

# DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



## Q3 2024 M&A Market Update

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Q3 2024 M&A Market Update

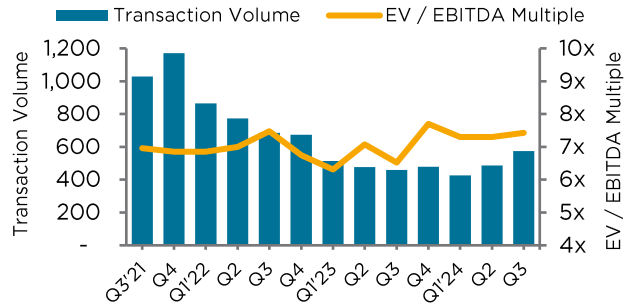
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### MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Average EBITDA multiple of 7.4x in Q3'24 – consistent with recent quarters
- Mid-market transaction volume in Q3'24 was the highest quarter in nearly two years; 574 deals announced (up 25% from Q3'23)
- While deal activity is below the volumes experienced in 2021 and early 2022, it is returning to pre-COVID levels
- M&A activity is picking up and deal activity is anticipated to increase in 2025

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

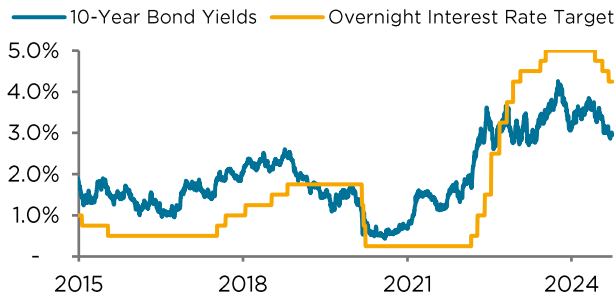


Source: Capital IQ

### CANADIAN INTEREST RATES & INFLATION

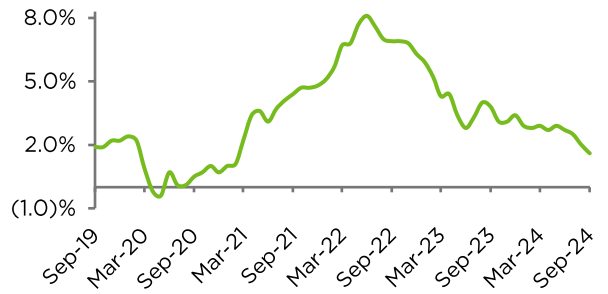
- The Bank of Canada (“BoC”) has cut interest rates three consecutive times in 2024 to the current overnight rate of 4.25%
- Canadian inflation was 1.6% in September, the lowest level since February 2021
- BoC will meet two more times in 2024; broad market consensus for further rate cuts

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



Source: Bank of Canada

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



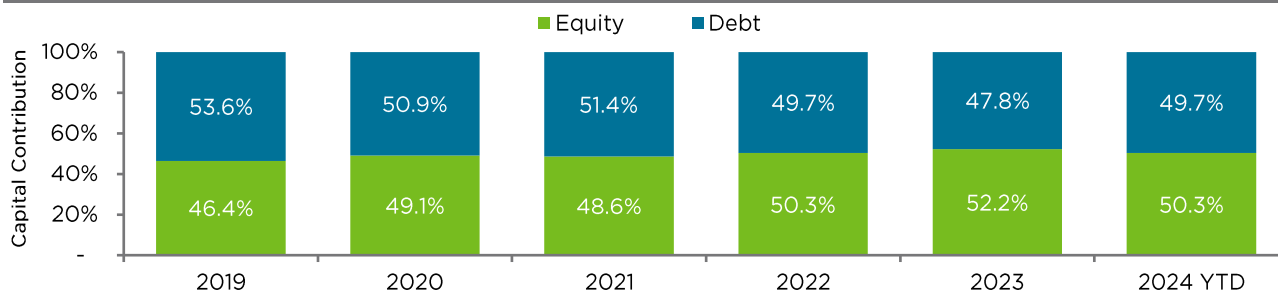
Source: Bank of Canada

### Q3 2024 M&A Market Update (Continued)

## EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

Year-to-date equity contribution in mid-market transactions averaged 50.3%, down from 52.2% in 2023. With interest rates decreasing, debt contributions in mid-market deals will likely increase going forward.

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



Sources: Capital IQ, GF Data

## TOP 10 M&A DEALS IN WESTERN CANADA

In Q3'24, 132 M&A deals were announced in Western Canada. The top 10 such deals continue to be led by the commodity sector, driven by strong commodity prices and declining interest rates. The largest deal was Lundin Mining and BHP's \$4.2 billion acquisition of South America-focused copper miner Filo Corp., expected to close in Q1'25.

