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Protect, Restore and Maximize Value



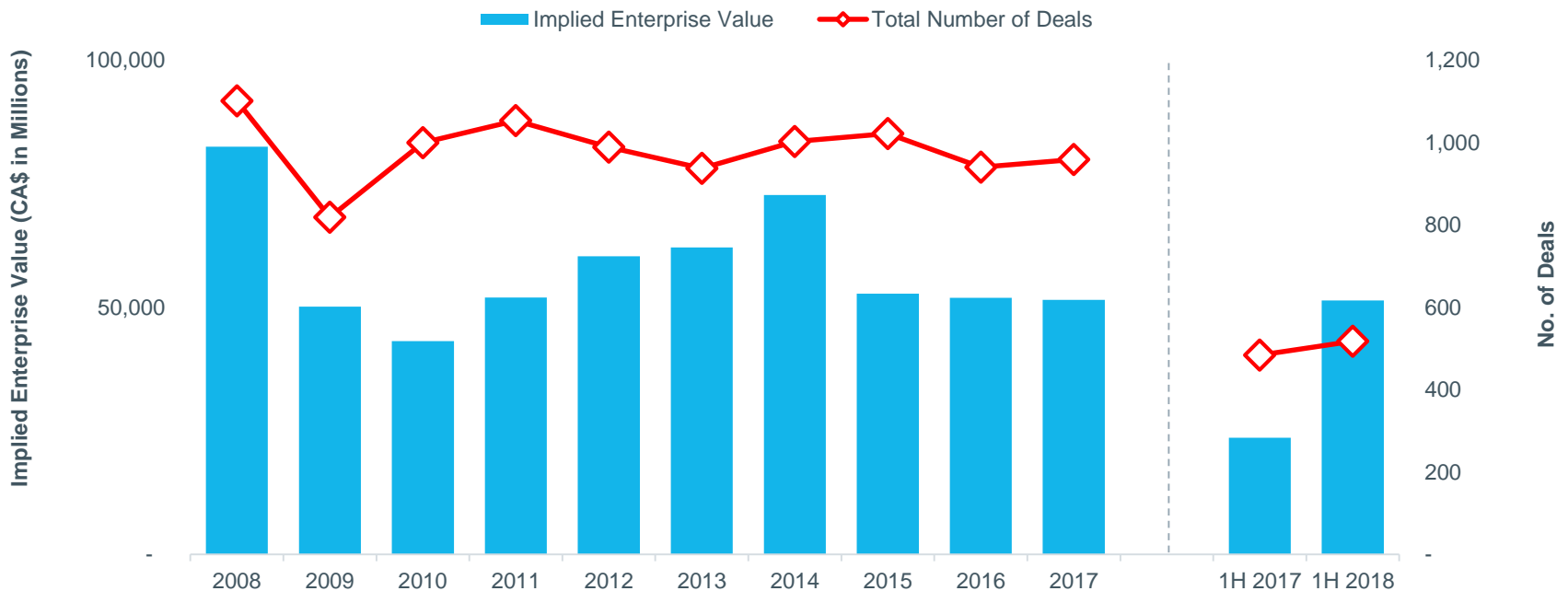
Canadian M&A Insights

Fall 2018

Canadian M&A Update

Canadian M&A activity remained strong in 1H 2018 as low financing costs and continued North American economic growth fueled a robust M&A environment. In 1H 2018, 518 Canadian companies were sold, a 7% increase over the first half of 2017, with disclosed enterprise values totaling \$51 billion (118% YOY 1H 2017). Of the transactions completed, 73% were domestic acquisitions, which is in line with historical averages.

