

The Kroll logo is displayed in white, uppercase letters. The letter 'O' is stylized with a white circle inside it. The background of the entire slide is a photograph of a city skyline, likely Toronto, featuring the CN Tower and several other skyscrapers, viewed from across a body of water under a bright blue sky with scattered white clouds. There are blue and green geometric shapes in the corners of the slide.

KROLL

Industry Insights

Canadian M&A Insights

Winter 2023

Highlights

The Canadian M&A market completed **1,750** transactions in 2022.

2022 saw **60** megadeals averaging **\$2.2 bn** in EV

The materials and industrials sectors are currently the most active in Canada, with 299 and 290 transactions in 2022, respectively.

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 2022 include those between January 1 and December 31, 2022.
Sources: S&P Global Market Intelligence as of January 6, 2023; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.
Deals involving a Canadian company as the buyer or seller, with an implied EV of \$500 million or more (minority deals excluded).

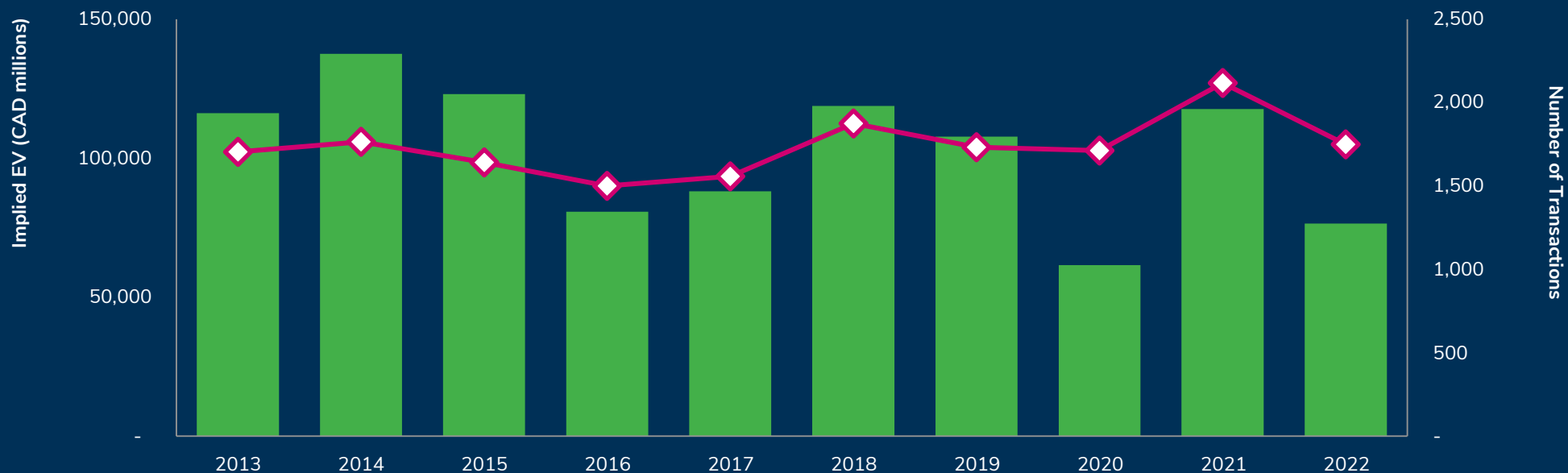
Canadian M&A Update

Canadian M&A activity in 2022 declined moderately in both transaction count and total implied EV compared to 2021. Total disclosed transaction value and deal count decreased by 35% and 17%, respectively, in comparison to 2021. Transaction volume trended towards the 10-year average. Due to uncertainty in the market, a decrease in transaction volume was expected as companies continued to navigate through the headwinds associated with general economic slowdown. In 2022, there were 1,750 Canadian companies sold with a total disclosed EV of \$76.5 billion.

Canadian M&A Transactions (CAD in millions)

Canadian M&A Transactions

Implied EV Number of Transactions



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 2022 include those between January 1 and December 31, 2022.

Sources: S&P Global Market Intelligence as of January 6, 2023; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Canadian M&A Update

In 2022 60 megadeals closed, averaging \$2.2 billion in EV, compared to 2021 that saw 70 closed. The largest Canadian sell-side deal in 2022 was the acquisition of Kirkland Lake Gold Ltd. for \$12.4 billion by Agnico Eagle Mines Ltd. The second and third largest sell-side megadeals in 2022 were the acquisitions of Seapeak LLC and Pretium Resources Inc. for \$5.7 billion and \$3.5 billion, respectively.

