

Middle Market M&A Update

Q4 2023



M&A Market Summary

Canadian Mid-Market

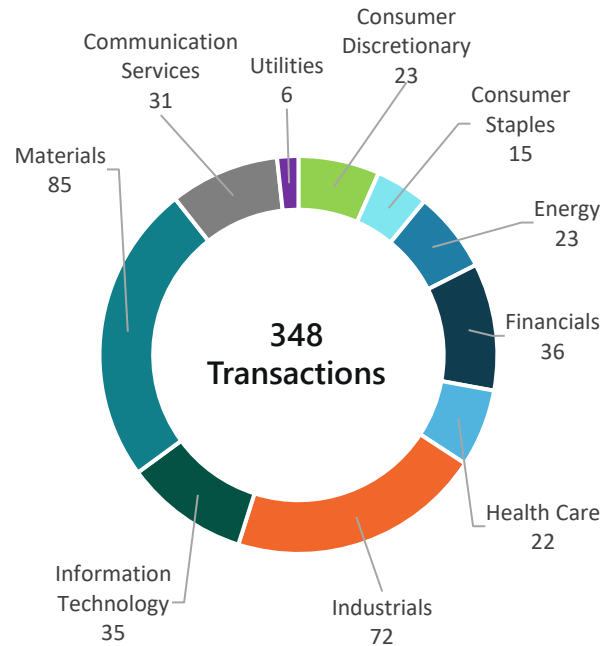
Following seven consecutive quarters of interest rate hikes by the Bank of Canada (BoC), the central bank held the key interest rate at 5% in Q4 2023, guided by data indicating the effectiveness of higher rates in curbing inflation. With inflation falling 0.5% and Canadian Real Gross Domestic Product (GDP) also contracting 0.5% during Q4 2023, market expectations are shifting away from the possibility of additional interest rate hikes in 2024. Instead, the growing consensus is that 2024 will witness a series of rate cuts, with analysts projecting a reduction to 4% by the end of 2024.

Although the number of M&A transactions fell from 362 in Q3 2023 to 348 in Q4 2023, the market showed a renewed sense of optimism as the total transaction value more than doubled, from \$14.1 billion in Q3 to \$31.9 billion in Q4.¹ This optimism was further reflected in the 9.3% quarterly gain seen in the S&P/TSX Composite, which is discussed further on page 4.

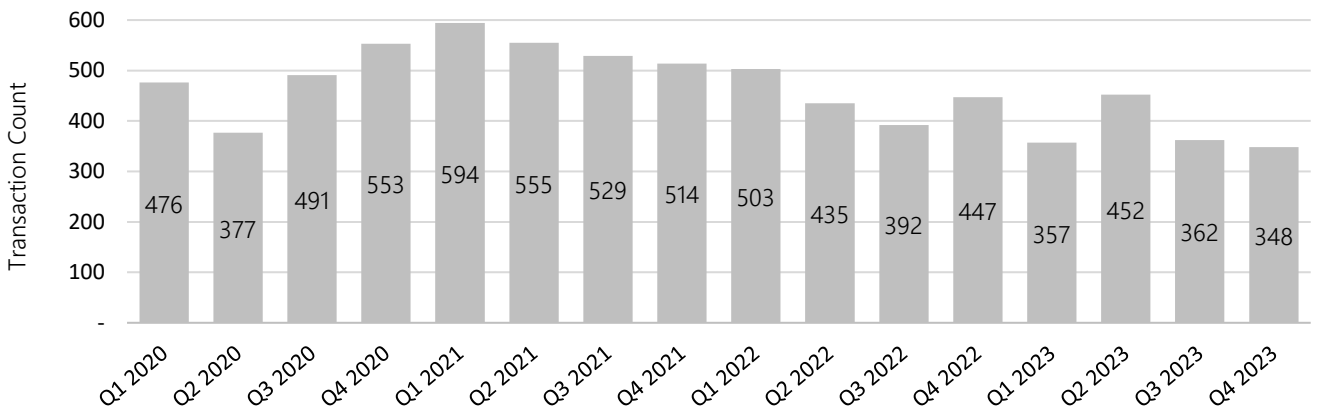
The adjacent chart summarizes the transaction count by sector in Q4 2023. Corresponding sector highlights are noted below:

- Continuing a trend from Q3 2023, the materials sector led the quarter with 85 transactions, accounting for 24.4% of the total transaction count in Q4 2023. A notable transaction within the materials sector was Dundee Precious Metals' acquisition of Osino Resources, which valued the latter at an EV of \$276.4 million.
- The industrials sector followed with 72 transactions, accounting for 20.7% of the total transaction count in Q4 2023. A notable transaction within the industrials sector was Alta Equipment Group's acquisition of Ault Industries, which valued the latter at an Enterprise Value (EV) of \$45.5 million.
- The Utilities sector experienced the highest increase in M&A activity quarter-over-quarter, rising 200% with six deals compared to two in the previous quarter. A notable transaction within the sector was American Pacific Group's acquisition of Spark Power Group, which valued the latter at an EV of \$140.0 million.

