

A scenic landscape photograph of a mountain valley. In the foreground, there are large, dark grey rocks. A clear, blue lake flows through the valley, reflecting the sky and the surrounding mountains. The mountains are rugged and covered in patches of snow. The sky is a mix of blue and yellow, indicating a sunset or sunrise. The overall scene is peaceful and majestic.

The Canadian private company acquisition process and the role of the M&A advisor

Date: Monday, September 24, 2018

Index

Overview of Canada

Historical M&A trends

About us

Buy-side mandates

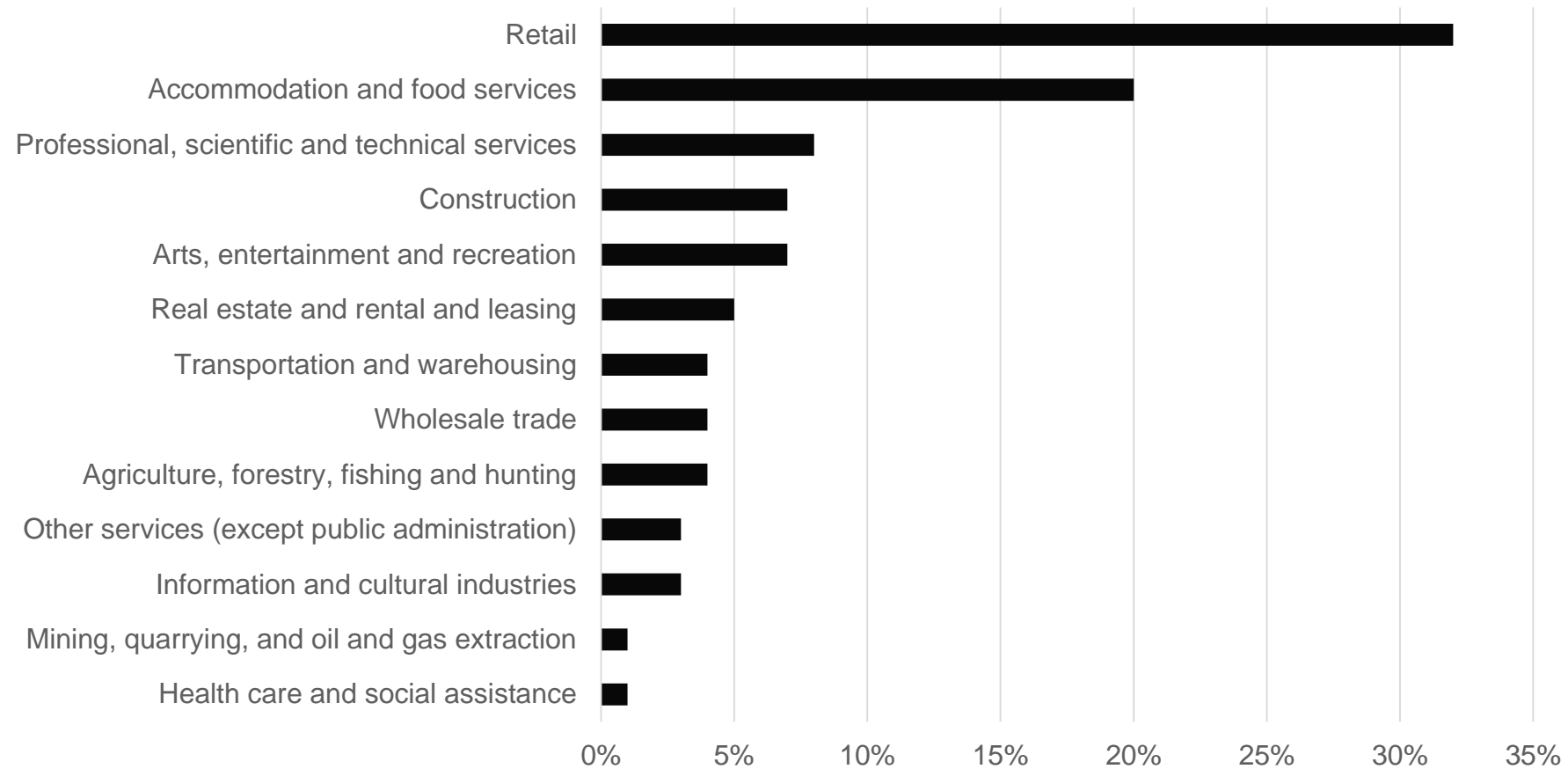
Contact us



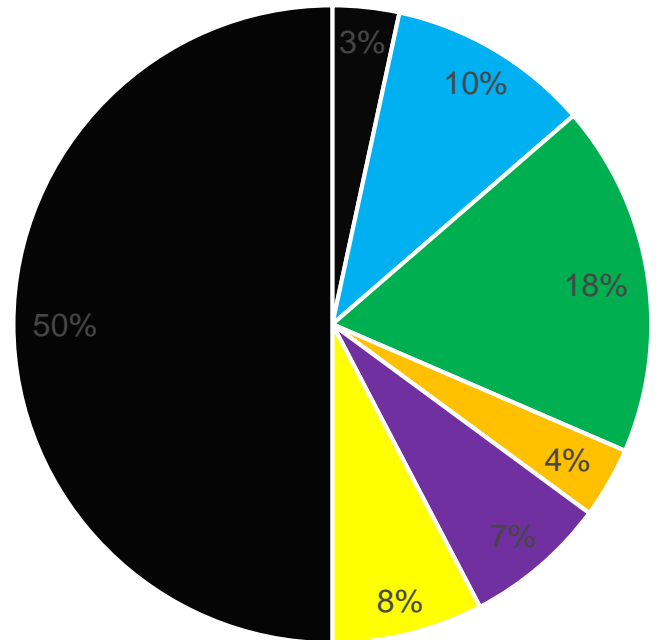
Canada overview

Industries, geographic,
business sizes,
ownership structures

Industry sectors



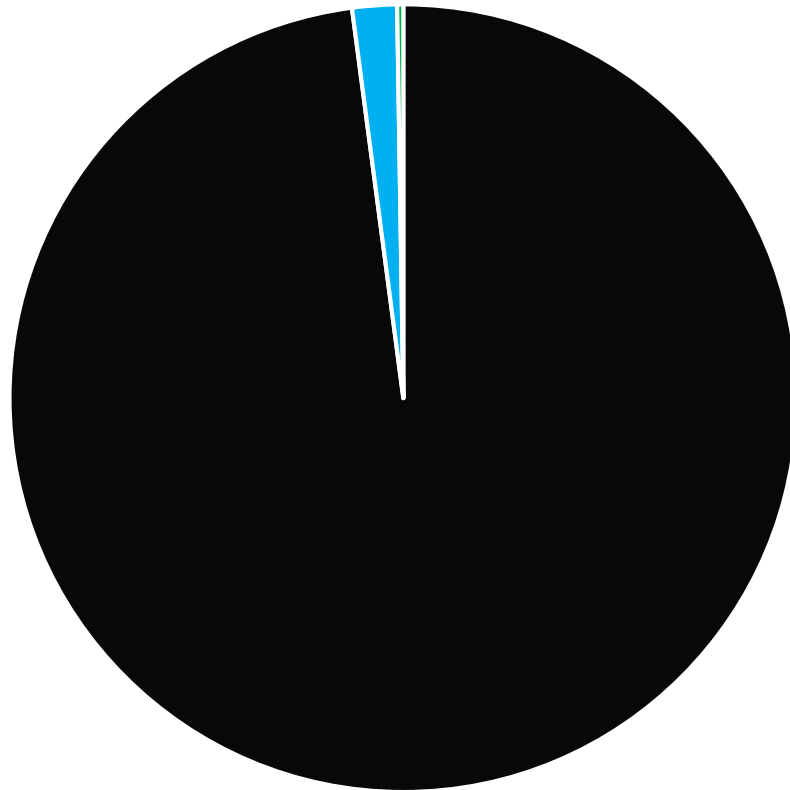
Geography



- NF, PEI, NS, NB
- Quebec
- Ontario
- MB, SK, YK, NWT, N
- AB
- BC
-

- Ontario; 416,801
- Quebec; 239,966
- AB; 169,305
- BC; 178,966
- MB, SK, YK, NWT, N; 84,048
- NF, PEI, NS, NB; 78,892

