

DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



2019: Capital West Completes \$900+ Million in Transactions

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Sale of majority interest to Grupo SEB

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Q4 2019 Mid-Market M&A Review

OVERVIEW OF MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Average EV/EBITDA multiple remained consistent with the previous quarter, 7.5x EBITDA in Q4 2019
- Transaction volume also remained steady, 970 deals completed in each of Q3 2019 and Q4 2019
- Overall, North American transaction volume increased by 2% in 2019, almost 4,000 announced transactions totaling \$194 billion in value
- Valuations for mid-market businesses continue to be strong and above historical averages

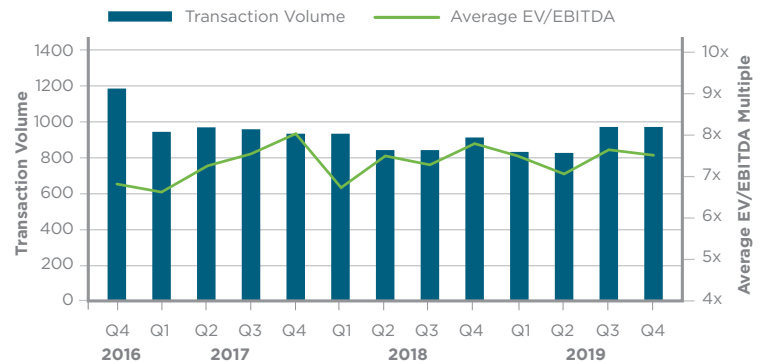
AVERAGE DEBT/EBITDA MULTIPLES AND BANKERS' ACCEPTANCE RATES IN CANADA

- Total leverage increased from 3.9x EBITDA in 2018 to 4.1x in 2019
- The Bank of Canada continues to hold the overnight interest rate at 1.75%, while the US Federal Reserve reduced the federal funds interest rates three times in 2019 to a target range of 1.50 - 1.75%
- The cost of borrowing remains well below historical averages which will continue to drive M&A activity

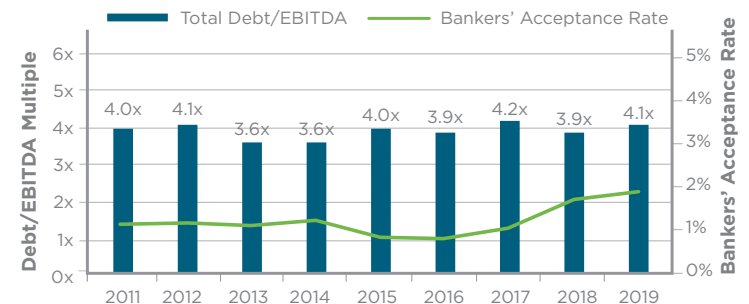
EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA

- Equity contribution decreased in 2019, partially driven by the low cost of debt as buyers financed acquisitions with an average of 55% debt, up from 51% in 2018
- Deal values in the \$100-250 million range required the highest portion of equity at 54%, indicating the competitive nature of deals in this range
- With the costs of borrowing remaining well under historical averages, we expect buyers to remain aggressive in financing transactions in 2020

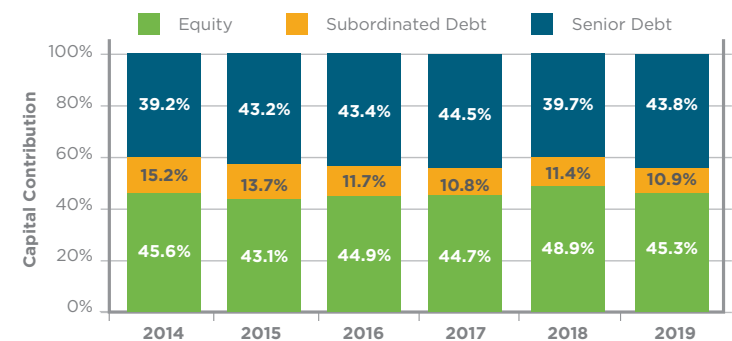
OVERVIEW OF MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA (\$10 - \$250 million)



AVERAGE DEBT/EBITDA MULTIPLES AND BANKERS' ACCEPTANCE RATES IN CANADA (\$10 - 250 million)



EQUITY AND DEBT CONTRIBUTION IN NORTH AMERICA (\$10 - 250 million)

