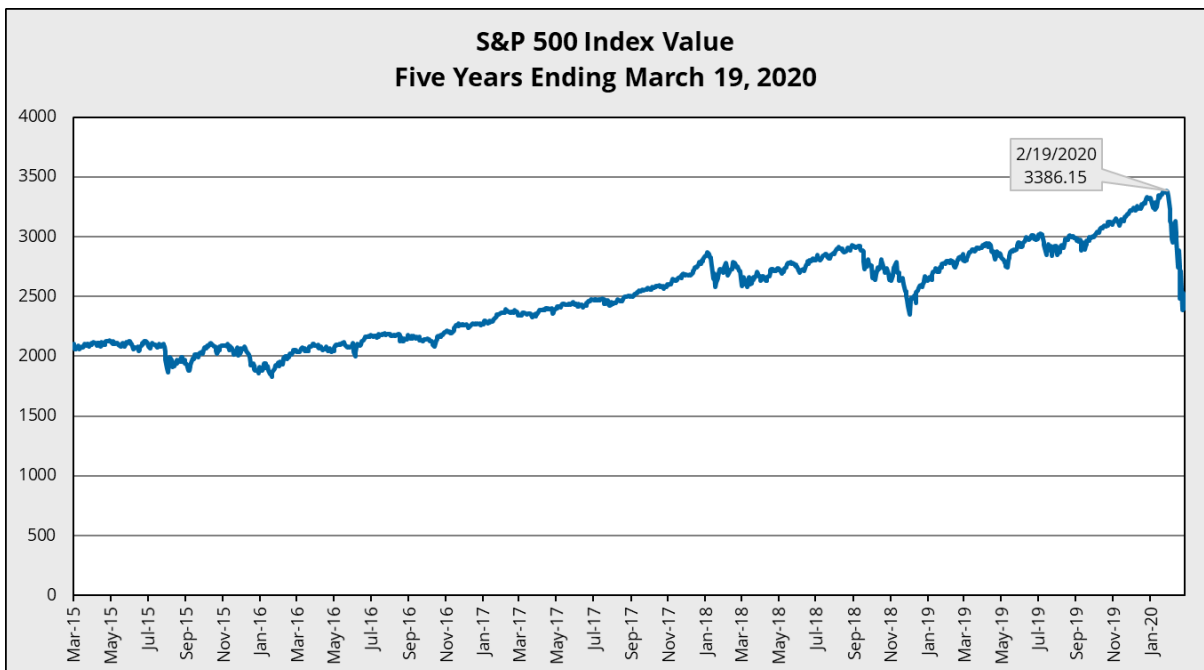


**THE COVID-19 MARKET DECLINE:
NOW MAY BE THE BEST TIME TO GIFT**

It has certainly been a rough couple of weeks with the recent fall off in the stock market and the shutdown of many businesses, but there may be a silver lining for people who intend to gift in the near future. The recent decline in market valuations provides an opportunity to gift at lower values, potentially allowing you to gift assets using your lifetime exemption that would have otherwise resulted in a taxable event before the decline. Given the additional uncertainty surrounding the Presidential Election and what might happen to the estate and gift tax exemption level, now may be the best time to do some gifting.

