



Q1 2024

# North American M&A Report



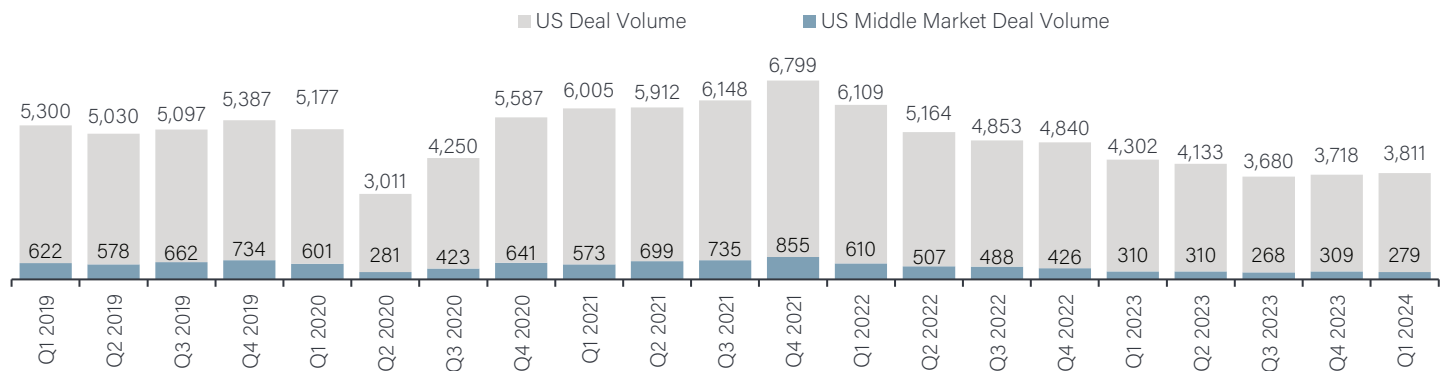
## HIGHLIGHTS:

- ▶ *US Middle Market activity appears to be bottoming with deal volumes and aggregate deal values still down materially from their peak but largely unchanged for the past three quarters.*
- ▶ *Canadian Middle Market activity is largely following the US pattern but with more volatility*
- ▶ *The M&A markets appear to be in transition with evidence that a recovery could start in the second half of the year. Strong balance sheets, increased sponsor activity and recovering credit and debt markets should be a catalyst to increased activity.*
- ▶ *In Canada the recent increase in capital gains taxes announced in the Federal budget should be a catalyst for short term M&A activity*
- ▶ *Origin deal experience in Q1 supports the idea that the market is bottoming as the new client and pipeline activity hit record levels*

## THE NORTH AMERICAN MIDDLE MARKET

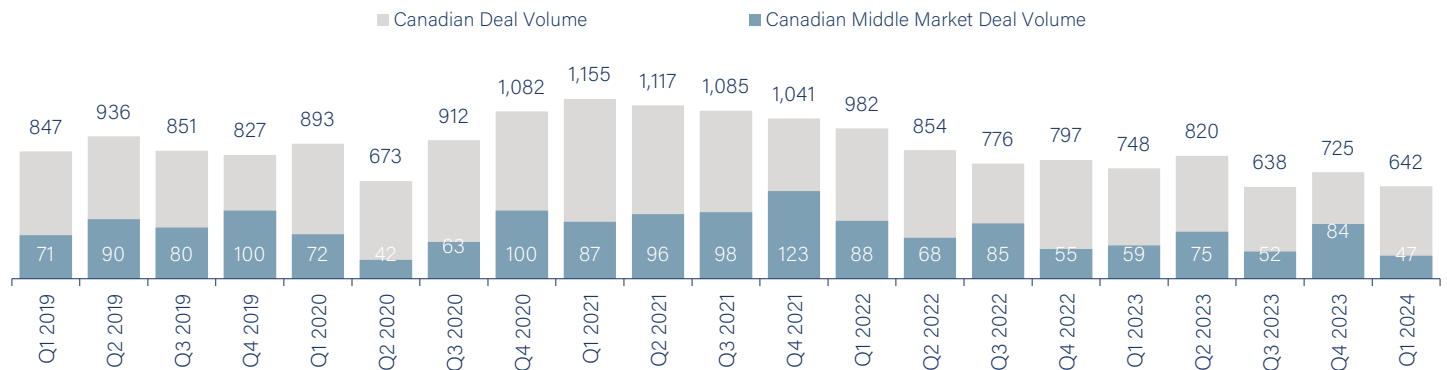
US middle market deal activity experienced a notable downturn, dropping by 9.7% from Q4 2023 and 10% from Q1 2023. However, the overall deal volume in the US has shown resilience, gradually rising by 2.5% since Q4 2023, albeit still reflecting an 11.4% decrease compared to Q1 2023. Despite the challenges in the middle market segment, the broader market is demonstrating a slow but steady recovery trajectory.

