



MIDDLE MARKET M&A UPDATE

Q3 2018

M&A MARKET SUMMARY

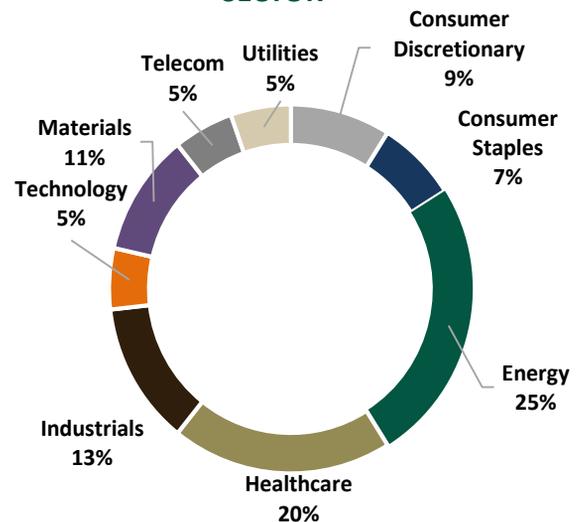
CANADIAN MID-MARKET

Mid-market merger and acquisition activity in Canada reached an aggregate deal value of \$3.8 billion during the third quarter of 2018, across 56 disclosed transactions. Total deal value increased during the quarter compared to \$3.5 billion during the second quarter of 2018, while quarterly transaction volume has remained stable throughout 2018. The energy sector was the leading sector in deal volume during the third quarter, representing 25 percent of total transactions. The healthcare sector also displayed strong merger and acquisition activity during the quarter, representing 20 percent of total transactions.

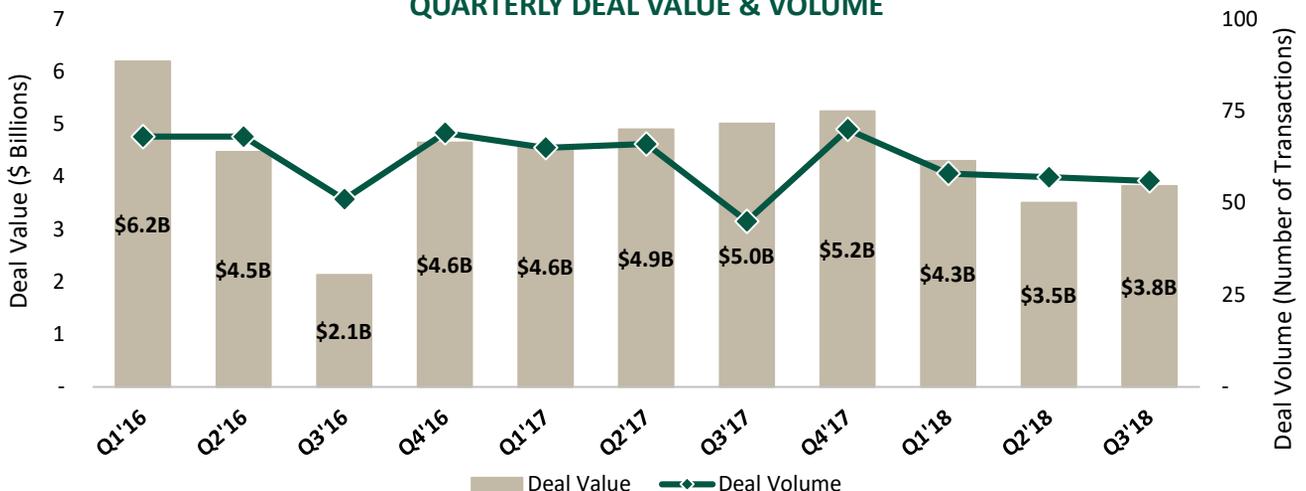
Robust merger and acquisition activity in the energy sector continued from the second quarter of 2018 into the third quarter as deal value increased slightly from \$1.3 billion across 16 transactions to \$1.4 billion across 14 transactions. Merger and acquisition activity in the energy sector was driven by divestitures of non-core assets by larger energy companies in order to fund other projects, finance new acquisition opportunities and strengthen company balance sheets by paying down debt. Corporations also pursued diversification of geographical risk by divesting assets in regions where they were more heavily concentrated. The largest mid-market transaction in the energy sector during the quarter was Cenovus Energy's divestiture of certain northwestern Alberta oil and gas assets to NuVista Energy for \$479 million.

