JUNE 2025

Perspectives

VIEWS ON INDUSTRY TRENDS AND NEWS

SPOTLIGHT ON PRIVATE EQUITY

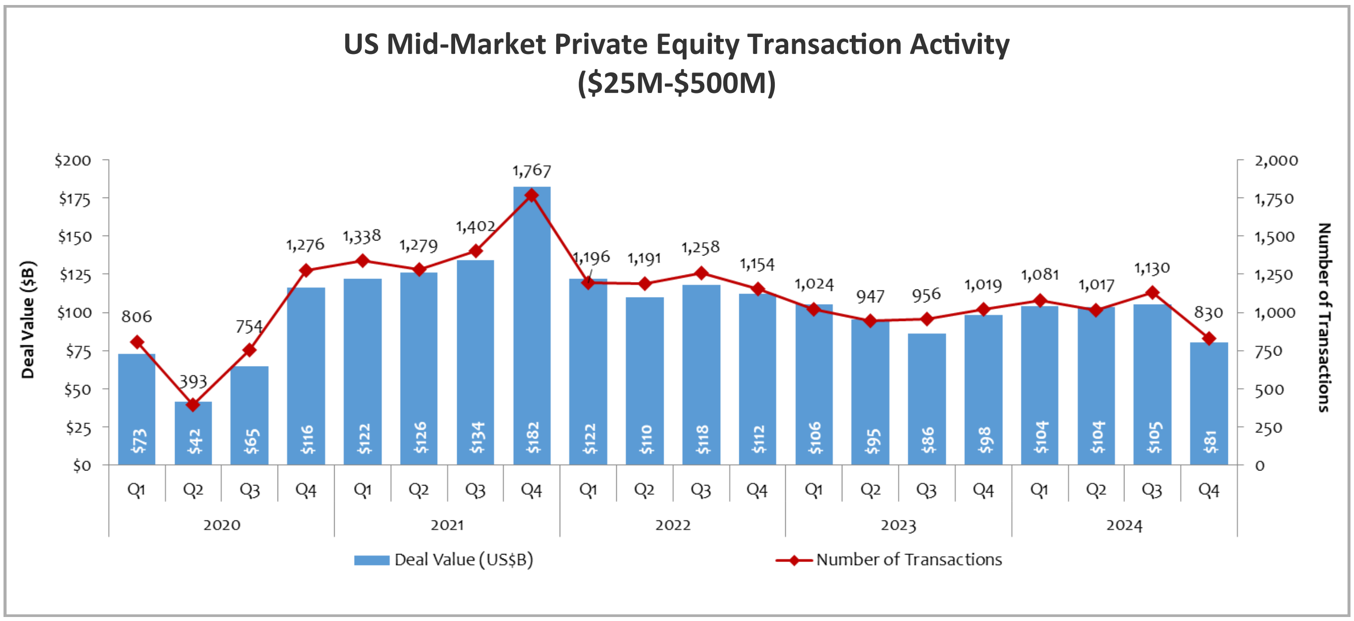
Private Equity in the Mid-Market

While overall private equity investment activity declined in 2024, the mid-market segment proved resilient and emerged as a bright spot in an otherwise subdued environment. Despite a 5% decline in overall private equity activity, the mid-market ($25–$500 million deal size) posted a 5% increase and accounted for 56% of total transactions, above the long-term average.

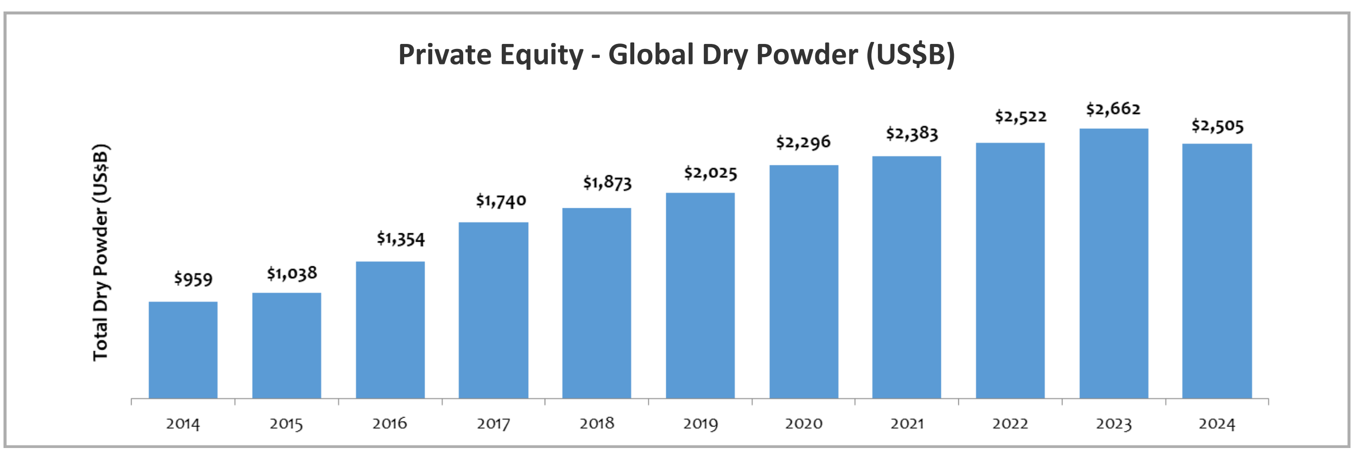
The mid-market was a primary focus for sponsors entering 2024, as high interest rates and tight financing conditions led GPs down market. As the year progressed, financial conditions began to ease: the Federal Reserve delivered three rate cuts, and traditional banks returned to the leveraged loan market, increasing competition for private lenders.

