

Middle Market M&A Update

Q1 2022



M&A Market Summary

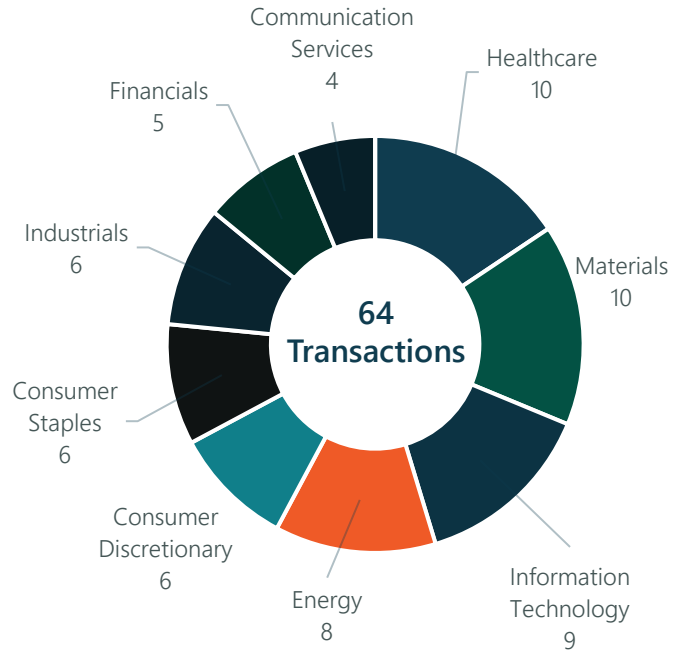
Canadian Mid-Market

Coming off record levels of deal value and volumes in 2021, the first quarter of 2022 saw a notable drop in M&A activity as rising inflation, increasing interest rates, and the flaring of geopolitical conflict tempered investor sentiment. Aggregate deal value decreased from \$9.2 billion across 100 transactions in Q4 2021 to \$4.9 billion across 64 transactions in Q1 2022.

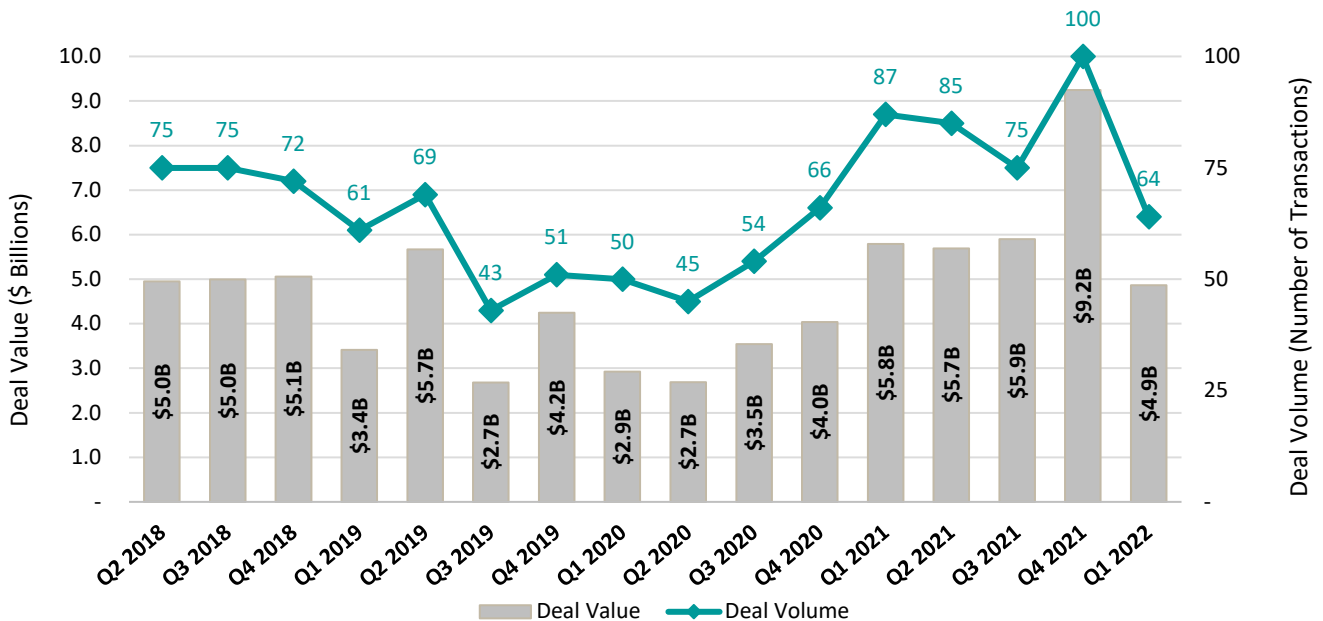
The adjacent chart summarizes transaction volume by sector in Q1 2022, and corresponding sector highlights are noted below:

