



MIDDLE MARKET M&A UPDATE

Q2 2018

M&A MARKET SUMMARY

CANADIAN MID-MARKET

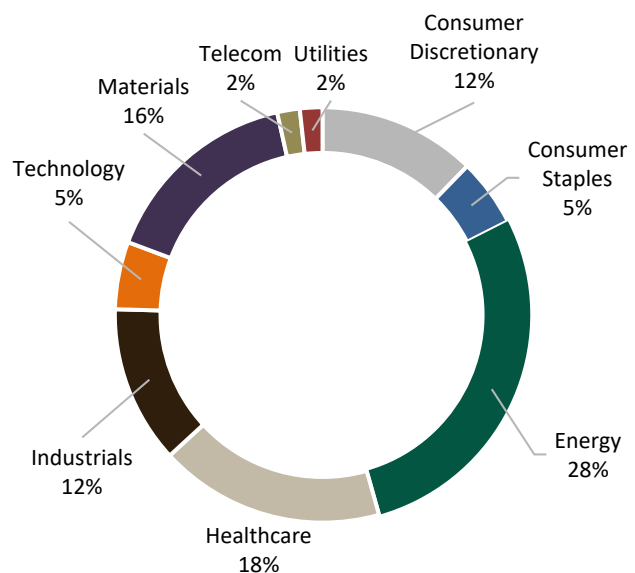
Mid-market M&A activity in Canada reached an aggregate deal value of \$3.5 billion in Q2 2018, across 57 disclosed transactions. Total deal value decreased in Q2 2018 compared to \$4.3 billion in Q1 2018, while transaction volume remained stable. The energy sector was the front-runner in Q2 deal volume, representing 28% of total transactions, followed by the healthcare and materials sectors, representing 18% and 16% of total transactions respectively.

M&A activity in the energy sector grew significantly in both transaction value and transaction volume during Q2 2018 reaching \$1.3 billion and 16 transactions respectively compared to 755 million and 9 transactions in Q1 2018. Improving economic conditions and higher oil prices helped spur M&A activity in the sector as oil and gas executives have a more positive outlook on the industry. Moreover, improved financial positions of companies within the sector provided businesses with the means to deploy capital on high quality assets.

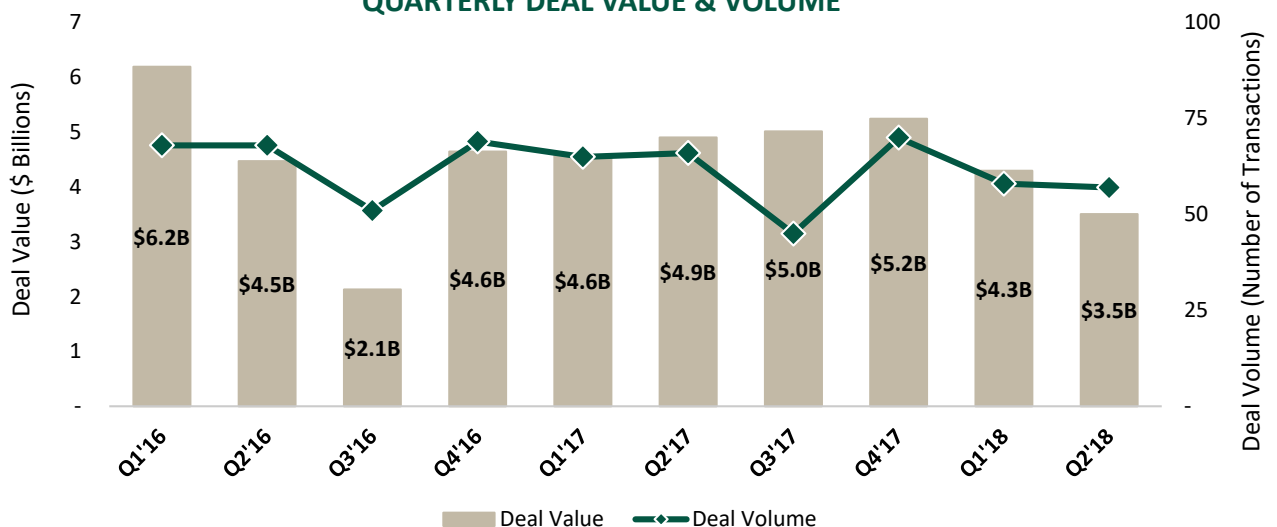
Robust M&A activity in the healthcare sector has carried over from Q1 2018 into Q2 2018 as consolidation in the cannabis market continues. M&A activity within the cannabis space is expected to remain strong as corporations seek accretive acquisitions to enhance their market share, broaden product portfolios and improve cross selling capabilities, leading up to the official legalization of adult use cannabis in Canada on October 17, 2018.

