Q1 2023

North American M&A Report

ORIGIN MERCHANT PARTNERS

A snapshot of the North American M&A landscape in Q1 2023 followed by a spotlight on the Technology sector, and concluding with an update on Origin's recent activity

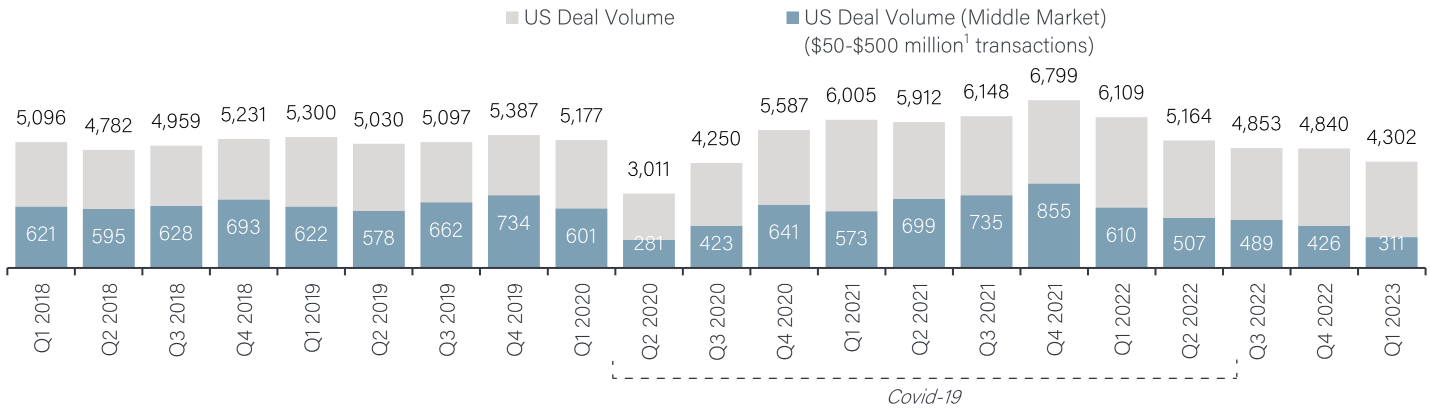
In this issue:

- *Middle market volume declined in the US and Canada, both year over year and vs. pre-pandemic levels*
- *Average middle market valuation was at its second lowest level in five years, but up over the prior quarter*
- *Despite the bleak data, quality companies continued to trade at reasonable multiples*
- *North American technology M&A activity declined, however valuation multiples are starting to improve*
- *Origin closed out a record Q1, with transactions spanning industrials, mining, education and technology*

The North American Middle Market

Middle market activity in the US declined to its second lowest level in five years, down 27% from Q4/2022 while total US volume declined 11% quarter over quarter.

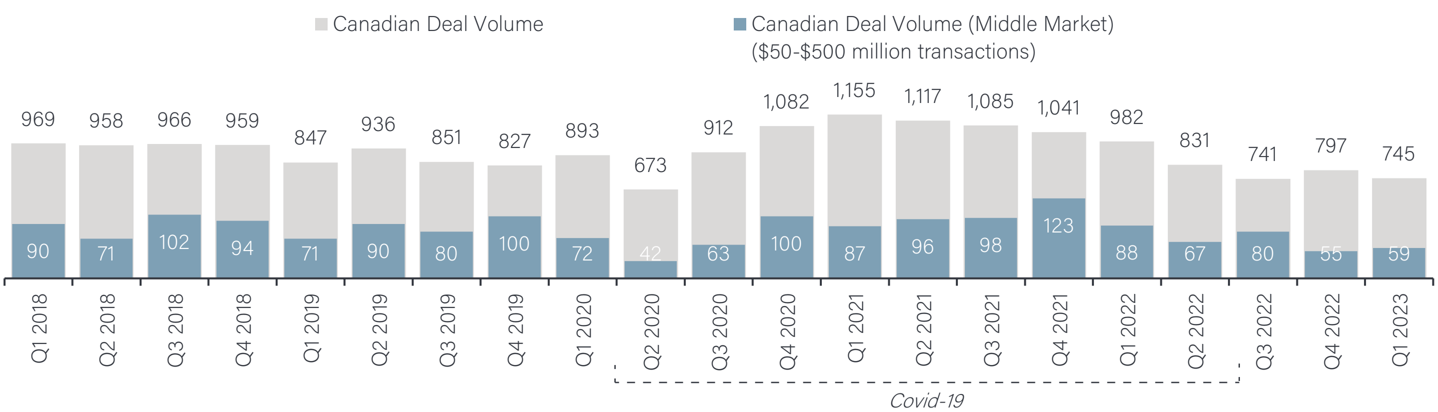
Total US Deal Volume (Q1 2018—Q1 2023)



Source: S&P CapitalIQ.

