

Q1 2021

# DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



## Q1 2021 M&A Market Update

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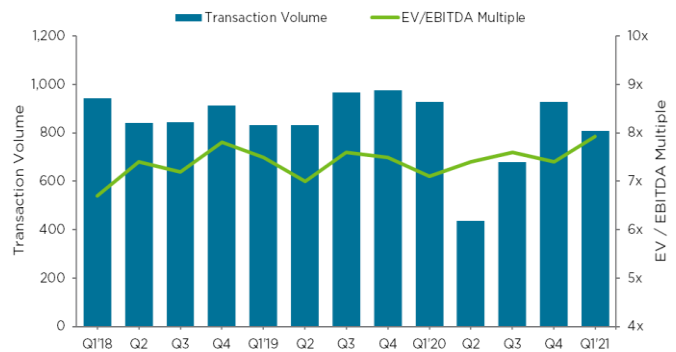
Q1 2021 M&A Market Update

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

- Valuations for mid-market businesses are robust and above historical averages
- Average disclosed EV / EBITDA multiples increased from 7.4x in Q4 2020 to 7.9x in Q1 2021
- Q1 2021 transaction volumes tapered slightly from Q4 2020 primarily due to decreased activity in the energy and real estate sectors
- North American M&A activity continues to show resilience
- With continuing government stimulus, record amounts of private equity dry powder, low interest rates, and optimism around the vaccine rollout, transaction activity is expected to strengthen

#### TRANSACTION VOLUME & AVERAGE EBITDA MULTIPLE (\$10M TO \$500M)

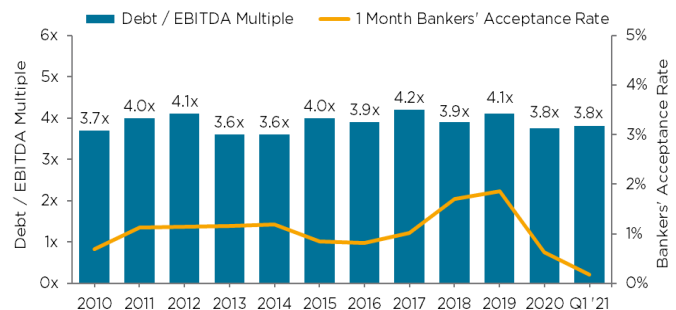


Source: Capital IQ

### LEVERAGE MULTIPLES AND INTEREST RATES IN CANADA

- Average leverage for mid-market transactions in Q1 2021 was 3.8x total debt / EBITDA – which is in line with 2020 levels
- The Bank of Canada held its policy interest rate at 0.25% in Q1 2021 and reiterated that interest rates will remain at this level well into 2022
- The continued low interest rate environment will further fuel M&A activity in 2021

#### LEVERAGE MULTIPLES & CANADIAN BANKERS' ACCEPTANCE RATES (\$10M TO \$500M)



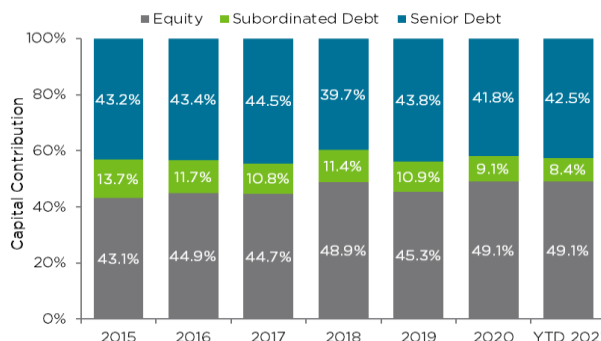
Sources: Bank of Canada, Capital IQ, and GF Data

### Q1 2021 M&A Market Update (Continued)

### EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

- Equity contribution in Q1 2021 was 49.1% - in line with 2020 and remains at its highest level since 2015
- Deal values in the \$50 - \$100 million range continue to have the highest portion of equity contribution at 56.5%
- Equity contributions going forward may increase as capital providers continue to seek opportunities to deploy capital out of their trillion-dollar war chest

#### EQUITY & DEBT CONTRIBUTION IN NORTH AMERICA (\$10M TO \$500M)



Sources: Capital IQ and GF Data

### TOP 10 M&A DEALS IN WESTERN CANADA

The top 10 Western Canadian M&A deals in Q1 2021 spanned a wide range of industries. The majority of Western Canadian deals occurred in British Columbia, with the top two in the gold mining sector.

