

Q2 2023

# DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



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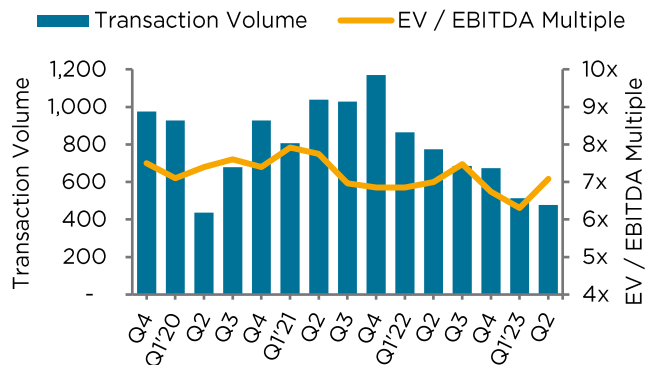
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## Q2 2023 M&A Market Update

### MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Average EV/EBITDA multiples increased from 6.3x in Q1'23 to 7.1x in Q2'23, the highest in the last six months (6.7x in Q4'22)
- North American transaction volumes decreased 7% in Q2'23 from Q1'23
- Canadian transaction value increased 20% in Q2'23 to \$5.5B from \$4.6B in Q1'23, while US transaction value declined by 21% from \$49B in Q1'23 to \$39B in Q2'23
- Higher multiples and stable transaction activity in Canada highlight the strength of the Canadian market and demand for high-quality Canadian businesses

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

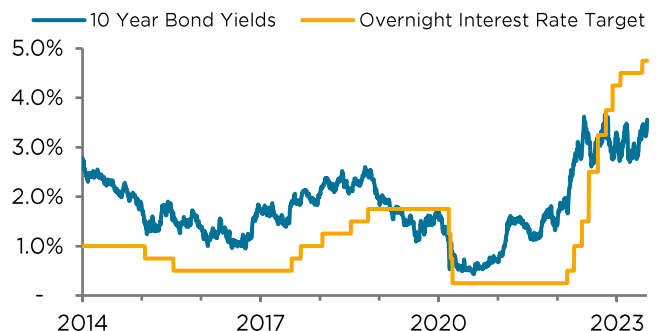


Source: Capital IQ

### CANADIAN INTEREST RATES

- The Bank of Canada overnight interest rate target increased 0.25% in June, followed by another 0.25% increase in July, bringing the overnight interest rate to 5.00%
- Consensus from economists suggests few to no rate hikes for the remainder of 2023 and a potential for rate cuts in 2024
- The rapid rise in rates over the past year is expected to reduce inflation to target levels over the next several quarters

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



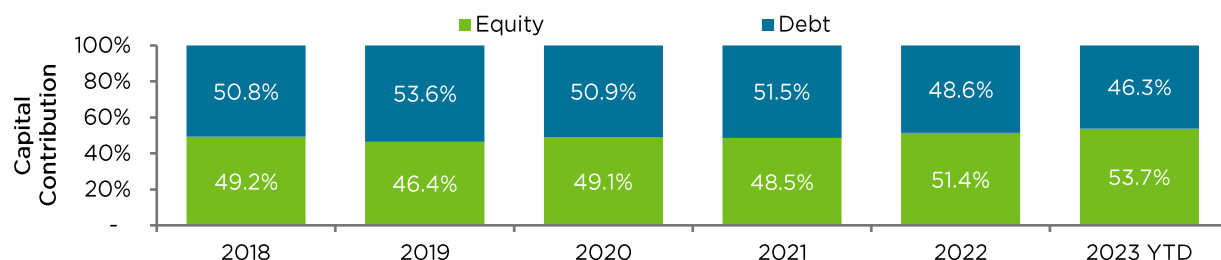
Source: Bank of Canada

### Q2 2023 M&A Market Update (Continued)

## EQUITY AND DEBT CONTRIBUTION ON NORTH AMERICAN DEALS

Equity contributions in YTD Q2'23 increased to 53.7%, up from 52.2% in YTD Q1'23. The higher cost of debt has driven buyers to increase equity contributions in their acquisitions. Buyers are expected to continue financing acquisitions with large amounts of equity as a result of the record-breaking cash positions accumulated over the last few years and elevated interest rates.

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



Sources: Capital IQ, GF Data

## TOP 10 M&A DEALS IN WESTERN CANADA

Western Canada's top 10 M&A deals in Q2'23 were led by the mining & energy sectors which comprised four of the five largest deals in the quarter. Suncor Energy's announced acquisition of Calgary-based oil & gas exploration company, Total E&P Canada, had the largest transaction value at \$6.1 billion\*. Crosspoint Capital Partners' acquisition of Absolute Software (TSX:ABST), a Vancouver-based software security solutions company, was the second largest deal in Western Canada at \$1.2 billion.

