – Continue to seek add-on acquisition opportunities for buy-side clients in the plastics manufacturing and niche technology/automation industries.

FEATURED ARTICLE

- *Tips for Evaluating a Buyer's Letter of Intent.* Go to: taureaugroup.com/buyer-loi

MARKET STATISTICS

Total Enterprise Value (TEV)/EBITDA

TEV	'03-13	'14	'15	'16	'17	YTD'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	6.8	6.3
50-100	6.7	7.6	7.8	7.2	8.2	8.9	7.1
100-250	7.2	7.5	9.0	8.9	9.1	8.5	7.9
Total	6.1	6.4	6.7	6.7	7.3	7.1	6.4

TEV/EBITDA—By industry category

Industry	'03-13	'14	'15	'16	'17	YTD'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	7.4	7.0	6.4
Health care services	6.8	7.2	7.8	7.6	8.1	7.5	7.2
Retail	6.4	6.0	5.5	7.0	7.6	6.7	6.5
Distribution	6.0	7.2	6.7	7.5	7.7	7.0	6.4
Media & telecom	7.2	NA	6.4	6.6	8.2	5.0	7.1
Technology	6.6	7.7	8.0	7.4	10.2	9.8	7.6
Other	5.8	6.6	5.6	6.9	6.5	6.9	6.0

Senior Debt/EBITDA—Splits by period

TEV	Q416	Q117	Q217	Q317	Q417	Q118	Q218	Q318
10-25	3.1	3.4	2.7	4.3	3.8	2.8	3.9	2.6
25-50	2.3	2.7	3.2	2.7	2.9	3.2	2.7	2.5
50-100	3.0	2.9	4.6	3.0	3.8	4.0	3.2	2.6
100-250	3.5	3.7	3.9	4.1	3.5	5.2	3.2	3.7
Total	2.9	3.0	3.6	3.6	3.4	3.3	3.2	2.8

Source: GF Data®

M&A activity remained robust in Q3 2018 with value totaling \$822.7 billion, marking the second consecutive quarter with more than \$800 billion in transaction value. Transaction multiples have stabilized 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

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