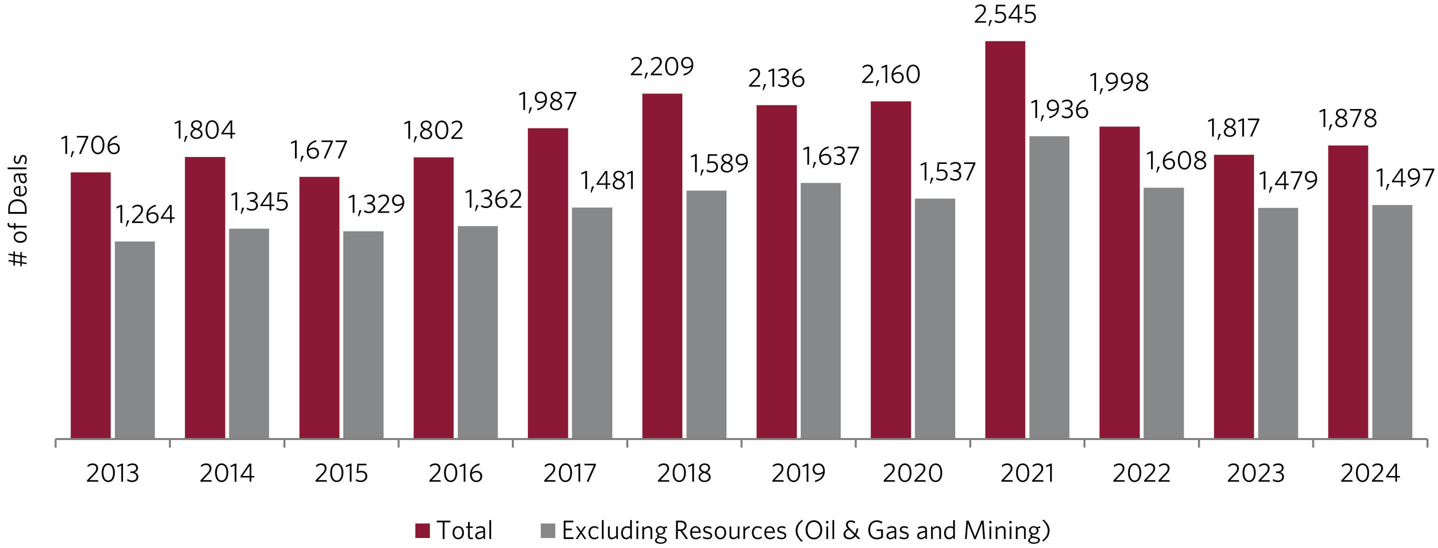
CIBC CAPITAL MARKETS

# MID-MARKET INVESTMENT BANKING 2024 YEAR IN REVIEW

Market update

We are pleased to provide a summary of Canada's M&A activity over the last year, together with our thoughts on current themes.

### Annual Canadian M&A volume

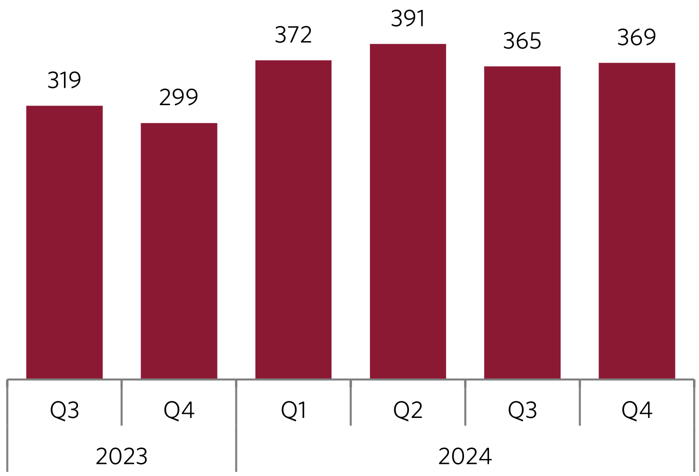



Source: Capital IQ, excludes all real estate transactions.

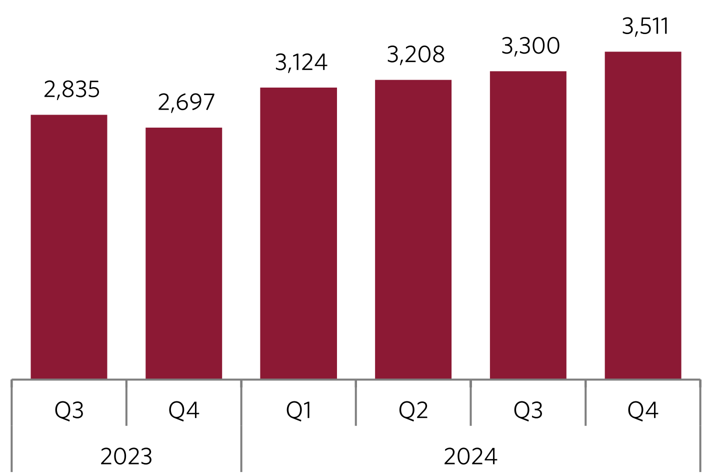
## Looking back

Canadian M&A activity maintained a strong pace in 2024, in-line with both 2023 and pre-COVID levels. Our team experienced the same trend.

