



Q2 2023

# North American M&A Report



*A snapshot of the North American M&A landscape in Q2 2023 followed by an update on Origin's recent activity*

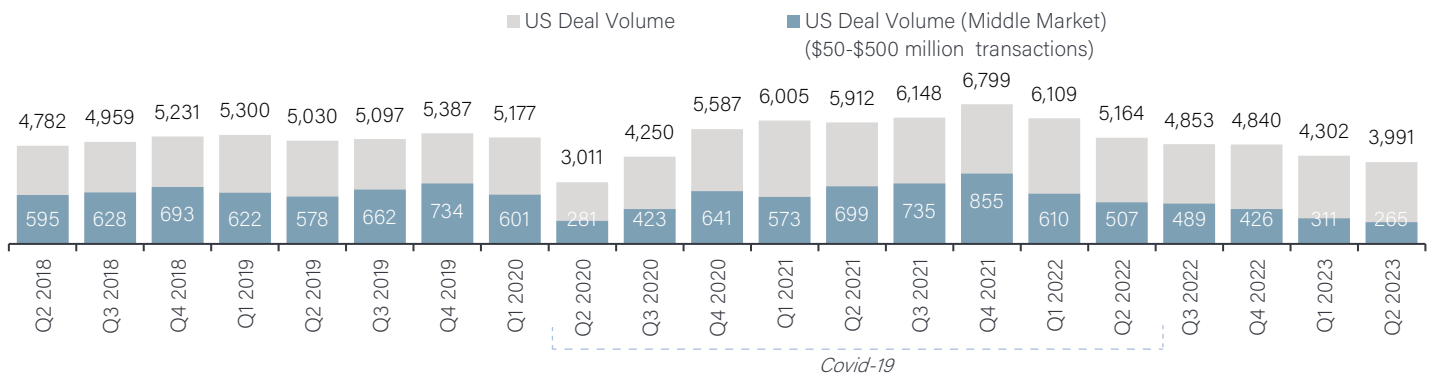
## **Q2/23 Highlights:**

- ▶ *Deal volume increased 7.7% in Canada but declined 7.2% in the US over the prior quarter*
- ▶ *While North American valuations softened, quality companies continued to trade at strong multiples*
- ▶ *Deal activity skewed to add-on transactions driven by multiple factors including tighter credit conditions and broad economic uncertainty*
- ▶ *Industrials M&A activity continued to outperform its sector counterparts*
- ▶ *Origin closed out a record H1/23, ranking in the top 20 in value and volume on Refinitiv and Mergermarket Canadian financial advisory league tables*

## The North American Middle Market

Middle market activity in the US declined to its second lowest level in five years, down 14.8% from Q1 2023, while total US volume declined 7.2% quarter over quarter. Across all deal sizes, activity ticked up slightly through the quarter with May and June registering 68% of total deal volume, as markets began to settle in the wake of the March 2023 Silicon Valley Bank (“SVB”) collapse and the subsequent regional bank fallout.

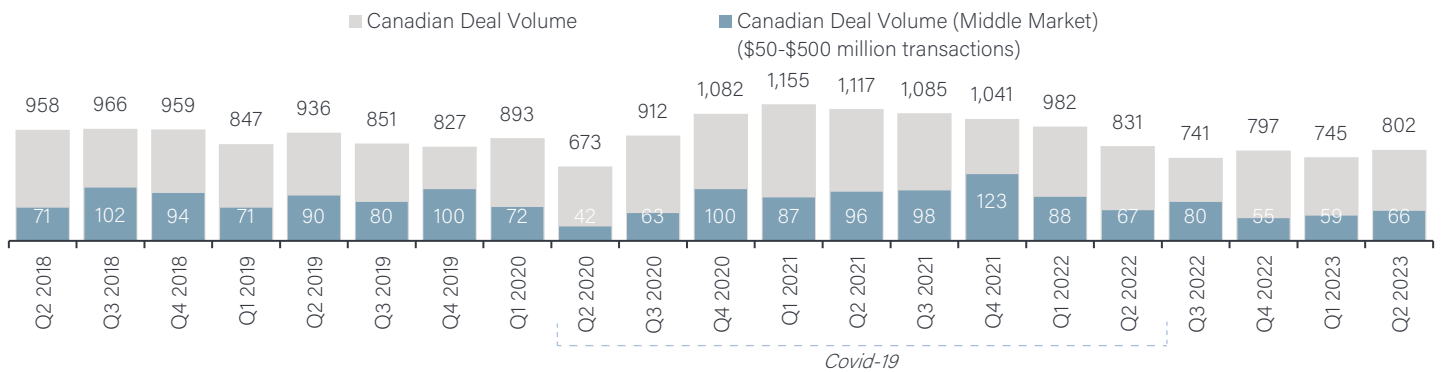
**Total US Deal Volume (Q2 2018—Q2 2023)**



