

# Middle Market M&A Update

Q2 2022



# M&A Market Summary

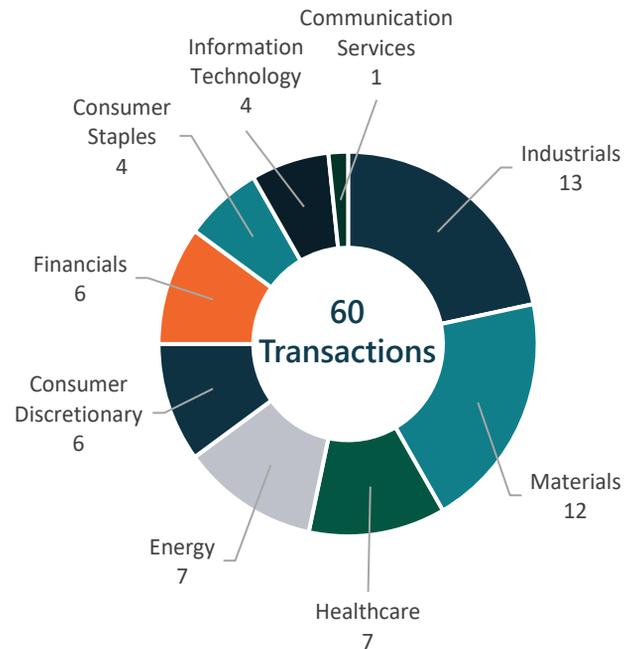
## Canadian Mid-Market

M&A activity continued to slow down in the second quarter of 2022, coming off record levels of deal value and volumes in 2021. Higher cost of capital due to increasing interest rates, ongoing geopolitical conflicts, and inflation at a 40-year high has tempered investor sentiment. Aggregate deal value decreased from \$4.9 billion across 64 transactions in Q1 2022 to \$4.6 billion across 60 transactions in Q2 2022.

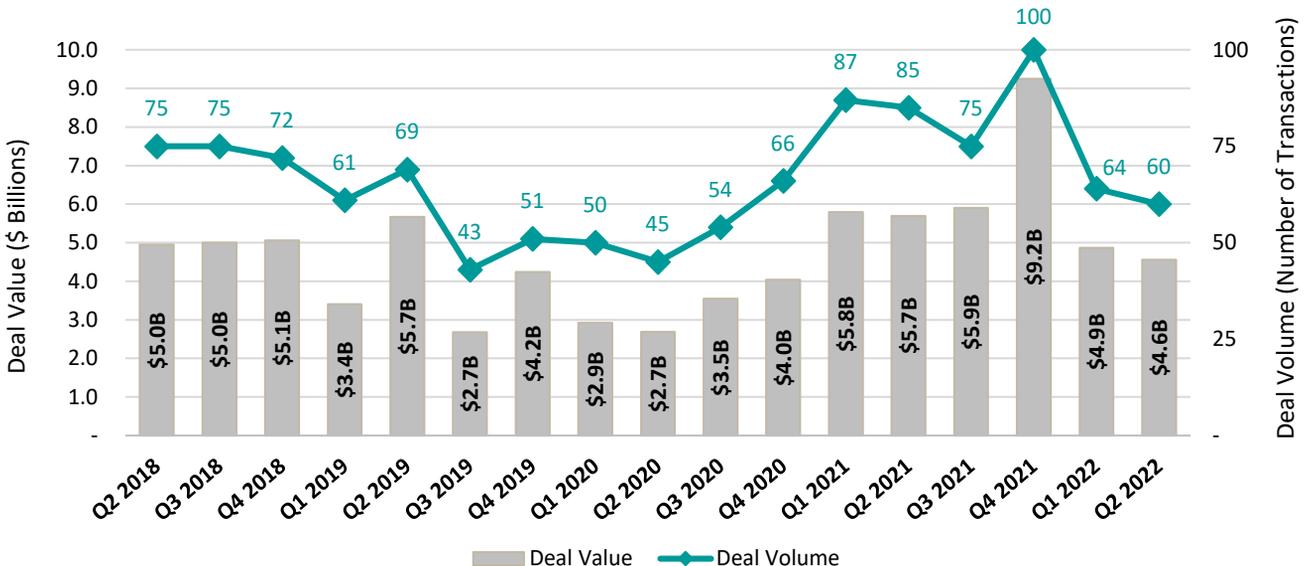
The adjacent chart summarizes transaction volume by sector in Q2 2022, and corresponding sector highlights are noted below:

- The Industrials sector led the quarter with 13 transactions, accounting for 21.7% of the total deal volume in Q2 2022. Notable Transactions included Exchange Income Corporation's acquisition of Northern Mat and Bridge LP and Groupe Deschene's acquisition of Crane Canada Co.
- There were 12 transactions in the Materials sector, representing 20% of total deal volume in Q2 2022. Notable transactions include Orla Mining Ltd.'s acquisition of Gold Standard Ventures Corp. and Nano One Materials Corp's acquisition of John Matthey Battery Material.
- The Healthcare and Energy sectors contributed seven transactions, respectively accounting for a combined 23.3% of the total deal volume in Q2 2022.