Q4 2023 Transaction Count by Sector



Quarterly Transaction Count¹



¹Transaction count data is based on all publicly disclosed Canadian transactions. Sources: S&P Capital IQ, Bank of Canada, and Financial Post. Currency in CAD.

M&A Market Summary

Select Q4 2023 M&A Transactions - Canada



acquired



Announced	Dec 18, 2023
EV	\$276.4M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Dundee Precious Metals Inc.** (Dundee) is a Canada-based international gold mining company with six mine assets and smelters in Bulgaria, Namibia, Serbia, and Ecuador. The company specializes in acquiring, developing, developing, mining, and processing precious metals — primarily focusing on gold and producing copper as a by-product. Dundee was founded in 1983 and is based in Toronto, Ontario.
- **Osino Resources Corp.** (Osino) is a Canadian gold exploration and development company. In addition to its wholly-owned Twin Hills Gold Project in central Namibia, Osino also holds exploration rights for approximately 8,000 square kilometres in Namibia's Damara sedimentary mineral belt. Osino was founded in 2015 and is based in Toronto, Ontario.
- The acquisition of Osino adds a high-quality, long-life project to Dundee's growing portfolio of assets. The Twin Hills Gold Project will immediately increase Dundee's proven and probable mineral reserves by 43%, while the Damara sedimentary mineral belt exploration rights provide long-term exploration upside.



acquired



Announced	Nov 2, 2023
EV	\$45.5M
EV/EBITDA	4.4x
EV/Revenue	0.7x

- **Alta Equipment Group Inc.** (Alta) sells, rents, and provides parts and services for specialized material handling and construction equipment. With over 80 locations, the company is one of the largest equipment dealers in the United States and has a significant presence in Ontario and Quebec. Since the company's initial public offering in 2020, Alta has completed 16 acquisitions. Alta was founded in 1984 and is based in Livonia, Michigan.
- **Ault Industries Inc.** (Ault) is a Canadian aggregate and mining equipment distributor. The company is the exclusive distributor of several leading equipment brands, including McCloskey International, Lippmann, and Superior, serving customers across Ontario, Quebec, and Atlantic Canada. Ault was founded in 2008 and is based in Waterloo, Quebec.
- The acquisition of Ault will allow Alta to expand its footprint in Ontario and Quebec and enter Atlantic Canada while diversifying its growing construction segment through entry into the Canadian aggregate and mining markets. Additionally, Alta will assume Ault's exclusive dealer agreement with McCloskey International, a market leading Original Equipment Manufacturer in the crushing and screening product category.



acquired



Announced	Oct 14, 2023
EV	\$140.0
EV/EBITDA	31.7x
EV/Revenue	0.5x

- **American Pacific Group, L.P.** (American Pacific) is a private equity firm with US \$1.2 billion under management. The group invests in mid-sized North American companies and has nine platforms and 24 add-on investments across the technology, industrials, business services, consumer, and healthcare industries. American Pacific was founded in 2019 and is based in Larkspur, California.
- **Spark Power Group Inc.** (Spark) provides comprehensive end-to-end electrical power and maintenance services to a wide range of industrial, utility, and renewable energy end-markets across North America. The company offers technical services, including substation construction, engineering, preventative maintenance, and renewable power construction and monitoring. Spark was founded in 2009 and is based in Oakville, Ontario.
- Through this take-private acquisition, Spark will continue to operate as a stand-alone entity while leveraging American Pacific's management experience and resources to scale operations and better serve its key markets.