Canadian M&A Transactions



* Refers to deals with reported financial data

For all data herein: All transaction values are in Canadian Dollars. All transaction data refers to acquisitions of majority stakes (minority deals were excluded). 1H Deals include M&A transactions closed between January 1 and June 30, 2017 and 2018

Sources: S&P Global Market Intelligence as of June 30, 2018; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence

Canadian M&A Update

The number of megadeals¹ decreased from 21 in 1H 2017 to 19 in 1H 2018, as did the average enterprise value, with 1H 2018 averaging \$4.1 billion compared to \$5.1 billion the year prior. The largest deal involving a Canadian buyer or seller in 1H 2018 was Nutrien’s (formerly PotashCorp) acquisition of Agrium for \$24.5 billion (Total Enterprise Value [“TEV”]). The Agrium acquisition was first proposed in 2016, working its way through a series of shareholder and regulatory approvals before becoming official on January 2, 2018. The combined entity is now one of the world’s leading agriculture businesses. Major pension funds also remained active on the acquisition front.

Largest 1H 2018 Closed Transactions – Canadian Buyer or Seller

Target	Target Country	Buyer (Ultimate Parent)	Buyer Country	Enterprise Value CA\$ Billions	Industry
Agrium Inc.	Canada	Nutrien Ltd. (formerly PotashCorp)	Canada	24.1	Consumer Discretionary/ Materials
Calpine Corporation	U.S.	Canada Pension Plan Investment Board; Access Industries, Inc.; Energy Capital Partners	Multiple (including Canada)	21.8	Utilities
Equis Energy Pte. Ltd.	Singapore	Public Sector Pension Investment Board; Global Infrastructure Partners; CIC Capital Corporation	Multiple (including Canada)	6.4	Utilities
Canadian Real Estate Investment Trust	Canada	Choice Properties Real Estate Investment Trust	Canada	5.8	Real Estate
The Jean Coutu Group (PJC) Inc.	Canada	Metro Inc.	Canada	4.3	Consumer Staples

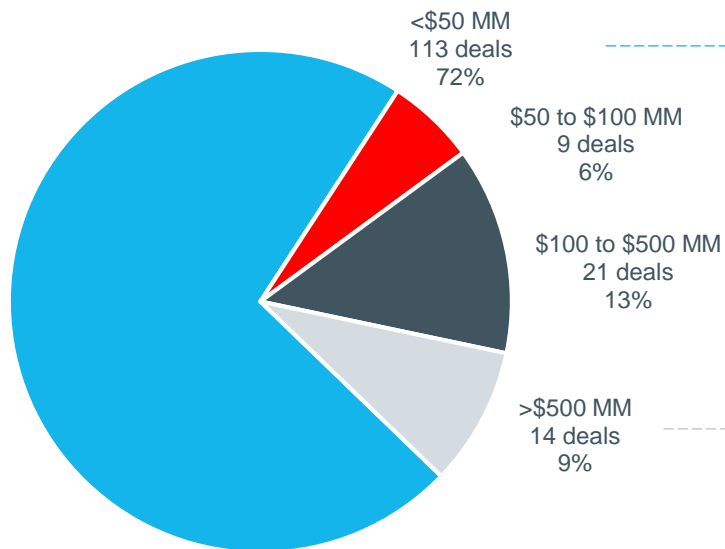
1. Deals involving a Canadian company as the buyer or seller with an implied enterprise value of \$500 million or more.

Sources: S&P Global Market Intelligence as of June 30, 2018; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence

