

Middle Market M&A Update

Q1 2024



M&A Market Summary

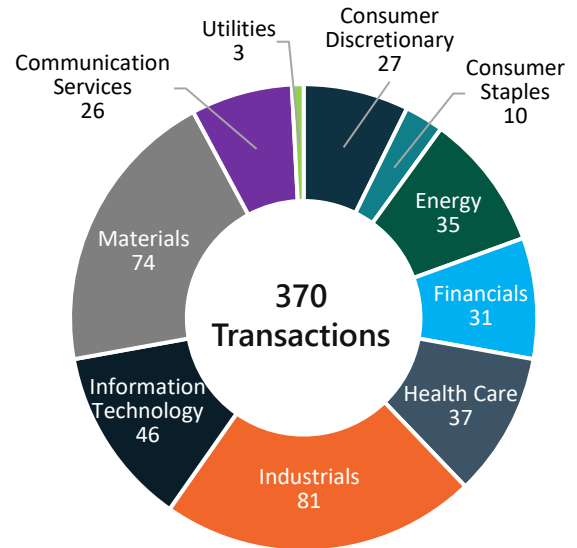
Canadian Mid-Market

The Bank of Canada (BoC) maintained the key interest rate at 5% in Q1 2024, which marked the second consecutive quarter of rate stability after nearly two years of quarterly rate hikes. In its decision, the BoC acknowledged that higher interest rates have contributed to slowing price growth by reducing overall spending in the economy. It also recognized that rising housing costs continue to hinder efforts to further reduce inflation.

BoC officials believe the conditions for interest rate cuts could materialize this year. However, they are still looking for wage growth and corporate pricing behaviour to normalize before reducing short-term interest rates. There is a growing consensus among analysts that the BoC will likely be in a position to start making cuts in June.

High interest rates have prolonged subdued deal activity in early 2024, which continues to lag below the 16-quarter median of 457 transactions. Q1 2024 concluded with a slight increase in the number of transactions, with 370 deals in comparison to 368 transactions in the preceding quarter. However, M&A activity is poised to increase in 2024 as interest rates fall and recession fears continue to taper. Additionally, private equity firms with excess cash are under increasing pressure to deploy their capital, which should also drive M&A activity in the months ahead.

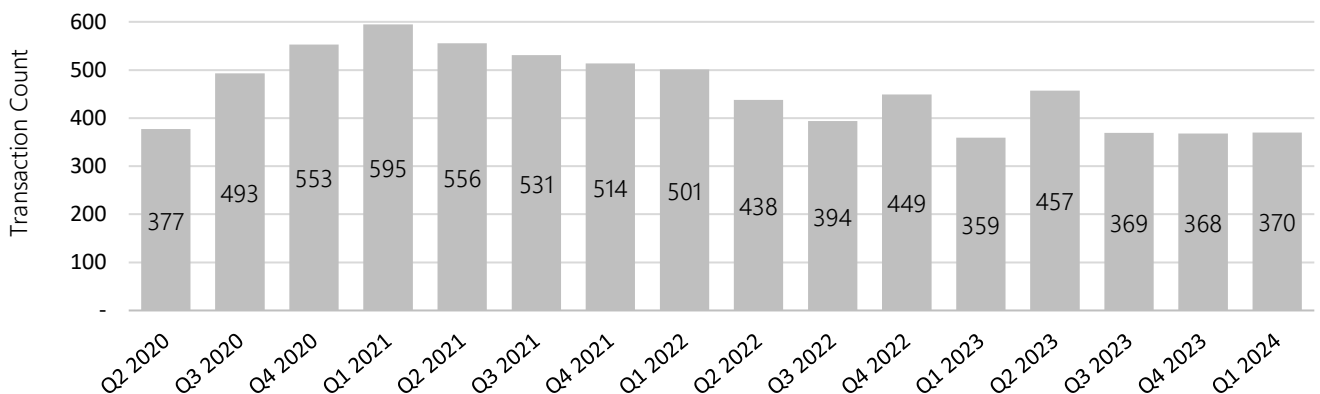
Q1 2024 Transaction Count by Sector



The adjacent chart summarizes transaction count by sector in Q1 2024, and corresponding sector highlights are noted below:

