

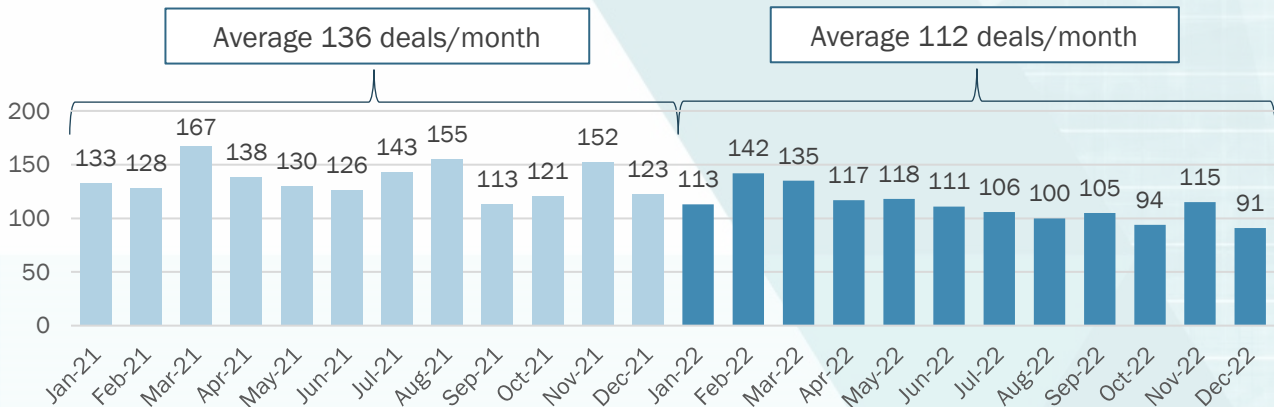


# Value & Market Insights

2022 | Q4

# Deal Volume

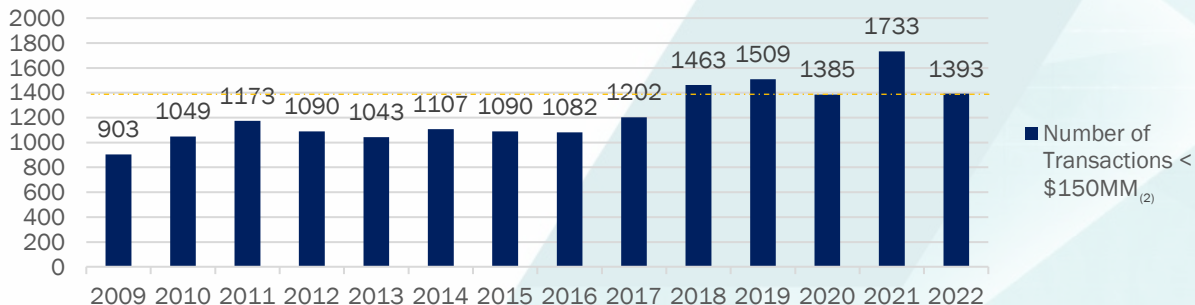
## Canadian Transaction Volume<sup>(1)</sup>



The first quarter of 2022 started where 2021 left off, with a strong M&A market and a low cost of capital. As 2022 went on, increases in interest rates and the speculation of a potential recession began to cool activity. What will 2023 bring?

On one hand, 2023 could continue to see a decline in activity. While year-over-year activity was down 17%, if you focus on Q4, volume was down 25%. The higher cost of capital and the anticipated recession has increased the level of caution for buyers which is translating to longer transaction timelines and increased closing risk.

On the other hand, transaction activity could level off to a steady or consistent rate. Despite M&A activity slowing down in 2022 when compared to 2021, the number of transactions for the year was relatively high compared to prior years. The year-over-year decrease could be less of an indication of a slowdown and more of a return to normal activity levels. In addition, the drivers of private M&A are the market, business performance, *and* personal objectives of ownership. Often personal objectives and succession planning play the lead role in determining whether a business pursues a divestiture.

