

Middle Market M&A Update

Q4 2022



M&A Market Summary

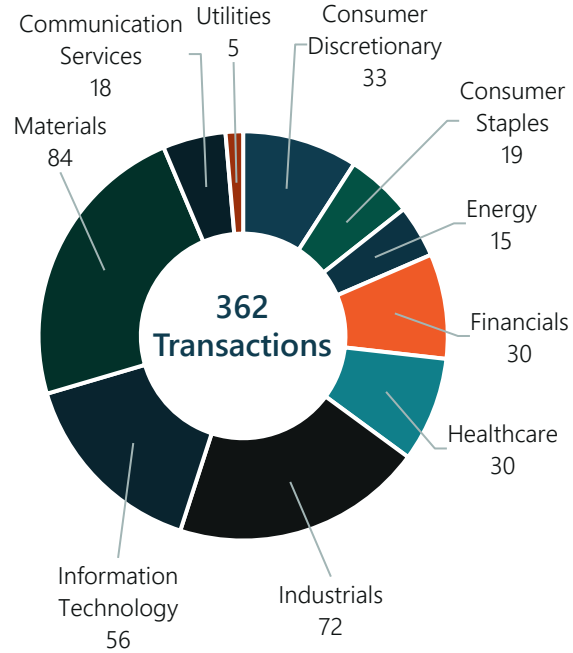
Canadian Mid-Market

On December 7, 2022, the Bank of Canada (“BoC”) introduced its seventh interest rate hike of the year, an increase of 50 basis points, resulting in the target overnight rate reaching 4.25%. Despite rising interest rates, which have tempered consumer spending and business investment due to increased borrowing costs, M&A activity in Q4 2022 remained resilient. Quarter-over-quarter, total transaction count only fell slightly from 382 transactions in Q3 2022 to 362 transactions in Q4 2022.

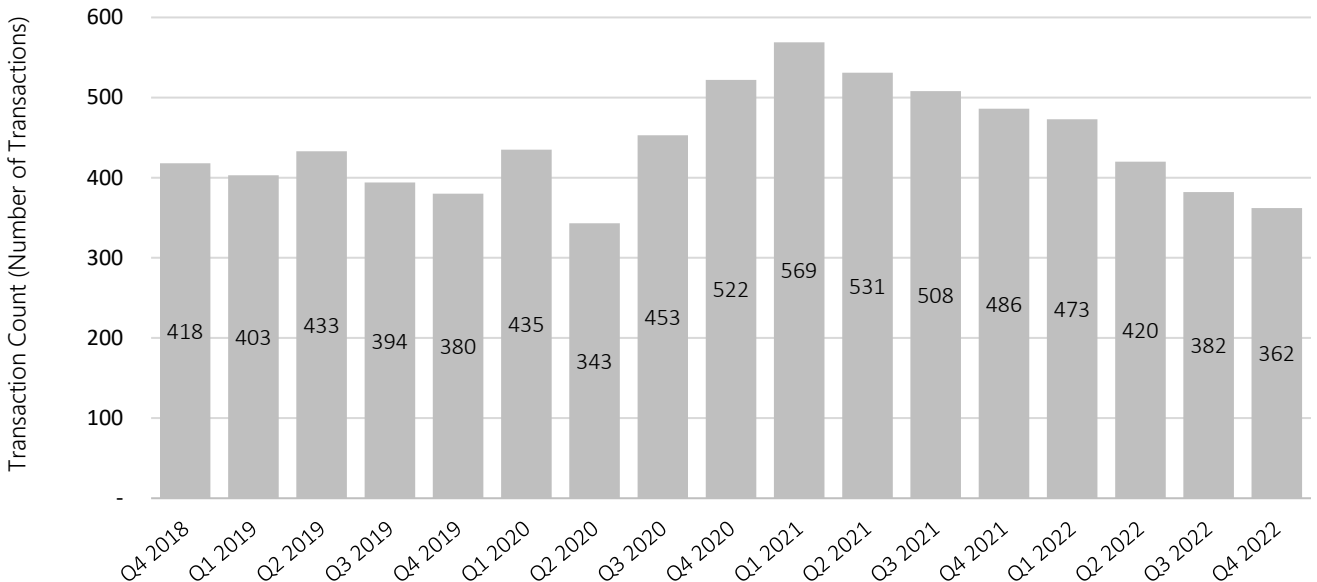
The adjacent chart summarizes transaction count by sector in Q4 2022, and corresponding sector highlights are noted below:

