

Middle Market M&A Update

Q3 2024



M&A Market Summary

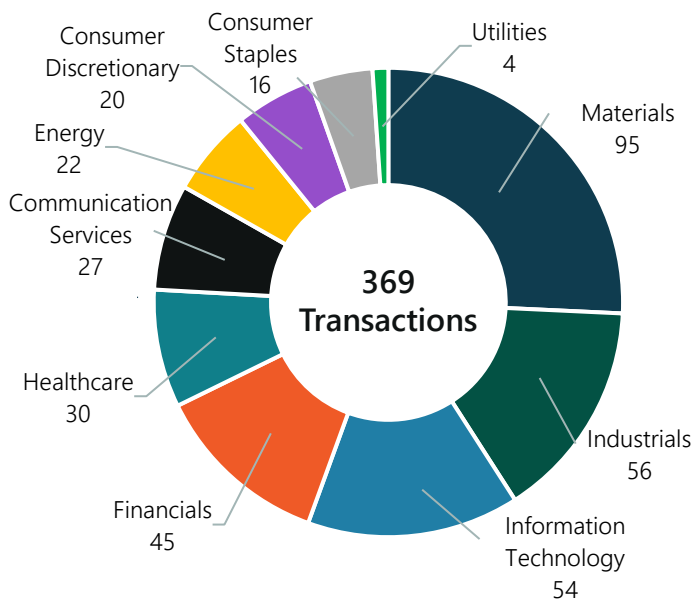
Canadian Mid-Market

The Bank of Canada (BoC) implemented two interest rate cuts of 25 basis points (bps) each in Q3 2024, reducing the key rate from 4.75% to 4.25%. The interest rate cuts occurred in July and September 2024 in response to a weak labour market, slowing economic growth, and easing inflation. While inflation remains above its 2% target, analysts anticipate larger and faster rate cuts from the BoC in the coming months due to mounting economic challenges. Expectations of further cuts may temporarily slow M&A activity as buyers adopt a wait-and-see approach, delaying transactions until more favourable financing conditions emerge.

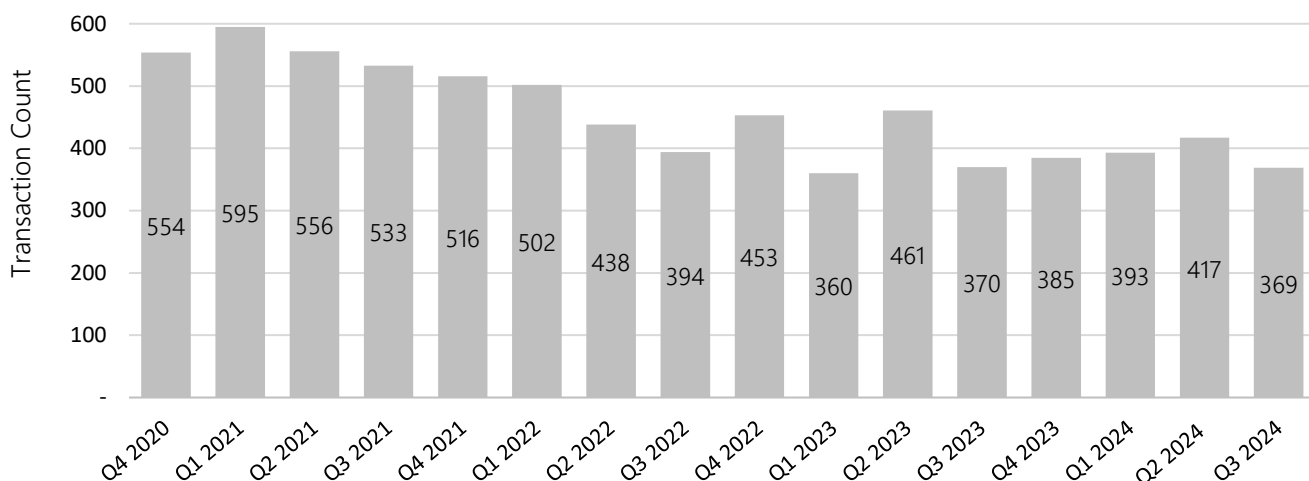
Q3 2024 saw a decline in disclosed transactions, following three consecutive quarters of growth in M&A activity since Q3 2023. 369 deals were reported this quarter, compared to 417 in the previous quarter. The adjacent chart summarizes transaction count by sector in Q3 2024, and corresponding sector highlights are noted below:

