Deloitte.

Canadian M&A in review

November 2018 to May 2019

M&A Institute

Contents

Foreword

In Deloitte's second M&A in review report, we review the deal activity in the last 8 months.

Overall, M&A activity in Q4-18 and YTD May 2019 indicates further acceleration of deal flow in 2019—both in the number of transactions and in their size. There are uncertainties facing dealmakers, including the threat from a potential global and local economic slowdown, worsening international trade relations, and inflated valuations. We also highlight the uncertainties within credit markets, which indicate that companies considering M&A can take advantage of today's open markets and low interest rates, either by getting in front of their existing lending institutions or exploring other sources of capital.

Q4-17
482 Deals
$39.2 Billion

Q4-18
532 Deals
$28.9 Billion

YTD May-18
$77.9B
916 Deals

YTD May-19
$89.9B
867 Deals

M&A
Institute

Powered by Deloitte's M&A practice, the Deloitte M&A Institute is a community of business leaders and professionals that focuses on driving superior value from M&A activities. The Deloitte M&A Institute serves as the platform for experiences and learning, and offers a window into Canadian and global thought leadership.

Introduction

While the technology, media and telecommunications (TMT) sector was most active in both Q4-18 and YTD May 2019 in terms of deal volume, the energy and resources sector represented the majority of disclosed deal value, driven by mega-deals (such as the $17 billion Newmont/Goldcorp deal) in mining and materials.

Q4-18 Canadian M&A deal volume and value by sector

- 53 Financial Services
- 77 Life Sciences and Healthcare
- 129 Technology, Media and Telecoms
- 91 Energy & Resources
- 73 Consumer Business
- 82 Manufacturing and Business Services
- 27 Other

- $2.2B Financial Services
- $5.9B Life Sciences and Healthcare
- $6.5B Technology, Media and Telecoms
- $11.5B Energy & Resources
- $1.4B Consumer Business
- $1.3B Manufacturing and Business Services
- $0.1B Other

YTD May-19 Canadian M&A deal volume and value by sector

- 97 Financial Services
- 114 Life Sciences and Healthcare
- 203 Technology, Media and Telecoms
- 134 Energy & Resources
- 123 Consumer Business
- 142 Manufacturing and Business Services
- 54 Other

- $9.6B Financial Services
- $4.6B Life Sciences and Healthcare
- $29.7B Technology, Media and Telecoms
- $32.8B Energy & Resources
- $4.4B Consumer Business
- $8.2B Manufacturing and Business Services
- $0.7B Other

Overview
M&A and the credit market

The winds of change could shift at any time, bringing higher credit with them. But for now, the Canadian credit markets are active, open, and ideal for M&A.

Countless factors contribute to a burgeoning Canadian M&A market, not the least of which is an open and active credit market. After all, to acquire or sell a business, companies need access to capital. When Canada's public and private credit markets are in good shape—when economic indicators are positive, financial institutions are liquid, and competition between institutions is fierce—it's easier for companies to access the capital they need, at attractive interest rates.

For the last few years, the Canadian M&A market— and Canadian businesses in general—have benefited from these ideal conditions. In recent years, Canadians have enjoyed a historically low unemployment rate, a robust economy, rising business investment growth, and healthy business sales prospects. In 2018, this resulted in just under $1.4 trillion in authorized non-mortgage bank loans.

Yet the health of the credit markets hinges on a number of variables, many of which can change without warning. No one knows, for instance, what the trade tensions between the United States and China will look like in 12 months' time or how Brexit will ultimately play out. Such potentially extraordinary events, combined with escalating interest rates and decreasing values, could cause providers to lose confidence and pull back on their credit capital—slowing the M&A market in the process.

Even in this type of scenario, however, the M&A market likely wouldn't come to a halt. To underline this point, consider the oil and gas industry in Western Canada. While it's true that many oil and gas companies were negatively affected by the sudden drop in oil prices in recent years, and many are still struggling to obtain preferred access to credit, other companies were able to capitalize on the dip as a unique distressed M&A opportunity thanks to a robust alternative lending market.

In fact, the Canadian credit market has seen countless new entrants in recent years, which has created broader—and, in many ways, more niche—M&A financing opportunities. While the big banks are still major players in the public and private credit markets, representing 72 percent of all lending supplied to businesses, they're no longer the only game in town. Non-bank financial institutions (such as pension funds, insurance companies, and asset management companies) and specialty foreign lenders (primarily from the United States, Europe, and Asia) are breathing new life into the marketplace. As such, companies interested in pursuing M&A now have a variety of flexible financing options at their disposal, including asset-based, working capital, interim, alternative mortgages, and everything in between.

The new variety of funding options is particularly good news for small and medium-sized enterprises (SMEs), which typically have difficulty acquiring debt from traditional banks due to their smaller size. Over the years, the Government of Canada has also begun offering more funding support to this subset of the M&A market through a number of programs. These include Business Development Canada, which focuses exclusively on owner-operated businesses; the Farm Credit Corp., which was designed to help SMEs in the agricultural sector; and Export Development Canada, a Crown corporation that helps Canadian businesses operating both at home and abroad.

All that being said, regardless of how strong the credit markets look right now, how many debt options are available, or how many safeguards the government puts in place, it has been more than 10 years since the last economic downturn. Some think that the world is due another. As of this writing, global economic growth in 2019 and 2020 is forecasted to be moderate at best, with the Canadian economy expected to grow by only 1.4 percent in 2019.

In a similar vein, Canadian employment growth will likely be moderate in the year ahead, causing consumer spending to drop to 1.5 percent in 2019 and 1.4 percent in 2020. And while business investment is anticipated to make a greater contribution to Canadian economic growth in 2019 and beyond, it will likely be constrained by meager investment in the energy patch and a cyclical slowdown in the North American economy in 2020. In short: it's possible the credit markets—and the M&A market—are in for a slowdown.

Given the uncertainty of the credit markets, companies considering M&A would be best served to take advantage of today's open markets and low interest rates, either by getting in front of their existing lending institutions or exploring other sources of capital. Therefore, it is uncertain what type of capital will be available in 12 to 24 months' time.

M&A trends in Canada

Overall, M&A activity in Q4-18 and YTD May 2019 indicates a positive M&A outlook for the rest of 2019. However, there are potential headwinds in the form of worsening international trade relations, and inflated valuations.