Total deal value in the healthcare sector increased significantly during Q3 2018 reaching \$855 million in aggregate deal value compared to \$213 million in Q2 2018. Large publicly traded entities including Canopy Growth Corporation, Aphria Inc. and Aurora Cannabis Inc. continued to be active in M&A markets and were responsible for \$605 million of the aggregate deal value during the quarter. The cannabis industry continues to evolve and expand in advance of Canada becoming the first G7 nation to implement legislation permitting a nationwide cannabis market. Companies are deploying capital and seeking accretive acquisition opportunities throughout the entire value chain, both in recreational and medicinal markets.

Q3 2018 - 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. Source: S&P Capital IQ.

EQUITY MARKETS

After a strong Q2 2018 in which both the TSX Composite and S&P 500 posted positive returns, U.S. equity markets maintained momentum in Q3 2018, while the TSX Composite posted a negative return for the quarter.

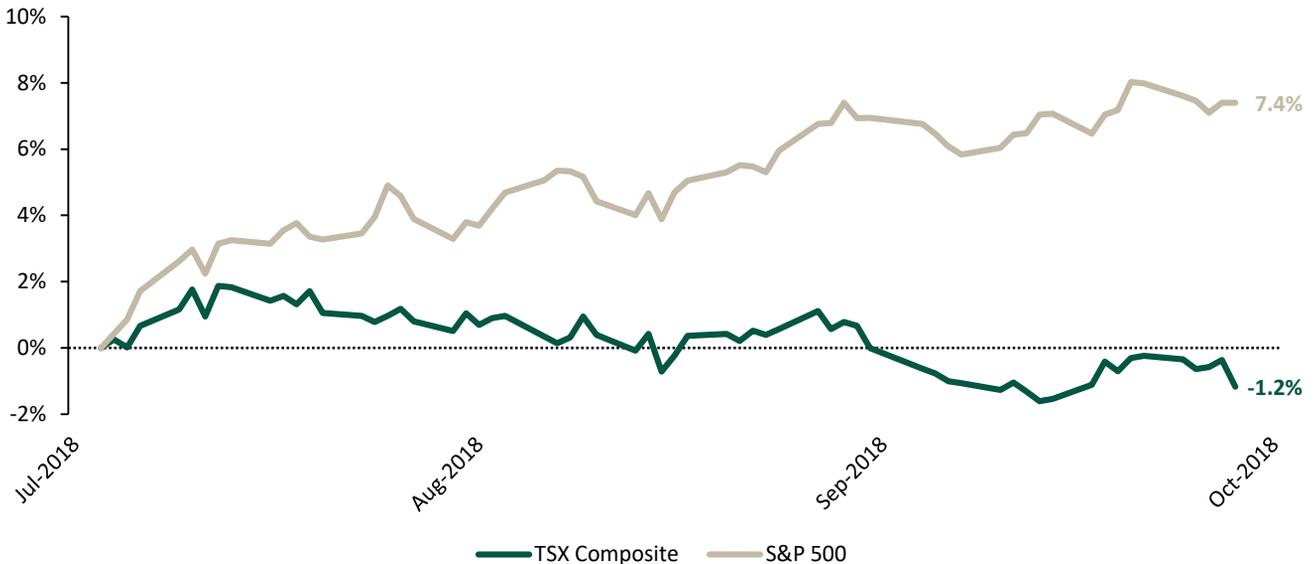
Five out of the ten core sectors in the TSX Composite returned losses in Q3 2018 as displayed in the adjacent table. The materials sector posted a negative 13.6% return during the quarter and was influenced primarily by low commodity prices and weak demand. Despite low returns in most sectors during Q3 2018, the healthcare sector extended its strong Q2 2018 performance by appreciating a further 34.4% during Q3 2018. The impressive returns were driven largely by large-cap cannabis equities, as Canopy Growth Corporation and Aphria Inc. posted 66% and 58% returns respectively, during the quarter.

