

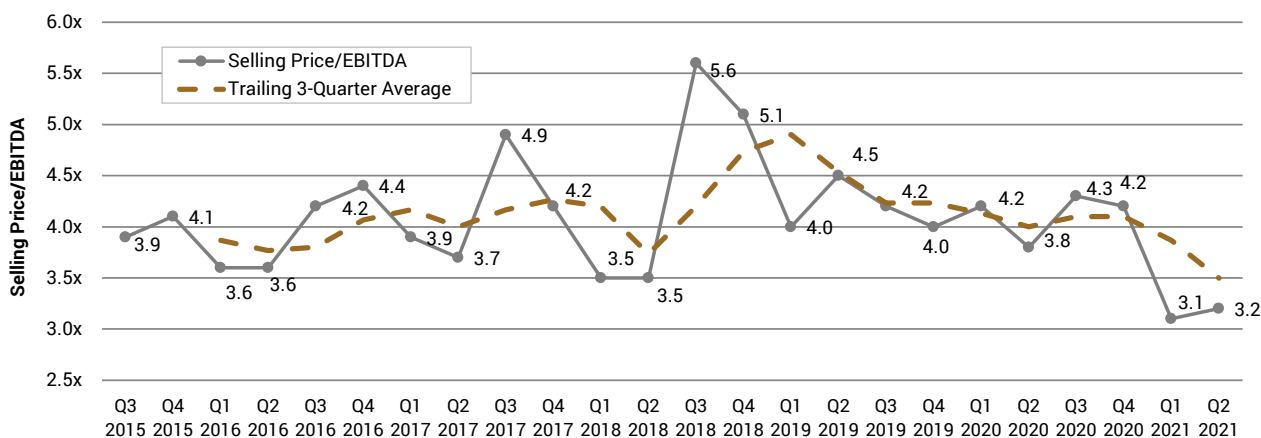
# DealStats Value Index 3Q 2021

The *DealStats Value Index* summarizes valuation multiples and profit margins for private companies that were sold over the past several quarters. Business Valuation Resources (BVR) captures this private company transaction data in its DealStats platform. Most BVR deals are not otherwise publicly available. The *DealStats Value Index* is updated quarterly and, as a result, past figures may change in future issues as new data are reported.

## EBITDA MULTIPLES TREND LOWER THROUGH 1H 2021

The impact that the cycles of the spread of coronavirus have had on the U.S. economy appears to have impacted EBITDA multiples more so based on the longevity of the virus than, somewhat surprisingly, on the initial fear at the onset of the pandemic. When further examining EBITDA over the past 18 months, or past six quarters since the onset of the pandemic, we see how common factors such as risk, growth, and time period, among others, have created a wave-like pattern highlighting the highs and lows associated with the deal environment. In the second quarter of 2020, or the initial period, when the risks associated with the pandemic were highly uncertain, EBITDA multiples were at their lowest levels in 2020, at 3.8x. By the third and fourth quarters of 2020, with the pandemic seemingly becoming more manageable, thus enabling the U.S. economy to reopen for business, the expected growth spurred EBITDA multiples to their highest level in 2020, to 4.3x and 4.2x. However, as the Delta variant emerged and the pandemic lengthened, returning to an environment again of risk and uncertainty, EBITDA multiples plummeted to their lowest levels over the illustrated period, to 3.1x and 3.2x.

**EXHIBIT 1A. MEDIAN SELLING PRICE/EBITDA WITH TRAILING THREE-QUARTER AVERAGE**

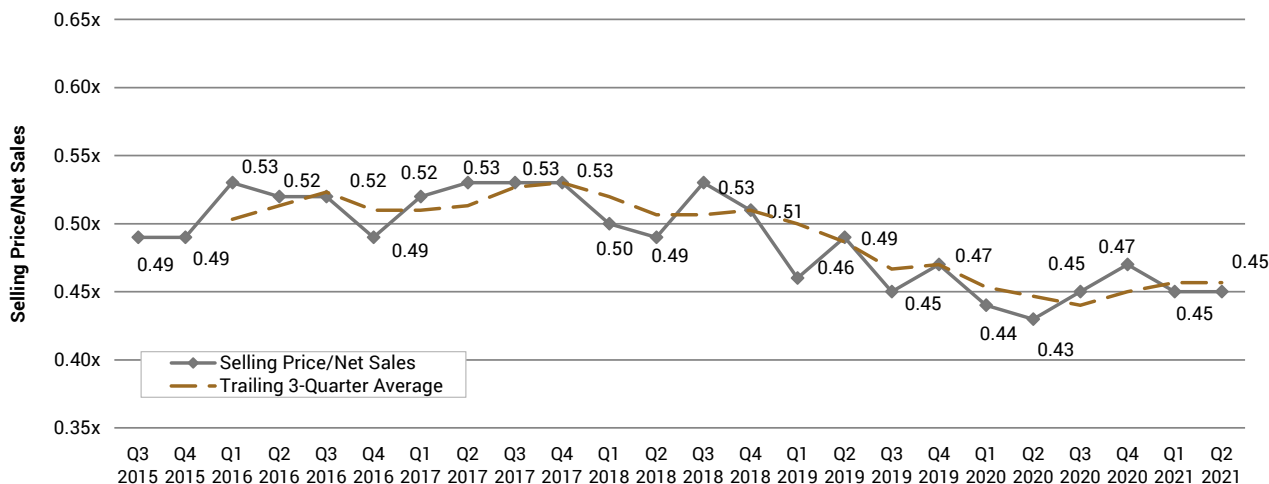


## NET SALES MULTIPLE SHOWS A DECLINE DURING LOCKDOWNS

In the second quarter of 2020, the net sales multiple plummeted to its lowest level, 0.43x, with the onset of the coronavirus pandemic being the culprit. In the subsequent quarters, the net sales multiple followed the path of the pandemic, rising to 0.45x in the third quarter of 2020 and to 0.47x in the fourth quarter of 2020, with both quarters serving as a point when optimism surged at the mention of the U.S. economy reopening or when virus cases appeared contained. However, by the late first-quarter 2021 and into the second quarter of 2021, with the Delta variant spreading across the U.S. as well as signals of inflationary pressures rising within the U.S. economy, the net sales multiple was stagnant, at 0.45x.

While it's easy to point the finger at the coronavirus pandemic for the decline in the median net sales multiple, the data suggest that an initial decline in the net sales multiple occurred in 2019. When compared to the earlier period highlighted in the associated graph, from the third quarter of 2015 to the fourth quarter of 2018, the lowest median net sales multiple, 0.49x (occurred four times over this period), was still higher than any of the median net sales multiples from the third quarter of 2019 to the second quarter of 2021. The decline noticeably began in the first quarter of 2019, when the median net sales multiple fell to 0.46x from 0.51x in the fourth quarter of 2018. The trend at the time typically showed that the net sales multiple was at its lowest levels during the first two quarters of each year, but the subsequent quarters bucked that trend, when the median net sales multiple continued to trend lower up to the start of the pandemic.

**EXHIBIT 1B. MEDIAN SELLING PRICE/NET SALES WITH TRAILING THREE-QUARTER AVERAGE**

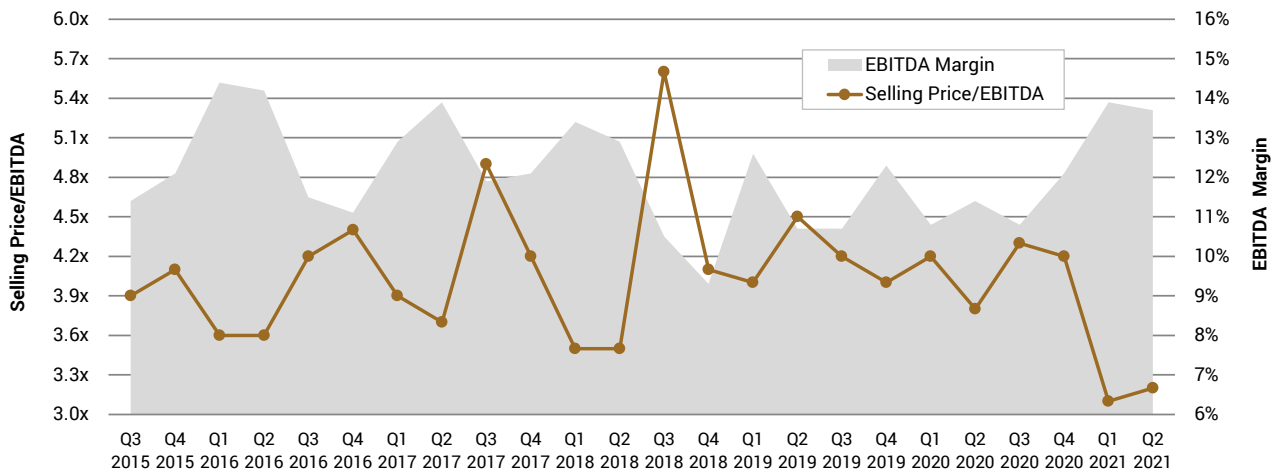


## EBITDA MARGINS IN 2021 RISE TO HIGHEST LEVELS SINCE 2017

EBITDA, as a percentage of net sales, rose to 14% in the first and second quarters of 2021, moving up 2.0 percentage points from its rate of 12% in the fourth quarter of 2020. At the onset of the coronavirus pandemic in the first quarter of 2020, EBITDA margins remained at 11% through the third quarter of 2020. The rise in EBITDA margins during the most recent six-quarter period encompassing the duration of the coronavirus indicates that businesses across the country have adapted to the operating environment the pandemic created, that of decreasing capital expenditures, restrictive budgetary policies as well as a decrease in employment expenses as a result of the challenges in finding qualified employees to hire, evident by the NFIB Small Business Index reporting that 26% of small-business owners said that finding quality labor was their top problem, as cited in the *Economic Outlook Update*.

The selling price-to-EBITDA multiple ticked up modestly in the second quarter of 2021, to 3.2x, after a significant decline in the first quarter of 2021, to 3.1x from 4.1x in the prior quarter. Notably, while the logic seems to imply that the higher EBITDA margin would result in a higher valuation multiple, the trend since 2016 indicates the opposite effect is the case.

**EXHIBIT 2. MEDIAN SELLING PRICE/EBITDA WITH EBITDA MARGINS**



0.1350

## SELLING PRICE/EBITDA MEDIAN IS 4.4X

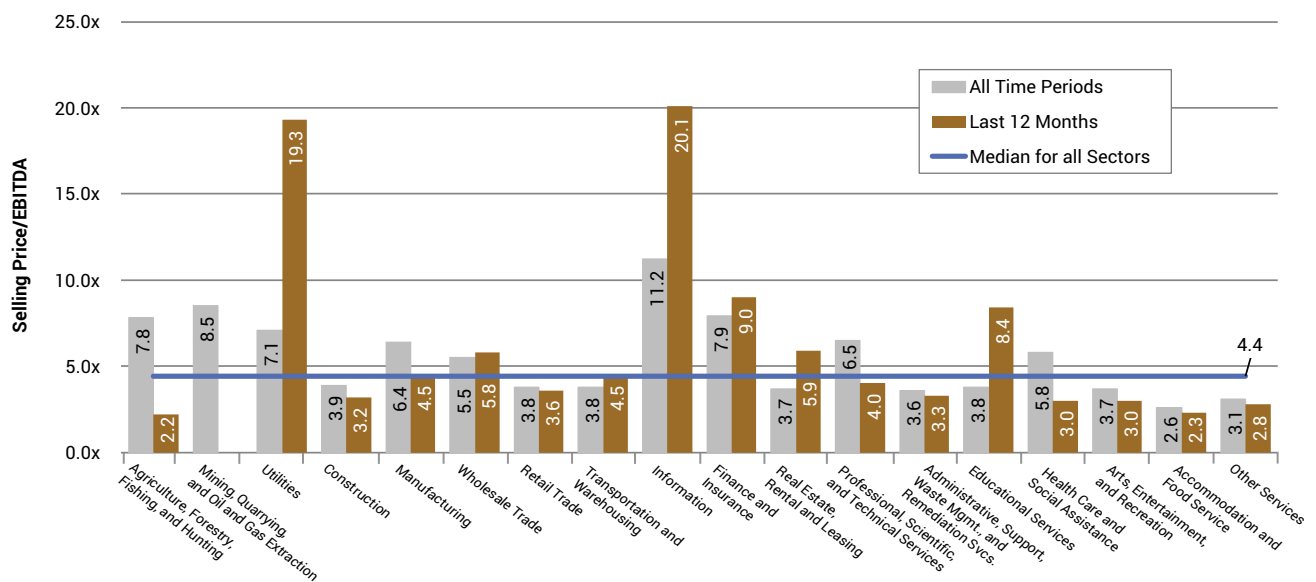
The EBITDA multiple for three of the 18 sectors increased through the second quarter of 2021 as the utilities sector moved higher, from 7.0x to 7.1x, the finance and insurance sector moved up, from 7.8x to 7.9x, and the educational services sector rose, from 3.7x to 3.8x. Conversely, the EBITDA multiple declined in two of the 18 sectors, with the manufacturing sector moving down from 6.5x to 6.4x and the information sector declining from 11.3x to 11.2x. EBITDA multiples remain the highest for asset heavy sectors like the information sector, 11.2x, and the mining, quarrying, and oil and gas extraction sector, 8.5x, and are the lowest in the accommodation and food services, 2.6x, and the other services sector, 3.1x. The median across all industry sectors over the past 12 months, or the period covering the onset of the coronavirus, is lower than the historical median, 3.6x versus 4.4x.

Over the past 12 months, the median EBITDA multiple in the utilities sector was significantly higher than the historical median, 19.3x compared to 7.1x. The rise comes as a resurgence in the number of acquisitions of microcap software and computer-related technologies companies, which have done a good job of adapting and evolving in shifting more of their employee workload to remote work while maintaining efficiency. As a result, buyers are showing their confidence in these companies emerging following the pandemic.