Source: S&P CapitalIQ.

Absent the ripples of the regional bank fallout from SVB's collapse in the US, Canadian dealmaking demonstrated stronger relative performance. Canadian middle market activity increased 11.9% over a slow prior quarter, while total deal volume increased 7.7%.

**Total Canadian Deal Volume (Q2 2018—Q2 2023)**



Source: S&P CapitalIQ.

Similar to last quarter, lower deal volumes are largely the result of ongoing economic uncertainty, higher interest rates and tighter credit markets. While ample capital remains available for deployment, tough credit conditions are creating deal process hurdles, particularly for financial buyers. In addition, we continue to hear from sponsors that quality deal flow has remained slow through Q2 2023. One contributor to ebbing deal flow is the slowdown in PE exit activity. According to Pitchbook, quarterly US PE exit value began to decline in Q1 2022; by the end of Q1 2023, it was down 75.1% from its Q2 2021 peak, and currently remains well below its pre-COVID (2017—2019) median.



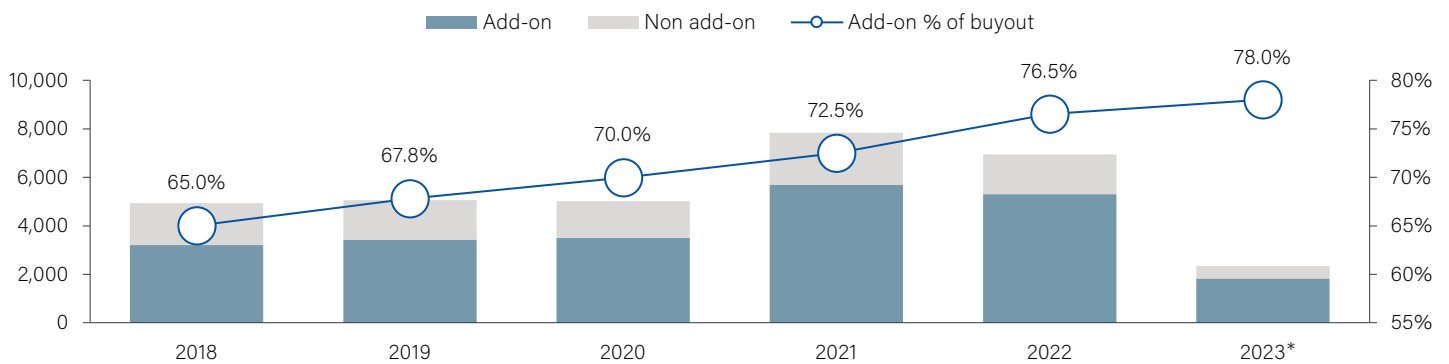
### Valuations

According to Pitchbook, for the twelve months ended Q2 2023, the median North American EV to EBITDA multiple declined to 8.5X for the twelve months ended June 30, 2023, down 16.6% from 10.4X in 2022, reflecting a high interest rate environment beset by economic uncertainty. While the trend line is down, based on our own transaction experience as well as numerous conversations with financial and strategic buyers, we are confident that high quality businesses are continuing to trade at strong valuations. As one sponsor put it: *“Given the limited deal flow, we are seeing a feeding frenzy on good quality businesses”*. As a result, and similar to last quarter, auctions remain competitive for out-performing businesses, with financial buyers deploying higher levels of equity to mitigate current credit market issues.<sup>1</sup>

