

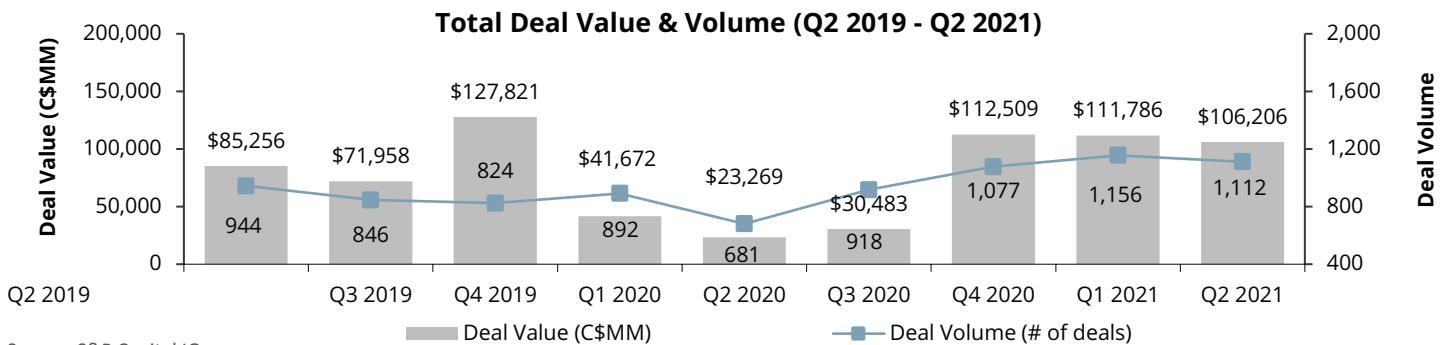


CANADIAN M&A REVIEW: H1/2021

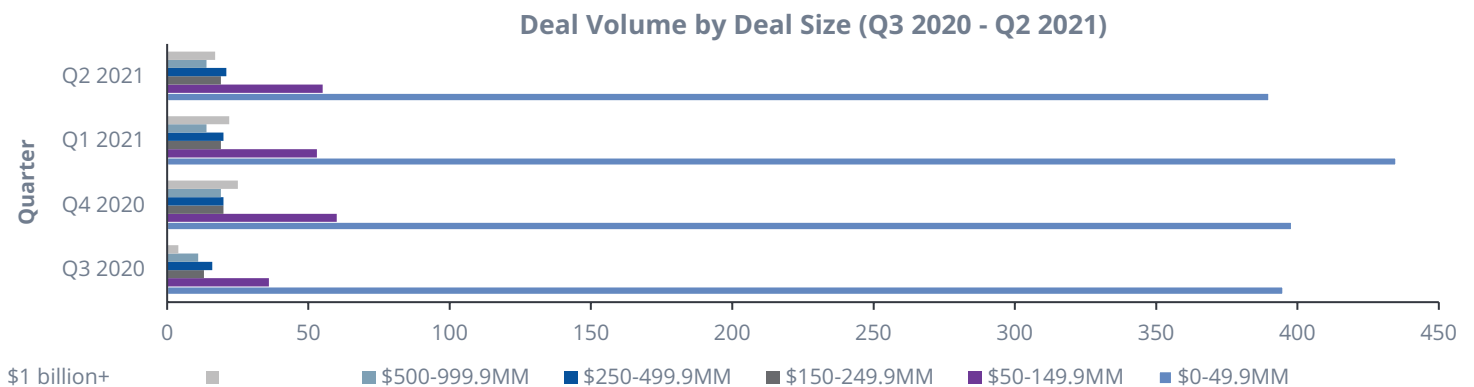
The Canadian M&A market is on a tear. Deal activity hit record levels through the first half of 2021, with no evidence of a slowdown as we head into the back end of the year. An abundance of capital in the pockets of financial and strategic buyers¹ paired with a borrower-friendly credit environment is more than offsetting any hurdles created by closed borders and pandemic restrictions. Read on for a snapshot of the Canadian M&A landscape in H1/21, followed by an update on Origin specific deal activity and highlights.

