

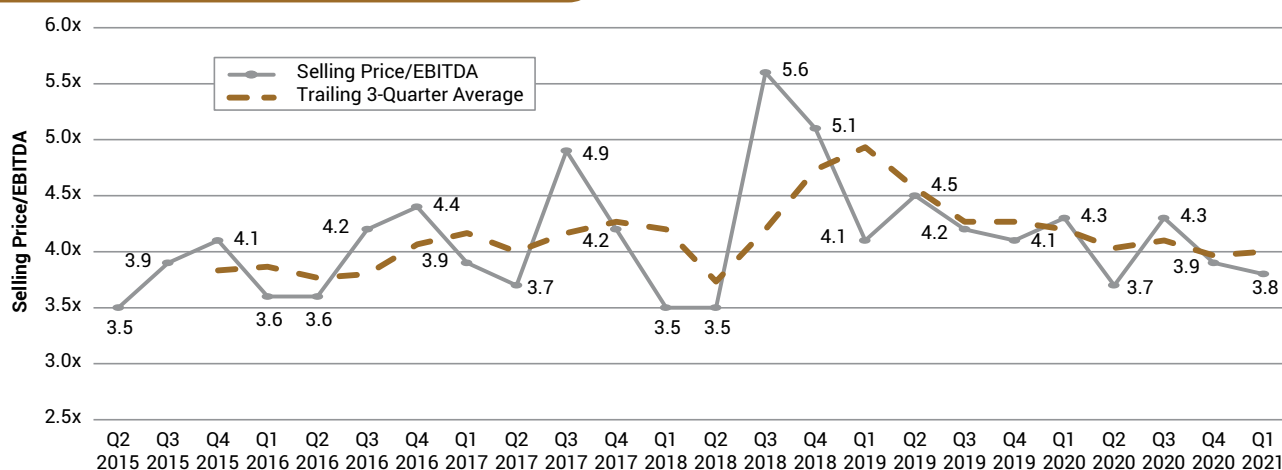
DealStats Value Index Digest 2Q 2021

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 SINCE THE CORONAVIRUS OUTBREAK TREND DOWNWARD

The end of the first quarter of 2021 marked the one-year anniversary in which the coronavirus pandemic has impacted the U.S. economy. While the U.S. economy initially shut down in mid-March 2020, the ensuing four-quarter average, at 3.9x, highlights a lower valuation based on the EBITDA multiple, which produced the lowest 12-month average, either annual average or rolling average, since the period from the fourth quarter of 2015 through the third quarter of 2016. At the onset of the virus, over one year ago, a report published by Goldman Sachs estimated that approximately 75% of small businesses did not think they would be able to exist in three months due to the drop-off in sales. With the uncertainty over the economic impact caused by government-mandated lockdowns, EBITDA multiples were negatively affected by the path of the coronavirus outbreak, sharply declining in the second quarter, to 3.7x, when the initial economic shutdowns were implemented, rising to 4.3x in the summer period when the coronavirus numbers improved, but falling yet again by the fourth quarter of 2020, to 3.9x, as cases spiked in the winter. Despite the vaccination rollout starting in the first quarter of 2021, EBITDA multiples ticked slightly lower, to 3.8x, although, with relatively little movement over the past three quarters, a trend or clear direction has yet to emerge regarding the direction of EBITDA multiples in the near future as the questions remain, new variants of the coronavirus continue to emerge, and a new administration starts to implement its economic policies. DealStats will continue to monitor the trends in the EBITDA multiple.

