



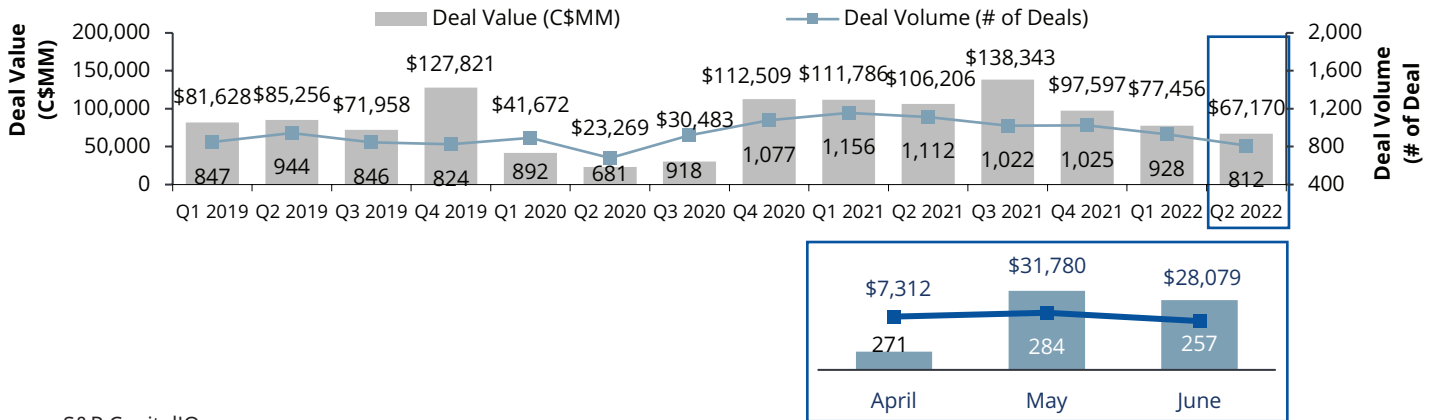
CANADIAN M&A REVIEW: Q2/2022

A snapshot of the Canadian M&A landscape in Q2/22 followed by insights from our own practice, and concluding with an update on Origin's recent activity.

A quarter that met (lower) expectations...

Canadian M&A activity declined in the quarter, as economic uncertainty, spurred on by rising interest rates, inflation and tumultuous global events, took hold.

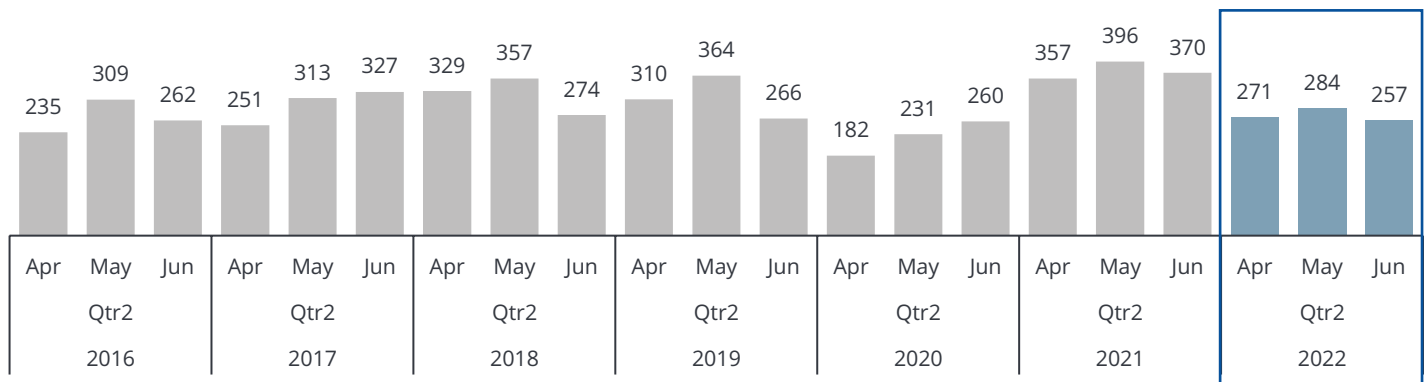
Total Deal Value & Volume (Q1 2019 - Q2 2022)



Source: S&P CapitalIQ.

