



MERCER CAPITAL









# COVID Benchmarking Update

Family Business Valuation & Advisory Services

August 2020

# Data Source

2Q20 SEC filings for Russell 3000 companies through August 6, 2020

		<b>Russell 1000 Sample Size</b>	<b>Russell 1000 Avg 2Q20 Revenue</b>	<b>Russell 2000 Sample Size</b>	<b>Russell 2000 Avg 2Q20 Revenue</b>
	Communication Services	26	\$8,195	29	\$155
	Consumer Discretionary	66	\$3,276	100	\$547
	Consumer Staples	32	\$5,689	23	\$619
	Energy	30	\$2,759	46	\$362
	Health Care	82	\$6,032	120	\$169
	Industrials	113	\$2,456	154	\$370
	Information Technology	90	\$2,712	103	\$212
	Materials	46	\$2,178	51	\$457

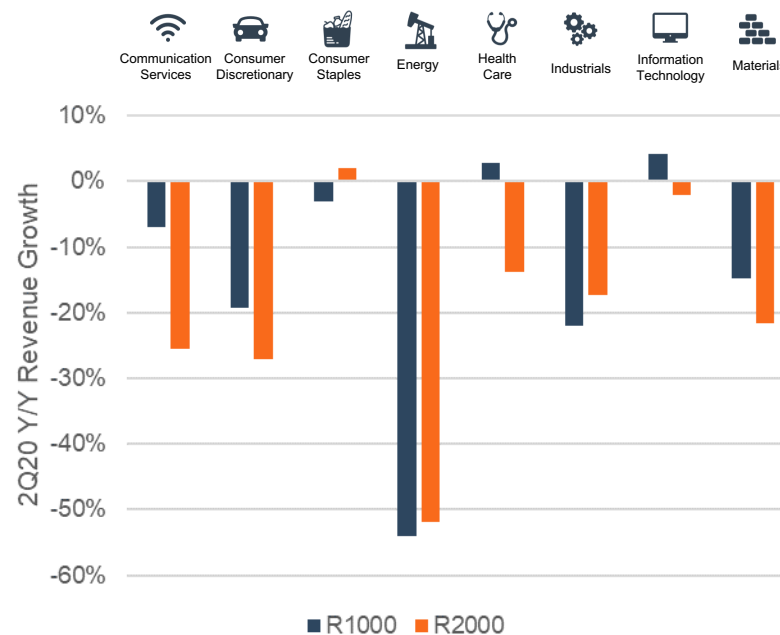
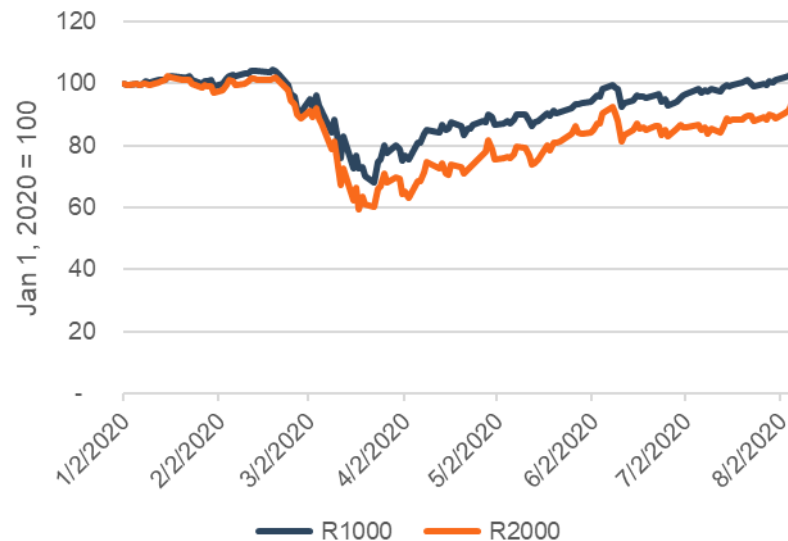
Note: Our data set excludes the following industry sectors: Financials, Real Estate, and Utilities.

While not all companies have filed yet, we have a large enough sample to be representative of how companies are performing in the pandemic.

