

Q1 2024

DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



IN THIS ISSUE

ACG BC Dealmakers of the Year Awards

Q1 2024 M&A Market Update

Navigating an Unsolicited Offer

Our Newest Chartered Business Valuator

ACG BC Dealmakers of the Year Awards

Capital West is proud to share that two of our clients, Pit Stop Portables and WhistleBlower Security, were recognized at the Association for Corporate Growth (“ACG”) British Columbia’s 2023 Dealmakers of the Year Awards.

2023 DEALMAKER OF THE YEAR – PIT STOP PORTABLES



ACG’s Dealmaker of the Year Award recognizes individuals who have contributed significantly to BC’s mid-market through dealmaking.

Led by Rob Mitchell and Barry Glotman, Pit Stop Portables executed over 10 strategic acquisitions over the last decade to become Western Canada’s largest rental and service provider of portable restrooms. In July 2023, Pit Stop was acquired by Total Sanitation Services.

Congratulations Rob, Barry, and the Pit Stop team!

2023 DEAL OF THE YEAR FINALIST – WHISTLEBLOWER SECURITY



ACG’s Deal of the Year Award recognizes the executive team and advisors of a leading BC mid-market transaction whose excellence in deal execution led to an exceptional outcome.

WhistleBlower Security (“WBS”), founded and led by Shannon Walker, is an industry leading ethics and compliance reporting solutions provider, with a comprehensive software platform and telephone hotline system. In September 2023, WBS was acquired by Case IQ.

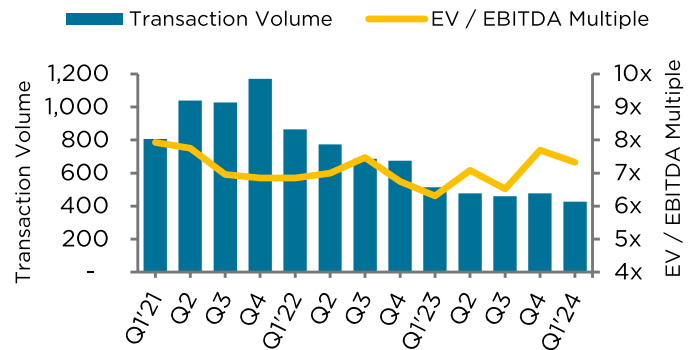
Congratulations Shannon and the WBS team!

Q1 2024 M&A Market Update

MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Average EBITDA multiples decreased modestly from 7.7x in Q4'23 to 7.3x in Q1'24, but remain consistent with historical averages over last 3 years
- Mid-market transaction volumes decreased 11% in Q1'24 from Q4'23 – primarily driven by the continued impact of higher interest rates
- With potential interest rate cuts later in 2024 and inflation stabilizing, mid-market M&A activity is anticipated to increase in the second half of the year