Meanwhile, the fundraising environment remained challenging, with global private equity fund closings falling to a decade low and, for the first time since 2009, dry powder decreasing as GPs struggled to raise new capital amid longer hold periods and a high inventory of investments. Conversely, continuation funds reached a new record with 70 closings, up from 57 in 2023, as GPs turned to creative liquidity solutions to ease the squeeze.

The 2025 outlook is cautiously optimistic as improving financing conditions and the need for exits support deal activity, although uncertainty around the potential impacts of President Trump's tariffs and a weakening economy remain a key risk



Source: Pitchbook

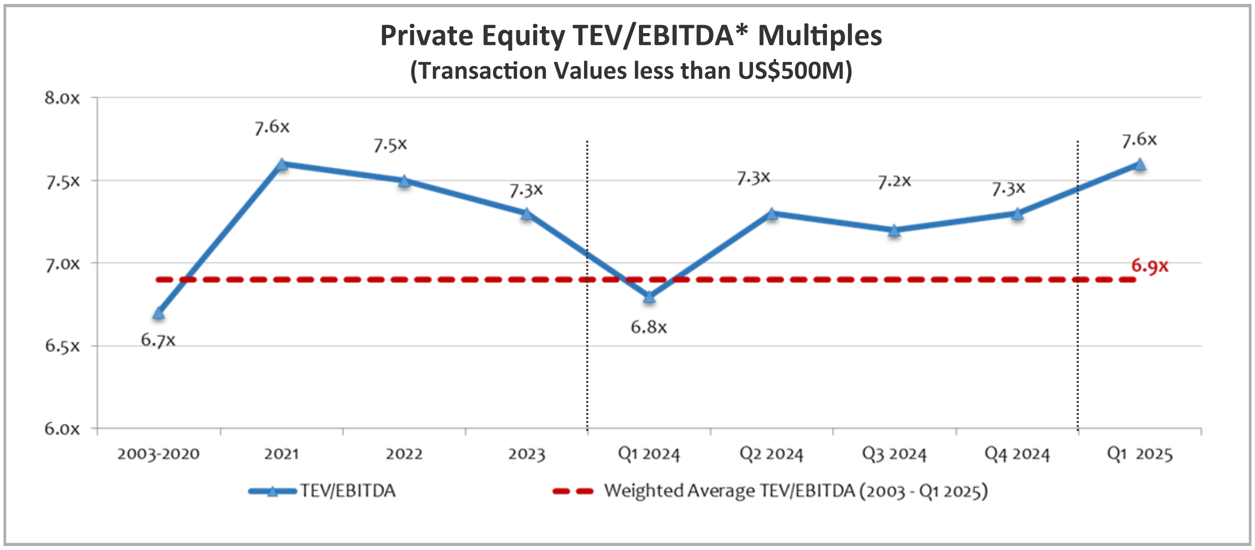


Source: Preqin Ltd.

Valuations: Finding Stability

Valuation multiples averaged 7.2x in 2024, and aside from a dip in Q1, appear to have stabilized following the broader reset that began after peak pricing in 2021. In the trailing twelve-month period, valuations have shown resilience, remaining broadly in line with 2022/2023 and above the long-term average, likely supported by improving financing conditions.

The Q1 2025 increase may reflect a focus on higher quality businesses with limited tariff exposure, while lower quality deals remain paused amid uncertainty.



