



CANADIAN M&A REVIEW: Q4/2021

A Record Year for Canadian M&A

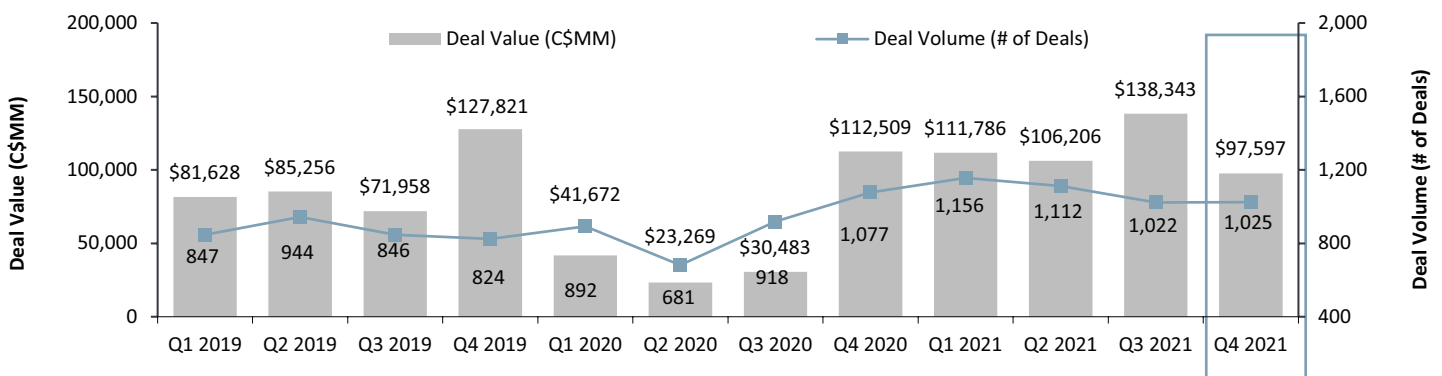
Canadian M&A activity¹ achieved record levels in 2021, closing out the year with strength. Deal volume in Q4/21 registered as the second highest fourth quarter in Canadian M&A history, exceeded only by Q4/20, a quarter that marked the start of record M&A activity during the pandemic. The acceleration of cross-border deal-making continued through Q4/21, outpacing domestic activity and achieving new heights.

Read on for a snapshot of the Canadian M&A landscape in Q4/21, followed by insights from our sector specialists in Healthcare, Food & Agriculture, Technology and Industrials, including their expectations for 2022, and concluding with an update on our own firm activity.

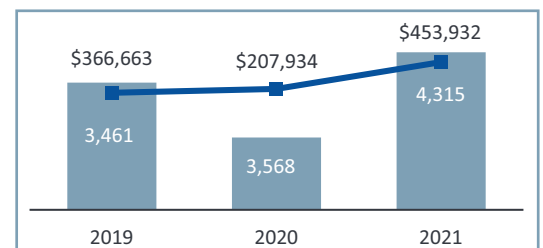
The Deal Landscape

Deal activity continued to soar in the fourth quarter, down from Q4/20, but well above Q4 levels prior to 2020². While average deal size in the mid-market increased (see comments below), overall deal value declined as a result of a drop in the number and magnitude of “mega-deals” (\$1 billion+)³.

Total Deal Value & Volume (Q1 2019 – Q4 2021)



Source: S&P CapitalIQ.

