



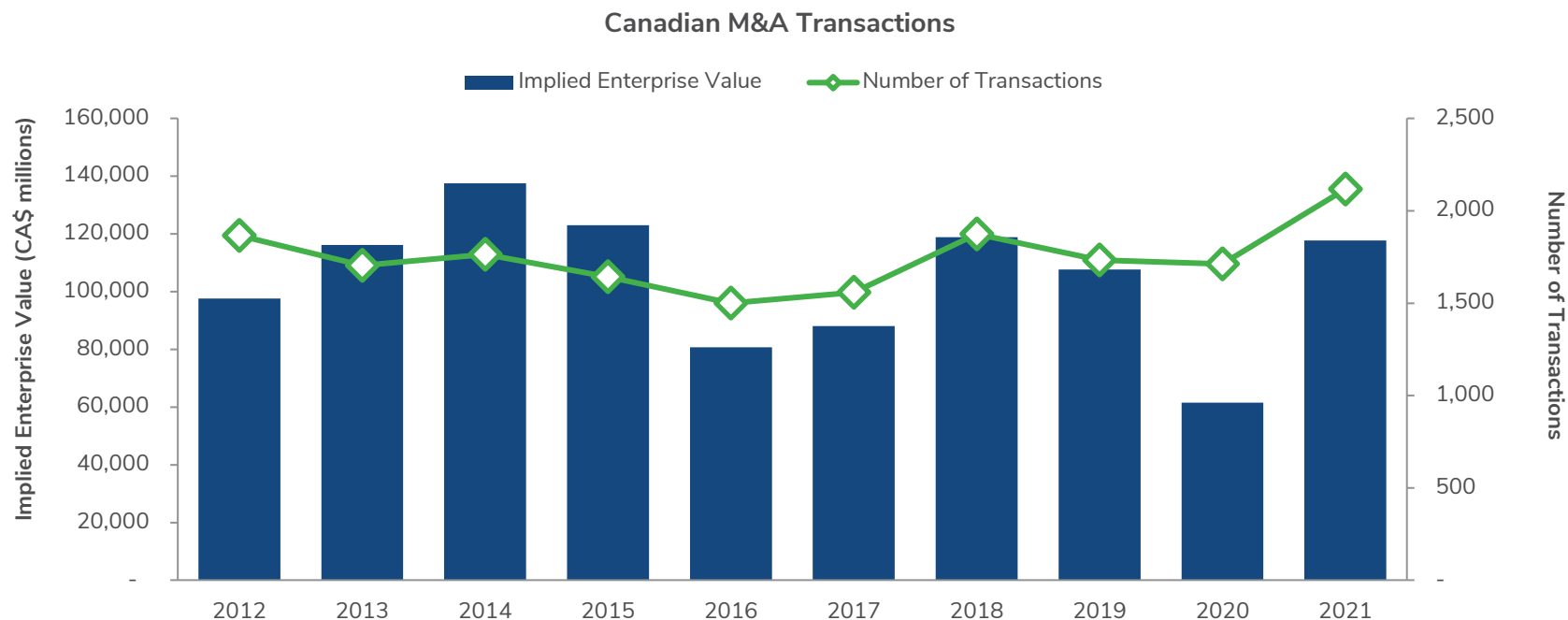
Canadian M&A Insights

Winter 2022

Canadian M&A Update

In 2021, Canadian M&A activity has surpassed pre-pandemic levels in both transaction count and total implied enterprise value (EV). There were 2,117 Canadian companies sold in 2021, a historical record high. The total disclosed EVs of the 2,117 transactions were \$117.7 billion, a 91% increase in comparison to the previous year. Of the transactions completed, 73% were domestic acquisitions, which is in line with historical averages.

Canadian M&A Transactions (CAD in millions)



For all data herein: All transaction values are in Canadian dollars (unless otherwise noted) and refer to transactions with reported financial data. All transaction data refers to acquisitions of majority stakes (minority deals were excluded). M&A transactions in 2021 include those between January 1 and December 31, 2021.