Significant megadeals announced in 2022 but not yet closed include Brookfield Corporation's acquisition of Origin Energy Limited for \$15.4 billion, British Columbia Investment's acquisition of National Grid Gas for \$11.5 billion and Brookfield Corporation's acquisition of Westinghouse Electric Company for \$10.9 billion.

Large 2022 Closed Transactions: Canadian Seller

Target	Target Country	Buyer	Buyer Country	Enterprise Value CAD Billions
Kirkland Lake Gold Ltd	Canada	Agnico Eagle Mines Limited (NYSE:AEM)	Canada	12.4
Seapeak LLC	Canada	Stonepeak Partners LP	United States	5.7
Pretium Resources Inc	Canada	Newcrest Mining Limited (ASX:NCM)	Australia	3.5
Canadian Costco Credit Card Portfolio of Costco Wholesale Corporation	Canada	Canadian Imperial Bank of Commerce (TSX:CM)	Canada	3.1
LifeWorks Inc	Canada	TELUS Corporation (TSX:T)	Canada	2.9

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

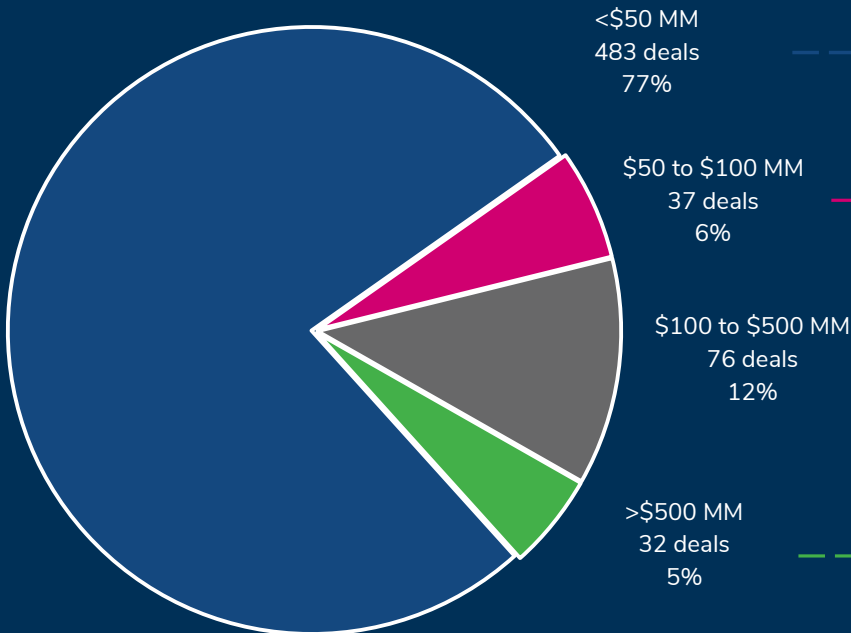
Sources: S&P Global Market Intelligence and Mergermarket as of January 6, 2023; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Canadian M&A Update

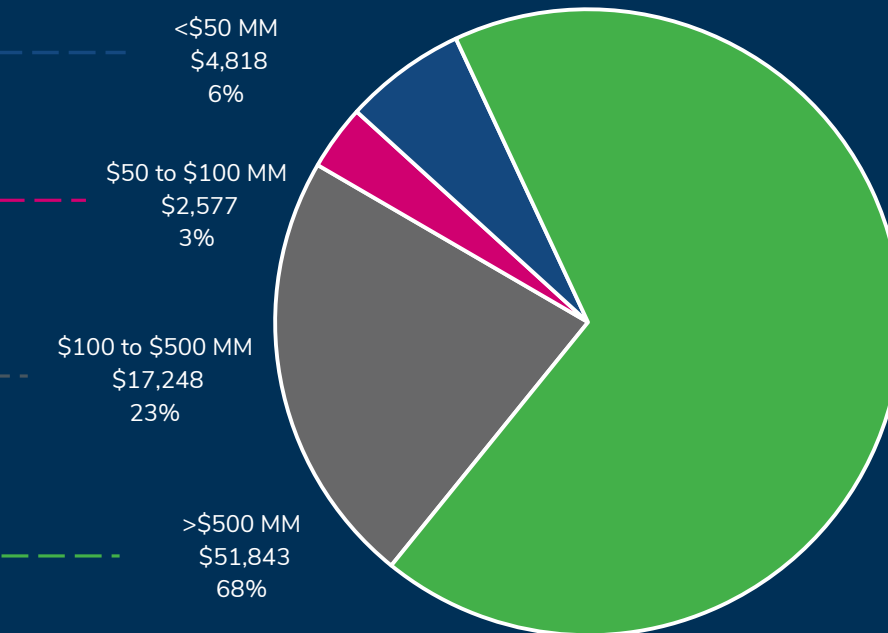
The Canadian M&A market had 1,750 completed transactions in 2022—down by 367 transactions when compared to 2021—due in part to economic precariousness. The median deal value increased slightly from \$8.3 million in 2021 to \$9.1 million in 2022. Although median deal value increased, transactions under \$50 million represented 77% of the deal count. Megadeals were only 5% of all transactions but represented 68% of the total deal value.