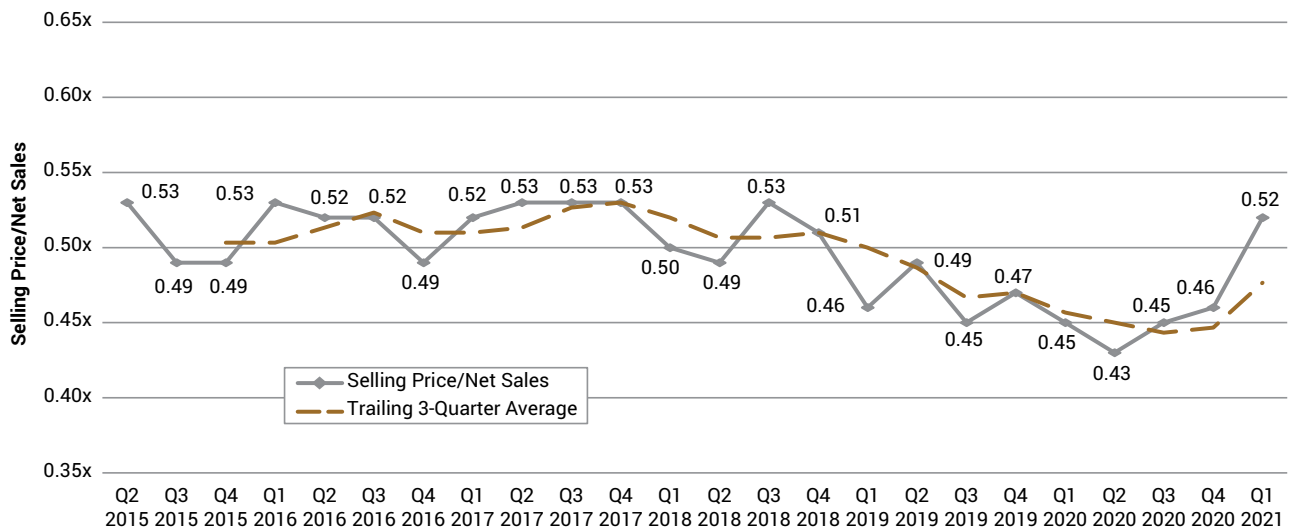
EXHIBIT 1A. MEDIAN SELLING PRICE/EBITDA WITH TRAILING THREE-QUARTER AVERAGE



NET SALES MULTIPLE RISES AS THE U.S. ECONOMY CONTINUES TO REOPEN

Since the outbreak of the coronavirus pandemic in March 2020, the net sales multiples have trended in a different path than the aforementioned EBITDA multiple highlighted in Exhibit 1A. Instead of trending higher and lower, a path that indicates an uncertain outlook for the U.S. economy, the net sales multiple trending higher actually highlights the decline in the median net sales figure for small businesses, from \$644,175 in Q1 2020 to \$597,601 by Q4 2020. Over this period, the net sales multiple increased from 0.43x in Q2 2020 to 0.45x in Q3 2020 to 0.46x in Q4 2020. By Q1 2021, the net sales multiple rose to its highest point, 0.52x, which coincides with improving economic data such as retail sales, PMI, and housing data captured in the [Economic Outlook Update](#), which highlights that the economy has returned to prepandemic levels. The trailing three-quarter trend line best captures the cyclical trends over the period illustrated in the graph, from the M&A boom periods highlighted by a flurry of transactions to the sudden collapse caused by the coronavirus pandemic followed by the ensuing recovery period through the first quarter of 2021.

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



Kenneth Woo
Economic and
Data Editor

Adam Manson
Director
Valuation Data

David Foster
CEO

Lucretia Lyons
President

Sarah Foster
Customer Service

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.

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.

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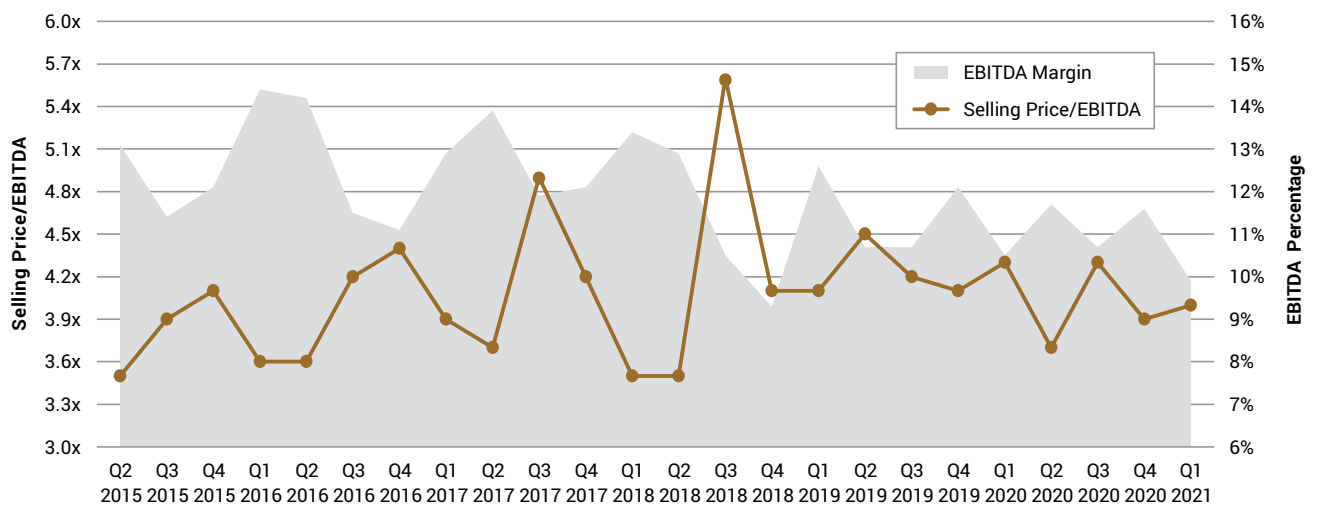
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EBITDA MARGINS FALL TO 10%

