

# Market Pulse Report Second Quarter 2022

## Market Pulse Committee

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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 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
- 355 completed responses
- 299 completed deals
- Responses collected from July 1 to July 17, 2022

## II. Current Business Environment

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

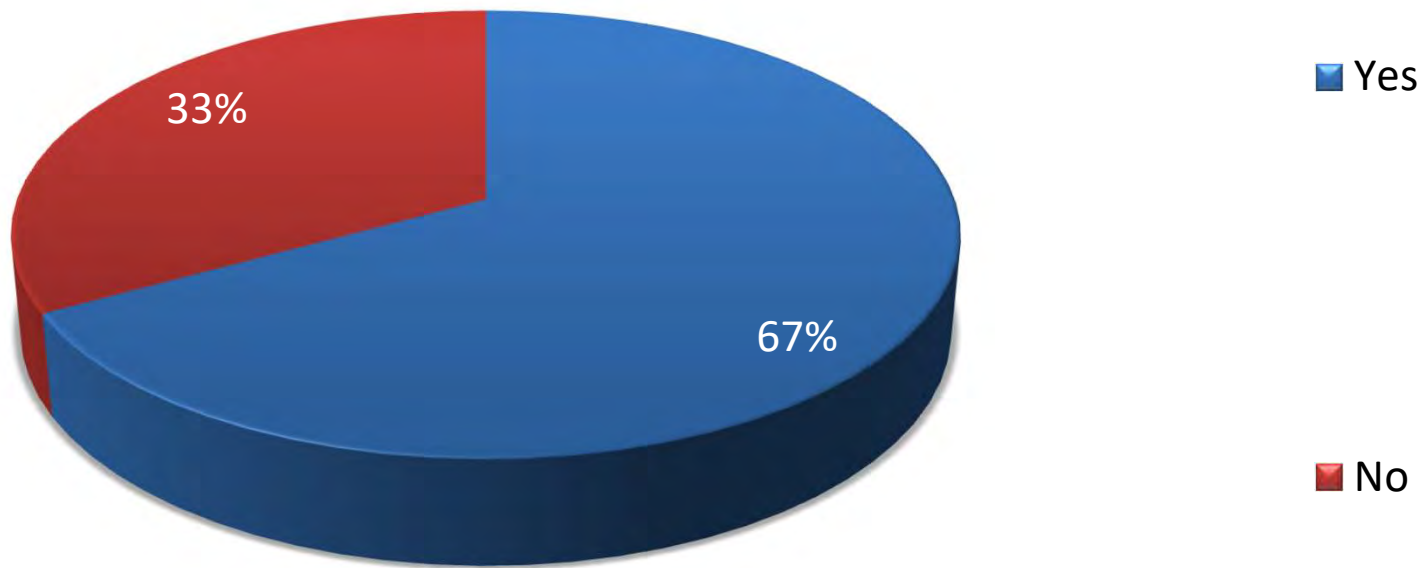
	Very Negative Effect	Somewhat Negative Effect	No Effect	Somewhat Positive Effect	Very Positive Effect	Score (-2 to 2)
Cost of Labor	21%	64%	13%	2%	0%	-1.0
COVID Regulations	7%	36%	53%	2%	1%	-0.4
Inflation	31%	58%	8%	2%	0%	-1.2
Interest Rate Hikes	21%	60%	17%	1%	0%	-1.0
Labor Shortage	47%	45%	5%	3%	0%	-1.3
Recession Expectations	15%	65%	17%	3%	0%	-0.9
Supply Chain Issues	30%	57%	12%	1%	0%	-1.2
War in Ukraine	5%	36%	57%	1%	0%	-0.5
Other	44%	11%	37%	7%	0%	-0.9

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

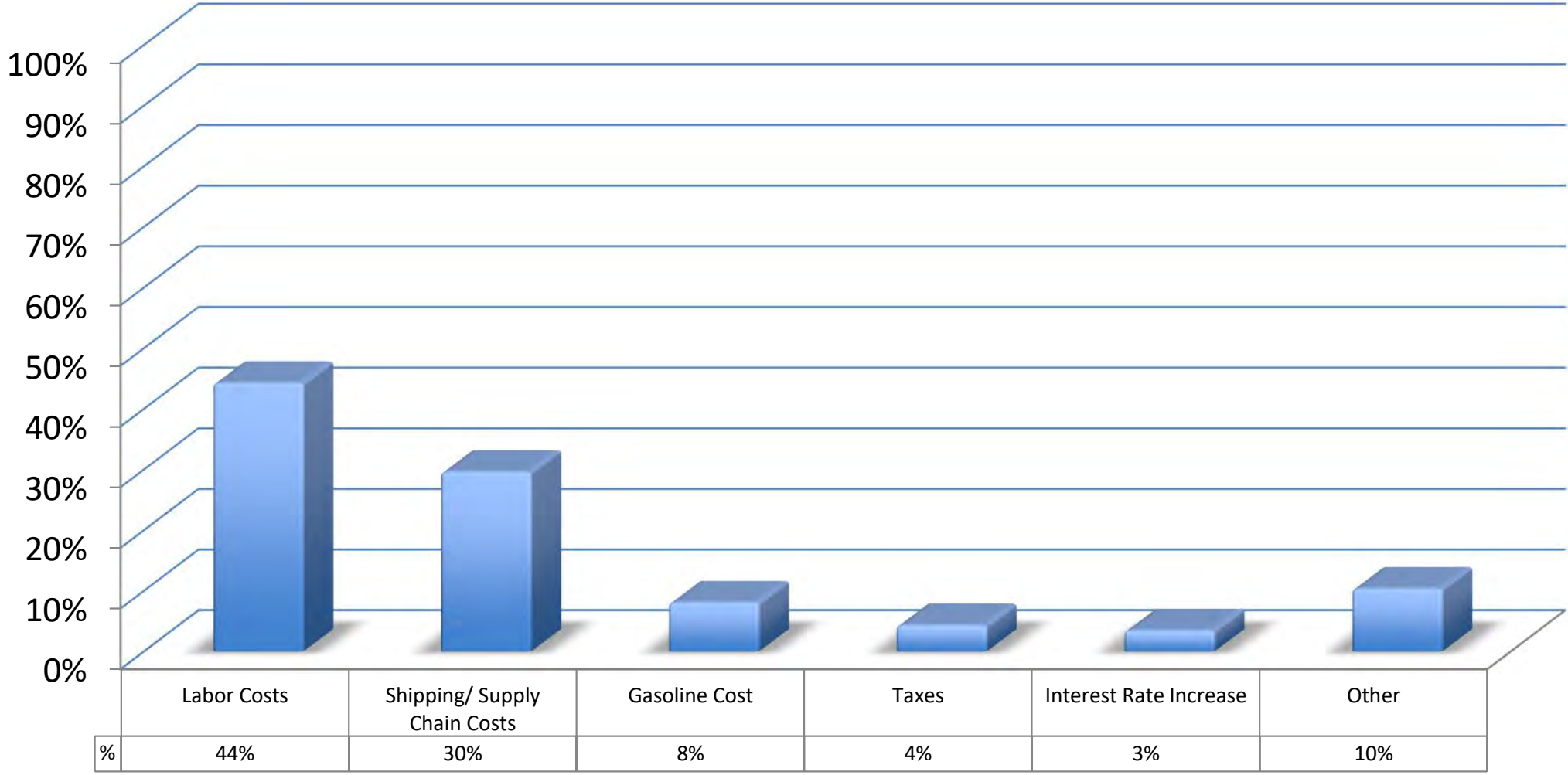
	Very Negative Effect	Somewhat Negative Effect	No Effect	Somewhat Positive Effect	Very Positive Effect	Score (-2 to 2)
Cost of Labor	37%	53%	8%	1%	0%	-1.2
COVID Regulations	12%	41%	45%	2%	1%	-0.6
Inflation	35%	54%	9%	1%	0%	-1.2
Interest Rate Hikes	23%	59%	16%	1%	0%	-1.0
Labor Shortage	54%	38%	5%	3%	0%	-1.4
Recession Expectations	20%	62%	16%	2%	0%	-1.0
Supply Chain Issues	29%	55%	14%	2%	0%	-1.1
War in Ukraine	6%	32%	60%	1%	1%	-0.4
Other	24%	12%	60%	4%	0%	-0.6



# Are Respondents Getting More Baby Boomer Business Owners Trying to Exit Before The Next Downturn/ Recession/ Macro Event

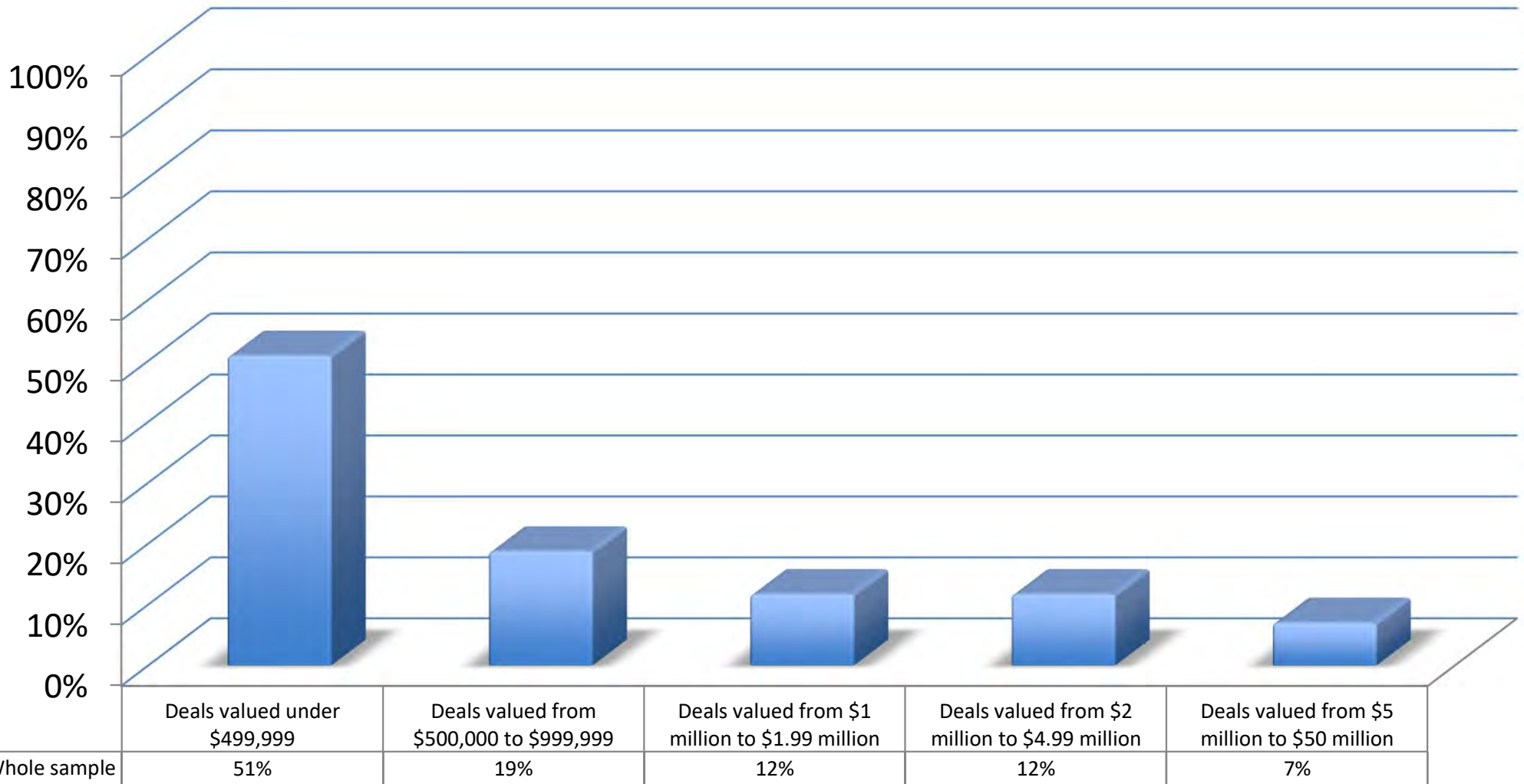


# Based on Respondents Best Client, What Is The Biggest Negative Impact on Their Net Income?

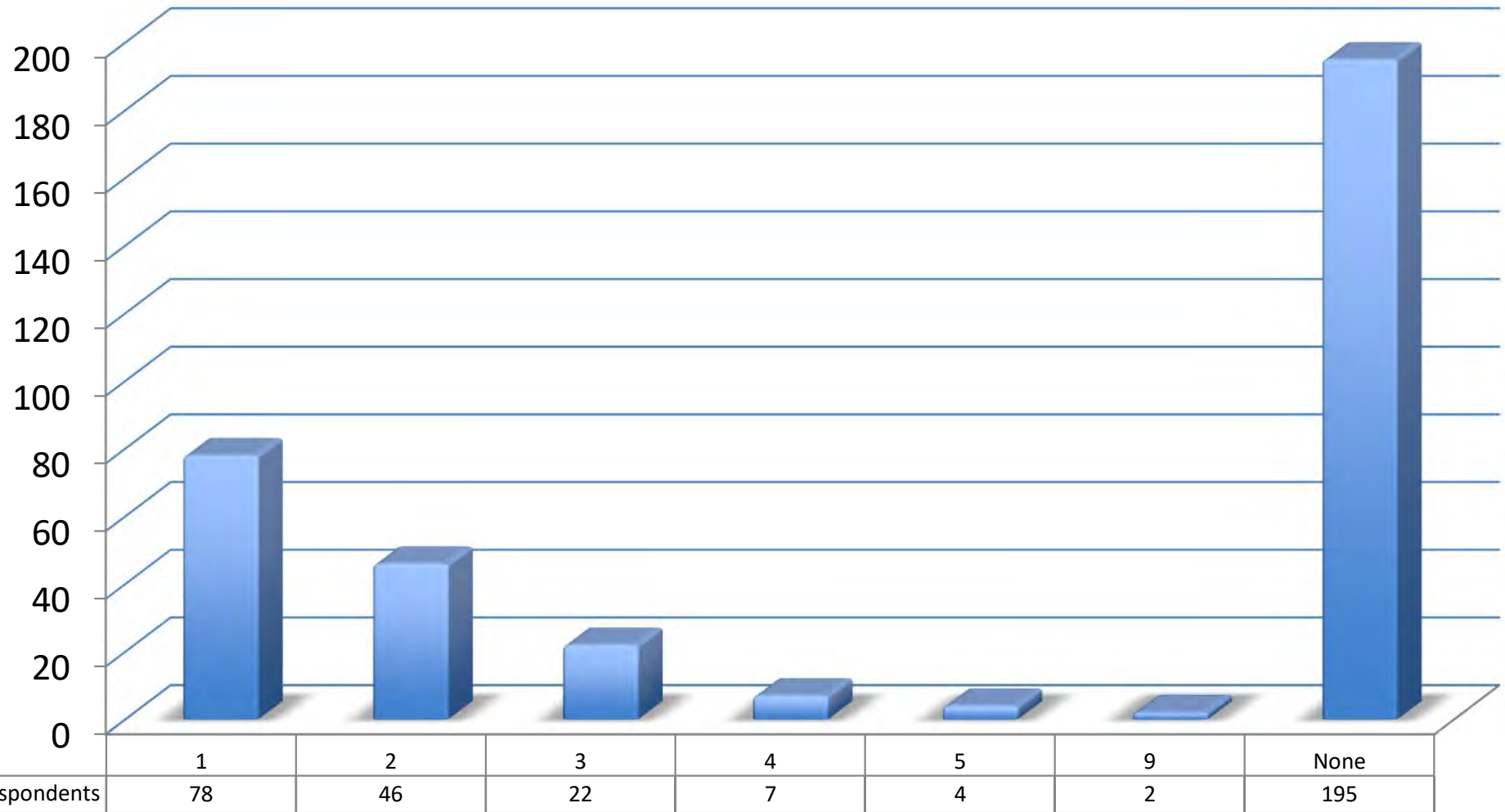


# III. Business Transactions Closed in the Last 3 Months

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



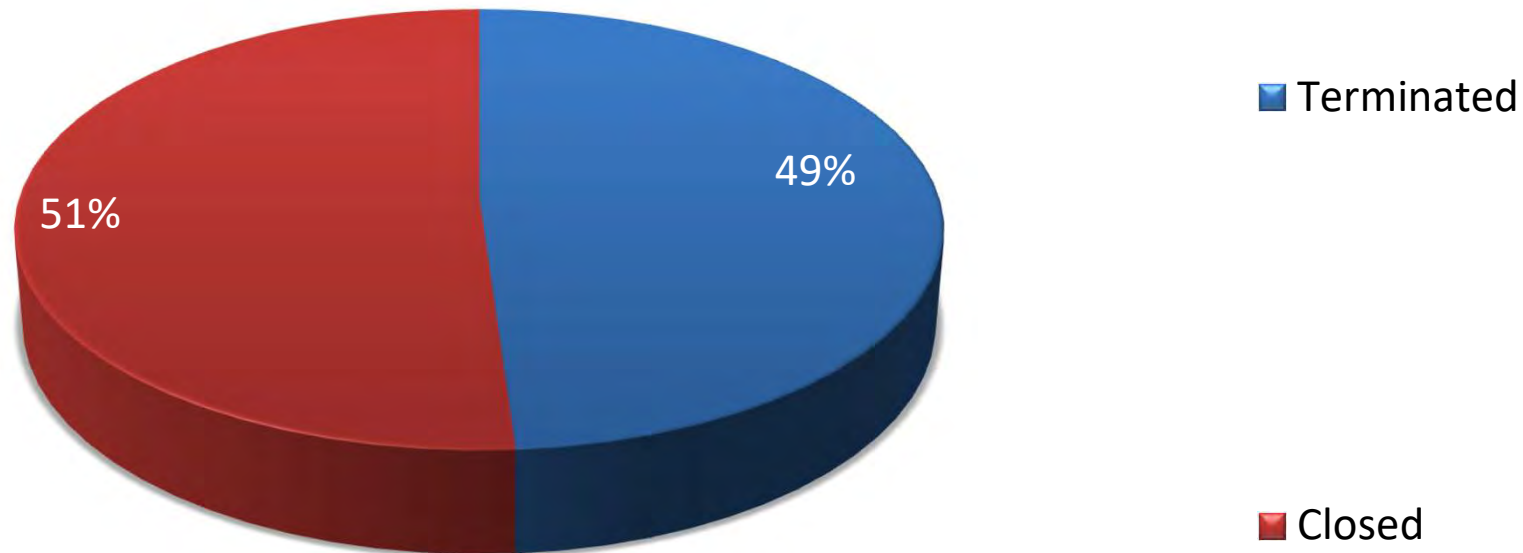
# Number of Business Transactions Closed by Respondents in the Last 3 Months



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

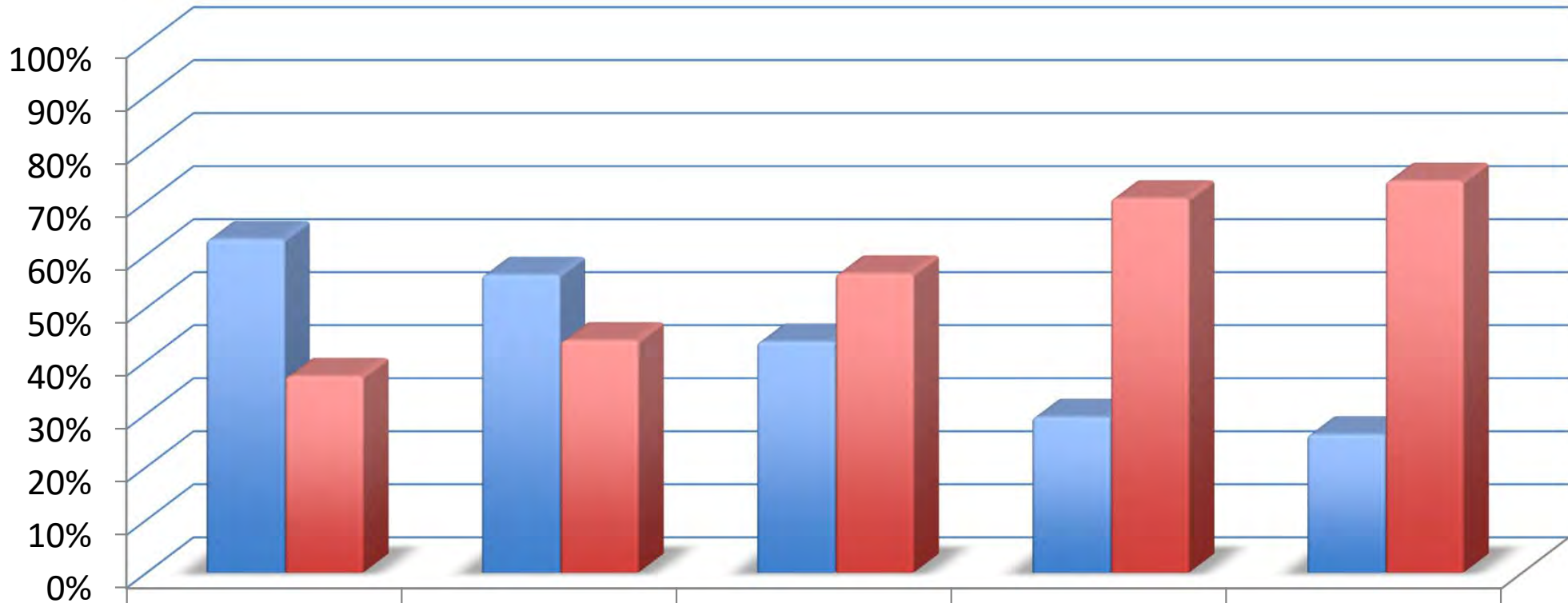
Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under \$499,999	2%	26%	3%	12%	57%	4.0
Deals valued from \$500,000 to \$999,999	2%	26%	2%	12%	58%	4.0
Deals valued from \$1 million to \$1.99 million	3%	25%	4%	12%	57%	3.9
Deals valued from \$2 million to \$4.99 million	4%	26%	3%	14%	54%	3.9
Deals valued from \$5 million to \$50 million	4%	19%	4%	12%	61%	4.1

# 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?

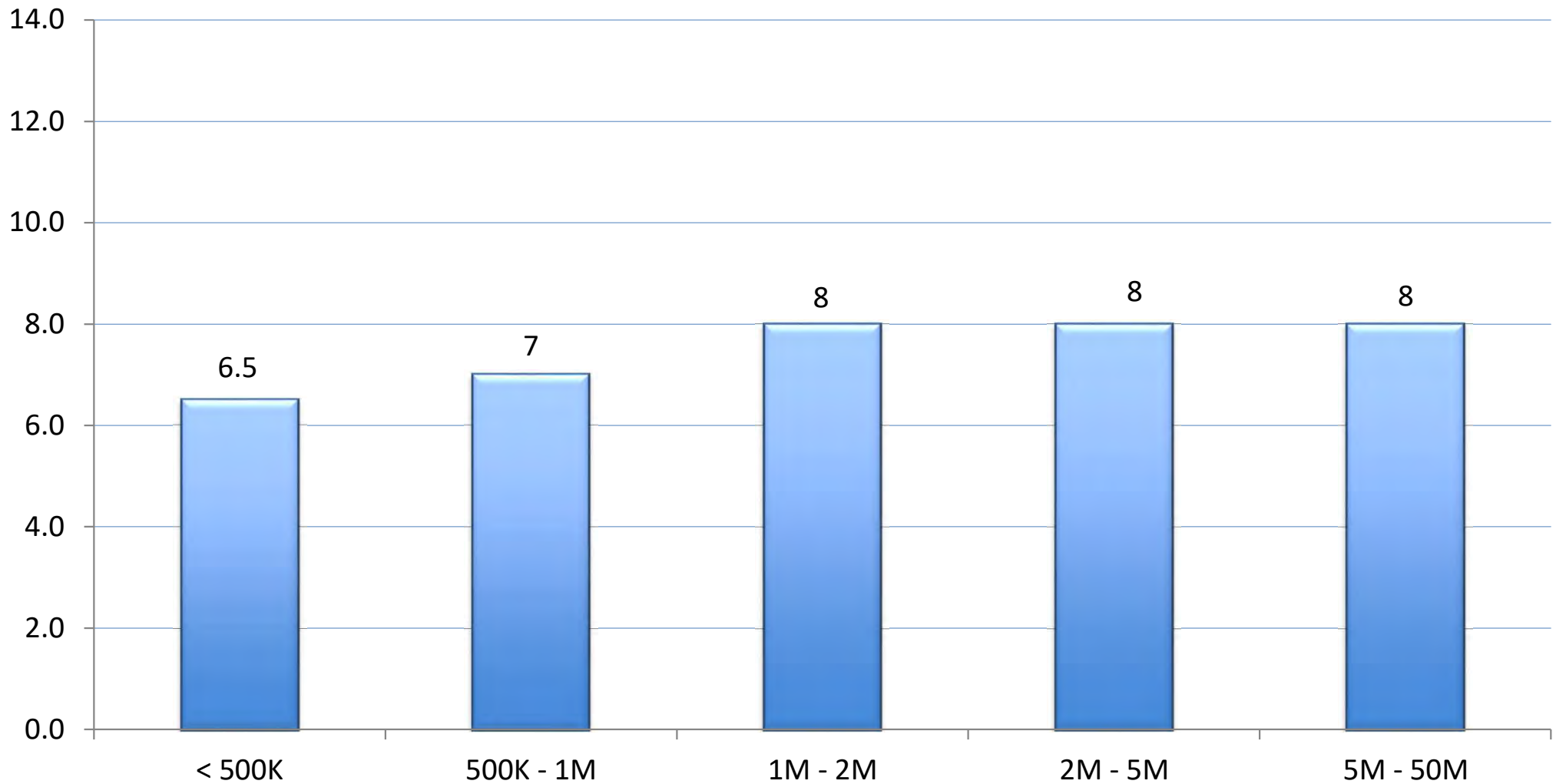


	Deals valued under \$499,999	Deals valued from \$500,000 to \$999,999	Deals valued from \$1 million to \$1.99 million	Deals valued from \$2 million to \$4.99 million	Deals valued from \$5 million to \$50 million
Buyer's market	63%	56%	44%	29%	26%
Seller's market	37%	44%	56%	71%	74%
Number of responses	302	283	280	262	253

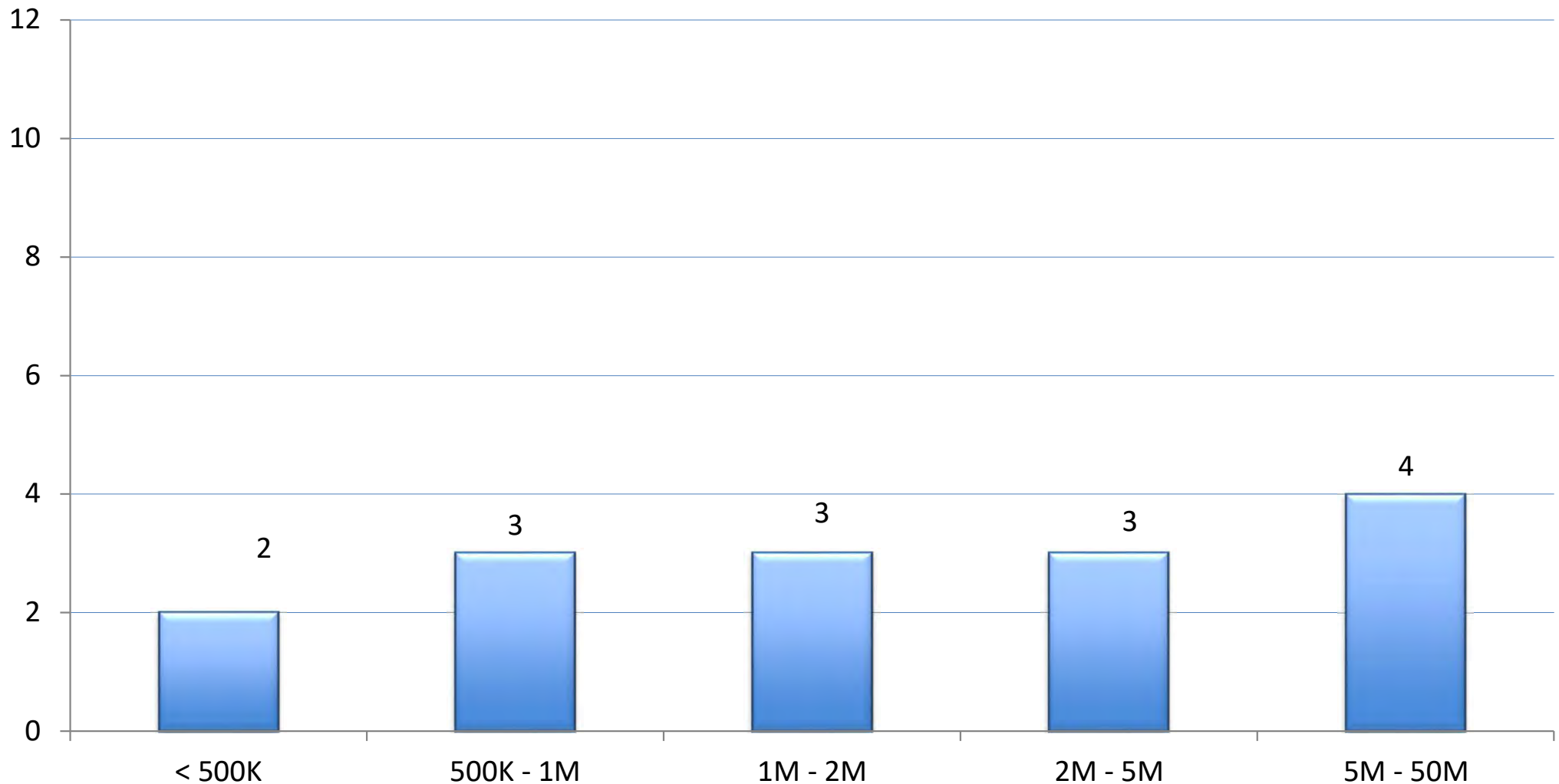


# Business Transactions of All Sizes, Comparison

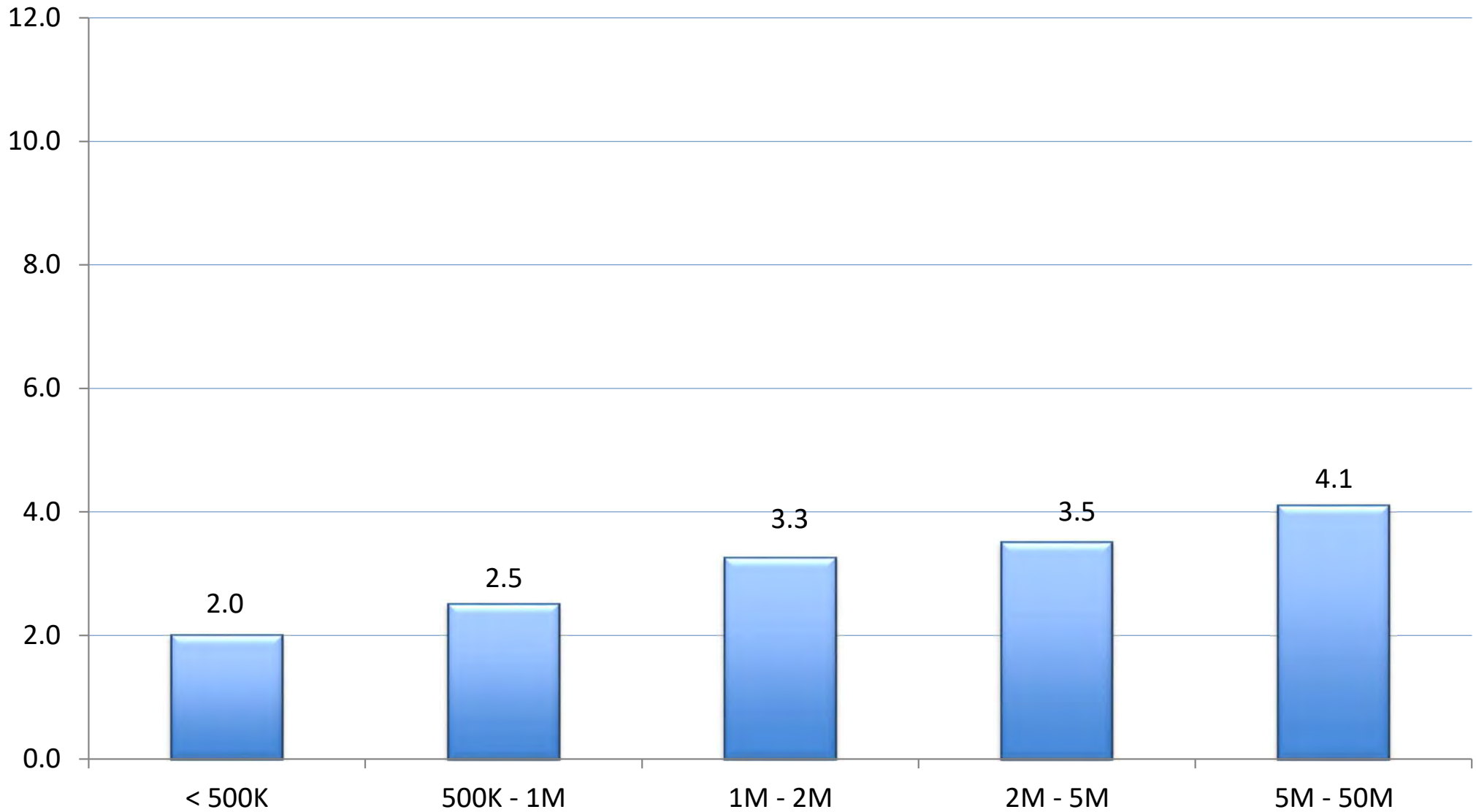
# Median Number of Months from Listing/Engagement to Close



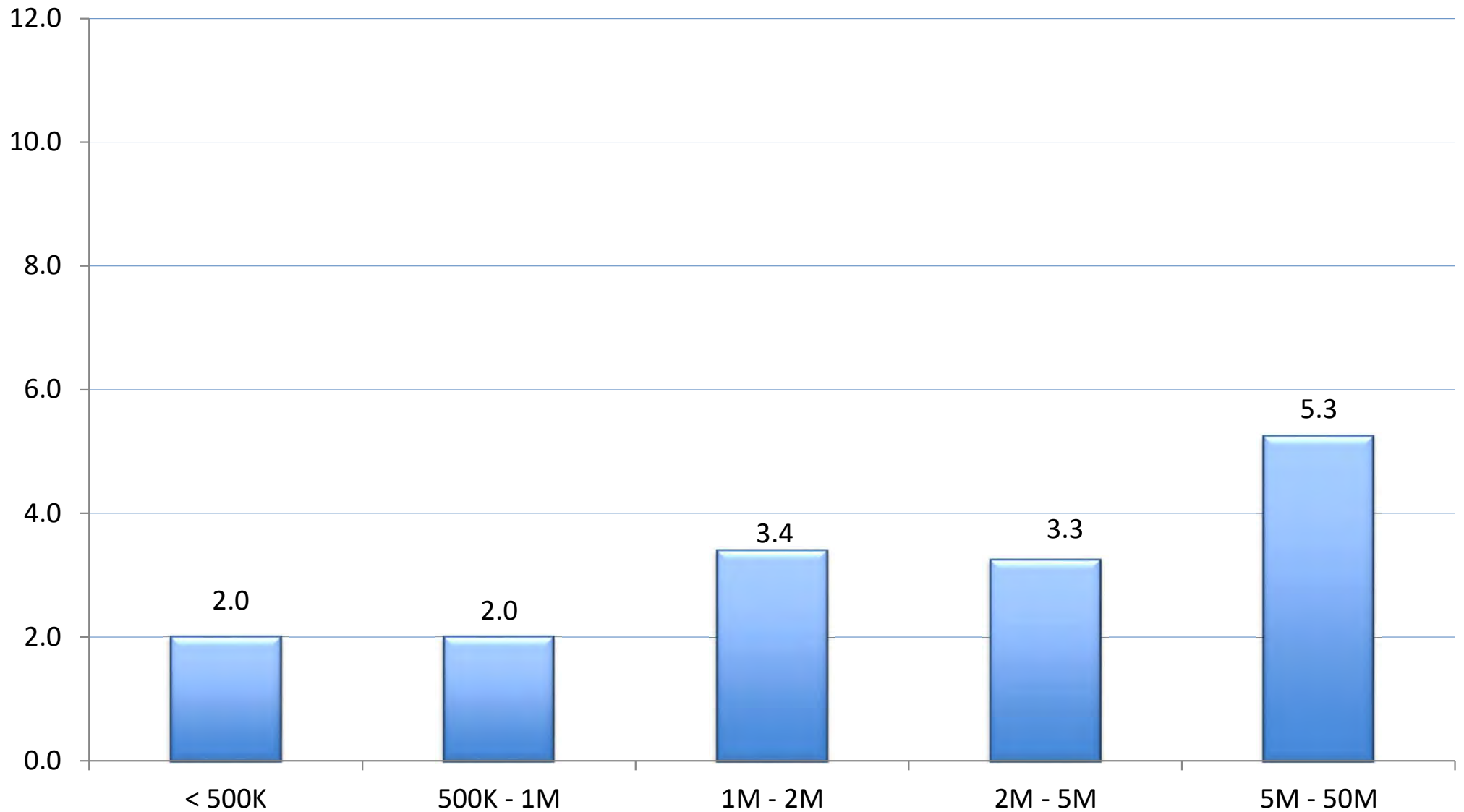
# Median Number of Months from LOI/Offer to Close