The S&P 500 had an exceptional Q3 2018 performance, returning 7.4% over the three month period. Healthcare was the top performing sector in the S&P 500 during Q3 2018 rising 13.4%. The strong overall performance of U.S. equities was supported by robust economic growth and substantial corporate earnings. Despite escalating trade friction and rising interest rates U.S. equity markets continue to rally, further extending the ongoing bull market.

Q3 2018 SECTOR PERFORMANCE*

Sector	TSX Composite	S&P 500
Consumer Discretionary	(8.4%)	8.3%
Consumer Staples	(1.7%)	5.2%
Energy	(5.9%)	0.7%
Financials	3.0%	4.3%
Healthcare	34.4%	13.4%
Industrials	5.8%	9.7%
Info Technology	1.8%	8.9%
Materials	(13.6%)	0.6%
Telecommunications	2.4%	6.9%
Utilities	(1.9%)	0.5%

NORTH AMERICAN EQUITY INDICES - Q3 2018 PERFORMANCE**



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

**Q3 performance as of September 30, 2018.

Source: S&P Capital IQ.

TREASURY YIELDS

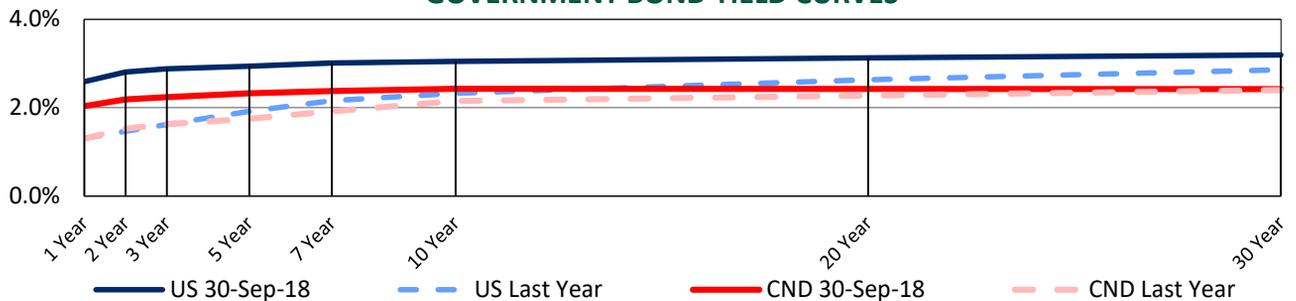
Short term bond yields have been rising, both in Canada and the U.S., while longer dated maturities are generally steady, resulting in a flattening of the yield curve. On July 11, 2018, the Bank of Canada (“BoC”) raised its overnight rate from 1.25% to 1.5%, a move that was well-anticipated by the market, putting further upward pressure on rates. On September 5, 2018, the BoC held the overnight rate at 1.5%. The next rate announcement is scheduled for October 24, 2018. RBC forecasts that the overnight rate will increase in the fourth quarter of 2018 and will reach 2.25% by mid-2019.

Stephen Poloz, in a speech on August 25, 2018, said that “digital disruption is likely to be a major preoccupation of central bankers for the foreseeable future.” The BoC does its best to base policy on data it collects. However, Poloz says that digital disruption can understate inflationary indicators, and a reactive policy to raising rates on these indicators may mean falling behind the curve in terms of curbing inflation with rate hikes. All told, the speech indicates that Poloz will not shy away from rate hikes, even if the data does not appear to be strong enough to support those hikes.

As David Rosenberg, Chief Economist at Gluskin Sheff, commonly points out, an inverted yield curve has predicated every recession. He says “that since 1950, there have been 13 cycles where the Federal Reserve tightened interest rates... and 10 of them ended in recession.” The yield curve is currently not inverted, but it has become very flat and with the forecasted rate hikes, it is something to watch closely.

