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2022 Private Capital Markets Report

Craig R. Everett

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2022 PRIVATE CAPITAL MARKETS REPORT



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2022 Private Capital Markets Report

Craig R. Everett, PhD

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April 20, 2022

Dear friends and colleagues;

It has indeed been an interesting year in the private capital markets. As the economy emerges from the effects of pandemic restrictions, new concerns now weigh on providers of capital and the businesses that are seeking that funding. At the top of that list of concerns are inflation, labor availability and economic uncertainty.

I am pleased to report some of the major findings this year. Cost of equity is higher this year across nearly all categories. For example, cost of equity for a company with \$25MM EBITDA fell last year from 25% to 23.5%. One likely explanation is the increased competition among investment funds for deals.

In the venture capital world, revenue multiples for growth stage companies have literally doubled, increasing from 5x to 10x in the past year

This year's report is available in digital (pdf) format on our <http://privatecap.org/reports/> website. We would like to thank Confluence Capital Group for their continued financial support as a sponsor.

If you were forwarded a pdf copy of this report and find it useful, please consider visiting <http://privatecap.org/reports/> and buying your own copy to help fund our research.

As always, thank you so much for your continued support.

With sincere appreciation,

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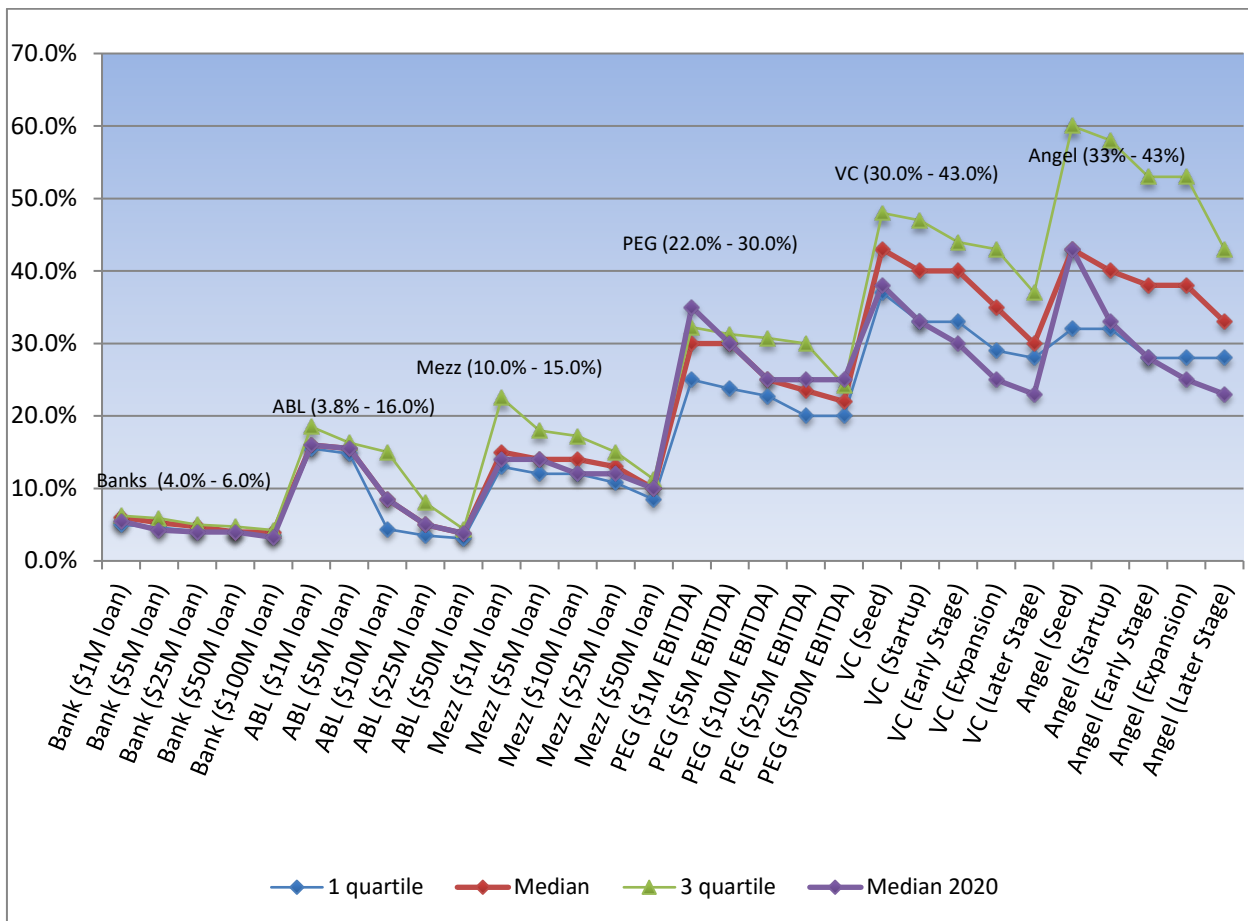
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PEPPERDINE PRIVATE CAPITAL MARKETS SURVEY

The Pepperdine private cost of capital (PCOC) survey was originally launched in 2007 and was the first comprehensive and simultaneous investigation of the major private capital market segments. This year's survey was deployed in January 2022 and specifically examined the behavior of senior lenders, asset-based lenders, mezzanine funds, private equity groups, venture capital firms, angel investors, privately-held businesses, investment bankers, business brokers, limited partners, and business appraisers. The Pepperdine PCOC survey investigates, for each private capital market segment, the important benchmarks that must be met in order to qualify for each particular capital type, how much capital is typically accessible, what the required returns are for extending capital in today's economic environment, and outlooks on demand for various capital types, interest rates, and the economy in general.

Our findings indicate that the cost of capital for privately-held businesses varies significantly by capital type, size, and risk assumed. This relationship is depicted in the Pepperdine Private Capital Market Line, which appears below.

Figure 1. Private Capital Market Required Rates of Return



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The cost of capital data presented below identifies medians, 25th percentiles (1st quartile), and 75th percentiles (3rd quartile) of annualized gross financing costs for each major capital type and its segments. The data reveal that loans have the lowest average rates while capital obtained from angels has the highest average rates. As the size of loan or investment increases, the cost of borrowing or financing from any of the following sources decreases. *Note: in this report, cells with only a “-” indicate categories where there were not enough survey observations.*

Table 1. Private Capital Market Required Rates of Return

	1 st quartile	Median	3 rd quartile
Bank (\$1M loan)	5.0%	6.0%	6.3%
Bank (\$5M loan)	4.6%	5.3%	5.9%
Bank (\$10M loan)	4.1%	4.8%	5.0%
Bank (\$25M loan)	3.9%	4.0%	4.8%
Bank (\$50M loan)	3.5%	4.0%	4.3%
ABL (\$1M loan)	15.5%	16.0%	18.5%
ABL (\$5M loan)	14.8%	15.5%	16.3%
ABL (\$10M loan)	4.4%	8.5%	15.0%
ABL (\$25M loan)	3.5%	5.0%	8.0%
ABL (\$50M loan)	3.1%	3.8%	4.4%
Mezz (\$1M loan)	13.0%	15.0%	22.5%
Mezz (\$5M loan)	12.0%	14.0%	18.0%
Mezz (\$10M loan)	12.0%	14.0%	17.3%
Mezz (\$25M loan)	10.8%	13.0%	15.0%
Mezz (\$50M loan)	8.5%	10.0%	11.3%
PEG (\$1M EBITDA)	25.0%	30.0%	32.3%
PEG (\$5M EBITDA)	23.8%	30.0%	31.3%
PEG (\$10M EBITDA)	22.8%	25.0%	30.8%
PEG (\$25M EBITDA)	20.0%	23.5%	30.0%
PEG (\$50M EBITDA)	20.0%	22.0%	24.3%
VC (Seed)	37.0%	43.0%	48.0%
VC (Startup)	33.0%	40.0%	47.0%
VC (Early Stage)	33.0%	40.0%	44.0%
VC (Expansion)	29.0%	35.0%	43.0%
VC (Later Stage)	28.0%	30.0%	37.0%
Angel (Seed)	32.0%	43.0%	60.0%
Angel (Startup)	32.0%	40.0%	58.0%
Angel (Early Stage)	28.0%	38.0%	53.0%
Angel (Expansion)	28.0%	38.0%	53.0%
Angel (Later Stage)	28.0%	33.0%	43.0%

LIMITED PARTNER SURVEY INFORMATION

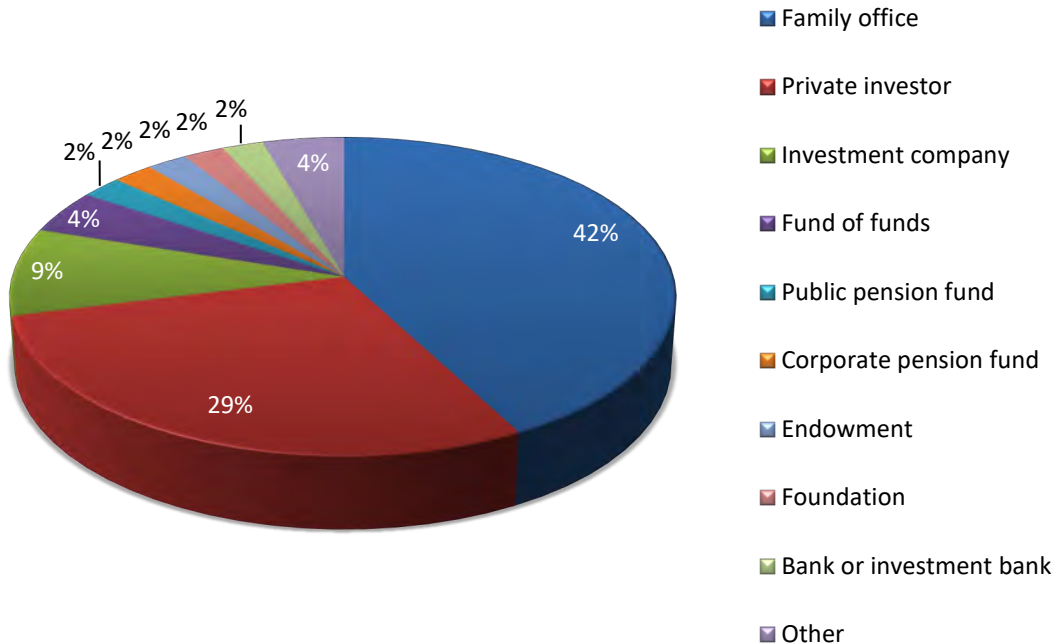
Approximately 30% of the 53 respondents in the limited partner survey reported direct investments as being the best risk/return trade-off investment class and another 20% reported real estate funds as being the best risk/return trade-off investment class. When asked about which industry currently offers the best risk/return trade-off, 21% of respondents reported information technology and another 21% reported healthcare & distribution.

- On average respondents target to allocate 25% of their assets to direct investments, 19% to real estate funds and 15% to venture capital. Respondents expect the highest returns of 18% from venture capital, 16% from direct investments, 11% from growth private equity and 10% from real estate fund.
- Respondents indicated increased allocation to venture capital, private equity, real estate funds and direct investments; and decreased allocation to mezzanine capital and hedge funds in the last twelve months. They also reported improved business conditions and slightly decreased expected returns on new investments.
- Respondents also expect further increases in allocation to private equity, real estate funds and direct investments, improving business conditions and flat expected returns.

Operational and Assessment Characteristics

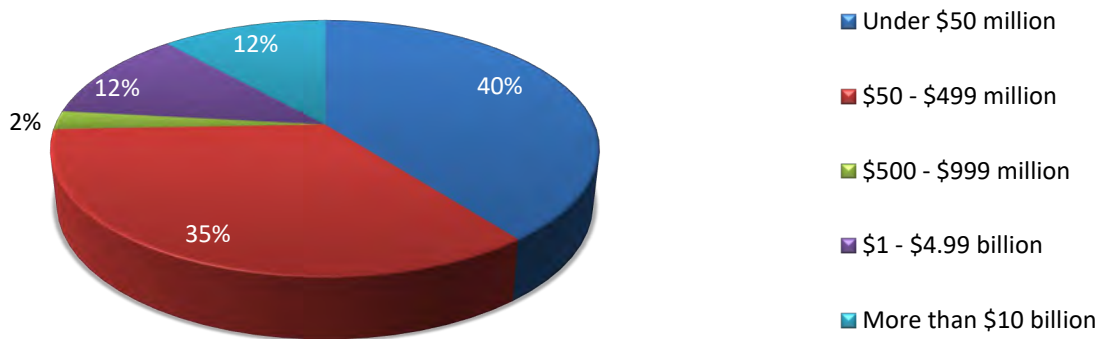
Approximately 42% of respondents indicated being family office followed by private investor (29%).

Figure 2. Entity Type



Approximately 40% of respondents reported their asset category being less than \$50 million, while another 35% were between \$50 million and \$500 million.

Figure 3. Assets under Management or Investable Funds



Respondents reported on their % of total asset allocations for "Alternative Assets".

Figure 4. Current Asset Allocation for "Alternative Assets" (% of total portfolio)

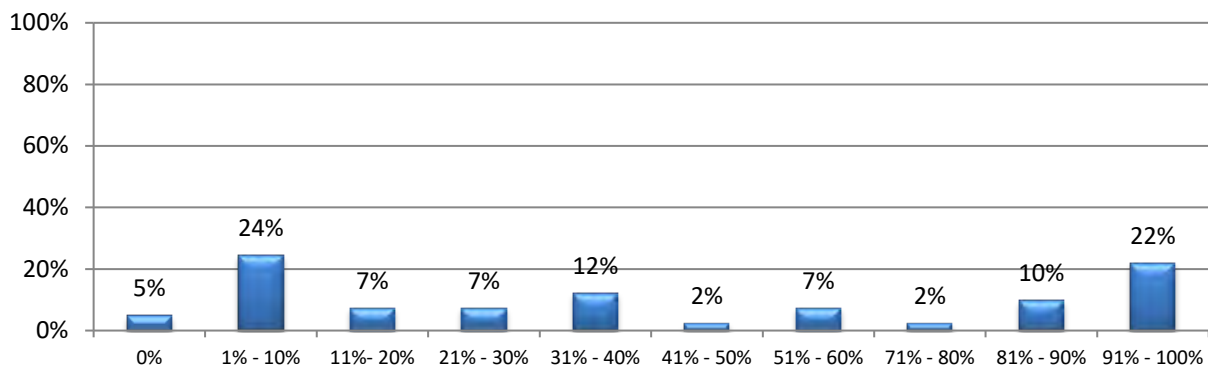
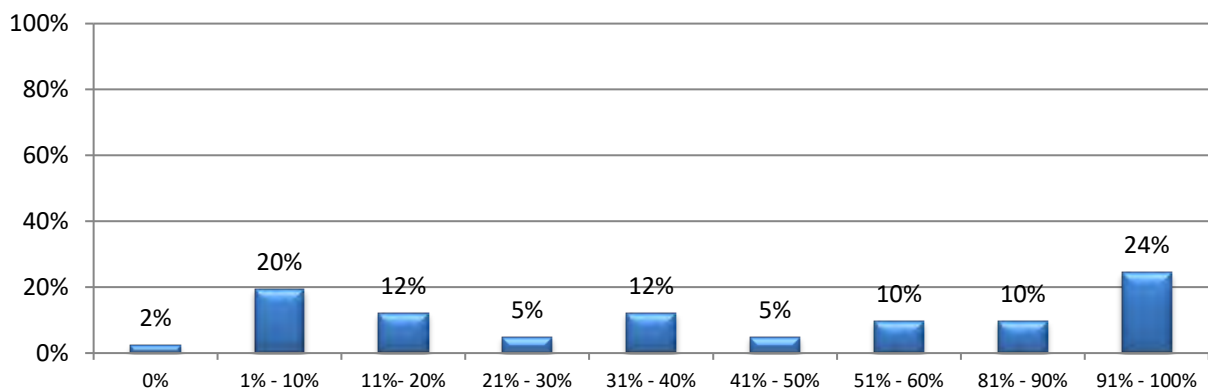
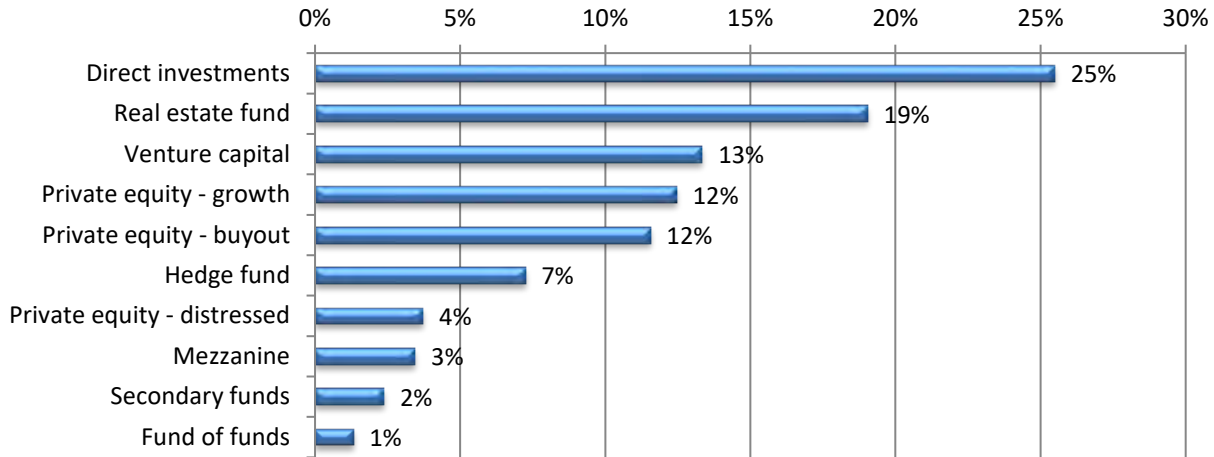


Figure 5. Target Asset Allocation for "Alternative Assets" (% of total portfolio)



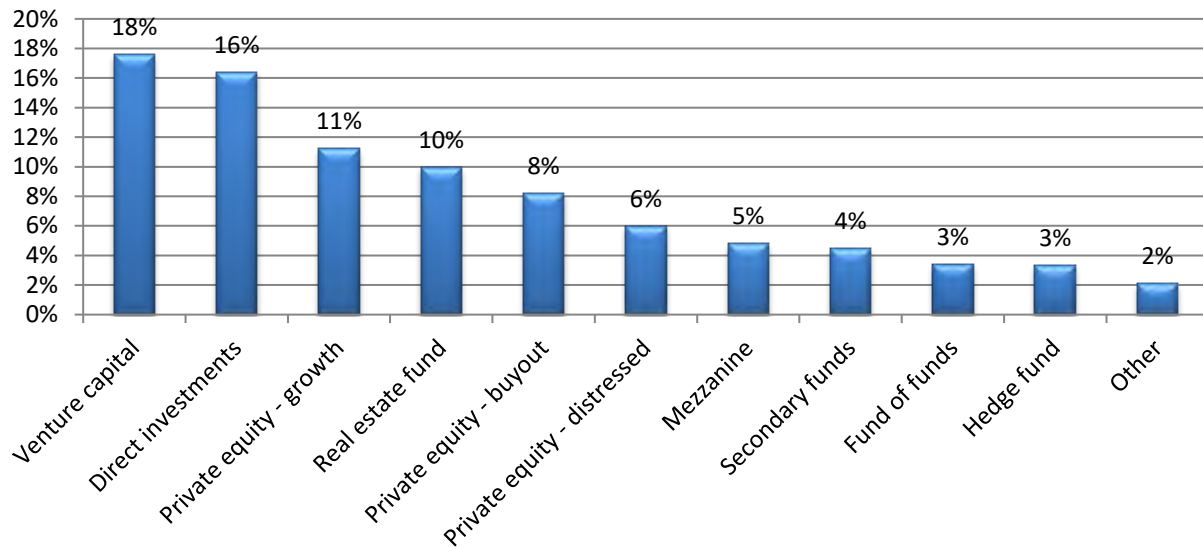
On average, respondents target to allocate 25% of their assets to direct investments, 19% to real estate fund, and 13% to venture capital.

Figure 6. Target Asset Allocation by Assets



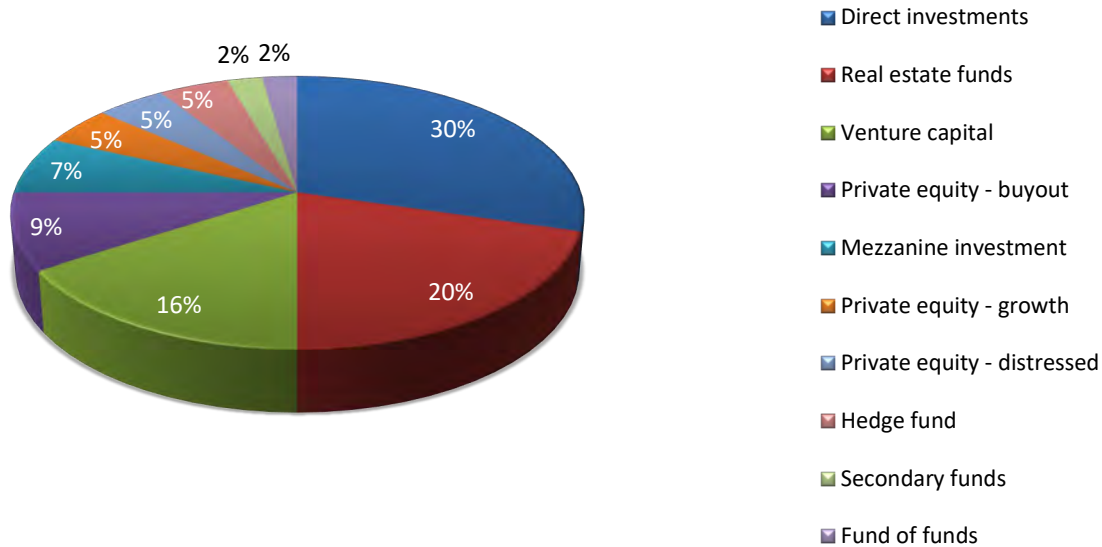
On average, respondents expect the highest returns from investments in venture capital, direct investments and growth private equity.

Figure 7. Annual Return Expectations for New Investments



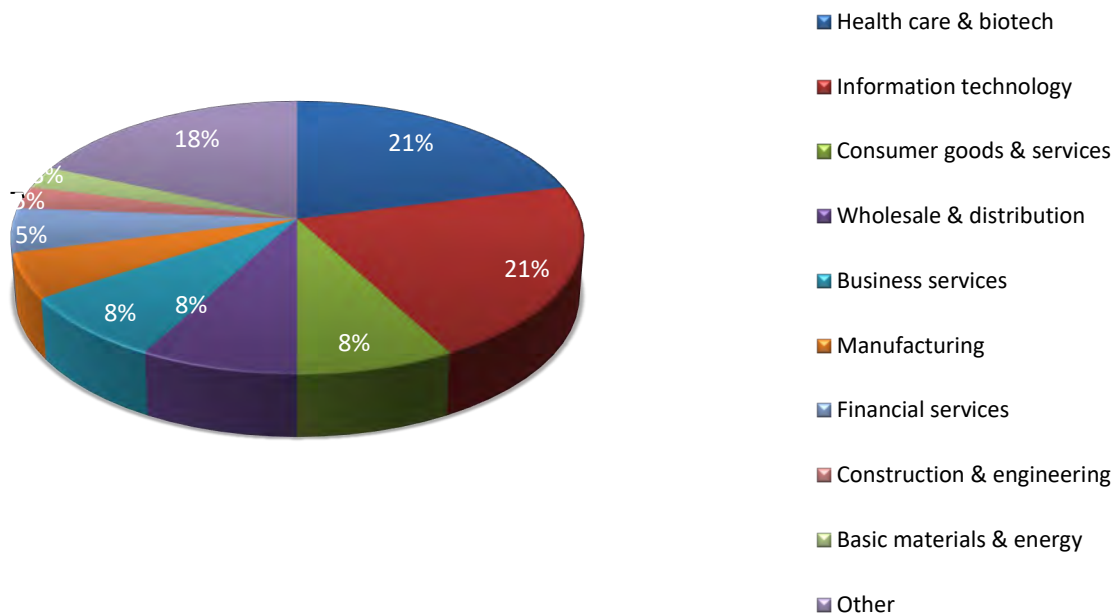
Approximately 30% of the 53 respondents in the limited partner survey reported direct investments as being the best risk/return trade-off investment class and another 20% reported real estate funds as being the best risk/return trade-off investment class.

Figure 8. Assets with the Best Risk/Return Trade-off Currently



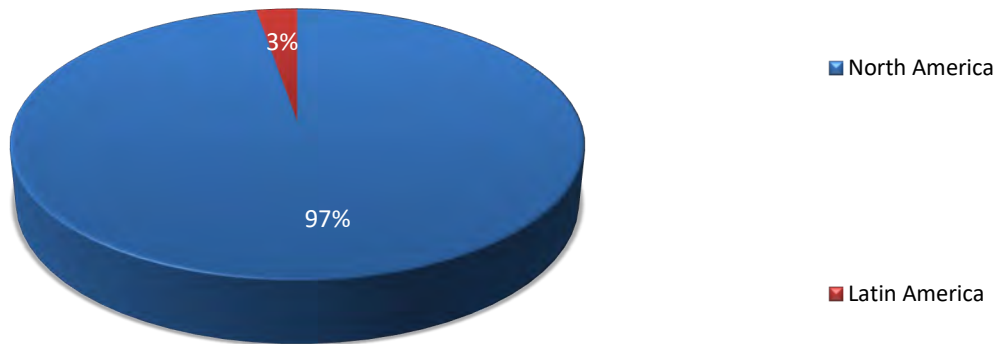
When asked about which industry currently offers the best risk/return trade-off, 21% of respondents reported information technology and another 21% reported healthcare & distribution.

Figure 9. Industry with the Best Risk/Return



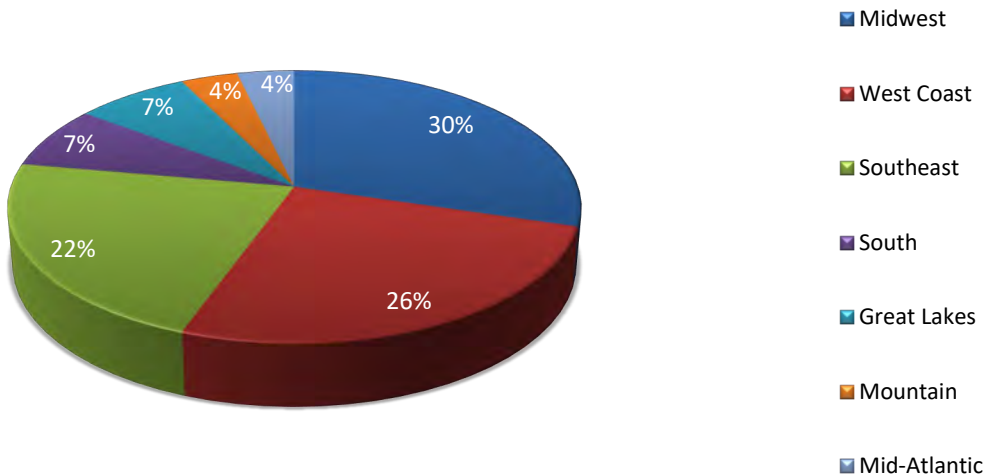
With regard to the geographic regions with the best risk/return trade-offs, 97% of respondents reported North America. It should be noted that most survey respondents are in North America.

Figure 10. Geographic Regions of the World Offering the Best Risk/Return Tradeoff Currently



Regarding the geographic regions with the best risk/return trade-offs in the US, 30% of respondents reported Midwest, 26% reported West Coast, and 22% reported Southeast.

Figure 60. Geographic Regions in the US Offering the Best Risk/Return Tradeoff Currently



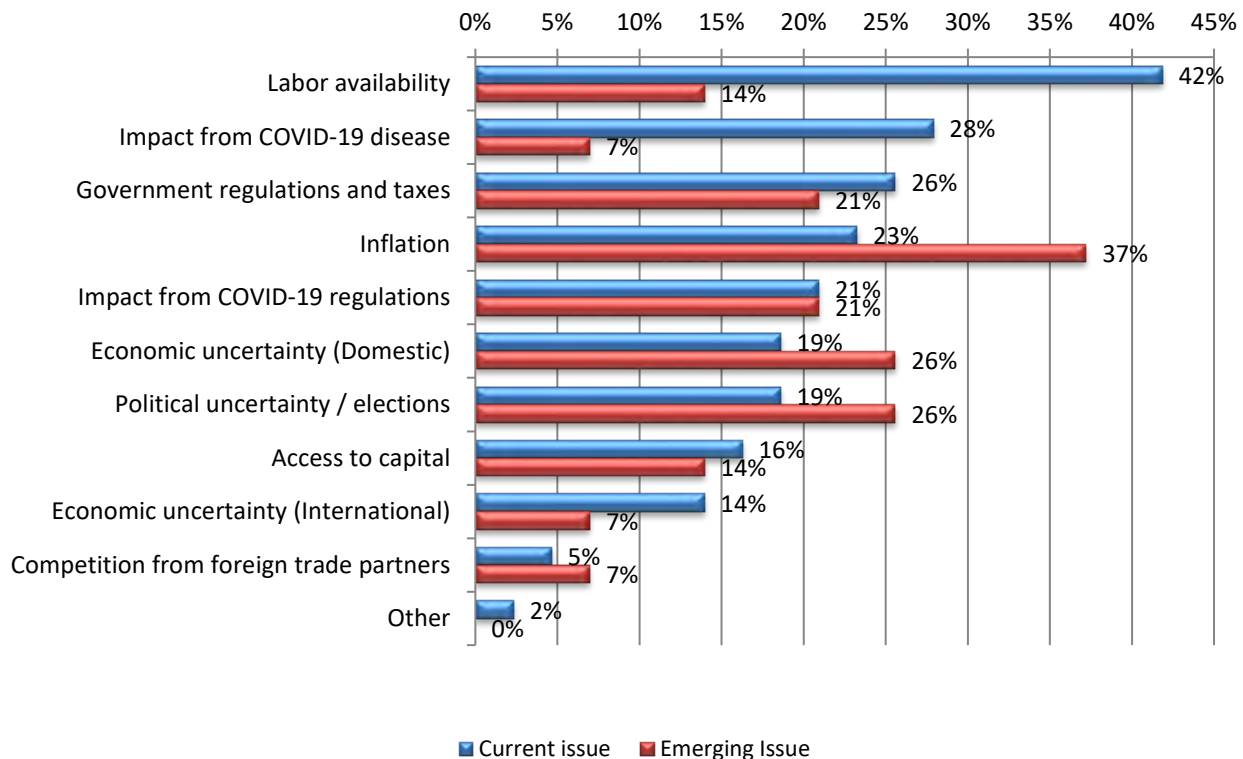
According to respondents, general partner, specific strategy and historical fund performance on all funds are the most important factors when evaluating investment.

Table 2. Importance of Factors When Evaluating

Characteristics	Unimportant	Of little importance	Moderately Important	Important	Very important	Score (1 to 5)
Historical fund performance on all funds	5%	2%	26%	53%	14%	3.7
Returned capital from most recent fund (Distribution to Paid-in or DPI)	5%	9%	35%	44%	7%	3.4
Residual value of most recent fund (Residual Value to Paid-in or RVPI)	5%	9%	40%	42%	5%	3.3
General partner	0%	0%	7%	28%	65%	4.6
Specific strategy	0%	0%	9%	49%	42%	4.3
Specific location	7%	26%	40%	23%	5%	2.9
Gut feel/instinct	2%	16%	40%	23%	19%	3.4
Other	14%	0%	14%	43%	29%	3.7

Respondents believe labor availability is the most important current issue facing privately-held businesses, and inflation is the most important emerging issue.

Figure 11. Issues Facing Privately-Held Businesses



Respondents indicated increased allocation to venture capital, private equity, real estate funds and direct investments; and decreased allocation to mezzanine capital and hedge funds in the last twelve months. They also reported improved business conditions and slightly decreased expected returns on new investments.

Table 3. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Allocation to venture capital	2%	12%	53%	23%	9%	33%	14%	19%
Allocation to private equity	2%	2%	59%	24%	12%	37%	5%	32%
Allocation to mezzanine	6%	18%	65%	6%	6%	12%	24%	-12%
Allocation to hedge funds	13%	18%	61%	5%	3%	8%	32%	-24%
Allocation to secondary funds	11%	11%	57%	19%	3%	22%	22%	0%
Allocation to real estate funds	3%	15%	54%	13%	15%	28%	18%	10%
Direct investments	2%	10%	39%	29%	20%	49%	12%	37%
General business conditions	3%	16%	34%	34%	13%	47%	18%	29%
Expected returns on new capital deployed	0%	33%	38%	18%	13%	30%	33%	-3%

Respondents also expect further increases in allocation to private equity, real estate funds and direct investments, improving business conditions and slightly increasing expected returns.

Table 4. General Business and Industry Assessment Expectations over the Next 12 Months

	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase/decrease
Allocation to venture capital	7%	19%	53%	12%	9%	21%	26%	-5%
Allocation to private equity	0%	8%	58%	25%	10%	35%	8%	28%
Allocation to mezzanine	6%	9%	74%	6%	6%	12%	15%	-3%
Allocation to hedge funds	10%	8%	67%	13%	3%	15%	18%	-3%
Allocation to secondary funds	11%	3%	68%	16%	3%	18%	13%	5%
Allocation to real estate funds	5%	8%	53%	20%	15%	35%	13%	23%
Direct investments	2%	2%	51%	24%	20%	44%	5%	39%
General business conditions	3%	18%	49%	21%	10%	31%	21%	10%
Expected returns on new capital deployed	0%	28%	43%	18%	13%	30%	28%	3%

BANK LENDING SURVEY INFORMATION

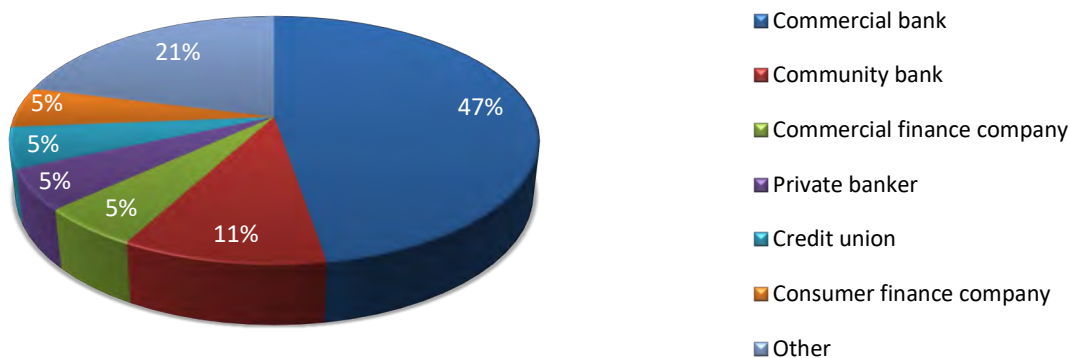
There were 22 responses to the bank lending survey. Over 40% of respondents believe that general business conditions will worsen over the next 12 months and over 60% said demand for loans will increase. Other key findings include:

- Over the last twelve months respondents were seeing increased senior and leverage multiples, with slight increase in general underwriting standards and decreased percent of loans with personal guarantee.
- Respondents also expect increases in demand for business loans, lending capacity of banks, worsening general business conditions, increasing total multiples, leverage multiples, and interest rates.
- Currently, 70% lenders see labor availability as the top issue facing privately-held businesses today.

Operational and Assessment Characteristics

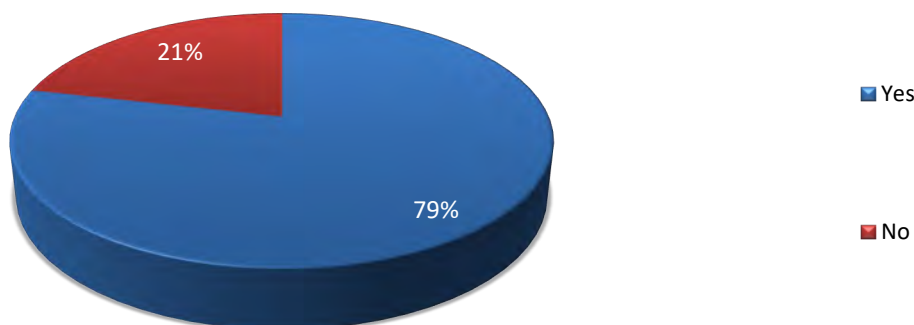
Respondents reported on the type of entity that best describes their lending function.

Figure 12. Description of Lending Entity



The majority (79%) report participating in government loan programs.

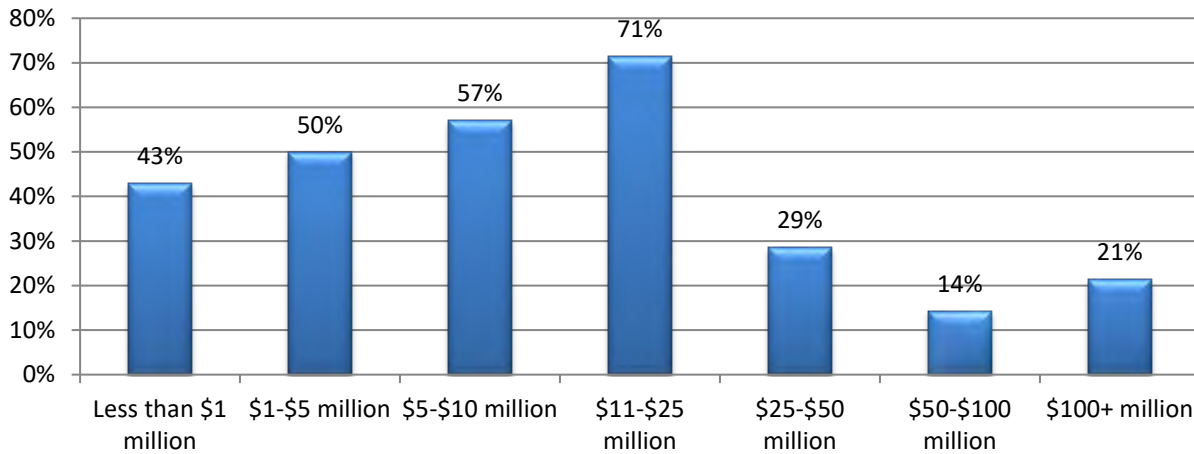
Figure 13. Participation in Government Loan Programs



BANKS cont.

The largest concentration of loan sizes was between \$0 million and \$25 million.

Figure 14. Typical Investment Size



Respondents reported on average terms for various loan sizes.

Table 5. General Characteristics – Bank Loans by Size

	Median interest rate	Median term (years)	Commitment fee (%)	Closing fee (%)
Less than \$1 million	6.0%	6	0.3%	1.0%
\$1-\$5 million	5.3%	6	0.1%	0.6%
\$6-\$10 million	4.8%	5.5	0.2%	0.5%
\$11-\$25 million	4.0%	5.5	0.4%	0.4%
\$25-\$50 million	4.0%	5	0.4%	0.8%
\$50-\$100 million	4.0%	5	0.3%	0.8%
\$100+ million	4.0%	5	0.5%	1.0%

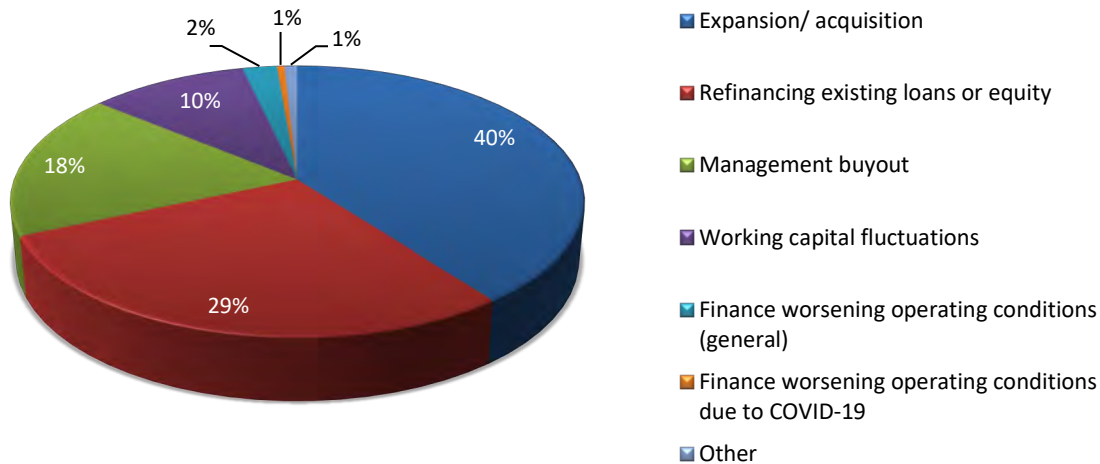
Senior leverage multiples are reported below for the various industries and EBITDA sizes.

Table 6. Senior Leverage Multiple by EBITDA Size

	\$1M EBITDA	\$5M EBITDA	\$10M EBITDA	\$25M EBITDA	\$50M EBITDA	\$50M+ EBITDA
Manufacturing	2.5	2.5	2.8	3.0	3.5	3.9
Construction & engineering	2.5	2.5	2.8	3.0	3.0	3.3
Consumer goods & services	2.5	2.8	2.9	3.5	4.0	>4
Wholesale & distribution	2.5	2.5	2.7	2.8	4.0	>4
Business services	2.5	2.5	2.7	2.8	4.0	>4
Basic materials & energy	2.5	2.7	2.7	2.8	n/a	n/a
Healthcare & biotech	2.5	2.5	3.0	3.5	3.7	3.7
Information technology	2.0	2.5	3.2	>4	>4	>4
Financial services	2.5	2.5	2.5	2.8	2.8	2.8
Media & entertainment	3.0	3.0	3.0	n/a	n/a	n/a
Overall median	2.5	2.5	2.8	2.9	3.7	3.5

Expansion/ acquisition was the most commonly described financing motivation at 40%, followed by refinancing existing loans or equity at 29%.

Figure 15. Borrower Motivation to Secure Financing (past 12 months)



Total debt-service coverage ratio (or fixed charge coverage) was the most important factor when deciding whether to invest or not.

Table 7. Importance of Financial Evaluation Metrics

	Unimportant	Of little importance	Moderately important	Important	Very important	Score (1 to 5)
Current ratio	50%	13%	25%	13%	0%	2.0
Senior DSCR or FCC ratio	0%	0%	11%	56%	33%	4.2
Total DSCR or FCC ratio	0%	0%	0%	10%	90%	4.9
Senior debt to cash flow	0%	0%	33%	33%	33%	4.0
Total debt to cash flow	0%	11%	22%	22%	44%	4.0
Debt to net worth	29%	14%	29%	14%	14%	2.7

Table 8. Financial Evaluation Metrics Average Data

	Average borrower data	Limit not to be exceeded
Current ratio	1.3	0.8
Senior DSCR or FCC ratio	1.3	1.1
Total DSCR or FCC ratio	1.3	1.1
Senior debt to cash flow	1.8	2.3
Total debt to cash flow	3.4	4.3
Debt to net worth	1.7	5.5

Respondents reported on the percentage of loans (by size) that require personal guarantee and collateral.

Table 9. Personal Guarantee and Collateral Percentage of Occurrence by Size of Loan (%)

	\$1M loan	\$5M loan	\$10M loan	\$25M loan	\$50M loan	\$100M loan	\$100M+ loan
Personal guarantee	95%	95%	83%	80%	48%	20%	0%
Collateral	95%	93%	95%	95%	95%	95%	50%

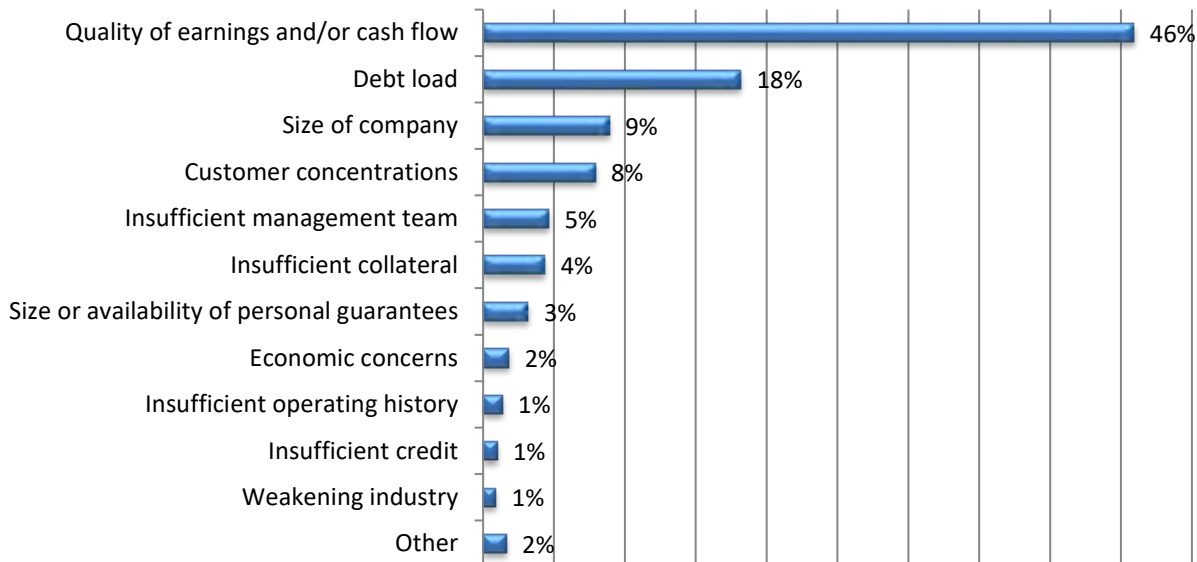
Approximately 39% of cash flow applications were declined.

Table 10. Applications Data

	Reviewed	Offered	Booked	Declined
Cash flow based	345	65%	45%	39%
Collateral based	94	71%	15%	29%
Real estate	134	87%	31%	13%

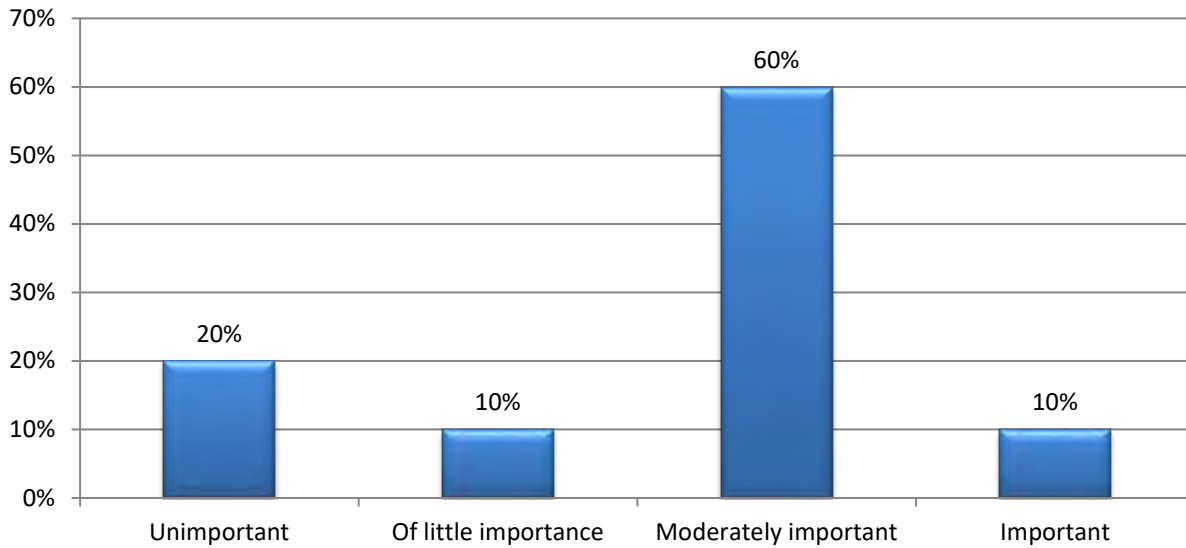
Approximately 46% of applications were declined due to poor quality of earnings and/or cash flow followed by 18% that were declined due to debt load.

Figure 33. Reason for Declined Loans



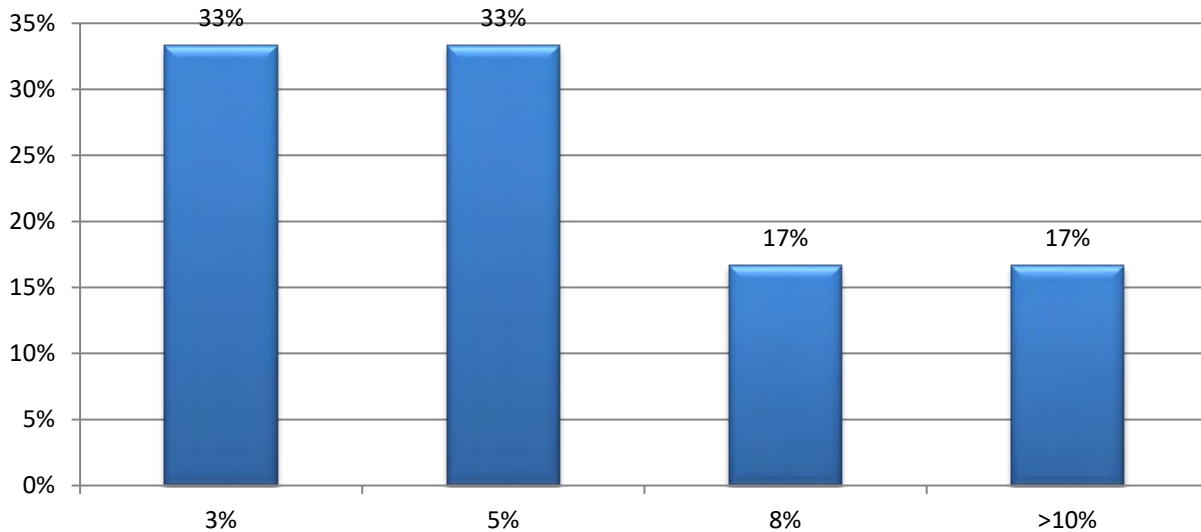
Approximately 10% of respondents identified revenue growth rate as important or very important factor.

Figure 16. Importance of the Revenue Growth Rate Pertaining to New Cash Flow Based Loans



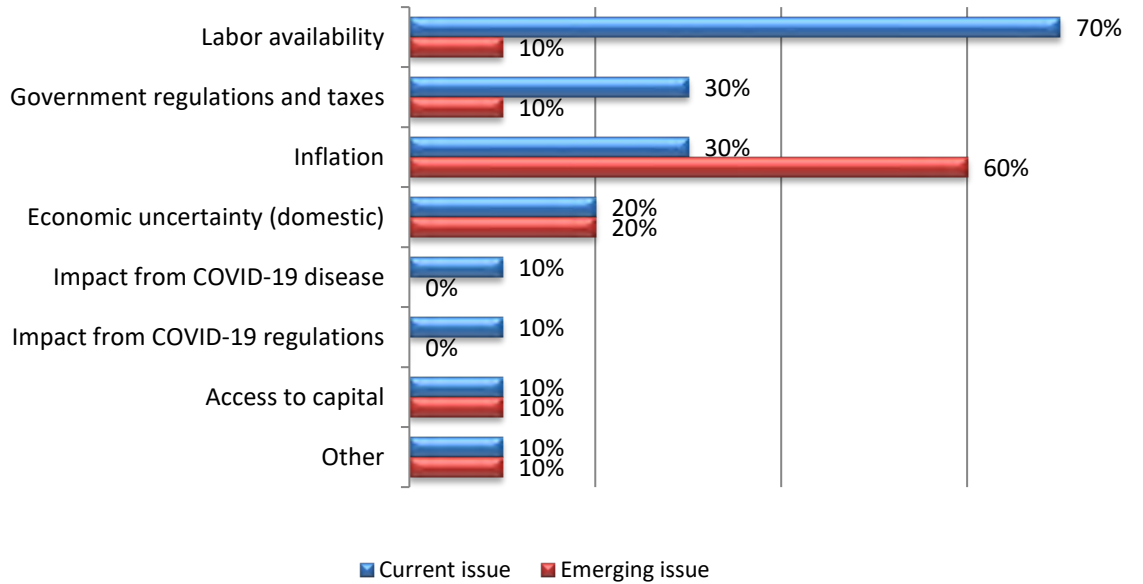
Approximately 67% of applications had a revenue growth rate of 5% or more annually.

Figure 17. Revenue Growth Rate – Average Borrower Data



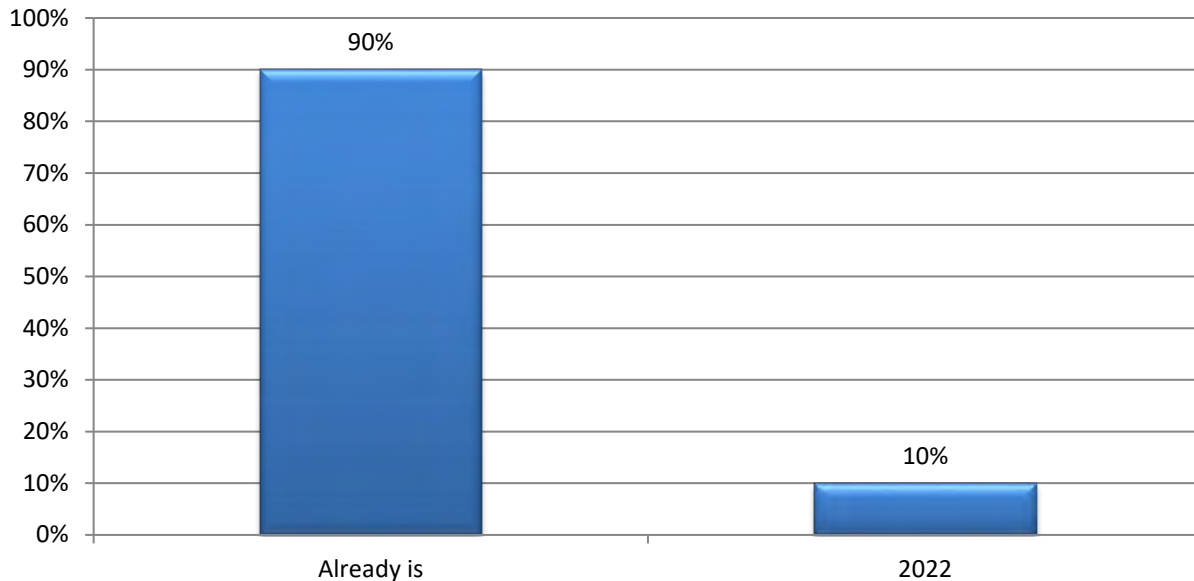
Respondents believe labor availability is the most important issue facing privately-held businesses today.

Figure 34. Issues Facing Privately-Held Businesses



Approximately 90% of respondents believe bank financing already returned to pre-March 2020 level.

Figure 18. When Bank Financing Returns to Pre-March 2020 Level



Over the last twelve months respondents were seeing increased senior and total leverage multiples, with improved general business conditions and increased appetite for risk.

Table 11. General Business and Industry Assessment: Today versus 12 Months Ago

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Demand for business loans (applications)	0%	0%	18%	36%	45%	82%	0%	82%
General underwriting standards	0%	18%	55%	27%	0%	27%	18%	9%
Credit quality of borrowers applying for credit	0%	9%	55%	27%	9%	36%	9%	27%
Due diligence efforts	0%	0%	45%	55%	0%	55%	0%	55%
Average loan size	0%	0%	27%	55%	18%	73%	0%	73%
Average loan maturity (months)	9%	9%	73%	9%	0%	9%	18%	-9%
Percent of loans with personal guarantees	0%	11%	89%	0%	0%	0%	11%	-11%
Percent of loans requiring collateral	0%	0%	100%	0%	0%	0%	0%	0%
Size of interest rate spreads (pricing)	9%	27%	55%	9%	0%	9%	36%	-27%
Loan fees	9%	9%	73%	9%	0%	9%	18%	-9%
Senior leverage multiples	0%	9%	45%	36%	9%	45%	9%	36%
Total leverage multiples	0%	18%	36%	36%	9%	45%	18%	27%
Focus on collateral as backup means of payment	0%	0%	90%	10%	0%	10%	0%	10%
SBA lending	0%	14%	71%	14%	0%	14%	14%	0%
Lending capacity of bank	0%	0%	0%	36%	64%	100%	0%	100%
General business conditions	0%	9%	27%	55%	9%	64%	9%	55%
Appetite for risk	0%	0%	55%	36%	9%	45%	0%	45%

BANKS cont.

Respondents also expect increases in demand for business loans, lending capacity of banks, worsening general business conditions, slightly increasing total leverage multiples, senior leverage multiples, and interest rates.