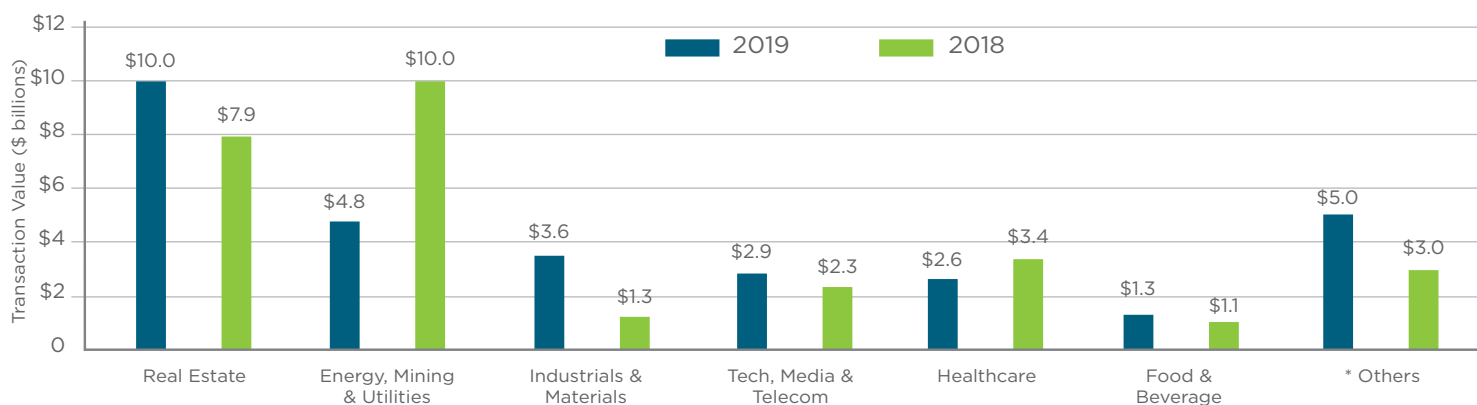


Sources: Bank of Canada, GF Data, Capital IQ, Pitchbook

Q4 2019 Mid-Market M&A Review

2019 CANADIAN MID-MARKET M&A REVIEW

2019 vs. 2018 Canadian Middle Market Transactions Values (\$25 - \$500 million)



Source: Capital IQ

*Others include: Consumer Products & Services, Financials and Hospitality & Transportation

- 2019 was another strong year for Canadian mid-market M&A; a total of \$30.2 billion in transaction value compared to \$29.4 billion in 2018, an increase of 3%
- Activity was led primarily by the real estate sector; deal volumes in the energy, mining & utilities sector decreased significantly in 2019

TOP 10 M&A DEALS IN WESTERN CANADA

The top 10 M&A deals in Western Canada in Q4 2019 included transactions from a diverse range of industries, with two acquisitions exceeding \$1 billion in value. The largest transaction was the Public Sector Pension and Alberta Teachers' announced acquisition of Altagas for \$1.7 billion, representing a 31% premium over the prior day closing share price. Other notable activity includes the announced acquisition of Leagold Mining by Equinox Gold for \$1.2 billion, creating one of the world's top gold producing companies operating entirely in the Americas.

Top 10 Publicly Disclosed Western Canadian Deals in Q4 2019

Date	Industry	Target	Target Headquarters	Buyer	Value (\$mm)
Oct. 29	Gas Utilities	Altagas Canada	Calgary, AB	Alberta Teachers' Retirement Fund Board Public Sector Pension Investment Board	\$ 1,678
Dec. 16	Gold	Leagold Mining	Vancouver, BC	Equinox Gold	\$ 1,179
Nov. 01	Oil & Gas Exploration	Pengrowth Energy	Calgary, AB	Cona Resources	\$ 728
Oct. 08	Diversified Metals & Mining	Ivanhoe Mines	Vancouver, BC	Gold Mountains	\$ 194
Dec. 05	Gold	Lundin Gold	Vancouver, BC	Newcrest International	\$ 150
Oct. 29	Packaged Foods	Sun-Rype Products	Kelowna, BC	Lassonde Industries	\$ 110
Nov. 28	Construction & Engineering	Esc Automation	Vancouver, BC	Ainsworth	\$ 74
Nov. 15	Pharmaceuticals	Emerald Health Therapeutics	Vancouver, BC	Private Investors	\$ 36
Oct. 31	Systems Software	Intrinsyc Technologies	Vancouver, BC	Lantronix	\$ 36
Nov. 21	Gold	Bralorne Gold Mines	Vancouver, BC	Talisker Resources	\$ 15

