Middle Market M&A Update

Q4 2020

DIVESTITURES > FINANCING > DUE DILIGENCE

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M&A Market Summary

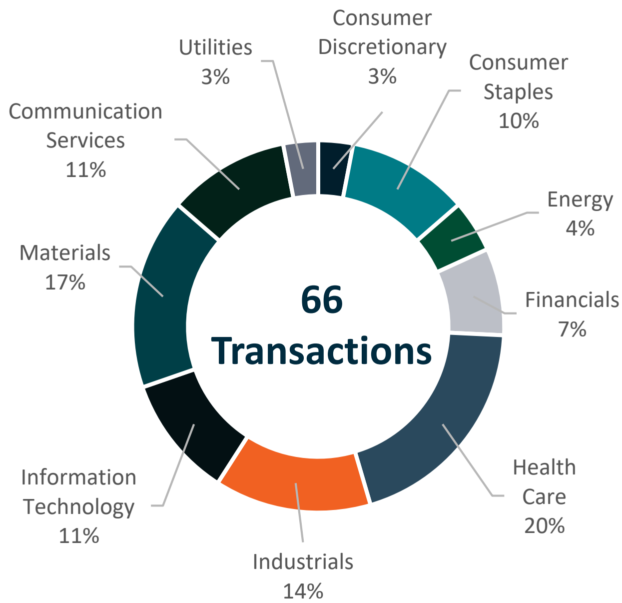
Canadian Mid-Market

Aggregate deal value for the quarter increased to $4 billion across 66 transactions. By comparison Q3 totalled $3.5 billion in aggregate deal value across 54 disclosed transactions. Increased deal volumes suggests that investor sentiment is increasingly positive, especially as the vaccine roll-out commences and economic normalization is expected.

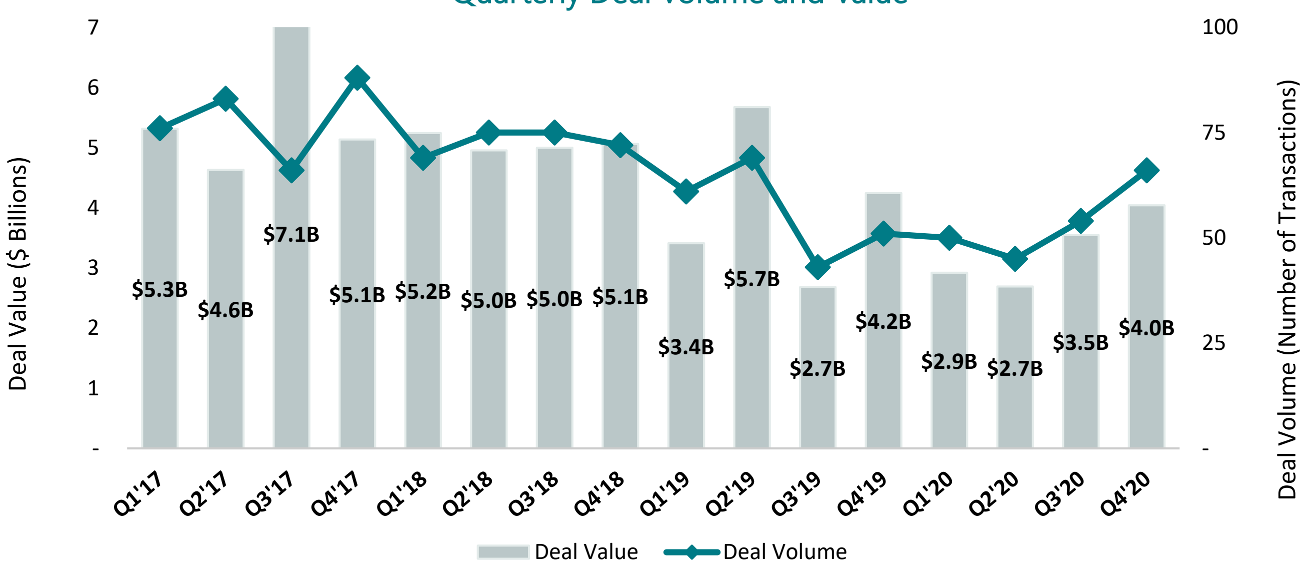
The chart to the right summarizes transaction volume per sector, as defined by the S&P/TSX Composite Index. Transaction volume during Q4 has remained slightly skewed towards more defensive sectors heavily exposed to COVID-19.