This trend is also apparent within the educational services sector, which, due to the coronavirus, parents shifted in favor of distance learning, at least as an alternative to in-person education. As a result, over the past 12 months, the median EBITDA multiple of 8.4x was significantly higher than the historical median, 3.8x.

Conversely, the coronavirus pandemic has negatively impacted the healthcare and social assistance sector, as hospitals saw lower margins due to higher expenses and lower revenues due to stopping or lowering the number of elective procedures. Over the past 12 months, the median EBITDA multiple, 3.0x, was lower than the historical median, 5.8x.

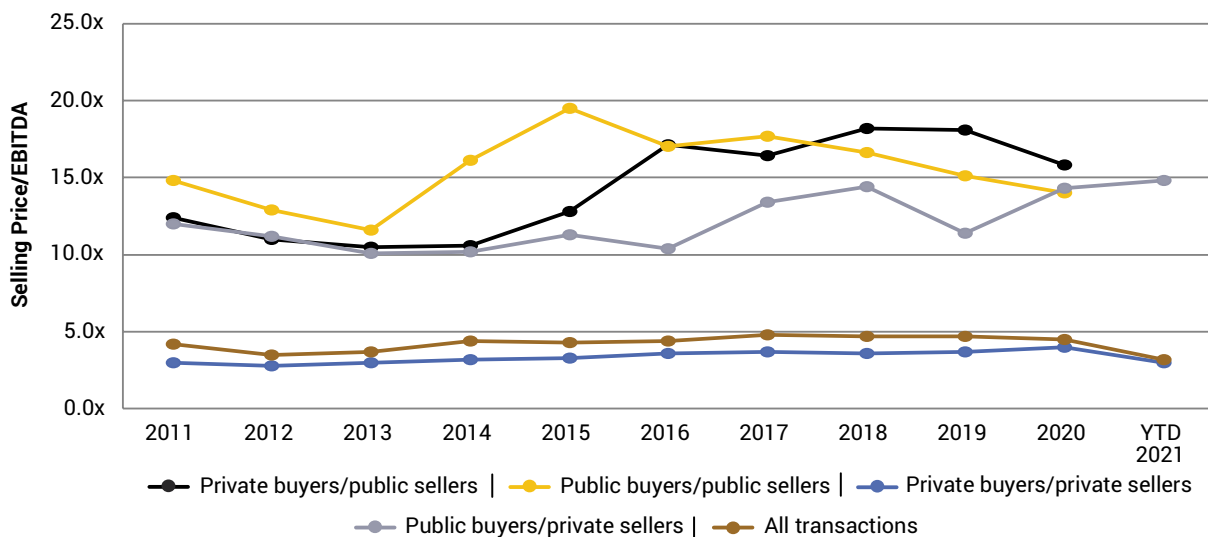
**EXHIBIT 3. MEDIAN SELLING PRICE/EBITDA BY SECTOR**



## EBITDA MULTIPLES FOR PUBLIC BUYER/PRIVATE SELLER TRANSACTIONS RISE IN 2021

EBITDA multiples for private-seller transactions involving a public buyer rose to their highest level through the first half of 2021, to 14.8x. The trend higher follows the rise in 2020, when the multiple was 14.3x. Conversely, in private-buyer acquisitions of private targets, the EBITDA multiple declined to 3.0x after rising in 2020, to 4.0x. Across the “all transactions” category, the EBITDA multiple, which had declined in three of the past four years, fell to 3.2x, after coming in at 4.7x and 4.5x in the two years prior. Notably, in 2020, EBITDA multiples declined in all public-seller transactions whereas, in private seller transactions, the EBITDA multiple rose. EBITDA multiples peaked for two of the five categories in 2018.

EXHIBIT 4A. MEDIAN SELLING PRICE/EBITDA



Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

\*YTD figures account for transactions disclosed through 6/30/2021.

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The selling prices referred to in the *DealStats Value Index* represent the market value of invested capital (MVIC) price paid for the target firm. The MVIC price is the total consideration paid to the target and includes any cash, notes, and/or securities that were used as a form of payment plus any interest-bearing liabilities of the target company that the acquirer assumed. For more information, please visit the DealStats FAQ page: [bvresources.com/products/faqs/dealstats](https://bvresources.com/products/faqs/dealstats).

The multiples and transaction data presented in the *DealStats Value Index* include both asset sale purchases and stock sale purchases. Unless otherwise noted, the multiples and transaction data presented in the *DealStats Value Index* include purchases made by both private parties and public parties.

The *DealStats Value Index* (ISSN 1937-9021) is published quarterly and exclusively for subscribers of DealStats by Business Valuation Resources, LLC, 111 SW Columbia Street, Suite 750, Portland, OR 97201-5814. Contact [info@bvresources.com](mailto:info@bvresources.com) for more information or visit our website at [bvresources.com](https://bvresources.com).

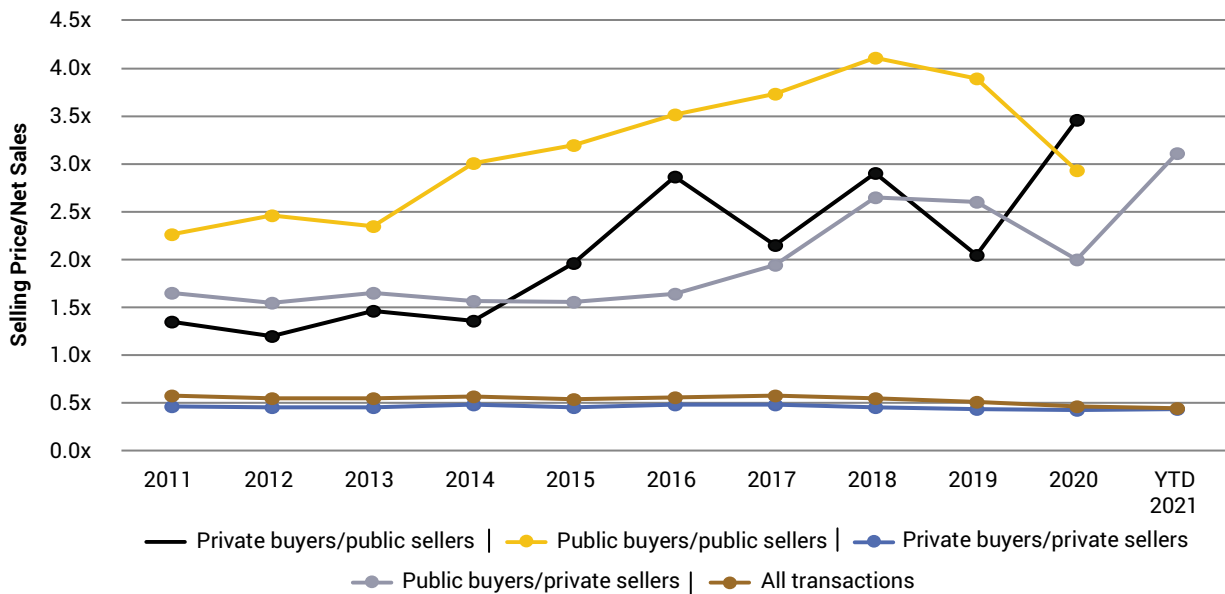
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## NET SALES MULTIPLES FOR PUBLIC BUYER/PRIVATE SELLER TRANSACTIONS RISE THROUGH Q2 2021

Through the first half of 2021, public-buyer acquisitions of private sellers had their net sales multiple rise from 2020 levels, from 2.0x to 3.11x, the highest multiple over the highlighted period. The rise thus far in 2021 bucks the downward trend from 2018 to 2020, when the net sales multiple declined from 2.65x to 2.60x to 2.0x. In fact, the downward trend was evident in four of the five transaction categories as seen in transactions when a public buyer acquired a public target, where the net sales multiple peaked in 2018, at 4.11x, only to decline in the subsequent periods, to 3.89x and 2.93x. In transactions where a private buyer acquired a private seller, the net sales multiple, which peaked in 2017, at 0.48x, declined to 0.46x, 0.44x, and 0.43x in the years that followed. Through the first half of 2021, the multiple did, however, tick higher, to 0.44x. Within the “all transactions” category, the downward trend is particularly noticeable: The multiple peaked in 2017, at 0.58x, only to decline in each of the subsequent years, to 0.55x, 0.51x, 0.47x, and 0.45x through the first half of 2021.

EXHIBIT 4B. MEDIAN SELLING PRICE/NET SALES



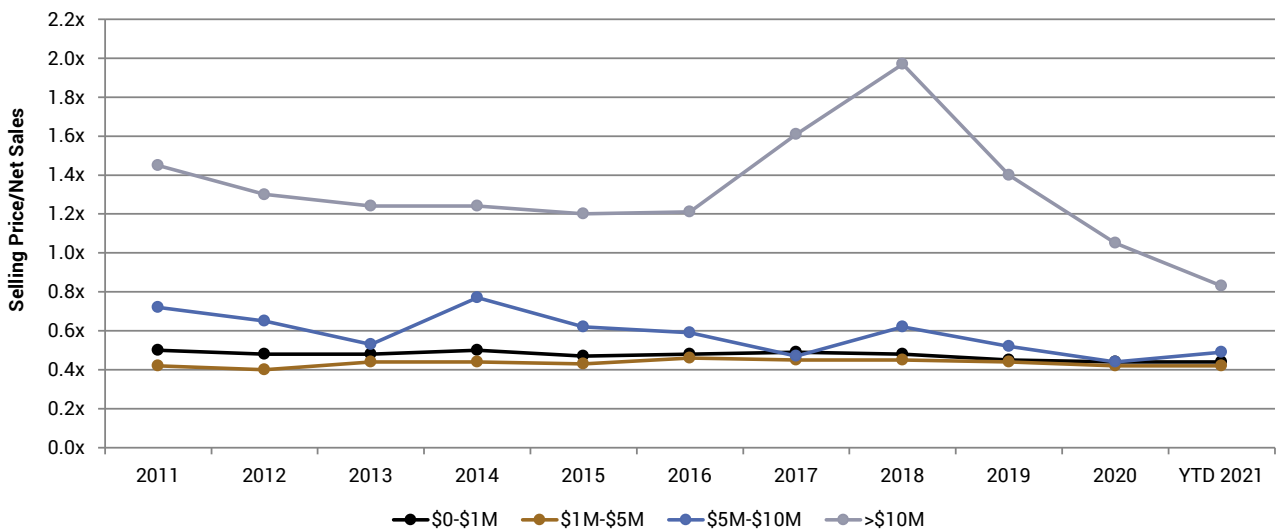
Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

## PRICING MULTIPLES AND PROFIT MARGINS ARE ON THE MOVE

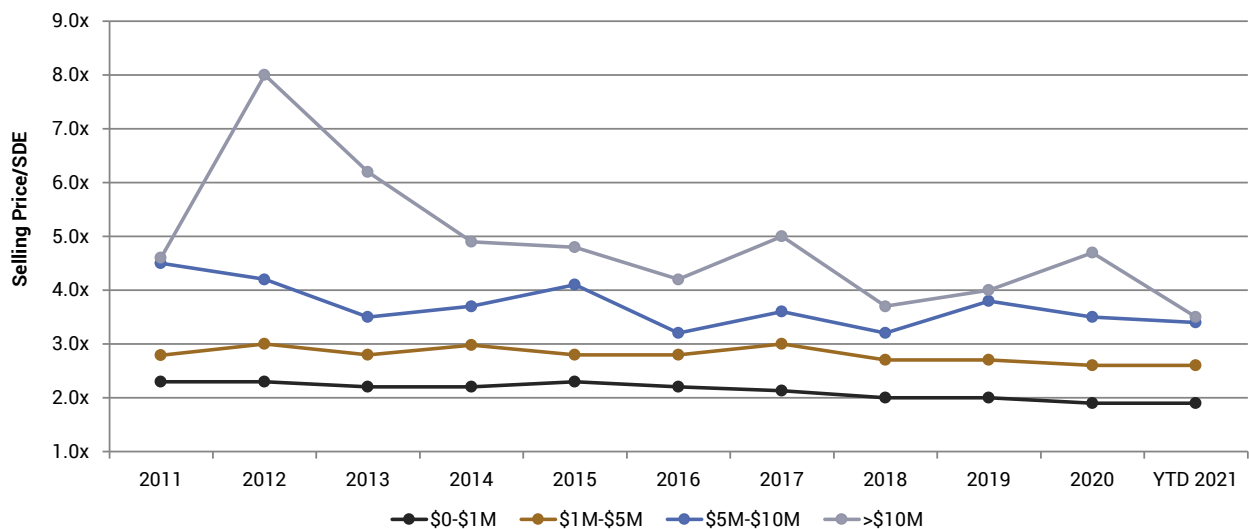
As shown in the legend for Exhibits 5A to 5C and Exhibits 6A to 6C, pricing multiples for private-target acquisitions are displayed across four ranges of seller net sales. For companies with net sales greater than \$10 million, Exhibit 5A shows a rise in the net sales multiple from 2016 to 2018 before declines in the following three years, to 1.40x, 1.05x and 0.83x, respectively. Through the first half of 2021, the net sales multiple increased for transactions with net sales figures between \$5 million and \$10 million and remained unchanged in two of the net sales categories.

