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2014 Q2 Market Pulse Report

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MARKET PULSE

QUARTERLY SURVEY REPORT

SECOND QUARTER 2014

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MARKET PULSE SURVEY REPORT SECOND QUARTER 2014

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PEPPERDINE PRIVATE CAPITAL MARKETS PROJECT

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KEY FINDINGS

Investors' views on the market have improved significantly over the last few months, with a focus on the recovery of the economy and the potential for higher returns.

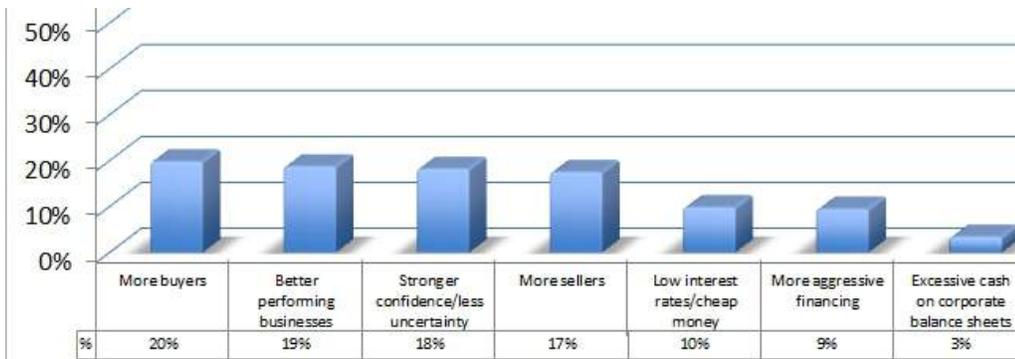
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There is a growing interest in alternative investments, particularly private equity and real estate, as investors seek to diversify their portfolios and reduce risk.

B

OMs' views

Investors' views on the market have improved significantly over the last few months, with a focus on the recovery of the economy and the potential for higher returns.



Research shows that investors are increasingly looking for opportunities in emerging markets and sectors with high growth potential.

Figure 3: Mean Index of New Clients by Deal Size

	Q2 2014	Q1 2014
D&S3T	66	65
S&S3T0&4WW	68	51
4WW0&5WW	69	58
5WW0&8WW	68	51
8WW0&83WW	66	59

Key findings from the survey indicate that investors are becoming more active in the market, particularly in the areas of private equity and real estate.

BUYER VS. SELLER MARKET

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88WW0883WW	64'	9A'

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TOP 3 SELLER MISTAKES

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The greater the emotional attachment, the more likely sellers are to hang on too long when the business would truly be better served by someone with more energy, new ideas, or additional resources.

- Dora Lanza

VALUATION MULTIPLES

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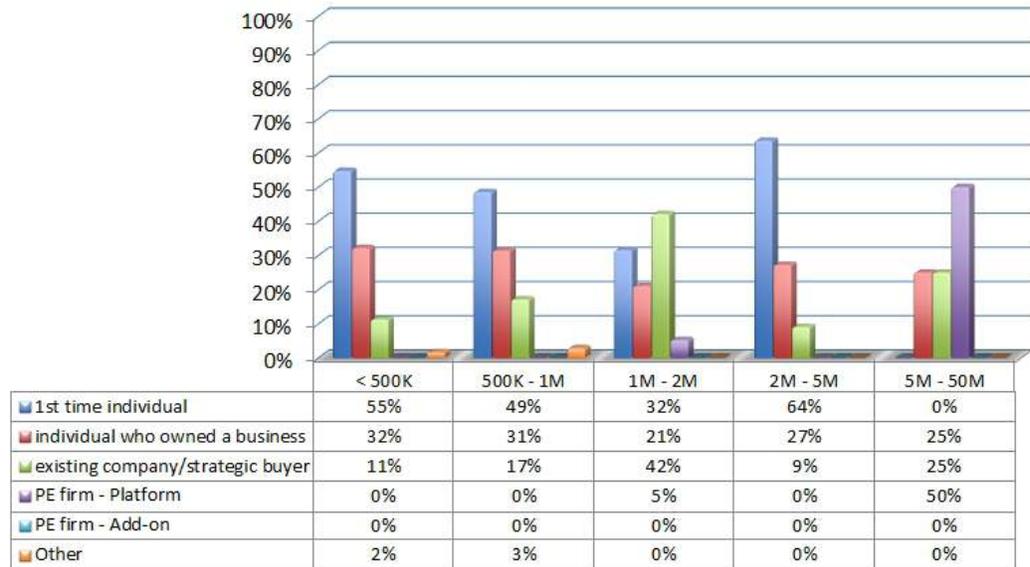
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BUYER TYPES

Overall, 55% of deals were bought by first-time individuals, down from 64% in 2013. The percentage of deals bought by individuals who owned a business rose from 27% to 32%. Existing company/strategic buyers bought 11% of deals, up from 9% in 2013. PE firms bought 5% of deals, up from 0% in 2013. PE firms bought 0% of deals, up from 0% in 2013. Other buyers bought 2% of deals, up from 0% in 2013.

i 8Se



HOT INDUSTRIES

Overall, 10% of deals were bought by first-time individuals, down from 15% in 2013. The percentage of deals bought by individuals who owned a business rose from 10% to 15%. Existing company/strategic buyers bought 10% of deals, up from 10% in 2013. PE firms bought 10% of deals, up from 10% in 2013. PE firms bought 10% of deals, up from 10% in 2013. Other buyers bought 10% of deals, up from 10% in 2013.

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D8833T	6	7
8833T084WW	8	8
84WW085WW	9	9
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Sellers don't
 have to hold
 as much
 paper in the
 deal post-close.

- Steve Wain

DEAL STRUCTURE

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D8833T	46'	0	4'	47'	8'	4'
8833T084WW	4@	6'	5'	48'	<'	4'
84WW085WW	A'	4'	0	5<'	5'	0
85WW088WW	43'	4'	6'	44'	5'	0
88WW.	0	5<'	8'	44'	43'	6'

SECOND TIME TO MARKET AND UNSOLICITED OFFERS

Unfortunately, many business owners don't understand the negative repercussions that can occur when you try to sell your business on your own

0 Craig R. Everett

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Like many industries, you get what you pay for.

- Scott Bushkie

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