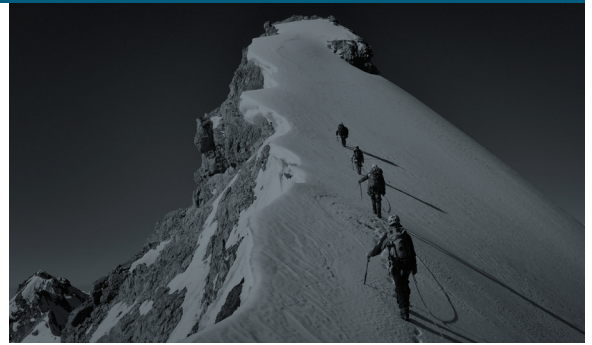


DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



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2015 M&A Review

MID-MARKET TRANSACTIONS IN NORTH AMERICA

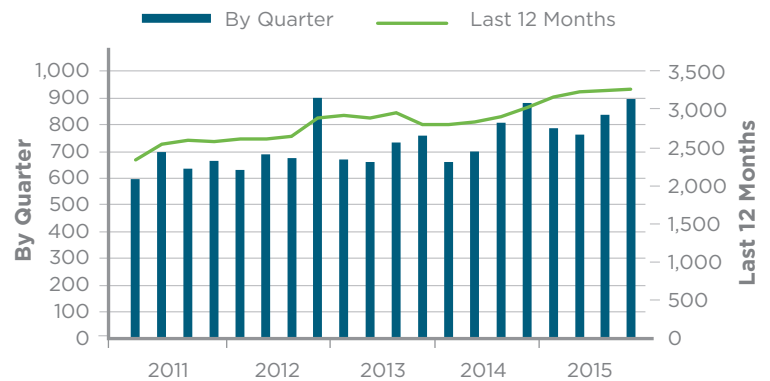
Transaction activity in the North American middle market increased again in 2015 and approached levels last seen in 2007.

M&A activity increased by 4% in total value and 8% by volume in 2015 versus 2014. The average middle market transaction value declined by 4% in 2015.

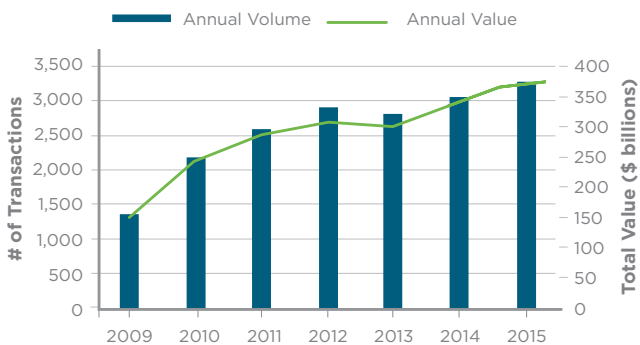
On a quarter over quarter basis, the number of transactions in Q4 2015 was up 2% from Q4 2014 and up 8% versus Q3 2015.

MID-MARKET ACQUISITIONS IN NORTH AMERICA (\$25 million - \$500 million)

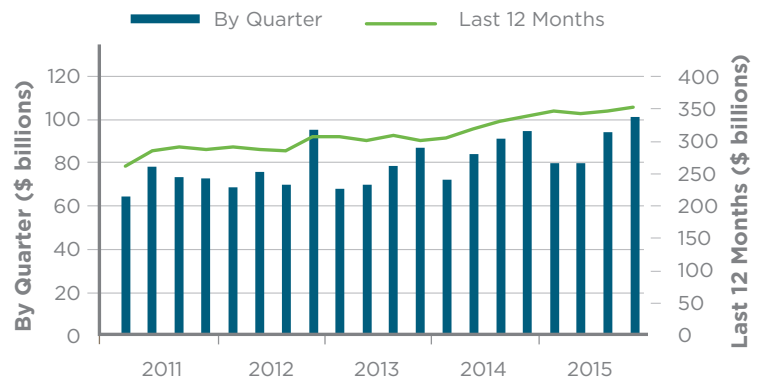
Number of Transactions



Annual Transaction Volumes & Values



Value of Transactions



Mergers & Acquisitions Review (continued)

