

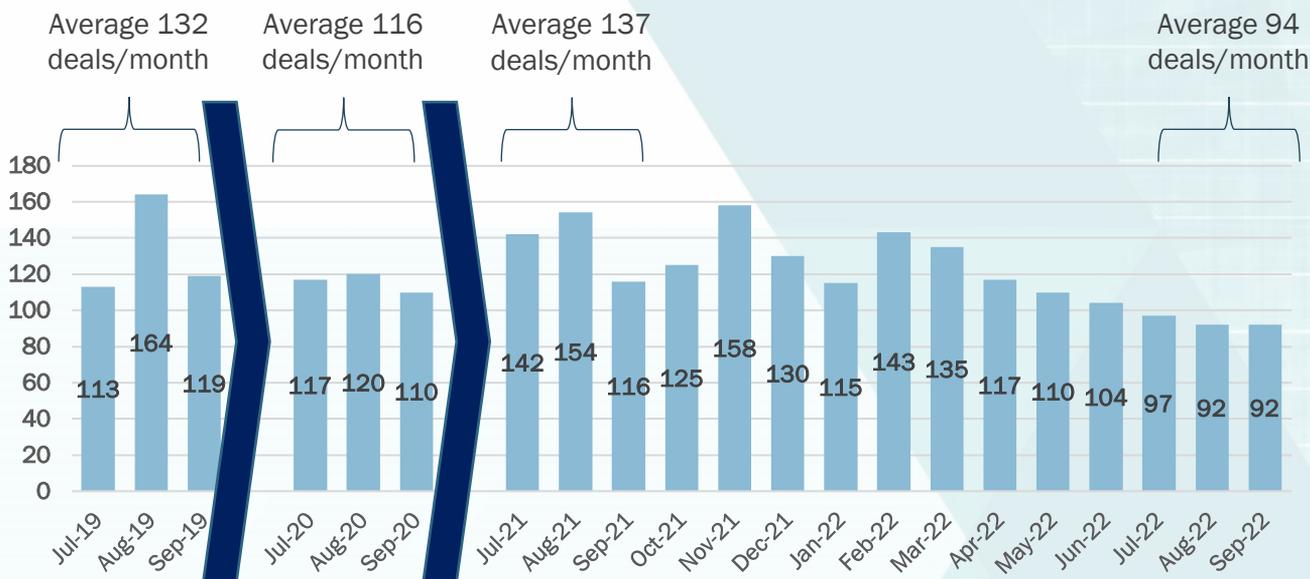


# Value & Market Insights

2022 | Q3

# Deal Volume

## Canadian Transaction Volume <sup>(1)</sup>



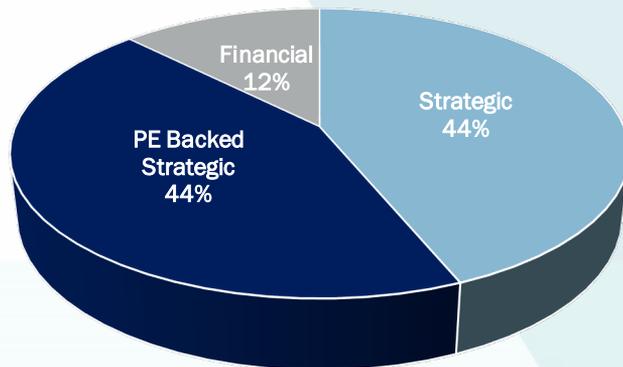
Canadian transaction volume continued to trend downward. Average deal volume for Q3 2022 is 94 deals per month, down 46% from Q3 2021. Consistent with Canadian trends of reduced M&A activity, global M&A markets show that Q3 2022 activity had the lowest total deal volume among all other Q3's since 2017.

What is driving the slowdown? Recessionary headwinds are blowing stronger. In response to inflation, the Bank of Canada continues to increase interest rates. Rates in Q3 increased by 1.75% alone, bringing the current policy rate to 3.25%. This is a stark contrast to where the policy rate started at the beginning of the year – 0.25%. As the Canadian economy struggles to adapt to rising inflation, the Canadian dollar has experienced significant volatility in Q3 and fallen to its lowest level since the beginning of the pandemic. The quarter opened with an FX rate of 1.00 USD = 1.2867 CAD and ended with 1.00 USD = 1.3707 CAD.

Is there a silver lining? Perhaps for Canadian M&A. A cheaper Canadian dollar may entice international businesses to look at the Canadian market for opportunities to acquire at a discount in Q4 2022 and beyond.

# Sequeira Stats

## Buyer Profile



■ Strategic ■ PE Backed Strategic ■ Financial

From our proprietary data, Sequeira has seen a **+19% increase** in PE-Backed strategic acquisitions over the last two years. This increase shows that financial buyers are heavily focusing on **synergies and integration** as a path to increase cashflow and create value.