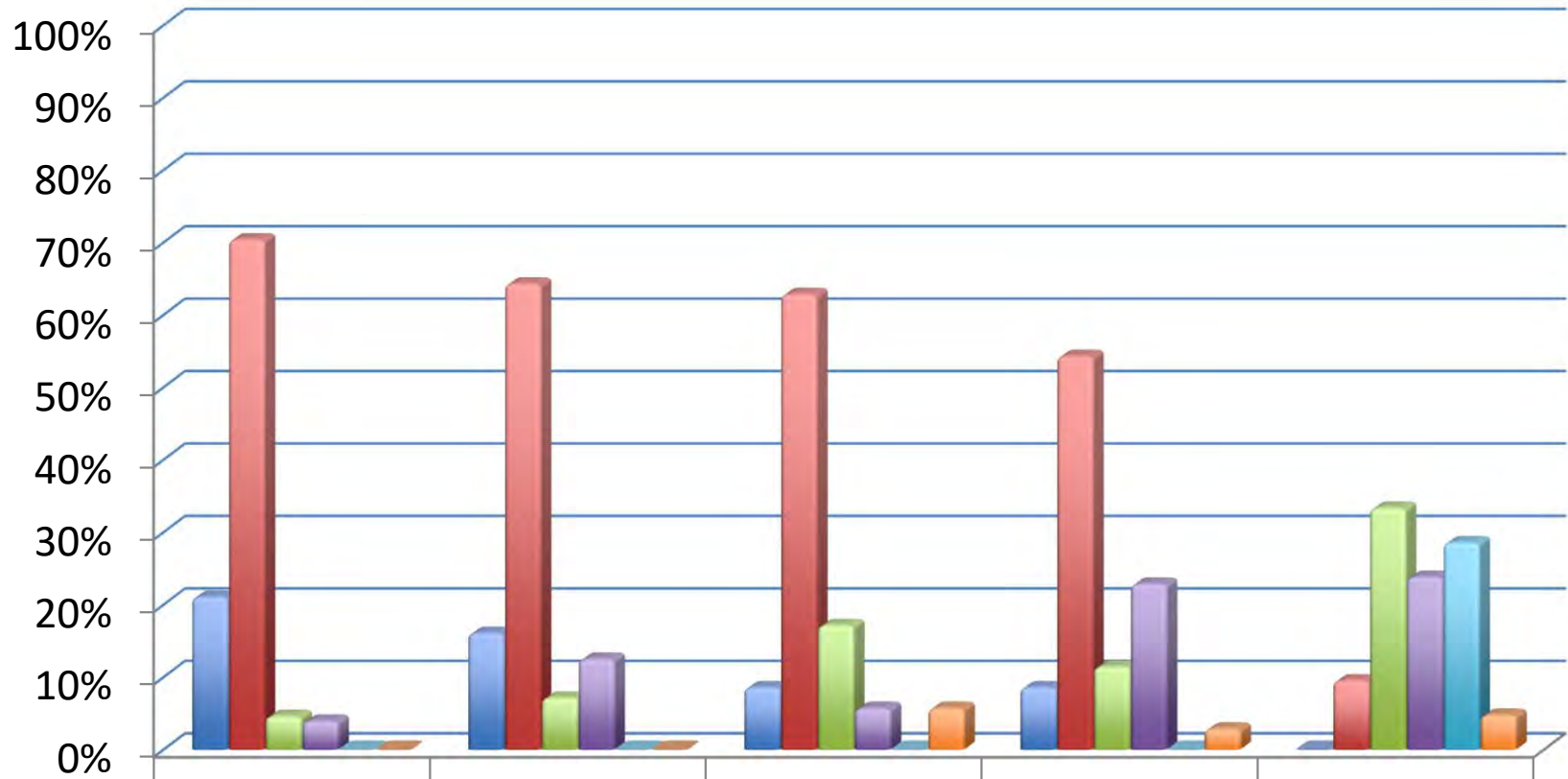
# Median SDE Multiple Paid



# Median EBITDA Multiple Paid

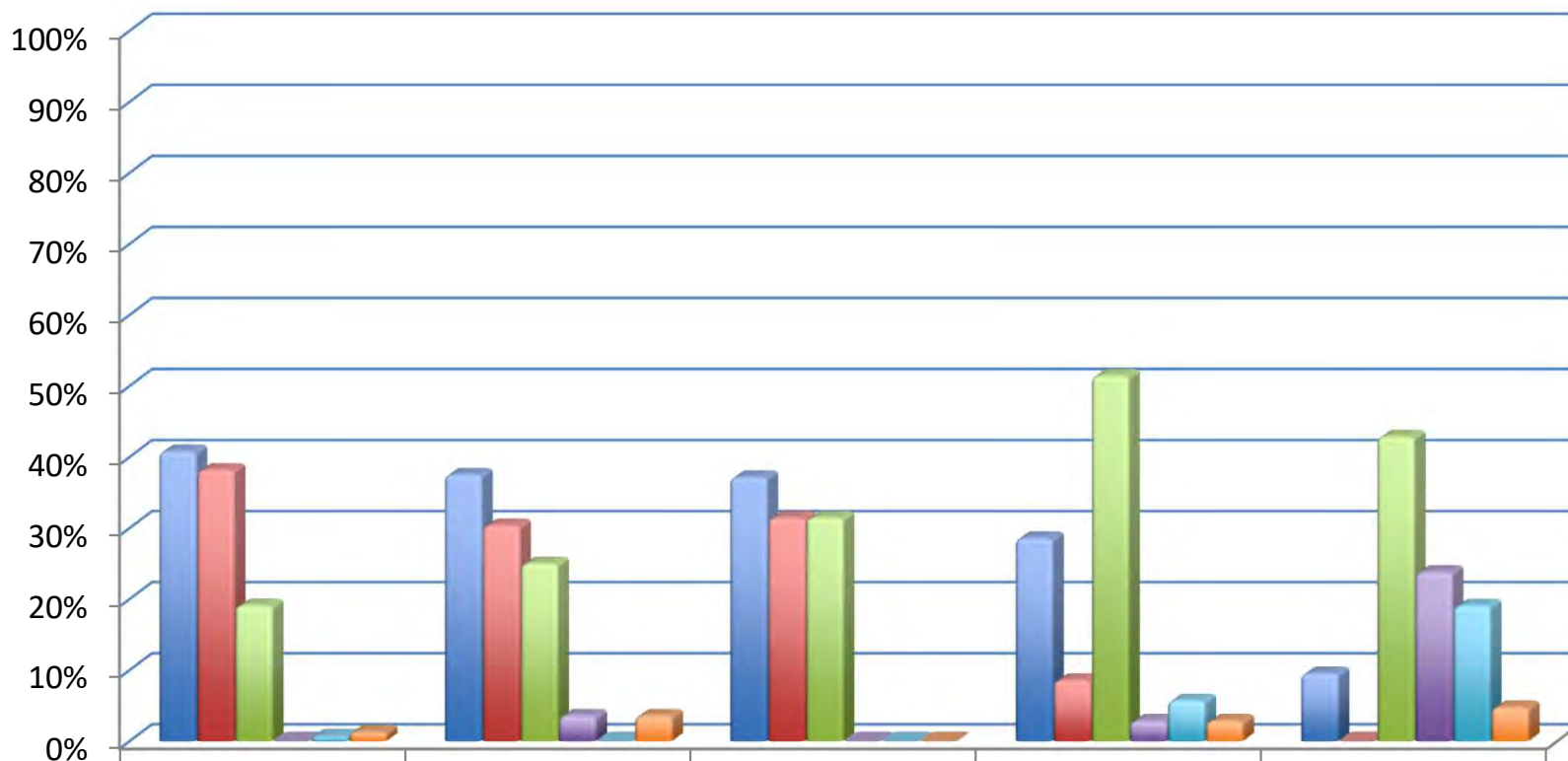


# Multiple Type



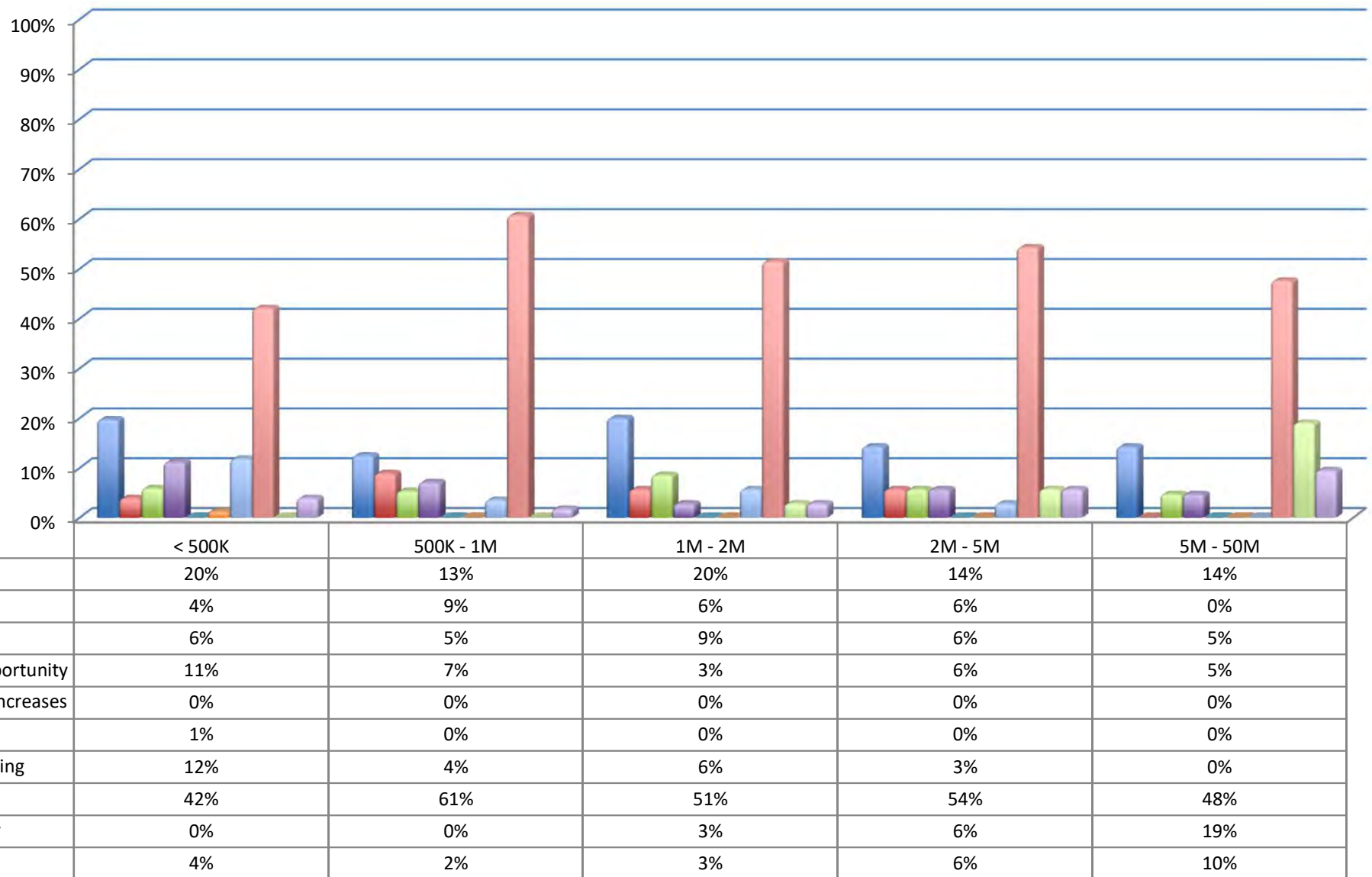
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
SDE including working capital	21%	16%	9%	9%	0%
SDE not including working capital	70%	64%	63%	54%	10%
EBITDA including working capital	5%	7%	17%	11%	33%
EBITDA not including working capital	4%	13%	6%	23%	24%
TTM EBITDA including working capital	0%	0%	0%	0%	29%
TTM EBITDA not including working capital	0%	0%	6%	3%	5%

# Buyer Type



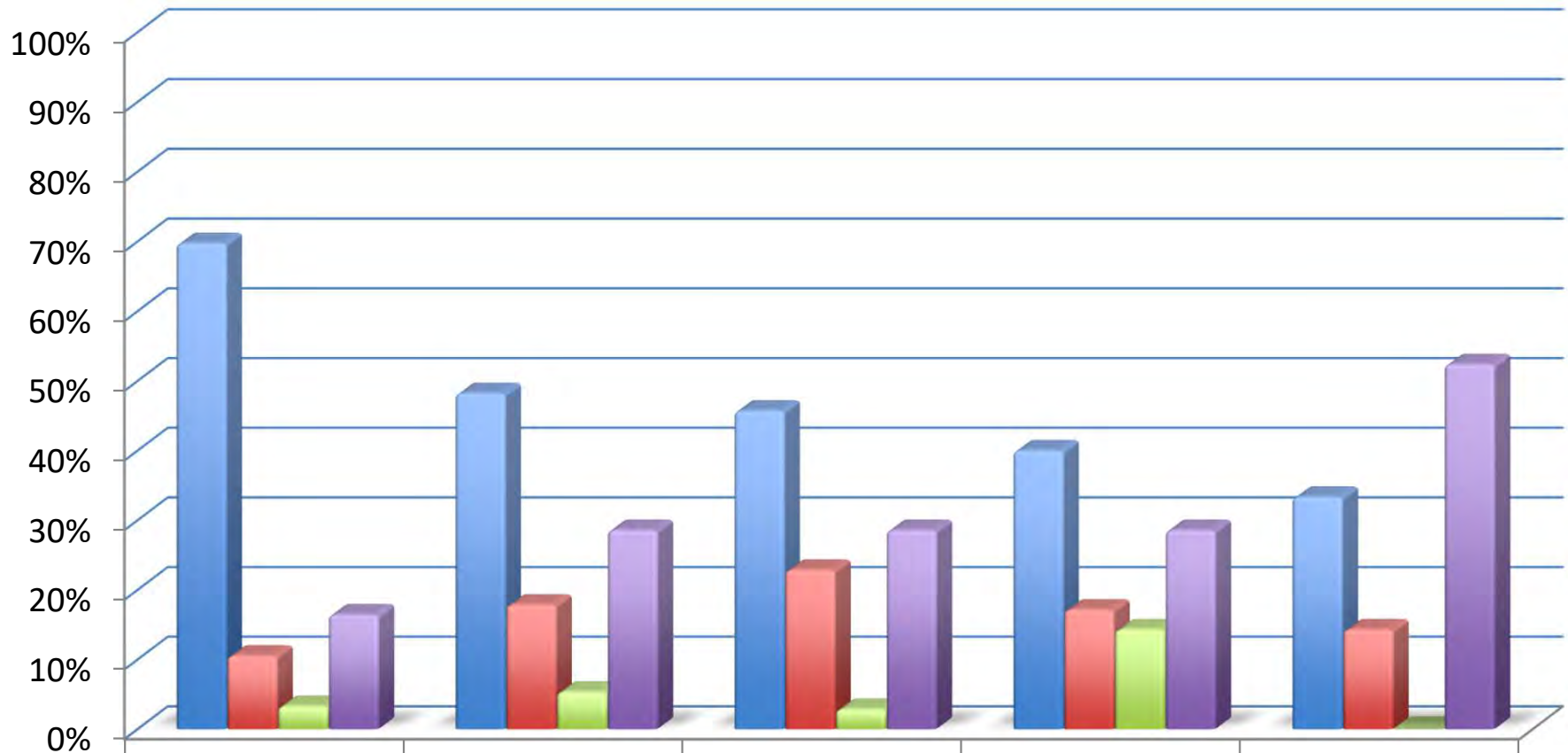
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
1st time individual	41%	38%	37%	29%	10%
individual who owned a business	38%	30%	31%	9%	0%
existing company/strategic buyer	19%	25%	31%	51%	43%
PE firm - Platform	0%	4%	0%	3%	24%
PE firm - Add-on	1%	0%	0%	6%	19%
Other	1%	4%	0%	3%	5%

# #1 Reason for Seller to Go to Market



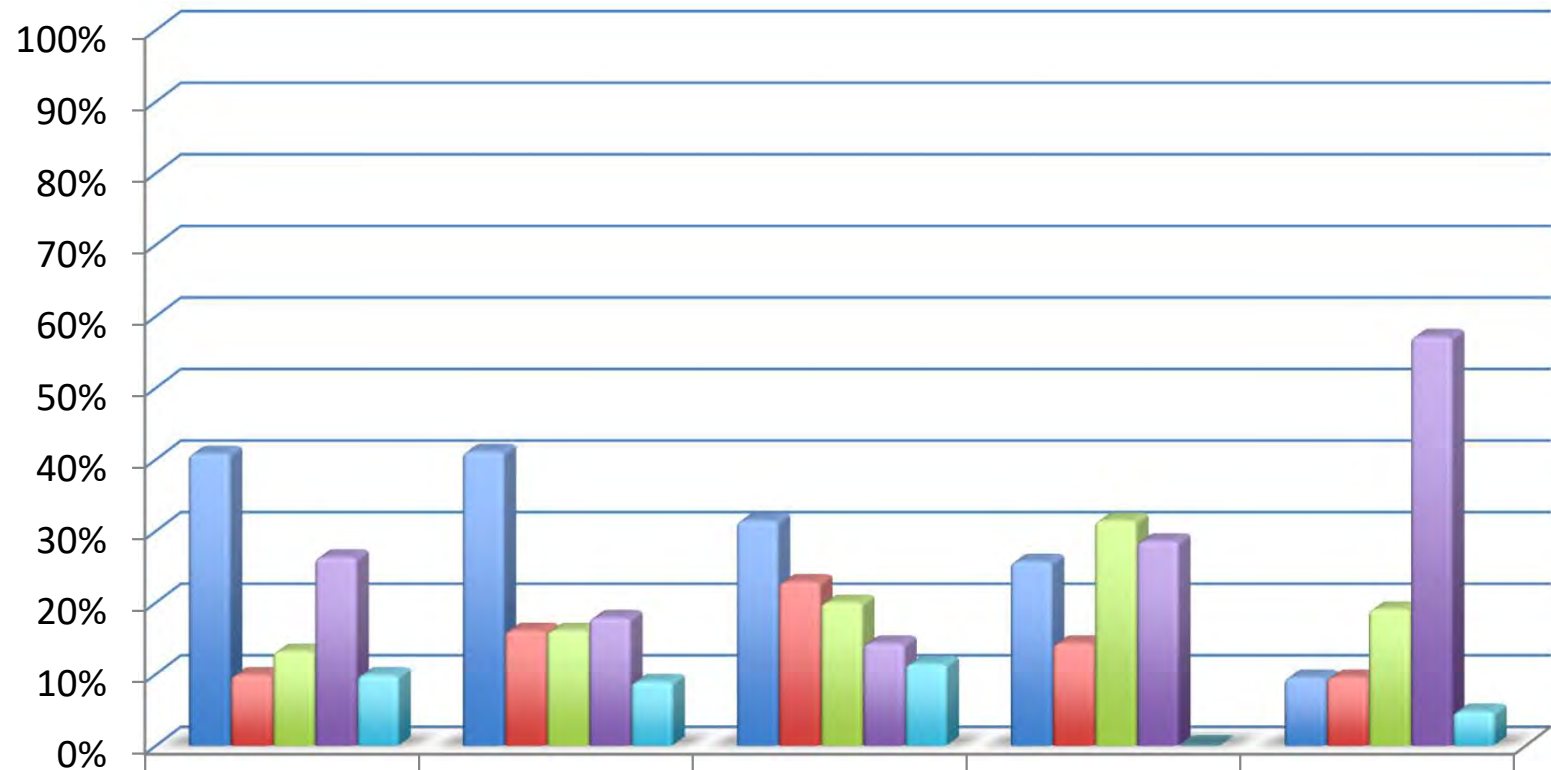


# Buyer Location



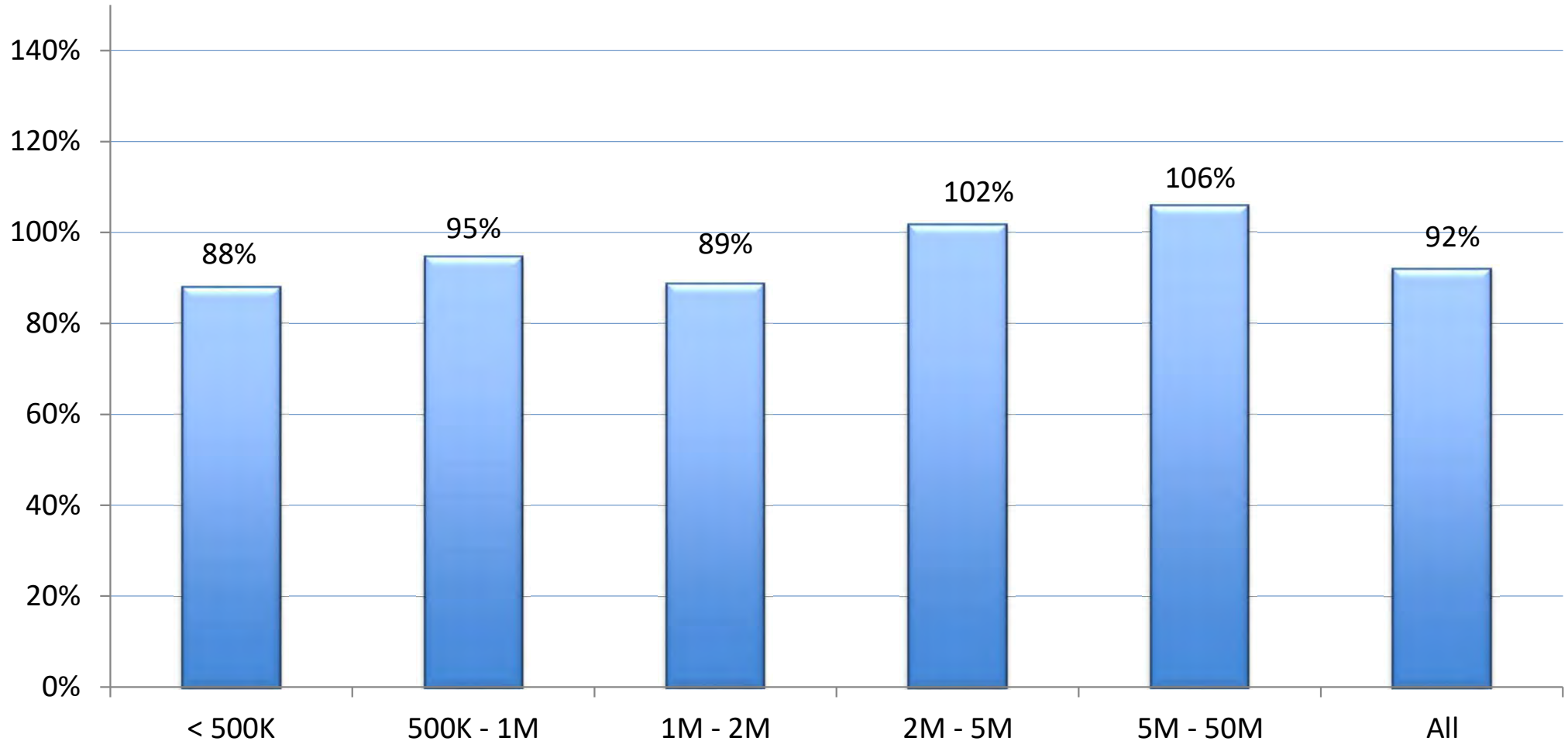
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ within 20 miles	70%	48%	46%	40%	33%
■ within 50 miles	11%	18%	23%	17%	14%
■ within 100 miles	3%	5%	3%	14%	0%
■ more than 100 miles	16%	29%	29%	29%	52%

# #1 Motivation for Buyer

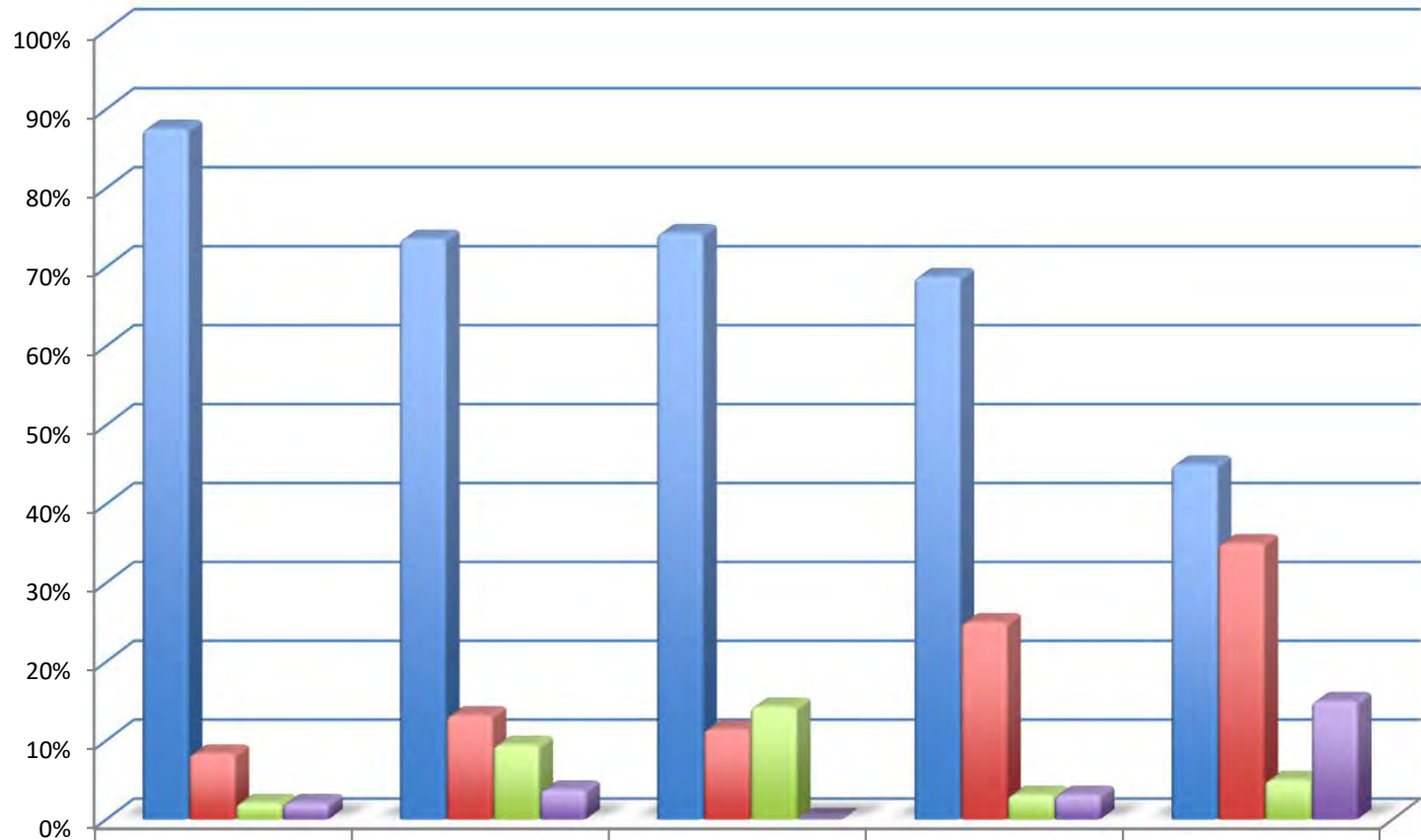


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Buying a job	41%	41%	31%	26%	10%
Better ROI than other investment	10%	16%	23%	14%	10%
Vertical add-on	13%	16%	20%	31%	19%
Horizontal add-on	26%	18%	14%	29%	57%
Other	10%	9%	11%	0%	5%

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

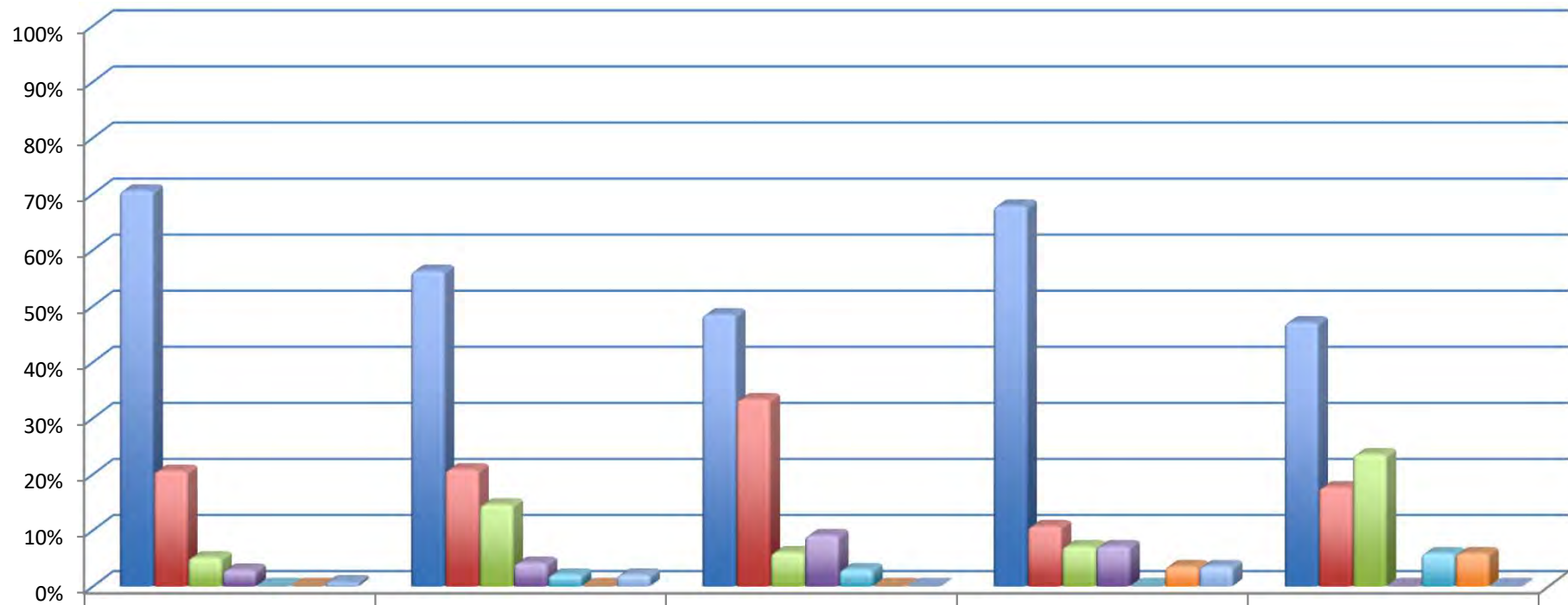


# Exit Planning



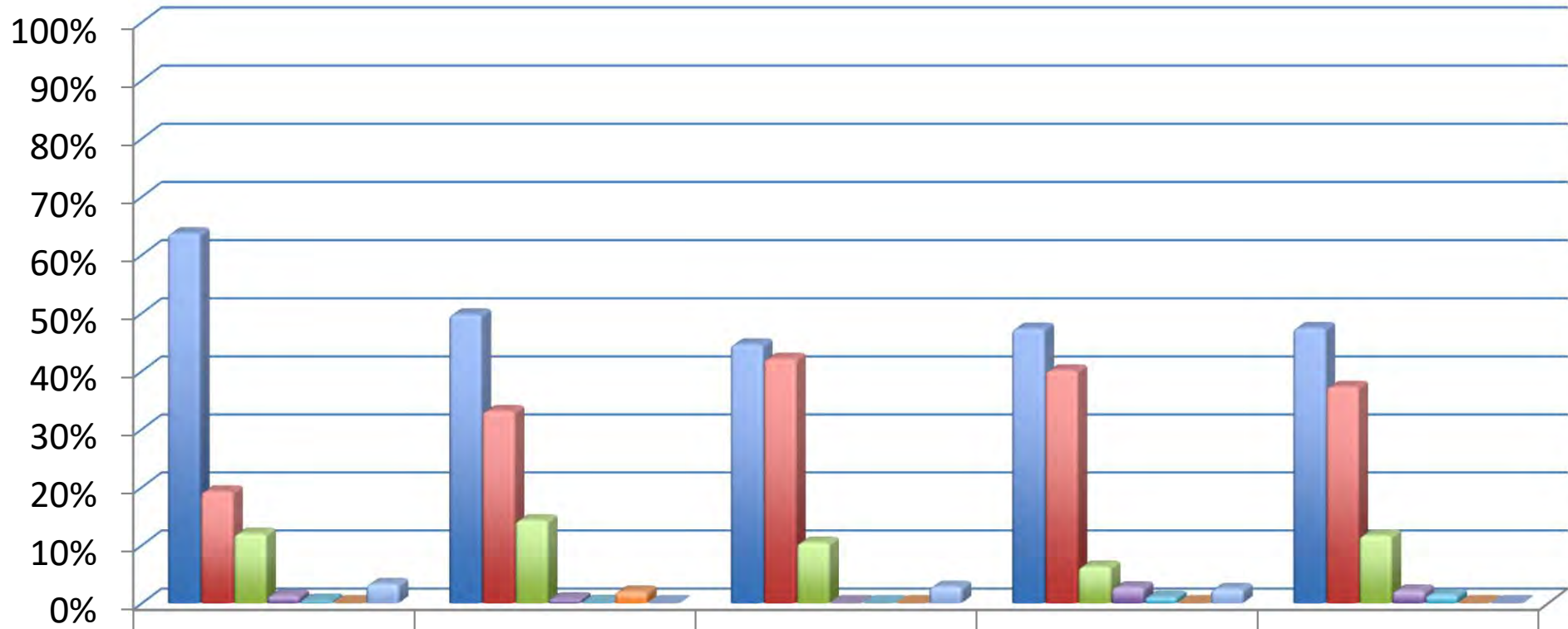
None - no formal planning prior to engagement to sell	88%	74%	74%	69%	45%
Met with an advisor (Wealth, CPA, Attorney) INCLUDING Broker for retirement needs prior to engaging broker	8%	13%	11%	25%	35%
Met with an advisor (Wealth, CPA, Attorney) for retirement needs prior to engaging broker (EXCLUDED Broker)	2%	9%	14%	3%	5%
N/A Represented Buyer	2%	4%	0%	3%	15%

# Amount Of Exit Planning Prior To Marketing Business



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ none	71%	56%	48%	68%	47%
■ less than 1 year	21%	21%	33%	11%	18%
■ between 1 and 2 years	5%	15%	6%	7%	24%
■ between 2 and 3 years	3%	4%	9%	7%	0%
■ between 3 and 5 years	0%	2%	3%	0%	6%
■ greater than 5 years	0%	0%	0%	4%	6%
■ N/A represented buyer	1%	2%	0%	4%	0%

# Financing Structure



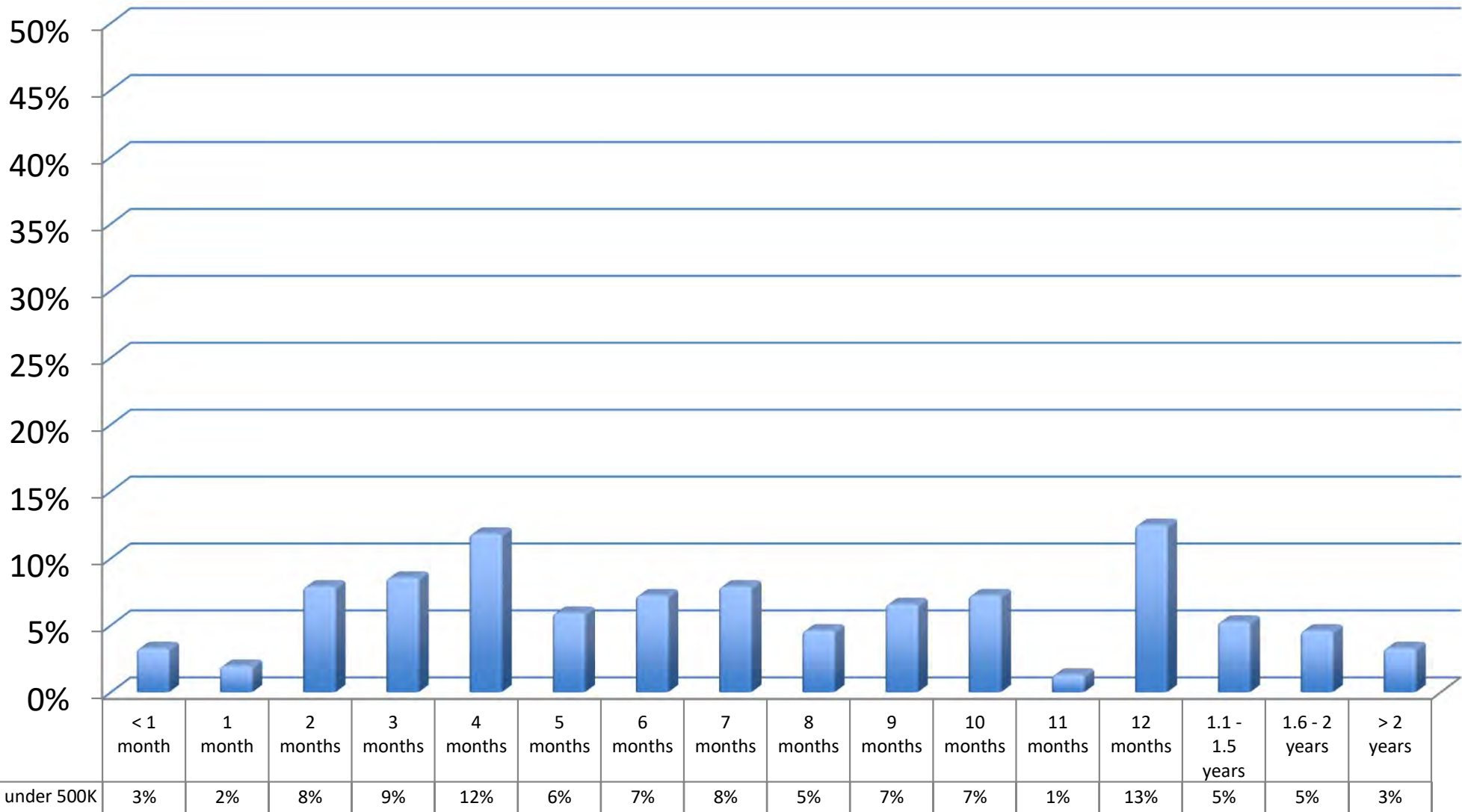
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Buyers equity	64%	50%	45%	47%	47%
Senior debt	19%	33%	42%	40%	37%
Seller financing	12%	14%	10%	6%	12%
Earn out	1%	1%	0%	3%	2%
Seller retained equity	0%	0%	0%	1%	1%
Mezzanine financing	0%	2%	0%	0%	0%
Other	3%	0%	3%	2%	0%



