

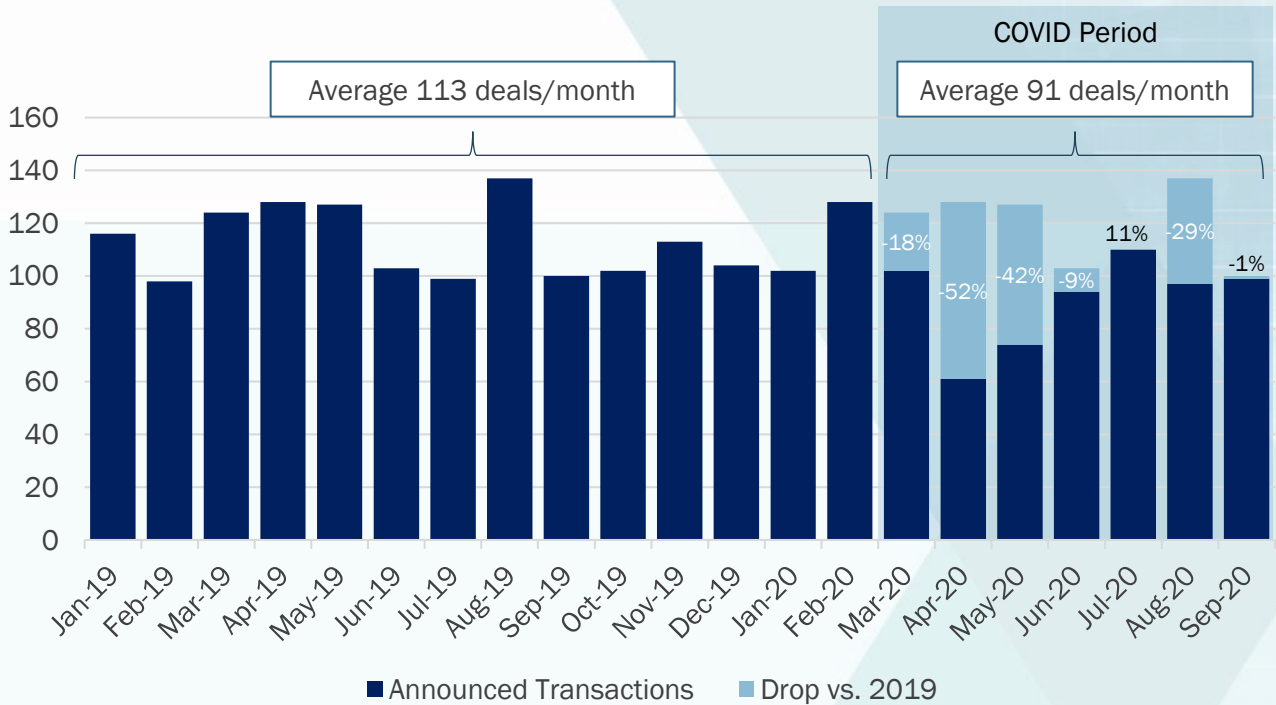


Value & Market Insights

2020 | Q3

Deal Volume

Canadian Transaction Volume ⁽¹⁾

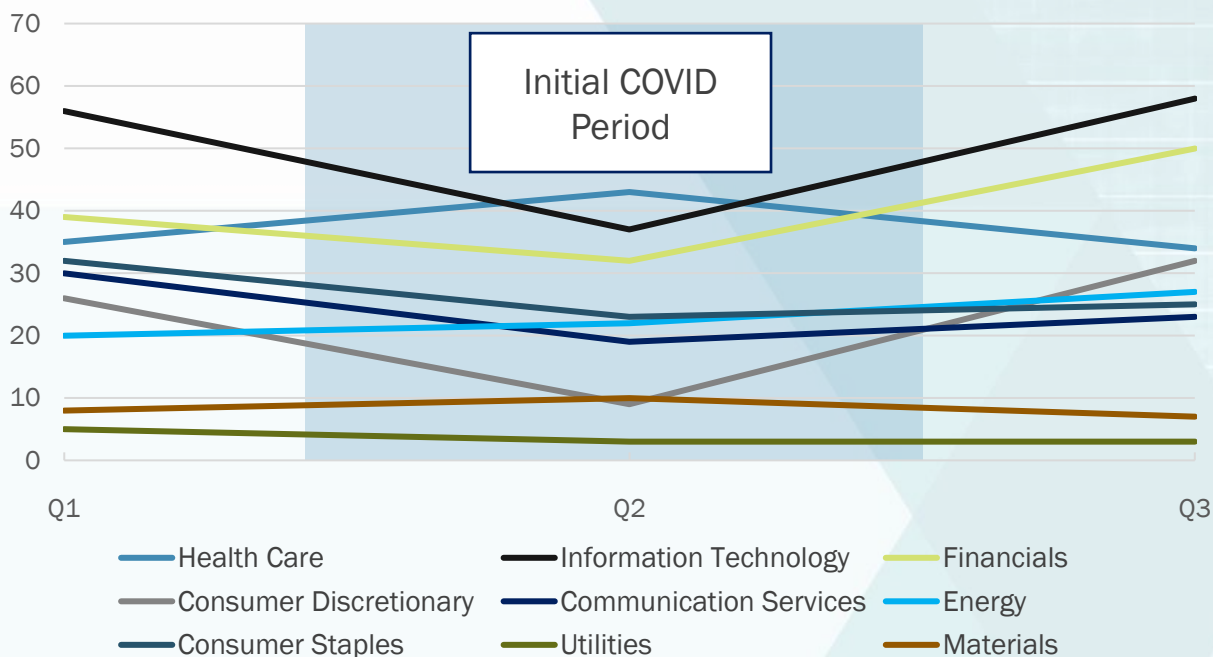


The market has seen a significant decrease in deal volume as the result of the pandemic. April and May were the hardest hit months, down 52% and 42% from prior year. Since June, we have seen a resemblance of recovery as organizations start to resume acquisitions. July experienced elevated transaction activity with an 11% increase over the same quarter last year, primarily driven by pent-up demand that surfaced as initial restrictions lifted and processes that were previously put on hold thawed out. Q3 saw further improvement averaging 102 announced deals per month.

We may see continued volatility as we enter Q4 with more uncertainty as lockdowns return for the second wave of COVID-19 and pending the results of the US election.

Industry Overview

2020 Quarterly Canadian Transactions By Industry ⁽¹⁾



Transaction volumes for certain Canadian industries were affected disproportionately during Q2 due to the COVID pandemic. The result was a decline in transaction volumes across 70% of industries from Q1 to Q2. However, Q3 yielded a staggering “V-Shaped” recovery for many of the areas impacted most. Some of the largest recoveries included:

