



CALABASAS CAPITAL

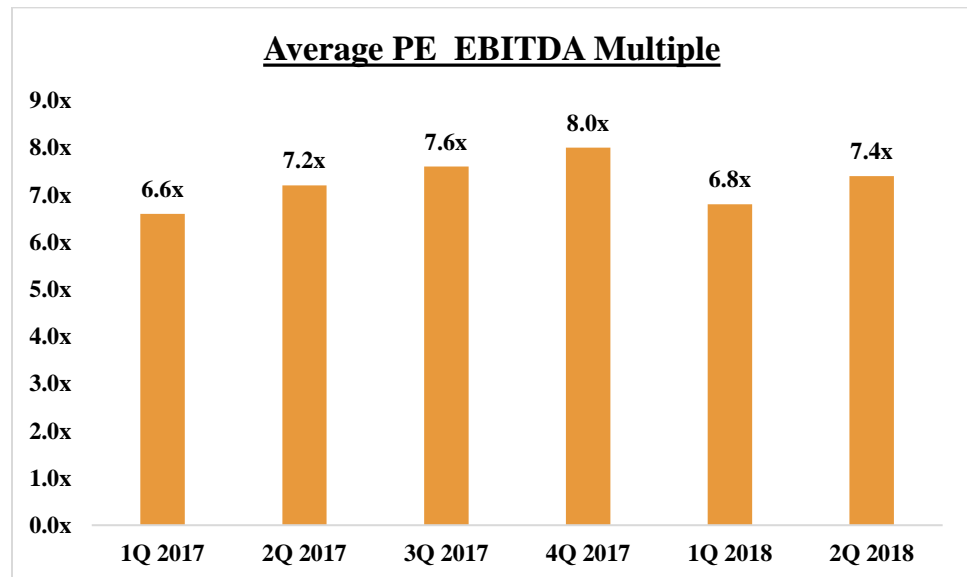
2018 Update on Valuation & Leverage Multiples

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.

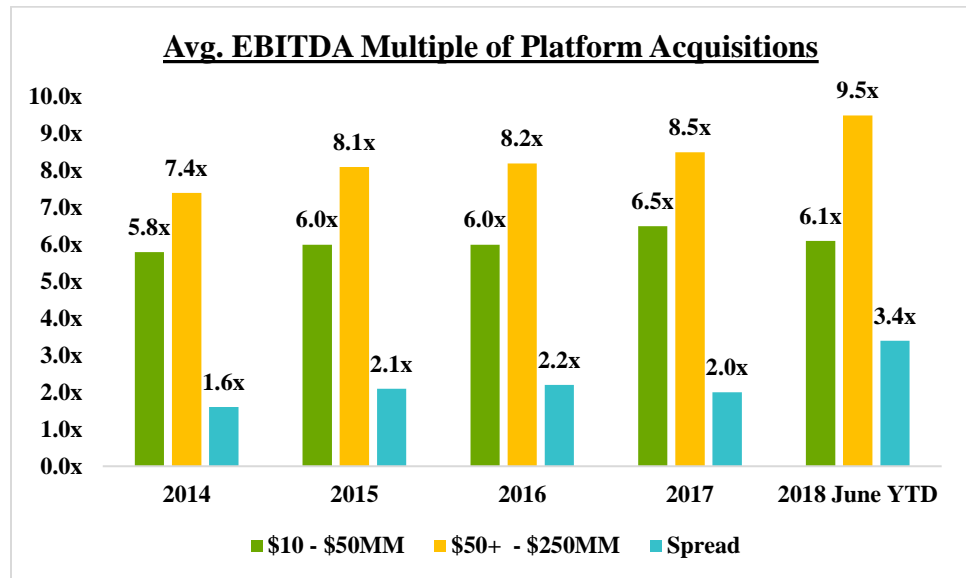
Valuation Multiples

In the second quarter of 2018, lower middle market M&A activity remained strong. According to GF Data®, the average EBITDA multiple paid by private equity buyers recovered nicely from the dip in the first quarter, which did in fact prove to be temporary. The average multiple paid in the lower mid-market was 7.4x in Q2 2018 returning to levels in 2017.



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

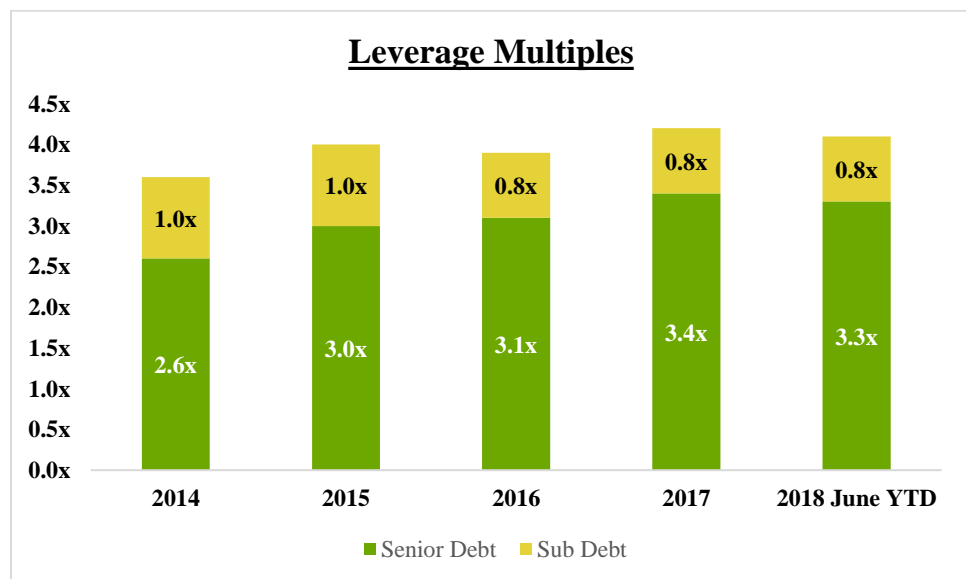
The averages of course don't tell the entire picture. One key theme that has remained consistent and has even become more prevalent is the size premium – larger targets getting higher multiples than smaller targets. According to GF Data®, the size premium in private equity platform acquisitions increased from 2.0x (31%) in 2017 to 3.4x (59%) in the first half of 2018. While the average for larger deals has increased from 8.5x last year to 9.5x so far this year, the multiple for smaller deals has not increased. In our opinion, this is at least partly because the volume of smaller deals has increased (at least based on our anecdotal evidence) creating more competition among sellers to attract buyers willing to pay a premium.



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. So far in 2018, leverage multiples have dropped ever so slightly from 4.2x in 2017 to 4.1x so far this year as senior debt multiples have dropped by 0.1x. Too early to tell if this means banks are starting to tighten albeit very moderately.



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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