

A scenic landscape of a turquoise lake surrounded by forested mountains and a rocky shore. The sky is blue with some clouds, and the water reflects the surrounding environment. The foreground is filled with large, grey rocks.

KROLL

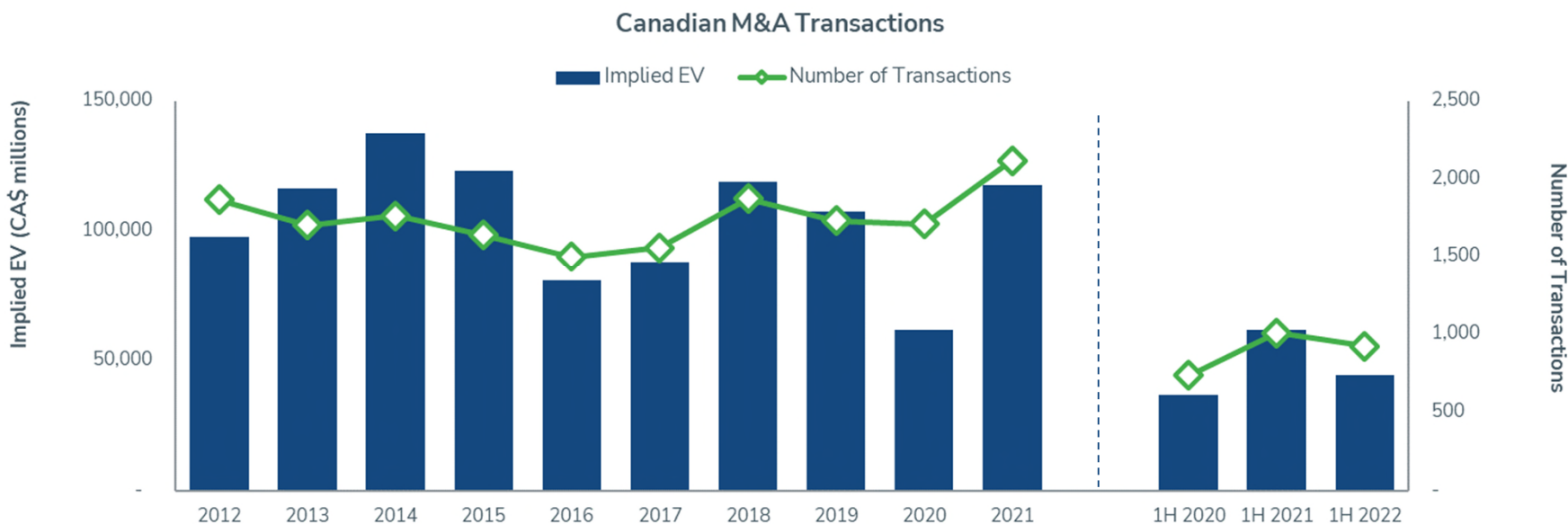
Canadian M&A Insights

Summer 2022

Canadian M&A Update

Although 1H 2022 Canadian M&A activity has declined moderately in both transaction count and total implied enterprise value (EV) compared to a record-breaking 1H 2021, deal count remains substantially higher than 1H 2020. Due to general economic uncertainty in the market, a slowdown in transactions was expected as companies continue to navigate through these headwinds. In 1H 2022, there were 925 Canadian companies sold with the total disclosed EV of these transactions amounting to CA\$44.1 billion, marking a 29% decrease compared to 1H 2021.

Canadian M&A Transactions (CAD in millions)



For all data herein: All transaction values are in Canadian dollars (unless otherwise noted) and refer to transactions with reported financial data. All transaction data refers to acquisitions of majority stakes (minority deals were excluded). M&A transactions in 1H 2022 include those between January 1 and June 30, 2022.