- The Industrials sector led the quarter with 81 transactions, accounting for 21.9% of the total transaction count in Q1 2024. A notable transaction within the sector was SPX Technologies Inc.'s acquisition of IngéNia Technologies Inc., which valued the latter at an Enterprise Value (EV) of \$300.7 million.
- The Materials sector followed with 74 transactions, accounting for 20.0% of the total transaction count in Q1 2024. A notable transaction within the sector was the acquisition of Transchem Inc. by Dover Corporation, which valued the former at an EV of \$48.2 million.
- The Healthcare sector saw a substantial 60.9% increase in M&A activity from 37 deals in Q1 2024, compared to 23 deals in Q4 2023. A notable transaction within the sector was Telix Pharmaceuticals Limited's acquisition of ARTMS, Inc., which valued the latter at an EV of \$83.6 million.

Quarterly Transaction Count¹



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

M&A Market Summary

Select Q1 2024 M&A Transactions - Canada



acquired



Announced	Mar 4, 2024
EV	\$83.6M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Telix Pharmaceuticals Limited (Telix)** is a publicly traded biopharmaceutical company focused on the development and commercialization of diagnostic and therapeutic radiopharmaceuticals and associated medical devices. Telix is developing a portfolio of clinical and commercial-stage products to address significant unmet medical needs in oncology and rare diseases. The company was founded in 2015 and is based in North Melbourne, Australia.
- **ARTMS Inc. (ARTMS)** is a leading developer of innovative technologies and products which enable efficient and high-yield production of advanced imaging isotopes. ARTMS's flagship product enables decentralized, cost-effective, large-scale production of crucial medical isotopes. The company was founded in 2013 and is based in Burnaby, British Columbia.
- The acquisition of ARTMS is expected to further enhance the vertical integration of Telix's supply chain and manufacturing by providing more control and security over the Company's diagnostic isotopes.



acquired



Closed	Feb 7, 2024
EV	\$300.7M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **SPX Technologies Inc. (SPX)** is a provider of engineered products and technologies, primarily focused on the heating, ventilation, and air conditioning (HVAC) and detection and measurement markets. SPX's HVAC products include cooling towers, engineered air movement, residential and commercial boilers, and comfort heating products. The company's detection and measurement product range includes underground locators and inspection equipment, fare collection systems, communication technologies, and specialty lighting. The company was founded in 1912 and is based in Charlotte, North Carolina.
- **Ingénia Technologies Inc. (Ingénia)** specializes in the design and manufacture of custom air handling units. The company's technologies span from fast delivery modular units to fully custom projects. Ingénia's solutions are used in a range of end markets including health sciences, pharmaceuticals, education, food processing, office buildings, and industrial. The company was founded in 2004 and is based in Mirabel, Quebec.
- The acquisition of Ingénia further expands SPX's position in the Engineered Air Movement solutions market with Ingénia's well-respected brand and niche-engineered products.



acquired



Closed	Jan 17, 2024
EV	\$48.2M
EV/EBITDA	Not Disclosed
EV/Revenue	Not Disclosed

- **Dover Corporation (Dover)** is a publicly traded global manufacturer and solutions provider operating in five segments: Engineered Products, Clean Energy & Fueling, Imaging & Identification, Pumps & Process Solutions, and Climate & Sustainability Technologies. Dover provides innovative equipment and components, consumable supplies, aftermarket parts, software and digital solutions. The company was founded in 1947 and is based in Downers Grove, Illinois.
- **Transchem Inc. (Transchem)** is a leading provider of car wash chemicals, water reclaim systems, and associated solutions. Renowned for their high-performance chemical and cleaning products, Transchem also offers a technology platform that enables car wash operators to manage subscription and loyalty programs. The company was founded in 1976 and is based in Cambridge, Ontario.
- With the addition of Transchem's offerings, Dover's product portfolio is among the most comprehensive in the industry, offering tunnel and in-bay automatic wash systems, payment terminals, process controls, site management software, automation systems, and chemistry and water reclaim systems.

