

Links Capital

Links' List of Multiples and Buyers

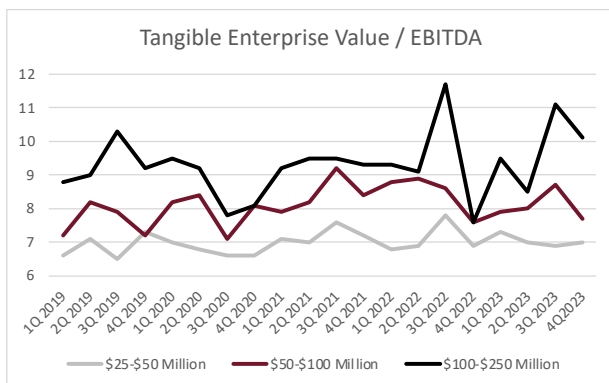
March 2024



Links Capital

Divestitures • Acquisitions • Financings

Q4 2023 Private Equity Multiples

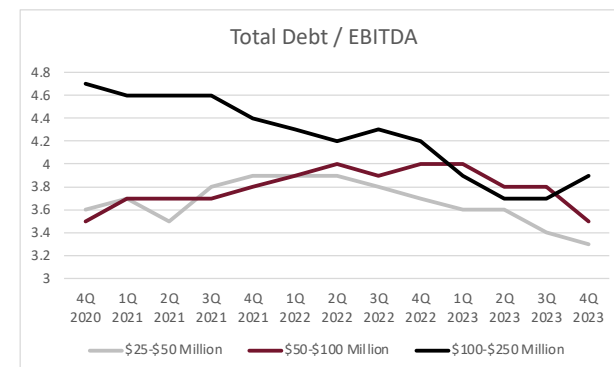


Data Source: GF Data®

TEV/EBITDA	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2003-Present
\$25-\$50 Million	7.3	7.0	6.9	7.0	6.7
\$50-\$100 Million	7.9	8.0	8.7	7.7	7.7
\$100-\$250 Million	9.5	8.5	11.1	10.1	8.5

TOTAL DEBT/EBITDA	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2003-Present
\$25-\$50 Million	3.6	3.6	3.4	3.3	3.3
\$50-\$100 Million	4.0	3.8	3.8	3.5	3.5
\$100-\$250 Million	3.9	3.7	3.7	3.9	3.9

Data Source: GF Data®



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Deal Multiples and Financing Trends in Q4 2023

In the latest quarter, deal multiples in transactions below \$50 million increased. Deals in the \$10-\$25 million range experienced a 0.7x increase to 6.6x TEV/EBITDA, while those in the \$25-\$50 million range rose by 0.1x to 7.0x TEV/EBITDA.

However, there was a multiples compression for deals in the \$50-\$250 million range. Transactions between \$50-\$100 million decreased by a full turn from 8.7x to 7.7x TEV/EBITDA, and those between \$100-\$250 million also declined by a full turn from 11.1x to 10.1x TEV/EBITDA.

The cost of senior debt increased to an average of 11.3% in Q4, up from 10.3% in the previous quarter for deals ranging from \$10-\$250 million. Consequently, the use of debt in transactions dropped to 48% of the total transaction value, with a Total Debt/EBITDA ratio of 3.6x. Notably, the last time the total debt multiple was lower was in Q2 2020 during the height of the Covid pandemic.

Significantly, Senior Debt/EBITDA on private equity platform deals fell from 2.9x to 1.4x for \$25-\$50 million deals, from 2.5x to 2.1x for \$50-\$100 million deals, and from 3.8x to 3.3x for \$100-\$250 million deals.

The escalating cost of debt, combined with reduced multiples, exerts downward pressure on TEV/EBITDA multiples. Sellers are grappling with multiple compressions amid rising inflation and interest rates. With anticipated rate cuts factored into the stock market, sellers are optimistic that these adjustments will translate into higher purchase price multiples. Meanwhile, private equity and strategic investors increasingly rely on more equity in transactions to bridge valuation gaps, often involving sellers rolling additional equity into the deals.

In response to the heightened cost of debt, private equity is structuring debt with future refinancing expectations at lower rates. In December 2023, the prevailing consensus in the US foresaw five rate cuts in 2024. However, persistent inflation now suggests prolonged higher interest rates and fewer cuts. Canada is anticipating rate cuts ahead of the US, potentially resulting in a depreciation of the Canadian dollar against the US dollar, which could offer a pricing advantage for Canadian exported products.

As we close the chapter on 2023, annual financial statements for the second post-Covid year reveal intriguing observations on inventory levels. Due to uncertainty, supply chain disruptions compelled companies to accumulate larger inventories than in previous years. A thorough working capital analysis is crucial when evaluating companies with inflated inventory. These companies likely possess a surplus of working capital, and purchasers should be duly compensated for this surplus.

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)**

**Industrial Manufacturing/Distribution
(> \$3 million EBITDA)**

**Distribution Businesses
(\$2-\$10 million EBITDA)**

**Food Manufacturing
(\$2-20 million EBITDA)**

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

Current Add-on Investments Strategic and Private Equity Investors

Niche Manufacturing

Value Added Distribution

Industrial Distribution Services

Packaging Materials

Healthcare Services Businesses

High Tech Contract Manufacturing (EMS)

Co-Packaging & Co-Manufacturing

Commercial B2B Building Services

Power Distribution and Protection Equipment

Engineering Services

Pet Care Products & Services

Environmental (Waste Management/ Recycling)





DIVESTITURES



FINANCINGS



ACQUISITIONS

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