Sources: S&P Global Market Intelligence as of July 14, 2022; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Canadian M&A Update

1H 2022 saw 22 megadeals close, averaging \$2.3 billion in EV, a significant decrease from an unprecedented 1H 2021, which had 38 recorded closed megadeals. The largest Canadian sell-side deal in 1H 2022 was the acquisition of Kirkland Lake Gold Ltd. for \$9.8 billion by Agnico Eagle Mines Ltd. The second- and third-largest sell-side megadeals in 1H 2022 were the acquisitions of Seapeak LLC and Pretium Resources Inc. for \$4.5 and \$2.8 billion, respectively.

Significant megadeals announced in 1H 2022 but not yet closed include Gold Fields Limited's acquisition of Yamana Gold Inc. for \$9.4 billion, and British Columbia Investment Management Corporation and Macquarie Asset Management Inc.'s acquisition of National Grid Gas for \$13.2 billion.

Large 1H 2022 Closed Transactions: Canadian Seller

Target	Target Country	Buyer	Buyer Country	Enterprise Value CAD Billions	Industry
Kirkland Lake Gold Ltd.	Canada	Agnico Eagle Mines Ltd.	Canada	9.8	Materials
Seapeak LLC	Canada	Stonepeak Partners LP	United States	4.5	Energy
Pretium Resources Inc.	Canada	Newcrest Mining Ltd.	Australia	2.8	Materials
Intertape Polymer Group Inc.	Canada	Clearlake Capital Group LP	United States	2.5	Materials
Canadian Costco Credit Card Portfolio of Costco Wholesale Corporation	Canada	Canadian Imperial Bank of Commerce	Canada	2.5	Unspecified

Deals involving a Canadian company as the buyer or seller, with an implied EV of \$500 million or more (minority deals excluded).

Sources: S&P Global Market Intelligence and Mergermarket as of July 14, 2022; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Canadian M&A Update