M&A Market Summary

Equity Markets

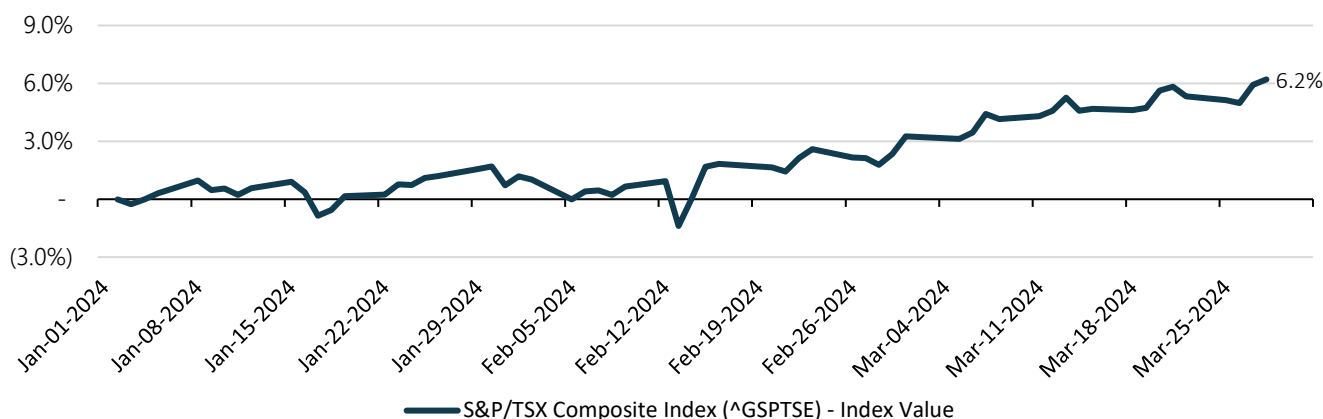
The S&P/TSX Composite saw a gain of 6.2% in Q1 2024 as 8 of the 10 sectors experienced positive returns. Of the 203 constituents listed on the S&P/TSX Composite Index (excluding real estate), 122 recorded a gain in Q1 2024.

- The Healthcare sector posted a gain of 19.3% in Q1 2024, outperforming the broader market. All constituents contributed to the sector's gains, with Bausch Health Companies Inc. at the forefront with a 31.7% increase in share price following a 10% increase in revenue. Sienna Senior Living Inc. followed with a 14.0% increase in stock price after reporting a 16.5% growth in same-property net operating income (NOI). Chartwell Retirement Residences, though the sector's lowest performer, still achieved a positive 2.9% increase in its stock price in Q1 2024, following a year-over-year same-property adjusted NOI growth of 21.5%.
- The Energy sector posted a 17.2% return in Q1 2024. Sector performance was driven by notable share price increases in companies such as MEG Energy Corp. (+28.2%), Enerplus Corporation (+27.9%), Precision Drilling Corporation (+23.6%), and Athabasca Oil Corporation (+22.4%). Escalating tensions in the Middle East reduced concerns about oversupply from the United States. Continued production cuts by OPEC sustained a rising trajectory for oil prices, which in turn bolstered profitability and market valuations of sector constituents. However, the sector's overall performance was negatively affected by Parex Resources Inc., which fell by 15.4% due to ongoing social protests in Columbia that led to the shutdown of the company's operations.
- The Industrials sector posted a gain of 11.0% gain in Q1 2024. The most significant boost to sector performance came from AtkinsRéalis (+26.7%) after the company reported strong Q4 results, with a notable record-high quarterly revenue increase of 24.2%. Other strong performers in the sector included MDA Ltd. (+24.6%), Badger Infrastructure Solutions Ltd. (+20.3%), and WSP Global Inc. (+18.6%). Sector gains were partially offset by weaker performances from ATS Corporation (-22.1%) and Ballard Power Systems Inc. (-25.1%) due to reductions in their backlogs.
- The Communications Services sector, which experienced a notable gain of 11.5% in Q4 2023, faced a downturn in Q1 2024, posting a negative return of 9.5%. All companies within the sector reported negative returns, including BCE Inc. (-13.9%) which endured the most significant loss due to a 23.3% decrease in net earnings. Sector decline was largely influenced by concerns over heavy debt burdens amid high interest rates, contributing to increased costs. Additionally, the industry faces pressure to shift away from the traditionally profitable cable business model due to the increasing market share of streaming services.

