



MIDDLE MARKET M&A UPDATE

Q2 2019

M&A MARKET SUMMARY

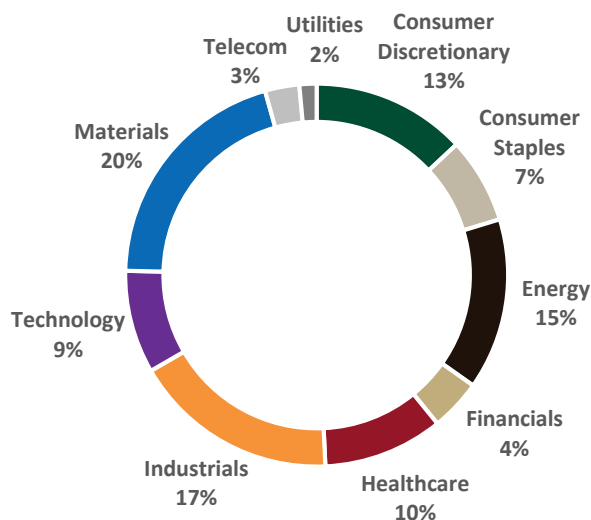
CANADIAN MID-MARKET

Canadian mid-market M&A activity in Q2 2019 recouped some momentum after observing a mild quarter to begin the year. Aggregate deal value reached \$5.7 billion during Q2 2019, across 69 disclosed transactions. In comparison, Q1 2019 totaled \$3.4 billion in aggregate deal value across 61 transactions. Despite an uncertain outlook heading into 2019, due to a looming federal election and potential for global trade disputes, Canadian dealmakers with accessible capital are pushing ahead and keeping the M&A market buoyant.

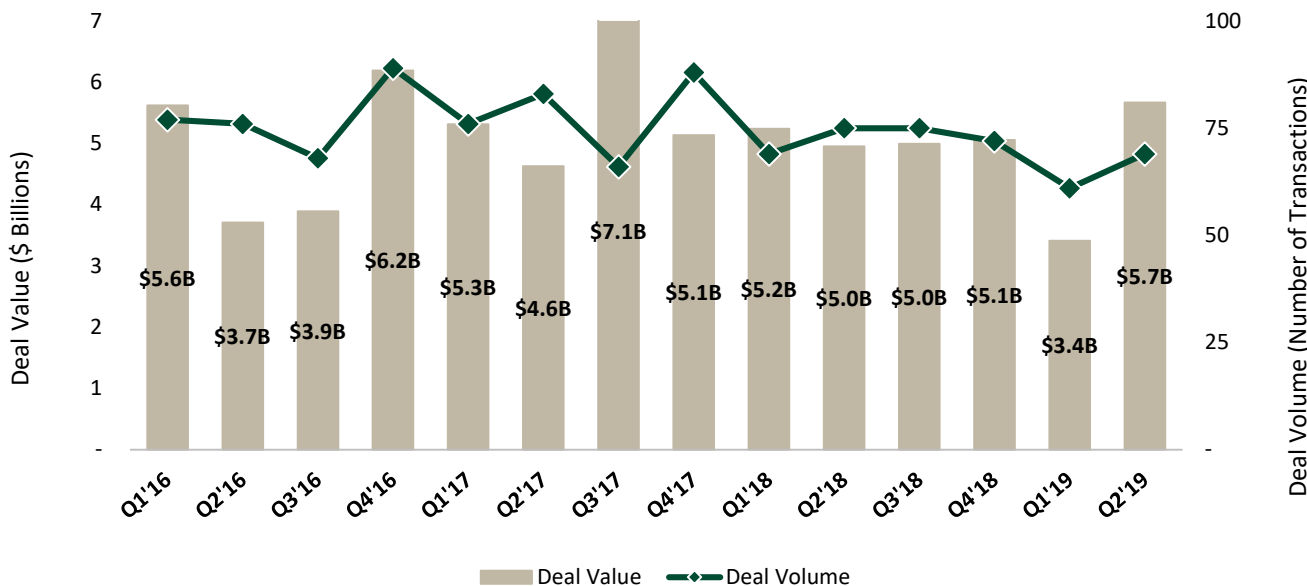
The chart to the right summarizes transaction volume per sector, as defined by the S&P/TSX Composite Index. Transaction volume in Q2 2019 was more evenly distributed by sector than in prior periods. The materials sector continued with the highest deal volume, representing 20% of total disclosed transactions. Healthcare deals slipped, comprising only 10% of total deals compared to 27% in the previous quarter.

