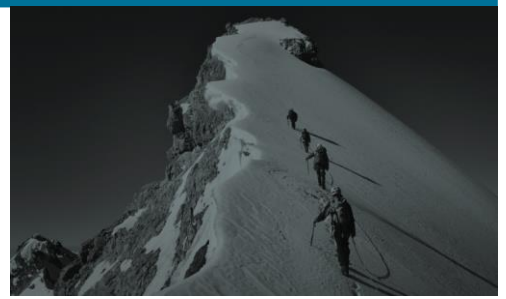


Q3 2021

DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



Q3 2021 M&A Update

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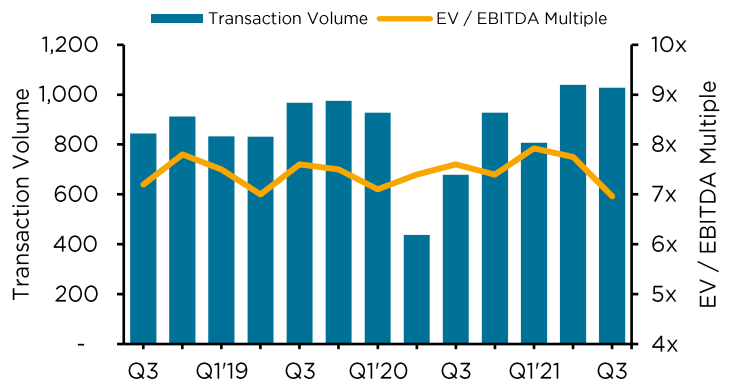
Q3 2021 M&A Update

The Great Re-Opening and the Impact on the Economy, Markets, and Growth

MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Average EV / EBITDA multiple in Q3 2021 decreased to 7.0x from 7.8x in Q2 2021
- Valuation multiples for mid-market businesses continue to be strong and above the 10-year historical average of 6.6x
- Transaction volume remained steady with approx. 1,000 completed deals in Q3 2021
- As the economy continues to recover from the impact of the COVID-19 pandemic, companies and financial buyers embarked on an unprecedented deal spree in the last two quarters of 2021

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

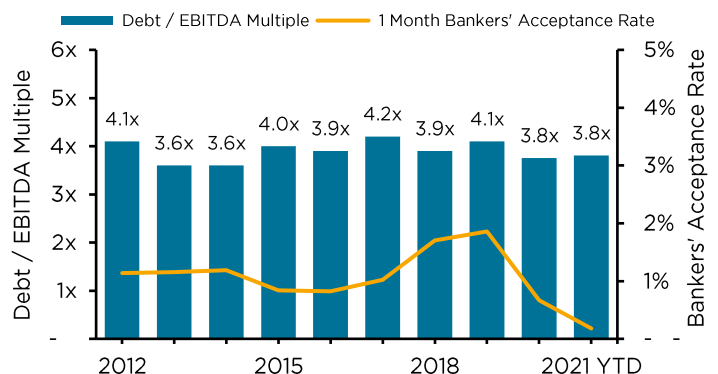


Source: Capital IQ

LEVERAGE MULTIPLES AND INTEREST RATES IN CANADA

- Q3 2021 YTD mid-market transactions had an average debt / EBITDA of 3.8x
- 1-month bankers acceptance rate continues at historically low levels in the 0.2-0.3% range
- It is widely speculated that recent inflation levels may result in the Bank of Canada responding with a series of interest rate hikes in the second half of 2022

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



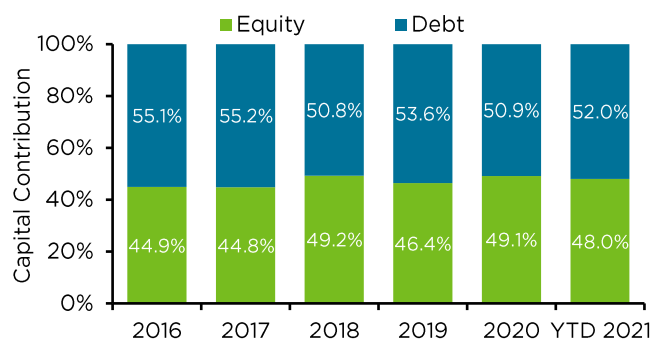
Sources: Bank of Canada, Capital IQ, and GF Data