# Business Transactions Valued under \$499,999

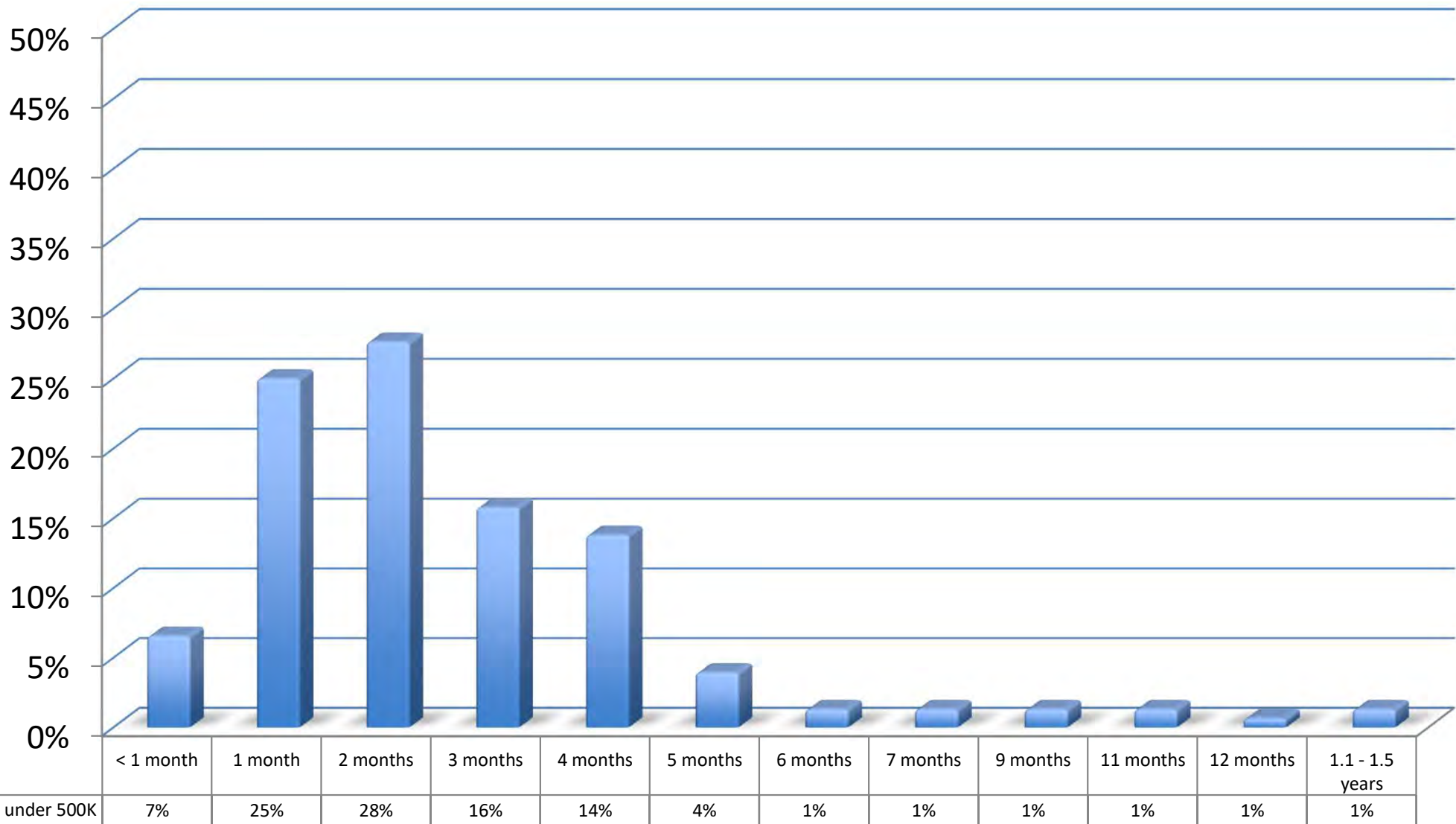
Number of Closed Transactions: 152

# Engagement/Listing to Close





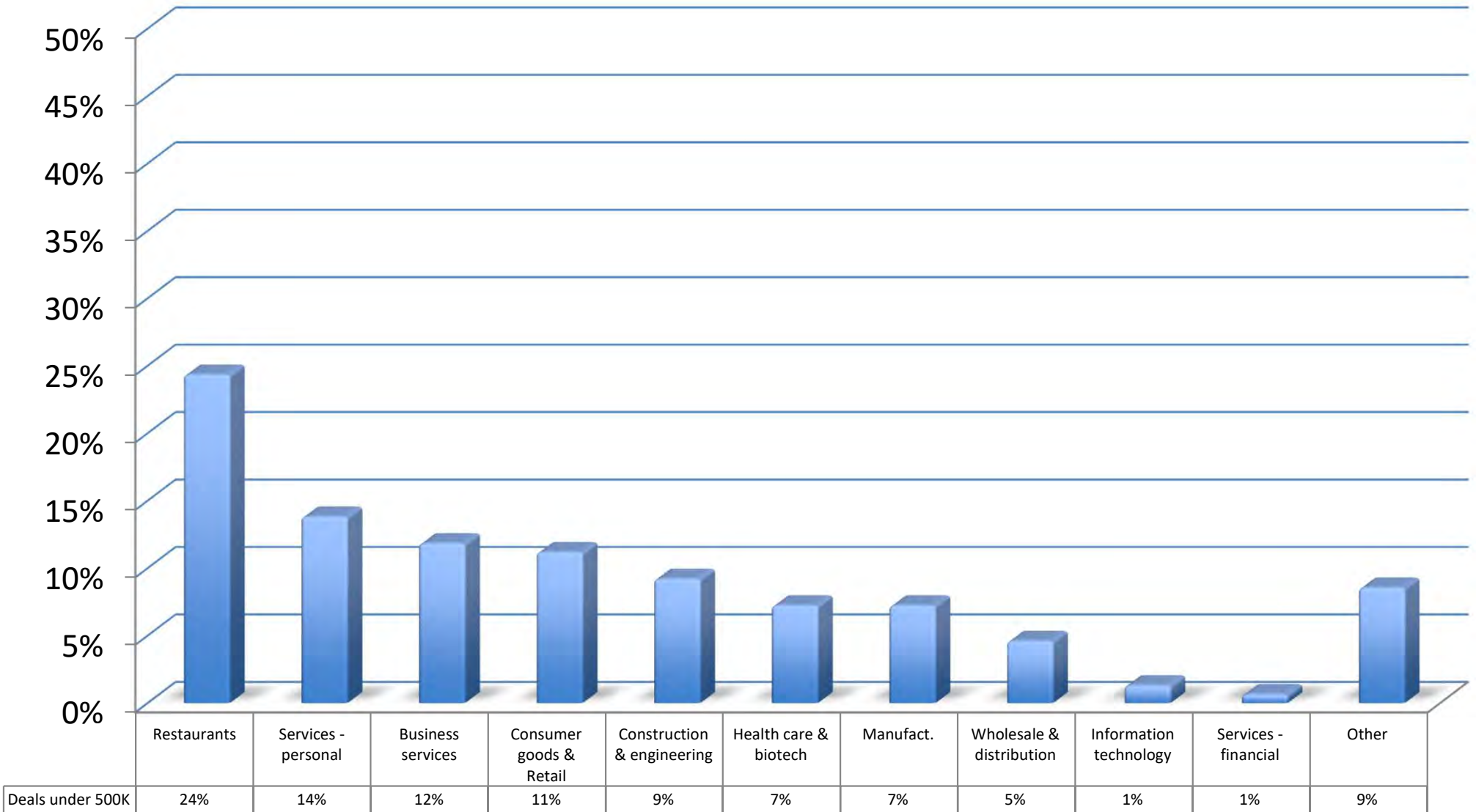
# LOI/ Offer to Close



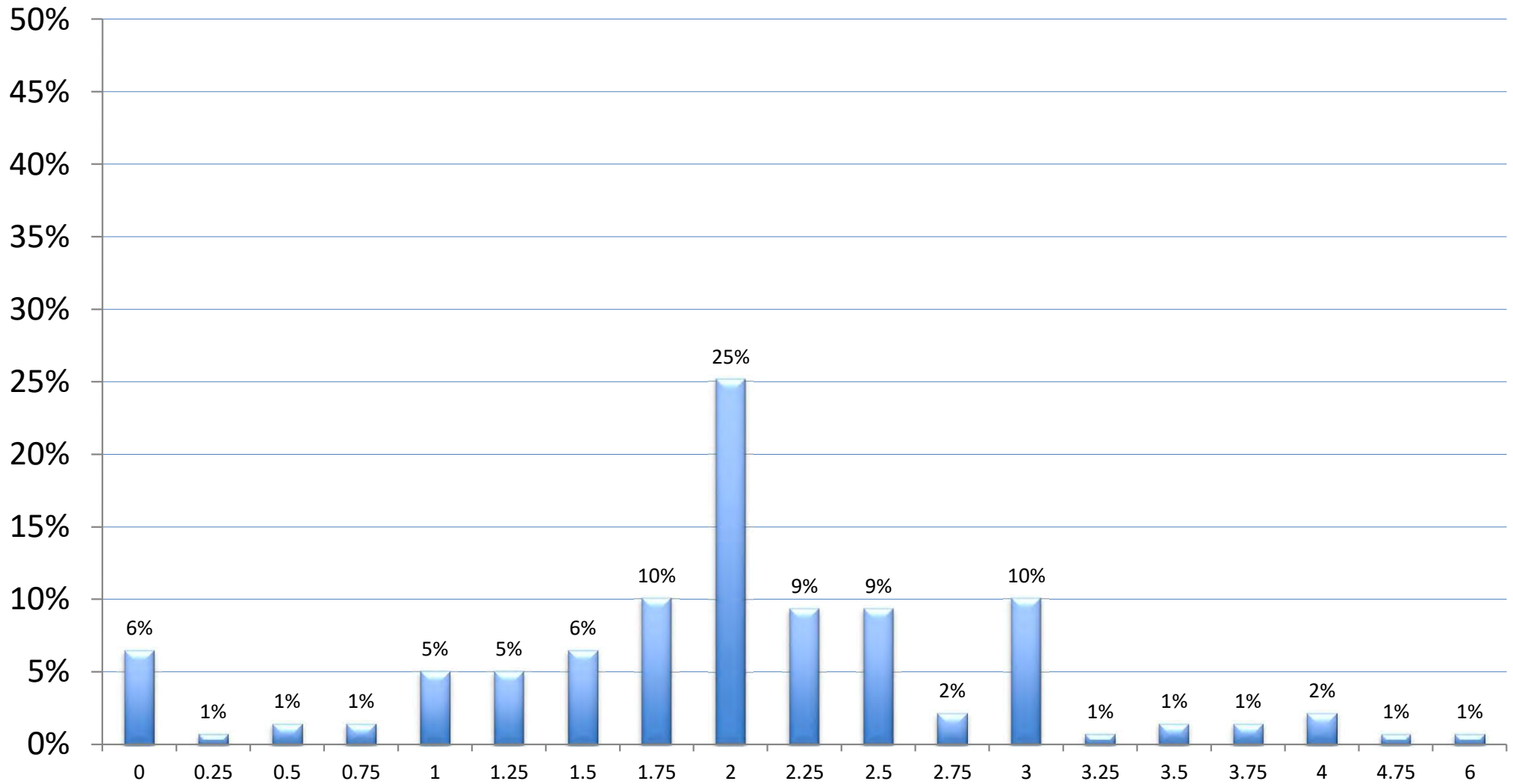
Deals under 500K

7% 25% 28% 16% 14% 4% 1% 1% 1% 1% 1% 1%

# Industry

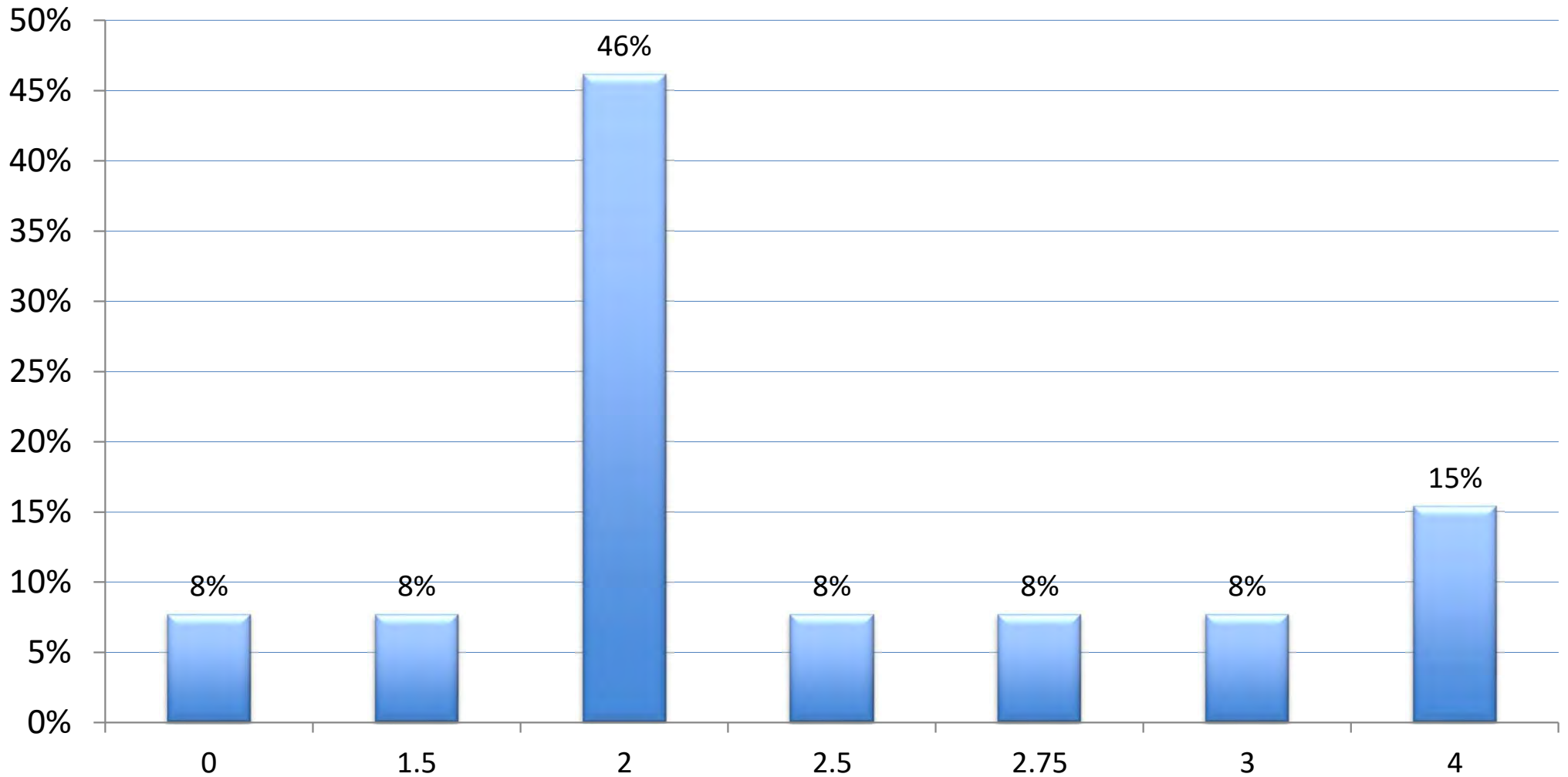


# SDE Multiple Paid



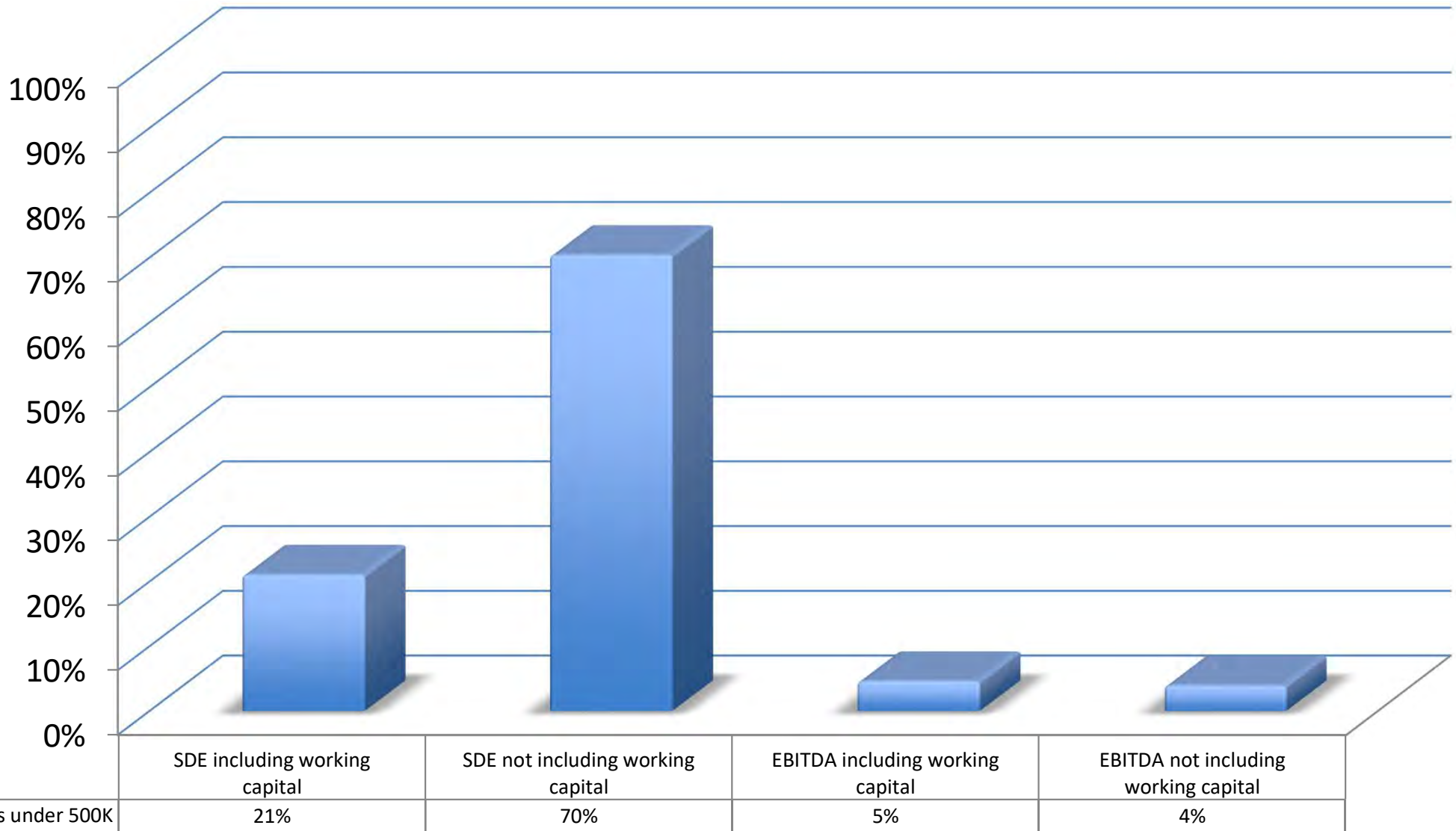
Number of responses: 139

# EBITDA Multiple Paid

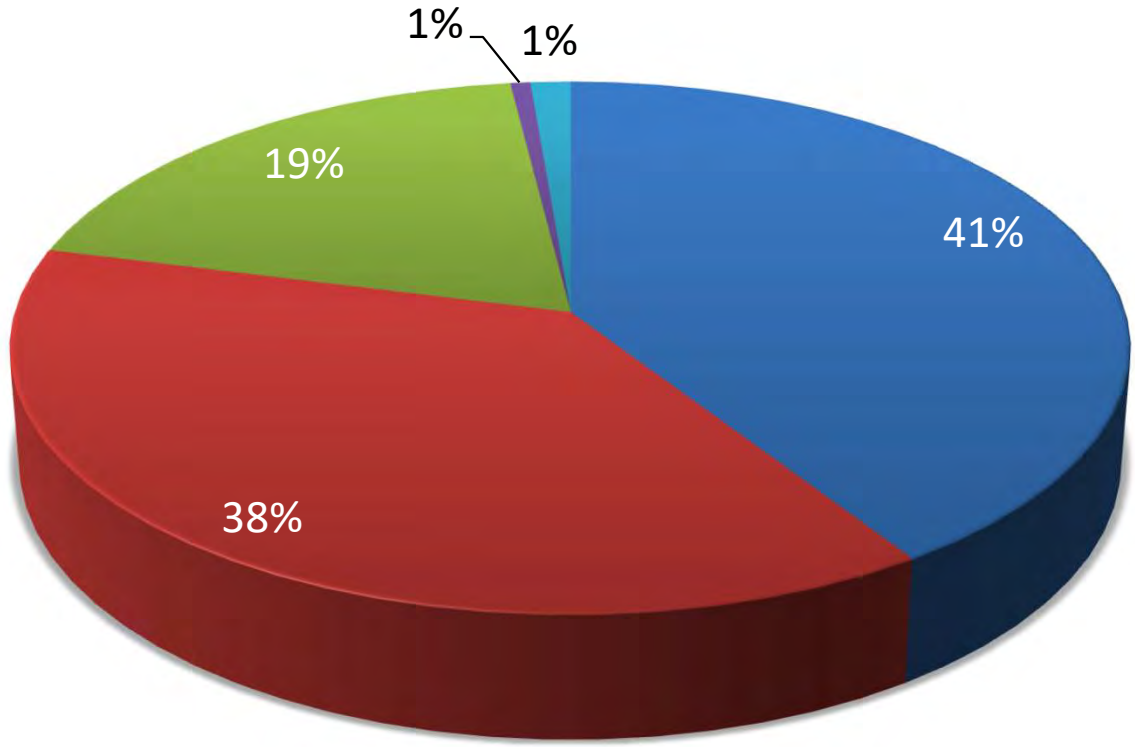


Number of responses: 13

# Multiple Type

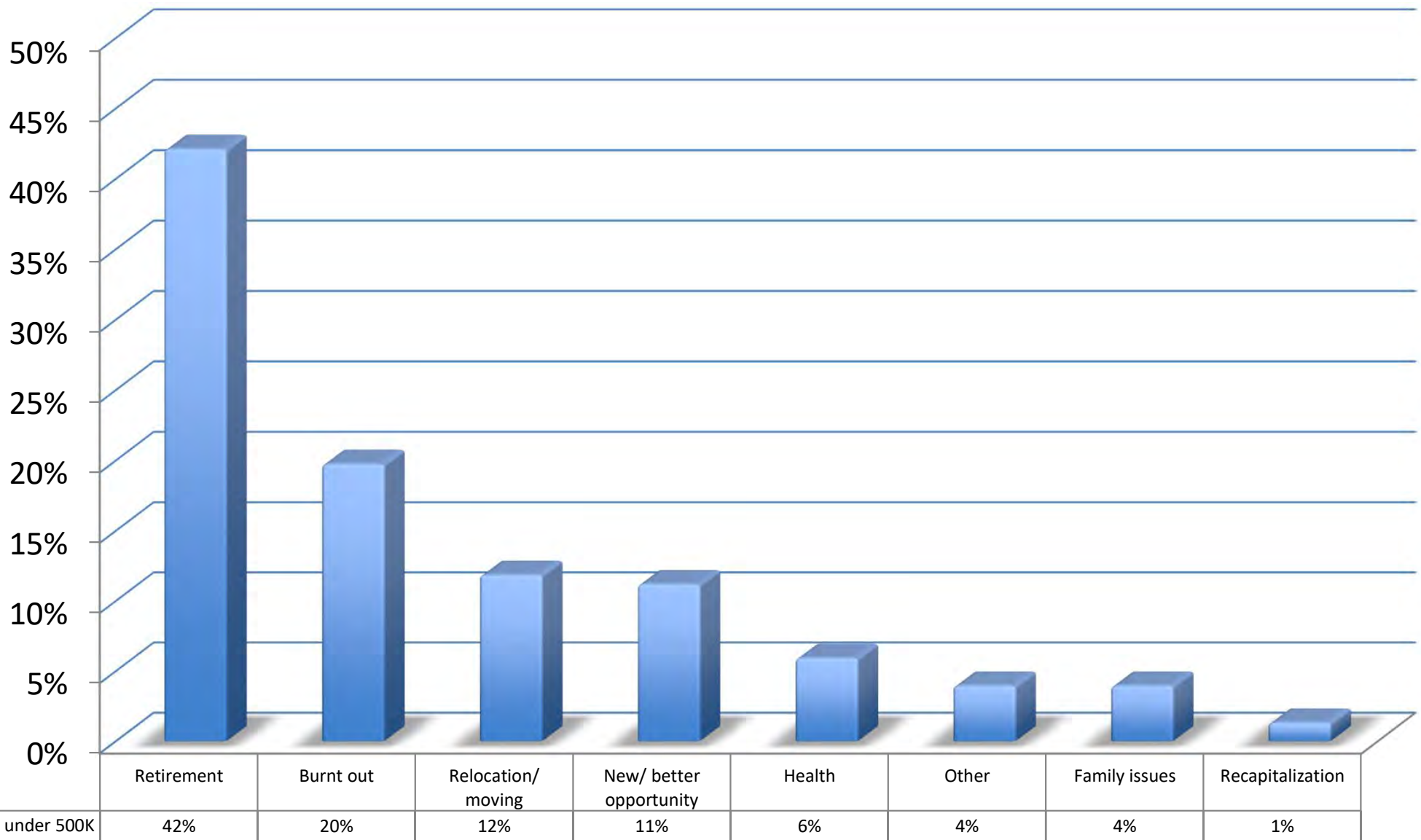


# Buyer Type



- 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

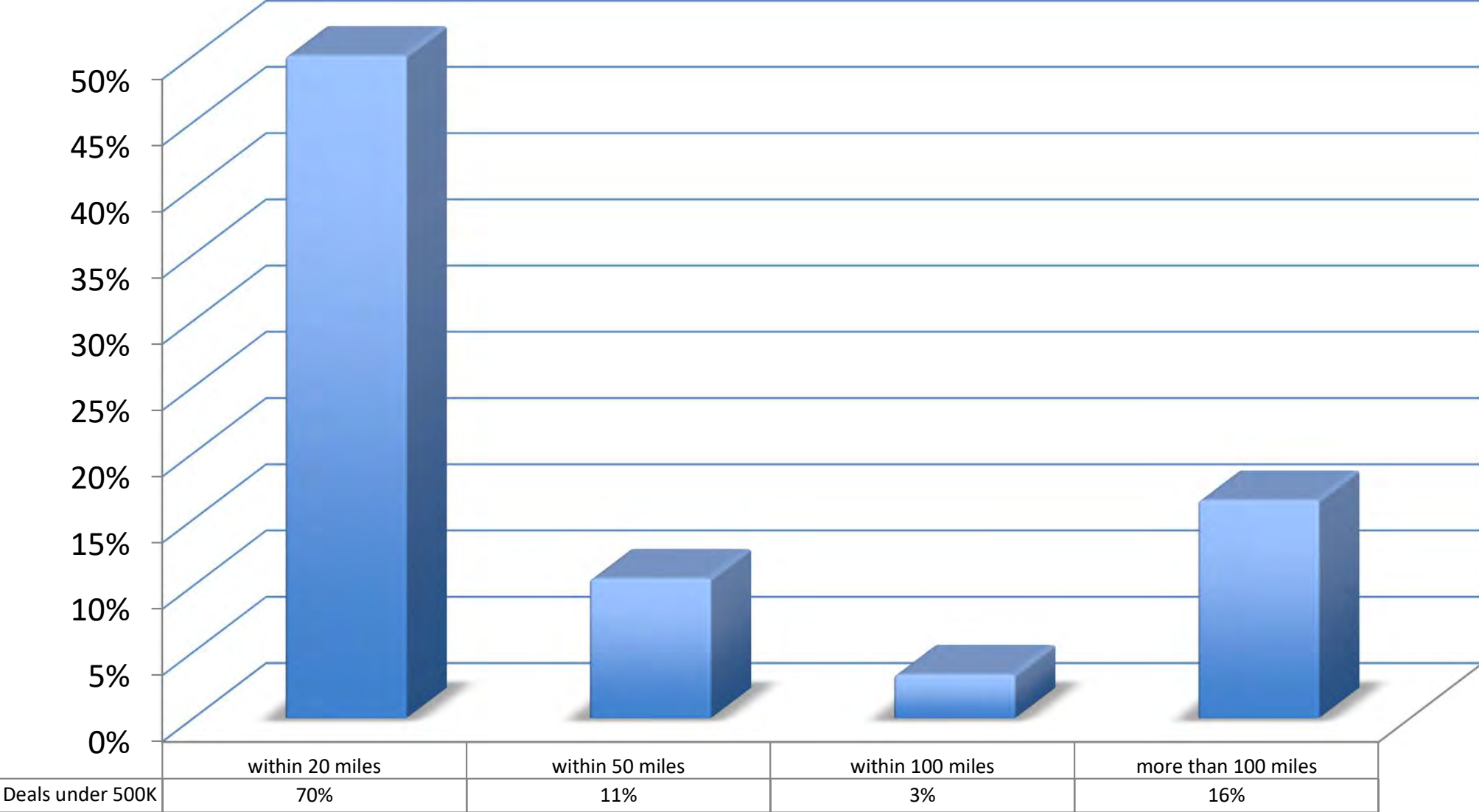


Deals under 500K

42%	20%	12%	11%	6%	4%	4%	1%
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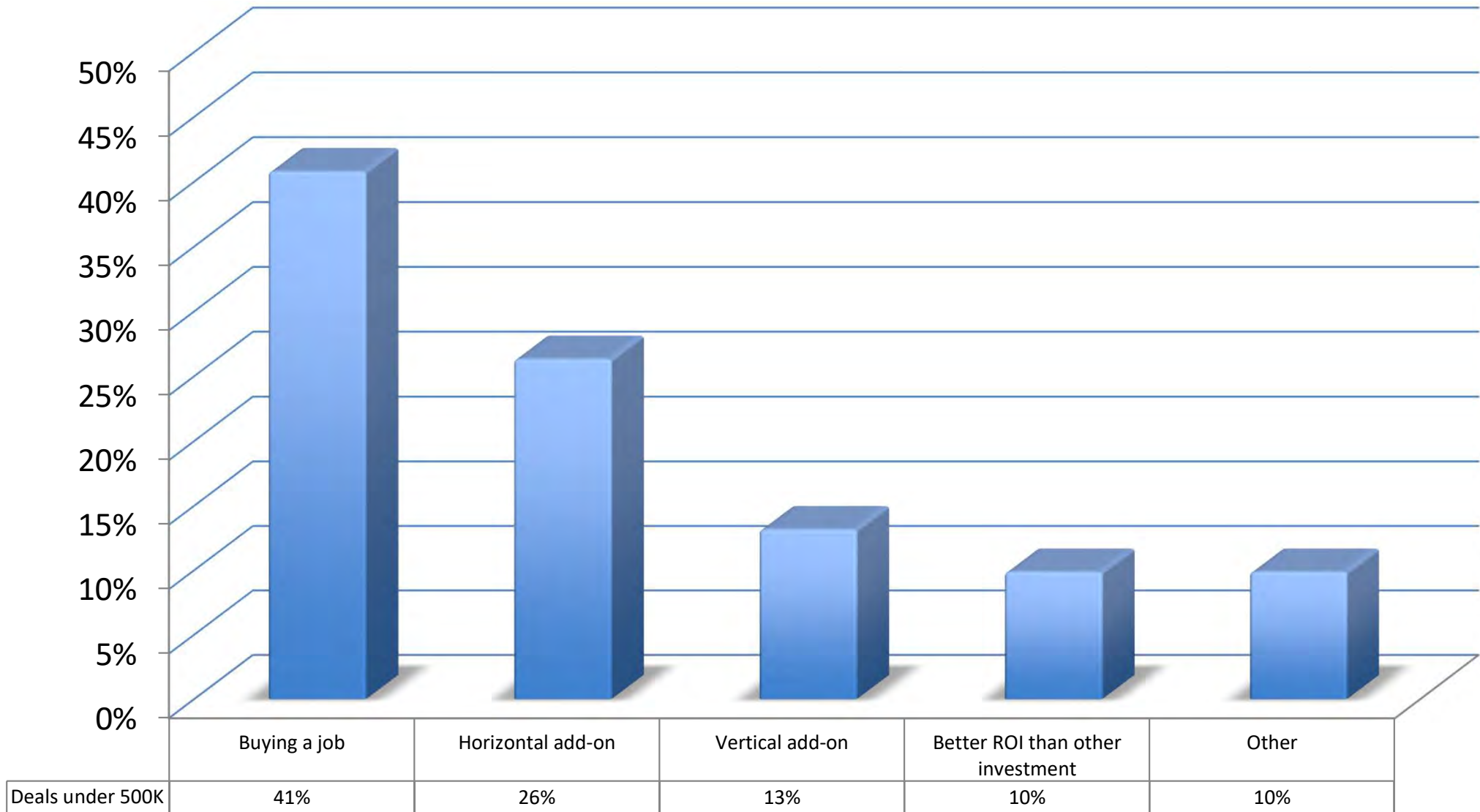


# Buyer Location

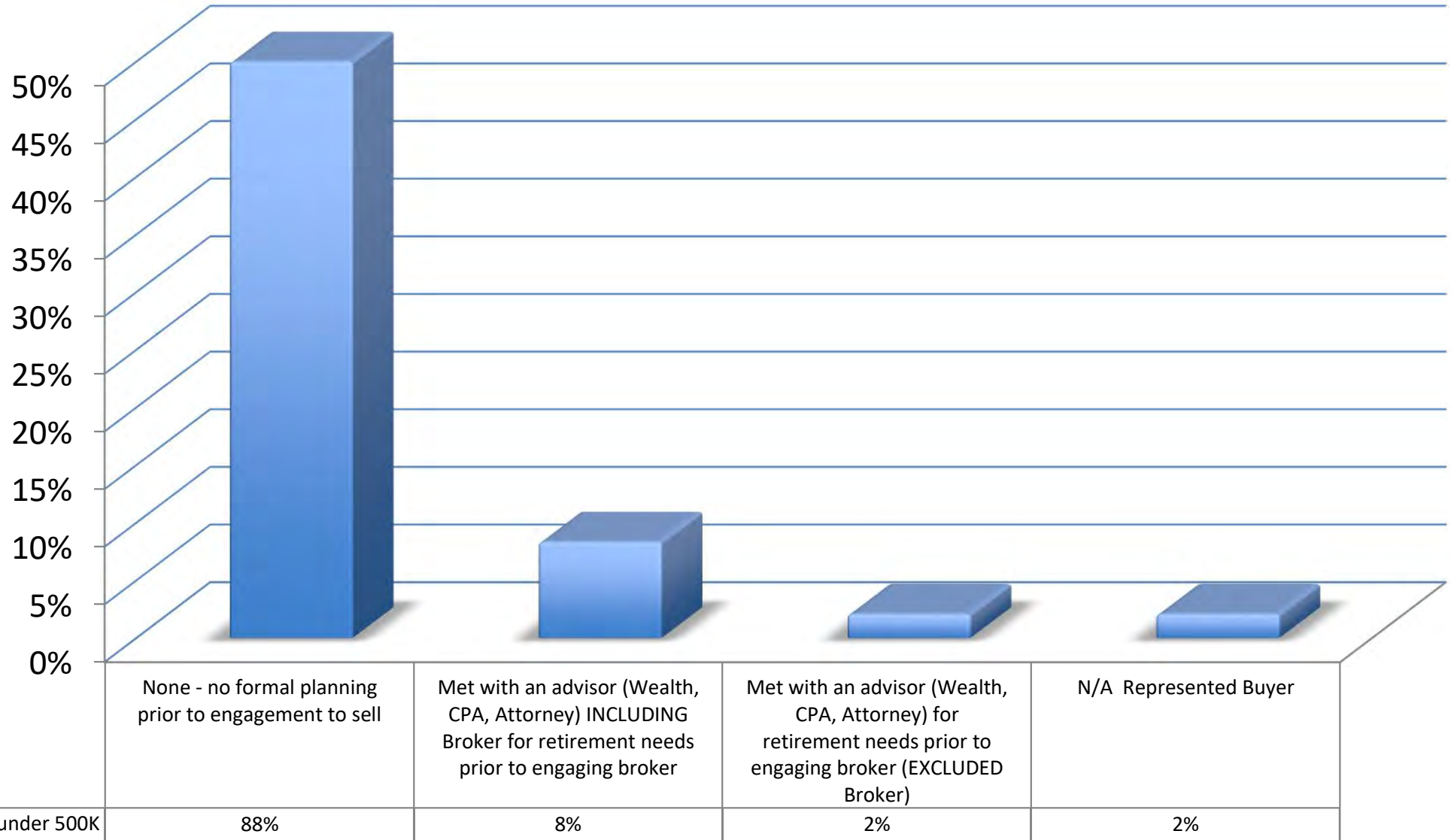




# #1 Motivation for Buyer



# Exit Planning



Deals under 500K

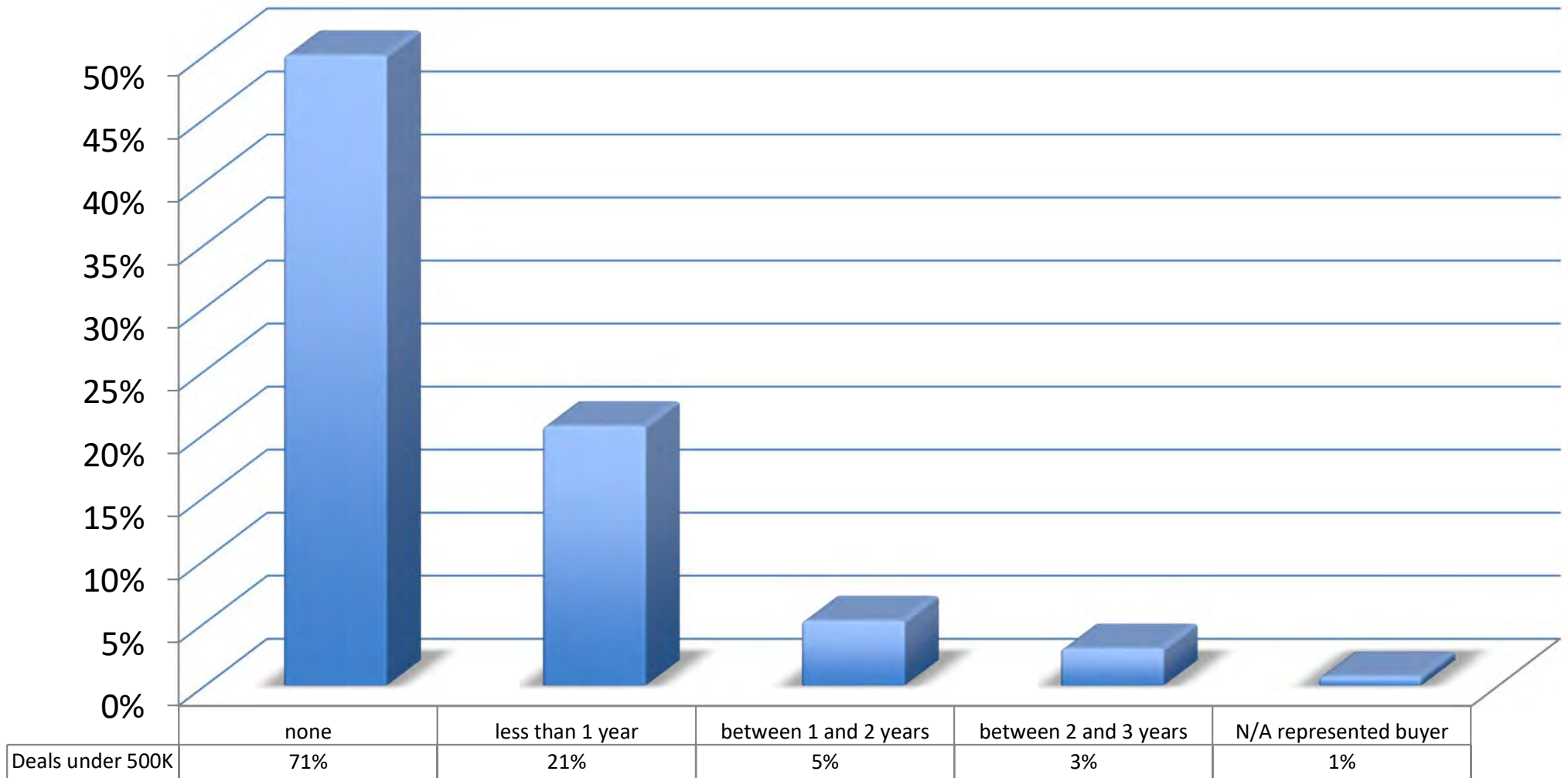
88%

8%

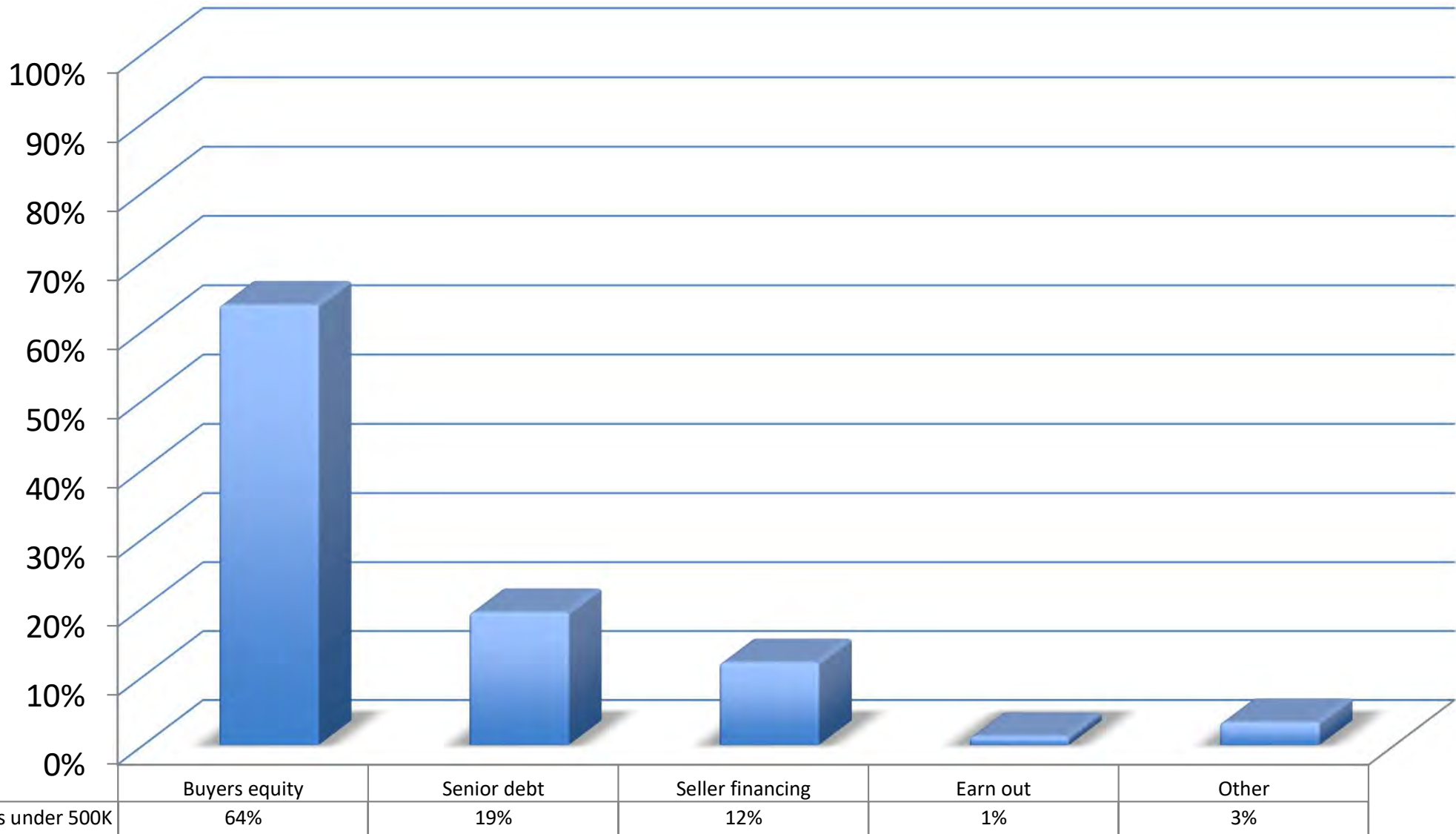
2%

2%

# Amount Of Exit Planning Prior To Marketing Business

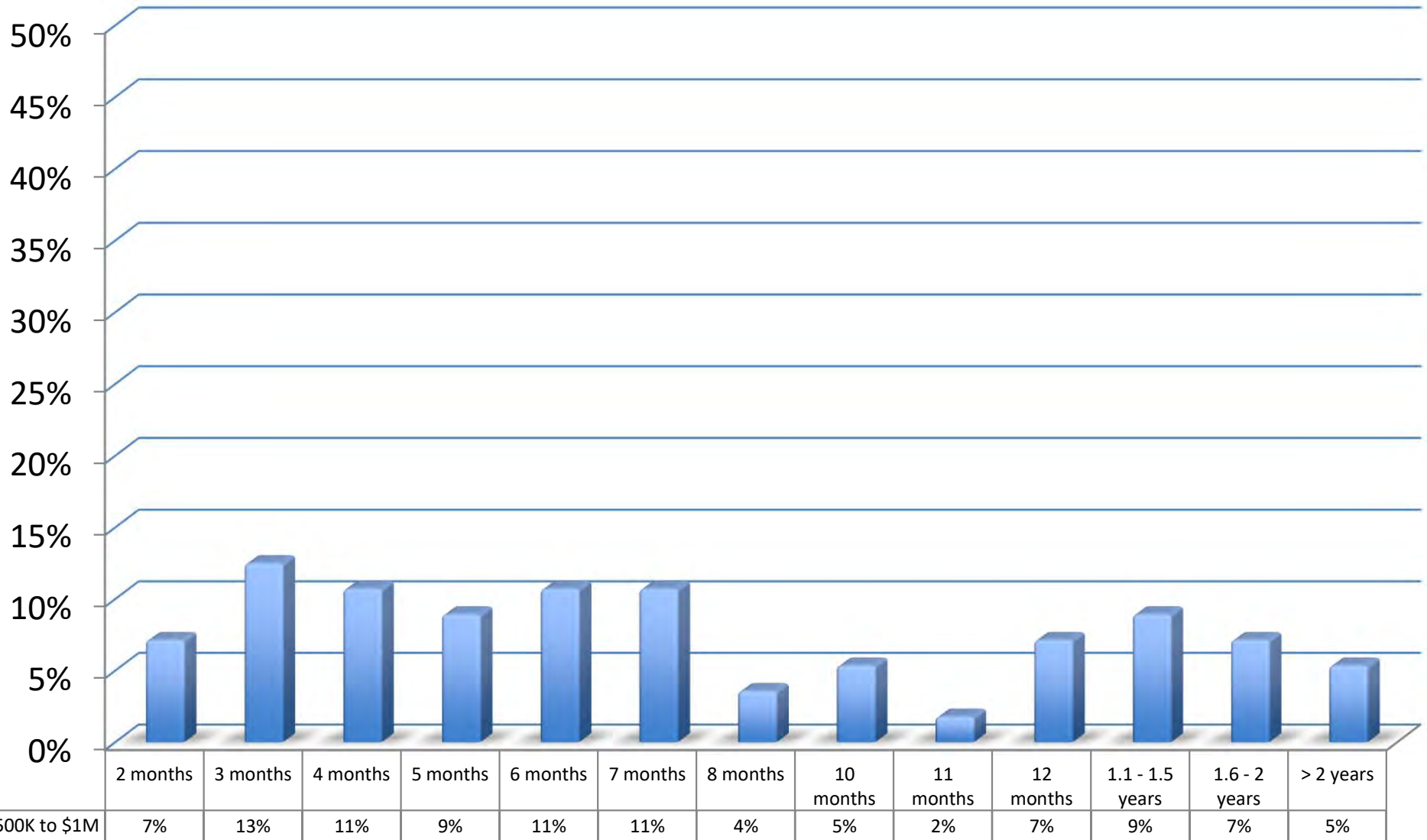


# Financing Structure



Business Transactions Valued  
from \$500,000 to \$999,999  
Number of Closed Transactions: 56

