

Links Capital

Links' List of Multiples

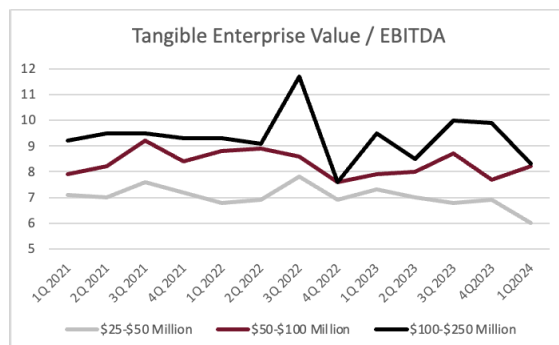
June 2024



Links Capital

Divestitures • Acquisitions • Financings

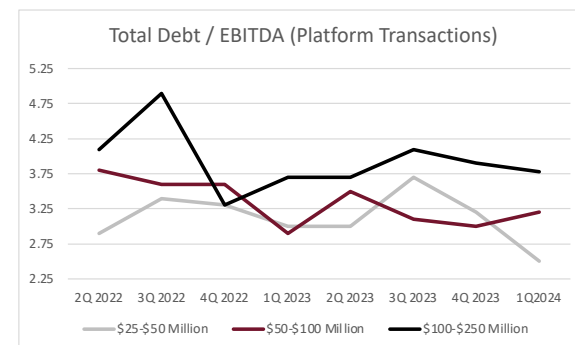
Q1 2024 Private Equity Valuation Multiples



Data Source: GF Data®

TEV/EBITDA	Q1 2021	Q1 2022	Q1 2023	Q1 2024	2003-Present
\$25-\$50 Million	7.1	6.8	7.3	6.0	6.7
\$50-\$100 Million	7.9	8.8	7.9	8.2	7.7
\$100-\$250 Million	9.2	9.3	9.5	8.3	8.5
TOTAL DEBT/EBITDA	Q1 2021	Q1 2022	Q1 2023	Q1 2024	2003-Present
\$25-\$50 Million	3.7	3.9	3.6	3.2	3.3
\$50-\$100 Million	3.7	3.9	4.0	3.4	3.5
\$100-\$250 Million	4.6	4.3	3.9	3.9	3.9

Data Source: GF Data®



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As we review the quarterly activity of private equity mergers and acquisitions, it's evident that the landscape is evolving, shaped by the aftershocks of the COVID-19 pandemic and shifting economic dynamics.

Since 2021, we've observed a rapid acceleration spurred by the pandemic, but now a noticeable deceleration in growth. Valuation multiples, particularly for deals ranging between \$25-\$50 million and \$100-\$250 million, have declined during this period. This trend suggests that the entire market is currently grappling with growth challenges. While transactions in the \$50-\$100 million range have seen a slight uptick, last quarter's multiples are down from Q1 2022 when TEV/EBITDA multiples were 8.8x and now 8.2x. This signals a broader market trend toward re-evaluation and adjustment. As purchase price multiples have contracted, the Total Debt / EBITDA debt multiples continue to revert to their mean and below.

Q1 2024 marks the first quarter in the last 24 months, in which senior debt pricing has decreased quarter over quarter (from 11.0% to 9.3%). This decrease in interest rates is not just a change but a potential catalyst for heightened deal activity, presenting exciting opportunities.

There's been significant discourse in the market regarding increased deal activity, with the latest quarter showcasing improved activity in the GF Data universe of transactions. Post-COVID, initial deals predominantly involved entities with above-average financial metrics. However, we now witness transactions involving entities with lower-performing metrics, indicating a shifting paradigm. Business owners are confronting the reality that once attainable multiples are no longer feasible in the current market, particularly with the Bank of Canada and Federal Reserve's rate hikes. Consequently, there's a notable shift in strategies, with owners willing to accept lower multiples while creative ideas around earnouts are helping some shareholders bridge valuation gaps to complete transactions.

In conclusion, as the M&A landscape evolves, adaptability and strategic foresight are paramount. Navigating these shifting dynamics requires astute analysis, proactive decision-making, and a nuanced understanding of market trends. We remain committed to providing timely insights into the complex terrain of mergers and acquisitions.





DIVESTITURES



FINANCINGS



ACQUISITIONS

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