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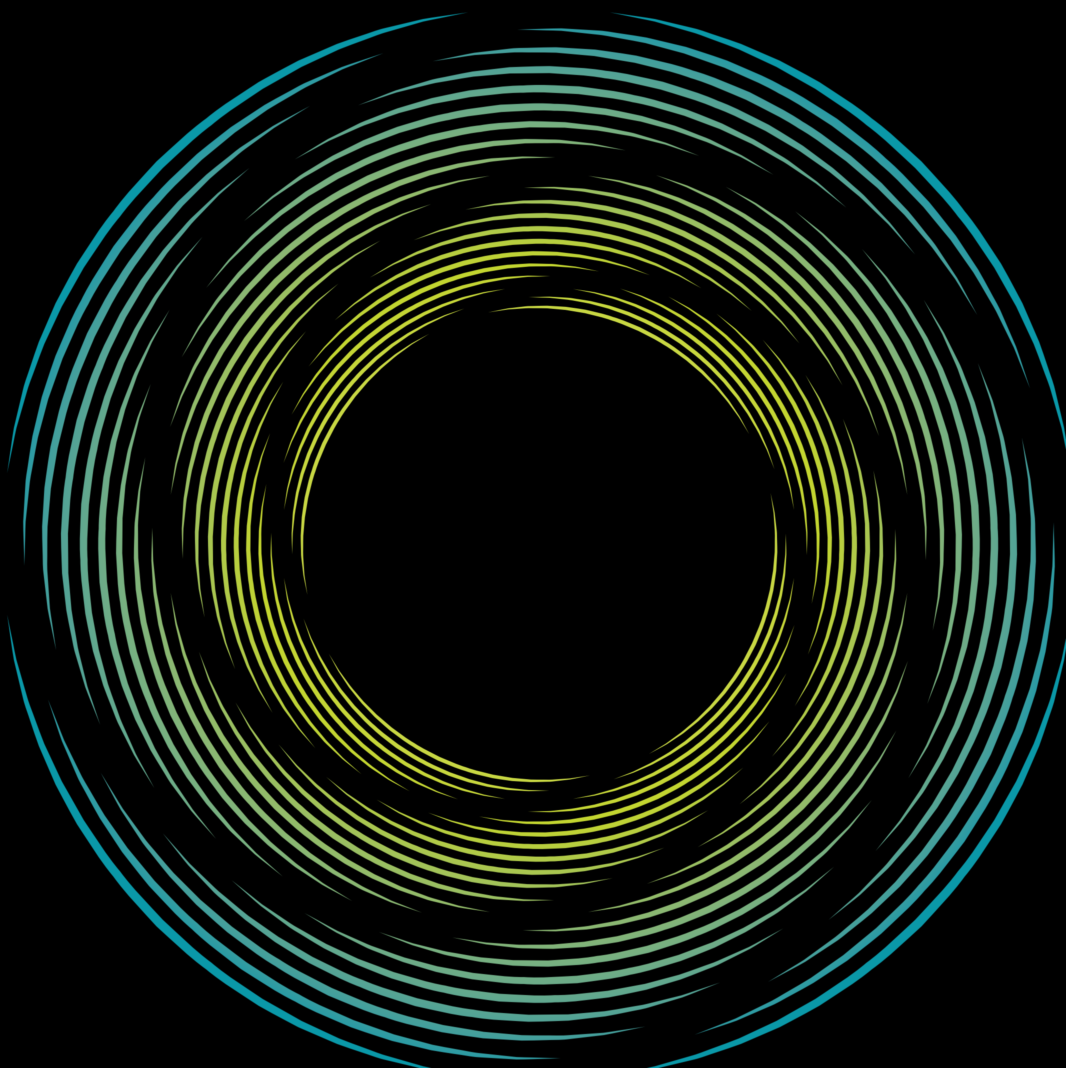


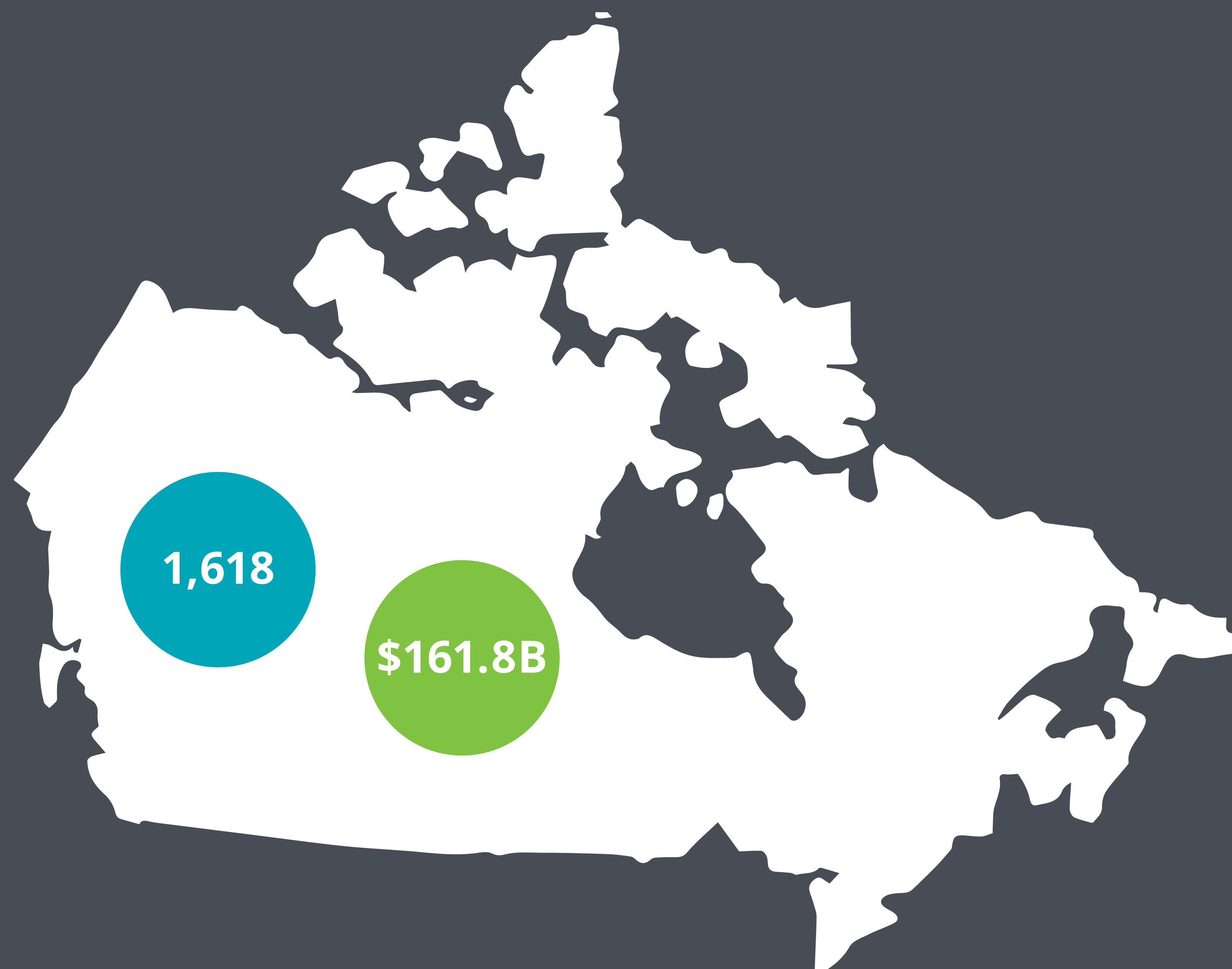
Canadian M&A Review

YTD Q3 2018 Edition

M&A Institute

Contents

Canadian M&A Activity - YTD September 2018



Value:
$12.3B

Y-o-Y
YTD Sep-18
v
YTD Sep-17

Volume:
304

Y-o-Y
YTD Sep-18
v
YTD Sep-17

Executive summary

Driven by ease of access to financing, strong economic growth, Canadian M&A has experienced a stellar decade of deals. Amidst recent turbulence in global trade discussions and softening in some international markets, Canadian M&A activity seems to have stayed the course for now.

Deal activity continued to be robust as of YTD September 2018. Technology has been the most active segment, representing 21 percent of total deal volume, while energy and resources had the highest share of disclosed deal value with approximately 33 percent in YTD September 2018. The market also saw its fair share of private equity fundraising and several megadeals.

Economic conditions suggest that M&A activity growth will taper in FY19, while deal activity may still be sustained in the near-to-medium term. While cross-border deals represented over 50 percent of all deals in Q3 of this year, it is unclear how US policy will impact inbound investment to Canada, while outbound to the US may remain steadfast. Similarly, Canadian economic expansion is projected to continue, but the rate of growth is expected to drop to slightly below two percent next year and even more to 1.4 percent in 2020.

Read more on economic and deal trends, and our prediction of what the future holds, here.

M&A Institute

Powered by Deloitte's M&A practice, the Deloitte M&A Institute is a community of business leaders and professionals that focuses on collaborative discussion on driving superior value from M&A activities. The Deloitte M&A Institute serves as the platform for experiences, learning, and offers a window into Canadian and global thought leadership.

The overview: M&A and the current economy

While deal volume growth and valuation multiple expansion will be more modest than it recently has been, current activity levels will likely prevail in the near to medium term.

Merger and acquisition (M&A) activity tends to follow the business cycle. As the economy grows and corporate profits rise, firms look for opportunities to expand, making potential acquisitions more attractive. In the early stages of economic recovery and expansion, low interest rates also facilitate consolidation activity. However, macroeconomics and the economic cycle are not the only factors at play. Regulatory changes, tax reforms, or new technologies can also encourage M&A deals, particularly on a sectoral basis.