Sources: S&P Global Market Intelligence as of December 31, 2021; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Canadian M&A Update



2021 saw 70 megadeals closed and averaged \$2.5 billion in EV, a significant increase from 2020, which had 49 recorded closed megadeals. The largest Canadian deal in 2021 was Canadian Pacific Railway Limited's acquisition of Kansas City Southern at \$39.3 billion. This acquisition creates the first U.S.-Mexico-Canada rail network, with new single-line offerings that will deliver dramatically expanded market reach. The second and third largest megadeals in 2021 were Brookfield Infrastructure Partners L.P.'s acquisition of Inter Pipeline Ltd. and Cenovus Energy Inc.'s acquisition of Husky Energy, at \$17.4 billion and \$11.8 billion, respectively.

Significant megadeals announced in 2021 but not yet closed include: Rogers Communications' acquisition of Shaw Communications Inc. for \$26.6 billion; and Agnico Eagle Mines Limited's acquisition of Kirkland Lake Gold Ltd. for \$13.5 billion.

Large 2021 Closed Transactions: Canadian Buyer or Seller

Target	Target Country	Buyer	Buyer Country	Enterprise Value CAD Billions	Industry
Kansas City Southern	United States	Canadian Pacific Railway Limited	Canada	39.3	Industrials
Inter Pipeline Ltd.	Canada	Brookfield Infrastructure Partners L.P.	Bermuda	17.4	Energy
Husky Energy Inc.	Canada	Cenovus Energy Inc.	Canada	11.8	Energy
605 MW Greater Changhua 1 Offshore Wind Farm	Taiwan	Caisse de dépôt et placement du Québec, Cathay Private Equity	Multiple (including Canada)	6.9	Utilities
Spark Infrastructure Group	Australia	KKR & CO. Inc., Ontario Teachers' Pension Plan Board, Public Sector Pension Investment Board	Multiple (including Canada)	5.8	Utilities

1. Deals involving a Canadian company as the buyer or seller, with an implied enterprise value of \$500 million or more (minority deals excluded).

Sources: S&P Global Market Intelligence as of December 31, 2021; All publicly disclosed transaction information available in S&P Global Market Intelligence.

