## Market Pulse Report Second Quarter 2018

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#### ACKNOWLEDGEMENTS

Special thanks to the following people at The Graziadio School of Business and Management for their contributions.

#### PEPPERDINE GRAZIADIO SCHOOL OF BUSINESS AND MANAGEMENT

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> > 3









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## I. About the Market Pulse Report

The International Business Brokers Association (IBBA) and M&A Source, in partnership with Pepperdine Private Capital Markets Project, have set a goal to provide quality information on a quarterly basis in order to become the go-to source for Main Street and Lower Middle Market transactions. The "Market Pulse Report" gives you timely and accurate data to help you build and maintain a successful and sustainable business.

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## About the Survey

- 25 questions
- Invited participants were members of the International Business Brokers Association (IBBA), IBBA Affiliates/Chapters, and/or M&A Source
- 277 completed responses

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• Responses collected from Juli 1 to July 16, 2018

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## II. Current Business Environment

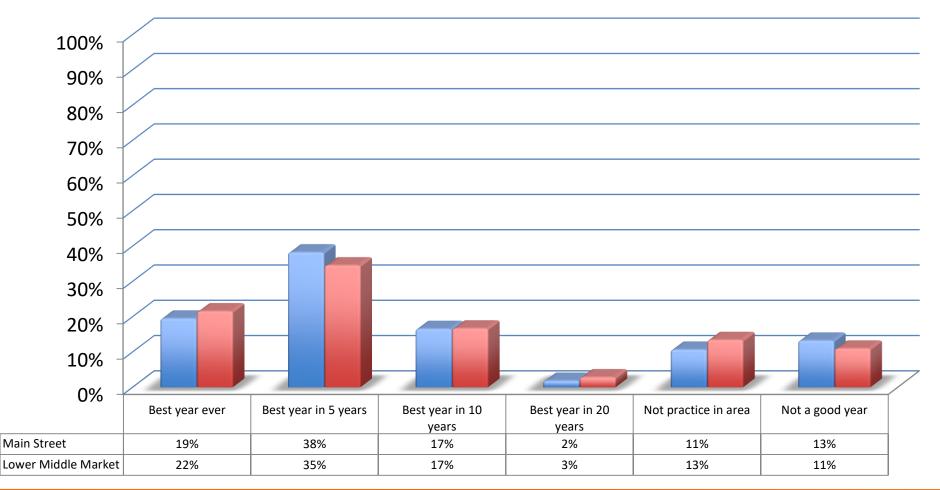








#### How Respondents Rate 2018 as a Year for Business Owners to Sell Their Businesses



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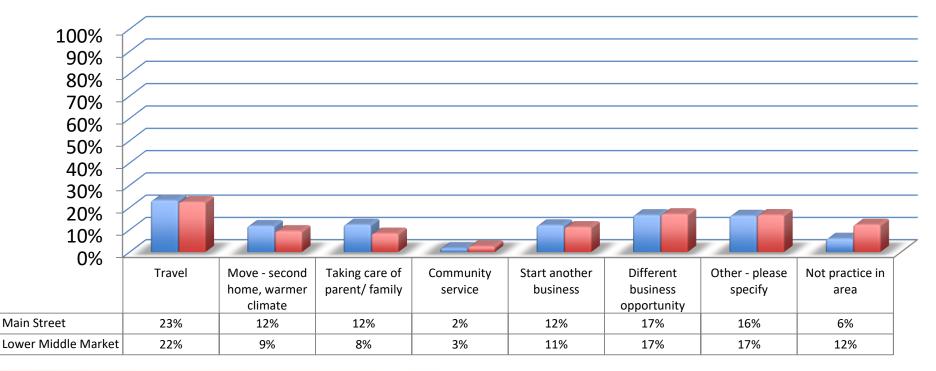
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For the Clients Respondents Worked with and Successfully Sold Their Business in the Last 1-2 Years, What Was at the Top of Their 'Bucket List' after Their Business



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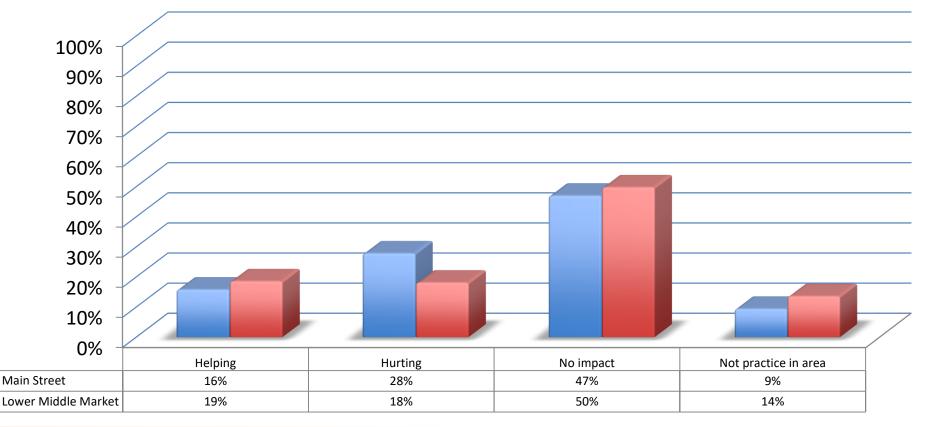
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## Is the Low Unemployment Rate Helping or Hurting Respondents Ability to Bring Clients to the Closing Table





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## III. Business Transactions Closed in the Last 3 Months

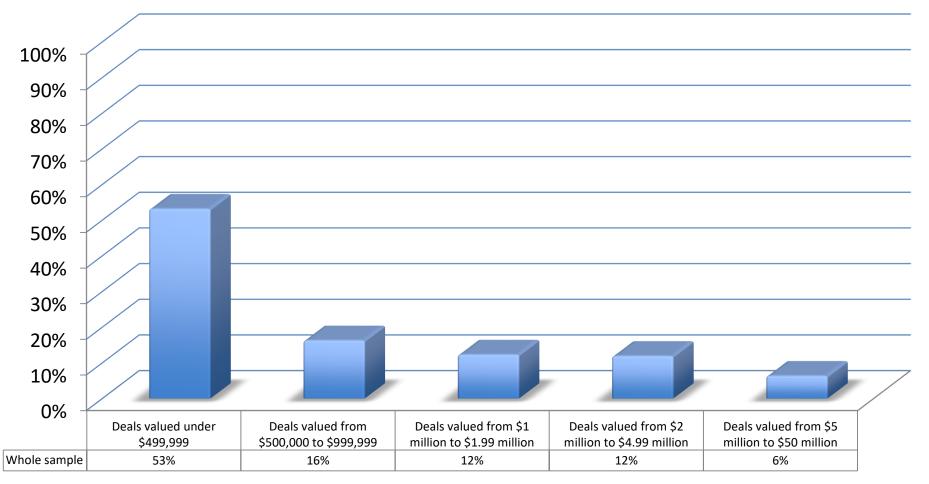








#### Business Transactions that Were Closed in the Last Three Months by Deal Size





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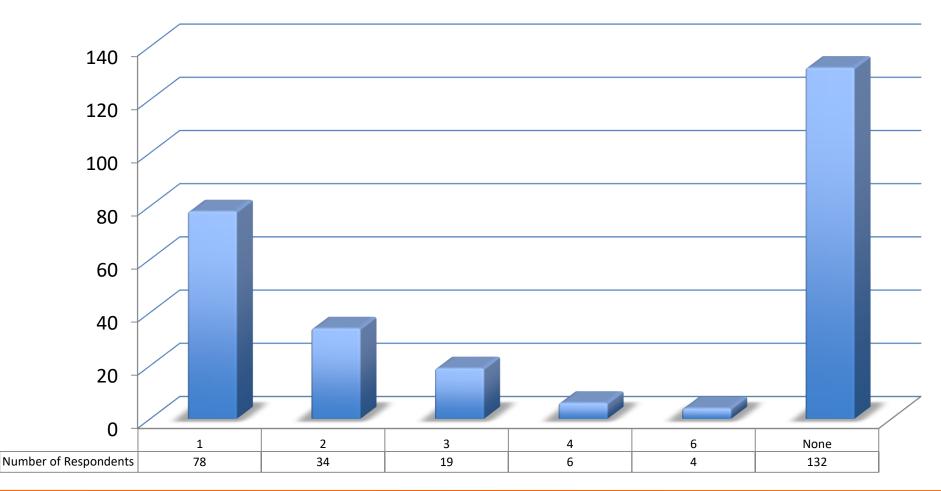
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#### Number of Business Transactions Closed by Respondents in the Last 3 Months



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#### Change in the Number of New Clients by Deal Size in The Last 3 Months

Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under \$499,999	3%	13%	45%	35%	4%	3.2
Deals valued from \$500,000 to \$999,999	3%	16%	43%	36%	3%	3.2
Deals valued from \$1 million to \$1.99 million	5%	10%	41%	39%	5%	3.3
Deals valued from \$2 million to \$4.99 million	3%	8%	53%	34%	3%	3.3
Deals valued from \$5 million to \$50 million	1%	8%	50%	37%	4%	3.3

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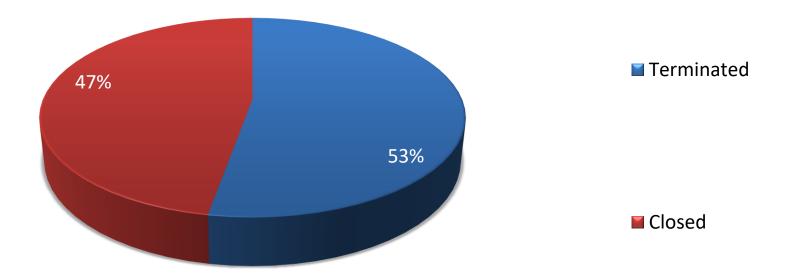


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#### Percentage of Transactions Terminated without Closing in the Last Three Months



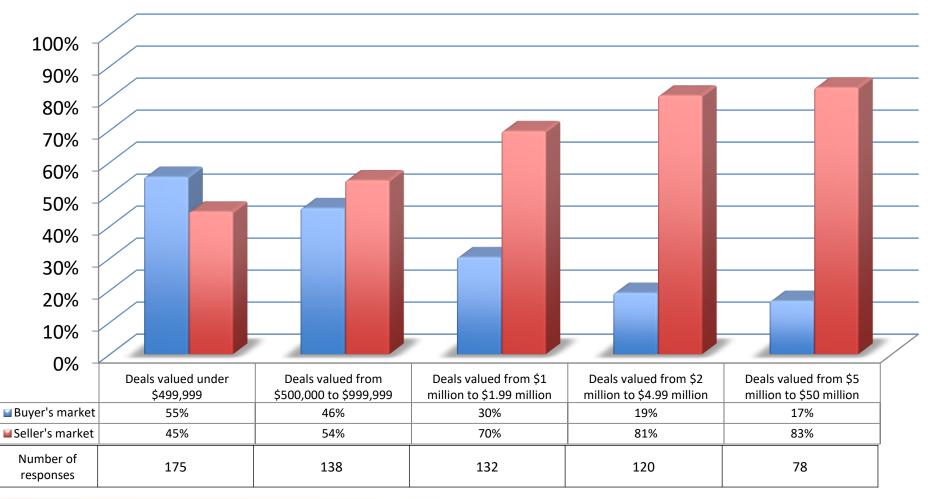
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#### Was it Buyer's or Seller's Market in the Last 3 Months?



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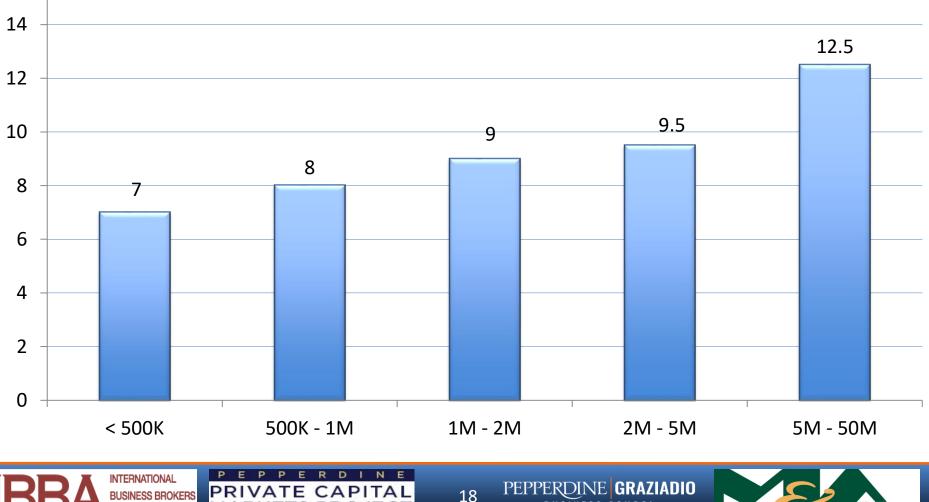
## Business Transactions of All Sizes, Comparison







## Median Number of Months from Listing/Engagement to Close



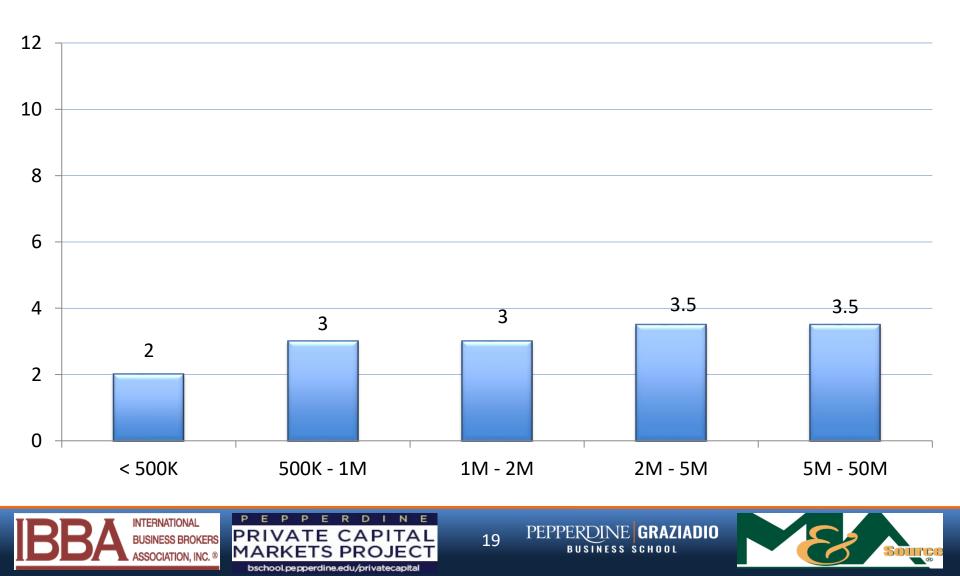
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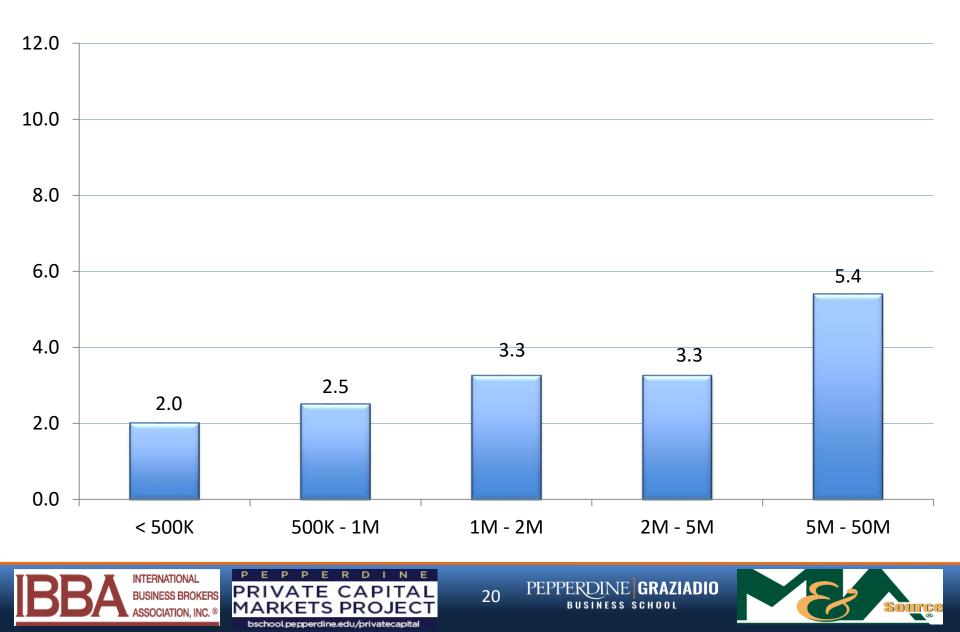
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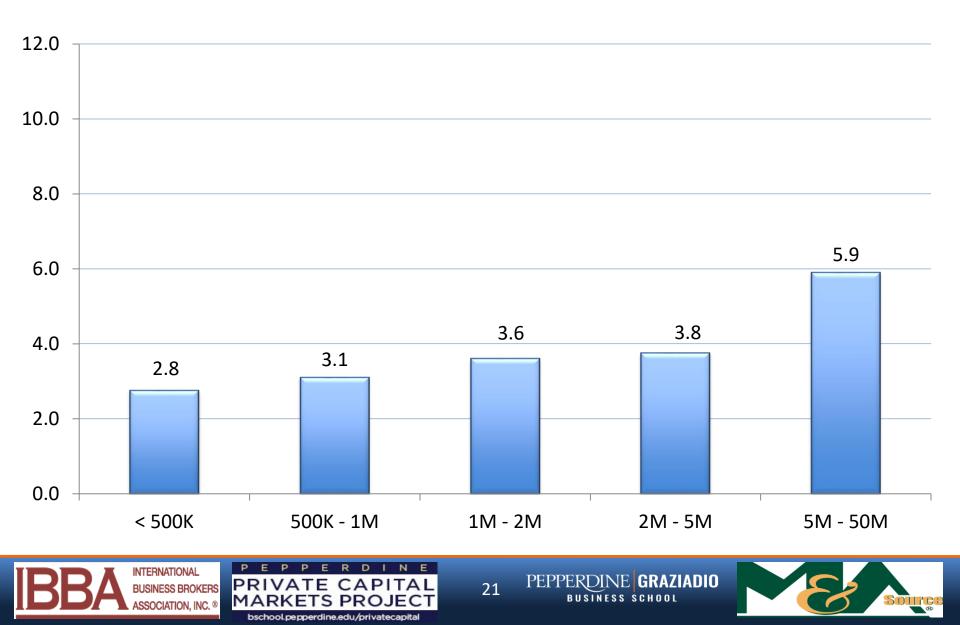
# Median Number of Months from LOI/Offer to Close