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

Number of Canadian M&A Transactions: Canadian Targets* (2022) (Deal Volume)



Value of Canadian M&A Transactions: Canadian Targets (2022) (CAD in millions)



*Only includes transactions with disclosed financial information. MM denotes millions of Canadian dollars.

Sources: S&P Global Market Intelligence as of January 6, 2023; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

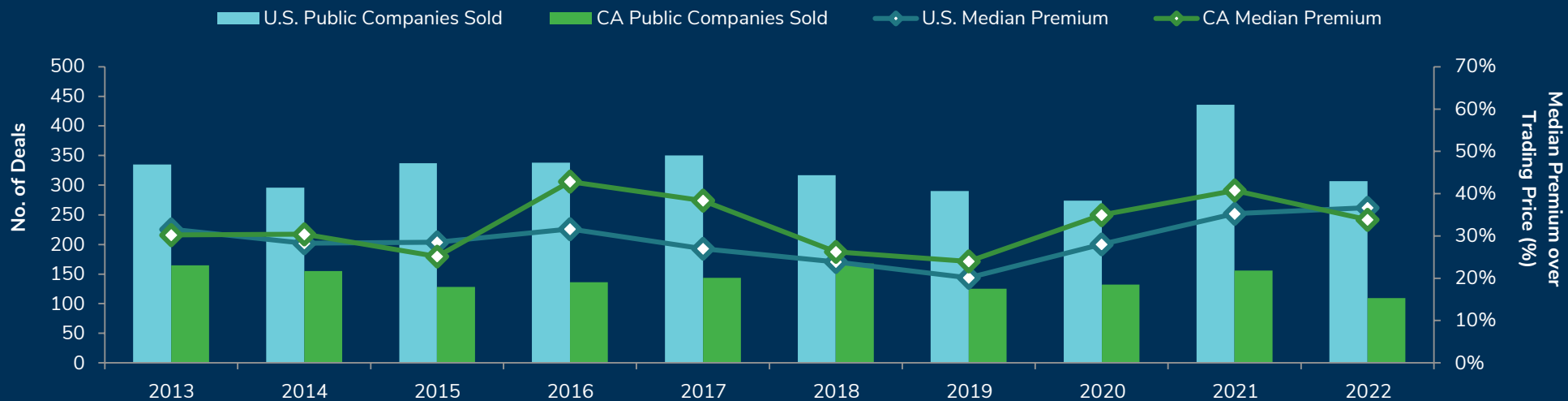
Public vs. Private

Private company transactions continued to dominate the North American M&A landscape in 2022, representing 94% of total Canadian deals (compared to 93% in 2021) and 98% of all U.S. deal flow (also 98% in 2021). In 2022, 176 fewer public companies were sold in North America than in the previous year. The total number of public companies sold in Canada decreased by 47 (109 sold in 2022 vs. 156 sold in 2021) while the U.S. experienced a decrease of 129 public companies sold (307 sold in 2022 vs. 436 sold in 2021).

The median takeover premium of Canadian public companies in 2022 was 34% (a 7% decrease from the prior year) and it was 37% for U.S. public companies (a 2% increase from the prior year). In 2022, the Canadian and U.S. takeover premiums were above their respective 10-year averages of 33% and 29%.

Public Companies Sold in North America

Public Companies Sold in North America



Sources: S&P Global Market Intelligence as of January 6, 2023; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Valuation Multiples

North American transactions experienced a modest increase in overall valuation multiples (where disclosed) in 2022 compared to the previous year. In particular, the average earnings before interest, taxes, depreciation and amortization (EBITDA) multiple was 10.8x, which is an increase of 0.2x from 2021.

