

Market Pulse Report Fourth 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

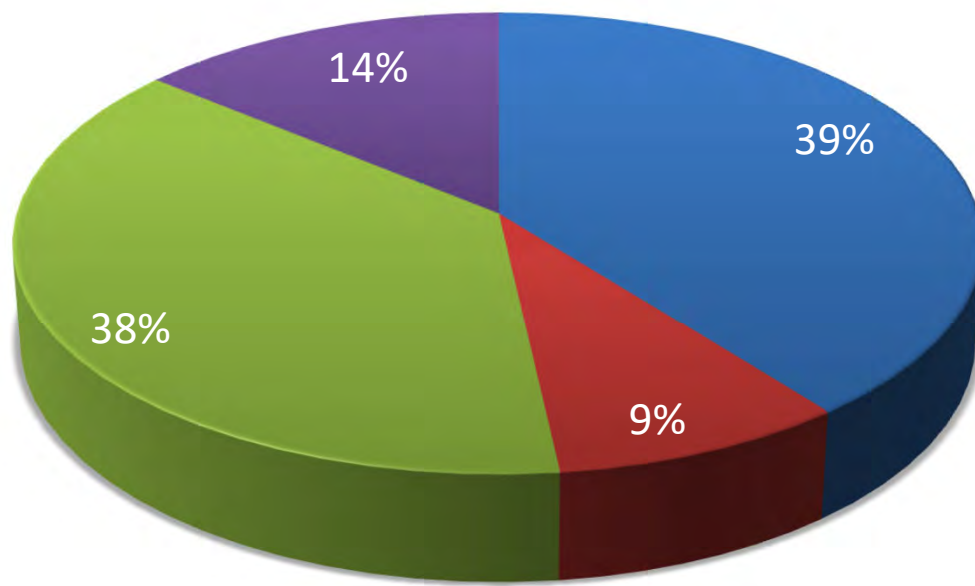
The International Business Brokers Association (IBBA) and M&A Source have set a goal to provide quality information on a quarterly basis in order to become the go-to source for Main Street and Lower Middle Market transactions. The “Market Pulse Report” gives you timely and accurate data to help you build 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
- 493 completed responses
- 392 completed deals
- Responses collected from Jan 1 to Jan 15, 2023

II. Current Business Environment

Business Transactions in 2022



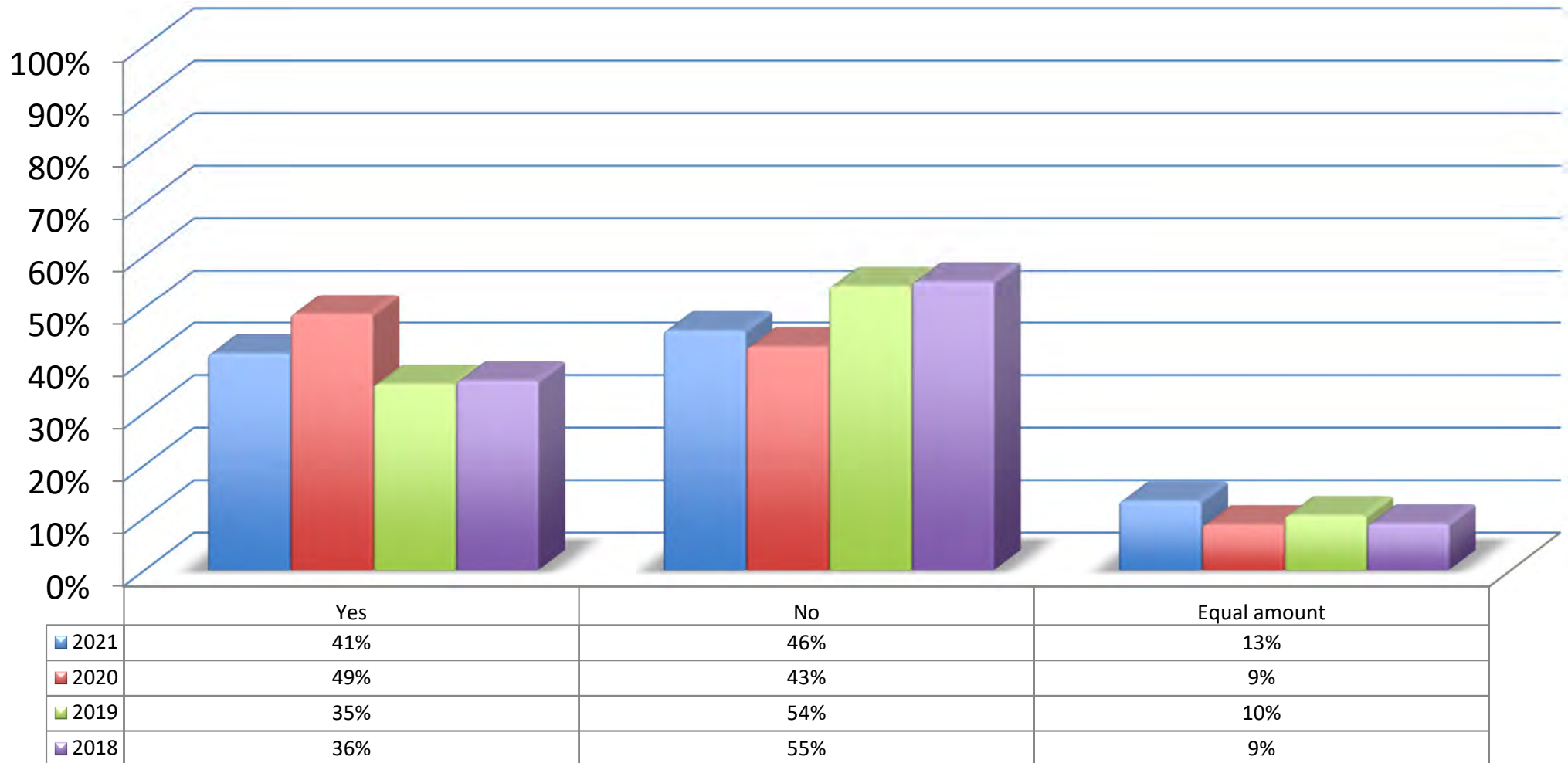
■ continued marketing

■ in escrow

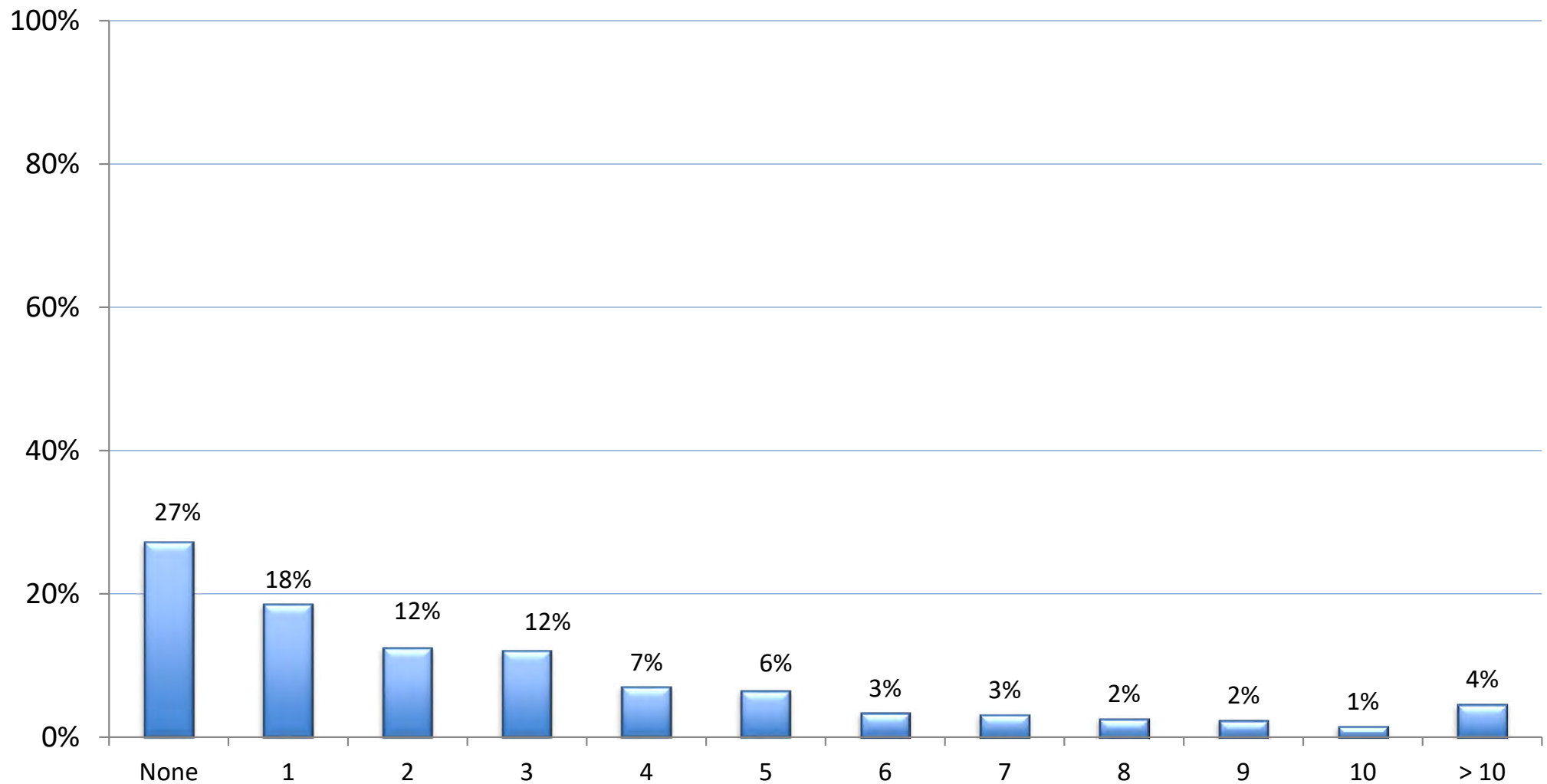
■ closed

■ terminated without closing

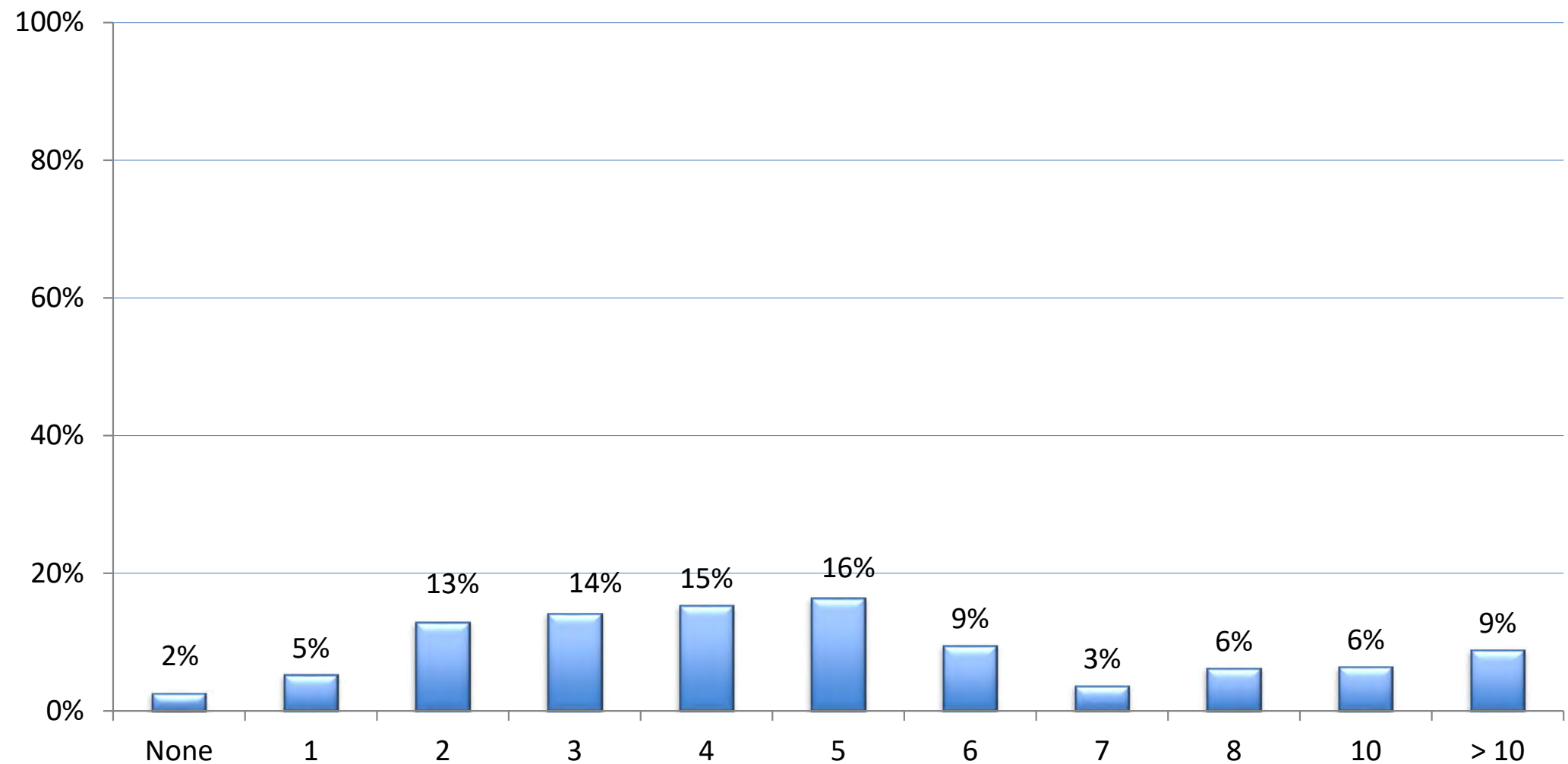
Did Respondents Close More Transactions in 2022 than in Previous Years



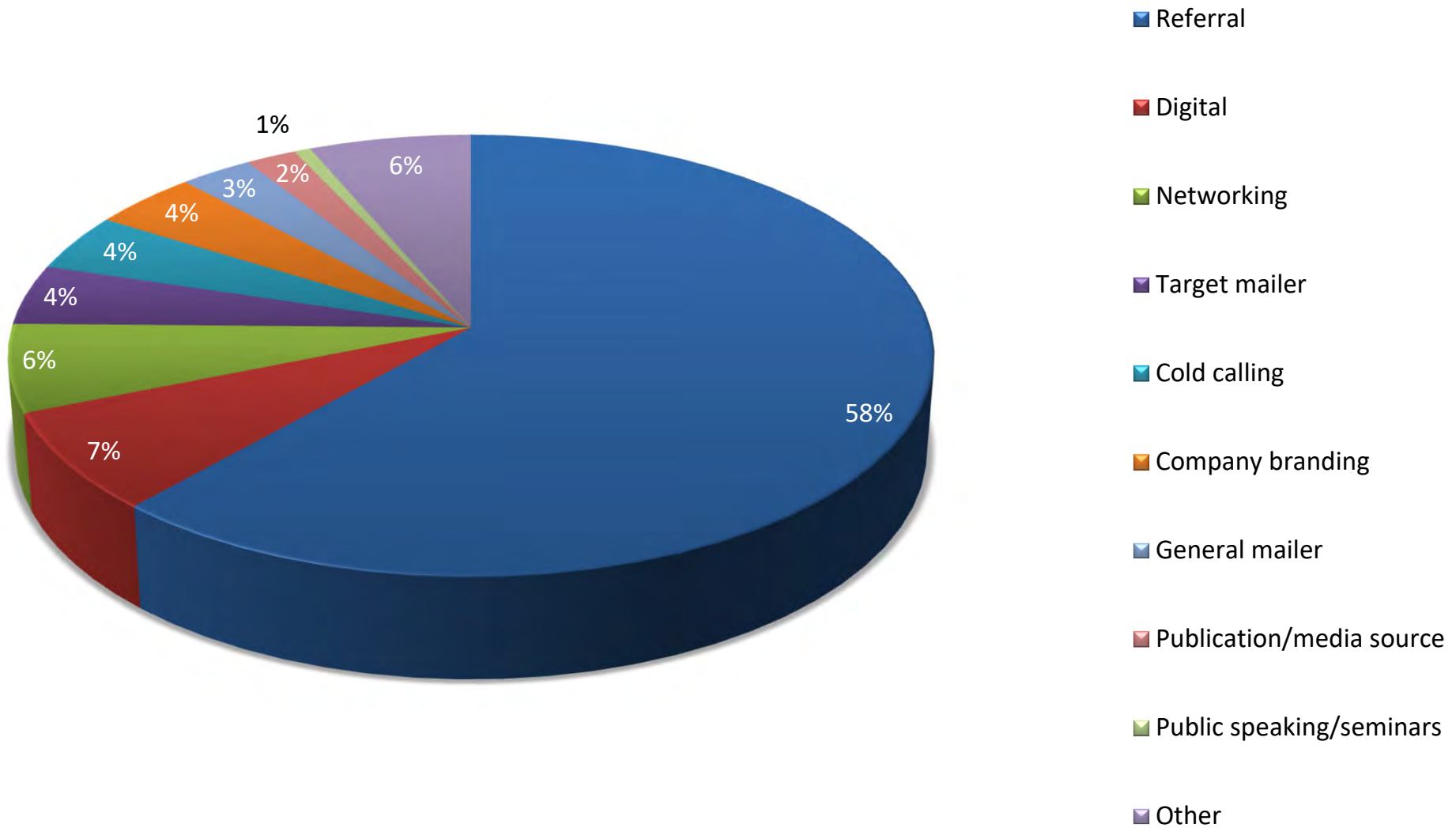
Number of Transactions Respondents Closed in 2022



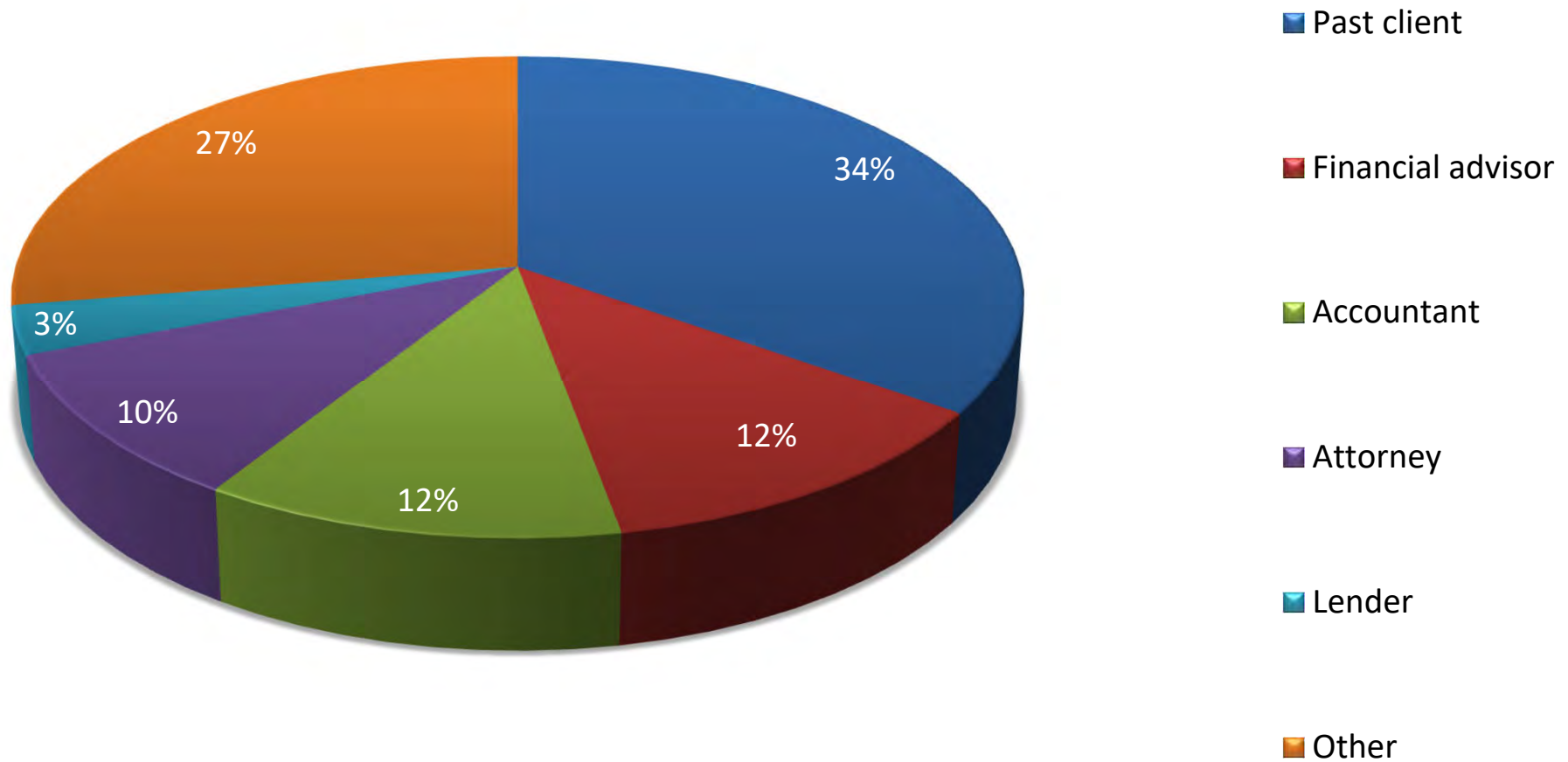
Number of Transactions Respondents Expect to Close in 2023



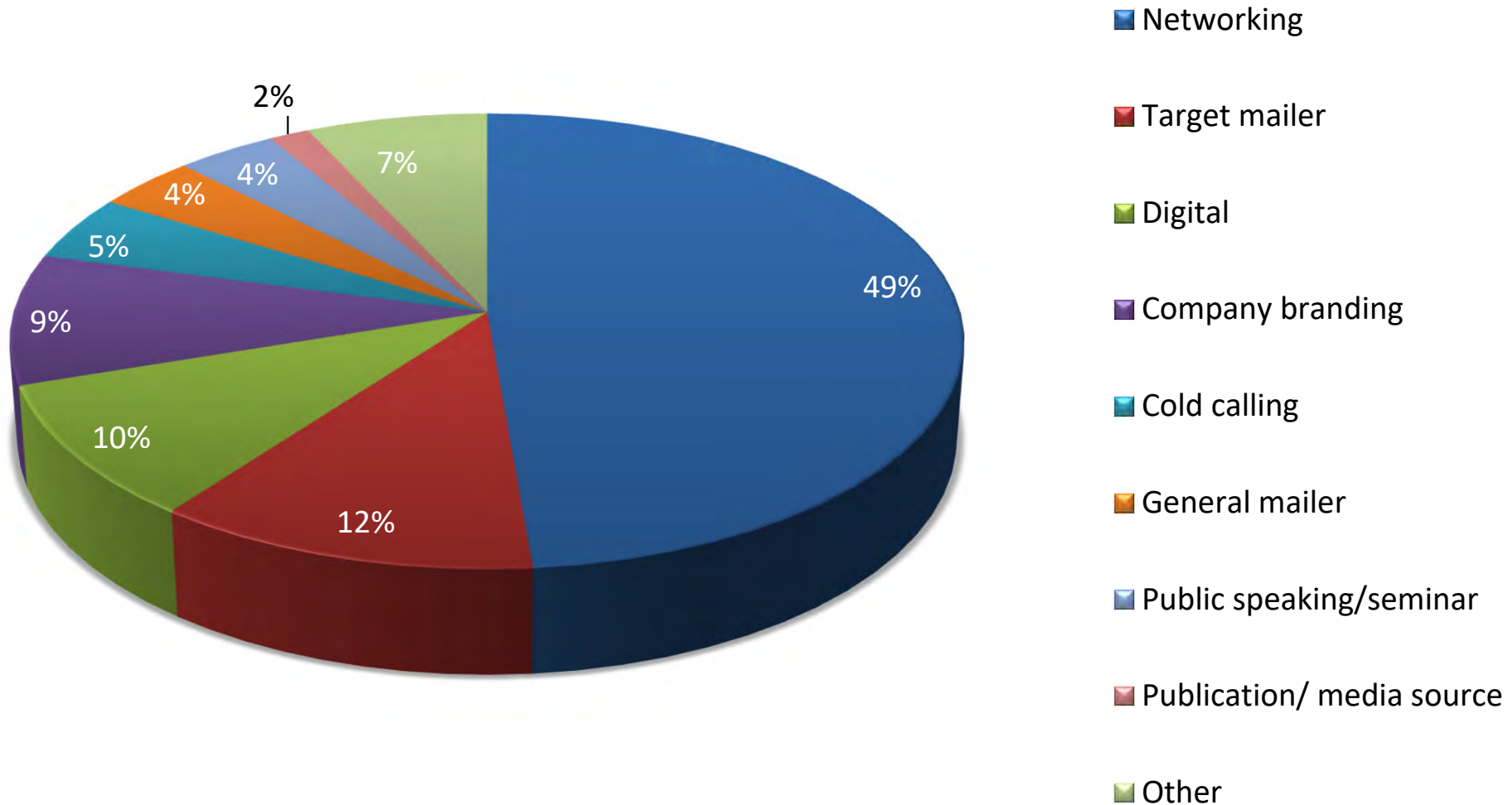
In 2022, Best Client Arrived by:



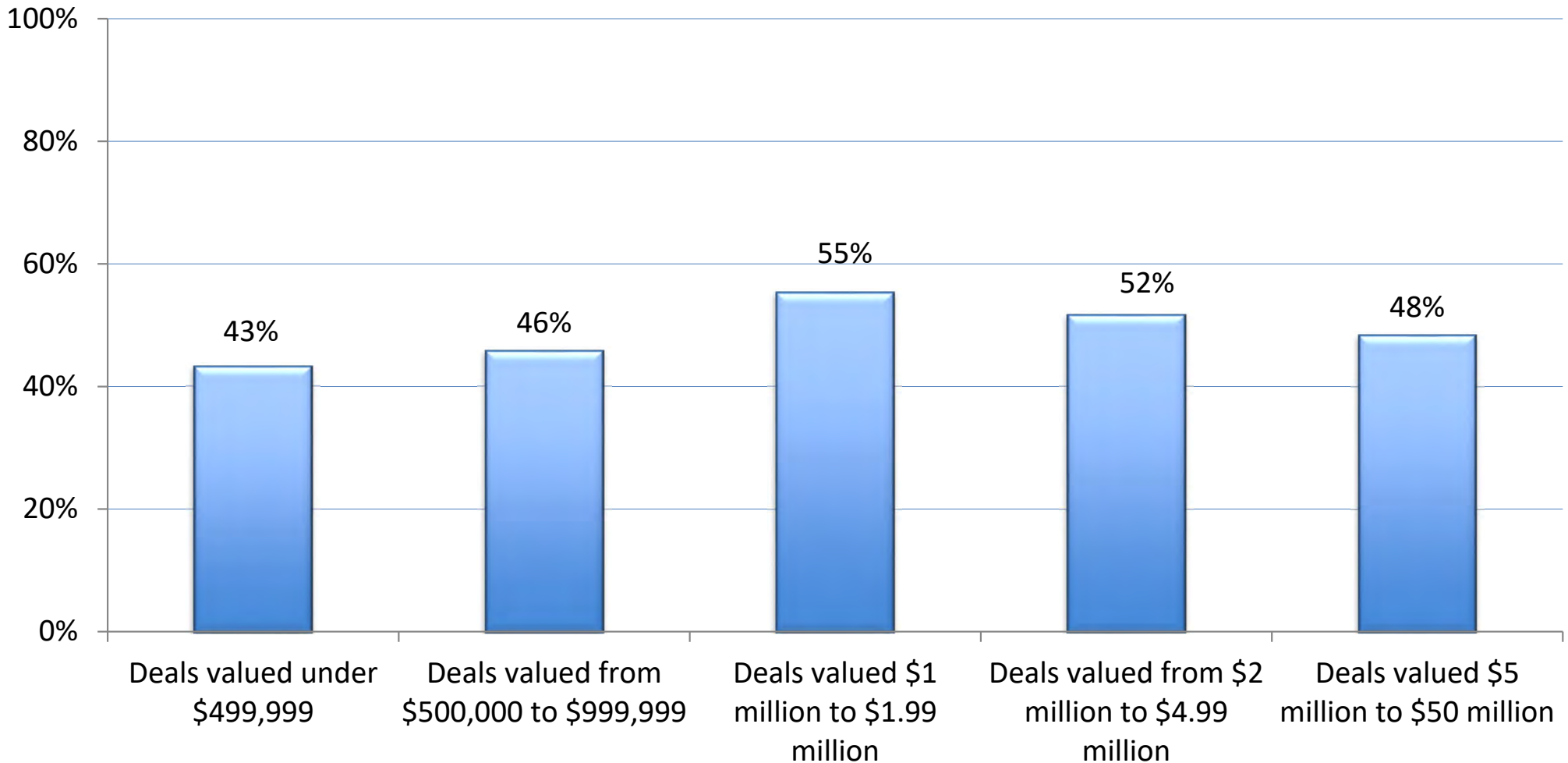
Types of Referrals



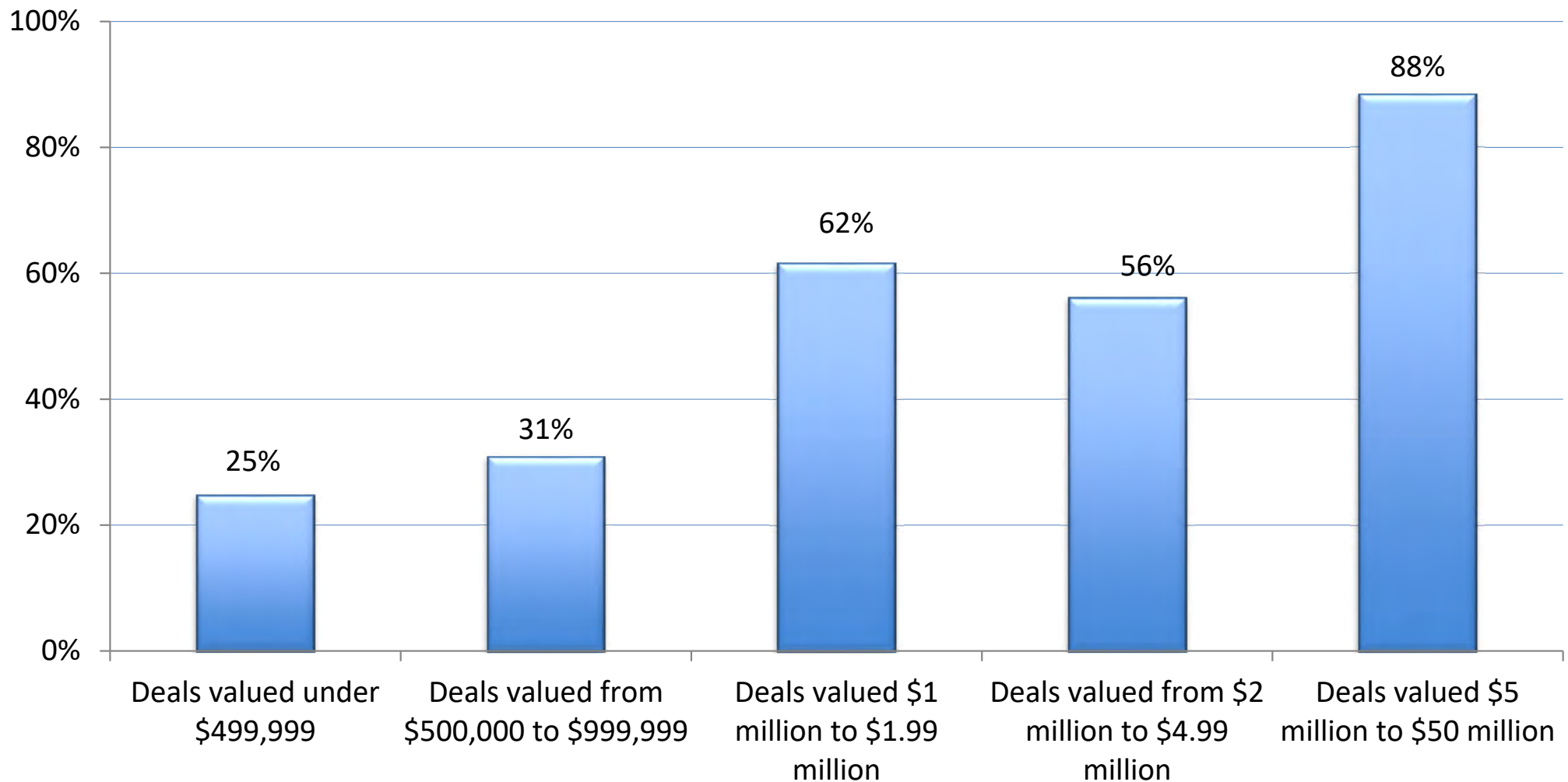
In 2022, besides Referral, Best Client Arrived by:



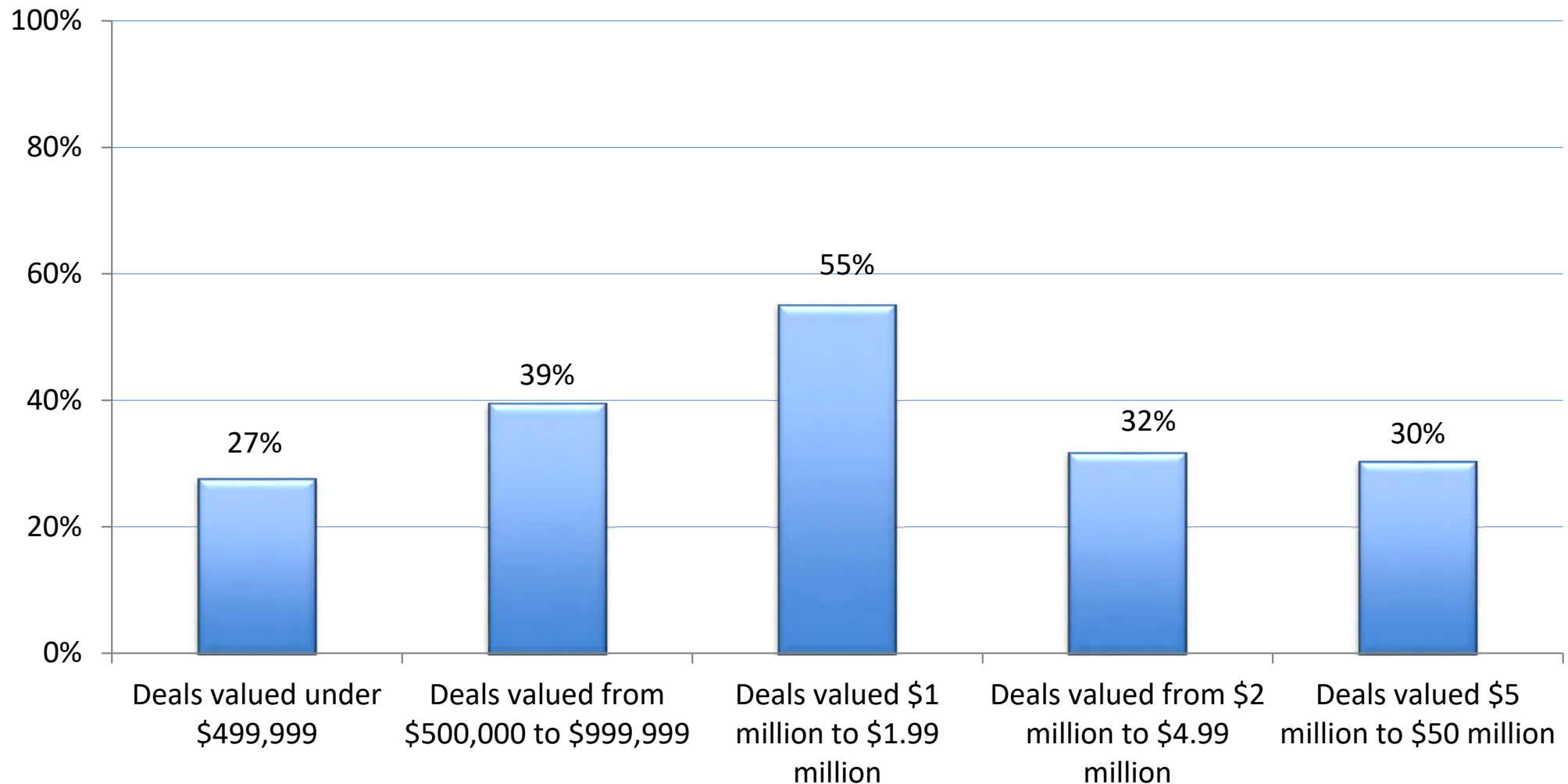
Percentage of Closed Listings Which Had An Offer from Different Buyer



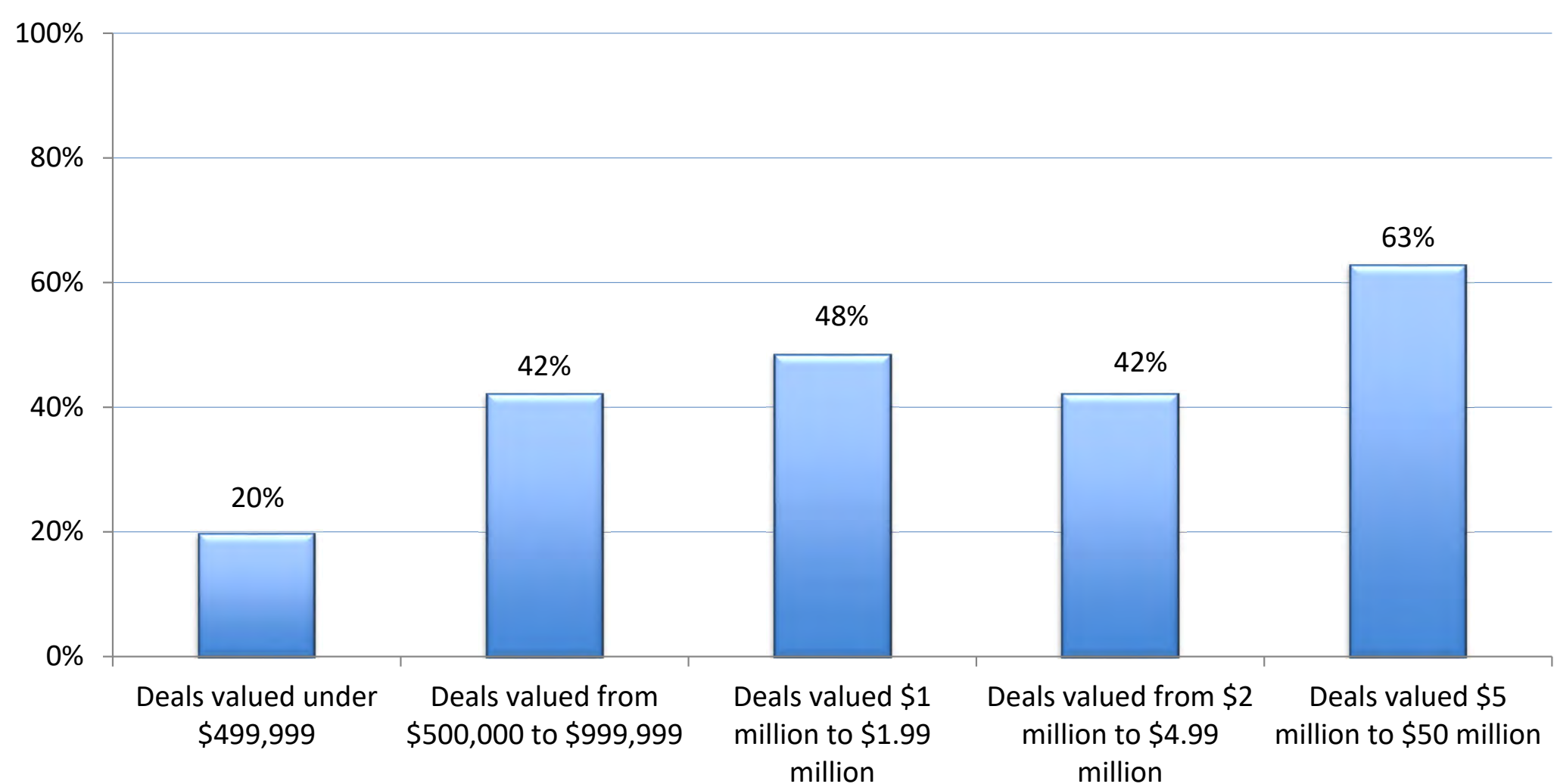
Percentage of Closed Listings Which Had An Offer from Different Buyers



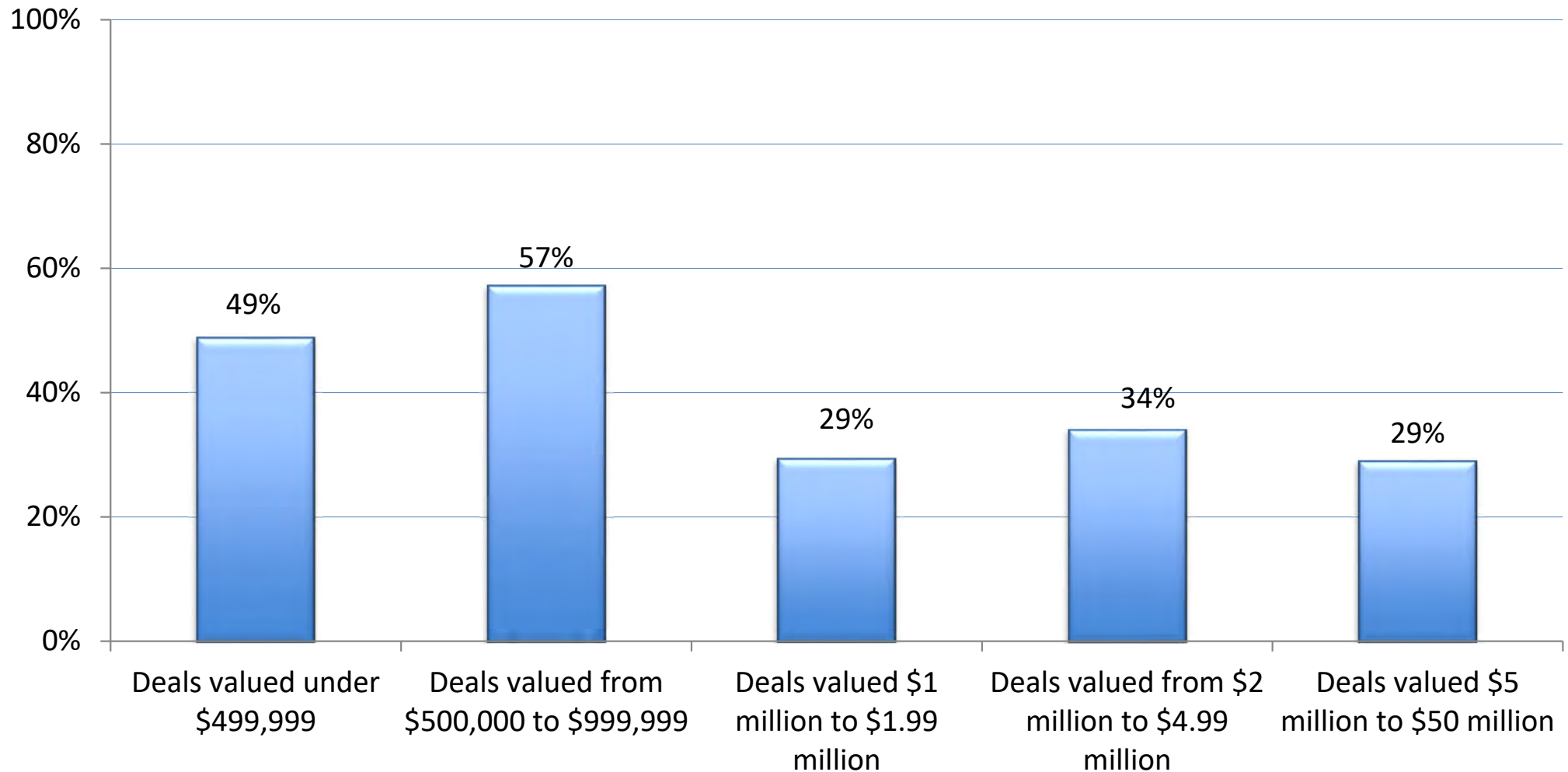
Percentage of Terminated Listings Which Had An Offer from Different Buyer



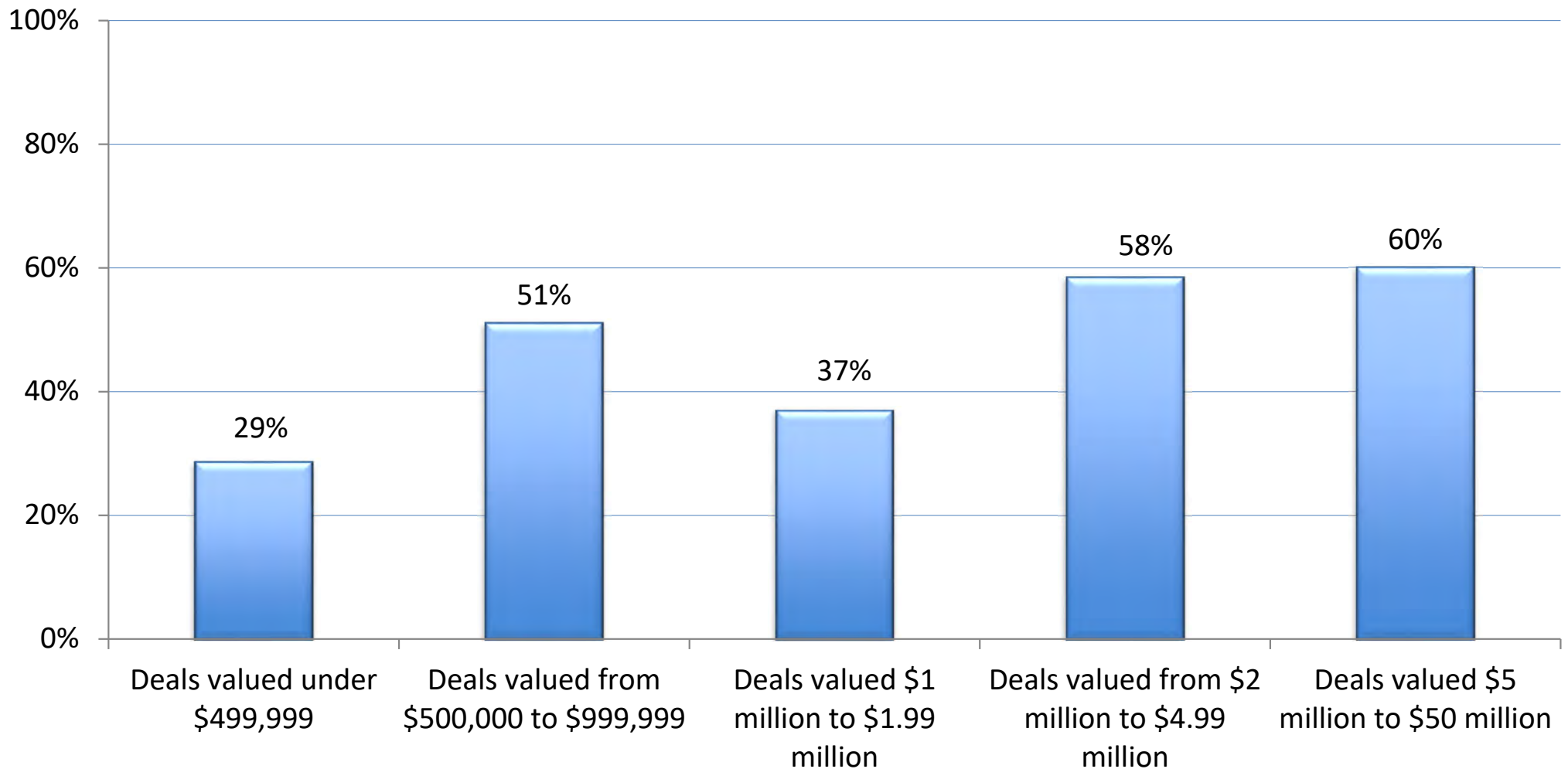
Percentage of Terminated Listings Which Had An Offer from Different Buyers



