



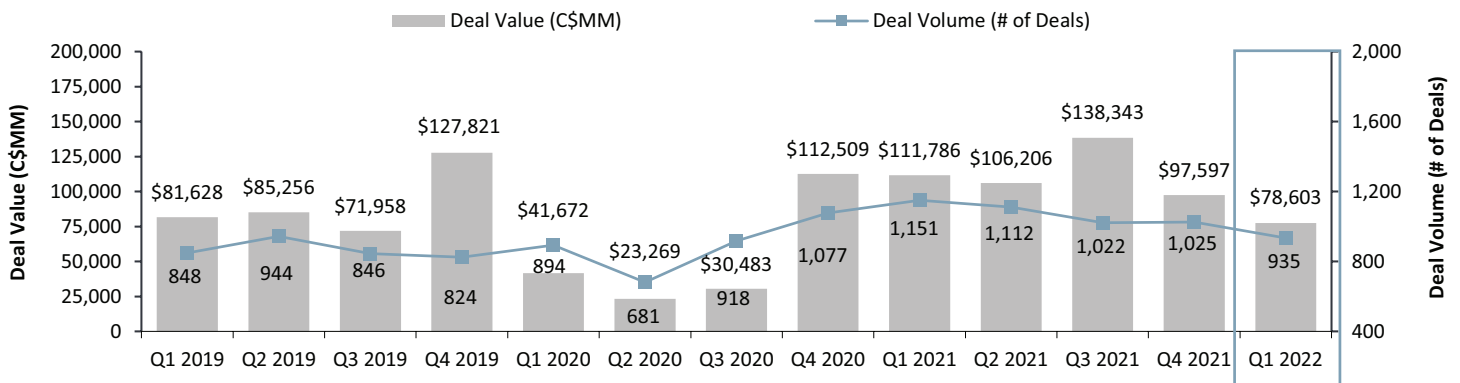
# CANADIAN M&A REVIEW: Q1/2022

*A snapshot of the Canadian M&A landscape in Q1/22 followed by insights from our own practice, including a focus on industrials, and concluding with an update on Origin’s recent activity.*

## A Solid Quarter

In the wake of a record 2021, Canadian M&A<sup>1</sup> kicked off the year at a slower, but nevertheless, respectable pace, despite geopolitical turmoil, rising inflation and the threat of rising interest rates.

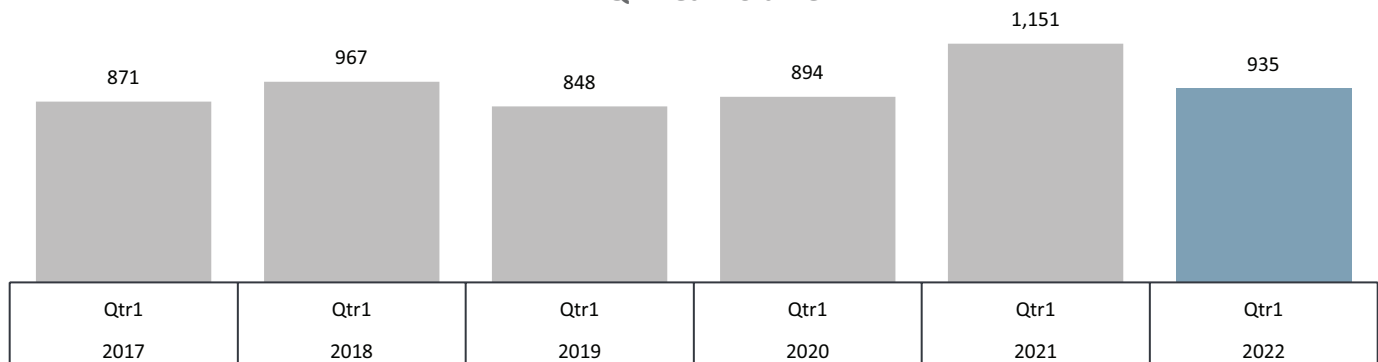
**Total Deal Value & Volume**



Source: S&P CapitalIQ.

While deal volume in the first quarter declined from the prior quarter and year over year, activity maintained a reasonable clip, outpacing pre-COVID first quarter results, with the exception of Q1/18.