Key Trends

Overall, we expect the Canadian M&A market to maintain the momentum achieved in 2018, due to the large number of strategic and private equity investors seeking attractive targets with substantial amounts of available capital. However, a number of potential risks that are on the horizon could affect deal activity, including:

Borrowing rate uncertainty

The Bank of Canada incrementally increased interest rates from mid-2017 through to October 2018; the rate set at that time is expected to remain stable through 2019. The outlook for interest rates is nonetheless uncertain, as any global economic stumble could trigger central banks to cut rates—yet, if risks subside, the prevailing low unemployment rates could also trigger central banks to hike the rates.

Globally, central banks are responding to the economic slowdown. The Federal Reserve has cut raises this summer and more could come. The European Central Bank has also signaled plans to cut interest rates. The jury is out on whether the Bank of Canada will follow suit. So far, it has signaled it's intention to hold rates where they are.

United States-Mexico-Canada Agreement

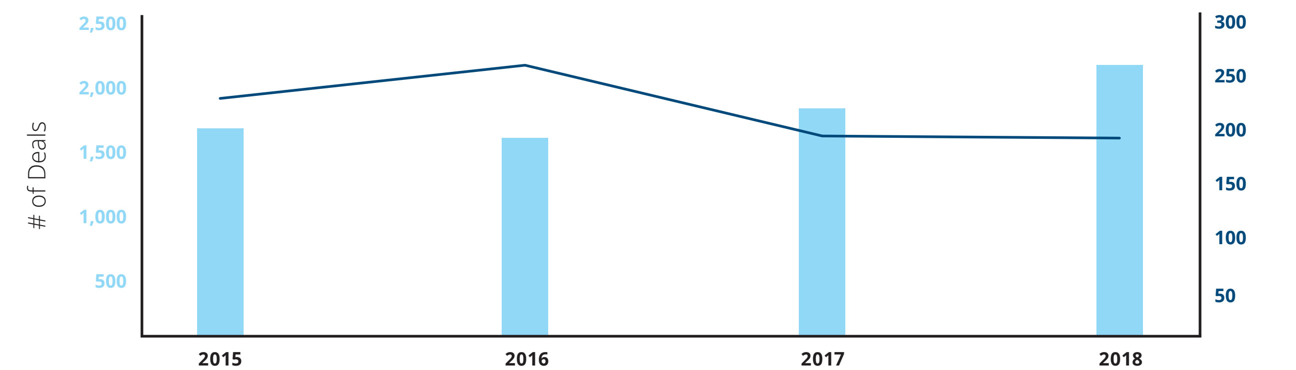
While the USMCA (the successor to NAFTA) was signed in late 2018, it has yet to be ratified. Its implications are still unknown, as the agreement may not be ratified unless modifications are made. As such, cross- border M&A and industrial activities (the manufacturing and business services industries in particular) should be approached with caution until the impact of USMCA becomes clear.

International Trade and Geopolitical Conflict

The ongoing trade dispute between the United States and China has implications for Canadian M&A, since cross-border transactions in both markets may become more difficult to execute. Furthermore, the current political tension between China and Canada due to the blocking of CCCC International Holding Ltd.'s acquisition of Aecon Group Inc. in May 2018—as well as notable arrests and legal proceedings involving nationals from both countries—may have an impact on cross-border M&A. Other geopolitical tensions may also affect M&A activity for Canadian companies, such as recent open conflict between Iran and the US, which has already led to a slight increase in oil prices, with further increases possible.

Canadian M&A in review | M&A trends in Canada

M&A deal volume and disclosed value



Source: S&P Capital IQ

Cross-border deal volume

YTD May-19

Outbound

US	58.5%
UK	9.4%
Australia	3.4%
Other	28.6%

Inbound

US	50.6%
UK	4.2%
Australia	3.3%
Other	41.8%

Q4-18

Outbound

US	54.2%
UK	11.5%
Australia	0.0%
Other	34.4%

Inbound

US	49.4%
UK	3.6%
Australia	3.6%
Other	43.4%

Despite ongoing trade and geopolitical issues, the cross-border deal flow between Canada and the United States remains strong. In fact, the United States continues to be the largest inbound and outbound M&A market, consistently representing around 50 percent of cross-border M&A in Q4-18 and YTD May-19. Other key cross-border markets for Canada are the United Kingdom (where inbound/outbound M&A activity has remained stable in Q4-18 and YTD May-19), Australia, and France.

Private equity M&A

A key industry consolidator with record levels of dry powder, Canadian private equity firms are poised to play a significant M&A role in 2019.

Key Trends

There has been a robust level of private equity M&A activity during Q4-18 and YTD May-19, with only a slight decrease in deal volumes compared to prior-year periods. Furthermore, the presence of several mega-deals in YTD May-18 (e.g., OTPP/BC Partners investment of $6.6 billion in GFL and Platinum Equity's acquisition of Husky Injection Molding Systems for $5 billion) has resulted in lower disclosed deal value in YTD May-19.

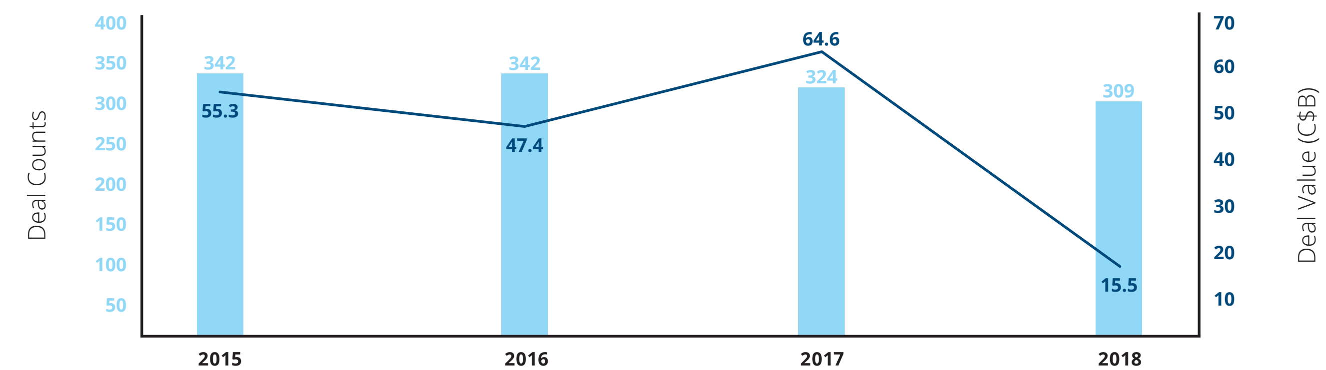
The Canadian private equity sector is sitting on over $20 billion of dry powder, representing significant capacity for M&A in 2019 and the near future. The accumulation of dry powder also speaks to the general growth of the Canadian private equity sector over recent years, including smaller family office private equity operations.