Since the recovery from the 2008-2009 recession began, M&A in Canada has been on the rise, both in terms of the number of deals and the size of transactions. This rising tide was very much in concert with overall global deal activity, with the technology, financial services, and energy and resources sectors in the lead.

Low interest rates and moderate economic growth helped support this trend. The digital revolution has also been a catalyst, particularly in technology and telecom, as well as in the financial services sector, which has perceptively evolved since the financial crisis. Health care has also experienced an increase in activity, although the number of deals is limited. The M&A trends in the energy and resources sector have been volatile due to the commodity boom early in the recovery, followed by a correction in 2015 and 2016.

While the number of energy and resources deals dropped in the wake of the commodity price decline, the size of the deals in the sector increased, demonstrating that tough economic conditions can also motivate consolidation and transformation at an industry level.

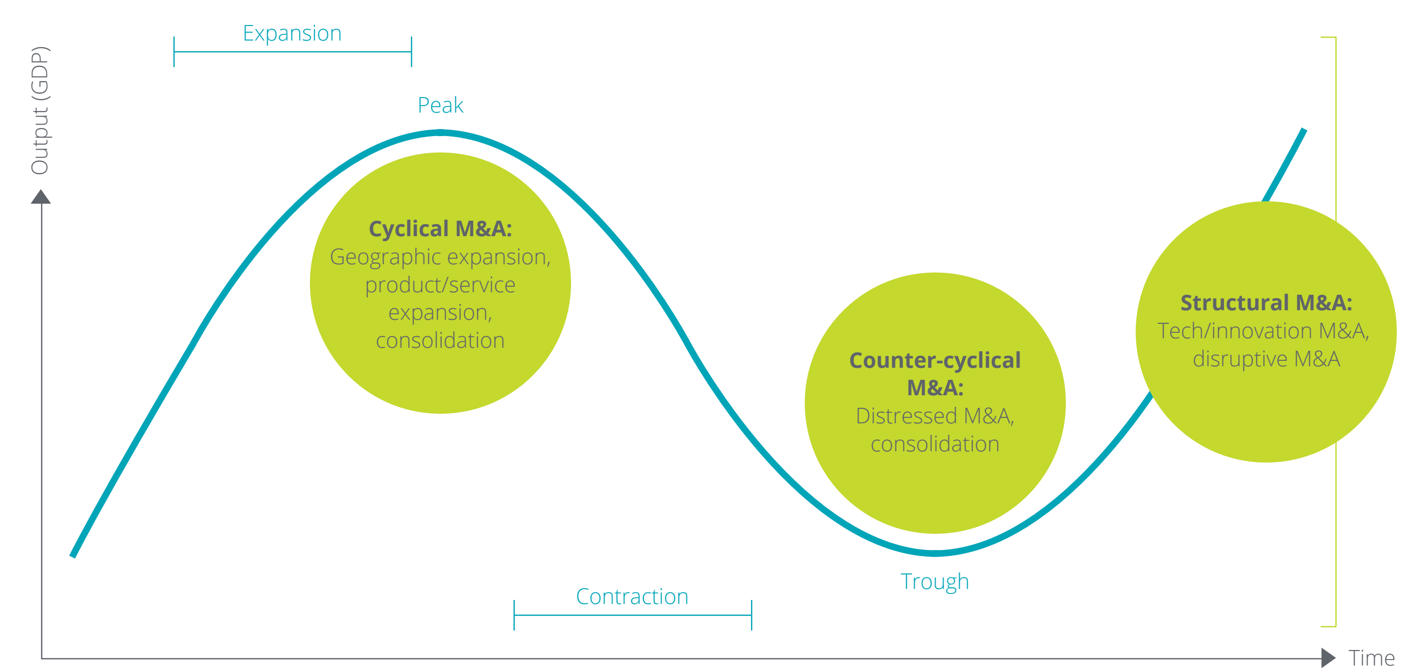
2018 was another record year for M&A, with activity playing out against a backdrop of strong Canadian and global economic conditions. Despite worries about US protectionism, and a shifting rulebook for international trade, world real GDP growth was tracking a strong gain of close to 4 percent by the end of the year.

Looking ahead to 2019, the number of M&A deals is likely to continue rising if at a more modest pace, with the value of deals hovering around the US$200 billion mark. This reflects expectations for more moderate economic growth over the next two years.

Deloitte Canadian M&A in review | The overview: M&A and the current economy

The pace of expansion is broad, with advanced economies growing faster than their long-running sustainable pace and emerging market economies also posting solid gains.

While market confidence, financing sources, and strong balance sheets remain key factors for M&A activity, structural drivers—such as the search for innovation and productivity—may result in a new breed of deal activity that doesn't follow traditional correlations with business cycles.



The overview: M&A and the current economy

Canada's economic expansion is projected to continue, but the rate of growth is expected to dip in the next two years.

After growing by a strong 3 percent in 2017, the pace of Canadian economic expansion is cooling down. While growth in the second half of 2018 was anticipated to average 2 percent, the rate of growth is expected to drop to slightly below 2 percent in 2019 and to 1.4 percent in 2020.

The robust gain in 2017, that continued into 2018, partly reflected a rebound from the commodity-induced weakness in 2015-2016. As that rebound peters out, the rate of expansion will lose some momentum. Moreover, the pace of growth has eaten up much of the available slack in the economy, resulting in capacity utilization rates that are extremely high and an unemployment rate that's hovering at a four-decade low.

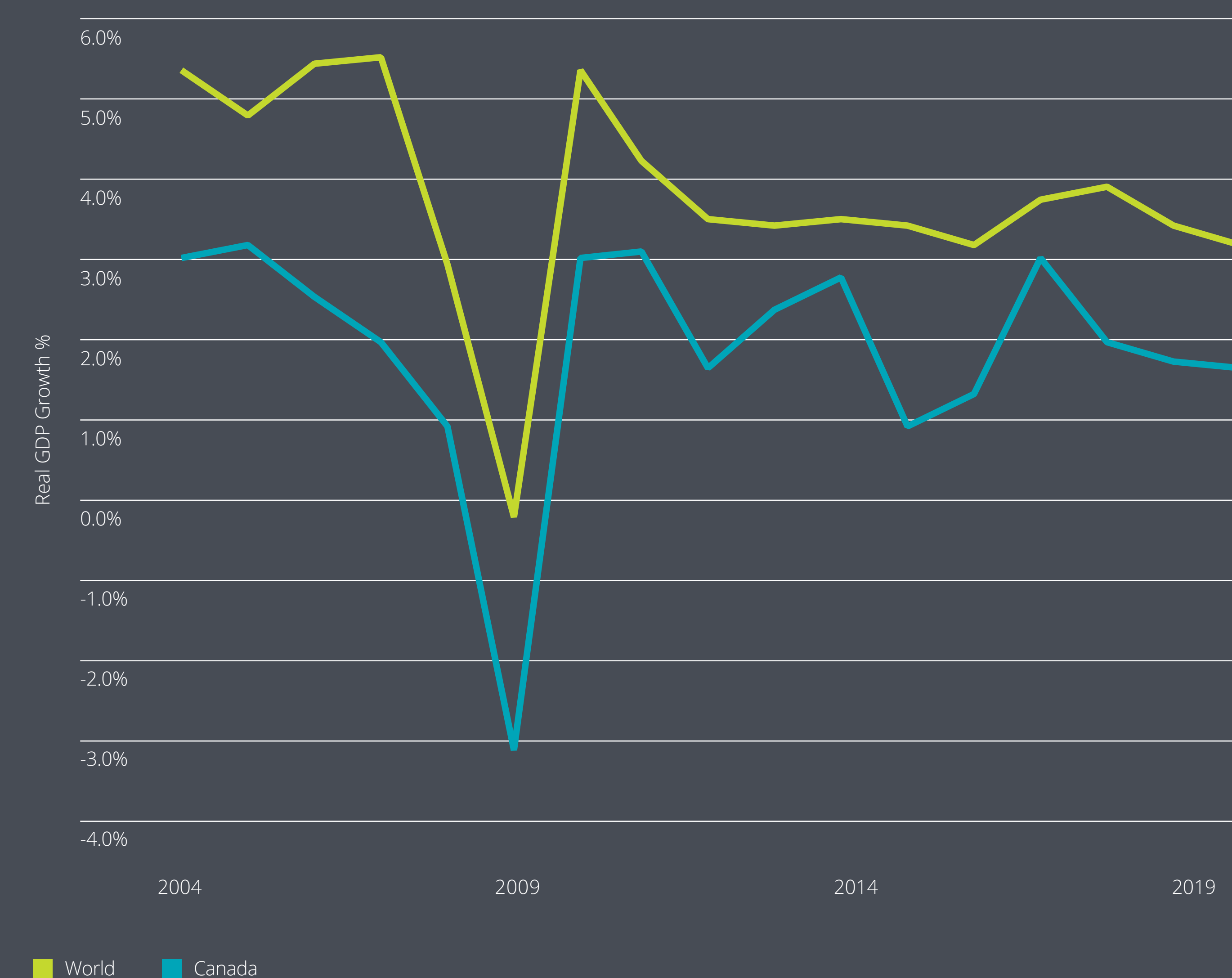
As the economy encounters capacity pressures, the pace of expansion will moderate. The declining economic slack is already leading to higher interest rates. The reduction in monetary stimulus will temper growth and raise the cost of capital, both of which are likely to be a headwind on M&A activity. A slowdown in consumer spending and flat real estate markets are anticipated, which will be partly offset by business investment and export growth.