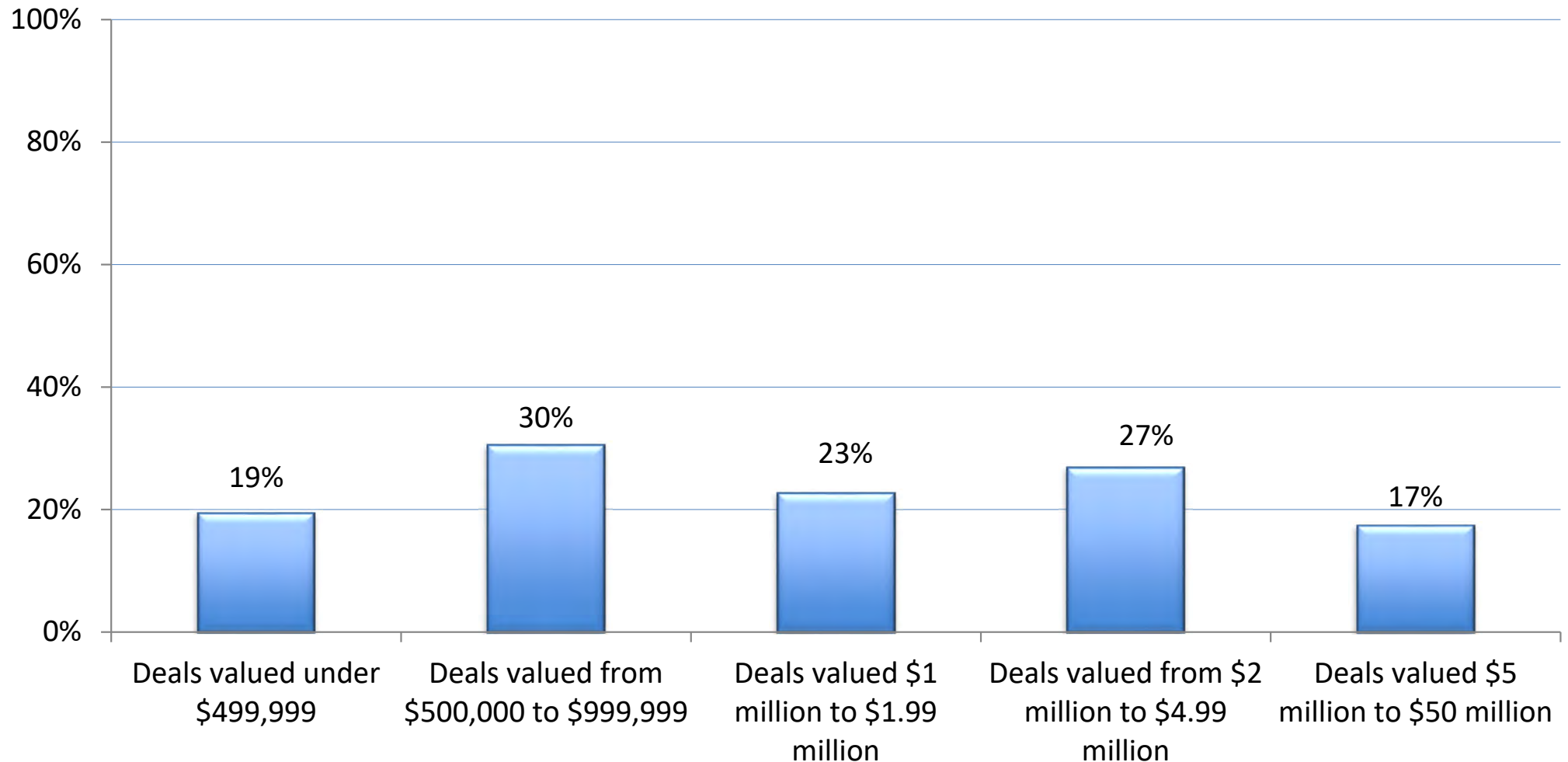
Percentage of Listings in Escrow Which Had An Offer from Different Buyer



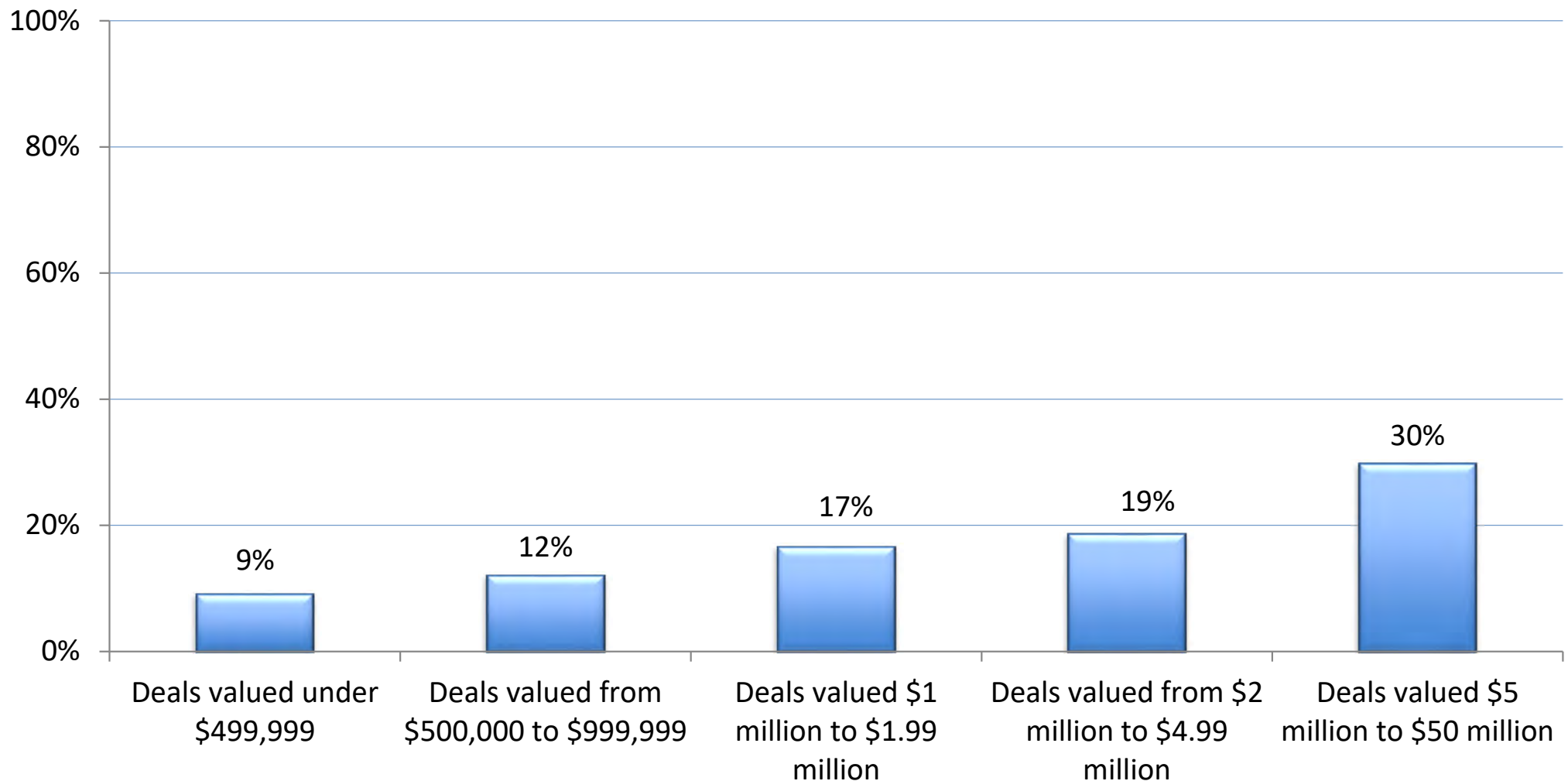
Percentage of Listings in Escrow Which Had An Offer from Different Buyers



Percentage of Listings Continuing to Market Which Had An Offer from Different Buyer



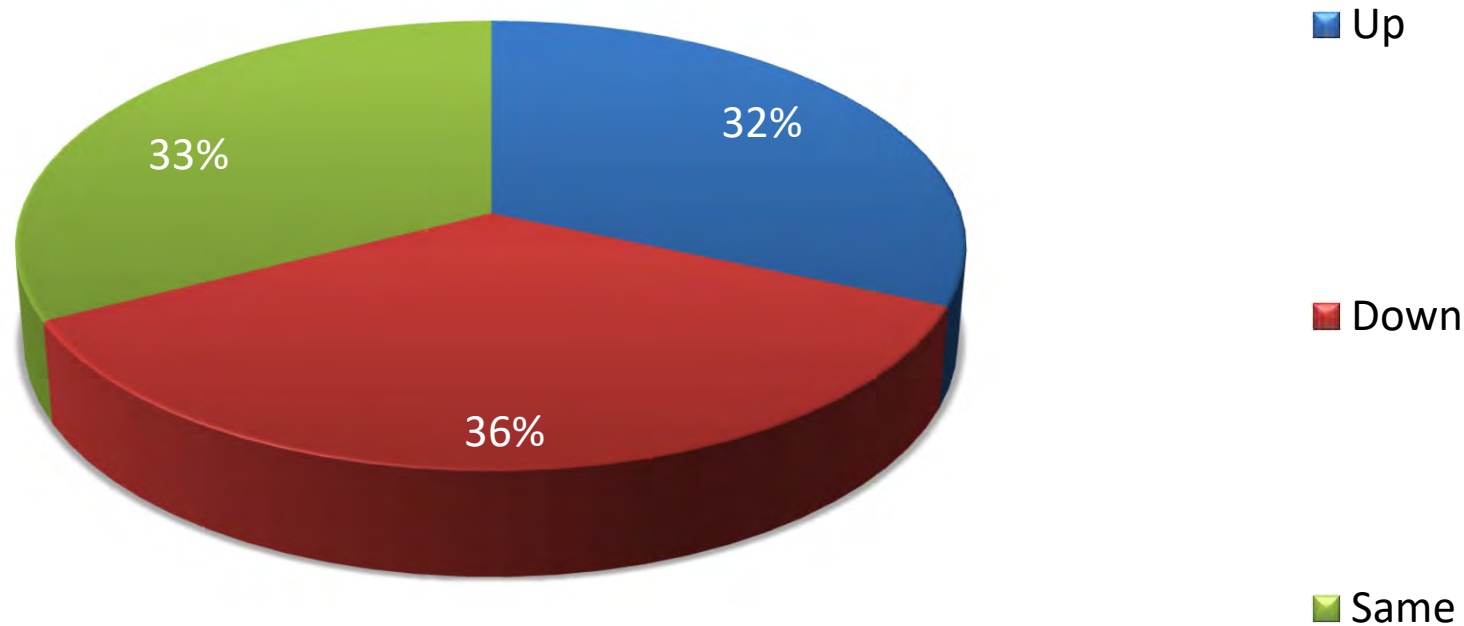
Percentage of Listings Continuing to Market Which Had An Offer from Different Buyers



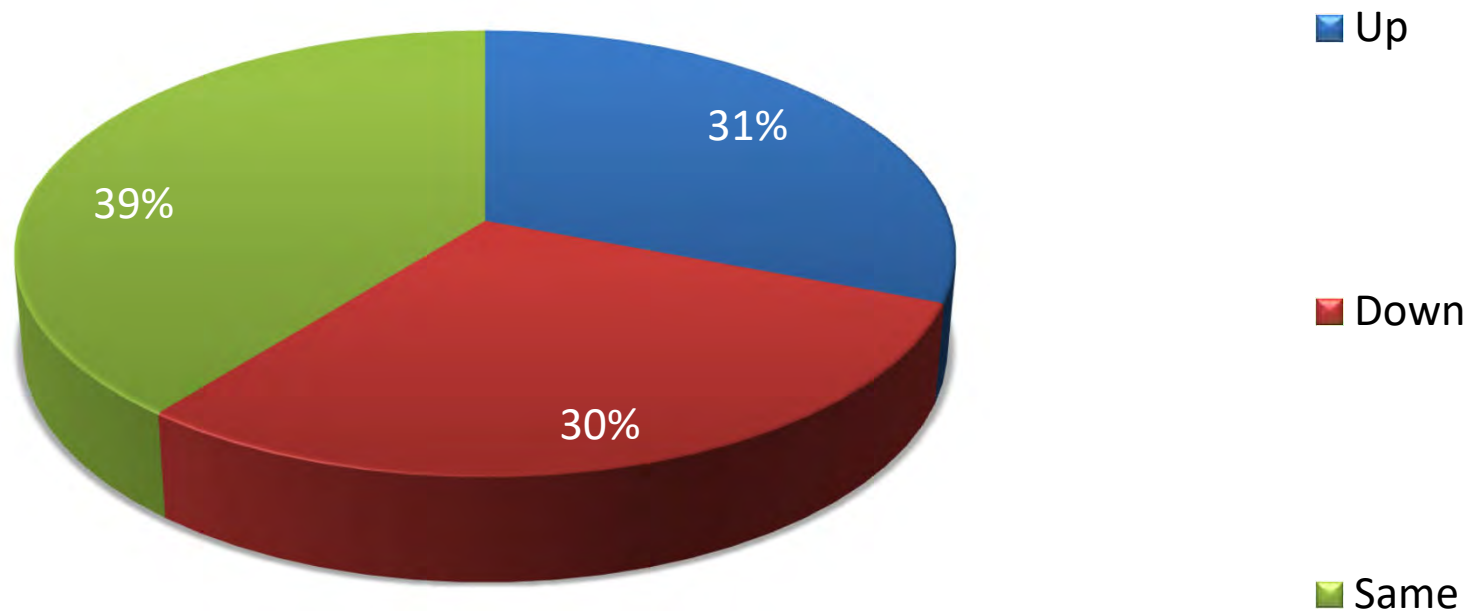
Top Reasons Deals Don't Close by Deal Size

	Deals valued under \$499,999	Deals valued from \$500,000 to \$999,999	Deals valued \$1 million to \$1.99 million	Deals valued from \$2 million to \$4.99 million	Deals valued \$5 million to \$50 million
Deal fatigue	10%	8%	9%	10%	11%
Economic uncertainty	14%	15%	20%	19%	19%
Financing	11%	15%	15%	11%	11%
Lack of seller preparation	9%	7%	7%	8%	7%
Poor financials	20%	17%	12%	11%	9%
Unrealistic buyer value expectation	10%	9%	10%	11%	14%
Unrealistic seller value expectation	22%	24%	22%	26%	25%
Other	5%	4%	6%	4%	4%

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

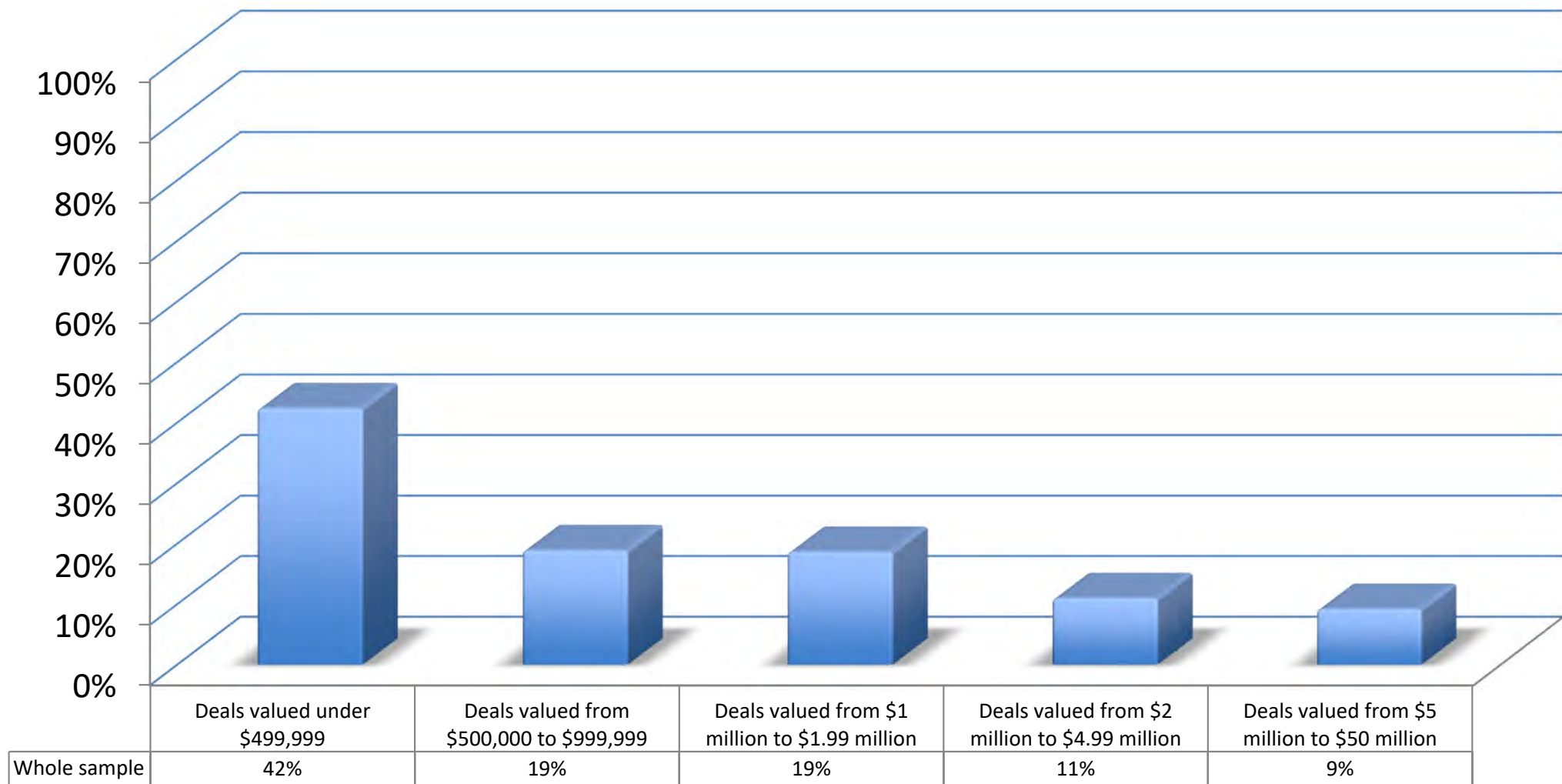


Where Do Respondents Think The Lower Middle Market Is Headed Next Year

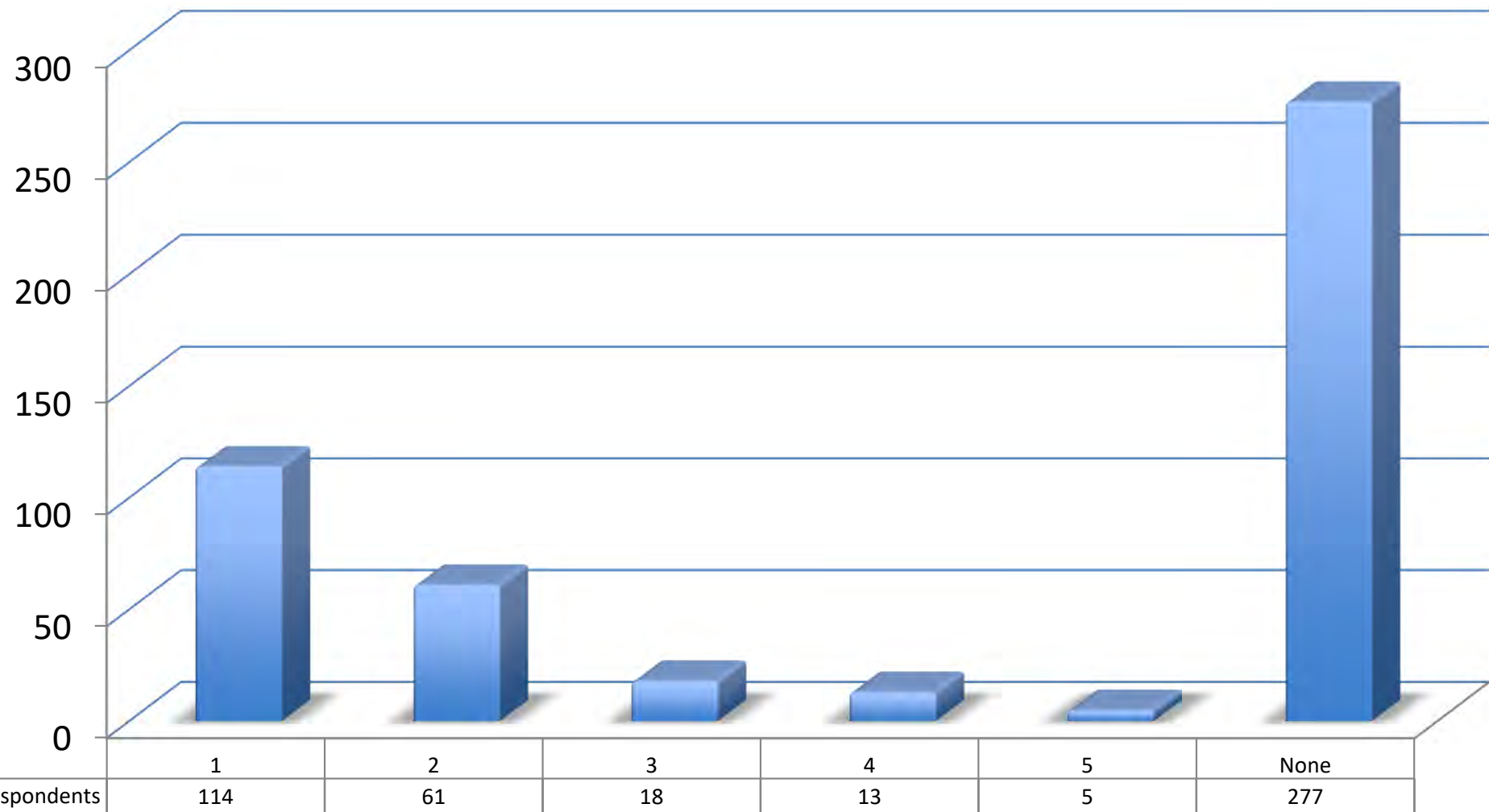


III. Business Transactions Closed in the Last 3 Months

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



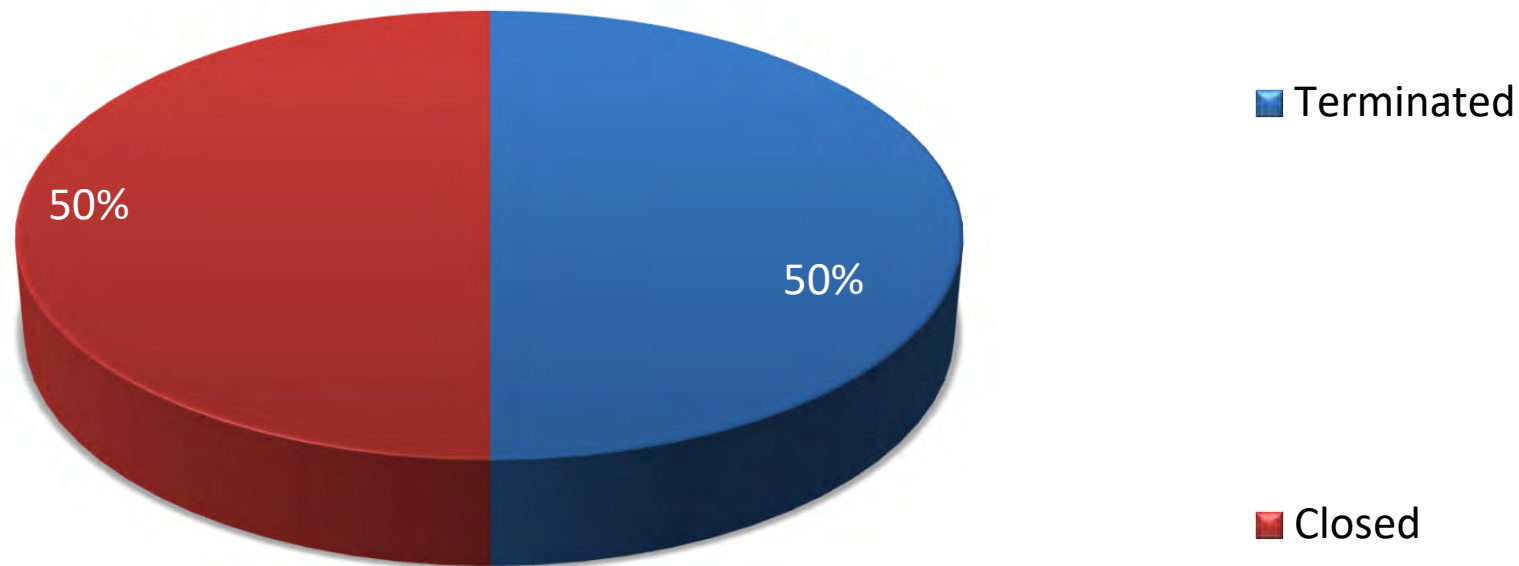
Number of Business Transactions Closed by Respondents in the Last 3 Months



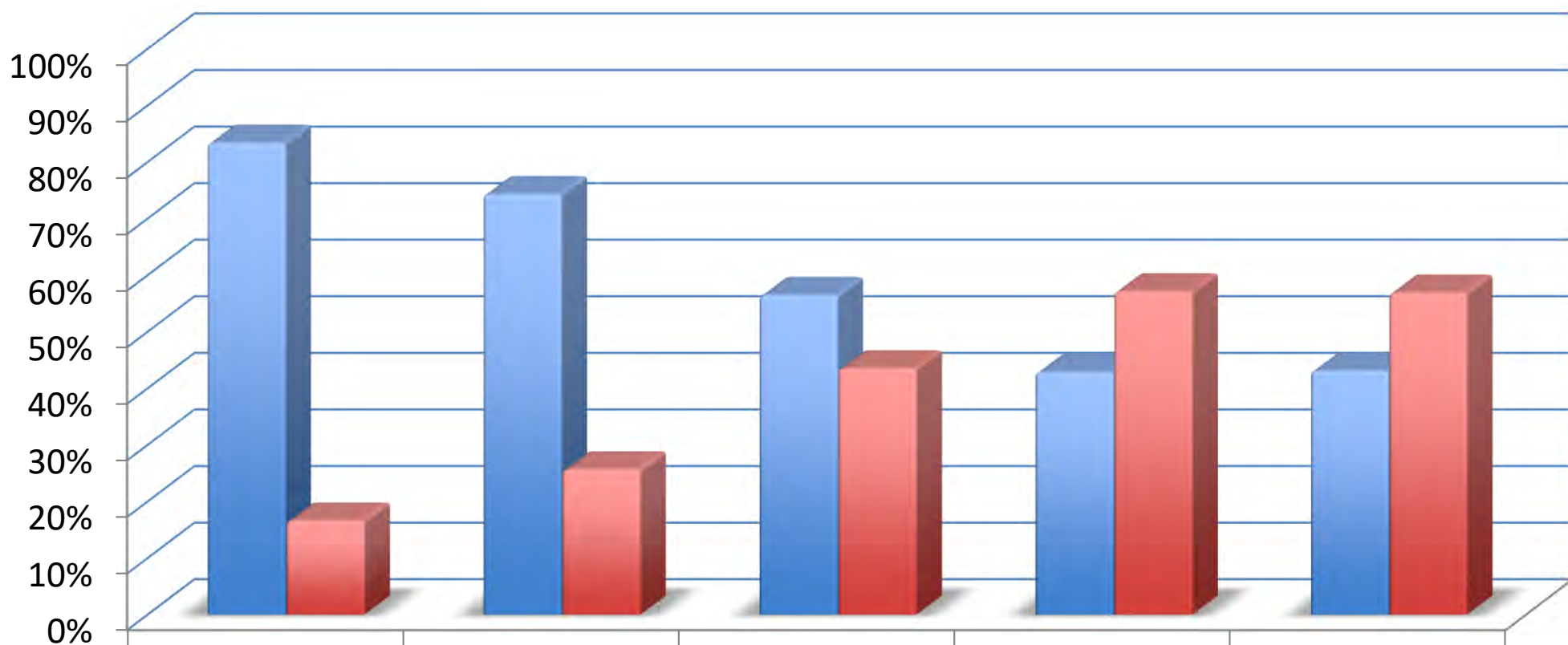
Change in the Number of New Clients by Deal Size in The Last 3 Months

Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under \$499,999	6%	22%	1%	13%	29%	3.5
Deals valued from \$500,000 to \$999,999	4%	22%	1%	13%	28%	3.6
Deals valued from \$1 million to \$1.99 million	4%	22%	2%	11%	26%	3.5
Deals valued from \$2 million to \$4.99 million	3%	19%	2%	12%	24%	3.6
Deals valued from \$5 million to \$50 million	2%	10%	2%	11%	22%	3.9

Percentage of Transactions Terminated without Closing in the Last Three Months



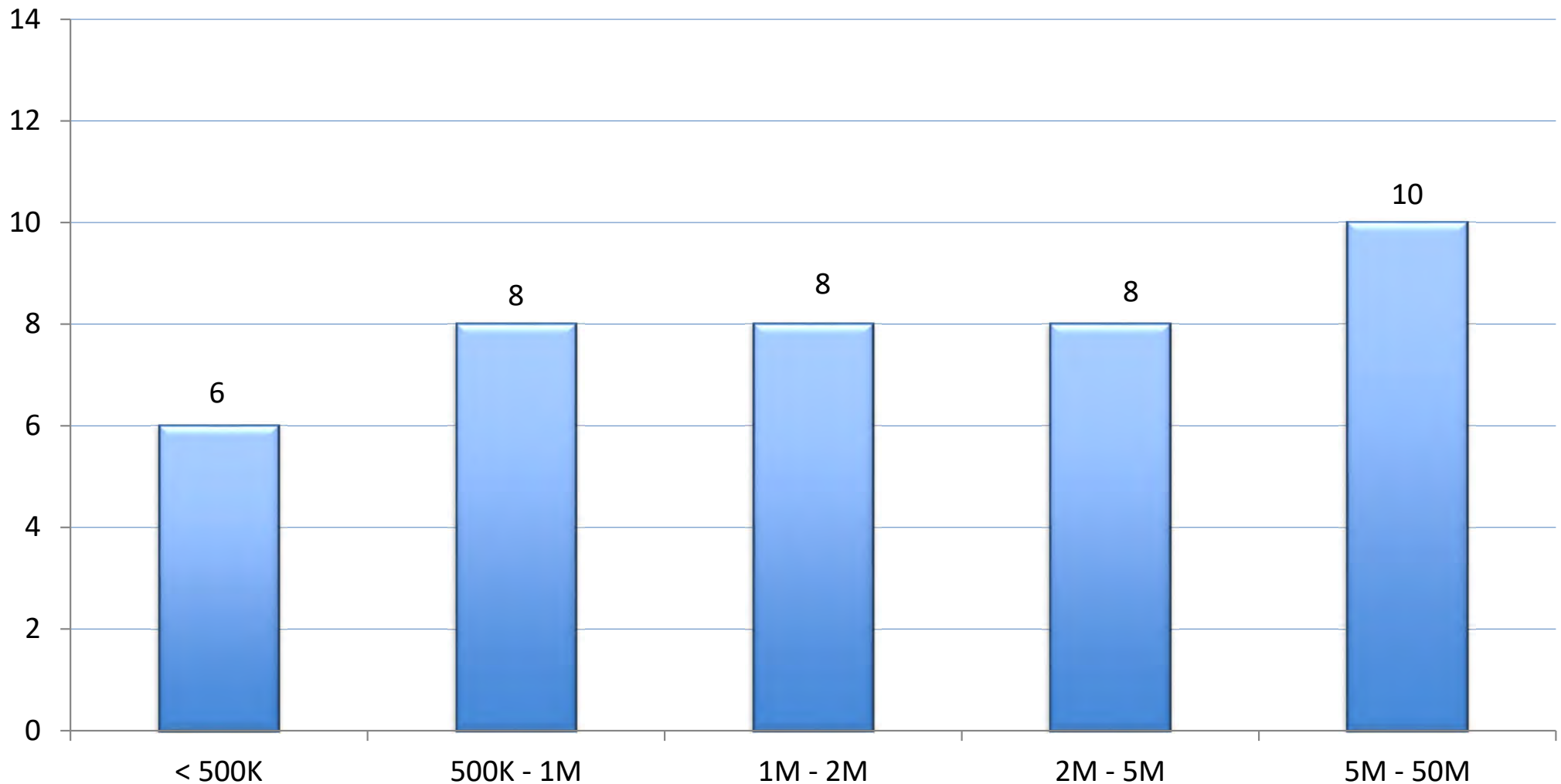
Was it a Buyer's or a Seller's Market in the Last 3 Months?



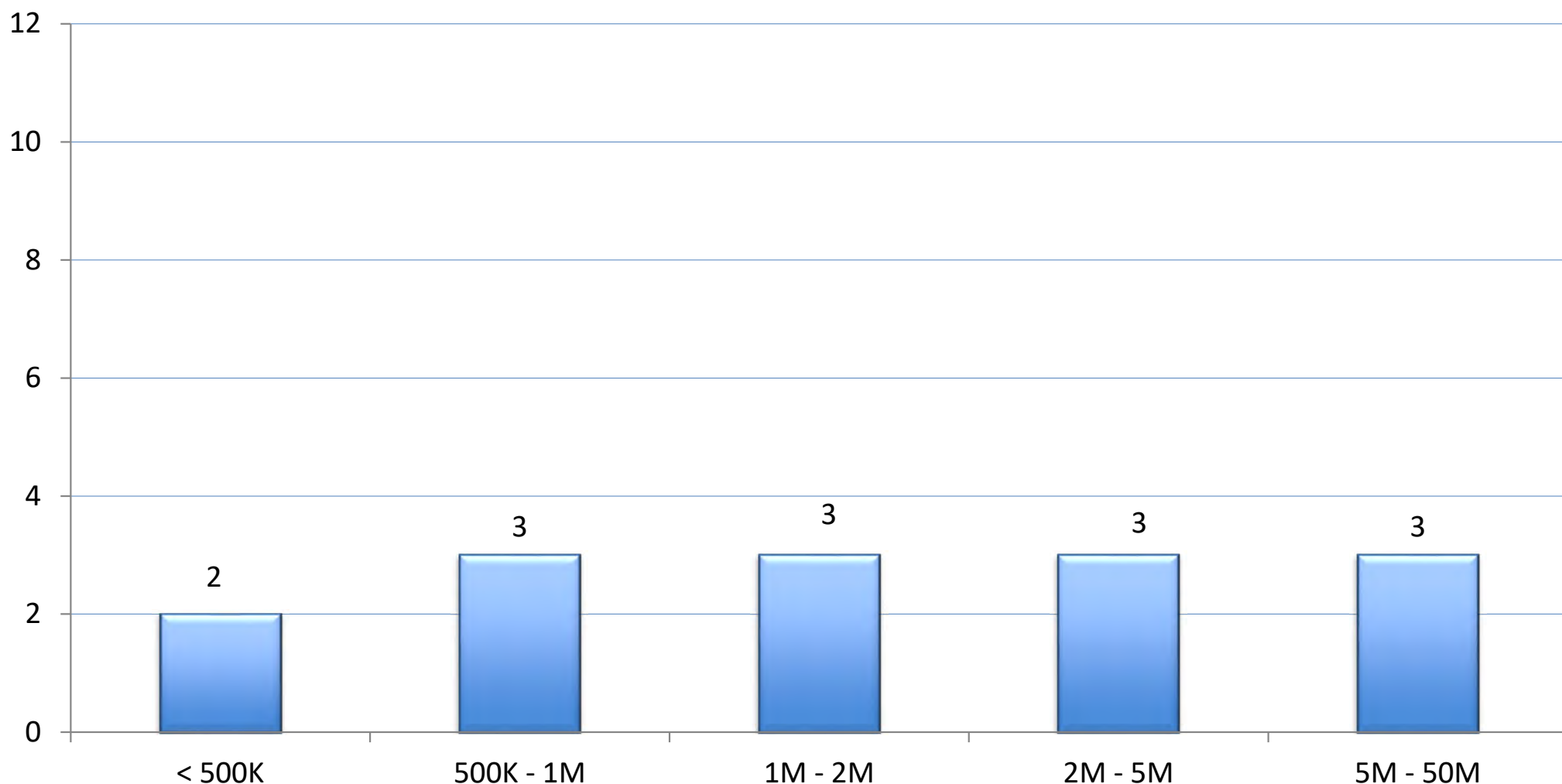
	Deals valued under \$499,999	Deals valued from \$500,000 to \$999,999	Deals valued from \$1 million to \$1.99 million	Deals valued from \$2 million to \$4.99 million	Deals valued from \$5 million to \$50 million
Buyer's market	83%	74%	56%	43%	43%
Seller's market	17%	26%	44%	57%	57%
Number of responses	423	388	387	364	347

Business Transactions of All Sizes, Comparison

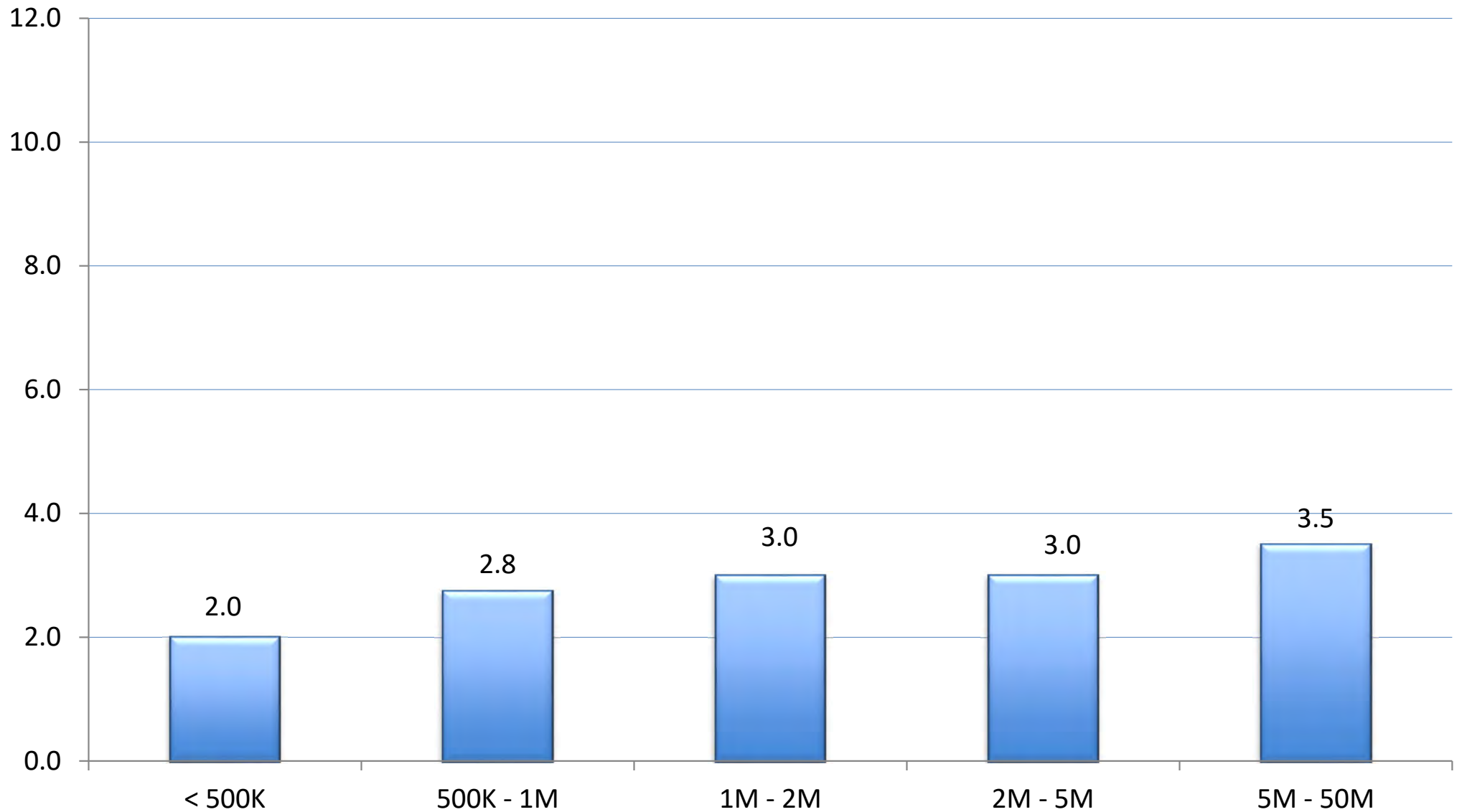
Median Number of Months from Listing/Engagement to Close



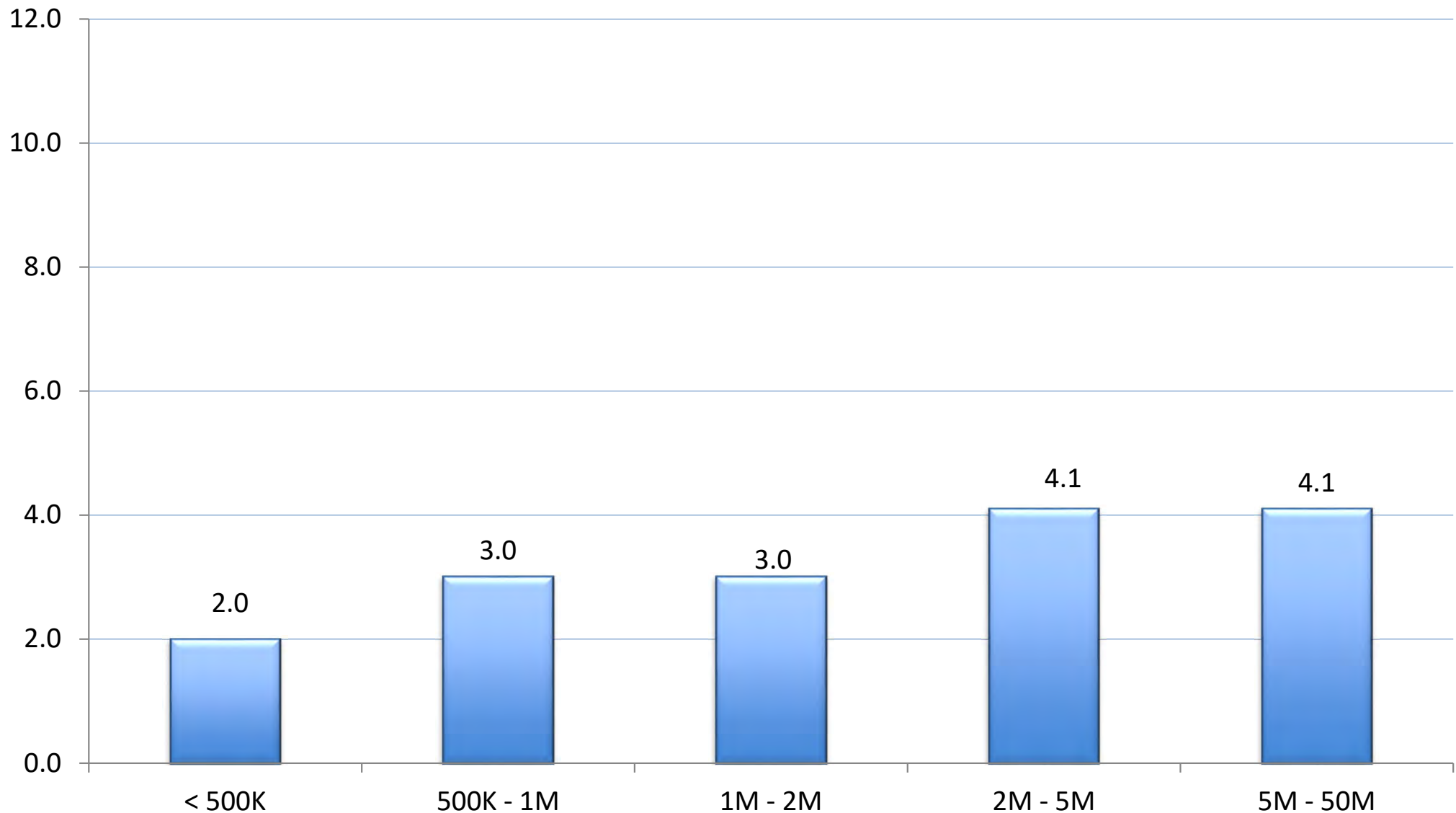
Median Number of Months from LOI/Offer to Close