- Healthcare accounted for 20% of total deal volume, up from 19% in the previous quarter. Two deals were made by acquirer WELL Health Technologies Corporation and two deals were made by CloudMD Software & Services Inc, out of the 13 total health care deals, as virtual healthcare services have become attractive to industry players.
- Industrials accounted for 14% of total deal volume. Canadian Pacific Rail Limited acquired Detroit River Tunnel Partnership for +$410 million, which was the largest deal in the quarter.
- Materials accounted for 17% of deal volume, down from 20% in the quarter prior, driven by a number of mining transactions.
- The Financials sector, which made up 2% of total deal volume in Q3, accounted for 7% of total deal value in Q4 with 5 deals closed. Uncertainty regarding performance of loan books, life insurance, and capital markets business has slightly subsided since previous quarters.

Q4'20 – M&A Volume By Sector*



Quarterly Deal Volume and Value*



**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.

COVID-19 Update

COVID-19 Impact on M&A

2020 was a volatile year with respective to M&A activity in the mid-market space in Canada. There was initially a slowdown in deal volume in the first half of 2020 as a result of the COVID-19 pandemic. Transactions that were far along the deal process or in the due diligence phase were able to close for the most part. However, companies for sale encountered delayed processes or were put on hold in Q1 2020. The deal environment generally shifted into a holding pattern given the uncertain economic outlook and financial performance by most businesses.

During the second half of 2020 and as the COVID-19 pandemic in Canada improved in Q3, many businesses re-opened and buyers began to seek acquisition opportunities again. Business owners previously contemplating on divesting their company earlier in the year began preparing their businesses for sale in Q3, resulting in the number of businesses for sale during the fall season. We have continued to see strong M&A activity in Q4, despite a second wave of shutdowns across Canada as a result of the resurgence of the pandemic. Fund managers and banks still have plenty of capital to deploy as they seek ways to continue generating a return on their capital.

Travel and border restrictions into Canada and the US have continued to create challenges across many M&A processes; however, acquirers have become more accepting of virtual meetings and conferences as part of the due diligence process. Due diligence procedures have also become more time consuming and rigorous compared to the normal levels.

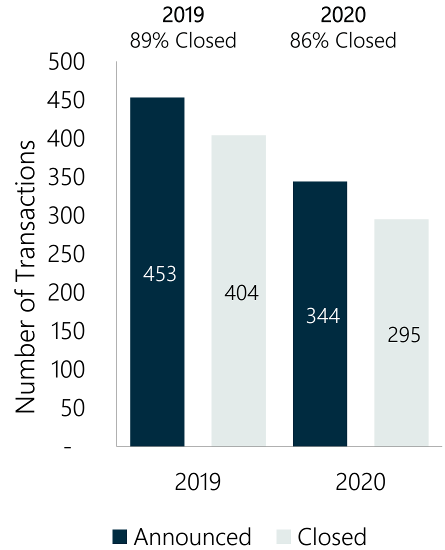
Deal volumes and valuation multiples have declined in 2020 versus 2019, although deal structures have evolved to address the uncertainty of market conditions and business performance as a result of COVID-19. As seen in the graphs to the right, deal volumes have begun to slight improve in Q4 compared to Q3. Conversely, although deal volumes are improving, the percent of deals closed continue to be lower compared to the same period in 2019.

From an equity markets standpoint, pricing multiples have reached pre-COVID-19 levels and have priced in a full economic recovery, particularly with the COVID-19 vaccines on the horizon in 2021. At the same time, variations of the COVID-19 virus have caused some concerns on the vaccine's effectiveness and therefore, how quickly the economy will recover. Because of this, some buyers are now wanting to see larger earn-out structures instead of cash on close to de-risk their investments from any downturn on financial performance should the economy not recover as expected.

Industries Significantly Impacted

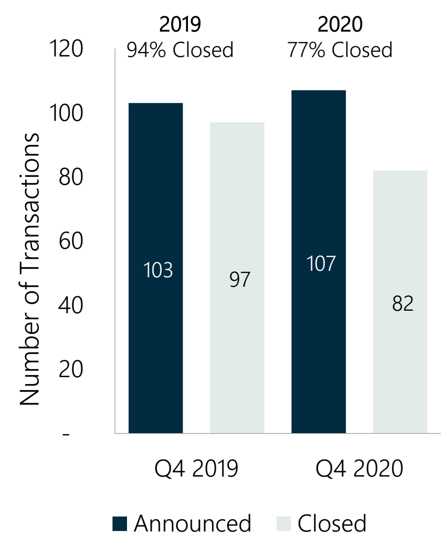
Physical retailers continue to suffer from the pandemic except for those with a well established e-commerce platform. Industries with exposure to essential products and services continue to be strong performers during this time along with those in the technology sector. The electrical automotive, technology, and healthcare sectors have all commanded significant valuation premiums in 2020.