The story is similar at the global level. The pace of growth in the world economy is likely to have peaked in 2018. Tighter monetary policy and waning fiscal stimulus will constrain US economic growth in 2019 and 2020, while the rate hikes by the United States' Federal Reserve will be felt around the globe.

The Federal Reserve rate hikes will also impact global financial conditions. Indeed, a rising fed funds rate has already increased financial market volatility and created some financial strains on emerging markets. The global expansion is projected to continue, but at a more subdued pace of a bit above 3 percent.

The base-case economic outlook is still favourable for M&A activity, but it raises a cautionary note that the business cycle is getting long in the tooth.

Real GDP Growth–Global and Canada



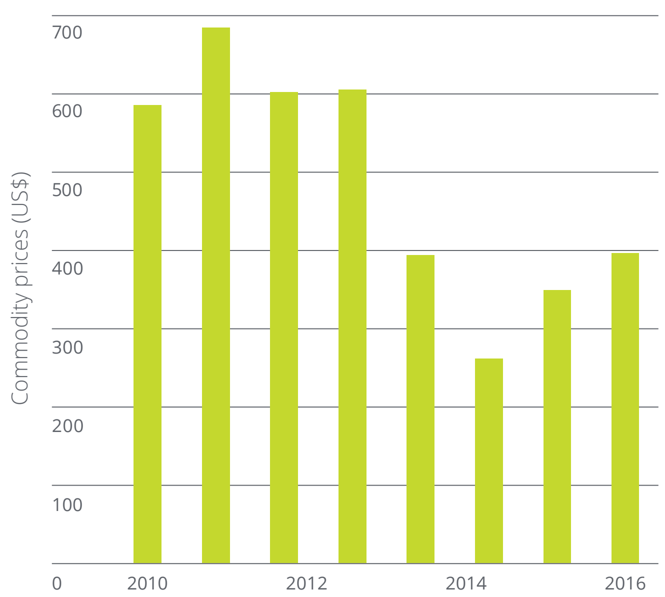
Source: IMF, Statistics Canada

Yield curves are flat. Equity markets are getting jittery about rising interest rates after a long bull market. Unemployment rates are low. M&A participants should therefore be mindful that the next cycle may not be too distant. Beyond the cycle, the structural forces of demographics, technical change, and globalization are still playing out and remain constructive for M&A deals.

The structural trends suggest that financial services, life sciences, and technology services should be active in new deals. Resources will continue to dominate the dollar value in M&A deals, but the number of deals may be tempered by limited gains in commodity prices. The energy sector will be impacted by the oil price correction in late 2018.

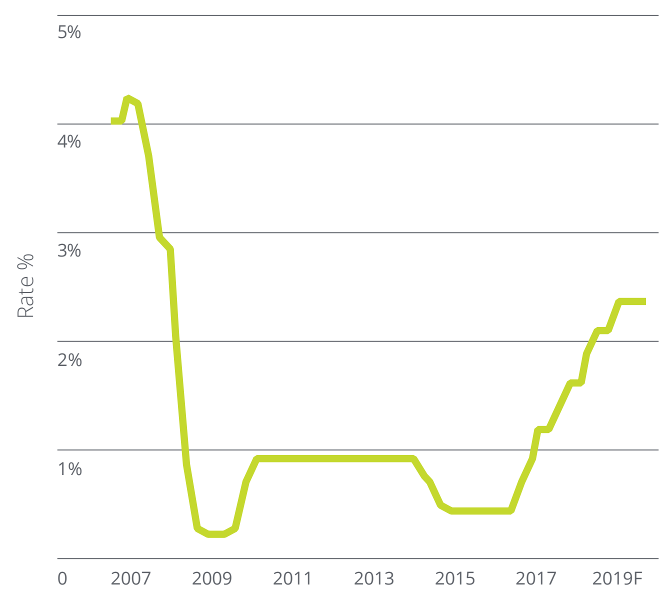
The economic cycle will weigh down M&A activity in manufacturing and consumer businesses in 2019 and 2020.

BCPI commodity index



Source: Bank of Canada

Overnight rate



Source: Bank of Canada

M&A trends in Canada

M&A activity in Canada remained robust as of YTD September 2018, and deal volume was poised to outpace 2017. Uncertainty related to cross-border activity with the United States may affect future deal volume growth.

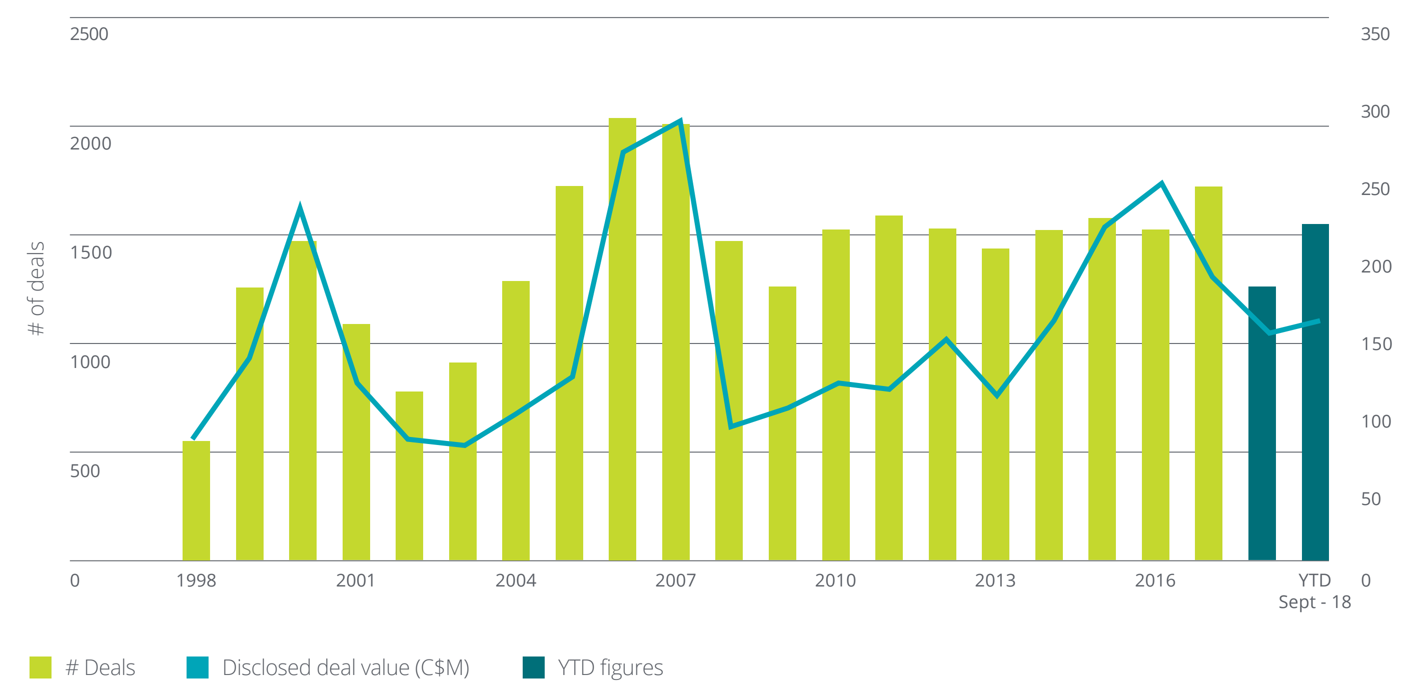
Key trends

Interest rates are expected to continue rising as the Bank of Canada follows through on its intention to raise the overnight rate in Q4 2018. Higher borrowing rates may somewhat dampen M&A activity over time, but may also accelerate short-term M&A activity as acquirers take advantage of lower rates.

In the past, the United States has been Canada's most active cross-border M&A market, representing over 50 percent of inbound and outbound activity. However, the new United States-Mexico-Canada Agreement (USMCA, or NAFTA 2.0) has introduced new restrictions stating that investment protections between Canada and the United States will no longer be subject to arbitration. This has created some uncertainty over the future of Canada-US M&A.

The overall level of M&A activity has been supported by ease of access to financing, and high levels of capital raised by private equity (PE) funds that continue to hold considerable dry powder. Due to the strong appetite for M&A and competition among financial and strategic buyers, along with several acquisitions of pre-profit cannabis companies, aggregate valuation multiples in the Canadian market as a whole remain frothy.

