

Valuations Stay Steady as Dealflow Climbs

GF Data, in its fourth-quarter report, sees average multiples rest at 6.1x TTM EBITDA.

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Confirming suspicions, GF Data's year-end report showed a surge of activity in the middle market to close out 2010. While dealflow increased, valuations in the fourth quarter maintained the 6.1x TTM Ebitda average that was recorded during the third quarter -- still the highest average since first half of 2009.

GF Data tracks the activity of 155 mid-market private equity firms. Its database is comprised of 1,104 transactions with an enterprise value of \$10 million to \$250 million. In the fourth quarter of last year, GF Data documented 58 completed transactions, representing roughly 40% of the 147 deals tracked by the firm last year.

The data serves as more evidence of the improving debt markets, and the increased dealflow reflects a comfort level from sellers that valuations are better matching expectations.

The press release noted that larger companies continue to attract higher premiums, with those showing Ebitda above \$6 million fetching an average multiple of 6x, while those below, yielding 5.7x Ebitda on average last year.

Meanwhile, private equity buyers were contributing less equity in the fourth quarter, as leverage multiples have grown faster than the valuations. According to the data, equity represented just a shade under 50% of the overall deal structure on average during the fourth quarter, "still high but down about 10 points from late 2008 and early 2009," according to the report.

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