- All sectors experienced decreased transaction volume in Q1 2022 compared to the previous quarter.
- The Materials and Healthcare sectors led the quarter with 10 transactions each, accounting for 31.3% of the total deal volume in Q1 2022.
- There were nine transactions in the Information Technology sector, representing 14.1% of total deal volume in Q1 2022.
- The Energy sector contributed eight transactions, accounting for 12.5% of total deal volume in Q1 2022.

Q1 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 Recent M&A Transactions - Canada



is acquiring



Announced	Mar 10, 2022
EV	\$435M
EV/EBITDA	11.2x
EV/Revenue	1.4x

- **Neighbourly Pharmacy Inc.** ("Neighbourly") owns and operates a chain of 172 retail pharmacies in Canada. Neighbourly was incorporated in 2015 and is headquartered in Toronto, Ontario ("ON").
- **Rubicon Pharmacies Canada Inc.** ("Rubicon") is Western Canada's largest owner and operator of independent pharmacies with more than 100 locations. Rubicon was founded in 2005 and is based in Winnipeg, Manitoba ("MB").
- This transaction will allow Neighbourly to further its growth by acquisition strategy with a significant and complementary expansion to its Western Canadian footprint.



acquired



Closed	Jan 1, 2022
EV	\$173M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **TELUS Corporation** ("TELUS") and its subsidiaries provide a range of telecommunications and information technology products and services in Canada. TELUS was incorporated in 1998 and is headquartered in Vancouver, British Columbia ("BC").
- **Fully Managed Inc.** ("Fully Managed") provides managed information technology support services. The company offers IT solutions, cybersecurity, remote and on-site support, cloud, professional services, and managed workforce digital business solutions. The company was founded in 2002 and is based in Vancouver, BC.
- This transaction will allow TELUS to expand its offering in IT support, technology strategy, and proactive network management.



acquired



Closed	Feb 18, 2022
EV	\$322M
EV/EBITDA	8.5x
EV/Revenue	Not Disclosed

- **Parkland Corporation** ("Parkland") is a leading international operator and consolidator of convenience retail and fuel marketing businesses. Parkland was founded in 1977 and is headquartered in Calgary, Alberta ("AB").
- **M&M Food Market** ("M&M"), retails branded frozen food products through online and store front locations across Canada. M&M operates over 300 corporate-owned and franchise locations and over 2,000 express locations. M&M was founded in 1980 and is based in Mississauga, ON.
- This transaction is part of Parkland's diversification strategy to expand its food offering, customer reach, and innovation pipeline. M&M products will be sold through Parkland's existing and growing convenience store locations.

