



Q3 2022

North American M&A Report



A snapshot of the North American M&A landscape in Q3/22 followed by a spotlight on the Industrials sector, and concluding with an update on Origin's recent activity.

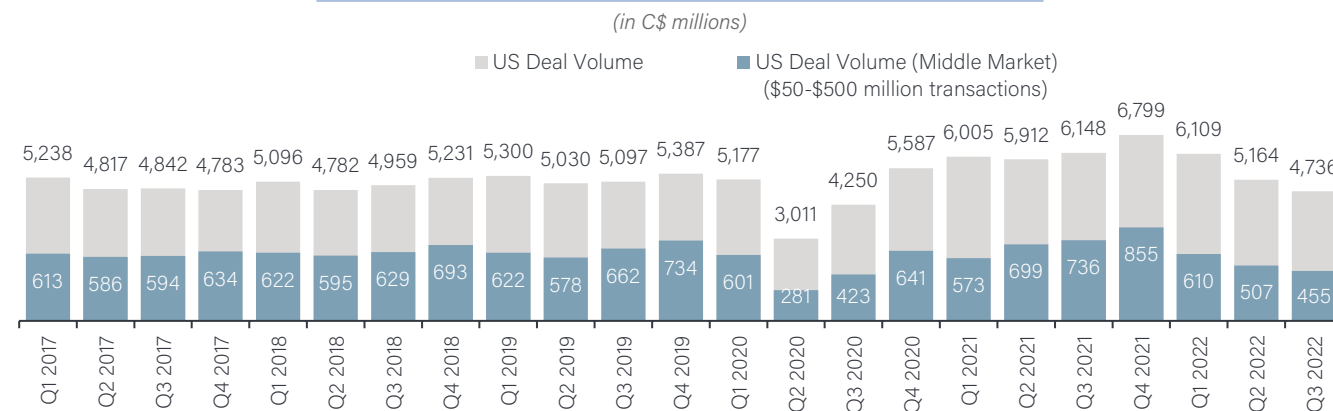
Highlights for Q3

- ▶ Middle market transaction volumes off 30% in US and flat in Canada vs. pre-pandemic levels
- ▶ Skew of activity to the mid-sized \$50-500MM segment of the market where financing and credit availability remain healthy
- ▶ Industrials segment showing strength and resilience in tough economic environment
- ▶ Industrials cross-border transactions picking up moderately for 3rd consecutive quarter

The Middle Market: An Overview

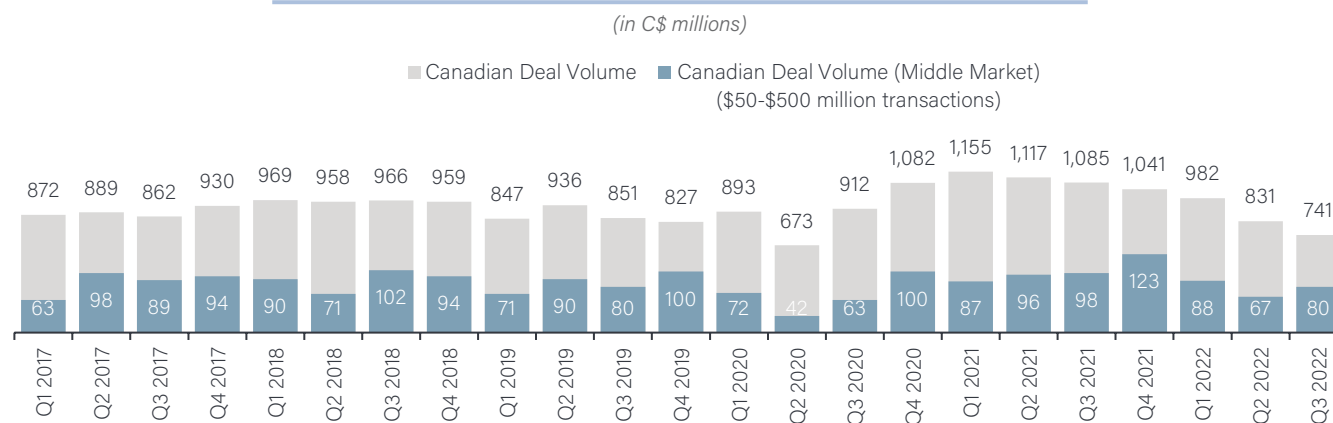
Aggregate Canadian and US M&A activity declined quarter over quarter and relative to pre-pandemic Q3 levels, as economic uncertainty, spurred on by rising interest rates, inflation and tumultuous global events, took hold. Despite these economic headwinds, Canadian Middle Market¹ activity held up, increasing from Q2/22 and remaining in line with pre-pandemic volume. In the US, however, Middle Market activity declined from Q2/22 and from pre-pandemic levels.