Through the first half of 2021, two of the categories highlighting the seller's discretionary earnings (SDE) multiple declined, with the multiple for companies with net sales greater than \$10 million falling to its lowest

**EXHIBIT 5A. MEDIAN SELLING PRICE/NET SALES BY NET SALES RANGE (PRIVATE TARGETS)**



**EXHIBIT 5B. MEDIAN SELLING PRICE/SDE BY NET SALES RANGE (PRIVATE TARGETS)**

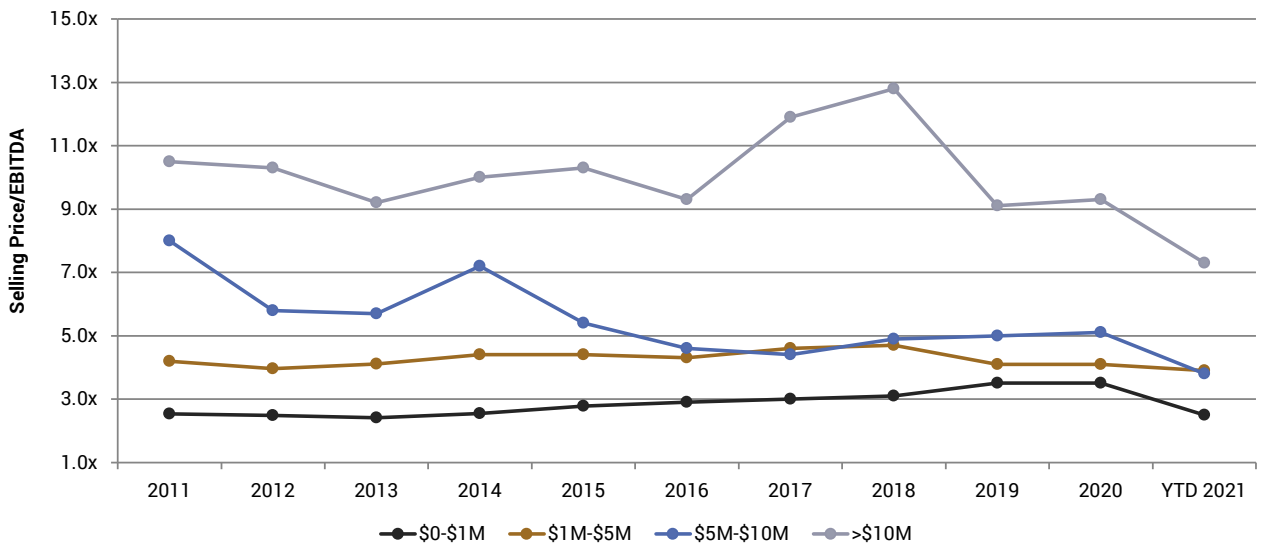


Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

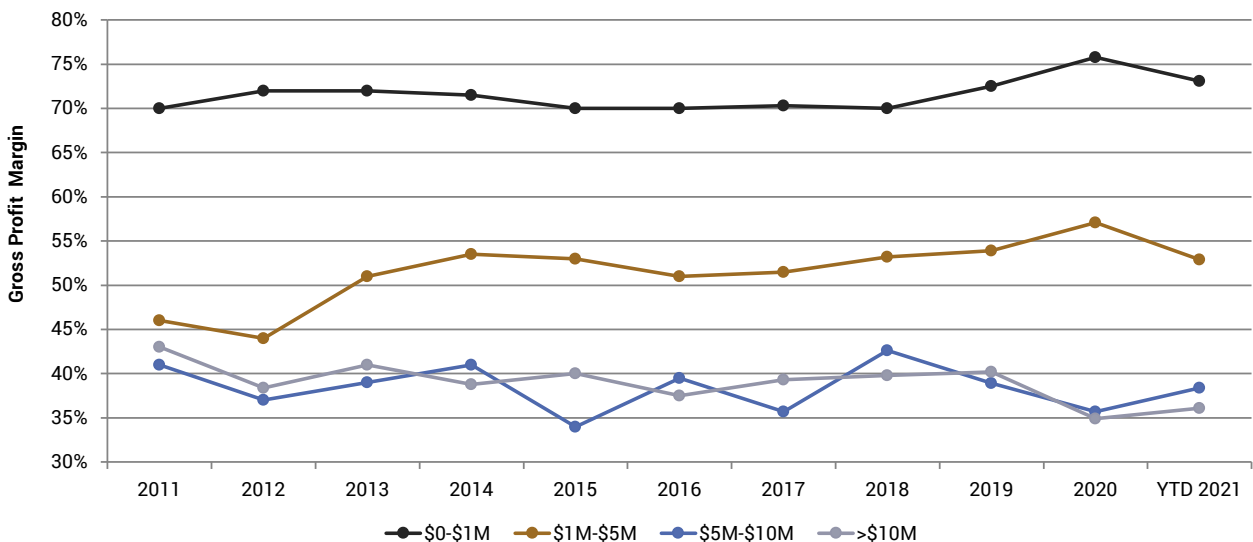
level, 3.5x, over the highlighted period. For transactions less than \$1 million and between \$1 million and \$5 million, the SDE multiple remained at 1.9x and 2.6x, respectively, through the first half of 2021, both remaining as the lowest multiple over the highlighted period (see Exhibit 5B).

Through the first half of 2021, companies across all net sales categories had their EBITDA multiple fall to or near 10-year lows. The EBITDA multiple for companies with net sales less than \$1 million had their EBITDA multiple decline to 2.5x. Companies with net sales figures between \$1 million and \$5 million, \$5 million and

**EXHIBIT 5C. MEDIAN SELLING PRICE/EBITDA BY NET SALES RANGE (PRIVATE TARGETS)**



**EXHIBIT 6A. GROSS PROFIT MARGIN BY NET SALES RANGE (PRIVATE TARGETS)**



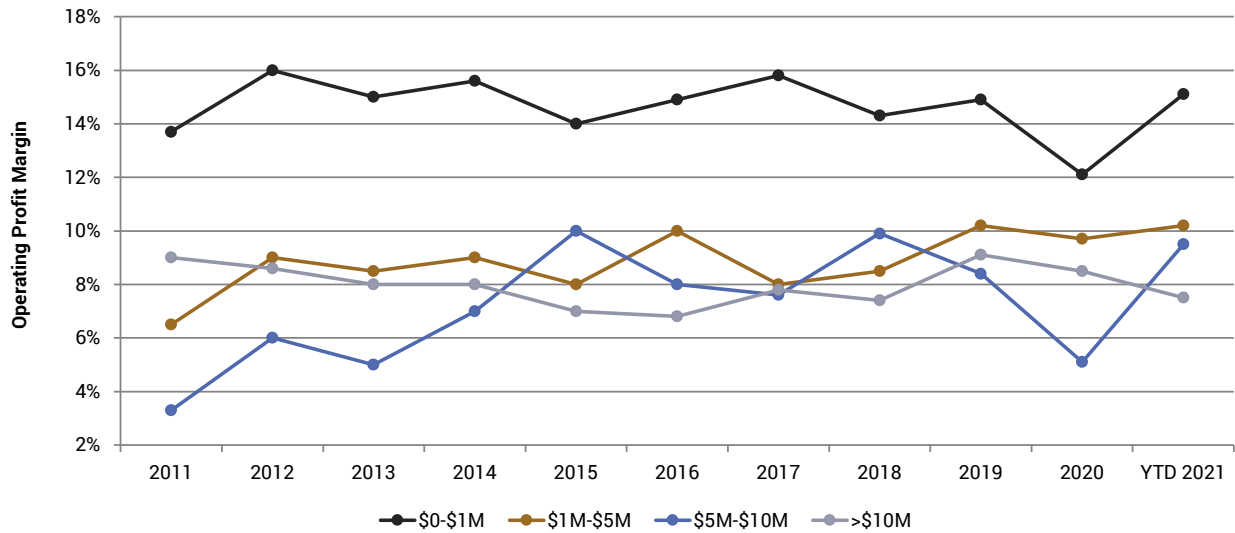
Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.



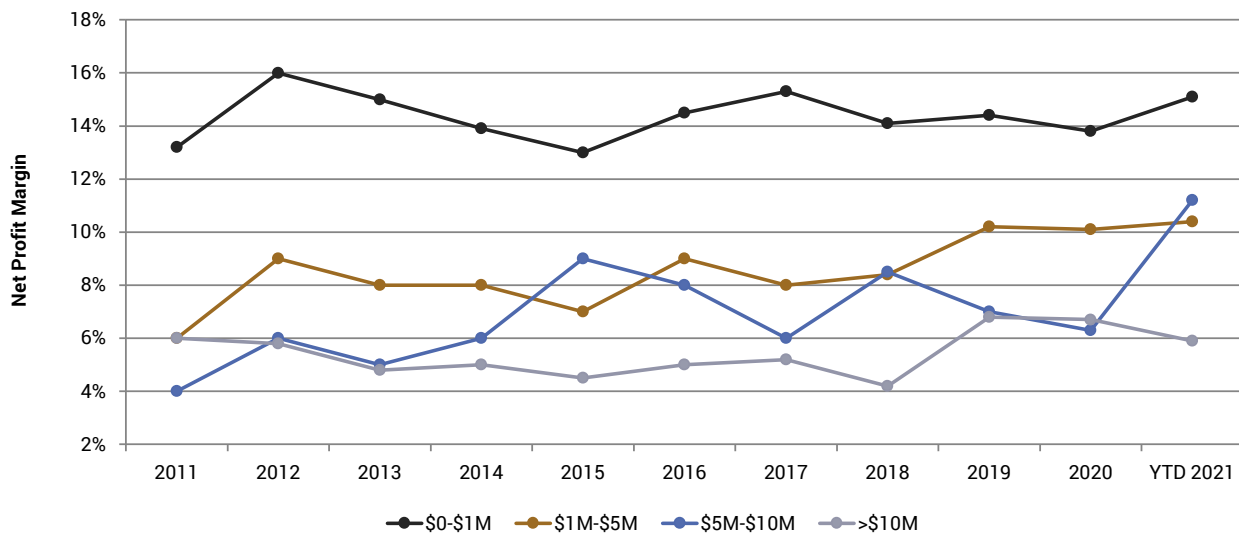
\$10 million, and greater than \$10 million each had their EBITDA multiple fall to its lowest level, to 3.9x, 3.8x, and 7.3x, respectively (see Exhibit 5C).

Profit margins for sellers with net sales up to \$1 million are considerably higher among all other net sales ranges for gross profit margin, operating profit margin, and net profit margin (see Exhibits 6A, 6B, and 6C). Through the first half of 2021, the operating profit margins and the net profit margins increased for companies with net sales up to \$1 million, to 15% and 15%, and for companies with net sales between \$5 million and \$10 million, to 10% and 11%. It did, however, decline for companies with net sales greater than \$10 million, to 8% and 6%, respectively.

**EXHIBIT 6B. OPERATING PROFIT MARGIN BY NET SALES RANGE (PRIVATE TARGETS)**



**EXHIBIT 6C. NET PROFIT MARGIN BY NET SALES RANGE (PRIVATE TARGETS)**



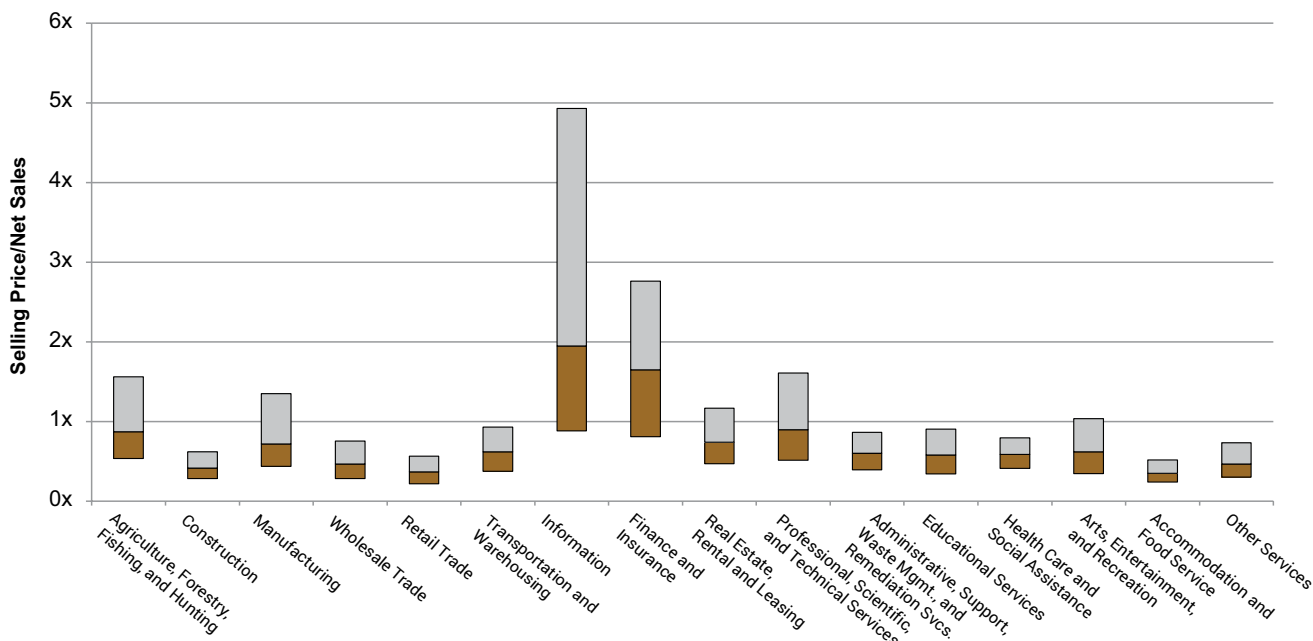
Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