Source: S&P Capital IQ

# Small Caps Hit Harder Than Large Caps

Market return lag matches larger revenue decrease for small caps



# Small Cap Profitability Impaired

Smaller revenue hit and higher margins limit damage to large cap EBITDA

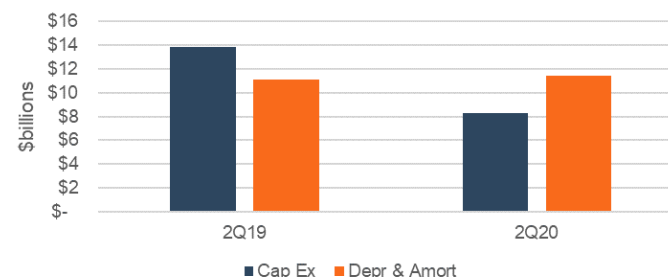
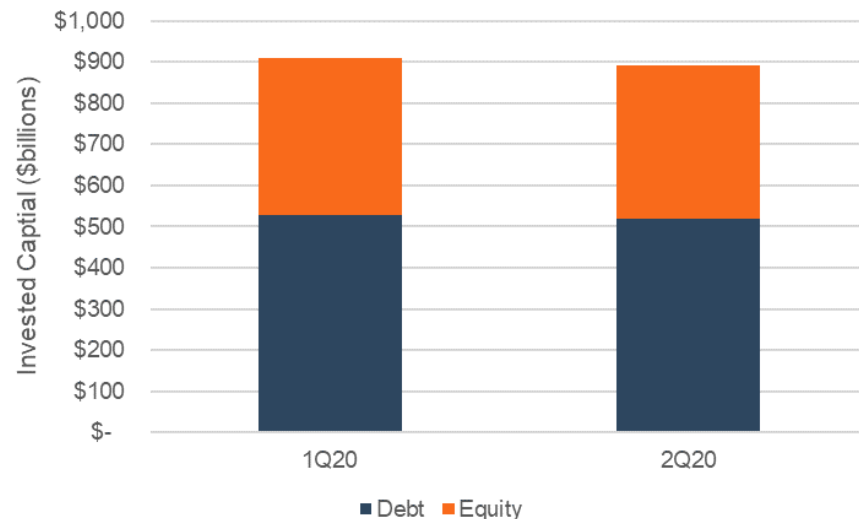
	Russell 1000 (Large Cap Stocks)			
	2Q20	2Q19	\$ Change	% Change
Revenue	\$1,811	\$2,053	(\$243)	-11.8%
less: Cash Expenses	1,503	1,675	(172)	-10.3%
EBITDA	\$307	\$378	(\$71)	-18.8%
EBITDA Margin	17.0%	18.4%		

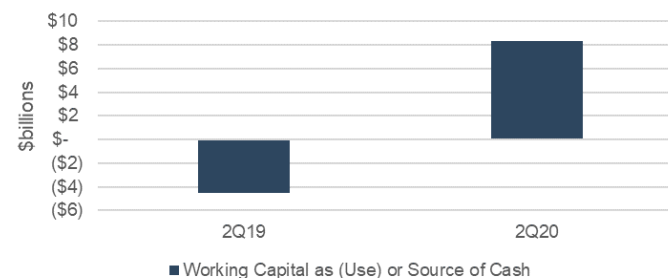
	Russell 2000 (Small Cap Stocks)			
	2Q20	2Q19	\$ Change	% Change
Revenue	\$212.4	\$273.9	(\$61.5)	-22.5%
less: Cash Expenses	200.3	244.8	(44.5)	-18.2%
EBITDA	\$12.1	\$29.1	(\$17.0)	-58.4%
EBITDA Margin	5.7%	10.6%		

# Small Caps Have Rationalized Capital

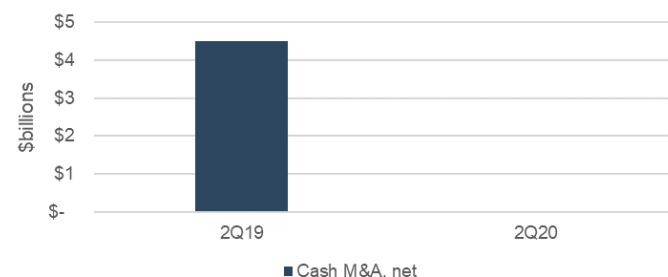
Total capital levels trimmed by 1.9% during 2Q20



