



CALABASAS CAPITAL

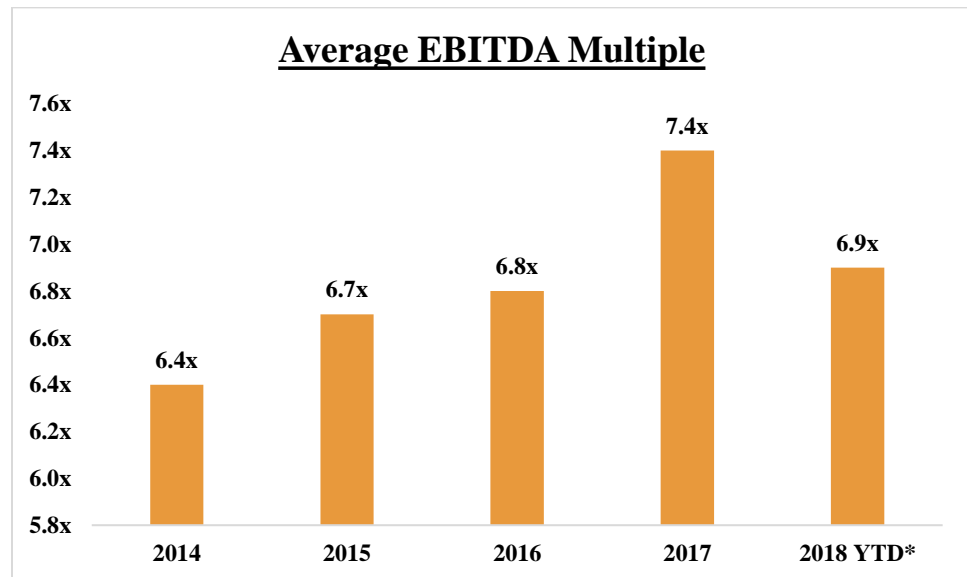
2018 Update on Valuation & Leverage Multiples

About Us

Calabasas Capital is a boutique investment banking firm focused on serving lower middle-market privately-held companies and their business owners. We specialize in representing and advising businesses on sell-side and buy-side mergers, sales and acquisitions and we raise private equity and debt capital.

Valuation Multiples

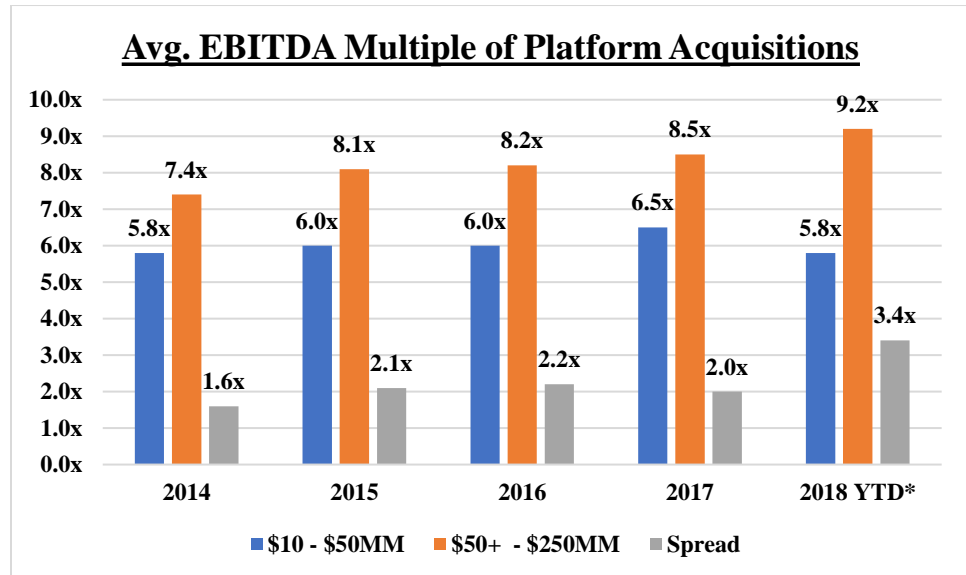
In the first quarter of 2018, lower middle market M&A activity remained strong. According to GF Data, however, the average EBITDA multiple dipped during the quarter from last year's record high. It remains to be seen if this is just a temporary dip. Even so, the trend from before 2017 of a gradual rise would have remained intact and the first quarter average of 6.9x is still very impressive.



Source: GF Data. Private equity deals ranging in value from \$10MM to \$250MM.

*Jan to March 2018 annualized number of deals.

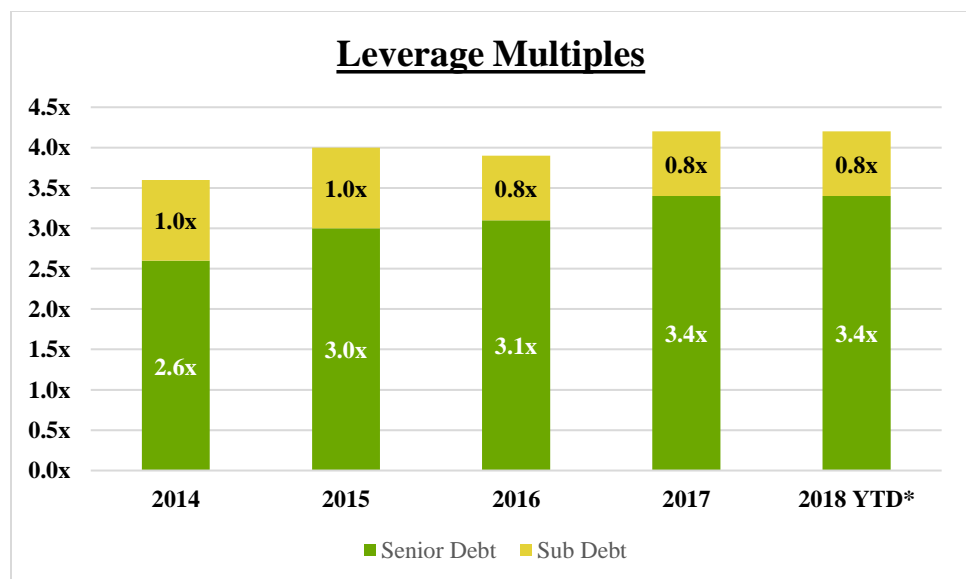
The averages of course don't tell the entire picture. One key theme that has remained consistent and has even become more prevalent is the size premium – larger targets getting higher multiples than smaller targets. According to GF Data, the size premium in private equity platform acquisitions increased from 2.0x (31%) in 2017 to 3.4x (59%) in the first quarter of 2018. Since 2018 only represents one quarter, one would expect this to dilute somewhat as the sample size increases throughout the year.



Source: GF Data. Private equity deals ranging in value from \$10MM to \$250MM.

Leverage Multiples

The proliferation of credit funds has been remarkable, whether it be independent new groups, spin-outs from larger funds and those being formed as a new product offering by existing well-established private equity groups. Although interest rates have been increasing, the rise has been steady and rates are still low by historical standards. The continued high leverage available in today's market has been a key driver in higher valuations.



Source: GF Data. Private equity deals ranging in value from \$10MM to \$250MM.

Calabasas Capital

Our comprehensive services include:

- Sell-Side and Buy-Side Mergers & Acquisitions Advisory
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring

Our industries of expertise include:

- Consumer Products & Services
- Business Services
- eCommerce & Software
- Industrial Manufacturing & Distribution

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