Overall valuations are increasing as well, as capitalized strategic buyers and private equity buyers compete for attractive targets. Globally, median EV/EBITDA was 10.4x in 2018, the highest levels since 2007.

In terms of deal types, over one-third of global private equity deals were secondary buyouts in 2018 (the highest level since 2006). Additionally, there has been an increase in platform and add-on deals, suggesting that private equity firms are playing a key role as industry consolidators. This presents opportunities for strategic acquirers to off-load non-core assets to private equity firms following platform strategies and to generate funds for core growth investments.

The B2B and IT sectors remained the most attractive targets for private equity firms in Q4-18, and YTD May-19. The IT sector is particularly attractive due to typically high growth rates and the ability to use technology to gain a competitive advantage.

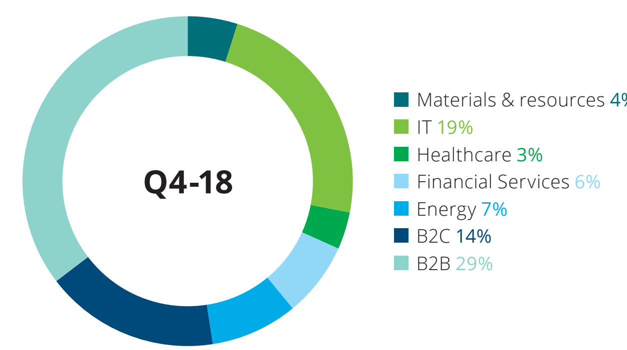
Canadian PE deal volume and value



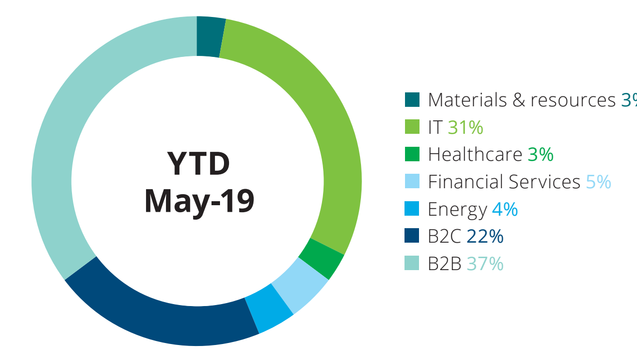
Source: Pitchbook

Note: YTD and Q4 amounts are based on Pitchbook and Deloitte analysis.

Deal volume and value by sector



Source : Pitchbook



Source : Pitchbook

M&A trends by sector

The only sector to experience a sustained increase in deal volume and disclosed value in YTD May 2019 was technology, media, and telecommunications, driven largely by the strong interest in technology and IT companies.

Bank financial Services

YTD May-19 vs. YTD May-18

Deal volume	Disclosed deal value
▼ 11.8%	▼ 33.8%

Life sciences and healthcare

YTD May-19 vs. YTD May-18

Deal volume	Disclosed deal value
▲ 9.6%	▼ 23.1%

Technology, media, and telecommunications

YTD May-19 vs. YTD May-18

Deal volume	Disclosed deal value
▲ 2.5%	▲ 105.8%

Energy and resources

YTD May-19 vs. YTD May-18

Deal volume	Disclosed deal value
▼ 26.4%	▲ 52.2%

Consumer business

YTD May-19 vs. YTD May-18

Deal volume	Disclosed deal value
▲ 21.8%	▼ 58.3%

Manufacturing and business services

YTD May-19 vs. YTD May-18

Deal volume	Disclosed deal value
▼ 8.4%	▼ 18.1%

Bank financial services

The outlook for Canadian banking M&A is modest, as a decline in earnings in Q1-19 indicates a more challenging year. However, consolidation efforts in the US banking sector may entice Canadian banks to pursue M&A in the United States.

Key trends

Overall, deal volume for the bank and non-bank financial services industry has remained stable period-over-period in Q4-18, with a slight decline in YTD May-19. This is due to headwinds on the Canadian banking sector, which had a rough start in Q1-19. The major Canadian banks witnessed a decline in their earnings by 7.8 percent in the first quarter, driven by a high level of market volatility and an increase in loan-loss provisions. This may result in the tempering of bank M&A in 2019, as evidenced by the decline in deal volume in YTD May-19.

Meanwhile, consolidation in the US banking industry has accelerated following the announcement of a merger between BB&T and Sun Trust in February 2019. Major Canadian banks with US platforms may look to participate in these consolidation efforts, which could result in a possible increase in cross-border M&A activity.

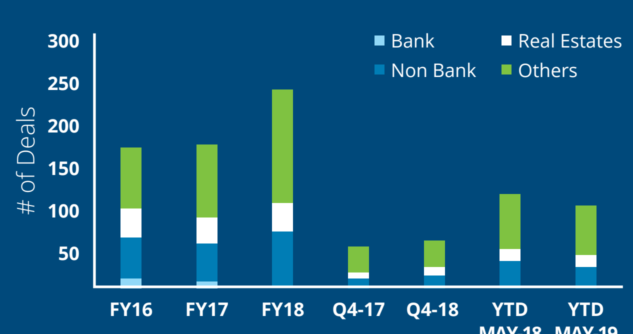
M&A by type - YTD May-19

Type	# Deals	Disclosed Value (C$M)
Domestic	64	$611
Inbound	24	$2,655
Outbound	9	$6,350
Total	**97**	**$9,616**

Q4-18

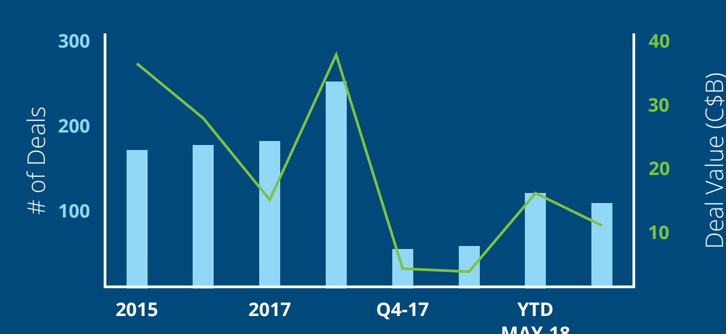
Type	# Deals	Disclosed Value (C$M)
Domestic	26	$686
Inbound	11	$115
Outbound	16	$1,410
Total	**53**	**$2,211**

