

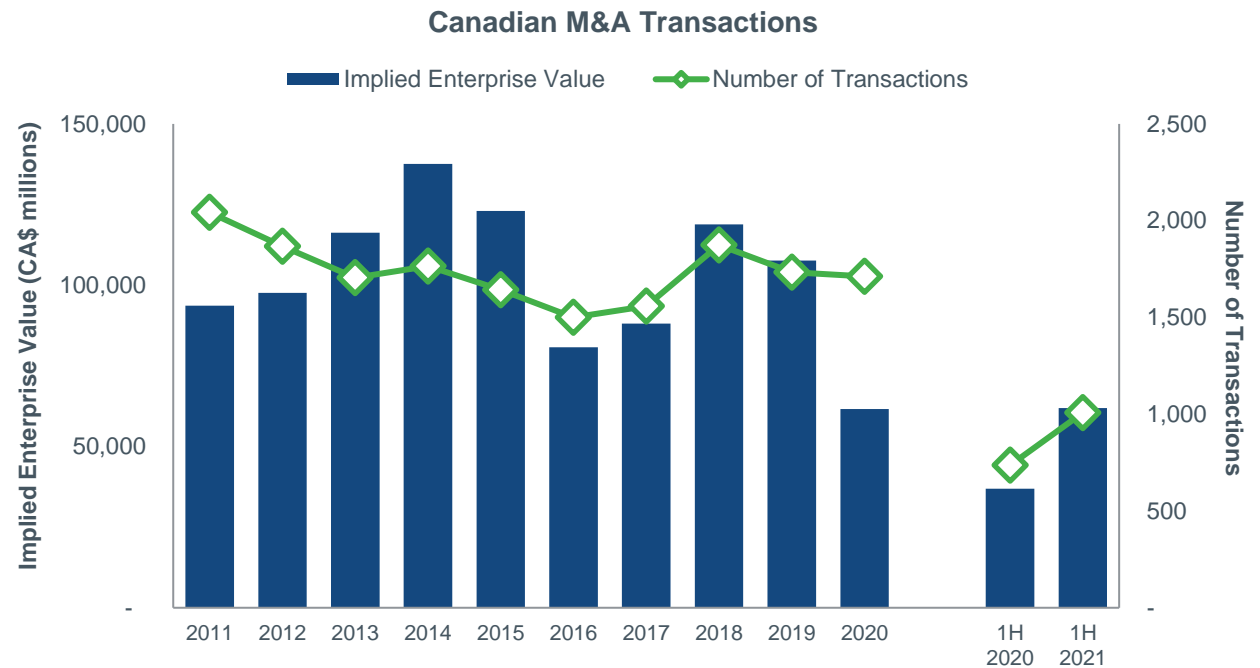
Canadian M&A Insights

Summer 2021

CANADIAN M&A UPDATE

In 1H 2021, Canadian M&A activity recovered to pre-pandemic levels in both transaction count and total implied enterprise value (EV) as vaccine roll-out programs continue, and there is increasing visibility on a return to normalcy. There were 1,008 Canadian companies sold over the course of 1H 2021, representing total disclosed EVs of \$61.9 billion. 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 1H 2021 include those between January 1 and June 30, 2021.

Sources: S&P Global Market Intelligence as of July 11, 2021. Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

CANADIAN M&A UPDATE

1H 2021 saw 38 megadeals closed with an average of \$1.8 billion in EV, a significant increase from 1H 2020 which had 24 recorded closed megadeals. The largest Canadian deal in 1H 2021 was Cenovus Energy's acquisition of Husky Energy Inc. at \$11.8 billion. This acquisition positions Cenovus Energy as Canada's third largest crude oil and natural gas producer and the second largest Canadian-based refiner and upgrader. The second and third largest megadeals in 1H 2021 were the CPPIB, UniSuper Limited and AustralianSuper Pty acquisition of Transurban Chesapeake assets and TC Pipelines' acquisition of TC Energy Corporation, at \$5.5 billion and \$5.4 billion respectively.

Significant megadeals that were announced in 1H 2021 but not yet closed include Canadian National Railway Company's acquisition of Kansas City Southern for \$40.9 billion; Rogers Communications' acquisition of Shaw Communications Inc. for \$26.2 billion; and Pembina Pipeline Corporation's acquisition of Inter Pipeline Ltd. for \$15.3 billion.

