

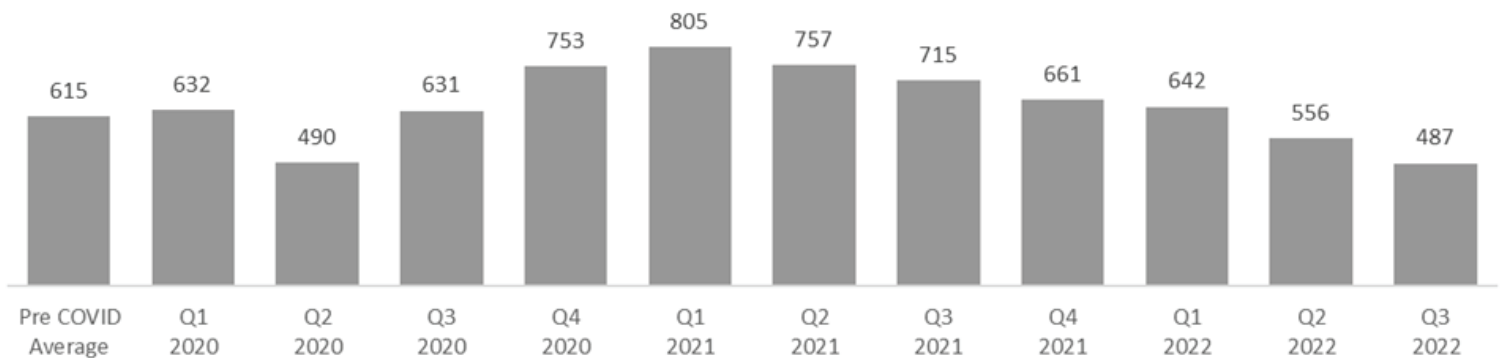


Heading into the holidays, Relay Transition Partners is pleased to share our quarterly M&A market update newsletter.

### Market Update for Q3 2022

The second half of 2022 continued to be a busy, but balanced, market for private company M&A. While the stats show a clear decline in activity since the peak in 2021, we’re seeing a healthy level of small and medium sized deal flow in the markets we serve. This is consistent with what we hear from the many other transaction professionals – lawyers, bankers, accountants – that we work with.

Canadian Private Company M&A Transactions by Quarter

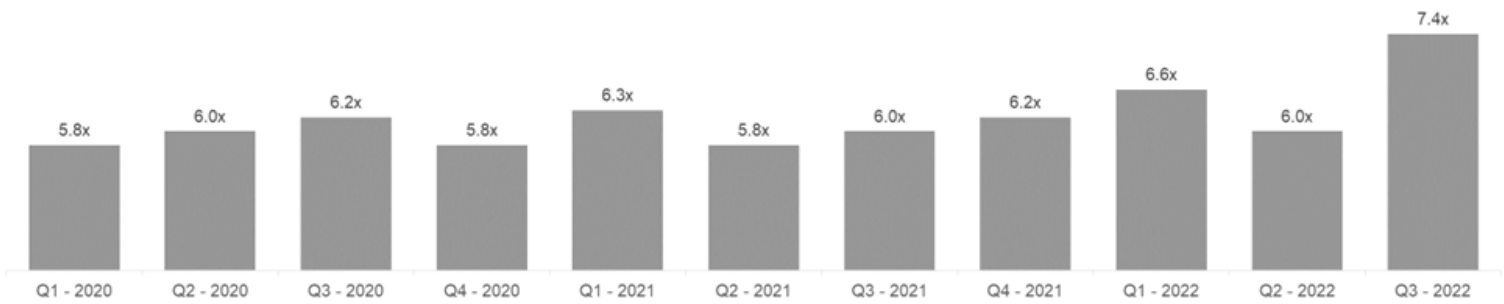


Source: S&P Capital IQ

North American private equity transaction pricing for the first nine months of 2022 remained generally consistent, with private companies attracting average Enterprise Value / EBITDA multiples of 7.7x across all size ranges and 6.6x for those below US\$25mm. Somewhat surprisingly given the uncertain economic climate, we saw a significant increase in average Enterprise Value / EBITDA valuation multiples in Q3 — jumping from 6.0x in Q2 to 7.4x in Q3 for transactions below US\$25mm\*. We expect this is attributable more to “quarterly noise” than anything meaningful, and that EBITDA multiples for companies in this size range will settle in the 6x EBITDA range for the year.

\* Source: GF Data

## Average Enterprise Value / EBITDA for Private Equity Transactions (US\$10–25mm)



Source: GF Data

Anecdotally, we are seeing a healthy level of interest for companies that Relay is currently marketing for sale. The number of interested buyers, offers received, and pricing have all remained strong across the various sectors in which we are working. We continue to monitor the market to see if higher interest rates start to put downward pressure on transaction pricing.

Relay participated in the Business Transitions Forums in both Vancouver and Winnipeg in recent weeks. The sentiment at both conferences was cautiously optimistic, with many buyers and sellers in attendance and keen to get deals done. Key themes for business owners considering a future sale included having a plan to weather a mild recessionary environment, the need to be thoroughly prepared for a transaction and due diligence, being ready to outline a clear executable plan to realize growth opportunities, and ensuring continuity of management post-transaction.

Despite a possible recession, most of our clients are anticipating continued business growth in 2023 and beyond as supply chain and labour issues start to ease. At Relay, we're pleased to say that we are as busy as ever working with great clients on exciting transactions, and can't wait to see what 2023 has in store.

Most importantly, we wish you and your families a wonderful winter holiday period!

## About Relay

Relay Transition Partners is solely focused on serving owners and entrepreneurs in the sale of their small to medium sized businesses. Our dedication to the preparation and execution of the sale of these companies delivers exceptional results for our clients when passing a business to its next owners. Home to advisors who have decades of experience working with SMBs, Relay builds on the experience and infrastructure of Fort Capital Partners, an investment banking firm serving mid to large private and public clients.

## Contact Us



**Axel Christiansen**, Partner  
E [axel.christiansen@relaytp.ca](mailto:axel.christiansen@relaytp.ca)  
M (604)928-5522



**Grant Wallace**, Partner  
E [grant.wallace@relaytp.ca](mailto:grant.wallace@relaytp.ca)  
M (604)374-5828