Q1 2024 Sector Performance¹

Sector	Return
Healthcare	19.3%
Energy	17.2%
Industrials	11.0%
Information Technology	8.5%
Materials	5.7%
Consumer Staples	5.2%
Financials	5.1%
Consumer Discretionary	4.2%
Utilities	(2.4%)
Communications Services	(9.5%)

S&P/TSX Composite Index Value – Q1 2024



¹Sector performance based on the price change of each corresponding S&P/TSX Composite Index during Q1 2024. Sources: S&P Capital IQ, Yahoo Finance, Newswire, GlobeNewswire, MDA, and BCE. Currency in CAD.

M&A Market Summary

Canadian Economic Update

In Q1 2024, the Canadian Dollar (CAD) depreciated against the United States Dollar (USD), ending the quarter at 1.36 CAD/USD compared to 1.32 CAD/USD at the close of Q4 2023. This depreciation of the CAD was largely attributed to the robust economic growth and low unemployment rate in the United States, which contrasted with Canada's more modest GDP growth and deteriorating unemployment rate.

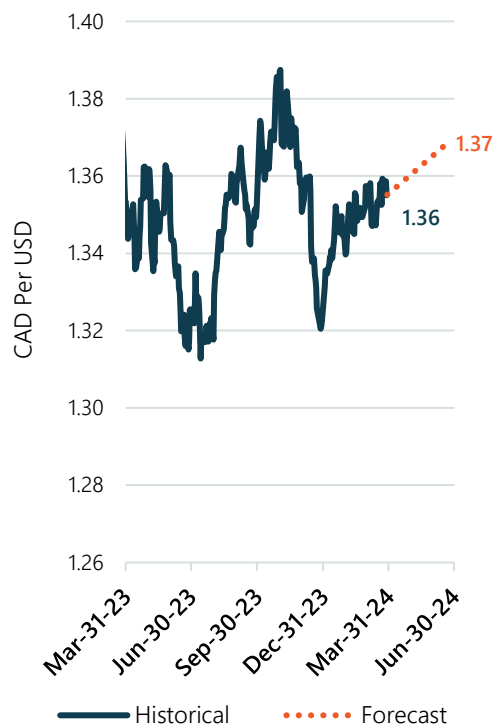
After experiencing a rebound in economic growth in Q4 2023, the Canadian economy is anticipated to maintain an upward trajectory, with Real Gross Domestic Product (GDP) projected to have increased by 2.5% in Q1 2024. The uptick in GDP is fueled by population growth and increased government spending, alongside rising business and consumer confidence due to stable interest rates and anticipated rate cuts going forward. Looking ahead, the Canadian economy is projected to achieve moderate growth of 1.3% in 2024, followed by more significant growth of 1.8% in 2025.

Housing starts slowed in Q1 2024 with an estimated 237,000 during the quarter — a decrease of 7,000 starts in comparison to Q4 2023. The downturn is attributable to higher interest rates, which pose challenges for developers seeking financing for new projects and consumers aiming to purchase new homes. Additionally, the ongoing retirement of construction workers contributes to labour shortages in the construction sector.