M&A Market Summary

Equity Markets

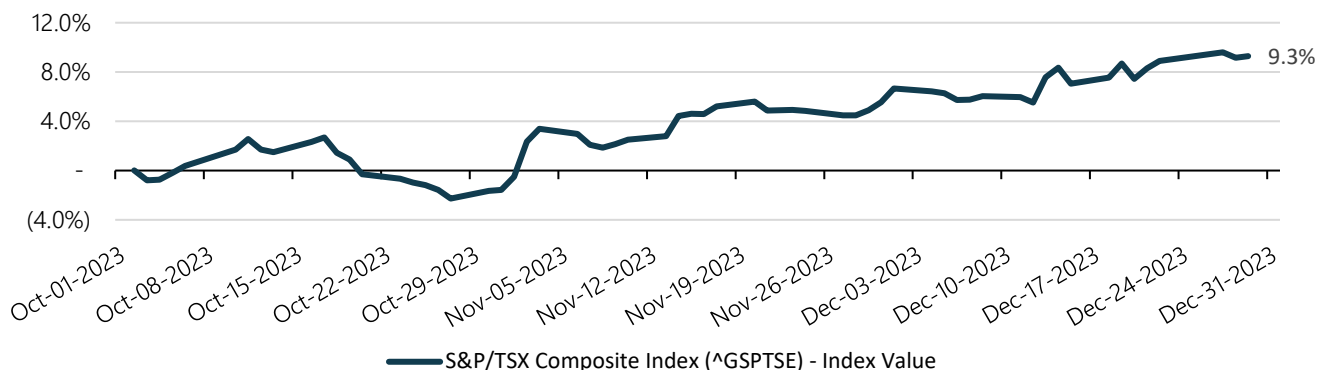
The S&P/TSX Composite posted a gain of 9.3% in Q4 2023. After a rocky third quarter where most sectors experienced negative returns, nine of 10 sectors recorded gains during Q4 2023. Of the 204 constituents listed on the S&P/TSX Composite Index (excluding real estate), 135 recorded a gain in Q4 2023 compared to just 71 in Q3 2023.

- The information technology sector led the index, posting a 19.2% gain in Q4 2023. Sector gains were supported by constituents such as Lightspeed Commerce Inc. (+45.8%), which announced 25% year-over-year revenue growth, and Shopify Inc. (+39.1%), which announced a 4.1% year-over-year gross margin percentage improvement. Sector performance was dragged down by BlackBerry Limited (-26.9%) after the software maker missed earnings estimates due in part to a six-week strike at American automotive manufacturing plants during the quarter. The company's reported quarterly net loss grew from \$4 million in 2022 to \$21 million in 2023.
- The financials sector posted a gain of 13.7% during Q4 2023. The most significant boost to the sector's growth came from Nuvei Corporation (+70.9%), driven by its robust performance in Q3. Key highlights of this period include the company's total payment volume soaring by more than 70% to US\$48.2 billion and the announcement of a new partnership with Microsoft. Other Financial sector constituents posting strong quarters included goeasy Ltd. (+48.2%), Brookfield Corporation (+25.2%), and Canadian Imperial Bank of Commerce (+21.7%).
- Two other sectors posted gains of over 10%, with the communications services and utilities sectors appreciating 11.5% and 11.0%, respectively. Within the communication services sector, Rogers Communications Inc. (+19.0%) led the sector's gains, primarily due to the successful and ahead-of-schedule integration of its recent acquisition, Shaw Communications. Within the utilities sector, Brookfield Renewable Partners L.P. (+18.0%) experienced the largest increase, primarily fueled by its acquisitions of Banks Renewables Limited, Duke Energy Renewables, LLC, and Westinghouse Electric Company LLC in Q4 2023. These strategic moves have led market analysts to maintain a positive outlook on the company's growth prospects despite high interest rates.
- The Energy sector, which led all sectors in Q3 2023 with an 18.3% gain, experienced a downturn in Q4 2023, posting a negative return of 7.8% for the quarter. The quarter saw strong performances from Secure Energy Services Inc. (+26.4%), which recorded significant year-over-year revenue and earnings growth, and International Petroleum Corporation (+22.0%), which repurchased a significant number of its common shares. However, the struggles of several constituents, including Cenovus Energy Inc. (-21.9%) and Baytex Energy Corp. (-26.7%), were too much to overcome. Energy sector woes were primarily attributed to the volatility of oil prices, which saw a steep decline in Q4 2023.

Q4 2023 Sector Performance*

Sector	Return
Information Technology	19.2%
Financials	13.7%
Communications Services	11.5%
Utilities	11.0%
Industrials	8.4%
Consumer Discretionary	7.2%
Health Care	6.7%
Consumer Staples	5.3%
Materials	4.3%
Energy	(7.8%)

S&P/TSX Composite Index Value – Q4 2023



*Sector performance based on the price change of each corresponding S&P/TSX Composite Index during Q4 2023.

