

# Market Pulse Report Third Quarter 2022

## Market Pulse Committee

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

Scott Bushkie, CBI, M&AMI

David Ryan

Kyle Griffith, CBI, CM&AP

Ron West

Lee Sheaffer, CBI



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

# Outline

I.	About the Market Pulse Report.....	4
II.	Current Business Environment.....	6
III.	Business Transactions Closed in the Last 3 Months.....	11
IV.	Business Expectations.....	101
V.	About the respondents.....	104

# 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 are involved in the sale/purchase of a business. However, a majority were members of the International Business Brokers Association (IBBA), IBBA Affiliates/Chapters, and/or M&A Source
- 499 completed responses
- 452 completed deals
- Responses collected from Oct 1 to Oct 15, 2022

## II. Current Business Environment

# What Effect If Any The Following Having on the Lower M&A Market

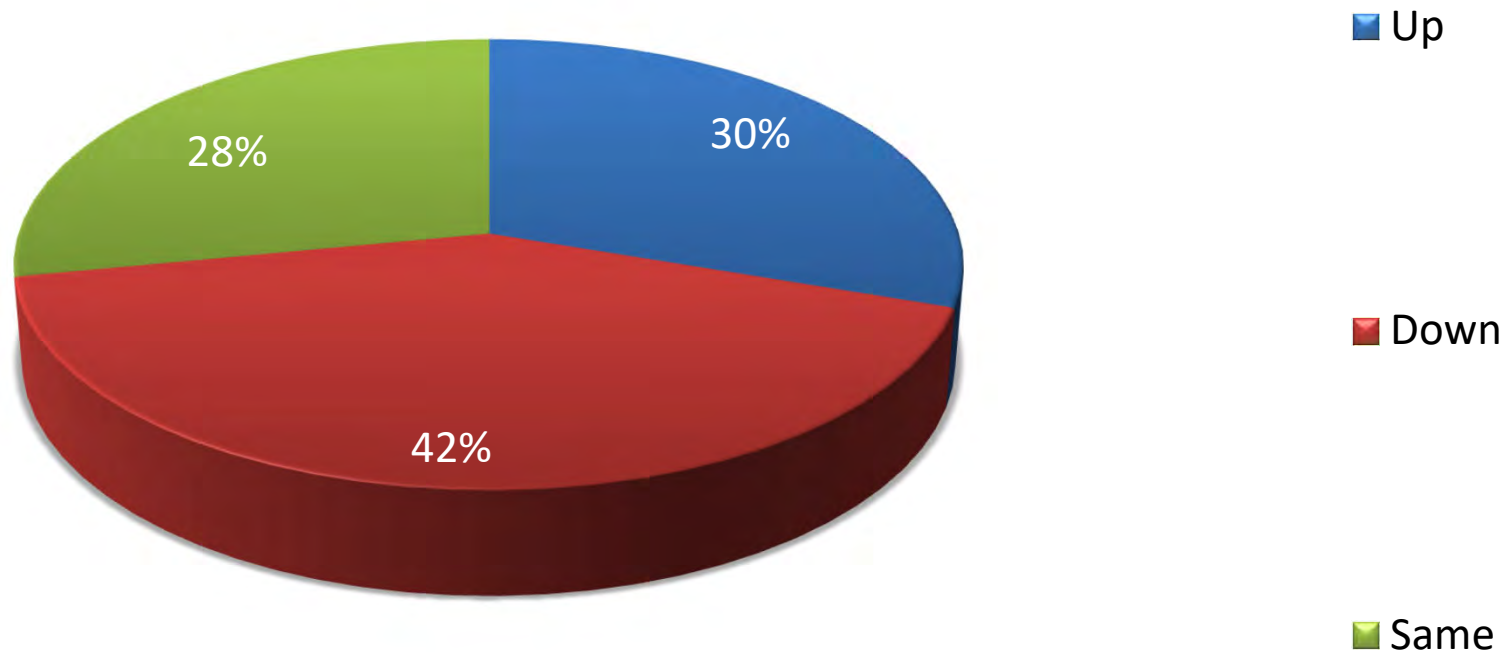
	Very Negative Effect	Somewhat Negative Effect	No Effect	Somewhat Positive Effect	Very Positive Effect	Score (-2 to 2)
Cost of Labor	3%	13%	79%	3%	1%	-0.1
COVID Regulations	6%	42%	44%	7%	1%	-0.4
Inflation	20%	63%	13%	3%	2%	-0.9
Interest Rate Hikes	26%	61%	9%	3%	1%	-1.1
Labor Shortage	5%	26%	66%	2%	1%	-0.3
Recession Expectations	19%	65%	10%	5%	1%	-1.0
Supply Chain Issues	14%	63%	19%	3%	1%	-0.8
War in Ukraine	2%	30%	66%	2%	0%	-0.3
Other	28%	21%	47%	2%	3%	-0.7

# What Effect If Any The Following Having on the Main Street Market

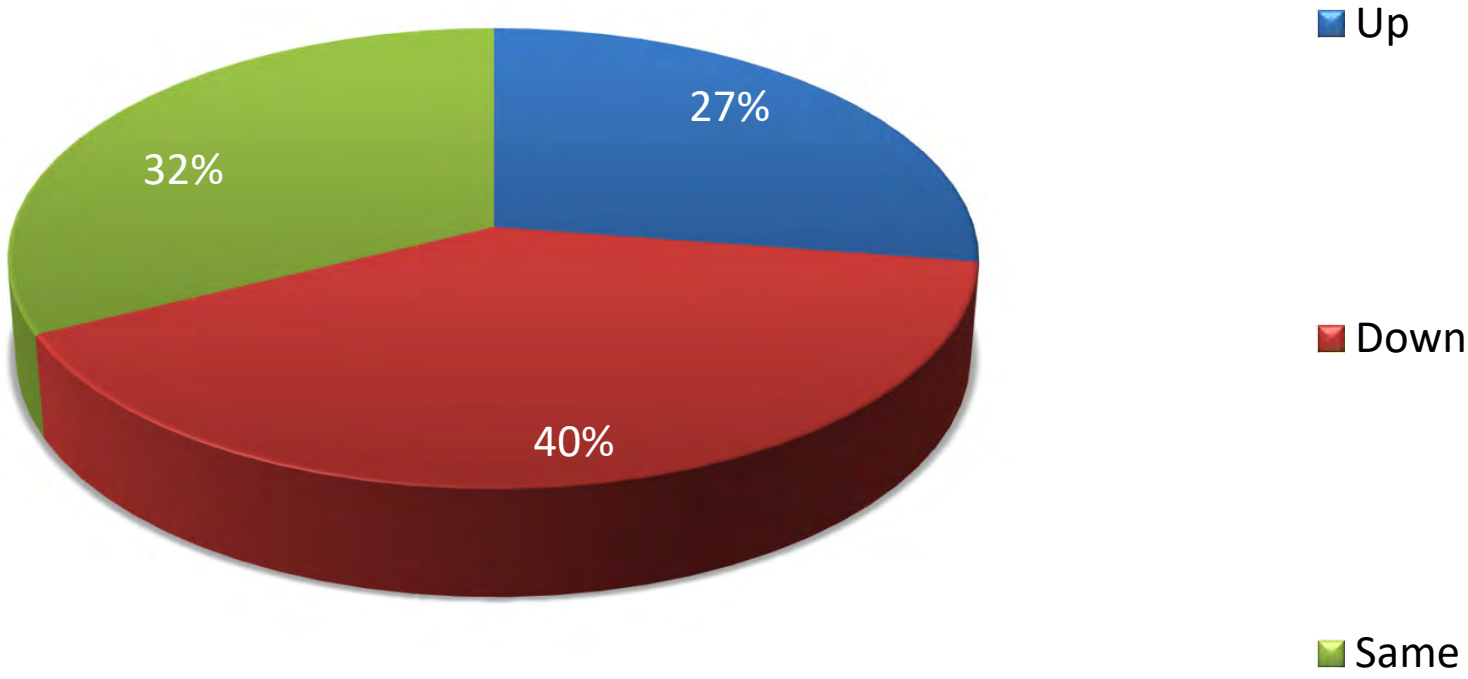
	Very Negative Effect	Somewhat Negative Effect	No Effect	Somewhat Positive Effect	Very Positive Effect	Score (-2 to 2)
Cost of Labor	2%	14%	80%	4%	1%	-0.1
COVID Regulations	6%	46%	42%	5%	1%	-0.5
Inflation	22%	61%	13%	3%	2%	-1.0
Interest Rate Hikes	30%	56%	10%	2%	2%	-1.1
Labor Shortage	5%	26%	67%	2%	1%	-0.3
Recession Expectations	20%	62%	11%	5%	2%	-0.9
Supply Chain Issues	15%	60%	21%	3%	1%	-0.8
War in Ukraine	3%	26%	70%	1%	0%	-0.3
Other	29%	19%	44%	5%	3%	-0.7



# Where Do Respondents Think The Main Street Market Is Headed Next Year

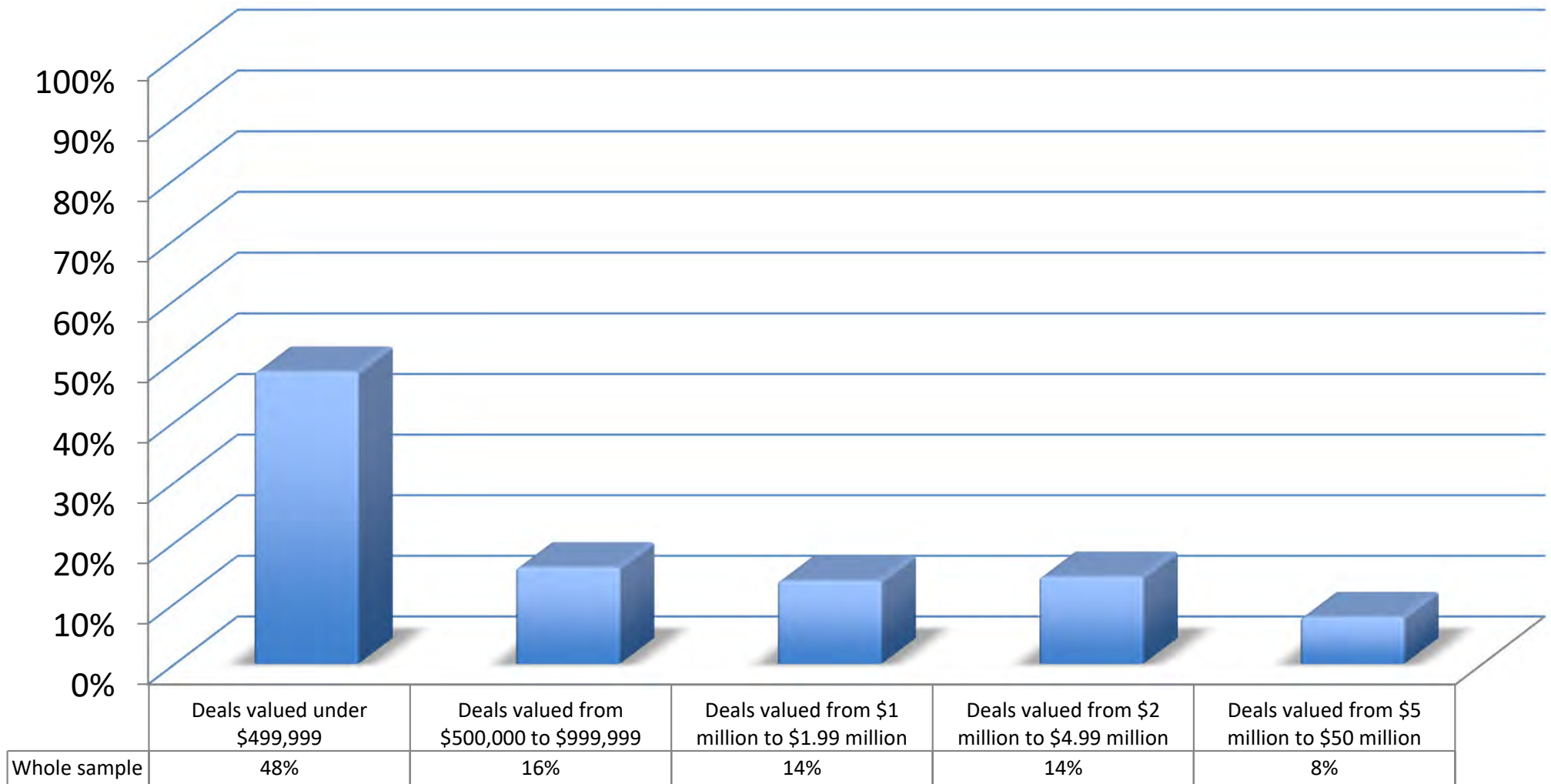


# Where Do Respondents Think The Lower Middle Market Is Headed Next Year

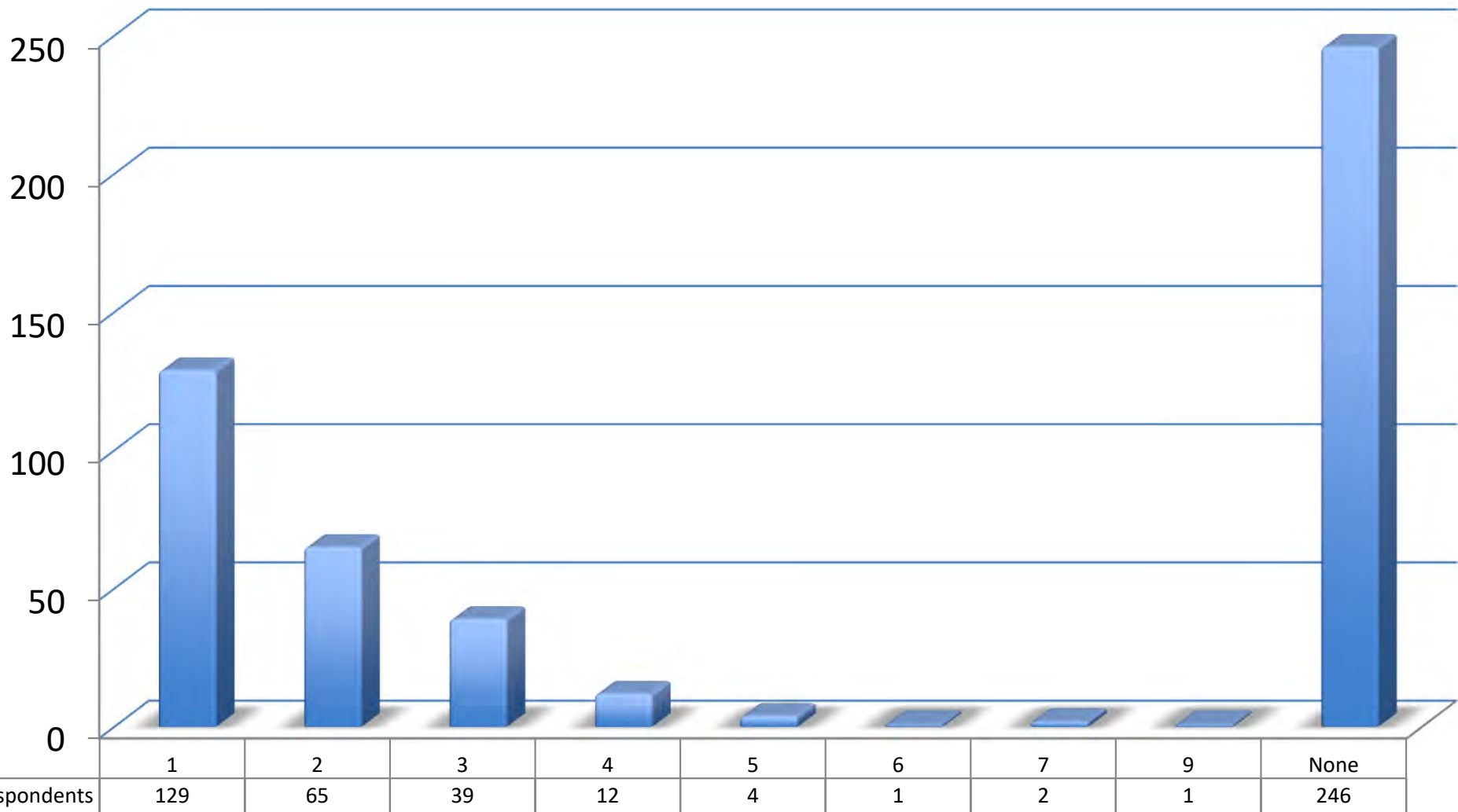


# III. Business Transactions Closed in the Last 3 Months

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



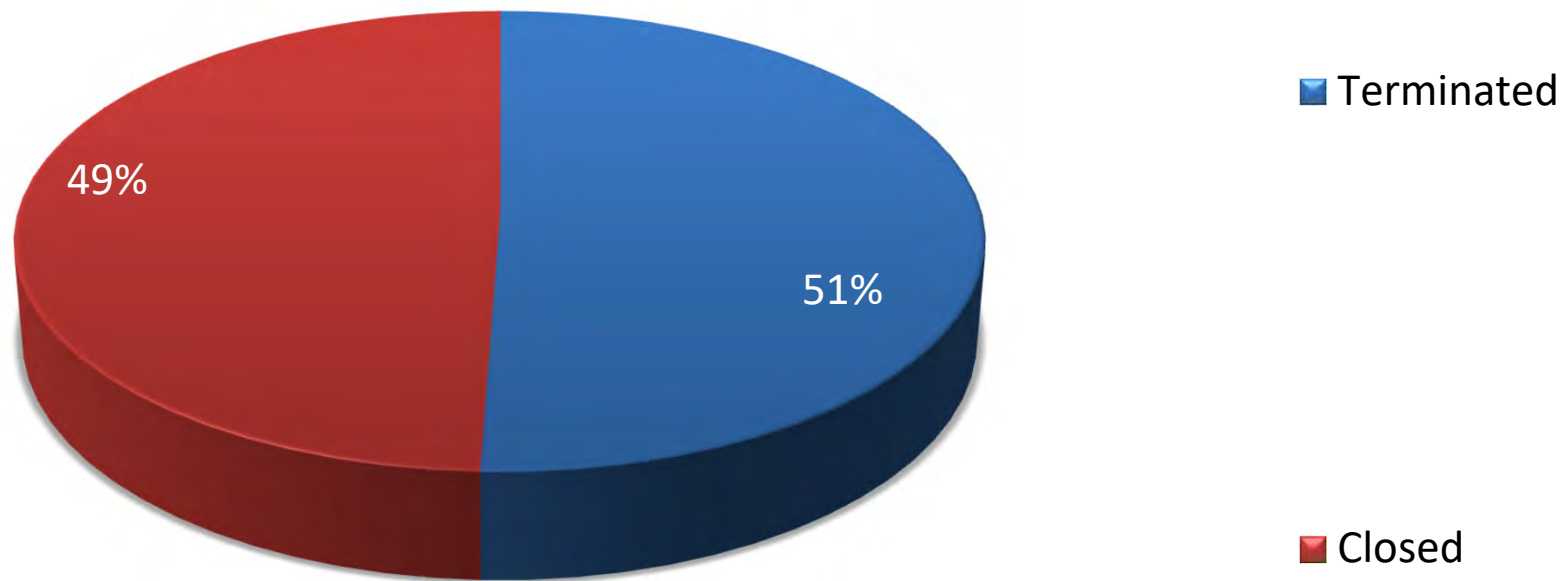
# Number of Business Transactions Closed by Respondents in the Last 3 Months



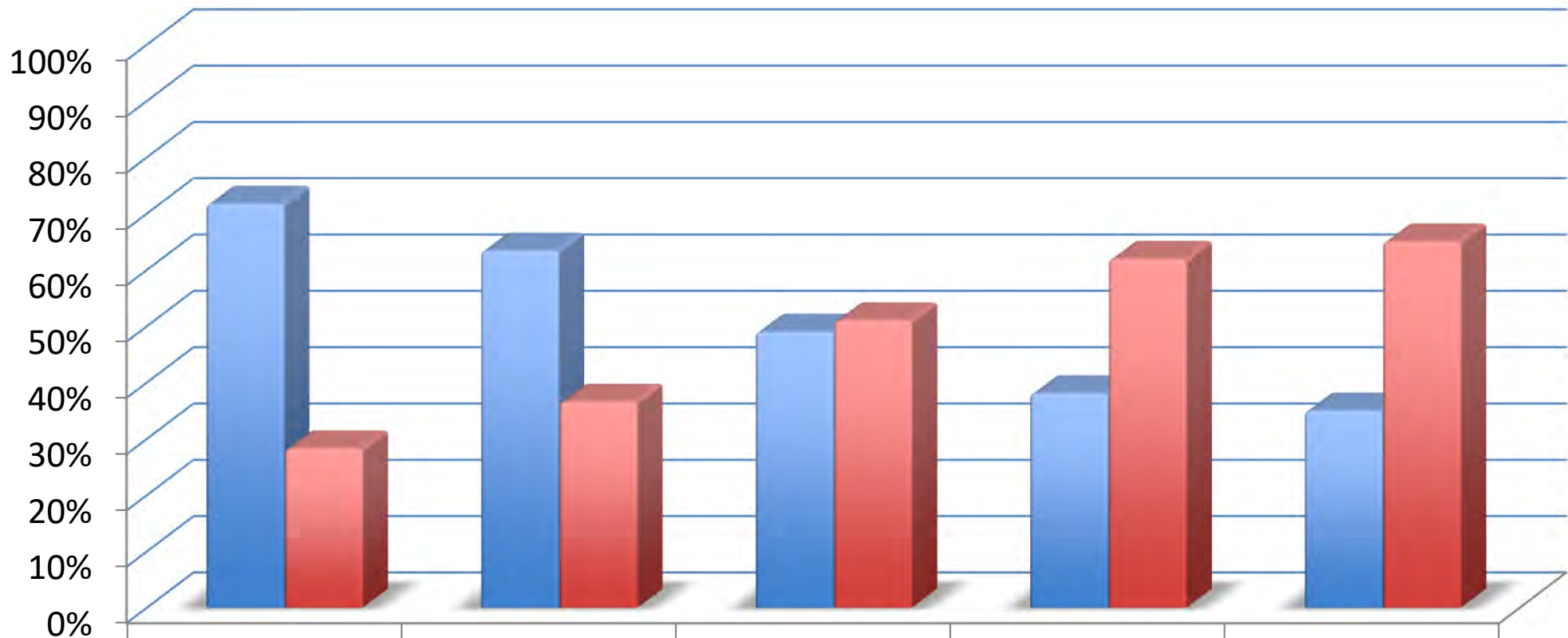
# Change in the Number of New Clients by Deal Size in The Last 3 Months

Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under \$499,999	6%	27%	3%	14%	51%	3.8
Deals valued from \$500,000 to \$999,999	4%	28%	1%	15%	52%	3.8
Deals valued from \$1 million to \$1.99 million	4%	27%	2%	13%	54%	3.9
Deals valued from \$2 million to \$4.99 million	6%	27%	1%	12%	54%	3.8
Deals valued from \$5 million to \$50 million	9%	17%	0%	10%	63%	4.0

# 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?

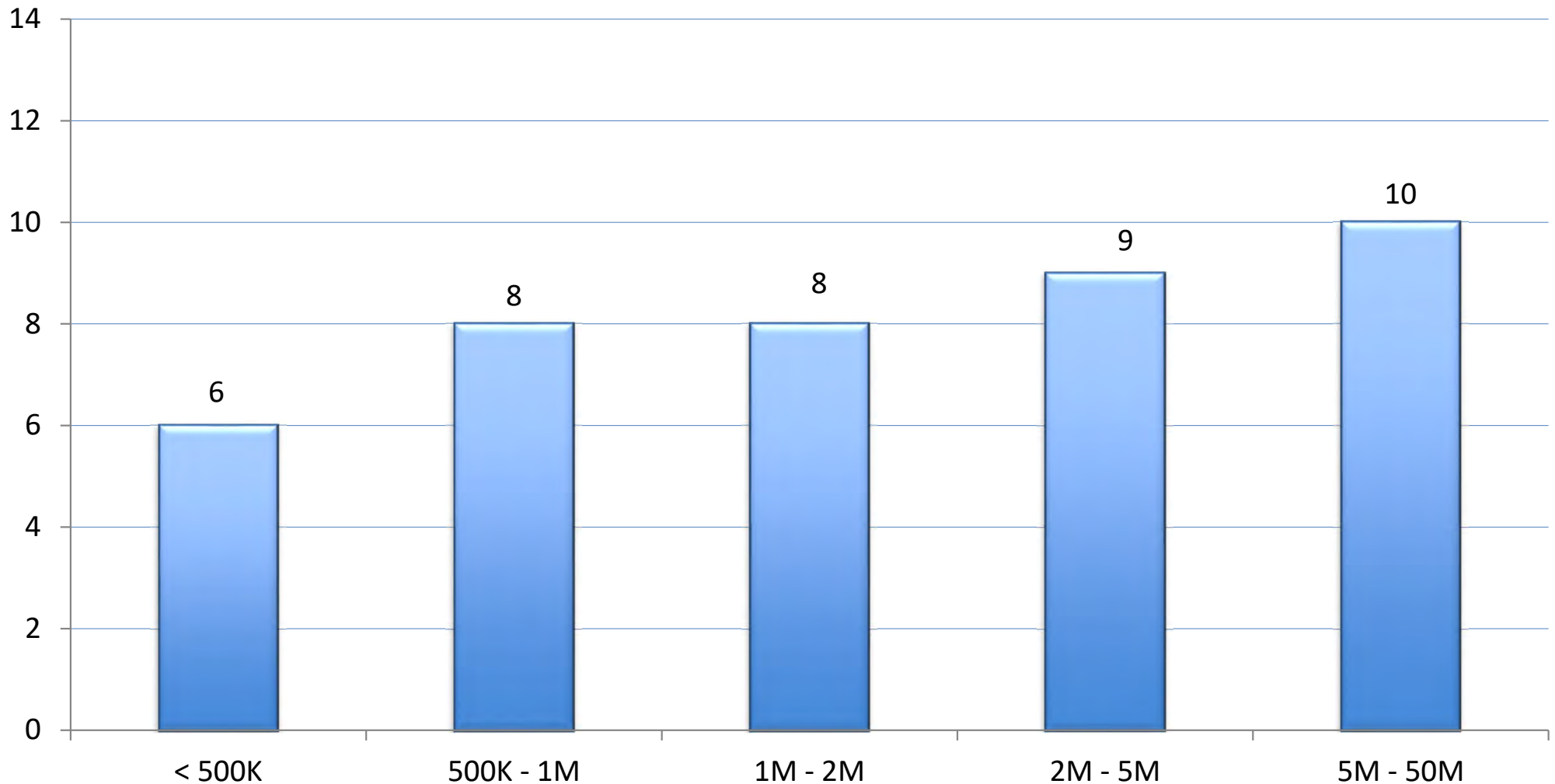


	Deals valued under \$499,999	Deals valued from \$500,000 to \$999,999	Deals valued from \$1 million to \$1.99 million	Deals valued from \$2 million to \$4.99 million	Deals valued from \$5 million to \$50 million
Buyer's market	72%	63%	49%	38%	35%
Seller's market	28%	37%	51%	62%	65%
Number of responses	428	399	394	365	346

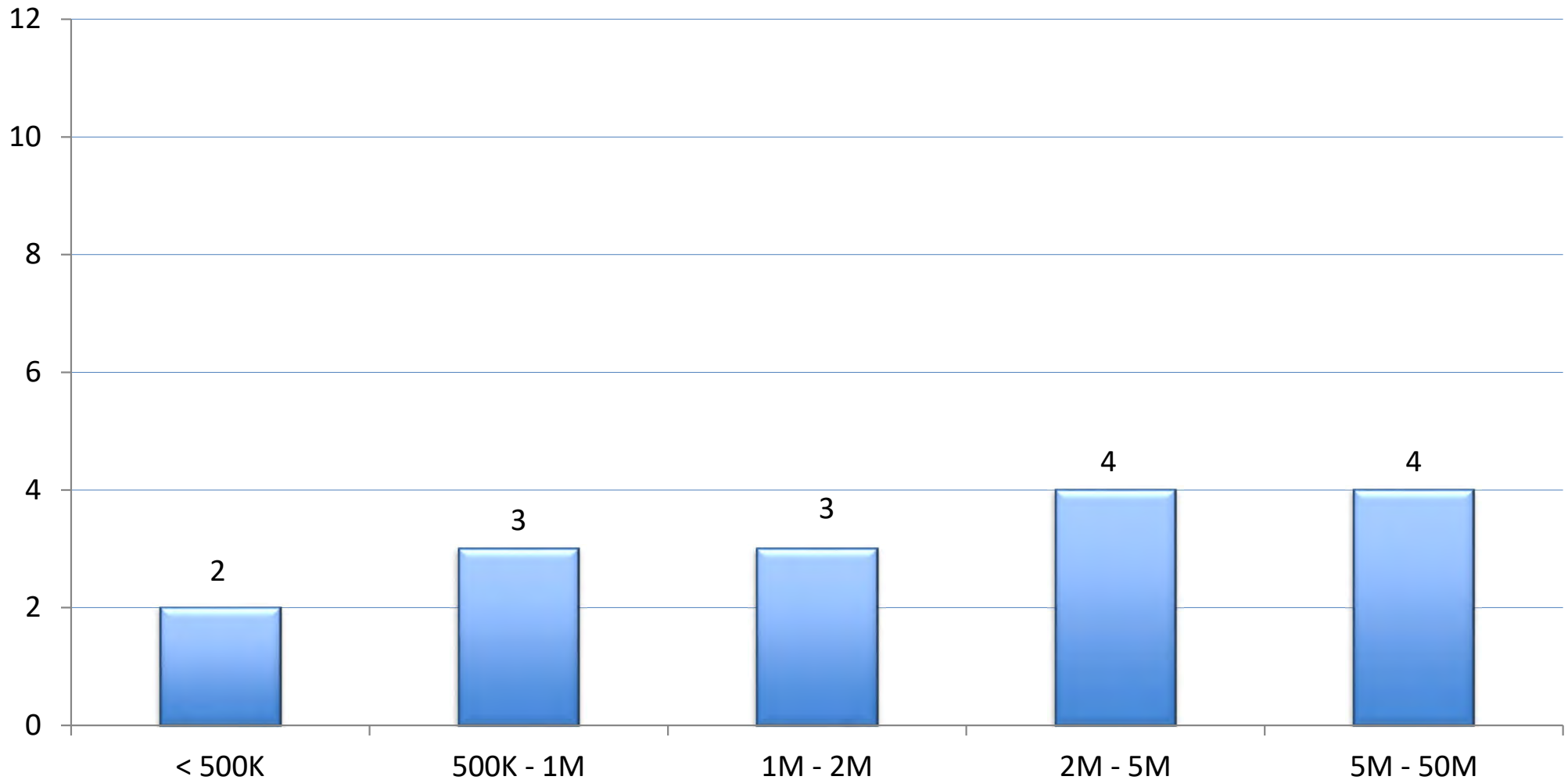


# Business Transactions of All Sizes, Comparison

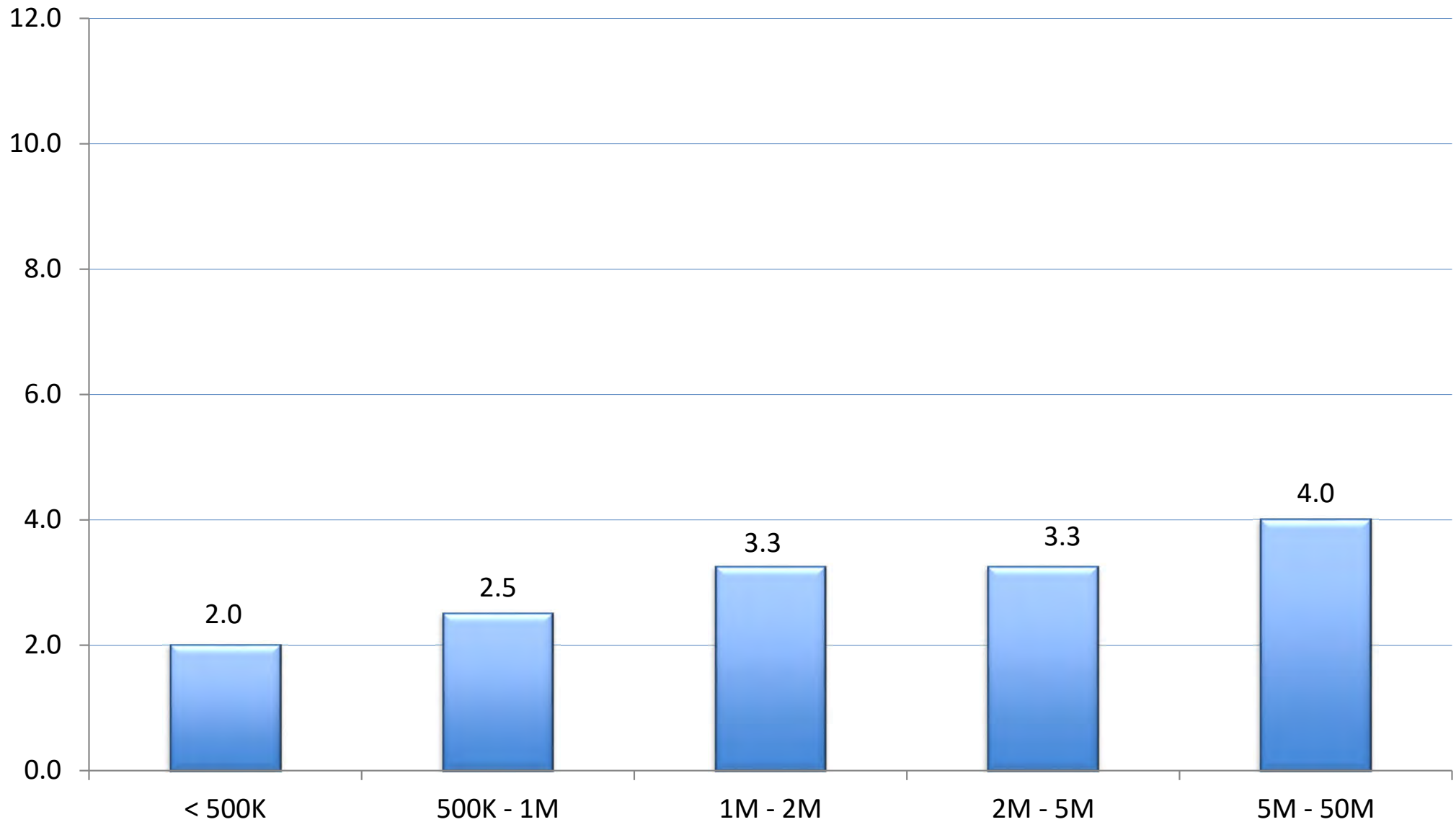
# Median Number of Months from Listing/Engagement to Close



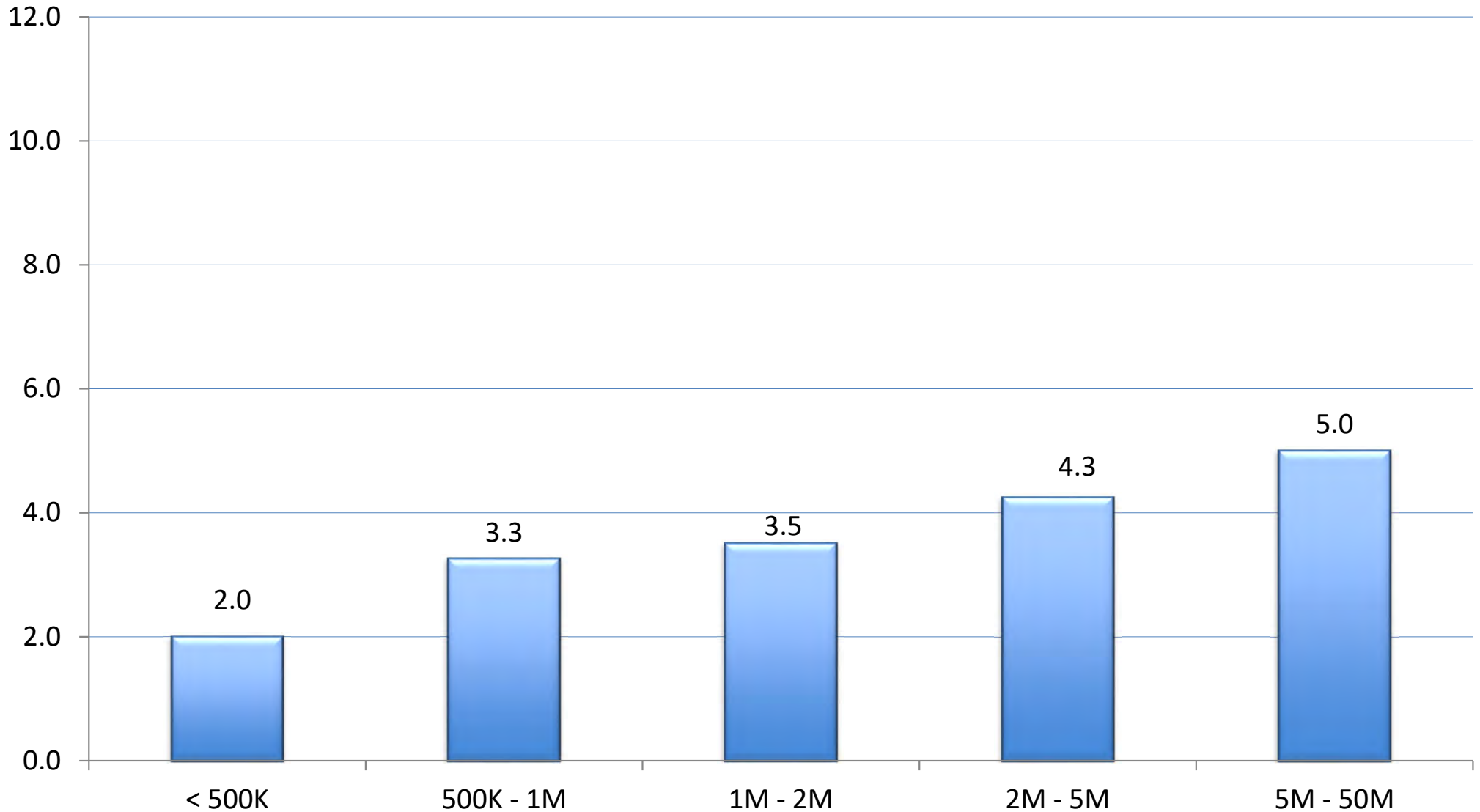
# Median Number of Months from LOI/Offer to Close



