



DUFF & PHELPS

Protect, Restore and Maximize Value

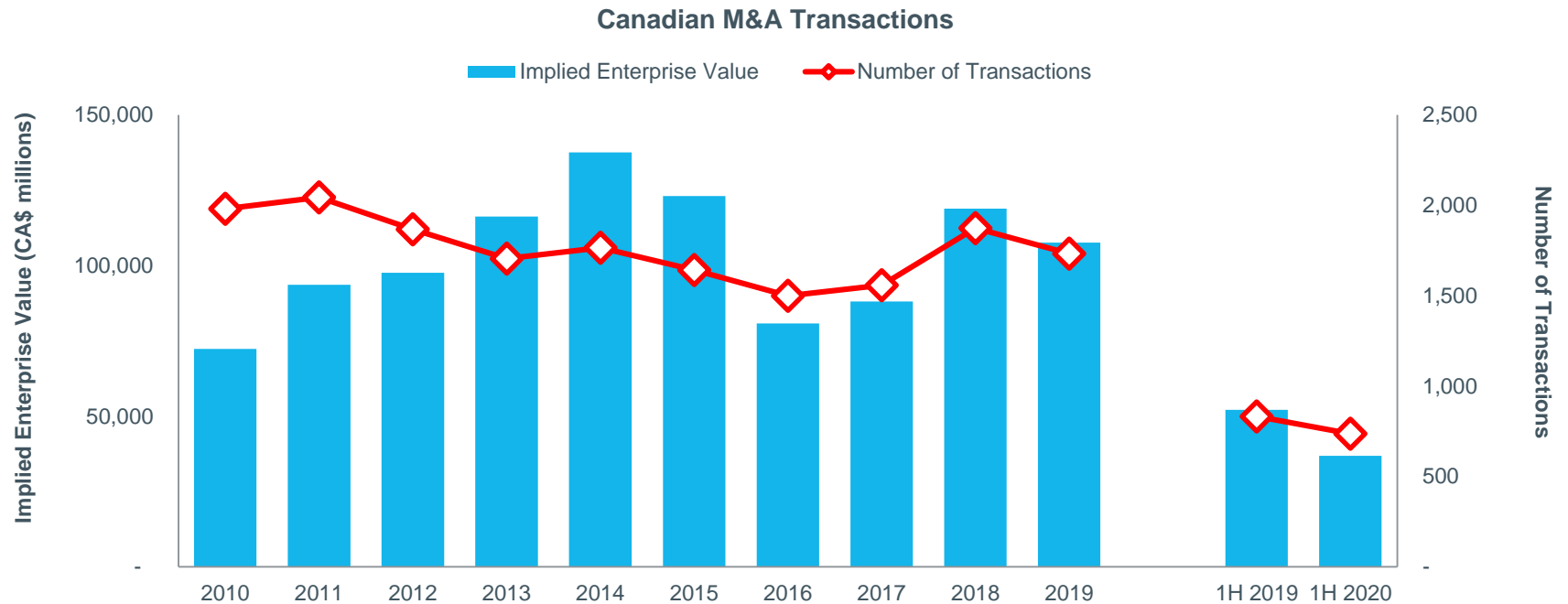
Canadian M&A Insights

Summer 2020

Canadian M&A Update

In 1H 2020, Canadian M&A activity declined in both transaction count and total implied enterprise value (EV) as the effects of the COVID-19 pandemic, along with growing political tensions across the world, caused significant concerns for investors. There were 736 Canadian companies sold over the course of 1H 2020, representing total disclosed EVs of \$36.9 billion. Of the transactions completed, 75.7% were domestic acquisitions, a number 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 2020 include those between January 1 and June 30, 2020.

Sources: S&P Global Market Intelligence as of July 6, 2020; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Canadian M&A Update

1H 2020 saw 24 megadeals closed and averaged \$2.1 billion in EV, a steep decrease from H1 2019 which had 34 recorded closed megadeals.. The largest Canadian deal in 1H 2020 was Flutter Entertainment’s acquisition of The Stars Group Inc. at \$14.5 billion. This acquisition represents the combination of two of the biggest brands in sports betting, with over 13 million active users in more than 100 international markets². The second and third largest megadeals in 1H 2020 were CPPIB’s acquisition of Pattern Energy Group Inc. and Kirkland Lake Gold Ltd.’s acquisition of Detour Gold Corporation, at \$8.3 billion and \$4.9 billion respectively.

