



## Q2 2024 M&A Market Update

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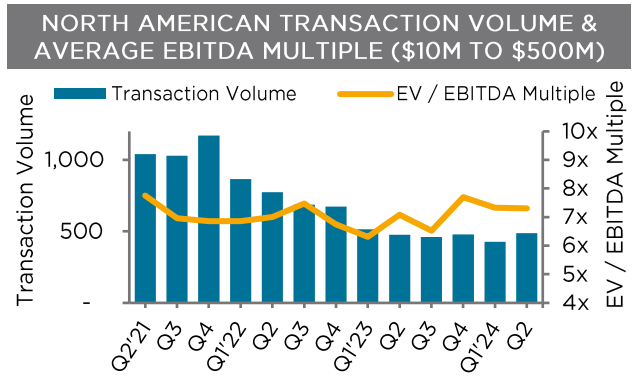
Q2 2024 M&A Market Update

How a Partial Sale Can Enhance Value for Sellers

Capital West Industry Insights

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

- Mid-market transaction volumes increased 14% to 486 deals in Q2'24
- Valuation multiples stayed the same as Q1'24 at 7.3x EBITDA, consistent with the average over last 3 years
- With inflation stabilizing and further interest rate cuts expected before end of year, mid-market M&A activity is anticipated to increase in the back half of 2024

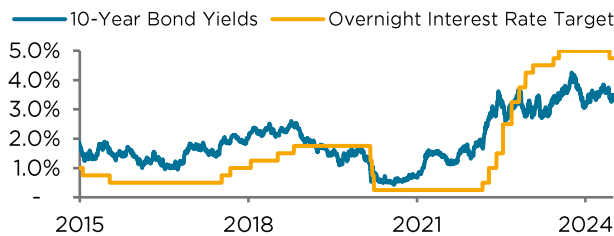


Source: Capital IQ

### CANADIAN INTEREST RATES & FURTHER EASING OF INFLATION

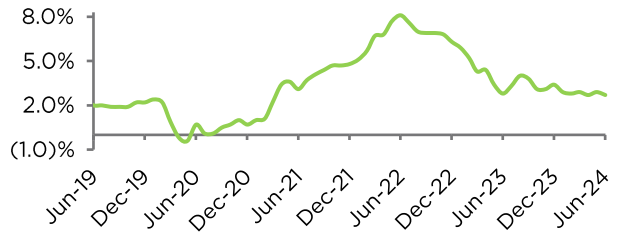
- In June, the Bank of Canada (“BoC”) lowered its target for the daily overnight interest rate by 0.25% to 4.75%, marking the first rate cut in over four years
- 10-year bond yields ended the quarter at 3.5%, consistent with Q1, as market expectation for timing of further BoC rate cuts continues to be pushed further into H2 2024
- Canadian inflation was 2.7% in June, modestly lower than expected and down from 2.9% in May

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



Source: Bank of Canada

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



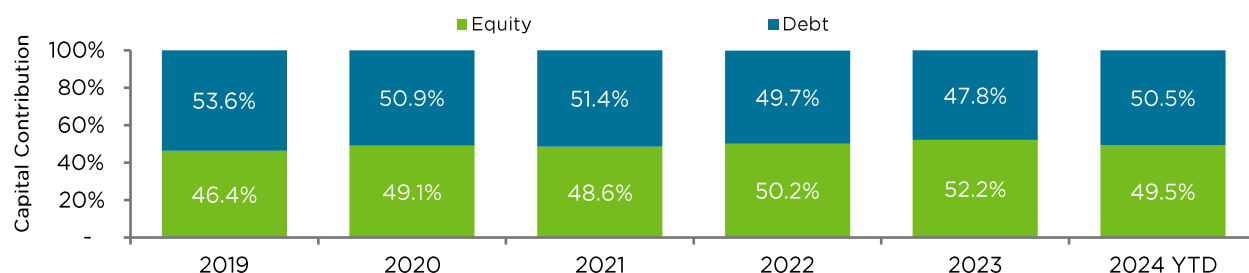
Source: Bank of Canada

### Q2 2024 M&A Market Update (Continued)

## EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

The average mid-market transaction this year has been funded by 50.5% debt, a significant increase from the 2023 average of 47.8%. Buyers were able to secure more debt financing as interest rates decreased and the financing environment improved - a reversal of the trend since 2021.

### 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 Q2'24 (excluding Oil & Gas and Mining) featured transactions from a broad range of industries. The largest deal was National Bank's C\$5.5 billion acquisition of Canadian Western Bank, expected to close by end of 2025.