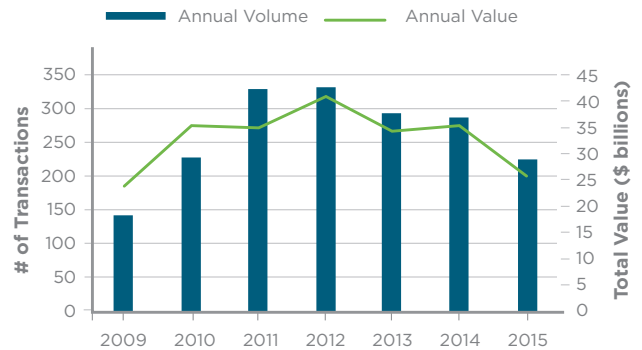
MID-MARKET ACQUISITIONS IN CANADA (\$25 million - \$500 million)

MID-MARKET TRANSACTIONS IN CANADA

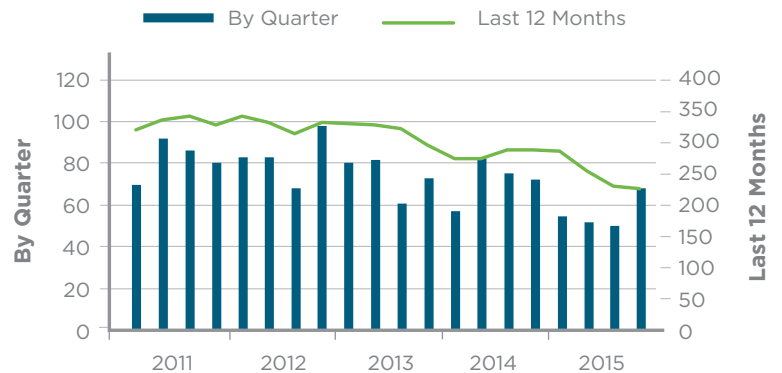
Canadian mid-market M&A deal activity in 2015 fell nearly 22% to 225 transactions, from 277 transactions in the prior year. The decline in oil and stagnant price of other commodities (gold, silver, coal, base metals) had a significant impact on overall M&A activity in Canada. Oil & gas and mining transactions in 2015 dropped to \$9 billion in value, down nearly 50% from \$17.7 billion in 2014. The average value of middle-market deals decreased by 7% in 2015.

On a quarterly basis, M&A deals rebounded significantly in Q4 2015 compared to the prior three quarters of 2015 with deal volumes up over 30% from Q3 2015. Compared to Q4 2014, the number of middle market deals in Canada remained consistent.

