

# Links Capital

Links' List of Multiples and Buyers

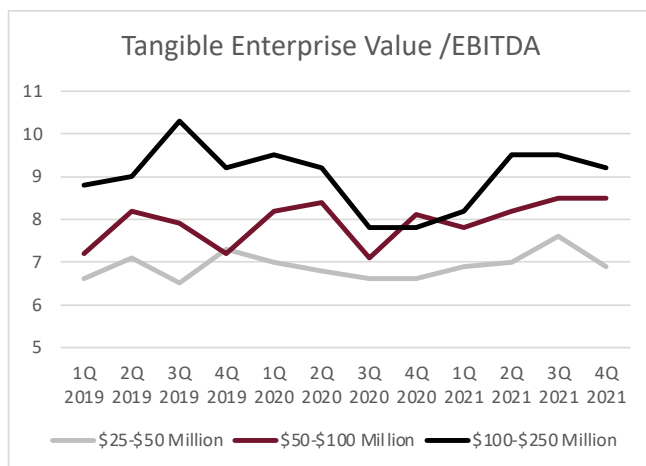
March 2022



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# Q4 2021 Private Equity Valuation Multiples



Data Source: GF Data®

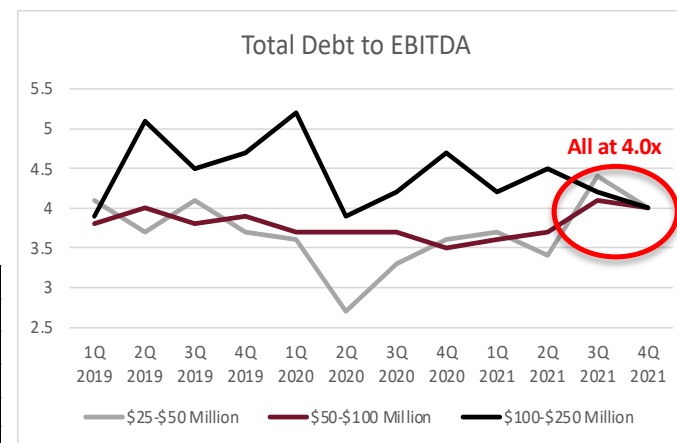
TEV/EBITDA	Q3 2021	Q4 2021	2019-Present	2003-Present
\$25-\$50 Million	7.6	6.9	6.9	6.5
\$50-\$100 Million	8.5	8.5	7.9	7.4
\$100-\$250 Million	9.5	9.2	9.0	8.1

TOTAL DEBT/EBITDA	Q3 2021	Q4 2021	2019-Present	2003-Present
\$25-\$50 Million	4.4	4.0	3.7	3.6
\$50-\$100 Million	4.1	4.0	3.8	3.8
\$100-\$250 Million	4.2	4.0	4.4	4.4

\$100 - \$250 Million Private Equity Transactions					
	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
TEV/EBITDA	7.8	8.2	9.5	9.5	9.2
% Funded with Equity	40%	49%	53%	56%	57%
Total Debt/ EBITDA	4.7	4.2	4.5	4.2	4.0
% Funded with Debt	60%	51%	47%	44%	43%

Data Source: GF Data®



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Recent valuation multiples in all transaction sizes remain at or above the average of the entire dataset since 2003 and above average valuation multiples since the beginning of 2019. As expected, the market experienced some multiple compression over the last quarter pulling down EBITDA multiples and total enterprise values.

One of the leading indicators on where transaction multiples may be heading is the trend with total debt to EBITDA ratios. The total debt ratio is defined as how many multiples of EBITDA will be funded on a transaction with debt. It is important to understand when total debt multiples increase, valuation multiples typically increase as they are positively correlated. For all transactions with a total enterprise value between \$25-\$250 million, total debt multiples have converged at 4.0x EBITDA. Of particular interest is the trend with transactions over \$100 million in the last 15 months. Deals between \$100-\$250 million, the total debt to EBITDA ratios have been decreasing which implies that there must be an increased equity investment by private equity investors to close transactions. Since Q4 2020, we have seen the equity participation on behalf of private equity investors increasing and the amount funded by debt trending down. In these 15 months, equity participation has increased from 40% to 57% (42% increase) of the total transaction value. Consequently, the amount funded by debt on transactions has decreased from 60% to 43% (28% decrease).

Many of the private equity transactions over the last year include above average financial performers who have strong revenues and profitability. Bankers are concerned about the sustainability of the profitability with these companies in the long-term and are becoming more conservative. Inflation and the possible impacts to interest coverage ratios with increasing interest rates is also a concern. Private equity is awash with capital to fund good transactions and competition for deals is very strong, which has elevated purchase price multiples. High valuations has resulted in private equity writing larger equity cheques to get transactions completed. The current disconnect between valuation and debt multiples should revert to their historical correlation decreasing valuation multiples in the short to medium term. Sellers in the near term, should expect further contraction in valuation multiples at the higher end of the market if current debt ratios remain constant, resulting in lower total enterprise valuations.



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## **Private Equity Platform Investments and Buyouts**

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

**Management Buyouts  
(>\$ 2 million EBITDA)**

**Distressed Balance Sheets  
(\$2-\$10 million Historical EBITDA)**

**Consumer Packaged Goods  
(> \$3 million EBITDA)**

**Distribution Businesses  
(\$2-\$10 million EBITDA)**

**Pet Food Manufacturers  
(\$2-20 million EBITDA)**

**Healthcare Services & HCIT  
(\$2-\$20 million EBITDA)**

## **Current Add-on Investments Strategic and Private Equity Investors**

**Food and Agribusiness**

**Consumer Packaged Goods**

**Industrial Distribution Services**

**Packaging Materials**

**Healthcare Services Businesses**

**High Tech Contract Manufacturing (EMS)**

**Co-Packaging & Co-Manufacturing**

**Building Products Manufacturing/Distribution**

**Power Distribution and Protection Equipment**

**Engineering Services**

**Pet Care Products & Services**

**Environmental (Waste Management/ Recycling)**





DIVESTITURES



FINANCINGS



ACQUISITIONS

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