

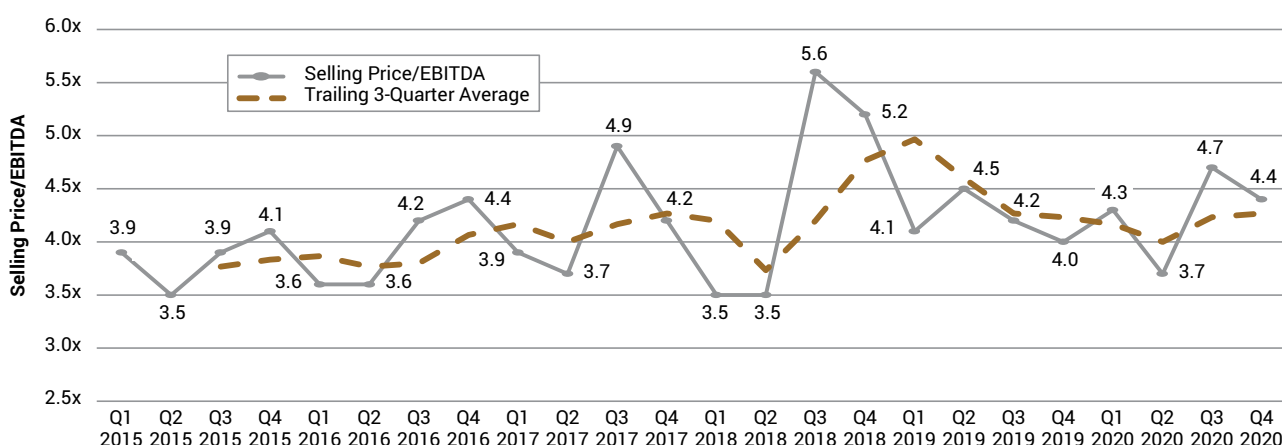
DealStats Value Index Digest 1Q 2021

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.

HOW HAS THE COVID-19 PANDEMIC IMPACTED EBITDA MULTIPLES IN 2020

With the COVID-19 pandemic putting a stranglehold on the U.S. economy for most of 2020 and causing an unprecedented economic impact on small businesses, this quarter's *DealStats Value Index* captures the 12-month snapshot on how EBITDA multiples have trended. Taking into consideration the uncertainty the onset of the spread of the virus caused early in the second quarter of 2020, sellers appeared to have initially forecasted a worst-case scenario, with EBITDA multiples falling to 3.7x, their lowest level since the second quarter of 2018. The decline came after the median EBITDA multiple in the first quarter of 2020 came in at its highest first-quarter level, 4.3x, over the six-year period illustrated in the graph below. However, by the second half of 2020, EBITDA multiples returned to levels near historical norms, at 4.7x in the third quarter and 4.4x in the fourth quarter of 2020. In doing so, this continued the trend of the median EBITDA multiple reporting at its highest level during the second half of the year as seen from 2015 to 2018 and in 2020. Moving forward, with 2020 now in the rearview mirror but with small-businesses still navigating through the COVID-19 pandemic and a new administration implementing its economic policies, DealStats will continue to monitor the trends in the EBITDA multiple.