Significant megadeals announced in 1H 2020 but not yet closed include: KingSett Capital’s acquisition of Northview Apartment REIT for \$4.6 billion; SSR Mining’s acquisition of Alacer Gold Corp for \$3.3 billion; and AlInvest and OTPP’s acquisition of RSA Security LLC for \$2.8 billion.

Largest 1H2020 Closed Transactions: Canadian Buyer or Seller

Target	Target Country	Buyer	Buyer Country	Enterprise Value CAD Billions	Industry
The Stars Group Inc.	Canada	Flutter Entertainment plc	Ireland	14.5	Consumer Discretionary
Pattern Energy Group Inc.	United States	Canada Pension Plan Investment Board	Canada	8.3	Utilities
Detour Gold Corporation	Canada	Kirkland Lake Gold Ltd.	Canada	4.9	Materials
AirTrunk Pte Ltd.	Singapore	Public Sector Pension Investment Board; Macquarie Infrastructure and Real Assets	Multiple (including Canada)	2.7	Information Technology
Kissner Group Holdings LP	Canada	Stone Canyon Industries Holdings Inc.	United States	2.7	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).
2. <https://www.cnn.com/2019/10/02/business/flutter-entertainment-the-stars-group-merger/index.html>

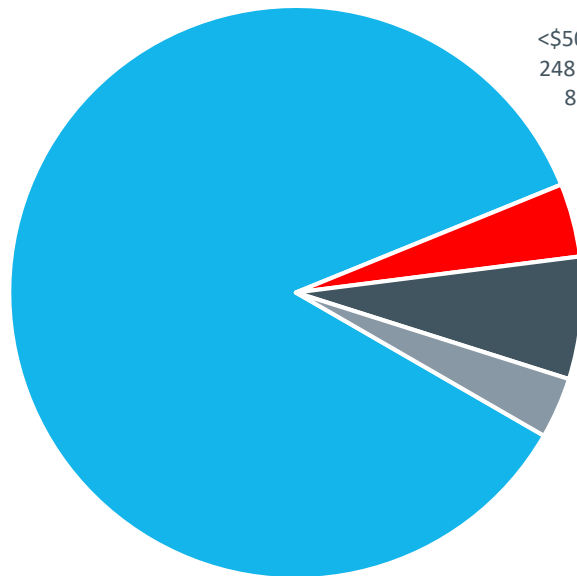
Sources: S&P Global Market Intelligence as of July 6, 2020; Mergermarket; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Canadian M&A Update

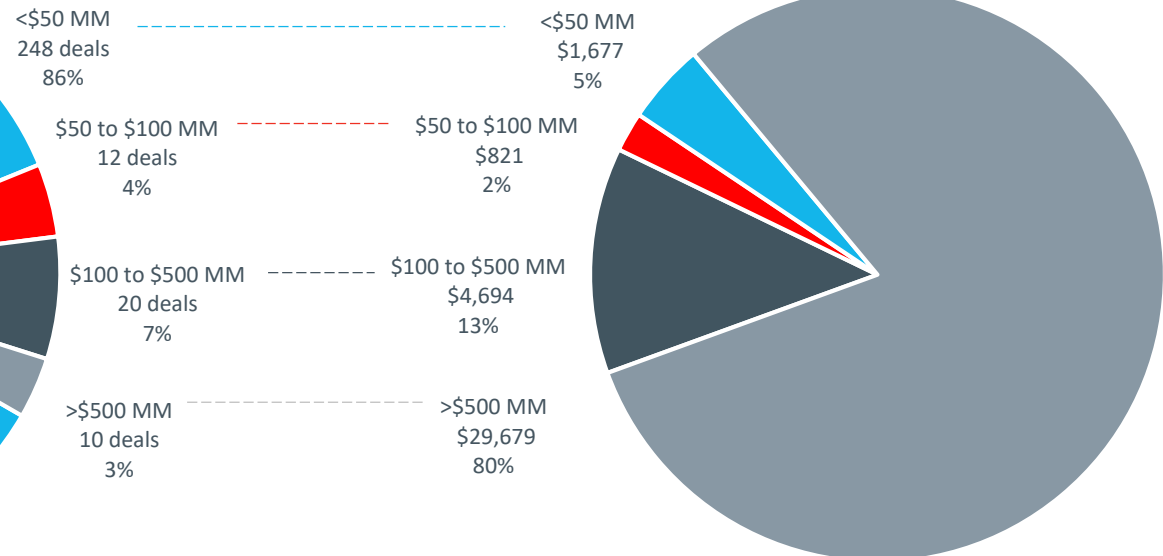
The Canadian M&A market had 736 completed transactions in 1H 2020, down from 832 in 1H 2019. Additionally, the median deal value sharply decreased from \$10.9 million in 1H 2019 to \$3.9 million in 1H 2020 as deals under \$50 million represented 86% of the deal count. Although megadeals represent only 3% of all transactions, they represented 80% 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* (1H2020) (CAD in millions)