Canadian M&A deal volume and disclosed deal value



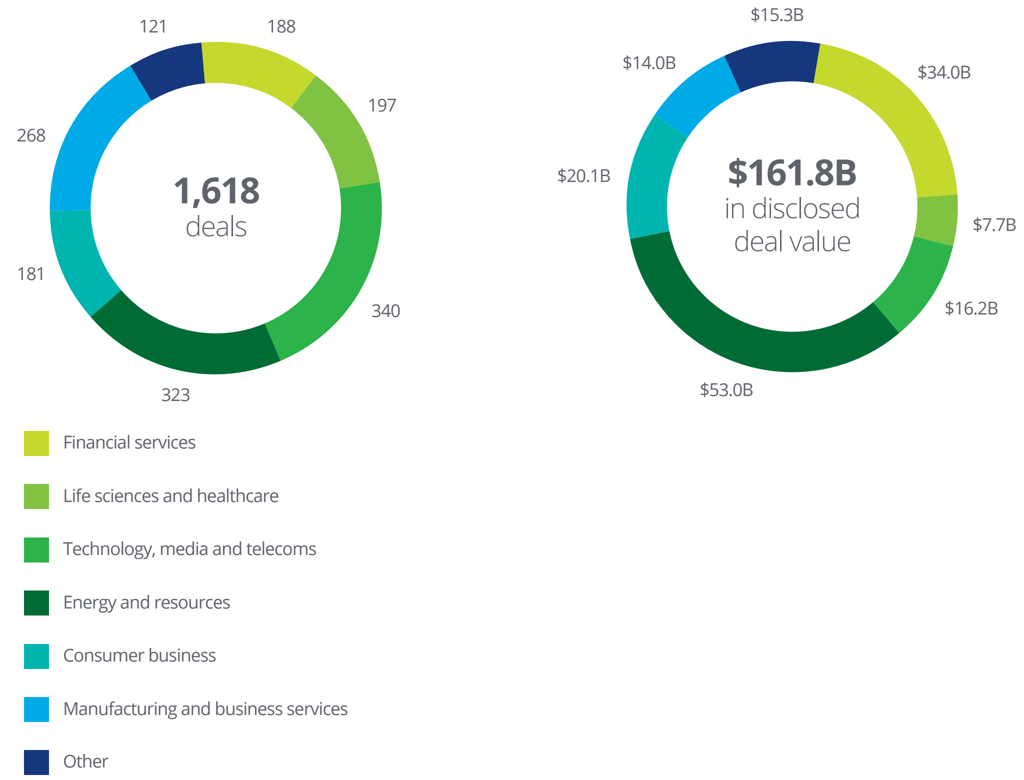
Source: S&P Capital IQ

Canadian cross-border deal volume

Outbound	
United States	58.1%
United Kingdom	7.8%
Australia	4.0%
Other	30.1%

Inbound	
United States	51.5%
United Kingdom	4.5%
France	4.2%
Other	39.8%

YTD September 2018 Canadian M&A deal volume and value by sector



Technology has been the most active segment, representing **21 percent** of total deals YTD Sept. 2018, while energy and resources had the highest share of disclosed deal value with **33 percent** YTD Sept. 2018, driven by several megadeals.

The private equity funds landscape

After a record year of fundraising activity in 2017, which continued in 2018, Canadian PEs have raised sufficient dry powder to fuel deal appetite in the medium term. The same may be said for US buyout funds with a history of investment in Canadian companies.

Key trends

Deal volume and value:
As of YTD May 2018, both disclosed deal value and volume were down for Canadian PE. The middle market remains the focus for Canadian PEs, with 66 percent of deals in 2017 being under US$100 million. The only Canadian PE megadeal to close in 2018 was Platinum Equity's acquisition of Husky Injection Molding Systems, for US$5 billion.

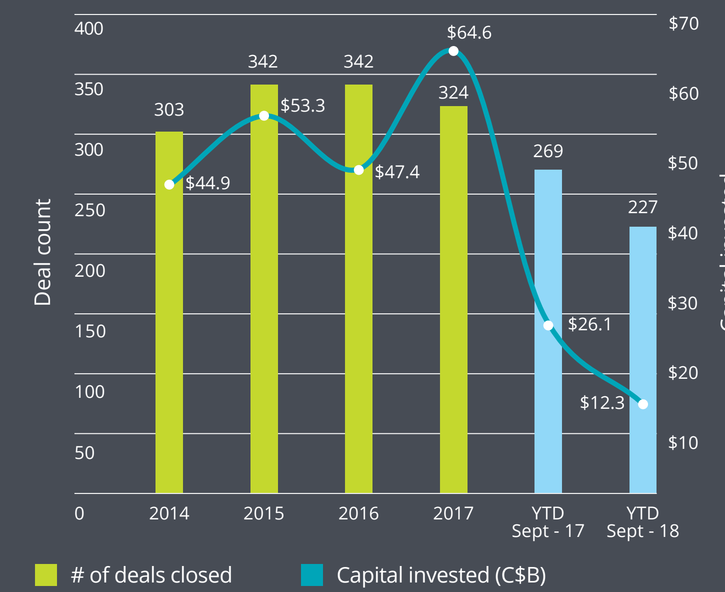
Add-on acquisitions are used to build up platform investments and drive value by boosting revenue and EBITDA growth with lower-entry multiples. Add-ons represent nearly two-thirds of Canadian PE deal volume. Private equity firms in Canada rely heavily on the buy-and-build strategy, with global add-ons averaging approximately 50 percent of deal volume.

Deal volume is driven by easy access to credit and stable fundraising strength, leading to a buildup of liquidity. Canadian PE was expected to have increased deal appetite in 2018 due to accumulated dry powder from 2017 fundraising activities. However, there was fierce competition during much of 2018 for Canadian strategic and PE buyers, driven by similar liquidity in US PE and easy access to debt financing for US bidders, resulting in inflated deal values.

Fundraising:
Fundraising for Canadian PE firms was down in 2018, with no major upcoming or open funds. Longbow Energy Services was the only fund that closed as of YTD September 2018, with a fund size of US$3.54 million.

This is partly driven by the high level of fundraising in 2017, during which where seven funds closed with US$11.6 billion in capital raised. This caused an overall downturn in the fundraising lifecycle following a period of high high degree of activity from 2014 to 2018. A similar trend can be seen in the United States, where PEs closed US$69 billion in H1-18 compared to US$243 billion for 2017.

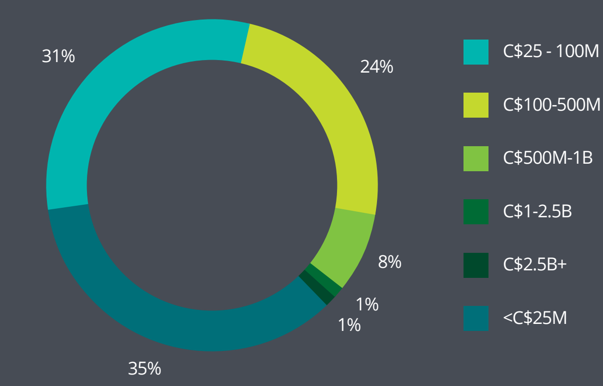
Canadian PE deal volume and value



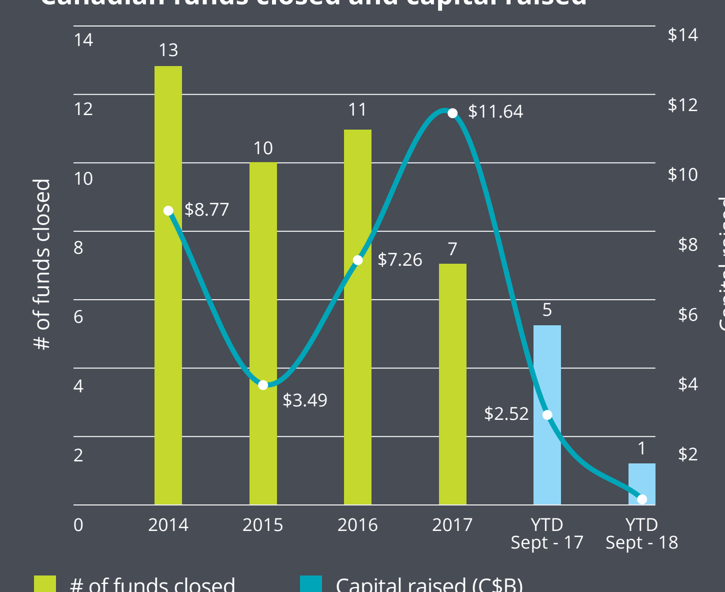
Source: Pitchbook

Note: YTD amounts are based on Pitchbook and Deloitte analysis.

2017 PE deal volume by size



Canadian funds closed and capital raised



Source: Pitchbook

Note: YTD amounts are based on Pitchbook and Deloitte analysis.

The private equity funds landscape

Canadian PE exits decreased significantly in 2018, affected by uncertainty surrounding North American trade re-negotiations. Exit values remained stable while exit deal count declined, indicating a reemergence of large low volume-exits.

PE Exits:
PE exit count decreased significantly in 2018, although two large ones drove a strong exit value YTD Sep-18: Husky Injection Molding Systems at US$5 billion and dentalcorp at US$1.6 billion.

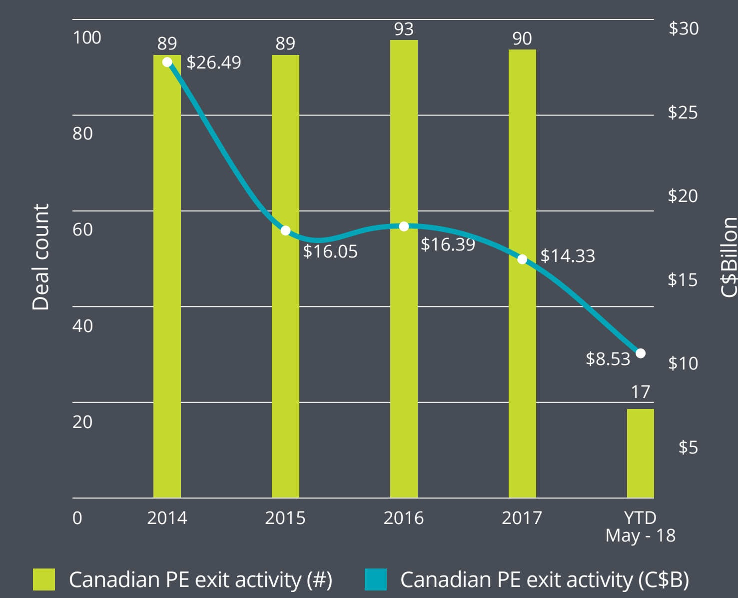
A rise in capital invested and the high value of assets being retained by private equity funds—along with opportunities in secondary trades, buyouts between funds, and dual-track exit IPO—continue to provide PE investors with multiple exit options to achieve desired returns in 2018.