Strong M&A activity in the materials sector also continued from Q1 2018 into Q2 2018. The largest transaction during the quarter was Orion Mine Finance's acquisition of Dalradian Resources Inc. from BlackRock Inc. for \$312.3 million.

Q2'18 - M&A VOLUME BY SECTOR*



QUARTERLY DEAL VALUE & VOLUME*



*Based on Canadian publicly disclosed transactions in the enterprise value range of \$5 million to \$500 million. Currency in USD.

Sources: S&P Capital IQ, EY Global Capital Confidence Barometer.

EQUITY MARKETS

After a slightly volatile start to 2018 which saw North American equity indices post negative returns in Q1, both the TSX Composite and S&P 500 rebounded, appreciating 7.0% and 5.2% respectively during Q2.

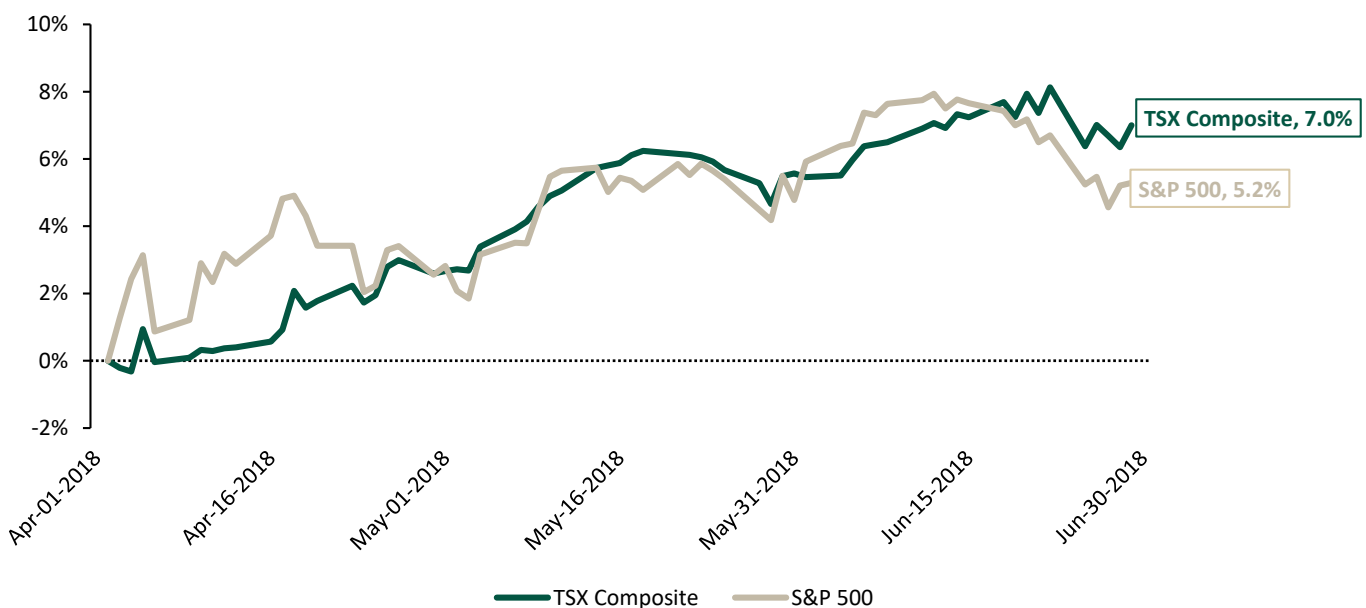
Healthcare was the top performing sector in the TSX Composite gaining 19.9% in Q2 2018 after displaying negative returns in Q1 2018. The sector's strong performance was largely influenced by a 54.2% return by Bausch Health Companies, formerly known as Valeant Pharmaceuticals, and a 17.9% return by Canopy Growth Corporation. Bausch Health Companies' return was driven by an increase in revenue and EBITDA guidance, strong Q1 earnings that exceeded analyst expectations and a favorable settlement to a fraud investigation by the California Department of Insurance. Canopy Growth Corporation had a strong Q2 after yielding a return of less than 1.0% in Q1.