### A Focus on Add-Ons

While add-on acquisitions have long been part of the private equity buy-and-build strategy, add-on activity levels are accelerating, increasing to 78% of total US buyout volume in the twelve months ended June 30, 2023, up from 65% over the same period in 2017/2018. This heightened activity is driven by a number of factors including the lack of credit availability for larger (platform) deals; the drop-off in sponsor backed exits, and the associated decline in larger opportunities; and the impetus, in this softer valuation environment, for financial buyers to acquire EBITDA at the lower multiples associated with smaller transactions, to avoid locking in lower returns on a pending exit.

**Add-on % of US Buyout Activity by Year**

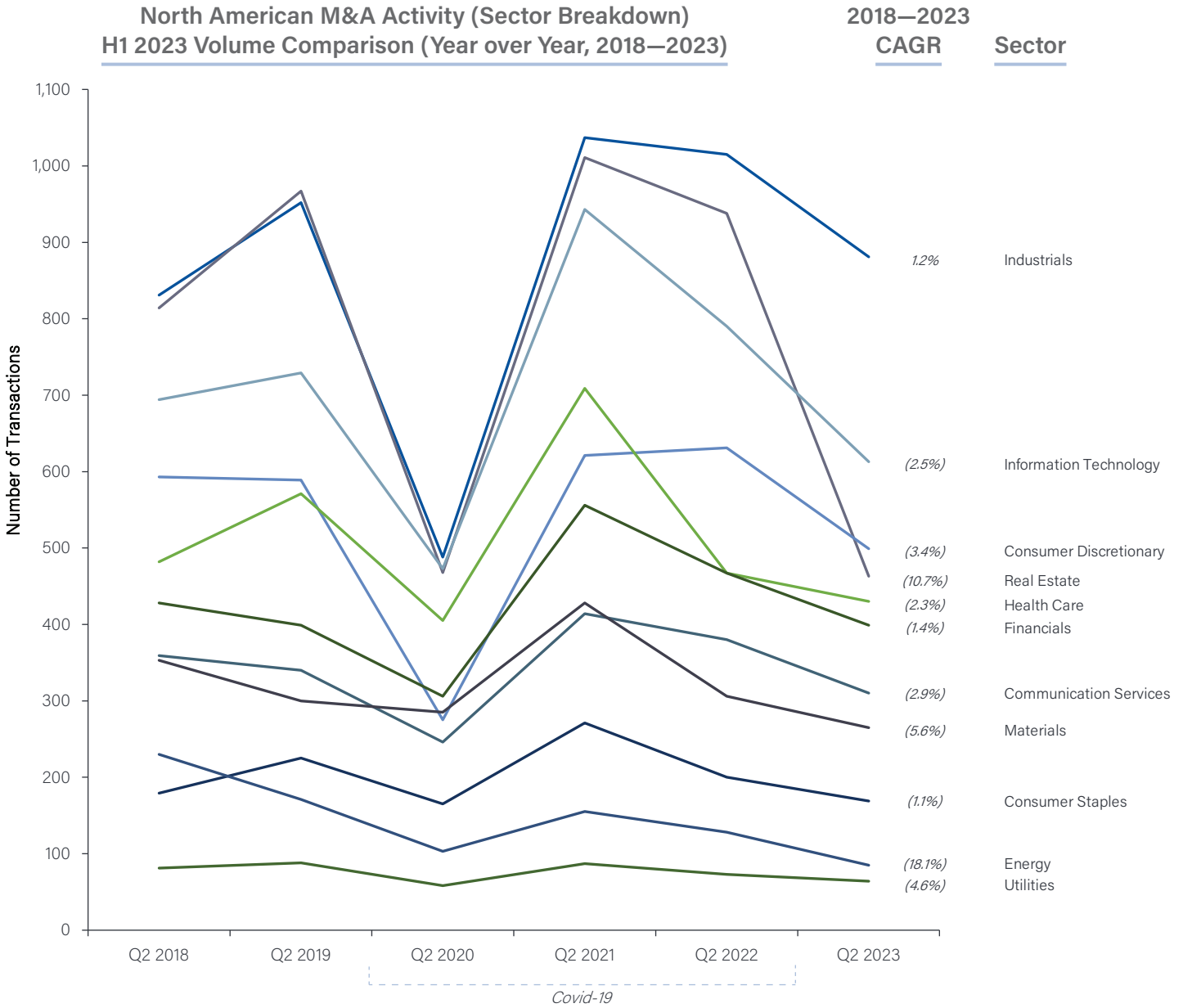


Source: Pitchbook.

\* For six month period ending June 30, 2023

<sup>1</sup> This trend to deploying higher levels of equity is evident in 2023 buyout multiples. According to Pitchbook, Debt: EBITDA multiples in the first quarter of 2023 declined to 3.9X from 6.7X for full year 2022, and from 5.8-5.9X for the two years preceding COVID.

Activity by Sector



Source: S&P CapitalIQ.

Over the 5-year period from 2018–2023, activity slowed in every sector except Industrials. Similar to the prior quarter, 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, as in the prior quarter, represented a large and active market for M&A activity, returning to levels closer to those seen pre-COVID. The Energy sector experienced the largest 5-year decline despite oil prices hovering at levels similar to Q2 2018, as oil companies continued to divert cash flow to do buybacks and pay dividends, rather than engaging in higher levels of M&A.