Value of Canadian M&A Transactions: Canadian Targets (1H2020) (CAD in millions)



*Only includes transactions with disclosed financial information.

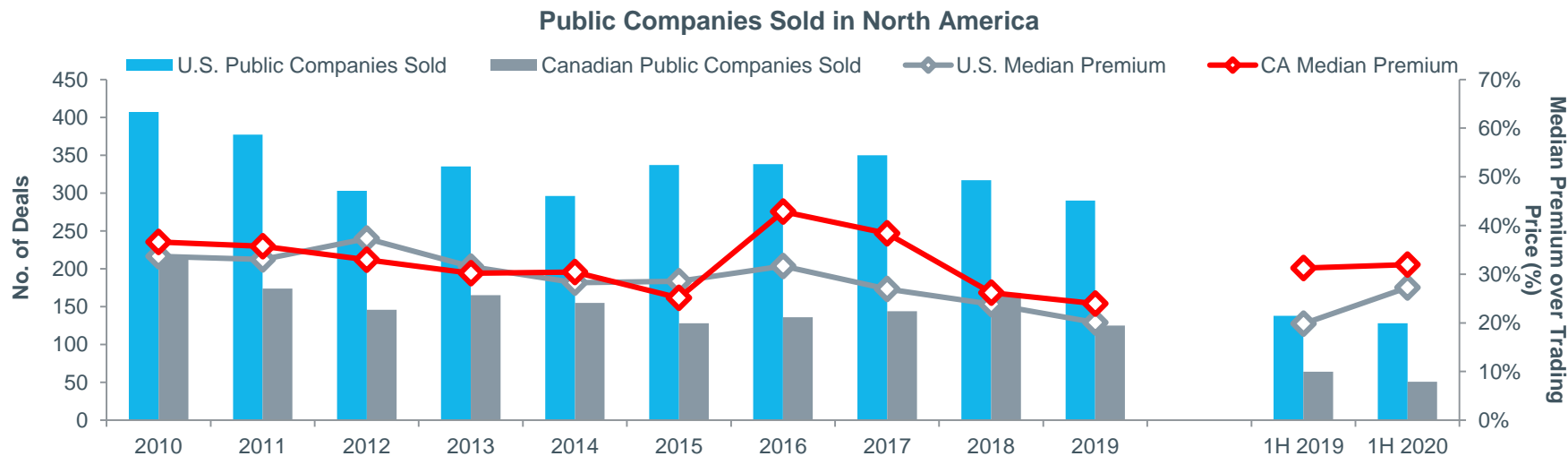
Sources: S&P Global Market Intelligence as of July 6, 2020; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Public vs. Private

Private company transactions continued to account for the majority of the North American M&A landscape, representing 93.1% (compared to 92.3% in 1H 2019) of total Canadian deals and 97.8% (compared to 98.1% in 1H 2019) of all U.S. deal flow. In 1H 2020, North America sold 23 fewer public companies than the previous year. Compared to 1H 2019, the total number of public companies sold in Canada decreased by 13 (51 sold in 1H 2020 vs. 64 sold in 1H 2019) while the U.S. experienced a decrease of 10 public companies sold (128 sold in H1 2020 vs. 138 sold in 1H 2019).

The median takeover premiums of Canadian and U.S. public companies ended its three-year decline as both trended toward their 10-year averages of 32% and 29%, respectively. As of 1H 2020, the Canadian median premium rose to 32%, while the U.S. premium increased to 27%. This is likely due to lower public market valuations, which increase takeover premiums.

Public Companies Sold in North America



Sources: S&P Global Market Intelligence as of July 6, 2020; 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 2020 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 0.3x from 2019.