Canadian M&A Volumes (Q4 2019 vs. Q4 2020)*



Source: S&P Capital IQ

Canadian M&A Volumes (Jan to Dec - 2019 vs. 2020)*



Source: S&P Capital IQ

**Based on Canadian publicly disclosed transactions, ranging in value from $5 million to $500 million.*

Equity Markets

In Q4 2020, the TSX Composite posted positive gains for the third straight quarter due to monetary and fiscal stimulus as well the announcement of the COVID-19 vaccine roll-out, despite several concerns, including second waves of lockdown measures, US political unrest, and economic uncertainty. The Energy, Healthcare, Consumer Discretionary, and Financial sectors all posted 15.0%+ gains. Out of the 247 stocks on the TSX Composite in 2020, 122 recorded a gain, with small caps outperforming mid and large caps. The Index returned 7.7% in Q4 and has ended the year with a positive return of 2.2%.

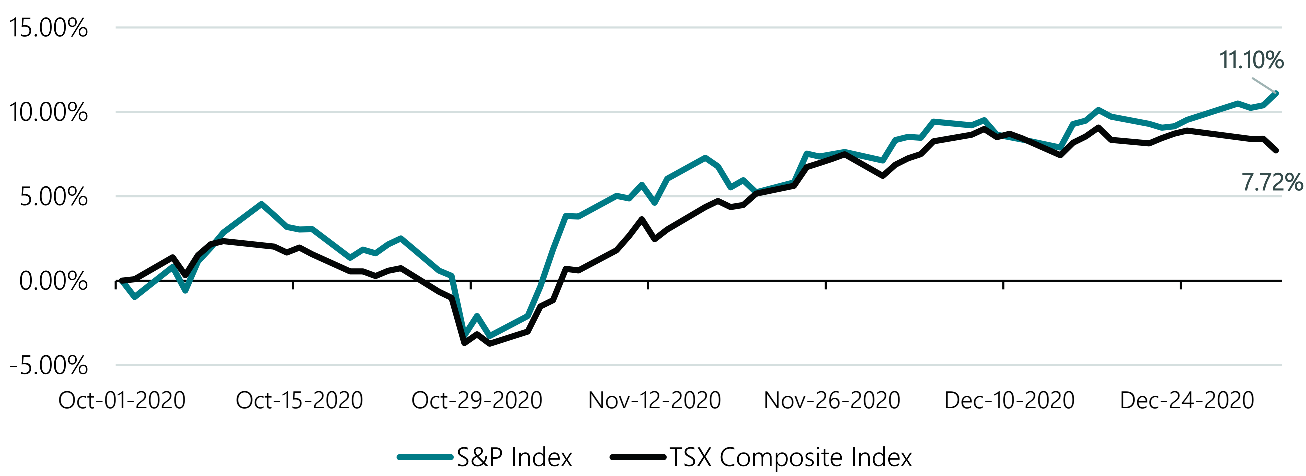
- The Energy sector outperformed the broader market in Q4 2020, with returns totalling 45.1%. Expectations for economic normalization supported by the impending roll-out of the COVID-19 vaccination has supported commodity prices. Despite Q4 gains, the sector ended the year at -37.6%. Suncor Energy, Enbridge, and TC Energy Corporation were the largest sector detractors for the year.

Q4 2020 Sector Performance*

Sector	TSX Composite	S&P 500
Energy	45.09%	29.85%
Healthcare	29.78%	8.06%
Consumer Discretionary	19.64%	6.24%
Financials	15.18%	22.25%
Industrials	7.82%	15.54%
Information Technology	7.37%	10.46%
Utilities	3.88%	4.63%
Communications Services	3.17%	11.98%
Materials	-4.70%	15.53%
Consumer Staples	-5.95%	5.11%

- The Healthcare sector posted the second largest gain in Q4 after poor performance in previous quarters. Cannabis stocks rose strongly in Q4, supported by industry consolidation and the perception of a more liberal regulatory environment after the US election. Additionally, there has been acknowledgement in the industry around decreasing production to promote increased profitability. Returns for the year, however, were mixed with Canopy Growth's 15.0% gains partially offsetting a -68.0% loss from Aurora Cannabis.
- Information Technology made a 7.4% gain in Q4 and was the best performing sector for the year, posting a 2020 return of 54.6%. This strong performance has been driven by companies developing e-commerce platforms in the midst of the COVID-19 pandemic to mitigate the effects of bricks and mortar store closures. Shopify led the sector, with +178.0% returns for the year, and became Canada's largest company by market capitalization.