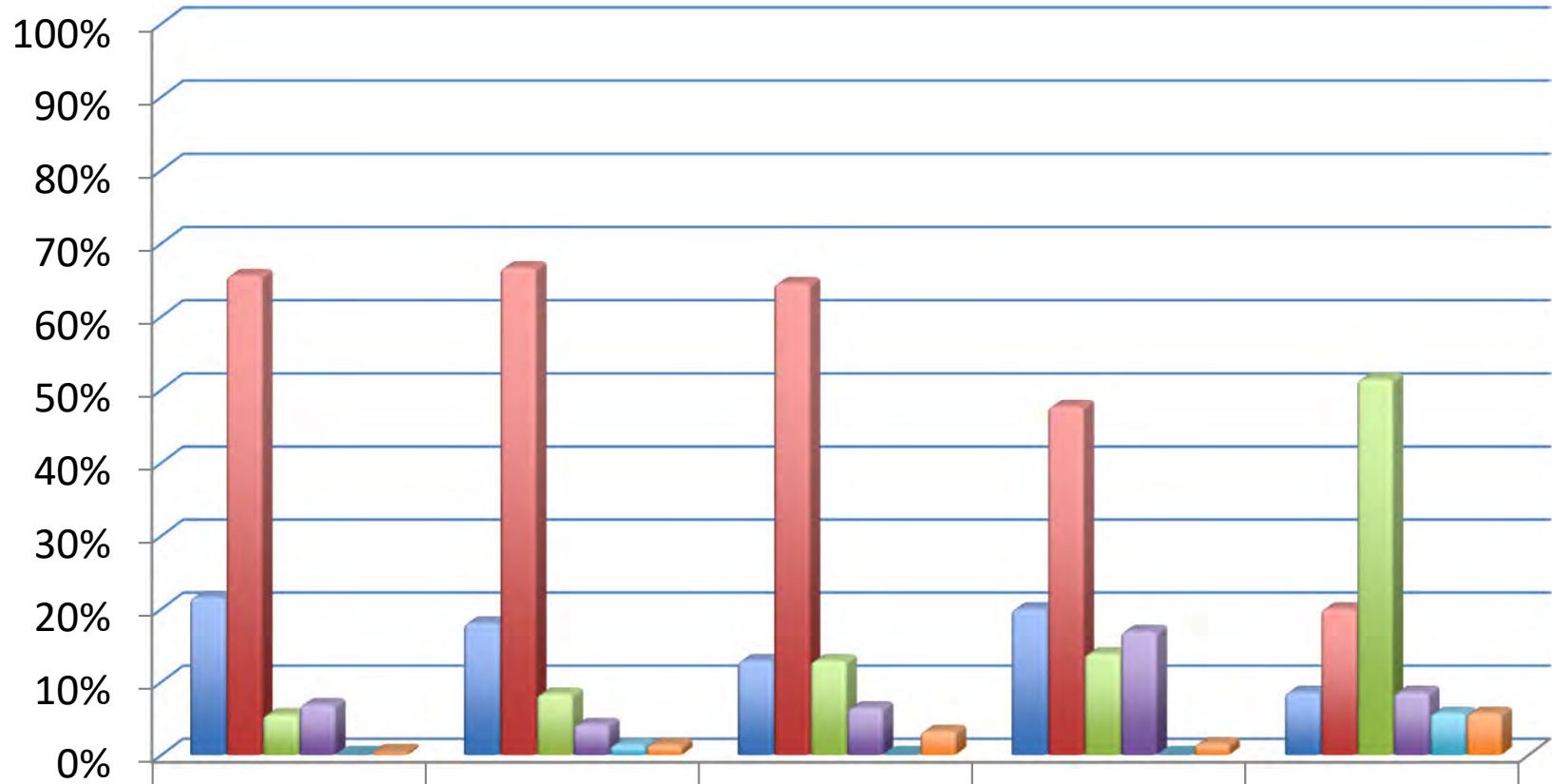
# Median SDE Multiple Paid



# Median EBITDA Multiple Paid

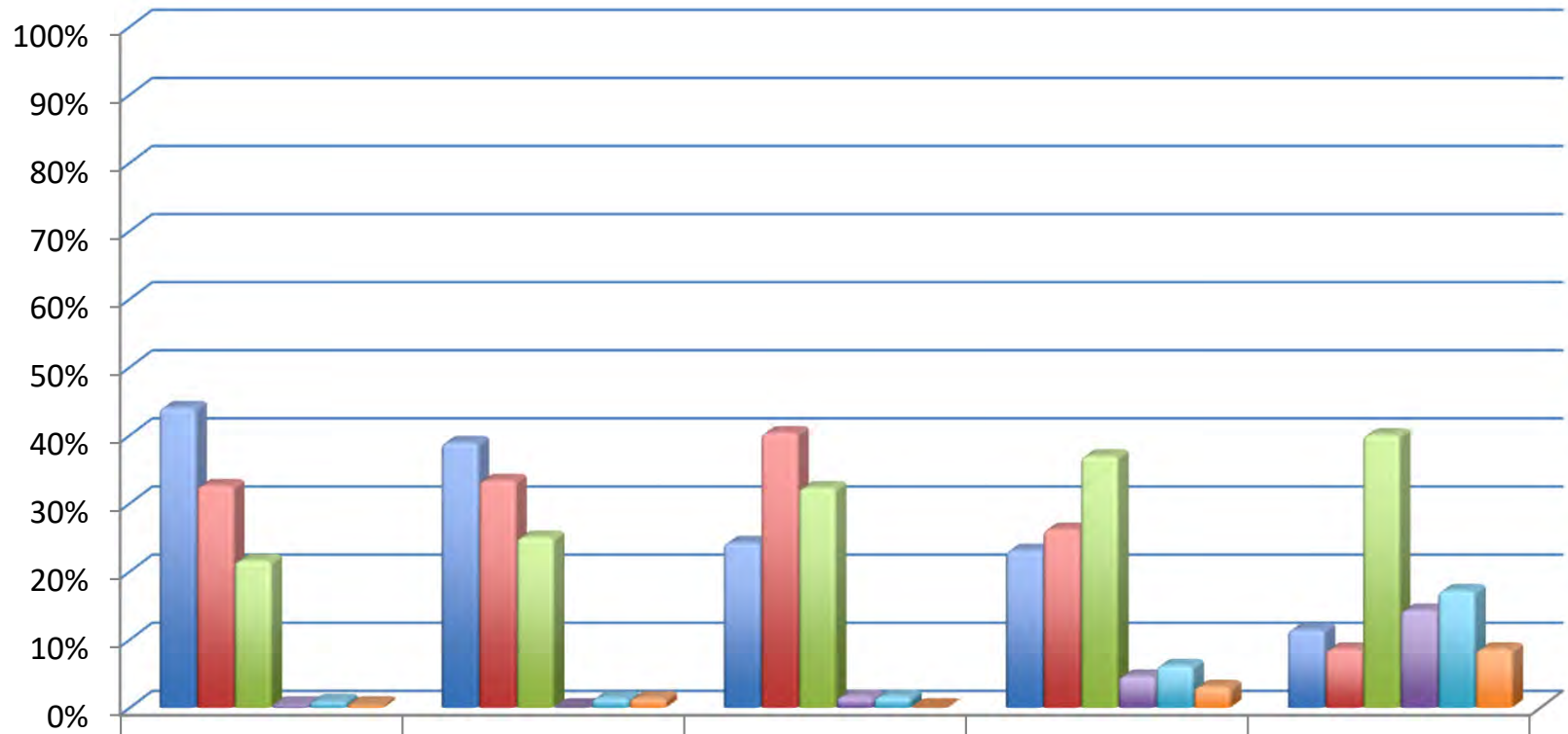


# Multiple Type



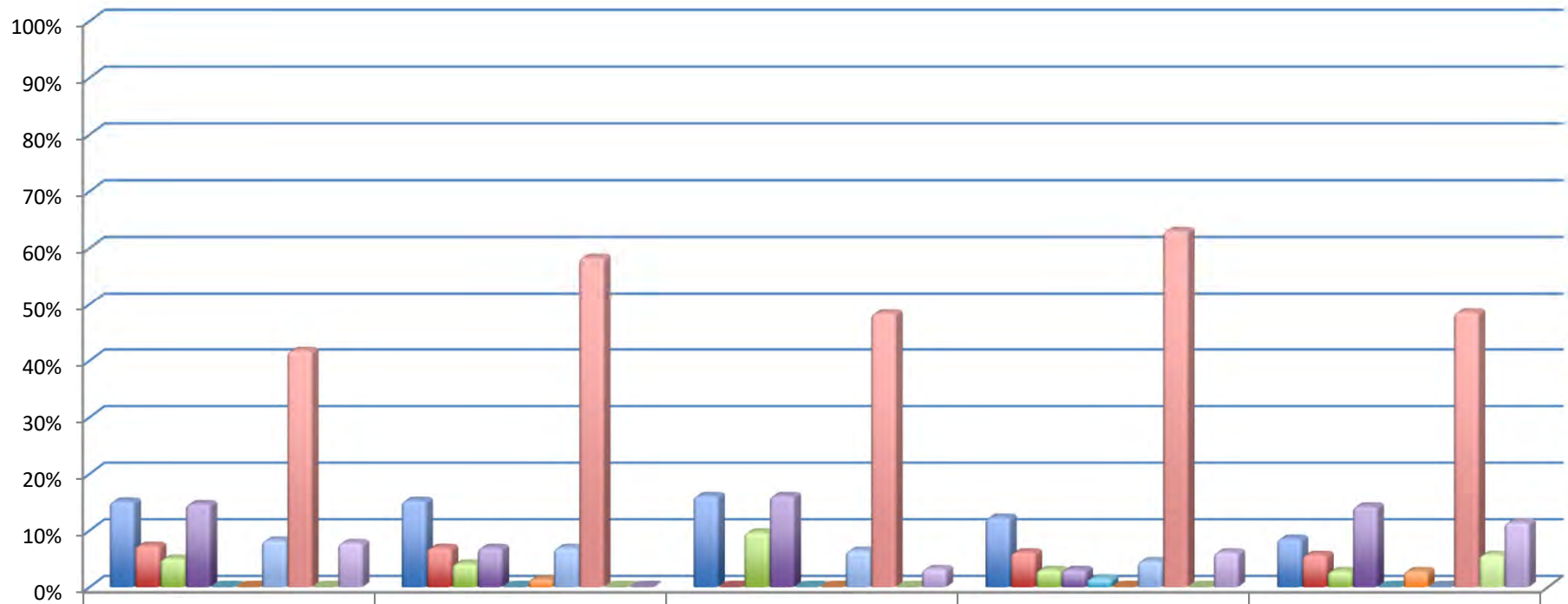
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ SDE including working capital	22%	18%	13%	20%	9%
■ SDE not including working capital	66%	67%	65%	48%	20%
■ EBITDA including working capital	6%	8%	13%	14%	51%
■ EBITDA not including working capital	7%	4%	6%	17%	9%
■ TTM EBITDA including working capital	0%	1%	0%	0%	6%
■ TTM EBITDA not including working capital	0%	1%	3%	2%	6%

# Buyer Type



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
1st time individual	44%	39%	24%	23%	11%
individual who owned a business	33%	33%	40%	26%	9%
existing company/strategic buyer	22%	25%	32%	37%	40%
PE firm - Platform	0%	0%	2%	5%	14%
PE firm - Add-on	1%	1%	2%	6%	17%
Other	0%	1%	0%	3%	9%

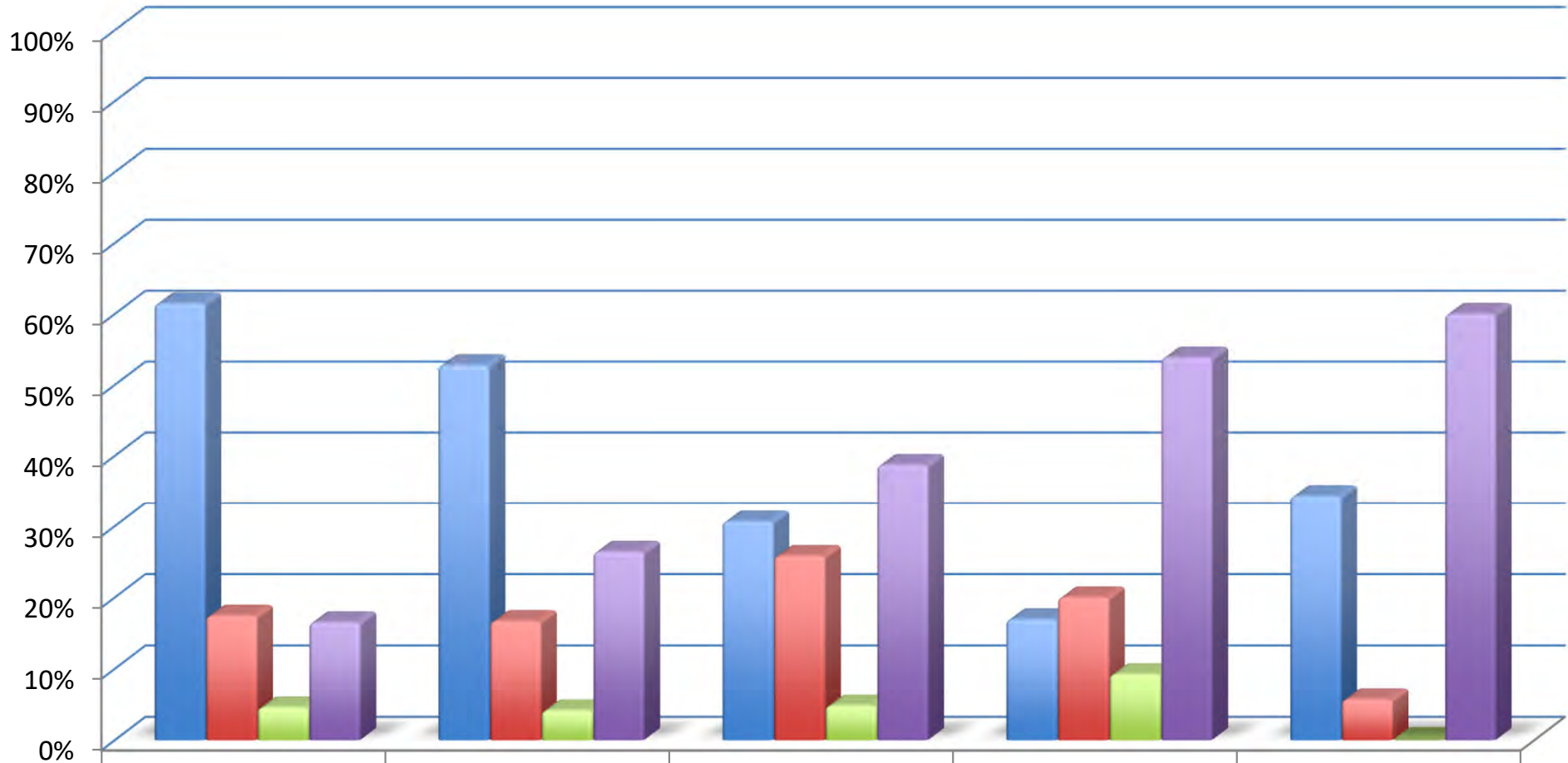
# #1 Reason for Seller to Go to Market



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Burnt out	15%	15%	16%	12%	9%
Family issues	7%	7%	0%	6%	6%
Health	5%	4%	10%	3%	3%
New/ better opportunity	15%	7%	16%	3%	14%
Potential taxes increases	0%	0%	0%	2%	0%
Recapitalization	0%	1%	0%	0%	3%
Relocation/ moving	8%	7%	6%	5%	0%
Retirement	42%	58%	48%	63%	49%
Unsolicited offer	0%	0%	0%	0%	6%
Other	8%	0%	3%	6%	11%

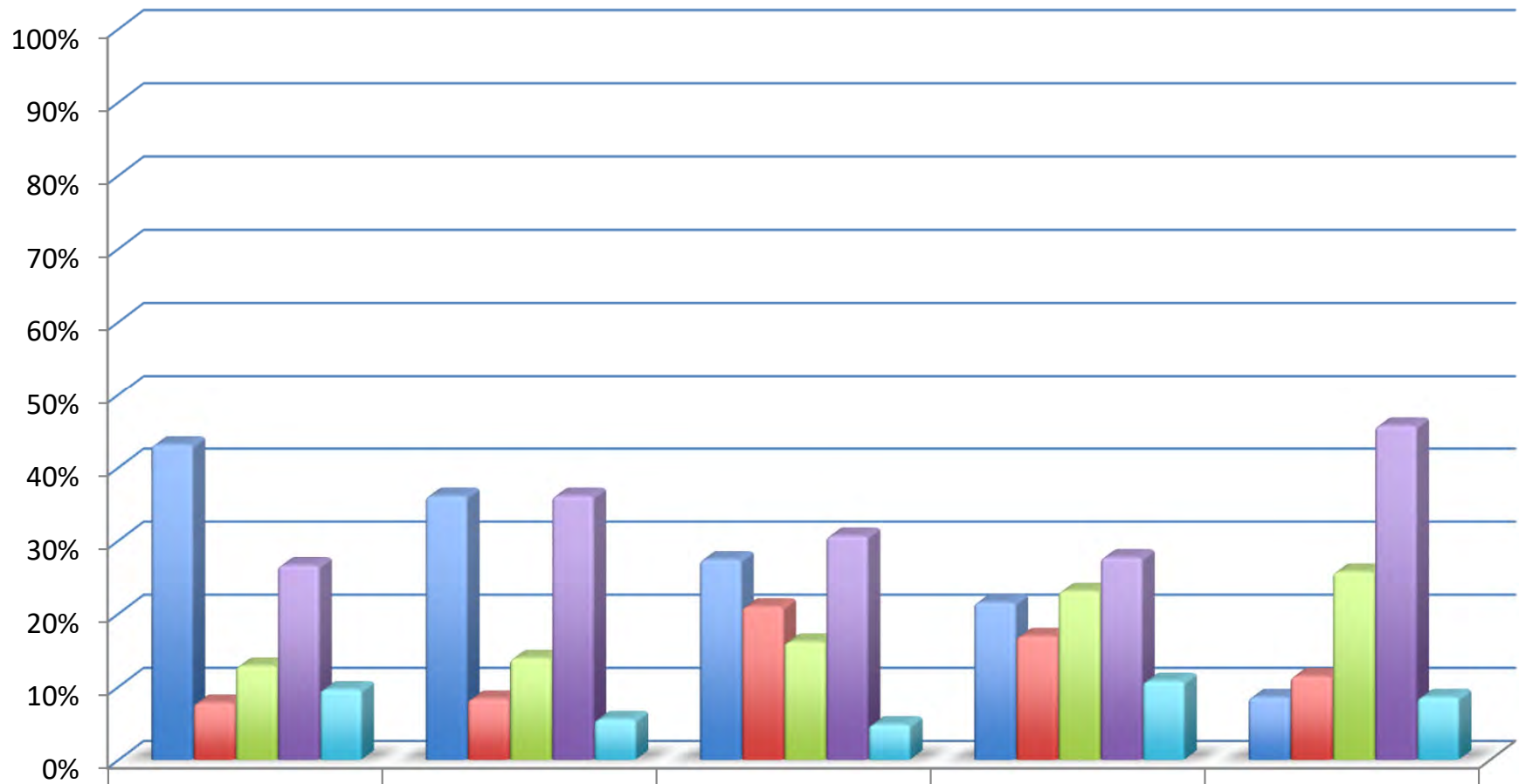


# Buyer Location



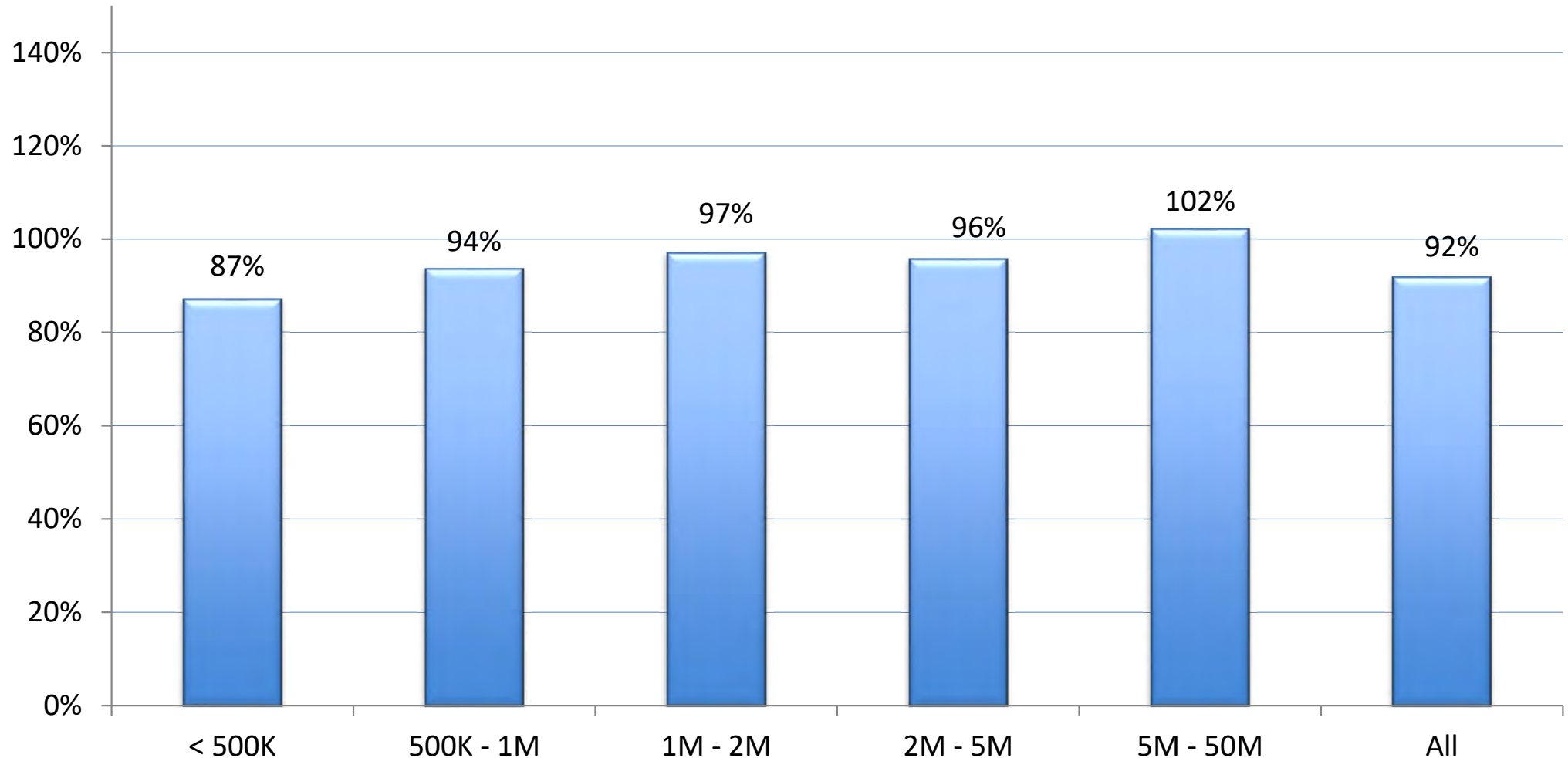
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ within 20 miles	61%	53%	31%	17%	34%
■ within 50 miles	17%	17%	26%	20%	6%
■ within 100 miles	5%	4%	5%	9%	0%
■ more than 100 miles	17%	26%	39%	54%	60%

# #1 Motivation for Buyer

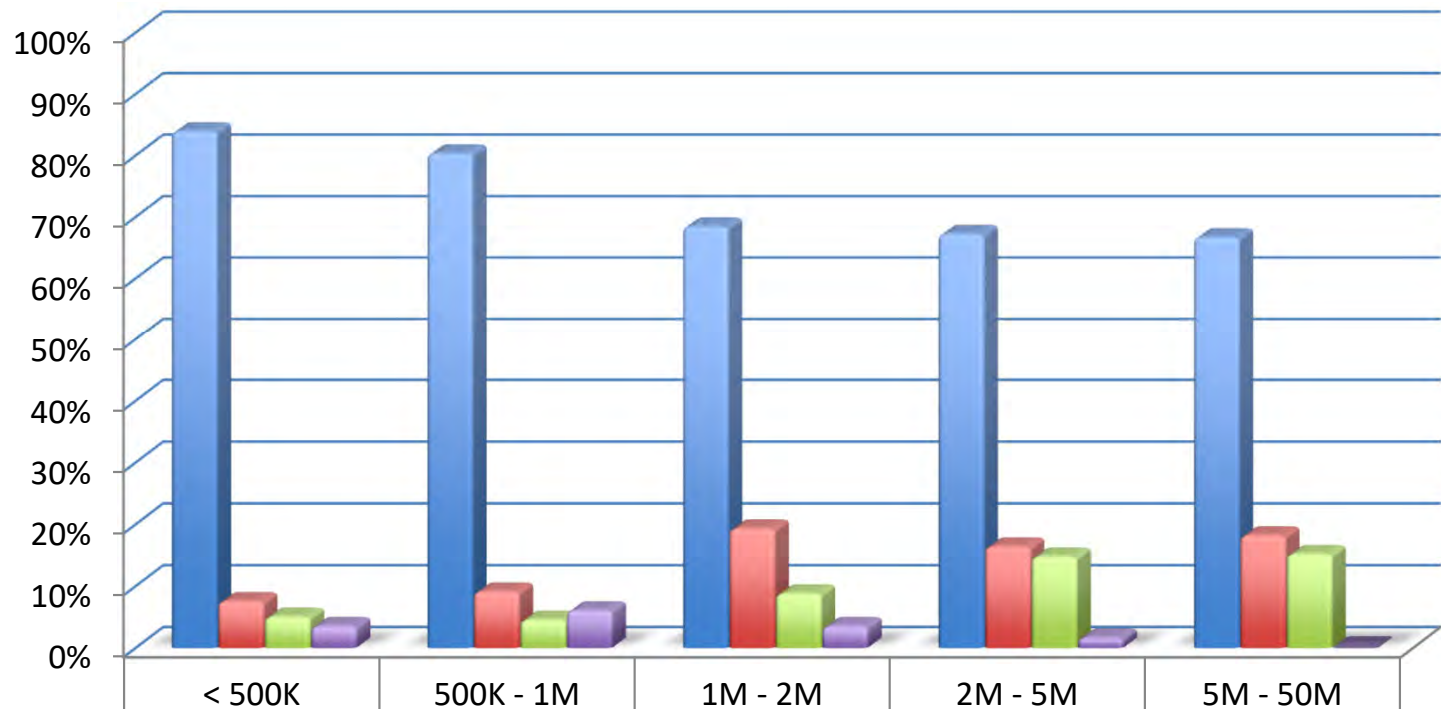


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Buying a job	43%	36%	27%	22%	9%
Better ROI than other investment	8%	8%	21%	17%	11%
Vertical add-on	13%	14%	16%	23%	26%
Horizontal add-on	27%	36%	31%	28%	46%
Other	10%	6%	5%	11%	9%

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

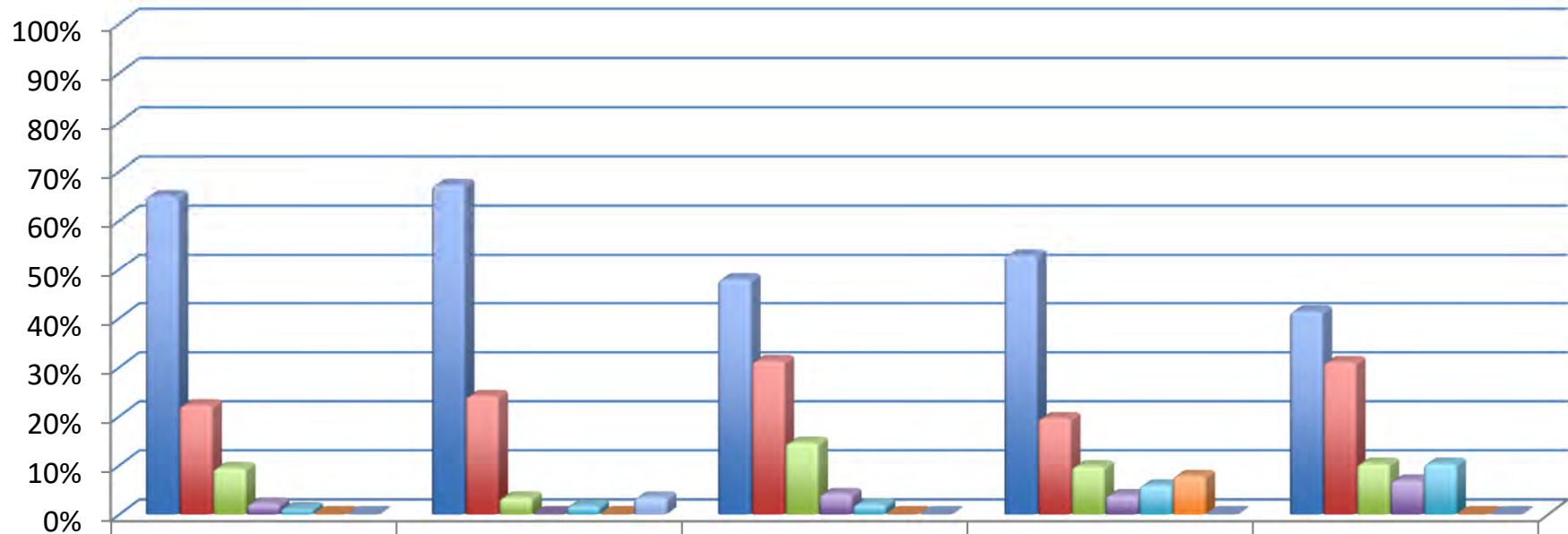


# Exit Planning



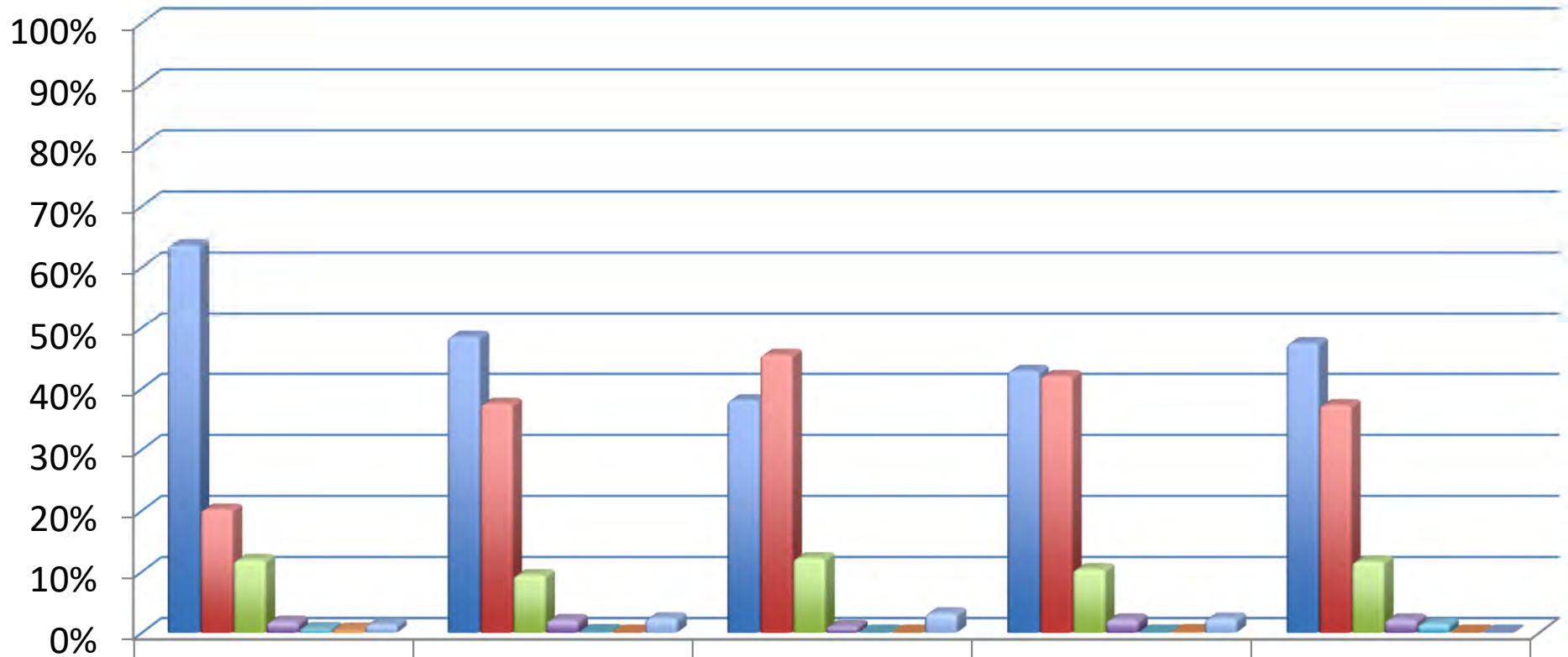
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
None - no formal planning prior to engagement to sell	84%	80%	68%	67%	67%
Met with an advisor (Wealth, CPA, Attorney) INCLUDING Broker for retirement needs prior to engaging broker	8%	9%	19%	16%	18%
Met with an advisor (Wealth, CPA, Attorney) for retirement needs prior to engaging broker (EXCLUDED Broker)	5%	5%	9%	15%	15%
N/A Represented Buyer	4%	6%	4%	2%	0%

# Amount Of Exit Planning Prior To Marketing Business



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ none	65%	67%	48%	53%	41%
■ less than 1 year	22%	24%	31%	20%	31%
■ between 1 and 2 years	9%	3%	15%	10%	10%
■ between 2 and 3 years	2%	0%	4%	4%	7%
■ between 3 and 5 years	1%	2%	2%	6%	10%
■ greater than 5 years	0%	0%	0%	8%	0%
■ N/A represented buyer	0%	3%	0%	0%	0%

# Financing Structure

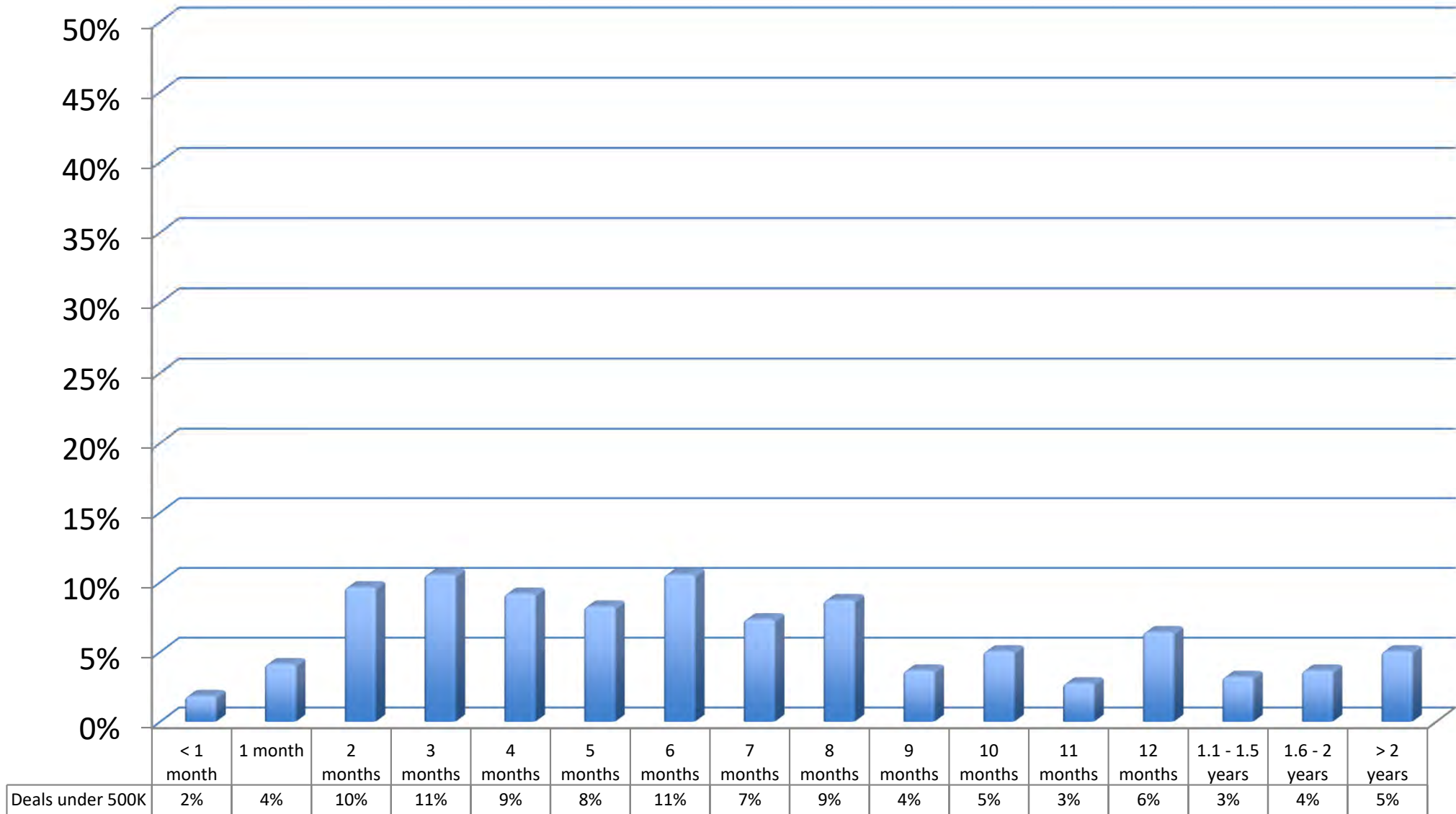


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Buyers equity	64%	48%	38%	43%	47%
Senior debt	20%	38%	46%	42%	37%
Seller financing	12%	9%	12%	10%	12%
Earn out	2%	2%	1%	2%	2%
Seller retained equity	1%	0%	0%	0%	1%
Mezzanine financing	0%	0%	0%	0%	0%
Other	1%	2%	3%	2%	0%

# Business Transactions Valued under \$499,999

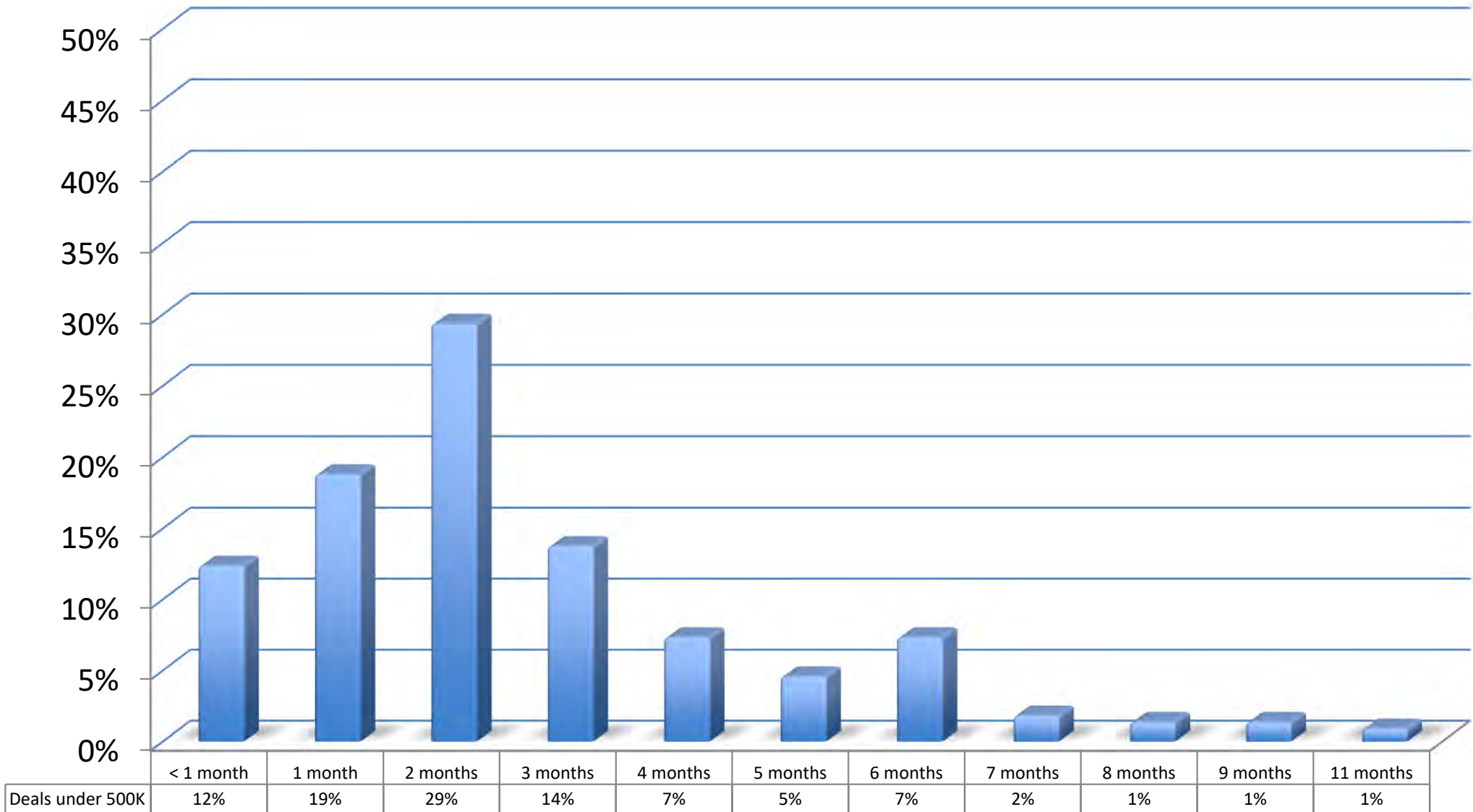
Number of Closed Transactions: 218

# Engagement/Listing to Close

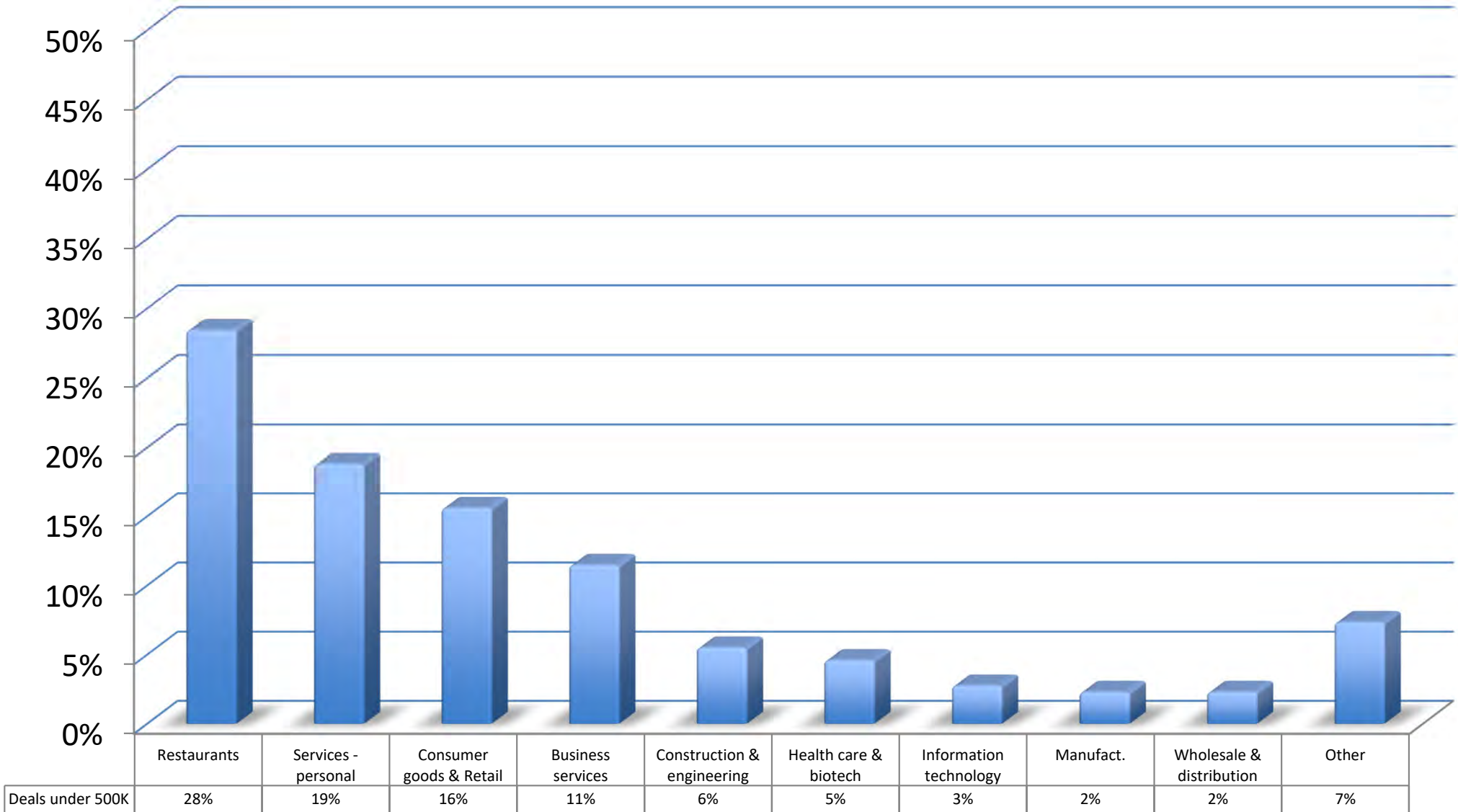




# LOI/ Offer to Close



# Industry



Deals under 500K

Restaurants

Services -  
personal

Consumer  
goods & Retail

Business  
services

Construction &  
engineering

Health care &  
biotech

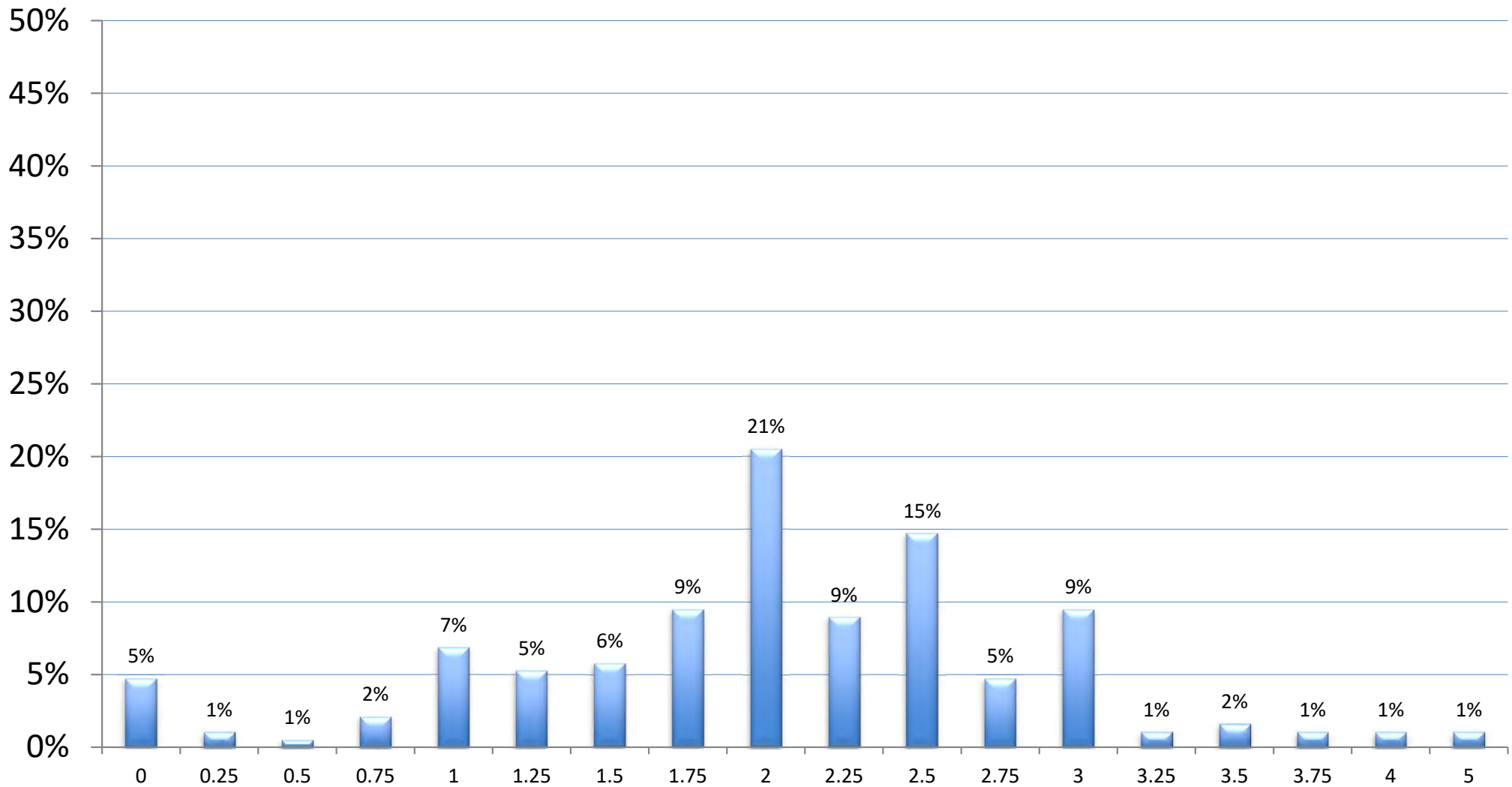
Information  
technology

Manufact.