Healthcare and energy were the top performing sectors in the S&P 500, each yielding a 15.0% return. Top performers in the healthcare sector included healthcare equipment and supplies providers, ABIOMED and Align Technology. Returns in the energy sector were driven by a sharp rise in oil prices during Q2 2018. Leading performers in the sector included Devon Energy Corporation and Holly Frontier Corporation, both posting returns in excess of 40.0%.

Q2 2018 SECTOR PERFORMANCE*

Sector	TSX Composite	S&P 500
Consumer Discretionary	7.4%	11.0%
Consumer Staples	4.8%	0.1%
Energy	18.8%	15.0%
Financials	1.9%	(1.5%)
Healthcare	19.9%	15.0%
Industrials	9.1%	(1.6%)
Info Tech.	12.3%	9.5%
Materials	7.4%	4.3%
Telecom.	3.5%	(0.9%)
Utilities	(1.7%)	3.6%

NORTH AMERICAN EQUITY INDICES - Q2 2018 PERFORMANCE**



*Sector performance based on the price change of each corresponding S&P 500/TSX Composite sector index over the quarter.

**Q2 performance as of June 30, 2018.

Source: S&P Capital IQ.

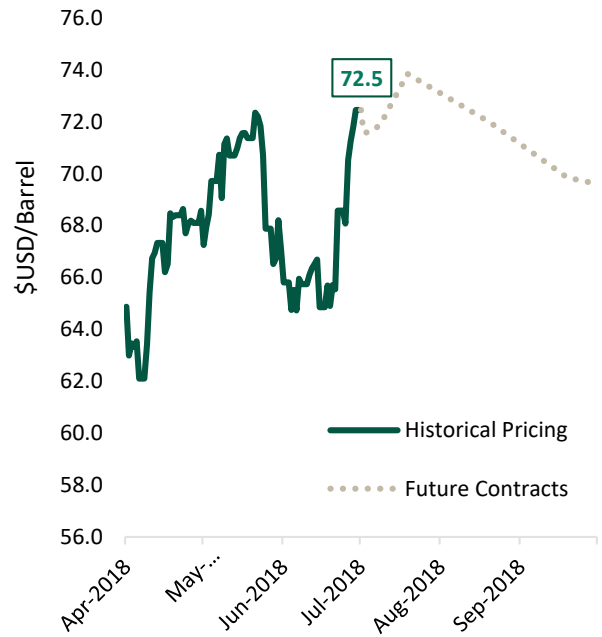
COMMODITY MARKETS

Crude oil prices experienced some volatility during Q2 2018, but saw a notable increase from Q1 2018, reaching \$72.5/barrel in June. OPEC and its allies recently agreed to increase output in order to contain the recent rise of oil prices which reached new three year highs during Q2 2018. Crude oil futures indicate a slight continuation of the upward trend in the immediate future, followed by a gradual tapering later in the year as production expands.

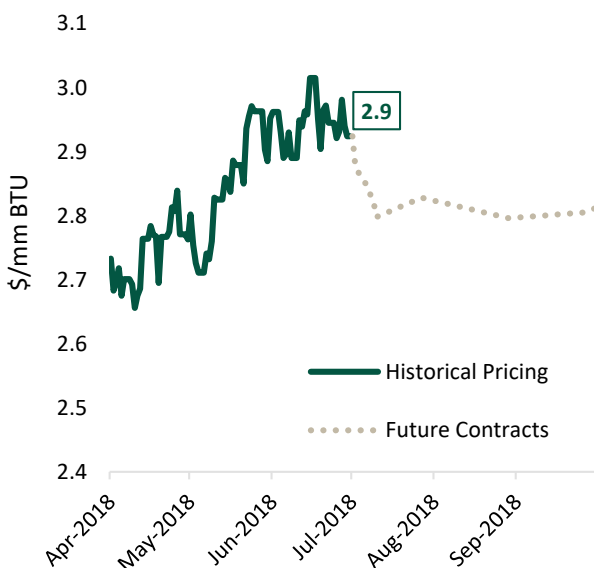
After ending Q1 2018 at approximately \$2.7mmBTU, natural gas prices appreciated during Q2 2018, but have yet to reach levels seen at the end of 2017. Natural gas prices are forecasted to decline slightly and then remain stable through Q3 2018.