North American Equity Indices – Q4 2020 Performance**



Sector performance based on the price change of each corresponding S&P 500 sector index over the quarter.
**YTD performance as of December 31st, 2020.*
Source: S&P Capital IQ, Linde Equity – TSX Quarterly Review and Raymond James – Quarterly Insights & Strategies.

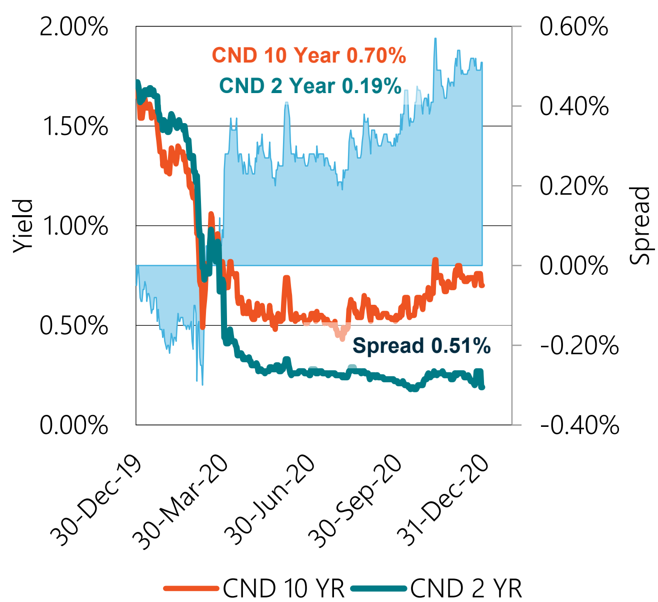
Treasury Yields
Canada

On December 9, 2020, the Bank of Canada (BoC or Bank) decided to maintain its target for the overnight rate at 0.3%, which continues the BoC's decision to maintain the same overnight interest rate since March. The Bank plans on maintaining its positive outlook guidance, which is supplemented by its quantitative easing (QE) program. This program will continue at a pace of at least $4 billion of large-scale asset purchases (Government of Canada bonds) per week. At the Bank's meeting in October, it signalled that it would keep the rate at its current level until at least 2023 because of its expectations on economic recovery in Canada.

Recent news regarding the development and roll out of vaccines is providing reassurance that normal activities may resume soon. The Bank noted that Canada's economic recovery from COVID-19 is in line with expectations. Stronger energy demand has increased the price of commodities. Also, an appreciation in the Canadian dollar has been driven by the decline in the US exchange rate. Overall, the BoC is committed to maintaining a lower interest rate so that businesses have access to capital needed to fund, growth, and recover their operations during this time.

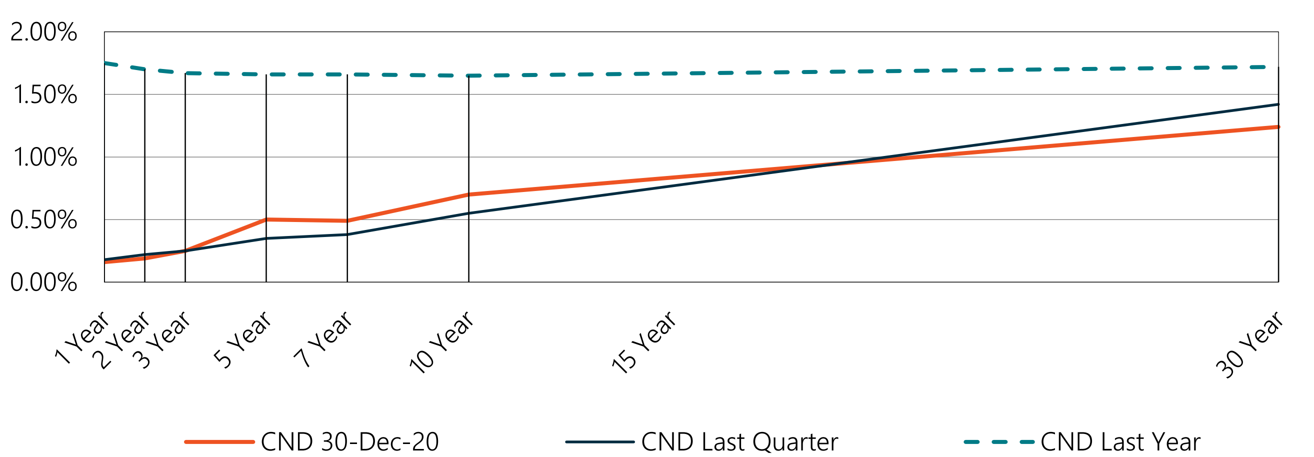
Since last quarter (Q3), the 10-year Canadian Government Bond Yield has gone from approximately 0.6% to 0.7%. The overall spread has changed from approximately 0.3% to 0.5%. These factors continue to improve in parallel to economic improvement after the pandemic disruptions. As the Canadian economy recovers, the Government of Canada is targeting a stable inflation rate of 2.0%.