Q4 2019 Mid-Market M&A Review

Notable transactions involving BC based targets during 2019 include:

- Goldcorp was acquired by Newmont Mining for **\$17 billion** in January
- Pure Multi-Family REIT was acquired by Cortland Partners for **\$1.6 billion** in July
- American Metals & Coal and Riverstone acquired a 90% stake in Ridley Terminals for **\$350 million** in July
- Peloton Capital invested **\$125 million** in 123DENTIST in June
- Eurazeo, Alliance Consumer Growth and HOOPP Capital invested **\$60 million** in Herschel Supply in October

Canadian 2020 M&A Outlook

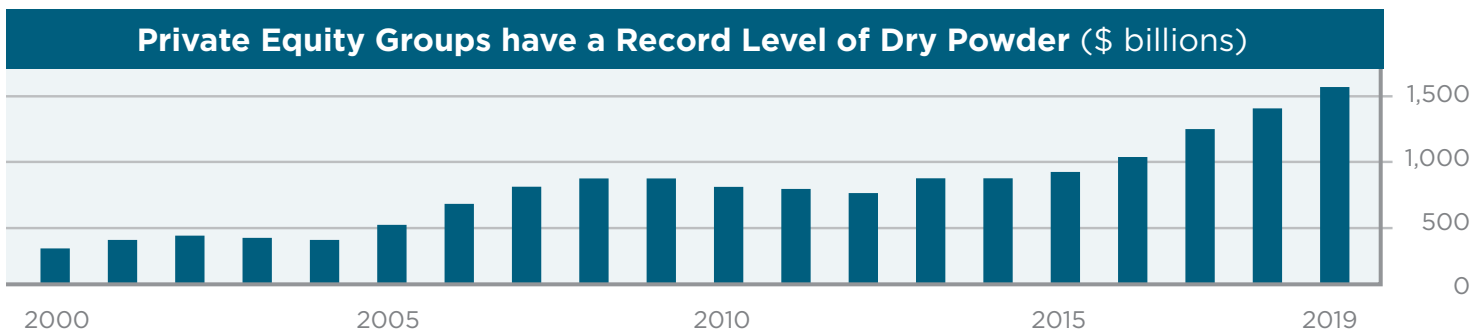
Amid a rise in global and geopolitical trade tensions in 2019 and a looming US Federal election, it was another banner year for Canadian middle market M&A with total transaction values reaching \$30 billion. The overall Canadian M&A market experienced solid growth due in part to a robust private equity sector, increased foreign investment into Canada and several mega deals.

Canadian M&A activity growth was further fueled by the overall global M&A market which saw a total value of \$3 trillion for deals completed in 2019, an average transaction value of \$389 million, the highest since 2015.

The following market trends will help minimize the impact of any potential trade tensions and support the ongoing strength of Canadian M&A in 2020.

HISTORIC LEVELS OF PRIVATE EQUITY DRY POWDER

Private equity firms begin 2020 with approximately \$1.5 trillion available to be invested through various buyout funds. This is the highest amount accumulated on record and is nearly twice as much as ten years ago. The significant accumulation of private equity capital has been mainly driven by lower expected public market returns and the low interest rate environment.



Source: Preqin

Canadian 2020 M&A Outlook (continued)

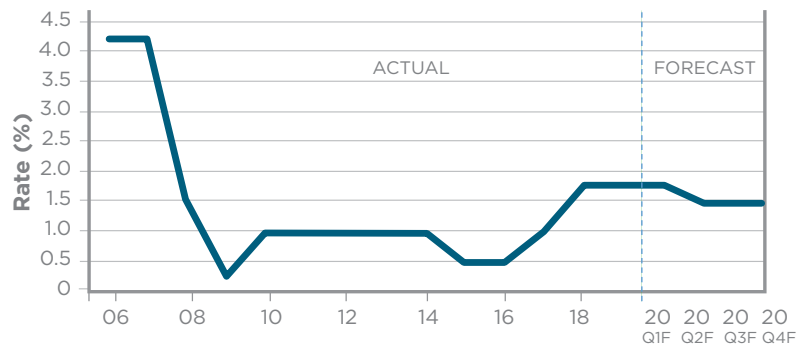
In 2019, the proportion of global M&A deals involving private equity reached nearly 30%, the third successive year above 25%. Inbound investment activity into Canada also spiked in 2019, particularly from the US as the number of investments made into Canada has increased annually since 2017. With record levels of dry powder available, private equity firms will continue to find ways to deploy capital and invest in well-run Canadian businesses, further driving competitive tension and valuations upwards in 2020.