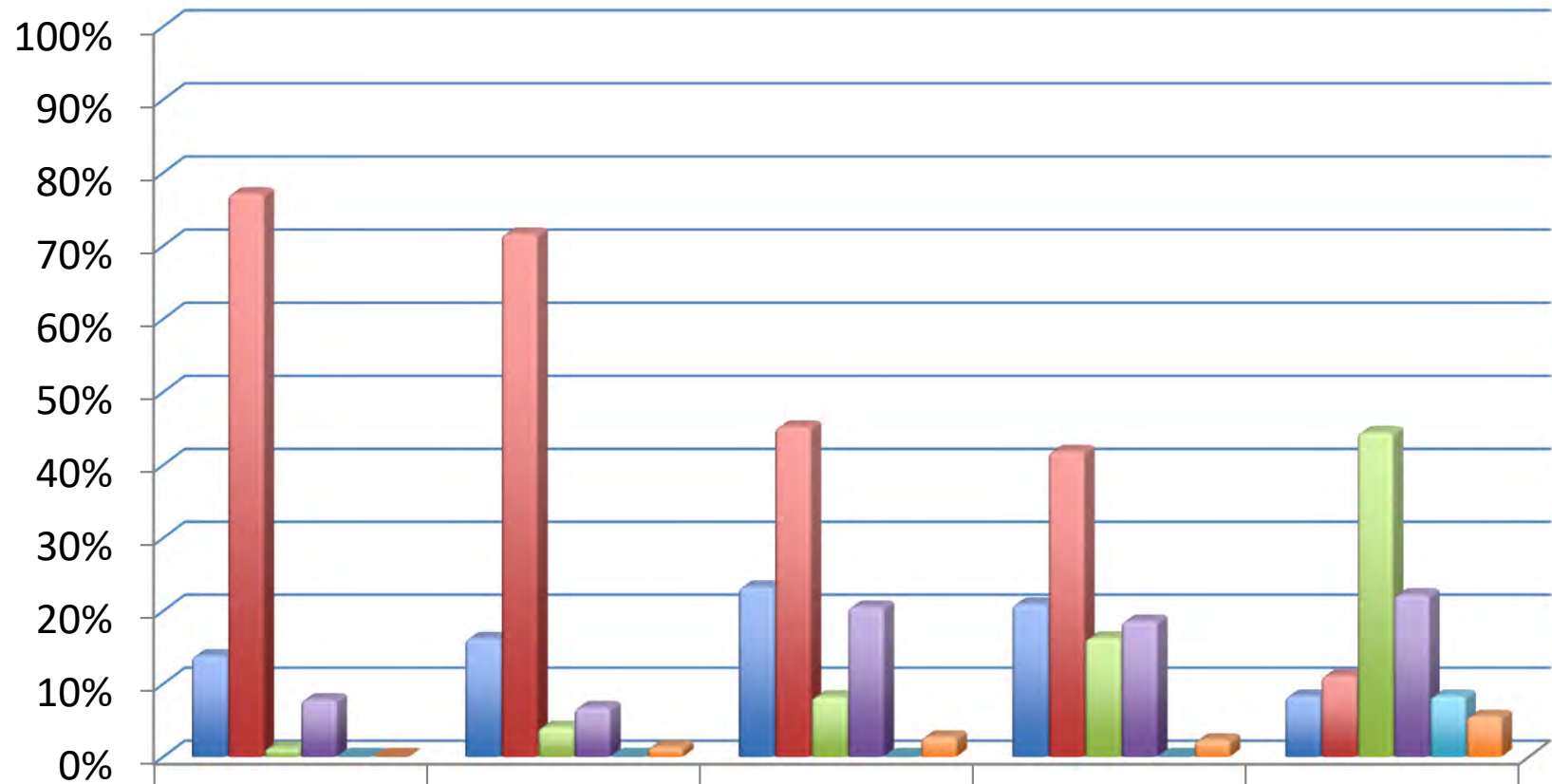
Median SDE Multiple Paid



Median EBITDA Multiple Paid

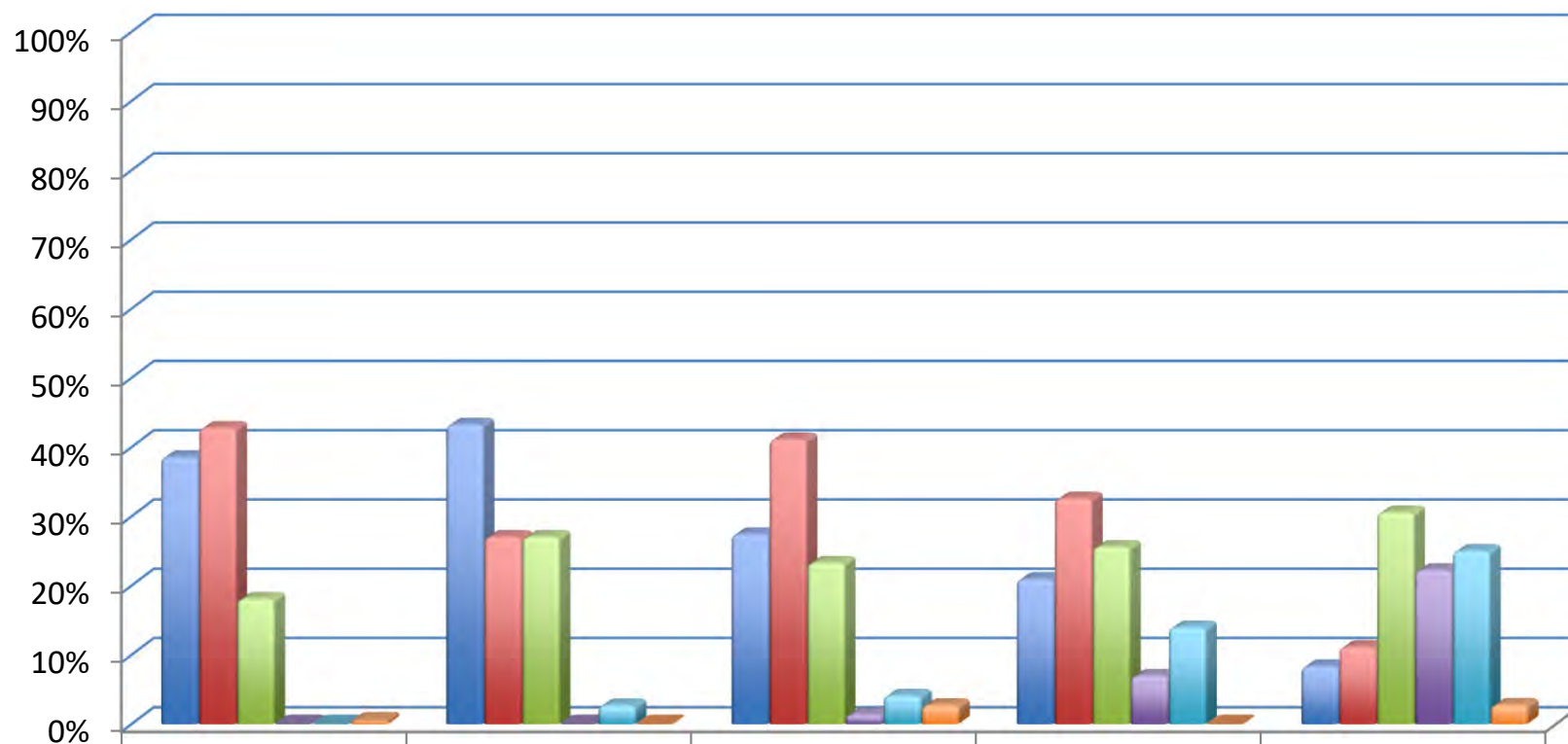


Multiple Type



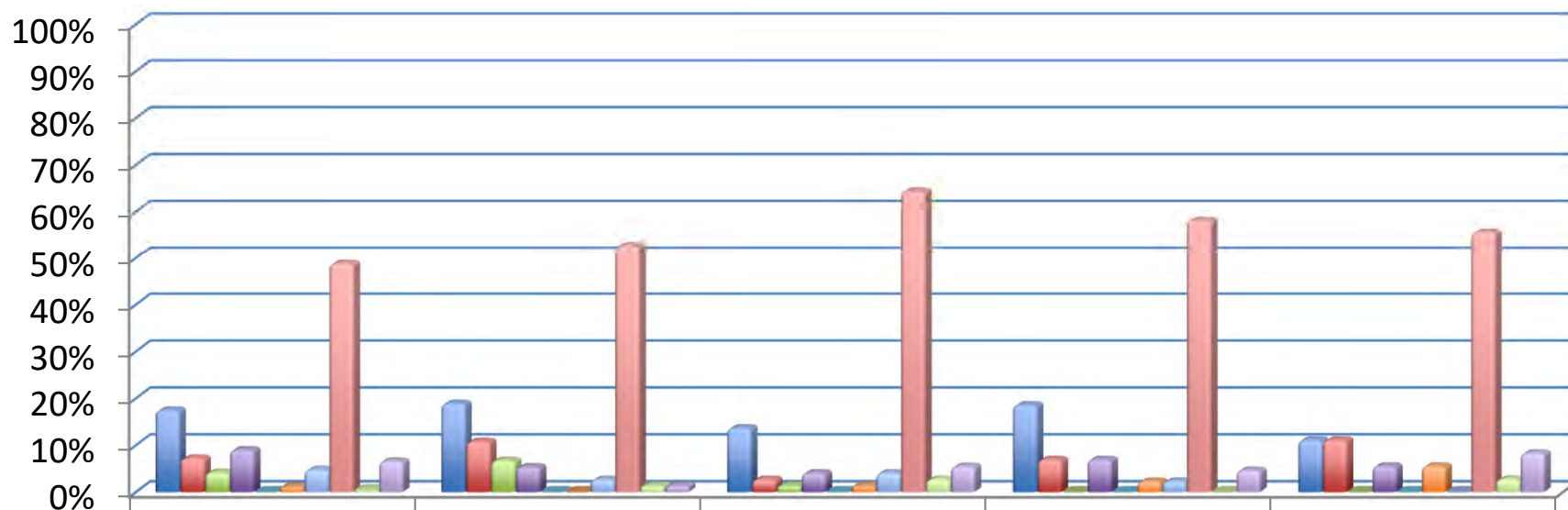
■ SDE including working capital	14%	16%	23%	21%	8%
■ SDE not including working capital	77%	72%	45%	42%	11%
■ EBITDA including working capital	1%	4%	8%	16%	44%
■ EBITDA not including working capital	8%	7%	21%	19%	22%
■ TTM EBITDA including working capital	0%	0%	0%	0%	8%
■ TTM EBITDA not including working capital	0%	1%	3%	2%	6%

Buyer Type



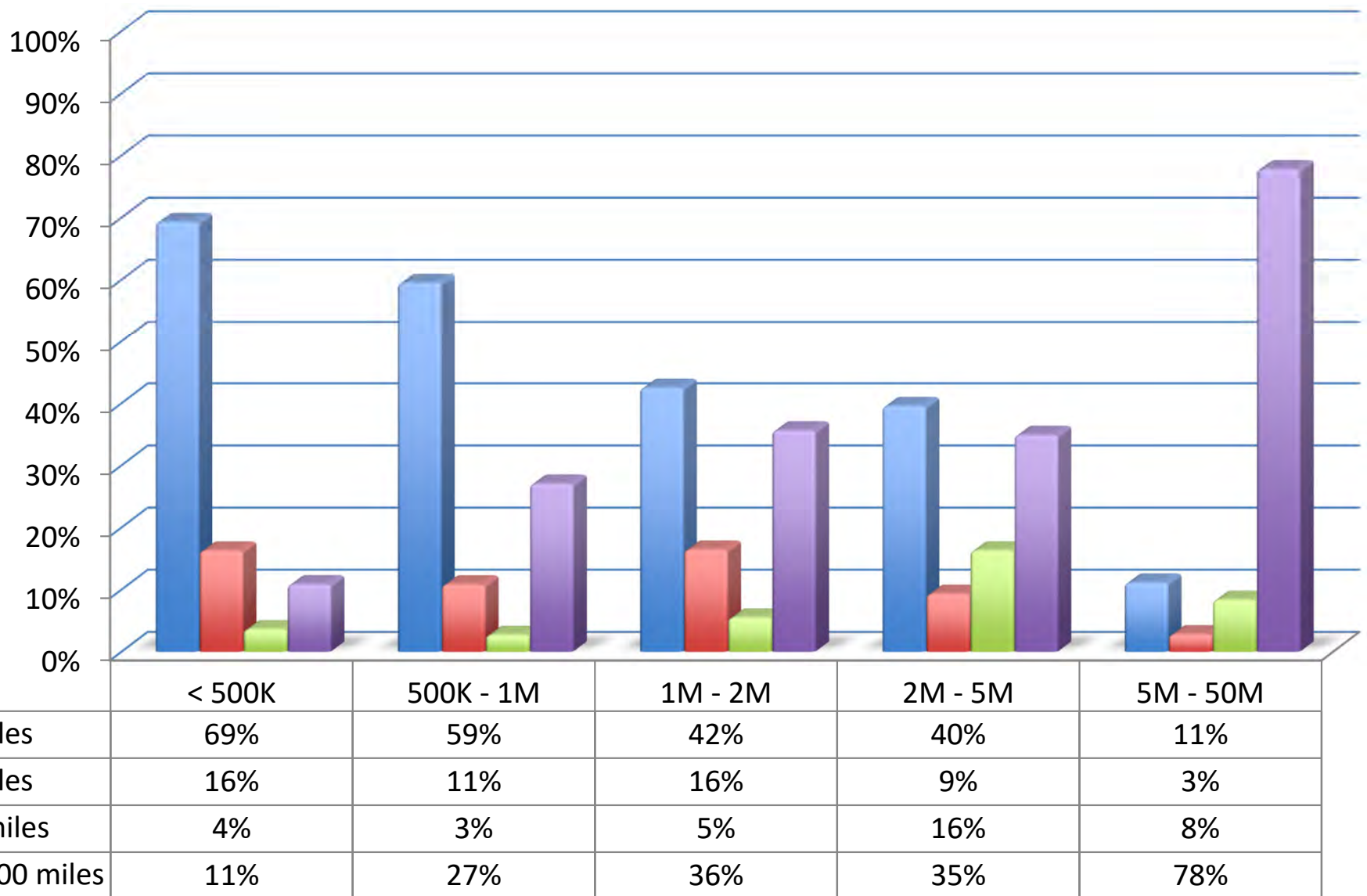
	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
1st time individual	39%	43%	27%	21%	8%
individual who owned a business	43%	27%	41%	33%	11%
existing company/strategic buyer	18%	27%	23%	26%	31%
PE firm - Platform	0%	0%	1%	7%	22%
PE firm - Add-on	0%	3%	4%	14%	25%
Other	1%	0%	3%	0%	3%

#1 Reason for Seller to Go to Market

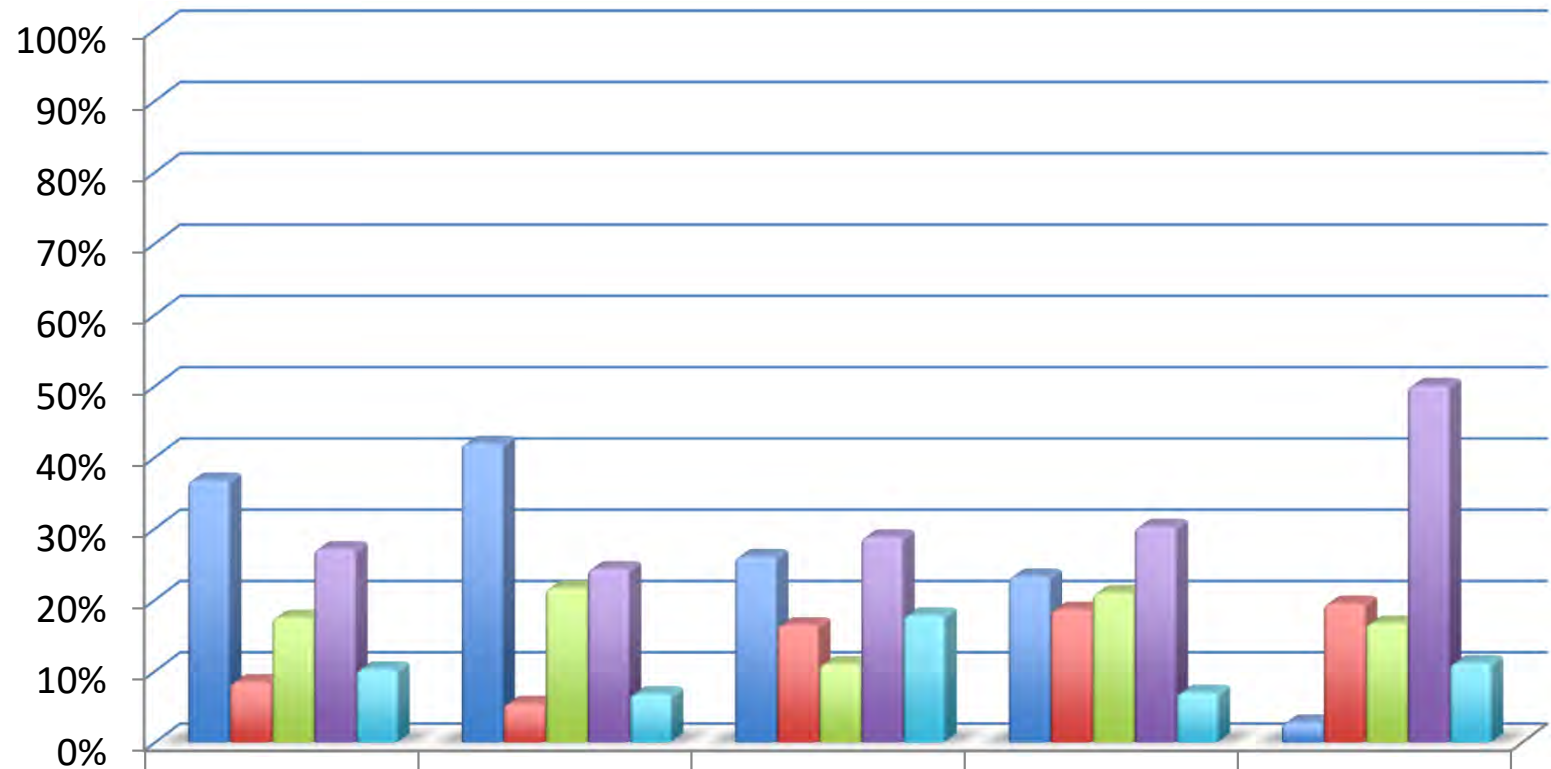


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Burnt out	17%	19%	14%	19%	11%
Family issues	7%	11%	3%	7%	11%
Health	4%	7%	1%	0%	0%
New/ better opportunity	9%	5%	4%	7%	6%
Potential taxes increases	0%	0%	0%	0%	0%
Recapitalization	1%	0%	1%	2%	6%
Relocation/ moving	5%	3%	4%	2%	0%
Retirement	49%	53%	64%	58%	56%
Unsolicited offer	1%	1%	3%	0%	3%
Other	7%	1%	5%	5%	8%

Buyer Location

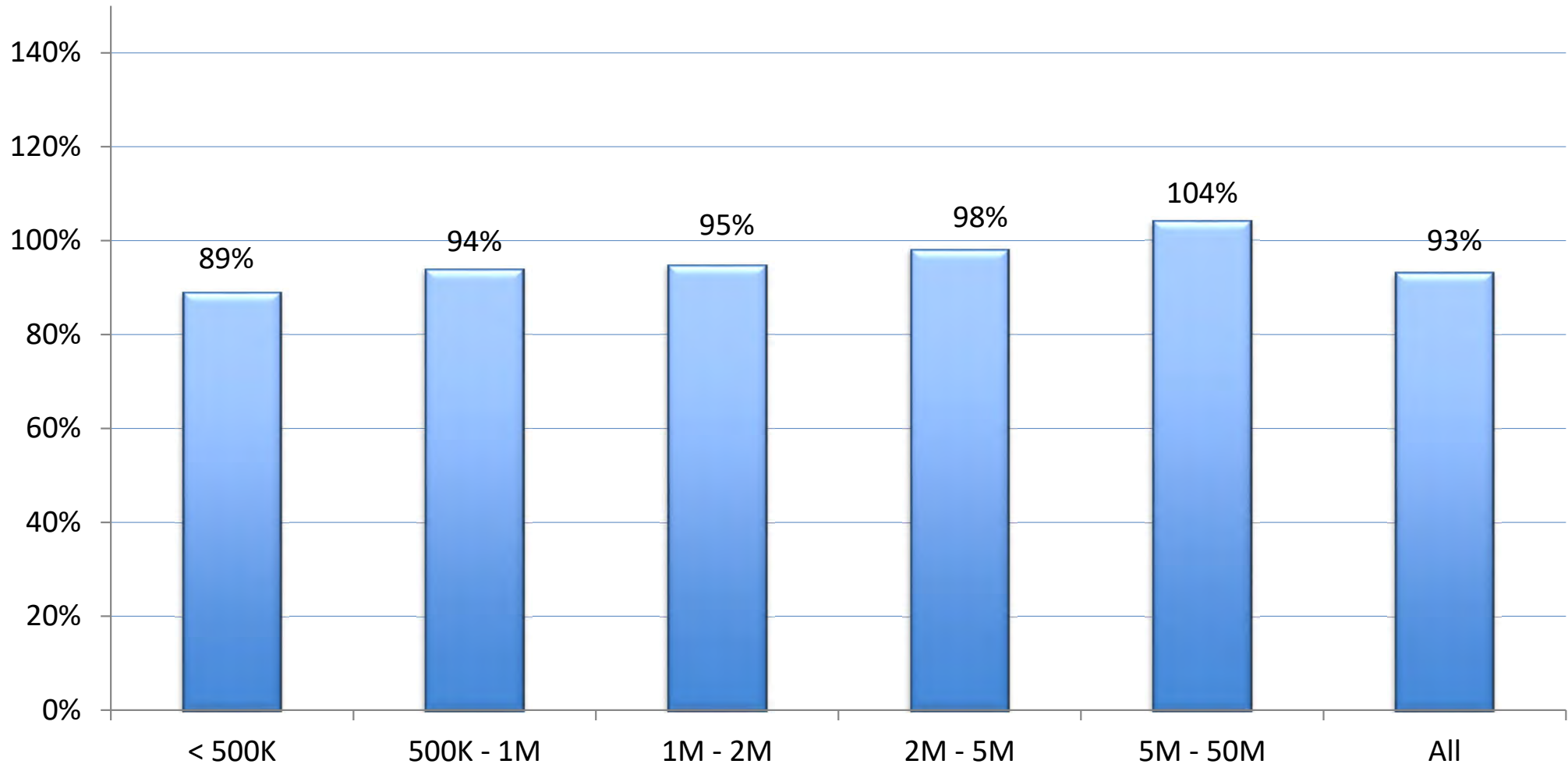


#1 Motivation for Buyer

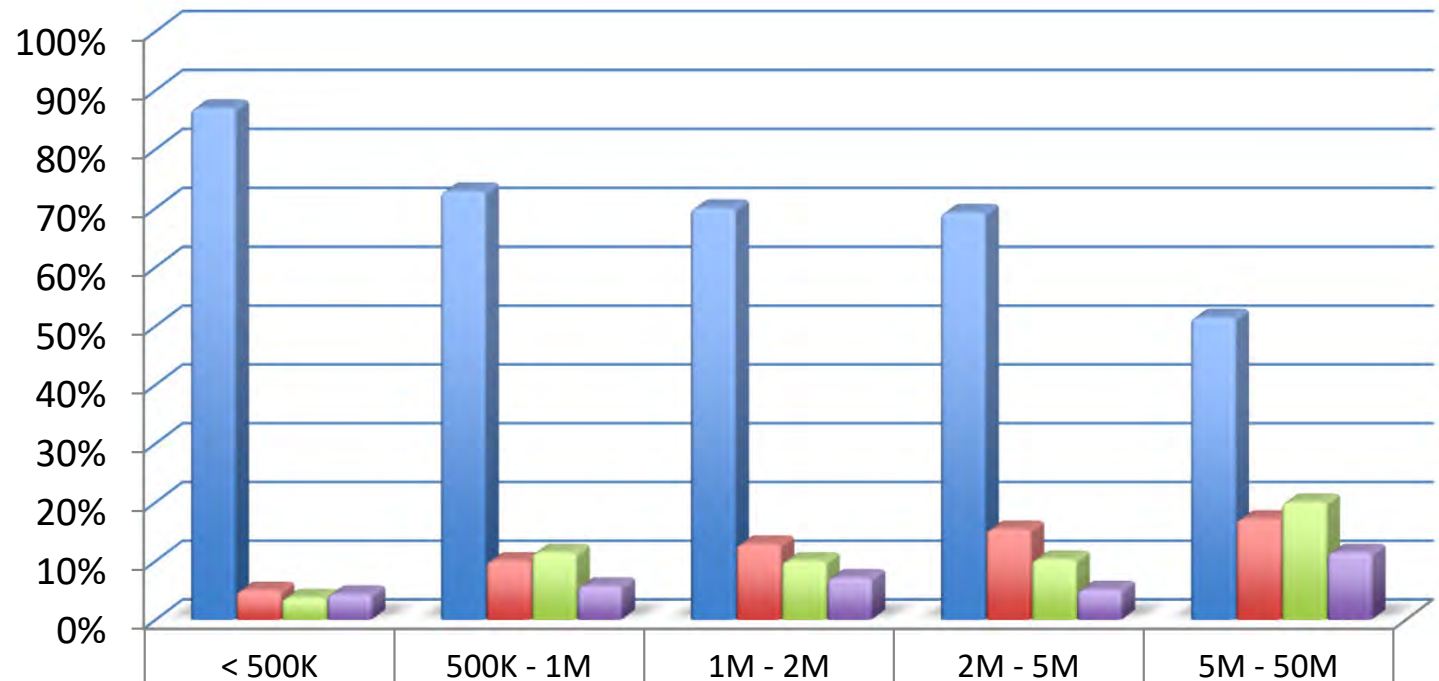


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Buying a job	37%	42%	26%	23%	3%
Better ROI than other investment	8%	5%	16%	19%	19%
Vertical add-on	17%	22%	11%	21%	17%
Horizontal add-on	27%	24%	29%	30%	50%
Other	10%	7%	18%	7%	11%

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

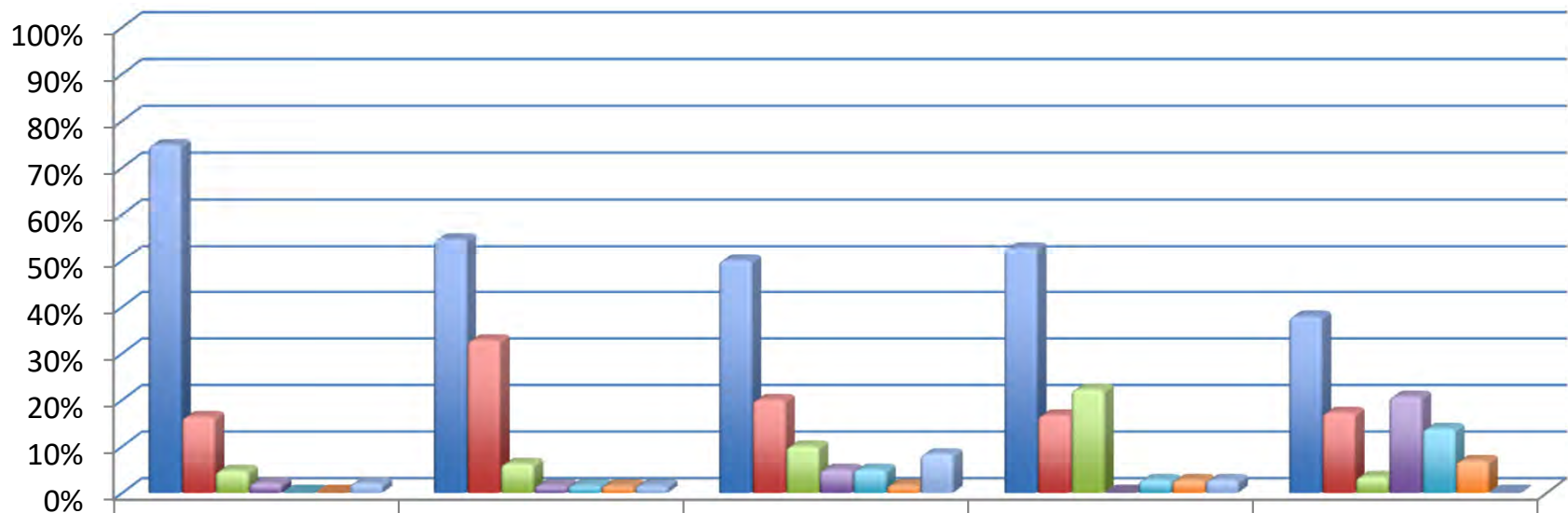


Exit Planning



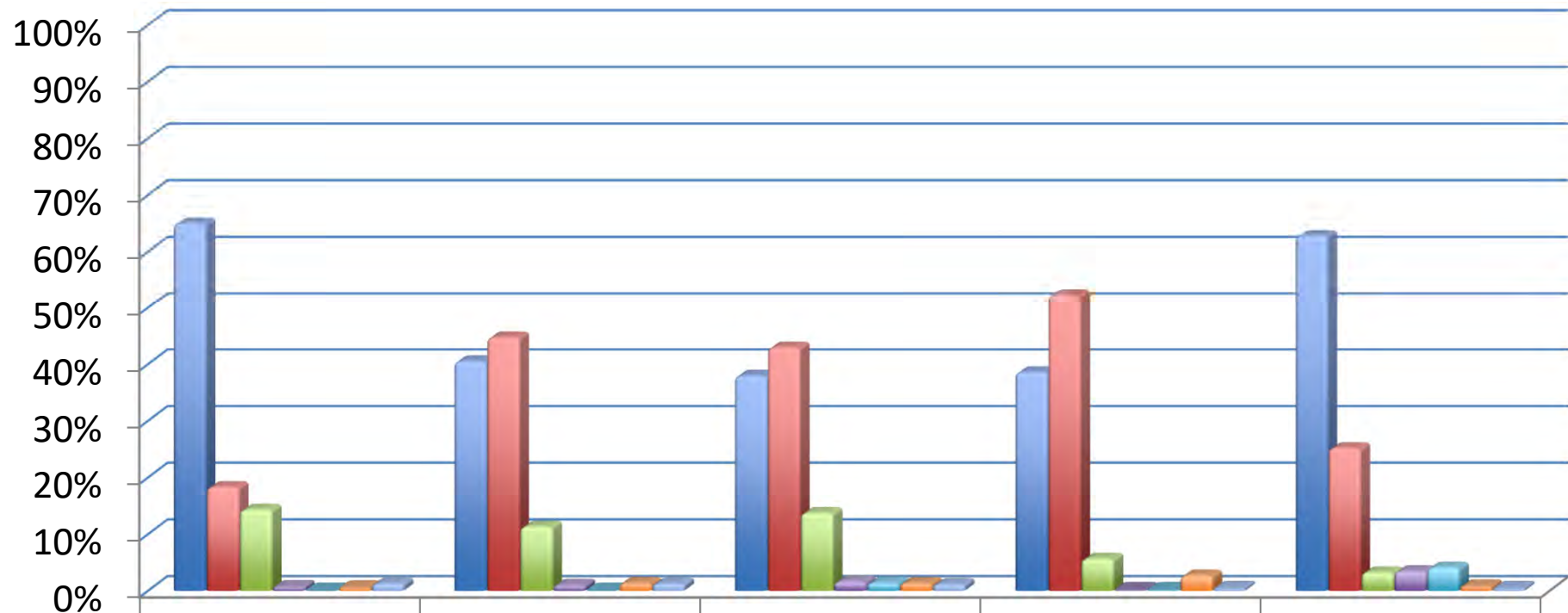
■ None - no formal planning prior to engagement to sell	87%	73%	70%	69%	51%
■ Met with an advisor (Wealth, CPA, Attorney) INCLUDING Broker for retirement needs prior to engaging broker	5%	10%	13%	15%	17%
■ Met with an advisor (Wealth, CPA, Attorney) for retirement needs prior to engaging broker (EXCLUDED Broker)	4%	11%	10%	10%	20%
■ N/A Represented Buyer	4%	6%	7%	5%	11%

Amount Of Exit Planning Prior To Marketing Business



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
■ none	75%	55%	50%	53%	38%
■ less than 1 year	16%	33%	20%	17%	17%
■ between 1 and 2 years	5%	6%	10%	22%	3%
■ between 2 and 3 years	2%	2%	5%	0%	21%
■ between 3 and 5 years	0%	2%	5%	3%	14%
■ greater than 5 years	0%	2%	2%	3%	7%
■ N/A represented buyer	2%	2%	8%	3%	0%

Financing Structure

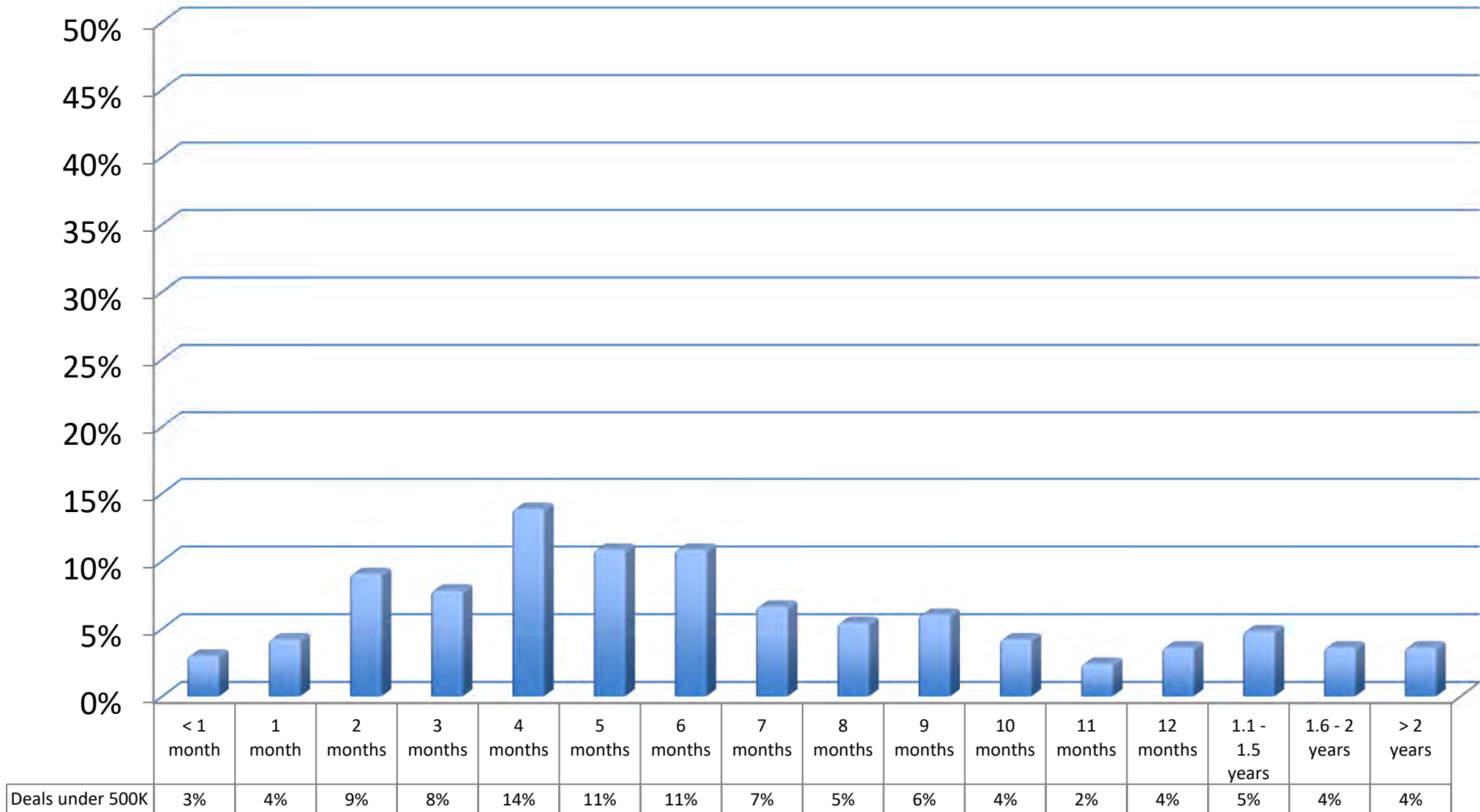


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Buyers equity	65%	40%	38%	39%	63%
Senior debt	18%	45%	43%	52%	25%
Seller financing	14%	11%	14%	6%	3%
Earn out	1%	1%	2%	0%	3%
Seller retained equity	0%	0%	1%	0%	4%
Mezzanine financing	1%	1%	1%	3%	1%
Other	1%	1%	1%	0%	0%

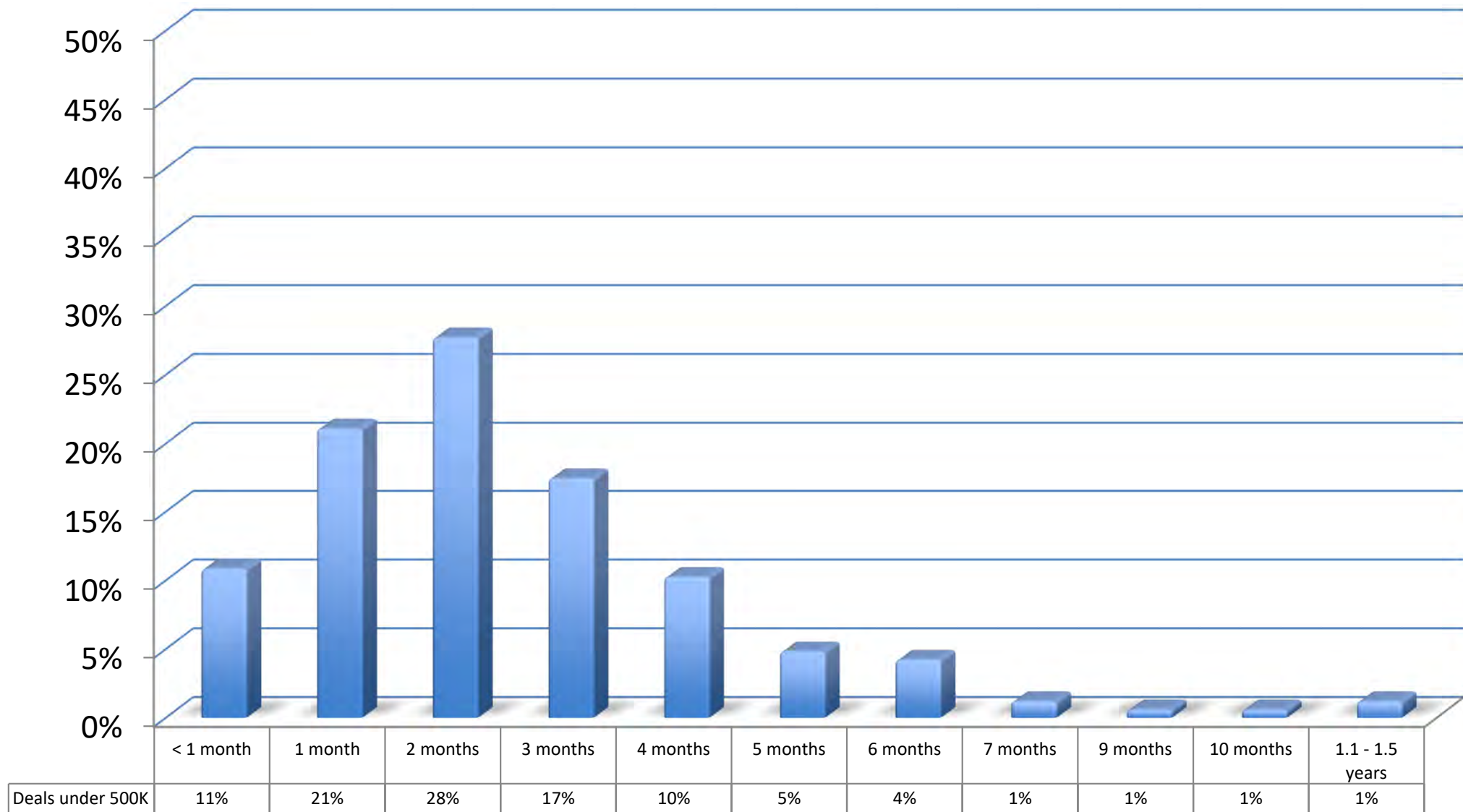
Business Transactions Valued under \$499,999