## And from Origin's advisory practice...

Origin completed a range of mandates in Q2 2023, spanning sectors including Agrifood, Education, Healthcare, Metals & Mining, Technology and Transportation & Logistics. The firm's record level of deal advisory activity in the first half of 2023 placed Origin in both the Refinitiv and Mergermarket Canadian Financial Advisory League Tables, ranking 6<sup>th</sup> for deal value and 15<sup>th</sup> for deal volume.

### Canada Rankings by Value

Ranking H1 23	Company Name	H1 23	
		Value (US\$m)	Deal Count
1	Citi	49,990	10
2	Goldman Sachs & Co.	48,698	10
3	BMO Capital Markets	47,910	27
4	Ardea Partners	37,307	4
5	Barclays	35,409	8
<b>6</b>	<b>Origin Merchant Partners</b>	<b>33,091</b>	<b>9</b>
7	JPMorgan	20,787	12
8	RBC Capital Markets	20,339	20
9	TD Securities	13,723	15
10	Scotiabank Global Banking & Markets	11,783	14
11	CIBC World Markets	8,898	26
12	Bank of America	7,718	8
13	Morgan Stanley	7,440	13
14	Guggenheim Partners	6,200	2
15	Lazard	6,045	5
16	PJT Partners	5,129	3
17	Moetic & Co.	4,500	3
18	Wells Fargo Securities	4,478	3
19	Raymond James	3,984	11
20	Evercore	3,562	6

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Ranking H1 23	Company Name	H1 23	
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1	BMO Capital Markets	47,010	27
2	CIBC World Markets	8,898	26
3	Deloitte	1,440	21
4	RBC Capital Markets	20,339	20
5	National Bank Financial	2,568	19
6	PriceWaterhouseCoopers	334	18
7	TD Securities	13,723	15
8	Scotiabank Global Banking & Markets	11,783	14
9	Morgan Stanley	7,440	13
10	JPMorgan	20,787	12
11	Raymond James	3,984	11
12	Citi	49,990	10
13	Goldman Sachs & Co.	48,698	10
14	Ernst & Young	132	10
<b>15</b>	<b>Origin Merchant Partners</b>	<b>33,091</b>	<b>9</b>
16	Canaccord Genuity Corp.	<b>897</b>	<b>9</b>
17	Stifel/KBW	749	9
18	Barclays	35,409	8
19	Bank of America	7,718	8
20	Houlihan Lokey	1,912	7

