

# Middle Market M&A Update

Q2 2023



# M&A Market Summary

## Canadian Mid-Market

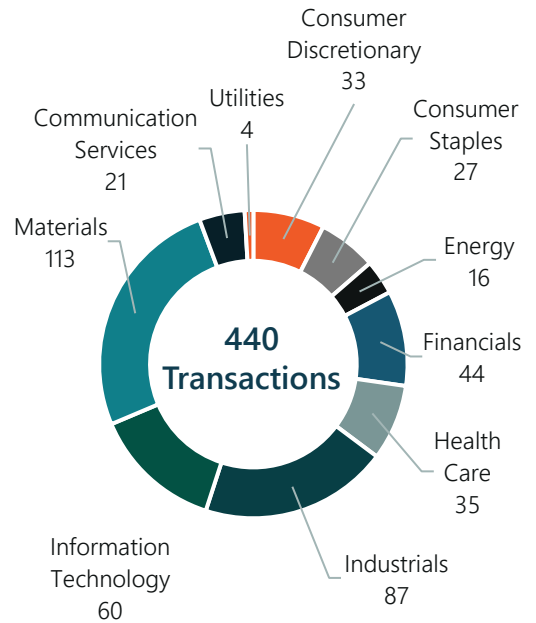
On June 7, 2023, the Bank of Canada (BoC) introduced its second interest rate hike of the year, an increase of 25 basis points, in an effort to contain inflation to 2% per year. The target overnight rate was 4.75% as of June 30, 2023, and the BoC conveyed expectations of maintaining the target overnight rate at or above 4.75% for the remainder of 2023.<sup>1</sup>

Despite slowed economic growth due to quantitative tightening, M&A activity improved in Q2 2023, with total transaction count increasing from 337 transactions in Q1 2023 to 440 transactions in Q2 2023. Going forward, M&A activity is expected to remain robust due to excess levels of dry powder at private equity firms coupled with stabilizing economic conditions across the country.

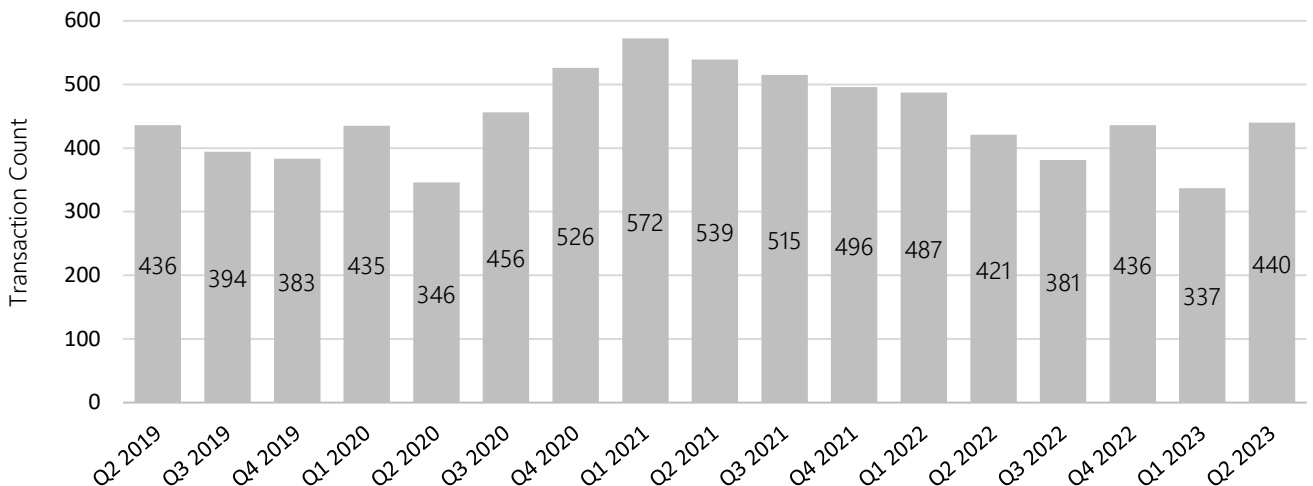
The adjacent chart summarizes transaction count by sector in Q2 2023, and corresponding sector highlights are noted below:

- The Materials sector led the quarter with 113 transactions, accounting for 25.7% of the total transaction count in Q2 2023. A notable transaction within the Materials sector was Tecpetrol Investments S.L.'s acquisition of Alpha Lithium Corporation for an Enterprise Value (EV) of \$200.1 million.
- The Industrials sector followed with 87 transactions, accounting for 19.8% of the total transaction count in Q2 2023. A notable transaction within the Industrials sector was SPX Technologies Inc.'s acquisition of T.A. Morrison & Co. Inc. for an EV of \$167.1 million.
- The Consumer Discretionary sector saw the highest quarter-over-quarter increase in transaction activity, which increased by 120.0% to 33 deals, in comparison to 15 deals in the previous quarter. A notable transaction within the sector was Hennick and Company Inc.'s acquisition of the Hazelton Hotel for an EV of \$148.2 million.

### Q2 2023 Transaction Count by Sector



### Quarterly Transaction Count\*



<sup>1</sup> The target overnight rate was raised to 5% as of July 12, 2023.

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

# M&A Market Summary

## Select Q2 2023 M&A Transactions - Canada

**CORBÝ**

acquired

**ACE  
BEVERAGE  
GROUP**

Announced	June 12, 2023
EV	\$165M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Corby Spirit and Wine Ltd.** (Corby) is a leading manufacturer, marketer, and distributor of spirits and imported wines. The company boasts an extensive portfolio of renowned brand names, including but not limited to, J.P. Wiser's, Lot 40, Pike Creek, Polar Ice, and McGuinness. Corby was founded in 1859 and is based in Toronto, Ontario.
- **Ace Beverage Group Inc.** (Ace) is a leading manufacturer of "better-for-you" alcoholic beverages. Ace has developed notable and innovative brands such as Ace Hill, Cabana Coast, and Liberty Village. Ace's flagship brand, Cottage Springs, is the leading ready-to-drink (RTD) brand in Ontario and the fastest-growing RTD brand in Canada. Ace was founded in 2020 and is based in Toronto, Ontario.
- Corby's acquisition of Ace enables Corby to expand its product portfolio and increase its market share within the RTD segment, which is one of the fastest-growing alcoholic beverage categories in the United States (U.S.) and Canada. Additionally, with Corby's brand recognition and global reach, Ace will gain exposure to new markets and distribution channels to further accelerate the company's impressive growth.

**Tecpetrol**

acquired

**ALPHA  
LITHIUM**

Announced	May 15, 2023
EV	\$200.1M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Tecpetrol Investments S.L.** (Tecpetrol) is a leading energy company dedicated to the exploration, production, transportation, and distribution of hydrocarbons and power generation. Tecpetrol is Grupo Techint S.A. de C.V.'s dedicated business unit focused on reducing the world's carbon footprint through investments in decarbonized energy sources, carriers, and technologies. Tecpetrol is based in Madrid, Spain.
- **Alpha Lithium Corporation** (Alpha) engages in the acquisition and development of lithium brine deposits in North America and Argentina. Alpha owns and operates three ongoing lithium extraction projects in Argentina and the U.S., collectively spanning over 34,000 hectares of land. Alpha was founded in 2009 and is based in Vancouver, British Columbia (B.C.).
- This acquisition will allow Tecpetrol to significantly increase its lithium asset production capacity through Alpha's ongoing extraction projects. Moreover, the increased supply of lithium to the western market will support Tecpetrol's goal of building resilient battery supply chains, and advancing the market's transition to a decarbonized economy.