- The Materials sector, which is heavily populated with mining and agriculture companies, saw a continued trend of non-core asset spinoffs in the gold sector. Recent M&A activity has been motivated by capital and operational efficiency rather than increasing production.
- The ripple effects of larger scale exits in the Energy sector was a primary driver of deal activity for the sector. Continuing sales of Canadian oil assets by foreign-held companies are changing the industry landscape, offering unique opportunities for consolidation.
- Healthcare M&A activity slowed in the quarter as investor confidence wavered in the Cannabis sub-sector due to uncertainty of growth potential. Many young companies continue to struggle to translate sales growth into profitability.

Q2'19 - M&A VOLUME BY SECTOR*



QUARTERLY DEAL VALUE & VOLUME*



*Based on Canadian publicly disclosed transactions in the transaction value range of \$5 million to \$500 million. Currency in CAD. Source: S&P Capital IQ.

Both the TSX Composite and S&P 500 posted modest gains to end Q2 2019. The TSX Composite had a net Q2 increase of 0.95%, with an overall gain of 14.2% at the halfway point of 2019. The S&P 500 recorded a gain of 2.60% during the quarter, totalling a 17.2% increase for the year.

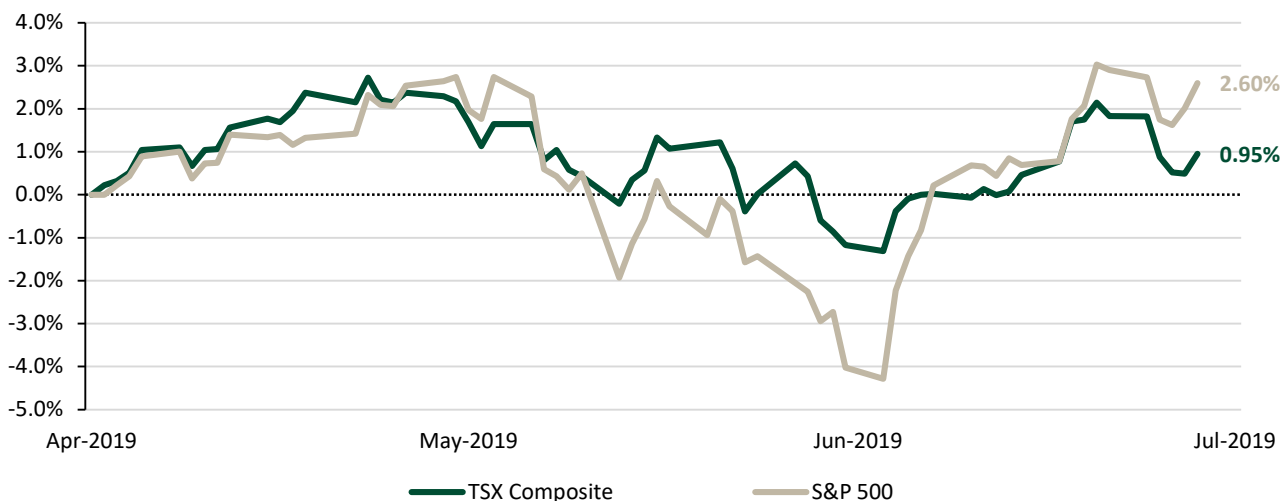
On an overall basis, the Canadian market experienced a more stable environment in Q2 2019 in comparison to the volatility experienced by the S&P 500 index over the same time period. However, certain Canadian sectors experienced performance contractions in the quarter after a strong start to the year.

- Information Technology was the leading sector in Q2. Shopify was a top index contributor after announcing a quarterly profit versus a previously forecasted loss. The sector also leads year-to-date performance, returning 45.4%.
- The friendly takeover by Toronto-based private equity group, Onex Corporation, caused WestJet shares to jump by about 58% for the quarter, helping propel the Industrials sector performance.
- Consumer Discretionary sector also gained in Q2. A primary driver was Hudson's Bay Company, which jumped 30% after a proposed takeover aimed to privatize the publicly listed company.
- The Healthcare sector, which was the leading sector in Q1, was the biggest loser in Q2 but remains the second-leading sector for year-to-date performance at 28.1%.
- Quarterly earnings disclosures impacted the Financials sector. Toronto-Dominion Bank and Royal Bank of Canada beat expectations while the other prominent banks all announced quarterly earnings that missed analyst expectations.
- Energy also posted a big loss as energy producers generally moved in conjunction with commodity prices during the quarter. TC Energy Corporation was the leading contributor from the sector as quarterly earnings beat expectations.

Q2 2019 SECTOR PERFORMANCE*

Sector	TSX Composite	
	TSX Composite	S&P 500
Consumer Discretionary	1.9%	3.7%
Consumer Staples	0.6%	3.2%
Energy	-10.7%	-5.0%
Financials	1.0%	4.9%
Healthcare	-10.0%	0.8%
Industrials	4.3%	1.0%
Information Technology	14.7%	4.2%
Materials	5.6%	4.2%
Telecommunication	-1.6%	2.7%
Utilities	4.5%	3.4%

NORTH AMERICAN EQUITY INDICES - Q2 2019 PERFORMANCE**



*Sector performance based on the price change of each corresponding sector index over the quarter.