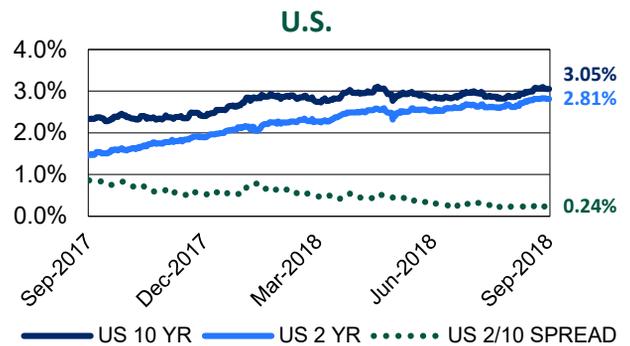
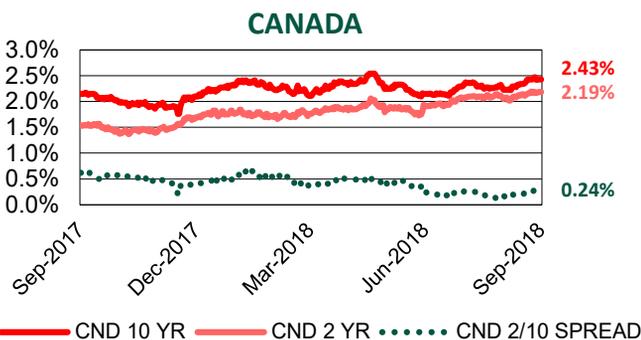
Rates have been abnormally low for a long period, and a healthy economy requires rates that are moderately higher. Historically, the pullback has occurred anywhere from 3-12 months after the yield curve inverts, but the idiosyncratic nature of the market makes predicting the timing of the next pullback very difficult.

CANADA & U.S. GOVERNMENT BOND YIELD CURVES



2 & 10 YEAR GOVT BOND YIELDS

As seen below, the spread between 2 and 10 year notes, a common metric used to look at the slope of the yield curve, now sits at 24bps, a level not seen since 2007.

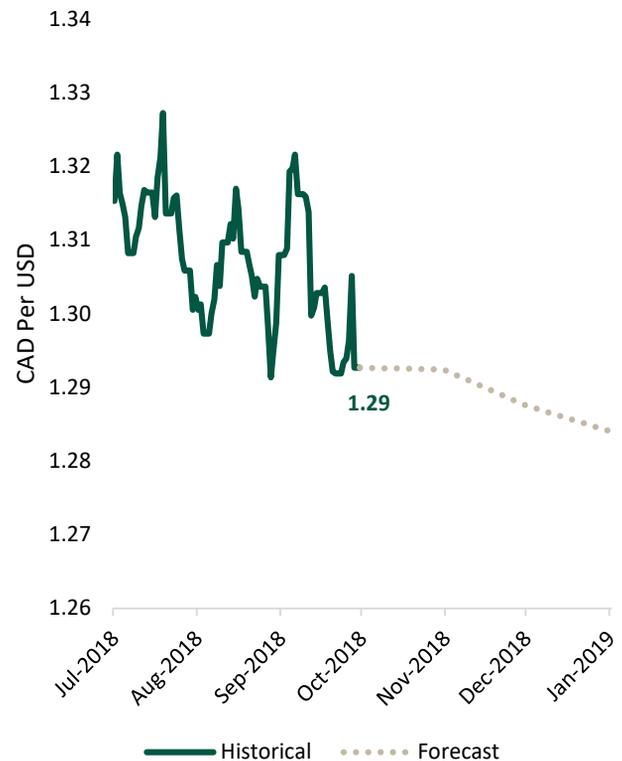


The Canadian dollar strengthened during the third quarter of 2018, increasing by approximately 1.8 percent against the U.S. dollar. This was reflective of a rise in oil prices, a key export for Canada, expectations that the Bank of Canada will continue to hike interest rates and optimism that a deal regarding the North American Free Trade Agreement (NAFTA) would be resolved.