Deal volume for bank vs. non-bank



Source: S&P Capital IQ

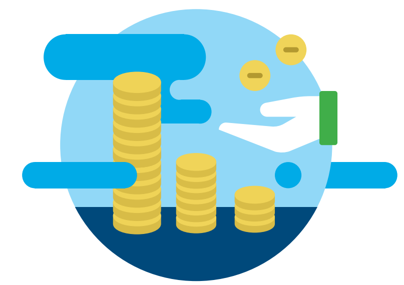
M&A deal volume and disclosed value



Source: S&P Capital IQ

Canadian M&A in review | M&A trends by sector: Bank financial services

Recent Highlights



Asset management

Caisse de dépôt et placement du Québec announced its acquisition of Sura Asset Management in December 2018 for $335 million. Sura is one of Latin America's leading financial institutions, with US$135 billion in assets under management. Brookfield Asset Management Inc. is planning to acquire 62 percent of Oaktree Capital.

Specialty finance

Equitable Bank completed an acquisition of Bennington Financial Services in January 2019 for $47 million. Bennington is a privately owned company serving the brokered-equipment leasing market in Canada.

Insurance

Ontario-based investment company Alignvest announced the planned acquisition of Sagicor, which operates in 22 jurisdictions and has a growing presence as a provider of life insurance products in the United States. The $734-million deal was announced in November 2018.

Real estate

Elad Genesis Limited Partnership announced its acquisition of Agellan Commercial Real Estate Investment Trust for $680 million in November 2018. Agellan is an Ontario-based REIT with 46 properties across Canada and the United States.

Canada-based hotelier Westmont Hospitality Group and New York-based real estate firm Square Mile Capital Management acquired DoubleTree Suites by Hilton Hotel in Santa Monica, California. The property was sold by real estate firms Merion Realty Partners and Procaccianti Co. in October 2018 for $198 million.

Non-bank financial services

Overall, non-banking M&A in 2019 will benefit from consolidation trends in several sub-sectors (including wealth management and insurance), along with an active fintech sector.

Key trends

The asset management sector in Canada has seen an ongoing trend of consolidation in recent years, with activity accelerating in 2018 and YTD May-19 (e.g., acquisition of Gluskin Sheff by Onex announced in February 2019). Asset management acquirers include a diverse universe of companies, including large banks with strong distribution networks and large independent asset managers with an acquisitive appetite.

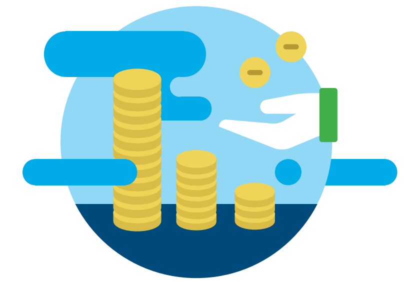
Fintechs with proven business models are attracting the interest of established counterparts, such as banks and insurance companies. Deal activity among fintechs in Canada was quite strong in 2018, with increasing collaboration and partnerships between fintechs and traditional financial institutions. Some notable recent deals include Information Services Corporation's acquisition of SecureFact Transaction Services Inc. in February 2019 and Morgan Stanley's acquisition of Solium in February 2019.

While activity in the non-bank consumer lending and leasing sector has been muted recently, we expect M&A activity in this sector to increase as a significant market gap appears to have developed in the near-prime credit segment that is currently only being addressed by incumbent competitors (e.g., Fairstone Financial, goeasy). This provides an opportunity for larger financial institutions to expand into this market, both organically and through M&A.

In the Canadian insurance industry, the brokerage segment is experiencing significant consolidation. This is being driven by the desire of large global players, as well as national Canadian brokers to obtain economies of scale, gain new product capabilities, and further drive geographic expansion to increase their distribution capabilities (e.g., Hub International's acquisition of Del Fisher Insurance in March 2019).

Canadian M&A in review | M&A trends by sector: Non-bank financial services

Recent Highlights



Payments and fintech

FLEETCOR Technologies Inc. acquired Cambridge Global Payments, which provides payment technologies, hedging strategies, and industry solutions, for approximately $900 million in August 2018.

The Ontario Teachers' Pension Plan acquired Kanetix Ltd. for an undisclosed amount in September 2018. Kanetix is Canada's largest digital insurance customer acquisition platform.

Insurance

Hub International recently acquired independent insurance brokerage Berk Bilgen Insurance Ltd. Berk Bilgen Insurance offers personal and commercial insurance, including home, auto, life and travel. The deal was announced in July 2019 for an undisclosed amount.

Real estate

Choice Properties Real Estate Investment Trust acquired Canadian Real Estate Investment Trust for $4.6 billion in May 2018. This represents the largest domestic REIT deal to date in Canada.

Blackstone Property Partners acquired Pure Industrial Real Estate Trust (PIRET) for $2.5 billion in May 2018. PIRET is a premier Canadian industrial REIT with over 160 properties in seven provinces and seven US states.

China's Anbang Insurance Group sold Vancouver's Bentall Centre property to an American joint venture that included private equity giant Blackstone Group in March 2019.

Market trends to watch

Global regulatory divergence

There is a growing divergence in global regulatory standards, with many countries willing to take a fragmented regulatory approach in order to spur economic growth. As such, regulatory compliance and modernization will likely become priorities for banks and other larger financial services companies, as exemplified by continuing divergence in regulations issued by the BCBS in Europe and FSB in the US.

Privacy as a customer priority

Privacy has become a key issue for customers, given increasing sensitivity in providing personal data and a number of high-profile data mismanagement issues. New regulations were recently introduced to address these issues, including the European Union's General Data Protection Regulation (GDPR) and California's Consumer Privacy Act of 2018.

Life sciences and healthcare

The cannabis sector drove a high level of M&A activity, a trend that is expected to continue as established players consolidate their positions and disruptive industries enter the cannabis sector.

Key trends

Deal volume and disclosed value increased significantly throughout 2018 and continued into 2019, driven primarily by strong activity within the cannabis sector as companies prepared for legalization in October 2018.

