

Middle Market M&A Update

Q3 2022



M&A Market Summary

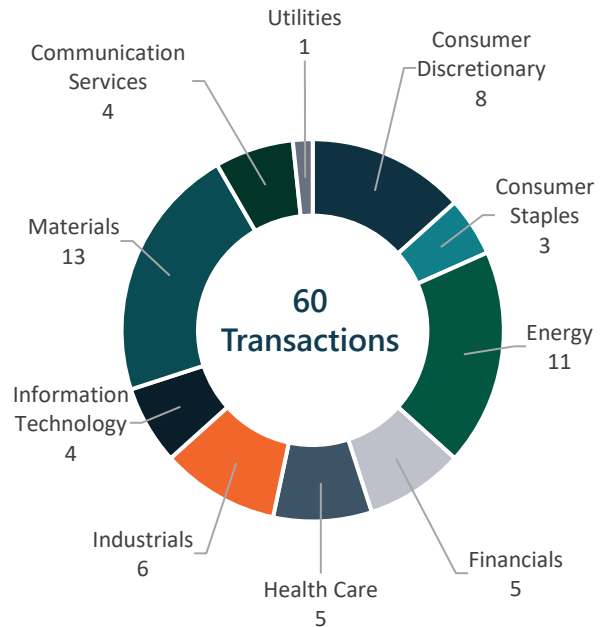
Canadian Mid-Market

M&A activity in Q3 2022 demonstrated significant resilience despite rising interest rates, ongoing inflation, continuously evolving geopolitical tensions, and a looming recession, all of which have been weighing down on investor sentiment. Quarter-over-quarter, aggregate deal value increased from \$4.6 billion in Q2 to \$5.0 billion in Q3 across 60 disclosed transactions in each period.

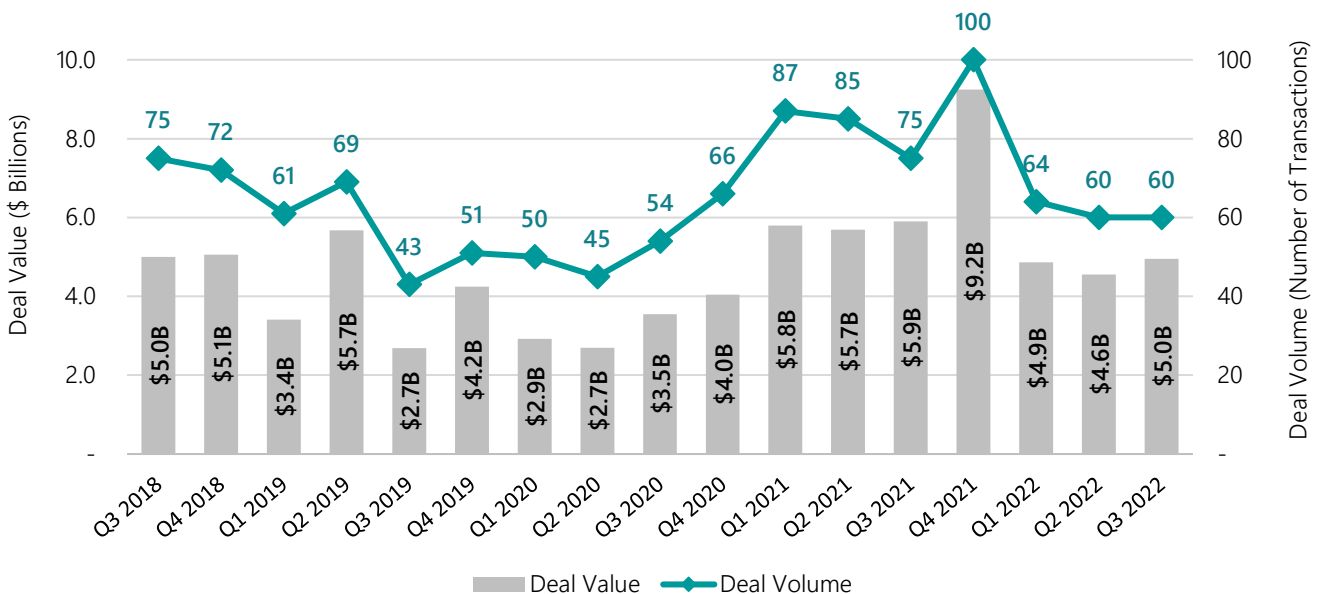
The adjacent chart summarizes transaction volume by sector in Q3 2022, and corresponding sector highlights are noted below:

- The Consumer Discretionary, Energy, Materials, Communications Services, and Utilities sectors all experienced increased transaction volume in Q3 2022 compared to Q2 2022.
- The Materials sector led the quarter with 13 transactions, accounting for 21.7% of the total deal volume in Q3 2022. A notable transaction within the sector was International Royalty Corp.'s acquisition of Great Bear Royalties Corp. for \$196.1 million.
- There were 11 transactions in the Energy sector, representing 18.3% of total deal volume in Q3 2022. A notable transaction within the sector was Tourmaline Oil Corp.'s acquisition of Rising Star Resources Ltd. for \$193.3 million.
- The Consumer Discretionary sector contributed eight transactions, accounting for 13.3% of total deal volume in Q3 2022. A notable transaction within the sector was BRP Inc.'s acquisition of all of the assets of Kongsberg Inc.'s Powersports Business for \$136.0 million.

