

Middle Market M&A Update

Q1 2023



M&A Market Summary

Canadian Mid-Market

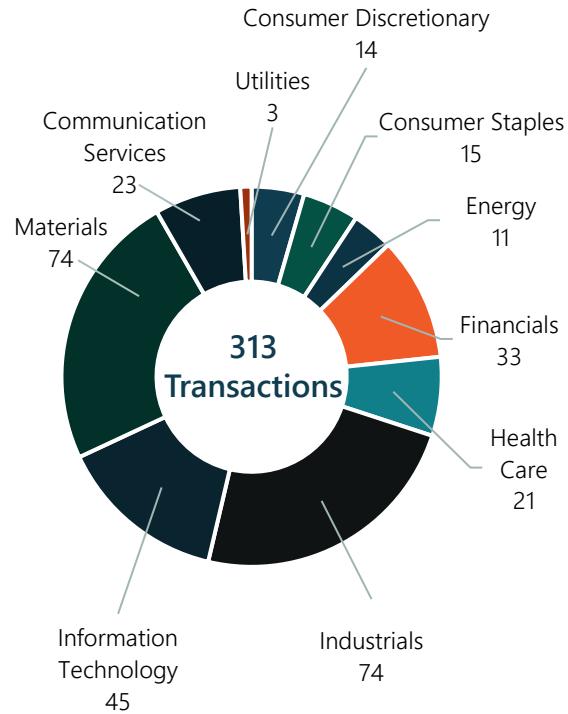
On January 25, 2023, the Bank of Canada (BoC) introduced its first interest rate hike of the year, an increase of 25 basis points, resulting in the target overnight rate reaching 4.5%. Following eight consecutive rate hikes, the BoC is expected to pause its monetary tightening policy and hold the key rate at 4.5%.

The combination of high interest rates and global economic instability hindered deal activity in early 2023, with total transaction count falling from 377 transactions in Q4 2022 to 313 transactions in Q1 2023. Nevertheless, excess levels of dry powder at private equity firms are expected to buoy M&A activity as conditions stabilize.

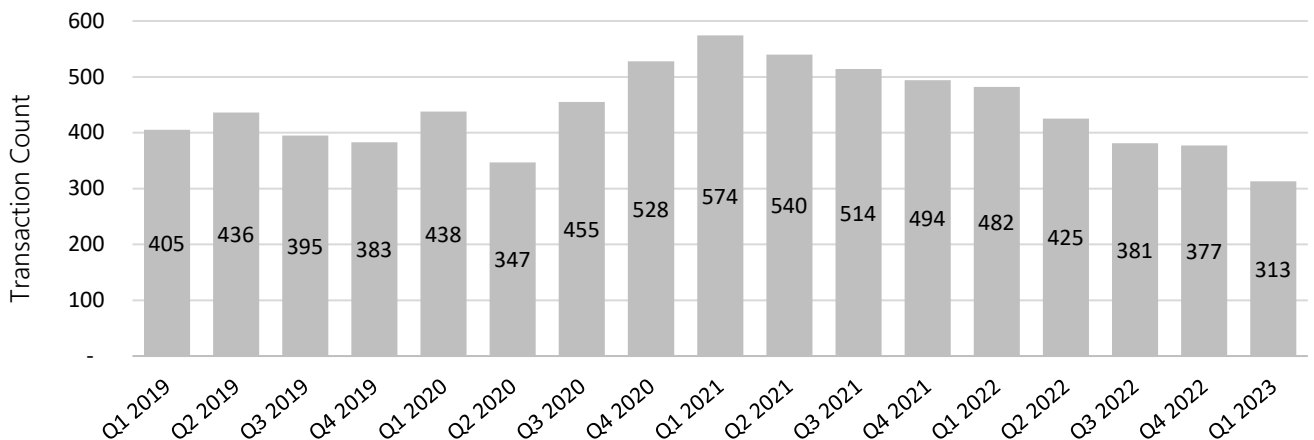
The adjacent chart summarizes transaction count by sector in Q1 2023, and corresponding sector highlights are noted below:

- The Materials and Industrials sectors led the quarter with 74 transactions each, collectively accounting for 47.3% of the total transaction count in Q1 2023.
 - A notable transaction within the Materials sector was Glencore Canada Corporation's acquisition of an additional 75% stake in Noranda Income Fund for an Enterprise Value ("EV") of \$343.8 million.
 - A notable transaction within the Industrials sector was the acquisition of Worley Limited's North American Maintenance and Turnaround business by CAM Industrial Solutions LLC for an EV of \$167.1 million.
- The Communication Services sector experienced increased transaction activity in Q1 2023 compared to Q4 2022. Transaction count increased from 19 to 23, representing a 7.3% increase quarter-over-quarter. A notable transaction within the sector was Crystal Planet Limited's acquisition of Spackman Equities Group Inc. for an EV of \$40.1 million.
- The median EV/Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) multiple for all publicly disclosed transactions in Q1 2023 with EVs less than \$500 million was 5.1x.

Q1 2023 Transaction Count by Sector



Quarterly Transaction Count*



*Transaction count is based on all Canadian publicly disclosed transactions.
Currency in CAD.
Source: S&P Capital IQ, Bank of Canada.

M&A Market Summary

Select Q1 2023 M&A Transactions - Canada

GLENCORE

has acquired

75% of
Noranda
Income Fund

Closed	Mar 15, 2023
EV	\$343.8M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Glencore Canada Corporation** (Glencore) is one of the world's largest diversified natural resource companies, with products sold in over 35 countries. Glencore produces and markets more than 60 responsibly-sourced commodities, including cobalt, nickel, zinc, and thermal coal. The company was founded in 1922 and is based in Toronto, Ontario.
- **Noranda Income Fund** (Noranda) is an income trust which owns the second-largest electrolytic zinc processing facility in North America, located in Salaberry-de-Valleyfield, Quebec. Noranda utilizes the facility to produce refined zinc metal and by-products from sourced zinc concentrates. The company was founded in 1961 and is based in Toronto, Ontario.
- This acquisition will allow Glencore to significantly expand its zinc processing capacity and achieve notable revenue growth, by serving the highly concentrated population of zinc customers located in North America.



has acquired



Announced	Feb 10, 2023
EV	\$280.4M
EV/EBITDA	5.8x
EV/Revenue	0.6x

- **Flowserve Corporation** (Flowserve) provides flow control products and services for global infrastructure markets. Operating in more than 50 countries with over 300 locations, Flowserve produces engineered and industrial pumps, seals, and valves, and offers a range of related flow management services. The company was founded in 1997 and is based in Irving, Texas.
- **Velan Inc.** (Velan) designs and manufactures highly engineered industrial valves for the nuclear, cryogenic, defence, pulp and paper, oil and gas, marine, and mining sectors. Velan employs approximately 1,650 people and operates 12 manufacturing facilities across nine countries, as well as 60 service shops worldwide. The company was founded in 1950 and is based in Montreal, Quebec.
- Flowserve's acquisition of Velan provides the company with a valve portfolio that is highly complementary to its flow control division segment and increases Flowserve's aftermarket potential. In addition, the transaction will result in synergies from the additional scale, footprint consolidation, and procurement opportunities provided by the combination, including run-rate cost synergies of approximately \$26 million.



has acquired



Announced	Jan 17, 2023
EV	\$154.6M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Shockwave Medical Inc.** (Shockwave) develops and distributes products focused on transforming the treatment of advanced cardiovascular diseases. Shockwave distributes products to interventional cardiologists, vascular surgeons, and interventional radiologists in over 60 countries. The company was founded in 2009 and is based in Santa Clara, California.
- **Neovasc Inc.** (Neovasc) is a specialty medical device company that develops, manufactures, and markets products for the rapidly growing cardiovascular marketplace. The company's signature product is the Reducer, a first-of-its-kind technology that treats refractory angina, a chronic condition resulting in chest pains that cannot be treated by conventional therapies. The company was founded in 2000 and is based in Richmond, British Columbia.
- This transaction will allow Shockwave to expand into the global refractory angina market, a market that is estimated to be over \$5 billion and not currently served by the company. Additionally, Shockwave will help commercialize the Reducer and begin marketing it to international customers.

