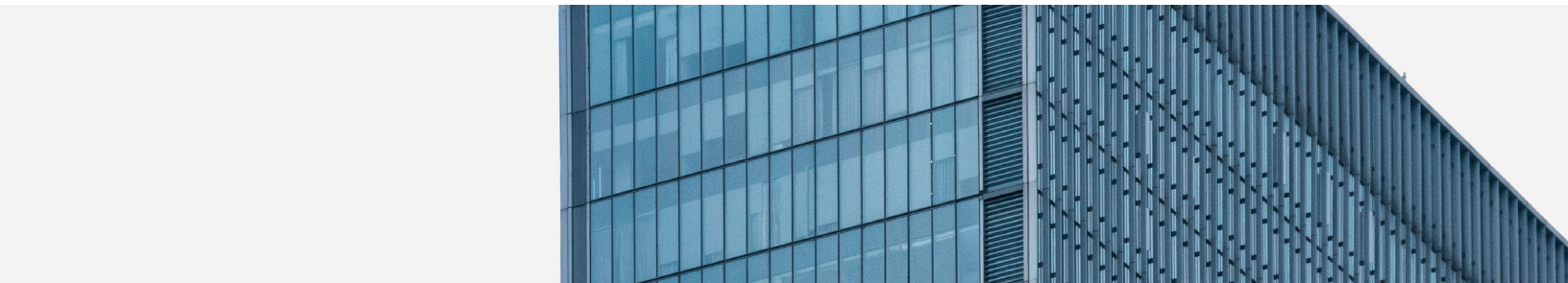




# MID-MARKET INVESTMENT BANKING

February 2023 M&A Dashboard



## February 2023 M&A Trends

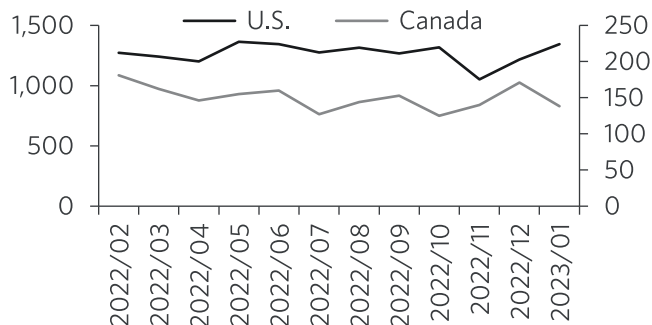
Despite a slight increase in US and Canadian activity in December 2022, M&A activity during January 2023 displayed a continuation of the volumes seen throughout 2022. Activity by sector seems to shift, as industrials and technology continue to represent a higher proportion of total Canadian transaction volume for the last two months, offset by a noticeable decrease in real estate and materials transaction volume. M&A activity in certain sectors is likely to be impacted in the event of a recession or contraction in consumer spending following the recent rapid rise in interest rates. Overall, our transaction pipeline remains strong and we still observe strong interest from both buyers and sellers, albeit with increasing scrutiny on businesses' ability to navigate a potential recession.

## Quarterly valuation and leverage analysis

The surge in valuation multiples witnessed throughout 2021 and most of 2022 is now in retreat. Headline valuation multiples decreased in Q4 2022 to an average TEV/EBITDA multiple of 6.8x, down from the 7.6x average observed in the previous four quarters. The cooldown in valuation is likely a result of macro-economic uncertainty and higher debt financing costs.

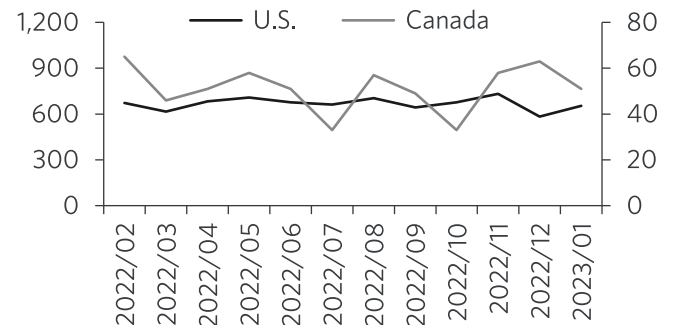
Meanwhile, total debt/EBITDA increased to an average of 4.0x, with senior leverage constant at 3.2x and subordinated debt increasing to 0.8x. The increase in leverage could be caused by a number of small and mid-sized transactions relying more heavily on mezzanine financing. However, beyond the reported increase in leverage multiples, the more cautious lending environment continues to affect most transactions.

M&A Volume - U.S. & CA



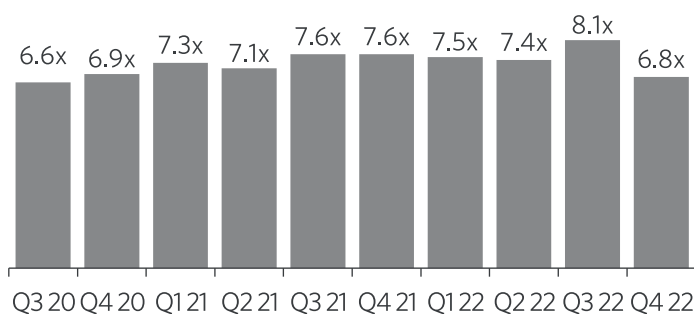
Source: CapitalIQ.

Private Equity M&A Volume - U.S. & CA



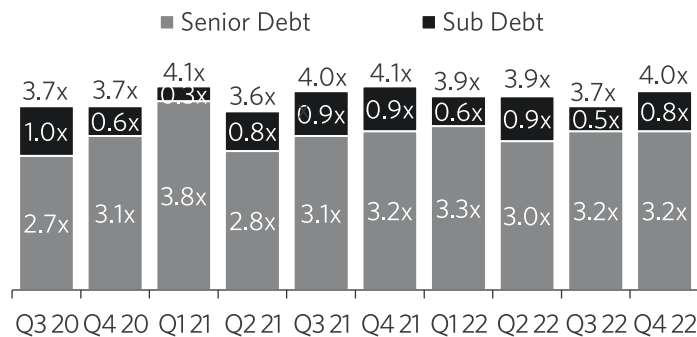
Source: CapitalIQ.