2 & 10 Year CND Gov't Bond Yields



As the economy moves forward into Q1 of 2021, the Bank will continue to provide the economy with monetary policy support. The QE program is expected to continue with a gradual reduction as the Canadian economy rebounds. The Bank's Monetary Policy Report indicated that the economy is expected to grow at almost 4% in 2021 and 2022, which follows a decline of 5.5% in 2020.

CND Government Bond Yield Curves



Sources: S&P Capital IQ, Bank of Canada, Globe and Mail, StatsCan, Canadian Broadcasting Corporation (CBC). The next scheduled dates in 2021 for the interest rate announcements (excluding Monetary Policy Report releases) are January 10, March 10, June 9, and September 8, and December 8.

Treasury Yields

United States

The Federal Reserve (Fed or Committee) officials have again decided to hold interest rates near zero (0.0% to 0.3%) and indicated that they will remain at this level until labour market conditions have reached target levels of employment and inflation (2.0% over the long-run). The Committee stated it would continue to buy at least $120 billion of bonds each month until key target metrics are met (maximum employment and inflation).

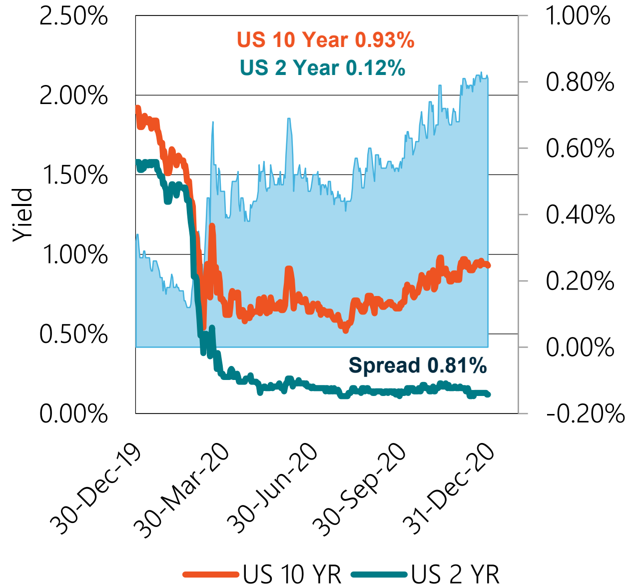
According to the most recent release of the Fed's Dot Plot on Dec. 16, 2020, a majority of members agree and foresee the 0.0% to 0.3% interest rate to remain until the end of 2023. The long-run shows members targeting an interest rate of 2.0% to 3.0%.

The Fed expected Real Gross Domestic Product (GDP) to fall by 3.7% in 2020, but in fact the median decline was reported at 2.4%. They also revised their 2021 Real GDP forecast from 4.0% to 4.2%.

The 2020 median unemployment rate has been reported at 6.7%, compared to the September projection of 7.6%. Moving forward, the Fed projects 2021 unemployment to be 5.0% versus their initial projection of 5.5%. Policymakers expect this to decline to 3.7% by 2023.

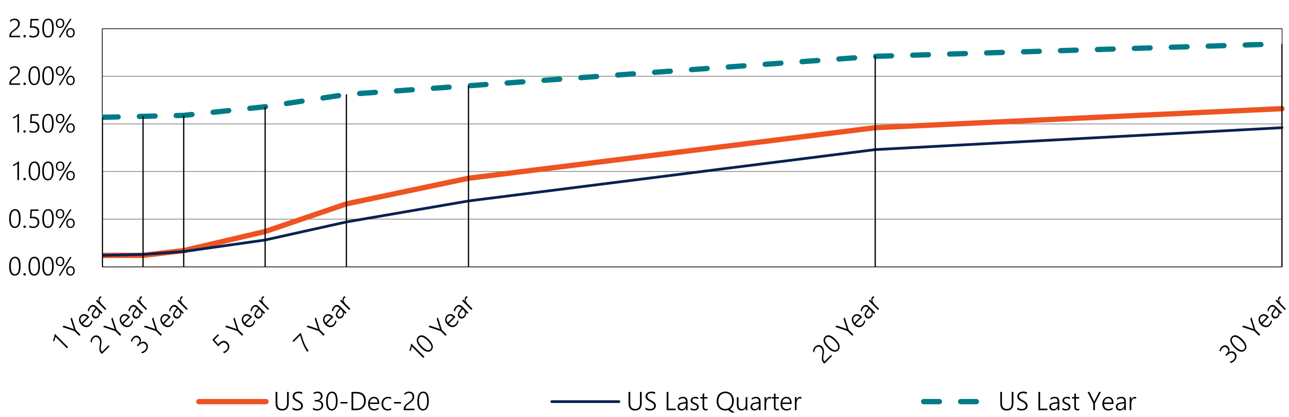
Since last quarter (Q3), the 10-year US Government Bond Yield has gone from approximately 0.7% to 0.9%. The overall spread has gone from approximately 0.6% to 0.8%.