Current M&A activity in the cannabis sector consists of established players seeking to consolidate market share and become vertically integrated. We expect the current M&A momentum in the cannabis sector to heighten as interest from outside industries mounts, including from players in the alcohol, tobacco, and consumer goods sectors.

Non-cannabis deals in the Canadian life sciences industry were driven mainly by large players in specialty pharma using M&A as a platform to replenish their pipelines and expand their geographic footprint. A need for companies to act on their growth strategies by obtaining market leadership and scale will require divestitures of non-core assets as companies look to redeploy these proceeds in areas where they have key strategic advantage. Scale and innovation are also likely to be critical to success in the cost-pressure environment that health care companies will face. This will further the desire and need for strategic partnerships/alliances and M&A, which give companies access to scale and innovation.

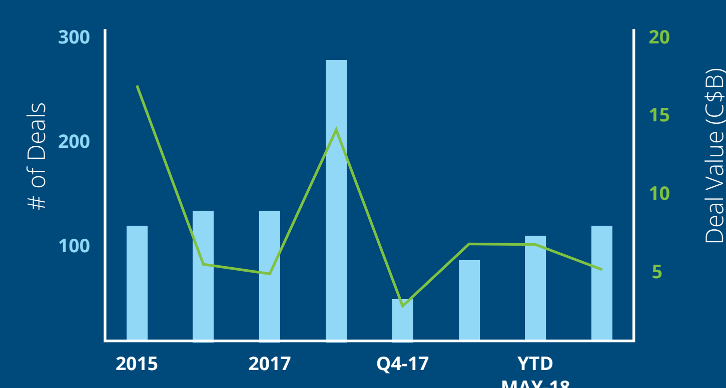
M&A by type - YTD May-19

Type	# Deals	Disclosed Value (C$M)
Domestic	46	$2,469
Inbound	17	$994
Outbound	51	$1,116
Total	**114**	**$4,579**

Q4-18

Type	# Deals	Disclosed Value (C$M)
Domestic	33	$474
Inbound	10	$253
Outbound	34	$5,218
Total	**77**	**$5,945**

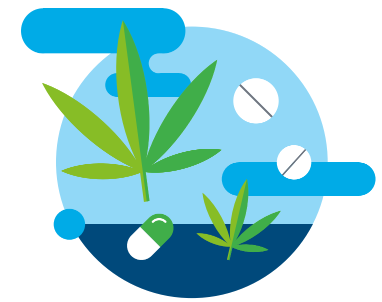
M&A deal volume and disclosed value



Source: S&P Capital IQ

Canadian M&A in review | M&A trends by sector: Life sciences and healthcare

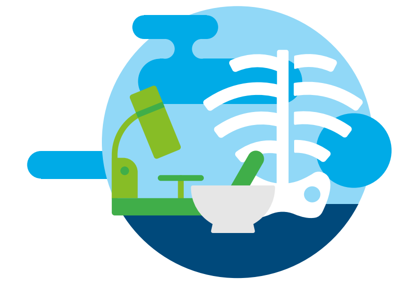
Recent Highlights



Cannabis

Aleafia announced its agreement to acquire Emblem Corp. The combination will create Canada's largest medical cannabis clinic network, with 40 medical clinics and education centres. The deal was announced in December 2018 and is valued at $226 million.

US cannabis operator Cresco Labs Inc. is acquiring Canadian marijuana brands company Origin House in a friendly, all-stock deal worth $1.1 billion.



Pharmaceuticals

Ipsen announced in February 2019 the acquisition of Clementia Pharmaceuticals, a Quebec-based organization that develops innovative treatments for rare bone disorders and other diseases, for $1.71 billion.

Health care

Canada Pension Plan Investment Board, Ontario Teacher's Pension Plan, and three other pension funds announced the acquisition of Australia-based Healthscope for $4.1 billion in October 2018. Healthscope operates private medical centres and hospitals in Australia.

Market trends to watch

Health care cost pressures

Compounding the rising cost pressures in health care is the release of Ontario's health care reform legislation. It will result in more public health provider consolidation in Canada's most populated province, which will have repercussions in the private sector.

In addition, if implemented, the National Pharmacare Program may have a significant impact on key players and drive M&A activity in those sectors in response to anticipated cost pressures.

Disruptive market entrants

Technology companies are seeking to disrupt the health care sector by redefining fundamental aspects of the industry.

Technology, media, and telecommunications

TMT remains the industry with the largest M&A deal volume. Activity is driven primarily by the technology sector and, more specifically, the rising demand for emerging technologies.

Key trends

Deal volume experienced a sustained increase from 2016 to 2018, with relatively stable period-over- period volumes in Q4-18 and YTD May-19. Overall, the TMT industry experienced the highest deal volume among all Canadian industries in Q4-18 and YTD May-19.

The acquisition of emerging technology and intellectual property (IP) are the major tech M&A drivers, with many companies viewing inorganic growth as the most effective means to integrate innovative technologies as a way to offer disruptive goods and services.

We expect the major Canadian media players to start shedding legacy assets in areas such as publishing, radio, and television as they re-align their strategies. This is demonstrated by Rogers' sale of *MoneySense* in November 2018 and several flagship magazines (including *Macleans* and *Chatelaine*) to St. Joseph Communications in March 2019.

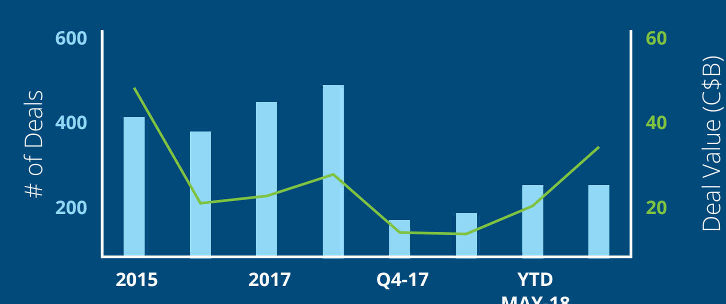
M&A by type - YTD May-19

Type	# Deals	Disclosed Value (C$M)
Domestic	80	$363
Inbound	67	$3,149
Outbound	56	$26,159
Total	**203**	**$29,671**

Q4-18

Type	# Deals	Disclosed Value (C$M)
Domestic	38	$298
Inbound	48	$401
Outbound	43	$5,769
Total	**129**	**$6,468**

M&A deal volume and disclosed value



Source: S&P Capital IQ

Canadian M&A in review | M&A trends by sector: Technology, media, and telecommunications

Recent Highlights

Technology

In February 2019, an investor group led by Hellman & Friedman announced an agreement to acquire Ultimate Software Inc., a US-based software developer, for $14 billion.