Q3 2022 - M&A Volume By Sector



Quarterly Deal Volume & Value*



*Based on Canadian publicly disclosed transactions in the enterprise value range of \$5 million to \$500 million. Currency in CAD. Source: S&P Capital IQ.

M&A Market Summary

Select Q3 M&A Transactions - Canada



acquired



Closed	Aug 25, 2022
EV	\$365M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Sagikor Financial Company Ltd.** ("Sagikor") is a leading financial services provider in the Caribbean and has a growing presence as a provider of life insurance products in the United States. Sagikor offers a wide range of products and services, including life, health, and general insurance, banking, pensions, annuities, and real estate. Sagikor was founded in 1840 and is headquartered in St. Michael, Barbados.
- **ivari** provides individual life and critical illness insurance solutions for the Canadian middle-market. Currently, ivari has approximately 700,000 policy holders across Canada and over 250 employees. ivari was founded in 1906 and is headquartered in Toronto, Ontario.
- This transaction will allow Sagikor to grow its individual insurance business and become a leading North American insurer serving the middle market.



acquired



Closed	Aug 18, 2022
EV	\$349M
EV/EBITDA	8.1x
EV/Revenue	3.1x

- **IPH Limited** ("IPH") is Asia Pacific's leading intellectual property ("IP") services group. IPH provides services relating to the provision of filing, prosecution, enforcement, and management of patents. IPH also provides patent attorney and lawyer support and data analysis services. IPH was founded in 1887 and is headquartered in Sydney, Australia.
- **Smart & Biggar IP Agency Co.** ("S&B") is Canada's leading IP firm and provides services in IP protection, enforcement, and growth. S&B was founded in 1890 and is headquartered in Ottawa, Ontario.
- This transaction will allow IPH to expand into North America while allowing S&B to gain access to a network of IP expertise across 25 countries in the Asia-Pacific region.



acquired
80% of



Closed	Jul 8, 2022
EV	\$406M
EV/EBITDA	43.4x
EV/Revenue	4.5x

- **Essity AB** ("Essity") is a leading global hygiene and health company that develops, produces and sells personal care, consumer tissue, and professional hygiene products and solutions. The company conducts sales in approximately 150 countries under leading global brands. Essity was founded in 1849 and is headquartered in Stockholm, Sweden.
- **Knix Wear Inc.** ("Knix") is an intimates and apparel brand with a leading position in the growing leakproof apparel category. The company has a strong presence in the US and Canada and sells mainly direct-to-consumer through online channels, supplemented by six Knix retail stores. Knix was founded in 2013 and is headquartered in Toronto, Ontario.
- This transaction will allow Essity to become a global market leader in leakproof apparel, and contributes to the company's goal of becoming the world's fastest-growing company in intimate hygiene.

M&A Market Summary

Equity Markets

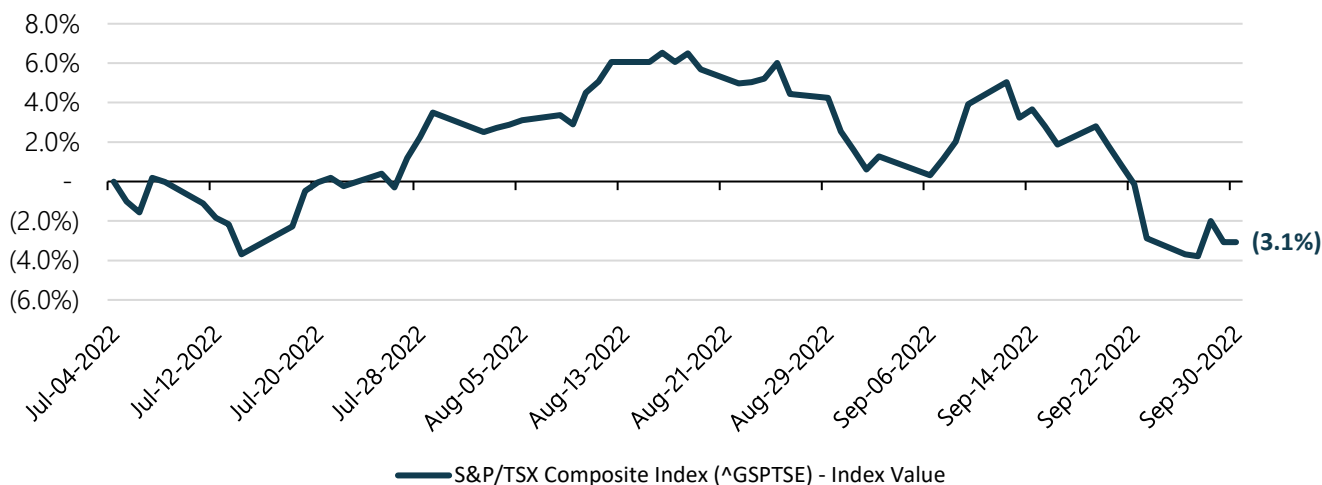
The S&P/TSX Composite posted a loss of 3.1% in Q3 2022 as eight of the 10 sectors experienced negative returns. Most sectors experienced single digit losses, however the Communications Services sector experienced a 10% compression. The Industrials and Consumer Discretionary sectors were the only sectors to achieve gains during the quarter and represented the majority of the 102 (out of 242) stocks that realized a positive return during the period.