Number of businesses by employer size

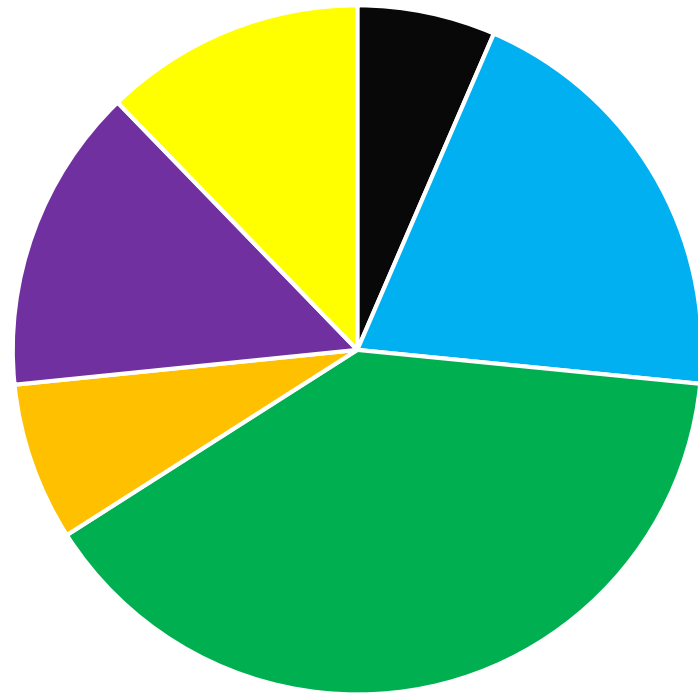


There are 1.17 million businesses across Canada

- 1.14 million (97.9 %) small businesses,
- 21,415 (1.8 %) medium-sized businesses
- 2,933 (0.3 %) large enterprises

■ Small (1 - 99) ■ Medium (100 - 499) ■ Large (500+)

Larger businesses by geography

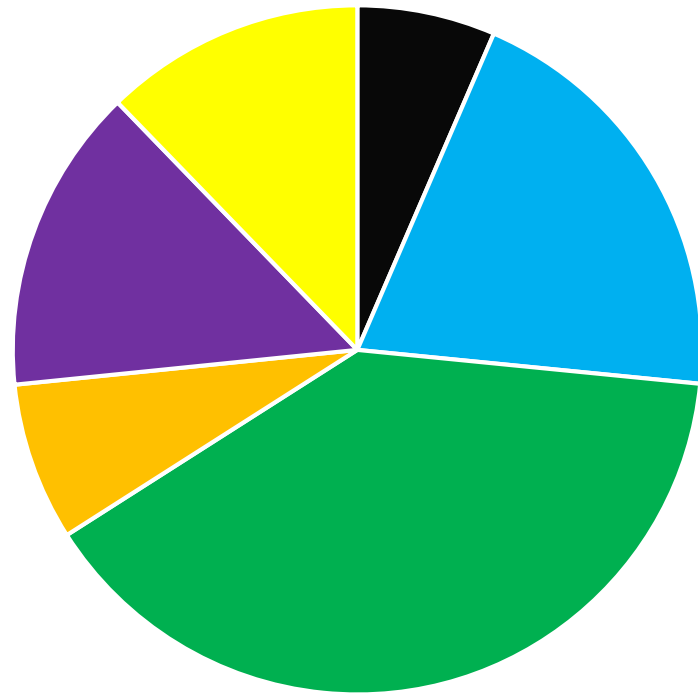


■ NF, PEI, NS, NB ■ Quebec
■ Ontario ■ MB, SK, YK, NWT, N
■ AB ■ BC

2,933 larger size businesses

- Ontario 1,189
- Quebec 590
- Alberta 437
- British Columbia 329
- Prairie provinces & northern territories 197
- Atlantic provinces 191