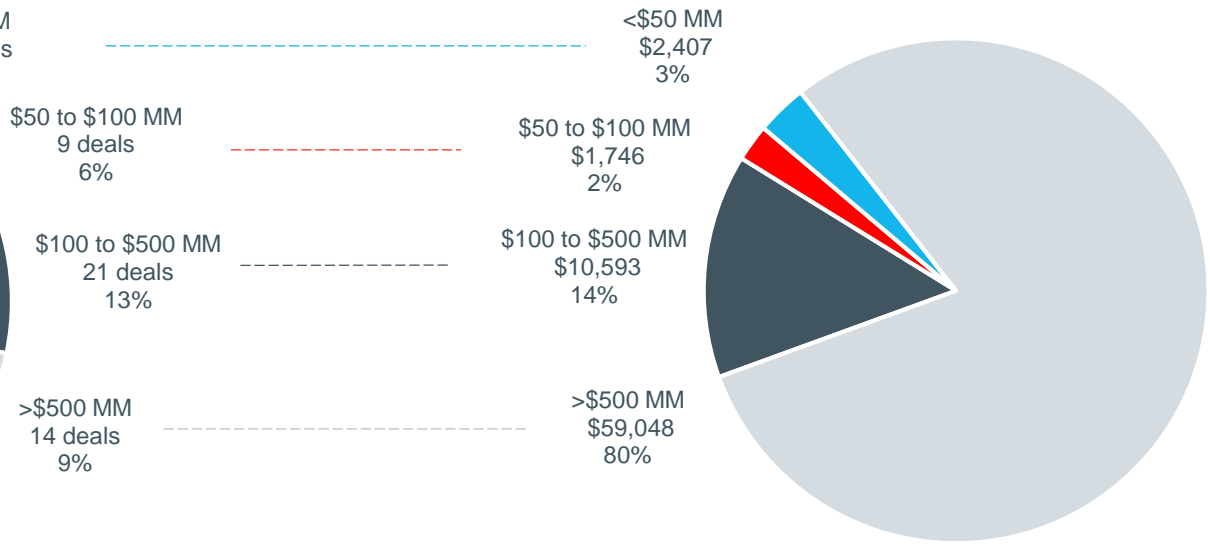
Canadian M&A Update

The Canadian M&A market experienced an uptick in both the number of announced deals (518 in 1H 2018 versus 484 in 1H 2017) and median deal value (\$10 million in 1H 2018 versus \$9 million in 1H 2017). The increased number of deals over \$50 million led to this increase in median deal value. Although megadeals represent only 9% of all transactions, they represented 80% of 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 (1H 2018)*



Value of Canadian M&A Transactions – Canadian Targets (1H 2018) [CA\$ in millions]*



* Refers to deals with reported financial data.

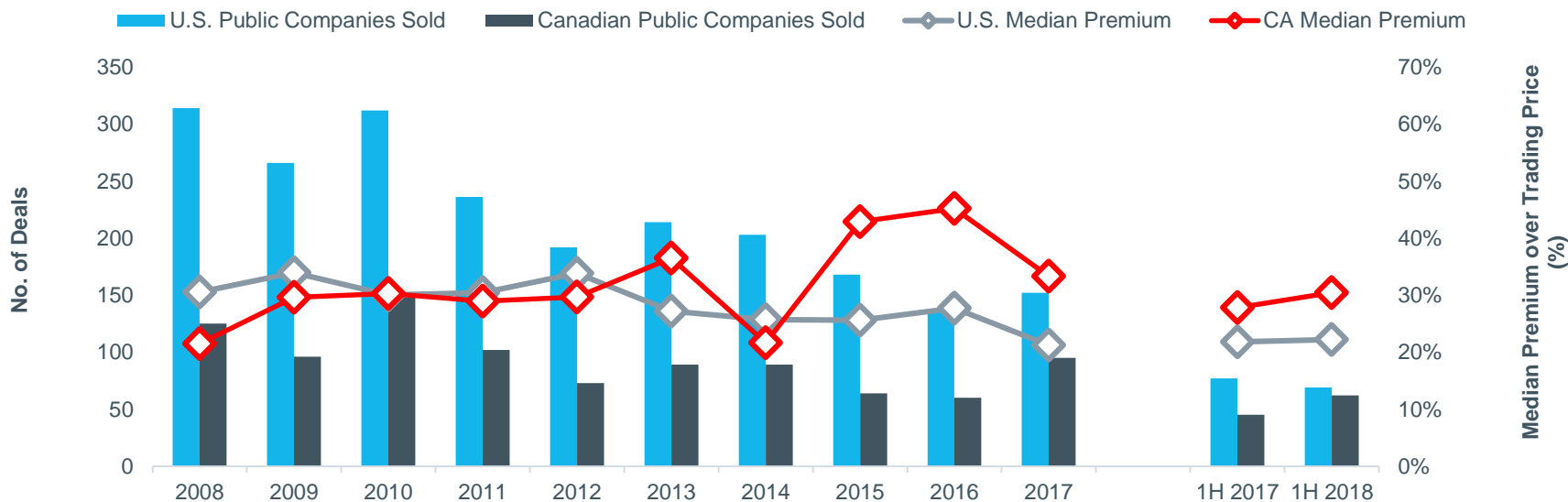
Sources: S&P Global Market Intelligence as of June 30, 2018; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence

Public vs. Private

Private company transactions continued to account for the majority of the North American M&A landscape, representing 98% (2017 - 98%) of total Canadian deals and 88% (2017 - 91%) of all U.S. deal flow. The number of public companies sold in Canada increased from 45 to 62 in 1H 2018, while the number of U.S. public companies sold decreased from 77 to 69.

