



**REGIONAL TRANSACTION UPDATE:
SEPTEMBER 2019**

Ryan Hurst, ASA
December 11, 2019

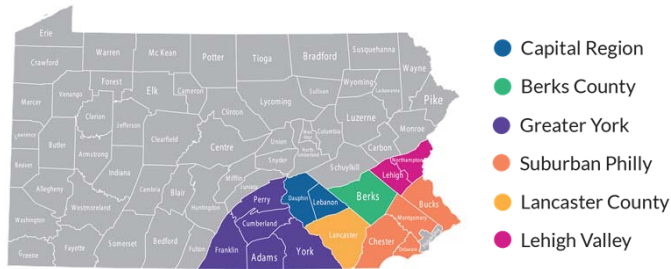


» What to Expect Today

- Regional market update through September 2019
- Overall trends
 - Market multiples
 - Impact of private equity
- M&A outlook

About the Dataset

- Announced transactions
 - Public sources – Pitchbook, local newspapers and business journals
- Buyer or seller located in the region

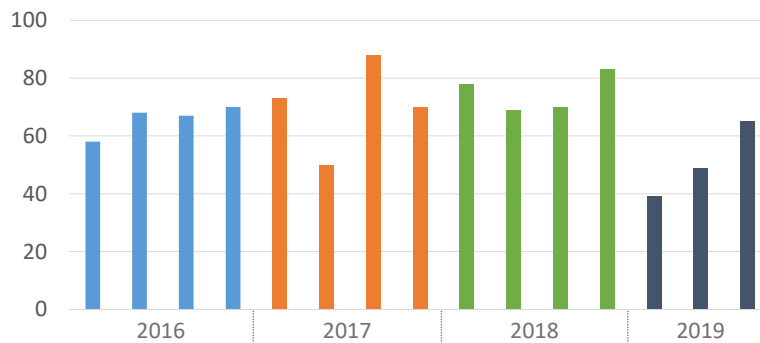


- Focus on the trend more than the figures



Quarterly Trend

Number of Transactions