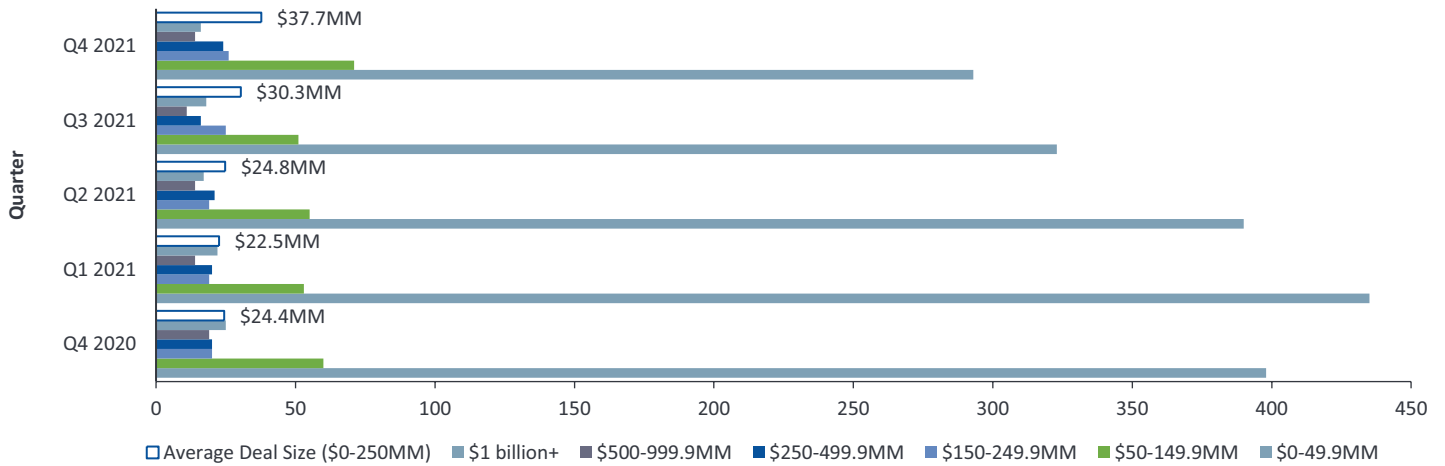


- 1 Announced deals.
- 2 From 2014-2019, Q4 deal volume ranged from 529 (2015) to 824 (2019) transactions.
- 3 Significantly, the contested Kansas City Southern transaction, had, in prior quarters, contributed values ranging around \$40 billion. There was no comparable announced deal in Q4/20.

Canada's Mid-Market Engine

The mid-market¹, Canada's M&A engine, drove deal activity in the fourth quarter and throughout 2021, accounting for, respectively, 87% and 89% of deal volume². Average deal size increased through the year, tallying \$38 million in Q4/21, up from \$30 million in the prior quarter and \$24 million in Q4/20.

Deal Volume by Deal Size (Q4 2020 – Q4 2021)

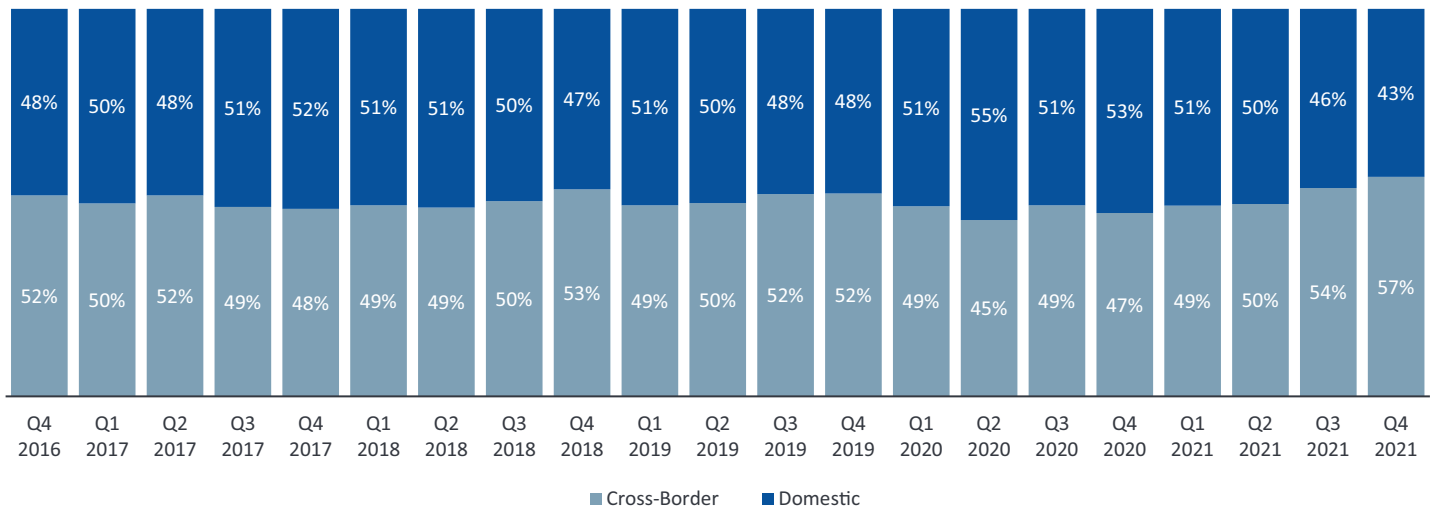


Source: S&P CapitalIQ.

