



Lower Private Mid Market Update

Hello Neil,

Exit Ready

Normal Working Capital

Except for a select few industries like Retail, in the lower middle M&A marketplace (\$5M - \$50MM Enterprise Value), **normal working capital (CA - CL) is included in the Price ... 82% of the time** as part of the included assets' list in a Share Sale based on an EBITDA multiple.

SDE as a multiple type and NOT including normal working capital in the Price (it is added to the Price if the Purchaser wants it) is a common tiny business / mainstreet business methodology. Be careful of bar room bragging, as no 2 deals are alike.

Time to Close

Selling a **large** business is a marathon, not a sprint.

Just like runners hit the wall in a marathon, sellers can grow weary of the due diligence, negotiations, and legal work it takes to get a deal across the finish line. It's vital they stay focused on driving the business forward those final few miles.

The **current** financial performance will have a meaningful impact on the amount of money you take home after a sale.

100% Closing - Project Management

A strong project management communications tool including regular weekly meetings with the complete team, is key to success in Due Diligence and Closing deals.

Keeping all the stakeholders regularly informed on progress helps eliminate FUD ... fear, uncertainty and doubt ... and keeps everyone on the same page moving forward to the goal line.

Sellers should be asking ... who on the advisory team is going to run and manage the Project Management process ... **hint**: it usually is your M&A Advisor.

Call Direct: **250.870.6813**

or

Email: neil@exitthisway.ca

4Q2023 Multiples

Multiples remained relatively consistent across market sectors, with one notable exception. Advisors reported that businesses with enterprise value of \$5M-\$50M received an average valuation of 5.3x EBITDA, a meaningful jump over last year, but still down from the red hot market in Q4 2021. While deals in the \$5-\$50M range earned an average multiple of 5.3, some of those deals earned a 4.0 multiple while others ranged anywhere up to 8.25. This reflects a wide divergence between valuations for risk in any given deal.

[Click here to expand ...](#)

FIGURE 6: AVERAGE MULTIPLES BY DEAL SIZE Q4 2020-2023



STAY CONNECTED



Exit This Way Consulting | 3920 Gallaghers Parkway | Kelowna, BC V1W3Z8 CA

[Unsubscribe](#) | [Constant Contact Data Notice](#)



Try email marketing for free today!