

An aerial photograph of a city skyline, likely Vancouver, with a dense cluster of skyscrapers and buildings. In the foreground, there's a harbor area with industrial structures, including a large crane and a pier. The scene is framed by green trees in the lower corners. A semi-transparent white banner is overlaid across the middle of the image.

Value & Market Insights

2023 | Q4

The logo for Sequeira Partners. It features a stylized bar chart icon with four vertical bars of increasing height from left to right, colored in a light blue. Below the icon, the word "sequeira" is written in a lowercase, sans-serif font. Underneath "sequeira", the word "PARTNERS" is written in a smaller, uppercase, sans-serif font.

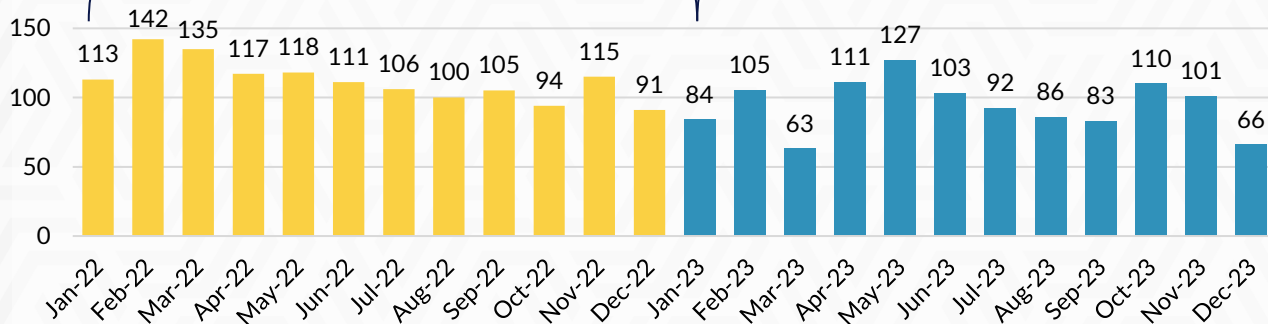
sequeira
PARTNERS

Deal Volume Trends

Canadian Transaction Volume⁽¹⁾

2022: Average 112 deals/month

2023: Average 94 deals/month



2023 was a challenging year for transactions – rising interest rates, inflation, geopolitical tensions, and mixed economic signals all contributed to increased market uncertainty.

Buyer concern was reflected in M&A activity, with 2023 Canadian deal volumes experiencing a 16% decline compared to 2022 and averaging 94 deals/month in 2023 vs. 112 in 2022.

The lower deal volumes were compounded by the extended timeframe required to close deals. Reduced buyer confidence led to prolonged due diligence periods and heightened scrutiny, and sellers had to invest more time to ensure their businesses were well-positioned for a smoother transaction process.

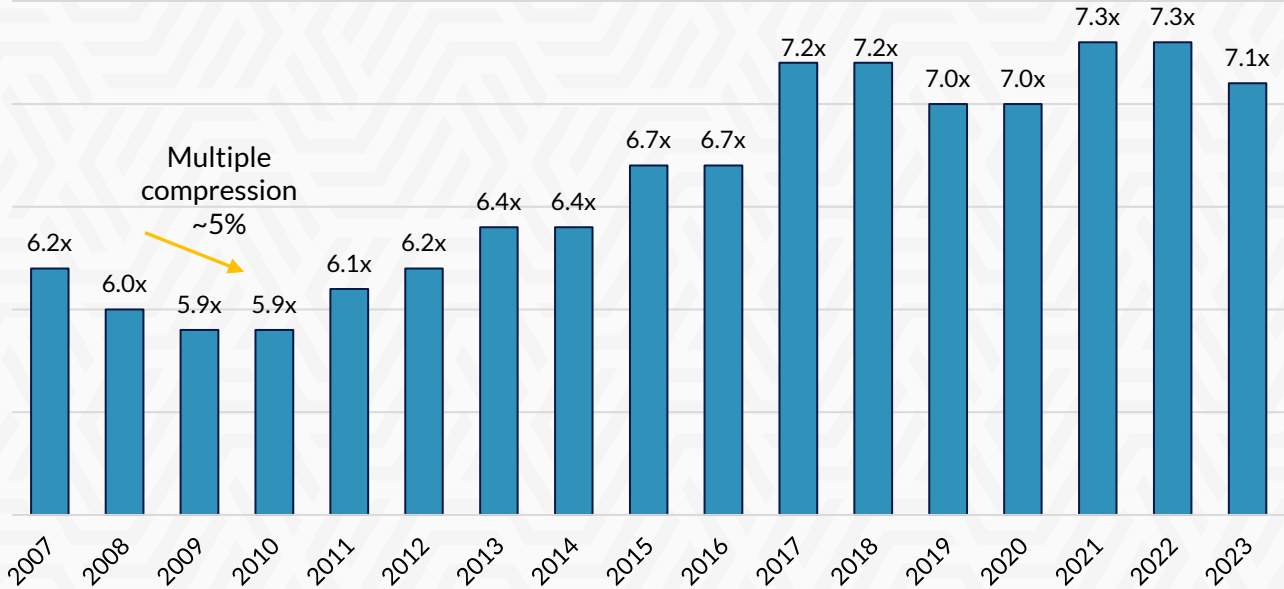
The M&A market is expected to improve in 2024 as both buyers and sellers get improved visibility on the cost of capital and the economic environment stabilizes.