US M&A Activity — Quarterly Deal Volume (2017-2022)



Source: S&P CapitalIQ.

Canadian M&A Activity — Quarterly Deal Volume (2017-2022)



Source: S&P CapitalIQ.

While it is possible that the Canadian Middle Market is simply lagging its US counterpart (with rougher terrain ahead), we remain cautiously optimistic about Middle Market deal activity for both Canada and the US through the balance of the year for the following reasons:

- ▶ Global dry powder of US\$1.2 trillion², while down from its 2020 heights, remains abundant and available to support PE activity
- ▶ While financial and strategic buyers are proceeding with a heightened degree of caution, we continue to see strong interest in quality assets and a willingness to engage in related deal processes

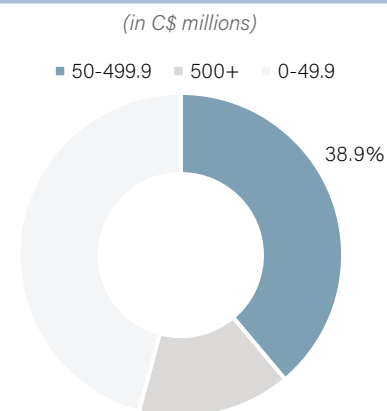
¹ We define the Canadian Middle Market to include transactions of \$50-500 million. In all cases, we are referring to Canadian currency.

² Source: [Pitchbook](#).

- ▶ Commercial credit markets are still open, and we understand that bankers continue to compete on financings for quality, Middle Market deals
- ▶ As syndicated credit markets tighten, securing leverage for larger deals has become more challenging. Anecdotally, we hear that as a result, larger funds are “coming down” to the Middle Market, driving further activity and competition for quality assets

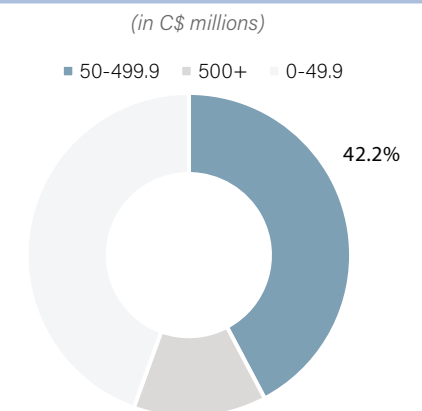
The Middle Market by Segment

US Deal Value by Deal Size (Q3 2021)

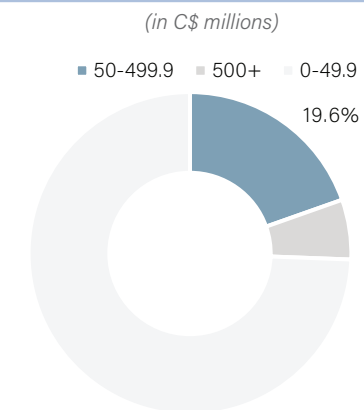


Source: S&P CapitalIQ.

US Deal Value by Deal Size (Q3 2022)

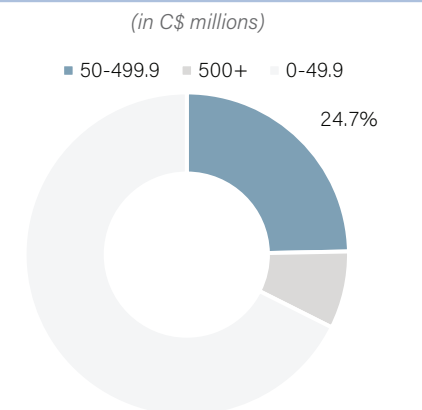


Canadian Deal Value by Deal Size (Q3 2021)



Source: S&P CapitalIQ.