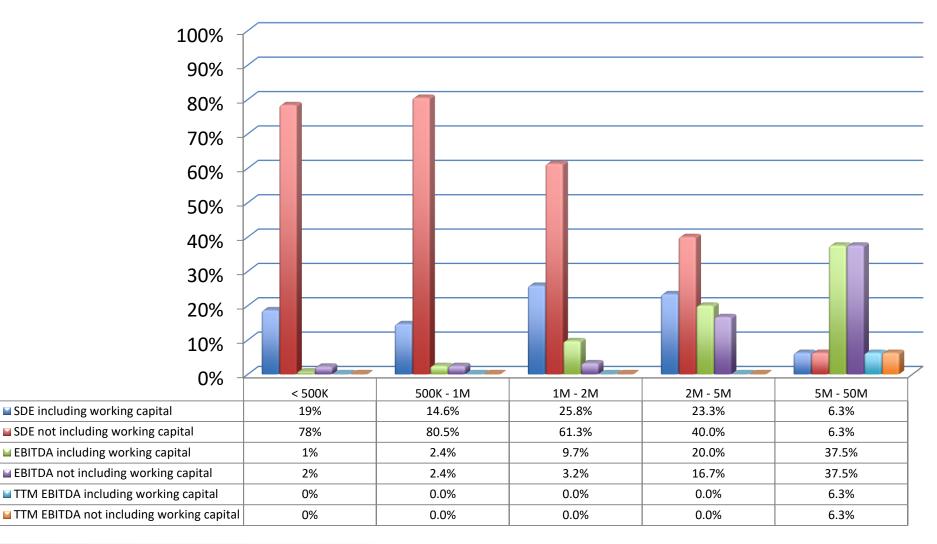
#### Median SDE Multiple Paid



#### Median EBITDA Multiple Paid



#### Multiple Type





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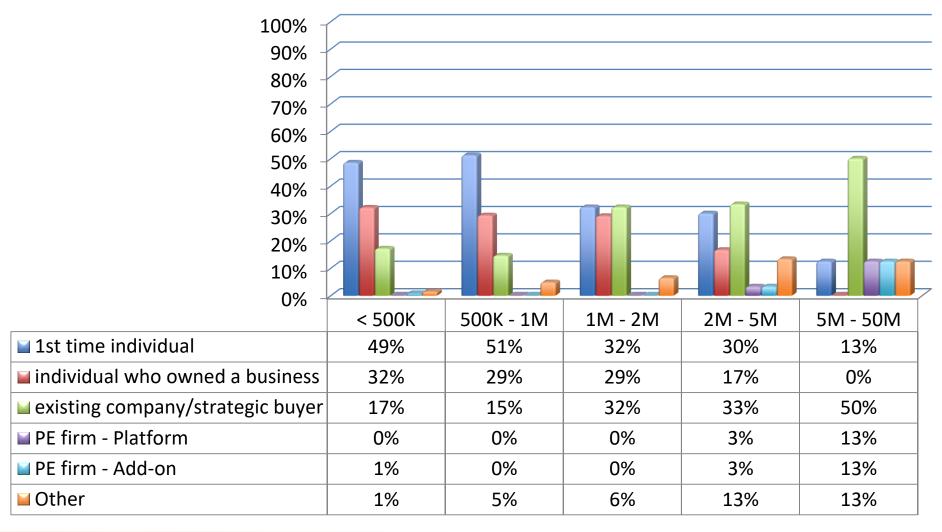
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#### **Buyer Type**



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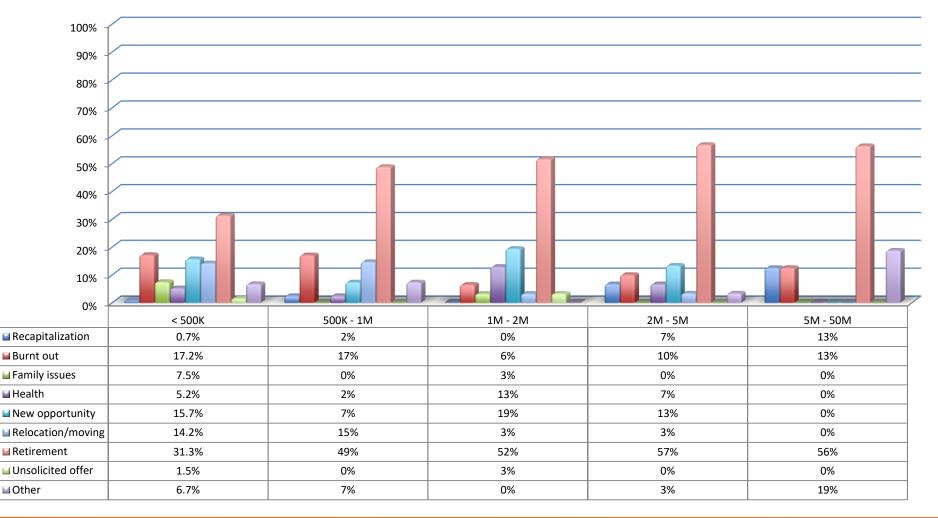


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#### #1 Reason for Seller to Go to Market



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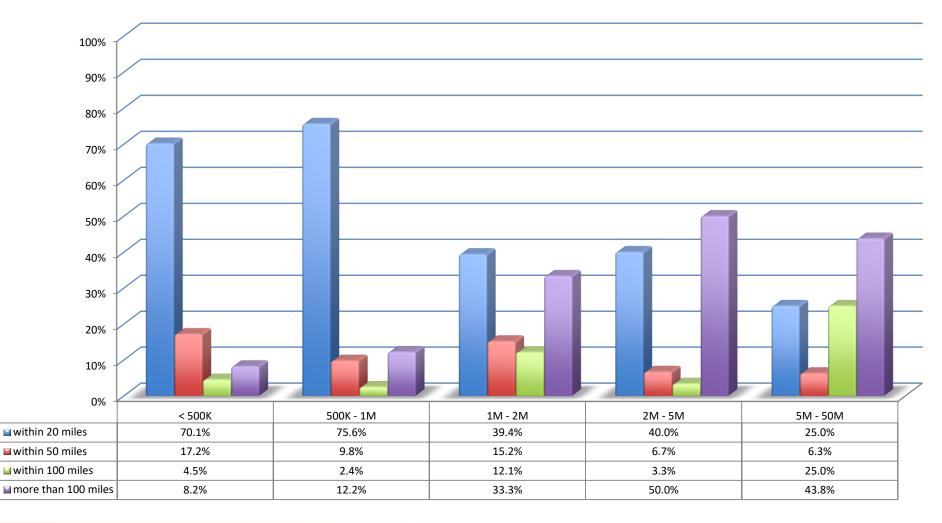
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#### **Buyer Location**





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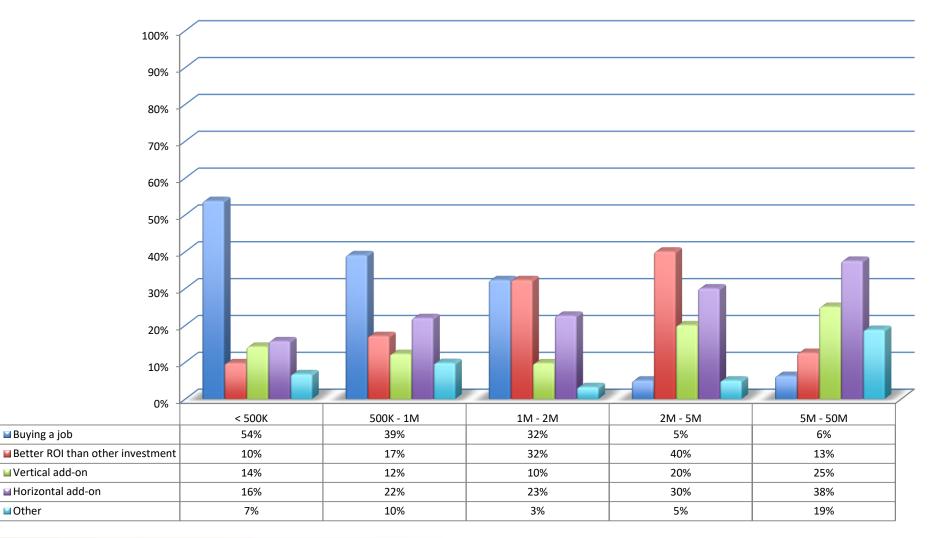
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#### **#1** Motivation for Buyer





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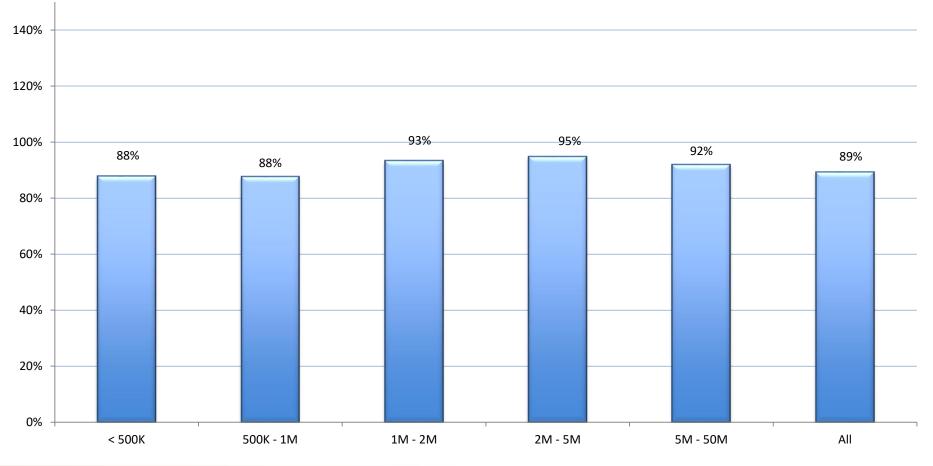
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#### Average Percentage of Final/Selling Price Realized to Asking/Benchmark Price



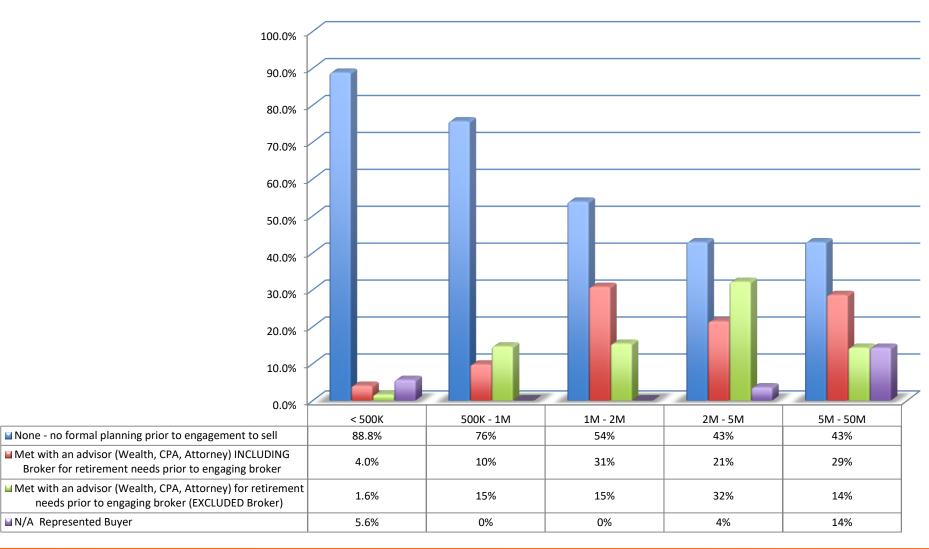
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#### **Exit Planning**





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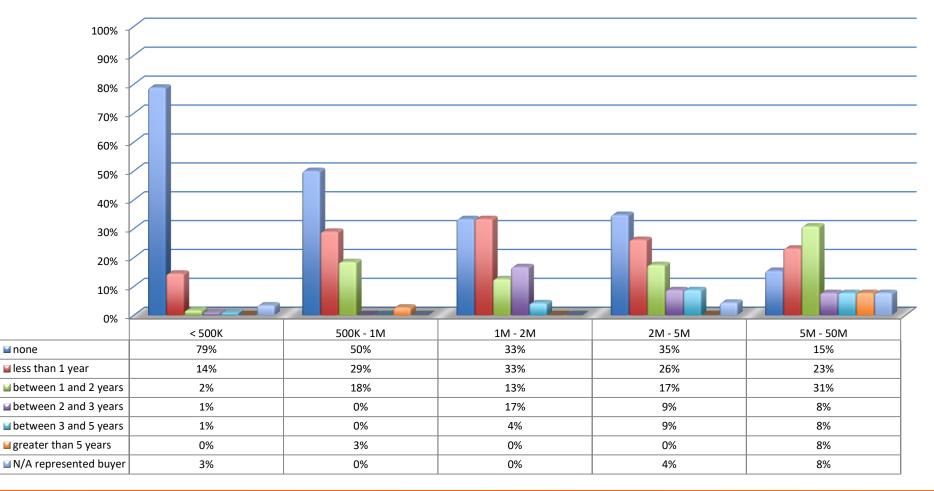
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### Amount Of Exit Planning Prior To Marketing Business





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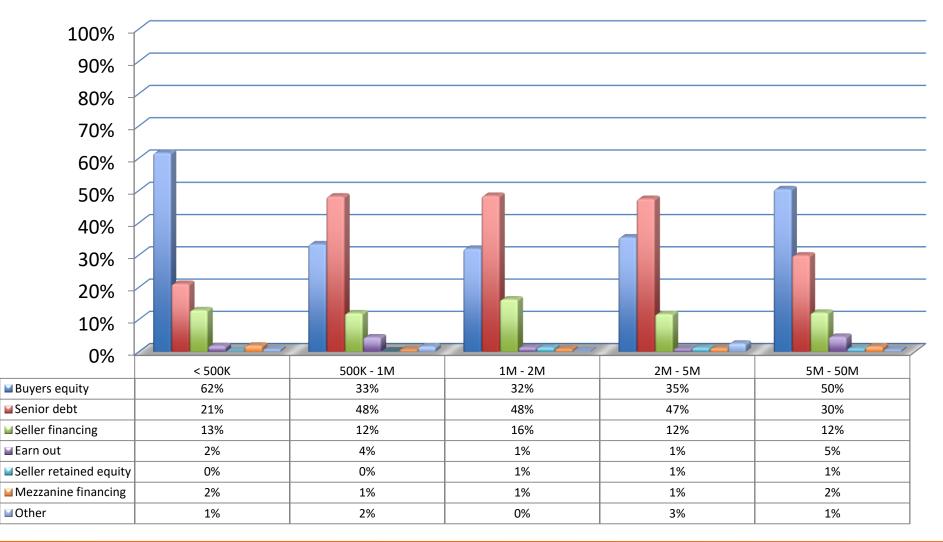
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#### **Financing Structure**





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# Business Transactions Valued under \$499,999 Number of Closed Transactions: 134

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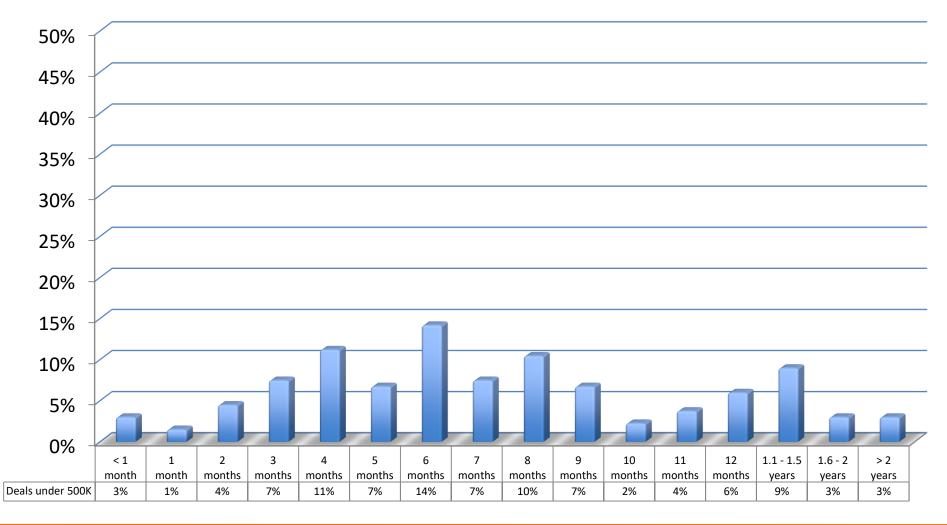
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#### **Engagement/Listing to Close**



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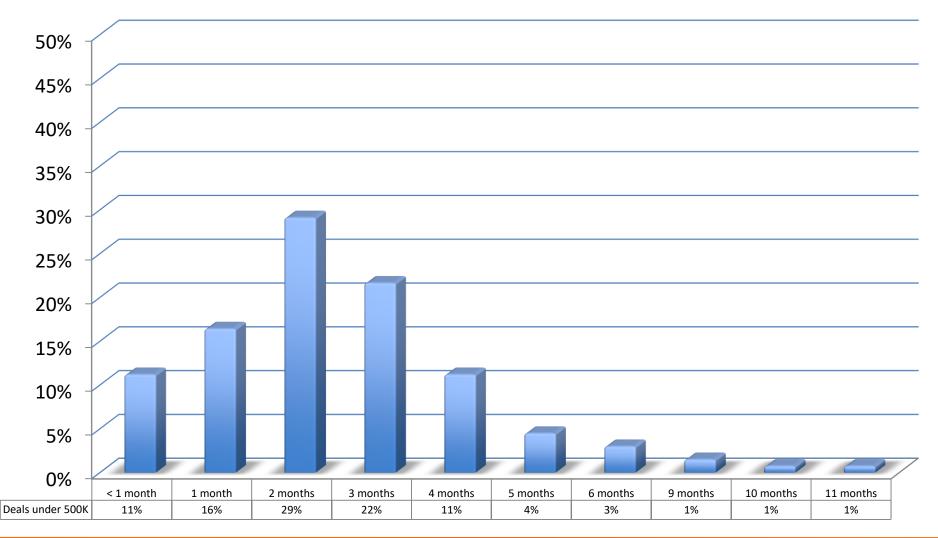
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#### LOI/ Offer to Close