An agreement between the U.S., Canada and Mexico regarding NAFTA was reached on September 30, 2018, resulting in a new trade agreement which will be known as the United States Mexico Canada Agreement (USMCA). The U.S. is Canada's largest export market and the possibility of the termination of NAFTA was seen as a major economic risk for Canada. The continuation of free trade between the U.S. and Canada is forecasted to support further strengthening of the Canadian dollar going forward.

Now that a trade deal has been reached, uncertainty regarding the future of exports, investment and trade barriers are no longer seen as significant concerns that will influence the Bank of Canada's decisions on adjusting the overnight rate. As a result, the Bank of Canada is expected to hike its overnight rate several times between the fourth quarter 2018 and the end of 2019 to counteract rising inflation. Inflation reached three percent in July, the highest inflation reading in seven years.

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	2.1%	2.5%
2019F	2.0%	2.2%

Unemployment Rate
(percent)**

Year	Canada	B.C.
2016	7.0%	6.0%
2017	6.3%	5.2%
2018F	5.9%	5.0%
2019F	5.6%	4.8%

Housing Starts
(thousands)**

Year	Canada	B.C.
2016	198	42.1
2017	220	43.5
2018F	215	41.1
2019F	205	39.0

Consumer Price Index
(YoY % change)**

Year	Canada	B.C.
2016	1.4%	1.9%
2017	1.6%	2.1%
2018F	2.2%	2.6%
2019F	2.1%	2.3%

*Exchange rate data as of September 30, 2018.

**Economic Data as of September 28, 2018, "F" indicates forecast.

Sources: S&P Capital IQ, BMO Capital Markets Economic Research, National Bank of Canada Economics and Strategy.

COMMODITY MARKETS

Crude oil prices weakened in the earlier part of the third quarter, 2018, falling to US\$64.5/barrel in mid-August before recovering, reaching US\$73.1/barrel at the end of the quarter. The U.S. previously announced they will placing sanctions on Iran, the Organization of the Petroleum Exporting Countries' (OPEC) number three oil producer, re to put pressure on Iran to re-negotiate the Joint Comprehensive Plan of Action, also know as the Iran nuclear deal. The proposed sanctions will come into full effect on November 4, 2018 and the rise in oil prices to date has been considered indicative that other members of OPEC may not be prepared to raise output to make up for the expected loss of Iranian oil supply.

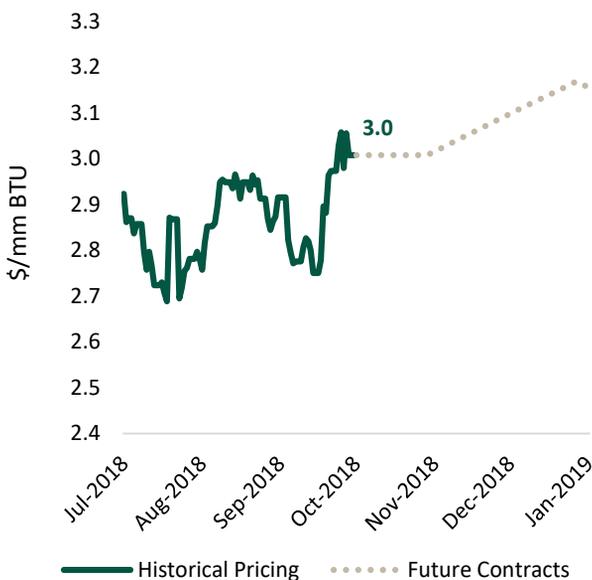
Natural gas prices continued to appreciate during the third quarter, reaching US\$3.0 per mmBTU at the end of the quarter, the highest levels seen since the beginning of 2017. Natural gas prices were favorably impacted by lower than normal natural gas stockpiles, a warmer than usual autumn resulting in higher usage of natural gas and a series of nuclear power plant outages that occurred during the quarter.