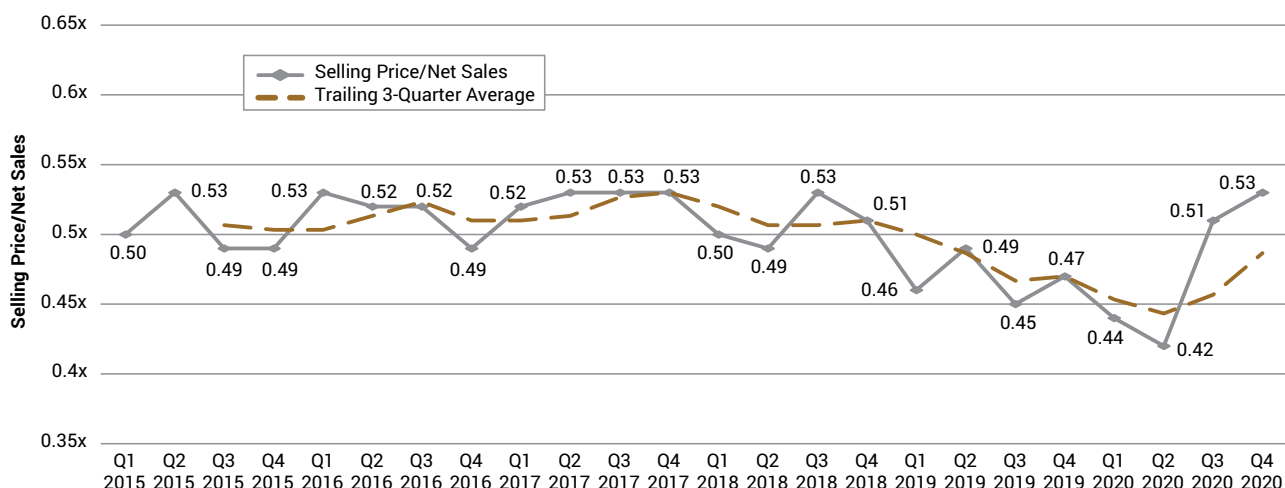
EXHIBIT 1A. MEDIAN SELLING PRICE/EBITDA WITH TRAILING THREE-QUARTER AVERAGE



NET SALES MULTIPLE RISES IN 4Q 2020

As expected, 2020 experienced volatility in pricing multiples not seen in recent years. In fact, the net sales multiple from 2015 to 2020 in the graph below best highlights the dramatic shifts in the median net sales multiple over the course of 2020 when compared to prior years. Even though the net sales multiple had been trending lower since the fourth quarter of 2018, the second-quarter 2020 multiple fell to its lowest level, 0.42x, with the onset of the coronavirus serving as the culprit for the uncertainty over the damages it caused impacting valuations. However, by the third quarter of 2020, with economic indicators such as retail sales, small-business optimism, Manufacturing PMI, and Services PMI, as captured in the [Economic Outlook Update](#), pointing to a recovery in the U.S. economy, the median net sales multiple rebounded to its highest multiple since 2018, 0.51x, and continued to rise, with the fourth-quarter 2020 multiple climbing to 0.53x. The trailing three-quarter trend line best captures the trends in the net sales multiple from the period of stability from 2015 to 2017, the downward trend from 2018 to 2019, and the period capturing the coronavirus in 2020.

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



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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.

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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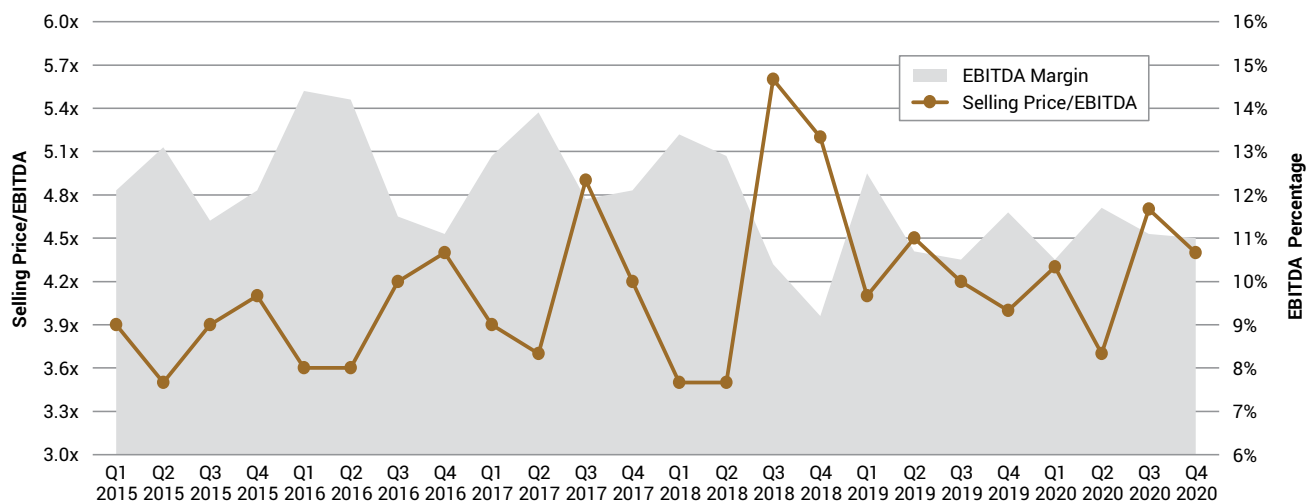
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EBITDA MARGINS REMAIN AT 11%