### Q2 2022 - M&A Volume By Sector



### Quarterly Deal Volume & Value\*



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

# M&A Market Summary

## Select Recent M&A Transactions - Canada



acquired



Closed	Jun 13, 2022
EV	\$245M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Uranium Energy Corporation** ("UEC") and its subsidiaries provide a range of exploration, extraction and processing services for uranium and titanium in Canada and the United States. UEC was founded in 1998 and is headquartered in Corpus Christi, Texas ("TX").
- **UEX Corporation** ("UEX") engages in acquisition, exploration, and development of mineral properties in Canada. UEX focuses on uranium, cobalt, and nickel exploration projects located in Northern Saskatchewan. UEX was founded in 2001 and is headquartered in Vancouver, British Columbia ("BC").
- This transaction helps diversify UEC's service offerings to encompass additional minerals while also increasing its presence in central Canada.



acquired



Announced	May 31, 2022
EV	\$380M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Group Deschenes Inc.** ("Group Deschenes") is a business conglomerate that operates multiple brands in the plumbing and heating, electrical, and refrigeration sectors. Group Deschenes was founded in 1940 and is headquartered in Montreal, Quebec ("QC").
- **Crane Canada Co.** ("Crane Canada") is a distributor of pipes, valves, and fittings. Crane Canada operates 27 stocking locations and five branch offices in Canada. Crane Canada was founded in 2002 and is headquartered in Vaughn, Ontario ("ON").
- The transaction helps strengthen Group Deschenes current position in Canada's plumbing and heating supply industry.



acquired



Closed	May 10, 2022
EV	\$325M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Exchange Income Corporation** ("Exchange Income") is an acquisition-oriented company that focuses on aerospace and aviation services, equipment, and industrial manufacturing. Exchange Income was founded in 2002 and is headquartered in Winnipeg, Manitoba ("MB").
- **Northern Mat & Bridge LP** ("Northern M&B") manufactures and installs matting and bridge products for temporary access solutions. Northern M&B was founded in 2005 and is headquartered in Clairmont, Alberta ("AB").
- This transaction allows Exchange Income to add to its service offering while significantly expanding its Western Canadian footprint.

# M&A Market Summary

## Equity Markets

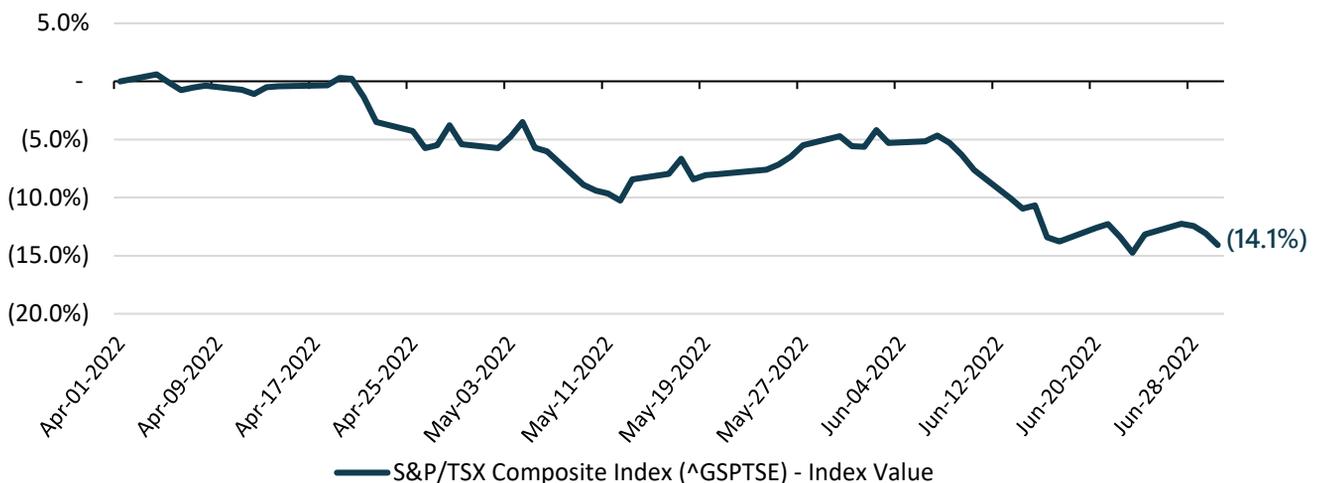
The S&P/TSX Composite posted a loss of 14.1% in Q2 2022 as almost all sectors experienced negative returns. The Consumer Discretionary, Industrials, Communication Services, Financials, Information Technology, Materials, and Healthcare sectors all experienced double-digit percentage losses in Q2 2022. Of the 245 stocks that make up the S&P/TSX Composite, only 32 recorded a gain, which was primarily comprised of Energy sector equities.