Q3 2021 M&A Update (Continued)

EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

- On average, buyers are financing acquisitions in 2021 with 52% debt, up slightly from 51% in 2020
- As the cost of borrowing remains well below historic averages, current capital structures are expected to continue as companies capitalize on the low cost and attractive terms of debt financing

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 Q3 2021 involved eight BC-based target companies and were diversified across various industries including energy, technology, aviation, and agriculture. Notable deals include Canon acquiring Redlen Technologies, a semiconductor manufacturer for radiation detection and imaging equipment, and HP acquiring BC-based Teradici, a software solutions provider connecting users to their remote workstations.

TOP 10 PUBLICLY DISCLOSED WESTERN CANADIAN DEALS IN Q3 2021

Date	Industry	Target	Target HQ	Buyer	Value (C\$m)
Sept 16, 2021	Energy	Northern Courier Pipeline	Calgary, AB	Astisiy ⁽¹⁾	1,300
July 27, 2021	Energy	Velvet Energy	Calgary, AB	Spartan Delta	752
July 13, 2021	Gold	Corvus Gold	Vancouver, BC	AngloGold Ashanti	456
Sept 27, 2021	Software	Teradici	Burnaby, BC	HP	346
Sept 8, 2021	Hardware	Redlen Technologies	Saanichton, BC	Canon	345
July 15, 2021	Marine	Waterfront Shipping Company	Vancouver, BC	Mitsui O.S.K. Lines	182
Sept 7, 2021	Energy	Azarga Uranium	White Rock, BC	enCore Energy	174
Aug 25, 2021	Software	CmdWatch Security	Vancouver, BC	Elastic N.V	107
July 30, 2021	Horticulture	Greenstar Plant Products	Langley, BC	Hydrofarm Holdings Group	104
July 5, 2021	Aviation	Carson Air	Kelowna, BC	Exchange Income Corporation	61
Sept 28, 2021	Energy	Prairie Storm Resources	Calgary, AB	InPlay Oil Corp	49

(1) Suncor formed a partnership with eight Indigenous communities to acquire all of TC Energy's 15% equity interest in the Northern Courier Pipeline

 Capital West advised Carson Air

The Great Re-Opening and the Impact on the Economy, Markets, and Growth

As countries across the world emerge from lockdown and start re-opening their economies, there has been a surge in consumer demand across all sectors that has resulted in the following:



Unprecedented pressure on global supply chains



Increased commodity prices



Record corporate cash balances



Robust corporate growth and earnings



All time high stock valuations

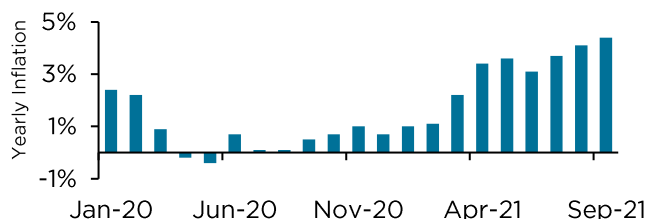
The pandemic-induced spending boom is primarily due to increased household disposable income accumulated over the past 18 months. Cash balances were up ~50% for the typical household in July 2021, compared to two years earlier.

Consequently, demand for goods has outpaced the current global supply chain infrastructure as companies are both responding to increased demand and resetting operations that were significantly curtailed in 2020. For example, China, the world's top exporter, had virtually shut down production for a substantial portion of 2020 and continues to experience COVID related shutdowns.

Other impacts on the supply chain include the shortage of shipping containers, labour, and energy, delayed shipping times caused by major backups at ports, and increased shipping costs. For example, power shortages in China have affected manufacturing capabilities in recent months, while the U.K., North America, and Germany are facing a shortage of truck drivers. Meanwhile, global ports are facing backlogged shipments, such as the Los Angeles-Long Beach port complex that currently has ~160 ships waiting to unload cargo (up from pre-pandemic levels of ~60). These ports are the largest in the U.S. and are responsible for moving ~40% of the country's imports.