- The materials sector led the quarter with 84 transactions, accounting for 23.2% of the total deal count in Q4 2022. A notable transaction within the sector was Interfor Corporation’s acquisition of Chaleur Forest Products for \$325.0 million.
- The industrials and consumer staples sectors both experienced increased transaction count in Q4 2022 compared to Q3 2022. Transaction count in the industrials sector increased the most during Q4 2022, growing 16% quarter-over-quarter. A notable transaction within the sector was ALS GoldSpot Discoveries Ltd.’s acquisition of the Exploration Consulting & Technology Division of EarthLabs Inc. for \$30.0 million.
- The information technology sector contributed 56 transactions, accounting for 15.5% of total deal count in Q4 2022. A notable transaction within the sector was AMETEK, Inc.’s acquisition of RTDS Technologies Inc. for \$325.0 million.
- The median Enterprise Value (“EV”)/earnings before interest, tax, depreciation, and amortization (“EBITDA”) for all publicly disclosed transactions in 2022 with EVs less than \$500 million was 7.0x.

Q4 2022 Transaction Count by Sector



Quarterly Transaction Count*



*Transaction count is based on all Canadian publicly disclosed transactions. Currency in CAD.
Source: S&P Capital IQ, Bank of Canada.

M&A Market Summary

Select Q4 M&A Transactions - Canada



acquired



Announced	Dec 14, 2022
EV	\$214.9M
EV/EBITDA	15.7x
EV/Revenue	2.0x

- **Carlsberg Group** (“Carlsberg”) is one of the leading brewery groups in the world, with products sold in 150 markets internationally. Carlsberg’s product portfolio now includes local and international premium brand beers, along with various other alcoholic and non-alcoholic beverages such as ciders, soft drinks, and energy drinks. The company was founded in 1847 and is based in Copenhagen, Denmark.
- **Waterloo Brewing Ltd.** (“Waterloo Brewing”) is Ontario’s largest Canadian-owned brewery. Waterloo Brewing produces two in-house brands of craft beers, Waterloo and Laker, and has purchased the Canadian rights to Seagram Coolers, Landshark, and Margaritaville. The company was founded in 1984 and is based in Kitchener, Ontario.
- The transaction is expected to strengthen Carlsberg’s market position in Canada with local production of Waterloo Brewing’s signature brands and deliver significant supply chain and revenue synergies.



acquired



Closed	Nov 1, 2022
EV	\$325.0M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **AMETEK, Inc.** (“AMETEK”) is a leading global manufacturer of electronic instruments and electromechanical devices. AMETEK operates more than 150 locations with over 18,500 employees across 30 countries. AMETEK was founded in 1930 and is headquartered in Berwyn, Pennsylvania.
- **RTDS Technologies Inc.** (“RTDS”) is a leading provider of real-time power simulation systems used by utilities, research, and educational institutions in the development and testing of the electric power grid and renewable energy applications. RTDS serves major electrical utilities, equipment manufacturers, research institutions, and universities in over 50 countries across the world. RTDS was founded in 1994 and is headquartered in Winnipeg, Manitoba.
- This transaction follows AMETEK’s growth strategy of acquiring companies in high growth markets and adding differentiated technologies to its product portfolio. The acquisition of RTDS will result in approximately \$136.1 million in additional annual sales for AMETEK.



acquired



Closed	Oct 3, 2022
EV	\$325.0M
EV/EBITDA	6.5x
EV/Revenue	Not Disclosed

- **Interfor Corporation** (“Interfor”) is a growth-oriented forest products company with operations in Canada and the US. The company has an annual lumber production capacity of approximately 4.7 billion board feet and offers a diverse range of structural, industrial and appearance lumber products. Interfor was founded in 1963 and is headquartered in Burnaby, British Columbia (“BC”).
- **Chaleur Forest Products** (“Chaleur”) has an annual lumber production capacity of 350 million board feet and has over 400 employees, making it the second-largest producer of lumber in Atlantic Canada. Chaleur processes logs from private wood lots and crown land to produce and distribute lumber to customers throughout North America. Chaleur was founded in 1994 and is headquartered in Belledune, New Brunswick.
- This acquisition builds upon Interfor’s recent expansion into Eastern Canada, offering the company further geographic diversity, and is expected to increase Interfor’s total annual lumber production capacity to 5.1 billion board feet. Additionally, Interfor expects to achieve synergies of \$5.0 million per year from combined sales and marketing opportunities, shared purchasing programs, and general and administrative expense reductions.