Table 12. General Business and Industry Assessment Expectations over the Next 12 Months

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Demand for business loans (applications)	0%	10%	30%	40%	20%	60%	10%	50%
General underwriting standards	0%	0%	70%	30%	0%	30%	0%	30%
Credit quality of borrowers applying for credit	0%	20%	70%	10%	0%	10%	20%	-10%
Due diligence efforts	0%	0%	90%	10%	0%	10%	0%	10%
Average loan size	0%	0%	50%	50%	0%	50%	0%	50%
Average loan maturity (months)	0%	10%	90%	0%	0%	0%	10%	-10%
Percent of loans with personal guarantees	0%	13%	75%	13%	0%	13%	13%	0%
Percent of loans requiring collateral	0%	0%	88%	13%	0%	13%	0%	13%
Size of interest rate spreads (pricing)	0%	20%	50%	30%	0%	30%	20%	10%
Loan fees	0%	10%	80%	10%	0%	10%	10%	0%
Senior leverage multiples	0%	0%	80%	20%	0%	20%	0%	20%
Total leverage multiples	0%	0%	80%	10%	10%	20%	0%	20%
Focus on collateral as backup means of payment	0%	0%	89%	11%	0%	11%	0%	11%
SBA lending	0%	0%	88%	13%	0%	13%	0%	13%
Lending capacity of bank	0%	0%	50%	50%	0%	50%	0%	50%
General business conditions	0%	40%	40%	20%	0%	20%	40%	-20%
Appetite for risk	0%	10%	80%	10%	0%	10%	10%	0%

ASSET-BASED LENDING SURVEY INFORMATION

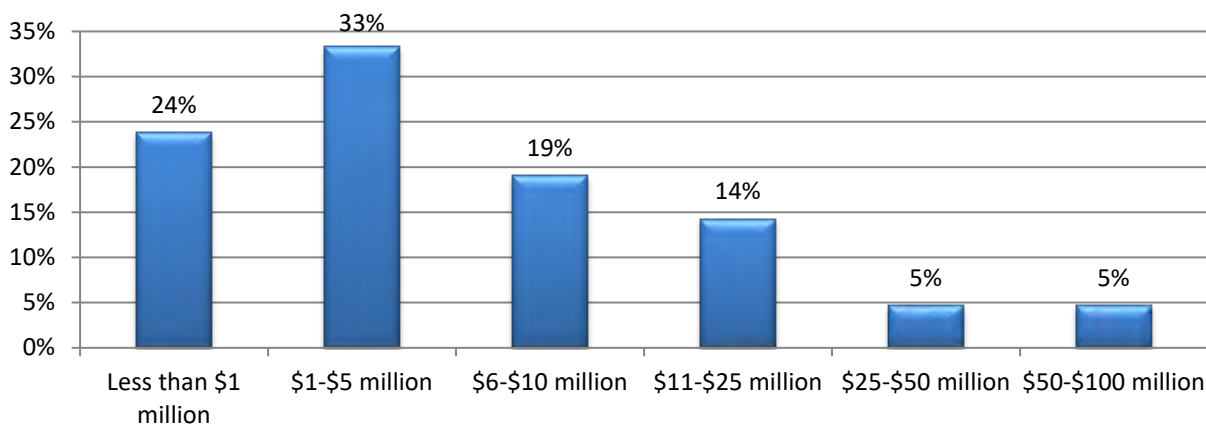
There were 11 responses to the asset-based lending survey. Over 60% of respondents believe that general business conditions will improve over the next 12 months and over 57% said demand for loans will increase. Other key findings include:

- Over the last twelve months respondents were seeing increased advance rates with flat demand for business loans.
- Respondents also expect increases in general underwriting standards, average loan size, improving general business conditions, increasing interest rates and flat loan fees.
- Currently, 80% lenders see inflation as a top emerging issue and top issue facing privately-held businesses today.

Operational and Assessment Characteristics

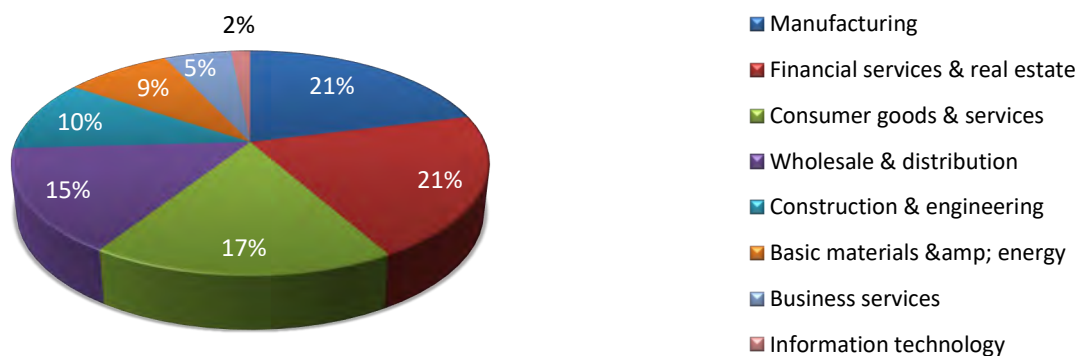
The largest concentration of loan sizes was between \$0 million and \$10 million.

Figure 19. Typical Investment Size



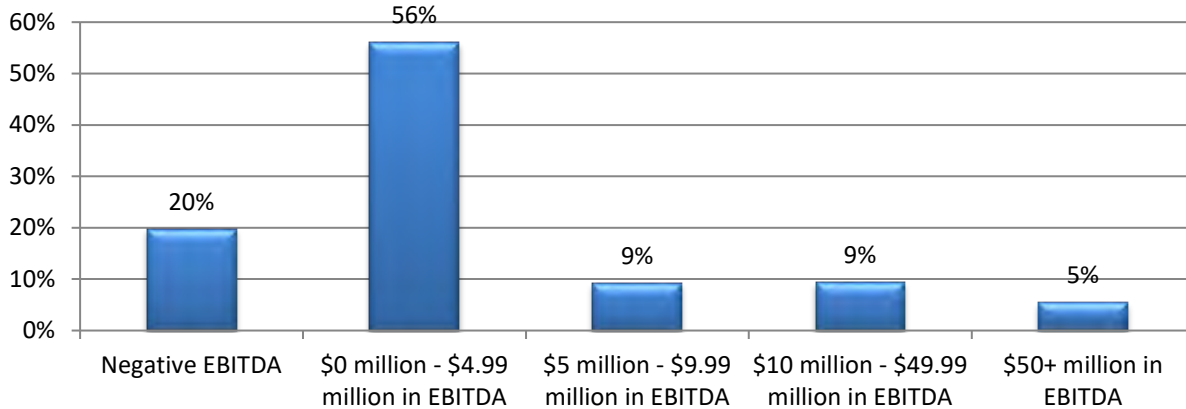
According to respondents approximately 21% of asset-based loans were issued to manufacturing companies and other 21% were issued to financial services & real estate.

Figure 35. Industries Served by Asset-Based Lenders



Approximately 56% of the companies that booked asset-based loans in the last twelve months had EBITDA size between \$0 and \$5 million.

Figure 20. Typical EBITDA Sizes for Companies Booked



Respondents reported on all-in rates by type and size of current booked loans and the results are reported below.

Table 13. All-in Rates on Current Asset-Based Loans (medians)

	Marketable Securities	Accounts Receivable	Inventory	Equipment	Real estate	Working capital	Typical Fixed-Rate Loan Term (months)
Less than \$1 million	n/a	17.5%	19.0%	16.5%	11.0%	17.0%	17
\$1-5 million	8.0%	13.5%	15.0%	16.0%	10.0%	13.5%	19
\$5-\$10 million	n/a	10.0%	12.5%	14.5%	9.5%	12.0%	23
\$10-25 million	6.5%	6.3%	6.5%	7.0%	7.3%	6.5%	36
\$25-50 million	6.5%	6.0%	6.0%	6.5%	6.5%	6.3%	59
\$50-100 million	6.5%	6.0%	6.0%	6.5%	6.5%	6.0%	65

Respondents reported on standard advance rates and the results are reflected below.

Table 14. Standard Advance Rate (or LTV ratio) for Assets (%)

	Typical Loan			Upper Limit		
	1st Quartile	Median	3rd Quartile	1st Quartile	Median	3rd Quartile
Marketable securities	5%	5%	48%	28%	50%	73%
Accounts Receivable	85%	85%	85%	85%	85%	90%
Inventory - Low quality	25%	35%	35%	25%	40%	40%
Inventory - Intermediate quality	50%	50%	50%	50%	50%	50%
Inventory - High quality	65%	70%	70%	65%	70%	70%
Equipment	60%	65%	74%	68%	70%	74%
Real Estate	45%	60%	64%	45%	60%	64%
Land	18%	30%	38%	18%	30%	38%

Respondents reported on valuation standards used to estimate LTV ratios.

Figure 37. Valuation Standards Used to Estimate LTV Ratio

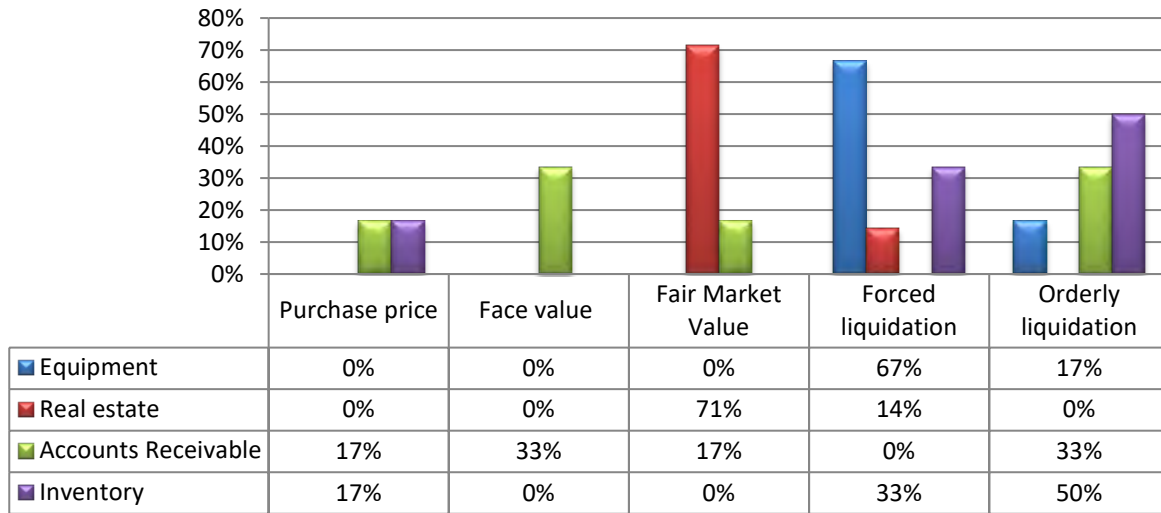
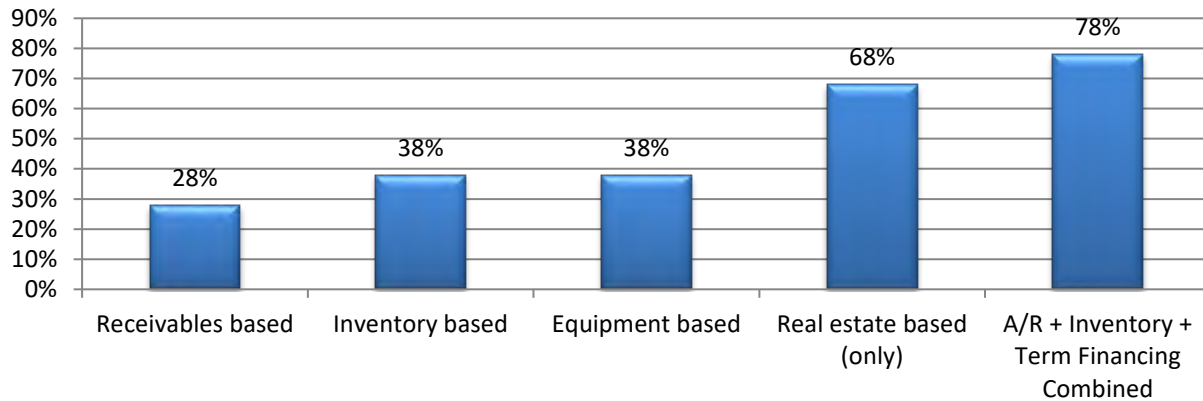


Figure 21. Asset-Based Loans Decline Rate



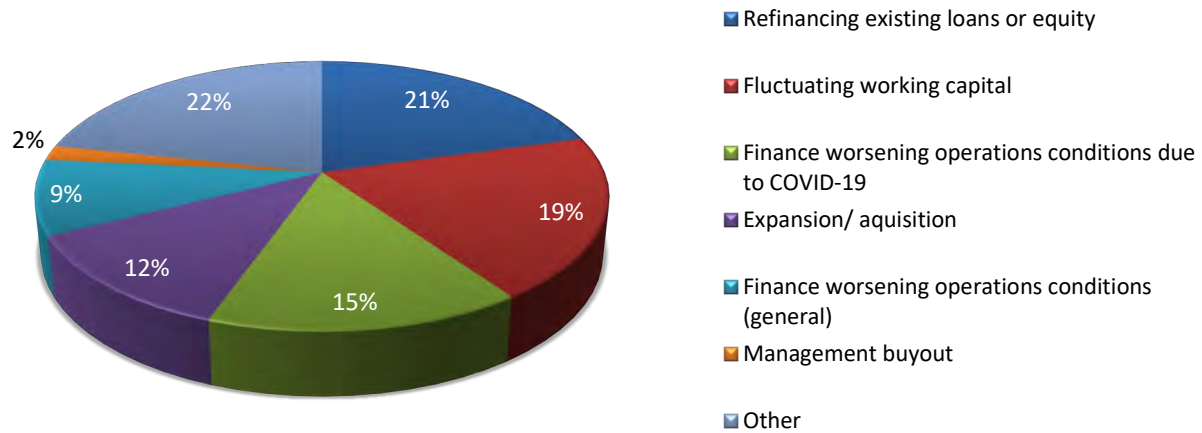
Various fees as reported by lenders are as follows.

Table 15. Fees Charged

	1st Quartile	Median	3rd Quartile
Closing fee	1.0%	1.0%	1.3%
Modification fee	0.5%	0.5%	0.7%
Commitment fee	0.8%	1.0%	1.0%
Underwriting fee	1.0%	1.0%	1.0%
Arrangement fee	0.5%	1.0%	1.5%
Prepayment penalty (yr 1)	3.0%	3.0%	3.0%
Prepayment penalty (yr 2)	1.5%	2.0%	2.0%
Unused line fee	0.3%	0.5%	0.5%

Refinancing existing loans or equity was the most commonly described financing motivation at 21%, followed by fluctuating working capital at 19%.

Figure 22. Borrower Motivation to Secure Financing (past 12 months)



Current ratio, total debt to cash flow and debt to net worth were the most important factor when deciding whether to invest or not.

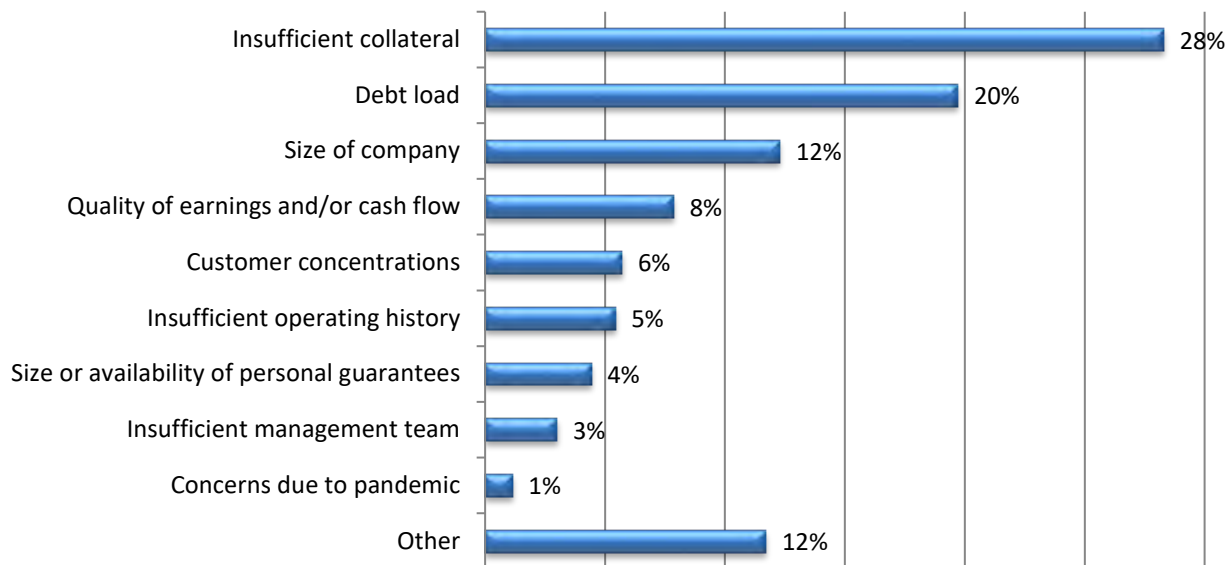
Table 16. Importance of Financial Evaluation Metrics

	Of little importance	Moderately important	Important	Very important	Score (1-5)
Current ratio	20%	20%	20%	40%	3.8
Senior DSCR or FCC ratio	25%	25%	50%	0%	3.3
Total DSCR or FCC ratio	33%	33%	0%	33%	3.3
Senior debt to cash flow	0%	50%	50%	0%	3.5
Total debt to cash flow	0%	25%	75%	0%	3.8
Debt to net worth	0%	50%	25%	25%	3.8

Table 17. Financial Evaluation Metrics Average Data

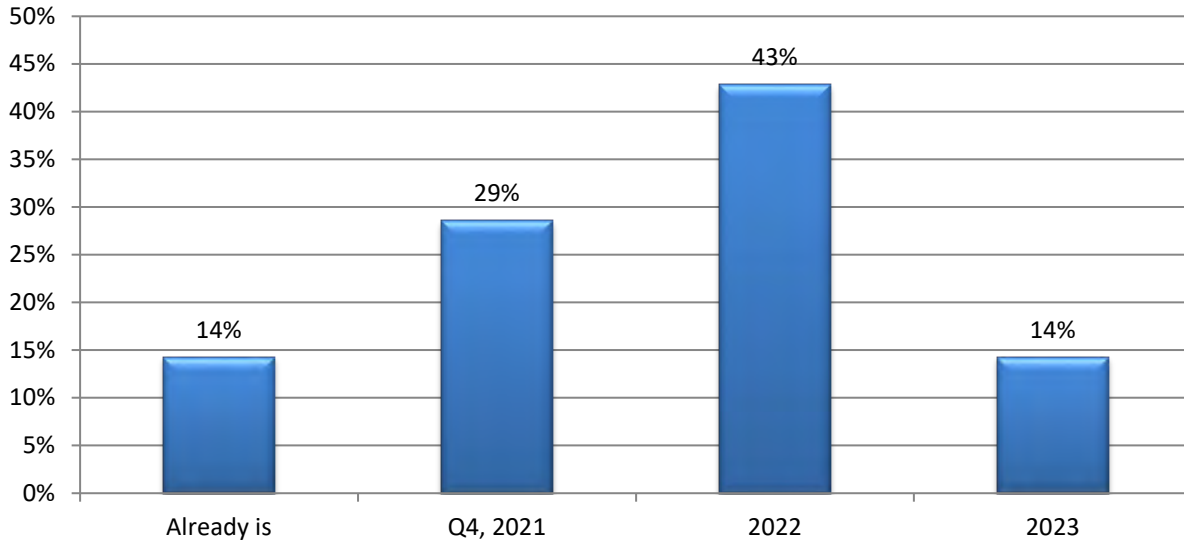
	Average borrower data	Limit not to be exceeded
Current ratio	1.2	<1
Senior DSCR or FCC ratio	1.1	<1
Total DSCR or FCC ratio	1.1	1.0
Senior debt to cash flow	1.1	1.1
Total debt to cash flow	1.1	1.1
Debt to net worth	1.1	1.1

Approximately 28% of applications were declined due to insufficient collateral followed by 20% that were declined due to debt load.

Figure 23. Reason for Declined Loans

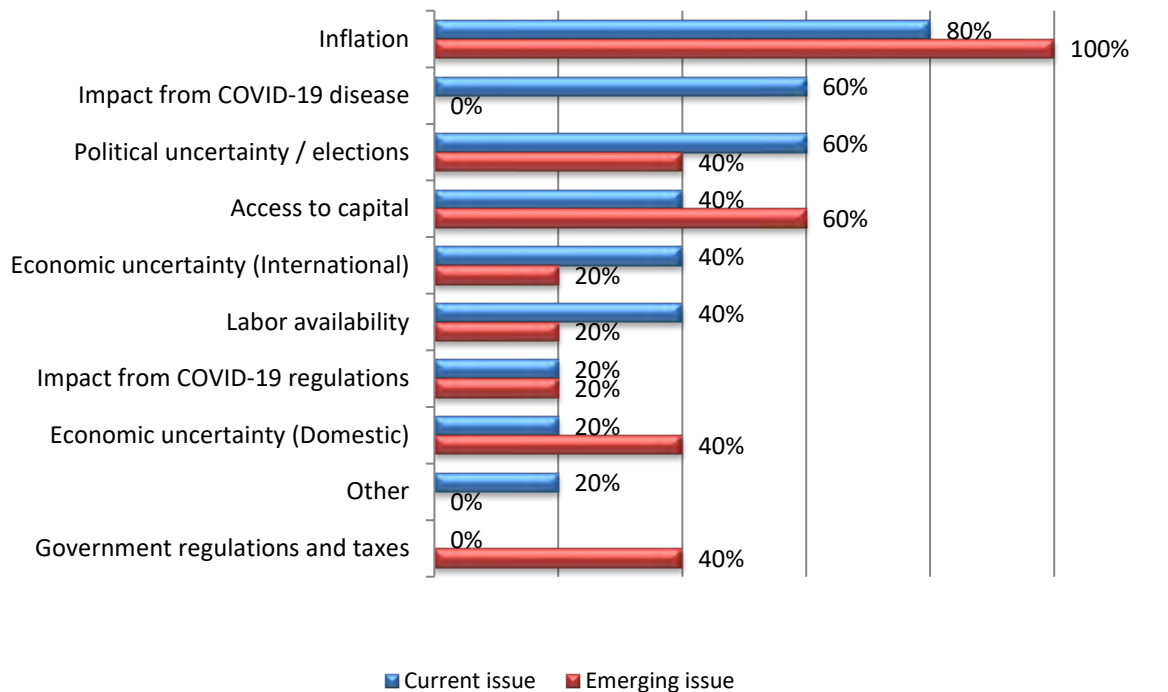
Approximately 43% of respondents believe Asset-Based Lending will return to pre-March 2020 level in 2022.

Figure 24. When Asset-Based Lending Returns to Pre-March 2020 Level



Currently, majority of lenders see inflation as a top emerging issue and current issue facing privately-held businesses.

Figure 25. Issues Facing Privately-Held Businesses



Over the last twelve months respondents were seeing increased advance rates and flat demand for business loans.

Table 18. General Business and Industry Assessment: Today versus 12 Months Ago

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Demand for loans	29%	14%	14%	0%	43%	43%	43%	0%
General underwriting standards	0%	0%	71%	29%	0%	29%	0%	29%
Credit quality of borrowers	0%	43%	43%	14%	0%	14%	43%	-29%
Due diligence efforts	0%	0%	67%	17%	17%	33%	0%	33%
Average loan size	17%	0%	0%	17%	67%	83%	17%	67%
Average loan maturity	0%	0%	80%	20%	0%	20%	0%	20%
Interest rate spread (pricing)	0%	57%	43%	0%	0%	0%	57%	-57%
Loan fees	0%	29%	57%	14%	0%	14%	29%	-14%
Loans outstanding	14%	14%	43%	14%	14%	29%	29%	0%
Percent of loans with personal guarantees	0%	0%	80%	20%	0%	20%	0%	20%
Focus on cash flow as backup means of payment	0%	17%	50%	33%	0%	33%	17%	17%
Nonaccrual loans	25%	25%	25%	25%	0%	25%	50%	-25%
Number/ tightness of financial covenants	0%	33%	17%	50%	0%	50%	33%	17%
Standard advance rates	0%	0%	83%	17%	0%	17%	0%	17%
General business conditions	29%	0%	43%	14%	14%	29%	29%	0%
Appetite for risk	14%	14%	71%	0%	0%	0%	29%	-29%

Respondents also expect increases in general underwriting standards, average loan size, improving general business conditions, increasing interest rates and flat loan fees.

Table 19. General Business and Industry Assessment Expectations for the Next 12 Months

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Demand for loans	0%	0%	43%	43%	14%	57%	0%	57%
General underwriting standards	0%	0%	43%	57%	0%	57%	0%	57%
Credit quality of borrowers	0%	57%	29%	14%	0%	14%	57%	-43%
Due diligence efforts	0%	0%	57%	43%	0%	43%	0%	43%
Average loan size	0%	14%	43%	43%	0%	43%	14%	29%
Average loan maturity	0%	17%	67%	17%	0%	17%	17%	0%
Interest rate spread (pricing)	0%	20%	20%	60%	0%	60%	20%	40%
Loan fees	0%	17%	67%	17%	0%	17%	17%	0%
Loans outstanding	0%	17%	33%	33%	17%	50%	17%	33%
Percent of loans with personal guarantees	0%	0%	100%	0%	0%	0%	0%	0%
Focus on cash flow as backup means of payment	0%	0%	60%	40%	0%	40%	0%	40%
Nonaccrual loans	0%	0%	100%	0%	0%	0%	0%	0%
Number/ tightness of financial covenants	0%	0%	33%	50%	17%	67%	0%	67%
Standard advance rates	20%	0%	80%	0%	0%	0%	20%	-20%
General business conditions	0%	20%	20%	60%	0%	60%	20%	40%
Appetite for risk	0%	33%	50%	17%	0%	17%	33%	-17%

MEZZANINE SURVEY INFORMATION

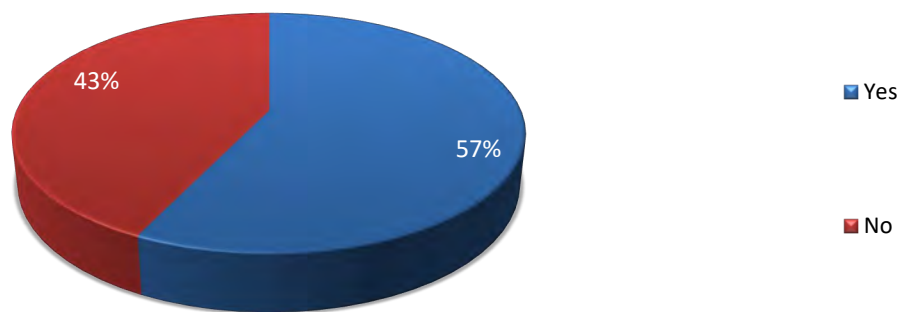
The majority of the 39 participants that responded to the mezzanine survey typically book deals in the \$1 million to \$25 million range. Over 21% plan on investing in business services, another 20% to manufacturing and another 15% to health care & biotech over the next 12 months. Other key findings include:

- Relative to 12 months ago, respondents indicated increased demand for mezzanine capital and increased average investment size, slightly decreased leverage multiples and worsened general business conditions. They also reported decreases in warrant coverage and expected returns on new investments.
- Respondents expect increasing demand for mezzanine capital, leverage multiples, appetite for risk, and worsening general business conditions; decreasing warrant coverage and expected returns on new investments.
- Approximately 70% of respondents labor availability is the most important issue facing privately-held businesses today.

Operational and Assessment Characteristics

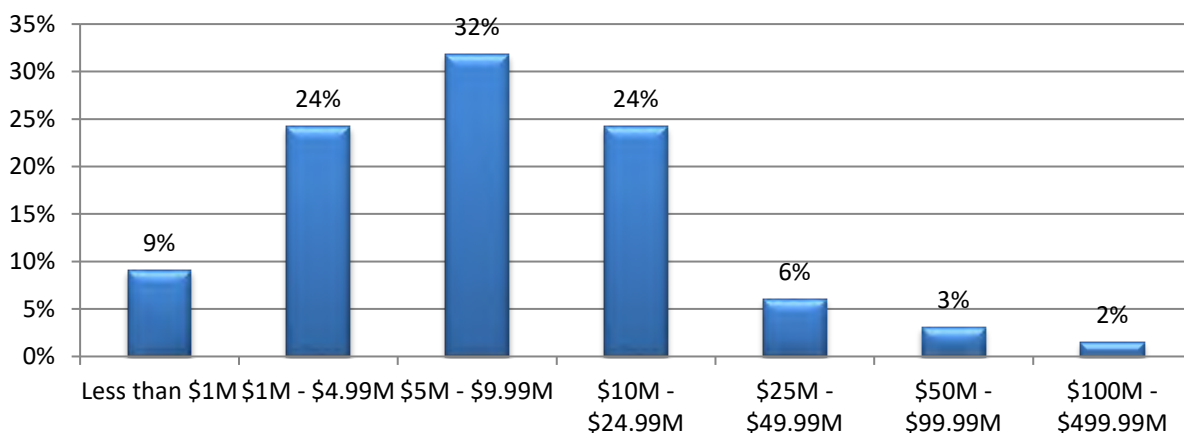
Approximately 57% of respondents are SBIC Firms.

Figure 26. SBIC (small business investment) Firms



The largest concentration of typical loan sizes is between \$1 million and \$25 million.

Figure 40. Typical Investment Size



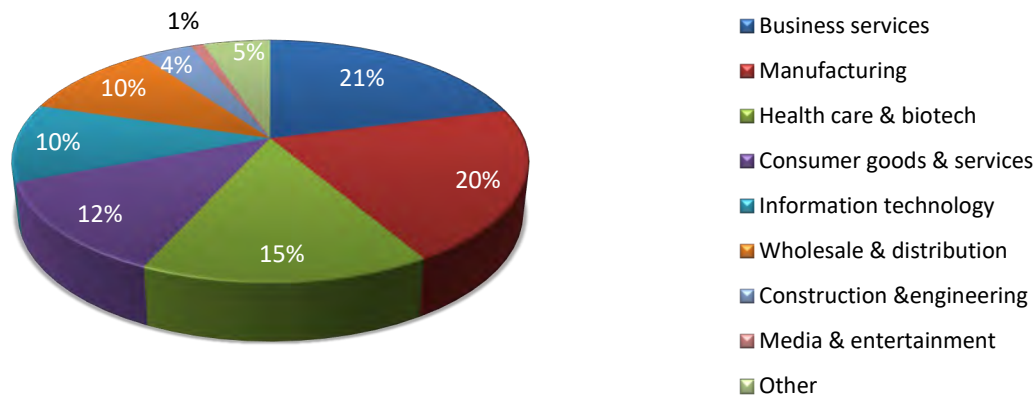
Respondents reported on business practices and the results are reflected below.

Table 20. Mezzanine Fund Data

	1st quartile	Median	3rd quartile
Vintage year (year in which first investment made)	2018	2019	2021
Size of fund (\$ millions)	138	250	350
Targeted number of total investments	13	23	33
Target fund return (gross pretax cash on cash annual IRR %)	12%	15%	18%
Expected fund return (gross pretax cash on cash annual IRR %)	12%	15%	18%

The types of businesses that mezzanine lenders plan to invest in over next 12 months are very diverse with over 21% plan on investing in business services, another 20% to manufacturing and another 15% to health care & biotech.

Figure 27. Type of Business for Investments Planned over Next 12 Months



Approximately 61% of respondents made 5 investments or more over the last 12 months.

Figure 28. Total Number of Investments Made in the Last 12 Months

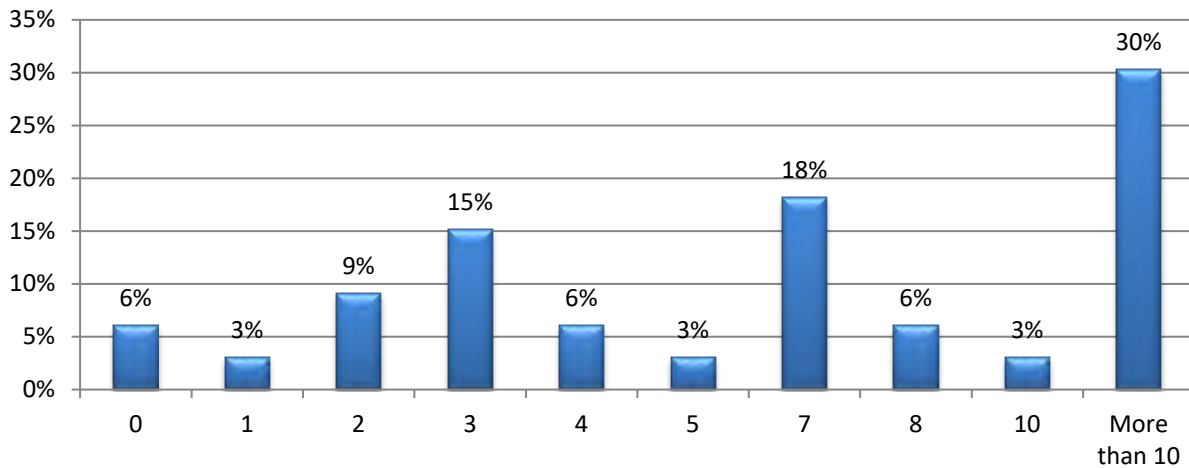
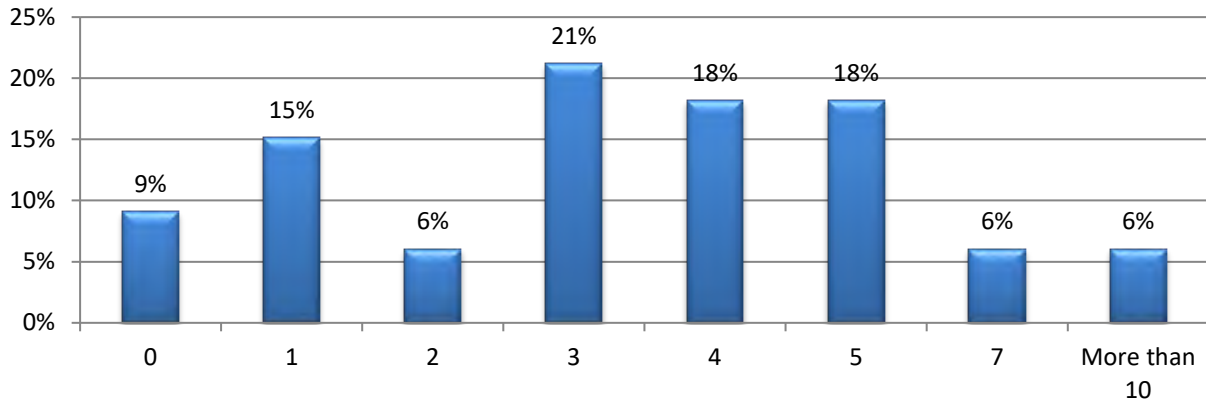


Figure 29. Number of Follow-on Investments Made in the Last 12 Months



Approximately 27% of respondents plan to make 10 investments or more over the next 12 months.

Figure 30. Number of Total Investments Planned over the Next 12 Months

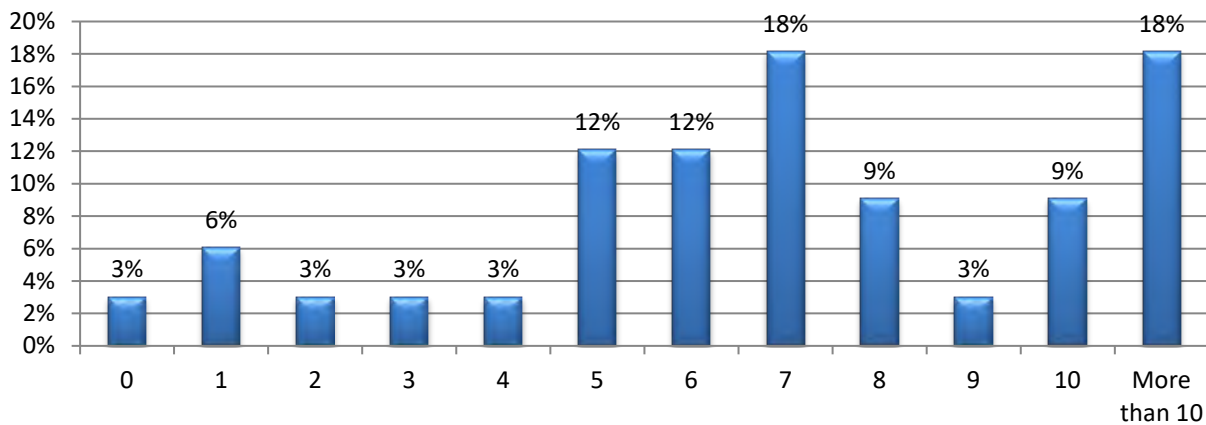
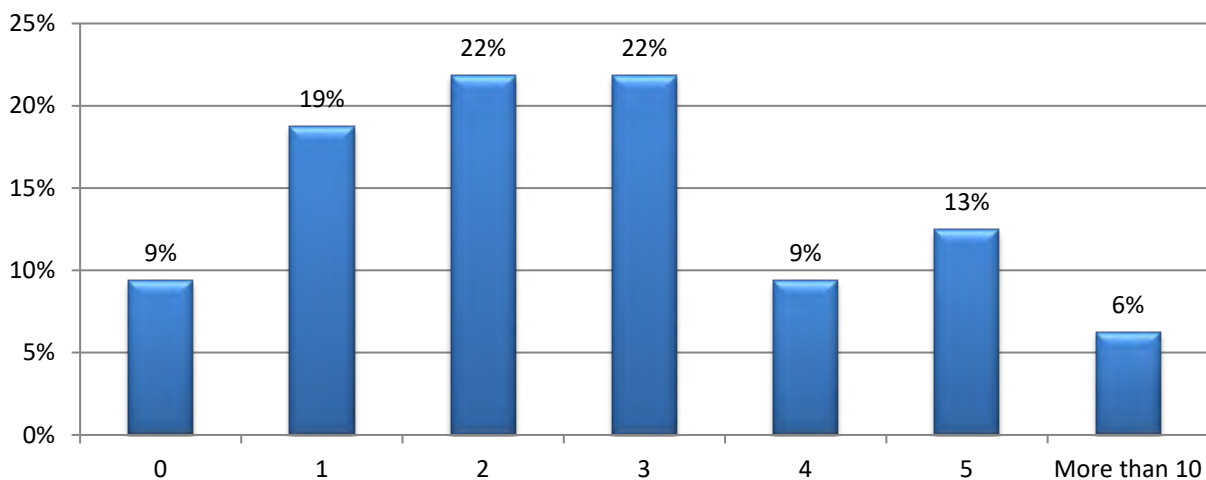


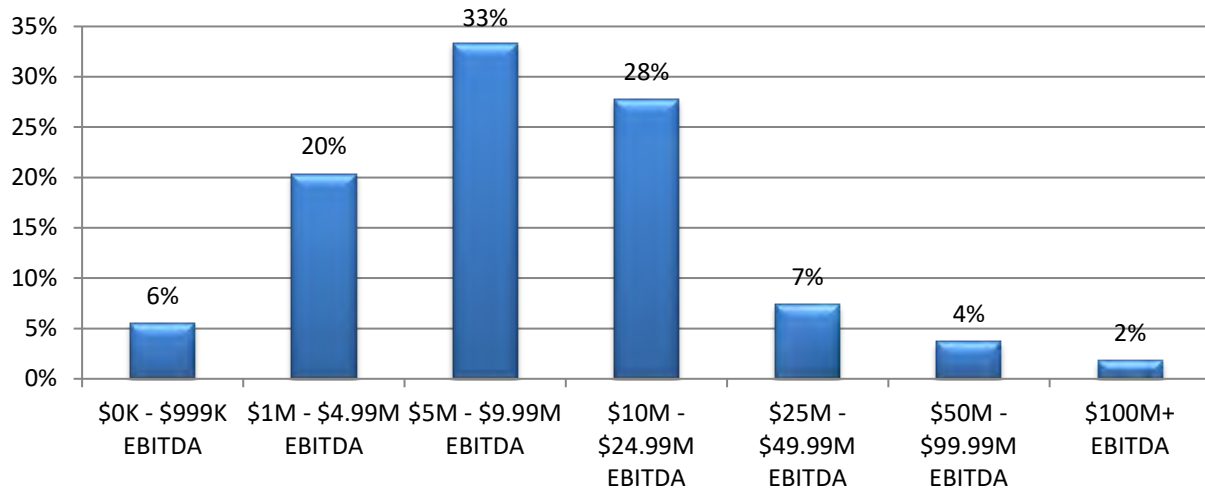
Figure 31. Number of Follow-on Investments Planned over the Next 12 Months



MEZZANINE cont.

Approximately 81% of sponsored deals were in the range between \$1 million and \$25 million of EBITDA.

Figure 32. Size of Sponsored Deals in the Last 12 Months



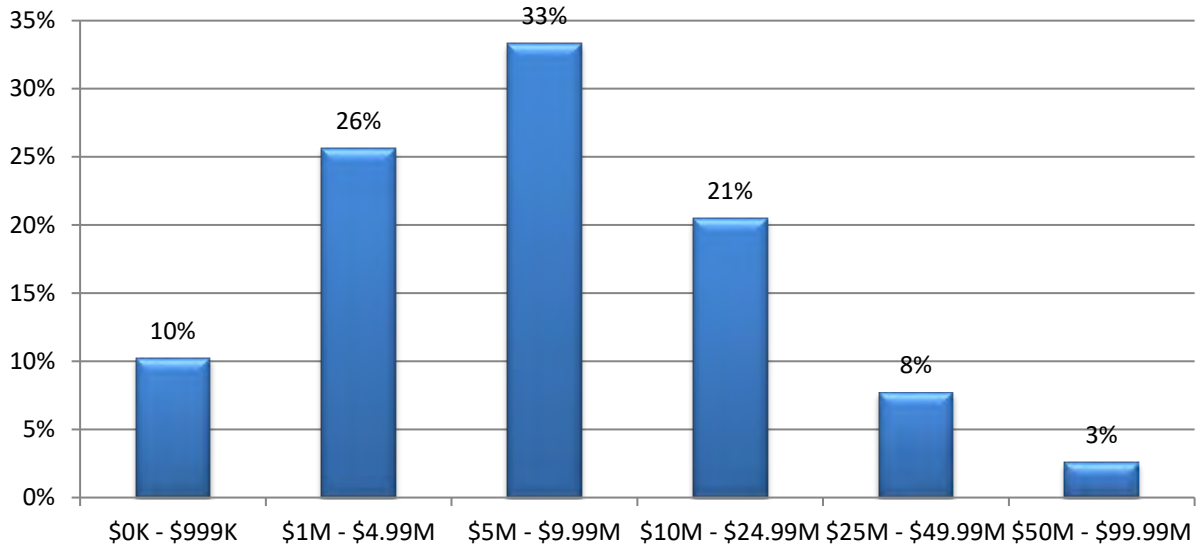
Results of responses to sponsored deals based on size of borrower EBITDA are reported below.

Table 21. Sponsored Deals by EBITDA Size (medians)

EBITDA size	\$0 - 0.99M	\$1M - \$4.99M	\$5M - \$9.99M	\$10M - \$24.99M	\$25M - \$49.99	\$50M - \$99.99M
Number of deals	7	36	81	50	14	5
Average loan terms (years)	1.5	5.0	5.0	5.0	5.0	5.0
Senior leverage ratio (multiple of EBITDA)	2.0	2.5	3.0	3.5	4.3	4.5
Total leverage ratio (multiple of EBITDA)	3.5	3.5	4.0	4.3	4.5	5.3
Closing fee (%)	2%	1.8%	2%	2%	2%	2%
Cash interest rate	12%	12%	11.0%	11.0%	8.5%	7%
PIK	1.0%	0%	1%	0.5%	0%	0%
Warrants (% of FDC)	8%	2.5%	0%	0%	0%	0%
Total expected returns (gross cash on pre-tax IRR)	15%	14%	14%	13%	10%	8%

Approximately 79% of non-sponsored deals were in the range between \$1 million and \$25 million of EBITDA.

Figure 33. Size of Non-Sponsored Deals in the Last 12 Months



Results of responses to non-sponsored deals based on size of investee EBITDA are reported below.

Table 22. Non-Sponsored Deals by EBITDA Size (medians)

EBITDA size	\$0K - \$999K	\$1M - \$4.99M	\$5M - \$9.99M	\$10M - \$24.99M	\$25M - \$49.99M
Number of deals	4	10	13	8	3
Average loan terms (years)	4.0	5.0	5.0	5.0	5.5
Senior leverage ratio (multiple of EBITDA)	2.0	2.0	2.3	2.3	2.5
Total leverage ratio (multiple of EBITDA)	3.0	3.5	3.5	3.8	4.0
Commitment fee (%)	0.0%	0.5%	0.9%	0.5%	1%
Closing fee (%)	0.3%	1.0%	1.5%	1.5%	1.3%
Cash interest rate	16.5%	12%	12%	11.5%	10.5%
PIK	3.5%	2.0%	2.0%	1.5%	1.0%
Warrants (% of FDC)	0.0%	5.5%	0.0%	0.0%	1.5%
Total expected returns (gross cash on pre-tax IRR)	20%	15.5%	15%	14.5%	14%

Acquisition loan was reported by 35% of respondents as a motivation to secure mezzanine funding, followed by working financing growth (23%) and management buyout (17%).

Figure 34. Borrower Motivation to Secure Mezzanine Funding (past 12 months)

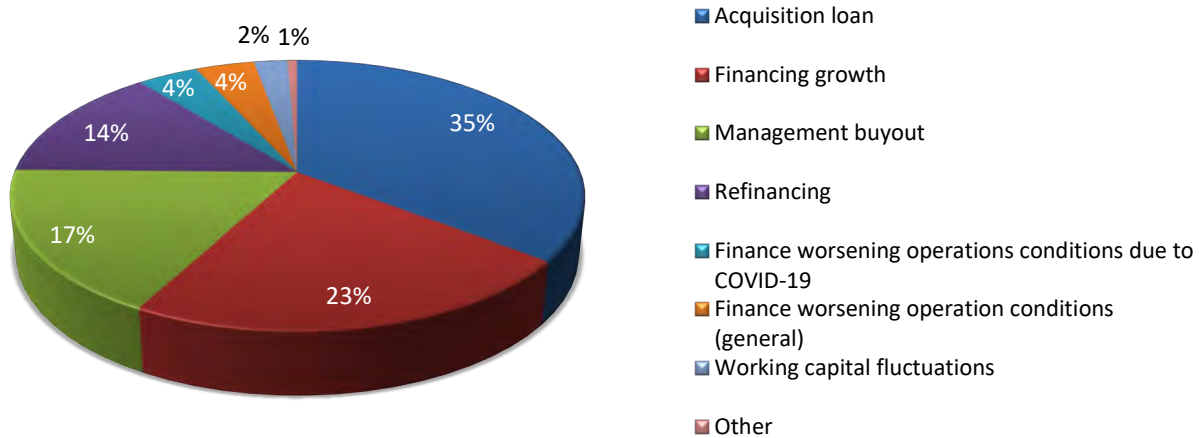
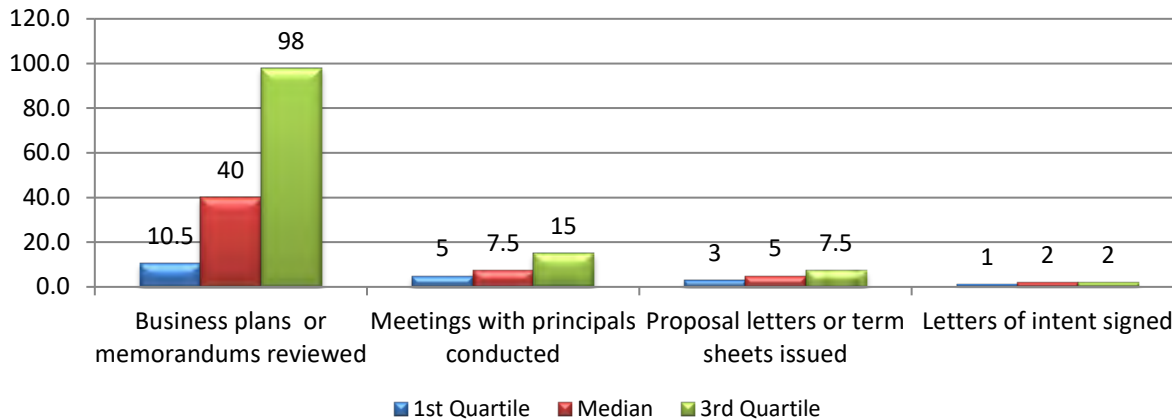


Figure 35. Items Required to Close One Deal



Total debt service coverage ratio was the most important factor when deciding whether to invest or not, followed by total debt-to-cash flow ratio.

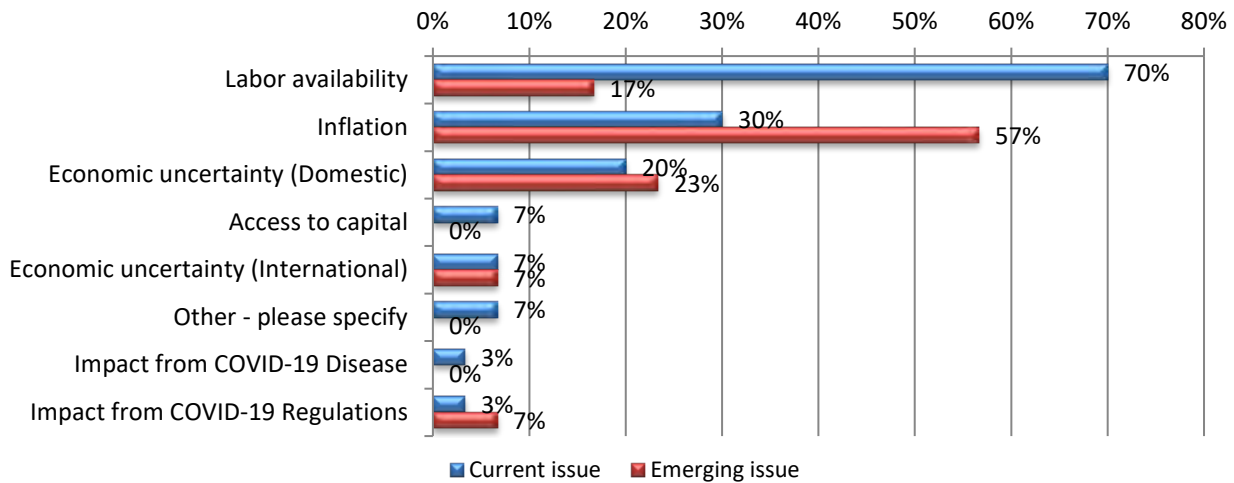
Table 23. Importance of Financial Evaluation Metrics

	Unimportant	Of little importance	Moderately important	Important	Very important	Score
Senior DSCR or FCC ratio	8%	21%	25%	29%	17%	3.3
Total DSCR or FCC ratio	4%	4%	12%	20%	60%	4.3
Senior debt to cash flow ratio	5%	27%	27%	27%	14%	3.2
Total debt to cash flow ratio	4%	0%	23%	23%	50%	4.2

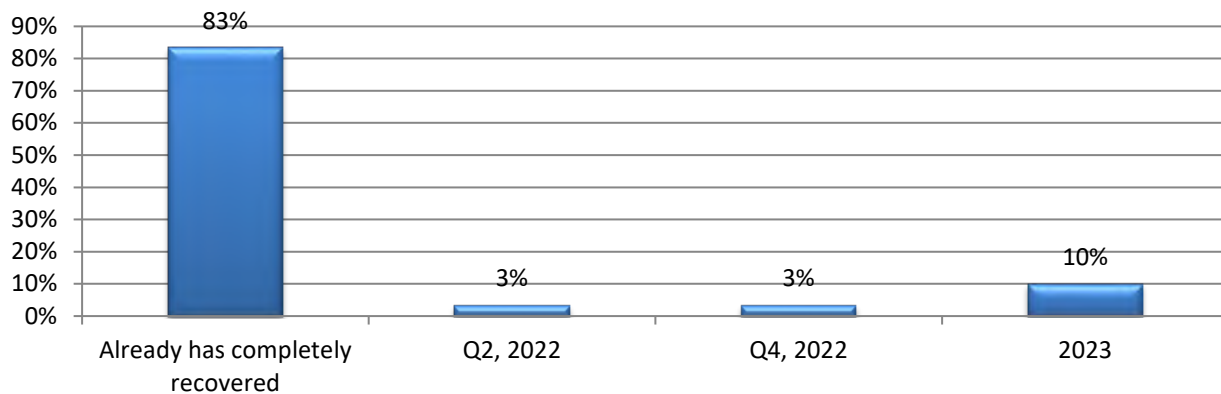
Table 24. Financial Evaluation Metrics Average Data

	Average borrower data	Limit not to be exceeded
Senior DSCR or FCC ratio	1.7	1.4
Total DSCR or FCC ratio	1.5	1.3
Senior debt to cash flow ratio	1.9	2.2
Total debt to cash flow ratio	2.4	2.8

Respondents believe labor availability is the most important issues facing privately-held businesses today.

Figure 50. Issues Facing Privately-Held Businesses


Approximately 83% of respondents believe mezzanine financing has already returned to pre-March 2020 level.

Figure 36. When Mezzanine Financing Returns to Pre-March 2020 Level


MEZZANINE cont.

Relative to 12 months ago, respondents indicated flat demand for mezzanine capital, increased average investment size and leverage multiples. They also reported decreases in warrant coverage and expected returns on new investments.

Table 25. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for mezzanine capital	0%	10%	27%	37%	27%	63%	10%	53%
Credit quality of borrowers seeking investment	0%	10%	52%	38%	0%	38%	10%	28%
Average investment size	3%	7%	47%	43%	0%	43%	10%	33%
Average investment maturity (months)	0%	3%	93%	3%	0%	3%	3%	0%
General underwriting standards	3%	10%	69%	14%	3%	17%	14%	3%
Warrant coverage	4%	33%	46%	17%	0%	17%	38%	-21%
PIK features	0%	21%	75%	4%	0%	4%	21%	-18%
Loan fees	0%	17%	83%	0%	0%	0%	17%	-17%
Leverage multiples	0%	0%	57%	37%	7%	43%	0%	43%
Expected returns on new investments	0%	33%	57%	10%	0%	10%	33%	-23%
General business conditions	7%	33%	33%	23%	3%	27%	40%	-13%
Appetite for risk	3%	10%	40%	43%	3%	47%	13%	33%

Respondents expect increasing demand for mezzanine capital, leverage multiples, appetite for risk, and worsening general business conditions; decreasing warrant coverage and flat expected returns on new investments.

Table 26. General Business and Industry Assessment Expectations over the Next 12 Months

	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase
Demand for mezzanine capital	0%	10%	47%	40%	3%	43%	10%	33%
Credit quality of borrowers seeking investment	3%	37%	47%	13%	0%	13%	40%	-27%
Average investment size	0%	3%	67%	30%	0%	30%	3%	27%
Average investment maturity (months)	0%	0%	97%	3%	0%	3%	0%	3%
General underwriting standards	0%	7%	73%	17%	3%	20%	7%	13%
Warrant coverage	4%	19%	73%	4%	0%	4%	23%	-19%
PIK features	0%	14%	83%	3%	0%	3%	14%	-10%
Loan fees	0%	17%	83%	0%	0%	0%	17%	-17%
Leverage multiples	0%	10%	53%	33%	3%	37%	10%	27%
Expected returns on new investments	0%	33%	53%	13%	0%	13%	33%	-20%
General business conditions	3%	47%	33%	17%	0%	17%	50%	-33%
Size of mezzanine industry	0%	10%	43%	43%	3%	47%	10%	37%
Appetite for risk	0%	20%	33%	47%	0%	47%	20%	27%

\$20+ Billion: **Looking for a Home**

**Representing \$20+ Billion in Assets, CCG Has
Buyside Mandates With Funds & Investors –
Helping Companies Seize Opportunities on
the Horizon**



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INVESTMENT BANKER SURVEY INFORMATION

Approximately 34% of the 98 respondents to the investment banker survey indicated increasing presence of strategic buyers making deals over the last twelve months. They also reported increases in deal flow, leverage and deal multiples, margin pressure on companies and flat general business conditions. Labor availability was identified as the most important current issue facing privately-held businesses, following by inflation and domestic economic uncertainty. Inflation was identified as the most important emerging issue.

Other key findings include:

- Approximately 23% of respondents expect to close ten or more deals in the next 12 months.
- The top three reasons for deals not closing were valuation gap in pricing (25%), unreasonable seller or buyer demand (19%), and COVID-19 pandemic (15%).
- Respondents indicated a general balance between companies worthy of financing and capital available for the same. There is a reported shortage of capital for those companies with less than \$1 million in EBITDA, but a general surplus for companies with \$1 million in EBITDA or more.
- The most popular valuation methods used by respondents when valuing privately-held businesses were guideline company transactions method, discounted future earnings method and capitalization earnings method.
- When using multiples to determine the value of a business, the most popular methods used by respondents when valuing privately-held businesses were recast (adjusted) EBITDA multiple (74%), revenue multiple (12%) and EBITDA (unadjusted) multiple (6%) approaches.

Operational and Assessment Characteristics

Approximately 10% of the respondents didn't close any deals in the last twelve months; 57% closed between one and five deals, while 33% closed six deals or more.