Large 1H 2021 Closed Transactions: Canadian Buyer or Seller

Target	Target Country	Buyer	Buyer Country	Enterprise Value CAD Billions	Industry
Husky Energy, Inc.	Canada	Cenovus Energy Inc.	Canada	11.8	Energy
Transurban Chesapeake assets	United States	Canada Pension Plan Investment Board, UniSuper Limited and Australian Super Pty. Ltd.	Multiple (Including Canada)	5.5	Industrials
TC PipeLines, LP	United States	TC Energy Corporation	Canada	5.4	Energy
Seven Generations Energy Ltd.	Canada	ARC Resources Ltd.	Canada	4.7	Energy
Norbord Inc.	Canada	West Fraser Timber Co. Ltd.	Canada	4.6	Materials

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 July 11, 2021. All publicly disclosed transaction information available in S&P Global Market Intelligence.

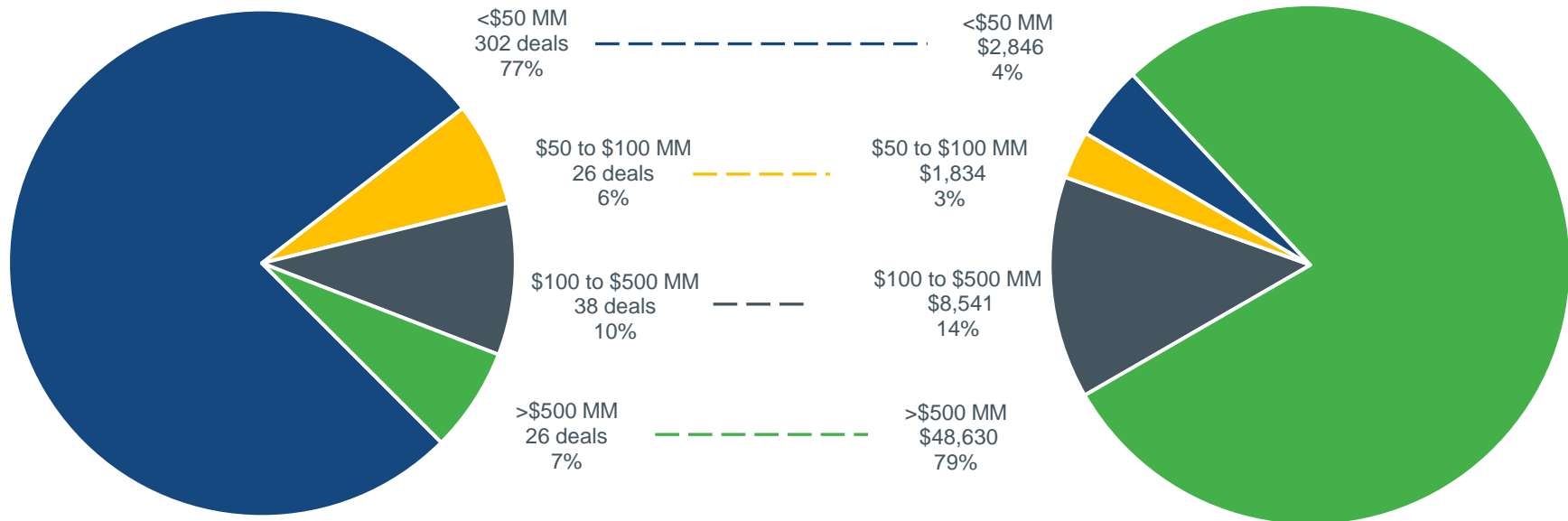
CANADIAN M&A UPDATE

The Canadian M&A market had 1,008 completed transactions in 1H 2021, up from 736 in 1H 2020. It should be noted that fallout from the initial COVID-19 lockdown negatively impacted deal activity in the second quarter of 2020. Additionally, the median deal value sharply increased from \$3.9 million in 1H 2020 to \$9.4 million in 1H 2021 as deals under \$50 million represented 77% of the deal count. Although megadeals represent only 7% of all transactions, they represented 79% 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* (1H2021) (CAD in millions)

Value of Canadian M&A Transactions: Canadian Targets (1H2021) (CAD in millions)



*Only includes transactions with disclosed financial information.