M&A Market Summary

Equity Markets

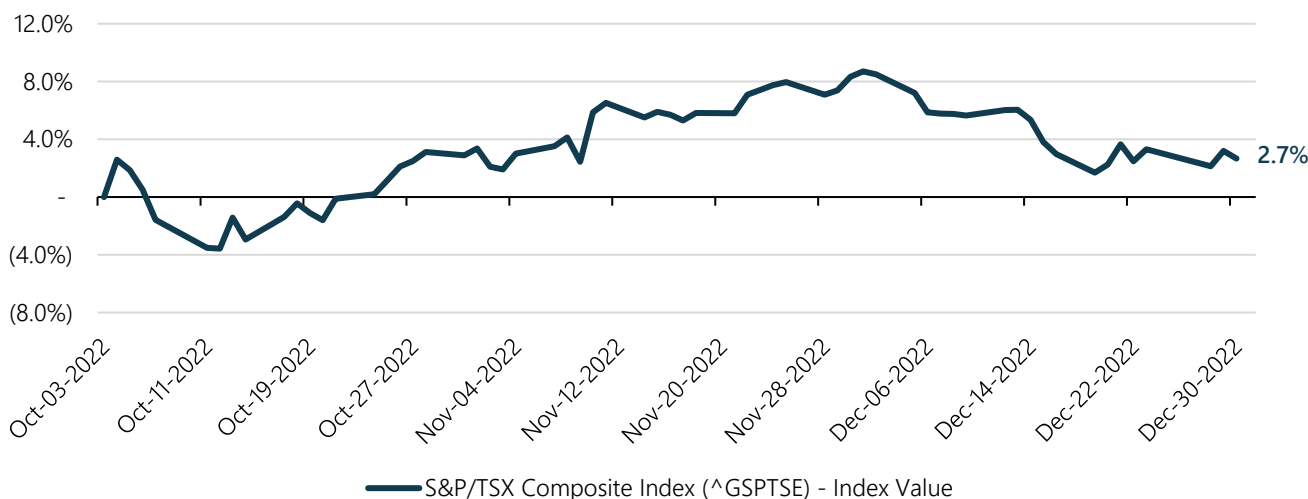
The S&P/TSX Composite posted a gain of 2.7% in Q4 2022 as eight of the ten sectors experienced positive returns. The best performing sectors during the quarter were information technology, consumer staples, and energy. Of the 213 constituents listed on the S&P/TSX Composite Index (excluding real estate), 122 recorded a gain in Q4 2022.

- The information technology sector returned 9.2%, outperforming the broader market in Q4 2022. The gain was supported by Coveo Solutions Inc. (+52.6%), after the company reported year-over-year quarterly revenue growth of 43.1%. Celestica Inc. (+28.7%) also supported sector returns due to Q3 2022 revenue results outperforming analyst expectations for the fourth consecutive quarter.
- The consumer staples sector returned 6.7% in Q4 2022, driven by the stock appreciation of industry leaders such as Primo Water Corporation (+20.0%), Maple Leaf Foods Inc. (+16.4%), and George Weston Ltd. (+13.7%). Sector gains were driven by investor confidence in the stable nature of the industry, as demand for consumer staples, which are essential, are expected to remain consistent despite rising interest rates and ongoing inflation.
- The healthcare sector was the worst performing sector in Q4 2022, falling 12.8%, driven by the detractor of Bellus Health Inc. (-22.6%) after the company reported quarterly earnings per share that missed analyst expectations.
- The utilities sector continued to struggle in Q4 2022, posting a negative return of 9.8% as utility companies, which typically have major capital expenditures and large amounts of debt, experienced higher borrowing costs due to rising interest rates. Moreover, as interest rates rise, fixed-income investments become more attractive to income investors who typically favour utility stocks due to their bond-like nature.

Q4 2022 Sector Performance*

Sector	Return
Information Technology	9.2%
Consumer Staples	6.7%
Energy	6.7%
Consumer Discretionary	6.3%
Communications Services	5.5%
Materials	5.4%
Industrials	4.2%
Financials	0.9%
Utilities	(9.8%)
Healthcare	(12.8%)

S&P/TSX Composite Index Value – Q4 2022



*Sector performance based on the price change of each corresponding S&P/TSX Composite Index for Q4 2022.
Sources: S&P Capital IQ, Morningstar, Zacks Investment Research.

M&A Market Summary

Canadian Economic Update

The Canadian Dollar ("CAD") moderately appreciated against the US Dollar ("USD") in Q4 2022, ending the year at 1.35 CAD/USD versus 1.37 CAD/USD in Q3 2022. While falling oil prices weighed against the CAD, the USD weakened as central banks across the globe hiked interest rates, minimizing yield differentials between US treasuries and other government bonds. The USD also depreciated slightly after US jobs data indicated a weakening economy, raising hopes that the US federal reserve will take a dovish stance going into the new year, further minimizing the yield spread between US and Canadian bonds.