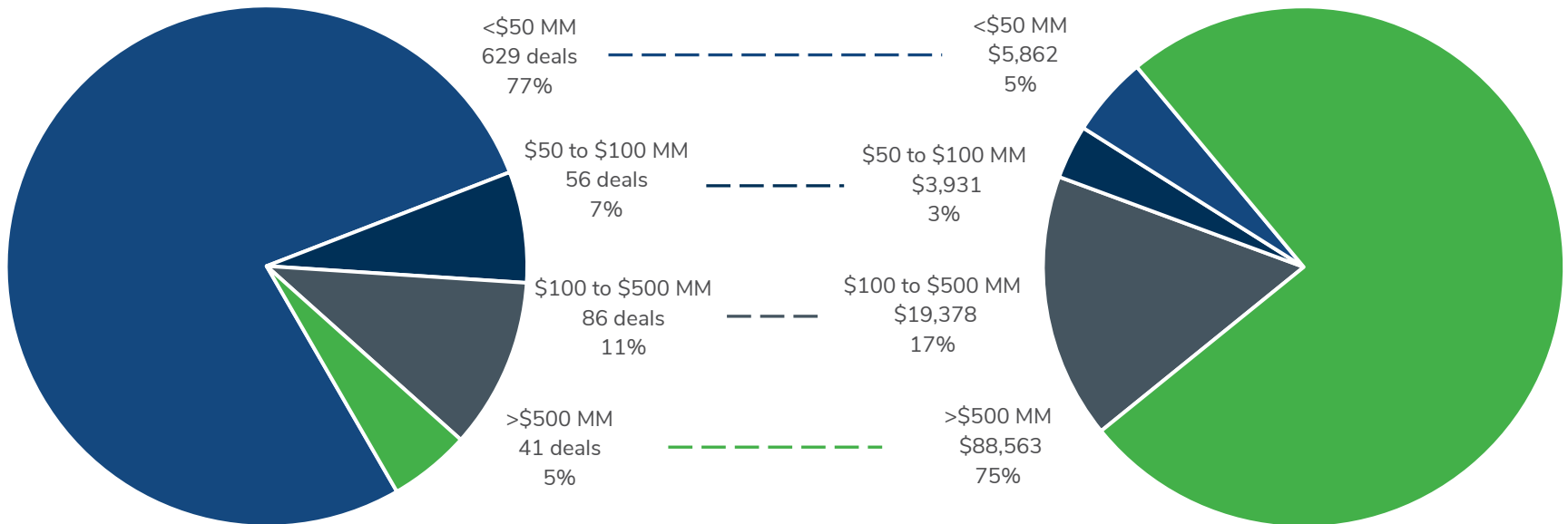
Canadian M&A Update

The Canadian M&A market had 2,117 completed transactions in 2021, up from 1,712 in 2020. Low interest rates, accelerated transaction timelines and abundance of capital in the market have been key factors in the 24% YoY increase in completed deals. Additionally, the median deal value sharply increased from \$4.1 million in 2020 to \$8.3 million in 2021 as deals under \$50 million represented 77% of the deal count. Although megadeals represent only 5% of all transactions, they represented 75% of the total deal value.

It should be noted that, since the values of many smaller transactions are not disclosed, the actual median is likely lower.

Number of Canadian M&A Transactions: Canadian Targets* (2021) (CAD in millions)

Value of Canadian M&A Transactions: Canadian Targets (2021) (CAD in millions)



*Only includes transactions with disclosed financial information.

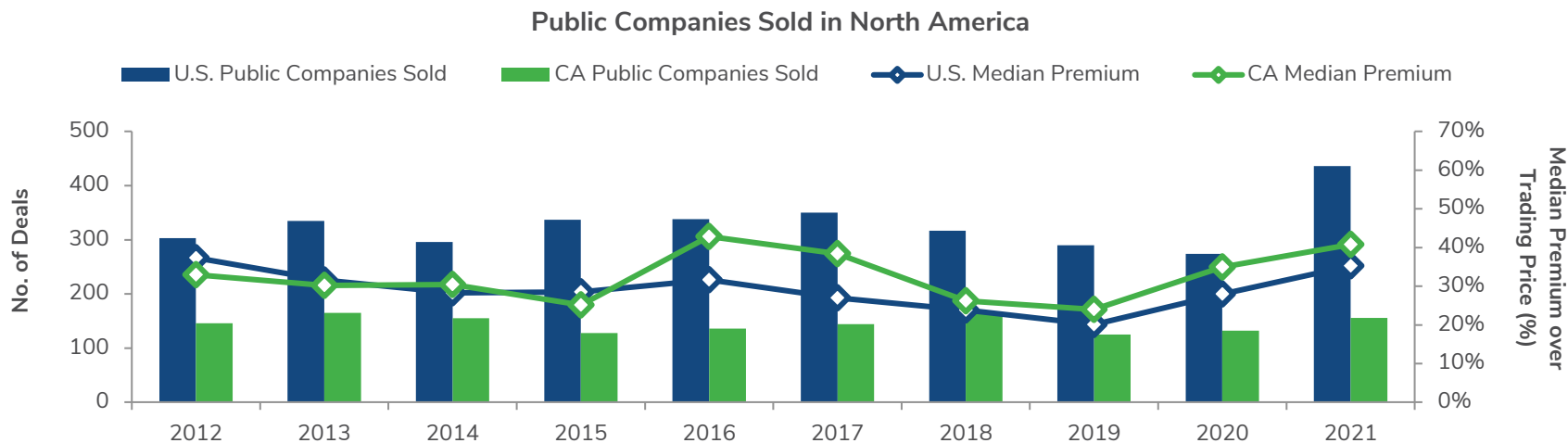
Sources: S&P Global Market Intelligence as of December 31, 2021; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Public vs. Private

Private company transactions continued to account for the majority of the North American M&A landscape, representing 92.6% (compared to 92.3% in 2020) of total Canadian deals and 97.6% (compared to 97.9 % in 2020) of all U.S. deal flow. In 2021, North America sold 186 more public companies than the previous year. Compared to 2020, the total number of public companies sold in Canada increased by 24 (156 sold in 2021 vs. 132 sold in 2020) while the U.S. experienced an increase of 162 public companies sold (436 sold in 2021 vs. 274 sold in 2020).

Both median takeover premium of Canadian and U.S. public companies experienced five-year highs. In 2021, the Canadian and U.S. median premium increased to 41% and 35%, respectively. The 10-year average premium is 33% in Canada and 29% in the U.S., both significantly exceeded in 2021.