Sources: S&P Global Market Intelligence as of July 11, 2021. Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

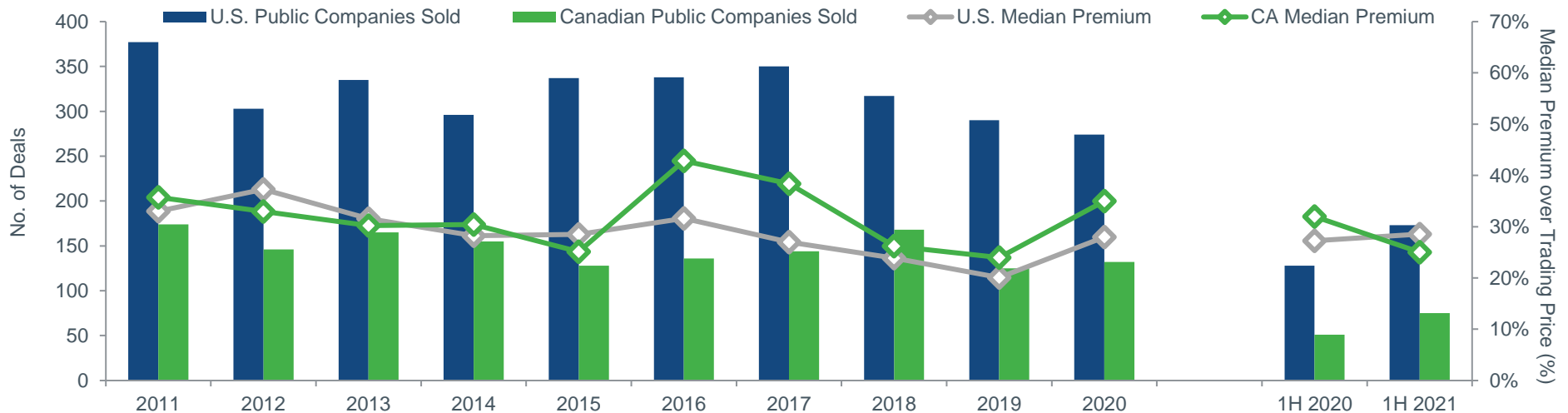
PUBLIC VS. PRIVATE

Private company transactions continued to account for the majority of the North American M&A landscape, representing 93.8% (compared to 93.1% in 1H 2020) of total Canadian deals and 98.6% (compared to 97.8% in 1H 2020) of all U.S. deal flow. In 1H 2021, North America sold 69 more public companies than in the previous year. Compared to 1H 2020, the total number of public companies sold in Canada increased by 24 (75 sold in 1H 2021 vs. 51 sold in 1H 2020) while the U.S. experienced an increase of 45 public companies sold (173 sold in H1 2021 vs. 128 sold in 1H 2020).

The median takeover premium of Canadian public companies returned to pre-pandemic levels while U.S. public companies continued to experience a rise in takeover premiums. As of 1H 2021, the median Canadian premium declined to 25% while the U.S. premium increased to 29%. Canadian premiums are trending away from their 10-year average (32%) while U.S. premiums trend toward it (29%).

Public Companies Sold in North America

Public Companies Sold in North America



Sources: S&P Global Market Intelligence as of July 11, 2021; Duff & Phelps 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 1H 2021 compared to the previous year. In particular, the average earnings before interest, taxes, depreciation and amortization (commonly known as EBITDA) multiple was 10.1x, which is a decrease of 0.6x from 2020.