Source: <https://mergermarket.com/info>

Through H1 2023, Origin completed eleven mandates as follows:

Transaction	Transaction Type	Sector	Geography
<b>Coinsquare</b>	Combination	Financial Services, Technology, Media and Telecom	<i>All Parties:</i> 
<b>Centricity</b>	Sell-Side	Healthcare and Pharmaceutical	<i>Buyer:</i> 
			<i>Seller:</i> 
<b>Myland Soil Health</b>	Financing	Environmental and Sustainability, Food and Agriculture	<i>Investor:</i> 
			<i>Investee:</i> 
<b>VEGA.education</b>	Financing	Education and Skills Training	<i>Investor:</i> 
			<i>Investee:</i> 
<b>Silverware POS</b>	Sell-Side	Technology, Media and Telecom	<i>Buyer:</i> 
			<i>Seller:</i> 
<b>Copper Mountain</b>	Sell-Side	Metals and Mining	<i>Buyer:</i> 
			<i>Seller:</i> 
<b>SDR Distribution</b>	Sell-Side	Industrials and Industrial Tech	<i>Buyer:</i> 
			<i>Seller:</i> 
<b>Teck Resources</b>	Board Advisory	Metals and Mining	
<b>Teck Resources</b>	Board Advisory	Metals and Mining	
<b>ICPEI</b>	Sell-Side	Financial Services	<i>Buyer:</i> 
			<i>Seller:</i> 
<b>Kivuto</b>	Sell-Side	Education and Skills Training, Technology, Media and Telecom	<i>Buyer:</i> 
			<i>Seller:</i> 

<p><b>coinsquare</b> Has combined with</p> <p><b>coinsmart</b></p> <p><b>WonderFi</b></p>	<p>PCP Persistence Capital Partners &amp; Mgmt Shareholders have sold</p> <p><b>CENTRICITY Research</b></p> <p>including <b>iact HEALTH</b></p> <p>LMC Manna Research <b>VENTIV RESEARCH</b> to <b>TRINITY HUNT PARTNERS</b></p>	<p><b>MyLand</b></p> <p>Has received an equity investment from</p> <p><b>WPL</b> <b>Climate Innovation Capital</b></p>	<p><b>VEGA.education</b></p> <p>IBU International Business University</p> <p>Raised growth capital from a group of investors led by</p> <p><b>JKR</b></p>	<p><b>SILVERWARE</b></p> <p>Has a been acquired by</p> <p><b>FULLSTEAM</b></p>	<p><b>COPPER MOUNTAIN MINING CORPORATION</b></p> <p><b>US\$439 million</b></p> <p>Financial advisor to the Special Committee and the Board of Directors on its combination with</p> <p><b>HUBBAY</b></p>
<p><b>SDR DISTRIBUTION SERVICES INC.</b></p> <p>Has been acquired by</p> <p><b>NFI</b></p>	<p><b>Teck</b></p> <p>Financial Advisor to the Special Committee with respect to the separation of Teck Resources into Teck Metals Corp. and Elk Valley Resources Ltd.</p>	<p><b>Teck</b></p> <p>Financial Advisor to the Special Committee with respect to the proposed reunification of the Dual Class Share structure</p>	<p><b>ICPEI</b></p> <p>Financial Advisor to the Special Committee on the Acquisition by a consortium led by</p> <p><b>Desjardins</b></p>	<p><b>Kivuto</b></p> <p>Has been acquired by</p> <p><b>VALSOFT</b></p>	

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

Weeks into the third quarter of 2023, our pipeline is full with sell-side and capital raising mandates in sectors including Agrifood, Environmental, Healthcare, Industrials, Technology, Education and Consumer & Commercial. Please contact [Karen Fisman](#), Director of Business Development to enquire about our current mandates.

**Watch for our next M&A Review covering Q3 2023 activity, coming this fall.**



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