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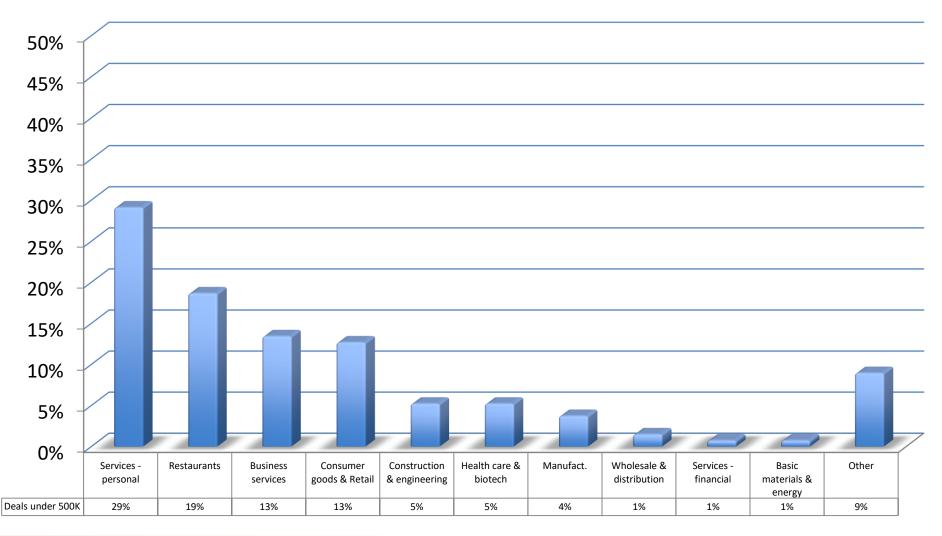
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#### Industry





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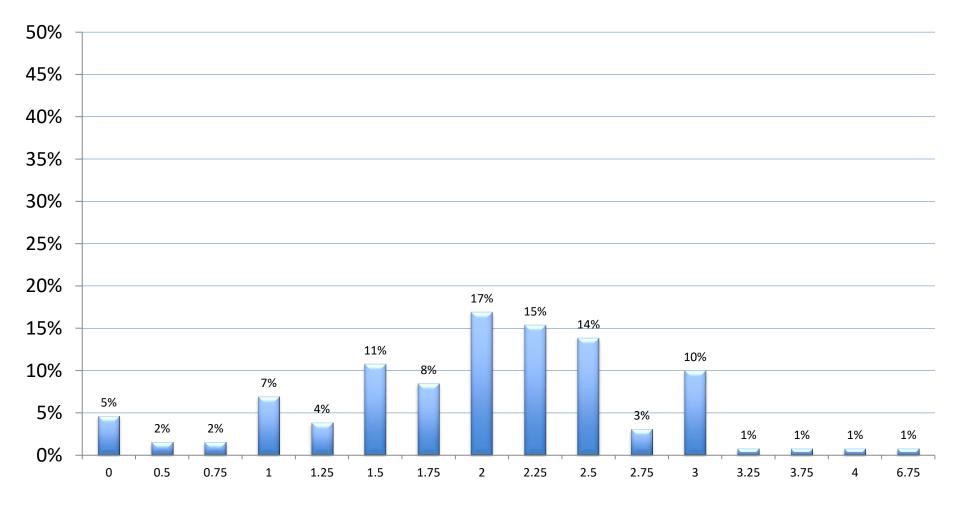
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#### **SDE Multiple Paid**



Number of responses: 130

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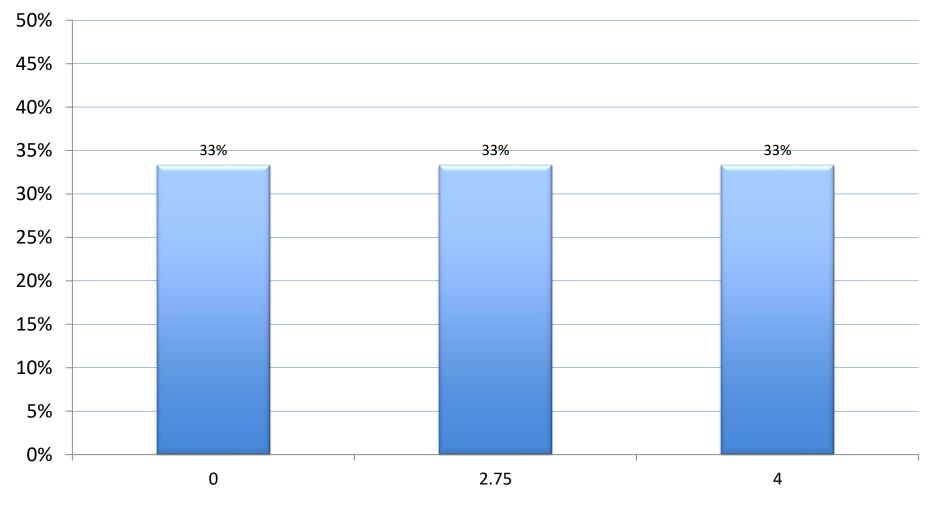
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#### **EBITDA Multiple Paid**



#### Number of responses: 3

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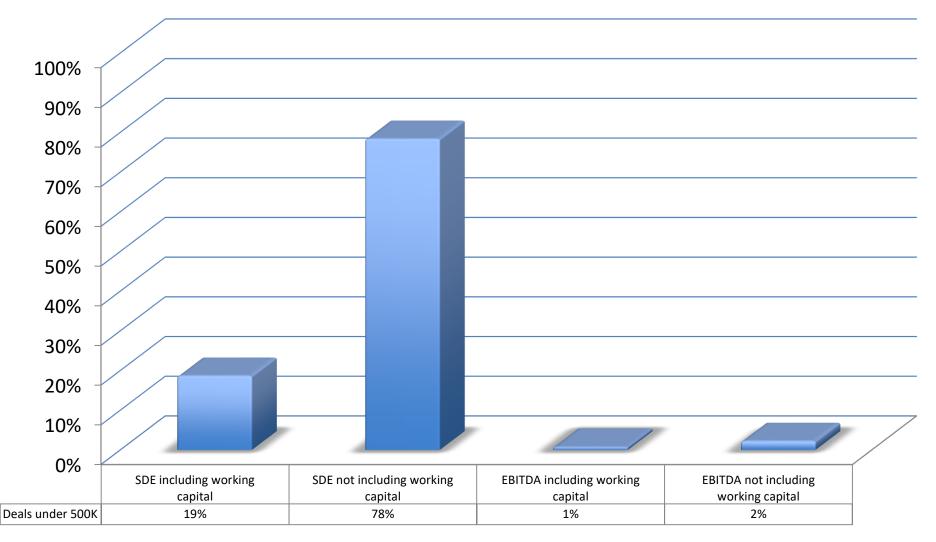
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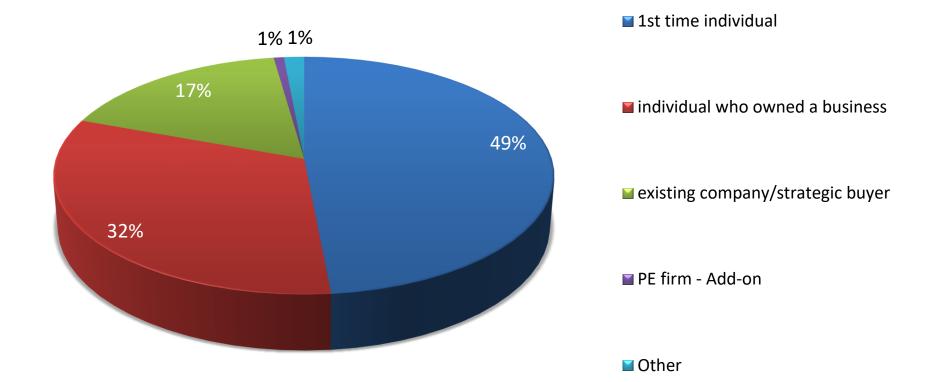
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# **Buyer Type**



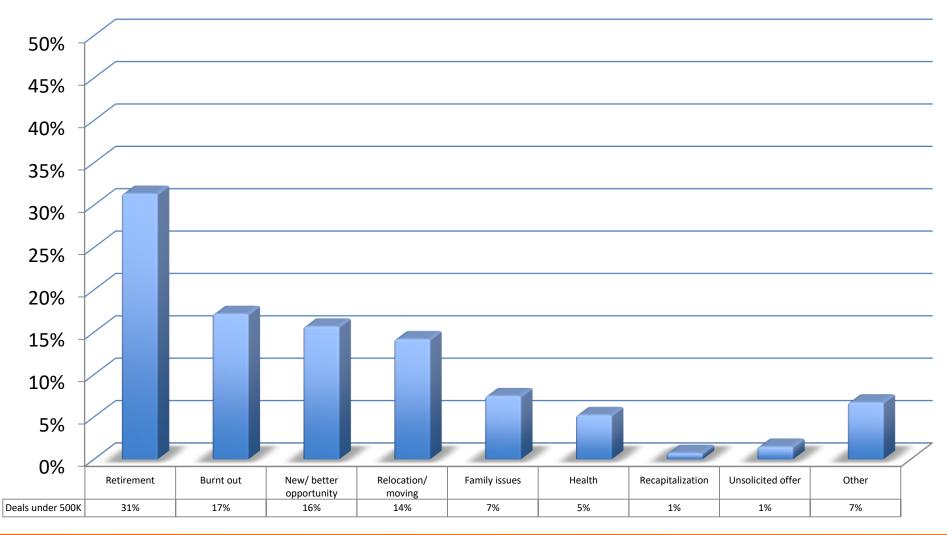


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## #1 Reason for Seller to Go to Market





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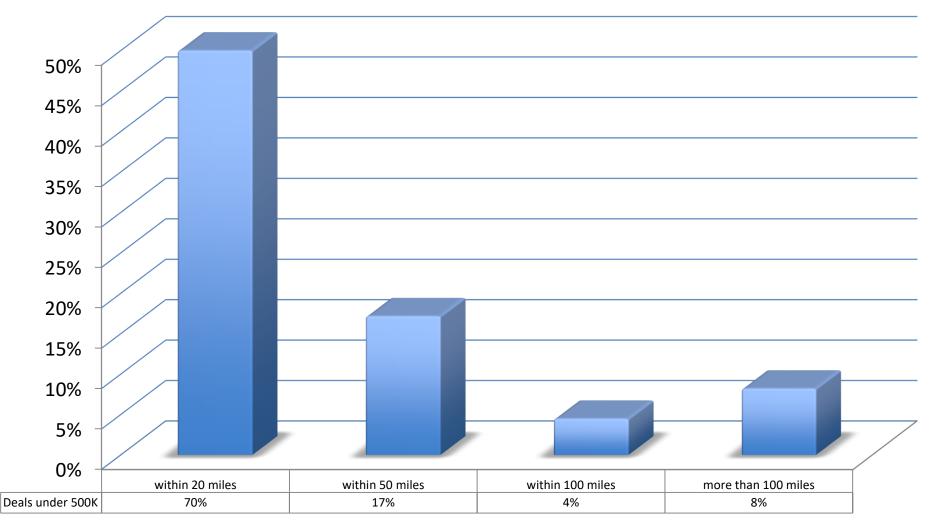
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## **Buyer Location**



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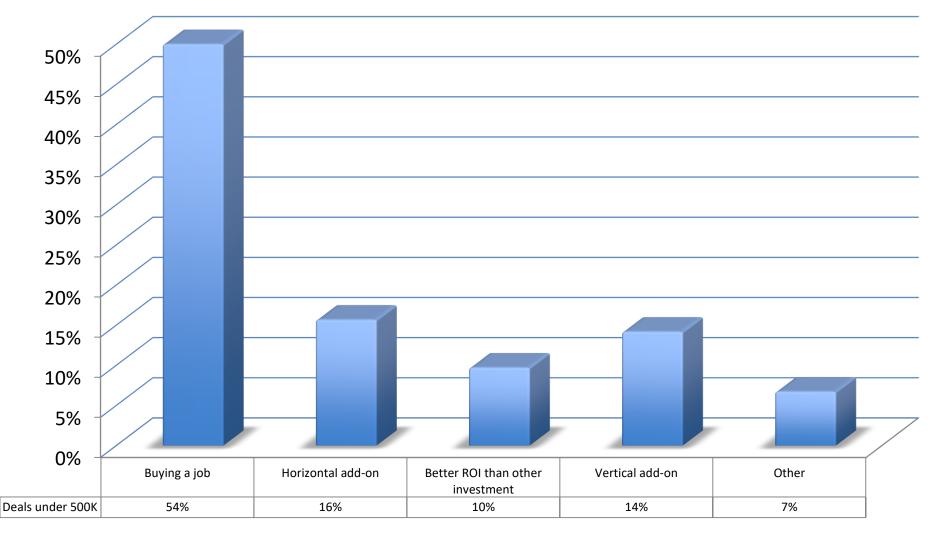
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# **#1** Motivation for Buyer



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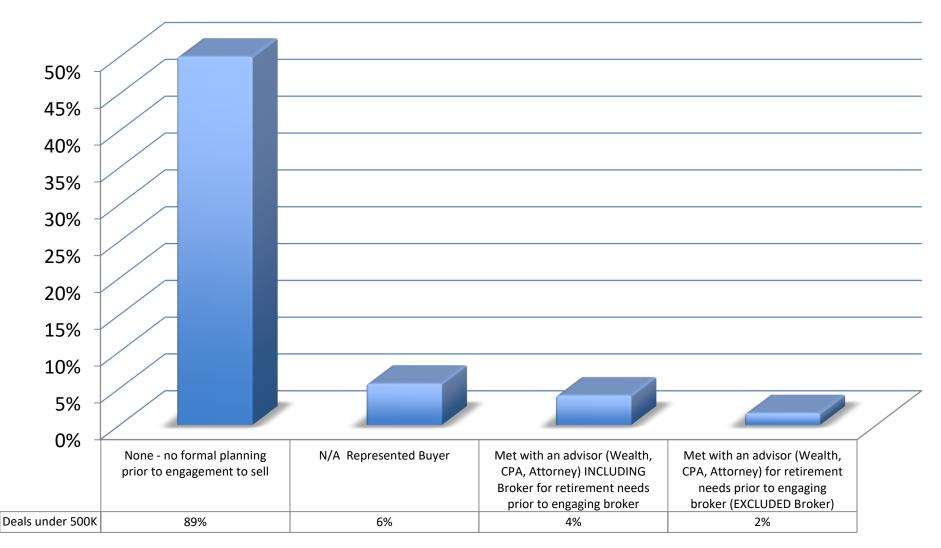
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# **Exit Planning**



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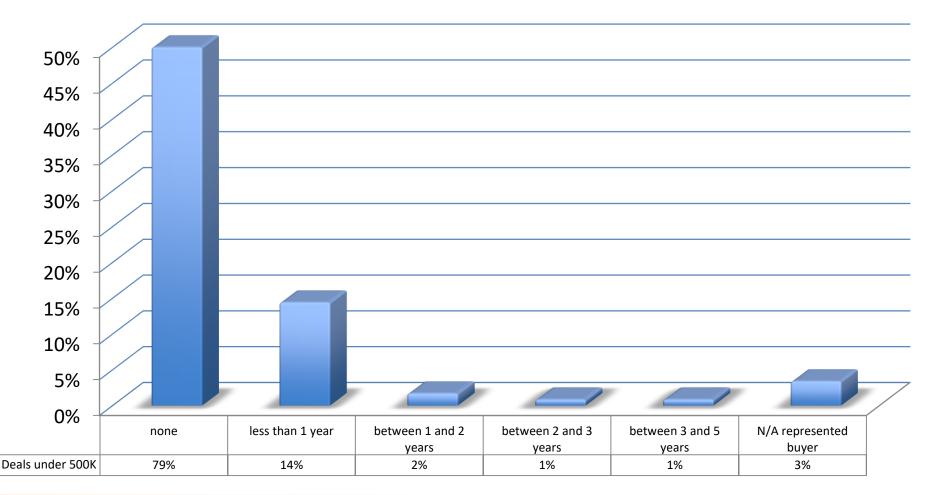
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# Amount Of Exit Planning Prior To Marketing Business



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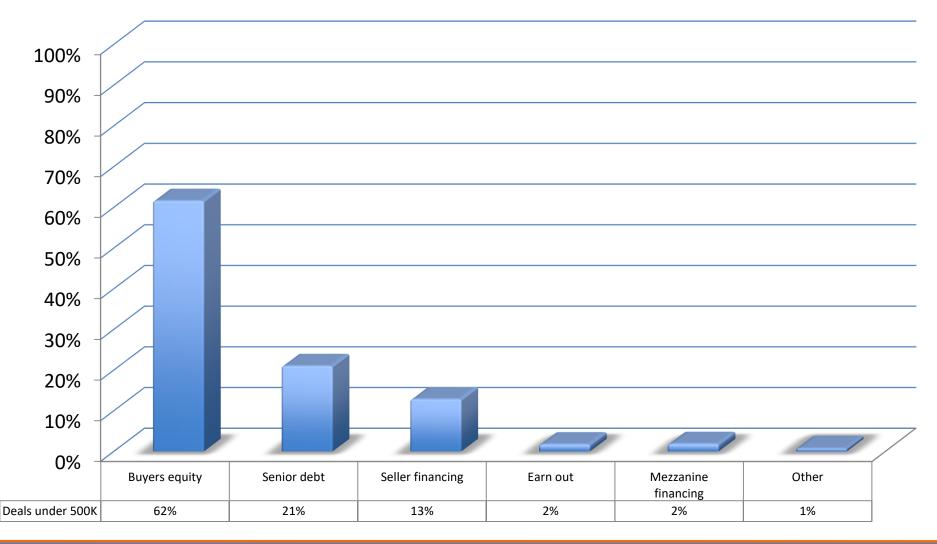
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# **Financing Structure**