While some industries' EBITDA multiples remained relatively stable (e.g., materials and communication services), 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 industrials and energy sectors where the average transaction multiples increased.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	1H 2021
Consumer Discretionary	10.7x	10.3x	10.2x	11.1x	10.7x	9.9x	10.6x	10.0x	11.1x	11.3x	11.6x	9.5x
Consumer Staples	8.9x	10.1x	10.8x	11.1x	12.0x	9.4x	12.1x	12.0x	11.5x	10.7x	12.8x	9.9x
Energy	9.4x	11.3x	7.6x	8.1x	8.5x	8.8x	8.6x	13.1x	9.8x	9.7x	4.1x	6.4x
Financials	10.2x	8.3x	9.1x	10.6x	12.3x	9.0x	12.1x	12.6x	10.4x	N/A	6.0x	N/A
Health Care	12.0x	11.4x	10.8x	10.1x	11.7x	12.7x	12.6x	13.7x	12.3x	12.1x	14.1x	10.3x
Industrials	8.7x	9.4x	8.6x	8.8x	9.7x	9.9x	9.1x	10.4x	10.3x	10.9x	9.5x	11.2x
Information Technology	12.0x	12.2x	11.0x	11.2x	12.7x	13.1x	12.4x	13.6x	12.1x	11.8x	10.1x	11.4x
Materials	10.5x	8.6x	8.7x	10.0x	8.3x	10.5x	7.8x	10.5x	10.7x	9.8x	9.3x	8.8x
Communication Services	7.9x	7.2x	9.4x	8.9x	9.9x	14.9x	8.9x	9.7x	9.6x	9.6x	11.0x	10.9x
Utilities	11.5x	10.1x	9.5x	11.1x	9.7x	10.3x	11.1x	13.9x	11.8x	10.1x	15.1x	8.0x
Real Estate	11.8x	16.3x	15.9x	15.5x	17.6x	19.2x	16.5x	17.7x	16.2x	14.1x	19.5x	15.8x
Unspecified**	7.1x	14.5x	4.1x	11.9x	4.1x	8.5x	10.5x	7.3x	8.3x	7.0x	12.3x	4.2x
All Industries	10.4x	10.7x	9.6x	10.2x	10.7x	11.0x	10.9x	11.7x	11.0x	10.9x	10.7x	10.1x

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

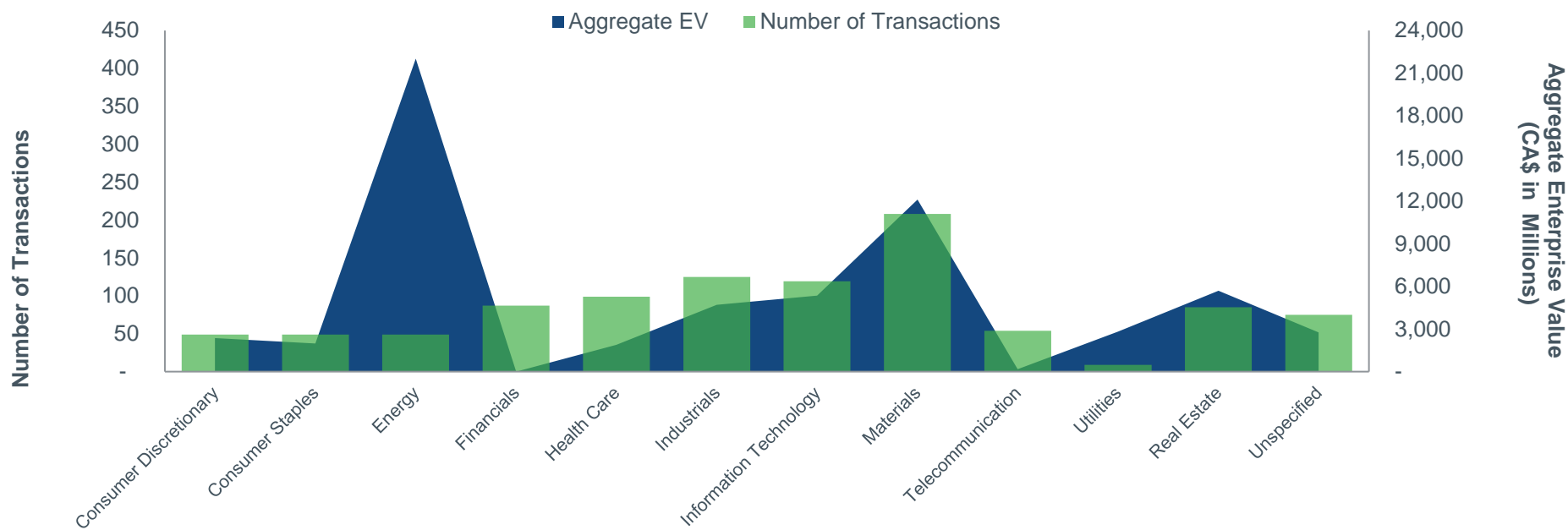
**The unspecified category includes transactions within a target company industry that S&P Global Market Intelligence has not categorized.