Wholesale &  
distribution

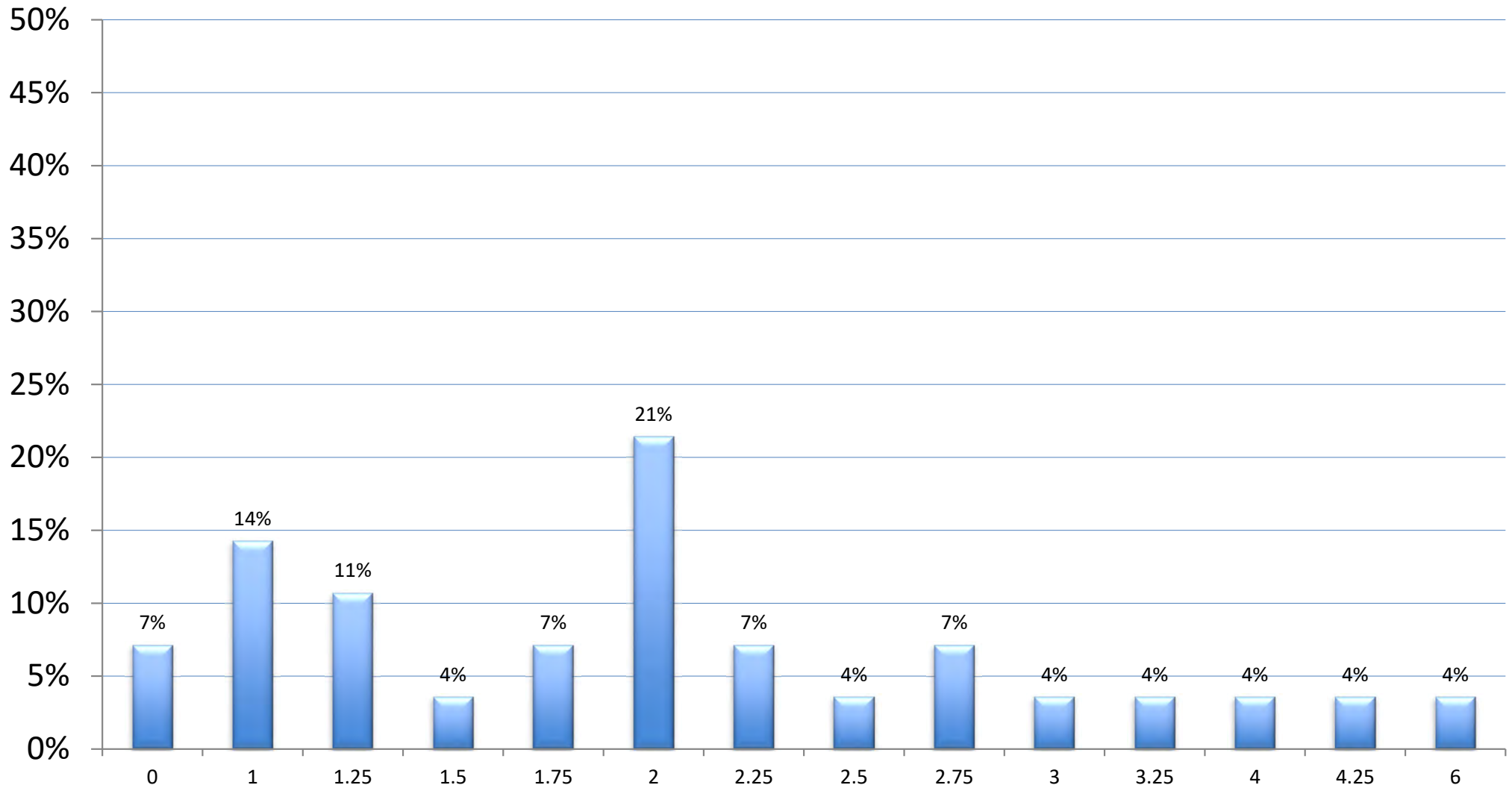
Other

# SDE Multiple Paid



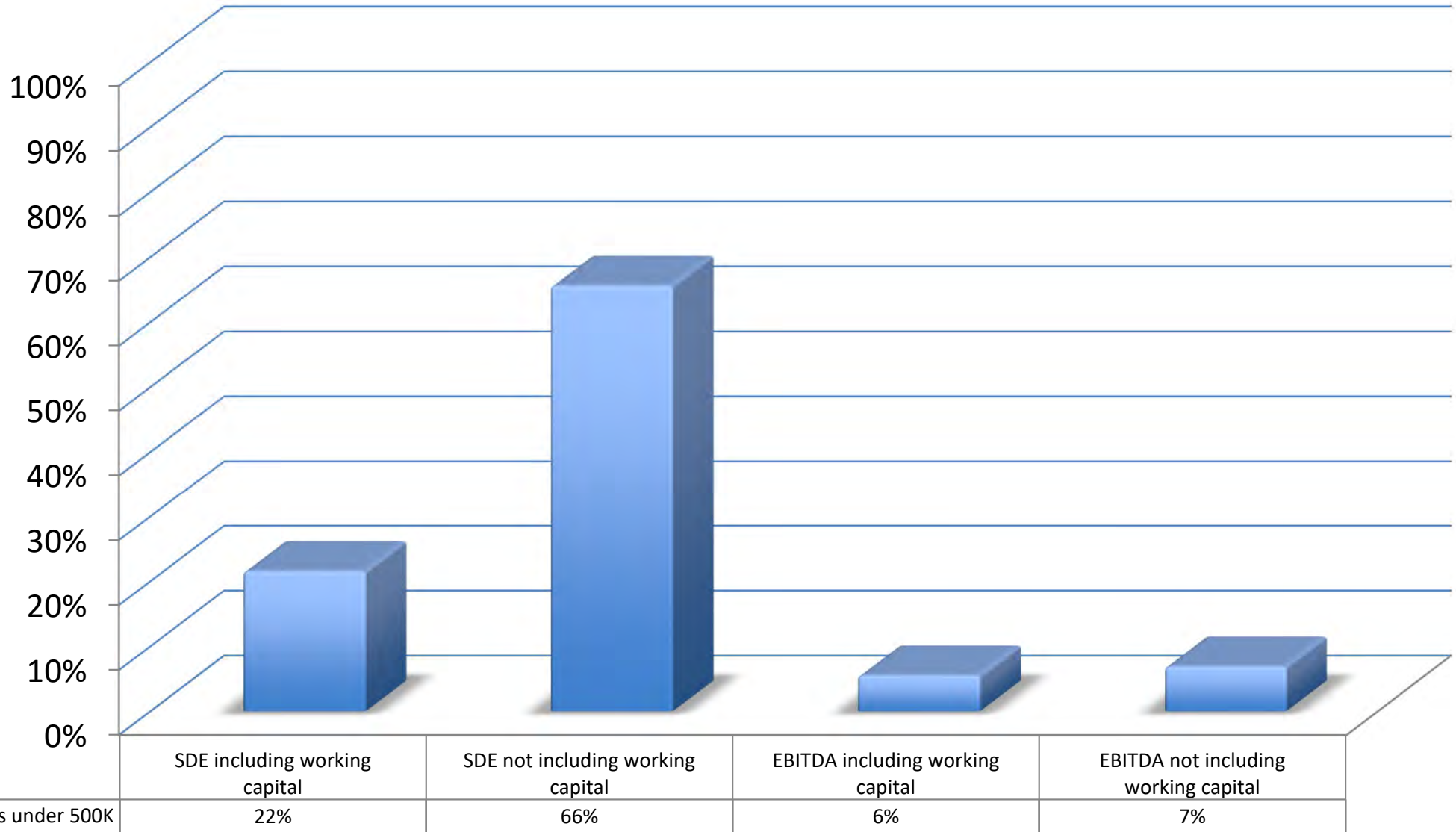
Number of responses: 190

# EBITDA Multiple Paid



Number of responses: 28

# Multiple Type



Deals under 500K

SDE including working capital

22%

SDE not including working capital

66%

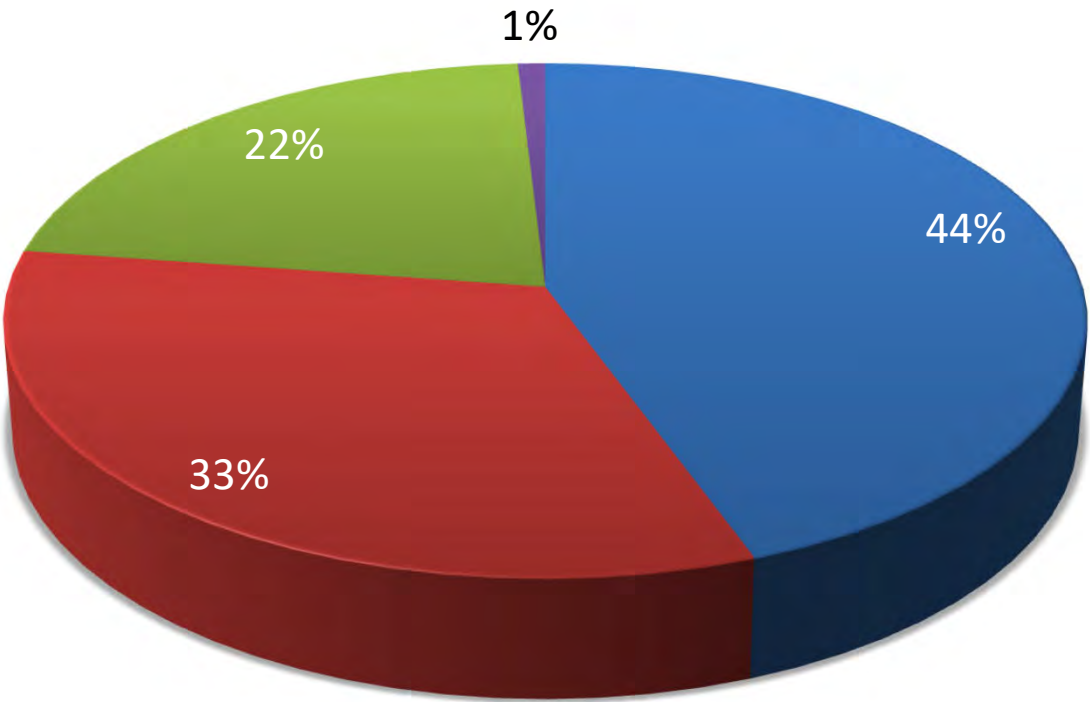
EBITDA including working capital

6%

EBITDA not including working capital

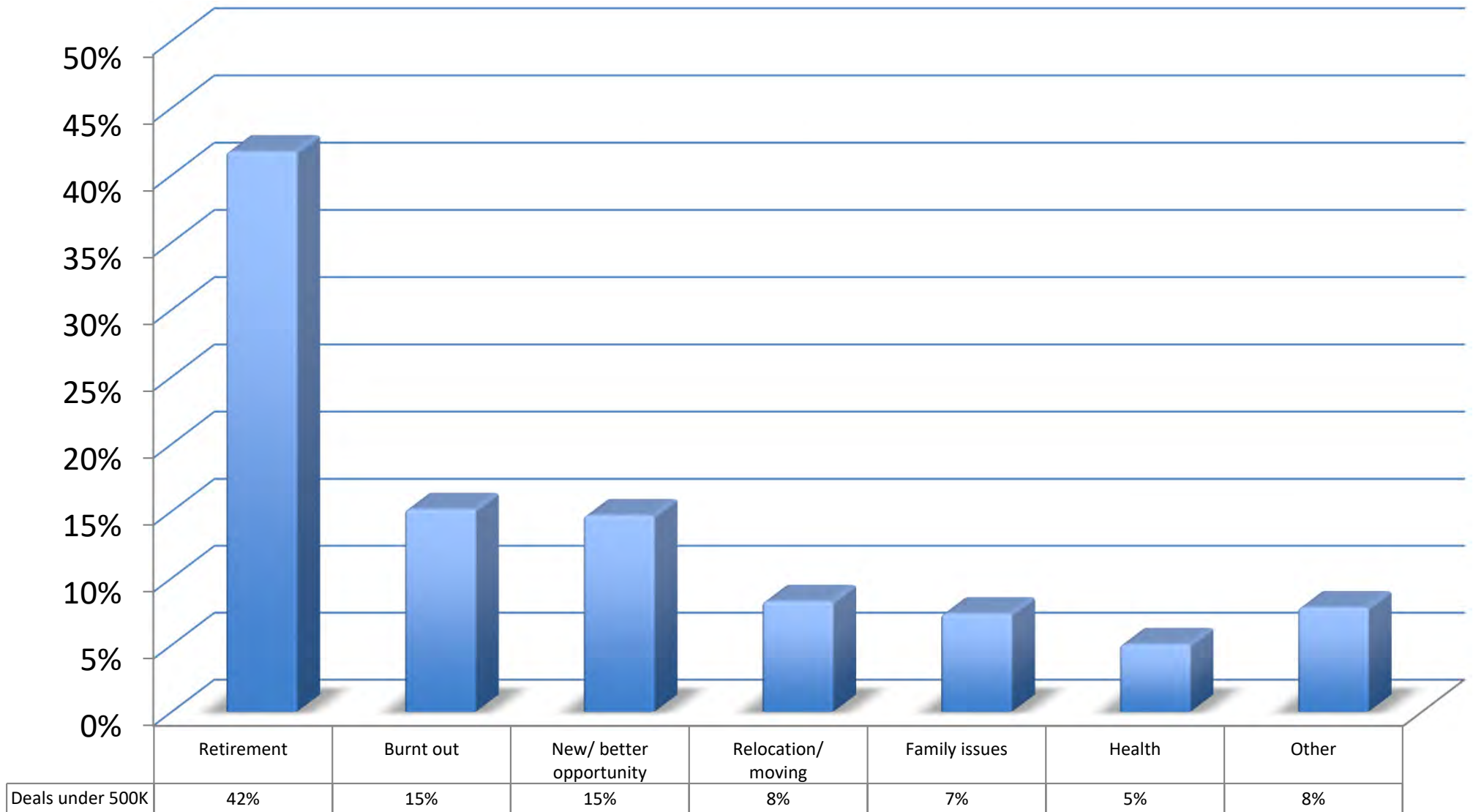
7%

# Buyer Type

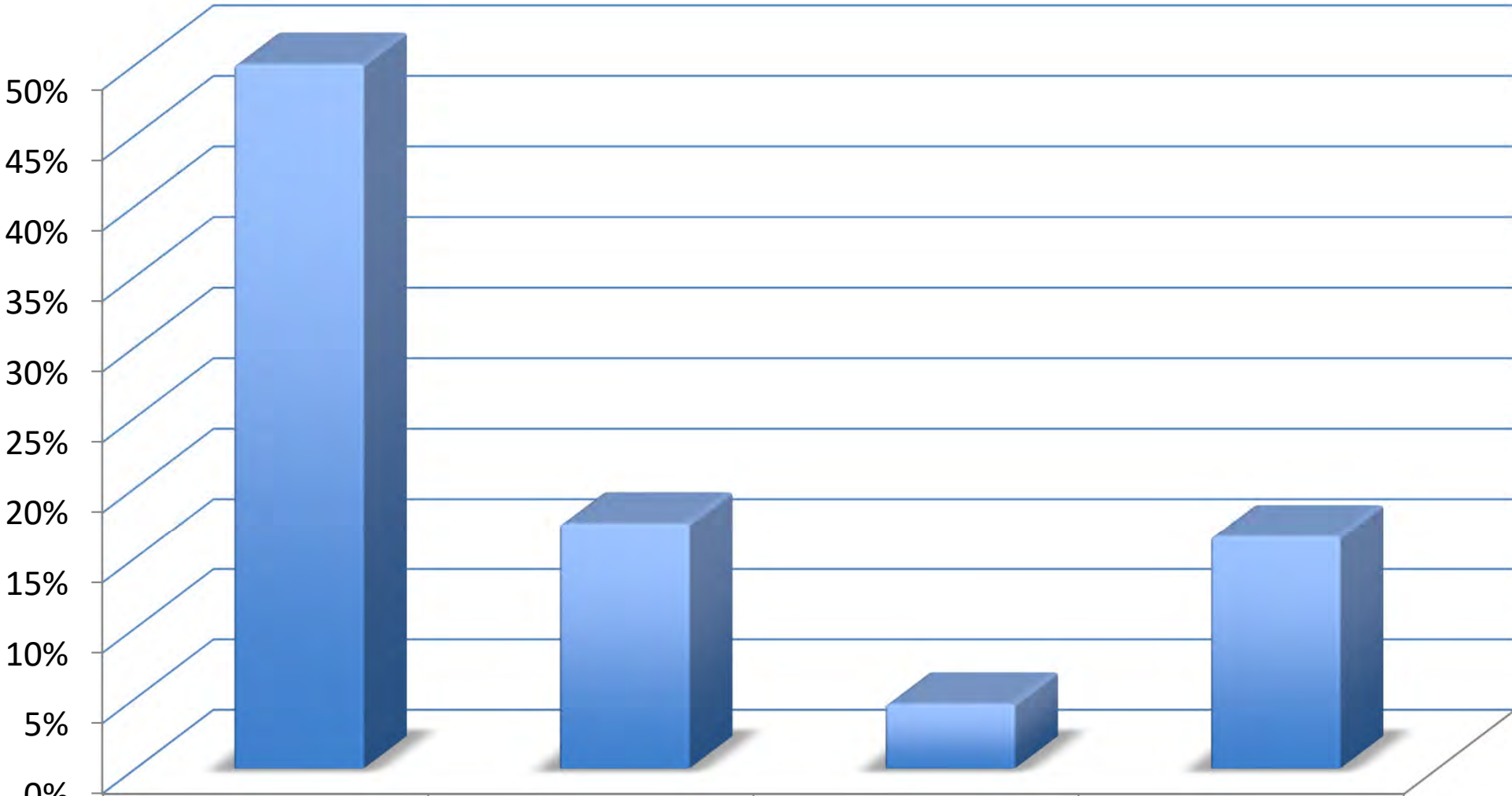


- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Add-on

# #1 Reason for Seller to Go to Market



# Buyer Location



Deals under 500K

within 20 miles

61%

within 50 miles

17%

within 100 miles

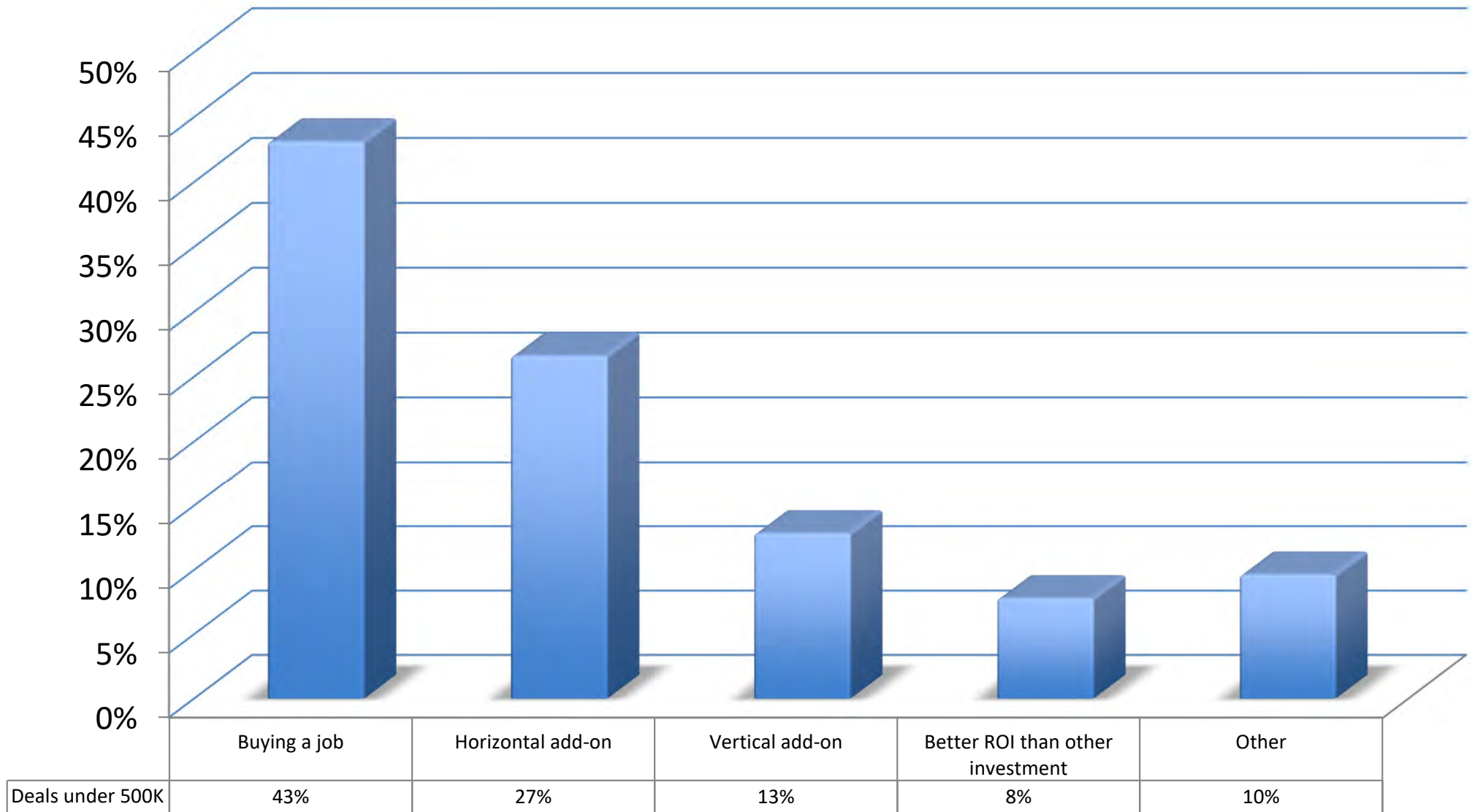
5%

more than 100 miles

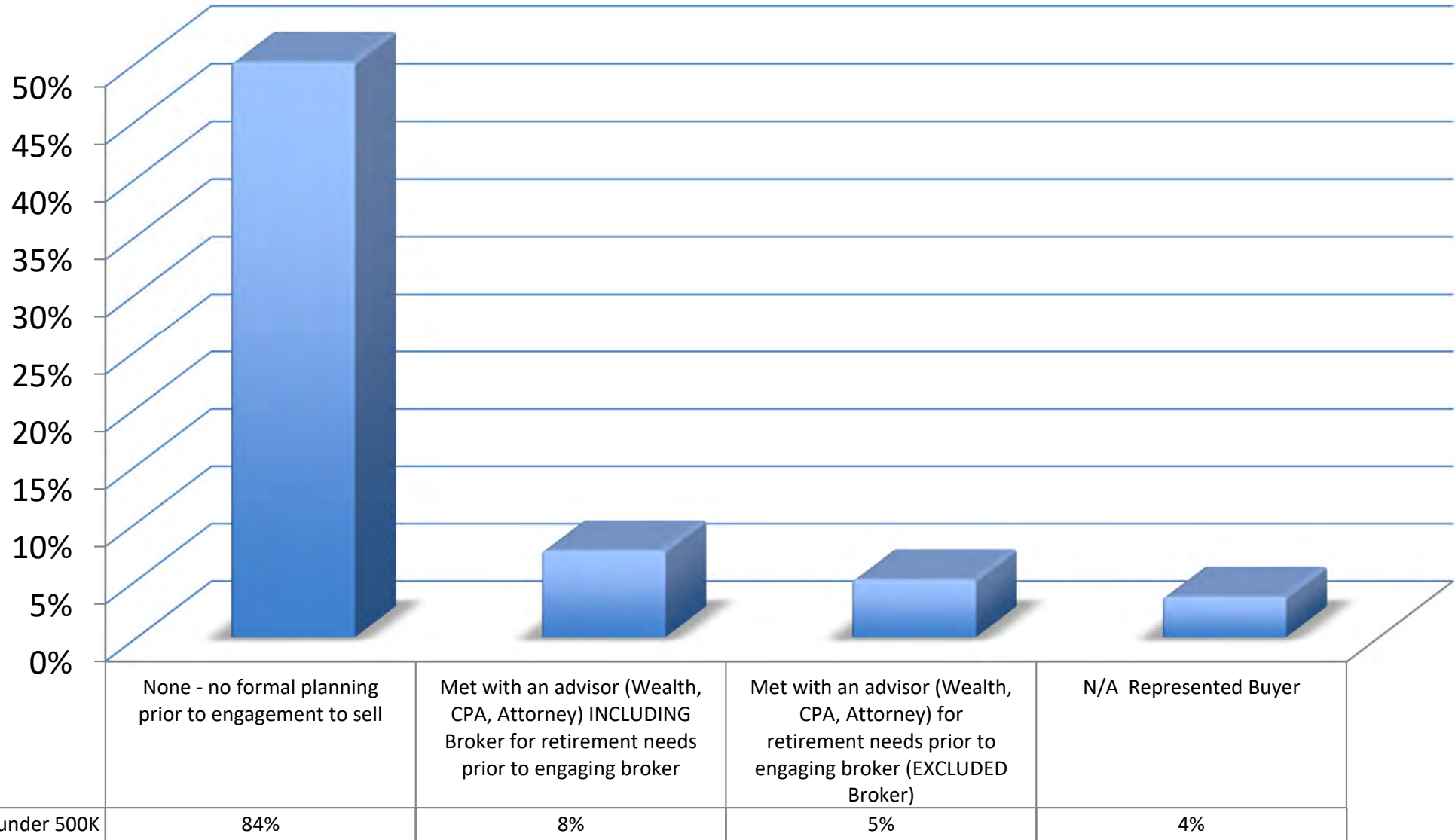
17%



# #1 Motivation for Buyer



# Exit Planning



Deals under 500K

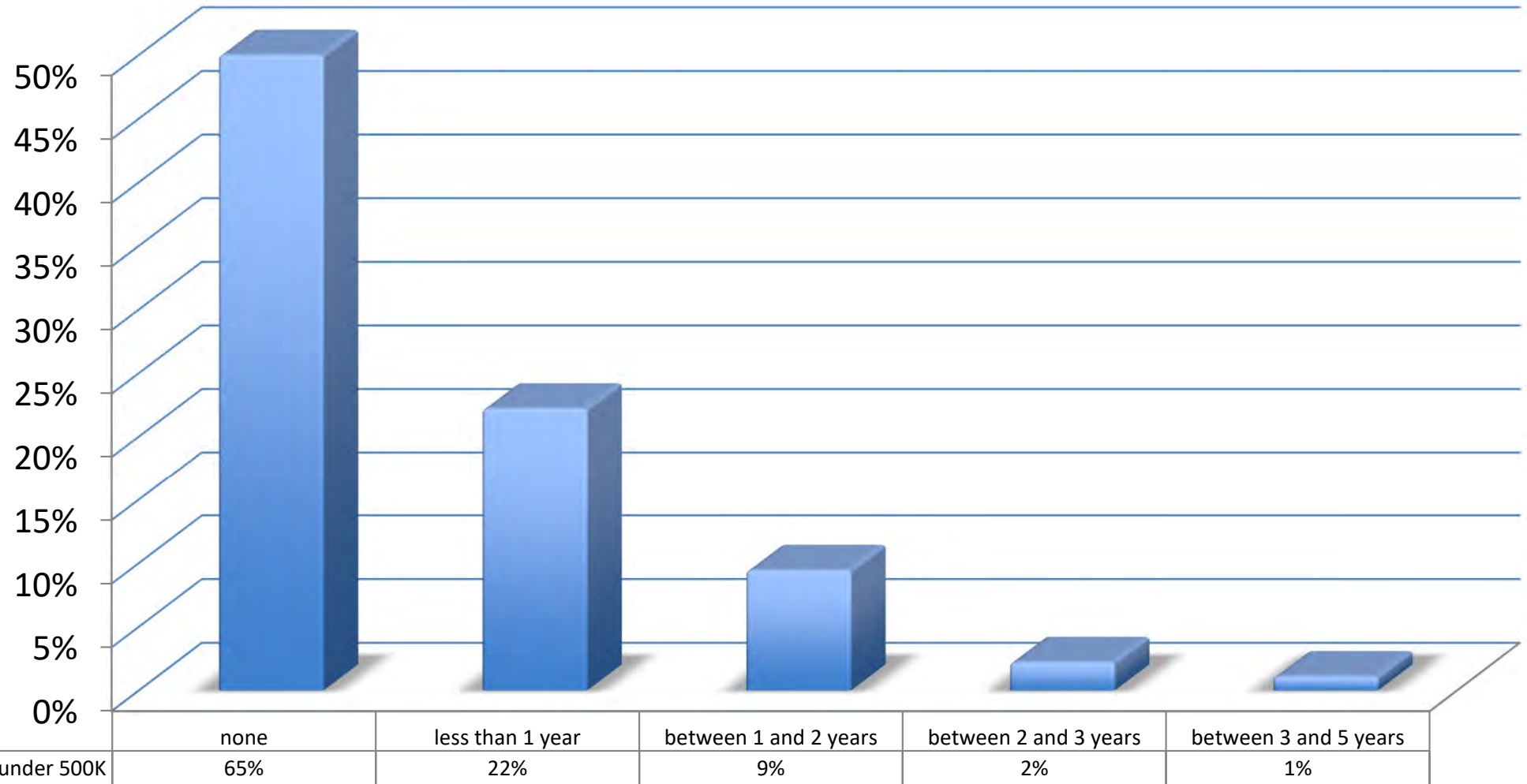
84%

8%

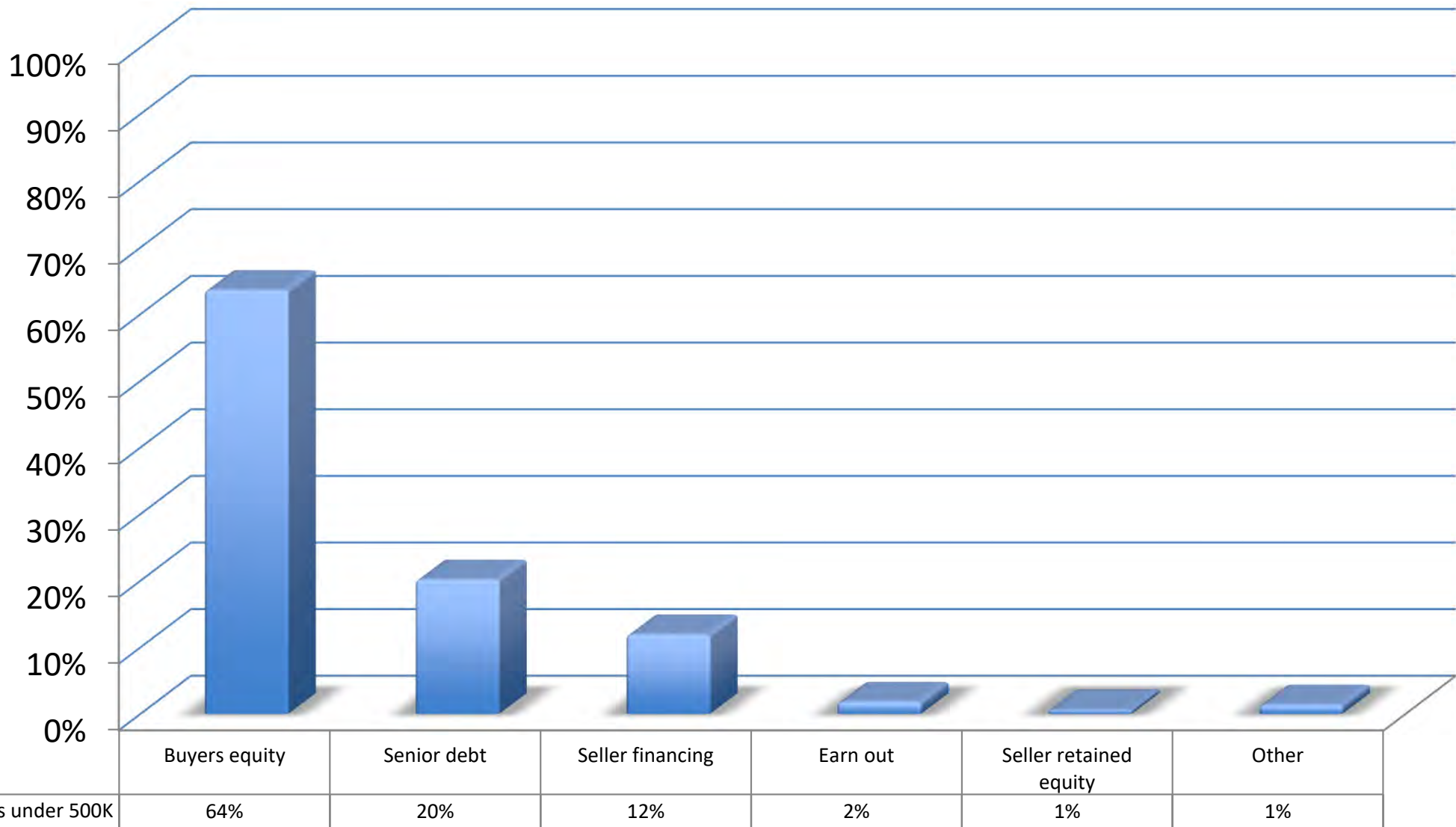
5%

4%

# Amount Of Exit Planning Prior To Marketing Business



# Financing Structure



Deals under 500K

64%

20%

12%

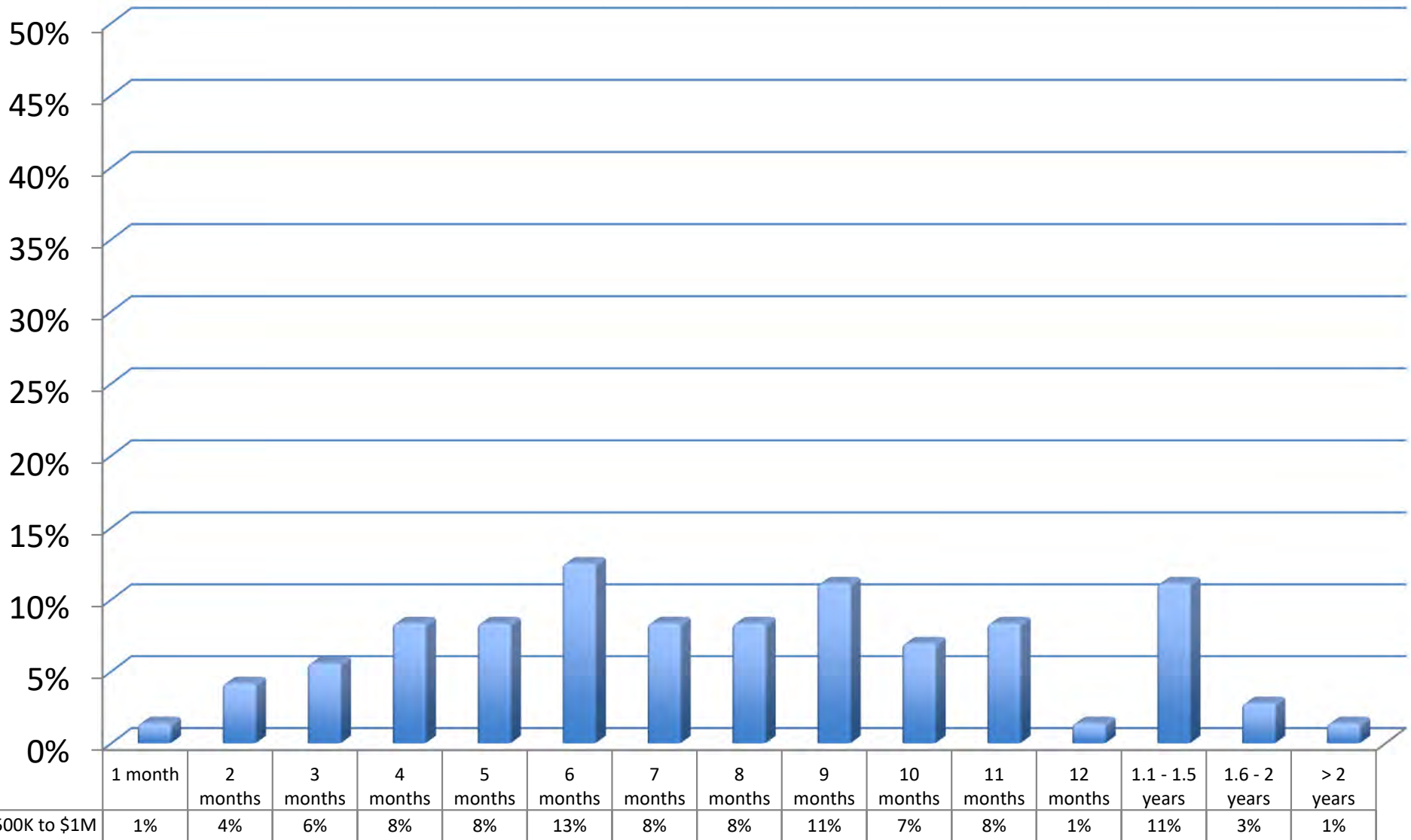
2%

1%

1%

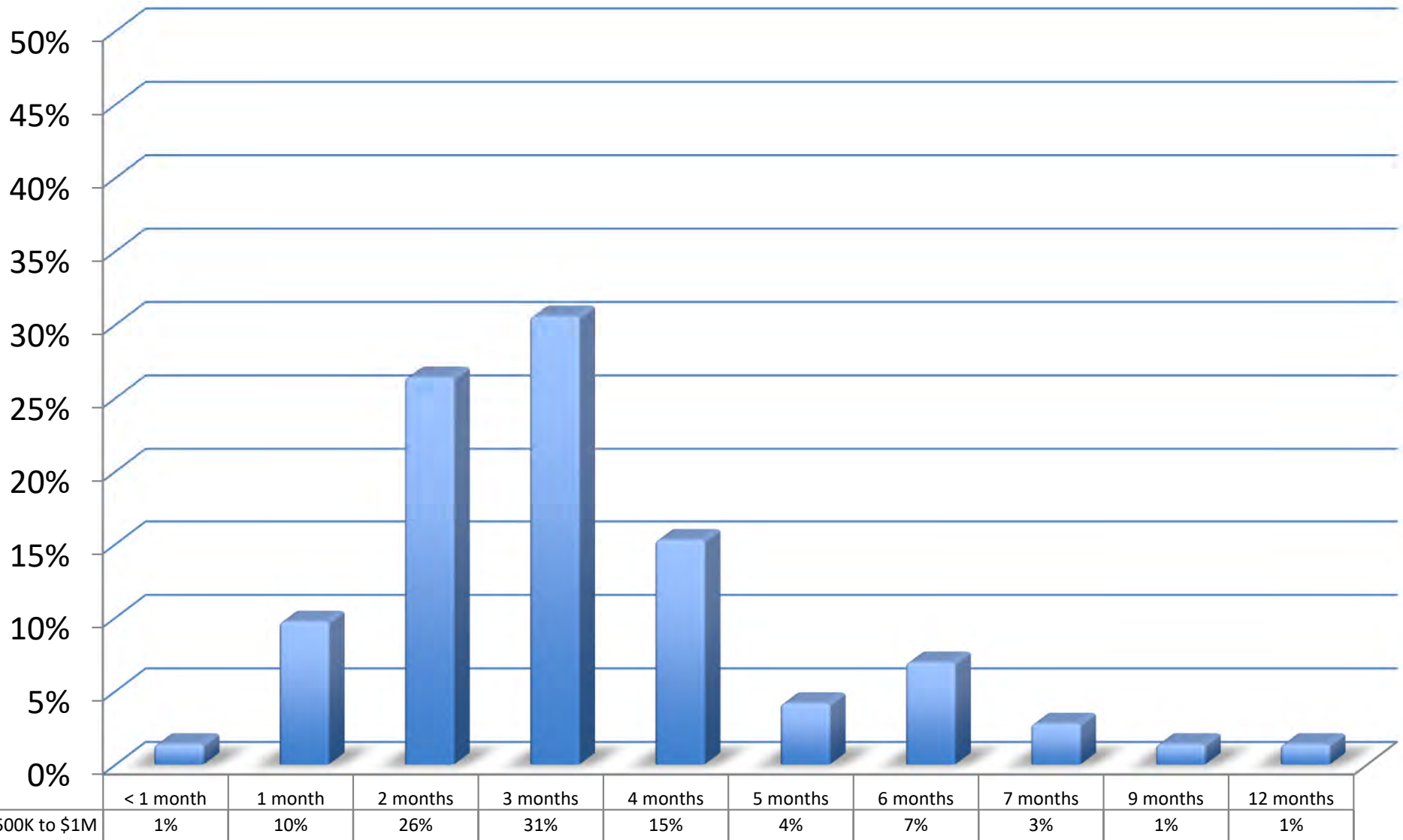
Business Transactions Valued  
from \$500,000 to \$999,999  
Number of Closed Transactions: 72