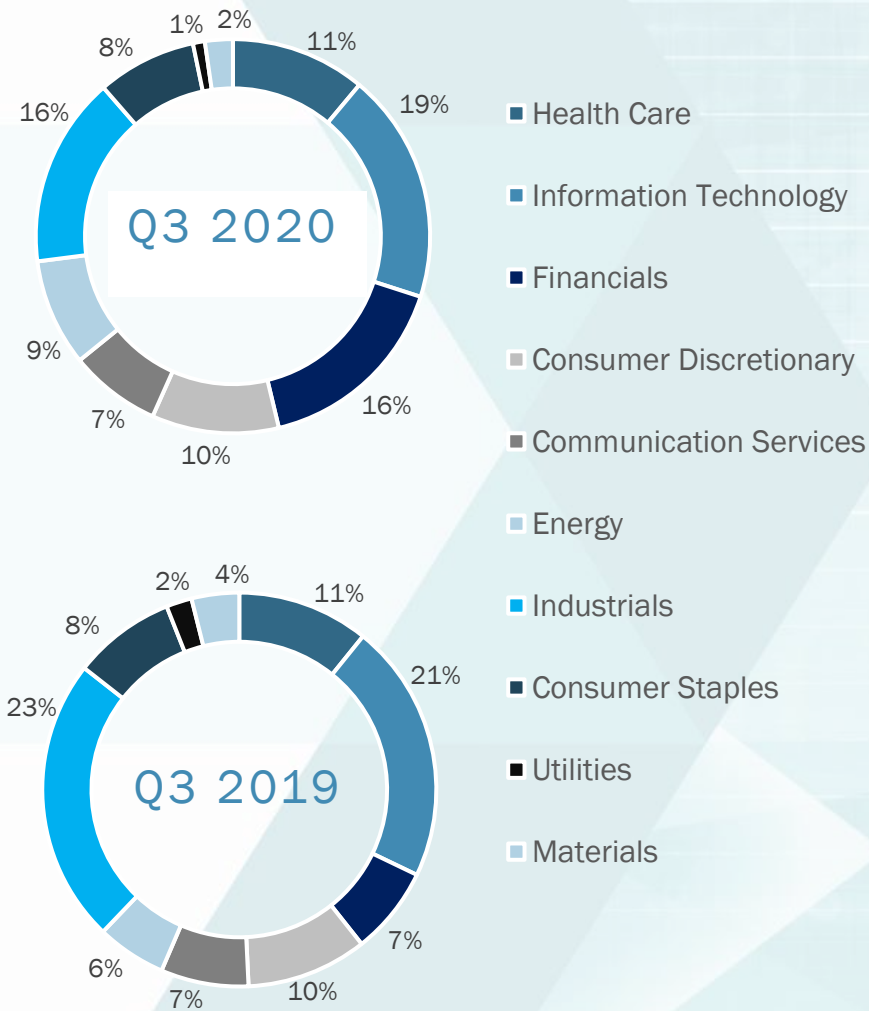
Industry	2020 Q1 Volume	2020 Q2 Volume	% Change Q2 vs. Q1	2020 Q3 Volume	% Change Q3 vs. Q2
Consumer Discretionary	26	9	(65%)	32	256%
Information Technology	56	37	(34%)	58	57%
Financial	39	32	(18%)	50	56%
Industrials	79	31	(61%)	48	55%

Industry Overview

Canadian 2020 Q3 Transaction By Industry⁽¹⁾

Q3 2020 presented somewhat of a return to normalcy from an industry transactional perspective. Information Technology, Financials, and Industrials accounted for almost half of the transaction in the quarter at 51% of deals, as opposed to 52% in the same quarter last year.

However, the distribution of transactions in those industries changed significantly from the same time last year. Financials increased to 16% compared to 7% in 2019 Q3, while Industrials decreased from 23% to 16%. The change in deal mix could indicate a change in investor sentiment away from industries that are more capital intensive. This change could also indicate a shift towards businesses that can more easily pivot to a remote workforce model.



Buyer Profile

Canadian Transaction By Location Type ⁽¹⁾⁽²⁾

Buyer Location	2020 Q2 (Count)	2020 Q2 (%)	2020 Q3 (Count)	2020 Q3 (%)
Western Canada	72	34%	84	30%
Eastern Canada	68	32%	107	38%
USA	43	20%	62	22%
International	27	13%	30	11%
Total	210	100%	283	100%

Domestic buyers continue to be the largest acquirer of Canadian based businesses. Canadian purchasers made up roughly two thirds of the quarter's transactions, with significantly increased activity from Eastern Canadian buyers during 2020 Q3.

Canadian Transaction By Buyer Type ⁽¹⁾⁽²⁾

Based on announced and closed deals with a Canadian target during 2020 Q3, a vast majority of purchasers were Strategic. Despite the implications of COVID, this split is identical to the same quarter last year. Compared to 2018 Q3, the proportion of Financial Buyers has decreased by 44%, but is still heavily weighted to Strategic purchasers.