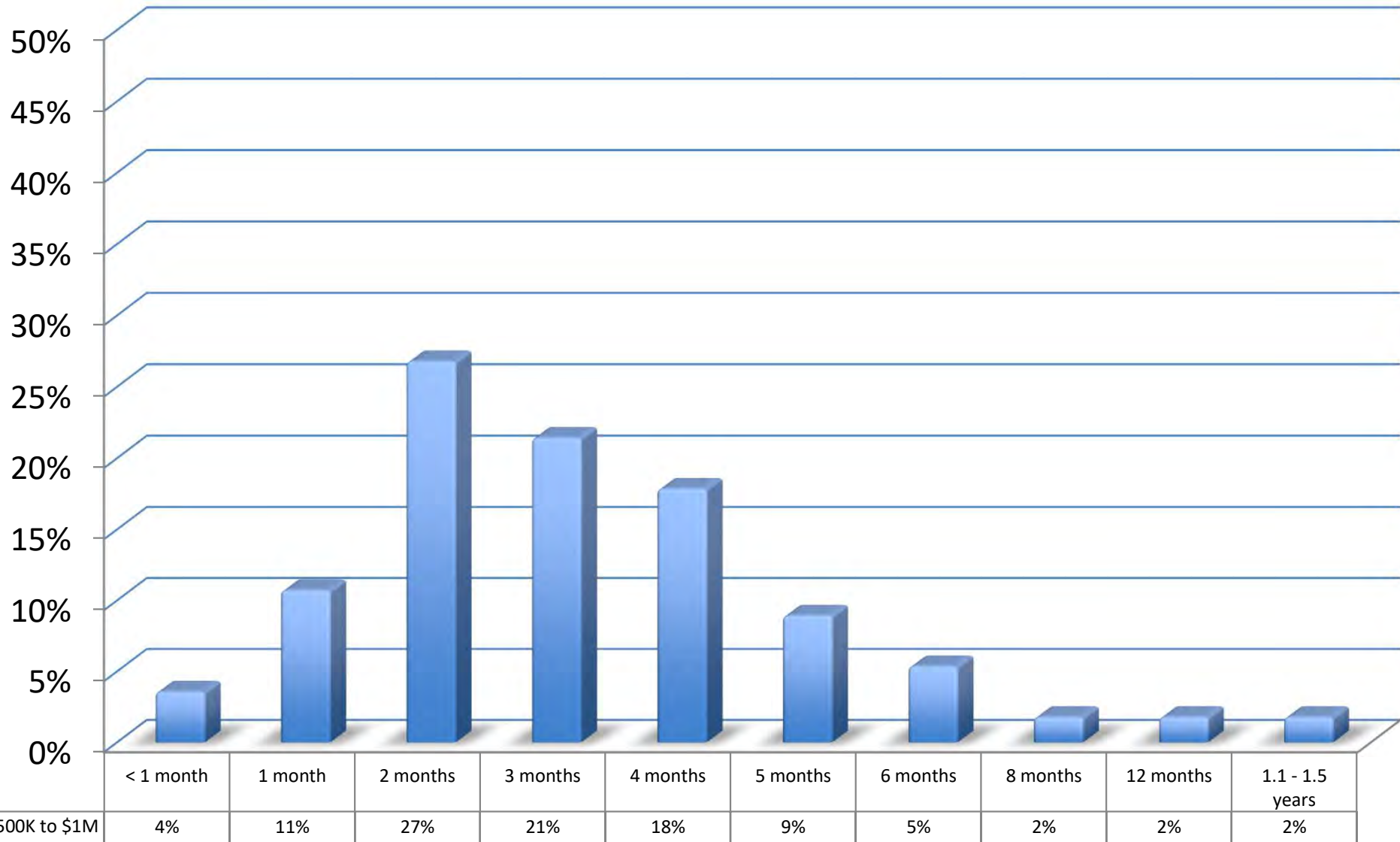
# Engagement/Listing to Close



Deals from \$500K to \$1M

7%	13%	11%	9%	11%	11%	4%	5%	2%	7%	9%	7%	5%
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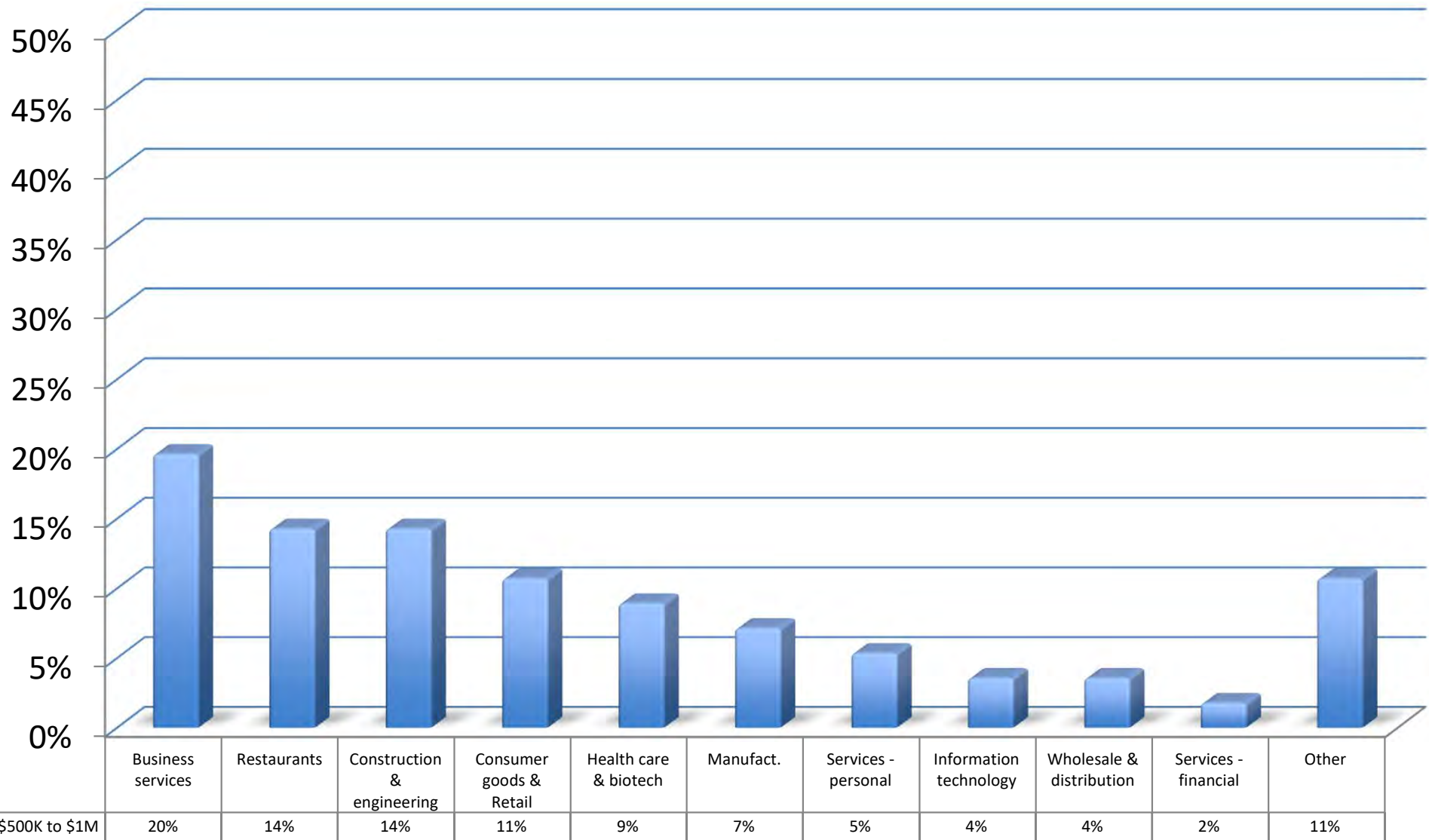
# LOI/ Offer to Close



Deals from \$500K to \$1M

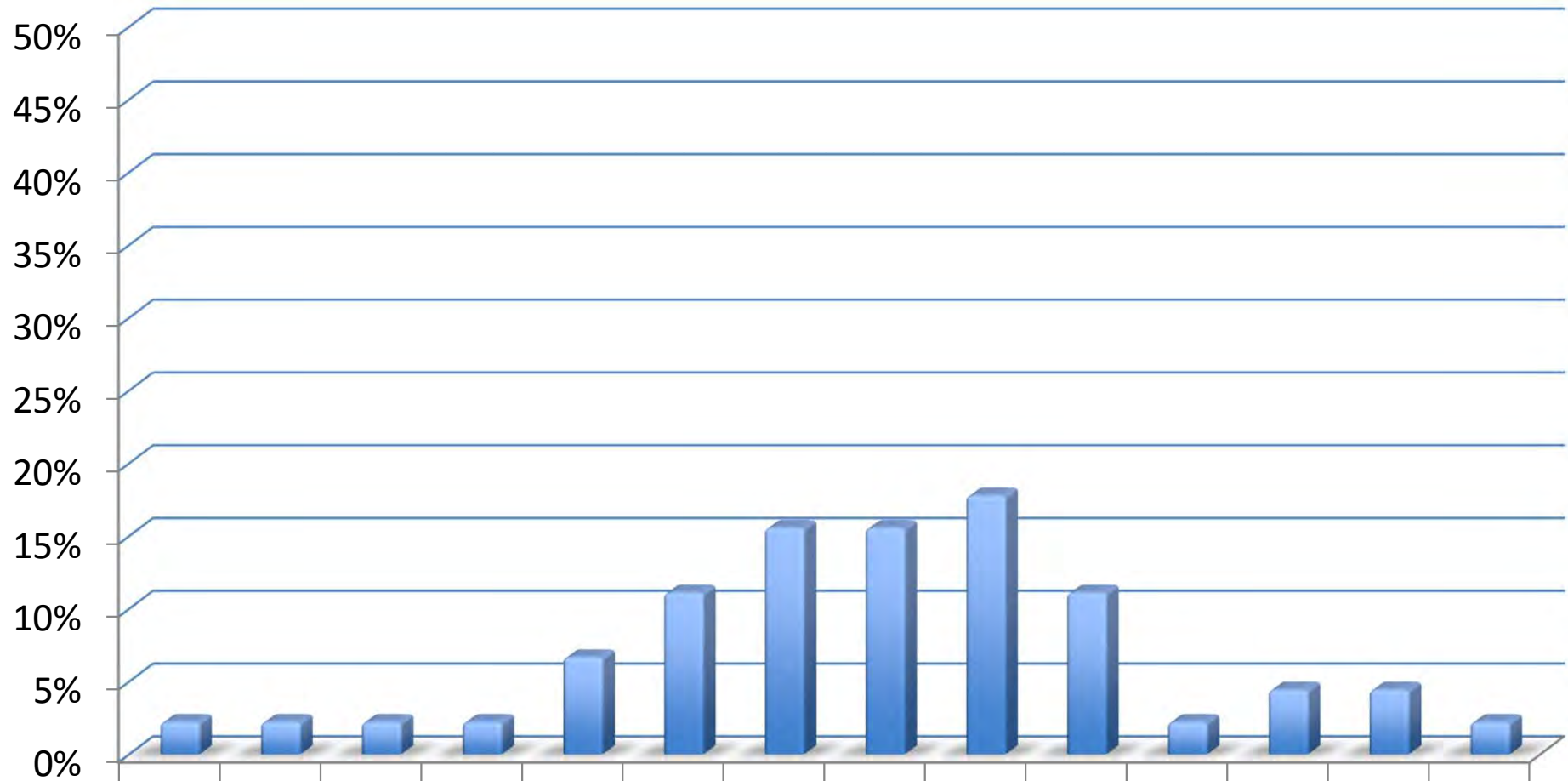


# Industry





# SDE Multiple Paid

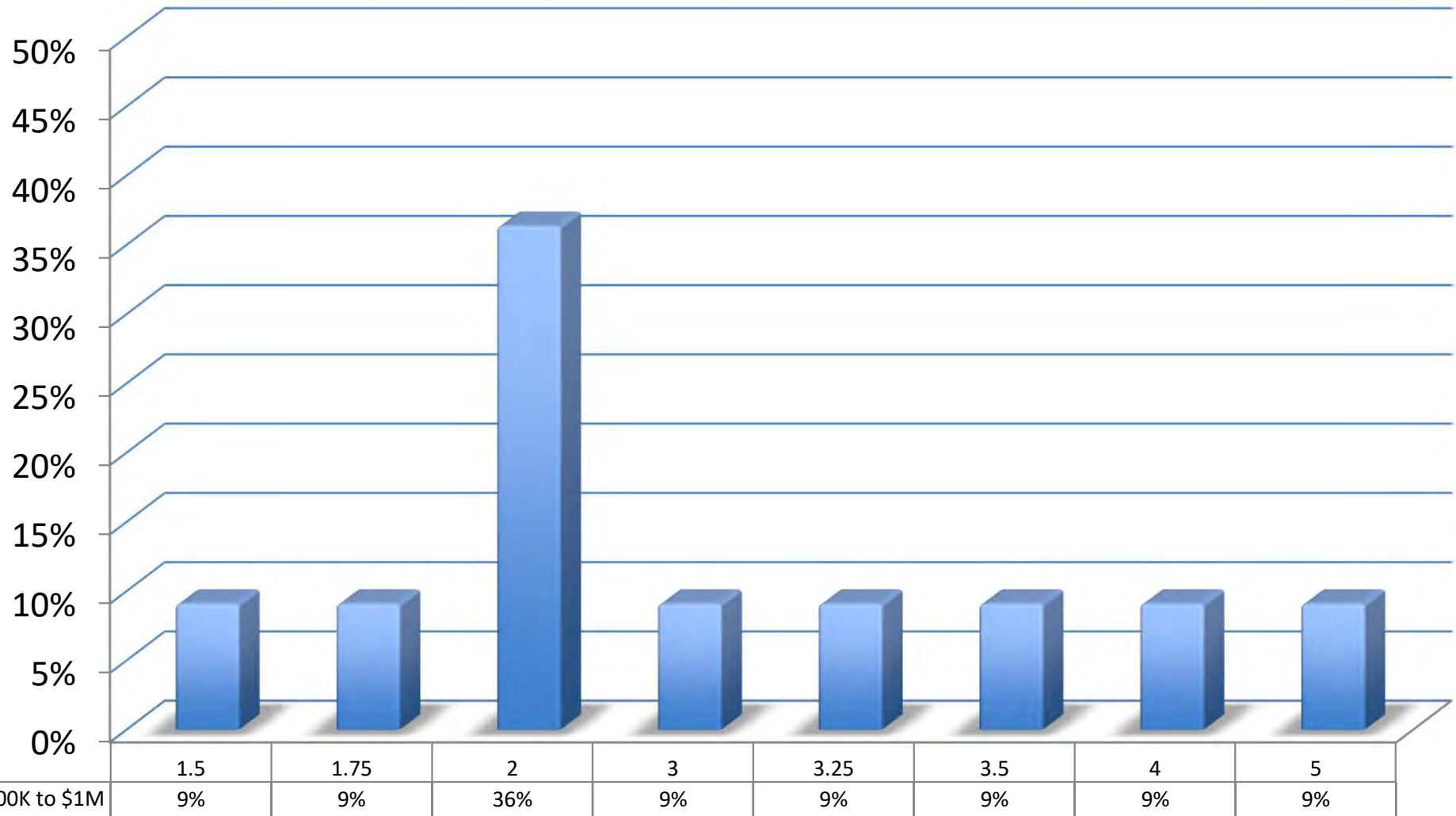


Deals from \$500K to \$1M

2%	2%	2%	2%	7%	11%	16%	16%	18%	11%	2%	4%	4%	2%
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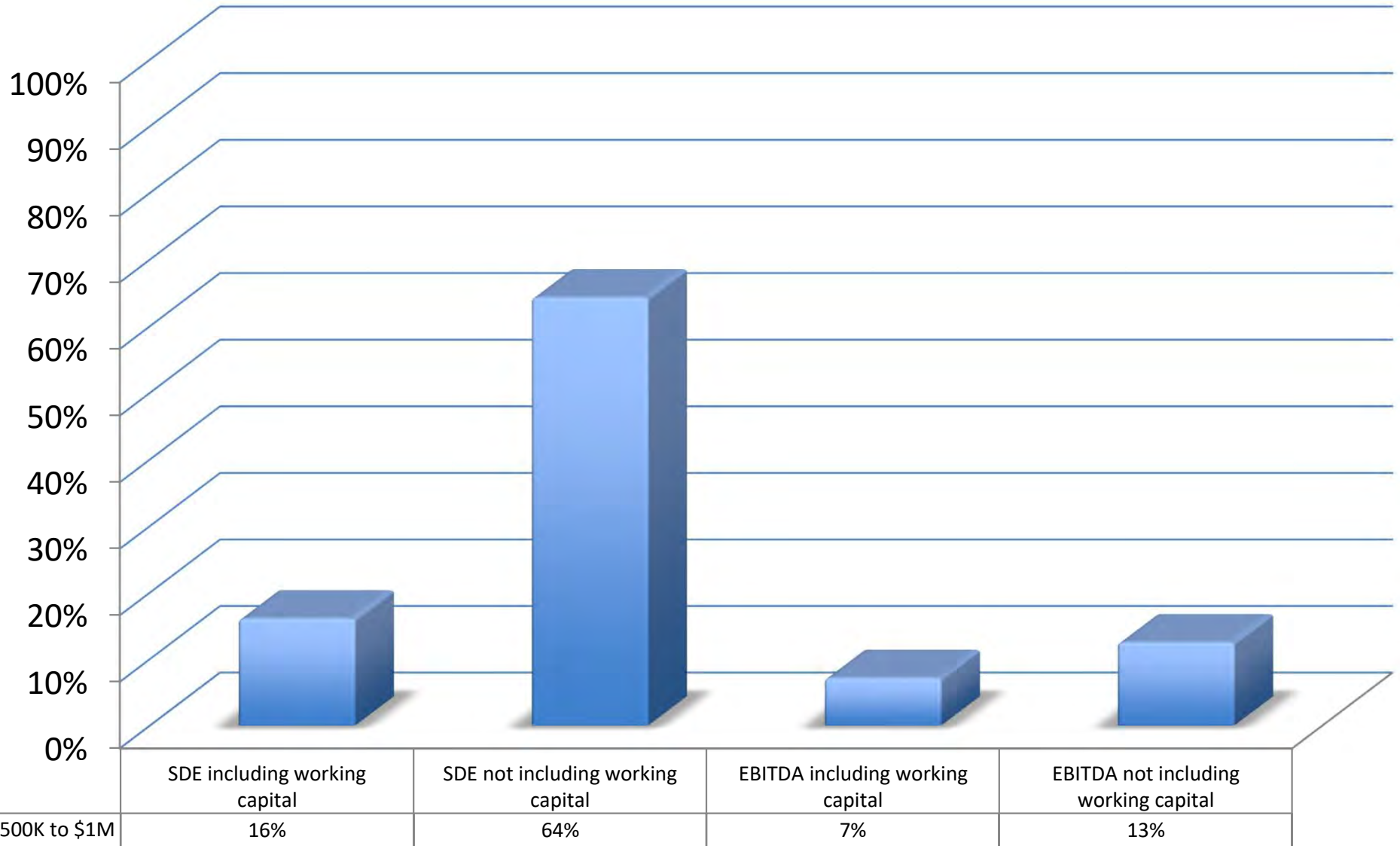
Number of responses: 45

