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June 2026



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Q1 2026 Private Equity Valuation Multiples

Adapting to Uncertainty

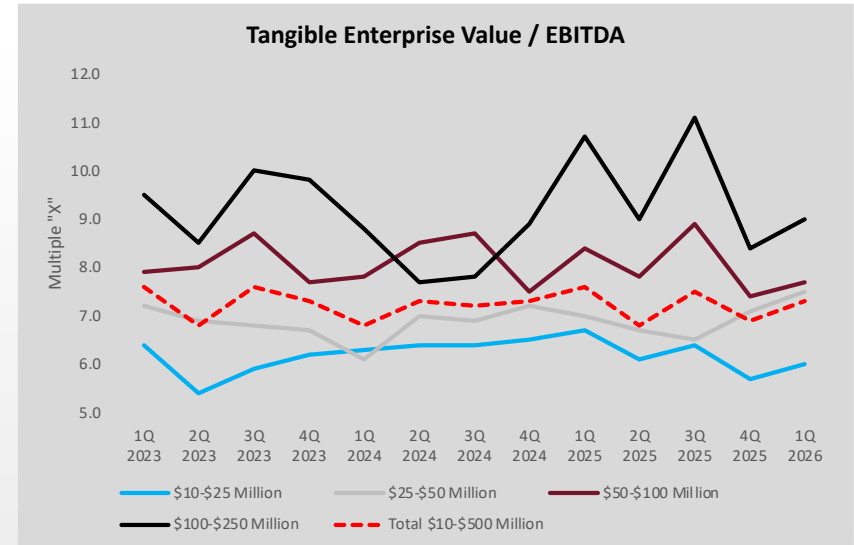
For much of the past two years, uncertainty has dominated discussions around capital allocation, acquisitions, and strategic growth. While uncertainty remains, businesses are increasingly demonstrating an ability to adapt and move forward rather than wait on the sidelines.

One of the most encouraging developments for the M&A market is the continued improvement in lending conditions. Senior debt pricing declined again during the first quarter, and we have now seen two consecutive quarters of meaningful increases in total debt-to-EBITDA multiples available for platform transactions. The last time both deal volume and total debt-to-EBITDA levels increased simultaneously was in Q4 2024.

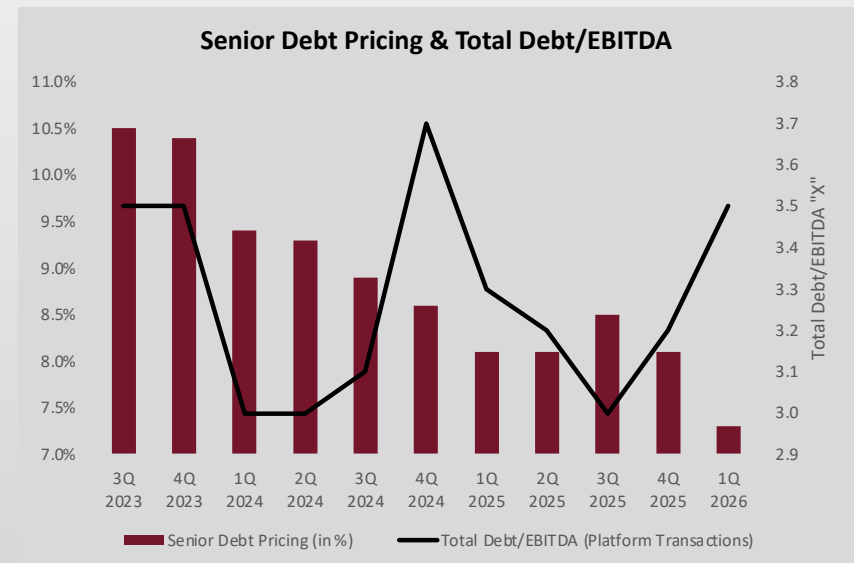
These trends matter. Lower borrowing costs combined with greater lender willingness to provide leverage improve acquisition economics and expand access to capital. While financing conditions remain below prior-cycle peaks, the trend is positive, creating a more supportive environment for transactions.

The broader economic backdrop remains mixed. Canada's real GDP contracted by 0.1% in Q1 2026 following a 1.0% decline in Q4 2025, placing the country in a technical recession. However, the underlying data tells a different story.

While real GDP declined by 1.0% in Q4 2025, real GDP per capita fell by only 0.3%. In Q1 2026, despite real GDP declining by 0.1%, real GDP per capita increased by 0.9%. The divergence between total GDP and GDP per capita largely reflects the significant slowdown in immigration and population growth in Canada. As population growth moderates, aggregate economic growth naturally slows, even as economic output on a per-person basis improves.



Data Source: GF Data ®



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This is important when assessing the health of the economy. While the headline GDP figures suggest a technical recession, the per-capita data indicates that underlying economic activity has been more resilient than aggregate numbers alone would suggest. Further supporting this view, Statistics Canada reported 0.4% growth in April, while the Bank of Canada's latest forecast calls for 1.2% GDP growth in 2026.

Trade policy remains one of the most significant sources of uncertainty for Canadian businesses. Negotiations regarding the future of CUSMA continue between Mexico and the United States, while formal discussions between Canada and the U.S. have yet to commence. Trade actions implemented by the U.S. administration over the past year have had a material impact on many Canadian companies.

Perhaps the greater challenge has been the unpredictability surrounding future policy decisions. The continuous evolution of trade measures and political rhetoric has made planning difficult for management teams and investors alike. Fourteen months after "Liberation Day," Canadian businesses have become certain of one thing: uncertainty itself is likely to remain. Adding to these concerns are ongoing geopolitical tensions, including the conflict involving Iran and its potential impact on global energy markets, supply chains, and economic growth.

Yet despite these challenges, Canadian companies are no longer standing still waiting for the next headline. Businesses are increasingly pursuing strategic initiatives designed to strengthen their long-term competitive position regardless of the external environment.

We are seeing companies diversify into new markets, both geographically and through expanded product offerings. Others are pursuing acquisitions that strengthen supply chains, improve control over pricing, or reduce operational risk. Some are taking advantage of softer market conditions to acquire high-quality businesses at valuations that are more attractive than those available only a few years ago.

In many respects, uncertainty has become the new normal. Companies waiting for perfect clarity may find themselves at a competitive disadvantage relative to those that are proactively investing, adapting, and positioning themselves for future growth.

The financing markets are improving. Access to capital is expanding. Lenders are becoming more aggressive. Strategic buyers remain active. Most importantly, management teams are increasingly focused on shaping their future rather than reacting to events around them.

The result is a Canadian M&A market that continues to gain momentum despite a challenging economic and geopolitical backdrop.

Change is happening. Capital is moving. M&A activity is accelerating.

Sources: SGAM, Haver Analytics, Statistics Canada, Bank of Canada, GF Data

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