### Canadian transaction count



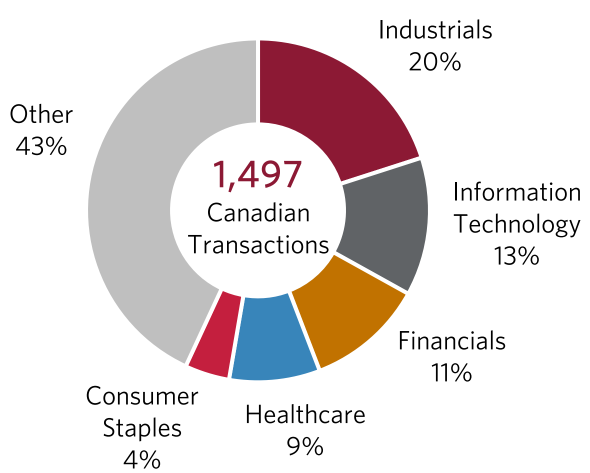

### US transaction count



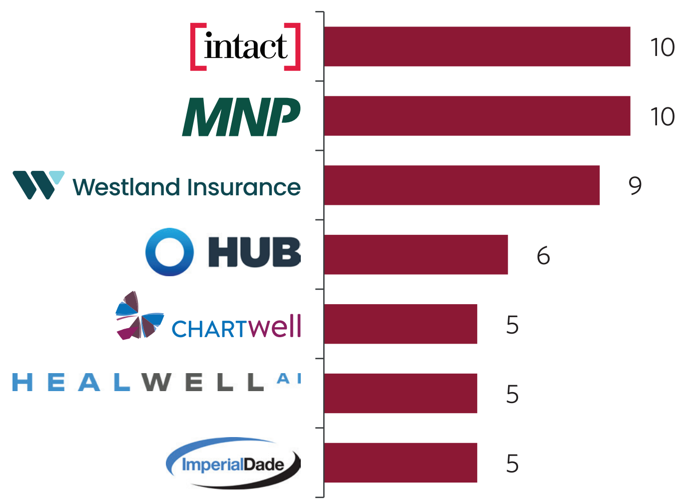

Source: Capital IQ, excludes real estate and resource transactions.

The Canadian quarterly data shows steady deal count through the year, while US quarterly data shows a strengthening market south of the border as buyers return to a risk-on mindset and sellers see strengthening financial performance.

### Active industries 2024




### Active acquirors of Canadian businesses 2024




Source: Capital IQ, excludes real estate and resource transactions.

As in 2023, the most active sectors were Industrials, Information Technology, Financials and Healthcare, collectively making up over 50% of transaction volume.

- Lots of activity in insurance space with Intact, Westland, and Hub taking three of the top four spots in terms of deal count this year
- MNP completed a number of acquisitions of small accounting firms across the country and closed out the year with an acquisition of 21 offices from BDO, one of its largest acquisitions to date
- Chartwell Retirement Residences was active both acquiring and divesting retirement residences last year with acquisitions focused primarily in British Columbia and Quebec
- HEALWELL, formerly MCI Onehealth Technologies, is now backed by WELL Health and has made a flurry of acquisitions in the healthcare technology space with a focus on AI data science for preventative care
- Imperial Dade, a leading distributor of foodservice packaging, paper and janitorial supplies, has been a very acquisitive company, making a further 5 acquisitions in 2024

- Within information technology, the IT services segment has shown more resiliency than the pure software segment, which continues to experience some softness after the 2021 peak. Recent transactions of note include:
  - HVN Solutions, a leading IT consulting and talent solutions firm, was acquired by Torquest Partners backed S.I. Systems (CIBC advised HVN Solutions)
  - Bell made two IT services acquisitions in 2024, including Stratejm, which provides Security-as-a-Service solutions, and Cloud Kettle, a leading Salesforce consulting partner
  - MSP Corp, which was backed by Alfar Capital and Walter Capital Partners in 2023 in a deal advised by CIBC, added MS Solutions to its growing family of companies

