

DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



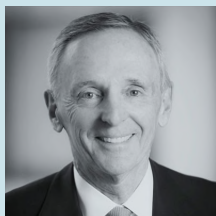
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IN MEMORIAM - FRED WRIGHT

We are saddened that Capital West's founder, Fred Wright, passed away on June 4th of this year.

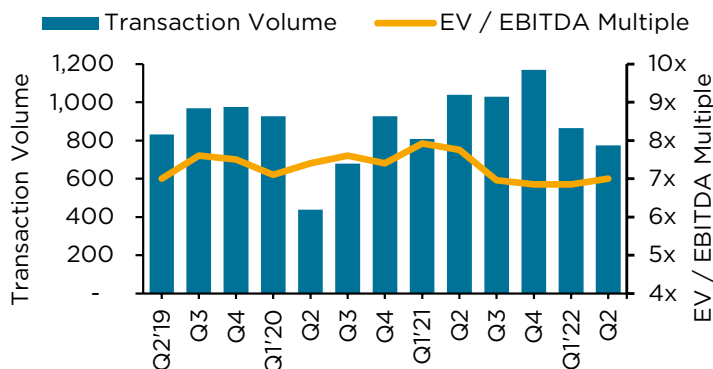
Please see the full memoriam on page 6.

Q2 2022 M&A Market Update

MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Q2 2022 average EBITDA multiples increased slightly from the prior three quarters to 7.0x
- The number of transactions declined 11% to 774 during Q2 2022, compared to 865 in Q1 2022
- Financial and strategic buyers are shifting focus to high-quality cash-generating businesses
- This shift may lead to lower transaction volumes, but will keep valuation multiples above historical averages for high-quality businesses

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

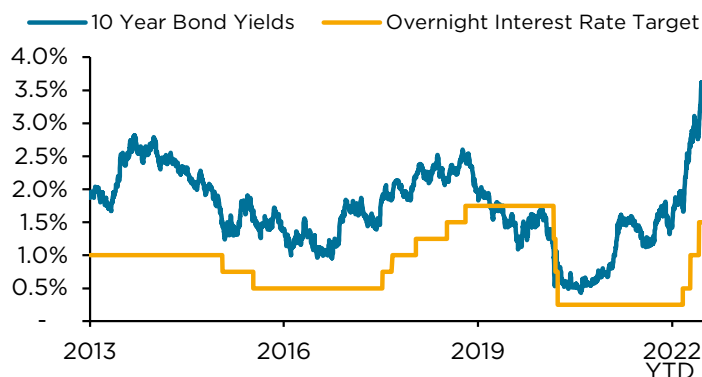


Source: Capital IQ

CANADIAN INTEREST RATES AND 10-YEAR BOND YIELDS

- The Bank of Canada has hiked interest rates four times since the start of 2022 to the current overnight rate of 2.5%
- Further rate hikes are expected through the remainder of 2022 and into 2023
- Government of Canada 10-year bond yields increased from 2.2% at the end of Q1 2022 to 3.1% as of July 14 as the market anticipates ongoing interest rate increases

