

Market Pulse Report Fourth Quarter 2021

Lisa Riley, Ph.D., CBI, CM&AP, Market Pulse Chair

Scott Bushkie, CBI, M&AMI, Market Pulse Committee

David Ryan, Market Pulse Committee

Kyle Griffith, CBI, CM&AP, Market Pulse Committee



This research was made possible with the support of the International Business Brokers Association (IBBA) and M&A Source.

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I. About the Market Pulse Report

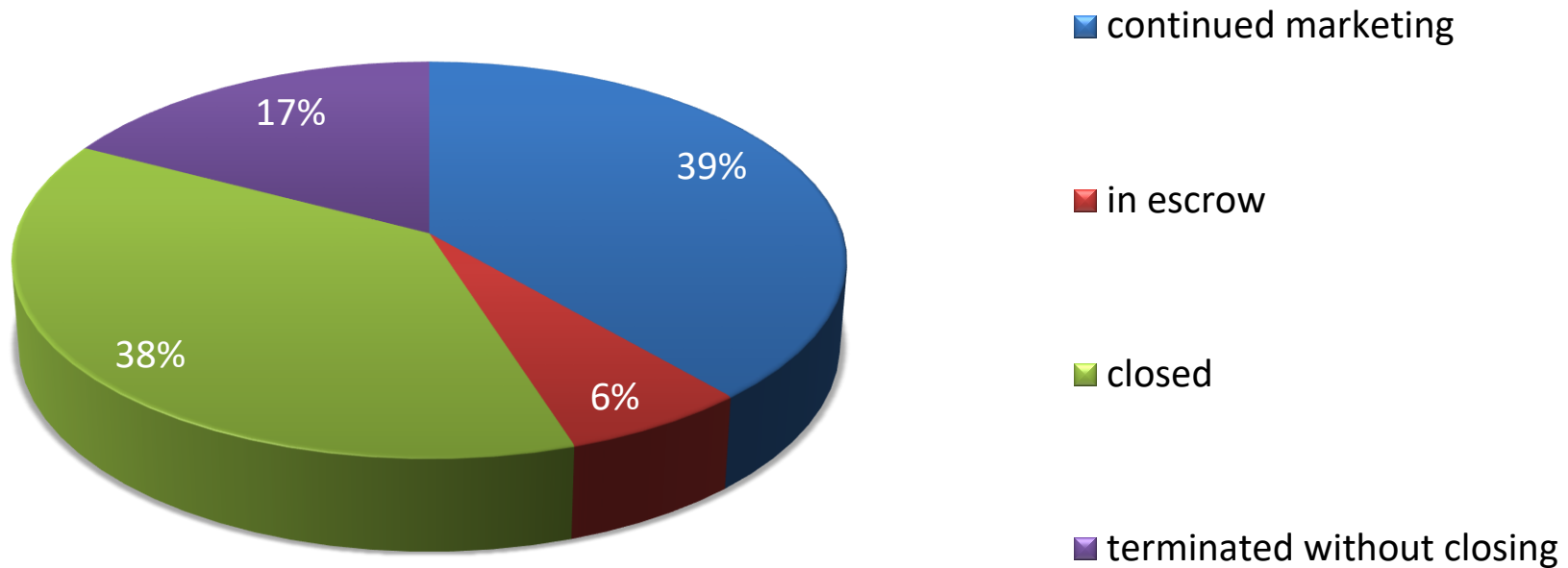
The International Business Brokers Association (IBBA) and M&A Source have set a goal to provide quality information on a quarterly basis in order to become the go-to source for Main Street and Lower Middle Market transactions. The “Market Pulse Report” gives you timely and accurate data to help you build and maintain a successful and sustainable business.

About the Survey

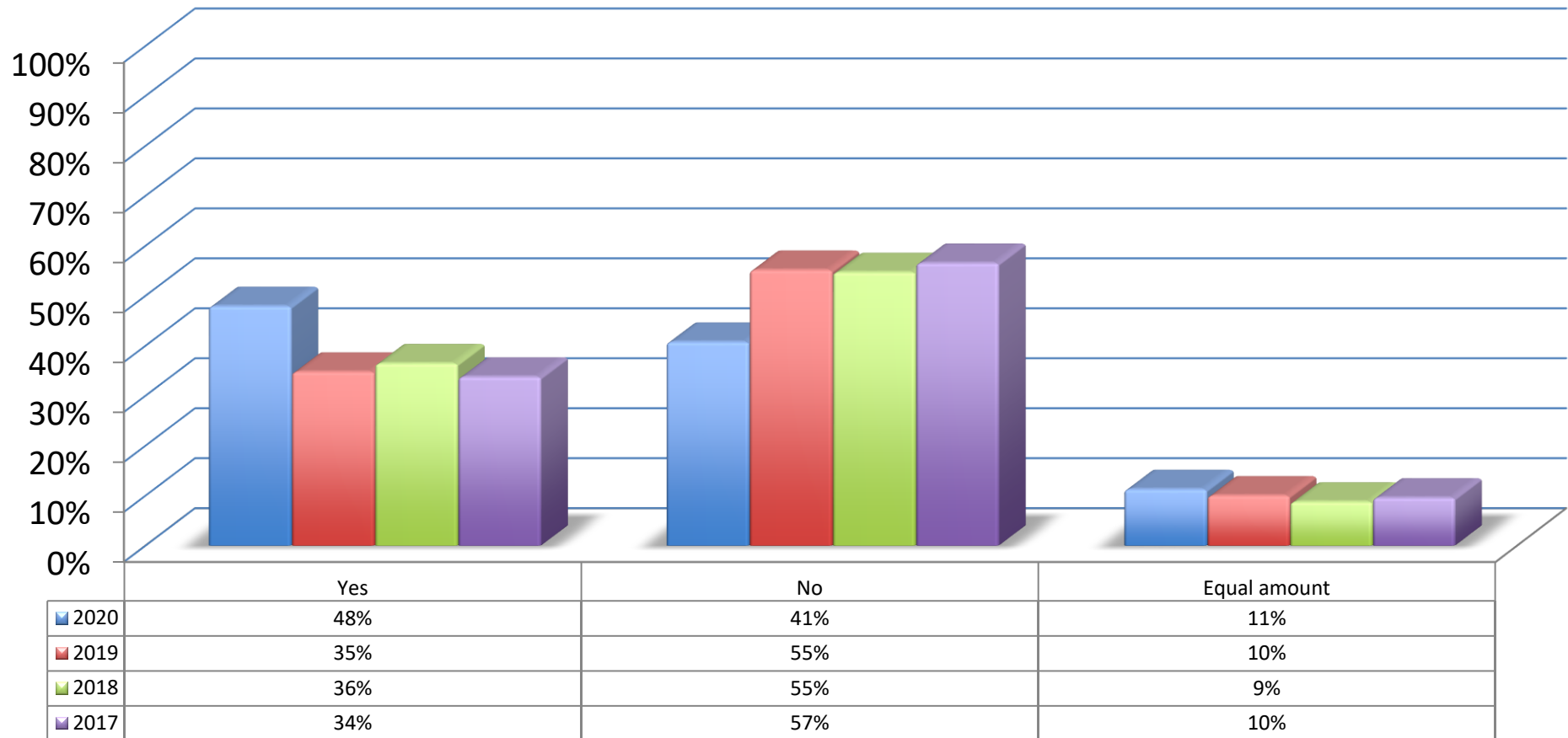
- 25 questions
- Invited participants were members of the International Business Brokers Association (IBBA), IBBA Affiliates/Chapters, and/or M&A Source
- 416 completed responses
- Responses collected from January 1 to January 15, 2022

II. Current Business Environment

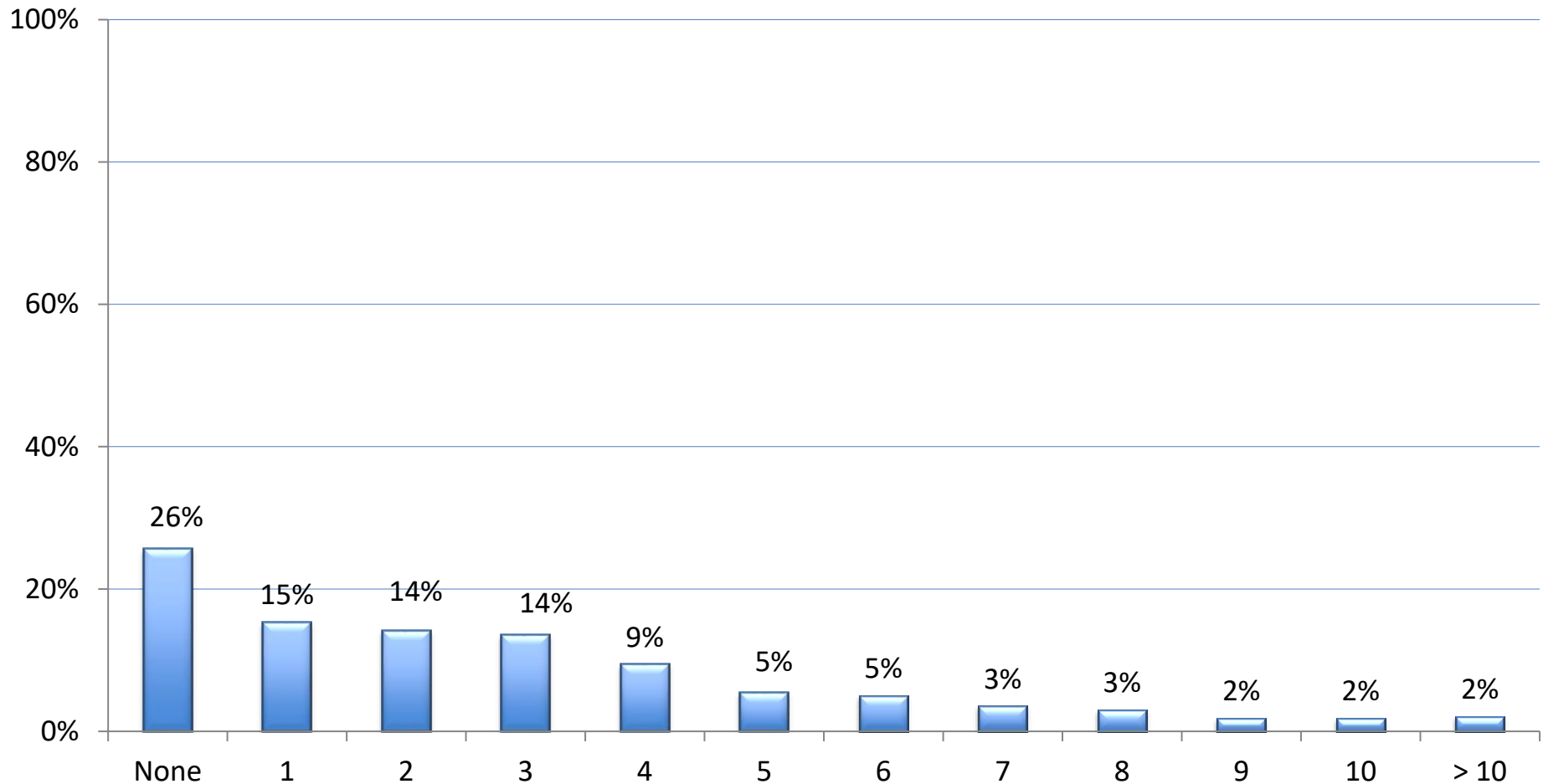
Business Transactions in 2021



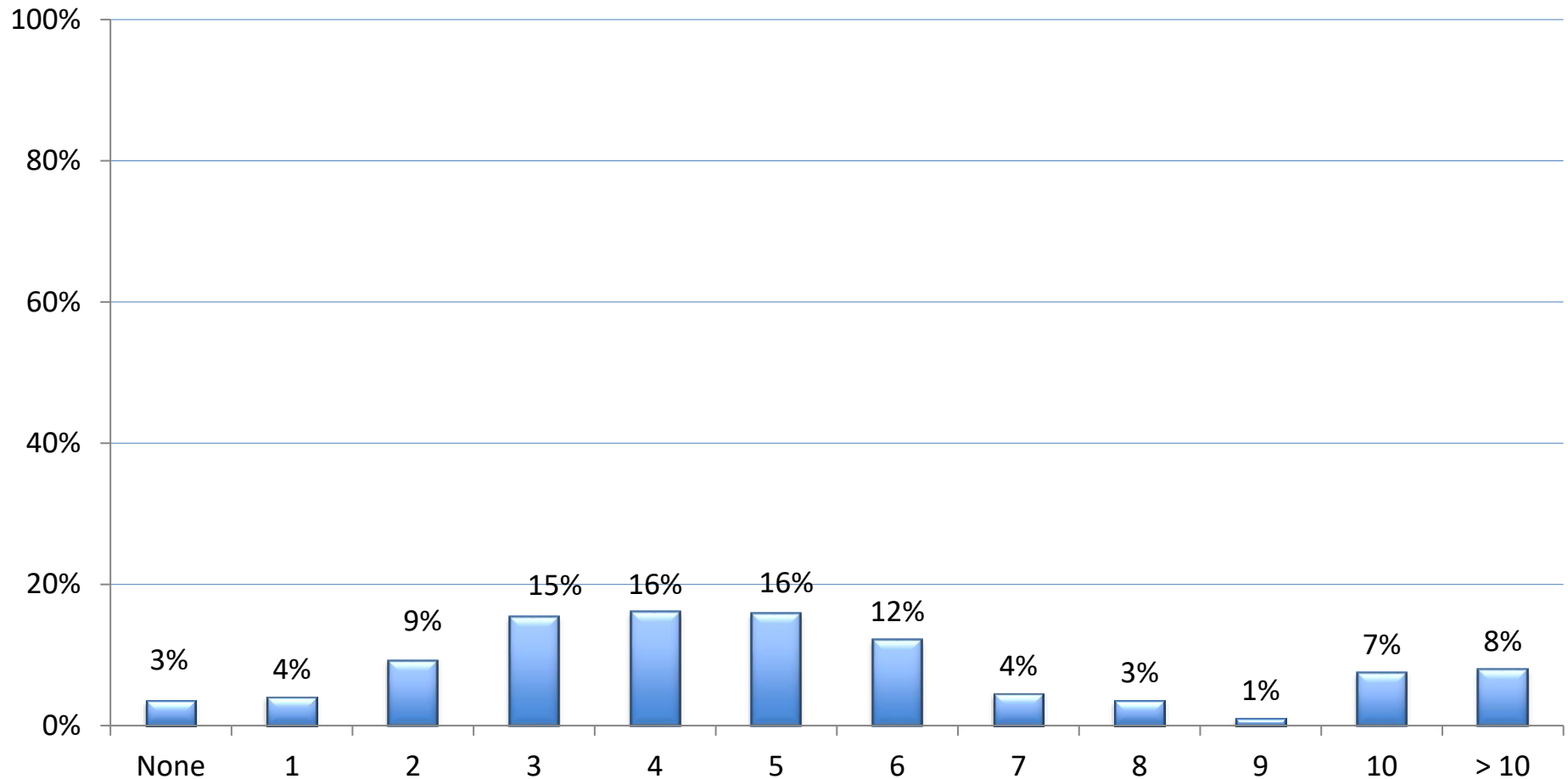
Did Respondents Close More Transactions in 2021 than in Previous Years



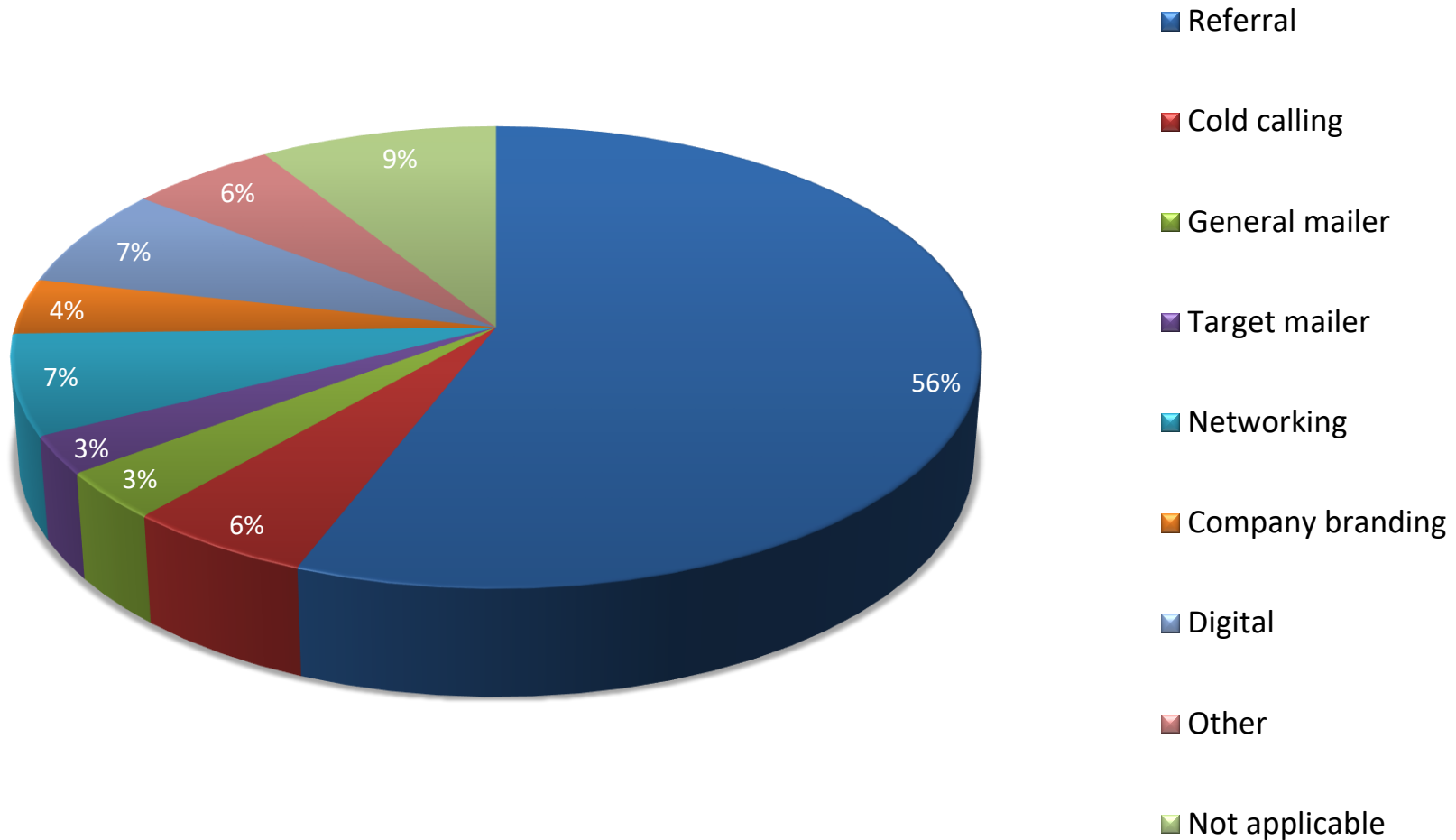
Number of Transactions Respondents Closed in 2021



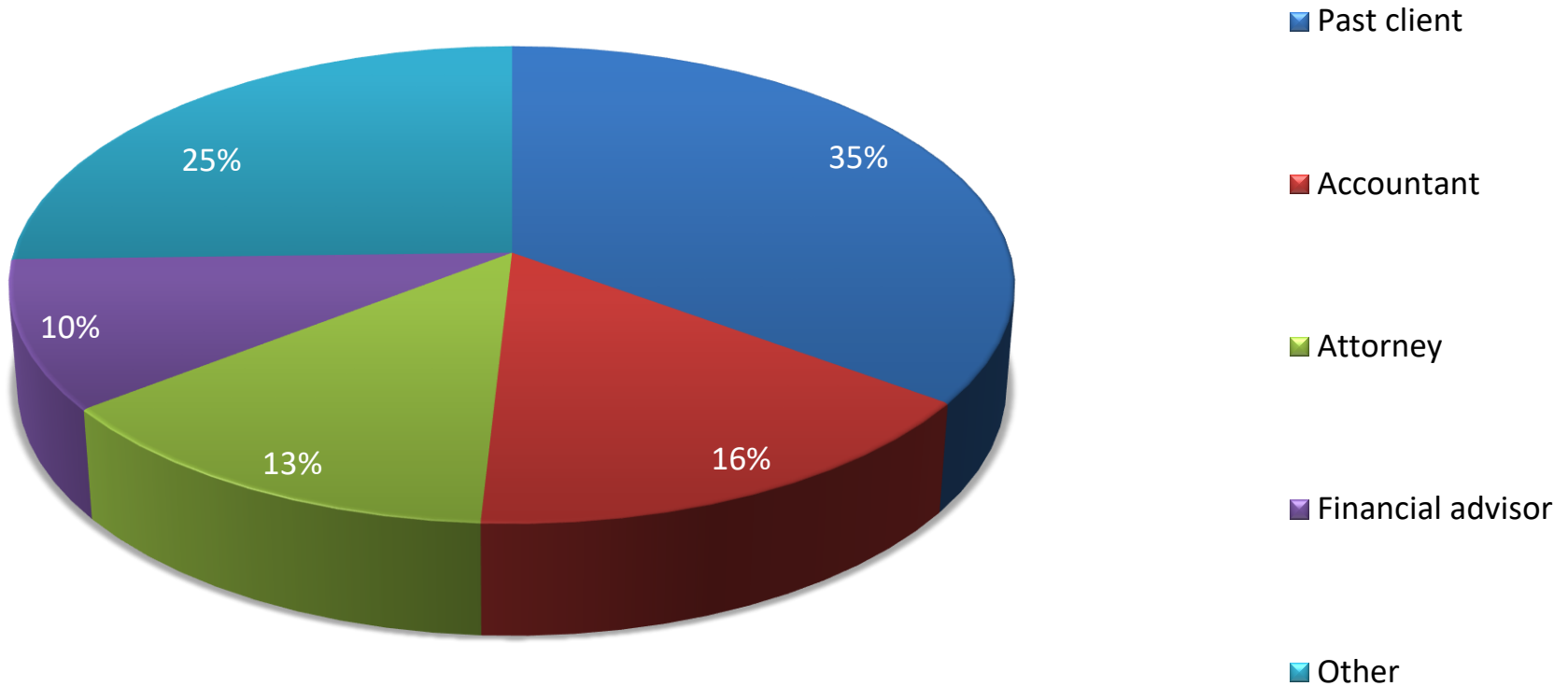
Number of Transactions Respondents Expect to Close in 2022



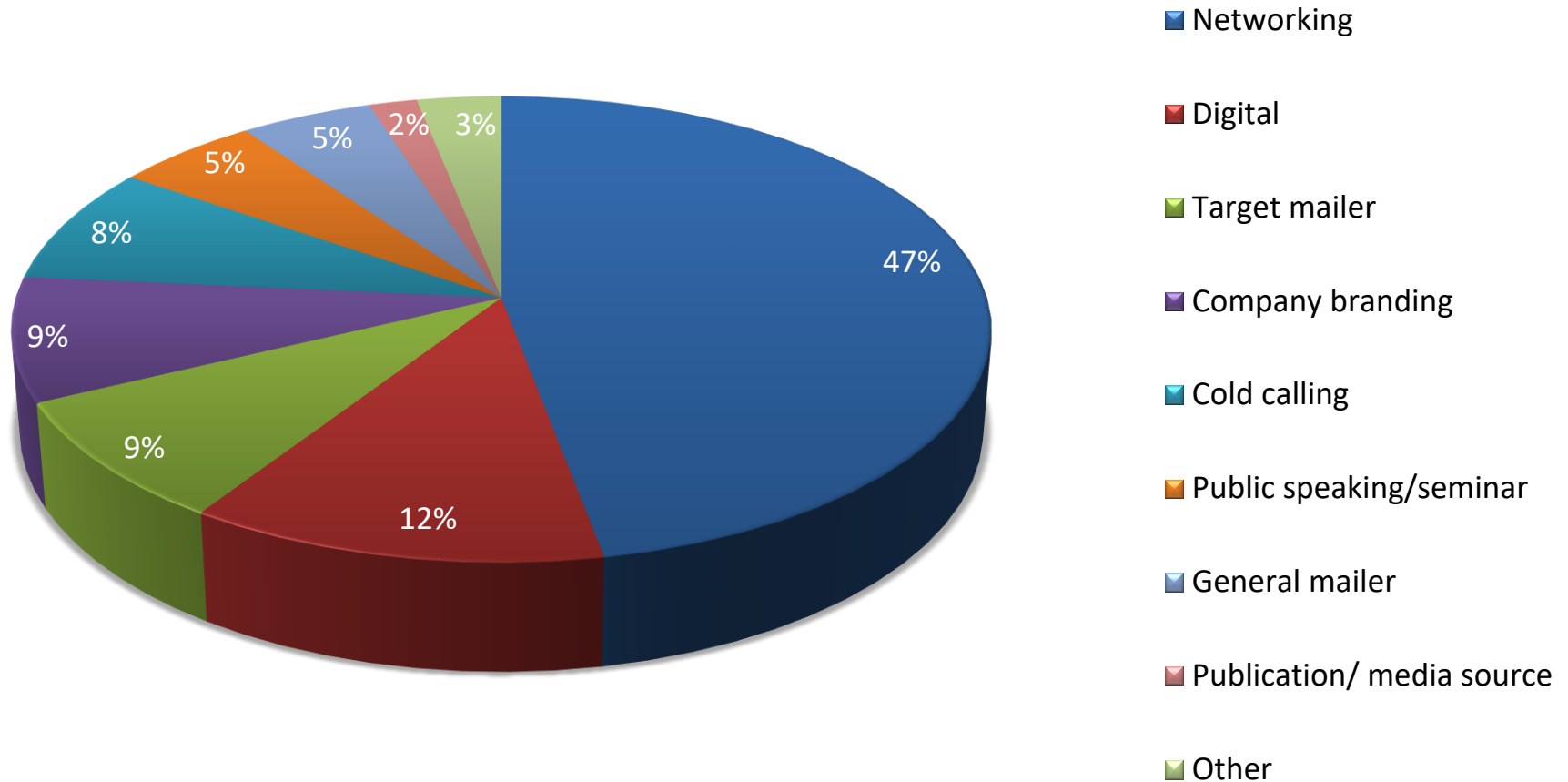
In 2021, Best Client Arrived by:



Types of Referrals

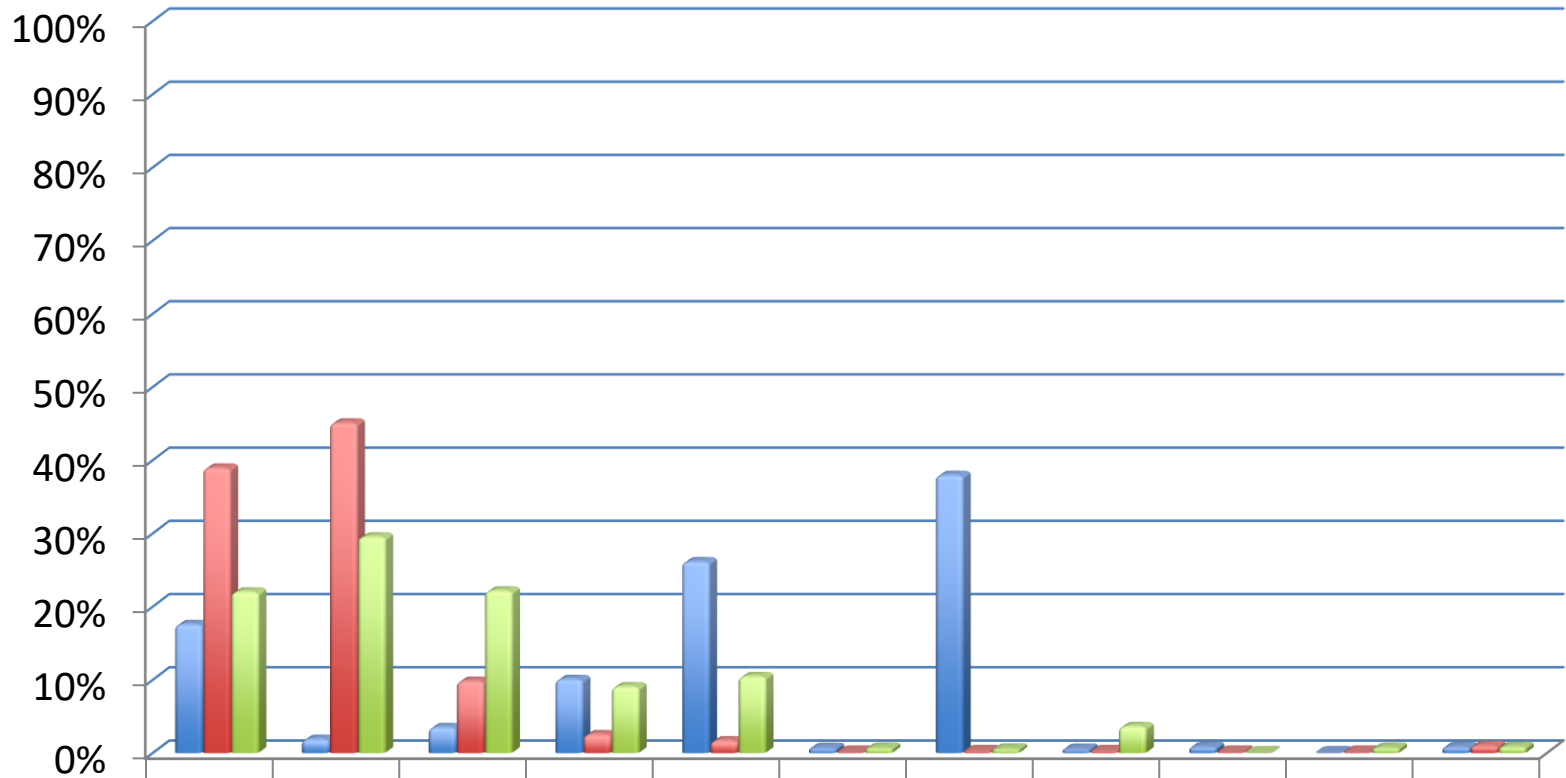


In 2021, besides Referral, Best Client Arrived by:



Terms the Buyer & Seller Agree to in 2021

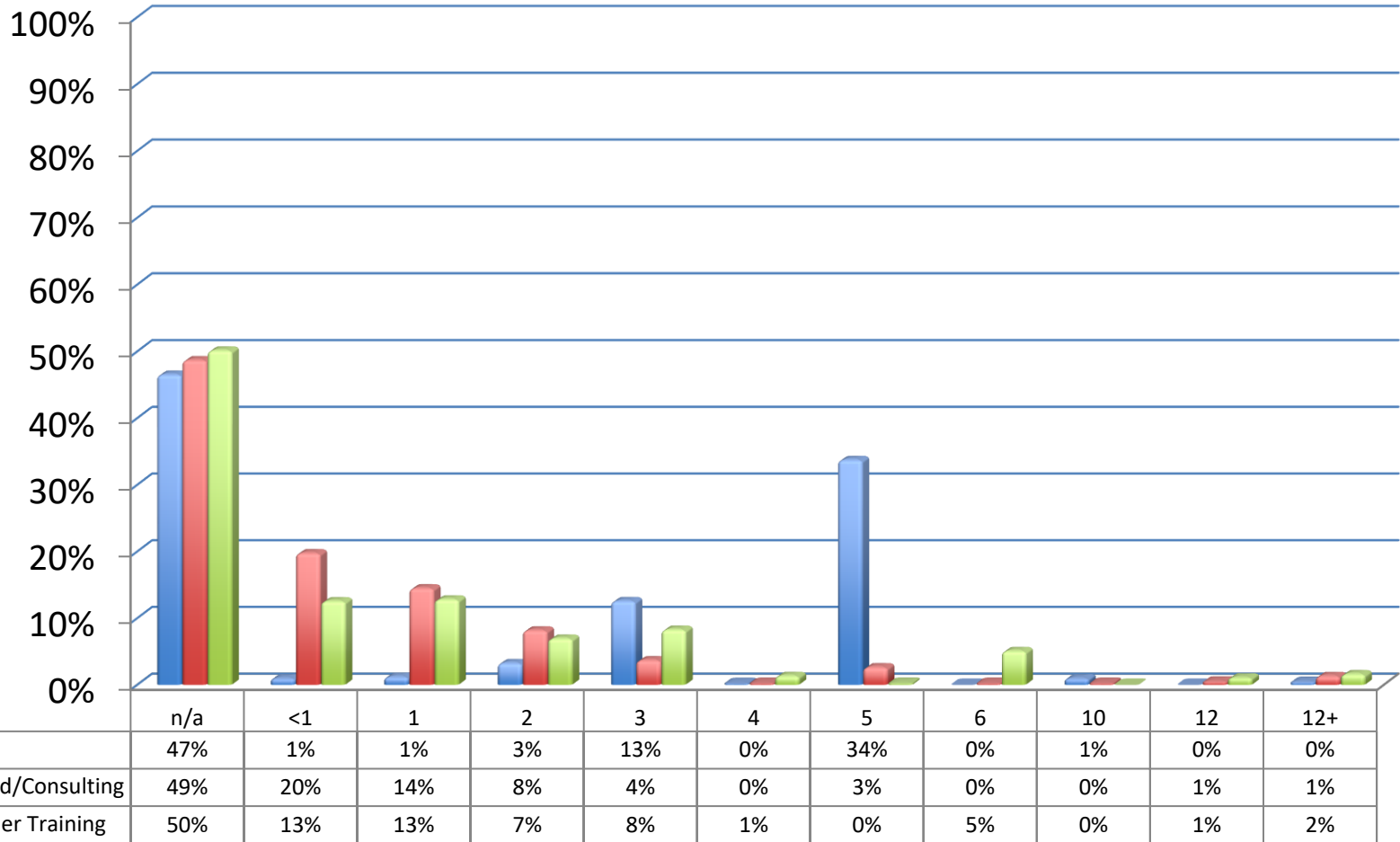
(Deals with less than \$2 Million in Transaction/Purchase Price)



# Years Non-Compete	n/a	<1	1	2	3	4	5	6	10	12	12+
# Years Seller Employed/Consulting	39%	45%	10%	3%	2%	0%	0%	0%	0%	0%	1%
# Months included Seller Training	22%	30%	22%	9%	10%	1%	1%	4%	0%	1%	1%

Terms the Buyer & Seller Agree to in 2021

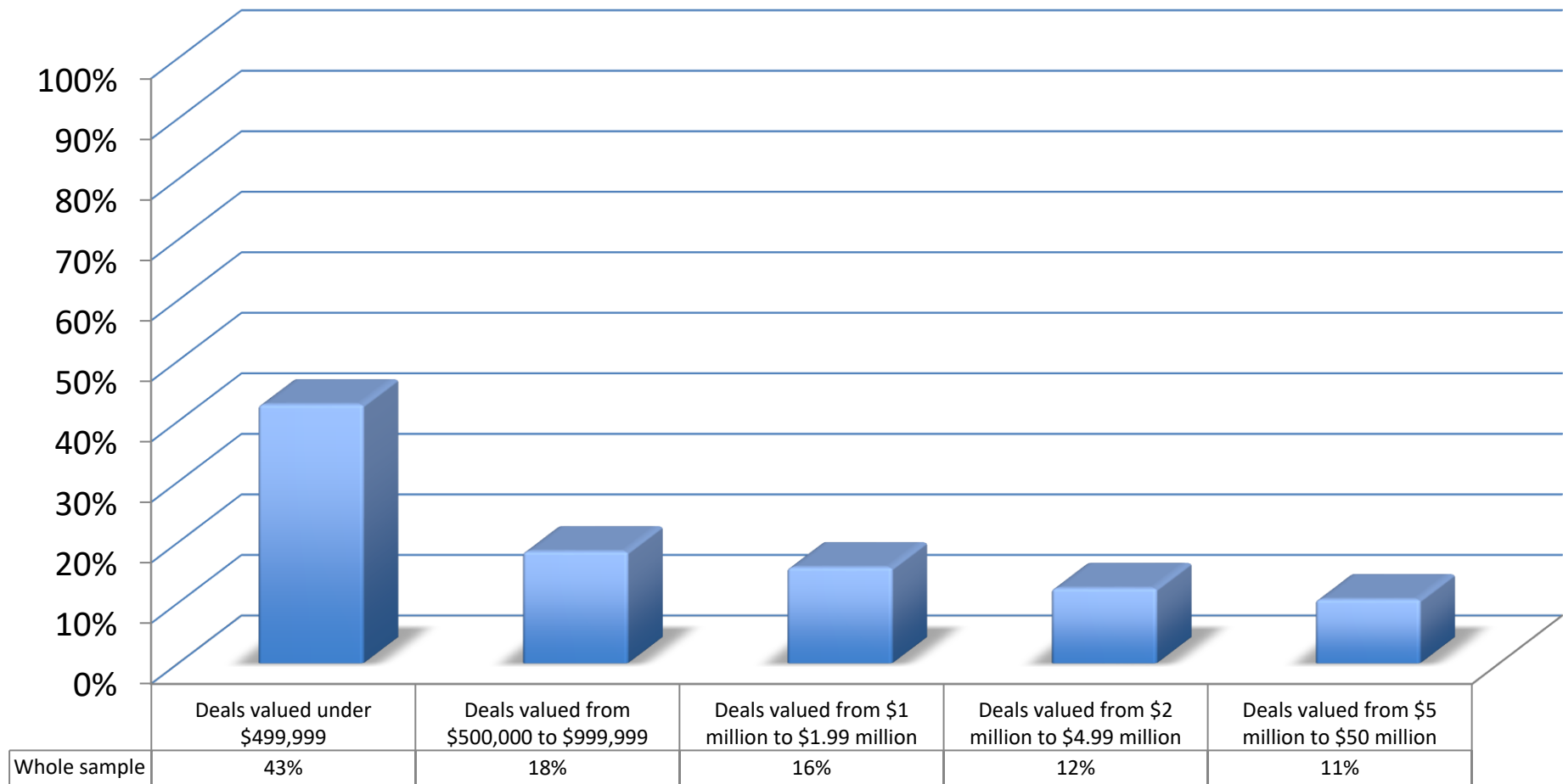
(Deals with a \$2 Million to \$50 Million in Transaction/Purchase Price)



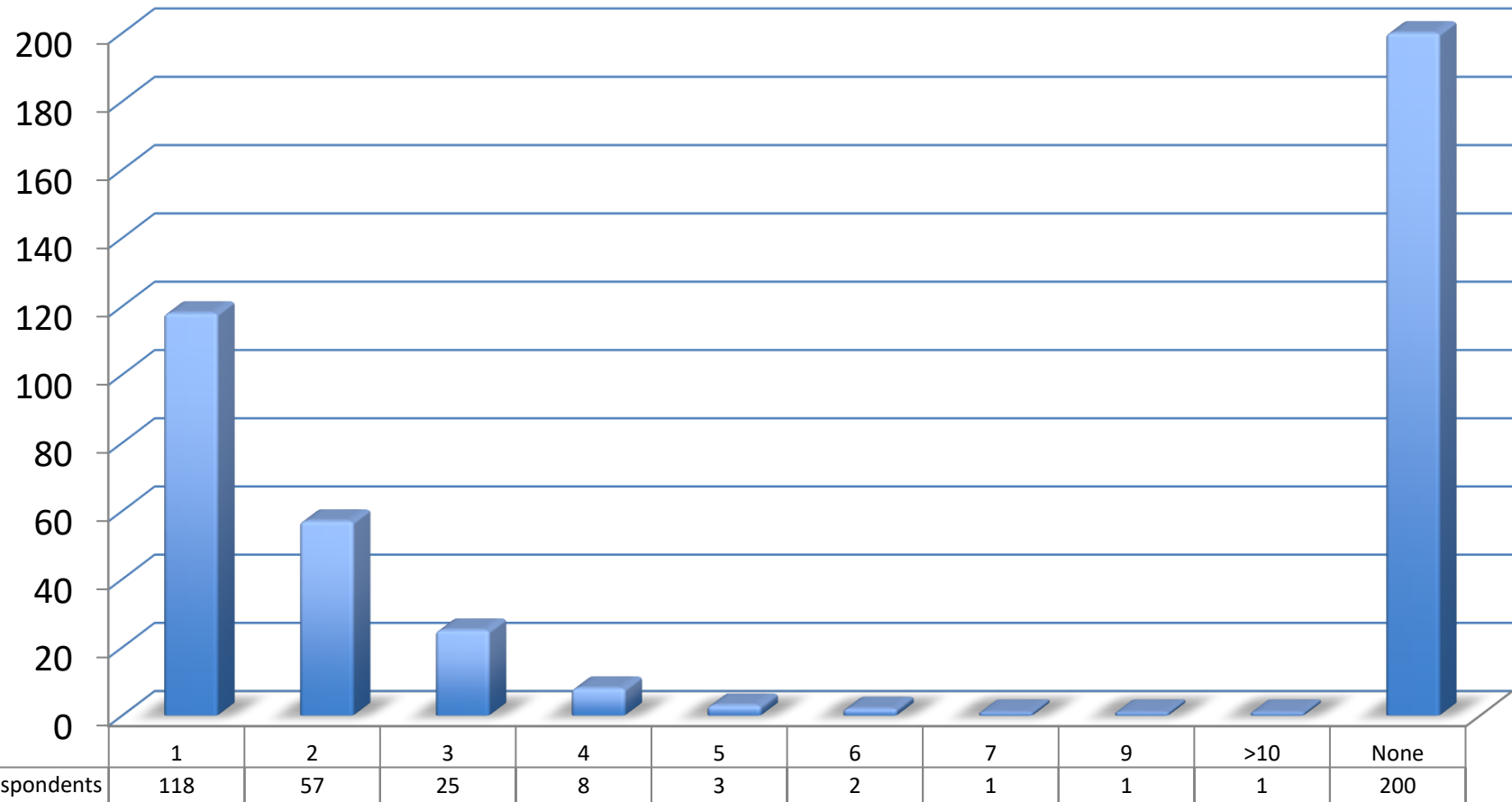
# Years Non-Compete	47%	1%	1%	3%	13%	0%	34%	0%	1%	0%	0%
# Years Seller Employed/Consulting	49%	20%	14%	8%	4%	0%	3%	0%	0%	1%	1%
# Months included Seller Training	50%	13%	13%	7%	8%	1%	0%	5%	0%	1%	2%

