Links Capital

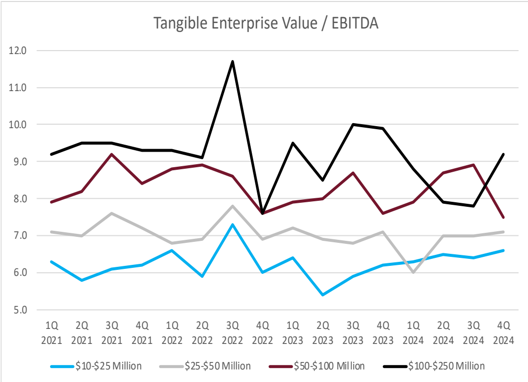
Links' List of Multiples

March 2025

Links Capital

Divestitures • Acquisitions • Financings

Q4 2024 Private Equity Valuation Multiples

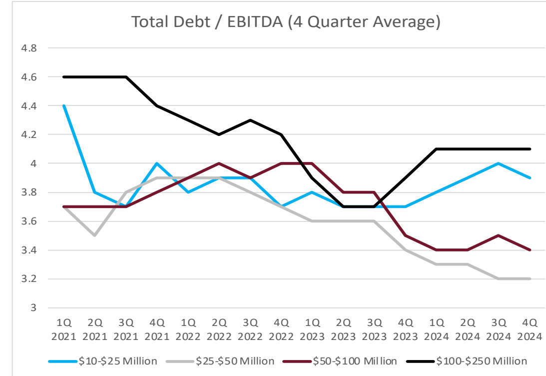


Data Source: GF Data®

TEV/EBITDA	1Q 2024	2Q 2024	3Q 2024	4Q 2024	2003-Present
$10-$25 Million	6.3	6.5	6.4	6.6	**5.9**
$25-$50 Million	6.0	7.0	7.0	7.1	**6.7**
$50-$100 Million	7.9	8.7	8.9	7.5	**7.7**
$100-$250 Million	8.8	7.9	7.8	9.2	**8.5**

TOTAL DEBT/EBITDA (Platforms)	1Q 2024	2Q 2024	3Q 2024	4Q 2024	
$10-$25 Million	3.0	2.9	2.8	3.1	
$25-$50 Million	2.5	2.9	2.9	3.8	
$50-$100 Million	3.0	3.2	3.4	3.3	
$100-$250 Million	4.0	3.7	4.2	4.4	

Data Source: GF Data®



Data Source: GF Data®

Navigating M&A in Turbulent Times: Understanding the Current Landscape

In today's complex and rapidly shifting M&A environment, business owners traditionally rely on established valuation metrics and market trends. However, given current geopolitical challenges, these conventional indicators appear less relevant for Canadian companies. To provide a clearer perspective, we have characterized today's M&A landscape using the acronym TRUMP, reflecting current key market factors affecting deal-making and investment decisions.

T - Tariff Threats

The looming prospect of U.S. tariffs has created significant uncertainty for Canadian businesses engaged in cross-border transactions. Recently, the U.S. administration announced plans to impose a 25% tariff on Canadian and Mexican imports, alongside new tariffs of up to 20% on Chinese goods**.** These policies, driven by concerns over trade imbalances, border security, and the fentanyl crisis, add complexity to trade and investment strategies.

An executive order reviewing existing trade agreements suggests additional tariff measures may follow, including reciprocal tariffs set to take effect in early April. For Canadian companies, these trade barriers raise the cost of exporting goods to the U.S., dampening appetite for acquisitions, business expansions, and overall economic viability, particularly for firms heavily reliant on U.S. markets.

R - Repercussions of Tariffs

The economic consequences of these tariffs are already apparent. As of February 2, 2025, just before the anticipated tariff implementation, the Canadian dollar had depreciated nearly 9%, dropping from $0.745 USD in Q3-2024 to $0.6794 USD. This devaluation reflects increased investor uncertainty, and should tariffs be enacted, further depreciation is expected.

For Canadian importers, the situation is particularly challenging. If Canada retaliates with its own 25% tariff on U.S. goods, the Canadian dollar is expected to decline—potentially reaching $0.63 USD**—**and the combined effect could drive U.S. import costs up by as much as 40% when considering the foreign exchange impact**.** This would severely impact sectors dependent on U.S. imports, making it difficult for businesses to stabilize prices. Conversely, exporters may find that a weakened Canadian dollar partially offsets some U.S. tariff costs, but the broader economic volatility remains a long-term concern.

U - Uncertainty

Uncertainty is the dominant force shaping today's M&A market. The shifting geopolitical landscape and fluctuating U.S. trade policies have left businesses unsure of what to expect next. Some factors contributing to this uncertainty include:

- The paradox of aggressive U.S. trade policies against a close ally, despite Canada's significant economic contributions to the U.S.
- Contradictions in U.S. energy policy, particularly regarding reliance on Canadian oil while promoting energy independence.
- The persistence of misinformation, such as the widely disputed claim of a **$**200 billion trade deficit with Canada, further muddies business expectations.
- U.S. policy discussions around expanding American financial institutions into Canada**,** highlighting potential shifts in market dynamics.

The overarching challenge is that U.S. policies are inconsistent and unpredictable, with constantly shifting goalposts. Only the President knows the strategy if there is one, making it difficult for businesses to plan and respond effectively. This uncertainty is causing businesses to ease on capital expenditures, delay acquisitions, and adopt a more risk-averse stance, slowing M&A activity.

M – Market Conditions

Persistent inflation, conflicting economic policies, trade barriers, and eroding consumer confidence define today's market environment. Inflation concerns remain high, particularly in the food, housing, and energy sectors, making business planning increasingly difficult. While there is hope for lower interest rates to stimulate economic growth, tariff-related price increases exacerbate inflationary pressures. The contradiction between the Federal Reserve's goals to lower rates and the inflationary impact of tariffs makes forecasting economic trends even more challenging.

Recent surveys suggest consumer confidence is also weakening due to policy inconsistencies. While government messaging suggests economic stability, tariff increases and trade tensions directly contradict these assurances, further eroding business and investor confidence.

P - Pause

Given these challenges, the M&A market has effectively hit the pause button. Transactions are on hold as businesses await policy clarity and a more stable economic and geopolitical environment. With potential 25% tariffs set for early March, Canadian companies wonder whether they will face immediate economic consequences or receive a last-minute reprieve. This extended period of uncertainty is particularly damaging for businesses that rely on stable trade relations and predictable regulatory frameworks. Even if tariffs are delayed or reduced, the lack of clear direction prevents companies from making long-term strategic decisions.

Strategic Considerations for Business Owners

For those considering M&A in the current climate, a measured and strategic approach is essential. Key considerations include:

- **Assessing risks:** Evaluate the impact of tariffs, currency fluctuations, and geopolitical tensions on your business and valuation.
- **Monitoring government policies:** Stay informed on trade developments and economic forecasts to adapt your strategy accordingly.
- **Adopting flexibility:** Given ongoing uncertainty, businesses must remain agile and responsive to shifting market conditions.
- **Exploring local opportunities:** Strengthen domestic market positioning and diversify partnerships to mitigate exposure to U.S. trade risks.

While M&A activity may be subdued in the near term, businesses that adopt a strategic, forward-looking approach will be better positioned when market conditions stabilize. Preparing for potential shifts now will enable companies to act swiftly when the fog of uncertainty clears.

Those who can weather the current turbulence with strong risk management and strategic foresight will emerge in a stronger position as the geopolitical landscape evolves.

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