CONTINUED LOW INTEREST RATE ENVIRONMENT

With the ongoing global trade tensions and related uncertainty, the Bank of Canada (“BoC”) was the only major central bank to navigate 2019 without reducing its key interest rate.

Due to the global uncertainty around geopolitical and trade tensions affecting Canada and potential vulnerabilities within the housing and household debt sectors, there has been much speculation regarding the BoC’s position on interest rates in 2020.

Canadian Key Overnight Interest Rate



Source: Bank of Canada
*Average of estimates from BMO, RBC, TD and Scotiabank

The BoC conservatively held the overnight interest rate at 1.75% in January 2020 but has reiterated that they are open to a rate cut at some point this year. In assessing this decision, the BoC will be monitoring consumer spending, the housing market and business investment very closely.

As a result, borrowing costs for buyers continue to remain at historically low levels, which will continue to drive Canadian M&A volumes.








SUMMARY

Capital West anticipates another strong year for Canadian M&A in 2020. Deal activity will be robust, supported by low interest rates, record levels of private equity capital, global consolidation across a number of industries, and continued strong demand for mid-market private businesses.

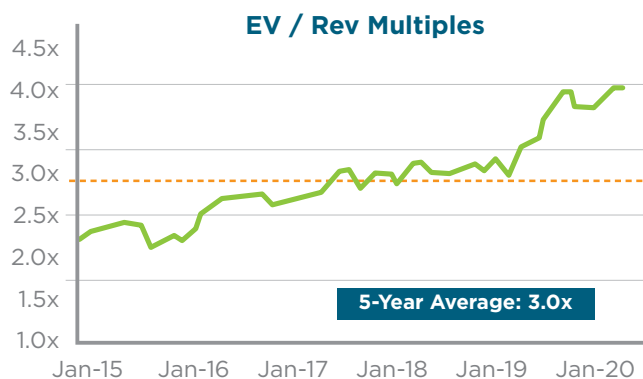
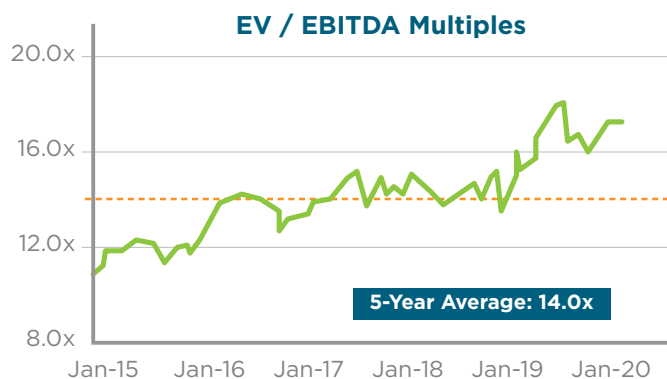
Robust M&A Market: Insurance Brokerage and Distribution

Capital West has advised on three transactions in the insurance distribution sector in the past two years (Special Risk Insurance Managers, Walker Group Warranty, and PPI). The industry is experiencing unprecedented consolidation with many of the larger, international participants aggressively pursuing acquisitions, driving valuation multiples to record levels. Trading multiples of select publicly traded companies and historical M&A volumes are summarized below:

Public Company Trading Multiples - Insurance Distribution (US\$ millions)