# EBITDA Multiple Paid



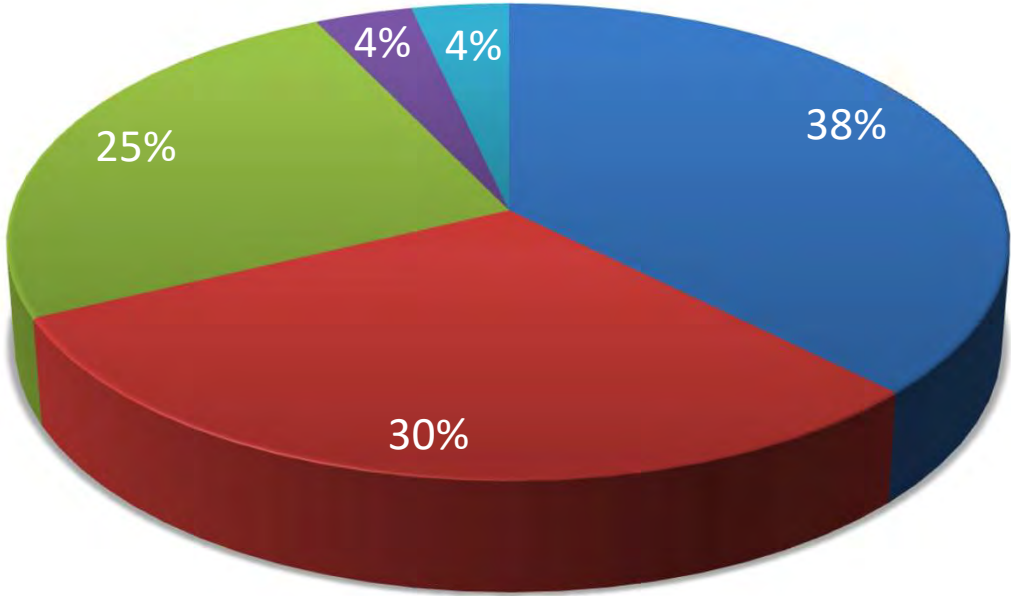
Number of responses: 11

# Multiple Type

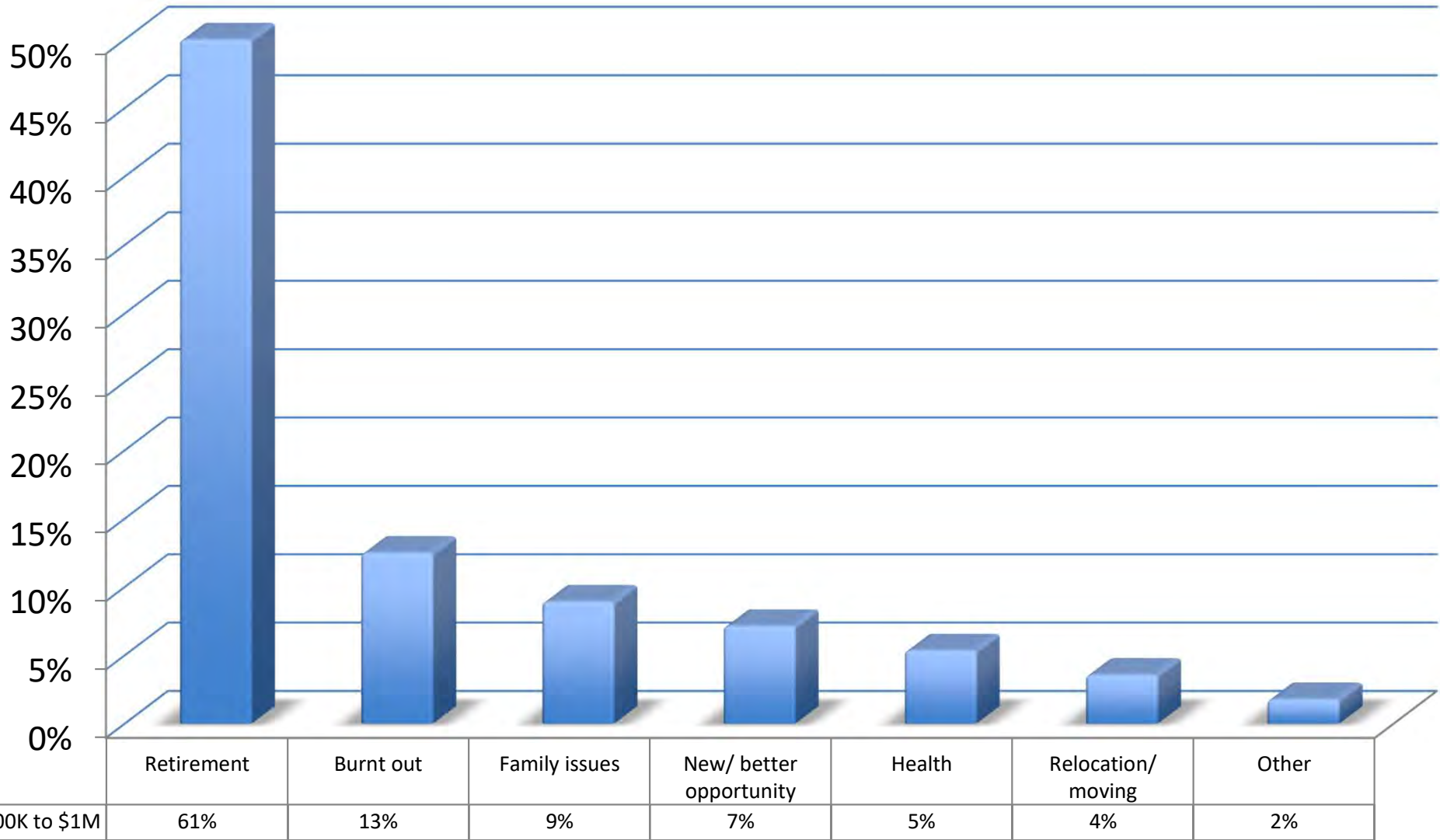


# Buyer Type

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

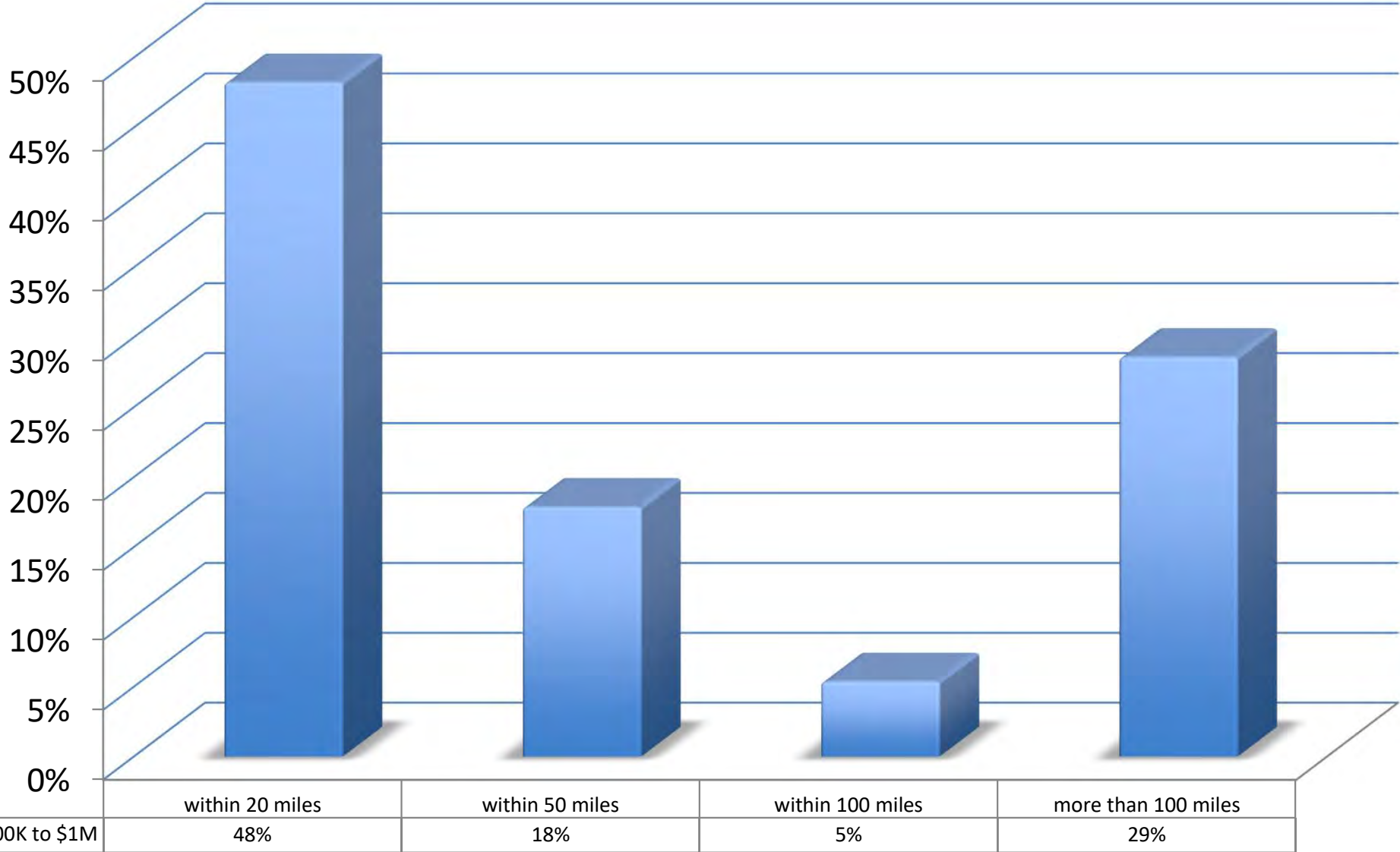


# #1 Reason for Seller to Go to Market



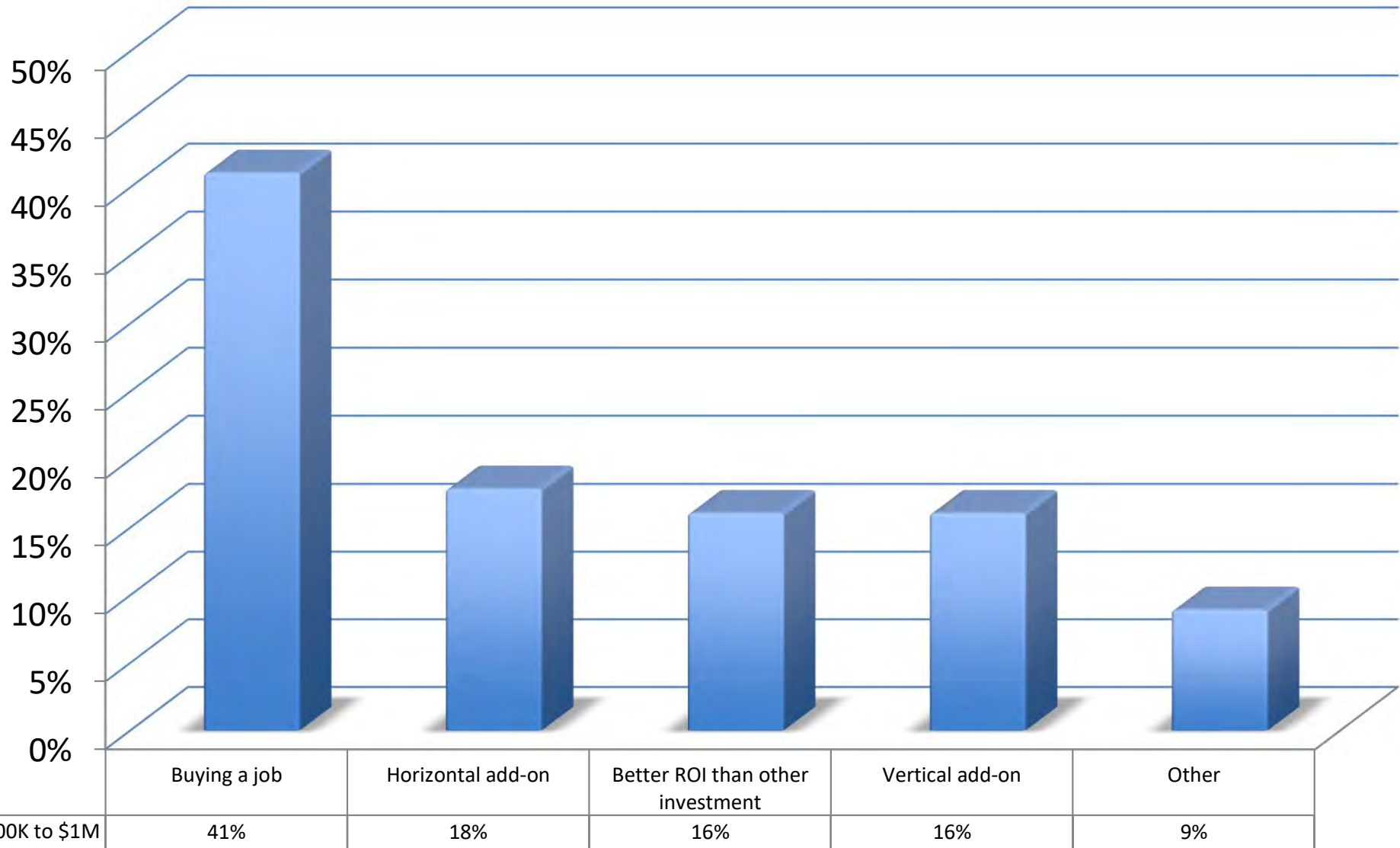
Deals from \$500K to \$1M

# Buyer Location





# #1 Motivation for Buyer



Deals from \$500K to \$1M

41%

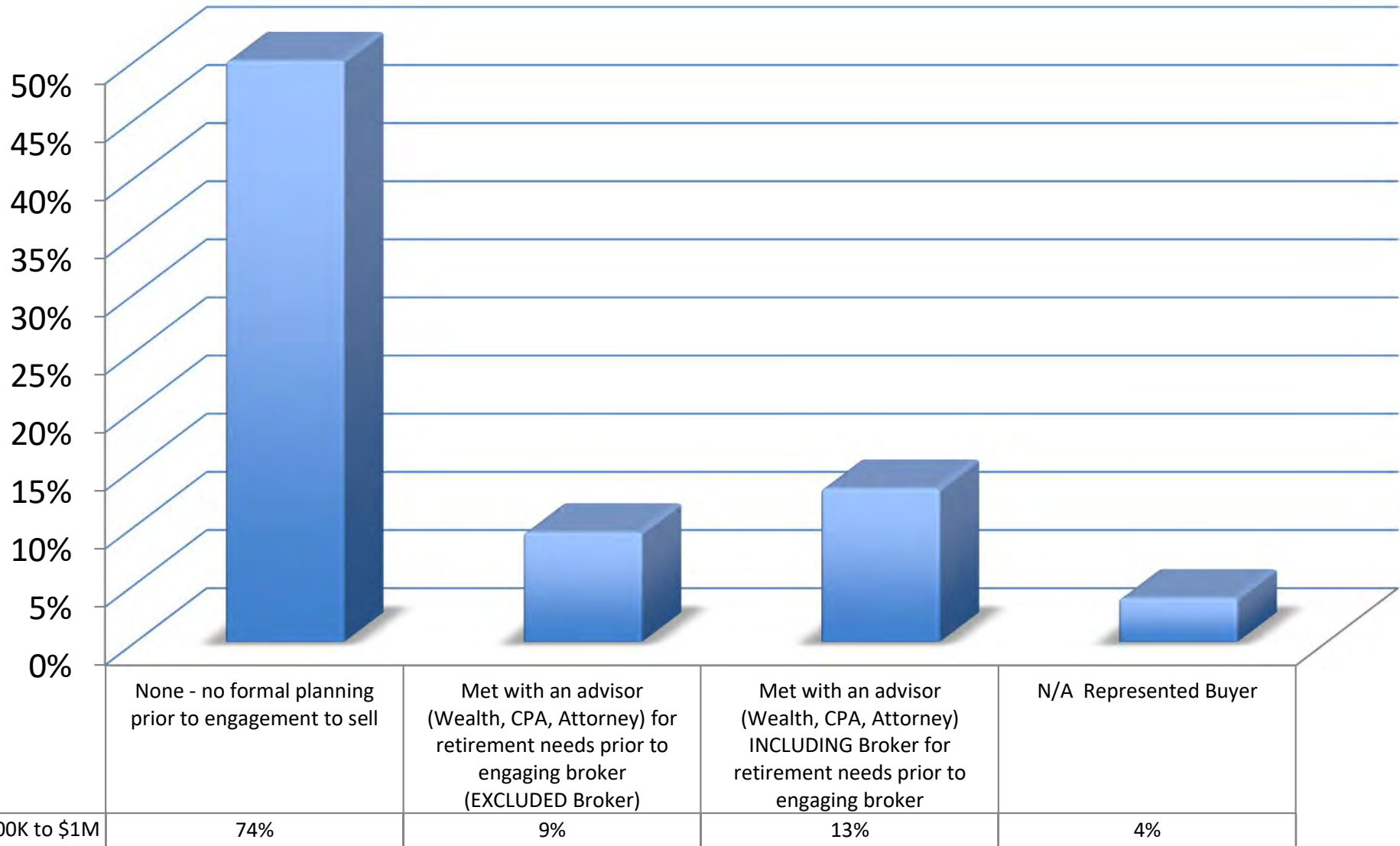
18%

16%

16%

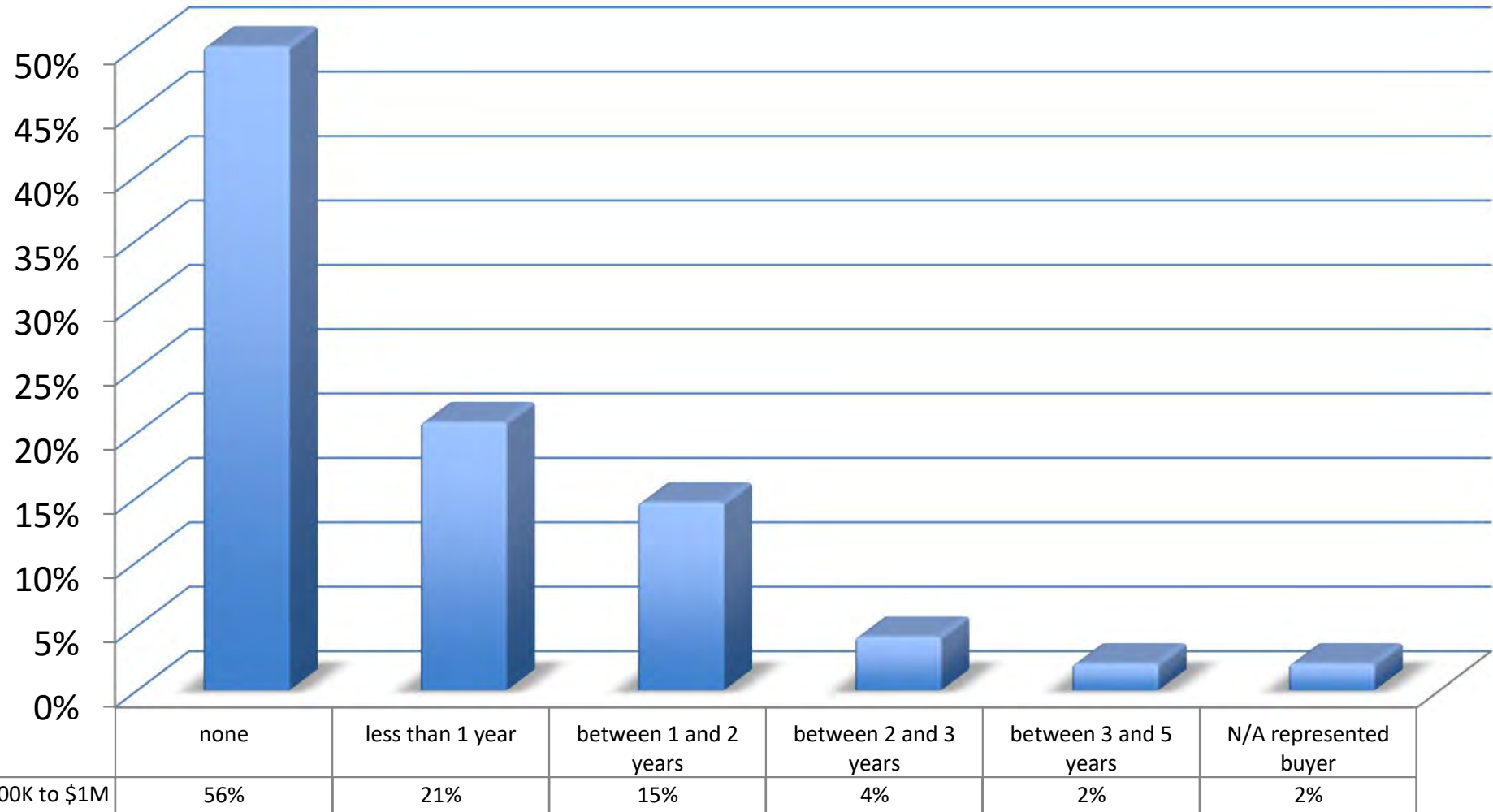
9%

# Exit Planning

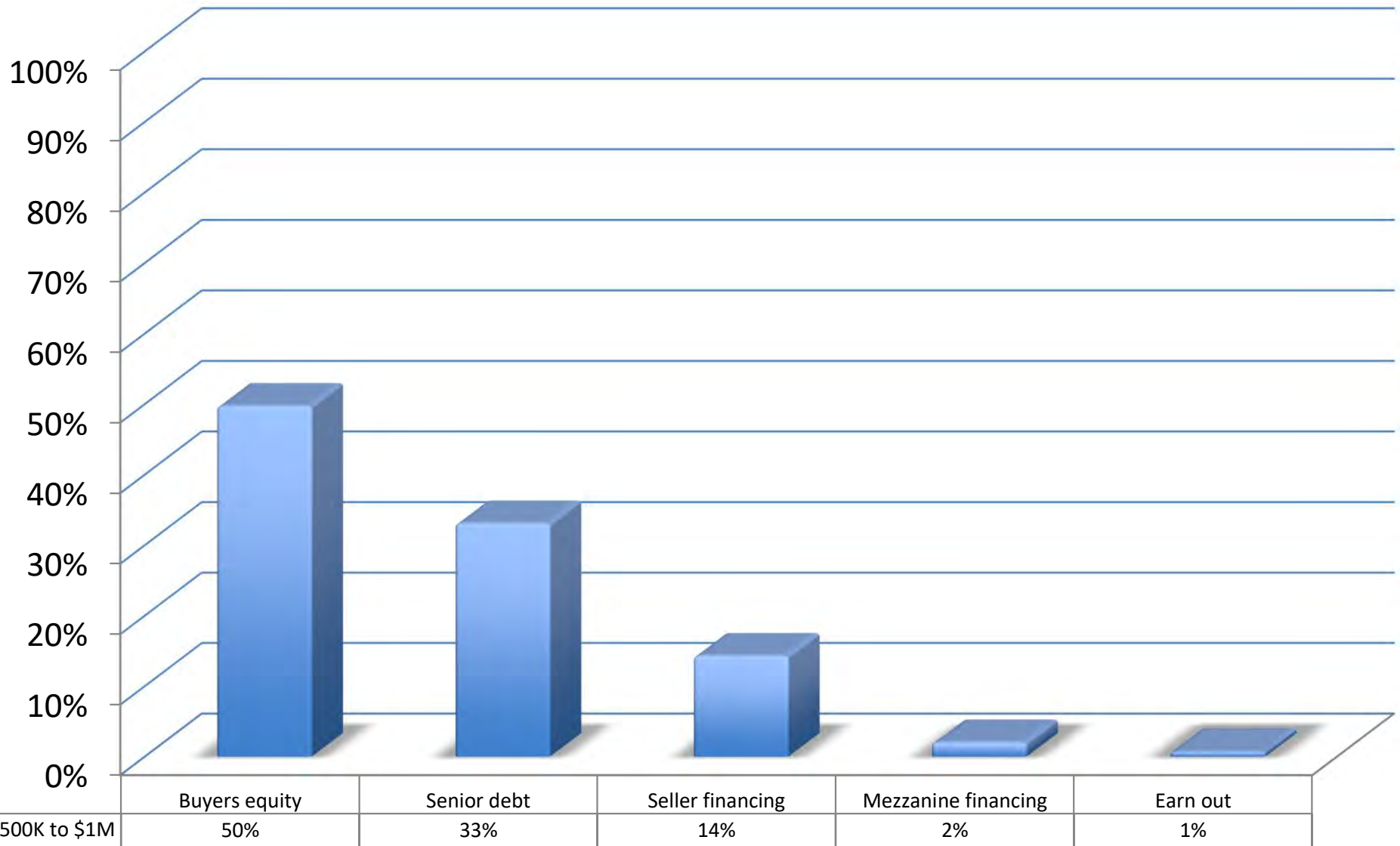




# Amount Of Exit Planning Prior To Marketing Business

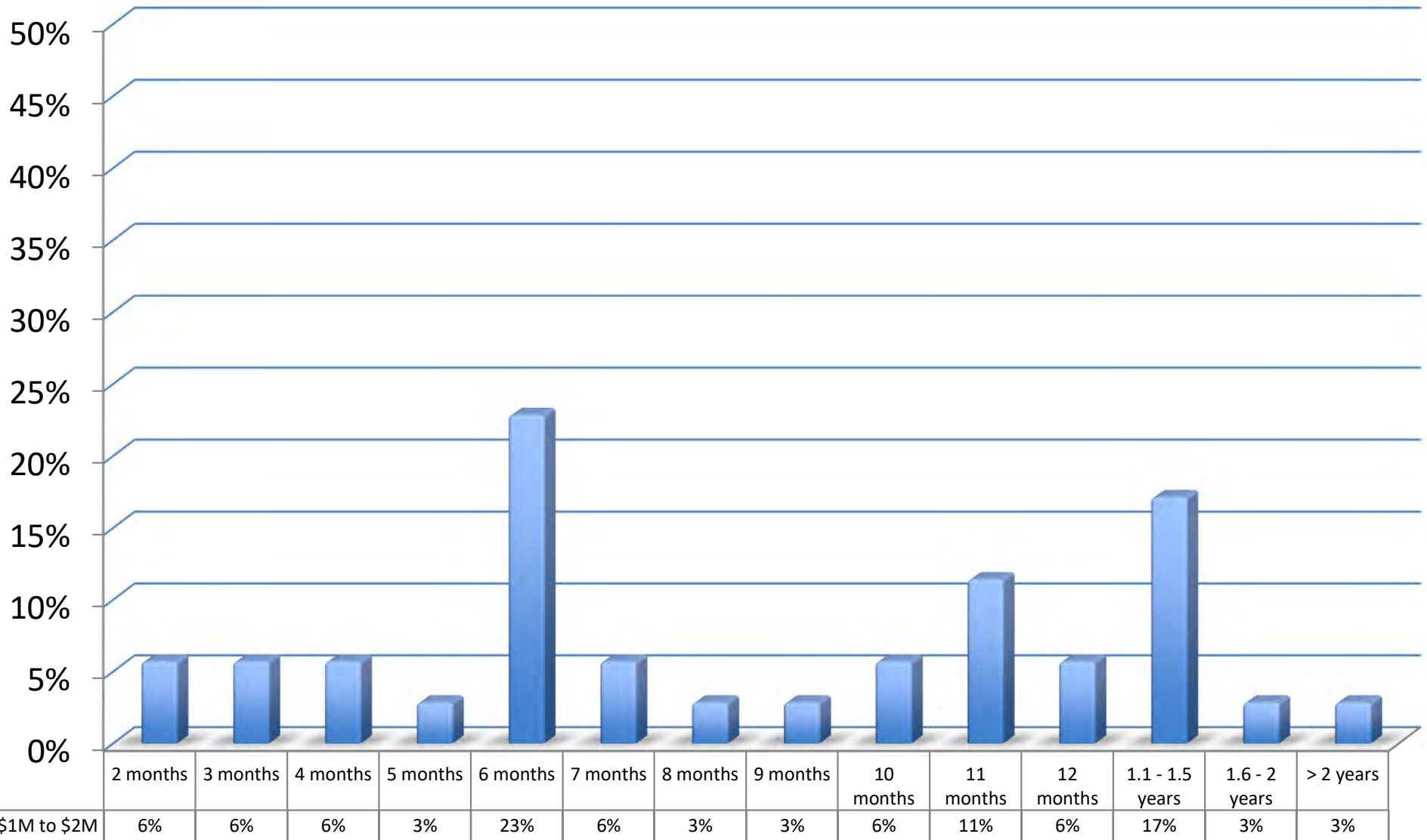


# Financing Structure



Business Transactions Valued  
from \$1 Million to \$1.99 Million  
Number of Closed Transactions: 35

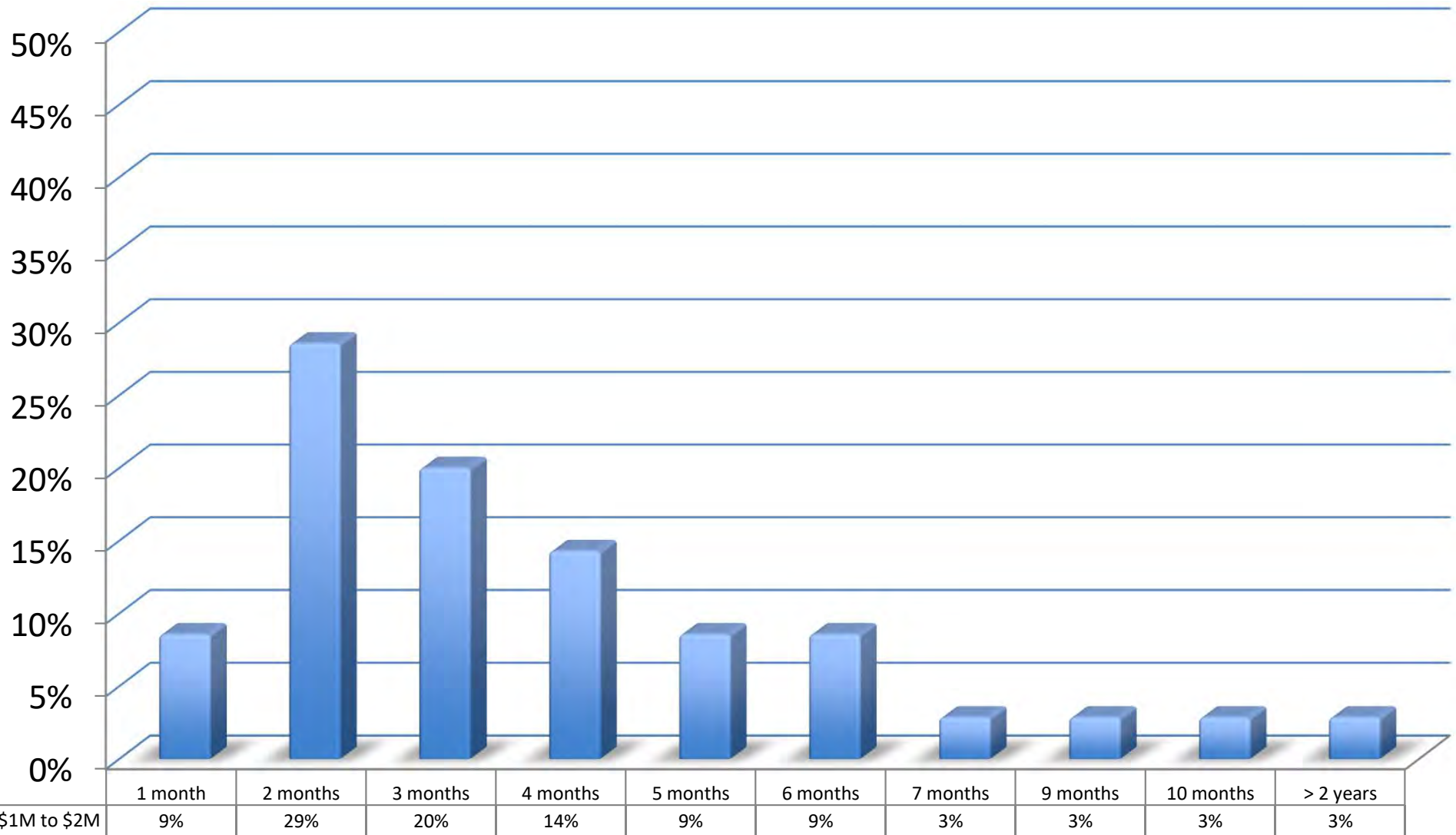
# Engagement/Listing to Close



Deals from \$1M to \$2M

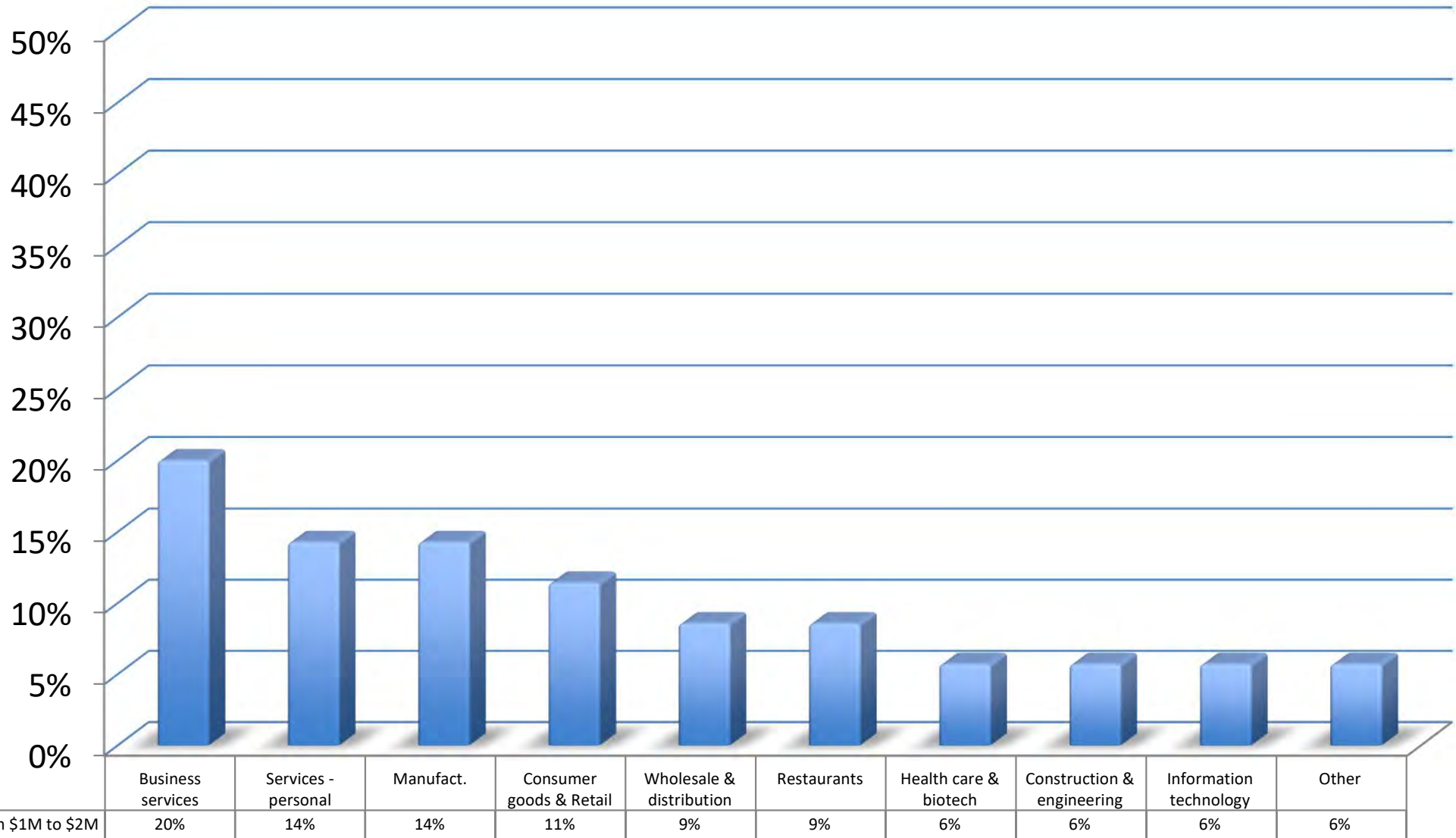
6%	6%	6%	3%	23%	6%	3%	3%	6%	11%	6%	17%	3%	3%
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# LOI/ Offer to Close



Deals from \$1M to \$2M

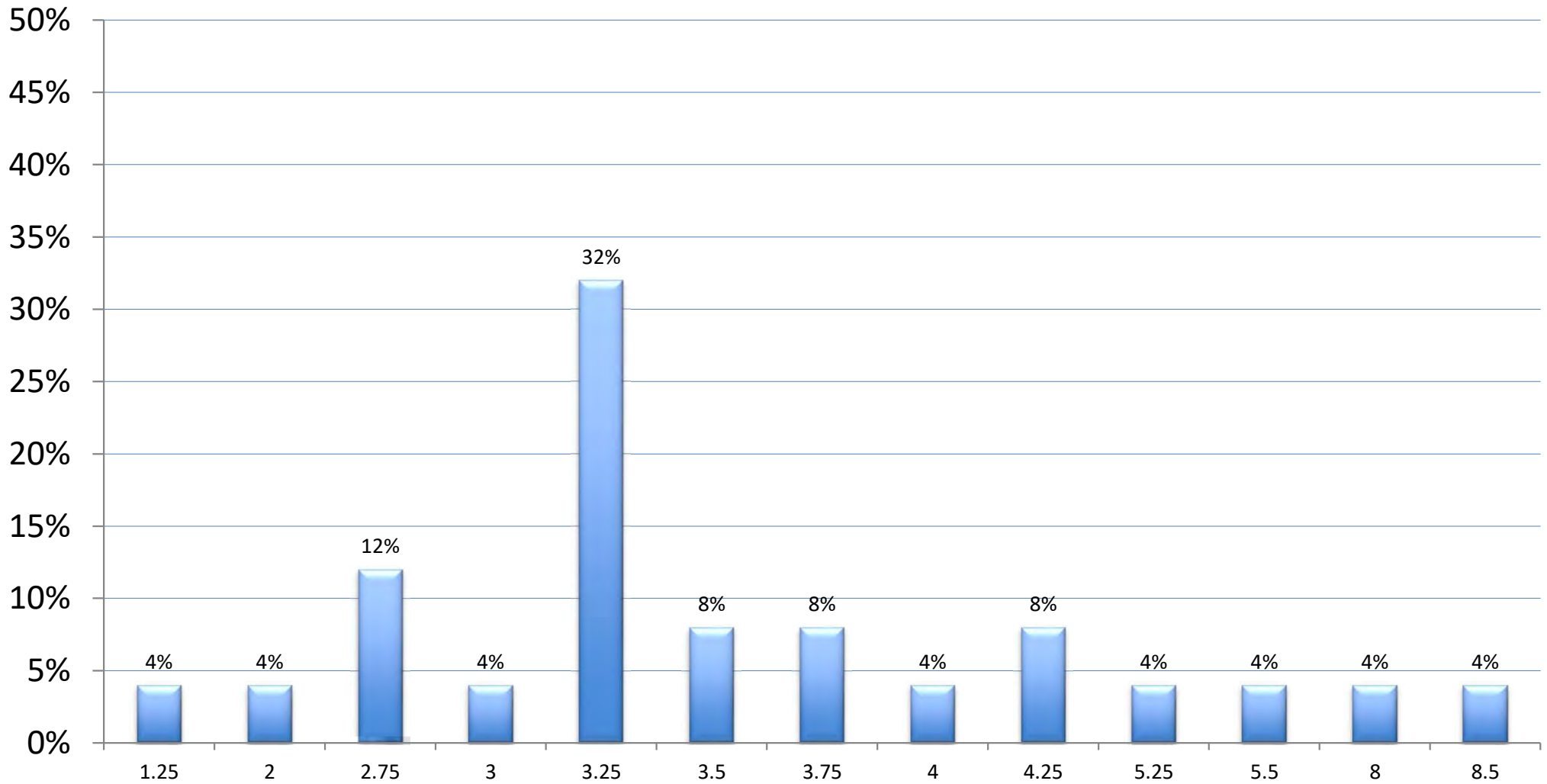
# Industry



Deals from \$1M to \$2M

Business services	20%	Services - personal	14%	Manufact.	14%	Consumer goods & Retail	11%	Wholesale & distribution	9%	Restaurants	9%	Health care & biotech	6%	Construction & engineering	6%	Information technology	6%	Other	6%
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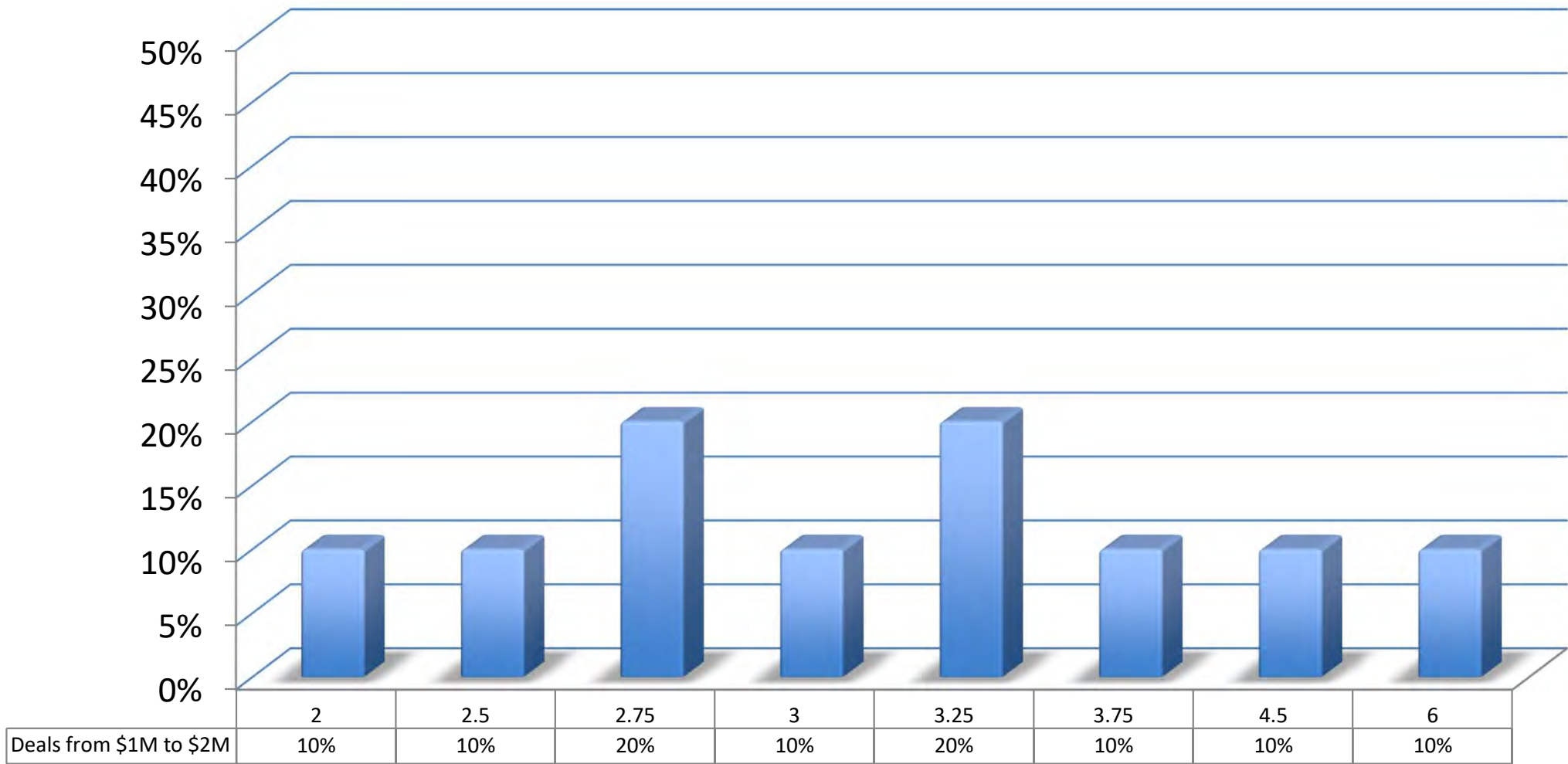
# SDE Multiple Paid