Gold prices continued to fall during the third quarter of 2018, depreciating by approximately 4.7 percent, ending the quarter at US\$1,196.2 per ounce. Gold prices continue to be negatively impacted by a strong U.S. dollar and contractionary monetary policy as the Federal Reserve increased interest rates for the third time this year during the quarter, from 2 percent to 2.25 percent. The expectation of further interest rate hikes will likely limit appreciation in the price of gold and correspondingly, gold prices are forecasted to remain stable over the next quarter.

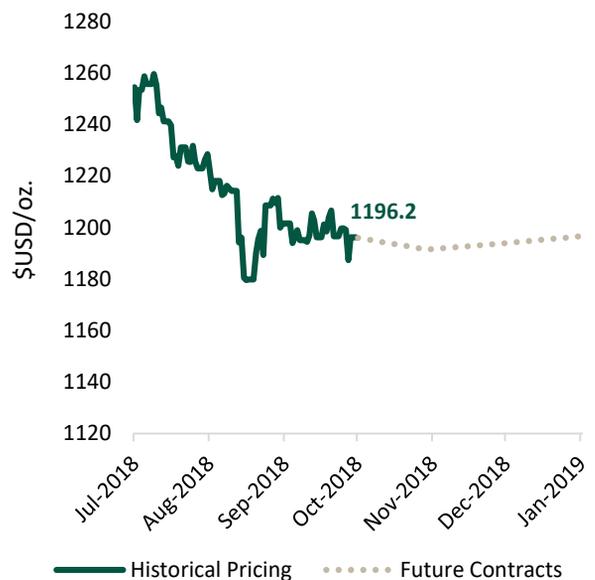
CRUDE OIL (WTI)*



NATURAL GAS (HENRY HUB)*



GOLD (COMEX)*



*Commodity price data as of September 30, 2018. Forecasted prices uses daily nearest futures contracts.
Sources: S&P Capital IQ, Barclays, Bloomberg.

ABOUT MNPCF

MNP Corporate Finance (MNPCF) has a dedicated team of more than 45 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 and Beverage
- Retail and 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 10 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 merger and acquisition 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

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

MNP Corporate Finance Inc. was the exclusive financial advisor to Waste Industries Ltd. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Clareview Drug Mart in structuring and negotiating this transaction.

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

MNP Corporate Finance Inc. provided quality of earnings services to Doxim Inc.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Moose Hill Sales Ltd. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Maribou's Family of Guardian Pharmacies in structuring and negotiating this transaction.

MNP Corporate Finance Inc. provided transaction advisory services to Challenger Geomaterials Ltd.

MNP Corporate Finance Inc. acted as financial advisors and provided financial due diligence services to City Waste Towing and Recovery Service Ltd.

MNP Corporate Finance Inc. provided financial due diligence services to Accurate Rolal Co. Inc.

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

778.374.2140 | aleem.bandali@mnp.ca

Based in Vancouver, Aleem has worked on transactions ranging between \$3 million and \$30 billion in Canada, the U.S. 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

604.637.1504 | johnny.earl@mnp.ca

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 \$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

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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

403.537.7632 | wilma.braat@mnp.ca

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

587.702.5909 | mike.reynolds@mnp.ca

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

905.225.1324 | jason.burgess@mnp.ca

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

TQC
has provided growth capital to
RAYMOR
MNP Corporate Finance Inc. acted as financial advisors and provided financial and tax due diligence services to TQC Canada Company.

Gamache Farms
has acquired the shares of
Arthur D. Gagnon Farms Ltd. and Gagnon Seed Service Ltd.
MNP Corporate Finance Inc. acted as exclusive financial advisor to Arthur D. Gagnon Farms Ltd. and Gagnon Seed Service Ltd. in structuring and negotiating this transaction with Gamache Farms.

Liftow
has acquired
MASONLIFT
MNP Corporate Finance Inc. acted as exclusive financial advisor to Liftow Limited in structuring and negotiating this transaction.