Canadian Deal Value by Deal Size (Q3 2022)

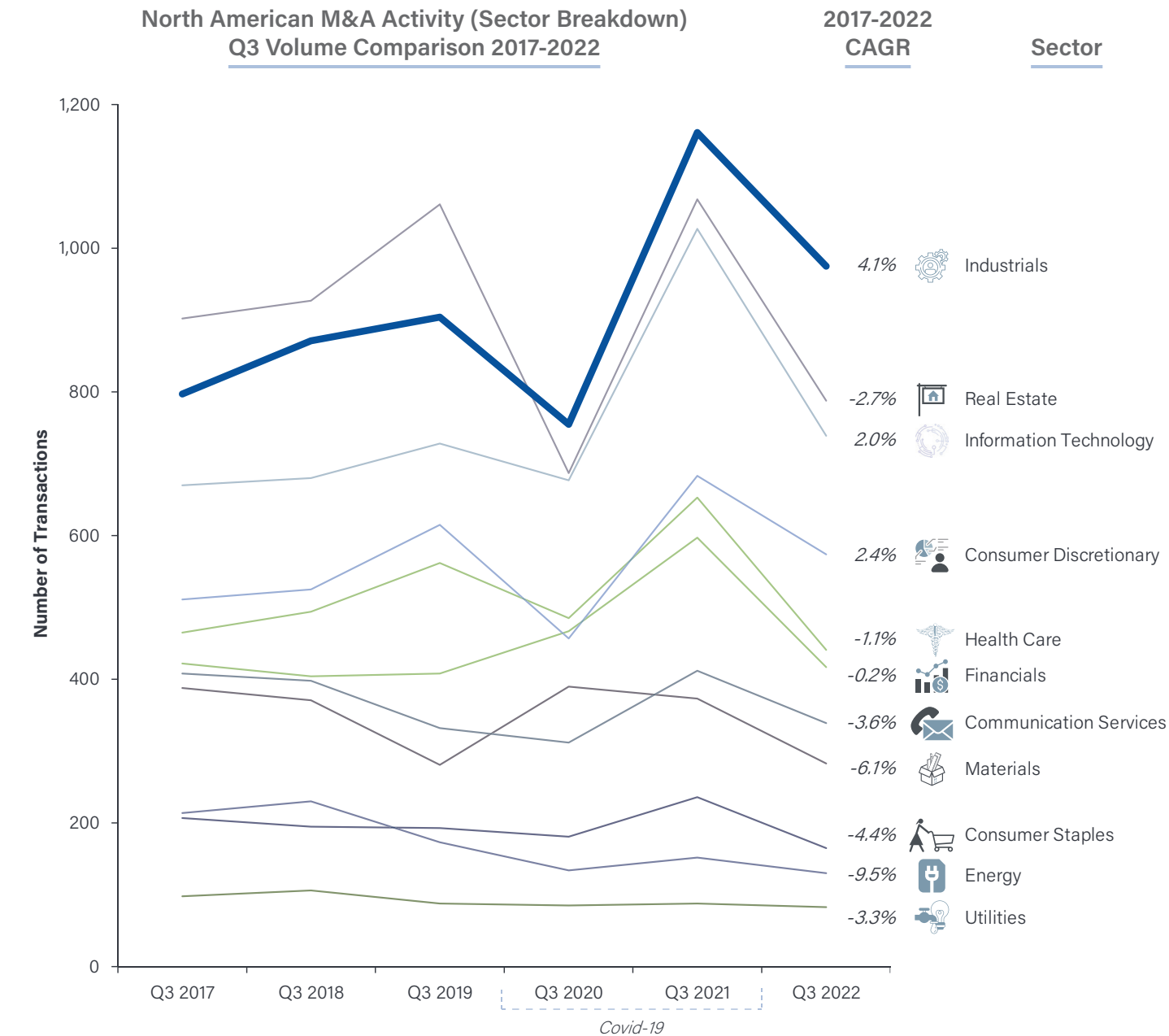


Relatively easier access to leverage for Middle Market deals may account, at least in part, for the better performance of that segment of the market:

- ▶ The proportion of Middle Market deal activity increased over Q3 2021 in the US and Canada, as illustrated in the charts above
- ▶ In the US, Middle Market deal volume declined by 10% over Q2 2022, significantly less than the 17% drop in \$500+ million activity
- ▶ In Canada, Middle Market deal volume increased by more than 19% over Q2 2022, while activity in the \$500+ million category declined almost 22%

Activity by Sector

While many other sectors have pulled back from pre-pandemic activity levels, the Industrials sector has been notable for its resilience.