The strength of Canada's mid-market

Deal activity surged through the first half of the year, up almost 27% over H1/19², with volume spread relatively evenly across Q1 and Q2. Deal value was also at record levels, propelled by the CP and ultimately, the winning CN bid for Kansas City Southern, along with several other sizeable deals.



For most Canadian business owners, however, the story is about lower and mid-market activity, which continues to fuel Canadian M&A, comprising almost 90% of deal volume.³

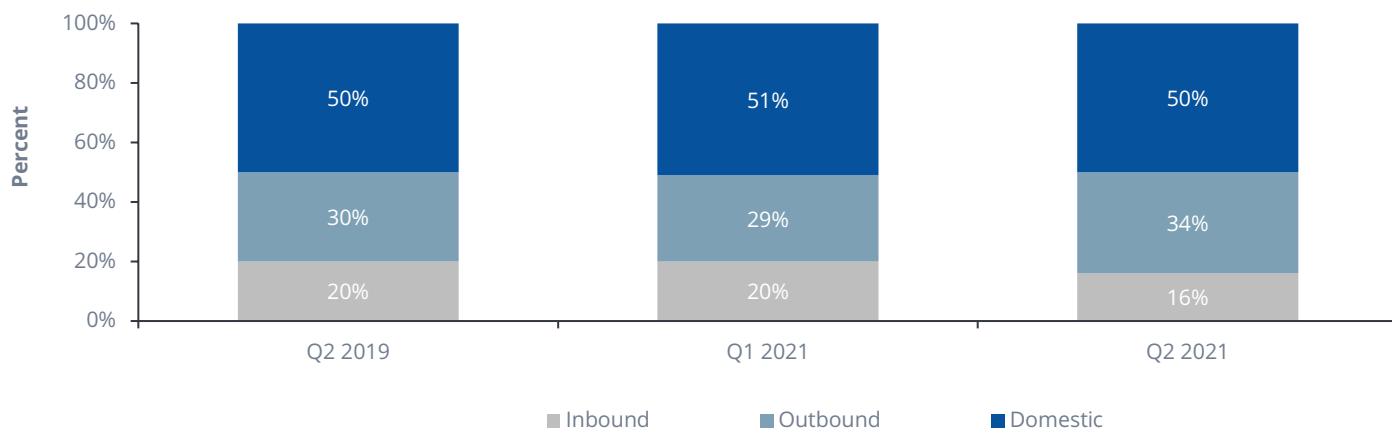


1 A recent Bank of Canada article noted a significant increase in Canadian companies' cash holdings through COVID-19. As of Q4/20, cash holdings stood at about 28% (or \$150 billion) above pre-pandemic levels.
 2 We are using H1/19 as a comparison, as H1/20 reflects the dramatic, short-term slowdown experienced in the early months of the pandemic.
 3 As a percentage of deals with disclosed value.

Where the buyers are

Buyers and seller have clearly learned to navigate closed borders. Domestic deals comprised approximately 50% of deal volume in H1/21, while cross-border deals accounted for the balance, almost identical to the breakdown in H1/19. One shift in Q2/21, however, was the balance between inbound and outbound deals, with a larger proportion of Canadian investors reaching across borders relative to Q1/21 and Q2/19.