### TOP 10 PUBLICLY ANNOUNCED WESTERN CANADIAN DEALS IN Q3 2024

Date	Industry	Target	Target HQ	Buyer	Value (C\$M)
Jul 29, 2024	Mining	Filo Corp. (TSX:FIL)	Vancouver, BC	Lundin Mining (TSX:LUN); BHP Group (NYSE:BHP)	4,192
Sep 5, 2024	Mining	Gatos Silver (NYSE:GATO)	Vancouver, BC	First Majestic Silver (NYSE:AG)	1,309
Aug 7, 2024	Oil & Gas	Crew Energy (TSX:CR)	Calgary, AB	Tourmaline Oil (TSX:TOU)	1,183
Aug 12, 2024	Software	OneSoft Solutions (TSXV:OSS)	Edmonton, AB	Irth Solutions	113
Aug 2, 2024	Oil & Gas	Buffalo Mission Energy	Calgary, AB	Rubellite Energy (TSX:RBY)	97
Aug 2, 2024*	Cannabis	Digicann Ventures (CNSX:DCNN)	Vancouver, BC	3Win	40
Jul 22, 2024	Electrical Equipment	Boundary Electric	Grand Forks, BC	Ampere Alliance	35
Jul 18, 2024	Financial Services	CNJ Capital Investments (TSXV:CNJ.P)	Richmond, BC	CashFirst Finance Canada	30
Sep 26, 2024	Cannabis	ANC Inc.	Edmonton, AB	Simply Solventless Concentrates (TSXV:HASH)	14
Sep 5, 2024	Mining	ALX Resources Corp. (TSXV:AL)	Vancouver, BC	Greenridge Exploration Inc. (CNSX:GXP)	9

\* Reverse take-over transaction

## Growth Through Acquisition

A common strategy employed by private equity groups is to buy a solid and stable business; a “platform”, and then rapidly grow the business by making numerous add-on acquisitions of complementary businesses. While a “roll-up” strategy is common for private equity, it is less commonly used by entrepreneurs who typically grow their businesses gradually through organic initiatives.

Acquisitions provide an opportunity to consolidate market share, access new technologies or customers, and enter new geographic regions – all powerful levers for growth. For business owners not looking to sell in the near-term, acquisitions can significantly increase the value of their company.

Business owners possess invaluable insights into potential acquisition targets within their industry. Identifying the right target involves a careful assessment of strategic fit, financial performance, and potential synergies. Typical rationales for add-on acquisitions include:



### ELIMINATE COMPETITORS

Acquisition of direct rivals to significantly strengthen market position and provide access to new technologies / customers



### GEOGRAPHIC EXPANSION

Expansion into new markets by acquiring an established business with a strong foundation in the region



### ROLL-UP CONSOLIDATION

Acquisition and integration of smaller companies in the industry to achieve economies of scale and expand market share



### VERTICAL INTEGRATION

Acquisition of key suppliers or distributors to improve control over supply chains and reduce costs

While committing to an acquisition strategy and identifying potential targets are crucial first steps, executing the transaction presents several hurdles that require careful navigation:

### Valuation

Determining and negotiating a price and deal structure that satisfies all parties. Detailed analysis, financial modelling, and knowledge of precedent transactions is often required to determine valuation.

### Financing

Buyers use a combination of debt and equity and often utilize some form of vendor financing. Each financing option comes with its own set of considerations and potential implications for the acquiring company's financial structure.

### Due Diligence

Thorough investigation of the target company's financials, operations, HR, and legal standing is an essential part of completing an acquisition.

## Growth Through Acquisition (Continued)

### CAPITAL WEST PERSPECTIVE

Executing a successful acquisition is a complex process that requires thorough preparation and thoughtful execution. M&A advisors can quarterback the acquisition process, offering crucial support with target identification, due diligence management, valuation, financial structuring, and transaction financing.

Over Capital West's 30+ year history, we have advised numerous business owners on successful strategic acquisitions. Select recent transactions include:



**REAL ESTATE DEVELOPER**

Acquisition of Cedarglen Homes


**Advised the Buyer**



**ROAD MAINTENANCE CONTRACTOR**

Acquisition of the Cobra Group of Companies

**Advised the Buyer**



**CREDIT UNION**

Acquisition of CoPower

**Advised the Buyer**



**POWERLINE MAINTENANCE & CONSTRUCTION**

Acquisition of Carillion's 60% interest

**Advised the Buyer**

## Business Transitions Forum

Join [Andrew Kemper](#), Partner at Capital West, along with hundreds of Canada's top entrepreneurs and M&A advisors at the Business Transitions Forum Vancouver on November 6, 2024.

Andrew is moderating a panel titled "Secrets From The Other Side: A Buyers Perspective" which will discuss the dynamics of business transactions from the buyer's side of the table.

Since 2015, the Business Transitions Forum has helped guide Canadian entrepreneurs through comprehensive growth strategies and ownership transitions, including opportunities for M&A to enhance shareholder value.

Link to register is [HERE](#).



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