Canadian middle market activity saw a 7% uptick off a slow prior quarter, although total Canadian deal volume declined 6% over Q4/2022.

Total Canadian Deal Volume (Q1 2018—Q1 2023)

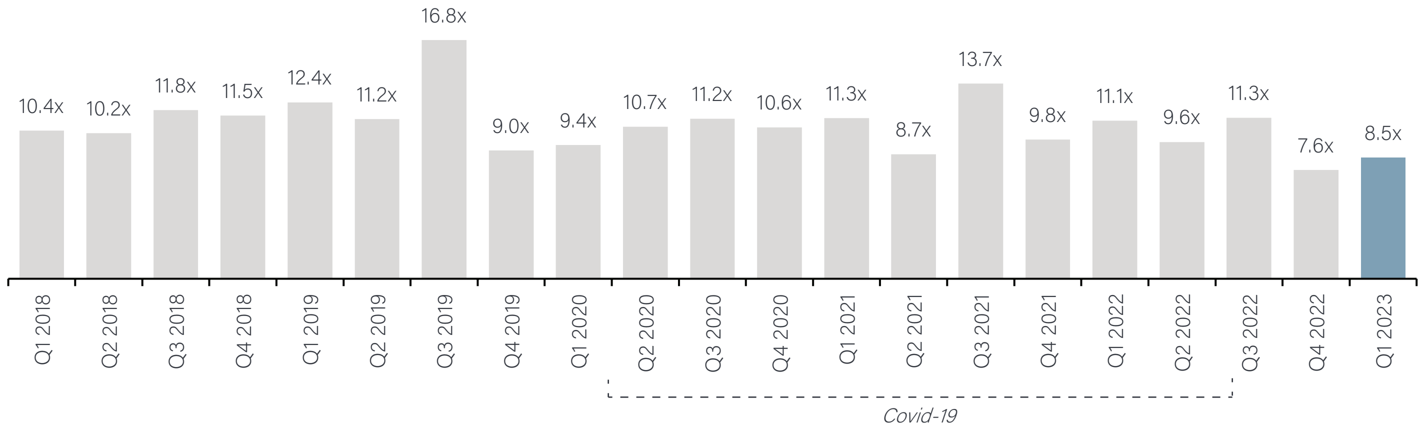


Source: S&P CapitalIQ.

Declining deal volumes are largely the result of ongoing economic uncertainty, rising interest rates and tighter credit markets. Anecdotally, we hear from sponsors that deal flow was slow through the first part of Q1/23, as wary sellers assessed market conditions. And while ample capital remains available for deployment, tough credit conditions are creating deal process hurdles, particularly for financial buyers.

1 In C$ millions.

Canadian and US Middle Market TEV/EBITDA Quarterly Summary (2018—2023)