M&A Market Summary

Equity Markets

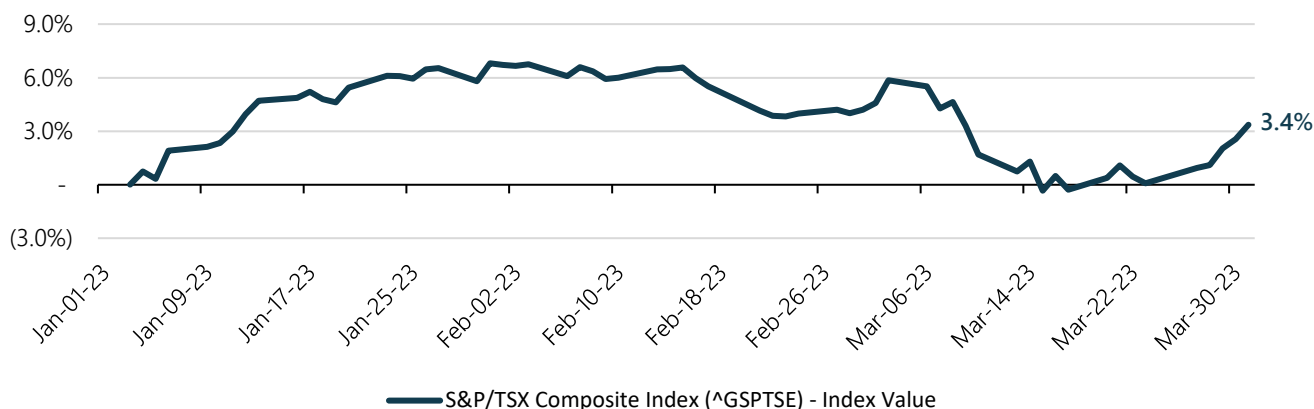
The S&P/TSX Composite posted a gain of 3.4% in Q1 2023 as nine of the 10 sectors experienced positive returns. The best performing sectors during the quarter were Information Technology, Industrials, and Materials. Of the 212 constituents listed on the S&P/TSX Composite Index (excluding real estate), 141 recorded a gain in Q1 2023.

- The Information Technology sector posted a gain of 21.5% in Q1 2023, outperforming the broader market. Sector gains were supported by the price appreciation of constituents such as Shopify Inc. (+34.3%) and Blackberry Limited (+36.6%). Shopify Inc.'s share appreciation was primarily attributable to its reported year-over-year revenue growth of 25.7%, whereas Blackberry Limited's share price was boosted by the upside potential of its auto software segment, which the company estimates would generate revenue growth of 20% in fiscal 2024.
- The Industrials sector returned 5.2% in Q1 2023. Leading the sector was Bombardier Inc. (+39.6%), as the company's stock price increased sharply after investors reacted positively to the company's financial results, which included 45% growth in adjusted fiscal 2022 EBITDA compared to 2021. The company also provided an optimistic forecast for 2023, including a 21% EBITDA margin expansion, 15% increase in aircraft delivery, and significant reduction to the company's debt.
- The Materials sector also returned 5.2% in Q1 2023, as the price of gold reached a six-month high of 62,779.5 United States Dollars (USD)/kg on February 1, 2023 and is forecasted to continue rising throughout the year. Companies such as Dundee Precious Metals Inc. (+46.3%), Equinox Gold Corp. (+42.2%), and Torex Gold Resources Inc. (+40.7%) also benefitted from the rally in gold prices. The sector gains were offset by the losses posted by First Majestic Silver Corp. (-15.4%) after discontinuing an unprofitable mining operation, which represented 21% of its company's fiscal 2022 revenue, and Mag Silver Corp. (-21.3%) after a public offering spurred negative investor sentiment.
- The Health Care sector posted a negative return of 0.8%, primarily driven by the continuing detraction of the cannabis sector, within which Canopy Growth Corporation (-24.5%) experienced a notable share decline. Canopy Growth Corporation's stock price detracted after the company released quarterly earnings showing a 28% year-over-year decrease in net sales and 30% year-over-year decline in adjusted EBITDA. The sector's poor performance was slightly offset by the gain posted by Bausch Health Companies Inc. (+29%), as analysts anticipate the company recording a positive net income in fiscal 2023 after five consecutive years of net losses.