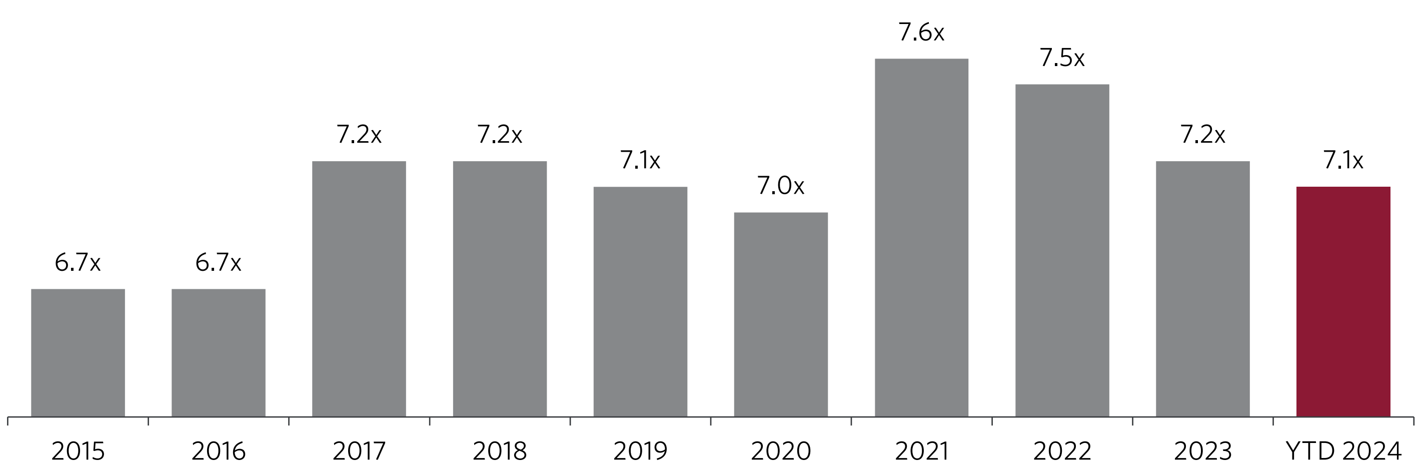
Notably, these are examples of IT services companies attracting interest from both private equity and strategic buyers. We are seeing an increasing number of buyers expressing interest in the IT services sector for several reasons:

- IT services represents a massive growth opportunity for buyers because it remains highly fragmented and ripe for consolidation
- Several mega-trends, such as cloud and AI adoption, are driving significant growth for the sector
- The increasing complexity and mission-critical nature of IT systems, combined with rising cybersecurity threats, requires a trusted outsourced partner
- In-house IT staff counts are shrinking, which is driving increased outsourcing and highly sticky relationships that cannot be unwound

CIBC has also recently observed IT services as an attractive entry point to technology investments for private equity investors that have historically focused on lower-technology industries. Compared to pure software companies that typically trade on ARR multiples and are more daunting to diligence due to technology risk, IT services companies tend to trade on EBITDA multiples and are often insulated from technology risk due to a vendor- and technology-agnostic approach.

From a valuation perspective, multiples for North American private companies have remained consistent with both 2023 levels and the longer term historical average. The graph below shows average North American valuation multiples for private equity buyout transactions ranging from $10 million to $500 million in value over the 2015 to 2024 September YTD period.

## Private company multiples—Enterprise value / EBITDA




Source: GF Data, Mid-Market M&A Transactions up to $500 million.

# Looking forward

The Canadian mid-market M&A landscape aims to build upon the momentum of 2024, but growing uncertainties are likely to test buyers, sellers, and deal makers alike. Despite these challenges, we remain cautiously optimistic about the state of M&A in 2025 and anticipate mid-market deal volumes will demonstrate resilience, especially through the back half of the year. Below, we highlight some of the key market fundamentals and themes to watch.

## Market fundamentals supporting deal volume

The foundation for a healthy M&A market remains intact and is expected to support dealmaking through 2025:

- **Abundant liquidity:** Private equity firms are flush with record levels of dry powder, and corporate balance sheets hold significant cash buffers, creating ample financial capacity for transactions.
- **Favorable financing conditions:** The financing market remains robust, and anticipated cuts to the Bank of Canada's overnight lending rate are expected to reduce borrowing costs through the year.
- **Stabilized macroeconomic environment:** With inflation subsiding, supply chains easing, and inventory levels normalizing, forecast certainty and sustainable EBITDA levels are improving. These factors are narrowing the bid/ask spread between buyers and sellers, fostering a more active deal environment.
- **Succession planning:** Many private company owners continue to face critical succession decisions, with three out of four planning to exit their businesses within the next decade. This dynamic will sustain deal flow in the mid-market.

