



MID-MARKET INVESTMENT BANKING

July 2021 M&A Dashboard

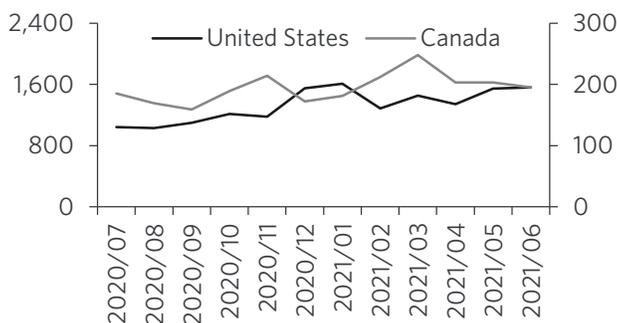


July 2021 M&A activity remained stable in Canada and the U.S., maintaining a high pace of transaction volume from both strategic and private equity buyers. Now that we reached the halfway point in 2021 and are going through a period of relative stability, we have access to a more reliable sample of transactions to look for trends in the post-COVID M&A market. When comparing transaction volume by sector in Canada for the January 1st to June 30th periods in 2021 and 2019, two sectors are showing stark differences. The number of transactions in the healthcare sector has almost doubled in 2021 compared to 2019, as buyers and investors look to capitalize on the paradigm shift sparked by the pandemic towards improving the quality and accessibility of healthcare services. The materials sector also experienced a nearly 70% increase in transaction volume in 2021, mainly as a result of rapidly increasing commodity prices.

Transaction valuations appeared to reach a plateau in Q1 2021, with EBITDA multiples slightly decreasing to 6.8x, from 6.9x in Q4 2020. As opposed to transaction volumes, valuations have seemingly not recovered to pre-pandemic levels. However, our observation from last quarter – that the valuation gap between lower and higher quality assets was increasing – has been further confirmed in Q1 2021. The premium granted to businesses with above-average financials increased to 35% in Q1 2021, compared to 27% in Q4 2020 and 14% over the historical average. This trend emphasizes that a thorough understanding of value drivers unique to each business is more important than ever to ensure a successful sale process and maximize value.

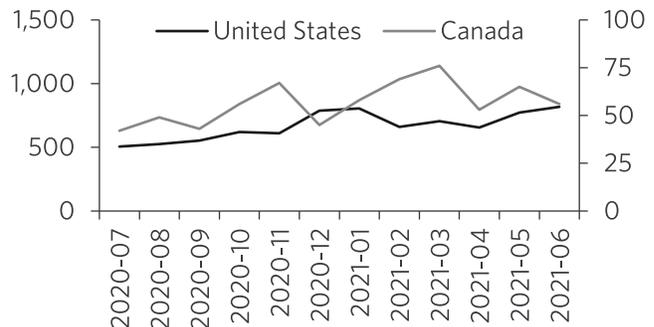
Lender confidence has fully recovered in Q1 2021, with leverage multiples back to 4.0x EBITDA, in-line with pre-pandemic levels. Of note, senior debt multiples appear elevated compared to the 2019 average. Analysis of the underlying data indicates that this increase may be more a result of transaction mix rather than an indication of an increase in multiple.

M&A volume - U.S. and Canada



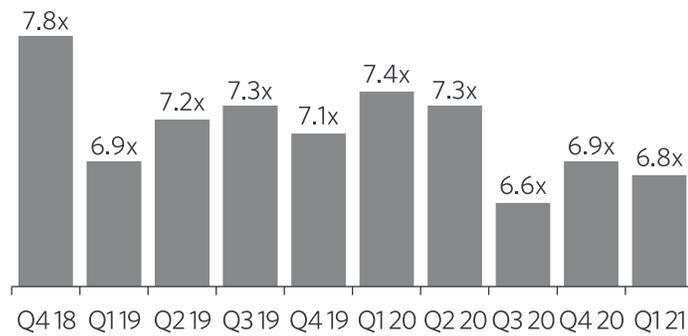
Source: Capital IQ.

Private equity M&A volume - U.S. and Canada



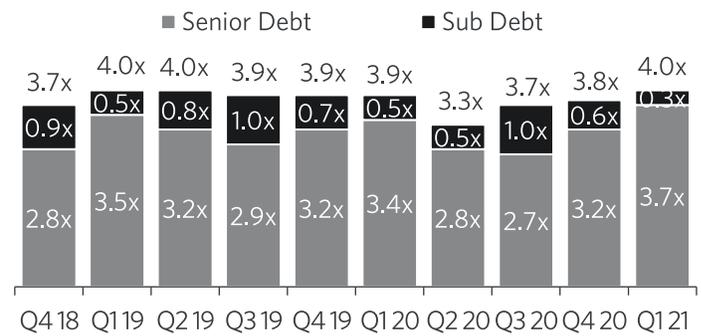
Source: Capital IQ.

Mid-Market M&A multiples - U.S. and Canada



Source: GF Data.

Mid-Market M&A leverage - U.S. and Canada



Source: GF Data.

Canadian M&A activity and notable transactions by sector

Sector	Percent (%) of M&A volume	Acquirer	Target	Target description
Materials	June 2021: 31%			Gold mining exploration firm
	Last twelve months: 27%			
Information Technology	11%			Develops building management systems and production management systems for farms
	11%			
Health Care	11%			Provider of outpatient diagnostic imaging patient care services
	9%			
Financials	10%			Insurance holding company offering property and casualty insurance programs
	9%			
Real Estate	9%		Residential portfolio	Portfolio of 54 buildings in Nova Scotia and New Brunswick
	9%			
Industrials	7%			Provides industrial and construction fasteners
	12%			
Consumer Staples	6%			Provides plant-based nutritional products
	5%			
Energy	5%			Provides hydrocarbon exploration services
	5%			
Consumer Discretionary	5%			Fashion retail chain
	6%			
Communication Services	5%			Develops ultra-low power connectivity Internet protocol solutions
	5%			
Utilities	1%			Wind power generation platform in the Okanagan region
	1%			

Source: Capital IQ.

About us

CIBC Mid-Market Investment Banking is a leading M&A advisor, providing services to private companies:

- Divestitures
- Acquisitions and management buyouts
- Raising equity capital and securing debt financing

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