Sources: S&P Capital IQ, Yahoo Finance, Investopedia, The Motley Fool, Brookfield, and The Globe and Mail. Currency in USD.

M&A Market Summary

Canadian Economic Update

In Q4 2023, the Canadian Dollar (CAD) appreciated against the United States Dollar (USD), concluding the quarter at 1.32 CAD/USD. The relative appreciation of the CAD was primarily attributable to sentiment surrounding the greenback, which depreciated during the quarter due to expectations of rate cuts being more imminent in the United States, following favourable inflation data and a rally in equity markets.

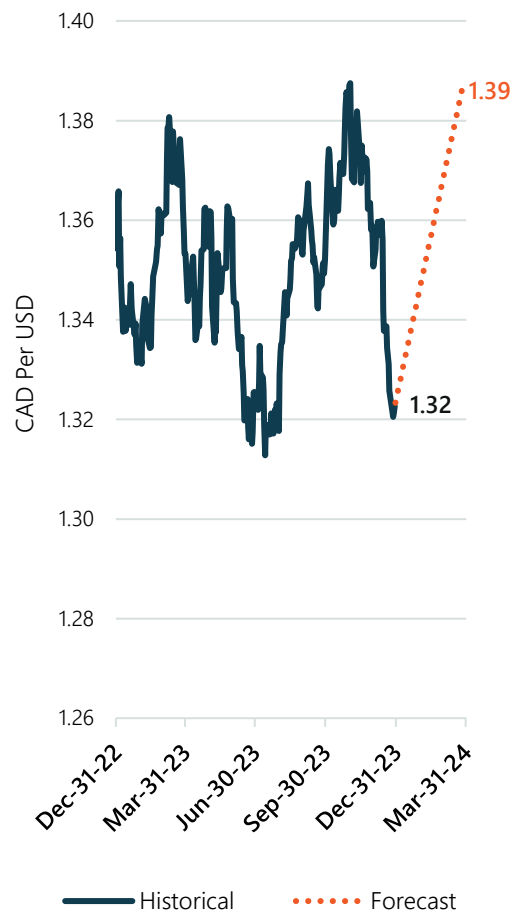
Following a 1.1% economic downturn in Q3 2023, the Canadian economy's rate of compression eased, with the GDP estimated to have contracted by 0.5% in Q4 2023. Improvements were noted in some discretionary sectors, including increases in retail, accommodation, and food services. However, manufacturing output declined, and the housing market remained sluggish. Looking ahead, the Canadian economy is projected to achieve modest growth of 0.5% in 2024, followed by a more substantial increase of 2.1% in 2025.

Although housing starts stayed consistent with Q3 2023 levels in the trailing twelve-month (TTM) period ending December 31, 2023, forecasts predict a decrease in housing starts, dropping from 259,000 in Q4 2023 to 233,000 and 232,000 in 2024 and 2025, respectively. This expected downturn is linked to high interest rates, making it challenging for developers to finance new projects. Additionally, ongoing labour shortages in the construction sector and increasing materials costs are expected to constrain new housing construction.

Throughout 2023, the Consumer Price Index (CPI) consistently decreased, dropping from 5.1% in Q1 to 3.2% by Q4, as the effects of quantitative tightening measures became apparent. The CPI is projected to keep declining in the upcoming years, with expectations of it falling to 2.2% in 2024 and further to 1.5% in 2025.

Throughout 2023, Canada's unemployment rate experienced a gradual increase each quarter, climbing from 5.0% in Q1 to 5.8% in Q4. This rise was primarily due to the pace of new job creation struggling to match the country's steadily growing population. Moreover, businesses reduced hiring rates as Canadian consumers scaled back their spending amid high interest rates. Despite anticipated interest rate cuts and a slowdown in inflation, the unemployment rate is expected to continue rising in the upcoming years, peaking at 6.5% in 2024 before slightly decreasing to 6.3% in 2025.

CAD/USD Exchange Rate¹



*Note: RBC forecasts a Q1'24 CAD/USD exchange rate of 1.39.