- The Energy sector returned 0.9%, outperforming the broader market in Q2 2022, driven by high commodity prices for oil and natural gas. Some of the top performers in the sector included Cenovus Energy, Suncor Energy, and Tourmaline Oil.
- Healthcare was the worst performing sector in Q2 2022, losing nearly half its value. This negative performance can be attributed to lower-than-expected quarterly earnings from pharmaceutical companies and the stalling of legislation to decriminalize cannabis in the United States.
- Coming off a poor Q1, the Information and Technology sector fell another 24.7% during Q2 2022. A continuing trend of high inflation, rising interest rates, and pullbacks in online consumer spending led to large losses for sector leaders such as Shopify (52.0%) and Lightspeed Commerce (25.3%) during the quarter.
- The Financial Sector fell 13.9% during Q2 2022. Toronto - Dominion Bank and Royal Bank of Canada were the largest detractors in the sector caused by a decrease in consumer spending and fears of a recession due to inflation reaching a four-decade high, triggering multiple interest rate hikes from the Bank of Canada.

### Q2 2022 Sector Performance\*

Sector	TSX Composite
Energy	0.9%
Consumer Staples	(4.6%)
Utilities	(5.3%)
Industrials	(10.4%)
Consumer Discretionary	(10.4%)
Communications Services	(10.8%)
Financials	(13.9%)
Information Technology	(24.7%)
Material	(25.5%)
Healthcare	(45.4%)

### S&P/TSX Composite Index Value – Q2 2022



\*Sector performance based on the price change of each corresponding S&P/TSX Composite Index for Q2 2022.  
Sources: S&P Capital IQ, Linde Equity – TSX Quarterly Review and Raymond James – Quarterly Insights & Strategies.

# M&A Market Summary

## Canadian Economic Update

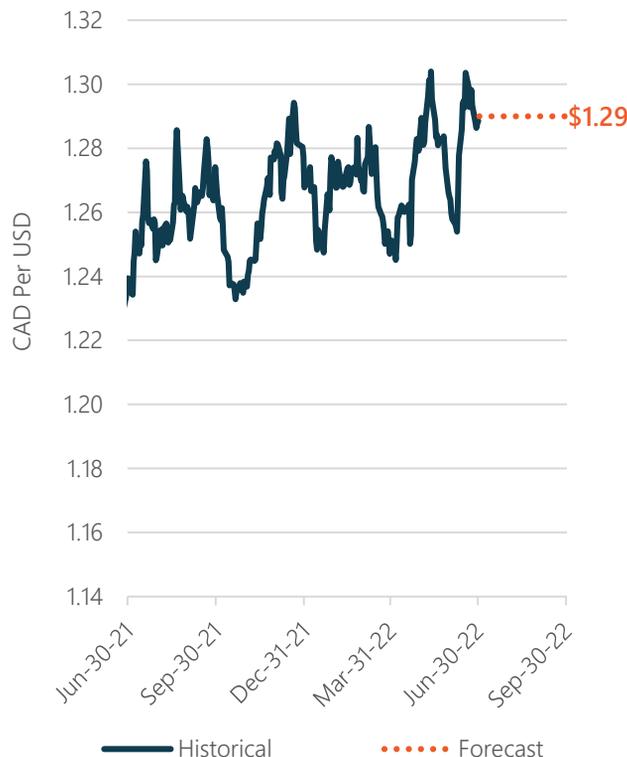
The Canadian Dollar (“CAD”) ended at 1.29 CAD/USD in Q2 2022, slightly weaker than the previous quarter-end of 1.25 CAD/USD. Although the Loonie generally appreciated against other currencies during the quarter, it fell relative to the USD, primarily due to increased global investment in the greenback in response to Russia’s Invasion of Ukraine.

Following a strong rebound of 4.5% in 2021, Canadian Real GDP (“GDP”) continued to improve, with year-over-year growth reaching 6.5% in Q2 2022. The Canadian GDP performed well compared to other nations due to an increase in energy prices in light of disruptions to supply faced globally. However, Canadian GDP is expected to slowly decline over the next two years, as the Bank of Canada continues to increase interest rates to control inflation.

2021 was a record year for Canada’s housing market, with home resales surpassing the annual all-time high set in 2020 by 114,000 units or 21.0%. However, due to higher mortgage rates, a decrease in supply, and the economic uncertainty of a recession, residential investment is expected to slow down significantly in 2022 and 2023.