Gold prices declined by approximately 5.5% during Q2 2018 after reaching \$1327/oz at the end of Q1 2018. The Federal Reserve hiked interest rates for the second time this year and two more interest rate increases are expected to occur by the end of 2018. Rising interest rates and strong economic data have created headwinds for gold as investors search for higher yielding assets. Gold prices are expected to remain stable over the next quarter as increased trade friction could counteract some of the downward price pressures experienced during the quarter.

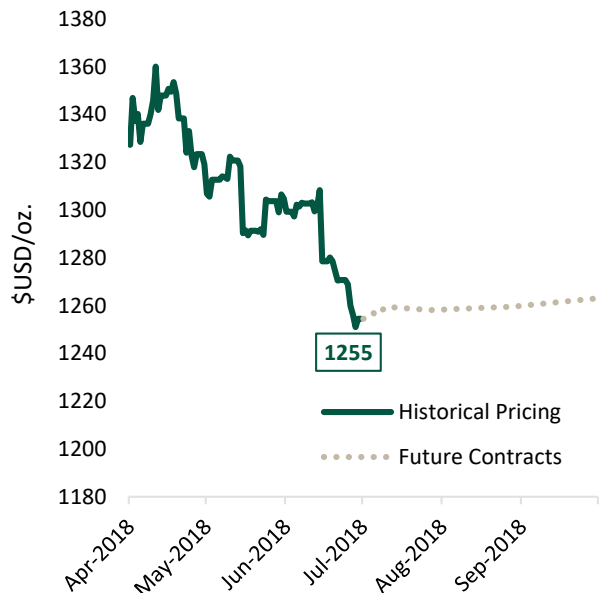
CRUDE OIL (WTI)*



NATURAL GAS (HENRY HUB)*



GOLD (COMEX)*



*Commodity price data as of June 30, 2018. Forecasted prices uses daily nearest futures contracts.
Sources: S&P Capital IQ, Scotiabank Global Economics, Bloomberg, RBC Economic Research.

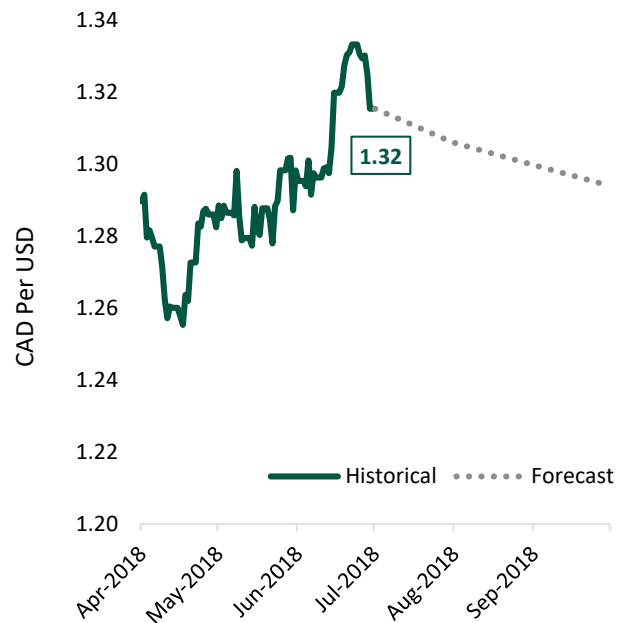
CANADIAN ECONOMIC UPDATE

The Canadian dollar weakened during Q2 2018, decreasing by approximately 2.0% against the U.S. dollar. This was reflective of a lack of progress in negotiations over the NAFTA agreement, which remain ongoing. Deteriorating trade relations between Canada and the U.S. suggest an increasing likelihood of the U.S. withdrawing from NAFTA, which would trigger a six month termination period and likely result in further depreciation of the Canadian dollar.

