Links Capital

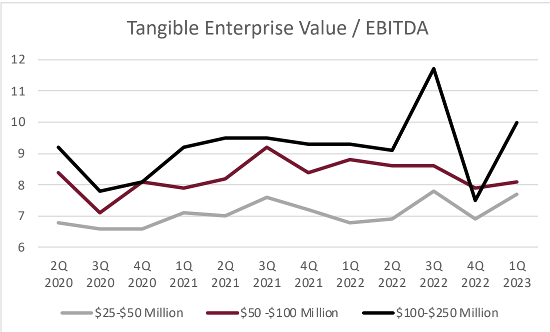
Links' List of Multiples and Buyers

June 2023

Links Capital

Divestitures • Acquisitions • Financings

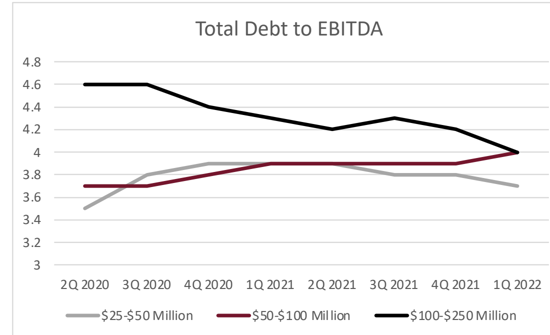
Q1 2023 Private Equity Valuation Multiples



Data Source: GF Data®

TEV/EBITDA	Q2 2022	Q3 2022	Q4 2022	Q1 2023	2003-Present
$25-$50 Million	6.9	7.8	6.9	7.7	7.0
$50-$100 Million	8.6	8.6	7.9	8.1	7.9
$100-$250 Million	9.1	11.7	7.5	10.0	8.7
TOTAL DEBT/EBITDA	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**2003-Present**
$25-$50 Million	3.9	3.8	3.8	3.7	3.6
$50-$100 Million	3.9	3.9	3.9	4.0	3.9
$100-$250 Million	4.2	4.3	4.2	4.0	4.4
US Senior Debt Pricing	4.8%	6.4%	6.7%	8.1%	

Data Source: GF Data®



Data Source: GF Data®

In the first quarter of 2023, we observed an increase in valuation multiples across all deal sizes, following a decline in the fourth quarter of 2022. This trend mirrors what is happening in the stock market. When analyzing the data on completed transactions, we noticed that only a select portion of the market is experiencing gains (high quality transactions), similar to 7-10 companies driving the stock market gains.

So exactly what is happening in the current M&A environment? Based on our conversations with private equity and strategic investors, both groups are being highly selective in the deals they pursue. Some private equity funds are solely focused on smaller add-on transactions for their existing platforms while other are seeking out new platform companies and pursuing rapid consolidation though add-on transactions. While we still see opportunities for strong operating companies, it is safe to say that the M&A environment is not particularly vibrant at the moment.

The rising cost of debt, which increased from 4.8% in Q2 2022 to 8.1% in Q1 2023 in the US, combined with stricter lending practices by debt providers, is compelling private equity firms to increase their equity contributions to complete transactions. However, we have also come across select cases where private equity firms could secure higher levels of debt but chose to opt for a lower amount at the initial stage. They do this in anticipation of refinancing both the existing debt and a portion of the equity participation at a later point, ideally at a lower interest rate. There are discussions about the possibility of the US Federal Reserve cutting rates before the end of the year, while in Canada, the conversation is shifting towards the Bank of Canada raising rates. Consequently, any private equity deals counting on lower rates will require careful negotiation regarding refinancing clauses and penalties.

We are actively promoting our current engagements, highlighting their strong financial performance and engaging in discussions with both strategic and private equity investors. We believe that companies strategically positioned to engage with potential buyers now may find favorable opportunities or be better positioned to swiftly complete a transaction when M&A conditions improve in the future.

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

Engineered Wood Products Manufacturer – TTM EBITDA > $21 million / 25% EBITDA Margin

Steel Products Distributor (Oilfield Tubular) –TTM EBITDA > $13 million / 23% EBITDA Margin

Engineering Services – Oil & Gas / Renewables Concentration - TTM EBITDA > $9 million / 36% EBITDA Margin

Ron Chicoyne, CFA, CA, ICD.D
Managing Director
rchicoyne@linkscap.com
403.809.7985

Links Capital Partners Ltd.
www.linkscap.com

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