The median takeover premiums of public companies returned to historical levels in 1H 2018 with Canadian takeover premiums (30%) approximately 8% higher than in the United States (22%). U.S. takeover premiums were flat while Canadian takeover premiums rose 2%.

Public Companies Sold in North America



Sources: S&P Global Market Intelligence as of June 30, 2018; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence

Valuation Multiples

In 1H 2018 there was a slight decrease in valuation multiples (where disclosed) for North American transactions. The average EBITDA (earnings before interest, taxes, depreciation and amortization) multiple was 10.6x, in line with averages seen in the past decade.

The Consumer Staples and Materials industries saw much higher multiples in 1H 2018. On the other hand, multiples in the Energy and Real Estate sectors were noticeably lower.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1H 2018
Consumer Discretionary	11.4x	8.4x	10.7x	10.3x	10.2x	11.1x	10.7x	9.9x	10.6x	10.0x	10.0x
Consumer Staples	9.2x	9.0x	8.9x	10.1x	10.8x	11.1x	12.0x	9.4x	12.1x	12.0x	16.7x
Energy	8.6x	6.1x	9.4x	11.3x	7.6x	8.1x	8.5x	8.8x	8.6x	13.1x	8.7x
Financials	9.8x	6.6x	10.2x	8.3x	9.1x	10.6x	12.3x	9.0x	12.1x	12.6x	NA
Healthcare	12.7x	8.7x	12.0x	11.4x	10.8x	10.1x	11.7x	12.7x	12.6x	13.7x	14.5x
Industrials	10.2x	8.2x	8.7x	9.4x	8.6x	8.8x	9.7x	9.9x	9.1x	10.4x	9.9x
Information Technology	12.7x	10.2x	12.0x	12.2x	11.0x	11.2x	12.7x	13.1x	12.4x	13.6x	14.4x
Materials	10.4x	7.7x	10.5x	8.6x	8.7x	10.0x	8.3x	10.5x	7.8x	10.5x	13.0x
Telecommunication Services	9.7x	6.6x	7.9x	7.2x	9.4x	8.9x	9.9x	14.9x	8.9x	9.7x	NA
Utilities	11.5x	8.4x	11.5x	10.1x	9.5x	11.1x	9.7x	10.3x	11.1x	13.9x	14.0x
Real Estate	13.3x	16.0x	11.8x	16.3x	15.9x	15.5x	17.6x	19.2x	16.5x	17.7x	12.4x
Unspecified *	8.5x	3.4x	7.1x	14.5x	4.1x	11.9x	4.1x	8.5x	10.5x	7.3x	7.2x
All Industries	10.8x	8.2x	10.4x	10.7x	9.6x	10.2x	10.7x	11.0x	10.9x	11.7x	10.6x

