



Middle Market Buyout Valuations Remain Strong

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GF Data Resources' latest Middle Market Report indicates that valuation multiples of middle market transactions completed in 2Q continue to be strong, despite poor lending conditions. The data, provided to GF Data Resources by 128 participating private equity firms reporting on transactions valued between \$10 and \$250 million, evidences that quality deals in strong performing companies continued to be done in 2Q despite the economic environment.

“Not surprisingly, the number of deals among firms in the GF Data Resources universe, already slow, came to a near-halt as potential buyers continued to wait for lenders to come back into the market,” said Andrew T. Greenberg, CEO and Co-Founder, GF Data Resources, LLC. “Due to the lack of financing available, middle market buyers have been forced to utilize, on average, more than 60% equity into acquisition capital structures on deals they closed, contributing to the continued drop off in deal activity in 2Q. We believe high-quality growth investments will accelerate in the third quarter as private equity firms seek to deploy capital in an improving economy as the financing markets hopefully begin to thaw.”

GF Data Resources collects, analyzes and reports on middle market private equity sponsored M&A transactions. The 2Q 2009 Report draws from data provided by the 128 participating private equity firms on 961 transactions closed between January 1, 2003, and June 30, 2009.

Data Highlights:

The 128 contributing firms completed 88 deals in the first half of 2007, before the onset of the first signs of financial crisis. By 2008, deal activity

had dropped to 56-60 deals in each half. So far in 2009, these same firms have completed 21 transactions, including eight in 2Q.

TEV/Trailing Twelve Months (TTM) Adjusted EBITDA for 2Q was 6.6x, up from 5.8 in the first quarter and 5.9x for all of 2008.

The relatively few non-distressed deals getting done tended to involve an increasing percentage of higher quality businesses. Above-average performers accounted for 71% of the buyouts completed in 2009 to date compared to 56% in 2008 and 58% in 2003-2008.

While senior and subordinated debt remains available at reduced levels, there is little evidence that capital availability has improved in this tier of the market. Average total debt for the quarter actually declined, to 2.6x from 3.0x. Given the relative small quarterly volumes now in the data, it is probably more meaningful to look at trends across several periods. In the three quarters since the financial meltdown last fall, senior and total debt have averaged about 1.8x and 2.8x, respectively. For the prior three quarters – the first nine months of 2008 – senior and total debt averaged 2.4x and 3.4x, respectively.

The chart below shows high-level valuation and leverage data for the past 18 months:

	1Q 2008	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009
TEV/EBITDA	5.6x	5.6x	6.2x	6.0x	5.8x	6.6x
Total Debt/EBITDA	3.4x	3.4x	3.3x	2.6x	3.0x	2.6x
Sr. Debt/EBITDA	2.5x	2.3x	2.5x	1.9x	1.5x	2.1x

Manufacturing deals in 2009 to date were valued at an average multiple of 5.6x TTM EBITDA, almost equal to an average of 5.8x for 2003-2008. In other key industry categories, 2009 values also were in line with multiples prevailing before the economic downturn. In business services, the 2009 average was 6.3x versus a historic average of 5.9x. In health care services, the 2009 average was 6.5x, equal to the historic average of 6.5x.

“The industry-specific data clearly shows that the deals getting done are the ones most able to command valuations in line with historic averages,” said B. Graeme Frazier, IV, Principal and CO-Founder, GF Data Resources, LLC. “Manufacturing, business services and health care

valuations have remained strong throughout the year and these are the industries where we are seeing the majority of middle market deals done. We expect to see a continued focus in investing in these sectors throughout the later half of 2009 and into 2010.”

The GF Data Resources’ online searchable database makes it possible to drill into high-level data and get more precise valuations organized by NAICS industry code. Despite deals in the broader business services category remaining strong, the searchable database shows clear erosion in values in NAICS grouping 541 – Professional Scientific and Technical Services. In that grouping, multiples rose from 6.3x in 2006-2007 to 6.8x in 2008, but average valuations have plummeted to 5.8x in 2009 to date.

About GF Data Resources

GFDR collects, analyzes and reports on private equity-sponsored M&A transactions in the \$10 million - \$250 million value range. The firm has analyzed 968 transactions, reported by 128 private equity firms, and provides industry drilldown data in more than 141 NAICS categories and sub-categories.

GFDR was launched by two Philadelphia-based deal professionals, Andrew T. Greenberg and Graeme Frazier, who were frustrated by the scarcity of accurate data on middle market transactions. GF Data Resources offers its reports to subscribers on a quarterly basis and makes detailed valuation data continuously available through its website, www.gfdataresources.com.

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