Number of Closed Transactions: 166

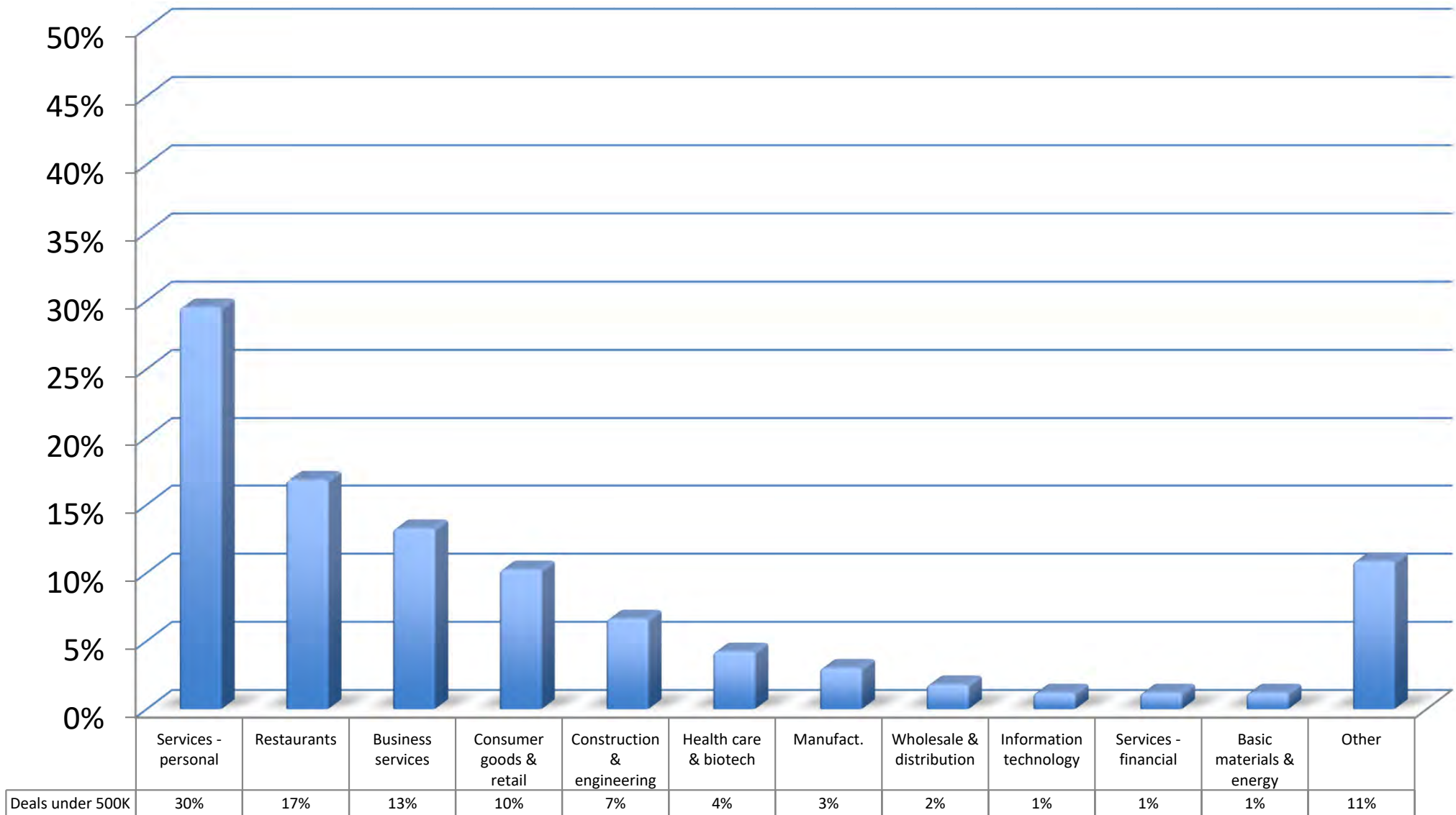
Engagement/Listing to Close



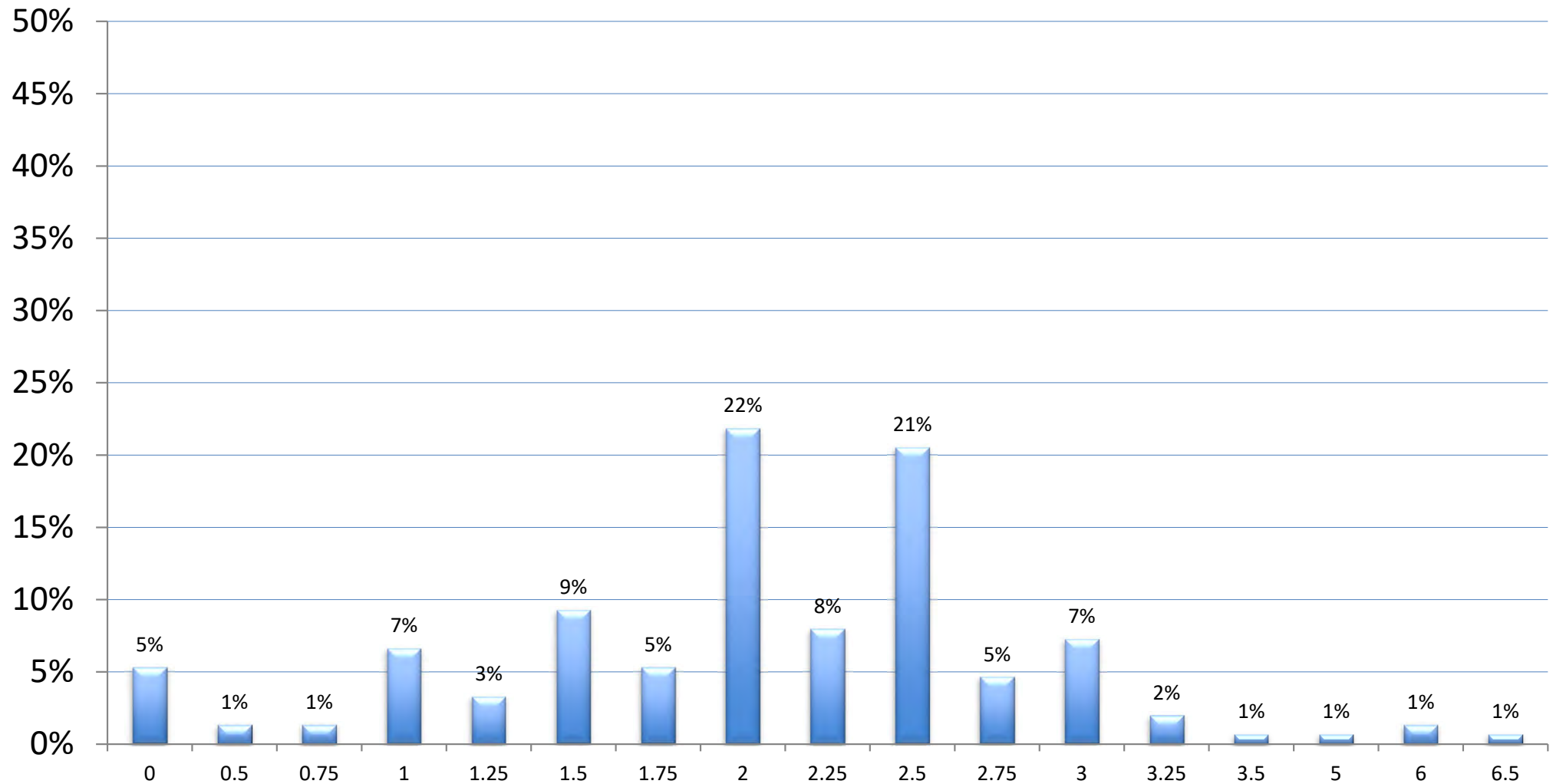
LOI/ Offer to Close



Industry

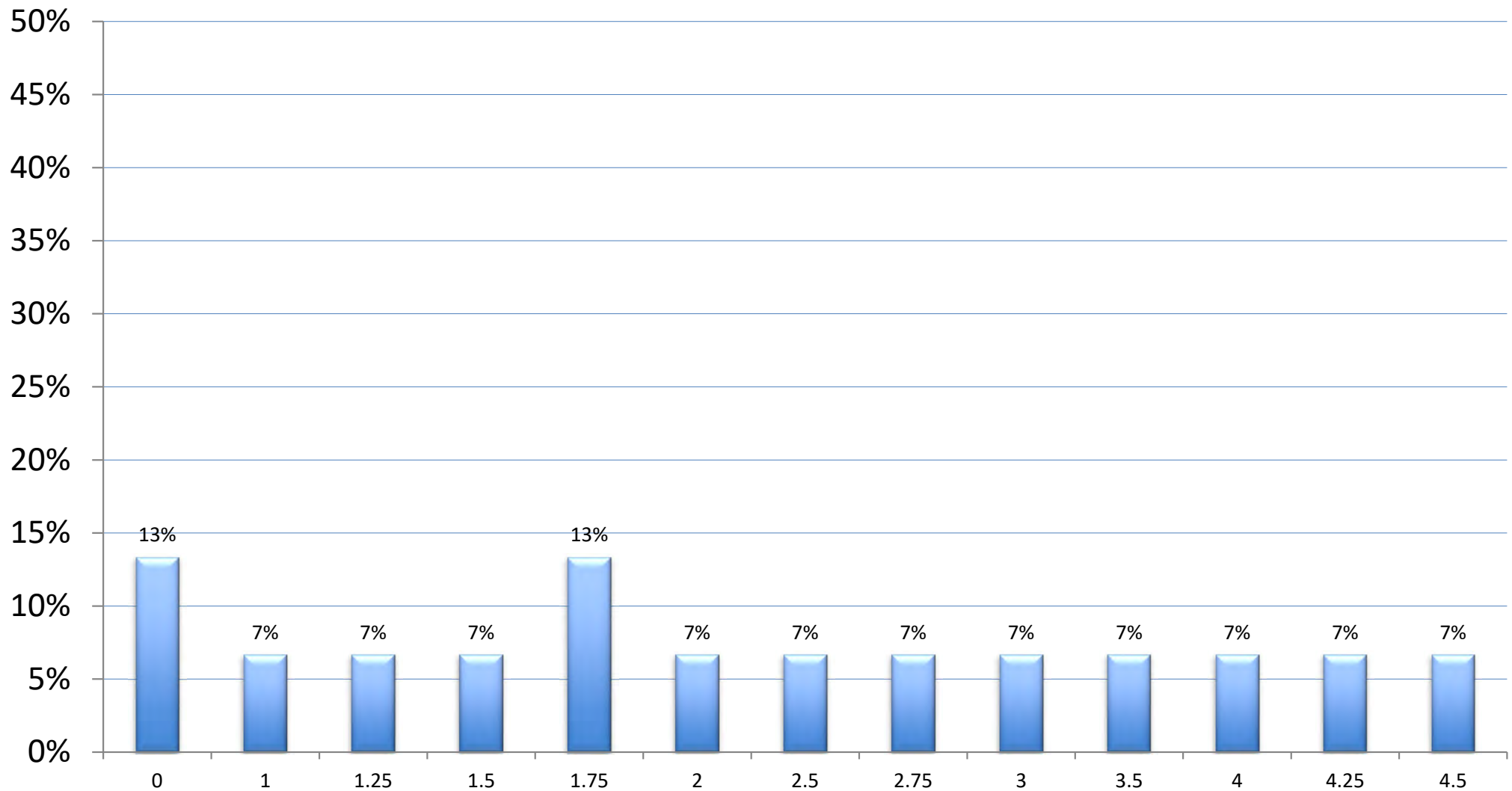


SDE Multiple Paid



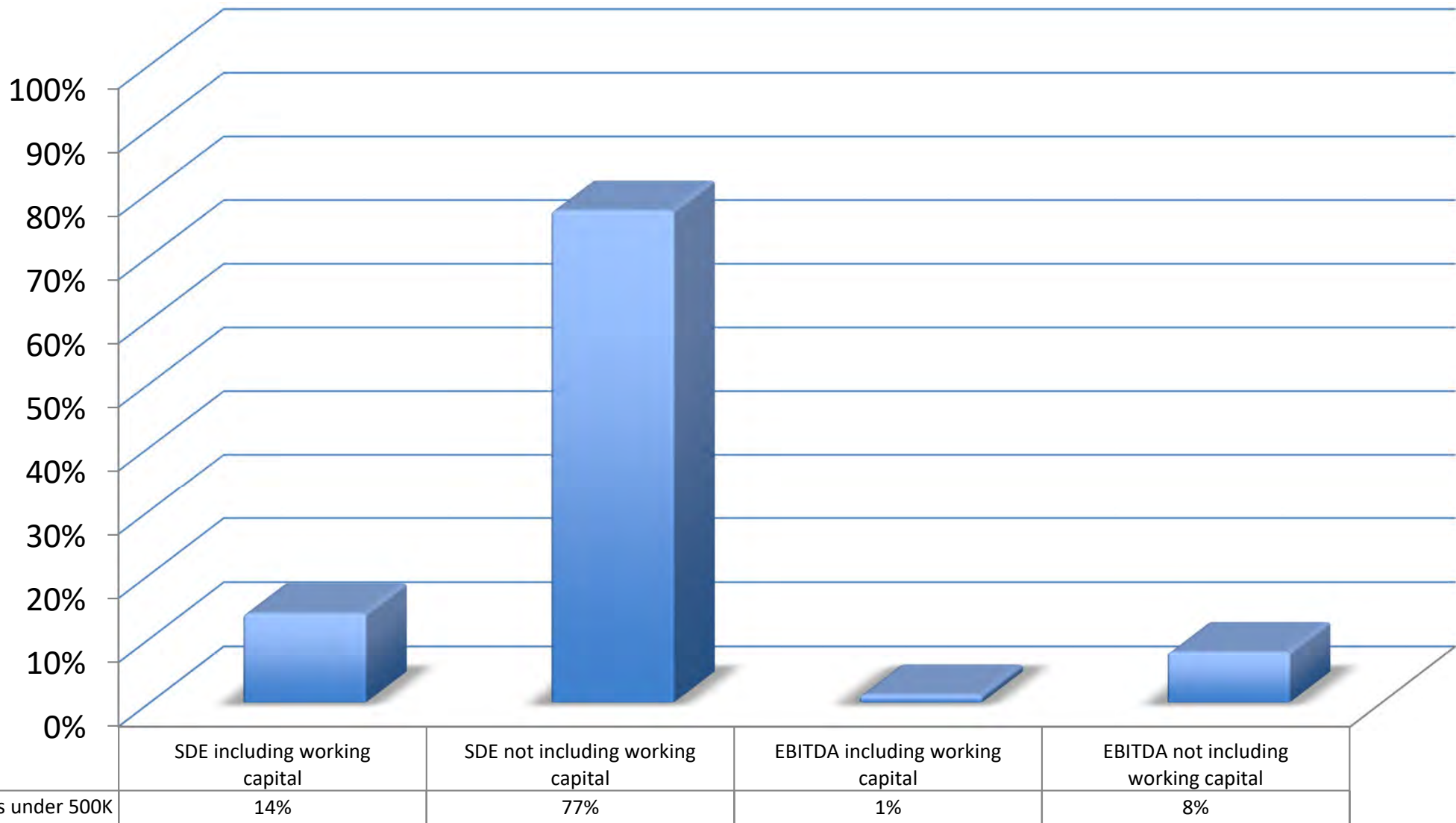
Number of responses: 151

EBITDA Multiple Paid

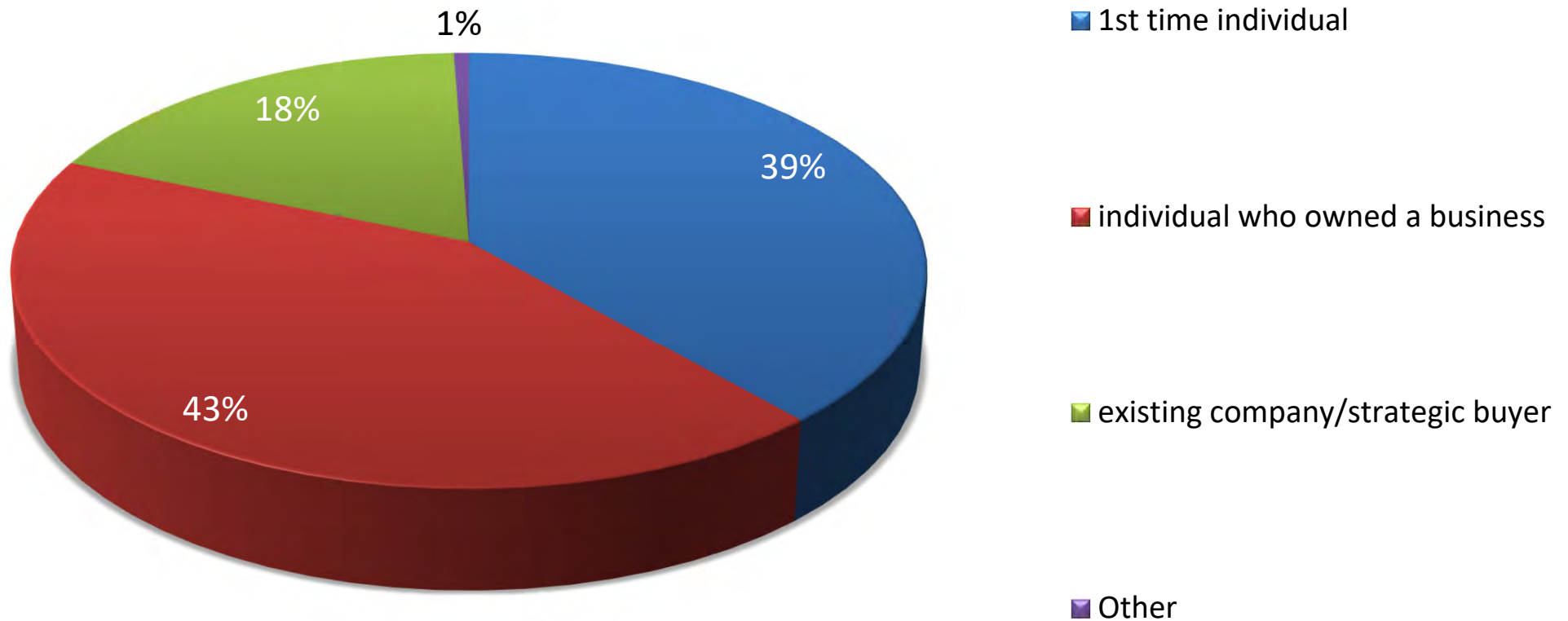


Number of responses: 15

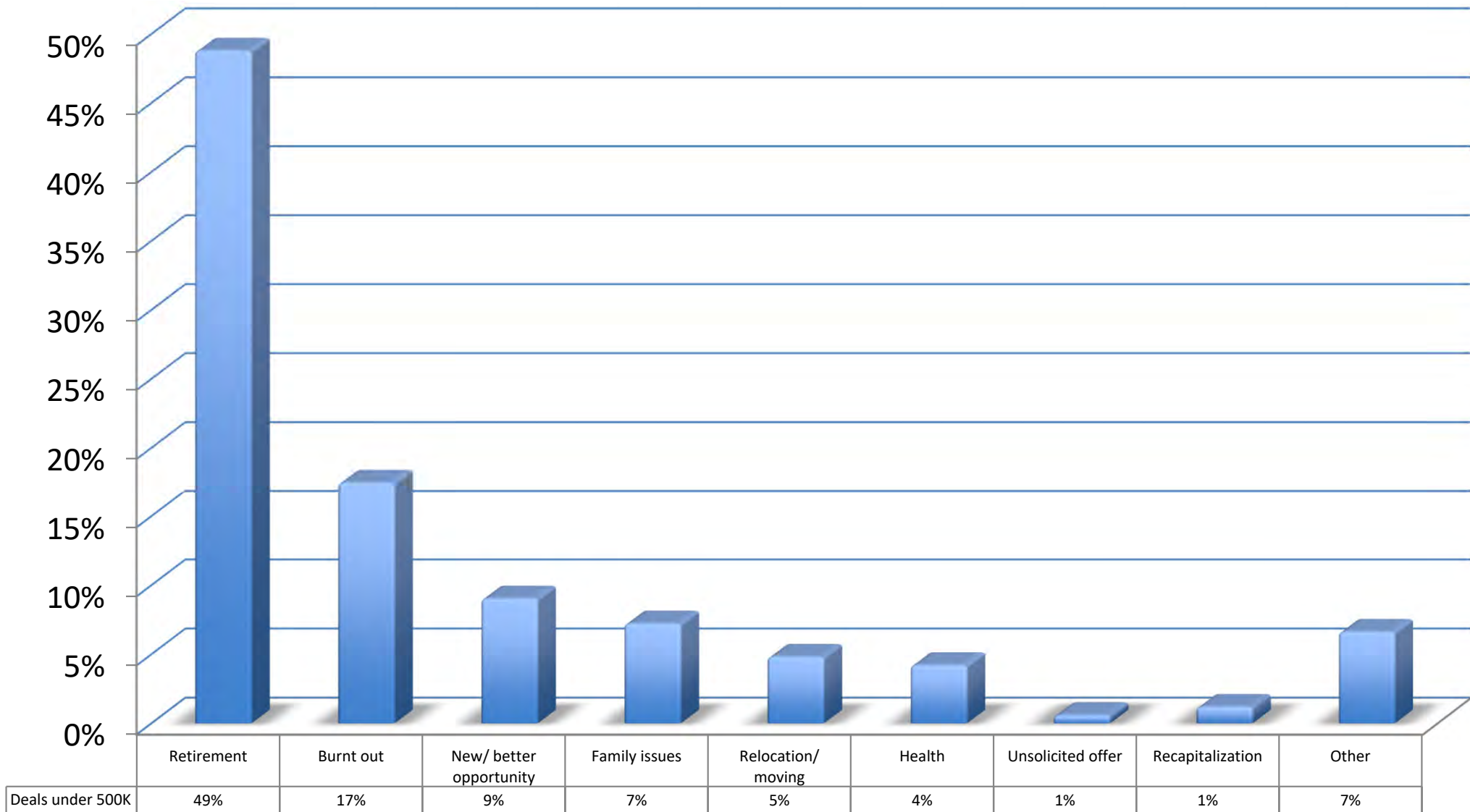
Multiple Type



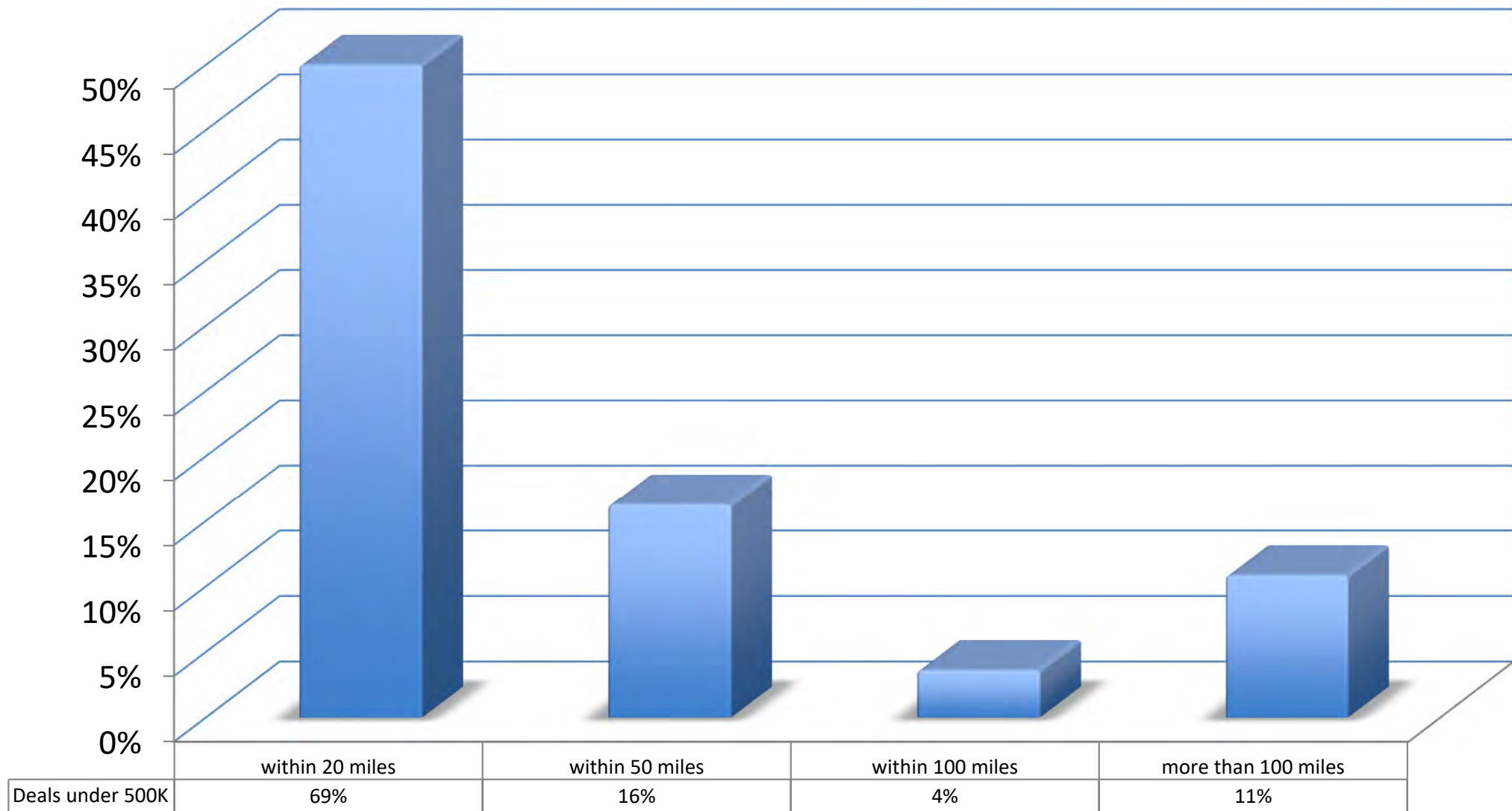
Buyer Type



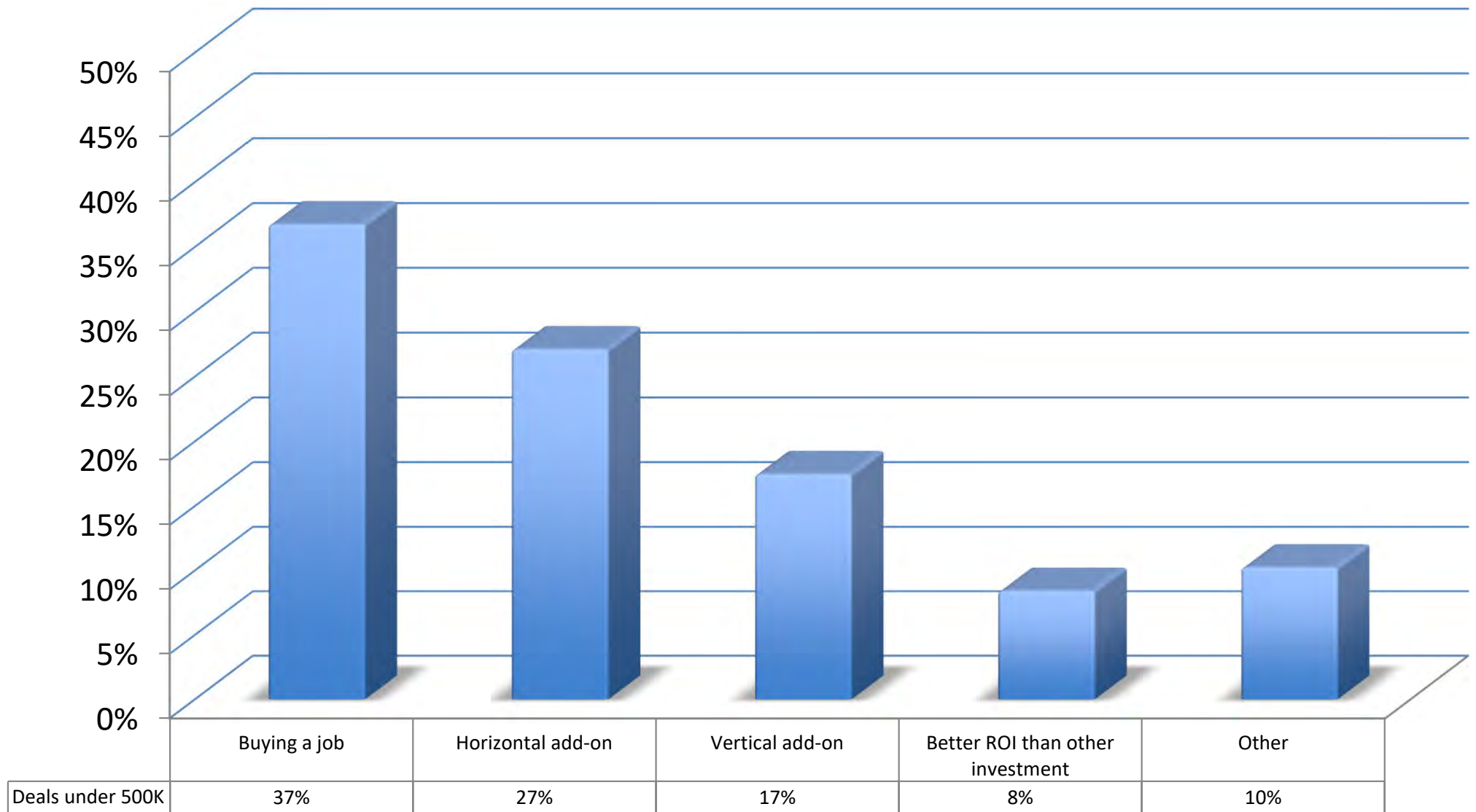
#1 Reason for Seller to Go to Market



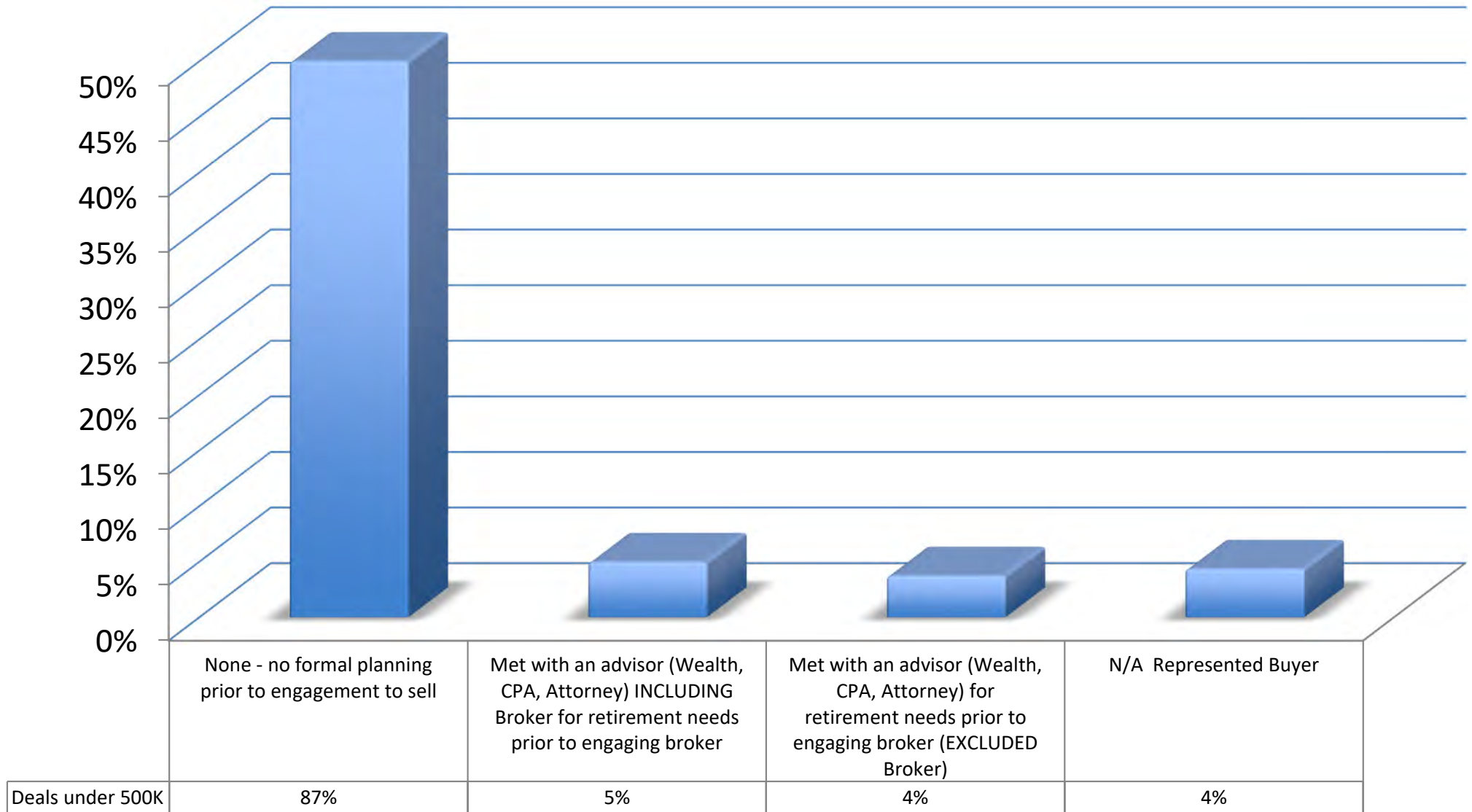
Buyer Location



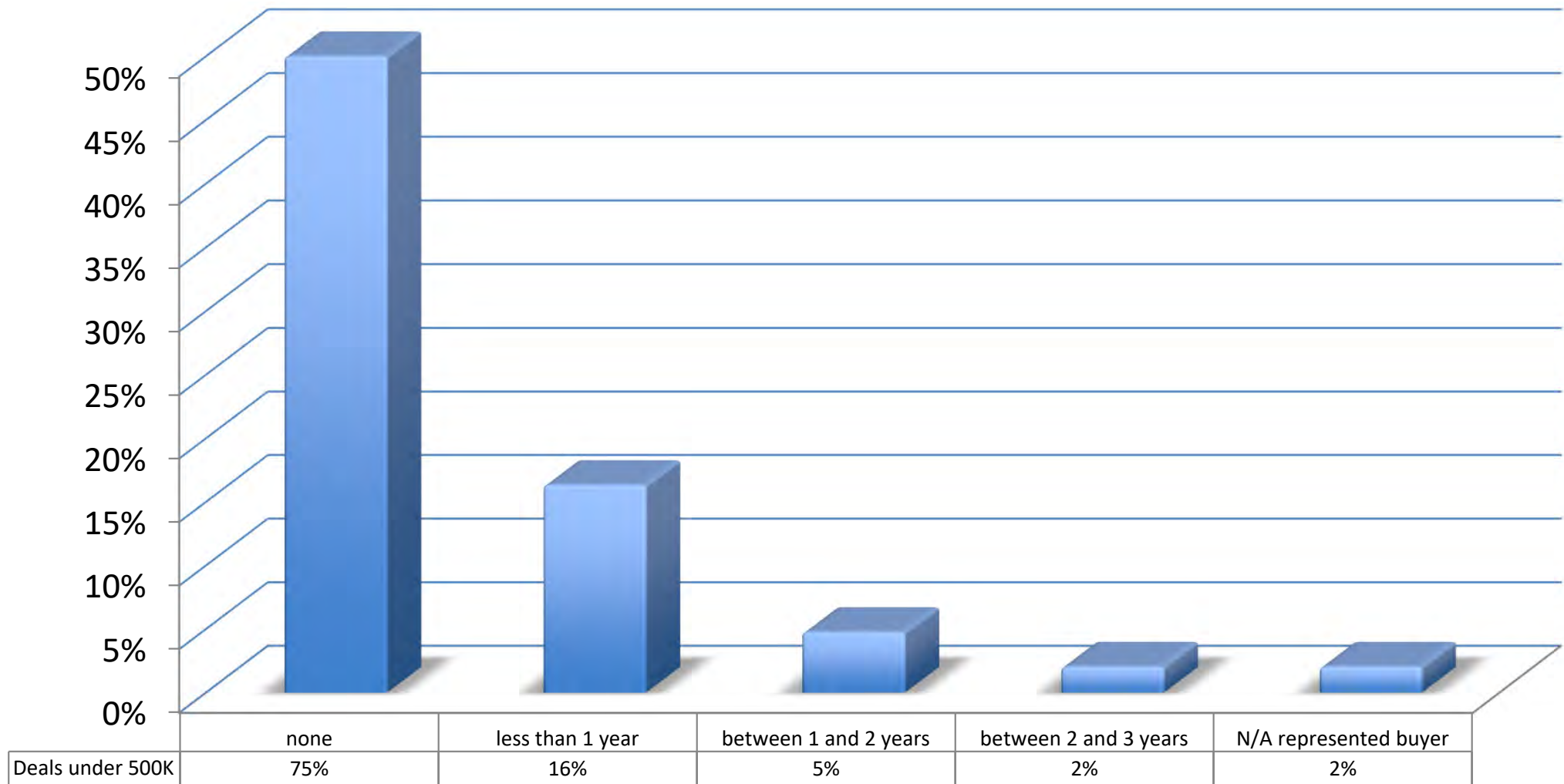
#1 Motivation for Buyer



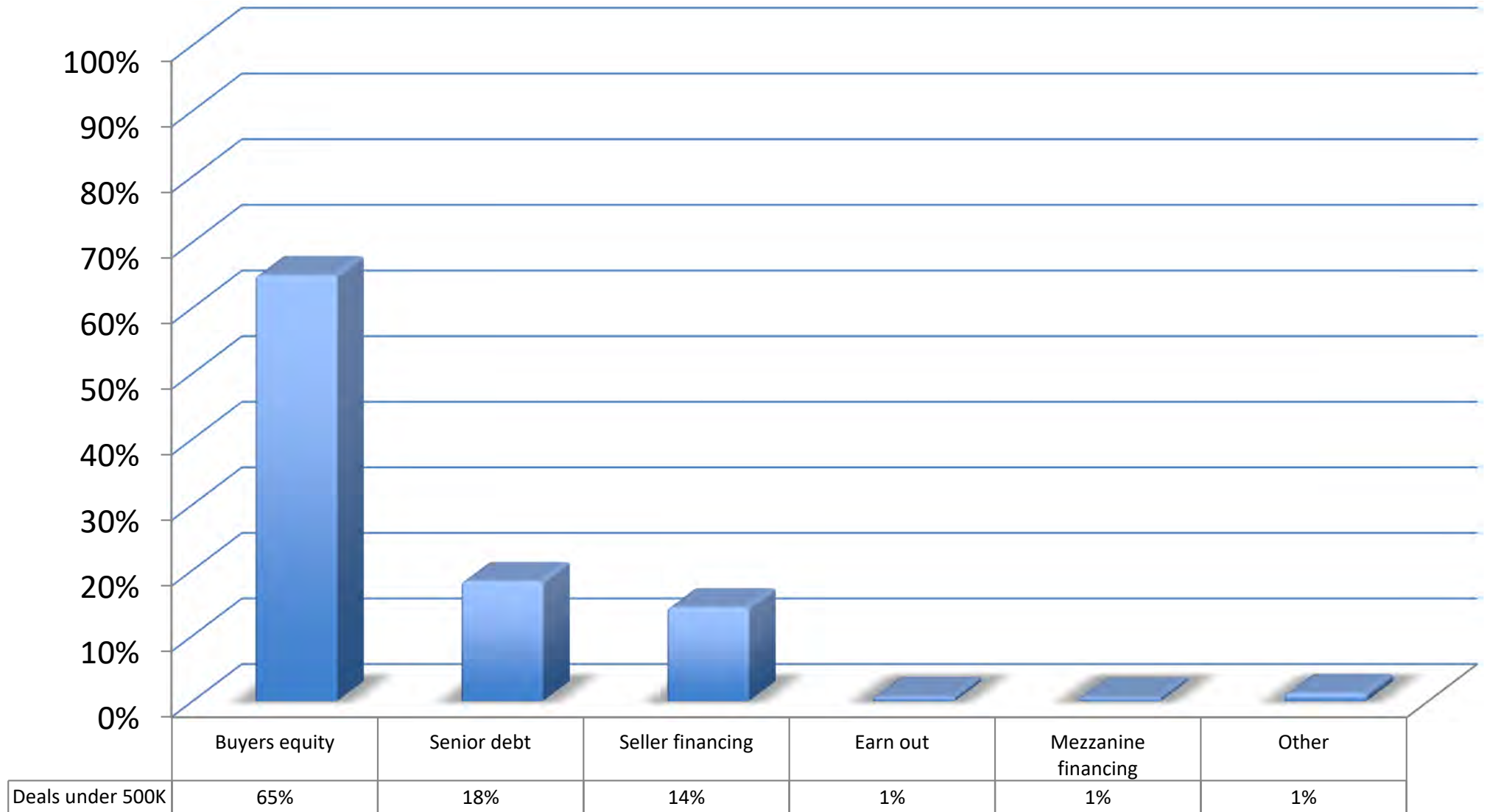
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

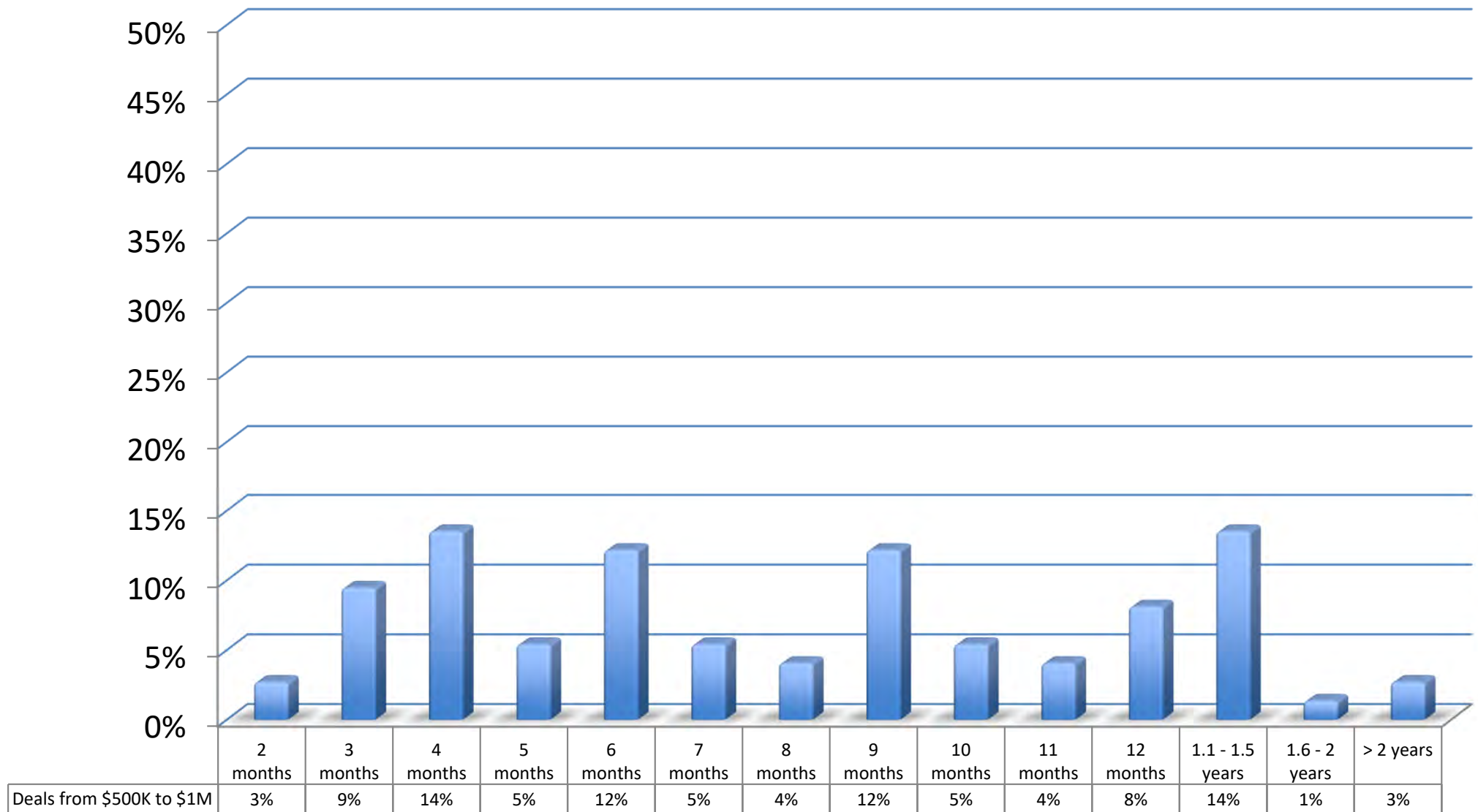


Financing Structure

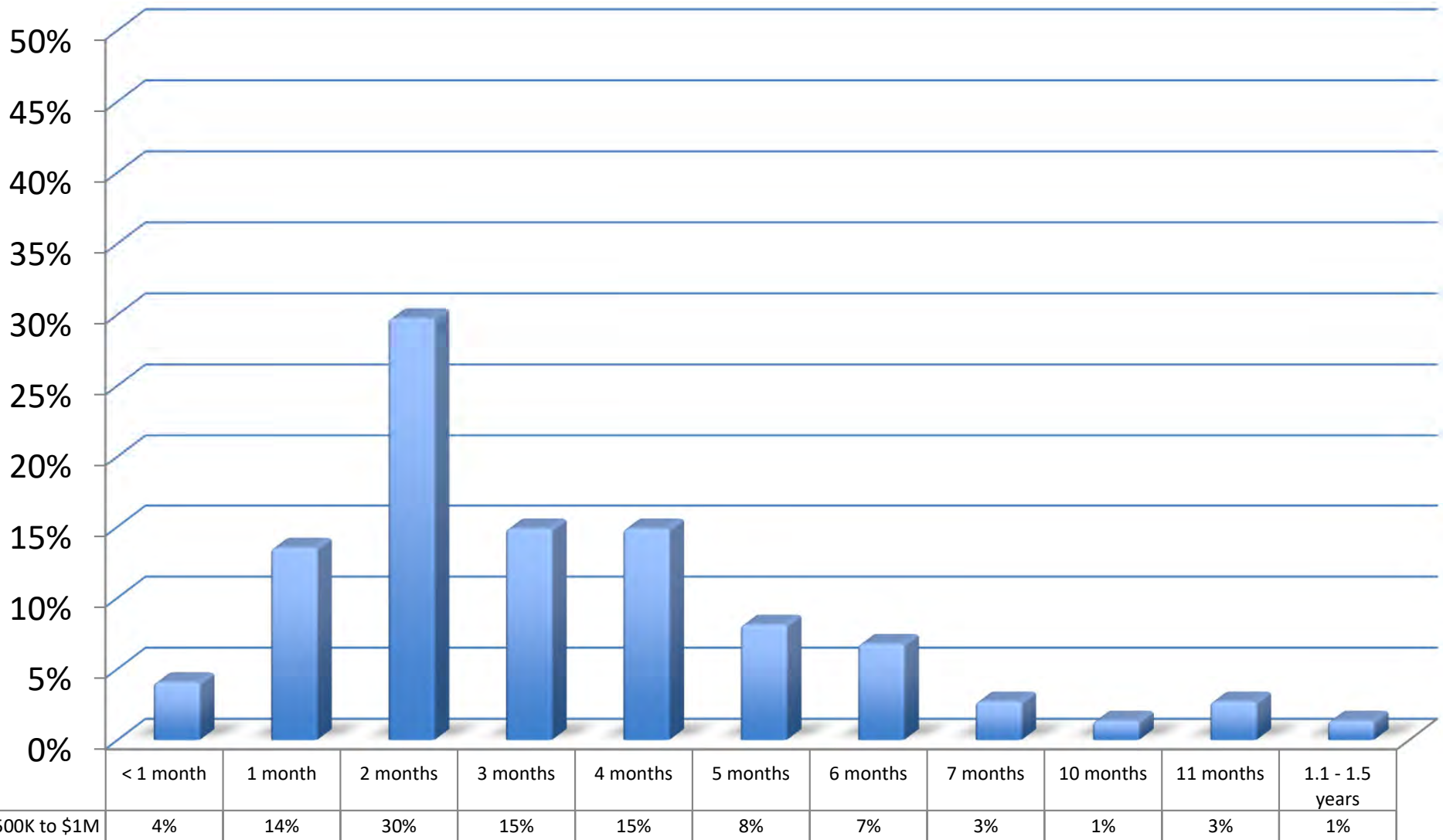


Business Transactions Valued
from \$500,000 to \$999,999
Number of Closed Transactions: 74