#### TOP 10 PUBLICLY DISCLOSED WESTERN CANADIAN DEALS IN Q1 2021

Date	Industry	Target	Target Headquarters	Buyer	Value (C\$m)
March 10, 2021	Gold	GT Gold Corp.	Vancouver, BC	Newmont Corporation	386
March 15, 2021	Gold	Gold X Mining Corp.	Vancouver, BC	Gran Colombia Gold Corp.	315
February 16, 2021	Cannabis	Zenabis Global	Vancouver, BC	HEXO Corp	310
February 16, 2021	Oil and Gas	Inception Exploration	Calgary, AB	Spartan Delta Corp.	164
March 22, 2021	Software	Beanworks Solutions	Vancouver, BC	Quadient	105
March 30, 2021	Metals and Mining	Solaris Resources	Vancouver, BC	Augusta Investments	83
February 16, 2021	Internet and Direct Marketing	VisionPros	Surrey, BC	CloudMD Software & Services	60
March 31, 2021	Pharmaceuticals	MYM Nutraceuticals	Vancouver, BC	IM Cannabis Corp.	48
January 25, 2021	Packaged Foods and Meats	LYF Food Technologies	Kelowna, BC	The Valens Company	48
March 5, 2021	Oil and Gas	Woodcote Petroleum	Calgary, AB	Tamarack Valley Energy	44

### CAPITAL WEST ACTIVITY REMAINS ROBUST

Although Q1 M&A deal volumes in the market overall were modestly down versus last quarter, Capital West's deal pipeline is near all time highs with 10 M&A transactions in process.

#### SELECT CAPITAL WEST TRANSACTIONS CLOSED IN Q1 2021

SILVICULTURE

Sale to  
PRT Growing Services

**Advised the Seller**

ROAD MAINTENANCE CONTRACTOR

Acquisition of the  
Cobra Group of  
Companies

**Advised the Buyer**

## FinTech Accelerating Shift to Digital Economy

Over the last several years, FinTech has emerged from a niche industry into the spotlight as one of the most disruptive technology sectors and has attracted significant interest from both strategic and financial investors.

### WHAT IS FINTECH?

- **FinTech**, or “**Financial Technology**”, applies to any emerging technology that augments, streamlines, digitizes, or disrupts traditional financial services
- Companies are innovating in almost every area of finance, from payments and loans to credit scoring, stock trading, and insurance

### HOW BIG IS THE MARKET?

The global FinTech industry is expected to reach \$305 billion by 2025, representing a 25% CAGR from 2020. Digital payments is one of the largest sub-sectors in FinTech with nearly 420 billion transactions worth \$7 trillion anticipated to switch from cash to cards and digital payments by 2023, and increasing to \$48 trillion by 2030.

### WHAT IS DRIVING FINTECH INNOVATION?

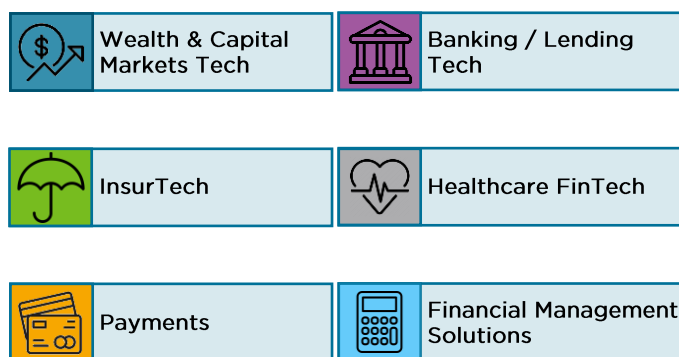
Digitization is happening across the value chain with the key trends below driving growth in the industry:

- 1 Cloud platforms, analytical capabilities, and AI creating levels of customer engagement and operational efficiency that were unimaginable before
- 2 Increased focus on customer experience by financial institutions
- 3 High compliance expenses compelling many companies to invest in regulatory tech
- 4 Increased control of finances from Millennials seeking more personalized experiences
- 5 Increased mobile penetration propelling demand for financial and banking applications / solutions
- 6 Global e-commerce proliferation boosting digital payments and e-wallets
- 7 Increased focus on historically underserved areas of banking
- 8 Dissatisfaction with the traditional banking industry
- 9 FinTech startups' ability to focus on one product and to solve customer problems / enhance customer experiences

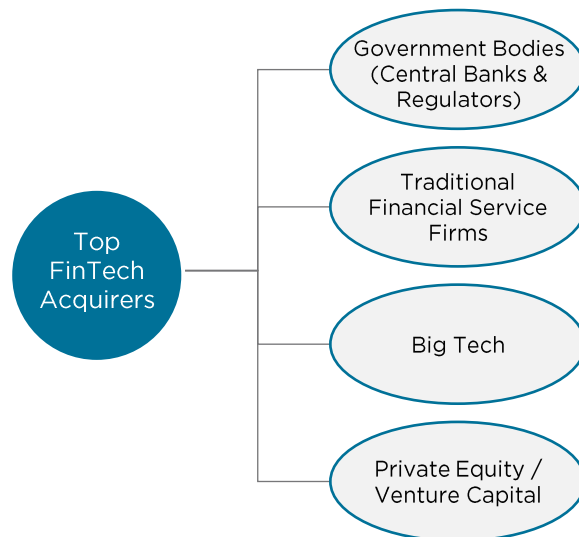
## FinTech Accelerating Shift to Digital Economy (Continued)

### THE BROAD SUB-SECTORS IN FINTECH

FinTech has many sub-verticals that span across the economy from wealth management to healthcare. All types of organizations are actively seeking to invest and leverage the broad applications in FinTech from traditional banks to Big Tech.



### WHO ARE THE INDUSTRY PLAYERS?

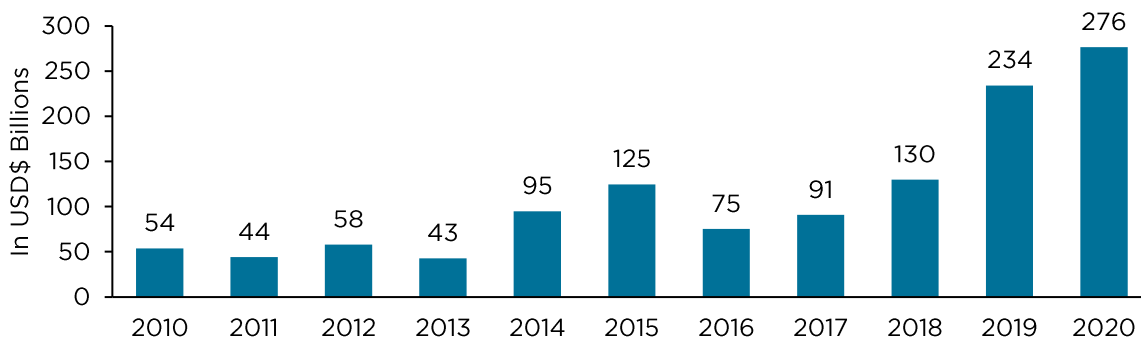


### FINTECH M&A UPDATE

From an M&A perspective, the volume and value of transactions has been increasing since 2010 with major interest from strategic and private equity buyers. For strategics, investments and partnerships with FinTech companies represent a massive opportunity to streamline back office operations, improve digital customer experiences, and reduce costs. For private equity and VC firms, FinTech is still in the early innings and is a highly fragmented market with major growth potential.

