

# Links Capital

## Links' List of Multiples

December 2025



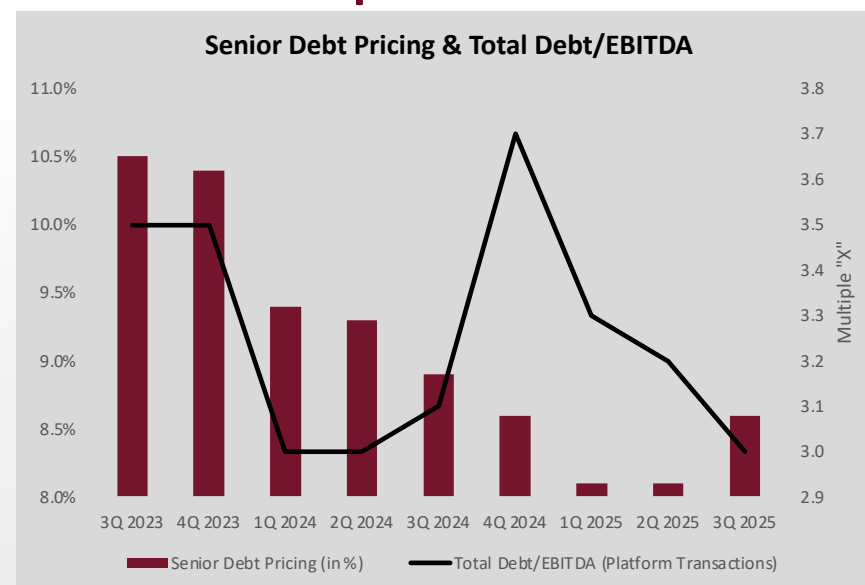
# Q3 2025 Private Equity Valuation Multiples

The past two years have produced one of the more unusual periods in private credit and private equity markets. Total Debt to EBITDA ratios, which for much of the last decade have operated in a 3.5x–4.4x range, broke sharply lower after interest rates peaked. Rates were elevated through Q3 and Q4 of 2023 and then began a steady decline. From early 2024 through the first half of 2025, credit pricing declined for six consecutive quarters, typically a conducive environment for leverage expansion. Yet the opposite occurred. Total Debt to EBITDA fell to 3.0x in Q1 2024, remained at that level in Q2, and stayed unusually tight despite the easing rate environment.

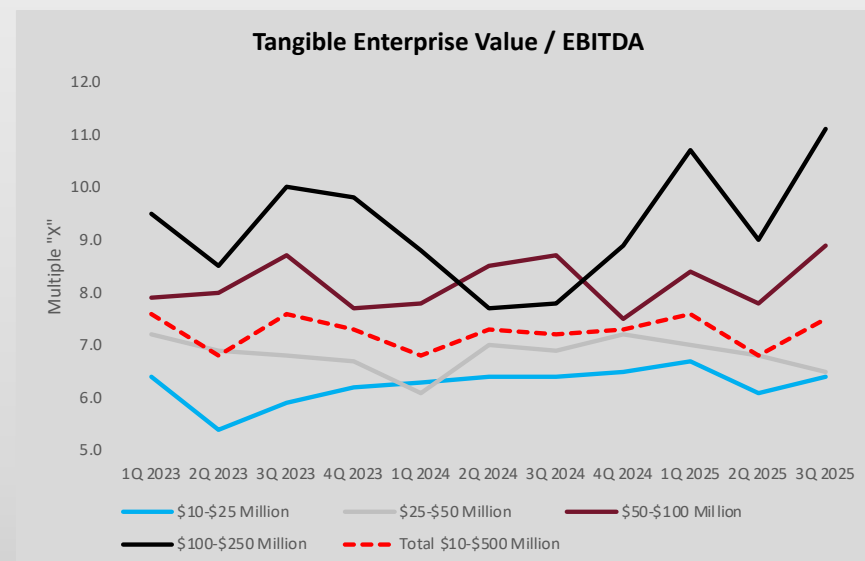
By late 2024, leverage only began to drift higher, but that increase was short-lived. Over the last three quarters, leverage has been slipping again. In the most recent quarter, Total Debt to EBITDA returned to 3.0x as senior debt pricing increased for the first time since Q3 2023, underscoring a structural shift in lender behaviour. The senior debt market appears to be less sensitive to the interest-rate cycle and more driven by forward visibility, credit quality, and geopolitical uncertainty.

Over the last year, tariff volatility, erratic trade policy, and geopolitical disruptions, including the instability surrounding Liberation Day, have made forecasting more challenging for lenders and sponsors. When forward visibility deteriorates, leverage becomes one of the fastest and cleanest inputs to adjust. The result is a market where debt availability has become more conservative regardless of rate direction, and where lenders have adopted a lower-risk posture.