III. Business Transactions Closed in the Last 3 Months

Business Transactions that Were Closed in the Last Three Months by Deal Size



Number of Business Transactions Closed by Respondents in the Last 3 Months



Number of Respondents

118

57

25

8

3

2

1

1

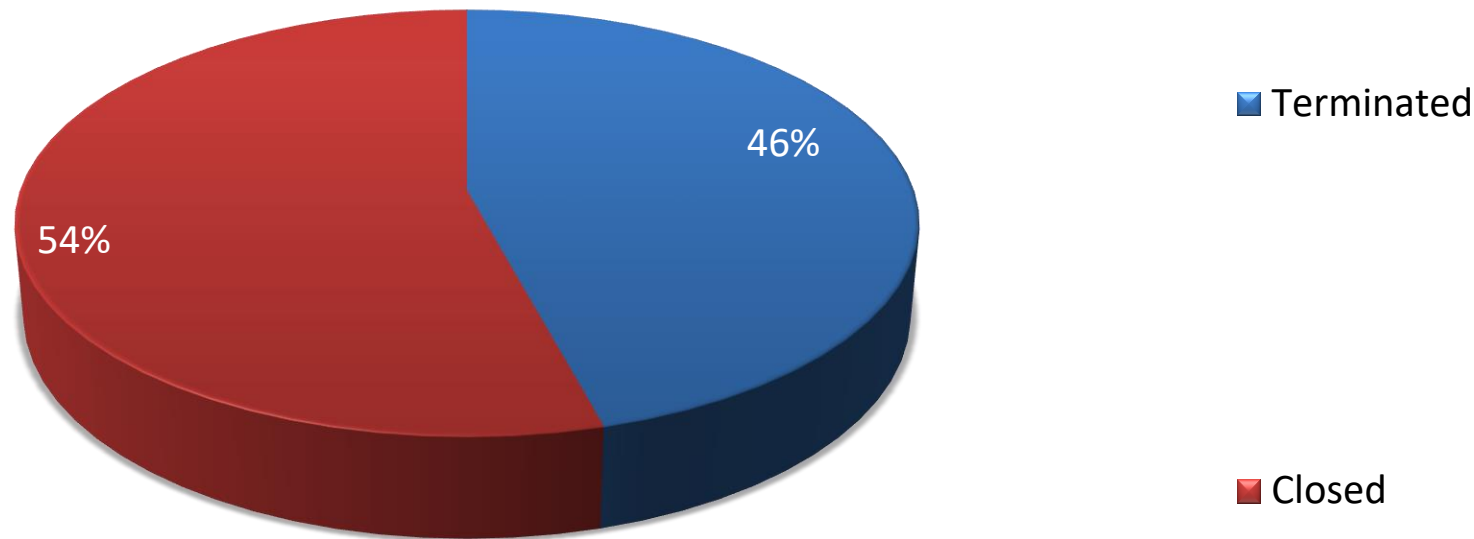
1

200

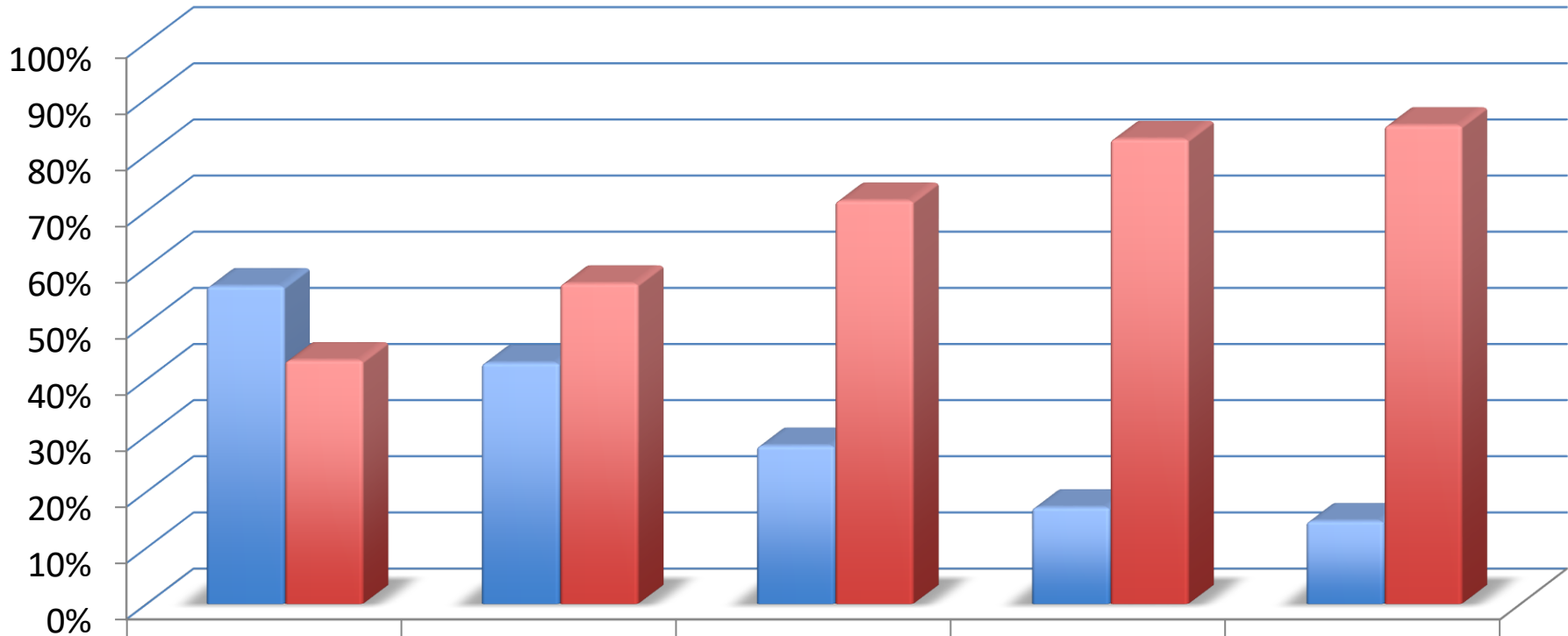
Change in the Number of New Clients by Deal Size in The Last 3 Months

Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under \$499,999	7%	30%	5%	15%	43%	3.6
Deals valued from \$500,000 to \$999,999	4%	28%	3%	15%	49%	3.8
Deals valued from \$1 million to \$1.99 million	4%	31%	5%	9%	50%	3.7
Deals valued from \$2 million to \$4.99 million	5%	34%	4%	13%	45%	3.6
Deals valued from \$5 million to \$50 million	6%	30%	5%	12%	48%	3.7

Percentage of Transactions Terminated without Closing in the Last Three Months



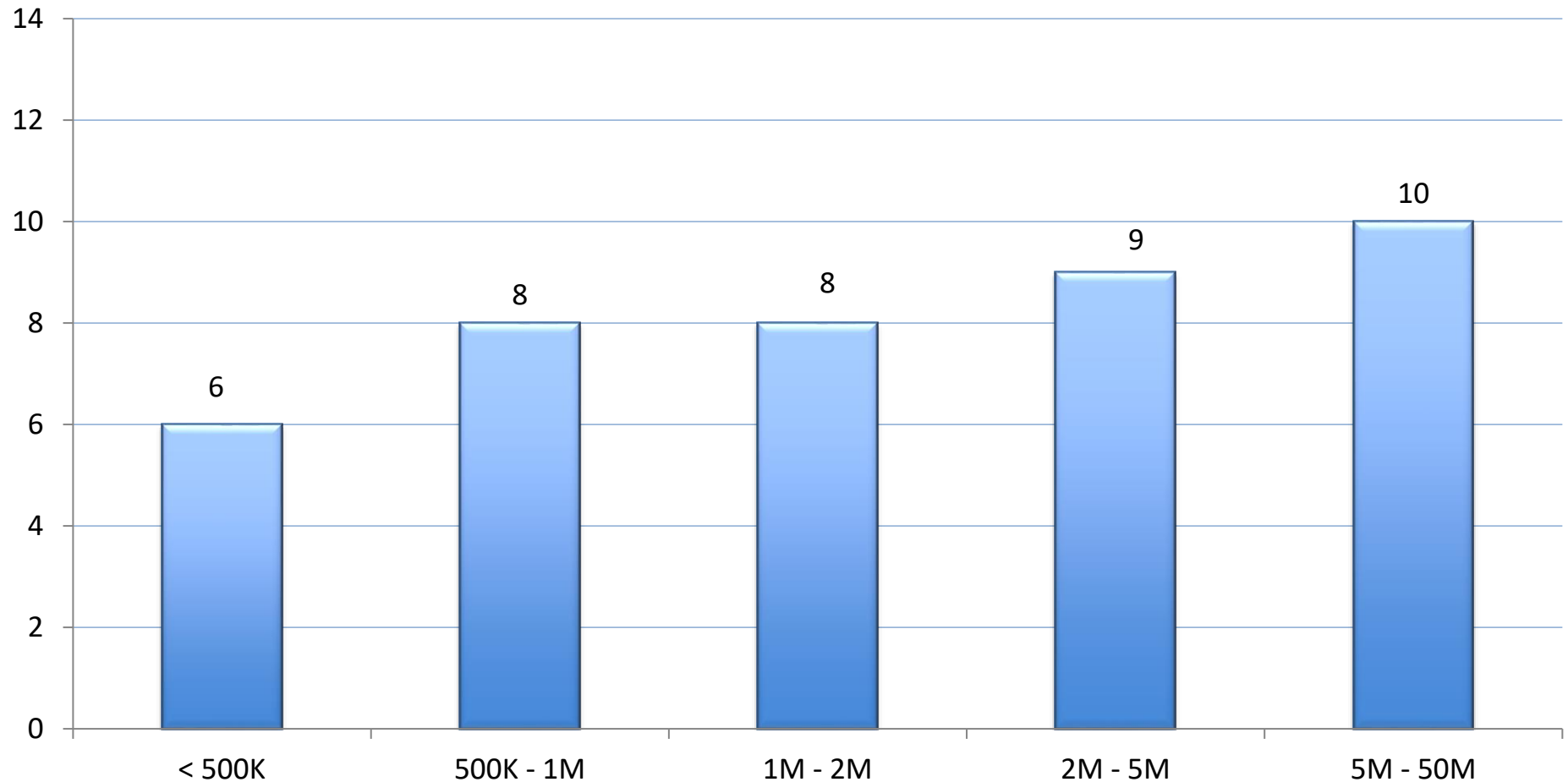
Was it a Buyer's or a Seller's Market in the Last 3 Months?



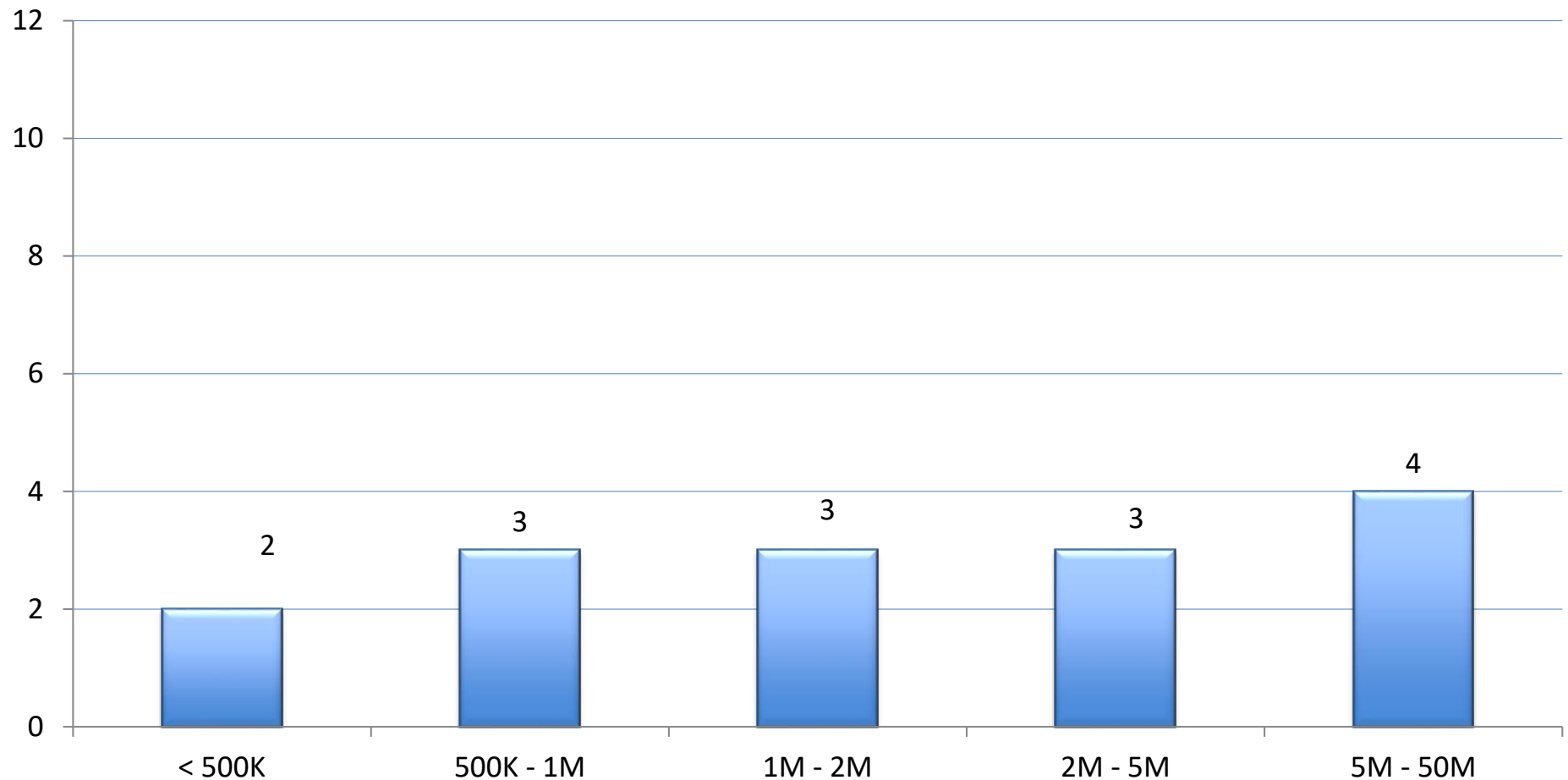
Buyer's market	57%	43%	28%	17%	15%
Seller's market	43%	57%	72%	83%	85%
Number of responses	169	149	156	131	92

Business Transactions of All Sizes, Comparison

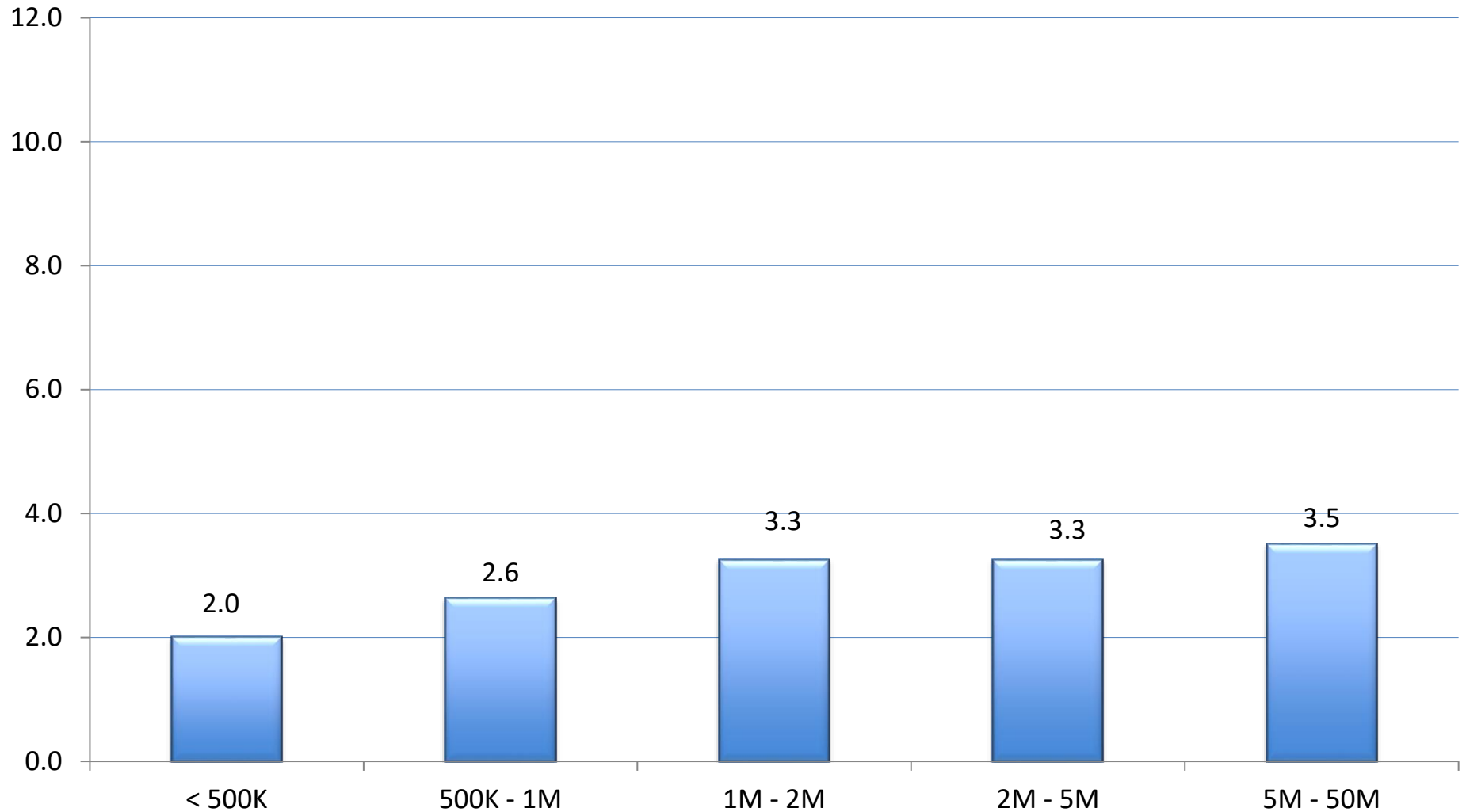
Median Number of Months from Listing/Engagement to Close



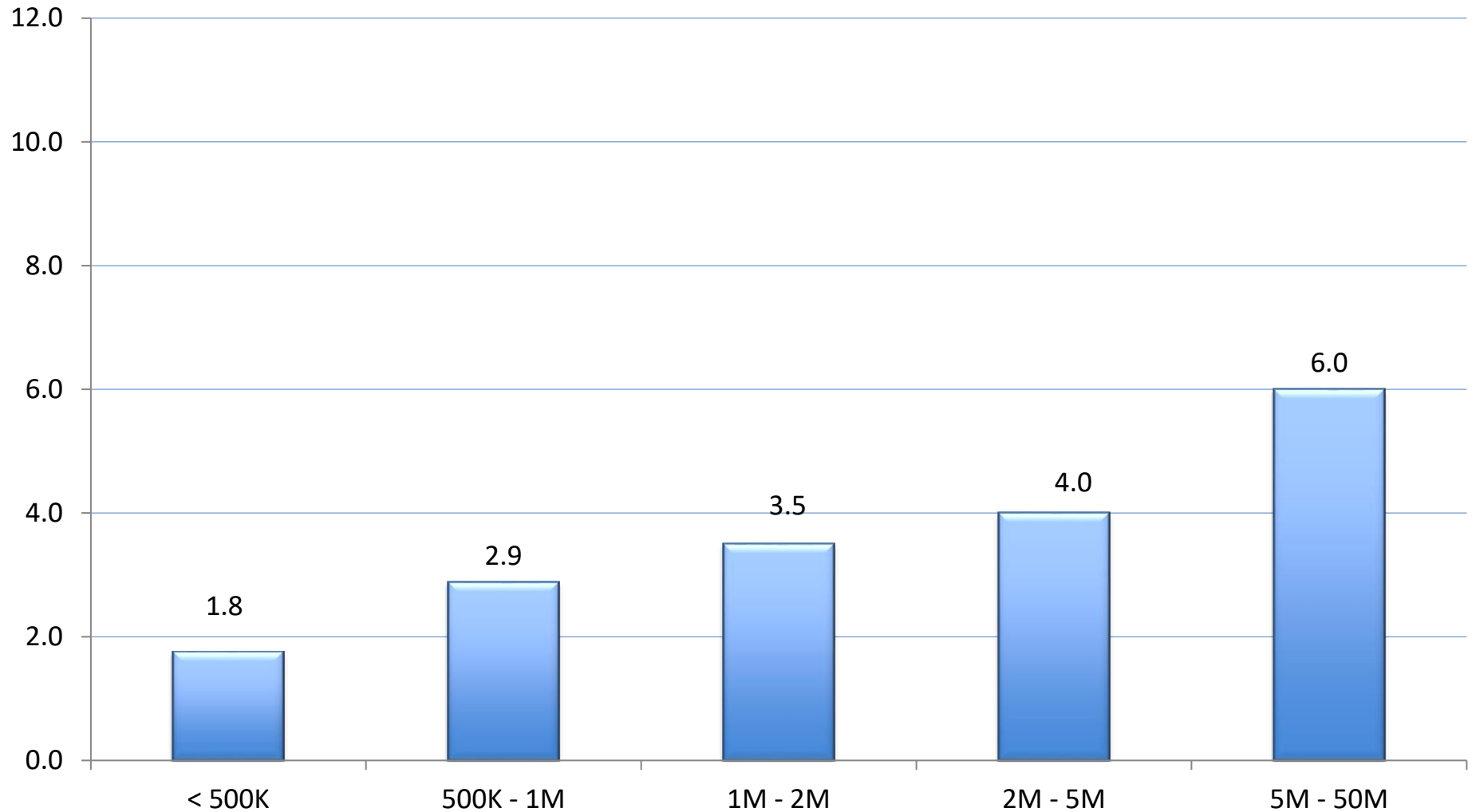
Median Number of Months from LOI/Offer to Close



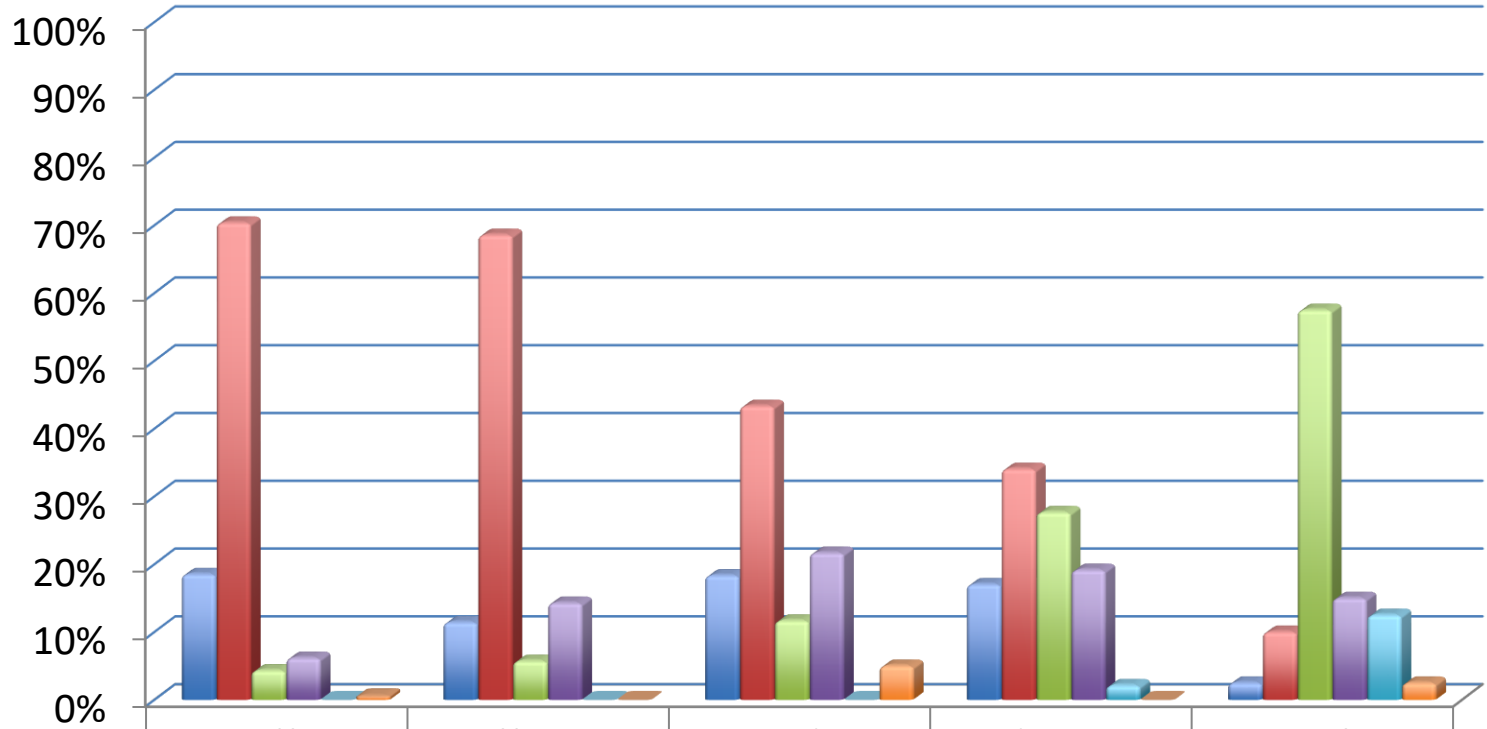
Median SDE Multiple Paid



Median EBITDA Multiple Paid

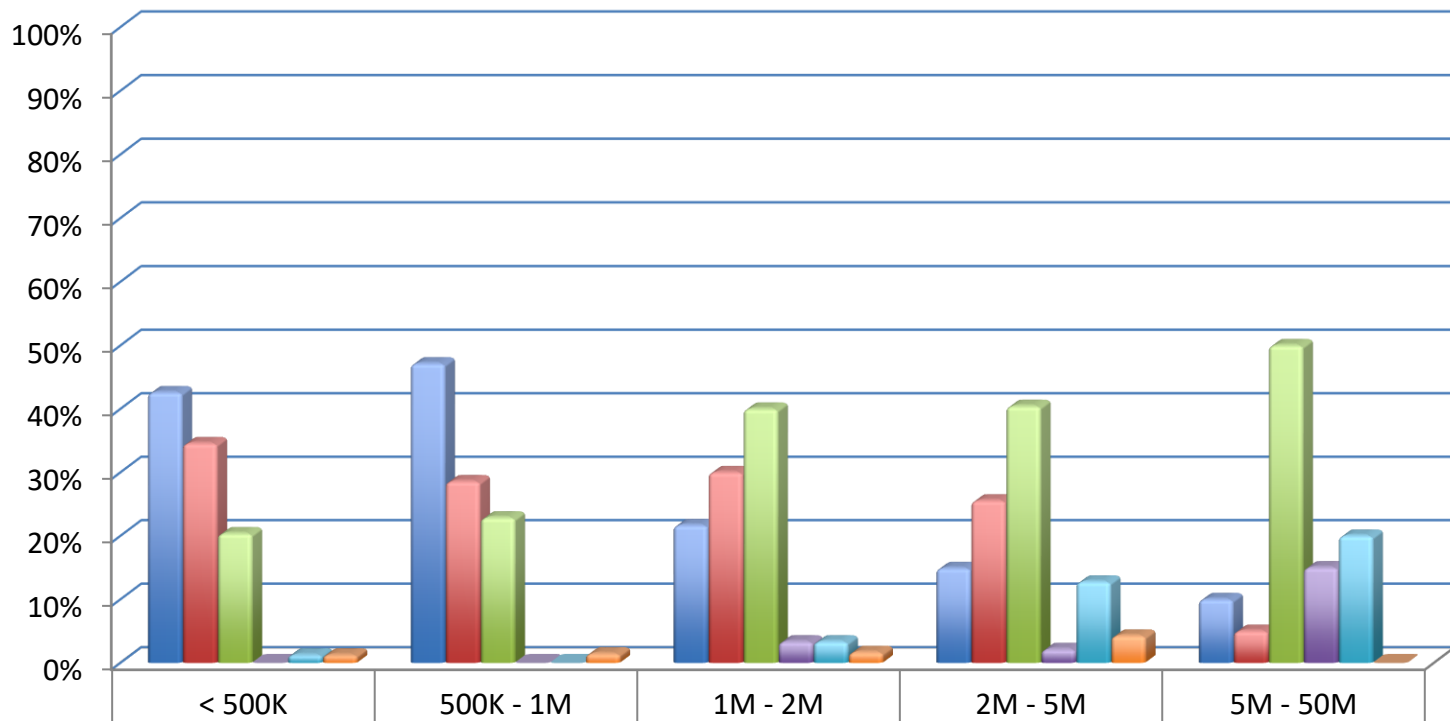


Multiple Type



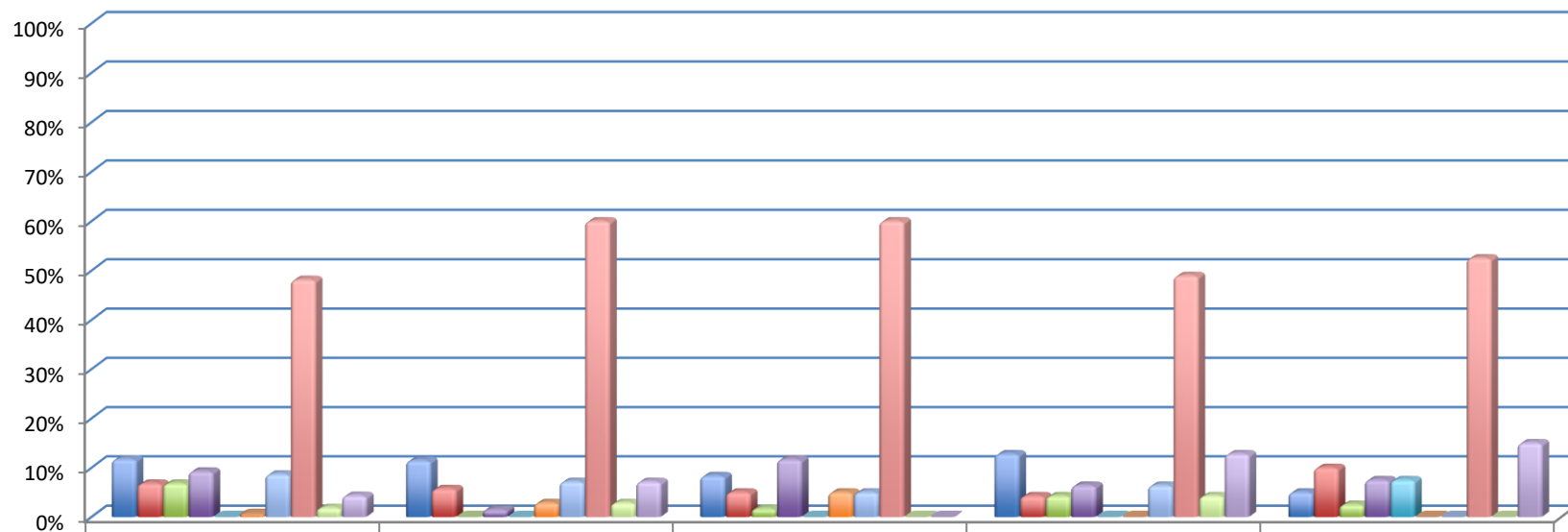
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ SDE including working capital	19%	11%	18%	17%	3%
■ SDE not including working capital	70%	69%	43%	34%	10%
■ EBITDA including working capital	4%	6%	12%	28%	58%
■ EBITDA not including working capital	6%	14%	22%	19%	15%
■ TTM EBITDA including working capital	0%	0%	0%	2%	13%
■ TTM EBITDA not including working capital	1%	0%	5%	0%	3%

Buyer Type



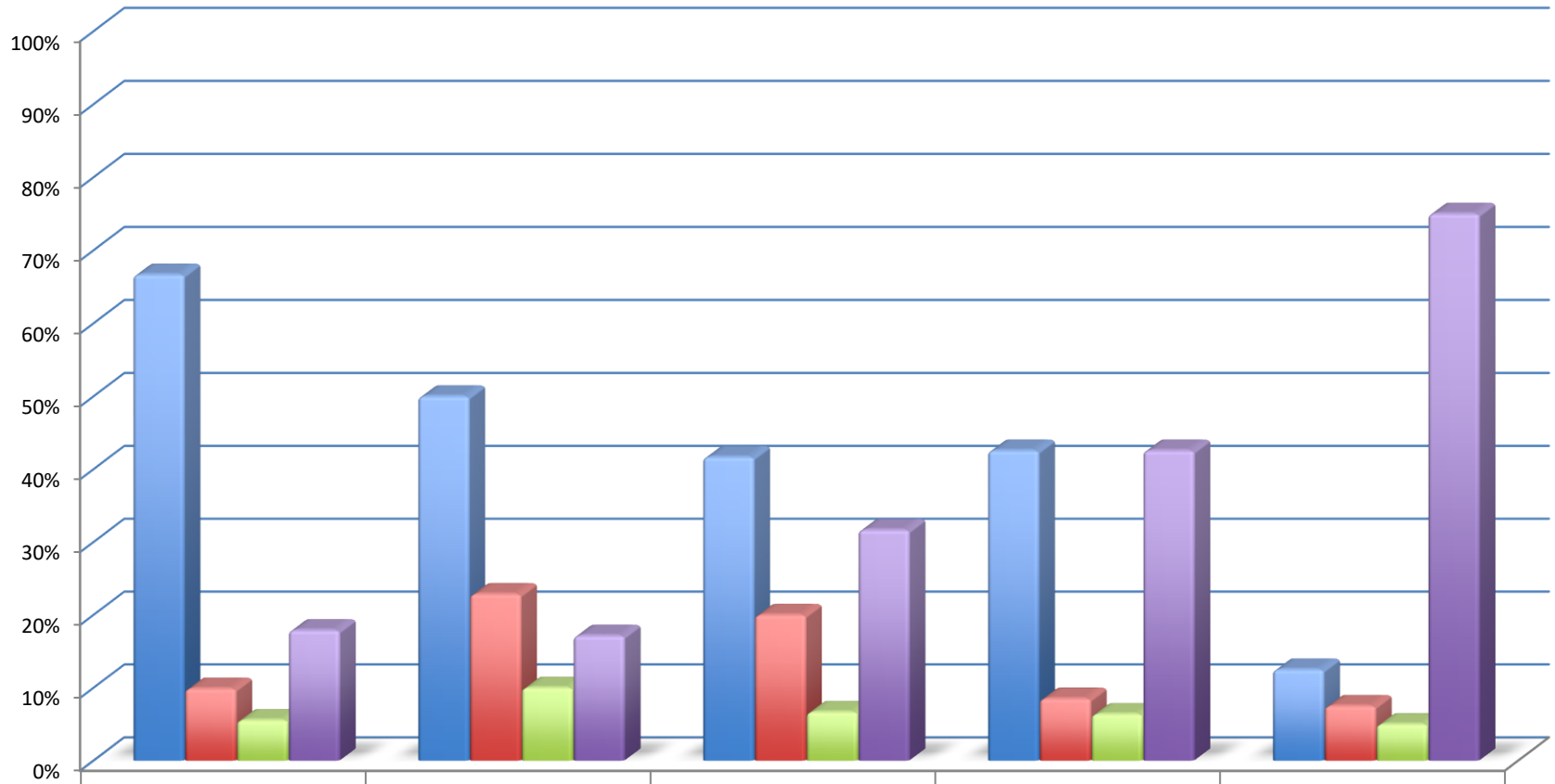
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
1st time individual	43%	47%	22%	15%	10%
individual who owned a business	35%	29%	30%	26%	5%
existing company/strategic buyer	20%	23%	40%	40%	50%
PE firm - Platform	0%	0%	3%	2%	15%
PE firm - Add-on	1%	0%	3%	13%	20%
Other	1%	1%	2%	4%	0%

#1 Reason for Seller to Go to Market



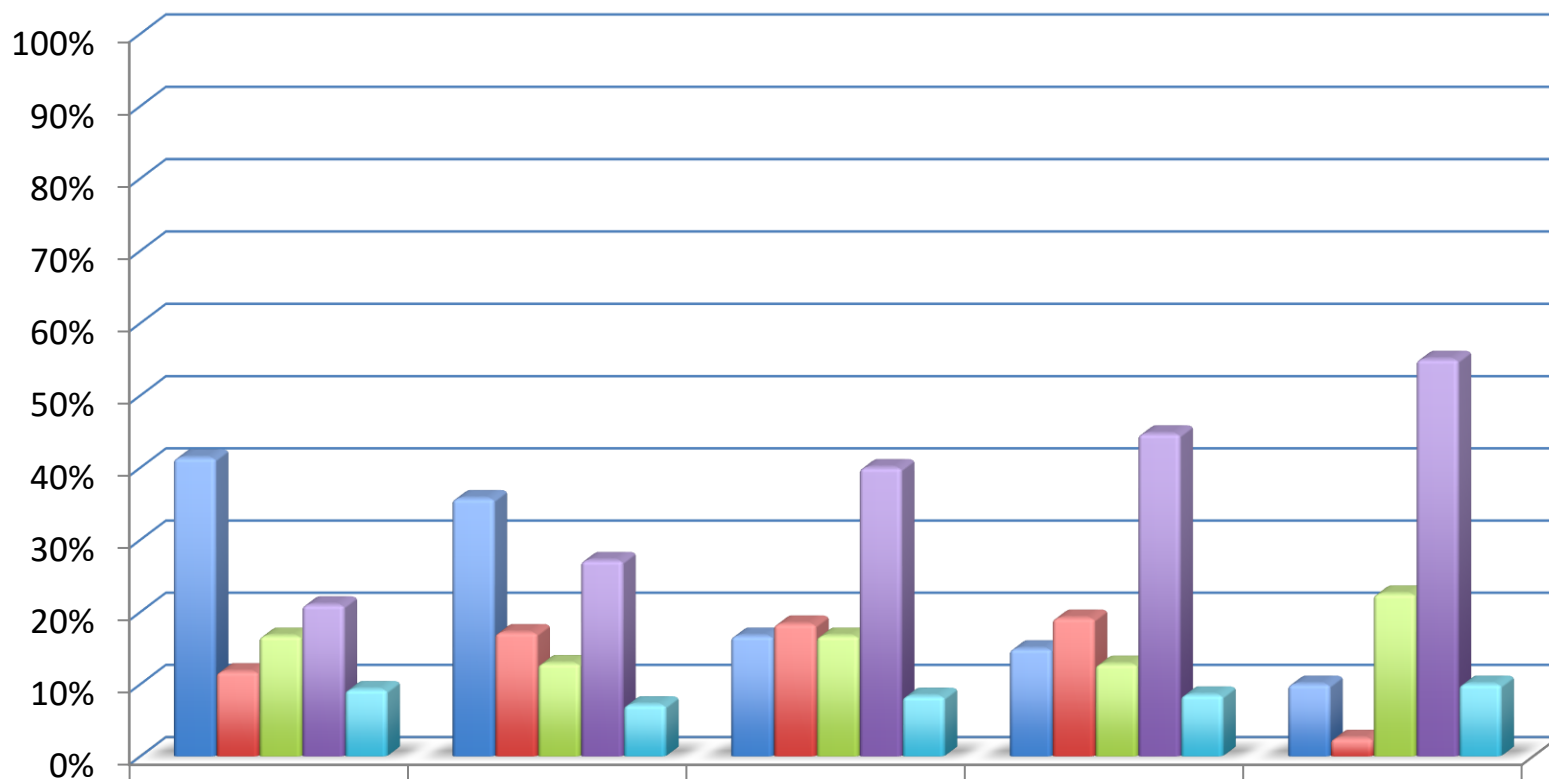
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Recapitalization	12%	11%	8%	13%	5%
Burnt out	7%	6%	5%	4%	10%
Family issues	7%	0%	2%	4%	3%
Health	9%	1%	12%	6%	8%
New opportunity	0%	0%	0%	0%	8%
Potential taxes increases	1%	3%	5%	0%	0%
Relocation/moving	9%	7%	5%	6%	0%
Retirement	48%	60%	60%	49%	53%
Unsolicited offer	2%	3%	0%	4%	0%
Other	4%	7%	0%	13%	15%

Buyer Location



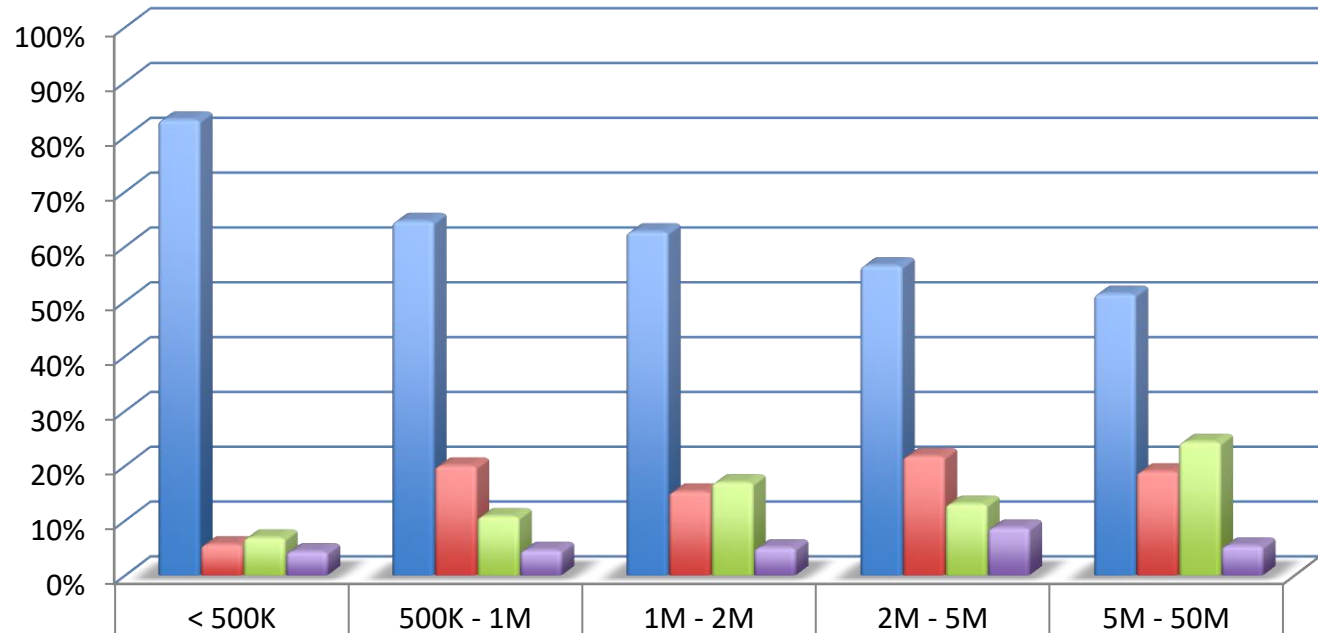
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
within 20 miles	67%	50%	42%	43%	13%
within 50 miles	10%	23%	20%	9%	8%
within 100 miles	6%	10%	7%	6%	5%
more than 100 miles	18%	17%	32%	43%	75%

#1 Motivation for Buyer



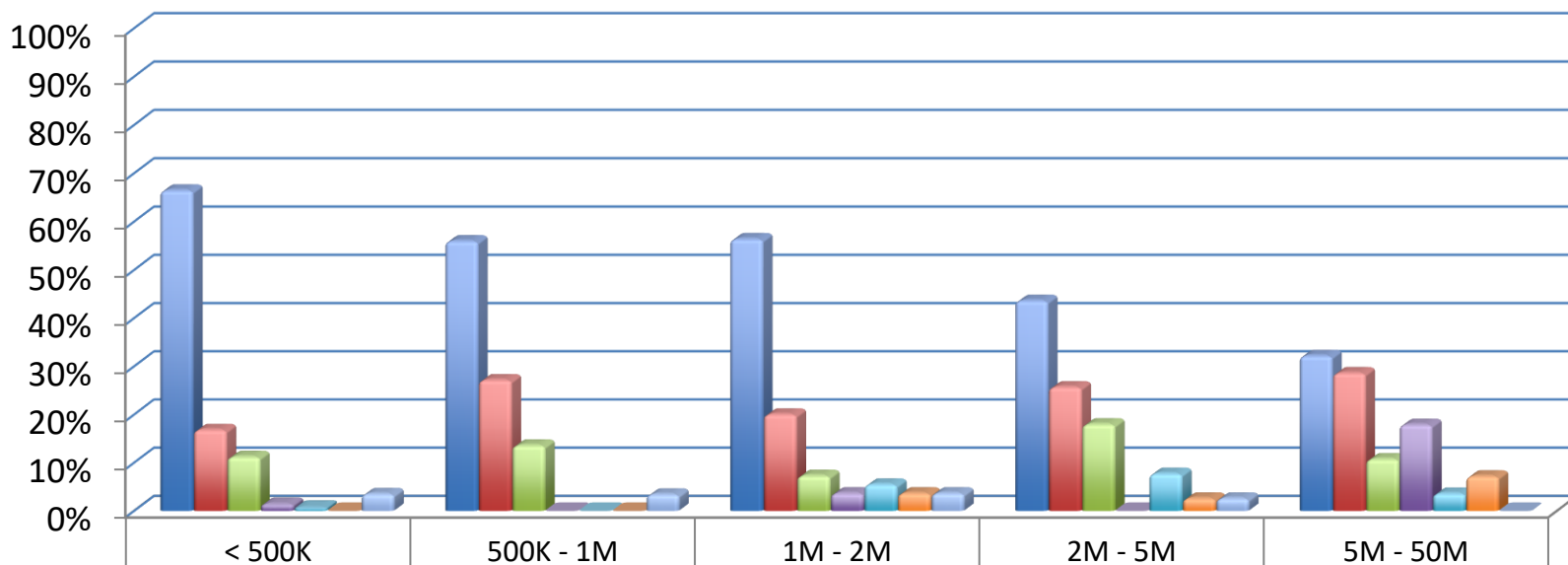
Buying a job	41%	36%	17%	15%	10%
Better ROI than other investment	12%	17%	18%	19%	3%
Vertical add-on	17%	13%	17%	13%	23%
Horizontal add-on	21%	27%	40%	45%	55%
Other	9%	7%	8%	9%	10%

