

Middle Market M&A Update

Q3 2023



M&A Market Summary

Canadian Mid-Market

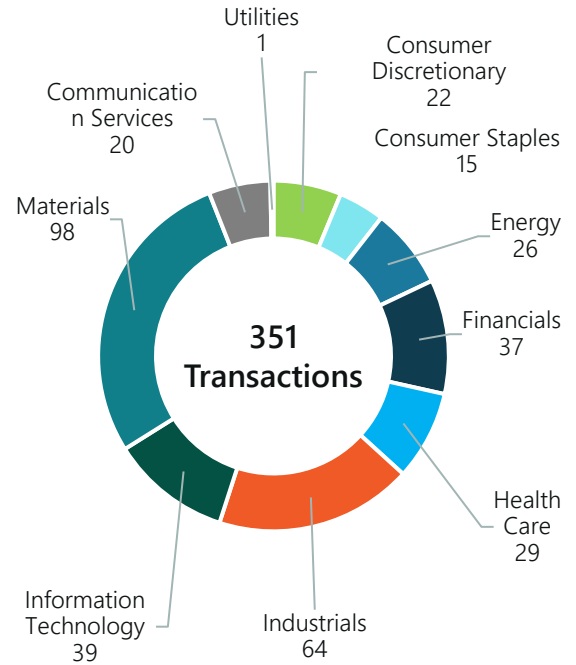
On July 12, 2023, the Bank of Canada (BoC) introduced its third interest rate hike of the year, an increase of 25 basis points, in continued efforts to contain inflation to 2% per year. The target overnight rate was 5% as of September 30, 2023, and is expected to hold steady as the economy experienced a period of weaker growth during the quarter, with Canadian Real Gross Domestic Product (GDP) contracting by 0.5%.

Stalled economic growth and higher costs of borrowing tempered M&A activity in Q3 2023, with total transaction count falling from 439 transactions in Q2 2023 to 351 transactions in Q3 2023. M&A activity is expected to rebound going forward as economic conditions stabilize and private equity firms with excess dry powder vie for accretive acquisition opportunities.

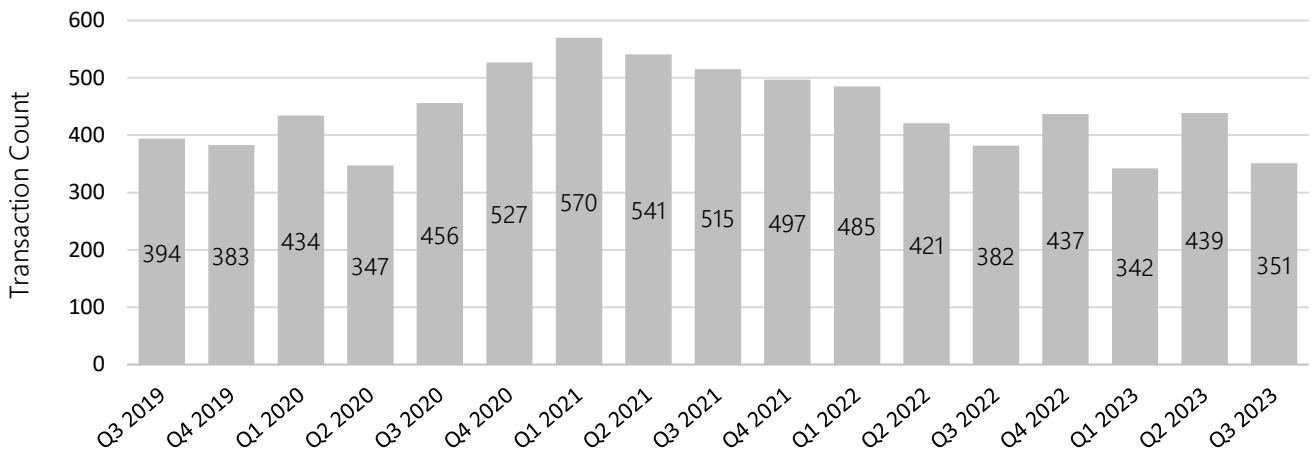
The adjacent chart summarizes transaction count by sector in Q3 2023, and corresponding sector highlights are noted below:

- The Materials sector led the quarter with 98 transactions, accounting for 27.9% of the total transaction count in Q3 2023. A notable transaction was IsoEnergy Ltd.'s merger with Consolidated Uranium Inc., which valued the latter at an Enterprise Value (EV) of \$238.4 million.
- The Industrials sector followed with 64 transactions, accounting for 18.2% of the total transaction count in Q3 2023. A notable transaction was IPH Limited's acquisition of Ridout & Maybee LLP for an EV of \$64.4 million.
- The Energy sector saw the highest quarter-over-quarter increase in M&A activity, which grew by 52.9% to 26 deals. A notable transaction was Precision Drilling Corporation's acquisition of CWC Energy Services Corp. for an EV of \$144.2 million.