- The Materials sector led the quarter with 95 transactions, accounting for 25.7% of the total transaction count in Q3 2024. A notable transaction within the sector was the announcement of a merger between Florida Canyon Gold Inc. and Integra Resources Corp., which values the former at an Enterprise Value (EV) of \$94.7 million.
- The Industrials sector followed with 56 transactions, accounting for 15.2% of the total transaction count in Q3 2024. A notable transaction within the sector was the acquisition of Source Atlantic Limited by Lawson Products Canada Inc., which valued the former at an EV of \$105.0 million.
- The Information Technology sector saw a 35.0% increase in M&A activity quarter-over-quarter, with 54 deals in Q3 2024, up from 40 deals in Q2 2024. A notable transaction within the sector was Agilysys, Inc.'s acquisition of Book4Time Inc., which valued the latter at an EV of \$204.5 million.

Q3 2024
Transaction Count by Sector¹



Quarterly Transaction Count¹



¹Transaction count data is based on all publicly disclosed Canadian transactions between October 1, 2020, and September 30, 2024.
Sources: S&P Capital IQ, S&P Global, Bank of Canada. Currency in CAD.

M&A Market Summary

Select Q3 2024 M&A Transactions - Canada



has
acquired



Closed	Aug 20, 2024
EV	\$204.5M
EV/EBITDA	Not Disclosed
EV/Revenue	9.0x

- **Agilysys, Inc. (Agilysys)** provides software-enabled solutions to the hospitality industry throughout North America, Europe, the Asia-Pacific, and India. The company offers software integrated with third-party hardware, and operating systems, cloud applications, support, subscription, maintenance, and professional services. Agilysys was founded in 1932 and is based in Alpharetta, Georgia.
- **Book4Time Inc. (Book4Time)** provides cloud-based software catered to the wellness and hospitality industries. Book4Time provides integrated solutions for booking, marketing, inventory management, and payments, serving spas, international hotels, resorts, casinos, and golf and member clubs across more than 100 countries. Book4Time was founded in 2004 and is based in Markham, Ontario.
- The acquisition of Book4Time enables Agilysys to broaden the company's global presence and portfolio of services, increasing solutions-per-customer, and delivering a stronger value proposition to customers in the hospitality industry.



is merging
with



Announced	Jul 29, 2024
EV	\$94.7M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Integra Resources Corp. (Integra)** is focused on the exploration and development of mineral properties within the Great Basin region of the Western United States (U.S.). The company primarily targets gold and silver deposits, managing a portfolio of early-stage exploration projects across Idaho, Nevada, and Arizona.
- **Florida Canyon Gold Inc. (FCG)** is a Canadian-based junior gold producer with assets across the U.S. and Mexico. The company focuses on the exploration, development, and production of gold and silver mineral deposits. FCG was founded in 2024 and is based in Toronto, Ontario.
- The merger will create a growth-focused gold and silver producer in the Great Basin, with an immediate production capacity of 70,000 ounces of gold per year. By combining Integra and FCG's complementary profiles, the company will be positioned for robust production growth and establish itself as a mid-tier precious metals producer.



has
acquired



Closed	Jul 10, 2024
EV	\$105.0M
EV/EBITDA	Not Disclosed
EV/Revenue	0.6x

- **Lawson Products Canada Inc. (Lawson)** is a subsidiary of Lawson Products, Inc., which operates under Distribution Solutions Group, Inc. The company specializes in the distribution of maintenance, repair, and operations (MRO) supplies to the industrial, commercial, institutional, and government MRO marketplace in the U.S. and Canada. Lawson was founded in 1952 and is based in Chicago, Illinois.
- **Source Atlantic Limited (Source Atlantic)** is a wholesale distributor of industrial MRO supplies, safety products, fasteners, and related services for industrial, government, commercial, and residential contractors within Canada. The company has over 24 locations, primarily in Eastern Canada, and employs over 500 individuals. Source Atlantic was founded in 1867 and is based in Saint John, New Brunswick.
- The acquisition further establishes Lawson as a preeminent operator in Canada's MRO market and expands the company's operating footprint.