## INTERQUARTILE RANGES ARE FAIRLY CONSISTENT

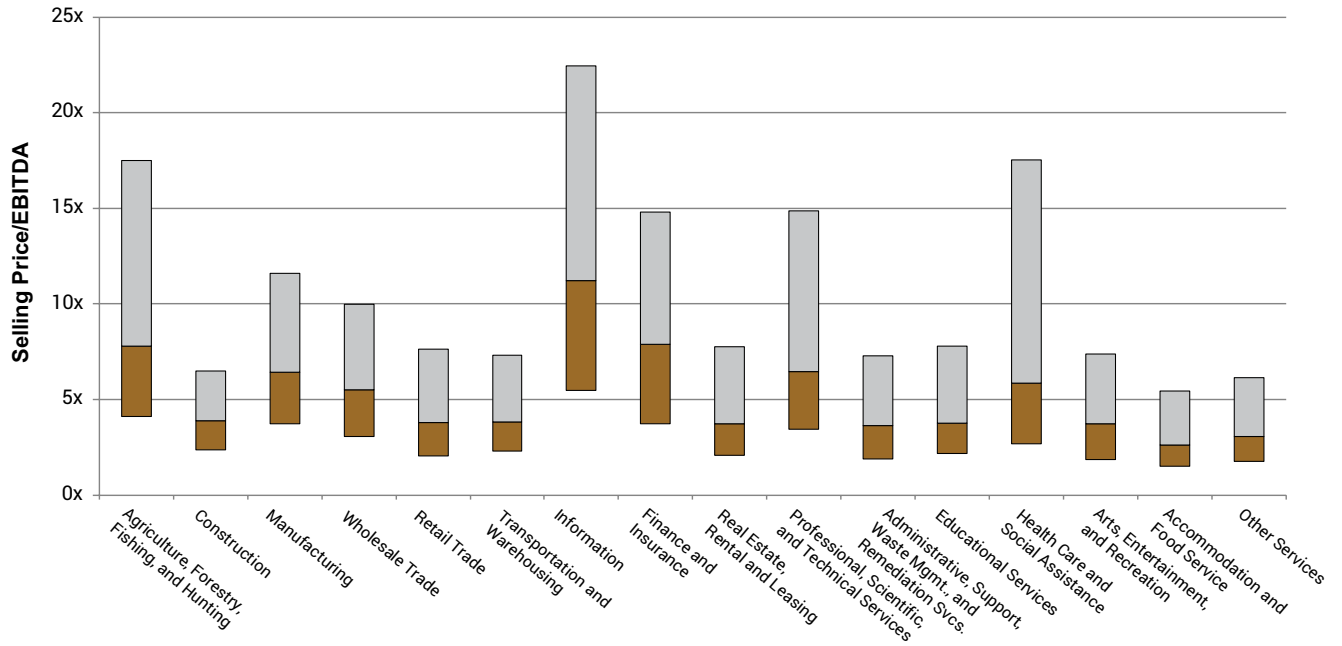
Exhibits 7A through 7D display the interquartile range of the selling price-to-net sales and selling price-to-EBITDA multiples by major industry sector and by year for private targets. In addition to showing the median multiples by sector and year, the interquartile range provides a measure of dispersion. Interquartile range is the difference between the 25th and 75th percentiles (also called the first and third quartiles), so the interquartile range describes the middle 50% of observations. The top of the gray bar indicates the 75th percentile, the bottom of the brown bar indicates the 25th percentile, and the line where the two meet represents the median. A large interquartile range indicates that the middle 50% of observations are spaced wide apart, and, if the interquartile range is narrow, the middle 50% of observations are spaced close together.

As shown in Exhibits 7A and 7B, the information industry has the greatest selling price-to-net sales multiple and selling price-to-EBITDA multiple. When looking at the data by year (Exhibits 7C and 7D), the median selling price-to-net sales multiple is consistently around 0.5, while the selling price-to-EBITDA multiple is generally between 3.0 and 4.0.

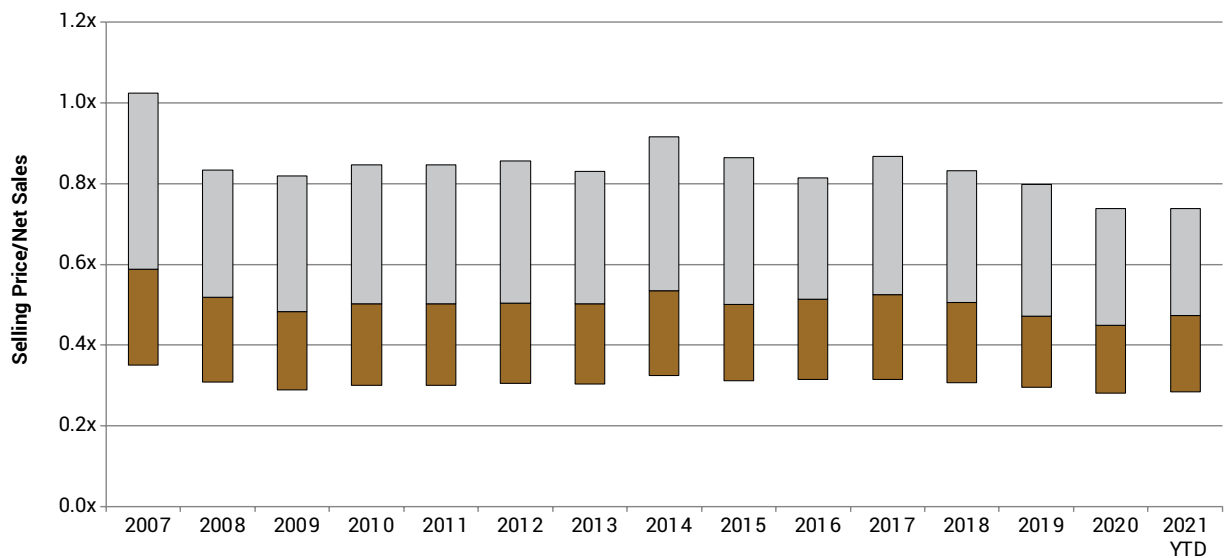
**EXHIBIT 7A. SELLING PRICE/NET SALES INTERQUARTILE RANGE BY INDUSTRY SECTOR (PRIVATE TARGETS)**



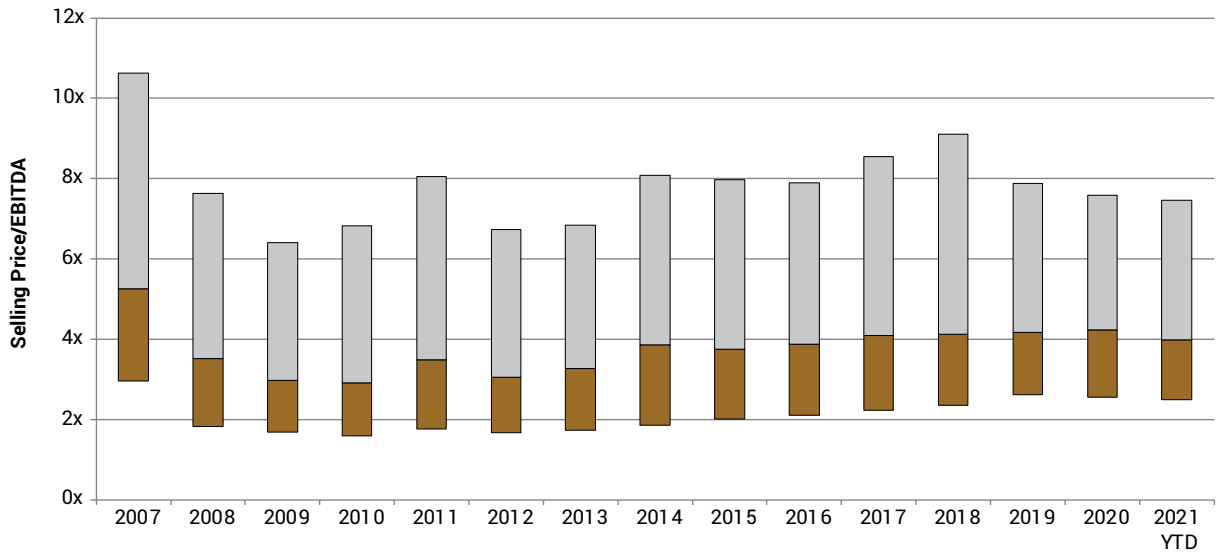
**EXHIBIT 7B. SELLING PRICE/EBITDA INTERQUARTILE RANGE BY INDUSTRY SECTOR (PRIVATE TARGETS)**



**EXHIBIT 7C. SELLING PRICE/NET SALES INTERQUARTILE RANGE BY YEAR (PRIVATE TARGETS)**



### EXHIBIT 7D. SELLING PRICE/EBITDA INTERQUARTILE RANGE BY YEAR (PRIVATE TARGETS)



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## TEN-YEAR TREND FOR PRIVATE-SELLER SECTOR MULTIPLES

Exhibits 8 through 13 display median multiples paid for private targets as well as median profit margins and are split out by industry sector. Multiples across the 15 sectors appeared to rise and fall based on cyclical trends, but, unlike past cycles, the U.S. economy in 2020 and 2021 has been dominated by the coronavirus pandemic, which at the onset caused it to fall into recession territory only to quickly rise to levels of expansion all in the matter of months. To curb the spread of the virus, federal and local governments instituted varying policies on a state-by-state basis, which, for valuation practitioners, makes projecting the value of a business all the more challenging.

Overall, seven sectors saw a rise in their net sales multiple through the first six months of 2021 and five sectors saw their net sales multiple decrease. Noticeably, the transportation and warehousing sector saw its net sales multiple decline, with factors such as supply chain issues and travel restrictions seemingly impacting valuations. However, in examining the segments within the sector, freight and trucking companies had the highest net sales multiple whereas moving and storage companies had the lowest net sales multiple within the sector. The net sales multiple for the educational services sector, which historically has seen large swings higher and lower, rose from 0.49x in 2020 to 0.71x through the first half of 2021. Aided by the boost to distance and online learning, activity within the sector showed that a range of educational services were popular among buyers, with the makeup of companies sold ranging from online tutoring companies, music and dance schools, and professional certification and training programs. The net sales multiple for the healthcare and social assistance sector, which saw hospitals cut back on elective procedures to allocate space for coronavirus patients, fell for the second straight period, to 0.39, after a decline in 2020, to 0.46x. The net sales figures for the “all transactions” category remained at 0.45x but has declined in three of the past four years. See Exhibit 8.

Median seller’s discretionary earnings (SDE) multiples increased in two of the 15 industry sectors through the first half of 2021 but declined in seven of the 15 sectors. The median for all sectors peaked in 2016, at 2.6x, but has trended downward in the two years that followed before falling to 2.2x through the first six months of 2021. The data highlight the plight downward in the SDE multiple for the healthcare and social assistance sector, which peaked in 2018, at 2.6x, and has trended lower, to 2.1x, as of 2020, because healthcare laws and regulation have seemingly been less advantageous for sellers. The downward trend is also evident within the information sector, which peaked at 3.7x in 2017 but has trended lower, to 2.0x, as of 2020. Conversely, the wholesale trade sector has risen from its lowest multiple in 2018 of 2.6x to 2.9x in 2019, then to 3.2x and 3.6x in the first half of 2021, respectively. See Exhibit 9.

Median EBITDA multiples have increased in three of the 15 sectors and decreased in nine of the 15 through the first half of 2021. The median for all sectors fell to its lowest multiple since 2013, to 3.1x, a significant decline from the 2019 and 2020 multiple, which was 4.2x and had been a 10-year high. Through the first half of 2021, the EBITDA multiple in the wholesale trade sector took a large swing higher, to 7.1x from 4.6x in 2020. The rise in the EBITDA multiple is directly tied to the pandemic, with notably sales of alcohol receiving a boost from the economic lockdowns, which trickled over into the M&A world, which saw the two largest EBITDA multiples involving sellers of and distributors of beverages, with EBITA multiples at 26.6x and 18.3x. Conversely, with the economic lockdowns having a negative impact on travel and entertainment, the EBITDA multiple in the accommodation and food services sector continued its decline, to 2.0x after falling to 2.7x in 2020. In 2019, prior to the pandemic, with a healthy and robust U.S. economy, the sector saw its EBITDA multiple rise to a 10-year high, at 3.3x. See Exhibit 10.

