

Q1 2022

DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



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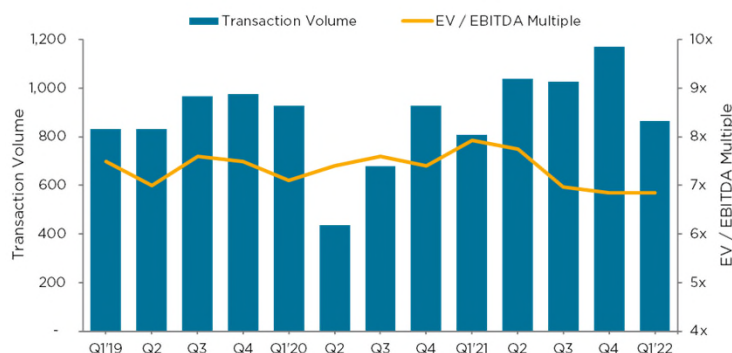
Capital West's Deal Activity in Alberta

Q1 2022 M&A Market Update

MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Average EBITDA multiples remained at 6.9x in Q1 2022 - consistent with the prior two quarters
- Deal volume in Q1 2022 declined from a record 1,170 transactions in Q4 2021 - the most active quarter in the past 5 years
- Comparing against Q1 2021, deal volume in Q1 2022 increased 8%,

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

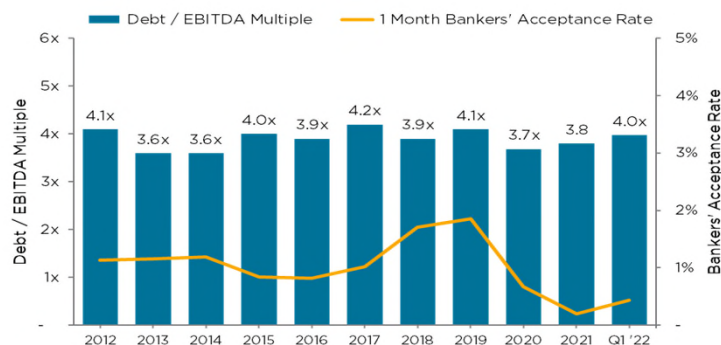


Source: Capital IQ

LEVERAGE MULTIPLES AND INTEREST RATES IN CANADA

- Leverage for mid-market transactions in Q1 2022 increased to 4.0x total debt / EBITDA - up from 3.8x in Q4 2021
- The Bank of Canada has made two rate increases since the start of 2022 and is expected to announce further increases throughout the year
- Although interest rates are rising, they remain well below historical averages and will continue to fuel deal making activity in 2022

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



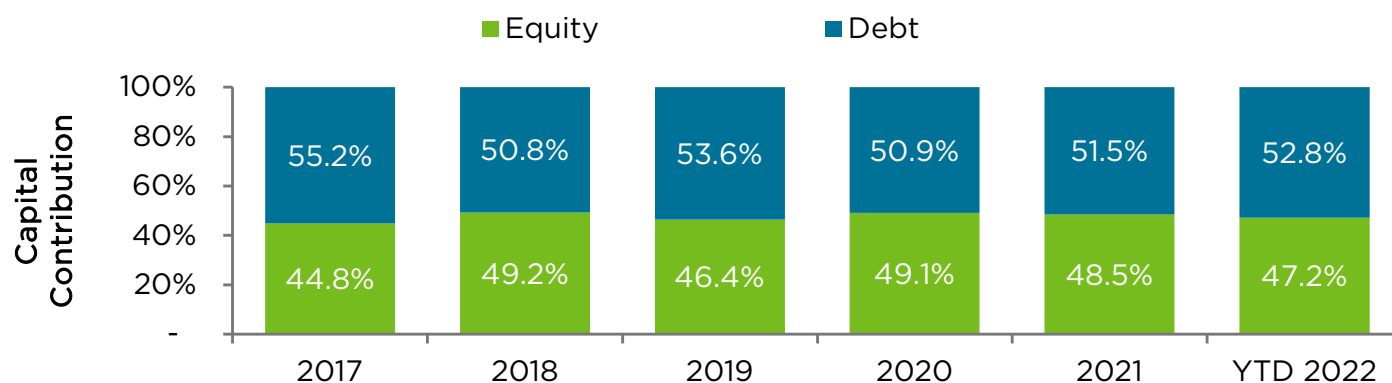
Sources: Bank of Canada, Capital IQ, and GF Data

Q1 2022 M&A Market Update (Continued)

EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

- Equity contribution in Q1 2022 decreased from 48.5% in Q4 2021 to 47.2%
- Equity contributions going forward will likely increase slightly as debt service costs grow with rising interest rates

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



Sources: Capital IQ and GF Data

TOP 10 M&A DEALS IN WESTERN CANADA

The technology and energy sectors were very active during Q1 2022, making up the majority of Western Canada's top 10 M&A deals. Notable transactions include TELUS' \$173 million acquisition of FULLY MANAGED, a full-service IT provider; and Vermilion Energy's \$541 million acquisition of Leucrotta Exploration, a Montney-focused oil and natural gas exploration and development company in northeastern British Columbia.