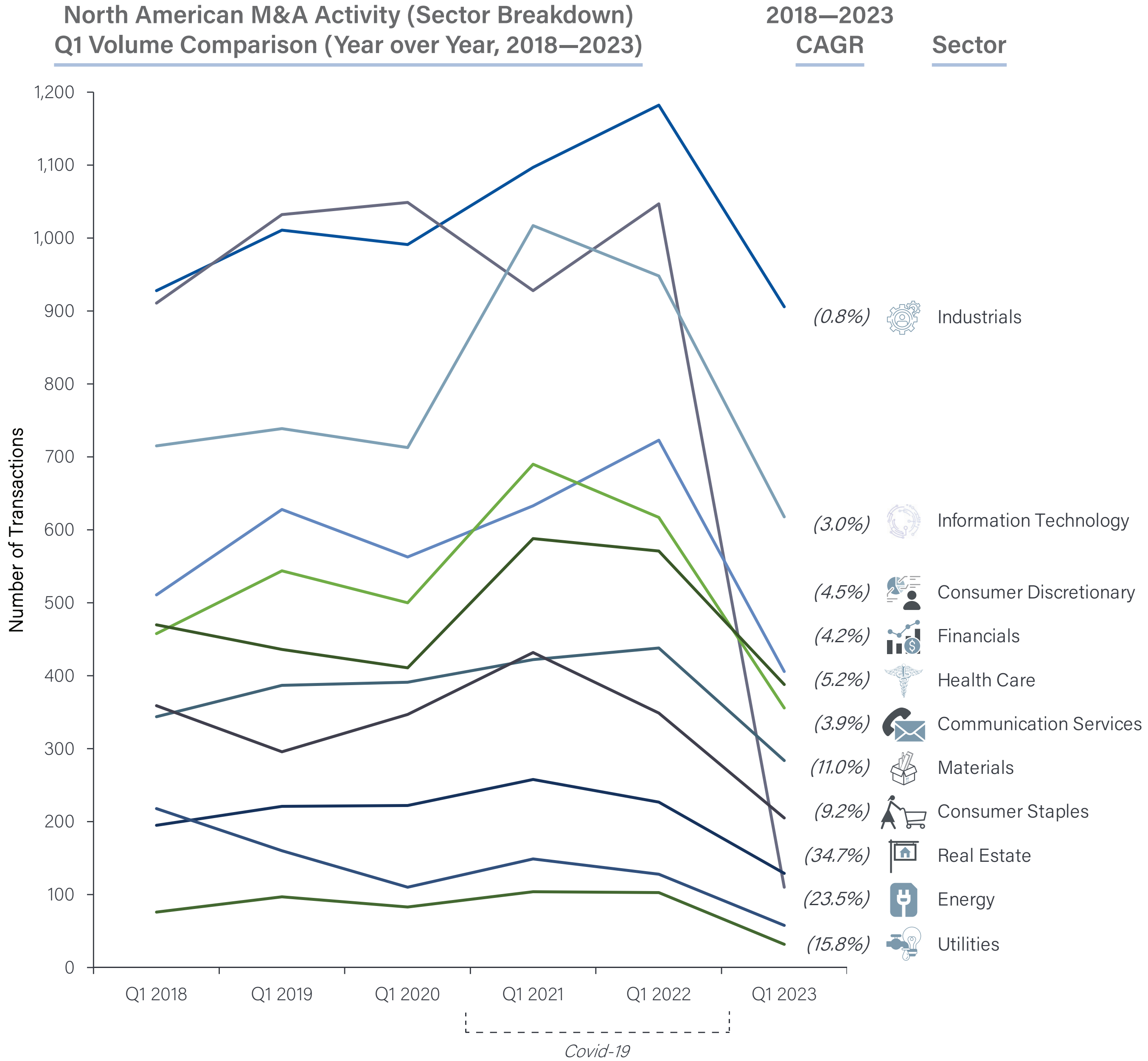
Source: S&P CapitalIQ

Average Q1/2023 Canadian and US middle market multiples registered as the second lowest in five years, improving over a weak Q4/22. In our experience, however, high quality businesses continue to trade at strong valuations. Auctions remain competitive for those businesses, and financial buyers are deploying higher levels of equity to mitigate current credit market issues (albeit with the intention of refinancing at a later date). This view is based on our own sell-side mandates, both closed and ongoing, and numerous conversations with sponsors and strategic buyers.

Activity by Sector

Activity slowed in every sector in Q1/2023. Industrials remained the largest and most active sector for M&A as onshoring trends and consolidation of fragmented sectors continued to drive dealmaking. Technology slowed but represented a large and active market for M&A activity, returning to levels closer to those seen pre-COVID. In addition and worthy of note, while the Materials sector was down 11% over the five year period, we have observed a sharp uptick in recent activity in the copper mining space. By contrast, Real Estate M&A activity collapsed in Q1, as rising interest rates, tight credit conditions and sustained office vacancy rates dramatically suppressed deal making appetite in that sector.

North American M&A Activity (Sector Breakdown)
Q1 Volume Comparison (Year over Year, 2018—2023)



Source: S&P CapitalIQ.