M&A Market Summary

Equity Markets

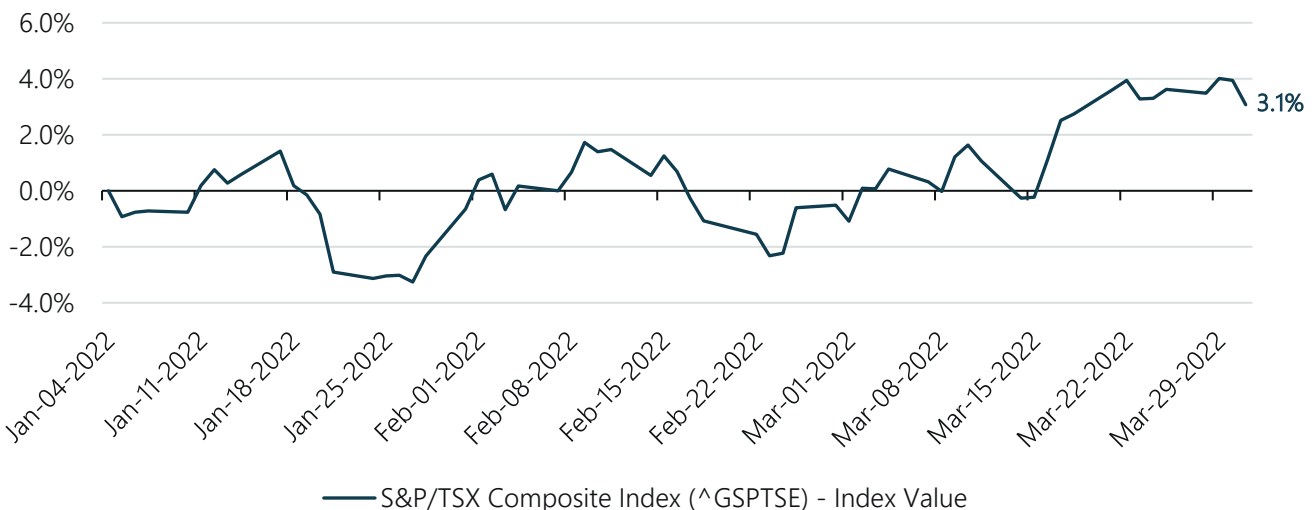
The S&P/TSX Composite posted positive performance in Q1 2022, fueled primarily by strength in commodity markets. Six sectors saw positive returns, including Energy and Materials, both of which experienced double-digit percentage gains in Q1 2022. Of the 243 companies listed on the S&P/TSX Composite, 150 recorded a gain in 2022. The index as a whole returned 3.1% in Q1 2022.

- The Energy sector returned 31.4%, outperforming the broader market in Q1 2022, driven by notable increases in oil and natural gas commodity prices. Some of the top performers in the sector included Canadian Natural Resources, Suncor Energy, Imperial Oil, and Enbridge.
- The Materials sector returned 20.8% in Q1 2022, primarily driven by trade policy responses to the geopolitical conflict in Ukraine, leading to additional supply chain disruptions and increases in commodity prices. In addition, further uncertainty and increased market volatility boosted demand for safe-haven assets, driving up the price of gold and spurring positive returns for gold mine equities in the sector.
- The Information Technology sector struggled the most in Q1 2022, declining 18.0%, primarily driven by faster than expected interest rate hikes and increased market volatility. Shopify was a leading detractor in the sector as the Canadian tech giant announced it did not expect the COVID-triggered acceleration of e-commerce and government stimulus to repeat in 2022. As a result, Shopify lost over \$100 billion in market capitalization during the quarter.

Q1 2022 Sector Performance*

Sector	TSX Composite
Energy	31.4%
Materials	20.8%
Communications Services	8.1%
Consumer Staples	5.6%
Utilities	4.7%
Industrials	2.9%
Financials	(0.4%)
Healthcare	(8.0%)
Consumer Discretionary	(9.3%)
Information Technology	(18.0%)

S&P/TSX Composite Index Value – Q1 2022



*Sector performance based on the price change of each corresponding S&P/TSX Composite Index for Q1 2022.

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

M&A Market Summary

Treasury Yields - Canada

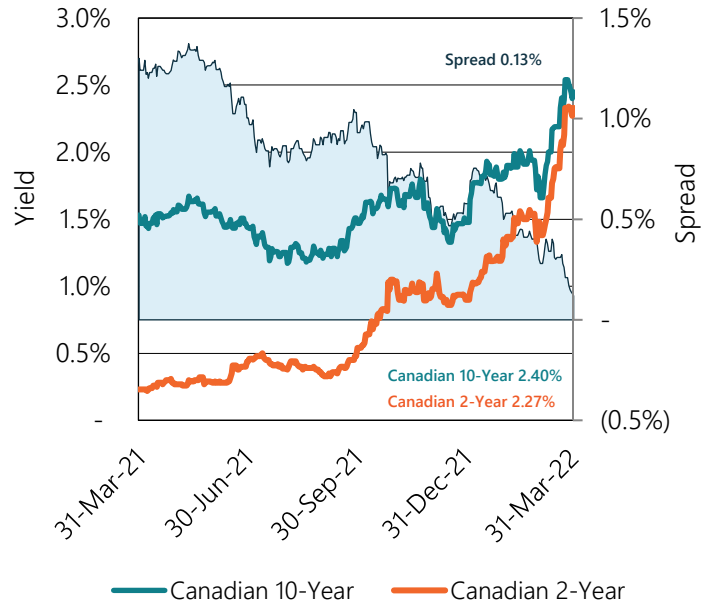
In response to continued strength in economic activity, increased employment rates, and heightening inflation, the Bank of Canada ("BoC") increased its target for the overnight rate by 0.25%, leading to the first rate hike since 2018, on March 2, 2022. The BoC remains committed to reinvestment however, by keeping its holdings of Government of Canada bonds constant until it considers it appropriate to allow the size of its balance sheet to decline.