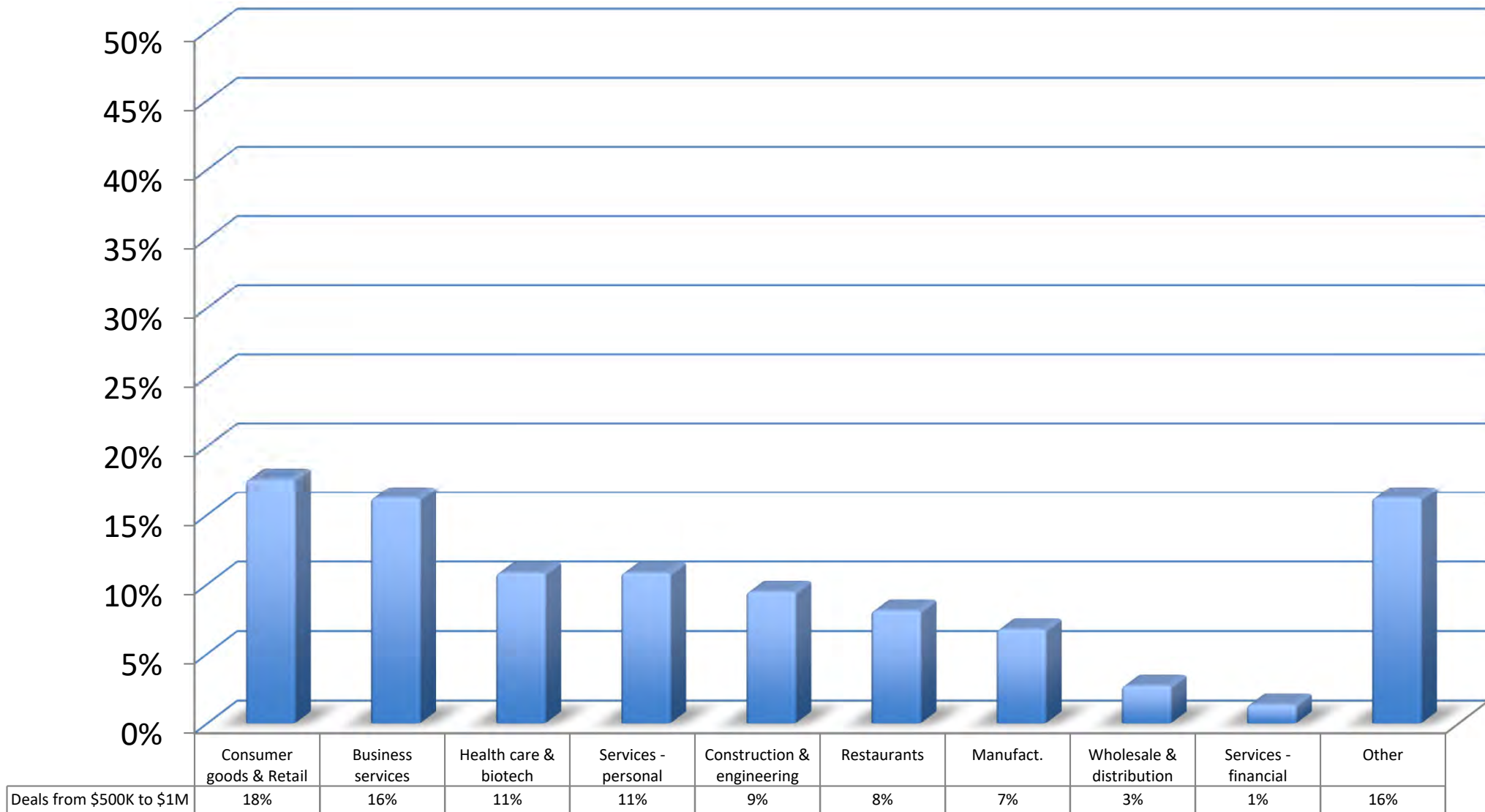
Engagement/Listing to Close



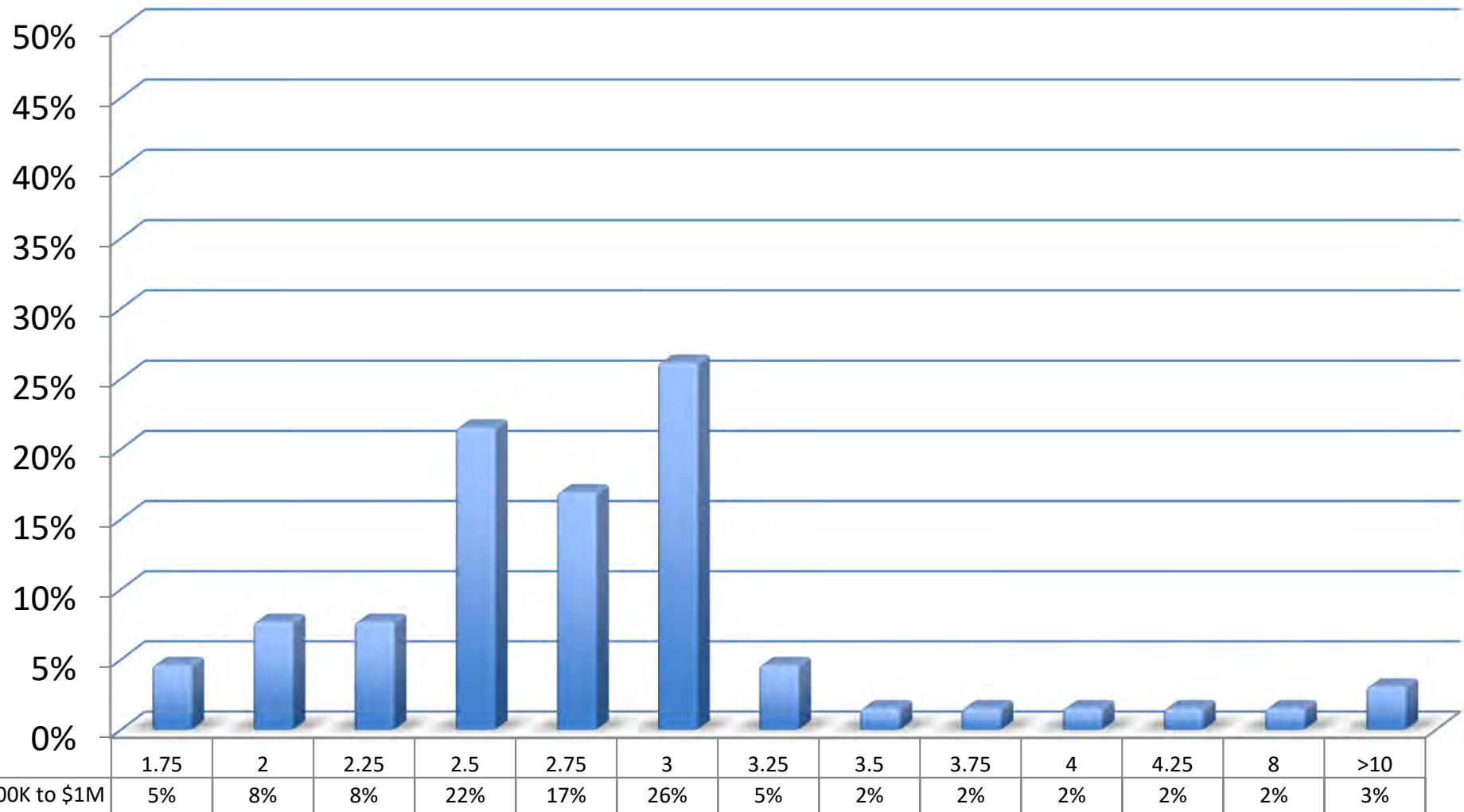
LOI/ Offer to Close



Industry

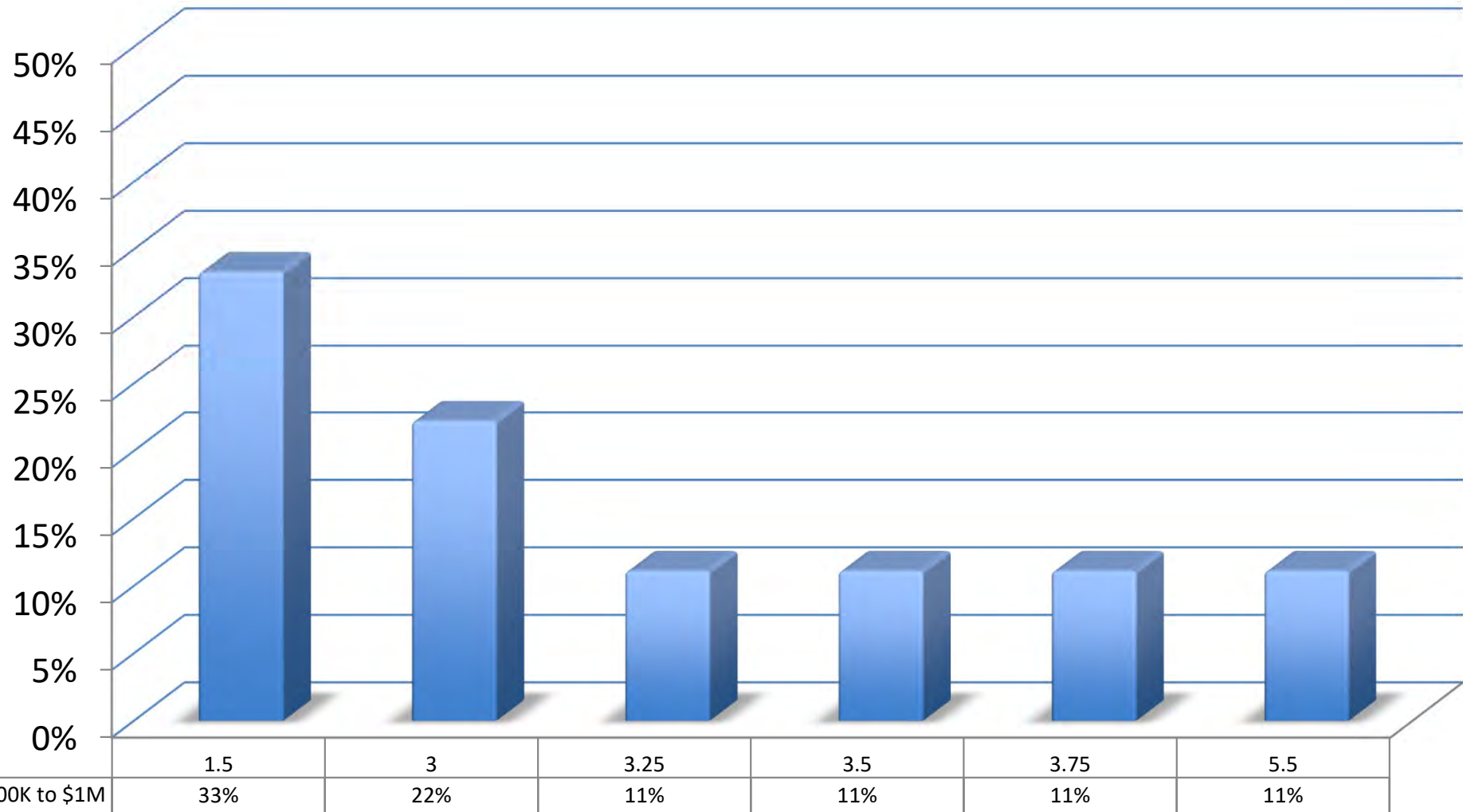


SDE Multiple Paid



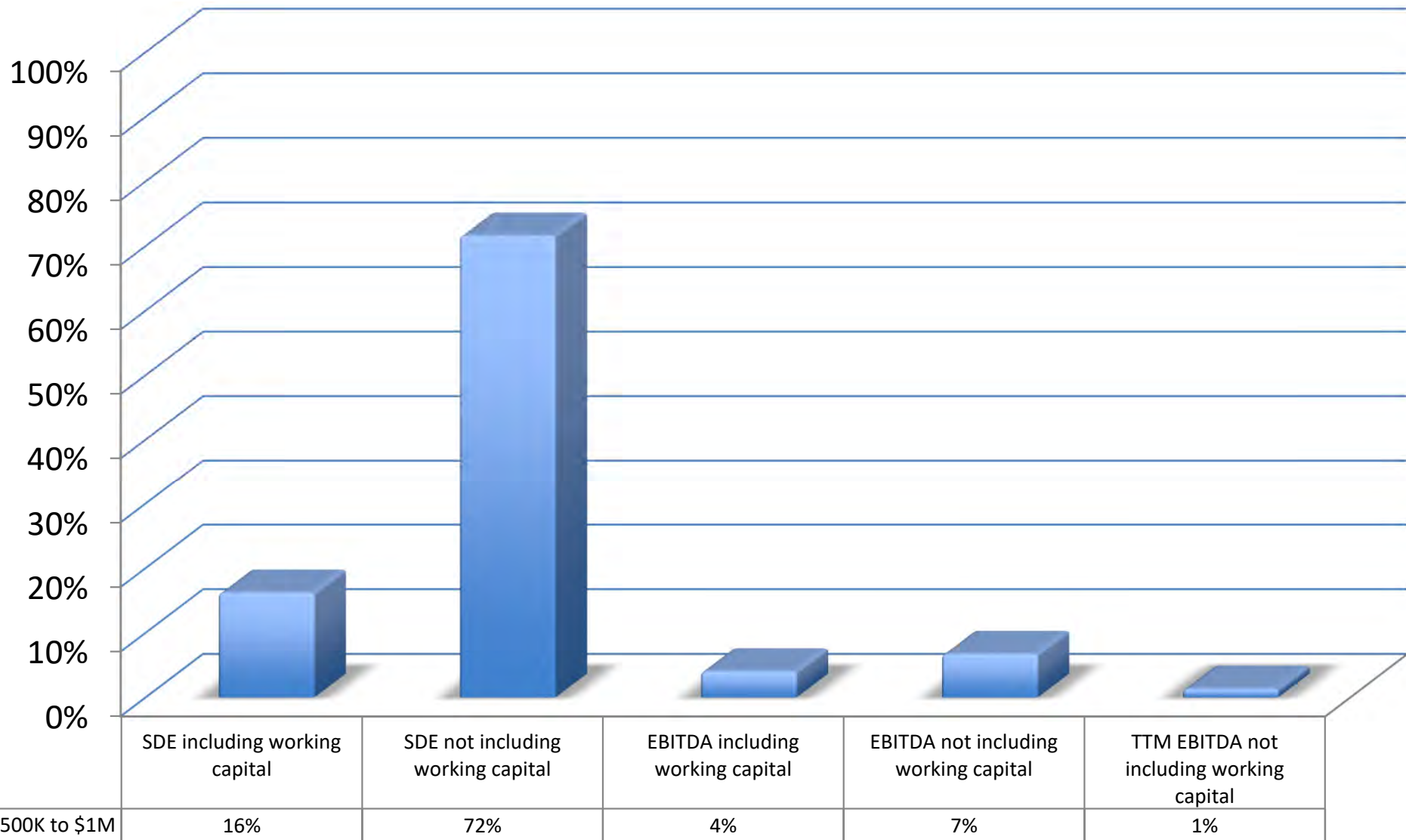
Number of responses: 65

EBITDA Multiple Paid

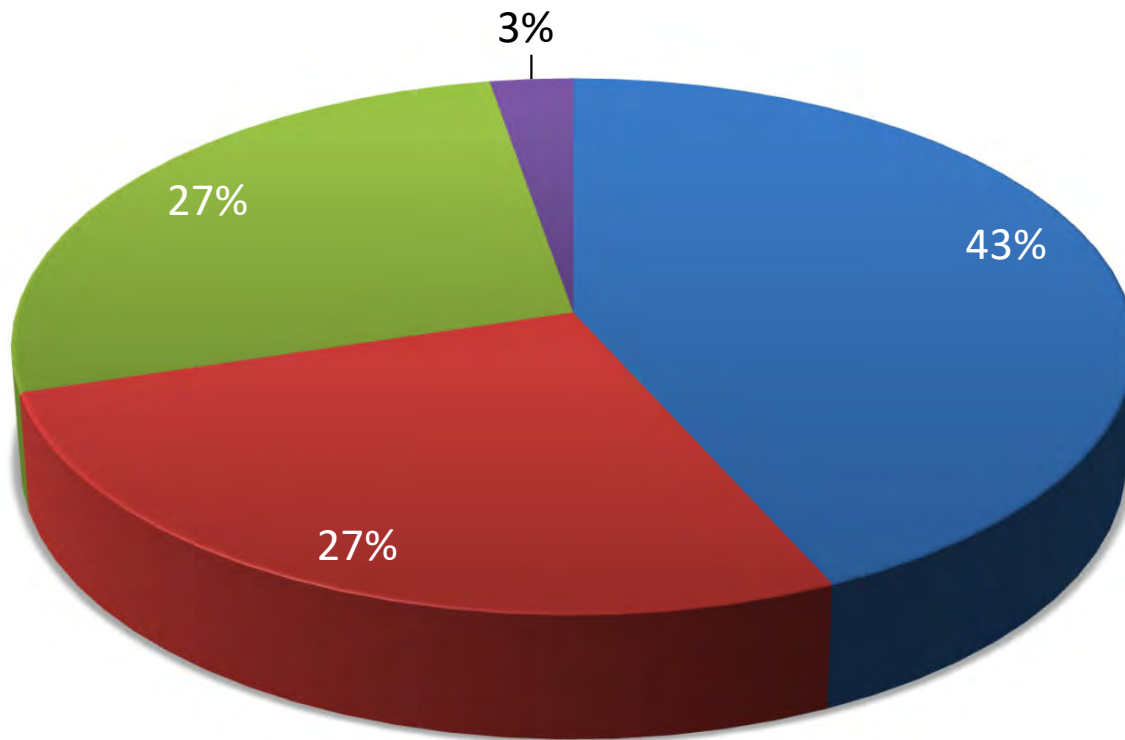


Number of responses: 9

Multiple Type



Buyer Type



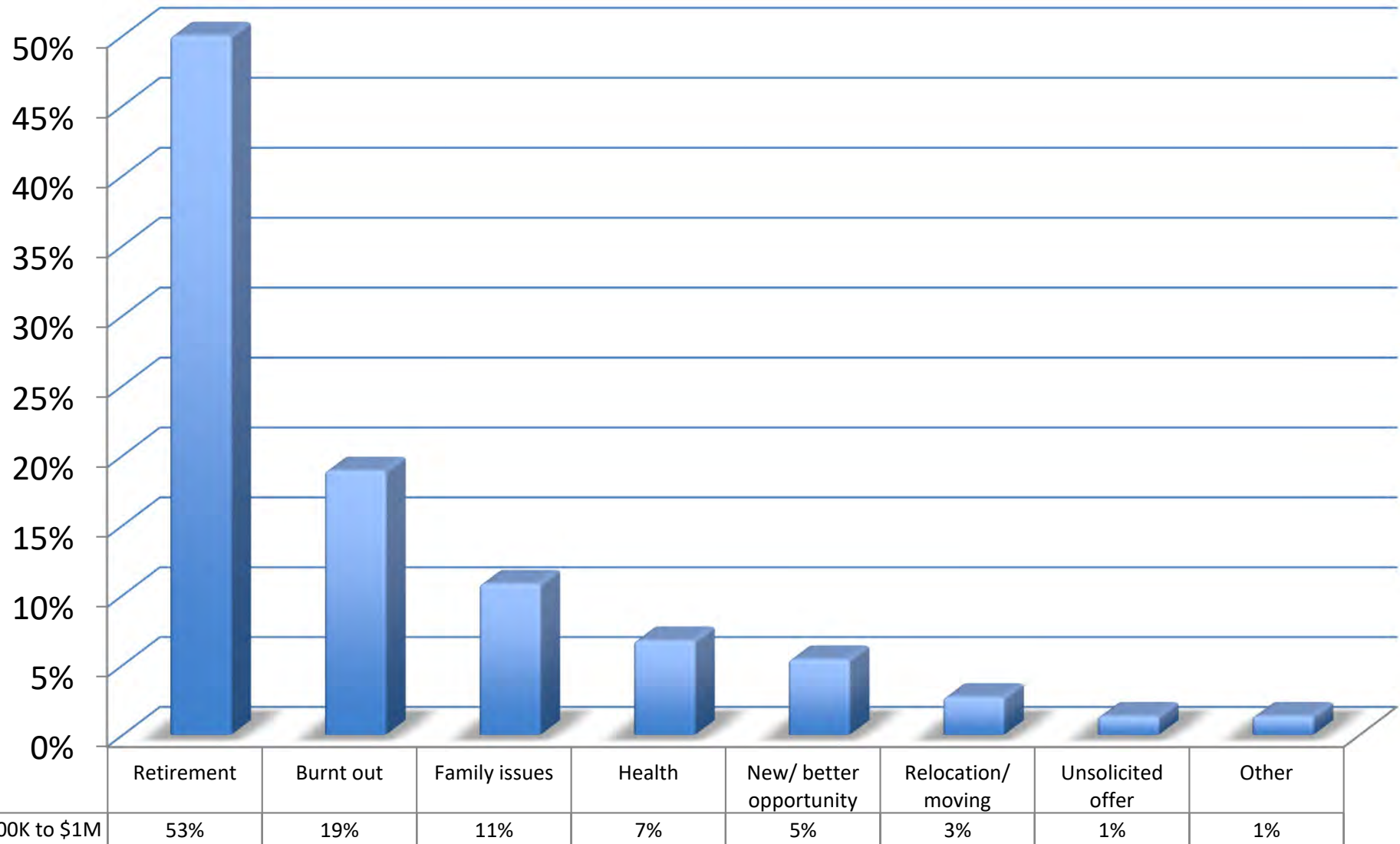
■ 1st time individual

■ individual who owned a business

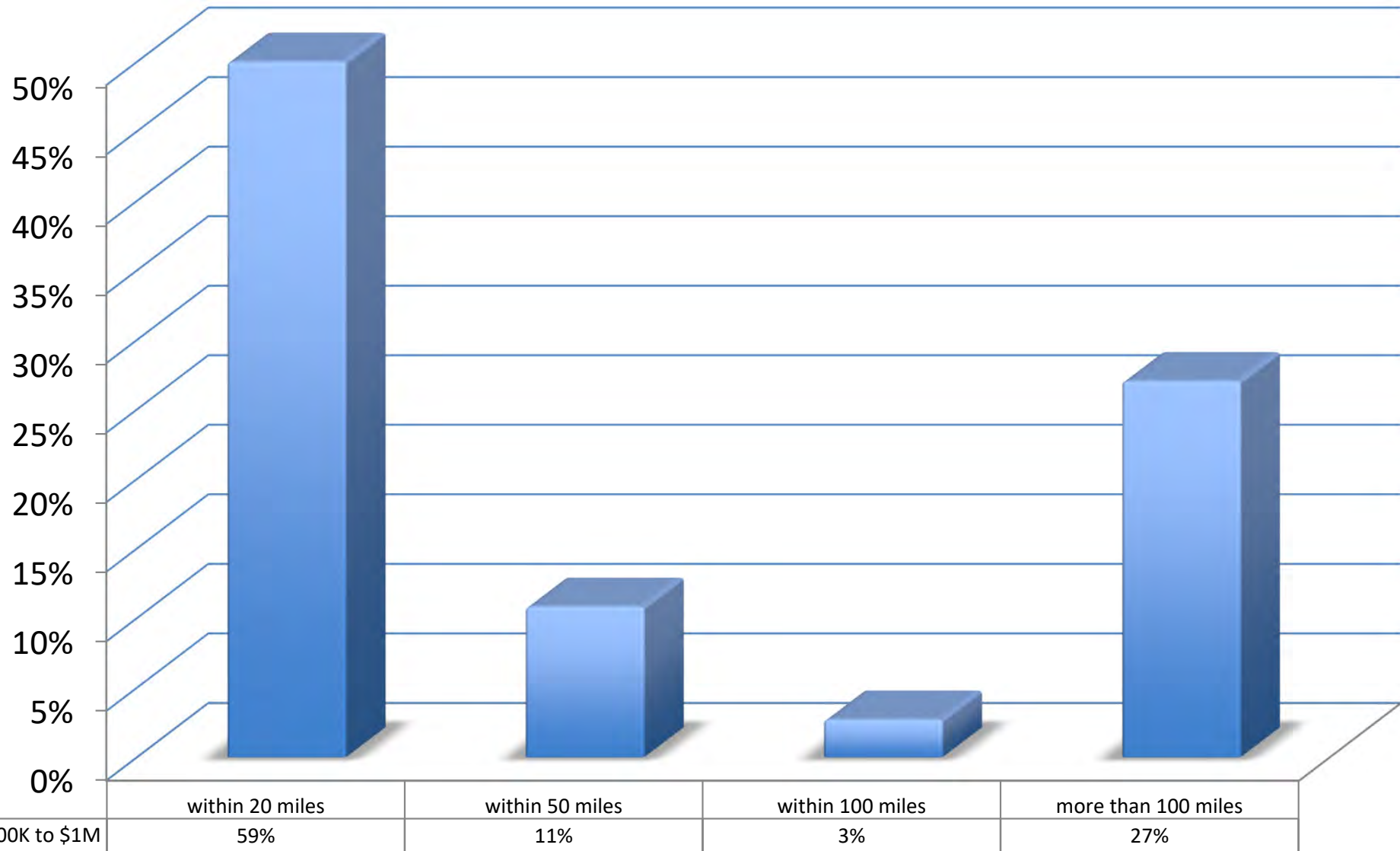
■ existing company/strategic buyer

■ PE firm - Add-on

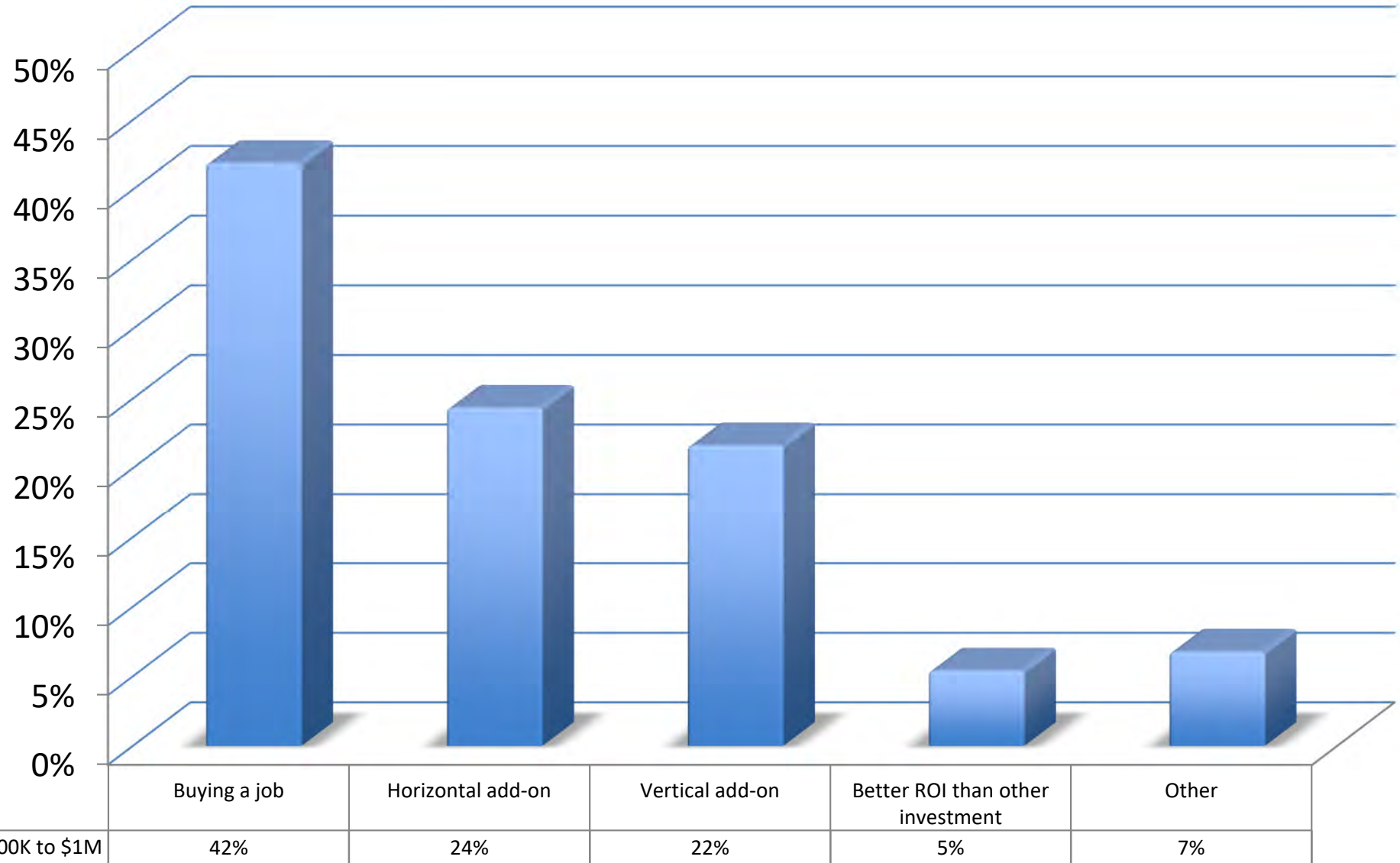
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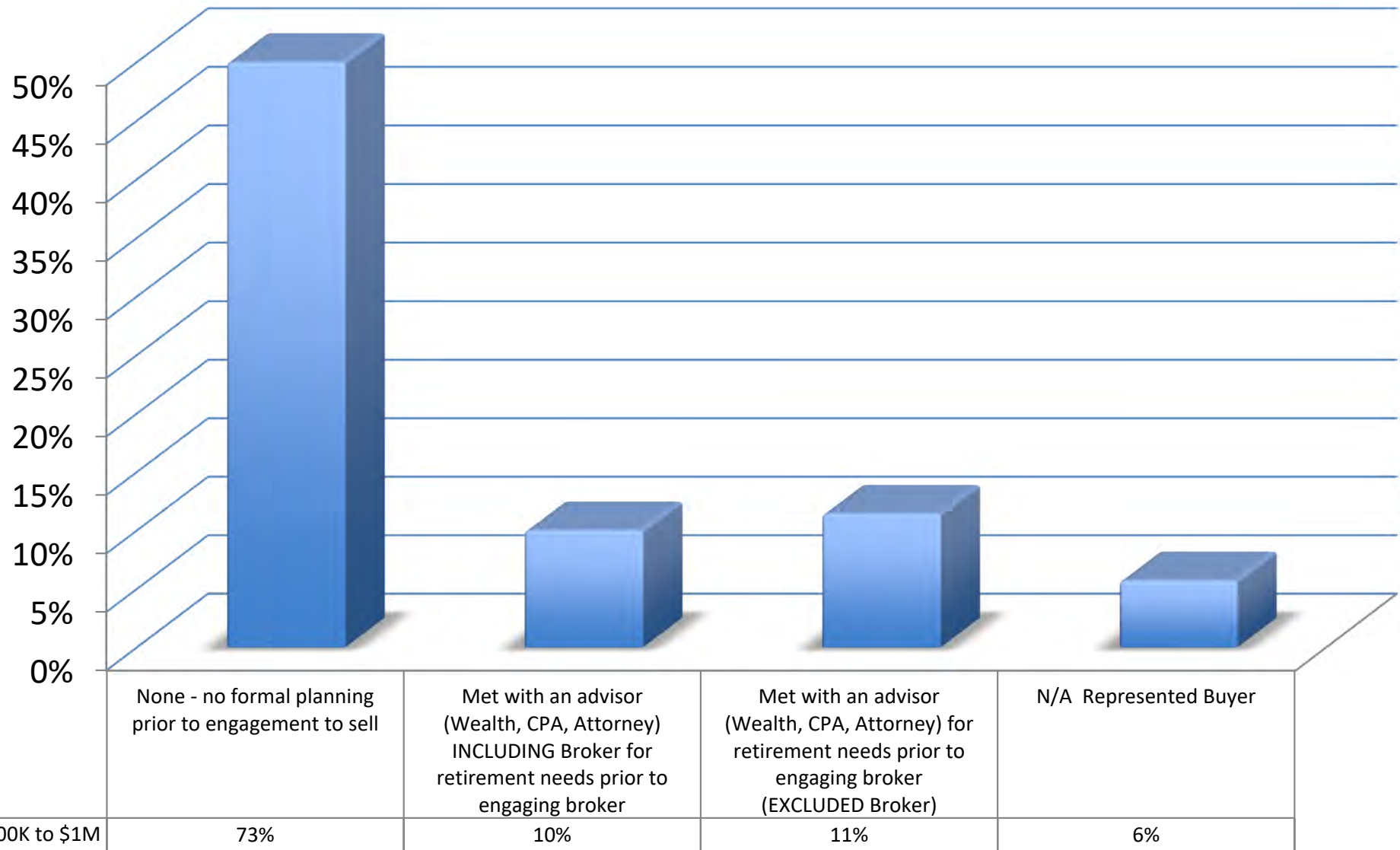
Buyer Location



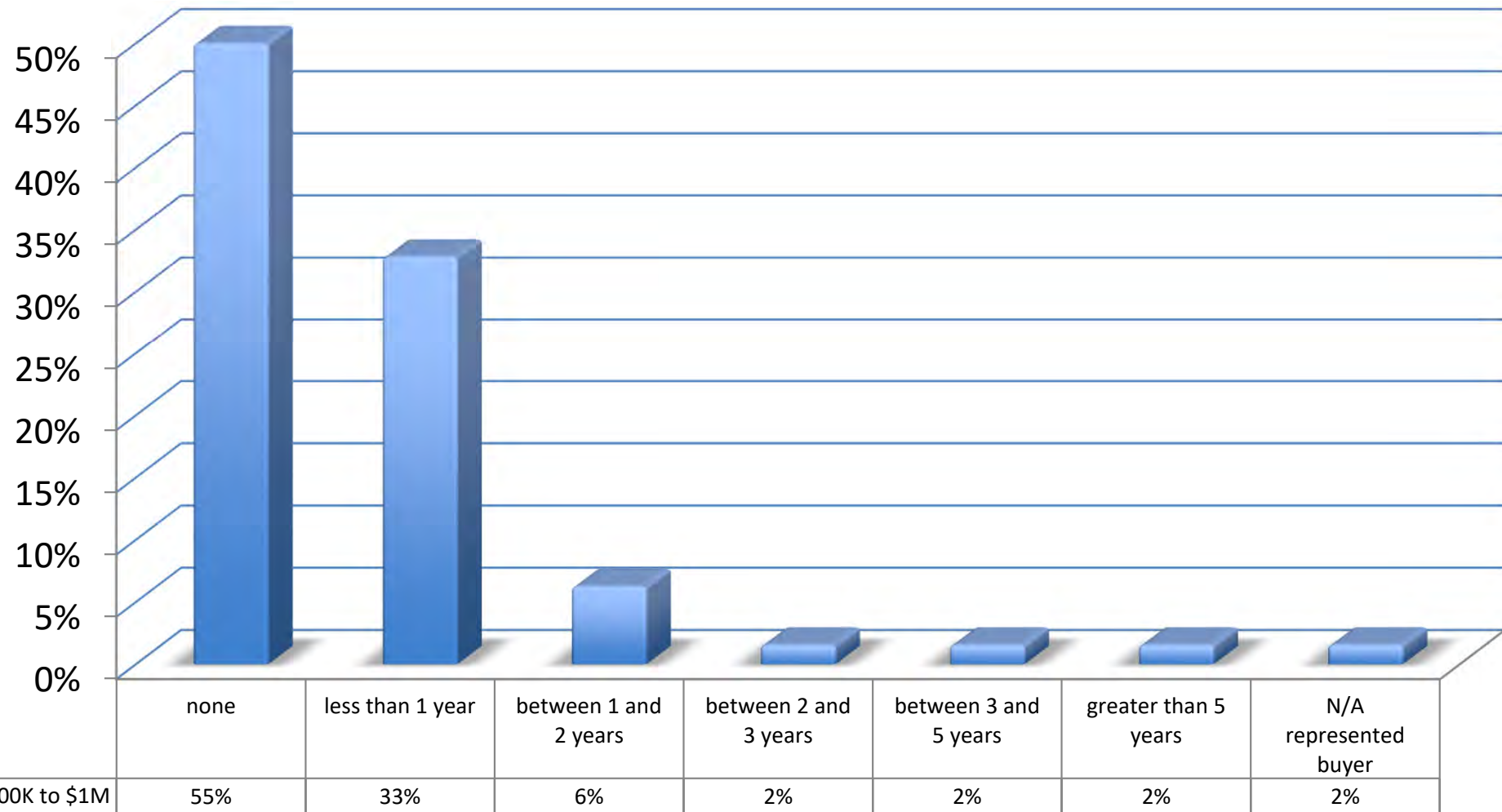
#1 Motivation for Buyer



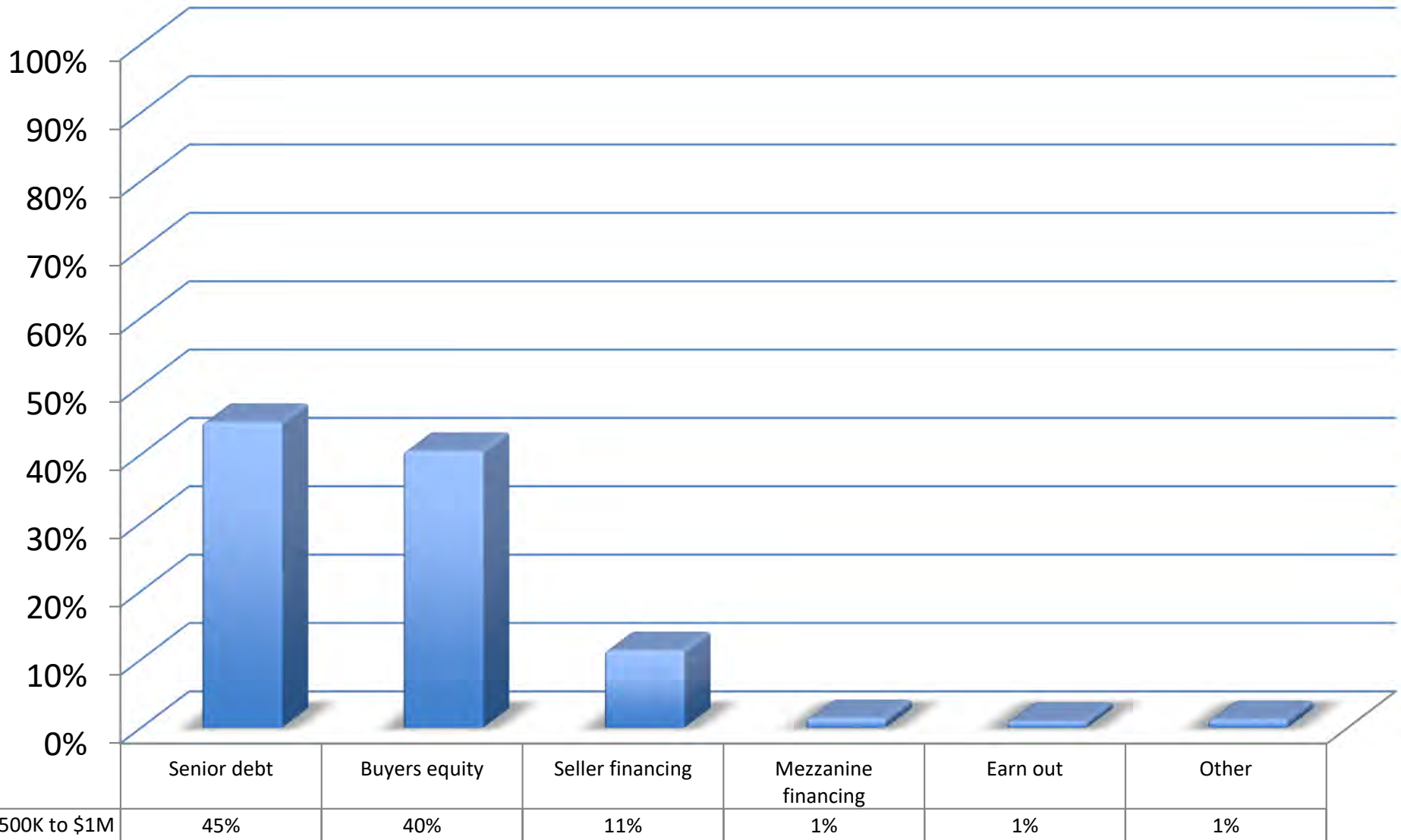
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

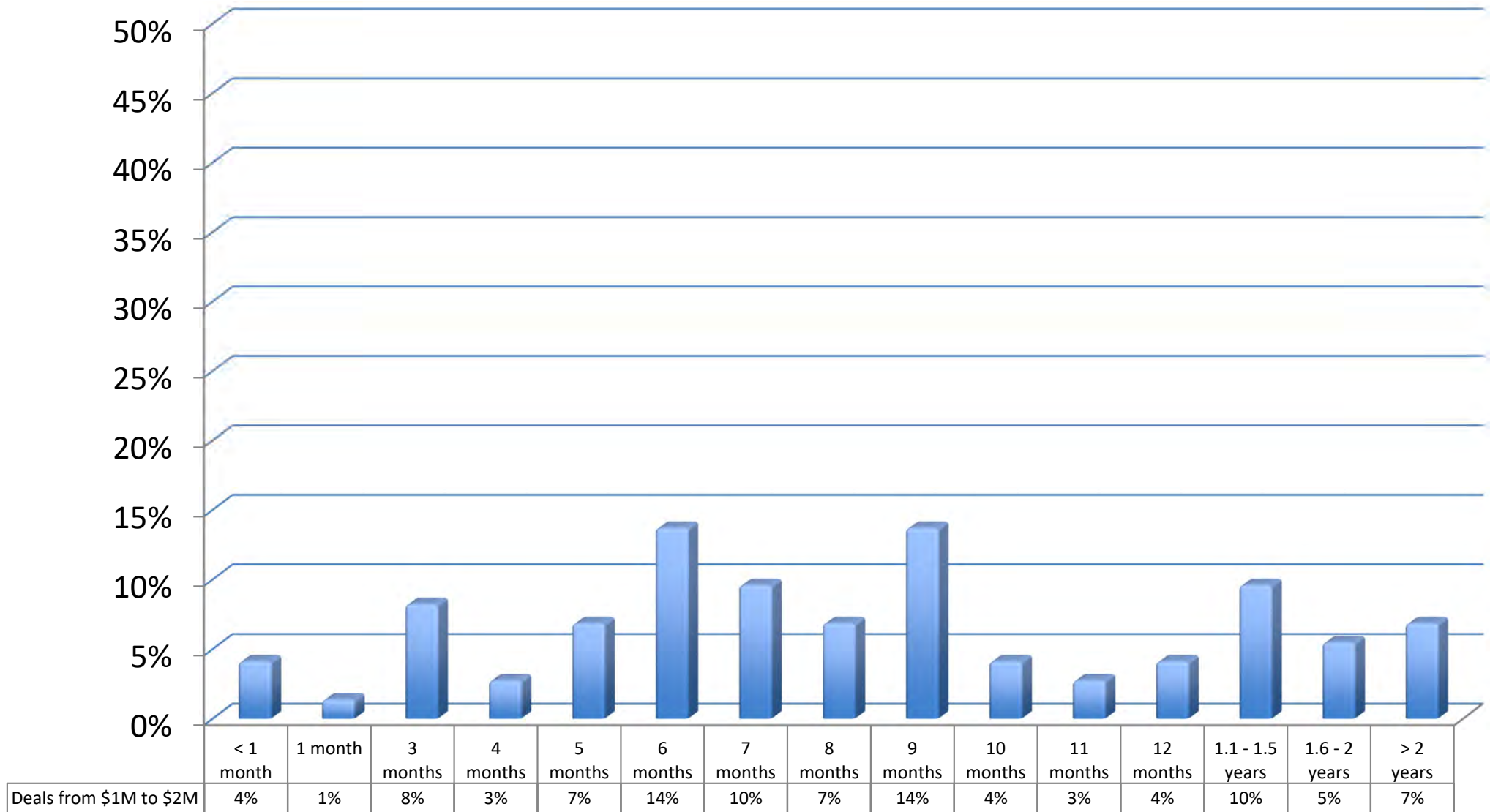


Financing Structure

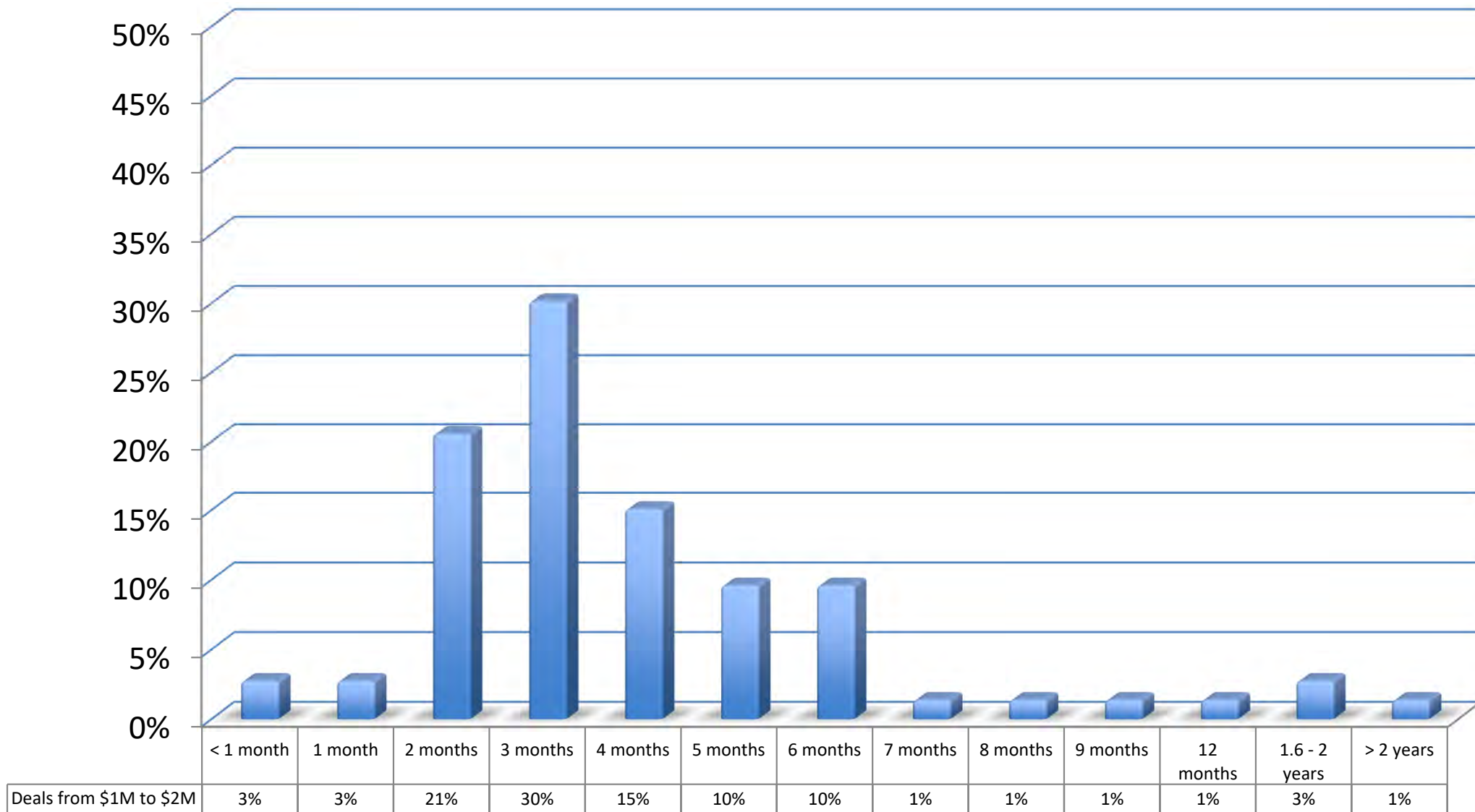


Business Transactions Valued
from \$1 Million to \$1.99 Million
Number of Closed Transactions: 73

