

Links Capital

Links' List of Multiples and Buyers

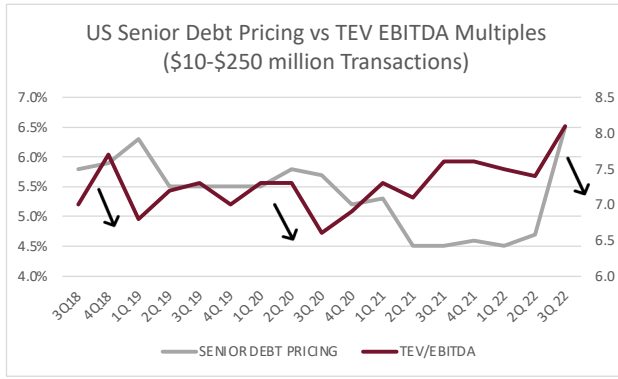
December 2022



Links Capital

Divestitures • Acquisitions • Financings

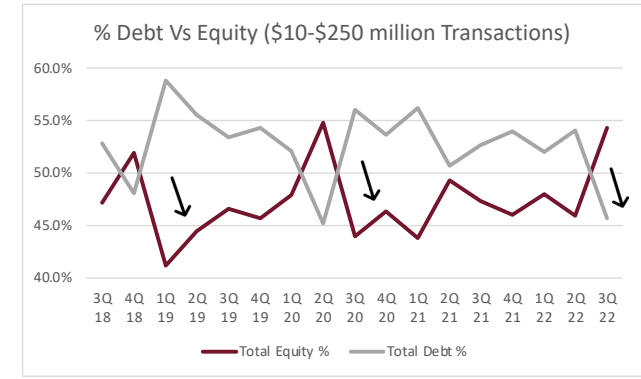
Q3 2022 Private Equity Valuation Multiples



Data Source: GF Data®

TEV/EBITDA	Q1 2022	Q2 2022	Q3 2022	2003-Present
\$25-\$50 Million	6.7	6.9	7.8	5.9
\$50-\$100 Million	9.0	9.1	8.6	6.6
\$100-\$250 Million	9.2	9.5	11.9	7.7
TOTAL DEBT/EBITDA	Q1 2022	Q2 2022	Q3 2022	2003-Present
\$25-\$50 Million	4.0	3.5	3.8	3.6
\$50-\$100 Million	3.9	4.2	3.6	3.9
\$100-\$250 Million	4.6	4.3	5.1	4.4

Data Source: GF Data®



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With several interest rate hikes in the books and more expected, the immediate impact of interest rate increases has been felt in the debt markets with the cost of senior debt increasing 190 bps in the past quarter. Senior debt pricing increased from an average of 4.7% in Q2 to 6.6% in Q3 at the same time that the overall TEV EBITDA multiples increased from 7.4x to a record 8.1x TTM Adjusted EBITDA as reported by GF Data. As discussed in previous newsletters, private equity valuation multiples usually lag changes in the stock market and take time to react to market conditions which can take up to two quarters, whereas, debt markets have always reacted almost immediately.

The senior debt pricing to TEV EBITDA multiples chart above shows the relationship between senior debt pricing and TEV EBITDA multiples since Q3 2018. Historically, there has been an inverse relationship between senior debt pricing and valuation, when senior debt pricing and the cost of capital increases, transaction valuations usually fall. In the most recent quarter, we see both senior debt pricing and TEV EBITDA multiples increasing significantly at the same time which is a disconnect from history. Also in Q3, the average percentage of equity contribution in a transaction has increased beyond the amount of debt used in transactions, a situation which has occurred only three times the last four years. The two other times when this happened include Q4 2018, where we saw a precipitous drop in all the stock markets (S&P 500 fell over 18% in the quarter from its peak in September 2018) and in Q2 2020 which was at the height of the Covid pandemic. In both quarters, when equity contribution exceeded debt in transactions, the following quarter saw valuation multiples contract meaningfully and the amount of equity in transactions fall to more normalized levels below debt contributions.

With the current cost of debt and incremental interest increases expected, record TEV EBITDA multiples will likely be short lived. Valuation multiples are expected to compress while equity investors will be more reluctant to contribute at the same levels that they have been in the past quarter. The question remains will interest rate increases meant to combat inflation soften economic activity too much pushing the economy into a recession further depressing valuation multiples? Or are we able to navigate a soft landing moderating any changes in valuation metrics over the short term?



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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)**

**Oil & Gas Service Providers
(> \$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

Oil & Gas Service Providers

Food and Beverage Manufacturers

Consumer Packaged Goods

Industrial Distribution Services

Water and Environmental Services

Packaging Materials

Healthcare Services Businesses

High Tech Contract Manufacturing (EMS)

Co-Packaging & Co-Manufacturing

Power Distribution and Protection Equipment

Engineering Services

Pet Care Products & Services

Environmental (Waste Management/ Recycling)



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DIVESTITURES



FINANCINGS



ACQUISITIONS

Ron Chicoyne, CFA, CA, ICD.D

Managing Director

rchicoyne@linkscap.com

403.809.7985

Alan Roessel

Director

403.818.4139

aroessel@linkscap.com

Links Capital Partners Ltd.

www.linkscap.com



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