Exit Planning



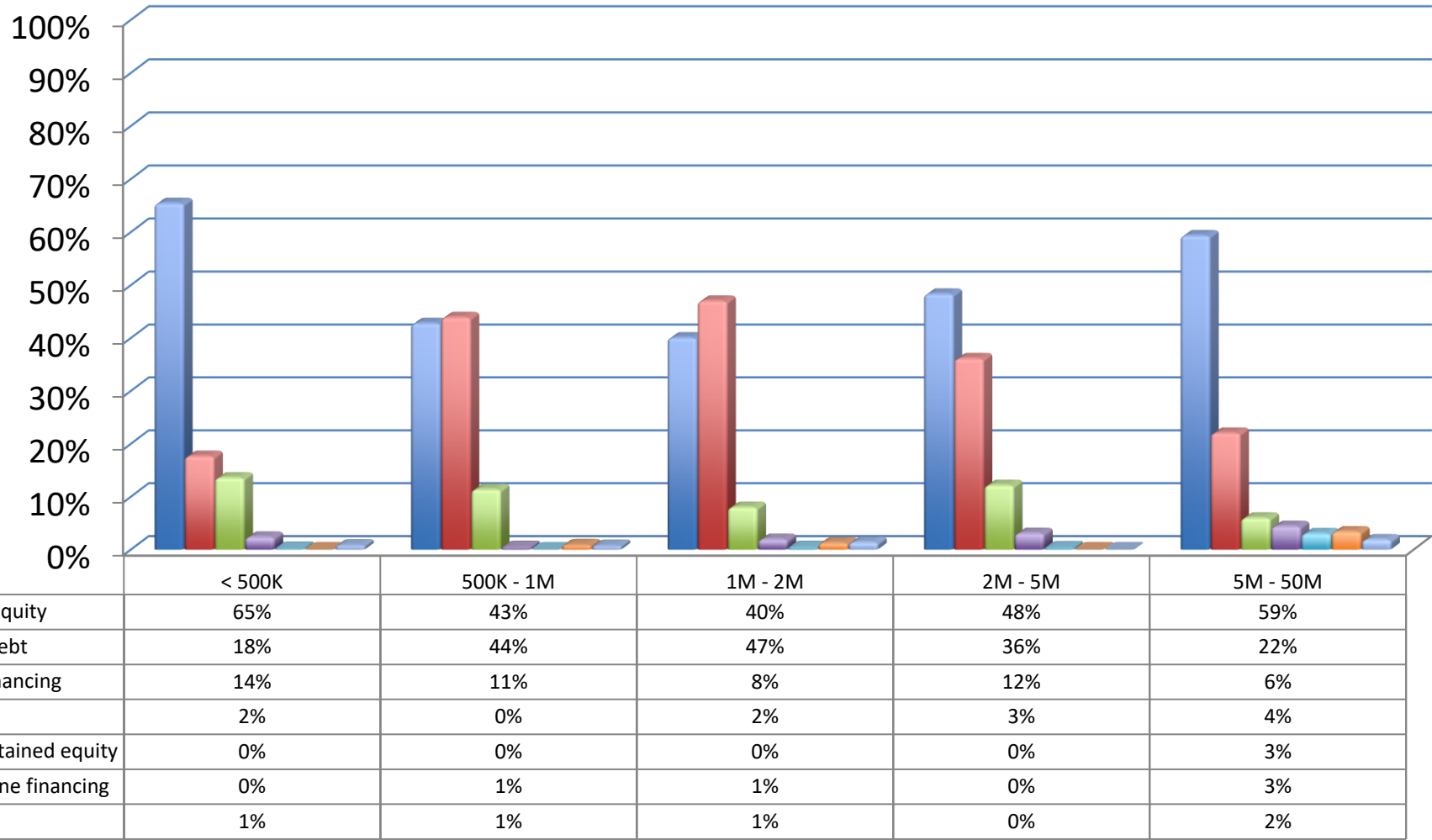
■ None - no formal planning prior to engagement to sell	83%	65%	63%	57%	51%
■ Met with an advisor (Wealth, CPA, Attorney) INCLUDING Broker for retirement needs prior to engaging broker	6%	20%	15%	22%	19%
■ Met with an advisor (Wealth, CPA, Attorney) for retirement needs prior to engaging broker (EXCLUDED Broker)	7%	11%	17%	13%	24%
■ N/A Represented Buyer	4%	5%	5%	9%	5%

Amount Of Exit Planning Prior To Marketing Business

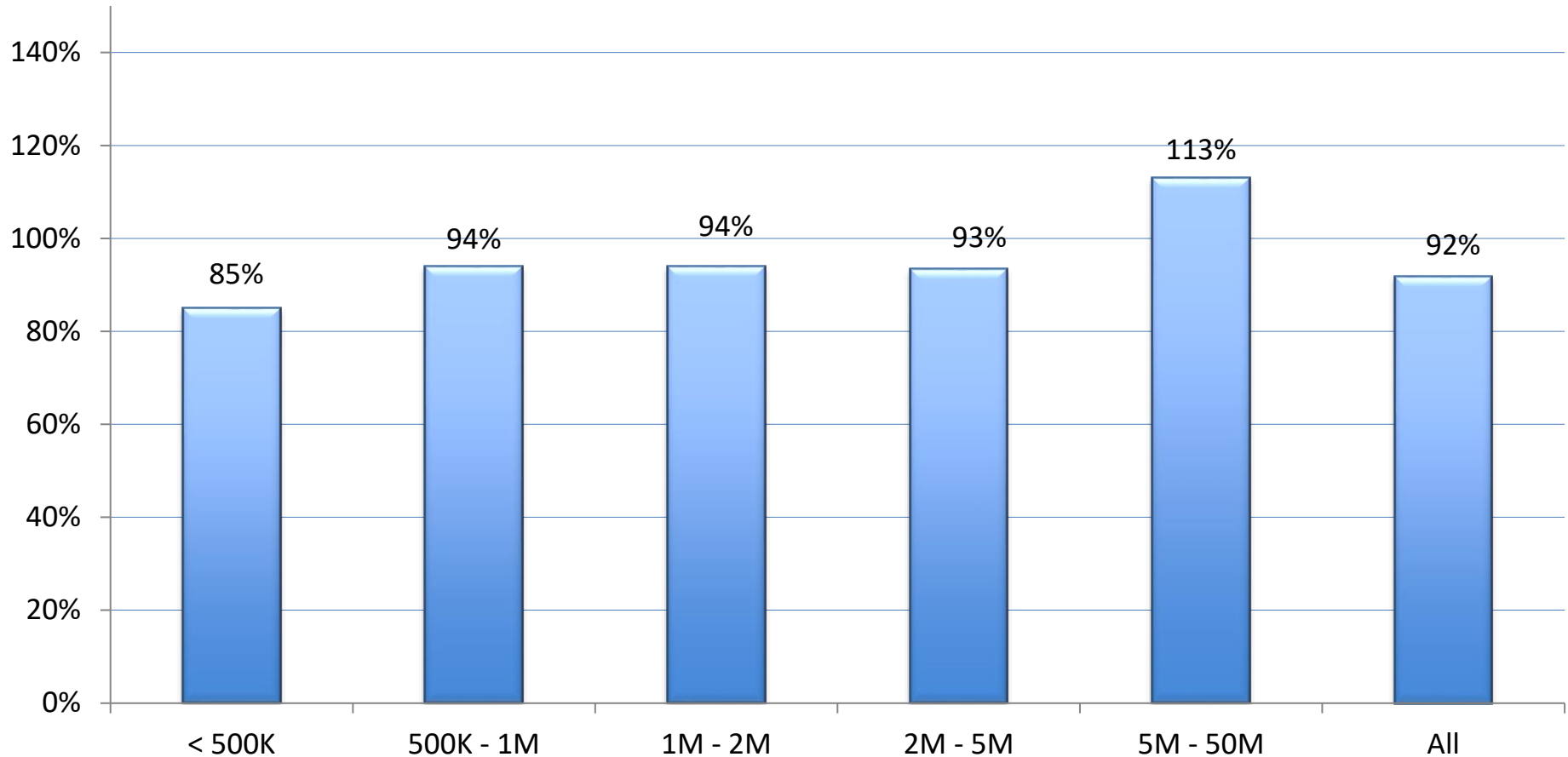


■ none	66%	56%	56%	44%	32%
■ less than 1 year	17%	27%	20%	26%	29%
■ between 1 and 2 years	11%	14%	7%	18%	11%
■ between 2 and 3 years	1%	0%	4%	0%	18%
■ between 3 and 5 years	1%	0%	5%	8%	4%
■ greater than 5 years	0%	0%	4%	3%	7%
■ N/A represented buyer	3%	3%	4%	3%	0%

Financing Structure



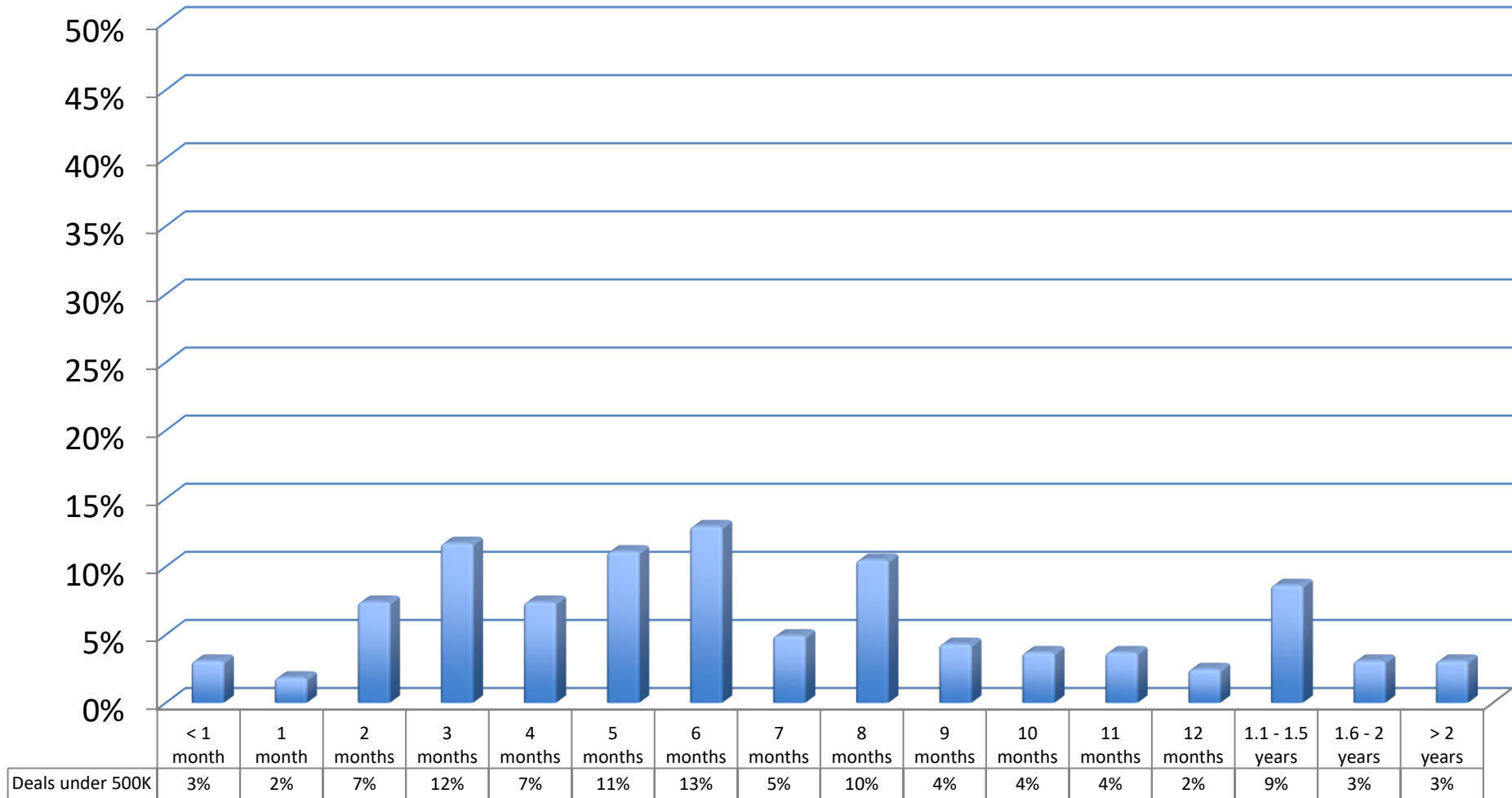
Average Percentage of Final/Selling Price Realized to Asking/Benchmark Price



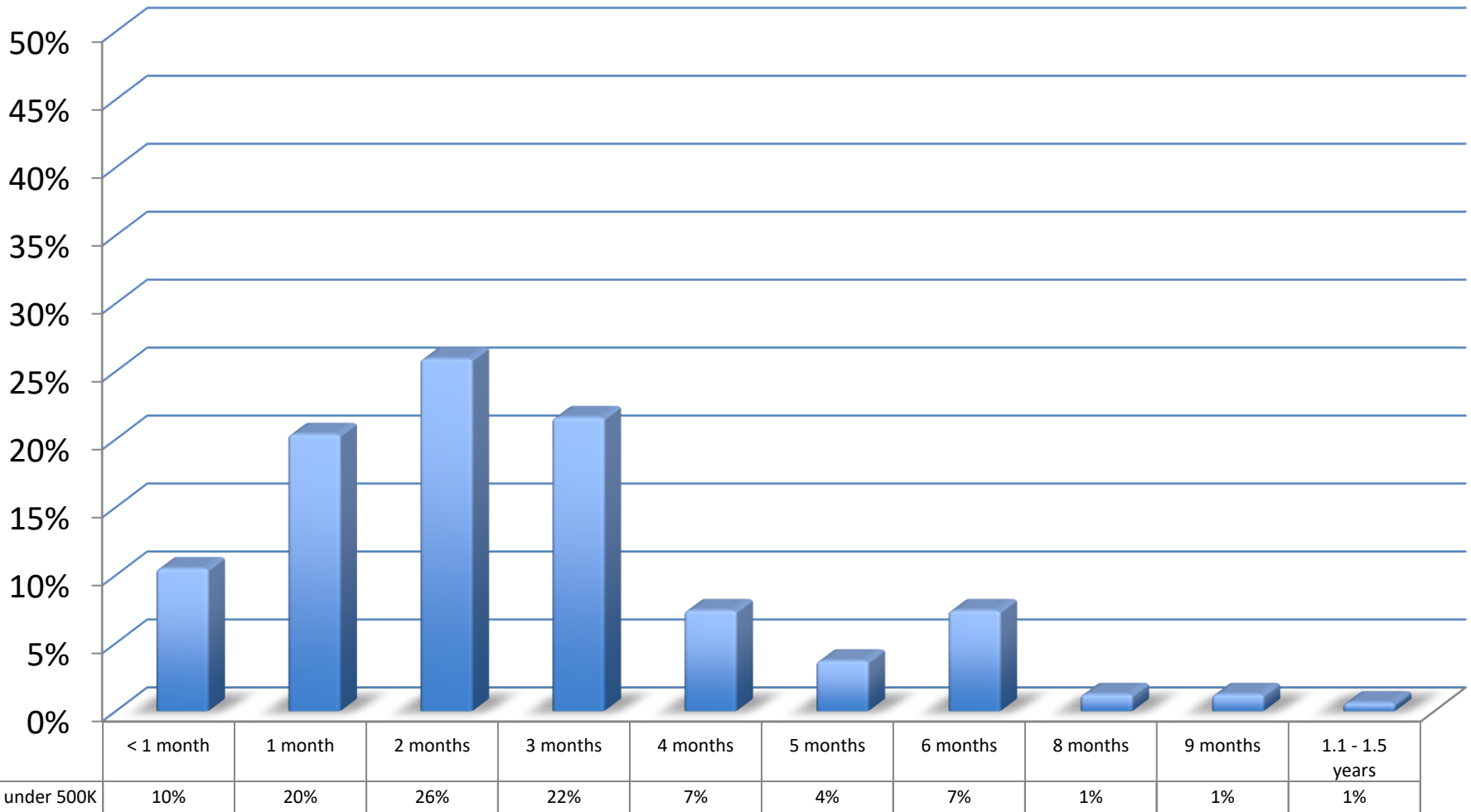
Business Transactions Valued under \$499,999