Through increased vaccine rollouts and government stimulus, Canada has done well in recovering from the COVID-19 pandemic; however, global supply chain disruption that has hindered production and transportation has driven up inflation in most regions. In addition, the unprovoked invasion of Ukraine by Russia is a major new source of uncertainty, putting further upward pressure on prices for both energy and food-related commodities. As a result, the Consumer Price Index ("CPI") increased to 5.5% in Q1 2022, the highest it's been in three decades.

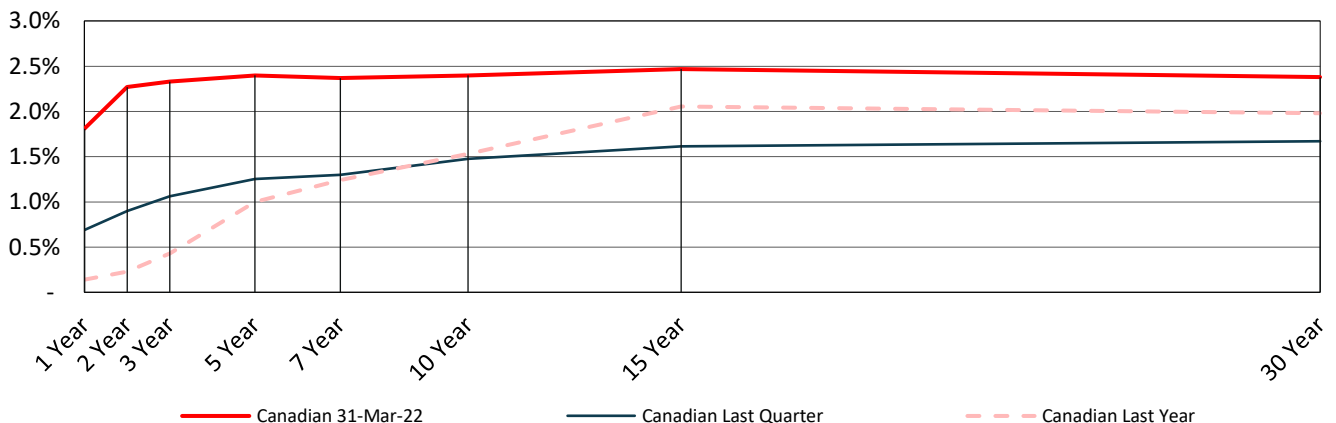
Persistently elevated inflation increases the risk that longer-run inflation expectations could drift upwards. However, the BoC plans to use its monetary policy tools to return inflation to its 2.0% target. Consequently, the BoC expects interest rates will need to rise further along with the consideration of when to end the reinvestment phase. The timing and pace of further increases in the policy rate and the start of quantitative tightening will be guided by the BoC's ongoing assessment of the economy.

Q1 2022 saw further improvement in the unemployment rate from 6.6% in Q4 2021 to 6.3% in Q1 2022. The 10-year Canadian government bond yield increased to 2.4% for Q1 2022 from 1.48% in Q4 2021, while the 2-year bond yield increased to 2.27% in Q1 2022 from 0.90% in Q4 2021. The 2-year and 10-year spread has decreased from approximately 0.58% in the previous quarter to 0.13% for Q1 2022.

2 & 10-Year Canadian Gov't. Bond Yields



Canadian Government Bond Yield Curves



M&A Market Summary

Treasury Yields - US

On March 16, 2022, The US Federal Reserve (the "Fed") increased interest rates by 0.25% and revised its target range to 0.25% to 0.50% in response to continued strength in economic activity and increased employment rates. The Fed expects to begin reducing its holdings of Treasury securities and mortgage-backed securities at a coming meeting.