The U.S. Stock Market Value Over the Last Five Years

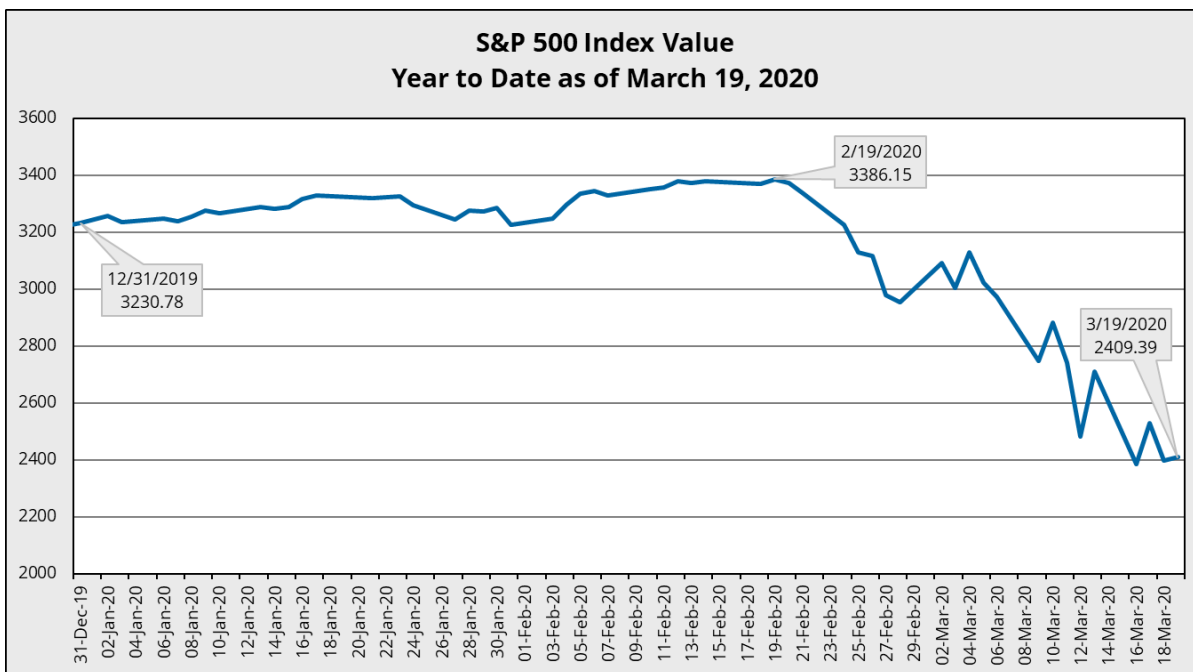
From March 23, 2015 through February 19, 2020, the S&P 500 increased from 2104.42 to 3386.15, a 60.9% return excluding dividends.¹ Between February 19, 2020 and March 19, 2020, the market decreased by 28.85% to a value of 2409.39. The market decline over the last month decreased the total return over the five-year period ending February 19, 2020 to just 14.5%.² The chart below shows the S&P 500's value over the five-year period ending March 19, 2020.



¹ A 10.2% annualized return over the 4.9-year period.

² A 2.7% annualized return over the 5.0-year period.

Looking at the performance of the stock market this year, we see a decline of 25.4% year-to-date through March 19, 2020. However, the year did not start that way. From December 31, 2019 to February 19, 2020, the S&P 500 increased from 3230.78 to 3386.15, a gain of 4.81%. The index then fell to 2409.39 as of March 19, 2020, a decline of 28.85%. The chart below shows the S&P 500's value year-to-date through March 19, 2020.



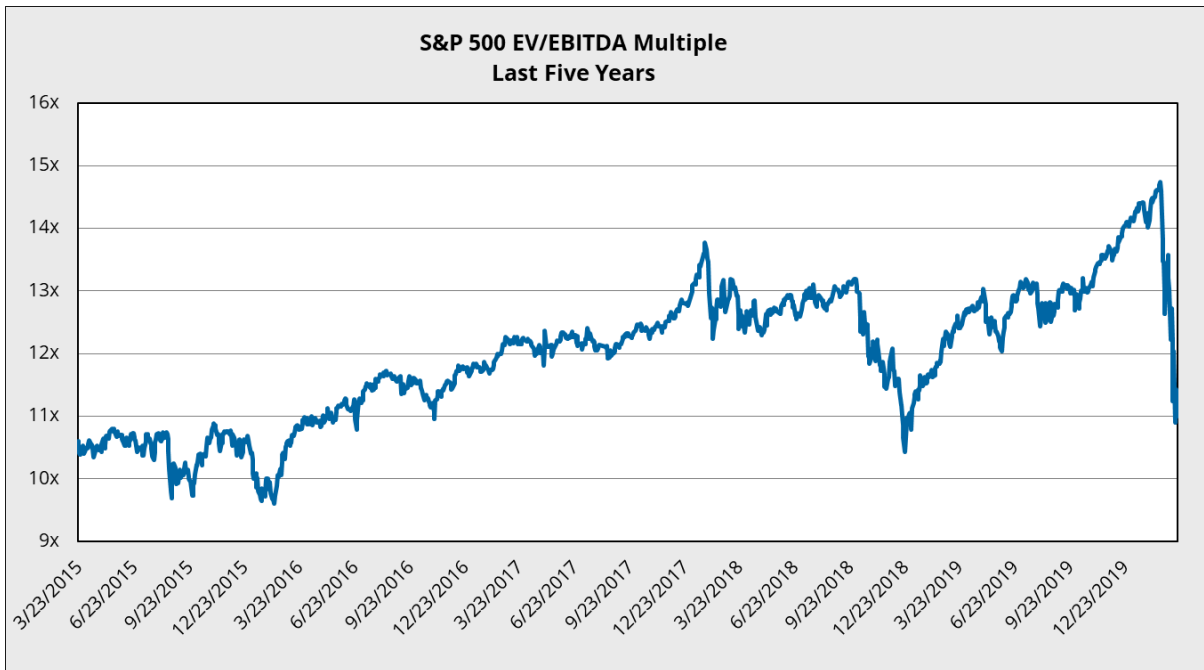
Enterprise Value to EBITDA (EV/EBITDA) Multiples Over the Last Five Years