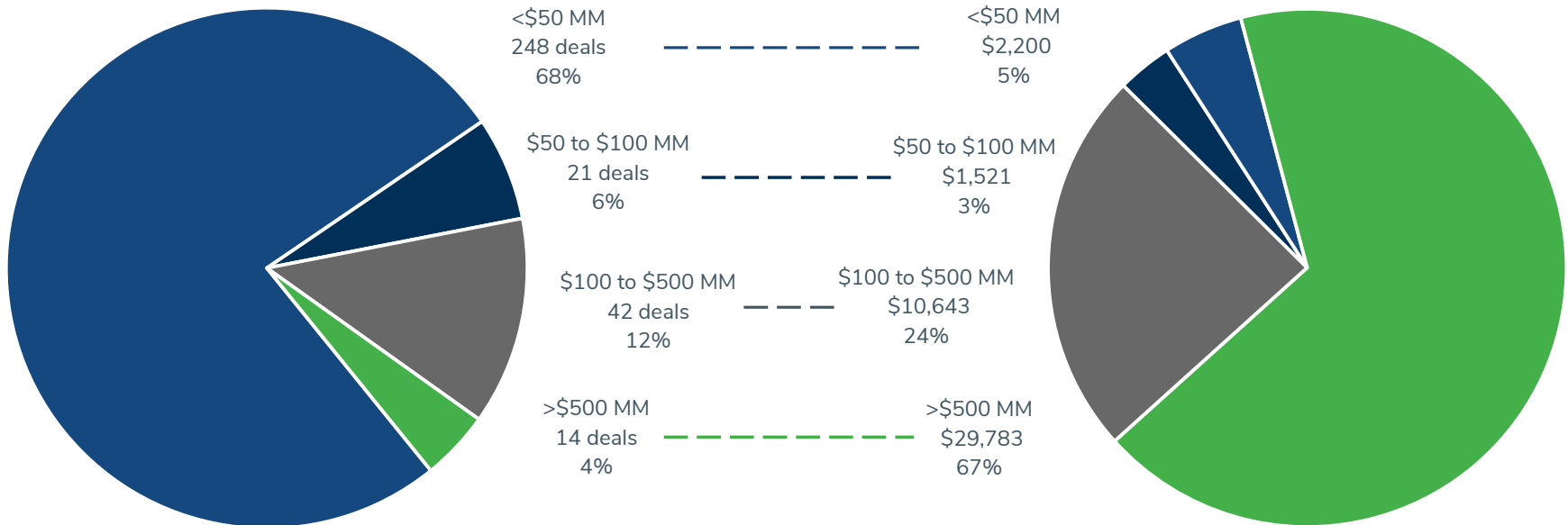


The Canadian M&A market had 925 completed transactions in 1H 2022, down from 1,008 in 1H 2021, likely due to economic precariousness. The median deal value decreased slightly from \$9.4 million in 1H 2021 to \$7.8 million in 1H 2022 as deals under \$50 million represented 68% of the deal count. Although megadeals represent only 4% of all transactions, they represented 67% of the total deal value.

It should be noted that, since the values of many smaller transactions are not disclosed, the actual median is likely lower.

Number of Canadian M&A Transactions: Canadian Targets* (1H 2022) (Deal Volume)

Value of Canadian M&A Transactions: Canadian Targets (1H 2022) (CAD in millions)



*Only includes transactions with disclosed financial information. MM denotes millions of Canadian dollars.

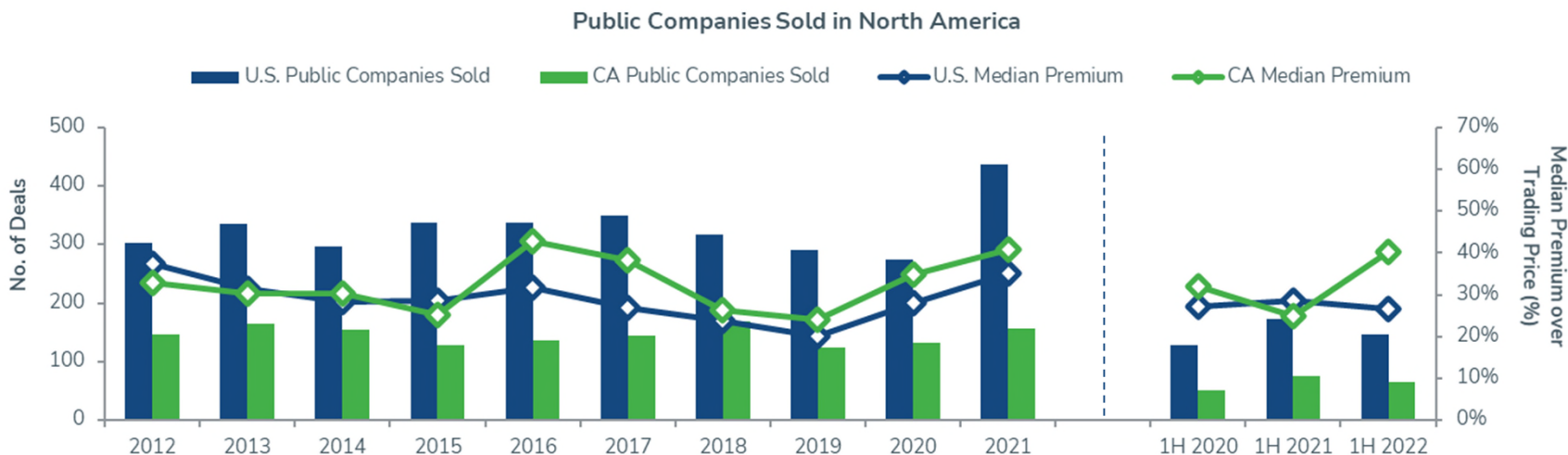
Sources: S&P Global Market Intelligence as of July 14, 2022; Kröll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Public vs. Private

Private company transactions continued to account for the majority of the North American M&A landscape in 1H 2022, representing 92.9% (compared to 92.6% in 1H 2021) of total Canadian deals and 98.0% (compared to 97.8 % in 1H 2021) of all U.S. deal flow. In 1H 2022, 35 fewer public companies were sold in North America than in the previous year. Compared to 1H 2021, the total number of public companies sold in Canada decreased by 9 (66 sold in 1H 2022 vs. 75 sold in 1H 2021) while the U.S. experienced a decrease of 26 public companies sold (147 sold in 1H 2022 vs. 173 sold in 1H 2021).

