



MIDDLE MARKET M&A UPDATE

Q4 2019

M&A MARKET SUMMARY

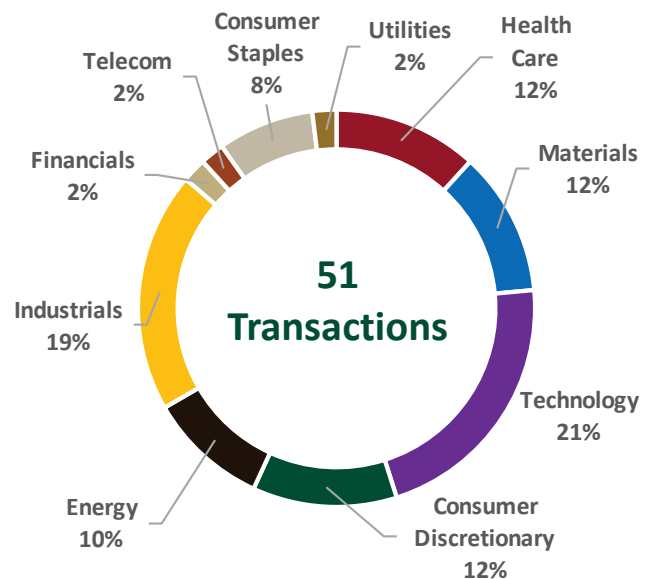
CANADIAN MID-MARKET

Canadian mid-market M&A activity in Q4 2019 bounced back slightly from a slow Q3 2019 as aggregate deal value increased to \$4.2 billion, across 51 disclosed transactions. In comparison, Q3 2019 totaled a modest \$2.7 billion in aggregate deal value across 43 transactions. Q3 and Q4 2019 displayed the lowest deal volumes seen through the last four years, suggesting cautious optimism towards making transactions in the turbulent global environment.

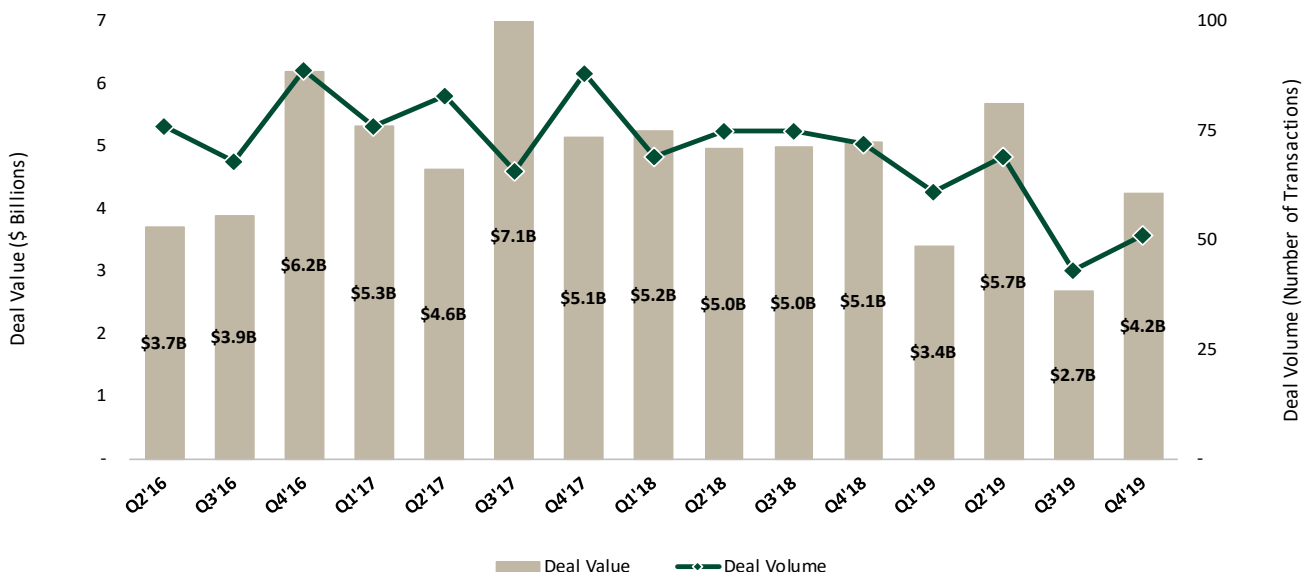
The chart to the right summarizes transaction volume per sector, as defined by the S&P/TSX Composite Index. Transaction volume in Q4 2019 returned to a more balanced distribution following a lopsided Q3 2019.