From March 23, 2015 through February 20, 2020,³ the Enterprise Value (EV) to EBITDA⁴ multiple for the S&P 500 increased from 10.60x to 14.73x, an increase of 38.96%.⁵ Between February 20, 2020 and March 19, 2020, the EV/EBITDA multiple decreased by 25.19% to a value of 11.02x (only 3.96% above the value five years earlier). The following chart shows the S&P 500's EV/EBITDA multiple over the five-year period ending March 19, 2020.

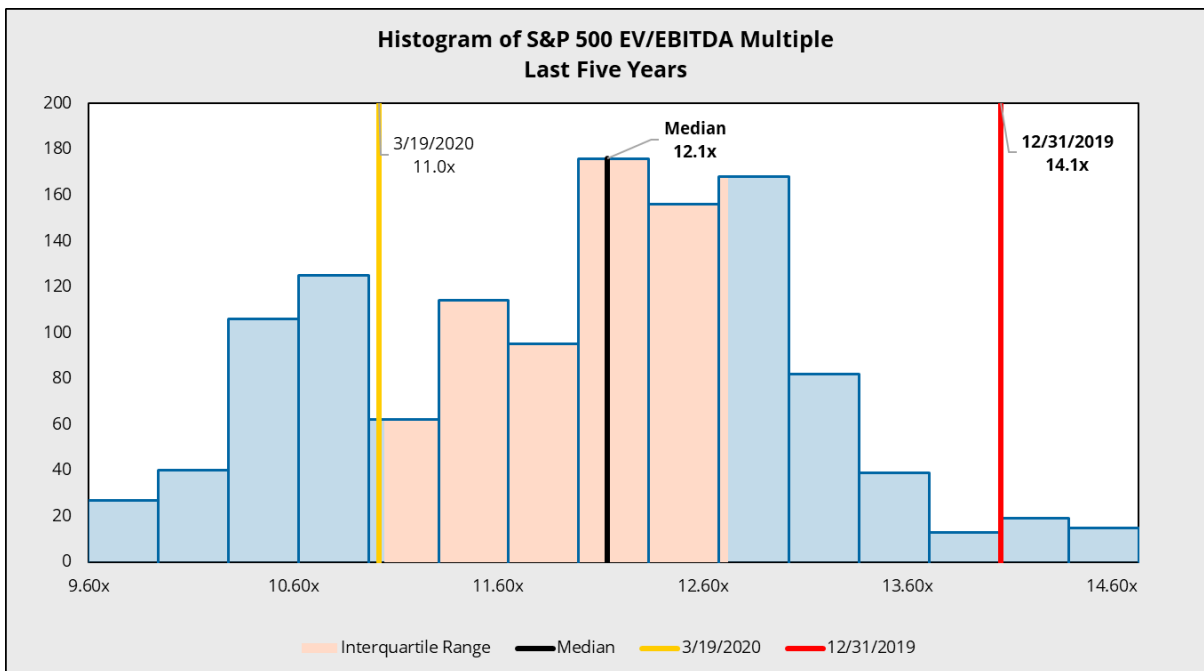
³ While the S&P 500 reached a high on February 19, 2020, the EV/EBITDA multiple reached a high on February 20, 2020.

⁴ Earnings before interest, taxes, depreciation, and amortization or EBITDA is a measure of the earnings (profitability) of a company and is frequently used as a proxy for operating cash flow.

⁵ The daily EV/EBITDA multiples were obtained from S&P CapitalIQ. CapitalIQ aggregates the multiples of the index constituents, using a weighting based upon market cap or enterprise value.



The EV/EBITDA multiple at the end of last year was 14.06x, which was in the 97th percentile of the EV/EBITDA multiple distribution over the last five years. The recent value of 11.02x on March 19, 2020 is below the 25th percentile. The chart below shows the distribution of the S&P 500's EV/EBITDA multiple over the five years ending March 19, 2020.



The dramatic decline in valuation multiples from December 31, 2019 to March 19, 2020 is seen across all the major valuation multiples, such as EV/Revenue, EV/EBIT, P/E, and P/BV, and across all the industry sectors of the S&P 500.

Appendix A contains the major valuation multiples for the S&P 500 and its industry sectors as of December 31, 2019. Additionally, it shows the rank of the industry sectors based on each valuation multiple. Appendix B contains the same information as of March 19, 2020.

