



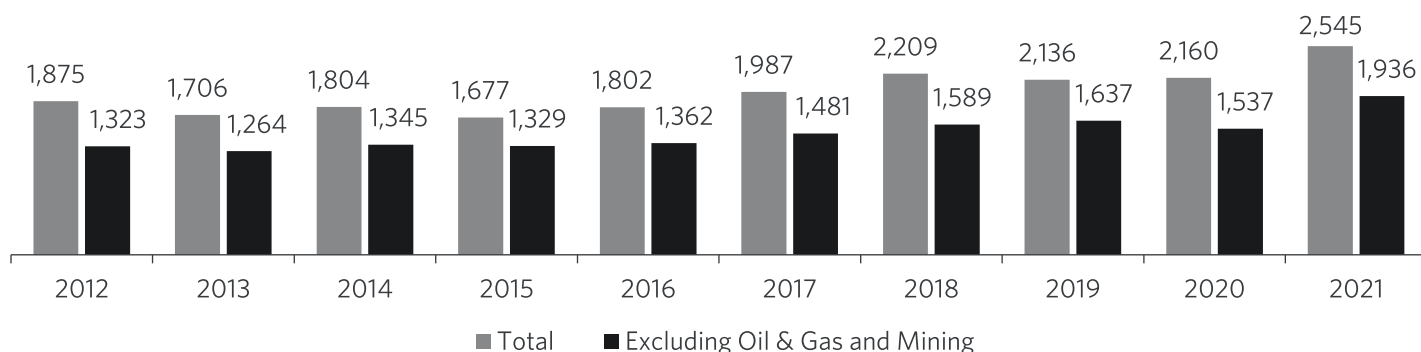
MID-MARKET INVESTMENT BANKING 2021 YEAR IN REVIEW

Market Update



We are pleased to provide a summary of Canada's M&A activity over the last year, together with our thoughts on current themes.

Annual Canadian M&A Volume

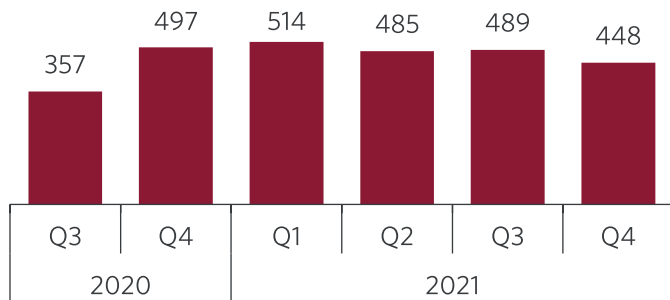


Source: Capital IQ, excludes all real estate transactions.

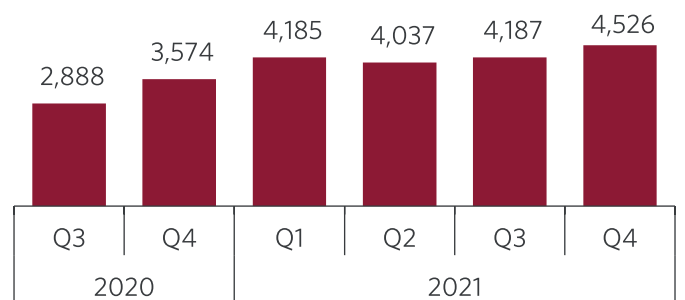
Looking back

By any measure, 2021 was a record year for M&A activity in Canada. This was due in part to closing the backlog of 2020 deals that had been delayed due to COVID. That said, even if you average the last two years, volumes were comfortably the highest over the past decade. Our team experienced the same trend, closing more transactions in 2021 than we have in any of our 30+ years.

Canadian transaction count



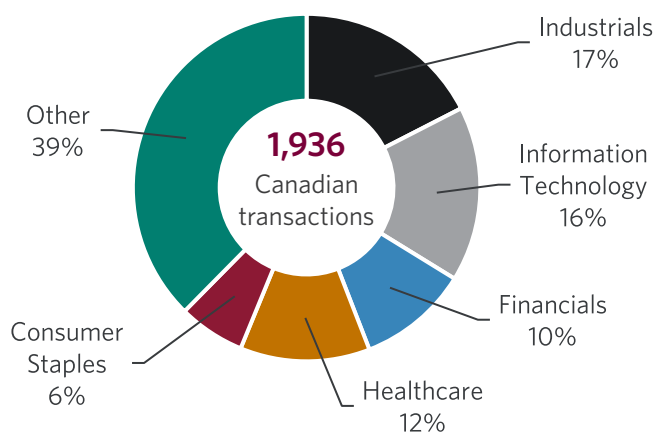
US transaction count



Source: Capital IQ, excludes real estate and resource transactions.

The quarterly data shows the increase in activity began in Q4/20 and continued through 2021. While the US experienced a slower restart, concerns about potential tax increases in 2022 accelerated US deal activity, particularly in Q4 as companies scrambled to close deals by Dec 31.

Most active industries 2021



Source: Capital IQ, excludes real estate and resource transactions.