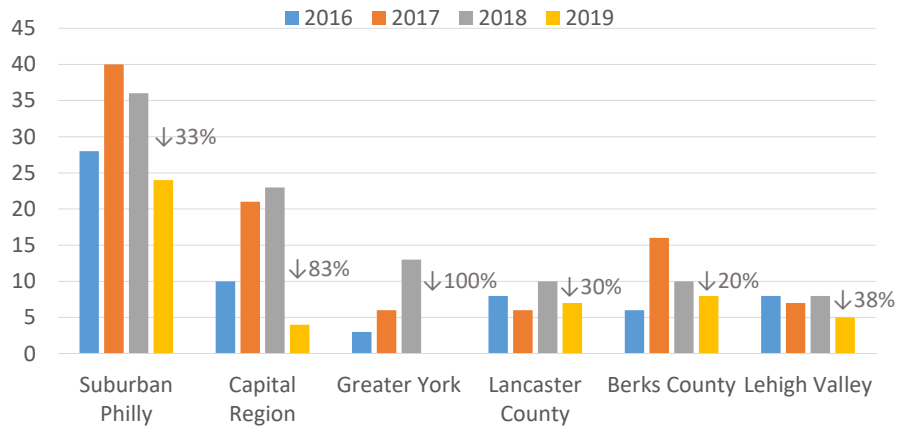


Total	263	281	300	
1Q-3Q	193	211	217	153
1Q-3Q % Change		9%	3%	-29%



Buyers – 1Q-3Q Comparison

Buyer Located within the Region

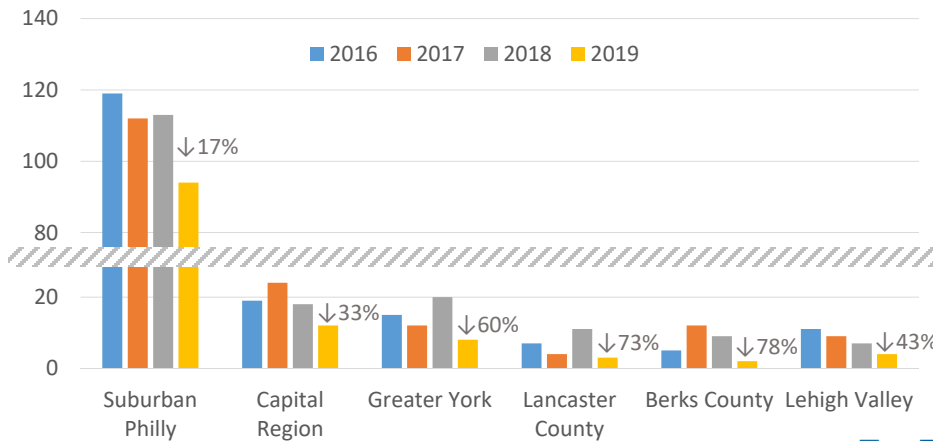


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Targets – 1Q-3Q Comparison

Target Located within the Region

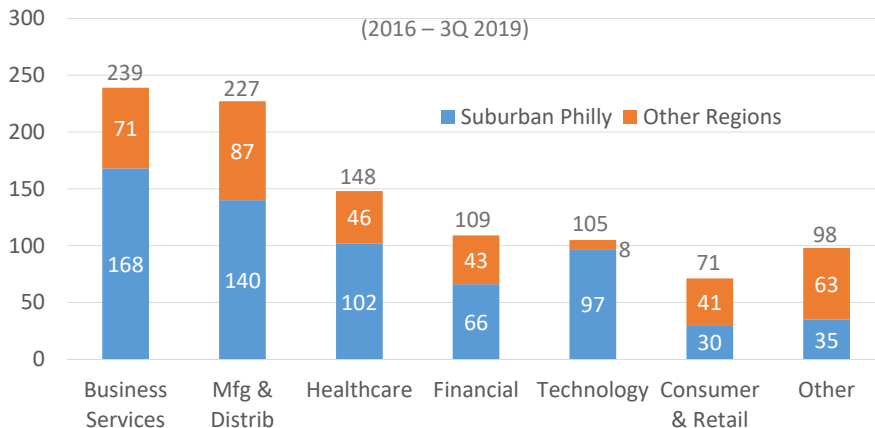


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Industry Composition

Transactions by Target Industry

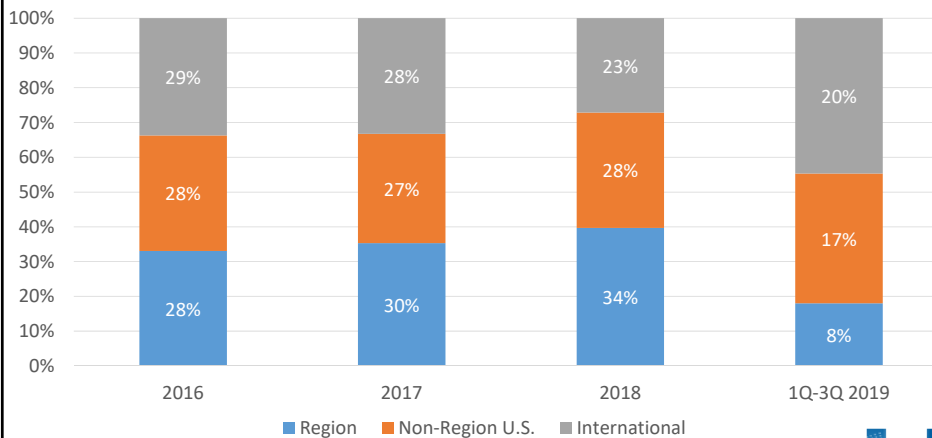


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Outside Interest in the Region