Figure 37. Private Business Sales Transactions Closed in the Last 12 Months

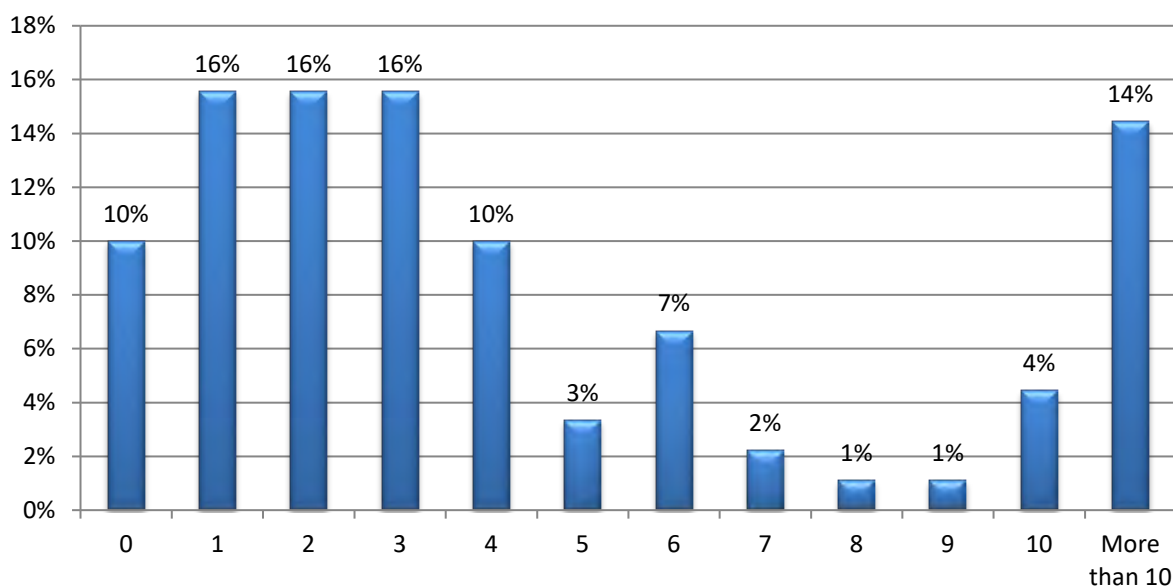
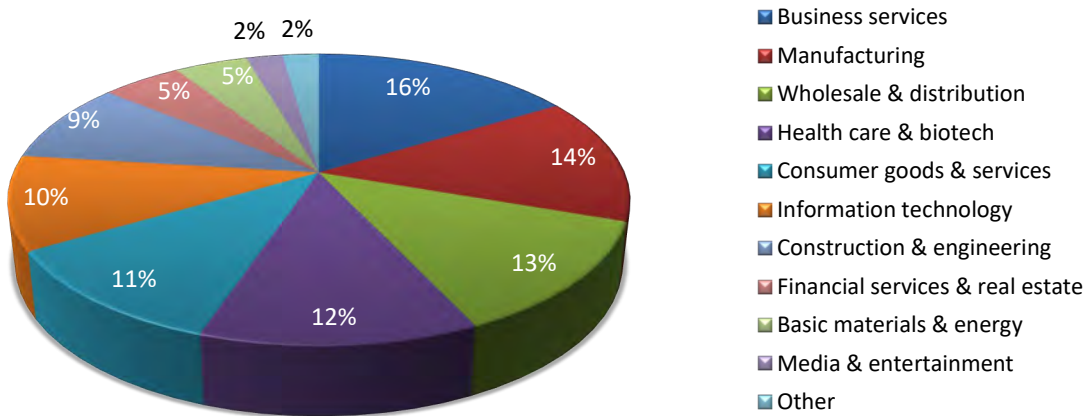
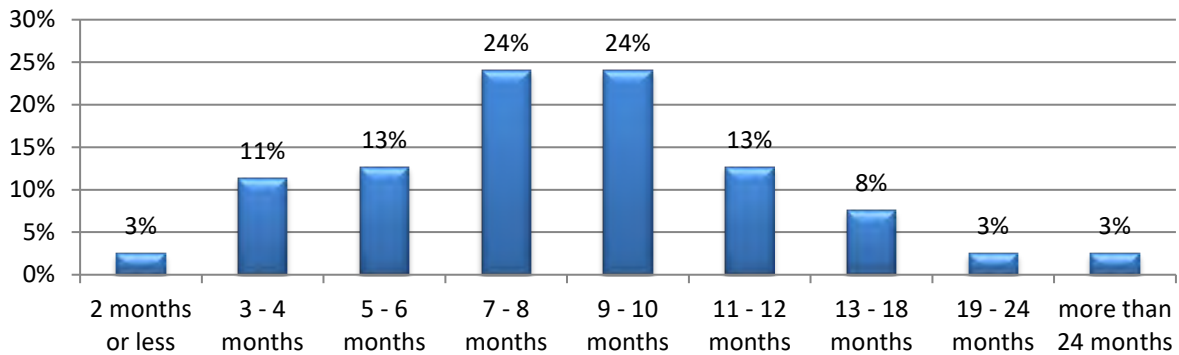


Figure 38. Business Types That Were Involved in the Transactions Closed in the Last 12 Months



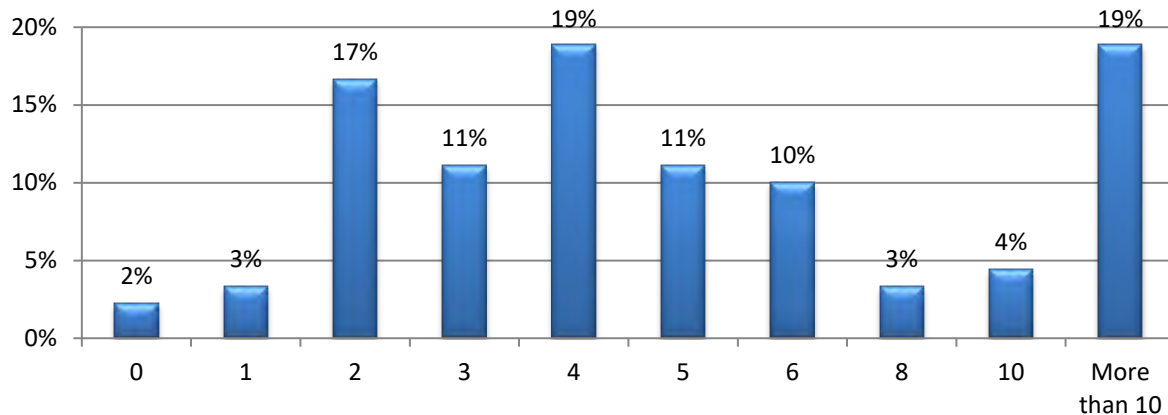
The majority of deals (73%) took 5 to 12 months to close. 13% of closed deals took more than one year to close.

Figure 39. Average Number of Months to Close One Deal



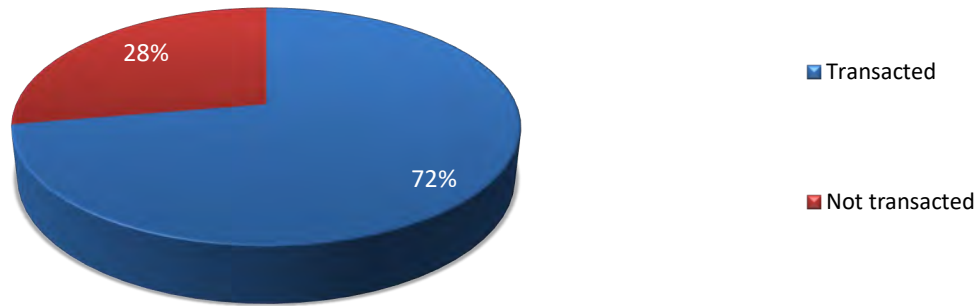
Nearly 47% of respondents expect to close between two and four deals, while 48% expect to close 5 deals or more.

Figure 40. Private Business Transactions Expected to Close in the Next 12 Months



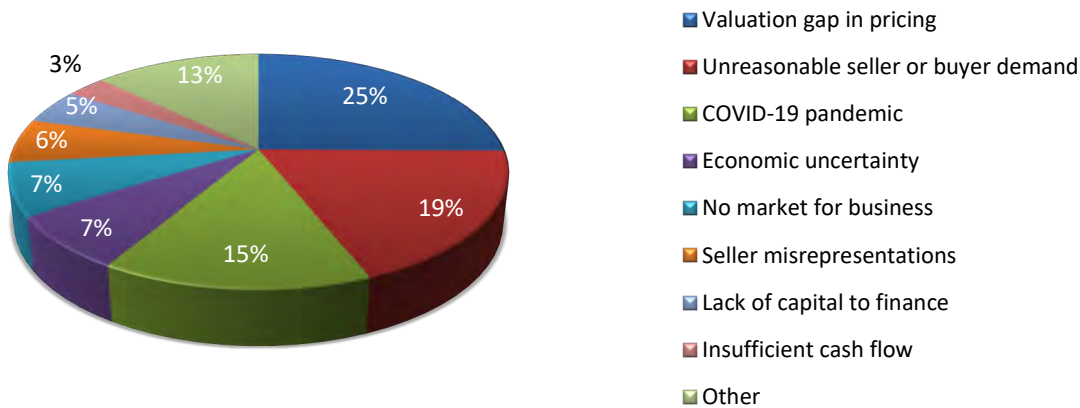
Approximately 28% of deals terminated without transacting over the past year.

Figure 41. Percentage of Business Sales Engagements Terminated Without Transacting



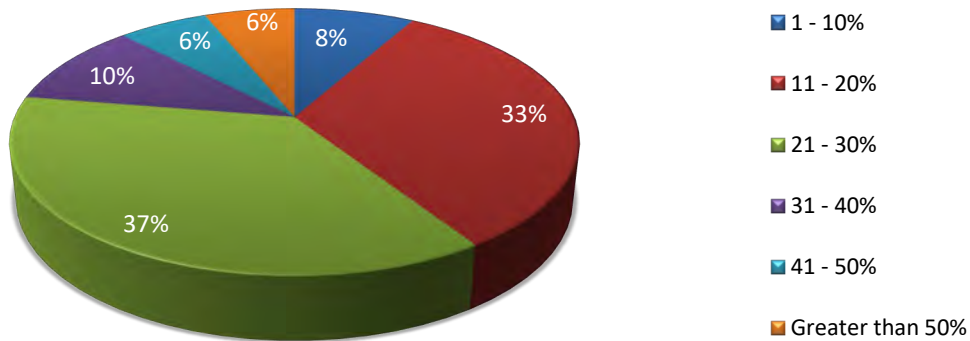
The top three reasons for deals not closing were valuation gap in pricing (25%), unreasonable seller or buyer demand (19%), and COVID-19 pandemic (15%).

Figure 42. Reasons for Business Sales Engagements Not Transacting



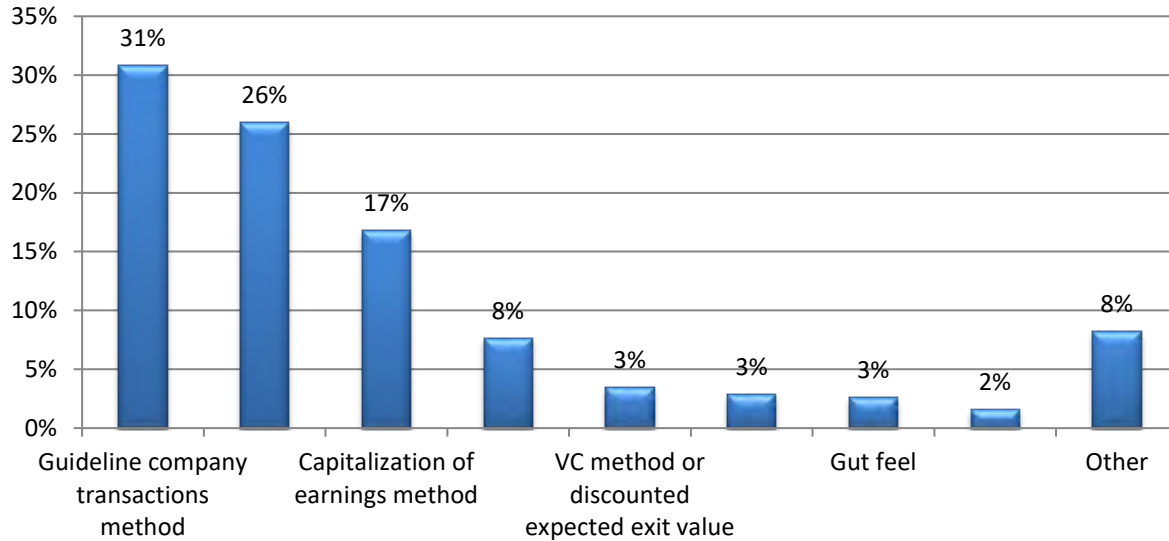
Of those transactions that didn't close due to a valuation gap in pricing, approximately 69% had a valuation gap in pricing between 11% and 30%.

Figure 43. Valuation Gap in Pricing for Transactions That Didn't Close



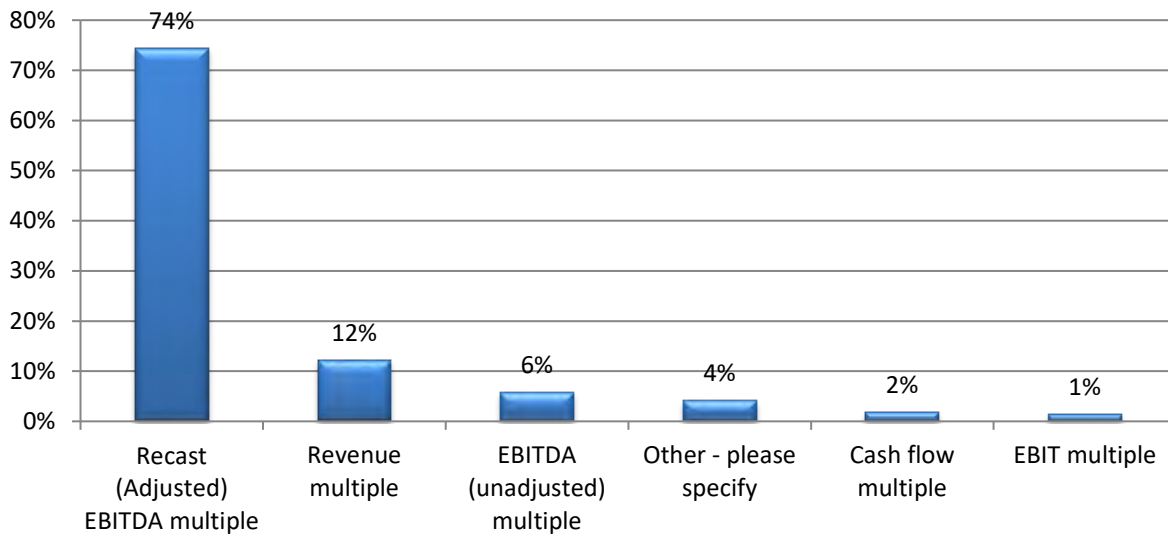
The weights of the various valuation methods used by respondents when valuing privately-held businesses included 31% for guideline company transactions method.

Figure 44. Usage of Valuation Methods



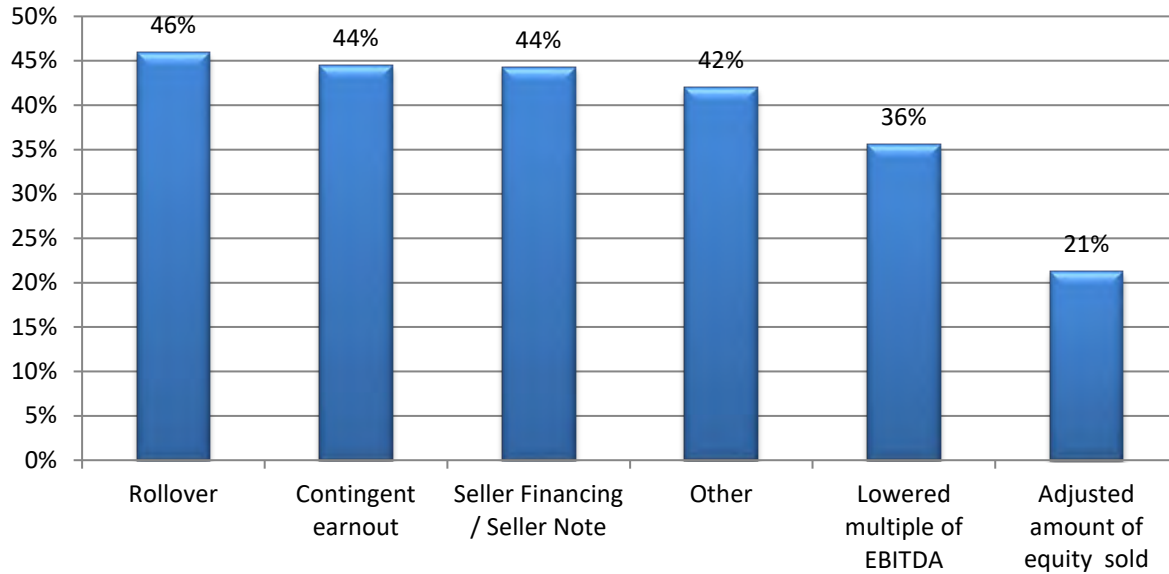
The most popular multiple method used by respondents when valuing privately-held businesses is the recast (adjusted) EBITDA multiple method, utilized by 74% of respondents.

Figure 45. Usage of Multiple Methods



Approximately 46% of business sales transactions closed in the last 12 months involved rollover.

Figure 46. Components of Closed Deals



Average deal multiples on transactions from the prior twelve months as observed by respondents varied from 4.3 to 9.3.

Table 27. Median Deal Multiples by EBITDA Size of Company

EBITDA	Manufact.	Construction & engineering	Consumer goods & services	Wholesale & distrib.	Biz. services	Basic materials	Healthcare & biotech	Inform. technology	Fin. services	Media & entert.	Avg.
\$0K - \$999K EBITDA	4.3	4.0	4.5	4.5	5.0	3.5	4.0	4.0	5.0	n/a	4.3
\$1M - \$4.99M EBITDA	6.0	5.0	6.8	6.0	6.0	6.0	4.0	7.8	5.5	8.5	6.2
\$5M - \$9.99M EBITDA	6.0	6.0	7.3	6.5	7.0	7.5	8.0	8.0	6.0	10.0	7.2
\$10M - \$24.99M EBITDA	6.5	6.0	8.0	7.0	7.5	7.5	9.3	10.0	8.3	10.0	8.0
\$25M - \$49.99M EBITDA	6.8	6.0	8.5	7.5	9.5	9.0	10.0	10.0	10.0	n/a	8.6
\$50M+ EBITDA	7.0	n/a	10.0	7.5	10.0	10.0	10.0	10.0	10.0	n/a	9.3

Average total leverage multiples observed by respondents varied from 2.7 to 6.3.

Table 28. Median Total Leverage Multiples by Size of Company

EBITDA	Manufact.	Construction & engineering	Consumer goods & services	Wholesale & distrib.	Biz. services	Basic materials	Healthcare & biotech	Inform. technology	Fin. services	Media & entert.	Avg.
\$0K - \$999K EBITDA	3.5	3.0	2.5	2.0	3.0	2.0	3.8	1.3	3.0	n/a	2.7
\$1M - \$4.99M EBITDA	4.0	3.3	3.5	3.5	3.8	2.5	4.0	4.3	4.8	3.0	3.7
\$5M - \$9.99M EBITDA	4.0	3.8	4.0	3.5	4.0	3.0	4.0	7.0	5.0	n/a	4.3
\$10M - \$24.99M EBITDA	5.0	7.0	4.5	4.0	6.3	3.3	6.8	n/a	6.0	n/a	5.4
\$25M - \$49.99M EBITDA	5.5	n/a	4.5	4.5	7.0	3.5	n/a	n/a	7.0	n/a	5.3
\$50M+ EBITDA	6.0	n/a	5.0	7.0	7.5	4.5	n/a	n/a	7.5	n/a	6.3

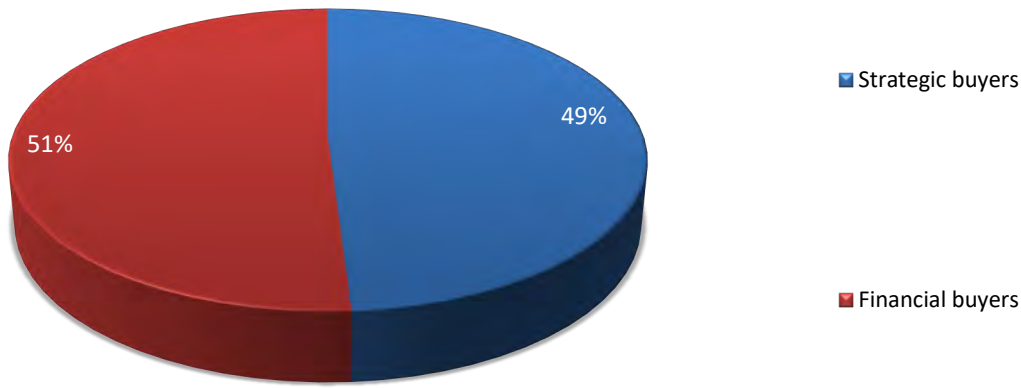
Average senior leverage multiples observed by respondents varied from 2.4 to 4.2.

Table 29. Median Senior Leverage Multiples by Size of Company

EBITDA	Manufact.	Construction & engineering	Consumer goods & services	Wholesale & distrib.	Biz. services	Basic materials	Healthcare & biotech	Inform. technology	Fin. services	Media & entert.	Avg.
\$0K - \$999K EBITDA	3.0	2.5	2.3	2.0	2.8	2.0	3.0	1.3	3.0	n/a	2.4
\$1M - \$4.99M EBITDA	3.0	2.5	3.0	2.5	3.0	2.5	3.3	3.5	3.5	2.0	2.9
\$5M - \$9.99M EBITDA	3.3	2.5	3.0	3.0	4.0	2.8	4.0	7.3	4.0	2.5	3.6
\$10M - \$24.99M EBITDA	3.3	3.0	3.5	3.5	4.0	3.0	5.5	n/a	n/a	n/a	3.7
\$25M - \$49.99M EBITDA	3.5	5.8	3.8	4.0	5.0	3.0	n/a	n/a	n/a	n/a	4.2
\$50M+ EBITDA	4.0	n/a	4.0	4.8	n/a	3.5	n/a	n/a	n/a	n/a	4.1

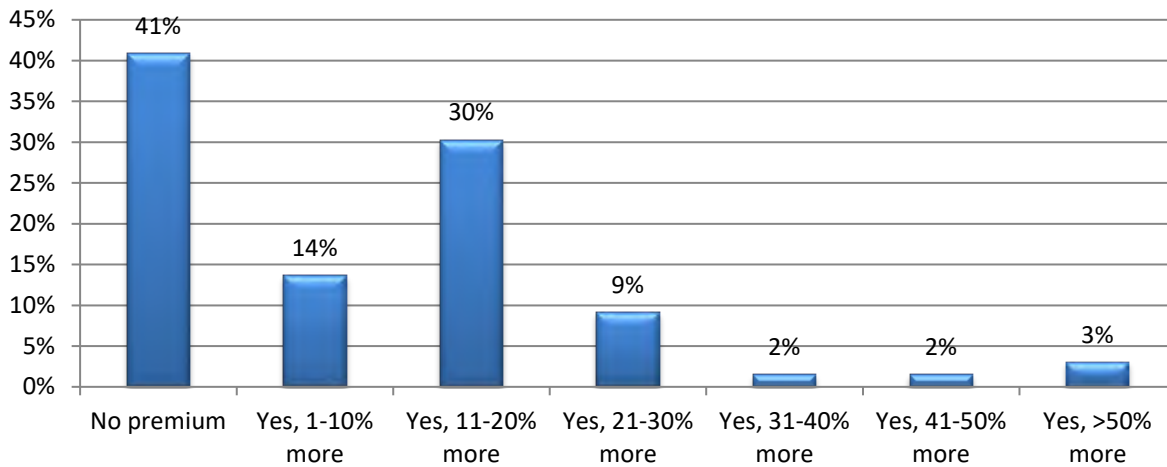
Approximately 49% of closed business sales transactions over the past 12 months involved strategic buyers.

Figure 47. Percent of Transactions Involved Strategic and Financial Buyers



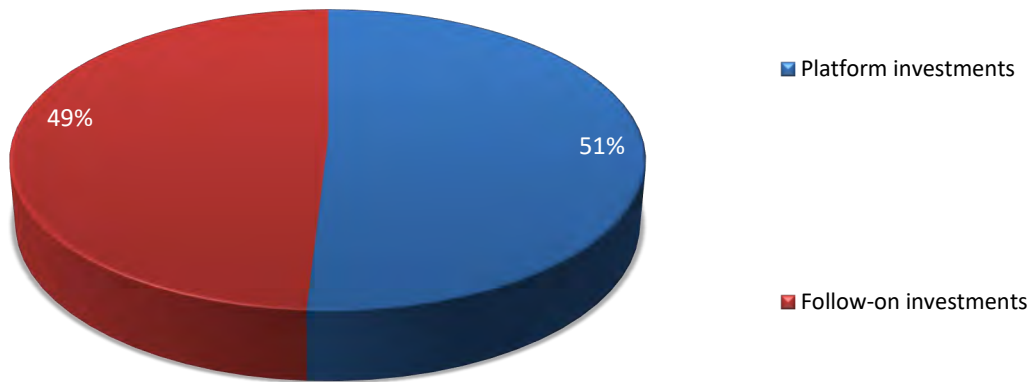
Approximately 41% of respondents did not witness any premium paid by strategic buyers, while 44% saw premiums between 1% and 20%.

Figure 48. Premium Paid by Strategic Buyers Relative to Financial Buyers



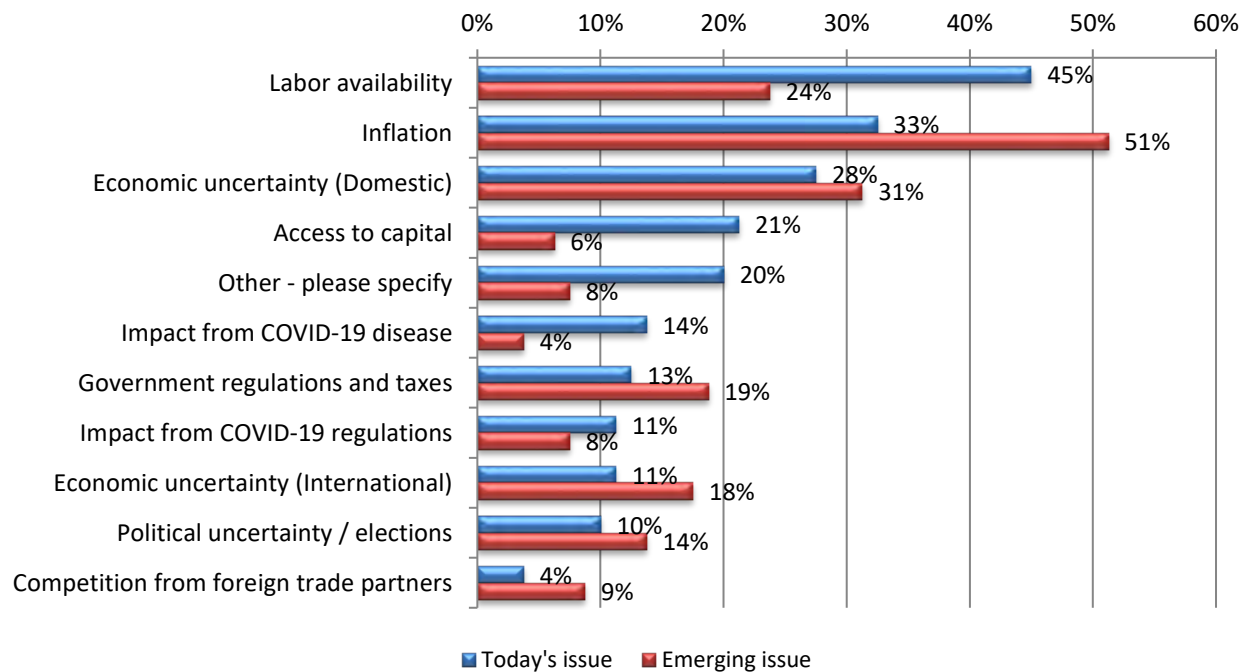
Approximately 51% of closed business sales transactions that involved financial buyers over the past 12 months were platform investments.

Figure 49. Percent of Transactions Involved Strategic and Financial Buyers



Respondents believe labor availability is the most important current issue facing privately-held businesses.

Figure 50. Issues Facing Privately-Held Businesses



INVESTMENT BANKER cont.

Respondents indicated a general balance between companies worthy of financing and capital available for the same. There is a reported shortage of capital for those companies with less than \$1 million in EBITDA but a general surplus for companies with \$1 million in EBITDA or more.

Table 30. Balance of Available Capital with Quality Companies

EBITDA	Companies worthy of financing GREATLY exceed capital available	Companies worthy of financing exceed capital available	General balance	Capital available exceeds companies worthy of financing	Capital available GREATLY exceeds companies worthy of financing	Score
\$0K - \$999K EBITDA	25%	34%	25%	13%	4%	-0.6
\$1M - \$4.99M EBITDA	6%	16%	41%	29%	9%	0.2
\$5M - \$9.99M EBITDA	2%	14%	25%	38%	21%	0.6
\$10M - \$24.99M EBITDA	2%	8%	26%	32%	32%	0.8
\$25M - \$49.99M EBITDA	3%	8%	23%	36%	31%	0.8
\$50M - \$99.99M EBITDA	3%	3%	16%	39%	39%	1.1
\$100M+ EBITDA	3%	3%	17%	30%	47%	1.1

Respondents indicated a general difficulty with arranging senior debt for businesses with less than \$1 million in EBITDA.

Table 31. How Difficult to Arrange Senior Debt for Transactions over the Past 12 Months

EBITDA	Extremely difficult	Difficult	Somewhat difficult	Neutral	Somewhat easy	Easy	Extremely easy	Score
\$1M EBITDA	29%	16%	19%	13%	10%	6%	6%	-1.0
\$5M EBITDA	5%	9%	11%	18%	30%	16%	11%	0.5
\$10M EBITDA	3%	0%	9%	18%	33%	12%	24%	1.1
\$15M EBITDA	0%	3%	3%	7%	17%	38%	31%	1.8
\$25M EBITDA	0%	6%	6%	6%	12%	29%	41%	1.8
\$50M EBITDA	0%	0%	14%	7%	14%	21%	43%	1.7
\$100M+ EBITDA	0%	0%	8%	17%	8%	8%	58%	1.9

Approximately 45% of respondents to the investment banker survey indicated increasing presence of strategic buyers making deals over the last twelve months. They also reported increases in deal flow, leverage and deal multiples, margin pressure on companies and general business conditions.

Table 32. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Deal flow	0%	10%	24%	38%	29%	66%	10%	56%
Leverage multiples	0%	5%	58%	31%	5%	36%	5%	31%
Deal multiples	0%	8%	38%	45%	9%	55%	8%	47%
Amount of time to sell business	1%	23%	46%	23%	6%	29%	24%	5%
Difficulty financing/selling business	1%	29%	49%	18%	3%	20%	30%	-10%
General business conditions	1%	24%	28%	35%	11%	47%	25%	22%
Strategic buyers making deals	0%	11%	45%	37%	8%	45%	11%	34%
Margin pressure on companies	1%	10%	22%	50%	17%	67%	12%	55%
Buyer interest in minority transactions	3%	11%	56%	23%	8%	31%	13%	17%

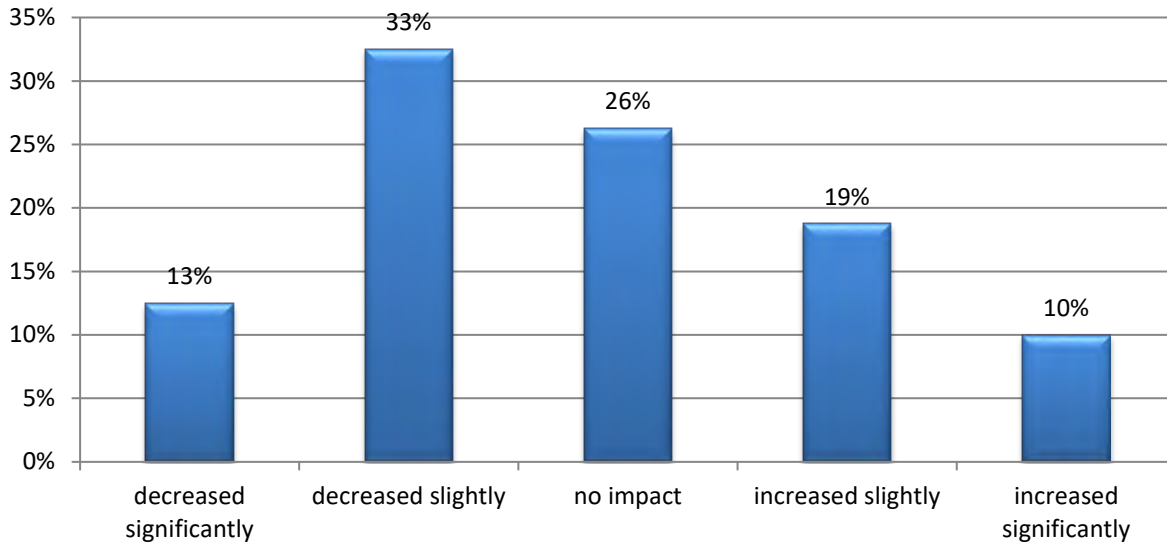
During the next twelve months, respondents expect further increases in deal flow, increasing percentage of strategic buyers making deals, margin pressure on companies and flat general business conditions.

Table 33. General Business and Industry Assessment Expectations over the Next 12 Months

	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase/decrease
Deal flow	1%	16%	28%	38%	16%	54%	18%	37%
Leverage multiples	1%	33%	47%	16%	3%	19%	35%	-16%
Deal multiples	0%	34%	42%	21%	4%	25%	34%	-9%
Amount of time to sell business	1%	11%	51%	34%	3%	37%	13%	24%
Difficulty financing/selling business	4%	13%	45%	35%	4%	38%	17%	22%
General business conditions	3%	34%	29%	32%	3%	35%	36%	-1%
Strategic buyers making deals	0%	12%	56%	28%	4%	32%	12%	20%
Margin pressure on companies	0%	8%	29%	50%	13%	63%	8%	55%
Buyer interest in minority transactions	0%	9%	70%	14%	7%	20%	9%	11%

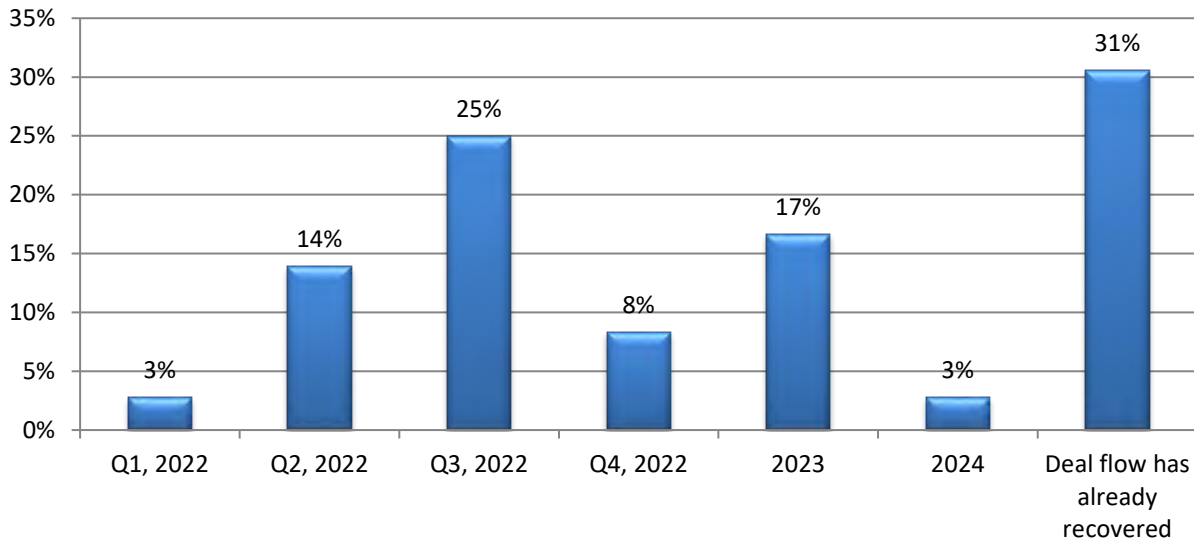
Approximately 45% of respondents indicated their deal flow decreased due to COVID-19 pandemic in 2021.

Figure 51. Level of Impact COVID-19 Pandemic Had on Respondents Deal Flow in 2021



Approximately 50% of respondents believe their deal flow will return to pre-March 2020 level in the year 2021.

Figure 52. When Investment Banking Deal Flow Returns to Pre-March 2020 Level



PRIVATE EQUITY SURVEY INFORMATION

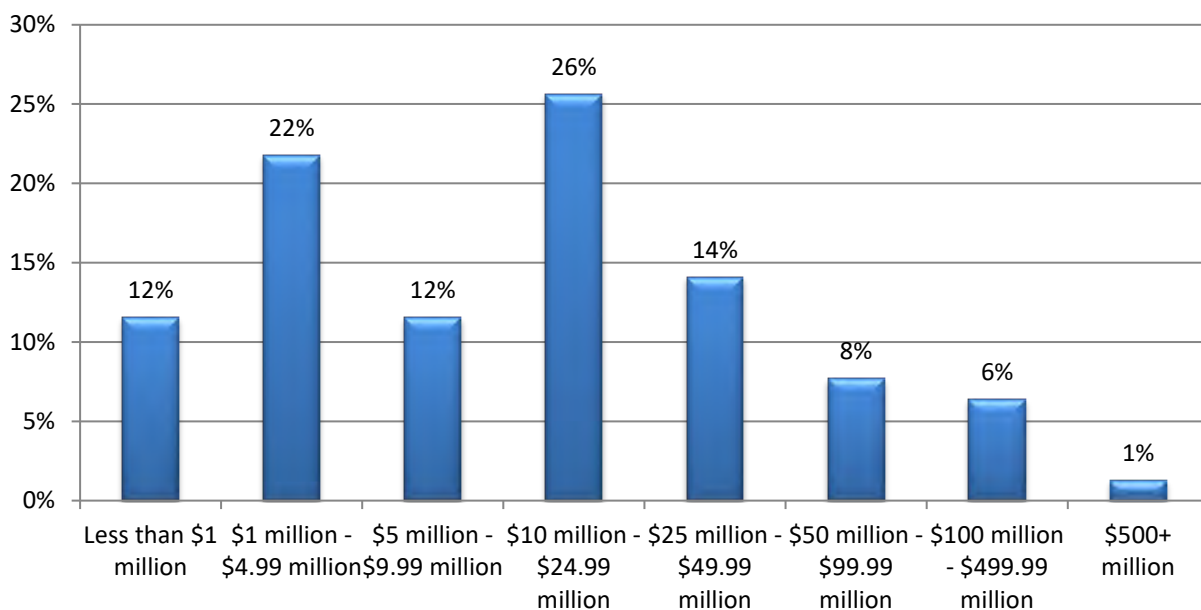
Approximately 74% of the 68 participants who responded to the private equity group survey indicated that they make investments in the \$1 million to \$25 million range. Nearly 61% of respondents said that demand for private equity is up from twelve months ago, this is up from 52% of respondents indicating increased demand in 2021. Other key findings include:

- Respondents indicated decreased quality of companies seeking investment. They also reported significant decrease in expected returns on new investments, improved general business conditions and increased deal multiples.
- Respondents expect further increases in demand for private equity, increasing deal multiples and value of portfolio companies and worsening general business conditions.
- The types of businesses respondents plan to invest in over next 12 months are very diverse with over 29% targeting manufacturing and another 22% planning to invest in business services.
- Respondents believe labor availability is the most important current issue facing privately-held businesses, while inflation is the most important emerging issue.
- The most popular valuation methods used by respondents when valuing privately-held businesses were capitalization of earnings (28%) and discounted future earnings (25%) approaches.
- When using multiples to determine the value of a business, the most popular methods used by respondents when valuing privately-held businesses were recast EBITDA multiple (36%) and EBITDA multiple (30%).

Operational and Assessment Characteristics

The largest concentration of checks written by investors was in the \$10 - \$25 million range (26%), followed by \$10 - \$20 million (22%).

Figure 53. Typical Investment Size



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Transaction

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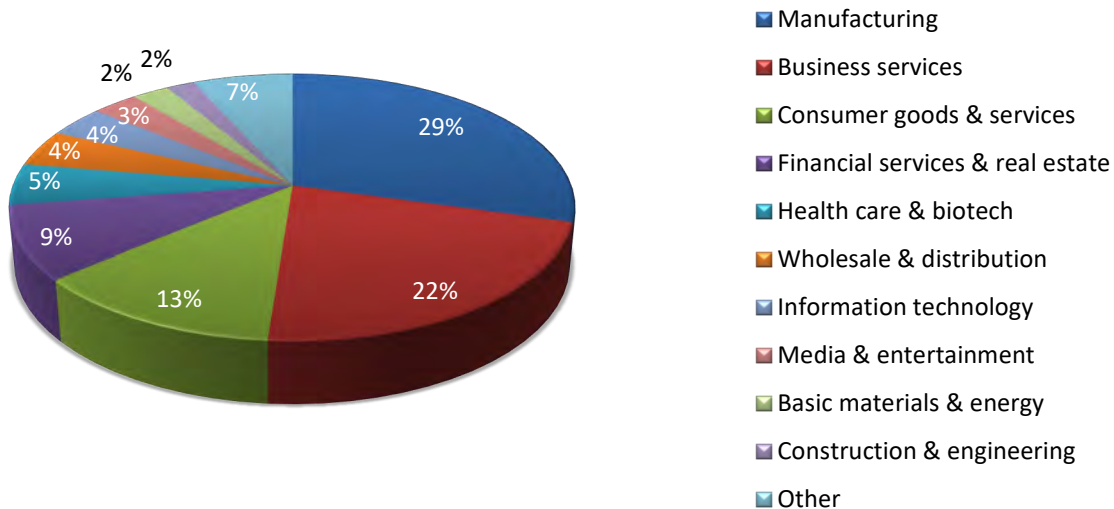
Respondents reported on business practices, and the results are reflected below.

Table 34. PEG Fund Data

	1st Quartile	Median	3rd Quartile
Vintage year (year in which first investment made)	2017	2019	2020
Size of fund (\$ millions)	37.5	125	450
Targeted number of total investments	3	7.5	17.5
Target fund return (gross pretax cash on cash annual IRR %)	20%	25%	25%
Expected fund return (gross pretax cash on cash annual IRR%)	18%	20%	25%

The types of businesses respondents plan to invest in over next 12 months are very diverse with nearly 29% manufacturing and another 22% planning to invest in business services.

Figure 54. Type of Business for Investments Planned over Next 12 Months



Approximately 30% of respondents didn't make any investments over the last twelve months.

Figure 55. Total Number of Investments Made in the Last 12 Months

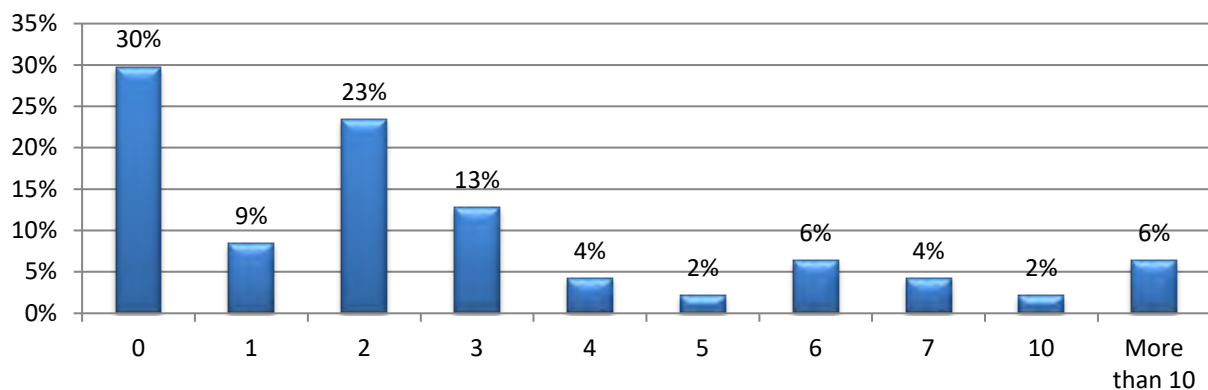
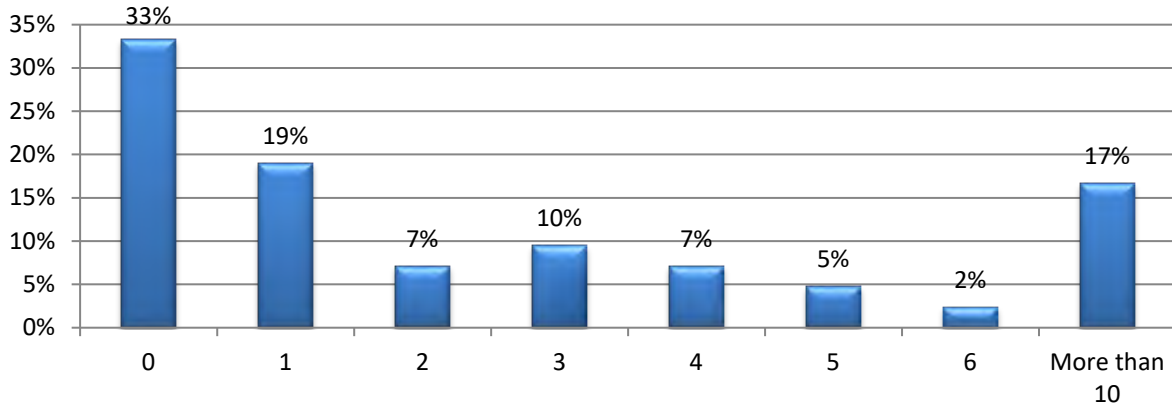


Figure 56. Number of Follow-on Investments Made in the Last 12 Months



The majority (66%) of respondents plan to make one to three investments over the next 12 months.

Figure 57. Number of Total Investments Planned over the Next 12 Months

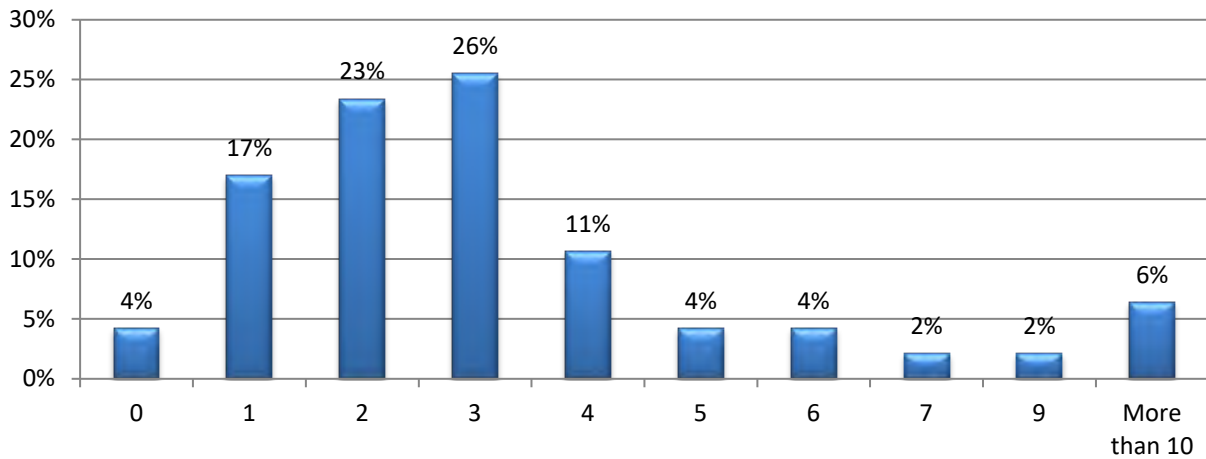
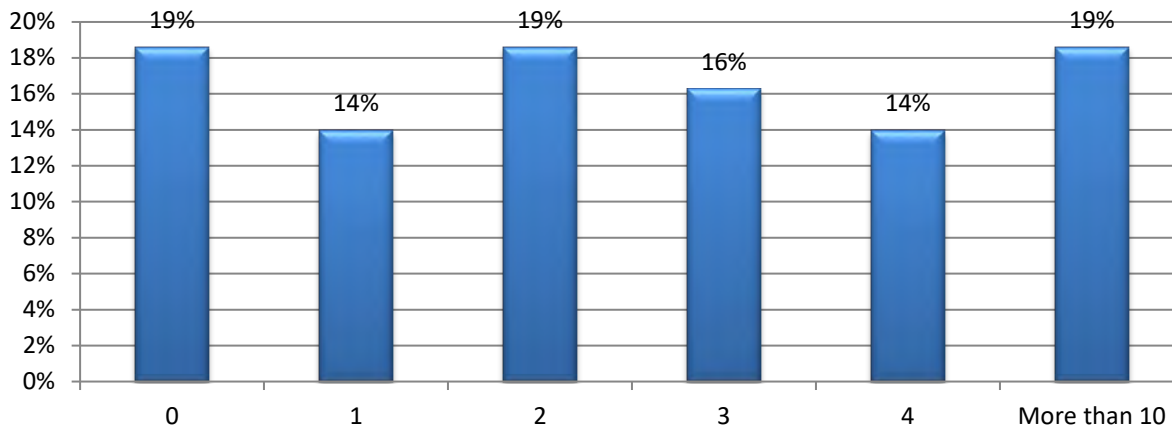
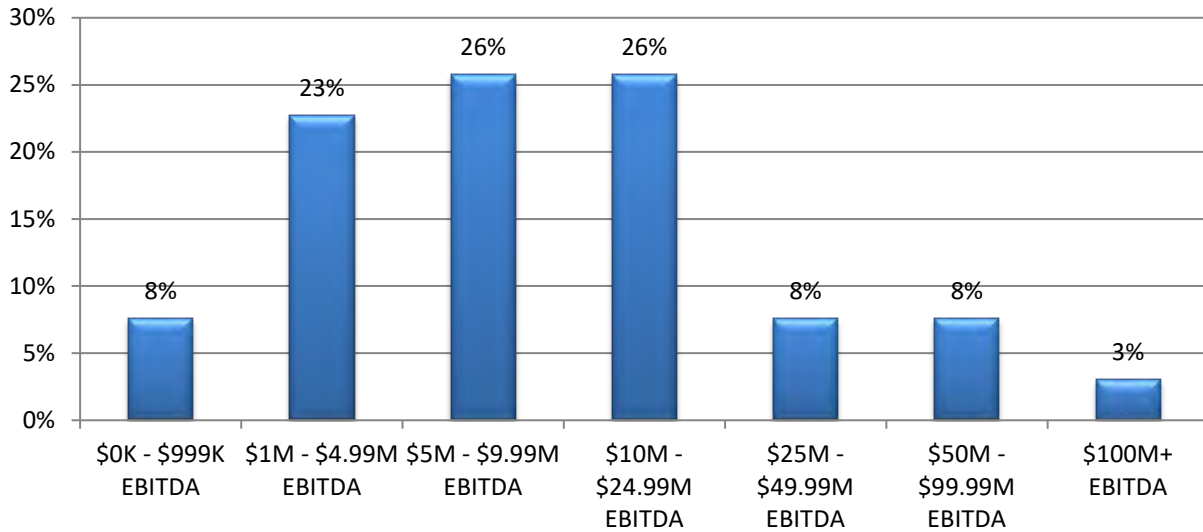


Figure 58. Number of Follow-on Investments Planned over the Next 12 Months



Approximately 74% of buyout investments were in the range between \$1 million and \$25 million of EBITDA.

Figure 59. Size of Buyout Investments in the Last 12 Months



Average deal multiples for buyout deals for the prior twelve months vary from 3 to 8.8 times EBITDA depending on the size of the company. Expected returns vary from 20% to 30%.

Table 35. General Characteristics – Buyout Transactions (medians)

	\$0K - \$999K EBITDA	\$1M - \$4.99M EBITDA	\$5M - \$9.99M EBITDA	\$10M - \$24.99M EBITDA	\$25M - \$49.99M EBITDA	\$50M - \$99.99M EBITDA	\$100M+ EBITDA
Number of investments (total)	4	32	21	11	5	9	8
Average size of investment (in million USD)	0.5	4	20	55	85	100+	100+
Expected time to exit (years) (median)	5	5	5	4.5	4.5	4	4
Equity as % of new capital structure (median)	55%	55%	45%	45%	45%	40%	30%
% of total equity purchased (median)	90%	85%	80%	80%	75%	65%	45%
Average EBITDA multiple	3.0	5.5	6.0	6.0	7.3	7.3	8.8
Average revenue multiple	1.0	1.0	1.0	2.3	2.3	2.5	3.0
Median total expected returns (gross cash on cash pre-tax IRR)	30%	30%	25%	23.5%	22%	20%	20%

MOST FUNDABLE COMPANIES LIST

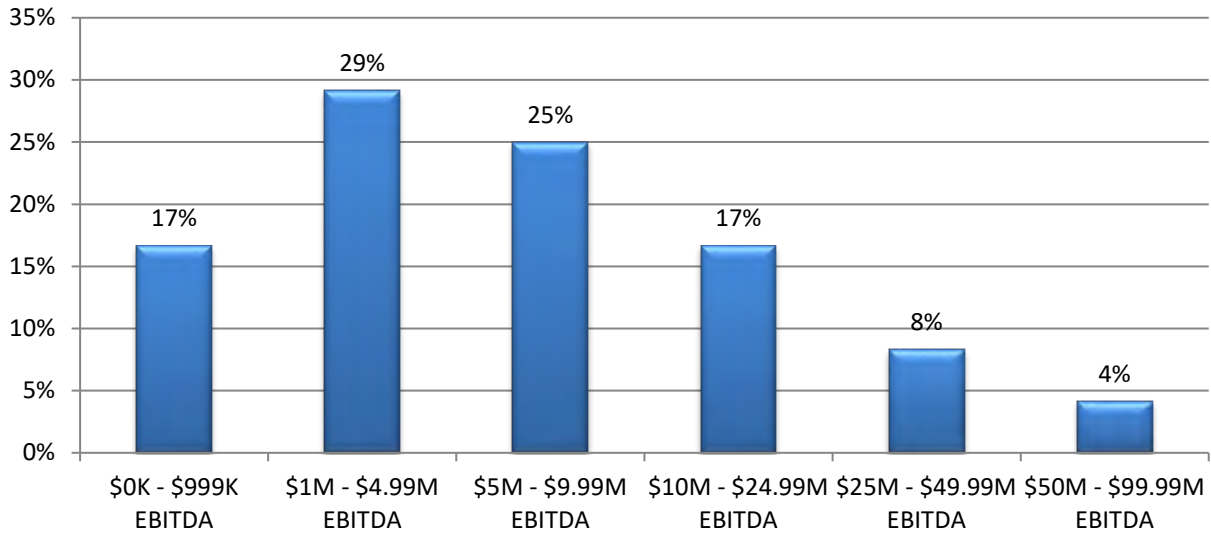
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Approximately 88% of buyout investments were in the range between \$0 million and \$25 million of EBITDA.

Figure 60. Size of Non-Buyout Investments in the Last 12 Months



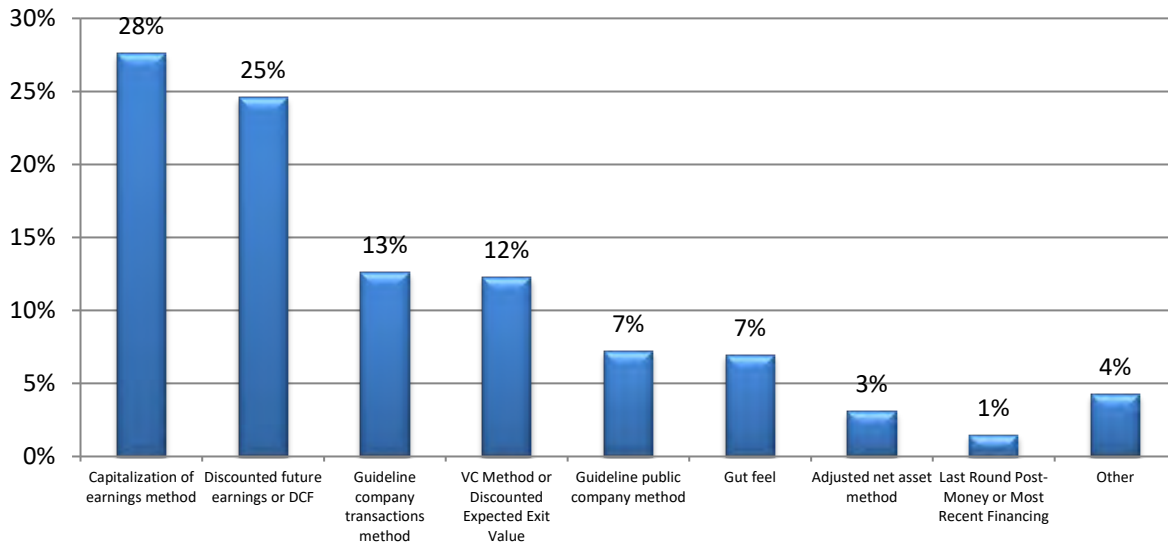
Average deal multiples for buyout deals for the prior twelve months vary from 4.0 to 10.0 times EBITDA depending on the size of the company. Expected returns vary from 23% to 30%.

Table 36. General Characteristics – Non-Buyout Transactions (medians)

	\$0K - \$999K EBITDA	\$1M - \$4.99M EBITDA	\$5M - \$9.99M EBITDA	\$10M - \$24.99M EBITDA	\$25M - \$49.99M EBITDA
Number of investments (total)	5	6	13	15	4
Average size of investment (in million USD)	0.5	0.5	4	4	5
Expected time to exit (years) (median)	5	5	5	4.75	4
Equity as % of new capital structure (median)	40%	35%	25%	15%	5%
% of total equity purchased (median)	35%	35%	35%	15%	15%
Average EBITDA multiple	4.0	5.0	9.0	10.0	10.0
Average revenue multiple	2.0	2.0	2.0	2.5	5.75
Median total expected returns (gross cash on cash pre-tax IRR)	30%	25%	25%	23%	23%

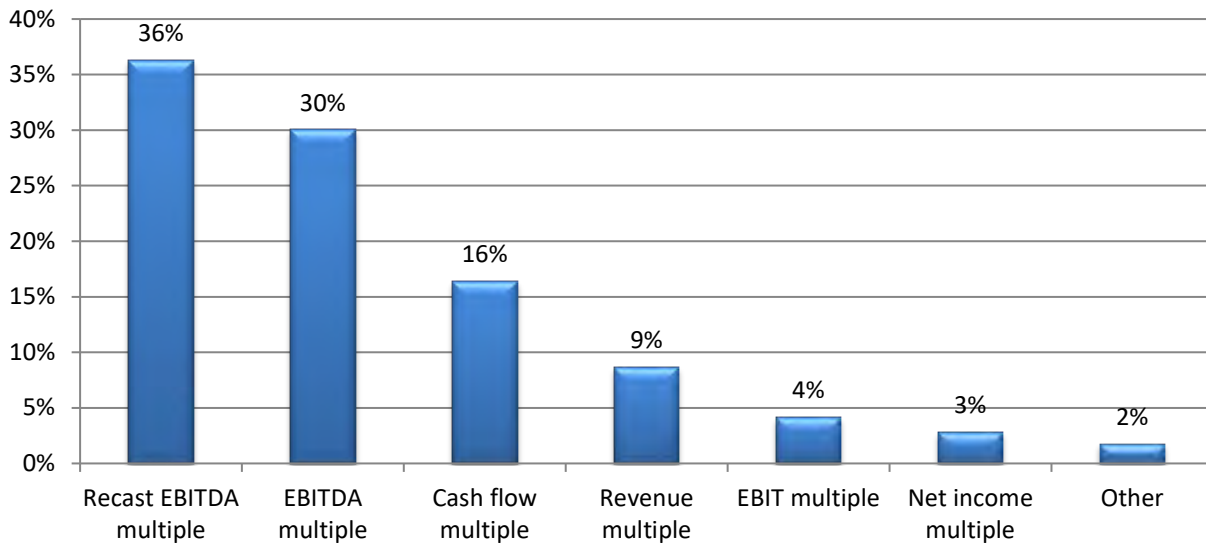
When valuing a business, approximately 28% of the weight is placed on capitalization of earnings method.