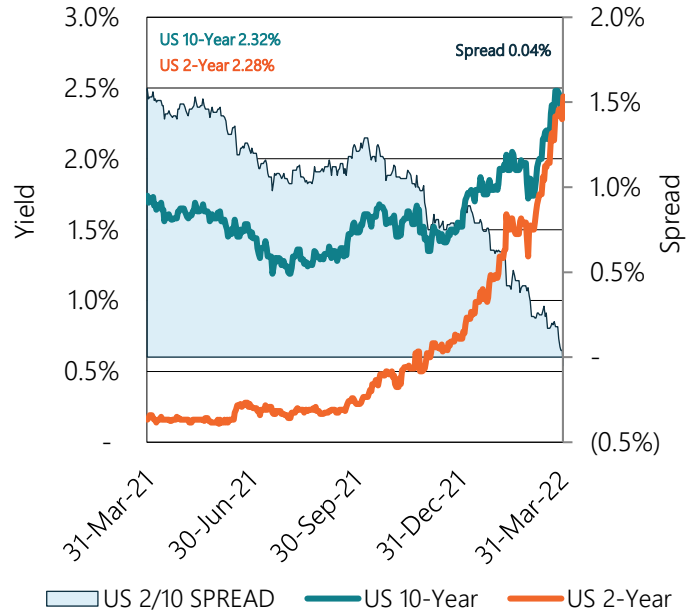
As of March 2022, the Fed's Dot Plot indicated that a majority of Fed board members expect interest rates to range between 2.0% and 3.5% until 2024, and Fed board members unanimously projected interest rates ranging between 2.0% and 3.0% over the long term.

The 2-year and 10-year US government bond yields ended at 2.28% and 2.32%, respectively.

In Q1 2022, the Fed revised its projection of Real Gross Domestic Product ("GDP") to 2.8% from 5.5%. Increased inflation levels primarily drove this decrease along with higher food and energy prices, resulting in reduced consumer purchasing power and slow growth in personal consumption expenditures.

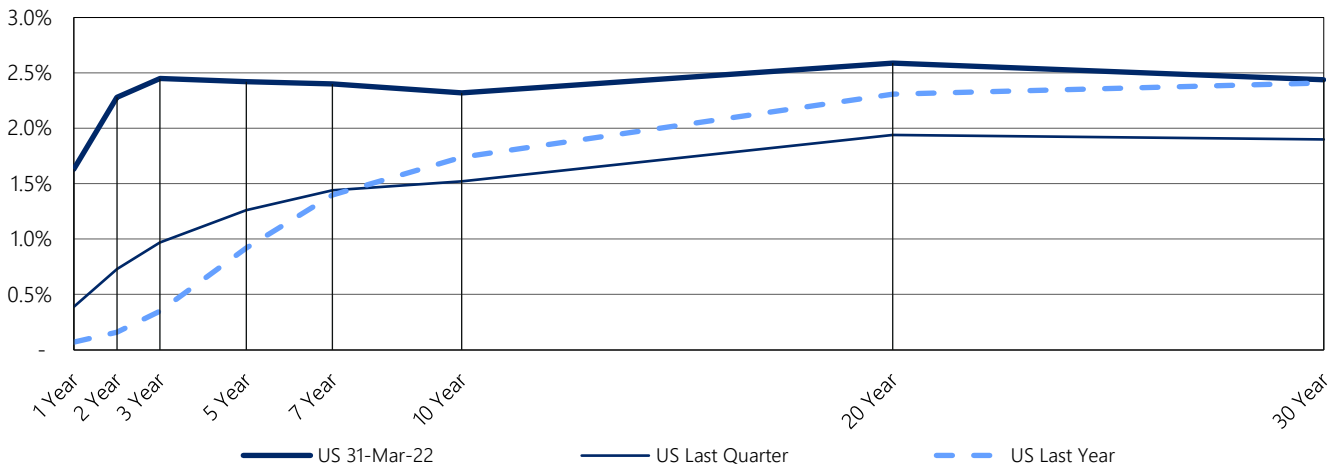
The 2021 median unemployment rate has been reported at 3.5%, reflecting an improvement from the December projection of 4.3%. The Fed revised the 2024 unemployment rate projection to 3.6% and left the 2023 projection unchanged at 3.5%.

2 & 10-Year US Gov't. Bond Yields



The Fed will continue to monitor incoming information regarding the economic outlook and global developments and act accordingly to support the economy. The Fed's assessments will consider a wide range of information, including readings on public health, labour market conditions, inflation pressures and expectations, and financial and international developments.

