

Q1 2023

DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



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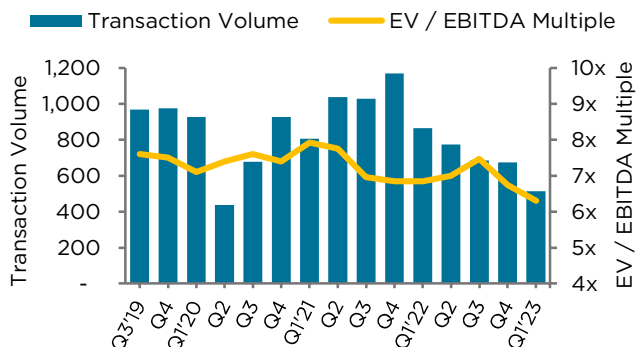
Growing the Capital West Team

Q1 2023 M&A Market Update

MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Average EBITDA multiples decreased from 6.7x in Q4 2022 to 6.3x in Q1 2023
- North American transaction volumes fell 24% in Q1'23 from Q4'22 - the decline was more significant in the US at 31%, whereas Canadian deal volumes declined 12% in the same period
- Transaction activity has slowed from the record levels seen in 2021 and early 2022, driven by rising interest rates and many buyers taking a pause after two very active M&A years
- Despite slower deal activity and higher interest rates, middle market transaction multiples remain in-line with long-term averages

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

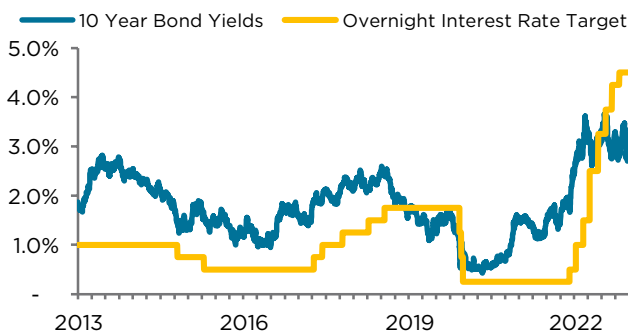


Source: Capital IQ

CANADIAN INTEREST RATES

- The Bank of Canada raised interest rates seven times in 2022 and raised rates a further 0.25% in January 2023 - a pace of increase not seen since the 1980's
- In its last two meetings, the Bank of Canada held rates constant. Further increases are unlikely as inflation is beginning to decline
- Economists are forecasting interest rate cuts later this year or early in 2024 - any reduction would be a positive catalyst for M&A activity and valuation multiples

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



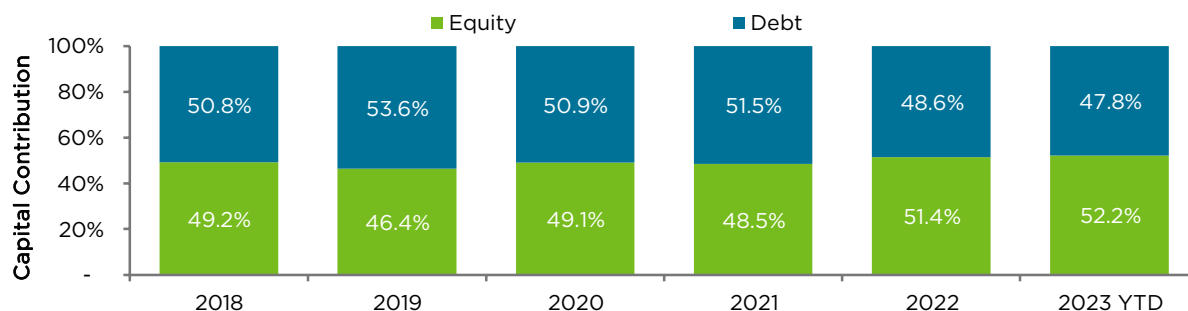
Source: Bank of Canada

Q1 2023 M&A Market Update (Continued)

EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

As a result of higher interest rates, equity contributions on middle-market transactions have begun to increase. In Q1 2023, the average middle market transaction was funded with 52.2% equity, up slightly from 51.4% in 2022. Despite higher interest rates, buyers are still able to obtain attractive levels of debt financing and as a result, there has not been a material change in the required equity to fund a transaction.

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



Sources: Capital IQ, GF Data

TOP 10 M&A DEALS IN WESTERN CANADA

The top 10 Western Canadian M&A deals continued to be led by the commodity sector, driven by resilient metal prices despite the overall economic climate. Two notable transactions in the quarter included the proposed management buy-out of Canaccord Genuity and the merger of WeCommerce Holdings with Victoria-based Tiny Capital. Founded in 2007, Tiny Capital is a leading technology holding company that has acquired over 35 businesses.