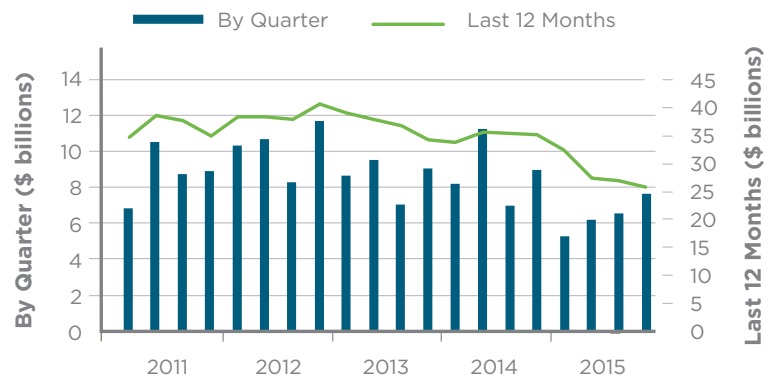
Annual Transaction Volumes & Values



Number of Transactions



Value of Transactions



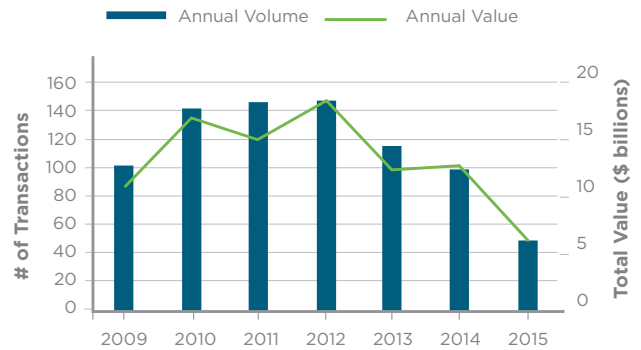
Mergers & Acquisitions Review (continued)

MID-MARKET ACQUISITIONS IN WESTERN CANADA
(\$25 million - \$500 million)

MID-MARKET TRANSACTIONS IN WESTERN CANADA

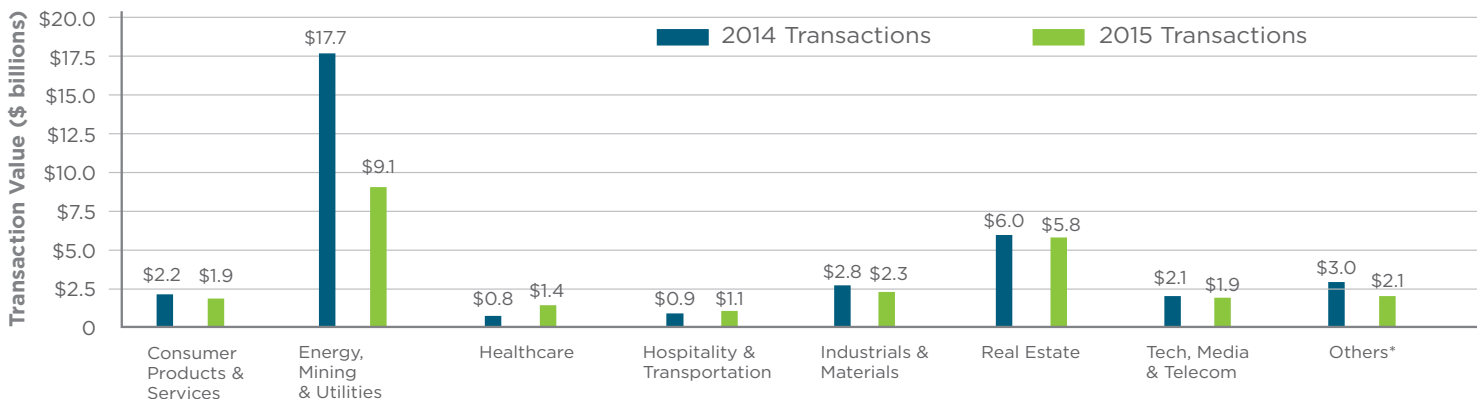
Western Canadian mid-market M&A transactions decreased by 51% from \$12.7 billion to \$6.2 billion in 2015. Primarily as a result of reduced oil & gas transaction activity. Outside of resource based businesses, most sectors in the Canadian economy continue to be attractive acquisition targets, especially to US based buyers.

Annual Transaction Volumes & Values



By industry, energy, mining and utilities transactions decreased nearly 50% in value in 2015 vs. 2014 due to the sharp decline in commodity prices globally. The majority of the other industry sectors, as shown in chart below, showed modest declines in transaction value except the healthcare sector which showed a meaningful increase in M&A activity (up 77% in 2015).

2015 vs. 2014 Canadian Middle Market Transactions by Sector



* Other includes Financials, Food & Beverage, Forestry & Paper Products

Mergers & Acquisitions Review (continued)

Despite the sharp decline in oil, oil & gas transactions continued to dominate the top ten deals announced during 2015 involving Canadian targets.