Acquisitions/Activity by Sector:
IT represented 24 percent of PE deals in 2017, with the most significant growth in deal activity (This compares to 17 percent in 2016; by YTD September 2018, it was holding at 21 percent). The growth in IT add-ons equalled the growth in deal flow in 2018.

Health care is the only sector with a deal count that greatly exceeded the trend, accounting for 7 percent of deal activity YTD Sep-18, compared to 4 percent for YTD Sep-17. Financial services was similar, seeing a 2 percent increase between YTD Sep-17 and YTD Sep-18.

Energy is a low-volume, high-deal value sector. The largest energy deal as of YTD September 2018 was GFI Energy Group's investment in NAPEC, with a deal value of US$320 million.

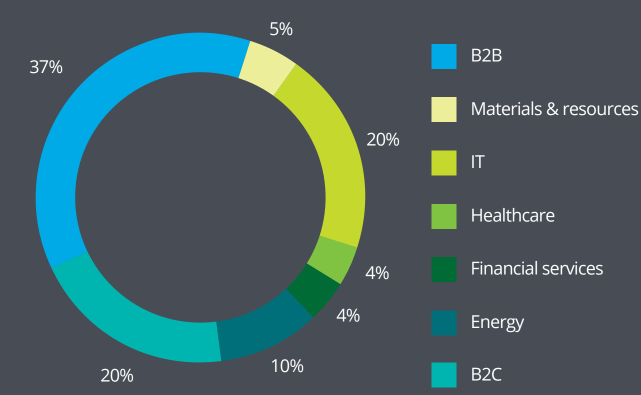
PE exits



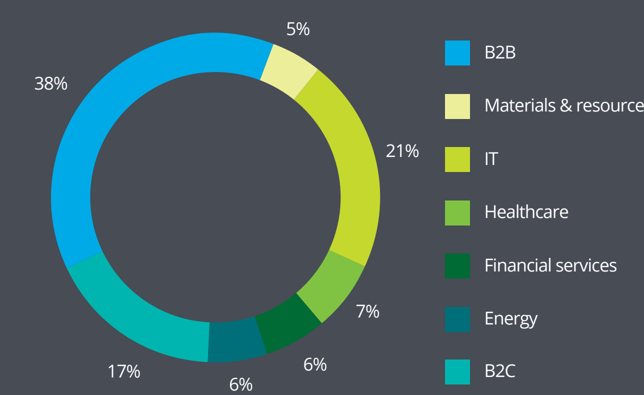
Source: Pitchbook

Note: YTD interim data is unavailable from Pitchbook.

Deal activity by sector YTD Sept. 2017



YTD Sept. 2018



Note 1: YTD amounts are based on Pitchbook and Deloitte analysis

Note 2: We note that Pitchbook uses different industry sector classification than that used throughout this document. B2B and B2C may include deals from various industries such as manufacturing, IT and others.

M&A trends by sector

Change in deal volume and deal value by sector based on YTD Sep-18 compared to YTD Sep-17.

Sector	Deal volume	Disclosed deal value
Financial services	▲ 50.4%	▲ 216.2%
Life sciences and healthcare	▲ 134.5%	▲ 238.2%
Technology, media & telecoms	▲ 7.9%	▲ 55.5%
Energy & resources	▲ 12.9%	▼ 34.8%
Consumer business	▼ 6.2%	▲ 40.1%
Manufacturing & business services	▲ 29.5%	▼ 42.8%

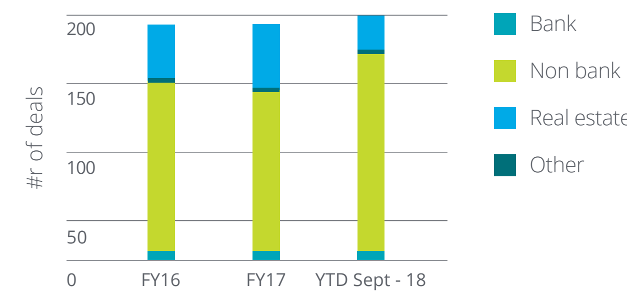
Financial services

Canadian and US banks are eager to pursue acquisitions, and they're increasingly eyeing on cross-border targets.

M&A deal volume and disclosed value

Source: S&P Capital IQ

Deal volume for bank vs. non-bank



Source: S&P Capital IQ

M&A by type – YTD Sep-18

Type	# Deals	Disclosed value (C$M)
Domestic	111	14,252
Inbound	51	57
Outbound	26	19,999
Total	**188**	**34,308**

Key trends: banks

While the number of deals has remained flat for the past three years, Canadian banks have been active buyers with varied appetites.

Large banks have considerable resources to pursue acquisitions, bolstered by some of the strongest balance sheets since 2013. Their appetite for growth as of YTD Sep-18 led to competitive and proprietary deals, ranging from US wealth management companies, credit card portfolios, bank and nonbank loan portfolios, and specialty finance portfolios, to US and South American commercial and private banking target companies.

Domestic targets have also been plentiful and noteworthy (e.g., TD acquisition of Greystone and Scotiabank's acquisition of Jarislowsky Fraser).

Similarly, there is positive momentum for M&A activity in the US banking industry, fuelled by increased capital due to US tax reforms and regulatory easing resulting from legislative reform. Combined, these may make Canadian financial assets more attractive to US banks.

Highlights of 2018

The Toronto-Dominion Bank (TD) acquired **Greystone Capital Management Inc.**, an investment management firm based in Regina for US$603 million in November 2018.

Scotiabank acquired **Jarislowsky Fraser**, a private investment manager Montreal-based, for US$800 million in May 2018.

Scotiabank acquired **MD Financial Management**, a private investment manager based in Ottawa, for US$2 billion in October 2018.

Financial services

Canadian non-bank financial services have been among the most active deal-making segments of the market.

Key trends: non-bank financial services

The commercial and equipment financing segment is becoming increasingly consolidated by banks and credit unions that are gaining market share through the acquisition of independent finance companies. Canadian Western Bank Group (CWB) is but one example of a serial acquirer in this space.

M&A activity in the non-bank financial services and consumer financing segments has been comparatively more tepid, as banks have gravitated toward higher credit quality customers and established players (e.g., Fairstone Financial and goeasy Financial) focus on organic growth.

The emergence of digital lenders (e.g. Lendified, Borrowell, Thinking Capital) has challenged traditional players, although most lack scale.

M&A activity is expected to be high among insurance brokers and agencies, driven partly by the abundance of these players, long foreshadowed consolidation efforts, and succession planning. Meanwhile, larger insurance M&A deals remain scarce.

In the real estate segment, pension funds (particularly CPPIB, OMERS, AIMCo, and PSP) and REITs (e.g. PIRET and Artis) continue to be the main buy-side players.

Highlights of 2018

Payments and fintech
FLEETCOR Technologies, Inc. acquired Cambridge Global Payments, which provides payment technologies, hedging strategies, and industry solutions, for approximately US$675 million in August 2017.

Ontario Teachers' Pension Plan (OTPP) acquired Kanetix Ltd. for an undisclosed amount in September 2018. Kanetix is Canada's largest digital insurance customer acquisition platform.

Specialty finance
Walmart announces the sale of its Canadian banking operation to Centerbridge Partners LP and Stephen Smith for an undisclosed amount.

Insurance
Intact Financial Corporation acquired OneBeacon Insurance Group, Ltd., a leading US specialty insurer, for US$1.7 billion in September 2017.

Real estate
Choice Properties Real Estate Investment Trust acquired Canadian Real Estate Investment Trust for US$4.6 billion in May 2018. This represents the largest domestic REIT deal in Canada.

Blackstone Property Partners and Ivanhoé Cambridge acquired Pure Industrial Real Estate Trust (PIRET) for US$3 billion in May 2018. PIRET is a premier Canadian industrial REIT with over 160 properties in seven Canadian provinces and seven US states.

Market trends to watch

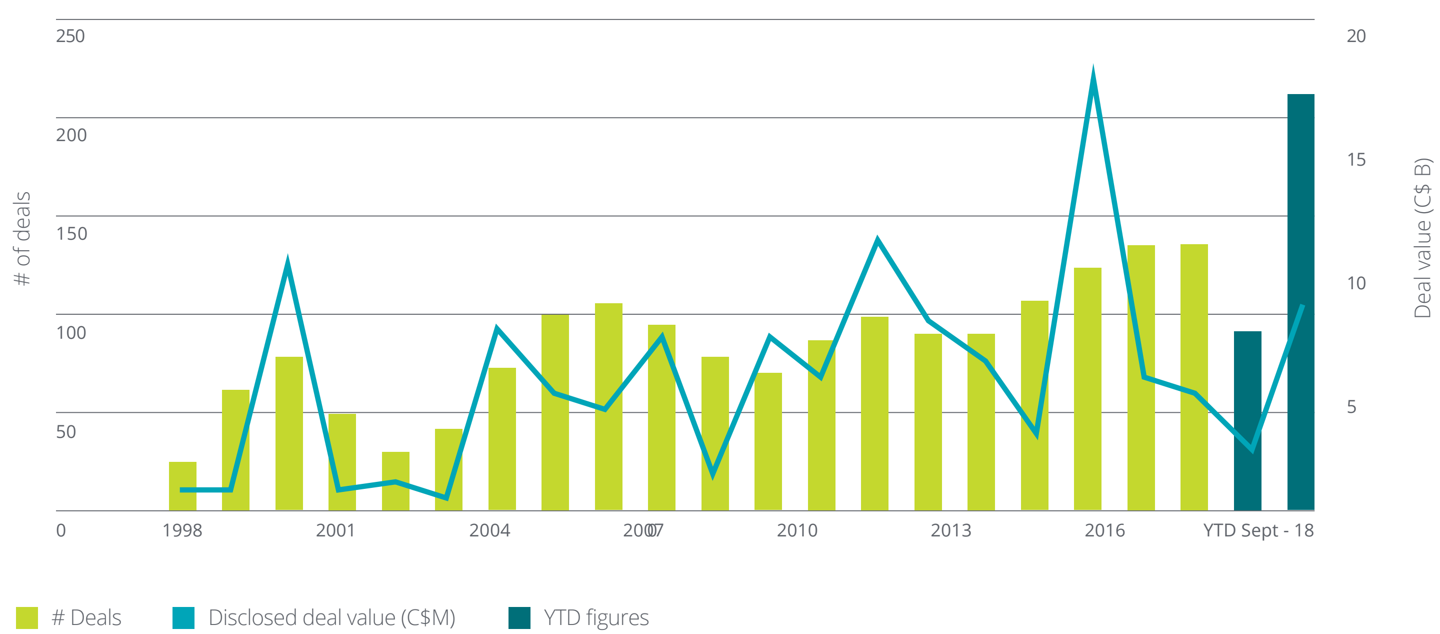
Fintech:
Fintech companies continue to spur interest among traditional players in the Canadian financial services sector, leading to deals such as Concentra's investment in Borrowell and Financeit, and inciting insurers to target insurtech firms (e.g. OneEleven and Aviva Canada InsurTech Growth Program). Payments and fintech companies command high multiples from PE investors in search of high returns.