Cross-Border Strength

Cross-border dealmaking continued to accelerate in Q4/21, representing 57% of total volume, the highest seen over the past five years.

Cross-Border vs Domestic Volume



Source: S&P CapitalIQ.

1 For the purposes of this report, we define the Canadian Mid-Market to include transactions of less than \$250 million.
 2 As a percentage of deals with disclosed value.

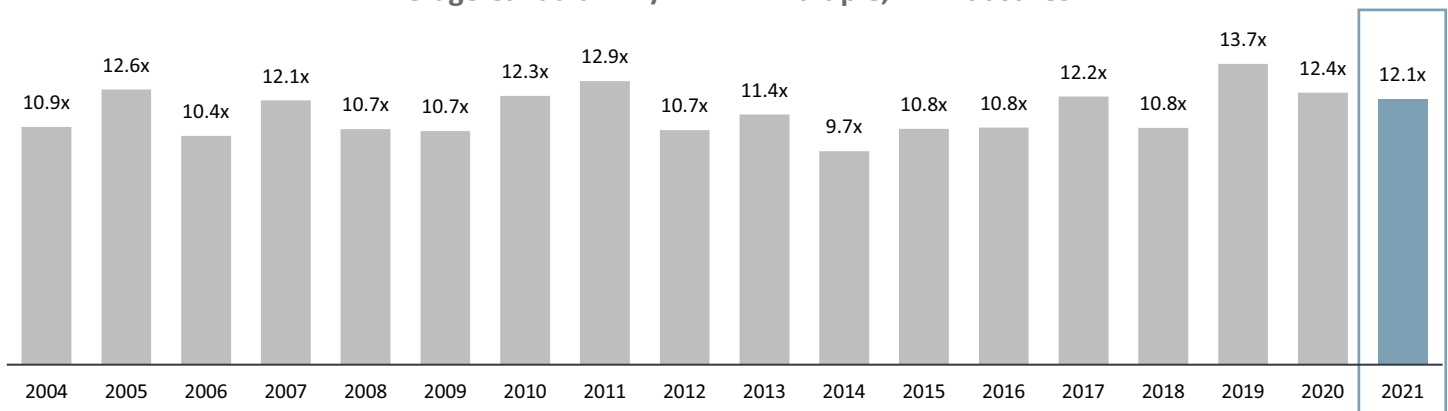
Valuations

Valuations remained strong in Q4/21, and are likely to be sustained at healthy levels into 2022 for the following reasons:

- The abundance of dry powder in the hands of private equity firms, along with corporate cash, continues to fuel a competitive deal landscape
- While some industries have suffered significantly (hospitality & tourism), a number of key industries have been the beneficiaries of much higher valuation premiums as their companies and products became much more desirable through the pandemic

Offsetting these drivers, concern about inflationary pressures and related potential interest rate increases, could serve as moderating forces as we move further into 2022. However, for sellers of well-managed, resilient businesses, it remains an excellent time to go to market.

Average Canadian EV/EBITDA Multiple, All Industries



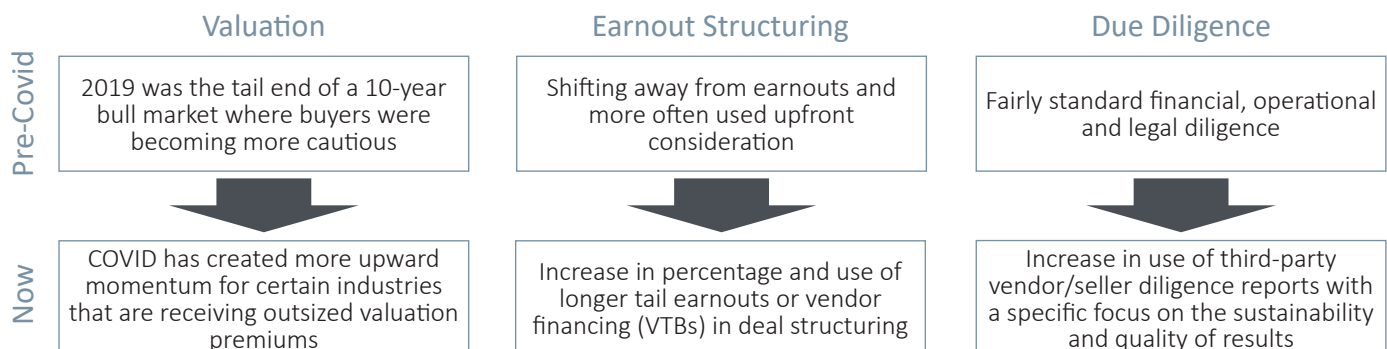
Source: S&P CapitalIQ.