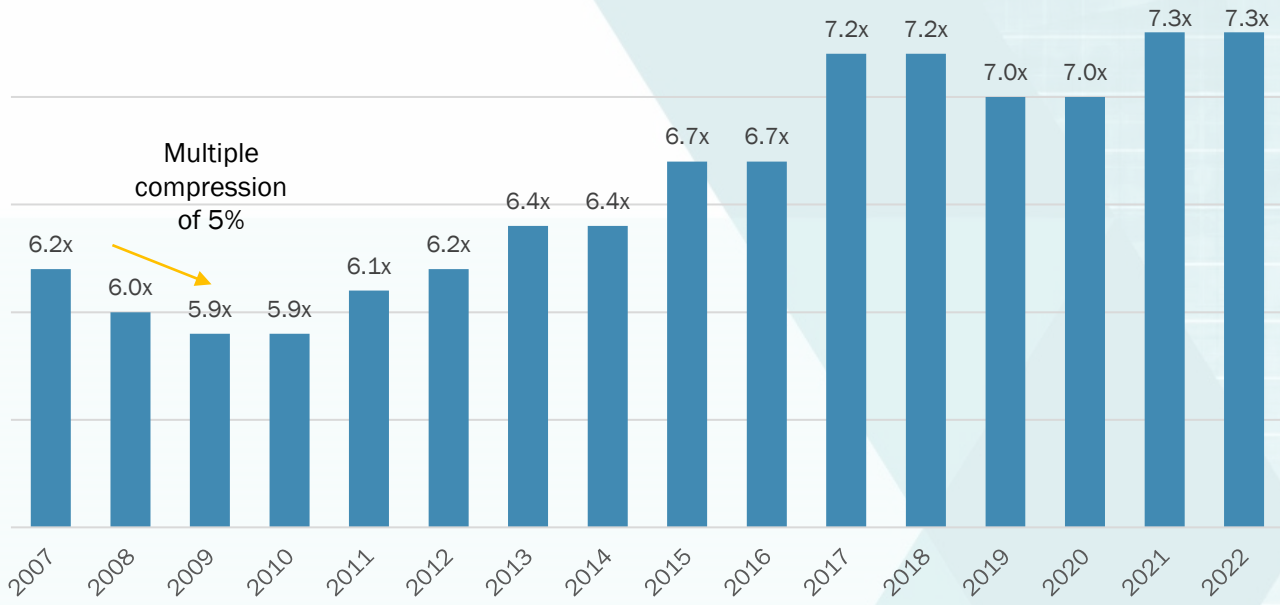


<sup>(1)</sup> Source: S&P Capital IQ – Includes announced & closed deals under \$1B CAD

<sup>(2)</sup> Note: Transaction volume between two graphs are different due to size of transaction parameters

# North American Market Values

## EBITDA Multiples (\$10M - \$250M)<sup>(1)</sup>



Since the financial crisis of 2008, private company EBITDA multiples have undergone a prolonged period of expansion growing from 5.9x to 7.3x.

With the anticipated recession, business owners, professionals, and potential acquirers are keen to understand what the potential impact on valuation and mid-market multiples will be. The answer – it's complicated.

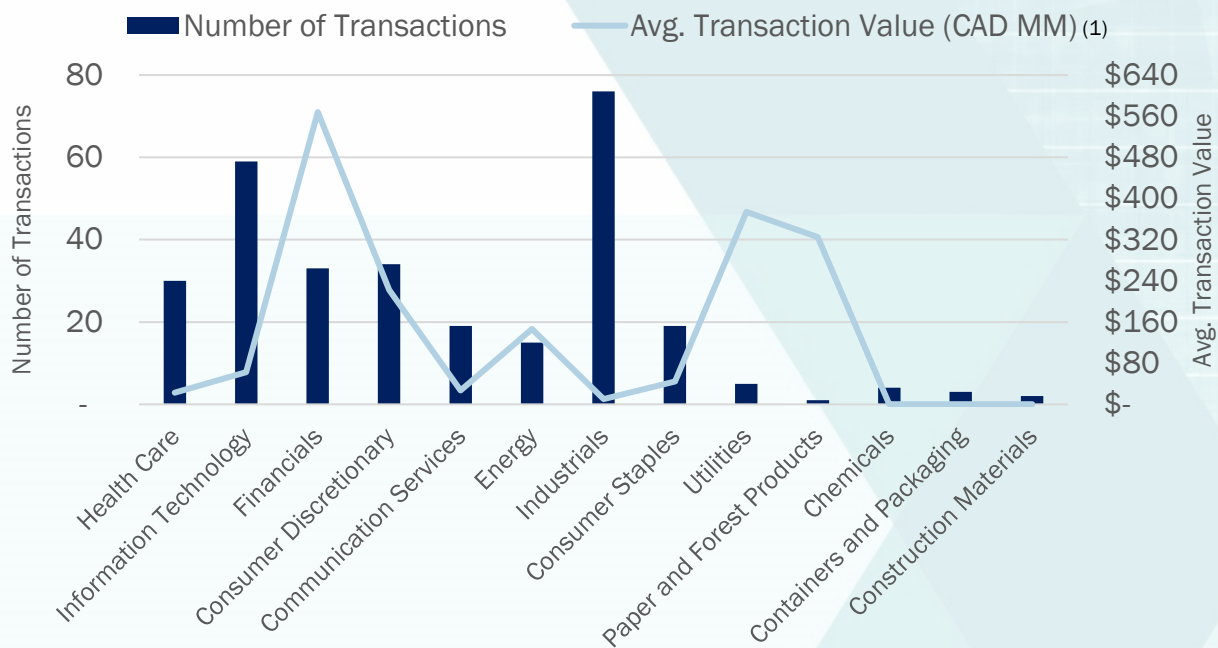
Historically, mid-market multiples have proven to be resilient – in 2009, the multiple compression was only 5%. Even when the capital markets crashed, the EBITDA multiples in the middle market remained strong and recovered fairly quickly in 2011.