EBITDA, as a percentage of net sales, went unchanged from the third quarter of 2020 to the fourth quarter of 2020, at 11%. In fact, over the past two years, EBITDA margins have seen little change, ranging from 10% to 12%. However, in the years prior, EBITDA margins fluctuated by a wider range, from 9% to 15%. The selling price-to-EBITDA multiple settled at 4.4x in the fourth quarter after the multiple had rebounded in the third quarter of 2020, to 4.7x, after seeing a significant decline in the second quarter, to 3.7x. This trend returned in the second half of 2020, although a rebound may have been more predictable following the steep decline in the second quarter of 2020 following the outbreak of the coronavirus pandemic. Heading into the first quarter of 2021, with the uncertainty surrounding the resurgence of the coronavirus pandemic and changing economic policies brought forth by a new administration, DealStats will continue to monitor the trends in EBITDA margins and multiples. 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

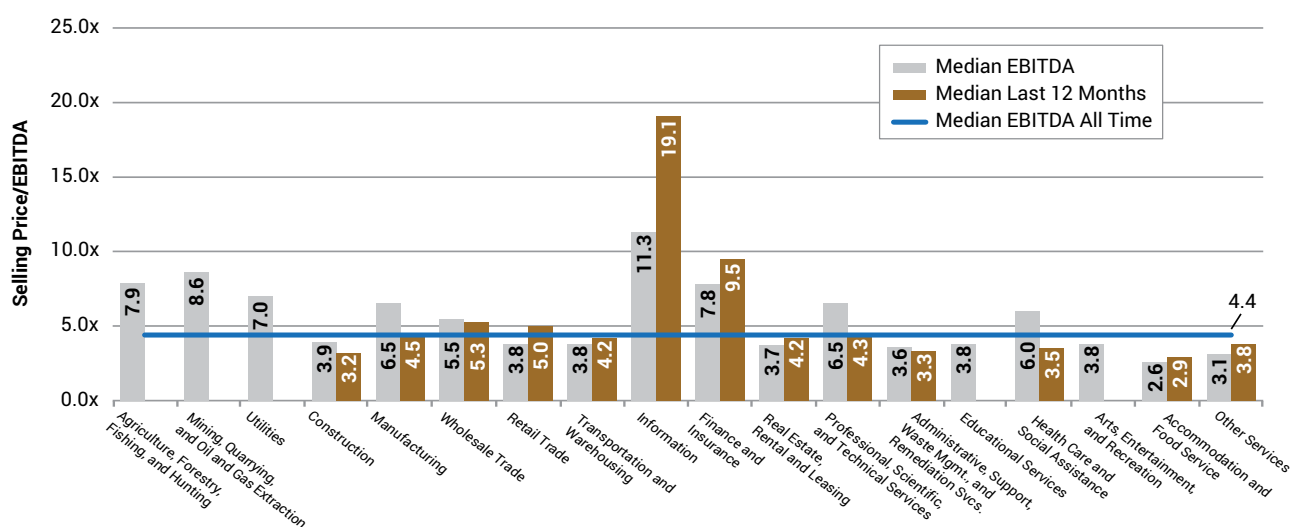


SELLING PRICE/EBITDA MEDIAN IS 4.4X

The historical median EBITDA multiple changed for three of the 18 sectors. The median EBITDA figure in the agriculture, forestry, fishing, and hunting sector moved higher, to 7.9x, from 7.6x, and the mining, quarrying, and oil and gas extraction sector increased, to 8.6x from 8.5x. Conversely, the EBITDA multiples moved lower for the professional, scientific, and technical services sector, to 6.5x, less than the median published last quarter, which was 6.6x. EBITDA multiples remain the highest for the information sector, 11.3x, and the mining, quarrying, and oil and gas extraction sector, 8.6x, and are the lowest in the accommodation and food services, 2.6x, and the other services sectors, 3.1x. The median across all industry sectors is 4.4x.

A new feature has been added to this graph, which now includes the median figures for the last 12 months. This allows for a comparison between the historical median and the current trends affecting the median. A minimum of five transactions were needed for each sector to be displayed in the graph.

**EXHIBIT 3. SELLING PRICE/EBITDA BY SECTOR—
HISTORICAL MEDIAN VS. LAST 12 MONTHS MEDIAN**



Industry research at your fingertips.