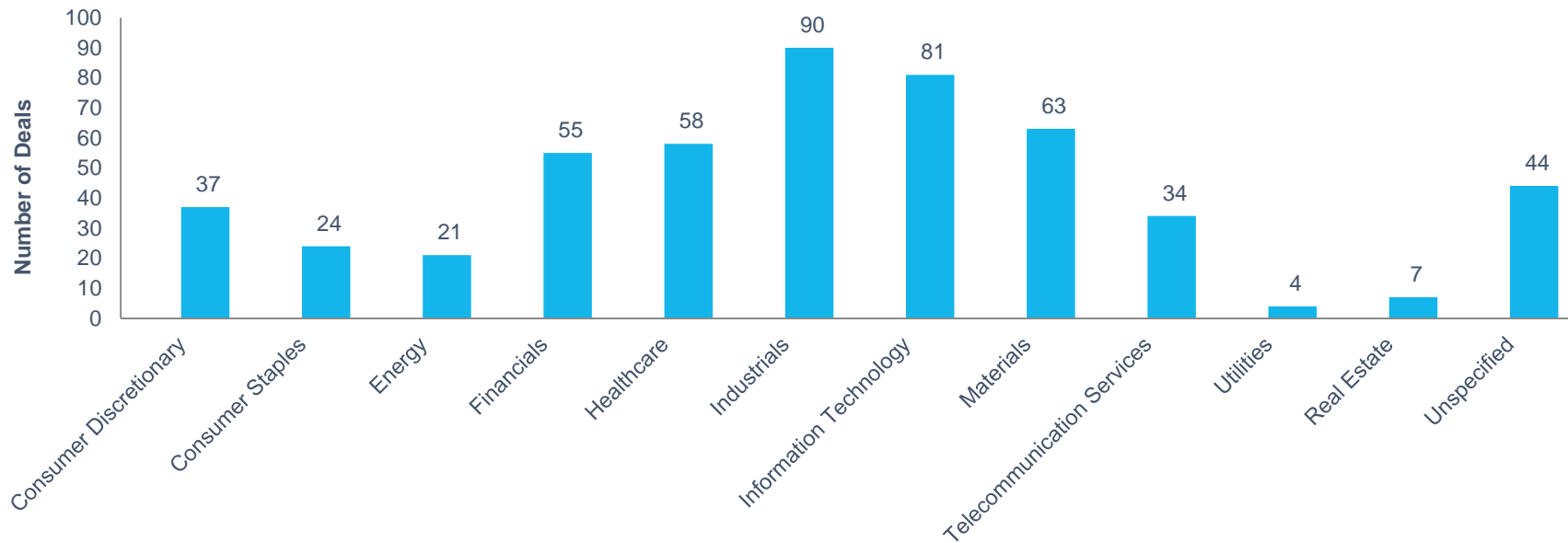
*The unspecified category includes transactions where the target company's industry has not been categorized by S&P Global Market Intelligence.

Sources: S&P Global Market Intelligence as of June 30, 2018; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence

Industry Sectors

Led by numerous megadeals completed in 1H 2018, the Consumer Discretionary Sector saw \$26.2 billion in deal value across 37 deals. The Industrials industry remains the most active sector in Canada, in line with historical performance – in 1H 2018, 90 companies were sold (95 in 2017), totaling \$3.9 billion in enterprise value. Heavy regulation continues to slow deal flow for the Utilities, Energy and Telecom Services industries. Disclosure of deal values in the Financials sector continues to be low, with none of the 55 closed deals releasing financial information.

Canadian M&A Transactions by Industry (1H 2018)



*Note: The unspecified category includes transactions where the target company's industry has not been categorized by S&P Global Market Intelligence.