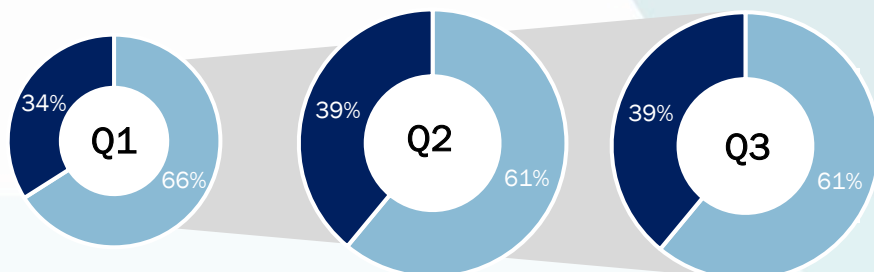
Buyer Type	2018 Q3	2019 Q3	2020 Q3
Financial	9%	5%	5%
Strategic	91%	95%	95%



■ Strategic Buyer ■ Financial Buyer

Seller Profile

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



■ Western Canada
■ Eastern Canada

The last two quarters saw an increase in Western Canadian deal volume relative to Eastern Canada, with a 5% increase in both Q2 and Q3 at 39% vs. 34% in Q1.

Western Canadian Transaction By Location Type ⁽¹⁾⁽²⁾⁽³⁾

Seller Location	2020 Q2 (Count)	2020 Q2 (%)	2020 Q3 (Count)	2020 Q3 (%)
British Columbia	87	55%	151	61%
Alberta	58	37%	80	32%
Saskatchewan	4	3%	6	2%
Manitoba	8	5%	12	5%
Total	157	100%	249	100%
Largest Transactions ⁽⁴⁾	\$0.7B Vitaeris Inc. by CSL Limited (ASX:CSL) (British Columbia target)		\$1.0B acquisition of Calfrac Well Services Ltd. (TSX:CFW) by THRC Holdings LP (Alberta Target)	

Q3 saw a rebound in transaction volume with targets in Western Canada with a 59% increase. British Columbia and Alberta continue to have the most sellers amongst the Western Canadian provinces making up 61% and 32%, respectively. British Columbia saw a 6% increase in the Western Canadian mix, while Alberta saw a 5% drop.

⁽¹⁾ Source: CapitalIQ – Includes Announced & Closed deals

⁽²⁾ Excludes deals where Seller or Seller Location was undisclosed

⁽³⁾ Number of deals in the quarter with a Western Canadian target

⁽⁴⁾ Largest Transaction where Enterprise Value is disclosed

Notable Canadian Transactions

Select Q3 2020 Industrial & Diversified Deals in Western Canada			
Date	Target	Target Prov.	Buyer
09/04/2020	Mobify Research and Development, Inc.	BC	salesforce.com, inc. (NYSE:CRM)
09/02/2020	Elevate Insurance Brokers Inc.	AB	HUB International Limited
09/01/2020	Calfrac Well Services Ltd. (TSX:CFW)	AB	THRC Holdings, LP
09/01/2020	ESI Energy Services Inc. (CNSX:OPI)	AB	Battery Mineral Resources Corp.
09/01/2020	Pacific Coast Express Limited	BC	Mullen Group Ltd. (TSX:MTL)
08/31/2020	Bonterra Energy Corp. (TSX:BNE)	AB	Obsidian Energy Ltd. (TSX:OBE)
08/31/2020	NAL Resources Limited	AB	Whitecap Resources Inc. (TSX:WCP)
08/10/2020	Painted Pony Energy Ltd.	AB	Canadian Natural Resources Limited (TSX:CNQ)
08/05/2020	Insight Insurance and Risk Management Limited	AB	Arthur J. Gallagher & Co. (NYSE:AJG)
08/01/2020	Halliburton Progressing Cavity Pump ("PCP") Business Line in Canada ("Europump")	AB	PCM Artificial Lift Solutions Inc.
07/29/2020	Stuart Olson Inc. (TSX:SOX)	AB	Bird Construction Inc. (TSX:BDT)
07/14/2020	Dimension Five Technologies Inc. (CNSX:DFT)	BC	Aduro Energy Inc.
07/08/2020	PI Financial Corp.	BC	H.I.G. Capital, LLC; RCM Capital Management

Sequeira 2020 Q3 Closed Transactions

Sequeira Partners was engaged to assist Halliburton in identifying the best-fit partner for carving out and selling Europump. The Sequeira team provided advisory assistance throughout the transaction including providing an initial valuation; running a targeted process; negotiating deal terms, structure, and consideration; and managing the due diligence data room.