Q3 2023 Transaction Count by Sector



Quarterly Transaction Count*



*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 Q3 2023 M&A Transactions - Canada

 IsoEnergy

merged
with

 URANIUM

| | |
|------------|---------------|
| Announced | Sep 27, 2023 |
| EV | \$238.4M |
| EV/EBITDA | Not Disclosed |
| EV/Revenue | Not Disclosed |

- **IsoEnergy Ltd.** (IsoEnergy) is a leading uranium exploration and development company that operates 24 prospective projects which collectively span over 241,000 hectares in Saskatchewan's eastern Athabasca Basin. The company has extensive experience in the uranium mining sector and is led by a board and management team with a proven track record of success in uranium exploration and development projects. IsoEnergy was founded in 2016 and is based in Saskatoon, Saskatchewan.
- **Consolidated Uranium Inc.** (Consolidated Uranium) engages in the acquisition, exploration, and development of uranium mining projects across the globe. Consolidated Uranium boasts a strong international presence with 11 projects in the United States (US), Canada, Australia, and Argentina. Consolidated Uranium was founded in 2004 and is based in Toronto, Ontario.
- The merger creates a globally diversified uranium company with substantial resources in top uranium mining jurisdictions at varying stages of development.

 Precision
DRILLING

acquired

 CWC
ENERGY SERVICES

| | |
|------------|-------------|
| Announced | Sep 7, 2023 |
| EV | \$144.2M |
| EV/EBITDA | 3.5x |
| EV/Revenue | 0.7x |

- **Precision Drilling Corporation** (Precision) is an onshore drilling company that services the international oil and gas industry. With an extensive fleet of drilling rigs and industry-leading digital technology, Precision offers drilling services, equipment rentals, and automation software to enhance global drilling operations. Precision was founded in 1951 and is based in Calgary, Alberta.
- **CWC Energy Services Corp.** (CWC) is an industry-leading contract drilling and well servicing company serving established oil and gas producers in North America. CWC operates 22 contract drilling rigs with depth ratings from 3,200 to 7,600 meters. The company also operates 139 service rigs to support oil and gas extraction operations with completions, maintenance, workovers, and well decommissioning services. CWC was founded in 2000 and is based in Calgary, Alberta.
- The acquisition will allow Precision to expand its service offering in Canada and the U.S. with high-quality rigs and field personnel. Further, the transaction is expected to yield approximately \$20 million in annual operating synergies and will allow Precision to liquidate approximately \$20 million of excess CWC real estate.

 Sun Life

acquired

 Dialogue

| | |
|------------|---------------|
| Announced | Jul 26, 2023 |
| EV | \$322.7 |
| EV/EBITDA | Not Disclosed |
| EV/Revenue | 3.4x |

- **Sun Life Assurance Company of Canada** (Sun Life) is a leading international financial services organization providing asset management, wealth, insurance, and health solutions to individual and institutional clients. The company operates in various global markets, including Canada, the U.S., the United Kingdom, Hong Kong, Japan, India, and China. Sun Life was founded in 1865 and is based in Toronto, Ontario.
- **Dialogue Health Technologies Inc.** (Dialogue) is a virtual healthcare and wellness platform that provides organizations with affordable, on-demand access to healthcare providers and resources for their employees. By leveraging the expertise of its multidisciplinary team of over 500 medical professionals, the company offers personalized solutions and resources tailored to each member. The company serves approximately 2.8 million members across over 50,000 organizations internationally. Dialogue was founded in 2016 and is based in Montreal, Quebec.
- Dialogue will continue to operate as a stand-alone entity while leveraging Sun Life's network of 6 million clients to reach a wider customer base. The transaction also builds on the companies' shared commitment to improve access to quality healthcare services in Canada.