The median takeover premium of Canadian public companies in 1H 2022 was 40% (a 7% increase from the prior year) and 27% (a 2% decrease from the prior year) for U.S. public companies. In 1H 2022, the Canadian takeover premium was above while the U.S. takeover premium was below their respective 10-year averages of 33% and 29%.

Public Companies Sold in North America



Sources: S&P Global Market Intelligence as of July 14, 2022; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Valuation Multiples

North American transactions experienced a slight increase in overall valuation multiples (where disclosed) in 1H 2022 compared to the previous year. In particular, the average earnings before interest, taxes, depreciation and amortization (commonly known as EBITDA) multiple was 10.8x, which is an increase of 0.2x from 2021.

In 1H 2022, EBITDA multiples increased in most industry segments except for the health care and industrials sectors. The utilities industry experienced the largest increase in their industry multiples.

EV to EBITDA Multiples by Industry for Transactions in North America*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	1H 2022
Consumer Discretionary	10.2x	11.1x	10.7x	9.9x	10.6x	10.0x	11.1x	11.3x	11.6x	9.6x	11.9x
Consumer Staples	10.8x	11.1x	12.0x	9.4x	12.1x	12.0x	11.5x	10.7x	12.8x	10.3x	11.6x
Energy	7.6x	8.1x	8.5x	8.8x	8.6x	13.1x	9.8x	9.7x	4.1x	8.0x	10.3x
Financials	9.1x	10.6x	12.3x	9.0x	12.1x	12.6x	10.4x	N/A	6.0x	8.9x	9.0x
Health Care	10.8x	10.1x	11.7x	12.7x	12.6x	13.7x	12.3x	12.1x	14.1x	11.9x	10.3x
Industrials	8.6x	8.8x	9.7x	9.9x	9.1x	10.4x	10.3x	10.9x	9.5x	10.9x	9.7x
Information Technology	11.0x	11.2x	12.7x	13.1x	12.4x	13.6x	12.1x	11.8x	10.1x	11.6x	13.0x
Materials	8.7x	10.0x	8.3x	10.5x	7.8x	10.5x	10.7x	9.8x	9.3x	8.6x	9.5x
Communication Services	9.4x	8.9x	9.9x	14.9x	8.9x	9.7x	9.6x	9.6x	11.0x	11.2x	12.3x
Utilities	9.5x	11.1x	9.7x	10.3x	11.1x	13.9x	11.8x	10.1x	15.1x	10.5x	13.5x
Real Estate	15.9x	15.5x	17.6x	19.2x	16.5x	17.7x	16.2x	14.1x	19.5x	17.8x	20.2x
Unspecified**	4.1x	11.9x	4.1x	8.5x	10.5x	7.3x	8.3x	7.0x	12.3x	5.7x	9.0x
All Industries	9.6x	10.2x	10.7x	11.0x	10.9x	11.7x	11.0x	10.9x	10.7x	10.6x	10.8x

*Excludes multiples over 25.0x; figures are rounded, the "All Industries" category uses unrounded figures in its calculation.