Specialty finance consolidation:
The specialty finance market is deep and more deals are to come as the Canadian landscape evolves toward more creative products for consumers and mature businesses strive for scale.

Life sciences and health care

The sector's deal activity rises with the cannabis sector wave.

M&A deal volume and disclosed value



Source: S&P Capital IQ

M&A by type – YTD Sep-18

Type	# Deals	Disclosed value (C$M)
Domestic	99	6,112
Inbound	34	852
Outbound	64	702
Total	**197**	**7,666**

Deloitte Canadian M&A in review | Life sciences and health care

Key trends

Deal volume has increased significantly, with YTD Sep-18 outpacing all of 2017. This action is driven largely by a high volume of acquisitions related to the cannabis sector, where M&A activity accelerated in 2018 as the market prepared for the legalization of recreational cannabis in Q4-18. This involved bolstering production capacity, unexpected boosts to non-plant related niches from the emergence of a new customer base, consolidating market positions, and tapping into emerging foreign cannabis producers. Canopy Growth Corporation, Aurora Cannabis, and Aphria Inc. are major Canadian acquirers.

Biotech and pharma M&A activity is at its lowest level since the boom years of 2014 and 2015. But, some suggest that deal activity will rise as the focus on early-stage development companies as targets for well-capitalized incumbents. indicate a positive M&A outlook for this segment.

Highlights of 2018

Aurora Cannabis Inc. acquired **MedReleaf Corp.**, a leading Canadian licensed cannabis producer, for US$2.6 billion, with an enterprise value to revenue multiple (EV/R) of 69.9x, in July 2018.

Aurora Cannabis Inc. acquired **CanniMed Therapeutics Inc.**, a producer serving the medicinal cannabis market, for US$1 billion, with an EV/R of 79.1x, in March 2018.

Canopy Growth Corporation acquired **Hiku Brands Company Ltd.**, a producer and retail operator in Canada, for US$255 million, with an EV/R of 237.9x, in September 2018.

Pharmaceuticals

Eli Lilly and Company announced the acquisition of **AurKa Pharma**, Inc. for US$575 million in May 2018.

Health care

TELUS Corporation acquired **Medisys Health Group Inc.**, a provider of corporate health solutions, for $147 million in July 2018

Market trends to watch

The Amazon effect:
In 2018, Amazon entered the health care space through partnerships with leading US medical supplies distributors, such as Cardinal Health, and the acquisition of PillPack Inc. in September 2018. The company is poised to make further acquisitions and has opened up the market for omnichannel players.

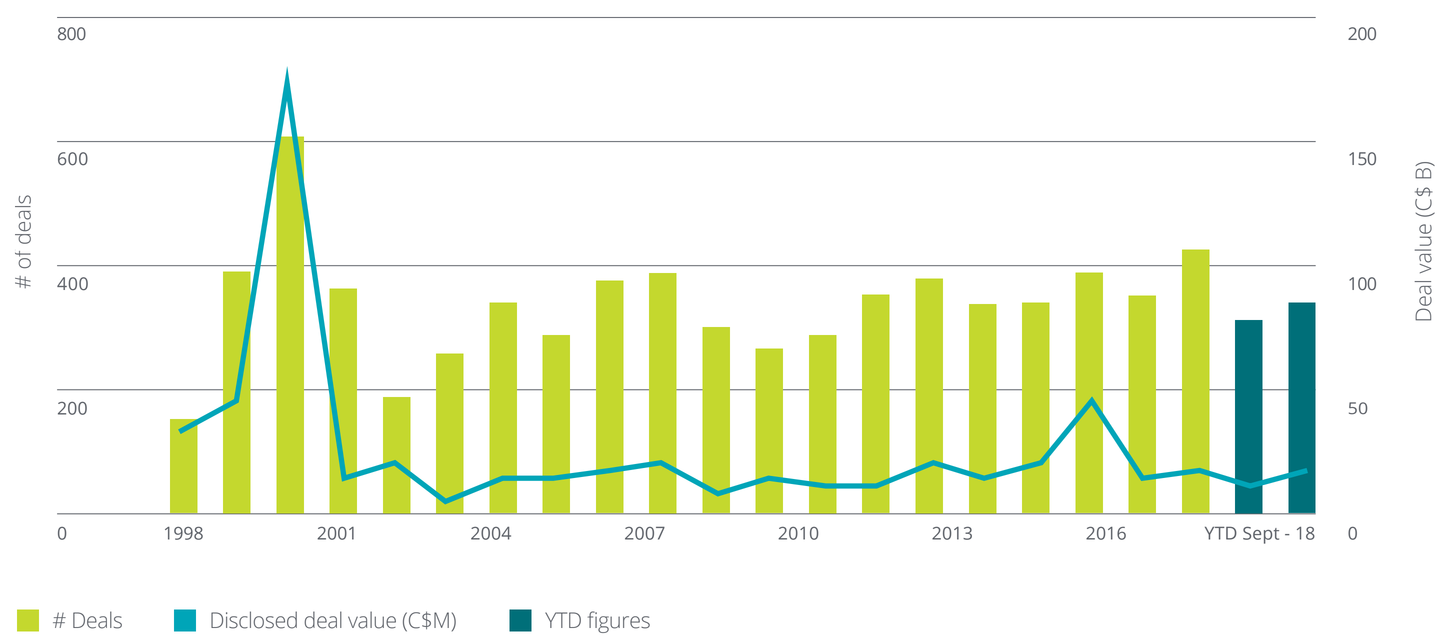
The rise of consumerism:
With patients becoming increasingly involved in their health care decisions, the health care delivery system will require reinvention. Health care IT, digital innovations, and medtech companies will be highly desirable acquisition targets.

Shift from branded to generic continues:
PanCanadian Pharmaceutical Alliance and the Generic Pharmaceutical Association implemented a jointly developed initiative to reduce over five years the price of commonly prescribed generic drugs in Canada by 25 to 40 percent.

Technology, media and telecommunications

Disruptive M&A is the primary driver of activity as more non-technology players acquire technology companies.

M&A deal volume and disclosed value



Source: S&P Capital IQ

M&A by type – YTD Sep-18

Type	# Deals	Disclosed value (C$M)
Domestic	133	1,415
Inbound	90	4,990
Outbound	117	9,748
Total	**340**	**16,153**

Key trends

While tech companies have traditionally led the way in disruptive M&A transactions, non-tech acquirers, such as financial services or consumer business companies, have become the largest acquirer group, with an estimated 60 percent of global disruptive M&A being done by non-tech companies in 2017 with this trend continuing in 2018. A similar trend is present among financial buyers, where PEs (including KKR, TPG Capital, and Warburg Pincus) are increasingly making disruptive M&A acquisitions in markets where venture capital firms (VCs) have traditionally been the primary financial buyers.

Canadian software sector growth stage companies continue to be highly sought after by both domestic and inbound investors. Valuations have been the highest for software assets in business intelligence, security, Internet of Things (IoT), customer relationship management (CRM), and enterprise resource planning (ERP). Median valuations for Canadian software deals in 2018 reached levels of 18x EBITDA.

Following the megadeal of Bell's acquisition of Manitoba Telecomm for US$3.9 billion in March 2017, media and telecomm segment acquisition activity has largely been muted in 2018, with most Canadian transactions taking place in the middle market. In the United States, there is a higher level of activity, with a trend toward fewer and larger value deals, as demonstrated by four transactions that were valued at over US$5 billion (including the US$26.8 billion merger of T-Mobile and Sprint).

Market trends to watch

Technology acquisitions as a major strategic driver for M&A deals: It is estimated that 20 percent of acquisitions in the TMT industry are driven by the desire to acquire tech assets.

Disruption from data protection regulation: Businesses will need to prepare for significant regulation regarding protection of user privacy (e.g. EU's General Data Protection Regulation (GDPR)).

Machine learning becomes ubiquitous: Machine learning will be a key component of virtually all smart phones starting in 2018.