In 2022, EBITDA multiples increased in most industry segments except for the energy, health care and industrials sectors. The utilities industry experienced the largest increase in their industry multiples.

EV to EBITDA Multiples by Industry for Transactions in North America*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Consumer Discretionary	11.1x	10.7x	9.9x	10.6x	10.0x	11.1x	11.3x	11.6x	9.6x	10.9x
Consumer Staples	11.1x	12.0x	9.4x	12.1x	12.0x	11.5x	10.7x	12.8x	10.3x	10.8x
Energy	8.1x	8.5x	8.8x	8.6x	13.1x	9.8x	9.7x	4.1x	8.0x	7.9x
Financials	10.6x	12.3x	9.0x	12.1x	12.6x	10.4x	N/A	6.0x	8.9x	9.0x
Health Care	10.1x	11.7x	12.7x	12.6x	13.7x	12.3x	12.1x	14.1x	11.9x	11.3x
Industrials	8.8x	9.7x	9.9x	9.1x	10.4x	10.3x	10.9x	9.5x	10.9x	9.7x
Information Technology	11.2x	12.7x	13.1x	12.4x	13.6x	12.1x	11.8x	10.1x	11.6x	12.5x
Materials	10.0x	8.3x	10.5x	7.8x	10.5x	10.7x	9.8x	9.3x	8.6x	10.3x
Communication Services	8.9x	9.9x	14.9x	8.9x	9.7x	9.6x	9.6x	11.0x	11.2x	14.3x
Utilities	11.1x	9.7x	10.3x	11.1x	13.9x	11.8x	10.1x	15.1x	10.5x	13.9x
Real Estate	15.5x	17.6x	19.2x	16.5x	17.7x	16.2x	14.1x	19.5x	17.8x	20.6x
Unspecified**	11.9x	4.1x	8.5x	10.5x	7.3x	8.3x	7.0x	12.3x	5.7x	10.0x
All Industries	10.2x	10.7x	11.0x	10.9x	11.7x	11.0x	10.9x	10.7x	10.6x	10.8x

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

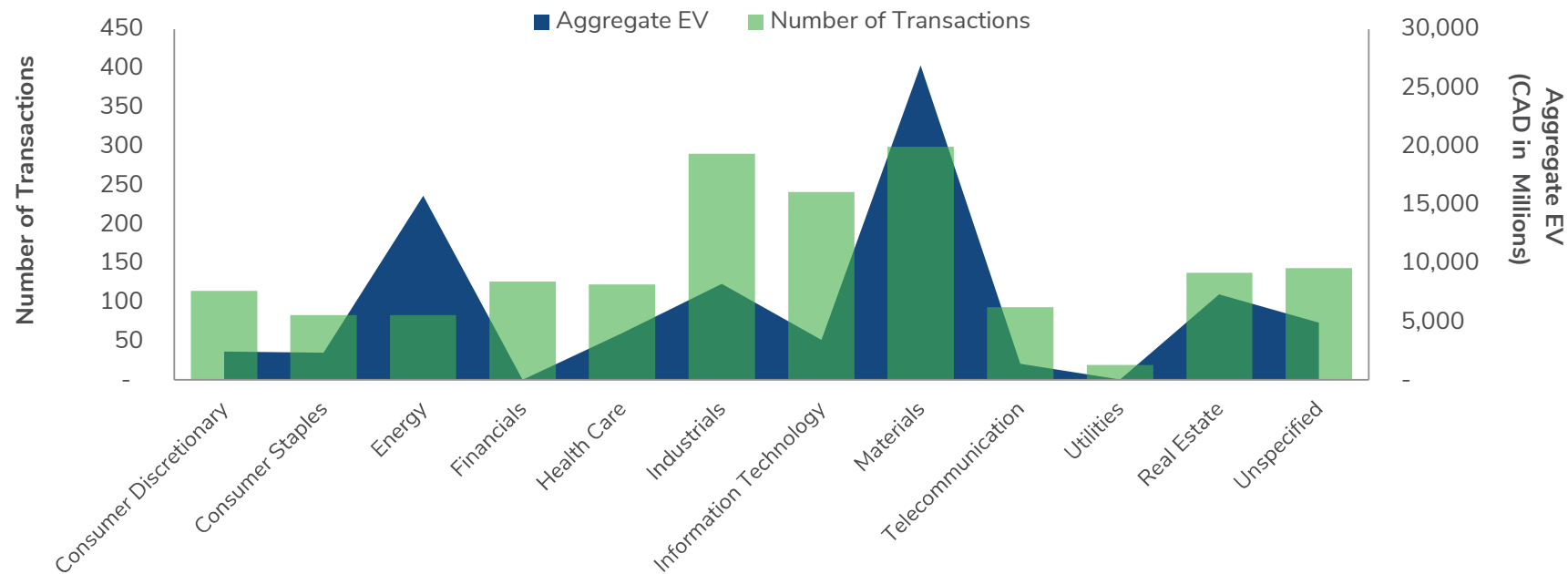
**The unspecified category includes transactions within a target company industry that S&P Global Market Intelligence has not categorized.