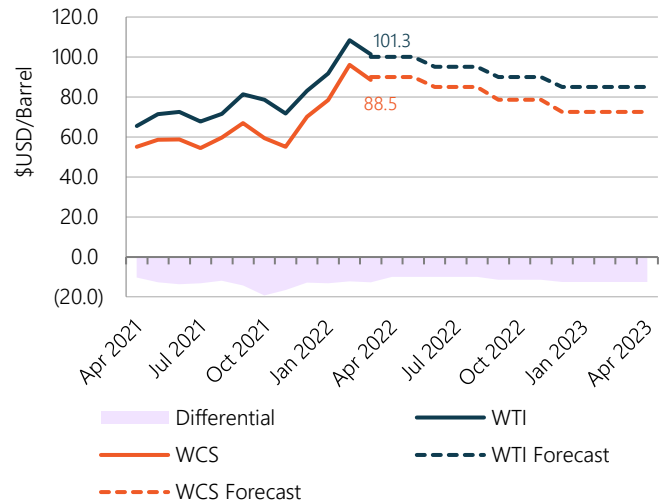
US Government Bond Yield Curves



Crude Oil

- Prices for Western Canadian Select ("WCS") and West Texas Intermediate ("WTI") increased by 26.3% and 22.1% to \$88.5/barrel and \$101.3/barrel, respectively, since the preceding quarter.
- Due to strong demand coupled with disruption to global supply as international trade policies responded to Russia's invasion of Ukraine, WCS and WTI saw prices reach a high of \$95.9/barrel and \$108.3/barrel, respectively, in Q1 2022.
- The WCS/WTI price differential remained roughly unchanged compared to the previous quarter at \$12.8/barrel in Q1 2022.
- Moving forward, prices for WCS and WTI in 2022 are estimated to decrease to an average of \$82.5/barrel and \$93.3/barrel, respectively.

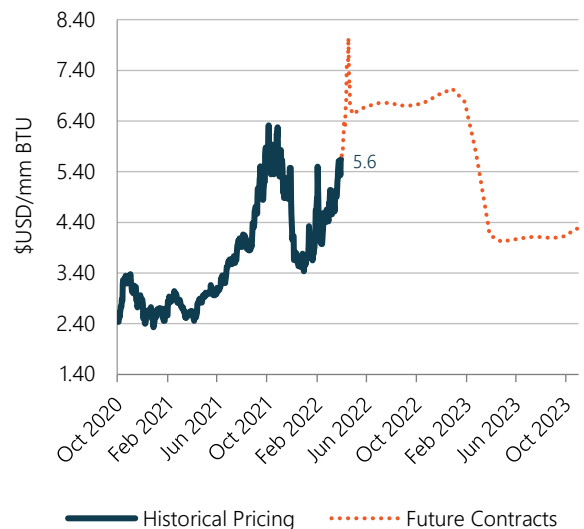
Crude Oil (WTI & WCS)¹



Natural Gas

- Natural gas prices grew by 58.6% (~\$2.1/mm BTU) since the previous quarter to \$5.6/mm BTU in March 2022, fueled by uncertainty surrounding the implications of geopolitical conflicts, strong demand, and supply chain issues.
- Natural gas prices are expected to continue to increase in Q2 2022 before easing off later in 2022 and 2023.

Natural Gas (Henry Hub)²



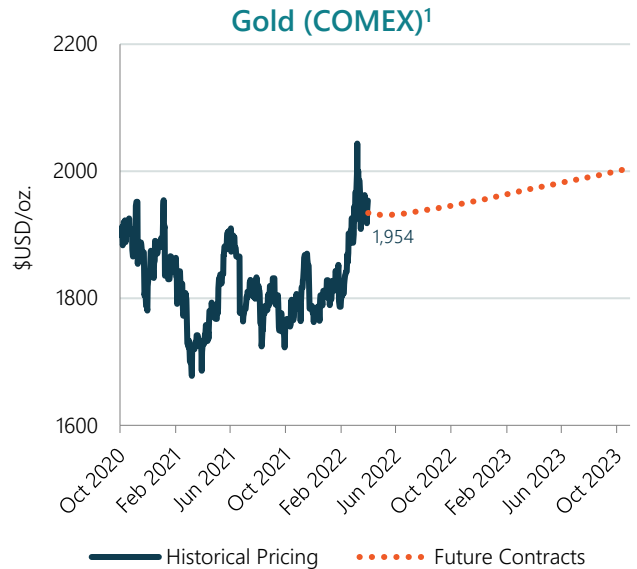
¹WTI and WCS are benchmark crude oils for the North American and Canadian markets respectively.