2020 was a banner year for global FinTech M&A, with nearly 1,000 transactions completed with a total transaction value of USD \$276 billion. Approximately 60% of FinTech M&A deals in 2020 involved acquisitions of North American companies. Boosting the record-setting deal values in 2020 was Morgan Stanley's \$13 billion acquisition of E\*TRADE, one of the largest FinTech M&A deals in history.

#### GLOBAL FINTECH M&A VALUES



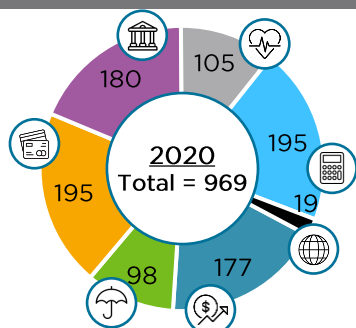
## FinTech Accelerating Shift to Digital Economy (Continued)

### TOP TRANSACTIONS IN 2020

	Date	Target	Acquirer	Amount (USD\$ mm)	FinTech Sector	Target HQ
OVER \$1 B	Feb. 20, 2020	<b>EXTRADE</b>	Morgan Stanley	13,000	Wealth & Cap. Markets Tech	Arlington, VA
	Aug. 6, 2020	<b>EllieMae</b>	ICE	11,000	Banking / Lending Tech	Pleasanton, CA
	Dec. 21, 2020	<b>REALPAGE</b>	THOMABRAVO	10,200	Real Estate Tech	Richardson, TX
	Feb. 24, 2020	<b>credit karma</b>	ROPER	7,100	Banking / Lending Tech	San Francisco, CA
	Aug. 13, 2020	<b>Vertafore</b>	gainwell	5,350	InsurTech	Denver, CO
UNDER \$500 M	Oct. 14, 2020	<b>SNAP FINANCIAL GROUP</b>	simplygreen HOME SERVICES	500	Banking / Lending Tech	Vancouver, BC
	Aug. 25, 2020	<b>Sendwave</b>	WorldRemit	500	Payment	Washington, DC
	Oct. 29, 2020	<b>Bread</b>	AllianceData	450	Banking / Lending Tech	New York, NY
	Nov. 5, 2020	<b>SHOPKEEP</b>	lightspeed	440	Payment	New York, NY
	May 28, 2020	<b>vesta</b>	GOLDFINCH PARTNERS	125	Payment	Lake Oswego, OR

In 2020, there were 42 \$1 billion+ FinTech transactions which nearly doubled 2019 levels. Approximately 70% were below \$500 million in transaction value with 40% of those transacting under \$100 million.

#### No. of Global M&A Deals by Sector <sup>(1)</sup>



#### No. of Global M&A Deals by Transaction Size <sup>(2)</sup>

	2019		2020	
\$1+ bn	23	15%	42	21%
\$500 mm - \$1 bn	18	11%	15	8%
\$100 - \$500 mm	45	28%	62	31%
\$0 - 100 mm	74	46%	79	40%
<b>Mean</b>	\$1,464 mm		\$1,396 mm	
<b>Median</b>	\$148 mm		\$164 mm	

(1) Includes deals with and without announced transaction amounts

(2) Includes deals with announced transaction amounts only

## CONCLUSION

The transformation of the financial services industry through FinTech disruption is still underway and M&A is fueling industry growth. In the past 18 months, Capital West and its IMAP partners have closed 15 FinTech deals and expect FinTech M&A to continue on its current path throughout 2021. For additional insights on the North American and global FinTech sector, see IMAP's latest FinTech sector report [here](#).

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