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Business Transactions Valued from \$500,000 to \$999,999 Number of Closed Transactions: 41

45

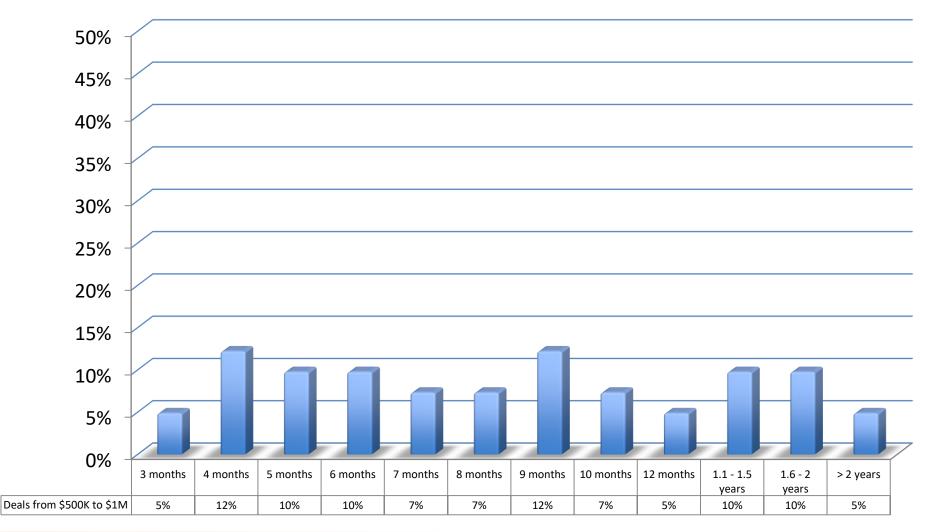




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# **Engagement/Listing to Close**



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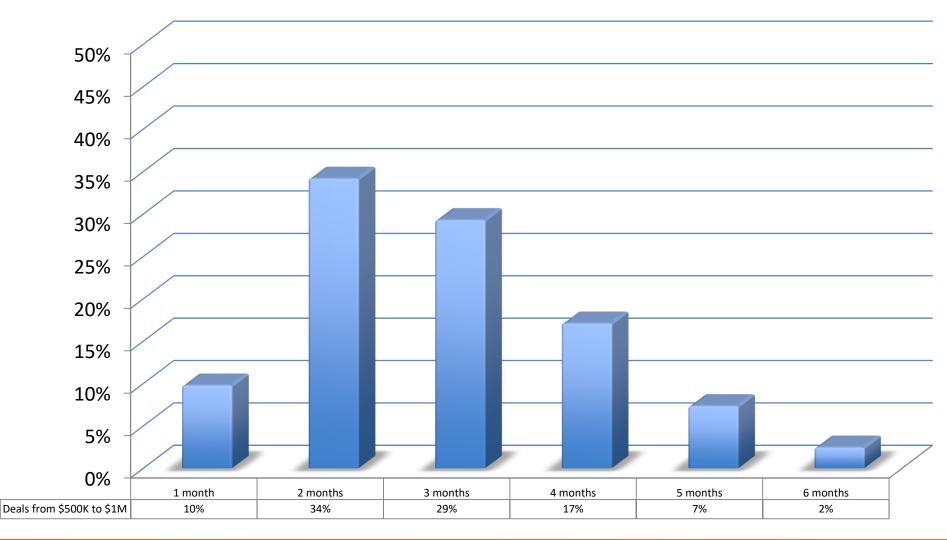
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# LOI/ Offer to Close



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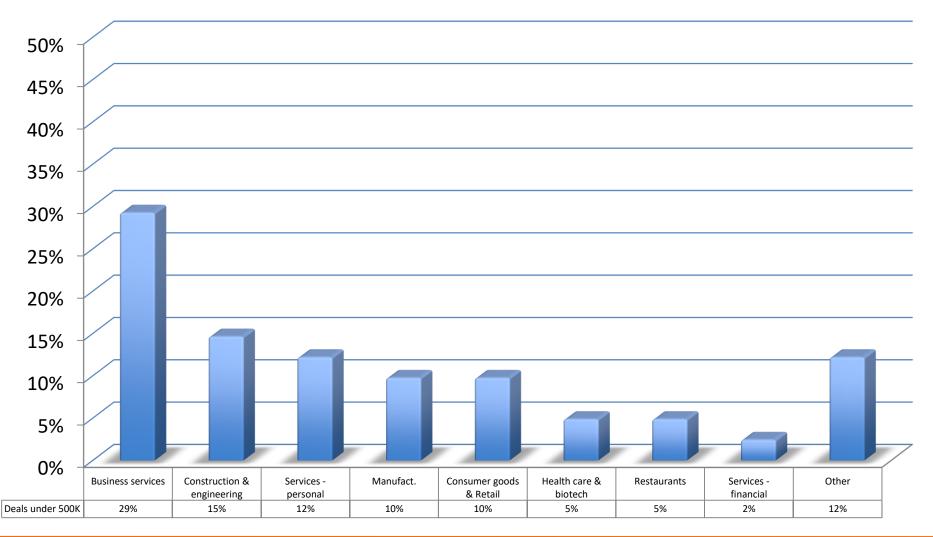
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# Industry



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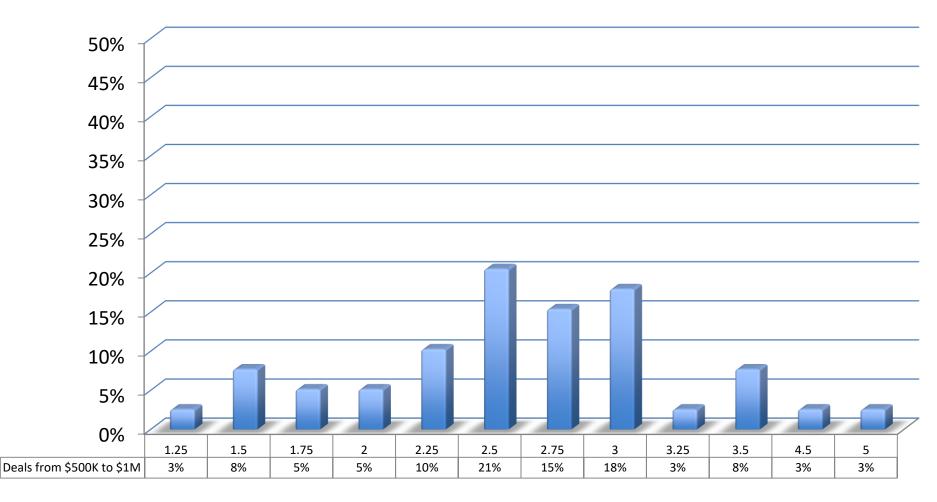
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# **SDE Multiple Paid**



#### Number of responses: 39



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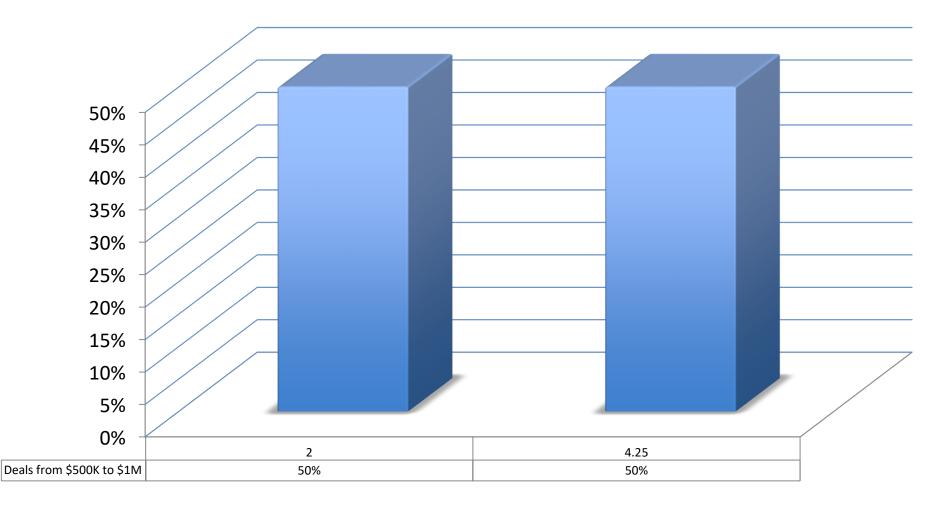
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# **EBITDA Multiple Paid**



#### Number of responses: 2

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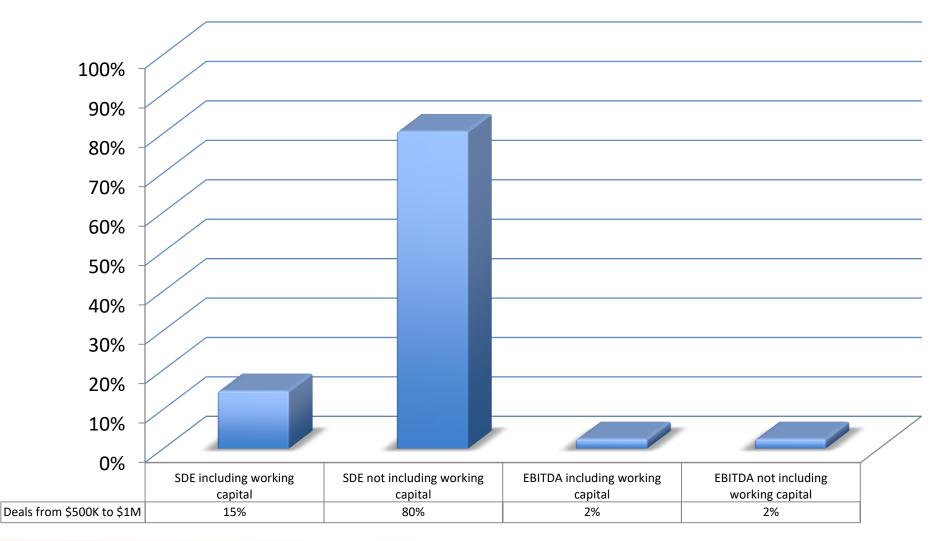
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# Multiple Type



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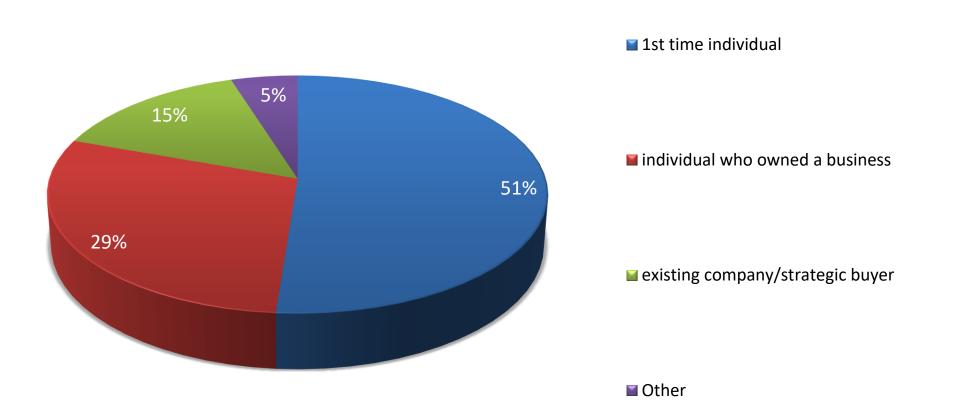
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# **Buyer Type**



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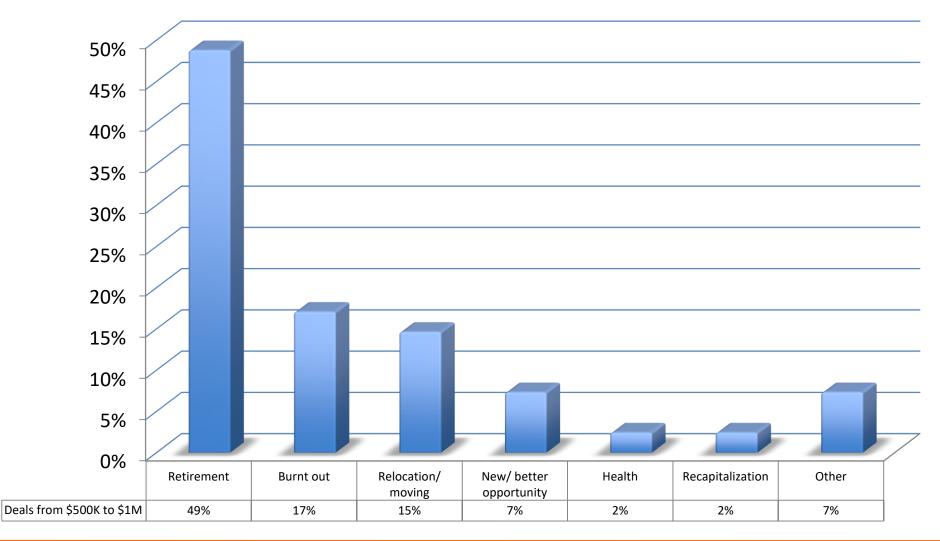




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## #1 Reason for Seller to Go to Market



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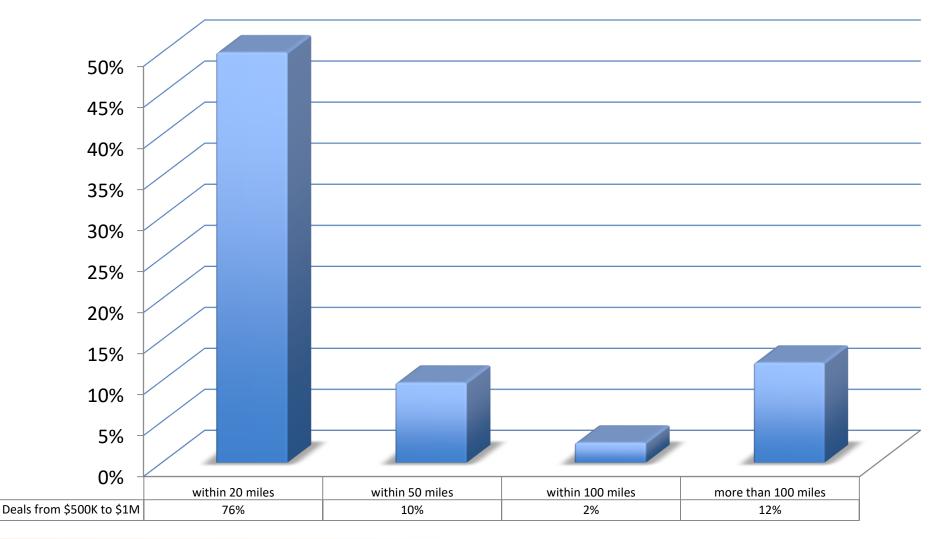
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## **Buyer Location**



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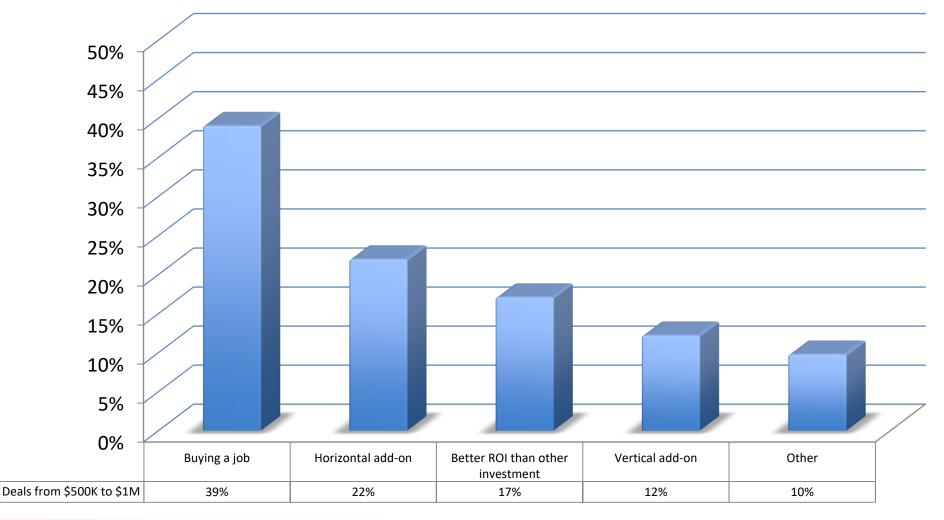
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# #1 Motivation for Buyer





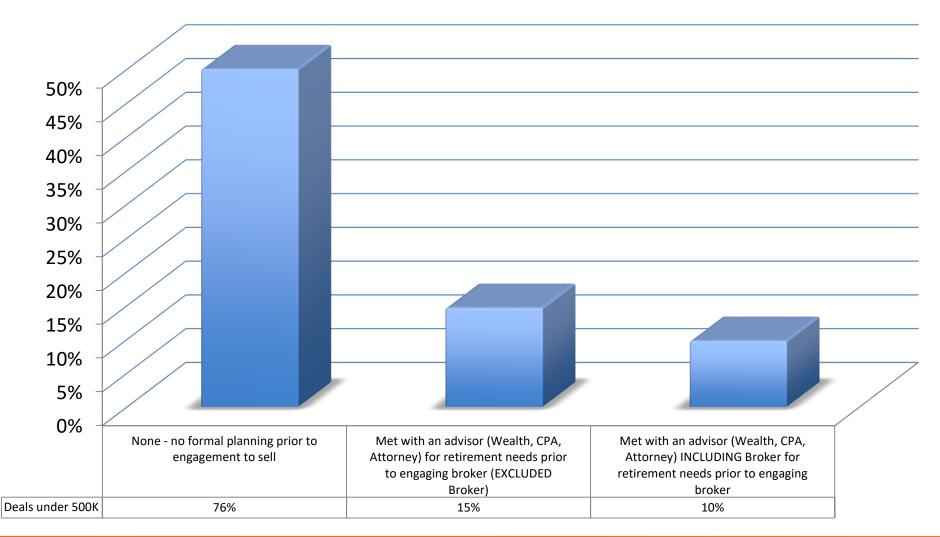
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# **Exit Planning**