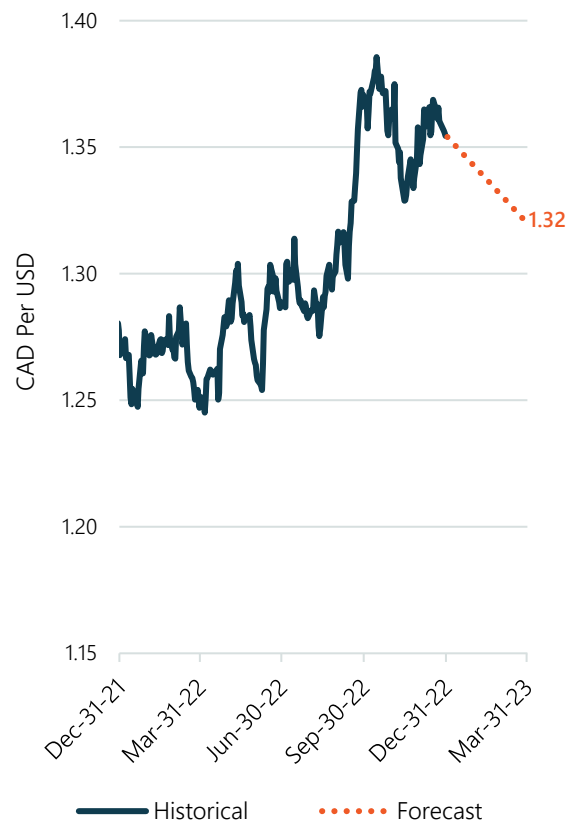
The Canadian economy showed signs of weakness in Q4 2022 as the growth of Canadian Real GDP ("GDP") slowed for a second consecutive quarter, growing at a rate of only 1.5%. The slowdown is due to increased interest rates, which have slowed business investment and lowered consumer credit availability. Due to ongoing inflation and higher interest rates, GDP growth is forecasted to continue decelerating into 2023.

Housing starts are forecasted to fall from 262,000 in 2022 to 228,000 and 208,000 by the end of 2023 and 2024, respectively, due to labour constraints limiting output and higher construction costs, due in large part to the increased cost of capital.

Quarter-over-quarter, the Consumer Price Index ("CPI") fell 0.5%, reaching 6.7% in Q4 2022, which was a direct outcome of the BoC's interest rate increases during the year to drive down inflation. The CPI is expected to fall to 3.2% in 2023 as high interest rates persist and global supply chain disruptions continue to improve, reducing the upward pressure on prices.

Canada's unemployment rate fell slightly from 5.2% in Q3 2022 to 5.1% in Q4 2022 as tight labour markets continue to drive strong demand. Unemployment rates are forecasted to increase in 2023, however, as higher interest rates temper consumer spending and business investment, leading to a reduction in hiring.

CAD/USD Exchange Rate¹



*Note: RBC forecasts a Q1'23 CAD/USD exchange rate of 1.32.

Overnight Rate² (%)

Year	Canada
2022F	4.25%
Q1'22	0.50%
Q2'22	1.50%
Q3'22	3.25%
Q4'22F	4.25%
2023F	4.50%
2024F	3.00%

Real GDP Growth² (YoY % change)

Year	Canada
2022F	3.6%
Q1'22	2.8%
Q2'22	3.2%
Q3'22	2.9%
Q4'22F	1.5%
2023F	0.6%
2024F	1.3%

Unemployment Rate² (%)

Year	Canada
2022F	5.3%
Q1'22	5.8%
Q2'22	5.1%
Q3'22	5.2%
Q4'22F	5.1%
2023F	6.1%
2024F	6.8%

Housing Starts³ ('000s)

Year	Canada
2022F	262
Q1'22	244
Q2'22	271
Q3'22	282
Q4'22F	251
2023F	228
2024F	208

Consumer Price Index² (YoY % change)

Year	Canada
2022F	6.8%
Q1'22	5.8%
Q2'22	7.5%
Q3'22	7.2%
Q4'22F	6.7%
2023F	3.2%
2024F	2.4%

¹Exchange rate data as of December 31, 2022. Forecast from RBC Financial Markets Monthly – December 2022.

²Data and forecast from RBC Economics Research.

³Data and forecast from TD Economics. Data represents total housing starts during the trailing twelve month period ended each quarter.

Source: Investing.ca.

About Us



MNP Corporate Finance (MNPCF) has a dedicated team of over 100 M&A and due diligence professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan and execute transactions.

