

DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



2016 Mid-Market M&A Review

MID-MARKET TRANSACTIONS IN NORTH AMERICA

North American mid-market M&A deal volumes remained robust in 2016 – exceeding 3,000 total transactions for a third consecutive year and continuing at the same record pace seen in 2015.

Deal activity continues to be driven primarily by strong corporate earnings and the availability of low cost debt capital. Ten year government bond yields in both Canada and the United States remained well below historical averages, helping drive deals and valuations with cheap financing.

Transaction multiples have also increased, driven in part by higher valuations of strategic buyers. Over the past three years, the average EBITDA valuation multiple on The Dow Jones Index has increased from 9.3x in early 2014 to 11.9x at the end of 2016 (an increase of 28%).

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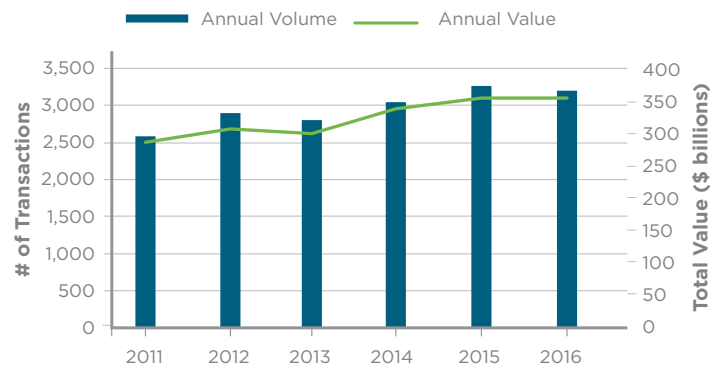
2016 Mid-Market M&A Review

2017: Will the Growth Continue?

A Successful 2016

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

Annual Transaction Volumes & Values



Dow Jones Index - Average EBITDA Multiples 2014 to 2016



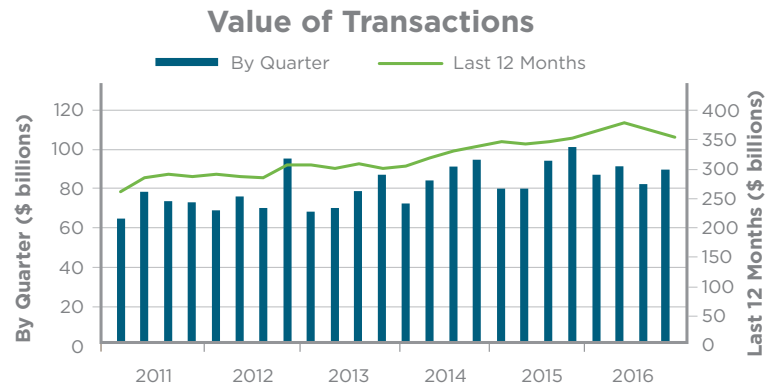
Mergers & Acquisitions Review (continued)

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

MID-MARKET TRANSACTIONS IN NORTH AMERICA (CONTINUED)

The total value of mid-market deals increased slightly, from \$352 billion in 2015 to \$355 billion in 2016, representing an average mid-market transaction value of \$112 million.

Deal volumes and values in Q4 2016 were approximately 10% lower versus Q4 2015 but remained in line with typical deal volume seen in this quarter over the last several years. Over 800 mid-market deals were completed in Q4 2016 at an aggregate value of \$89 billion.



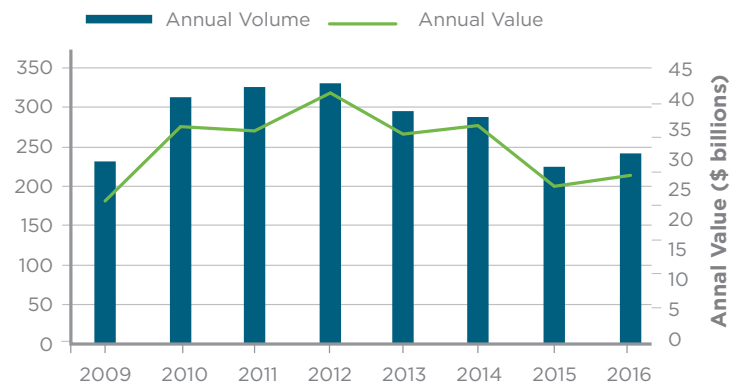
MID-MARKET ACQUISITIONS IN CANADA (\$25 million - \$500 million)