Sources: S&P Global Market Intelligence as of January 6, 2023; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Industry Sectors

The materials and industrials sectors are currently the most active in Canada, with 299 and 290 transactions in 2022, respectively. In terms of EV, the largest deal among these two sectors was Agnico Eagle Mines Ltd.'s acquisition of Kirkland Lake Gold Ltd., valued at \$12.4 billion. Although similar in deal volume, the total deal value in terms of EV for the industrials and materials sectors contributed \$8.2 billion (average value of \$28.2 million) and \$26.9 billion (average value of \$90.0 million), respectively. The third most active sector was information technology, with a total of 241 transactions amounting to \$3.4 billion.

Canadian M&A Transactions by Industry (2022)



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

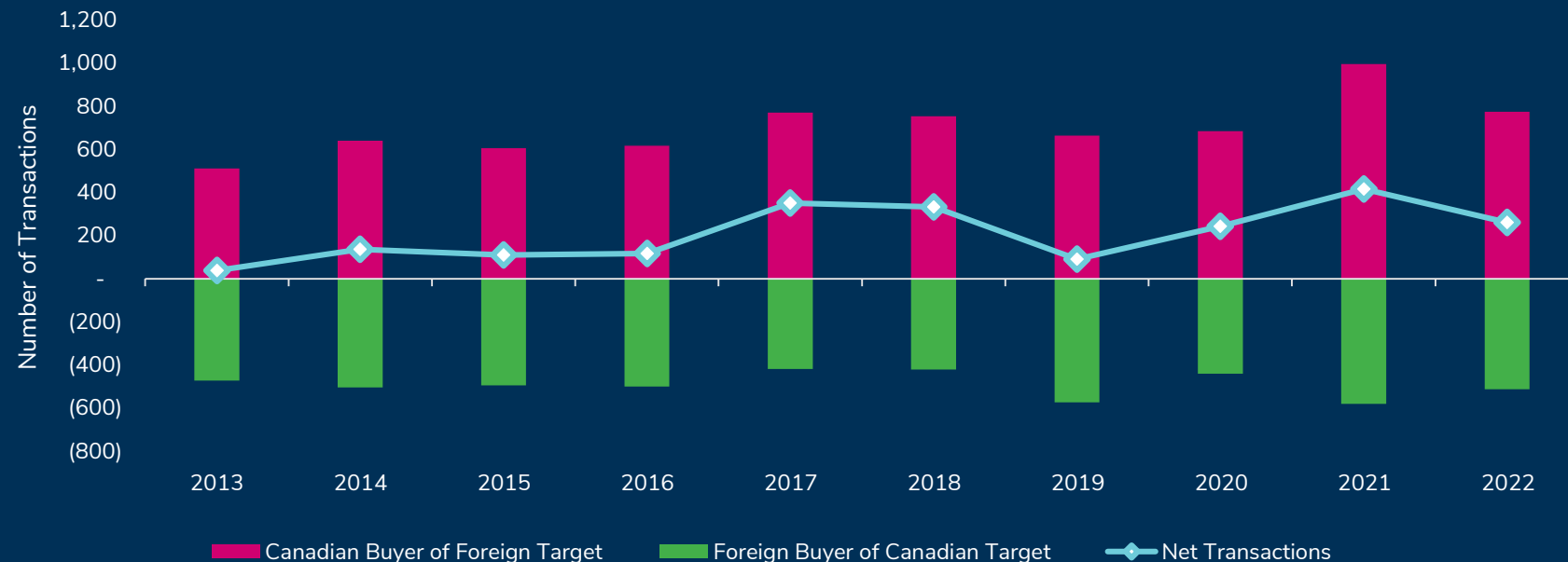
Sources: S&P Global Market Intelligence as of January 6, 2023; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Cross-Border Transactions

Acquisitions of Canadian companies continued to be predominantly domestic, with 1,236 of the 1,750 transactions (71%) completed by a Canadian buyer in 2022. Foreign and undisclosed buyers accounted for the remaining 514 transactions.