### EXHIBIT 8. MEDIAN SELLING PRICE/NET SALES BY SECTOR (PRIVATE TARGETS)

NAICS	NAICS Industry Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD 2021
23	Construction	0.38	0.47	0.44	0.42	0.44	0.46	0.42	0.40	0.42	0.41	0.42
31-33	Manufacturing	0.87	0.74	0.81	0.66	0.69	0.62	0.71	0.70	0.60	0.62	0.64
42	Wholesale Trade	0.53	0.51	0.46	0.51	0.48	0.47	0.50	0.41	0.51	0.38	0.39
44-45	Retail Trade	0.34	0.36	0.39	0.36	0.37	0.39	0.37	0.38	0.36	0.36	0.36
48-49	Transportation and Warehousing	0.59	0.58	0.66	0.58	0.75	0.73	0.69	0.65	0.57	0.64	0.50
51	Information	2.26	1.36	2.17	2.17	1.69	1.95	2.31	3.59	2.39	1.54	N/A
52	Finance and Insurance	1.29	1.21	1.58	1.85	1.67	1.89	2.04	2.31	1.93	2.22	1.23
53	Real Estate, Rental, and Leasing	0.78	0.76	0.64	0.79	0.68	0.72	0.69	0.62	0.75	0.72	0.66
54	Professional, Scientific, and Technical Services	0.95	0.81	0.74	0.89	0.87	0.89	0.81	0.92	0.86	0.79	0.72
56	Administrative, Support, Waste Mgmt., and Remediation Svcs.	0.60	0.58	0.63	0.59	0.54	0.59	0.64	0.57	0.60	0.57	0.59
61	Educational Services	0.59	0.63	0.34	0.60	0.37	0.63	0.62	0.50	0.72	0.49	0.71
62	Health Care and Social Assistance	0.50	0.55	0.58	0.56	0.55	0.55	0.56	0.58	0.50	0.46	0.39
71	Arts, Entertainment, and Recreation	0.40	0.50	0.72	0.59	0.67	0.67	0.51	0.54	0.63	0.43	0.45
72	Accommodation and Food Services	0.32	0.30	0.32	0.33	0.32	0.34	0.31	0.33	0.33	0.30	0.33
81	Other Services	0.52	0.43	0.39	0.47	0.42	0.44	0.43	0.48	0.43	0.43	0.43
	<b>All Sectors</b>	<b>0.52</b>	<b>0.50</b>	<b>0.50</b>	<b>0.53</b>	<b>0.50</b>	<b>0.51</b>	<b>0.52</b>	<b>0.51</b>	<b>0.47</b>	<b>0.45</b>	<b>0.45</b>

Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

### EXHIBIT 9. MEDIAN SELLING PRICE/SELLER'S DISCRETIONARY EARNINGS BY SECTOR (PRIVATE TARGETS)

NAICS	NAICS Industry Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD 2021
23	Construction	2.3	2.9	2.4	2.5	2.6	2.3	2.4	2.1	2.3	2.2	2.2
31-33	Manufacturing	3.0	3.6	3.5	2.9	2.9	2.9	3.0	2.8	2.6	2.7	3.0
42	Wholesale Trade	3.4	2.7	3.5	3.7	3.2	3.2	3.6	2.6	2.9	3.2	3.6
44-45	Retail Trade	2.5	2.8	2.5	2.8	2.9	2.8	2.5	2.3	2.3	2.5	2.1
48-49	Transportation and Warehousing	2.2	2.7	3.7	2.7	3.3	3.2	1.9	2.5	2.5	2.9	2.4
51	Information	1.5	2.8	2.4	3.5	2.5	3.4	3.7	2.8	2.2	2.0	N/A
52	Finance and Insurance	2.6	4.3	3.5	3.4	3.4	5.1	3.5	3.8	3.5	4.6	N/A
53	Real Estate, Rental, and Leasing	2.5	2.7	2.3	2.6	2.2	2.4	2.9	2.3	2.4	2.9	2.4
54	Professional, Scientific, and Technical Services	2.6	2.4	2.4	2.7	2.5	2.4	2.2	2.2	2.5	2.7	2.2
56	Administrative, Support, Waste Mgmt., and Remediation Svcs.	2.2	2.5	2.4	2.5	2.3	2.3	2.4	2.2	2.2	2.3	2.2
61	Educational Services	2.1	2.6	1.8	2.9	2.0	2.3	1.9	1.8	2.5	1.9	N/A
62	Health Care and Social Assistance	2.3	1.5	1.7	2.0	2.1	2.1	2.2	2.6	2.0	2.1	1.8
71	Arts, Entertainment, and Recreation	2.0	2.9	2.4	2.8	2.8	2.7	2.7	2.6	2.1	1.9	N/A
72	Accommodation and Food Services	2.0	2.1	2.0	2.1	2.2	2.1	2.0	1.8	2.0	1.7	1.8
81	Other Services	2.3	2.1	2.0	2.0	2.3	2.2	2.3	2.0	2.2	2.0	1.9
	<b>All Sectors</b>	<b>2.4</b>	<b>2.5</b>	<b>2.4</b>	<b>2.6</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>

Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

**EXHIBIT 10. MEDIAN SELLING PRICE/EBITDA  
BY SECTOR (PRIVATE TARGETS)**

NAICS	NAICS Industry Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD 2021
23	Construction	3.1	4.1	4.0	3.4	3.6	3.3	3.7	4.0	3.5	3.2	3.4
31-33	Manufacturing	6.4	6.6	7.2	5.8	6.1	6.5	5.8	7.0	5.1	5.0	4.0
42	Wholesale Trade	4.7	4.8	4.8	6.2	6.9	6.4	5.6	4.7	4.9	4.6	7.1
44-45	Retail Trade	3.3	2.8	3.1	3.4	3.5	3.5	3.6	3.8	4.0	5.0	2.8
48-49	Transportation and Warehousing	2.9	2.6	3.2	3.2	3.5	4.2	3.6	3.2	3.5	4.3	3.8
51	Information	10.1	7.0	8.6	10.0	6.9	10.7	13.6	14.7	9.9	19.7	N/A
52	Finance and Insurance	3.2	4.5	3.7	6.2	7.8	9.8	13.4	12.1	9.2	8.3	N/A
53	Real Estate, Rental, and Leasing	2.8	3.1	2.4	4.5	2.9	3.8	4.2	6.1	4.0	7.7	5.8
54	Professional, Scientific, and Technical Services	8.5	4.2	4.6	5.5	8.1	5.5	5.7	4.7	4.4	4.4	3.2
56	Administrative, Support, Waste Mgmt., and Remediation Svcs.	2.7	3.2	2.6	2.8	3.0	3.8	3.7	3.4	5.0	4.1	2.8
61	Educational Services	2.9	4.7	2.7	3.5	3.6	4.1	3.1	4.1	3.8	1.9	N/A
62	Health Care and Social Assistance	5.4	2.6	4.6	4.2	3.2	4.2	3.8	4.6	3.8	3.5	4.3
71	Arts, Entertainment, and Recreation	2.2	2.5	3.1	3.6	3.3	4.3	3.3	3.5	3.8	3.9	N/A
72	Accommodation and Food Services	1.9	1.8	1.8	2.2	2.4	2.4	2.8	2.8	3.3	2.7	2.0
81	Other Services	2.6	2.4	2.6	2.4	2.8	2.6	3.1	2.9	3.5	3.2	2.6
	<b>All Sectors</b>	<b>3.5</b>	<b>3.0</b>	<b>3.3</b>	<b>3.9</b>	<b>3.8</b>	<b>3.9</b>	<b>4.1</b>	<b>4.1</b>	<b>4.2</b>	<b>4.2</b>	<b>3.1</b>

Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

**EXHIBIT 11. MEDIAN GROSS PROFIT MARGINS  
BY SECTOR (PRIVATE TARGETS)**

NAICS	NAICS Industry Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD 2021
23	Construction	42%	43%	46%	52%	47%	54%	45%	48%	48%	55%	54%
31-33	Manufacturing	47%	47%	45%	46%	44%	46%	47%	48%	54%	57%	62%
42	Wholesale Trade	38%	36%	45%	36%	38%	35%	40%	37%	33%	31%	39%
44-45	Retail Trade	44%	44%	43%	46%	43%	45%	45%	46%	51%	46%	48%
48-49	Transportation and Warehousing	86%	89%	96%	68%	84%	77%	94%	82%	74%	77%	68%
51	Information	66%	72%	67%	70%	67%	47%	68%	70%	72%	64%	N/A
52	Finance and Insurance	100%	100%	94%	91%	96%	91%	95%	94%	97%	100%	100%
53	Real Estate, Rental, and Leasing	89%	88%	90%	87%	92%	86%	75%	73%	99%	98%	100%
54	Professional, Scientific, and Technical Services	68%	74%	84%	67%	74%	74%	89%	73%	73%	90%	100%
56	Administrative, Support, Waste Mgmt., and Remediation Svcs.	87%	80%	84%	77%	76%	71%	81%	83%	77%	80%	83%
61	Educational Services	90%	100%	99%	92%	90%	100%	91%	100%	98%	100%	100%
62	Health Care and Social Assistance	100%	100%	100%	100%	100%	100%	94%	95%	100%	100%	100%
71	Arts, Entertainment, and Recreation	79%	88%	92%	99%	89%	95%	98%	89%	98%	97%	91%
72	Accommodation and Food Services	68%	68%	68%	66%	66%	68%	67%	67%	69%	70%	69%
81	Other Services	90%	83%	83%	83%	76%	76%	75%	84%	89%	94%	91%
	<b>All Sectors</b>	<b>65%</b>	<b>65%</b>	<b>67%</b>	<b>65%</b>	<b>65%</b>	<b>64%</b>	<b>63%</b>	<b>64%</b>	<b>66%</b>	<b>68%</b>	<b>67%</b>

Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

**EXHIBIT 12. MEDIAN OPERATING PROFIT MARGINS BY SECTOR (PRIVATE TARGETS)**

NAICS	NAICS Industry Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD 2021
23	Construction	7%	11%	9%	11%	11%	12%	9%	10%	11%	13%	10%
31-33	Manufacturing	10%	10%	8%	10%	9%	7%	10%	9%	8%	11%	12%
42	Wholesale Trade	10%	11%	6%	8%	6%	9%	8%	7%	8%	7%	6%
44-45	Retail Trade	8%	9%	10%	9%	8%	10%	9%	8%	11%	8%	10%
48-49	Transportation and Warehousing	15%	19%	15%	13%	17%	18%	19%	14%	13%	12%	13%
51	Information	7%	10%	0%	5%	6%	1%	4%	2%	8%	6%	N/A
52	Finance and Insurance	22%	14%	26%	21%	19%	24%	27%	24%	29%	15%	17%
53	Real Estate, Rental, and Leasing	20%	18%	25%	17%	16%	17%	15%	14%	25%	13%	12%
54	Professional, Scientific, and Technical Services	4%	13%	10%	10%	8%	14%	14%	14%	17%	15%	21%
56	Administrative, Support, Waste Mgmt., and Remediation Svcs.	16%	15%	18%	18%	15%	15%	17%	15%	14%	12%	18%
61	Educational Services	8%	6%	10%	15%	8%	16%	18%	17%	14%	11%	N/A
62	Health Care and Social Assistance	7%	12%	10%	12%	15%	11%	12%	12%	17%	12%	12%
71	Arts, Entertainment, and Recreation	14%	14%	18%	19%	10%	12%	17%	7%	18%	0%	27%
72	Accommodation and Food Services	12%	14%	15%	13%	12%	14%	13%	13%	13%	11%	15%
81	Other Services	16%	18%	13%	14%	14%	15%	13%	15%	11%	10%	17%
	<b>All Sectors</b>	<b>11%</b>	<b>12%</b>	<b>12%</b>	<b>11%</b>	<b>11%</b>	<b>12%</b>	<b>12%</b>	<b>11%</b>	<b>12%</b>	<b>11%</b>	<b>13%</b>

Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

**EXHIBIT 13. MEDIAN NET PROFIT MARGINS BY SECTOR (PRIVATE TARGETS)**

NAICS	NAICS Industry Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD 2021
23	Construction	7%	10%	9%	11%	10%	12%	9%	10%	11%	14%	11%
31-33	Manufacturing	7%	8%	6%	8%	7%	6%	8%	8%	7%	11%	12%
42	Wholesale Trade	10%	11%	6%	8%	5%	7%	8%	6%	8%	6%	6%
44-45	Retail Trade	6%	9%	10%	8%	7%	10%	9%	8%	10%	9%	9%
48-49	Transportation and Warehousing	11%	20%	14%	12%	15%	17%	19%	15%	13%	13%	11%
51	Information	5%	9%	-1%	5%	5%	-1%	2%	1%	7%	2%	N/A
52	Finance and Insurance	18%	11%	21%	18%	14%	18%	16%	21%	23%	15%	15%
53	Real Estate, Rental, and Leasing	19%	18%	25%	18%	14%	17%	14%	14%	26%	16%	12%
54	Professional, Scientific, and Technical Services	4%	12%	7%	8%	6%	13%	12%	14%	16%	14%	18%
56	Administrative, Support, Waste Mgmt., and Remediation Svcs.	15%	14%	18%	14%	14%	15%	16%	15%	13%	13%	18%
61	Educational Services	8%	5%	9%	12%	8%	16%	18%	15%	13%	11%	N/A
62	Health Care and Social Assistance	5%	12%	10%	10%	11%	10%	11%	12%	16%	11%	12%
71	Arts, Entertainment, and Recreation	11%	15%	19%	19%	12%	12%	17%	4%	19%	0%	N/A
72	Accommodation and Food Services	12%	13%	14%	10%	10%	12%	12%	13%	12%	12%	13%
81	Other Services	16%	17%	13%	13%	13%	14%	12%	15%	11%	13%	17%
	<b>All Sectors</b>	<b>10%</b>	<b>12%</b>	<b>11%</b>	<b>10%</b>	<b>9%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>12%</b>	<b>11%</b>	<b>13%</b>

Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.



Median gross profit margins settled in at 67% through the first half of 2021 after coming in at 68% in 2020, which is its highest percentage over the illustrated period. While the median operating profit margin declined in 2020, to 11%, through the first half of 2021, the median figure increased to 13%, or its highest percentage over the illustrated period. Neither the gross profit margins nor the operating profit margins show any clear trend in the “all sectors” category over the past 10 years. Gross profit margins have ranged from 63% to 68% over this period (see Exhibit 11), operating margins have ranged from 11% to 13% (see Exhibit 12), and median net profit margins have ranged from 9% to 13% over time (see Exhibit 13).

---

## **PUBLIC BUYERS PAY HIGHER MULTIPLES FOR PRIVATE TARGETS**

Exhibits 14 and 15 compare the median valuation multiples private buyers paid (those transactions business intermediaries brokered) to what public-company buyers paid based on major industry sector groups.

Across all NAICS sectors, public buyers paid higher multiples for private targets than private buyers paid. This may partially reflect synergies between the public buyer and the private target. Also, the typical acquisition public buyers made was larger than those private buyers made, so it is possible to conclude that larger companies sell for higher multiples than smaller companies, which is further highlighted in Exhibits 5A through 5C.

The net sales multiple paid by public buyers increased in the construction sector, the wholesale trade sector, the retail trade sector, the transportation and warehousing sector, the information sector, the finance and insurance sector, the educational services sector, the healthcare and social assistance sector, and the arts, entertainment, and recreation sector to 0.56x, 0.71x, 0.51x, 0.97x, 2.59x, 2.10x, 1.68x, 1.15x, and 1.65x, respectively, and is based on the median reported in the last publication. None of the net sales multiple in any of the sectors decreased. Overall, net sales multiples increased in nine of the 18 sectors.