The Consumer Price Index (CPI) is forecasted to decline, falling from 3.2% in Q4 2023 to 2.9% by Q1 2024. The reduction is a function of the BoC maintaining the policy rate at 5% to bring inflation down to a target rate of 2%. With businesses planning fewer large or frequent price adjustments over the next 12 months, CPI is projected to continue its downward trend, with expectations of it reaching 2.5% in 2024 and further decreasing to 1.9% in 2025.⁴

From Q4 2023 to Q1 2024, Canada's unemployment rate experienced a slight increase, rising from 5.8% to 5.9%. The increase is due to the pace of job creation not keeping up with the growth of the working-age population, which has been driven by high rates of immigration. The labour market has also seen a rise in both the number of people becoming unemployed and the duration it takes for these individuals to find suitable employment. Despite anticipated interest rate cuts and a slowdown in inflation, the unemployment rate is expected to continue rising in the upcoming years, reaching approximately 6.3% in 2024.

CAD/USD Exchange Rate¹



¹Note: RBC forecasts a Q2'24 CAD/USD exchange rate of 1.37.

Overnight Rate² (%)

Year	Canada
2023	5.00%
Q2'23	4.75%
Q3'23	5.00%
Q4'23	5.00%
Q1'24F	5.00%
2024F	4.00%
2025F	3.00%

Real GDP Growth² (YoY % change)

Year	Canada
2023	1.1%
Q2'23	0.6%
Q3'23	(0.5%)
Q4'23	1.0%
Q1'24F	2.5%
2024F	1.3%
2025F	1.8%

Unemployment Rate² (%)

Year	Canada
2023	5.4%
Q2'23	5.3%
Q3'23	5.5%
Q4'23	5.8%
Q1'24	5.9%
2024F	6.3%
2025F	6.3%

Housing Starts³ ('000s)

Year	Canada
2023	242
Q2'23	246
Q3'23	256
Q4'23	244
Q1'24F	237
2024F	230
2025F	232

Consumer Price Index² (YoY % change)

Year	Canada
2023	3.9%
Q2'23	3.5%
Q3'23	3.7%
Q4'23	3.2%
Q1'24F	2.9%
2024F	2.5%
2025F	1.9%

¹ Exchange rate data as of March 31, 2024, from Bank of Canada. Forecast from RBC Financial Markets Monthly – April 2024.

² Data and forecast from RBC Economics Research.

³ Data and forecast from TD Economics. Data represents total housing starts during the trailing twelve-month period ended each quarter.

⁴ Data from Bank of Canada Monetary Policy Report – April 2024.

Source: Bank of Canada and Build Force 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.

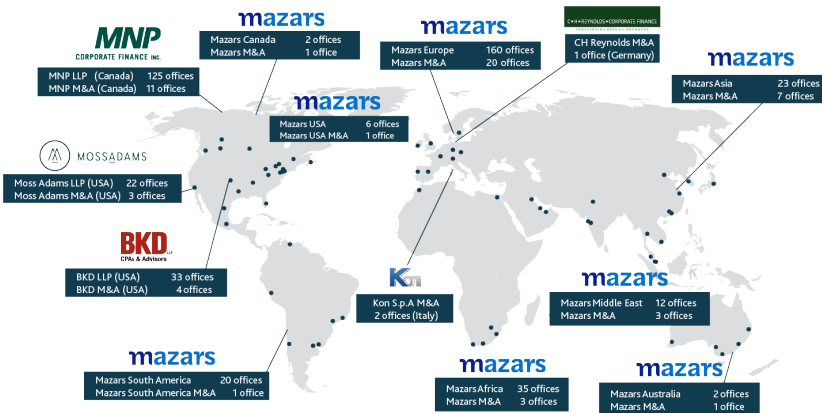
Our typical transactions range in value between \$3 million and \$300 million.

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)

MNP Corporate Finance Inc. acted as exclusive financial advisor to Top Notch Cabinets Inc. in structuring and negotiating this transaction.