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

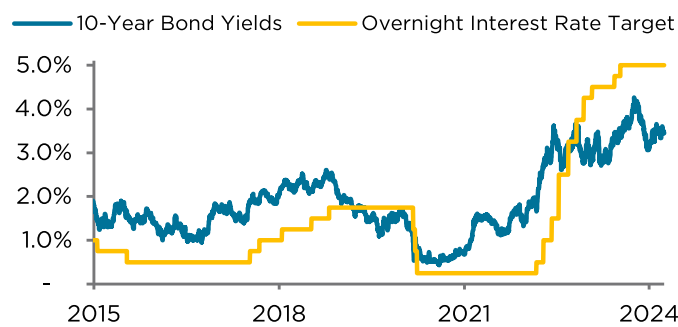


Source: Capital IQ

CANADIAN INTEREST RATES & INFLATION

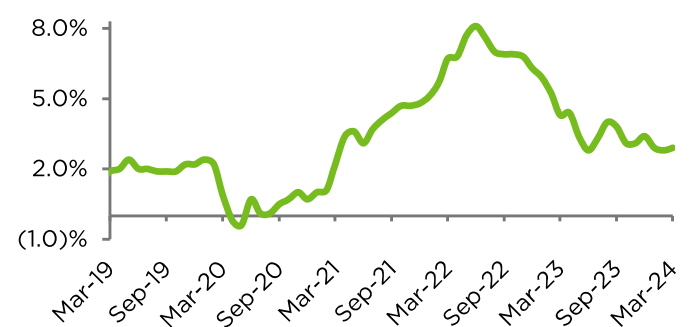
- In April, the Bank of Canada (“BoC”) elected to hold its target for the daily overnight interest rate at 5.00% for the sixth straight meeting
- 10-year bond yields rose 35 bps during the quarter, closing at 3.45%, as market expectation for timing of BoC rate cuts continues to be pushed further into the second half of 2024
- The impacts of BoC’s tighter monetary policy are working through the system and inflation continues to decline with Canadian Consumer Price Index (“CPI”) reaching 2.90% in March

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



Source: Bank of Canada

CANADIAN CONSUMER PRICE INDEX 12-MONTH % CHANGE



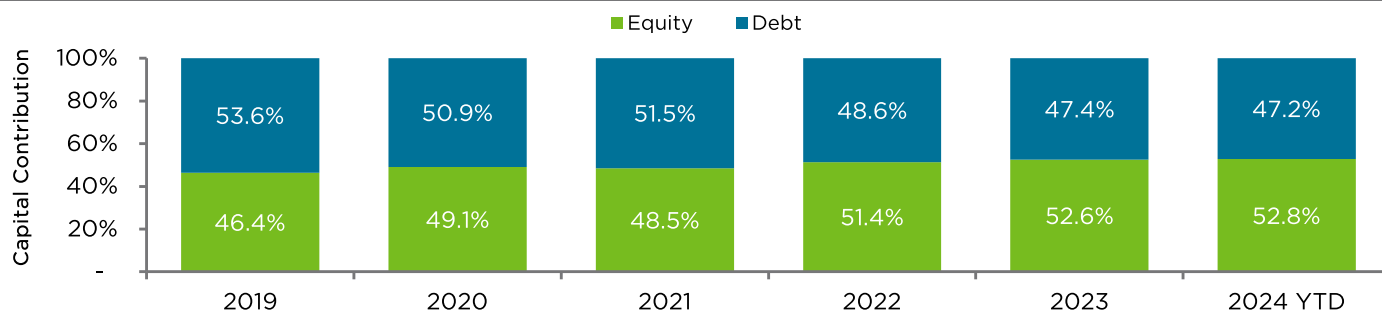
Source: Bank of Canada

Q1 2024 M&A Market Update (Continued)

EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

In Q1'24 the average middle market transaction was funded with 52.8% equity, consistent with 2023. Despite higher interest rates, buyers are still able to secure attractive debt financing to fund transactions.

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 in Q1'24 (excluding Oil & Gas and Mining) included transactions from a broad range of industries. The largest such deal was NYSE-listed Modine Manufacturing's \$257 million acquisition of Scott Springfield - a leading manufacturer of custom air handling units and other HVAC equipment. The second largest deal was UK-based Minute Media's \$202 million acquisition of Victoria-based STN Video - one of the largest sports video content distributors in the world.