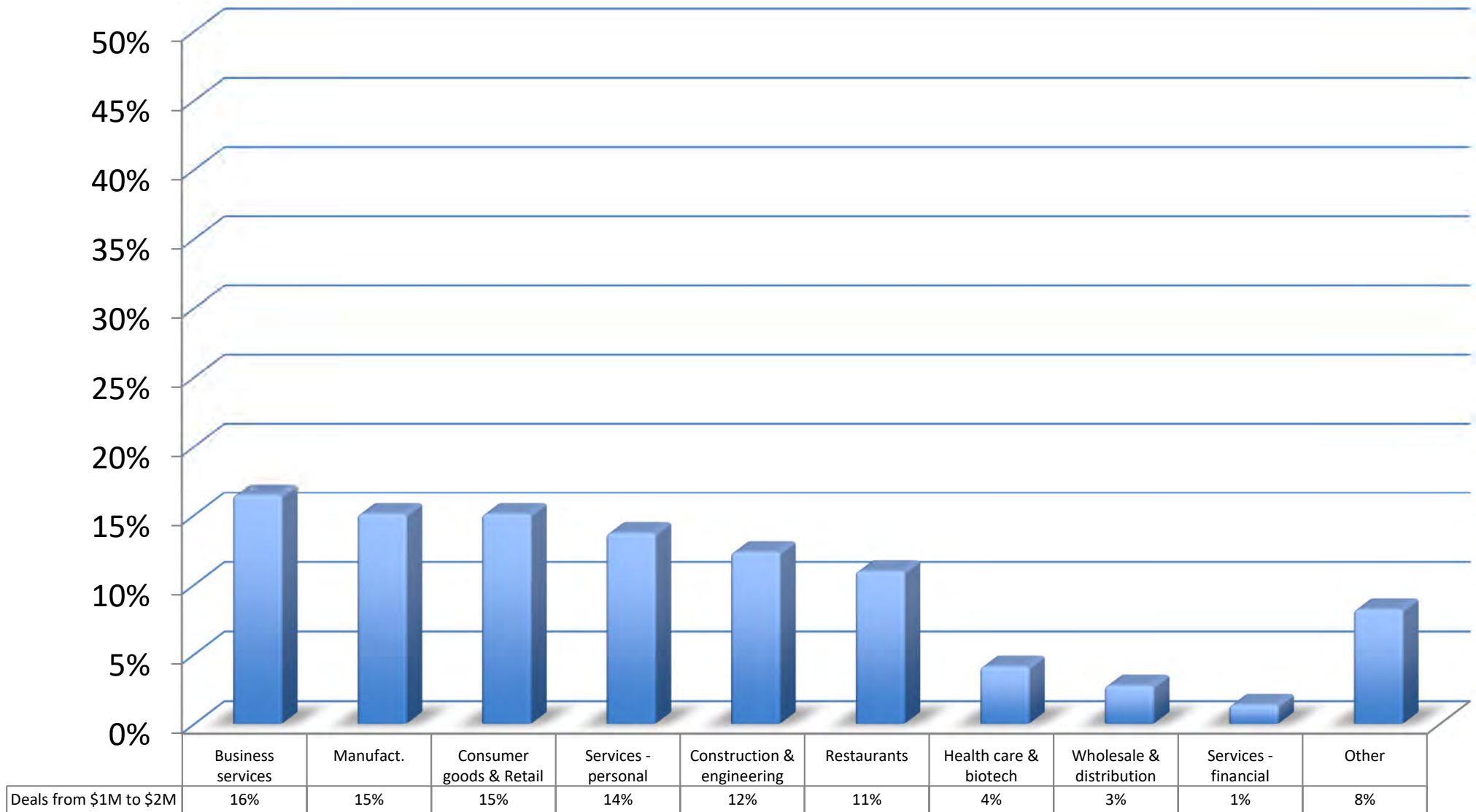
Engagement/Listing to Close



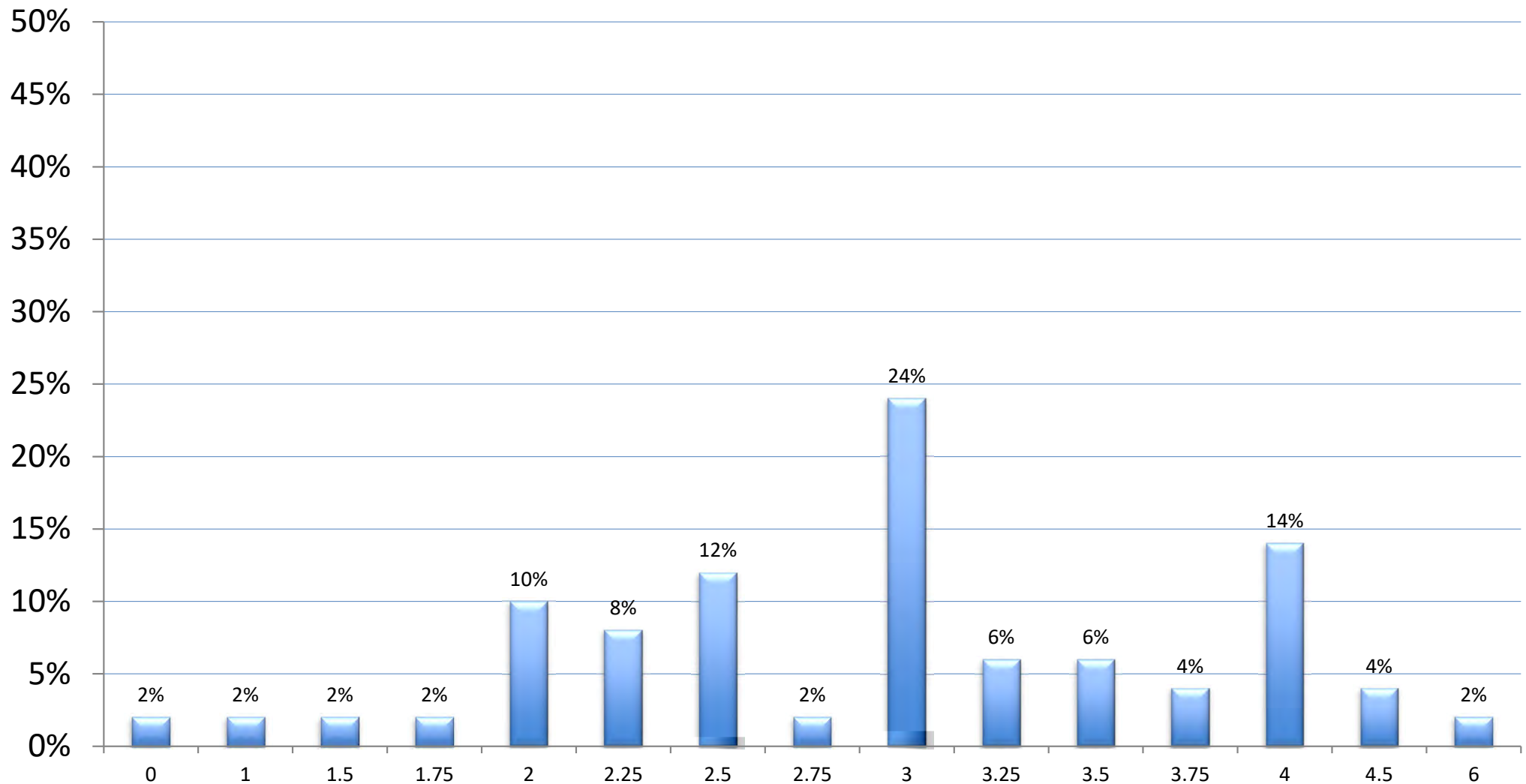
LOI/ Offer to Close



Industry

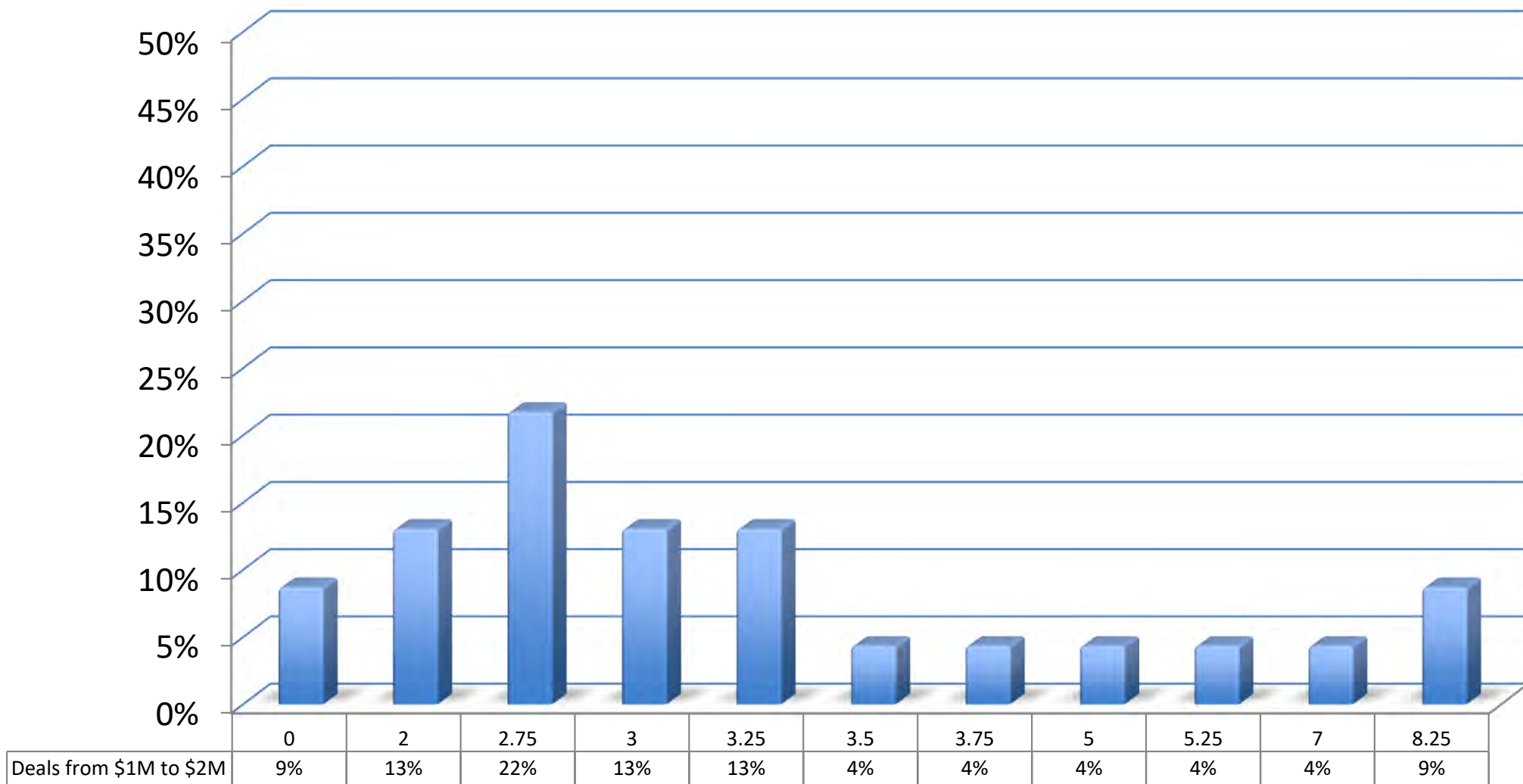


SDE Multiple Paid



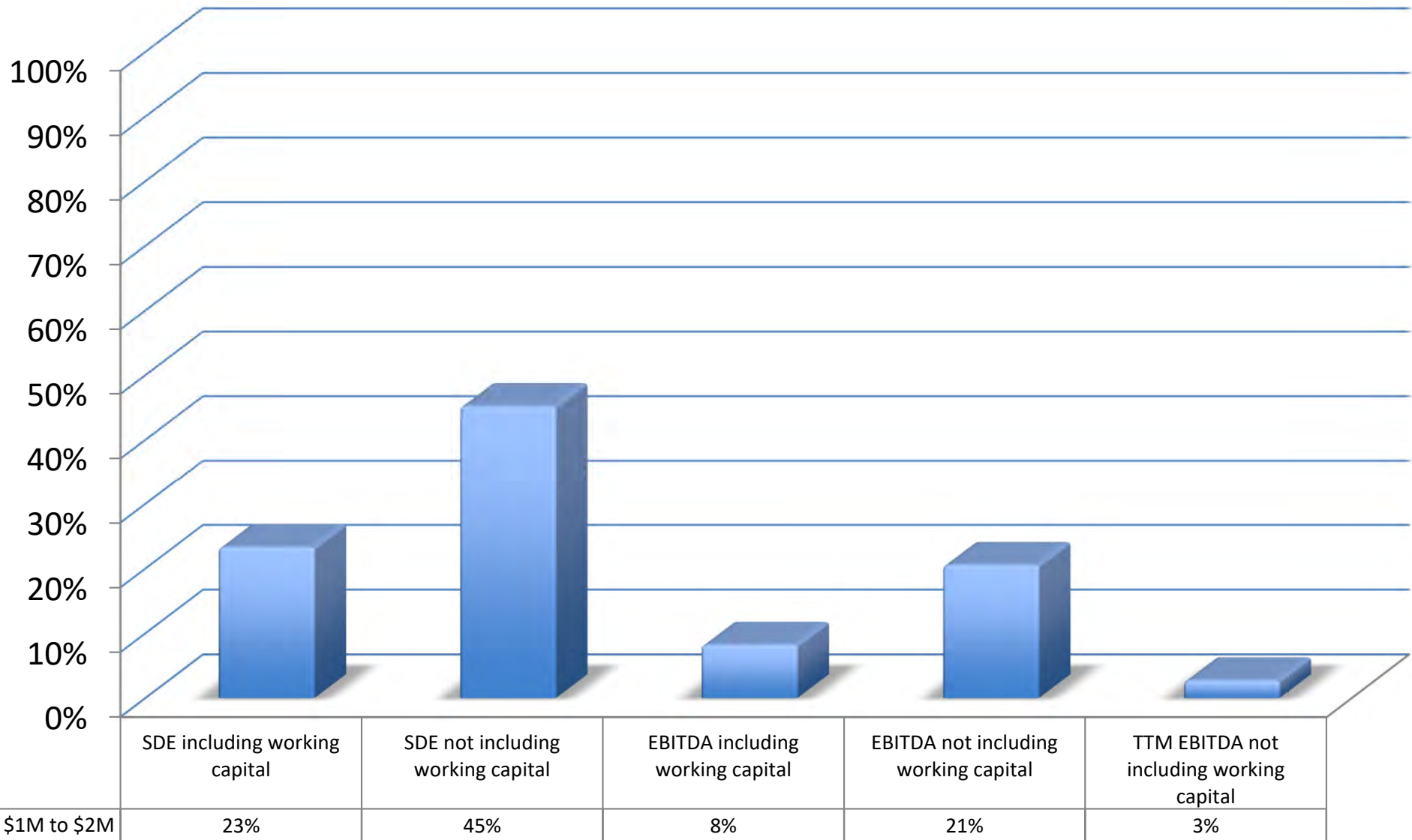
Number of responses: 50

EBITDA Multiple Paid

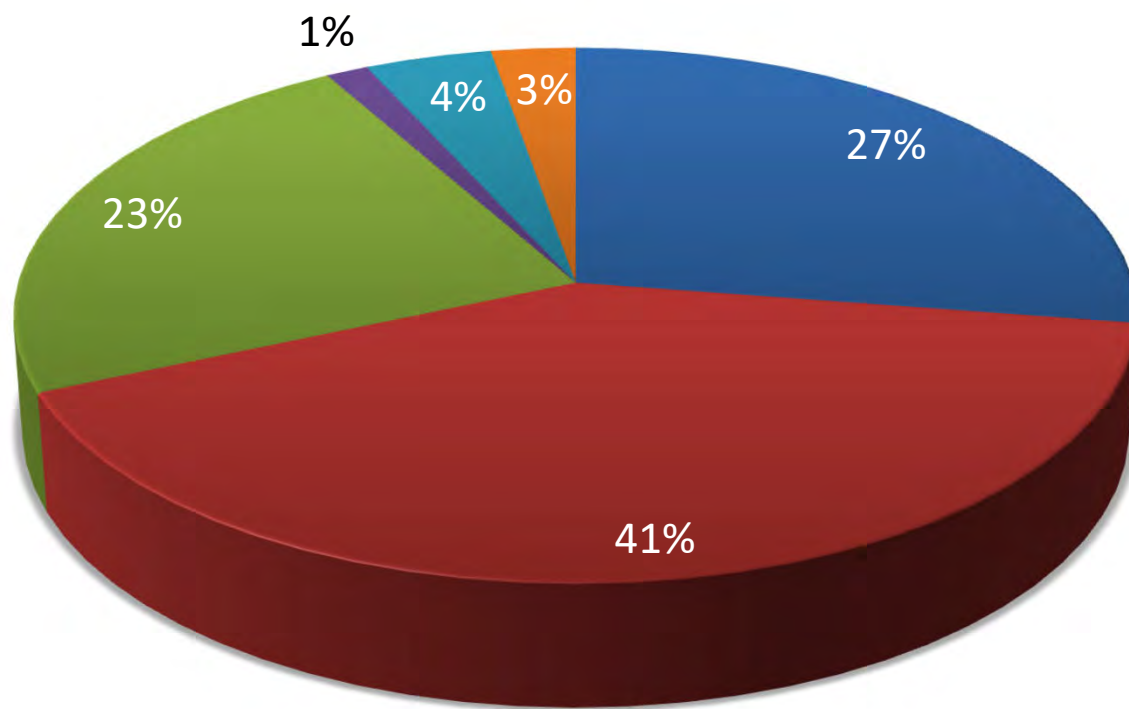


Number of responses: 23

Multiple Type



Buyer Type



■ 1st time individual

■ individual who owned a business

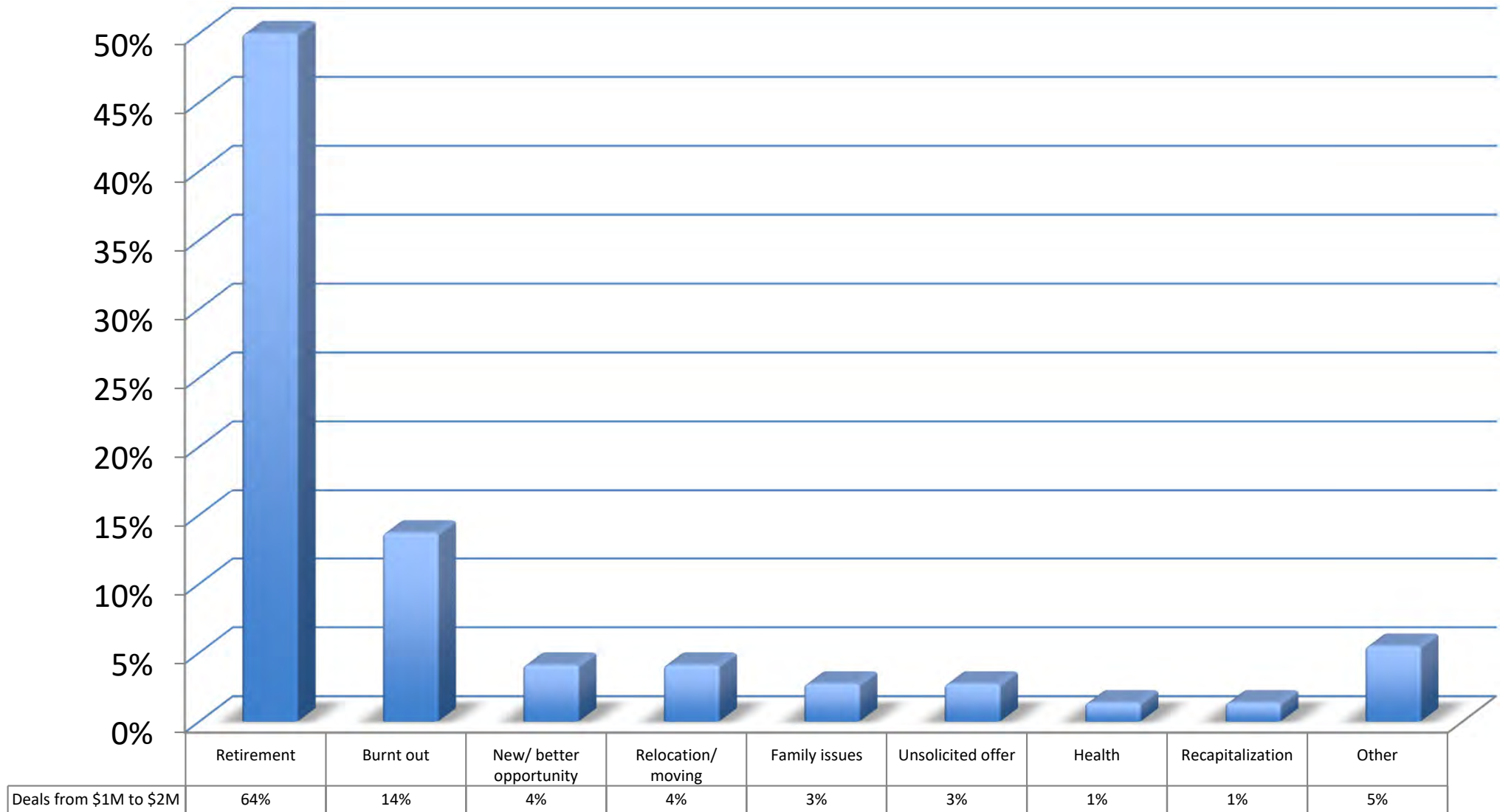
■ existing company/strategic buyer

■ PE firm - Platform

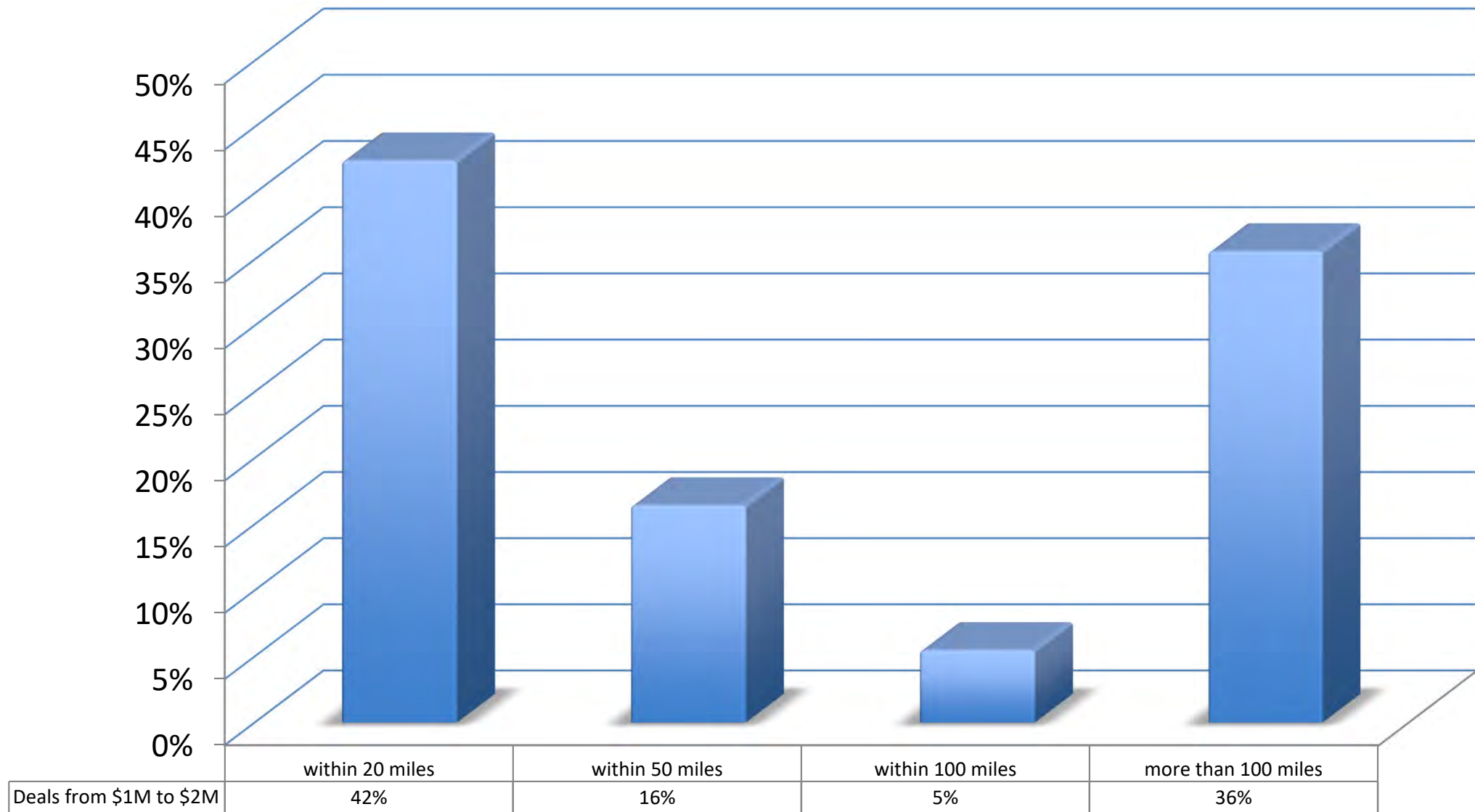
■ PE firm - Add-on

■ Other

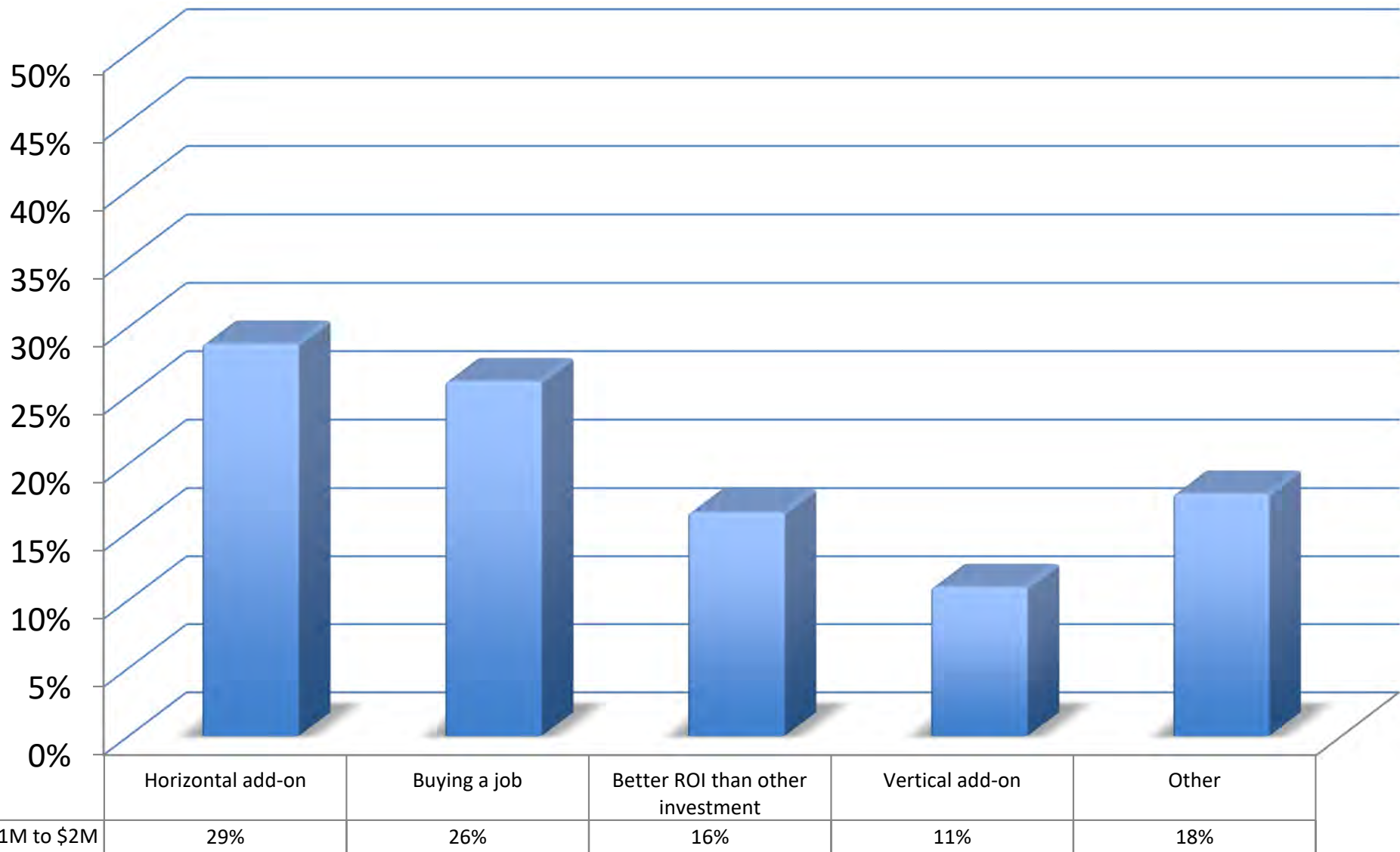
#1 Reason for Seller to Go to Market



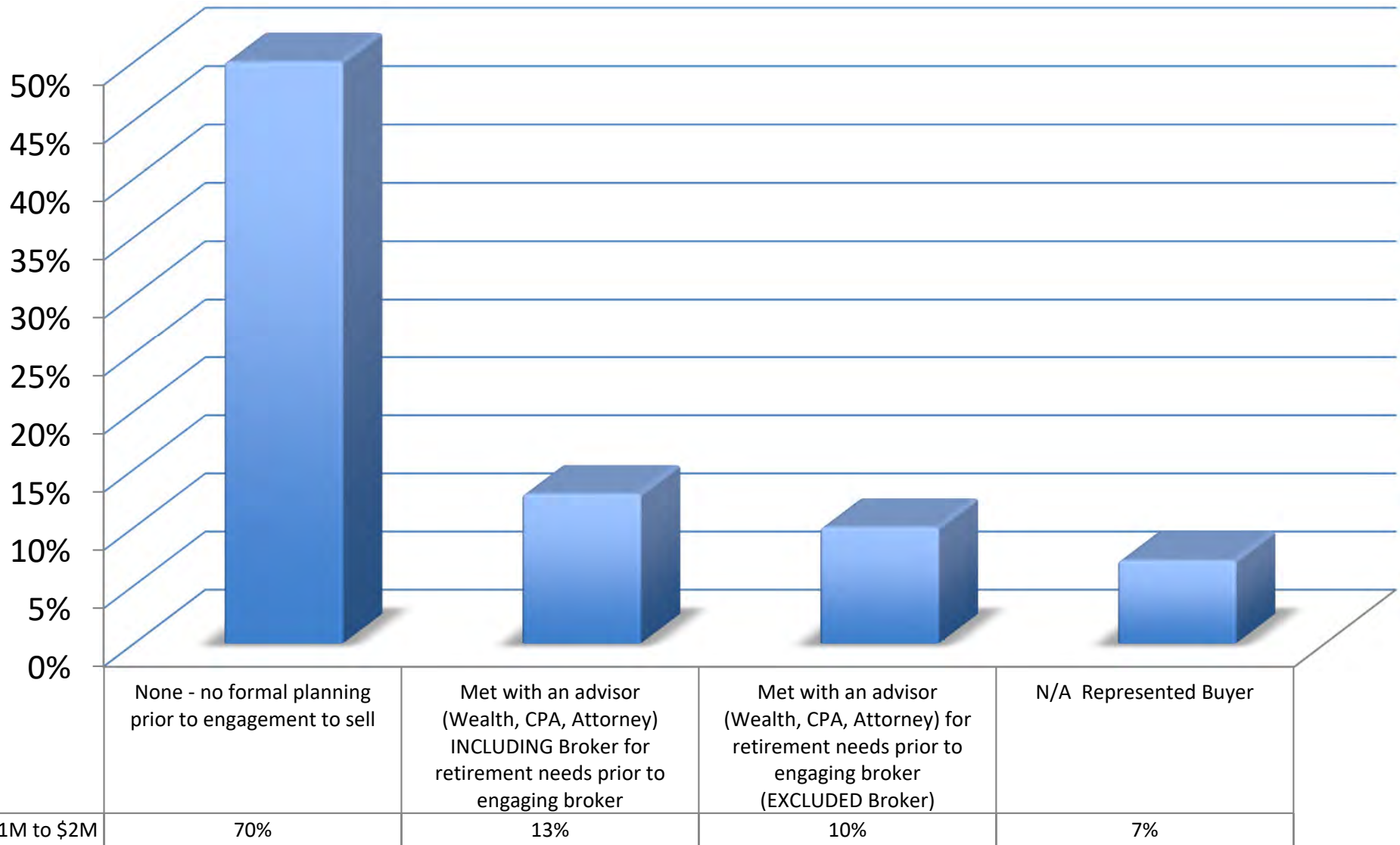
Buyer Location



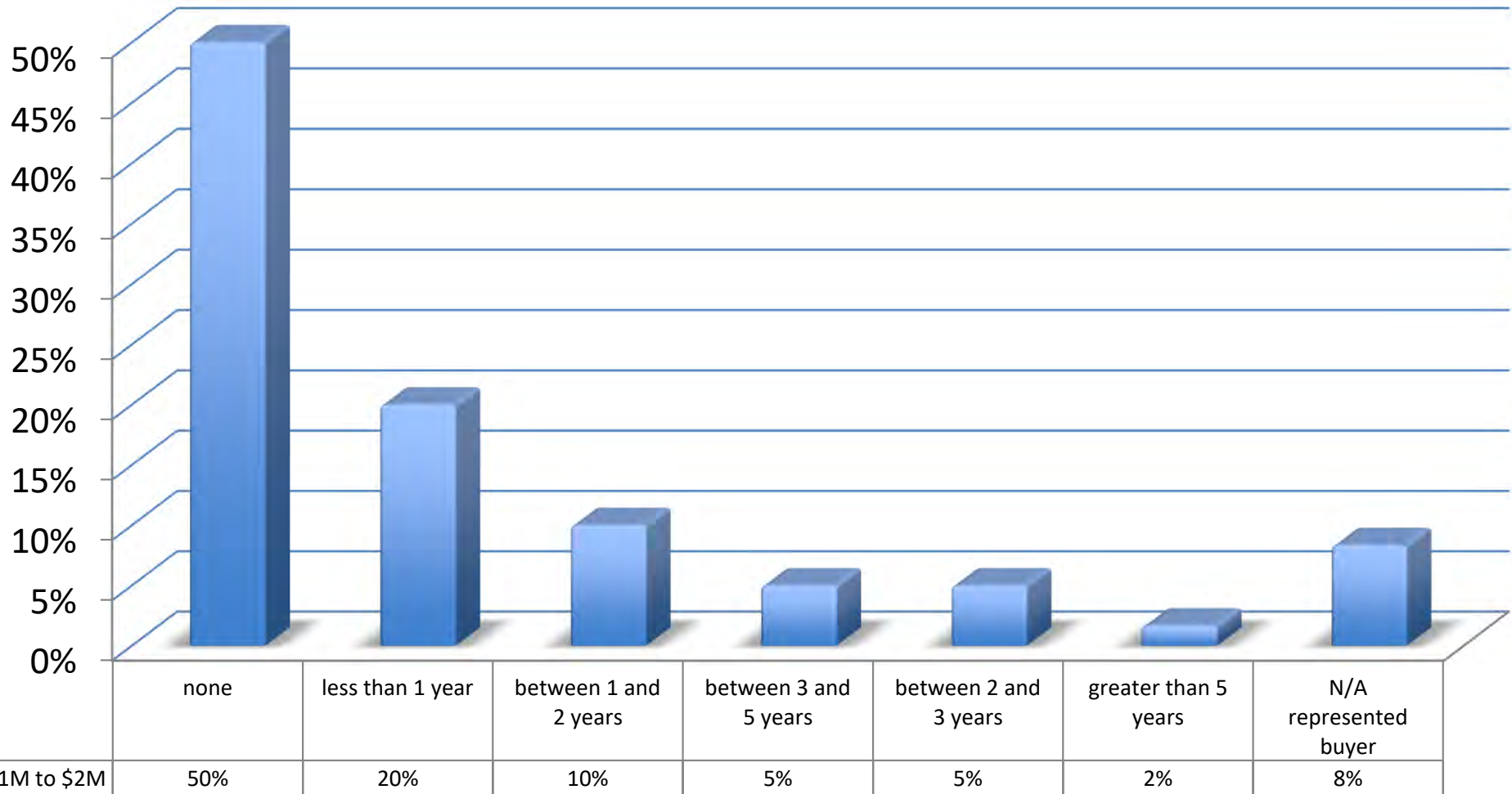
#1 Motivation for Buyer



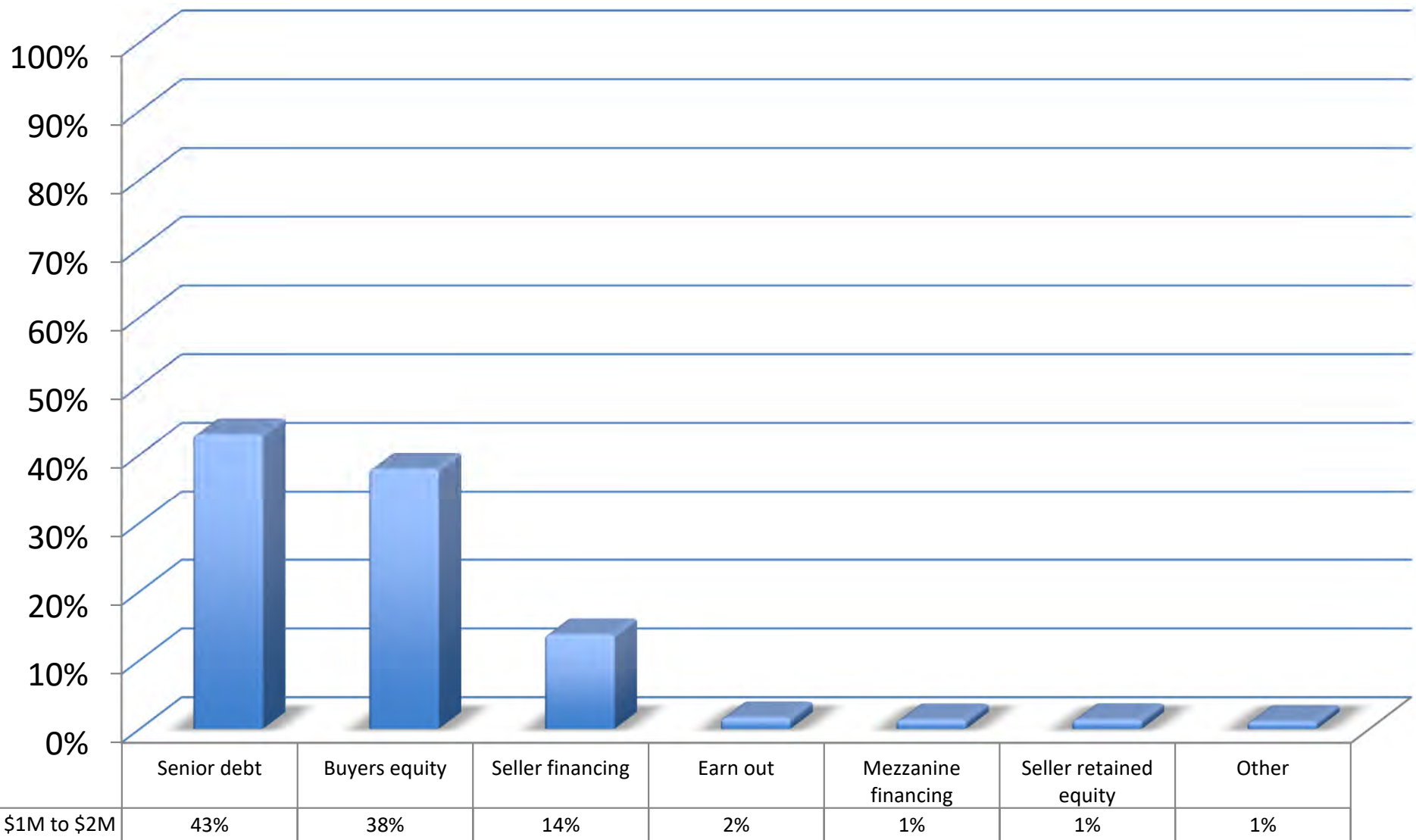
Exit Planning



Amount Of Exit Planning Prior To Marketing Business

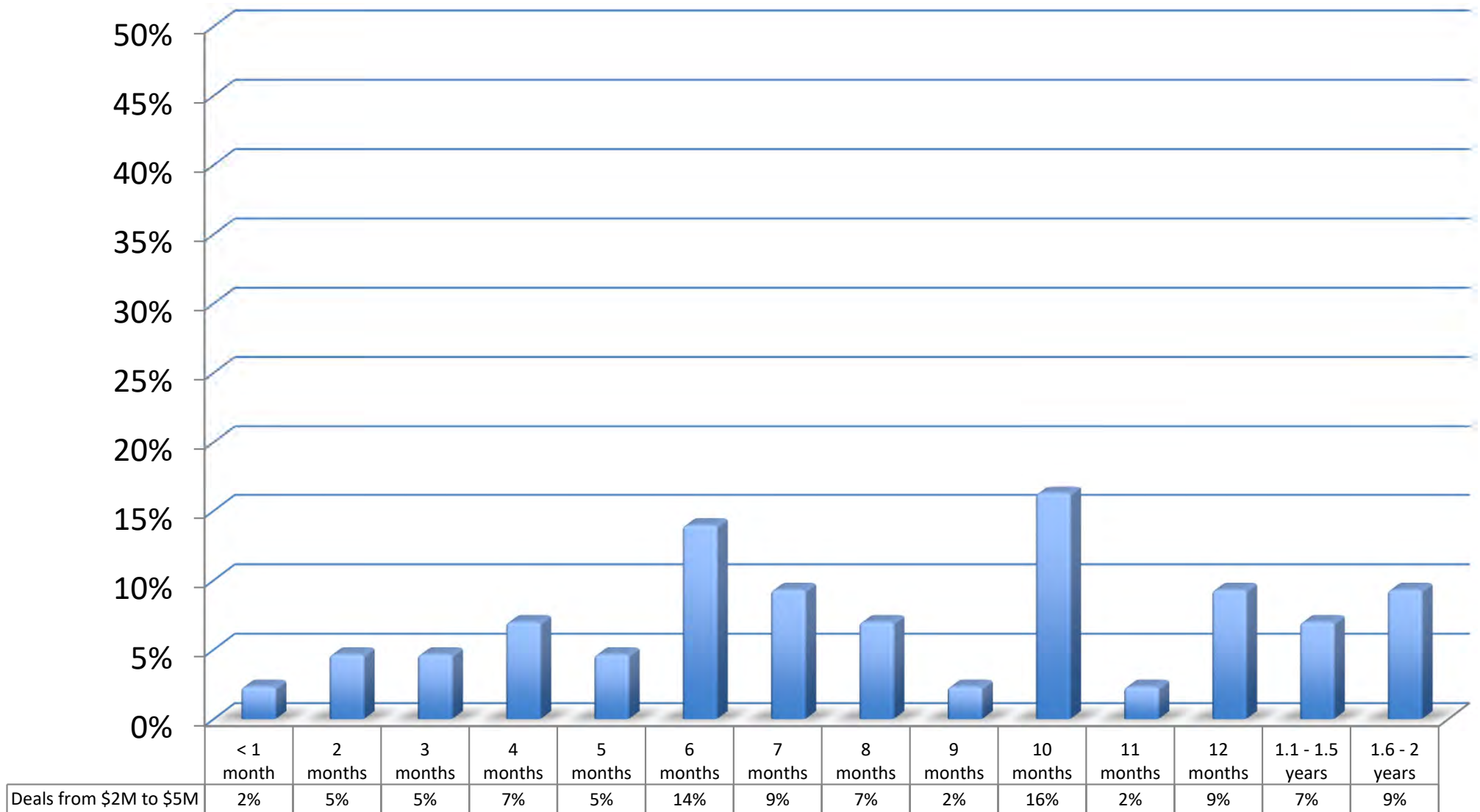


Financing Structure

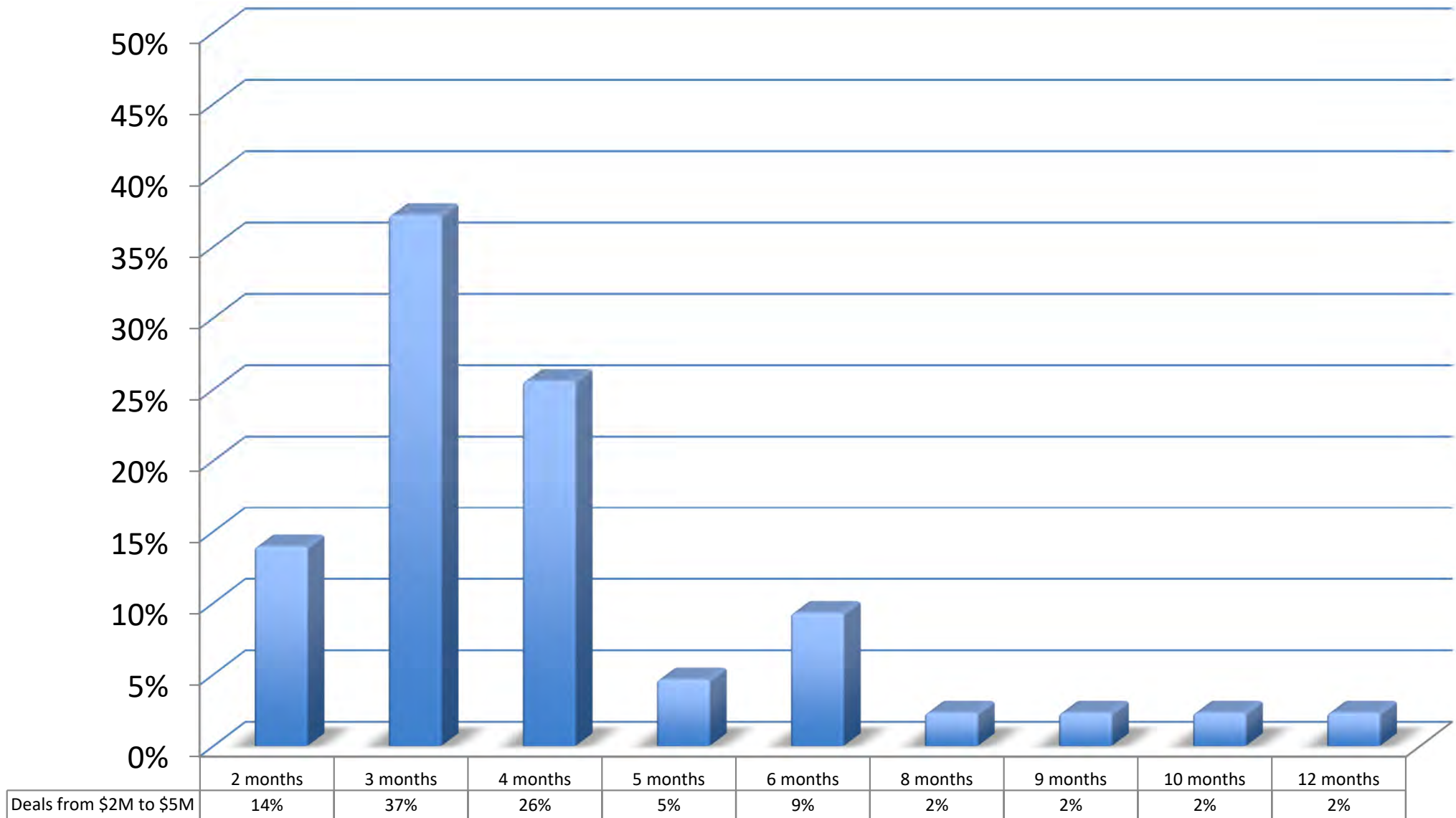


Business Transactions Valued
from \$2 Million to \$4.99 Million
Number of Closed Transactions: 43