Blackberry closed the acquisition of Cylance, a US- based developer of AI and machine learning software, for $1.97 billion in February 2019.

Morgan Stanley announced an agreement to acquire Solium Capital Inc., an Alberta-based SaaS company, for $1.15 billion in February 2019.

Media

Ratehub Inc. acquired Rogers Media's Ontario-based personal finance themed magazine and website MoneySense. The transaction was announced in November 2018 for an undisclosed amount.

Telecom

In November 2018, a consortium including Ontario- based OMERS Infrastructure announced the acquisition of SFR FttH, a company formed by Altice France to hold and develop its existing fibre-to-the-home business, for $2.71 billion.

Market trends to watch

Emerging tech as primary growth driver
Traditional IT sectors such as software, hardware, and tech services will play a secondary role in future industry growth, with emerging technology such as Software as a Service (SaaS), Internet of Things (IoT), and big data/analytics expected to drive over half of industry growth.

Importance of cybersecurity
Cybersecurity is becoming increasingly important to the industry as digitization takes hold. Companies have a heightened focus on security and are increasing their security investments as they realize a traditionally defensive approach to cybersecurity (e.g., firewalls, antivirus programs) must be coupled with a proactive approach to effectively identify weaknesses in tech security.

Energy and resources

The overall outlook for the energy and resources industry remains stable, as weakening in the oil and gas sector is expected to be offset by increased M&A activity in the mining and materials sector.

Key trends

Deal volumes trended slightly upward in 2018, while Q4-18 and YTD May-19 deal volumes experienced slight decreases over prior-year periods. While deal volumes have stagnated, the industry consistently represents the largest portion of disclosed deal value, due to the propensity for mega-deals.

M&A activity in the sector is further affected by over- leveraged buyers, weak capital markets, and pipeline uncertainty. the Federal government has not adequately addressed the systemic issues facing the oil & gas (O&G) sector, and failed to offer a solution to the sector's growing competitiveness gap. However, the trend of international O&G players exiting Canada in 2018 has continued into 2019, providing some reprieve for domestic M&A.

M&A activity within the mining sector was strong in 2018 and continued into 2019 with the Newmont/Goldcorp mega-deal announced in February. This momentum is likely to continue throughout the year as further consolidation is sought within the gold and mid-tier base metal sectors (especially copper).

M&A by type - YTD May-19

Type	# Deals	Disclosed Value (C$M)
Domestic	57	$2,821
Inbound	53	$21,265
Outbound	24	$8,704
Total	**134**	**$32,790**

Q4-18

Type	# Deals	Disclosed Value (C$M)
Domestic	46	$2,141
Inbound	27	$1,053
Outbound	18	$8,286
Total	**91**	**$11,480**

M&A deal volume and disclosed value

Source: S&P Capital IQ

Canadian M&A in review | M&A trends by sector: Energy and resources

Recent Highlights

Oil and Gas

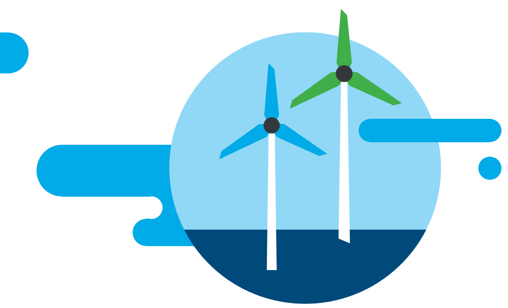
CNRL, one of the largest independent crude oil and natural gas producers in the world, announced in May 2019 its acquisition of the Canadian assets of Devon Energy Corporation for $3.8 billion.

Alberta-based Parkland Fuel Corp. announced in October 2018 the acquisition of SOL Limited, the largest independent fuel marketer in the Caribbean, for $2.1 billion.

Mining

Newmont Mining Inc. announced in January 2019 the intention to acquire British Columbia-based Goldcorp Inc., a competitor in the gold-mining industry, for $17.4 billion.

Pan American Silver Corp. completed the acquisition of Tahoe Resources Inc., a British Columbia-based mining company with silver and gold mines in Canada, Guatemala, and Peru, for $1.5 billion in February 2019.



Energy Infrastructure

Alberta Investment Management Corp. has acquired Eolia Renovables de Inversiones, a leading independent power producer in the Spanish renewable energy sector. The announcement was made in November 2018.

Market trends to watch

Lack of O&G market access
O&G supply is backlogged in Western Canada as pipelines are at or near capacity. Rail transport has been used to alleviate the problem but it is more costly, and growth in O&G surplus exceeds the adoption rate.

Mandated O&G production caps
To address the excess supply, the Alberta government mandated production curtailments to start in January 2019. This has had an impact on the ability of junior and mid-sized O&G companies to pursue M&A.

Beneficial mineral pricing
Beneficial gold and minerals pricing is expected to lead to production increases in 2019, particularly for copper. It's anticipated this will attract additional exploration and M&A investment.

Consumer business

M&A activity within the consumer business industry has remained stable, with continued activity in the food and beverage (F&B) sector. The outlook for 2019 is positive, as companies pursue international expansion and continued consolidation.

Key trends

Overall, deal volume has remained relatively stable period- over-period for both Q4-18 and YTD May-19, with a sharp decline in disclosed deal values in Q4-18 due to the absence of a mega-deal in the period.

Strong deal flow is expected in the food and beverage sector as many smaller private companies contemplate exit strategies and larger companies focus on trimming and building their product portfolios rather than on transformational M&A.

Consolidation has emerged as a trend among both food and beverage and consumer discretionary sectors, as demonstrated by several transactions in Q4-18 and YTD May-19. Furthermore, major Canadian grocers such as Metro and Longo's have established restaurant-style cooking stations to lure traditional restaurant consumers, which we believe will compel competitors to pursue this venue through inorganic means (e.g., Empire Company's acquisition of Farm Boy in December 2018).

There is an ongoing trend of stronger outbound activity, with many Canadian consumer goods companies expanding internationally, evidenced by Saputo Inc.'s acquisition of UK-based Dairy Crest in February 2019 and US-based F&A Dairy Products in December 2018, and the Shopify Inc. acquisition of Sweden-based Tictail in November 2018.

