

Boom! That Sound You Heard Was the M&A Market Falling Off the Table in Q1

WEST CONSHOHOCKEN, PA – May 20, 2013

GF Data's first quarter analysis confirms what private equity buyers and financial professionals have sensed since the beginning of the year – that the explosion in deal activity heading into the end of 2012 carried no momentum into 2013.

The 183 private equity firms that are active contributors to GF Data® reported 92 transactions closed in the fourth quarter of 2012. The same universe reported 14 deals completed in 1Q 13 – by any measure a screeching halt. The GF Data universe encompasses deals with total enterprise values in the \$10-250 million range.

“We’re sorry to confirm the anecdotal impression of business buyers and other deal professionals,” said GF Data CEO Andrew T. Greenberg. “Notwithstanding fundamentally good economic, corporate and capital market conditions, there were very few transactions in process once the deluge of deals aiming to close by year end worked their way through the system.”

Overall multiples for 1Q were 5.9x Trailing Twelve Months (TTM) Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), essentially in line with 6.0x in 4Q 2012 but well off the 6.8x mark in 3Q.

GF Data's principals noted, however, that a closer reading of the data suggests aggregate multiples are not in decline.

B. Graeme Frazier, IV, GF Data Co-Founder and Principal, noted that the end-of-2012 groundswell appears to have been driven by individual or family sellers, presumably motivated at least in part by concerns about federal tax rates. “Non-institutional sellers drove a disproportionate share of the volume in 4Q, and we saw the drop in aggregate pricing. This trend continued in 1Q. It seems clear that pricing is at worst holding steady once these calendar-driven sellers come out of the mix.”

Dan Shea, Managing Director at BDO Capital Advisors in Los Angeles, commented, “Although M&A volume was practically shut off in 1Q, we are anticipating the year to be back end-loaded with deal activity. Lenders are actively supporting M&A transactions and we are starting to see nice momentum as a result of three years of improving corporate performance since the Great Recession. We believe valuations are likely to rise along with volume over the next several quarters.”

About GF Data

GF Data provides reliable external information for use in valuing and assessing M&A transactions to private equity firms, investors, lenders and other users.

GF Data collects and publishes proprietary transaction information from private equity groups on a blind and confidential basis. Two hundred and six private equity firms have provided information on deals included in the latest report.

Data contributors and paid subscribers receive three products: high-level valuation and leverage data; key deal-term data on indemnification, escrow and basket benchmarks; and continuous access, through GF Data's secure website, to detailed valuation data organized by NAICS code.

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For information on subscribing or on contributing data as a private equity participant, please contact Bob Wegbreit at bw@gfdataresources.com or 610-260-6263.

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