

Links Capital

Links' List of Multiples and Buyers

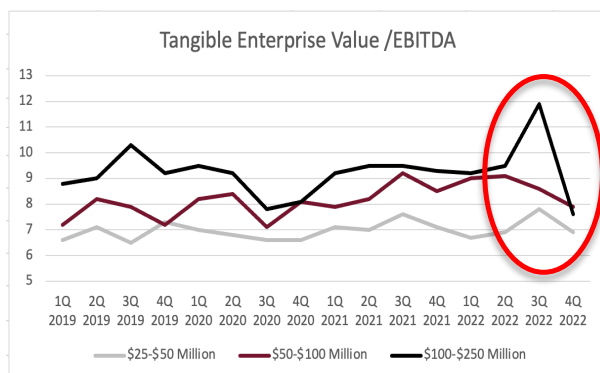
March 2023



Links Capital

Divestitures • Acquisitions • Financings

Q4 2022 Private Equity Valuation Multiples

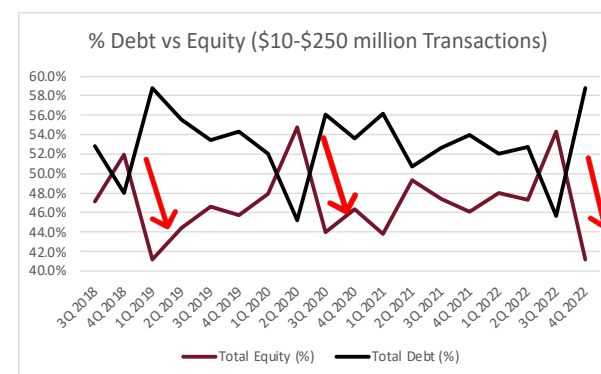


TEV/EBITDA	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2003-Present
\$25-\$50 Million	6.7	6.9	7.8	6.1	6.6
\$50-\$100 Million	8.8	8.9	8.6	7.9	7.7
\$100-\$250 Million	9.3	9.1	12.8	7.6	8.5

TOTAL DEBT/EBITDA	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2003-Present
\$25-\$50 Million	3.9	3.4	4.0	3.8	3.6
\$50-\$100 Million	3.9	4.3	3.7	4.4	3.9
\$100-\$250 Million	4.4	4.3	5.3	3.7	4.4

Data Source: GF Data®

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In the December, Q3 2022 Links List of Multiples and Buyers, equity contributions in transactions amounted to 54.3% of the total contribution in deals. We highlighted that this happened two other times in the last four years after stock markets saw precipitous drops and commented:

“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.”

In Q3 2022, equity contributions in M&A transactions amounted 54.3% of the total contribution in deals, but this dropped to 41.2% in Q4 2022 while debt increased from 45.7% to 58.8%. Private equity investors are no longer paying up with equity contributions on transactions. This shift indicates that valuations have come down and are normalizing towards the mean after a period of elevated multiples. In fact, all deal sizes between \$25 million and \$250 million saw valuation multiples that were well above the long term average in Q3, but all declined significantly in Q4 with only transactions in the \$50-\$100 million range still above the long term average. Total Debt to Equity for the \$50-\$100 million transactions still seems to be attracting higher than average debt multiples and are out of alignment with larger deals after being the first to compress in the previous quarter. However, these higher debt multiples may be short lived as interest rates continue to increase.

Business owners who want to sell now face challenging conditions, including persistent inflation and increasing interest rates that will drive up the cost of capital and lower EBITDA multiples. Companies will need to offset input costs with higher selling prices to maintain earnings and valuation levels moving forward. Additionally, the uncertainty in the economy has put M&A on hold for many companies, making timing critical for maximizing the monetization of the business. Instead of forcing a transaction, most business owners should strategically position their companies and wait until conditions improve. Therefore, we are currently out pre-marketing our current engagements with above financial performance and creating dialogue with both strategic and private equity investors in preparation for when timing and economic conditions improve. Strategically positioned companies who are having dialogue with buyers will be able to react quickly and get transactions completed when conditions turn more favorable.



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Private Equity Platform Investments and Buyouts

**Investors Seeking Strong Stable Cash Flows with Growth
Oriented Niche Industries
(>\$5 million EBITDA)**

**Management Buyouts
(>\$ 5 million EBITDA)**

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

**Consumer Packaged Goods
(> \$5 million EBITDA)**

**Distribution Businesses
(\$2-\$20 million EBITDA)**

**Pet Food Manufacturers
(\$5-20 million EBITDA)**

**Healthcare Services & HCIT
(\$5-\$20 million EBITDA)**

Current Add-on Investments Strategic and Private Equity Investors

Industrial Distribution Services

Oilfield Services

Consumer Packaged Goods

Senior Care Services

Water and Environmental Services

Packaging Materials

High Tech Contract Manufacturing (EMS)

Co-Packaging & Co-Manufacturing

Power Distribution and Protection Equipment

Engineering Services

Pet Care Products & Services

Environmental (Waste Management/ Recycling)

Current Engagements

Steel Products Distributor (Oilfield Tubular) –TTM EBITDA > \$14 million

Engineering Services – Oil & Gas / Renewables Concentration - TTM EBITDA > \$8 million

Engineered Wood Products Manufacturer – TTM EBITDA > \$30 million





DIVESTITURES



FINANCINGS



ACQUISITIONS

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