Sector Spotlight — Technology

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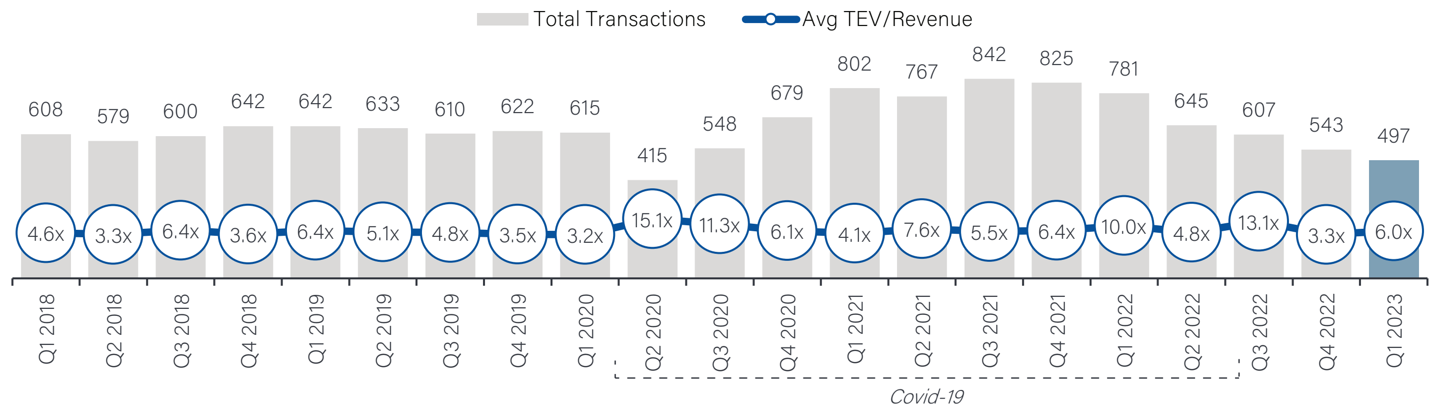
The technology sector was in the headlines in Q1/2023, as many high flying public companies continued to downsize, public company valuations crumbled and, adding insult to injury, Silicon Valley Bank collapsed. While those were the headline stories, in our quarterly sector spotlight, Origin's technology leads, Mario Di Pietro and Lawrence Rhee, provide private market insights from their active advisory practice. Public market turmoil clearly impacted the private markets, however there are also different dynamics at play.

Middle Market North American M&A Tech Transactions (2018—2023)



Source: CapitalIQ..

- While Q1 2023 North American technology M&A activity reflects a continued decline in transaction volumes, we are starting to see valuation multiples improve from the low of the prior quarter and revert to the mean of the prior three year average
- Despite the declining volumes we continue to see interest in high quality technology opportunities that demonstrate strong growth, profitability and resiliency in the face of potential market headwinds
- This interest is exemplified by one of our recent deals:
    - In March, Origin successfully closed the sale of a SaaS company to a global strategic buyer
    - Despite the recent volatility in the technology sector exacerbated by the collapse of Silicon Valley Bank, we managed to attract a large number of financial and strategic parties
    - The current lending environment clearly impacted the ability for financial buyers to transact and be competitive, particularly as there was strong and sustained interest from a number of strategics, one of whom was the successful buyer
- Despite the macro economic uncertainty, Origin is seeing strong momentum in our technology M&A pipeline
    - Deal activity has picked up considerably with several new mandates added in Q1
    - There are a number of ongoing discussions with clients who are evaluating M&A options

Origin's advisory practice encompasses a range of technology sub-verticals. The following highlights trends in our focus and emerging focus areas.

Focus Areas

RetailTech

- Customers are seeking greater functionality from existing platforms which is driving acquisition activity among point-of-sale, payment, and marketing technology solution providers
- Growth in the sector continues to be driven by adoption of digital applications that provide merchants, restaurant & hotel operators greater tools to manage their business and engage with their customers

FinTech

- Key technology innovation is being driven by increasing regulatory requirements, a focus on improving workflow & automation and implementation of data analytics and AI to improve customer service
- Key growth areas are focused on banking, wealth management, payments and alternative trading platforms and assets

HealthTech

- Data and AI continue to drive exciting innovation in detection, treatment and monitoring of disease as well as drug discovery and development, all with the goal of improving healthcare delivery and outcomes
- Connected devices and emerging software solutions are fueling an expanding need for healthcare technology services such as: integration/interoperability to optimize functionality, cloud migration/management to accommodate growing amounts of data and cybersecurity to keep systems and data safe

CleanTech

- Federal governments in Canada and the US are providing multi-billion financial incentives for companies to accelerate efforts towards net-zero commitment, impacting several subsectors including EV battery ecosystem, carbon removal, renewable energy, energy storage and recycling, amongst others
- Significant increase in the number of well-capitalized impact funds globally facilitates earlier-stage investment for CleanTech companies
- The dramatic shift towards adoption of EV vehicles brings heightened importance to establishing a North American EV battery ecosystem, and impacts everything from mining critical minerals to battery tech to advanced manufacturing

LegalTech

- Key growth drivers include practice management technology solutions and applications that improve the speed, accuracy and automation of workflows to drive greater efficiency and reduce costs
- Emerging areas of growth include technology solutions that will assist clients with managing regulatory requirements and compliance with emerging environmental and safety standards

