



Private Company M&A Summary Report

August 2022

Despite the marked slowing in Q1 and Q2 2022 M&A activity, well-established companies with a focus on niche markets continued to attract interest at close to record valuation multiples. At the same time, lesser performers received lower multiples or no bids at all. Interest rates on senior debt in the \$50-\$250 million BEV category averaged 5.5% in the second quarter, with second lien and sub-debt pricing at 11.4%, each up slightly.

Despite overhang on the market from the war in Ukraine, ongoing Federal Reserve actions to control inflation, energy prices, supply chain issues, and the overall drop in M&A activity, there continue to be high levels of interest in high-quality acquisition targets from acquirers and capital providers. At close of Q2 2022, dry powder at U.S. PE firms totaled \$950 billion and exceeded \$1.8 trillion globally.

Private company average business enterprise value/EBITDA multiples for all industries were approximately one turn lower in the second quarter at 5.8x for companies in the \$10-\$25 million BEV category, but strengthened with size, increasing to 9.5x for businesses valued between \$100-\$250 million. Except for the under \$25 million category, pricing continued near record levels and was consistent with deals closed in Q1 2022. However deal volume dropped by approximately 25% from the volume in the first quarter of this year. Companies with above average EBITDA margins and revenue growth rates in excess of 10% continued to command a premium of over 20% compared to other buyouts.

Healthcare and Business Services industries' average BEV/EBITDA multiples in the over \$100 million BEV categories have performed strongly in the first half of 2022, while Manufacturing remained flat. Distribution multiples fell by approximately 10% in the first six months of this year.

Average market debt levels for those transactions reported utilizing maximum leverage dropped to 3.9x EBITDA for total debt and 3.2x EBITDA for the senior tranche in 1H 2022, reflecting recent increases in interest rates. Leveraged transactions involving larger companies and those able to sustain higher levels of performance continued to exceed the averages for transaction pricing and debt capacity.

MalekRemian's team members have advised on and closed transactions aggregating over \$30 billion in recent decades. Creative deal structures that drive higher values are a hallmark of our practice. The markets remain robust for sales of better-performing businesses.

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 W. Demeter, Jr.
847.870.8904

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

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