EBITDA, as a percentage of net sales, fell to 10% in the first quarter of 2021, moving down 2.0 percentage points from its rate of 12% in the prior quarter. From the second quarter of 2019 through the fourth quarter of 2020, EBITDA margins had seen very little change, coming in at 11% or 12% in each quarter. With the move downward to 10%, the data show that the duration of the coronavirus and the economic hardships caused by economic lockdowns has had a negative impact on small businesses despite the availability of additional stimulus and cost-control measures. Conversely, the selling price-to-EBITDA multiple rose modestly in the first quarter of 2021, to 4.0x, after declining significantly in the second quarter, to 3.7x. Prior to 2019, the EBITDA multiple was higher in the second half of each year, but the multiples in 2019 broke this trend and declined instead. The graph below highlights the trend of the EBITDA multiple moving opposite to that of EBITDA margins.

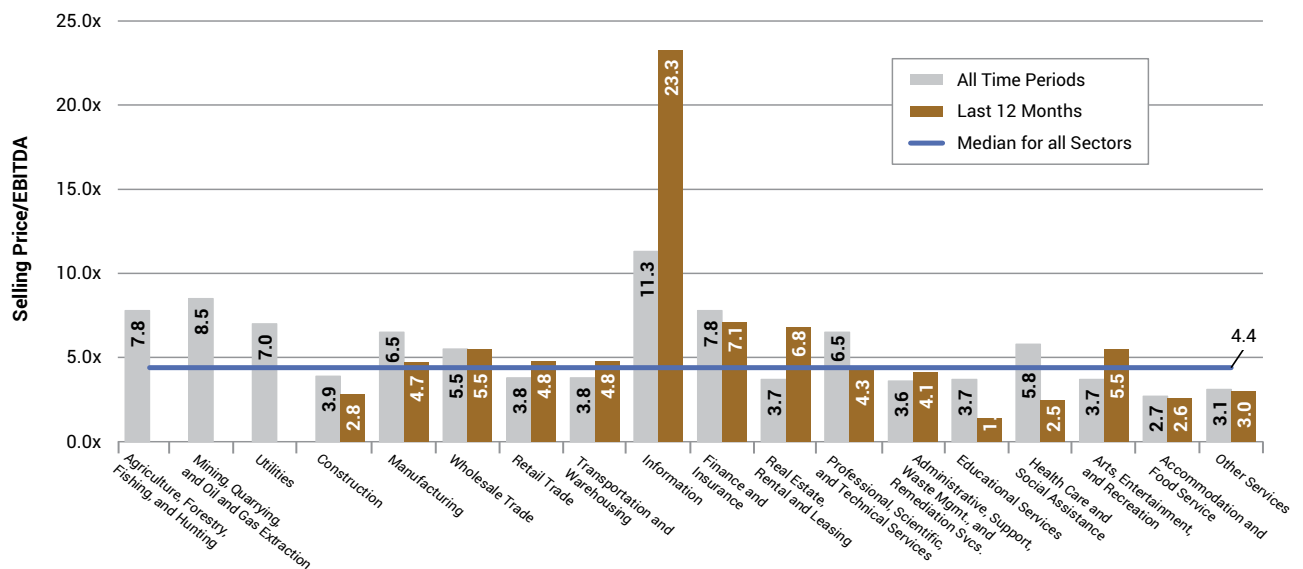
EXHIBIT 2. MEDIAN SELLING PRICE/EBITDA WITH EBITDA MARGINS