Meanwhile, valuations in the sub-\$500M market continue to rise. Tangible Enterprise Value to EBITDA increased from 6.8x to 7.5x last quarter. With leverage at 3.0x, the growing gap between valuation and available debt must be filled with equity. GF Data reflects that trend, with average equity contributions rising steadily since 2021 and reaching 58.5% in 2025, nearly 5 full percentage points higher than 4 years ago. In practical terms, sponsors are now underwriting the same EBITDA but with materially less debt support, forcing more equity into every deal.



Data Source: GF Data ®



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The Canadian private equity market is experiencing the same dynamic, even though headline numbers suggest otherwise. The CVCA recently announced Canada posted a record \$56.5 billion in private equity investment through the first nine months of 2025 across 483 transactions, with an average deal size of \$117 million, driven by 9 mega-deals, including five above \$3.3 billion. It is an impressive headline, but it obscures the underlying reality. When the 9 deals over \$500 million are removed, the mid-market tells a very different story. Through Q3 2025, Canada recorded 474 sub-\$500M transactions totalling \$5.14 billion, with a YTD average deal size of \$10.8 million, the lowest mid-market average compared to any year in the past decade. For context, the 2021 mid-market peak saw \$13.8 billion invested, averaging \$17.4 million per deal. Even the softer markets of 2023 and 2024 posted higher averages at \$12.7 million and \$14.0 million, respectively.

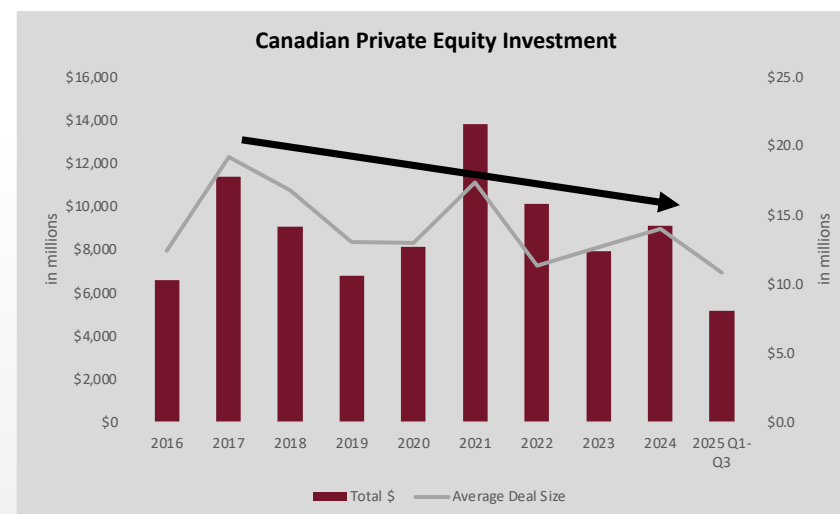
What emerges is a bifurcated market. Mega-deals continue to set national records, supported by global sponsors and large capital pools capable of absorbing higher equity requirements. But the mid-market, the true core of Canadian private equity activity, is contracting in economic terms, with smaller average deal sizes and lower total capital deployed. The data shows a clear pattern: equity requirements are rising at the deal level as leverage tightens, yet total equity dollars are still falling because the dollars flowing into the mid-market are smaller even as headline mega-deals mask the underlying softness. All of this reflects the broader leverage backdrop, tighter underwriting, higher pricing, increased equity requirements, and a macro environment of slow per-capita growth, tariff risk, and elevated geopolitical uncertainty that is far less responsive to the interest-rate cycle and far more sensitive to forward earnings quality.

This is not a distressed market. Deal flow remains active, valuations are resilient, and strong companies continue to attract capital. But the market structure has shifted. Debt is less available, more expensive, and far less responsive to the interest-rate cycle than at any time in more than a decade. Equity is carrying a larger share of the capital stack. And in this environment, operational value creation, not financial engineering, will determine returns. The firms that adapt to this shift will define the next several years of performance.

This environment demands a different level of preparation. Premium performers with clear competitive advantages will continue to attract capital, command strong valuations, and secure debt even under tighter structures. Their resilience, pricing power, and predictable cash flow make them the scarce assets lenders and sponsors are willing to stretch for. But companies without those attributes will face a far more challenging market as capital becomes increasingly selective and underwriting grows more conservative.

Preparing now means sharpening the fundamentals: improving cash conversion, tightening operational discipline, investing in defensible moats, and building a credible path to profitable growth. The gap between strong and average companies is already widening, and it will only accelerate as lenders prioritize certainty over optimism.

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Data Source: CVCA