²Henry Hub is a distribution hub on natural gas pipeline system in Erath, Louisiana and the delivery point for Henry Hub Futures.

Source: S&P Capital IQ, Oil Sands Magazine, Alberta Government – Economic Dashboard, Reuters. All prices are in USD unless otherwise stated.

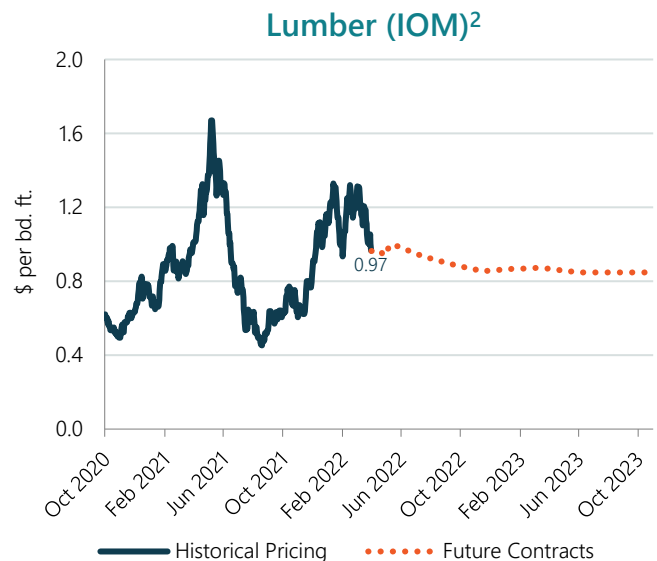
Gold

- Gold prices increased during the first quarter of 2022 to \$1,954/oz, an increase of 6.9% from the previous quarter.
- Recent market volatility and geopolitical concerns surrounding Russia and Ukraine have boosted demand for safe-haven assets such as gold.
- As gold is priced in USD, foreign investors tend to shift from gold to traditional value sources when the US currency is appreciating, leading to an inverse relationship between gold and the USD.
- Gold prices are expected to moderately increase to an average of \$1,963/oz through 2023.



Lumber

- Momentum from strong demand at the end of 2021 coupled with supply chain constraints continued to push the price of lumber higher at the beginning of Q1 2022. However, in the latter half of Q1 2022, lumber prices decreased, ending the quarter at \$0.97/board foot.
- Moving forward, as supply chain constraints and the housing market start to ease, lumber prices are expected to decrease to an average of \$0.88/board foot through 2023.



¹COMEX is the primary futures and options market for trading metals such as gold, silver, copper, and aluminum.

²Index and Option Market ("IOM") is a division of the Chicago Mercantile Exchange which is the largest futures exchange in the US for trading futures and options.

Source: S&P Capital IQ, and CNBC. All prices are in USD unless otherwise stated.

M&A Market Summary

Canadian Economic Update

The Canadian dollar (“CAD”) ended at 1.25 CAD/USD in Q1 2022, slightly strengthening from the previous quarter-end of 1.27 CAD/USD. Although the Loonie initially lost some ground during Q1 2022 due to increased COVID-19 restrictions attributed to the Omicron variant and uncertainty surrounding conflict in Ukraine, it has since recovered due to strengthening global demand for Canadian goods as well as supply chain disruptions, which contributed to rising commodity prices.

Following a strong rebound of 4.6% in 2021, Canadian Real GDP (“GDP”) decreased in Q1 2022 to 3.5%. GDP was impacted by several ongoing and new developments, including Russia’s invasion of Ukraine, supply chain challenges, a resurgence of COVID-19 cases, inflation, and the impact of rising interest rates. In spite of these headwinds, overall GDP is expected to grow and is forecasted to increase by 4.3% in 2022.

2021 was a record year for Canada’s housing market, with home resales surpassing the annual all-time high set in 2020 by 114,000 units or 21.0%. However, the overall activity is expected to slow down in 2022 due to the recent interest rate hike, lack of available supply, and higher housing prices.

Canada’s unemployment rate continued to decline to 6.3% in March 2022, with tight labour markets leading to strong labour demand and improved opportunities for workers.

CAD/USD Exchange Rate¹



Note: RBC forecasts a Q2'22 CAD/USD exchange rate of 1.27.