Canada maintained a net positive M&A environment, with Canadian companies acquiring more foreign-based companies (777 transactions) than Canadian companies acquired by foreign companies (514 transactions) in 2022. Canadian companies continue to be net buyers from a global M&A perspective.

Canadian Cross-Border M&A Activity (2022)



Sources: S&P Global Market Intelligence as of January 6, 2023; 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 and sellers. Despite a 22% decrease in Canadian buy-side transaction activity, there were several notable deals. The largest deal was the \$24.9 billion sale of McAfee Corp. to a consortium of buyers, including CPP Investments.

European companies were also active, acquiring a total of 99 Canadian companies in 2022—comparable to the previous year. Acquisitions of European companies by Canadian companies remained relatively constant, increasing from 175 in 2021 to just 178 in 2022.

The number of Canadian buyers of Latin American (LATAM) companies decreased, with a total of 41 completed transactions in 2022 (compared to 52 in 2021). There were three Latin American acquisitions of Canadian companies.

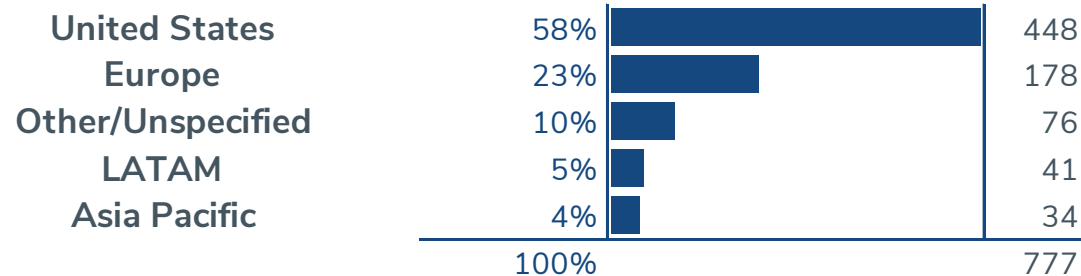
After representing 5% of the total transactions in 2021, Canadian buyers of Asia Pacific-based companies decreased slightly to 4% in 2022. Asia Pacific-based buyers of Canadian companies increased from 5%, to 6% in 2022.

Canadian Cross-Border Transactions by Region (2022) (Number of Deals)

Foreign Buyer of Canadian Target



Canadian Buyer of Foreign Target



Sources: S&P Global Market Intelligence as of January 6, 2023; Kroll analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

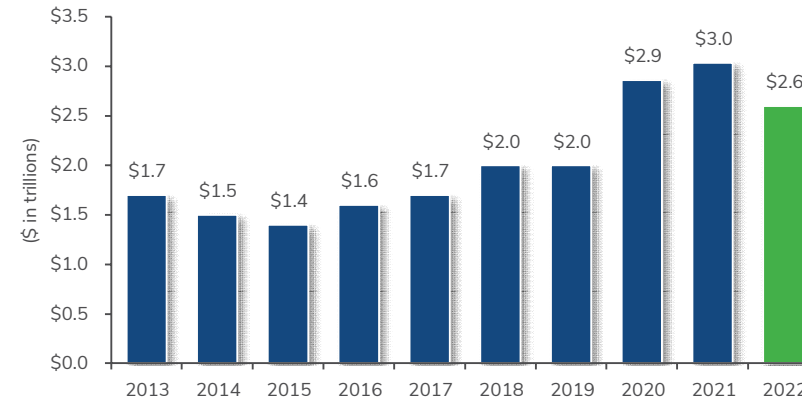
Looking Ahead

Although 2022 was not as busy in terms of deal flow as the record-breaking year prior, 2022 deal activity remained higher than that of 2020. Even with general market uncertainty from high inflation rates, global conflicts, volatility in the foreign exchange markets, and supply-chain issues stemming from lingering COVID-19-related issues in Asia, the Canadian M&A market showed resilience.