Highlights of 2018

Technology

PayPal Holdings, Inc. acquired **Hyperwallet**, a Vancouver-based developer of online worker payout platform solutions, for US$400 million, with EV/R of 8.0x, in November 2018.

Searchlight Capital Partners announced the acquisition of **Mitel Networks Corporation**, an Ontario-based developer of business communications and collaboration software, for US$2.1 billion, with EV/R of 1.8x and EV/EBITDA of 14.1x, in April 2018.

Motorola Solutions, Inc. acquired **Avigilon Corporation**, a developer of advanced video surveillance and analytics technology products based in Vancouver, for US$1.1 billion, with EV/R of 2.6x and EV/EBITDA of 17.8x, in March 2018.

Media

Stingray Digital Group Inc. acquired **Newfoundland Capital Corporation Limited**, a Nova Scotia-based radio broadcasting company, for approximately US$397 million, with EV/R of 3.0x and EV/EBITDA of 9.7x, in October 2018.

Telecom

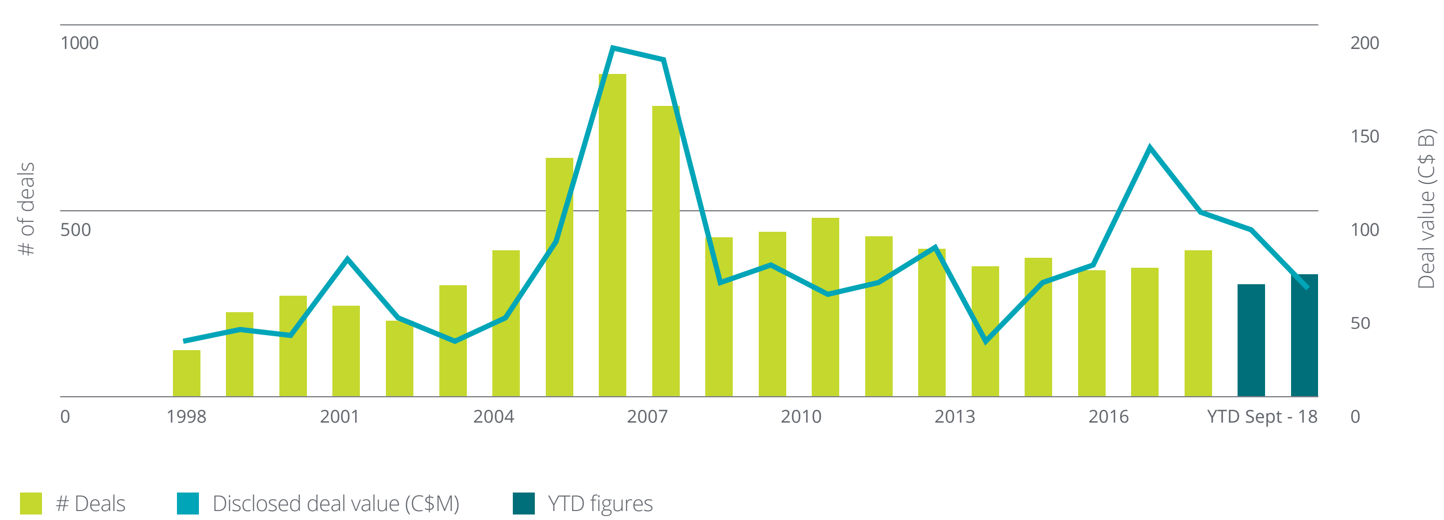
Zayo Group Holdings, Inc. acquired **Optic Zoo Networks Inc.**, a Burnaby-based operator of high-capacity fibre network and infrastructure, for US$25 million in January 2018.

GTT Communications, Inc. acquired **Accelerated Connections**, a Toronto-based provider of telecommunication infrastructural services, for US$45 million in March 2018.

Energy and resources

After a number of high-profile foreign investor exits in 2017, M&A in the Canadian oil and gas sector has largely been driven by domestic players in the last 12 months.

M&A deal volume and disclosed value



Source: S&P Capital IQ

M&A by type – YTD Sep-18

Type	# Deals	Disclosed value (C$M)
Domestic	160	25,612
Inbound	103	9,351
Outbound	60	18,814
Total	**323**	**53,777**

Key trends

Oil price stability in 2017 accelerated M&A activity in the last 12 months, with many foreign investors exiting by selling oil sands assets. These include Shell's sale of its oil sands assets for US$7.2 billion to Canadian Natural Resources Ltd. (CNR), and ConocoPhillips' sale of its heavy crude and gas oil sands assets to Cenovus Energy for US$13.3 billion. This has led to more Canadian oil and gas assets coming under Canadian control and spurred a strong domestic M&A market in 2018, exemplified by deals such as Vermilion Energy Inc.'s acquisition of Spartan Energy Corp. for US$1.4 billion and Shell's sale of its stake in CNR for US$3.3 billion.

Energy infrastructure is undergoing a growth vector, with major oil and gas projects underway to produce, transport, or add value to the industry in 2018. These include the construction of the US$7.4 billion Kinder Morgan Trans Mountain pipeline expansion and the US$3.5 billion Inter Pipeline Heartland Petrochemical Complex.

While mining and materials M&A has been muted in recent years due to commodity price pressure, weak balance sheets, and aversion to overpaying for assets, some of these headwinds may be subsiding. Key acquisitions in 2018 include Barrick Gold's acquisition of Randgold Resources for US$6.5 billion and Zijin Mining Group's acquisition of Nevsun Resources for US$1.9 billion.

Market trends to watch

Clean energy:
Investment and M&A activity in the clean energy sector is expected to carry on as companies set targets and Canada focuses on being a global leader in this sector.

Lithium and cobalt:
Deals in lithium and cobalt–materials used in the making of electric car batteries–are expected to rise, consistent with forecasted demand for such batteries.

Highlights of 2018

Oil and gas

Vermilion Energy Inc. acquired **Spartan Energy Corp.**, a Calgary-based oil and gas exploration services provider, for $1.4 billion in June 2018.

Suncor Energy Inc. increased its stake in Syncrude Canada Ltd., an operator of oil sands facilities based in Fort McMurray, in a US$730 million deal in February 2018.

Baytex Energy Corp. acquired **Raging River Exploration Inc.**, a Calgary-based firm that engages in the exploration, development, and production of crude oil and natural gas properties, for US$1.4 billion, with an EV/R of 4.3x an EV/EBITDA of 6.3x, in August 2018.

Energy infrastructure

Enbridge Inc. acquired **Enbridge Income Fund Holdings Inc.**, a holding company of energy infrastructure assets based in Calgary, for US$3.6 billion, with an EV/R of 15.0x, in November 2018.

Wolf Midstream Inc. acquired **Access Pipeline Inc.**, a Calgary-based operator of heavy oil transportation pipeline network, for US$1 billion in March 2018.

Mining

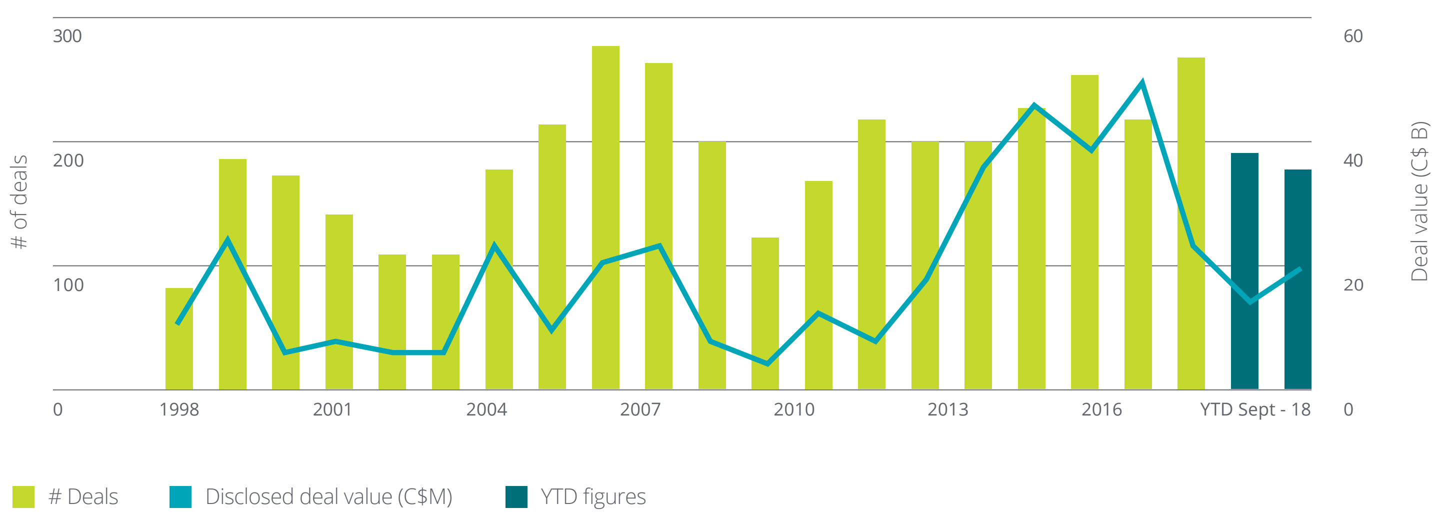
ArcelorMittal and **Teck Resources** made a US$6 billion bid for **Iron Ore Company of Canada**, a leading producer of iron ore pellets and concentrates, for US$6 billion in August 2018.

Barrick Gold announced its intention to acquire **Randgold Resources**, a South African-based gold miner, for US$6.5 billion, with an EV/R of 5.0x and EV/EBITDA of 10.3x, in September 2018.

