



Market Pulse Quarterly Survey Results For Merger & Acquisitions in the Lower Middle Market Second Quarter 2015

The quarterly IBBA and M&A Source Market Pulse Survey tracks market conditions for businesses being sold in Main Street (values \$0 to \$2 million) and the Lower Middle Market (values \$2 million to \$50 million). The findings below represent the Lower Middle Market portion of the report.

MARKET ADVANTAGE AND VALUATIONS

The lower middle market continues to present as a strong seller's market. Year-over-year, the strength of that sentiment has increased significantly. However, advisors are indicating a slight dip since market peak in Q1 this year.

Compared to Q1, transaction values shrank 0.5 points for businesses valued between \$2MM-\$5MM but grew 0.1 points for businesses valued between \$5MM-\$50MM. Year-over-year, however, multiples show a slightly more marked decline.

SELLER FINANCING

Advisors saw some easing in the lending climate in Q2, with more than a quarter (28%) indicating that financing deals was easier. Only 11% said financing deals was harder.

But despite the better lending climate, seller financing increased in Q2 2015.

REASON TO SELL

Retirement continues to lead as the number one reason to sell in the lower middle market, accounting for 52% of new engagements in the \$2MM-\$5MM sector and 31% in the \$5MM-\$50MM sector. Retirement was followed by burnout at 20% and recapitalization at 27% in each category, respectively.

TIME TO CLOSE

The average time to close has increased in the lower middle market, coming in at 9 months in the \$2MM-\$5MM sector and 8 months in the \$5MM to \$50MM sector.

BUYER LOCATION

The larger the deal, the farther buyers will travel. In the \$2MM-\$5MM sector, the majority of buyers (48%) were located within a 100 mile radius. But in the \$5MM-\$50MM sector, most buyers (58%) were located more than 100 miles away from the seller.

BUYER TYPE

Buyers in the \$5MM-\$50MM sector were most likely to be an existing company/strategic buyer or private equity firm. However, individual buyers were very active in the \$2MM-\$5MM sector.

HOT INDUSTRY

Manufacturing and wholesale/distribution ranked among the leading industries for the lower middle market this sector. Construction/engineering and business services also held leading positions.

To see the full report, go to the following website:

http://ibba.org/images/pdfs/marketpulse/2015Q2/IBBA_MarketPulse_Q2_2015_ExecutiveSummary.pdf