# Engagement/Listing to Close



Deals from \$500K to \$1M

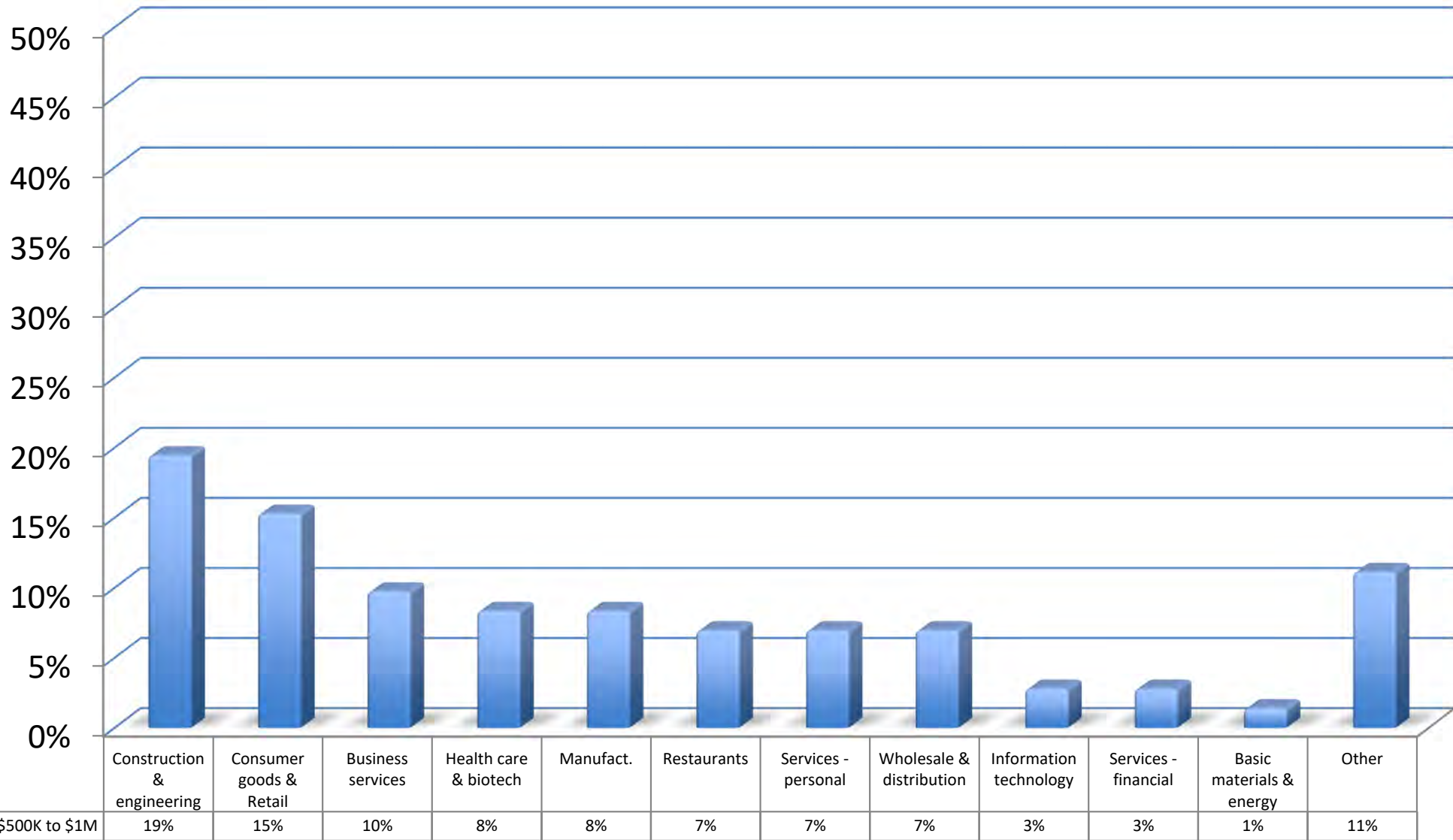
# LOI/ Offer to Close



Deals from \$500K to \$1M

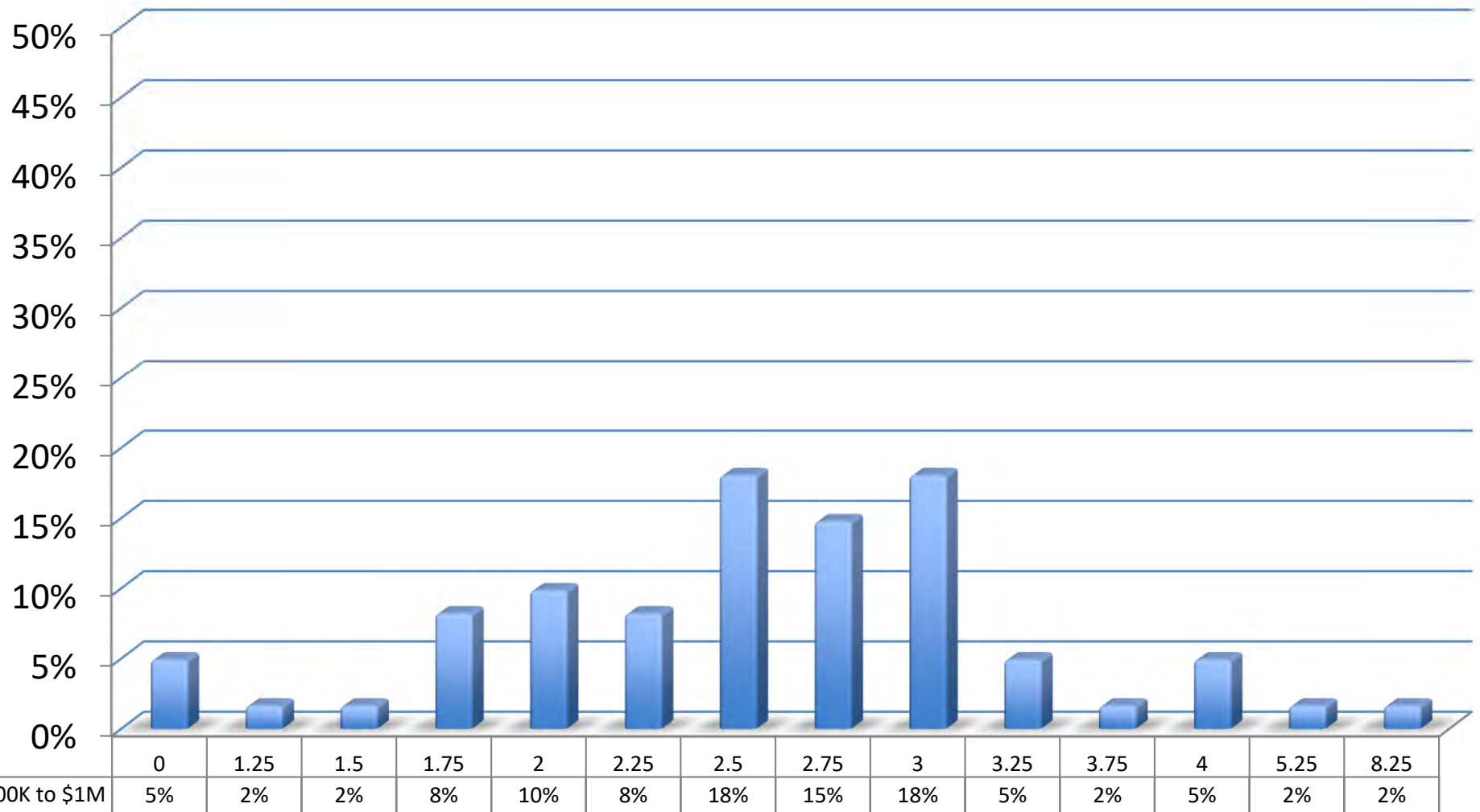
< 1 month	1 month	2 months	3 months	4 months	5 months	6 months	7 months	9 months	12 months
1%	10%	26%	31%	15%	4%	7%	3%	1%	1%