Despite trade concerns, the Canadian economy strengthened in Q2 2018 after a slow start to the year. Increased consumer spending, wage growth and business investment have been positive signs for economic growth in Canada while tighter regulations on housing markets and rising interest rates continued to play a role in decelerating housing activity compared to prior periods.

Looking forward, the Bank of Canada continues to express confidence in the Canadian economic outlook, indicating further interest rate increases will be likely in order to achieve a 2% inflation target.

USD/CAD EXCHANGE RATE*



Real GDP Growth
(% change, chain-weighted)**

Year	Canada	B.C.
2016	1.4%	3.5%
2017	3.0%	3.8%
2018F	1.9%	2.3%
2019F	1.8%	2.1%

Unemployment Rate
(percent)**

Year	Canada	B.C.
2016	7.0%	6.0%
2017	6.3%	5.2%
2018F	5.8%	5.0%
2019F	5.6%	4.9%

Housing Starts
(thousands)**

Year	Canada	B.C.
2016	197.9	42.1
2017	220.3	43.5
2018F	215.1	41.1
2019F	205.4	39.0

Consumer Price Index
(YoY % change)**

Year	Canada	B.C.
2016	1.4%	1.9%
2017	1.6%	2.1%
2018F	2.2%	2.5%
2019F	2.1%	2.2%

*Exchange rate data as of June 30, 2018.

**Economic Data as of July 13, 2018, "F" indicates forecast.

Sources: S&P Capital IQ, RBC Economics BMO Capital Markets Economic Research, BMO Capital Markets Rate Scenario.

ABOUT MNPCF

MNP Corporate Finance (“MNPCF”) has a dedicated team of over 40 merger, acquisition, and transaction 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 \$5 million and \$300 million.

MNPCF LOCAL & GLOBAL REACH



INDUSTRY EXPERIENCE

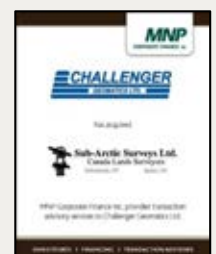
- Food & beverage
- Retail & Distribution
- Manufacturing
- Automotive
- Materials
- Health Care
- Pharmaceutical
- Transportation
- Construction
- Financial Services
- Technology
- Energy
- Oilfield Services
- Real Estate

SERVICES

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



RECENT TRANSACTIONS



ABOUT MNPCF



DEAL EXPERIENCE

Over the past ten years we have completed in excess of 200 transactions. Our team has transaction experience in a wide range of industries with diverse enterprise values ranging between \$5 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.

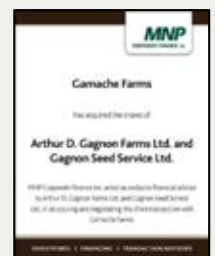
INTEGRATED SERVICE OFFERING

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.

RECENT TRANSACTIONS



ABOUT MNPCF



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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Based in Vancouver, 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.



Managing Director

Johnny Earl

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Based in Vancouver, Johnny specializes in diligence and other transaction advisory requirements relating to acquisitions and divestitures. Johnny has worked on transactions ranging from deal values below \$5m up to over \$1bn, 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.



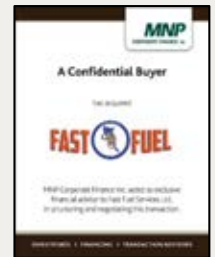
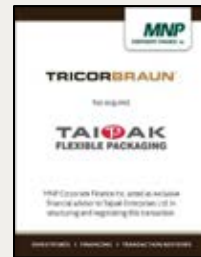
Managing Director

Dale Antonsen

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

RECENT TRANSACTIONS



ABOUT MNPCF



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.



Managing Director

Wilma Braat

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Based in Calgary, Wilma specializes in delivering corporate finance and business advisory services to companies across Alberta. With more than 25 years of industry experience in corporate finance, fund management and venture capital, Wilma assists clients with divestitures, mergers and acquisitions and management buyouts.



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.



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.



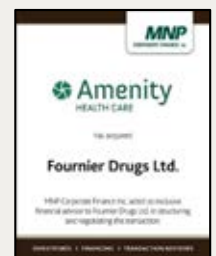
Managing Director

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 merger and acquisitions, raising capital, due diligence and general business transaction advice.

RECENT TRANSACTIONS



ABOUT MNPCF



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 in 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

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.

RECENT TRANSACTIONS

