



MID-MARKET INVESTMENT BANKING

Fall 2022

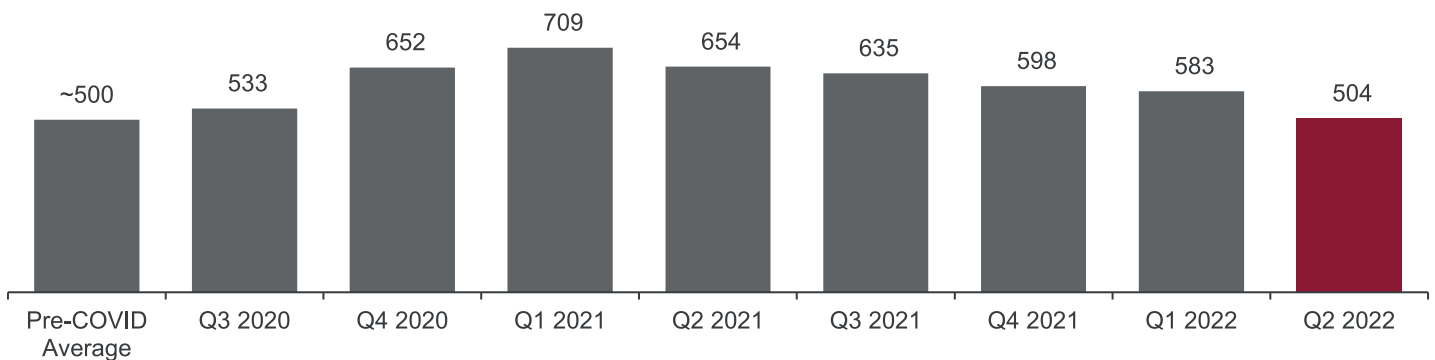


Market Update

We are pleased to share our thoughts on the M&A environment so far in 2022.

M&A Activity

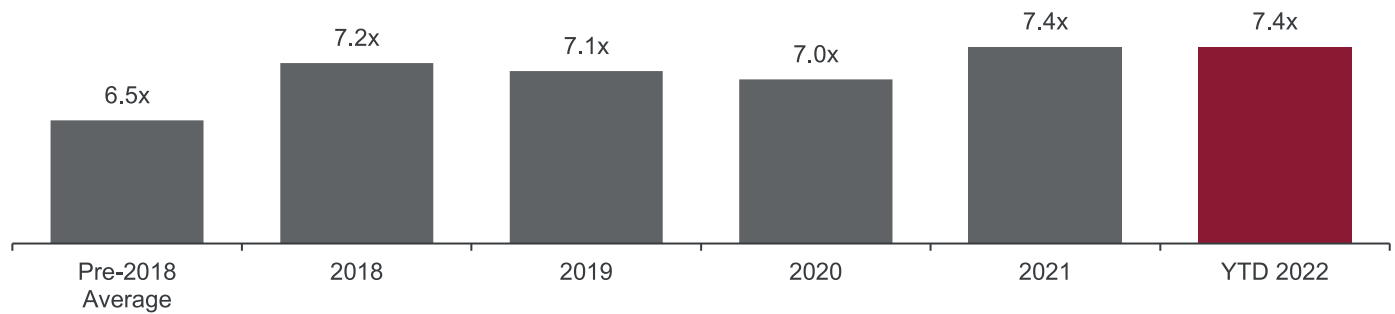
Canadian Quarterly M&A Transaction Count



Source: Capital IQ.

Transaction volumes in Canada have returned to the pre-COVID average of approximately 500 deals per quarter, which is consistent with our team's deal flow experience. Looking at our potential closings for Q3 and Q4, the volume of ongoing transactions remains encouraging. That said, given the economic uncertainties, we continue to monitor the pace of early stage discussions with owners as an indicator of a possible slowdown in M&A activity - so far, so good.

Mid-Market Acquisition Multiples (Enterprise Value / EBITDA)

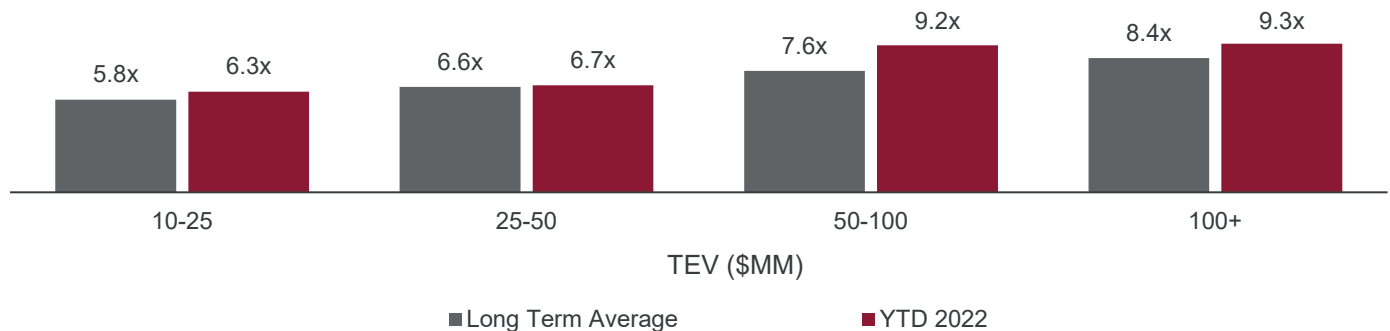


Source: GF Data.