Public Companies Sold in North America



Sources: S&P Global Market Intelligence as of December 31, 2021; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Valuation Multiples

North American transactions experienced a slight decrease in overall valuation multiples (where disclosed) in 2021 compared to the previous year. In particular, the average earnings before interest, taxes, depreciation and amortization (commonly known as EBITDA) multiple was 10.6x, which is a decrease of 0.1x from 2020.

While some industries', such as communication services and real estate, EBITDA multiples remained relatively stable, other sectors noticeably deviated from their 2020 multiples. The utilities sector was the hardest hit in terms of its average transaction multiple. This is a contrast to the energy and financial industries, where the average transaction multiples increased.

Enterprise Value to EBITDA Multiples by Industry for Transactions in North America*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Consumer Discretionary	10.2x	11.1x	10.7x	9.9x	10.6x	10.0x	11.1x	11.3x	11.6x	9.6x
Consumer Staples	10.8x	11.1x	12.0x	9.4x	12.1x	12.0x	11.5x	10.7x	12.8x	10.3x
Energy	7.6x	8.1x	8.5x	8.8x	8.6x	13.1x	9.8x	9.7x	4.1x	8.0x
Financials	9.1x	10.6x	12.3x	9.0x	12.1x	12.6x	10.4x	N/A	6.0x	8.9x
Health Care	10.8x	10.1x	11.7x	12.7x	12.6x	13.7x	12.3x	12.1x	14.1x	11.9x
Industrials	8.6x	8.8x	9.7x	9.9x	9.1x	10.4x	10.3x	10.9x	9.5x	10.9x
Information Technology	11.0x	11.2x	12.7x	13.1x	12.4x	13.6x	12.1x	11.8x	10.1x	11.6x
Materials	8.7x	10.0x	8.3x	10.5x	7.8x	10.5x	10.7x	9.8x	9.3x	8.6x
Communication Services	9.4x	8.9x	9.9x	14.9x	8.9x	9.7x	9.6x	9.6x	11.0x	11.2x
Utilities	9.5x	11.1x	9.7x	10.3x	11.1x	13.9x	11.8x	10.1x	15.1x	10.5x
Real Estate	15.9x	15.5x	17.6x	19.2x	16.5x	17.7x	16.2x	14.1x	19.5x	17.8x
Unspecified**	4.1x	11.9x	4.1x	8.5x	10.5x	7.3x	8.3x	7.0x	12.3x	5.7x
All Industries	9.6x	10.2x	10.7x	11.0x	10.9x	11.7x	11.0x	10.9x	10.7x	10.6x

*Excludes multiples over 25.0x; figures are rounded, the "All Industries" category uses unrounded figures in its calculation

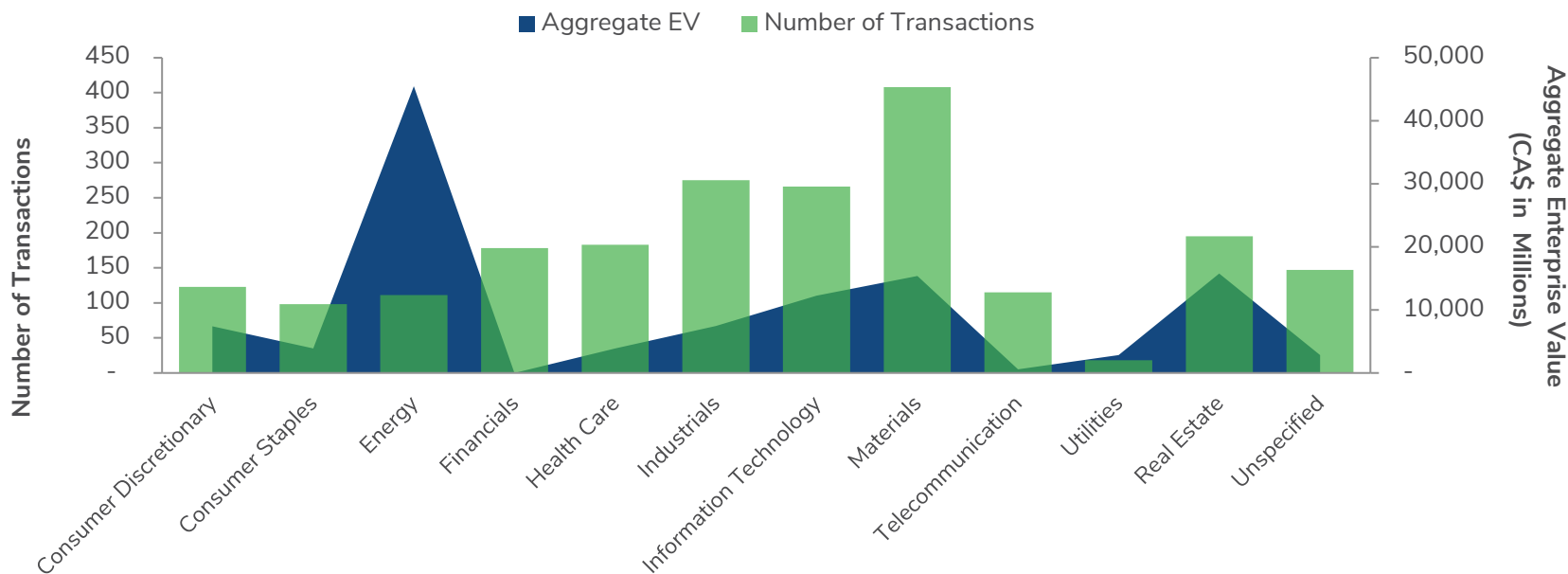
**The unspecified category includes transactions within a target company industry that S&P Global Market Intelligence has not categorized.

