

Q1 2026

# DEALS WEST

QUARTERLY UPDATE ON MID-MARKET M&A



## Key Takeaways

- North American mid-market M&A volumes and valuations in Q1'26 were in line with the prior quarter
- The Bank of Canada has held the overnight lending rate at 2.25% since their October 29 decision, as they balance domestic economic weakness and global inflationary risks
- Inflation was stable at in Q1'26 ending at 2.4%, although upward pressure is expected due to recent geopolitical events

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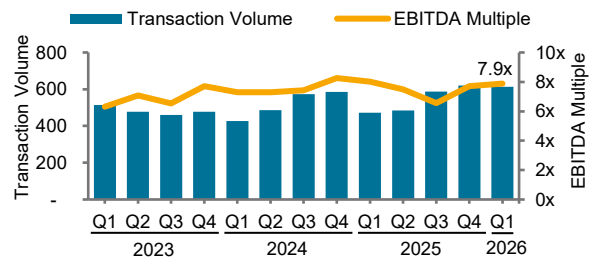
The Right Time to Sell Your Business? It's Not What You Think

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## Q1 2026 North American Mid-Market M&A Update

- Transaction volumes in Q1'26 were comparable with prior quarter and up 9% from Q1'25, reaching 613 transactions in the quarter
- Average EBITDA multiple of 7.9x, was consistent with Q4'25, and higher than the average for 2025 of 7.4x

### DEAL VOLUME & VALUATION (C\$10 - C\$500M)

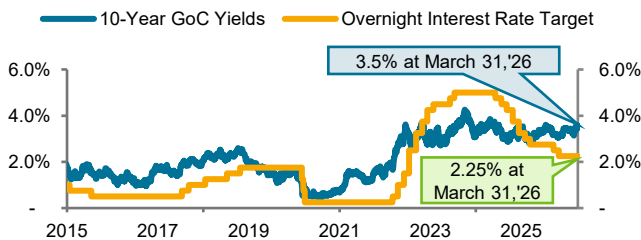


Source: Capital IQ

## INTEREST RATES & INFLATION

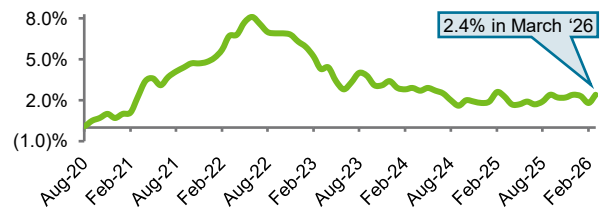
- Interest rates and inflation have shown stability of late, although there is a risk of increased inflation in the near term, driven by geopolitical events
- In March 2026, the Bank of Canada elected to hold its target for the daily overnight interest rate at 2.25% for the third straight announcement. This rate has been held flat since October 29, 2025
- Government of Canada 10-year bond yields remained flat in Q1'26, ending the quarter at 3.46%
- Canadian inflation (measured by the consumer price index, "CPI") of 2.4% in March 2026 remained near the Bank of Canada's target rate of 2%, and the same as the 2.4% reported in December 2025

### GOVERNMENT OF CANADA 10-YEAR BOND YIELD & DAILY OVERNIGHT TARGET RATE



Source: Bank of Canada

### CANADIAN CONSUMER PRICE INDEX 12-MONTH % CHANGE



Source: Bank of Canada

### Q1 2026 Mid-Market M&A Update (Continued)

#### TOP 10 MID-MARKET M&A DEALS IN CANADA

For Canadian M&A deals in the mid-market (i.e., deals up to \$500M in value), excluding oil & gas and metals & mining, the largest deal was NYSE-listed Everest Group's sale of its Canadian retail insurance business to Wawanesa Mutual Insurance, for \$410m, continuing the trend of consolidation in the insurance distribution sector.

