

Links List of Multiples and Buyers

Western Canadian Private Equity Market

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Current North American Private Equity Purchase Multiples Q3

TANGIBLE ENTERPRISE VALUE/EBITDA - QUARTERLY SPLITS									
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	Avg.
TEV (millions)	2017	2018	2018	2018	2018	2019	2019	2019	
10-25	6.9	5.9	6.2	5.8	5.6	6.1	6.6	5.9	5.7
25-50	6.9	6.7	6.6	7.0	7.2	6.9	7.2	6.5	6.3
50-100	8.8	8.9	9.6	8.3	9.4	7.2	8.2	7.7	7.2
100-250	9.8	8.5	8.4	8.4	9.6	8.8	9.5	10.3	8.1
TOTAL	8.0	6.9	7.3	7.1	7.7	6.9	7.4	7.4	6.4

Data Source: GF Data®

The most recent GF Data shows us what we expected: multiples contracted compared to last quarter in all deal sizes except deals greater than \$100 million. For all deals under \$50 million, the TEV/EBITDA is still slightly above the historical multiple average by 0.2x turns. Deals in the \$50 to \$100 million market are trending above average by 0.5x turns and deals over \$100 million are well above their historical average at 2.2x turns higher.

Our belief is that the lower end of the market will experience some price stabilization around the mean as the current economic forecast is not looking as gloomy as it was three months ago. We also expect that deals over \$50 million will start reverting back to the mean, as the smaller deals have. Private equity investors are starting to ease off on the amount of leverage they are putting on purchased companies' balance sheets, and are taking a more conservative stance on growth prospects and the ability to service debt moving forward.

Western Canadian Private Equity Market

With the Canadian public electing another Liberal government, albeit a minority, there continues to be a high level of uncertainty in Western Canada about the economic environment. Much of the discussion has been around the alienation of Western Canada and how that has been impacting the economy as a whole. Historically, investments and merger and acquisition activity are typically drivers of sentiment.

PRIVATE EQUITY REPORTED INVESTMENT						
YTD Ending Q3						
(In millions \$)	2014 (12m)	2015	2016	2017	2018	2019
British Columbia	2,200	1,400	223	2,400	216	531
Alberta	12,400	7,500	1,600	2,000	647	200
Saskatchewan	314	219	1,000	72	48	9
Manitoba	82	133	30	734	386	3
Western Canada	14,996	9,252	2,853	5,206	1,297	743
% of Canada	36.4%	56.8%	31.7%	24.9%	7.9%	11.4%
Canada	41,200	16,300	9,000	20,900	16,500	6,500

Data Source: CVCA, VC & PE Canadian Market Overview 2015-2019

Links Capital specializes in the divesting and financing of businesses in the Canadian middle market.

Links Capital's philosophy is to preserve value throughout the entire transaction process. Senior partners handle all aspects of the transaction from inception to close and beyond, maximizing proceeds.

Being experts in private equity markets and corporate finance enhances value to our clients through extensive buy and sell-side experience.



North America's only vertically integrated producer, manufacturer, distributor and applicator of calcium chloride products

operational shareholder has acquired 100% of shares in Tiger Calcium Services Inc. and has divested of all their shares in



A manufacturer of plant nutrient sulfur fertilizers & consumer ice-melt

Links Capital acted as financial advisor to Tiger Calcium Services Inc. in the acquisition of shares and the structuring and negotiating of the divestiture of Keg River Chemical Corp.



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Massive decline in reported investment dollars by private equity groups since 2015

Alberta down 97%, Western Canada down 92%



It is apparent that there has been a severe deterioration of private equity investment over the last four years in Canada.

PRIVATE EQUITY REPORTED % CHANGE SINCE 2015					
YTD Ending Q3					
(In millions \$)	2015	2018	% Change	2019	% Change
British Columbia	1,400	216	-84.6%	531	-62.1%
Alberta	7,500	647	-91.4%	200	-97.3%
Saskatchewan	219	48	-78.1%	9	-95.9%
Manitoba	133	386	190.2%	3	-97.7%
Western Canada	9,252	1,297	-86.0%	743	-92.0%
% of Canada	56.8%	7.9%	-48.9%	11.4%	-45.3%
Canada	16,300	16,500	1.2%	6,500	-60.1%

Data Source: CVCA, VC & PE Canadian Market Overview 2015-2019

Much of the erosion has taken place in Western Canada, where private equity investment has decreased by 92% since 2015. More astonishing is what has happened in Alberta: moving from \$7.5 billion of private equity investment for the first nine months of 2015 to only \$200 million invested in 2019 YTD, a \$7.3 billion (97.3%) decrease.