### TOP 10 PUBLICLY ANNOUNCED WESTERN CANADIAN DEALS IN Q2 2023

Date	Industry	Target	Target HQ	Buyer	Value (C\$M)
April 26, 2023	Oil & Gas	Total E&P Canada*	Calgary, AB	Suncor Energy	6,100
May 11, 2023	Software	Absolute Software (TSX:ABST)	Vancouver, BC	Crosspoint Capital Partners	1,238
April 13, 2023	Mining	Copper Mountain Mining	Vancouver, BC	Hudbay Minerals (TSX:HBM)	947
May 15, 2023	Mining	Alpha Lithium (NEOE:ALLI)	Vancouver, BC	Tecpetrol Investments	234
April 17, 2023	Mining	Pure Gold Mining (OTCPK:LRTN.F)	Vancouver, BC	West Red Lake Gold Mines (TSXV:WRLG)	181
May 4, 2023	Chemicals	Pro-Western Plastics	St. Albert, AB	Berry Global Group (NYSE:BERY)	120
April 10, 2023	Air Freight & Logistics	Locher Evers International	New Westminster, BC	EFL Global (USA)	90
May 1, 2023	Renewable Energy	FutEra Power	Calgary, AB	Alberta Investment Management	86
April 3, 2023	Financial	WonderFi Technologies (TSX:WNDR)	Vancouver, BC	Coinsquare / CoinSmart Financial	77
May 3, 2023	Consulting	Matrix Solutions	Calgary, AB	Montrose Environmental Group (NYSE:MEG)	65


\* Deal closing subject to re-assessment by both parties following Conoco Phillips exercise of their right of first refusal on TotalEnergies SE's 50% stake in the Surmont oilsands project in Alberta for \$4B.

## Active H1 for Capital West

The first half of 2023 has been active for Capital West, with a total of six deals closed across the manufacturing, energy, and financial services industries.



Sale to



**Advised the Seller**



Shareholder Buyout and Merger with




**Financial Advisor**




Sale to




**Advised the Seller**




Sale to



**Advised the Seller**




Sale to



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Cranberry Creek Hydroelectric Power Facilities

Sale to



**Advised the Seller**

### CURRENT CAPITAL WEST ACTIVITY

Capital West continues to see healthy demand from international and Canadian strategic and financial buyers pursuing acquisitions of high-quality mid-market Canadian businesses. We are currently advising on 12 M&A transactions across a broad range of industries, with several nearing completion.

With a resilient Canadian economy, declining inflation, and an expectation for interest rate decreases in 2024, Capital West expects a healthy mid-market M&A environment in Western Canada as we look to the second half of 2023 and into 2024.

## The Importance of a Growth Story

Selling a business at maximum value requires more than the standard housekeeping of providing historical financial information and addressing buyer's due diligence requests. It also requires a focus on the company's next chapter, showing buyers how company performance can reach the next level with the additional resources that come from an acquisition or partnership.

The buyer that pays the highest price is often the one who sees the most growth potential from the acquisition. Because of that, efficiently articulating a company's growth opportunities is critical to maximizing value, even for companies that have not traditionally focused on growth or do not have any immediate plans to pursue growth.

Often overlooked are available growth opportunities that the current owner may not be inclined to pursue (e.g. given capital investment required) but a new owner may seriously consider (and be willing to fund), such as:



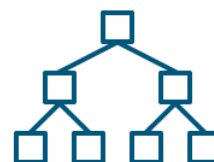
### Expansion

into new products, services, or geographical markets



### Growth

in existing products, services, and markets requiring additional key hires



### Acquisitions

to consolidate fragmented industries, realize synergies, or add new capabilities

## SUBSTANTIATING THE STORY

It is one thing to list several growth opportunities. Even more effective, is illustrating the financial impact of such opportunities to help a buyer translate the opportunities into an increased purchase price. Adding “meat on the bones” of growth opportunities with financial estimates, even if just indicative and preliminary, will help force the discussion on what it all means for the purchase price.

As part of any sale transaction mandate, Capital West focuses on preparing financial models and other materials that demonstrate the upside value potential from key growth opportunities. Having an experienced M&A advisor to manage the complexities of a transaction process, including optimal positioning of growth opportunities, allows business owners to do what they do best – focus on running their business and continuing to deliver robust financial results.

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