Deal Volumes	FY23	FY22	Change	%
Q1	232	390	-138	-35%
Q2	341	346	-5	-1%
Q3	261	311	-50	-16%
Q4	277	300	-23	-8%

Deal Volumes	FY23	FY22	Change	%
October	110	94	16	17%
November	101	115	-14	-12%
December	66	91	-25	-27%

Valuation Resiliency

North American Private Equity EBITDA Multiples (US\$10M - \$250M)⁽¹⁾

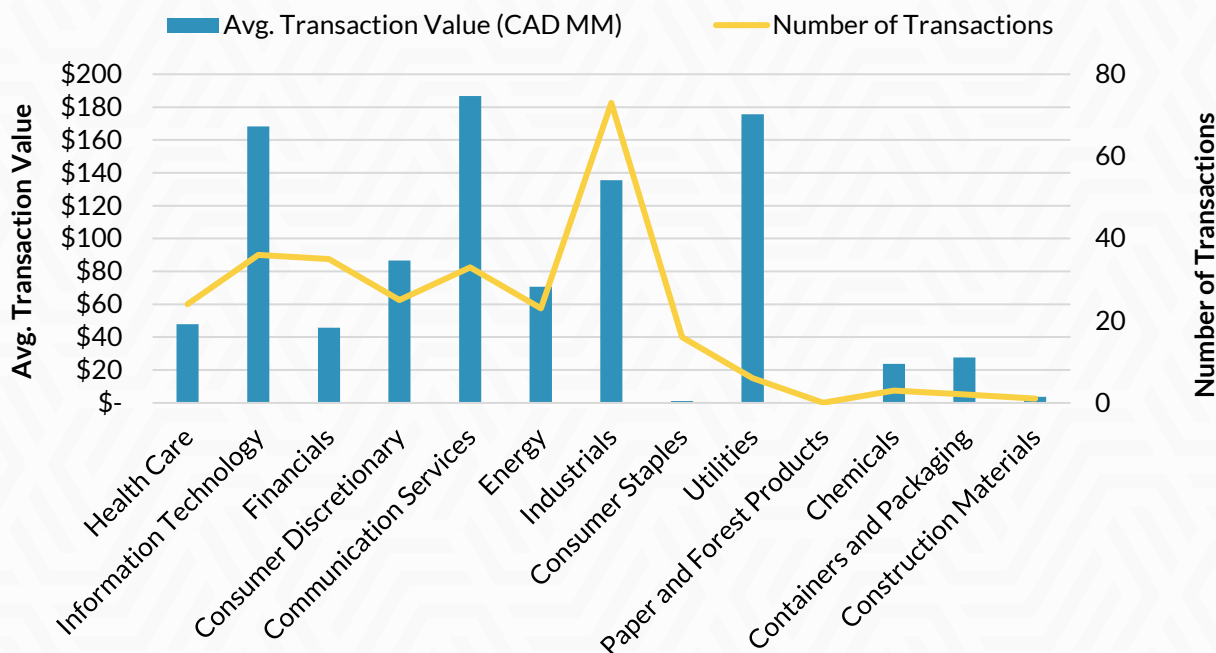


Despite softer transaction volumes, it's important to note that private company valuation multiples in the North American middle-market (defined broadly as US\$10M - \$250M enterprise value) have proved resilient. During the last recession, the private M&A market experienced an average EBITDA multiple compression of just 5%, followed by a relatively fast recovery. In 2023, average EBITDA multiples only declined a modest 3%.

The durability of private company multiples at a macro level, masks the potential variability within individual sectors. For many transactions, this variability led to a value gap between buyers and sellers, requiring more creative transaction structures and an increase in earnouts, vendor financing and other non-cash consideration.