Q1 2023 Sector Performance*

Sector	Return
Information Technology	21.5%
Industrials	5.2%
Materials	5.2%
Consumer Staples	4.9%
Utilities	3.6%
Consumer Discretionary	2.7%
Communication Services	1.2%
Energy	0.5%
Financials	0.1%
Health Care	(0.8%)

S&P/TSX Composite Index Value – Q1 2023



*Sector performance based on the price change of each corresponding S&P/TSX Composite Index during Q1 2023.
Sources: S&P Capital IQ, Forbes, Skies Mag, Cantech Letter, CNBC.

M&A Market Summary

Canadian Economic Update

The Canadian Dollar (CAD) held steady against the USD in Q1 2023, ending the period at 1.35 CAD/USD, the same rate it concluded 2022 with. While the CAD slightly weakened at the start of March 2023 due to the BoC announcing a pause in interest rate hikes, the CAD rallied at the end of the quarter as rising oil prices strengthened demand for the Loonie.

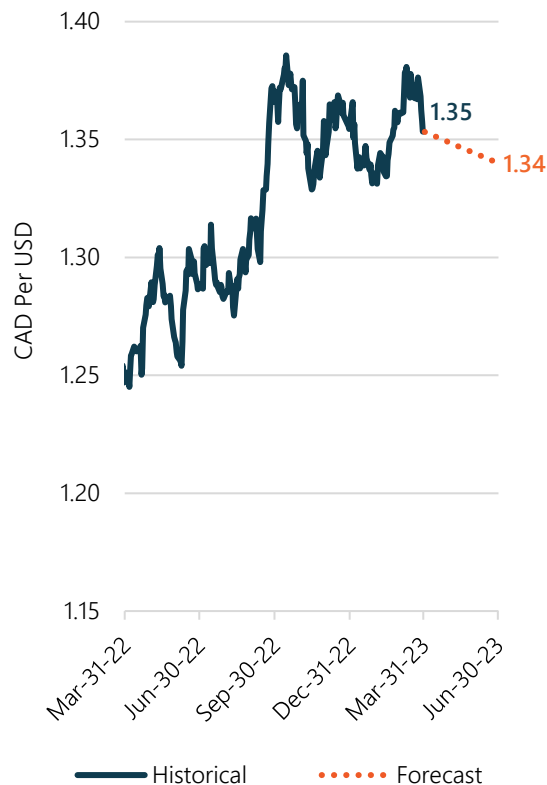
Although Canadian economic growth came to a standstill towards the end of Q4 2022, Canadian Real Gross Domestic Product (GDP) in Q1 2023 is estimated to have grown by 1%. While real GDP is forecasted to compress slightly by 0.5% in Q2 2023, as a result of reduced consumer spending and business investment, the BoC expects real GDP growth to recover in late 2023 as Canada's population expands, resulting in increased demand for goods and a steady supply of labour.

Housing starts are forecasted to fall from 263,000 in 2022 to 223,000 and 206,000 by the end of 2023 and 2024, respectively, due to high borrowing costs and delays in the distribution of government funds earmarked for the construction of affordable housing across Canada.

Quarter-over-quarter, the Consumer Price Index (CPI) is expected to fall 1.6%, reaching 5.1% in Q1 2023, as a result of the BoC maintaining high interest rates to curb surging inflation. The BoC is expected to hold its policy rate at 4.5% for the remainder of 2023, which will result in more controlled spending as borrowing costs remain high. As the upward pressure on prices subsides, the CPI is expected to drop to 3.2% in Q2 2023.