Sources: S&P Global Market Intelligence as of December 31, 2021; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Industry Sectors

The materials sector remains the most active in Canada, with 408 transactions. The largest deal among the 408 was valued at \$4.6 billion, making it a top-10 deal completed in 2021 in terms of EV. The materials sector ultimately contributed to \$15.4 billion in total EV for the period. Industrials and information technology industries remained active during 2021 and completed 275 and 266 deals, respectively. Energy accumulated a total of \$45.5 billion in EV, which is largely attributed to the numerous megadeals completed by the sector, resulting in an average deal value over \$410M.

Canadian M&A Transactions by Industry (2021)



Note: The unspecified category includes transactions within a target company industry that S&P Global Market Intelligence has not categorized.

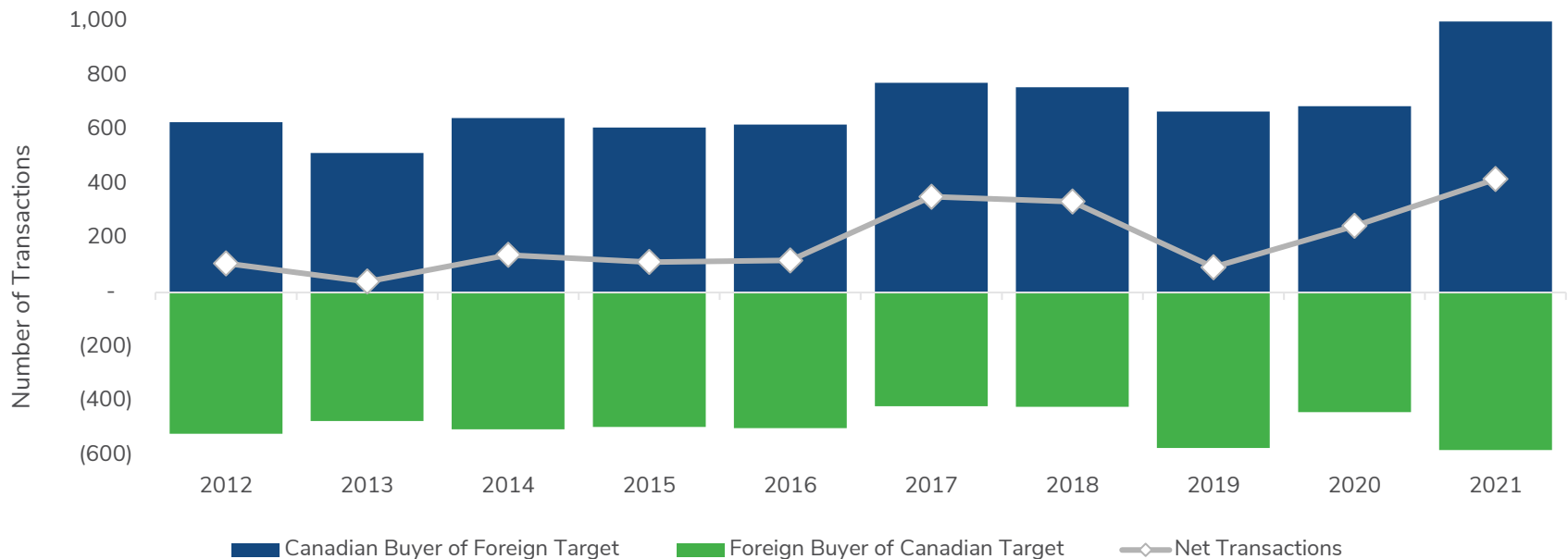
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Cross-Border Transactions