While some industries', such as consumer discretionary and materials, EBITDA multiples remained relatively stable, other industries noticeably deviated from their 2019 multiples. The energy sector was the hardest hit in terms of its average transaction multiple. This is a contrast to the utilities and consumer staples industries where the average transaction multiples sharply increased.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	1H 2020
Consumer Discretionary	8.4x	10.7x	10.3x	10.2x	11.1x	10.7x	9.9x	10.6x	10.0x	11.1x	11.3x	11.3x
Consumer Staples	9.0x	8.9x	10.1x	10.8x	11.1x	12.0x	9.4x	12.1x	12.0x	11.5x	10.7x	15.4x
Energy	6.1x	9.4x	11.3x	7.6x	8.1x	8.5x	8.8x	8.6x	13.1x	9.8x	9.7x	5.5x
Financials	6.6x	10.2x	8.3x	9.1x	10.6x	12.3x	9.0x	12.1x	12.6x	10.4x	N/A	N/A
Healthcare	8.7x	12.0x	11.4x	10.8x	10.1x	11.7x	12.7x	12.6x	13.7x	12.3x	12.1x	13.2x
Industrials	8.2x	8.7x	9.4x	8.6x	8.8x	9.7x	9.9x	9.1x	10.4x	10.3x	10.9x	9.4x
Information Technology	10.2x	12.0x	12.2x	11.0x	11.2x	12.7x	13.1x	12.4x	13.6x	12.1x	11.8x	10.8x
Materials	7.7x	10.5x	8.6x	8.7x	10.0x	8.3x	10.5x	7.8x	10.5x	10.7x	9.8x	9.7x
Telecommunication Services	6.6x	7.9x	7.2x	9.4x	8.9x	9.9x	14.9x	8.9x	9.7x	9.6x	9.6x	8.9x
Utilities	8.4x	11.5x	10.1x	9.5x	11.1x	9.7x	10.3x	11.1x	13.9x	11.8x	10.1x	16.0x
Real Estate	16.0x	11.8x	16.3x	15.9x	15.5x	17.6x	19.2x	16.5x	17.7x	16.2x	14.1x	19.8x
Unspecified**	3.4x	7.1x	14.5x	4.1x	11.9x	4.1x	8.5x	10.5x	7.3x	8.3x	7.0x	12.3x
All Industries	8.2x	10.4x	10.7x	9.6x	10.2x	10.7x	11.0x	10.9x	11.7x	11.0x	10.9x	10.6x

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

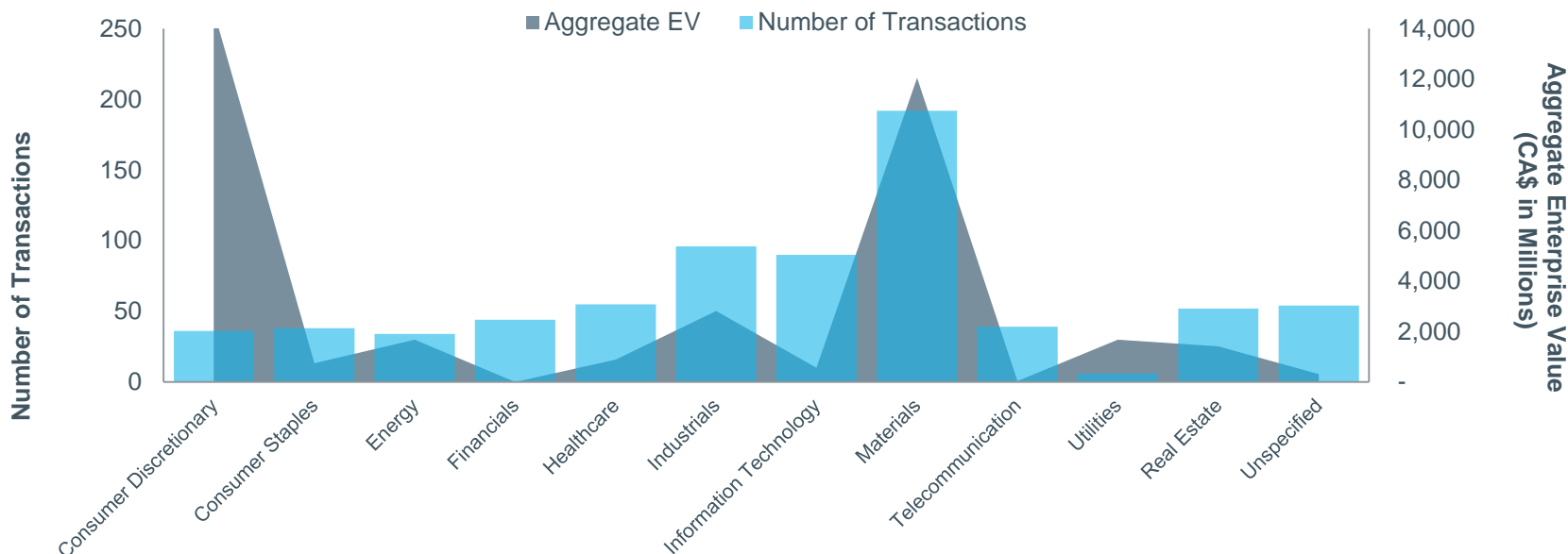
**The unspecified category includes transactions within a target company industry that S&P Global Market Intelligence has not categorized.