TOP 10 PUBLICLY ANNOUNCED WESTERN CANADIAN DEALS IN Q1 2024*

Date	Industry	Target	Target HQ	Buyer	Value (C\$M)
Feb 26, 2024	HVAC Manufacturing	Scott Springfield Mfg	Calgary, AB	Modine Mfg (NYSE:MOD)	257
Jan 24, 2024	Sports Media	STN Video	Victoria, BC	Minute Media	202
Mar 5, 2024	Heavy Equipment Dealer	Great West Equipment	Vernon, BC	Nors Group	150
Mar 4, 2024	Pharmaceutical Manufacturing	ARTMS	Burnaby, BC	Telix Pharmaceuticals (ASX:TLX)	113
Mar 7, 2024	Cryptocurrency	Cathedra Bitcoin (TSXV:CBIT)	Vancouver, BC	Kungsleden	82
Jan 24, 2024	Software	MediaValet (TSX:MVP)	Vancouver, BC	Symphony Technology Group	80
Mar 20, 2024	Solar Energy	Solar Flow-Through Funds Ltd.	Vancouver, BC	SolarBank	42
Jan 11, 2024	Electric Vehicles	ElectraMeccanica Vehicles (NASDAQ:SOLO)	Burnaby, BC	Xos (NASDAQ:XOS)	39
Jan 25, 2024	Software	Intrahealth Systems Ltd.	Vancouver, BC	HEALWELL AI (TSX:AIDX)	24
Feb 5, 2024	Software	Mojave Brands (CNSX:MOJO)	Vancouver, BC	Light AI	16

*Excluding Oil & Gas and Mining Transactions

Navigating an Unsolicited Offer

Private equity firms and strategic buyers invest considerable time and resources developing relationships with business owners and will often submit proposals to buy businesses directly from owners outside of formal transaction processes (i.e., through one-on-one discussions). Sometimes the buyer's motivations for doing so include the desire to quickly negotiate a more buyer-friendly deal than could be achieved in a competitive, more broadly marketed transaction process.

As a business owner, there are a number of points to consider when evaluating an unsolicited proposal. These include:



VALUATION

Is the offer price equal to or greater than what other buyers would offer?



ALTERNATIVES / TIMING

Are there other options besides a full sale?
Is now the right time to sell?



READINESS

Are the Company and its employees ready to go through a due diligence process?

In order to assess these factors and more fulsomely evaluate an unsolicited offer, getting advice from an M&A advisor can be crucial. In addition to providing thorough analysis on valuation, alternatives, and overall deal readiness, the M&A advisor will work tirelessly to maximize value and improve the terms of the offer through the following:

1 COMPETITIVE TENSION

Presence of an M&A advisor demonstrates the owner's commitment to the sale process and signals to the buyer they are ready for a fully marketed competitive process if a premium value for the business is not achieved

2 NEGOTIATION SKILLS

M&A advisors have significant market intelligence and experience navigating the complexities of selling a business, making them well equipped to negotiate favourable transaction terms and structures which can significantly increase sale proceeds

3 SUPPORT & RESOURCES






M&A advisors manage all aspects of the transaction process, including collection and framing of information requests from the purchaser to sustain or improve the offer through due diligence, negotiations and closing, allowing the owner to focus on day-to-day operations of the business

Navigating an Unsolicited Offer (Continued)

CAPITAL WEST PERSPECTIVE

Selling a business is a complex process with massive financial ramifications for the business owner. Engaging an M&A advisor brings experience and impartiality to the transaction process, empowering owners to make informed decisions that align with their objectives and long-term vision for the Company.

Over Capital West's 30+ year history, we have successfully advised countless business owners on transactions involving an unsolicited offer. In many cases, the deal ultimately was closed at a meaningful premium to the initial offer received, with an improvement in other deal terms as well. Select recent transactions are listed below:

 PORTABLE SANITATION SERVICES Sale to Total Sanitation Services Advised the Seller	 INDUSTRIAL METALWORKING EQUIPMENT DISTRIBUTOR Sale to Regimen Equity Partners Advised the Seller	 FURNITURE MANUFACTURER Sale to Novacap Advised the Seller	 PHARMACEUTICAL MANUFACTURER Sale to Evonik Industries Advised the Seller	 ENERGY SOFTWARE Sale to Element Partners Advised the Seller
---	--	---	---	---

Our Newest Chartered Business Valuator



Capital West is pleased to announce that [Doug Krolman](#) has earned the designation of Chartered Business Valuator (CBV).

Doug also holds the Chartered Professional Accountant (CPA) designation in addition to his Master of Professional Accounting and Bachelor of Commerce in Accounting. Congratulations Doug!

Subscribe to Deals West at capwest.com 5