Figure 61. Usage of Valuation Approaches



The weights of the various multiple methods used by respondents when valuing privately-held businesses included 36% for recast (adjusted) EBITDA multiple and 30% for EBITDA multiple.

Figure 62. Usage of Multiple Methods



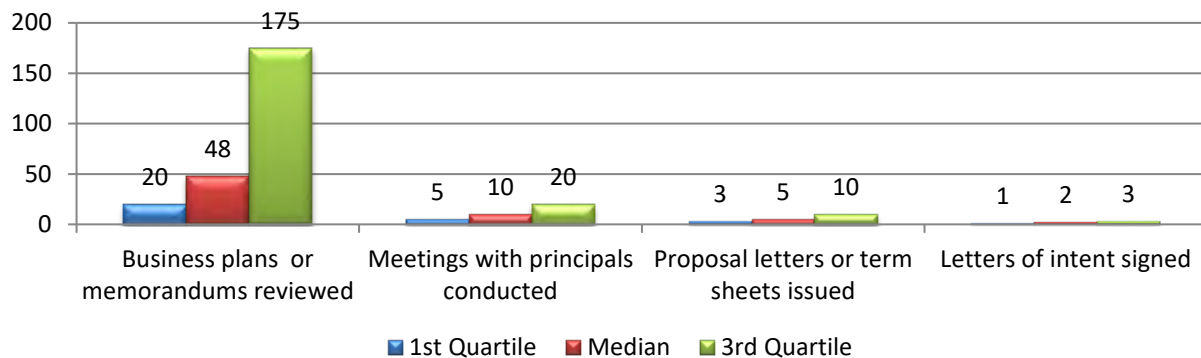
Average deal multiples on transactions from the prior twelve months as observed by respondents varied from 3.3 to 7.7.

Table 37. Median Deal Multiples by EBITDA Size of Company

	\$1M EBITDA	\$5M EBITDA	\$10M EBITDA	\$15M EBITDA	\$25M EBITDA	\$50M EBITDA	\$100M EBITDA	Average
Manufacturing	1	2.25	3	3.25	5	10	10+	4.1
Construction & engineering	n/a	3	5	6.75	7.5	n/a	n/a	5.6
Consumer goods & services	2	5	5.5	6.75	7	10	10+	6.0
Wholesale & distribution	n/a	3	10	10+	10+	n/a	10+	6.5
Business services	5.5	6	7.5	n/a	8.5	10+	10+	6.9
Health care & biotech	n/a	7.25	n/a	n/a	7.25	10+	10+	7.3
Information technology	2	2	2	6.25	6.25	6.25	10	5.0
Financial services & real estate			3		7	10+	10+	5.0
Media & entertainment	2.5	2.5	2.5	2.5	2.5	3.25	5.5	3.0
Average	2.6	3.9	4.8	5.1	6.4	7.4	7.8	5.4

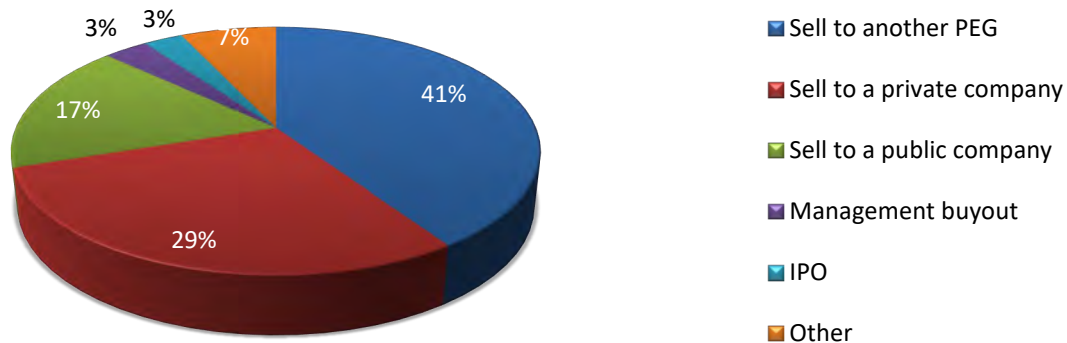
Respondents reported on items required to close one deal.

Figure 63. Items Required to Close One Deal



Respondents reported exit strategies that include selling to another private equity group (41%), selling to private company (29%), and selling to a public company (17%).

Figure 64. Exit Plans for Portfolio Companies



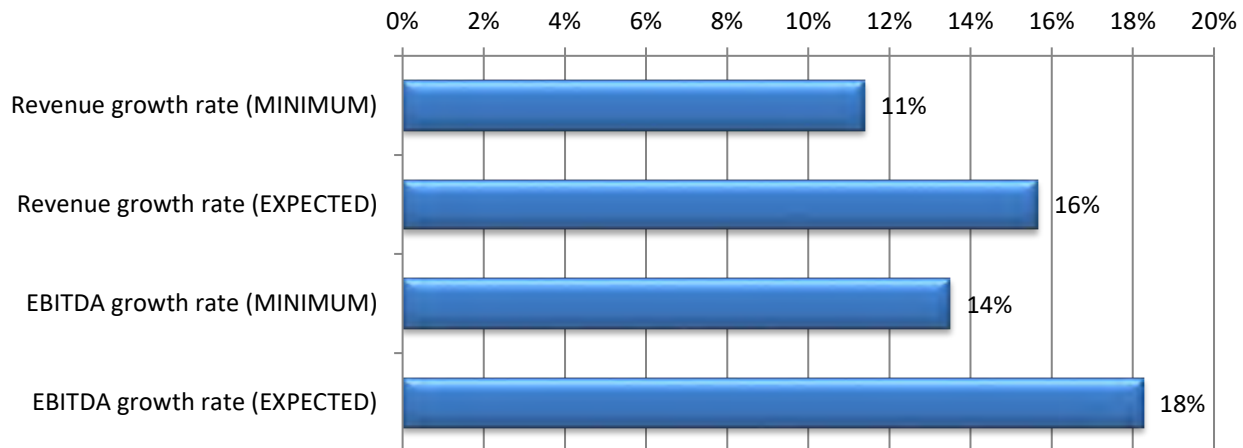
Most of the respondents believe the number of companies “worthy of financing” exceeds “capital available” for the companies with less than \$1M in EBITDA. Whereas for the larger companies, “capital available” exceeds the number of companies “worthy of financing.”

Table 38. The Balance of Available Capital with Quality Companies for the Following EBITDA Size

	Companies worthy of financing GREATLY exceed capital available (capital shortage)	Companies worthy of financing exceed capital available	General balance between companies worthy of financing and capital available	Capital available exceeds companies worthy of financing	Capital available GREATLY exceeds companies worthy of financing (capital surplus)	Score
\$0K - \$999K EBITDA	23%	23%	32%	18%	5%	-0.4
\$1M - \$4.99M EBITDA	0%	24%	36%	28%	12%	0.3
\$5M - \$9.99M EBITDA	4%	8%	19%	42%	27%	0.8
\$10M - \$14.99M EBITDA	4%	7%	7%	41%	41%	1.1
\$15M - \$24.99M EBITDA	0%	9%	0%	32%	59%	1.4
\$25M - \$49.99M EBITDA	0%	9%	0%	9%	83%	1.7
\$50M - \$99.99M EBITDA	0%	4%	13%	4%	78%	1.6
\$100M+ EBITDA	0%	5%	14%	9%	73%	1.1

Respondents reported average minimum revenue growth rate, when investing in a company today, is 11%

Figure 65. Minimum and Expected Annual Growth Rates for Investee



Respondents identified importance of the following items regarding business risk.

Table 39. Importance of Items Regarding Business Risk

Characteristics	Unimportant	Of little importance	Moderately important	Important	Very important	Score (1 to 5)
Firm size	8%	13%	47%	32%	0%	2.0
Customer concentrations	3%	0%	16%	47%	34%	3.1
Market leadership	0%	3%	27%	49%	22%	2.9
Historical operating performance	0%	5%	24%	50%	21%	2.9
Industry sector	3%	0%	21%	47%	29%	3.0
Future prospects of company	0%	0%	3%	34%	63%	3.6
Management team	0%	5%	16%	26%	53%	3.3
Other	0%	0%	0%	25%	75%	3.8

Relative to twelve months ago, respondents indicated increases in demand for private equity, amount of non-control investments and deal multiples. They also reported a decrease in expected returns on new investments and quality of companies seeking investment.

Table 40. General Business and Industry Assessment: Today versus 12 Months Ago

	Decrease significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for private equity	3%	6%	30%	27%	33%	61%	9%	52%
Quality of companies seeking investment	12%	27%	27%	21%	12%	33%	39%	-6%
Average investment size	0%	3%	65%	19%	13%	32%	3%	29%
Non-control investments (< 50% equity ownership)	0%	10%	65%	15%	10%	25%	10%	15%
Expected investment holding period	0%	16%	45%	26%	13%	39%	16%	23%
Deal multiples	0%	3%	24%	42%	30%	73%	3%	70%
Exit opportunities	6%	13%	22%	28%	31%	59%	19%	41%
Expected returns on new investments	6%	47%	34%	6%	6%	13%	53%	-41%
Value of portfolio companies	6%	6%	18%	36%	33%	70%	12%	58%
General business conditions	6%	16%	25%	38%	16%	53%	22%	31%
Size of private equity industry	0%	3%	10%	48%	39%	87%	3%	84%
Appetite for risk	0%	22%	34%	25%	19%	44%	22%	22%

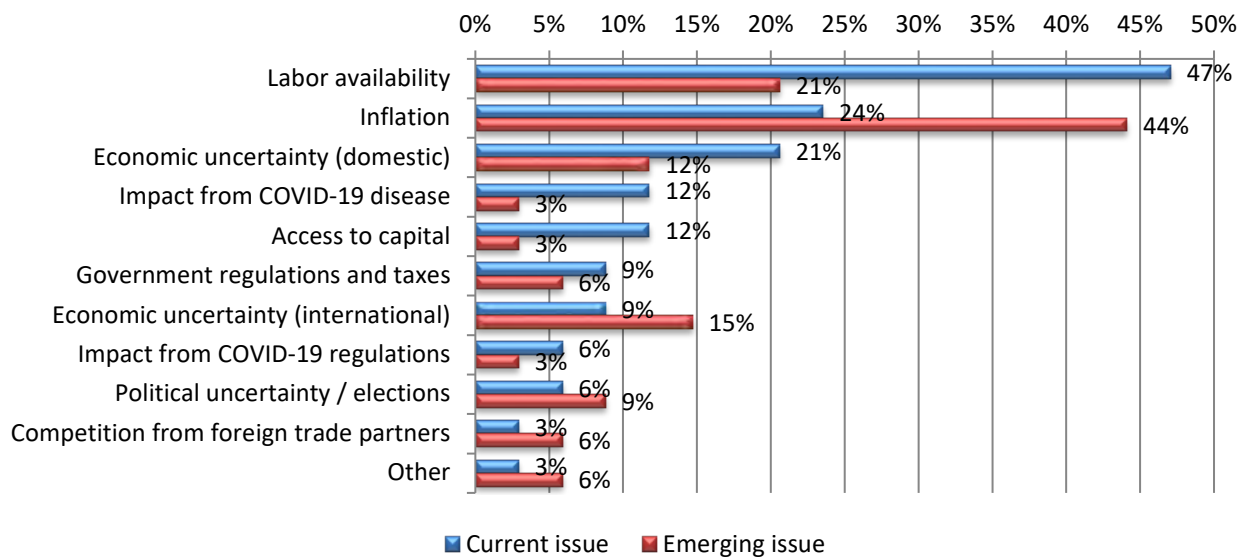
Respondents expect further increases in demand for private equity, further decreasing expected returns on new investments, and worsening general business conditions.

Table 41. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for private equity	0%	21%	24%	38%	18%	56%	21%	35%
Quality of companies seeking investment	3%	32%	47%	15%	3%	18%	35%	-18%
Average investment size	0%	6%	56%	35%	3%	38%	6%	32%
Non-control investments (< 50% equity ownership)	0%	0%	57%	39%	4%	43%	0%	43%
Expected investment holding period	0%	3%	52%	27%	18%	45%	3%	42%
Deal multiples	0%	24%	33%	36%	6%	42%	24%	18%
Exit opportunities	6%	26%	44%	21%	3%	24%	32%	-9%
Expected returns on new investments	6%	39%	42%	9%	3%	12%	45%	-33%
Value of portfolio companies	3%	12%	45%	30%	9%	39%	15%	24%
General business conditions	9%	38%	26%	26%	0%	26%	47%	-21%
Size of private equity industry	3%	3%	45%	45%	3%	48%	6%	42%
Appetite for risk	6%	18%	45%	21%	9%	30%	24%	6%

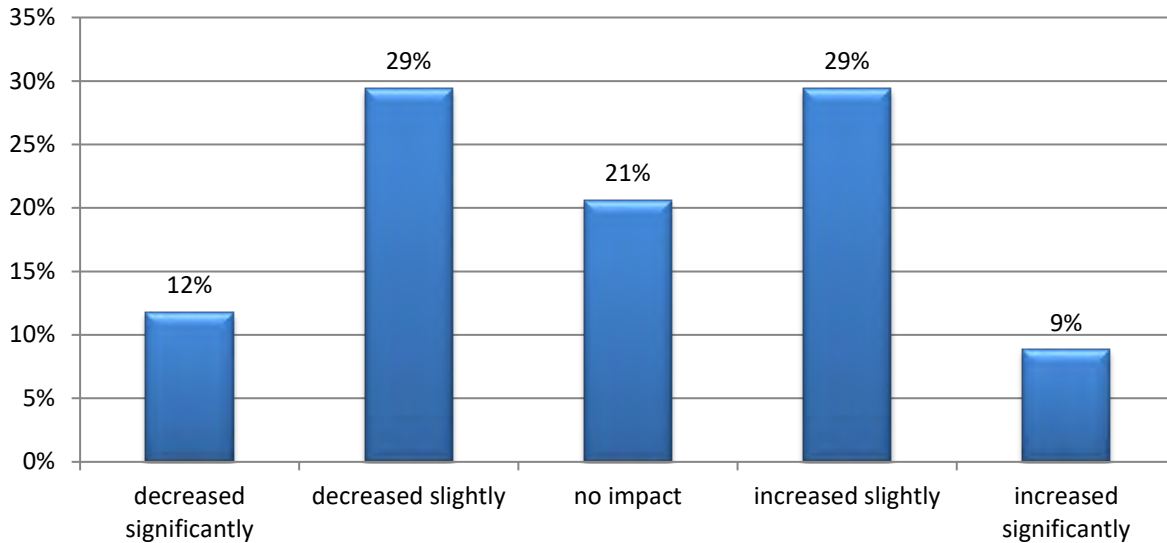
Respondents believe labor availability is the most important current issue facing privately-held businesses, while inflation is the most important emerging issue.

Figure 66. Issues Facing Privately-Held Businesses



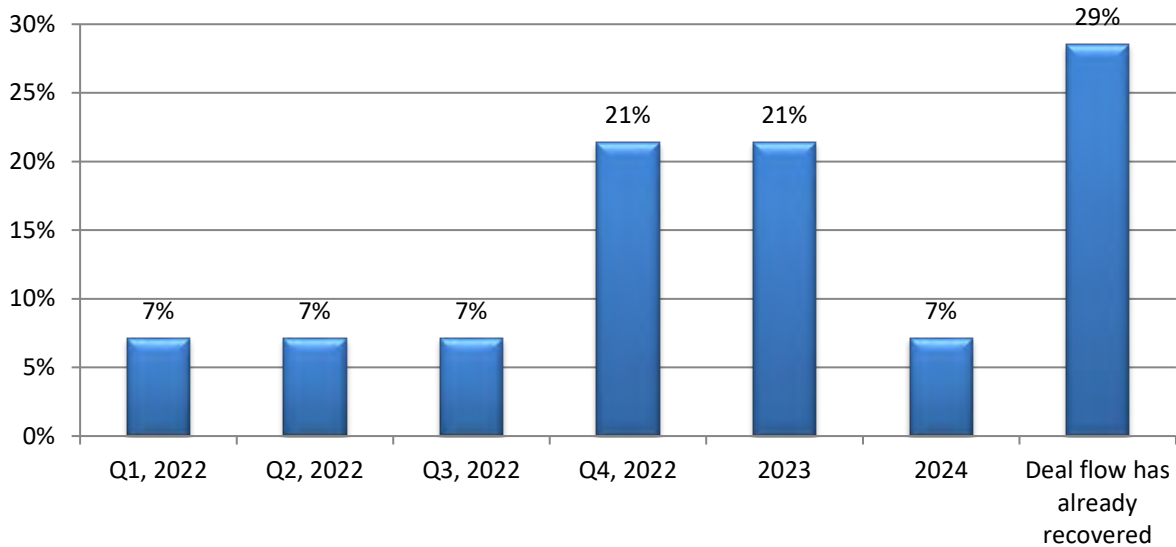
Approximately 41% of respondents indicated their deal flow decreased due to COVID-19 pandemic in 2021.

Figure 67. Level of Impact COVID-19 Pandemic Had on Respondents Deal Flow in 2021



Approximately 29% of respondents indicate their deal flow has already recovered.

Figure 68. When Private Equity Deal Flow Returns to Pre-March 2020 Level



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VENTURE CAPITAL SURVEY INFORMATION

Of the 37 participants who responded to the venture capital survey, approximately 44% of respondents expect an increasing size of the venture capital industry. The majority (91%) of respondents plan to make three or more investments over the next 12 months.

Other key findings include:

- The types of businesses respondents plan to invest in the next 12 months are very diverse with over 31% targeting information technology and another 28% planning to invest in healthcare & biotech.
- Respondents' exit strategies include selling to a public company (36%) followed by selling to a private company (22%).
- Respondents believe labor availability is the most important issue facing privately-held businesses today, while inflation is the most important emerging issue.

Operational and Assessment Characteristics

Approximately 56% of respondents made seven investments or more over the last twelve months.

Figure 69. Total Number of Investments Made in the Last 12 Months

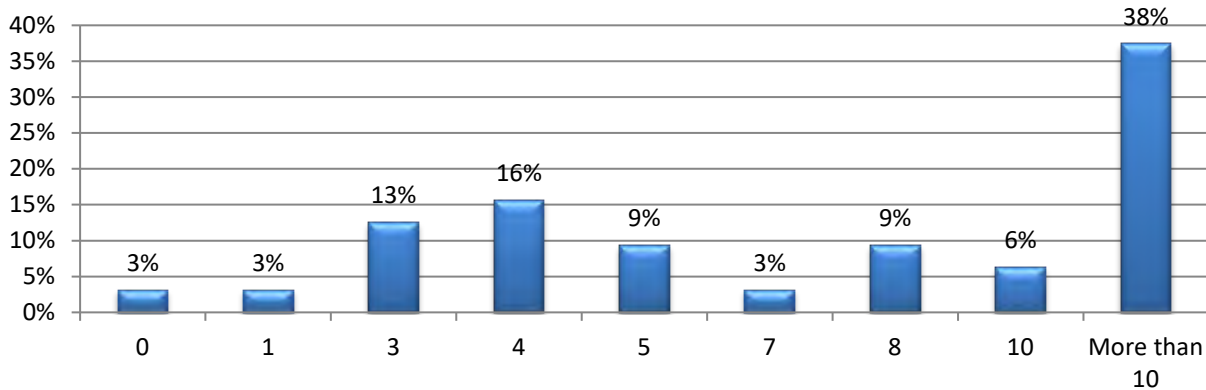
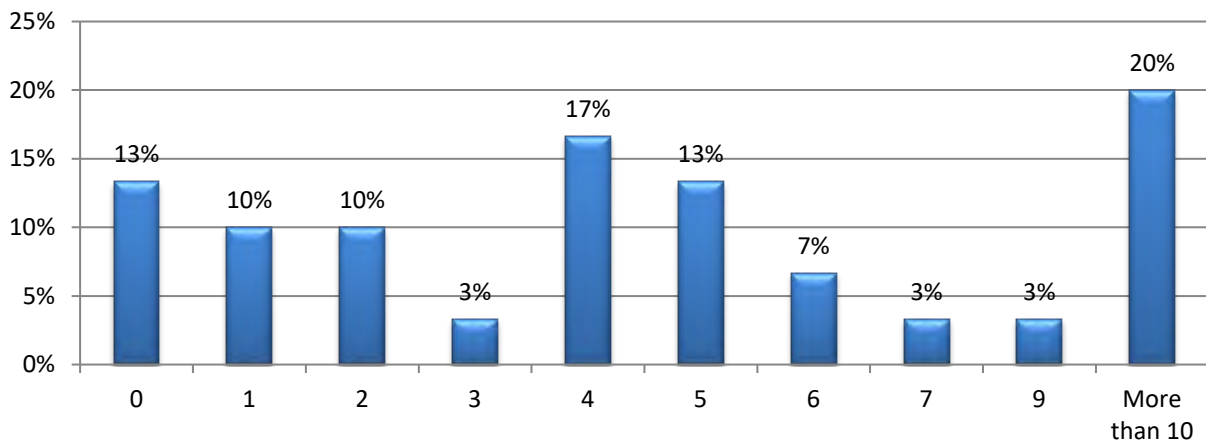


Figure 70. Number of Follow-on Investments Made in the Last 12 Months



The majority (91%) of respondents plan to make three investments or more over the next 12 months.

Figure 71. Number of Total Investments Planned over the Next 12 Months

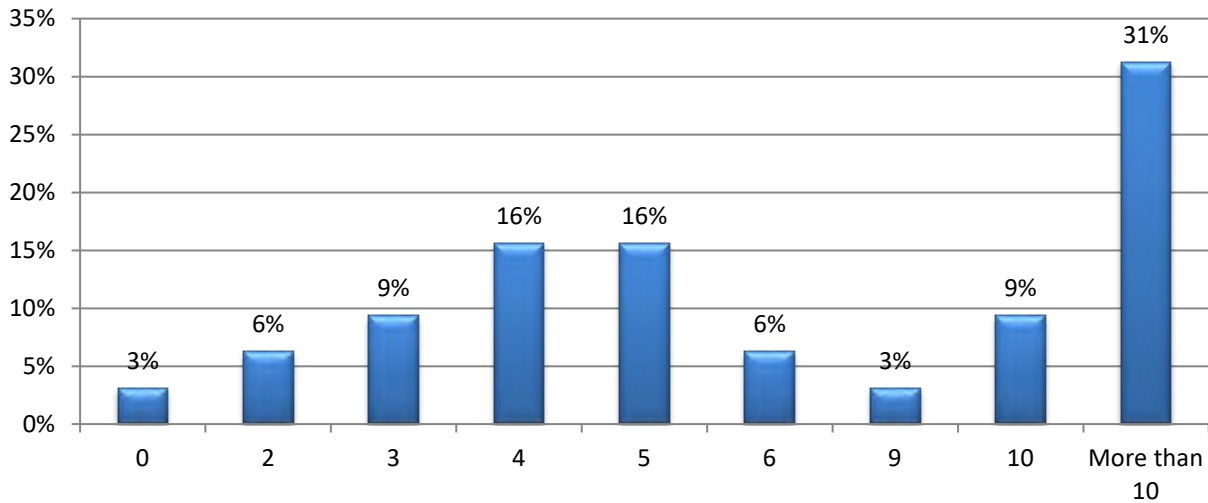
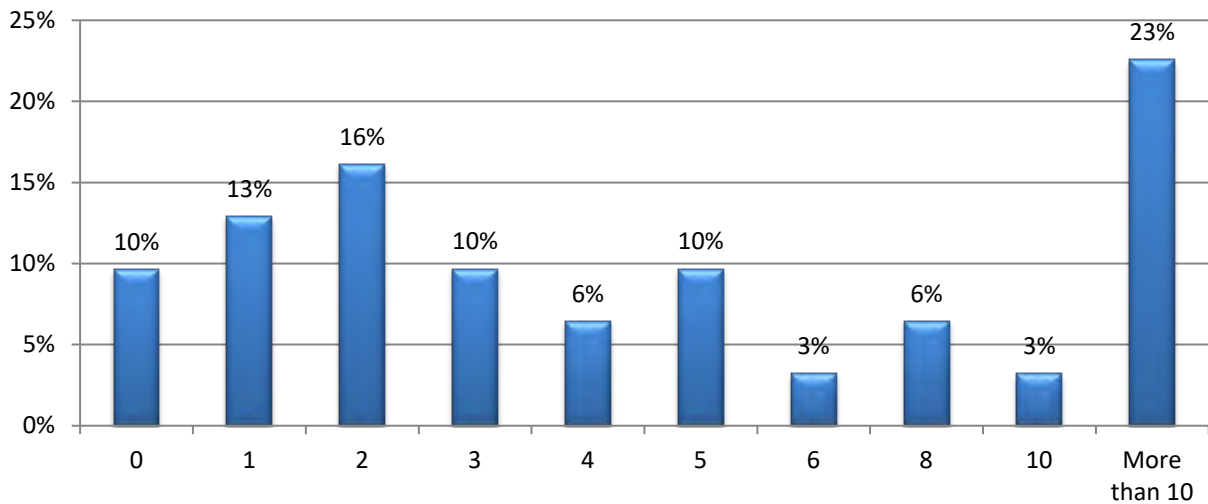


Figure 72. Number of Follow-on Investments Planned over the Next 12 Months



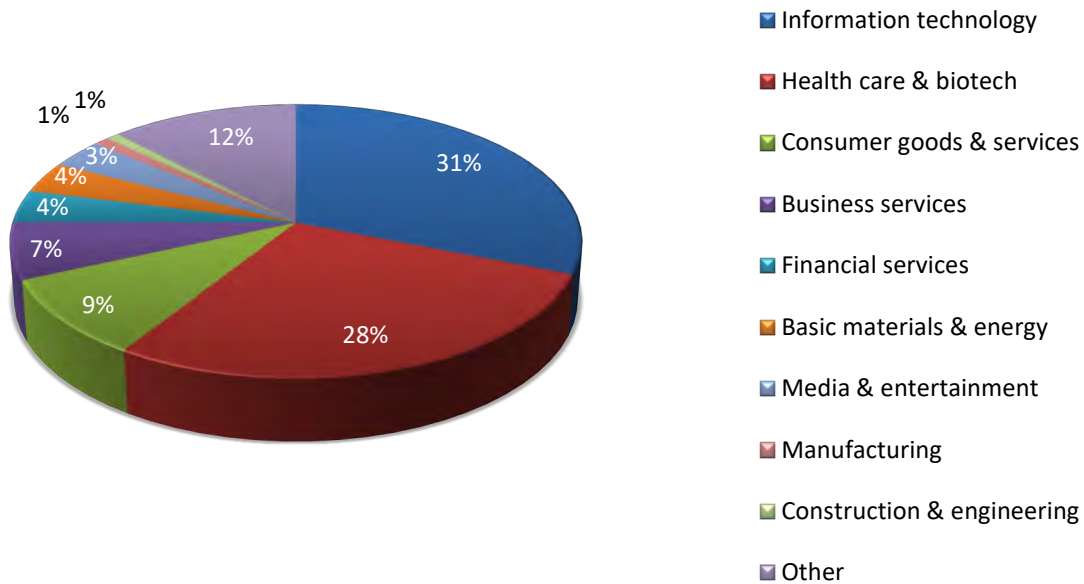
Respondents reported on business practices and the results are reflected below.

Table 42. VC Fund Data

	1st quartile	Median	3rd quartile
Vintage year (year in which first investment made)	2017	2020	2021
Size of fund (\$ millions)	\$38	\$38	\$125
Targeted number of total investments	13	18	25
Target fund return (gross pretax cash on cash annual IRR %)	25%	25%	35%
Expected fund return (gross pretax cash on cash annual IRR %)	25%	35%	45%

Over the next 12 months, Venture Capital investors are mainly targeting information technology (31%) and healthcare & biotech (28%).

Figure 73. Type of Business for Investments Planned over Next 12 Months



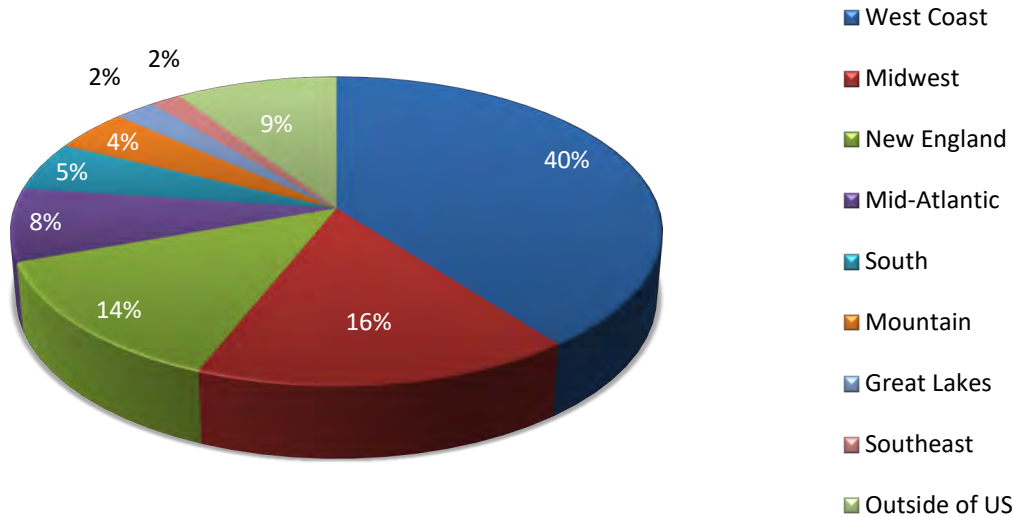
Respondents reported on a variety of statistics pertaining to their investments.

Table 43. General Information on Investments by Company Stages

	Seed	Startup	Early Stage	Expansion	Later Stage
Number of Investments Made in Last twelve months					
	25	108	109	58	25
Average Size of Investment (\$ million)					
1st Quartile	<1.0	<1.0	<1.0	1.5	4.0
Median	<1.0	<1.0	1.5	4.5	10+
3rd Quartile	<1.0	1.5	3.5	10+	10+
Average Revenue Multiple					
1st Quartile	<1	2.4	3.5	4	5
Median	1	5	5	5	5.25
3rd Quartile	2.5	6.6	7.1	7.25	10
Average % of Total Equity Purchased (fully diluted basis)					
1st Quartile	4.5%	4.5%	4.5%	4.5%	4.5%
Median	5.0%	5.0%	5.0%	5.0%	5.0%
3rd Quartile	15.0%	15.0%	15.0%	10.0%	5.0%
Total expected Returns (gross cash on cash pretax IRR) on new investments					
1st Quartile	37.0%	33.0%	33.0%	29.0%	28.0%
Median	43.0%	40.0%	40.0%	35.0%	30.0%
3rd Quartile	48.0%	47.0%	44.0%	43.0%	37.0%
Expected Time to Exit (years)					
1st Quartile	8.0	5.0	4.3	4.0	2.5
Median	8.0	7.0	5.0	5.0	3.0
3rd Quartile	8.0	8.0	7.0	5.0	3.0
Average Company Value at Time of Investment (post-money \$ millions)					
1st Quartile	2.5	7.5	10.0	50.0	60.0
Median	7.5	7.5	25.0	55.0	100+
3rd Quartile	15.0	25.0	45.0	85.0	100+

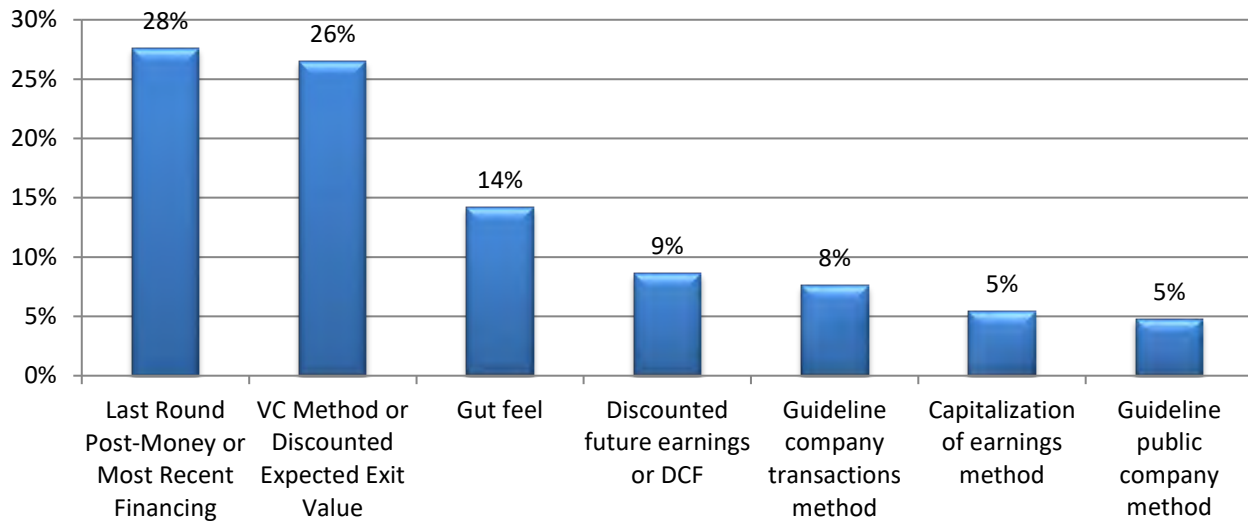
Respondents reported on where they plan to invest over the next 12 months. The results reflect investment throughout the U.S.

Figure 74. Geographic Location of Planned Investment over Next 12 Months



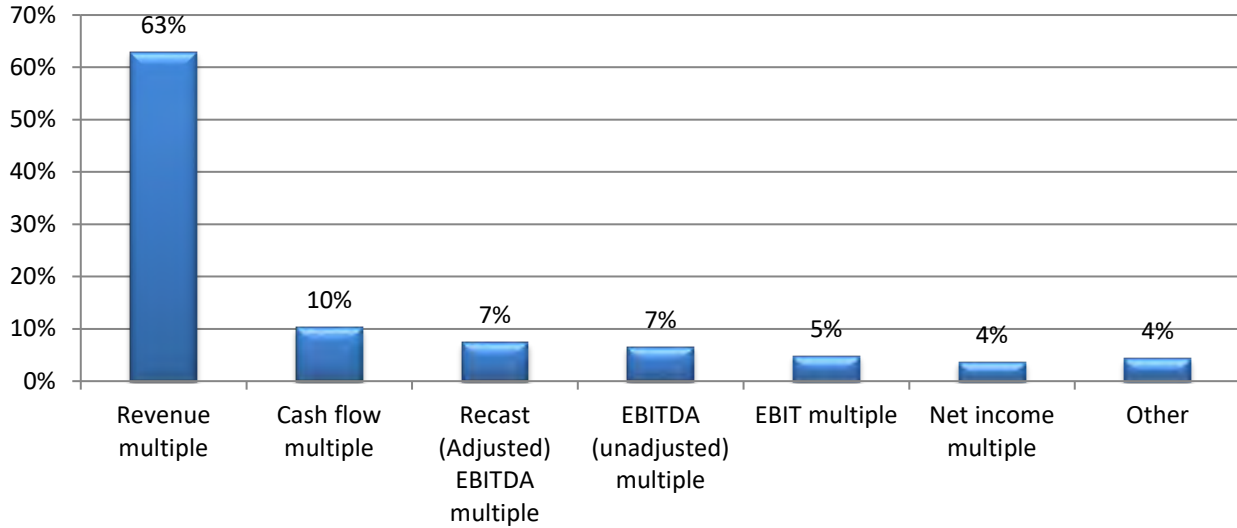
When valuing the company, approximately 28% of respondents use last round post-money or most recent financing, another 26% use VC method or discounted expected exit value and 14% use gut feel valuing privately-held businesses.

Figure 75. Usage of Valuation Methods



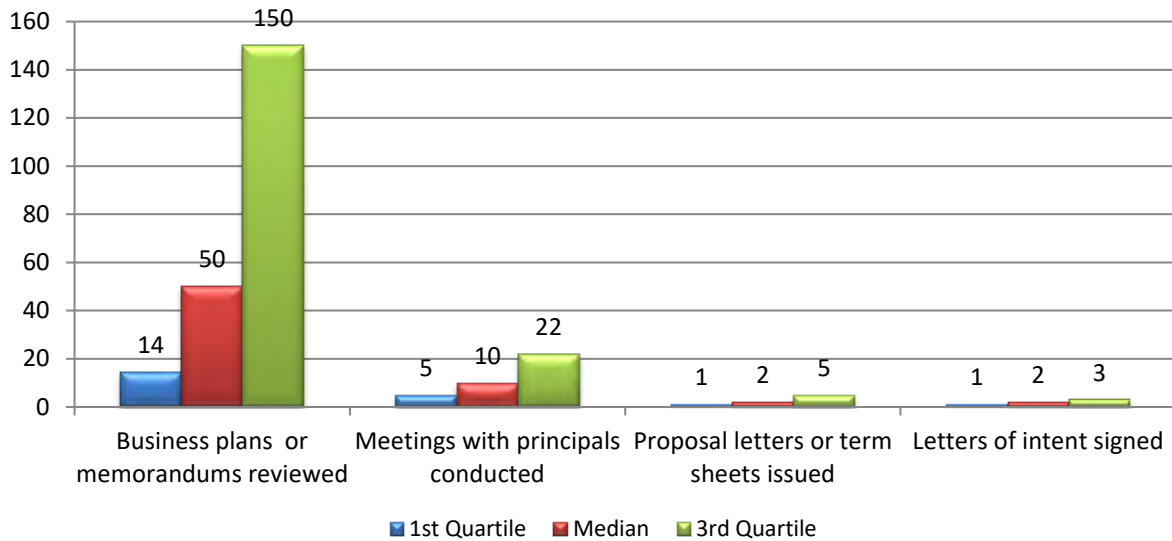
The weights of the various multiple methods used by respondents when valuing privately-held businesses included 63% for revenue multiple and 10% for cash flow multiple methods.

Figure 76. Usage of Multiple Methods



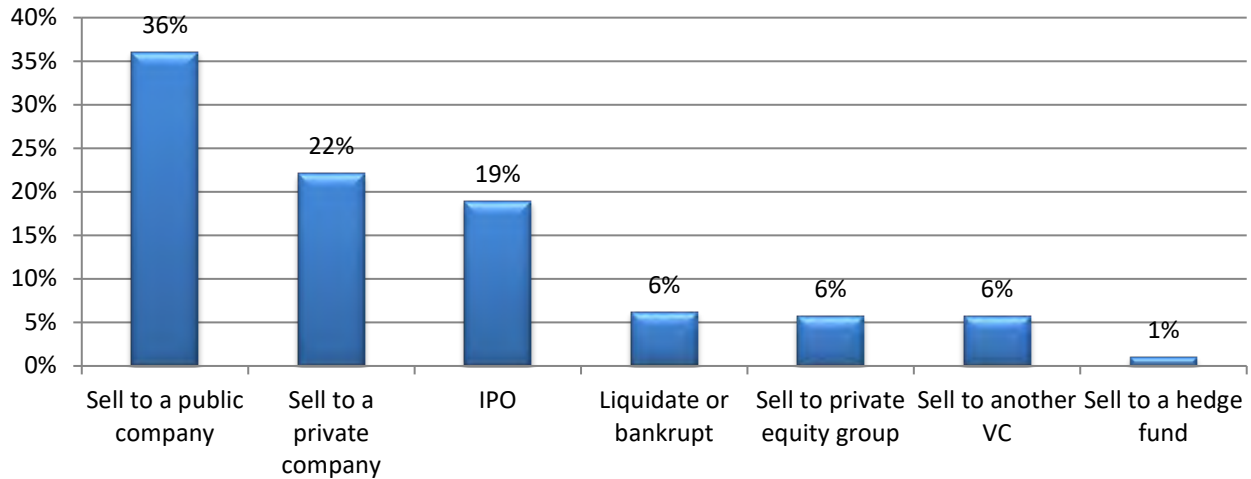
Respondents reported on items required to close one deal.

Figure 70. Items Required to Close One Deal



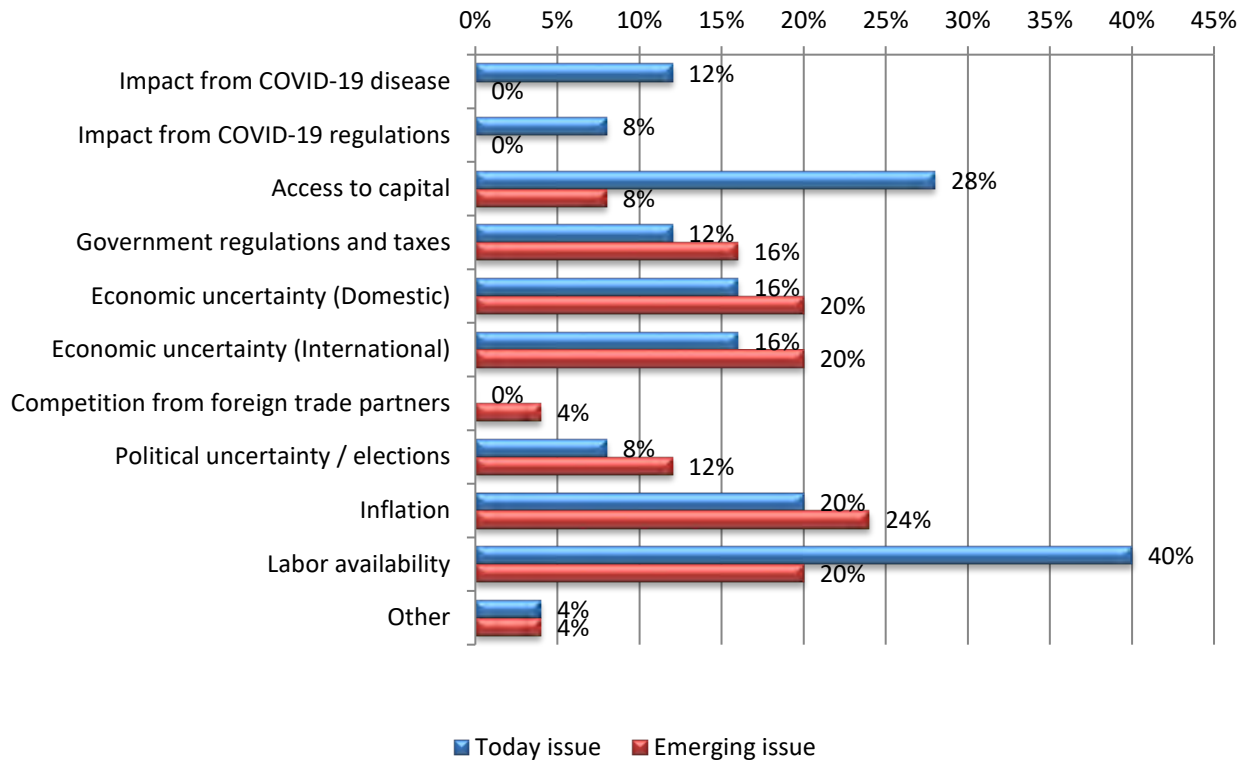
Respondents' exit strategies include selling to a public company (36%) followed by selling to a private company (22%).

Figure 77. Exit Plans for Portfolio Companies



Respondents impact from COVID-19 and government regulations and taxes are the most important issue facing privately-held businesses today.

Figure 78. Current Issues Facing Privately-Held Businesses



Respondents indicated increases in demand for venture capital, follow-on investments, value of portfolio companies, presence of super angels in space formerly occupied by VCs, and improved general business conditions.

Table 44. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for venture capital	0%	4%	24%	32%	40%	72%	4%	68%
Quality of companies seeking investment	0%	17%	38%	42%	4%	46%	17%	29%
Follow-on investments	0%	0%	42%	54%	4%	58%	0%	58%
Average investment size	0%	0%	29%	46%	25%	71%	0%	71%
Exit opportunities	4%	0%	21%	46%	29%	75%	4%	71%
Time to exit deals	0%	20%	64%	16%	0%	16%	20%	-4%
Expected returns on new investments	0%	21%	63%	17%	0%	17%	21%	-4%
Value of portfolio companies	0%	0%	13%	38%	50%	88%	0%	88%
General business conditions	0%	13%	33%	46%	8%	54%	13%	42%
Presence of super angels in space formerly occupied by VCs	0%	13%	63%	13%	13%	25%	13%	13%
Size of venture capital industry	0%	0%	17%	29%	54%	83%	0%	83%
Appetite for risk	0%	8%	38%	42%	13%	54%	8%	46%

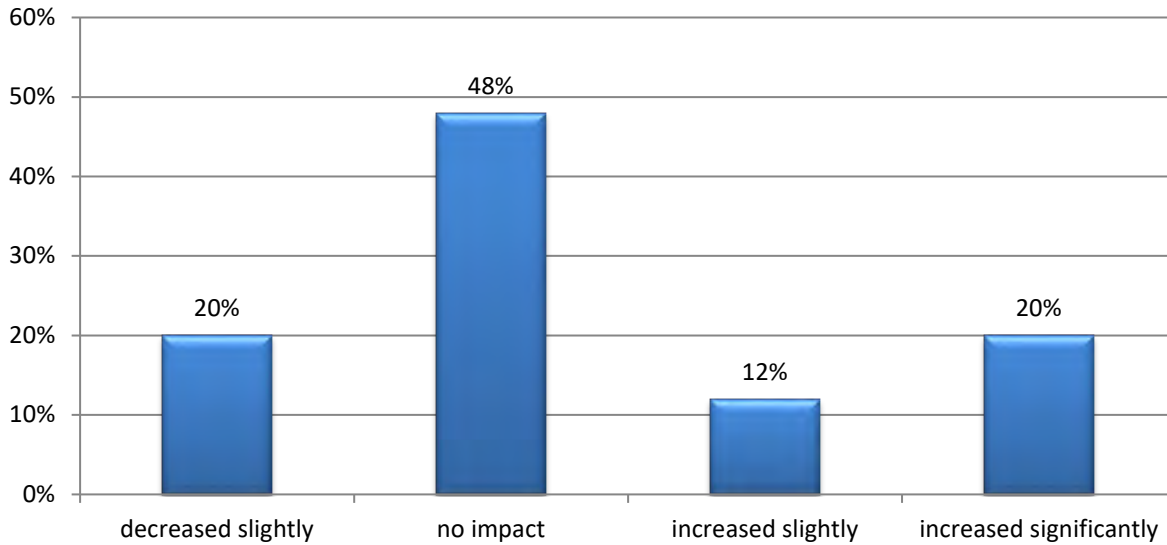
Respondents expect general business conditions not changing over the next twelve months.

Table 45. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for venture capital	0%	4%	36%	24%	36%	60%	4%	56%
Quality of companies seeking investment	0%	8%	42%	38%	13%	50%	8%	42%
Follow-on investments	0%	4%	38%	38%	21%	58%	4%	54%
Average investment size	0%	17%	63%	8%	13%	21%	17%	4%
Exit opportunities	0%	21%	33%	42%	4%	46%	21%	25%
Time to exit deals	0%	13%	29%	46%	13%	58%	13%	46%
Expected returns on new investments	0%	8%	42%	42%	8%	50%	8%	42%
Value of portfolio companies	0%	17%	21%	42%	21%	63%	17%	46%
General business conditions	0%	29%	42%	21%	8%	29%	29%	0%
Presence of super angels in space formerly occupied by VCs	4%	22%	52%	17%	4%	22%	26%	-4%
Size of venture capital industry	0%	8%	48%	24%	20%	44%	8%	36%
Appetite for risk	0%	32%	40%	20%	8%	28%	32%	-4%

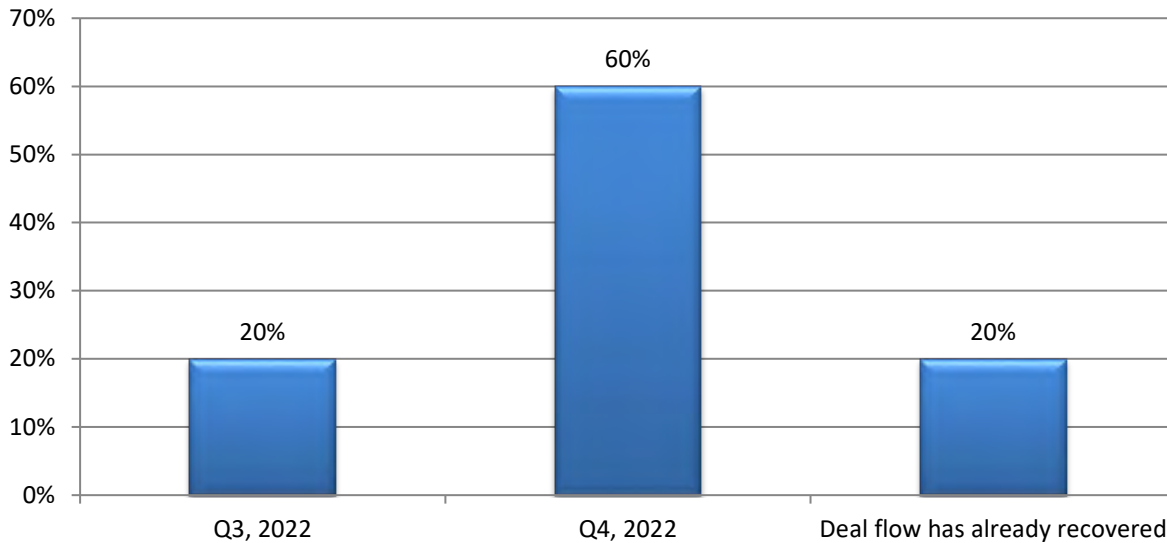
Approximately 20% of respondents indicated their deal flow slightly decreased in 2021 due to COVID-19 pandemic.

Figure 79. Level of Impact COVID-19 Pandemic Had on Respondents Deal Flow in 2021



Approximately 80% of respondents believe their deal flow will return to pre-March 2020 level in the year 2022.

Figure 80. When Venture Capital Deal Flow Returns to Pre-March 2020 Level



ANGEL INVESTOR SURVEY INFORMATION

Of the 94 participants who responded to the angel investor survey, the majority (60%) of respondents plan to make between one and five investments in the next twelve months. Other key findings include:

- Approximately 29% of respondents' base valuations on gut feel when valuing privately-held businesses, another 17% base valuations on discounted future earnings method.
- When using multiples to determine the value of a business, the most popular methods used by respondents were revenue multiple (36%), followed by EBITDA multiple (22%) and cash flow multiple (17%).
- The types of businesses respondents plan to invest in over next 12 months are very diverse with 23% targeting information technology and another 23% planning to invest in health care & biotech.
- Respondents indicated increased demand for angel capital, size of angel industry, flat expected returns on new investments and slightly worsened general business conditions.
- Respondents' exit strategies include selling to a public company (31%) and selling to a private company (27%).

Operational and Assessment Characteristics

Approximately 63% of respondents made between one and five investments over the last twelve months.

Figure 81. Total Number of Investments Made in the Last 12 Months

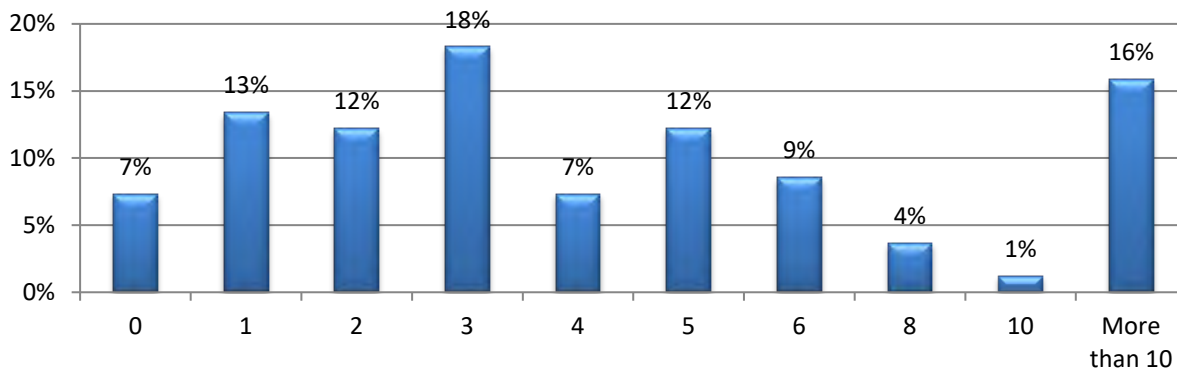
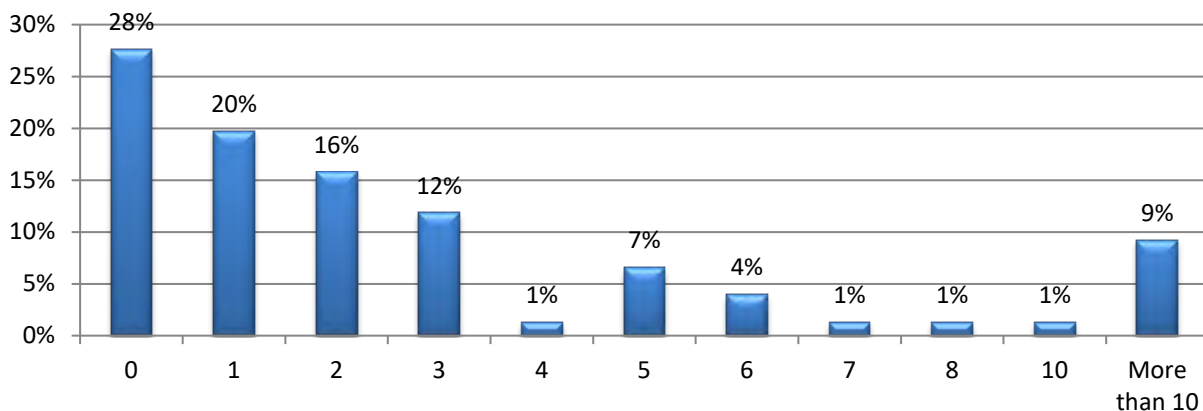


Figure 82. Number of Follow-on Investments Made in the Last 12 Months



ANGEL cont.

The majority (60%) of respondents plan to make between one and five investments over the next 12 months.

Figure 83. Number of Total Investments Planned over Next 12 Months

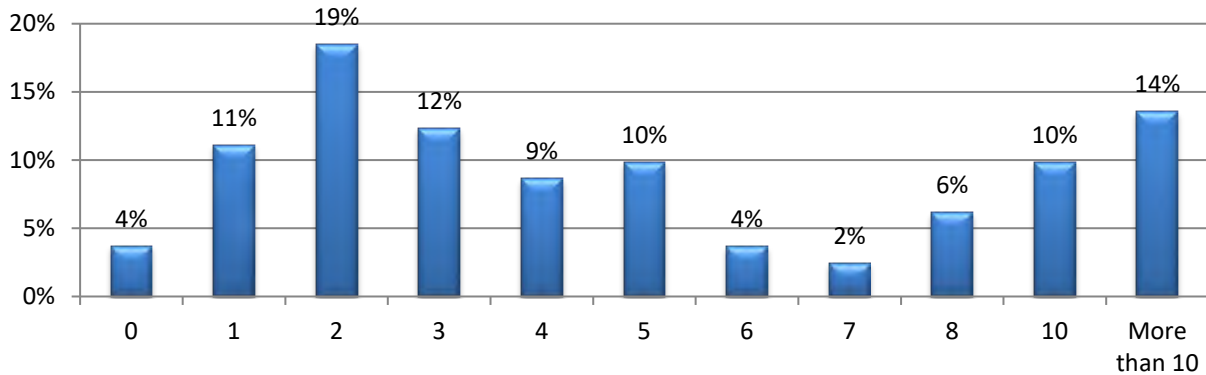
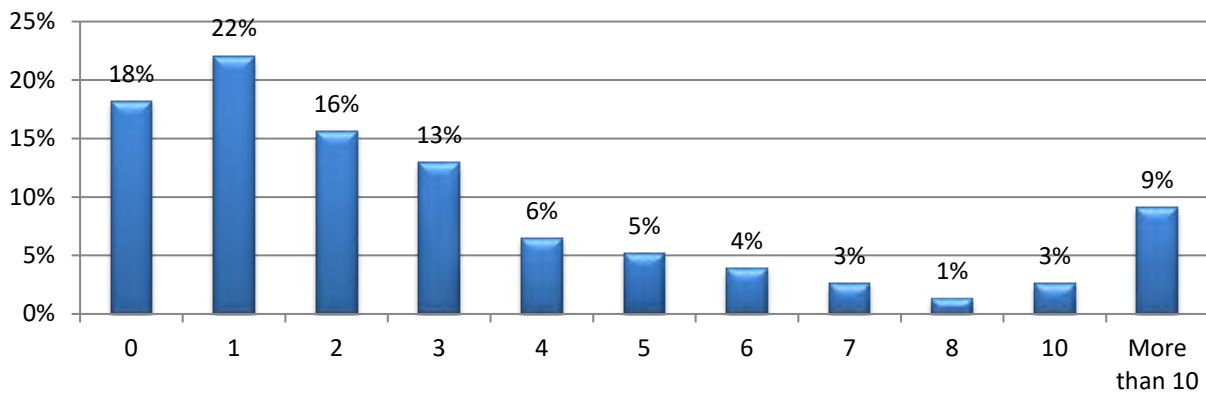
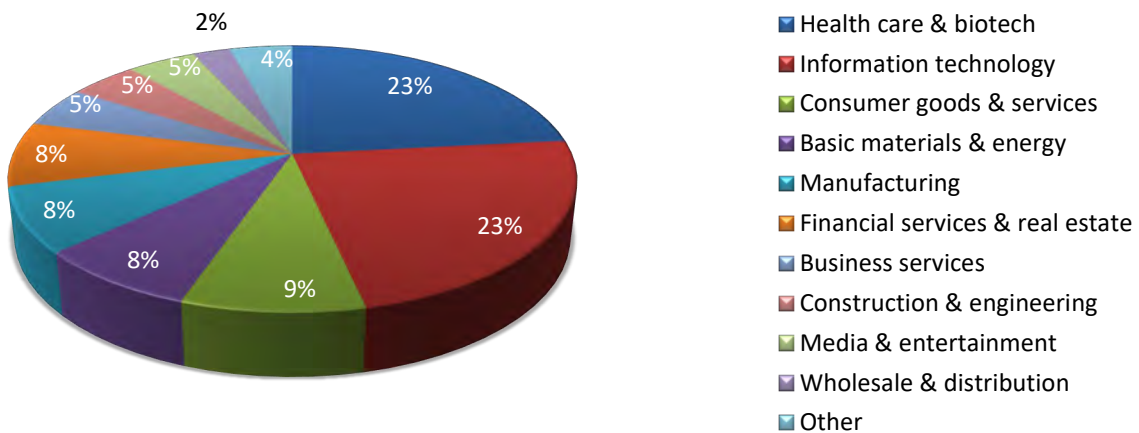


Figure 84. Number of Follow-on Investments Planned over Next 12 Months



The types of businesses respondents plan to invest in over next 12 months are very diverse with over 23% targeting Information technology and another 23% planning to invest in healthcare & biotech.