- Health Care and Materials saw sharp declines in volume compared to Q3, representing 24% of the deal volume collectively, down from 49% in Q3.
- The respective transaction volume in Industrials and Consumer Staples increased to 10 and 4 in Q4 up from 4 and 0 in Q3.
- Information technology continued its upward trend in transaction volume compared to earlier quarters in 2019 as transactions in Q4 revolved around: application software, and data processing and outsourcing services.
- Recent M&A activity in the Materials sector appears to be motivated by acquiring assets and capacity in short-order rather than increasing production organically.

Q4'19 - M&A VOLUME BY SECTOR*



QUARTERLY DEAL VALUE & VOLUME*



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

The TSX Composite and S&P 500 both posted significant gains to end 2019. The TSX Composite had a net Q4 increase of 3.7%, with a YTD gain of 18.9%. The S&P 500 recorded a gain of 9.6% during the quarter, giving a total increase of 28.7% for the year.

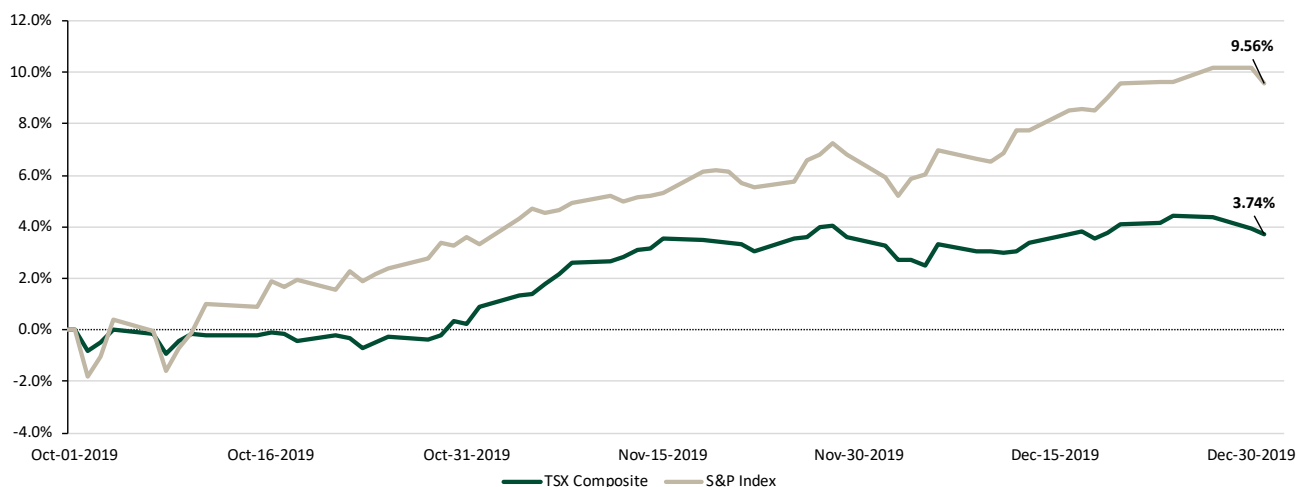
Overall both Canadian and American markets experienced similar trends in Q4 2019 with both indices experiencing momentous positive returns.

- Information Technology posted an enormous increase of more than 60%, the best annual return for any sector this decade, driven by the monumental success of e-commerce company Shopify.
- Weakness from cannabis stocks drove health care to the position of biggest loser this year, posting a drop of 16.0% for 2019. Sales growth is weaker than anticipated and this new industry is struggling to translate sales growth into profitability.
- Large banks had mixed results in Q4, as two of the major Canadian banks missed earnings expectations. The Financial sector remains in the middle of the pack, with a strong increase of 16.6% for the year.
- Industrials posted a 25.0% increase in 2019 and appear unphased following a turbulent year which included a dip in Q3 due to weak grain shipments.
- Energy reversed the sector’s performance trend in Q4 by posting an increase of 10.6% following two straight quarters of losses (-0.9% in Q3 and -10.7% in Q2).
- Communications Services were affected by the introduction of the “unlimited data” price war mid-year as providers were forced to switch up their packages and pricing.
- Materials sector benefitted from increases in the price of gold during 2019. Sector leaders included Franco-Nevada Corp, Barrick Gold, Agnico-Eagle Mines and Wheaton Precious Metals, all of whom saw growth in excess of 30% for the year.

Q4 2019 SECTOR PERFORMANCE*

Sector	TSX Composite	S&P 500
Utilities	1.18%	0.27%
Consumer Staples	- 4.63%	3.08%
Financials	1.52%	12.18%
Consumer Discretionary	- 1.23%	4.93%
Information Technology	9.22%	14.97%
Materials	7.84%	8.30%
Energy	10.60%	6.88%
Communications Services	1.52%	9.71%
Industrials	7.81%	7.57%
Healthcare	- 1.05%	14.99%

NORTH AMERICAN EQUITY INDICES - Q4 2019 PERFORMANCE**



*Sector performance based on the price change of each corresponding sector index over the quarter.