**Total US Deal Volume (Q1 2019—Q1 2024)**



Source: -S&P CapitalIQ.

**Total Canadian Deal Volume (Q1 2019—Q1 2024)**



Source: -S&P CapitalIQ.

The Canadian market peaked earlier (Q1 2021 for overall volume and Q4 2021 for middle market volume) as government Covid stimulus was more moderate in Canada and lockdown measures more severe. Canadian deal activity is down by similar amounts to the US from peak to present:

	Peak	Q1 2024	% Change
 Deal Volume (Q1 2024)	6,799	3,811	-43.9%
 Middle Market Deal Volume (Q1 2024)	855	279	-67.4%
 Deal Volume (Q1 2024)	1,155	642	-44.4%
 Middle Market Deal Volume (Q1 2024)	123	47	-61.8%

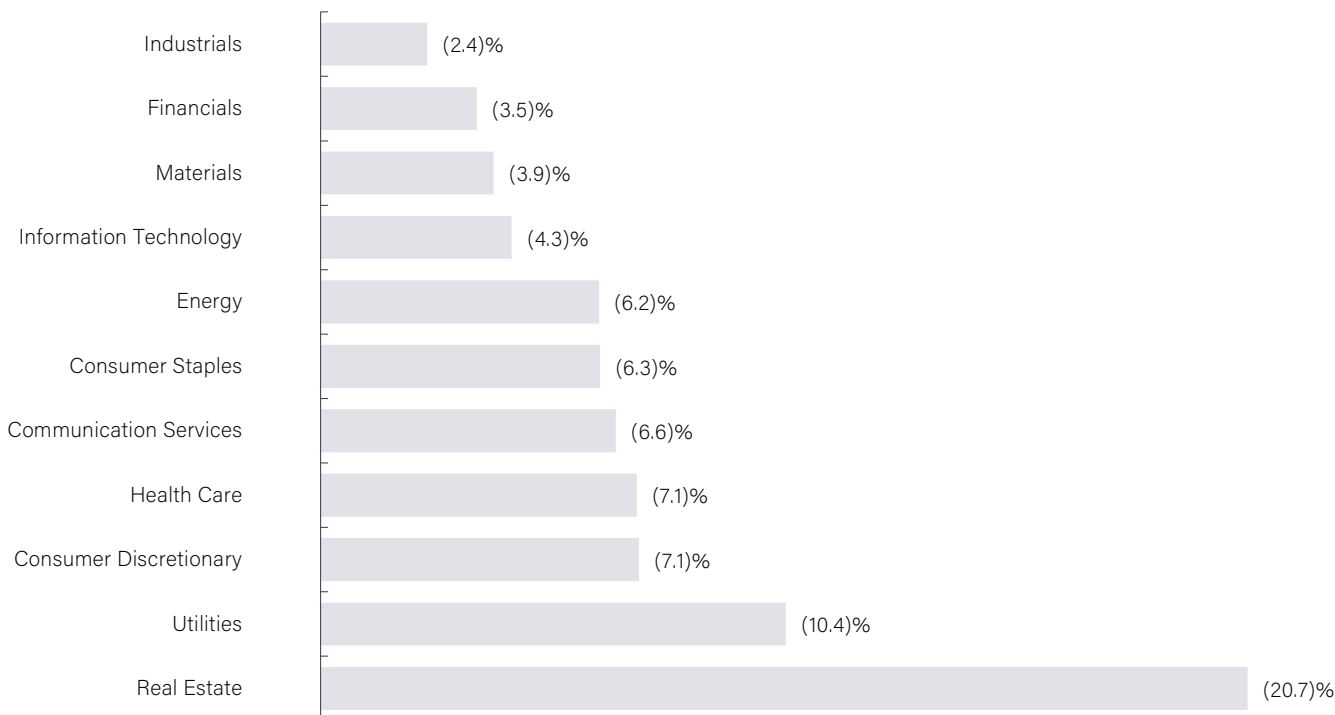
It is less clear that the Canadian market has bottomed out as upticks in Q2 and Q4 last year were met with new lows in the following quarters. However, one catalyst for M&A activity in Canada that is unique is the recent budget announcement of an increase in the taxation of capital gains. While longer term this is likely to be negative for investment and M&A activity, the immediate effect has been to accelerate founders and corporates exit plans to avoid higher taxation rates. This should lead to a short-term increase in M&A activity through the balance of the year.