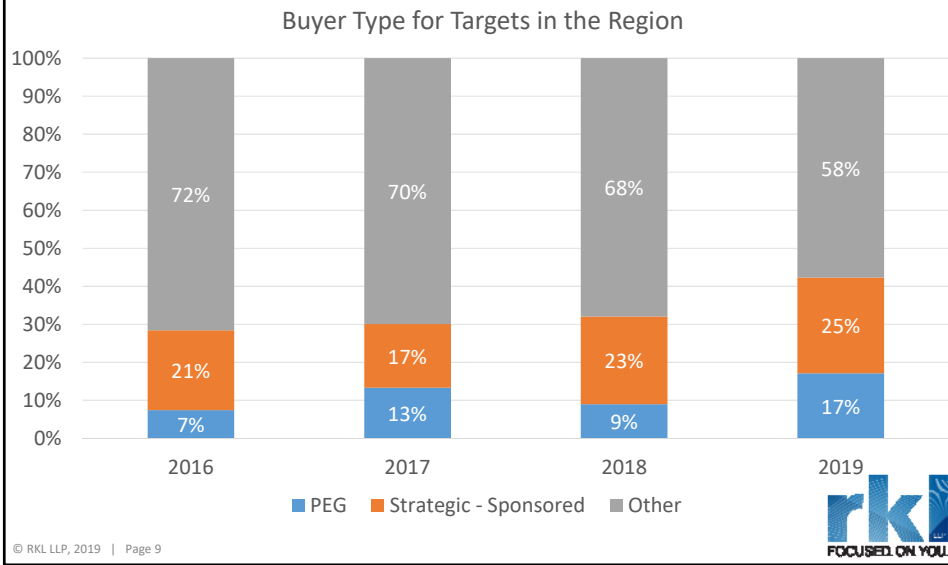
Buyer Location for Targets in the Region



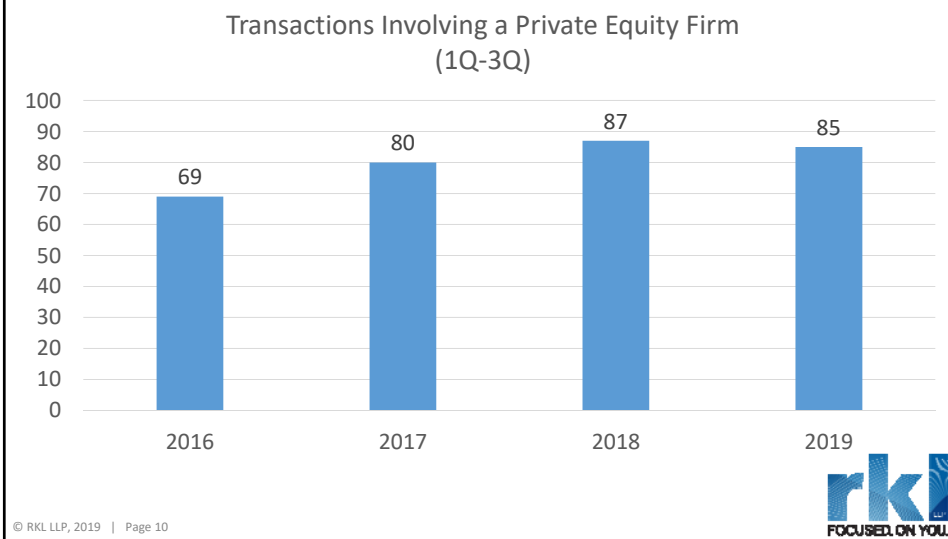