**Q2 performance as of June 30, 2019.

Source: S&P Capital IQ, Linde Equity – TSX Quarterly Review and Raymond James – Quarterly Insights & Strategies.

TREASURY YIELDS

CANADA

On April 15, Bank of Canada (BoC) Governor Stephen Poloz highlighted that he believes interest rates will be on hold for the near future and that the BoC is no longer pursuing a target neutral interest rate. Poloz explained that interest rate movements will be very data-driven and dependant on what forces are acting in the economy.

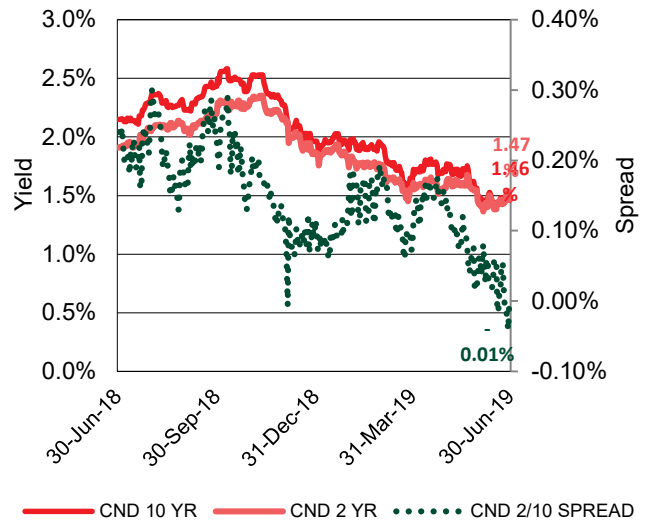
In the BoC April update, Poloz held the overnight target rate flat at 1.75%. In Canada, slower growth than predicted in January is expected for the first half of 2019. CPI came in at around 2%, however it was buoyed by gas prices driven by the carbon tax legislation.

On May 29, the BoC again maintained the overnight rate at 1.75%. They highlighted an improvement to the oil and gas sector, sustained job growth, and a more stable housing market as positives in the market. A BoC press release stated that, "overall, recent data reinforced Governing Council's view that the slowdown in late 2018 and early 2019 was temporary, although global trade risks have increased." However, as per chart below, the yield curve continues to communicate that the market is not convinced that the slowdown was a temporary blip on the radar. The next rate announcements will be September 4, with the BoC largely expected to hold rates.

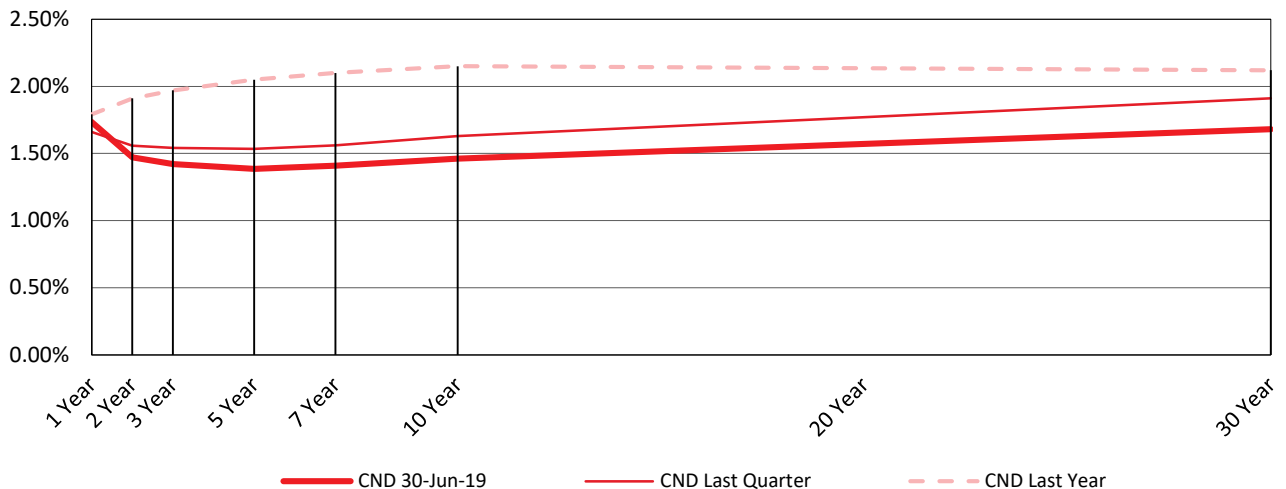
In Canada, the policy of the central bank is to keep inflation stable and predictable, with a mid-point of 2%, but allowing fluctuations between 1% and 3%. This is a policy that is determined by the BoC every five years, with the next policy meeting set for 2021. Normally, the policy changes are minor, with the BoC pointing out that the policy has been largely successful to date.