**Q4 performance as of December 31, 2019.

Source: S&P Capital IQ, Linde Equity – TSX Quarterly Review and Raymond James – Quarterly Insights & Strategies.

TREASURY YIELDS

CANADA

On December 4, 2019, the Bank of Canada (“BoC”) announced it would maintain its overnight rate at 1.75%, which continues to remain in line with expectations and global economic growth predictions. Stephen Poloz, BoC’s Governor, is expecting global interest rates to remain low for the next several years due to slow productivity and population growth in Canada.

The steady hold on the interest rate has been supported by several key areas:

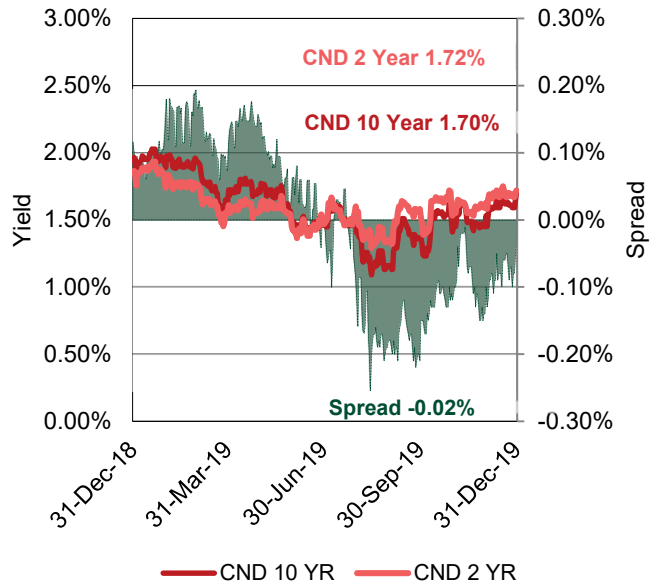
As expected, growth in Canada slowed in the third quarter of 2019 to 1.30%. Key drivers such as consumer spending, investments, and exports have driven a decline in Canada’s growth. Despite a slow down in the economy, the BoC remains optimistic with projections of increased growth of 1.70% in 2020 and 1.80% in 2021.

Consumer spending has seen moderate expansion with support from higher wage growth and a strengthening labour market. The market has seen an additional 400,000 jobs created since the start of the year in 2019, which has led to strong growth in the labour force participation rate and accelerated wage growth.

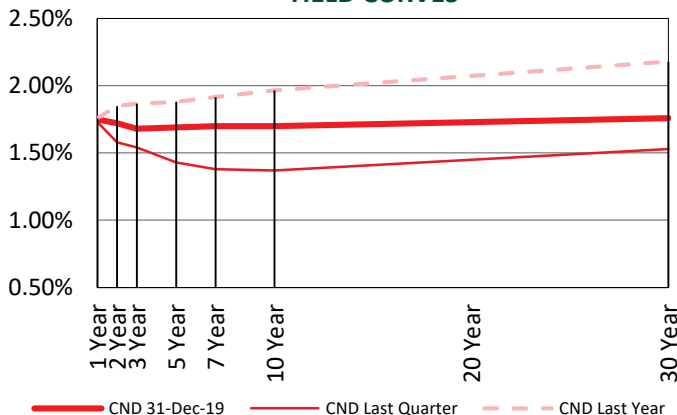
Current housing activity remains strong as average resale prices rose 5.40% in the third quarter, which is projected to continue its momentum into 2020 as stated by the Conference Board of Canada.

The BoC’s future projections will be guided by the analysis of housing and consumer spending activities and the impact of global trade conflicts. The most recent interest rate announcement was provided on January 22, 2020, with the BoC continuing to hold rates steady.

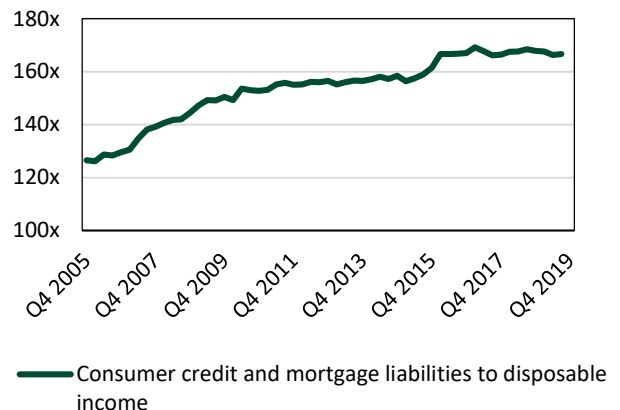
CND 2 & 10 YEAR GOVT BOND YIELDS



CANADIAN GOVERNMENT BOND YIELD CURVES



CONSUMER CREDIT AND MORTGAGE LIABILITIES TO DISPOSABLE INCOME



TREASURY YIELDS

UNITED STATES

On December 11, 2019, the Federal Reserve maintained the target range for the federal funds between 1.50% and 1.75%. The Federal Open Market Committee (FOMC) stated that “the labour market and overall economic market activity has been rising at a moderate rate” and therefore they are confident about the economic stability of the market.