Top 10 Canadian Deals in 2015

Date	Industry	Target	Buyer	Value (\$mm)
Oct 05	Energy, Mining & Utilities	Canadian Oil Sands*	Suncor Energy	\$6,722
Jul 15	Other	Shred-it International	Stericycle	\$4,235
Jun 30	Energy, Mining & Utilities	Heritage Royalty	Natural Resources	\$3,300
Nov 09	Energy, Mining & Utilities	Canadian Natural Resources Royalty Assets	PrairieSky Royalty	\$1,834
May 26	Energy, Mining & Utilities	Legacy Oil + Gas	Crescent Point Energy	\$1,546
Apr 20	Consumer Products/Services	Cirque du Soleil	TPG Capital, Fosun Industrial	\$1,500
Feb 09	Energy, Mining & Utilities	Rio Alto Mining	Tahoe Resources	\$1,381
Apr 16	Real Estate	SmartCentres	Smart REIT	\$1,156
Sep 02	Healthcare	Amica Mature Lifestyles	BayBridge Seniors Housing	\$1,117
Apr 13	Energy, Mining & Utilities	Alamos Gold	AuRico Gold	\$954

* On January 18th, 2016, Suncor Energy revised their offer for Canadian Oil Sands, increasing the total value of the transaction by 12%.

There were five major transactions involving targets based in Vancouver during 2015.

- Rio Alto Mining was acquired by Tahoe Resources for CAD\$1.3 billion in April
- Sequel Natural (makers of VEGA brand health products) was acquired by WhiteWave Foods for USD\$550 million in June
- PlentyOfFish (online dating website) was acquired by Match.com for USD\$575 million in July
- Amica Mature Lifestyles (development of senior housing) was acquired by BayBridge Senior Housing for CAD\$1.1 billion in December
- Original Cakerie (frozen dessert manufacturer) was acquired by Gryphon Investors in December for an undisclosed amount

Canadian Mid-Market M&A in 2016: Trends to Watch



Canadian mid-market M&A started off slowly in 2015, but built momentum through the year leading to a very strong Q4 and a good year overall. Ignoring oil & gas and mining transactions, deals completed with Canadian targets had a total value of nearly \$17 billion during 2015; down only 6% from 2014.

Capital West completed over \$700 million in deals during the year, a near record over our 25 years of experience. On the majority of our assignments, we had many bidders and achieved premium valuations.

The robust M&A market in 2015 can be attributed to a number of factors:

- Availability of debt for acquisitions at record low rates and on attractive terms
- Massive amounts of committed capital looking for acquisitions, primarily with private equity funds
- Corporate buyers with strong balance sheets trading at attractive valuations, looking to offset slow organic GDP growth with acquisitions

So what is the outlook for Canadian mid-market M&A in 2016? Here are some of the trends we expect.

Political Change

There was considerable change in the political spectrum in Canada in 2015 with the Liberal party securing a majority government in October as well as the NDP taking over the leadership in Alberta from the incumbent provincial Conservative party (who had been in power since 1971).

The federal Liberal party secured their mandate based on campaign promises of more support for renewable energy, increased taxes on high-income earners and deficit spending for three years to spur economic growth.

The possible effects of the change in the federal government on M&A are likely to be:

- Slower start to 2016 as the market adjusts to the potential impact of the new tax regime
- Uncertainty of new government policies is likely to put downward pressure on the Canadian dollar (more on that later)
- Boost to the renewable energy sector as a result of the government's commitment to phase out fossil fuel subsidies and implement new climate change regulations
- Opportunities for investors to capitalize on new Canadian infrastructure projects based on projected government spending of CAD\$5 billion annually