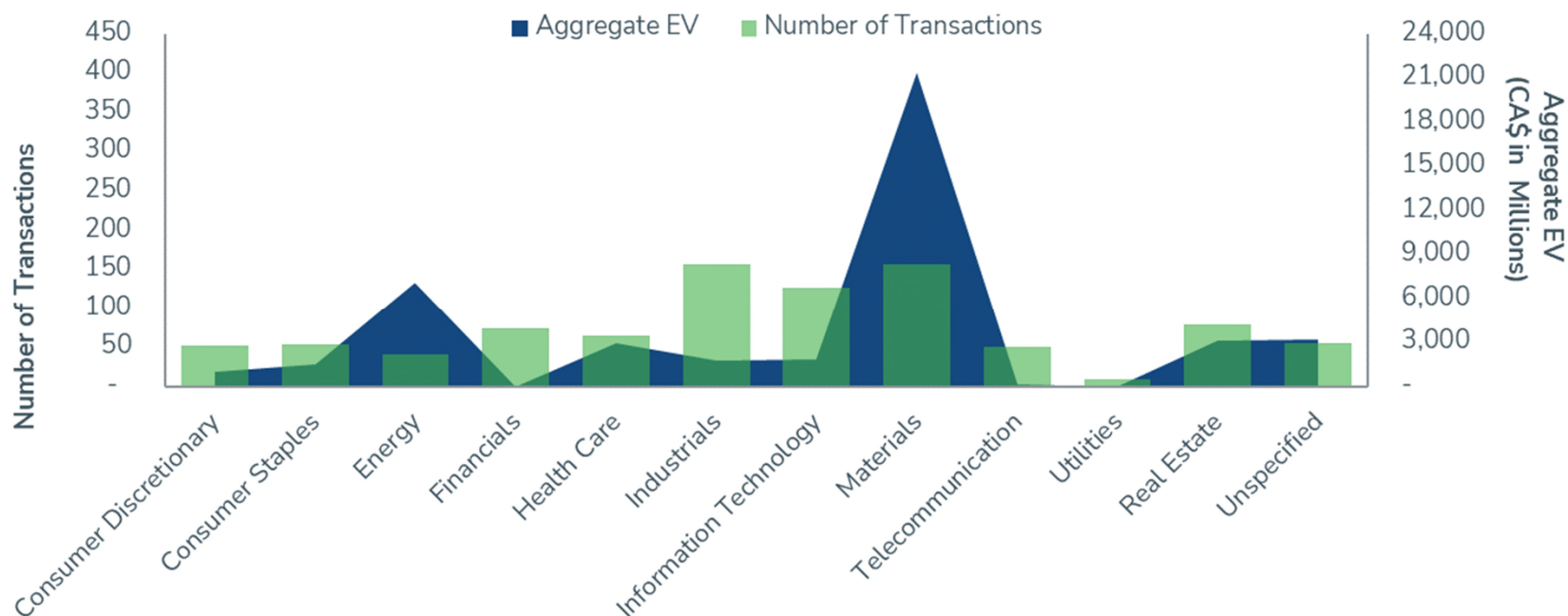
**The unspecified category includes transactions within a target company industry that S&P Global Market Intelligence has not categorized.

Sources: S&P Global Market Intelligence as of July 14, 2022; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Industry Sectors

The industrials and materials sectors are currently the most active in Canada, each with 157 transactions. In terms of EV, the largest deal among these two sectors was Agnico Eagle Mines Ltd.'s acquisition of Kirkland Lake Gold Ltd., valued at \$9.8 billion. Although similar in deal volume, the total deal value in terms of EV for the industrials and materials sectors contributed to \$1.8 (average value of \$11.6 million) and \$21.4 billion (average value of \$136.1 million), respectively. The third most active sector was information technology, with a total of 126 transactions amounting to \$1.9 billion.

Canadian M&A Transactions by Industry (1H 2022)



Note: The unspecified category includes transactions within a target company industry that S&P Global Market Intelligence has not categorized.