Company Name	Market Cap	Enterprise Value	Rev LTM	EBITDA LTM	Margin	EV/Rev LTM	EV/Rev NTM	EV/EBITDA LTM	EV/EBITDA NTM
 MARSH & MCLENNAN COMPANIES	56,371	70,201	16,100	3,824	23.8%	4.4x	3.9x	18.4x	16.0x
 AON	48,715	56,591	10,898	3,222	29.6%	5.2x	5.0x	17.5x	16.7x
 Willis Towers Watson	26,357	32,633	8,721	1,901	21.8%	3.7x	3.5x	17.1x	13.6x
 Gallagher	17,802	22,626	6,851	1,169	17.1%	3.2x	2.9x	19.0x	15.3x
 iag	12,073	12,745	5,473	1,057	19.3%	2.4x	2.5x	11.9x	12.6x
 Brown & Brown INSURANCE*	11,383	12,663	2,315	872	37.7%	5.5x	5.1x	14.5x	17.0x
 Steadfast	2,174	2,387	471	141	28.0%	4.8x	4.5x	17.1x	15.3x
Median						4.4x	3.9x	17.1x	15.3x
Average						4.2x	3.9x	16.5x	15.2x

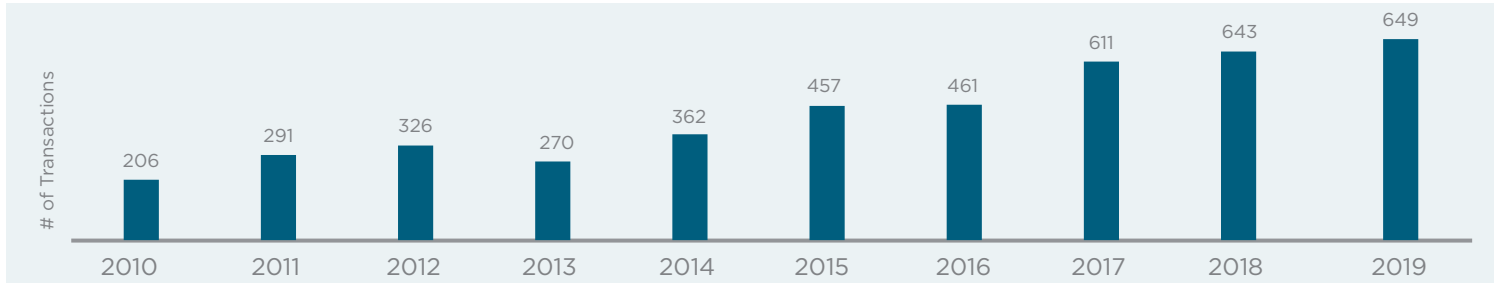
HISTORICAL PUBLIC COMPANY TRADING MULTIPLES



Source: Capital IQ

Robust M&A Market: Insurance Brokerage and Distribution (continued)

M&A VOLUME - INSURANCE BROKERAGE BY YEAR (2010 - 2019)



The multiples of publicly traded insurance brokerage businesses have shown a significant increase the past five years, trading at an average EBITDA multiple of 16.5x, up from 11.2x in January 2015. Furthermore, acquisition volumes in insurance brokerage have been consistently increasing since 2010.

There are also numerous private equity backed companies actively pursuing acquisitions which has added to the competitive tension during the M&A process, helping to drive valuations to record levels. Examples of private-equity backed insurance groups include HUB International, AmWins, Ryan Specialty, NFP, and Aspen Insurance.

Capital West has extensive experience advising on transactions in the insurance distribution sector and financial services more broadly. Below are recent transactions we have completed in this industry. If you own a business in this sector please contact us for a more detailed update on the current M&A markets.

SPECIAL RISK
INSURANCE MANAGERS

P&C INSURANCE-MANAGING
GENERAL AGENCY

Sale to
Brown & Brown

Advised the Seller

DiamondKote.
W3 Solutions®

WARRANTY PRODUCTS

Sale to
iA Financial Group

Advised the Seller

PPI

LIFE INSURANCE-MANAGING
GENERAL AGENCY

Sale to
iA Financial Group

Advised the Seller

Travelers

EQUIPMENT &
VEHICLE FINANCE

Merger with Coast Capital
Group of Companies

Advised Travelers

PREMIER group of
companies

P&C INSURANCE-MANAGING
GENERAL AGENCY

Sale to
The Co-operators

Advised the Seller

canSURE

P&C INSURANCE-MANAGING
GENERAL AGENCY

Sale to
HUB International

Advised the Seller

Westland Insurance

P&C INSURANCE
BROKERAGE

Merger with
Atkinson + Terry

Advised Westland

CMLS Financial

MORTGAGE ORIGATION

Acquisition of
Montrose Mortgage

Advised the Buyer

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