Stephen Poloz caveats that economics is not an exact science and central banks cannot solve all of the economy's woes. While the market appears to be pricing in a rate cut late this year, it is evident that Poloz would prefer to avoid cutting rates if at all possible.

CANADIAN 2 AND 10 YEAR GOVT BOND YIELDS



CANADIAN GOVERNMENT BOND YIELD CURVES



TREASURY YIELDS

UNITED STATES

In a speech on June 4, Chair of the Federal Reserve Jerome Powell commented:

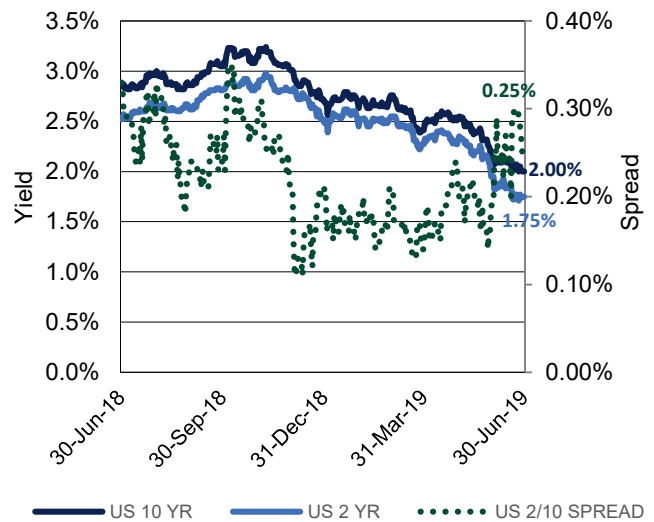
I'd like first to say a word about recent developments involving trade negotiations and other matters. We do not know how or when these issues will be resolved. We are closely monitoring the implications of these developments for the U.S. economic outlook and, as always, we will act as appropriate to sustain the expansion, with a strong labor market and inflation near our symmetric 2% objective.

Much of the media reaction to these comments focused on the words "as appropriate" (*underline added by MNP for emphasis above*), suggesting that these words indicated a rate cut, or possibly two rate cuts prior to year end. But Powell went on to say that:

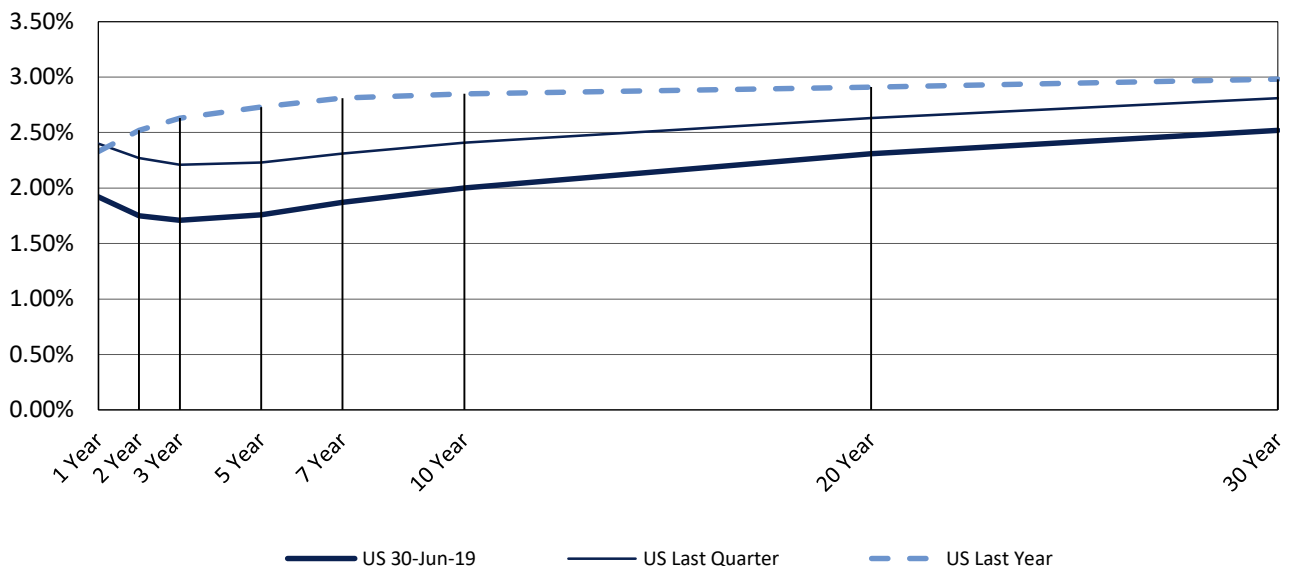
The proximity of interest rates to the [effective lower bound] has become the preeminent monetary policy challenge of our time, tainting all manner of issues with [effective lower bound] risk and imbuing many old challenges with greater significance.