### TOP 10 PUBLICLY ANNOUNCED WESTERN CANADIAN DEALS IN Q2 2024 \*

Date	Industry	Target	Target HQ	Buyer	Value (C\$M)
Jun 11, 2024	Financial	Canadian Western Bank (TSX:CWB)	Edmonton, AB	National Bank of Canada (TSX:NA)	5,507
Jun 11, 2024	Cable & Satellite	Northwestel	Whitehorse, YT	Sixty North Unity	1,000
Jun 11, 2024	Software	Copperleaf Technologies Inc. (TSX:CPLF)	Vancouver, BC	Industrial and Financial Systems	967
May 22, 2024	Firefighting Products	SEI Industries	Delta, BC	TransDigm Group Inc. (NYSE:TDG)	232
Jun 10, 2024	Construction	Jacob Bros Construction	Surrey, BC	Bird Construction Inc. (TSX:BDT)	135
Jun 10, 2024	Gaming	Lion Gaming Group	Calgary, AB	Adventure Box Technology (OM:ADVBOX)	62
May 15, 2024	Healthcare Tech	CloudMD Software & Services Inc. (TSXV:DOC)	Vancouver, BC	CPS Capital	37
Jun 26, 2024	Tourism	Jasper SkyTram	Jasper, AB	Viad Corp (NYSE:VVI)	25
Jun 20, 2024	Healthcare Tech	MedBright AI Investments Inc. (CNSX:MBAI)	Vancouver, BC	Numinus Wellness Inc. (TSX:NUMI)	10
Apr 11, 2024	Pet Care	STEM Animal Health	Winnipeg, MB	Dechra Veterinary Products	6

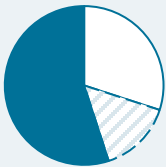
\*Excluding Oil & Gas and Mining transactions

## How a Partial Sale Can Enhance Value for Sellers

A partial sale of a company is often a very attractive way for a seller to receive substantial cash on close and also participate in accelerated growth and value enhancement post-sale, by maintaining an equity interest.

In many cases, the valuation a seller obtains on a later sale of their retained equity interest is substantially higher than the initial sale. Below are examples of how a transaction, with the right partner, can help accelerate growth, leading to a seller's participation in a second transaction at a much higher value:

### EXPANSION OF MARKET SHARE AND ENTRY TO NEW MARKETS



- Joining a larger enterprise allows a seller to expand its market reach and customer base as part of a larger, more diversified entity, driving incremental sales and creating a more dominant position in the industry
- Many buyers open doors to new markets and distribution channels not previously accessible due to barriers to entry and associated risks

### LEVERAGING ADMIN / SUPPORT RESOURCES OF A LARGER PARTNER



- By combining with a larger company, certain processes can be streamlined to create synergies and cost savings, resulting in operational efficiencies
- Buyers' access to diverse supply chain relationships and buying power can be leveraged to get better pricing, leading to improved margins
- Leveraging a larger partner's admin / support resources can free up key leaders of the seller's business to focus on higher impact activities, driving revenue growth

### ACCESS TO IMPROVED TECHNOLOGY, IT SYSTEMS AND EXPERTISE



- Implementing effective and secure information systems are integral to staying competitive; however, these tools are expensive and can be complicated to implement
- Many buyers have access to more robust IT systems and substantial resources to support and implement IT systems

## How a Partial Sale Can Enhance Value for Sellers (Continued)

### CAPITAL WEST PERSPECTIVE

Capital West has advised on numerous transactions where business owners retained an interest in their business in order to capitalize on accelerated growth and value up-lift, post-transaction. Select examples include:

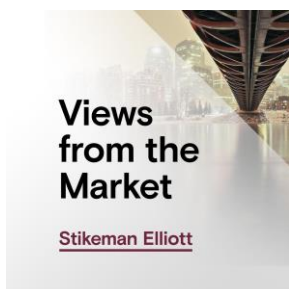
 <p><b>ATHLETIC APPAREL</b></p> <p>Sale of equity interest to Advent / Highland</p> <p><b>Advised the Seller</b></p>	 <p><b>RETAIL PHARMACIES</b></p> <p>Sale of majority interest to Torquest Partners</p> <p><b>Advised the Seller</b></p>	 <p><b>CHOCOLATE PRODUCER</b></p> <p>Sale of majority interest to Yellow Point Equity Partners</p> <p><b>Advised the Seller</b></p>	 <p><b>MANAGING GENERAL AGENCY</b></p> <p>Sale of majority interest to HUB International</p> <p><b>Advised the Seller</b></p>	 <p><b>FASHION RETAILER</b></p> <p>Sale of equity interest to Berkshire Partners</p> <p><b>Advised the Seller</b></p>
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## Capital West Industry Insights

[Paul Langley](#) and [Andrew Kemper](#), Partners at Capital West, recently shared their perspectives on current mid-market M&A trends.

### STIKEMAN ELLIOTT: VIEWS FROM THE MARKET

Paul joins [Mario Nigro](#) of [Stikeman Elliott](#) on the *Views from the Market* podcast to explore British Columbia's diverse economy and M&A landscape.



Listen to the full episode [HERE](#).

### IMAP M&A INDUSTRY INSIGHTS: FINANCIAL SERVICES

Andrew joins [Richard Tunney](#) of [Key Capital](#), our [IMAP](#) partner firm in Ireland, for a deep dive into the four key trends affecting M&A activity in the Financial Services industry in 2024.



Watch the full episode [HERE](#).

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