#### TOP 10 ANNOUNCED MID-MARKET CANADIAN DEALS IN Q1 2026 (DEAL VALUE UP TO \$500M) \*

Date	Industry	Target	Target HQ	Buyer	Value (C\$M)
Mar 23	Financial Services	 everest™ Canada	Toronto, ON	 Wawanesa Insurance	410
Mar 2	Real Estate	 EUROPEAN RESIDENTIAL REIT	Toronto, ON	 CANADIAN APARTMENT PROPERTIES • REIT	399
Feb 17	Industrials	 AEG POWER SOLUTIONS	Markham, ON	 hammond POWER SOLUTIONS	365
Mar 30	Consumer Products & Services	 Gamehost	Red Deer, AB	 PURE CASINO	309
Jan 15	Transportation & Logistics	 TITANIUM	Bolton, ON	 Trunkeast Investment	231
Jan 14	Industrials	 VELAN	Montreal, QC	 BIRCH HILL equity partners	202
Feb 17	Industrials	 MICRO BIRD GIRARDIN	Drummondville, QC	 BLUE BIRD	202
Jan 20	Industrials	 THERMOLEC	Montreal, QC	 SPX TECHNOLOGIES	195
Jan 21	Consumer Products & Services	 FlyOver	Vancouver, BC	 BROGENT TECHNOLOGIES INC.	108
Jan 8	Financial Services	 3iQ	Toronto, ON	 Coincheck Group	89

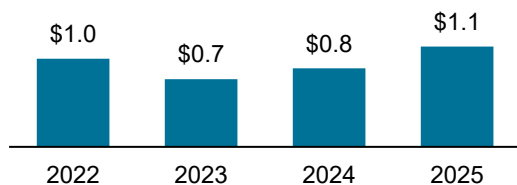
\* Excluding Oil & Gas and Metals & Mining

#### NORTH AMERICAN PRIVATE EQUITY TRENDS

Private equity deal value in the US increased by 28% in 2025, driven by easing financing conditions and a resurgence of large public to private transactions (e.g. US\$55 billion buyout of Electronic Arts led by Silver Lake and Affinity Partners). The increased deployment of capital by private equity drove a temporary drop in undeployed capital amounts in 2025, which has since recovered to prior levels as fundraising continues.

#### US PRIVATE EQUITY DEAL VALUE

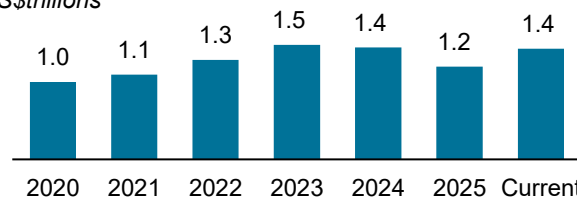
US\$trillions



Source: PitchBook

#### NORTH AMERICAN PRIVATE EQUITY UNDEPLOYED CAPITAL

US\$trillions



Source: Capital IQ

## The Right Time to Sell Your Business? It's Not What You Think

Most founders think the best time to sell their business is “when the market is hot”. While market conditions matter, it's just one piece of the puzzle, and there are other factors that matter more. If you want the most successful deal at the highest value, the real question to ask isn't whether the market is hot; it is whether you and your business are truly ready for a close look.

In Capital West's 35+ years of M&A experience, the three main factors in a successful deal at a premium price, **in order of impact**, are:

1. The leadership team's active engagement in driving company growth
2. Positive momentum in the performance of the business
3. The economic environment and M&A market conditions