Based on the past 12 month’s inflation data, overall inflation has been trailing below 2.00%.

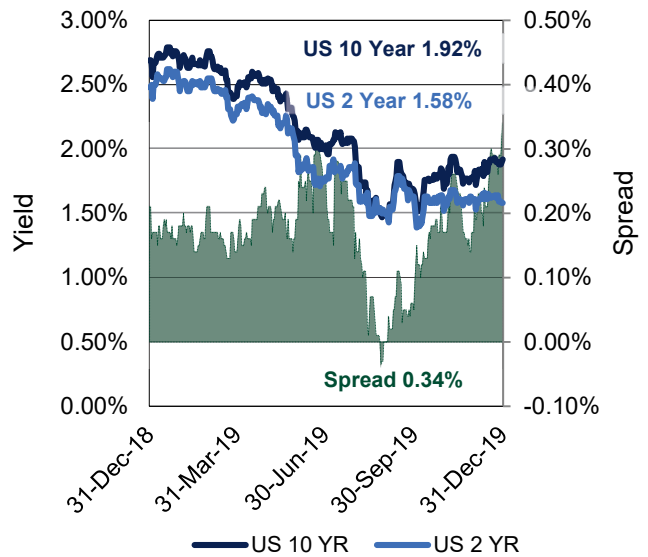
Total nonfarm payroll employment increased in November due to auto workers returning from their October strike. Despite the strike, job gains were unaffected over the three months ending in November. There were 145,000 reported jobs added in December and although unemployment spiked in October, it returned to its 50-year low of 3.50% in November.

Total consumer price (measured through the Personal Consumption Expenditures “PCE” price index) increased by 1.30% over the trailing 12 months ending in October. Similarly, the Consumer Price Index (CPI) increased 1.20% over the 12 months leading to November.

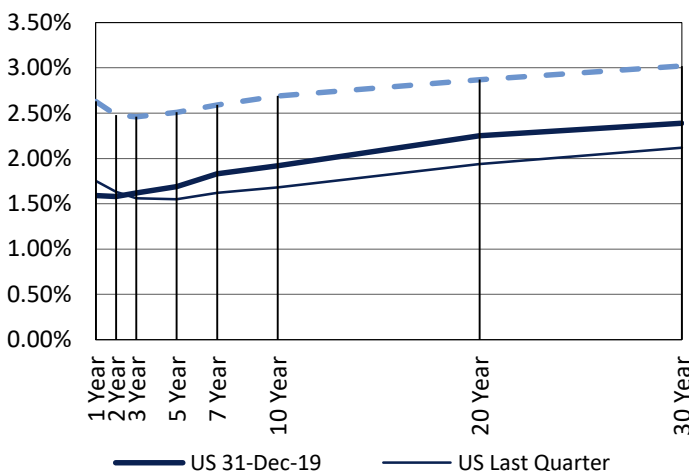
Real residential investment increased further after its third-quarter rise. Building starts, permit issuance for single-family homes, and starts of multi-family homes also saw an increase in October.

The next FOMC meeting is to be held on January 28 and 29. The board will consider future adjustments based on the economic conditions relative to its maximum employment and 2.00% inflation objectives. The analysis will consider factors such as labour market conditions, inflation pressures and expectations, and financial and international developments.

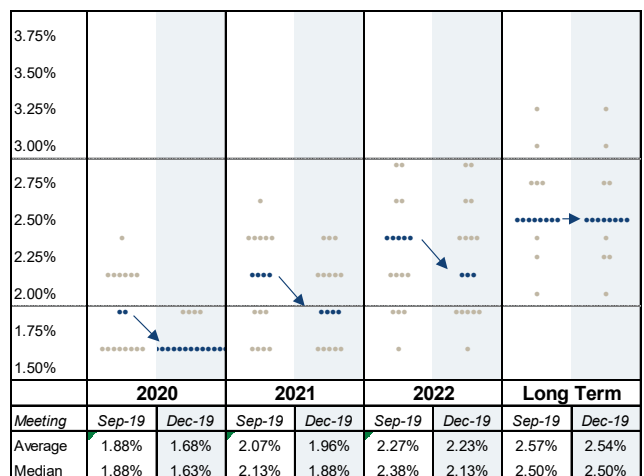
US 2 & 10 YEAR GOVT BOND YIELDS



US GOVERNMENT BOND YIELD CURVES



FOMC “DOT PLOT”