M&A Market Summary

Equity Markets

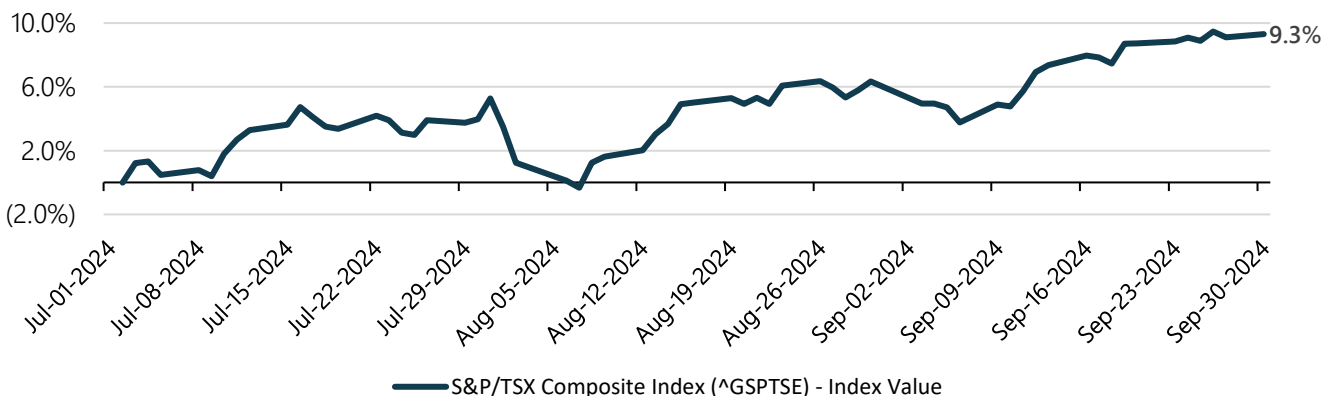
The S&P/TSX Composite recorded a gain of 9.3% in Q3 2024, as nine of the ten sectors delivered positive returns during the quarter. Of the 203 constituents listed on the S&P/TSX Composite Index (excluding real estate), 146 recorded a gain in Q3 2024.

- The Utilities sector posted a gain of 15.5% in Q3 2024, outperforming the broader market. TransAlta Corporation led the sector with a 44.5% rise in share price, driven by strong free cashflows and effective hedging strategies amid weakening energy prices. Brookfield Infrastructure Partners L.P. followed with a 26.3% increase in stock price after reporting a 20.7% rise in quarterly revenues compared to the same period in 2023. Sector gains were partially offset by a 16.1% decline in Superior Plus Corp.'s shares, attributable to a \$45.3 million net loss reported in its quarterly results.
- The Financials sector saw a 15.1% return in Q3 2024, with 26 out of 27 constituents achieving share price appreciation. iA Financial Corporation Inc. led the sector with a notable 30.5% gain in share price, driven by a 15.0% year-over-year increase in earnings per share and the successful acquisition of two blocks of business from Prosperity Life Group. Other strong performers in the Financials sector included CI Financial Corp (+27.9%), Canadian Imperial Bank of Commerce (+27.5%), and Brookfield Corporation (+26.2%). The Financial sector faced pressure throughout most of 2024, driven by fears that high interest rates could lead to a recession and widespread loan default. However, subsequent rate cuts and the economy shifting into an easing cycle have alleviated concerns, allowing the sector to rebound in Q3 2024.
- The Healthcare sector rebounded in Q3 2024 with a 14.3% gain, recovering from a 13.7% loss in Q2 2024. All constituents contributed to the sector's gains. However, sector performance was mainly driven by significant share price increases in Chartwell Retirement Residences (+21.3%), Sienna Senior Living Inc. (+17.9%), and Bausch Health Companies Inc. (+15.7%). Chartwell Retirement Residences saw strong occupancy growth, leading to a 45.3% increase in funds from operations. Sienna Senior Living Inc. outperformed in both long-term care and retirement segments, achieving a 95% rise in occupancy. Bausch Health Companies Inc. gained momentum with plans to reduce debt and expand its eye health product line.
- Energy was the only sector to experience a loss in Q3 2024, declining by 8.5%, with 28 of its 41 constituents posting negative returns. The downturn was largely driven by falling oil prices, which hit a three-year low in September 2024. Parex Resources Inc. experienced the steepest decline. The company saw a 45.3% drop in share price after cutting production guidance by 8,000 barrels per day and the announced departure of its Chief Financial Officer. Sector losses were partly offset by a 24.0% gain in TC Energy Corporation's share price, following 10.0% year-over-year EBITDA growth and significant progress on the Southeast Gateway pipeline project.