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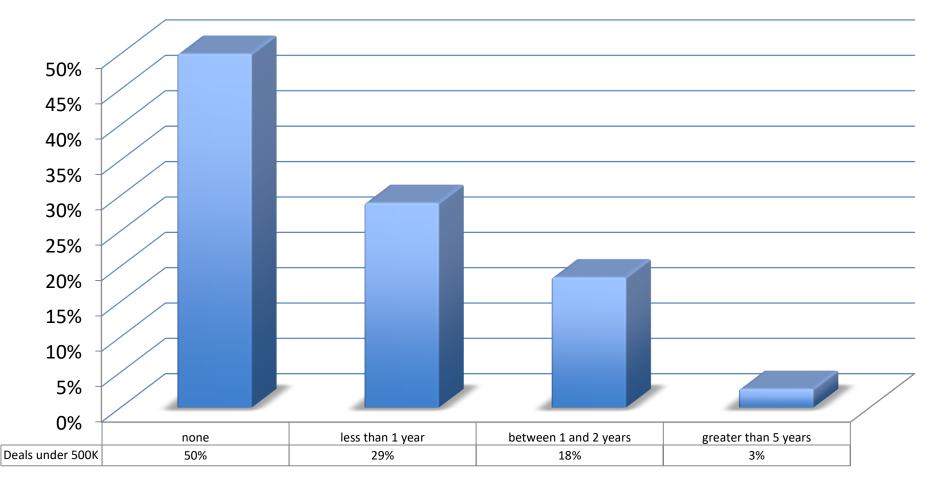
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# Amount Of Exit Planning Prior To Marketing Business



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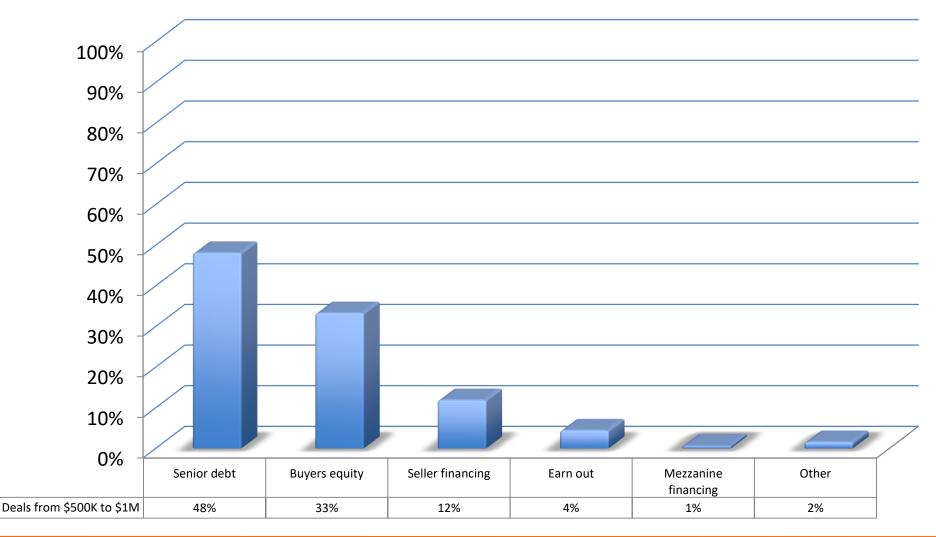
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# **Financing Structure**



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# Business Transactions Valued from \$1 Million to \$1.99 Million Number of Closed Transactions: 31

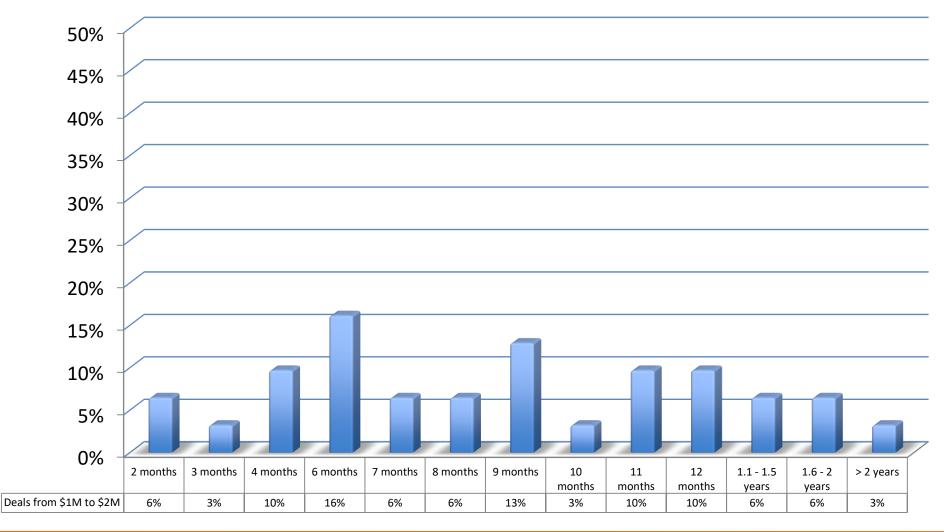
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# **Engagement/Listing to Close**



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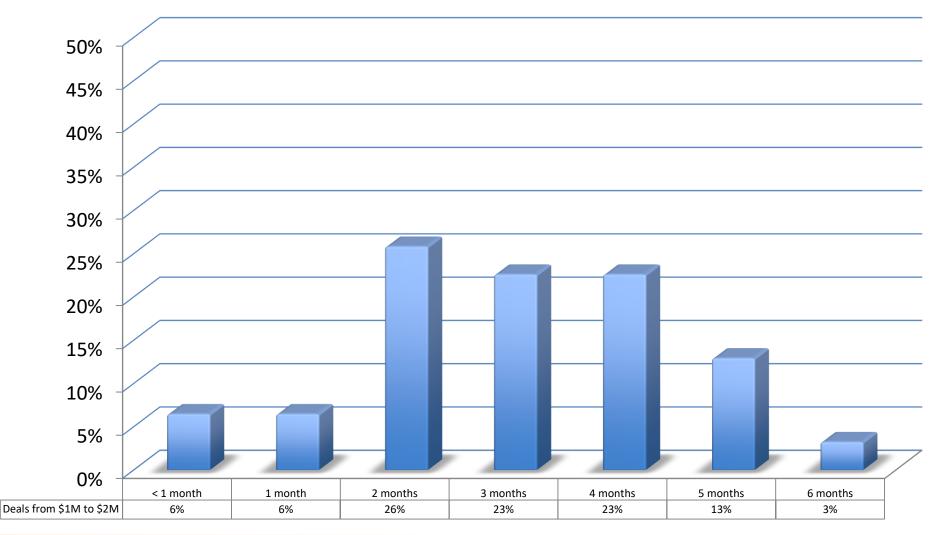
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# LOI/ Offer to Close





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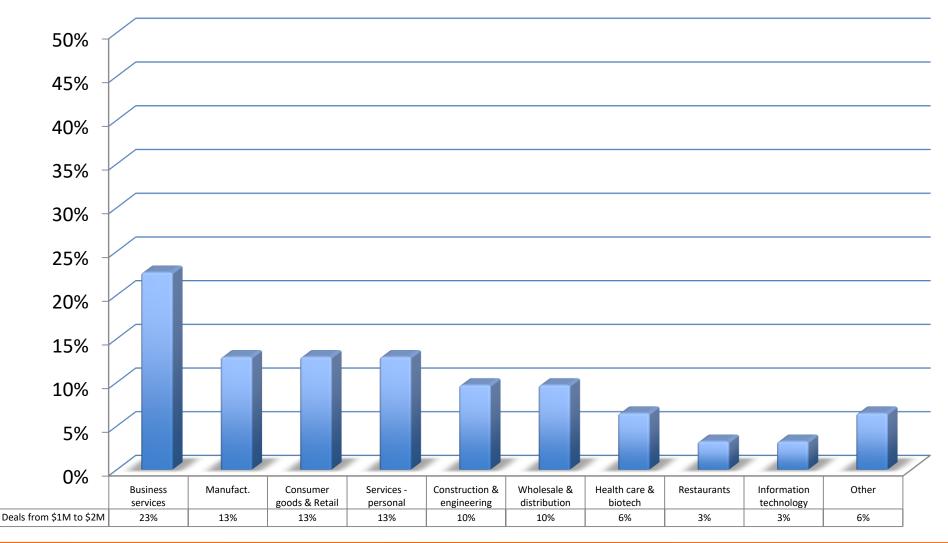
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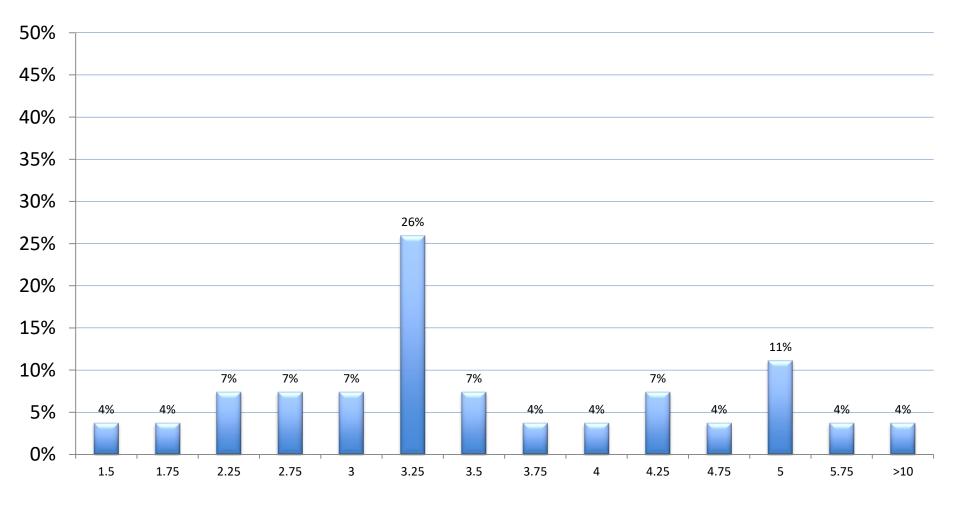
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## **SDE Multiple Paid**



#### Number of responses: 27

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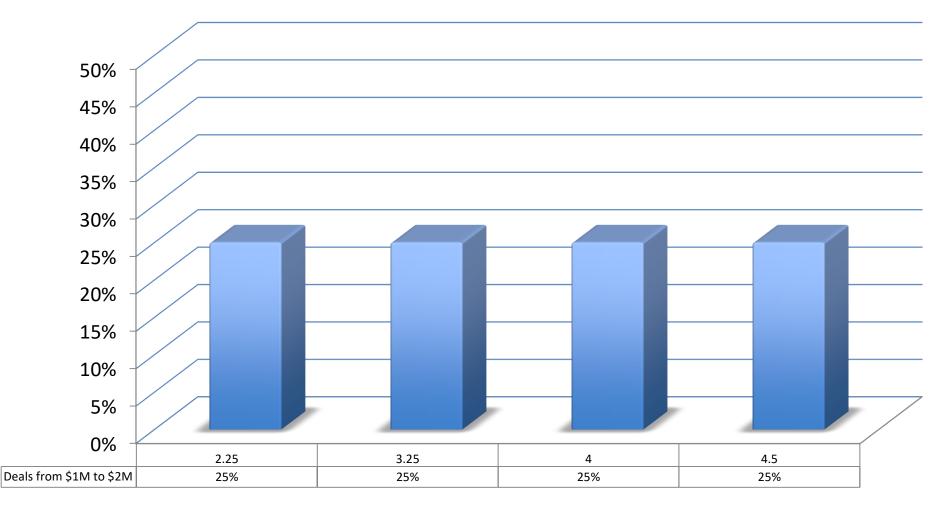


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# **EBITDA Multiple Paid**



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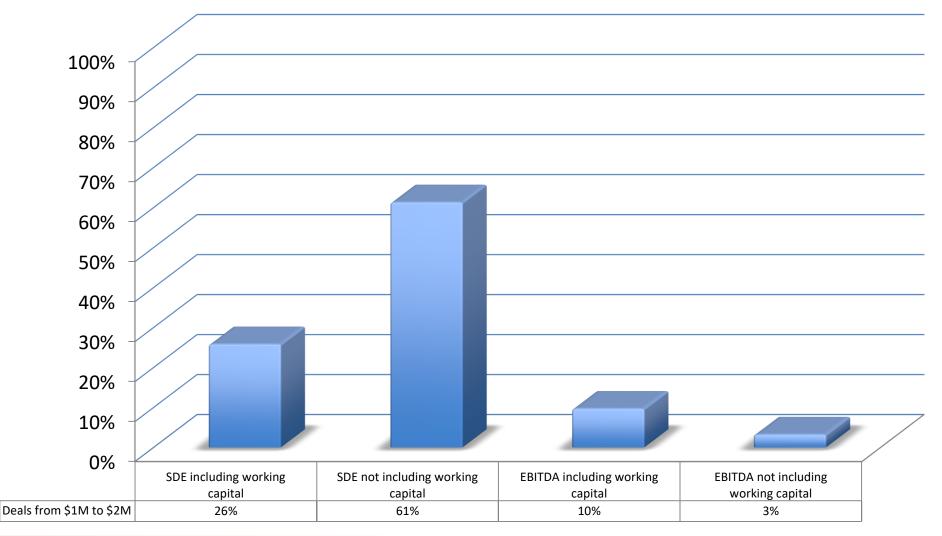
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# Multiple Type



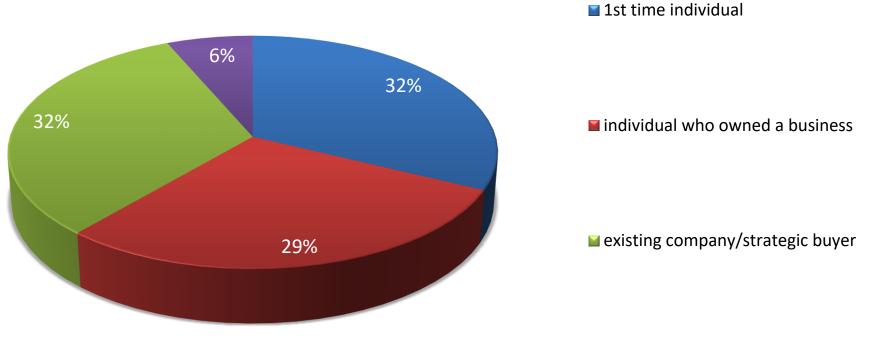
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# **Buyer Type**



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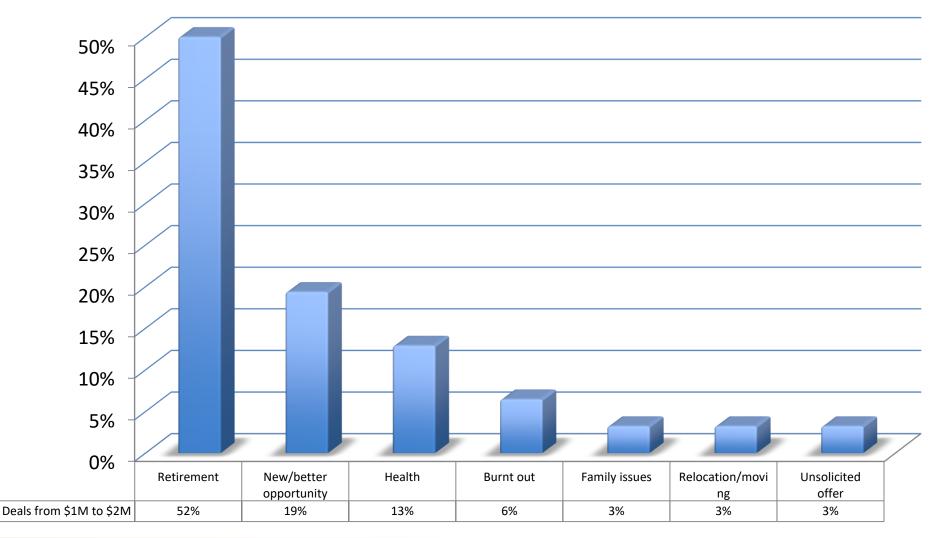




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## #1 Reason for Seller to Go to Market



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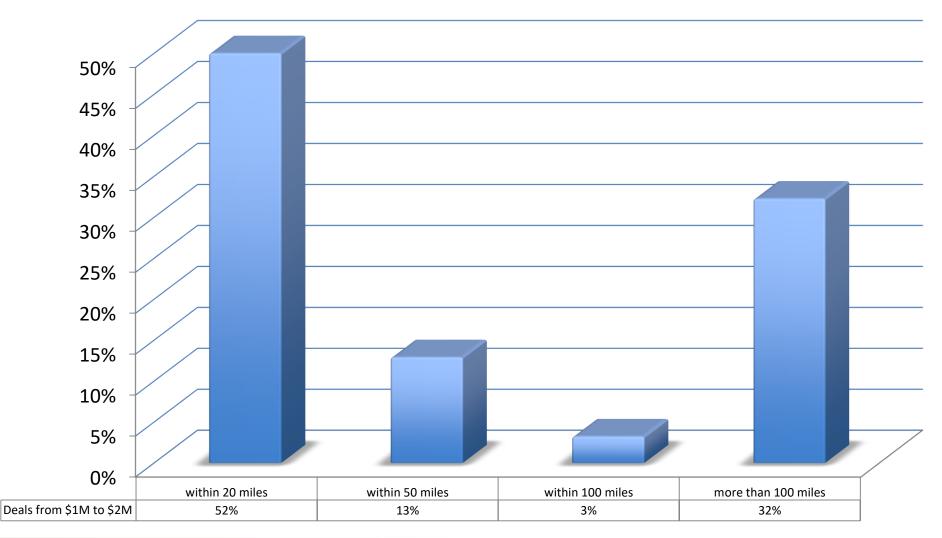
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## **Buyer Location**





