
GF Data: 2012 Fourth Quarter Saw Explosion in Deal Volume

Lower-middle market M&A activity in 2012 reached valuation and deal volume levels not seen since the pre-financial meltdown days of 2007, according to GF Data's year-end report.



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

Completed deal totals were fueled by a landmark fourth quarter. The 180 private equity firms actively contributing to GF Data reported 89 transactions meeting the tracking firm's deal parameters in 4Q – nearly triple the 30 deals reported in Q3 and a 68 percent rise over the 57 deals reported in Q4 2011. Overall valuations averaged 6.2x trailing twelve months (TTM) adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), the highest mark in five years.

“Like a tropical storm that comes later than expected and then hits with pent-up force, the deluge of middle market transactions expected throughout 2012 finally materialized in the fourth quarter,” said Andrew Greenberg, CEO of GF Data. “Sellers motivated by expected federal tax changes clearly drove much of this activity. Our sense is the market will be taking a few months to reload, rather than maintaining that momentum unabated in Q1.”

Among major business categories, health care services and technology set the pace, both with average valuation multiples in excess of seven times. “In health care and in tech-enabled industries, there seem to be sector-wide forces driving valuation,” said B. Graeme Frazier, GF Data's Principal and Co-Founder. “But we now report on more than 140 sub-sectors at the four-digit NAICS industry code level. Our searchable data base shows similar strength within selected niches of manufacturing, business services and other industries.”

Average senior and total debt levels also expanded slightly over the course of 2012. “Banks and other financial institutions have recently increased their appetite for senior leverage, even in middle-market companies. The increased availability of senior debt on attractive terms has pushed up valuations some in competitive situations,” said Peter Huff, Co-Founder and Managing Member of Blue Sage Capital.

In the year-end report, GF Data includes for the first time data the firm has been collecting over the past year on the nature of the selling industry (e.g., individual/family vs. institutional) and the extent of senior management continuity post-transaction. In addition, GF Data passed an important internal milestone – more than 200 private equity firms are now represented in its data base.

GF Data Resources provides data on private equity sponsored M&A transactions with enterprise values of \$10 million to \$250 million, offering private equity firms and other users external information to use in valuing and assessing M&A transactions. GF Data collects transaction information from private equity groups on a blind and confidential basis. Data contributors and paid subscribers receive two products -- high-level valuation and leverage data via electronically delivered quarterly reports, and continuous access through the firm's web site to detailed valuation data organized by NAICS industry code. GF Data is based in West Conshohocken, PA.

For information on subscribing to GF Data or to contribute data as a private equity participant, contact Bob Wegbreit at bw@gfdataresources.com or visit the firm's website at www.gfdataresources.com.