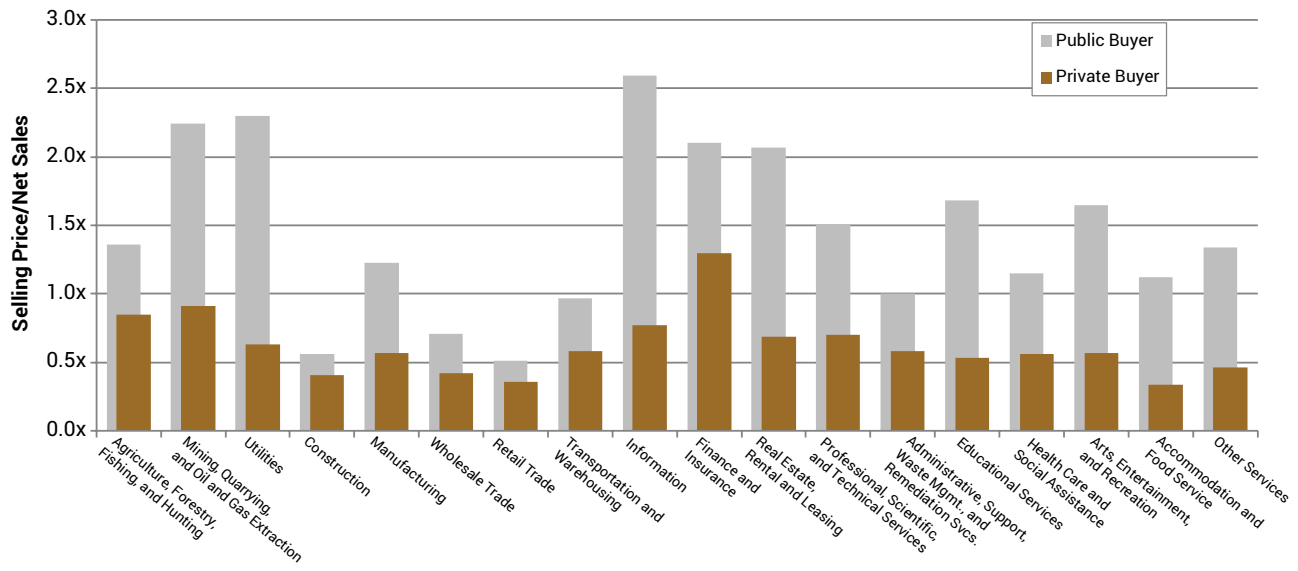
For private buyers, the net sales multiple increased in the agriculture, forestry, fishing and hunting sector and the utilities sector, from 0.83x to 0.85x and from 0.60x to 0.63x, respectively. Conversely, the net sales multiple declined in three sectors: the wholesale trade sector, to 0.42x; the transportation and warehousing sector, to 0.58x; and the finance and insurance sector, to 1.30x.

EBITDA multiples among public buyer transactions, based on the prior median, rose in the finance and insurance sector, from 10.4x to 10.5x. Conversely, the EBITDA multiple fell in the information sector and the administrative, support, waste management, and remediation services sector, from 14.2x to 14.1x and 10.9x to 10.8x, respectively.

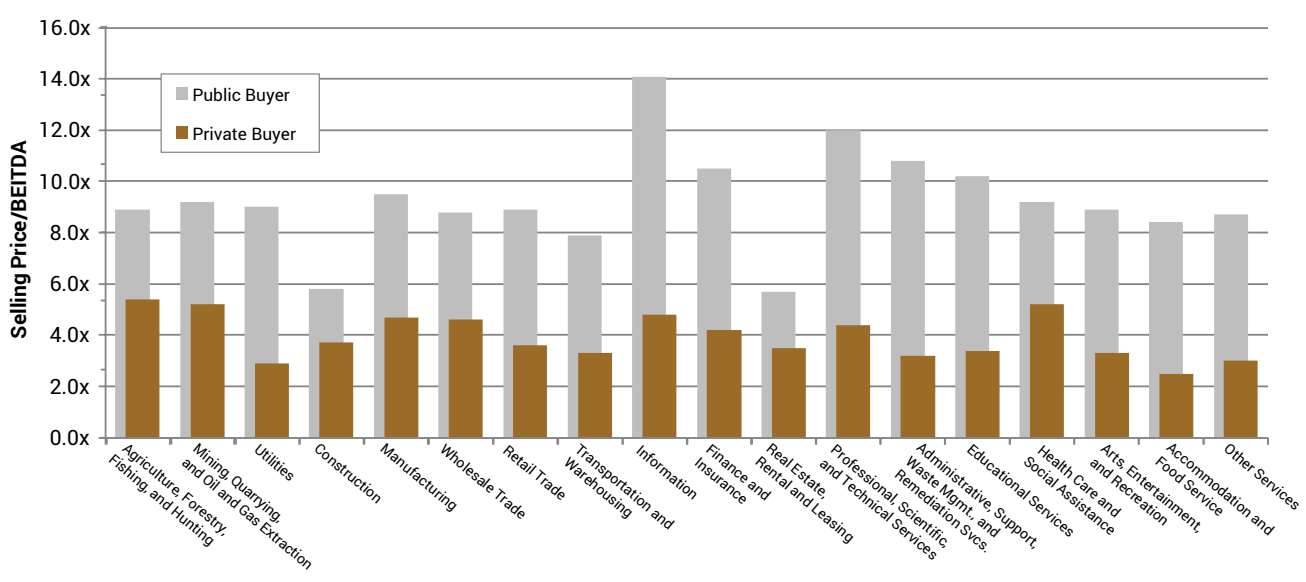
For private buyers, the EBITDA multiple rose in the utilities sector, from 2.8x to 2.9x, and the educational services sector, from 3.3x to 3.4x. Conversely, the EBITDA multiple fell in the information sector, from 4.3x to 4.2x.

0.1350

**EXHIBIT 14. MEDIAN SELLING PRICE/NET SALES (PRIVATE TARGETS)**



**EXHIBIT 15. MEDIAN SELLING PRICE/EBITDA (PRIVATE TARGETS)**

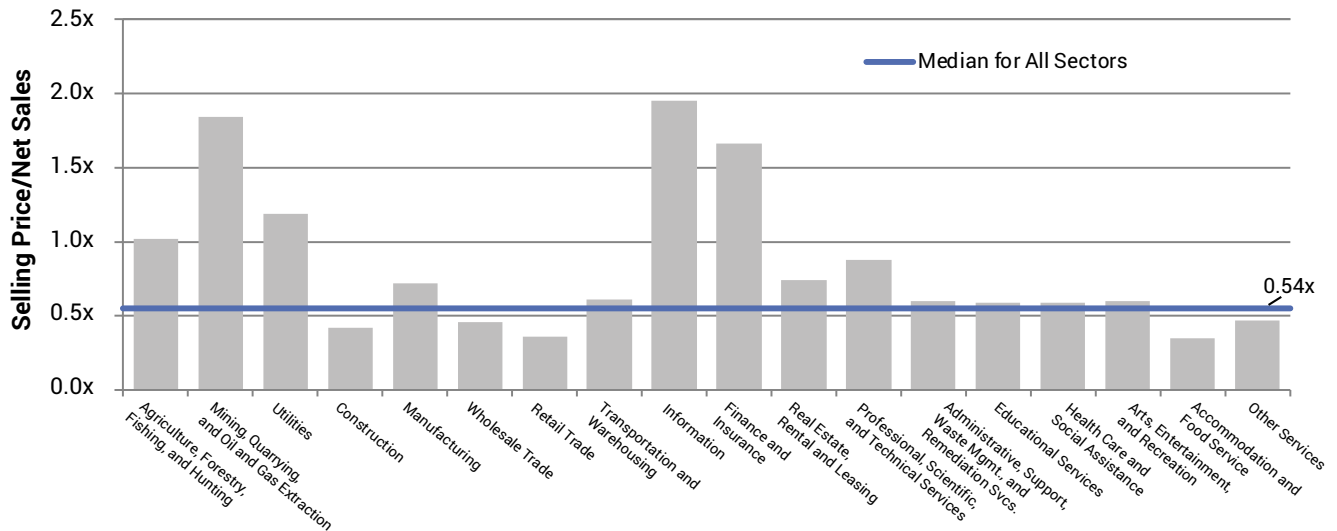


0.1350

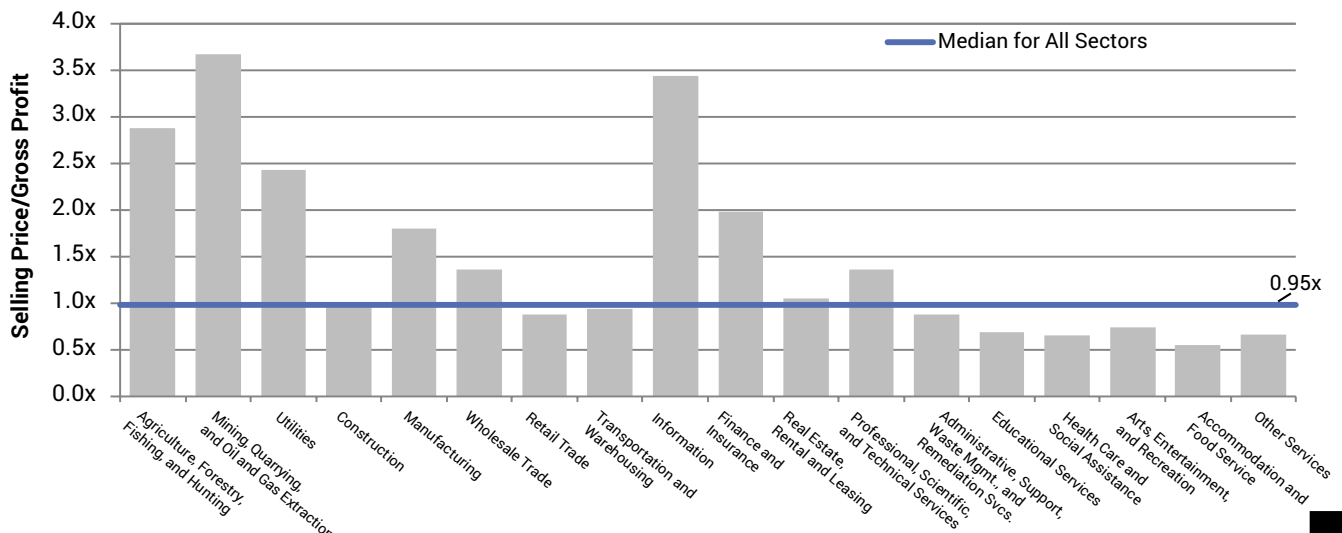
## HOW DO INDUSTRY PRICING MULTIPLES AND PROFIT MARGINS COMPARE?

Exhibits 16A through 17C compare pricing multiples and profit margin ratios across 18 industry sectors. Companies within the mining, quarrying, and oil and gas extraction sector; the finance and insurance sector; utilities sector; agriculture, forestry, fishing, and hunting sector; and the information sector clearly trade at higher net sales and earnings-based pricing multiples than most other companies in other industries (see Exhibits 16A to 16E). The trend for margin ratios is less evident among the 18 industry sectors, although companies in the information sector appear to operate less efficiently, with a median operating profit margin of 0.0% and a median net profit margin of -2.0% (see Exhibits 17A to 17C).