M&A by type - YTD May-19

Type	# Deals	Disclosed Value (C$M)
Domestic	58	$1,346
Inbound	27	$651
Outbound	38	$2,369
Total	**123**	**$4,366**

Q4-18

Type	# Deals	Disclosed Value (C$M)
Domestic	31	$144
Inbound	21	$792
Outbound	21	$426
Total	**73**	**$1,362**

M&A deal volume and disclosed value

Source: S&P Capital IQ

Canadian M&A in review | M&A trends by sector: Consumer business

Recent Highlights

Food and beverage

Quebec dairy producer Saputo Inc. announced the acquisition of UK-based Dairy Crest, a producer of cheese and dairy goods, for $1.5 billion in February 2019.

Parmalat Canada announced the acquisition of the Canadian Natural Cheese Business of Kraft Canada Inc. for $1.6 billion in November 2018. The transaction is subject to regulatory review and expected to close in the first half of 2019.

Consumer discretionary

Rupert of the Rhine LLC announced the acquisition of a portion of Ontario-based Hudson's Bay Company, a department store with 90 locations across Canada, for $170 million in January 2019.

Canada Goose Holdings completed the acquisition of Ontario-based Baffin Inc., a shoe producer, for $32.5 million. The acquisition was announced in November 2018.

Market trends to watch

Cannabis and consumer products

In preparation of the October 2019 legalization of non-combustible cannabis products (e.g. edibles, beverages) in Canada, consumer products companies are working to incorporate cannabis into their products. This includes CBD personal wellness products and THC-infused beverages, among others. This will likely drive disruptive M&A in both directions, as consumer goods companies acquire cannabis companies and vice versa.

Continuation of health trends: Food and beverage

Companies are increasingly focused on incorporating health-related products into their product portfolios, with major players such as General Mills and Hershey announcing plans to enhance their portfolios in 2019 to include healthy snacks and other products that appeal to younger consumers.

Manufacturing and business services

A combination of geopolitical factors has led to an ambiguous outlook for M&A in the manufacturing and business services industry in 2019.

Key trends

Overall deal volume remained stable in Q4-18 and YTD May-19 compared to prior periods. Disclosed deal values fell in both periods due to the absence of any mega-deals.

A number of ongoing geopolitical factors have created an environment of uncertainty for M&A. These include the pending ratification of the USMCA, ongoing trade disputes between the United States and China, and US tariffs on Canadian steel and aluminum (which have only recently been lifted). While some of these have had a positive impact on Canadian M&A (e.g., steel and aluminum tariffs encouraged inbound acquisitions of Canadian finished goods manufacturers to circumvent raw steel tariffs), others have had negative effects (e.g., delaying M&A until USMCA has firmed up).

We expect a higher volume of inbound activity from the United States, given the Tax Cuts and Jobs Act of 2017 will start to take effect in 2019. US companies now have lower effective tax rates and more cash to spend on M&A, which will encourage strategic investors to pursue acquisitions and expand product portfolios and customer segments.

M&A by type - YTD May-19

Type	# Deals	Disclosed Value (C$M)
Domestic	62	$6,736
Inbound	42	$394
Outbound	38	$1,069
Total	**142**	**$8,199**

Q4-18

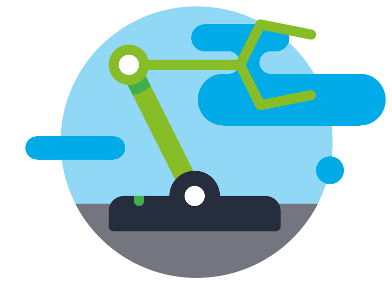
Type	# Deals	Disclosed Value (C$M)
Domestic	31	$44
Inbound	27	$86
Outbound	24	$1,191
Total	**82**	**$1,321**

M&A deal volume and disclosed value

Source: S&P Capital IQ

Canadian M&A in review | M&A trends by sector: Manufacturing and business services

Recent Highlights



Manufacturing

Ontario automation solutions company ATS Automation Tooling Systems Inc. completed the acquisition of Comecer SPA for $170.3 million in February 2019. Comecer SPA is an Italian-based leader in the design, engineering, manufacturing, and servicing of advanced aseptic containment and processing systems for the nuclear medicine and pharmaceutical industries.

Business services

Canadian private equity firm Onex Corporation completed the acquisition of a 42 percent stake in Ryan LLC, a leading global tax services and software provider based in the United States, for $412 million in October 2018.

Onex announced in May 2019 an agreement to purchase and privatize WestJet Airlines Ltd. for $6.3 billion.

Valmet Oyj acquired Groupe Laperriere & Verreault Inc., a Canadian-based global provider of technologies and services to the pulp and paper industry, for $169 million in February 2019.

Market trends to watch

Manufacturing 4.0
Within the next five years, manufacturing is expected to move more fully toward automation, digitization, and mass customization. This will drive disruptive M&A with a technology focus.

Workforce shortage
Despite the trend of manufacturing evolving toward more automated and digitized processes, workforce shortages have been growing largely due to a skills gap. This indicates that acquiring capabilities and a skilled workforce can be a driver of M&A in the future.

Glossary of terms

B2B	Business to business industry
B2C	Business to consumer industry
C$	All amounts are in Canadian dollars, unless otherwise stated
CBD	Cannabidiol
Dry powder	Cash reserves, liquid assets that an investor can use for investment purposes
EBITDA	Earnings before interest, tax, depreciation, and amortization
EU's GDPR	European Union's General Data Protection Regulation
EV	Enterprise value
F&B	Food and beverage
GDP	Gross domestic product
IoT	Internet of things, intelligently connected devices and systems
IP	Intellectual property
IT	Information technology
n/a	Data either not applicable or not available
O&G	Oil and gas
PE	Private equity
Q4-17, Q4-18	Three months ended December 31, 2017 or 2018
REIT	Real estate investment trust
SaaS	Software as a Service
SMEs	Small and medium-sized enterprises
TMT	Technology, media, and telecommunications
USMCA (NAFTA 2.0)	United States-Mexico-Canada Trade Agreement (North American Free Trade Agreement replacement)
YTD May-18, May-19	Year-to-date period ended May 31, 2018 or 2019