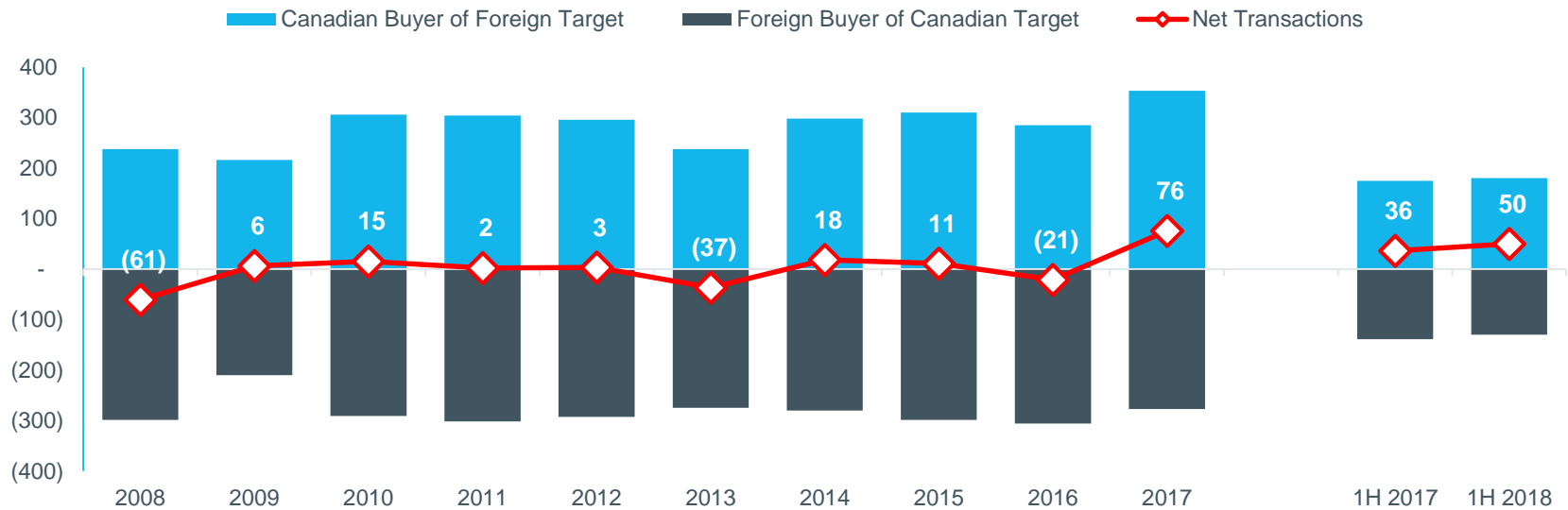
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Cross-Border Transactions

Acquisitions of Canadian companies continues to be predominately a domestic affair, with 388 of the 518 transactions (75%) completed by a Canadian buyer in 1H 2018. Foreign and undisclosed buyers completed the remaining 130 transactions.

Canadian companies remain net buyers from a global M&A perspective, above historical trends. Canadian companies acquired 180 foreign-based companies in 1H 2018 (175 in 1H 2017), resulting in a net positive M&A environment for Canada.

Canadian Cross-Border M&A Activity (1H - 2018)



*Note: The unspecified category includes transactions where the target company's industry has not been categorized by S&P Global Market Intelligence.

Sources: S&P Global Market Intelligence as of June 30, 2018; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence

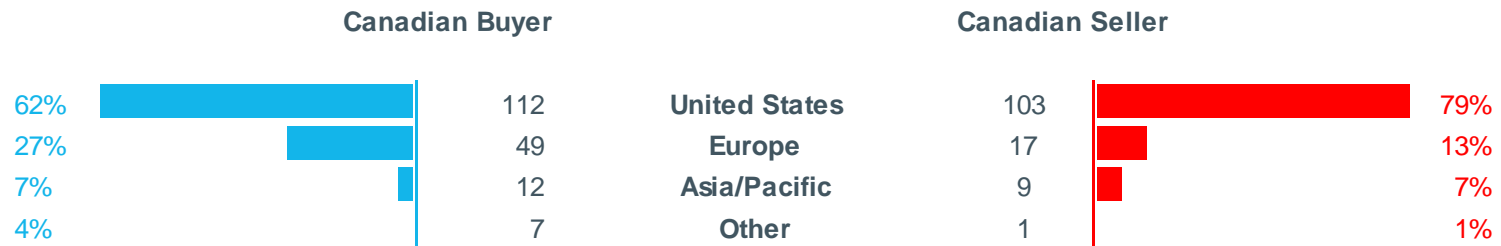
Cross-Border Transactions o●

Transactions between the United States and Canada continue to dominate cross-border activity involving Canadian buyers or sellers. U.S.-based buyers of Canadian companies remained relatively steady, while the number of Canadian buyers of U.S.-based companies decreased 10% compared to 2017.

In 1H 2018, European transactions involving Canadians were dominated by Canadian buyers, increasing 44% to 49 deals (34 in 1H 2017). European buyers, on the other hand, appeared to look at other geographies as the deal count fell 35% to 17 (26 in 1H 2017).

Overall, outbound M&A remained solid (180 deals in 1H 2018 vs. 175 deals in 1H 2017) as companies looked to expand or cement market share beyond Canada. Inbound M&A fell slightly (130 deals in 1H 2018 vs. 139 deals in 1H 2017) due to lower interest from countries outside North America.