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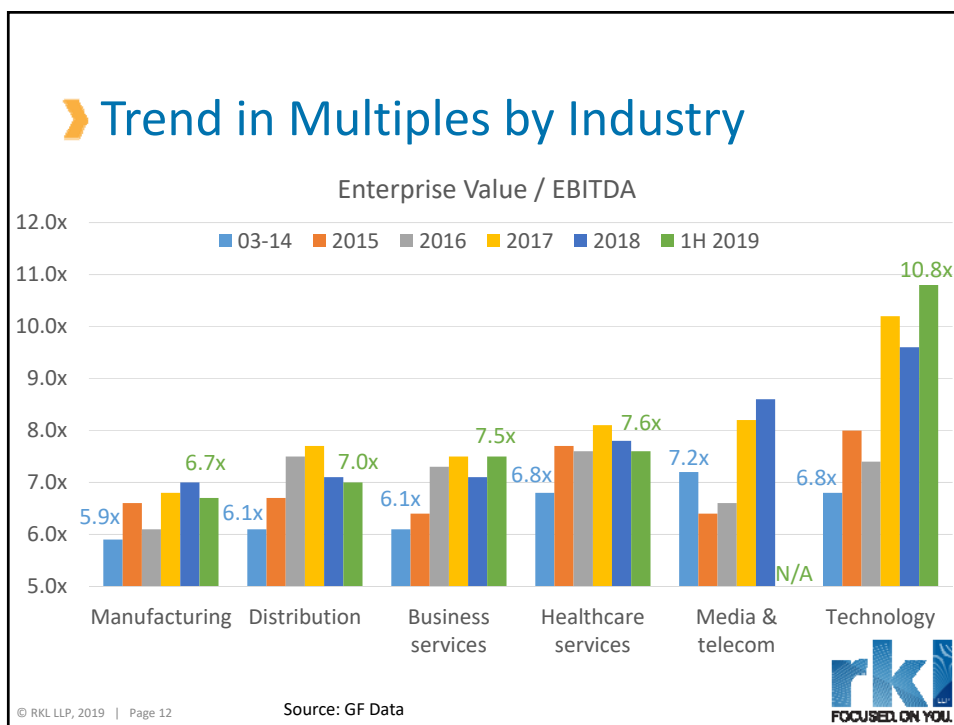
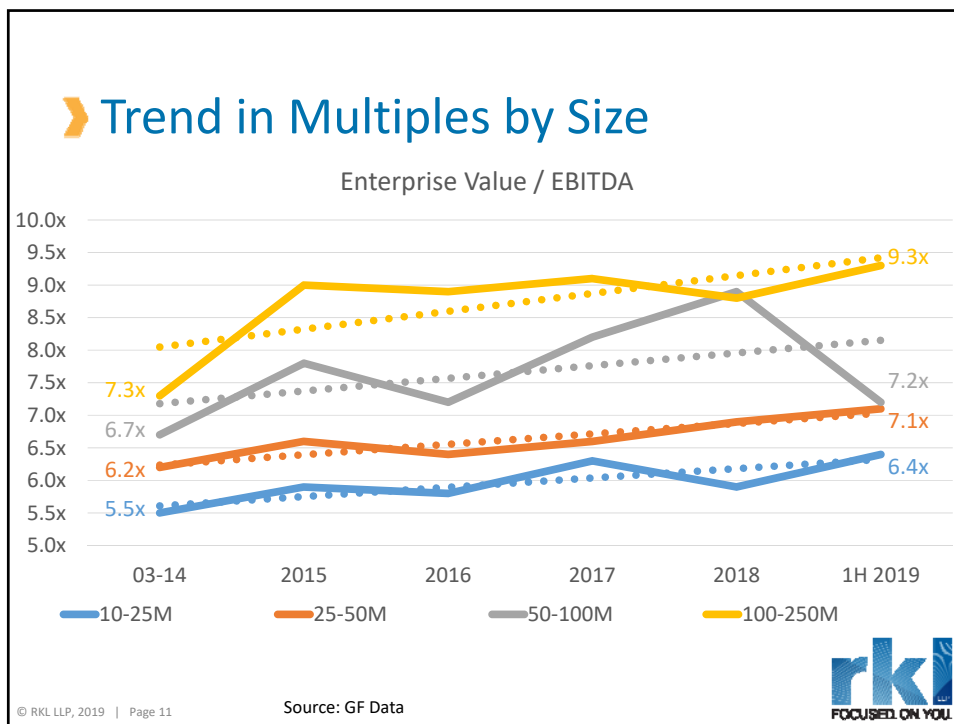


