



# M&A Market Report

## July 2022

After a record year in both transaction volume and pricing in 2021, the market has cooled in 2022 due to economic and geopolitical uncertainty. However, with limited exceptions, market multiples and transaction pricing for private companies in the first quarter remain firm despite impact of the invasion of Ukraine, the lingering pandemic, inflation and prospects for recession. Significant corporate and private equity capital remains available for deals that drive strategic growth. And transactions with strong expected capital returns, after factoring in increased borrowing costs, are still closing. Acquisitions by special purpose acquisition companies (SPACs), which until recently saw a meteoric rise in their share of acquisition activity, fell in the first quarter by over 80%, accounting for under 5% of total M&A value.

Private company average business enterprise value/EBITDA multiples across all industries remained strong, with averages ranging from 6.6x for companies in the \$10-\$25 million BEV category, strengthening with size, and reaching 9.3x for businesses valued between \$100-\$250 million. These results are consistent with those in Q4 2021, although the total number of closed transactions dropped by approximately 2/3's from the volume in the last quarter of 2021. Companies with above-average EBITDA margins and revenue growth rates in excess of 10% commanded approximately a 20% premium to other buyouts in the first quarter, and it continued to be a sellers' market for these companies.

Manufacturing and Business Services industries' average BEV/EBITDA multiples in the over \$50 million BEV categories continued to perform strongly in Q1 2022, while those in the under \$50 million BEV remained flat. Health care services, retail, distribution and media & telecom multiples softened a little, and technology multiples fell by approximately 15%.

Average market debt levels in Q1 2022 – for those transactions that reported utilizing maximum leverage – were 4.2x EBITDA for total debt and 3.4x EBITDA for the senior tranche. Leveraged transactions involving larger companies and those able to sustain higher levels of performance exceeded the averages for transaction pricing and debt capacity.

Despite and perhaps because of current economic uncertainty, now remains a good time for entrepreneurs to take some money off the table. If your goal is to eventually turn over daily operations to employees, these transaction and financing metrics provide attractive opportunities to receive sizeable up-front cash payments and structure soft notes for key employees to have “skin in the game.” Please contact any of the undersigned for further explanation.

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*MalekRemian's senior transaction professionals have extensive experience assisting companies of all sizes, in many industries, with aggregate transaction value exceeding \$30 billion.*

*For a confidential, no obligation assessment of your situation, please contact us.*

**Kenneth J. Malek**  
224.419.3845

**Robert F. Remian**  
847.977.3522

**David Demeter**  
847.870.3904

MalekRemian LLC • 516 N. Milwaukee Avenue • Libertyville, IL 60048

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