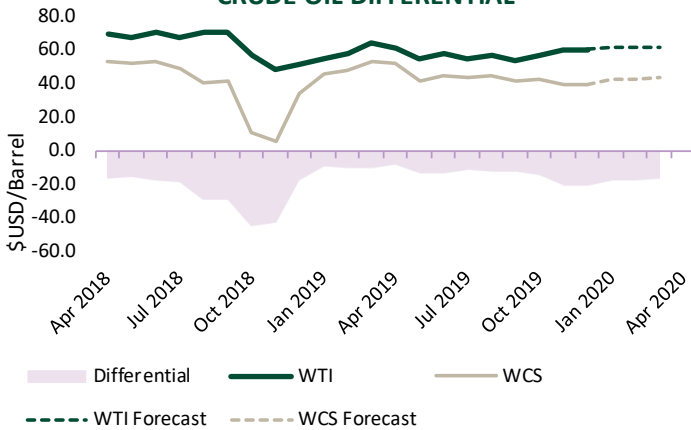


Source: Capital IQ, Federal Reserve,

<https://www.nytimes.com/2020/01/10/business/economy/december-jobs-report.html?action=click&module=Top%20Stories&pgtype=Homepage>

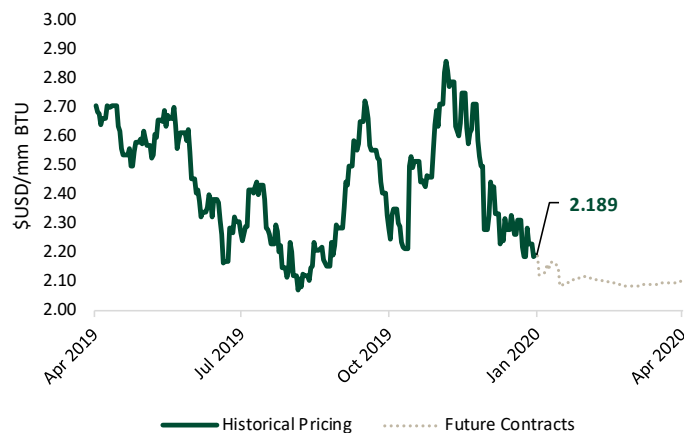
COMMODITY MARKETS

CRUDE OIL DIFFERENTIAL



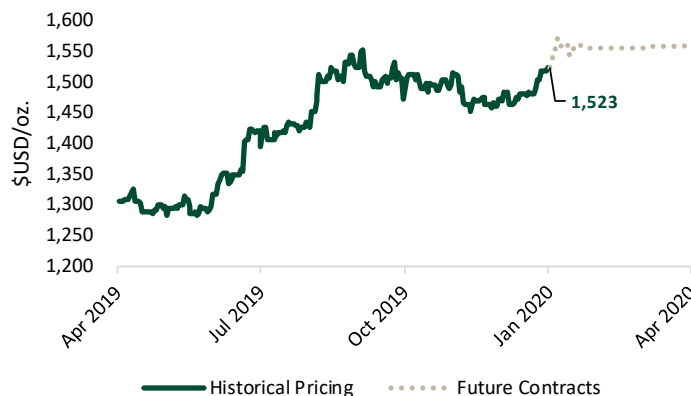
- In Q4 2019 Western Canadian Select (WCS) fell 5.5%, while West Texas Intermediate (WTI) increased 11.7%.
- Both WCS and WTI prices improved in 2019, with gains of 17.0% and 17.4%, respectively.
- The WCS/WTI differential expanded to more than US\$20/barrel as of the end of December, up from US\$12/barrel at the end of Q3.
- The number of rigs registered in Canada dropped in November 2019 to 821, down from 906 in November of the previous year. The number of active rigs in November 2019 was also down year-over-year with 649 active rigs compared to 678 in November 2018.

NATURAL GAS (HENRY HUB)



- North American natural gas prices have remained near multi year lows in Q4 as inventories spiked with the supply glut that is plaguing the marketplace.
- Natural gas prices declined by 6.1% in Q4, while sitting 23.2% lower than at the start of the year. Prices were at one point in Q4 up to \$2.862 USD/mm BTU which was ultimately 30.7% higher than the Q4 closing price.
- Issues of oversupply and the lack of pipeline capacity continue to impair the profitability of the Canadian crude and natural gas industries.
- Mild winter temperatures in North America have further pressured the price of natural gas.

