

# DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



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## Continued Momentum – Capital West Q3 Deals



The Rokstad Family

Acquisition of Carillion's  
60% interest

- Rokstad Power is a BC-based leader in power line construction and maintenance services to major utilities across North America
- Capital West Partners acted as exclusive financial advisor to the Rokstad Family on the transaction



Sale to Dubois Chemicals

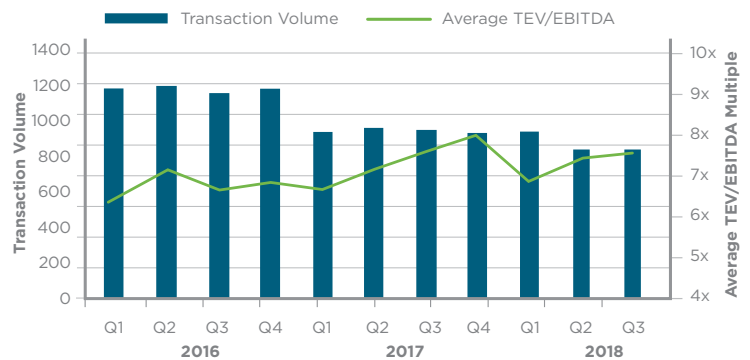
- IPAC is a leading provider of custom engineered and environmentally friendly specialty chemicals
- Dubois Chemicals manufactures and provides value added specialty chemical, cleaning and process solutions to customers across North America
- Capital West Partners acted as exclusive financial advisor to IPAC on the transaction

## Q3 Mid-Market M&A Review

### OVERVIEW OF MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Average EV/EBITDA multiple increased slightly in Q3 2018 to 7.6x from 7.4x in Q2
- Q3 2018 transaction volume remained steady compared to prior quarters
- Despite a lower transaction volume compared to 2017, valuations for mid-market businesses continue to be strong and above historical averages

#### TRANSACTION VOLUME & AVERAGE EBITDA MULTIPLE (\$10 - \$250 million)

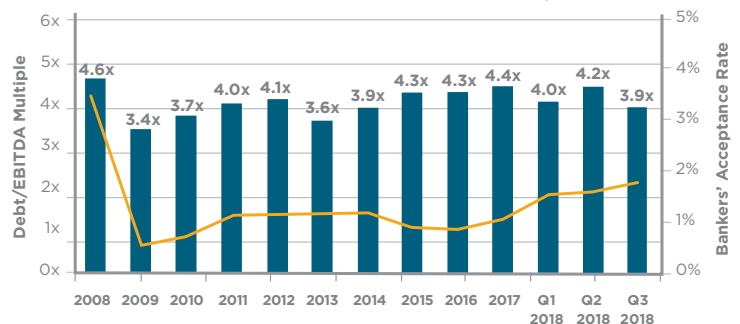


Sources: Capital IQ and GF Data

### AVERAGE DEBT/EBITDA MULTIPLES AND BANKERS' ACCEPTANCE RATES IN CANADA

- Leverage multiples decreased to 3.9x in Q3 2018, down from 4.2x in the previous quarter
- Recent rate hikes in both Canada and the US are having an impact on the total leverage used in transactions
- Despite recent rate hikes, the cost of borrowing remains well below historical averages which will continue to drive M&A activity

#### LEVERAGE MULTIPLES & BANKERS' ACCEPTANCE RATES (\$10 - \$250 million)



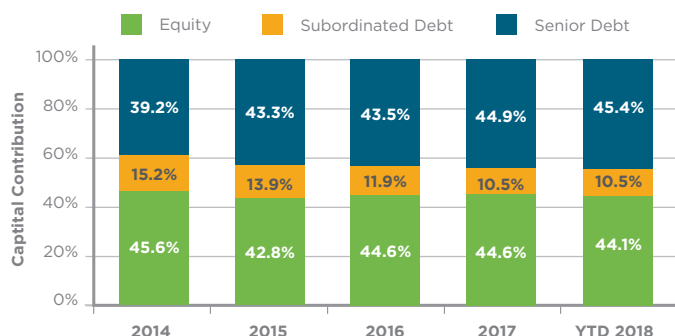
Sources: Bank of Canada, GF Data, Capital IQ

*Mergers & Acquisitions Review (continued)*

## EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

- Equity contribution by year has remained fairly constant since 2016
- Deal values in the \$50 - \$100M range continue to require the highest portion of equity share at 50.8%, indicating the competitiveness of deals in this range
- With the Bank of Canada's optimistic outlook for the economy, we should expect to see continued interest rate hikes and capital structures shifting back to slightly higher levels of equity