Canadian Cross-Border Transactions by Region (1H 2018) [# of Deals]



Sources: S&P Global Market Intelligence as of June 30, 2018; Duff & Phelps analysis. All publicly disclosed transaction information available in S&P Global Market Intelligence

Looking Ahead

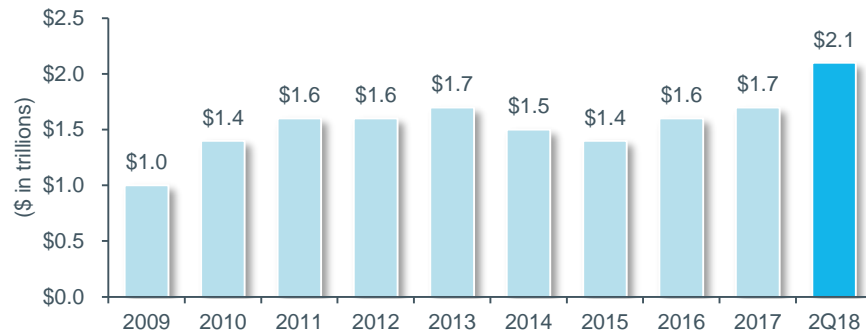
Canada's GDP is expected to increase by 2.1%¹ in 2018 and 2.0% in 2019, maintaining its positive momentum from the past few years. Buoyant Canadian and U.S. economies, low financing costs, cash-rich companies and continued private equity overhang likely point toward a strong M&A environment for the remainder of 2018 and into 2019.

Canada announced a new trade agreement with the U.S. and Mexico on September 30, 2018. While the agreement remains subject to government approvals, it should help alleviate many of the concerns that had been hanging over the Canadian economy – particularly in sectors such as automotive. A new agreement on trade could help bolster M&A activity among buyers who had been waiting on the sidelines. However, the new trade deal could also lead to higher Canadian interest rates and a higher Canadian Dollar, which could put added pressure on profit margins for exporters.

Canada's energy sector may also be getting a long-awaited boost from a new Liquefied Natural Gas project recently announced by Royal Dutch Shell and its partners. This may help spur economic activity in western Canada and renew M&A interest in Alberta.

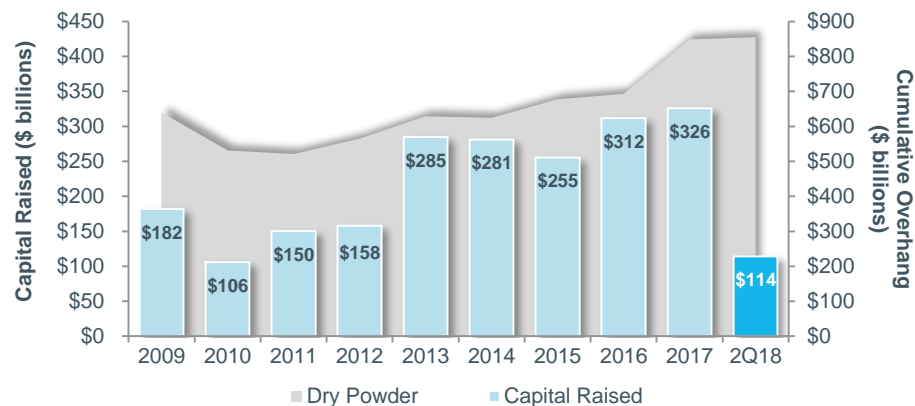
¹ Sources: RBC, *The Economist* Intelligence Unit, various news sources (e.g., CNN, Capital Economics, CNBC)

S&P 500 Cash Balances



Source: S&P Global Market Intelligence

Private Equity Overhang



Source: Pitchbook

About Duff & Phelps

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in 2017¹

Ranked #4

U.S. Middle-Market M&A Advisor
over the past five years²

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

¹ Published in Thomson Reuters'

"Full Year 2017 Mergers & Acquisitions Review."

² Source: Thomson Financial Securities Data (U.S. deals
\$75M < \$225M, including deals without a disclosed value).
Full years 2013 through 2017.



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