Links Capital

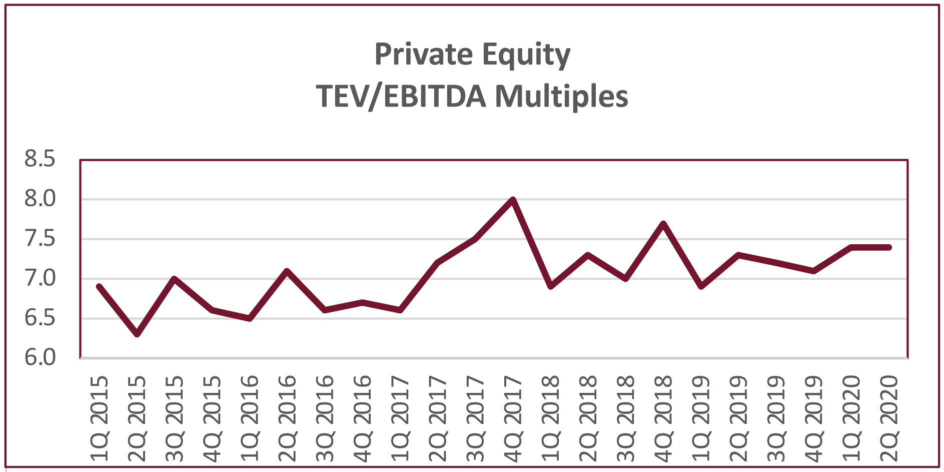
Links' List of Multiples and Buyers

September 2020

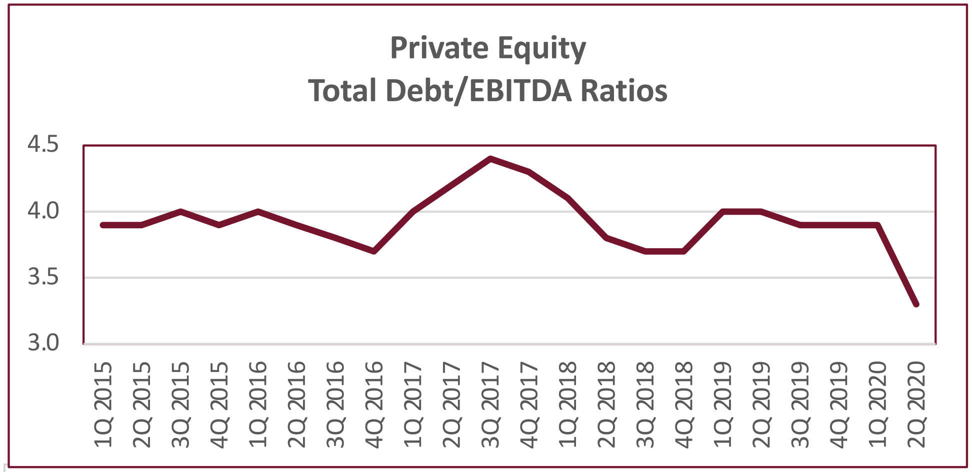
Links Capital

Divestitures • Acquisitions • Financings

Q2 Private Equity Valuation & Debt Multiples



Data Source: GF Data®



Data Source: GF Data®

In transactions under $250 million, EBITDA valuation multiples remain unchanged at 7.4x EBITDA, as the average Total Debt to EBITDA ratio decreased from 3.9x to 3.3x in the quarter. With valuation multiples not changing, private equity buyers increased their equity participation to complete deals from 3.5x to 4.1x EBITDA, resulting in equity investment increasing over 56% of the transaction value (GF Data).

During Q2, GF Data reports deal activity decreasing between 50-60% compared to the same period last year. With deal volume down substantially, one may argue that completed deals may have been comprised of higher quality companies, given the uncertainty the COVID pandemic has created on the business environment. If the average of the higher quality company subset generated the same EBITDA multiple as the previous quarter, this may suggest that the total market TEV/EBITDA has declined. Lower quality deals may have hit the pause button as either sellers or buyers may have walked away from these transactions.

In Q3, some private equity investors are sitting on the sidelines, managing their portfolios hoping for better visibility in the pandemic recovery before injecting capital into new transactions. Higher quality companies that have prospered through the pandemic are creating a very competitive environment for buyers. Conversely, companies more adversely impacted by the pandemic may be less attractive to buyers and could be forced to realign their company to the new business environment to create future buyer interest. As the business environment slowly normalizes, it may be led by Total Debt multiple expansion increasing deal volumes back to normal levels, which would hopefully be a positive for all TEV/EBITDA valuation multiples.

Links is currently seeing many restructuring and financing deals and are working with business owners in normalizing the impacts of the pandemic for valuations purposes, ability to service debt and possible divestitures. If your business needs help working through and understanding this new business environment, Links Capital is available to help.

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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)

Financial Services
(> $5 million EBITDA)

Distribution Businesses
($2-$10 million EBITDA)

Facility and Industry Maintenance
($2-20 million EBITDA)

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

Current Add-on Investments Strategic and Private Equity Investors

Instrument Manufacturers

Consumer Packaged Goods

Industrial Distribution Services

Medical Device Manufacturing

Food Manufacturing and Services

IT Support

Co-Packaging & Co-Manufacturing

Education and Training

Chemical and Adhesives Manufacturers

Healthcare Services
Orthodontists & Dental Labs

Retail Propane

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