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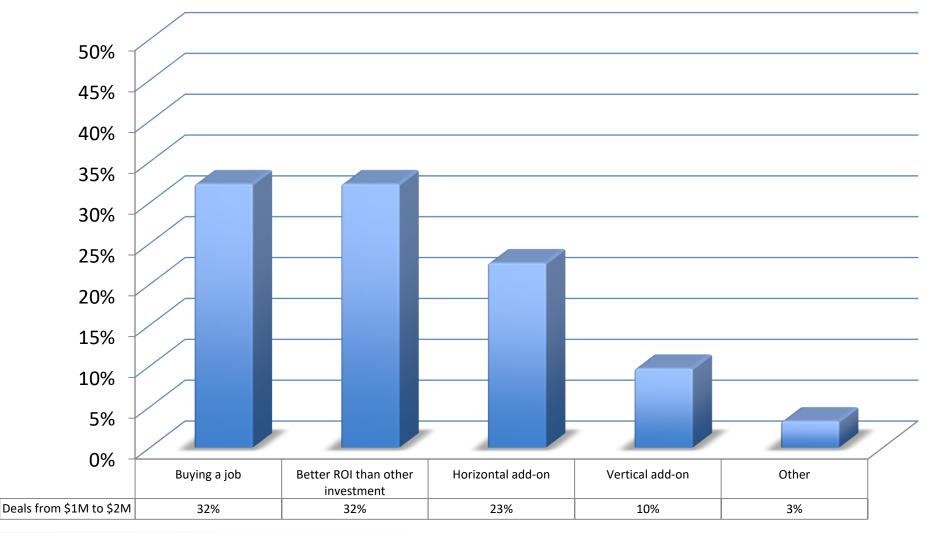
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# #1 Motivation for Buyer



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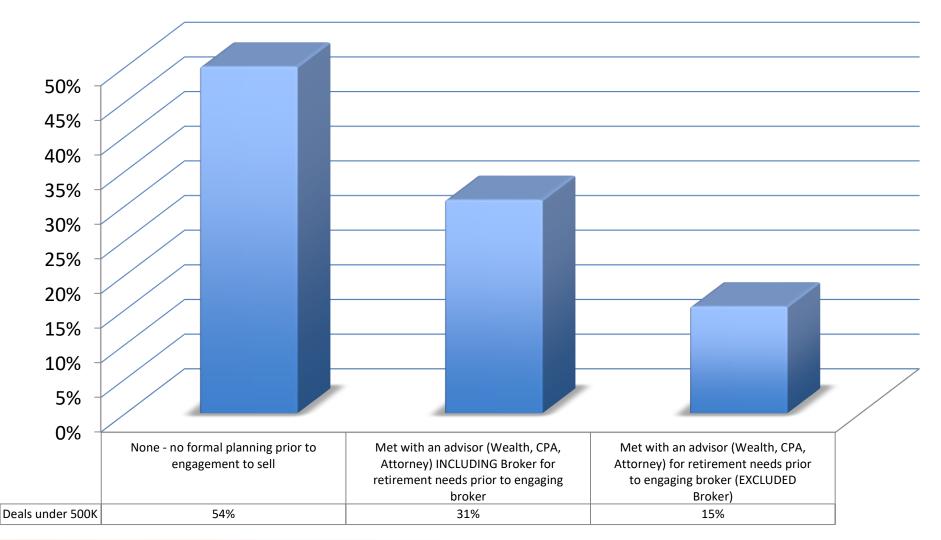
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# **Exit Planning**



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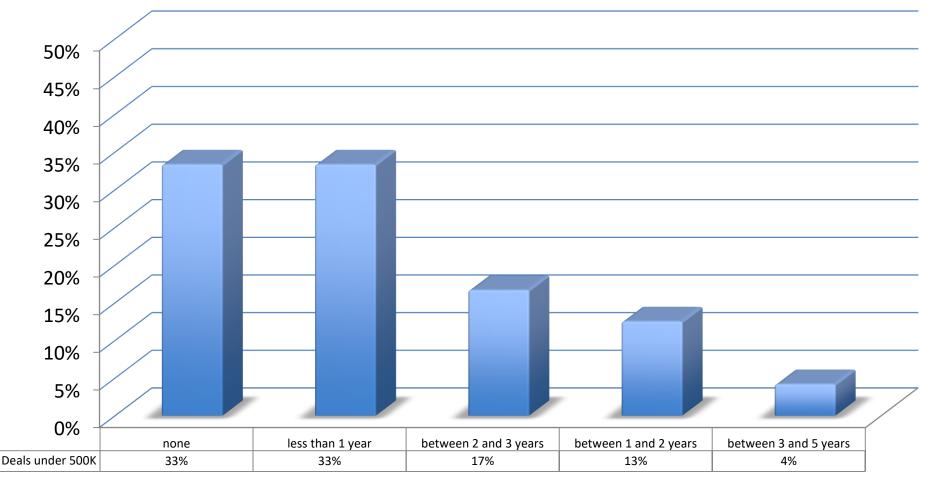
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# **Amount Of Exit Planning Prior To Marketing Business**





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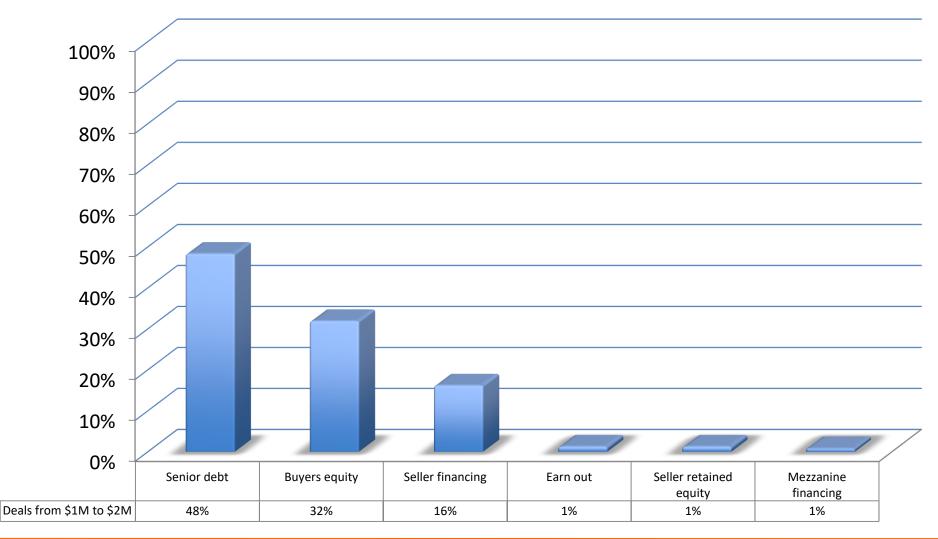
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# **Financing Structure**



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Business Transactions Valued from \$2 Million to \$4.99 Million Number of Closed Transactions: 30

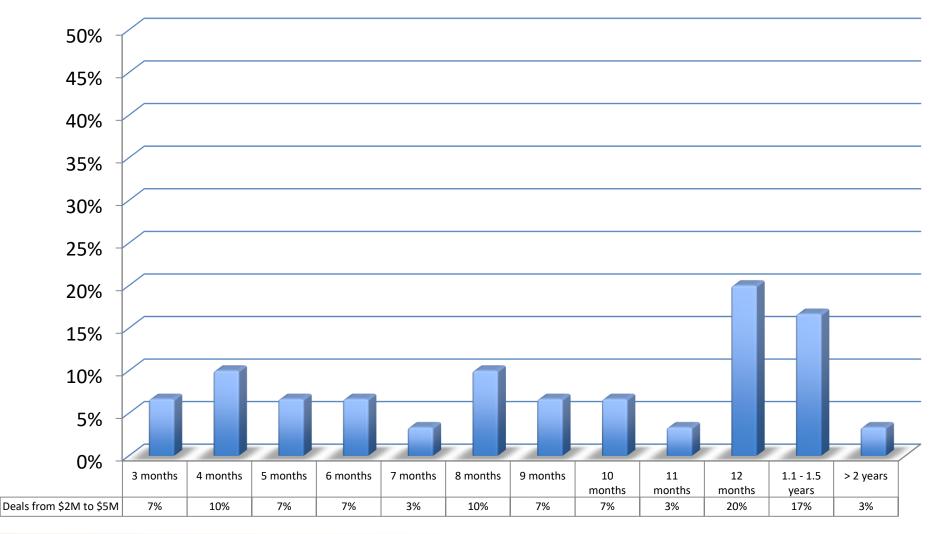








## **Engagement/Listing to Close**





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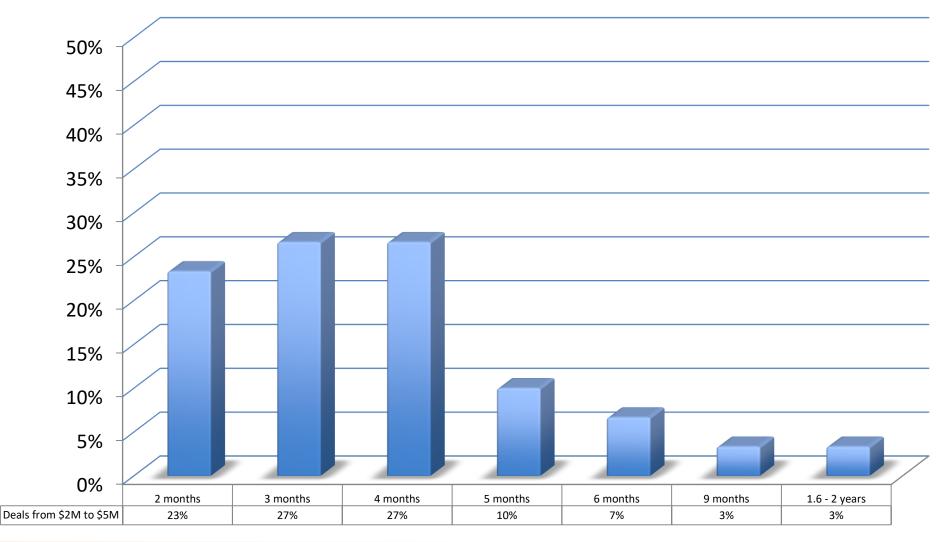
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## LOI/ Offer to Close



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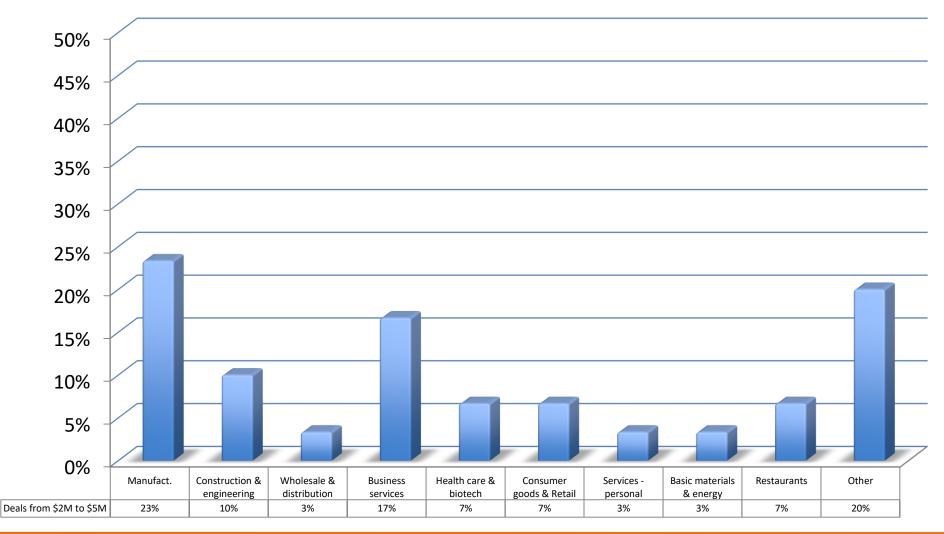
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#### Industry



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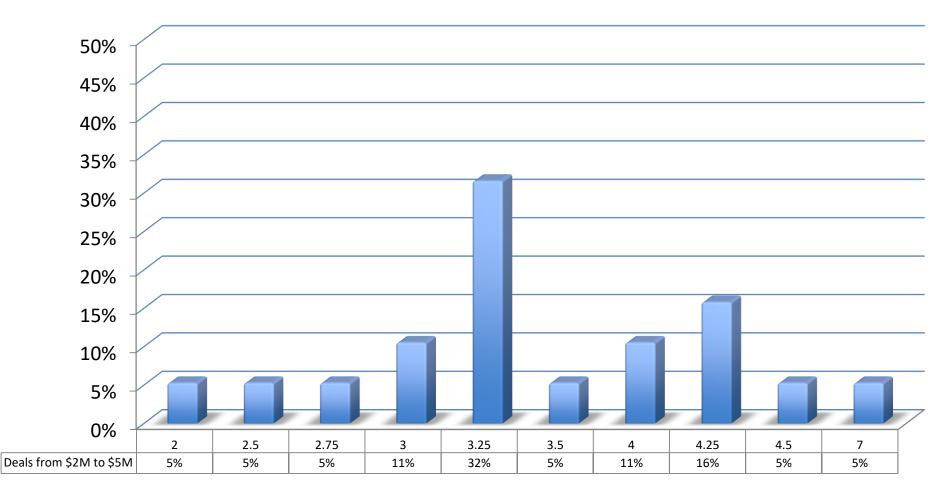
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#### **SDE Multiple Paid**



#### Number of responses: 19

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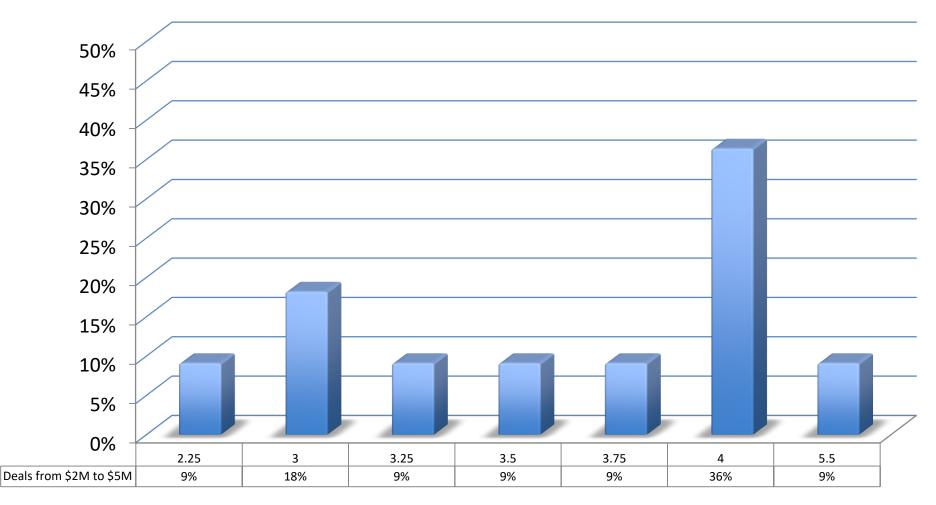
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#### **EBITDA Multiple Paid**



#### Number of responses: 11

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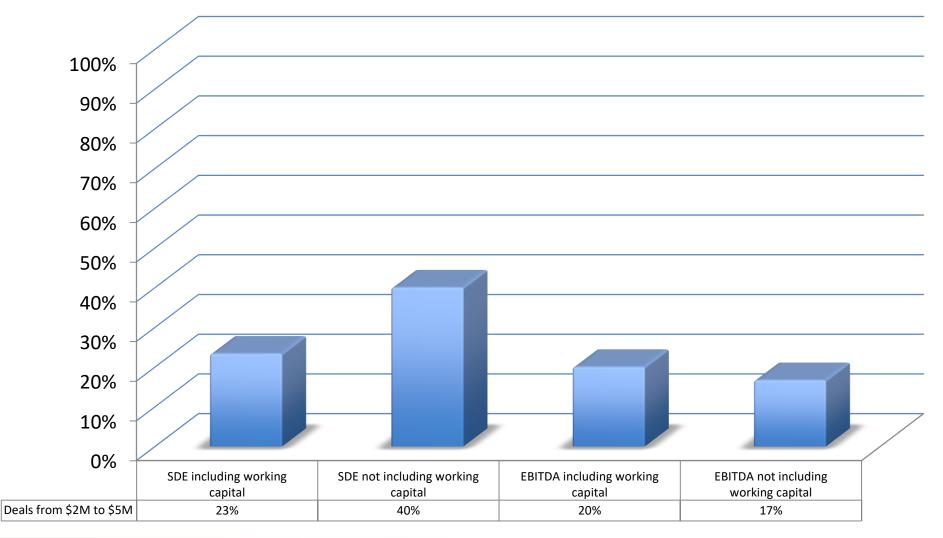
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### Multiple Type





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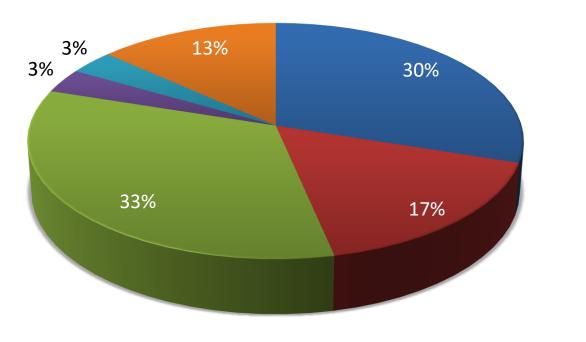
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## **Buyer Type**