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



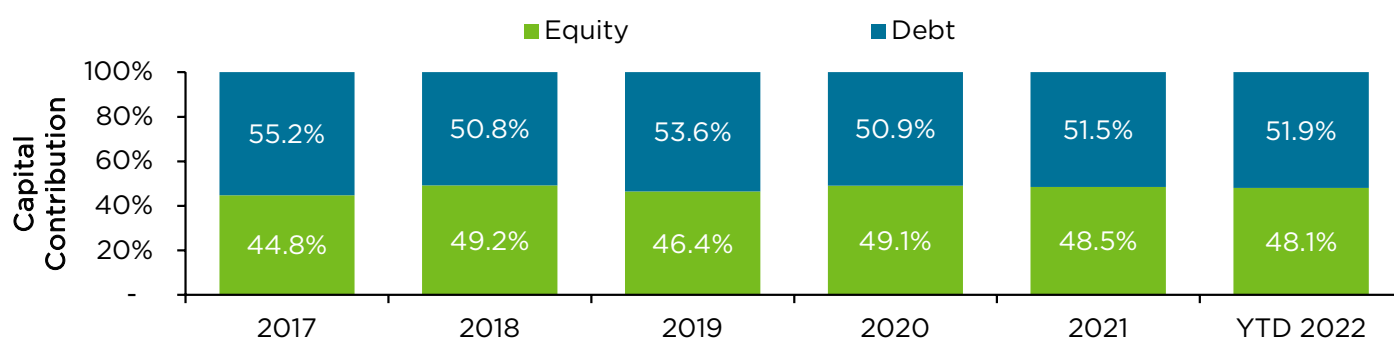
Source: Capital IQ

Q2 2022 M&A Market Update (Continued)

EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

- Year-to-date equity contribution averaged 48.1%, up from 47.2% in Q1 2022
- Ongoing increases in equity contributions are expected as further interest rate hikes are implemented

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



Source: GF Data

TOP 10 M&A DEALS IN WESTERN CANADA

The top 10 Western Canadian M&A deals in Q2 2022 involved a variety of industries with a concentration in the industrials and materials sectors. The largest transaction was Whitecap Resources' (TSX:WCP) \$1.9 billion acquisition of XTO Energy Canada, a Calgary-based energy company owned 50/50 by ExxonMobil (NYSE:XOM) and Imperial Oil (TSX:IMO). Another notable transaction was Audax Private Equity's \$425 million acquisition of the Harbourfront Group, a Vancouver-based independent wealth management and financial planning firm.

TOP 10 PUBLICLY DISCLOSED WESTERN CANADIAN DEALS IN Q2 2022

Date	Industry	Target	Target HQ	Buyer	Value (C\$M)
Jun 28, 2022	Oil & Gas	XTO Energy Canada	Calgary, AB	Whitecap Resources (TSX:WCP)	1,880
Jun 14, 2022	Financial	Harbourfront Group	Vancouver, BC	Audax	425
May 10, 2022	Construction	Northern Mat & Bridge	Clairmont, AB	Exchange Income (TSX:EIF)	325
Jun 13, 2022	Coal	UEX Corporation (TSX:UEX)	North Vancouver, BC	Uranium Energy (NYSEAM:UEC)	245
Jun 13, 2022	Gold	Gold Standard (TSX:GSV)	Vancouver, BC	Orla Mining (TSX:OLA)	238
Apr 12, 2022	Metals	Silver Phoenix (CNSX:SP)	Vancouver, BC	Atlas Biotechnologies	189
May 5, 2022	Aerospace	Avcorp Industries (TSX:AVP)	Delta, BC	Latécoère (ENXTPA:LAT)	143
Apr 18, 2022	Chemicals	Flexible Solutions International	Taber, AB	Lygos	108
May 25, 2022	Lottery	Kings Entertainment (CNSX:JKPT)	Vancouver, BC	Sports Venture Holdings	98
Jun 10, 2022	Oil & Gas	Rolling Hills Energy	Calgary, AB	Tamarack Valley Energy (TSX:TVE)	94

M&A During Periods of Elevated Inflation

As North America emerges from the COVID-19 pandemic, massive fiscal stimulus, increasing consumer demand, and supply chain issues have caused product and labour shortages, resulting in significant price increases. This has been compounded by rising food, energy, and other commodity prices due to the war in Ukraine, which led the US CPI inflation reading to 9.1% in June 2022⁽¹⁾, the highest rate in 40 years.

In response, the US Federal Reserve (the “Fed”) increased its federal funds rate by 0.75% in June 2022 to a target range of 1.50% to 1.75%. The Bank of Canada followed suit by increasing its rate by 1.00% to a target of 2.50% in July 2022.