GOLD (COMEX)



- Gold continued its climb through the year, posting a 3.4% gain for Q4 driven by a surge in the back half of December.
- Investors continue to flock to gold, driving the price higher on the back of deteriorating global economic fundamentals and trade woes.
- Uncertainty around the United States dollar (USD) in global markets could be contributing to the gains. A weak USD tends to have an inverse relation with higher gold prices as gold is priced in USD and foreign investors shift money into more traditional value sources when the currency is depreciating.
- Gold prices are expected to continue their upward trend in Q1 2020.

The Canadian dollar ended 2019 at 1.30 CAD/USD (down from 1.36 at the start of 2019). The Canadian dollar has benefited from de-escalation of trade tensions between the United States and China. Near-term gains for the loonie are expected as a result of the forecasted boost to the Canadian economy stemming from Ottawa’s recently announced fiscal stimulus.

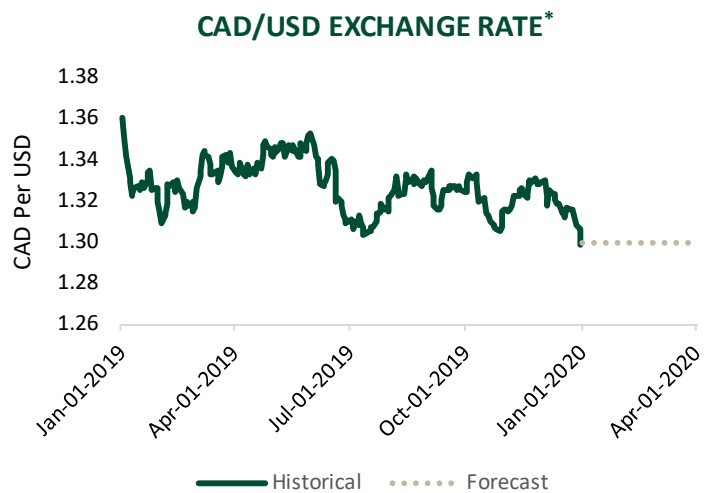
Canada’s GDP growth softened in early Q4 2019, as output in the goods sector has shown a consistent decline. Goods-sector output has continued to be soft, both in Canada and abroad, as global supply chains have felt the impact of the US-China trade battle.

The Canadian trade deficit narrowed; however, both imports and exports declined, and the narrowing of the deficit was due to a larger decline in imports than exports.

Housing starts in the second half of 2019 slowed from the pace seen in the first half of the year.

Unemployment rate fell to 5.6% in Q4, and job growth averaged 27,000 in 2019.

Consumers faced continued pressure as increases in prices for goods (excluding food and energy) continued their growth at the highest rates since 2015-2016. Prices of food purchased from stores increased a hefty 4% in the six month period ended November 2019.



Note: RBC forecasts a Q1'20 CAD/USD exchange rate of 1.30.

REAL GDP GROWTH (YoY % change)**

Year	Canada
2018	2.0%
Q1'19	0.8%
Q2'19	3.5%
Q3'19	1.3%
Q4'19F	1.4%
2019F	1.7%
2020F	1.6%
2021F	1.7%

UNEMPLOYMENT RATE (%)**

Year	Canada
2018	5.8%
Q1'19	5.8%
Q2'19	5.5%
Q3'19	5.6%
Q4'19F	5.7%
2019F	5.7%
2020F	5.8%
2021F	6.0%

HOUSING STARTS ('000s)**

Year	Canada
2018	213
Q1'19	37
Q2'19	59
Q3'19	59
Q4'19F	53
2019F	210
2020F	211
2021F	212

CONSUMER PRICE INDEX (YoY % change)**

Year	Canada
2018	2.3%
Q1'19	1.6%
Q2'19	2.1%
Q3'19	1.9%
Q4'19F	2.2%
2019F	2.0%
2020F	1.6%
2021F	1.8%

Note: F stands for forecasted 2019 Q4 numbers are not verified and remain forecasted.

*Exchange rate data as of December 31, 2019. Forecast from RBC Financial Markets Monthly – January 2020.

**RBC Capital Markets Economic Research, Statistics Canada and Canada Mortgage and Housing Corporation.

Sources: S&P Capital IQ, RBC Economics - Current Trends Update - Canada, National Bank of Canada – Economics and Strategy – FX Update – January 2020, www.tradingeconomics.com/canada/unemployment-rate

ABOUT MNPCF



MNP Corporate Finance (MNPCF) has a dedicated team of over 60 merger, acquisition, and transaction 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 & 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 150+ M&A professionals in more than 25 countries.