From Q4 2022 to Q1 2023, Canada's unemployment rate remained stable at an estimated 5.1%, despite robust job growth over the quarter, with the addition of 207,000 jobs, mainly in the private sector. In Q2 2023, the unemployment rate is projected to remain relatively stable at 5.4% as Canadian labour markets remain resilient.

CAD/USD Exchange Rate¹



*Note: RBC forecasts a Q2'23 CAD/USD exchange rate of 1.34.

Overnight Rate²

(%)

Year	Canada
2022	4.25%
Q2'22	1.50%
Q3'22	3.25%
Q4'22	4.25%
Q1'23F	4.50%
2023F	4.50%
2024F	3.00%

Real GDP Growth²

(YoY % change)

Year	Canada
2022	3.4%
Q2'22	3.6%
Q3'22	2.3%
Q4'22	0.0%
Q1'23F	1.0%
2023F	0.6%
2024F	1.2%

Unemployment Rate²

(%)

Year	Canada
2022	5.3%
Q2'22	5.1%
Q3'22	5.1%
Q4'22	5.1%
Q1'23F	5.1%
2023F	5.7%
2024F	6.8%

Housing Starts³

('000s)

Year	Canada
2022	263
Q2'22	271
Q3'22	281
Q4'22	258
Q1'23F	228
2023F	223
2024F	206

Consumer Price Index²

(YoY % change)

Year	Canada
2022	6.8%
Q2'22	7.5%
Q3'22	7.2%
Q4'22	6.7%
Q1'23F	5.1%
2023F	3.2%
2024F	2.2%

¹Exchange rate data as of March 31, 2023. Forecast from RBC Financial Markets Monthly – March 2023.

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: Reuters, BCREA, Vancouver Sun, CTV News, Modern Diplomacy, BNN Bloomberg, Budget 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.

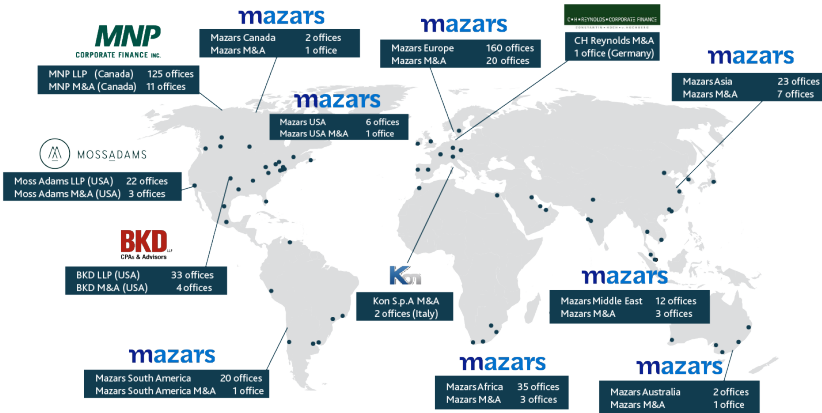
Our typical transactions range in value between \$3 million and \$300 million.

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.



CFxBorder - Global reach with local relationships
 Our corporate finance team through CFxBorder 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)

MNP Corporate Finance Inc. acted as exclusive financial advisor to Prairie Gold Produce Ltd. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. provided due diligence services to York Analytical Laboratories Inc.

MNP Corporate Finance Inc. acted as exclusive financial and tax due diligence advisor to Enviro-Works Inc. in structuring and negotiating this transaction.

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

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

MNP Corporate Finance Inc. acted as exclusive financial advisor to Kost Fire Equipment Ltd. in structuring and negotiating this transaction.

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

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

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

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

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 10 years alone, we have completed over 250 transactions worth over \$4.5 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)




MNP
CORPORATE FINANCE INC.

has acquired select industrial waste and oil recycling facilities from




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




MNP
CORPORATE FINANCE INC.

has acquired




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



MNP
CORPORATE FINANCE INC.

has acquired



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



MNP
CORPORATE FINANCE INC.

has acquired



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



MNP
CORPORATE FINANCE INC.

has acquired



MNP Corporate Finance Inc. provided financial due diligence services to Krystal Growth Partners Ltd.



