

DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



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Blockchain and the Disruption of Financial Technology

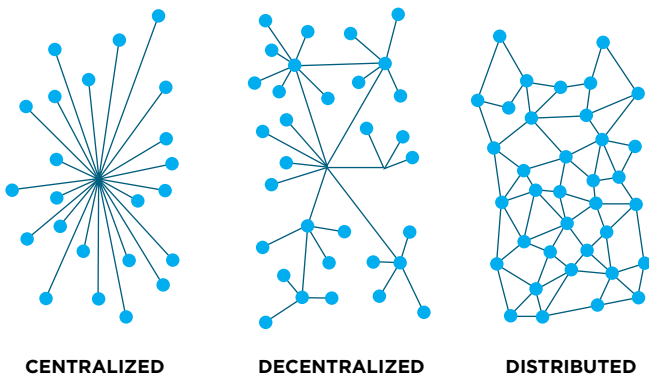
Over the last decade, digital advances such as social media, e-commerce and cloud computing have changed the way individuals and organizations interact with one another. However, the emergence of blockchain technology may prove to have the greatest impact on everyday life both socially and financially in the coming years.

Traditional financial systems, which include financial institutions and markets, provide a centralized framework for carrying out economic transactions, monetary policy and channel savings into investment. With centralization comes inefficiencies such as added costs through fees, delays and vulnerabilities to systems failures and attacks. These shortcomings helped to pave the way for new developments such as blockchain technology.

The blockchain can best be described as a spreadsheet that is duplicated thousands to millions of times across a network of computers. It is a decentralized and distributed ledger of all transactions between counterparties which prevents the deletion or alteration of entries once recorded. This technology allows online transactions to occur more securely, efficiently and at lower costs. It also has the potential to eliminate any centralized authority that validates transactions, as multiple banks, asset managers, or custodians can agree and validate the transactions instead.

While blockchain was originally developed as the technology behind cryptocurrencies such as Bitcoin, it is capable of recording anything of value – from bonds and equities to titles and deeds. Innovative uses of blockchain technology include the following:

- Investors seeking small equity stakes in companies through private placements or initial public offerings have started using crowdfunding platforms such as Kickstarter to do so. Blockchain technology will take this a step further by eliminating the intermediary crowdfunding platform, and put investors in direct contact with the companies raising the funds.
- Digital identity networks powered by blockchain will allow consumers to use mobile applications to confirm details of their identity such as age or credit scores when accessing services. For example, a consumer on the digital identity network could apply for a new apartment or a new mobile phone plan without the added effort of having to sign documents or provide identification in person.



Source: Autonomous Research

Blockchain and the Disruption of Financial Technology (continued)

Investment banks, including Goldman Sachs and JPMorgan, have invested millions of dollars in adopting blockchain technology to simplify and lower the costs of processes such as securities settlement, loan trading and international money transfers. On October 16, 2017, JPMorgan announced that it launched a new payment processing network using blockchain technology, known as the Interbank Information Network, in partnership with the Royal Bank of Canada and Australian and New Zealand Banking Group. The goal of the Interbank Information Network is to allow payments to reach beneficiaries faster with fewer steps and better security. Other banks are also expected to join in the coming months.

Investors have also taken notice of companies based in Western Canada that utilize and invest in blockchain technology. Notable publicly traded blockchain companies include the following:

Company	Headquarters	Description	Market Cap (C \$ mil)
HIVE Blockchain Technologies	Vancouver, BC	Cryptocurrency mining firm	\$755
BTL Group	Vancouver, BC	Develops blockchain platforms for business	\$95
Digatrade Financial Corp.	Vancouver, BC	Investment firm of global blockchain companies	\$51

Given the significantly disruptive nature of this technology, many firms in the financial industry, from banks and insurers to audit and professional service firms, are investing in blockchain solutions. In addition, more than 50 financial services institutions around the world, including Canada's Big Five banks, have formed a consortium to create standards and protocols for using blockchain technology in financial services. As such, it is evident that blockchain technology is affecting the infrastructure of modern finance. The future of financial technology has presented itself and can no longer be ignored.

Q3 2017 Mid-Market M&A Review

MID-MARKET TRANSACTIONS IN WESTERN CANADA

The volume of mid-market transactions in Western Canada decreased by 40% in Q3 2017 compared to Q3 2016. While the transaction volumes decreased year over year, the value of mid-market transactions doubled compared to last year (\$2.2 billion in Q3 2017 compared to \$1.1 billion in Q3 2016), driven primarily by multiple large transactions in the energy and utilities sectors.

Compared to Q2 2017, mid-market transaction volume declined by 25% in Q3 2017, but total Western Canadian transaction values grew significantly (\$2.2 billion in Q3 2017 compared to \$927 million in Q2 2017).