Data includes transactions of \$5-500 million, with Implied EV/EBITDA between 0x and 70x.

Deal Structure: Pre-Covid and Now

With a competitive deal landscape, strong valuations and robust seller expectations, buyers are looking to deal structure to mitigate risk. The following is a snapshot of what we are seeing in our advisory practice.

Current Valuations have impact on deal structure & process



Key M&A Trends: 2021 & 2022

The pandemic has significantly impacted M&A trends, which we expect to be sustained into 2022. Some key trends that have emerged in our practice and that we see in the broader M&A market are as follows:

COVID has changed how the world operates and the outcomes are here to last

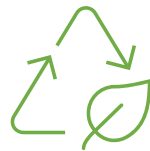
Rapid technology adoption
across all industries



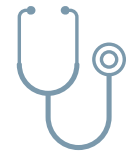
Rethinking Supply Chain



Doubling down on ESG



Increased investment in the
digitization of pharma and
life sciences



Sector Insights from our Specialists

Our principals/practice leads in Healthcare, Food & Agriculture, Technology and Industrials share insights on their experience in 2021, and expectations for 2022:



Cathy Steiner
Principal and Healthcare Lead



2021:

- 2021 was a very busy year for healthcare, as companies, especially in healthcare services and digital health, aggressively pursued organic and inorganic growth, adding significant scale, virtual capabilities and diversification
- Virtual strategies continued to be a critical part of healthcare delivery as COVID-related lockdowns persisted across the country. Going forward, virtual care will be table stakes since convenience drives patient compliance, however the reimbursement landscape is still TBD
- Focus on diversification: adding more tools to the toolbox is important to drive greater patient engagement and stickier customers

Outlook for 2022:

- We're currently seeing lots of interest in growth equity investments, with founders wanting to drive more growth and create more value, and private equity firms actively seeking attractive investment opportunities
- Fundamentals, not growth alone, will drive valuations – think ROI, recurring revenue, and utilization, for example
- We expect to see more focus on digesting 2021 acquisitions and strengthening the foundation



Andrew Muirhead
Principal and Food & Agriculture Lead



2021:

- ⦿ Transaction activity in the food & agriculture sector was robust, driven by strong balance sheets, improved commodity prices and increasing focus in the space in part due to the impacts of COVID
- ⦿ COVID also forced a wholesale change in the way transactions were completed, notably with the proliferation of online tools, remote diligence eg. drones, and far more dispersed and varied work teams
- ⦿ We completed three cross border sell-side transactions in the Agriculture sector, supporting clients domiciled in the US with buyers also located in the US

Outlook for 2022:

- ⦿ Activity levels remain strong, sector earnings have been strong and balance sheets continue to support active M&A transaction flows
- ⦿ A more balanced buyer/seller dynamic but still likely tilted in sellers' favour due to demand for quality acquisitions from public and private corporates as well as private equity, family offices and pension funds
- ⦿ Canada remains an attractive market for many international buyers in the sector and we expect to see more foreign players looking at food & agriculture investment opportunities



Mario Di Pietro
Principal and Technology Lead



2021:

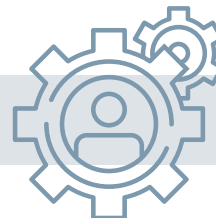
- ⦿ The tech sector continued to see strong activity in 2021 driven by several factors including:
 - ⦿ The accelerated transition to digital (across industries such as, enterprise, financial, healthcare)
 - ⦿ Increased focus on automation and artificial intelligence
 - ⦿ A combination of strong public market valuations, attractive lending environment and significant private capital (both private equity and venture capital)
 - ⦿ Increasingly active strategic buyers, as large cash balances and easy access to capital drove acquisition activity
- ⦿ More industry sectors participated in tech M&A activity in 2021, including more conventional industrial and manufacturing sectors looking to technology investments to alleviate supply chain constraints and labour shortages