# Industry





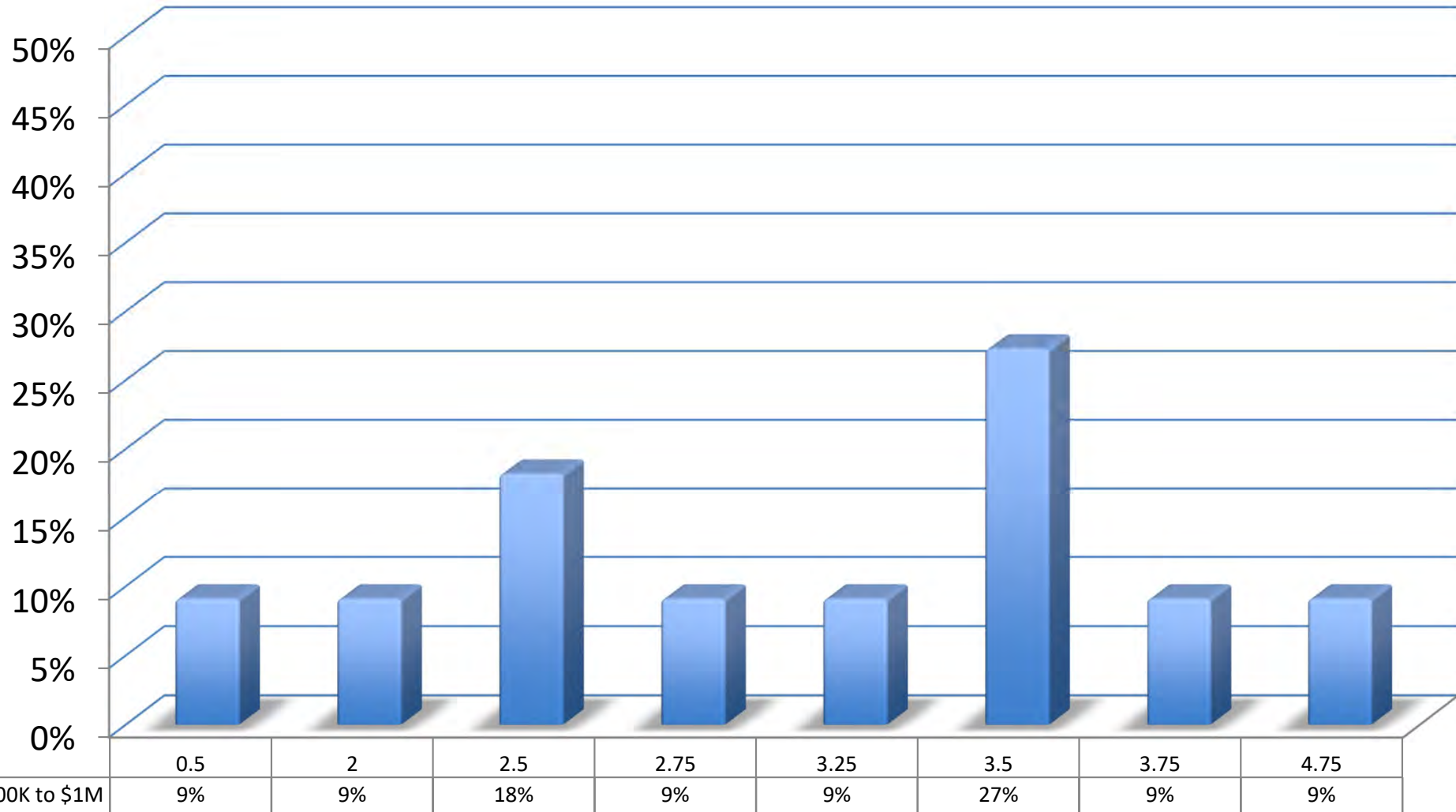
# SDE Multiple Paid



Deals from \$500K to \$1M

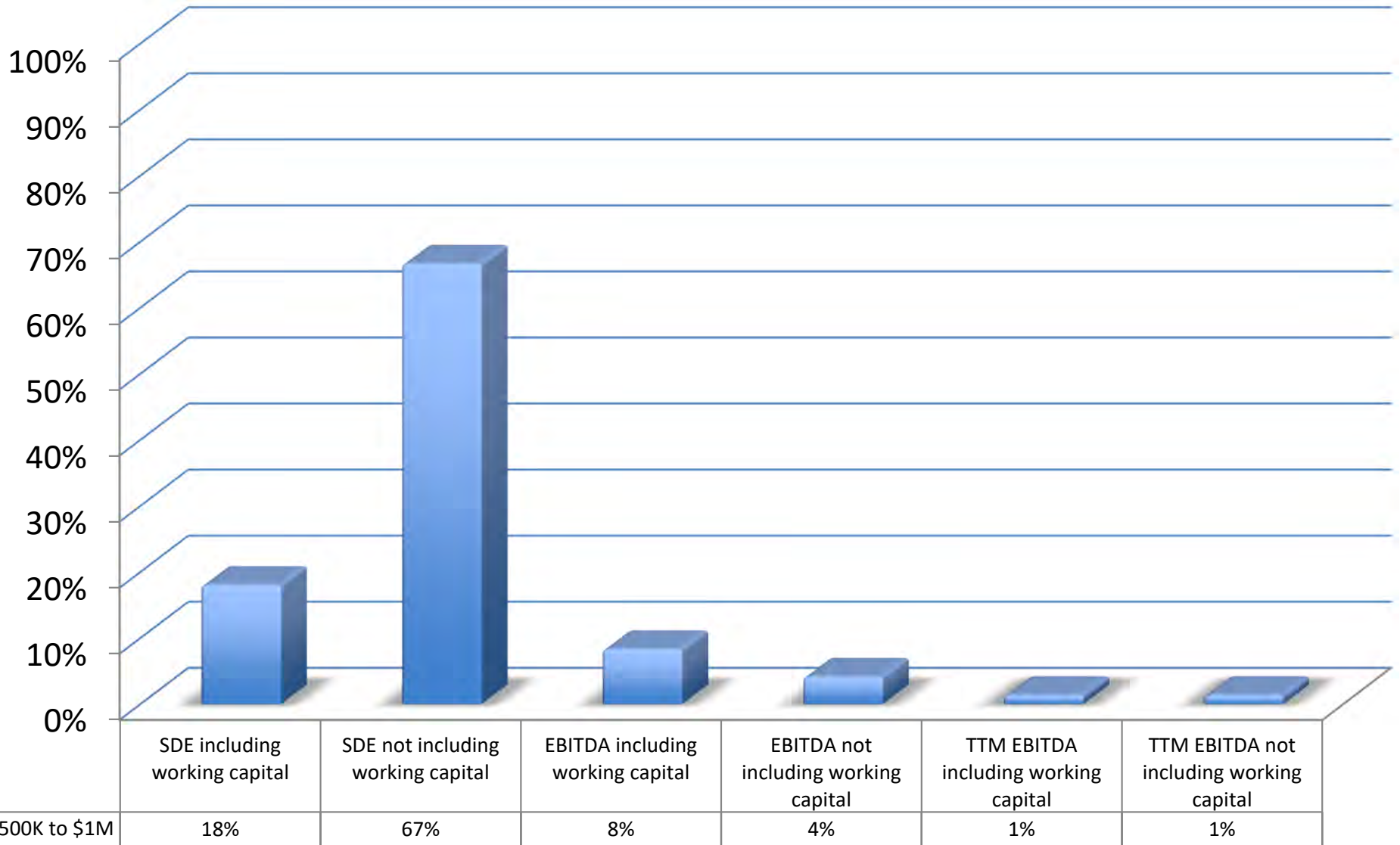
Number of responses: 61

# EBITDA Multiple Paid

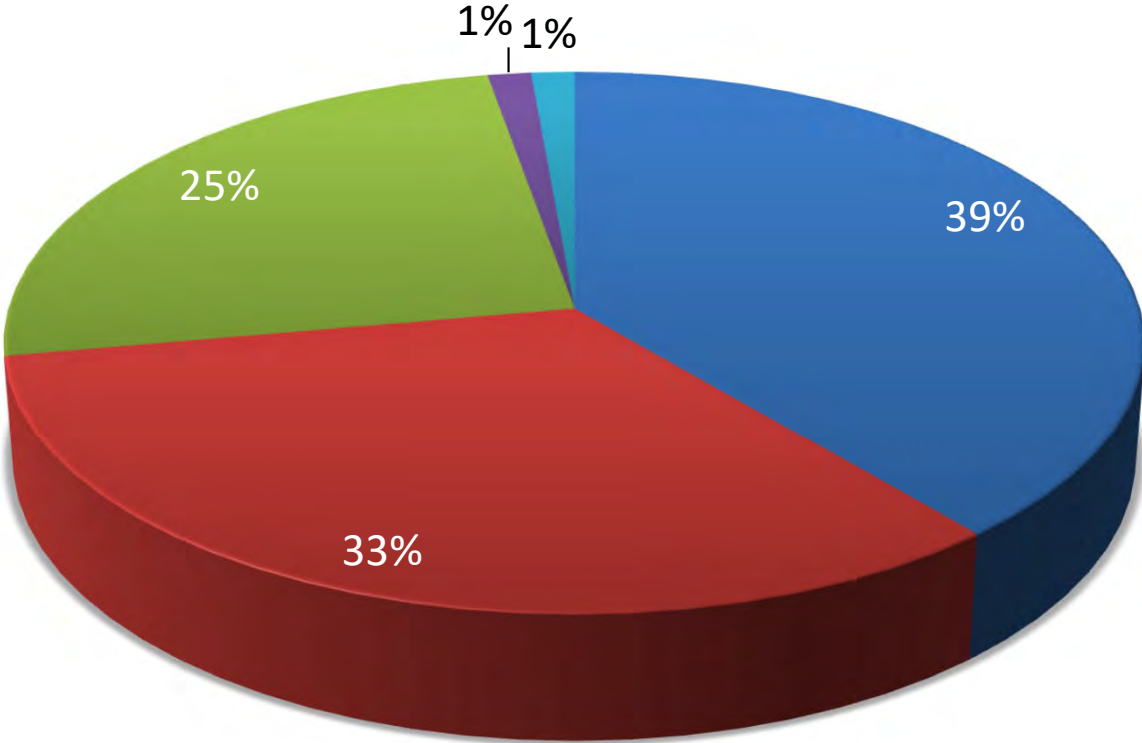


Number of responses: 11

# Multiple Type

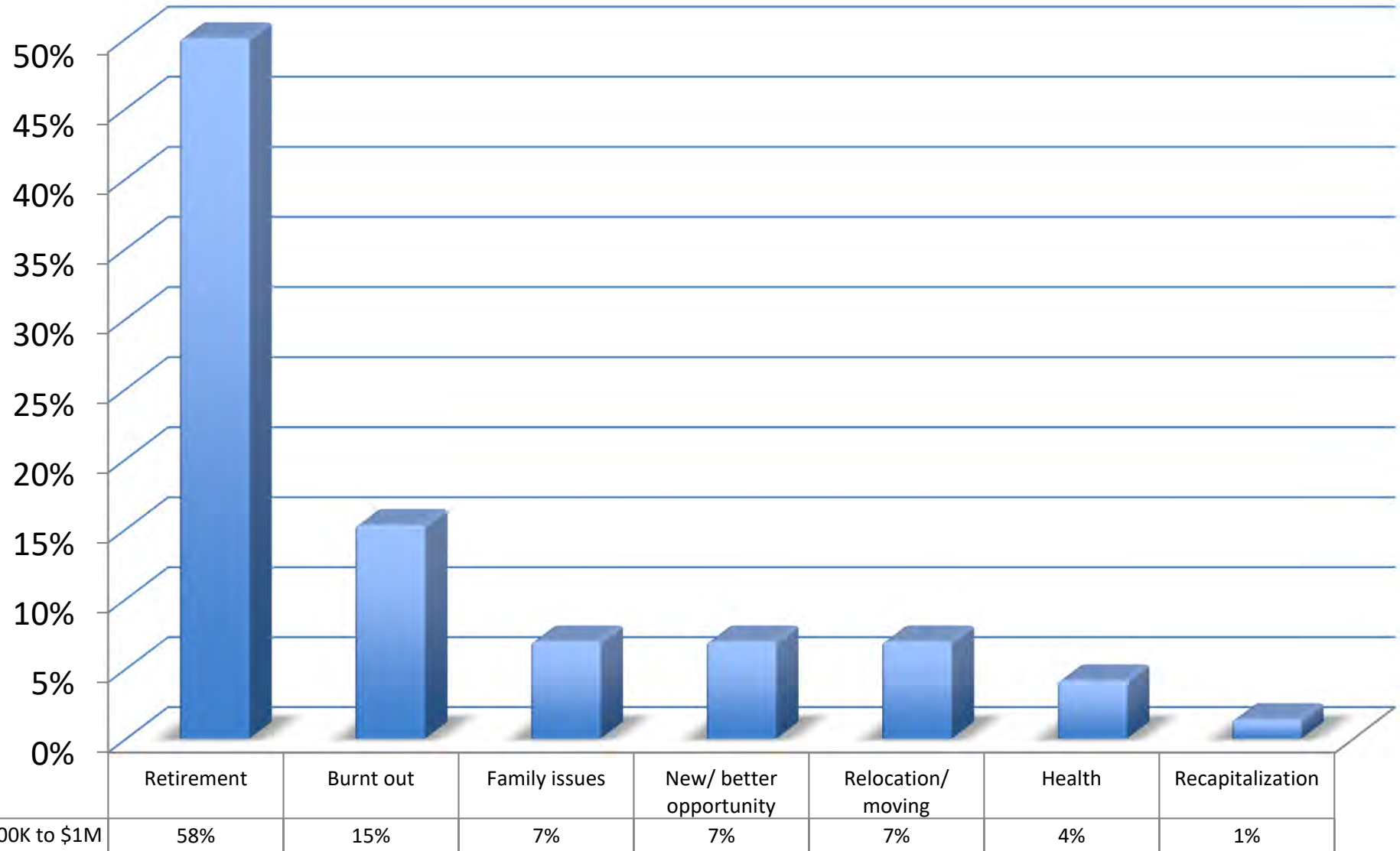


# Buyer Type



- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Add-on
- Other

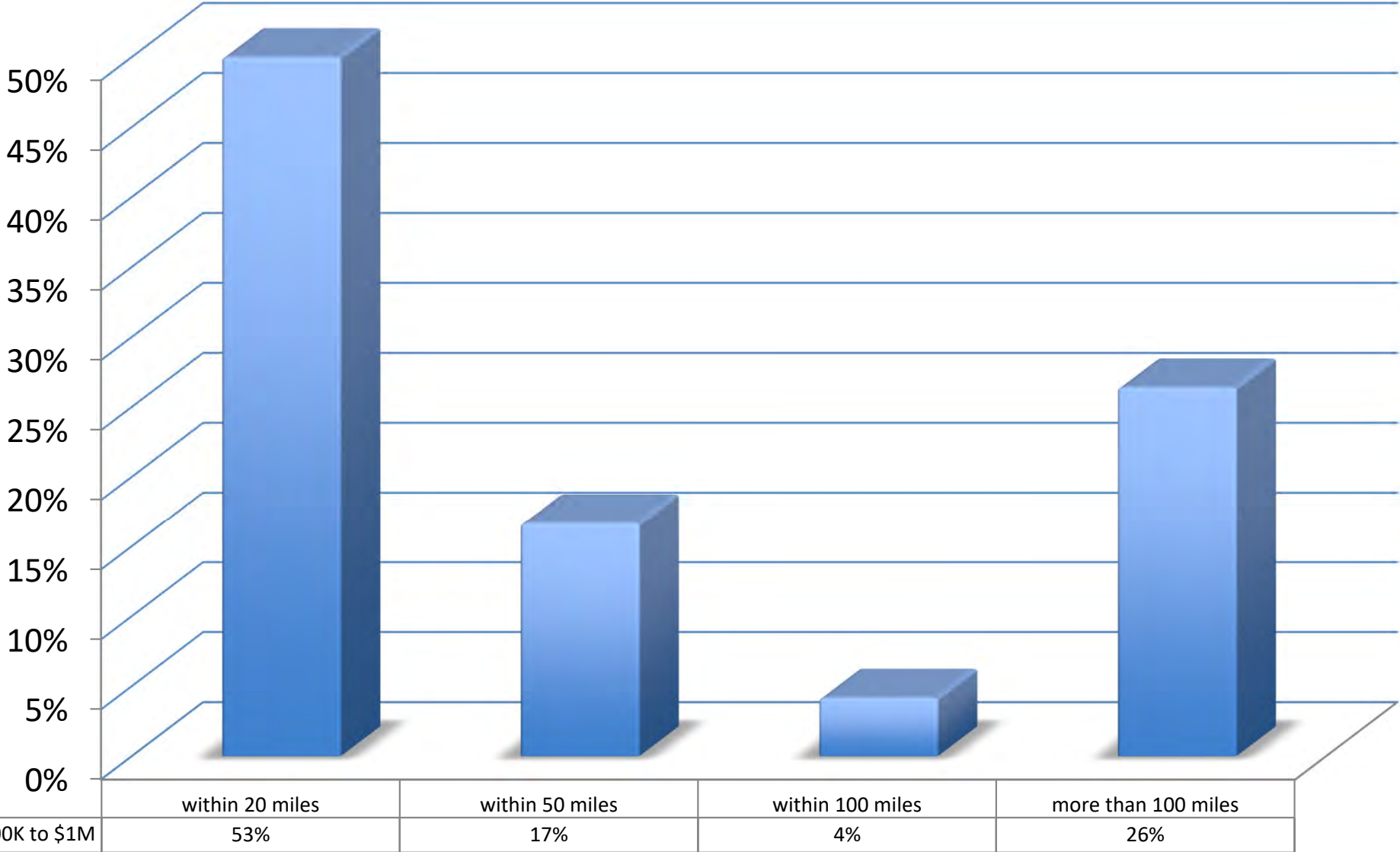
# #1 Reason for Seller to Go to Market



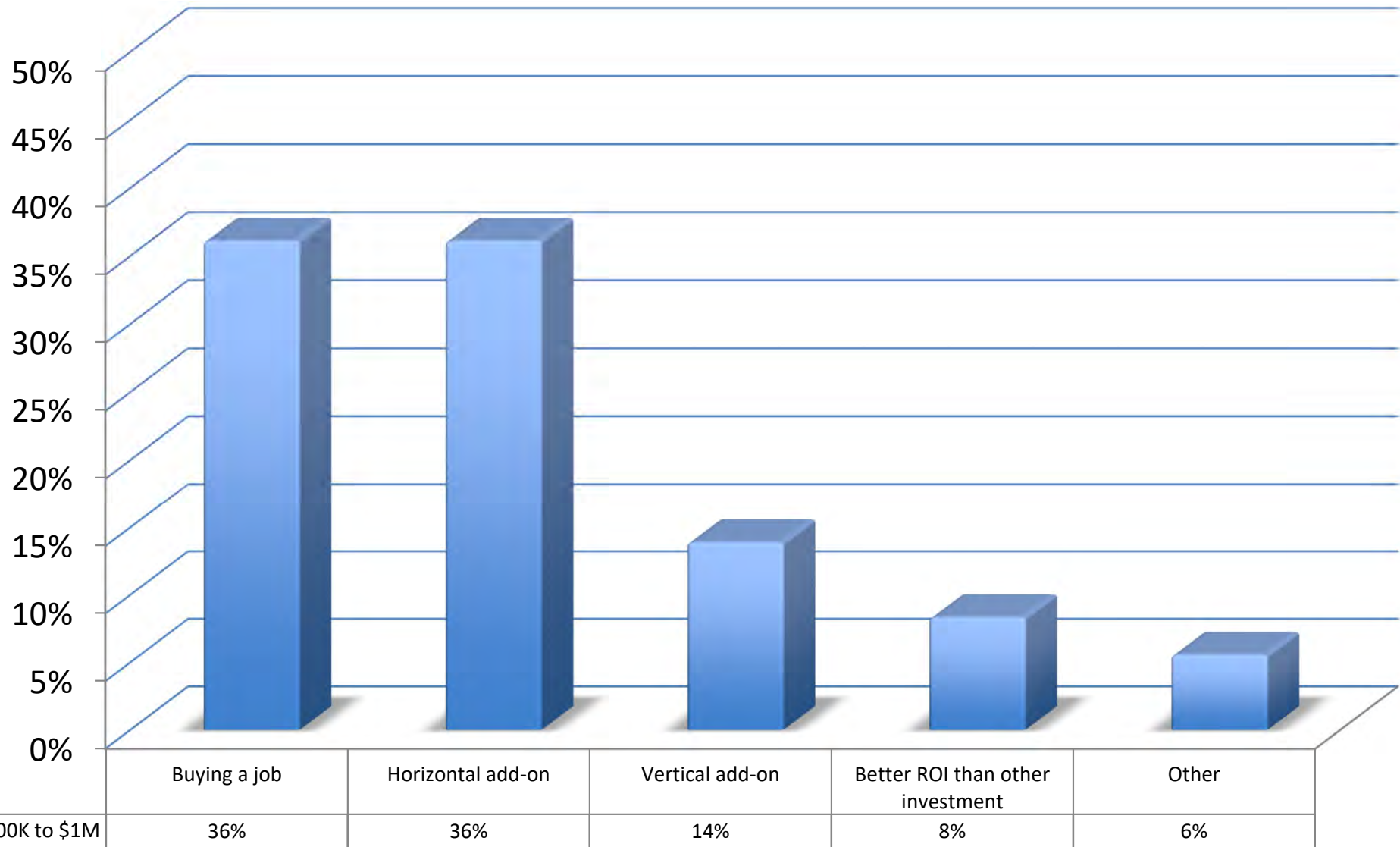
Deals from \$500K to \$1M

58% 15% 7% 7% 7% 4% 1%

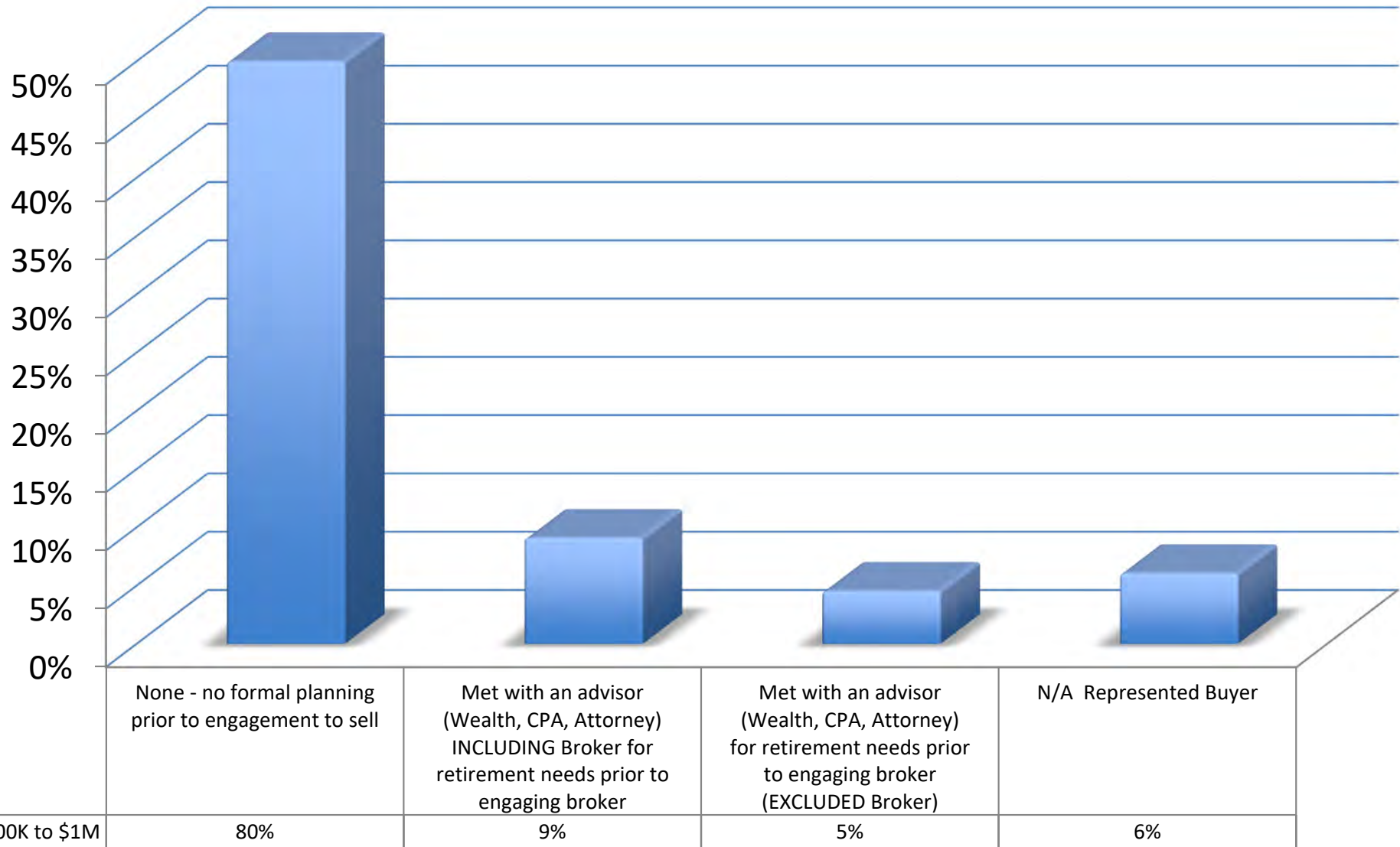
# Buyer Location



# #1 Motivation for Buyer

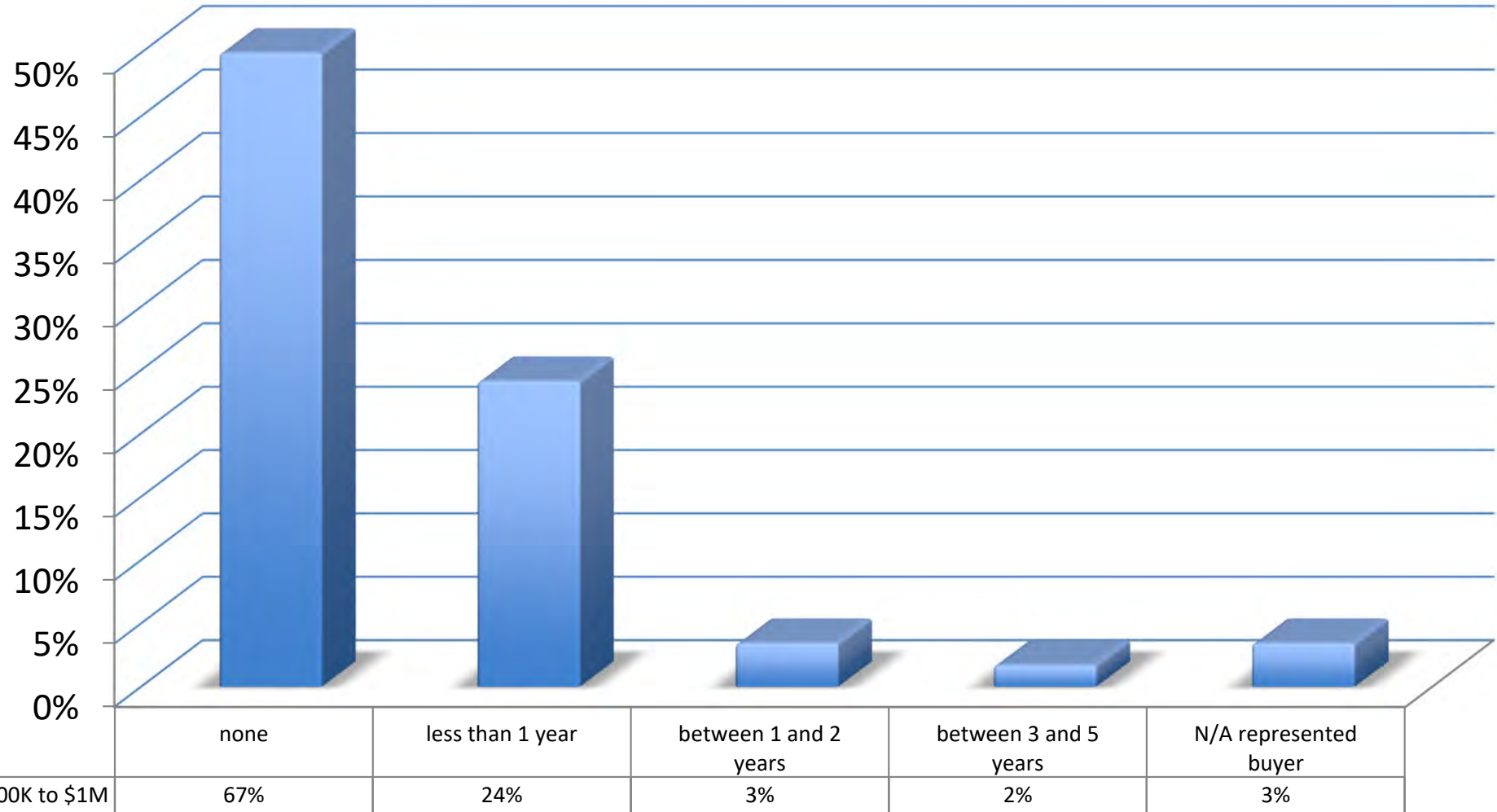


# Exit Planning

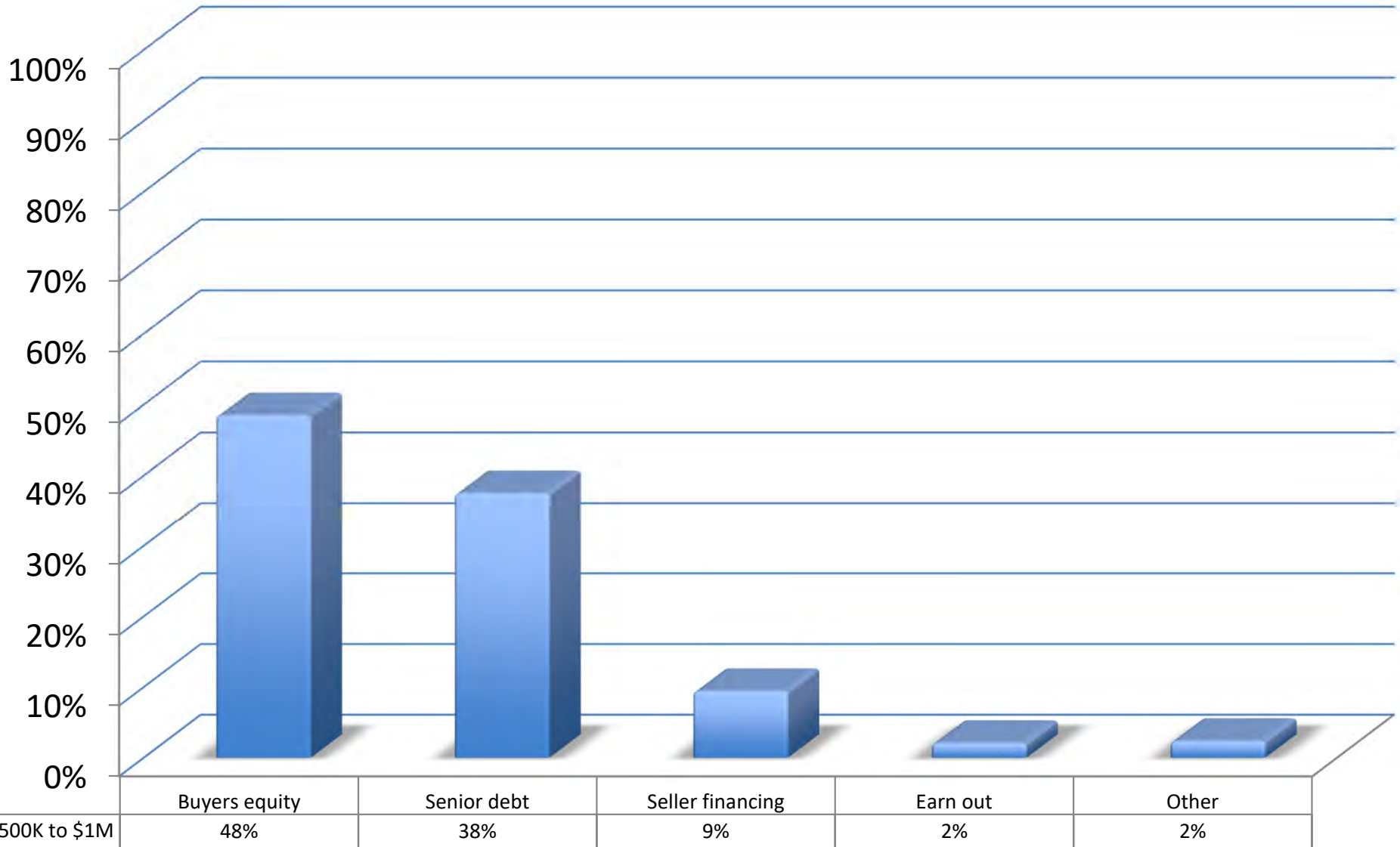




# Amount Of Exit Planning Prior To Marketing Business



# Financing Structure



Deals from \$500K to \$1M

Buyers equity

48%

Senior debt

38%

Seller financing

9%

Earn out

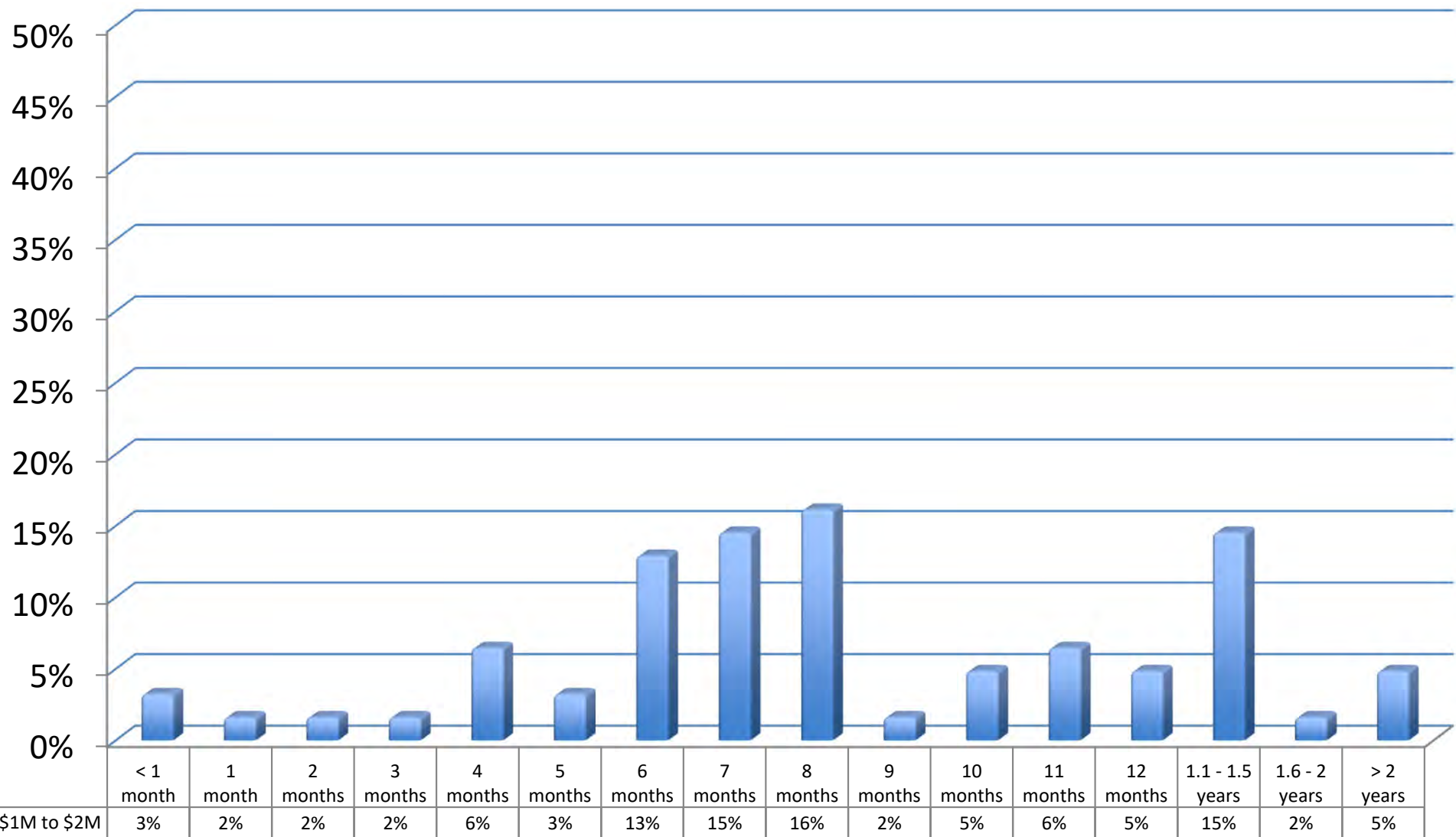
2%

Other

2%

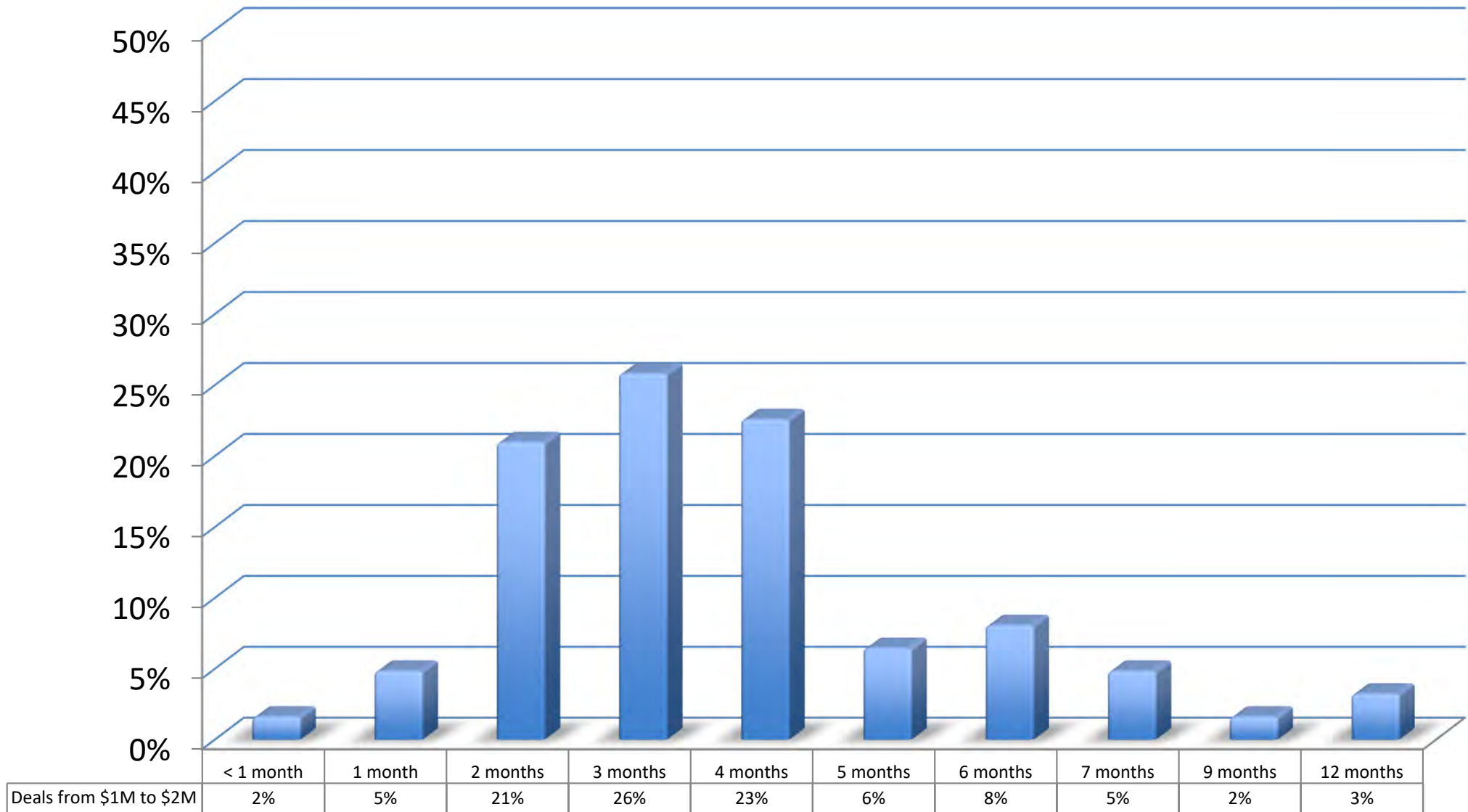
Business Transactions Valued  
from \$1 Million to \$1.99 Million  
Number of Closed Transactions: 62

# Engagement/Listing to Close



Deals from \$1M to \$2M

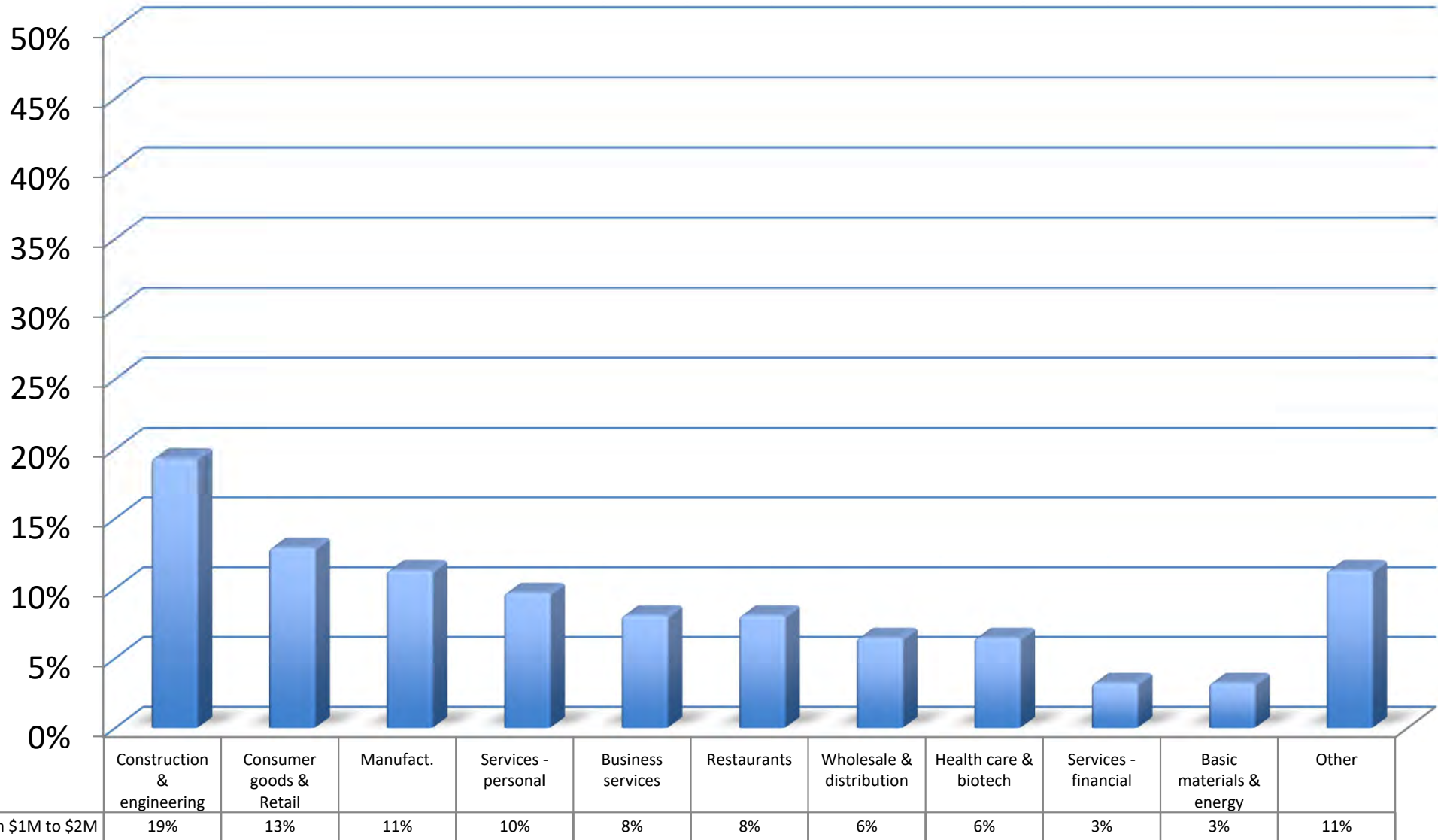
# LOI/ Offer to Close



Deals from \$1M to \$2M

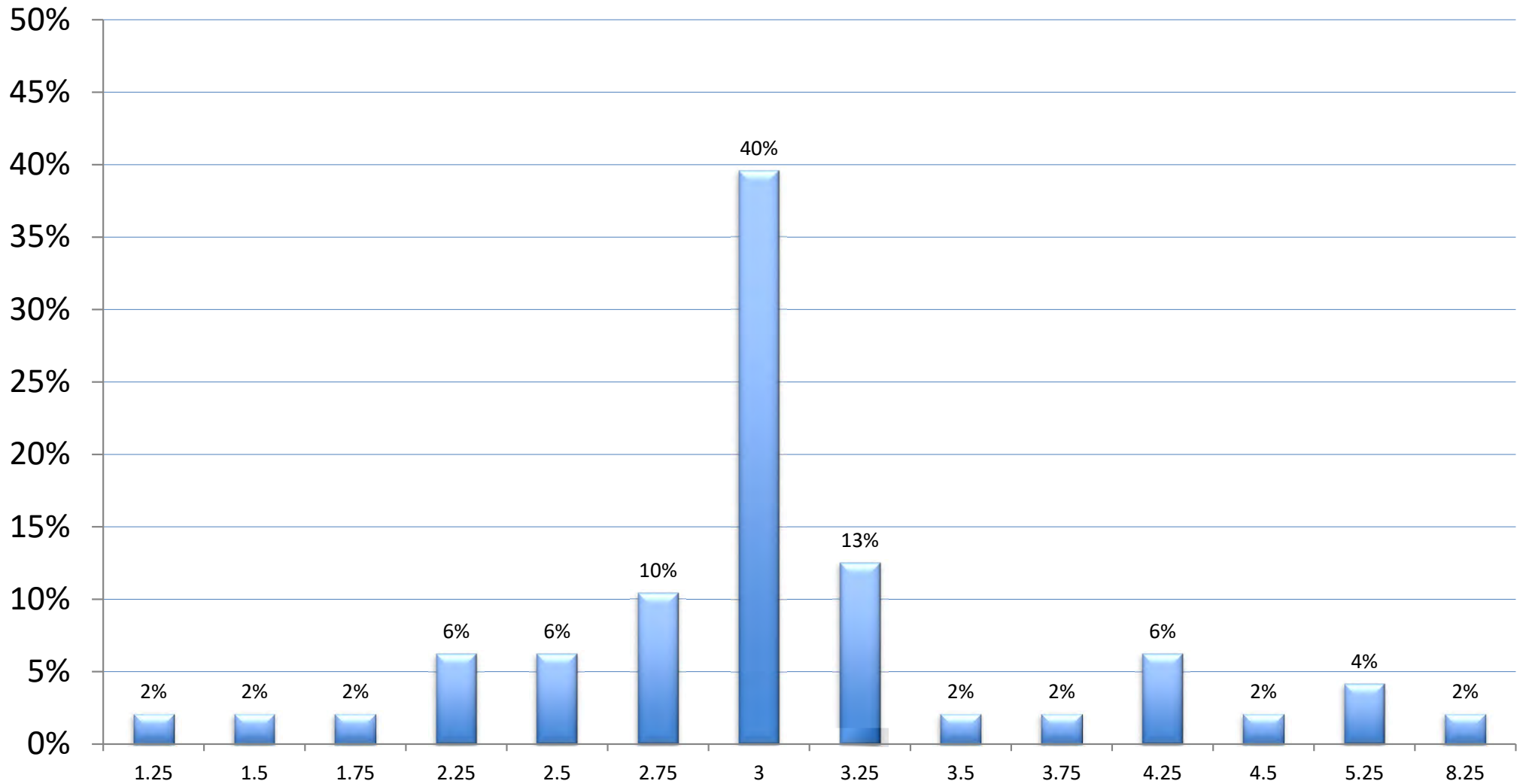
< 1 month	1 month	2 months	3 months	4 months	5 months	6 months	7 months	9 months	12 months
2%	5%	21%	26%	23%	6%	8%	5%	2%	3%

# Industry



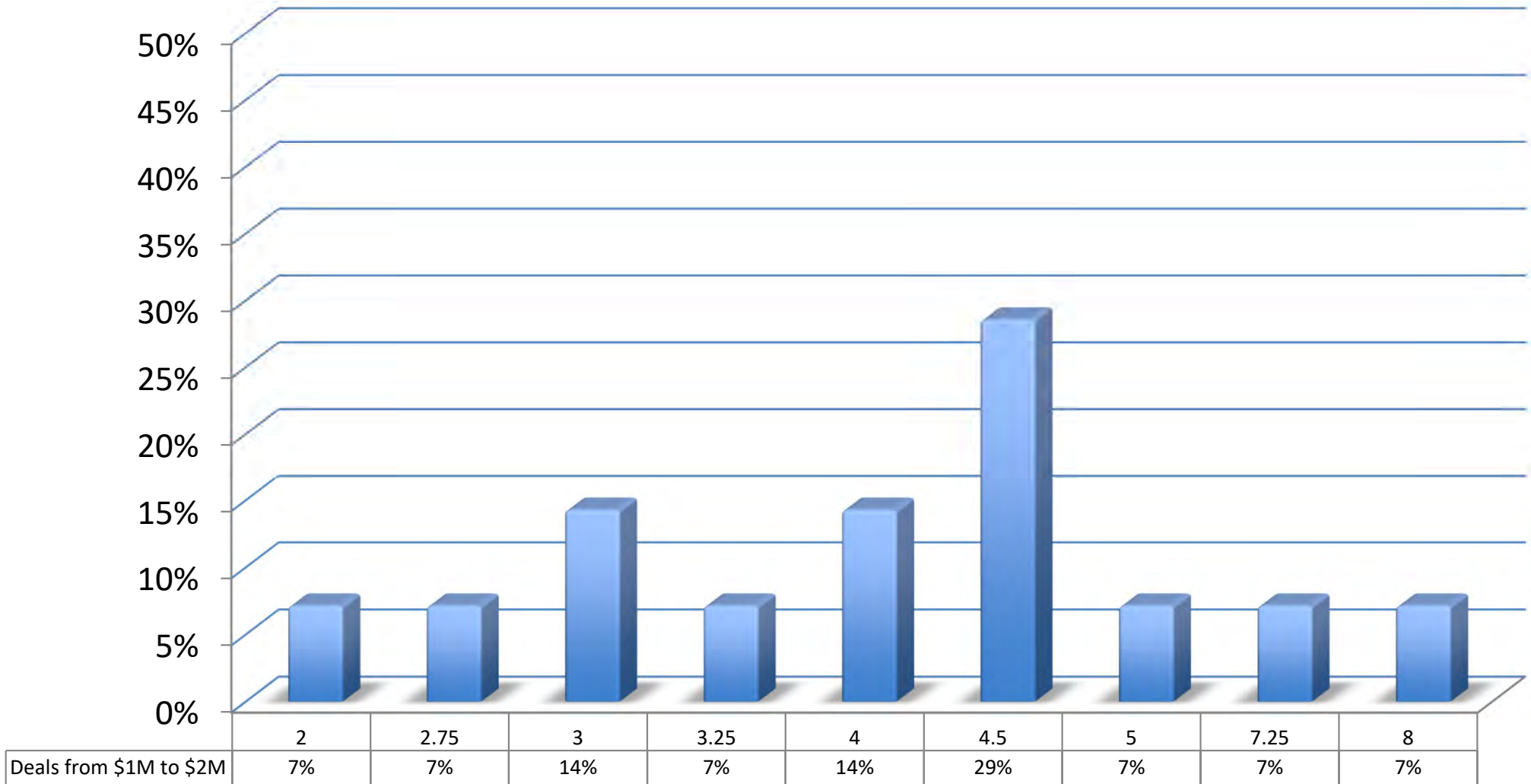
Deals from \$1M to \$2M

# SDE Multiple Paid



Number of responses: 48

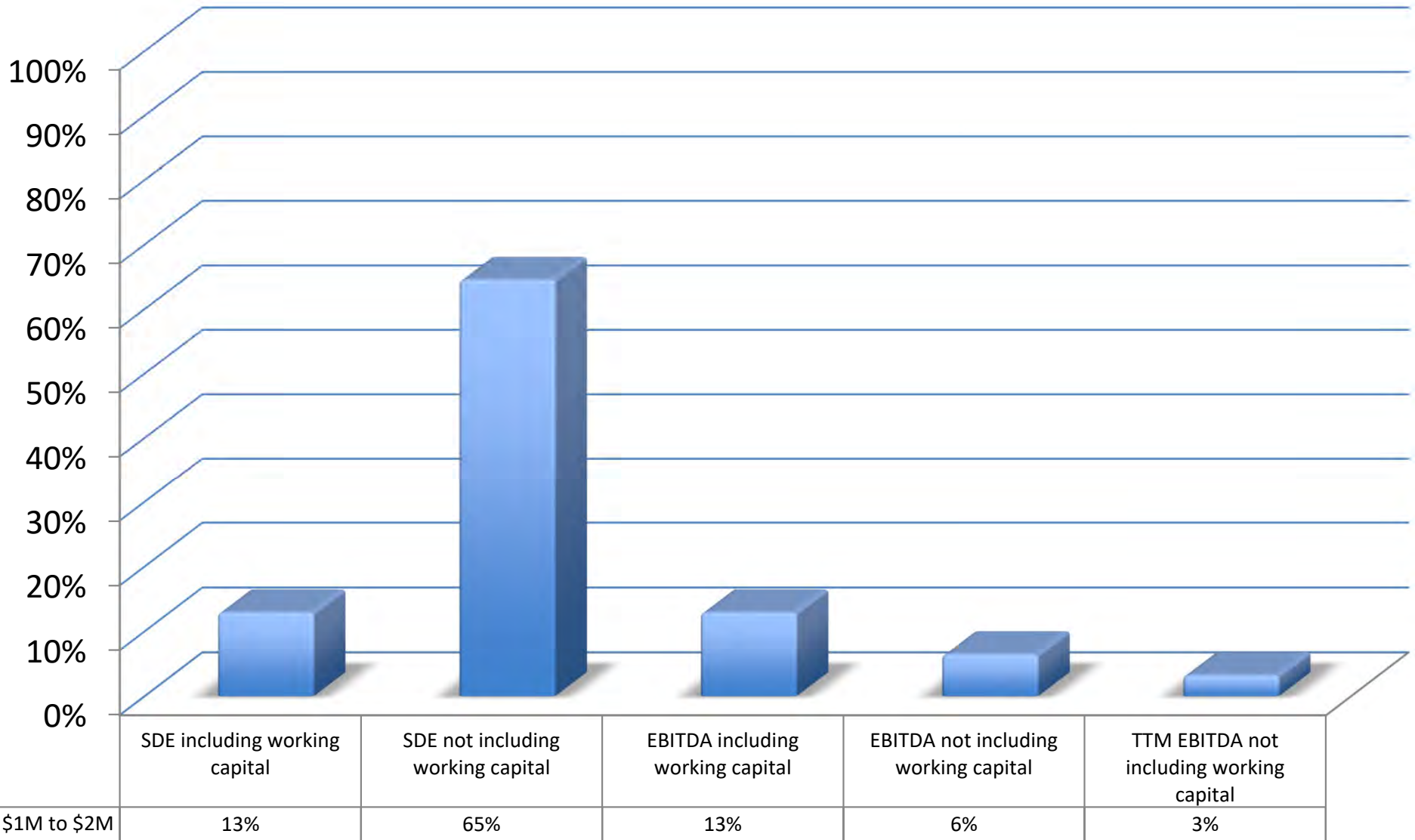
# EBITDA Multiple Paid



Number of responses: 14



# Multiple Type



Deals from \$1M to \$2M

13%

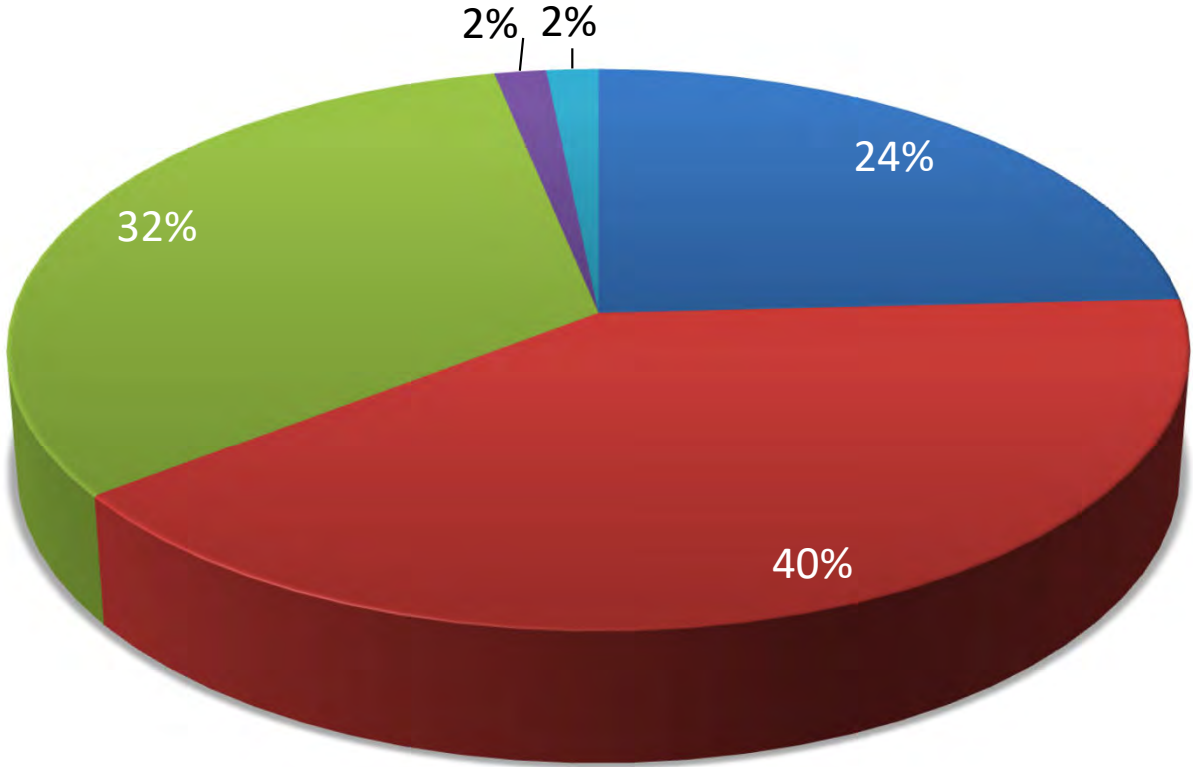
65%

13%

6%

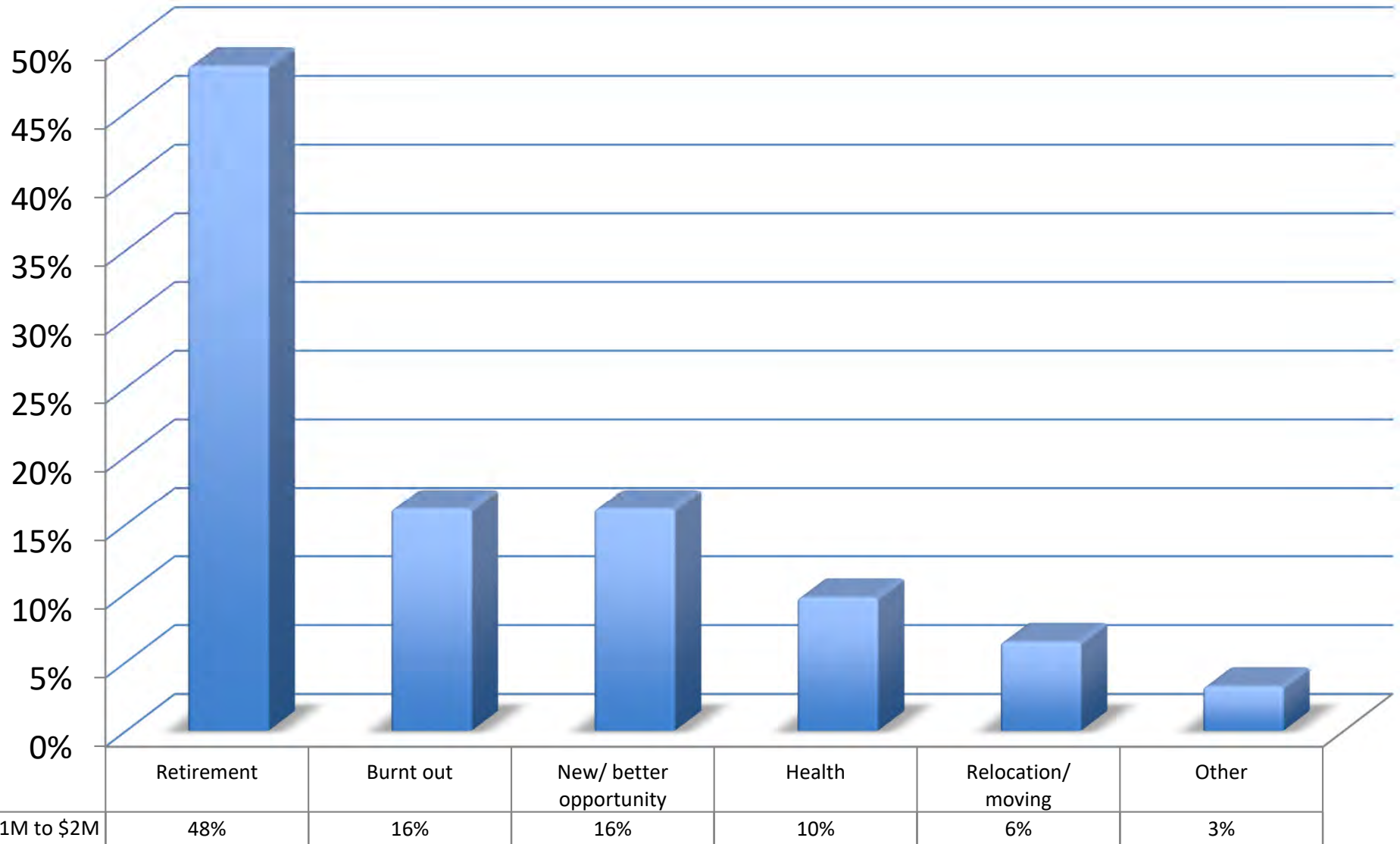
3%

# Buyer Type

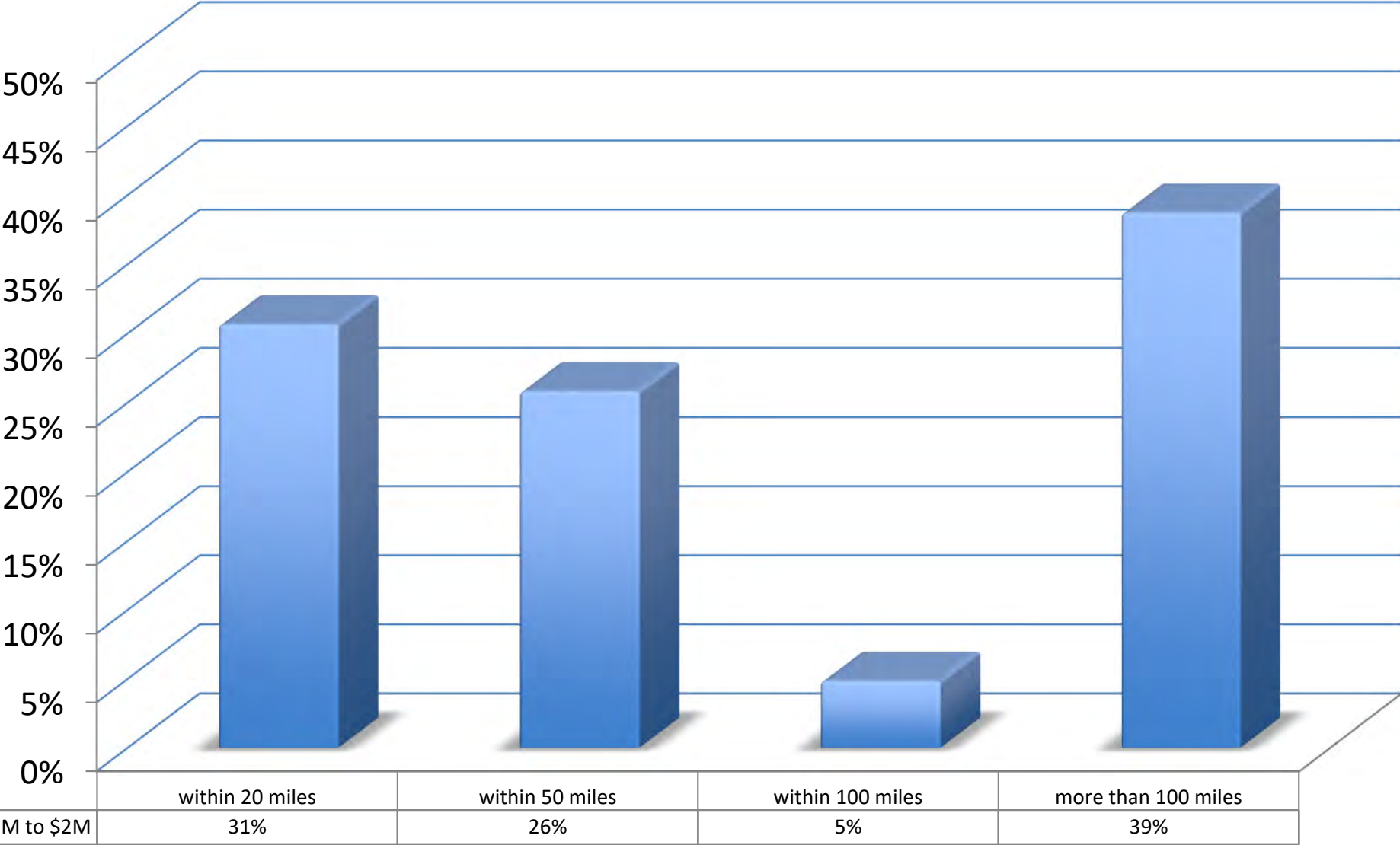


- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Platform
- PE firm - Add-on