Sources: S&P Global Market Intelligence as of July 11, 2021. Duff & Phelps 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 208 transactions. The largest deal among the 208 transactions was valued at \$4.6 billion, making it the third-largest deal completed in 1H 2021. The materials sector ultimately contributed \$12.1 billion in total EV for the period. Industrials and information technology industries remained active during 1H 2021, completing 125 and 119 deals, respectively. Energy accumulated a total of \$22.0 billion in EV, which is largely attributed to the numerous megadeals completed in the sector, resulting in an average deal value over \$759 million. Meanwhile, with only 1 of the 87 closed deals releasing financial details, information on deal values in the financial sector remains limited.

Canadian M&A Transactions by Industry (1H 2020)



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

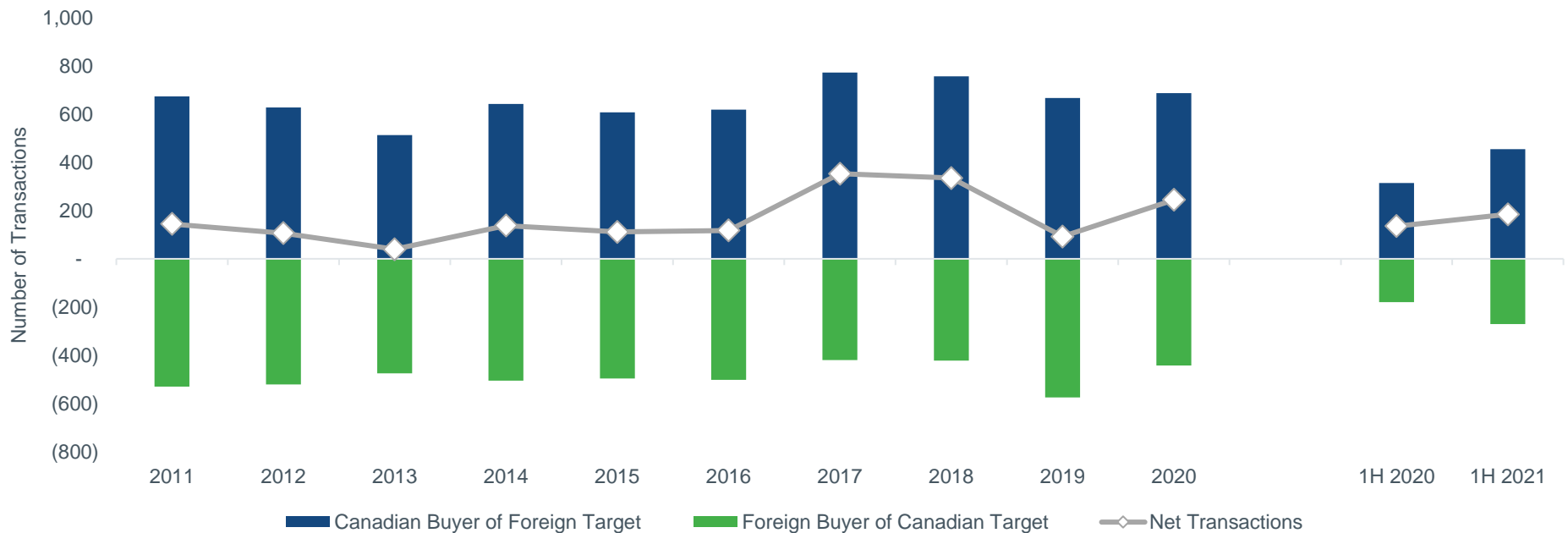
Sources: S&P Global Market Intelligence as of July 11, 2021. Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

CROSS-BORDER TRANSACTIONS

Acquisitions of Canadian companies continued to be predominantly domestic, with 738 of the 1,008 transactions (73.2%) completed by a Canadian buyer in 1H 2021. Foreign and undisclosed buyers completed the remaining 270 transactions.

Canada maintained a net positive M&A environment, with Canadian companies acquiring more foreign-based companies (455 in 1H 2021 vs. 315 in 1H 2020) and more Canadian companies acquiring foreign companies as well (270 in 1H 2021 vs. 179 in 1H 2020) in 1H 2021. Canadian companies continue to be net buyers from a global M&A perspective.