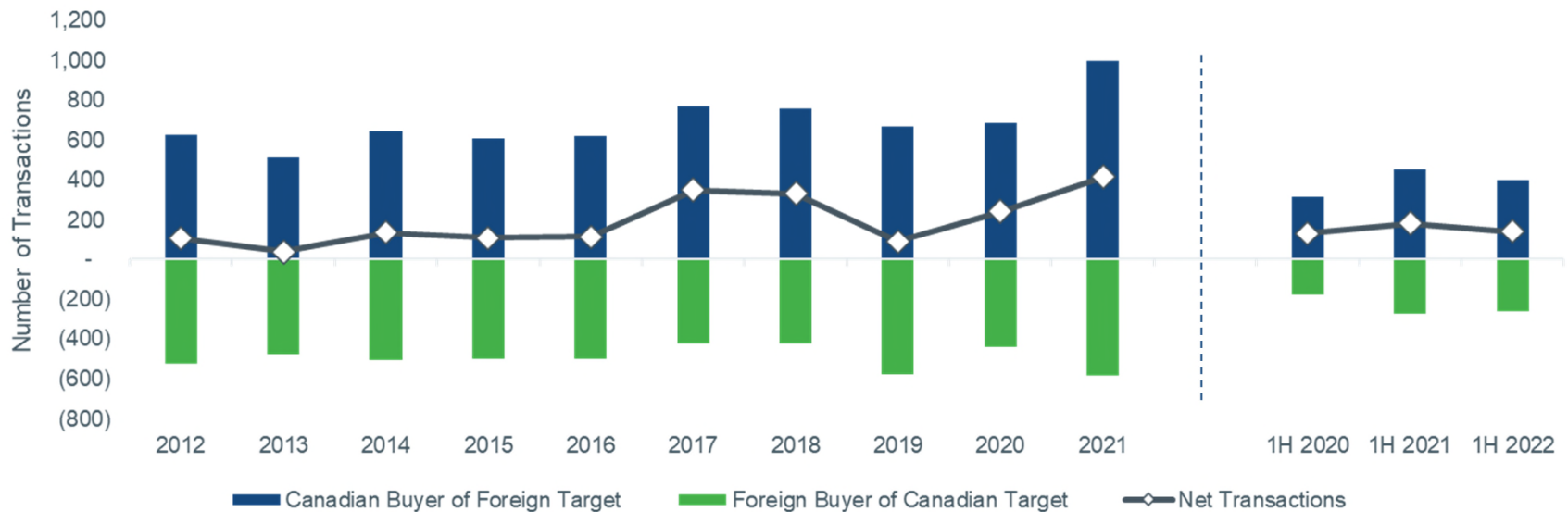
Sources: S&P Global Market Intelligence as of July 14, 2022; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Cross-Border Transactions

Acquisitions of Canadian companies continued to be predominantly domestic, with 666 of the 925 transactions (72%) completed by a Canadian buyer in 1H 2022. Foreign and undisclosed buyers accounted for the remaining 259 transactions.

Canada maintained a net positive M&A environment, with Canadian companies acquiring more foreign-based companies (259 transactions) than Canadian companies acquired by foreign companies (143 transactions) in 1H 2022. Canadian companies continue to be net buyers from a global M&A perspective.

Canadian Cross-Border M&A Activity (1H 2022)



Sources: S&P Global Market Intelligence as of July 14, 2022; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Cross-Border Transactions

Transactions between the U.S. and Canada continue to be the most prominent cross-border activity involving Canadian buyers and sellers. Despite a 13% decrease in Canadian buy-side transaction activity, there were several notable deals. The largest deal was the \$20.9 billion sale of McAfee Corp. to a consortium of buyers, including CPP Investments.

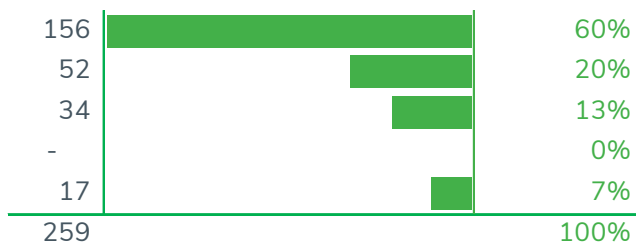
European companies were also active, acquiring a total of 52 Canadian companies in 1H 2022, holding steady from 1H 2021. Acquisitions of European companies by Canadian companies remained relatively constant, decreasing from 93 in 1H 2021 to 92 in 1H 2022.

The number of Canadian buyers of Latin American companies decreased, with a total of 23 completed transactions in 1H 2022 (compared to 32 in 1H 2021). Additionally, there were no Latin American buyers of Canadian companies.