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

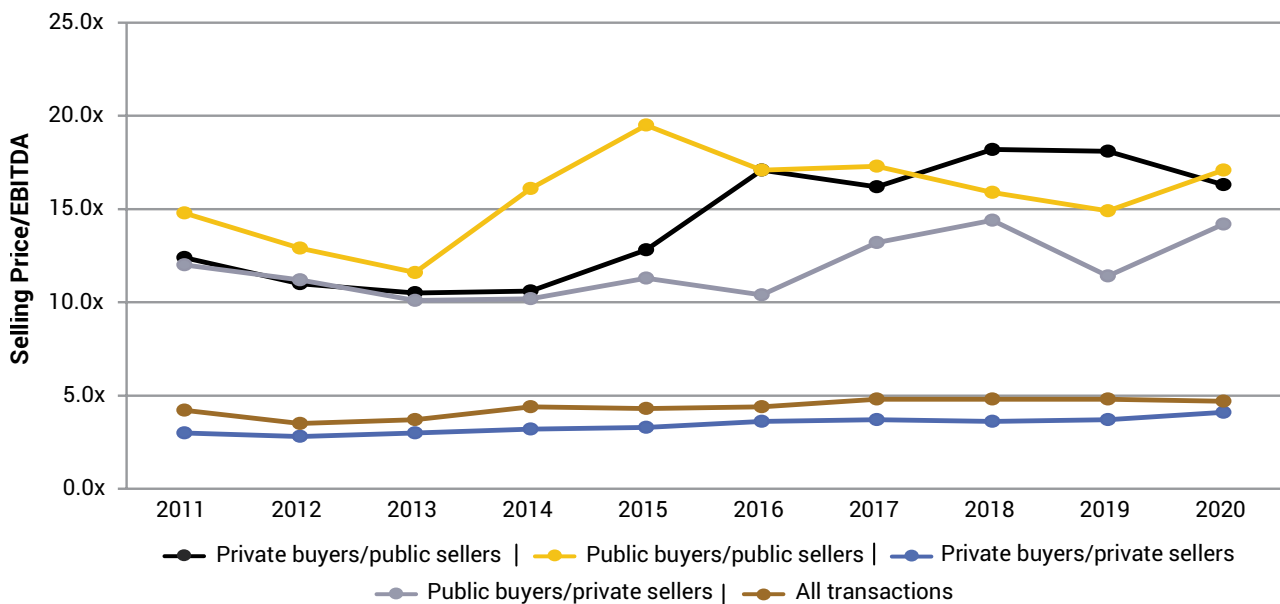
- First Research
- BizMiner
- Industry-specific reports
- Vertical IQ

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EBITDA MULTIPLES RISE FOR PRIVATE SELLERS IN 2020

Over the past 10 years, EBITDA multiples in 2020 for private-seller transactions rose to or near their highest levels over this period. With most of 2020 dominated by the spread of the coronavirus across the U.S., the mandated closures or partial shutdowns local and state governments implemented negatively impacted small businesses. Public buyers, flushed with capital from a booming stock market, paid an EBITDA multiple of 14.2x, only 0.2 percentage point lower than the highest multiple, 14.4x, seen in 2018. Private buyers, benefitting from access to cheap credit and confident that a rebound in the U.S. economy would take place sooner than later, saw the multiple rise to the highest level, 4.1x, in 2020. Conversely, public-seller transactions saw their EBITDA multiple react differently. EBITDA multiples for transactions when a private buyer purchased a public target have trended lower over the past two years, with the multiple falling to 16.3x, or its lowest level since 2017. Public buyers of public sellers saw the median EBITDA multiple rebound from declines over the past two years, coming in at 17.1x in 2020. The graph highlights the trend in this category, with the decline in the graph starting in 2015. Interestingly, DealStats has observed that, in 2018 and 2019, the trend saw the median EBITDA multiple paid by private buyers come in at a higher level than their public-buyer counterparts. In 2018, private buyers paid a median EBITDA multiple of 18.2x, and, in 2019, the median was at 18.1x, while their public-buyer counterparts paid 15.9x and 14.9x, respectively. However, this trend failed to materialize in 2020, with public buyers once again paying a higher multiple than their private buyer counterpart, at 17.1x versus 16.3x. In the “all transactions” category, EBITDA multiples dipped to 4.7x, in 2020, down from 4.8x seen from 2017 to 2019. Still, this remains at a higher multiple than in any other year highlighted in the graph.

EXHIBIT 4. MEDIAN SELLING PRICE/EBITDA



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