Number of Closed Transactions: 162

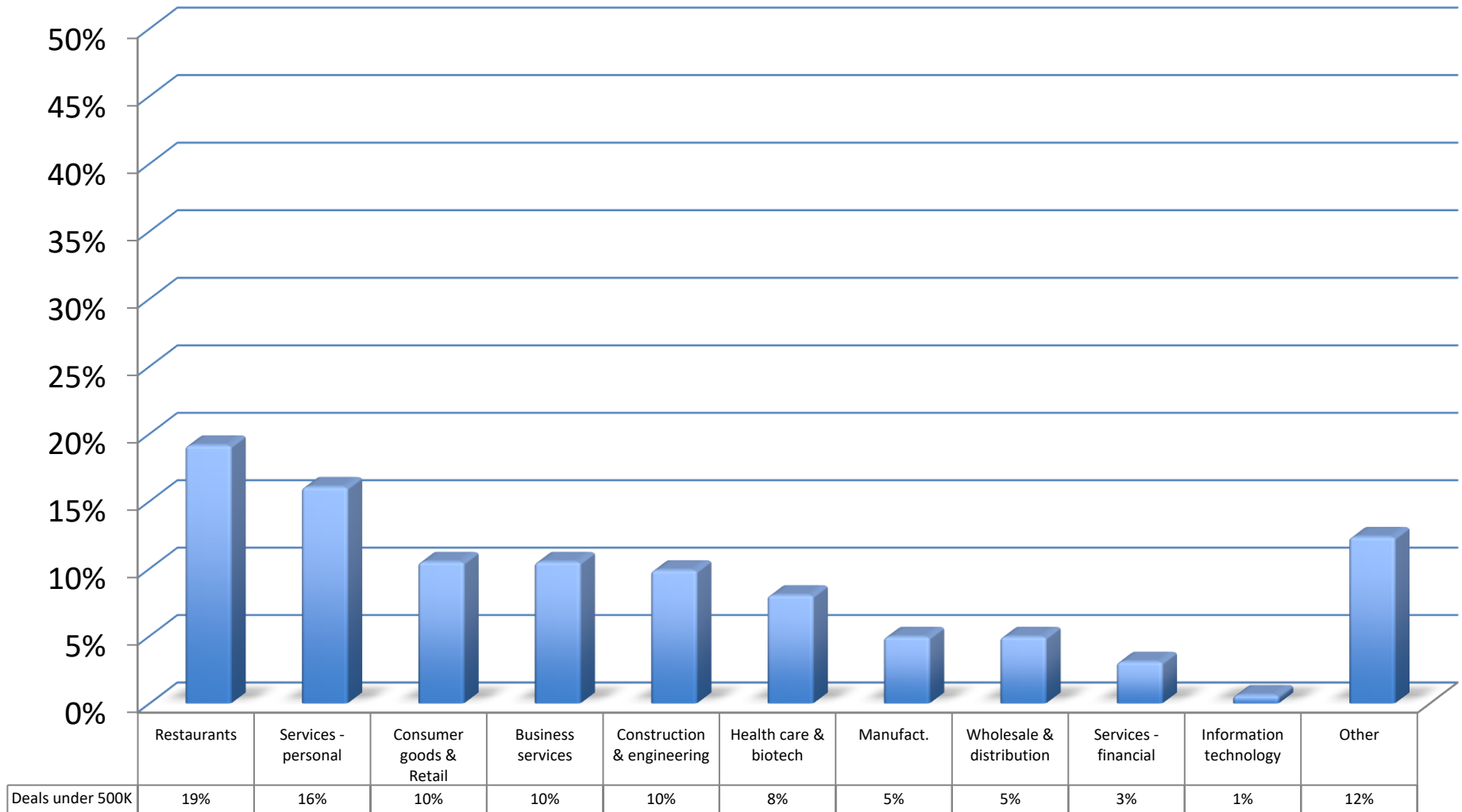
Engagement/Listing to Close



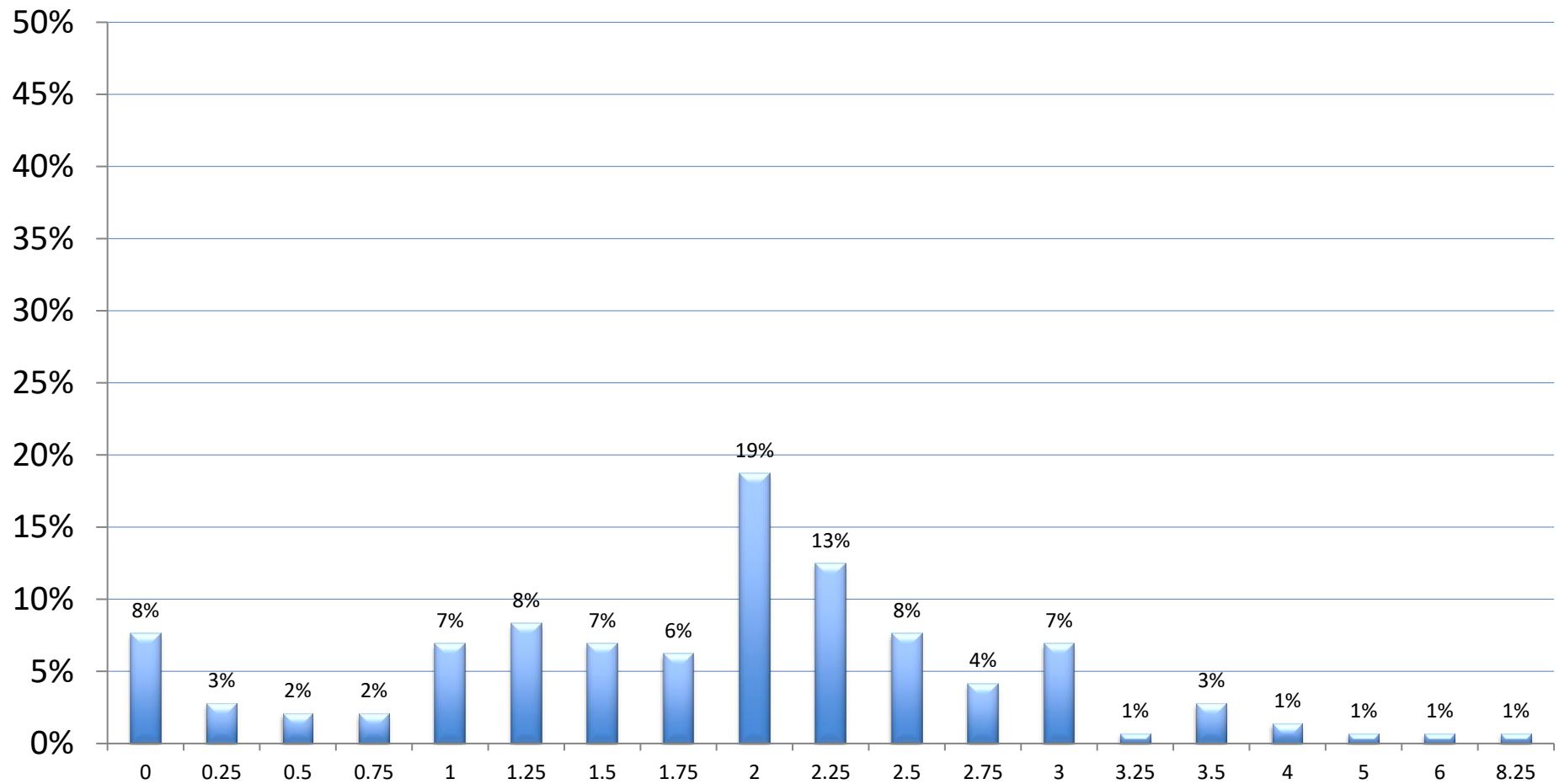
LOI/ Offer to Close



Industry

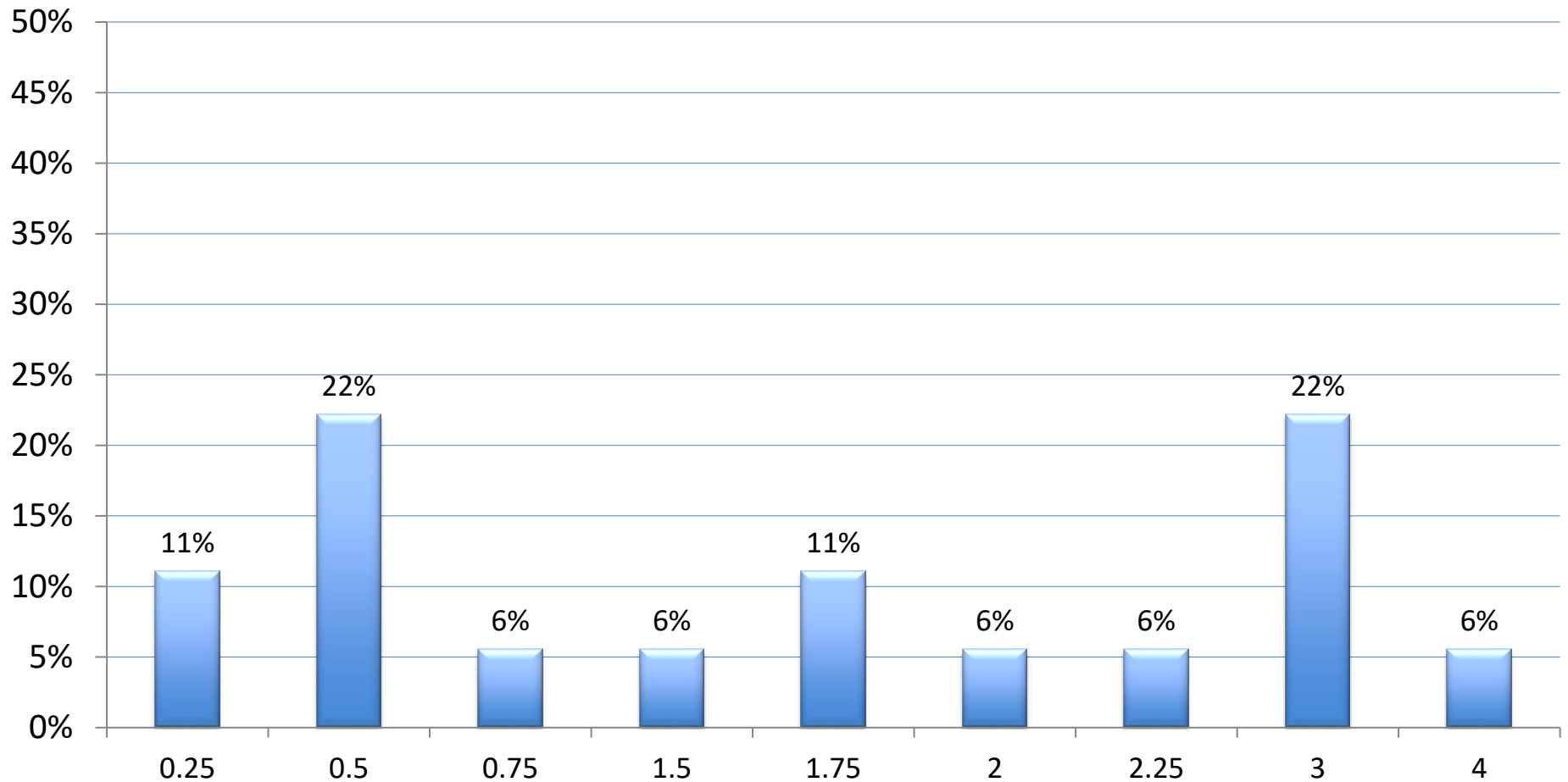


SDE Multiple Paid



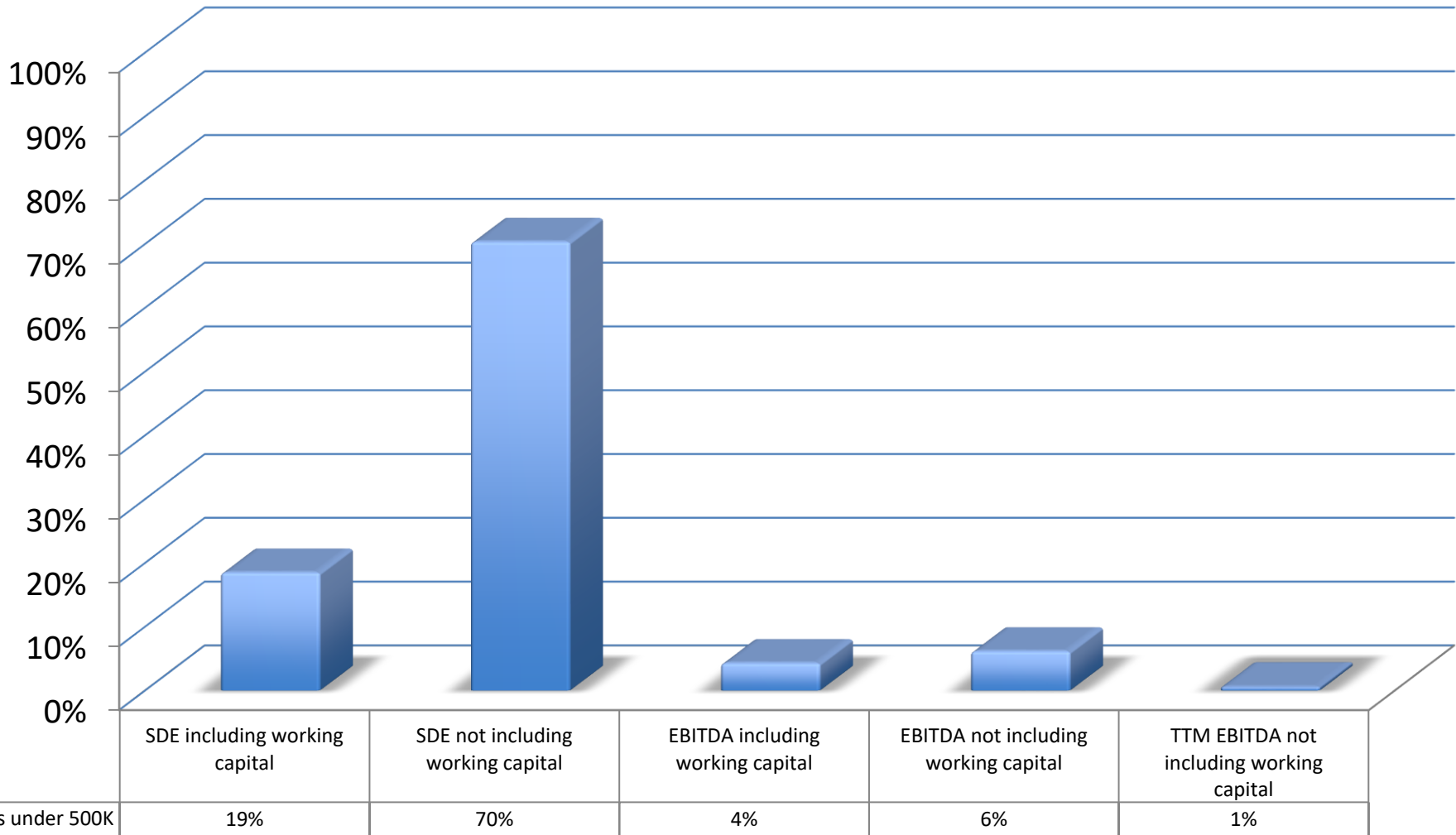
Number of responses: 144

EBITDA Multiple Paid

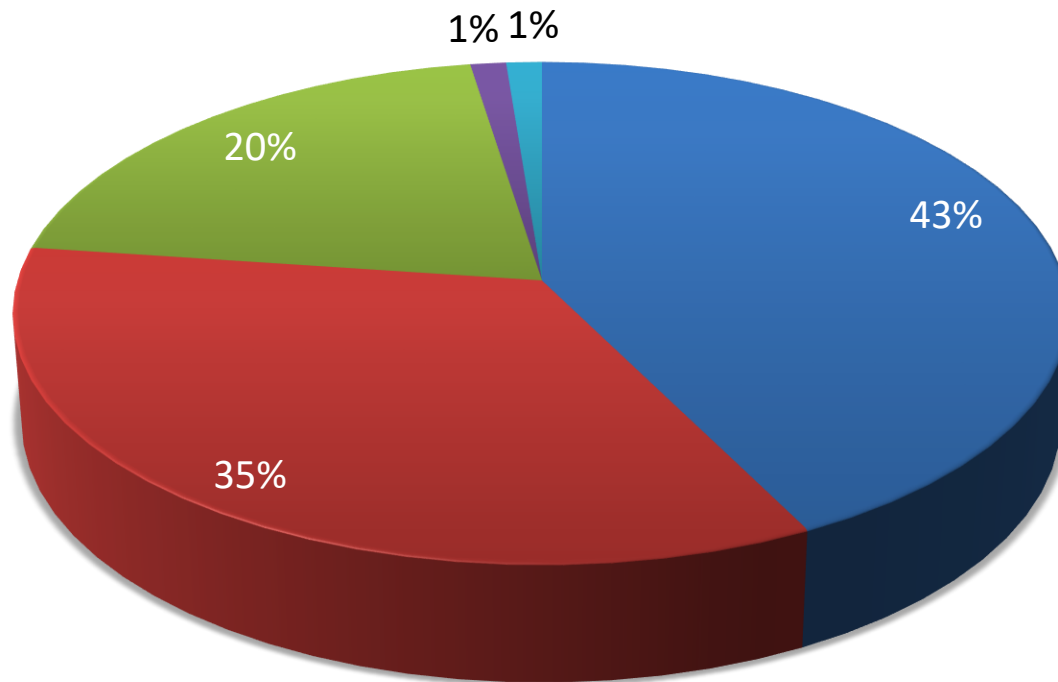


Number of responses: 18

Multiple Type



Buyer Type



■ 1st time individual

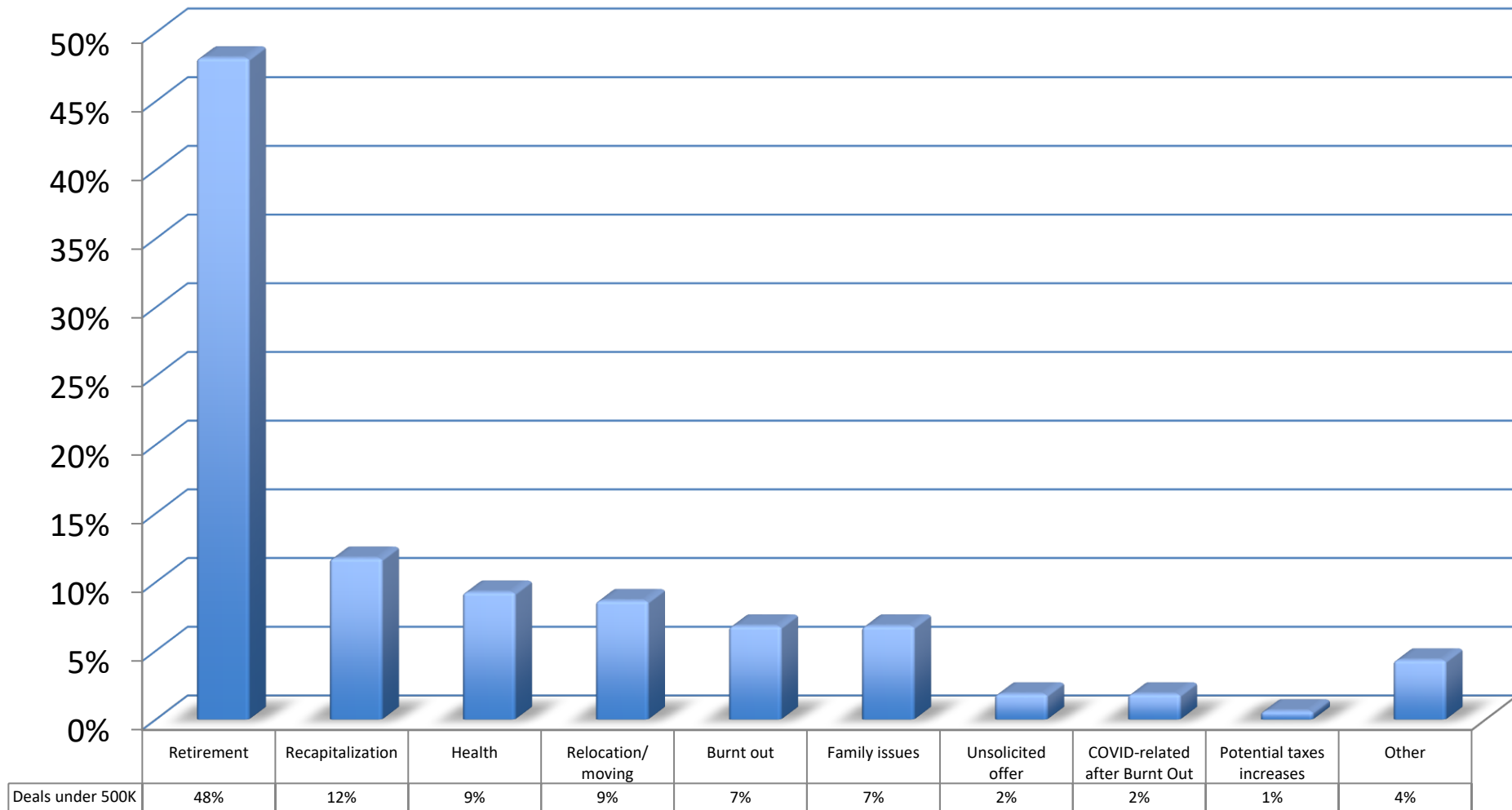
■ individual who owned a business

■ existing company/strategic buyer

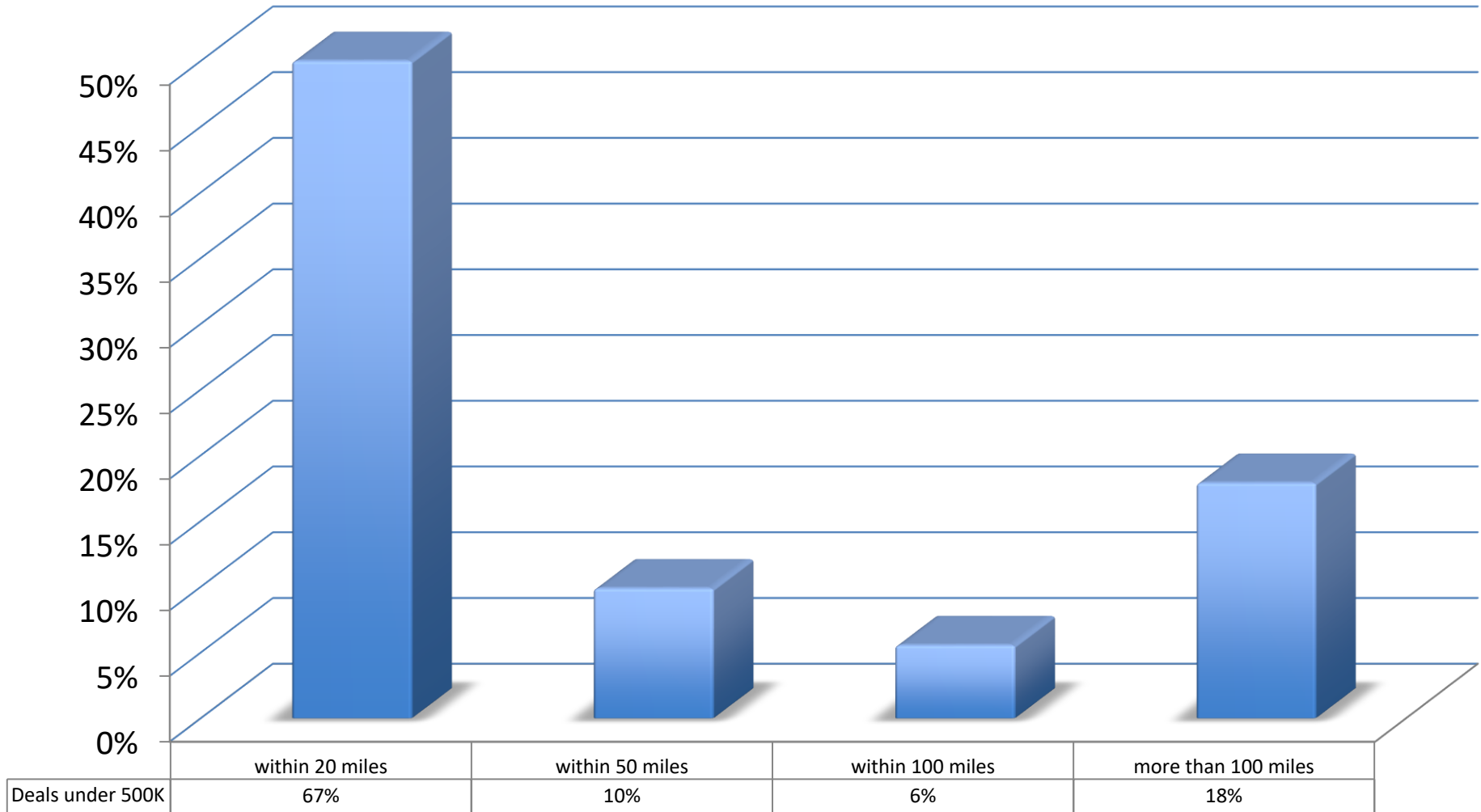
■ PE firm - Add-on

■ Other

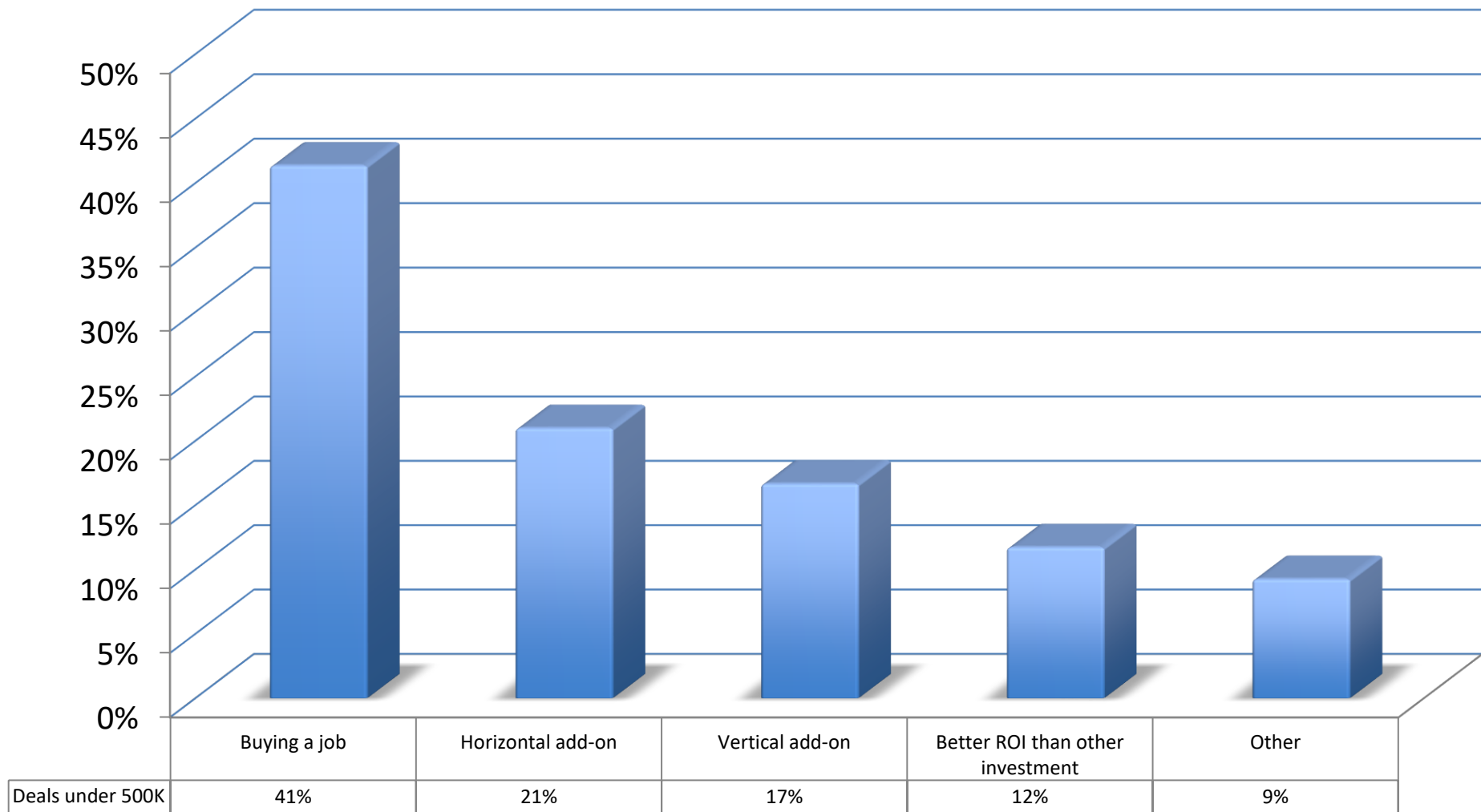
#1 Reason for Seller to Go to Market



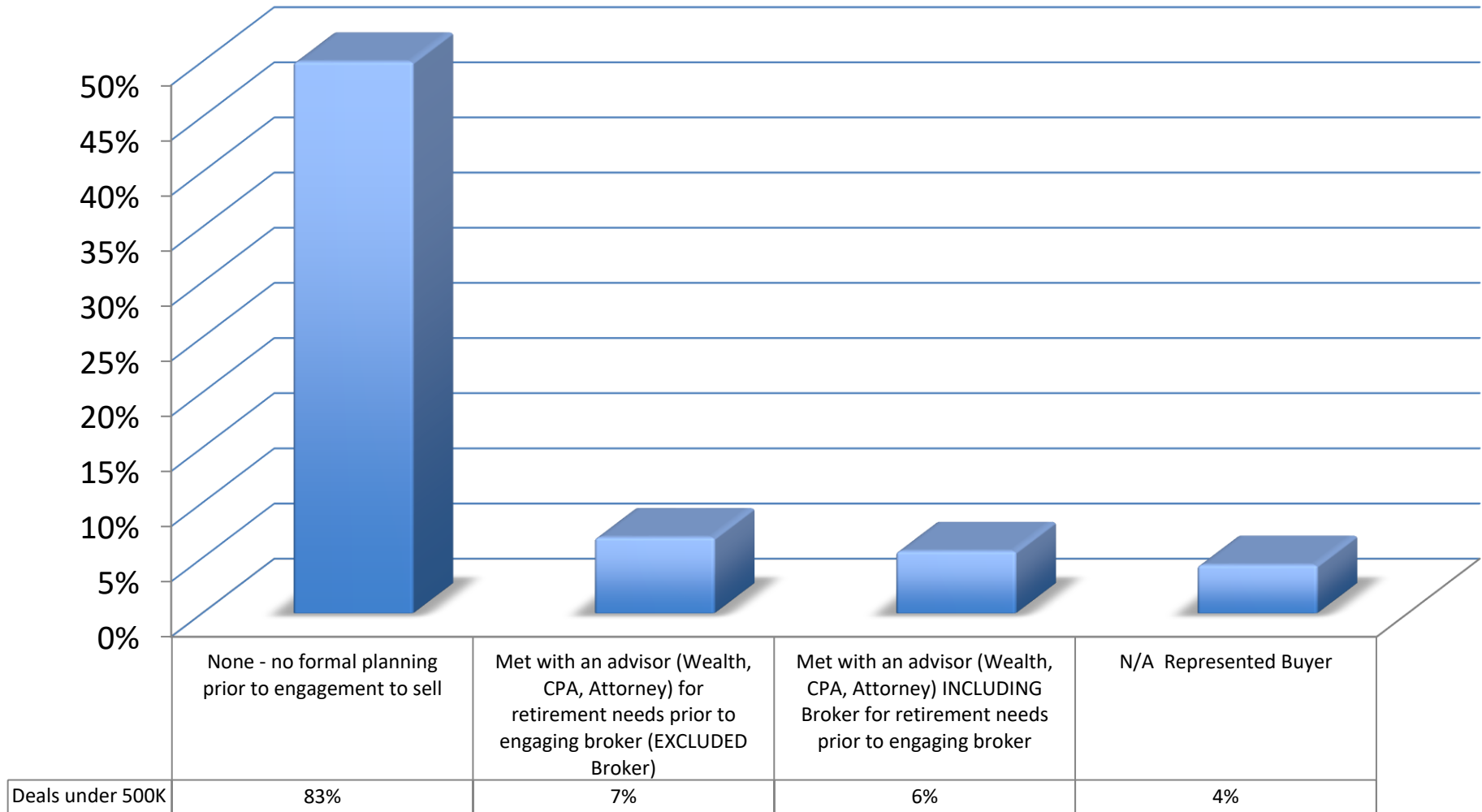
Buyer Location



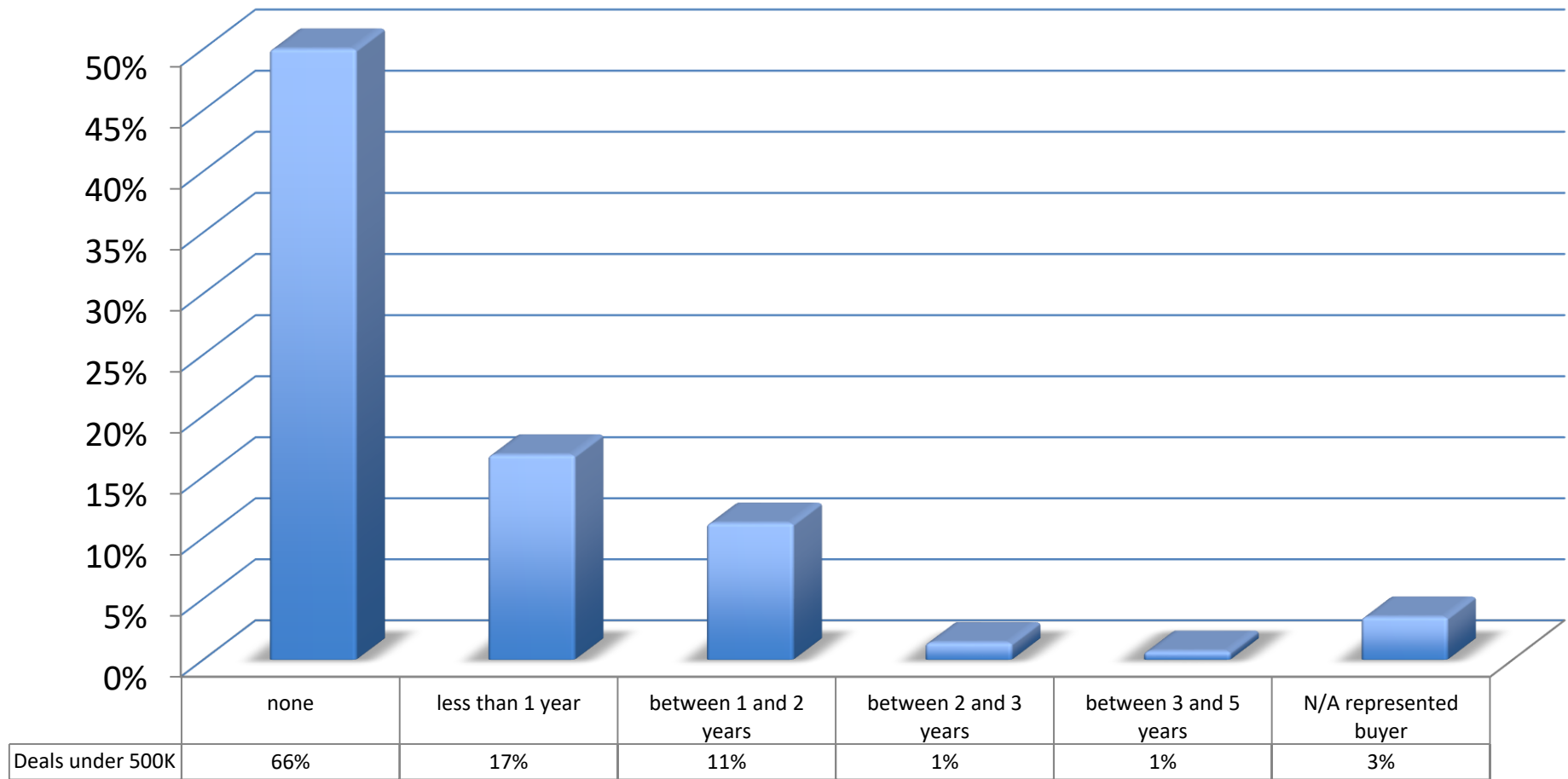
#1 Motivation for Buyer



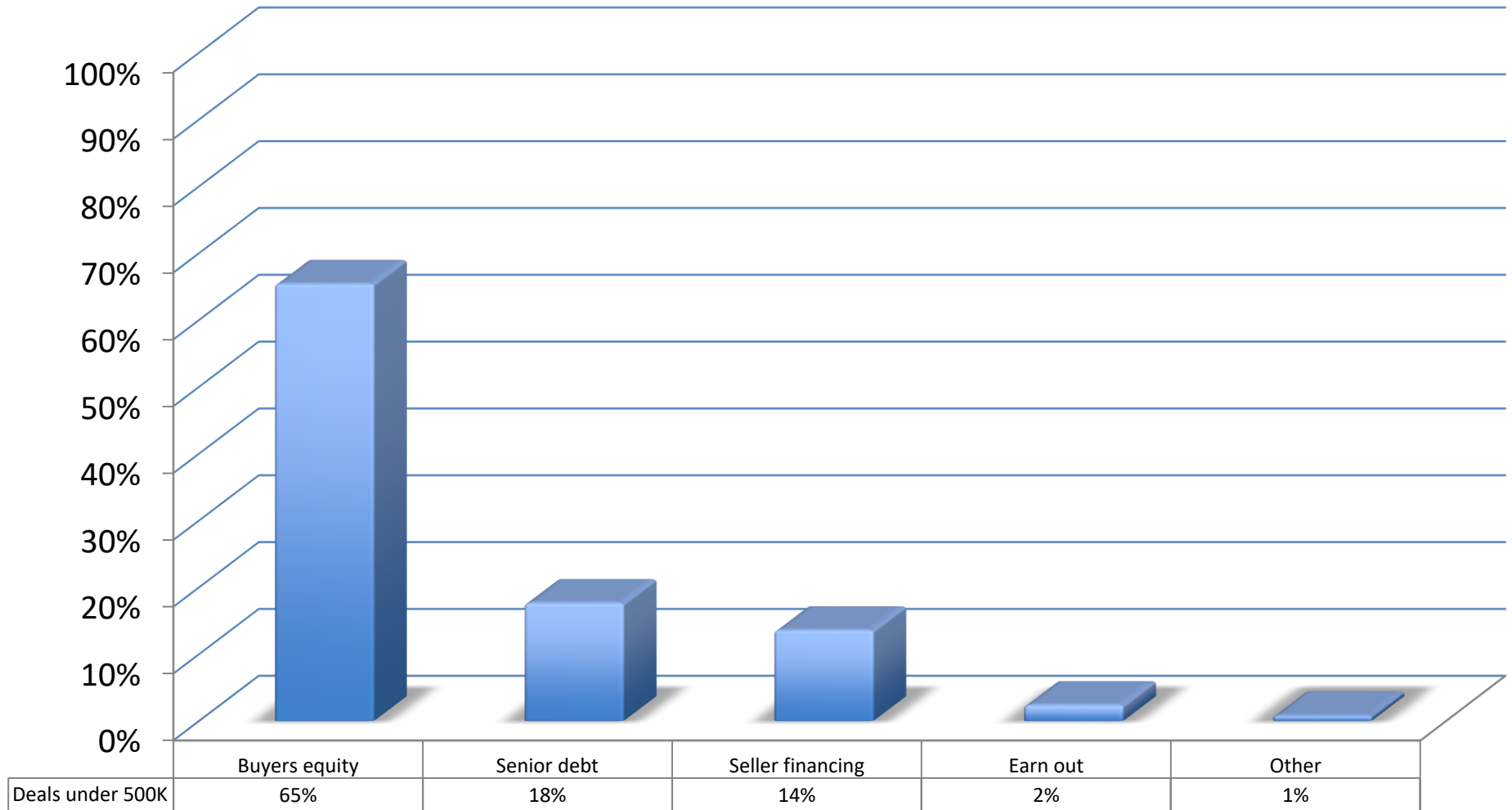
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

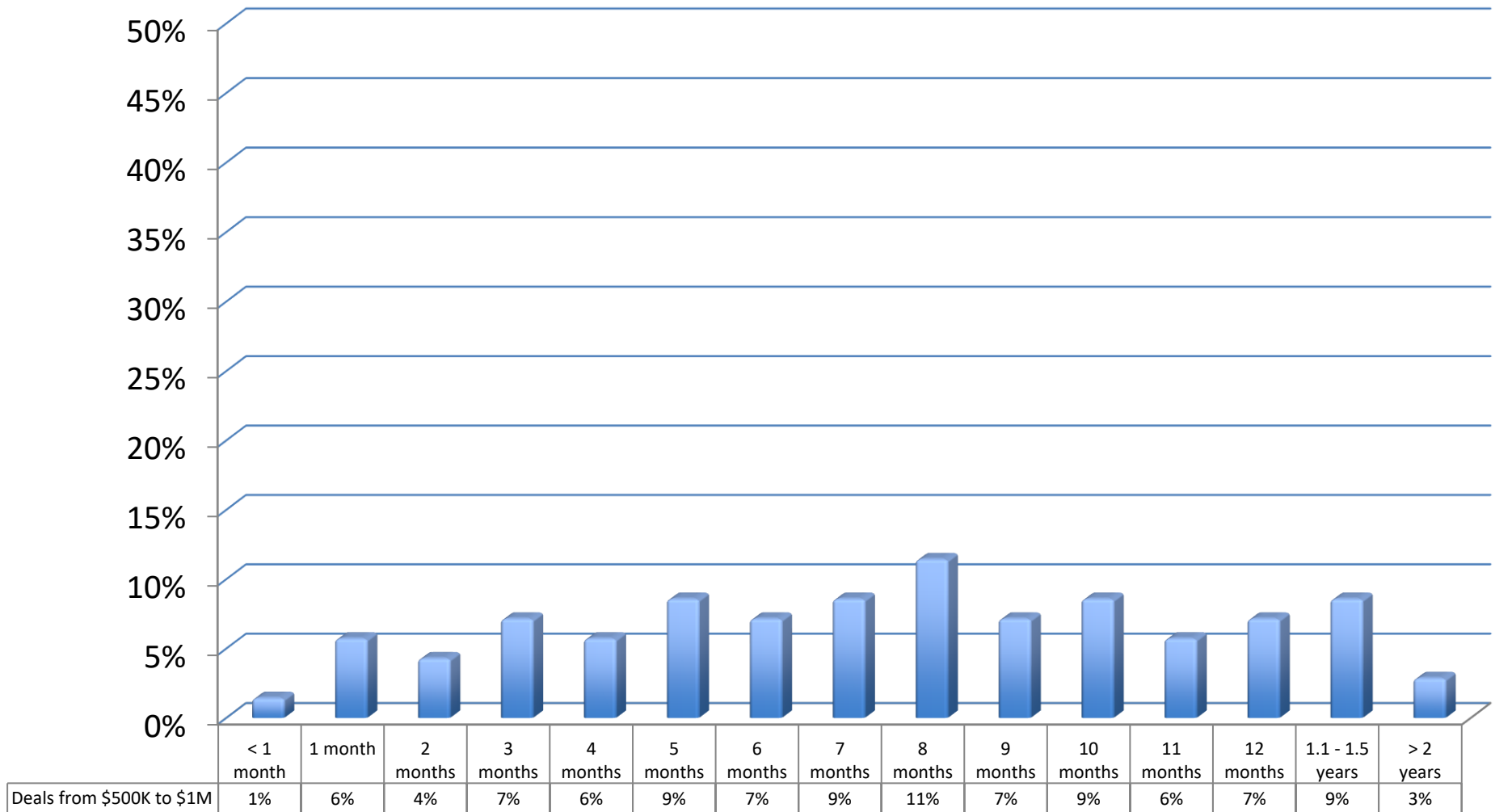


Financing Structure

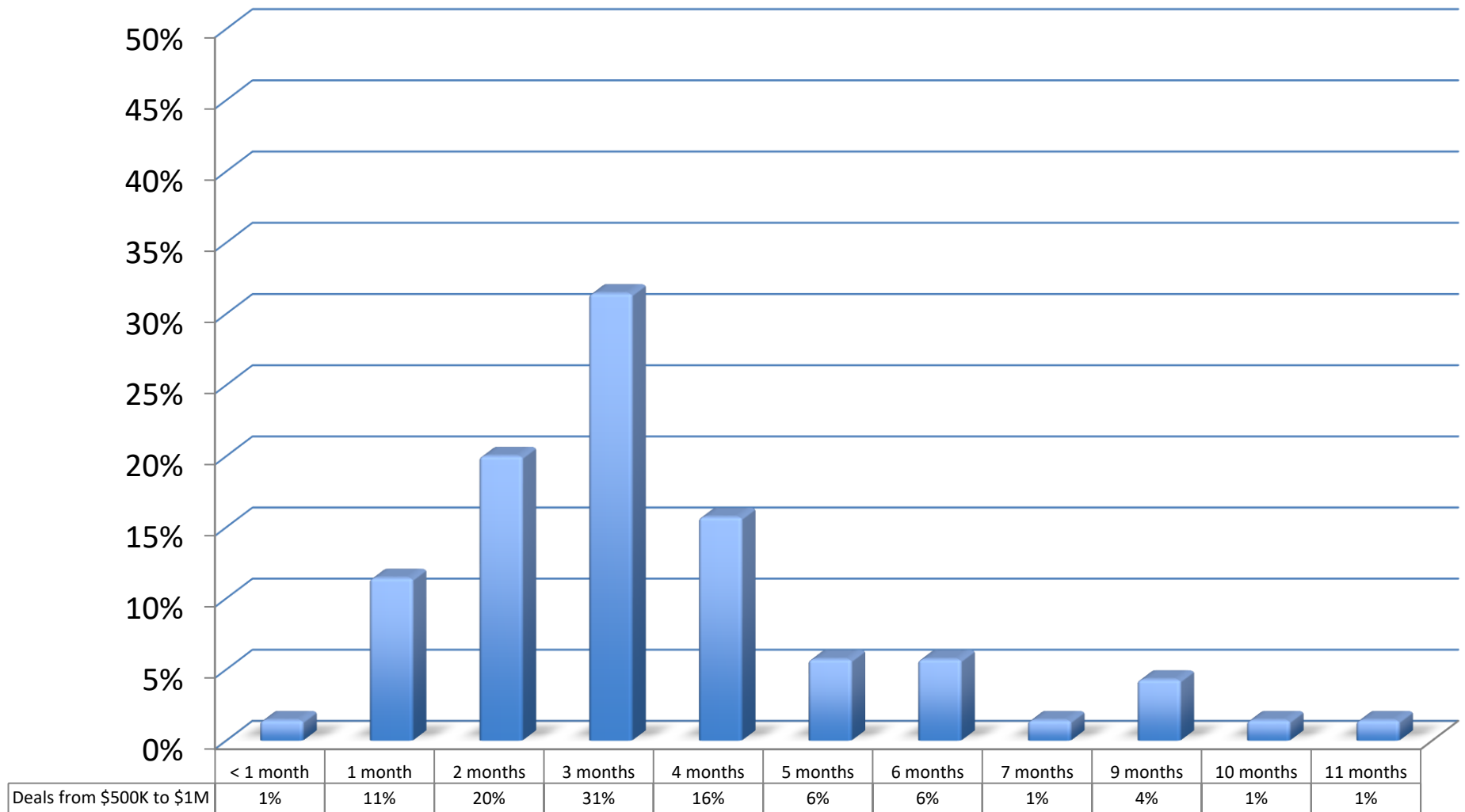


Business Transactions Valued
from \$500,000 to \$999,999
Number of Closed Transactions: 70