Consumer business

M&A activity has been high in consumer business, driven by consolidation in a number of sub-segments, and by pervasive trends such as changing consumer preferences.

M&A deal volume and disclosed value



Source: S&P Capital IQ

M&A by type – YTD Sept. 2018

Type	# Deals	Disclosed value (C$M)
Domestic	79	2,327
Inbound	35	7,636
Outbound	67	10,109
Total	**181**	**20,072**

Key trends

Evolving consumer preferences for organic and health foods can be seen as a driver for the diversification and adjustment of product offerings for food and beverage companies. This has led to M&A being driven by a desire to obtain attractive health food product portfolios (e.g. Nestlé's acquisition of Atrium Innovations for US$2.3 billion in December 2017).

Considerable consolidation has recently taken place in the grocery segment (e.g. Metro acquisition of Jean Coutu Group for US$3.6 billion in December 2017) and the restaurant segment (e.g. Cara Operations acquired Keg Restaurants in June 2018 and MTY Food Group acquired Imvescor Restaurant Group in March 2018) in Canada. Furthermore, ongoing initiatives of Canadian grocers such as Metro, Loblaws, and Longos to open sit-down restaurants indicate an intention to move toward a grocery store/restaurant hybrid, which can lead to crossover M&A between the two segments.

With roughly 80 percent of Canadians using online shopping, an omnichannel strategy has become key for retailers. Some retail segments, such as consumer electronics and mass merchandisers, lead the way in omnichannel offerings, while other segments, most notably food and groceries, need to catch up.

The exit of Sears Canada Inc. in January 2018 will spur further consolidation and may catalyze further M&A as current players in the homewares and home furnishing, internet retailing, and travel sectors seek to secure Sears's former market share.

Highlights of 2018

Consumer discretionary

Brookfield Infrastructure Partners LP acquired **Enercare Inc.**, a Markham, Ontario-based provider of home and commercial services, and energy solutions, for ~US$3.2 billion in October 2018.

Recipe Unlimited (formerly Cara Operations Limited) acquired **Keg Restaurants Ltd.**, a Richmond, BC-based company that operates and franchises Keg Steakhouse & Bar restaurants, for US$262 million in February 2018.

Consumer staples

Empire Company Limited (Sobeys) announced the acquisition of **Farm Boy Inc.**, an Ottawa-based company that owns and operates stores offering produce, deli, cheese, meats, dairy, and bakery products, for US$618 million in September 2018.

METRO Inc. acquired **The Jean Coutu Group**, a Quebec-based retailer of pharmaceutical and para pharmaceutical products, for US$3.6 billion, with an EV/R of 1.5x an EV/EBITDA of 14.9x, in May 2018.

Market trends to watch

Global markets driving growth and brand differentiation:
Emerging markets will continue to drive growth and force companies to differentiate their brands to appeal to increasingly diverse customer segments.

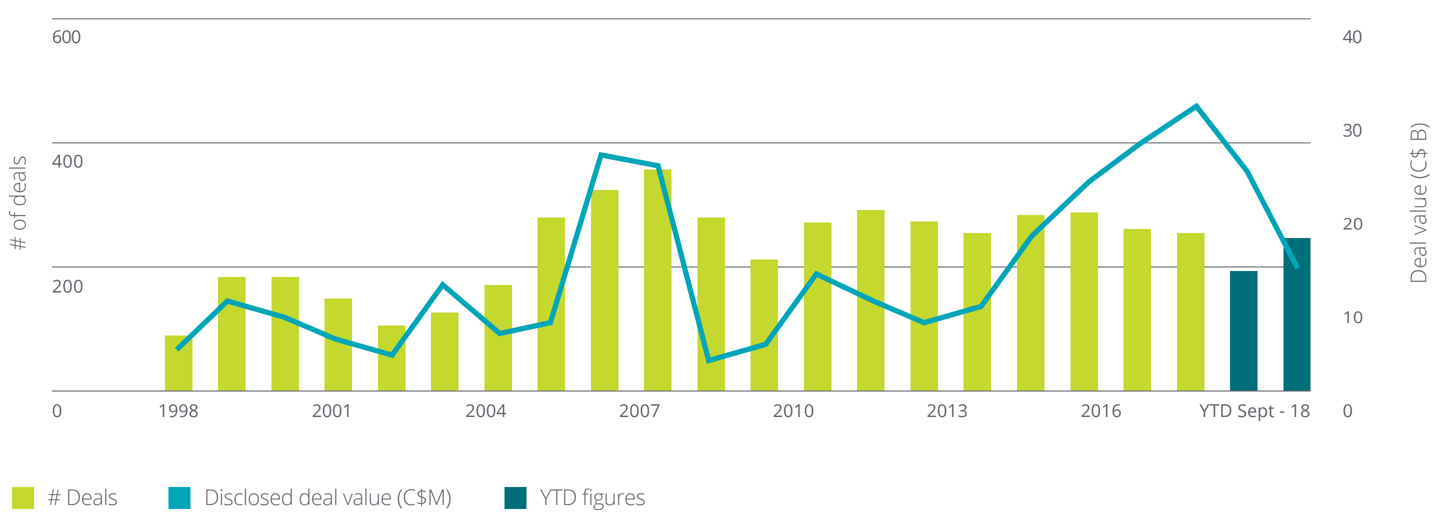
Changing approaches to innovation:
New approaches to research and product development are being used by consumer businesses (e.g. incubators, VC units, and crowdsourcing).

Omnichannel:
The move towards omnichannel retailing is driving a transformation by encouraging sector convergence, supply chain changes, and a rise in M&A deal activity as companies seek scale and disruption.

Manufacturing and business services

Uncertainty related to trade tariffs has impelled manufacturers on both sides of the Canada-US border to move more cautiously.

M&A deal volume and disclosed value



Source: S&P Capital IQ

M&A by type – YTD Sep-18

Type	# Deals	Disclosed value (C$M)
Domestic	126	1,767
Inbound	68	1,320
Outbound	74	11,427
Total	**268**	**14,515**

Key trends

Rising global demand for manufactured goods, a strong US economy, and a relatively weak Canadian dollar provide strong fundamentals for the export-oriented Canadian manufacturing sector.

Political and regulatory uncertainty related to the USMCA negotiations–only concluded in late 2018-caused a headwind for M&A activity for much of the year, with some companies holding off planned acquisitions. However, industry participants have noted this may accelerate outbound M&A into the US.

Certain segments of the industry (e.g. construction and engineering) are highly fragmented in Canada. Given aging demographic trends and a shift away from the transfer of ownership to family members, sell-side pressure may present an opportunity for the consolidation of smaller and medium competitors. Succession remains one of the key drivers of manufacturing company exits in Canada. Further, the high pace of advancement in technology and high transaction valuations provide further enticement for sales.

M&A in this sector has been active, with several megadeals as of YTD Sep-18 pushing up deal value (e.g. Platinum Equity acquisition of Husky Injection Molding). Acquisitions remain diversified from access to foreign markets (as exhibited by high outbound/inbound deal volume), as well as access to the tech sector for transformation (e.g. transportation and logistics sector embracing the sharing economy and transferring their leasing functions to fintech).

Market trends to watch

Major infrastructure investment:
The federal government plans to spend over US$180 billion in the next 12 years on infrastructure projects, in addition to large planned expenditures by the provinces. Increased demand can spur manufacturing-sector M&A activity as companies seek to gain scale to service larger contracts.

Highlights of 2018

Manufacturing

Gypsum Management and Supply, Inc. acquired **WSB Titan Inc.**, the largest wallboard distributor in Canada, in June 2018 for approximately US$627 million.

Platinum Equity Partners closed the acquisition of **Husky Injection Molding Systems**, a leading global provider of injection molding equipment based in Bolden Ontario, for approximately US$3.8 billion in March 2018.

Compagnie Générale des Établissements Michelin made an offer to acquire **Camso Inc.**—a manufacturer and distributor of pneumatic, airless, and solid tires based in Magog , Quebec—for US$1.7 billion in July 2018.

Linamar Corporation acquired **MacDon Industries Ltd.**, a Winnipeg-based company that designs, manufactures, and distributes harvesting equipment, for approximately US$934 million in February 2018.

Business services

WSP Global Inc. announced the acquisition of **Berger Group Holdings**, Inc., a provider of worldwide engineering services in the US, in July 2018 for US$400 million. This was the largest transaction in the engineering segment in 2018.

Glossary of terms

GDP	Gross domestic product
EBITDA	Earnings before interest, tax, depreciation and amortization
FY1_, FY1_, FY1_	Year ended December 31, 201_, 201_, 201_
YTD Sep-1_, YTD May-18	Year to date period ended September 31, 201_, or May 31, 2018
Q4-1_	Three months ended December 31, 201_
H1-1_	Six months ended June 30, 201_
n/a	Data either not applicable or not available
BCPI Commodity Index	Bank of Canada Commodity Price Index
Overnight rate	Bank of Canada overnight interest rate
USMCA (NAFTA 2.0)	United States-Mexico-Canada Trade Agreement (North American Free Trade Agreement replacement)
PE	Private equity
PE exit	Sale of a Private Equity firm investment to realize return on investment
Dry powder	Cash reserves, liquid assets that an investor can utilize for investment purposes
IT	Information technology
Platform investment	Company purchased by a private equity firm as a starting point for add-on acquisitions in the same market space.
Add-on(s)	Acquisition added by a private equity firm or strategic buyer to one of its platform investments.
REIT	Real estate investment trust
EV	Enterprise value
IoT	Internet of things, intelligently connected devices and systems.
CRM	Customer relationship management
ERP	Enterprise resource planning
EU's GDPR	European Union's General Data Protection Regulation

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