CFxBorder - Global Reach with Local Relationships
Our affiliation with CFxBorder consists of 150+ M&A professionals in more than 25 countries

SERVICES

- Divestitures
- Acquisitions
- Debt Financing
- Due Diligence
- Transaction Advisory Services

RECENTLY CLOSED DEALS (NATIONAL)

<p>has acquired the Chicago Illinois division assets of</p> <p>URBAN IMPACT recycling of waste</p> <p>MNP Corporate Finance Inc. acted as exclusive financial advisor to Urban Impact Recycling Ltd. in structuring and negotiating this transaction.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>	<p>has acquired</p> <p>Policy Reporter</p> <p>MNP Corporate Finance Inc. acted as exclusive financial advisor to Policy Reporter Inc. in structuring and negotiating this transaction.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>
<p>has acquired</p> <p>CMR EXPRESS LTD.</p> <p>MNP Corporate Finance Inc. acted as exclusive financial advisor to CMR Express Ltd. in structuring and negotiating this transaction.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>	<p>has acquired</p> <p>VISAGE The face experts</p> <p>MNP Corporate Finance Inc. provided financial and tax due diligence services to Equicapita Investment Corp.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>
<p>has acquired</p> <p>NORWELD STRESS (1994) LTD.</p> <p>MNP Corporate Finance Inc. acted as exclusive financial advisor to Norweld Stress (1994) Ltd. in structuring and negotiating this transaction.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>	<p>has acquired</p> <p>Grand Medicine Pharmacy</p> <p>MNP Corporate Finance Inc. acted as exclusive financial advisor to Grand Medicine Pharmacy in structuring and negotiating this transaction.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>
<p>has acquired</p> <p>Pommies Cider Co.</p> <p>MNP Corporate Finance Inc. acted as exclusive financial advisor to Pommies Cider Co. in structuring and negotiating this transaction.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>	<p>has acquired the retail business of</p> <p>COMMUNITY natural foods reestablishing our community since 1977</p> <p>MNP Corporate Finance Inc. provided transaction advisory and financial due diligence services to Calgary Co-op.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>
<p>has acquired</p> <p>OVP OSBORNE VILLAGE PHARMACY</p> <p>MNP Corporate Finance Inc. acted as exclusive financial advisor to Osborne Village Pharmacy in structuring and negotiating this transaction.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>	<p>has acquired</p> <p>Policy Works</p> <p>MNP Corporate Finance Inc. acted as exclusive financial advisor to Policy Works Inc. in structuring and negotiating this transaction.</p> <p>DIVESTITURES > FINANCING > DUE DILIGENCE</p>

ABOUT MNPCF



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 last five years alone we have completed over 120 transactions worth over \$2 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)

has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Rigney Building Supplies Ltd. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

has acquired

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

DIVESTITURES > FINANCING > DUE DILIGENCE

has acquired

MNP Corporate Finance Inc. acted as financial advisor to a confidential buyer in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

has acquired

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

DIVESTITURES > FINANCING > DUE DILIGENCE

has acquired

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

DIVESTITURES > FINANCING > DUE DILIGENCE

has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Integrity Hy-LDRI Ltd. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

has acquired

MNP Corporate Finance Inc. provided financial due diligence services to Crescent Park Capital Ltd.

DIVESTITURES > FINANCING > DUE DILIGENCE

has acquired an interest in

MNP Corporate Finance Inc. was the exclusive financial advisor to North Delta Scaffolds Ltd. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

has acquired

MNP Corporate Finance Inc. provided financial and tax due diligence services to Undisclosed Private Investors.

DIVESTITURES > FINANCING > DUE DILIGENCE

has acquired

MNP Corporate Finance Inc. provided financial and tax due diligence services to Environmental ESG Solutions Ltd.

DIVESTITURES > FINANCING > DUE DILIGENCE



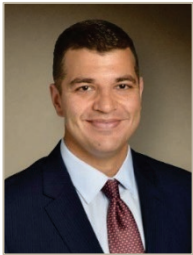
President
MNP Corporate
Finance

Brett Franklin

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Based in Winnipeg, Brett develops and implements creative business strategies for clients in all industry sectors and in all stages of the business life cycle.

With a diverse background in financial services, including banking, private equity, hedge funds and structured investment products, Brett has the knowledge and ability to resolve challenging financial issues and develop practical solutions to even the most difficult problems.



Managing Director

Aleem Bandali

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Based in Vancouver, Aleem has worked on transactions ranging between \$3 million and \$30 billion in Canada, the United States and internationally in a diverse range of industries.