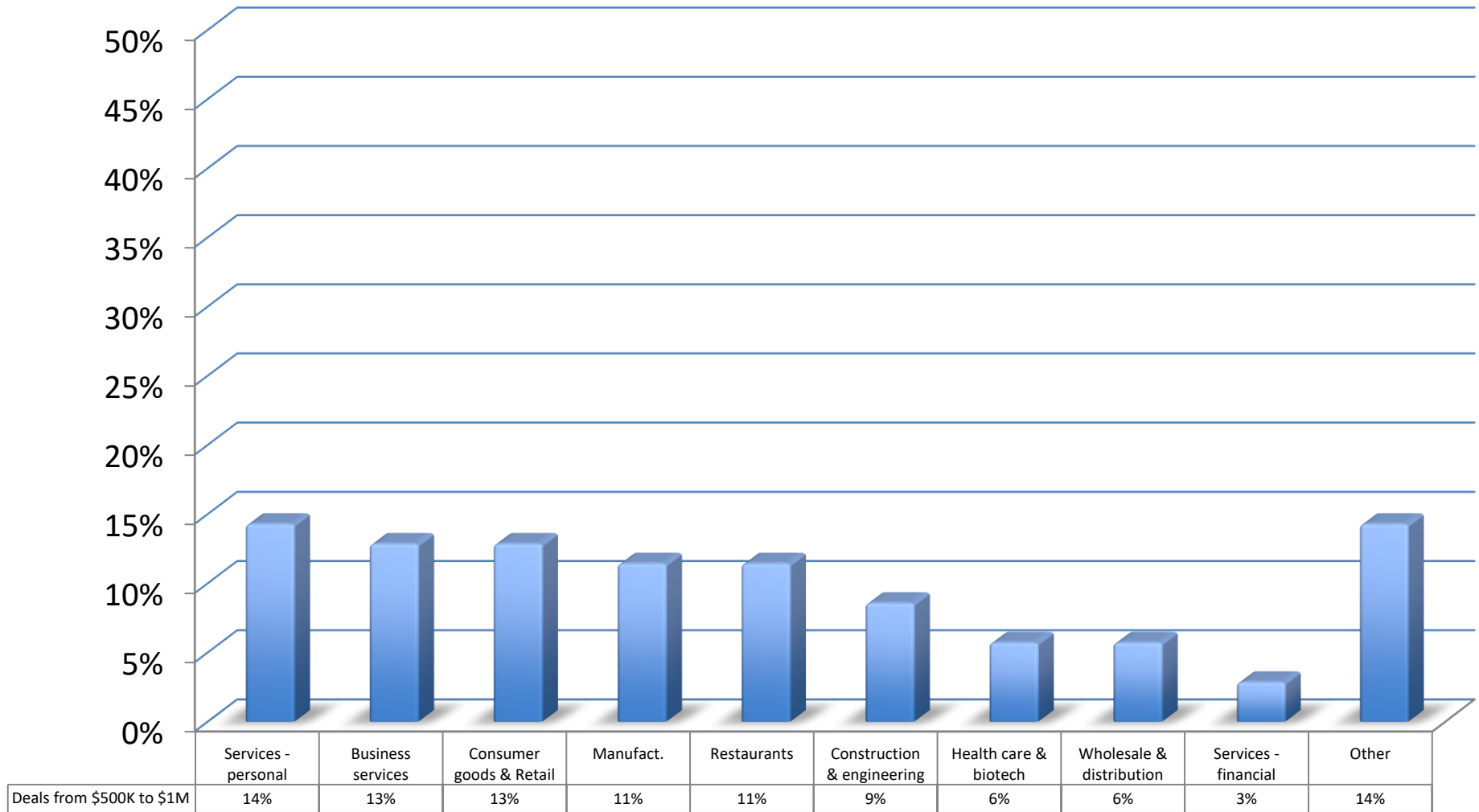
Engagement/Listing to Close



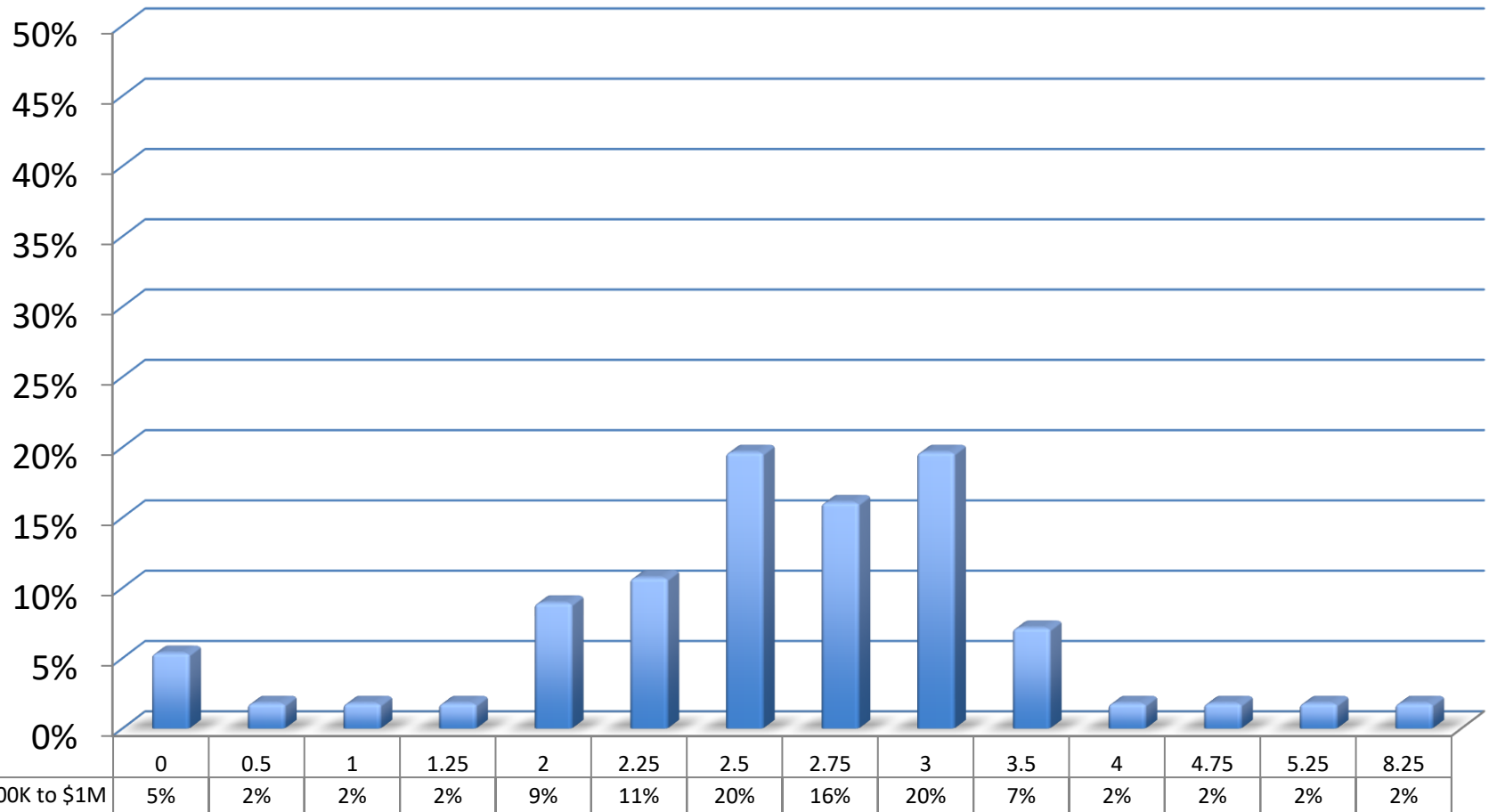
LOI/ Offer to Close



Industry

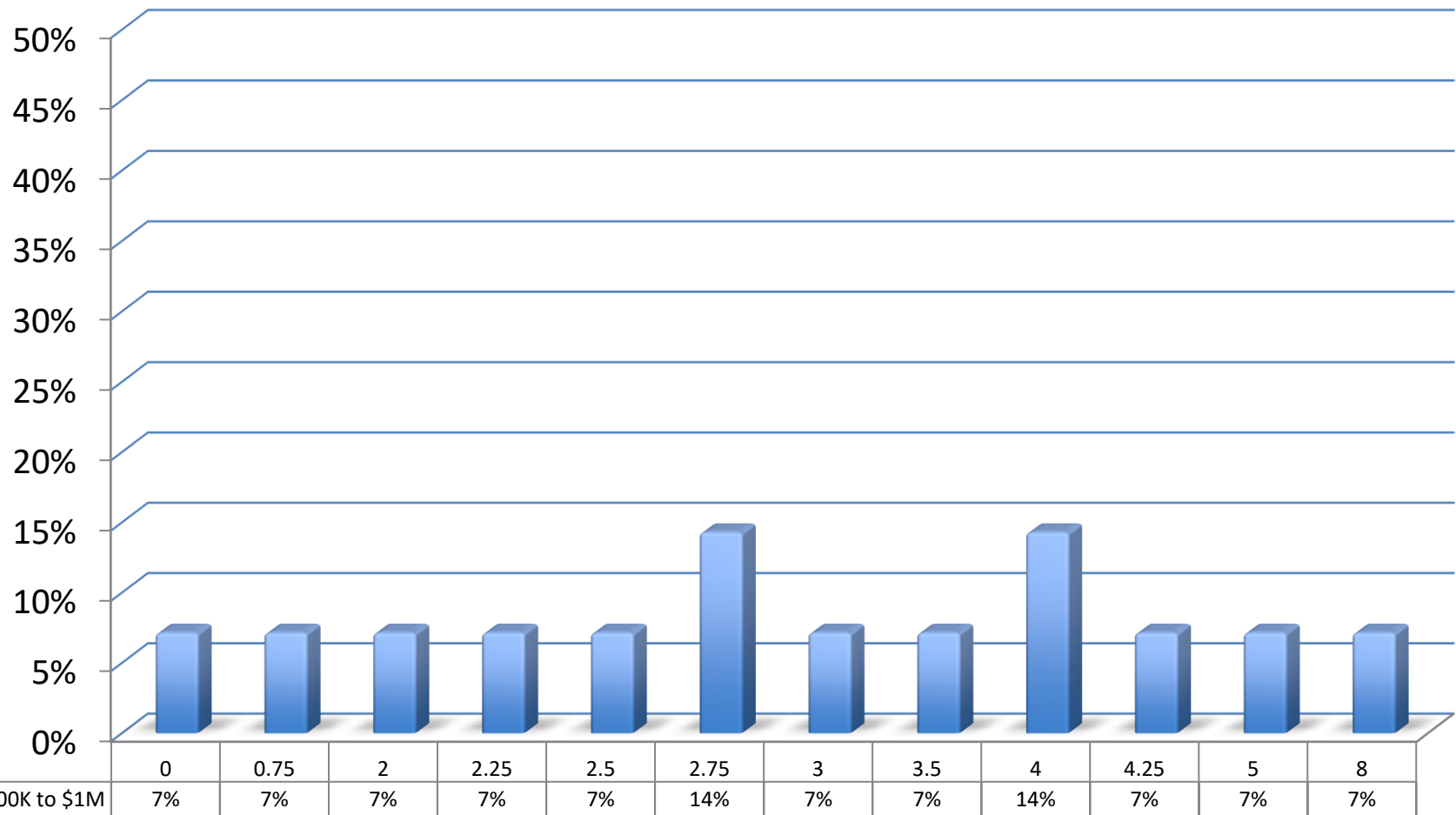


SDE Multiple Paid



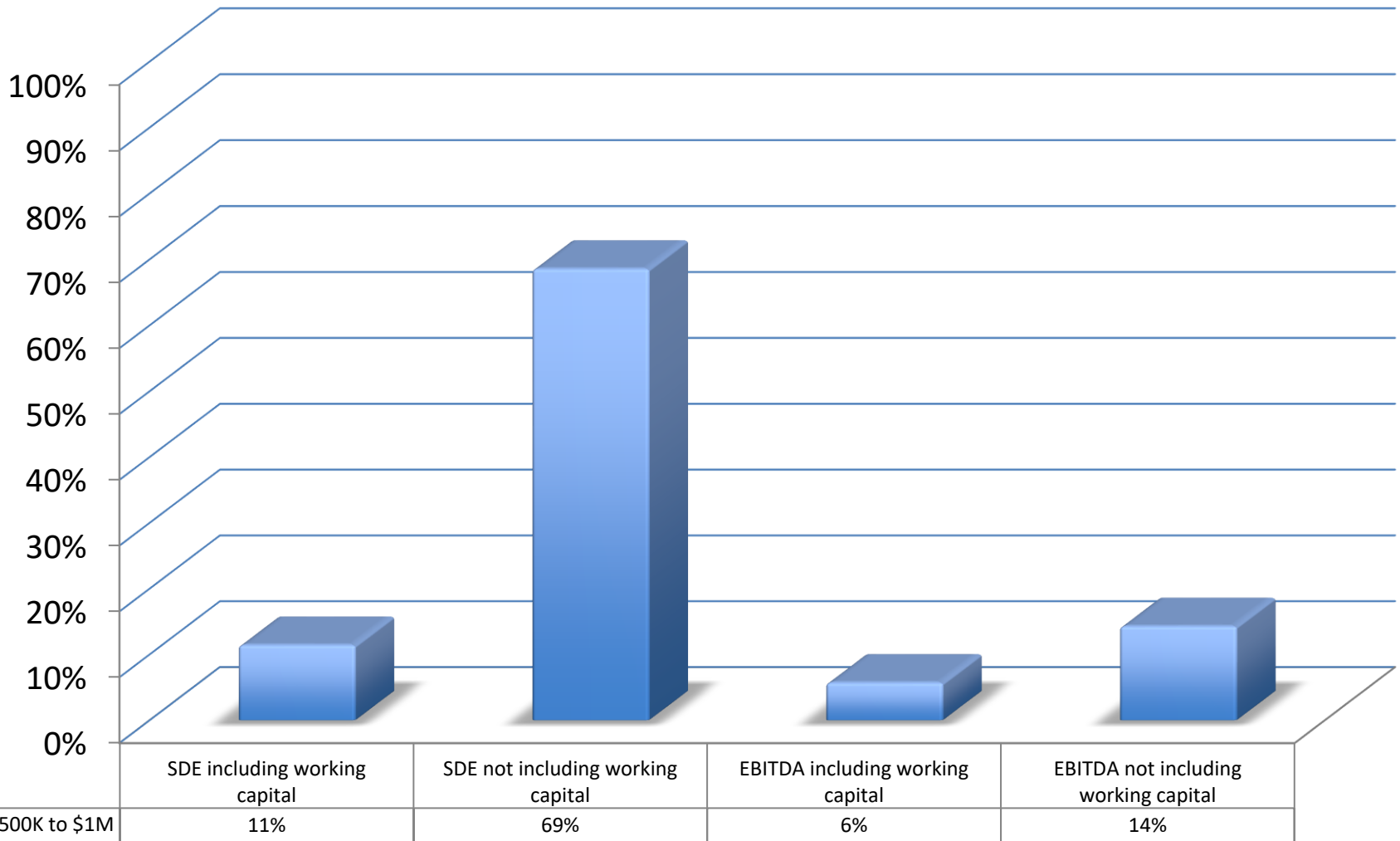
Number of responses: 56

EBITDA Multiple Paid

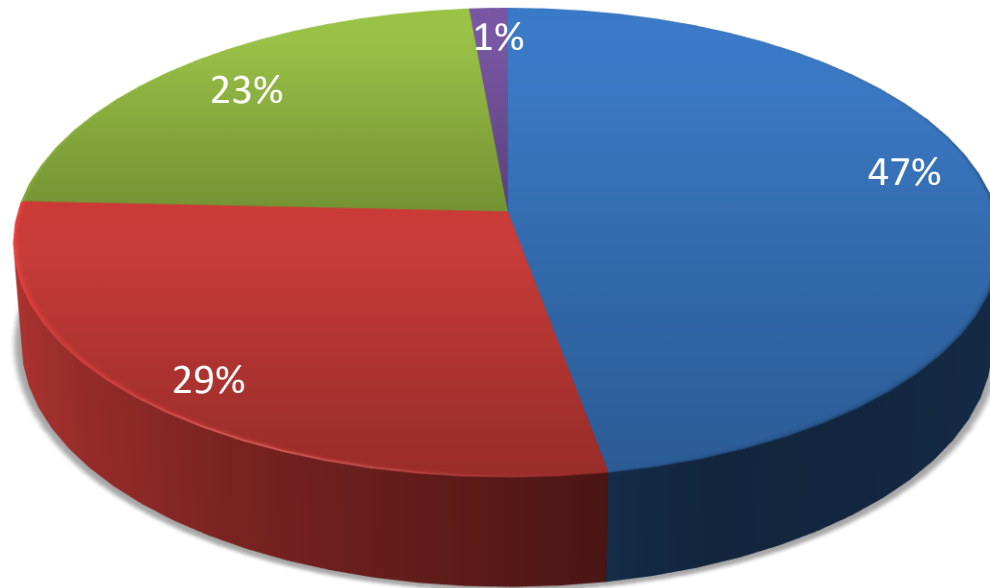


Number of responses: 14

Multiple Type



Buyer Type



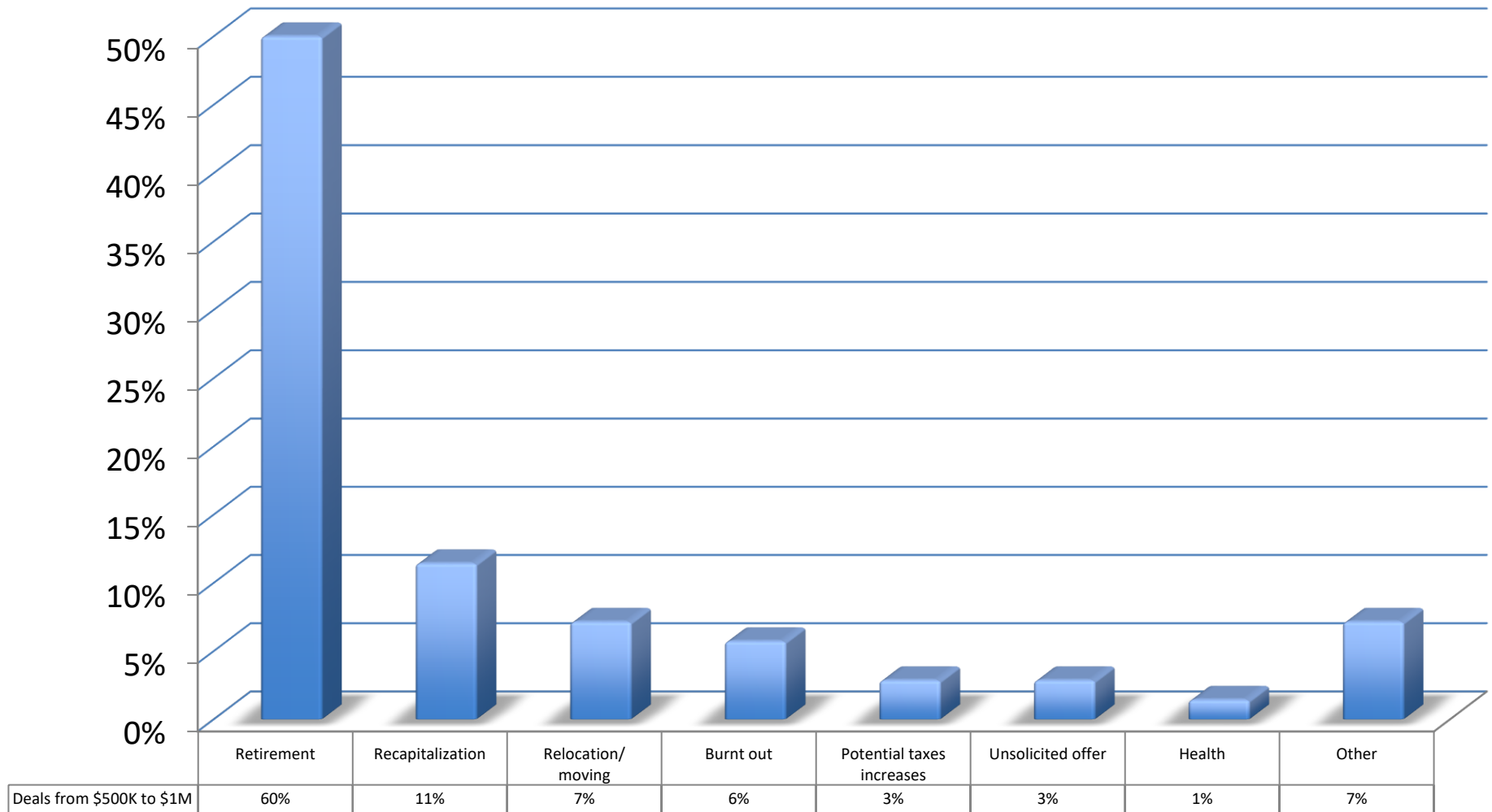
■ 1st time individual

■ individual who owned a business

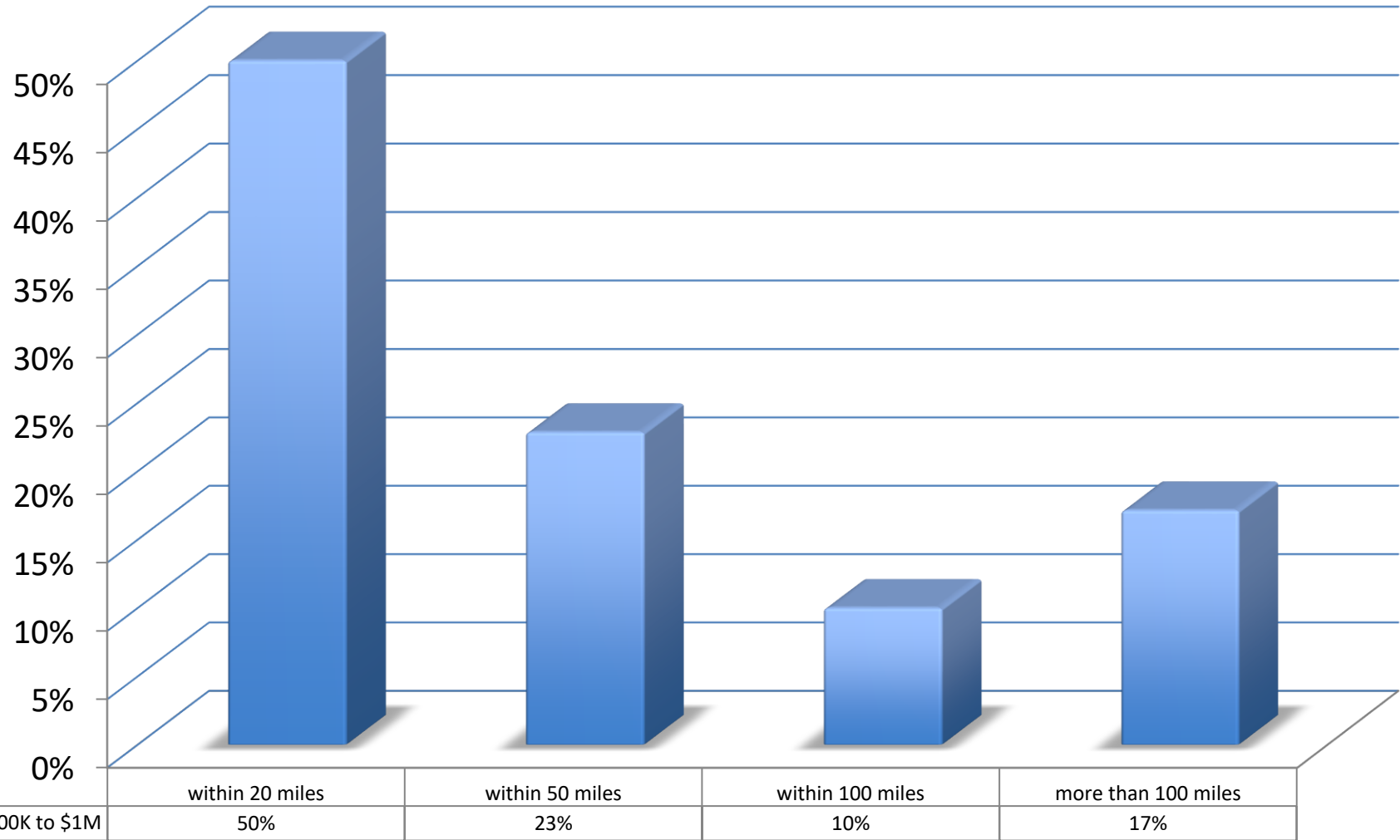
■ existing company/strategic buyer

■ Other

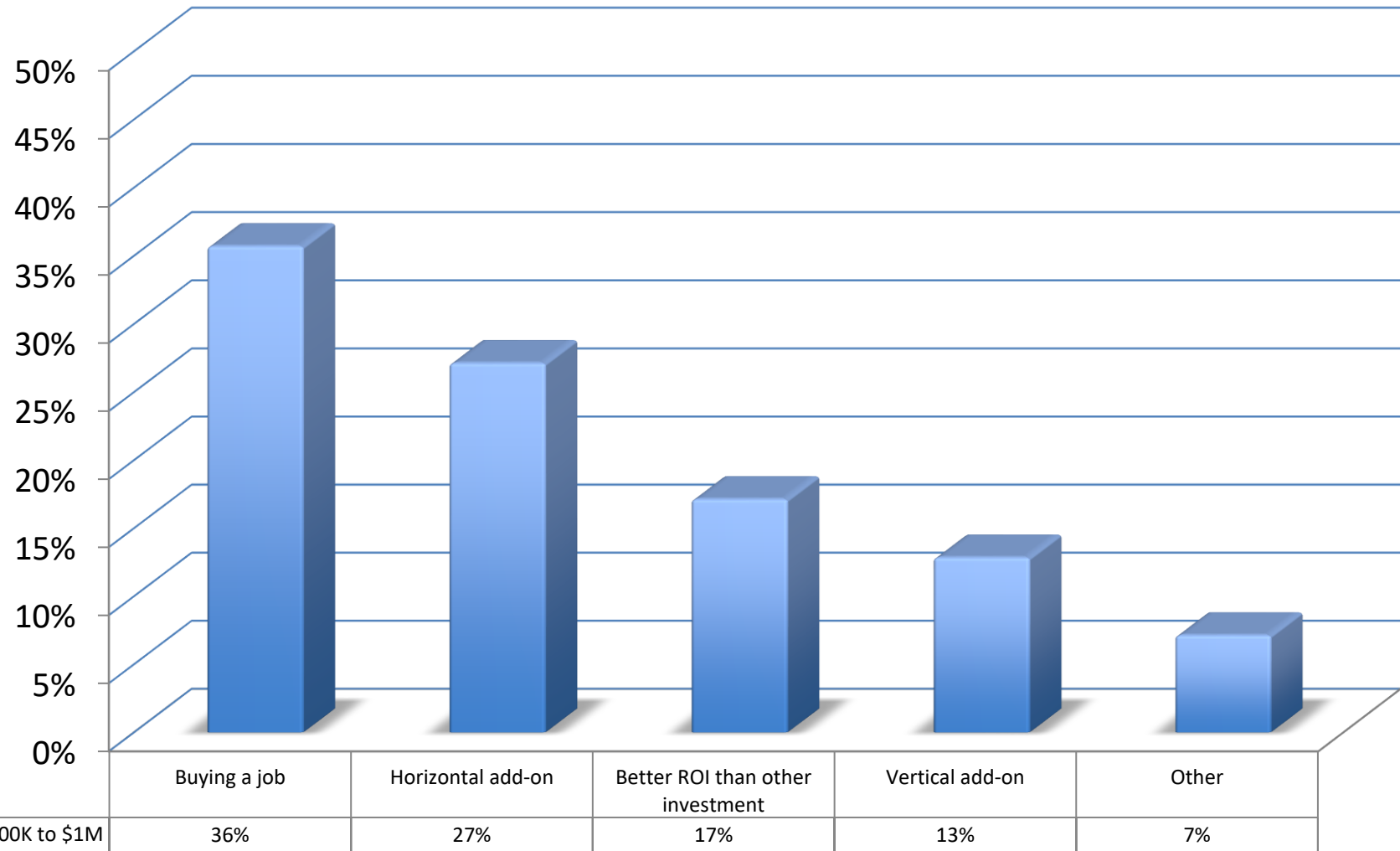
#1 Reason for Seller to Go to Market



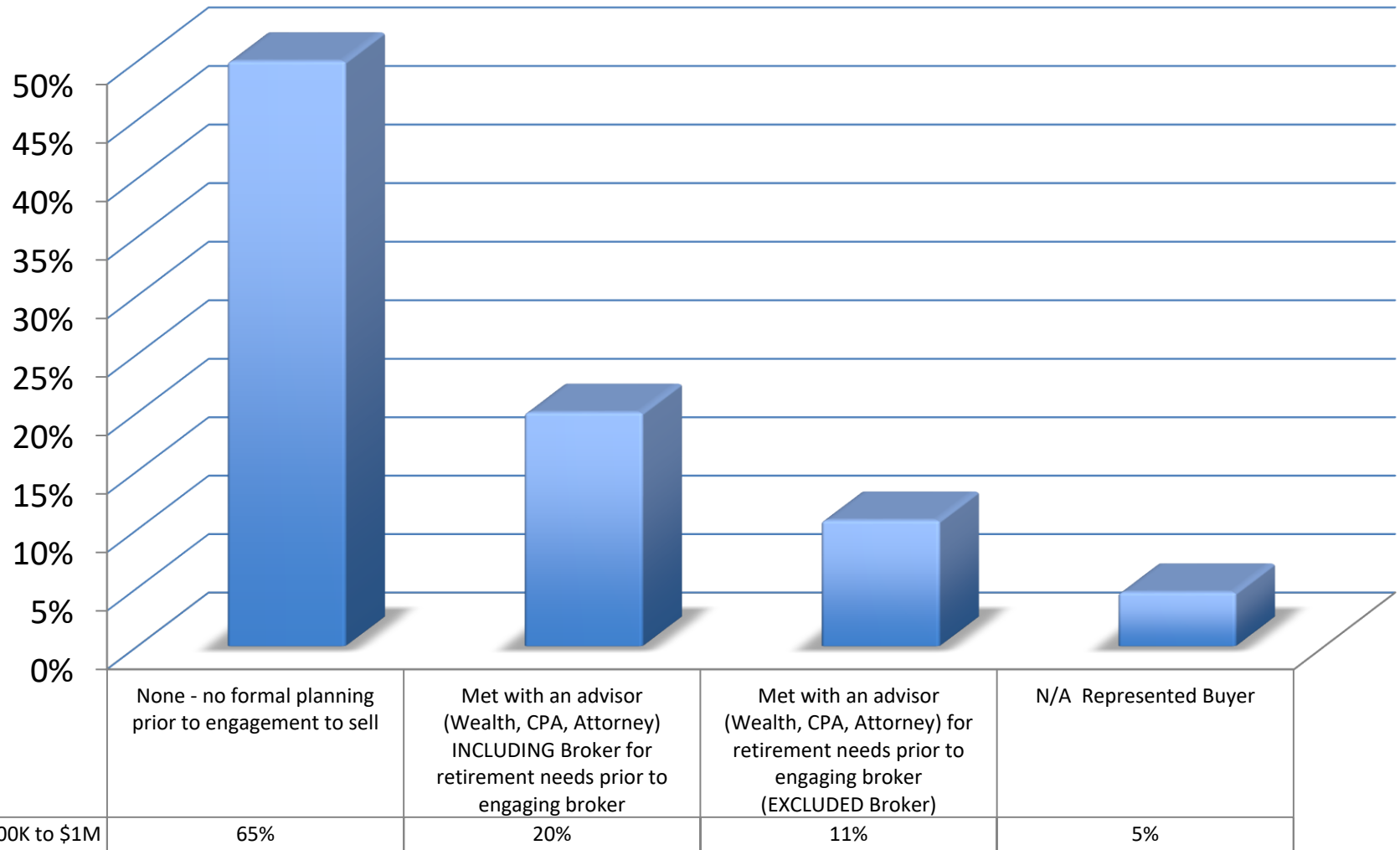
Buyer Location



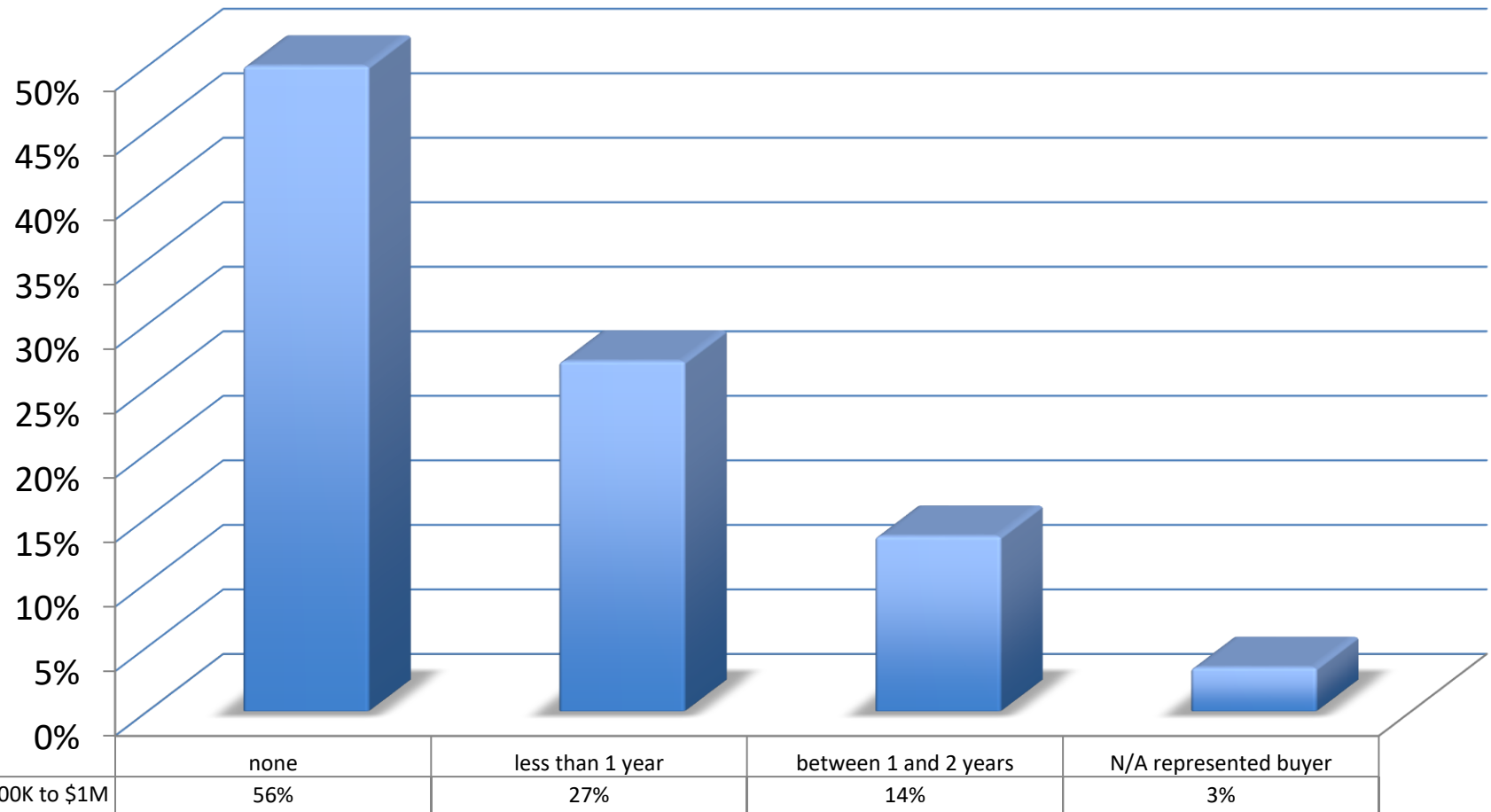
#1 Motivation for Buyer



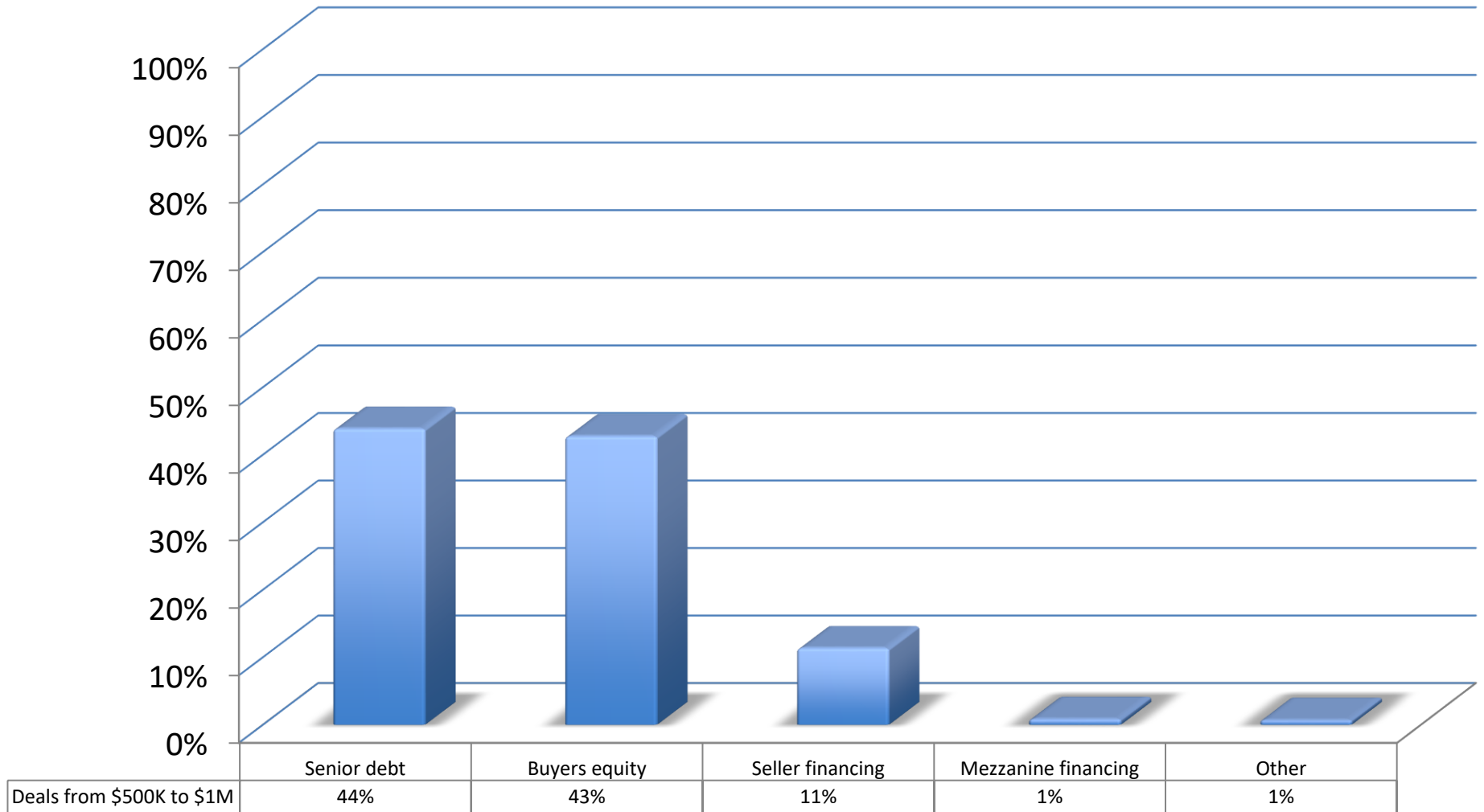
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

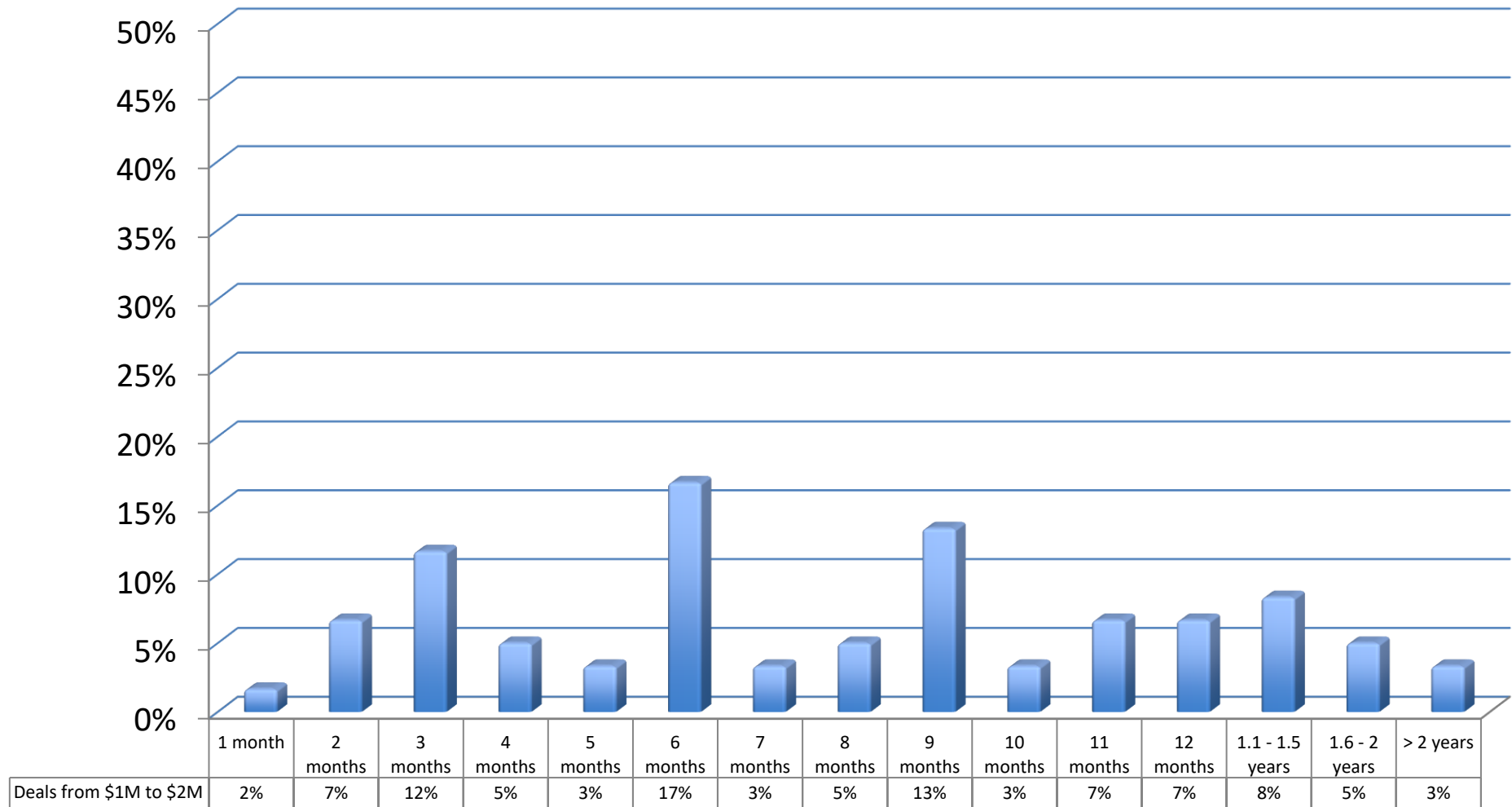


Financing Structure

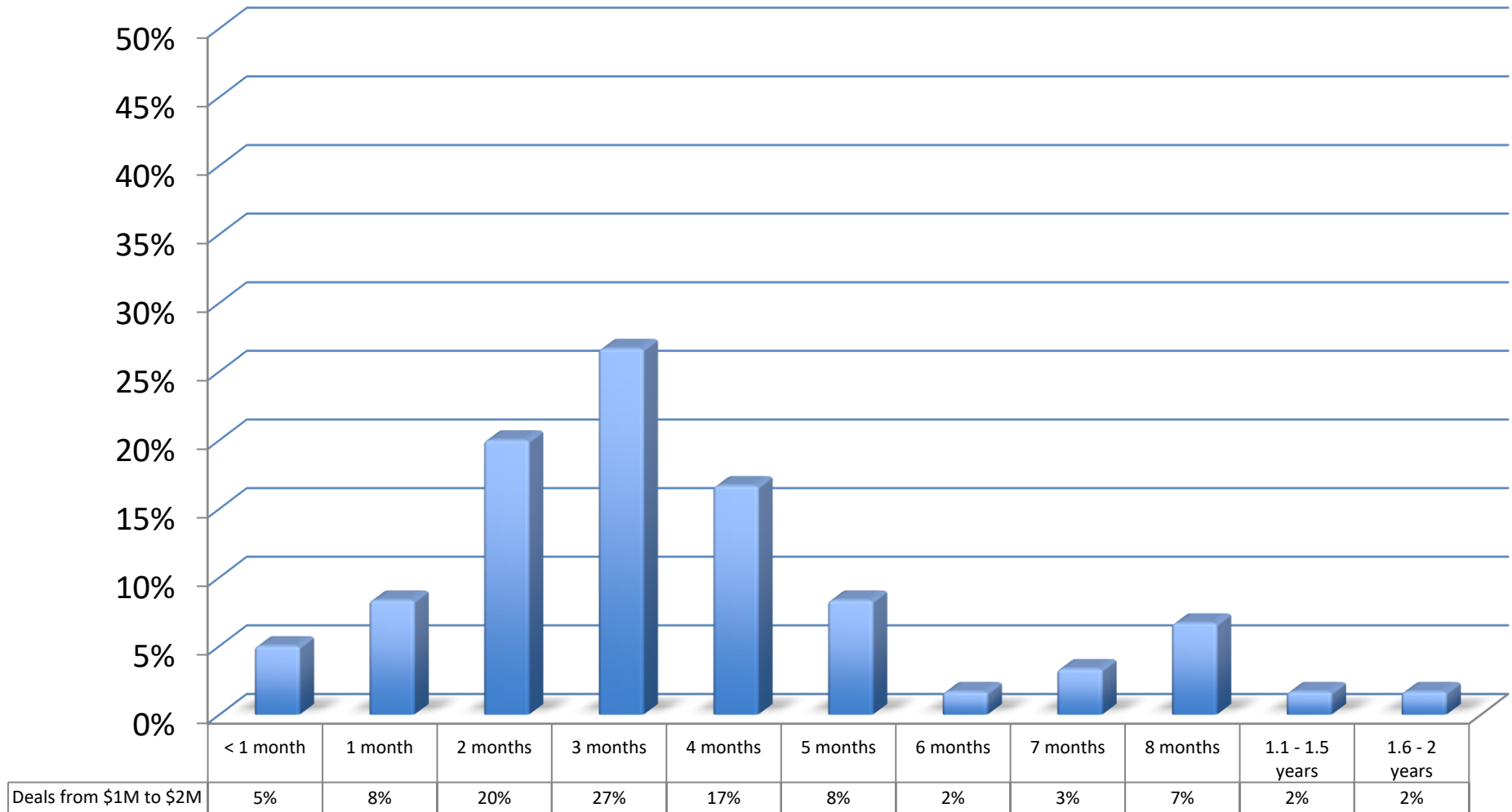


Business Transactions Valued
from \$1 Million to \$1.99 Million
Number of Closed Transactions: 60