Current economic uncertainty prompted a closer look at monthly activity, as June deal volume declined 9% from the prior month. However, the data suggests that a May to June dropoff is seasonal and not, in itself, indicative of a broader trend.

Q2 Deal Volume by Month (2016 - 2022)



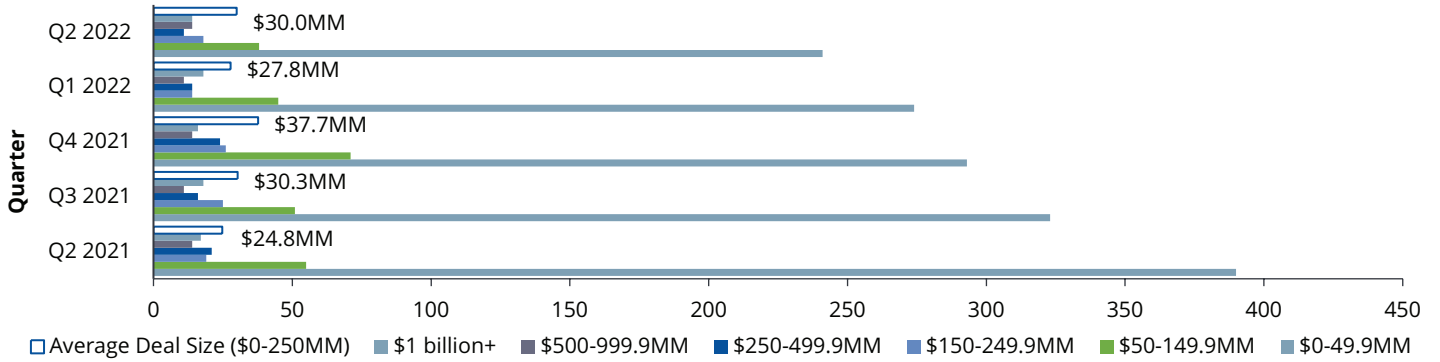
Source: S&P CapitalIQ.

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

Canada's Mid-Market

The middle market¹, Canada's M&A engine, accounted for more than 90% of deal activity in Q2/2022, a level consistent with prior quarters. Average middle market deal size increased by 8% in the quarter, reflecting an increase in transactions in the \$150-\$250 range which offset the decline in smaller deals.

Deal Volume by Deal Size (Q2 2021 - Q2 2022)

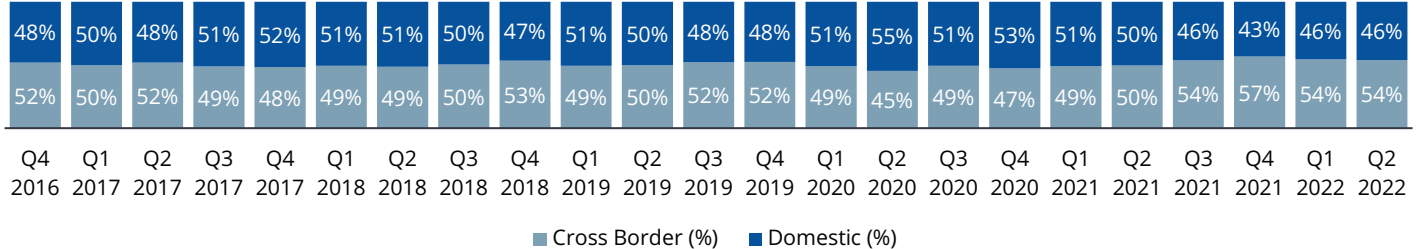


Source: S&P CapitalIQ.