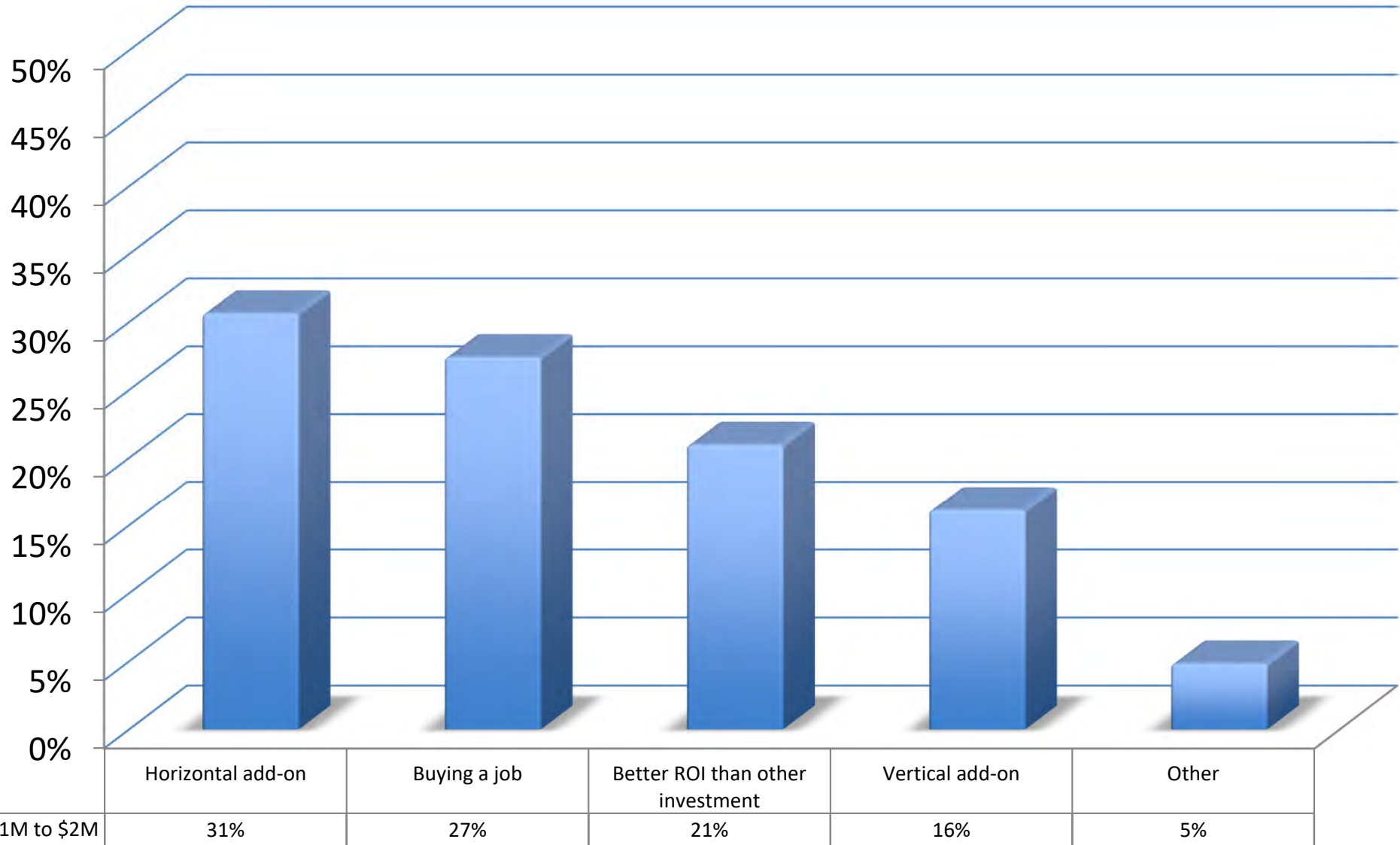
# #1 Reason for Seller to Go to Market



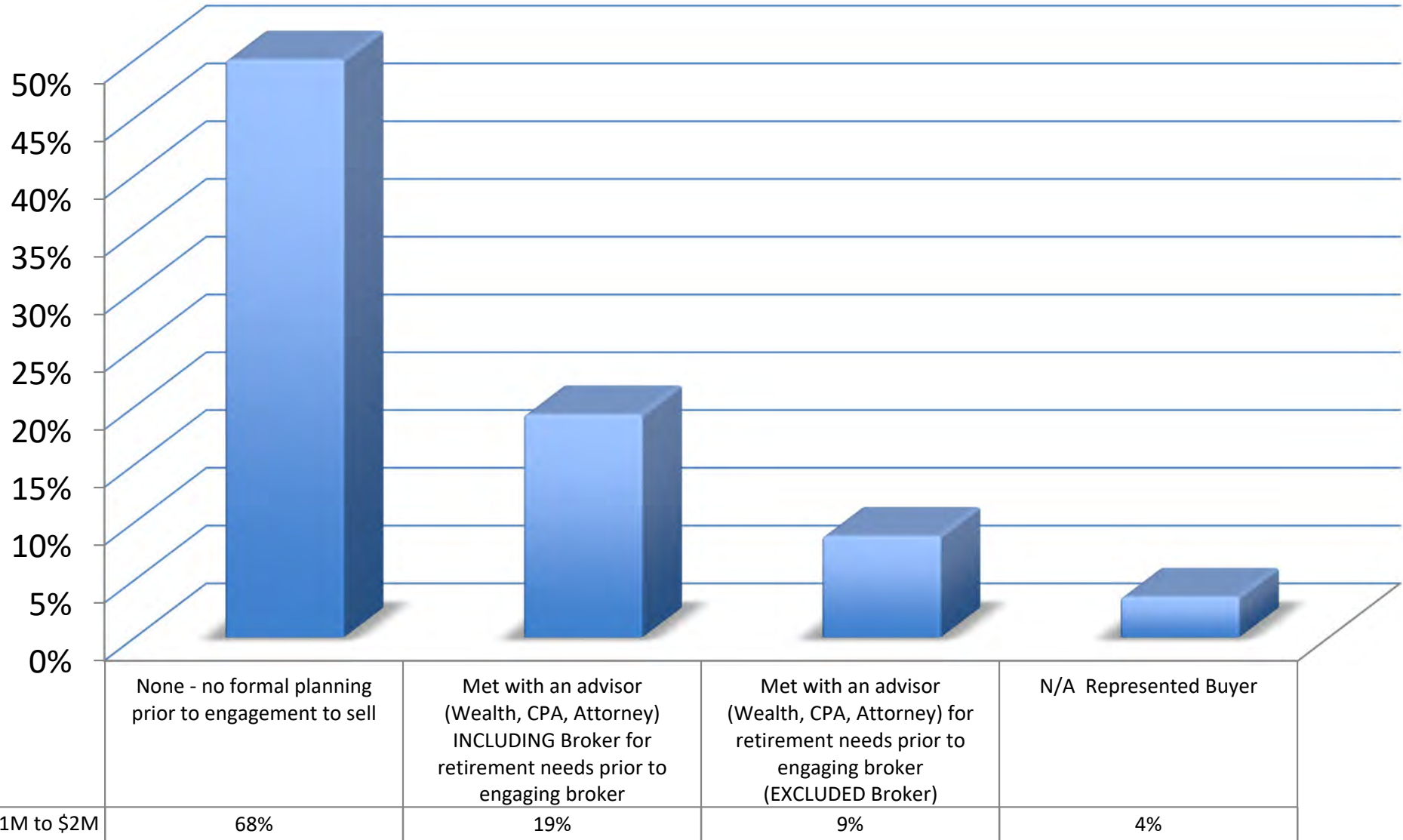
# Buyer Location



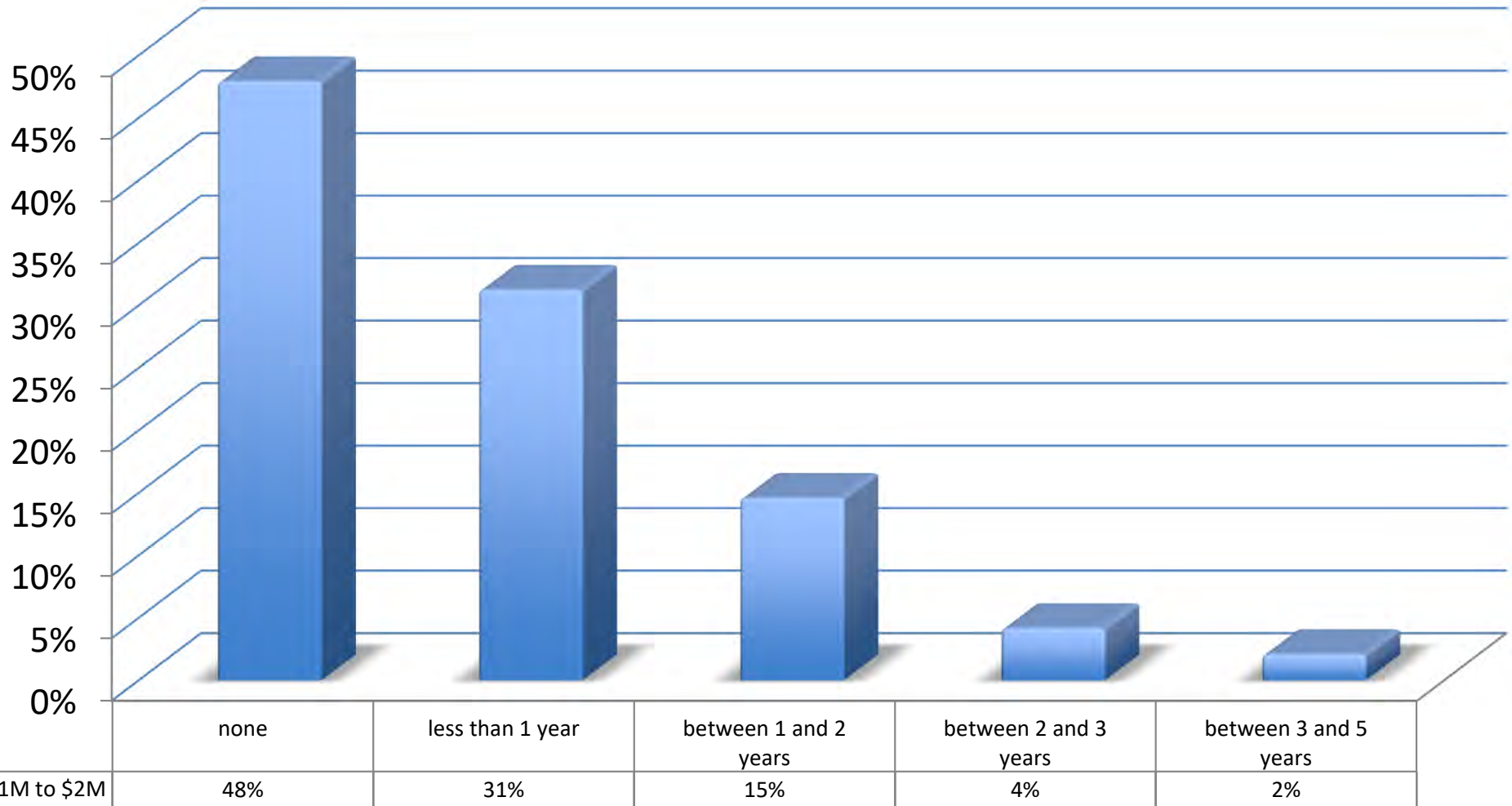
# #1 Motivation for Buyer



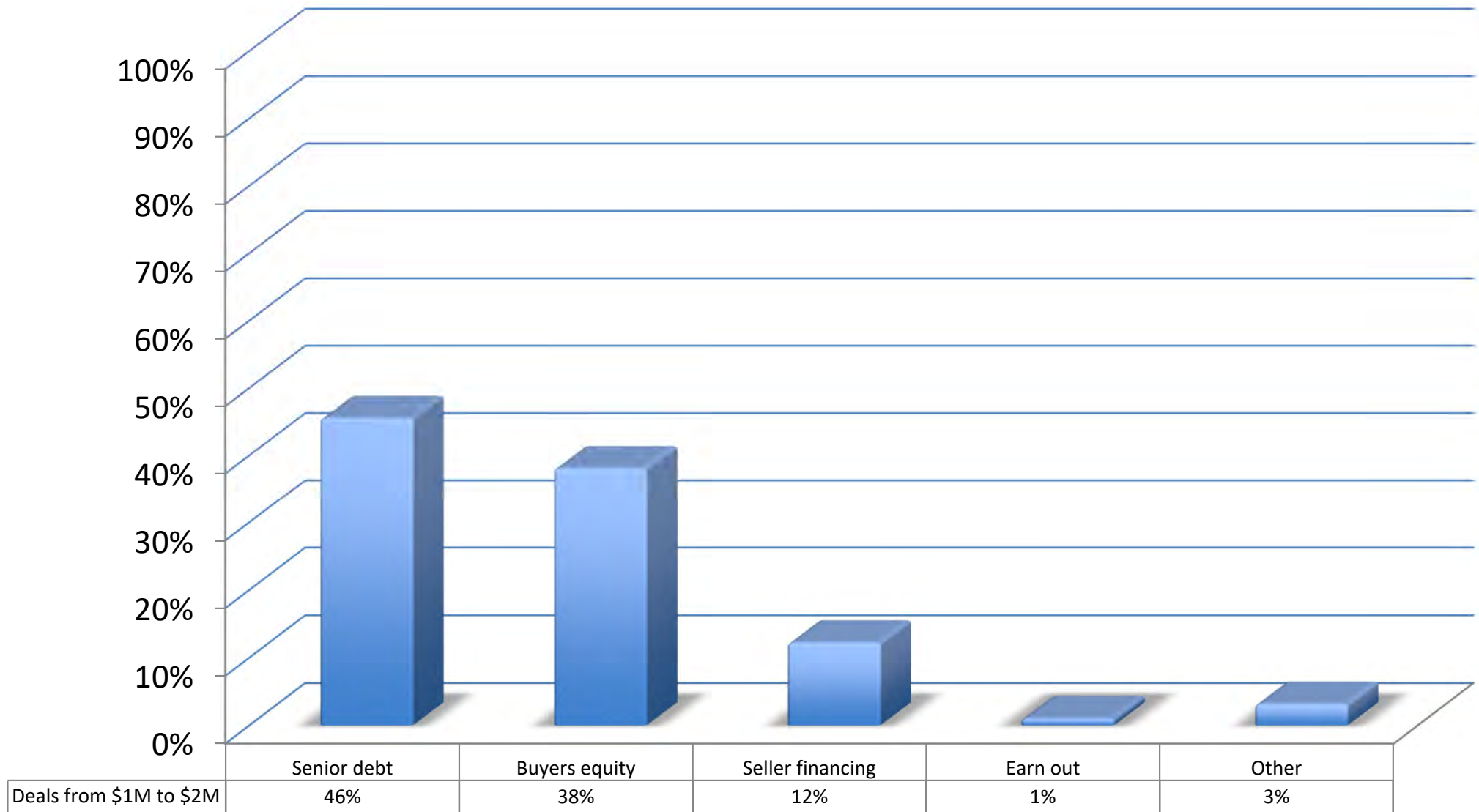
# Exit Planning



# Amount Of Exit Planning Prior To Marketing Business



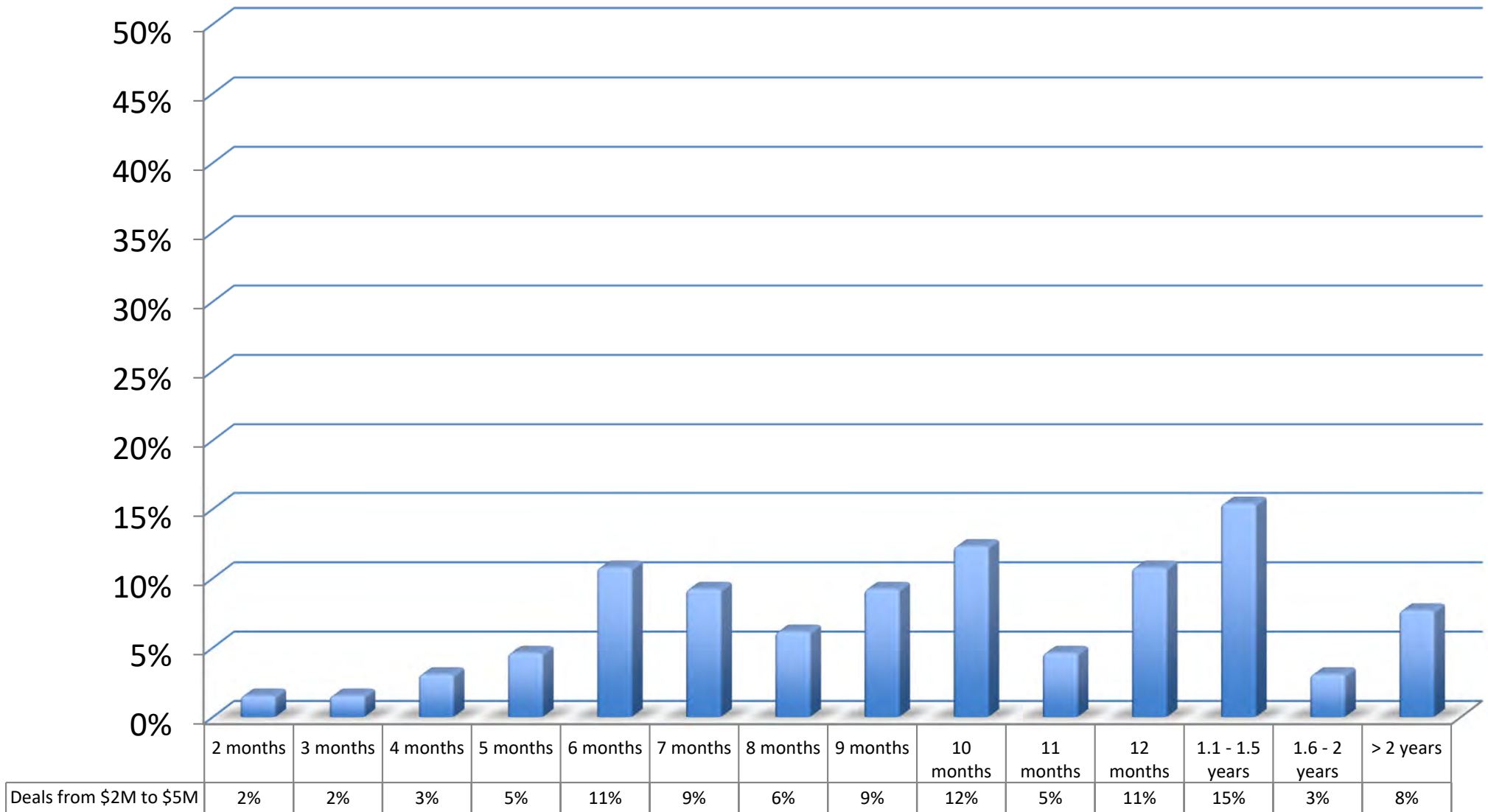
# Financing Structure



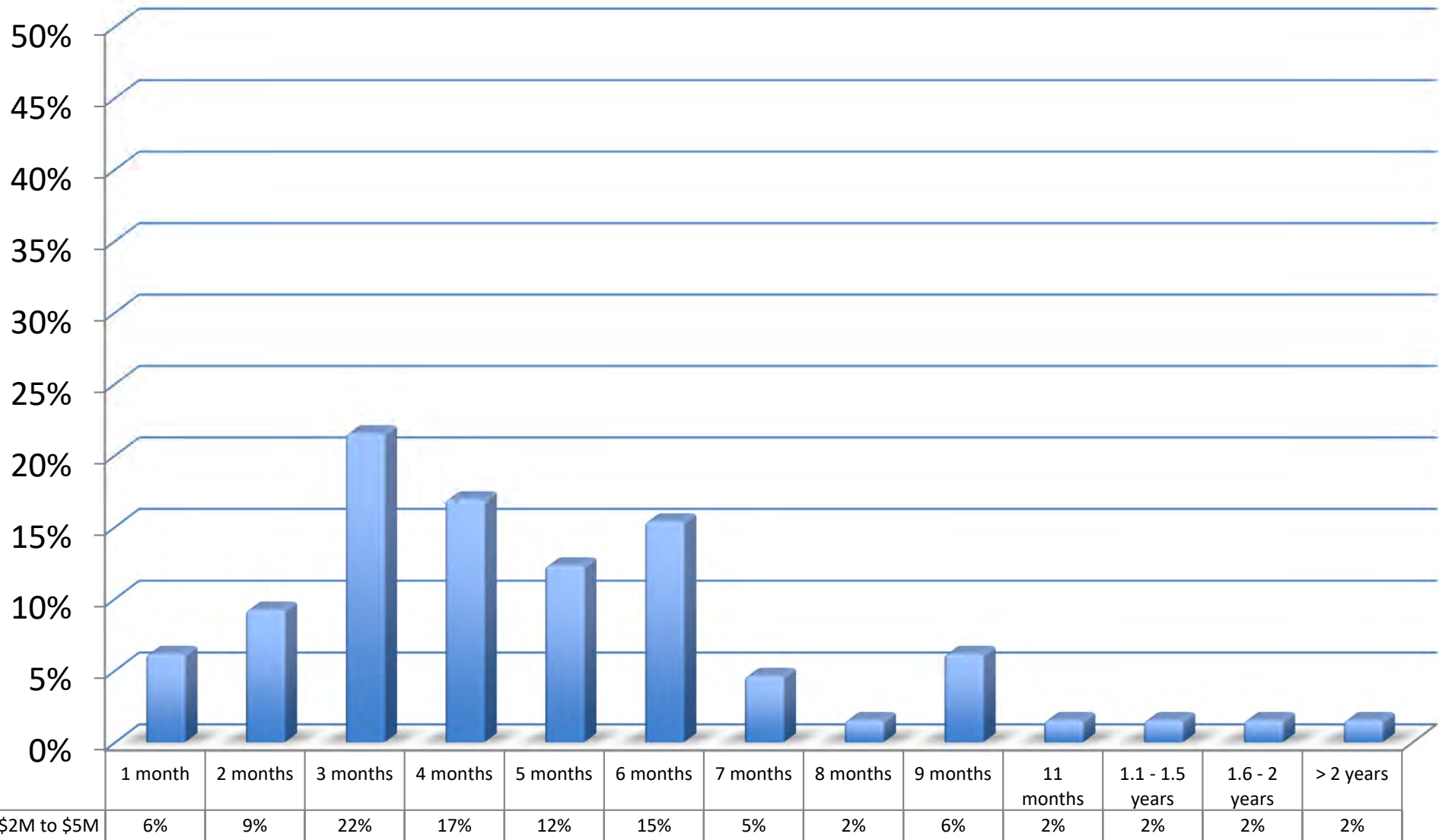


Business Transactions Valued  
from \$2 Million to \$4.99 Million  
Number of Closed Transactions: 65

# Engagement/Listing to Close

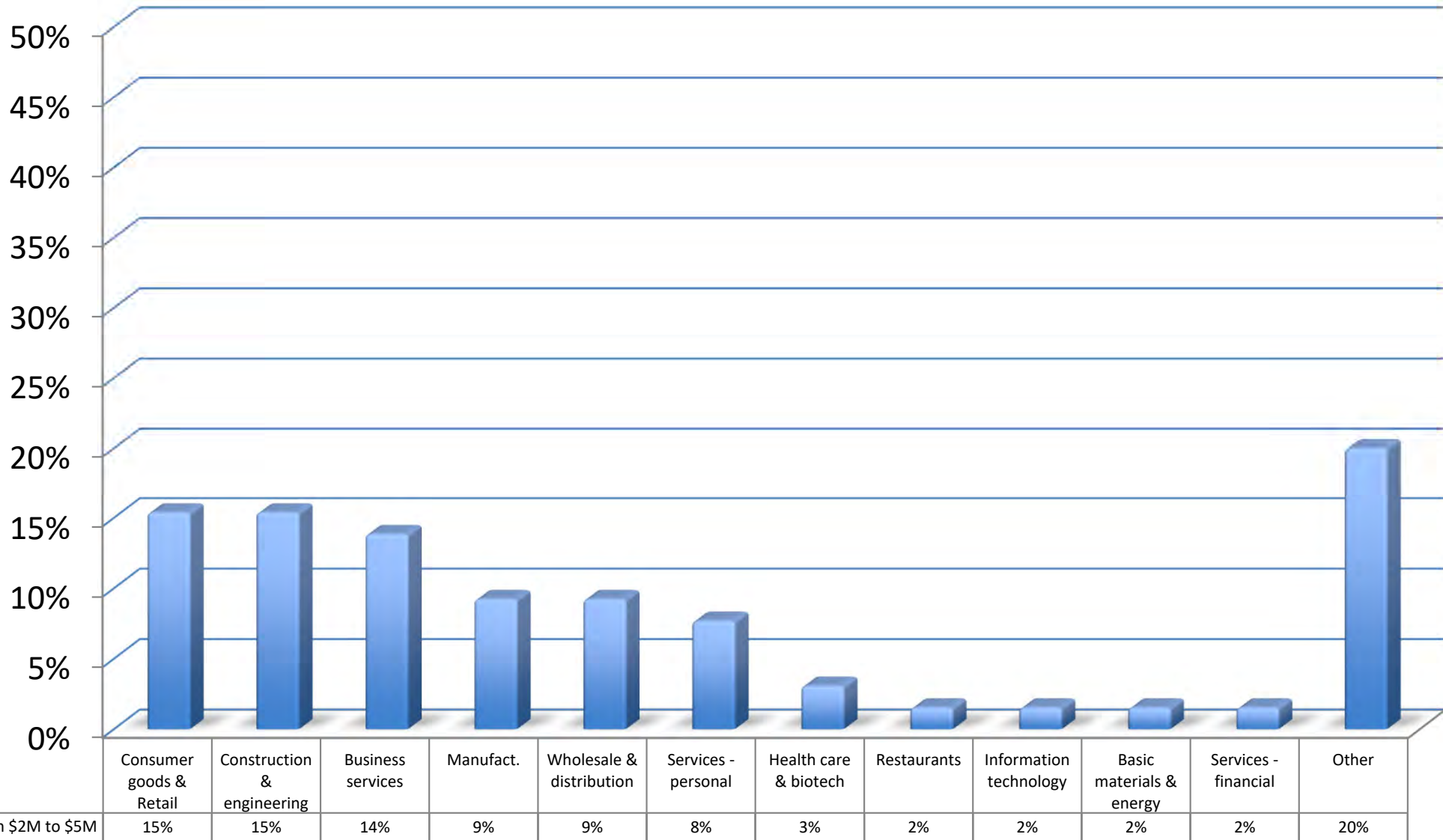


# LOI/ Offer to Close



Deals from \$2M to \$5M

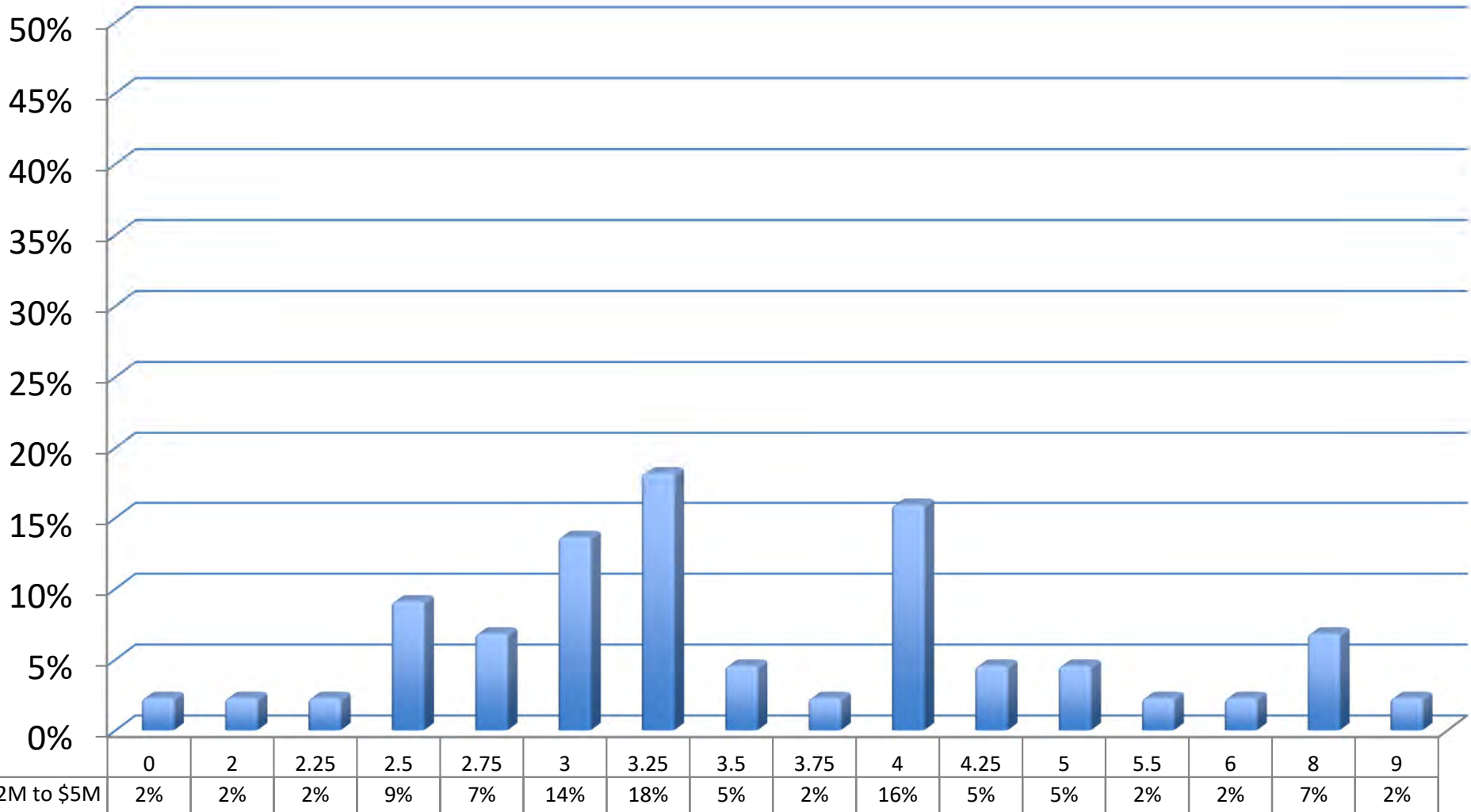
# Industry



Deals from \$2M to \$5M

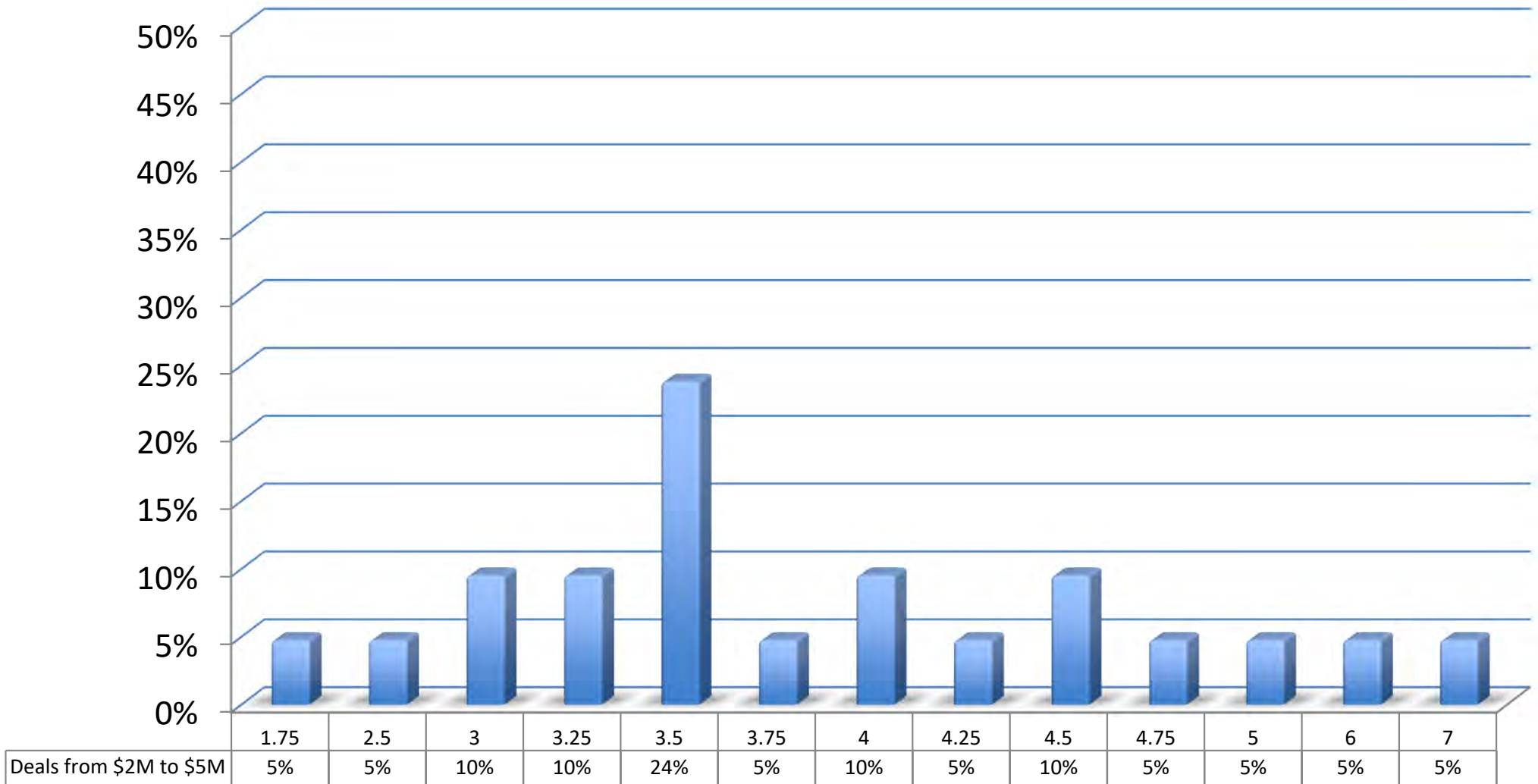
Consumer goods & Retail	15%	Construction & engineering	15%	Business services	14%	Manufact.	9%	Wholesale & distribution	9%	Services - personal	8%	Health care & biotech	3%	Restaurants	2%	Information technology	2%	Basic materials & energy	2%	Services - financial	2%	Other	20%
-------------------------	-----	----------------------------	-----	-------------------	-----	-----------	----	--------------------------	----	---------------------	----	-----------------------	----	-------------	----	------------------------	----	--------------------------	----	----------------------	----	-------	-----

# SDE Multiple Paid



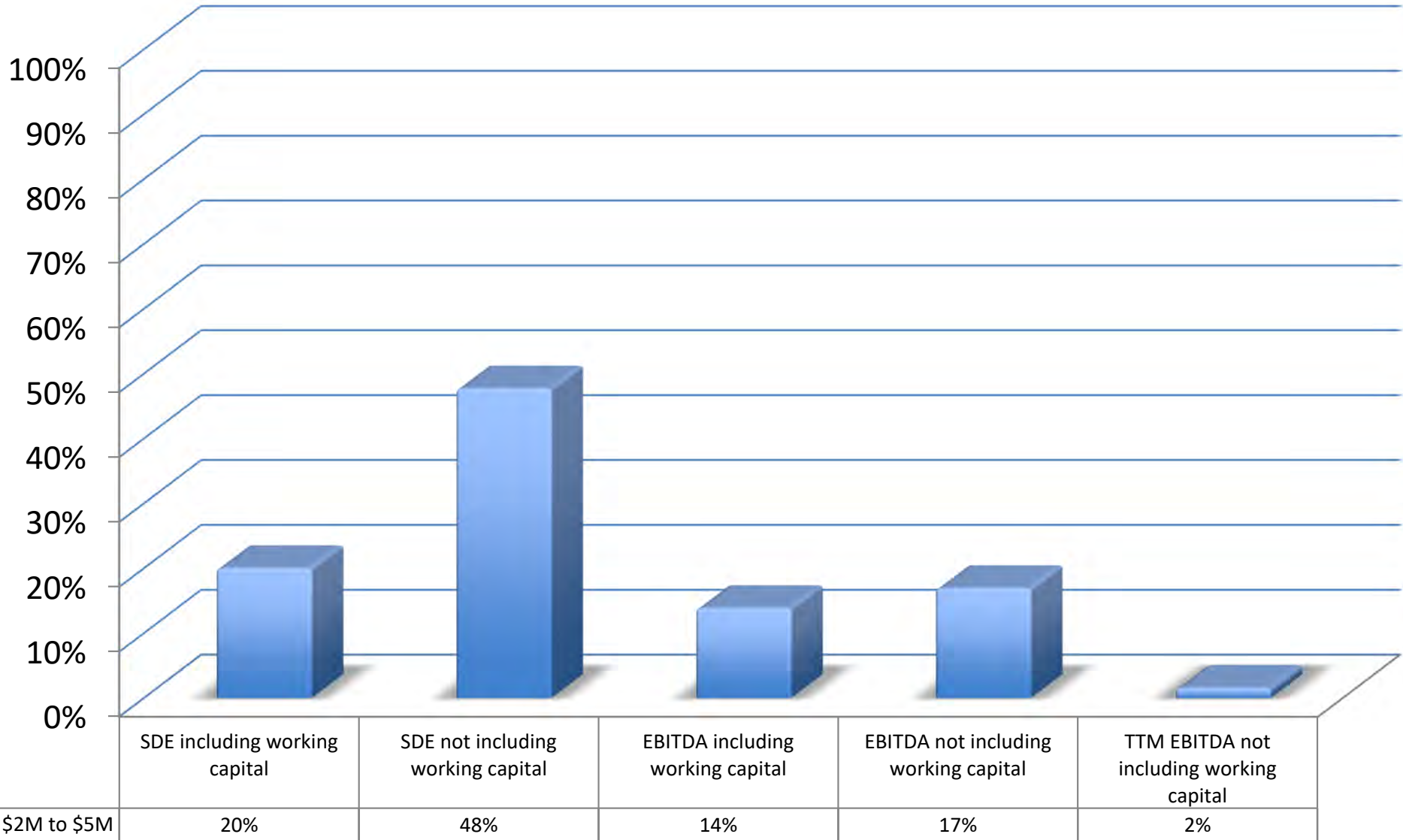
Number of responses: 44

# EBITDA Multiple Paid

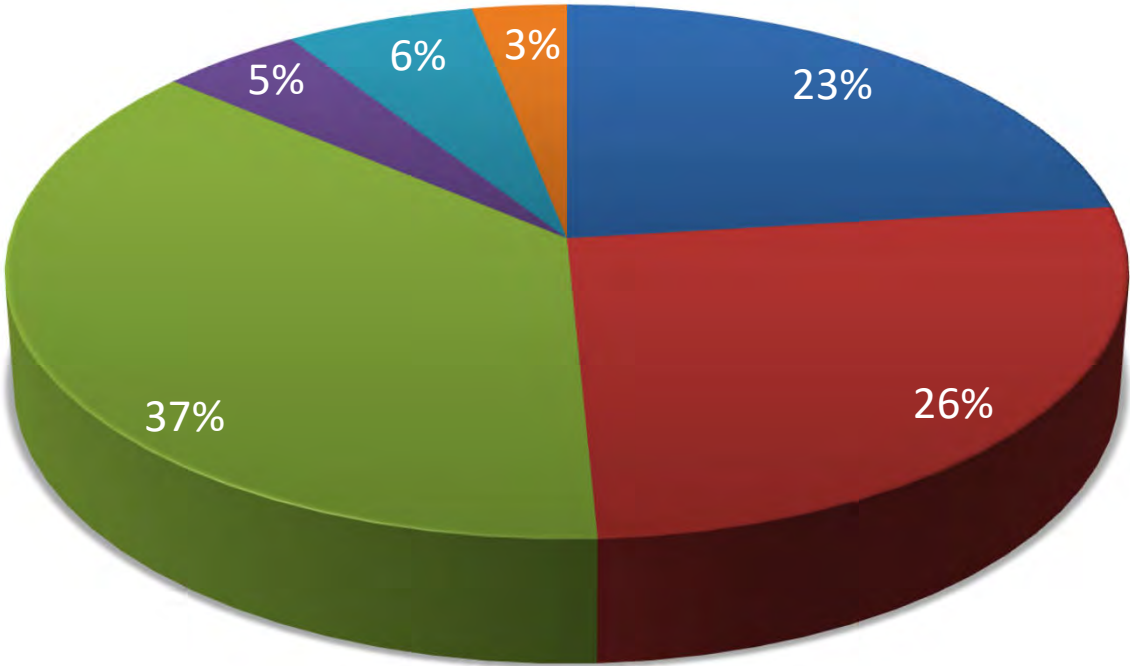


Number of responses: 21

# Multiple Type



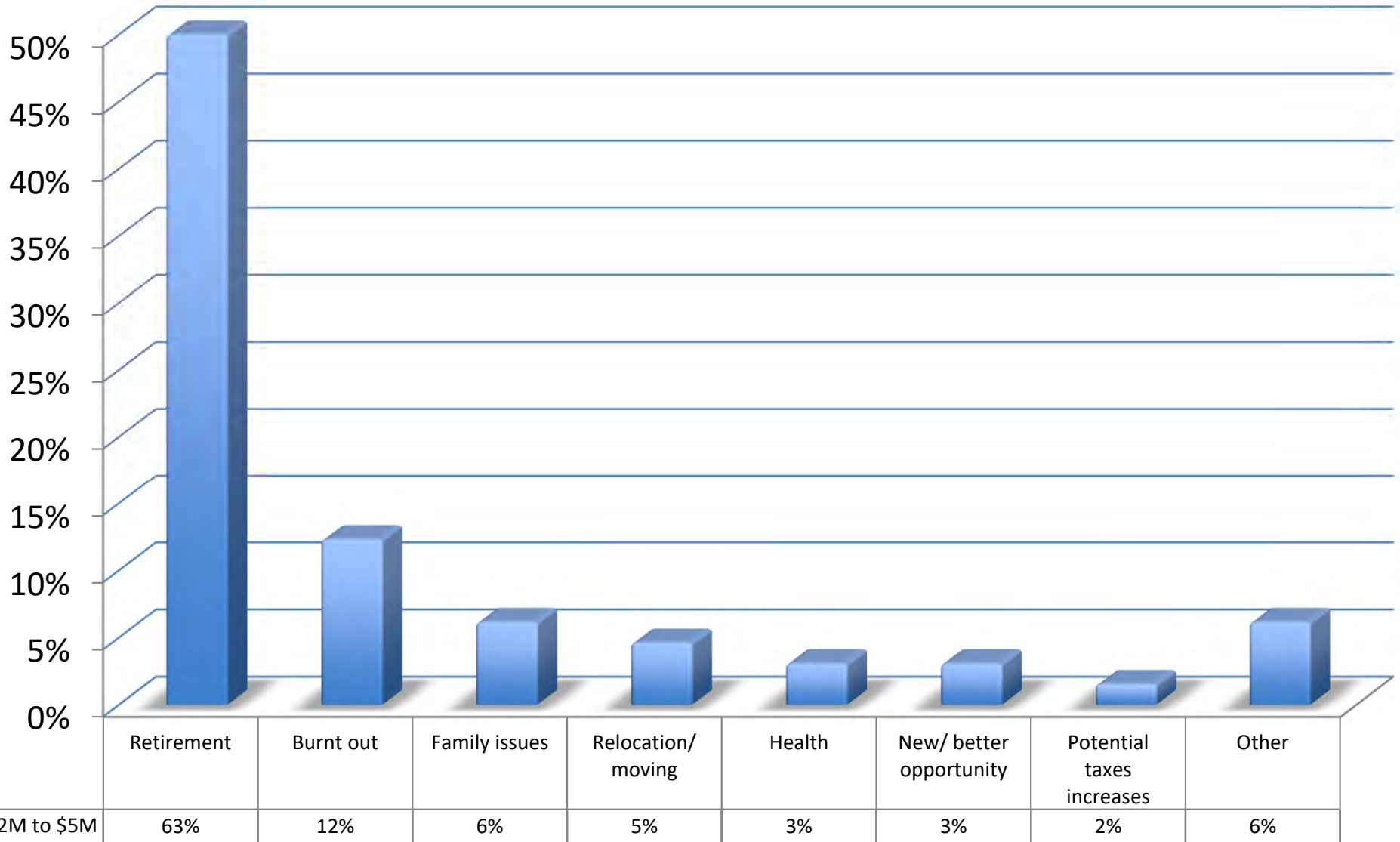
# Buyer Type



- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Platform
- PE firm - Add-on
- Other