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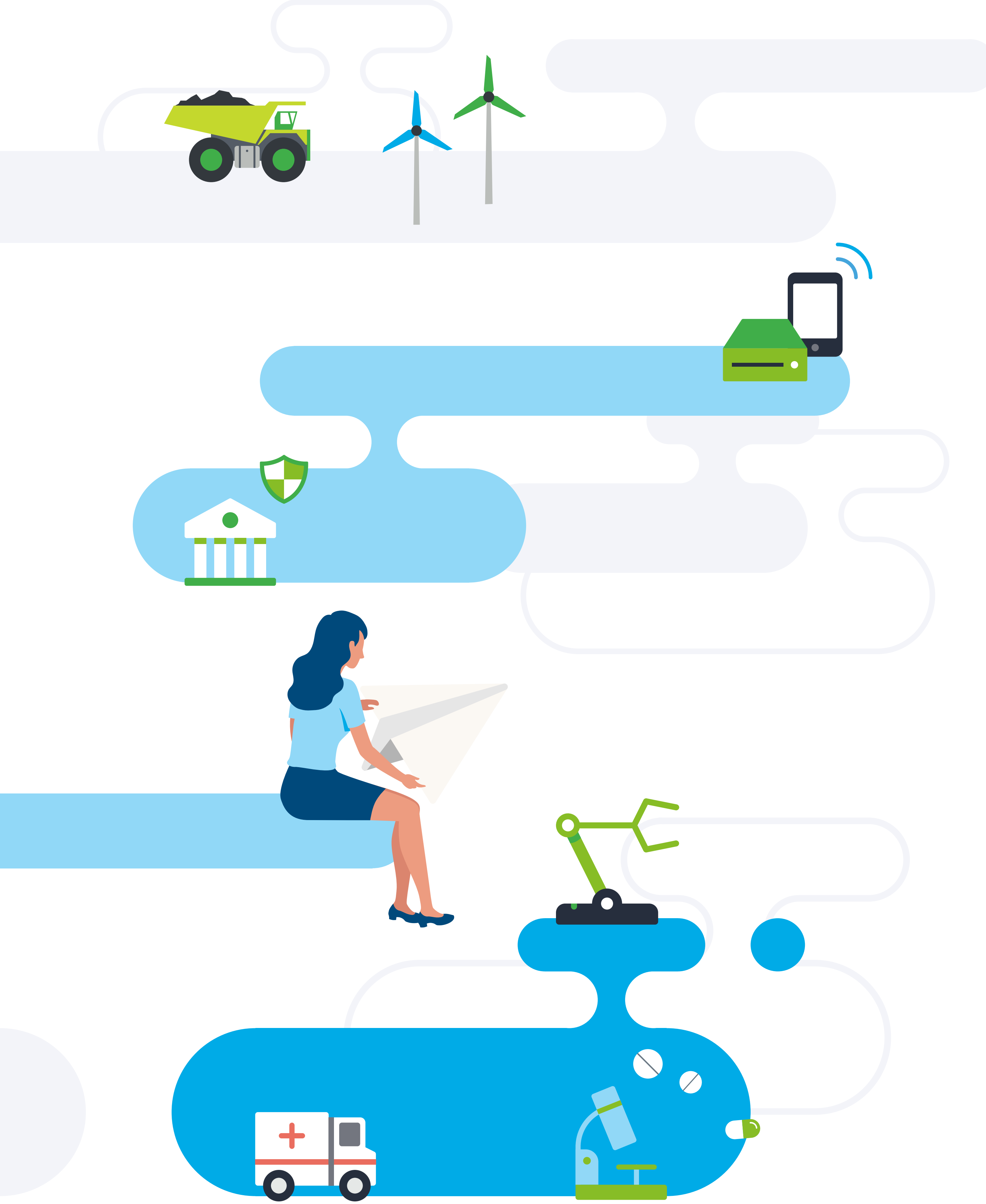

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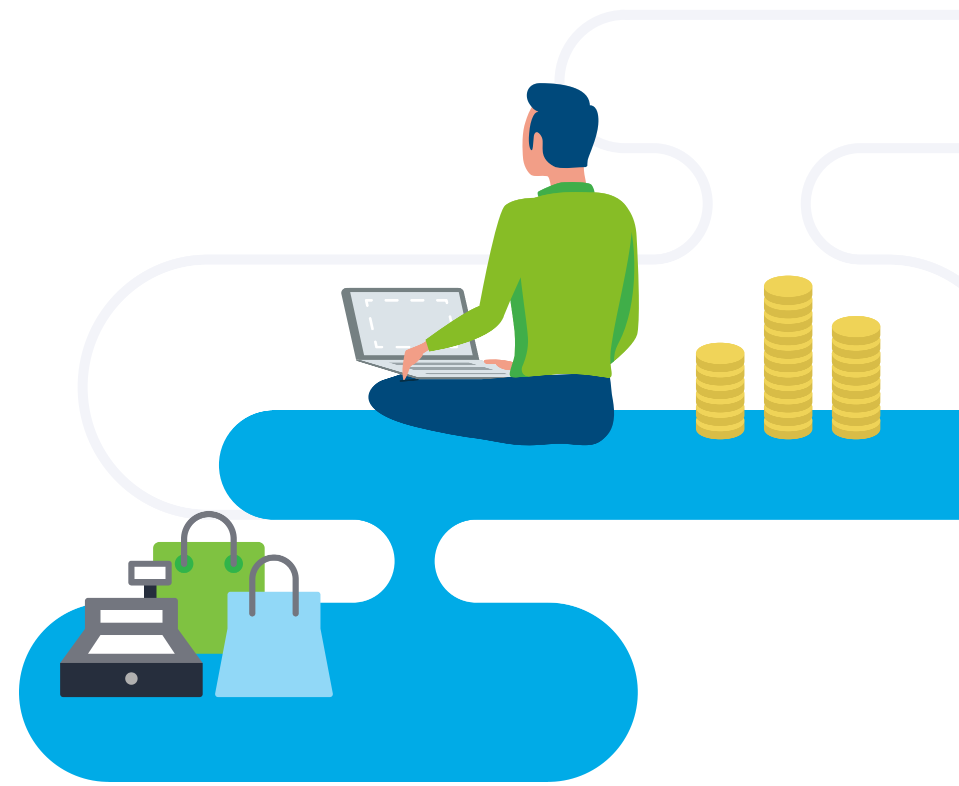

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