SELLING PRICE/EBITDA MEDIAN IS 4.4X

The EBITDA multiple for one of the 18 sectors increased in the first quarter of 2021 as the accommodation and food services sector moved higher, to 2.7x, with the timing coinciding with the reopening of several businesses within the hospitality sector after being on lockdown for nearly one year. Conversely, the EBITDA multiple moved lower in five of the 18 sectors, with the agriculture, forestry, fishing, and hunting sector moving down to 7.8x; the mining, quarrying, and oil and gas extraction sector coming in at 8.5x; the educational services sector declining to 3.7x; and the arts, entertainment, and recreation sector moving down to 3.7x. The healthcare and social assistance sector had the largest decline, moving down 0.2 percentage point through the first quarter of 2021, to 5.8x. EBITDA multiples remain the highest for the information sector, 11.3x, and the mining, quarrying, and oil and gas extraction sector, 8.5x, and are the lowest in the accommodation and food services, 2.7x, and the other services sectors, 3.1x. The median across all industry sectors over the past 12 months, or the period covering the onset of the coronavirus, at 4.0x, is lower than the historical median, at 4.4x.

EXHIBIT 3. MEDIAN SELLING PRICE/EBITDA BY SECTOR



Industry research at your fingertips.

Gain key insights into your industry or geographic location in a matter of minutes with our industry research tools.

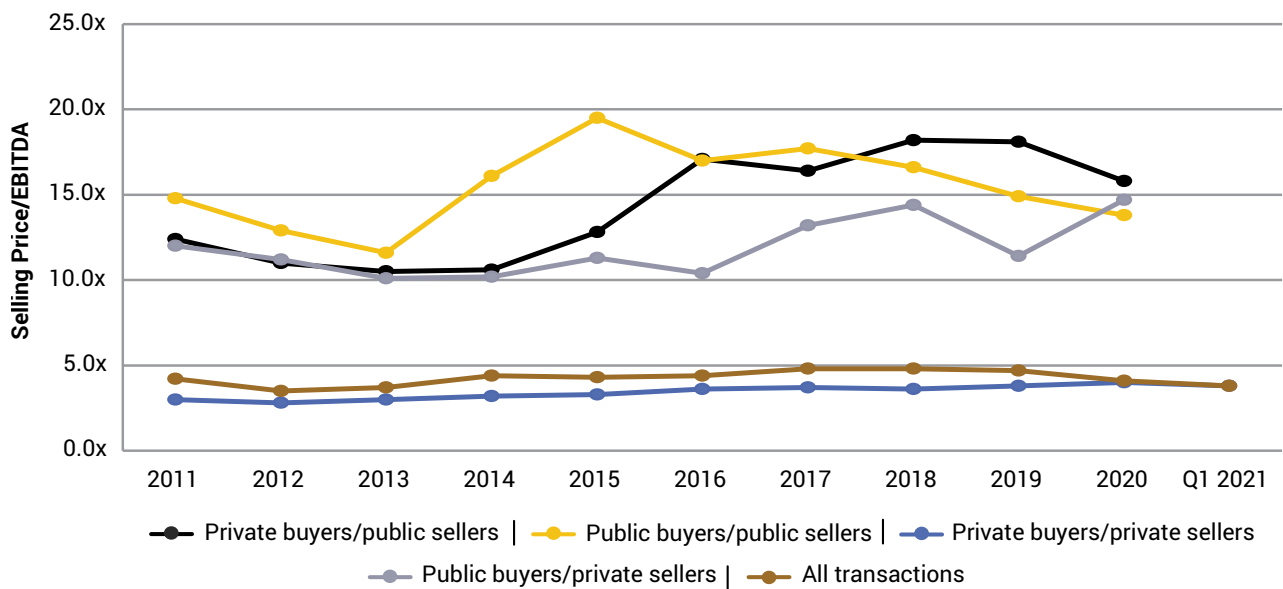
- First Research
- BizMiner
- Industry-specific reports
- Vertical IQ