Powell's quote suggests that if inflation persists below 2% and nominal rates are as low as they are, it may not be possible to curb inflation using traditional monetary policy rate cuts. Accordingly, the Federal Reserve meeting in Chicago was primarily designed to discuss alternative tools that they may have to prevent inflationary pressure while being used independently or in combination with policy rate changes.

U.S. 2 AND 10 YEAR GOVT BOND YIELDS

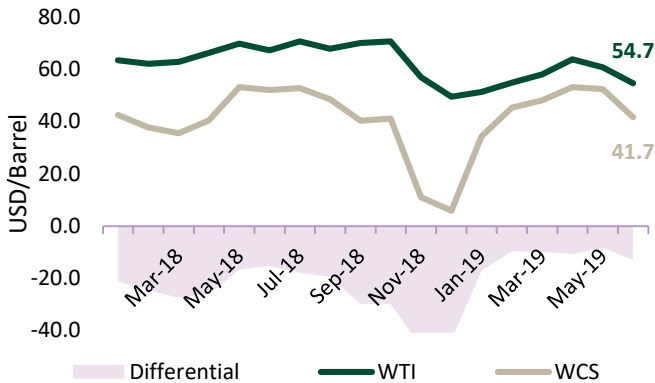


U.S. GOVERNMENT BOND YIELD CURVES



COMMODITY MARKETS

CRUDE OIL DIFFERENTIAL



- Despite a brief comeback in Q1, crude oil slid and closed out the first half of 2019 at a loss. Western Canadian Select (WCS) tumbled 21.6%, while West Texas Intermediate (WTI) dropped 14.4%.
- At the halfway point in the year, both WCS and WTI prices have improved, sitting at a gain of 21.7% and 6.5%, respectively.
- The WCS/WTI differential was about US\$13/barrel as of the end of June.
- Reported oil rig counts in the U.S. and Canada are estimated to total 793 in the U.S. and 84 within Canada.

NATURAL GAS (HENRY HUB)



- Despite reasonably strong demand, North American natural gas prices were weak in Q2. Lower inventories coming out of the winter helped buffer a price freefall.
- Natural gas prices fell by 19% in Q2, while sitting 13.3% lower than at the start of the year.
- Issues of oversupply and the lack of pipeline capacity continue to impair the profitability of the Canadian crude and natural gas industries.
- The largest natural gas consuming sector is the electricity sub-sector. As such, natural gas prices are anticipated to receive some support over the summer months as electricity demand rises to meet the needs of North America's air conditioners.

GOLD (COMEX)



- Gold and mining stocks were active in Q2, being among the top performers on the TSX Composite Index. This increased activity harmonized with the 9.5% jump in gold prices during the quarter.
- Gold is moving on the back of deteriorating global economic fundamentals and a shift in policy response from central banks.
- A declining U.S. dollar (USD) was also experienced in the quarter. A weak USD tends to have an inverse relation with higher gold prices as gold is priced in USD and foreign investors shift money into more traditional value sources when the currency is depreciating.

The Canadian dollar (CAD) strengthened approximately 2.1% against the USD during Q2 2019, and about 4.1% overall in the first six months of the year. The USD has been on a defensive run as growing signs of a weakening global economy and ongoing international trade tensions exist. Also contributing to the currency pairs' downward movement are narrowing spreads between US and Canadian yields and firmer crude oil prices. Global banks and policymakers signal a dovish outlook on monetary policy favouring looser and more accommodating policies to stimulate economic growth.

Growth indicators suggested accelerated activity in the Canadian economy for Q2 2019, after a weak showing in the first quarter.

Housing starts increased by 59,000, while a multi-decade low unemployment rate was also registered in the second quarter.

In global affairs, China suspended Canadian canola, pork and beef imports after citing pest and banned additive concerns. Approximately 40% of Canada's canola is exported to China and pork was Canada's third-largest export market at mid-year.

The removal of U.S. tariffs on steel and aluminum imports and expressed American desire to ratify the new trade agreement with Canada and Mexico has relieved some of the pressures within North America.

Volatile commodity prices, uncertain trade relations with the U.S. and China and elevated household debt continue to pose downside risks over the remainder of 2019.