Looking at the big picture across Canada, since 2015 private equity investment has decreased by 60% in an environment where there has been a 32% increase in deal volume in North America (McKinsey & Company). Both political and economic uncertainty have been the major obstacles to investing in Canada.

Manufacturing & Private Equity Multiples

One of the more interesting points that came out of the most recent quarterly report from the CVCA is that a record amount of deal flow (25%) is occurring in the manufacturing and industrial sectors.

We took a deeper dive to see what has been happening with North American private equity multiples in the broad area of manufacturing.

MANUFACTURING- TANGIBLE ENTERPRISE VALUE/EBITDA							
TEV (millions)	2003-2014	2015	2016	2017	2018	YTD 2019	Total
10-25	5.4	5.9	5.7	6.1	6.4	5.9	5.6
25-50	5.9	6.5	6.0	6.1	6.1	6.4	6.0
50-100	6.5	7.4	6.9	7.8	8.4	7.2	6.9
100-250	7.0	8.8	7.0	8.4	8.1	9.3	7.5
TOTAL	5.9	6.6	6.1	6.8	6.9	6.7	6.2

Data Source: GF Data®

All valuation metrics as of Q3 suggest that the manufacturing sector is very consistent with what is happening in the market as a whole. Multiples are slightly higher than their mean in all deal sizes, with the exception of deals greater than \$100 million which are much higher.

From an economic perspective, year-over-year manufacturing sales in the month of September were down 11.1% in Saskatchewan, 10.1% in Alberta, 3.2% in BC, but Manitoba was up 1.1%. Canada as a whole was down 1.2% during the same period (Statistics Canada). An environment with negative manufacturing growth doesn't help the positioning of companies in those industries that are looking for possible divestitures.

Our stance to businesses looking to sell in the Western Canadian manufacturing sector is to remain patient and continue to work on the elements of your business that are within your control, such as high grading employees and continuing to work on efficiencies.

Links sends out quarterly, **Links' List of Multiples and Buyers**, summarizing current North American private equity purchase multiples and lists industries and areas where selected strategic and private equity buyers are interested in investing.

Links Capital Partners Ltd. is a professional firm focused exclusively on selling businesses, raising capital and assisting our clients to acquire businesses. Links Capital are specialists in working with private equity firms, institutional investors and strategic purchasers to raise capital and divest businesses.



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Links Capital tracks the market's purchase price valuations, term and conditions which are critical to every successful transaction



Links Capital's summary of select opportunities with strategic purchasers and North American private equity funds

Private Equity Platform Investments & Buyouts

Investors Seeking Strong Stable Cash Flows with Growth Oriented Niche Industries, (>\$3million EBITDA)

Aerospace/Transportation Logistics (\$2-\$20 million EBITDA)

Machine Shops (Medical/Aerospace) (\$3-\$20 million EBITDA)

Digital Infrastructure Services (\$2-\$15 million EBITDA)

Healthcare Services & HCIT (\$3-\$30 million EBITDA)

Vending/Office Coffee Convenience Services (\$2-\$20 million EBITDA)

Environmental, Industrial & Maintenance Services (\$2-\$20 million EBITDA)

Outsourced Pharma Services (\$2-\$15 million EBITDA)

Business Process Outsourcing and Consulting, Services into Financial and Insurance (\$3-\$10 million EBITDA)

Specialty Chemical Manufacturing and Distributor Sector (\$3-\$15 million EBITDA)

Frozen or Refrigerated Foods (>\$4 million EBITDA)

Current Add-on Investments Strategic & Private Equity Purchasers

Fluid Power Products Distribution

Distributors Heavy-Duty Truck, Trailer Product & Advanced Repair Services

Manufacturer/Distributor Dermatologists Consumables, Instruments and Equipment

Manufacturer/Distributor Residential Elevator Parts

Direct to Consumer Outdoor and Backyard Products

Distributors of Air Compression, Dehydration, Filtration and Purification Equipment

Domestic/International Manufacturers of Performance Fabrics, Rugs and Specialty Textiles

Engineering and Environmental Consulting

Healthcare Services

Natural Gas Utility and Electric Utility Contractors (revenue from maintenance versus installation)

Sewer inspection & Cleaning, Utility Locating, Trenches Pipe Repair and Manhole Rehabilitation

Chemical and Adhesives Manufacturers

High Tech Contract Manufacturing Supporting EMS Industry

Railway Maintenance Services



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