Outlook for 2022:

- ⦿ We continue to see elevated levels of activity in the technology M&A market. Some companies believe that the capital market environment may become more volatile, so we are sensing increased urgency from some clients to do something sooner rather than later
- ⦿ In our view, the fundamental drivers in technology are intact and, as such, consolidation activity will continue as companies pursue competitive advantages through technology



Darren Williams
Principal and Industrials Lead



2021:

- Global companies made firm commitments (with timelines) to the transition to clean energy resulting in accelerated investment in the alternative energy infrastructure
- Businesses were actively executing on strategies to address the increasing demand for the electrical grid, renewable/green energy and a reduction in carbon emissions which included investment in interim alternatives such as compressed natural gas and longer term solutions such as localized hydrogen or nuclear generators
- We also saw marked investment in onshore/local manufacturing, logistics and warehousing both to increase local capacity and to mitigate global supply chain issues, through greenfield facilities, automation and M&A

Outlook for 2022:

- Per above, two key and fundamental issues were highlighted during the COVID pandemic: 1) the need to transition to clean/renewable energy and; 2) the necessity to mitigate global supply chain dependence
- Picking up momentum from 2020 and 2021, outsized investment and M&A in infrastructure such as clean energy technology, energy management/power modulation, electricity distribution/grid alignment, local warehousing and manufacturing capacity (re-commissioning old and building new), warehousing technology and automation are likely to be increasingly active for the foreseeable future

If you'd like more detailed insights into the Canadian M&A landscape, please email [Karen Fisman](mailto:karen.fisman@origin.com).

And at Origin...

Our Investment Banking team closed three transactions in the fourth quarter, in Technology, Mining and Food & Agriculture, with 12 transactions completed in 2021. Our pipeline is full as we embark on a new year, with sell-side, buy-side and capital raising mandates in sectors including Industrials (ESG), Healthcare, Technology, Food & Agriculture, Financial Services, Education and Mining.

 Exclusive Financial Advisor on its Sale to 	 Divestiture of CHS Larsen Cooperative to 	 US\$11,750,000 Sale of Royalties Owned by its subsidiary, Barrick TZ to 	CBC Computer Systems Exclusive Financial Advisor on its sale to 	 \$75 million Acquisition of the Long-Term Care Pharmacy Division of Medical Pharmacies 	 Divestiture of 10 US Grain Facilities to
 Acquisition of the long-term care pharmacy business in Ontario and Northern Alberta of Rexall Pharmacy Group 	 Strategic Partnership with 	 Sale of a Majority Interest to 	Dapasoft Inc., including dapasoft Security \$83 million Exclusive Financial Advisor on its sale to 	 Exclusive Financial Advisor on its Sale to 	coinsquare Strategic Investment by

Click [here](#) for our full transaction history.

A New Practice Area: ESG

We are bringing a number of ESG-focused mandates to market in 2022 and in parallel, have launched a sectoral practice focused on ESG-based businesses, led by [Lindsay Adam Weiss](#) and [Rob Fedrock](#). Please connect with Lindsay or Rob if you'd like to learn more.

We look forward to reaching out to many of you as we bring new deals to market in the coming months.

Team News



Peter Farrell
Investment Banking Principal

We're pleased to announce that [Peter Farrell](#) has joined the Origin team as a Principal. Peter brings over 30 years of senior management expertise and a deep set of professional relationships to Origin, which will be invaluable to our clients and our team.

Peter co-founded Citron Hygiene LP in 1996 and in 2016 partnered with Birch Hill Equity Partners to accelerate Citron's growth globally. Under Peter's leadership, and with the support of Birch Hill, Citron expanded rapidly with over 20 strategic acquisitions in Canada, the US, and the UK. Peter moved to a Vice Chairman role at Citron in 2021 after leading the company for 25 years as its CEO. In addition, over the years, Peter has sat on various for-profit and non-profit boards spanning industry, education, and community.

Peter is a graduate of, and taught at, the Richard Ivey School of Business at Western University in London, Ontario.

Watch for our next M&A Review covering Q1/22 activity, coming your way this spring





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