Canada’s unemployment rate continued to decline to 5.3% in Q2 2022, with tight labour markets leading to strong labour demand and improved opportunities for workers.

### CAD/USD Exchange Rate\*



Note: RBC forecasts a Q3'22 CAD/USD exchange rate of 1.29.

### Real GDP Growth

(YoY % change)

Year	Canada
2021	4.5%
Q3'21	5.3%
Q4'21	6.6%
Q1'22	3.1%
<b>Q2'22F</b>	<b>6.5%</b>
2022F	4.2%
2023F	1.9%

### Unemployment Rate

(%)

Year	Canada
2021	7.4%
Q3'21	7.2%
Q4'21	6.3%
Q1'22	5.8%
<b>Q2'22F</b>	<b>5.3%</b>
2022F	5.5%
2023F	5.9%

### Housing Starts

('000s)

Year	Canada
2021	271
Q3'21	262
Q4'21	261
Q1'22	245
<b>Q2'22F</b>	<b>265</b>
2022F	255
2023F	236

### Consumer Price Index

(YoY % change)

Year	Canada
2021	3.4%
Q3'21	4.1%
Q4'21	4.7%
Q1'22	5.8%
<b>Q2'22F</b>	<b>7.2%</b>
2022F	6.3%
2023F	2.7%

<sup>1</sup>Exchange rate data as of June 30, 2022. Forecast from RBC Financial Markets Monthly – June 2022.

Sources: S&P Capital IQ, RBC Capital Markets Economic Research, RBC Economics - Current Trends Update - Canada, TD – Canadian Quarterly Economic

# 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.

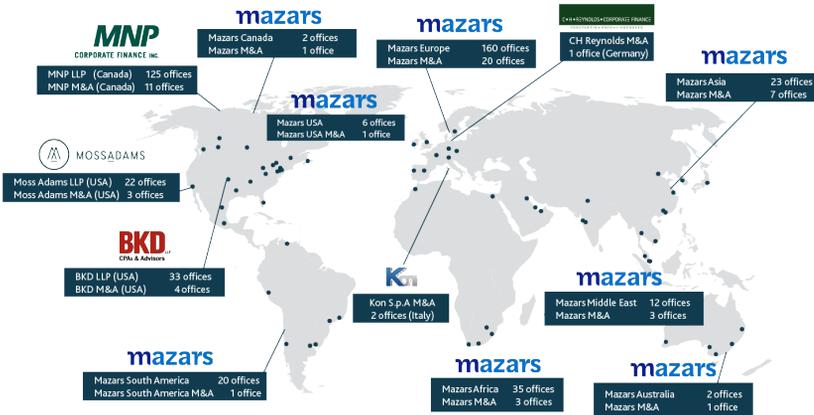
Our typical transactions range in value between \$3 million and \$300 million.

## 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)

# 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 eight years alone we have completed over 220 transactions worth almost \$4 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)



**SUMMIT FLEET** an affiliate of **Koizen**

has acquired



MNP Corporate Finance Inc. acted as exclusive financial advisor to Young Motors (1971) Ltd. in structuring and negotiating this transaction.



**E360S** Specialized Environmental Management

has acquired



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



**pfm** PROPERTY FINANCIAL MANAGEMENT and **Reynat Capital** Scotiabank

have invested in



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



**E360S** Specialized Environmental Management

has acquired



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



**converjnt**

has acquired



MNP Corporate Finance Inc. acted as financial advisor to Dramis Communications Solutions Ltd. in structuring and negotiating this transaction.



**Local** Environmental Services

has acquired



MNP Corporate Finance Inc. acted as exclusive financial advisor to Culshaw Waste Disposal and Meridian Waste Disposal in structuring and negotiating this transaction.



**WJAX**

has acquired the net operating assets of



MNP Corporate Finance Inc. acted as exclusive financial advisor to Process Flow Systems Ltd. in structuring and negotiating this transaction.



**CROSS COUNTRY** GRAIN SUPPLY & TRADE

has acquired the Canadian assets of



MNP Corporate Finance Inc. acted as exclusive financial advisor to Cross Country Canada Supplies & Retailers Inc. in structuring and negotiating this transaction.



**SAGE** CAPITAL PARTNERS

has acquired



MNP Corporate Finance Inc. acted as exclusive financial advisor to Brain Power Enrichment Programs Ltd. in structuring and negotiating this transaction.



**E360S** Specialized Environmental Management

has acquired



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

# Leadership Team

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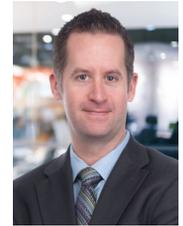
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