



# Links Capital

## Links' List of Multiples and Buyers

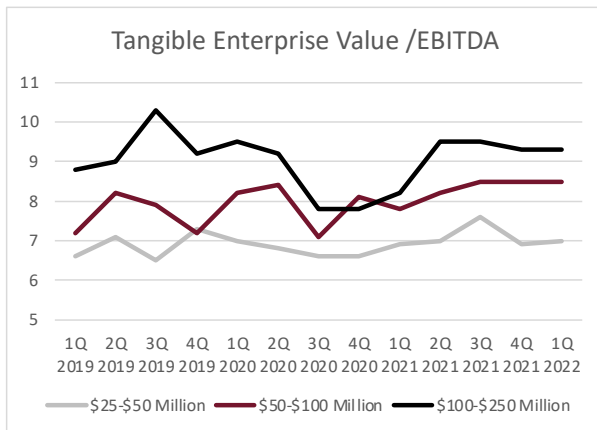
June 2022



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# Q1 2022 Private Equity Valuation Multiples

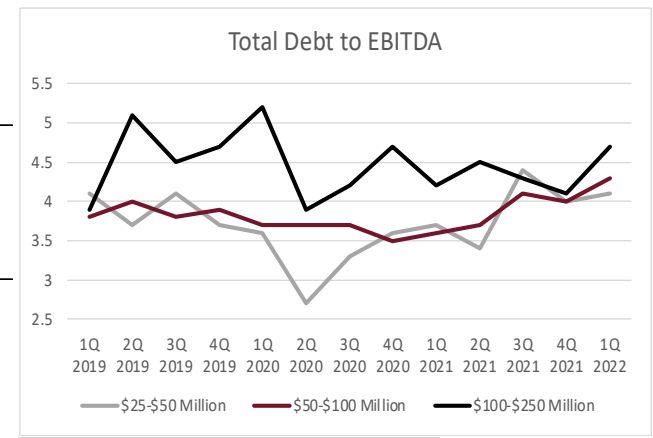


TEV/EBITDA	Q3 2021	Q4 2021	Q1 2022	2019 - Present	2003 - Present
\$25-\$50 Million	7.6	6.9	7.0	6.9	6.5
\$50-\$100 Million	8.5	8.5	8.5	7.9	7.4
\$100-\$250 Million	9.5	9.3	9.3	9.0	8.1

TOTAL DEBT/EBITDA	Q3 2021	Q4 2021	Q1 2022	2019 - Present	2003 - Present
\$25-\$50 Million	4.4	4.0	4.1	3.7	3.6
\$50-\$100 Million	4.1	4.0	4.3	3.8	3.8
\$100-\$250 Million	4.3	4.1	4.7	4.4	4.4

Data Source: GF Data®



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Valuation multiples in the first quarter of 2022 have remained relatively consistent with the last three quarters of 2021 and continue to be above the averages of the entire dataset since 2003 as well as the average of the past couple years. Debt multiples have seen a tick up in Q1, and as discussed in our March 2022 Links' List, valuation multiples and debt multiples are positively correlated. The increase in debt multiples is potentially a sign that rising interest rates may start impacting the capital available from private equity in the short-term. The overall picture is complicated with other factors working against multiple expansion, or at the very least, muddying the waters.

This year has seen stock market volatility, surging commodity prices, inflation at four-decade highs, ongoing supply chain issues, and significant interest rate increases, all against the backdrop of Russia's ongoing war in the Ukraine. Although it has been resilient with intermittent rallies, public equity markets have shown an overall downward trend this year. Private equity multiples tend to have historically lagged the stock market by up to two to three quarters (see June 2020 Links' List). Rising inflation has contributed to the disruptions all along the supply chain that have been the result of access to raw materials and worker shortages in the face of rising demand over the past year or two. To combat inflation, the fed has tightened up with three rate increases so far this year with more potentially to come. This has led to some consternation about growth moving forward but consumer demand has continued to defy naysayers thus far. Higher interest rates mean higher required rates of return which will undoubtedly put downward pressure on multiples but for how long is difficult to say. If the market rebounds, the drop in valuations may not impact the private equity space significantly.

Given some of the uncertainty and volatility in the market, purchasers may be looking at deals with some trepidation. However, deals are and will continue to be completed as acquirors look towards the next economic expansion and where they want to bolster resources or what sectors they want to be exposed to. We just came out of a down cycle due to COVID where the same kind of philosophy was in place but once it started to rebound, deal activity was very strong. Business owners should be positioned and prepared to enter a sales process as sentiment can turn very quickly.



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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)**



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DIVESTITURES



FINANCINGS



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