MID-MARKET TRANSACTIONS IN CANADA

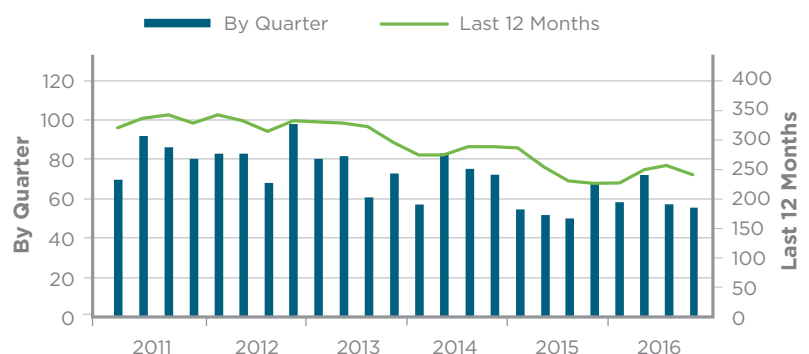
Deal activity in the Canadian mid-market increased 8%, up to 243 transactions in 2016. Mid-market deal volumes in Canada still remain below levels experienced in the 2010 through 2014 period when they averaged over 300 transactions annually. Total deal activity has slowed in Canada over the last two years driven primarily by the sharp reduction in energy sector deals.

The value of mid-market deals in Canada increased in 2016 from the prior year, up 7% to \$28 billion, but still lagging behind the average annual value of mid-market deals over the preceding five years. Adjusting the results to remove energy sector deals, total deal value in 2016 was up approximately 10% versus the prior year and more in line with recent historical averages.

Annual Transaction Volumes & Values



Number of Transactions



Mergers & Acquisitions Review (continued)

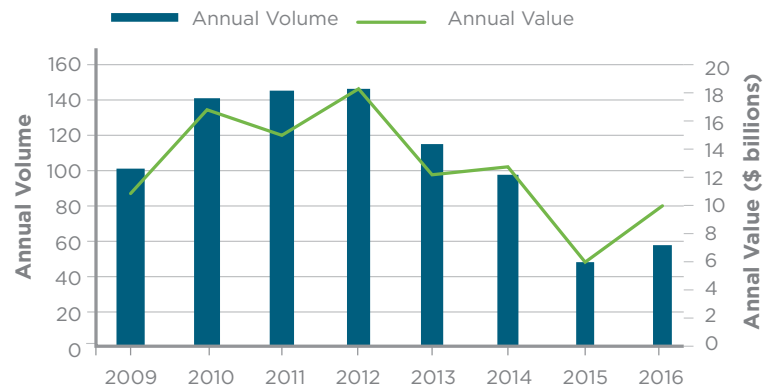
MID-MARKET TRANSACTIONS IN WESTERN CANADA

Western Canadian mid-market M&A transactions rebounded in 2016, increasing in aggregate deal value from \$6 billion in 2015 to \$10 billion in 2016. The number of mid-market transactions also increased by nearly 20% from the prior year. While improvements in total deal value and transaction volumes were seen, M&A activity in Western Canada in 2016 continued to lag behind recent historical averages due to the continued softness in the energy sector.