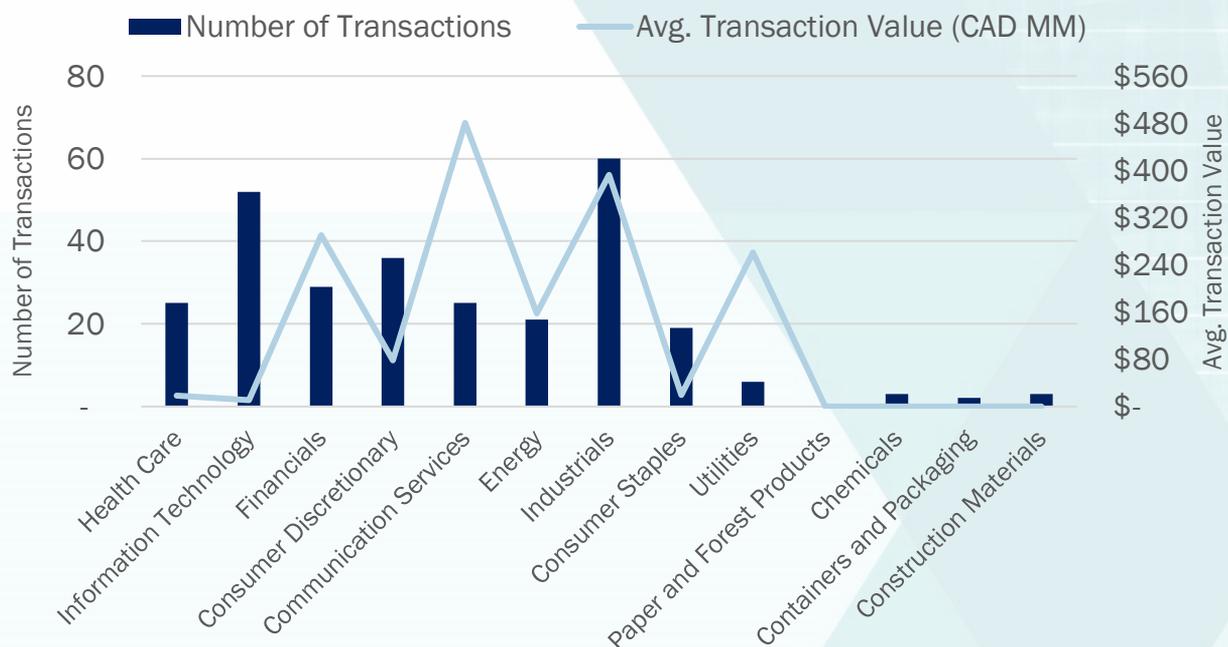
## Deal Structure



Sequeira is seeing a decrease in post-deal earnout in 2022 compared to 2021. The larger number of deals with an earnout in 2021 largely related to a need to bridge the value gap as businesses returned to normal operations post-COVID. While down from 2021, we expect the use of earnouts to continue at a high rate in Q4 2022 and into 2023.

# Industry Overview

## Q3 2022 Canadian Transactions By Industry<sup>(1,2)</sup>



## Q3 2022's Most Active Industries<sup>(1,2)</sup>

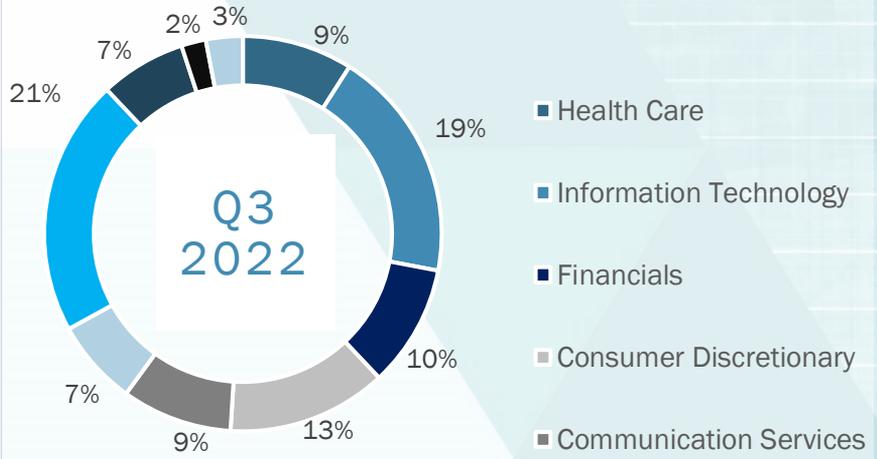
Industry	2022 Transaction Volume		Average Transaction Value <sup>(2)</sup>
	Q3		
Industrials	60		<b>\$392.7M</b>
Information Technology	52		<b>\$10.5M</b>
Consumer Discretionary	36		<b>\$77.9M</b>
Financials	29		<b>\$290.4M</b>
Communication Services	25		<b>\$481.1M</b>
Healthcare	25		<b>\$18.7M</b>

# Industry Overview

## Number of Canadian Q3 2022 Transactions By Industry <sup>(1)</sup>

For the 5th quarter in a row, industrials remain the most active industry for Canadian M&A. From an M&A perspective, the industrial industry has been less affected by the market slowdown compared to other industries. Deal volume is only slightly reduced for 2022 Q3 YTD (228 transactions) compared to 2021 Q3 YTD (239 transactions).