CAD/USD EXCHANGE RATE*



REAL GDP GROWTH

(% change, chain-weighted)**

Year	Canada
2017	3.0%
2018	1.9%
Q1'19	0.4%
Q2'19	2.2%
Q3'19F	2.2%
Q4'19F	1.8%
2019F	1.4%
2020F	1.8%

UNEMPLOYMENT RATE

(%)**

Year	Canada
2017	6.3%
2018	5.8%
Q1'19	5.8%
Q2'19	5.8%
Q3'19F	5.9%
Q4'19F	5.9%
2019F	5.9%
2020F	6.0%

HOUSING STARTS

('000s)**

Year	Canada
2017	220
2018	213
Q1'19	37
Q2'19	59
Q3'19F	49
Q4'19F	48
2019F	193
2020F	192

CONSUMER PRICE INDEX

(YoY % change)**

Year	Canada
2017	1.6%
2018	2.3%
Q1'19	1.9%
Q2'19	2.1%
Q3'19F	1.9%
Q4'19F	2.0%
2019F	1.9%
2020F	2.1%

Note: F stands for forecasted

*Exchange rate data as of June 30, 2019.

**RBC Capital Markets Economic Research, Statistics Canada and Canada Mortgage and Housing Corporation.

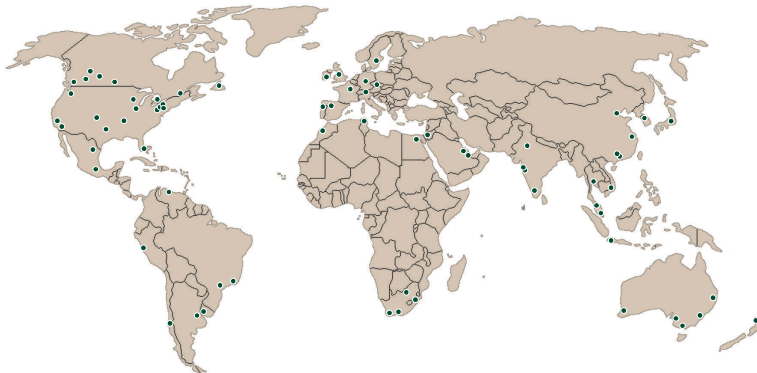
Sources: S&P Capital IQ, Raymond James – Quarterly Insights & Strategies and Focus Economics.

ABOUT MNPCF



MNP Corporate Finance (MNPCF) has a dedicated team of over 50 merger, acquisition, and transaction professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan and execute transactions.

MNPCF LOCAL AND GLOBAL REACH



INDUSTRY EXPERIENCE

- Food & Beverage
- Retail & Distribution
- Manufacturing
- Automotive
- Materials
- Health Care
- Pharmaceutical
- Transportation
- Construction
- Financial Services
- Technology
- Energy
- Oil & Gas
- Real Estate

SERVICES

- Sell-side M&A Advisory
- Divestitures
- Strategic Planning
- Financing (debt and equity)
- Buy-side M&A Advisory
- Acquisitions
- Due Diligence/Quality of Earnings (QOE)
- Sell-side QOE

RECENTLY CLOSED DEALS (NATIONAL)

MNP
CORPORATE FINANCE INC.

GREENSOIL
BUILDING INNOVATION FUND

has provided growth capital to:

KAARTA

MNP Corporate Finance Inc. acted as financial advisor and provided financial and tax due diligence services to Greensoil Building Innovation Fund.

DIVESTITURES > FINANCING > DUE DILIGENCE

MNP
CORPORATE FINANCE INC.

FINALÉ
RETAILING PART

has acquired:

SHOP

MNP Corporate Finance Inc. was the exclusive financial advisor to Finalé Post Productions Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

MNP
CORPORATE FINANCE INC.

EQUICAPITA

has acquired:

Master MECHANIC
AUTOMOTIVE SERVICES

MNP Corporate Finance Inc. provided financial due diligence services to Equicapita Investment Corp.

DIVESTITURES > FINANCING > DUE DILIGENCE

MNP
CORPORATE FINANCE INC.

DENTAL LABS CANADA

has acquired:

5 CARLTON
DENTAL LABORATORIES

MNP Corporate Finance Inc. acted as exclusive financial advisor to Carlton Dental Laboratories Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

MNP
CORPORATE FINANCE INC.

doxim
TRANSACTIONAL CUSTOMER EXPERIENCE

has acquired:

MarketConnections
and
LTM Client Marketing

MNP Corporate Finance Inc. provided financial and tax due diligence services to Doxim Inc.

DIVESTITURES > FINANCING > DUE DILIGENCE

MNP
CORPORATE FINANCE INC.

E360S

has acquired:

CAN+PAK
= ENVIRONMENTAL INC. =

MNP Corporate Finance Inc. provided financial and tax due diligence services to Environmental 360 Solutions Inc.

DIVESTITURES > FINANCING > DUE DILIGENCE

MNP
CORPORATE FINANCE INC.

doxim
TRANSACTIONAL CUSTOMER EXPERIENCE

has acquired:

MESSAGING SOLUTIONS

MNP Corporate Finance Inc. provided financial and tax due diligence services to Doxim Inc.