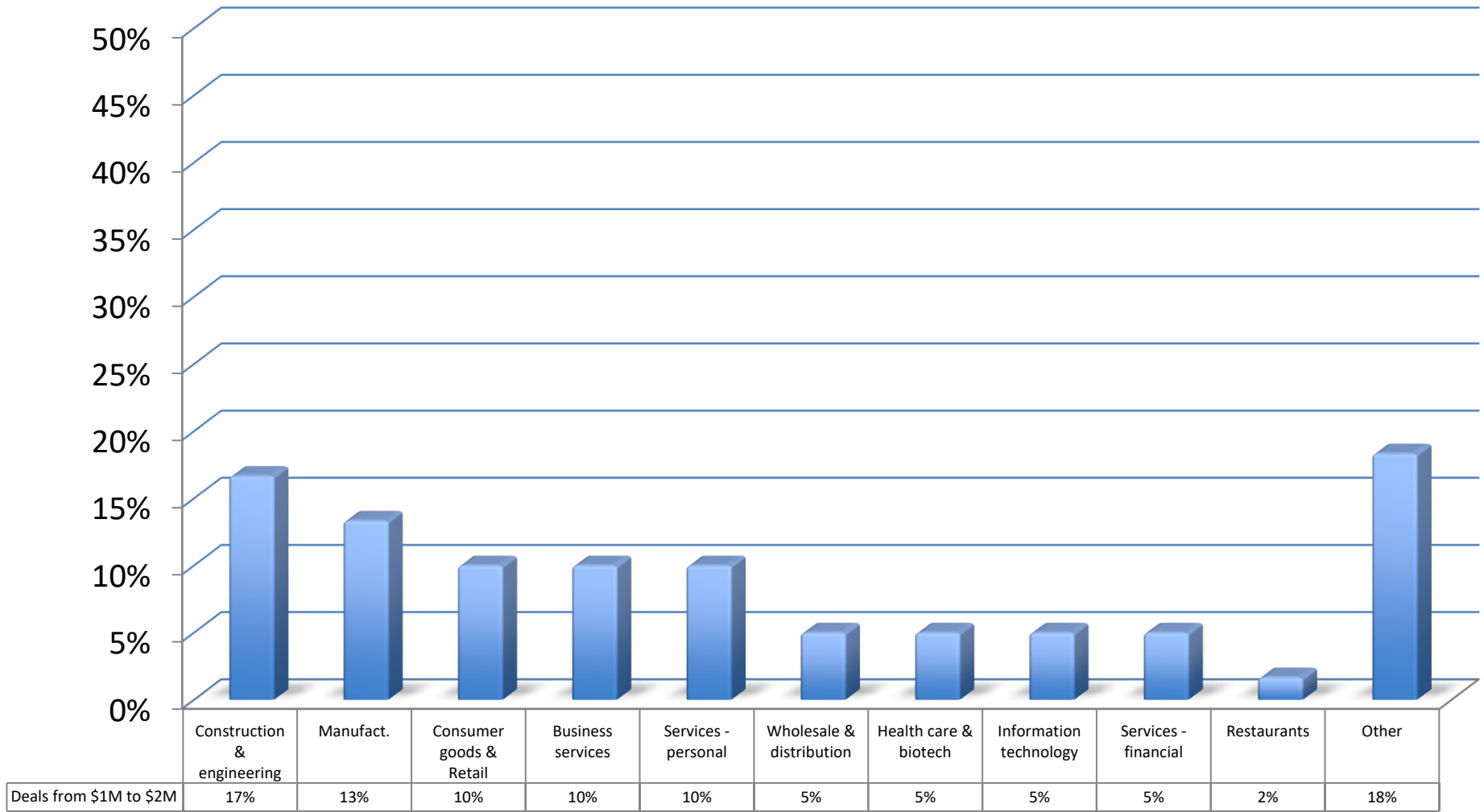
Engagement/Listing to Close



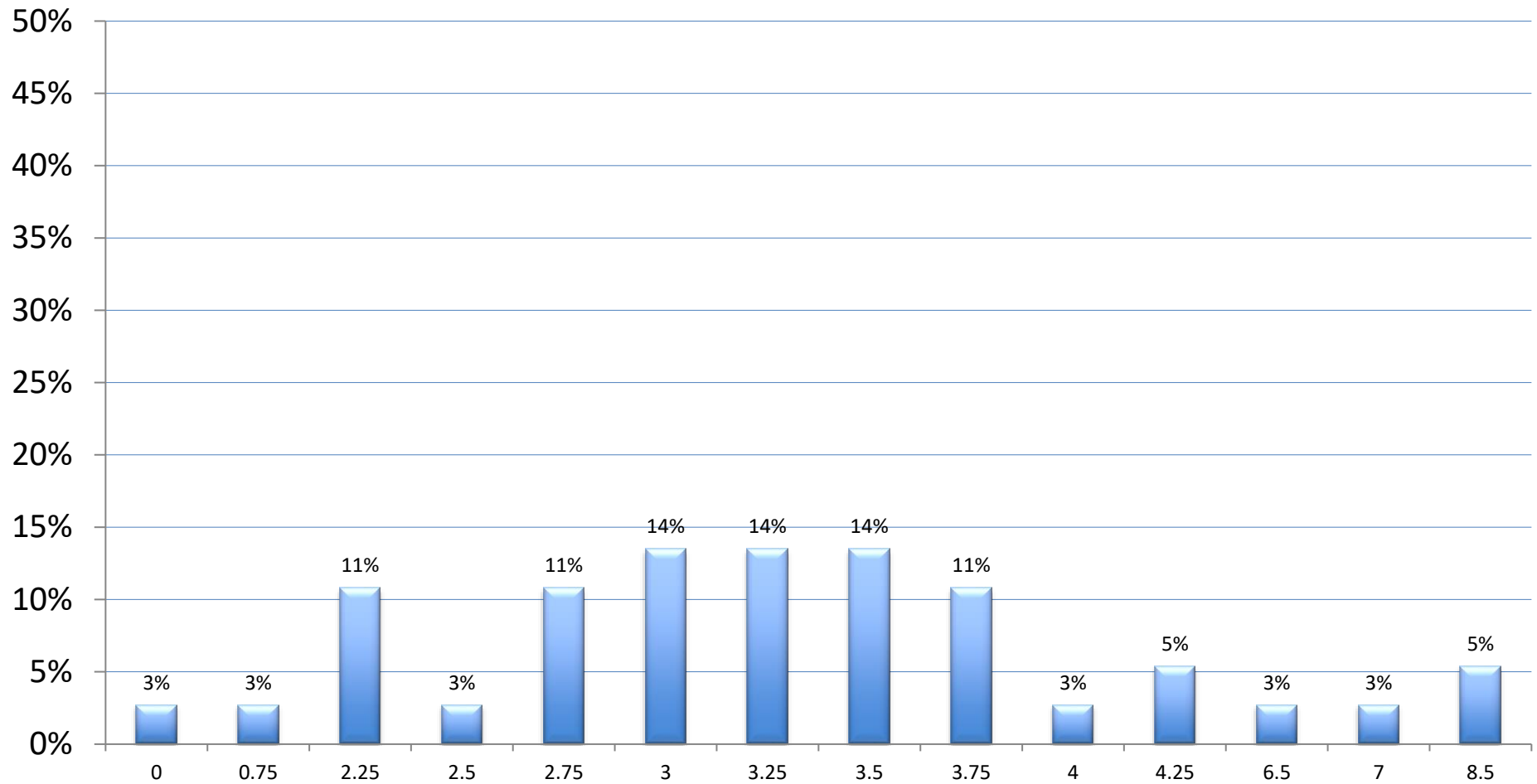
LOI/ Offer to Close



Industry

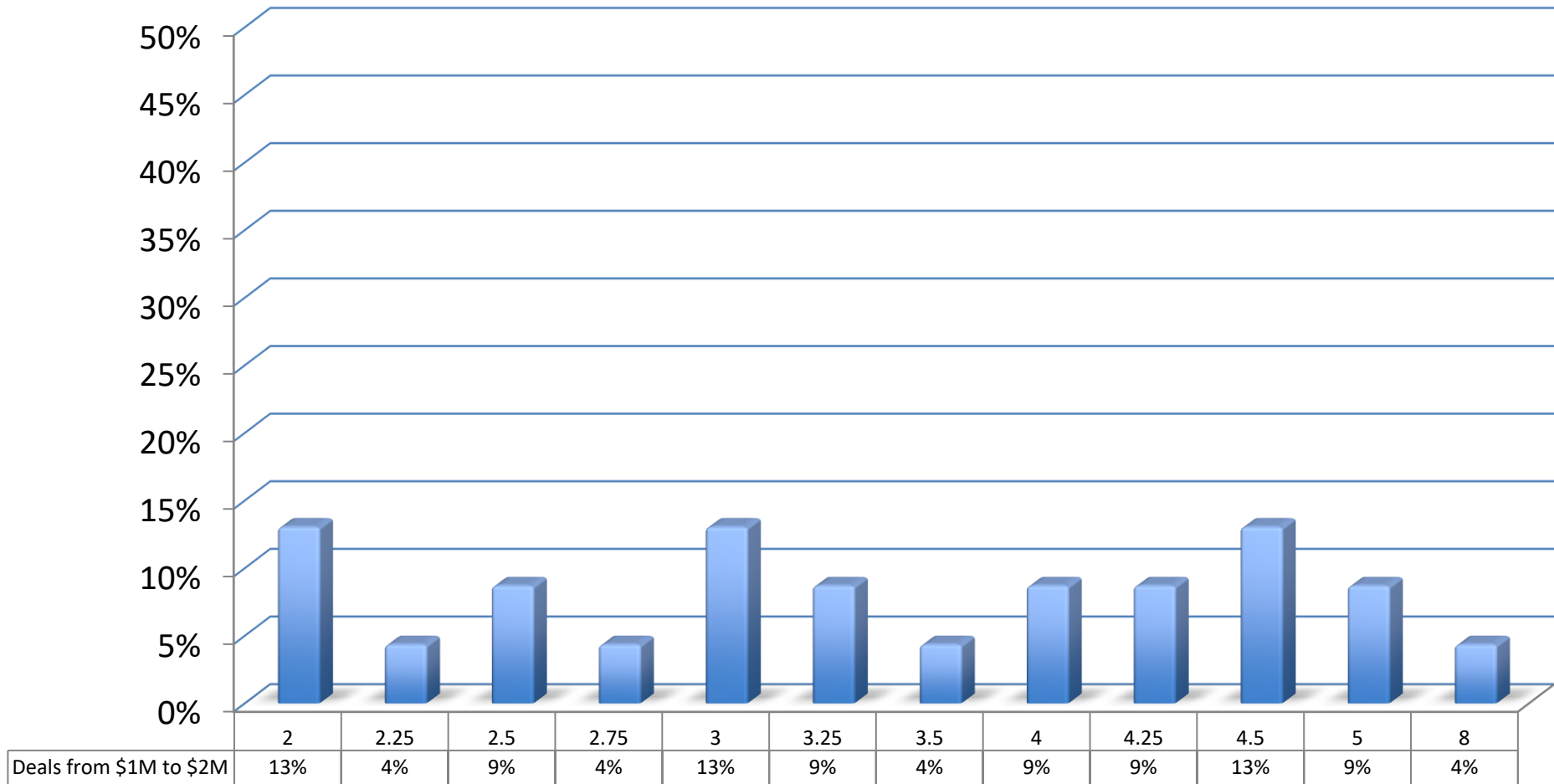


SDE Multiple Paid



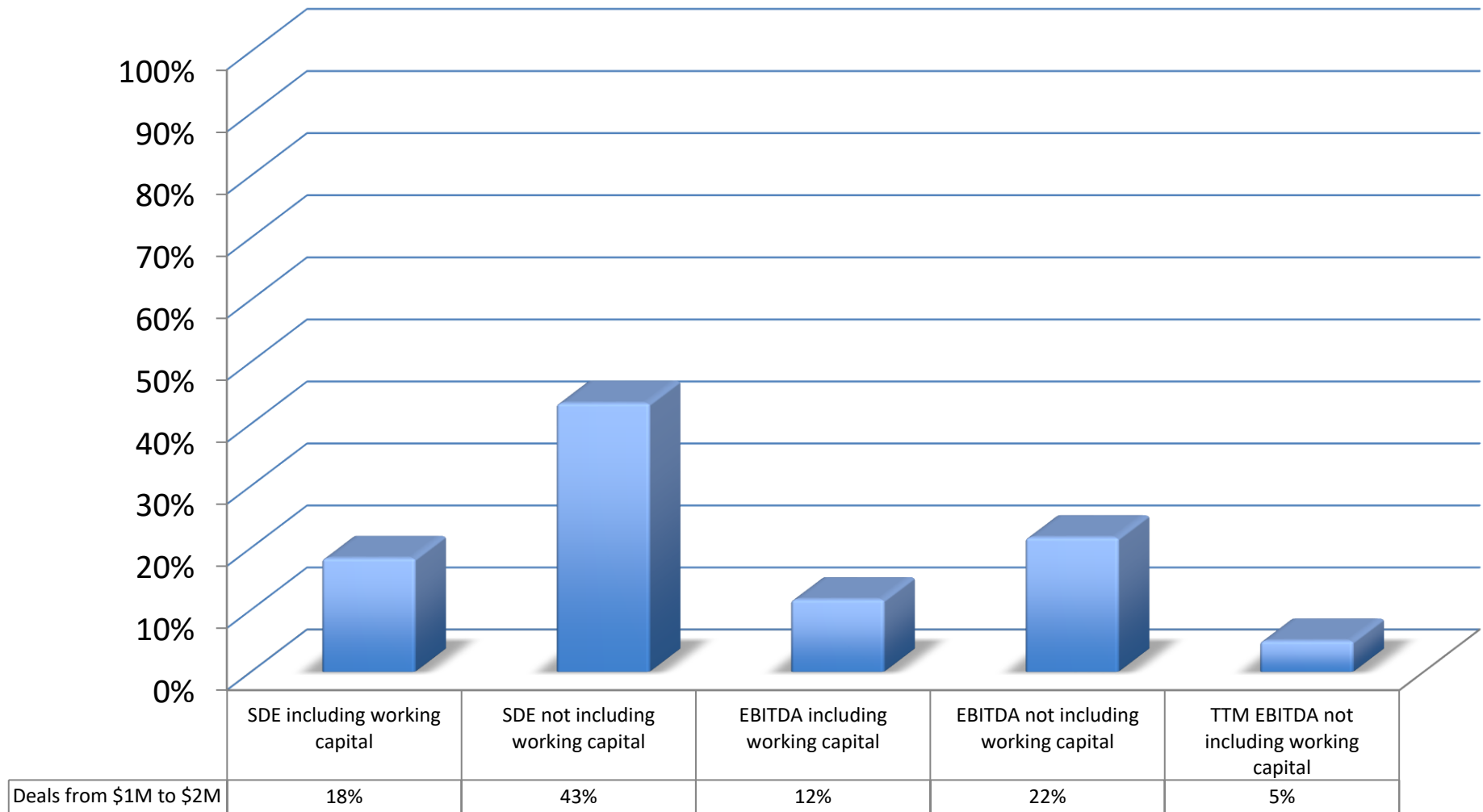
Number of responses: 37

EBITDA Multiple Paid

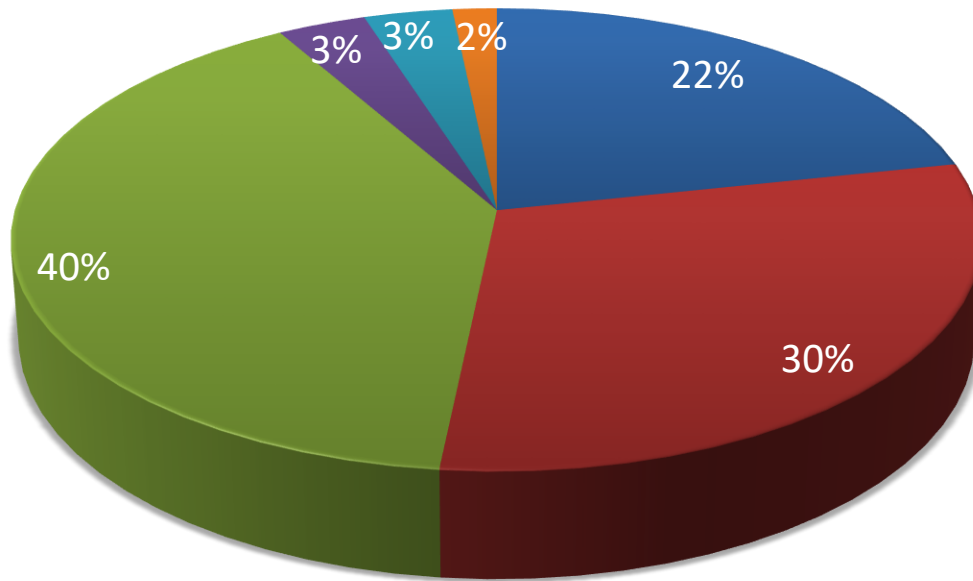


Number of responses: 23

Multiple Type



Buyer Type



■ 1st time individual

■ individual who owned a business

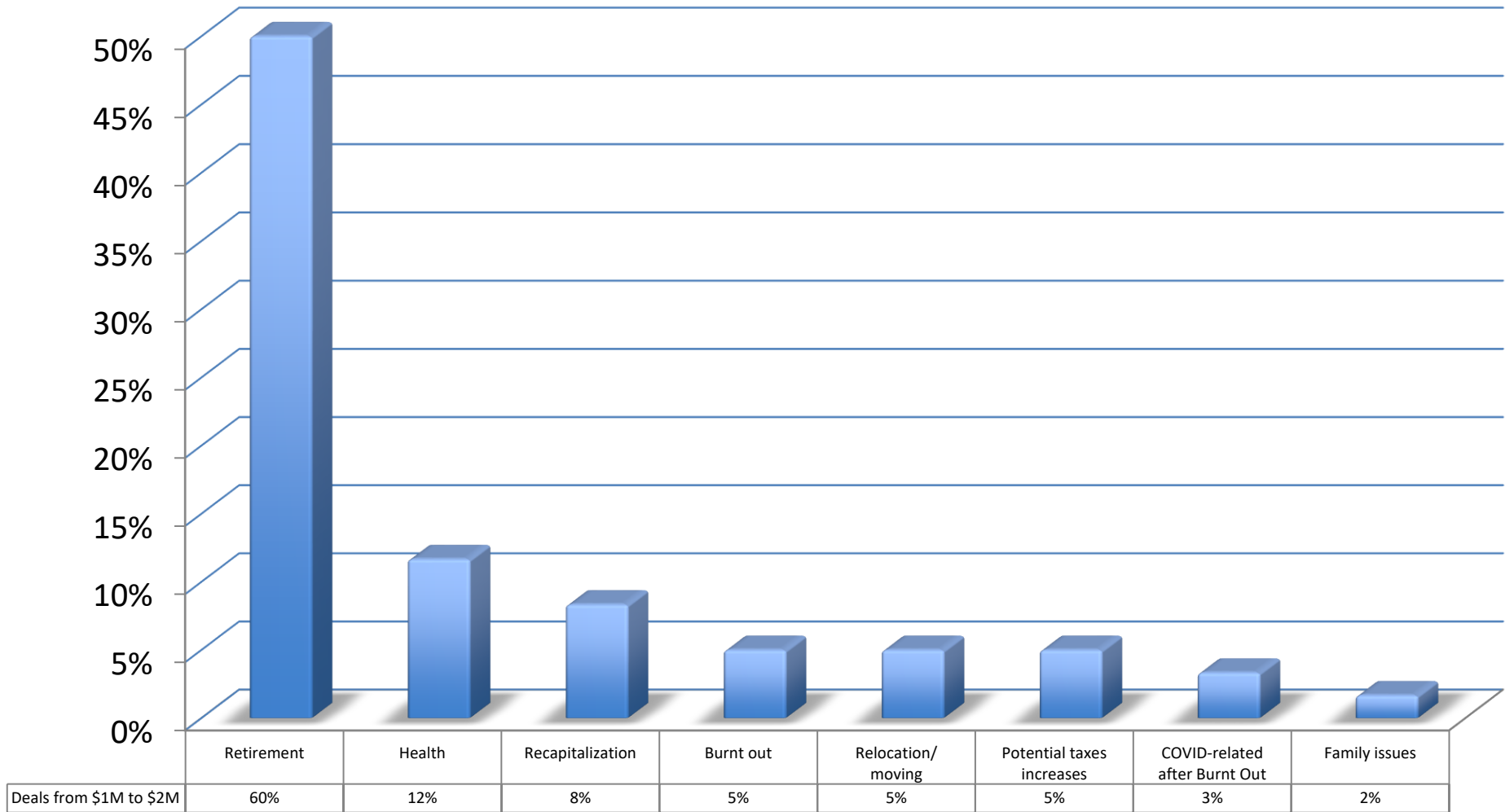
■ existing company/strategic buyer

■ PE firm - Platform

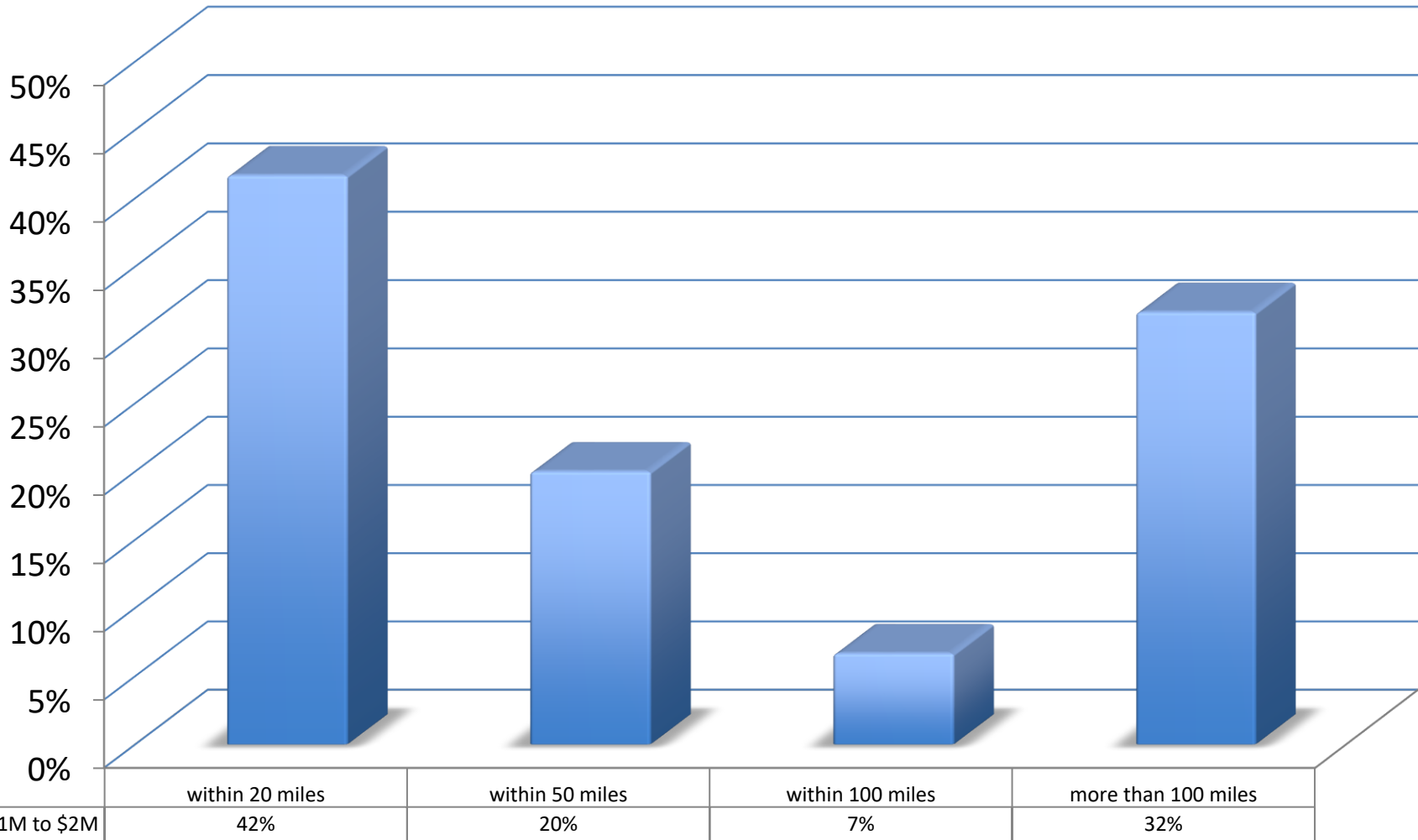
■ PE firm - Add-on

■ Other

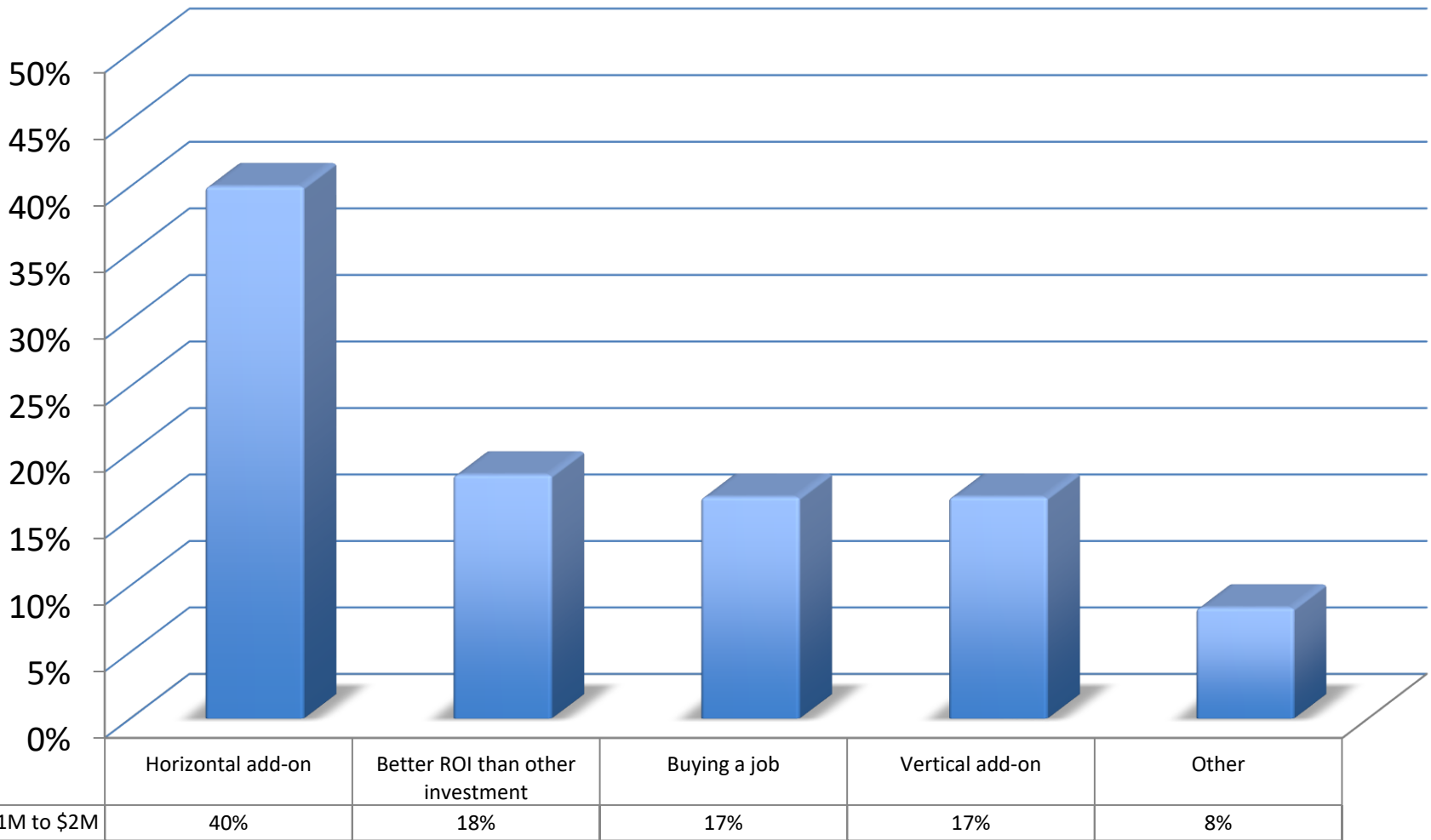
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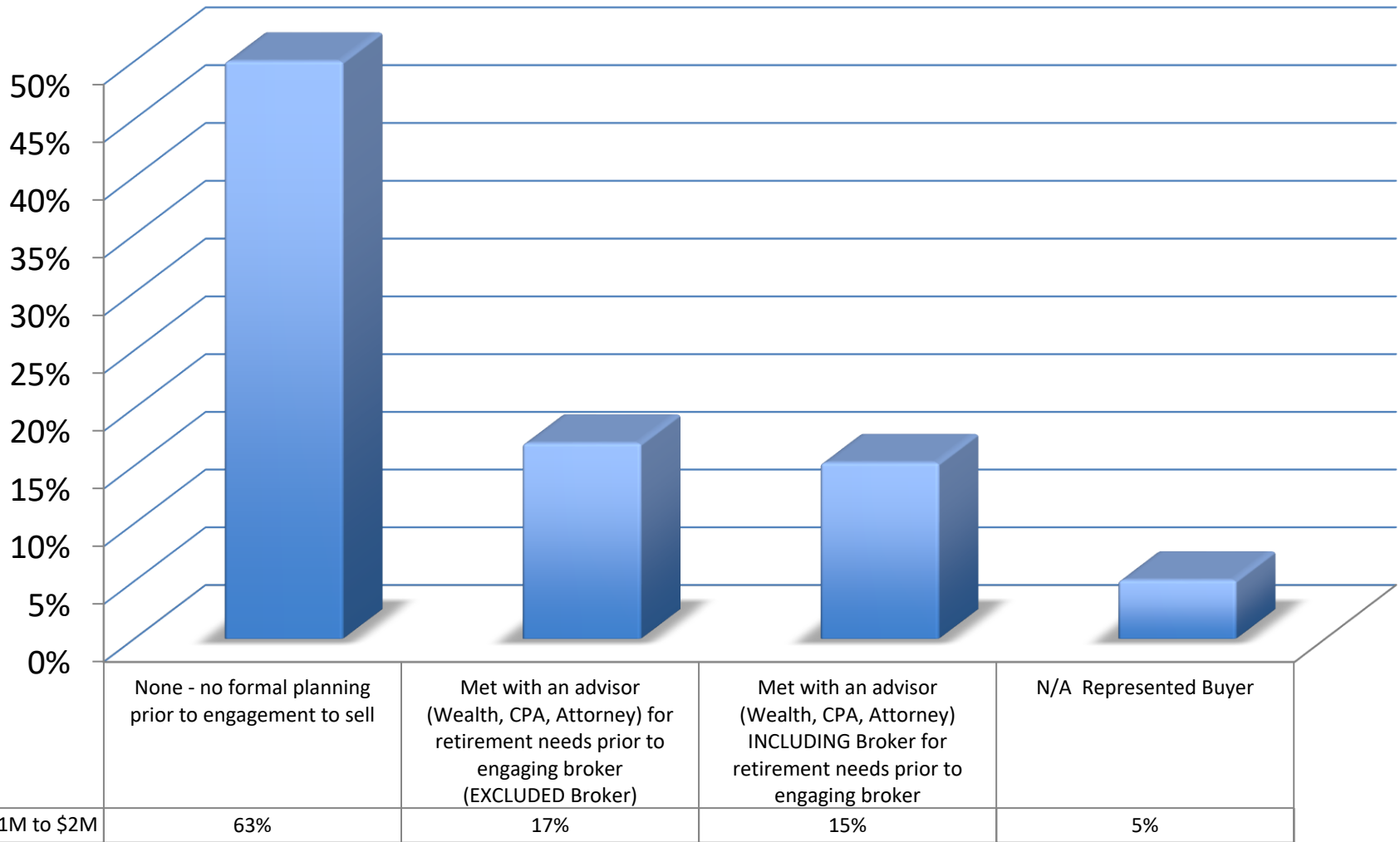
Buyer Location



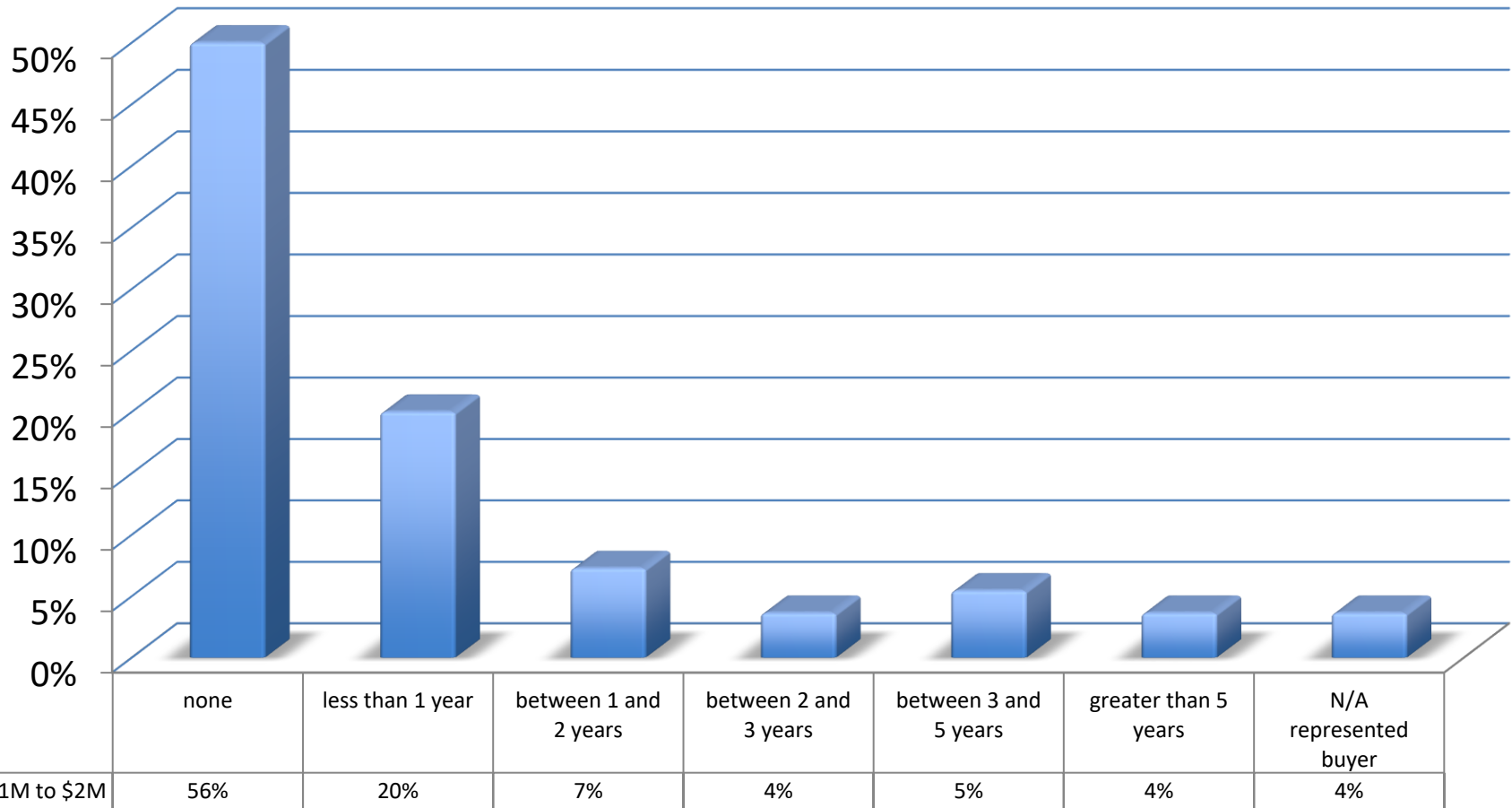
#1 Motivation for Buyer



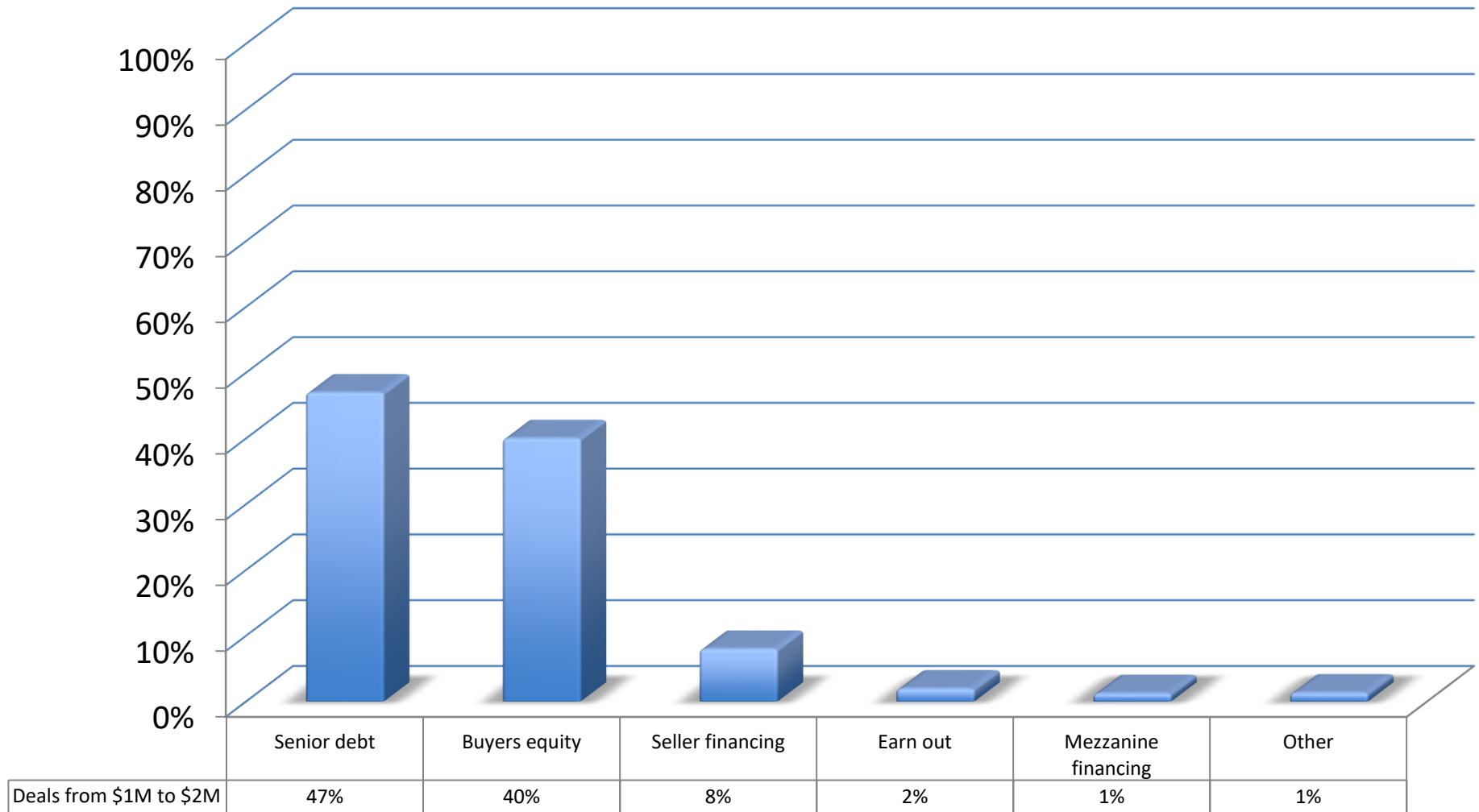
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

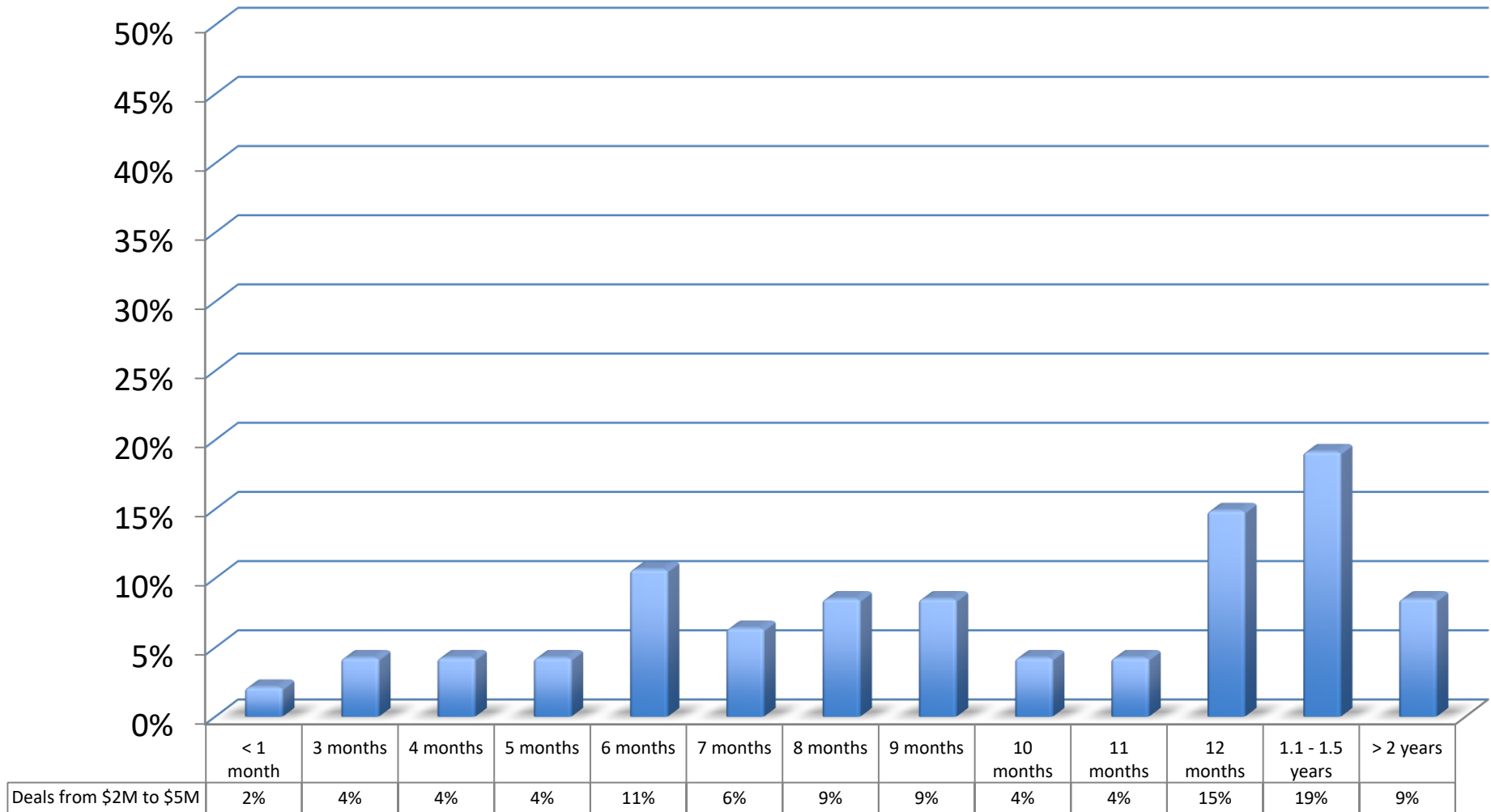


Financing Structure

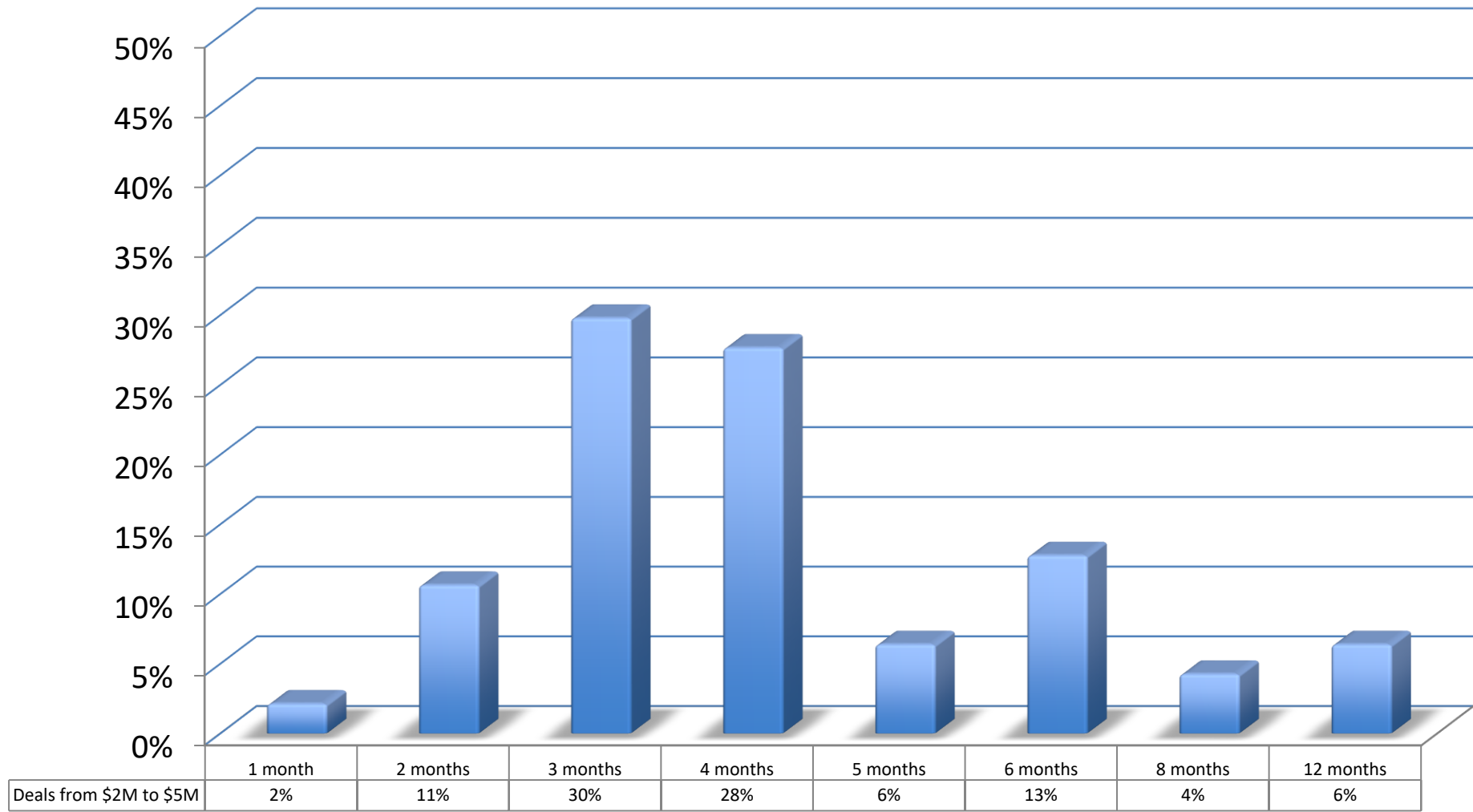


Business Transactions Valued
from \$2 Million to \$4.99 Million
Number of Closed Transactions: 47