**SPX  
TECHNOLOGIES**

acquired

**TAMCO**

Announced	April 3, 2023
EV	\$167.1M
EV/EBITDA	Not Disclosed
EV/Revenue	2.5x

- **SPX Technologies Inc.** (SPX) is a supplier of engineered products and technologies, primarily serving the heating, ventilation, and air conditioning (HVAC) and detection and measurement markets. SPX's HVAC product portfolio includes cooling towers, engineered air movement, residential and commercial boilers, and comfort heating products. The company's detection and measurement product offerings include underground locators and inspection equipment, fare collection systems, communication technologies, and specialty lighting. SPX has over 3,300 employees and serves customers in over 15 countries. The company was founded in 1912 and is based in Charlotte, North Carolina.
- **T.A. Morrison & Co. Inc.** (TAMCO) is a manufacturer of dampers and air control products for customers in the commercial, industrial, and institutional markets. TAMCO has operations across North America and is well-regarded for its eco-friendly solutions which provide minimal air leakage. TAMCO was founded in 1919 and is based in Smiths Falls, Ontario.
- The acquisition of TAMCO will allow SPX to increase its market share in the engineered air movement market in North America. TAMCO's product portfolio of dampers and air control solutions complement SPX's business, and will further strengthen SPX's position as an HVAC market leader in North America.

# M&A Market Summary

## Equity Markets

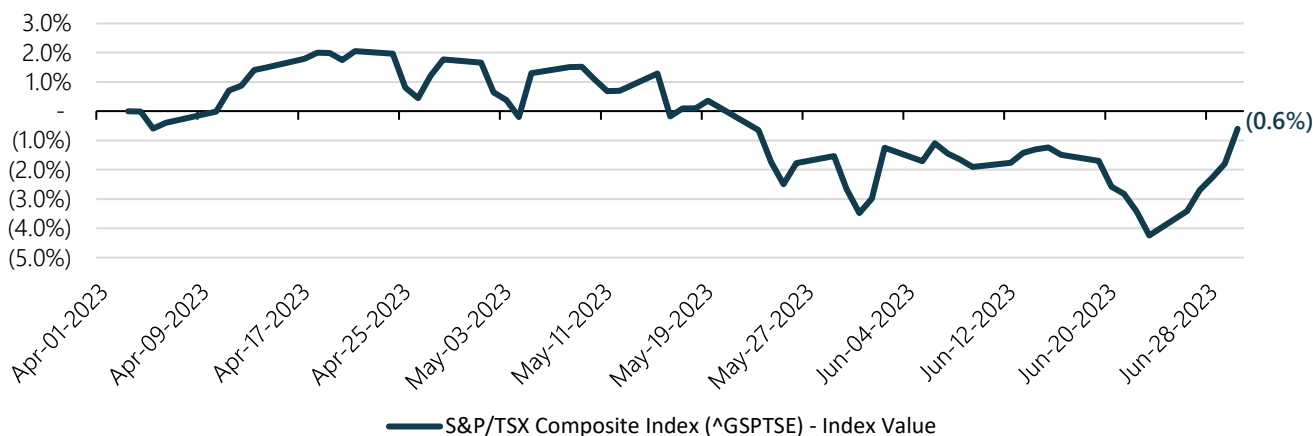
Despite the S&P/TSX Composite posting a loss of 0.6% in Q2 2023, five of the 10 sectors experienced positive returns. The best-performing sectors during the quarter were Information Technology, Consumer Discretionary, and Health Care. Of the 207 constituents listed on the S&P/TSX Composite Index (excluding real estate), 88 recorded a gain in Q2 2023.