DIVESTITURES > FINANCING > DUE DILIGENCE

MNP
CORPORATE FINANCE INC.

SOCCERX

has acquired:

KAHLUUNIVERSE
SPORTS

MNP Corporate Finance Inc. was the exclusive financial advisor to Kahluniverse Sports Group Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

MNP
CORPORATE FINANCE INC.

BMO Bank of Montreal

has provided debt financing to:

CRUNCH
CANADA

MNP Corporate Finance Inc. provided financial due diligence services to Crunch Canada.

DIVESTITURES > FINANCING > DUE DILIGENCE

MNP
CORPORATE FINANCE INC.

An undisclosed financial sponsor

has acquired a majority stake in:

VIRTUAL CLAIMS ADJUSTER

MNP Corporate Finance Inc. provided financial and tax due diligence services to the financial sponsor.

DIVESTITURES > FINANCING > DUE DILIGENCE

ABOUT MNPCF



DEAL EXPERIENCE

Over the past 10 years we have completed in excess of 250 transactions. Our team has transaction experience in a wide range of industries, with diverse enterprise values ranging between \$3 million and \$300 million.

HANDS-ON APPROACH

Current M&A transactions require a hands-on approach from start to finish, including the active engagement of senior resources. Our senior resources are dedicated to our clients and are available as necessary and appropriate. We keep our clients regularly informed of the engagement status, issues we are encountering, successes and overall progress.

INTEGRATED SERVICE OFFERING

We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement and risk management.

INTERNATIONAL REACH

MNP is a participating firm within Praxity, a unique global alliance of independent accounting/advisory firms created to answer global business needs. As a member of Praxity, we are able to offer access to corporate finance, accounting and tax advisory services worldwide.

RECENTLY CLOSED DEALS (NATIONAL)

Gladius Partners Inc.
has acquired
NDL
GETTING YOUR BUSINESS
MNP Corporate Finance Inc. provided financial due diligence and acquisition advisory services to Gladius Partners Inc.
DIVESTITURES > FINANCING > DUE DILIGENCE

Foley's Chocolates
has acquired
BROCKMANN'S CHOCOLATES
MNP Corporate Finance Inc. provided financial due diligence services to Foley's Chocolates Limited Partnership.
DIVESTITURES > FINANCING > DUE DILIGENCE

E.B. Horsman & Son
The Government's Purchasing Agent
has acquired
AMC
MNP Corporate Finance Inc. was the exclusive financial advisor to E.B. Horsman & Son Ltd. in structuring and negotiating this transaction.
DIVESTITURES > FINANCING > DUE DILIGENCE

Scotiabank
has provided credit financing to
Yardstick
MNP Corporate Finance Inc. provided financial due diligence services to Yardstick Software Inc.
DIVESTITURES > FINANCING > DUE DILIGENCE

The Civil Construction division of
Jack Cewe Ltd.
ESTABLISHED 1955
has merged with
Lehigh Hanson
HEIDELBERGCEMENT Group
MNP Corporate Finance Inc. was the exclusive financial advisor to Jack Cewe Ltd. in structuring and negotiating this transaction.
DIVESTITURES > FINANCING > DUE DILIGENCE

NG Holdings Canada Ltd.
has acquired
PI FINANCIAL
MNP Corporate Finance Inc. provided financial due diligence services to NG Holdings Canada Ltd.
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pfm
CAPITAL INC.
has invested in
TAM
International LP
MNP Corporate Finance Inc. provided financial due diligence services to PFM Capital Inc.
DIVESTITURES > FINANCING > DUE DILIGENCE

Oxford Living
has acquired
Nine Mid-Market Retirement Communities
MNP Corporate Finance Inc. provided financial due diligence services to Oxford Capital Group, L.L.C.
DIVESTITURES > FINANCING > DUE DILIGENCE

Nice
has acquired
micanan
MNP Corporate Finance Inc. acted as exclusive financial advisor to Micanan Systems Inc. in structuring and negotiating this transaction.
DIVESTITURES > FINANCING > DUE DILIGENCE

TerraNova Partners
has acquired
YORK
MNP Corporate Finance Inc. provided financial and tax due diligence services to TerraNova Partners LP.
DIVESTITURES > FINANCING > DUE DILIGENCE



President
MNP Corporate
Finance

Brett Franklin

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Based in Winnipeg, Brett develops and implements creative business strategies for clients in all industry sectors and in all stages of the business life cycle.

With a diverse background in financial services, including banking, private equity, hedge funds and structured investment products, Brett has the knowledge and ability to resolve challenging financial issues and develop practical solutions to even the most difficult problems.



Managing Director

Aleem Bandali

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Aleem has worked on transactions ranging between \$3 million and \$30 billion in Canada, the United States and internationally in a diverse range of industries.