TOP 10 PUBLICLY ANNOUNCED WESTERN CANADIAN DEALS IN Q1 2023

Date	Industry	Target	Target HQ	Buyer	Value (C\$M)
Feb 13, 2023	Mining	Sabina Gold & Silver	Vancouver, BC	B2Gold Corp.	1,061
Jan 9, 2023*	Financial	Canaccord Genuity Group	Vancouver, BC	Management Buyout	879
Jan 20, 2023	Oil & Gas	Ridgeback Resources Inc.	Calgary, AB	Saturn Oil & Gas Inc.	525
Jan 23, 2023	Software	WeCommerce Holdings	Vancouver, BC	Tiny Capital	287
Jan 17, 2023	Health Care	Neovasc Inc	Richmond, BC	Shockwave Medical, Inc	189
Feb 6, 2023	Oil & Gas	Cor4 Oil Corp.	Calgary, AB	International Petroleum	84
Feb 16, 2023	Mining	Lithium Chile Inc.	Calgary, AB	Gator Capital Ltd.	35
Feb 21, 2023	Mining	ATAC Resources Ltd.	Vancouver, BC	Hecla Mining Company	29
Mar 16, 2023	Mining	Anacortes Mining Corp.	Vancouver, BC	Steppe Gold Ltd.	20
Jan 27, 2023	Software	Generative AI Solutions	Vancouver, BC	Metachain Holdings Inc.	15

Top 5 Pitfalls to Avoid When Selling Your Business

One of the most important decisions in a business owner's lifetime is the sale of their business. When marketing your business for sale, there are numerous factors that impact buyer interest, transaction structure, and valuation. From our 30+ years of transaction experience, here are five common pitfalls to avoid to ensure you achieve the very best possible deal and maximize value:

1

Not Marketing the Full Management Team



- Buyers need to be comfortable that the business can continue to be successful post-transaction
- It's critical to highlight the capabilities of all your key leaders to potential buyers so they fully understand that there is a strong and capable team to continue growing the business
- Advantageous to give other business leaders the opportunity to be part of the due diligence Q&A as an opportunity to showcase their strengths

2

Not Highlighting Growth



- Most buyers keenly focus on the growth potential of any new investment – therefore it is important to emphasize any significant growth opportunities and ideally explain how tangible they are
- Many sellers do not spend enough time putting “meat on the bones” with proper explanations of growth opportunities and instead are more backward-looking, overly focusing on historical results

3

Weak Market Positioning



- What makes your business unique and gives it a clear edge over competitors?
- Clearly articulating your competitive advantages will lead to greater interest and higher valuations
- When there are many deals in the market, a buyer's interest can wane if your business sounds too similar to other companies in the market

4

Information Overload



- Many of the buyers you approach will be evaluating numerous deals at the same time
- It is important to capture their attention quickly with your most compelling selling points and not bog them down with too much information early in a process
- It is much better to share a very targeted amount of quality information that piques their interest, vs. a large amount of detailed information that risks the buyers getting “lost in the weeds”

5





Lack of Quality Financial Data



- All buyers will want to review detailed financial information as part of their diligence and to understand how you manage the business and measure key performance indicators
- It is important to provide quality financial and operational data quickly during a process
- It will demonstrate that your operation is well-run and will also ensure the deal doesn't stall so you can maximize competitive tension amongst buyers and keep momentum to close a transaction

Strong Start to 2023

Capital West has been very active and successfully closed four transactions in Q1 2023:

 FIREPLACE MANUFACTURER Sale of 65% interest to NIBE Industrier Advised the Seller	 INDUSTRIAL METALWORKING EQUIPMENT DISTRIBUTOR Sale to Regimen Equity Partners Advised the Seller	 CUSTOM PRECISION METAL MANUFACTURER Sale to Exchange Income Corporation Advised the Seller	 INVESTMENT DEALER Shareholder Buyout & Merger with Echelon Wealth Partners Financial Advisor
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Growing the Capital West Team

We are excited to welcome [Shaun Kalair](#) to the Capital West Team!



SHAUN KALAIR

Shaun joins us as an Associate with three years of experience from a national accounting firm in Vancouver where he provided assurance services to clients across a broad range of industries. Shaun graduated with a Bachelor of Commerce from the Sauder School of Business at UBC and is in the process of obtaining his designation as a Chartered Professional Accountant.

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