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

MNP Corporate Finance Inc. acted as exclusive financial advisor in arranging this private placement.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Atlas Sign & Awning Company in structuring and negotiating this transaction.

MNP Corporate Finance Inc. provided financial and tax due diligence services to Trusspoint Quality Partners and JDI Cleaning Services.

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

MNP Corporate Finance Inc. acted as exclusive financial advisor to Lessard Callingwood Veterinary Hospital Ltd. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Monarch Office Supply Inc. in structuring and negotiating this transaction.

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

MNP Corporate Finance Inc. acted as exclusive financial advisor to Lemire Precision Inc. 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 10 years alone, we have completed over 275 transactions worth over \$4.7 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.

Westcap
has acquired
TIMBER-TECH FORESTS INC.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Timber-Tech Trusts Inc. in structuring and negotiating this transaction.



MNP
CORPORATE FINANCE INC.

MIII MSP
has raised debt financing of an undisclosed amount.

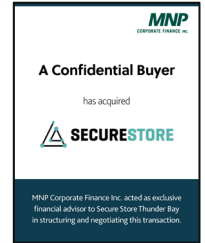
MNP Corporate Finance Inc. acted as exclusive financial advisors in arranging this private placement.



MNP
CORPORATE FINANCE INC.

CO-OP Swan Valley
has acquired
Northern Building Supply Ltd.
and
Northern Specialties Ltd.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Northern Building Supply Ltd. and Northern Specialties Ltd. in structuring and negotiating this transaction.



MNP
CORPORATE FINANCE INC.

A Confidential Buyer
has acquired
SECURESTORE

MNP Corporate Finance Inc. acted as exclusive financial advisor to Secure Store Thunder Bay in structuring and negotiating this transaction.



MNP
CORPORATE FINANCE INC.

BANYAN CAPITAL PARTNERS
has acquired
second nature

MNP Corporate Finance Inc. provided financial due diligence services to Banyan Capital Partners.



MNP
CORPORATE FINANCE INC.

Neighbourly Pharmacy
has acquired
WAKAW PHARMACY

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



MNP
CORPORATE FINANCE INC.

pfm CAPITAL INC.
has acquired a majority interest in
CIM COMMERCIAL INDUSTRIAL MANUFACTURING LTD.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Commercial Industrial Manufacturing Ltd. in structuring and negotiating this transaction.



MNP
CORPORATE FINANCE INC.

Canadian Dental Labs
has acquired
Hallmark Dental Laboratory

MNP Corporate Finance Inc. provided financial and tax due diligence services to Canadian Dental Laboratories Limited Partnership.



MNP
CORPORATE FINANCE INC.

JULIAN GRIMP LTD.
has acquired
ALL THINGS CEDAR

MNP Corporate Finance Inc. acted as exclusive financial advisor to All Things Cedar Inc. in structuring and negotiating this transaction.



MNP
CORPORATE FINANCE INC.

GraceMed
has acquired
CANADIAN DERMATOLOGY CENTRE

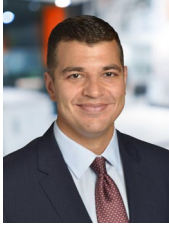
MNP Corporate Finance Inc. provided financial and tax due diligence services to GraceMed.

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Transaction Leadership



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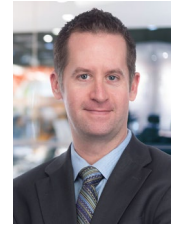
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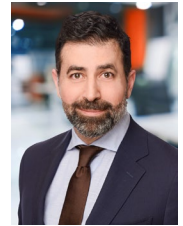
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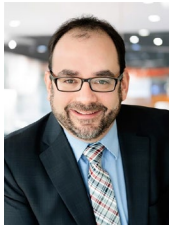
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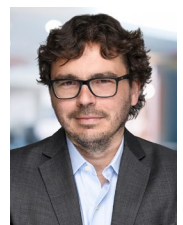
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