Acquisition multiples paid by private equity buyers for North American mid-market companies remain steady at an average of 7.4x EBITDA. With financing available for mid-market deals and buyers still active, we have noticed minimal changes so far in the multiples being paid. The negotiations revolve more around what is the target company's sustainable EBITDA that is being multiplied rather than the multiple itself. As reported in our Spring newsletter, discussion topics such as COVID bumps, supply chain issues, and inflationary concerns are shifting to the impact on future profitability of a slowdown in demand.

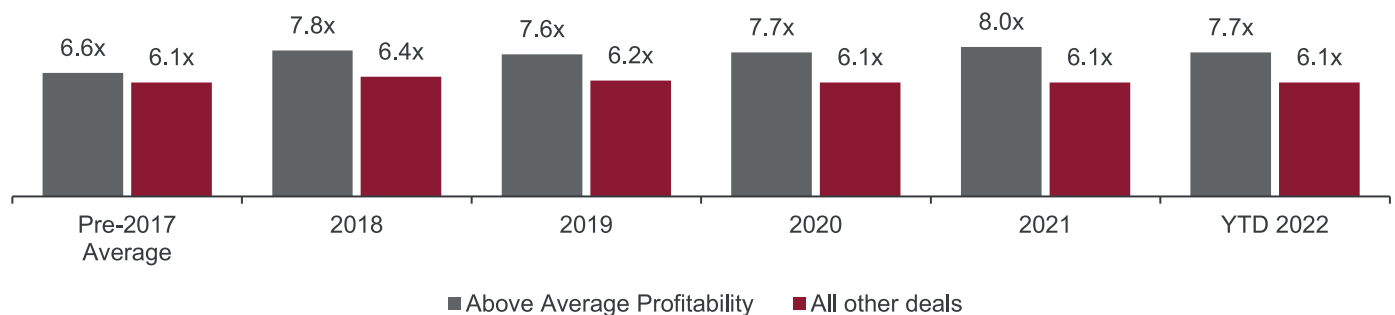
Irrespective of the specific sector, two observations that consistently drive higher multiples are size and quality. The first chart below compares the current quarter with the long term average and clearly shows that multiples increase with the size of the deal. Quality can be evidenced by achieving profit margins and revenue growth above that of the average company. Above average, in our experience, translates into consistent double digit growth and double digit EBITDA margins. The second chart illustrates that such high-performing companies attract a Quality Premium of ~1.6 turns of EBITDA.

Size Premium for Mid-Market Acquisition Multiples



Source: GF Data.

Quality Premium for Mid-Market Acquisition Multiples



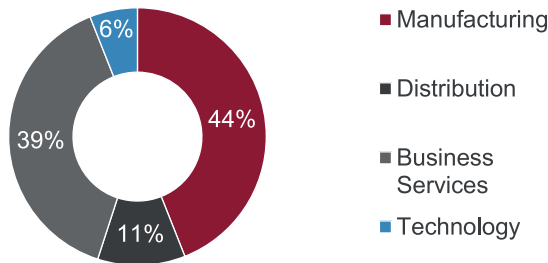
Source: GF Data.

Insights from CIBC Transactions

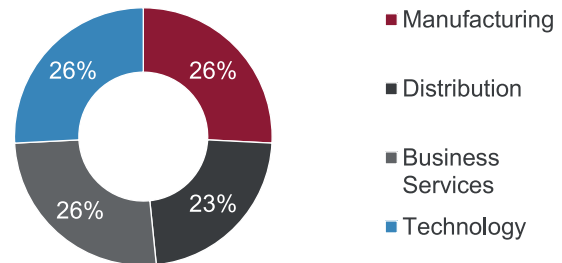
It's been 30 months since COVID first hit, and for this Fall newsletter, we thought it would be interesting to share some insights from the information collected in our closed deal database, comparing the 3-years pre-COVID to the period since March 2020.

A trend we highlighted earlier this year with regard to the type of companies we are advising showed a shift away from manufacturing and towards distribution and software/technology businesses. In recent months, we are beginning to see this shift back to our historical norms with fewer tech and more service and manufacturing-based businesses.

Pre-COVID Transactions



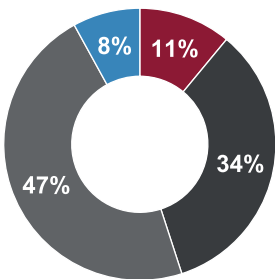
Since COVID (March 2020 on)



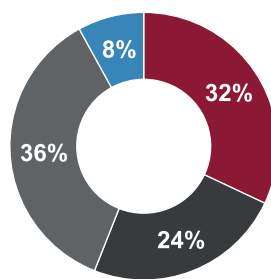
Source: CIBC transaction database.

Demographics and the aging business owner population have long been a theme in the M&A market. So, for many years, we have been tracking the age profile of our clients who have sold or partially sold their businesses. Since COVID, we have observed a shift to a younger age profile, with 1 in 3 of our deals being with clients under 50 years of age. This is partly due to advising more tech-based companies, which tend to be owned by younger entrepreneurs. However if we exclude tech, we still see this trend as now the under 50s represent 1 in 5 of our deals, compared to 1 in 9 pre-COVID. Perhaps this observation supports a post-pandemic theme of early retirement, with many in society re-evaluating what's important in their lives.

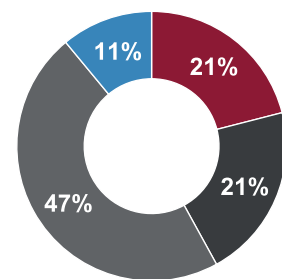
Pre-COVID Transactions



Since COVID



Since COVID (excl. Tech)



■ Under 50 ■ 50-59 ■ 60-69 ■ Over 70

Source: CIBC transaction database.

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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