Q3 2024 Sector Performance¹

Sector	Return
Utilities	15.5%
Financials	15.1%
Communications Services	14.4%
Healthcare	14.3%
Materials	11.9%
Information Technology	10.2%
Consumer Discretionary	7.4%
Consumer Staples	6.8%
Industrials	2.6%
Energy	(8.5%)

S&P/TSX Composite Index Value – Q3 2024



¹Sector performance is based on the price change of each corresponding S&P/TSX Composite Index during Q3 2024.

Sources: S&P Capital IQ, Linde Equity – TSX Quarterly Review, Yahoo Finance, Business Insider, The Motley Fool, GlobeNewswire, Seeking Alpha, and Company MDA's.

M&A Market Summary

Canadian Economic Update

In Q3 2024, the Canadian Dollar (CAD) appreciated moderately against the United States Dollar (USD), ending the quarter at 1.35 CAD/USD compared to 1.37 CAD/USD at the close of Q2 2024. The depreciation of the USD was primarily driven by the Federal Reserve's decision to implement its first rate cut since 2021, reducing the federal funds rate by 50 bps.

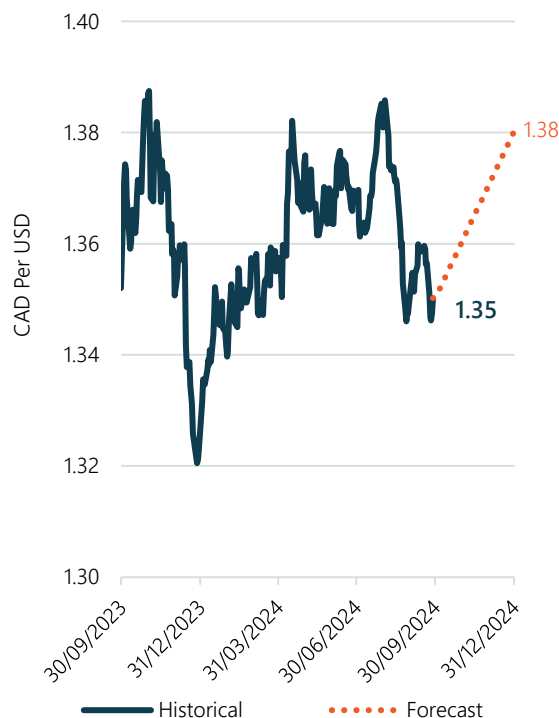
The Canadian economy continued to grow in Q3 2024, with Real Gross Domestic Product (GDP) estimated to have increased by 1.0% for the quarter. However, GDP growth fell short of the BoC's 2.8% forecast and represented a slowdown from the 2.1% increase observed in Q2 2024. The deceleration was mainly driven by reduced business investment and softer consumer spending. While lower than previously forecasted, GDP growth is expected to remain positive throughout the remainder of the year, ending 2024 at 1.0%. This is due to easing borrowing costs, which are expected to boost both business investment and consumer spending.

Housing starts in Q3 2024 were estimated at 249,000 units, a slight decrease of 1,000 units compared to Q2 2024. The decline was primarily due to high construction costs, which have reduced profitability for developers. Additionally, the time required to move a project from concept to completion in major metropolitan areas has lengthened, prolonging the impact of previously high interest rates. While rates are now declining, the effects of previously high rates coupled with increasing permitting costs continue to dampen sector activity.