Sources: S&P Global Market Intelligence as of July 6, 2020; 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 192 transactions. The largest deal among the 192 was valued at \$4.9 billion, making it the third-largest deal completed in 1H 2020. The materials sector ultimately contributed to \$12.3 billion in total EV for the period. Industrials and information technology industries remained active during 1H 2020 and completed 96 and 90 deals, respectively. Consumer discretionary accumulated a total of \$14.7 billion in EV which is largely attributed to the numerous megadeals completed by the sector, resulting in an average deal value over \$400M. Meanwhile, with none of the 44 closed deals releasing financial information, the disclosure of 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.

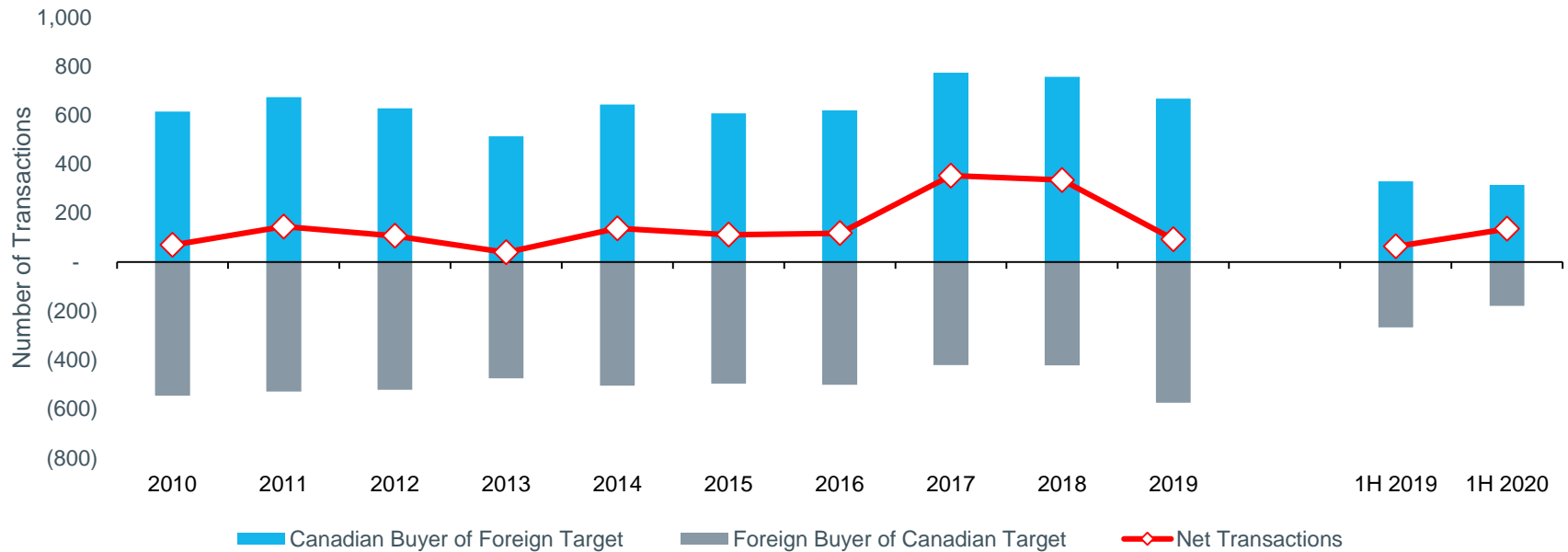
Sources: S&P Global Market Intelligence as of July 6, 2020; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Cross-Border Transactions

Acquisitions of Canadian companies continued to be predominantly domestic, with 557 of the 736 transactions (75.7%) completed by a Canadian buyer in 1H 2020. Foreign and undisclosed buyers completed the remaining 179 transactions.