Industry Overview

Q4 2023 Canadian Transactions By Industry^(1,2)



Q4 2023's Most Active Industries^(1,2)

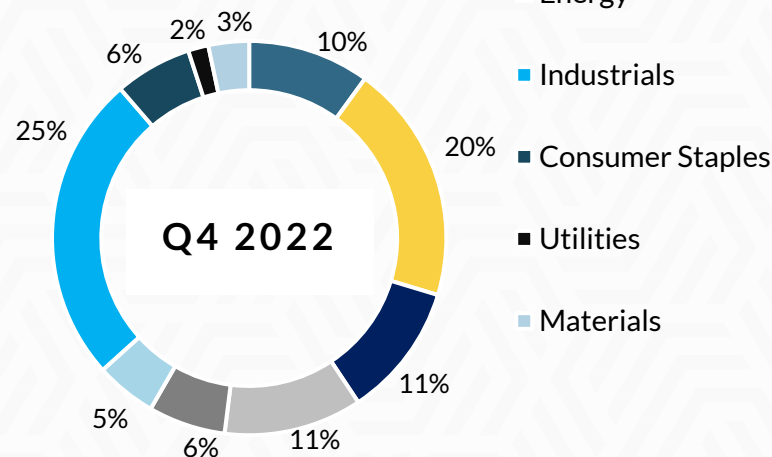
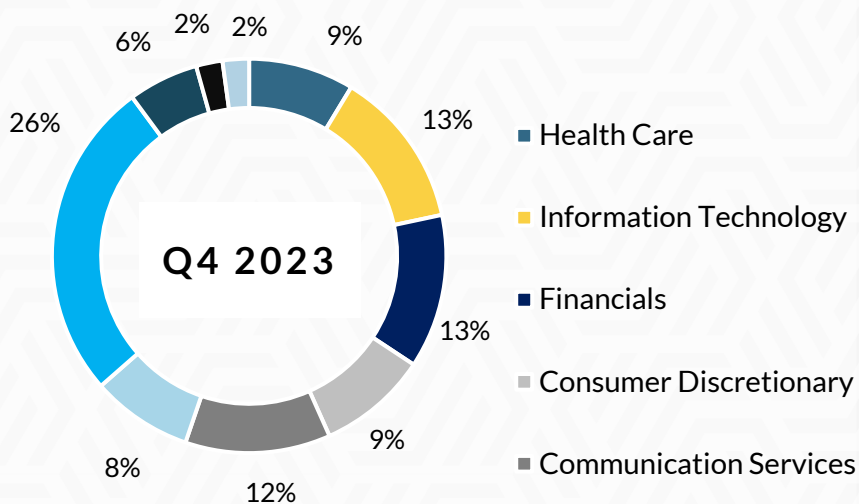
Industry	2023 Transaction Volume	
	Q4	Average Transaction Value ⁽²⁾
Industrials	73	\$135.4M
Information Technology	36	\$168.3M
Consumer Discretionary	25	\$86.7M
Financials	35	\$45.6M
Communication Services	33	\$186.8M
Healthcare	24	\$47.8M

Industry Overview

Q4 2023 Canadian Transactions By Industry⁽¹⁾

Across the Canadian industry landscape, the energy, utilities, mining, and industrials sectors have exhibited greater resilience and strength in deal activity compared to other sectors. In Q4 2023, the energy and industrial sector saw an aggregate 4% increase in total transactions compared to Q4 2022.

M&A activity was notably strong in the critical mineral sectors, where substantial investments were made to keep up with the high demand for electric vehicles and related battery components.



Buyer Profile

Canadian Transactions By Buyer Location⁽¹⁾

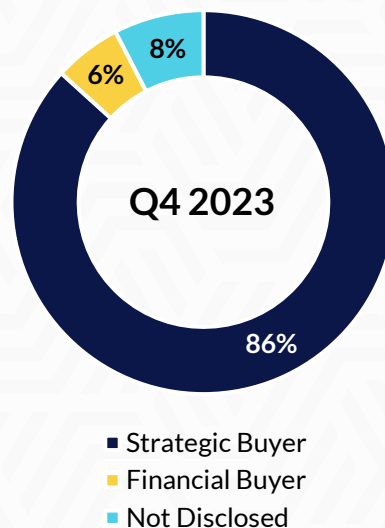
Buyer Location	Q4 2022 (Count)	Q4 2022 (%)	Q4 2023 (Count)	Q4 2023 (%)
Western Canada	63	21%	54	19%
Eastern Canada	117	39%	96	35%
USA	67	22%	53	19%
International	27	9%	30	11%
Not Disclosed	26	9%	44	16%
Total	300	100%	277	100%

Domestic players continue to be the largest acquirers of Canadian-based businesses, with Eastern Canadian buyers continuing to dominate at 35% of the total. Although the total number of transactions decreased in Q4 2023 compared to Q4 2022, the buyer makeup remains consistent.