TOP 10 PUBLICLY DISCLOSED WESTERN CANADIAN DEALS IN Q1 2022

Date	Industry	Target	Target HQ	Buyer	Value (C\$m)
Mar 28, 2022	Energy	Leucrotta Exploration	Calgary, AB	Vermilion Energy	541
Feb 17, 2022	Mining	Royalty North Partners	Vancouver, BC	Sandstorm Gold	390
Feb 28, 2022	Mining	Orca Gold	Vancouver, BC	Perseus Mining	180
Feb 10, 2022	Technology	FULLY MANAGED	Vancouver, BC	TELUS	173
Jan 24, 2022	Technology	Ziva Dynamics	Vancouver, BC	Unity Software	162
Feb 14, 2022	Energy	Macro Enterprises	Fort Saint John, BC	Management Buyout	131
Jan 14, 2022	Automotive	HiRail Leasing Group	Acheson, AB	Custom Truck One Source	58
Mar 30, 2022	Energy	QuestEx Gold & Copper	Vancouver, BC	Skeena Resources	42
Mar 16, 2022	Technology	Tinkerine Studios	Delta, BC	Electrum Charging Solutions	41

Rising Mid-Market M&A Activity in Alberta

The Alberta economy has experienced significant economic challenges over the past decade, primarily underpinned by the precipitous decrease in crude oil prices and the impacts of the COVID-19 pandemic. Despite this, energy companies have now largely adapted to a lower commodity price environment, and in combination with crude prices reaching highs last achieved in 2014, have contributed to a significant economic recovery in Alberta. The Alberta government is becoming increasingly active in programs that encourage growth in other sectors to diversify its economy and stimulate new industries. For example, the province recently launched its Technology and Innovation Strategy, which is aiming to add 20,000 new jobs in the technology sector by 2030, while generating an additional \$5 billion dollars in revenue.

The emergence of new industries coupled with softer commodity prices have greatly impacted both the volume and composition of mid-market M&A transactions in Alberta over the past decade.

In 2014, the most active year in Alberta since 2007, energy sector transactions accounted for 43% of total deal volume. Over the next several years, both transaction volumes and the overall proportion of energy sector transactions declined due to lower oil prices and the resulting economic impact on Alberta. Mid-market M&A volumes declined by 20% from 2014 to 2018 and the proportion of energy sector deals decreased significantly as well. In 2018, only 45 mid-market M&A transactions in the energy sector were completed - a 50% decrease from 2014 levels.

Alberta realized a strong recovery in M&A activity in 2021 with 213 mid-market transactions completed during the year, the most since 2007. The energy sector comprised only 23% of these transaction volumes (compared to 43% in 2014). M&A data over the past several years clearly shows that the province's economy is beginning to diversify with new sectors emerging.

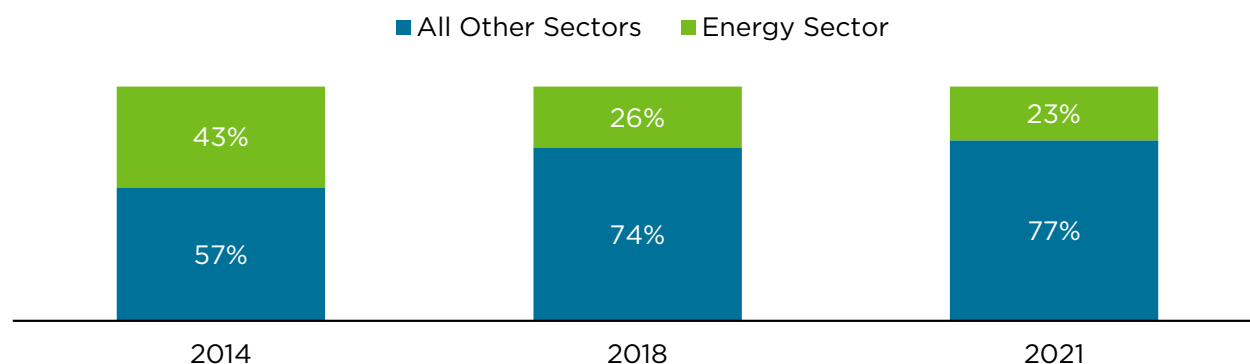
MID-MARKET TRANSACTIONS* - ALBERTA

	2014	2018	2021
# Transactions - Energy Sector	89	45	50
# of Transactions - All Other Sectors	118	127	163
Total Transactions	207	172	213
Average Oil Price**	\$93	\$64	\$68

Source: Capital IQ

*Transactions with deal values between \$10M and \$500M
 **Price of West Texas Intermediate (WTI) in US\$/bbl

ALBERTA MID-MARKET M&A DEAL MIX



Capital West's Deal Activity in Alberta

Capital West has executed numerous transactions for Alberta-based businesses. Capital West anticipates increased deal activity in Alberta driven by higher commodity prices, while emerging sectors (e.g., technology, energy transition) also see significant activity from both M&A and financing perspectives. Notable past Capital West transactions of Alberta based businesses include:


SELECT CAPITAL WEST TRANSACTIONS OF ALBERTA-BASED BUSINESSES



ENERGY SOFTWARE

Sale of majority interest to Element Partners

Advised the Seller



PULP MILL

Sale of Mitsubishi's 70% interest in Alpac to Hokuetsu Kishu Paper

Advised the Seller



CRANE MANUFACTURER

Investment by Regimen Capital Partners

Advised the Seller



MANAGING GENERAL AGENCY

Sale to iA Financial Group

Advised the Seller



OILFIELD SERVICES

Sale to Mullen Group \$69 million

Advised the Seller



RESTAURANT ROYALTY

Equity Financing \$65 million

Financial Advisor

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