



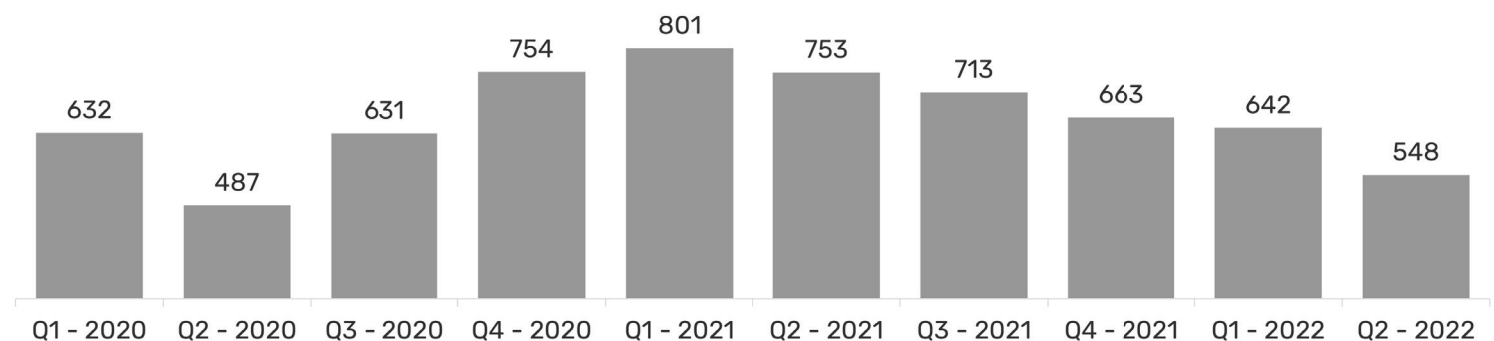
We are pleased to present Relay Transition Partners’ inaugural M&A market quarterly update newsletter. Relay was launched by Fort Capital Partners earlier this year as an advisory firm dedicated to the sale of small and medium-sized businesses.

### Market Update for Q2 2022

After a frothy 2021, the private company M&A market has slowed since last year’s peak — but only to the extent that deal volumes are now more consistent with historical pre-COVID averages. We saw approximately 1,200 announced M&A transactions in Canada in the first half of 2022, which is generally in line with volumes for the same periods in 2018 and 2019<sup>1</sup>.

A more balanced market in terms of volumes can be a good thing for sellers — with fewer available deals, there is less “competition” in the market and it may be easier to attract active potential buyers.

Canadian Private Company M&A Transactions by Quarter

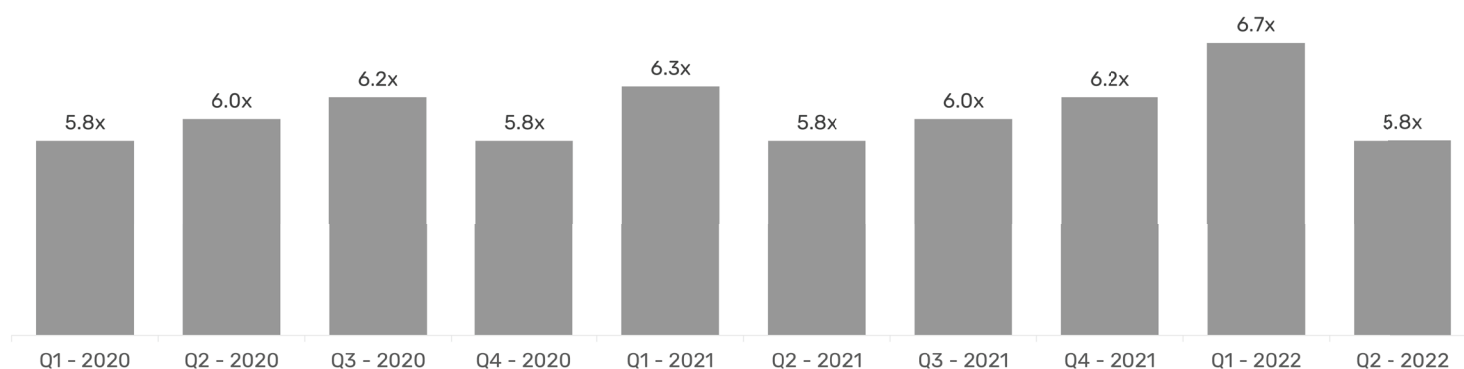


Source: S&P Capital IQ

In terms of transactions in North America involving private equity buyers, prices in the first half of 2022 were consistent with private companies generally, attracting average Enterprise Value / EBITDA multiples of 7.4x across all size ranges and 6.3x for those below US\$25mm. While valuation multiples remain in the range of the last three years, Q2 2022 saw a decline to 5.8x EBITDA for transactions under US\$25mm\*. While we have not experienced this magnitude of drop in our own transactions, we are actively monitoring conditions to see if this is a start of downward pressure on valuations due to economic uncertainty or simply quarterly fluctuations in the data.

\* Source: GF Data

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



Source: GF Data

Everyone is aware of escalating inflation, increasing interest rates and talk of a potential recession. While these broad economic factors do have some effect on the value of private companies, it is significantly muted compared to public market variability. We find that buyers continue to be willing to pay attractive prices for high quality businesses regardless of volatility in the broader economic environment.

Uncertainties such as talent retention, supply chain disruptions, raw materials cost and changing lease rates will be a focus of due diligence for acquirors of businesses over the coming quarters. Business owners that have a well-defined plan and have shown success in managing through these challenges in recent years continue to achieve good outcomes in a sale process.

## Upcoming Events

Relay's partners will be participating in a number of upcoming seminars and conferences:

Date	Event	Location
September 29, 2022	Clark Wilson's "How to Buy or Sell a Business"	Vancouver
October 13, 2022	Business Transitions Forum	Winnipeg
November 8, 2022	Relay Transition Partners' "Exit Planning Essentials"	Vancouver
November 23, 2022	Business Transitions Forum	Vancouver

Please let us know if you would like more information on any of these events — we hope to see you there!

## About Relay

Relay Transition Partners is 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.

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