M&A Market Summary

Equity Markets

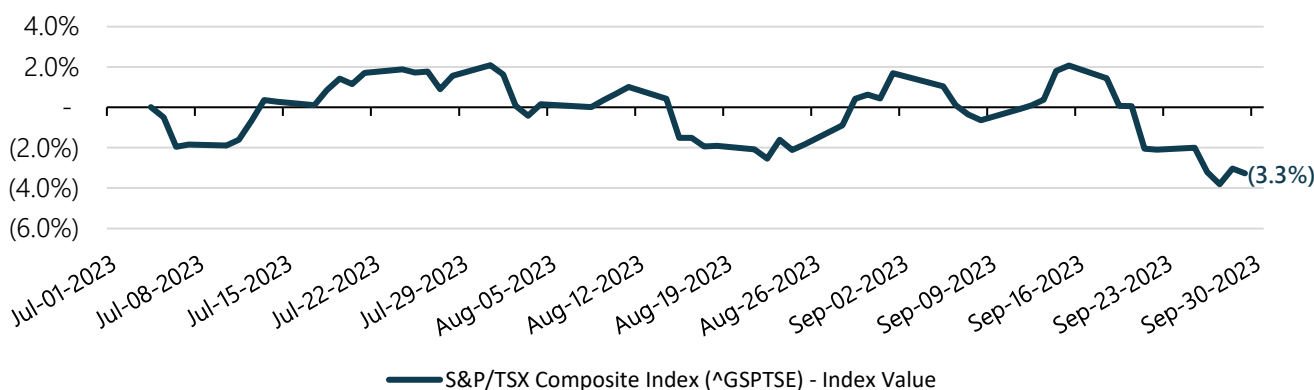
The S&P/TSX Composite posted a loss of 3.3% in Q3 2023. Despite most sectors experiencing negative returns, the Energy and Healthcare sectors recorded gains during the quarter, each outperforming the broader market. Of the 206 constituents listed on the S&P/TSX Composite Index (excluding real estate), only 71 recorded a gain in Q3 2023.

- The Energy sector posted the largest gain of 18.3% in Q3 2023. Sector gains were supported by oil-based constituents such as Athabasca Oil Corporation (+51.6%) and Baytex Energy Corp. (+38.7%) after crude oil prices rose by 29.9% during the quarter. Sector performance was slightly offset by the compression of constituents such as Enbridge Inc. (-8.5%) and TC Energy Corporation (-12.8%), as higher interest rates increased the financing cost of building and operating pipelines.
- The Healthcare sector posted a gain of 13.8% in Q3 2023. Supporting the gain was Chartwell Retirement Residences (+8.6%) after it reported a 19.3% quarter-over-quarter increase in net income and announced the sale of its Ontario Long-Term Care platform. Also supporting sector gains was Tilray Brands Inc. (+57.6%) after the U.S. Department of Health and Human Services recommended to the U.S. Drug Enforcement Administration that marijuana be reclassified from a Schedule I controlled substance to a Schedule III controlled substance, opening the door for it to be an FDA-approved drug. Despite experiencing a significant gain during the quarter, Tilray Brands Inc.'s impact on overall sector performance was limited by its modest market capitalization relative to other constituents.
- The Utilities sector returned a loss of 13.2% in Q3 2023 as high interest rates weighed on the traditionally capital-intensive sector, impacting constituents such as Algonquin Power & Utilities Corp. (-26.6%) and Brookfield Renewable Partners LP (-24.5%). Sector losses were slightly offset by the gain of Altagas Ltd. (+9.5%) after shareholders reacted positively to the company's announcement to acquire natural gas processing plants and a natural gas storage facility from Tidewater Midstream and Infrastructure Ltd., increasing the company's processing, extraction, storage, and distribution capacity.
- The Communications Services sector posted a negative return of 13.6% in Q3 2023. Contributing to the loss were constituents such as BCE Inc. (-14.2%) and TELUS Corporation (-14%), as the companies reported a year-over-year decline in quarterly net income. BCE Inc. reported Q2 2023 net income of \$329 million, down from \$596 million in Q2 2022, while TELUS Corporation reported Q2 2023 earnings of \$200 million, down from \$468 million in Q2 2022. The companies were impacted by high interest rates, which increased the financing cost of large infrastructure investments such as the deployment of 5G towers and installation of fibre optic cables.