Overnight Rate ² (%)		Real GDP Growth ³ (YoY % change)		Unemployment Rate ² (%)		Housing Starts ⁴ ('000s)		Consumer Price Index ² (YoY % change)	
Year	Canada	Year	Canada	Year	Canada	Year	Canada	Year	Canada
2023F	5.00%	2023F	1.0%	2023F	5.4%	2023F	248	2023F	3.9%
Q1'23	4.50%	Q1'23	2.5%	Q1'23	5.0%	Q1'23	223	Q1'23	5.1%
Q2'23	4.75%	Q2'23	1.4%	Q2'23	5.2%	Q2'23	249	Q2'23	3.5%
Q3'23	5.00%	Q3'23	(1.1%)	Q3'23	5.5%	Q3'23	259	Q3'23	3.7%
Q4'23F	5.00%	Q4'23F	(0.5%)	Q4'23	5.8%	Q4'23F	259	Q4'23F	3.2%
2024F	4.00%	2024F	0.5%	2024F	6.5%	2024F	233	2024F	2.2%
2025F	3.00%	2025F	2.1%	2025F	6.3%	2025F	232	2025F	1.5%

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

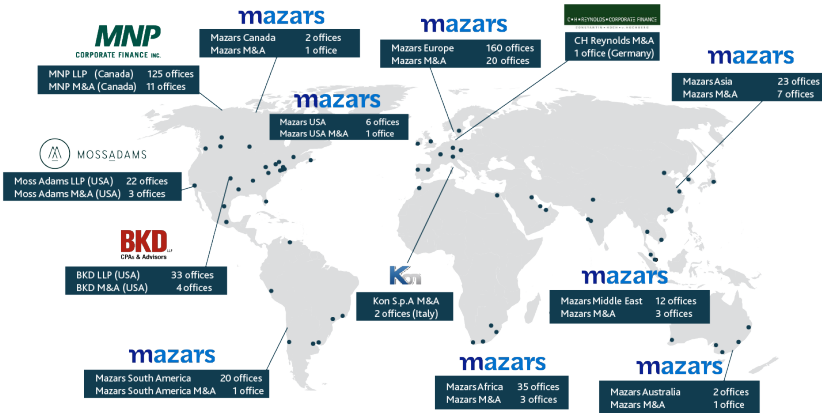
Our typical transactions range in value between \$3 million and \$300 million.

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)

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 265 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

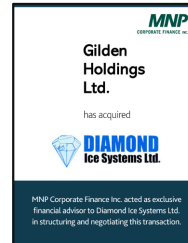
Hands-on Approach

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.

Gilten Holdings Ltd.

has acquired

DIAMOND
Ice Systems Ltd.

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



MNP
CORPORATE FINANCE INC.

KCP KIRTLAND CAPITAL PARTNERS

has acquired

GALATI
CHEESE COMPANY LTD.

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



MNP
CORPORATE FINANCE INC.

TRS
COMPONENTS LTD.

has acquired

INI
INDUSTRIAL NETWORKS LTD.

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



MNP
CORPORATE FINANCE INC.

LANDMARK
TRANSPORT SERVICES

has acquired

MARTIN'S
BUS SERVICE LTD.

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



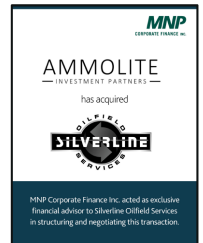
MNP
CORPORATE FINANCE INC.

NGL
NORTHERN NATURAL GAS ALLIANCE

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

Access NGL
Pipeline System

MNP Corporate Finance Inc. acted as exclusive financial advisor and debt placement monitor to Northern Natural Gas Alliance in this transaction.



MNP
CORPORATE FINANCE INC.

AMMOLITE
INVESTMENT PARTNERS

has acquired

SILVERLINE
OILFIELD SERVICES

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



MNP
CORPORATE FINANCE INC.

Regimen Equity Partners

has acquired

THOMAS
INDUSTRIES

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



MNP
CORPORATE FINANCE INC.

NIBE

has acquired a majority interest in

MILES
INDUSTRIES

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



MNP
CORPORATE FINANCE INC.

LIFT AUTO
GROUP

has acquired

Herbers
Autobody Repair

MNP Corporate Finance Inc. provided financial due diligence services to Lift Auto Group Ltd.



MNP
CORPORATE FINANCE INC.

efl

has acquired

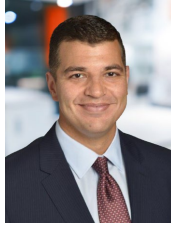
LEI

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

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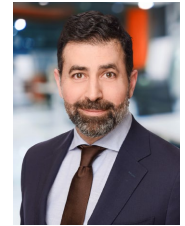
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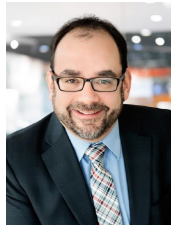
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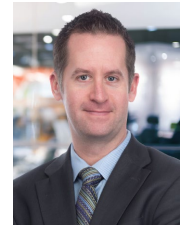
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