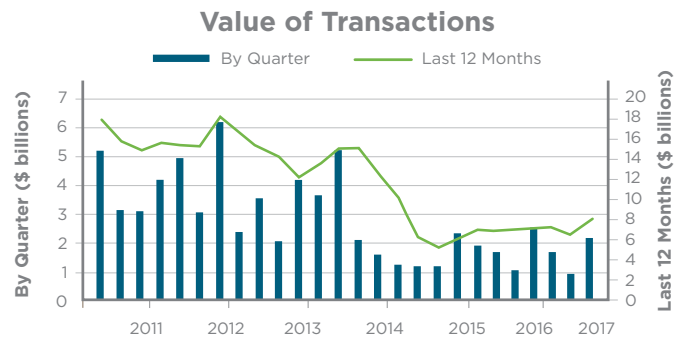
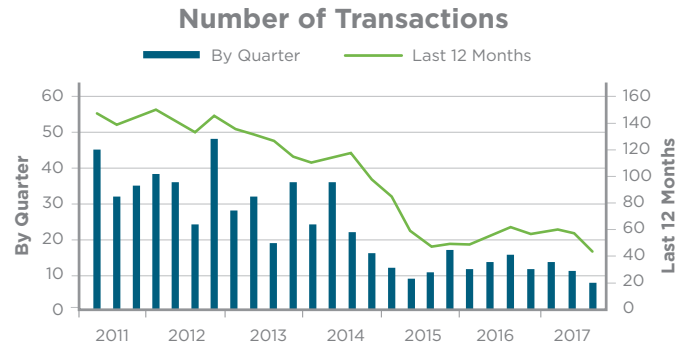
MID-MARKET TRANSACTIONS IN CANADA

In Q3, 2017, total transaction values surpassed \$8.5 billion - a level of total transaction value for a quarter not experienced since Q4 2014. The continued M&A momentum indicates a positive outlook for the Canadian economy.

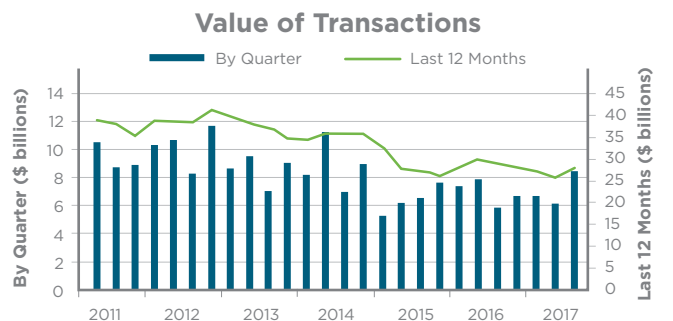
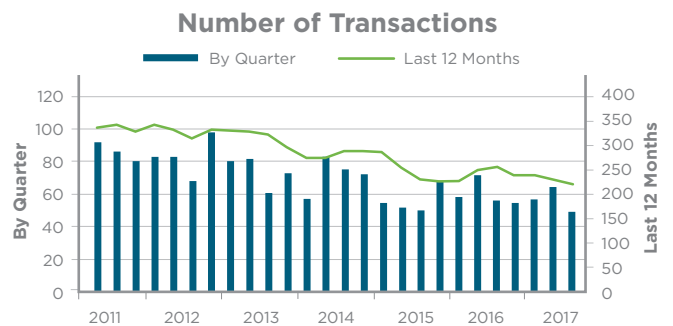
Energy, mining & utilities were the most active sectors in Canada, accounting for over 30% of total transaction values in the country. This is largely attributed to the increased activity in the Canadian energy market and the low interest rate environment, allowing financial and strategic purchasers to continue aggressively deploying capital.

In Q3, 2017 Canadian mid-market M&A activity increased 30% by transaction values and decreased 12% by volume compared to Q2, 2017.

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



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



Mergers & Acquisitions Review (continued)

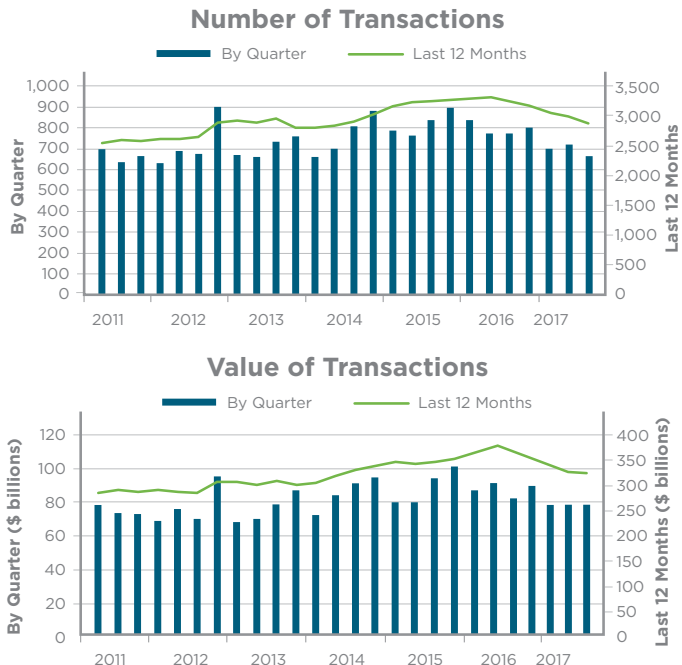
MID-MARKET ACQUISITIONS IN NORTH AMERICA (\$25 million - \$500 million)

MID-MARKET TRANSACTIONS IN NORTH AMERICA

North American mid-market M&A activity in Q3 2017 decreased 15% by volume (774 deals in Q3 2016 to 658 transactions in Q3 2017), while the total value of transactions decreased 5% compared to Q3 2016. Mid-market M&A transaction pricing has strengthened, with average EBITDA multiples improving by 60% year over year, from 7x in Q3 2016 to over 11x in Q3 2017.