Aleem has a Master of Business Administration degree from the University of Oregon College of Business, a Juris Doctor degree from the University of Oregon School of Law and a Bachelor of Arts degree from the University of British Columbia. Aleem has also completed the Mergers and Acquisitions program at Harvard Business School.



Managing Director

Johnny Earl

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Based in Vancouver, Johnny specializes in due diligence and other transaction advisory requirements relating to acquisitions and divestitures. Johnny has worked on transactions ranging from deal values below \$5 million up to over \$1 billion in North America, the U.K., Asia and Africa.

Johnny holds a Bachelor of Economics from Durham University in the U.K. and has a designation from the Institute of Chartered Accountants of England and Wales.



Managing Director

Dale Antonsen

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Based in Kelowna, Dale initiates and executes business strategies and transactions designed to help clients realize their goals in complex situations.

Dale's client base is involved in a range of industries, including oil and gas services, real estate capital markets and development, manufacturing and distribution, construction and contracting and casino gaming and entertainment.



Managing Director

Mark Regehr

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Based in Edmonton, Mark assists mid-market clients preparing for succession, including the sale of their business or planning for growth through acquisitions, mergers and financing.

Mark has a proven track record of securing financing, finding buyers and assisting through the merger and acquisition process. He also offers expertise in the areas of business planning, financial structure and financial modelling.



Managing Director

Mike Reynolds

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Based in Calgary, Mike advises on mergers, acquisitions, divestitures and financing options.

Mike has more than 18 years of industry experience in corporate finance, turnarounds and restructurings, private equity, and venture capital. He has worked on transactions in Canada, the U.S. and Europe and has experience in numerous industries.



Managing Director

Erik St-Hilaire

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Based in Winnipeg, Erik works one-on-one with clients in Saskatchewan, Manitoba and northwestern Ontario. His strong technical knowledge and creative thinking allows him to find innovative solutions to complex situations, as he delivers advice customized to address each client's unique situation and objectives.

As a trusted advisor, Erik works with mid-sized companies preparing for succession, focusing on the sale of their business. He also helps companies planning for growth through acquisitions, mergers, due diligence or financing.



Managing Director

Jason Burgess

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Based in St. Catharines, Jason helps private and public businesses navigate complex transactions so they can achieve their strategic and financial goals.

Jason draws on more than 25 years of experience in public practice and in the public sector to help clients with mergers and acquisitions, debt financing, performance improvement and due diligence.



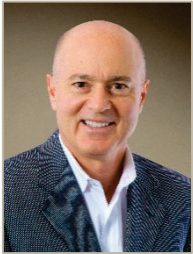
Managing Director

Patrick Khouzam

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Based in Montreal, Patrick specializes in assisting mid-sized, privately owned businesses maximize their value through strategic planning and targeted initiatives.

Backed by almost two decades of experience working within the financial sector in Quebec, Patrick specializes in mergers and acquisitions, raising capital, due diligence and general business transaction advice.



Managing Director

Dan Porter

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Based in Toronto, Dan has 30 years of experience helping public and private companies in a wide range of industries, including aviation, railways, trucking, mining, leasing, printing and manufacturing.

Working closely with his clients, Dan provides advice and develops innovative and creative financing solutions in many areas such as structured products, senior debt restructuring, raising new senior revolving or term debt, sourcing or restructuring mezzanine or subordinated debt and assisting with or structuring asset or business divestitures.



Managing Director

Stephen Shaw

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Based in Toronto, Stephen initiates and executes business strategies and transactions designed to realize clients' goals in complex situations.

His client base is involved in a range of industries, including aerospace and defense, manufacturing and distribution, transportation and logistics, industrial and consumer products, agri-food and automotive.



Managing Director

John Caggianiello

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Based in Toronto, John specializes in assisting mid sized entrepreneurial private and public companies and institutional investors with their due diligence and transaction advisory requirements.

Drawing on his investigative and advisory expertise working with private equity firms, alternative lenders, lawyers and bankers, John provides comprehensive due diligence solutions to help his clients accurately assess risks associated with their investment decisions.



Managing Director

Kevin Tremblay

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Based in Toronto, Kevin advises clients in the public and private sectors across a broad spectrum of industries, bringing significant experience in manufacturing, distribution and service-based businesses.

Drawing on more than two decades of experience as a strategic consultant, Kevin has successfully executed numerous transactions including divestitures, acquisitions, management buyouts, private placements and valuation mandates.



Managing Director

Craig Maloney

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Based in Halifax, Craig specializes in helping family-owned businesses with mergers and acquisitions and corporate finance issues.

Craig's services include business valuation and pricing analysis, helping owners establish relationships with lenders and source capital, assisting with business planning and management structuring and creating financial models for budgeting and forecasting.