Acquisitions of Canadian companies continued to be predominantly domestic, with 1,536 of the 2,117 transactions (72.6%) completed by a Canadian buyer in 2021. Foreign and undisclosed buyers completed the remaining 581 transactions.

Canada maintained a net positive M&A environment, with Canadian companies acquiring more foreign-based companies (999 in 2021 vs. 687 in 2020) despite more Canadian companies being acquired by foreign companies (581 in 2021 vs. 442 in 2020) in 2021. Canadian companies continue to be net buyers from a global M&A perspective.

Canadian Cross-Border M&A Activity (2021)



Sources: S&P Global Market Intelligence as of December 31, 2021; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Cross-Border Transactions

Transactions between the U.S. and Canada continue to be the most prominent cross-border activity involving Canadian buyers or sellers. Both U.S. and Canadian buyers have ramped up transaction activity across the border, with U.S. acquisitions drastically increasing by 41% and Canadian buyers rising by 55% compared to 2020.

European companies were also active, acquiring a total of 100 Canadian companies in 2021 compared to 69 in 2020. Acquisitions of European companies by Canadian companies also increased from 127 in 2020 to 175 in 2021.

The number of Canadian buyers of Latin American companies decreased, with a total of 52 completed transactions in 2021 (compared to 61 in 2020). Additionally, Latin American buyers of Canadian companies remained low (only 5 in 2021).

Similar to 2020, the percentage of Canadian buyers of Asia Pacific-based companies made up about 5% of transactions in 2021. Asia Pacific-based buyers of Canadian companies was also 5%.

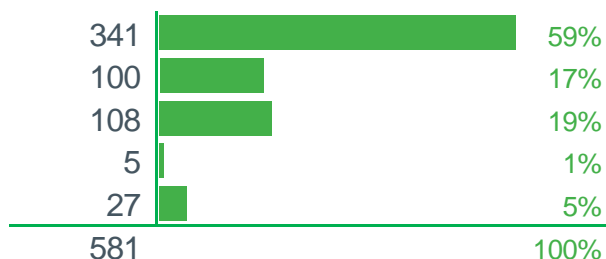
Canadian Cross-Border Transactions by Region (2021) (Number of Deals)

Canadian Buyer of Foreign Target



United States
Europe
Other/Unspecified
LATAM
Asia Pacific

Foreign Buyer of Canadian Target



Sources: S&P Global Market Intelligence as of December 31, 2021; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

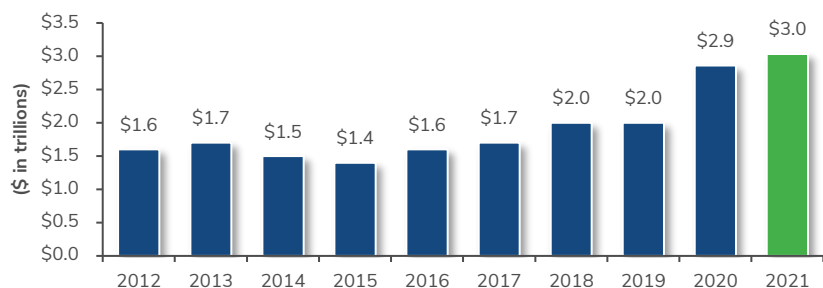
Looking Ahead

2021 has been a record year for number of completed Canadian transactions, while also setting a five-year high in total deal value. However, the COVID-19 pandemic continues to cause uncertainty and volatility in the markets. With new variants triggering different geography-specific measures, disruption in the worldwide supply chain has affected businesses across all industries. Based on current projections, global supply chain issues should subside over the coming months and be less prevalent by 2H 2022.