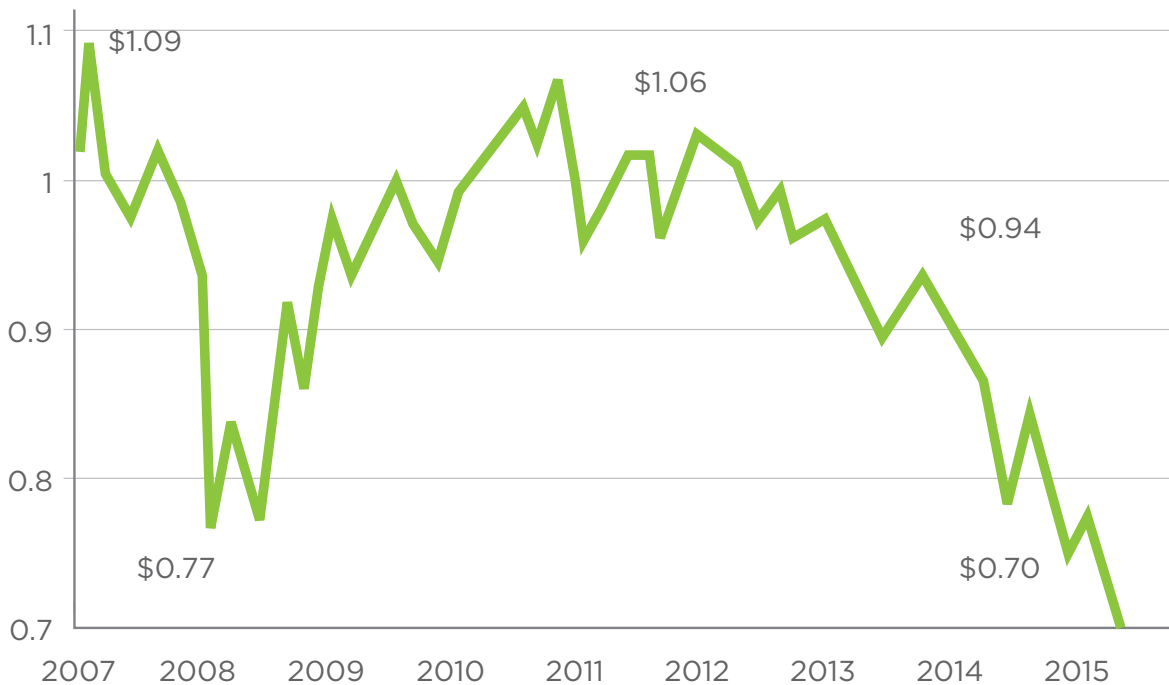
Strong M&A Activity in Aviation Sector (continued)

Weak Canadian \$

The Loonie reached a high of US\$1.09 in 2007 and has been on a steady decline since. It now sits at US\$0.70 and is expected to stay here or go lower over the near to medium term.

The weak Canadian dollar has a positive effect on earnings for some sectors of the Canadian economy, such as export or tourism related businesses. In addition, foreign buyers will look to capitalize on the strength of their currencies relative to the Canadian dollar by purchasing Canadian businesses at discounted prices.