**Total enterprise value / earnings before interest, taxes, depreciation and amortization*

Source: GF Data®

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Valuation by Industry Sector: Tech and Healthcare Cooling Off

Valuations in 2024 presented a mixed picture, with most sectors trending toward long-term averages. The Technology sector cooled by 2 turns of EBITDA down from 2023 levels despite strength in broader public equity markets driven by the AI boom. Healthcare valuations declined back to historical norms, while Media multiples fell nearly a full turn of EBITDA below the long-term average. The strongest rebound came from the Retail sector, which gained nearly 1.5 turns of EBITDA, recovering from a multi-year low.

TEV/ EBITDA by Industry (US $10M — $250M TEV)

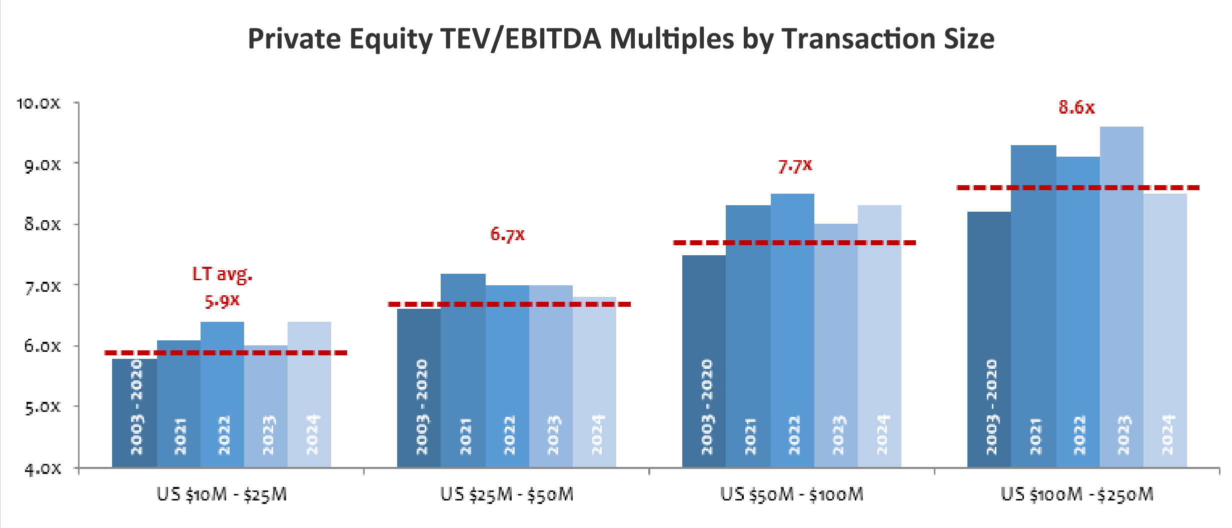
	2003-2020	2020	2021	2022	2023	2024	Long Run Average
Technology	8.4x	7.6x	10.3x	8.1x	10.2x	8.1x ↓	8.6x
Healthcare Services	7.4x	7.6x	8.1x	8.4x	8.9x	7.7x ↓	7.7x
Media and Telecom	7.6x	8.3x	7.0x	9.1x	7.8x	6.7x ↓	7.6x
Retail	7.0x	6.5x	8.3x	8.0x	6.0x	7.4x ↑	7.1x
Business Services	6.7x	7.1x	7.3x	7.4x	7.3x	7.2x	7.0x
Distribution	6.7x	7.5x	7.2x	7.2x	7.1x	6.9x	6.8x
Manufacturing	6.2x	6.7x	7.1x	7.3x	6.5x	6.9x ↑	6.4x
Other	6.3x	6.2x	7.3x	6.7x	6.9x	7.0x	6.4x

Source: GF Data®

Valuations: Size Premium Holds, Quality Premium Narrows

Valuation multiples continued to reflect a size premium for larger deals. The premium between smaller transactions ($10–25M) and mid-sized deals ($25–50M) is present but modest, with an average step-up of 0.7 times EBITDA. That premium widens further in larger transactions, rising to 7.7 times for upper mid-market deals ($50–100M) and 8.6 times for larger deals ($100–250M), underscoring stronger competition and greater sponsor willingness to pay for scale.