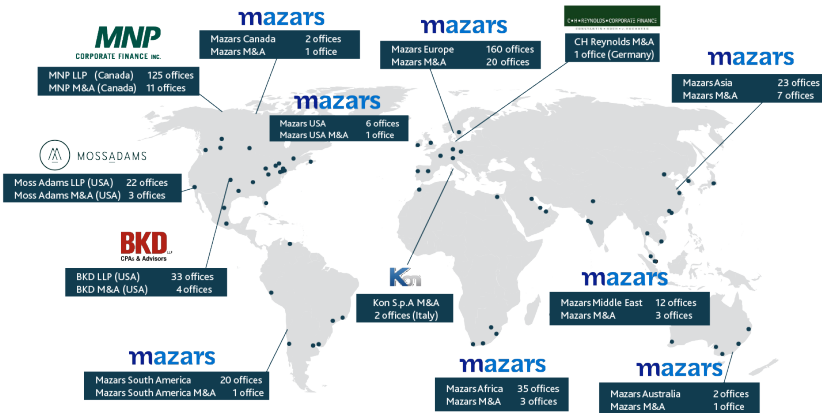
Our typical transactions range in value between \$3 million and \$300 million.

Local and 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. We are also affiliated with Corporate Finance Cross Border, which consists of 250+ M&A professionals in more than 30 countries.



CFxB CFXborder - Global reach with local relationships
Our corporate finance team through CFXb consists of 250 plus M&A professionals in more than 30 countries



Services

- Divestitures
- Acquisitions
- Debt Financing
- Due Diligence
- Transaction Advisory Services

Recently Closed Deals (National)

FYihealth group.
has partnered with
ESTEEM

MNP Corporate Finance Inc. acted as exclusive financial advisor to Esteem Medical Esthetics in structuring and negotiating this transaction.

MONETTE FARMS
has acquired the Salt Current, Saskatchewan cleaning and processing facility assets from
SIMPSON SEEDS INC.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Simpson Seeds Inc. in structuring and negotiating this transaction.

Convertus
has acquired
ENVIREM ORGANICS INC.
Advancing Healthy Beauty

MNP Corporate Finance Inc. acted as exclusive financial advisor to Convertus Group in structuring and negotiating this transaction.

E360S
has acquired select industrial waste and air recycling facilities from
GFL

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

RME
has acquired
ROBERTSON IMPLEMENTS

MNP Corporate Finance Inc. acted as exclusive financial advisor to Robertson Implements in structuring and negotiating this transaction.

AdeptAg
a profile company of
LLR Partners
has acquired
BELLPARK

MNP Corporate Finance Inc. acted as exclusive financial advisor to Bellpark Solutions Inc. in structuring and negotiating this transaction.

pfm 20 YEARS OF INVESTMENT IN SASKATCHEWAN
has acquired
SEXTON
FAMILY OF COMPANIES

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

KRYSTAL GROWTH PARTNERS
has acquired
huer foods inc.

MNP Corporate Finance Inc. provided financial due diligence services to Krystal Growth Partners Ltd.

UNIVERSAL GROUP
has acquired
Advanced Traffic Control

MNP Corporate Finance Inc. provided financial, tax and IT due diligence services to Universal Group.

TRILOGY CAPITAL CORP.
has invested in
SSRG

MNP Corporate Finance Inc. acted as exclusive financial advisor to Scalis Security & Risk Group (SSRG) in facilitating this transaction.

About Us

Deal Experience

Since our inception, our team has advised on hundreds of transactions, in a wide range of industries with diverse enterprise values. In the past ten years alone we have completed over 250 transactions worth over \$4.5 billion (not including due diligence engagements).

Industry Experience

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

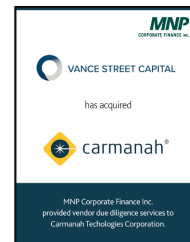
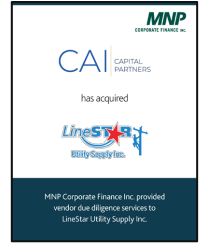
Hands-on Approach

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.

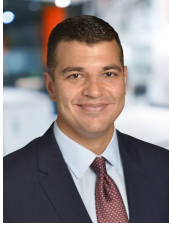
Recently Closed Deals (National)



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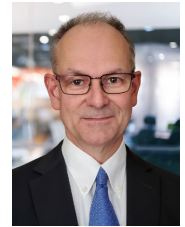
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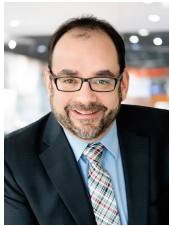
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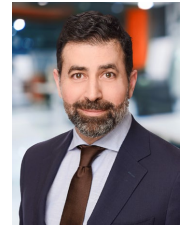
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