Representing 6% of the total transactions in 1H 2021, Canadian buyers of Asia Pacific-based companies decreased to 2% in 1H 2022. Asia Pacific-based buyers of Canadian companies increased slightly to 7%, from 5% in 1H 2021.

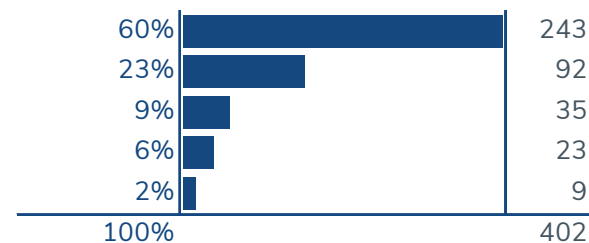
Canadian Cross-Border Transactions by Region (1H 2022) (Number of Deals)

Foreign Buyer of Canadian Target



United States
Europe
Other/Unspecified
LATAM
Asia Pacific

Canadian Buyer of Foreign Target



Sources: S&P Global Market Intelligence as of July 14, 2022; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

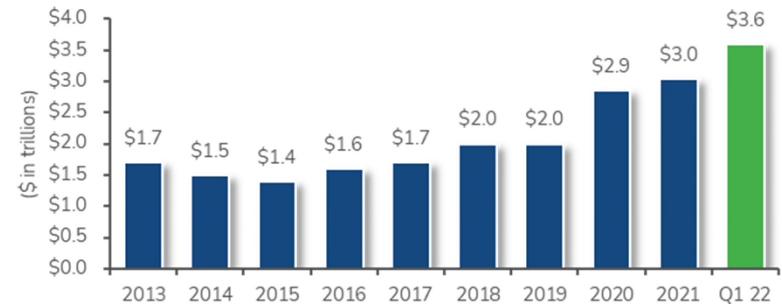
Looking Ahead

1H 2022 has been strong in terms of deal volume and total transaction value, although performance has waned when compared to a record-setting 1H 2021. Even with general market uncertainty stemming from record-high inflation rates, global conflicts, supply chain constraints, and lingering COVID-19 effects, Canadian M&A activity has proven to be resilient through these challenges.

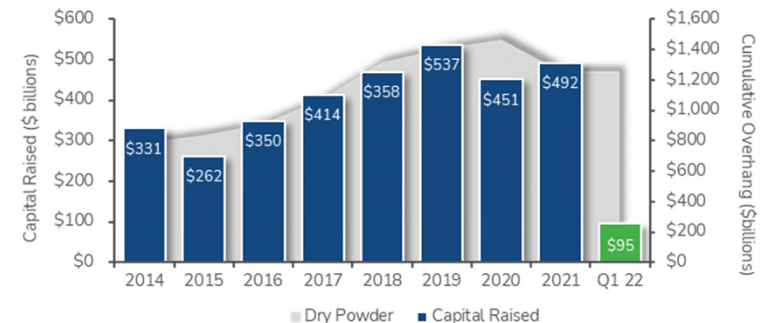
In preparation for a potential recession, large corporations and private equity firms around the world have increased their cash balances to continue navigating through these economic headwinds. The excess dry powder in the market is likely to be the primary force continuing to drive M&A transactions. As businesses around the world continue to take precautions due to recent economic instability, we expect buyers and investors to be selective about which acquisitions they pursue, looking for transactions that are highly strategic or opportunistic. We expect lenders to become increasingly cautious in the current environment, which will impact leverage availability and, ultimately, valuations.

Despite rising interest rates due to inflationary pressures, M&A activity for the remainder of 2022 is expected to be solid, largely due to robust liquidity in the market, as strategic buyers and financial sponsors look to put capital to work.

S&P 500 Cash Balances



Private Equity Overhang



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Sources:

¹Refinitiv Data (U.S. deals \$10M < \$170M, including deals without a disclosed value.) Full years 2012 through 2021.

²Refinitiv' cumulative data 2012-2021



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