Figure 85. Type of Business for Investments Planned over Next 12 Months



Respondents reported on a variety of stats pertaining to their investments.

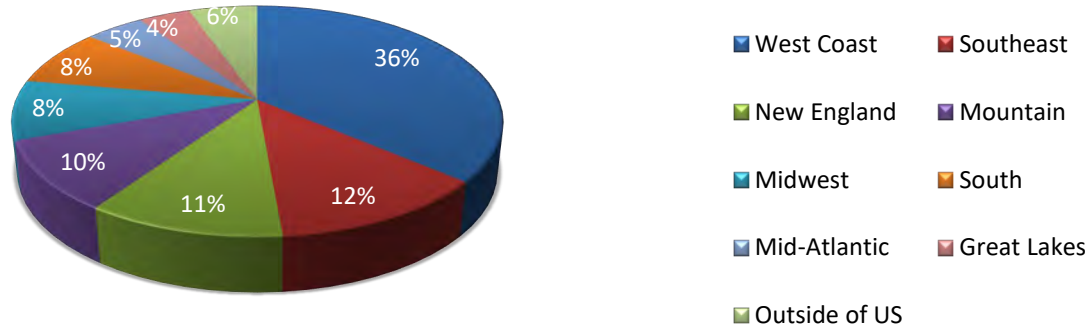
Table 46. General Information on Investments by Company Stages

	Seed	Startup	Early Stage	Expansion	Later Stage
Number of investments made in last twelve months					
	118	191	125	90	45
Average size of investments					
1st Quartile	\$25,000	\$25,000	\$25,000	\$37,500	\$75,000
Median	\$25,000	\$75,000	\$100,000	\$150,000	\$350,000
3rd Quartile	\$150,000	\$250,000	\$250,000	\$350,000	\$1,500,000
Average revenue multiple					
1st Quartile	<1	1.0	1.8	2.0	5.3
Median	1.8	3.0	5.0	5.0	8.0
3rd Quartile	6.8	7.0	7.5	8.9	10.0
Average % of total equity purchased					
1st Quartile	2%	2%	1.5%	1%	1%
Median	8.5%	6.5%	5%	5%	1%
3rd Quartile	12%	11.0%	11.0%	10%	5.5%
Total EXPECTED Returns (gross cash on cash pretax IRR) on New Investments (%)					
1st Quartile	32%	32%	28%	28%	28%
Median	43%	40%	38%	38%	33%
3rd Quartile	60%	58%	53%	53%	43%
Expected Time to Exit (years)					
1st Quartile	4.0	3.3	3.0	3.0	3.0
Median	5.5	5.0	5.0	4.5	3.0
3rd Quartile	>7.0	7.0	6.0	5.0	4.3
Average Company Value at Time of Investment (post-money value)					
1st Quartile	\$1,500,000	\$2,500,000	\$5,000,000	\$15,000,000	\$25,000,000
Median	\$4,000,000	\$7,500,000	\$15,000,000	\$35,000,000	\$45,000,000
3rd Quartile	\$7,500,000	\$7,500,000	\$20,000,000	\$55,000,000	100000000+

ANGEL cont.

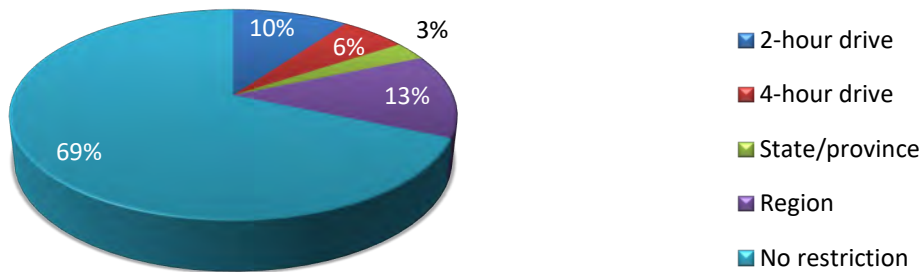
Respondents reported on where they plan to invest over the next 12 months. The results reflect investment throughout the U.S.

Figure 86. Geographic Location of Planned Investment over Next 12 Months



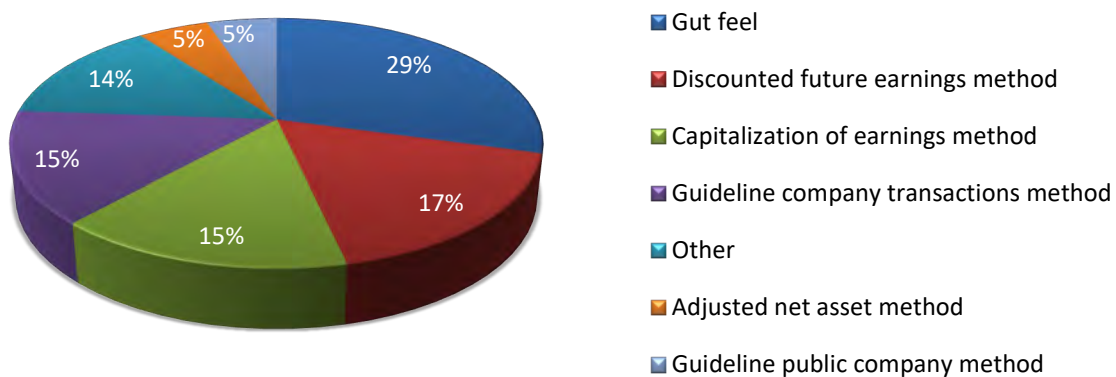
Respondents reported on their geographical limits for investments.

Figure 87. Geographical Limit for Investment



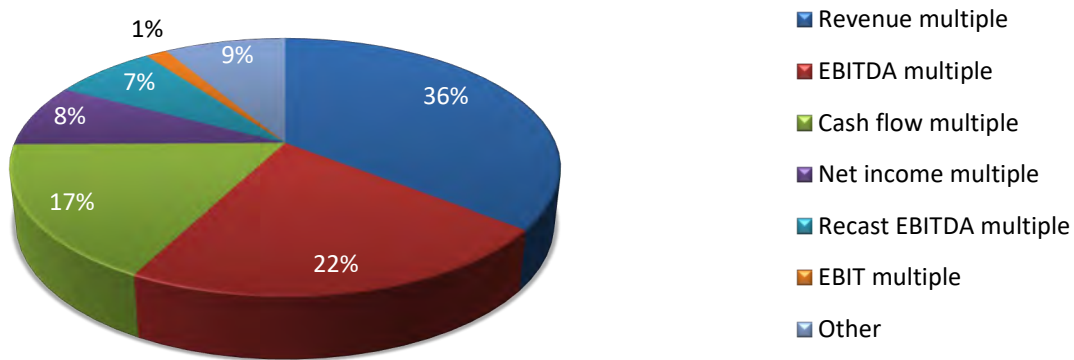
Approximately 29% of respondents' base valuations on gut feel when valuing privately-held businesses, another 17% base valuations on discounted future earnings method.

Figure 80. Usage of Valuation Methods



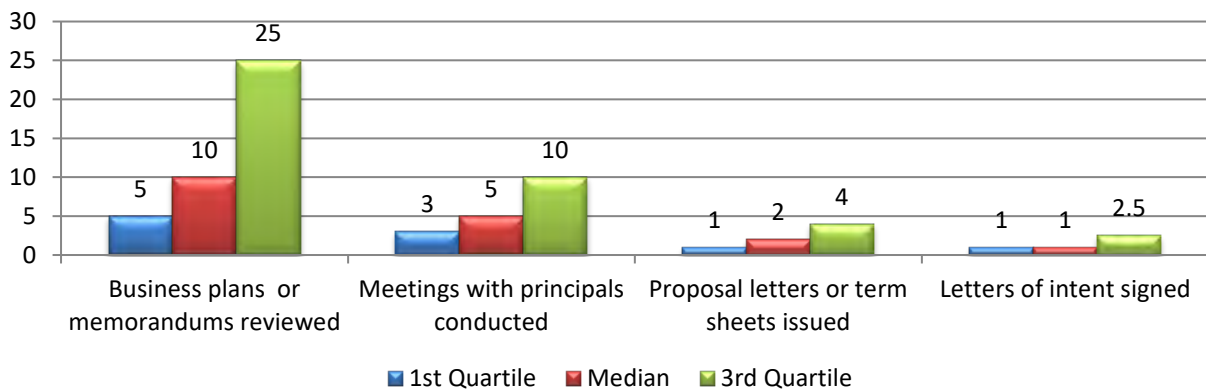
The weights of the various multiple methods used by respondents when valuing privately-held businesses included 45% for revenue multiple, 19% for EBITDA multiple method and 19% for cash flow multiple.

Figure 88. Usage of Multiple Methods



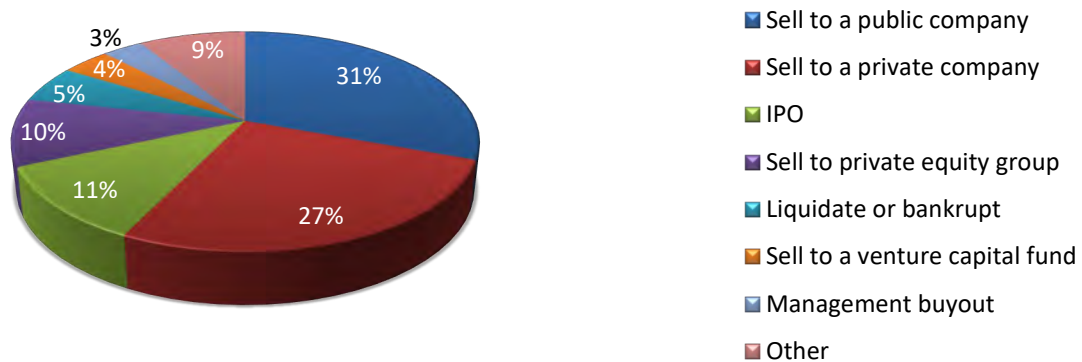
Respondents reported on items required to close one deal.

Figure 89. Items Required to Close One Deal



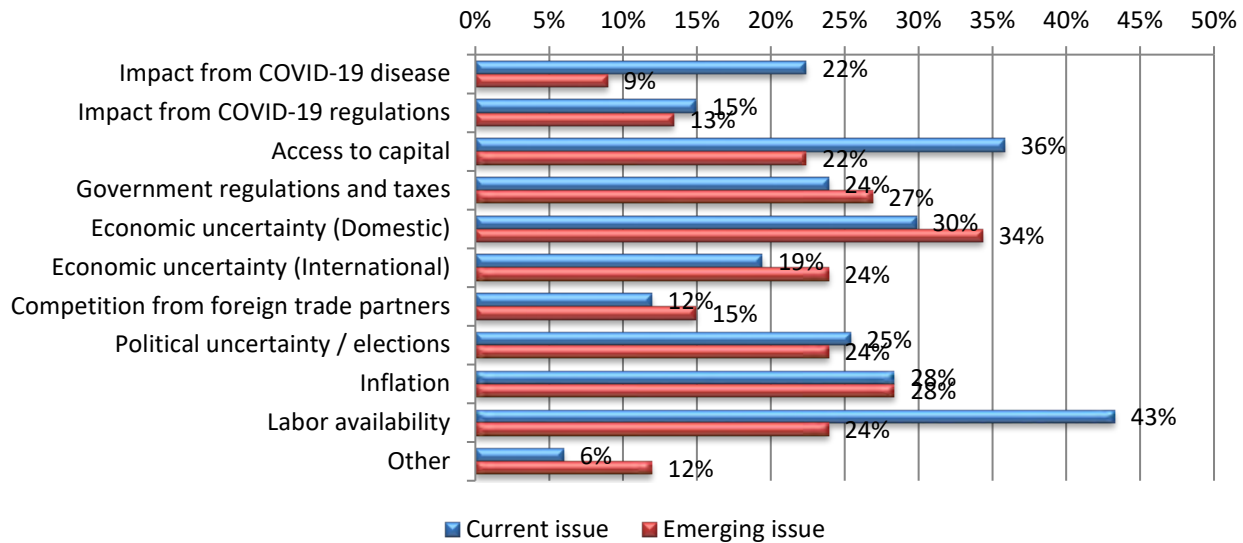
Respondents' exit strategies include selling to a public company (31%) and selling to a private company (27%).

Figure 90. Exit Plans for Portfolio Companies



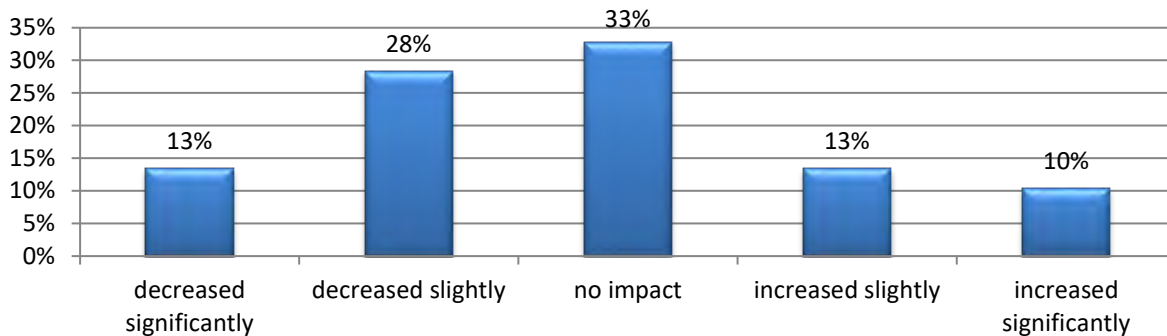
Respondents believe labor availability is the most important current issue facing privately-held businesses.

Figure 84. Issues Facing Privately-Held Businesses



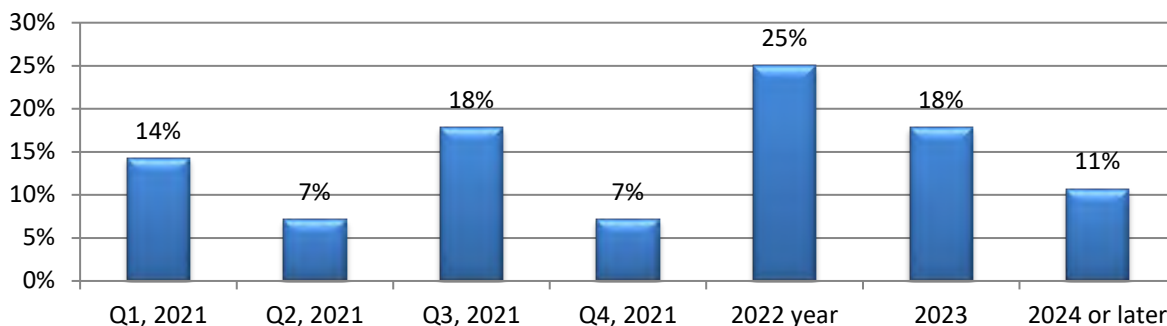
Approximately 42% of respondents indicated their deal flow decreased due to COVID-19 pandemic in 2021.

Figure 91. Level of Impact COVID-19 Pandemic Had on Respondents Deal Flow in 2021



Approximately 46% of respondents believe their deal flow will return to pre-March 2020 level in the year 2022.

Figure 92. When Angel Capital Deal Flow Returns to Pre-March 2020 Level



Respondents indicated increase in demand for angel capital, size of angel industry, expected returns on new investments and flat general business conditions.

Table 47. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for angel capital	4%	1%	27%	24%	43%	67%	6%	61%
Size of angel finance industry	5%	6%	16%	33%	41%	73%	11%	63%
Quality of companies seeking investment	7%	16%	43%	21%	12%	33%	24%	9%
Follow-on investments	0%	11%	41%	30%	19%	48%	11%	38%
Average investment size	0%	9%	26%	44%	21%	65%	9%	56%
Exit opportunities	3%	20%	30%	34%	13%	47%	23%	23%
Time to exit deals	8%	15%	48%	17%	12%	29%	23%	6%
Expected returns on new investments	2%	14%	50%	21%	14%	35%	15%	20%
Value of portfolio companies	0%	9%	24%	39%	27%	67%	9%	58%
General business conditions	12%	24%	27%	24%	12%	36%	36%	0%
Appetite for risk	9%	23%	36%	14%	18%	32%	32%	0%

Respondents expect slightly worsening general business conditions and decreasing appetite for risk.

Table 48. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for angel capital	2%	3%	20%	39%	36%	76%	5%	71%
Size of angel finance industry	2%	14%	20%	32%	32%	65%	15%	49%
Quality of companies seeking investment	2%	20%	42%	28%	9%	37%	22%	15%
Follow-on investments	3%	6%	31%	46%	14%	60%	9%	51%
Average Investment Size	0%	12%	32%	37%	18%	55%	12%	43%
Exit opportunities	8%	28%	23%	23%	17%	41%	36%	5%
Time to exit deals	2%	13%	36%	33%	17%	50%	14%	36%
Expected returns on new investments	5%	18%	46%	18%	12%	31%	23%	8%
Value of portfolio companies	3%	17%	34%	31%	15%	46%	20%	26%
General business conditions	17%	26%	24%	29%	5%	33%	42%	-9%
Appetite for risk	14%	30%	33%	17%	6%	23%	44%	-20%

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BUSINESS APPRAISER SURVEY INFORMATION

According to the 286 business appraiser survey respondents, labor availability is the most important issue facing privately-held business today. Respondents indicated increases in number of engagements, fees for services, slightly increased competition, and improved general business conditions over the last twelve months. They also expect worsening business conditions in the next twelve months.

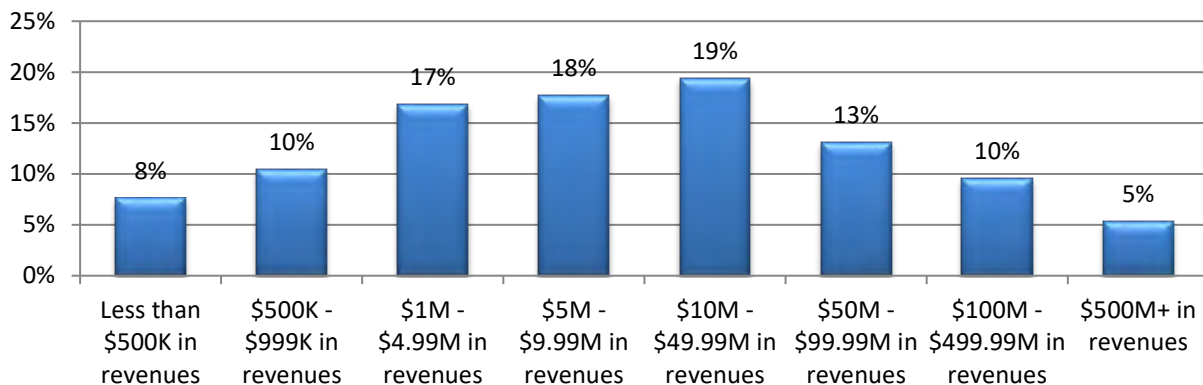
Other key findings include:

- When using valuation methods to determine the value of a business, the most popular methods used by respondents were discounted future earnings method (36%), capitalization of earnings method (25%) and guideline company transactions method (16%).
- Recast (adjusted) EBITDA multiple is the most popular when using multiple valuation method
- Respondents use an average risk-free rate of 2.5% and a market (equity) risk premium of 6.0%
- Average long-term terminal growth is estimated at 3.2%

Operational and Assessment Characteristics

Most of the companies valued by respondents have annual revenues from \$1 million to \$50 million.

Figure 93. Annual Revenues of Companies Valued



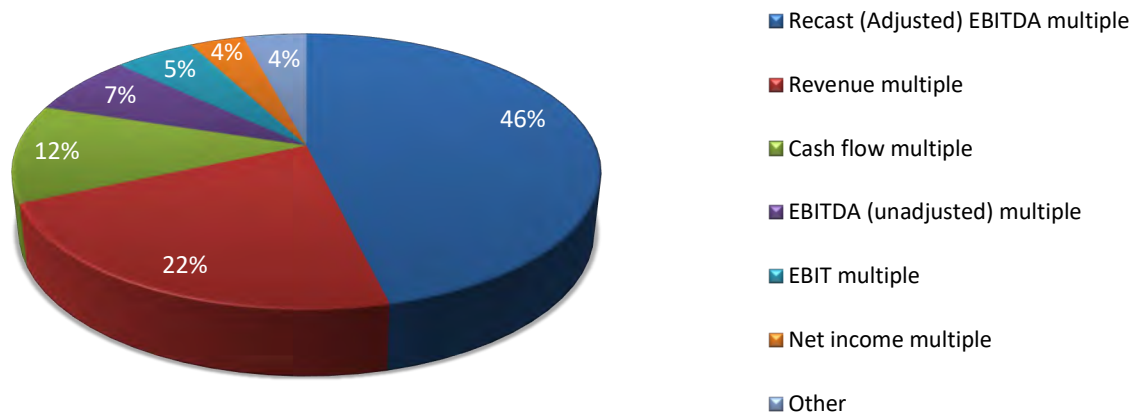
Appraisers, on average, apply a 36% weight to discounted future earnings method when valuing a privately-held business.

Figure 94. Usage of Valuation Methods



Respondents using multiples-based approaches indicate a preference for using recast (adjusted) EBITDA multiples (46%), followed by revenue multiples (22%).

Figure 95. Usage of Multiple Methods



Respondents indicated using an average risk-free rate of 2.5%, average market (equity) risk premium of 6.0% and average long-term growth rate of 3.2%.

Figure 96. Average Risk-Free Rate, Market (equity) Risk Premium, Industry Risk Premiums and Long-Term Growth Rate

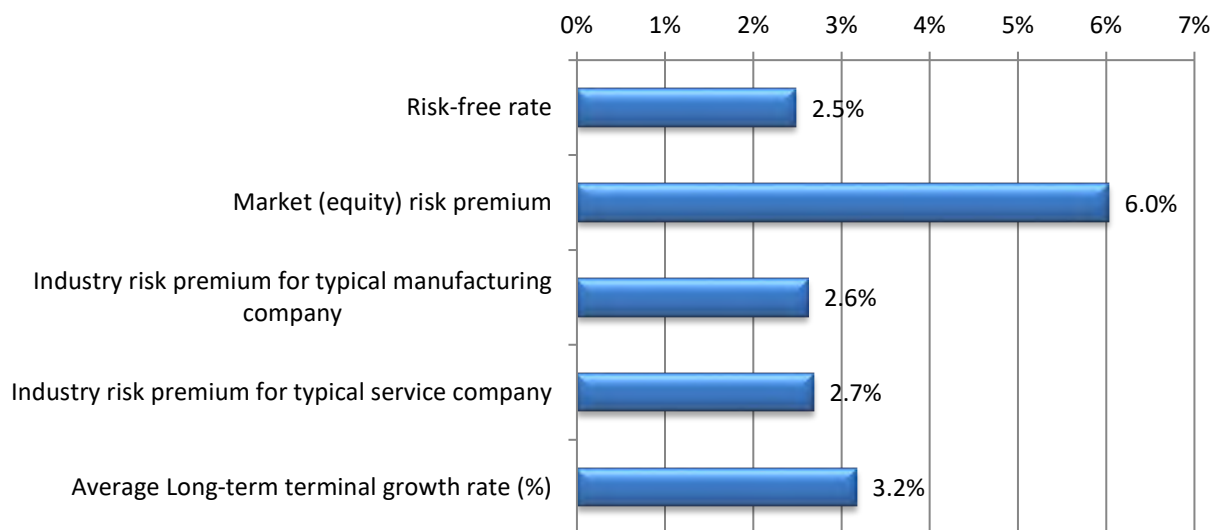
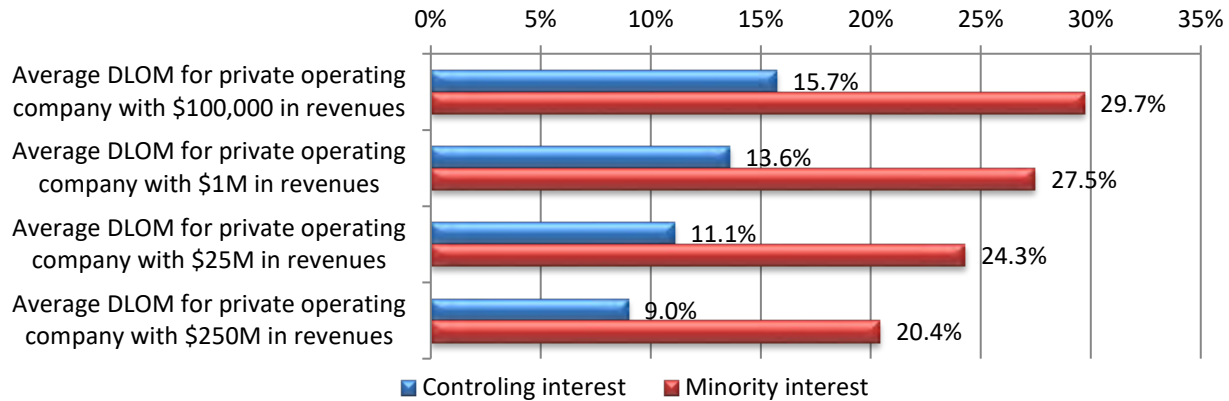


Figure below indicates considerable differences in DLOMs across sizes of companies and subject interests.

Figure 97. Discount for Lack of Marketability (DLOM) by Revenue Sizes



Only 29% of respondents are comfort applying public cost of capital to privately-held companies with annual revenues less than \$1 million.

Figure 98. Overall Comfort Level with Applying Public Cost of Capital to Privately-held Companies of Various Sizes

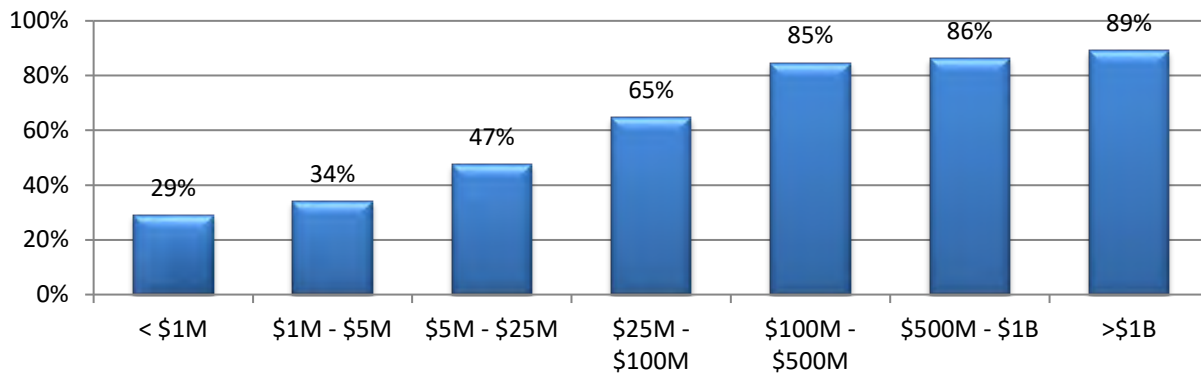


Figure 99. Explicit Forecast Period for High-Growth Companies by Revenue Sizes (years)

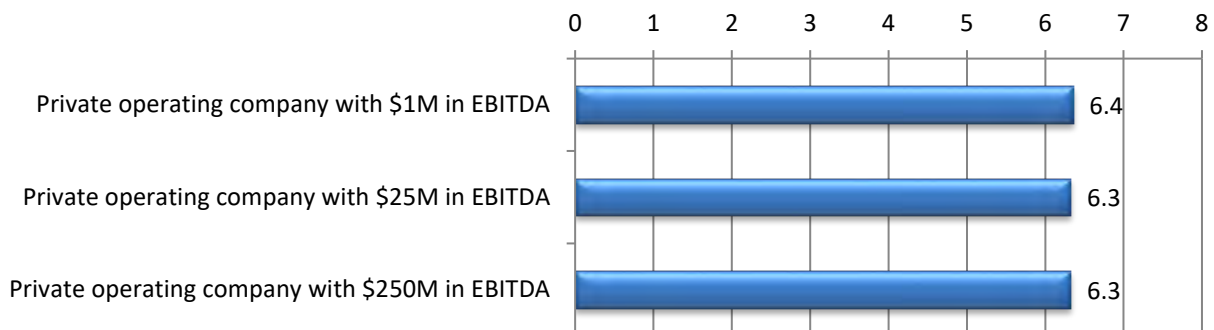


Figure 100. Size Premiums for Private Companies by Revenue Size

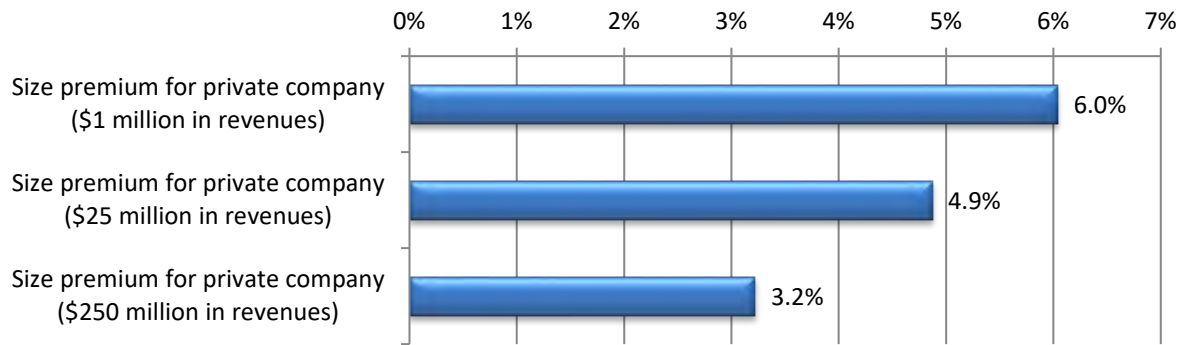
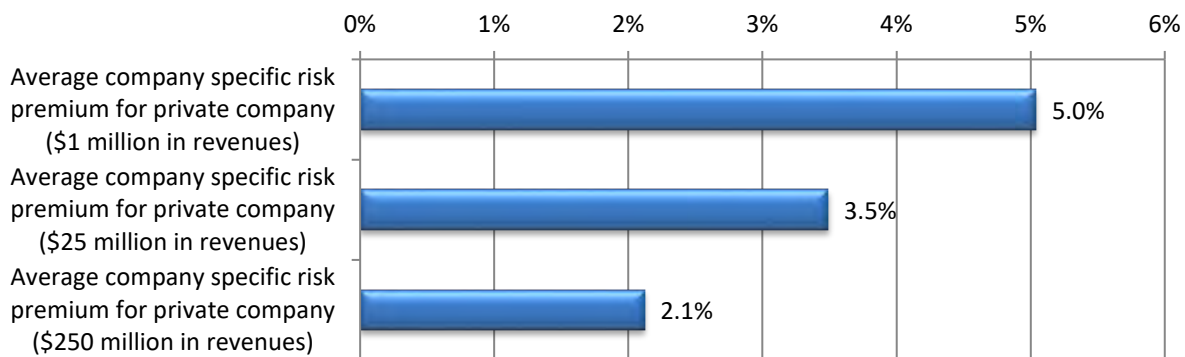
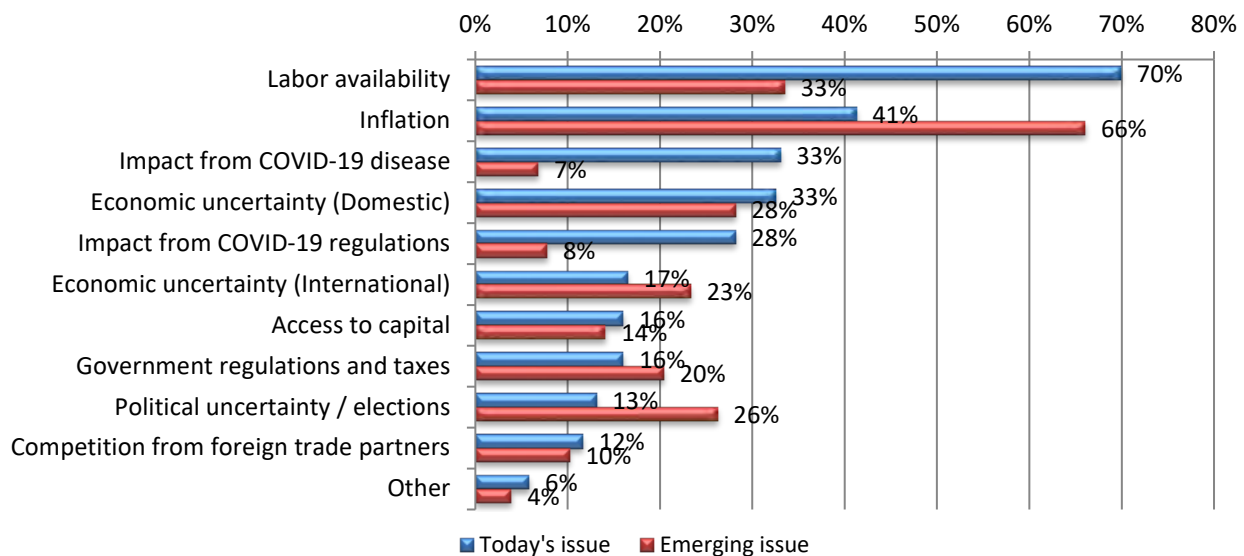


Figure 101. Company Specific Risk Premiums by Revenue Size



Respondents believe labor availability is the most important issue facing privately-held businesses today.

Figure 102. Issues Facing Privately-Held Businesses



Respondents indicated increases in number of engagements, fees for services, slightly increased competition, and improved general business conditions over the last twelve months.

Table 49. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Number of engagements	1%	5%	21%	28%	44%	73%	7%	66%
Time to complete a typical appraisal	1%	10%	56%	25%	8%	32%	12%	21%
Fees for services	0%	2%	28%	62%	8%	70%	2%	67%
Competition	1%	13%	68%	14%	6%	19%	14%	6%
Cost of capital	1%	12%	52%	34%	1%	35%	13%	23%
Market (equity) risk premiums	0%	8%	63%	27%	2%	29%	8%	21%
Discounts for lack of marketability (DLOM)	0%	7%	85%	7%	1%	7%	7%	0%
Company specific risk premiums	0%	9%	61%	28%	2%	30%	9%	21%
General business conditions	1%	18%	34%	37%	10%	47%	19%	28%
Appetite for risk	0%	15%	52%	27%	5%	32%	15%	17%

Respondents expect worsening business conditions in the next twelve months.

Table 50. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Number of engagements	1%	12%	35%	40%	11%	0%	13%	-13%
Time to complete a typical appraisal	0%	10%	74%	13%	2%	0%	10%	-10%
Fees for services	1%	0%	39%	54%	4%	1%	1%	0%
Competition	0%	5%	73%	18%	2%	2%	5%	-3%
Cost of capital	0%	1%	44%	48%	5%	2%	1%	0%
Market (equity) risk premiums	0%	3%	55%	34%	4%	4%	3%	1%
Discounts for lack of marketability (DLOM)	0%	1%	81%	11%	1%	6%	1%	4%
Company specific risk premiums	0%	2%	67%	23%	1%	6%	2%	3%
General business conditions	3%	22%	38%	33%	3%	1%	25%	-24%
Appetite for risk	3%	18%	60%	17%	0%	2%	21%	-19%

BROKER SURVEY INFORMATION

Approximately 64% of the 33 participants for the broker survey said they expect to close between two and five deals in the next 12 months.

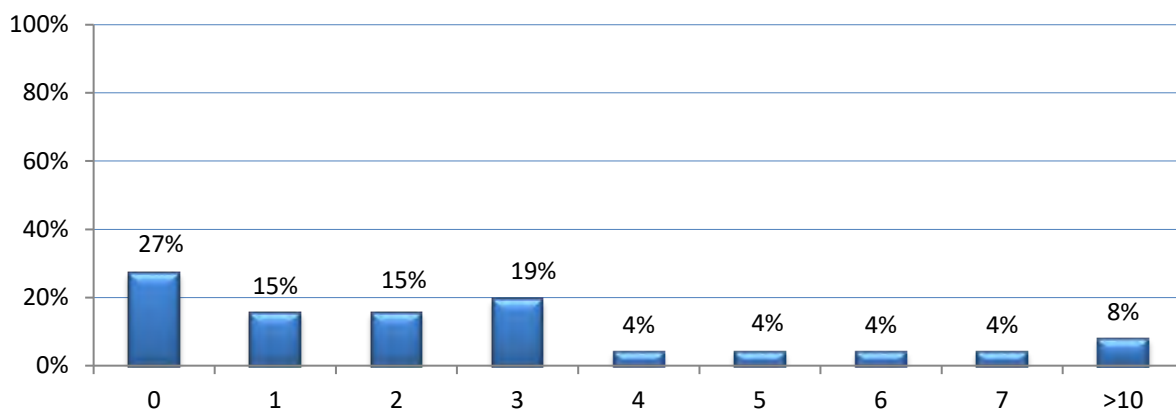
Other key findings include:

- Approximately 36% of business listings/ engagements terminated without closing in the last 12 months.
- Respondents indicated increases in deal flow, ratio of businesses sold to total listings, business exit opportunities, and improved general business conditions.
- 36% of respondents closed more deals in 2021 than in 2020.

Operational and Assessment Characteristics

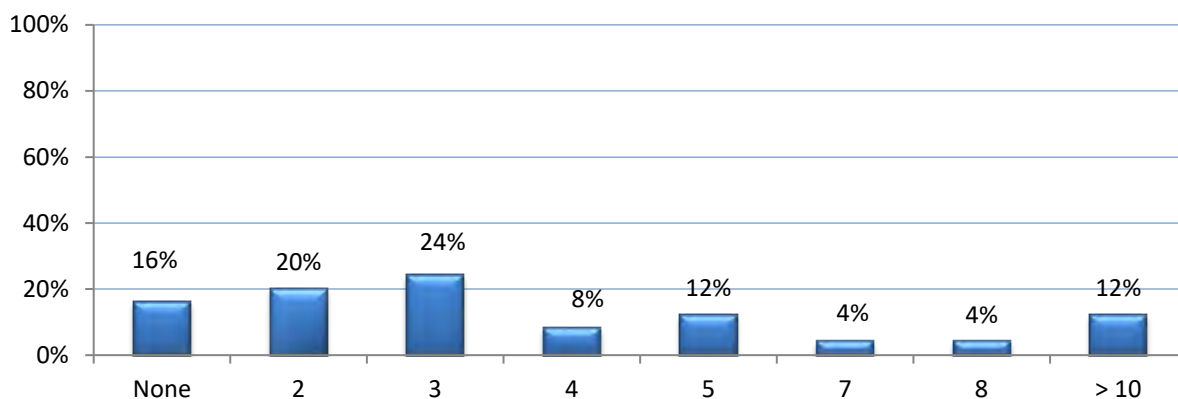
Approximately 27% of the respondents didn't close any deal in the last twelve months; 50% closed between one to three deals, while 23% closed four or more transactions.

Figure 103. Private Business Sales Transactions Closed in the Last Twelve Months



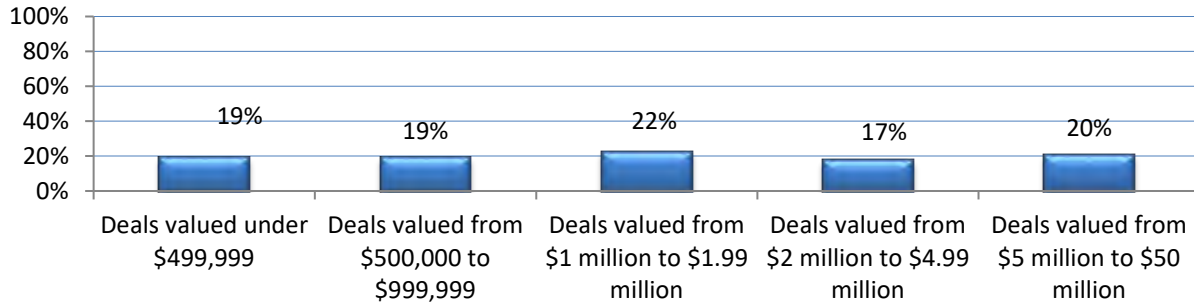
Approximately 64% of respondents are planning to close between two and six business sales transactions in the next 12 months.

Figure 104. Private Business Sales Transactions Expected to Close in the Next Twelve Months



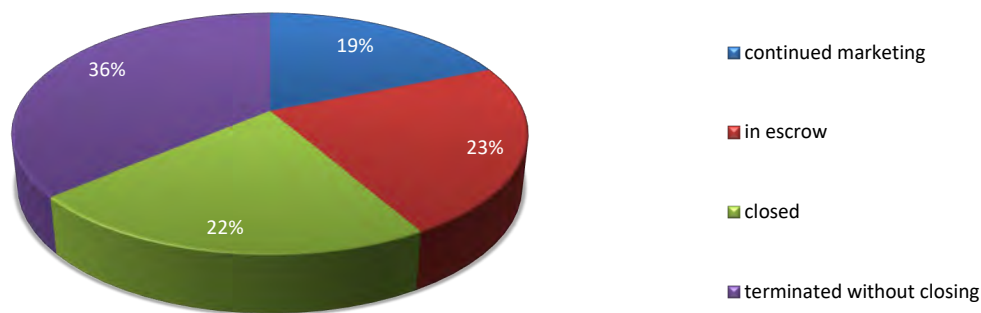
Respondents indicated typical sizes of transactions they are currently working on.

Figure 105. Typical Size of Business Transactions



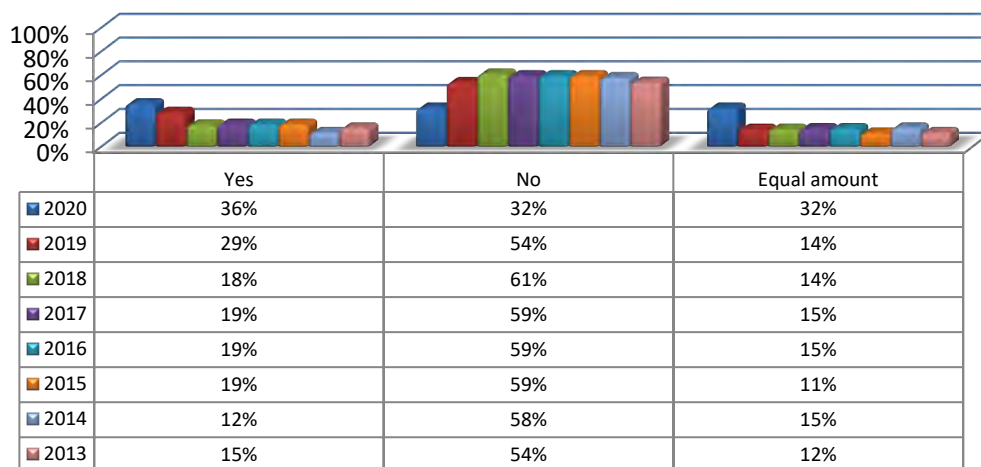
Respondents indicate out of all business transactions they worked on in the last 12 months 22% were closed, 19% are continued marketing, 23% are in escrow and 36% were terminated without closing.

Figure 106. Business Transactions in the Last 12 Months



Nearly 36% of respondents closed more transactions in 2021 than in 2020, 32% of respondents closed equal amount.

Figure 107. Did Respondents Close More Transactions in 2010 than in Previous Years



BROKER cont.

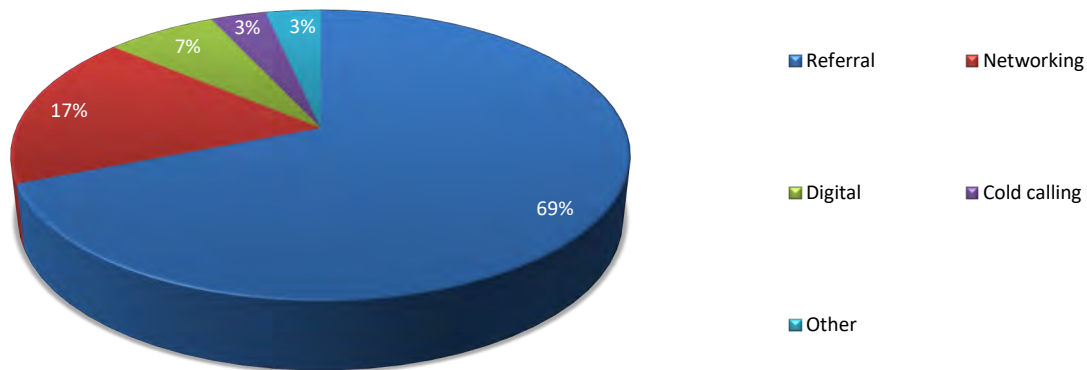
Respondents indicate difficulty to arrange senior debt for transactions with annual revenues under \$500 thousands.

Table 51. How Difficult to Arrange Senior Debt for Transactions over the Past 12 Months

Revenue size	Extremely difficult	Difficult	Somewhat difficult	Neutral	Somewhat easy	Easy	Extremely easy	Score (-3 to 3)
\$100K	44%	22%	11%	22%	0%	0%	0%	-1.9
\$500K	20%	7%	13%	13%	27%	13%	7%	-0.1
\$1M	13%	7%	7%	13%	33%	27%	0%	0.3
\$5M	5%	0%	11%	21%	32%	32%	0%	0.7
\$10M	6%	6%	0%	24%	29%	24%	12%	0.8
\$15M	15%	0%	0%	15%	38%	23%	8%	0.6
\$25M+	20%	0%	0%	30%	10%	20%	20%	0.5

Approximately 69% of respondents indicate best clients arrived by referrals.

Figure 108. Best Client Arrived By:



Nearly 35% of referrals were past accountants.

Figure 109. Types of Referrals

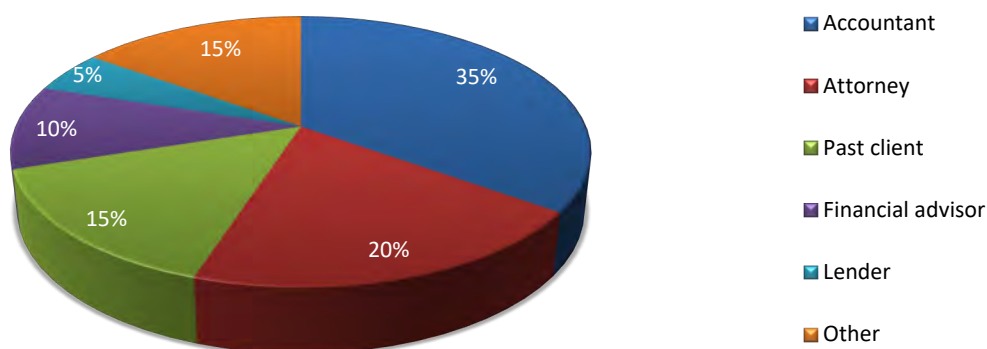
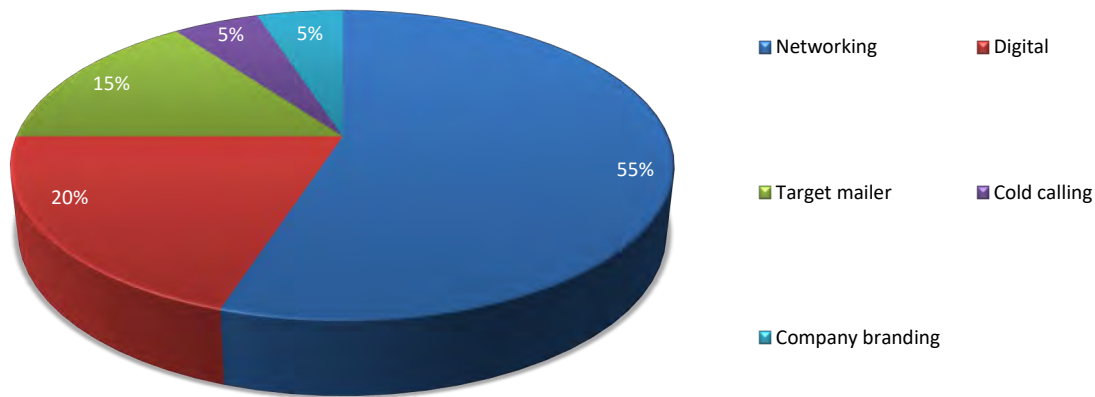


Figure 110. Best Marketing Tactic Use in Finding Client Besides Referral



Approximately 70% of respondents indicated it was 'buyer's market' for deals valued under \$500 thousands, whereas only 36% of respondents indicated it was 'buyer's market' for deals valued between \$5 million and \$50 million.

Figure 111. Was It Buyer's or Seller's Market in the Last 3 Months

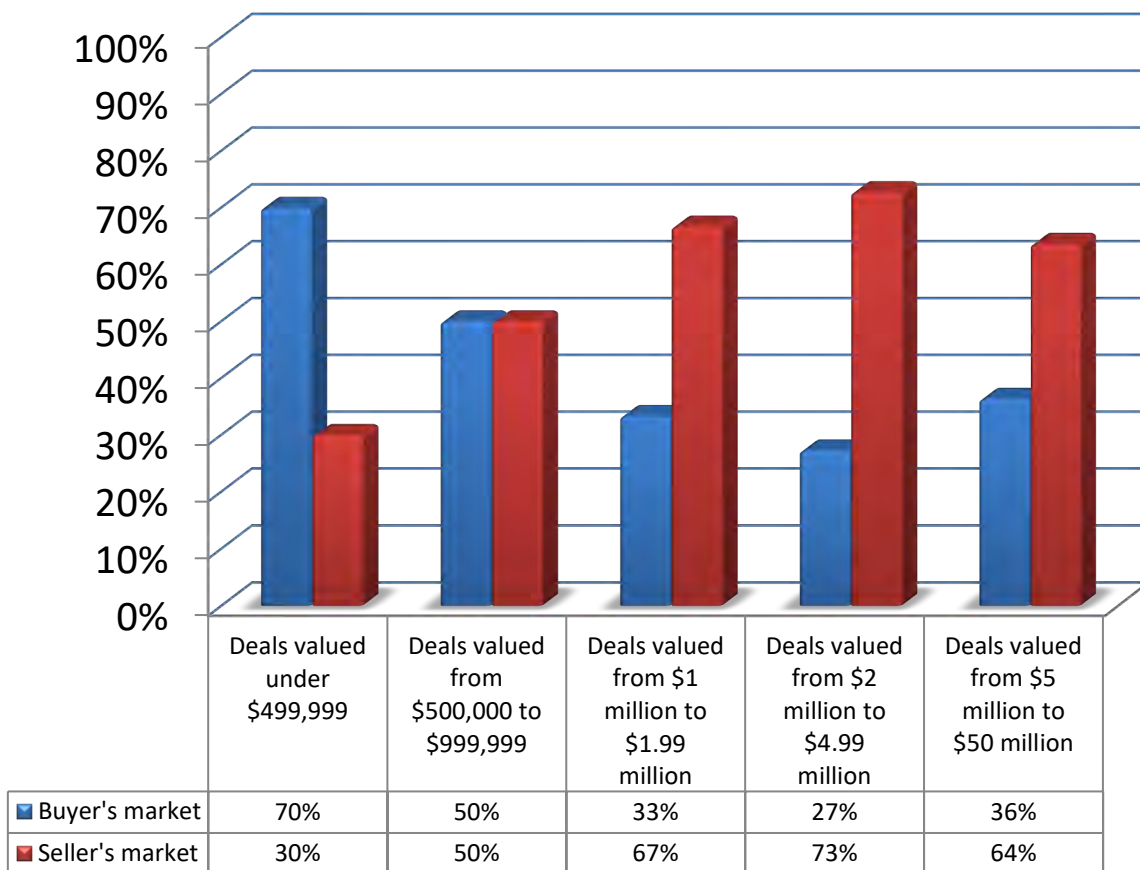
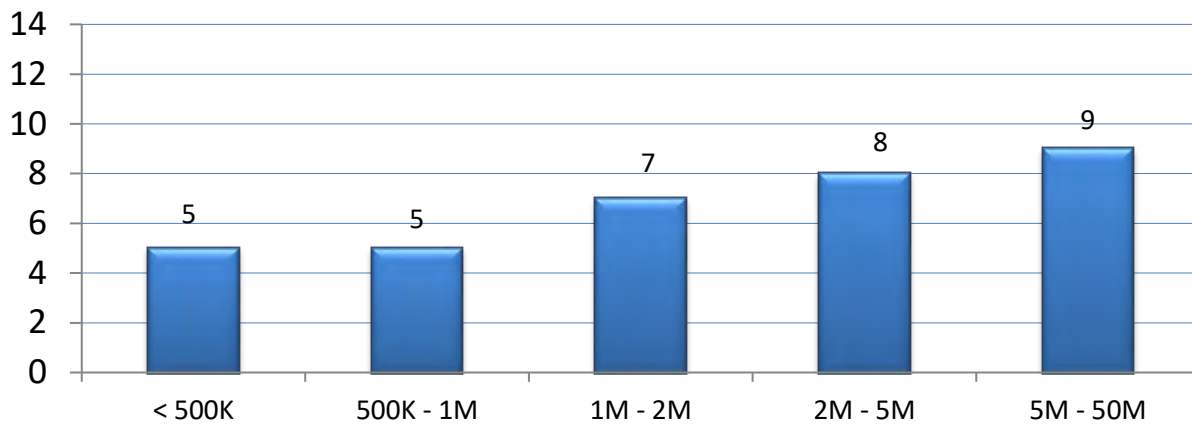


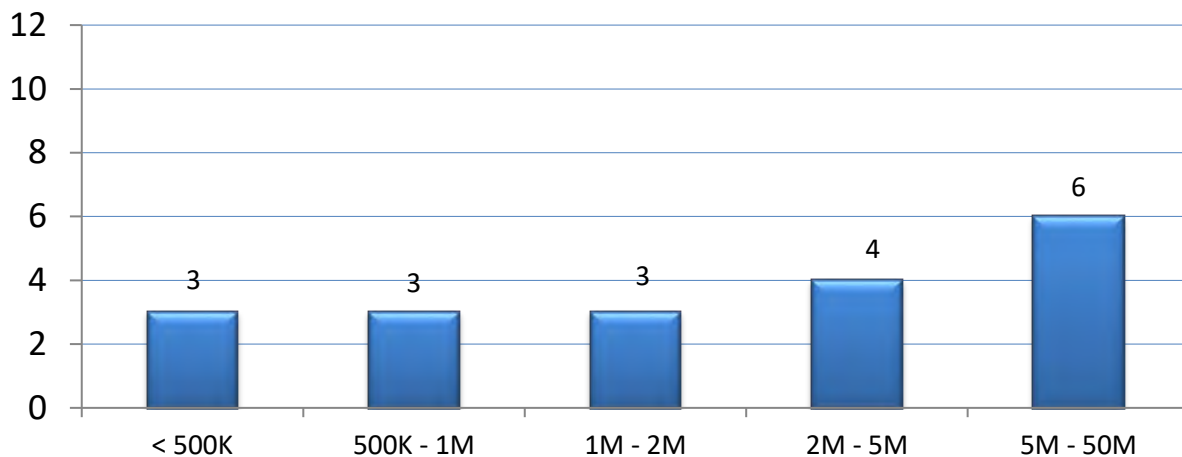
Table 52. Number of New Clients in the Last 3 Months

Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under \$499,999	18%	9%	9%	18%	45%	3.6
Deals valued from \$500,000 to \$999,999	11%	33%	0%	0%	56%	3.6
Deals valued from \$1 million to \$1.99 million	8%	0%	25%	0%	67%	4.2
Deals valued from \$2 million to \$4.99 million	9%	18%	18%	0%	55%	3.7
Deals valued from \$5 million to \$50 million	9%	27%	18%	9%	36%	3.4

Median number of months from listing / engagement to close varies from 5 to 9 months.