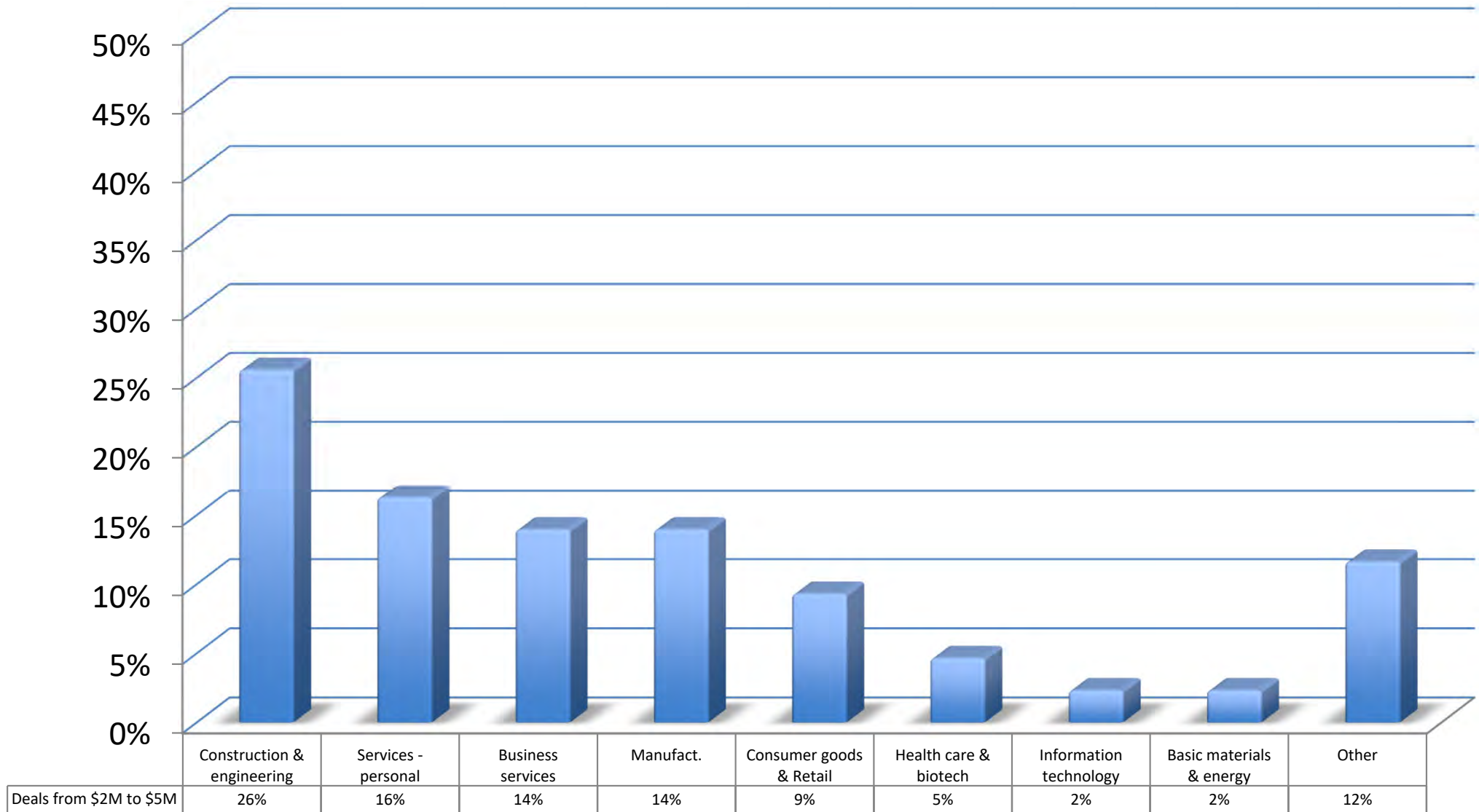
Engagement/Listing to Close



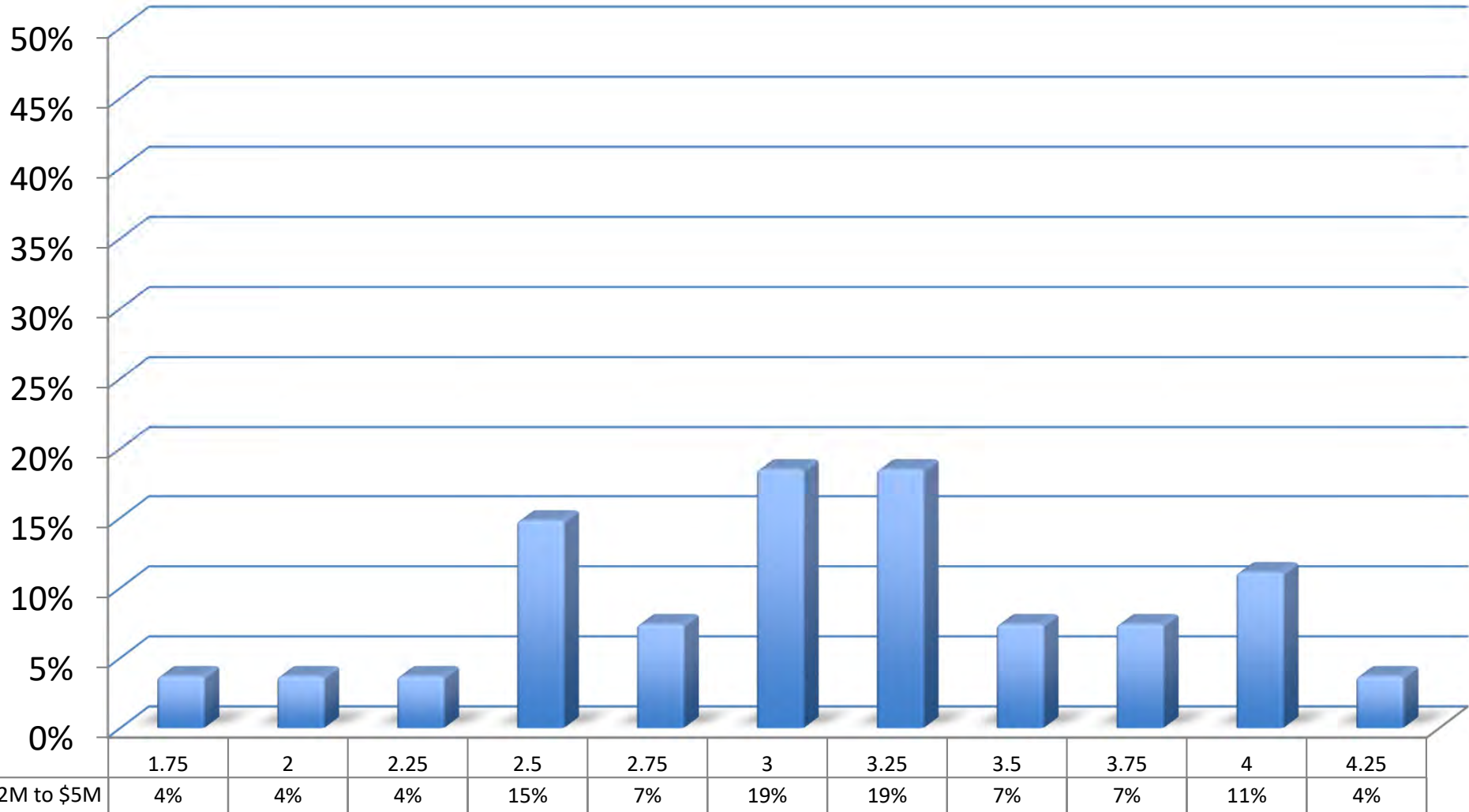
LOI/ Offer to Close



Industry

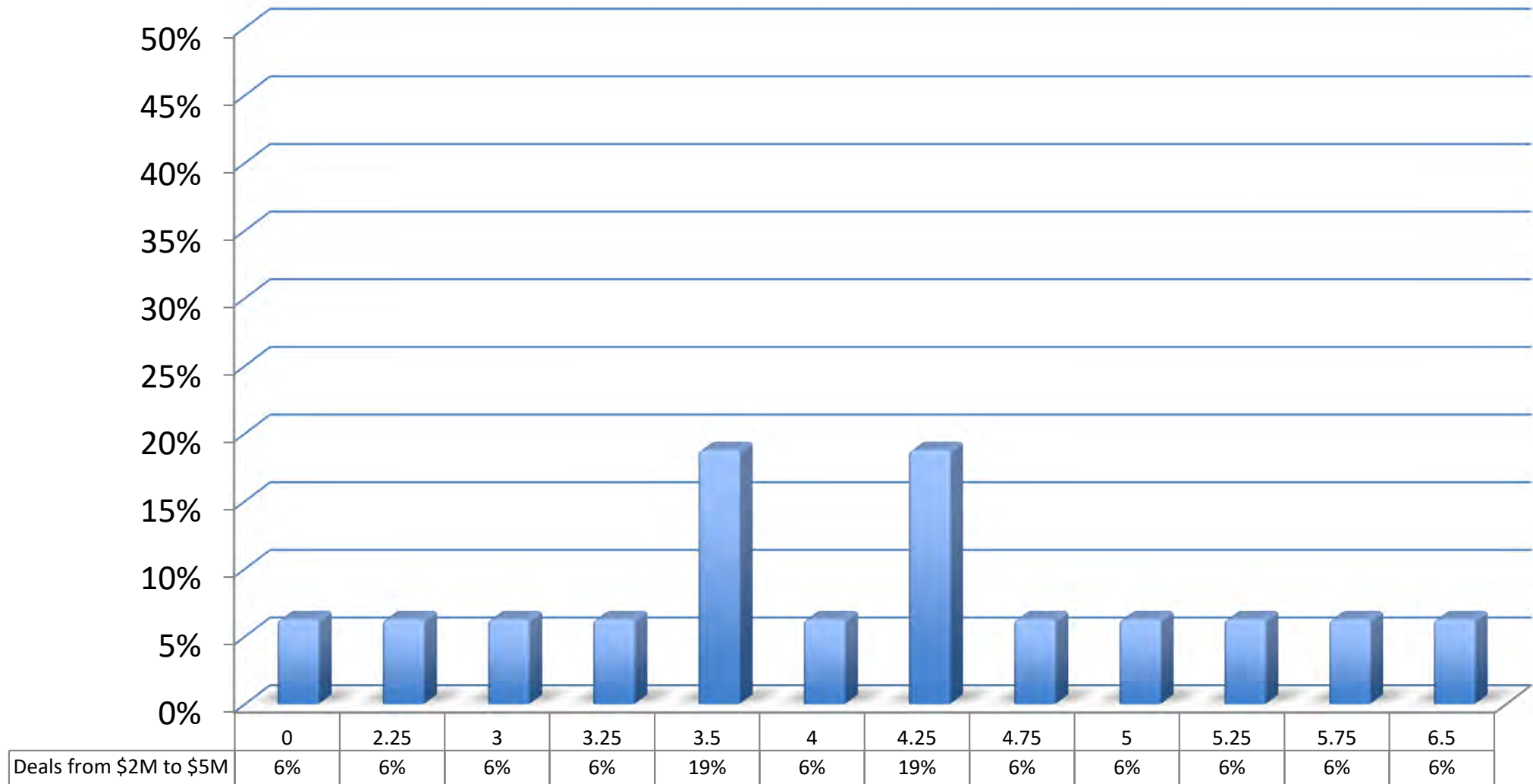


SDE Multiple Paid



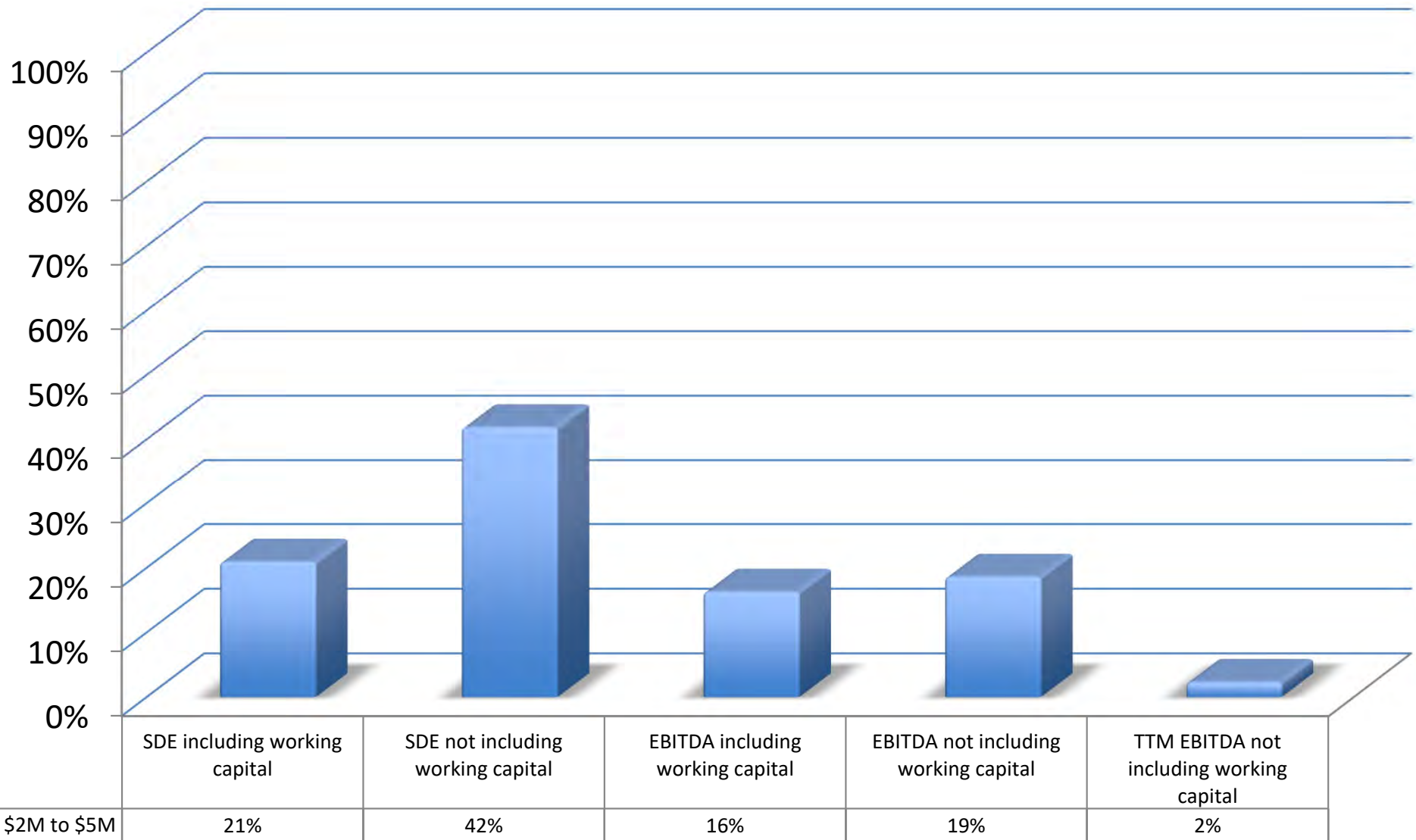
Number of responses: 27

EBITDA Multiple Paid



Number of responses: 16

Multiple Type



Deals from \$2M to \$5M

21%

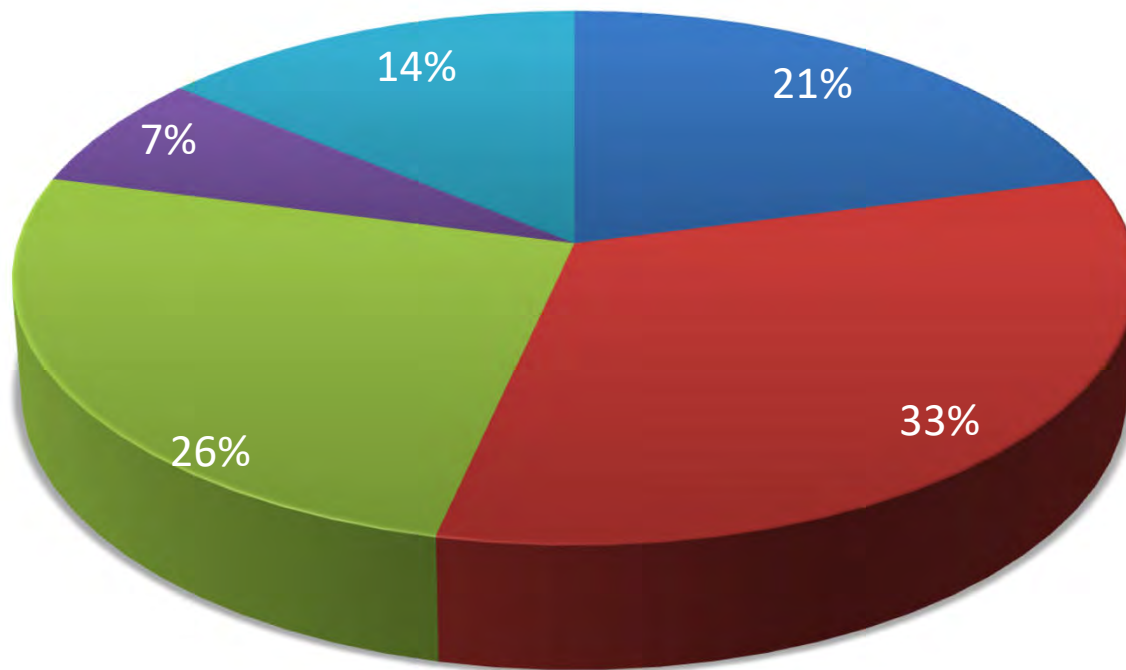
42%

16%

19%

2%

Buyer Type



■ 1st time individual

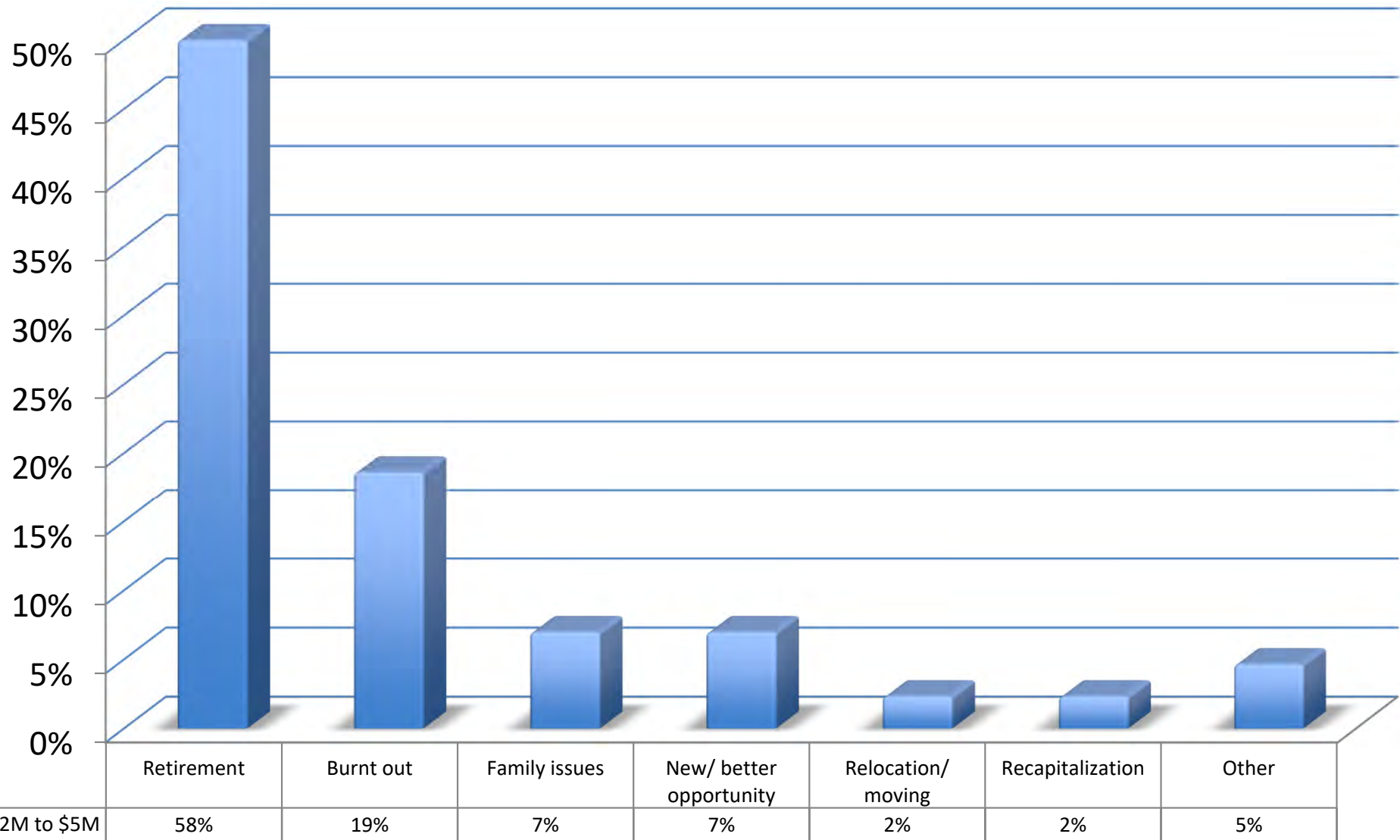
■ individual who owned a business

■ existing company/strategic buyer

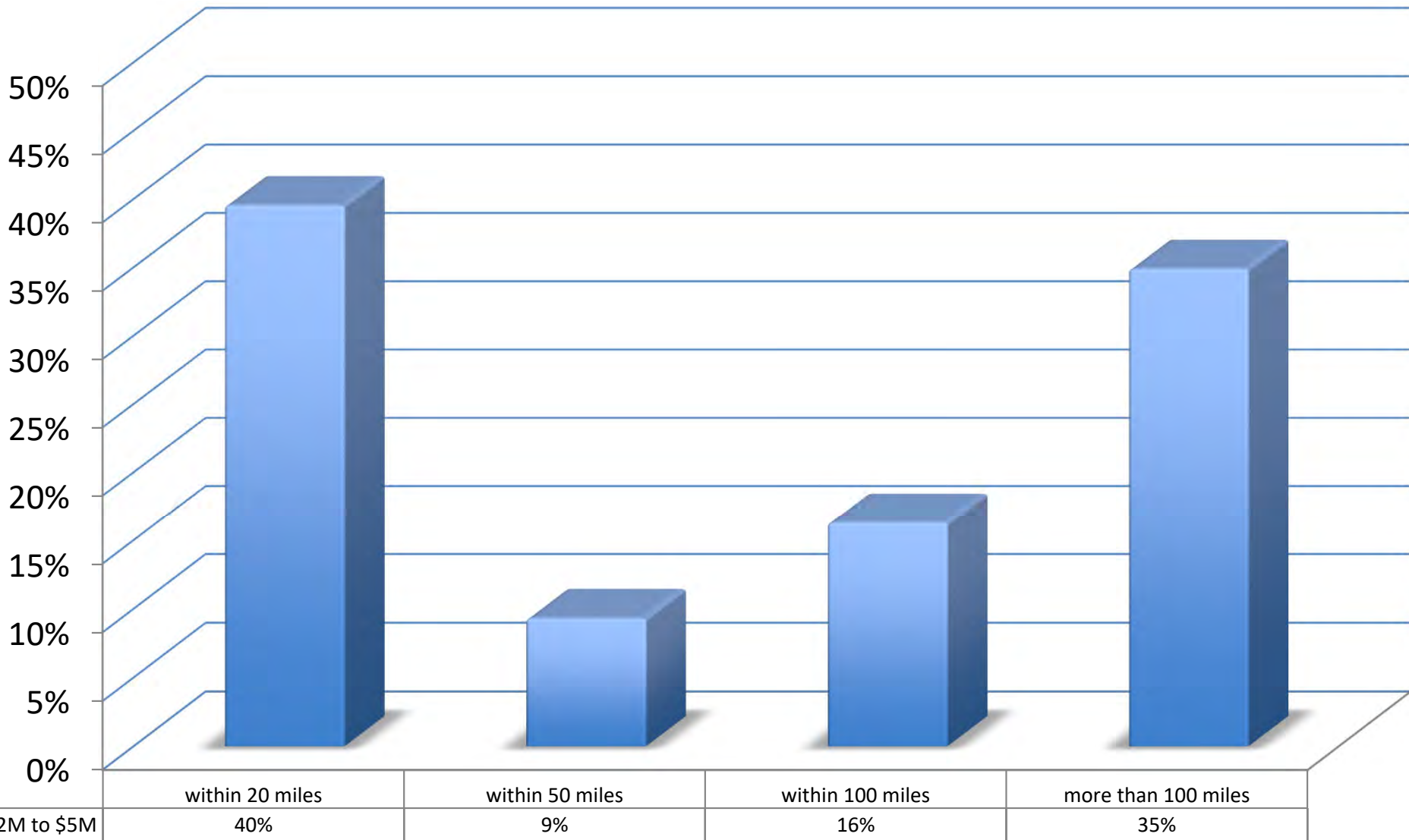
■ PE firm - Platform

■ PE firm - Add-on

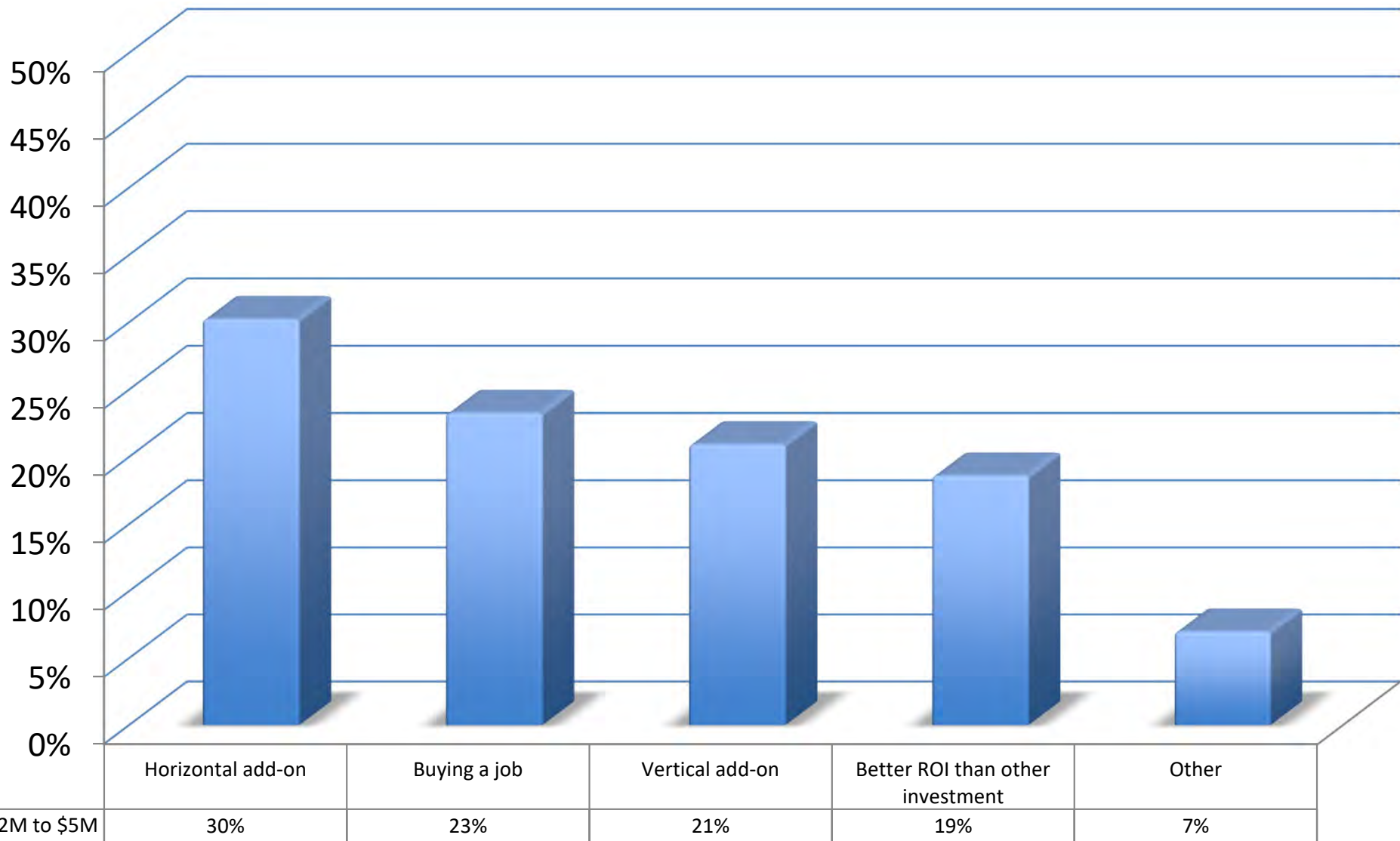
#1 Reason for Seller to Go to Market



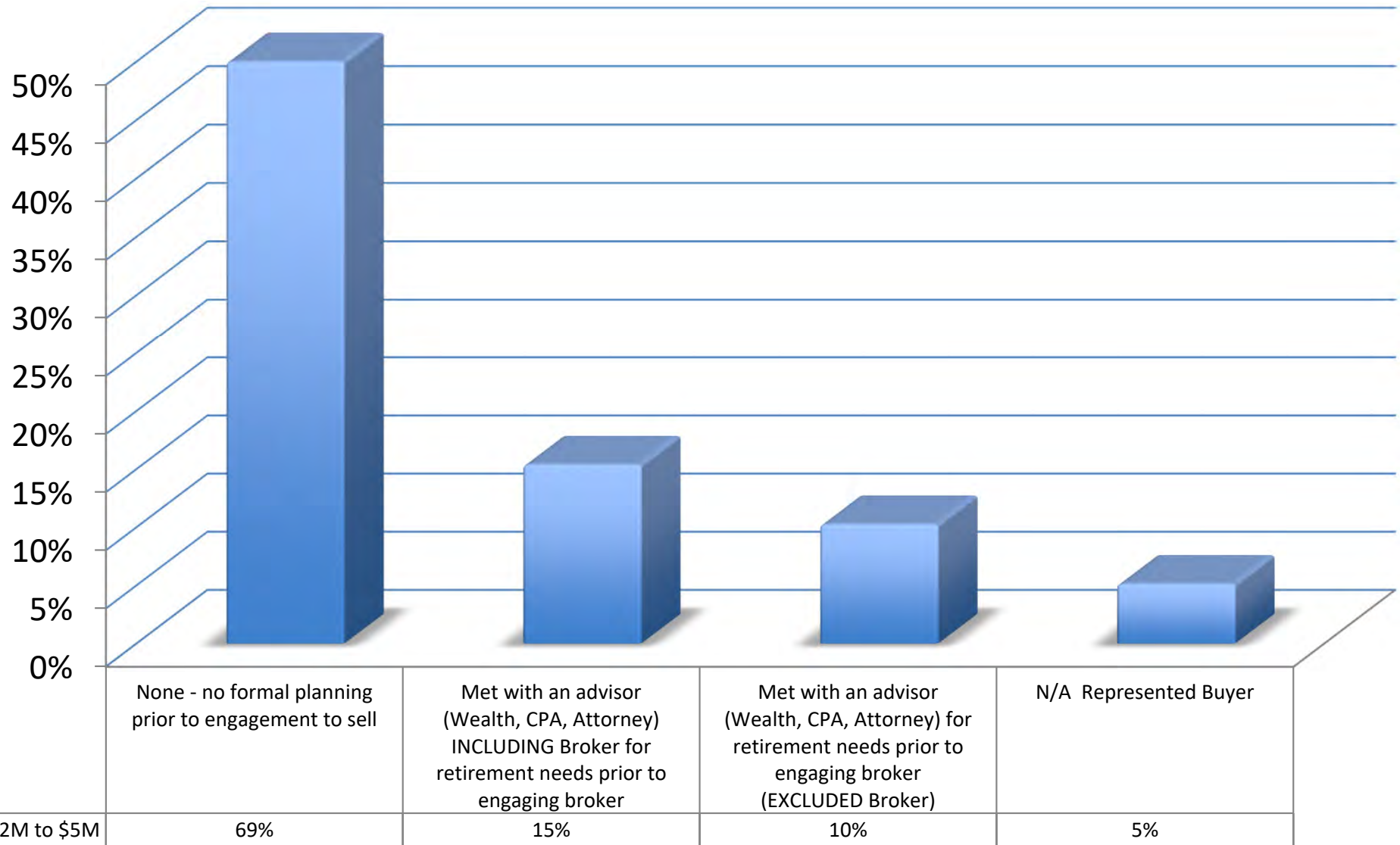
Buyer Location



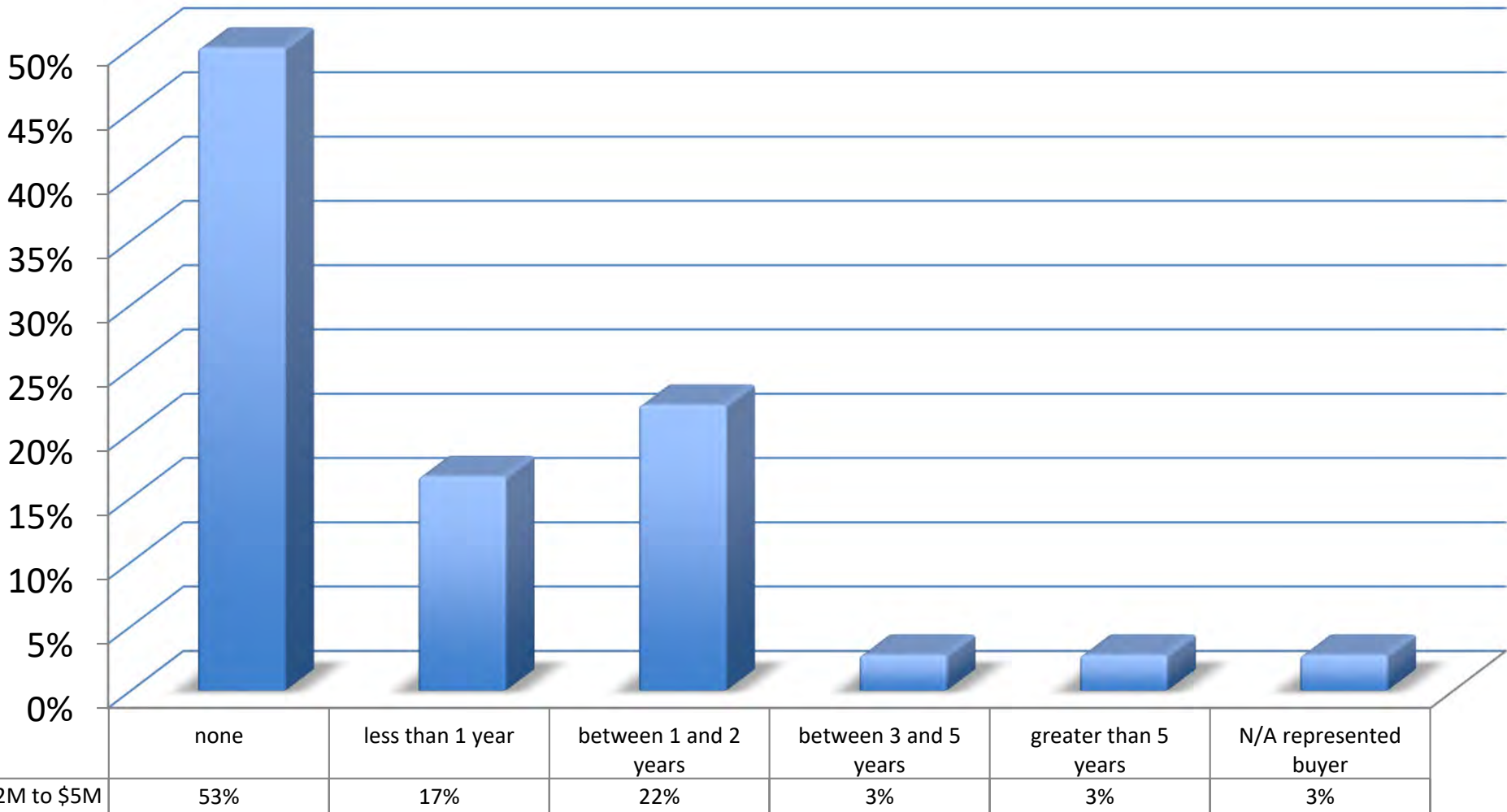
#1 Motivation for Buyer



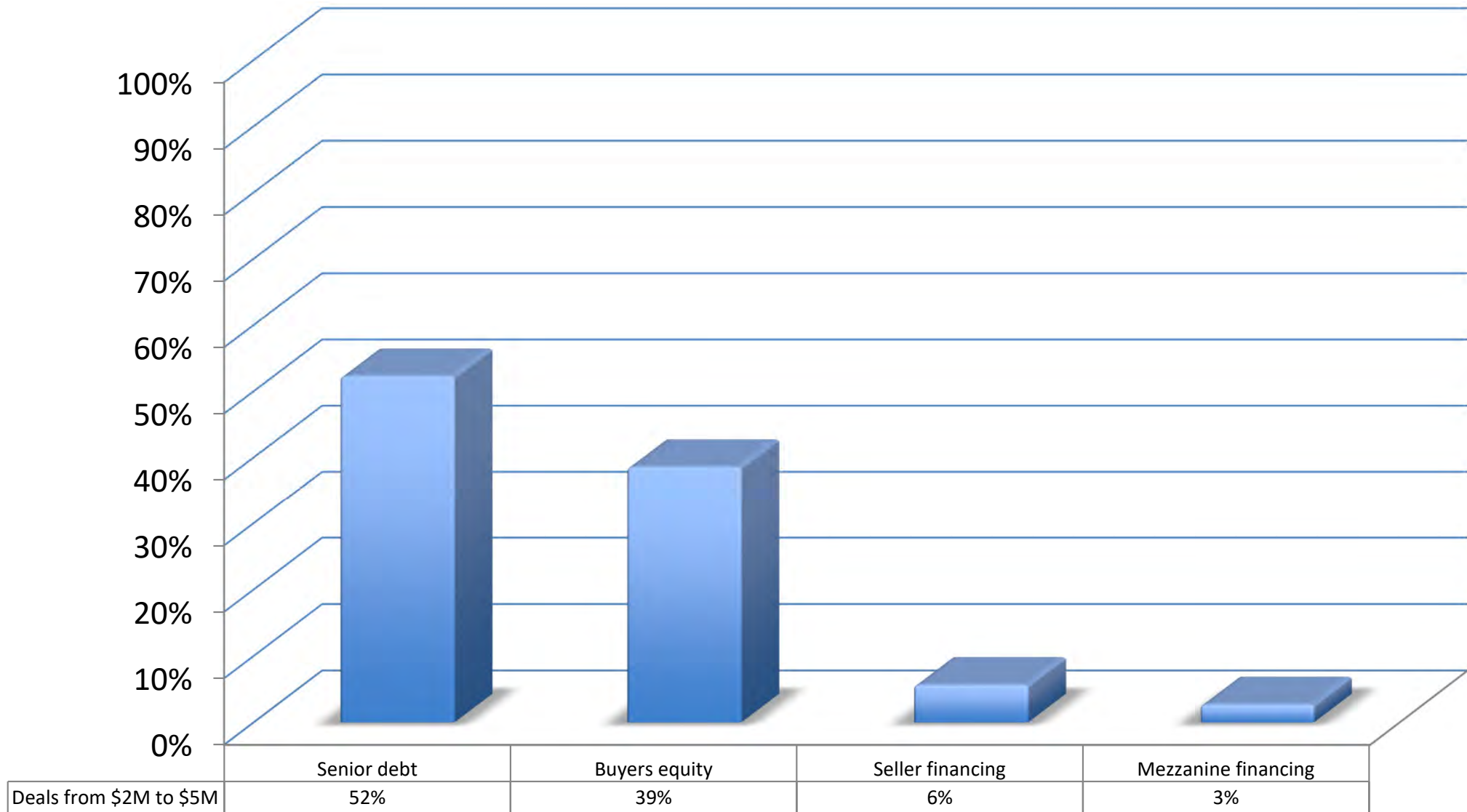
Exit Planning



Amount Of Exit Planning Prior To Marketing Business



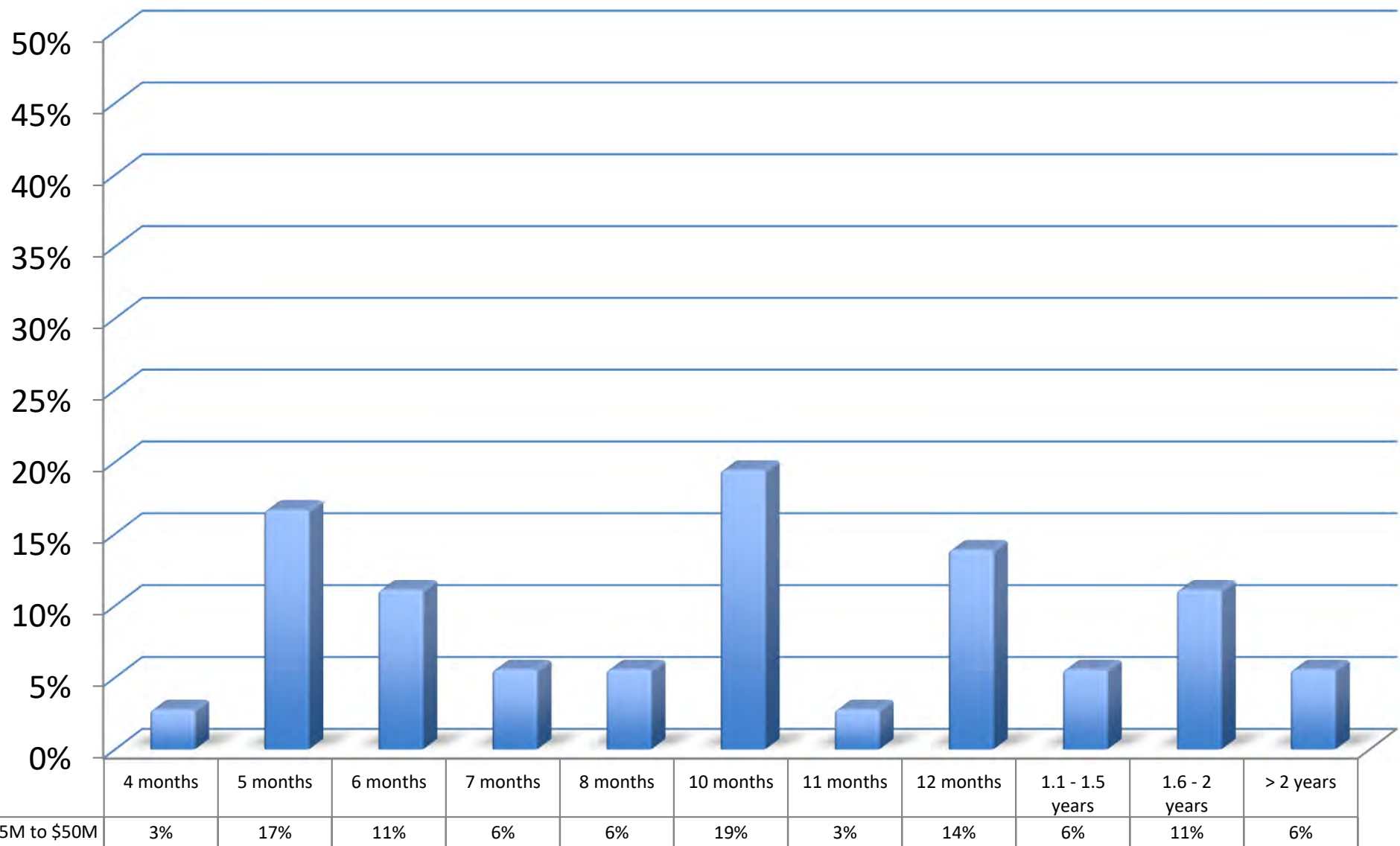
Financing Structure



Business Transactions Valued Over \$5 Million

Number of Closed Transactions: 36

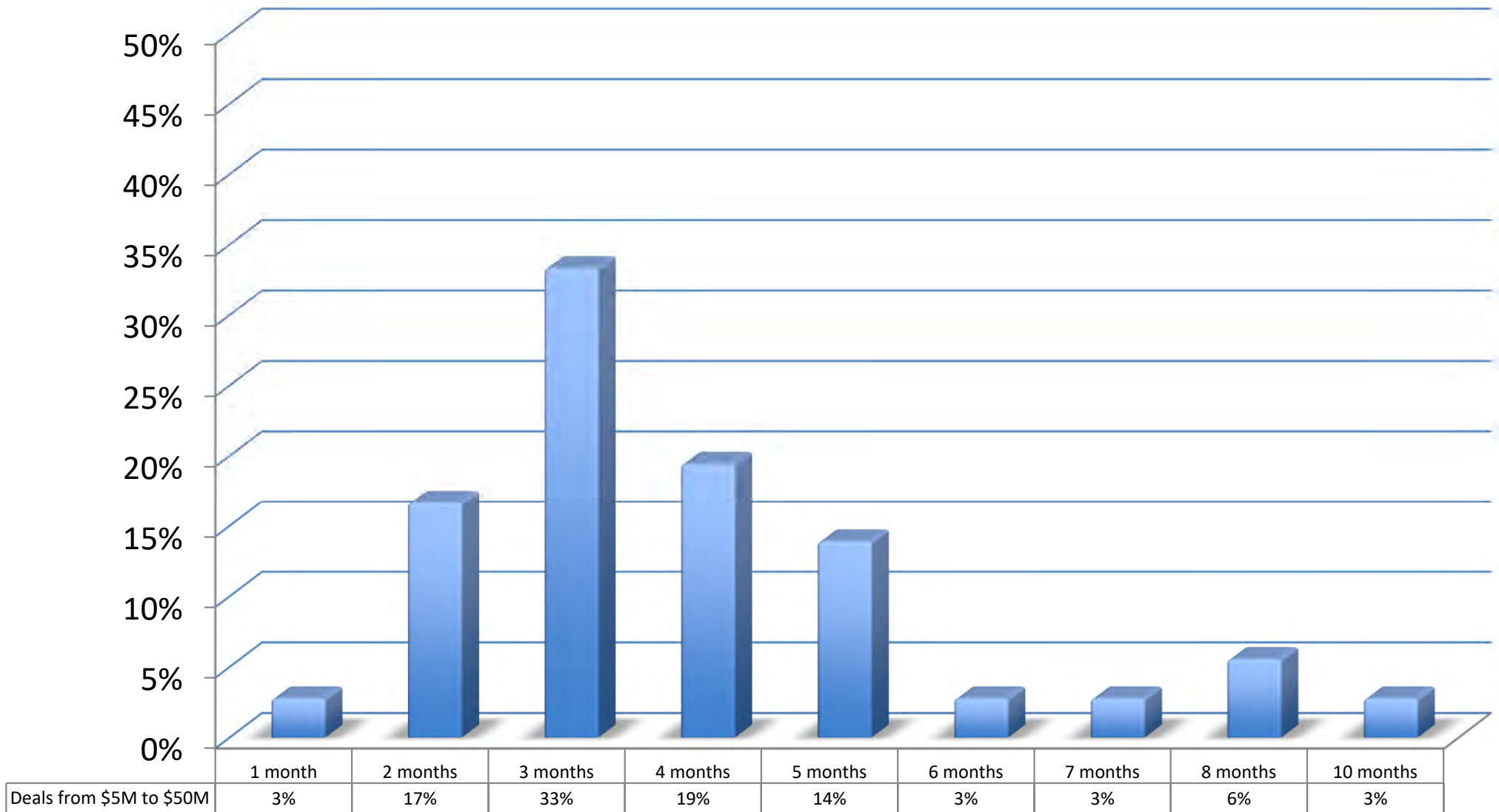
Engagement/Listing to Close



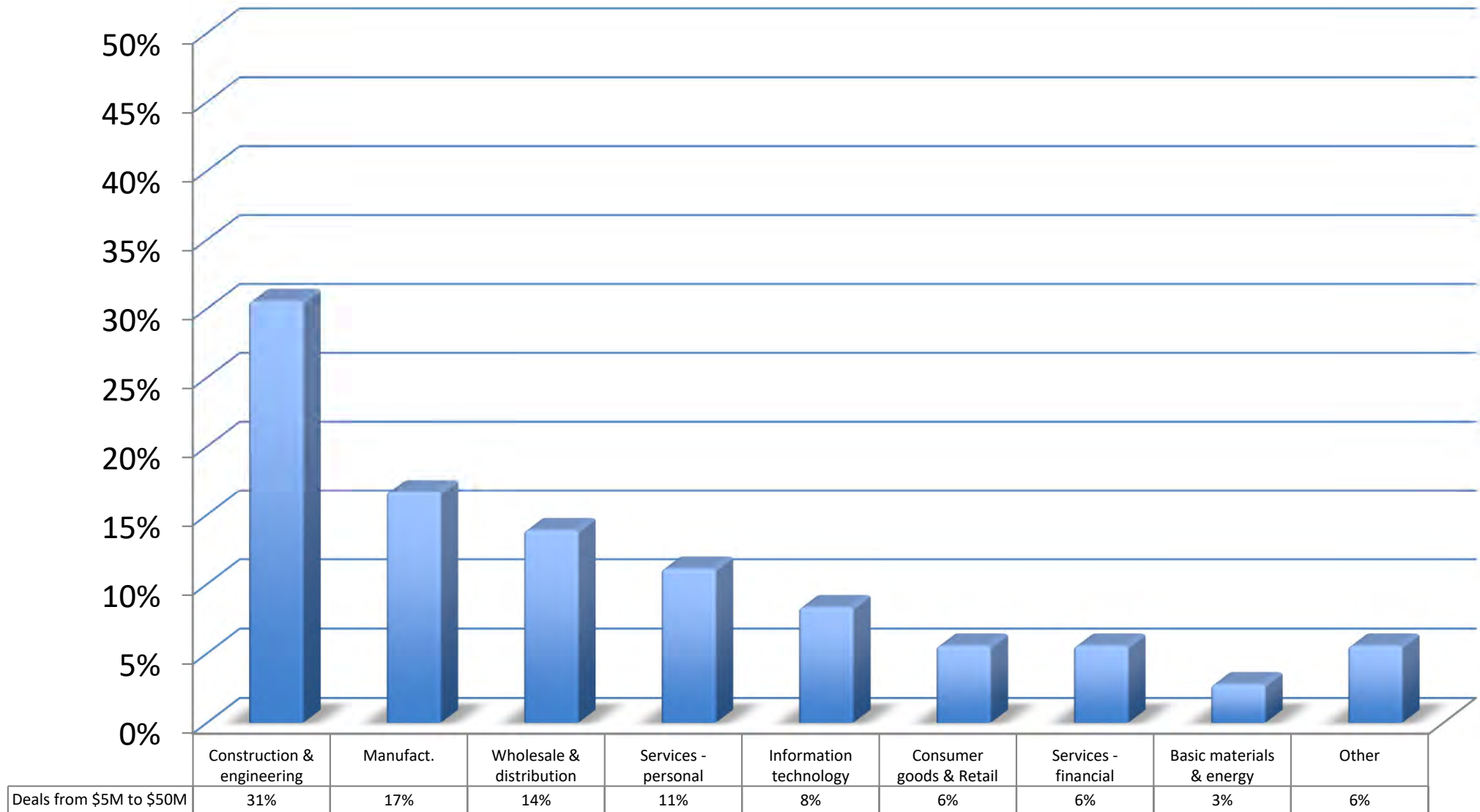
Deals from \$5M to \$50M

3%	17%	11%	6%	6%	19%	3%	14%	6%	11%	6%
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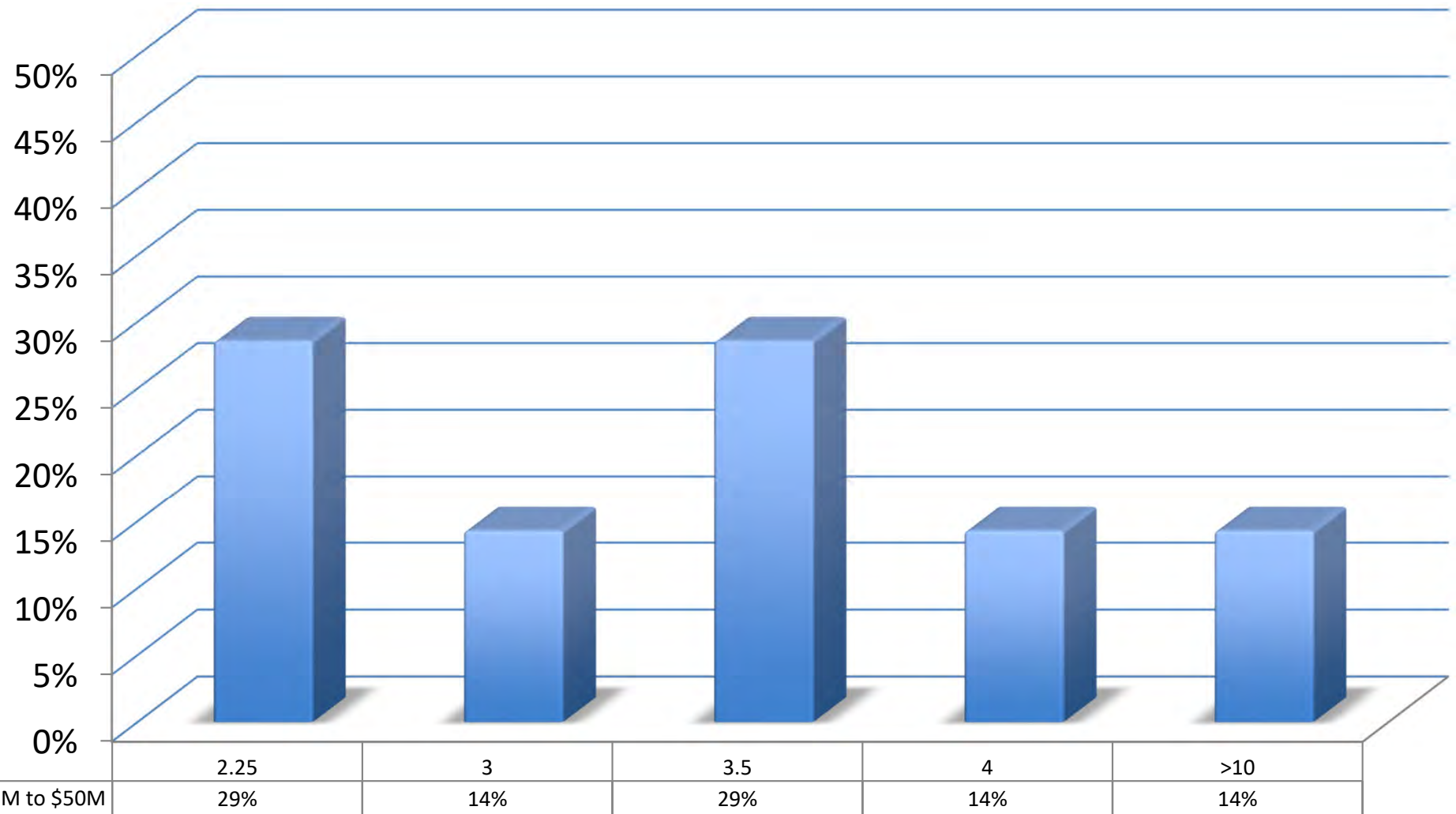
LOI/ Offer to Close