Number of responses: 25



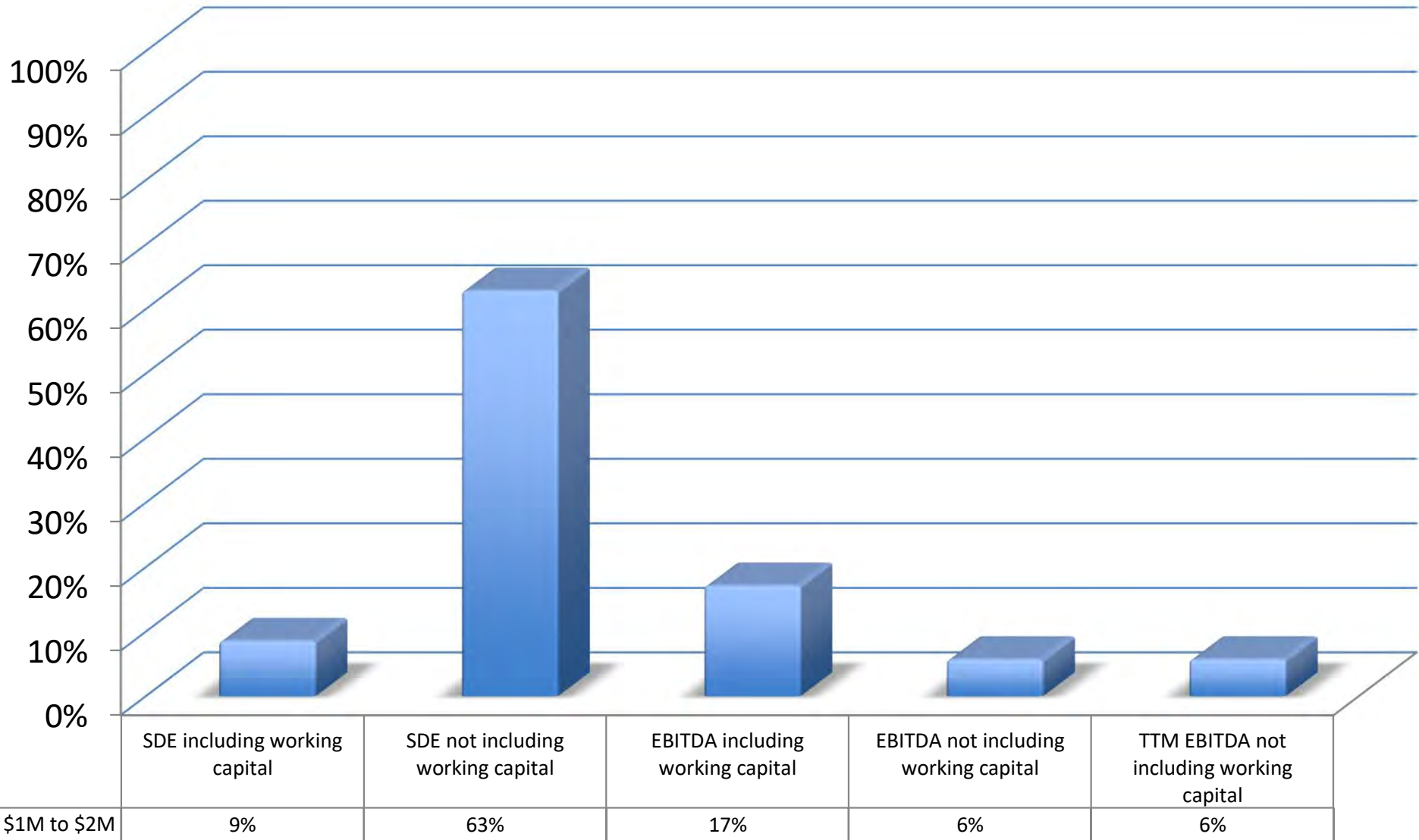
# EBITDA Multiple Paid



Number of responses: 10



# Multiple Type



Deals from \$1M to \$2M

9%

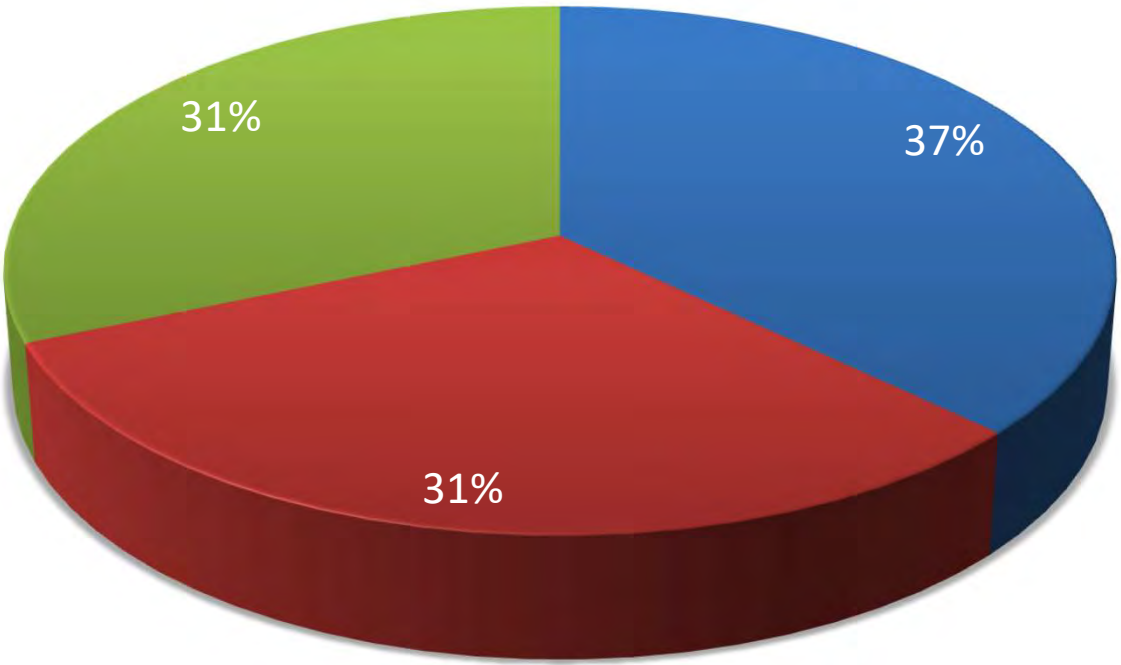
63%

17%

6%

6%

# Buyer Type

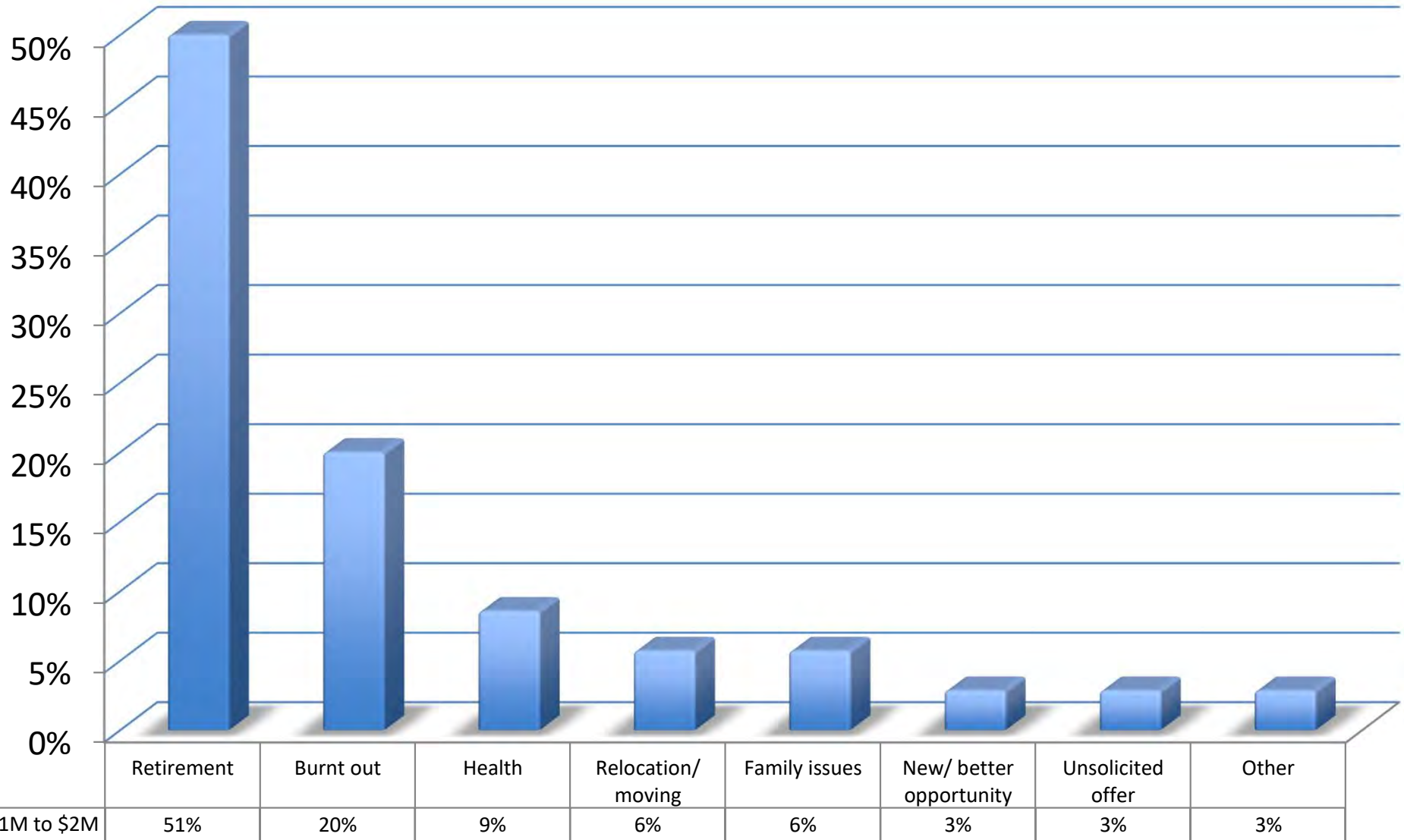


■ 1st time individual

■ individual who owned a business

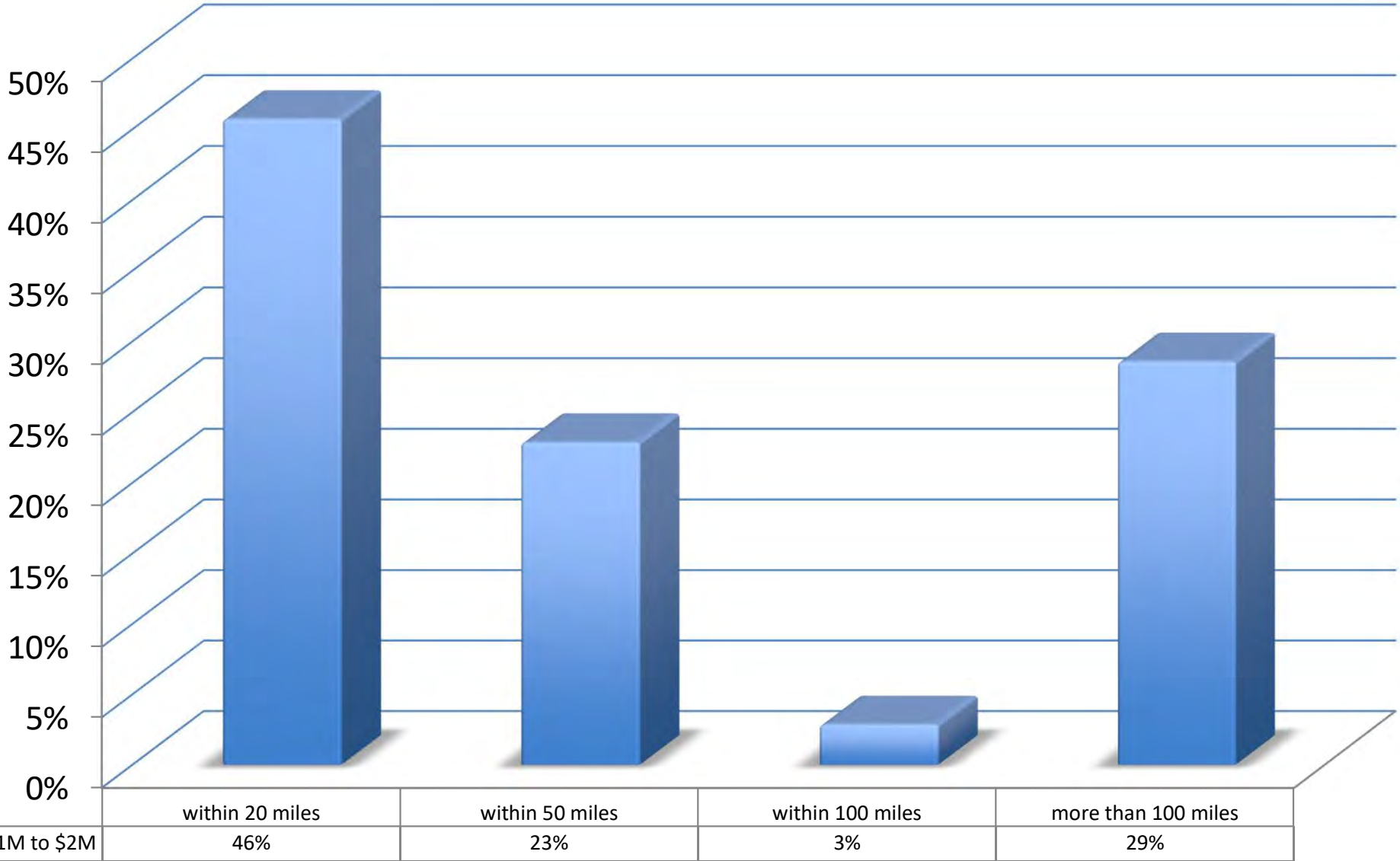
■ existing company/strategic buyer

# #1 Reason for Seller to Go to Market

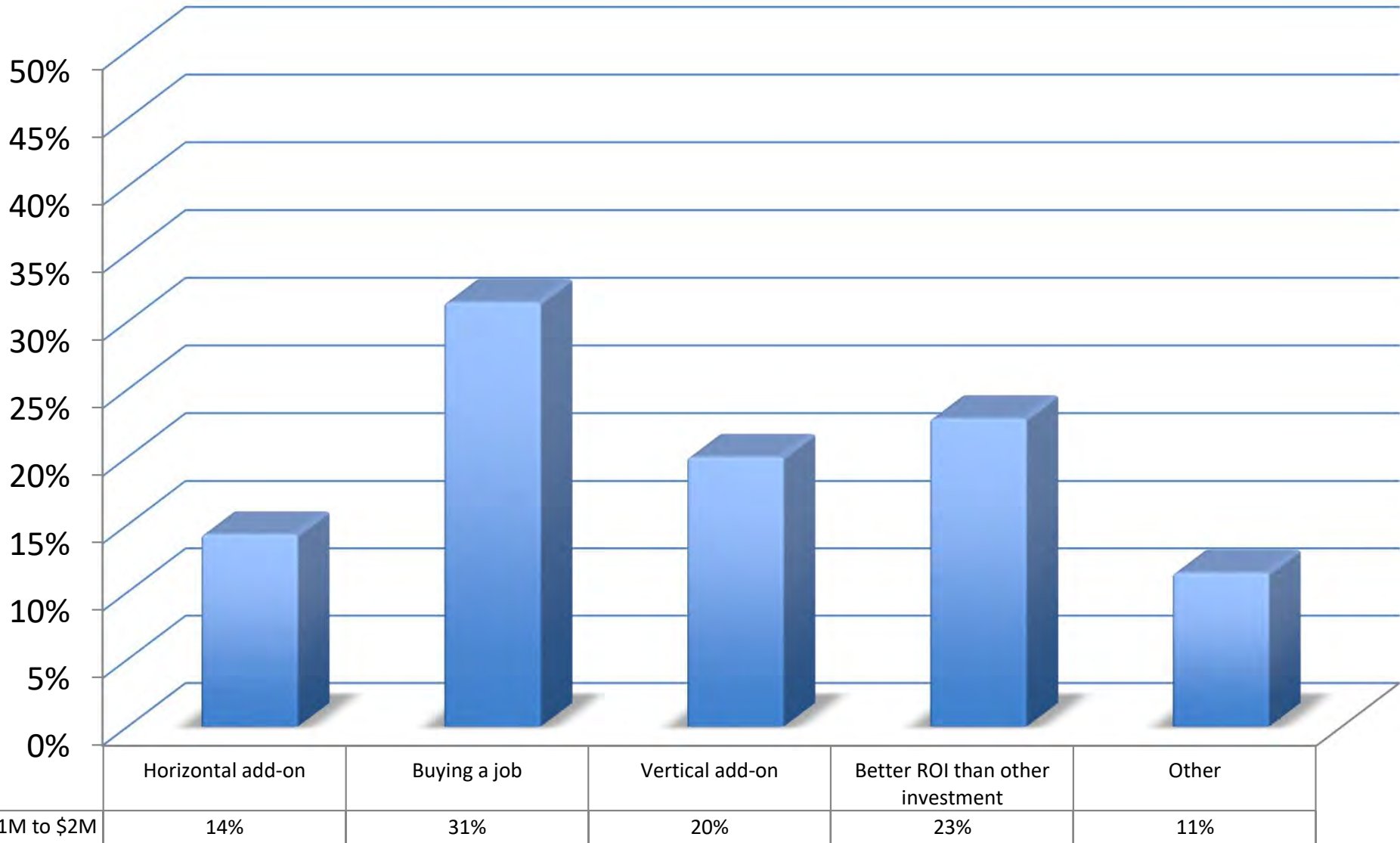


Deals from \$1M to \$2M

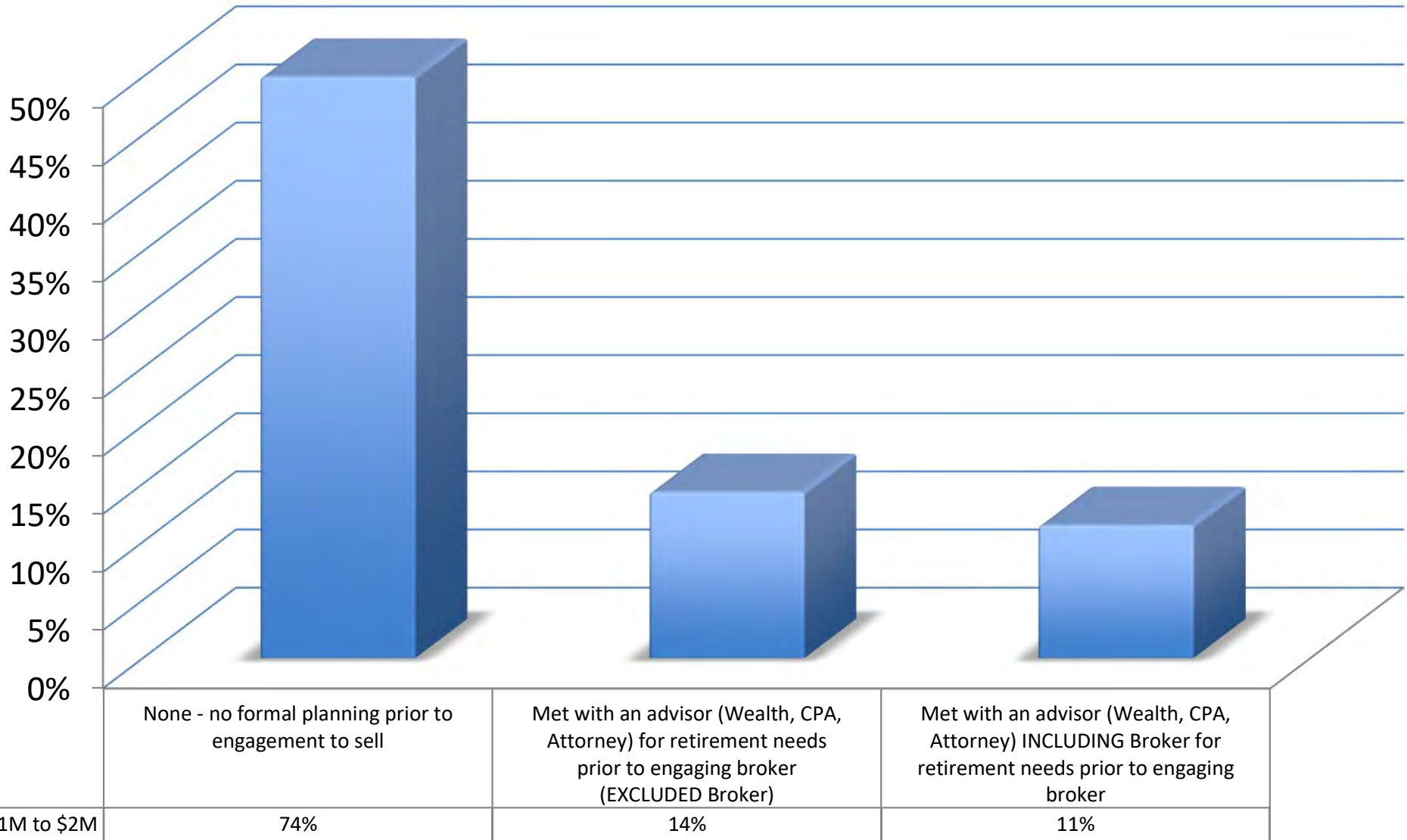
# Buyer Location



# #1 Motivation for Buyer

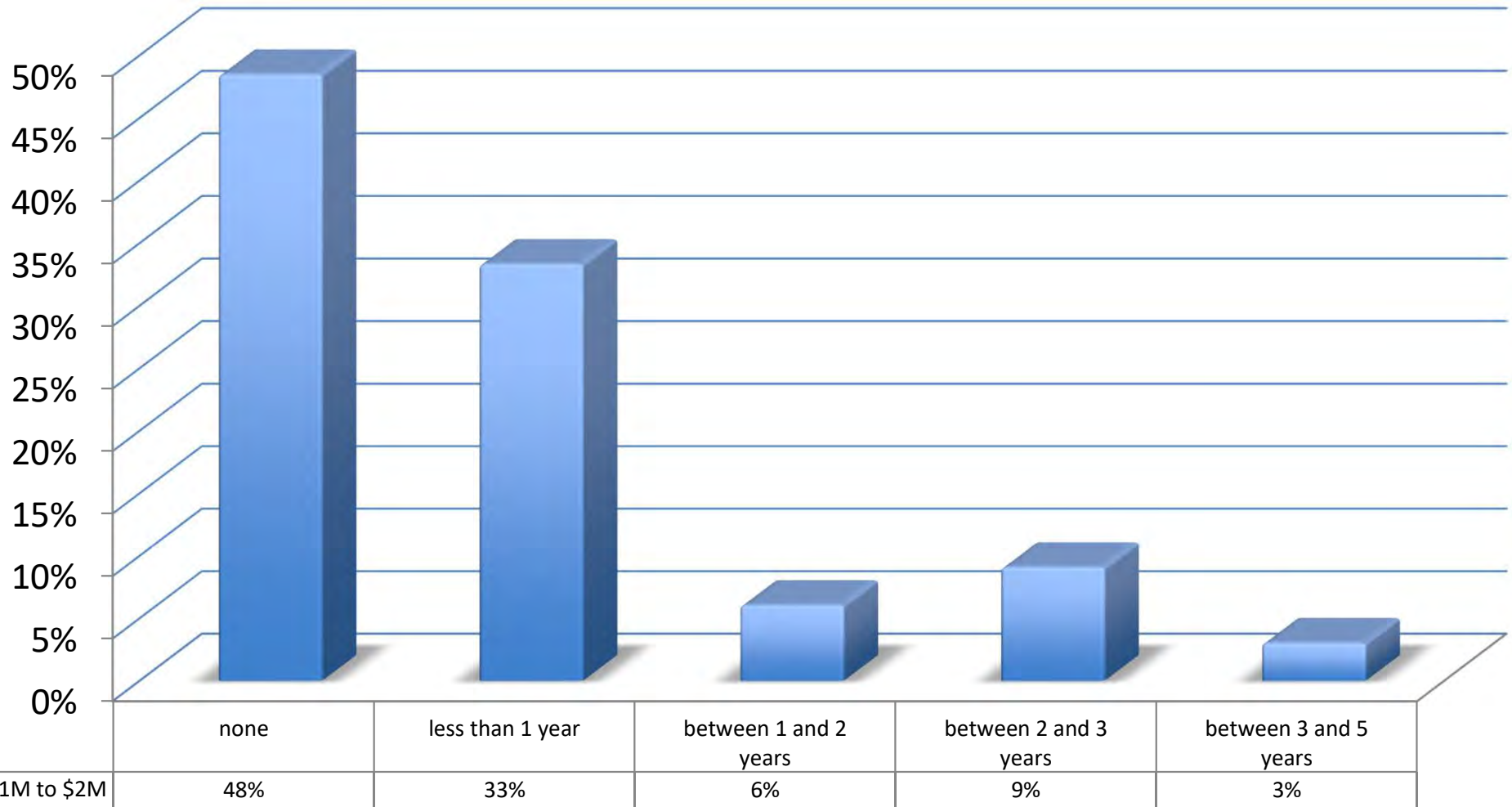


# Exit Planning

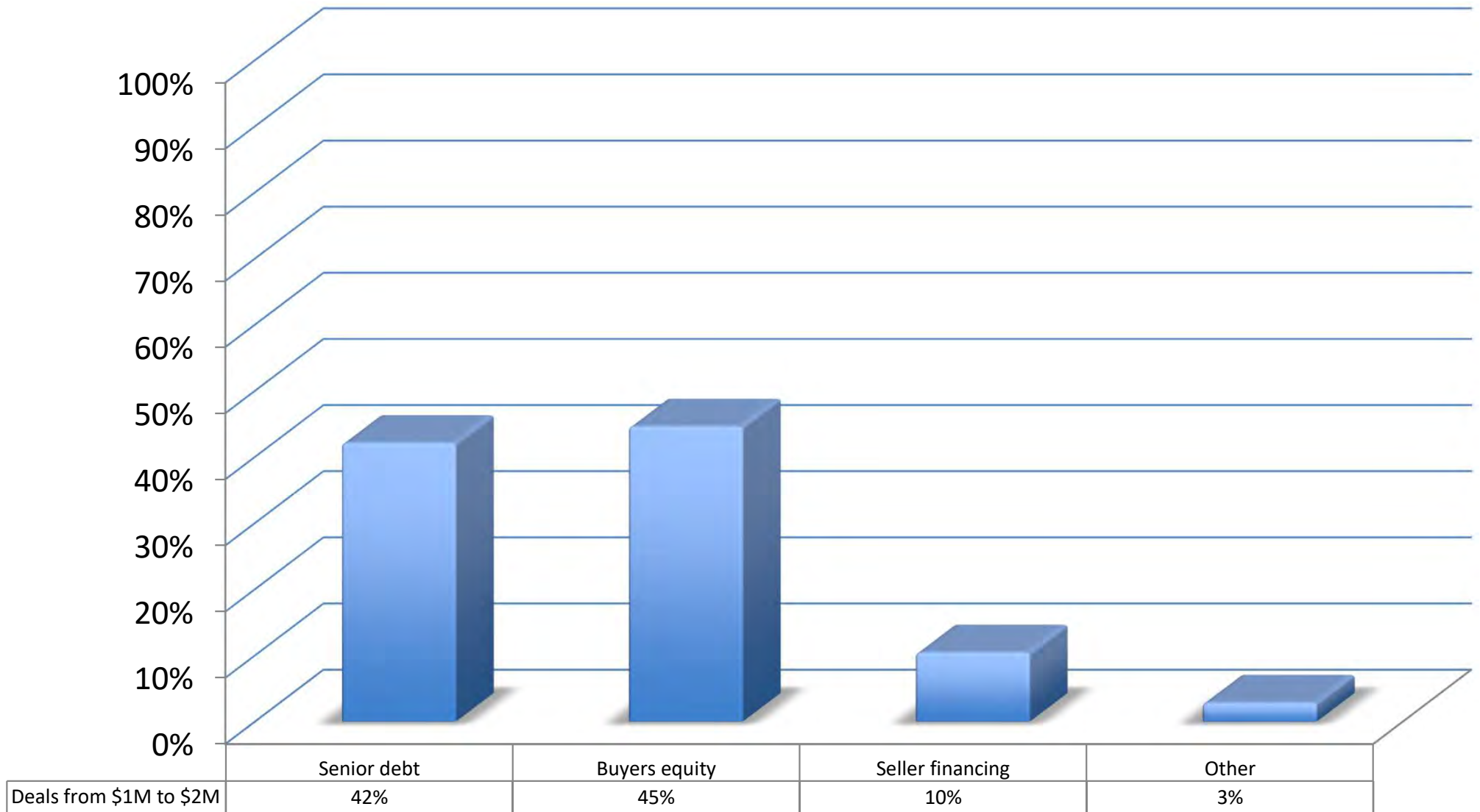




# Amount Of Exit Planning Prior To Marketing Business



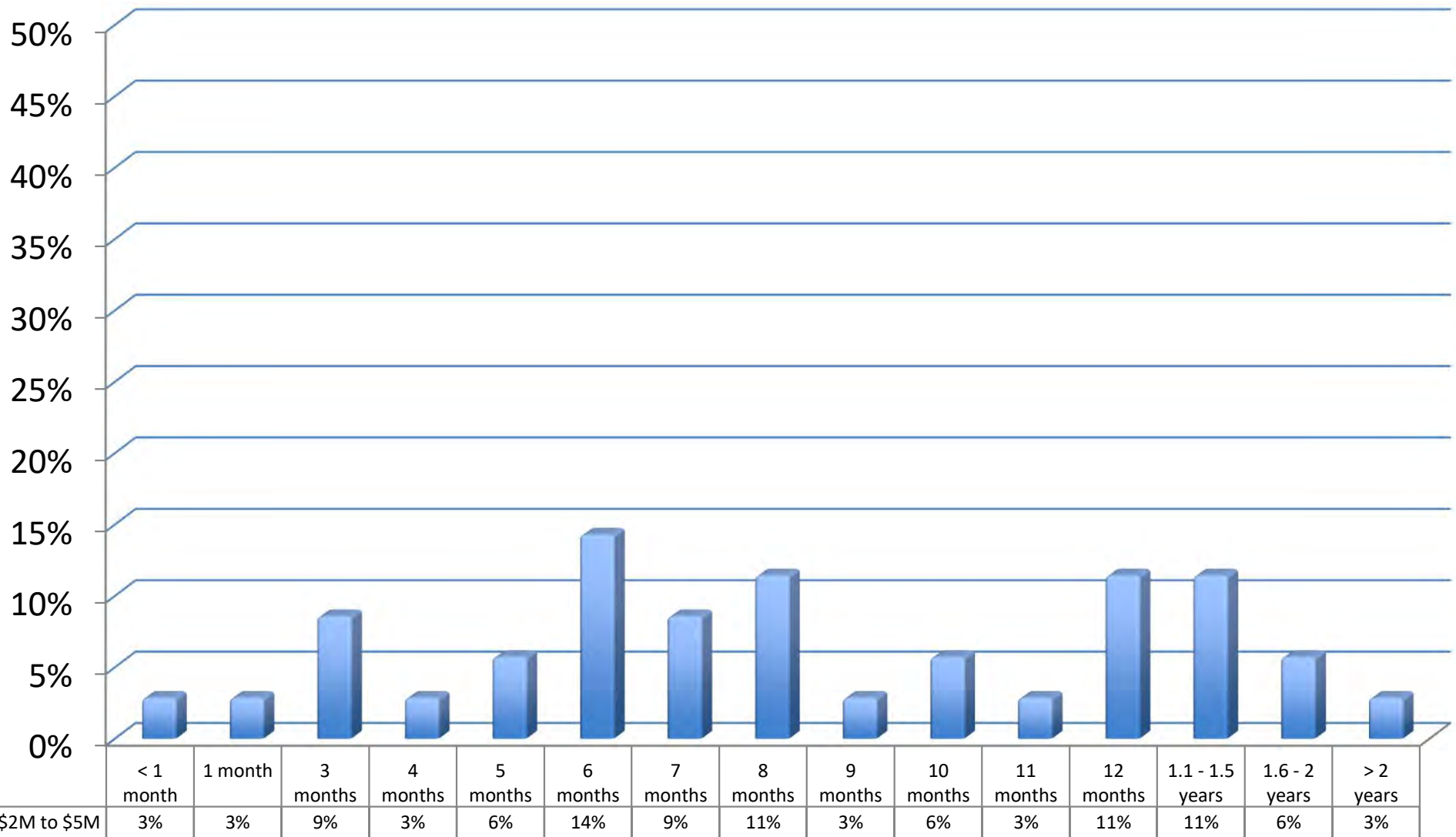
# Financing Structure





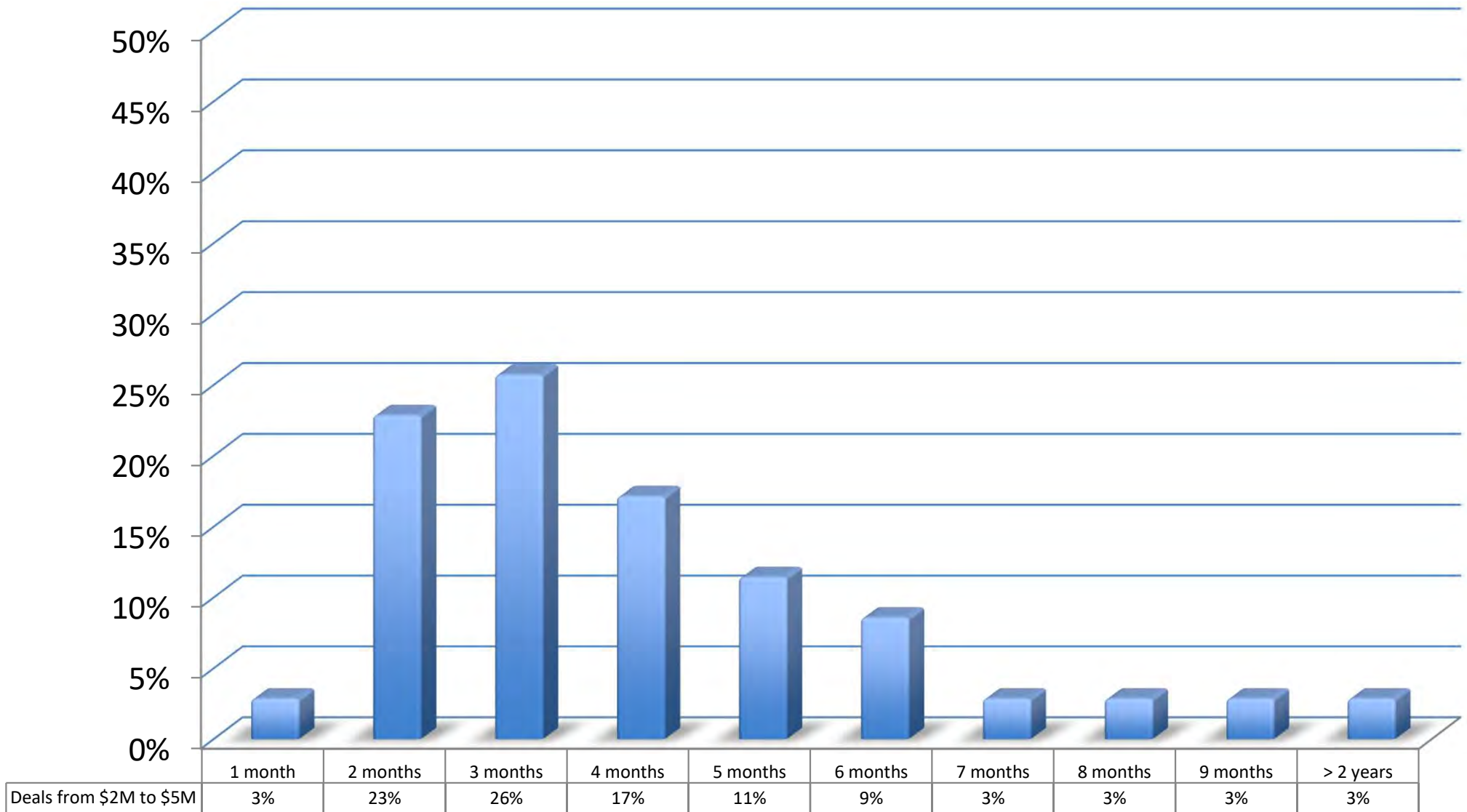
Business Transactions Valued  
from \$2 Million to \$4.99 Million  
Number of Closed Transactions: 35

# Engagement/Listing to Close

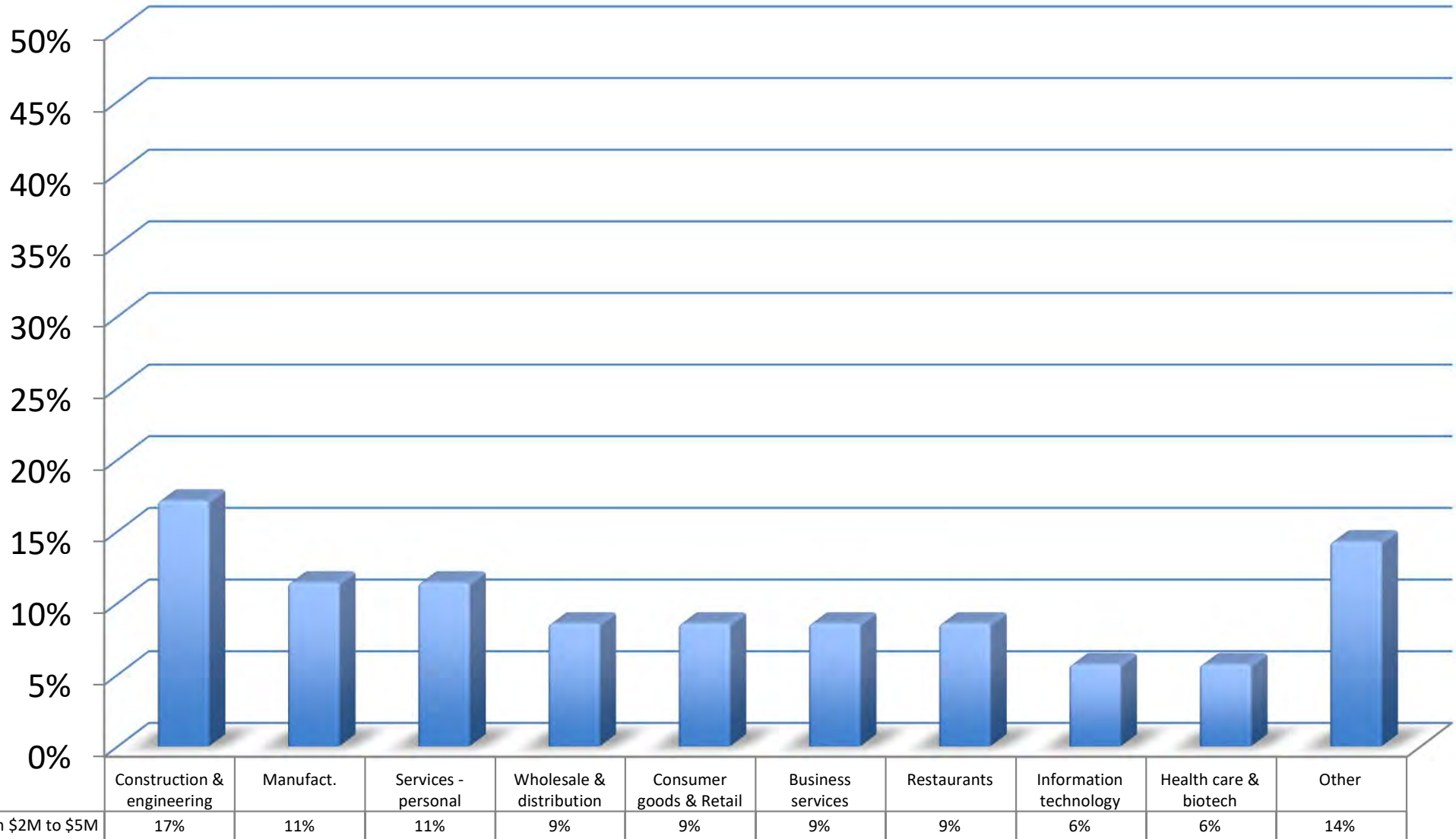


Deals from \$2M to \$5M

# LOI/ Offer to Close

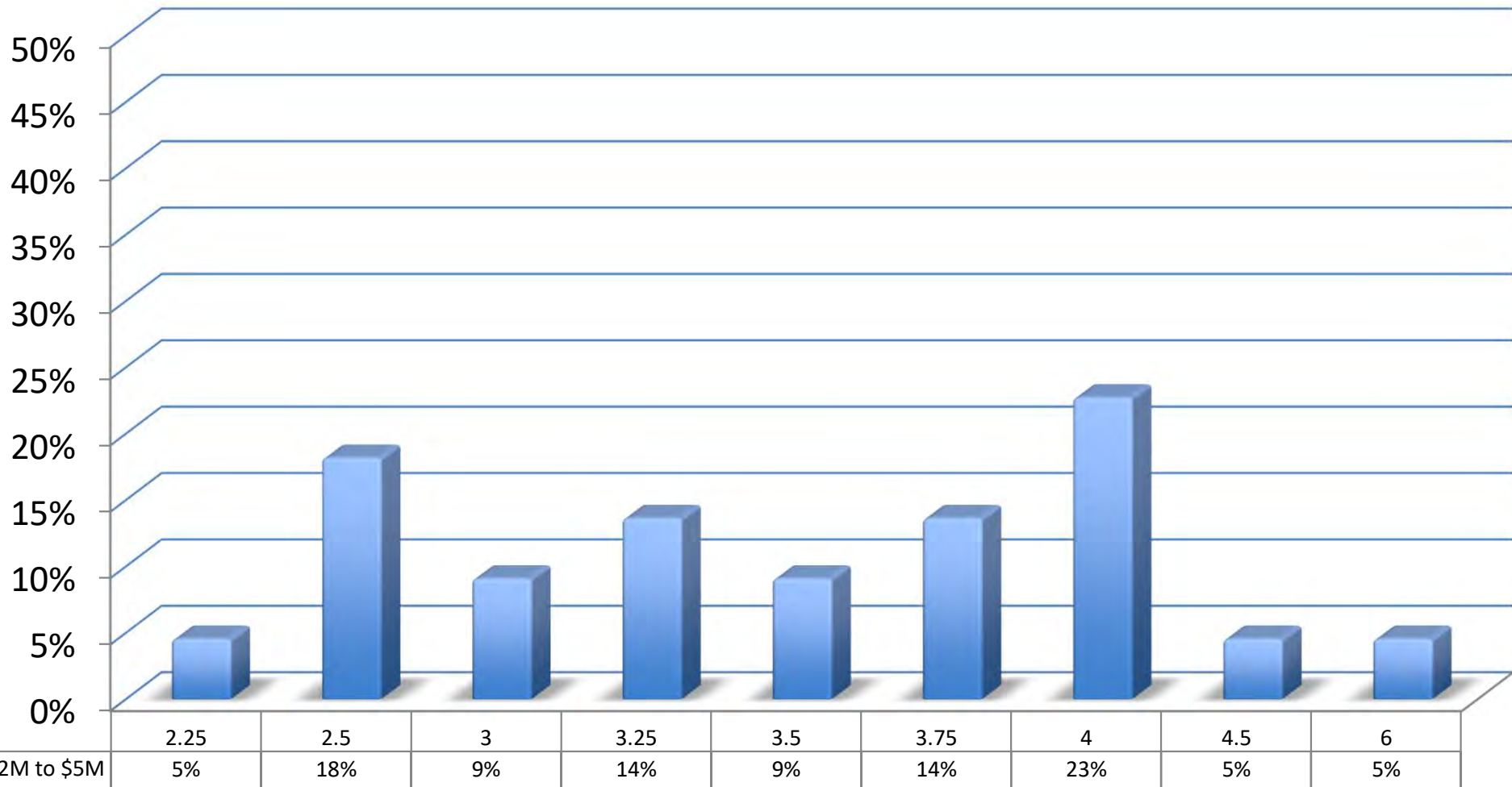


# Industry



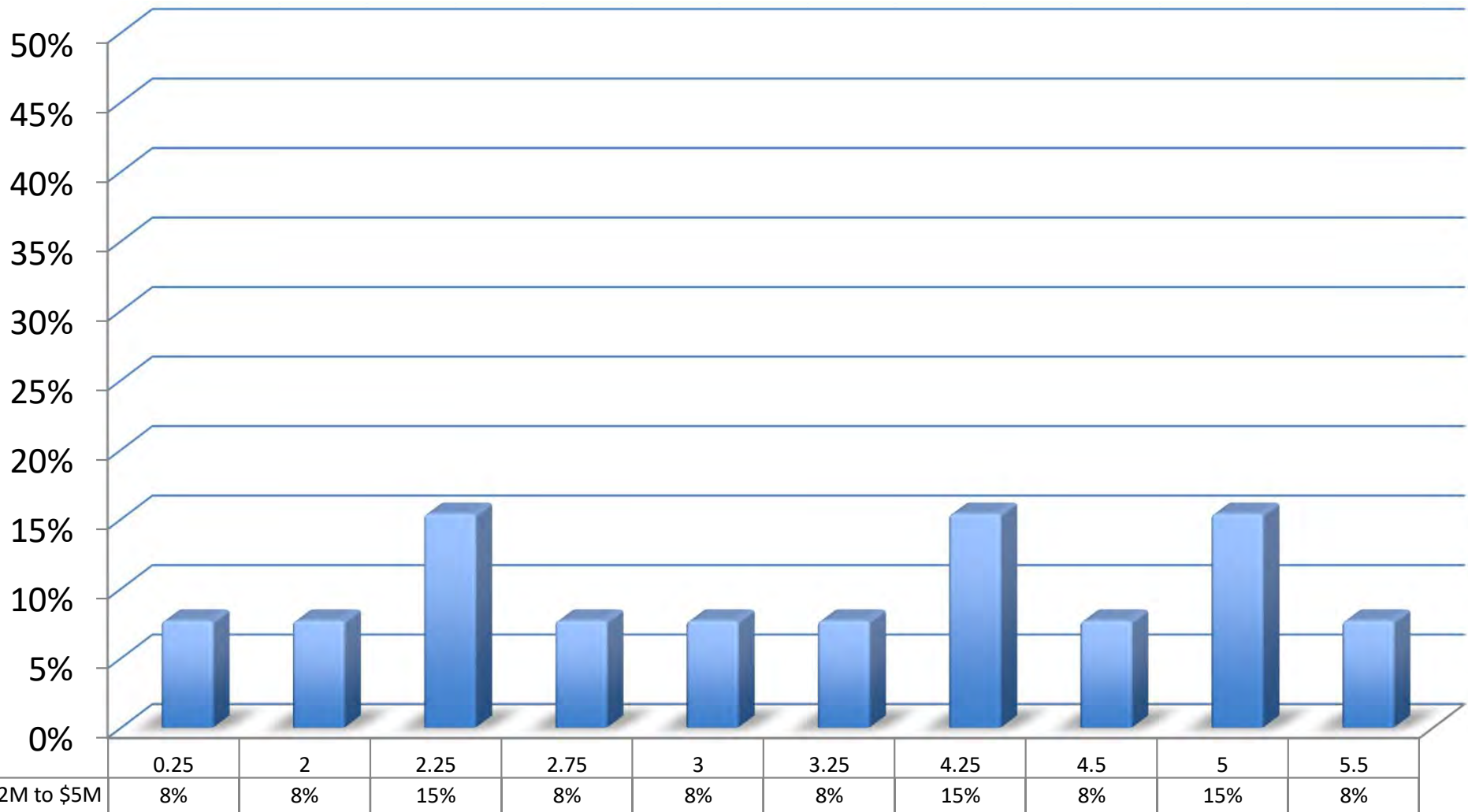
Deals from \$2M to \$5M

# SDE Multiple Paid



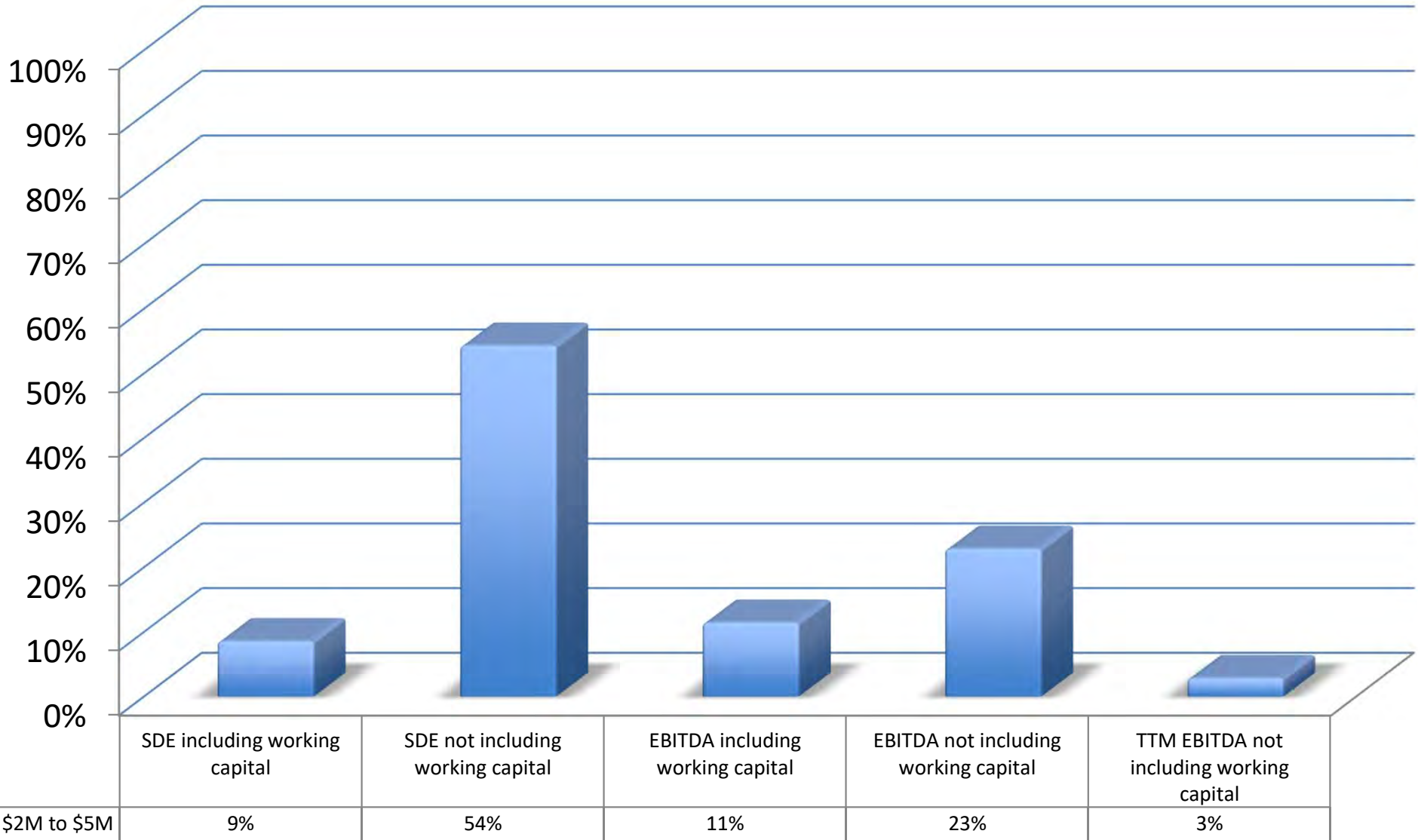
Number of responses: 22

# EBITDA Multiple Paid



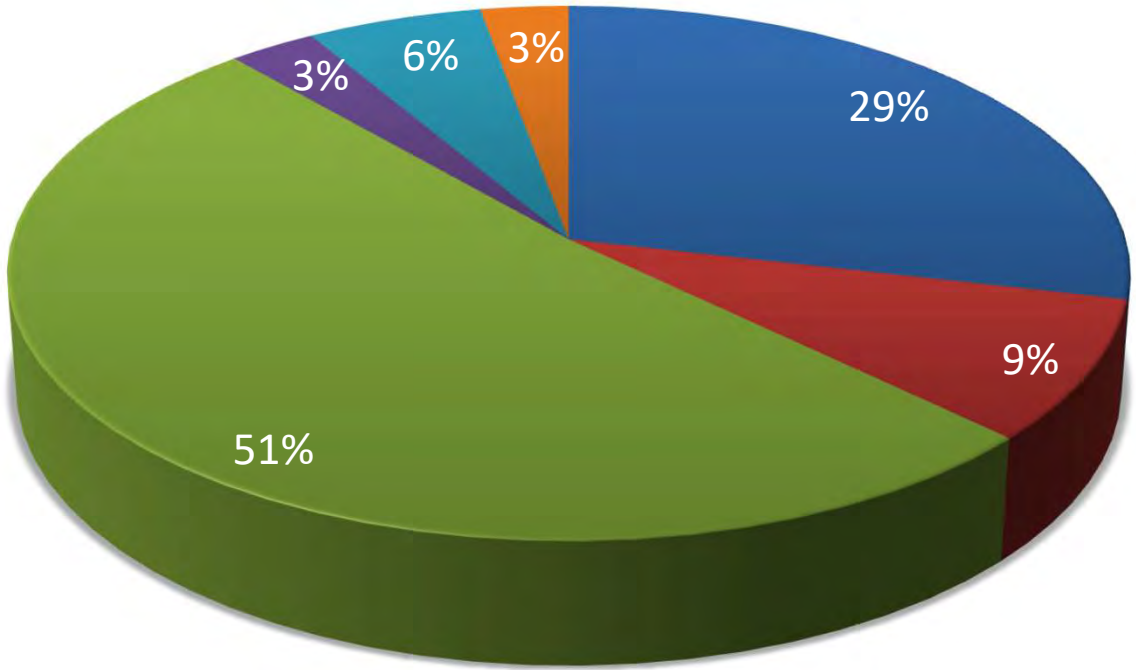
Number of responses: 13

# Multiple Type



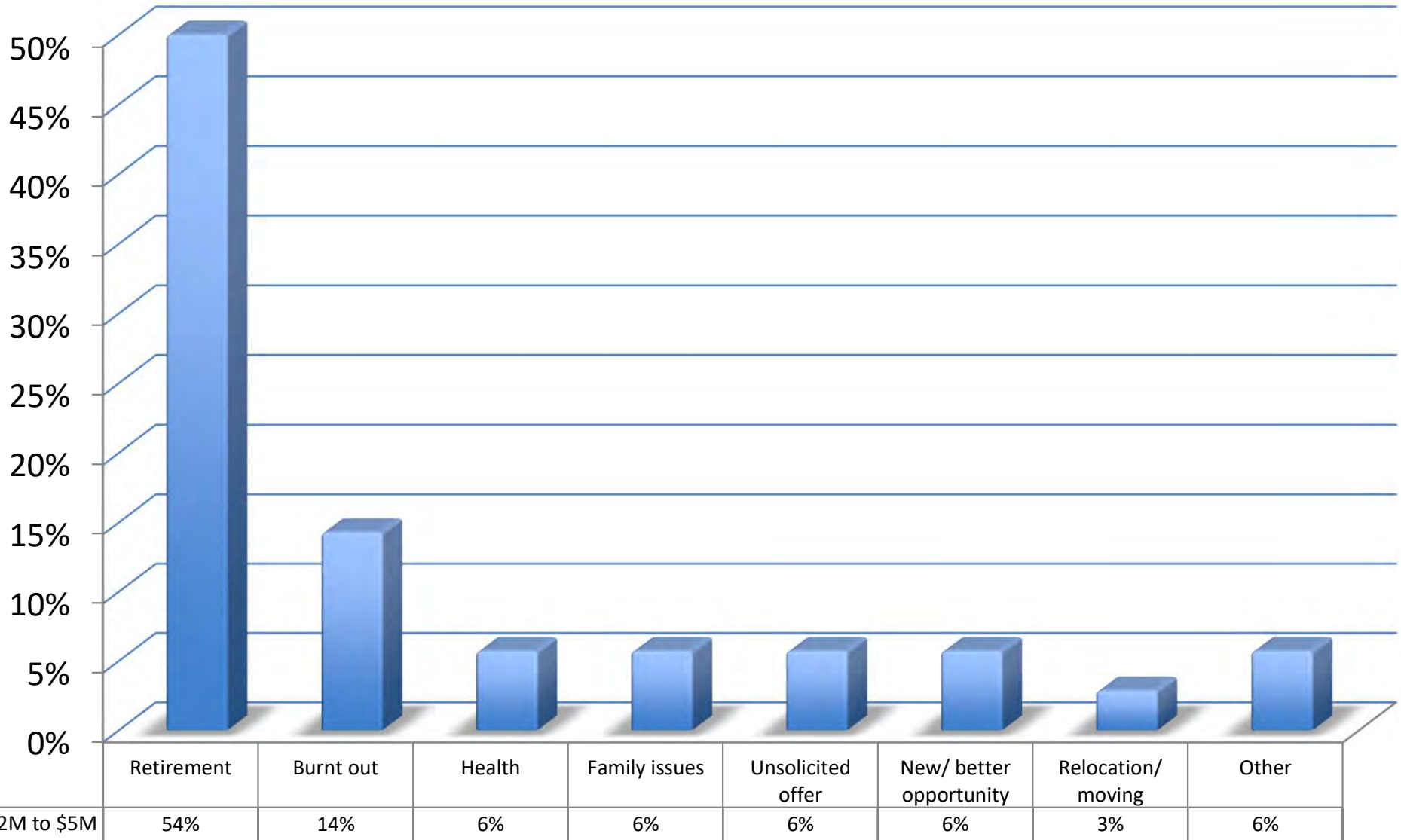


# Buyer Type

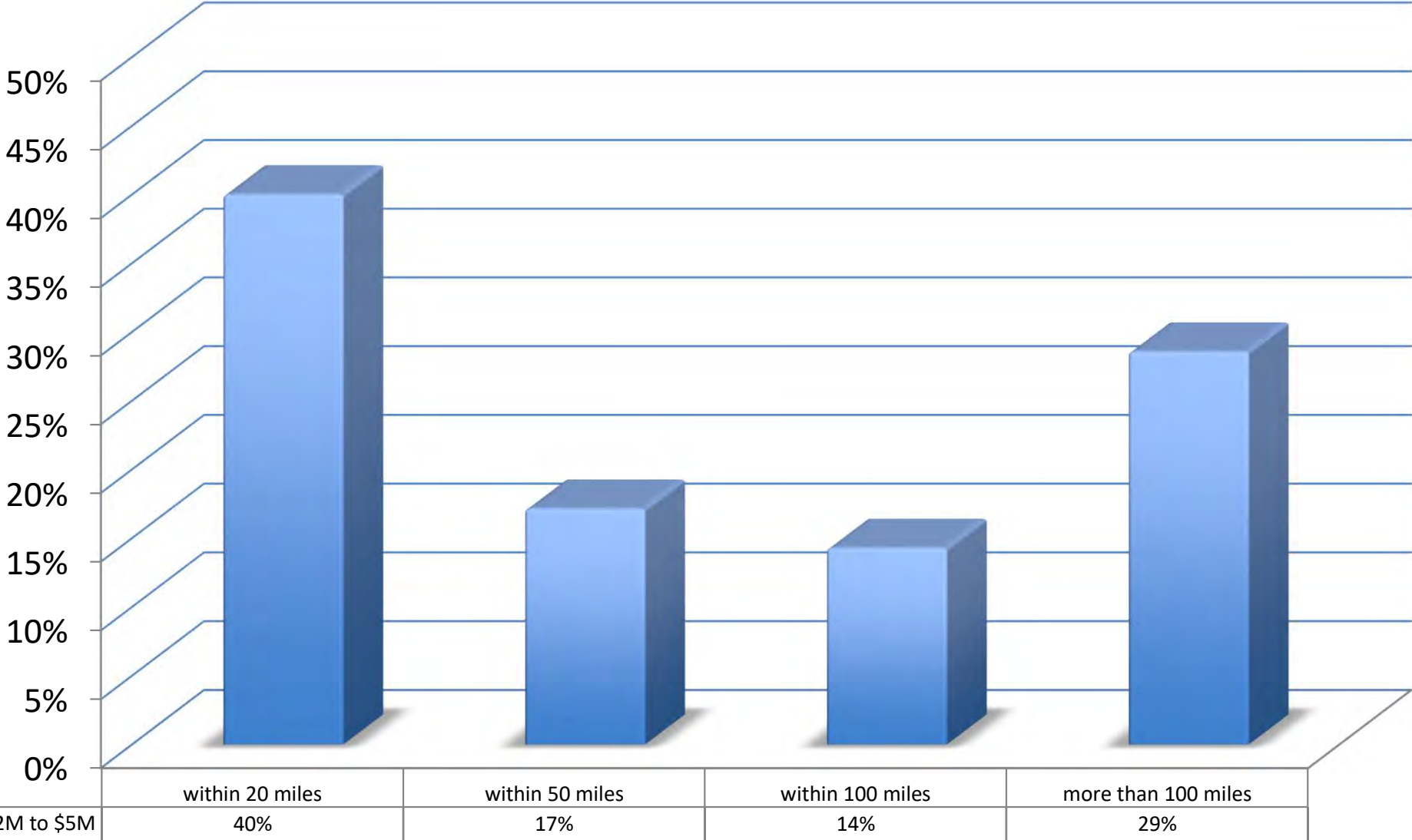


- 1st time individual
- individual who owned a business
- existing company/strategic buyer
- PE firm - Platform
- PE firm - Add-on
- Other