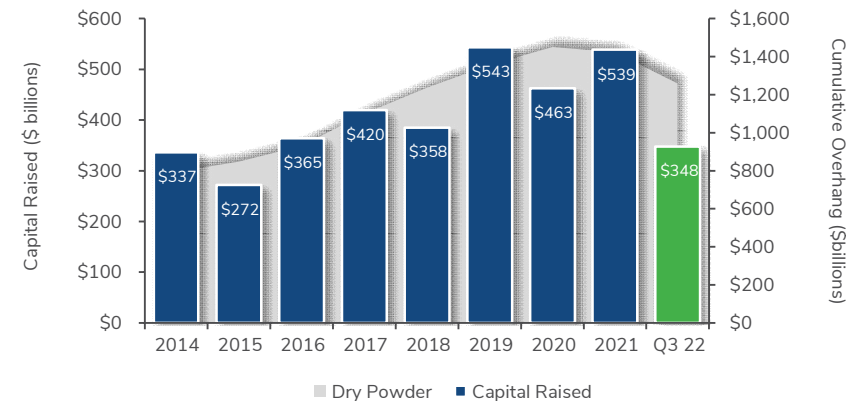
Large corporations and private equity firms continue to have copious cash reserves in precaution of economic downturn. With interest rates rising to combat high levels of inflation, valuation multiples will likely face downward pressure. We expect to see less aggressive leveraged buyout structures in the coming year due to the rising cost of borrowing. These challenges will likely increase the number of distressed sales in the coming year, which will give savvy investors the opportunity to acquire high-quality assets at a lower price. Market volatility has also pushed businesses to refocus on their core competencies while steering away from growth projects. From an investor standpoint, buyers will continue to magnify the importance of a thorough due-diligence process prior to a deal closing, emphasizing financial diligence because of fluctuations in the commodity market and product price increases.

Despite the challenges outlined, M&A activity for 2023 is expected to remain constant, largely due to liquidity in the market, lifting inflationary pressures and opportunistic investors.

S&P 500 Cash Balances (USD)



Private Equity Overhang (USD)



About Our Corporate Finance Practice

Industry Experts In:



We Rank:

#1

for Global Announced Fairness Opinions for Full Year 2022¹

Key Services

Buy-side and Sell-side M&A
Fairness and Solvency Opinions
Transaction Advisory Services
Restructuring
ESOP and ERISA Advisory

ACROSS
30

COUNTRIES AND
TERRITORIES

#5

for U.S. Middle-Market Transactions Over the Past 10 year²

Experience, including more than

600

M&A transactions in the past 10 years

Source:

1. Refinitiv's Global Mergers & Acquisitions Review – Full Year 2022

2. Refinitiv cumulative data 2012-2021



For more information, please contact:

Canadian M&A Contacts

Howard Johnson

Managing Director, M&A Advisory
Toronto
+1 416 597 4500
howard.johnson@kroll.com

Devin Kennealy

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

Stephanie Lau

Vice President, M&A Advisory
Toronto
+1 416 361 6761
stephanie.lau@kroll.com

Chris Nobes

Managing Director, Fairness Opinions
Toronto
+1 416 597 4505
chris.nobes@kroll.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

About Kroll

As the leading independent provider of risk and financial advisory solutions, Kroll leverages our unique insights, data and technology to help clients stay ahead of complex demands. Kroll's global team continues the firm's nearly 100-year history of trusted expertise spanning risk, governance, transactions and valuation. Our advanced solutions and intelligence provide clients the foresight they need to create an enduring competitive advantage. At Kroll, our values define who we are and how we partner with clients and communities. Learn more at www.kroll.com.

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Kroll Securities, LLC (member FINRA/SIPC). M&A advisory, capital raising and secondary market advisory services in the United Kingdom are provided by Kroll Securities Ltd., which is authorized and regulated by the Financial Conduct Authority (FCA). Valuation Advisory Services in India are provided by Kroll Advisory Private Limited (formerly, Duff & Phelps India Private Limited), under a category 1 merchant banker license issued by the Securities and Exchange Board of India.

The material in this report is for information purposes only and is not intended to be relied upon as financial, accounting, tax, legal or other professional advice. This report does not constitute, and should not be construed as soliciting or offering any investment or other transaction, identifying securities for you to purchase or offer to purchase, or recommending the acquisition or disposition of any investment. Kroll does not guarantee the accuracy or reliability of any data provided from third-party resources. Although we endeavor to provide accurate information from third-party sources, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.