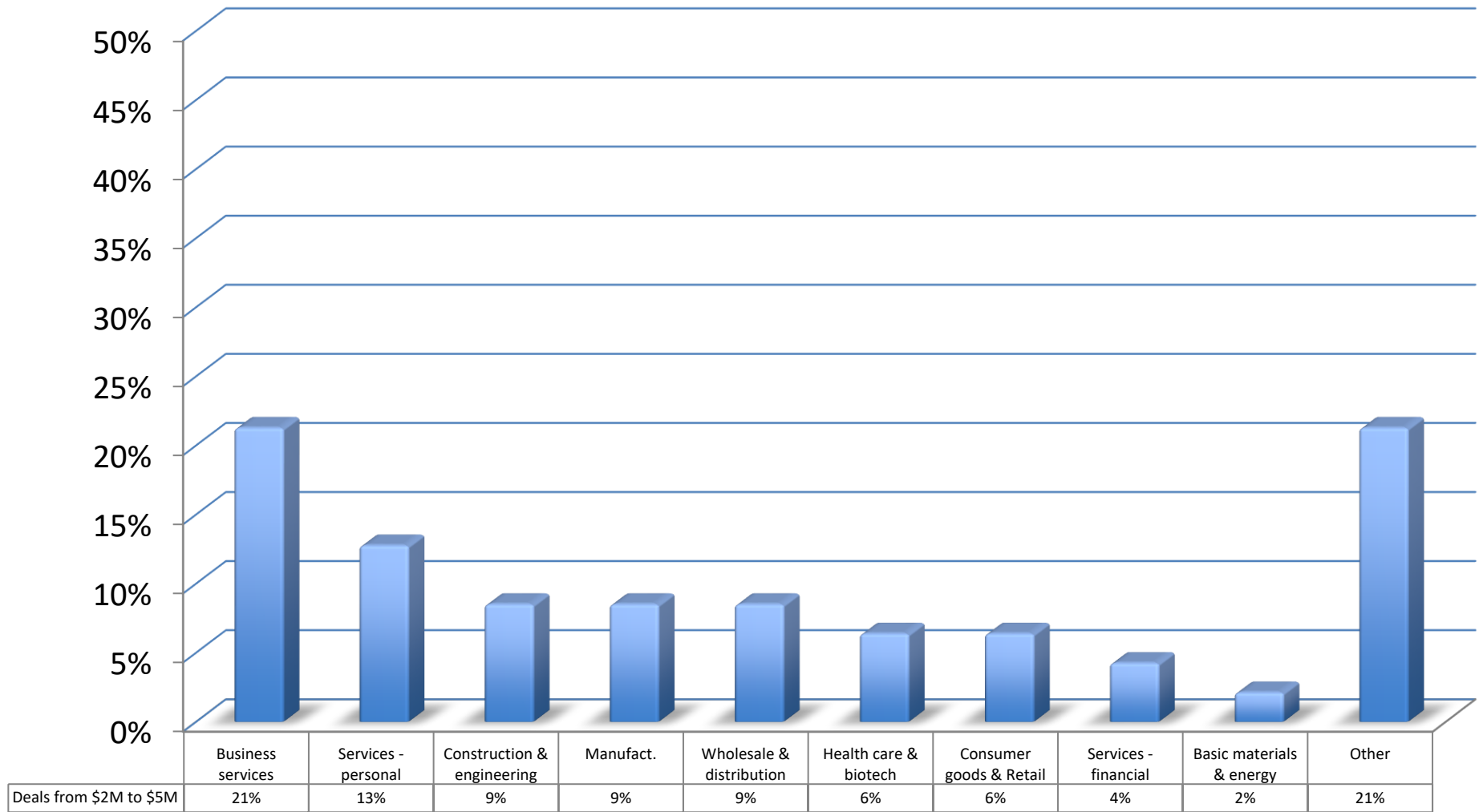
Engagement/Listing to Close



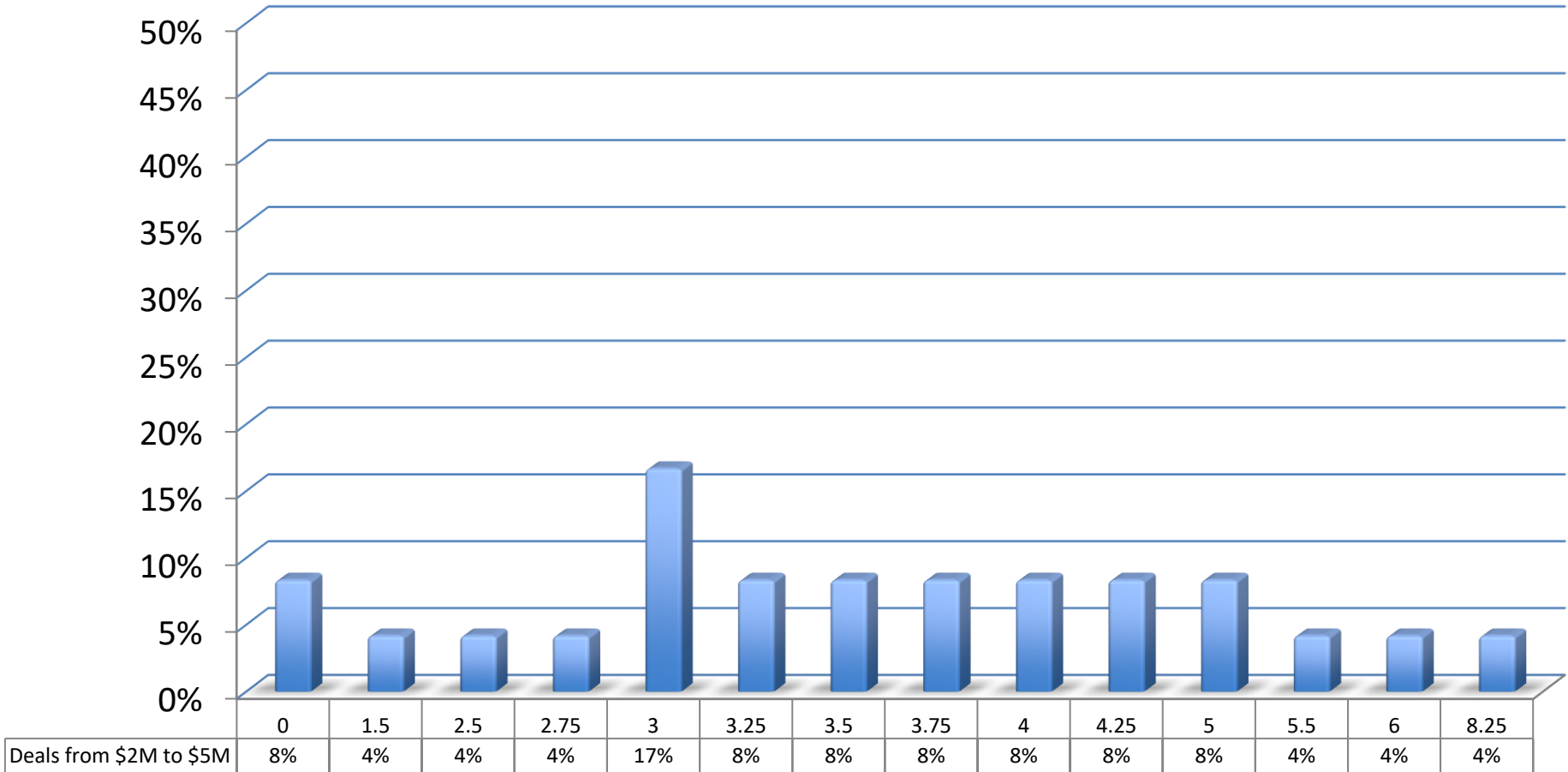
LOI/ Offer to Close



Industry

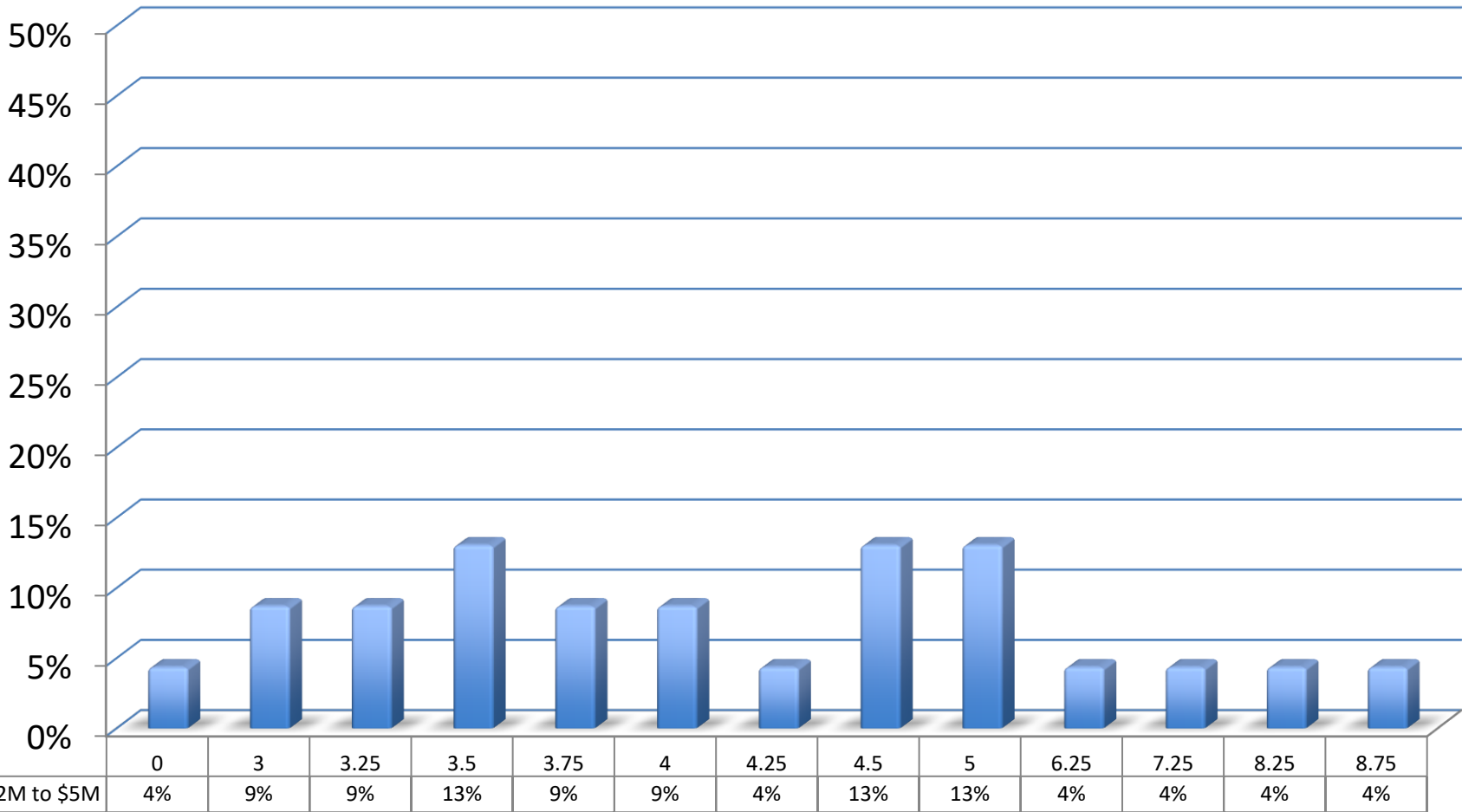


SDE Multiple Paid



Number of responses: 24

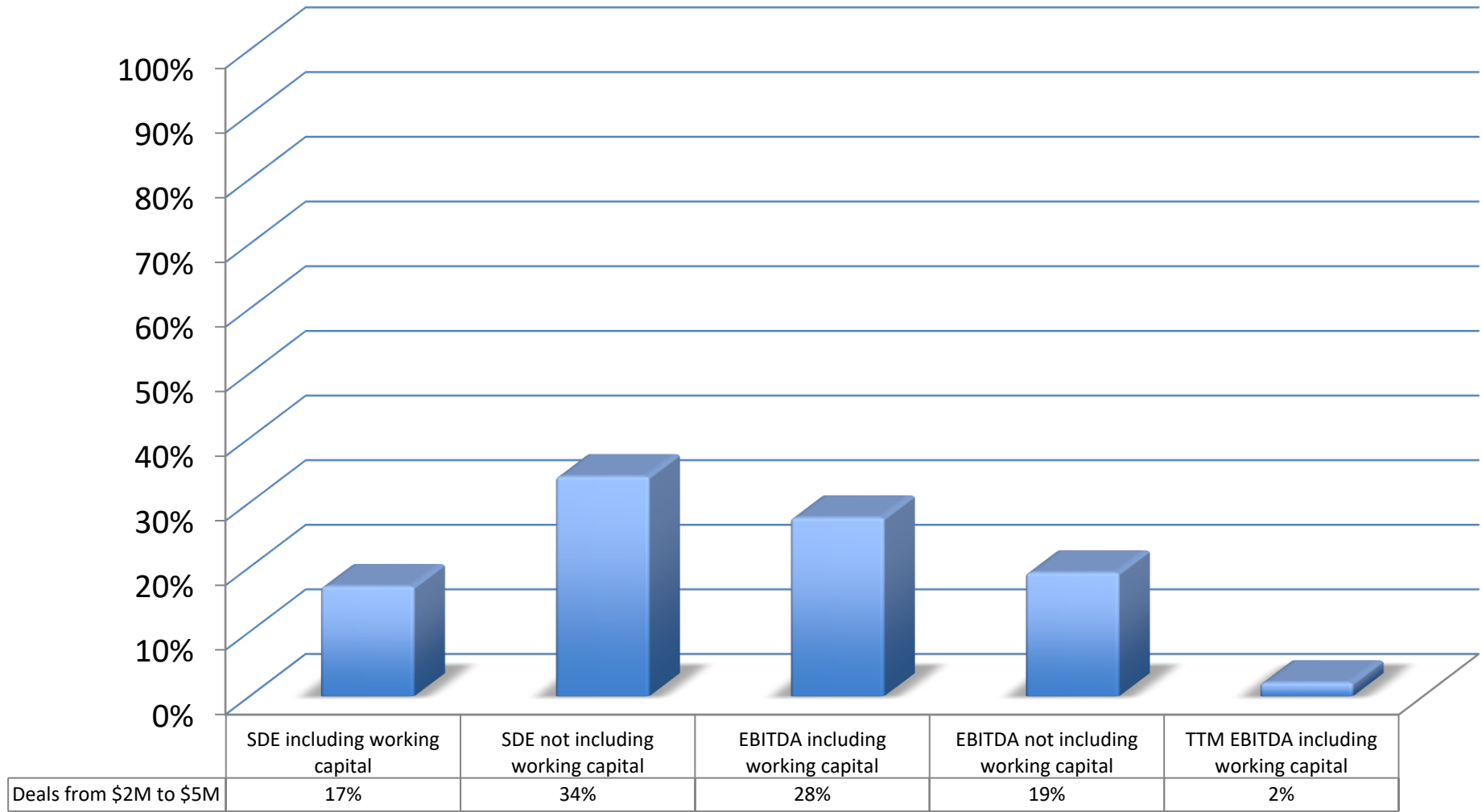
EBITDA Multiple Paid



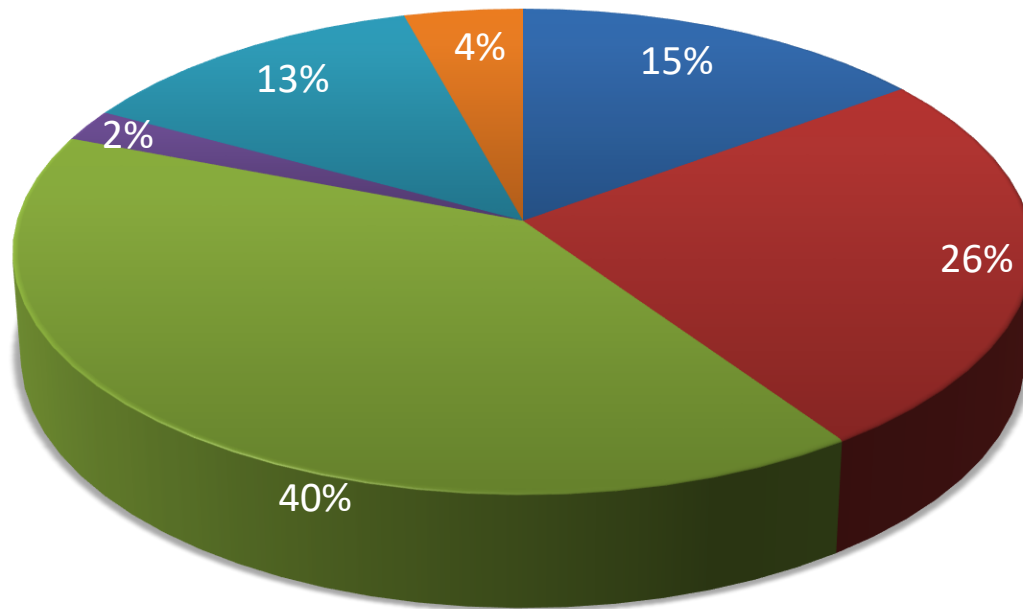
Deals from \$2M to \$5M

Number of responses: 23

Multiple Type



Buyer Type



■ 1st time individual

■ individual who owned a business

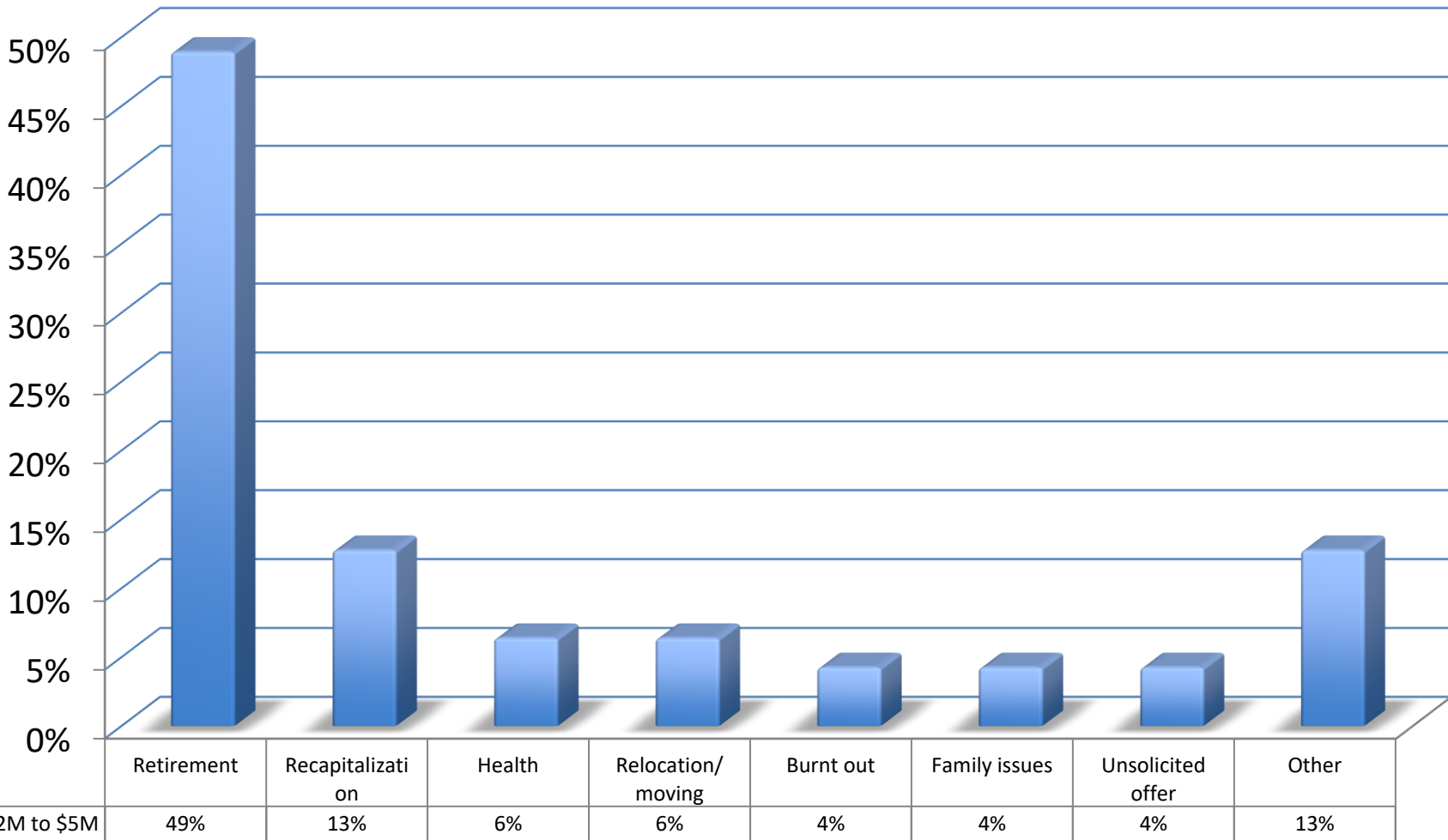
■ existing company/strategic buyer

■ PE firm - Platform

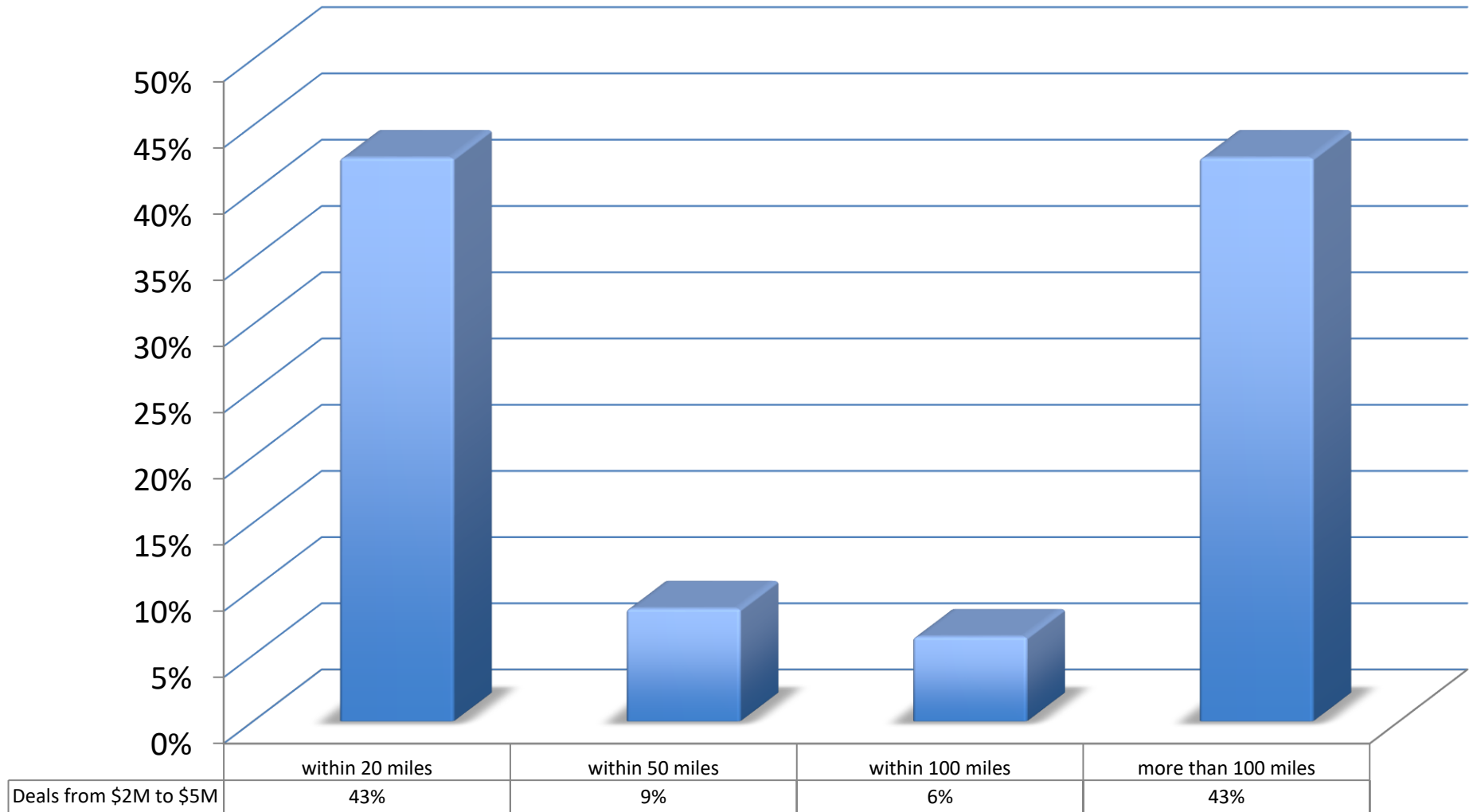
■ PE firm - Add-on

■ Other

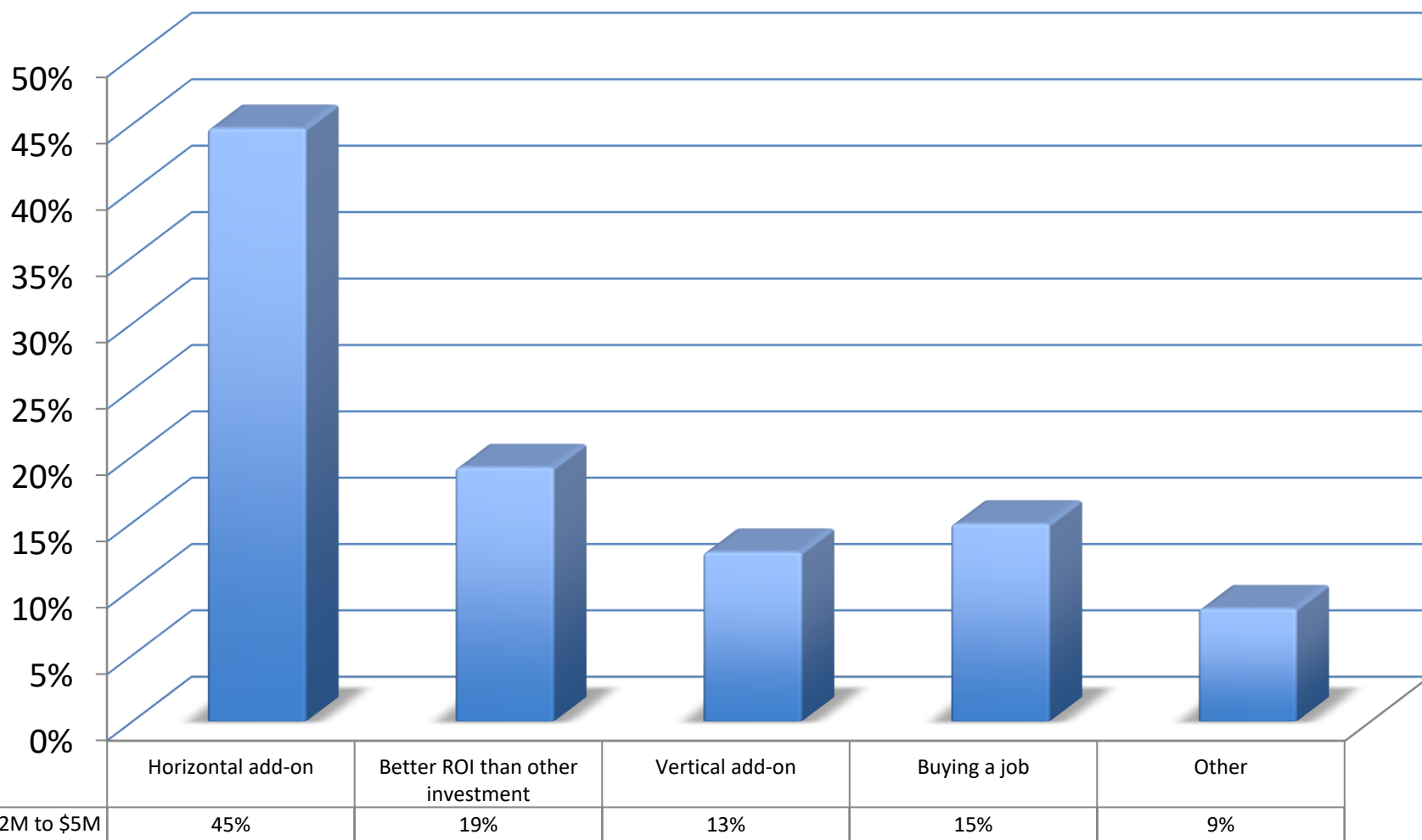
#1 Reason for Seller to Go to Market



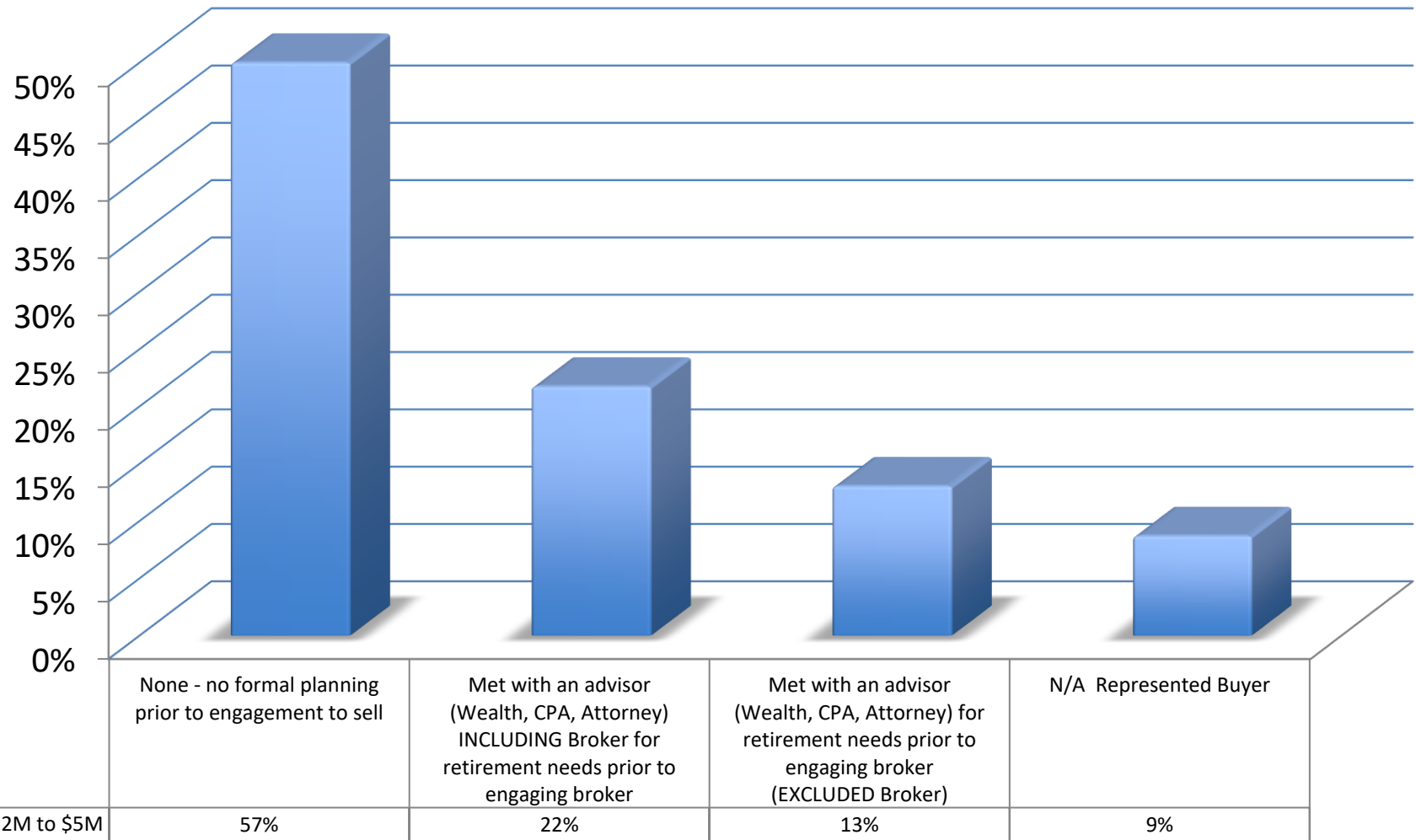
Buyer Location



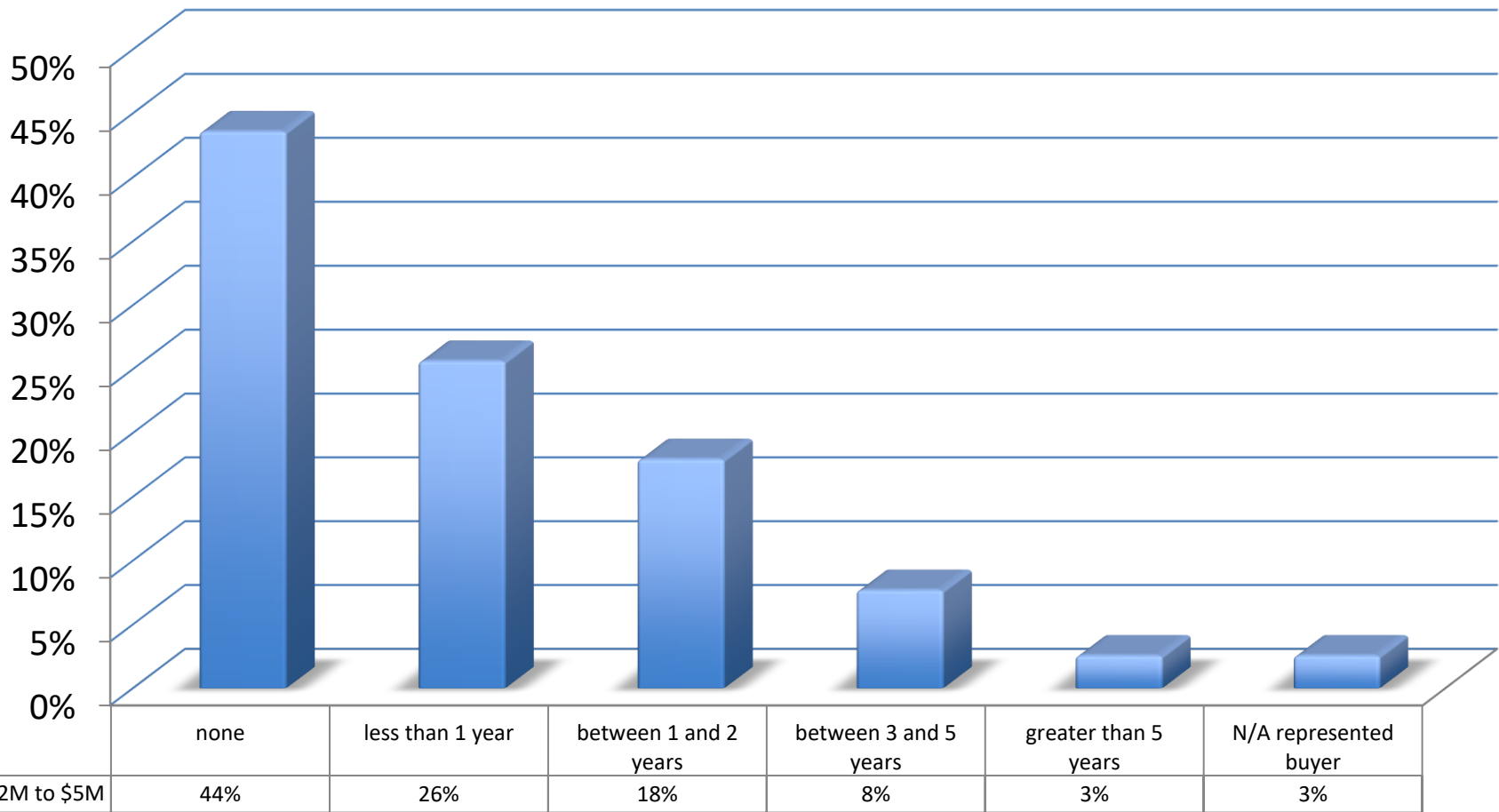
#1 Motivation for Buyer



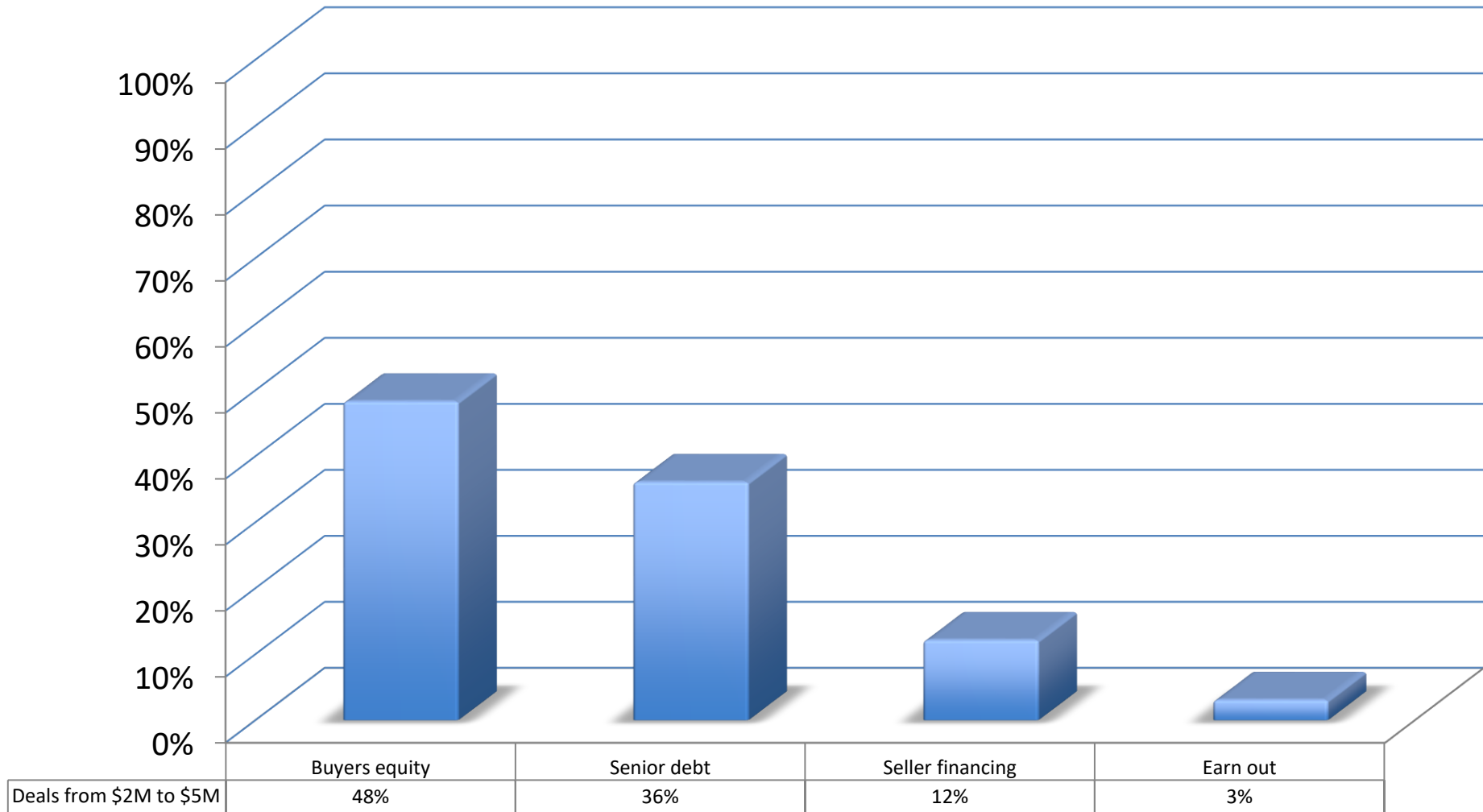
Exit Planning



Amount Of Exit Planning Prior To Marketing Business



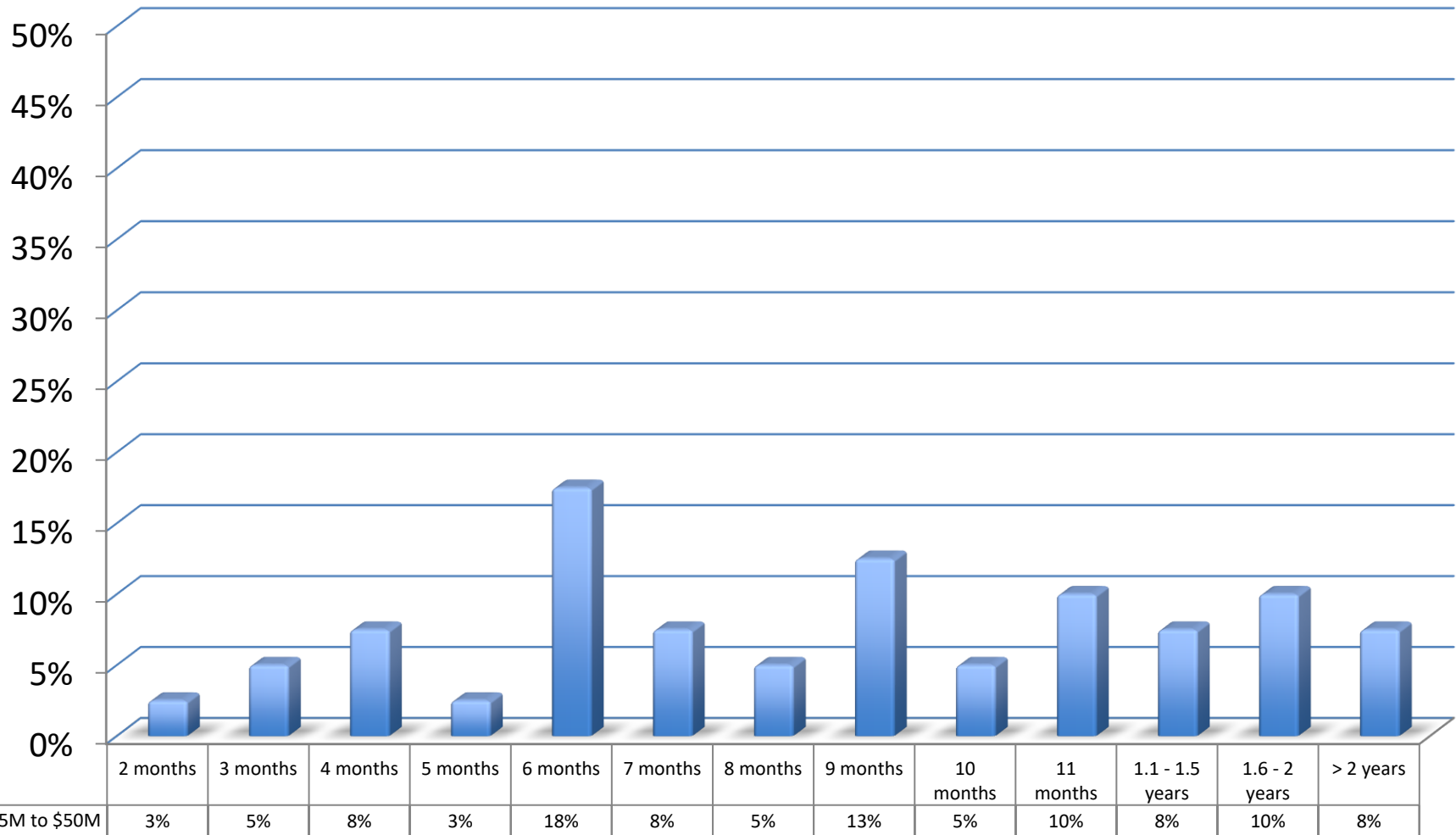
Financing Structure



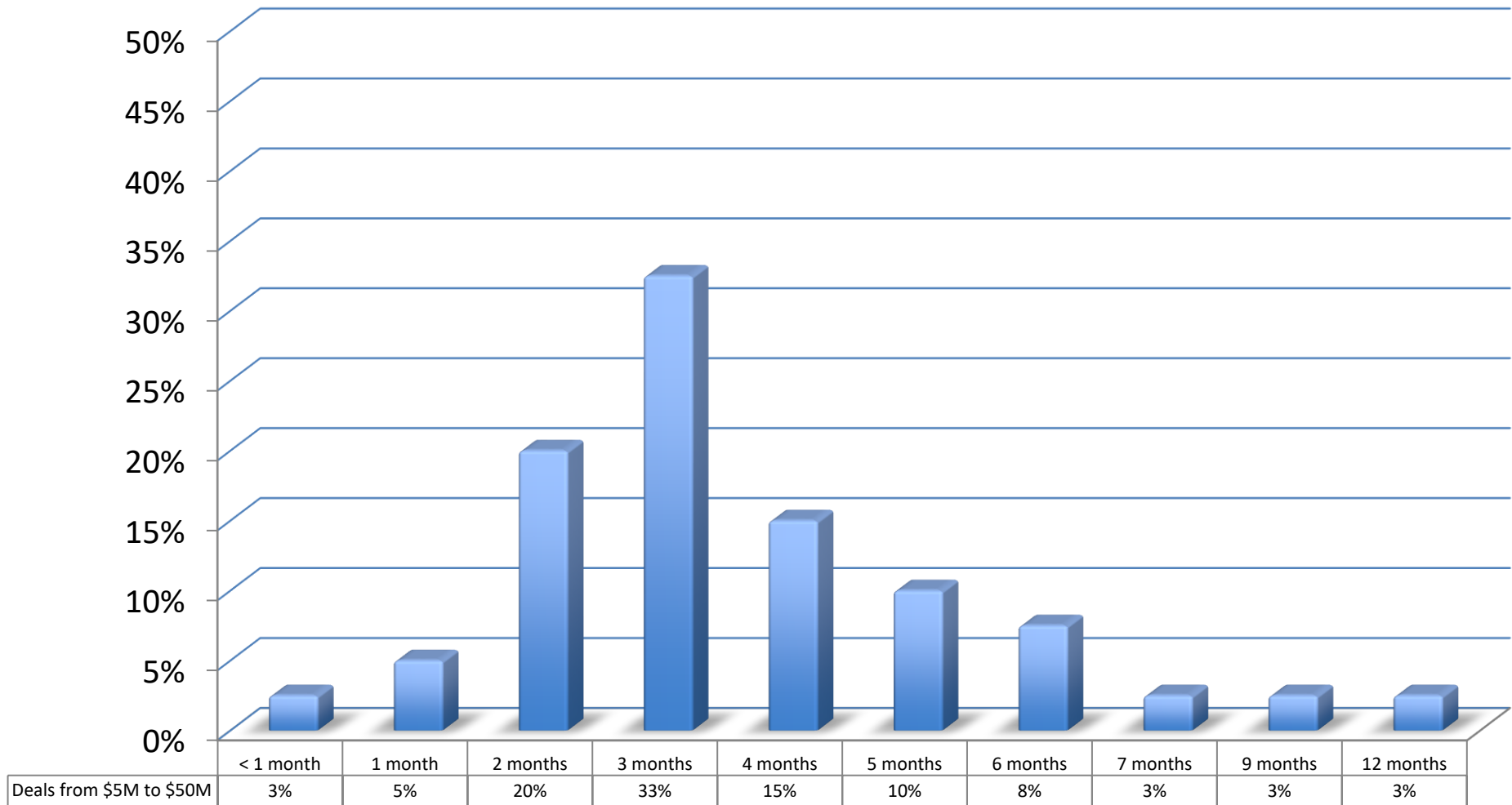
Business Transactions Valued Over \$5 Million