Canada maintained a net positive M&A environment, despite Canadian companies acquiring fewer foreign-based companies (315 in 1H 2020 vs. 330 in 1H 2019) as less Canadian companies were acquired by foreign companies (179 in 2019 vs. 266 in 2018) in 1H 2020. 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 6, 2020; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence.

Cross-Border Transactions o●

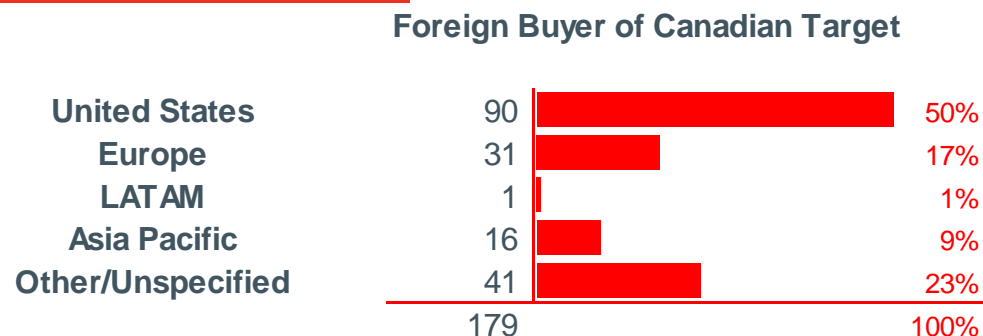
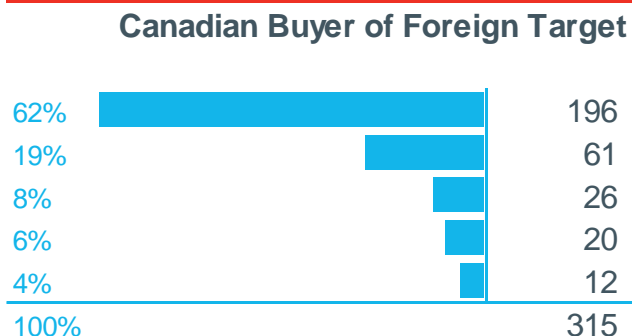
Transactions between the U.S. and Canada continue to be the most prominent cross-border activity involving Canadian buyers or sellers. Both U.S. and Canadian buyers slowed transaction activity across the border, but U.S. acquisitions dropped by nearly 40%, whereas Canadian buyers only slowed by 5% compared to 1H 2019.

European companies were less active, acquiring a total of 31 Canadian companies in 1H 2020 compared to 38 in 1H 2019. Acquisitions of European companies by Canadian companies also decreased from 69 in 1H 2019 to 61 in 1H 2020.

The number of Canadian buyers of Latin American companies remains steady, with a total of 26 completed transactions in 1H 2020 (compared to 28 in 1H 2019). However, the number of Latin American buyers of Canadian companies remains low (only 1 in 1H 2020).

Similar to 1H 2019, the percentage of Canadian buyers of Asia Pacific-based companies make up about 6% of transactions in 1H 2020; however, the percentage of Asia Pacific-based buyers of Canadian companies more than doubled to 9%.

Canadian Cross-Border Transactions by Region (1H 2020) (Number of Deals)



Sources: S&P Global Market Intelligence as of July 6, 2020; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence. Figures are rounded

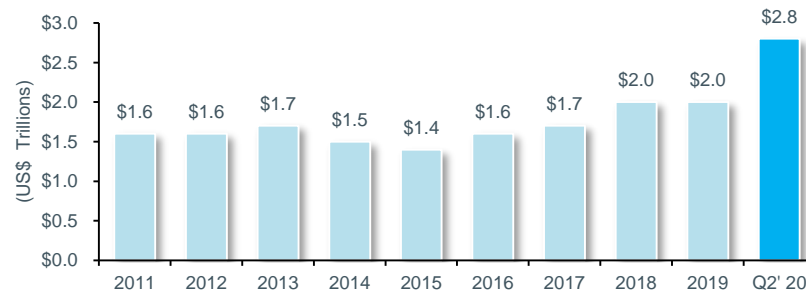
Looking Ahead

COVID-19 has had a significant impact on M&A activity in both Canada and abroad. The extent and severity of the disruption in the longer-term remains to be seen, but it has already had substantial impact on certain industries, such as energy, travel and hospitality. Some sectors, such as food and beverage and healthcare have seen some benefit in the short-term and may be less affected looking forward. That said, the number of distressed sales and restructurings has risen dramatically, a trend that will likely continue.