2 & 10 Year US Gov't Bond Yields



The Fed will continue to monitor incoming information regarding the economic outlook and global developments and act appropriately to support the economy. The Committee's assessments will take into account a wide range of information, including readings on public health, labour market conditions, inflation pressures and inflation expectations, and financial and international developments.

US Government Bond Yield Curves



Source: Capital IQ, Federal Reserve, CNBC, The next scheduled dates in 2021 for FOMC interest rate announcements are January 26-27, March 16-17, April 27-28, June 15-16, July 27-28, September 21-22, November 2-3, and December 14-15.

Commodity Markets

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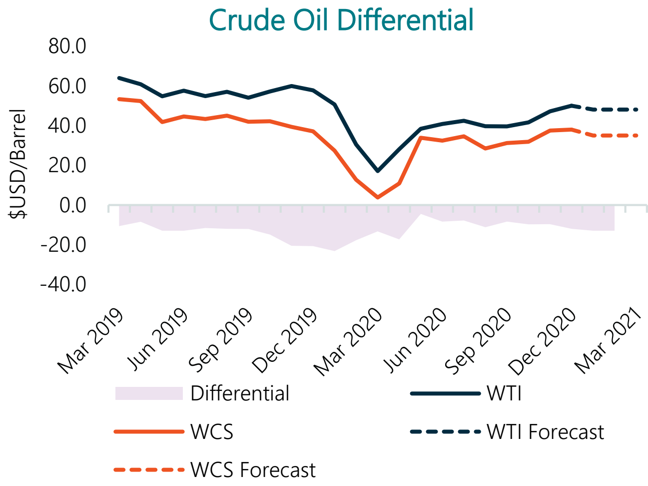
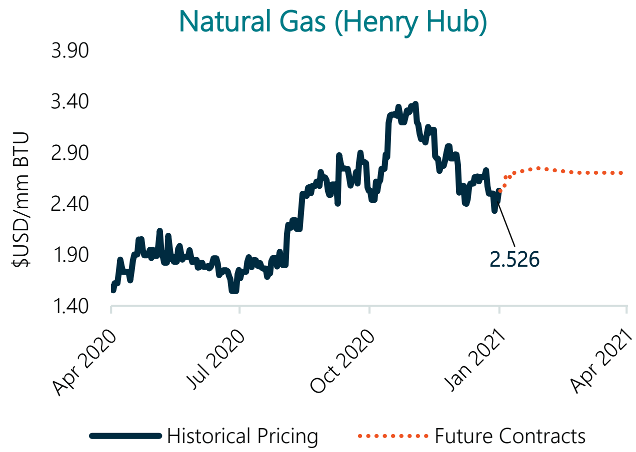
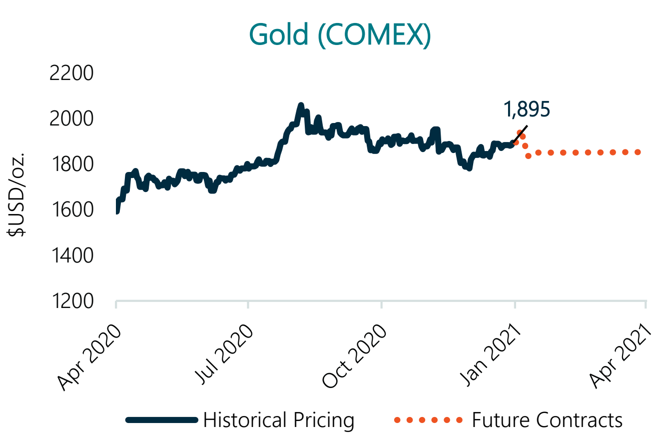


- In 2020 YTD, Western Canadian Select (WCS) has risen 38.3%, while West Texas Intermediate (WTI) decreased 1.3%.
- Both WCS and WTI prices reached unprecedented lows in April at US$3.8/barrel and US$17.1/barrel, respectively, due to the precipitous decline in demand as a result of the global pandemic.
- The WCS and WTI prices have recovered to approximately US$38/barrel and US$50/barrel, respectively, towards the end of Q4 2020. The WCS/WTI price differential grew to approximately US$12/barrel at the end of Q4.



