Median EV/revenue multiples on PE deals below $25 million

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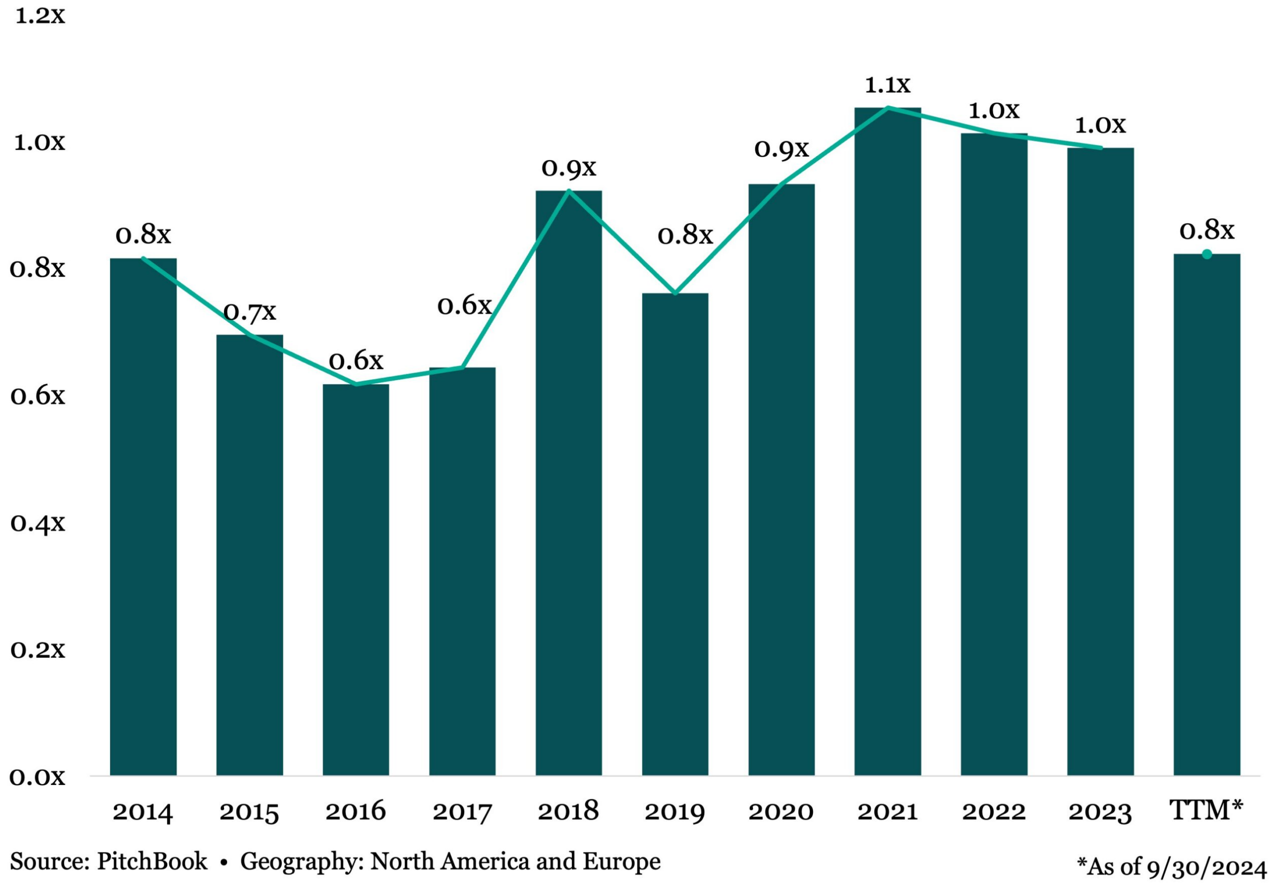

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While we do not believe the much-feared valuation reset is in the cards, we do believe the uptrend in EBITDA multiples will be disrupted as deal volumes expand, especially among PE owners selling to other PE firms. While PE exit volumes have stopped declining, they are still only marginally above the "old normal" levels that preceded the pandemic from 2017 to 2019. Meanwhile, there are more than 11,567 US companies owned by PE firms, 36% of which have been held for five years or more. We believe that as deal activity broadens, it will inevitably include lesser-quality companies. Our sense is that revenue multiples are still low, and EBITDA multiples are rising due to sellers bringing more attractive assets to the market. They may have lower margins but faster EBITDA growth rates. As higher-margin companies are brought to the market with slower EBITDA growth rates, we believe multiples will be held in check.

(Past performance is no guarantee of future results.)