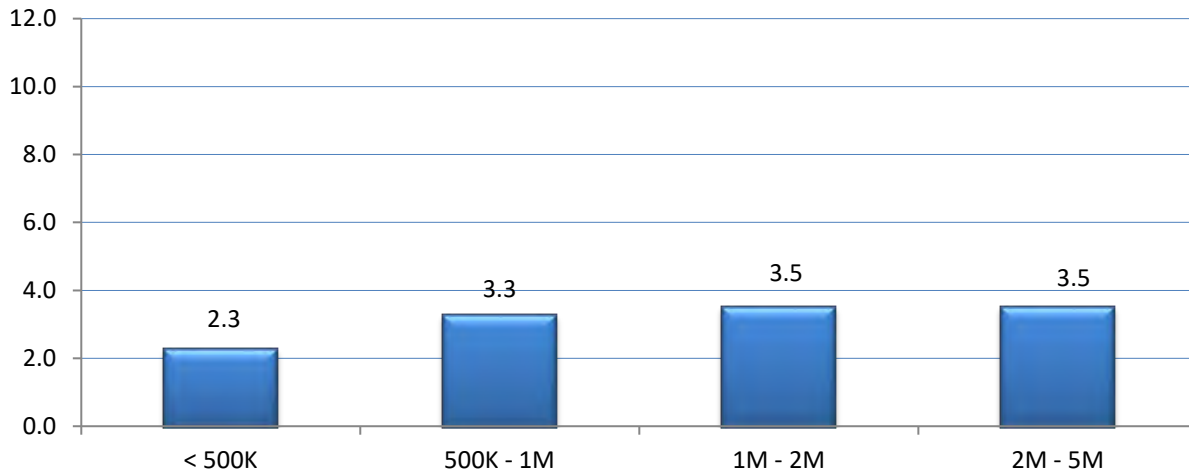
Figure 112. Median Number of Months from Listing / Engagement to Close by Deal Size

Median number of months from LOI / Offer to close varies from 3 to 6 months.

Figure 113. Median Number of Months from LOI / Offer to Close by Deal Size

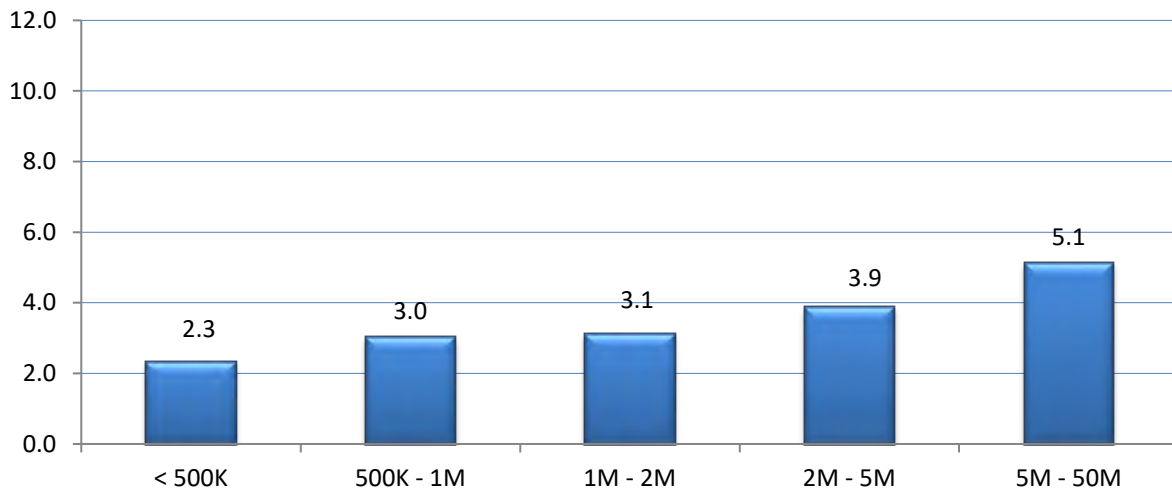
Median SDE multiple paid varies between 2 and 3.5.

Figure 114. Median SDE Multiple Paid by Deal Size



Median EBITDA multiple paid varies between 2.3 and 5.1.

Figure 115. Median EBITDA Multiple Paid by Deal Size



SDE not including working capital was the most popular multiple type used for deals valued under \$500K, while EBITDA not including working capital was the most popular type for deals valued between \$500K and \$50 million.

Figure 116. Multiple Types by Deal Size

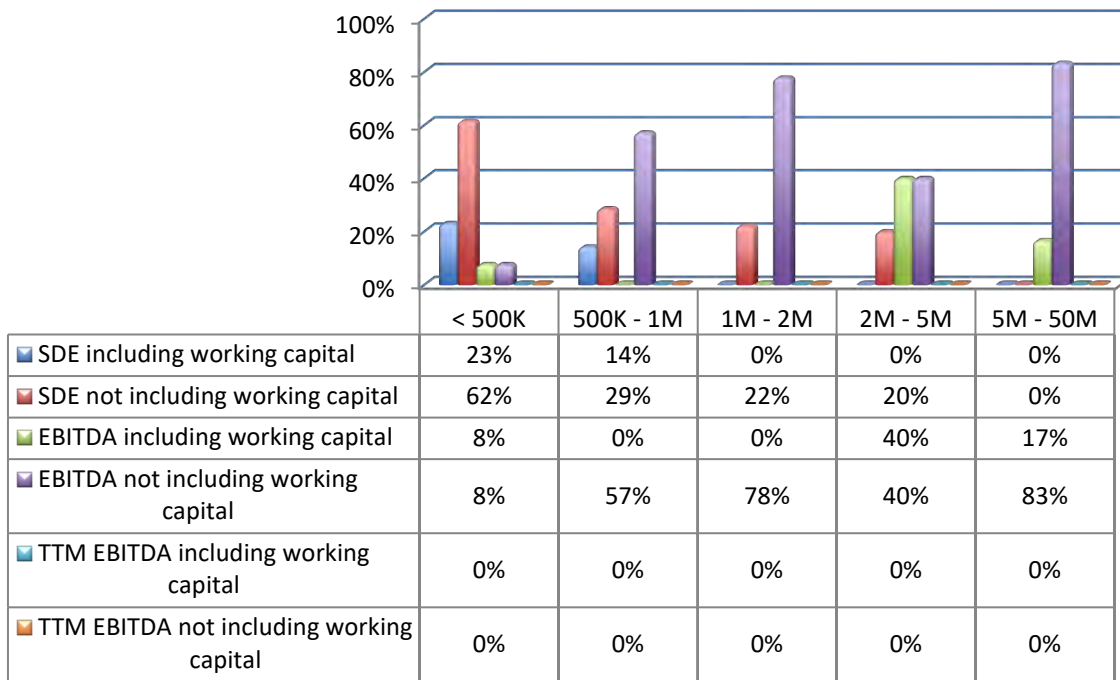
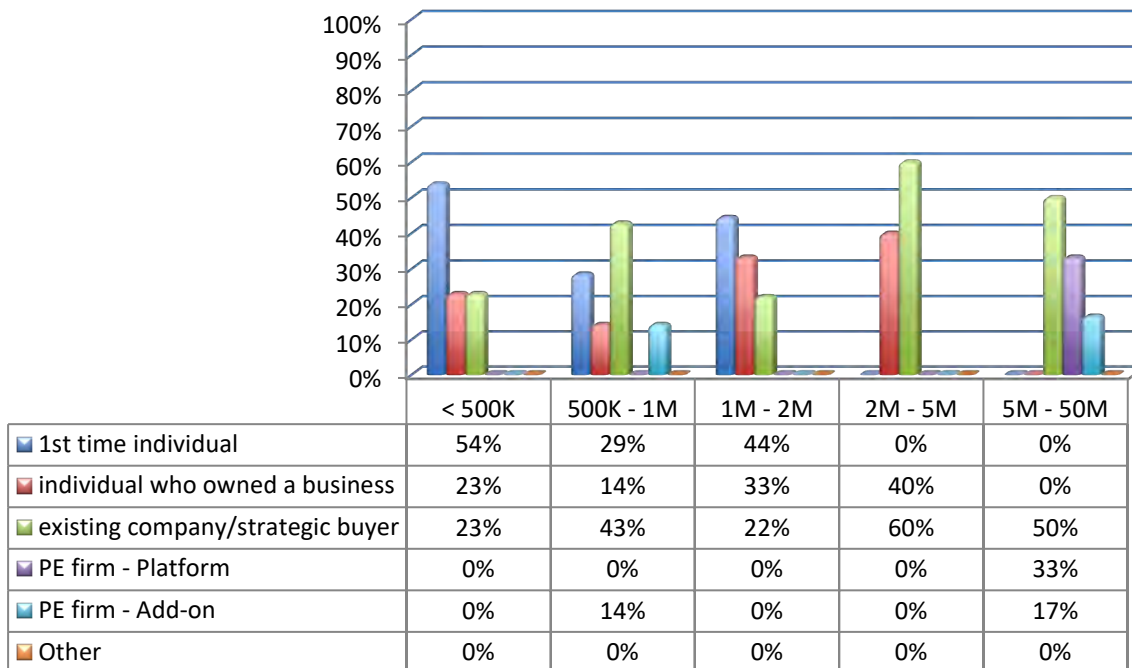


Figure 117. Buyer Type by Deal Size



Reason number one for sellers to go to market was retirement.

Figure 118. Reason for Seller to Go to Market by deal Size

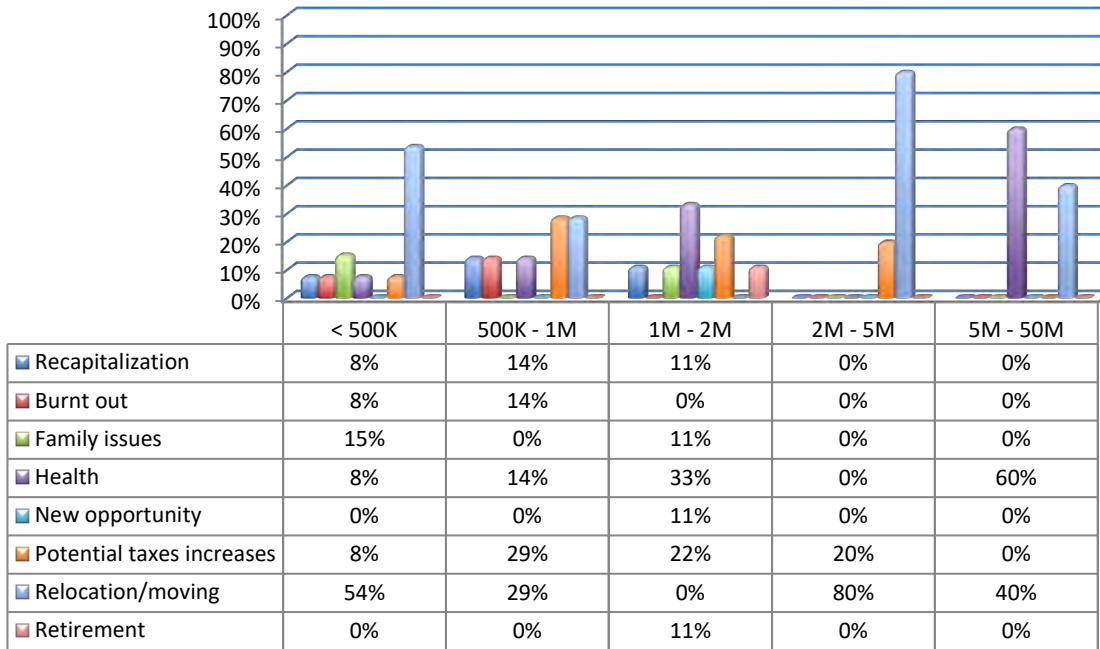
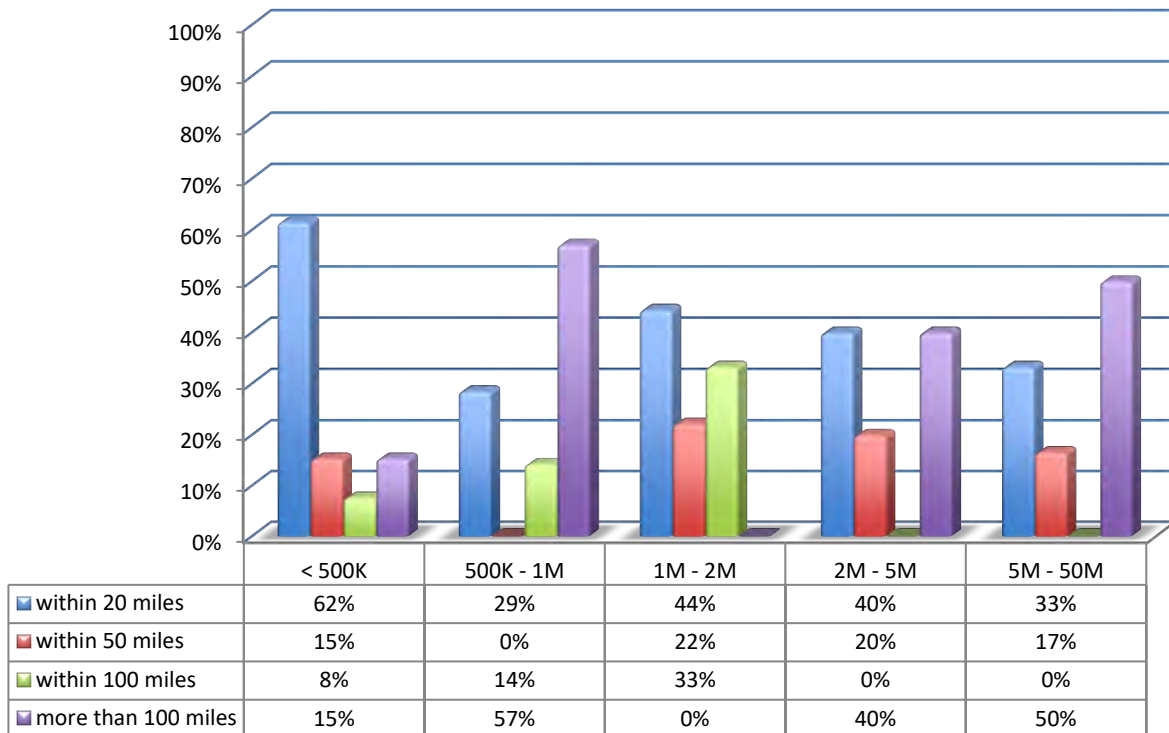
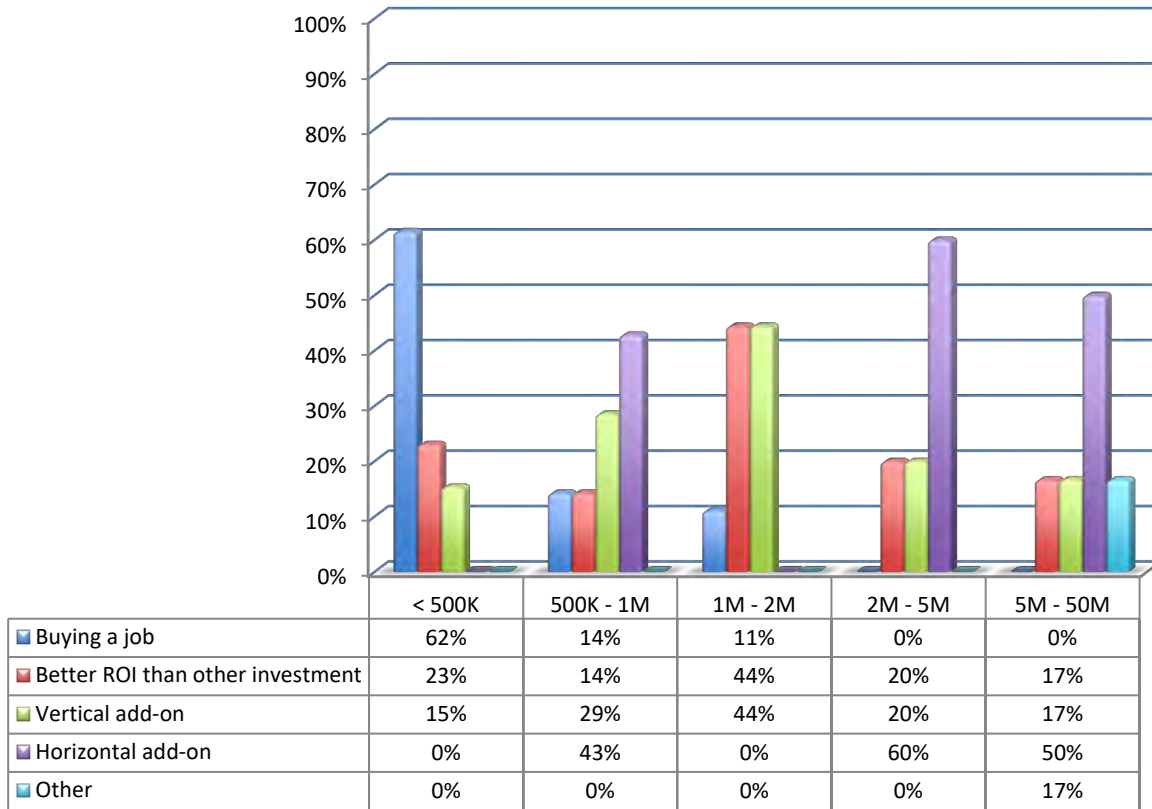


Figure 119. Buyer Location by Deal Size



Buying a job was the number one motivation for buyer for deals valued under \$500 thousand.

Figure 120. Number One Motivation for Buyer by Deal Size



Average percentage of final/ selling price realized to asking/ benchmark price was 94%.

Figure 121. Median Percentage of Final/ Selling Price Realized to Asking/ Benchmark Price by Deal Size

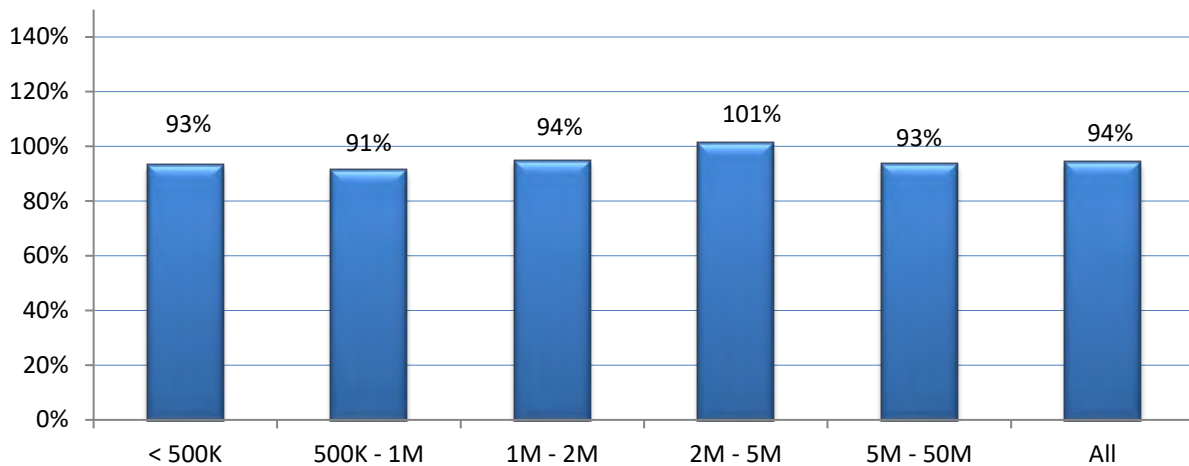


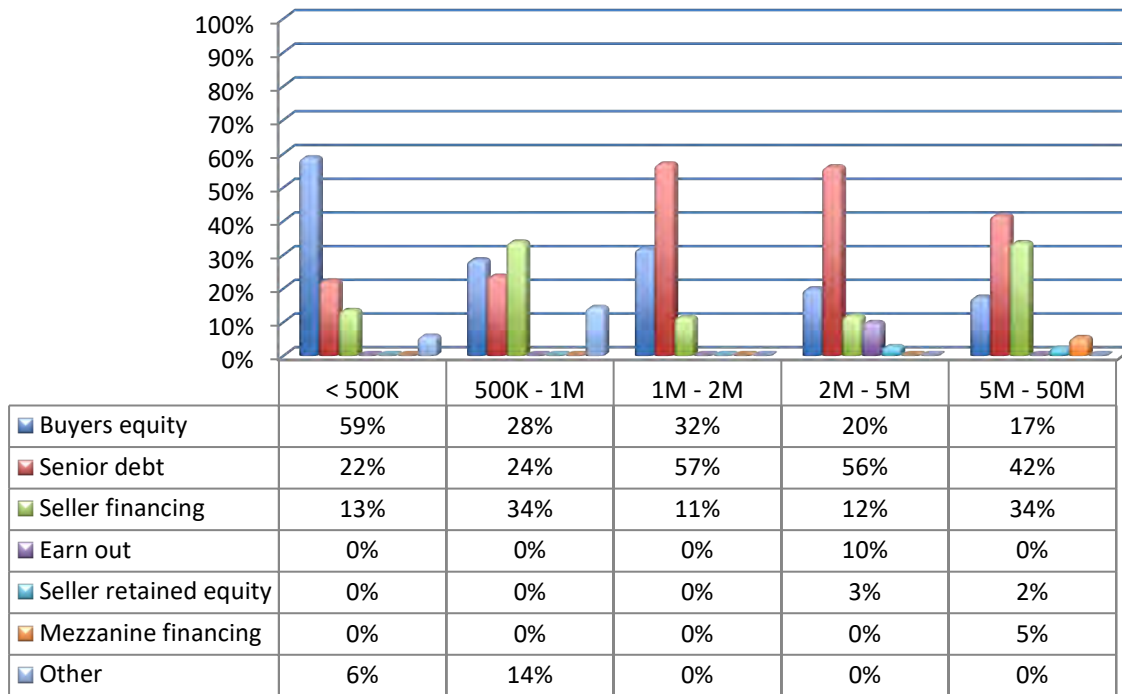
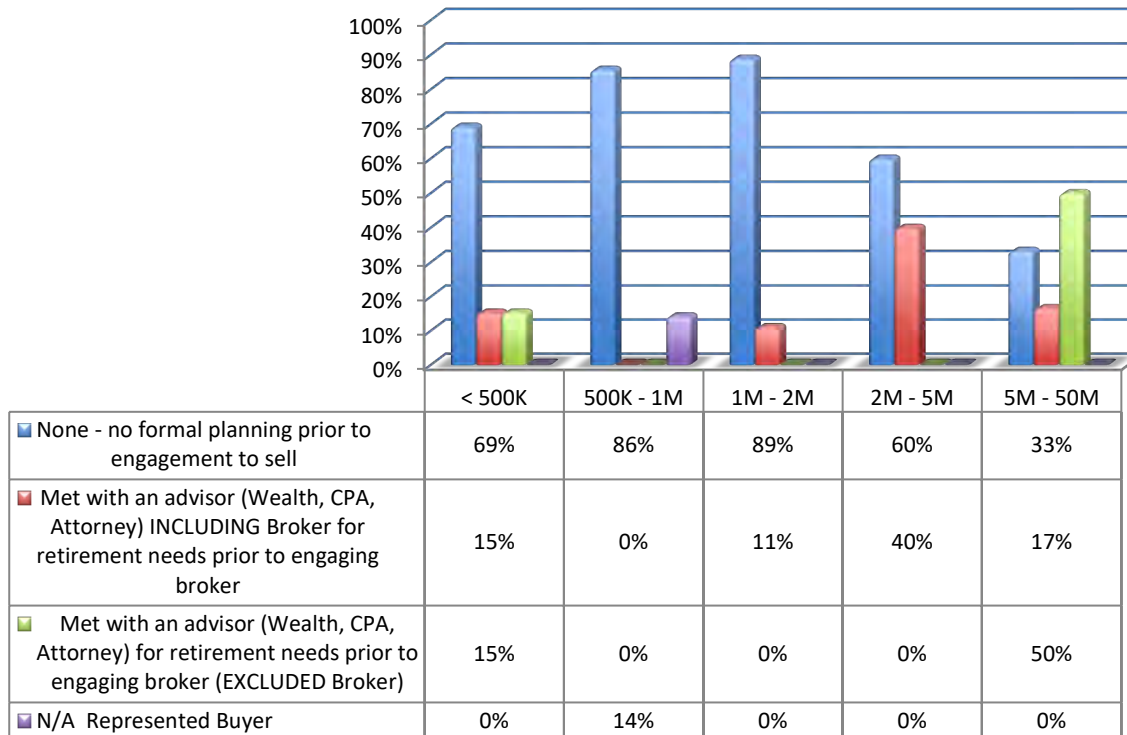
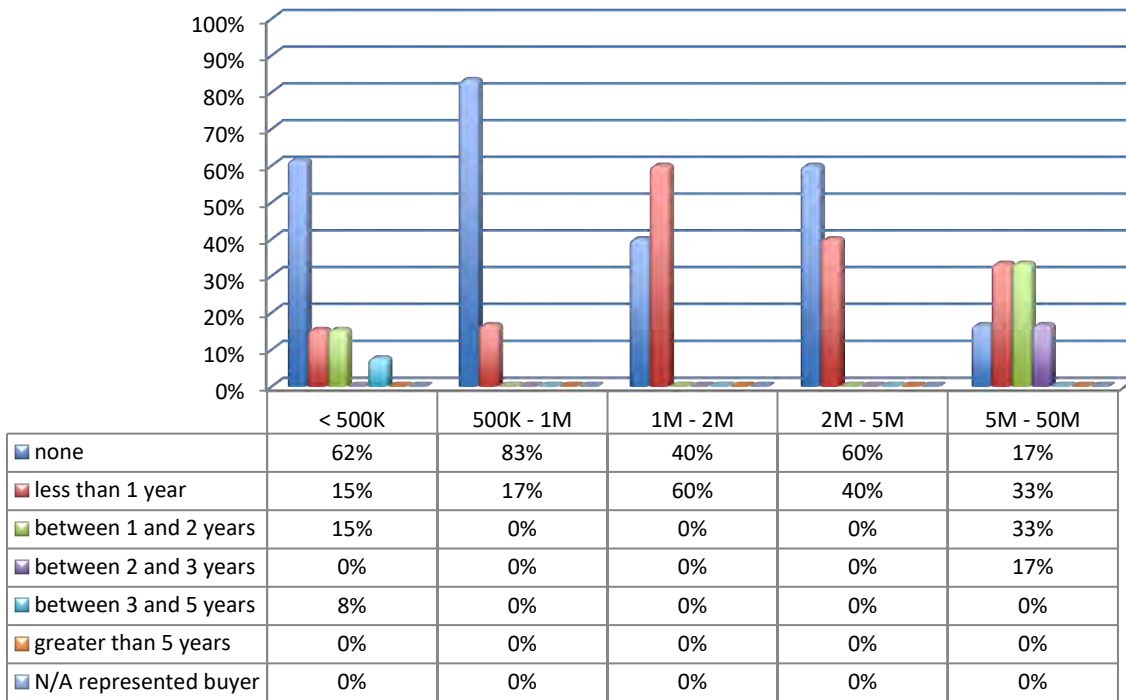
Figure 122. Financing Structure by Deal Size

Figure 123. Exit Planning


Figure 124. Amount of Exit Planning Prior to Marketing Business**Table 53. 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	9.1%	27.3%	27.3%	36.4%	0.0%	2.9
Deals valued from \$500,000 to \$999,999	0.0%	10.0%	10.0%	80.0%	0.0%	3.7
Deals valued from \$1 million to \$1.99 million	0.0%	8.3%	8.3%	66.7%	16.7%	3.9
Deals valued from \$2 million to \$4.99 million	0.0%	0.0%	45.5%	45.5%	9.1%	3.6
Deals over \$5 million	0.0%	0.0%	27.3%	63.6%	9.1%	3.8

Table 54. 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	9.1%	18.2%	63.6%	9.1%	0.0%	2.7
Deals valued from \$500,000 to \$999,999	0.0%	10.0%	90.0%	0.0%	0.0%	2.9
Deals valued from \$1 million to \$1.99 million	0.0%	8.3%	66.7%	25.0%	0.0%	3.2
Deals valued from \$2 million to \$4.99 million	0.0%	0.0%	54.5%	45.5%	0.0%	3.5
Deals over \$5 million	0.0%	9.1%	72.7%	18.2%	0.0%	3.1

Compared to twelve months ago, respondents indicated increases in deal flow, ratio of businesses sold to total listings, business exit opportunities and improved general business conditions. During the next twelve months, respondents expect further increases in deal flow, and margin pressure on companies.

Table 55. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Deal flow	7%	7%	21%	39%	25%	64%	14%	50%
Ratio of businesses sold / total listings	4%	7%	46%	29%	14%	43%	11%	32%
Deal multiples	4%	4%	70%	22%	0%	22%	7%	15%
Business exit opportunities	7%	0%	56%	37%	0%	37%	7%	30%
Amount of time to sell business	4%	21%	57%	18%	0%	18%	25%	-7%
Difficulty selling business	4%	25%	50%	21%	0%	21%	29%	-7%
Business opportunities for growth	4%	4%	43%	43%	7%	50%	7%	43%
General business conditions	4%	21%	29%	32%	14%	46%	25%	21%
Margin pressure on companies	4%	11%	39%	36%	11%	46%	14%	32%

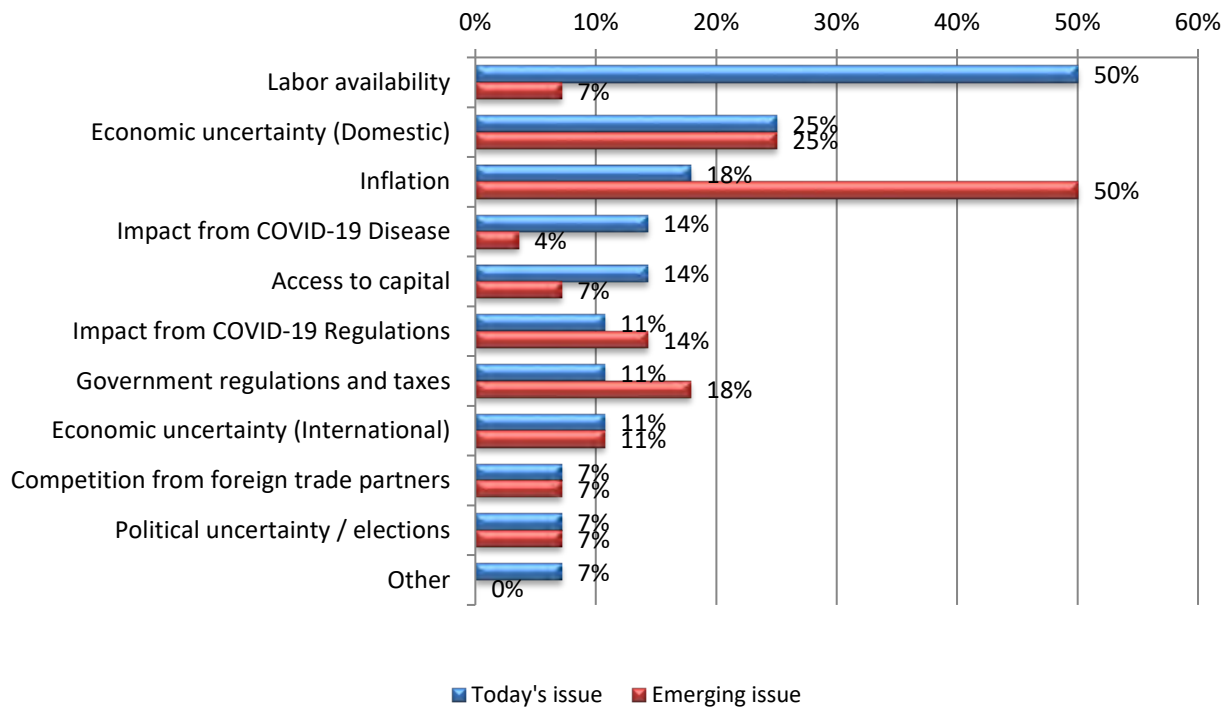
Table 56. General Business and Industry Assessment: Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Deal flow	3%	3%	21%	38%	34%	72%	7%	66%
Ratio of businesses sold / total listings	4%	4%	43%	43%	7%	50%	7%	43%
Deal multiples	3%	14%	48%	31%	3%	34%	17%	17%
Business exit opportunities	3%	7%	31%	48%	10%	59%	10%	48%
Amount of time to sell business	4%	21%	61%	7%	7%	14%	25%	-11%
Difficulty selling business	3%	14%	72%	7%	3%	10%	17%	-7%
Business opportunities for growth	3%	3%	41%	41%	10%	52%	7%	45%
General business conditions	3%	17%	52%	21%	7%	28%	21%	7%
Margin pressure on companies	3%	10%	28%	38%	21%	59%	14%	45%

BROKER cont.

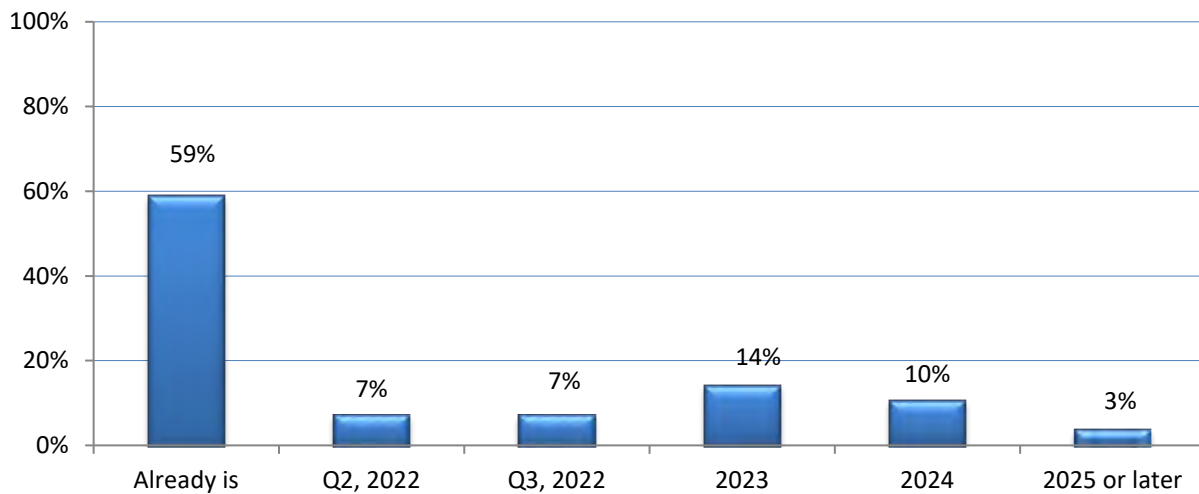
Respondents believe labor availability is the most important current issue facing privately-held businesses.

Figure 125. Issues Facing Privately-Held Businesses



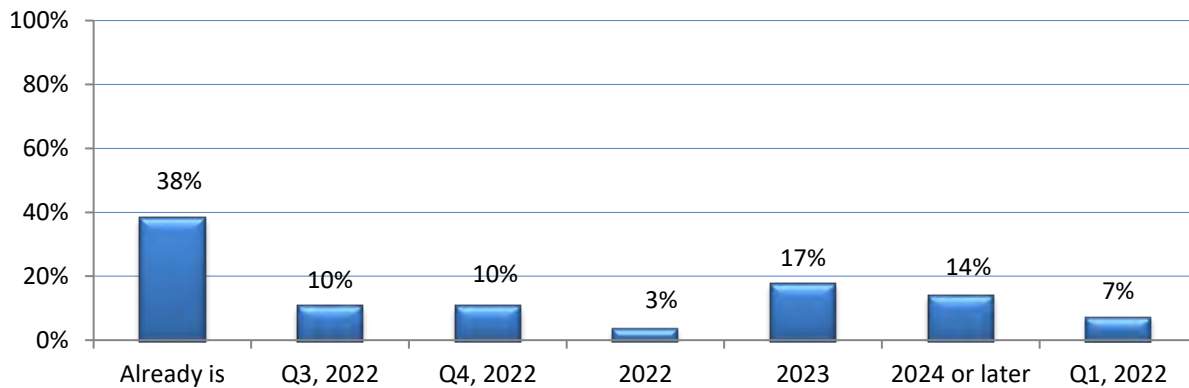
Approximately 59% of respondents believe M&A activity already returned to pre-March 2020 level.

Figure 126. When M&A Activity Returns to Pre-March 2020 Level



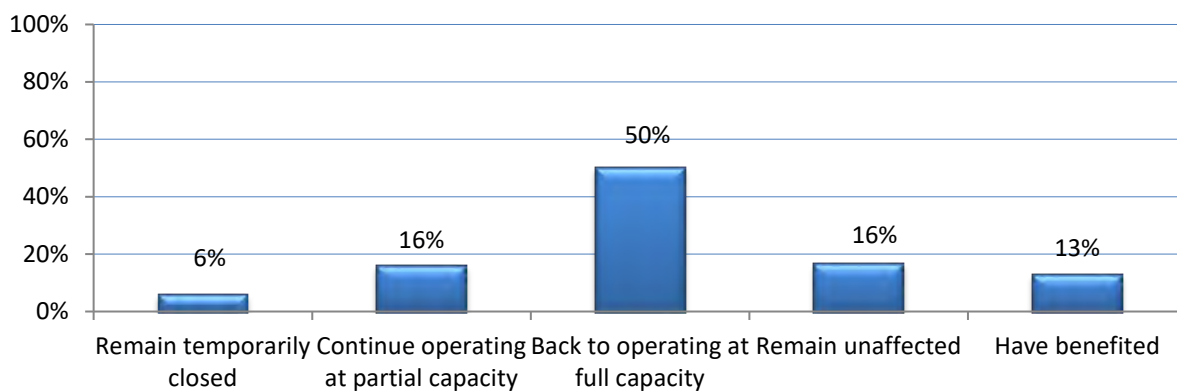
Approximately 38% of respondents believe M&A activity already returned to pre-March 2020 level.

Figure 127. When Main Street Activity Returns to Pre-March 2020 Level



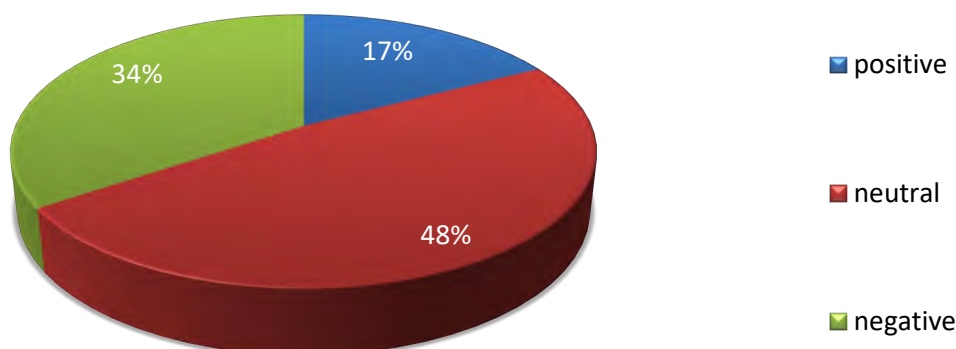
Respondents believe 50% of businesses they are working with return back to operating at full capacity.

Figure 128. Percentage of Businesses Respondents Working with Have:



Approximately 34% of respondents believe the pandemic will have negative effect on business values.

Figure 129. Which Effect Will the Pandemic Have on Business Values



FACTOR SURVEY INFORMATION

Approximately 43% of 13 respondents to the factor survey said the primary uses of factoring facilities are financing working capital fluctuations, followed by expansion (30%), and finance project financing (9%). Factoring facilities are relatively short-term compared to other investments with respondents reporting approximately 46% of factoring facilities have less than or equal to 12 months term.

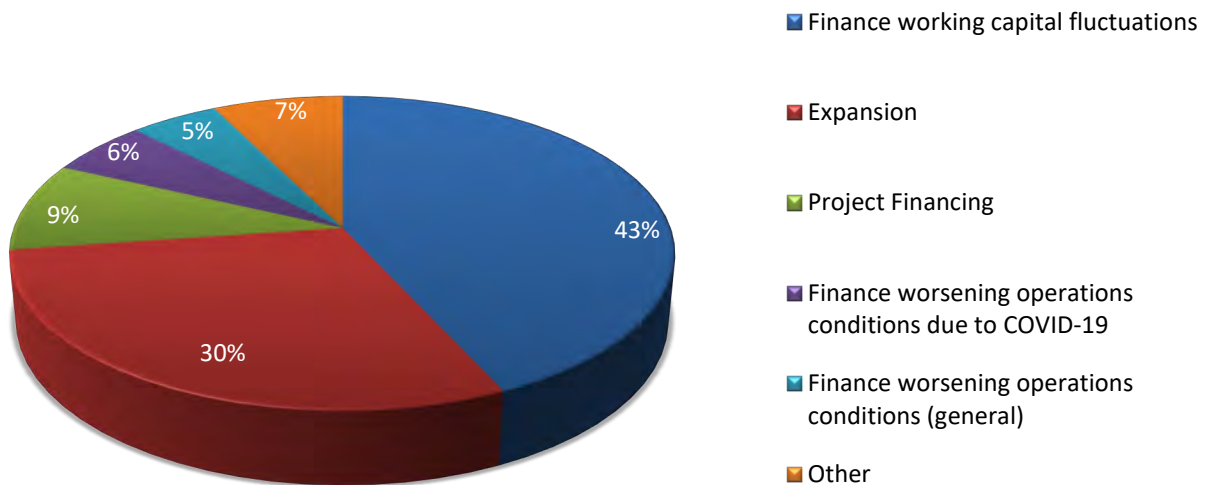
Other key findings include:

- Respondents reported approximately 30% of their company's gross invoices over the last twelve months were originated from manufacturing, another 22% of respondents originated gross invoices from business services.
- When asked about conditions compared to twelve months ago respondents said they saw increased demand for business factoring lines in the last 12 months, worsened general business conditions and decreased interest rates.
- Respondents believe Impact from COVID-19 disease and impact from COVID-19 regulations are the most important issues facing privately-held businesses today. 50% of respondents believe inflation is the most important emerging issue.

Operational and Assessment Characteristics

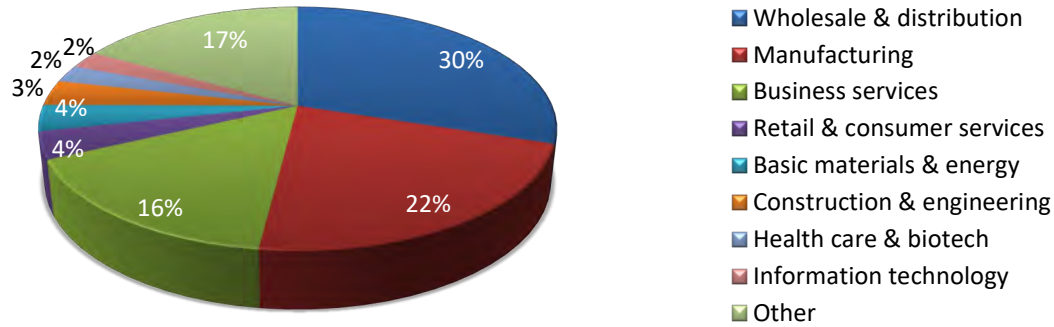
Approximately 43% of respondents indicated working capital fluctuations as the primary uses of factoring facilities.

Figure 130. Primary Use of the Factoring Facilities Over the Last 12 Months



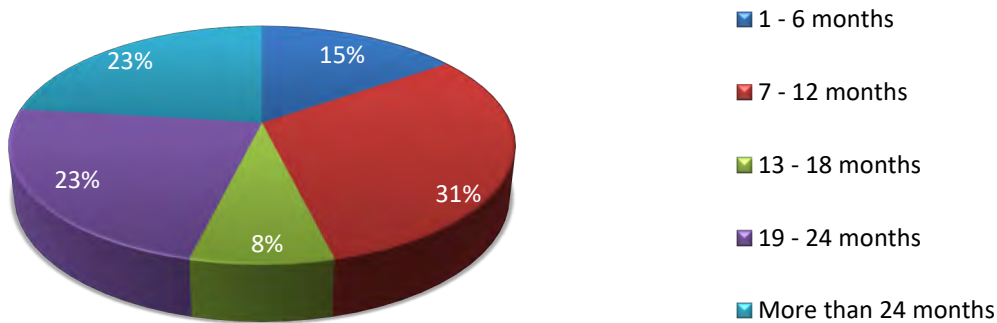
Respondents reported approximately 30% of their company's gross invoices over the last twelve months were originated from wholesale & distribution, another 22% of respondents originated gross invoices from manufacturing.

Figure 131. Industries for Gross Invoices for the Last 12 Months



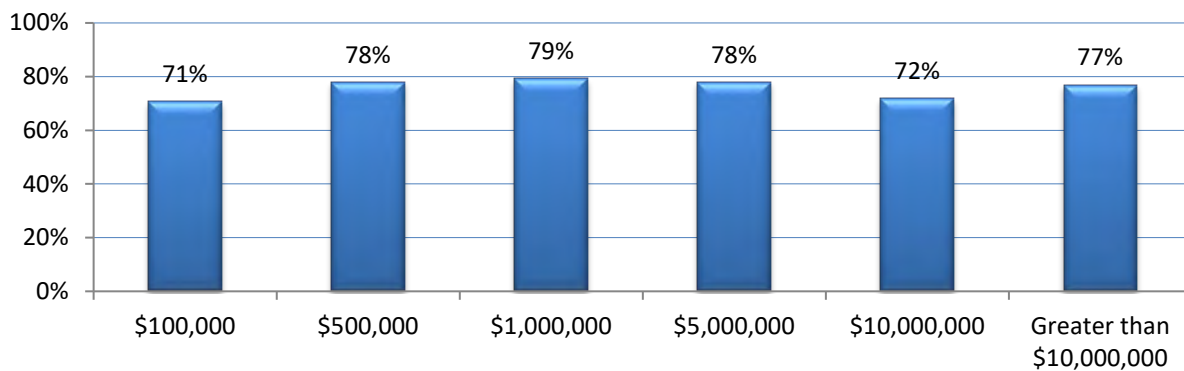
Factoring facilities are relatively short-term compared to other investments with respondents reporting approximately 46% of factoring facilities have less than or equal to 12 months term.

Figure 132. Term of Current Typical Factoring Facility



Respondents reported average advance rates charged for various-sized facilities range from 71% to 79% on a monthly basis.

Figure 133. Current Average Advance Rates for Various-Sized Facilities



Nearly 63% of respondents charge wire transfer / ACH fee, while 50% of respondents charge due diligence fee.

Table 57. Fees Charged

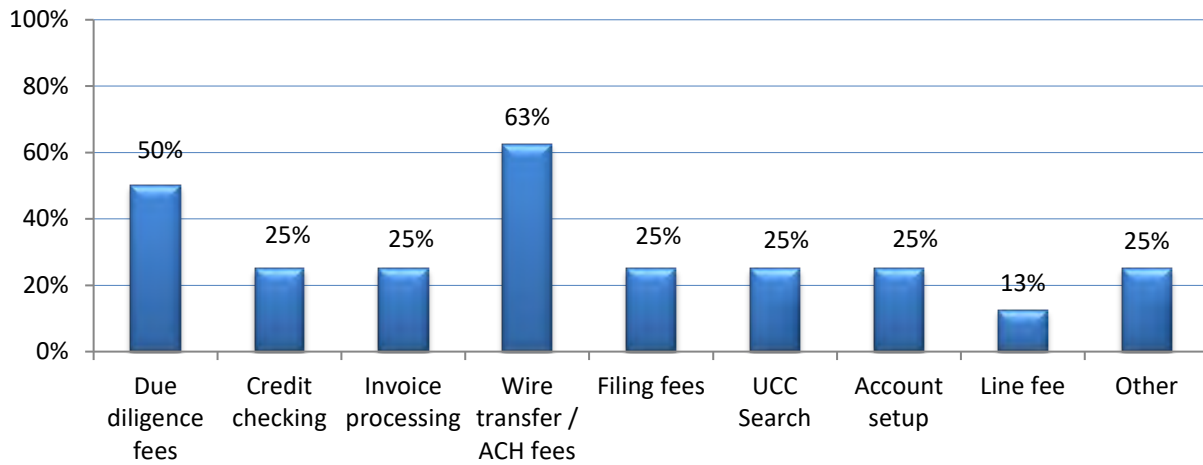
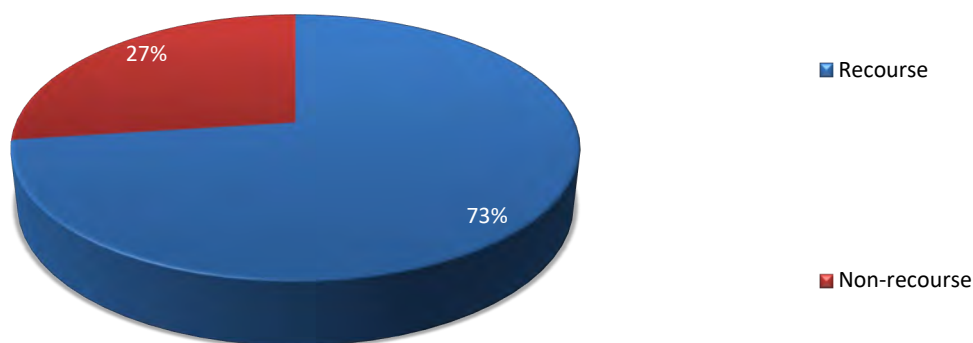


Table 58. Spread (%)

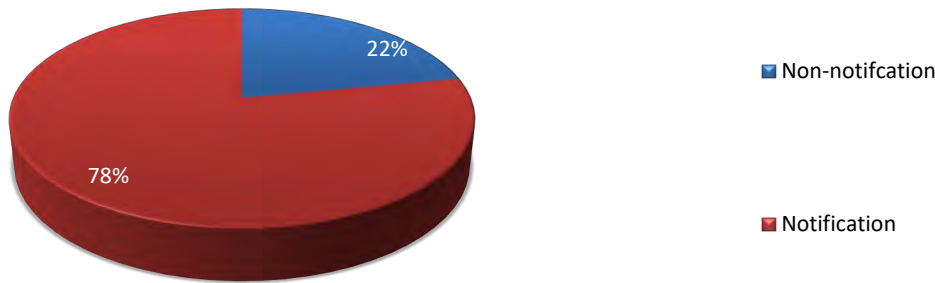
	1st quartile	Median	3rd quartile
Tied to prime	1.3%	2.7%	3.9%

Figure 134. Percentage of Factoring Business - Recourse vs Non-recourse



Respondents reported 78% of their current purchases were on a notification basis

Figure 135. Percentage of Purchases on a Non-notification Basis



Nearly 100% of respondents require background check and a personal guarantee.

Table 59. Typical Current Requirements

Requirement	%
Lien on A/R assets	89%
Background check	100%
Personal guarantee	100%
Financial statements	100%
Lien on all assets	100%
Performance guarantee	75%
Audit	60%

Table 60. Discount fee (%) on Outstanding Invoices for Notification Basis

	\$0 - \$25K	\$25K - \$50K	\$50K - \$100K	\$100K - \$250K	\$250K - \$1M	\$1M - \$5M	\$5M - \$10M	\$10M +
First 30 days								
1st quartile	2.0%	1.8%	1.8%	2.0%	2.0%	1.5%	1.3%	1.1%
Median	3.0%	3.0%	2.5%	2.0%	2.0%	1.5%	1.3%	1.3%
3rd quartile	3.4%	3.4%	3.4%	2.5%	2.5%	1.7%	1.3%	1.3%
Next 15 days (31-45)								
1st quartile	1.5%	1.5%	1.5%	1.3%	1.1%	1.1%	1.0%	0.8%
Median	1.8%	1.8%	1.8%	1.3%	1.3%	1.1%	1.0%	0.8%
3rd quartile	2.5%	2.8%	2.3%	1.5%	1.5%	1.2%	1.0%	0.8%
Next 15 days (46-60)								
1st quartile	1.5%	1.5%	1.5%	1.3%	1.1%	1.1%	1.0%	0.8%
Median	1.8%	1.8%	1.8%	1.3%	1.3%	1.1%	1.0%	0.8%
3rd quartile	3.8%	3.8%	3.8%	1.5%	1.5%	1.2%	1.0%	0.8%

On average respondents expect 1% of total write-off.

Table 61. Expected Total Write-off – Percentage of Receivables Purchased on New Arrangements (%)

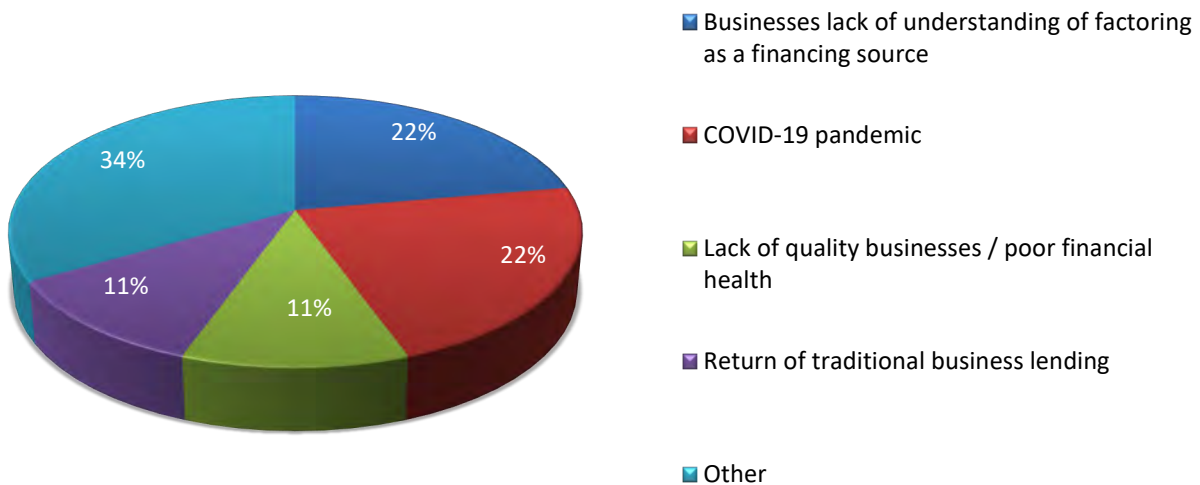
	1st quartile	Median	3rd quartile
Expected total write-off	0.5%	1.0%	6.0%

Table 62. Average Number of Days Outstanding Receivables

	1st quartile	Median	3rd quartile
During Last 12 Months	40	45	50
Expected for Next 12 Months	40	45	50

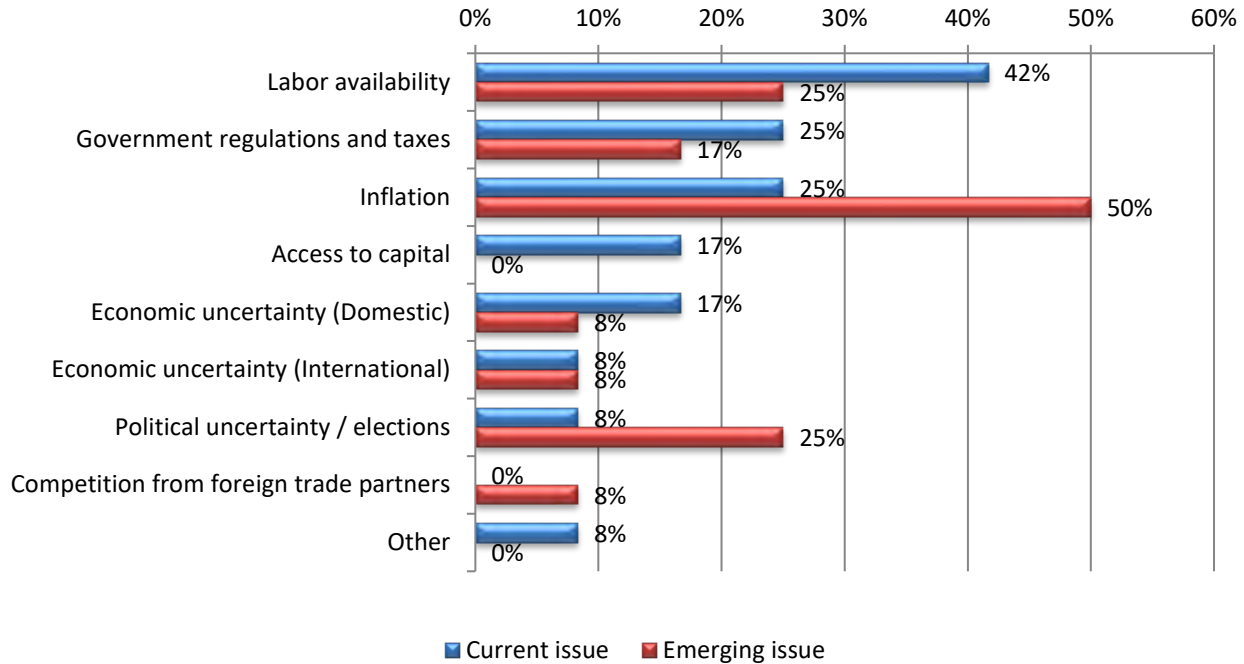
According to the 22% of respondents, the most significant concern to factoring business is lack of understanding of factoring as a financing source and another 22% of respondents sight COVID-19 pandemic.