2021 saw businesses realigning their strategic vision with multiple divestures and spin-offs. Corporations are putting greater focus into their main segments while foregoing ventures that are less core to their long-term goals. Divestures have been strong opportunities for strategic buyers to quickly expand product portfolios, acquire high-quality assets and rapidly access new markets.

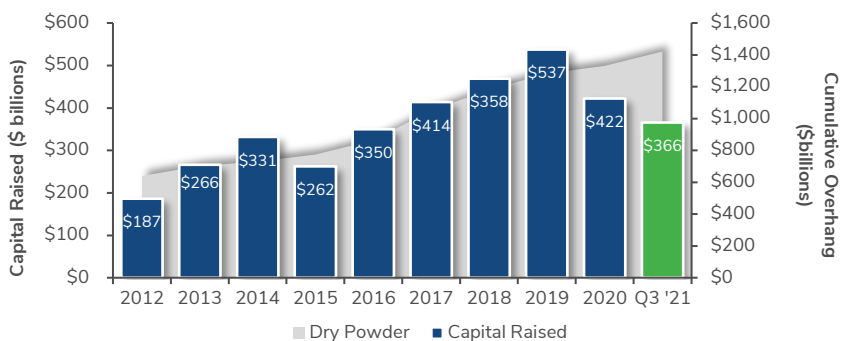
Inflationary headwinds may cause interest rates to rise, which could negatively impact deal activity. However, with large cash balances and an abundance of dry powder, high liquidity in the market indicates a strong deal pipeline. Companies that are technology and data orientated continue to be value drivers, as is emerging market demand for environmental, social and governance investments. Although 2022 is expected to meet challenges early in the year, accelerated transaction timelines and refocused strategic vision are expected to lead 2022 toward another strong year of deal activity.

S&P 500 Cash Balances



Source: CapitalIQ

Private Equity Overhang



Source: Pitchbook

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- Energy and Mining
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- Industrials and Business Services
- Technology, Media and Telecom



#5 Middle-Market M&A Advisor over the past 10 years¹

600+ M&A transactions over the past five years

#1 For total number of U.S. and global Fairness Opinions over the past 10 years²

2,170+ fairness and solvency opinions for \$6 trillion in deal value since 2005

650+ private equity groups proactively covered by our Financial Sponsors Group

Over 1,100 transactions for over 200 Private Equity firms in 2021

45+ private equity coverage officers across North America

Sources:

¹Refinitiv cumulative data from 2012 — 2021

²Refinitiv Data (U.S. deals \$10M < \$170M, including deals without a disclosed value). Full years 2012 through 2021



Canadian M&A Contacts

Howard Johnson

Managing Director and Canada Leader
Toronto
+1 416 597 4500
howard.johnson@kroll.com

Devin Kennealy

Director, M&A Advisory
Toronto
+1 416 361 6749
devin.kennealy@kroll.com

Daniel Taranovsky

Director, Technology Specialist
Toronto
+1 416 593 3419
dtaranovsky@pmib.com

Other Canadian Service Areas

Scott Davidson

Disputes and Investigations
Toronto
+1 416 364 9719
scott.davidson@kroll.com

Peter McFarlane

Business Intelligence Services
Toronto
+1 416 813 4401
pmcfarlane@kroll.com

Joel Bowers

Cyber Risk
Toronto
+1 416 361 6742
joel.bowers@kroll.com

Matt Billings

Transfer Pricing
Toronto
+1 416 361 6781
matt.billings@kroll.com

Global M&A Advisory Contacts

Bob Bartell, CFA

President of Corporate Finance
Chicago
+1 312 697 4654
bob.bartell@kroll.com

Stephen Burt

Global Head of M&A Advisory
Chicago
+1 312 697 4620
steve.burt@kroll.com

Joshua Benn

Head of America M&A Advisory
New York
+1 212 450 2840
joshua.benn@kroll.com

Andreas Stoecklin

Head of Europe M&A Advisory
Frankfurt
+49 697 191 8466
andreas.stoecklin@kroll.com

Dafydd Evans

Managing Director, M&A Advisory
London
+44 207 089 4850
dafydd.evans@kroll.com

Alexandre Pierantoni

Managing Director, M&A Advisory
Brazil
+55 11 3192 8103
alexandre.pierantoni@kroll.com

David Lu

Managing Director, M&A Advisory
China
+86 21 6032 0608
david.lu@kroll.com

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