Aleem has a Master of Business Administration (MBA) degree from the University of Oregon College of Business, a Juris Doctor (JD) degree from the University of Oregon School of Law and a Bachelor of Arts degree (BA) from the University of British Columbia. Aleem has also completed the Mergers and Acquisitions program at Harvard Business School.



Managing Director

Johnny Earl

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Johnny specializes in due diligence and other transaction advisory requirements relating to acquisitions and divestitures. Johnny has worked on transactions ranging from deal values below \$5 million up to over \$1 billion, in North America, the U.K, Asia and Africa.

Johnny holds a Bachelor of Economics from Durham University in the U.K., and has a designation from the Institute of Chartered Accountants of England and Wales.



Managing Director

Dale Antonsen

250.979.2578 | dale.antonsen@mnp.ca

Based in Kelowna, Dale initiates and executes business strategies and transactions designed to help clients realize their goals in complex situations.

Dale's client base is involved in a range of industries, including oil and gas services, real estate capital markets and development, manufacturing and distribution, construction and contracting and casino gaming and entertainment.



Managing Director

Mark Regehr

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Based in Edmonton, Mark assists mid-market clients preparing for succession, including the sale of their business or planning for growth through acquisitions, mergers and financing.

Mark has a proven track record of securing financing, finding buyers and assisting through the merger and acquisition process. He also offers expertise in the areas of business planning, financial structure and financial modelling.



Managing Director

Mike Reynolds

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Based in Calgary, Mike advises on mergers, acquisitions, divestitures and financing options.

Mike has more than 18 years of industry experience in corporate finance, turnarounds and restructurings, private equity, and venture capital. He has worked on transactions in Canada, the United States and Europe and has experience in numerous industries



Managing Director

Erik St-Hilaire

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Based in Winnipeg, Erik works one-on-one with clients in Saskatchewan, Manitoba and northwestern Ontario. His strong technical knowledge and creative thinking allows him to find innovative solutions to complex situations, as he delivers advice customized to address each client's unique situation and objectives.

As a trusted advisor, Erik works with mid-sized companies preparing for succession, focusing on the sale of their business. He also helps companies planning for growth through acquisitions, mergers, due diligence or financing.



Managing Director

Jason Burgess

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Based in St. Catharines, Jason helps private and public businesses navigate complex transactions so they can achieve their strategic and financial goals.

Jason draws on more than 25 years of experience in public practice and in the public sector to help clients with mergers and acquisitions, debt financing, performance improvement and due diligence.



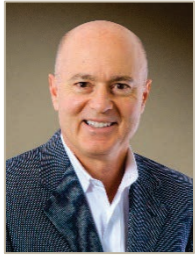
Managing Director

Patrick Khouzam

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Based in Montreal, Patrick specializes in assisting mid-sized, privately owned businesses maximize their value through strategic planning and targeted initiatives.

Backed by almost two decades of experience working within the financial sector in Quebec, Patrick specializes in mergers and acquisitions, raising capital, due diligence and general business transaction advice.



Managing Director

Dan Porter

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Based in Toronto, Dan has 30 years of experience helping public and private companies in a wide range of industries, including: aviation, railways, trucking, mining, leasing, printing and manufacturing.

Working closely with his clients, Dan provides advice and develops innovative and creative financing solutions in many areas such as structured products, senior debt restructuring, raising new senior revolving or term debt, sourcing or restructuring mezzanine or subordinated debt and assisting with or structuring asset or business divestitures.



Managing Director

Stephen Shaw

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Based in Toronto, Stephen initiates and executes business strategies and transactions designed to realize clients' goals in complex situations.

His client base is involved in a range of industries, including aerospace and defense; manufacturing and distribution; transportation and logistics; industrial and consumer products; agri-food and automotive.



Managing Director

John Caggianiello

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Based in Toronto, John specializes in assisting mid sized entrepreneurial private and public companies and institutional investors with their due diligence and transaction advisory requirements.

Drawing on his investigative and advisory expertise working with private equity firms, alternative lenders, lawyers and bankers, John provides comprehensive due diligence solutions to help his clients accurately assess risks associated with their investment decisions.



Managing Director

Kevin Tremblay

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Based in Toronto, Kevin advises clients in the public and private sectors across a broad spectrum of industries, bringing significant experience in manufacturing, distribution and service-based businesses.

Drawing on more than two decades of experience as a strategic consultant, Kevin has successfully executed numerous transactions including divestitures, acquisitions, management buyouts, private placements and valuation mandates.



Managing Director

Craig Maloney

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Based in Halifax, Craig specializes in helping family-owned businesses with mergers and acquisitions and corporate finance issues.

Craig's services include business valuation and pricing analysis, helping owners establish relationships with lenders and source capital, assisting with business planning and management structuring and creating financial models for budgeting and forecasting.