



2018 Deal Flow

We are seeing tremendous deal flow in 2018 with activity predicted to surpass last year. But is this the best time for you to sell your company?

Let's look at what the data suggests about your prospects for selling now.

According to the National Center for the Middle Market, revenue growth in the lower middle markets has been consistent since 2015 with only a slight dip in growth between the 1st and 2nd quarters of 2017. Since 2015, deal flow has remained steady with a modest dip in the first half of 2016 but then a quick climb in the second half.

Corporate valuations are on the rise for companies with revenue of \$25-250 million in revenue. Valuations in \$25-50 million companies remain steady at an average multiple of 6.5. In the first half of 2018, PE firms reported 1,358 middle market deals, surpassing last year's first half activity, totaling a record \$178 billion.

What is the outlook for you?

As predicted, interest rates have slightly increased; however, significant deals are being reached in the second half of the year. The market is strong. Consumer confidence remains high and is expected to continue well into 2019.

Robin Engleson of Sapphire Financial is noticing a trend to help boost returns for lower middle market companies. “As soon as lower middle market companies reach a certain threshold, their valuation multiples go up. This has always been true, but the increase is more significant now. Buyers are entertaining the purchase of smaller and smaller companies as combining them, and bringing them to that next level today can mean increasing their value from five to six times EBITDA to 10 times EBITDA. This scenario is happening a lot more frequently. It’s a great time to be a seller.”

Market professionals are not predicting market conditions to change anytime soon, and there is still a demand for lower middle market companies. This could mean an attractive offer for your company now.

What does this mean for you?

You still need to assess your individual situation to determine the right time for you to sell. True, it is a great time to be a seller, but remember, a sale of your company is likely to take 6 to 12 months. You certainly want to complete a transaction while the market is strong.

The first step is to determine the value of your company. Now is the time to get clarity on your options by getting a valuation and plotting the steps you need to take in order to increase the transferable value of your company. Take advantage of this positive macro-economic environment you find yourself in and “lift off” to a new goal in life.

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