On a quarterly basis, mid-market M&A transaction values in North America remained flat in Q3 2017 compared to Q2 2017.

Over the last 12 months, mid-market M&A activity in the North America remained robust, with deal value in the last twelve months totalling over \$322 billion.

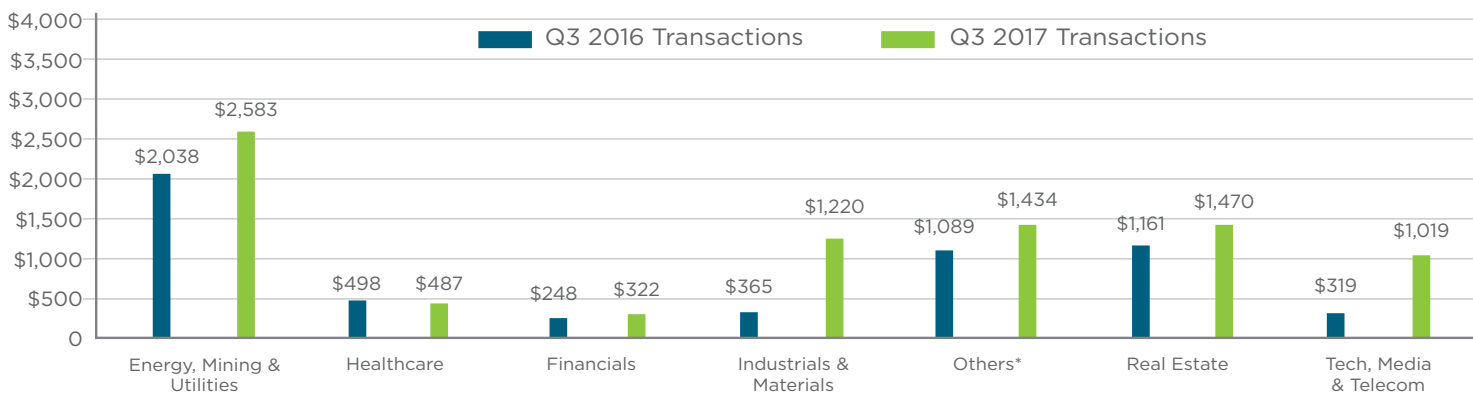


Q3 2017 AND Q3 2016 MID-MARKET TRANSACTION COMPARISON IN CANADA

Total Canadian mid-market transaction values have grown significantly in Q3 2017, increasing by nearly 50% over Q3 2016. Overall, transaction values have improved year over year across all major industry sectors, with the exception of healthcare which declined by 2%.

The Canadian economy is expected to continue gaining momentum for the rest of the year behind steady crude oil prices and a low interest rate environment. By industry, the strongest improvement in M&A activity was found in the tech, media & telecom and industrials & materials sectors, both increased over 200% on a year over year basis.

Q3 2017 vs. Q3 2016 Canadian Middle Market Transactions Value (\$billions)



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

Mergers & Acquisitions Review (continued)

CANADIAN DEALS BY INDUSTRY

The top ten M&A deals in Canada in Q3 2017 involved several industry sectors, with energy, mining, & utilities being the most frequent. The most notable deal in the table below was the acquisition of the Jean Coutu Group by Metro - this strategic acquisition gives Metro more than 400 drugstores and a robust distribution network.

Top 10 Canadian Deals in Q3 2017

Date	Industry	Target	Buyer	Value (\$mm)
Sep 27	Healthcare	The Jean Coutu Group	Metro	\$ 4,504
Aug 01	Utilities	Waneta Dam	British Columbia Hydro & Power	\$ 1,200
Jul 06	Energy	Trilogy Energy	Paramount Resources	\$ 1,027
Aug 28	Industrial & Materials	Hewitt Equipment Limited	Toromont Industries	\$ 1,019
Sep 05	Energy	Cenovus Energy Inc. Pelican Lake Assets	Canadian Natural Resources	\$ 975
Sep 11	Mining	Richmont Mines	Alamos Gold	\$ 935
Aug 10	Financials	Sentry Investments Corp.	CI Financial	\$ 760
Jul 14	Industrials & Materials	Waterheater Assets	CK Infrastructure Holdings	\$ 715
Aug 04	Real Estate	Portfolio of 44 Retail Properties in Canada	Strathallen Capital	\$ 703
Sep 25	Energy	Conventional Oil & Natural Gas Assets	International Petroleum Corporation	\$ 548

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