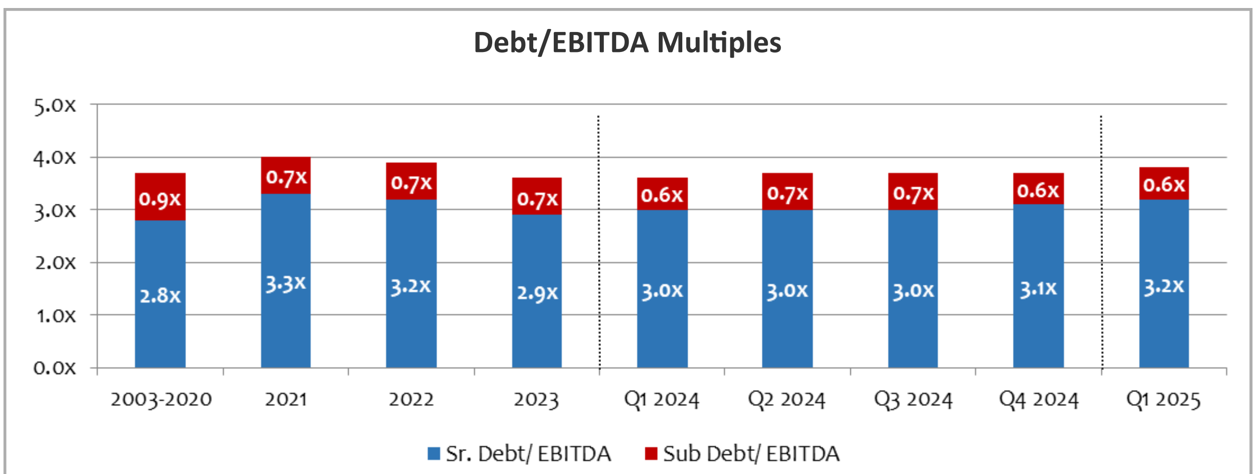
The premium for quality businesses (companies with both TTM EBITDA margins and revenue growth above 10%) fell to 15% in 2024, down from 28% in 2023 and back in line with the 15% long-term average. The share of such deals also declined to 40% of transactions, well below the 55% historical average. The lower share of high quality deals is consistent with anecdotal evidence from GPs but the lower premium is somewhat surprising in these circumstances.



Source: GF Data®

Leverage Analysis: More Debt, But Not Everywhere

At first glance, debt financing conditions appeared to ease slightly, with average debt levels rising to 3.7x EBITDA from 3.6x in 2023, back in line with long-term averages of 3.7x. However, a closer look shows this increase was driven by a higher share of add-on deals. Debt levels on platform deals held steady at 3.3x, below the long-term average of 3.5x and down from 3.7x in 2021, suggesting lenders remain cautious toward new and larger investments in sponsors portfolios. In contrast, add-ons are financed more aggressively, often supported by sponsors leveraging existing credit facilities. This indicates that the slight rise in market leverage is not being driven by more debt broadly, but by a greater share of add-on transactions, as sponsors struggle to find larger platform deals.



Source: GF Data®

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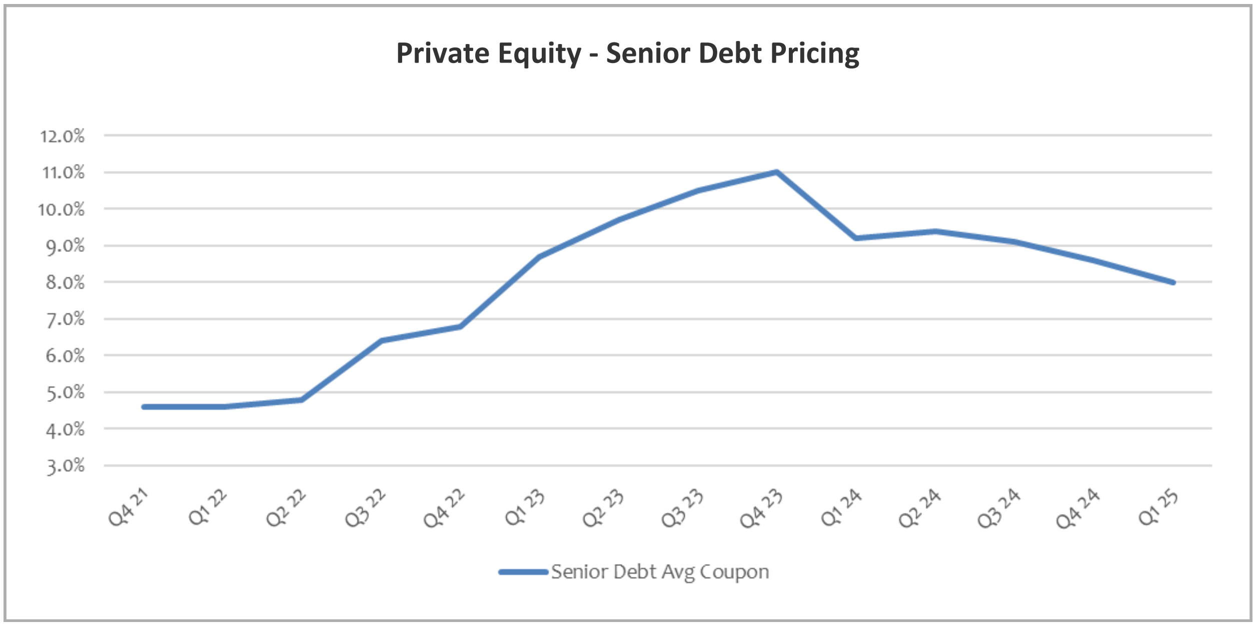
Leverage Analysis: Lower Rates, Lingering Risks