BANYAN CAPITAL PARTNERS
has acquired a majority interest in
BUNCH AFFINITY
MNP Corporate Finance Inc. acted as financial advisors and provided financial due diligence services to Banyan Capital Partners.

doxim
TRANSFORMING CUSTOMER EXPERIENCE
has acquired
IDS.COM
MNP Corporate Finance Inc. acted as financial advisors and provided due diligence services to Doxim Inc.

GEODE CAPITAL PARTNERS
has acquired
WPT Electronics
MNP Corporate Finance Inc. acted as exclusive financial advisor to WPT Electronics (A/E) Ltd. in structuring and negotiating this transaction.

SHEWAN'S TRUCK CENTRE INC.
has acquired
BEAVER
MNP Corporate Finance Inc. acted as exclusive financial advisor to Shewan's Equipment Sales Ltd. and Beaver Leasing and Rentals Ltd. (together operating as "Beaver Truck Centre") in structuring and negotiating this transaction.

WIP INVESTMENT OPPORTUNITIES FUND/VEHICLES
WIP (Investment Limited) has raised equity capital of **\$23,645,000** for the acquisition of multi-family (apartment) buildings in the Greater Toronto Area.
MNP Corporate Finance Inc. acted as financial advisors in arranging this private placement.

viva my viva plan
has raised common share equity capital to execute its strategy of commercializing My Viva Plan.
MNP Corporate Finance Inc. acted as financial advisors and assisted in closing this private placement.

Amenity HEALTH CARE
has acquired
Fournier Drugs Ltd.
MNP Corporate Finance Inc. acted as exclusive financial advisor to Fournier Drugs Ltd. in structuring and negotiating this transaction.

ABOUT MNPCF



Managing Director

Dan Porter

416.515.3877 | dan.porter@mnp.ca

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

416.515.3883 | stephen.shaw@mnp.ca

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.



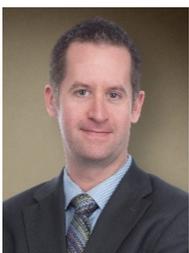
Managing Director

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

902.493.5430 | craig.maloney@mnp.ca

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

National FOODS
SINCE 1978

has acquired a controlling share of

AI CASH + CARRY

MNP Corporate Finance Inc. acted as financial advisor and provided financial and tax due diligence services to National Foods.

PROBAT

has acquired

E D INDUSTRIAL LTD
EQUIPMENT MANAGEMENT

MNP Corporate Finance Inc. acted as financial advisor and provided financial and tax due diligence services to Probat Inc.

SEABOARD
SPECIAL GROUPS

has acquired

BLUE HILLS PROCESSORS
MEAT PROCESSORS

MNP Corporate Finance Inc. acted as exclusive financial advisor to Blue Hills Processors in structuring and negotiating the transaction.

Kew Media Group

has acquired

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MNP Corporate Finance Inc. provided financial and tax due diligence services to Kew Media Group.

PRAIRIE
AUTOMOTIVE GROUP

has acquired

Winnipeg HYUNDAI

MNP Corporate Finance Inc. acted as exclusive financial advisor to Winnipeg Hyundai in structuring and negotiating the transaction.

bdc

has provided equity capital to

AMAZON

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

GROUPE POISSON

has acquired

MARCEL
MEAT PROCESSORS

MNP Corporate Finance Inc. acted as financial advisor and provided financial and tax due diligence services to Poisson SAS.

Miami Colony Farms Ltd.

has acquired the shares of

Hansen Creek Farms Ltd.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Hansen Creek Farms Ltd. in structuring and negotiating this share transaction with Miami Colony Farms Ltd.

ALL PEACE PROTECTION
LIMITED

has acquired

SECURITY

MNP Corporate Finance Inc. acted as exclusive financial advisor to All Peace Protection Ltd. in structuring and negotiating this transaction.

TUNDRA

has acquired a 70% interest in

SOUTH EAST
CORPORATION

MNP Corporate Finance Inc. acted as exclusive financial advisor to Tundra Mechanical & Millwrighting (1988) Ltd. in structuring and negotiating this transaction.