The Consumer Price Index (CPI) is forecasted to decline by 0.6% quarter-over-quarter, dropping from 2.7% in Q2 2024 to 2.1% in Q3 2024. This decline is largely attributed to lower gasoline prices and slower rent growth, which were slightly offset by rising grocery prices. The CPI is expected to end 2024 at 2.4% and decrease further to 1.6% in 2025, primarily due to anticipated decreases in energy prices.

Canada's unemployment rate is forecasted to rise from 6.2% in Q2 2024 to 6.6% in Q3 2024, driven by a particularly tough job market for youth and immigrants, alongside a growing labour supply as population growth outpaced job creation. The labour market has also experienced a rise in both the number of people becoming unemployed and the duration it takes for these individuals to find suitable employment. While the unemployment rate is forecasted to decrease slightly to 6.4% by the end of 2024, it is expected to rise to 7.0% in 2025, despite anticipated interest rate cuts and GDP growth.

CAD/USD Exchange Rate¹



**Note: RBC forecasts a Q4'24 CAD/USD exchange rate of 1.38.*

Overnight Rate ² (%)		Real GDP Growth ² (YoY % change)		Unemployment Rate ² (%)		Housing Starts ³ ('000s)		Consumer Price Index ² (YoY % change)	
Year	Canada	Year	Canada	Year	Canada	Year	Canada	Year	Canada
2023	5.00%	2023	1.2%	2023	5.4%	2023	242	2023	3.9%
Q4'23	5.00%	Q4'23	0.1%	Q4'23	5.8%	Q4'23	244	Q4'23	3.2%
Q1'24	5.00%	Q1'24	1.8%	Q1'24	5.9%	Q1'24	245	Q1'24	2.8%
Q2'24	4.75%	Q2'24	2.1%	Q2'24	6.2%	Q2'24	250	Q2'24	2.7%
Q3'24	4.25%	Q3'24F	1.0%	Q3'24F	6.6%	Q3'24F	249	Q3'24F	2.1%
2024F	3.25%	2024F	1.0%	2024F	6.4%	2024F	246	2024F	2.4%
2025F	2.00%	2025F	1.3%	2025F	7.0%	2025F	238	2025F	1.6%

¹Exchange rate data as of September 30, 2024, from Bank of Canada. Forecast from RBC Financial Markets Monthly – October 2024.

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: Bank of Canada, IBIS World, Yahoo Finance, and Statistics Canada.

About Us



MNP Corporate Finance (MNPCF) has a dedicated team of over 100 M&A, capital markets, 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.

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 10 years alone, we have completed over 300 transactions worth more than \$5 billion (not including due diligence engagements).

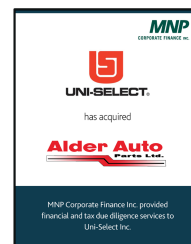
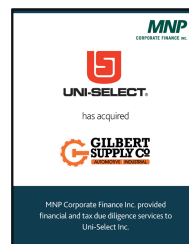
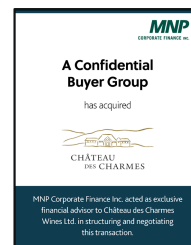
Industry Experience

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- Debt Financing
- Due Diligence
- Transaction Advisory Services

Recently Closed Deals (National)



About Us



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

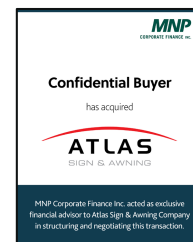
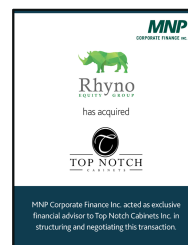
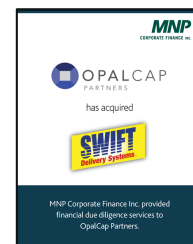
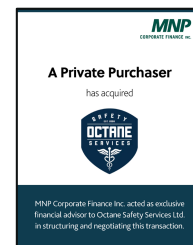
We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement and risk management.

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.



Recently Closed Deals (National)

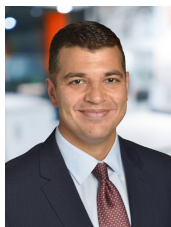


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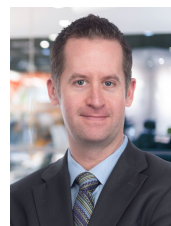
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