- The Information Technology sector posted the largest gain of 14.1% in Q2 2023, outperforming the broader market. Sector gains were supported by the price appreciation of constituents such as Shopify Inc. (+35.5%) and Blackberry Limited (+20.1%). Shopify Inc.'s share appreciation was primarily attributable to reported year-over-year revenue growth of 25.2% and an announcement surrounding plans for the utilization of artificial intelligence in its online marketplace. Blackberry Limited's share price was boosted after reporting year-over-year quarterly earnings growth of 122%, driven by a growing share in the Internet of Things market and near-record levels of design-phase revenue.
- The Consumer Discretionary sector posted a gain of 6% in Q2 2023. Supporting the gain was Sleep Country Canada Holdings Inc. (+18.4%) after reporting its strongest Q2 performance in history with year-over-year revenue growth of 18.4% and diluted earnings per share growth of 32.6%. Restaurant Brands International Inc. (+14.9%) also contributed to sector gains after it reported 14.7% growth in system-wide sales and a 4.2% expansion in net restaurants compared to the prior year.
- The Energy sector posted a negative return of 7% during the quarter. Volatile commodity prices persisting from the Russia-Ukraine conflict and negative expectations surrounding future oil demand have led to a decrease in revenues for constituents such as Tamarack Valley Energy Ltd. (-23.6%) and International Petroleum Corporation (-23.4%) quarter-over-quarter. Sector performance was further dampened by the impact of high interest rates, which have weighed on the share prices of oil pipeline operators such as Enbridge Inc. (-6%) and Pembina Pipeline Corporation (-6.2%).
- The Materials sector returned a loss of 9.4% in Q2 2023, as the price of gold declined by 3.3% during the quarter, impacting the earnings of major gold companies such as NovaGold Resources Inc. (-38.5%) and K92 Mining Inc. (-26.9%). NovaGold Resources Inc. incurred a net loss of 14.6 million United States Dollars (USD) in Q2 2023, a 37.4% greater loss than in Q1 2023. K92 Mining Inc. experienced a year-over-year revenue decline of 26.0% and a net income decrease of 38.0%, despite increased production during the same period. Sector losses were slightly offset by the gains posted by Stella-Jones Inc. (+31.4%) after reporting year-over-year quarterly revenue growth of 9.1%.

### Q2 2023 Sector Performance\*

Sector	Return
Information Technology	14.1%
Consumer Discretionary	6.0%
Health Care	2.6%
Industrials	2.1%
Financials	0.3%
Utilities	(1.6%)
Communication Services	(2.6%)
Consumer Staples	(3.3%)
Energy	(7.0%)
Materials	(9.4%)

### S&P/TSX Composite Index Value – Q2 2023



\*Sector performance based on the price change of each corresponding S&P/TSX Composite Index during Q2 2023.  
Sources: S&P Capital IQ, Linde Equity, Reuters, PR Newswire, Gold Price. Currency in CAD, unless stated otherwise.



# M&A Market Summary

## Canadian Economic Update

The Canadian Dollar (CAD) moderately appreciated against the USD in Q2 2023, ending the quarter at 1.32 CAD/USD versus 1.35 CAD/USD at the end of Q1 2023. Bolstering the CAD's relative value was the BoC's decision to increase the target overnight rate, attracting an influx of foreign investment. In addition, the USD weakened over the quarter as investors speculated that the federal government would soon conclude further rate increases.

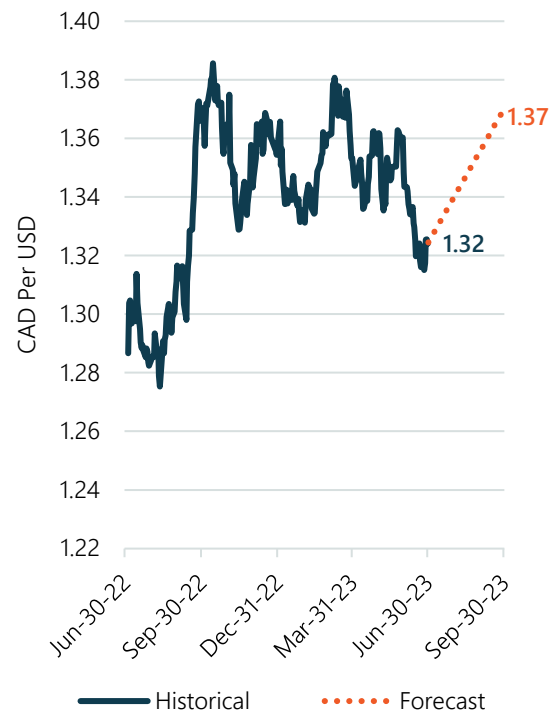
Following a rebound in economic growth in Q1 2023, growth continued in Q2, albeit at a more modest rate, with Canadian Real Gross Domestic Product (GDP) in Q2 2023 estimated to have grown by 0.5%. The slowdown in economic growth is attributable to higher borrowing costs, which continued to weigh on business investments and consumer spending. GDP is expected to contract slightly by 0.5% in Q3 2023 as the impact of the BoC's quantitative tightening policies continues to take effect, resulting in subdued consumer demand and corporate spending.