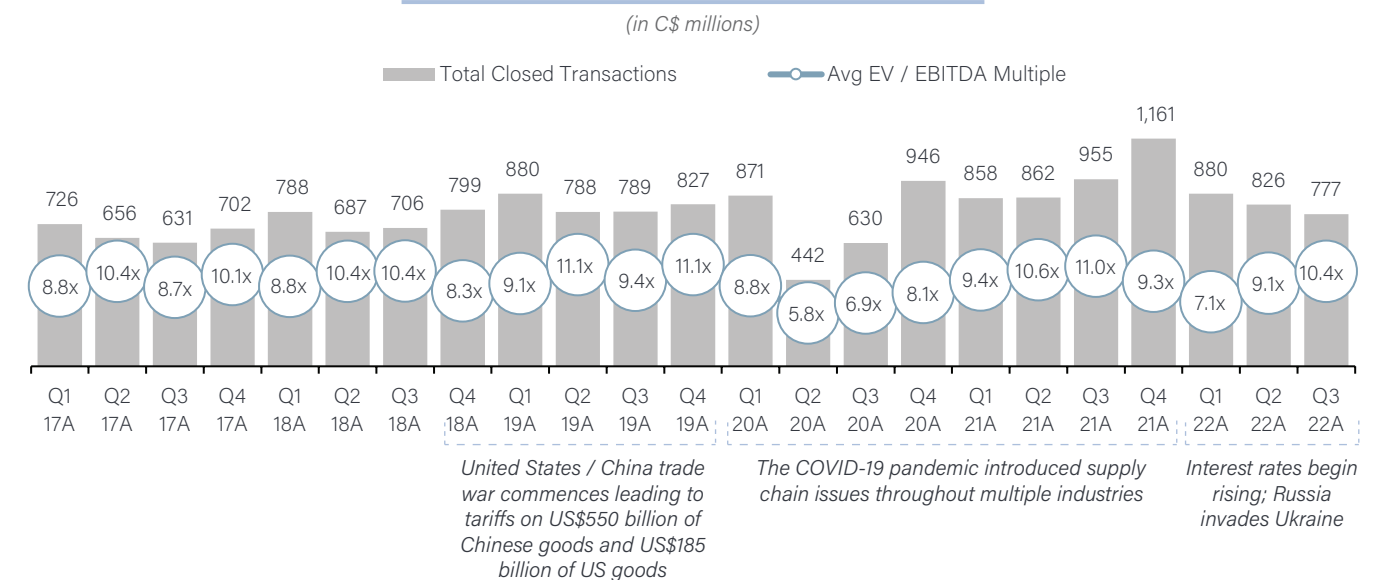


Source: S&P CapitalIQ

Spotlight on Industrials

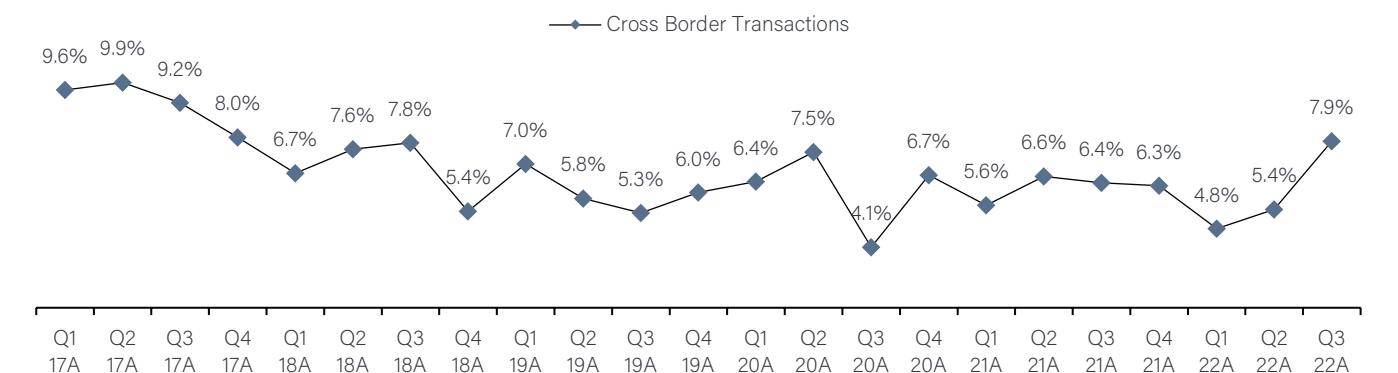
- ▶ North American Industrials M&A activity has remained relatively stable over the past two years
- ▶ Although there was a significant decline in Q2/20 due to the pandemic, deal activity has since recovered to pre-pandemic levels, with 2022 expected to finish on par with pre-pandemic years
- ▶ Multiples have experienced slight fluctuations quarter over quarter due to the changing macroenvironments and increasing inflation / interest rates
- ▶ There has been heightened interest from buyers outside of North America through 2022