Q3 2023 Sector Performance*

| Sector | Return |
|-------------------------|---------|
| Energy | 18.3% |
| Healthcare | 13.8% |
| Consumer Staples | (2.3%) |
| Financials | (3.9%) |
| Industrials | (4.4%) |
| Materials | (5.1%) |
| Information Technology | (6.1%) |
| Consumer Discretionary | (7.3%) |
| Utilities | (13.2%) |
| Communications Services | (13.6%) |

S&P/TSX Composite Index Value – Q3 2023



*Sector performance based on the price change of each corresponding S&P/TSX Composite Index during Q3 2023. Sources: S&P Capital IQ, Linde Equity, Globe & Mail, Trading Economics, Morningstar. Currency in CAD.

M&A Market Summary

Canadian Economic Update

The Canadian Dollar (CAD) moderately depreciated against the United States Dollar (USD) in Q3 2023, ending the quarter at 1.35 CAD/USD versus 1.32 CAD/USD at the end of Q2 2023. The CAD's relative value initially surged as the BoC's interest rate hike in July 2023 attracted foreign investment but declined mid-quarter as Canada's slowing economy weakened international demand for the loonie. Further contributing to the compression of the CAD were analyst expectations that the BoC would refrain from implementing further interest rate hikes.

Following a slight economic contraction in Q2 2023, the Canadian economy continued to slow down, with GDP contracting by an estimated 0.5% in Q3 2023. The downturn was driven by higher borrowing costs, which continued to temper consumer demand and corporate spending. GDP is expected to contract by another 0.5% in Q4 2023 as the BoC's quantitative tightening policies continue to subdue consumer spending and corporate investment.

Following a decline in housing starts during the trailing 12-month (TTM) period ending September 30, 2023, projections indicate a further decline in housing starts from 263,000 in 2022 to 236,000 and 215,000 in 2023 and 2024, respectively. This trend is attributed to high interest rates, ongoing shortages in construction labour, and rising material costs.

Following a steady decline from Q4 2022 to Q2 2023 as quantitative tightening measures took effect, the Consumer Price Index (CPI) grew 0.3% quarter-over-quarter, reaching 3.8% as of September 30, 2023. CPI is expected to fall to 3.4% in Q4 2023 as the BoC maintains the target overnight interest rate in continued efforts to curb inflation.

Canada's unemployment rate rose slightly from 5.2% in Q2 2023 to 5.5% in Q3 2023 as the pace of new job creation struggled to match the country's steady, largely immigration-fueled, population growth. The unemployment rate is projected to grow to 5.9% in Q4 2023, driven by the ongoing growth of Canada's population and reduced economic growth, which hinders the generation of new jobs.

CAD/USD Exchange Rate¹



*Note: RBC forecasts a Q4'23 CAD/USD exchange rate of 1.38.

Overnight Rate² (%)

| Year | Canada |
|-------|--------|
| 2022 | 4.25% |
| Q4'22 | 4.25% |
| Q1'23 | 4.50% |
| Q2'23 | 4.75% |
| Q3'23 | 5.00% |
| 2023F | 5.00% |
| 2024F | 4.00% |

Real GDP Growth³ (YoY % change)

| Year | Canada |
|--------|--------|
| 2022 | 3.4% |
| Q4'22 | (0.1%) |
| Q1'23 | 2.6% |
| Q2'23 | (0.2%) |
| Q3'23F | (0.5%) |
| 2023F | 1.0% |
| 2024F | 0.6% |

Unemployment Rate² (%)

| Year | Canada |
|--------|--------|
| 2022 | 5.3% |
| Q4'22 | 5.1% |
| Q1'23 | 5.0% |
| Q2'23 | 5.2% |
| Q3'23F | 5.5% |
| 2023F | 5.4% |
| 2024F | 6.5% |

Housing Starts⁴ ('000s)

| Year | Canada |
|--------|--------|
| 2022 | 263 |
| Q4'22 | 259 |
| Q1'23 | 223 |
| Q2'23 | 249 |
| Q3'23F | 240 |
| 2023F | 236 |
| 2024F | 215 |

Consumer Price Index² (YoY % change)

| Year | Canada |
|--------|--------|
| 2022 | 6.8% |
| Q4'22 | 6.7% |
| Q1'23 | 5.1% |
| Q2'23 | 3.5% |
| Q3'23F | 3.8% |
| 2023F | 4.0% |
| 2024F | 2.3% |

¹ Exchange rate data as of September 30, 2023. Forecast from RBC Financial Markets Monthly – October 2023.