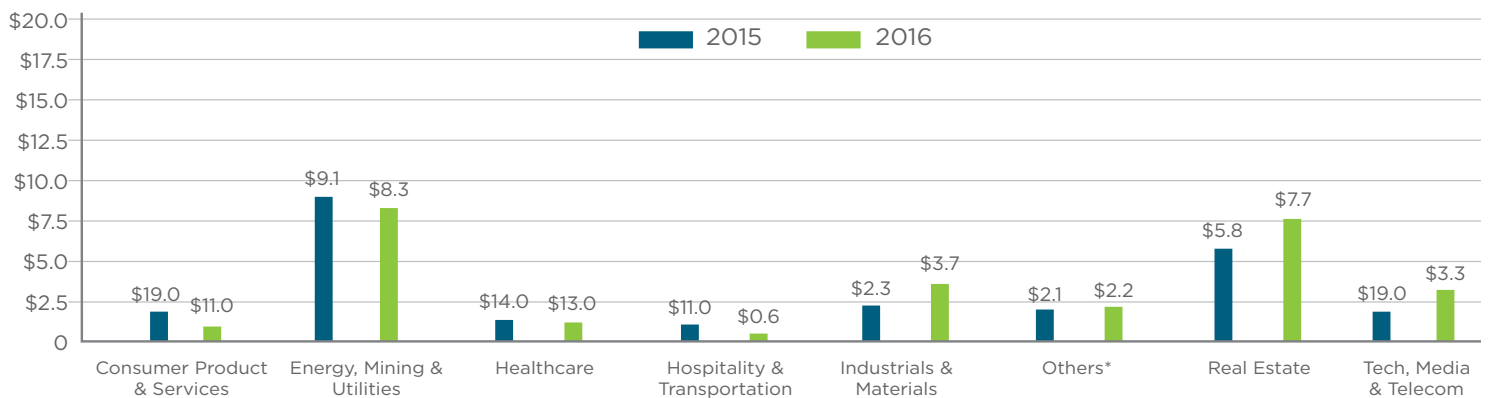
Excluding energy sector deals, M&A activity in Western Canada was up 40% from the prior year. Many non-resource based business are desirable acquisition targets as investors look to diversify their holdings.

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

Annual Transaction Volumes & Values



2016 vs. 2015 Canadian Middle Market Transactions Values (\$billions)



* Other includes Financials, Food & Beverage, Forestry & Paper Products, and Hospitality & Transportation sectors

CANADIAN DEALS BY INDUSTRY

By industry, energy, mining and utilities transactions decreased a further 9% in total deals in 2016 to \$8.3 billion. This sector has experienced a substantial decline in deal activity over the past three years - nearly a 60% decline from its peak in 2013. While the energy sector

has faced challenges in recent years, deal activity in most other sectors remained stable or grew in 2016. In particular, deal activity in the real estate and tech, media and telecom sectors improved; both up over 30% on an aggregate deal value basis from 2015.

Mergers & Acquisitions Review (continued)

Top 10 Canadian Deals in 2016

Month	Industry	Target	Buyer	Value (\$mm)
Sep	Industrials & Materials	Agrium	Potash Corp. of Saskatchewan	\$ 24,367
May	Tech, Media & Telecom	Manitoba Telecom Services	BCE	\$ 3,893
Feb	Consumer Products & Services	Rona	Lowe's Companies	\$ 3,121
Mar	Consumer Products & Services	Rexall Pharma Plus	McKesson Canada	\$ 3,000
Jan	Tech, Media & Telecom	Shaw Media	Corus Entertainment	\$ 2,666
Jan	Energy, Mining & Utilities	Capstone Infrastructure	Irving Infrastructure	\$ 2,163
May	Real Estate	InnVest REIT	Bluesky Hotels and Resorts	\$ 2,122
July	Energy, Mining & Utilities	Paramount Resources	Seven Generations Energy	\$ 1,899
Mar	Consumer Products & Services	Imperial Oil - Retail Assets	Alimentation Couche-Tard	\$ 1,686
Aug	Hospitality & Transportation	Whistler Blackcomb Holdings	Vail Resorts	\$ 1,617

NOTABLE CANADIAN DEALS IN 2016

Of the top 10 largest M&A deals in 2016, three were in the consumer products sector with only one sizeable deal in the energy sector. This compares to 2015 when six of the top ten deals were in the energy sector.