**Q1 Deal Volume**



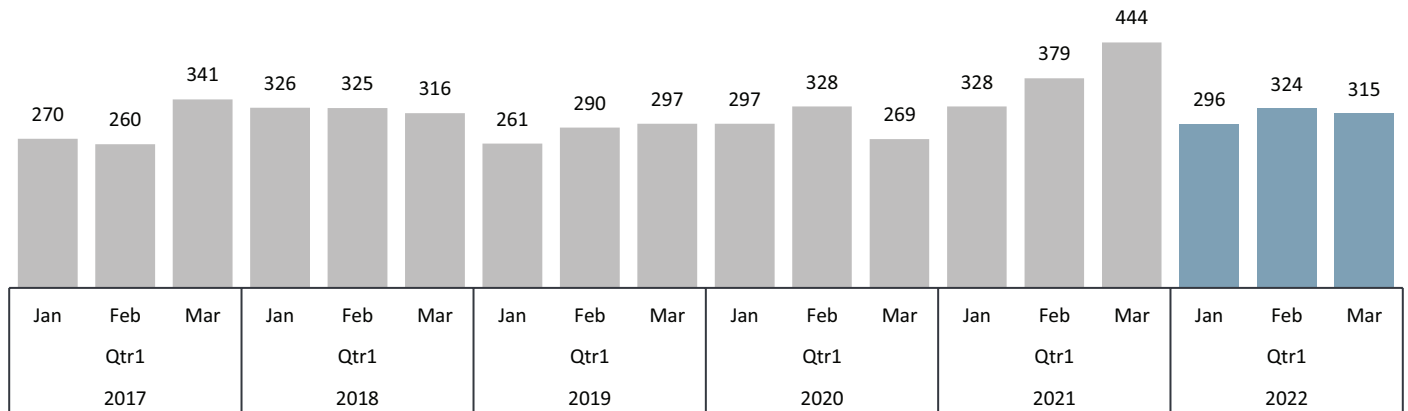
Source: S&P CapitalIQ.

<sup>1</sup> Announced deals.

Due to timing of exporting data, historical totals may differ slightly.

The February 24, 2022 Russian invasion of Ukraine prompted a closer look at relative monthly activity. While March volume declined slightly from February, and is well off the March 2021 high, it remained in line with March 2018 and 2019 levels. We will be watching for any delayed impact in Q2/22

Deal Volume — Monthly Breakdown

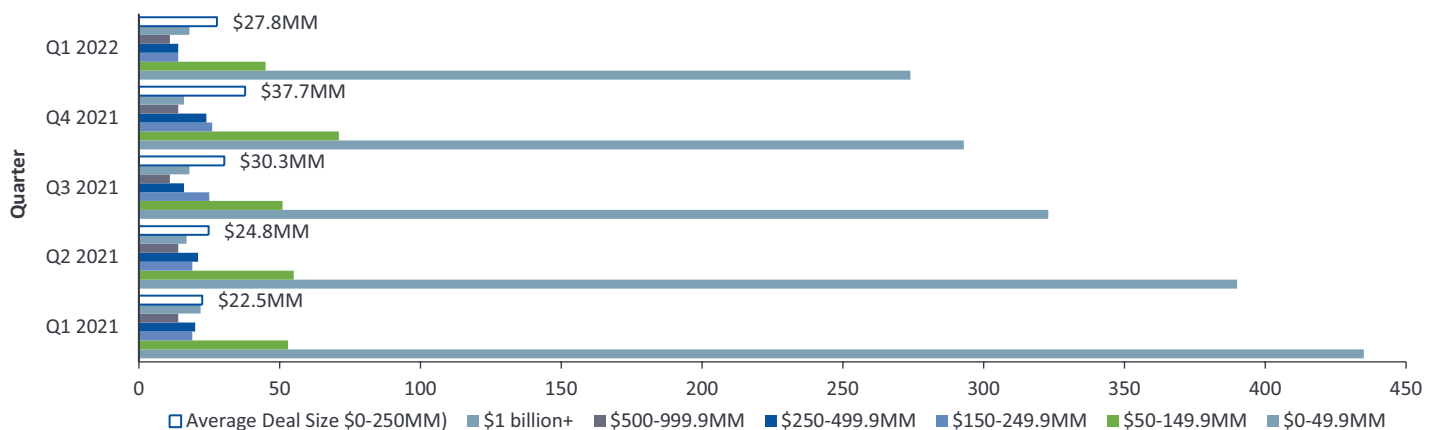


Source: S&P CapitalIQ.

## Canada's Mid-Market

As always with Canadian M&A, the mid-market drove deal activity in Q1/22 accounting for 88.6% of deal volume, in line with 88.0% in the prior quarter and 89.1% in Q1/21. Average deal size of \$27.8 million, an increase over Q1 and Q2 of the prior year, reflected a sharp decline in the number of lower mid-market (<\$50 million) deals announced in Q1/22 relative to total deal volume.