### FACTOR #1: ACTIVE LEADERSHIP ENGAGEMENT IN COMPANY GROWTH

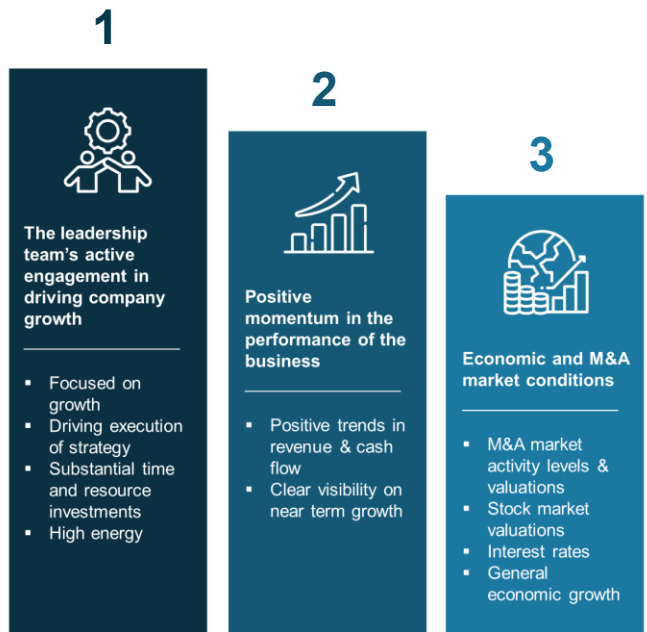
The strongest time to sell is when the company's leadership team is fully engaged and has lots of energy: driving growth, executing strategy, investing time and resources in the future and thinking and acting like long-term owners of the business. That energy signals confidence and continuity, which buyers value highly. Potential buyers are buying the future and will pay far more for a business that is poised for continued growth and long-term success.

**The “one more year” trap.** One of the most common mistakes owners make is waiting too long, to the point that the leadership team's drive to grow the business has waned, and they have become caretakers, instead of driving growth and additional value. By then, energy has shifted from building to maintaining. Strategic initiatives stall, growth slows, and leadership engagement fades.

Buyers notice engagement, and it is reflected in the price they are willing to pay. Even if performance is stable, a business led by a disengaged team feels different and is less attractive to buyers.

### FACTOR #2: POSITIVE BUSINESS PERFORMANCE

Buyers are not buying your historical performance; they're betting on the future potential of what you've built. Their view on the future is often largely driven by the historical trend as a key indicator of the outlook in the near to medium term. That's why positive momentum matters.



## *The Right Time To Sell Your Business? It's Not What You Think (Continued)*

Optimal timing to maximize purchase price typically aligns with:

- Revenue and cash flow on a historical upward trajectory
- New initiatives gaining traction
- A clear, credible path for future growth

Selling during an upswing, before performance plateaus, creates a powerful dynamic. Buyers see opportunity, and a good M&A advisor can leverage the positive trend in business performance to create competitive tension and ensure buyers feel more urgency to act.

**Don't wait for peak results.** Founders often make the mistake of trying to perfectly time their exit when results are peaking, thinking they will squeeze the last drop of growth from the business. Waiting until growth slows or results flatten weakens your story, and purchasers will pay a lower multiple on most recent profits, to reflect less perceived upside going forward.

### **FACTOR #3: ECONOMIC ENVIRONMENT AND M&A MARKET CONDITIONS**

**Positive market conditions are a nice-to-have, but not critical to strong sale.** External factors such as interest rates, GDP and other economic indicators, stock market valuations, capital availability, and overall M&A deal activity do influence deal valuations. However, these factors are out of your control, and trying to time the market is extremely difficult. If you are fortunate enough to time general market conditions perfectly, there are almost always unforeseen developments, some of which could negate any positive market conditions (e.g. certain very logical strategic buyers are too busy on other deals or have other strategic priorities at the specific time you are on the market). And even in a hot market, an underperforming business with negative momentum is a tough sell.

Handicapping all these external factors that are beyond your control is impossible. External market conditions are an important consideration but far less important than the other two factors above: leadership engagement and business momentum.

### **FINAL THOUGHTS**

The most successful business sales, at the highest prices, happen when leadership is energized and driving growth and business performance is trending positively, with a bright future of even greater things on the horizon.

In other words, don't wait so long that you or your leadership team are burned out and can't wait to exit. The optimal time to sell for top dollar is often when you and your team are still excited about the future of the business, even if general market conditions are soft. This backdrop will motivate the right buyers to put their best foot forward in a competitive transaction process.