Despite a slight surge during the trailing twelve-month (TTM) period ending June 30, 2023, housing starts are forecast to fall from 263,000 in 2022 to 227,000 and 211,000 in 2023 and 2024, respectively, due to the ongoing high interest rate environment and continued shortages in construction labour.

Quarter-over-quarter, elevated BoC interest rates caused the Consumer Price Index (CPI) to drop 1.5%, dipping to 2.8% as of June 2023. While high interest rates have been effective in reducing inflation over the past year, further rate hikes in 2023 may be possible as the BoC continues to strive to contain inflation to 2%. CPI is expected to rise slightly to 2.9% in Q3 2023.

From Q1 2023 to Q2 2023, Canada's unemployment rate remained steady, rising slightly from 5% to 5.2%. The Canadian economy added 84,000 jobs in Q2 2023, meeting Canada's rapid population growth and the resulting inflow of labour. The unemployment rate is projected to remain relatively stable at 5.4% in 2023 as Canadian labour markets remain resilient.

CAD/USD Exchange Rate<sup>1</sup>



\*Note: RBC forecasts a Q2'23 CAD/USD exchange rate of 1.37.

### Overnight Rate<sup>2</sup>

(%)

Year	Canada
2022	4.25%
Q3'22	3.25%
Q4'22	4.25%
Q1'23	4.50%
Q2'23	4.75%
2023F	5.00%
2024F	3.50%

### Real GDP Growth<sup>3</sup>

(YoY % change)

Year	Canada
2022	3.4%
Q3'22	2.3%
Q4'22	(0.1%)
Q1'23	3.1%
Q2'23F	0.5%
2023F	1.3%
2024F	0.6%

### Unemployment Rate<sup>2</sup>

(%)

Year	Canada
2022	5.1%
Q3'22	5.1%
Q4'22	5.1%
Q1'23	5.0%
Q2'23	5.2%
2023F	5.4%
2024F	6.5%

### Housing Starts<sup>4</sup>

('000s)

Year	Canada
2022	263
Q3'22	281
Q4'22	259
Q1'23	223
Q2'23F	237
2023F	227
2024F	211

### Consumer Price Index<sup>2</sup>

(YoY % change)

Year	Canada
2022	6.3%
Q3'22	6.9%
Q4'22	6.3%
Q1'23	4.3%
Q2'23	2.8%
2023F	3.5%
2024F	1.8%

<sup>1</sup> Exchange rate data as of June 30, 2023. Forecast from RBC Financial Markets Monthly – July 2023.

<sup>2</sup> Data from the Bank of Canada. Forecast from RBC Economics Research.

<sup>3</sup> Data and forecast from RBC Economics Research.

<sup>4</sup> Data and forecast from TD Economics. Data represents total housing starts during the trailing twelve month period ended each quarter.

Source: Reuters, Russell Investments, CTV News, Organization for Economic Co-Operation and Development, CBC News, Bank of 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.

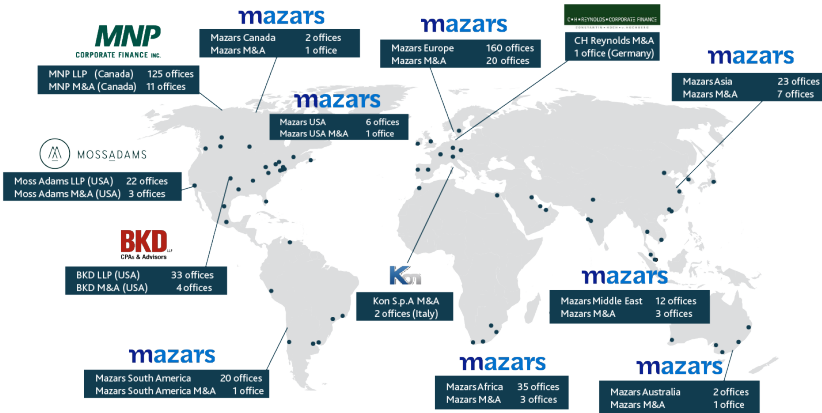
Our typical transactions range in value between \$3 million and \$300 million.