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EBITDA MULTIPLES FOR PRIVATE SELLERS REACH 10-YEAR HIGHS IN 2020

EBITDA multiples for private-seller transactions unexpectedly increased in 2020 while their public-seller counterpart decline. This may be due to the volatility in the equity markets as well as the economic impact the global economy had on public-company valuations. Private buyers of private sellers saw their EBITDA multiple tick up to 4.0x, while public buyers saw the EBITDA multiple increase from 11.4x in 2019 to 14.7x in 2020. In the category showing private-seller acquisitions by public buyers, the median EBITDA multiple fell to 15.8x, down from 18.2x in 2018 and 18.1x in 2019. The median EBITDA for public buyers of public sellers, which has trended downwards since 2018, fell 13.8x, the lowest rate since 2013. Through the first quarter of 2021, only two categories have met the minimum transaction criteria to be included in the chart below at the time of publication, with the EBITDA multiple for private buyers of private sellers moved lower, to 3.8x, as well as the median EBITDA across all transactions declining to 3.8x, down from 4.1x in 2020.

EXHIBIT 4A. MEDIAN SELLING PRICE/EBITDA

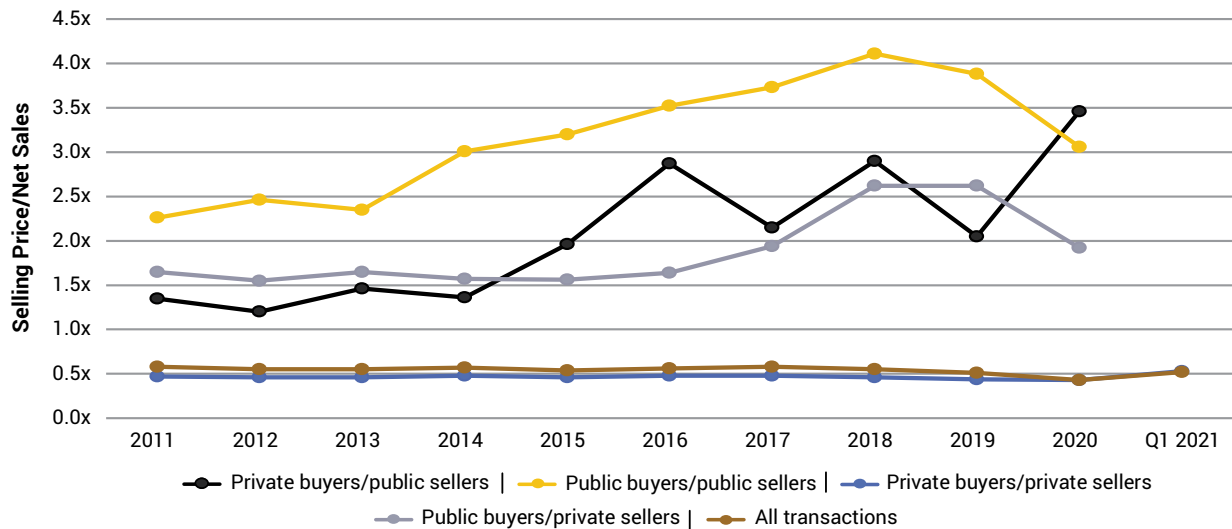


Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

NET SALES MULTIPLES RISE IN Q1 2021

The net sales multiple trended lower in four of the five categories in 2020. The net sales multiple for private-seller transactions fell to 1.92x when a public buyer was involved and to 0.43x, a 10-year low, when a private buyer was involved. Public buyers of public sellers paid a net sales multiple of 3.06x through 2020, while unexpectedly their private buyer counterpart paid a higher multiple, at 3.46x. Within the “all transactions” category, a noticeable trend lower is evident. The downward trend started in 2018, when the multiple fell from its prior year multiple, 0.58x, which was the highest multiple over this time period, to 0.55x, and has declined to 0.51x and 0.43x in the following two years. With the U.S. emerging from a recession and a new presidential administration beginning to implement its own economic policies, the first-quarter multiple has rebounded to 0.52x.

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.