- The Industrials sector returned 3.0%, outperforming the broader market in Q3 2022. Top performers in the sector included Waste Connections, Thomson Reuters, Canadian National Railway, and Canadian Pacific Railway, as they all delivered better than expected quarterly earnings results.
- Consumer Discretionary was the second best performing sector, returning 2.6% in Q3 2022. Sector gains were driven by the stock appreciation of industry leaders, such as Restaurant Brands International (+14.8%), Dollarama (+5.0%), and Aritzia (+32.1%) as a result of each company reporting quarterly earnings that exceeded analyst expectations.
- Communication Services was the worst performing sector in Q3 2022, falling 10.0%. The negative performance is attributed to rising interest rates, which made fixed income investments an attractive alternative to stocks in the traditionally high-dividend yielding Communication Services sector. In addition, Rogers Communication's stock fell 14.5% due to a system-wide network disruption in July 2022, which impacted most mobile customers, banks, and emergency services providers.
- After falling 45.4% in Q2 2022, the Health Care sector fell an additional 6.8% in Q3 2022. The main detractor for the sector was Bausch Health Companies, whose stock fell 12.6% after a US district court failed to side with the company in its patent infringement case over a competitor's use of its Xifaxan drug.

Q3 2022 Sector Performance*

Sector	Return
Industrials	3.0%
Consumer Discretionary	2.6%
Materials	(0.2%)
Consumer Staples	(1.0%)
Financials	(2.5%)
Information Technology	(4.1%)
Utilities	(5.7%)
Health Care	(6.8%)
Energy	(8.4%)
Communications Services	(10.0%)

S&P/TSX Composite Index Value – Q3 2022



*Sector performance based on the price change of each corresponding S&P/TSX Composite Index for Q3 2022.
Sources: S&P Capital IQ, Linde Equity – TSX Quarterly Review and Raymond James – Quarterly Insights & Strategies.

M&A Market Summary

Canadian Economic Update

The Canadian Dollar ("CAD") depreciated against the US Dollar ("USD") in Q3 2022, ending at 1.37 CAD/USD versus 1.29 CAD/USD in the previous quarter. While a decline in oil prices and exports weighed on the Canadian Dollar, the relative weakening of the CAD was primarily due to multiple increases in the United States Federal Reserve overnight lending rate. Although the rate hikes were a means to curb inflation, the corresponding increase in US bond yields attracted greater global investment, which strengthened the USD.

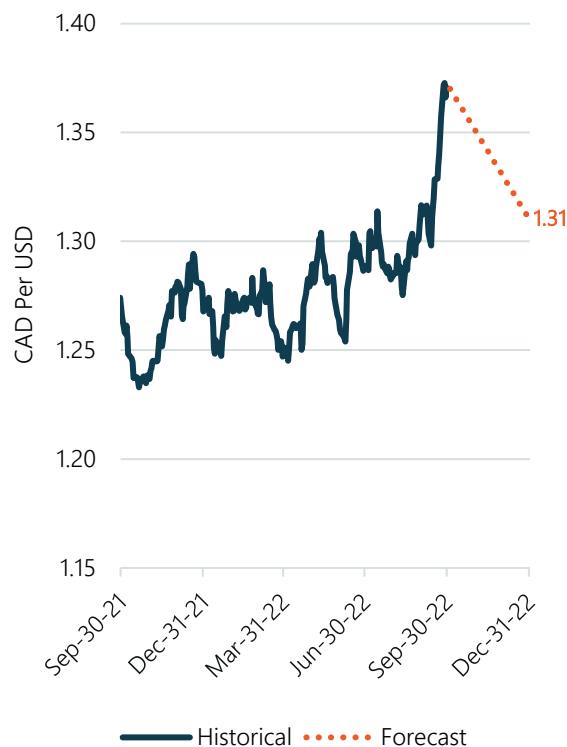
The Canadian economy has bounced back from pandemic lockdowns, as pent-up consumer demand and government support fueled Canadian Real GDP ("GDP") growth in every quarter since Q3 2021. However, following a strong rebound of 4.5% in 2021, GDP growth maintained a slower pace in Q3 2022, with year-over-year growth reaching 1.5%. The slow down in GDP growth is a result of labour shortages and rising interest rates, which have curbed spending in Canada. Decelerated GDP growth is expected to persist into 2023 due to ongoing inflation and a rising unemployment rate, combined with persistent labour and housing shortages.