Medium businesses by geography

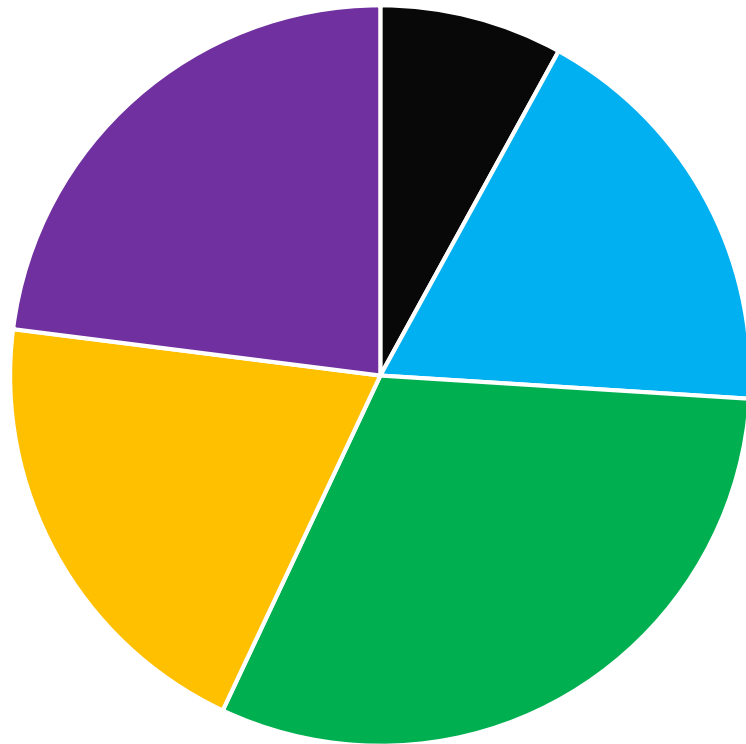


■ NF, PEI, NS, NB ■ Quebec
■ Ontario ■ MB, SK, YK, NWT, N
■ AB ■ BC

21,415 medium size businesses

- Ontario 8,437
- Quebec 4,301
- Alberta 3,076
- British Columbia 2,623
- Prairie provinces & northern territories 1,589
- Atlantic provinces 1,389

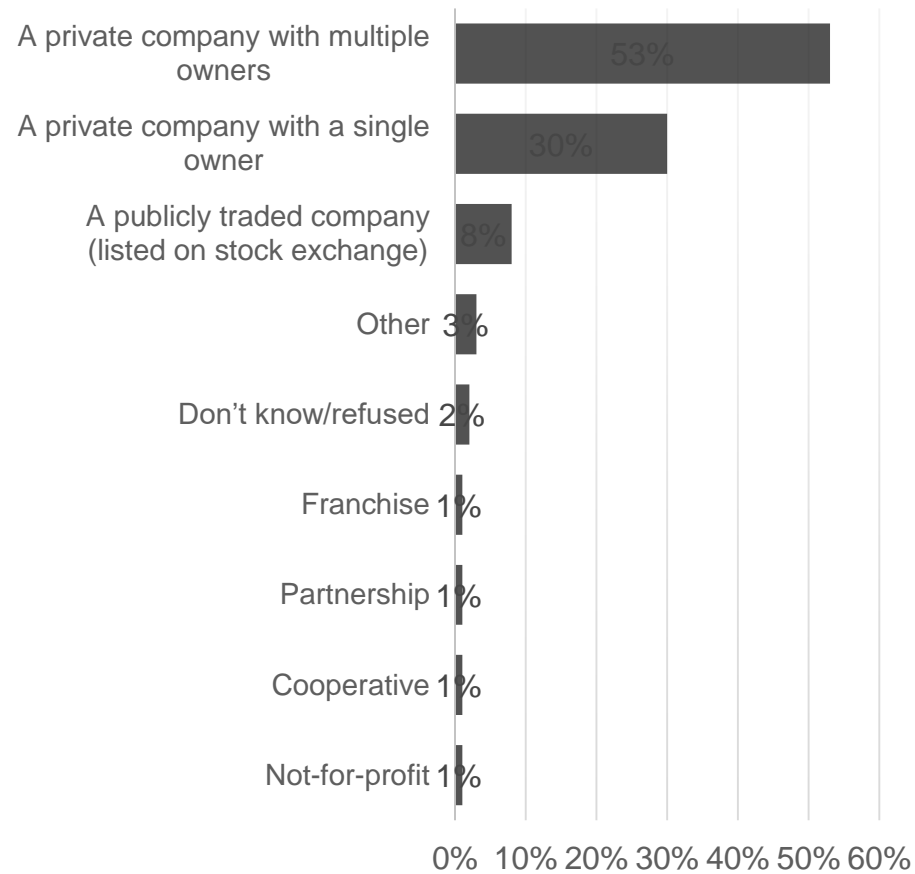
Lower-middle market firms'