Emerging Focus Areas

EdTech

- Digital education spend accounts for roughly 3% of the $62 trillion education market
- The pandemic accelerated both the development of and digital expenditure in educational technology: global edtech expenditure CAGR accelerated from 109% pre-pandemic to 122% post-pandemic, and is expected to surpass US$400 billion by 2025
- The education sector has been slow to adapt to new technologies and ideas and is seen to be ripe for innovation, disruption, and augmentation such as with smart classroom technologies, inverted learning and open courses, remote and mobile learning

Telematics

- Global vehicle telematics industry was estimated to be valued at $103 billion in 2022 with 30%-40% of US fleets using telematics
- IoT combined with 5G will likely lead to more sensors installed on vehicles to capture more real time data to improve routing, navigation, and traffic management

AdTech / Martech

- Programmatic ad DSP companies have begun to integrate directly with publishers and threaten the SSP and vice-versa; AdTech companies will need to revise model and create an end-to-end ecosystem that connects ad buyers, sellers, publishers and data platforms
- CTV ad spending will increase from $14 billion in 2022 to $18 billion in 2024 as Netflix and Disney+ launch ad-supported tiers; similarly, in-game advertising is a new growth opportunity where major gaming companies will likely create their own ad networks

AgTech

- The pressure from government and large CPG companies to address climate change is creating more impetus for farmers to find solutions to reduce carbon emissions
- Global food scarcity is also bringing a heightened focus on sustainability across the food value-chain
- These concerns are driving interest in and capital into Controlled Environment Agriculture (vertical farming, greenhouses, etc.), Precision Agriculture (from seeding to crop input application to water resource management), AI/Machine Learning/Analytics, and Regenerative Agriculture (responsible production practices and themes centered on crop diversity, soil/ecosystem health, recycling/upcycling and circular economy businesses)

PropTech

- While the proptech industry experienced a slowdown in investment activity through Q1/23, it continues to attract investor interest, reflecting recognition of the value technology can bring to the traditionally conservative real estate industry
- Areas of interest include innovative solutions to create eco-friendly and "smart" buildings, solutions that streamline and optimize property transactions, and digital platforms and tools, such as virtual property tours, data-driven property management, and online marketplaces for residential and commercial real estate

And from Origin's advisory practice...

Origin had a record Q1, announcing or completing a range of transactions spanning multiple sectors, including industrials, mining, education and technology. This quarter, in addition to completing several interesting sell-side and financing transactions, Origin served as financial advisor to the Special Committee of Teck Resources on the high profile spin-off of the company's coal assets and sunset of its multiple voting shares. Just after the quarter end, Origin served as financial advisor to the Special Committee of Copper Mountain Mining Corporation on its combination with Hudbay Minerals Inc.

Transaction	Sector	Transaction Type	Geography
Kivuto	Education	Sell-Side	*Buyer:* 🇨🇦 *Seller:* 🇨🇦
Teck Resources	Metals & Mining	Board Advisory	🇨🇦
Teck Resources	Metals & Mining	Board Advisory	🇨🇦
Vega Education/IBU	Education	Financing	*Investor:* 🇨🇦 *Investee:* 🇨🇦
SDR Distribution Services	Industrials	Sell-Side	*Buyer:* 🇺🇸 *Seller:* 🇨🇦
Silverware POS	Technology	Sell-Side	*Buyer:* 🇺🇸 *Seller:* 🇨🇦
Coinsquare	Fintech	Combination	*All Parties:* 🇨🇦
Confidential	Industrial Technology	Board Advisory	🇨🇦

Kivuto
Has been acquired by
VALSOFT

Teck
Financial Advisor to the Special Committee with respect to the separation of Teck Resources into Teck Metals Corp. and Elk Valley Resources Ltd.

Teck
Financial advisor to the Special Committee with respect to the proposed unification of the Dal Class Structure

VEGA.education
IBU International Business University
Raised growth capital from a group of investors led by
JKR & ORIGIN CAPITAL

SDR DISTRIBUTION SERVICES INC.
Has been acquired by
NFI

SILVERWARE Advanced Hospitality Technology
Has been acquired by
FULLSTEAM

coinsquare
Has agreed to combine with
coinsmart
and
WonderFi

Confidential Engagement
Financial Advisor to the Special Committee of a Quebec Consumer Product Manufacturing Business

Visit Origin's website for our full transaction history.

Weeks into the second quarter of 2023, our pipeline is full with sell-side and capital raising mandates in sectors including environmental, food & ag, industrials, technology, education, and consumer & commercial. Please contact Karen Fisman, Director of Business Development to enquire about our current mandates.

Watch for our Q2/23 M&A review, coming this summer.

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