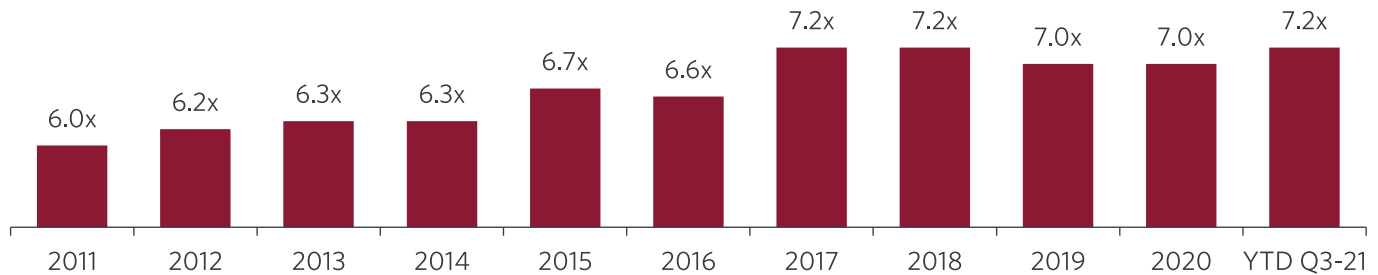
Most active acquirors 2021



As in 2020, the most active sectors continued to be Industrials, Information Technology, Financials and Healthcare, collectively making up over 50% of transaction volume. Not surprisingly, the Financials and Healthcare sectors are represented by 4 of the top 5 most active buyers in Canada with WELL Health and Hub International appearing in this list for the third year in a row.

From a valuation perspective, while multiples for private companies have not experienced the run up seen in the public markets, they remain at or near peak levels. This has been our experience and is further evidenced by the multiples paid by private equity firms for North American mid-market companies which have continued to average north of 7x EBITDA.

North American buyout transactions – Enterprise value / EBITDA multiples



Source: GF Data, Mid-Market M&A transactions up to \$250 million.

Looking forward

Some of the current market themes we see continuing include:

- The key building blocks for a strong M&A environment remain in place – availability of capital, low interest rates, confidence in economic outlook, and perhaps more importantly, owners seeking to explore a transaction due to attractive valuations and COVID fatigue.
- Transactions are taking longer to close than they used to. There is more scrutiny and due diligence on each deal, perhaps as a result of buyers needing to get more comfortable at the higher valuations. The use of rep and warranty insurance has become more common, particularly on deal sizes above \$50 million in enterprise value, and also when private equity funds are involved. This has added another work stream and we are noticing increasing due diligence requirements from the insurer and higher premiums for the policy.
- Many companies are performing well financially. The ‘new normal’ EBITDA is now actual rather than forecast and buyers are gaining confidence upon which to base their valuations. That said, we continue to see companies that have achieved significant increases in EBITDA and for these businesses, getting agreement on valuation with buyers is challenging. Deferring a portion of consideration through an earn-out, or retaining an ownership stake and not selling 100%, will continue to form a part of deal structures for certain transactions.
- Supply chain disruptions, staffing issues, COVID variants, and inflationary pressures, are common challenges currently facing business owners. Despite a buoyant M&A market, some potential sellers will continue to adopt a ‘wait and see’ approach.
- From a longer term perspective:
 - While interest rates remain low, anticipated rate increases by the Bank of Canada and US Federal Reserve may pose headwinds for valuations and M&A activity. The impact will likely be felt more in the public markets than private company M&A.
 - Record government spending continues to cast uncertainty over the current tax inclusion rate for capital gains. The prospect of a change may incentivize business owners to exit in the current tax environment.

Our 2021 Credentials

Below are some of the transactions that we have closed in the last 12 months. We wish you all the best for a safe and successful 2022 and look forward to speaking with you in the near future.

Business Services



Recapitalization with
BDG & partners
2021



Sale to
KELLER
2021



Sale to
UNIVERSAL GROUP
A portfolio company of
CAI CAPITAL PARTNERS
2021



Sale to
CONCEPT CONTROLS
WARREN EQUITY PARTNERS
2021



Acquisition of
BJ Electric MOTOR & CONTROL LTD.
2021

Manufacturing



Sale to
RONIN
2021



Sale to
AEM
2021



Recapitalization with
BDG & partners
2021

Healthcare



Acquisition of
beacon PHARMACY
2021



Sale to
FYidoctors.
2021

Software and Technology



Sale to



2021



Sale to



2021



Sale to ShieldCo., a portfolio company of



2021



Sale to



2021

Distribution



Debt financing
\$54,400,000

2021



Sale to



2021



Acquisition of



2021



Sale to



2021



Sale to



2021



Sale to



2021

Power & Utilities



Acquisition of



2021



Sale of its District Energy Centre facility to



2021

About us

CIBC Mid-Market Investment Banking is a leading M&A advisor, providing services to private companies.

- Divestitures
- Acquisitions and management buyouts
- Raising equity capital and securing debt financing

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