### EQUITY & DEBT CONTRIBUTION MID-MARKET M&A TRANSACTIONS



Sources: Bank of Canada, GF Data, Capital IQ

## TOP TEN M&A DEALS IN WESTERN CANADA

The top ten M&A deals in Western Canada during Q3 2018 were dominated by Energy, Mining & Utilities transactions. The most notable deal in the Vancouver area was the friendly, all cash acquisition of Nevsun Resources by Zijin Mining Group, a China based global mining company. Zijin Mining Group specializes in gold, copper, zinc and other mineral resource exploration and development in China and overseas across nine countries. According to Thomson Reuters, Q3 2018 has been the strongest period for Canadian mining M&A since Q2 2011.

### Top 10 Western Canadian Deals in Q3 2018

Date	Industry	Target	Headquarters	Buyer	Value (\$mm)
Sep. 30	Energy, Mining & Utilities	MEG Energy	Calgary, AB	Husky Energy	\$ 7,011
Sep. 05	Energy, Mining & Utilities	Nevsun Resources	Vancouver, BC	Zijin Mining Group	\$ 2,002
Jul. 26	Consumer	AGT Food and Ingredients	Regina, SK	Management Group	\$ 962
Aug. 13	Energy, Mining & Utilities	Trinidad Drilling	Calgary, AB	Ensign Energy Services	\$ 900
Jul. 26	Energy, Mining & Utilities	Galore Creek Mining	Vancouver, BC	Newmont Canada	\$ 360
Jul. 10	Cannabis	Hiku Brands Company	Vancouver, BC	Canopy Growth Corp	\$ 335
Sep. 24	Energy, Mining & Utilities	Canlin Energy	Calgary, AB	Far East Energy	\$ 323
Sep. 05	Energy, Mining & Utilities	Mount Bastion Oil & Gas	Calgary, AB	Surge Energy	\$ 316
Sep. 10	Cannabis	ICC Labs	Vancouver, BC	Aurora Cannabis	\$ 288
Aug. 24	Energy, Mining & Utilities	Ikkuma Resources	Calgary, AB	Pieridae Energy	\$ 148

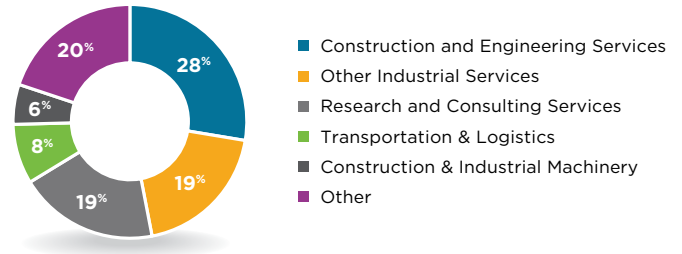
## LNG decision ignites future investments in Western Canada

Earlier this month, LNG Canada, a consortium of major energy companies led by Shell and Petronas, announced its positive Final Investment Decision on a \$40 billion project to build a liquefied natural gas export facility in Kitimat, BC. The project will be the single largest private sector investment in Canada's history and will provide numerous ancillary benefits to several industries in Western Canada.

Construction of the LNG plant is already underway and is expected to be in production by 2023. This landmark decision may also pave the way for additional LNG projects in the coming years to facilitate increased global demand for LNG, which analysts expect to double by 2035.

### Economic Impact

The LNG Canada project is expected to deliver significant economic benefits to Western Canada, particularly British Columbia. According to government estimates, the next eight years of construction of the project will contribute nearly \$4.0 billion to BC's GDP and generate nearly 16,000 permanent direct and indirect jobs from the facility's operations. As of October 2018, LNG Canada has already awarded over 35 contracts in connection with site preparation work and construction of a 670km pipeline from Northeast BC to Kitimat to companies.



Source: LNG Canada website as of October 24, 2018

### Implications for Western Canada M&A Activity

The LNG Canada project and potential other LNG projects that may follow are expected to drive growth for business in the following primary sectors:

- Civil and electrical engineering
- Construction materials & building products
- Heavy equipment manufacturing and distribution
- Transportation and logistics

This anticipated future growth will draw the attention of private equity and strategic buyers looking to capitalize on this significant opportunity by acquiring businesses with exposure to LNG development. As a result, Capital West anticipates increased M&A activity for all sectors directly tied to the development of these projects.

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