MNP
CORPORATE FINANCE INC.

has acquired



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



MNP
CORPORATE FINANCE INC.

has invested in



MNP Corporate Finance Inc. acted as exclusive financial advisor to Scarlet Security & Risk Group (SSRG) in facilitating this transaction.



MNP
CORPORATE FINANCE INC.

has acquired




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



MNP
CORPORATE FINANCE INC.

has acquired



MNP Corporate Finance Inc. provided vendor due diligence services to LineStar Utility Supply Inc.



MNP
CORPORATE FINANCE INC.

has acquired

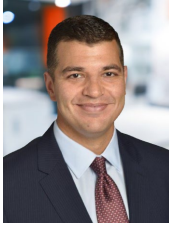


MNP Corporate Finance Inc. provided financial and tax due diligence services to SupremeX Inc.

Transaction Leadership



Brett Franklin
President
Winnipeg
Brett.Franklin@mnp.ca
204.336.6190



Aleem Bandali
Managing Director
Vancouver
Aleem.Bandali@mnp.ca
778.374.2140



Bryce Davis
Managing Director
Vancouver
Bryce.Davis@mnp.ca
604.637.1514



Mike Reynolds
Managing Director
Calgary
Mike.Reynolds@mnp.ca
587.702.5909



Mark Reynolds
Managing Director
Calgary
Mark.Reynolds@mnp.ca
403.536.5548



Mark Regehr
Managing Director
Edmonton
Mark.Regehr@mnp.ca
780.969.1404



Erik St-Hilaire
Managing Director
Winnipeg
Erik.St-Hilaire@mnp.ca
204.336.6200



Stephen Shaw
Managing Director
Toronto
Stephen.Shaw@mnp.ca
416.515.3883



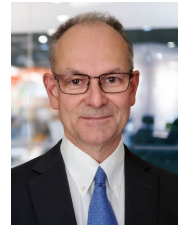
Dan Porter
Managing Director
Toronto
Dan.Porter@mnp.ca
416.515.3877



Chris Chapman
Managing Director
Toronto
Chris.Chapman@mnp.ca
416.596.1711



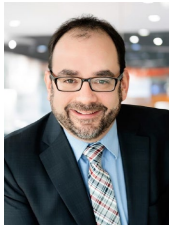
Kevin Tremblay
Managing Director
Toronto
Kevin.Tremblay@mnp.ca
647.943.4051



Jon Edgett
Managing Director
Waterloo
Jon.Edgett@mnp.ca
519.772.7460



Jean-Raymond Lafond
Managing Director
Drummondville
Jean-Raymond.Lafond@mnp.ca
819.473.7251



Éric Grondin
Managing Director
Sherbrooke
Éric.Grondin@mnp.ca
819.823.3290



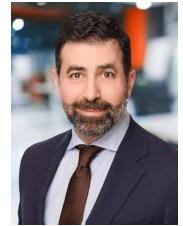
Jasmin Allard
Managing Director
Sherbrooke
Jasmin.Allard@mnp.ca
819.560.7856



Jonathan Banford
Managing Director
Chicoutimi
Jonathan.Banford@mnp.ca
418.696.3924



Frédéric Fortin
Managing Director
Chicoutimi
Frederic.Fortin@mnp.ca
418.696.4561



Patrick Khouzam
Managing Director
Montreal
Patrick.Khouzam@mnp.ca
514.228.7874

Due Diligence Leadership



Craig Maloney
Managing Director
Halifax
Craig.Maloney@mnp.ca
902.493.5430



Johnny Earl
Managing Director
Vancouver
Johnny.Earl@mnp.ca
604.637.1504



John Caggianiello
Managing Director
Toronto
John.Caggianiello@mnp.ca
416.513.4177



Wilson Lai
Managing Director
Toronto
Wilson.Lai@mnp.ca
289.695.4386