Deferring CapEx



Liquidating Working Capital

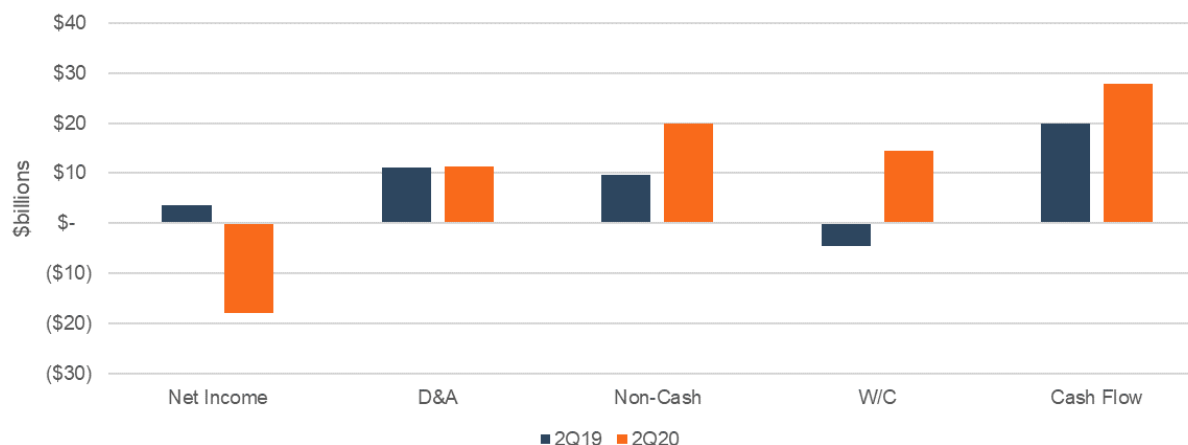


Curtailing Cash M&A

# Diligent Management Boosts Cash Flow

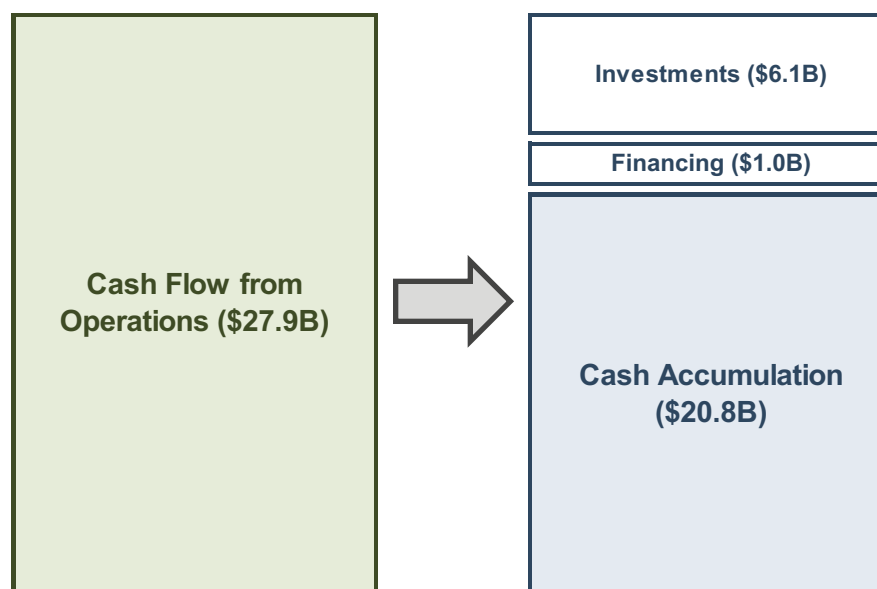
Despite earnings shortfall, cash flow from operations is up Y/Y

	2Q19	2Q20	Change
Net Income	\$3.6	(\$17.8)	(\$21.4)
plus: Depr & Amort	11.1	11.4	0.3
plus: Non-Cash Charges	9.7	19.8	10.2
less: W/C Investment	(4.5)	14.5	19.0
Cash Flow - Operations	\$19.8	\$27.9	\$8.1