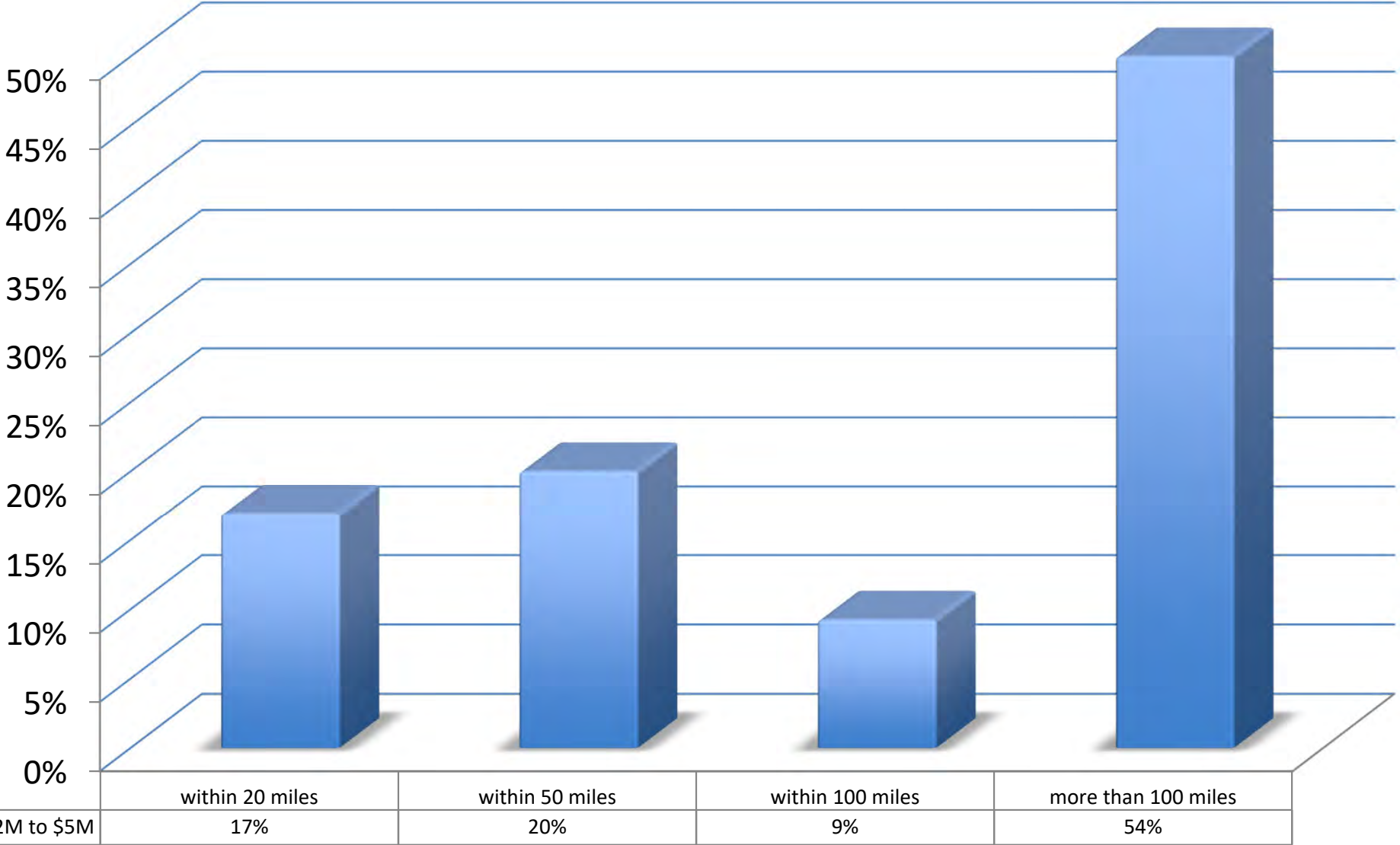
# #1 Reason for Seller to Go to Market



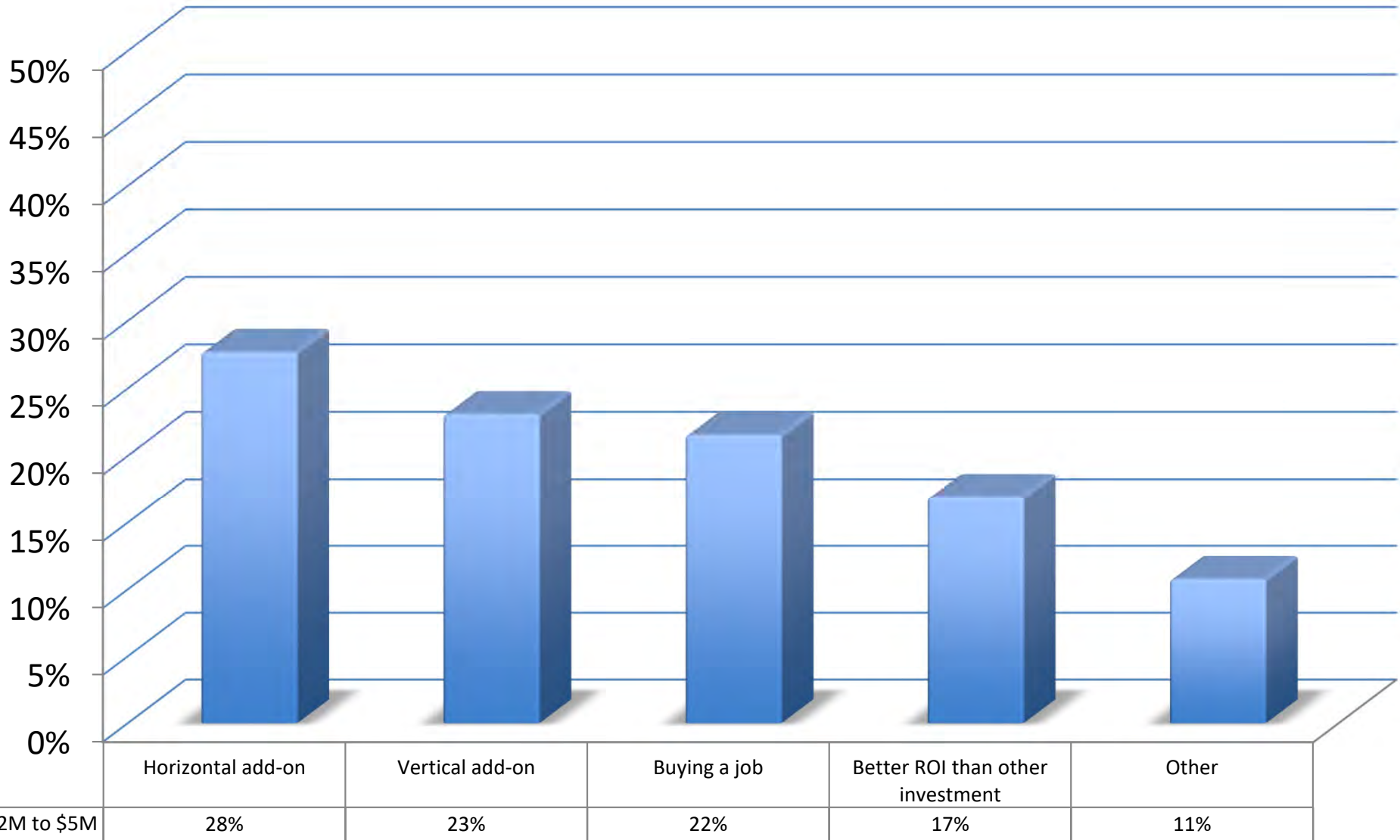
Deals from \$2M to \$5M

63% 12% 6% 5% 3% 3% 2% 6%

# Buyer Location



# #1 Motivation for Buyer



Deals from \$2M to \$5M

28%

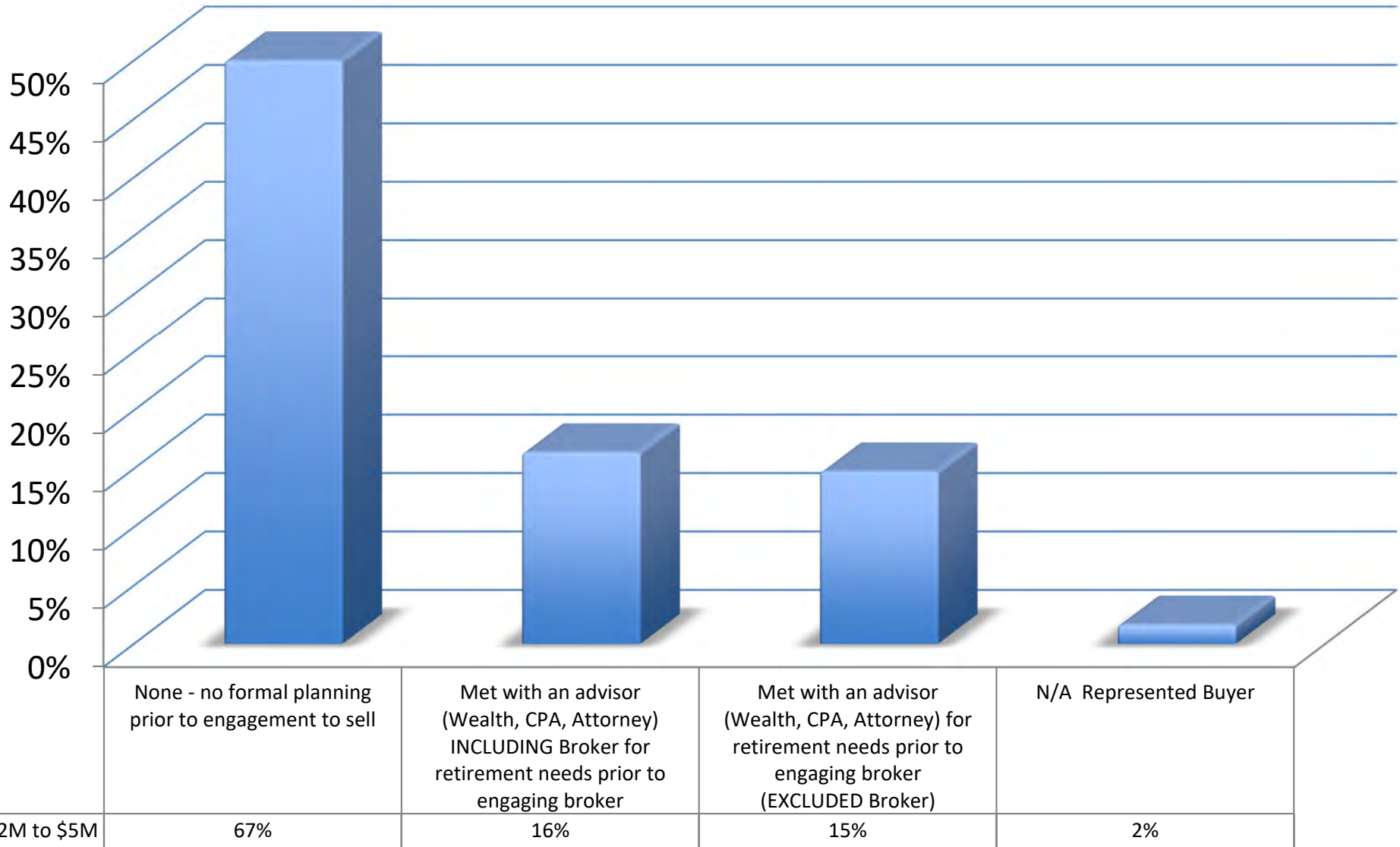
23%

22%

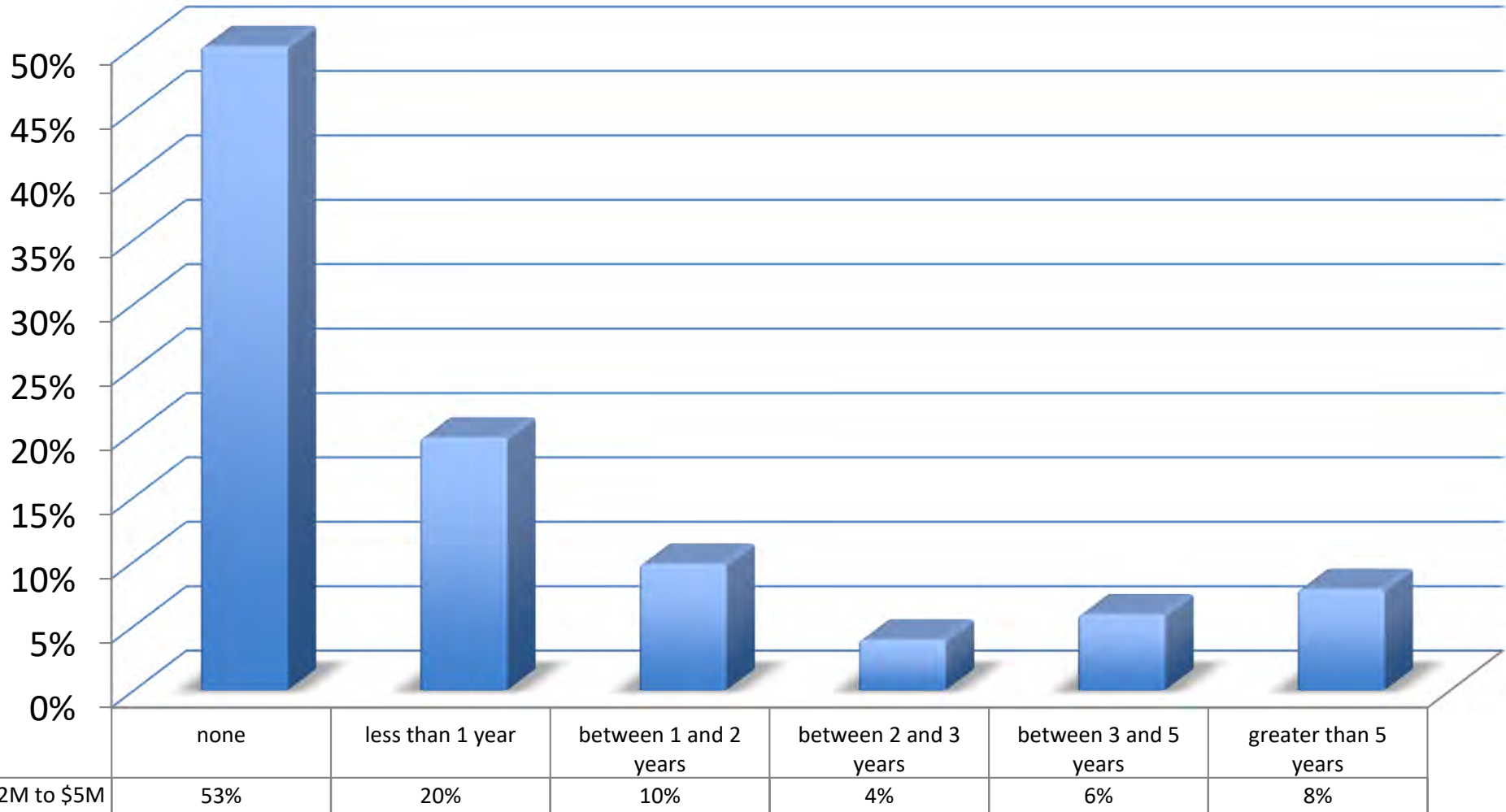
17%

11%

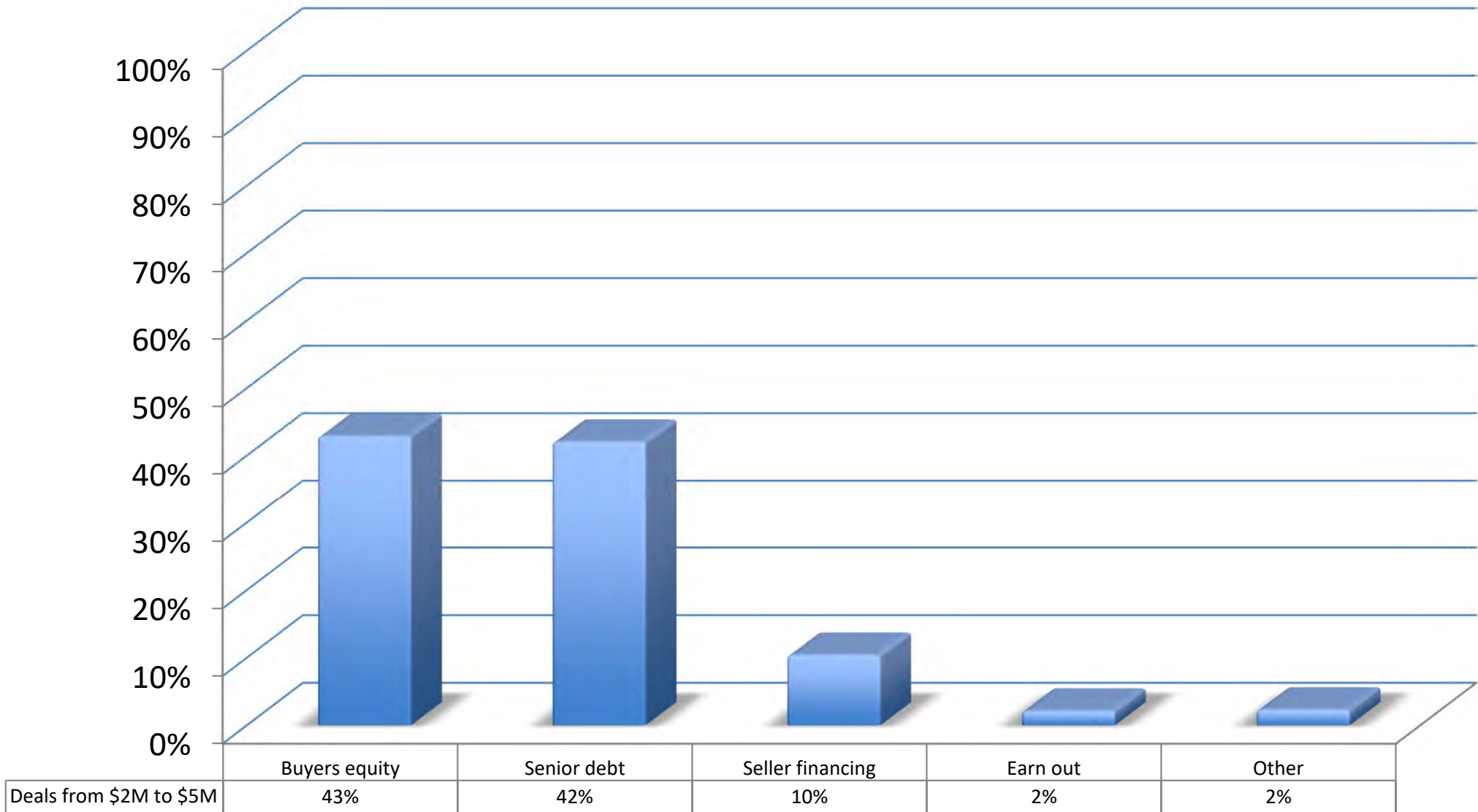
# Exit Planning



# Amount Of Exit Planning Prior To Marketing Business



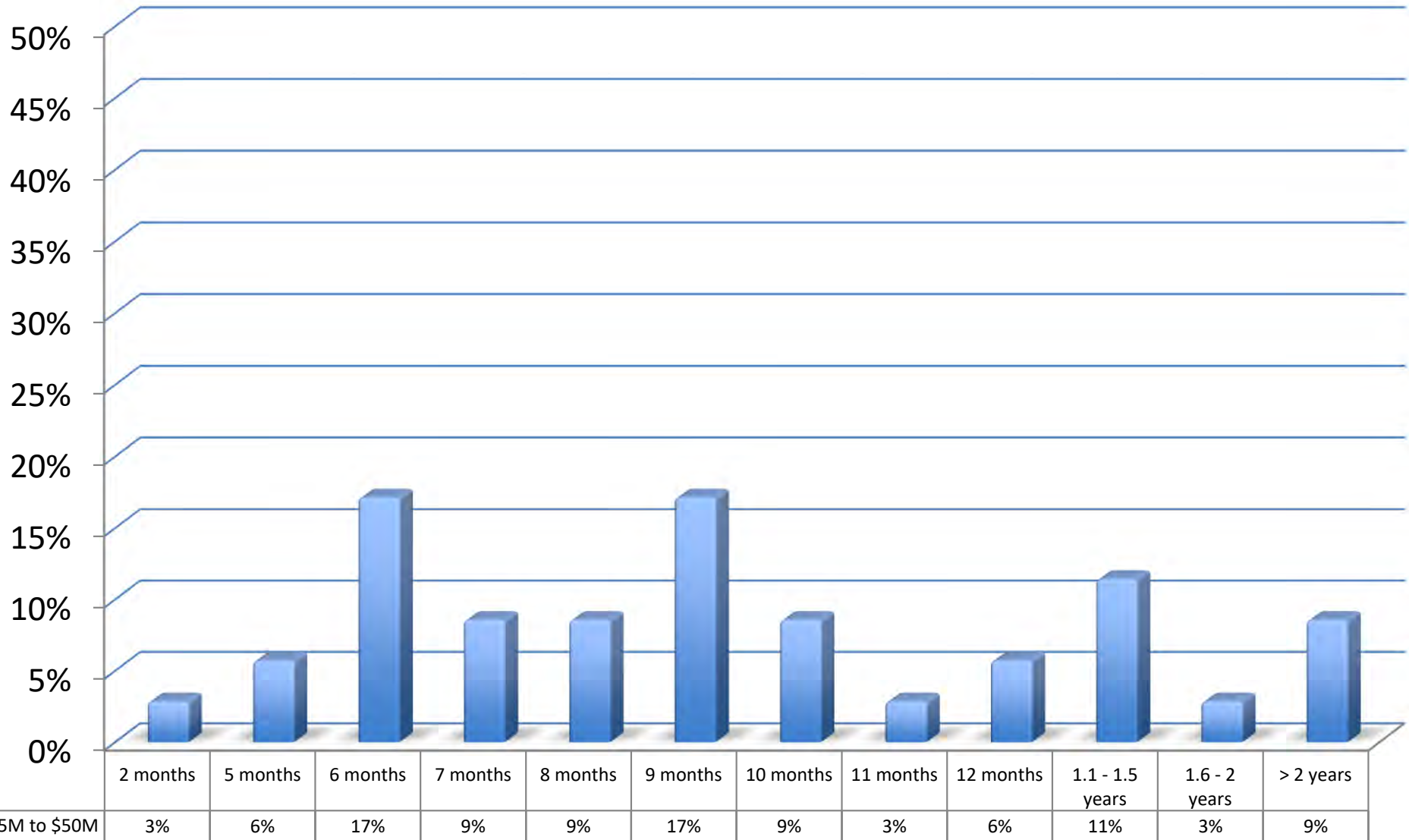
# Financing Structure



# Business Transactions Valued Over \$5 Million

## Number of Closed Transactions: 35

# Engagement/Listing to Close

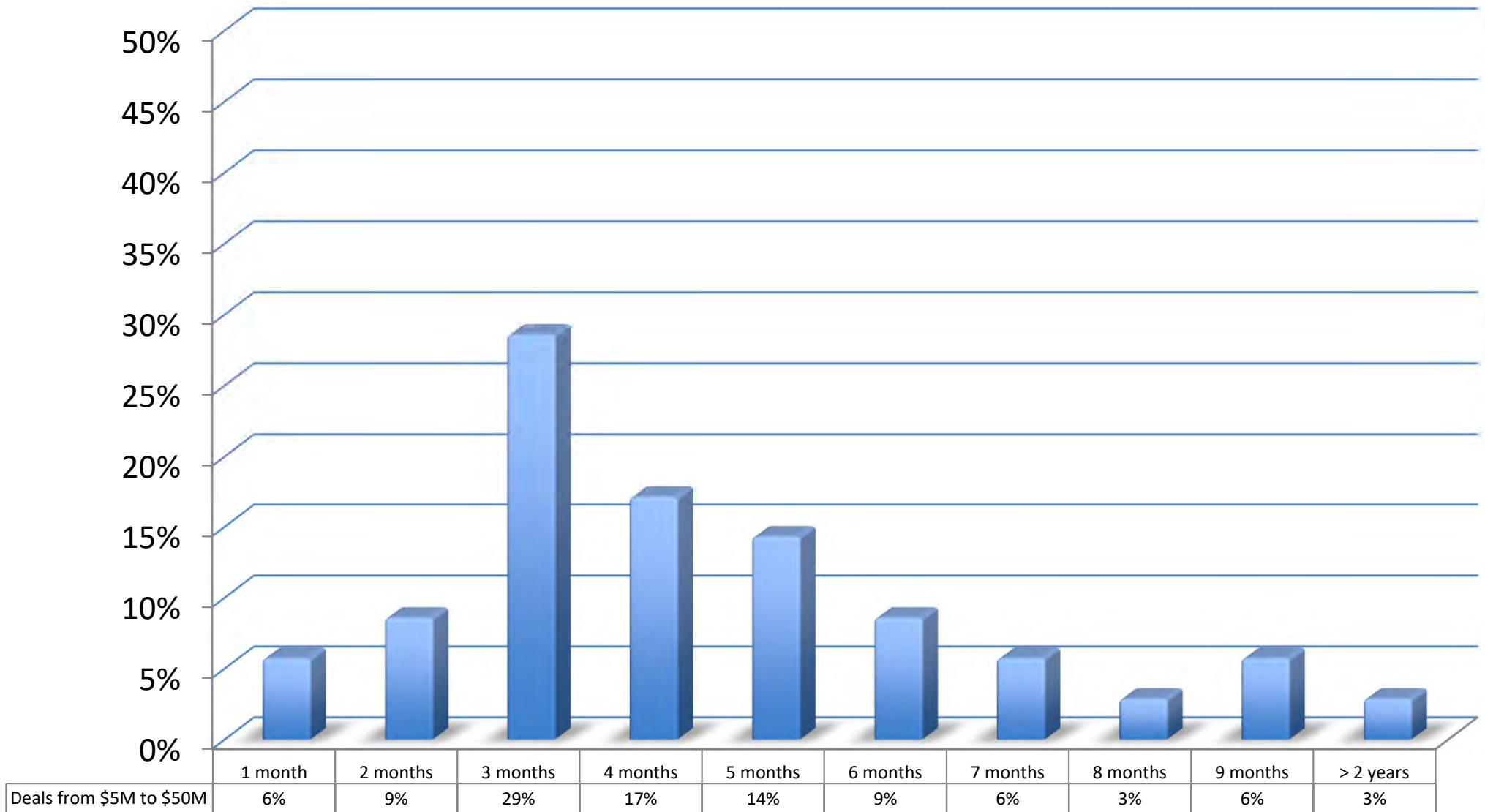


Deals from \$5M to \$50M

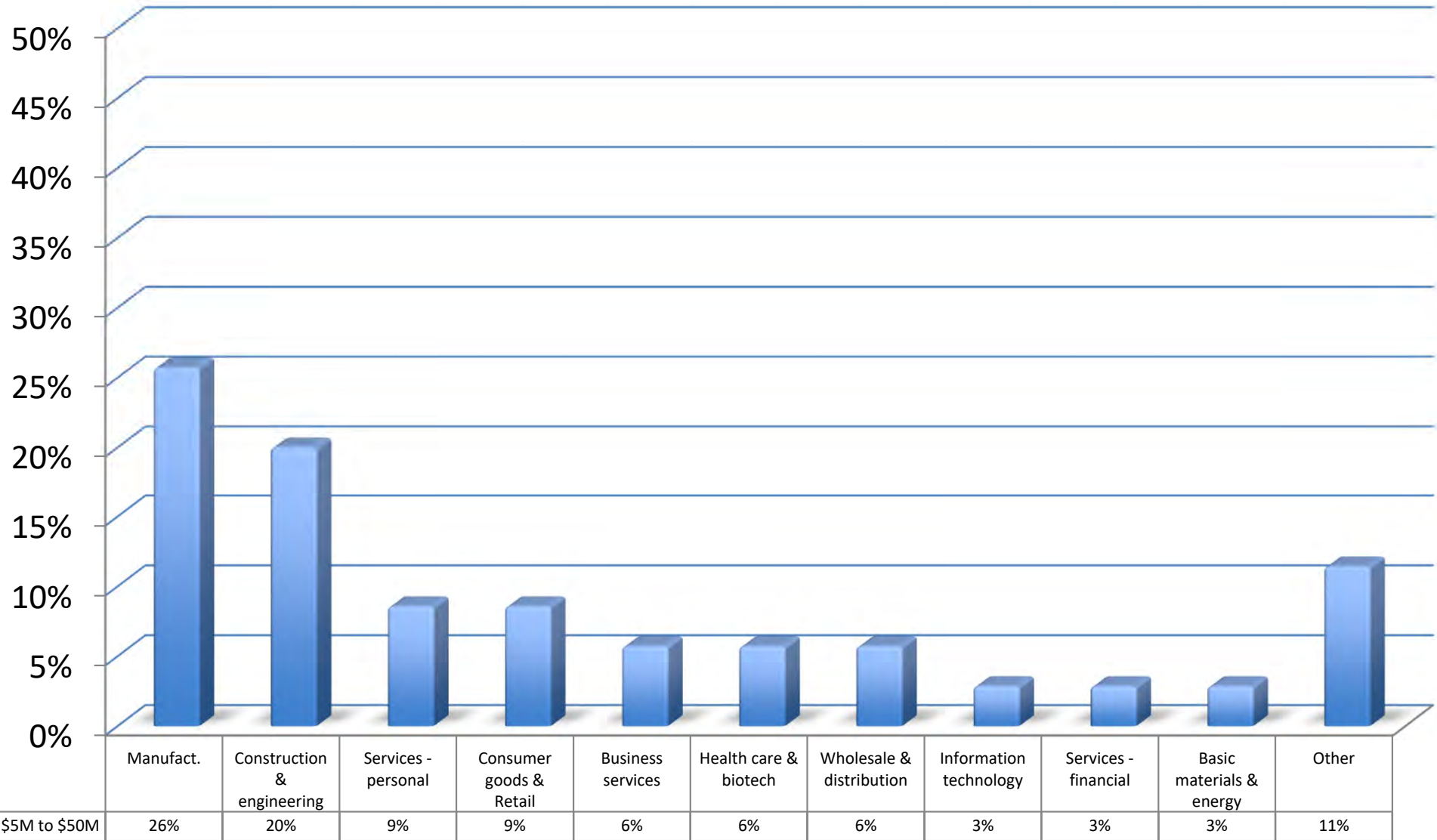
3%	6%	17%	9%	9%	17%	9%	3%	6%	11%	3%	9%
----	----	-----	----	----	-----	----	----	----	-----	----	----