#### 1st time individual

individual who owned a business

existing company/strategic buyer

PE firm - Platform

PE firm - Add-on

Other



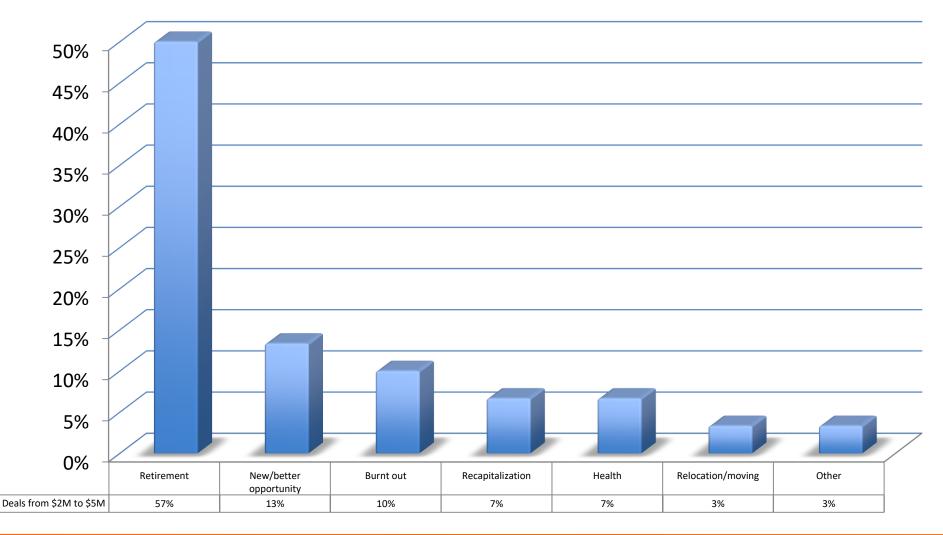


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#### #1 Reason for Seller to Go to Market



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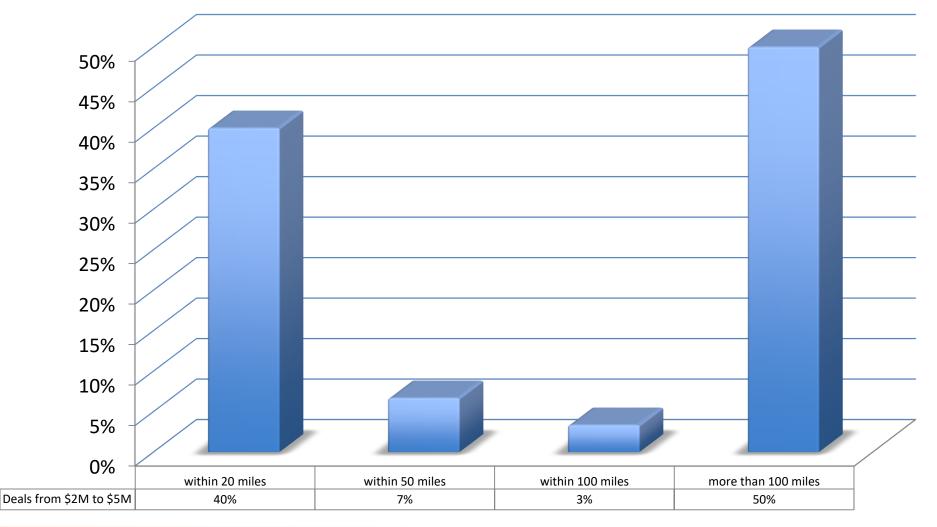
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#### **Buyer Location**



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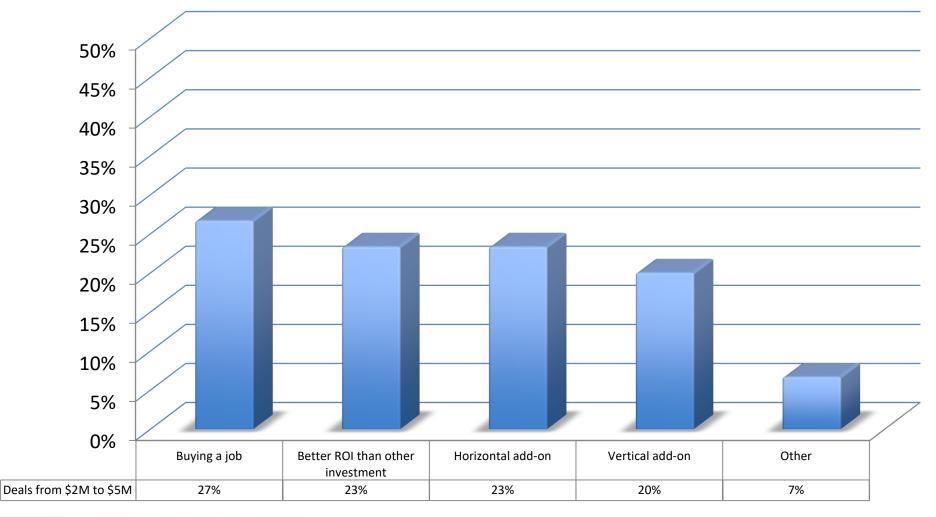
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#### #1 Motivation for Buyer



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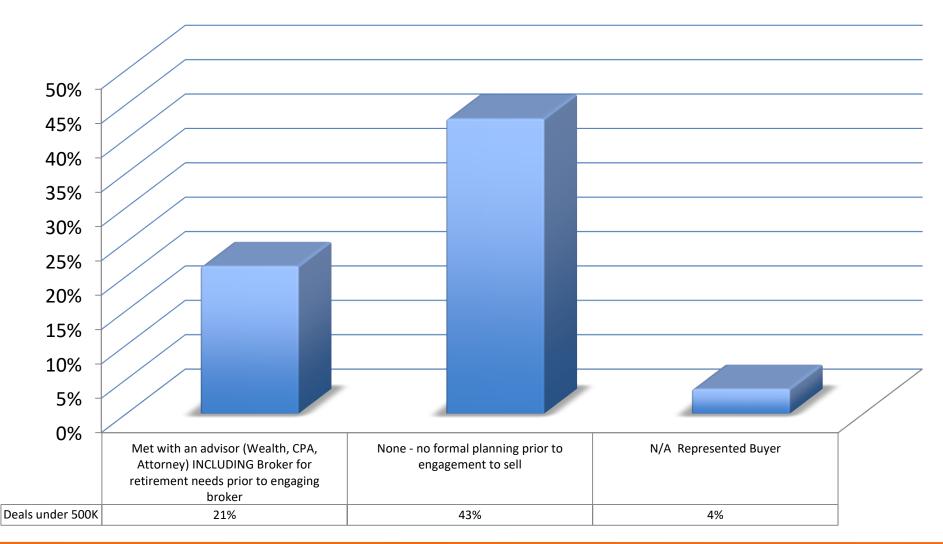
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## **Exit Planning**



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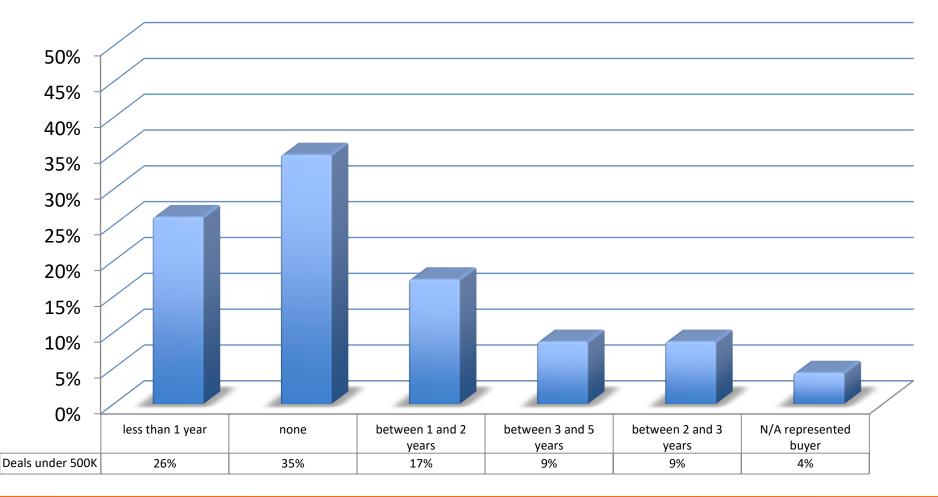
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# Amount Of Exit Planning Prior To Marketing Business



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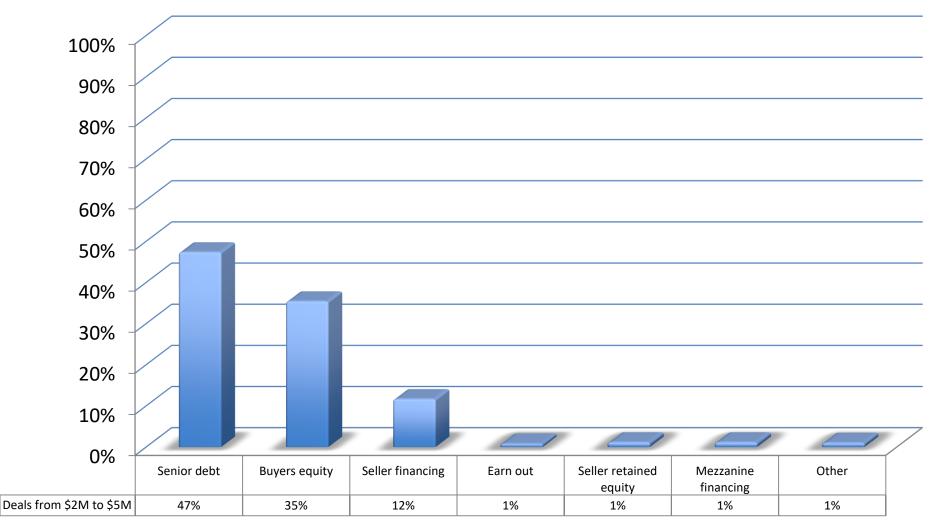
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#### **Financing Structure**





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# Business Transactions Valued Over \$5 Million Number of Closed Transactions: 16

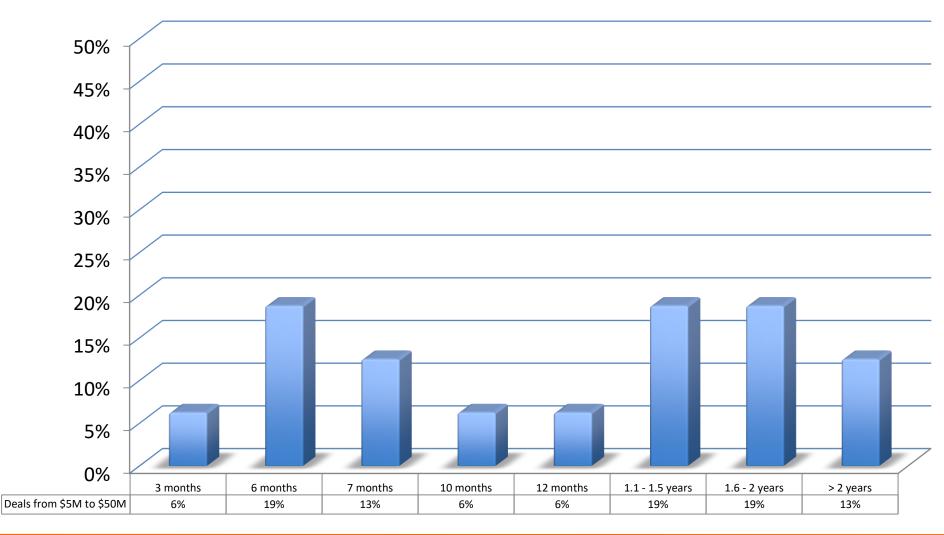
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## **Engagement/Listing to Close**



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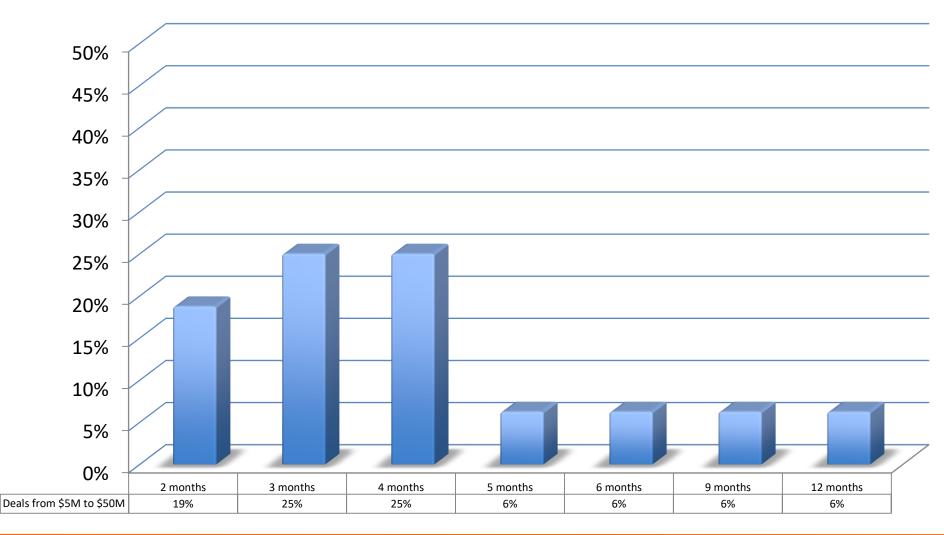
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## LOI/ Offer to Close



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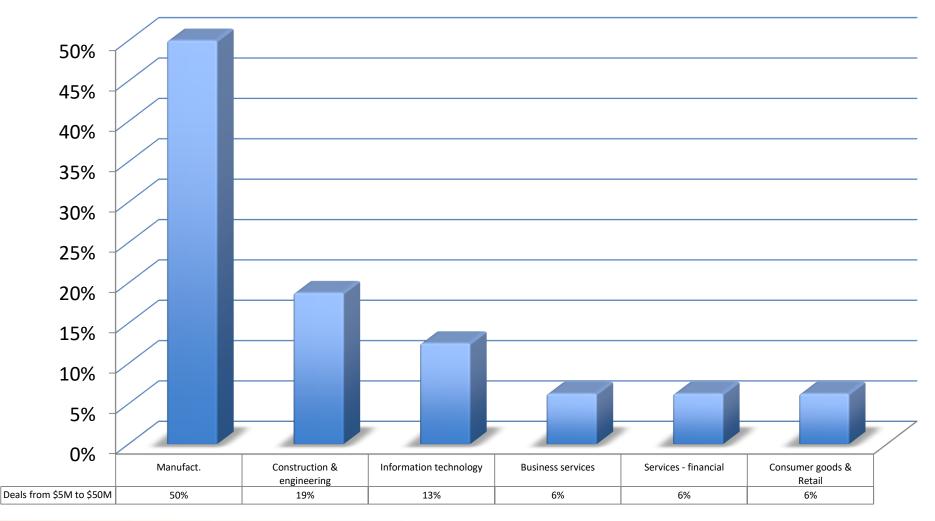
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## Industry





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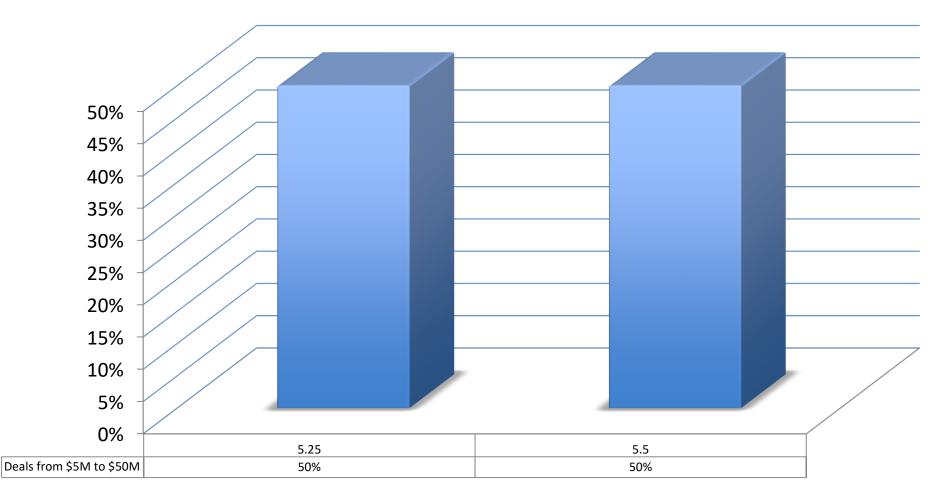
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#### SDE Multiple Paid



#### Number of responses: 2

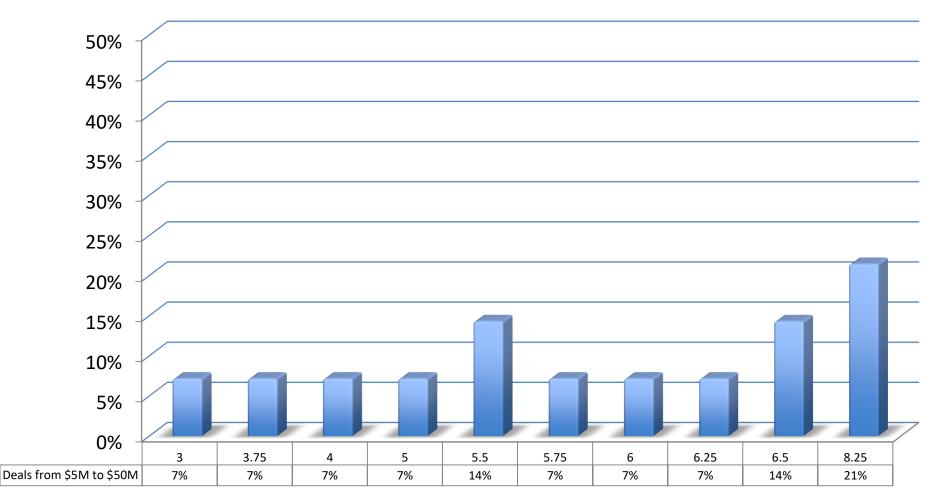
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#### **EBITDA Multiple Paid**



#### Number of responses: 14

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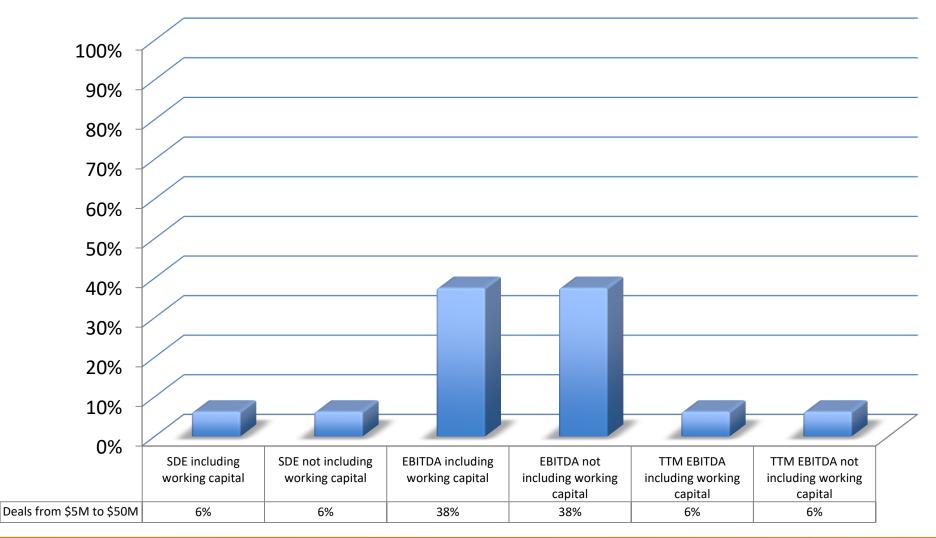
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#### Multiple Type