Canadian Transaction By Buyer Type⁽¹⁾

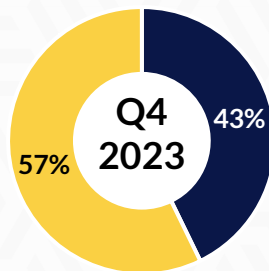
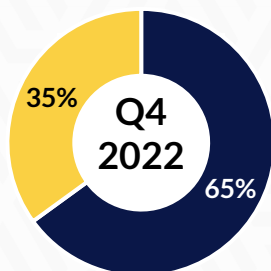
Q4 2023 saw a slight increase in activity by financial buyers. Even with the higher cost of capital, financial buyers used creative transaction structures to remain active, such as minority investments, contingent consideration structures, and increased upfront equity. The stabilization of interest rates is expected to continue to drive an increase in financial buyer activity going forward.

Buyer Type	Q4 2022	Q4 2023
Strategic	90%	86%
Financial	5%	6%
Not Disclosed	5%	8%



Seller Profile

Western Canada vs. Eastern Canada⁽¹⁾⁽²⁾



■ Western Canada
■ Eastern Canada

Historically, Eastern Canadian companies have dominated the seller landscape in Canada. However, in Q4 2023 Western Canadian sellers made up 57% of total deals, compared to 35% the prior year.

Western Canadian Transactions By Location⁽¹⁾⁽²⁾⁽³⁾

Seller Location	Q4 2022 (Count)	Q4 2022 (%)	Q4 2023 (Count)	Q4 2023 (%)
British Columbia	40	53%	54	57%
Alberta	26	35%	36	38%
Saskatchewan	3	4%	2	2%
Manitoba	6	8%	3	3%
Total	75	100%	95	100%
Notable Transactions ⁽⁴⁾	\$15.6bn acquisition of HSBC Bank Canada by Royal Bank of Canada (TSX:RY)		\$2.6B acquisition of Hammerhead Energy Inc. by Crescent Point Energy Corp (TSX:CPG)	

Q4 2023 saw a slight increase in Western Canadian deal volume with 95 deals vs. 75 deals in Q4 2022, with most transactions occurring in British Columbia and Alberta. The increased deal volume is reflective of the strong performance of the Canadian oil and gas and industrial sectors in these regions.

Notable Canadian Transactions



Select Q4 2023 Deals in Western Canada

Date	Target	Target Prov.	Buyer
12/20/2023	NFP Corp.	National	Aon plc
12/20/2023	Bourgault Industries Ltd.	SK	Linamar Corporation (TSX:LNR)
12/19/2023	Terra Insights Ltd.	BC	Orica Limited (ASX:ORI)
11/10/2023	Alpine Insurance	AB	Brokerlink Inc.
11/06/2023	Hammerhead Energy Inc.	AB	Crescent Point Energy Corp. (TSX:CPG)
11/02/2023	Variperm Energy Services Inc.	AB	Forum Energy Technologies, Inc. (NYSE:FET)
10/26/2023	Renaissance Oil Corp.	BC	Chame Energy Corporation
10/23/2023	Outdoor Systems Americas ULC	AB	Bell Media Inc.
10/20/2023	SignalChem Biotech Inc.	BC	Sino Biological, Inc.
10/16/2023	Bonavista Energy Corporation	AB	Tourmaline Oil Corp. (TSX:TOU)
10/05/2023	Dryair Manufacturing Corp.	SK	Exchange Income Corporation (TSX:EIF)
10/02/2023	Harbour Insurance Services Ltd.	BC	Navacord Inc.

Sequeira Partners in the Community

We take great pride in actively contributing to our communities through various initiatives. Below are some recent highlights.

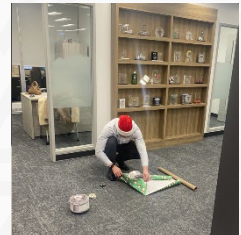
Women & Entrepreneurship Event



Sequeira Partners is committed to championing diversity and inclusion, exemplified by our annual Women & Entrepreneurship event hosted in Vancouver. This event serves as a platform for networking and mentorship among female entrepreneurs and business leaders.

Holiday Hampers

In December, our teams carried on the annual tradition of wrapping, packing and delivering holiday hampers for local families in need.



Thrive Youth Development Canada



We are proud to announce our recent sponsorship of Thrive Youth Development Canada, supporting the growth and empowerment of youth through arts. We packed and distributed art kits for at risk youth in our communities and look forward to continued involvement with this organization over the course of the year.