Real GDP Growth (YoY % change)

Year	Canada
2021	4.6%
Q2'21	-3.2%
Q3'21	5.5%
Q4'21	6.7%
Q1'22F	3.5%
2022F	4.3%
2023F	2.6%

Unemployment Rate (%)

Year	Canada
2021	7.4%
Q2'21	7.9%
Q3'21	7.2%
Q4'21	6.6%
Q1'22F	6.3%
2022F	5.9%
2023F	5.7%

Housing Starts ('000s)

Year	Canada
2021	271
Q2'21	279
Q3'21	262
Q4'21	261
Q1'22F	277
2022F	263
2023F	236

Consumer Price Index (YoY % change)

Year	Canada
2021	3.4%
Q2'21	3.3%
Q3'21	4.1%
Q4'21	4.6%
Q1'22F	5.5%
2022F	4.7%
2023F	2.1%

¹Exchange rate data as of March 31, 2022. Forecast from RBC Financial Markets Monthly – March 2022.

Sources: S&P Capital IQ, RBC Capital Markets Economic Research, RBC Economics - Current Trends Update - Canada, TD – Canadian Quarterly Economic Forecast, www.tradingeconomics.com/canada/unemployment-rate.

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.

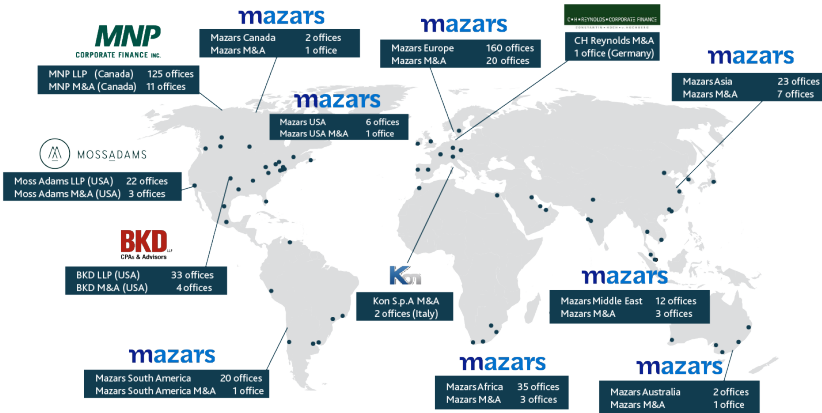
Our typical transactions range in value between \$3 million and \$300 million.

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.



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 Environmental 360 Solutions Ltd.

has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Duchesne et al. Inc. in structuring and negotiating this transaction.

has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Outillage King Canada Inc. in structuring and negotiating this transaction.

has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Young Motors (1971) Ltd. in structuring and negotiating this transaction.

has acquired

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

has invested in

MNP Corporate Finance Inc. provided financial and tax due diligence services to PPM Capital Inc. and Roynt Equity Partners.

has acquired

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

has acquired

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

has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Calahoo Waste Disposal and Meridian Waste Disposal in structuring and negotiating this transaction.

has acquired the net operating assets of

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

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 200 transactions worth over \$3.5 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

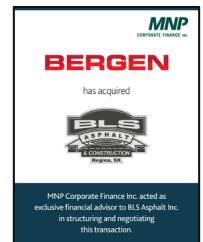
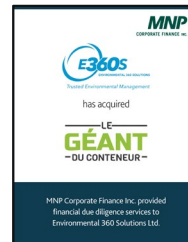
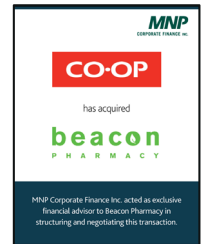
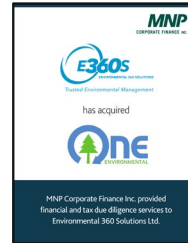
Hands-on Approach

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.

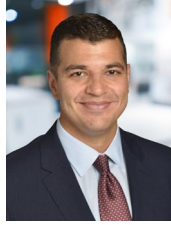
Recently Closed Deals (National)



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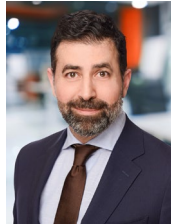
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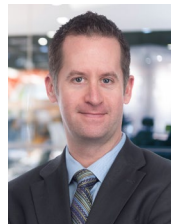


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