Deal Volume by Deal Size

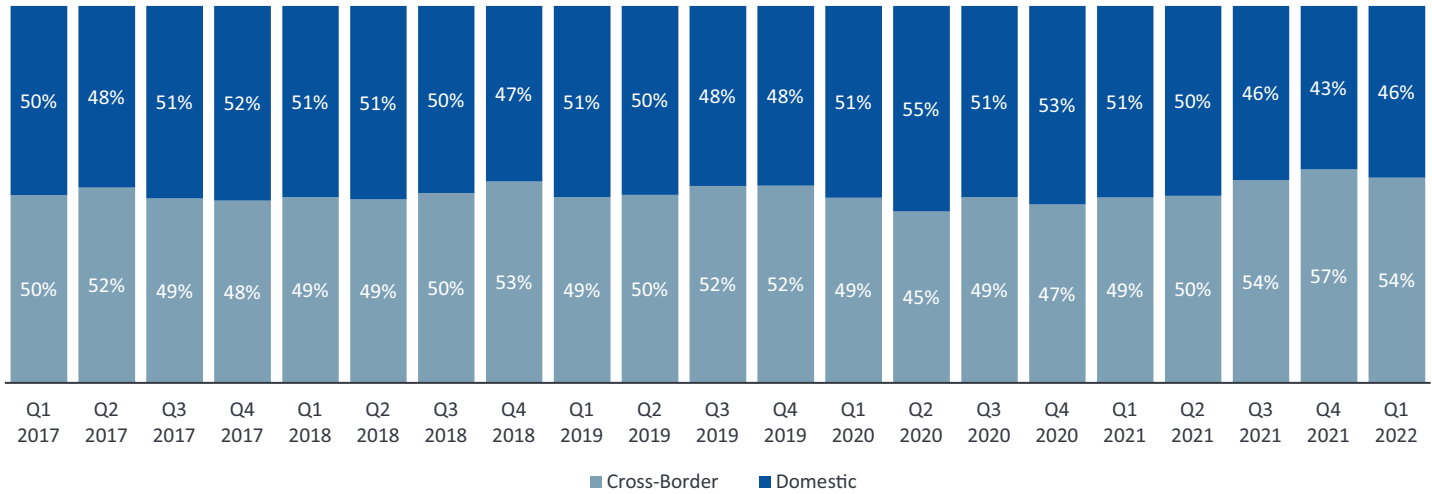


Source: S&P CapitalIQ.

# Cross-Border Strength

Despite global turmoil, cross-border dealmaking remained strong, representing 54% of total volume, the second highest level seen over the past five years.

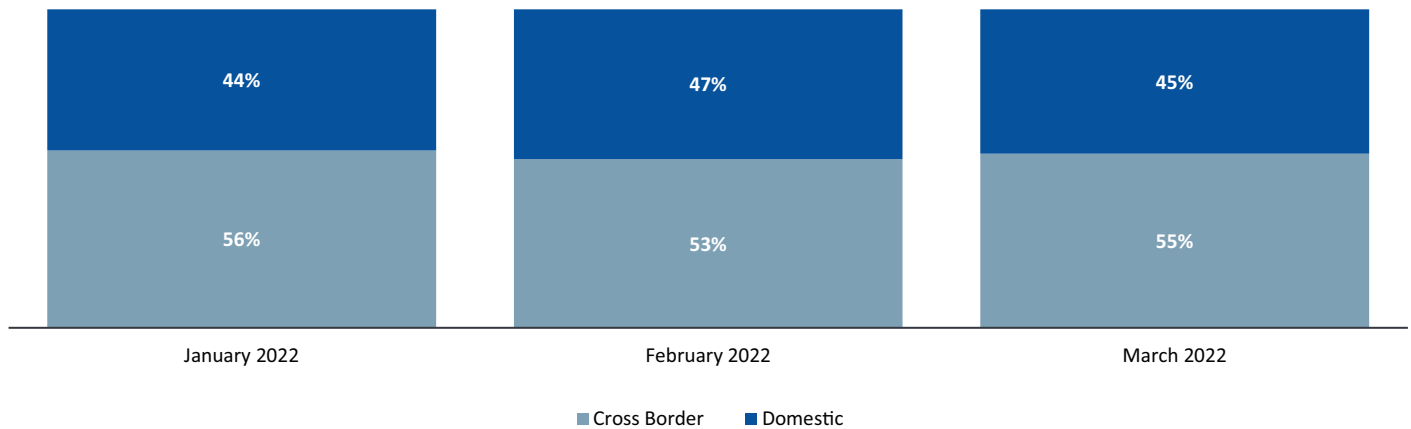
Cross-Border vs Domestic Volume



Source: S&P CapitalIQ.

Breaking down cross-border activity by month, it appears that global events have had little impact on cross-border volume: announced cross-border activity remained consistent through March/22. As previously mentioned, we will be watching for delayed impact through Q2/22.

Q1 2022 Cross Border Activity by Month



Source: S&P CapitalIQ.

