

Links Capital

Links' List of Multiples

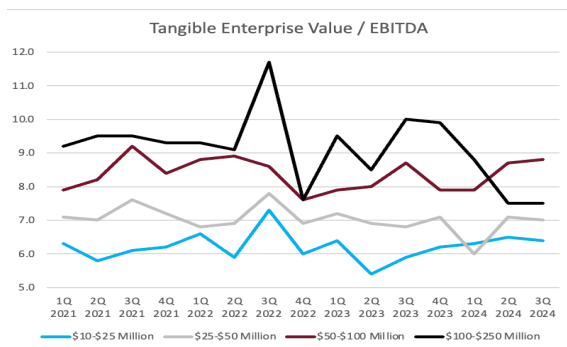
December 2024



Links Capital

Divestitures • Acquisitions • Financings

Q3 2024 Private Equity Valuation Multiples



Data Source: GF Data®

Recent data from GF Data reveals that nearly half of the closed private equity transactions were add-ons, highlighting a strategic focus on bolstering existing platforms. Meanwhile, new platform transactions faced headwinds due to elevated debt pricing. The data, encompassing the U.S. and Canada, underscores key trends in private equity activity across North America.

Canada initiated its rate-cutting cycle earlier than the U.S., starting in June 2024 with cumulative reductions of 125 basis points (bps), including a notable 50 bps cut in October. By contrast, the U.S. Federal Reserve began later, with a 50 bps cut in September and an additional 25 bps in November. While Canada's earlier action might seem advantageous, the impact on M&A deal pricing remains muted.

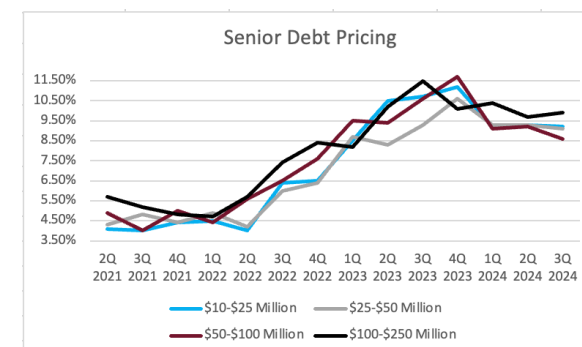
As illustrated in the accompanying data, senior debt pricing has stayed relatively stable through the first three quarters of 2024. This reflects the lag between monetary policy changes and their influence on the cost of capital. Unlike the immediate dampening effect of negative economic shifts—where deals may be paused or shelved—positive developments take longer to materialize in deal flow. The time required to identify, evaluate, and close private equity opportunities inherently delays the impact of favourable economic conditions.

As rate cuts from the Bank of Canada and the Federal Reserve take hold, we anticipate that debt pricing will decline, likely fostering improved deal economics in Q4 2024 and into 2025. However, this gradual adjustment underscores the patience required to navigate private equity investments during periods of economic transition.

The looming political uncertainty in the U.S. adds complexity to the M&A landscape. The recent election and heightened rhetoric, including President Trump's proposal of a 25% tariff on Canadian goods, have reignited concerns about inflation and trade disruptions. Prolonged implementation of such tariffs would not only strain Canadian exporters but could also push Canada toward a recession—a scenario that would ripple across cross-border M&A activity.

| TEV/EBITDA | 4Q 2023 | 1Q 2024 | 2Q 2024 | 3Q 2024 | 2003-Present |
|-------------------------------|---------|---------|---------|---------|--------------|
| \$25-\$50 Million | 6.2 | 6.3 | 6.5 | 6.4 | 5.9 |
| \$25-\$50 Million | 7.1 | 6.0 | 7.1 | 7.0 | 6.7 |
| \$50-\$100 Million | 7.9 | 7.9 | 8.7 | 8.8 | 7.7 |
| \$100-\$250 Million | 9.9 | 8.8 | 7.5 | 7.5 | 8.5 |
| TOTAL DEBT/EBITDA (Platforms) | 4Q 2023 | 1Q 2024 | 2Q 2024 | 3Q 2024 | |
| \$25-\$50 Million | 3.2 | 2.9 | 2.4 | 3.0 | |
| \$25-\$50 Million | 3.2 | 2.5 | 2.9 | 2.9 | |
| \$50-\$100 Million | 3.0 | 3.5 | 3.2 | 3.3 | |
| \$100-\$250 Million | 3.8 | 4.0 | 3.5 | 4.2 | |

Data Source: GF Data®



Data Source: GF Data®



Links Capital

Divestitures • Acquisitions • Financings

For business owners, this presents both challenges and opportunities. A more protectionist U.S. trade policy could temper deal-making in export-reliant sectors but might also spark interest in domestic consolidation or diversification strategies. The current environment underscores the importance of staying agile and informed about macroeconomic and geopolitical developments.

As we move into 2025, the interplay of interest rate cuts, geopolitical developments, and inflationary pressures will shape M&A dynamics. Business owners considering M&A activity should remain vigilant, leveraging expert advice to navigate this evolving landscape. While uncertainty persists, proactive planning and strategic positioning can unlock opportunities even in turbulent times.

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

Links Capital Partners Ltd.
www.linkscap.com



Links Capital
Divestitures • Acquisitions • Financings