Canadian Cross-Border M&A Activity (1H 2020)



Sources: S&P Global Market Intelligence as of July 11, 2021. Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

CROSS-BORDER TRANSACTIONS

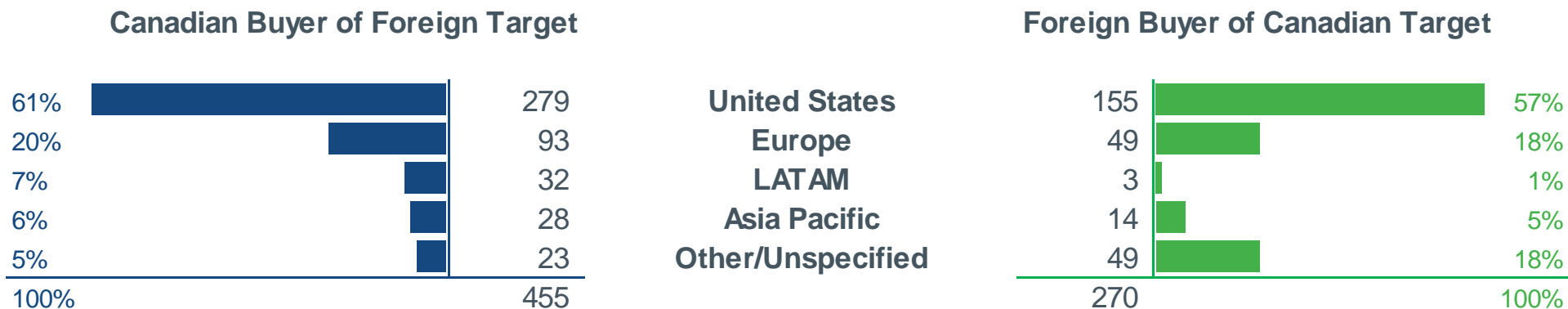
Transactions between the U.S. and Canada continue to be the most prominent cross-border activity involving Canadian buyers or sellers. Both U.S. and Canadian buyers have ramped up transaction activity across the border, with U.S. acquisitions drastically increasing by 72% and Canadian buyers rising by 42% compared to 1H 2020.

European companies were also active, acquiring a total of 49 Canadian companies in 1H 2021 compared to 31 in 1H 2020. Canadian acquisitions of European companies also increased from 61 in 1H 2020 to 93 in 1H 2021.

The number of Canadian buyers of Latin American companies remains steady, with a total of 32 completed transactions in 1H 2021 (compared to 26 in 1H 2020). However, the number of Latin American buyers of Canadian companies remains low (only 3 in 1H 2021).

Similar to 1H 2020, the percentage of Canadian buyers of Asia Pacific-based companies made up about 6% of transactions in 1H 2021. Asia Pacific-based buyers of Canadian companies has decreased to 5% from 9% in 1H 2020.

Canadian Cross-Border Transactions by Region (1H 2021) (Number of Deals)



Sources: S&P Global Market Intelligence as of July 11, 2021. Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence. Figures are rounded

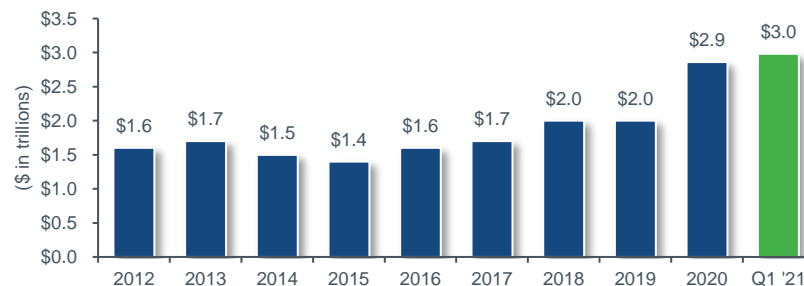
Looking Ahead

There has been a drastic increase in M&A activity in Canada and abroad in 1H 2021, returning to pre-COVID-19 levels of deal flow. Vaccine programs continue to roll out across Canada, increasing the visibility to a more stable daily life, hopefully free of future lockdowns and disruptions to the economy. That said, distressed sales and restructurings may continue as companies that faced financial distress due to COVID-19-related issues look to consolidate. Larger organizations will continue to make opportunistic acquisitions to quickly add new products, customers, geographies and technologies and emerge from the pandemic with even stronger growth prospects. Lastly, recent announcements related to the reopening of the Canada-U.S. border will facilitate a more normalized course of business and travel between the two countries; it will also be supportive for cross-border M&A transactions.