Appendix C shows the percentage change in the valuation multiples from December 31, 2019 to March 19, 2020 as well as the rank of the industry sectors based on largest decline in each valuation multiple. As one would expect, the Energy Sector had the largest decline in all multiples, except for price to earnings (P/E), where the Energy Sector actually had an increase. The Financials Sector saw the next largest decline in valuation. The Utilities and Consumer Staples Sectors saw the smallest declines in valuation, which is expected given they are both defensive industries. That said, both industries still saw significant declines in valuation.

Conclusion

The significant recent declines in valuation multiples provides an opportunity to execute gifting at lower values that could have been done previously. Given the additional uncertainty surrounding the Presidential Election and what will happen to the estate and gift tax exemption level following the election, it may very well be an opportune time to gift.

Appendix A: S&P 500 Multiples as of December 31, 2019

Multiples as of December 31, 2019 (Ranked Largest to Smallest)												
Index	EV/Revenue		EV/EBITDA		EV/EBIT		P/E ¹		P/BV		Price/Tang BV	
S&P 500	2.7x		14.1x		20.1x		24.5x		3.6x		11.4x	
S&P Industry Sector	Multiple	Rank	Multiple	Rank	Multiple	Rank	Multiple	Rank	Multiple	Rank	Multiple	Rank
S&P 500 - Consumer Discretionary Sector	2.2x	8	16.6x	5	24.1x	4	27.9x	8	8.3x	3	17.4x	4
S&P 500 - Consumer Staples Sector	1.9x	11	15.9x	6	19.6x	8	29.6x	4	6.3x	6	NM	NM
S&P 500 - Energy Sector	1.5x	12	8.8x	11	18.2x	11	28.2x	7	1.6x	11	2.0x	8
S&P 500 - Equity REITS	12.1x	1	22.9x	2	41.5x	1	36.8x	1	3.8x	9	5.3x	5
S&P 500 - Financials Sector	2.2x	9	NM	NM	NM	NM	14.7x	12	1.5x	12	2.1x	7
S&P 500 - Healthcare Sector	2.1x	10	14.8x	8	19.4x	9	28.9x	5	4.6x	8	NM	NM
S&P 500 - Industrials Sector	2.3x	6	13.7x	9	18.2x	10	22.7x	11	5.0x	7	NM	NM
S&P 500 - IT Sector	5.4x	3	18.0x	3	23.5x	5	28.4x	6	7.7x	4	83.1x	1
S&P 500 - Retailing	2.3x	7	17.8x	4	25.6x	3	34.5x	2	12.7x	1	25.0x	3
S&P 500 - Software	8.9x	2	23.4x	1	29.5x	2	34.3x	3	10.4x	2	47.7x	2
S&P 500 - Telecom & IT	4.8x	4	15.7x	7	21.7x	7	27.7x	9	6.3x	5	NM	NM
S&P 500 - Utilities Sector	4.6x	5	13.4x	10	23.2x	6	24.6x	10	2.3x	10	3.0x	6

1. Price to diluted earnings per share before extra

Appendix B: S&P 500 Multiples as of December 31, 2019

Multiples as of March 19, 2020 (Ranked Largest to Smallest)												
Index	EV/Revenue		EV/EBITDA		EV/EBIT		P/E ¹		P/BV		Price/Tang BV	
S&P 500	2.1x		11.0x		15.7x		17.4x		2.7x		8.7x	
S&P Industry Sector	Multiple	Rank	Multiple	Rank	Multiple	Rank	Multiple	Rank	Multiple	Rank	Multiple	Rank
S&P 500 - Consumer Discretionary Sector	1.8x	7	13.0x	6	19.1x	5	19.8x	9	6.0x	4	13.2x	4
S&P 500 - Consumer Staples Sector	1.7x	10	13.8x	5	17.0x	8	25.0x	5	5.3x	5	NM	NM
S&P 500 - Energy Sector	0.9x	12	5.3x	11	13.2x	11	32.9x	1	0.7x	12	0.8x	8
S&P 500 - Equity REITS	10.0x	1	19.0x	2	35.0x	1	28.0x	3	2.8x	9	4.1x	5
S&P 500 - Financials Sector	1.3x	11	NM	NM	NM	NM	7.6x	12	0.9x	11	1.3x	7
S&P 500 - Healthcare Sector	1.7x	8	12.2x	8	16.0x	9	20.8x	8	3.5x	7	NM	NM
S&P 500 - Industrials Sector	1.7x	9	10.3x	10	13.9x	10	15.6x	11	3.3x	8	NM	NM
S&P 500 - IT Sector	4.3x	3	14.4x	4	18.6x	6	22.0x	6	6.1x	3	60.3x	1
S&P 500 - Retailing	1.9x	6	14.8x	3	21.6x	3	26.7x	4	10.3x	1	21.1x	3
S&P 500 - Software	7.6x	2	19.7x	1	24.7x	2	28.4x	2	8.9x	2	35.2x	2
S&P 500 - Telecom & IT	3.9x	5	12.8x	7	17.6x	7	21.4x	7	5.0x	6	NM	NM
S&P 500 - Utilities Sector	4.2x	4	11.6x	9	19.9x	4	16.6x	10	1.8x	10	2.3x	6