Furthermore, the graph above reflects data blended across a diverse range of industries. The impact of a recession will not be felt evenly across all sectors, there will be winners and losers. Naturally, there are certain industry verticals that are more recession-resistant such as consumer staples, healthcare, utilities, cost-conscious retail, insurance, certain transportation / logistic niches, etc.

As a result of the durable middle market, Sequeira remains optimistic for 2023 M&A transactions.

# Industry Overview

## Q4 2022 Canadian Transactions By Industry<sup>(1,2)</sup>



## Q4 2022's Most Active Industries<sup>(1,2)</sup>

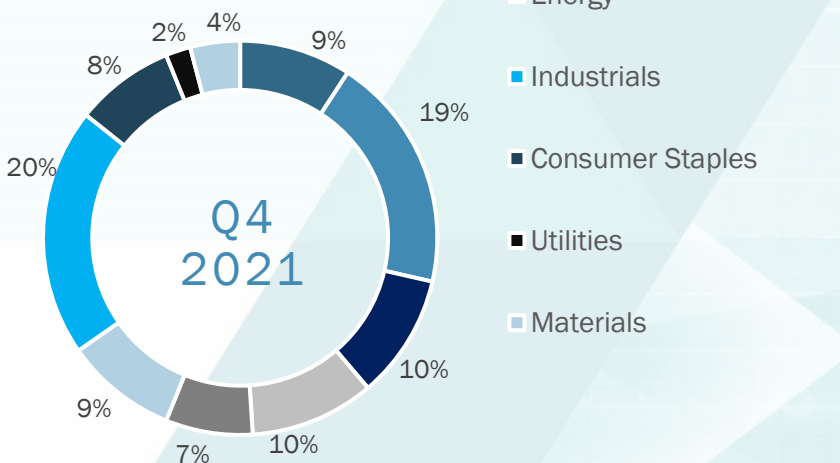
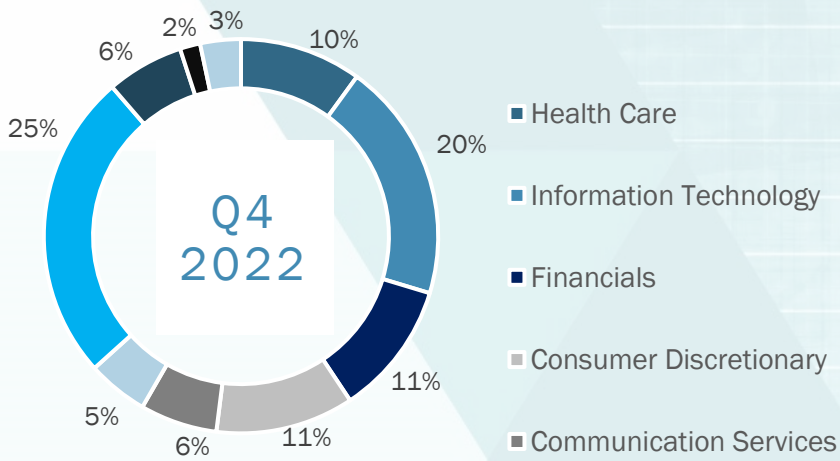
Industry	2022 Transaction Volume	
	Q4	Average Transaction Value <sup>(2)</sup>
Industrials	76	\$10.5M
Information Technology	59	\$62.2M
Consumer Discretionary	34	\$222.1M
Financials	33	\$113.9M
Communication Services	19	\$27.1M
Healthcare	30	\$22.8M

# Industry Overview

## Number of Canadian Q4 2022 Transactions By Industry<sup>(1)</sup>

For the 6th 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 Q4 (300 transactions) compared to 2021 Q4 (396 transactions).

Amid the year of interest rate hikes, the number of technology deals as a percentage of total transactions remained steady at 18% - 20% of total transactions in Canada.