Notable British Columbia based deals in 2016 were the following:

- The \$1.6 billion acquisition of Whistler Blackcomb in August 2016 - a 14x EBITDA multiple
- The \$1 billion acquisition for a controlling interest in the Bentall Centre office building portfolio by Chinese based Angbang Insurance Group
- The successful \$400 million IPO of Aritzia in October 2016 - the largest Canadian IPO in the year

2017: Will the Growth Continue?

2017 begins with many questions. There is uncertainty as to where transaction activity in the Canadian middle market is headed, if deal activity and values will remain robust, and what kind of effect political change will have on the overall market.

DEAL ACTIVITY

Canadian middle market activity, outside of oil and gas deals, continued its upward trend in terms of transaction activity and values in 2016. Putting aside political implications, Capital West anticipates deal activity in 2017 to remain positive driven primarily by the following:

- Acquisition financing at historically low interest rates and attractive terms is still readily available.

- The amount of committed private equity capital looking for deals continues to rise.
- Stock markets are strong and near all time highs. Corporate buyers are trading at high valuations and continue to pursue accretive acquisitions of private company targets.
- Signs of stability in the oil & gas market will likely improve the amount of deal activity in the sector, which has been largely dormant in the last two years. Oil prices have nearly doubled from January last year and most analysts are forecasting more stable prices in 2017.

2017: Will the Growth Continue? (continued)

Brent Crude Price Per Barrel
August 2014 to January 2017



	S&P 500 Return 1st year of Presidency	TSX Composite Index Return 1st year of Presidency
President Reagan	-9.2%	-12.2%
President H.W. Bush	+25.9%	+9.8%
President Clinton	+7.3%	+30.7%
President G.W. Bush	-12.1%	-17.5%
President Obama	+26.3%	+35.1%
Average	+7.8%	+9.2%

POLITICAL CLIMATE

Forecasting how the political climate in both the United States and Canada will impact the middle-market is hard to predict.

In the US, President Trump is signaling many pro-business oriented moves which would typically bode well for the deal environment. With that said, several of his key views may prove challenging for Canadian companies:

- Potential changes to NAFTA will have impacts across many sectors of the Canadian economy
- Trump's stated policy to "Buy American. Hire American" will be a headwind to Canadian businesses reliant on US export sales

While the Trump presidency might be challenging to the Canadian economy, his policies are likely to help the depressed oil & gas market which should help grow a lagging sector in the Canadian economy. Furthermore, if Trump policies drive stock market growth this will likely have a positive spillover effect to private company deal activity and valuations.

Looking at past presidencies to see how the stock markets reacted in the first year of a new president shows a wide array of different returns on both the S&P 500 and TSX. On average over the last five presidents, the S&P 500 climbed 8% in the first year of a new president while the TSX increased 9%.

Time will tell how the markets fare under the Trump presidency but in his first ten days in office the S&P 500 and TSX Index have been essentially flat.

In addition to the political change taking place south of the border, the upcoming provincial election in British Columbia may have impacts on the Western Canada market. GDP grew by 3.3% in 2016 in BC, the highest of any province, but is forecast to slow to 1.7% in 2017 driven in part by potential uncertainty surrounding the election and an anticipated slow down in real estate activity. While GDP growth in BC is forecast to slow, GDP growth in Alberta is anticipated to rebound from negative growth the past two years to 2.2% in 2017, and more deal activity is anticipated in Alberta.

SUMMARY

2017 is a year with many different forces impacting the Canadian middle market. Despite all these forces, Capital West anticipates the deal environment in Canada to remain positive driven by strong public markets, the continued availability of low cost debt financing, and a stabilization in the oil & gas sector.

Capital West completed six deals in 2016, across a range of six different industries.



Sale to
Yellow Point
Equity Partners

FOOD MANUFACTURING



Sale to
Evonik Industries

HEALTHCARE



Sale to
Modern Niagara

INDUSTRIAL SERVICES



Debt & equity financing
from BMO &
Fulcrum Capital Partners

FOOD INGREDIENTS



Financing

CONSUMER PRODUCTS



Sale of Auction Finance
Corp.'s interest in RBFS
to Ritchie Bros.

FINANCIAL SERVICES

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