### Activity By Sector

Overall activity across various sectors has experienced a decline since more “normal” levels of 2019. Real Estate and Utility sectors have fared the worst, facing significant challenges due to their sensitivity to interest rates. These industries rely heavily on access to capital, and the combination of rising interest rates and a constrained financing market has presented strong headwinds.

On the other hand, Industrials have maintained a relatively stable performance compared to 2019, with a 2.4% decrease in deal volume. This resilience can be attributed to the strategic allocation of capital towards “reshoring” initiatives, which involves bringing production and manufacturing processes back to North America. This trend reflects a shift in priorities towards bolstering domestic production capabilities, potentially driven by factors such as supply chain disruption and geopolitical considerations.

**North American M&A Activity by Sector**  
**5-Year CAGR (Q1 2019—Q1 2024)**

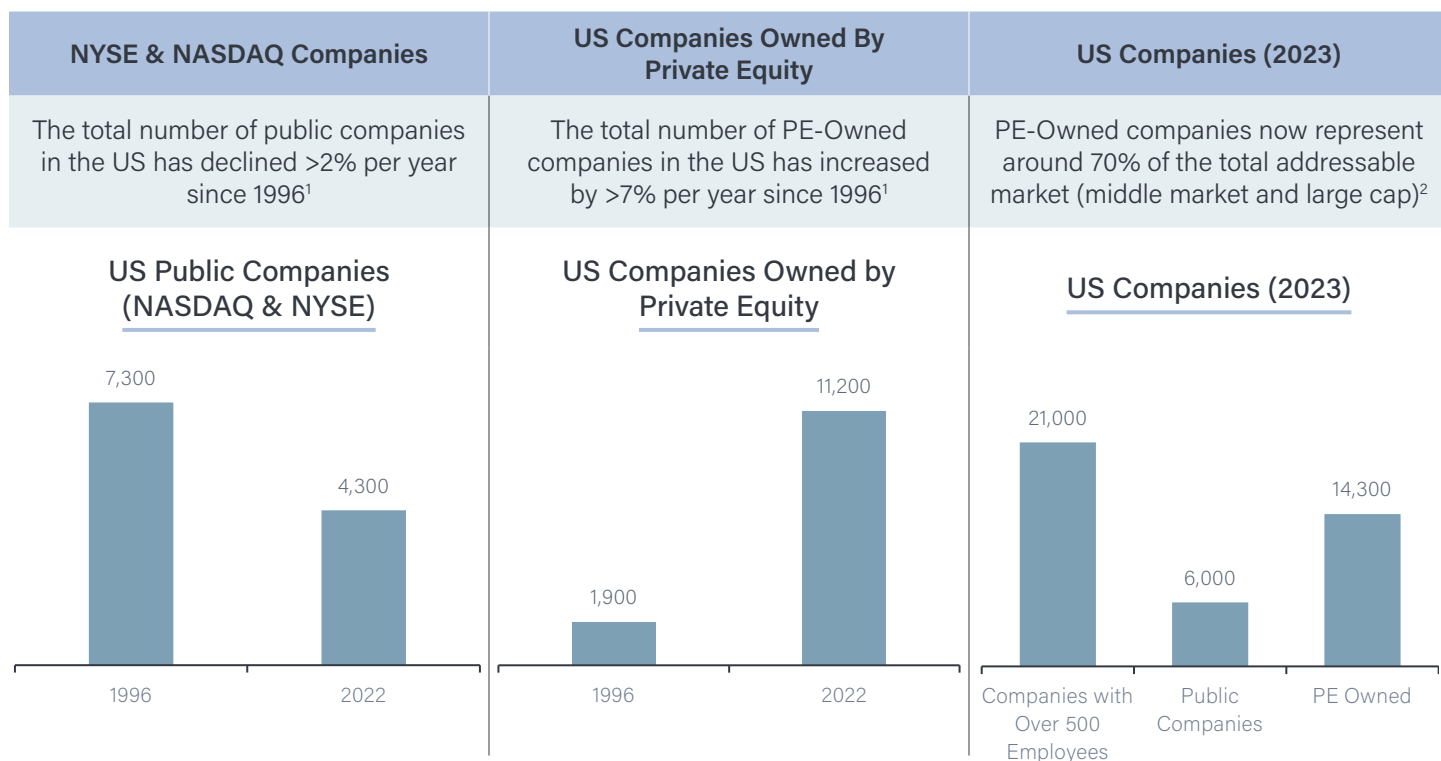


Source: S&P CapitalIQ.

## EXPANSION OF PRIVATE MARKETS AND CONTRACTION OF PUBLIC MARKETS

As Jamie Dimon, JP Morgan Chase Chairman and CEO, noted in his annual letter to shareholders, private markets, mostly in the form of private equity (PE) ownership, have surpassed the public markets for all but the largest companies in North America. As a result, the ratio of publicly-listed companies to PE-backed companies in the US has gone from 4:1 to 1:3 over the last couple of decades<sup>1</sup>. This trend is fueled by the desire to avoid the pressures of quarterly earnings reports and shareholder demands inherent in public ownership, enabling privately owned companies to focus on long-term strategic goals with greater flexibility and agility. Moreover, PE ownership provides access to substantial financial resources and expertise, facilitating ambitious growth strategies, innovation investment, and market expansion. PE firms often bring operational efficiencies and industry-specific knowledge to enhance value and drive sustainable growth, while the private status offers insulation from market volatility and regulatory scrutiny, enabling management teams to concentrate on long-term value creation.

As a result, the North American landscape is witnessing a notable trend towards PE ownership as companies seek to capitalize on the benefits and opportunities afforded by private ownership structures.





































<sup>1</sup> <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/ceo-letter-to-shareholders-2023.pdf>

<sup>2</sup> <https://www.marketwatch.com/story/private-equity-everything-you-always-wanted-to-know-about-this-12-trillion-asset-class-but-were-afraid-to-ask-b0cfc213>

## AND FROM ORIGIN'S ADVISORY PRACTICE...

Origin saw transaction closings at the slowest pace in almost a decade in Q1, but deal activity (both new and ongoing engagements) were at record high levels. This is suggestive of a market in transition and evidence that we may be through the bottom in M&A activity.