Housing starts are forecasted to drop from 271,000 in 2021 to 261,000 and 240,000 by the end of 2022 and 2023, respectively, due to rising interest rates.

The Consumer Price Index ("CPI") remained high in Q3 2022, falling only 0.3% from Q2 2022. The CPI is expected to remain above 6.0% for the remainder of 2022, followed by a forecasted decrease to moreprecedented levels in 2023 as supply chain disruptions are expected to alleviate and energy prices come down.

Although Canada's unemployment rate increased from 5.1% in Q2 2022 to 5.2% in Q3 2022, tight labour markets continue to drive strong labour demand and improved opportunities for workers.

CAD/USD Exchange Rate¹



*Note: RBC forecasts a Q4'22 CAD/USD exchange rate of 1.31.

Real GDP Growth (YoY % change)

Year	Canada
2021	4.5%
Q4'21	6.6%
Q1'22	3.1%
Q2'22	3.3%
Q3'22F	1.5%
2022F	3.3%
2023F	0.5%

Unemployment Rate (%)

Year	Canada
2021	7.4%
Q4'21	6.3%
Q1'22	5.8%
Q2'22	5.1%
Q3'22F	5.2%
2022F	5.4%
2023F	6.2%

Housing Starts ('000s)

Year	Canada
2021	271
Q4'21	261
Q1'22	244
Q2'22	271
Q3'22F	274
2022F	261
2023F	240

Consumer Price Index (YoY % change)

Year	Canada
2021	3.4%
Q4'21	4.7%
Q1'22	5.8%
Q2'22	7.5%
Q3'22F	7.2%
2022F	6.7%
2023F	3.2%

¹Exchange rate data as of September 30, 2022. Forecast from RBC Financial Markets Monthly – September 2022.

About Us



MNP Corporate Finance (MNPCF) has a dedicated team of over 100 M&A and due diligence professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan and execute transactions.

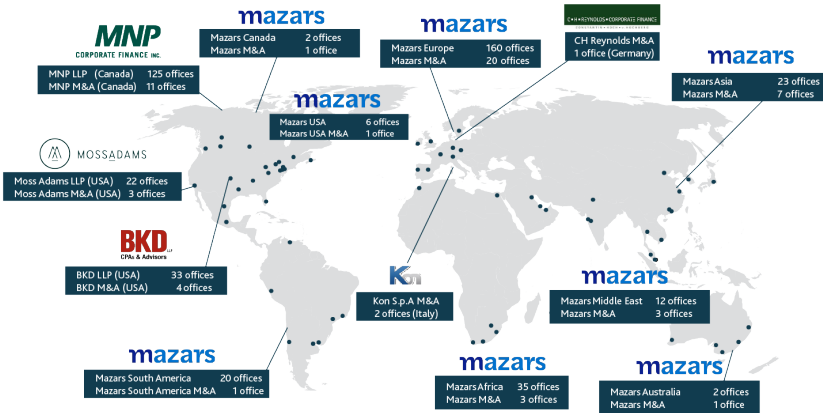
Our typical transactions range in value between \$3 million and \$300 million.

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)

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 eight years alone we have completed over 235 transactions worth over \$4 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

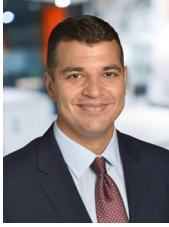
We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement and risk management.

Recently Closed Deals (National)

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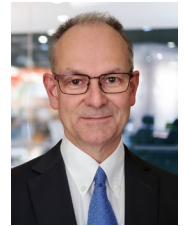
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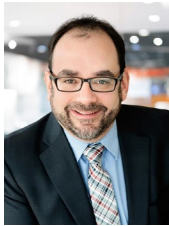
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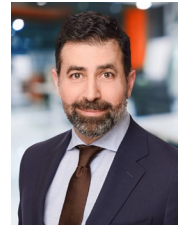
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