## 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.



**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)

**LAB ONE CAPITAL** has acquired **Both Depot**

MNP Corporate Finance Inc. provided financial and tax due diligence services to Lab One Capital Corp.

**PORTWEST** has acquired **IFR WORKWEAR INC.**

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

**tds** has acquired **Case Furniture Ltd.**

MNP Corporate Finance Inc. acted as exclusive financial and tax due diligence services to Case Furniture Ltd. in structuring and negotiating this transaction.

**FGC HEALTH** has acquired **RNN**

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

**TerraNova Partners** has acquired **LUMINOR**

MNP Corporate Finance Inc. provided financial and tax due diligence services to TerraNova Partners LP.

**REESINK** has acquired **LAWSON SALES**

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

**JEB TRANSPORT** has acquired **PRairie Gold**

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

**YORK** has acquired **POST**

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

**eurofins** has acquired **ENVIRO-WORKS INC.**

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

**DANILEE CAPITAL** invested in **addmore GROUP**

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

# 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 ten 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

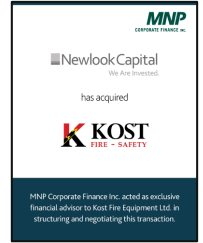
We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement, and risk management.

## Recently Closed Deals (National)



**mb CAPITAL** and **Groupe GEP Capital Inc.**  
has acquired  
**Compagnie Motoparts**

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



**Newlook Capital**  
We Are Invested  
has acquired  
**K KOST**  
FIRE - SAFETY

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



**mb CAPITAL**  
has acquired  
**QUAIS**  
ACQUISITIONS


**FYihealth group.**  
has partnered with  
**ESTEEM**

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



**FYihealth group.**  
has partnered with  
**ESTEEM**

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



**MONETTE FARMS**  
has acquired the Swift Current, Saskatchewan clearing and processing facility assets from  
**SIMPSON SEEDS INC.**

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



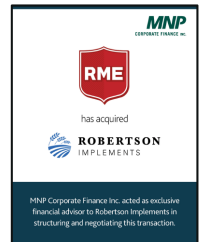
**Convertus**  
has acquired  
**ENVIREM**  
ORGANICS INC.  
Lifelong Beauty Within

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



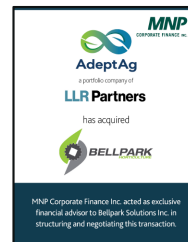
**E360S**  
Environmental Solutions  
has acquired select industrial waste and recycling facilities from  
**GFL**

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



**RME**  
has acquired  
**ROBERTSON**  
IMPLEMENTS

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



**AdeptAg**  
a part of company of  
**LLR Partners**  
has acquired  
**BELLPARK**

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



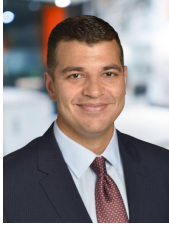
**PFM**  
A FIRM OF INVESTORS IN CANADA  
has acquired  
**SEXTON**  
FAMILY OF COMPANIES

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

## Transaction Leadership



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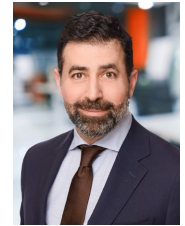
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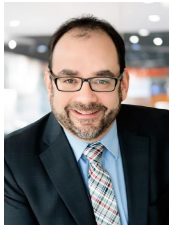
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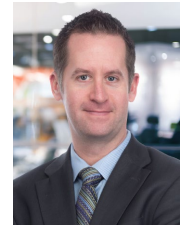
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