Industry

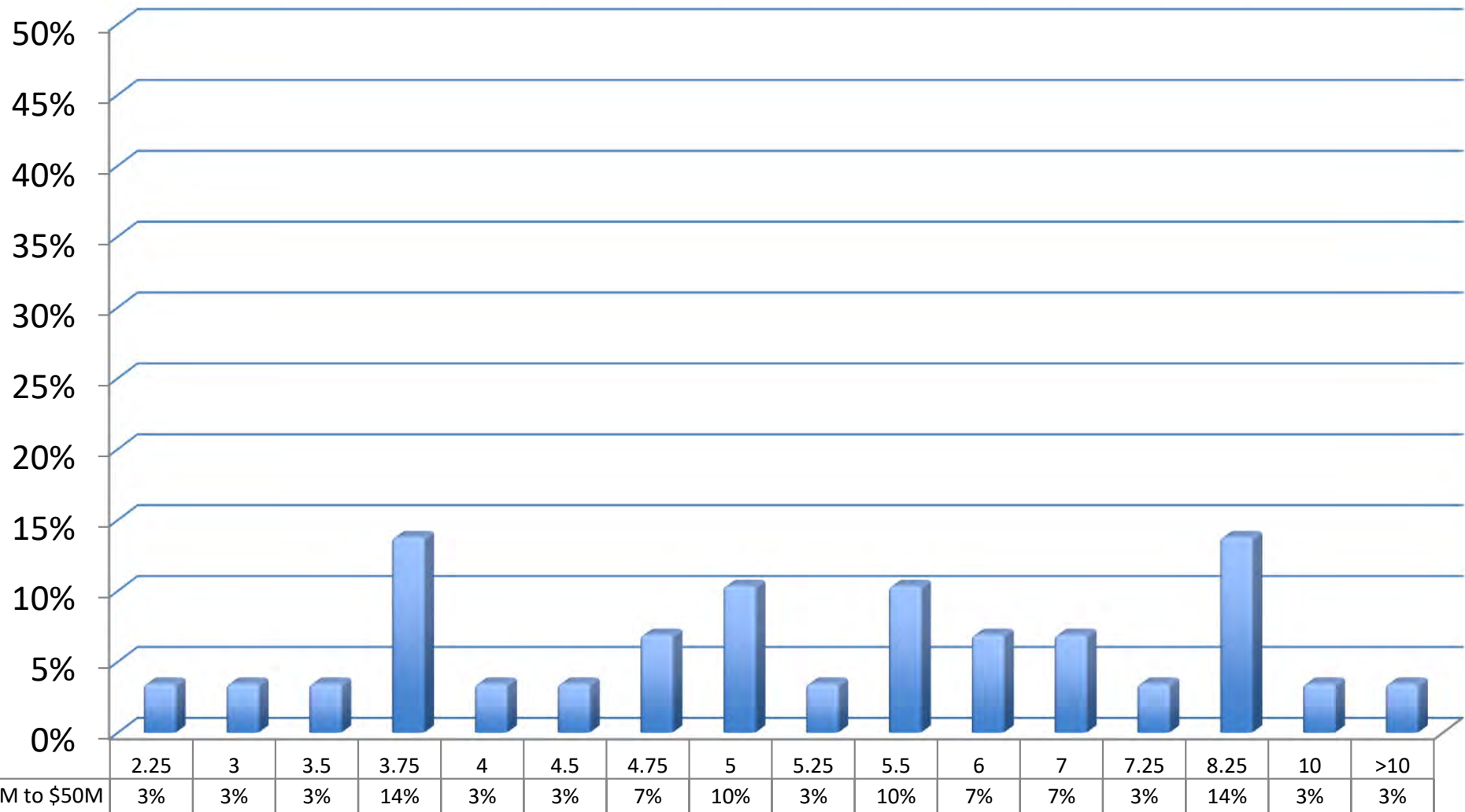


SDE Multiple Paid



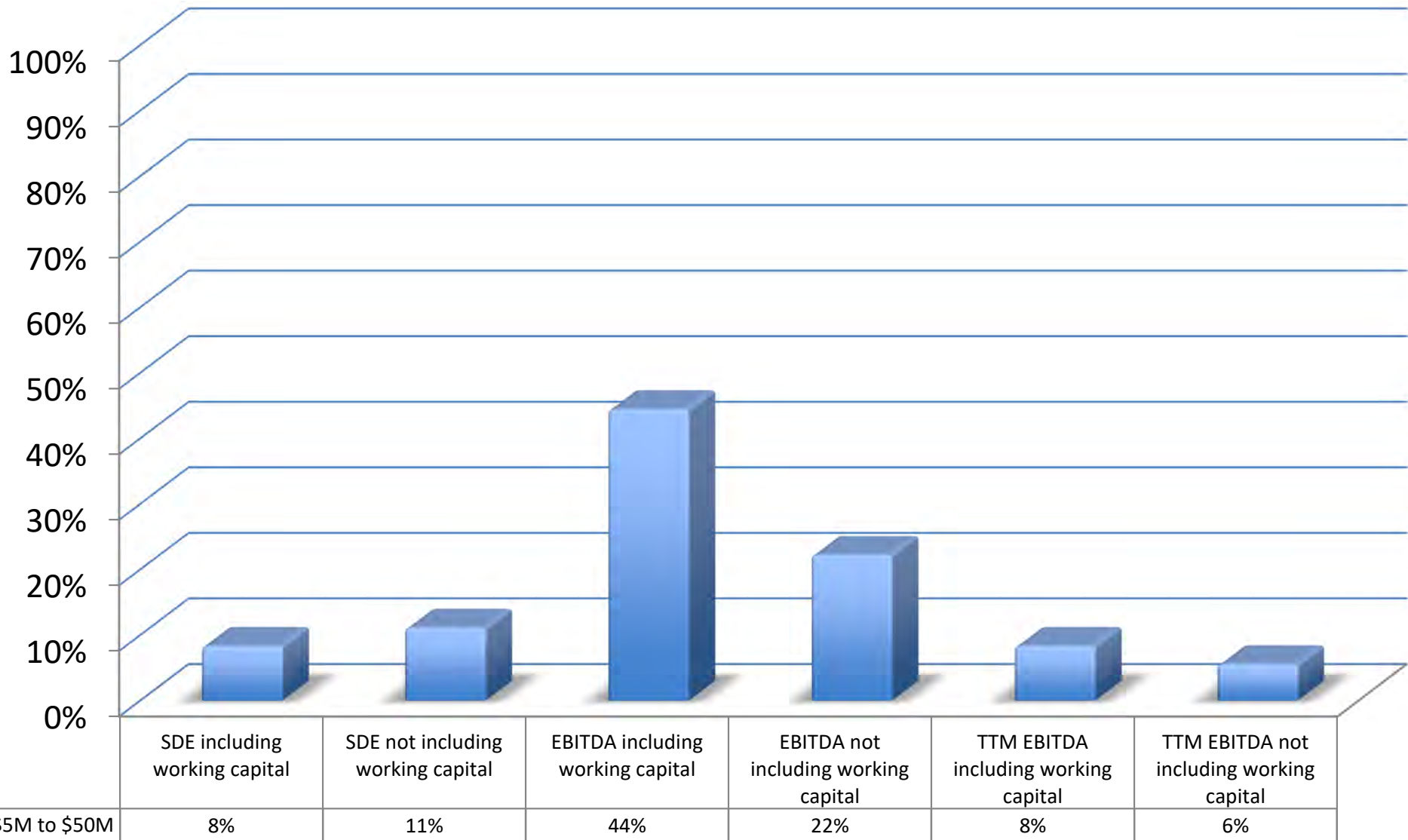
Number of responses: 7

EBITDA Multiple Paid

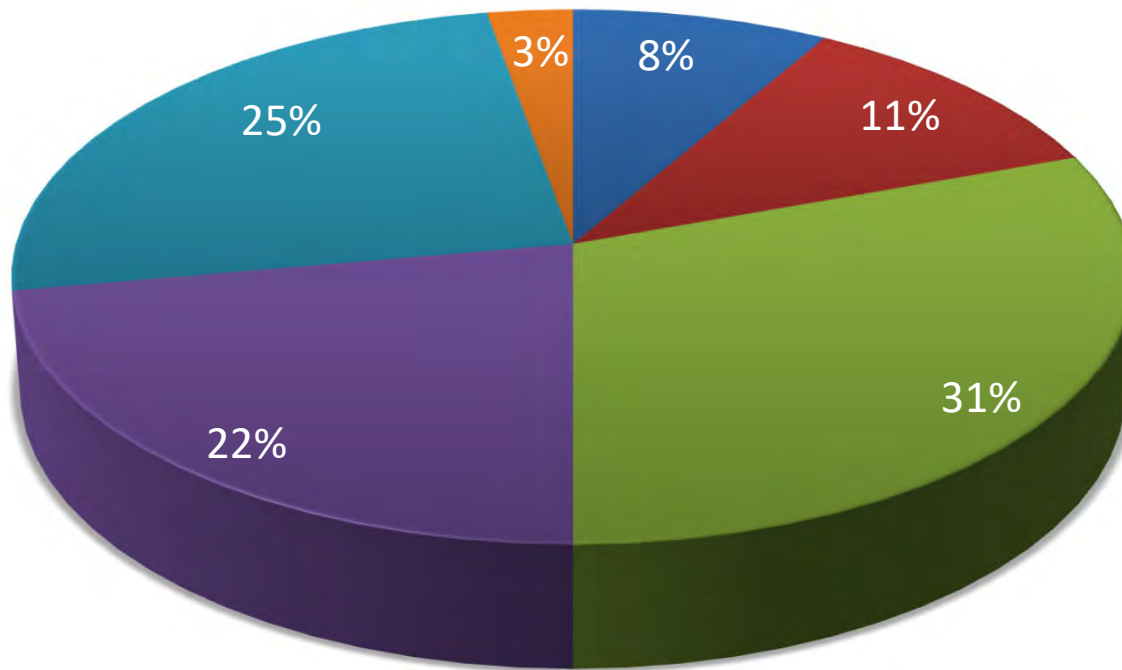


Number of responses: 29

Multiple Type



Buyer Type



■ 1st time individual

■ individual who owned a business

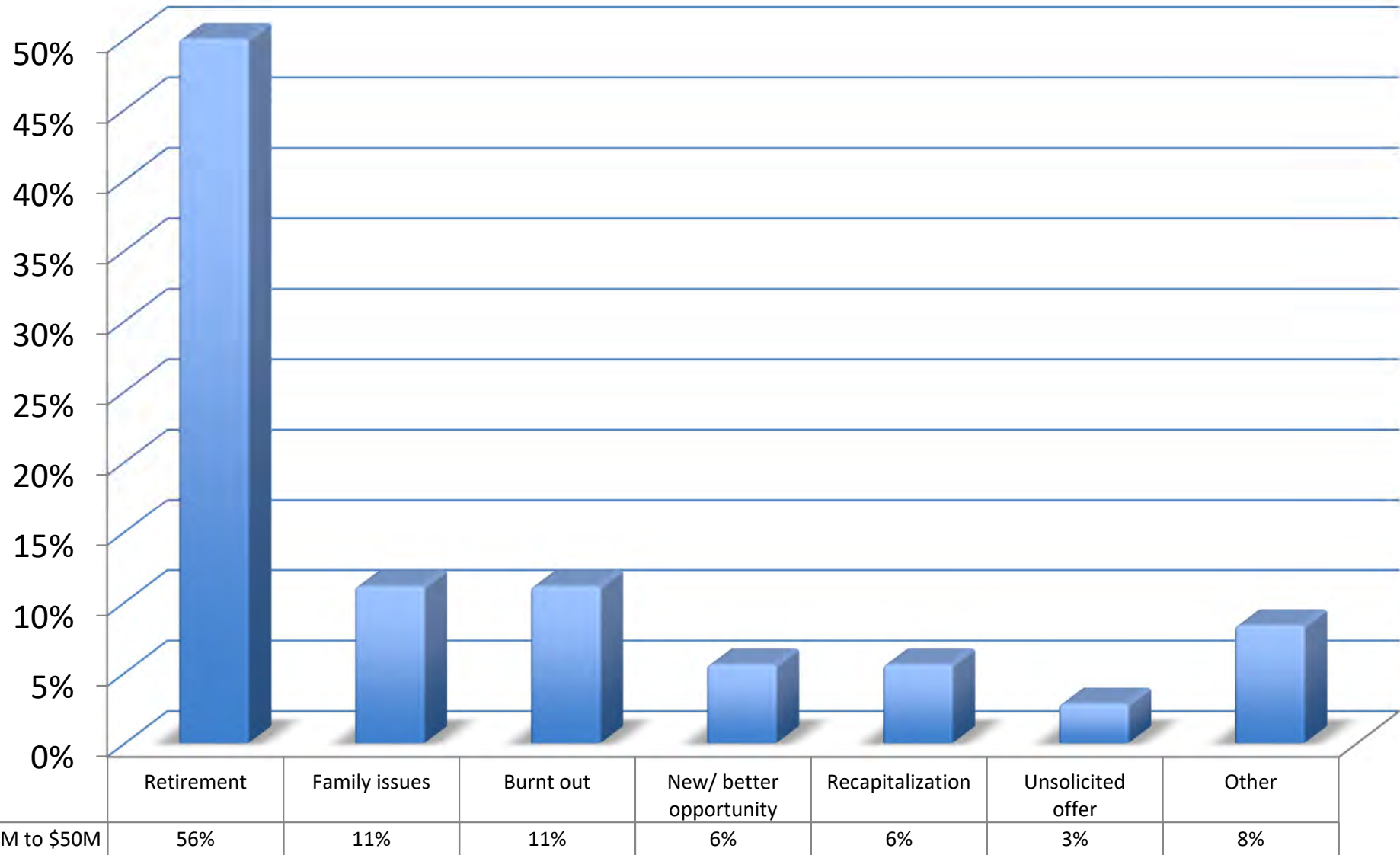
■ existing company/strategic buyer

■ PE firm - Platform

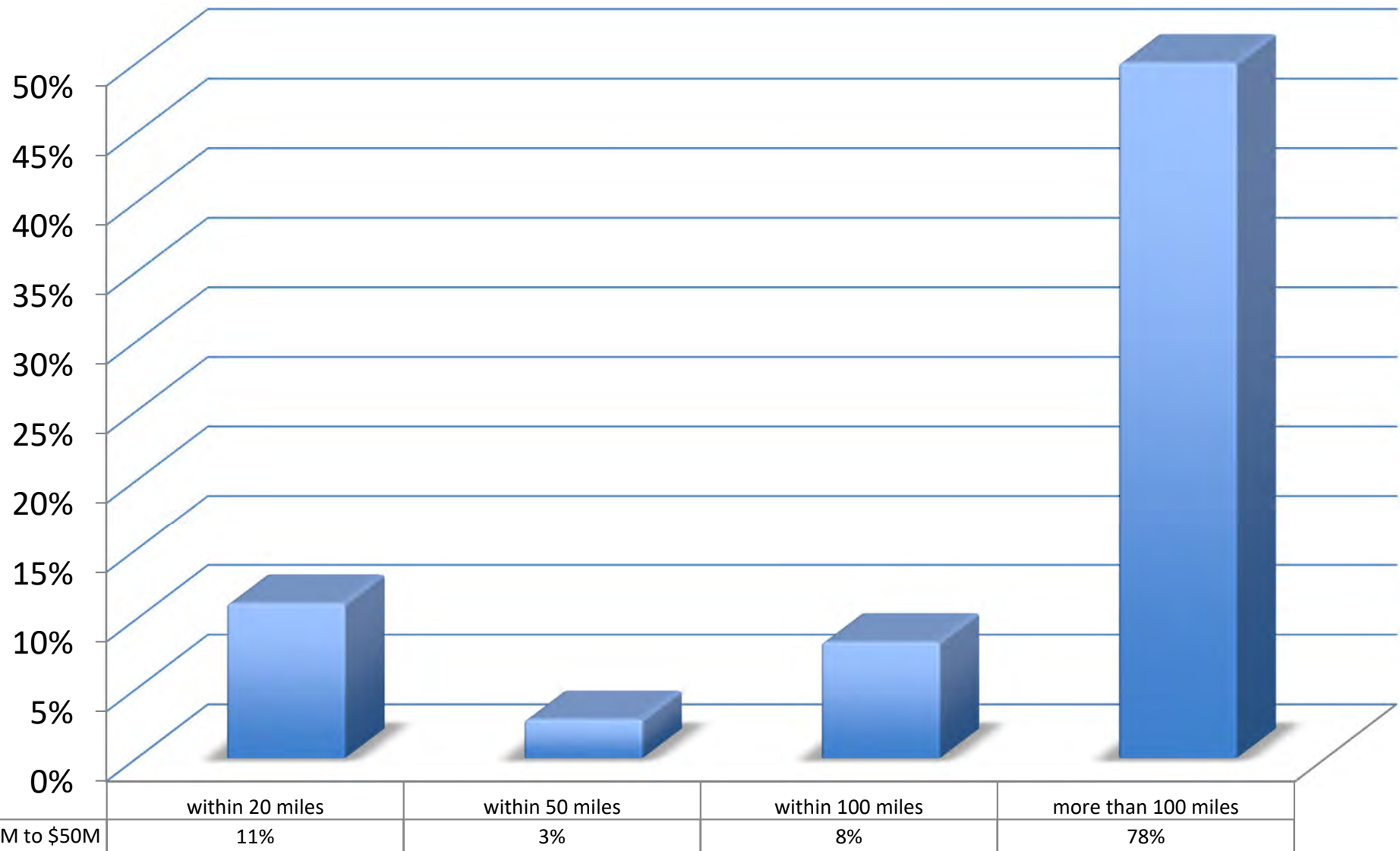
■ PE firm - Add-on

■ Other

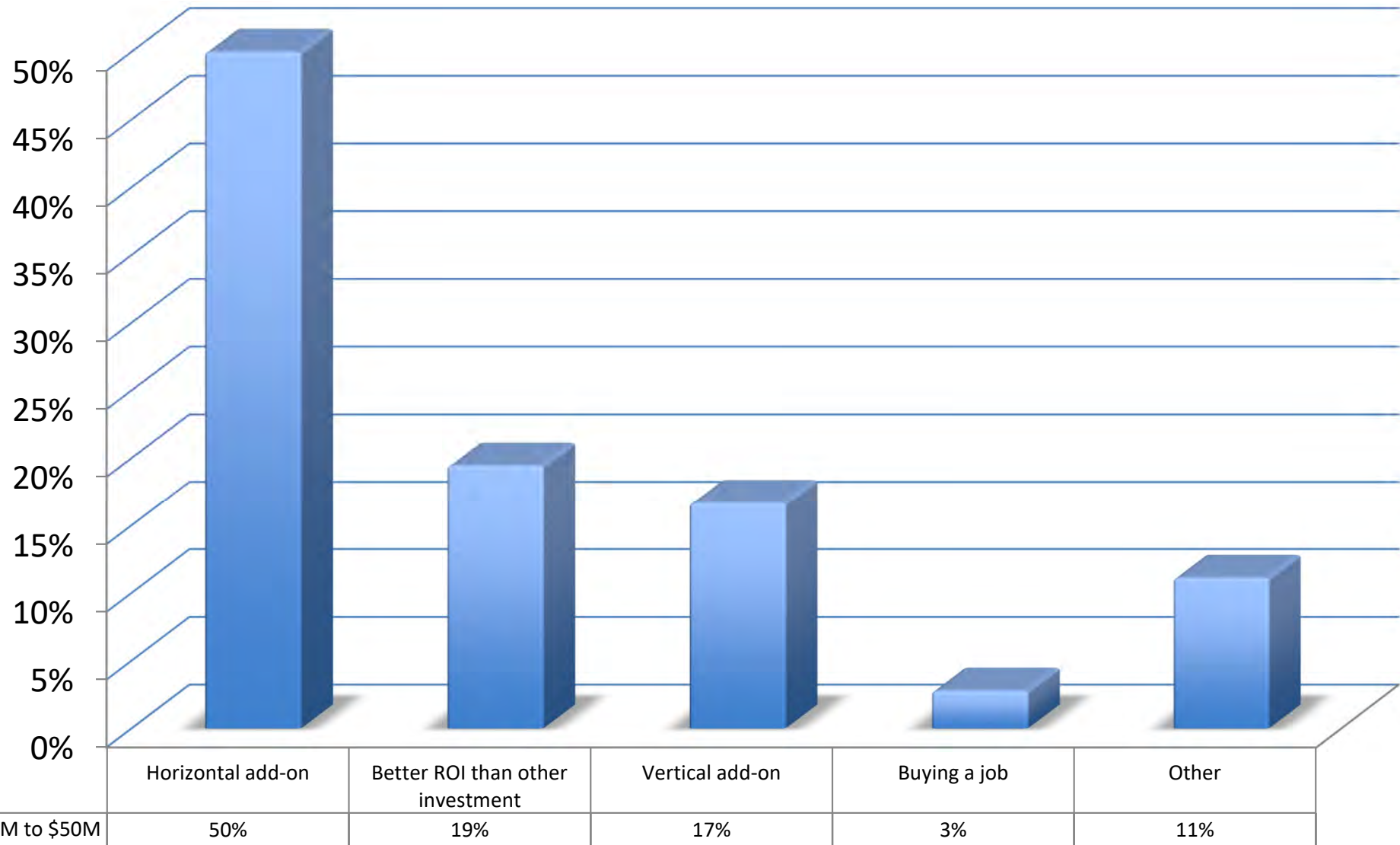
#1 Reason for Seller to Go to Market



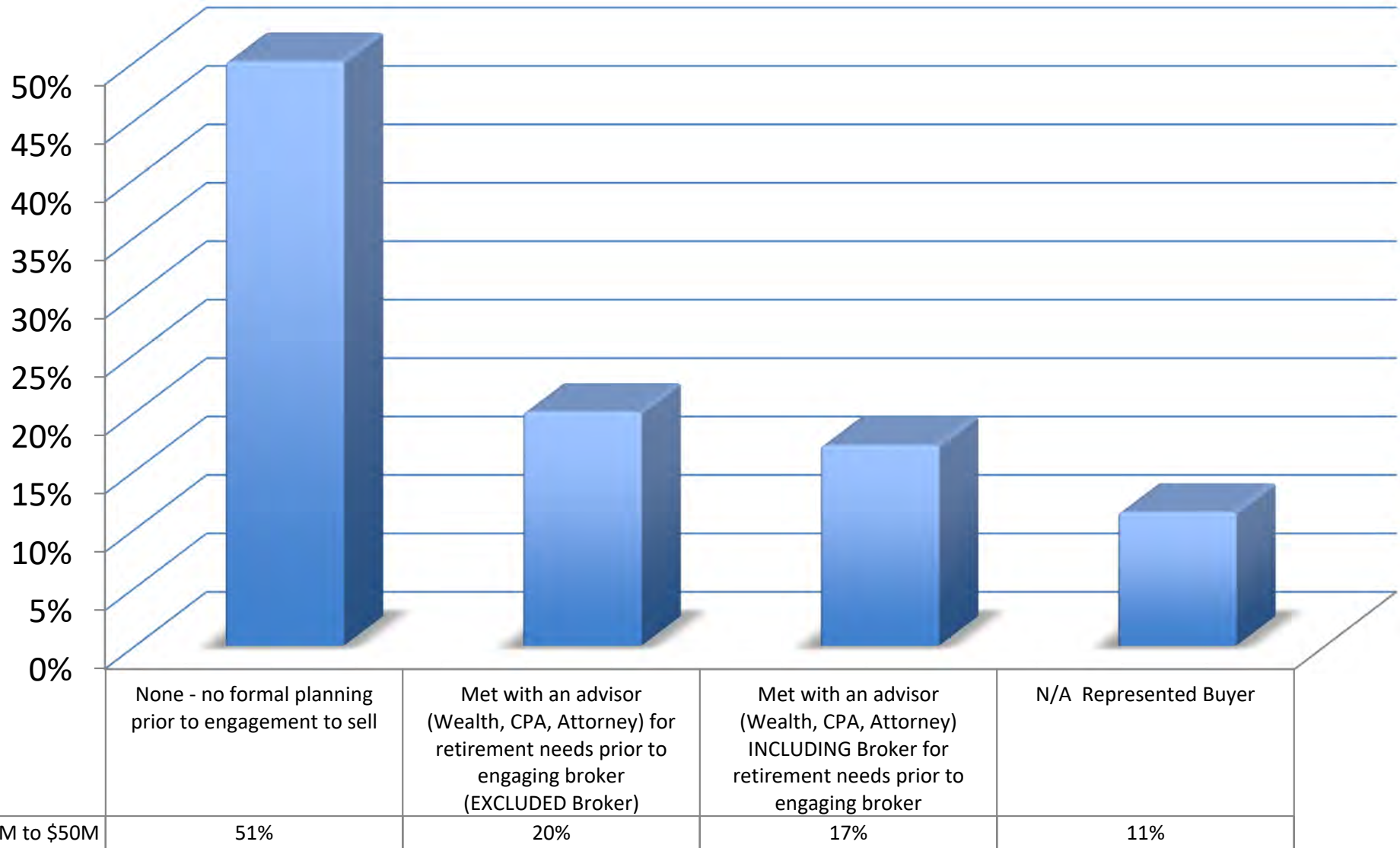
Buyer Location



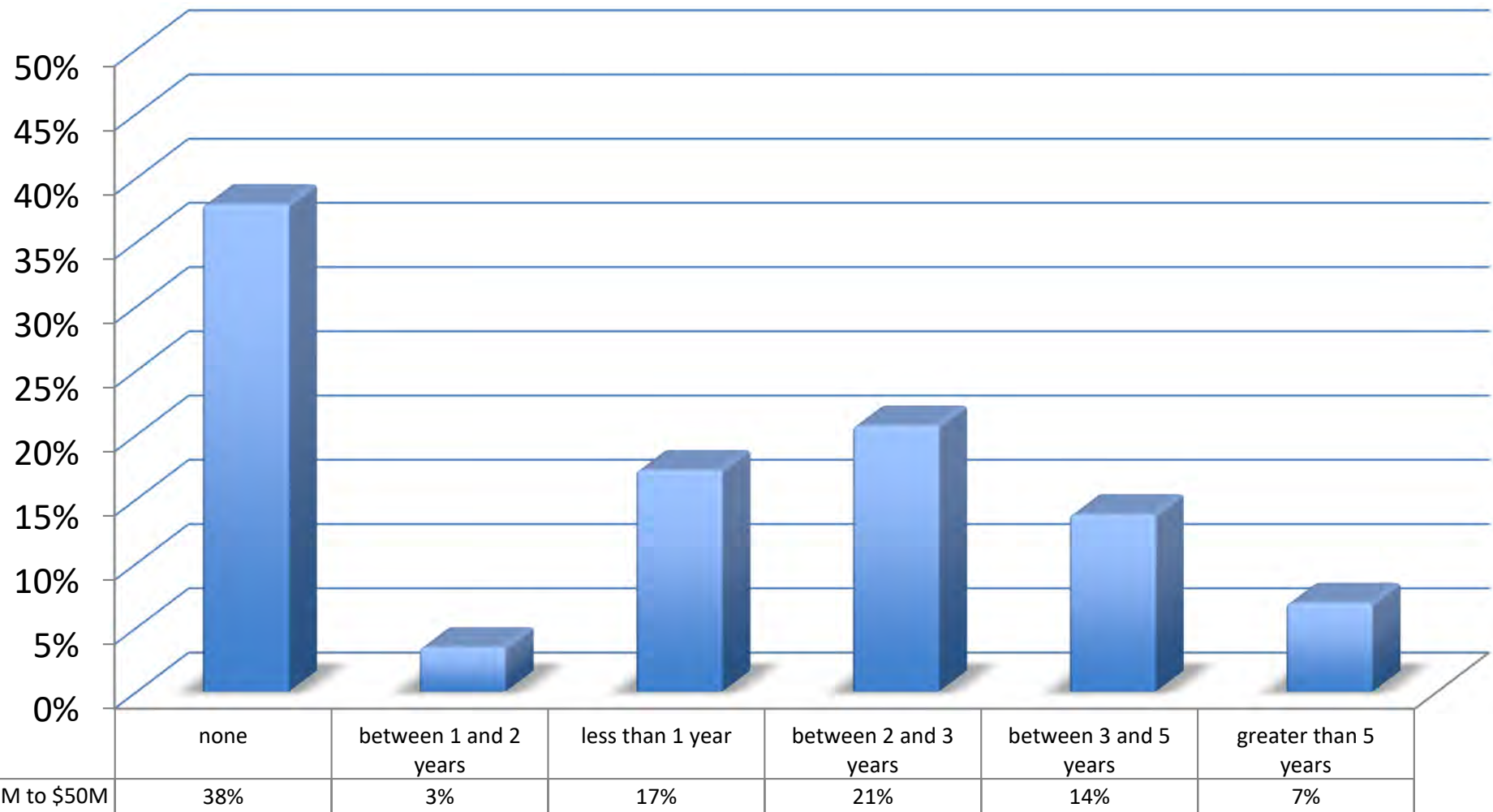
#1 Motivation for Buyer



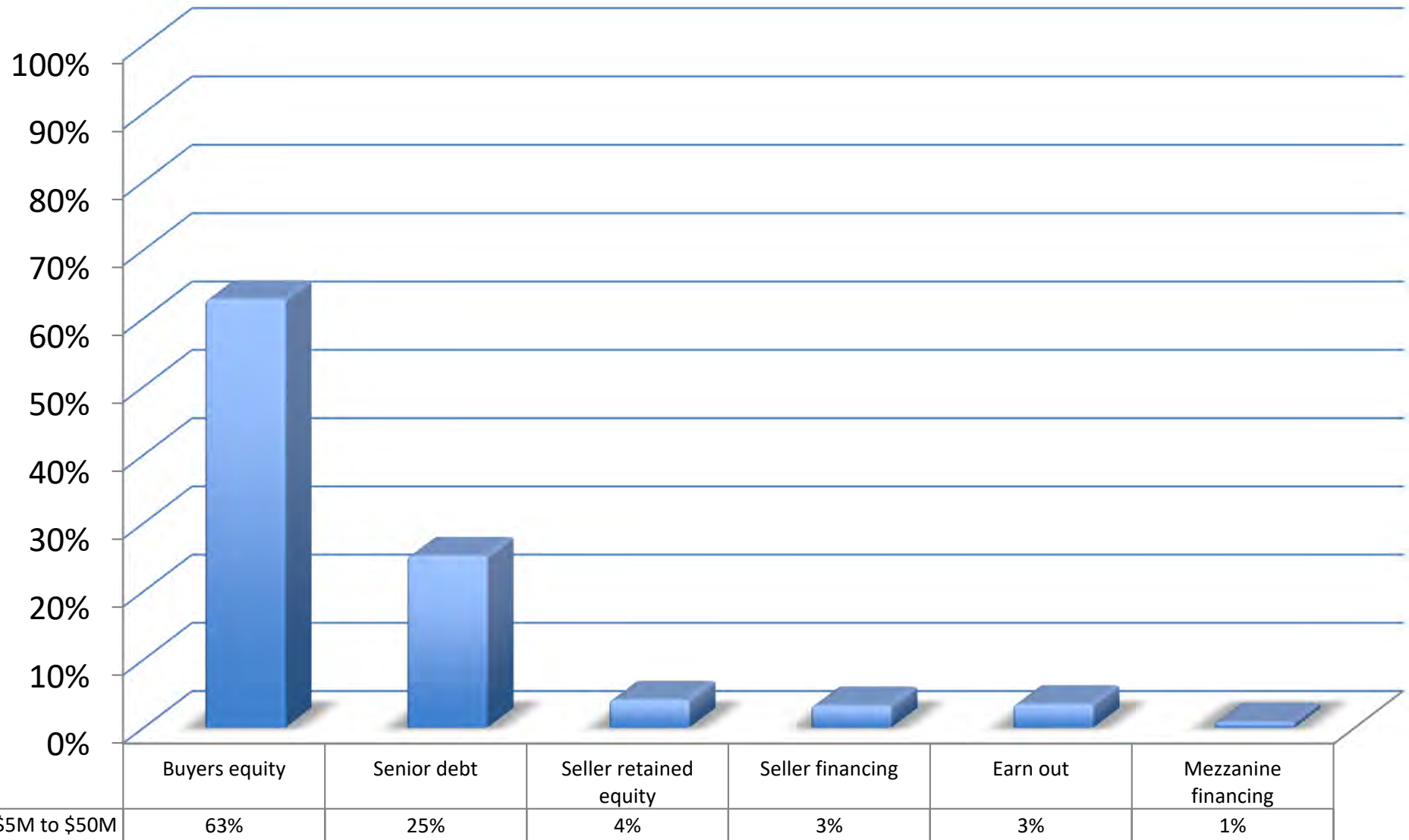
Exit Planning



Amount Of Exit Planning Prior To Marketing Business



Financing Structure



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	2.7%	44.7%	48.3%	4.3%	0.0%	2.5
Deals valued from \$500,000 to \$999,999	2.6%	44.3%	47.3%	5.8%	0.0%	2.6
Deals valued from \$1 million to \$1.99 million	0.7%	40.1%	50.5%	8.7%	0.0%	2.7
Deals valued from \$2 million to \$4.99 million	1.7%	32.8%	54.8%	10.6%	0.0%	2.7
Deals over \$5 million	3.1%	31.3%	54.4%	10.6%	0.5%	2.7

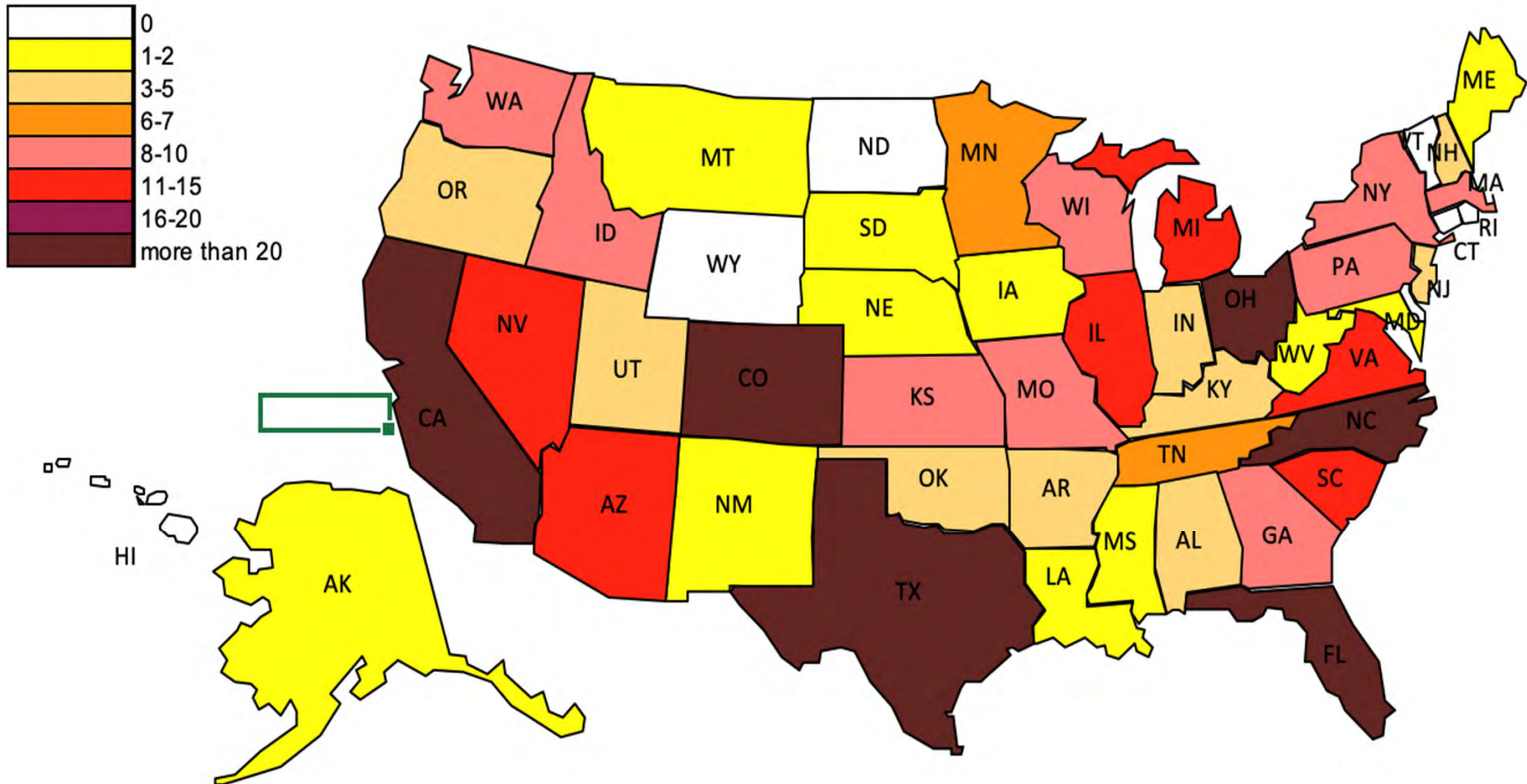
Expectations for Business Valuation Multiples in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	1.9%	8.6%	42.1%	45.8%	1.6%	3.4
Deals valued from \$500,000 to \$999,999	1.7%	5.0%	41.1%	50.6%	1.7%	3.5
Deals valued from \$1 million to \$1.99 million	0.7%	5.9%	42.2%	49.8%	1.5%	3.5
Deals valued from \$2 million to \$4.99 million	1.7%	6.5%	46.1%	44.1%	1.5%	3.4
Deals over \$5 million	3.3%	7.7%	57.8%	30.1%	1.1%	3.2

V. About the Respondents

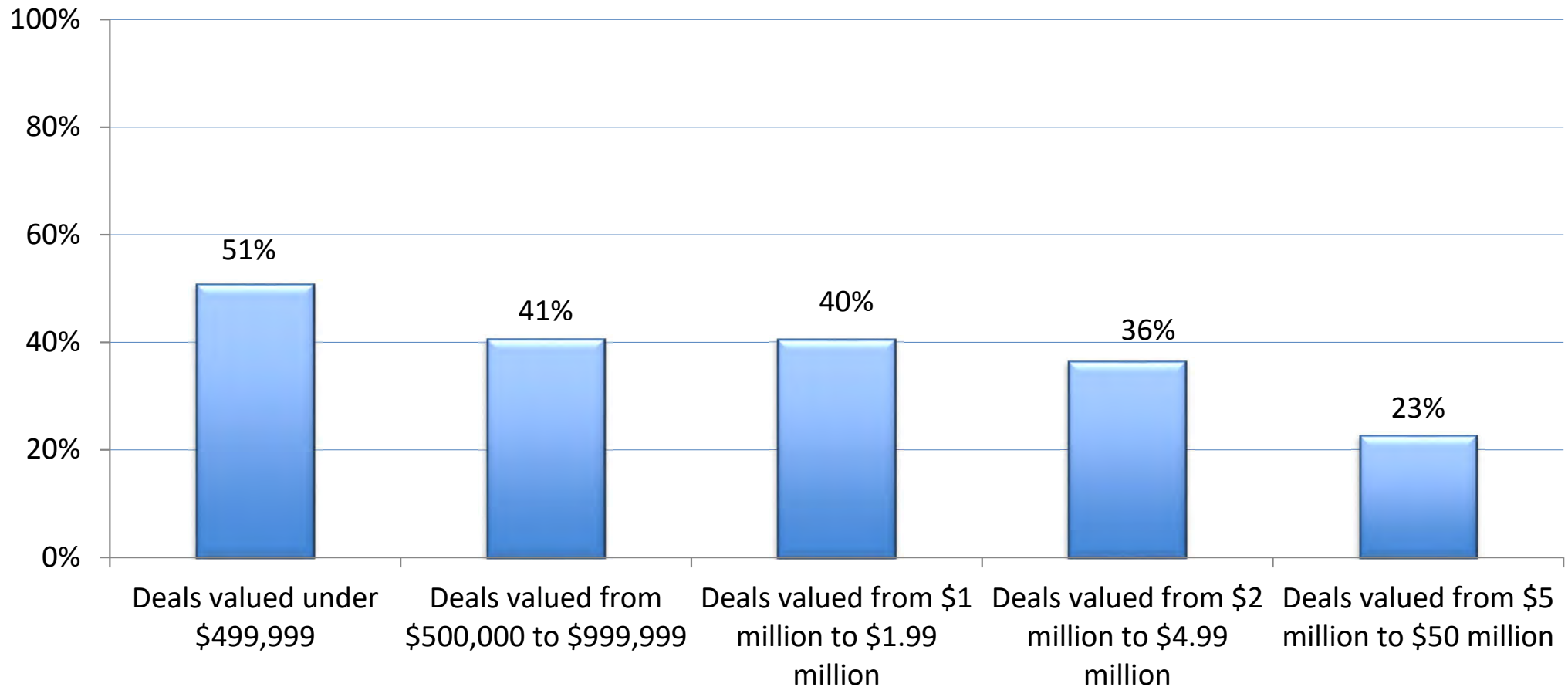
Details About the Respondents

Geographic Location



Details About the Respondents

Typical Size of Business Transactions

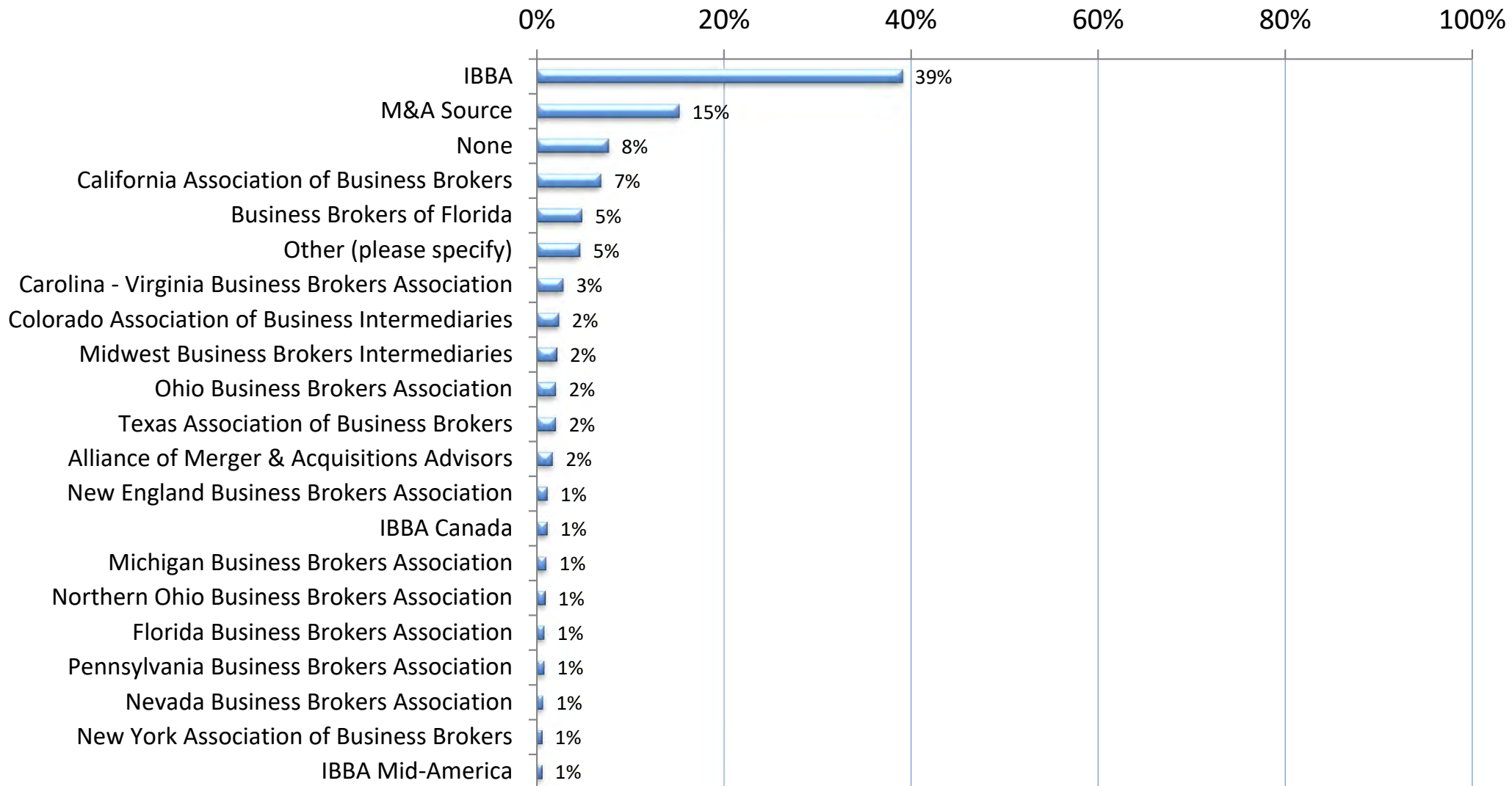


Total number of responses = 939

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

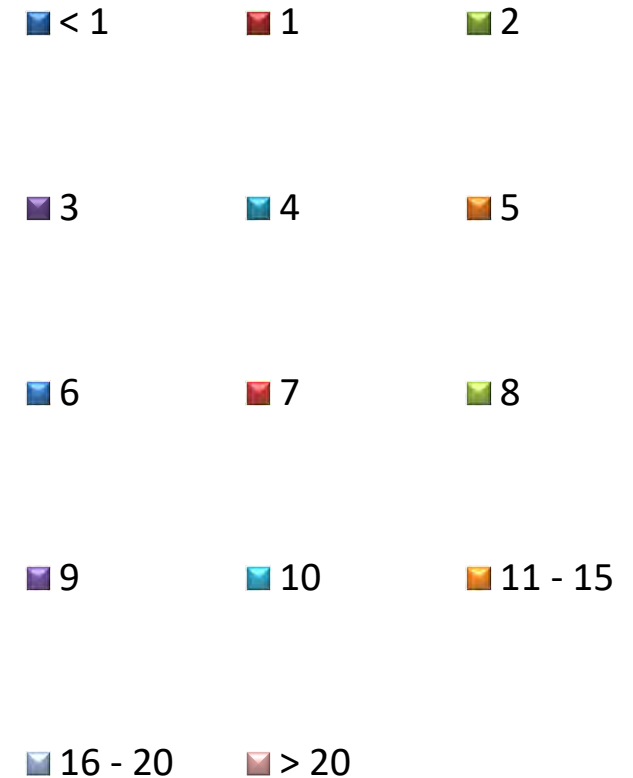
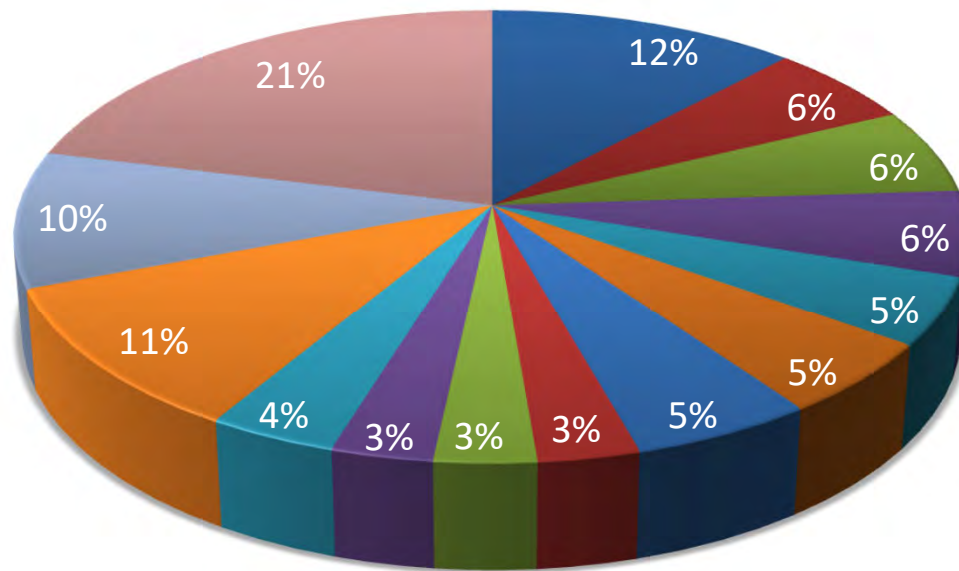
Details About the Respondents

Memberships/ Multiple Memberships



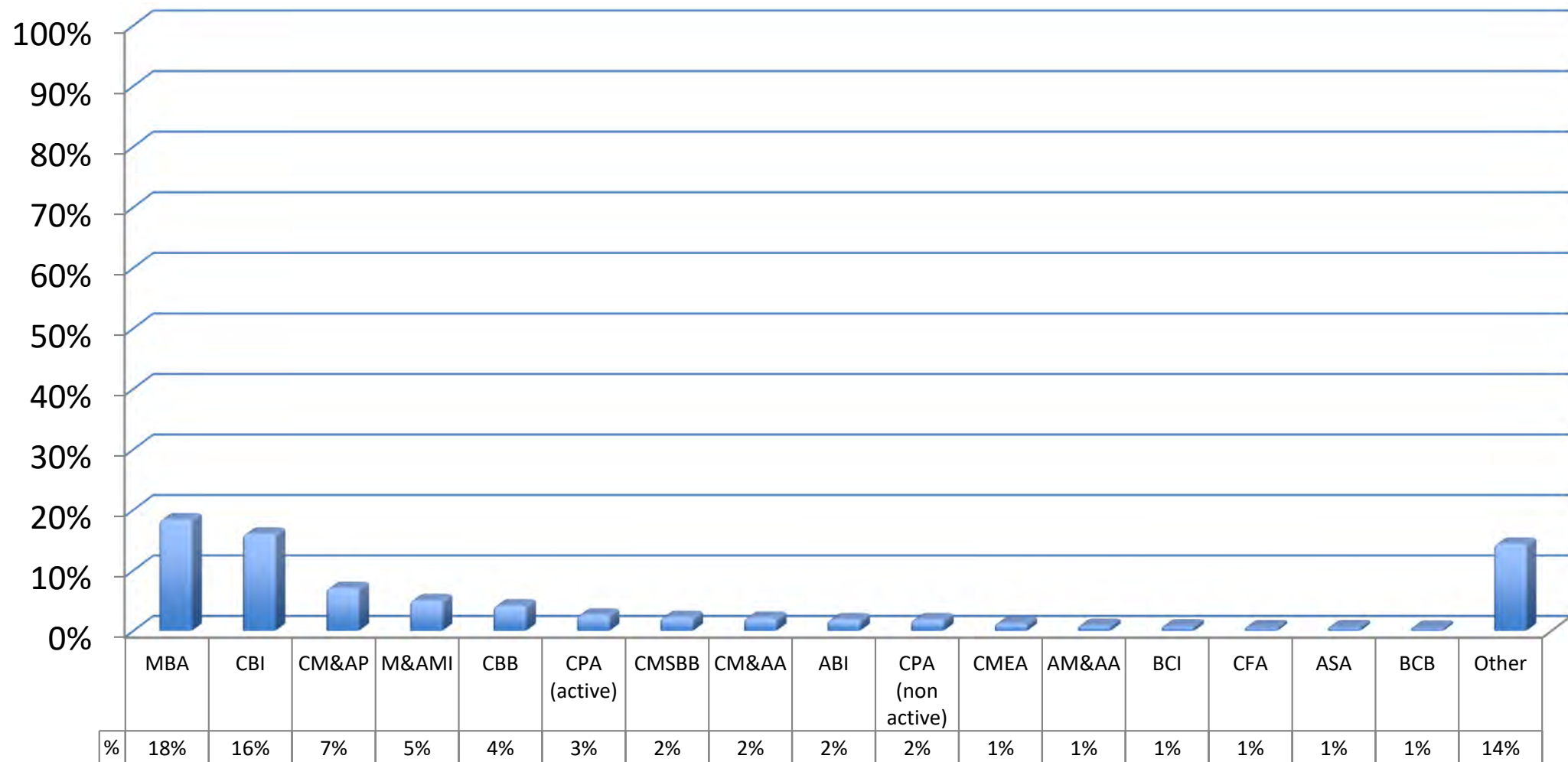
Details About the Respondents

Working Experience (years)



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

Ron West

Lee Sheaffer, CBI

For Questions, Please Contact:

Lisa@DeltaBusinessAdvisors.com