1. Price to diluted earnings per share before extra

Appendix C: Year to Date Change in S&P 500 Multiples

Year To Date Change in Multiple (Ranked Smallest to Largest)												
Index	EV/Revenue		EV/EBITDA		EV/EBIT		P/E ¹		P/BV		Price/Tang BV	
S&P 500	-22.1%		-21.6%		-21.9%		-28.9%		-26.7%		-23.8%	
S&P Industry Sector	% Chg	Rank	% Chg	Rank	% Chg	Rank	% Chg	Rank	% Chg	Rank	% Chg	Rank
S&P 500 - Consumer Discretionary Sector	-21.6%	4	-21.7%	3	-20.8%	3	-29.0%	4	-27.2%	4	-24.3%	5
S&P 500 - Consumer Staples Sector	-12.8%	11	-13.0%	11	-13.2%	11	-15.6%	11	-15.0%	11	NM	NM
S&P 500 - Energy Sector	-43.8%	1	-39.4%	1	-27.7%	1	16.7%	12	-56.7%	1	-57.1%	1
S&P 500 - Equity REITS	-17.6%	8	-17.0%	8	-15.7%	8	-24.0%	6	-26.1%	5	-24.1%	6
S&P 500 - Financials Sector	-41.8%	2	NM	NM	NM	NM	-48.5%	1	-38.1%	2	-37.3%	2
S&P 500 - Healthcare Sector	-18.5%	6	-17.8%	6	-17.6%	6	-28.2%	5	-23.5%	6	NM	NM
S&P 500 - Industrials Sector	-26.0%	3	-24.4%	2	-23.6%	2	-31.5%	3	-33.9%	3	NM	NM
S&P 500 - IT Sector	-19.9%	5	-20.4%	4	-20.6%	4	-22.5%	9	-20.9%	8	-27.5%	3
S&P 500 - Retailing	-17.0%	9	-17.1%	7	-15.6%	9	-22.6%	8	-19.0%	10	-15.4%	8
S&P 500 - Software	-13.8%	10	-15.6%	9	-16.5%	7	-17.2%	10	-14.4%	12	-26.0%	4
S&P 500 - Telecom & IT	-18.4%	7	-18.4%	5	-18.9%	5	-22.8%	7	-20.5%	9	NM	NM
S&P 500 - Utilities Sector	-10.2%	12	-13.2%	10	-14.2%	10	-32.3%	2	-21.7%	7	-21.8%	7

1. Price to diluted earnings per share before extra



Michael Conroy, CFA

Director

817-481-6348

mconroy@valuescopeinc.com

Mr. Conroy has more than 20 years of consulting and business valuation experience, concentrating on complex estate and gift valuation matters. He provides business valuation and financial consulting services to companies in a broad range of industries. Working with domestic and international clients, Mr. Conroy has performed thousands of business appraisals involving gift and estate tax, financial reporting, mergers, and acquisitions (valuations for buyers/sellers, fairness, and solvency opinions), litigation support, expert testimony, and other company requirements (including stock options and ESOPs). Mr. Conroy previously worked with the national valuation firm CBIZ Valuation Group, LLC here he was a senior manager. Prior to that, he taught chemistry and physics to high school and college students at Xavier College in Ba, Fiji, for two years as a U.S. Peace Corps volunteer.



Jason Wainwright, CFA, ABD

Senior Manager

817-481-6353

jwainwright@valuescopeinc.com

Mr. Wainwright is a Senior Manager at ValueScope Inc., Inc. In this position, he has worked on and managed numerous business valuations and projects for firms spanning multiple industries, including energy, defense, consumer products, professional services, and healthcare. Mr. Wainwright is a CFA charterholder, has a BBA in Finance & Economics from Texas Wesleyan University, and a MS in Quantitative Finance from the University of Texas at Arlington. Additionally, Mr. Wainwright completed all of the course work and the written and oral comprehensive examinations toward a Ph.D. in Finance from the University of Texas at Arlington.

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