1 For the purposes of this report, we define the Canadian Mid-Market to include transactions of less than \$250 million.

## Insights from Origin's Advisory Practice: Q1/22



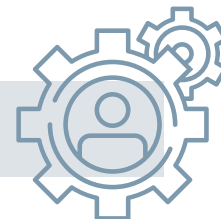
**Shaun Quennell** ([shaun.quennell@originmerchant.com](mailto:shaun.quennell@originmerchant.com))  
Director



- Activity and investor interest remain high, but overall, more caution is setting in. Buyers continue to look for actionable, attractive transactions, but are working hard on diligence and being strategic about the way capital is deployed. The market remains robust, but we are closely monitoring buyer activity and the fit between seller and buyer is becoming ever more important to ensure a successful transaction.
- In-person meetings have returned in a big way for management meetings and site visits, which has had a very favourable impact on the social side of transactions, as parties can meet in person, spend time together and get to know their counterparties at a more personal level before consummating a transaction. This is beneficial for both buyers (who can feel more comfortable with their acquisitions after getting to know the relevant management team) and sellers (who can be more assured that they have found a good future steward for their business and partner for their team).
- We are seeing significant interest from international buyers across a range of sectors. Canada seems to be regarded as a safe haven in the midst of the ongoing global uncertainty, and we have seen a great deal of interest from buyers all across the world looking at Canadian companies and assets.
- Market participants are closely monitoring the interest rate environment, as the sentiment from the US Federal Reserve and other relevant bodies has shifted towards raising benchmark rates. The overall leverage and interest rate environment remains extremely accommodative, but the change in policy direction is a variable that bears watching.



**Darren Williams** ([darren.williams@originmerchant.com](mailto:darren.williams@originmerchant.com))  
Principal, Industrials Practice Lead



- There are certain industrial sectors that continue to attract more capital and healthy valuations, driven by the "Covid-19 experience" and heightened by the war in Ukraine.
- Supply chain continues to be an area of outsized investment and interest (i.e. the ability to lock up local supply of commodities or inputs like steel, aluminum, resin...) – backward integration appears to be a trend in securing raw material supply.
- Infrastructure contracting is also an area that is attracting an unusual amount of interest. We are seeing much more consolidation from strategics and even increased private equity interest – historically not an area of interest. This is being driven by a few things – massive infrastructure spend (at all levels of government) – due both to a requirement to replace or expand current transportation corridors, energy grids, EV trends, housing growth AND infra stimulus packages both here and the US.
- Strategics are also purchasing other companies to help secure skilled labour which, like other industries, has been an issue during the pandemic.

If you would like more detailed insights into the Canadian M&A landscape, please email [Karen Fisman](mailto:karen.fisman@originmerchant.com).

## And at Origin...

We closed four transactions in Q1/22, in Industrials, Healthcare and Real Estate.

 <p>Exclusive Financial Advisor on its Sale to</p> 	 <p>Exclusive Financial Advisor on its Sale to an undisclosed buyer</p>	 <p>Exclusive Financial Advisor on its Sale to</p> 	 <p><b>\$30 million</b> Exclusive Financial Advisor on its Private Placement</p>
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Despite the cautionary notes above, weeks into the second quarter, our pipeline is full with sell-side, buy-side and capital raising mandates in sectors including Industrials, Healthcare, Technology, Food & Ag, Education and Cannabis.

We look forward to reaching out to many of you as we bring new deals to market in the coming months.

Click [here](#) for our full transaction history.

## New Developments



**Alain Miquelon** ([alain.miquelon@originmerchant.com](mailto:alain.miquelon@originmerchant.com))  
*Principal, Quebec Lead, Financial Services & Diversified*



In February, 2022, we launched our Montreal office led by finance industry veteran, **Alain Miquelon**. Alain brings more than thirty years of corporate experience in the Quebec market, including more than 20 years of senior executive experience in various public companies, as well as investment banking experience at one of the large Canadian banks. He has extensive senior experience in the financial services sector, having served at *TMX Group* as President and CEO of the *Montreal Exchange* and, most recently, as Senior Partner of *Novacap*, one of Canada's largest private equity firms.

Read the full announcement [here](#).



**Peter Farrell** ([peter.farrell@originmerchant.com](mailto:peter.farrell@originmerchant.com))  
*Principal, Business Services & Diversified*



In January, 2022, **Peter Farrell** joined Origin after co-founding *Citron Hygiene* in 1996 and subsequently partnered with Birch Hill Equity Partners in 2016 to accelerate its growth. During his 25 year tenure as Citron CEO, Peter oversaw numerous acquisitions and divestitures, both domestically and globally. As Origin Principal, Peter is sharing his expertise with entrepreneurs in the Business Services sector looking to exit their businesses, raise capital, or execute on an acquisition strategy.

Read more [here](#) about Peter's experience and about the Business Services sector, including why there is sustained investor interest and how valuations are trending for mid-market companies.

Watch for our next M&A Review covering Q2/22 activity, coming your way this summer.





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