Figure 136. Most Significant Concern to Factoring Business



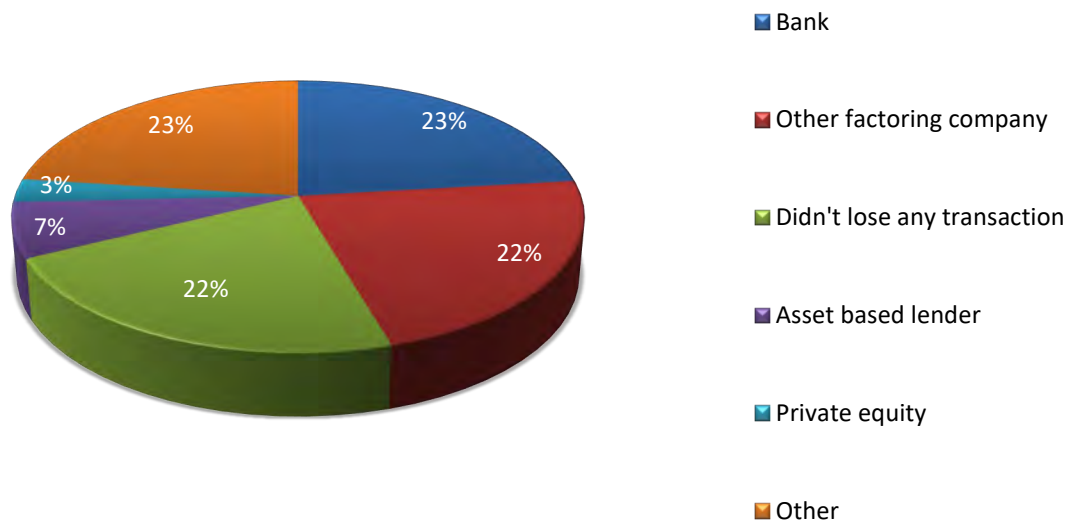
Respondents believe labor availability is the most important issues facing privately-held businesses today. 50% of respondents believe inflation is the most important emerging issue.

Figure 137. Issues Facing Privately-Held Businesses



22% of respondents didn't lose any transactions in the last twelve months.

Figure 138. Types of Financing Sources Respondents Lost Transactions to in the Last 12 Months



FACTOR cont.

Respondents indicated increases in demand for business factoring lines and fees, flat credit quality of borrowers, decreased interest rate spreads, and slightly worsened general business conditions.

Table 63. General Business and Industry Assessment: Today versus 12 Months Ago

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for business factoring lines (applications)	11%	0%	11%	67%	11%	78%	11%	67%
Credit Quality of Borrowers Applying for Credit	22%	0%	56%	22%	0%	22%	22%	0%
Time to Process Facility	0%	0%	100%	0%	0%	0%	0%	0%
Average Facility Size	0%	0%	78%	11%	11%	22%	0%	22%
Average Facility Term (Months)	0%	0%	89%	0%	11%	11%	0%	11%
Size of Interest Rate Spreads (pricing)	0%	22%	67%	11%	0%	11%	22%	-11%
Fees	0%	11%	67%	22%	0%	22%	11%	11%
Standard advance rates on receivables	0%	0%	78%	22%	0%	22%	0%	22%
General business conditions	22%	11%	44%	22%	0%	22%	33%	-11%

Respondents expect further increases in demand for business factoring lines, decreasing credit quality of borrowers and interest rates.

Table 64. General Business and Industry Assessment Expectations over the Next 12 Months

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for business factoring lines (applications)	11%	0%	44%	33%	11%	44%	11%	33%
Credit Quality of Borrowers Applying for Credit	11%	33%	56%	0%	0%	0%	44%	-44%
Time to Process Facility	0%	11%	89%	0%	0%	0%	11%	-11%
Average Facility Size	0%	0%	78%	22%	0%	22%	0%	22%
Average Facility Term (Months)	0%	0%	89%	0%	11%	11%	0%	11%
Size of Interest Rate Spreads (pricing)	0%	38%	50%	13%	0%	13%	38%	-25%
Fees	0%	22%	67%	11%	0%	11%	22%	-11%
Standard advance rates on receivables	0%	0%	89%	11%	0%	11%	0%	11%
General business conditions	11%	33%	33%	22%	0%	22%	44%	-22%

EQUIPMENT LEASING SURVEY INFORMATION

Approximately 22% of 13 respondents to the equipment leasing survey expect to have lease agreements executed to manufacturing industry, another 19% to healthcare & biotech, followed by construction & engineering (12%). Nearly 73% of respondents booked more than 10 leases in the last 12 months. 91% of respondents plan to book 10 leases or more in the next 12 months.

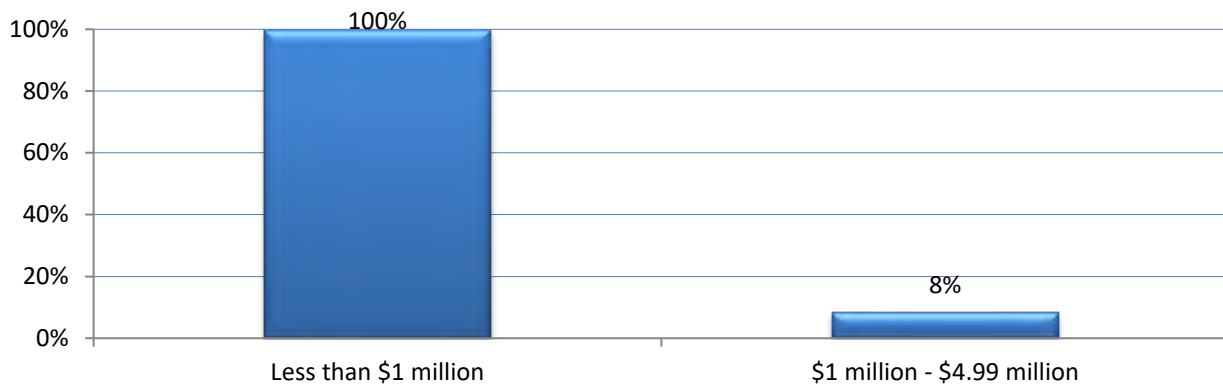
Other key findings include:

- Respondents indicated range of annualized expected returns from leases booked during the past 12 months between 5% and 16.5% depending on lease size and equipment type.
- When asked about conditions compared to twelve months ago nearly 67% of respondents said they saw increased demand for business leases in the last 12 months. Approximately 56% of equipment leasing companies indicated improved general business conditions in the last twelve months.
- Nearly 44% of respondents believe domestic economic uncertainty is the most important issue facing privately-held businesses today, followed by impact from COVID-19 disease and inflation.

Operational and Assessment Characteristics

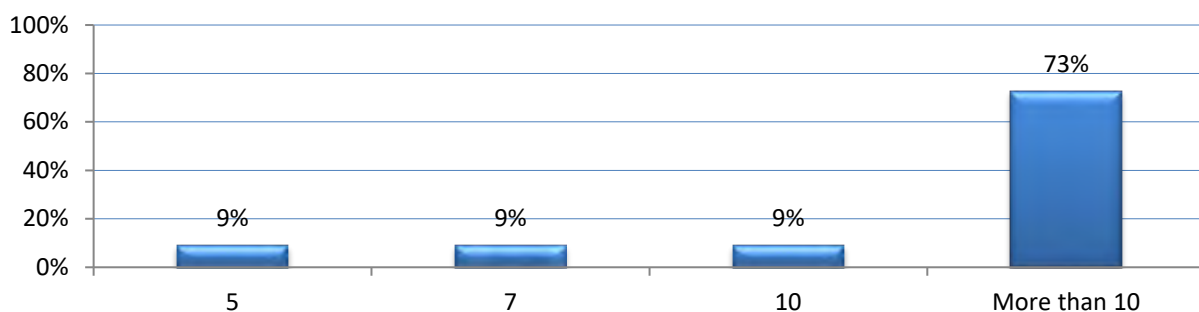
All respondents book lease agreements less than \$1 million.

Figure 139. Typical Size of Business Leases



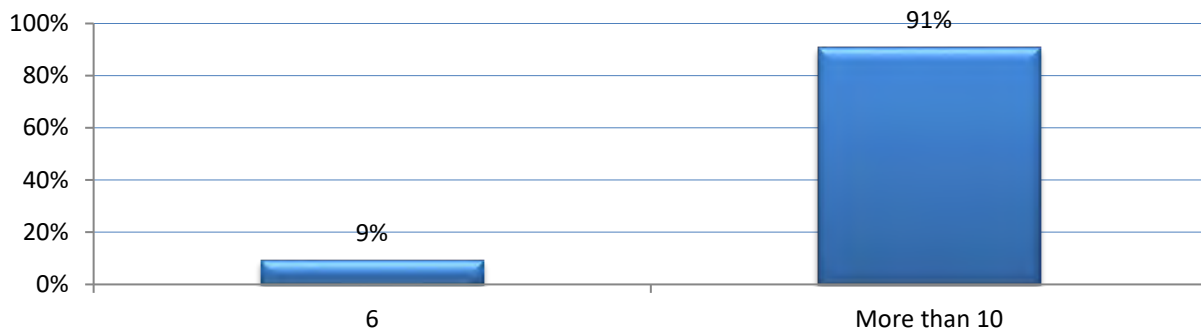
Nearly 73% of respondents booked more than 10 leases in the last 12 months.

Figure 140. Business Leases Booked in the Last Twelve Months



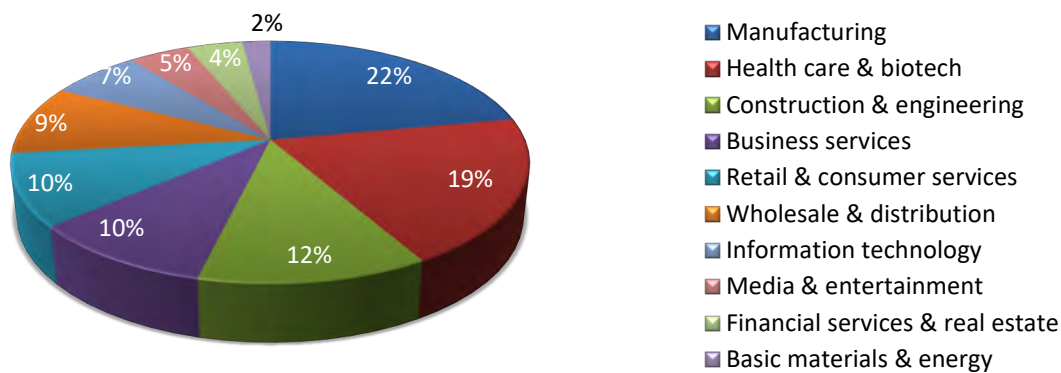
Approximately 91% of respondents plan to book more than 10 leases in the next 12 months.

Figure 141. Business Leases Expected to Book in the Next Twelve Months



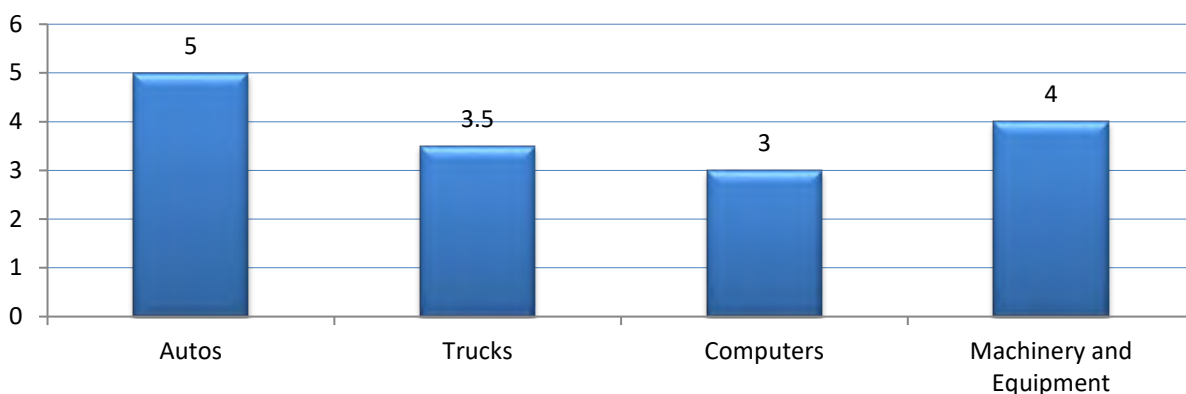
Approximately 22% of 19 respondents to the equipment leasing survey expect to have lease agreements executed to manufacturing industry, another 19% to healthcare & biotech, followed by construction & engineering (12%).

Figure 142. Industries to Have Lease Agreements Executed in the Next Twelve Months



Average lease terms from leases booked during the past 12 months vary from 3 to 5 years.

Figure 143. Lease Terms from Leases Booked during the Past Twelve Months (Years)



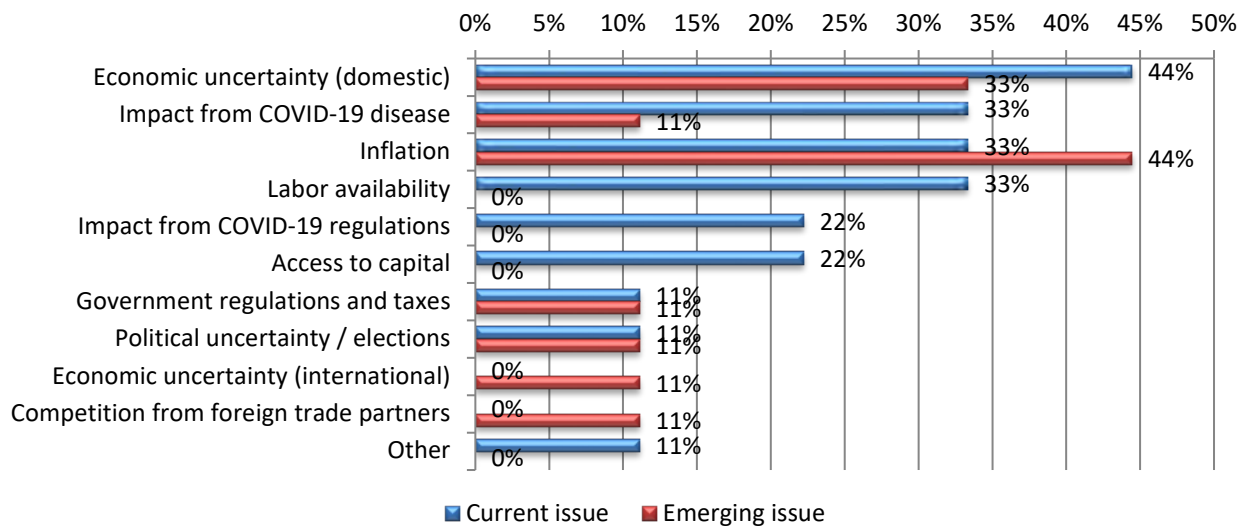
Respondents indicated range of annualized expected returns from leases booked during the past 12 months between 5% and 16.5% depending on lease size and equipment type.

Table 65. Annualized Expected Returns from Leases Booked during the Past 12 Months

Lease size	Autos	Trucks	Computers	Machinery and equipment
less than \$100K	10.0%	13.0%	15.0%	16.5%
\$100K - \$499K	10.0%	12.0%	13.0%	12.0%
\$500K - \$999K	5.0%	11.5%	10.0%	10.0%
\$1M - \$4.99M	n/a	n/a	10.0%	8.0%

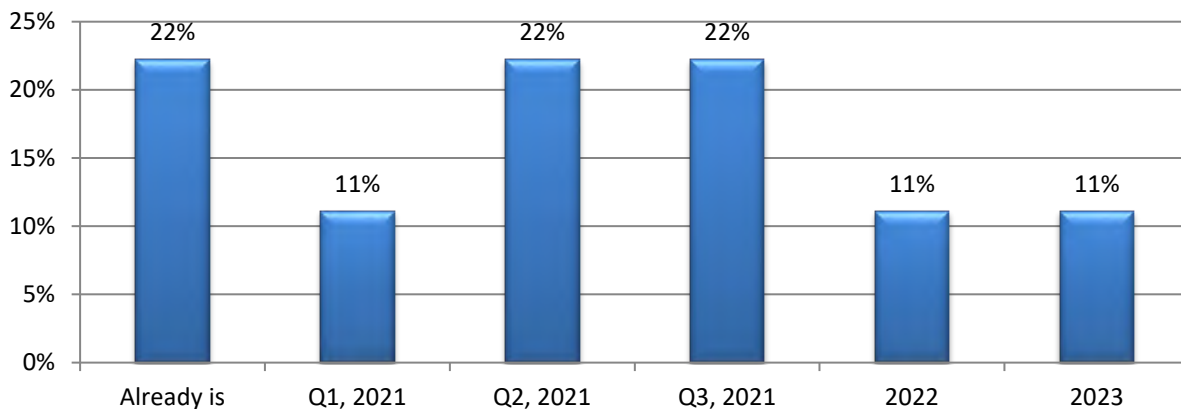
Nearly 44% of respondents believe domestic economic uncertainty is the most important issue facing privately-held businesses today, followed by impact from COVID-19 disease, inflation and labor availability.

Figure 144. Issues Facing Privately-Held Businesses



Approximately 22% of respondents believe leasing activity has already return to pre-March 2020 level.

Figure 145. When Leasing Activity Returns to Pre-March 2020 Level



EQUIPMENT LEASING cont.

When asked about conditions compared to twelve months ago nearly 67% of respondents said they saw increased demand for business leases in the last 12 months. Approximately 56% of equipment leasing companies indicated improved general business conditions in the last twelve months.

Table 66. General Business and Industry Assessment: Today versus 12 Months Ago

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for business leases	11%	22%	0%	44%	22%	67%	33%	33%
General lease qualification standards	0%	0%	63%	25%	13%	38%	0%	38%
Quality of Companies Seeking Leases	0%	22%	56%	11%	11%	22%	22%	0%
Average Lease Size	0%	11%	44%	44%	0%	44%	11%	33%
Expected Investment Holding Period	0%	13%	88%	0%	0%	0%	13%	-13%
Expected returns on new investments	0%	33%	22%	44%	0%	44%	33%	11%
Size of equipment leasing industry	0%	33%	44%	22%	0%	22%	33%	-11%
General business conditions	0%	22%	22%	56%	0%	56%	22%	33%
Appetite for Risk	0%	22%	44%	33%	0%	33%	22%	11%

Table 67. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for business leases	0%	0%	9%	82%	9%	91%	0%	91%
General lease qualification standards	0%	9%	36%	55%	0%	55%	9%	45%
Quality of Companies Seeking Leases	0%	18%	36%	36%	9%	45%	18%	27%
Average Lease Size	0%	18%	45%	36%	0%	36%	18%	18%
Expected Investment Holding Period	0%	0%	78%	22%	0%	22%	0%	22%
Expected returns on new investments	0%	45%	18%	36%	0%	36%	45%	-9%
Size of equipment leasing industry	0%	10%	30%	60%	0%	60%	10%	50%
General business conditions	0%	9%	18%	64%	9%	73%	9%	64%
Appetite for Risk	0%	27%	27%	45%	0%	45%	27%	18%

BUSINESS OWNER SURVEY INFORMATION

Of the 594 privately-held businesses that responded to the survey, 13% had businesses that involved in manufacturing, 11% were in professional, scientific or technical services, and 11% were in information technology or services. Approximately 74% of businesses have annual revenues less than \$5 million. Nearly 87% of business owners report having the enthusiasm to execute growth strategies, yet just 55% report having the necessary financial resources to successfully execute growth strategies.

Of the respondents who were seeking financing in the last 12 months, approximately 41% anticipated to raise less than \$100,000 in capital. Approximately 44% of respondents reported that they were seeking bank business loans or business credit card financing as a source of funding, followed by friends and family (12%). Of all financing options, bank loans and grants emerged as the financing sources with the highest “willingness” for small business to use, followed by business credit cards and credit unions. Results also showed that 79% of privately-held businesses that sought bank loans over the past 12 months were successful. Survey results indicated that business owners who raised capital on average contacted 1.8 banks.

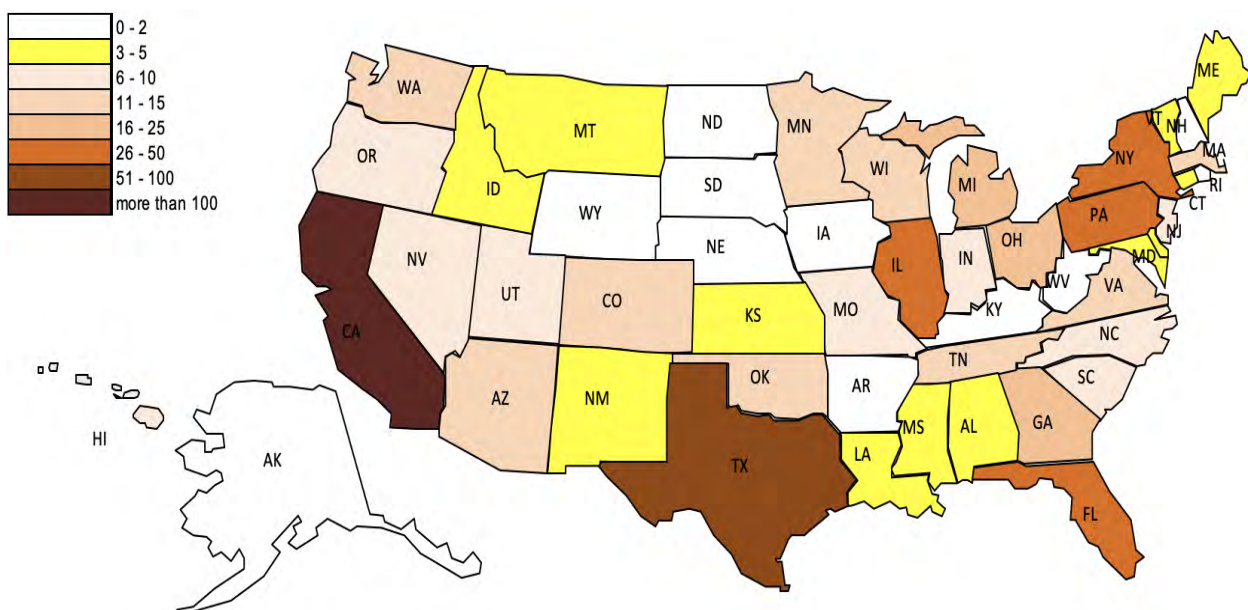
Nearly three quarters of businesses (70%) are planning to hire additional workers. Approximately 37% of respondents believe labor availability is the number one issue small businesses face today, followed by inflation (32%), impact from COVID-19 disease uncertainty (26%), impact from COVID-19 regulations (26%) and government regulations and taxes (26%). According to small businesses, of those policies most likely to lead to job creation in 2021, increased access to capital emerged as number one (21%) followed by decrease COVID-19 restrictions (21%), and tax incentives (17%). The study showed that of those that do plan to hire, sales and marketing skills (40%) and skilled labor (36%) are in greatest demand followed by service/customer service (30%). Also, 87% of companies planning to hire indicate they’d need to train those they hire.

39% of respondents believe that general business conditions improved in the twelve months compared to 32% surveyed year ago.

Operational and Assessment Characteristics

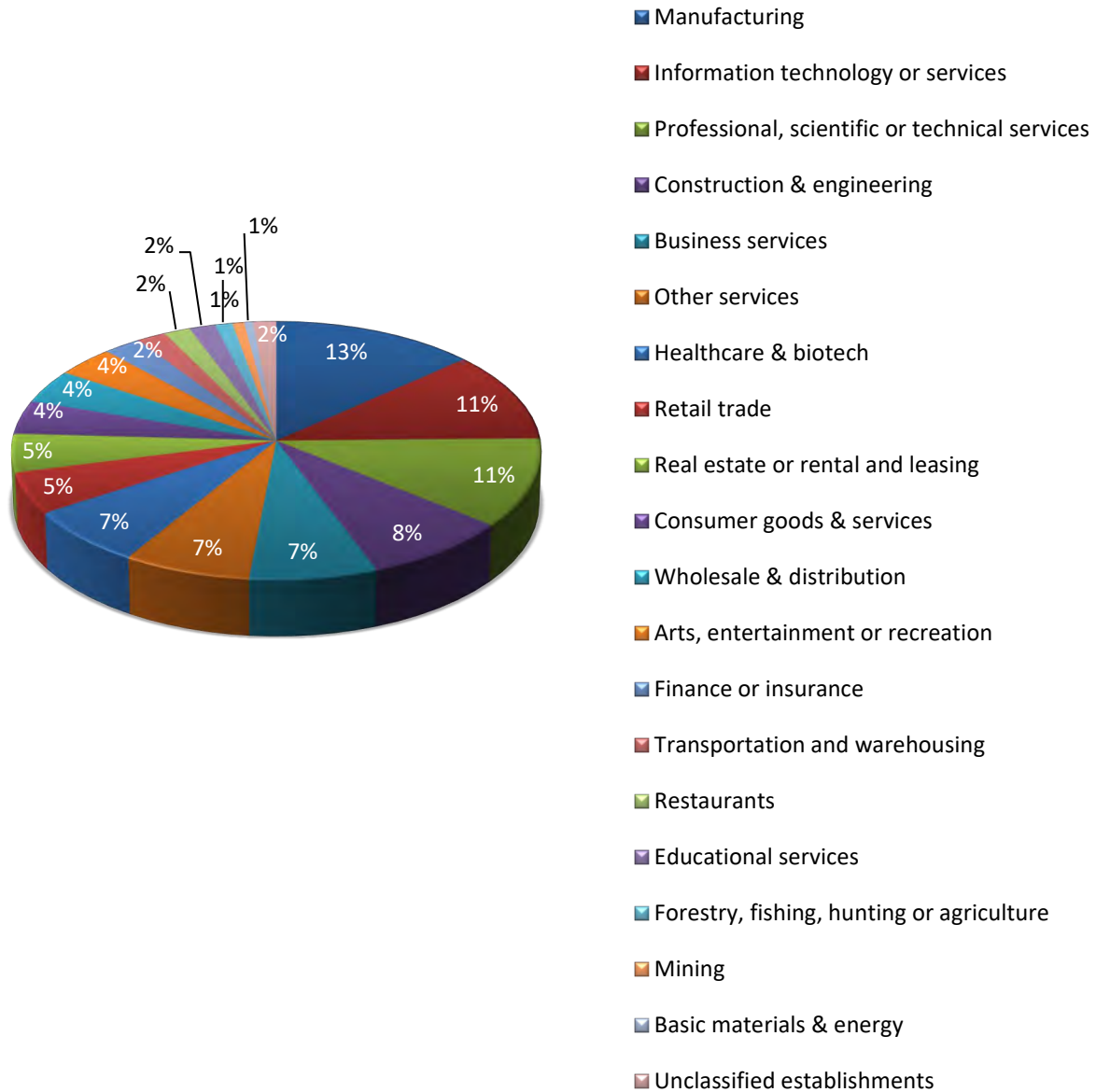
The privately-held business survey results were generated from 594 participants. The locations of businesses are distributed over all regions of the United States.

Figure 146. Respondents Distribution by State



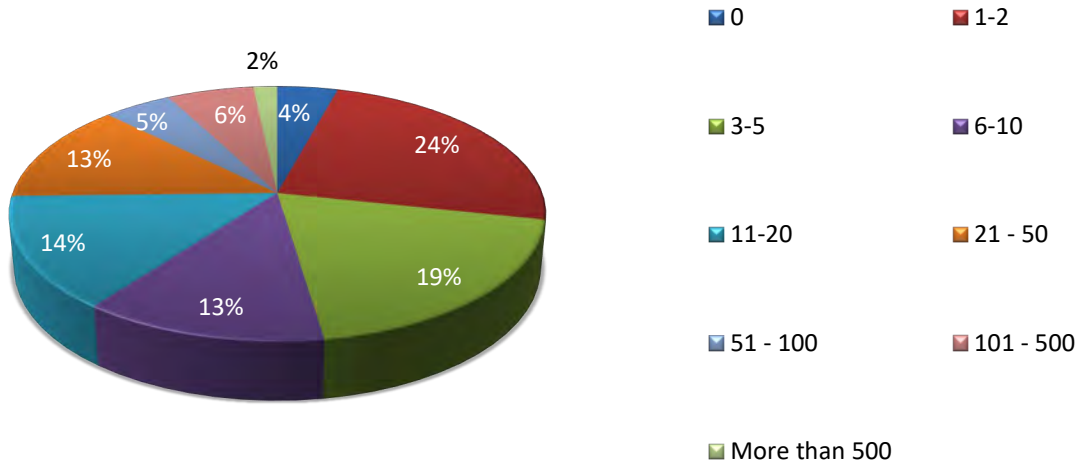
Approximately 13% of businesses involved in manufacturing, 11% were in information technology or services, and 11% were in professional, scientific or technical services.

Figure 147. Description of Entity



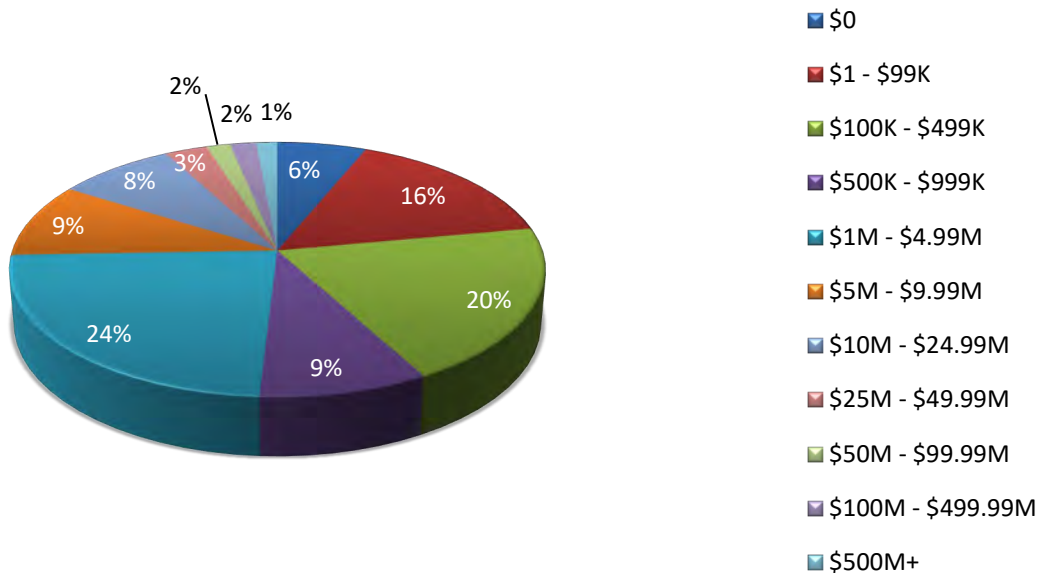
Approximately 43% of businesses have between one and five employees.

Figure 148. Number of Employees



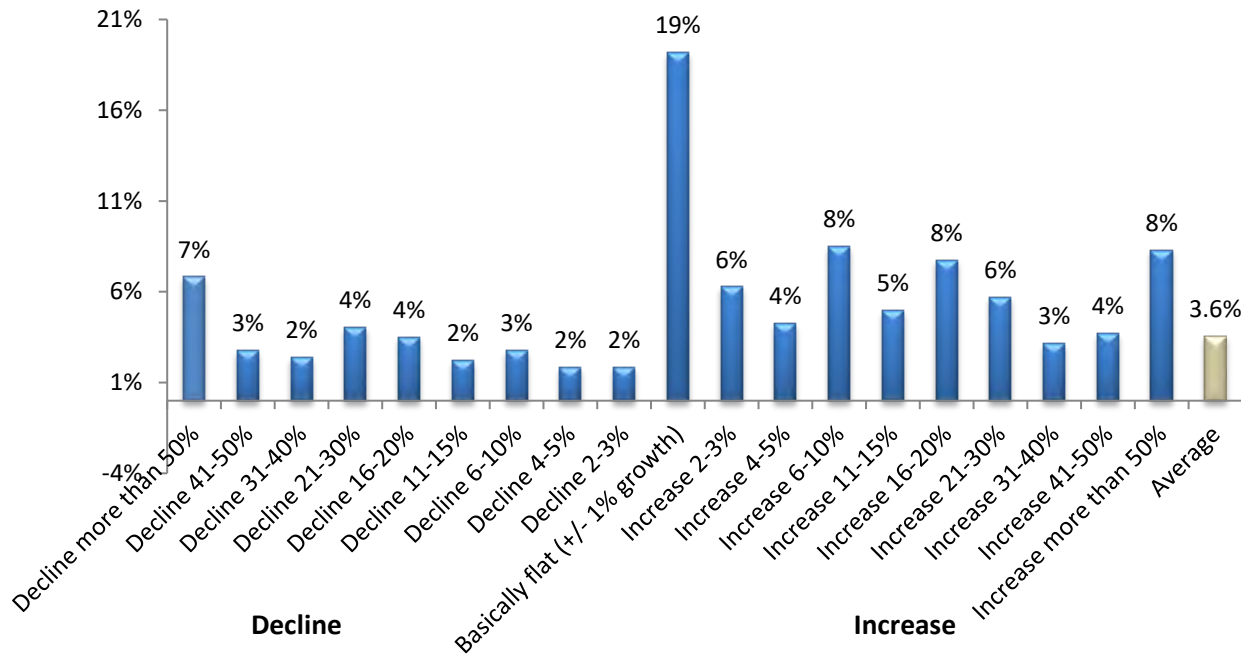
Approximately 74% of respondents have less than or equal to \$5M in annual revenues.

Figure 149. Annual Revenues



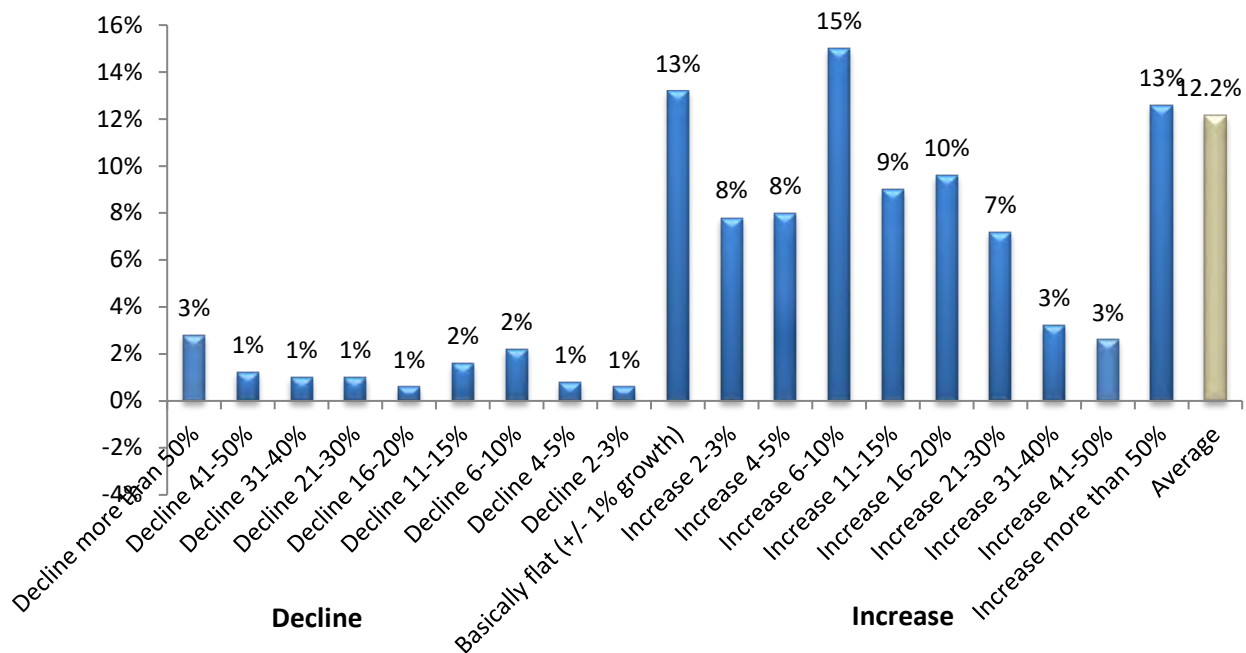
Average change in annual revenues in the last 12 months was 3.6%.

Figure 150. Annual Revenues Change in the Last 12 Months



On average respondents expect their annual revenues to grow by 12.2% in the next 12 months.

Figure 151. Annual Revenues Change Expectations in the Next 12 Months



Approximately 92% of businesses have net income less than or equal to \$5 million.

Figure 152. Net Income

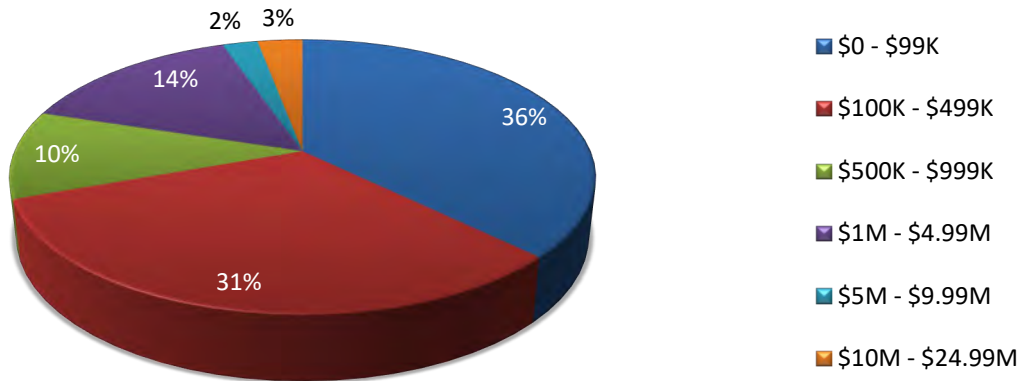


Figure 153. Total Assets

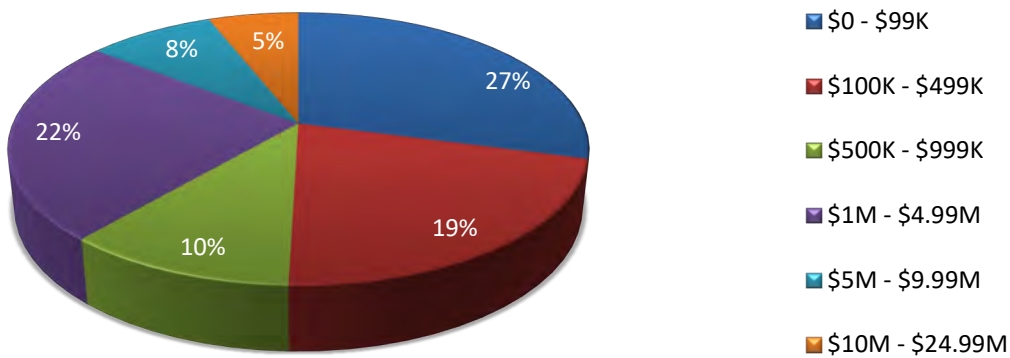
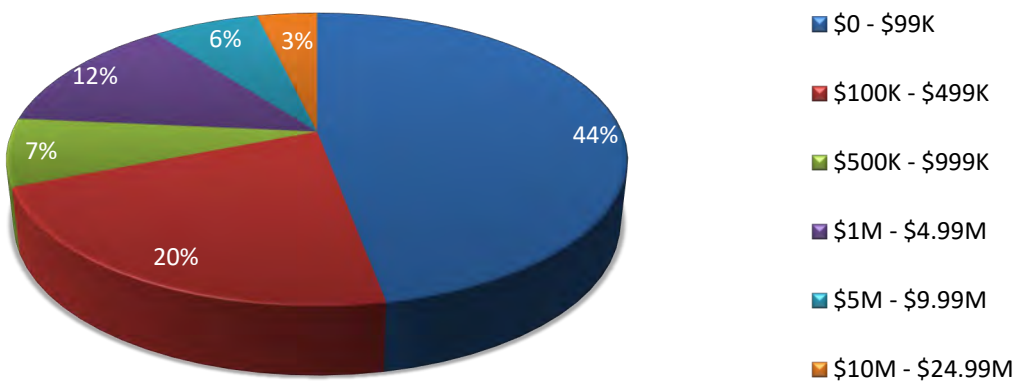
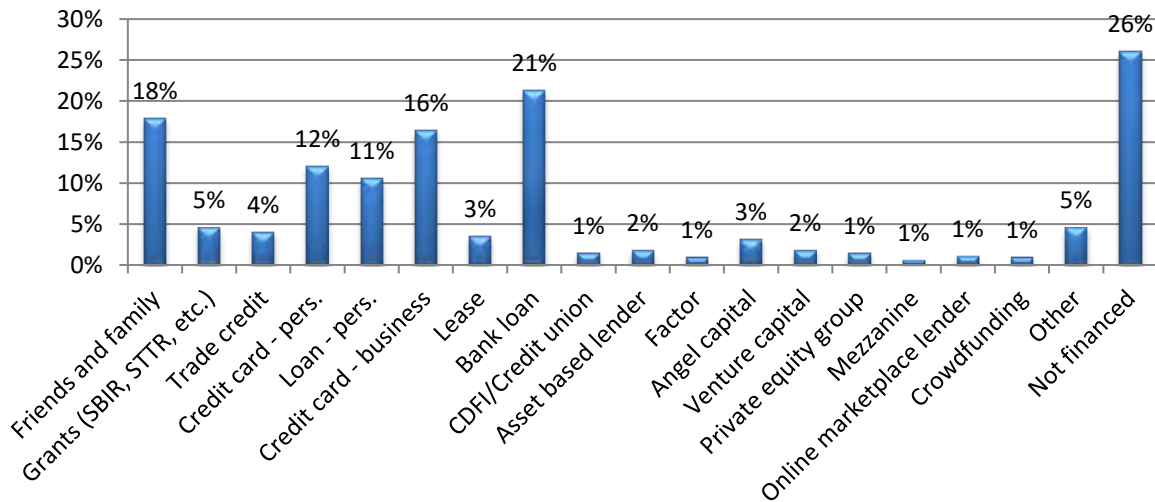


Figure 154. Net Property, Plant & Equipment



Approximately 26% of respondents are currently not financed by any external capital sources. Nearly 21% and 16% of respondents' businesses are financed by bank business loans and business credit card financing respectively.

Figure 155. Current Sources of Financing



Among the businesses that tried to raise capital in the last 12 months 33% applied for bank business loan and 79% were successful, whereas 39% of respondents didn't try to raise capital from any source.

Figure 156. Capital Sources Contacted to Raise Capital in the Last 12 Months

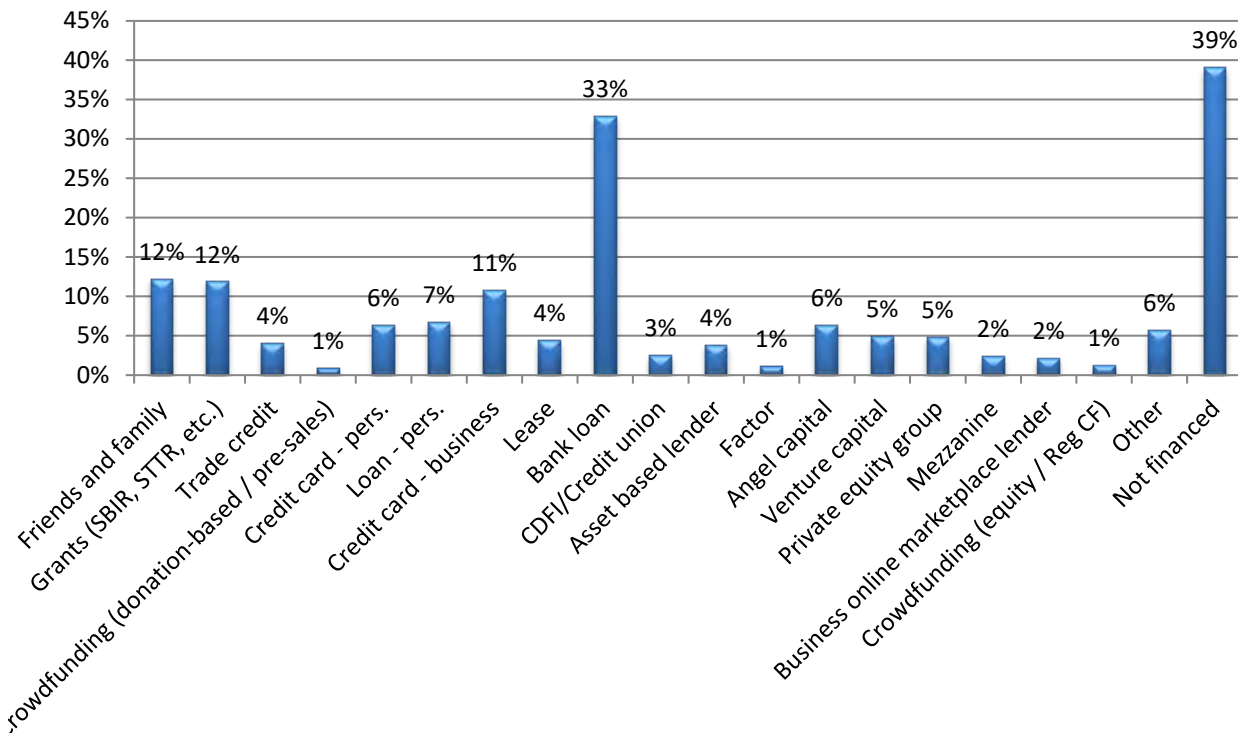
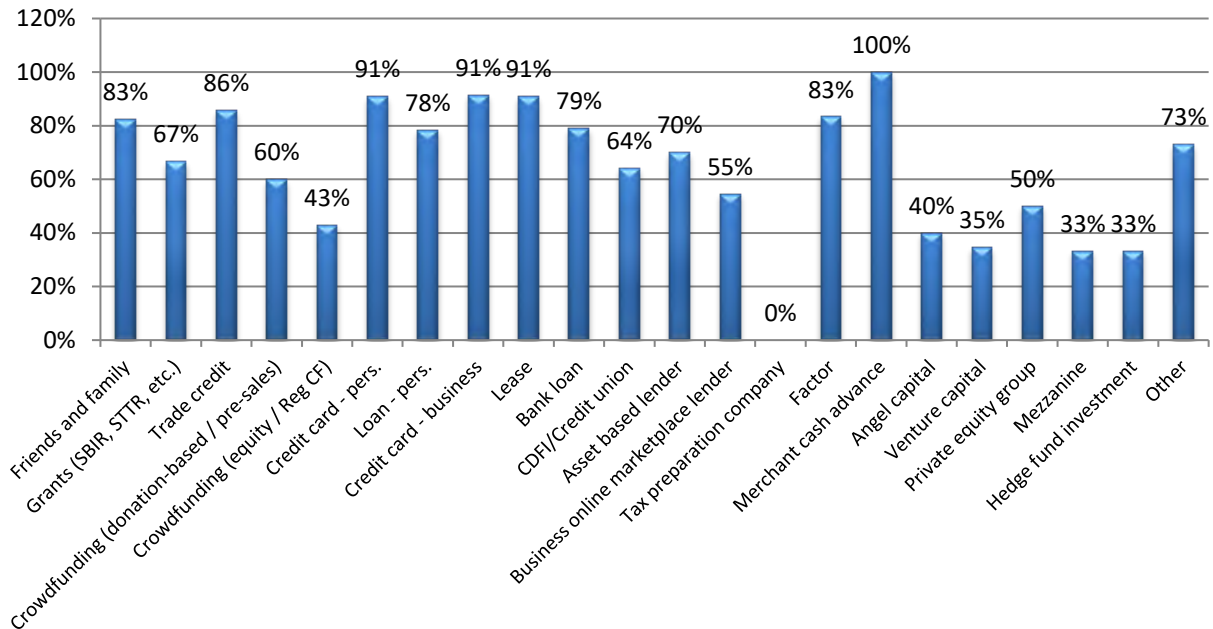
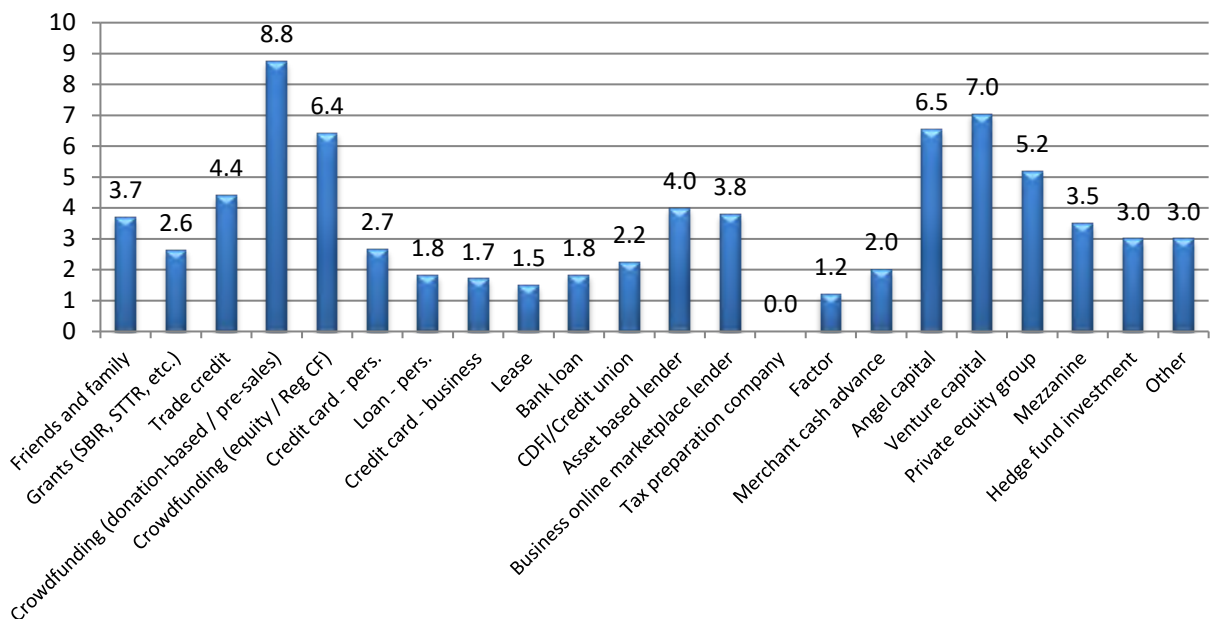


Figure 157. Success Rates



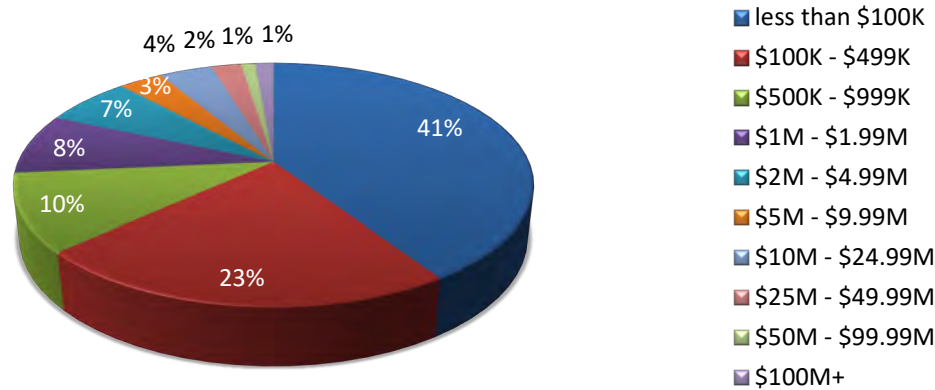
On average respondents who successfully raised capital contacted 3.01 capital providers.

Figure 158. Average Number of Capital Providers Contacted



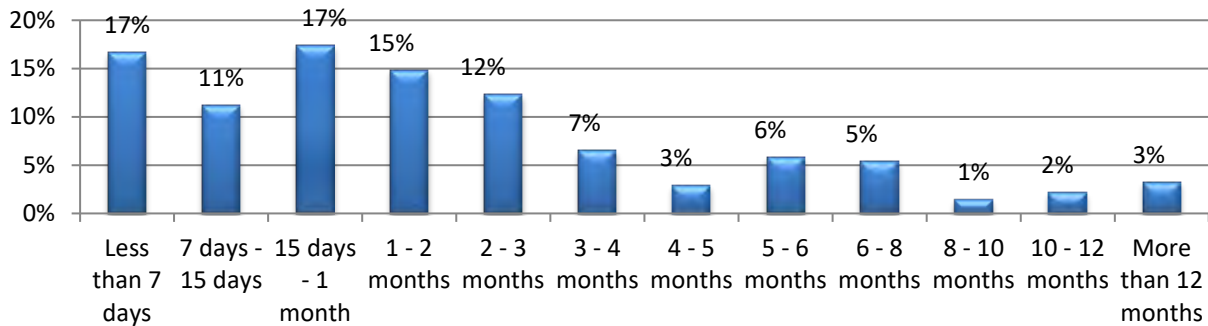
Approximately 63% of respondents attempted to raise less than \$500K in the last 12 months.

Figure 159. Amount of Capital Attempted to Raise in the last 12 Months



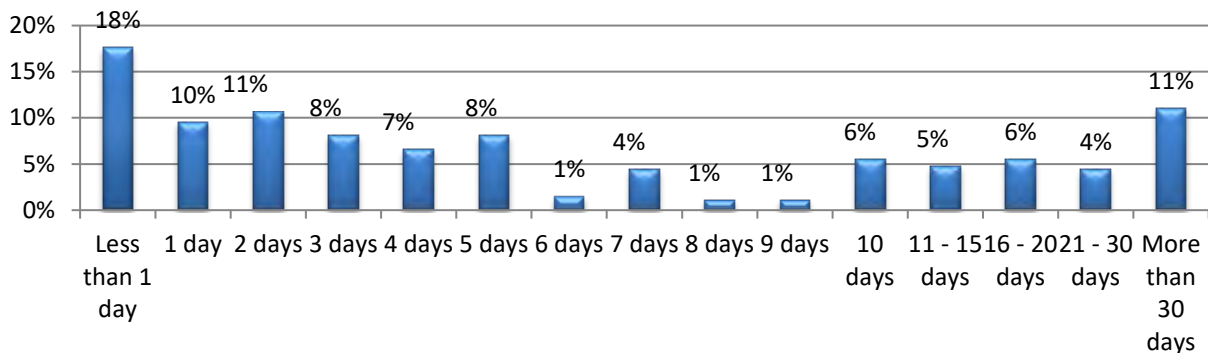
Approximately 17% of respondents took less than 7 days to complete financing process.

Figure 160. Average Time to Complete Financing Process in Days



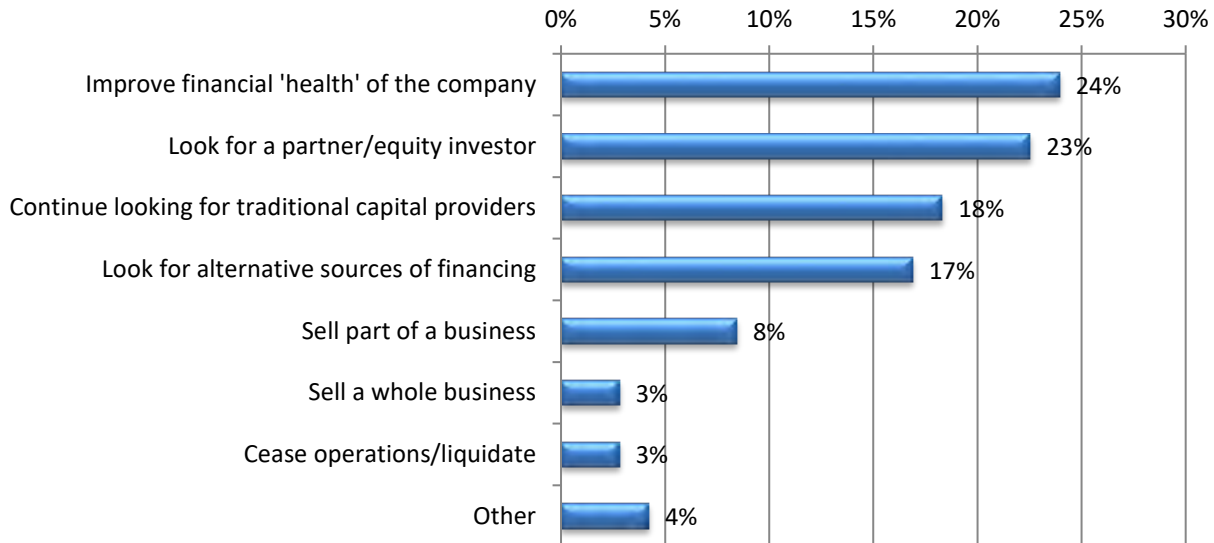
18% of respondents spent less than one day during the process to successfully obtain financing (time spent by all employees and hired outsiders making inquiries, submitting proposals, meeting with capital providers, furnishing documents).

Figure 161. Days Spent During the Process to Successfully Obtain Financing



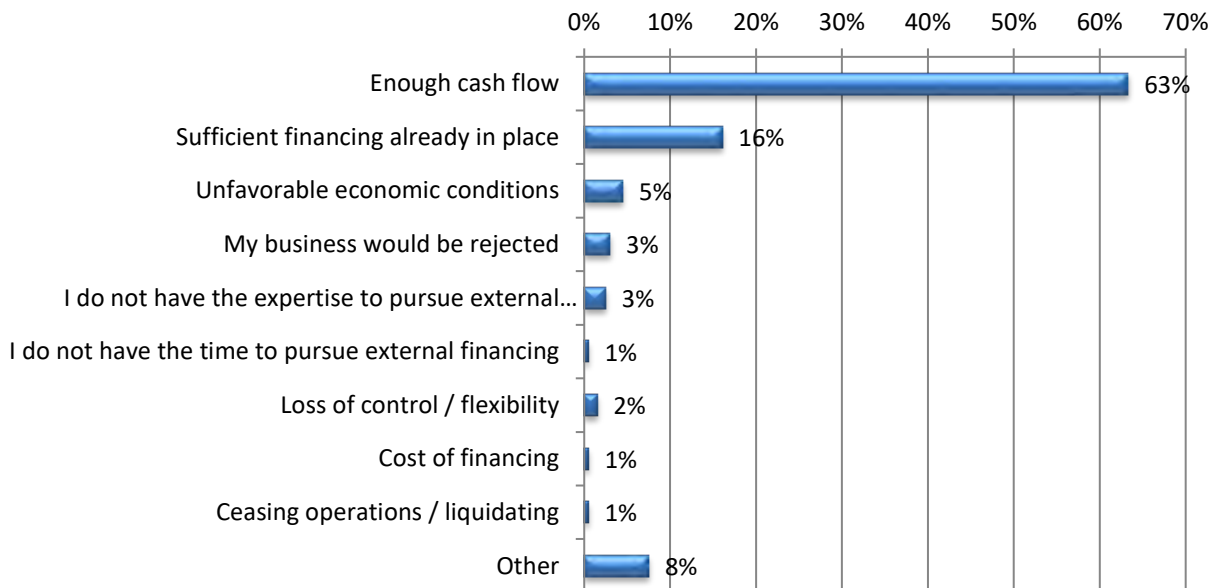
Among those respondents who were not able to obtain external financing in the last 12 months 24% are planning to improve financial health of their businesses before attempting to raise capital in the future.