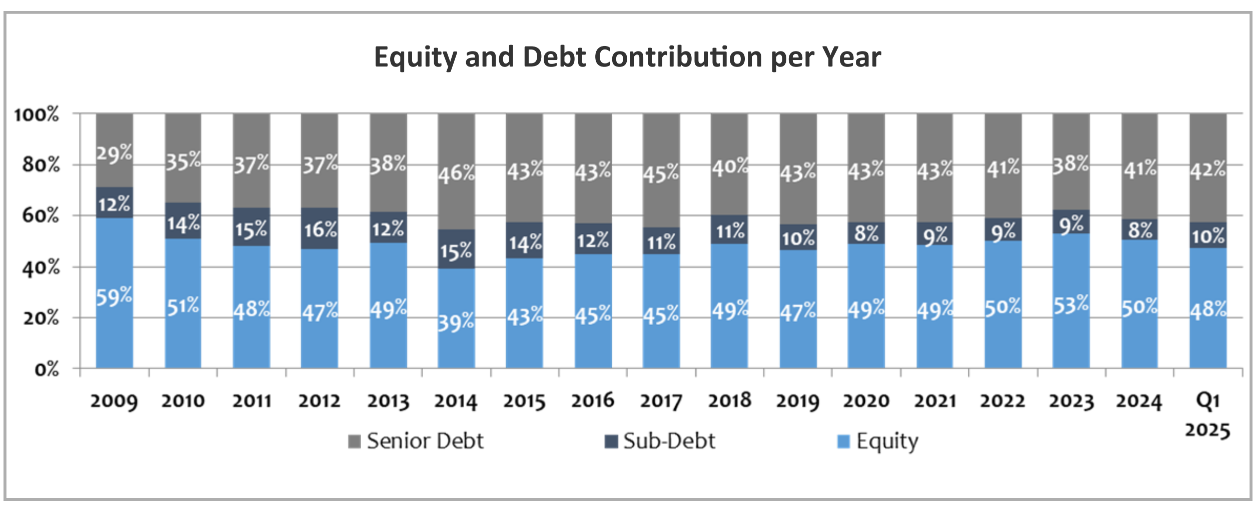
Over the last five months senior debt pricing has fallen from decade-long highs of 11% to around 8%, following three rate cuts from the Federal Reserve. In addition, the return of traditional banks to the leveraged loan market has expanded financing options and allowed managers to revisit the LBO playbook, which had been sidelined amid rising debt costs. However, recent indigestion in the U.S. bond market due to fiscal uncertainty has many people concerned about future interest rate increases.



Source: GF Data®

Leverage Analysis: Debt Making a Comeback

The chart below illustrates the capital structures used to finance North American mid-market private equity acquisitions. After elevated equity contributions from 2022 to 2024, it appears that lenders have eased financing conditions in Q1 2025, with debt levels trending back toward historical averages. However, this data reflects only the first quarter of 2025 and does not capture potential impacts from the "Liberation Day" tariff policy announced more recently by President Trump.



Source: GF Data®

Contributing Editor:

Ian Macdonell is a Managing Director at Crosbie & Company and has over 25 years of corporate finance and M&A advisory experience. Ian has a Bachelor of Chemical Engineering from Queen's University and an MBA from the Ivey School of Business.

Tel: 416-362-1953 | imacdonell@crosbieco.com

RECENT TRANSACTIONS

visual elements	PICKARD Construction	SILVER CRYSTAL GROUP	ADVANCED GAS TECHNOLOGIES
Leading designer and manufacturer of high-end architectural millwork, custom fixtures and merchandising solutions has been acquired by	A leading telecom and electrical utility construction services business has been acquired by	A global leader in sports apparel customization & retail experience technology has been acquired by	A custom designer and supplier of onsite gas generation systems has been acquired by
sigmaQ	CIEL CAPITAL	AVERY DENNISON	Ingersoll Rand
SALE ADVISORY	SALE ADVISORY	SALE ADVISORY	SALE ADVISORY

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Crosbie & Company Inc.
150 King Street West
15th Floor, P.O. Box 95
Toronto, ON M5H 1J9

Please visit our website at
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