## Potential challenges ahead

The first half of 2025 may see deal activity slow as buyers and sellers grapple with uncertainties, most notably:

- **Trade policy concerns:** Serious questions remain about President Trump's tariff policies. As of this writing, Canada has been granted a temporary reprieve from the proposed 25% tariff until March 1. While Canada's policy decisions have satisfied Trump for now, his demands are expected to continue to evolve. A full-blown trade war remains a possibility, which could likely push Canada into a recession. Although there is no clear resolution in sight, we remain hopeful that a negotiated settlement can still be reached.
- **Upcoming federal election:** Canadians will head to the polls in 2025, setting the stage for new policy directions that could reshape business strategies over the medium term. While many believe the outcome to be a foregone conclusion, the timing of an election is yet to be determined.

## Canadian companies will adapt

Some Canadian companies may explore expanding or acquiring operations in the U.S. to counter protectionist policies. However, labour costs will be a critical factor in the decision as impending U.S. immigration policy changes could reduce the labour supply in key sectors such as manufacturing, construction, and agriculture. Meanwhile, labour availability in Canada has improved allowing for expanded production if required.

## Private equity expected to ramp up activity

Private equity (PE) is expected to remain a key player in Canadian mid-market M&A throughout 2025. We anticipate continued buyout activity as firms focus on new platform investments while also pursuing divestitures to return capital to their investors. During the 2021–2023 period, PE firms shifted their focus toward add-on investments; however, the need to deploy larger equity cheques is prompting a renewed emphasis on platform investments. Additionally, we expect an increase in PE exits as firms manage portfolios with extended hold periods and seek to capitalize on successful investment exits to support new fundraising efforts. PE firms will continue to play a vital role as partners for private company owners navigating succession and transition strategies.

## Outlook for 2025

Overall, we expect Canadian mid-market deal volume to lag in the first half of the year as the market navigates policy and trade uncertainties. However, deal activity should gain momentum as clarity emerges. In the near term, businesses with limited exposure to U.S. export markets are likely to attract increased buyer interest and scarcity premiums while other sellers wait on the sidelines.

# Our 2024 Credentials

Below are some of the mid-market M&A transactions that CIBC closed in the last 12 months. We wish you all the best for a safe and successful 2025 and look forward to speaking with you in the near future.

## Business Services

HN Solutions
sale to
S.i. Systems
a portfolio company of
Torquest
2024

SCI
We'll make you even better.
sale to
Metro Supply Chain
2024

PowerStation Power Generation Products
sale to
Total Power
2024

## Consumer

CCM
sale to
Altor
2024

## Manufacturing

ICOR Technology
sale to
Cadre Holdings
2024

Advance Engineered Products Group
a portfolio company of
Ironbridge Equity Partners
sale to
Terravest Industries
2024

Athletica Sport Systems
Safety through innovation
a portfolio company of
Fulcrum Capital Partners
sale to
Reichmann Segal Capital Partners
2024

Koss Aerospace
sale to
DCM
a portfolio company of
Thrust Capital Partners
2024

gentec
sale to
BDG & partners
2024

## Industrials

IDS Industry Diesel & Turbo Service Ltd
sale to
M&D We Fuel Uptime
a portfolio company of
Gridiron Capital
2024

Burnco
acquisition of
Hammerstone Infrastructure Materials Ltd.
a portfolio company of
Brookfield Business Partners
2024

MRC Global
pending sale of Canadian business to
EMCO Corporation
2024

## TMT

BusPlanner
sale to
Union Software
2024

Indie88FM
a subsidiary of
Central Ontario Broadcasting
sale to
Local Radio Lab
2024

## Healthcare

Calgary Co-op
acquisition of
CarePharmacies
2024

LifeLabs
sale to
Quest Diagnostics
2024

# 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

## Contacts:


### Western Canada

Amun Whig
403 200-9171
amun.whig@cibc.com

Graham Drinkwater
587 983-3134
graham.drinkwater@cibc.com

### Toronto

Iain Gallagher
647 531-6044
iain.gallagher@cibc.com

Christian Davis
416 371-7238
christian.davis@cibc.com

Dylan Moran
289 259-7687
dylan.moran@cibc.com

Jarred Seider
416 888-3757
jarred.seider@cibc.com

Sahil Kapasi
416 412-4064
sahil.kapasi@cibc.com

### Eastern Canada

Philippe Froundjian
514 927-5173
philippe.froundjian@cibc.com

Gabriel Fugère
514 836-0773
gabriel.fugere@cibc.com

Abboud Kaplo
514 827-8327
abboud.kaplo@cibc.com

cibc.com/mmib