Number of Closed Transactions: 40

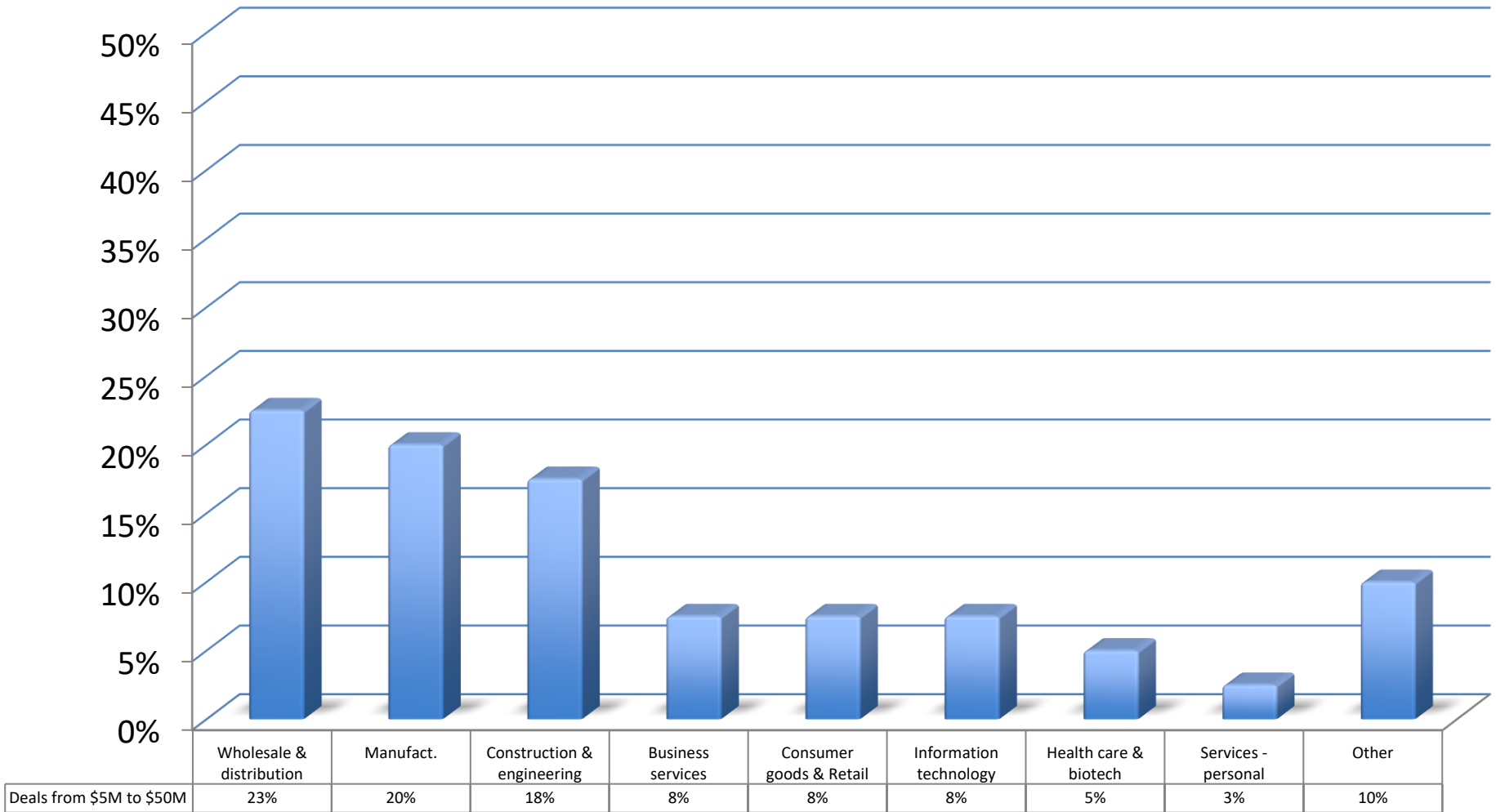
Engagement/Listing to Close



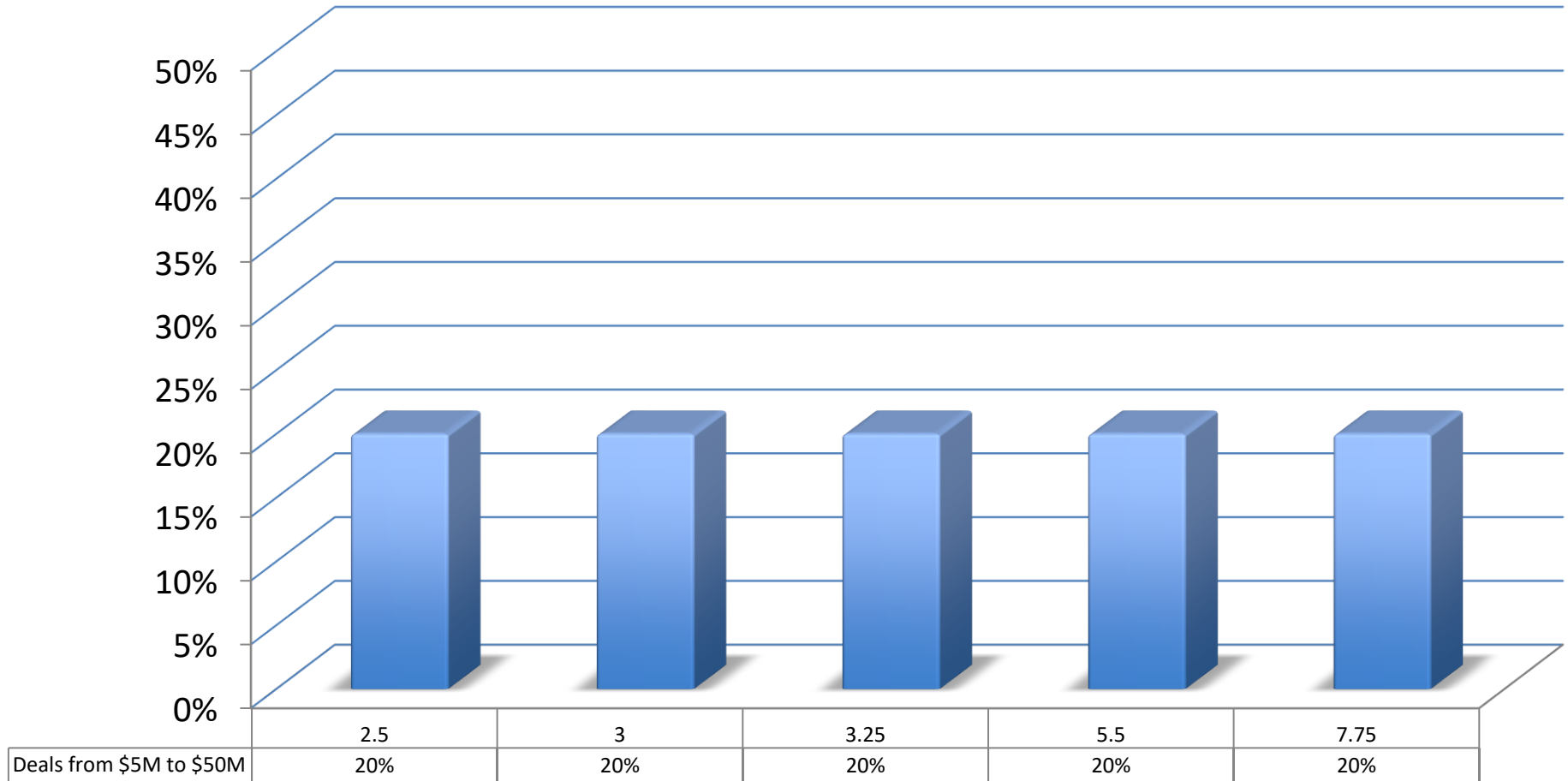
LOI/ Offer to Close



Industry

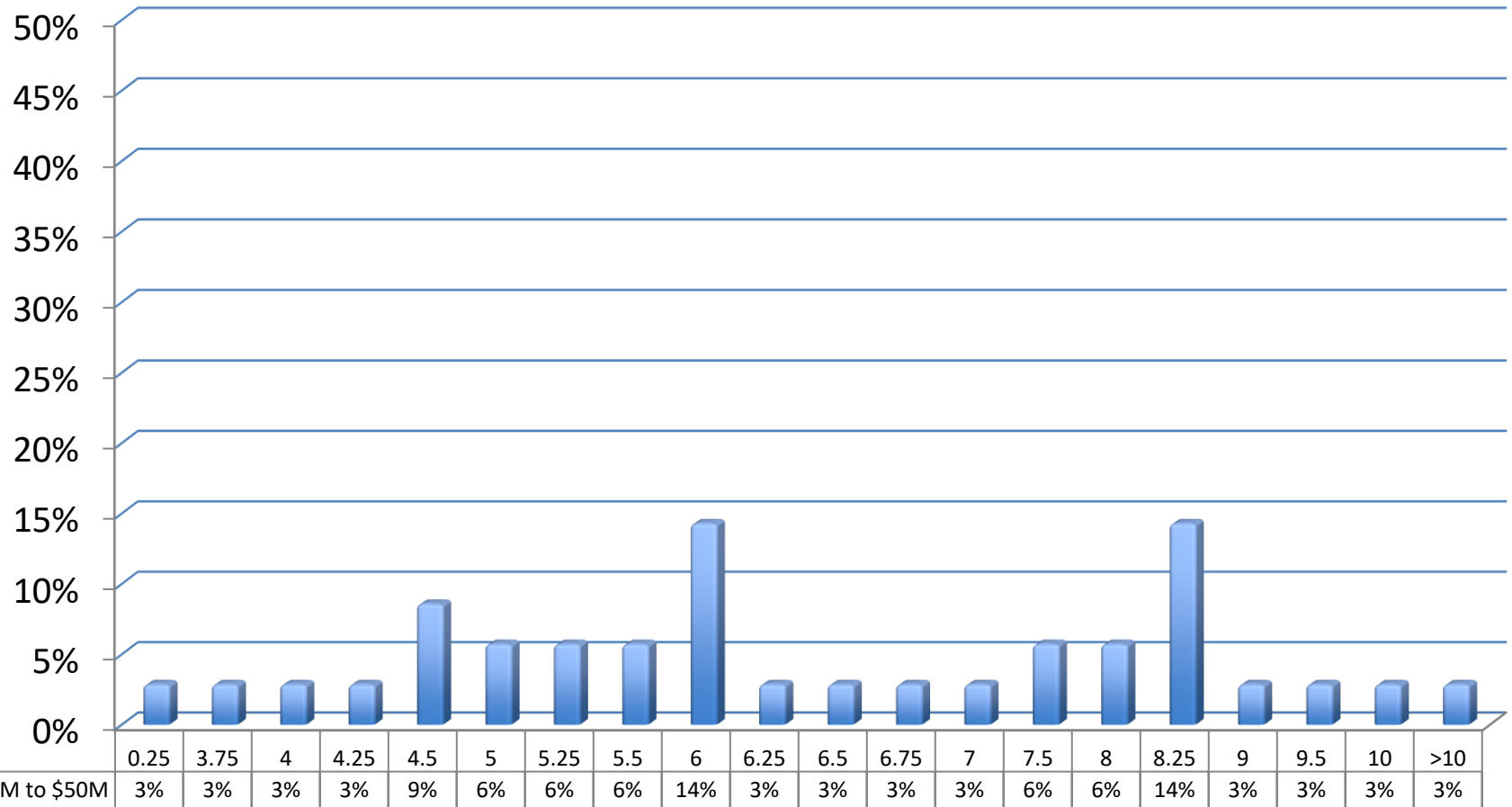


SDE Multiple Paid



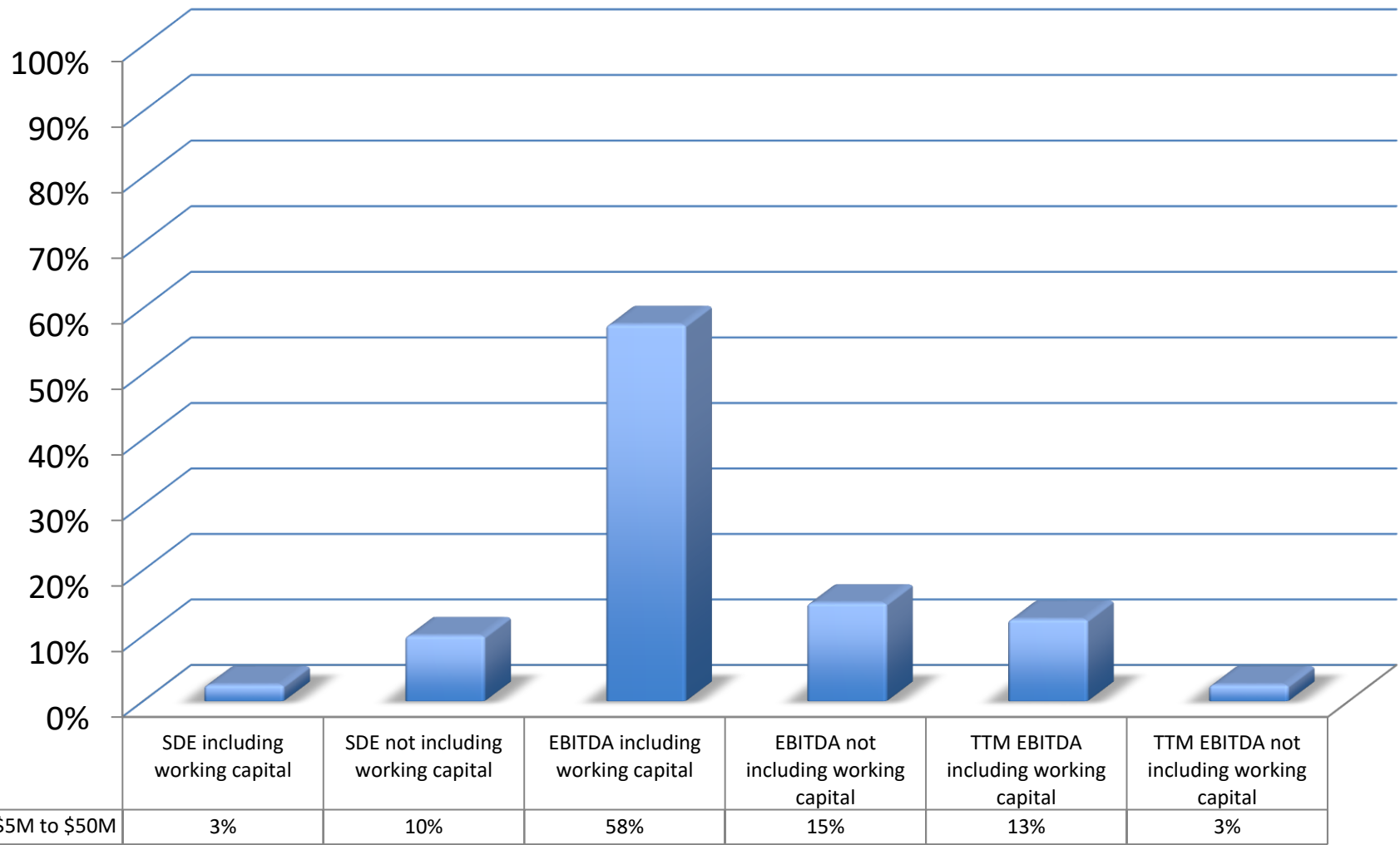
Number of responses: 5

EBITDA Multiple Paid

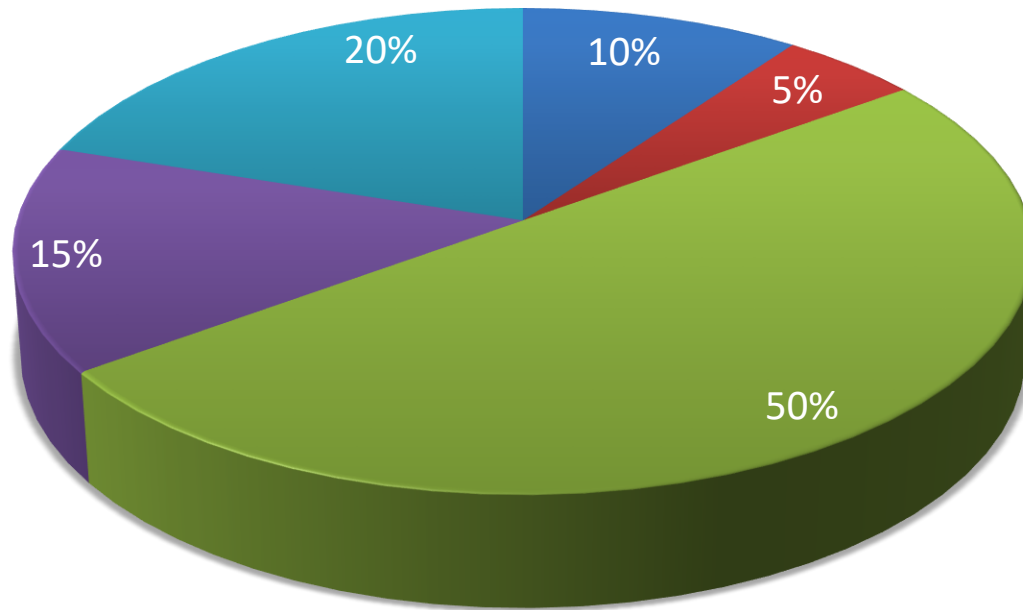


Number of responses: 35

Multiple Type



Buyer Type



■ 1st time individual

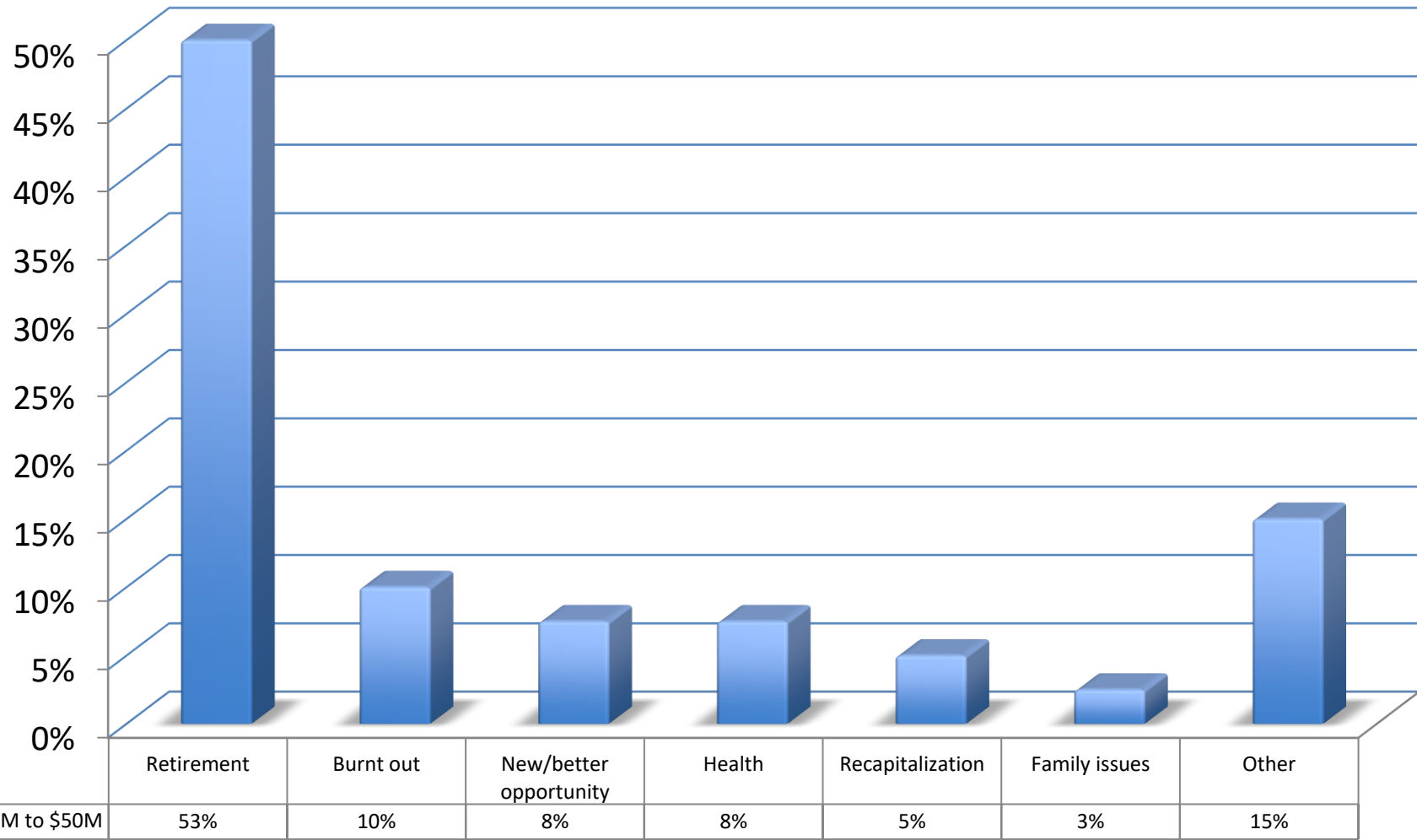
■ individual who owned a business

■ existing company/strategic buyer

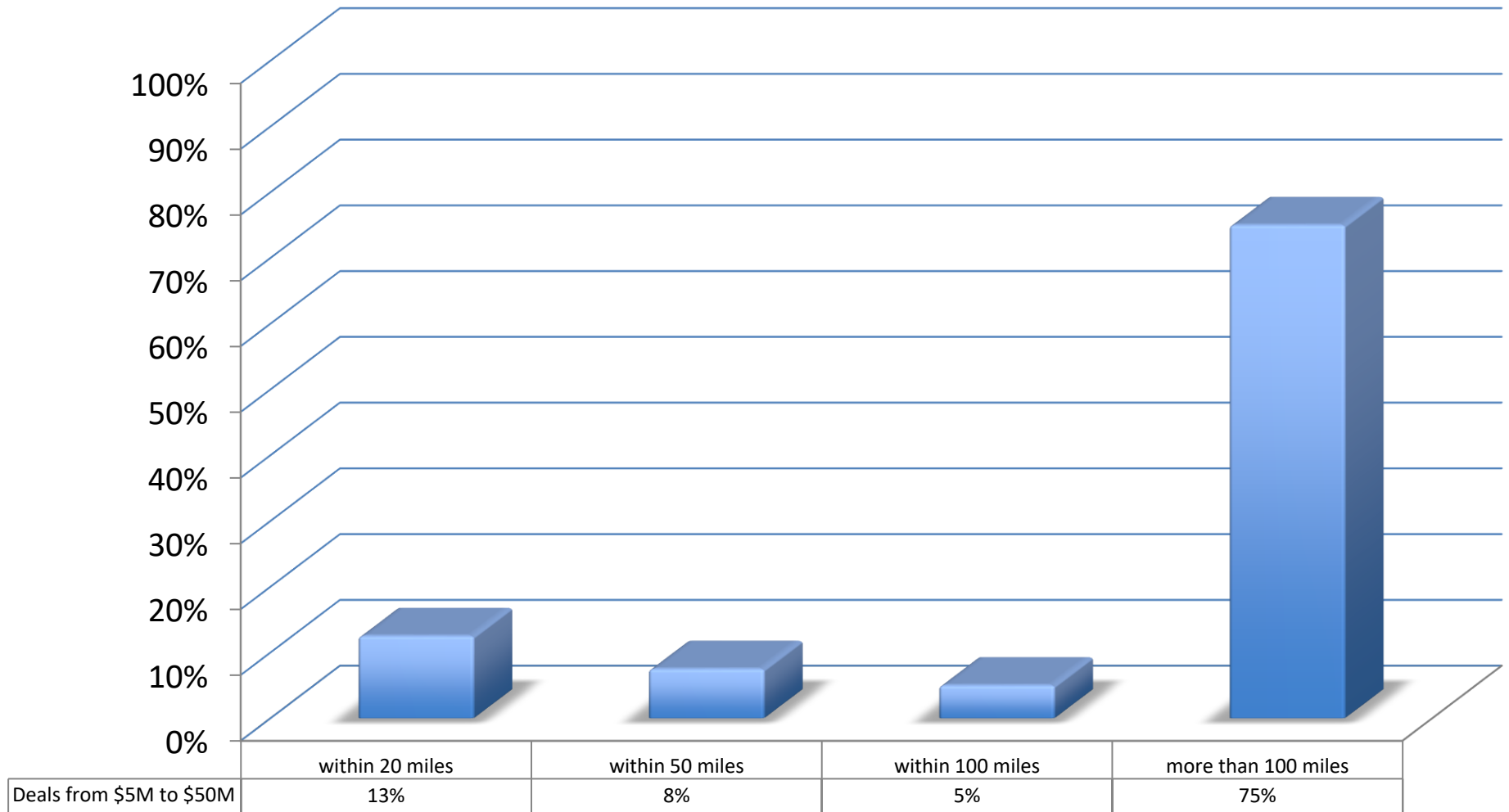
■ PE firm - Platform

■ PE firm - Add-on

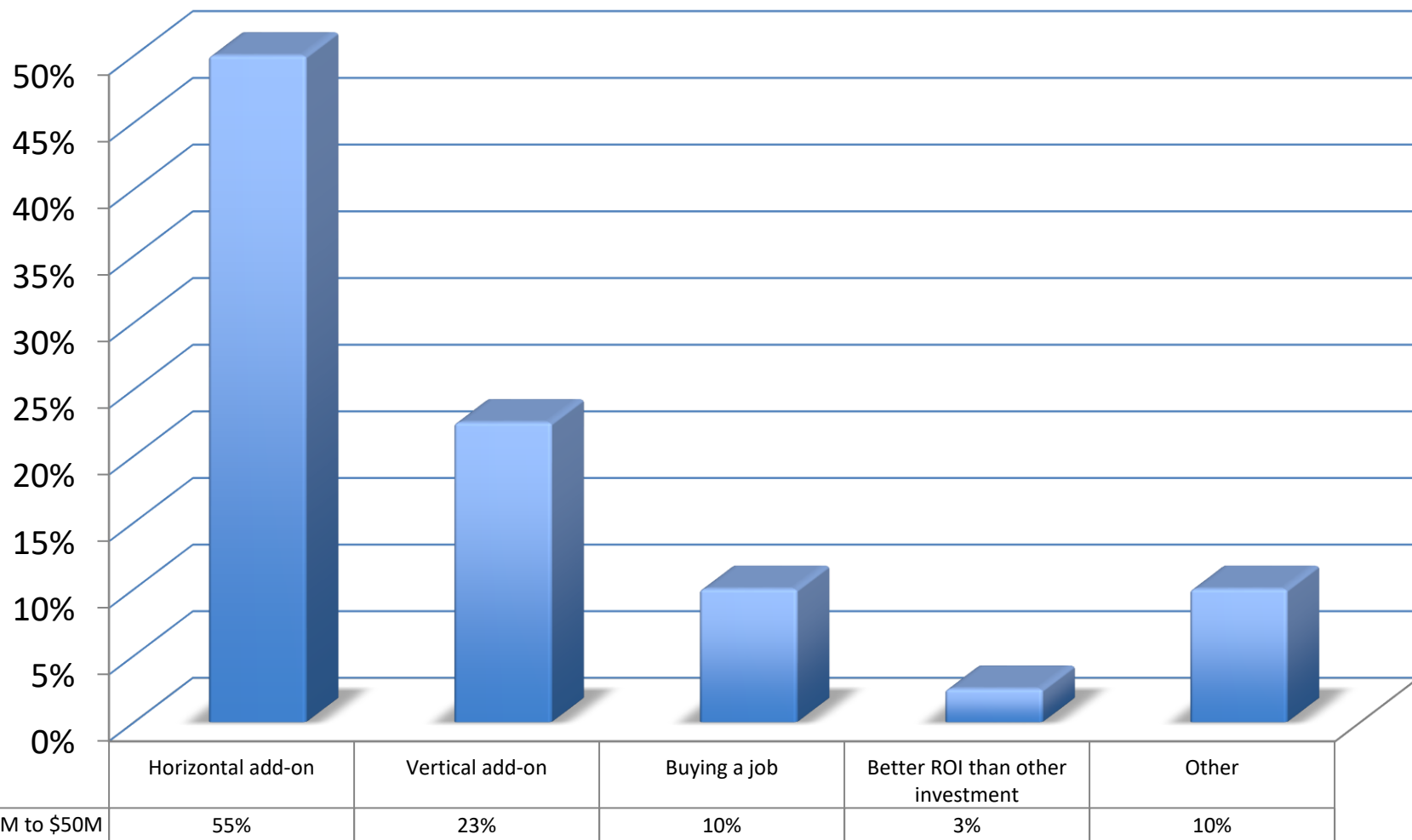
#1 Reason for Seller to Go to Market



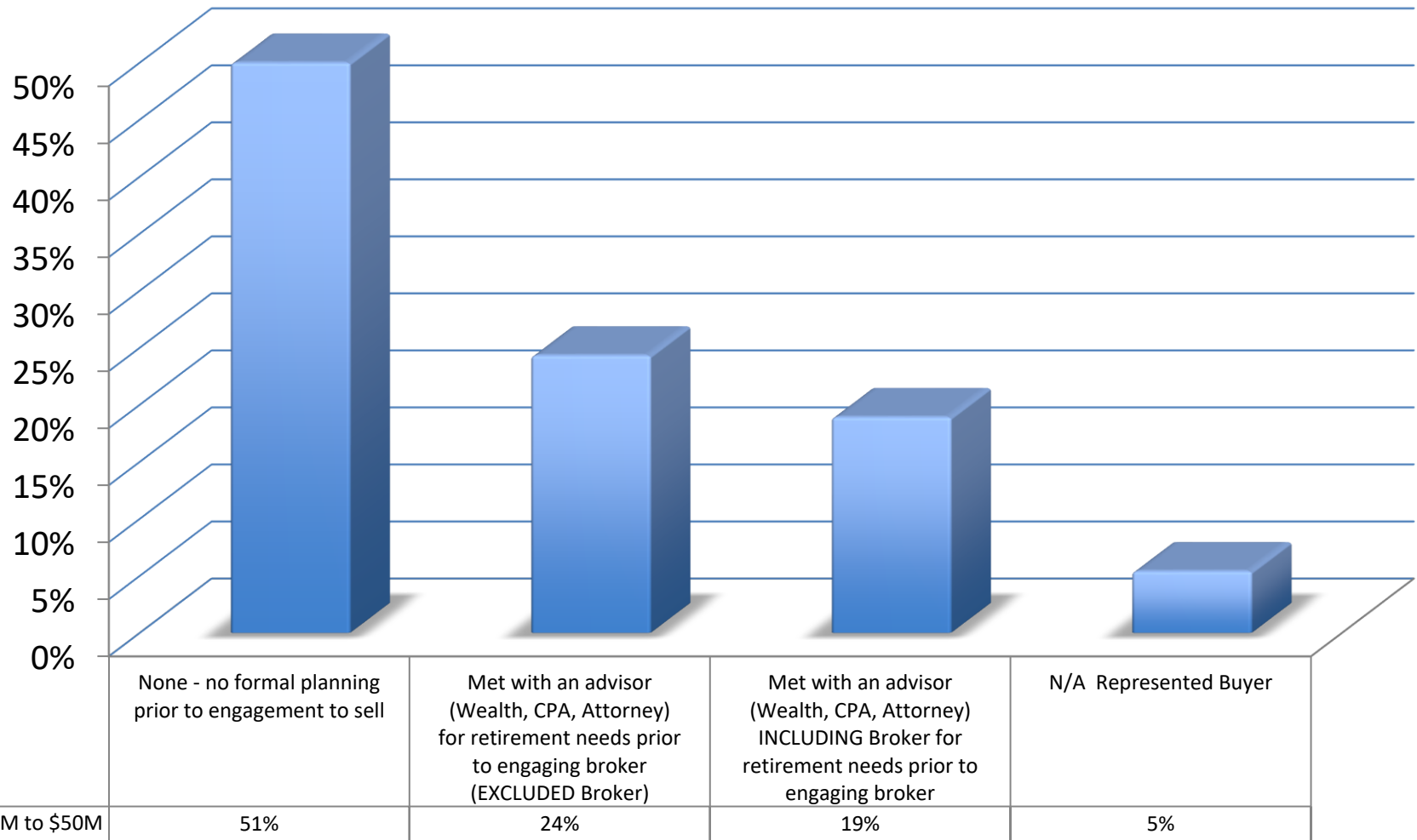
Buyer Location



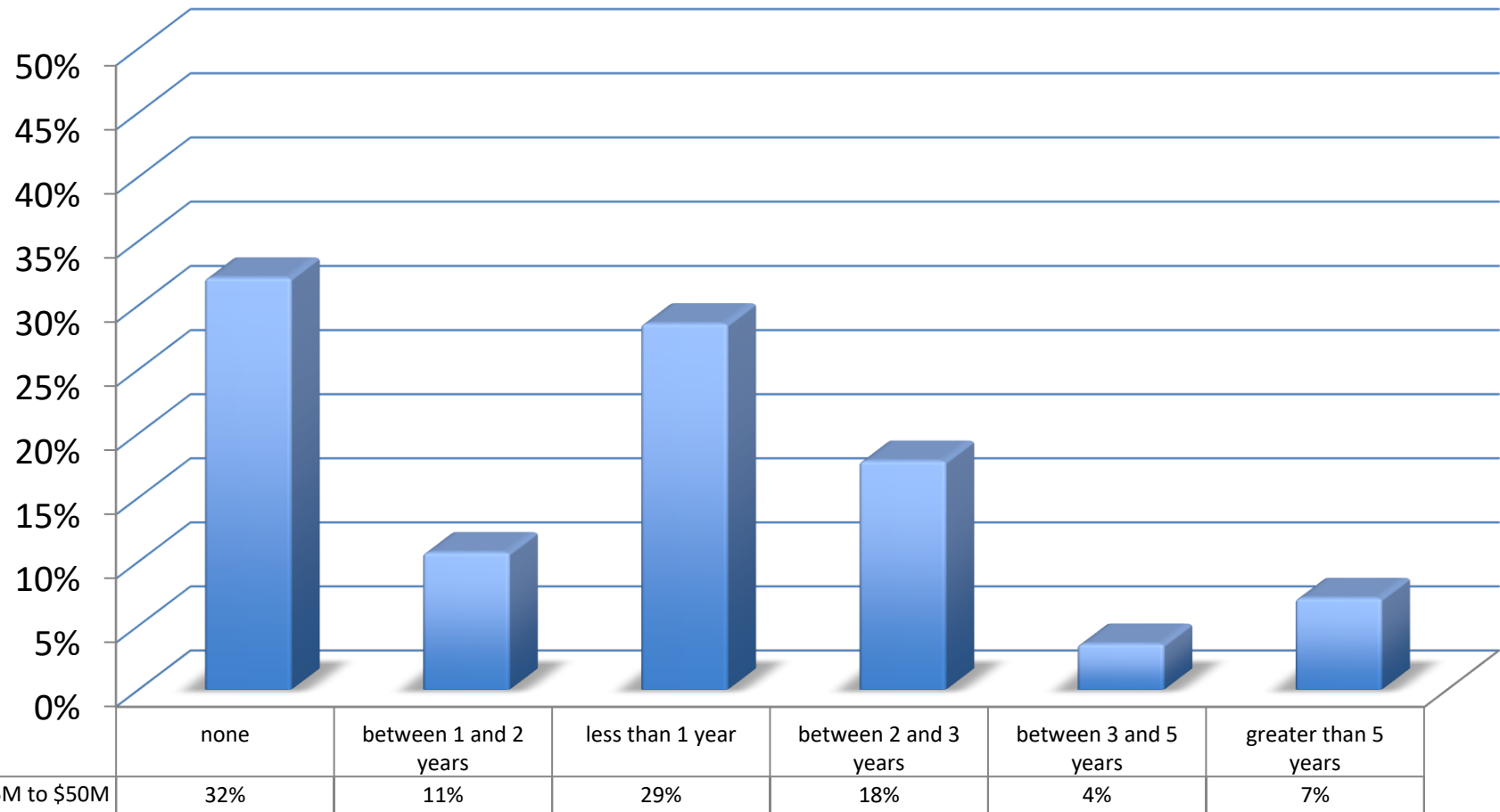
#1 Motivation for Buyer



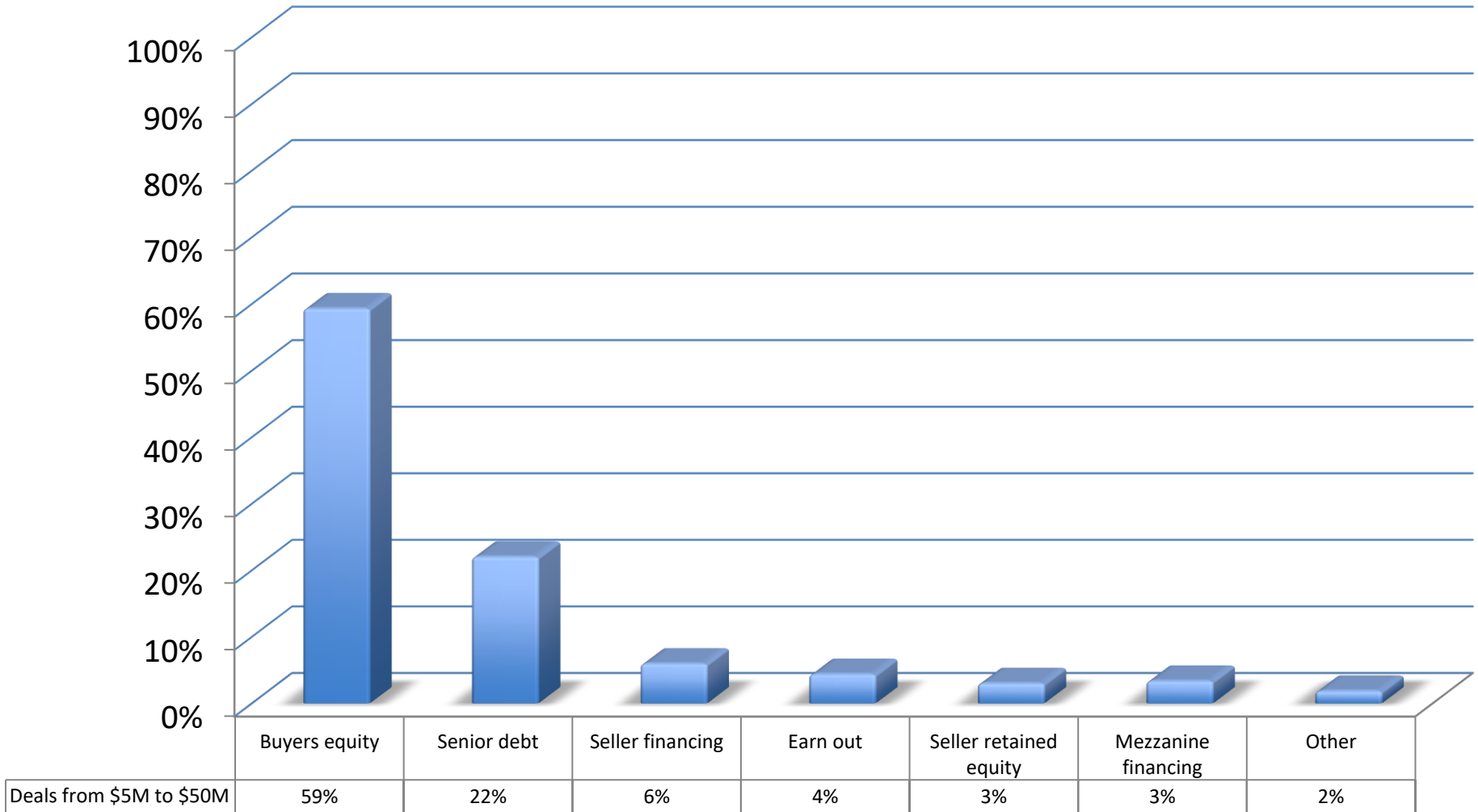
Exit Planning



Amount Of Exit Planning Prior To Marketing Business



Financing Structure



IV. Expectations

Expectations of Business Listings / Engagements from New Clients in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	1.6%	11.2%	72.5%	14.0%	0.8%	3.0
Deals valued from \$500,000 to \$999,999	0.9%	8.6%	73.9%	15.8%	0.9%	3.1
Deals valued from \$1 million to \$1.99 million	1.0%	4.9%	76.1%	17.6%	0.5%	3.1
Deals valued from \$2 million to \$4.99 million	0.6%	5.6%	71.1%	22.2%	0.6%	3.2
Deals over \$5 million	1.4%	5.6%	70.4%	21.8%	0.7%	3.1

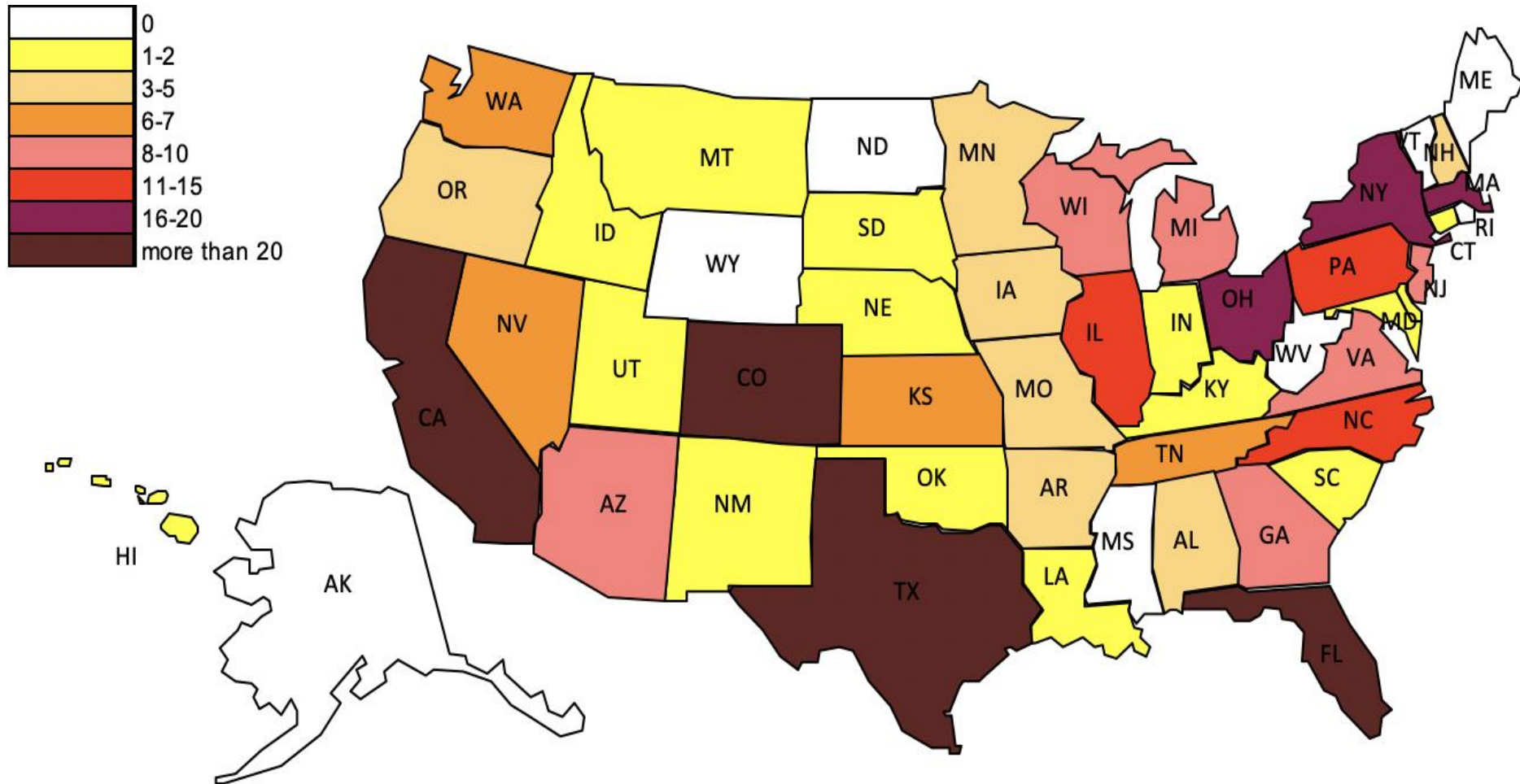
Expectations for Business Valuation Multiples in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	0.6%	10.1%	77.7%	10.6%	1.1%	3.0
Deals valued from \$500,000 to \$999,999	0.0%	6.8%	79.5%	13.7%	0.0%	3.1
Deals valued from \$1 million to \$1.99 million	0.6%	3.6%	77.1%	18.7%	0.0%	3.1
Deals valued from \$2 million to \$4.99 million	0.0%	6.3%	67.4%	26.4%	0.0%	3.2
Deals over \$5 million	1.0%	6.9%	65.7%	26.5%	0.0%	3.2

V. About the Respondents

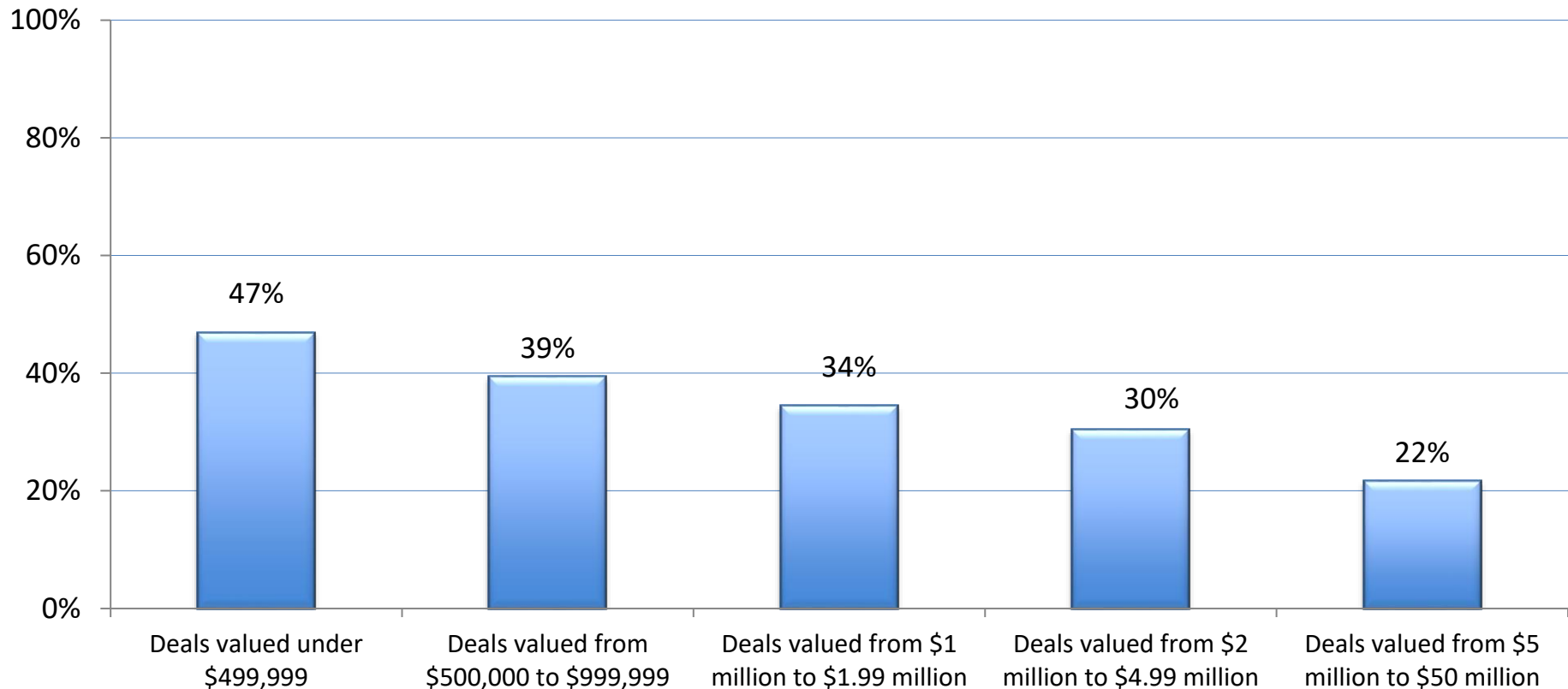
Details About the Respondents

Geographic Location



Details About the Respondents

Typical Size of Business Transactions

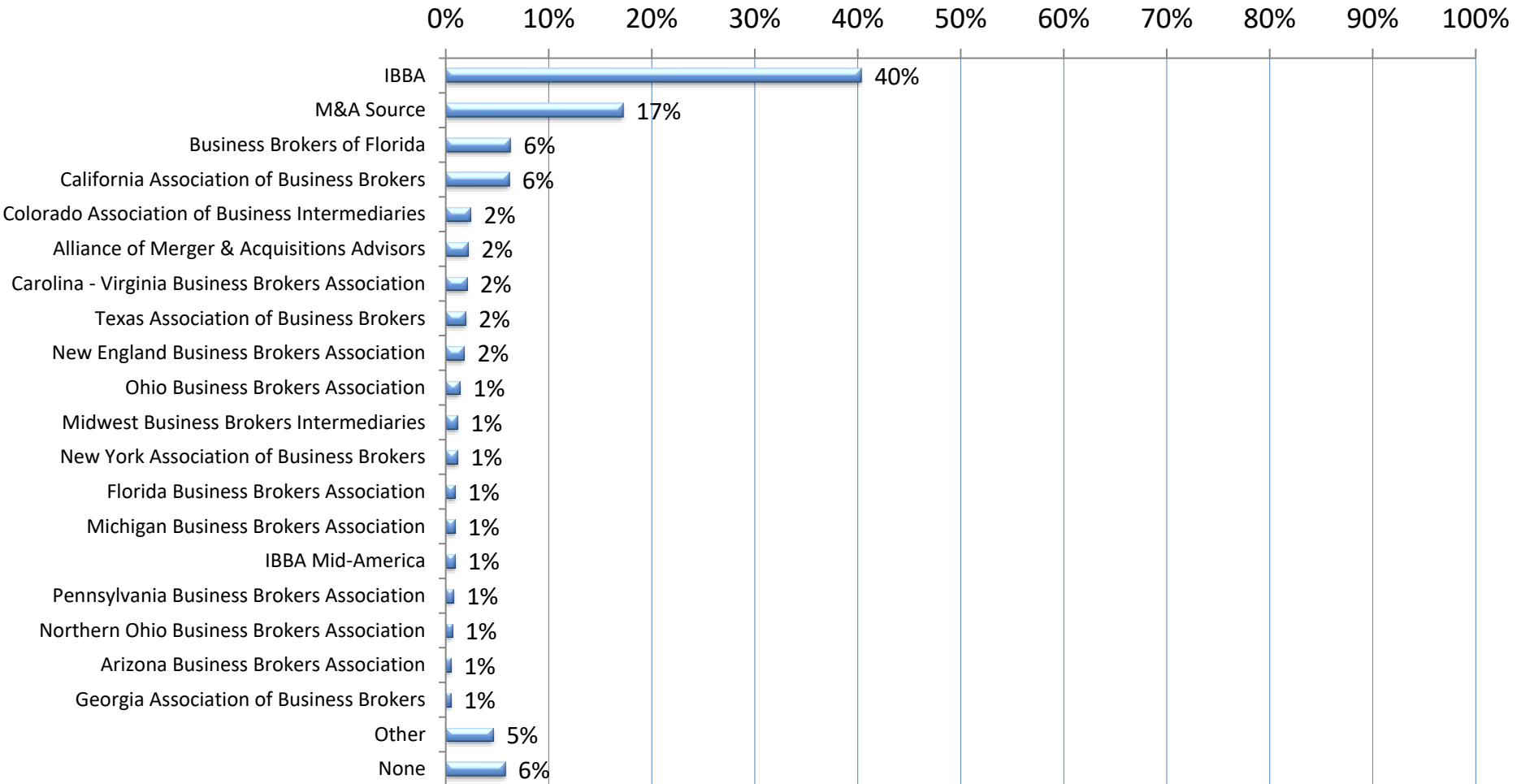


Total number of responses = 718

* Number is more than number of respondents as many respondents overlap into 2 or 3 areas

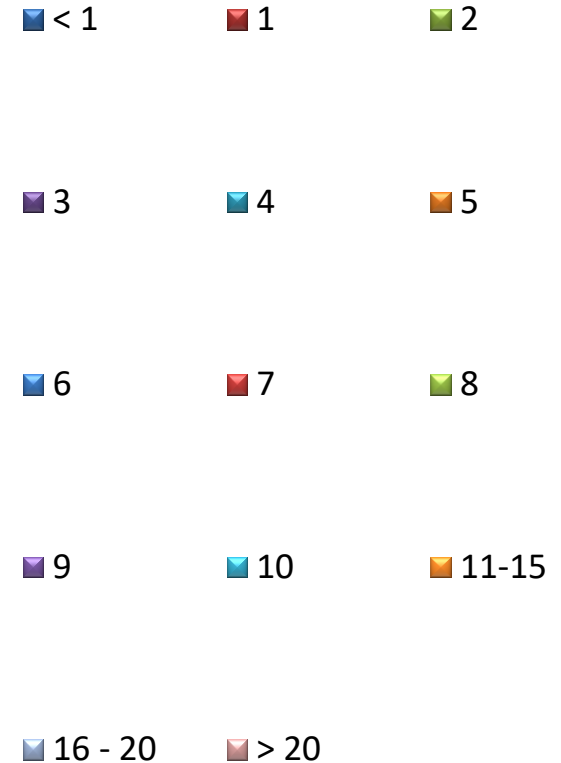
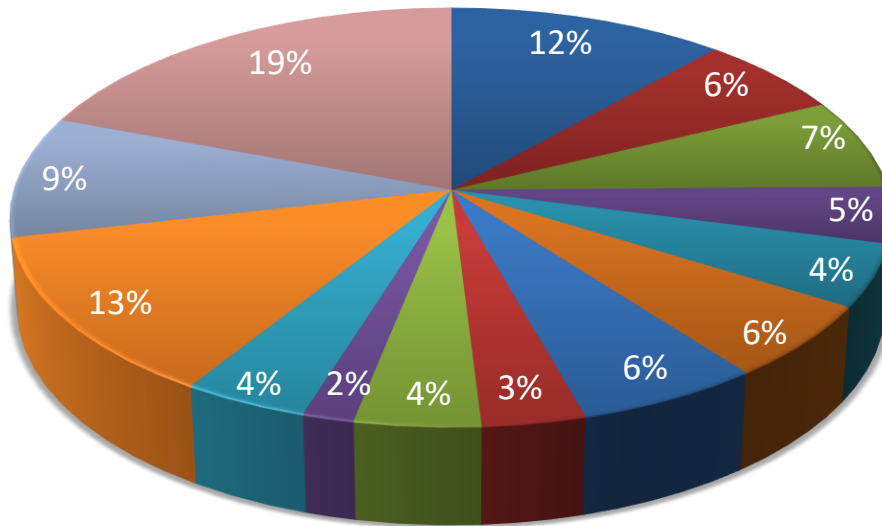
Details About the Respondents

Memberships/ Multiple Memberships



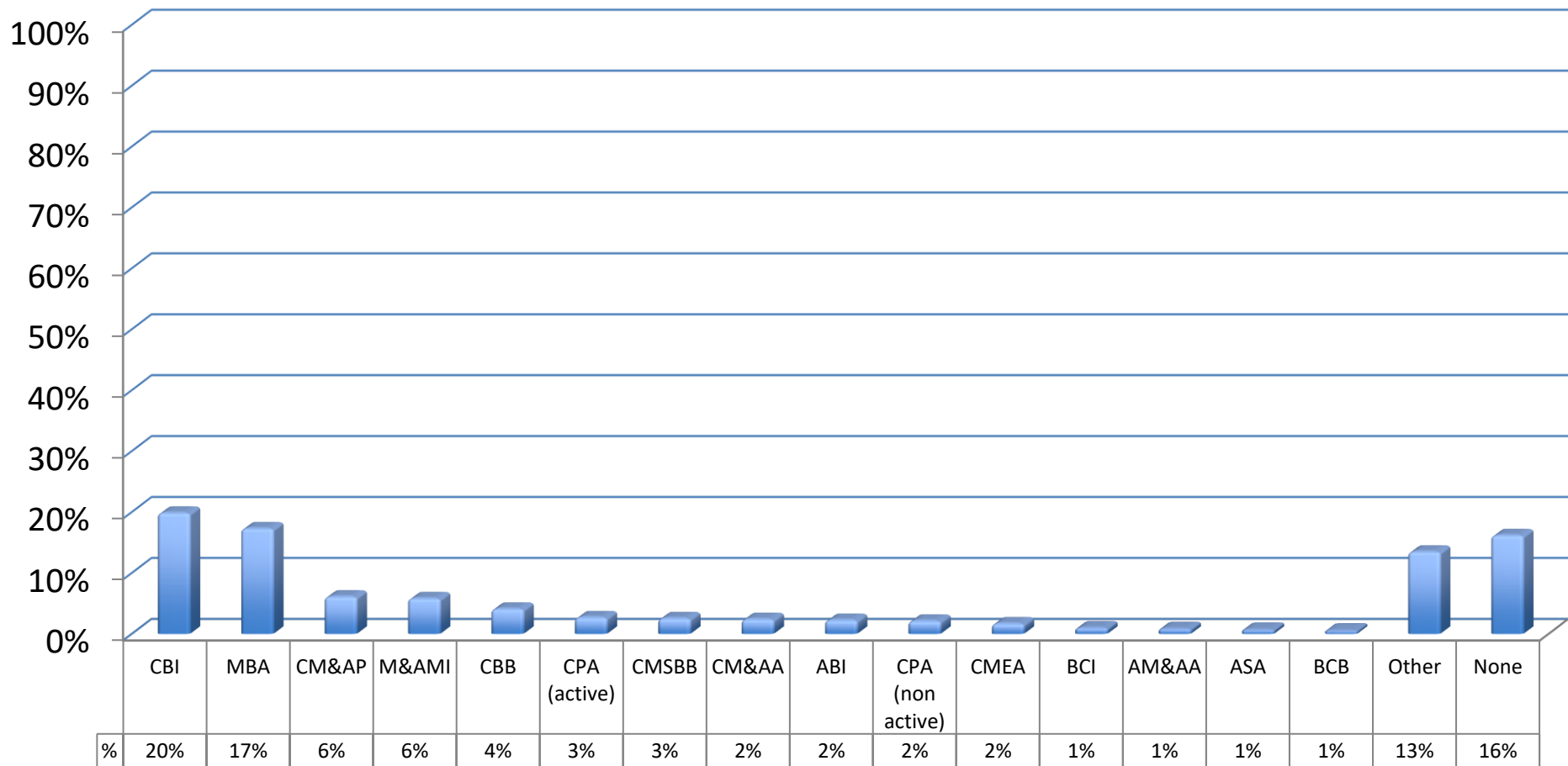
Details About the Respondents

Working Experience



Details About the Respondents

Professional Credentials



THANK YOU!

Lisa Riley, Ph.D., CBI, CM&AP, Market Pulse Chair

Lisa@DeltaBusinessAdvisors.com

Scott Bushkie, CBI, M&AMI, Market Pulse Committee

SBushkie@Cornerstone-Business.com

David Ryan, Market Pulse Committee

Kyle Griffith, CBI, CM&AP, Market Pulse Committee