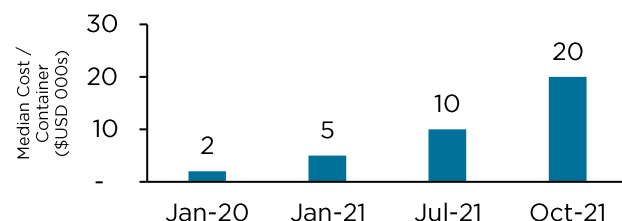
In China, the energy shortage is primarily the result of surging demand for exports, but extreme weather and an agenda to reduce carbon emissions by decreasing coal production has created complex energy supply issues.

CANADIAN YEARLY INFLATION



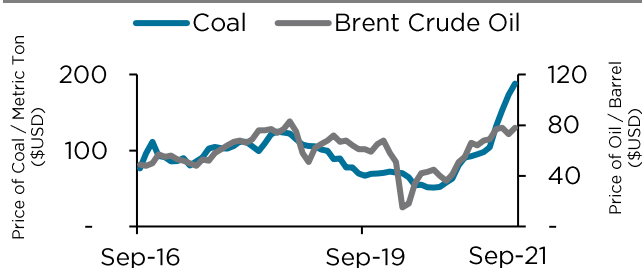
Source: Capital IQ

CONTAINER SHIPPING COSTS - CHINA TO WEST COAST



Source: Freightos Index

COAL & BRENT CRUDE OIL PRICES



Source: Federal Reserve Economic Data

The Great Re-Opening and the Impact on the Economy, Markets and Growth (Continued)

In comparison, Europe's domestic natural gas stockpiles are at unprecedentedly low levels given its extended winter last year. This coupled with a phasing out of coal and a down year for wind energy production has resulted in increased demand for natural gas. Oil prices have also seen significant spikes as companies shift to other energy sources to alleviate the shortage.

The factors above, combined with the trillions of dollars injected into the economy by central banks across the world, have created inflationary pressures which may persist well into 2022. As a result, interest rates will increase sooner than initially expected.

Scotiabank expects the Bank of Canada to raise its benchmark interest rate four times in 2022 and another four times in 2023, bringing the benchmark rate to 2.25% by the end of 2023.

Corporations have also amassed a war chest of cash reserves available to be deployed on initiatives such as M&A and capital investment.




Valuations remain at historical highs, supported by the unprecedented economic stimulus that countries rolled out to combat the pandemic.

CONCLUSION

The global re-opening of economies will have a positive impact on M&A activity, further supported by:

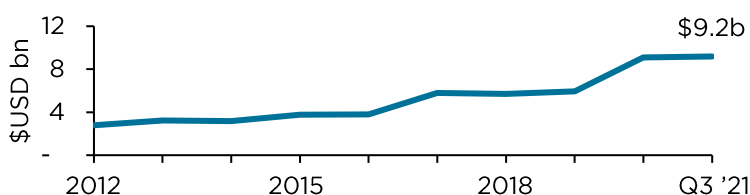
- Record corporate cash balances and strategic acquisitions to accelerate growth
- Record low interest rates for the near term fueling higher deal volumes and valuations
- Companies exploring supply chain diversification (i.e., acquiring manufacturing companies / capabilities closer to home)
- Seller's desire to close M&A transactions in advance of potential increases to capital gains tax rates in both the US and Canada

SELECT COMMODITY PRICES / PER BUSHEL

\$USD		Jan-20	Oct-21	% Change
	Soybean	\$865	\$1,215	↑ 41%
	Wheat	\$485	\$791	↑ 63%
	Oats	\$281	\$759	↑ 170%

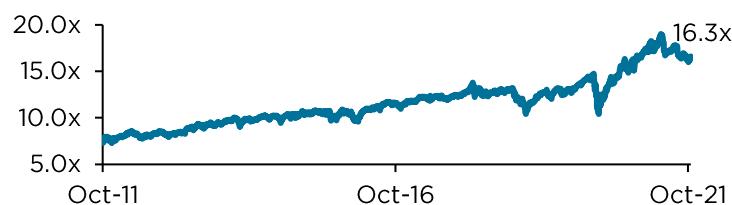
Source: Trading Economics

S&P 500 COMPANIES ' AVERAGE CASH BALANCES



Source: Capital IQ

S&P 500 - EV / EBITDA MULTIPLE



Source: Capital IQ

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