**EXHIBIT 16A. MEDIAN SELLING PRICE/NET SALES (PRIVATE TARGETS)**

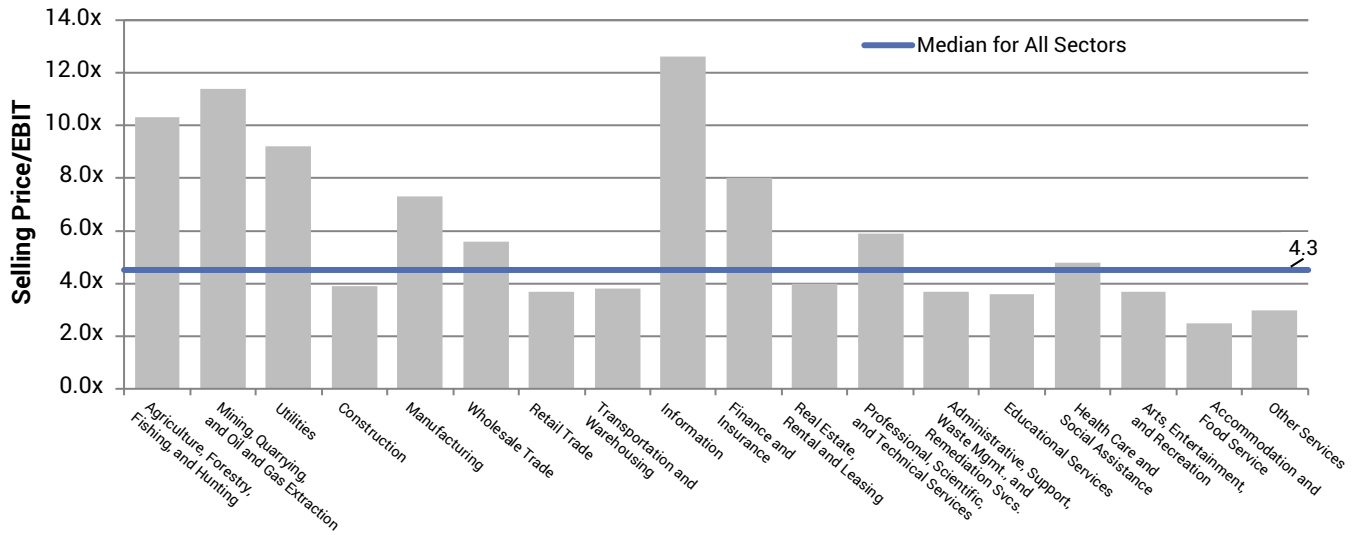


**EXHIBIT 16B. MEDIAN SELLING PRICE/GROSS PROFIT (PRIVATE TARGETS)**

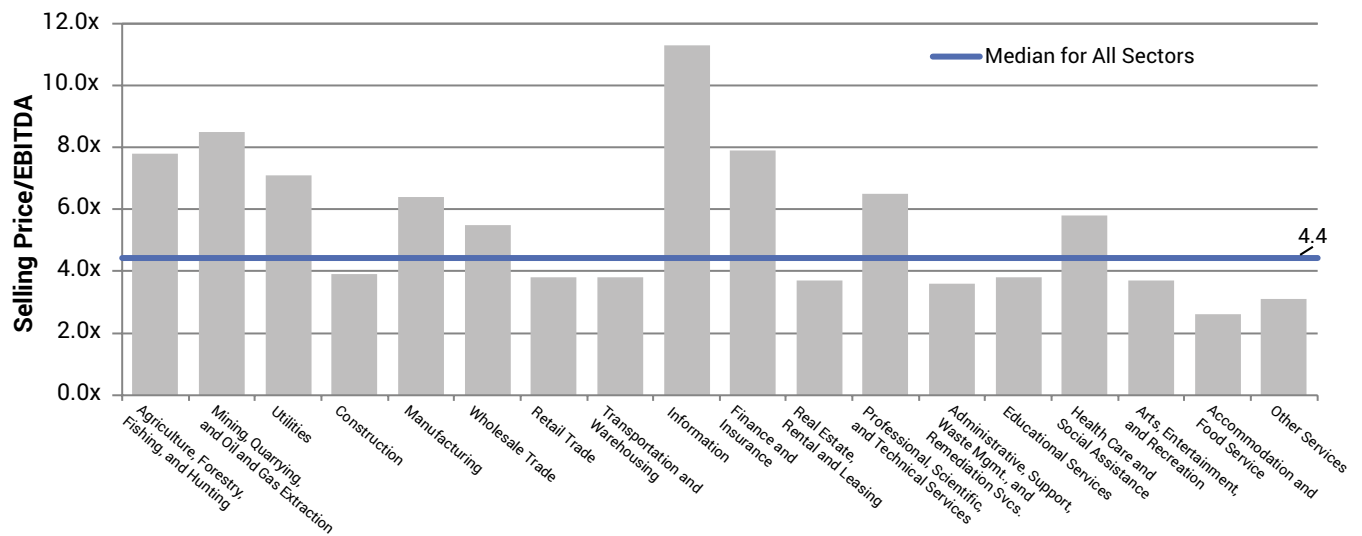


0.1350

**EXHIBIT 16C. MEDIAN SELLING PRICE/EBIT (PRIVATE TARGETS)**

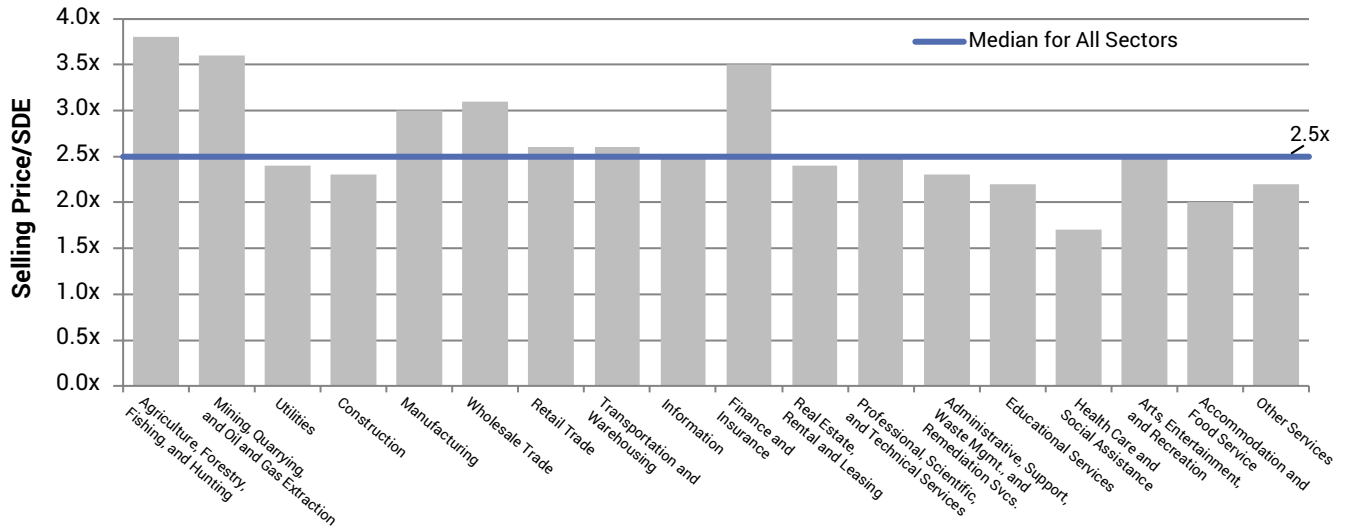


**EXHIBIT 16D. MEDIAN SELLING PRICE/EBITDA (PRIVATE TARGETS)**

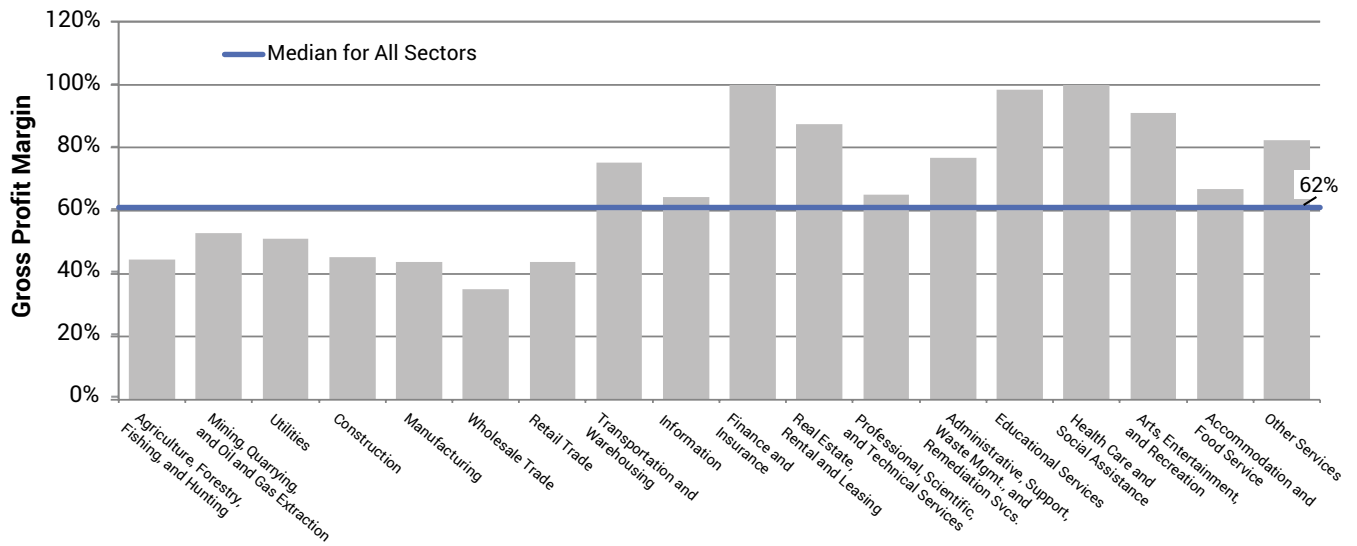


0.1350

**EXHIBIT 16E: MEDIAN SELLING PRICE/SDE (PRIVATE TARGETS)**

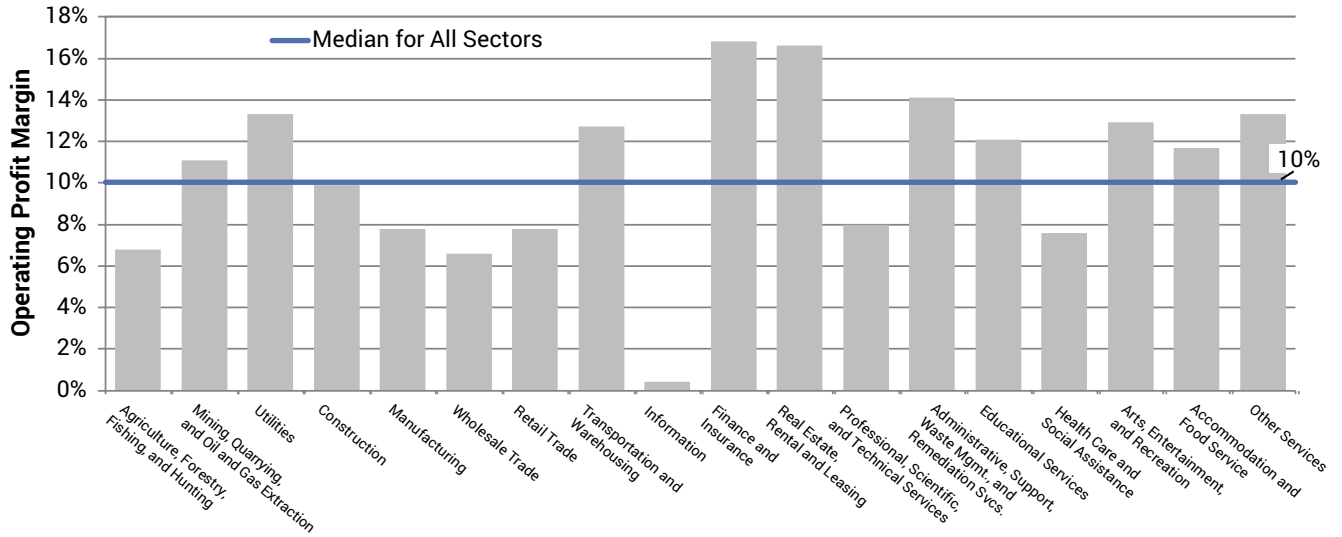


**EXHIBIT 17A. MEDIAN GROSS PROFIT MARGIN (PRIVATE TARGETS)**

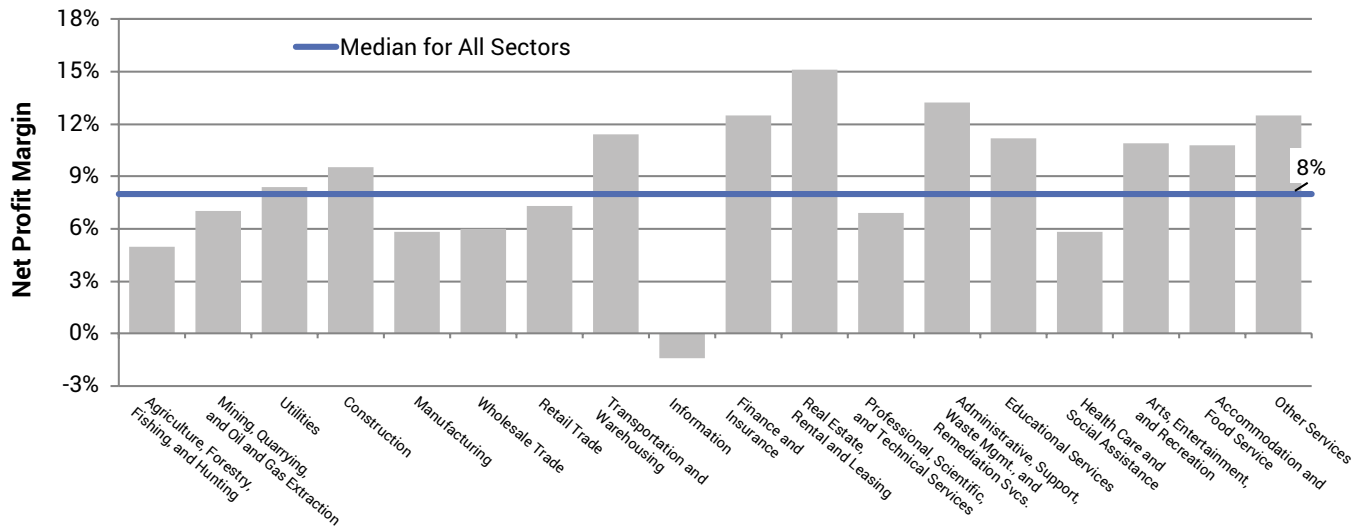


0.1350

**EXHIBIT 17B. MEDIAN OPERATING PROFIT MARGIN (PRIVATE TARGETS)**



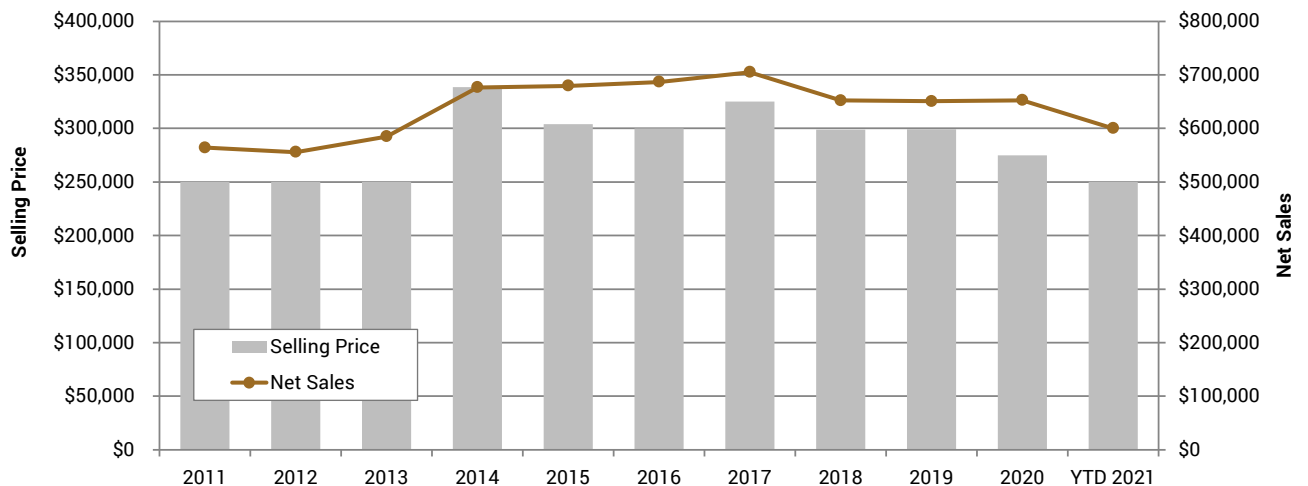
**EXHIBIT 17C. MEDIAN NET PROFIT MARGIN (PRIVATE TARGETS)**