To understand the impact of an inflationary environment on M&A activity, one can examine the US during the early 1980s. In the late 1970s, the Fed attempted to lower unemployment through high inflation. This was unsuccessful and led to higher unemployment and runaway inflation, which was exacerbated by the 1979 Oil Crisis which caused a surge in oil prices due to US reliance on foreign supply.

CPI inflation reached 14.8%⁽¹⁾ by 1980, causing the Fed, in an effort to bring inflation under control, to aggressively tighten the money supply by increasing overnight interest rates to 14.0%⁽²⁾.

Although similarities exist between the current environment and the 1980's, today's economy is robust and positioned for a faster recovery as headline inflation is significantly lower, unemployment is near all-time lows⁽¹⁾ with job vacancies at record highs⁽³⁾, and the US is less reliant on foreign oil as it has transitioned from a net importer to exporter of oil. Additionally, American households, corporations, and private equity firms are sitting on record levels of cash.

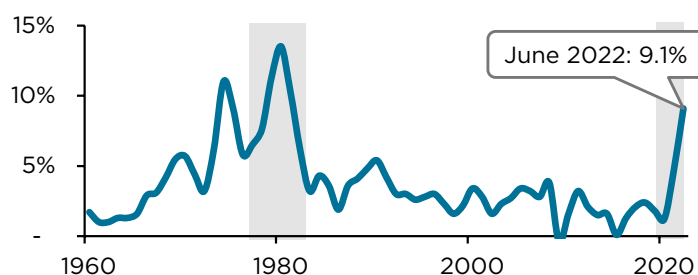
As interest rates rise and above-average inflation persists, buying high-quality businesses with the ability to continue growing cash flows is increasingly important. The current economic environment has already caused a shift away from speculative investments to businesses that can continue to increase profits and distributions to shareholders. This shift will continue supporting mid-market M&A transaction volumes and valuations in North America.

(1) Source: US Bureau of Labor Statistics

(2) US Federal Reserve

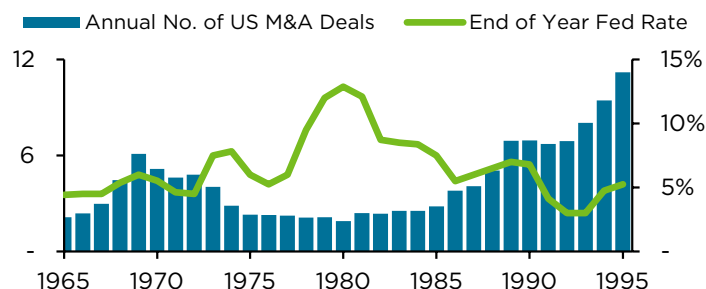
(3) Since the US Bureau of Labor Statistics began tracking in 2000

AVERAGE US CPI INFLATION (%)



Source: Bureau of Labor Statistics

ANNUAL NUMBER OF US M&A DEALS (000's) & END OF THE YEAR FEDERAL RESERVE RATES



Sources: Thomson Reuters and US Federal Reserve

Economic Factor	1980s	Today
Inflation	14.8%	9.1%
Unemployment	7.5%	3.6%
Net Oil Imports (M barrels / day)	6.4	(0.16)

M&A Activity During Periods of Elevated Inflation (Continued)

The following factors will also help drive economic recovery and M&A activity in the coming years:



Rebuilding Critical Infrastructure

North American governments are implementing agendas to revitalize aging key infrastructure, which will keep Canadians and Americans working, earning, and spending



Record Levels of Private Equity Dry Powder

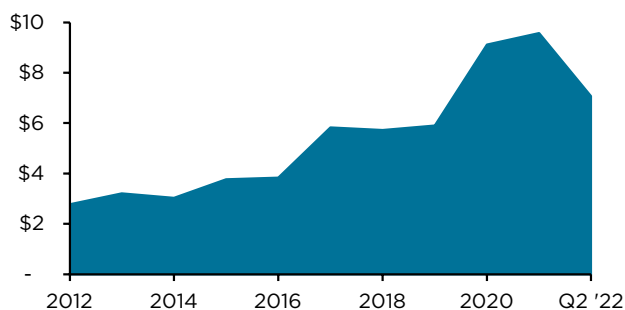
Private equity firms are motivated to deploy record levels of ~\$1.8 trillion committed capital and will continue to invest in well-run Canadian businesses