- Q3 natural gas prices grew by 51.2% and did not change in Q4. Prices remained at US$2.5/mm BTU near the end of Q4, and saw some volatility during those days, as noted in the graph to the left.
- There is potential for growth in the winter months as could be amplified by the colder summer, which will create a tight supply market for natural gas. It is forecasted the gas prices will continue to soar in Q1 of 2021 (up to US$2.7/mm BTU by the end of March 2021).



- Gold continued its climb through the year, posting a 13.1% gain in Q2, 6.0% in Q3, but saw a slight decline in Q4 (-0.7%).
- Uncertainty around the United States currency in global markets as well as significant Quantitative Easing could be contributing to the gains. A weak USD tends to have an inverse relation with higher gold prices as gold is priced in USD and foreign investors shift money into more traditional value sources when the currency is depreciating.
- Gold prices are expected to continue on a stable (USD$1855/oz average) trend in Q1 2021 driven by the continued monetary and fiscal policy measures enacted by the federal government to address the economic crisis caused by the global pandemic.

Source: S&P Capital IQ, Oil Sands Magazine, Alberta Government – Economic Dashboard, Reuters

Canadian Economic Update

The Canadian dollar ended Q4 2020 at 1.27 CAD/USD and has strengthened due to both the weakening in the US dollar as well as the rebound in equity and commodity prices. Relatively low growth and low interest rates in the US will continue to drive investors towards alternatives and drive USD lower in the near term. News of a COVID-19 vaccine rollout has created expectations of economic normalization and increased risk appetite, however there remains uncertainty in the near term outlook given the resurgence of cases, new COVID-19 variant concerns, vaccine distribution inefficiencies, and further lockdown measures.

After a strong rebound in Canada's real GDP in Q3, growth is projected to stabilize over Q4 and Q1 2021. The hospitality, recreation, and travel sectors have remained under pressure in Q4 while manufacturing, e-commerce sales, and housing have made significant gains and are approaching pre-pandemic levels.

Canada's housing market was extremely strong in 2020, driven by low interest rates and elevated savings balances. Additionally, the growing trend of suburbanization boosted housing starts, which has been supported by many companies adopting work from home measures in light of the current pandemic environment.

The unemployment rate is expected to decrease to 8.7% in Q4 after being >10.0% in both Q2 and Q3 of this year. As the economy rebounds and the vaccine is widely distributed, unemployment is expected to normalize to pre-pandemic levels of 5.6%. A disproportionate amount of the unemployed are within the lower income service sectors jobs which have been more adversely impacted by the pandemic.

The consumer price index is expected to grow approximately 0.6% to end Q4. The uptick in inflation has been driven by commodity prices, including food, which carries significant weight in the basket. Recreation, education, and reading also contributed to the index increase, while clothing and footwear posted a pullback.

CAD/USD Exchange Rate*

Note: RBC forecasts a Q1'21 CAD/USD exchange rate of 1.28.

Real GDP Growth
*(YoY % change)***

Year	Canada
2019	1.9%
Q2'20	*-38.1%*
Q3'20	*40.5%*
Q4'20F	*1.0%*
Q1'21F	*3.5%*
2020F	-5.8%
2021F	5.0%

Unemployment Rate
*(%)***

Year	Canada
2019	5.7%
Q2'20	*13.0%*
Q3'20	*10.0%*
Q4'20F	*8.7%*
Q1'21F	*8.5%*
2020F	9.5%
2021F	7.6%

Housing Starts
*('000s)***

Year	Canada
2019	209
Q2'20	*51*
Q3'20	*63*
Q4'20F	*64*
Q1'21F	*N/A*
2020F	216
2021F	203

Consumer Price Index
*(YoY % change)***

Year	Canada
2019	1.9%
Q2'20	*0.0%*
Q3'20	*0.3%*
Q4'20F	*0.6%*
Q1'21F	*0.4%*
2020F	0.7%
2021F	1.0%

Note: *F stands for forecasted 2020 numbers are not verified and remain forecasted.*
StatsCan has suspended all quarterly housing starts forecasts due to COVID-19

[*]Exchange rate data as of December 31, 2020. Forecast from RBC Financial Markets Monthly – December 2020.
[**]RBC Capital Markets Economic Research, Statistics Canada and Canada Mortgage and Housing Corporation.
Sources: S&P Capital IQ, RBC Economics - Current Trends Update - Canada, National Bank of Canada – Economics and Strategy – FX Update – December 2020, www.tradingeconomics.com/canada/unemployment-rate

About Us

MNP CORPORATE FINANCE INC.