Figure 162. Next Steps to Satisfy Financial Needs



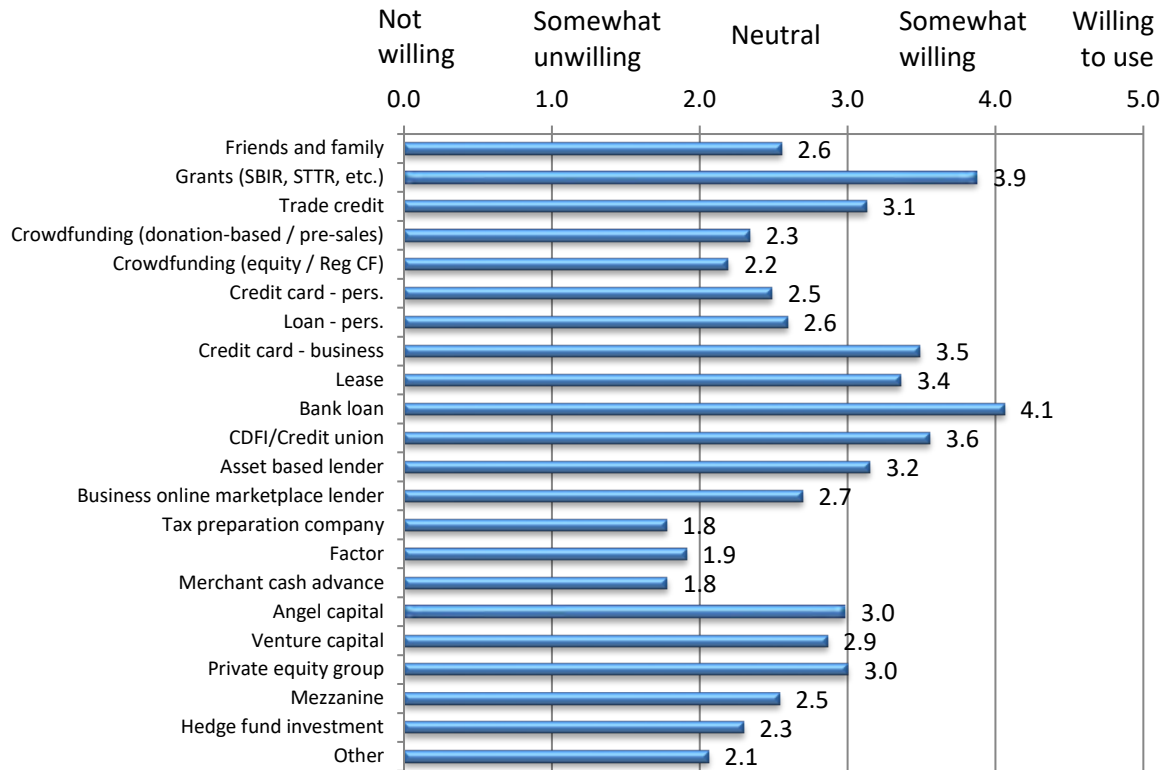
Among those respondents who didn't attempt to obtain any external financing in the last 12 months, 63% said their businesses are generating enough cash flow fund operations (including growth expansion), followed by 16% of respondents who has sufficient financing already in place.

Figure 163. Reasons for Not Trying to Obtain Capital in the Last 12 Months



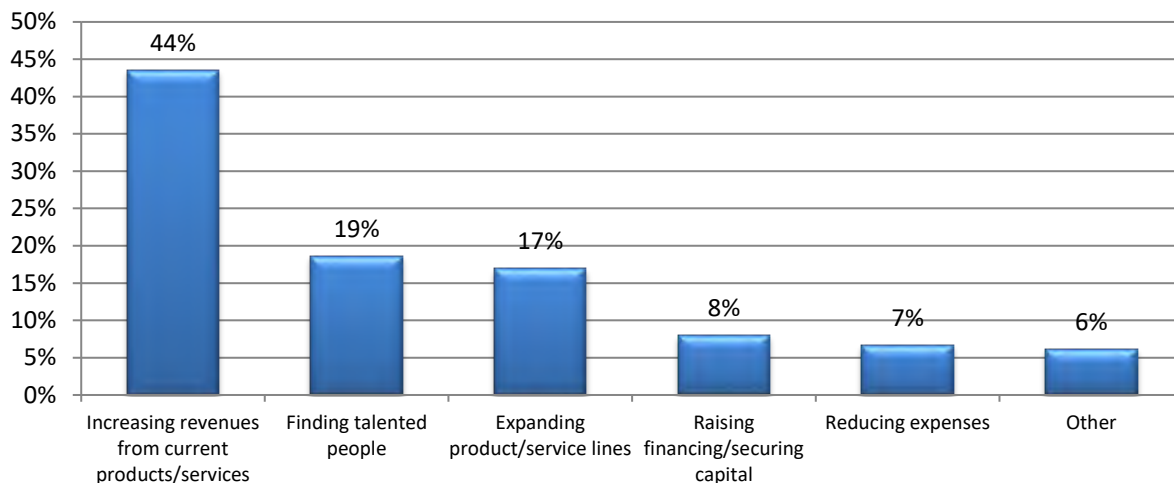
According to the respondents, “bank loans” and “grants” as categories are the most appealing option to obtain financing.

Figure 164. Willingness to Obtain Financing



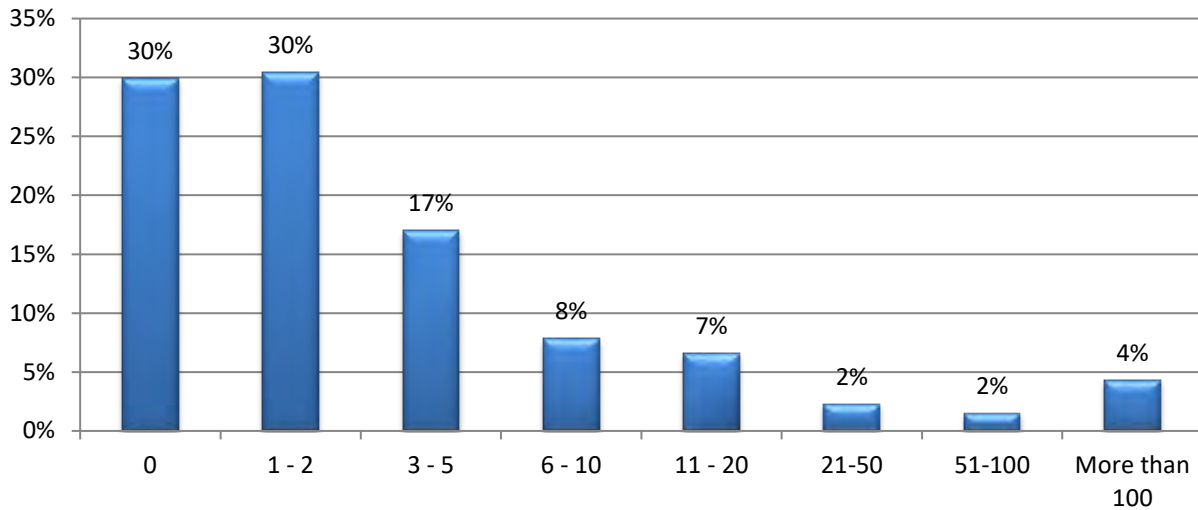
Approximately 44% of respondents indicated increasing revenues from current products or services as the area their businesses are most focused on today.

Figure 165. The Most Important Area to Focus On



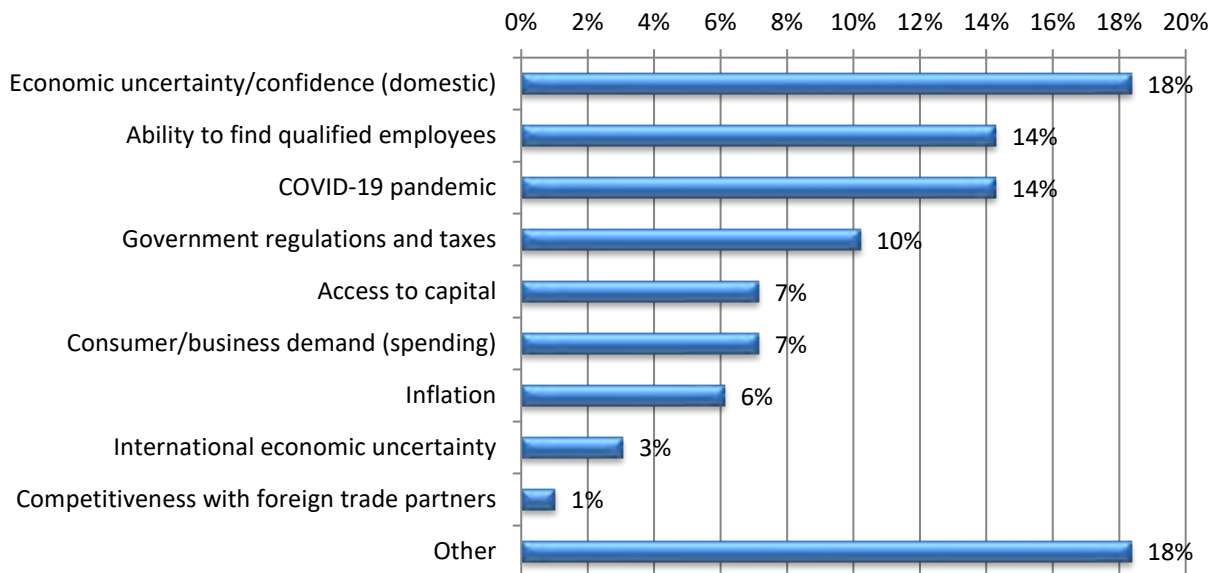
Approximately 30% of respondents are not planning to hire additional employees in the next 12 months, while 30% of respondents are planning to hire one or two additional employees in the next twelve months.

Figure 166. Number of Employees Planned to be Hired



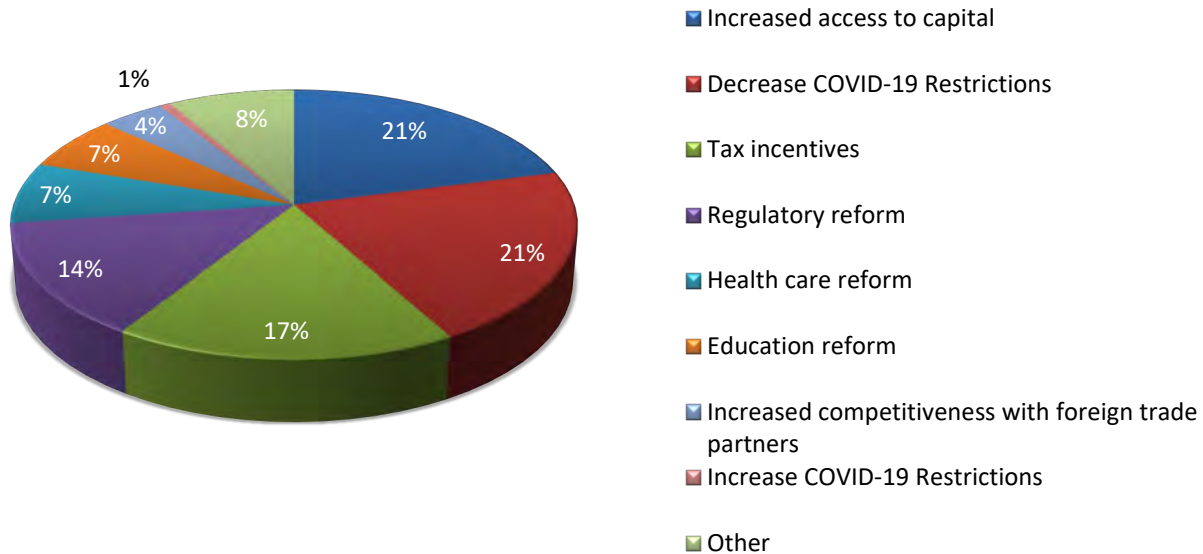
Approximately 18% of respondents believe domestic economic uncertainty is the number one reason preventing them from hiring, followed by inability to find qualified employees (14%) and COVID-19 pandemic (14%).

Figure 167. Reasons Preventing Privately-Held Businesses from Hiring



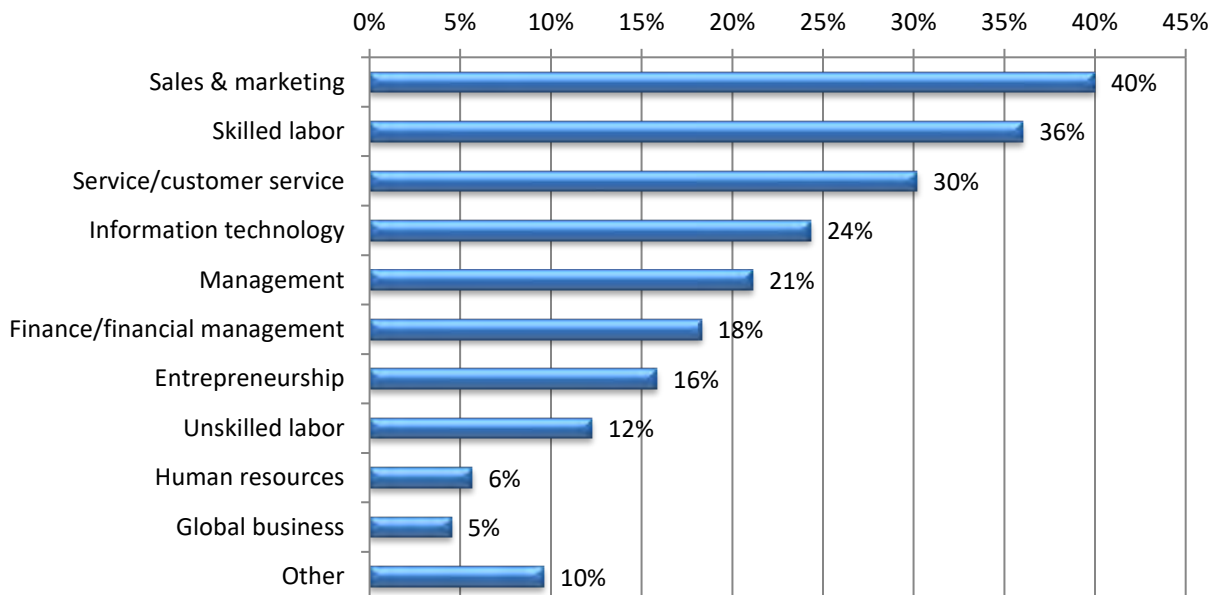
According to respondents, of those policies most likely to lead to job creation in 2022 increased access to capital emerged as number one (21%) followed by decreasing COVID-19 restrictions (21%).

Figure 168. Government Policies to Lead to Job Creation



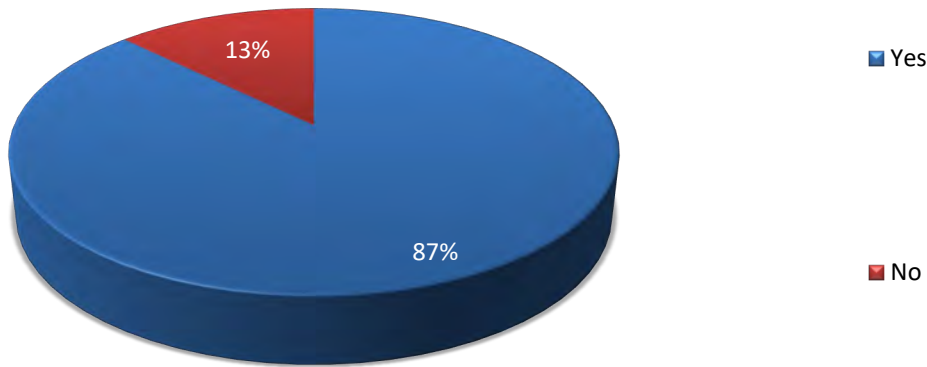
For those businesses which do plan to hire, sales and marketing skills (40%) and skilled labor (36%) are in greatest demand followed by service/customer service (30%).

Figure 169. The Skills in Demand for New Hires



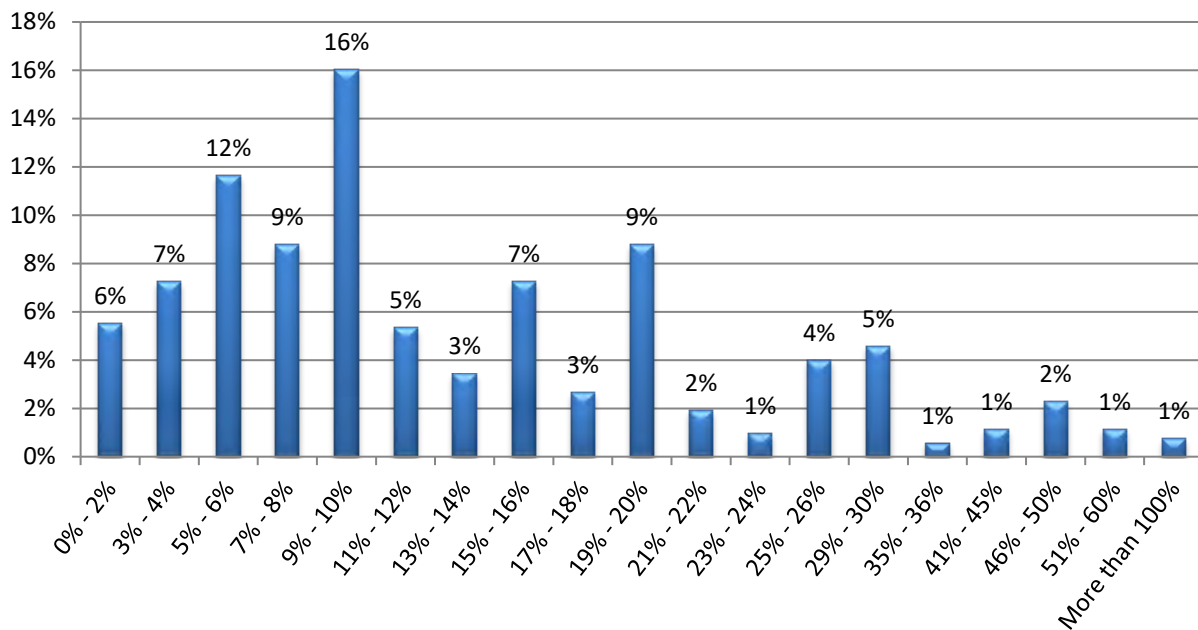
87% of businesses planning to hire indicate need to train those they hire.

Figure 170. Need for Training of New Hires



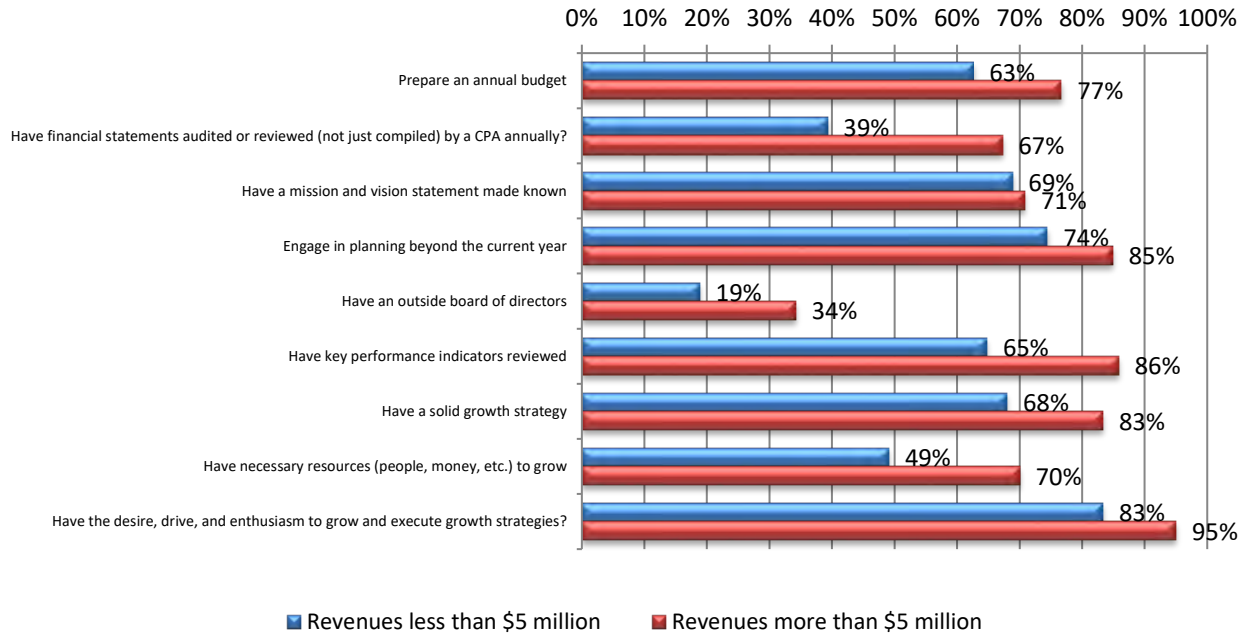
Approximately 16% of respondents indicated their business cost of equity capital is in the range of 9% - 10%.

Figure 171. Cost of Equity Capital



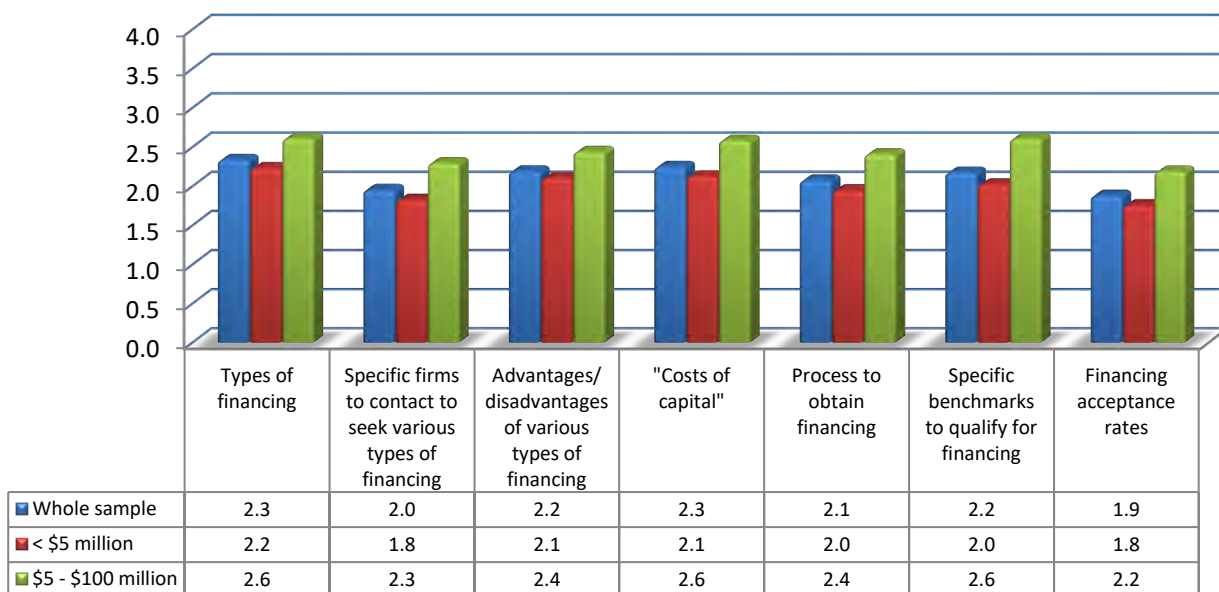
Privately-held businesses with revenues less than \$5 million on average have almost the same desire to execute growth strategies (83%) as privately-held businesses with revenues greater than \$5 million (95%). However, privately-held businesses with smaller revenues report lower levels of necessary resources (people, money, etc.) to grow (49%) as compared to privately-held businesses with higher revenues (70%).

Figure 172. Usage of Financial Analysis by Revenue Sizes



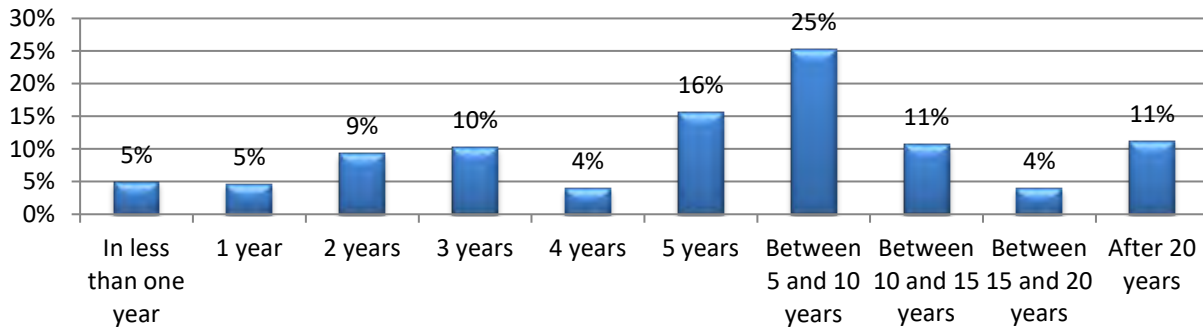
Respondents reported on their level of knowledge financing components (scale 0-4: none, some, moderate, very, completely).

Figure 173. Level of Knowledge of Financing Components



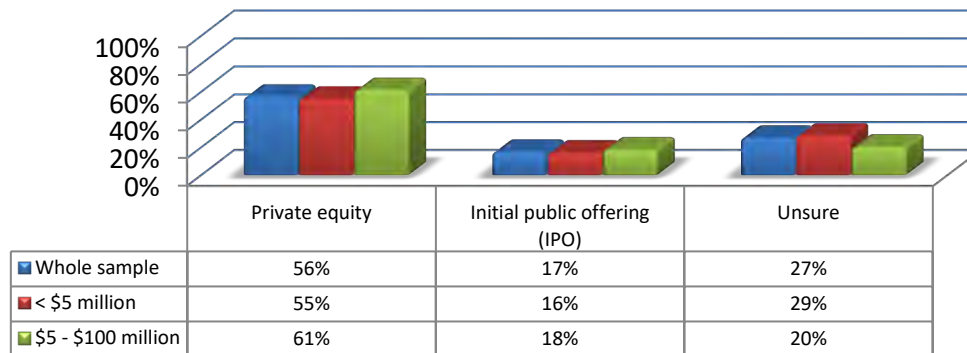
Most of the respondents are planning to transfer their ownership interest in more than five years from now while only 5% plan to transfer their ownership at the first available opportunity.

Figure 174. Anticipation of the Ownership Transfer



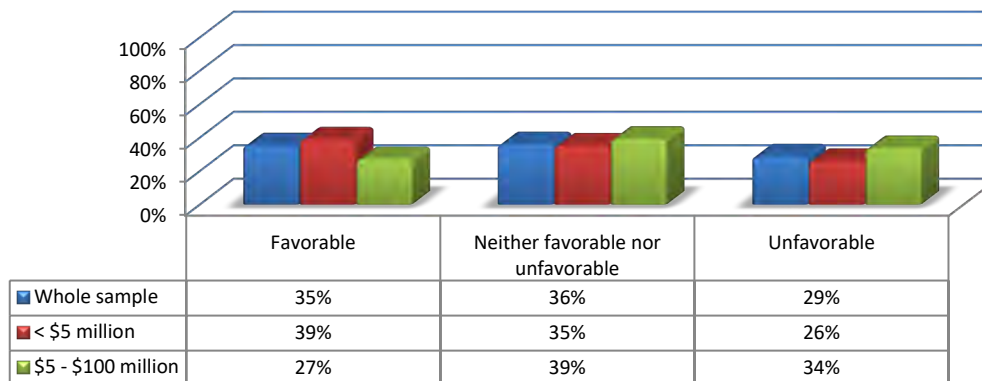
Assuming respondents' businesses were eligible to raise financing from both private equity and a public stock offering (IPO), 56% of them would choose private equity.

Figure 175. Private Equity vs Initial Public Offering



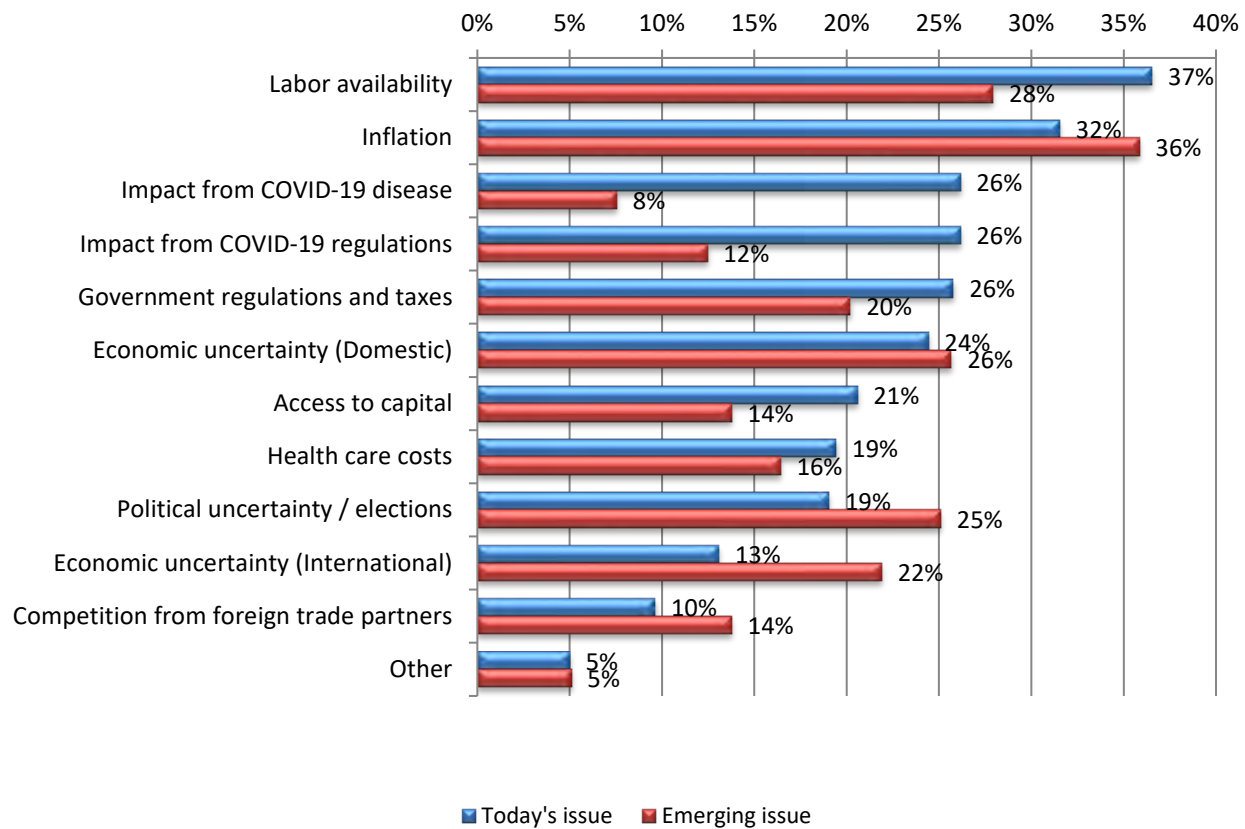
When asked about general view, 35% of respondents indicated private equity as favorable financing source.

Figure 176. General Views on Initial Public Offering and Private Equity



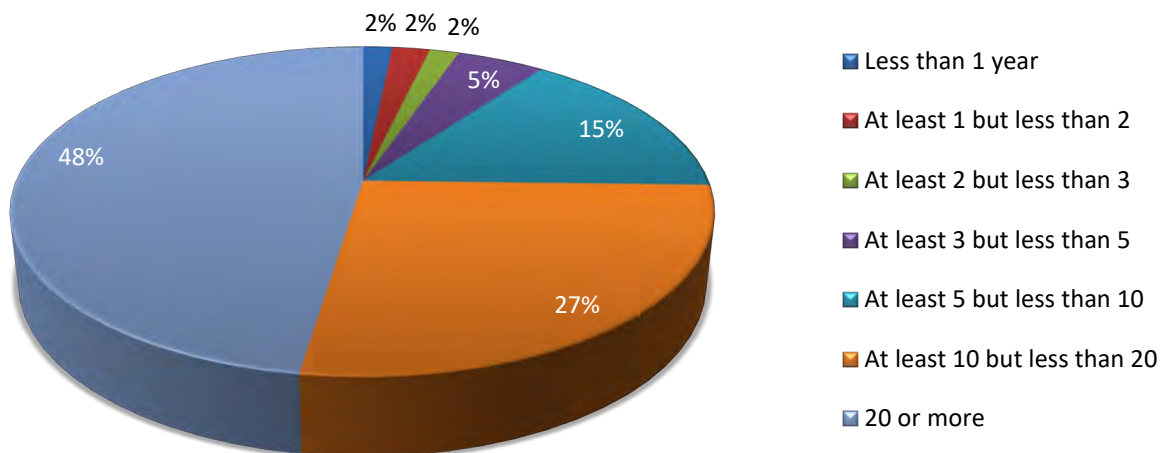
Approximately 37% of respondents indicated labor availability as the most important current issue facing privately-held businesses today, while 36% of respondents indicated inflation as the most important emerging issue.

Figure 177. Issues Facing Privately-Held Businesses



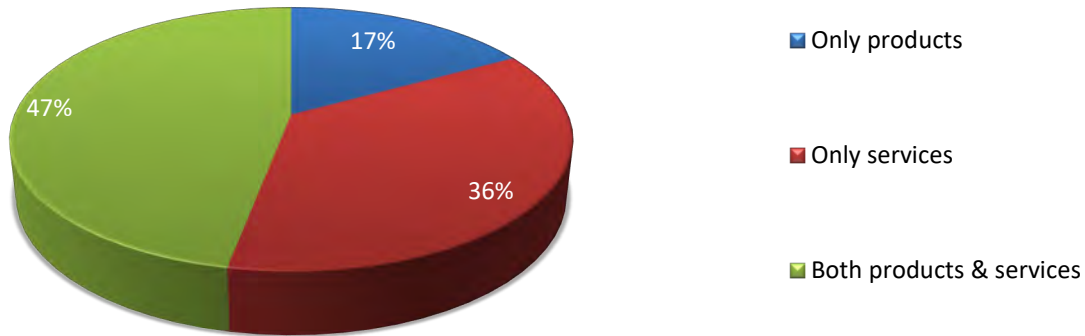
Approximately 48% of respondents have firms 20 or more years old.

Figure 178. Firm Age



Approximately 47% of respondents sell both products and services to their clients.

Figure 179. Types of Companies



Nearly 44% of respondents have protected trade secrets.

Figure 180. Protected Intellectual Property

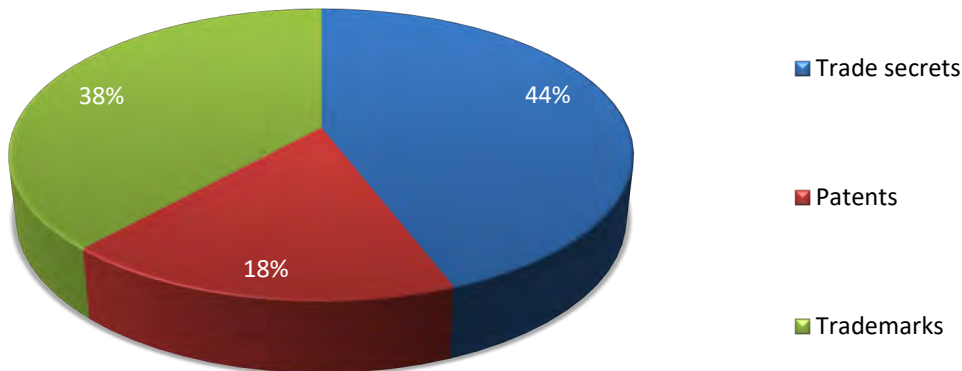
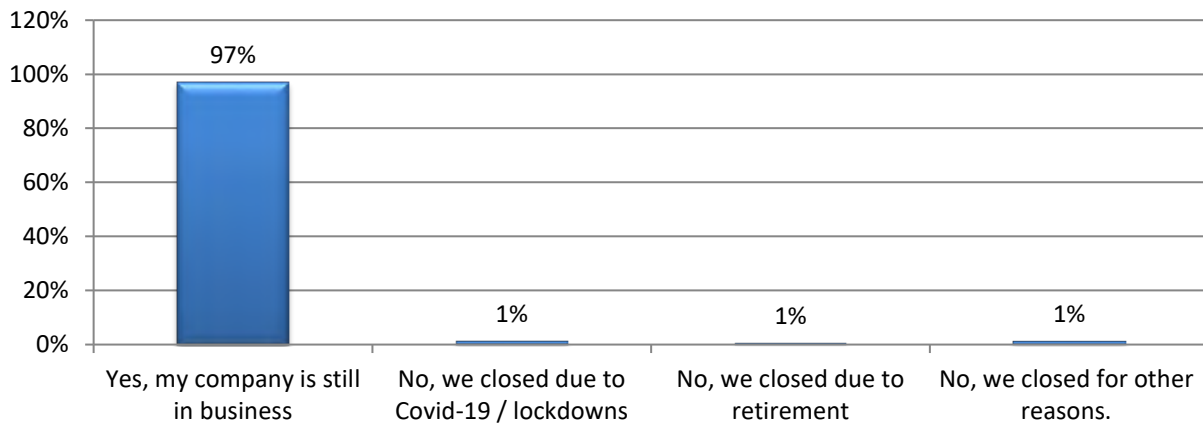
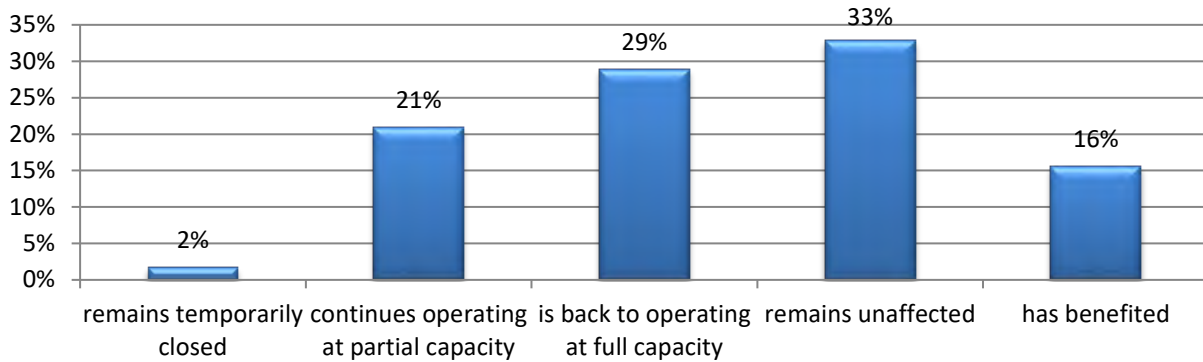


Figure 181. Are respondents Businesses Still Working



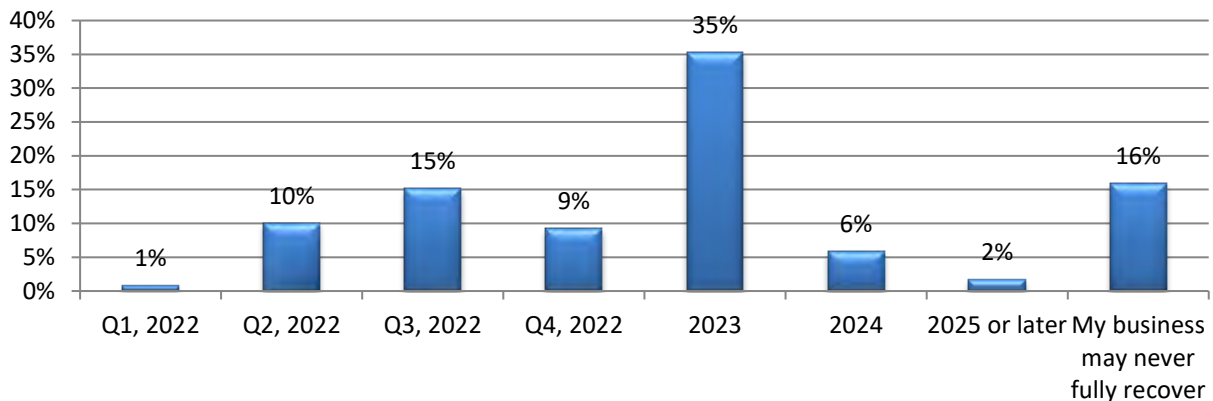
Approximately 33% of respondents indicated their businesses were not affected by COVID-19 pandemic, and 16% of respondents believe their businesses have benefited.

Figure 182. Due to COVID-19 Pandemic Respondents Businesses...



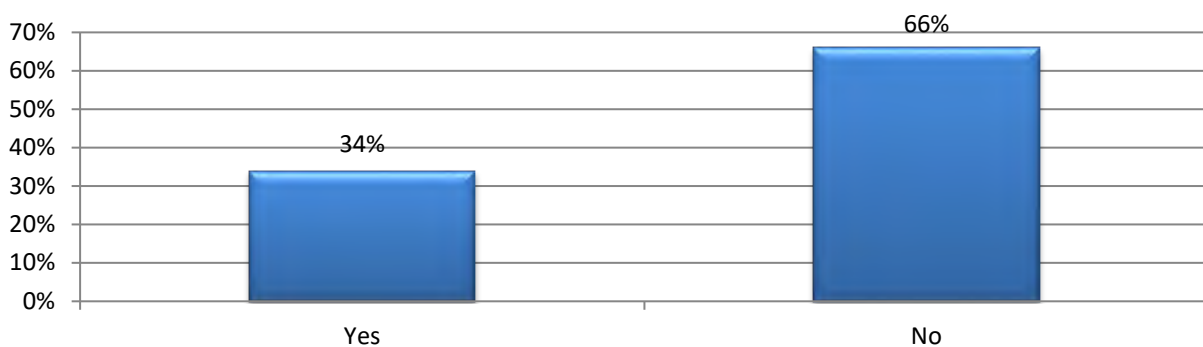
Nearly 16% of respondents indicated their businesses may never fully recover from the pandemic.

Figure 183. When Respondents Business Returns to Pre-March 2020 Level



Majority of respondents (66%) believe COVID-19 pandemic didn't impact their businesses access to capital.

Figure 184. Has COVID-19 Pandemic Impacted Respondents Business Access to Capital



On average 37.5% of respondents companies are owned by their employees.

Figure 185. What Percentage of Respondents Companies are Owned by Their Employees

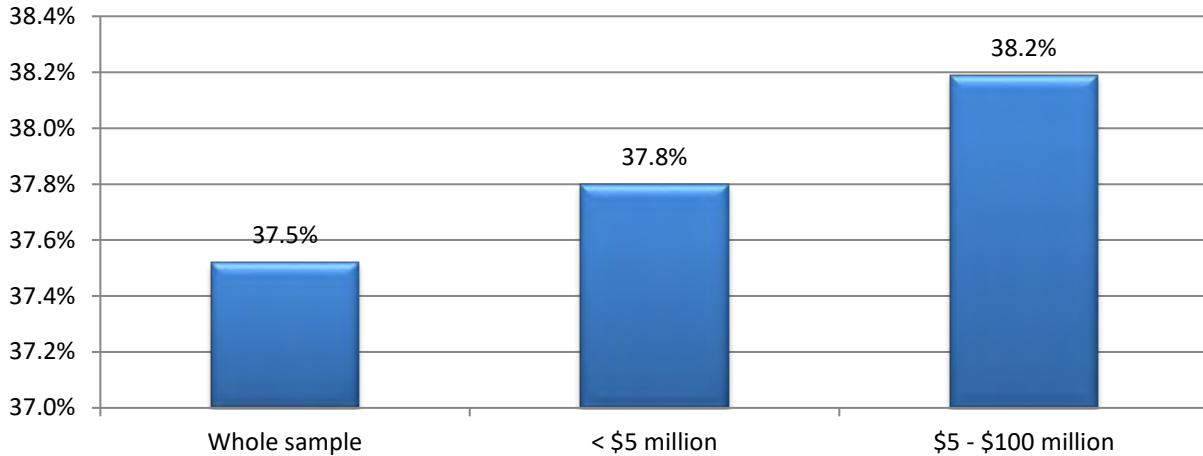
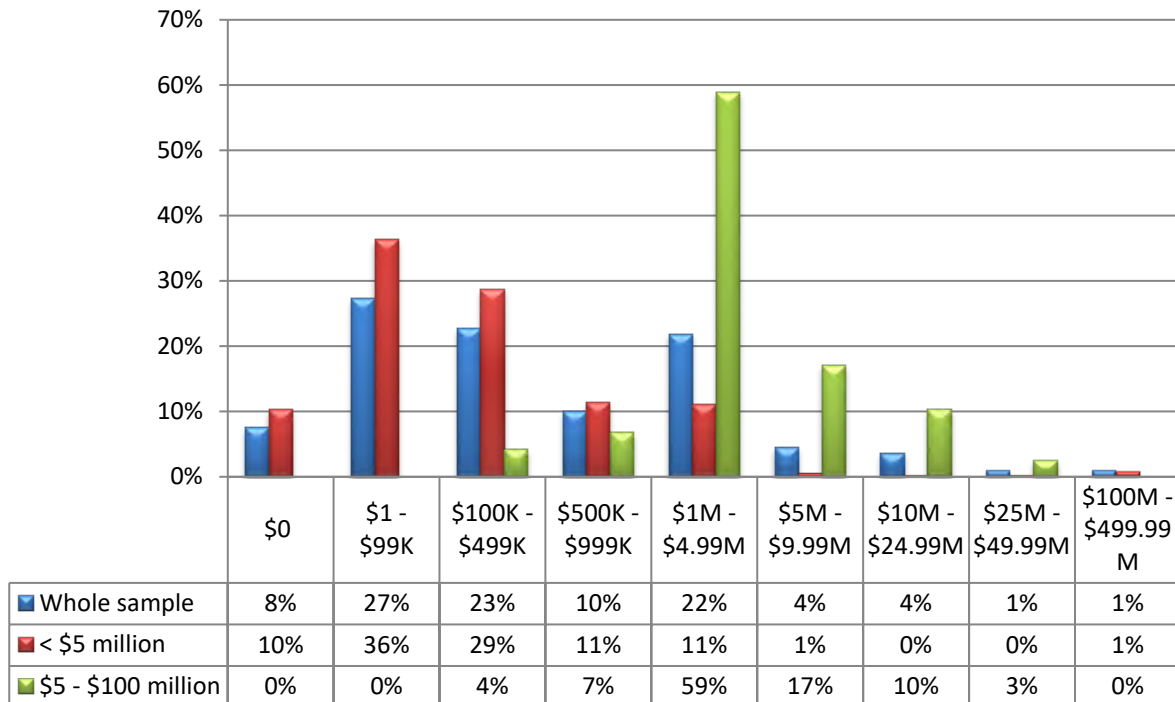


Figure 186. What Were Respondents' Total Labor Expenses in 2021 (Including Wages, Benefits and Payroll Taxes)



Approximately 22% of respondents use Employee Stock Ownership Plan (ESOP).

Figure 187. How Do Respondents' Employees Own Equity in Their Companies

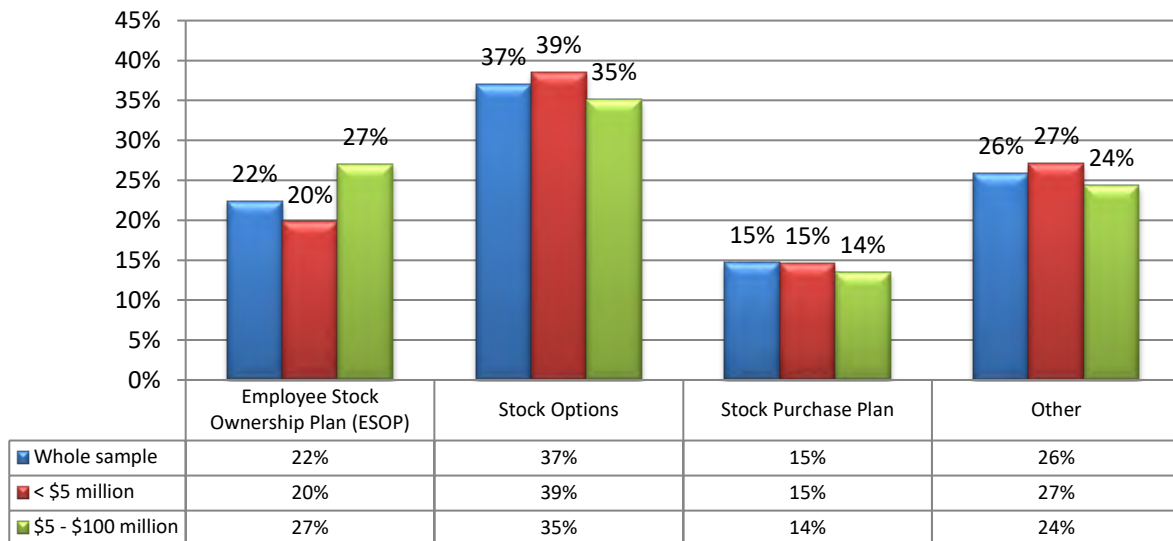


Figure 188. Was Respondents' ESOP Established or Expanded in Exchange for Employee Wage or Benefit Concessions

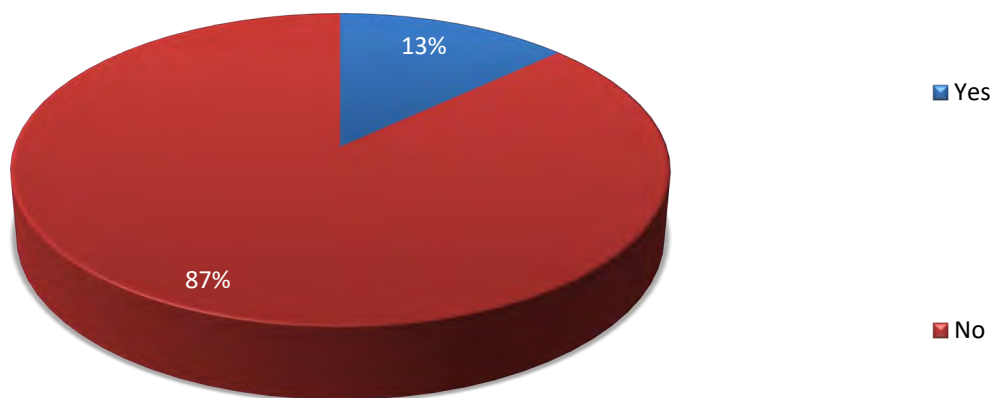
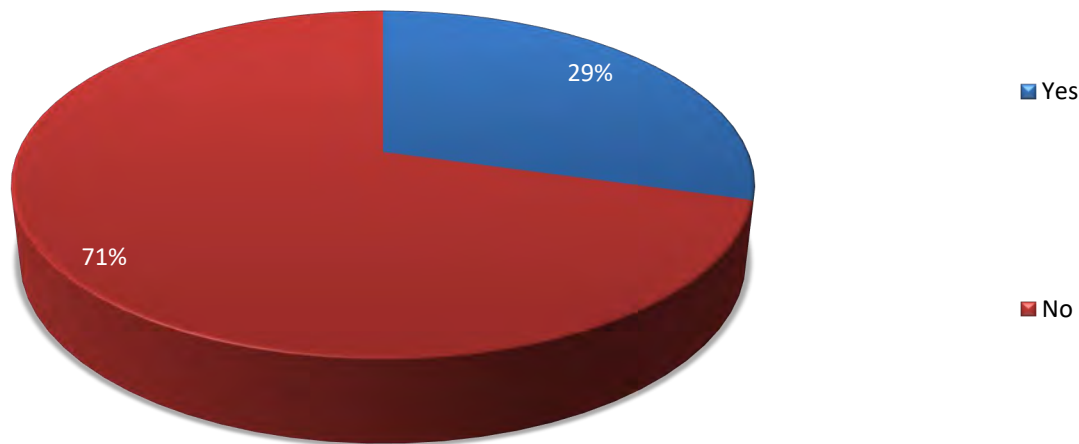
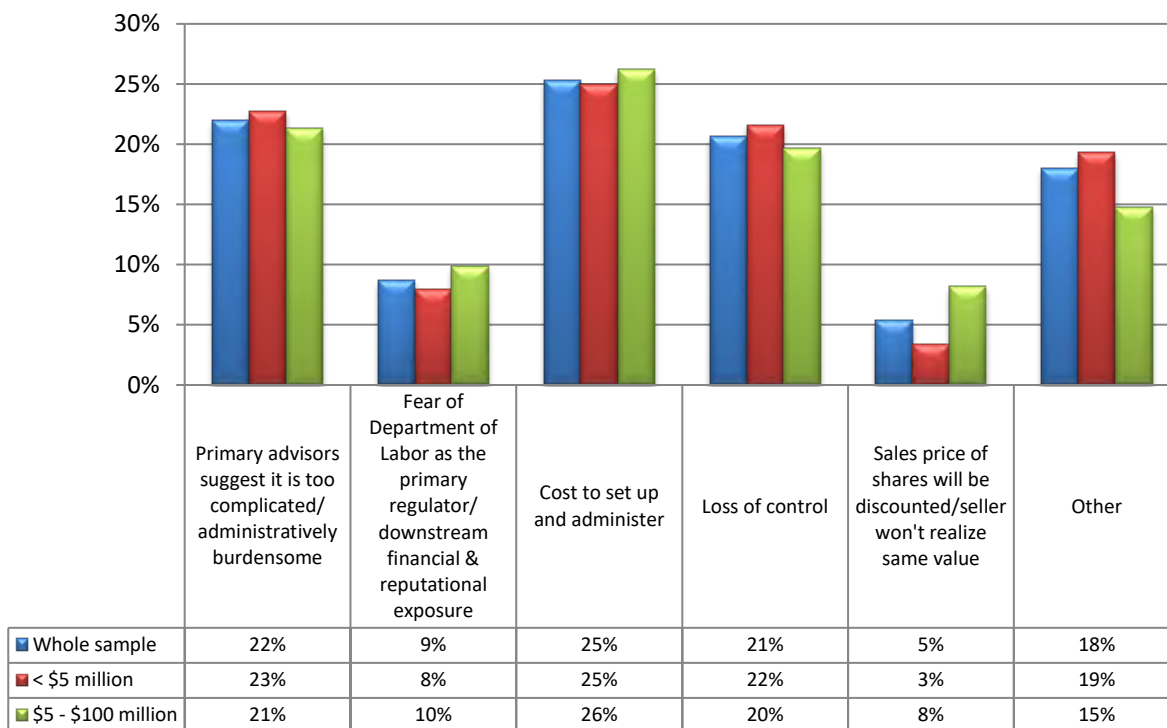


Figure 189. Was Respondents' ESOP Established in the Context of Acquisition / Buyout Discussions



Cost to set up and administer was the most popular reason for not establishing ESOP among respondents.

Figure 190. Reasons for Respondents to Choose Not to Establish an Employee Stock Ownership Plan (ESOP)



BUSINESS OWNER cont.

Most of respondents indicated increased unit sales and prices of labor and materials, slightly increased access to capital, and slightly improved general business conditions.

Table 68. General Business and Industry Assessment: Today vs. Twelve Months Ago

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Unit sales	10%	12%	19%	29%	29%	58%	22%	36%
Prices of labor and materials	1%	1%	16%	34%	49%	83%	1%	82%
Net income	10%	15%	25%	29%	21%	50%	25%	25%
Inventory levels	9%	14%	46%	19%	12%	31%	23%	7%
Capital expenditures	5%	10%	45%	27%	14%	41%	14%	27%
Opportunities for growth	4%	9%	24%	34%	30%	63%	13%	51%
Access to bank loans	6%	9%	56%	21%	9%	30%	15%	15%
Access to equity capital	6%	8%	59%	18%	9%	27%	14%	13%
Prices of your products or services	0%	2%	28%	46%	23%	69%	3%	66%
Time to collect receivables	1%	5%	63%	21%	9%	30%	7%	23%
Number of employees	3%	10%	53%	29%	6%	34%	13%	22%
Competition	2%	15%	50%	26%	8%	33%	17%	16%
General business conditions	9%	19%	33%	28%	11%	39%	28%	10%
Appetite for risk	5%	12%	50%	23%	10%	33%	17%	16%
Probability of business closure	25%	21%	41%	9%	4%	13%	47%	-34%
Time worrying about economy	7%	13%	38%	22%	20%	42%	21%	21%

Participants of the survey believe almost all general business characteristics will increase in the next 12 months.

Table 69. General Business and Industry Assessment Expectations over the Next 12 Months

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Unit sales	1%	6%	14%	45%	33%	78%	8%	70%
Prices of labor and materials	0%	1%	15%	49%	34%	83%	2%	81%
Net income	3%	10%	15%	47%	25%	72%	13%	59%
Inventory levels	3%	10%	43%	30%	13%	44%	13%	30%
Capital expenditures	2%	7%	42%	33%	15%	48%	9%	39%
Opportunities for growth	2%	4%	23%	38%	33%	71%	6%	65%
Access to bank loans	4%	5%	56%	25%	10%	35%	9%	26%
Access to equity capital	3%	7%	53%	20%	17%	37%	10%	27%
Prices of your products or services	1%	2%	22%	61%	14%	75%	3%	72%
Time to collect receivables	1%	7%	67%	18%	7%	25%	8%	17%
Number of employees	1%	2%	32%	50%	15%	65%	3%	62%
Competition	2%	8%	52%	29%	9%	38%	10%	28%
General business conditions	4%	16%	36%	33%	11%	44%	20%	24%
Appetite for risk	4%	12%	49%	25%	10%	35%	16%	19%
Probability of business closure	27%	18%	44%	7%	4%	11%	45%	-34%
Time worrying about economy	11%	12%	44%	16%	17%	34%	22%	11%

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