

M&A Quarterly

NEWS FROM SCHENCK M&A SOLUTIONS | JUNE 2017

Schenck
M&A SOLUTIONS

MARKET SUMMARY

- ▶ Q1 2017 averaged 6.7x TTM Adjusted EBITDA based on 53 reported deals completed, down from 6.9x for 2016 but in line with both 2014 and 2015. Deal activity is up slightly from 49 in Q1 2016 but in line with Q4 2016, a change in a fairly consistent trend that typically sees a 25% drop from Q4 to Q1 of the following year.
- ▶ Transaction debt levels during Q1 2017 were 3.9x, up from 3.6x in Q4 2016 and the historical level of 3.6x, but down slightly from an overall transaction debt level of 4.0x during both 2015 and 2016 potentially signaling a tightening in the mezzanine market since senior debt multiples have steadily increased during this time.
- ▶ The spread on size premiums for larger-sized deals between \$50 million and \$250 million compared to deals between \$10 million to \$50 million was 1.2x for Q1 2017, down substantially from 2.1x in 2015 and 2.2x in 2016 and also down from the historic level of 1.6x.
- ▶ 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%) in Q1 2017. Buyouts averaged 7.5x versus 5.7x for all others, a 30% premium and almost more than triple the historical spread of 8%.
- ▶ In Q1 of 2017, add-ons into the premium position with valuations of 6.7x versus 6.6x for platforms, a change from 2016 when add-ons trailed platform valuations 6.3x to 7.0x.
- ▶ Senior Debt/EBITDA multiples across all industries in Q1 2017 were 3.1x, in line with 2016, up modestly from 3.0x in 2015 and up from a historical average of 2.6x.

UPCOMING EVENTS

July 16 – Join us for the Schenck M&A Polo Club event at the Milwaukee Polo Club
October 5 – Save the date for the M&A Forum held at Lambeau Field

WHAT'S NEW AT SCHENCK M&A SOLUTIONS

- ▶ **May** – Corey Vanderpoel selected to the 2017 40 Under Forty recognition program by National Association of Certified Valuators and Analyst® (NACVA®) and the Consultants' Training Institute® (CTI®)
- ▶ **May** – Presented "Simple and Common Sense Rules for Successful M&A Transactions" at the BizExpo
- ▶ **May** – Initiated marketing efforts on behalf of a direct marketing solutions company
- ▶ **May** – Engaged by medical and dental equipment and supplies company to advise on potential sale
- ▶ **April** – Co-sponsored BizTimes M&A Forum, "All the Right Moves," and the TEC Inspirational Leadership Conference
- ▶ **April** – Engaged by a client in the trucking and logistics industry looking to grow via acquisition

M&A SERVICES:

- Company sales & corporate divestitures
- Acquisition advisory services
- Management buyouts and recapitalizations
- Family transitions
- Strategy assessment (preparation for a sale)
- Business valuations (market value)
- Recapitalizations/refinancings

TALK TO ONE OF OUR M&A SOLUTIONS PROFESSIONALS:

Ann Hanna, Managing Director
414-465-5537 | ann.hanna@schencksc.com

LeRoy Matuszak, M&A Consultant
920-455-4142 | leroy.matuszak@schencksc.com

Michael Schroeder, Associate
414-465-5507 | michael.schroeder@schencksc.com

Corey Vanderpoel, Managing Director
414-465-5607 | corey.vanderpoel@schencksc.com

Tyler Carlson, Associate
414-465-5641 | tyler.carlson@schencksc.com

Phil Shackton, Analyst
414-465-5623 | phil.shackton@schencksc.com

schencksc.com/mergeradvisors

Securities offered through Burch & Company, Inc., member FINRA/SIPC. Burch & Company and Schenck M&A Solutions are not affiliated entities. Ann Hanna and Corey Vanderpoel of Schenck M&A Solutions are registered investment banking representatives with Burch & Company.

Information included from GF Data® may not be used or re-published without written permission from GF Data® or Schenck M&A Solutions.

MARKET STATISTICS

TOTAL ENTERPRISE VALUE (TEV)/EBITDA

TEV	'03-12	'13	'14	'15	'16	YTD'17	Total
10-25	5.6	6.0	5.6	5.8	6.0	5.8	5.7
25-50	6.2	6.8	6.6	6.6	6.4	6.4	6.3
50-100	6.8	6.8	8.4	7.8	7.3	6.8	7.0
100-250	7.3	7.5	7.8	9.0	9.0	8.7	7.8
Total	6.2	6.5	6.7	6.7	6.9	6.7	6.4

TEV/EBITDA—BY INDUSTRY CATEGORY

Industry	'03-12	'13	'14	'15	'16	YTD'17	Total
Manufacturing	5.9	5.9	6.3	6.6	6.2	6.6	6.0
Business services	6.2	6.5	6.5	6.3	7.4	6.2	6.4
Health care services	7.0	7.5	7.8	7.8	7.6	7.8	7.2
Retail	6.5	7.4	8.5	5.6	7.5	6.9	6.7
Distribution	6.1	6.8	7.1	6.7	7.4	7.1	6.4
Media & Telecom	7.8	6.1	NA	6.4	6.4	7.3	7.5
Technology	6.6	10.0	9.1	8.0	7.4	7.9	7.6
Other	6.0	6.0	6.8	5.9	7.3	6.2	6.1

SENIOR DEBT/EBITDA—SPLITS BY PERIOD

TEV	Q116	Q216	Q316	Q416	Q117
10-25	2.6	2.7	3.0	2.6	3.6
25-50	2.7	3.1	2.9	2.3	2.8
50-100	2.8	4.0	2.8	2.9	2.6
100-250	3.4	3.5	4.7	3.5	3.9
Total	2.8	3.3	3.3	2.8	3.1

Source: GF Data®

While market conditions remain healthy, 2017 is anticipated to see a dampening in completed deal volume as sellers take a wait-and-see approach on possible regulatory and tax changes.