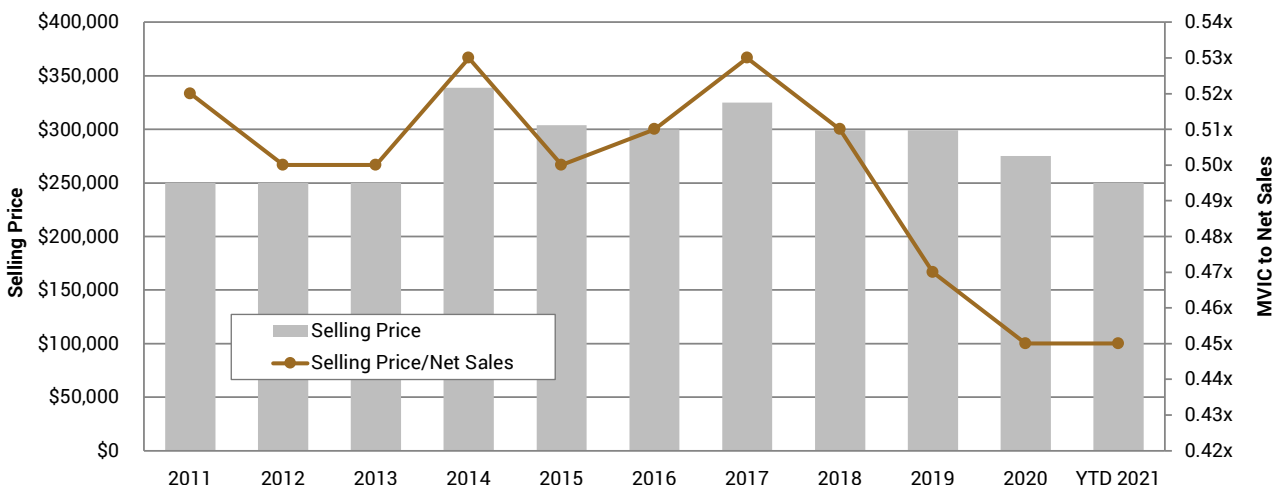
## MEDIAN SELLING PRICE AND MEDIAN NET SALES FALL DUE TO PANDEMIC WOES THROUGH 1H 2021

Exhibit 18A shows that the median selling price previously reached its highest level in 2014, at \$338,679, and remained elevated through 2019, a period covering a hot M&A market. However, with the onset of the coronavirus in 2020, the temperature quickly changed, cooling down M&A activity across the United States, thus driving down the median selling price in the two periods following. In 2020, the median selling price fell to \$275,000, down from \$299,165 in the year prior, and has continued to slide, falling to \$250,000 through the first half of 2021, or the lowest price since 2013. The decline in the median sales price is tied to the decline in the median net sales figure. After peaking in 2017 at \$705,000, the median net sales figures fell to levels last seen in 2013, as government-mandated lockdowns crippled sales to small businesses nationwide. Through the first half of 2021, the median net sales figure continued to decline, falling to \$600,000. Inevitably, with declines to both the median selling price and the median net sales figures, the median selling price-to-net sales multiple, which peaked in 2017 at 0.53x, has steadily decline in each of the subsequent years, coming in at 0.45x through the first half of 2021.

**EXHIBIT 18A. MEDIAN SELLING PRICE AND MEDIAN NET SALES (PRIVATE TARGETS)**



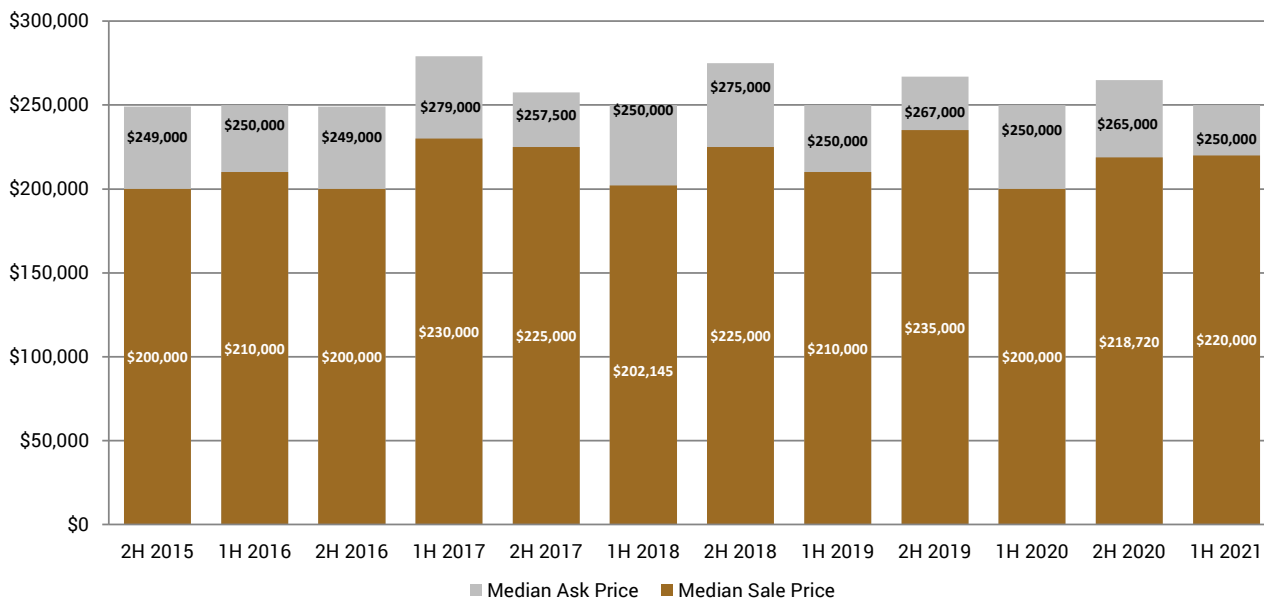
**EXHIBIT 18B. MEDIAN SELLING PRICE AND MEDIAN SELLING PRICE/NET SALES (PRIVATE TARGETS)**



## 2021 SALE PRICE FAVORS SELLERS WITH SMALLER DISCOUNTS

Exhibit 19 best illustrates the negotiation process between buyer and seller in which both asking prices and sale prices continually fluctuate over the highlighted period. What a seller's business actually sold for has effectively been different than the original asking price. This can be due to cyclical trends in the economy as well as the buyers' assessment of financial conditions, industry comparables, potential return on investment, and the goodwill worth of your business as a going concern, among others. Since the first half of 2020, or the initial period covering the outbreak of the coronavirus pandemic and the resulting uncertainty regarding the economic outlook in the U.S., the deal-making process favored that of the buyer, when the largest discount was recorded in the first half of 2020, when buyers acquired businesses at 80.0% of the asking price. By the second half of 2020, when the U.S. economy showed incremental improvements, the deal process still favored the buyer, with purchases meeting 82.5% of the asking price. Through the first half of 2021, it's apparent that, with a new administration, the continued vaccination rollout and the expectations that the pandemic may be nearing its end, a drastic change occurred, shifting the advantage to that of the seller, with the smallest discount offered over this time, with buyers now paying 88.0% of the asking price. With the Delta variant beginning to spread across the United States, DealStats will continue to monitor if this trend continues into the second half of 2021.

**EXHIBIT 19. MEDIAN ASK PRICE VS. MEDIAN SALE PRICE SEMIANNUALLY (PRIVATE TARGETS)**



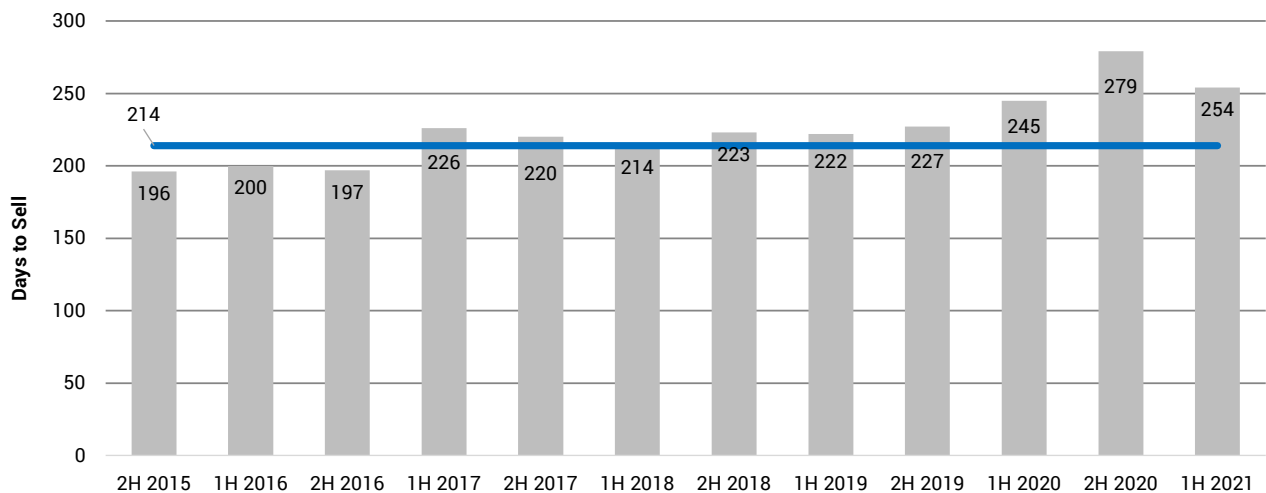
\* Based on the sale date of transactions



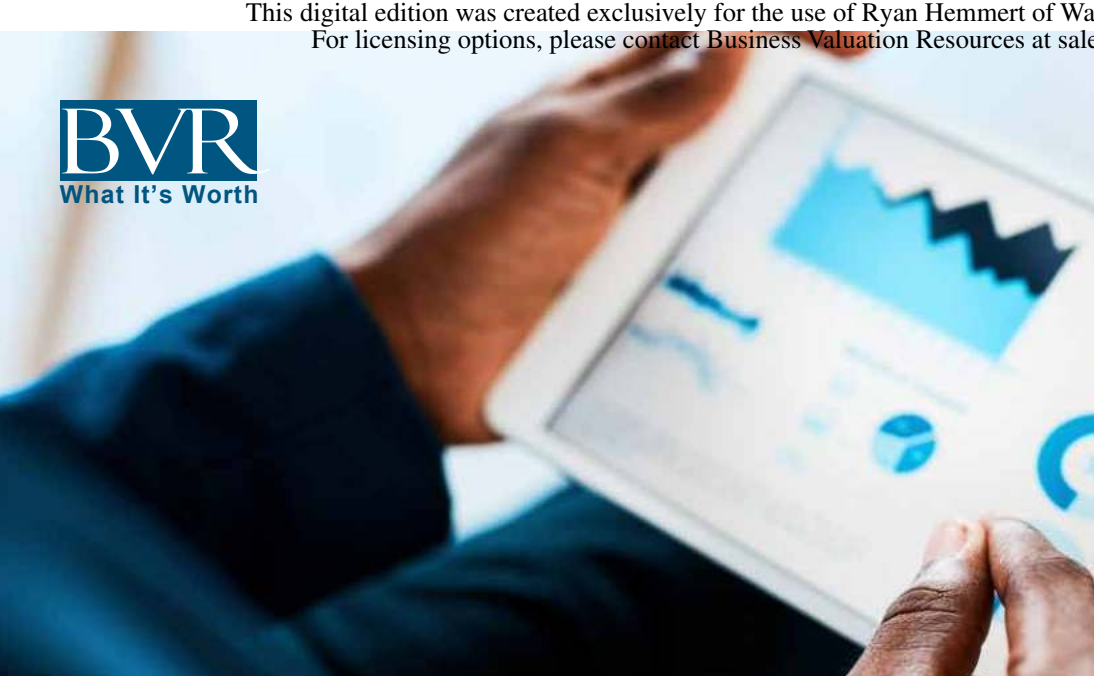
## CORONAVIRUS SLOW THE PACE TO CLOSE ACQUISITIONS

Mergers and acquisitions are notoriously difficult in any environment yet alone the past six quarters covering the coronavirus pandemic. In the second quarter of 2020, the economic downturn forced the pace of M&A activity to a crawl, and, while the pace has quickened in the subsequent quarters, nearing prepandemic levels, deal-makers are still proceeding with caution as they consider to what extent core fundamentals and competitive pressures have impacted sellers' decline in revenues versus it being a COVID-19-related impact. As a result, the pace to close a transaction was at its longest duration over the past 18 months than in prior periods. In the second half of 2020, the median number of days to close came in at 279 days, and, while the pace has improved to 254 days in the first half of 2021, the pace is still slower than the historical median, at 214 days, as shown in Exhibit 20.

**EXHIBIT 20. MEDIAN DAYS TO SELL SEMIANNUALLY\* (PRIVATE TARGETS)**



\* Based on the sale date of transactions.



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- Economic Outlook Update
- First Research
- Vertical IQ
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