Cross-Border Dealmaking

Despite global turmoil, cross-border dealmaking as a percentage of deal volume remained at 54%, similar to Q1/22 and close to a five-year high. Given the global economic headwinds, however, we are doubtful this performance will be sustained through Q3.

Cross-Border vs Domestic Volume



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.

A Ground Level Perspective from Jim Osler, Principal



- Over 25 years of experience as a senior advisor on public and private market transactions
- Co-founder of Origin Merchant Partners advising large corporate clients (Kraft Foods, Reliance), entrepreneurial growth companies (Wyse, Yorkville), and public boards (CareRx, Hydrogenics)

The State of Deal Processes

The M&A business tends to lag the financial markets. It takes a lot of effort to put transactions together so momentum will often carry any well-advanced deals through to conclusion. However, we see that buyers are becoming more cautious, diligence is taking longer, and the ordinary course issues that arise in deals (diligence items, transaction conditions) have become more significant and tougher to solve.

Sector-Specific Dynamics

On the positive side, our pipeline remains strong and in fact has never been larger, but we anticipate it will take longer to execute these transactions. Some sectors, like Industrials and Manufacturing remain quite robust as they are benefiting from efforts to secure supply lines and onshoring trends. Other sectors like Technology are seeing some value compression from 2021 peaks but still experiencing strong demand and growth potential. Demand for Healthcare and Education Services are less impacted by economic conditions and can even be counter-cyclical, so we are seeing ongoing momentum in those sectors.

A Cross-Border Shift

Within Origin's practice, cross-border dynamics have shifted over the past few weeks, with closings pushed out one or two quarters for reasons described in his broader market insight above.

On a Positive Note

The good news for the M&A business, is that for both domestic and cross-border deals, there is still a lot of capital to be deployed and quality businesses continue to trade. While strategic buyers are being careful with their balance sheets and I suspect are trying to keep financial flexibility, financial buyers, in North America and globally, remain actively engaged in looking at opportunities, albeit with heightened price sensitivity relative to six months ago.

And from Origin's advisory practice...

We closed two transactions in Q2/22, in Industrials and Healthcare.

 \$25 million Exclusive Financial Advisor on Convertible Loan Facility from 	 Has been acquired by  A portfolio company of 
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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.

Visit our [website](#) for our full transaction history.

Weeks into the third quarter, our pipeline is full with sell-side, buy-side and capital raising mandates in sectors including Industrials, Business Services, Healthcare, Technology, Food & Ag, Education and Cannabis.

If you'd like to learn more about Origin and our investment banking practice, please contact [Karen Fisman](#), Director of Business Development.

New Developments



*Origin Merchant Partners combines with U.S.-based **InterOcean Advisors** to expand our North American Platform under the Origin banner*

Toronto | Montreal | Atlanta | Chicago | Denver

On June 28, 2022, we announced the expansion of our North American platform with the agreement to combine with US-based **InterOcean Advisors**, a middle market-focused investment bank. The combined firm, operating under the Origin Merchant Partners banner, is positioned to be one of Canada's only independent investment banks with a physical presence in the US market, and bankers in Chicago, Atlanta, Denver, Toronto and Montreal.

Read the full announcement [here](#).



Lawrence Rhee (lawrence.rhee@originmerchant.com)
Principal, Technology



In June, 2022, **Lawrence (Larry) Rhee** joined the Origin team as a Principal joining Technology sector lead, Mario Di Pietro to expand our coverage of the technology sector.

Larry has held senior positions in investment banking and equity research at Haywood Securities, GMP Securities, and Genuity Capital, and received a top 3 equity research ranking for his tech sector coverage. He has advised numerous Canadian technology companies on a range of transactions, including capital raising and M&A for both private and publicly-traded companies.

Read more [here](#) about Larry's depth of experience in the Canadian technology sector.

Watch for our next M&A Review covering Q3/22 activity, coming your way this fall.



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