² Data from the Bank of Canada. Forecast from RBC Economics Research.

³ Data and forecast from RBC Economics Research.

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

Source: Global News, Bank of Canada, Desjardins, Interchange Financial, Globe and Mail, Statistics 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.

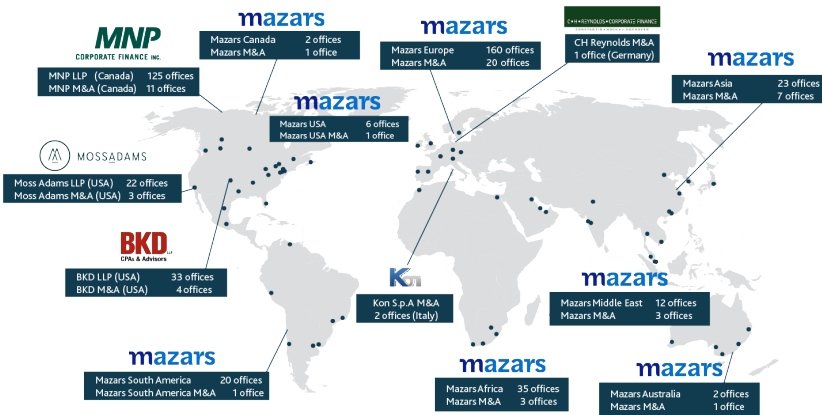
Our typical transactions range in value between \$3 million and \$300 million.

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)

has acquired

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

has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Global Physical Asset Management in structuring and negotiating this transaction.

has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Diamond Ice Systems Ltd. in structuring and negotiating this transaction.

has acquired

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

has acquired

MNP Corporate Finance Inc. provided financial due diligence services to TRS Ltd.

has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to C. Martin's Bus Service Ltd. in structuring and negotiating this transaction.

has acquired a \$100,000,000 equity interest in the

MNP Corporate Finance Inc. acted as exclusive financial advisor and debt placement monitor to Northern Energy Services in this transaction.

has acquired

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

has acquired

MNP Corporate Finance Inc. provided financial and tax due diligence services to Regimen Equity Partners.

has acquired a majority interest in

MNP Corporate Finance Inc. provided financial and tax due diligence services to Nibe Industrier AB.

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
- 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. provided financial due diligence services to Lift Auto Group Ltd.



MNP Corporate Finance Inc. provided financial and tax due diligence services to EFL Cobalt LLC.



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



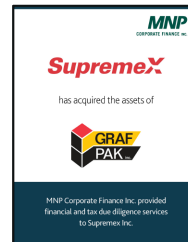
MNP Corporate Finance Inc. provided financial and tax due diligence services to Lab One Capital Corp.



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



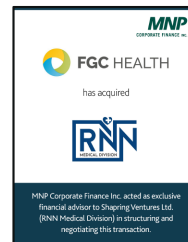
MNP Corporate Finance Inc. acted as exclusive financial advisor to Case Furniture Ltd. in structuring and negotiating this transaction.



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



MNP Corporate Finance Inc. acted as exclusive financial advisor to Rose Integration 2015 Limited, a subsidiary of Tomlinson Group in structuring and negotiating this transaction.



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

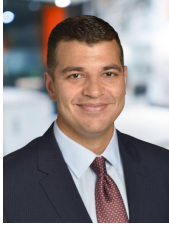


MNP Corporate Finance Inc. provided financial and tax due diligence services to TerraNova Partners LLP.

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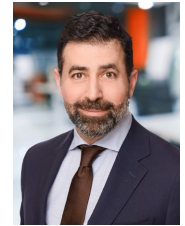
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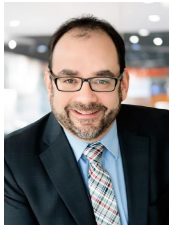
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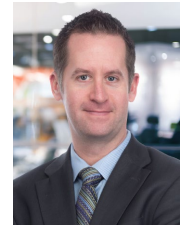
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