The number of technology deals as a percentage of total transactions has stayed steady compared to last year. In each of the first three quarters of 2022, technology has made up between 18%-19% of total transactions in Canada.



# Buyer Profile

## Canadian Transactions By Buyer Location <sup>(1)</sup>

Buyer Location	Q3 2021 (Count)	Q3 2021 (%)	Q3 2022 (Count)	Q3 2022 (%)
Western Canada	117	29%	79	28%
Eastern Canada	126	31%	81	28%
USA	82	20%	52	19%
International	31	8%	33	12%
Not Disclosed	50	12%	36	13%
<b>Total</b>	<b>406</b>	<b>100%</b>	<b>281</b>	<b>100%</b>

The US buyer market has steadily remained in the high teens to low 20's, as a percentage of total transactions. The total number of transactions, for US buyers and overall, is lower compared to 2021, but the buyer profiles remain similar as a percentage of total transactions.

## Canadian Transaction By Buyer Type <sup>(1)</sup>

Strategic acquirors remained the dominant buyer type through Q3 2022; however, this is the lowest percentage of strategic buyers since 2020.

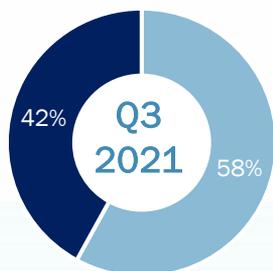
Financial buyers continue to have available capital ready for investment.

Buyer Type	Q3 2021	Q3 2022
Strategic	90%	87%
Financial	4%	6%
Not Disclosed	6%	7%



# Seller Profile

## Western Canada vs. Eastern Canada <sup>(1)(2)</sup>



■ Western Canada  
■ Eastern Canada



Historically, Eastern Canadian companies made up the majority of sellers in Canada, however in Q3 2022, the split between Eastern and Western sellers is even.

## Western Canadian Transactions By Location <sup>(1)(2)(3)</sup>

Seller Location	Q3 2021 (Count)	Q3 2021 (%)	Q3 2022 (Count)	Q3 2022 (%)
British Columbia	70	60%	52	57%
Alberta	37	31%	28	31%
Saskatchewan	3	3%	5	5%
Manitoba	7	6%	6	7%
<b>Total</b>	<b>117</b>	<b>100%</b>	<b>91</b>	<b>100%</b>
Notable Transactions <sup>(4)</sup>	\$751.52M acquisition of Velvet Energy Ltd. by Spartan Delta Corp. (TSX:SDE)		\$436M acquisition of TransGlobe Energy Corporation (NASDAQCM: TGA) by VAALCO Energy Canada ULC.	

Western Canada saw a decrease in transactions in Q3 of 2022 compared to Q3 of 2021. Consistent with Q2, BC saw the largest decrease in the number of transactions. However, the number of transactions is still relatively high compared to pre-COVID years.

# Notable Canadian Transactions

## Select Q3 2022 Industrial and Diversified Deals in Western Canada

Date	Target	Target Prov.	Buyer
09/20/2022	CapriCMW Insurance Services Ltd.	BC	Rogers Insurance Ltd.
09/07/2022	Front Row Insurance Brokers LLC	BC	Westland Insurance Group Ltd.
09/06/2022	Huer Foods Inc.	BC	Krystal Growth Partners Ltd.
08/29/2022	Corix Infrastructure Inc.	BC	SouthWest Water Company Inc.
08/01/2022	ProAll International Manufacturing Inc.	AB	Terex Advance Mixer, Inc.
07/27/2022	Rising Star Resources Ltd.	AB	Tourmaline Oil Corp. (TSX:TOU)
07/20/2022	Cando Rail Services Ltd.	MB	Alberta Investment Management Corporation
07/14/2022	TransGlobe Energy Corporation (NasdaqCM:TGA)	AB	VAALCO Energy Canada ULC
07/13/2022	Crowsnest Insurance Agencies Ltd.	AB	Canada Brokerlink Inc.
07/12/2022	Ecofish Research Ltd.	BC	Trinity Consultants, Inc.
07/01/2022	Arctic Arrow	BC	Java Group



# Team Update



Sequeira Partners is also pleased to announce Julie Afanasiff as Managing Partner effective August 1, 2022.

Congratulations Julie and thank you Ken for your prior service.



Sequeira Partners has continued to add depth and experience to the team with a new addition in the Edmonton office.

Welcome to the team Neesha!

**Neesha Chahal** - Edmonton

## About Us

Sequeira Partners is Western Canada's leading sell-side transaction advisor to private and public industrial, energy services, business services, manufacturing and insurance businesses.

From our offices in Vancouver, Edmonton and Calgary, the team at Sequeira Partners has completed more than 200 mid-market transactions in Canada, the United States, and countries around the world.

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