CAD / USD Exchange Rates: 2007 to Present



Source: Bank of Canada

Continued Volatility in the Oil Patch

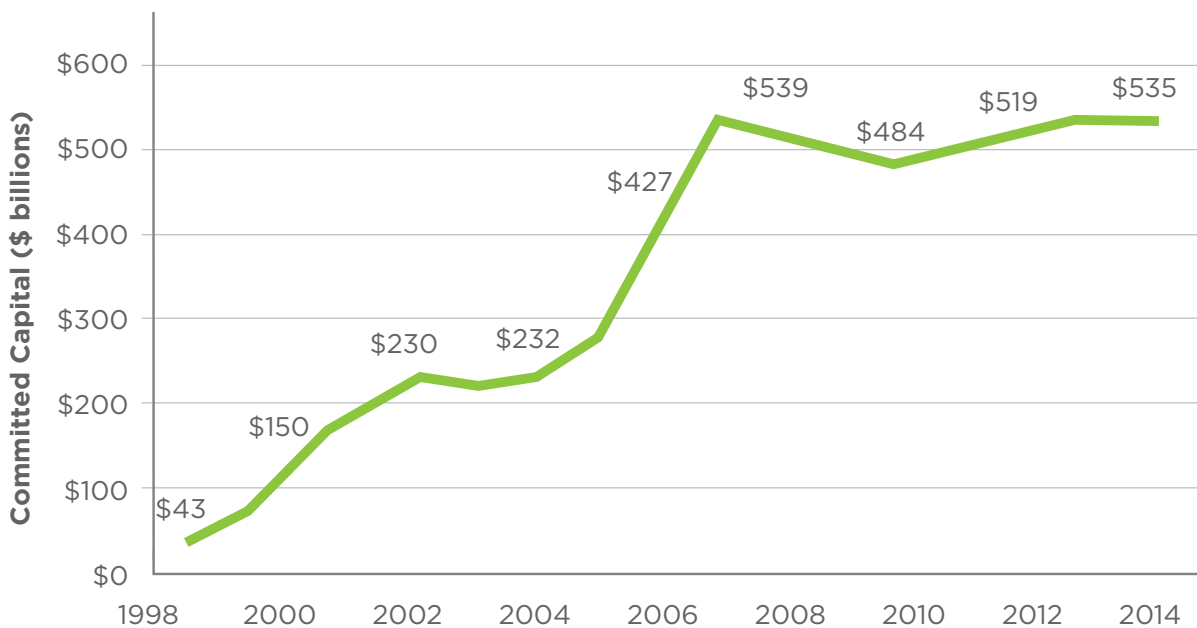
There will be a fallout in the oil & gas sector as a result of the continued global over supply and weak demand for oil keeps the price low. Any M&A in 2016 in oil & gas will likely be driven by the sale of assets and cash-flow streams by distressed companies trying to reduce debt levels for maintenance or expansion of existing projects.

Strong M&A Activity in Aviation Sector (continued)

Private Equity Demand Continues

Private equity deal volume in Canadian M&A was robust in 2015. With over USD\$500 billion of undeployed capital in the hands of US private equity funds, this trend will continue. Combined with the low interest rate environment and weak Canadian dollar, private equity funds will continue to drive premium valuations on transactions.

US Private Equity Overhang (US\$ billions)



TPP May Spur Additional Asian Investment

The Trans Pacific Partnership (a trade accord among 12 partner countries) will reduce Industry Canada's oversight of foreign takeovers by TPP participants under the Investment Canada Act. The review threshold will increase from CAD\$600 million to CAD\$1.5 billion if the TPP is ratified as expected in 2017. This revised threshold may boost interest by foreign buyers in Canadian businesses and assets in 2016 with a view to deals in 2017.

Conclusion

In summary, Capital West is anticipating a strong Canadian M&A market in 2016. Deal activity will be robust and it should continue to be a seller's market with premium valuations as a result of the low interest rate environment and strong buyer demand.

Capital West's 2015: Over \$700 million in closed deals.



PREMIER group of companies

sale to
The Co-operators



HARBOUR AIR SEAPLANES

sale of a 49% interest and entered into a strategic partnership with Zongshen



YVR
VANCOUVER AIRPORT AUTHORITY

has obtained non-recourse debt financing



DEELEY
HARLEY-DAVIDSON.
CANADA

sale of its assets to Harley-Davidson



RUSSELL
FOOD EQUIPMENT LTD.

sale to Blue Point Capital Partners



ALBERTA PACIFIC
FOREST INDUSTRIES INC.

sale of Mitsubishi's 70% interest in Alpac to Hokuetsu Kishu Paper Co.

Tyson Creek Power Corp

sale to BluEarth Renewables Inc.

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