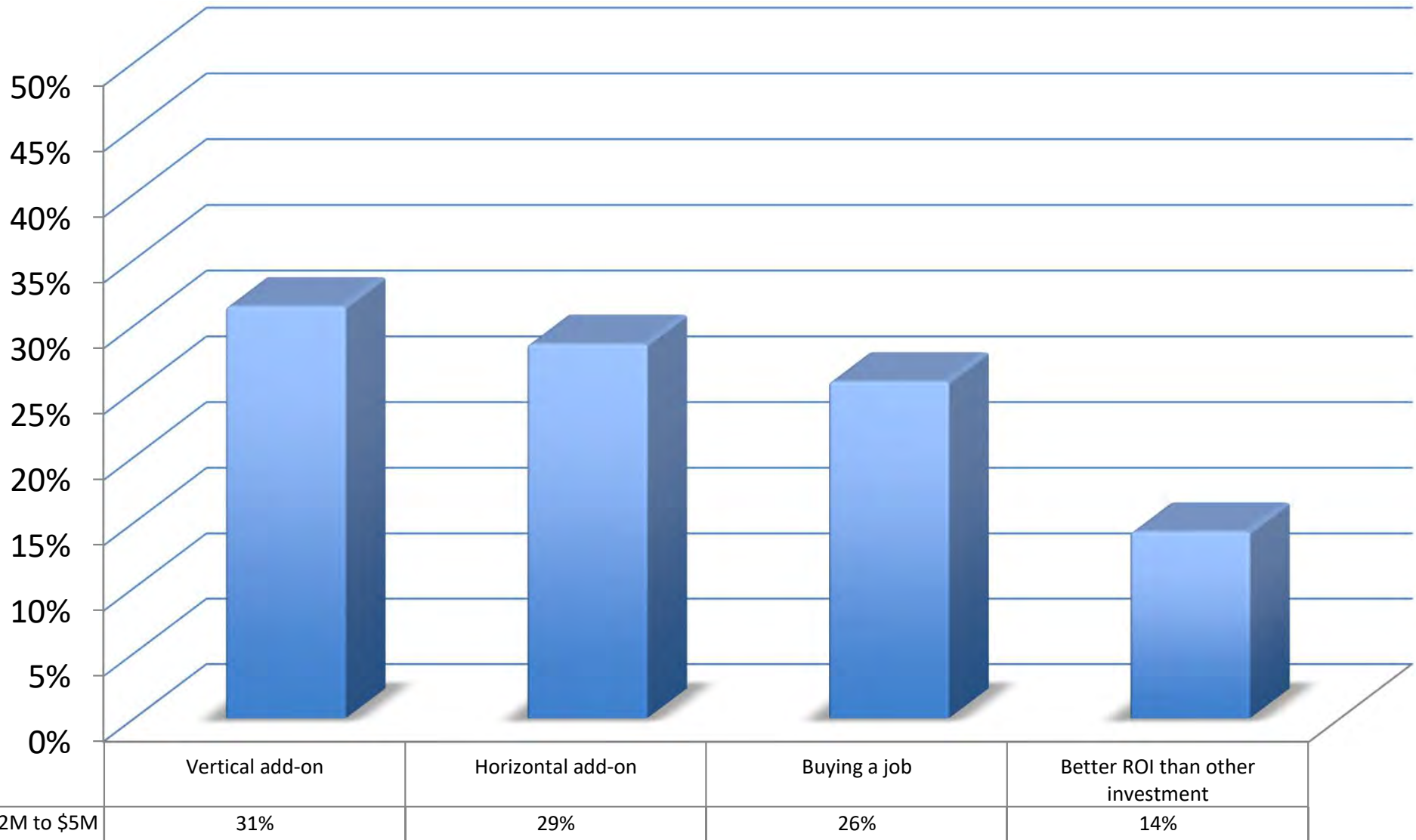
# #1 Reason for Seller to Go to Market



# Buyer Location



# #1 Motivation for Buyer



Deals from \$2M to \$5M

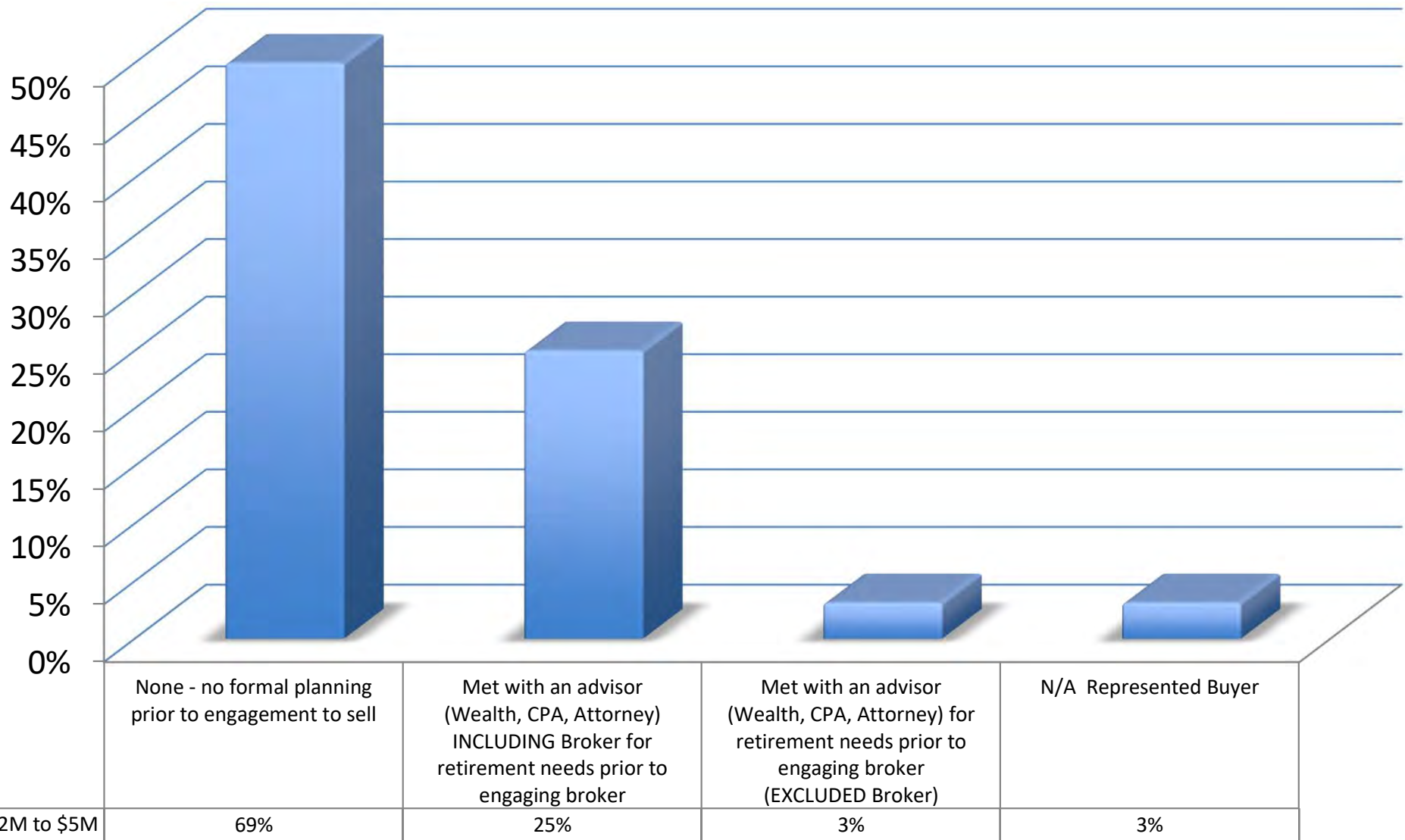
31%

29%

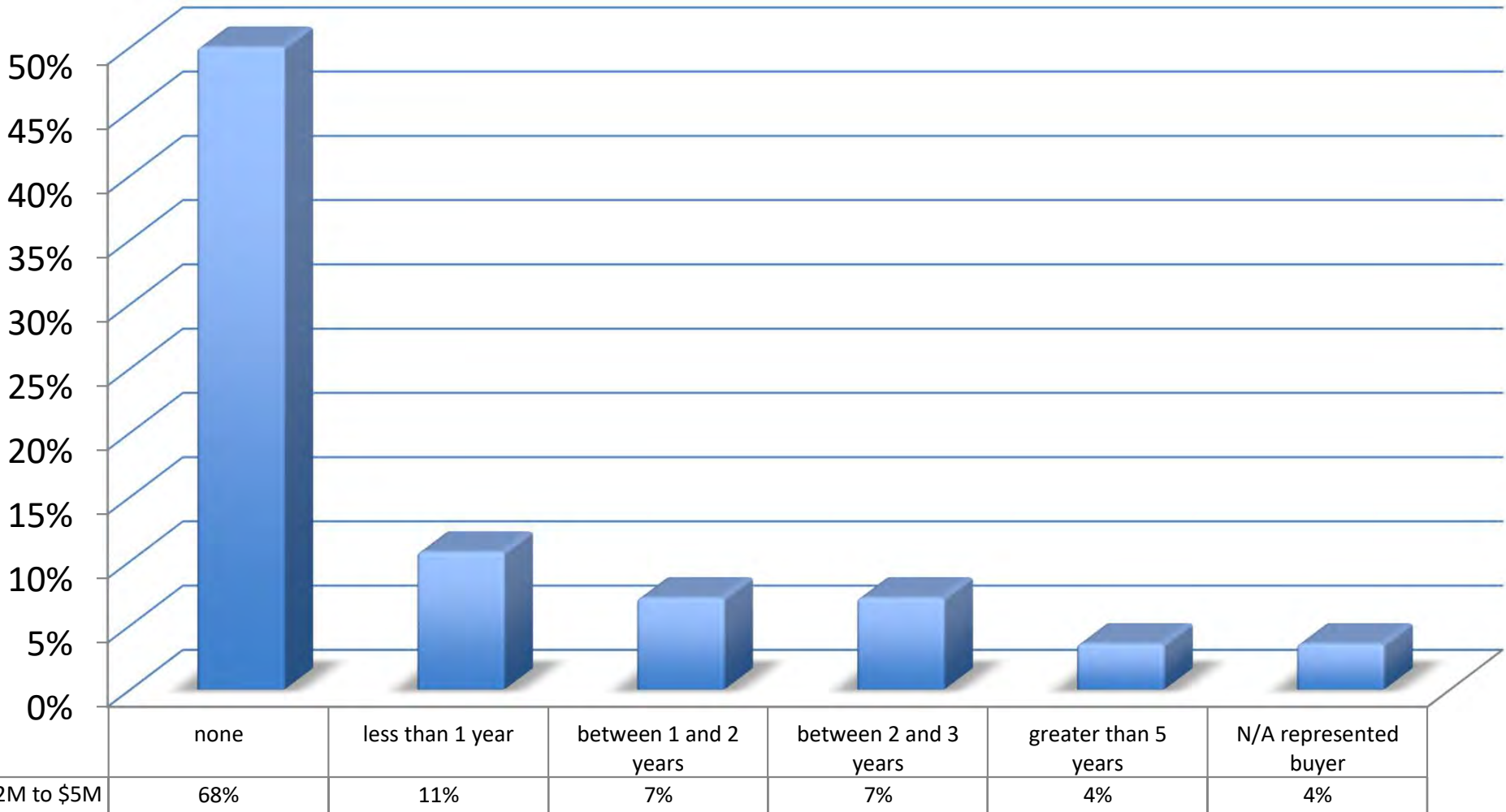
26%

14%

# Exit Planning

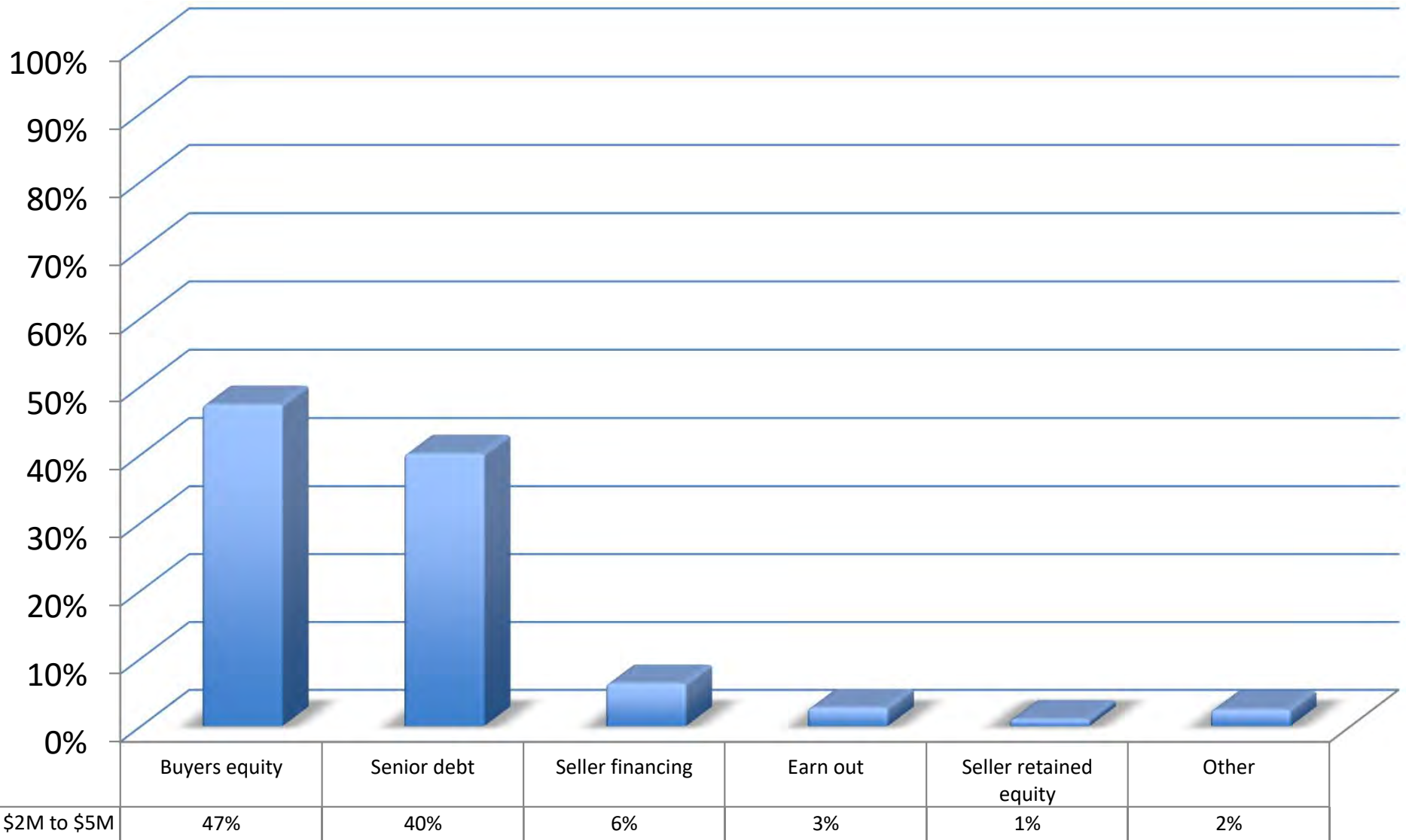


# Amount Of Exit Planning Prior To Marketing Business





# Financing Structure

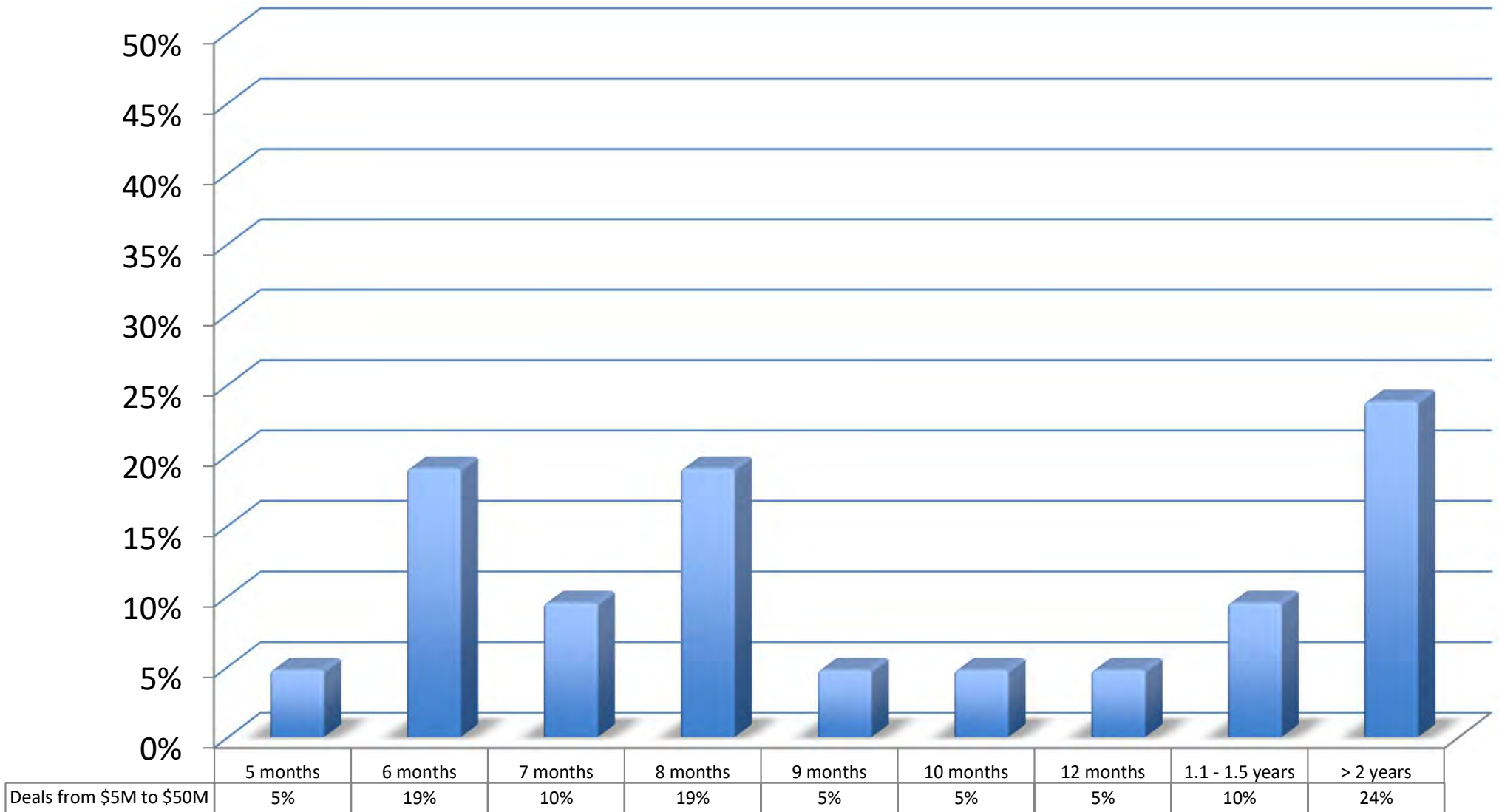




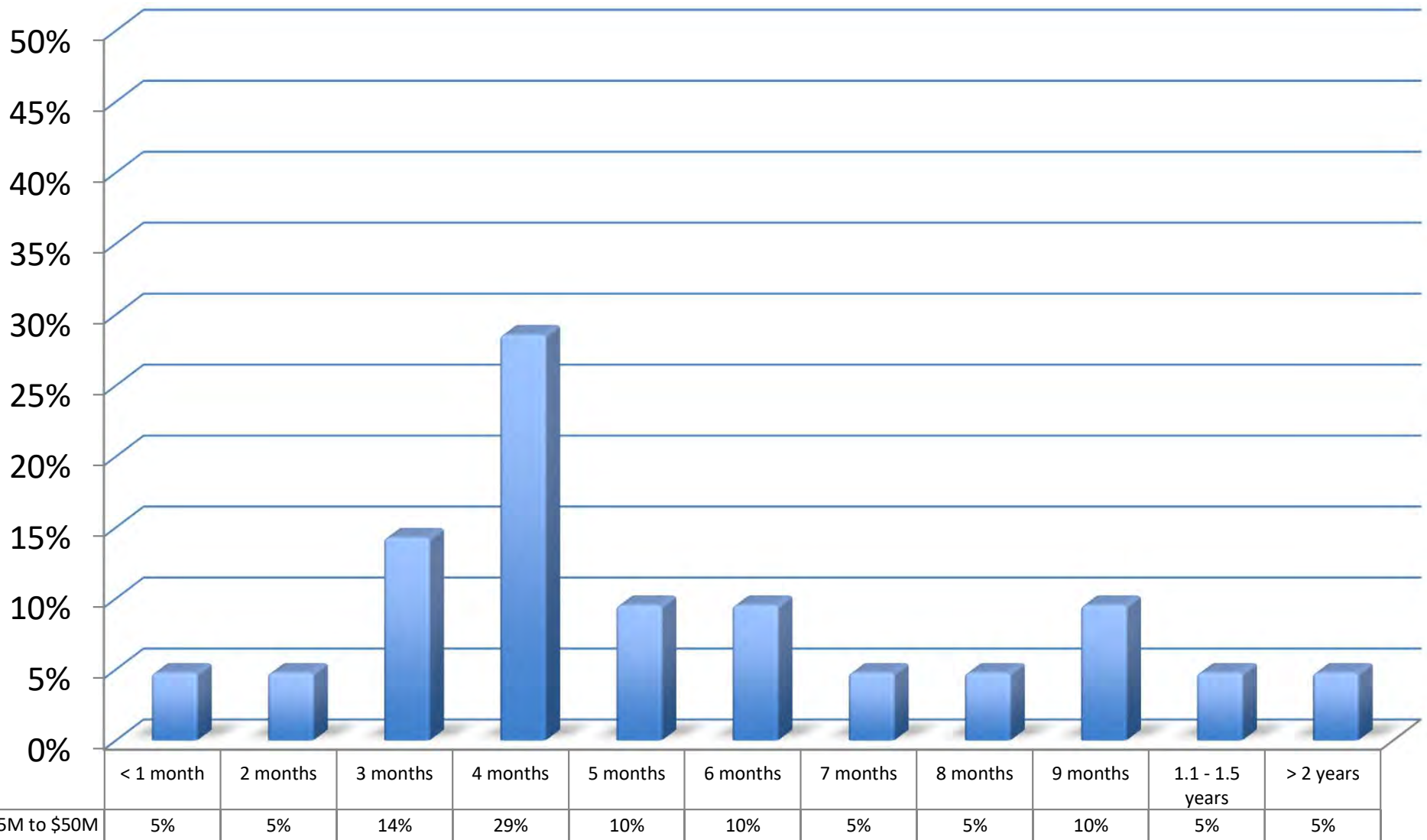
# Business Transactions Valued Over \$5 Million