While there's still an abundance of liquidity in the market among strategic buyers and private equity funds, many buyers could be hesitant to undertake major investments. Buyers focused on stabilizing their existing operations earlier in the year are again starting to look at new opportunities. Activity among private equity firms has also begun to pick up in recent weeks. Firms making acquisitions should enjoy a strong negotiating position, as the market in certain industries appears to have shifted from seller-friendly to buyer-friendly. Organizations with healthy balance sheets may see this as an opportunity to acquire high quality assets at discounted prices.

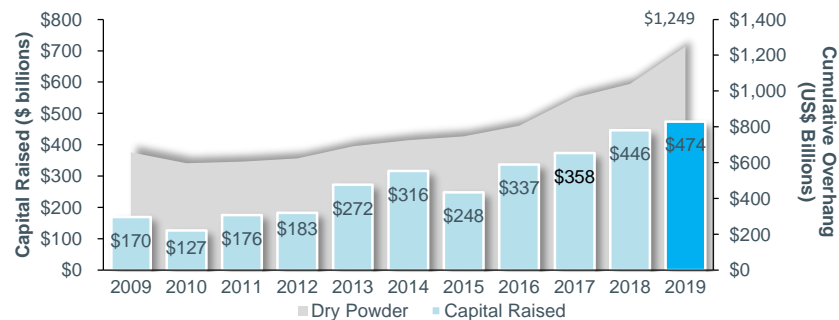
Governments around the world have invoked unprecedented economic measures to help workers and businesses. Central banks have made emergency rate cuts. However, banks may be too busy managing their current portfolios to pursue new business. In any event, the amount of leverage available will likely decline or become more restrictive, which could compress valuation multiples.

S&P 500 Cash Balances



Source: CapitalIQ

Private Equity Overhang



Source: Pitchbook

About Duff & Phelps

Ranked #1

for Global Fairness Opinions for 2019¹

Ranked #4

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

We Serve

65% of Fortune 100 companies

92% of Am Law 100 law firms

72% of the 25 largest PE firms
in the PEI 300

68% of the 25 largest Euro STOXX
companies

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
- Healthcare and Life Sciences
- Industrials and Business Services
- Technology, Media and Telecom



¹Source: Thomson Reuters' "Full Year 2019 Mergers & Acquisitions Review"

²Source: Thomson Financial Securities Data (U.S. deals \$15M < \$170M, including deals without a disclosed value). Full years 2010 through 2019.

CONTACT

Canadian Contacts

Howard Johnson

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

Scott Davidson

Managing Director
Toronto
+1 416 364 9719
scott.davidson@duffandphelps.com

Chris Nobes

Managing Director
Toronto
+1 416 597 4505
chris.nobes@duffandphelps.com

Alan Lee

Managing Director
Toronto
+1 416 361 2571
alan.lee@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

Henry Wells

Head of UK M&A Advisory
London
+44 20 7089 4700
henry.wells@duffandphelps.com

Andreas Stoecklin

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

Declan Taite

Managing Director, M&A Advisory
Dublin
+353 0 1 472 0700
declan.taite@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

Duff & Phelps is the world's premier provider of governance, risk and transparency solutions. We work with clients across diverse sectors in the areas of valuation, corporate finance, disputes and investigations, cyber security, claims administration and regulatory compliance. With Kroll, the leading global provider of risk solutions, and Prime Clerk, the leader in complex business services and claims administration, our firm has nearly 4,000 professionals in 25 countries around the world.

For more information, visit www.duffandphelps.com

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Duff & Phelps Securities, LLC. Member FINRA/SIPC. Pagemill Partners is a Division of Duff & Phelps Securities, LLC. M&A advisory, capital raising and secondary market advisory services in the United Kingdom are provided by Duff & Phelps Securities Ltd. (DPSL), which is authorized and regulated by the Financial Conduct Authority. M&A advisory and capital raising services in Germany are provided by Duff & Phelps GmbH, which is a Tied Agent of DPSL. Valuation Advisory Services in India are provided by 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. 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.