# LOI/ Offer to Close

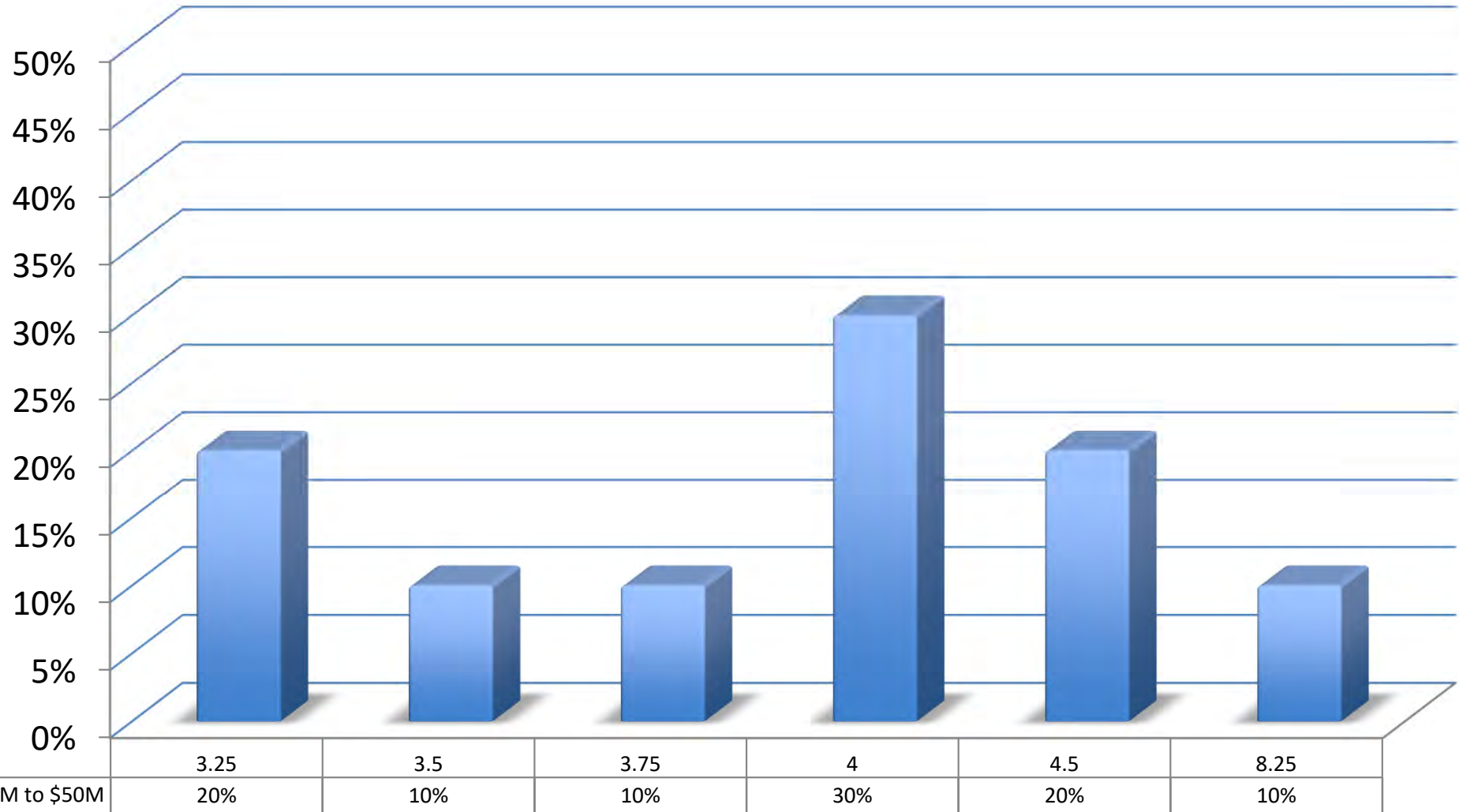


# Industry



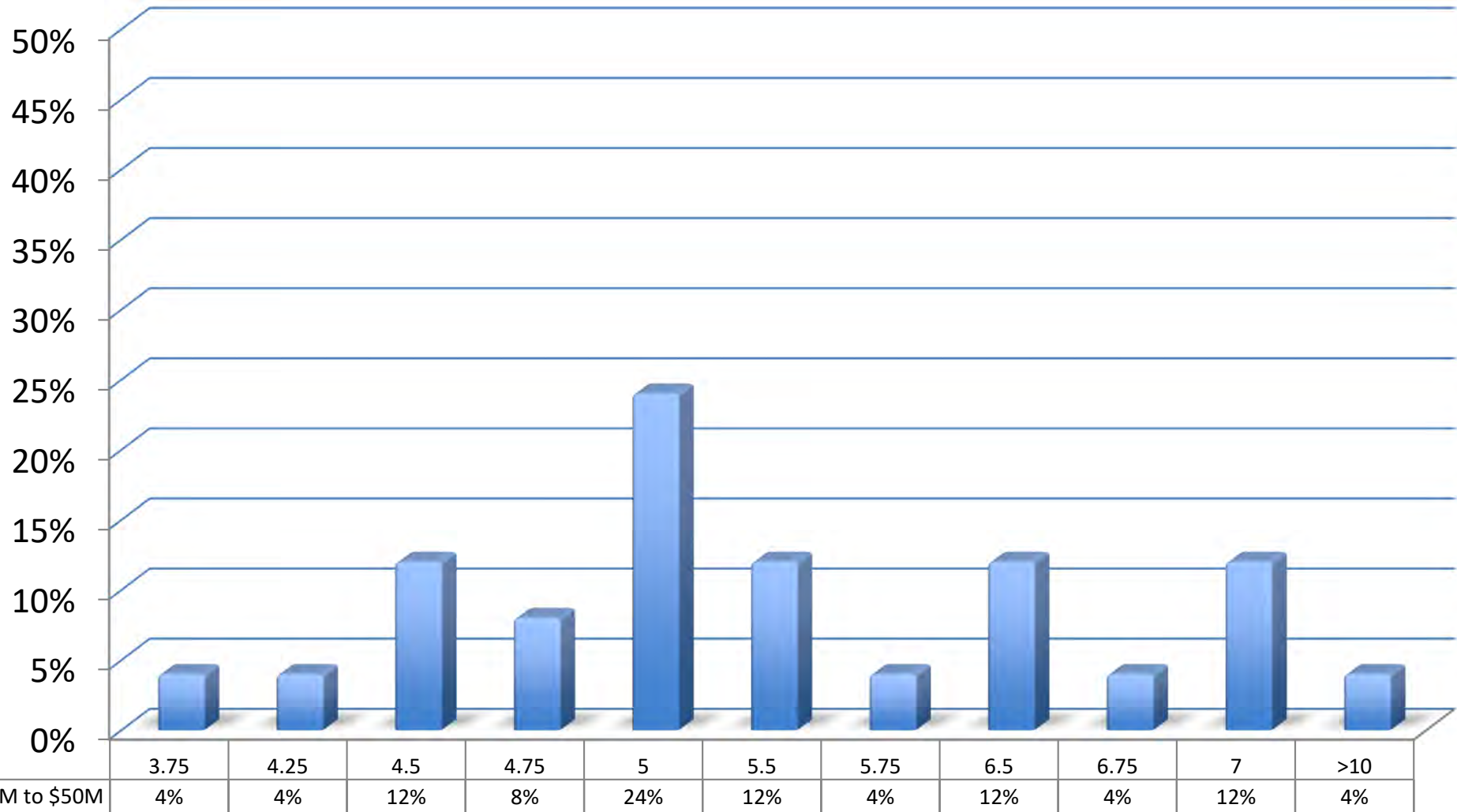
Deals from \$5M to \$50M

# SDE Multiple Paid



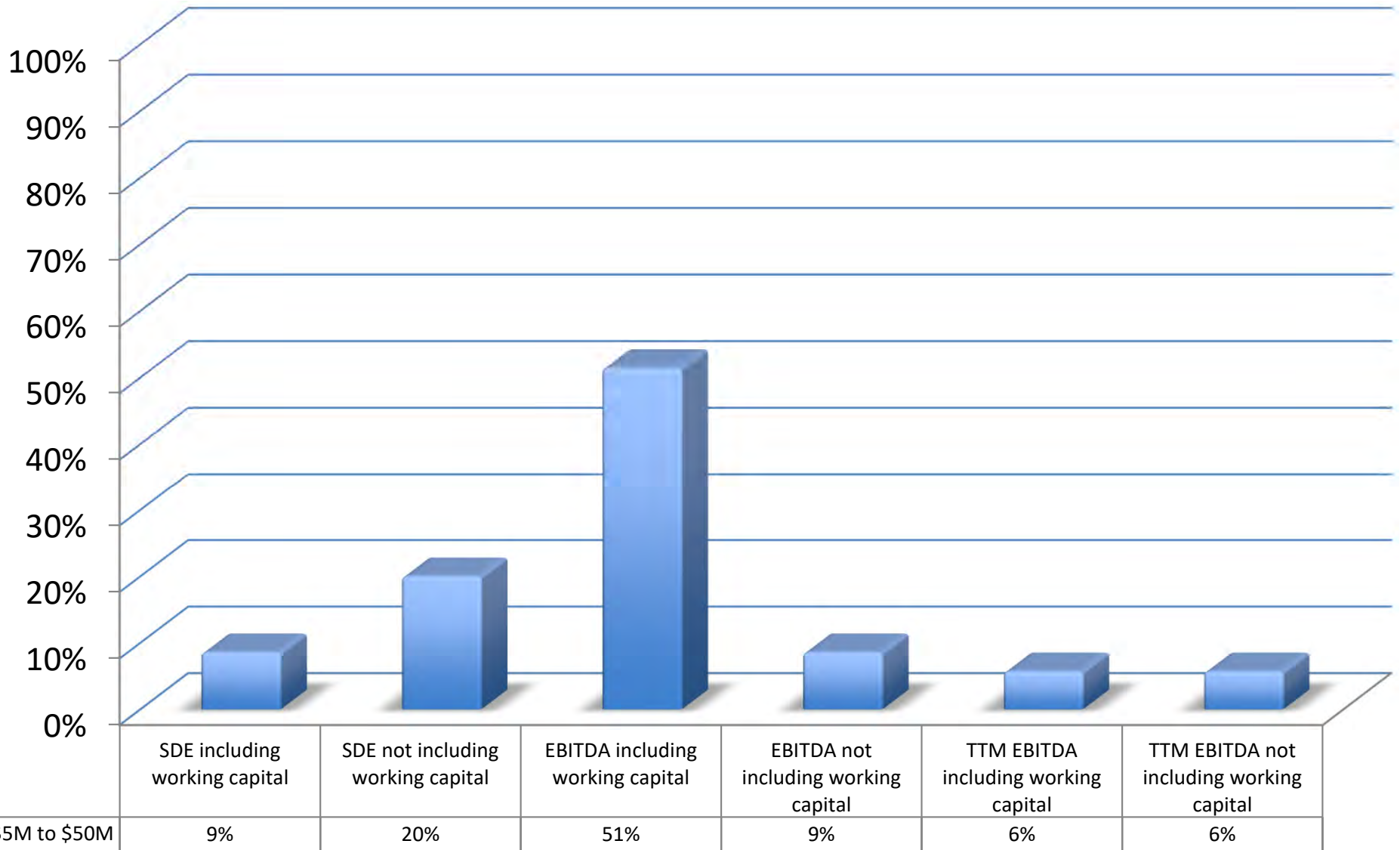
Number of responses: 10

# EBITDA Multiple Paid



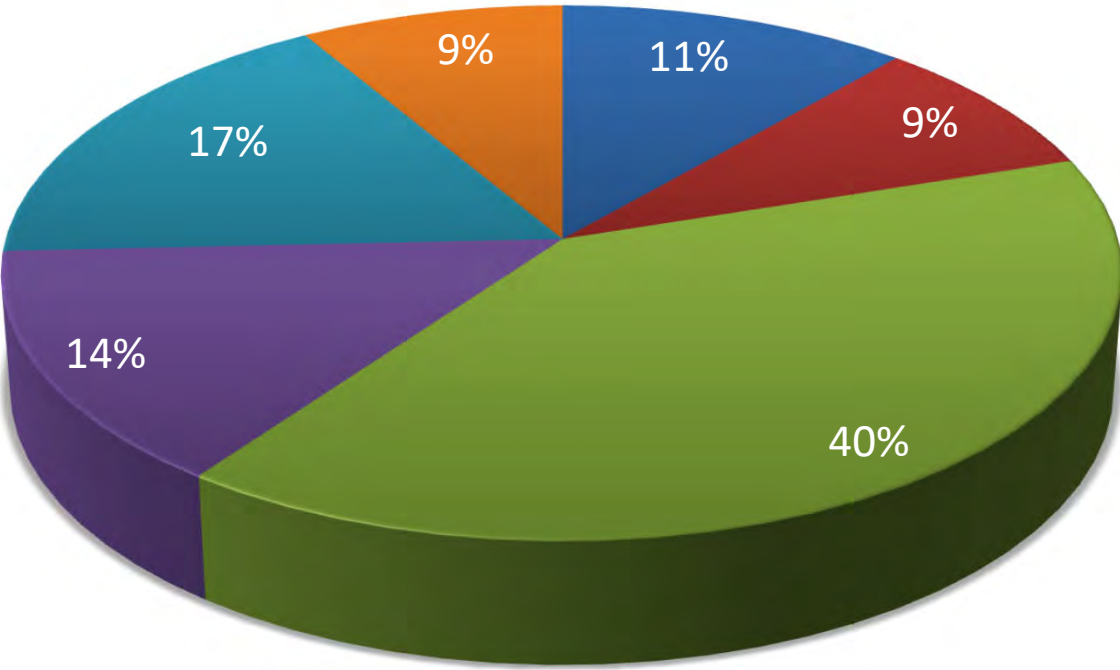
Number of responses: 25

# Multiple Type



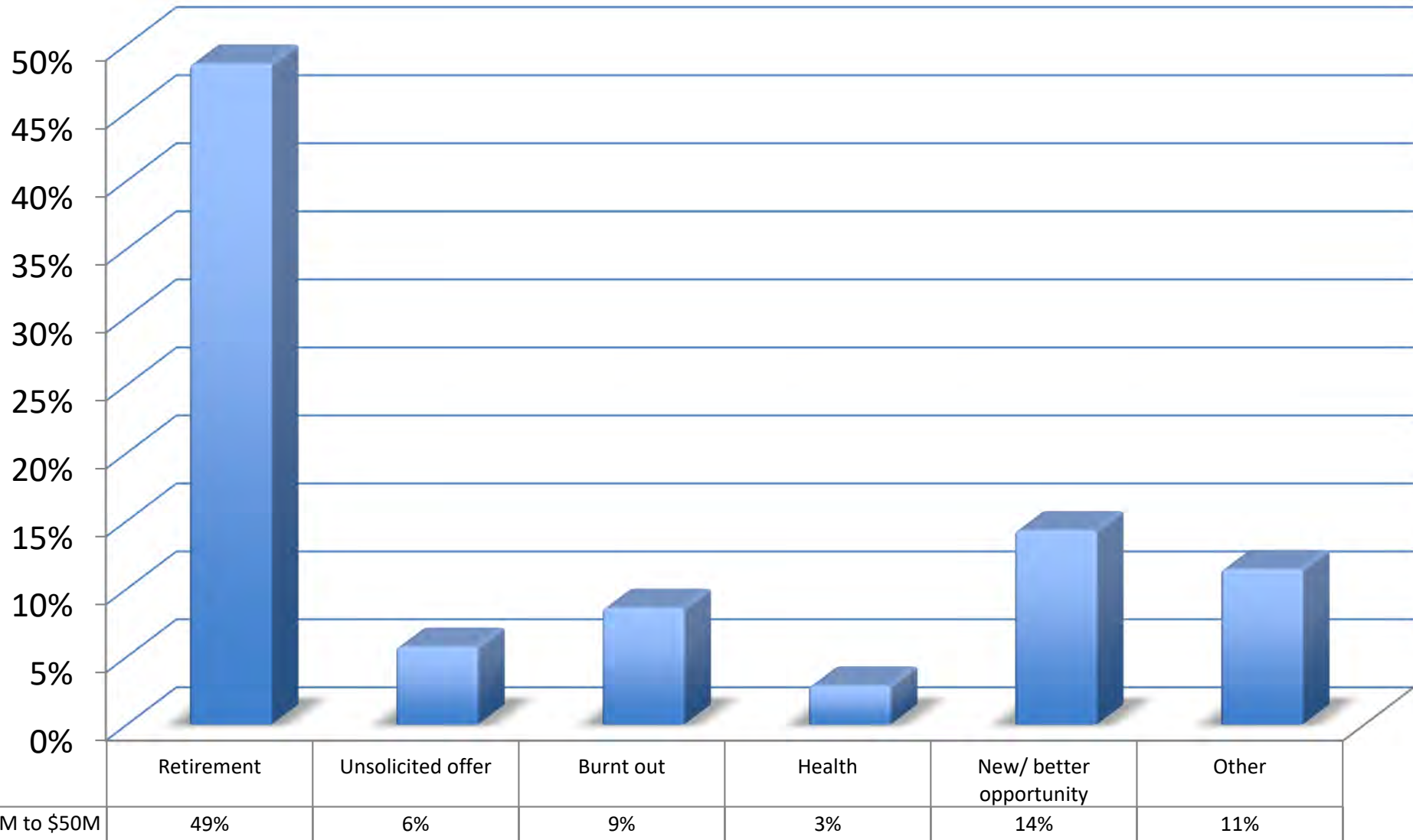
Deals from \$5M to \$50M

# Buyer Type

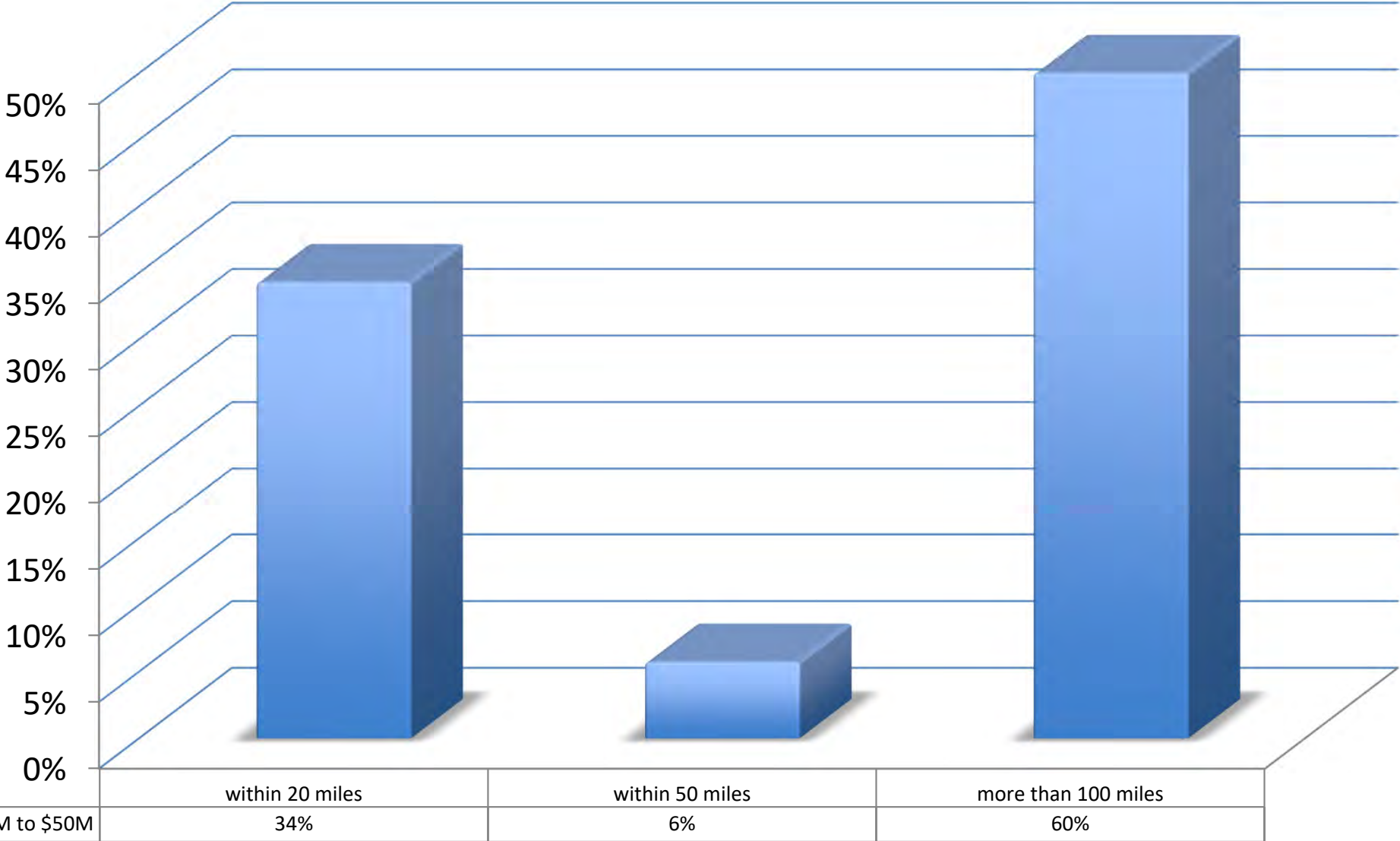


- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Platform
- PE firm - Add-on
- Other

# #1 Reason for Seller to Go to Market

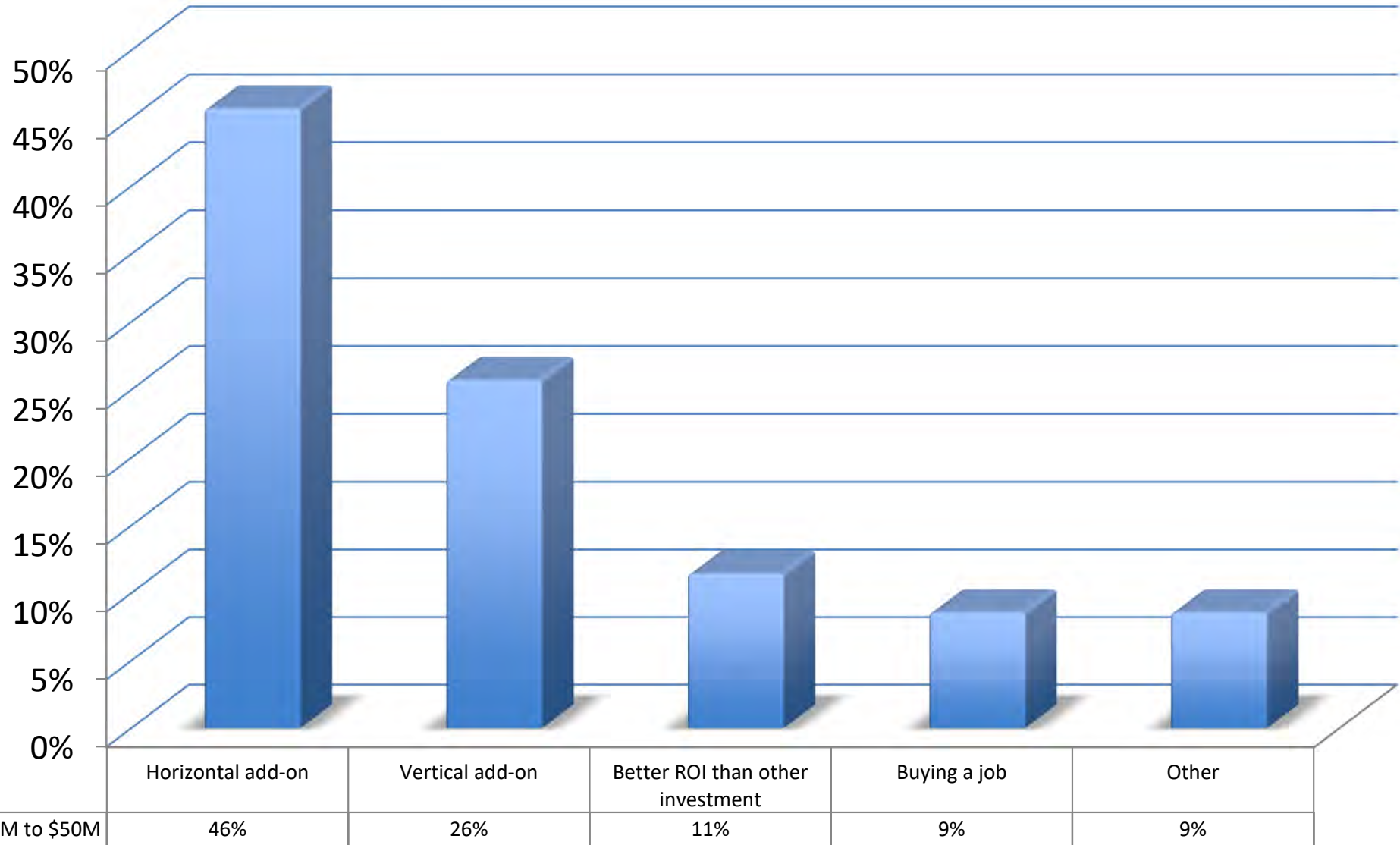


# Buyer Location

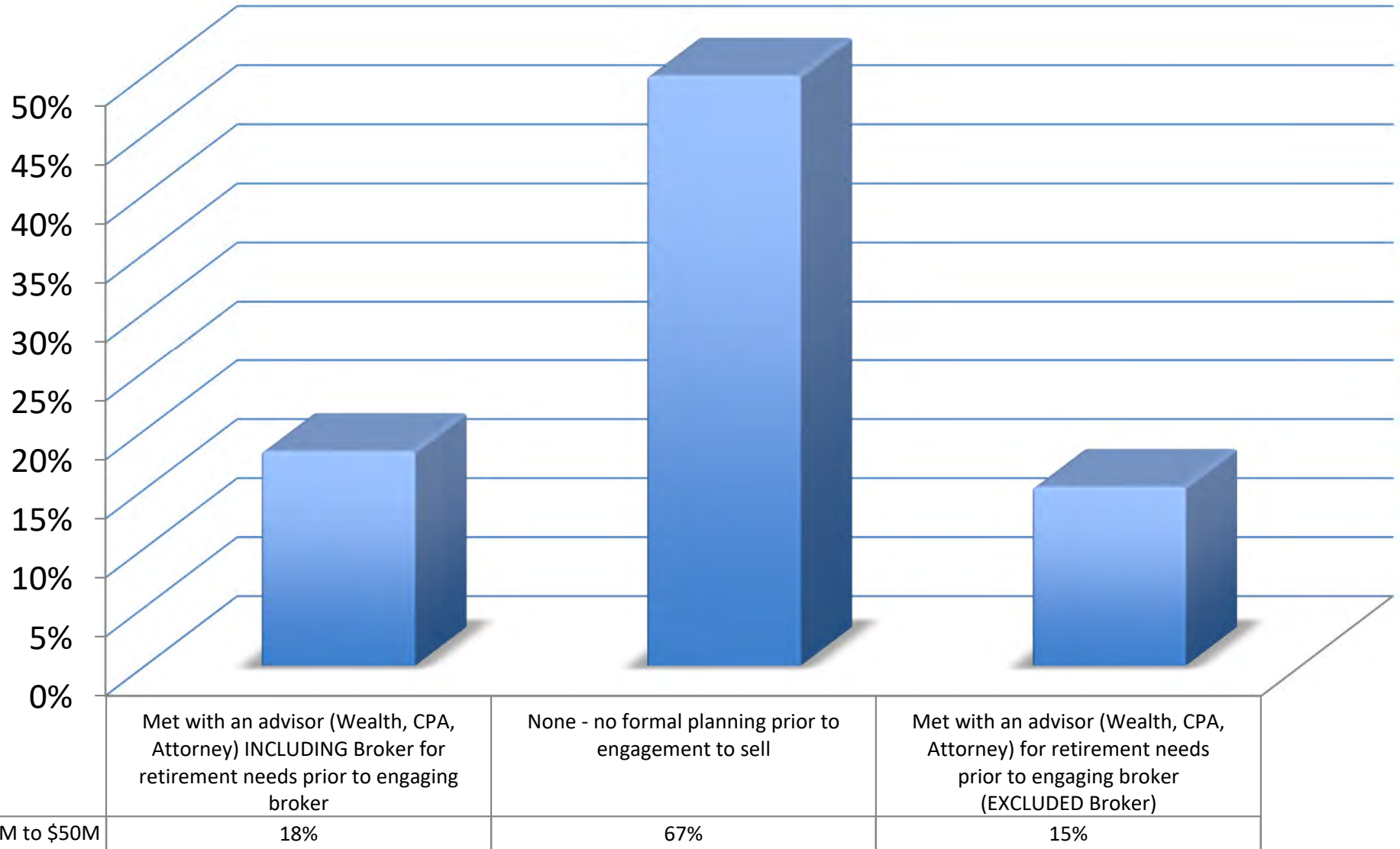




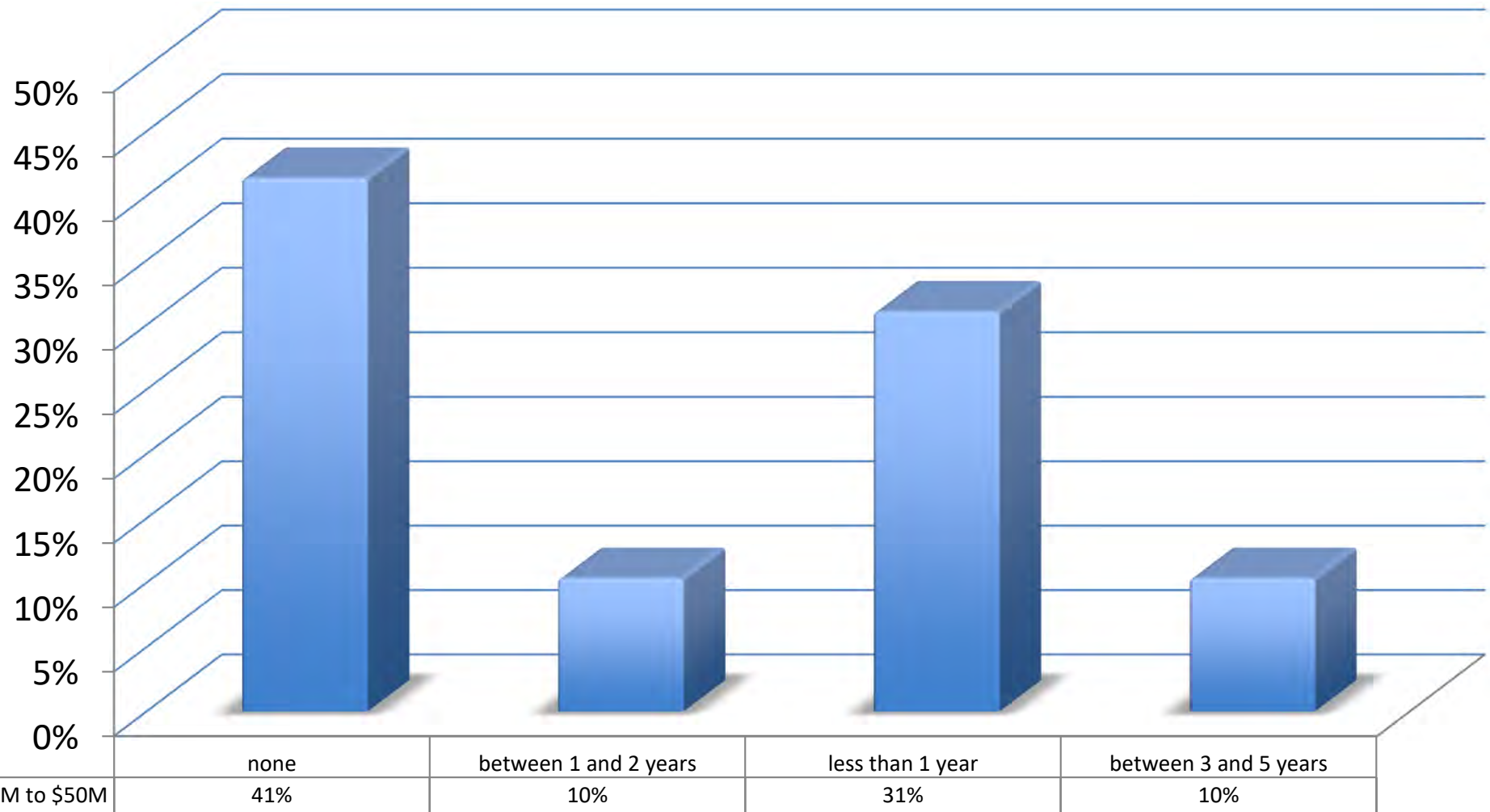
# #1 Motivation for Buyer



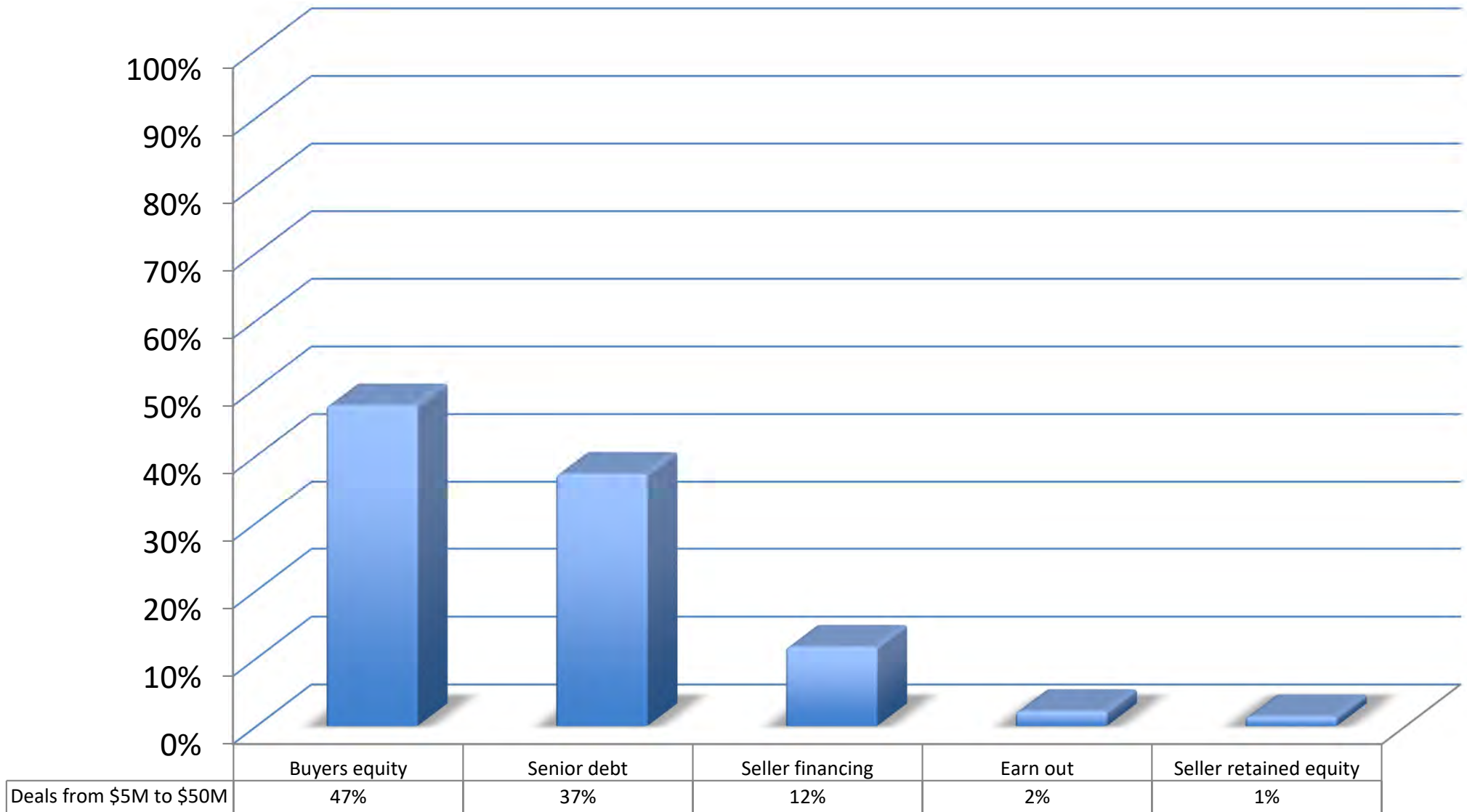
# Exit Planning



# Amount Of Exit Planning Prior To Marketing Business



# Financing Structure



# 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	3.1%	14.7%	42.3%	37.3%	2.6%	3.2
Deals valued from \$500,000 to \$999,999	2.2%	13.4%	45.0%	37.9%	1.6%	3.2
Deals valued from \$1 million to \$1.99 million	1.4%	15.0%	42.4%	40.1%	1.1%	3.2
Deals valued from \$2 million to \$4.99 million	1.2%	16.1%	47.1%	34.6%	1.0%	3.2
Deals over \$5 million	1.8%	16.2%	58.4%	22.6%	1.0%	3.0

# Expectations for Business Valuation Multiples in the Next 3 Months

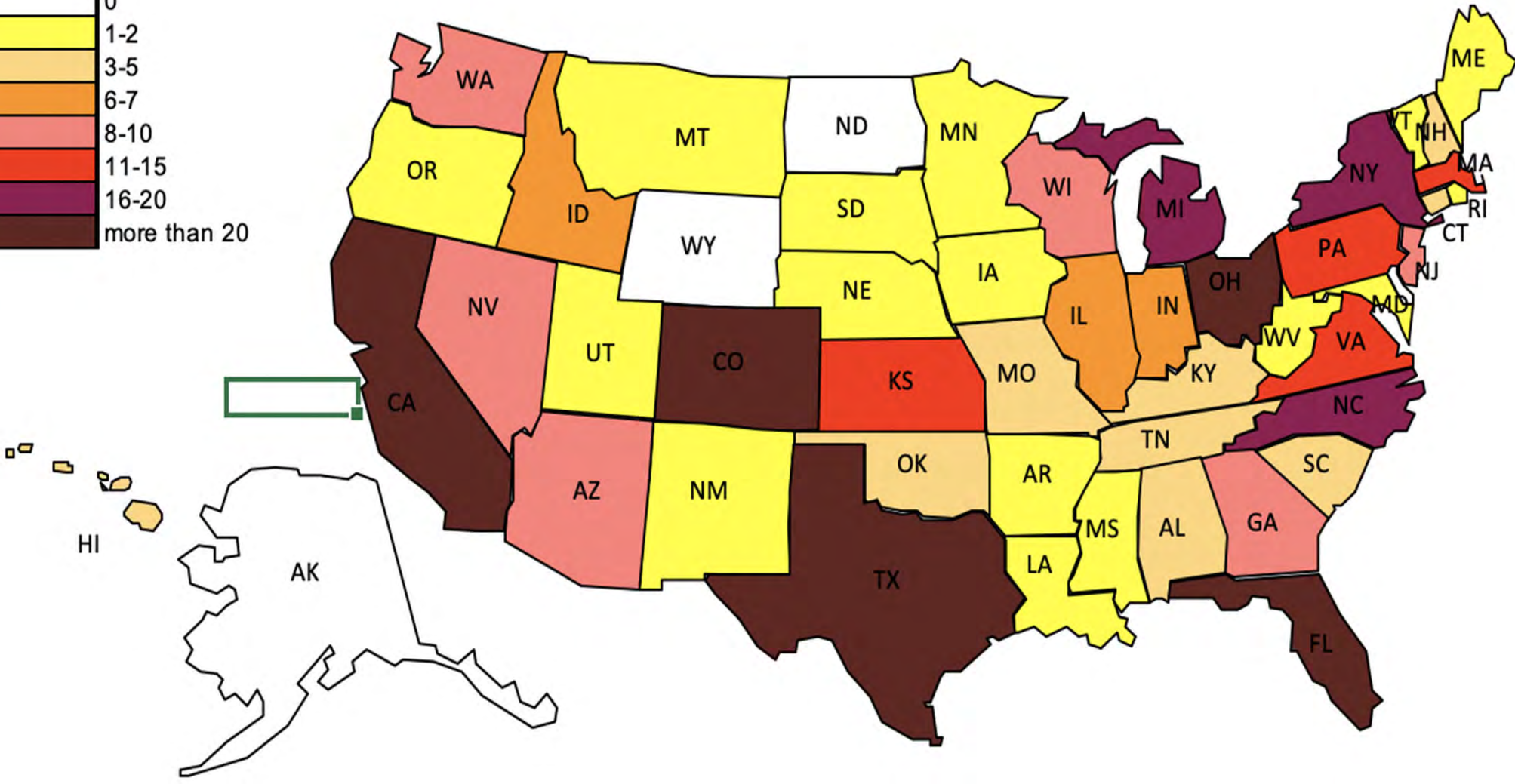
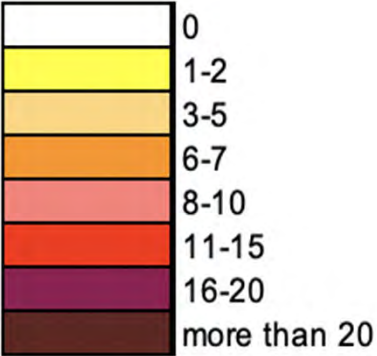
Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	5.0%	41.1%	48.9%	4.3%	0.6%	2.5
Deals valued from \$500,000 to \$999,999	2.9%	45.4%	47.3%	4.2%	0.2%	2.5
Deals valued from \$1 million to \$1.99 million	2.2%	40.7%	52.4%	4.5%	0.2%	2.6
Deals valued from \$2 million to \$4.99 million	1.6%	35.4%	54.6%	8.0%	0.5%	2.7
Deals over \$5 million	2.0%	33.3%	53.0%	10.4%	1.2%	2.8

# V. About the Respondents



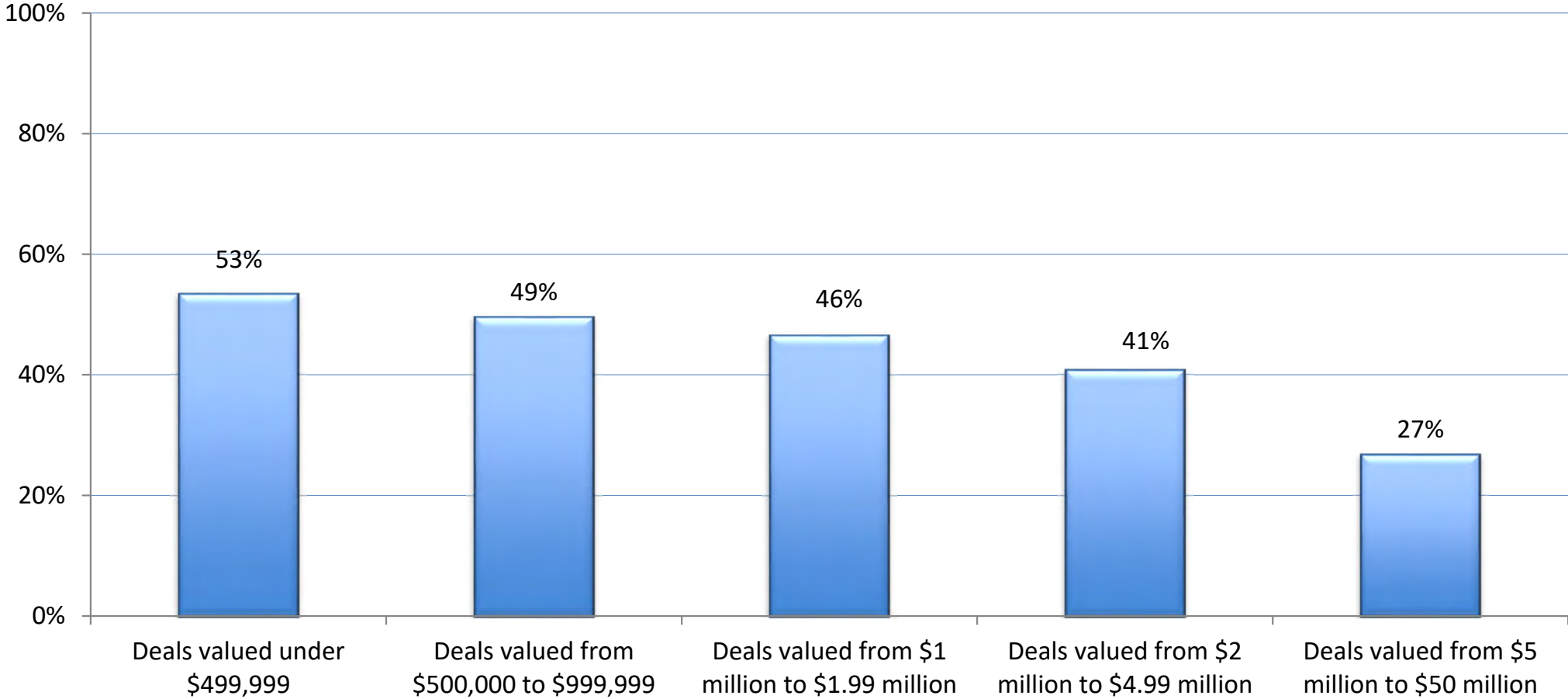
# Details About the Respondents

## Geographic Location



# Details About the Respondents

## Typical Size of Business Transactions

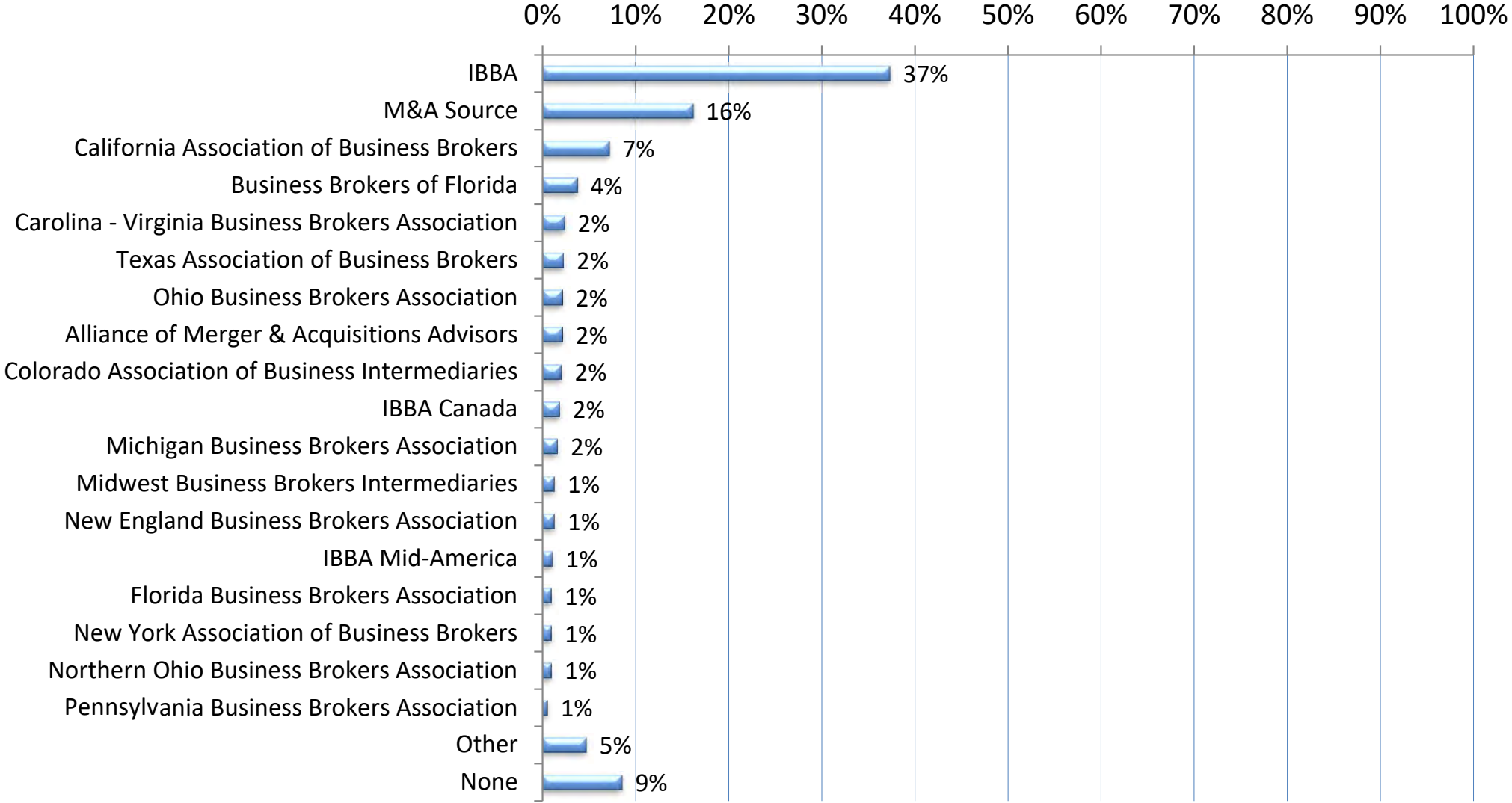


Total number of responses = 1081

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

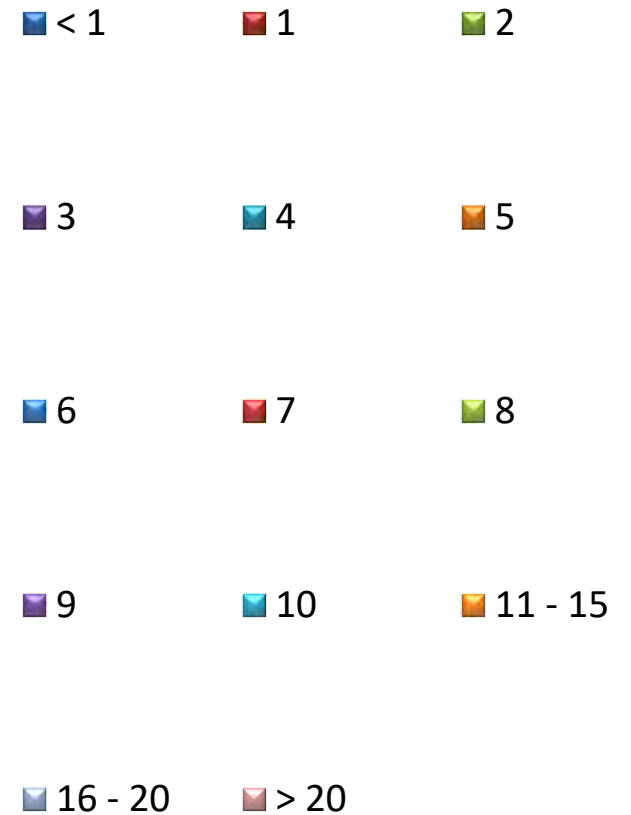
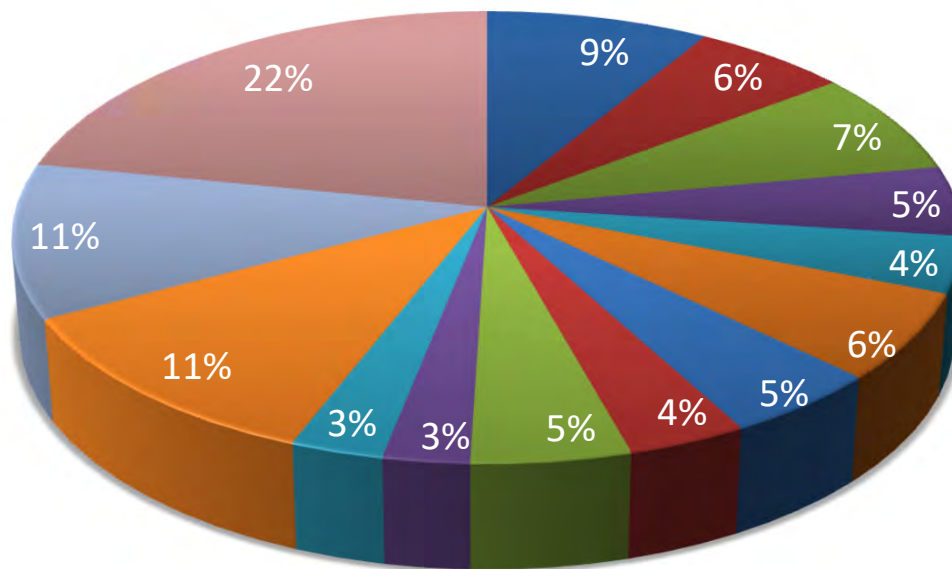
# Details About the Respondents

## Memberships/ Multiple Memberships



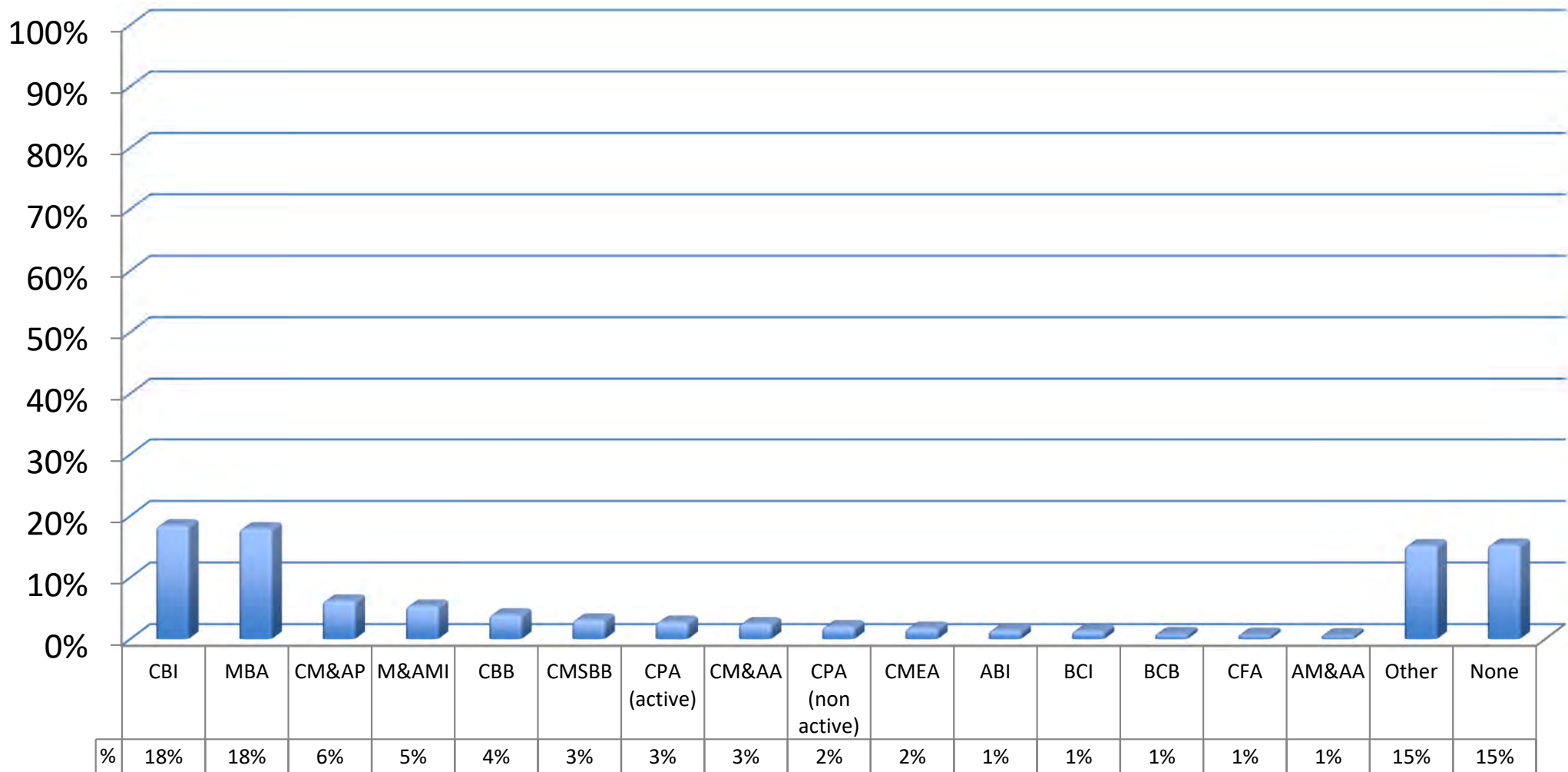
# Details About the Respondents

## Working Experience



# Details About the Respondents

## Professional Credentials



# THANK YOU TO OUR VOLUNTEERS!

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

Scott Bushkie, CBI, M&AMI

David Ryan

Kyle Griffith, CBI, CM&AP

Ron West

Lee Sheaffer, CBI

For Questions, Please Contact:

[Lisa@DeltaBusinessAdvisors.com](mailto:Lisa@DeltaBusinessAdvisors.com)