There is still an abundance of capital in the market, sitting with both strategic buyers and financial sponsors. Many strategic players have held on to cash reserves in precaution for COVID-19 and are now looking to deploy that capital to fund growth initiatives. Private equity firms still have a healthy overhang of dry powder after supporting portfolio companies through the pandemic, and many sponsors have raised new funds in recent months to chase resurging deal flow.

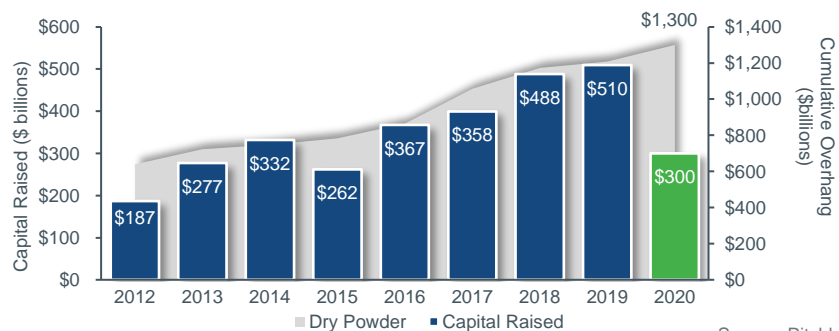
Finally, while central bankers and governments remain watchful of inflationary pressures, the key near-term focus will be on lifting the economy out of the pandemic—particularly as unemployment remains high in key geographies and many small businesses and sectors are just now recovering from the barrage of lockdowns. For example, the Bank of Canada messaged they are likely to keep rates low at 0.25% until the economy is ready to handle an increase, which is forecasted for 2H 2022. Central banks maintaining low interest rates will continue to incentivize buyers to utilize leverage to fund acquisitions and bolster deal activity into 2H 2021.

S&P 500 Cash Balances



Source: CapitalIQ

Private Equity Overhang



Source: Pitchbook

ABOUT DUFF & PHELPS, A KROLL BUSINESS

Ranked #1

For total number of U.S. and global Fairness Opinions over the past 10 years¹

Ranked #5

U.S. Middle-Market M&A Advisor
Over the Past 10 Years²

We Serve

61% of Fortune 100 companies

85% of Am Law 100 law firms

76% of the 25 largest PE firms
in the PEI 300

72% of the 25 largest Euro STOXX
companies

¹Source: Thomson Reuters' cumulative data 2011-2020

²Source: Thomson Financial Securities Data (U.S. deals \$10M < \$150M, including deals without a disclosed value). Full years 2011 through 2020

Our Unique Financial Sponsor Coverage Model

Duff & Phelps is uniquely positioned to provide unparalleled access and insights into the financial buyer universe, including family offices. We have **30+ dedicated coverage officers** across North America, covering over **650 private equity groups**.

Dedicated Coverage Across Five Broad Verticals

- Consumer, Food and Retail
- Energy and Mining
- Health Care and Life Sciences
- Industrials and Business Services
- Technology, Media and Telecom



CONTACT

Canadian M&A Contacts

Howard Johnson

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

Devin Kennealy

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

Global M&A Advisory Contacts

Bob Bartell, CFA

Global Head of Corporate Finance
Chicago
+1 312 697 4654
bob.bartell@duffandphelps.com

Stephen Burt

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

Joshua Benn

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

Andreas Stoecklin

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

Dafydd Evans

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

Alexandre Pierantoni

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

David Lu

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

About Duff & Phelps, A Kroll Business

For nearly 100 years, Duff & Phelps has helped clients make confident decisions in the areas of valuation, real estate, taxation and transfer pricing, disputes, M&A advisory and other corporate transactions. For more information, visit www.duffandphelps.com.

About Kroll

Kroll is the world's premier provider of services and digital products related to governance, risk and transparency. We work with clients across diverse sectors in the areas of valuation, expert services, investigations, cyber security, corporate finance, restructuring, legal and business solutions, data analytics and regulatory compliance. Our firm has nearly 5,000 professionals in 30 countries and territories around the world. For more information, visit www.kroll.com.

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. Duff & Phelps 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.