MNP Corporate Finance (MNPCF) has a dedicated team of over 60 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 $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 170+ M&A professionals in more than 30 countries.

PRAXITY™ Empowering Business Globally

CFxB

CFxBorder - Global Reach with Local Relationships
Our corporate finance team through CFxB consists of 170 plus M&A professionals in more than 30 countries

Services

- Divestitures
- Acquisitions
- Debt Financing
- Due Diligence
- Transaction Advisory Services

Recently Closed Deals (National)

E360S Environmental 360 Solutions has acquired all capital stock of DSI Direct Specialty Industrial Services

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

E360S Environmental 360 Solutions has acquired Alliance Disposal

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

Tervita has acquired Main Line Industries

MNP Corporate Finance Inc. acted as exclusive financial advisor to Main Line Industries Ltd. in structuring and negotiating this transaction.

E360S Environmental 360 Solutions has acquired all of the capital stock of Future Waste Recycling

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

TRUE Sports has acquired Lefevre

MNP Corporate Finance Inc. provided financial and tax due diligence services to TRUE Sports Inc.

Lafarge has acquired Mixcor Aggregates

MNP Corporate Finance Inc. acted as exclusive financial advisor to Mixcor Aggregates Inc. in structuring and negotiating this transaction.

E360S Environmental 360 Solutions has acquired Westendorp Waste Disposal

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

Gertex Solutions has acquired Impak Packaging Systems Inc.

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

E360S Environmental 360 Solutions has acquired Whitecap Environmental

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

Kepler Capital has acquired Oxy Arc

MNP Corporate Finance Inc. acted as exclusive financial advisor to Oxy-Arc International Inc. in structuring and negotiating this transaction.

About Us

MNP CORPORATE FINANCE INC.

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 six years alone we have completed over 125 transactions worth over $2 billion (not including due diligence engagements).

Industry Experience

- Food & Beverage
- Retail & Distribution
- Manufacturing
- Agriculture
- Automotive
- Materials
- Healthcare
- 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)

MNP CORPORATE FINANCE INC.

ON SIDE RESTORATION.

has acquired

NCR Northern Capital Restorations

MNP Corporate Finance Inc. acted as exclusive financial advisor to Northern Capital Restorations & Construction Ltd. in structuring and negotiating this transaction.

MNP CORPORATE FINANCE INC.

EDMONTON PHARMACY GROUP

has acquired

ARP PHARMACY CASTLEDOWNS ARP PHARMACY

MNP Corporate Finance Inc. acted as exclusive financial advisor to Ken2 Investments Ltd. (o/a Castledowns ARP Pharmacy) in structuring and negotiating this transaction.

MNP CORPORATE FINANCE INC.

Jan Nelson and Andrew Windsor

have acquired

Maverick ESTATE WINERY

MNP Corporate Finance Inc. acted as exclusive financial advisor to Maverick Estate Winery Inc. in structuring and negotiating this transaction.

MNP CORPORATE FINANCE INC.

Greyrock Capital Inc.

has acquired

EMERSON MILLING INC.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Emerson Milling Inc. in structuring and negotiating this transaction.

MNP CORPORATE FINANCE INC.

MEDSPA PARTNERS

a portfolio company of

PCP Persistence Capital Partners

has acquired

DSHI

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

MNP CORPORATE FINANCE INC.

A Confidential Buyer

has acquired

Hayes Management Ltd.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Hayes Management Ltd. in structuring and negotiating this transaction.

MNP CORPORATE FINANCE INC.

MST Services

has acquired

orbis solutions for the helping professions

MNP Corporate Finance Inc. provided financial and tax due diligence services to MST Services Holdings, LLC.

MNP CORPORATE FINANCE INC.

SupremeX

has acquired

ROYAL ENVELOPE LTD.

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

MNP CORPORATE FINANCE INC.

CARBON60 THE MANAGED CLOUD COMPANY

has acquired

cirrus9

MNP Corporate Finance Inc. provided financial and tax due diligence services to Carbon60.

MNP CORPORATE FINANCE INC.

GLBH

has acquired

ELRUS AGGREGATE SYSTEMS

MNP Corporate Finance Inc. provided financial and tax due diligence services to G.L. Black Holdings Ltd.

Leadership Team

MNP CORPORATE FINANCE INC.

Transaction Leadership

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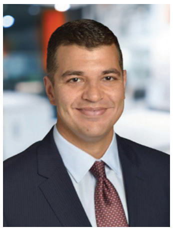

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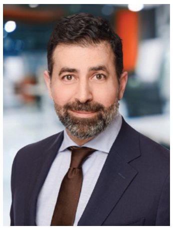

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