The acquisition of Europump allows PCM to enhance its presence in Canada. This transaction marks the third key acquisition for PCM in Canada having already added Amik Oilfield Equipment (2014) and Cougar Wellhead Services (2019).



Our Team

Aron Sequeira, FCA, FCBV, ICD.D
asequeira@sequeirapartners.com
780.784.0114

Mark McRae, CA, CBV
mmcrae@sequeirapartners.com
780.784.0115

Julie Afanasiff, CA, CBV
jafanasiff@sequeirapartners.com
780.784.0116

Ken Tarry, MBA
ktarry@sequeirapartners.com
604.687.5300 ext. 201

Kellie Manchester, CFA
kmanchester@sequeirapartners.com
604.687.5300 ext. 202

Jordan Martel, CBV, ASA, MBA
jmartel@sequeirapartners.com
587.352.2500 ext. 302

Scott Acheson, CA, CBV, CFA
sacheson@sequeirapartners.com
780.784.0124

Erica McGuinness, CA, CBV
emcguinness@sequeirapartners.com
604.687.5300 ext. 203

Kira Gregson, CA, CBV
kgregson@sequeirapartners.com
780.784.0125

Ryan Turpin, CPA, CBV
rturpin@sequeirapartners.com
780.784.0121

Wenlei Tang, CA, CBV
wtang@sequeirapartners.com
587.352.2500 ext. 306

Tannie Lam, CA
tlam@sequeirapartners.com
604.687.5300 ext. 207

David Cameron, CPA
dcameron@sequeirapartners.com
780.784.0127

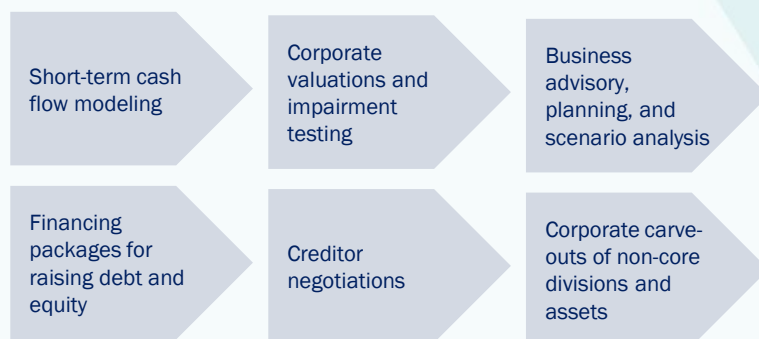
Griffin Steele, CPA
gsteel@sequeirapartners.com
604.687.5300 ext. 207

John Scott, CPA
jscott@sequeirapartners.com
780.784.0128

How We Can Help

While the drivers are different, this is not the first time we've seen unanticipated events disrupt the economy. We saw rapid changes play out in 2008-2009 with the global financial crisis and in 2014-2016 with the oil market downturn. During both instances, we stood by our clients providing strategic advisory to best position businesses for post-downturn economies. The businesses that survive and subsequently thrive are those that were prepared and took decisive, measured actions to adjust for the conditions.

If you need assistance navigating these challenging times, we're happy to help. Services include:



About Us

With offices in Edmonton, Calgary, and Vancouver, Sequeira Partners is a professional finance advisory firm focused on mergers and acquisitions, corporate carve-outs and recapitalizations. We're known for providing boutique advisory services with big experience. Collectively, our professionals have over 100 years of industry experience and have completed more than 200 transactions. We possess in-depth industry expertise and the highest accreditations available for professionals in our respective disciplines.



400, 520 – 5TH Avenue SW
Calgary, AB T2P 3R7
587-352-2500

2250, 10088 102 Avenue NW
Edmonton, AB T5J 2Z1
780-633-5200

1790, 999 West Hastings Street
Vancouver, BC V6C 2W2
604-687-5300