Private Equity Interest in the Region

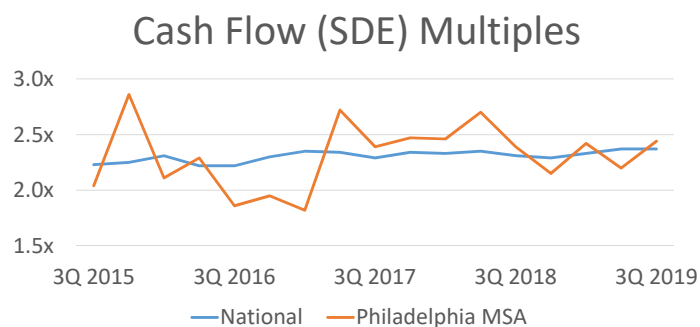


Private Equity Activity in the Region





What About Smaller Deals?



2.0x-2.5x SDE → 3.5x-5.0x EBITDA

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Source: BizBuySell.com



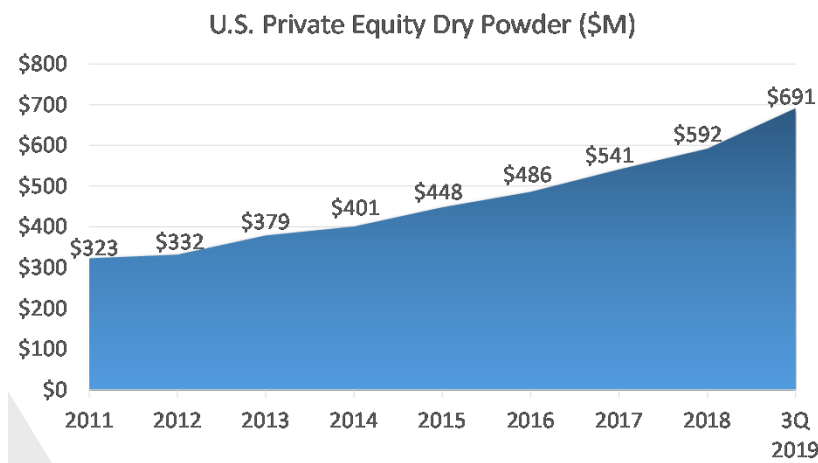
Private Equity's Influence

- What is private equity?
 - >2,000 active U.S. private equity firms
 - Emergence of family offices making direct investments
- What does private equity want?
 - Seeks above-average returns
 - An *alternative investment*
- How prevalent is private equity?
 - In the lower middle market, 39% of deals 1H 2019 (normally 30%)
- Why is this impacting things?
 - Dry powder
 - Leverage

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› Dry Powder Continues to Build

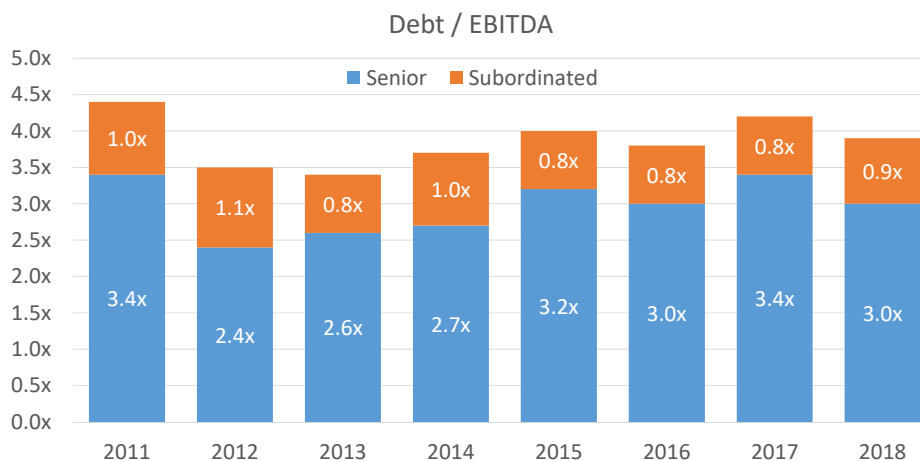


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Source: Pitchbook



› Leverage Multiples Remain Strong



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Source: GF Data



Market Outlook

- Confusion and uncertainty
- Greatest threats to M&A activity
 - Trade tensions (43%)
 - U.S. political uncertainty (presidential election) (35%)
- But... consumer confidence remains high and economic fundamentals are strong
- M&A activity sentiment is mixed
 - 1/3 bullish, 1/3 bearish, 1/3 neutral

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Source: Dykema survey October 2019



Market Outlook

- Optimism remains for an increase in private company M&A activity
 - Deceleration to 58% optimistic from 82% optimistic
- (Lower) middle market deals
 - 41% expect valuations to decline in 2020
 - 43% expect no major change
 - Foreign and financial buyers are driving valuations
- Small company deals
 - Sellers remain optimistic (Index = 52)
 - Buyers expect better pricing (Index = 53)
 - Suggestive of a stalemate?

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Source: Dykema survey October 2019, BizBuySell.com



› Industries

- Automotive (particularly tech-focused)
- Healthcare (defensible)
- Energy
- Consumer products
- Technology

› Our Take

- Uncertainty will promote a “wait and see” attitude
- Economy and availability of capital remain key drivers
- Political environment – who knows?
- Buyers – Prudence
- Sellers – Time to act



**FOCUSED.
ON YOU.**

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