Quarter	Transaction	Transaction Type	Sector	Geography
Q1 '24	<b>Burke &amp; Co., &amp; Orion Audit</b>	Sell-Side	Healthcare	Buyer:  Seller: 
Q1 '24	<b>FanTuan</b>	Buy-Side	Technology	Buyer:  Seller: 
Q4 '23	<b>Buhler Industries</b>	Sell-Side	Food & Agriculture	Buyer:  Seller: 
Q4 '23	<b>Teck Resources</b>	Sell-Side	Metals & Mining	Buyer:  Seller: 
Q3 '23	<b>Extruded Aluminum<sup>1</sup></b>	Sell-Side	Industrials	Buyer:  Seller: 
Q3 '23	<b>Velocity Trade</b>	Sell-Side	Financials	Investor:  Investee: 
Q3 '23	<b>Northview</b>	Buy-Side	Real Estate	Investor:  Investee: 
Q3 '23	<b>Dishon</b>	Sell-Side	Industrials	Buyer:  Seller: 
Q3 '23	<b>Coinsquare</b>	Combination	Financials, Technology, Media & Telecom	Buyer:  Seller: 
Q2 '23	<b>Centricity</b>	Sell-Side	Healthcare & Pharmaceutical	Buyer:  Seller: 
Q2 '23	<b>MyLand Soil Health</b>	Financing	Environmental & Sustainability, Food & Agriculture	Investor:  Investee: 
Q2 '23	<b>VEGA Education</b>	Financing	Education & Skills Training	Investor:  Investee: 
Q2 '23	<b>Silverware POS</b>	Sell-Side	Technology, Media & Telecom	Buyer:  Seller: 
Q2 '23	<b>Copper Mountain</b>	Sell-Side	Metals & Mining	Buyer:  Seller: 
Q2 '23	<b>SDR Distribution</b>	Sell-Side	Industrials & Industrial Tech	Buyer:  Seller: 
Q1 '23	<b>Teck Resources</b>	Board Advisory	Metals & Mining	
Q1 '23	<b>ICPEI</b>	Sell-Side	Financials	Buyer:  Seller: 
Q1 '23	<b>Kivuto</b>	Sell-Side	Education & Skills Training, Technology, Media & Telecom	Buyer:  Seller: 

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

<sup>1</sup> Securities transactions conducted through StillPoint Capital, LLC, Tampa, FL

ORIGIN MERCHANT PARTNERS' Q1 2023 — Q1 2024 TRANSACTIONS

 <p>Has acquired the Food Delivery business of</p> 	 <p>Burke &amp; Company Ltd &amp;  orionaudit</p> <p>Have been acquired by</p> 	 <p>Has been acquired by</p> 	 <p>\$12 billion Financial Advisor to the Special Committee with respect to the sale of Elk Valley Resources to Glencore plc</p>	 <p>Has been acquired by</p>  <p>a portfolio company of</p> 
 <p>Has received a significant investment from</p> 	 <p>\$742 million Financial Advisor to the Special Committee regarding the acquisition of 3 property portfolios and REIT conversion</p>	 <p>Has been acquired by</p> 	 <p>Has combined with</p>  <p>and</p> 	  <p>Exclusive Financial Advisor to Persistence &amp; Management Shareholders of Centricity on its sale to</p> 
 <p>Has received an equity investment from</p>  	 <p>US\$439 million Financial advisor to the Special Committee and the Board of Directors on its combination with</p> 	 <p>IBU International Business University</p> <p>Raised growth capital from a group of investors lead by</p> 	 <p>Has a been acquired by</p> 	 <p>Has been acquired by</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>Financial Advisor to the Special Committee with respect to the proposed unification of the Dual Class Share structure</p>	 <p>Financial Advisor to the Special Committee on the acquisition by a consortium led by</p> 	 <p>Has been acquired by</p> 	

Weeks into the second quarter of 2024, our pipeline is full with sell-side, buy-side, and capital raising mandates in sectors including transportation & logistics, financial services, industrials, environmental & sustainability, food & ag, healthcare, technology, power & utilities, and education. Please contact any of our Managing Directors to enquire about any of our current mandates by industry. **Watch for our Q2/24 M&A review, coming this summer.**

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

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