Industrials M&A Transactions and Multiples



Source: S&P CapitalIQ

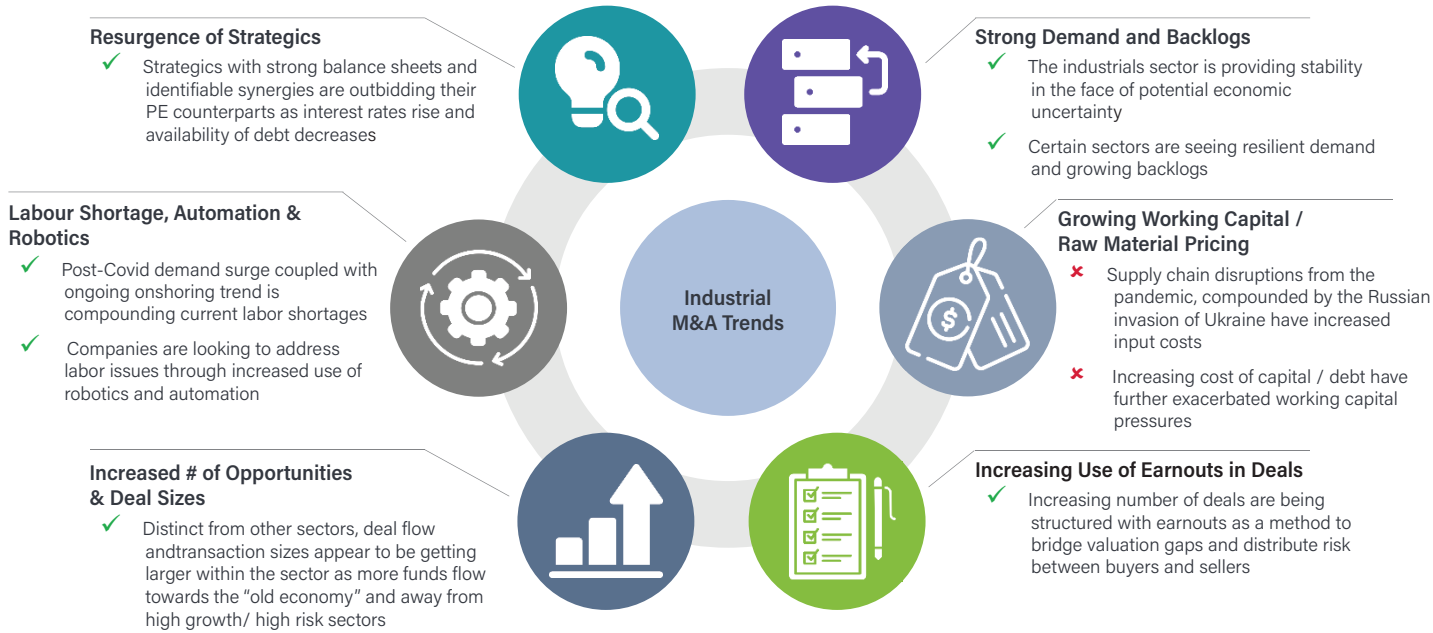
Industrials M&A Cross-Border Transactions



Source: S&P CapitalIQ

Industrials M&A Trends

The Industrials sector continues to show significant resiliency in the M&A market amid ongoing economic uncertainty.



And from Origin's advisory practice...

We advised on six closed or announced transactions in Q3/22:

Transaction	Sector	Geography
Back In Motion	Healthcare (Healthcare services)	Buyer:
		Seller:
Coinsquare	Fintech (Cryptocurrency)	Buyer:
		Seller:
Pacoma	Industrials (Hydraulics & flow control)	Buyer:
		Seller:
Damon	Industrials (Hydraulics & flow control)	Buyer:
		Seller:
Block Steel	Industrials (Stainless & aluminized steel processing)	Buyer:
		Seller:
eCycle	Industrials (Environmental & sustainability)	Buyer:
		Seller:

BACK in MOTION
A portfolio company of

Has been acquired by

On behalf of its Yorkville Healthcare Fund, Yorkville Private Equity LP, and Yorkville Private Lending LP

coinsquare
Has entered into a definitive agreement to acquire all of the issued and outstanding shares of Simply Digital Technologies, a subsidiary of

pacoma
Hydraulic Technology
Has been acquired by

Precision Hydraulic Cylinders
a subsidiary of

Damon
Has been acquired by

BLOCK STEEL CORP.
SAMSON
Roll Formed Products Company
ISO 9001:2008 Certified
Have been acquired by

eCycle
For a better world.
HORIZON CAPITAL HOLDINGS
Has been acquired by

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

Weeks into the fourth 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.

Watch for our next M&A Review covering Q4 and full year 2022 activity, coming this winter.

* Securities transactions conducted through StillPoint Capital, LLC, Tampa, FL

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