## Updates at Capital West

### CAPITAL WEST ADVISES FIRSTMATE PET FOODS ON SALE TO NASTA PET FOOD

Founded in 1989, FirstMate Pet Foods (“FirstMate”) is a Vancouver, BC-based premium pet food manufacturer. FirstMate has two manufacturing facilities in BC and produces a wide range of dry and wet pet foods that are sold in Canada, the US, and internationally.

Capital West acted as exclusive financial advisor to FirstMate on the transaction.

Founded in 2016 in France, Nasta Pet Food is an international family-owned group that sells premium pet food through its brands Bab’in, Forza10, and Natural Code.

See the full press release [HERE](#).



### 2025 ACG BRITISH COLUMBIA'S RISING STAR AWARD



Capital West is pleased to announce that our very own Grant Nicholson has been awarded ACG British Columbia's Rising Star Award this year!

Since joining Capital West in 2022, Grant has been a key contributor to our firm, supporting seven completed transactions, countless business development initiatives, and the mentoring of junior team members. He is an active participant in the BC M&A community and engages regularly in community and alumni volunteer work. Congratulations Grant!

### CAPITAL WEST WELCOMES A NEW ASSOCIATE

[Quinten Schmidt](#) joins Capital West after three years with PwC where he provided assurance services to public and private companies across a broad range of industries.

Quinten is a Chartered Professional Accountant and holds a Bachelor of Commerce from the UBC Sauder School of Business. He is also currently pursuing his Chartered Business Valuator designation.

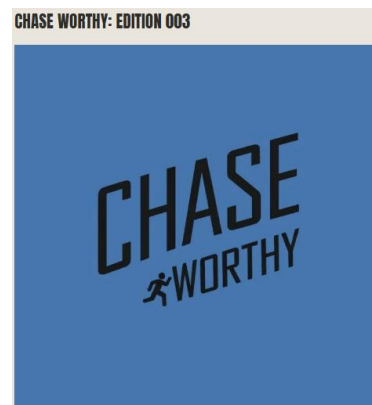


*Updates at Capital West (Continued)*

## ANDREW KEMPER FEATURED IN LATEST EDITION OF CHASE WORTHY

Andrew Kemper was recently featured in the third edition of Chase Worthy, a newsletter highlighting newsworthy experts in their respective fields published by That Tracks Content. That Tracks Content was founded by [Ingrid Bakewell](#) and [Andrea Cardillo](#). In the third edition of Chase Worthy, Andrew shares what recent GDP data suggests for the months ahead and discusses the Canadian economy as it faces uncertainty and volatility given his unique perspective as an M&A advisor.

Read the latest edition of Chase Worthy [HERE](#).



## CAPITAL WEST IS A PROUD SPONSOR OF JUNIOR ACHIEVEMENT BC

Capital West is proud to be a sponsor of Junior Achievement BC's Business Laureates Hall of Fame Gala and Induction Ceremonies for another year.

Celebrating its 20<sup>th</sup> anniversary, the event honours outstanding business leaders in BC whose achievements have helped shape the province's economy and communities, including support for the next generation of entrepreneurs and professionals. Over the last two decades, the annual event has raised more than \$14 million to help more than 197,000 young people in BC gain hands-on learning experiences focused on financial health, work readiness, and entrepreneurship.

We look forward to further support the work of Junior Achievement BC and to honour this year's Business Laureates on June 8<sup>th</sup>. Congratulations to all the Laureates being inducted into the Hall of Fame!

- **Dr. Julia Levy**, Former CEO, QLT; UBC Professor Emeritus
- **Amar Doman**, CEO, Futura Corporation
- **Bob Gaglardi**, Founder & Chairman Emeritus, Northland Properties
- **Jake Kerr**, Chair, Mosaic Forest Management
- **Barry Lapointe**, Chairman, KF Aerospace Group



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