### Mid-Market M&A Multiples - U.S. & CA



Source: GF Data.

### Mid-Market M&A Leverage - U.S. & CA



Source: GF Data.

## Canadian M&A activity by sector - notable transactions

Sector	Percent (%) of M&A volume	Acquirer	Target	Target description
Industrials	January 2023: 25%			Manufactures vehicle securement and protection systems for freight rail
	Last twelve months: 18%			
Information Technology	January 2023: 17%			Provides a suite of ecommerce enablement software tools for merchants
	Last twelve months: 14%			
Financials	January 2023: 12%			Provider of insurance services
	Last twelve months: 8%			
Health Care	January 2023: 11%			Surgical center
	Last twelve months: 8%			
Materials	January 2023: 10%			Manufactures lumber products
	Last twelve months: 20%			
Communication Services	January 2023: 7%			A game development studio
	Last twelve months: 5%			
Consumer Staples	January 2023: 7%			Baker and producer of breads, rolls, and pretzels
	Last twelve months: 6%			
Consumer Discretionary	January 2023: 5%		LES ESPACES MEMORIA	Provider of funeral services
	Last twelve months: 7%			
Energy	January 2023: 4%			Provider of oil and gas exploration and production services
	Last twelve months: 5%			
Utilities	January 2023: 1%		60 MW Solar Portfolio	60 MW Sault Ste. Marie solar portfolio in Northwestern Ontario
	Last twelve months: 2%			
Real Estate	January 2023: 1%		Industrial Properties Portfolio	Portfolio of 10 industrial properties located in Winnipeg and Saskatchewan
	Last twelve months: 8%			

Source: CapitalIQ.

# 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

[cibc.com/mmib](http://cibc.com/mmib)

## Toronto

Trevor Gough  
[416 271-3660](tel:416-271-3660)  
[trevor.gough@cibc.com](mailto:trevor.gough@cibc.com)

Christian Davis  
[416 371-7238](tel:416-371-7238)  
[christian.davis@cibc.com](mailto:christian.davis@cibc.com)

Iain Gallagher  
[647 531-6044](tel:647-531-6044)  
[iain.gallagher@cibc.com](mailto:iain.gallagher@cibc.com)

Dylan Moran  
[289 259-7687](tel:289-259-7687)  
[dylan.moran@cibc.com](mailto:dylan.moran@cibc.com)

Jarred Seider  
[416 888-3757](tel:416-888-3757)  
[jarred.seider@cibc.com](mailto:jarred.seider@cibc.com)

Daniel Lee  
**(Technology)**  
[416 242-5694](tel:416-242-5694)  
[daniel.lee@cibc.com](mailto:daniel.lee@cibc.com)

## Montreal

Philippe Froudjian  
[514 927-5173](tel:514-927-5173)  
[philippe.froudjian@cibc.com](mailto:philippe.froudjian@cibc.com)

Gabriel Fugere  
[514 836-0773](tel:514-836-0773)  
[gabriel.fugere@cibc.com](mailto:gabriel.fugere@cibc.com)

Abdoud Kaplo  
[438 882-6243](tel:438-882-6243)  
[abdoud.kaplo@cibc.com](mailto:abdoud.kaplo@cibc.com)

## Edmonton

Graham Drinkwater  
[587 983-3134](tel:587-983-3134)  
[graham.drinkwater@cibc.com](mailto:graham.drinkwater@cibc.com)

## Calgary / Vancouver

Amun Whig  
[403 200-9171](tel:403-200-9171)  
[amun.whig@cibc.com](mailto:amun.whig@cibc.com)

Raymond Zhang  
[778 858-6698](tel:778-858-6698)  
[raymond.zhang1@cibc.com](mailto:raymond.zhang1@cibc.com)

This document has been prepared by CIBC Capital Markets FOR DISCUSSION PURPOSES ONLY. CIBC Capital Markets expressly disclaims any liability to any other person who purports to rely on it. These materials may not be reproduced, disseminated, quoted from or referred to in whole or in part at any time, in any manner or for any purpose, without obtaining the prior written consent of CIBC Capital Markets. The materials described herein are provided "as is" without warranty of any kind, either express or implied, to the fullest extent permissible pursuant to applicable law, including but not limited to the implied warranties of merchantability, operation, usefulness, completeness, accuracy, timeliness, reliability, fitness for a particular purpose or non-infringement. The information and data contained herein has been obtained or derived from sources believed to be reliable, without independent verification by CIBC Capital Markets, and we do not represent or warrant that any such information or data is accurate, adequate or complete and we assume no responsibility or liability of any nature in connection therewith. CIBC Capital Markets assumes no obligation to update any information, assumptions, opinions, data or statements contained herein for any reason or to notify any person in respect thereof.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates provide products and services to our customers around the world. Securities and other products offered or sold by CIBC Capital Markets are subject to investment risks, including possible loss of the principal invested. Each subsidiary or affiliate CIBC is solely responsible for its own contractual obligations and commitments. Unless stated otherwise in writing CIBC Capital Markets products and services are not insured by the Canada Deposit Insurance Corporation, the Federal Deposit Insurance Corporation, or other similar deposit insurance and are not endorsed or guaranteed by any bank. The CIBC logo and "CIBC Capital Markets" are trademarks of CIBC, used under license. All other trademarks are owned by their respective trademark owners.