Substantial War Chests

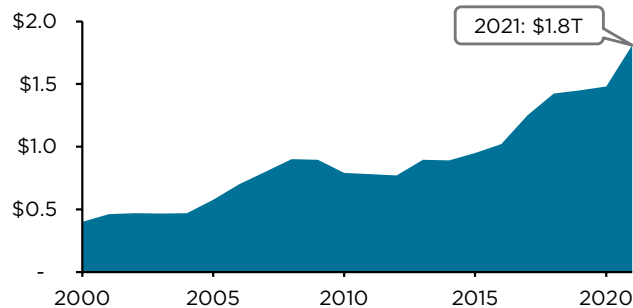
Corporate balance sheets are exceptionally well capitalized which will drive M&A, capital investment activity, and economic growth

S&P 500 COMPANIES AVERAGE CASH BALANCES (\$US B)



Source: Capital IQ

GLOBAL PRIVATE EQUITY DRY POWDER (\$US T)




Source: Preqin

INDUSTRIES RESILIENT IN THE FACE OF INFLATION

Numerous industries in Western Canada are well positioned for strong performance, capital investment, and M&A activity in an inflationary environment, such as energy and other natural resources, industrials, financial services, and healthcare. Notable Capital West transaction experience in these sectors include:

Natural Resources

The SilvaGro Partnership 

FOREST SEEDLINGS

Sale to PRT Growing Services

Advised the Seller

Infrastructure Services


ROKSTAD

POWERLINE MAINTENANCE & CONSTRUCTION

Acquisition of Carillion's 60% interest

Advised the Buyer

Financial Services

 **SPECIAL RISK**
INSURANCE MANAGERS

MANAGING GENERAL AGENCY

Sale to Brown & Brown

Advised the Seller

Healthcare

 **Rubicon**
PHARMACIES CANADA INC.

RETAIL PHARMACIES

Sale to TorQuest Partners

Advised the Seller

Growing the Capital West Team

We are excited to welcome [Grant Nicholson](#) and [Helen Garabandic](#) to the Capital West Team!



GRANT NICHOLSON

Grant joins us as an Associate with three years of experience from a national accounting firm in Vancouver where he provided assurance services to clients in a variety of industries. Grant is a Chartered Professional Accountant (CPA) and is a graduate of Western University where he received a Bachelor in Management.



HELEN GARABANDIC

Helen joins us as an Associate bringing prior private equity experience in Calgary and Vancouver where she worked on numerous transactions across a broad range of industries. Helen obtained her business degree from Simon Fraser University, where she was an Analyst with the Beedie Endowment Asset Management (BEAM) Fund and was on the varsity swimming team.

In Memoriam – Fred Wright



We are saddened that Capital West's founder, Fred Wright, passed away on June 4th of this year.

Fred's accomplishments were vast, yet it is his legacy of generosity, good humour, hard work, and family that will live on in all he touched.

Fred was a trusted and respected advisor, a wonderful mentor, and a great friend. He had an illustrious career in investment banking and was widely respected for his business acumen, leadership and collegial approach. After starting his career at Nesbitt Thomson, he moved to Pemberton Securities where, as CEO, he was instrumental in building Pemberton into a leader in

the industry. After the sale of Pemberton to Royal Bank, he founded Capital West Partners in 1990, where he once again built a market leader.

Fred's knowledge and experience were immeasurable, and he was always willing to share that knowledge. He mentored so many of the team at Capital West, who will forever be grateful for his generosity and insights. Fred's name and spirit will live on forever at Capital West. All of those who had a chance to work with Fred were truly fortunate.

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