# Buyer Profile

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

Buyer Location	Q4 2021 (Count)	Q4 2021 (%)	Q4 2022 (Count)	Q4 2022 (%)
Western Canada	104	29%	63	21%
Eastern Canada	139	31%	117	39%
USA	88	20%	67	22%
International	35	8%	27	9%
Not Disclosed	26	12%	26	9%
<b>Total</b>	<b>392</b>	<b>100%</b>	<b>300</b>	<b>100%</b>

Domestic parties continue to be the largest acquirer of Canadian-based businesses, with a higher percentage of acquirers in Eastern Canada. 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>

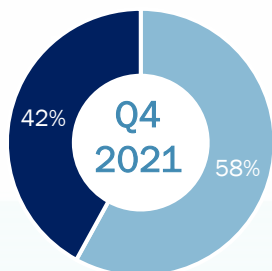
Strategic acquirors remained the dominant buyer type through Q4 2022. However, Q4 2022 saw a slight increase by Financial buyers despite an increased interest rate cost environment.

Buyer Type	Q4 2021	Q4 2022
Strategic	93%	90%
Financial	4%	5%
Not Disclosed	3%	5%

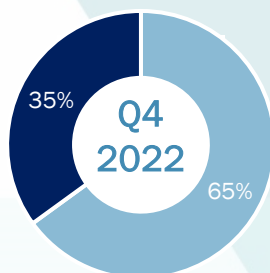


# Seller Profile

## 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. It continued the trend in Q4 2022, with 65% coming from Eastern Canada over 180 deals in total.

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

Seller Location	Q4 2021 (Count)	Q4 2021 (%)	Q4 2022 (Count)	Q4 2022 (%)
British Columbia	73	60%	40	53%
Alberta	38	32%	26	35%
Saskatchewan	4	3%	3	4%
Manitoba	6	5%	6	8%
<b>Total</b>	<b>121</b>	<b>100%</b>	<b>75</b>	<b>100%</b>
Notable Transactions <sup>(4)</sup>	\$900M acquisition of Storm Resources Ltd. By Canadian Natural Resources Limited (TSX:CNQ)		\$15.6bn acquisition of HSBC Bank Canada by Royal Bank of Canada (TSX:RY)	

Q4 2022 saw a decrease in deal volume with 75 deals vs 121 deals in Q4 2021. Western Canada saw the largest decrease in transactions in Q4 of 2022 compared to Q4 of 2021. However, the number of transactions is still relatively high compared to pre-COVID years.

# Notable Canadian Transactions

## Select Q4 2022 Deals in Western Canada

Date	Target	Target Prov.	Buyer
12/13/2022	Innovative Pats & Solutions Ltd.	BC	Gladius Partners
12/06/2022	Solus Trust Company Limited	BC	Raymond James Ltd.
12/05/2022	Sexton Group Ltd.	MB	BDC Capital Inc.; PFM Capital, Inc.; Roynat Equity Partners
12/02/2022	Omar's Environmental Ltd.	MB	GFL Environmental Inc. (TSX:GFL)
11/29/2022	Modu-Loc Fence Rentals Ltd.	BC	Sunbelt Rentals, Inc.
11/4/2022	Palmer Salmon Insurance	AB	Westland Insurance Group
10/25/2022	Alberta Midland Railway Terminal Ltd.	AB	Connor, Clark & Lunn Infrastructure Ltd.; Alpenglow Rail LLC
10/12/2022	Arrow Insurance	BC	Westland Insurance Group
10/12/2022	Emsland & Associates Insurance	BC	Westland Insurance Group
10/11/2022	Certified Tracking Solutions Inc.	AB	GPS Insight, LLC
10/04/2022	Linestar Utility Supply Inc.	BC	CAI Capital Partners
10/04/2022	Sadler Insurance Inc.	AB	Western Financial Group Inc.





# Team Update

## Our Partners



Sequeira Partners has continued to add depth and experience to the team with new additions in the Calgary office. Prior to joining Sequeira Anna spent 2 years with a Big Four firm in Calgary.

Welcome to the team Anna!

**Anna Watt** - Calgary

### M&A

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Bring a depth of experience to the valuations team Jennifer has joined as a new addition to the Edmonton office. Prior to joining Sequeira, Jennifer spent 3 years as a manager at a Big 4 firm in Edmonton and has over 7 years of experience.

Welcome to the team Jen!

**Jennifer Ly** - Edmonton

### Valuations

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## 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.

[www.sequeirapartners.com](http://www.sequeirapartners.com).

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