## Number of Closed Transactions: 21

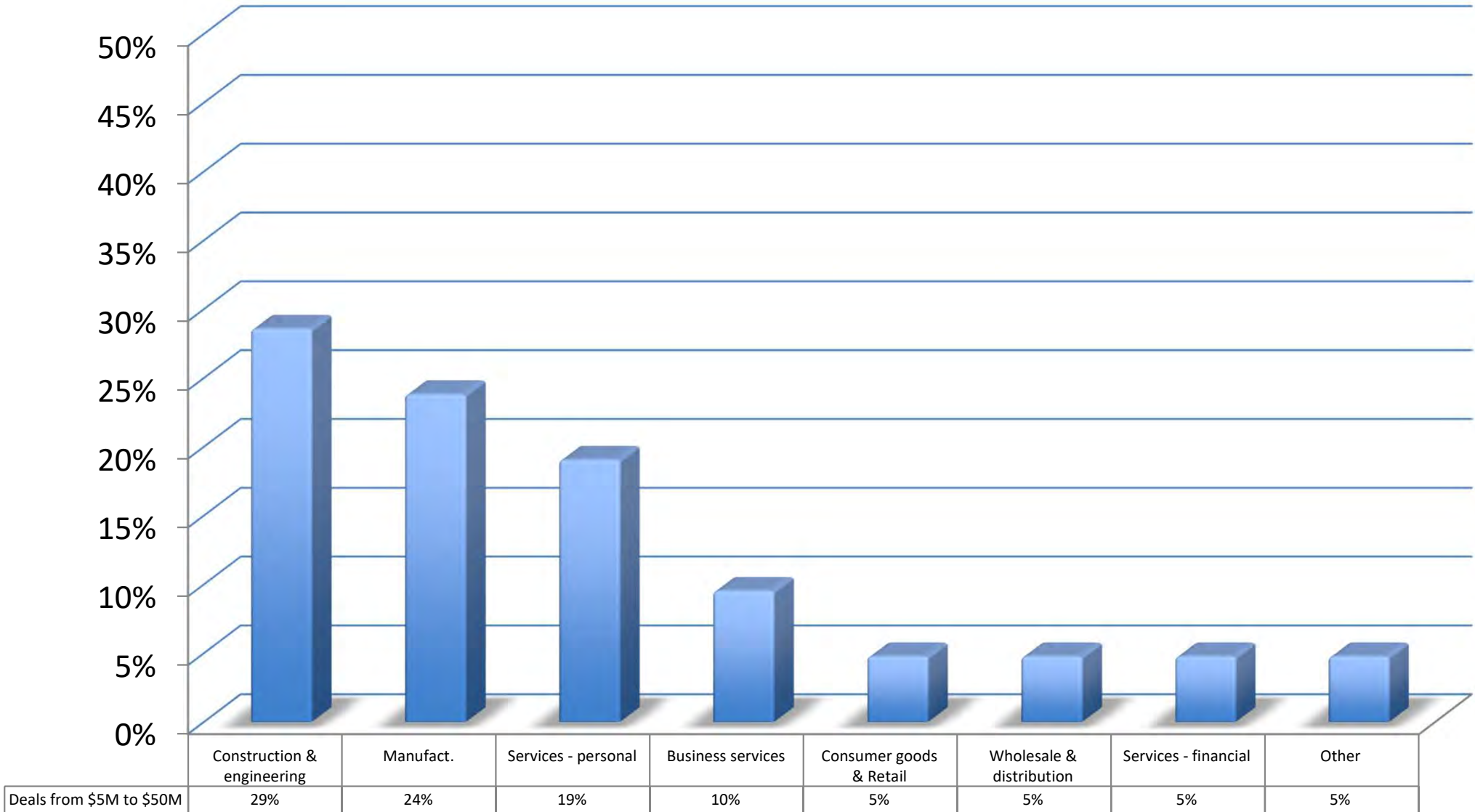
# Engagement/Listing to Close



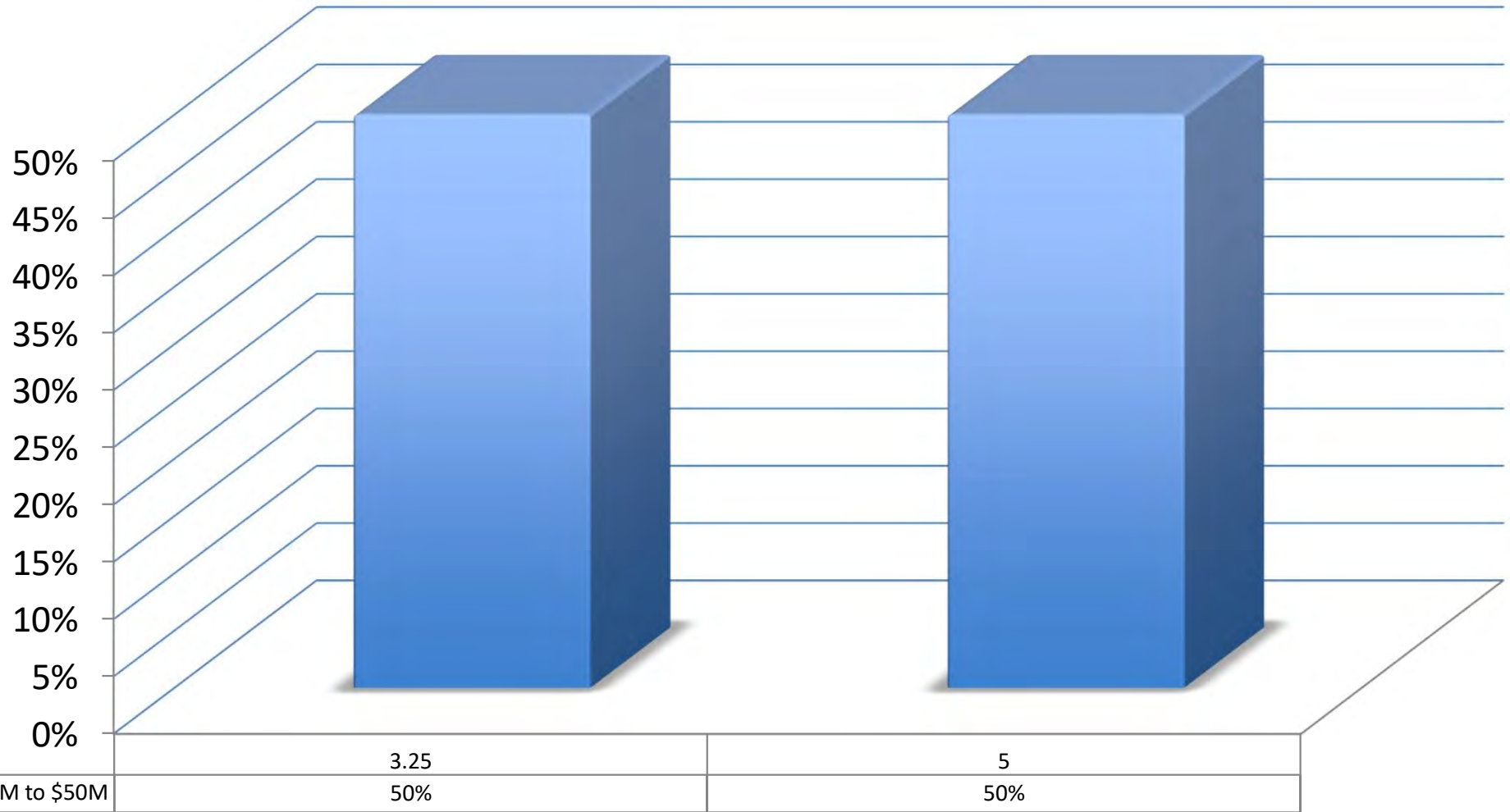
# LOI/ Offer to Close



# Industry

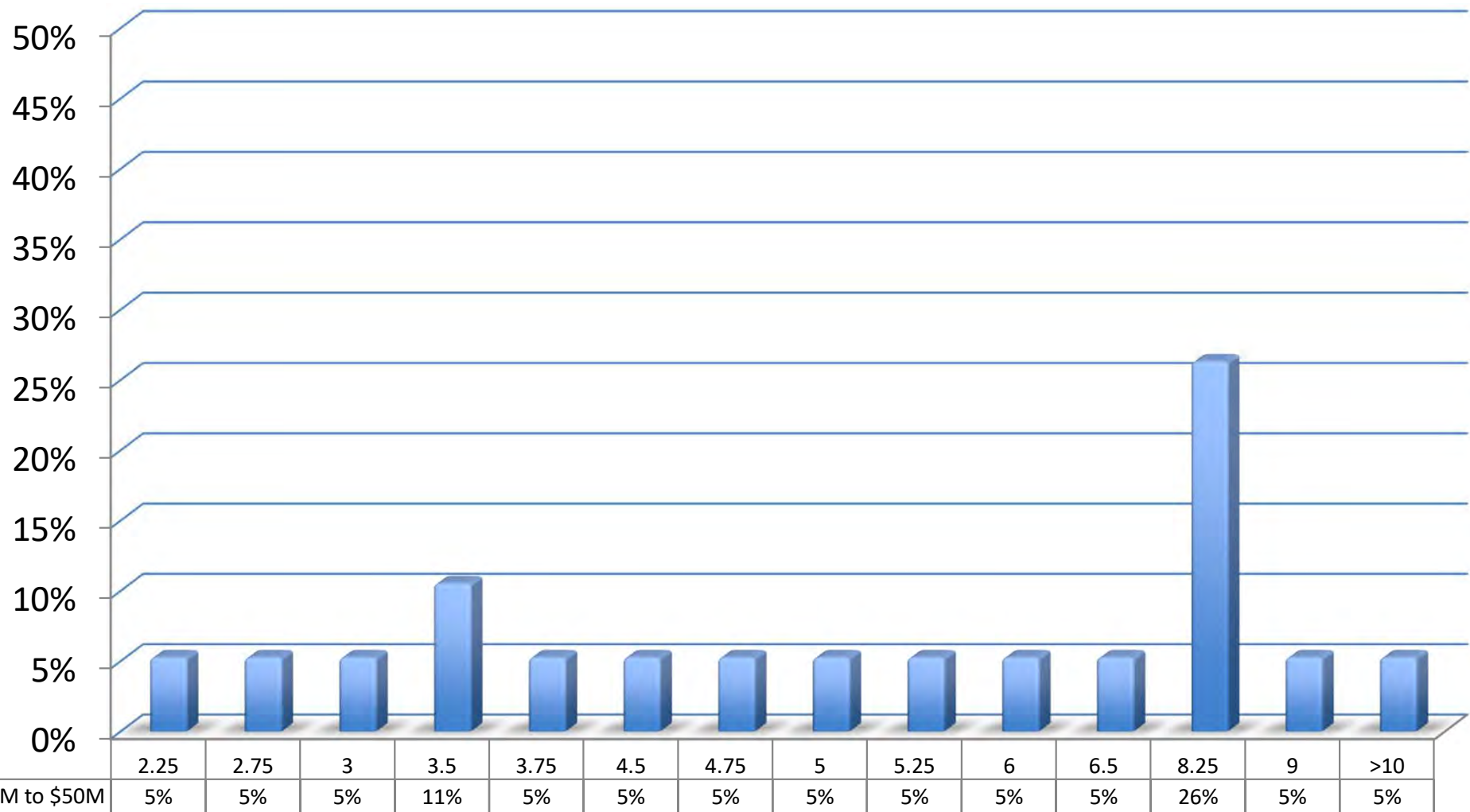


# SDE Multiple Paid



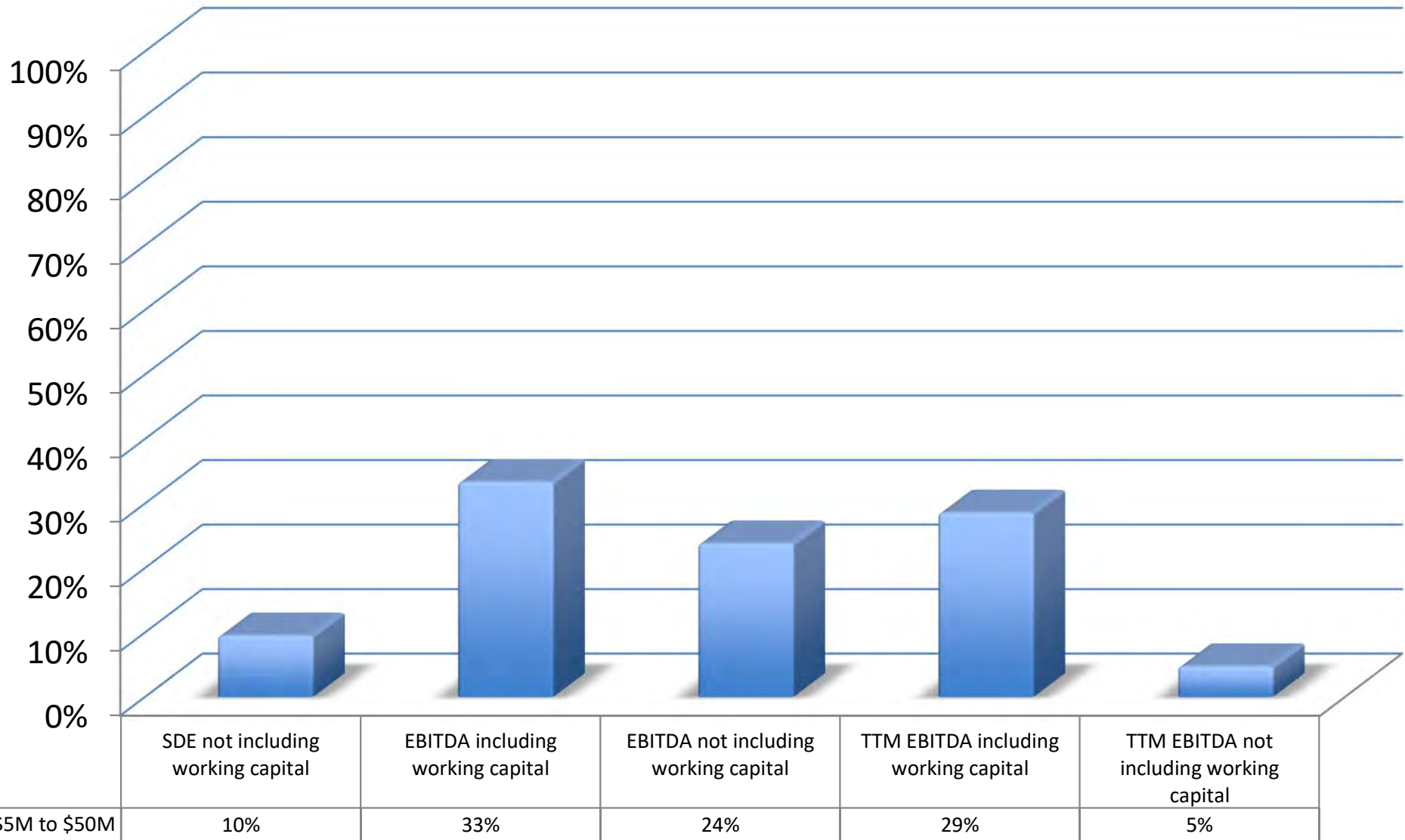
Number of responses: 2

# EBITDA Multiple Paid



Number of responses: 19

# Multiple Type



Deals from \$5M to \$50M

10%

33%

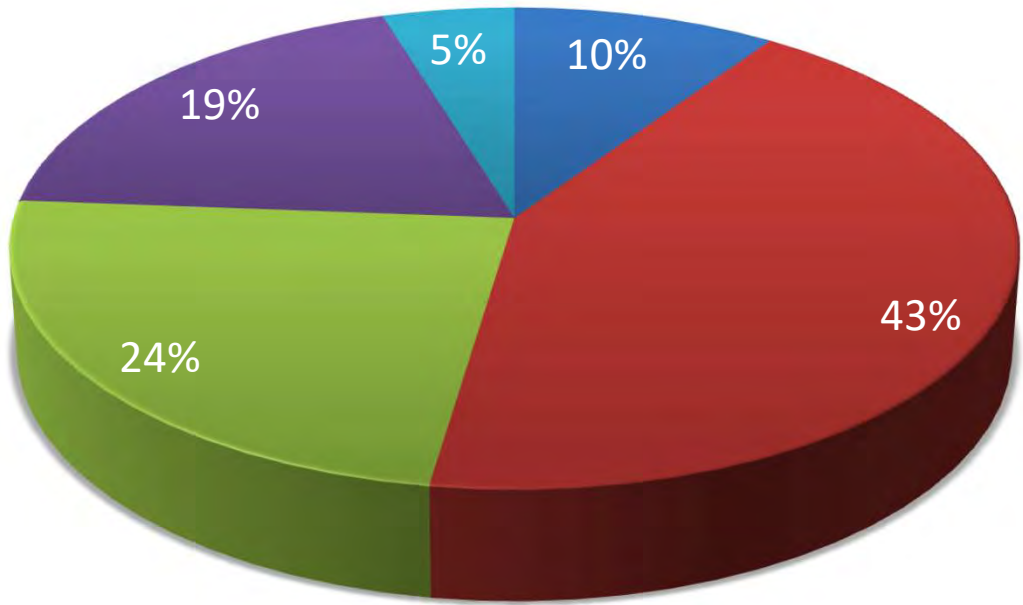
24%

29%

5%

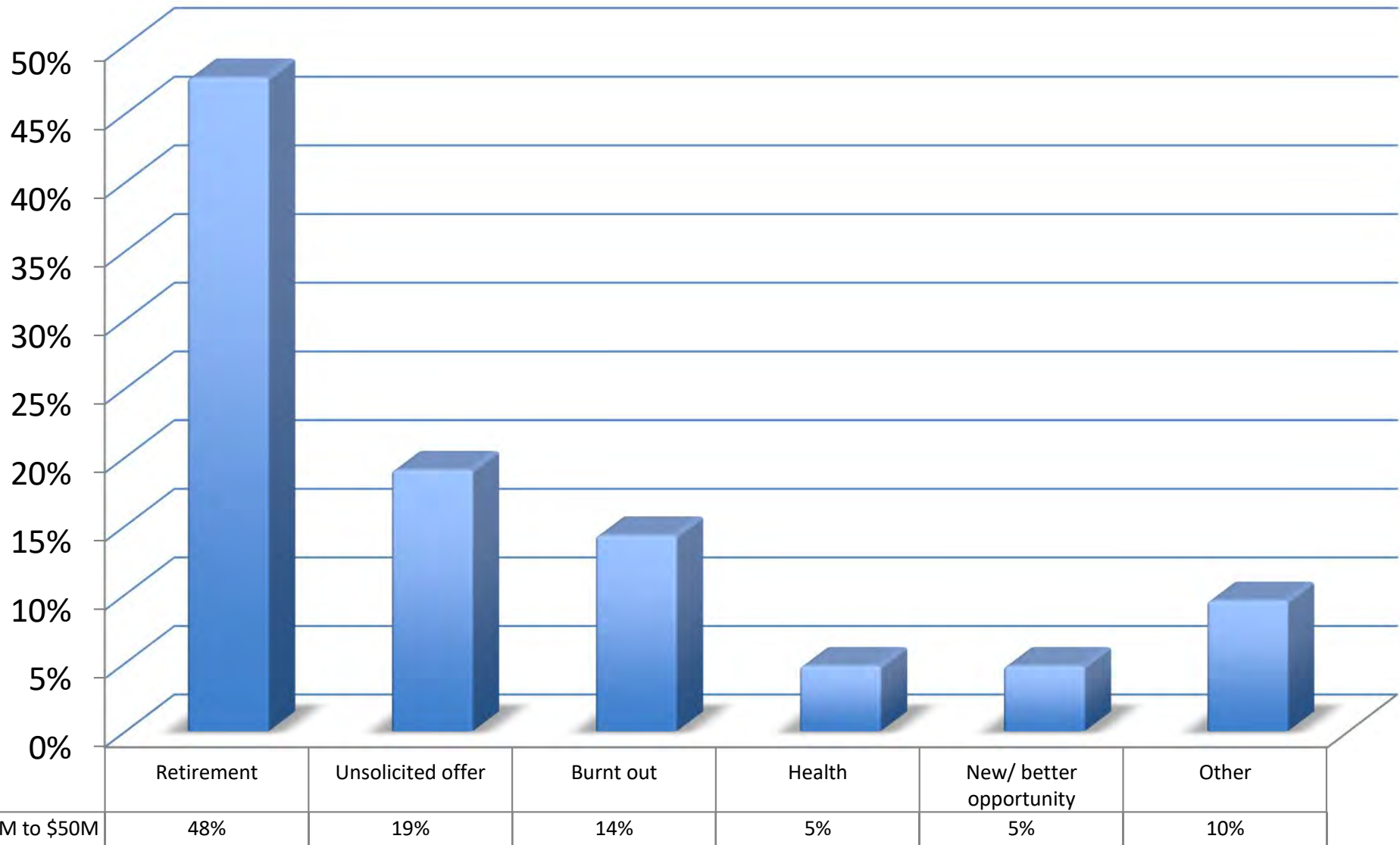


# Buyer Type

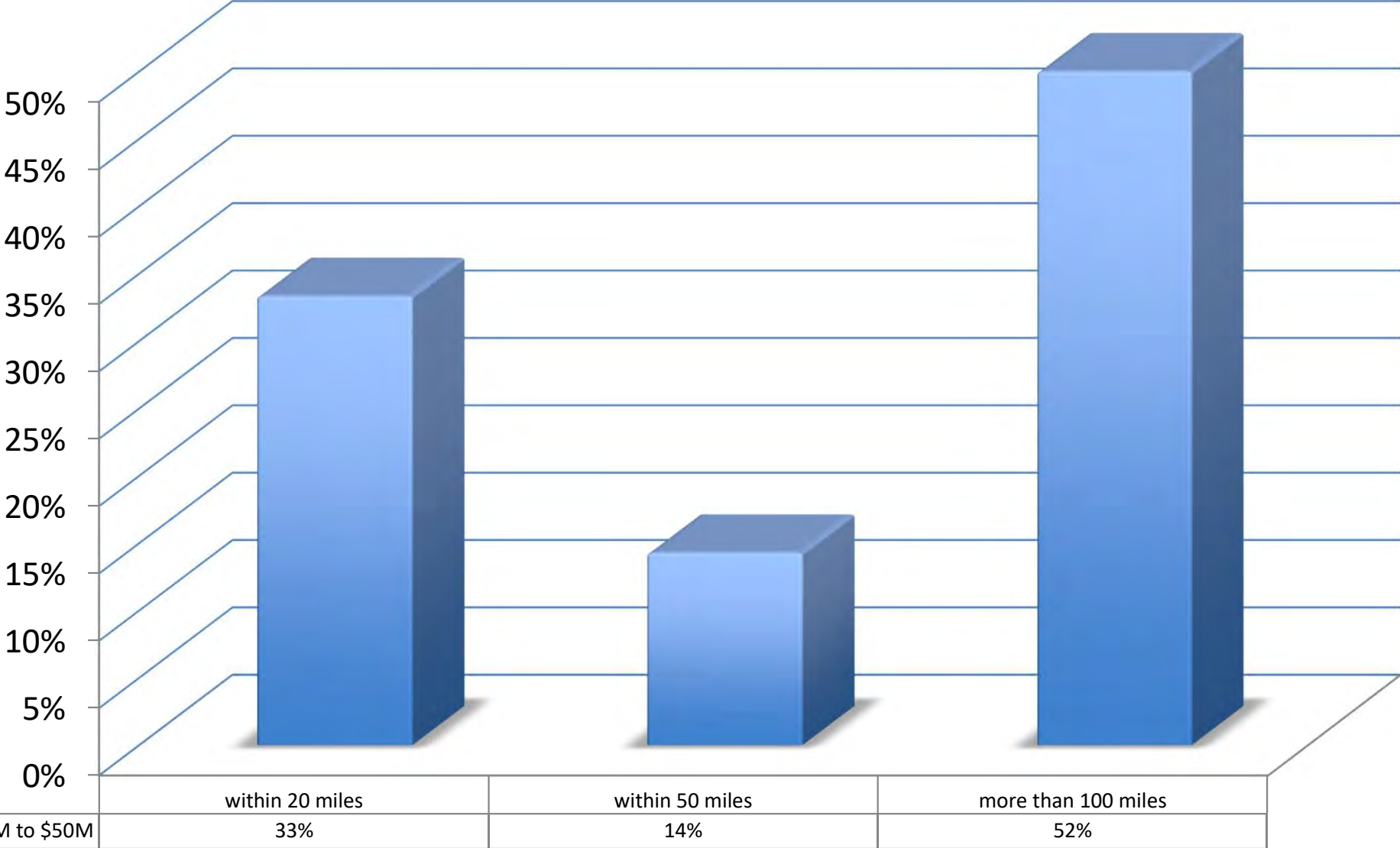


- 1st time individual
- existing company/strategic buyer
- PE firm - Platform
- PE firm - Add-on
- Other

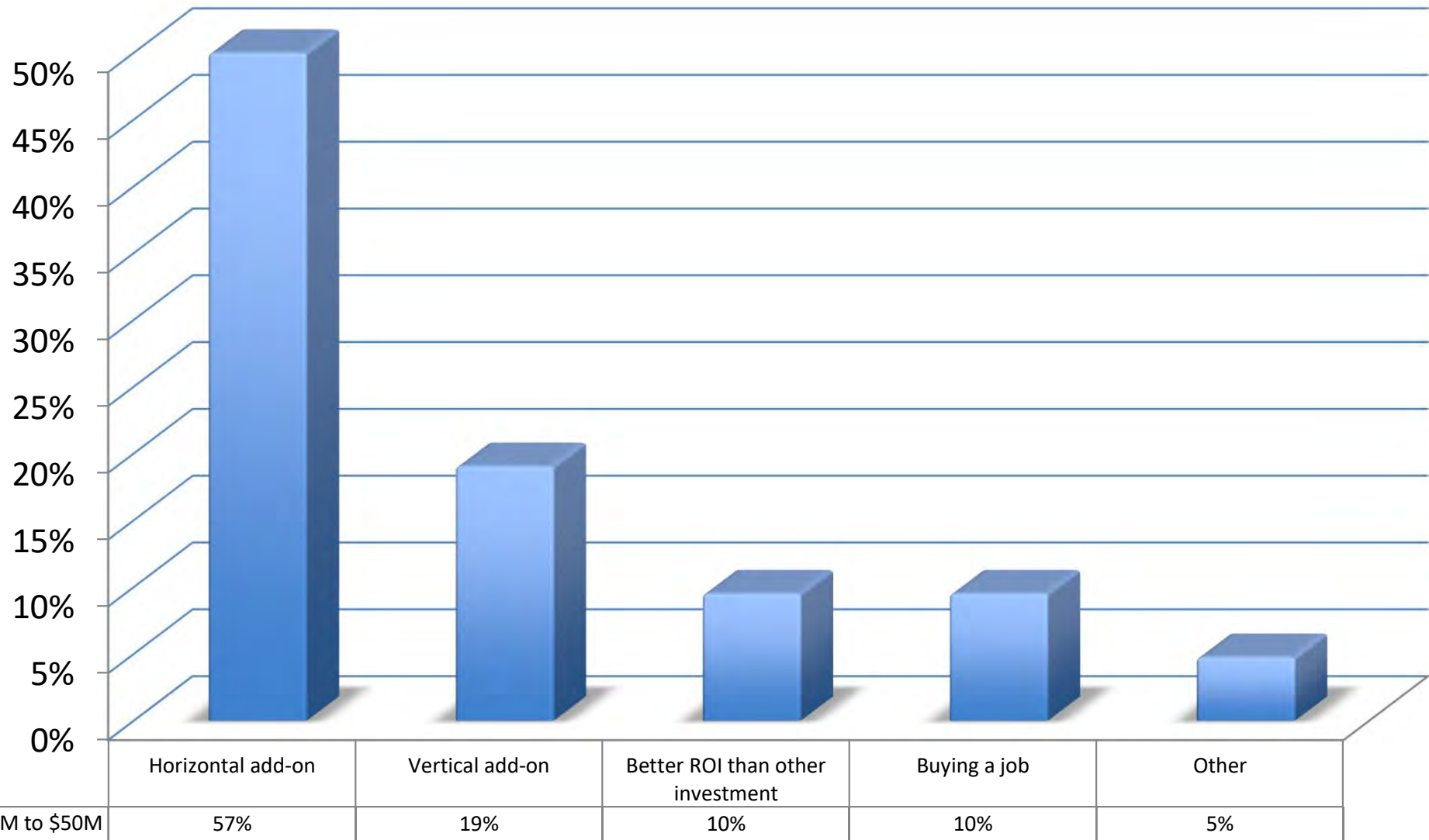
# #1 Reason for Seller to Go to Market



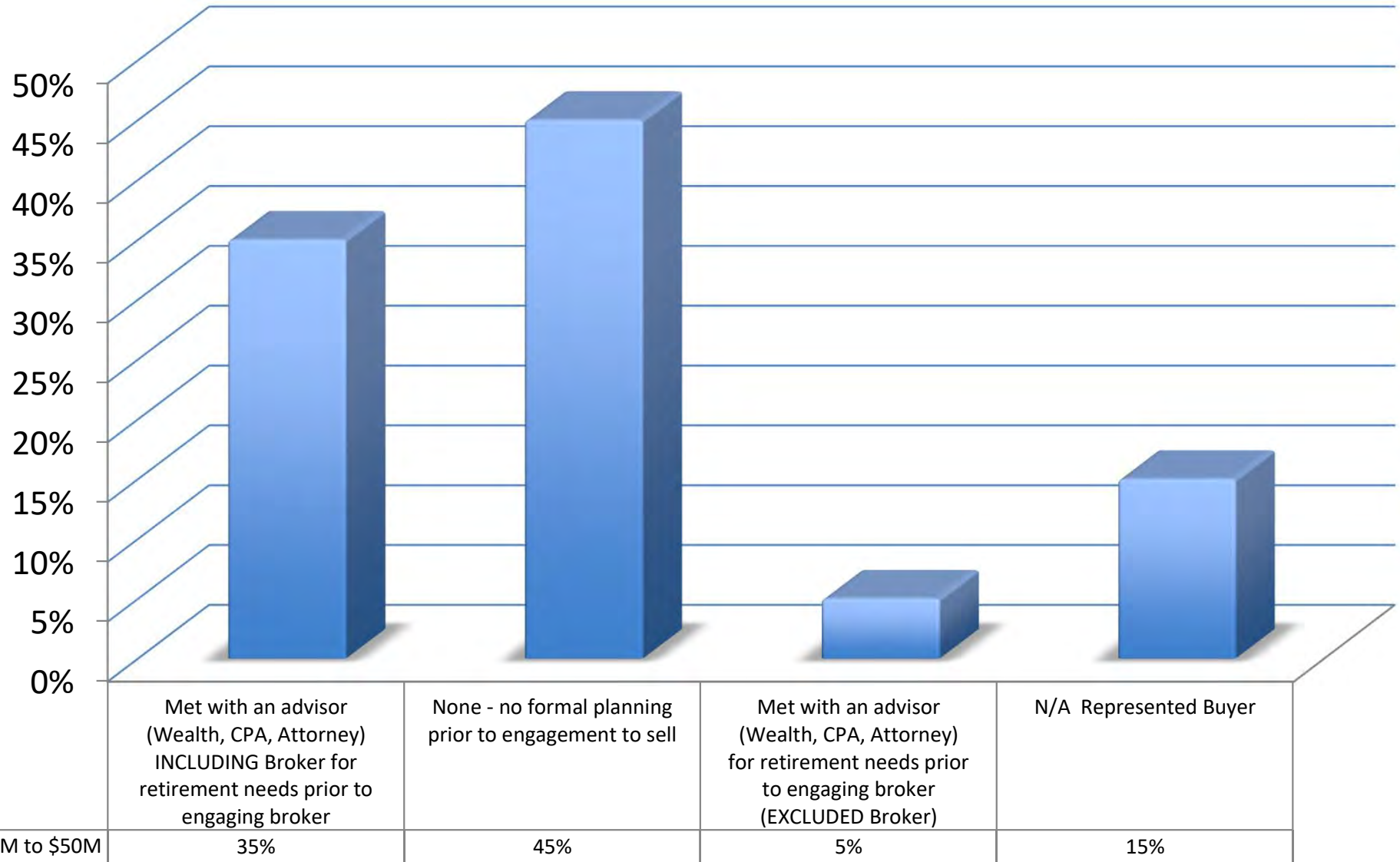
# Buyer Location



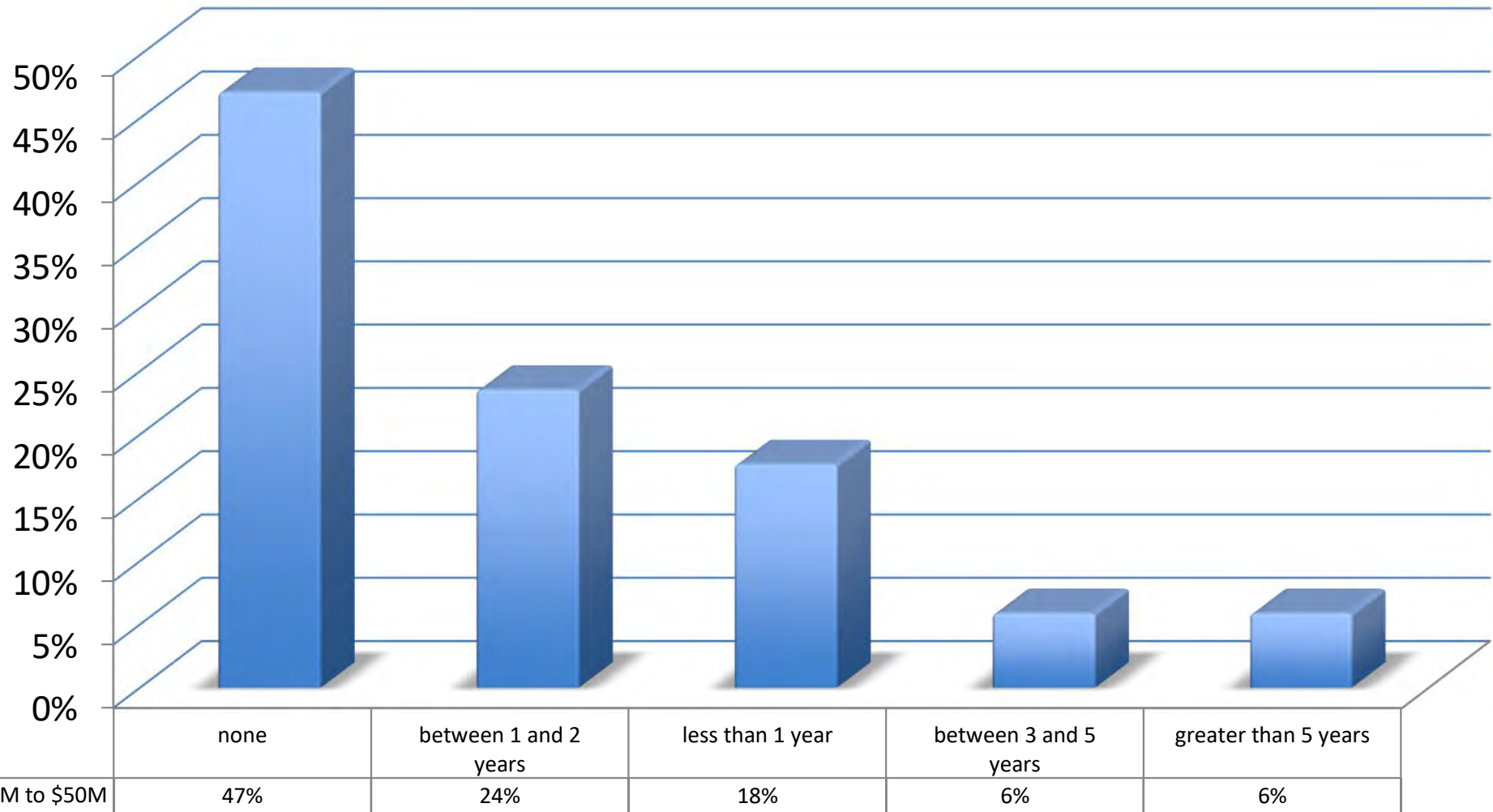
# #1 Motivation for Buyer



# Exit Planning

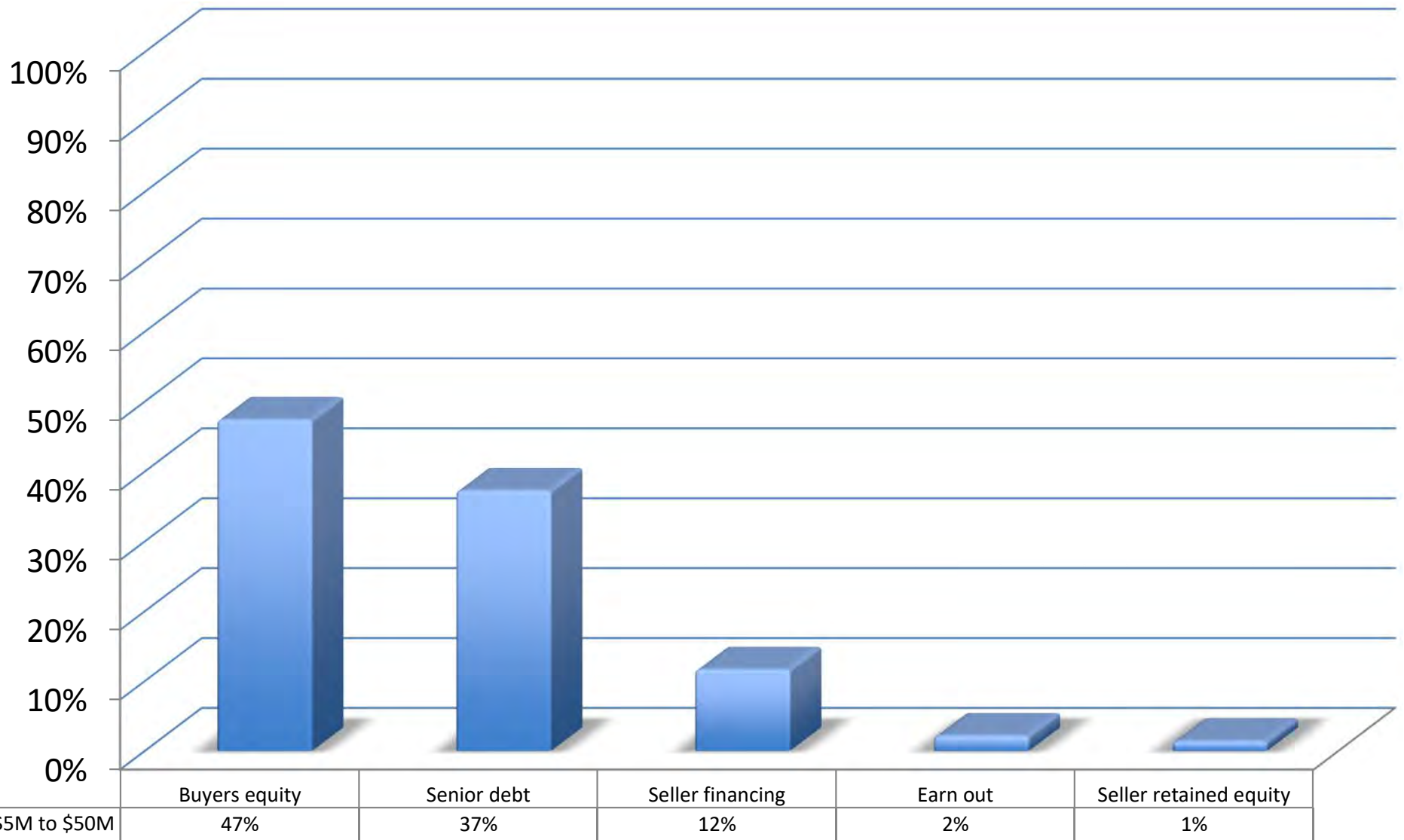


# Amount Of Exit Planning Prior To Marketing Business





# 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	1.9%	8.3%	41.9%	44.1%	3.8%	3.4
Deals valued from \$500,000 to \$999,999	1.6%	7.5%	37.3%	51.9%	1.6%	3.4
Deals valued from \$1 million to \$1.99 million	1.0%	6.2%	36.4%	53.9%	2.6%	3.5
Deals valued from \$2 million to \$4.99 million	1.0%	8.0%	44.8%	44.5%	1.7%	3.4
Deals over \$5 million	1.8%	10.7%	57.5%	27.5%	2.5%	3.2

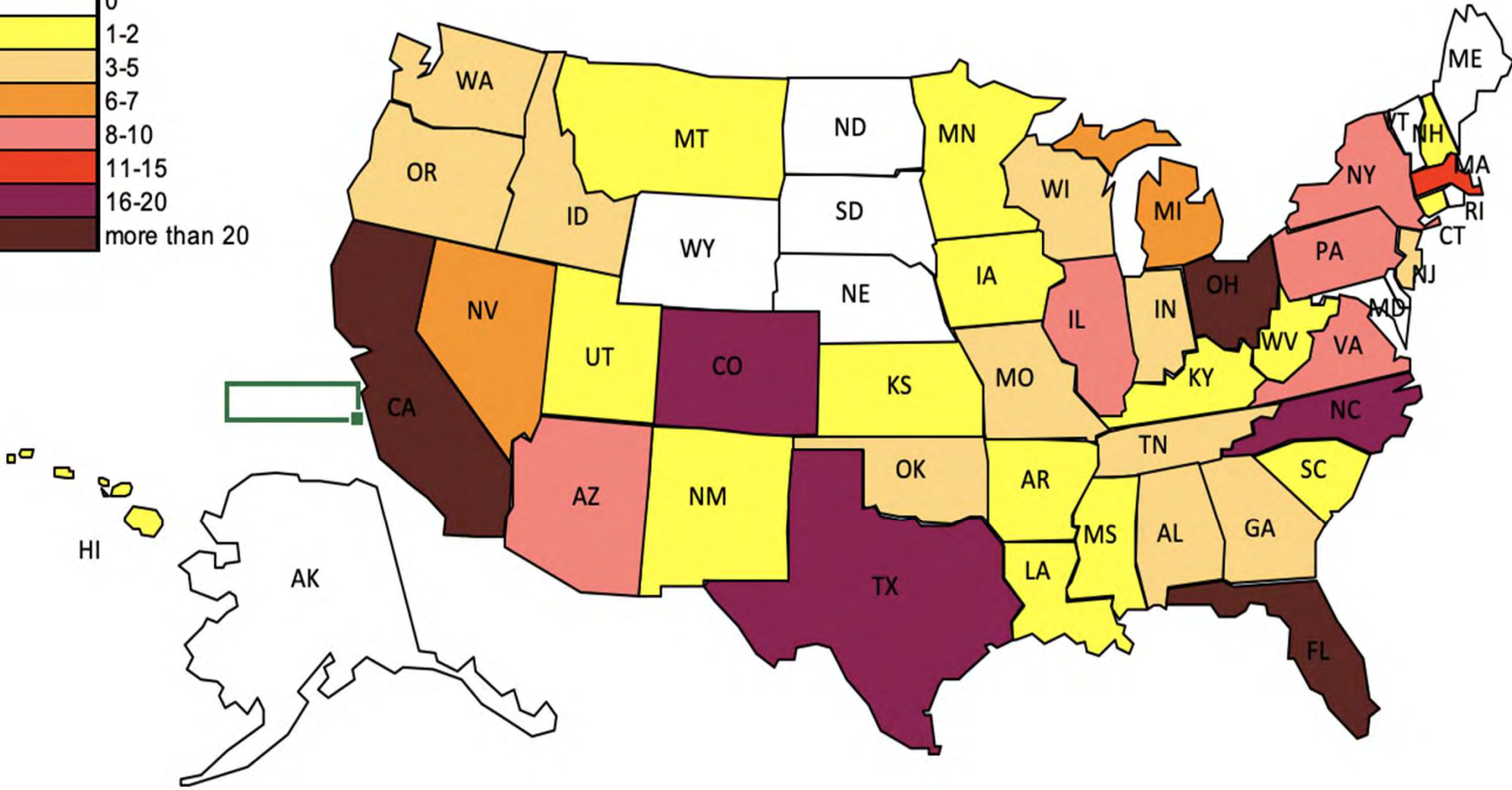
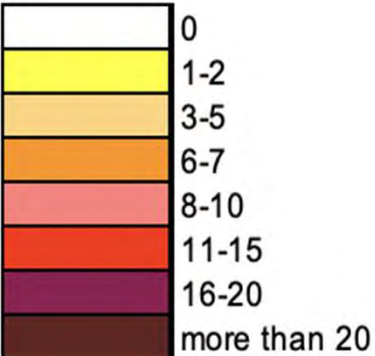
# Expectations for Business Valuation Multiples in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	2.5%	36.2%	54.5%	5.6%	1.2%	2.7
Deals valued from \$500,000 to \$999,999	1.6%	37.7%	54.0%	5.8%	1.0%	2.7
Deals valued from \$1 million to \$1.99 million	1.0%	31.0%	59.4%	8.1%	0.6%	2.8
Deals valued from \$2 million to \$4.99 million	1.3%	27.9%	56.2%	13.1%	1.3%	2.9
Deals over \$5 million	1.7%	28.8%	53.8%	13.9%	1.7%	2.9

# V. About the Respondents

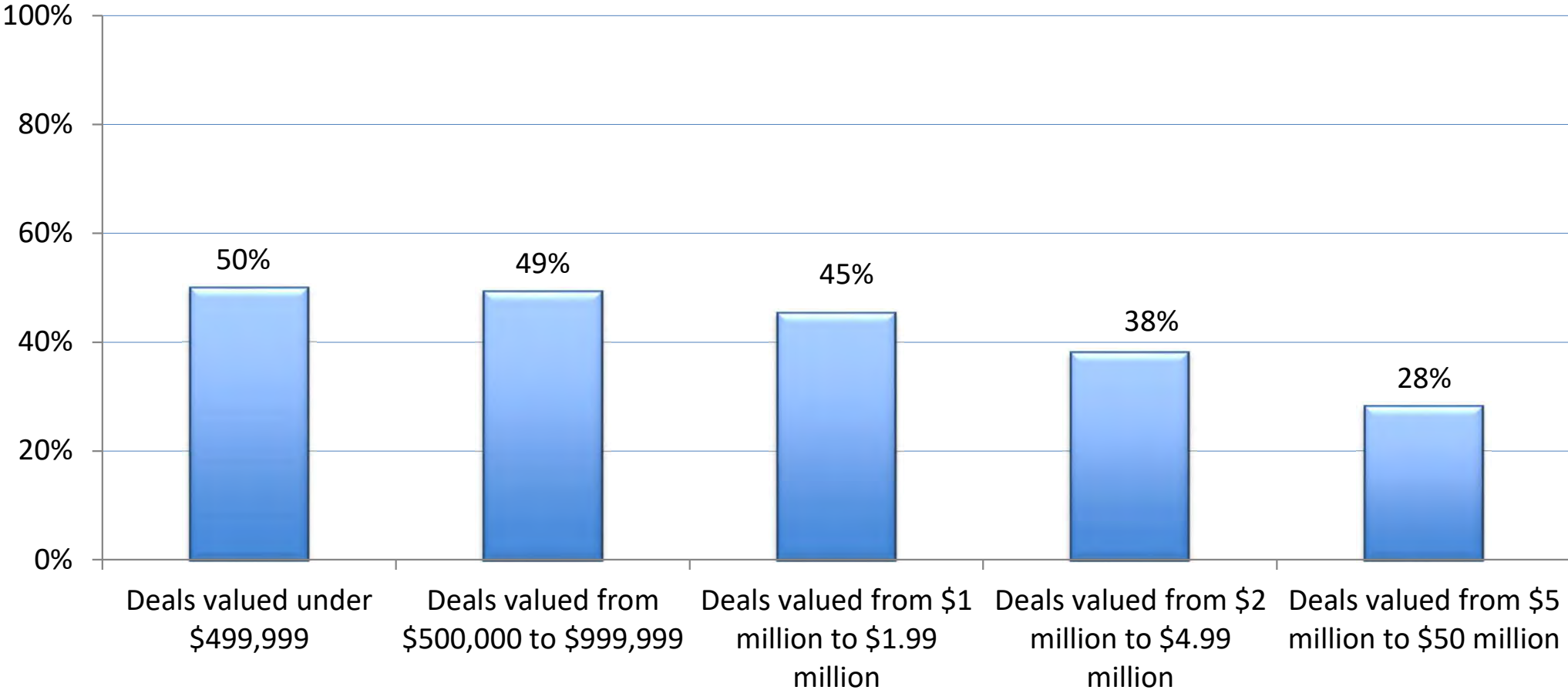
# Details About the Respondents

## Geographic Location



# Details About the Respondents

## Typical Size of Business Transactions

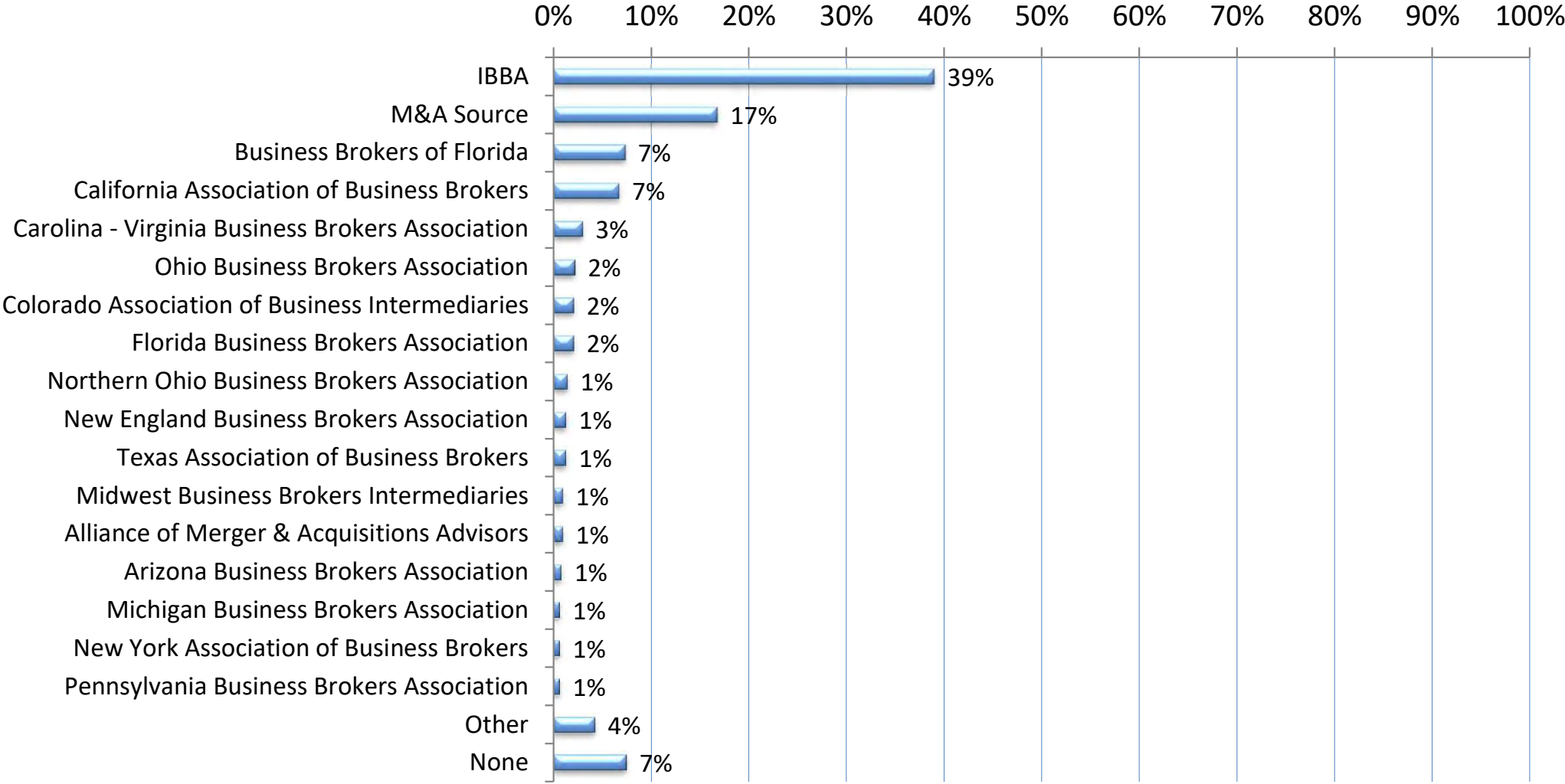


Total number of responses = 748

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

# Details About the Respondents

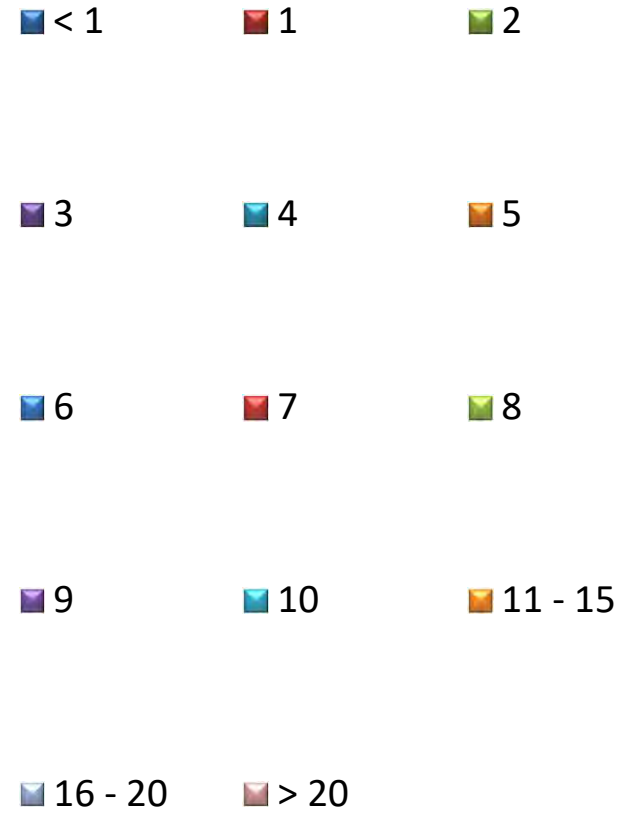
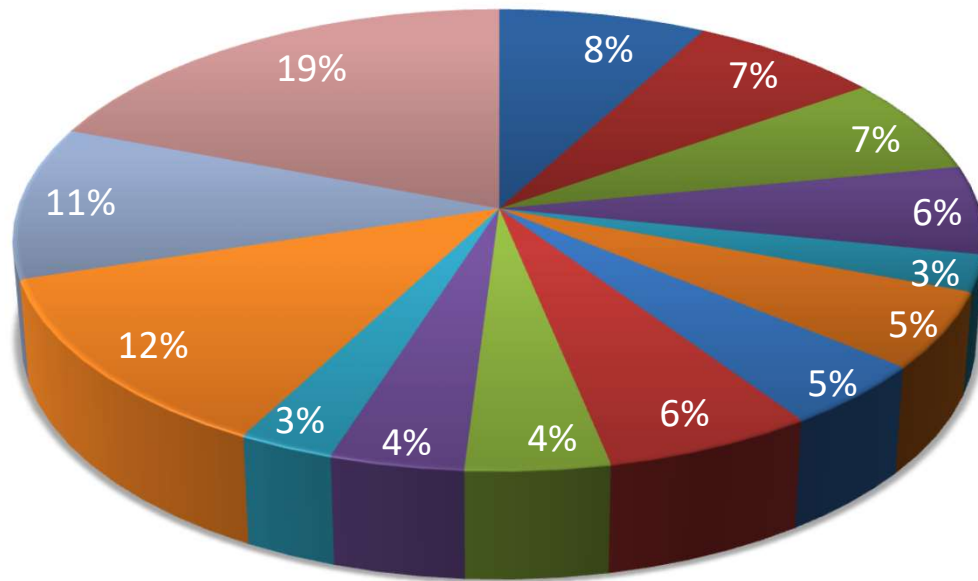
## Memberships/ Multiple Memberships





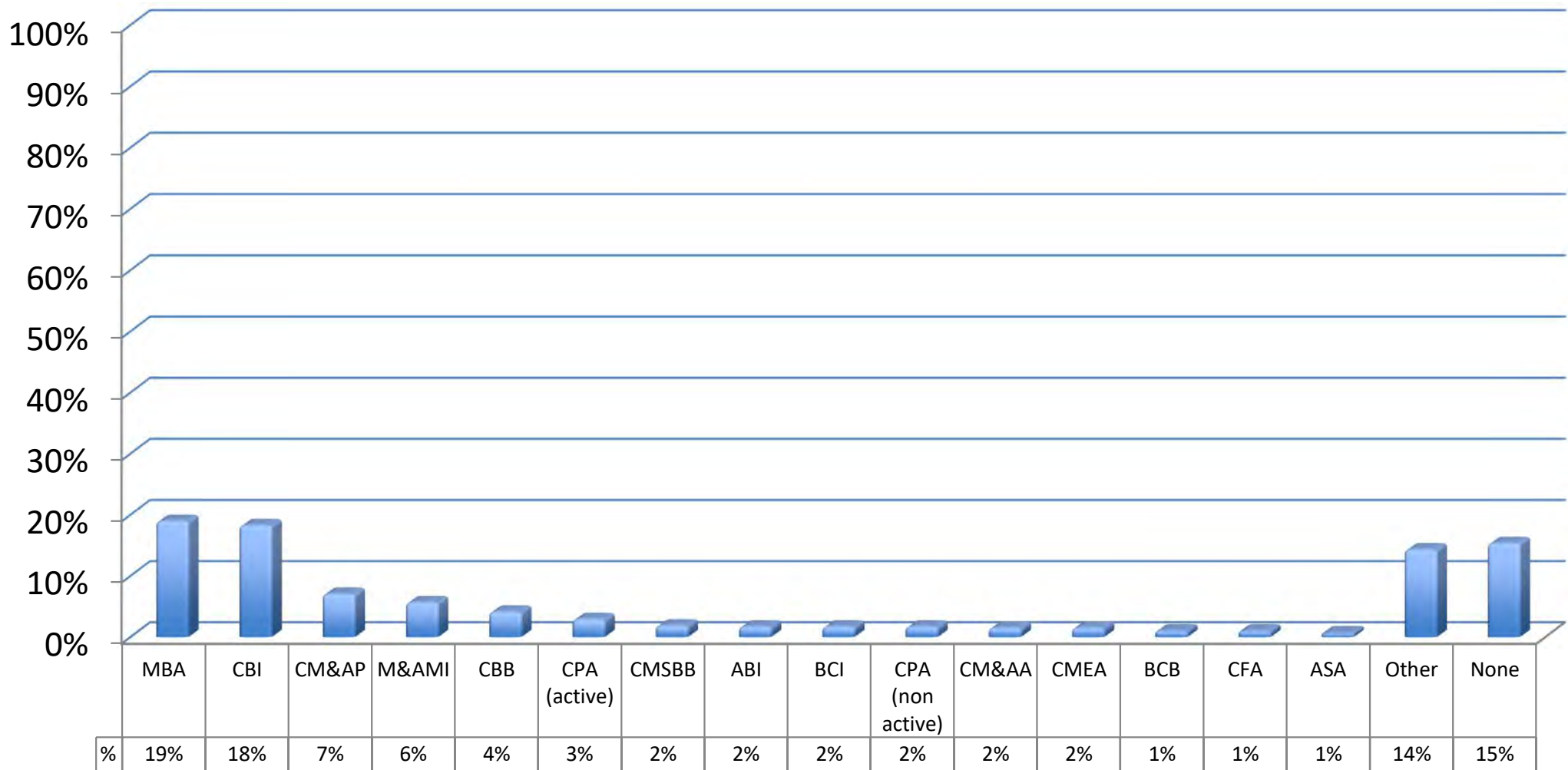
# Details About the Respondents

## 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)