Cross-Border vs. Domestic Deals

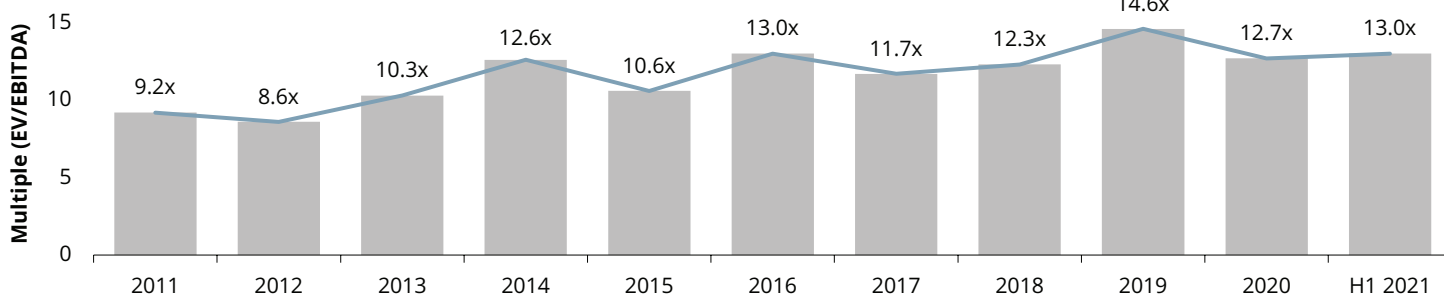


Source: S&P Capital IQ.

Valuations trending upwards

After dipping from the record highs of 2019, valuations are on sound footing, and trending modestly upwards. As well, anecdotally, through numerous conversations with capital providers as well as our own deal experience, it is clear that quality, well-managed, resilient businesses are often trading at a premium. In short, for those businesses (and their founders and shareholders), it's an excellent time to be a seller.

Median M&A EV/EBITDA US PE Multiples



















Source: Pitchbook.

As noted, this is a snapshot. If you'd like more detailed information about the Canadian M&A landscape, don't hesitate to reach out to karen.fisman@originmerchant.com.

And at Origin...

Our IB team set a record pace through the first half of 2021, with 9 transactions announced or closed across sectors including tech, healthcare, food and ag, financials, and transportation & logistics. Activity has not let up in the first weeks of Q3, and we look forward to reaching out to many of you as we bring new deals to market in the coming months.

 <p>Divestiture of 10 US Grain Facilities to</p> 	 <p>Acquisition of the long-term care pharmacy business in Ontario and Northern Alberta of Rexall Pharmacy Group</p> 	 <p>Strategic Partnership with</p> 	 <p>\$75 million Acquisition of the Long-Term Care Pharmacy Division of Medical Pharmacies</p> 	 <p>Sale of a Majority Interest to</p> 
<p>Dapasoft Inc., including</p>  <p>\$83 million Exclusive Financial Advisor on its sale to</p> 	 <p>Exclusive Financial Advisor on its Sale to</p> 	<p>coinsquare</p> <p>Strategic Investment by</p> 	 <p>Financial Advisor on its Substantial Issuer Bid</p>	

Deal highlight: Kitchen Partners

Every transaction that we take on has its unique challenges and complexities. One of those deals, closed in Q2/21, was the Kitchen Partners strategic partnership with Homestyle Selections LP. The successful outcome felt particularly rewarding as the company operates in the food services space, which was, of course, hit hard through COVID. Here is the (highly abridged) story:

In late 2019, Kitchen Partners (KP) retained Origin to find a strategic partner to support the company’s long term growth strategy. With the field narrowed to final partners aligned with KP’s culture and strategy, COVID struck. KP’s customers were hit hard, and management pressed pause on the process, turning their attention to guiding the business through the pandemic. During this period, Origin maintained contact with the final bidders to keep them apprised and interested.

With tremendous effort by KP management and their team, and pre-COVID performance back in their sightlines, Origin relaunched the process. The previous final parties were invited back to the table on conditions that valuation was to be relatively consistent, and that they would work on a tight timeline to complete the transaction, which closed successfully in April, 2021.

Visit <https://originmerchant.com/transactions/> for our full transaction history.



Strategic Partnership with



April 2021

Team news

- We welcomed our newest principal, [Darren Williams](#). Darren brings more than 20 years of investment banking experience to the firm, and will be leading our Industrials practice
- [Gord Bogden](#) joined our Senior Advisory Board, bringing his deep mining expertise and relationships to the firm
- We hired new Associates, Gordie Matheson and Umer Randhawa, and Analysts, William Doma, Campbell Yelle and Alex Ziurikov, adding valuable bench strength to our [professional team](#)
- Origin Principal, Robert Fedrock, was featured in Miller Thompson's Sector Spotlight on Transportation & Logistics. Read his interview [here](#) (on page 14)

Enjoy the warm weather while it lasts! And watch for our next M&A Review covering Q3/21 activity, coming your way in the fall.





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