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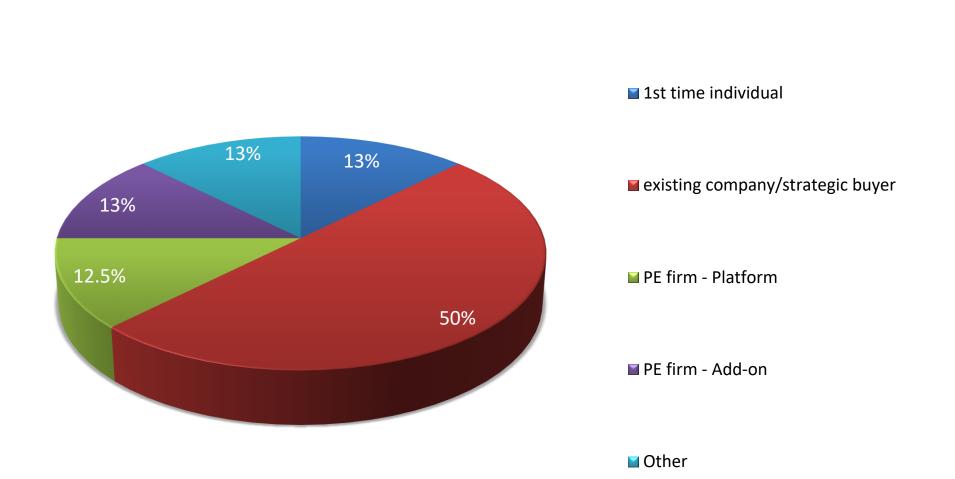
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## **Buyer Type**



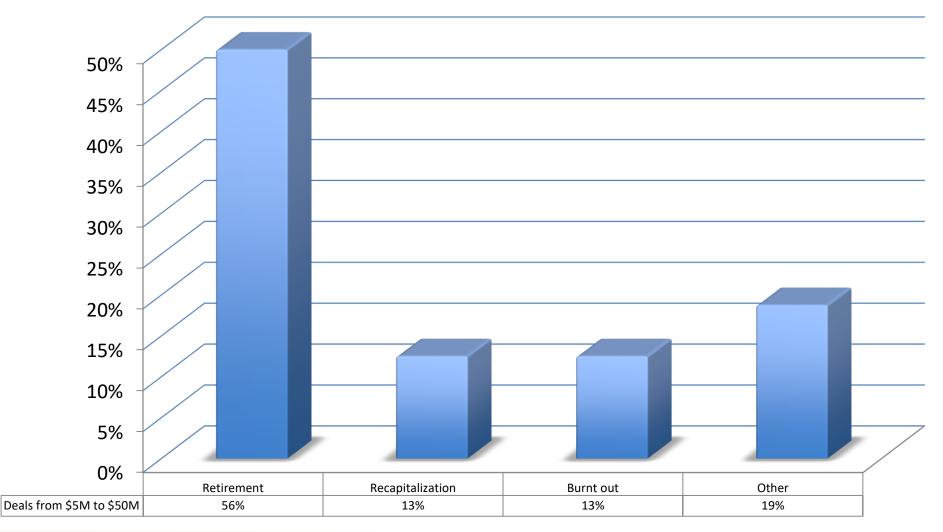
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#### #1 Reason for Seller to Go to Market





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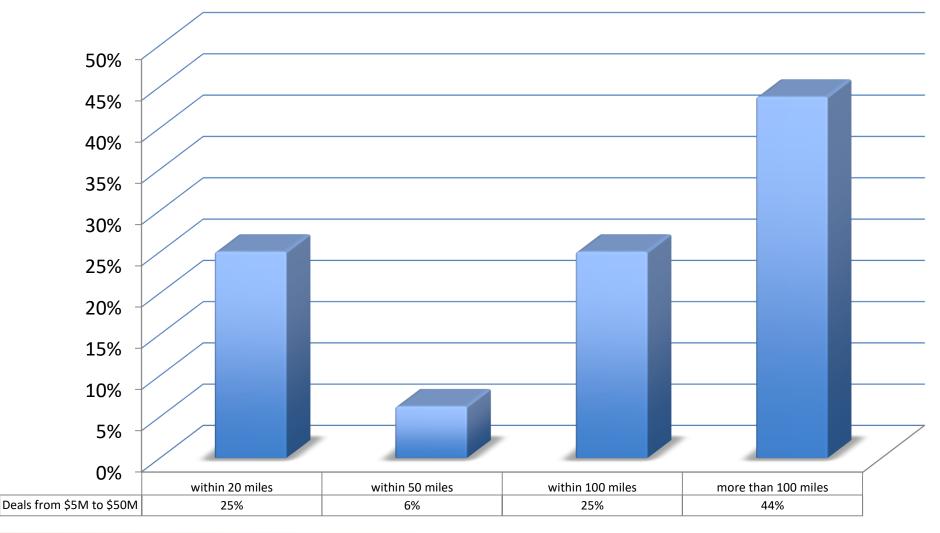
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#### **Buyer Location**





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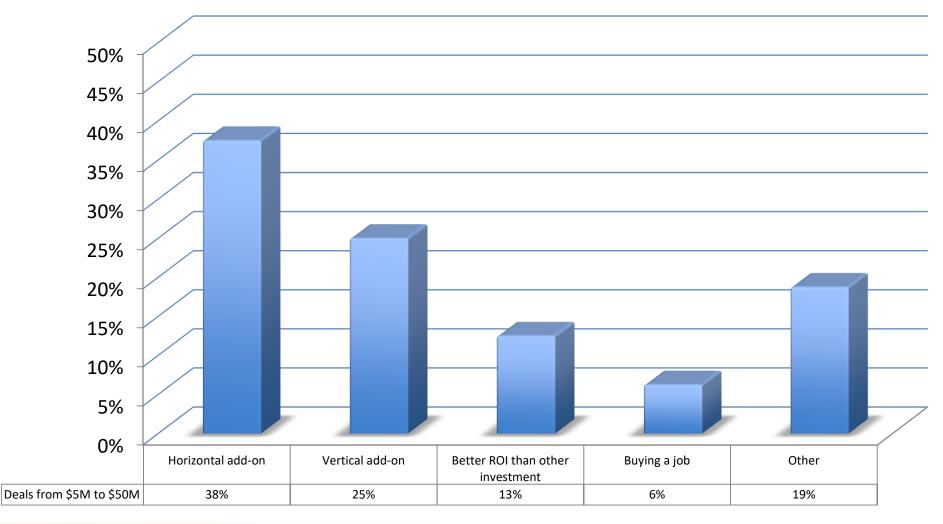
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#### **#1** Motivation for Buyer



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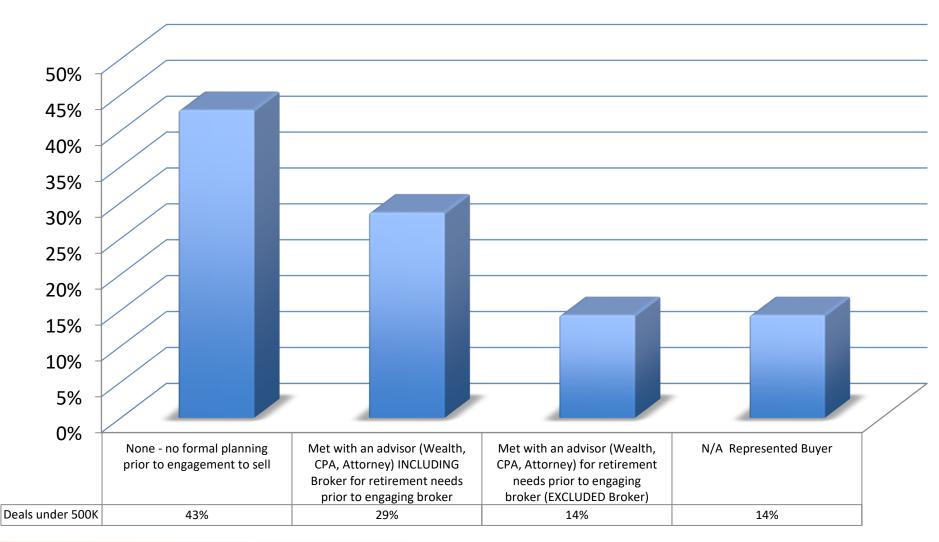
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## **Exit Planning**



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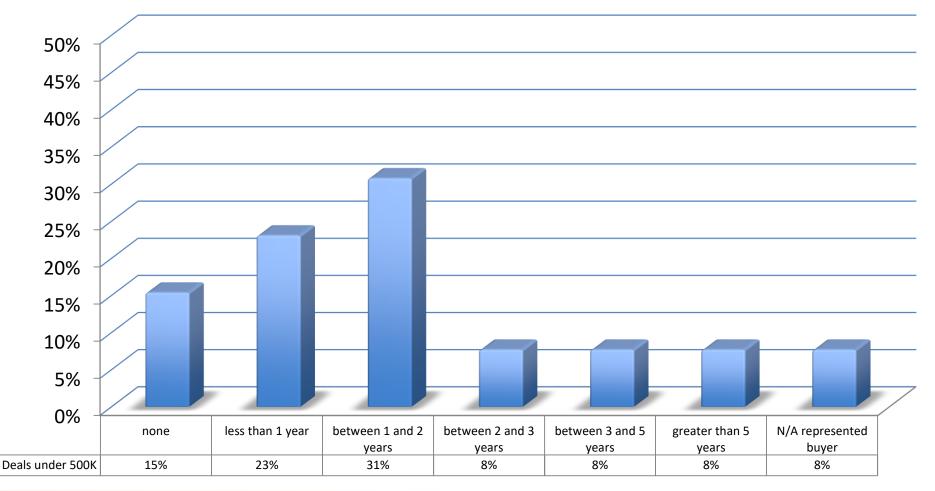
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# Amount Of Exit Planning Prior To Marketing Business



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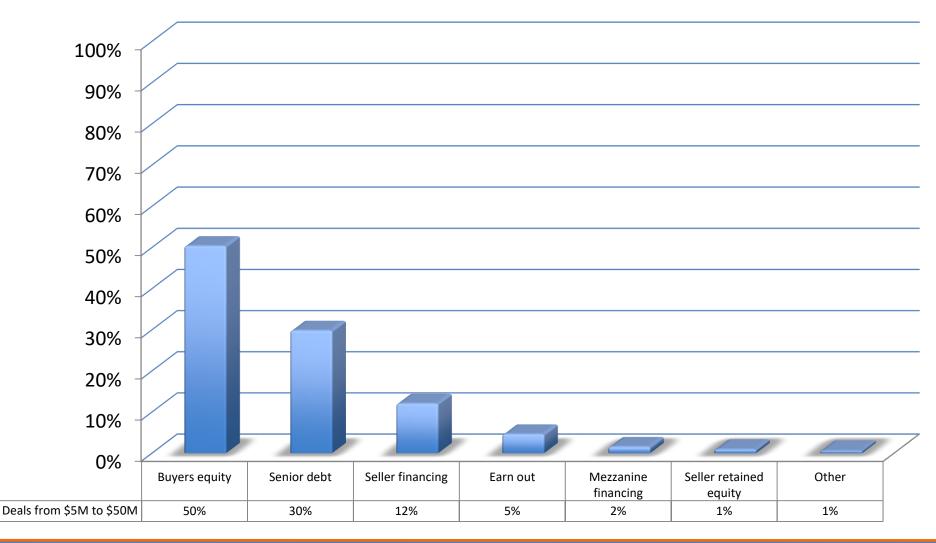
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#### **Financing Structure**



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# **IV. Expectations**









# Expectations of Business Listings / Engagements from New Clients in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	1.7%	8.0%	36.9%	50.0%	3.4%	3.5
Deals valued from \$500,000 to \$999,999	0.7%	3.5%	35.7%	57.3%	2.8%	3.6
Deals valued from \$1 million to \$1.99 million	0.7%	3.6%	30.7%	61.3%	3.6%	3.6
Deals valued from \$2 million to \$4.99 million	2.4%	2.4%	44.0%	48.0%	3.2%	3.5
Deals over \$5 million	3.7%	6.1%	50.0%	37.8%	2.4%	3.3

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# Expectations for Business Valuation Multiples in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under \$499,999	1.1%	7.9%	77.0%	12.4%	1.7%	3.1
Deals valued from \$500,000 to \$999,999	0.0%	6.8%	79.5%	13.0%	0.7%	3.1
Deals valued from \$1 million to \$1.99 million	0.0%	4.3%	72.3%	22.0%	1.4%	3.2
Deals valued from \$2 million to \$4.99 million	1.6%	7.0%	65.6%	24.2%	1.6%	3.2
Deals over \$5 million	2.3%	10.5%	64.0%	20.9%	2.3%	3.1

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# V. About the Respondents







#### **Details About the Respondents** Typical Size of Business Transactions



Total number of responses = 582

\* Number is more than number of respondents as many respondents overlap into 2 or 3 areas

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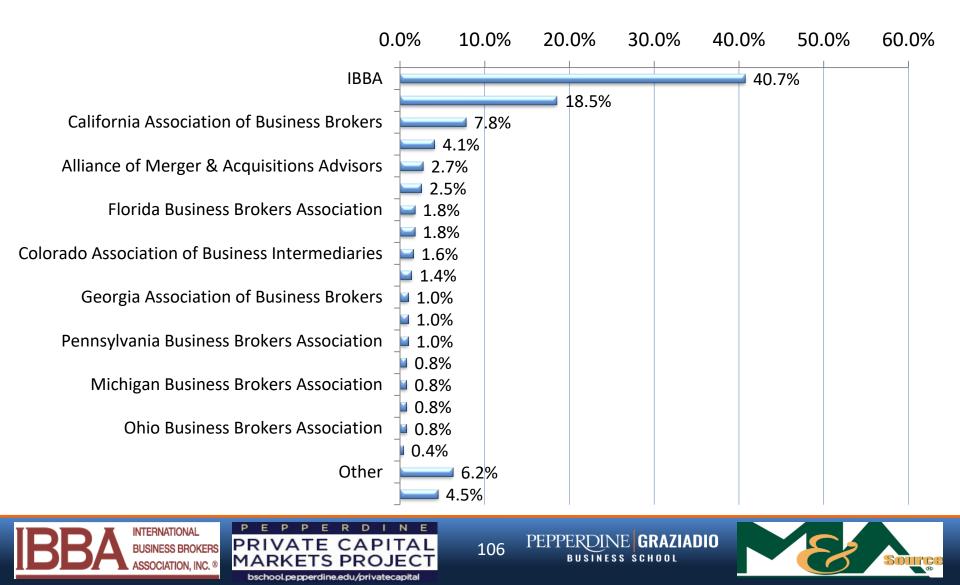
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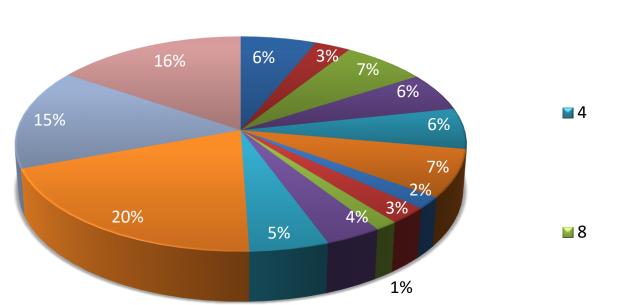


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#### Details About the Respondents Memberships/ Multiple Memberships



#### Details About the Respondents Working Experience



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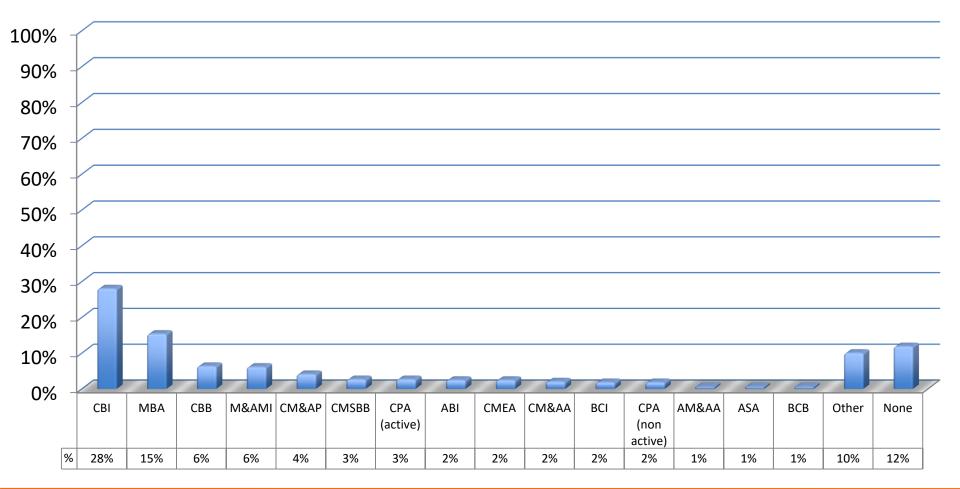
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## Details About the Respondents Professional Credentials



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# **THANK YOU!**

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Lisa Riley, Ph.D., CBI, IBBA Market Pulse Chair Lisa@LINKBusiness.com

Craig Everett, Ph.D. Director, Pepperdine Private Capital Markets Project <u>http://bschool.pepperdine.edu/privatecapital</u> <u>craig.everett@pepperdine.edu</u>





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