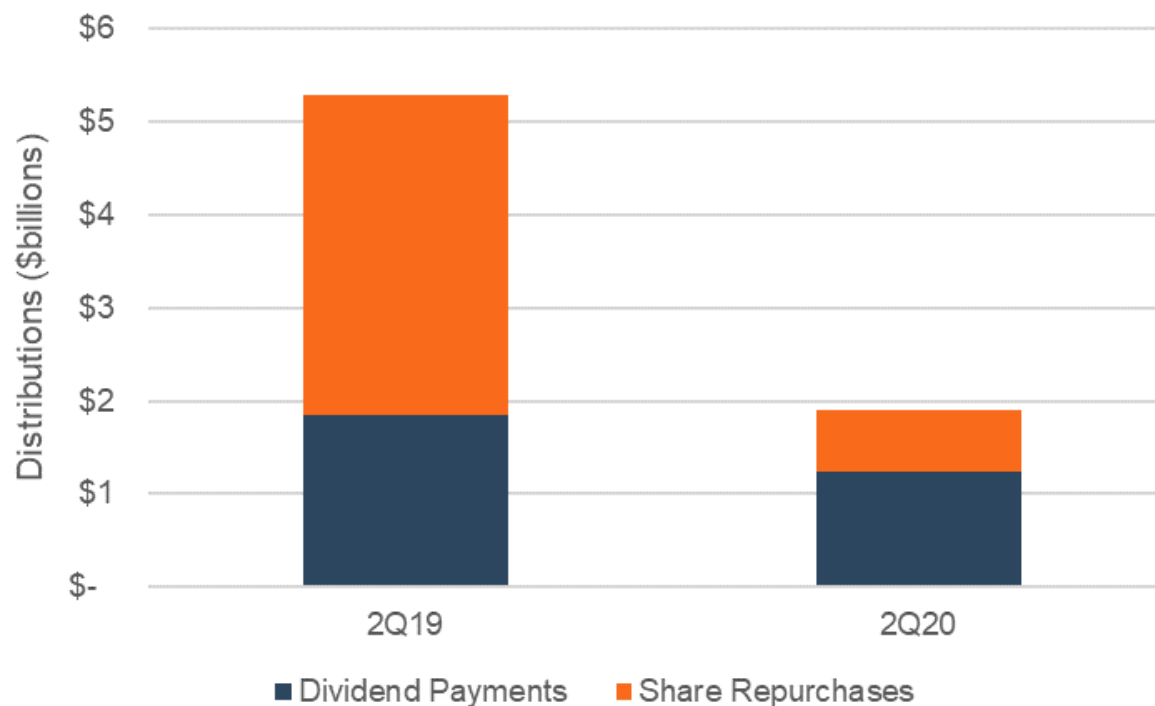
# Small Caps are Building Cash Reserves

Companies preserving flexibility by accumulating cash flow from operations



# Shareholders Are Waiting Their Turn

Dividends cut by 33%, accompanied by an 80% reduction in buybacks

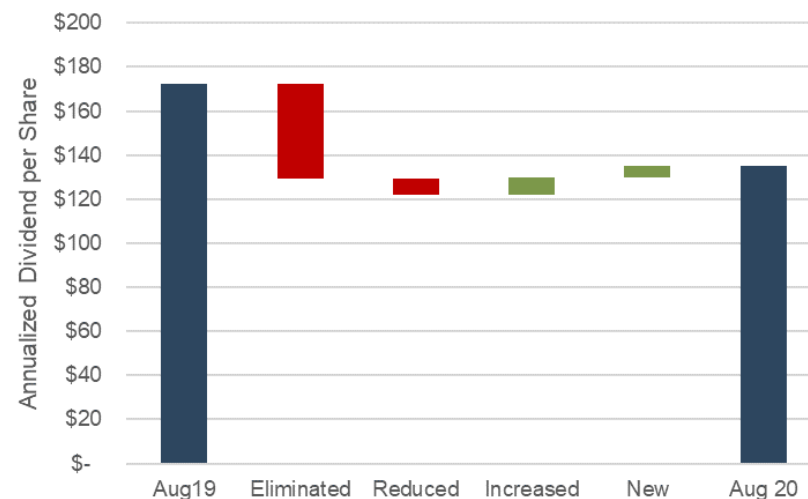




# Fewer Companies Paying Dividends

More companies eliminating dividends than simply reducing them

	Aggregate Dividends	Number of Companies
Aug19 Annualized Dividend per Share	\$172.15	224
less: Companies Eliminating Dividends	(42.88)	(44)
less: Companies Reducing Dividends	(7.08)	14
plus: Companies Not Changing Dividends	-	90
plus: Companies Increasing Dividends	7.54	76
plus: Companies Instituting Dividends	5.40	10
Aug20 Annualized Dividend per Share	\$135.13	190
Net Y/Y Change in Annualized Dividend per Share	-21.5%	
Y/Y Change in Reduced Dividends	-64.5%	
Y/Y Change in Increased Dividends	12.5%	



# About Mercer Capital

**Mercer Capital provides valuation, financial education, and other strategic financial consulting services to family businesses.**

We help family ownership groups, directors, and management teams align their perspectives on the financial realities, needs, and opportunities of the business.

We have had the privilege of working with successful family and closely held businesses for the past 35 years. Given our experience, we are convinced that an effective board of directors and an engaged shareholder base are essential for the long-term health and success of a family business. Yet, equipping family business directors and cultivating an engaged shareholder base are often difficult. We can help.

## Services Provided

- Customized Board Advisory Services
- Confidential Shareholder Surveys
- Management Consulting
- Benchmarking / Business Intelligence
- Independent Valuation Opinions
- Shareholder Engagement
- Transaction Advisory Services
- Shareholder Communication Support

The group also publishes weekly content about corporate finance & planning insights for multi-generational family businesses in the blog,

***Family Business Director.***

## Family Business Advisory Services Team



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