■ NA ■ 10 Million ■ 10 to 25 Million
■ 25 to 50 Million ■ 50 + Million

- Most lower-middle market firms are on the small end of the spectrum.*
- 8 out of 10 mid-sized firms are in the 100 to 249 employee category.
- Generate gross annual revenue of at least \$10 million, with average annual revenues of \$34 million.

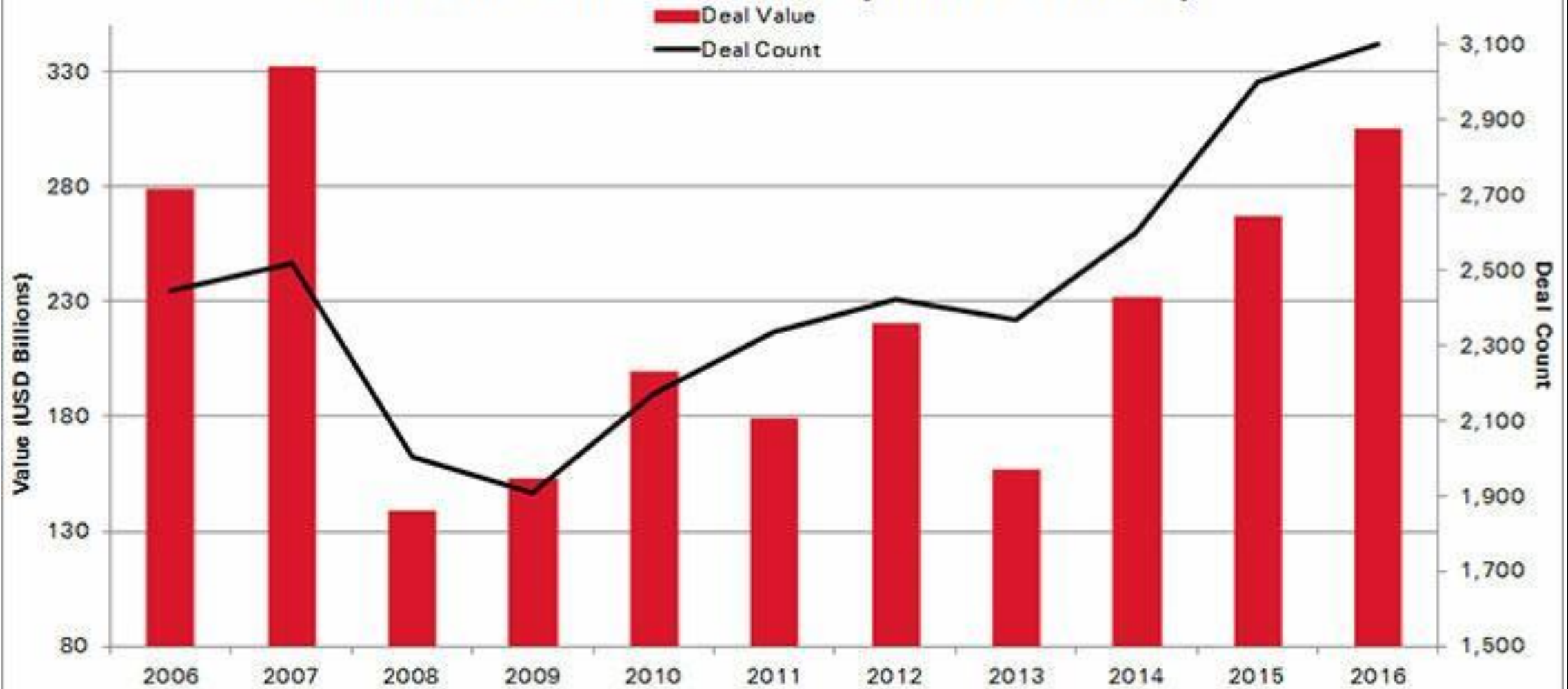
Ownership structures



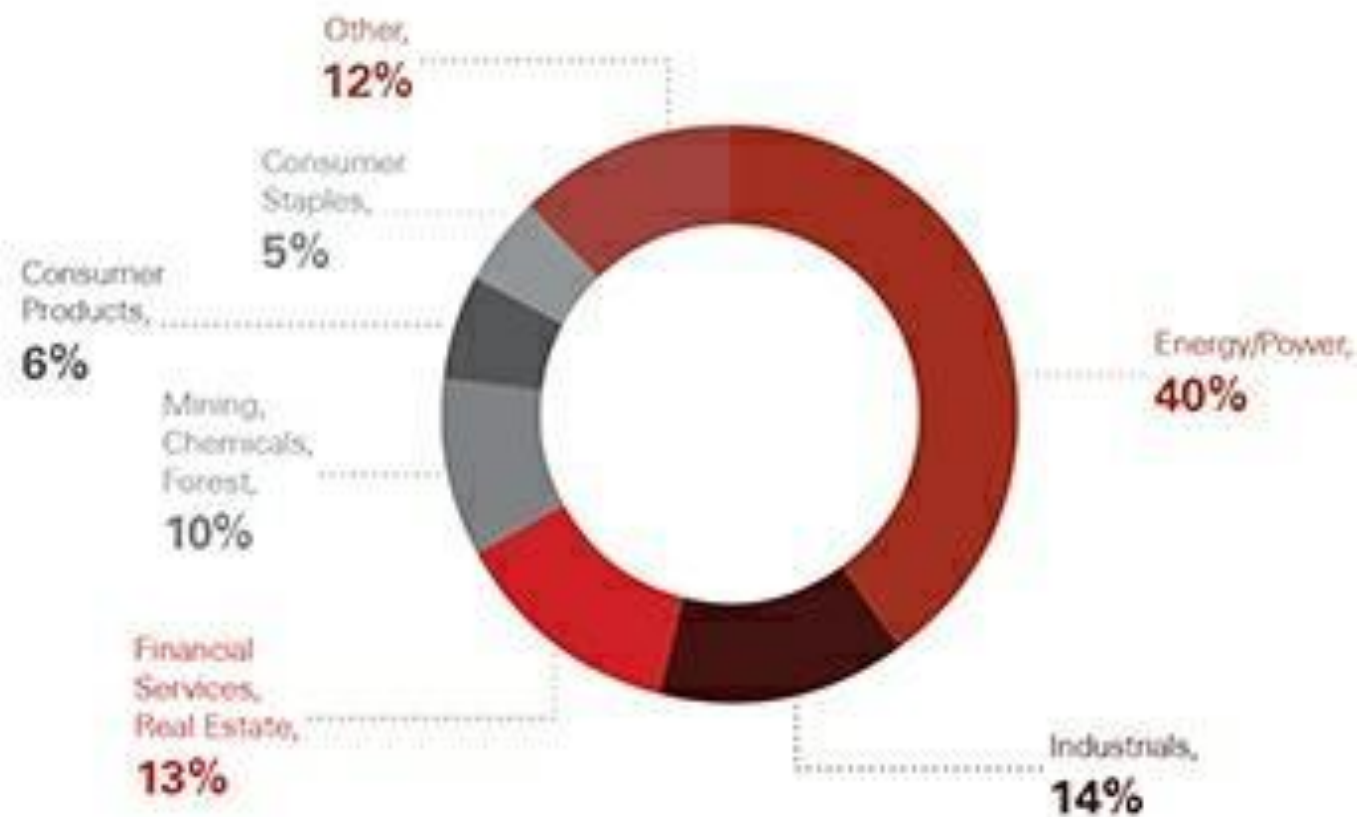
- 53% are private companies with multiple owners*
- 30% are private companies with a single owner*

Historical Trends

Canadian Announced M&A (Public & Private)

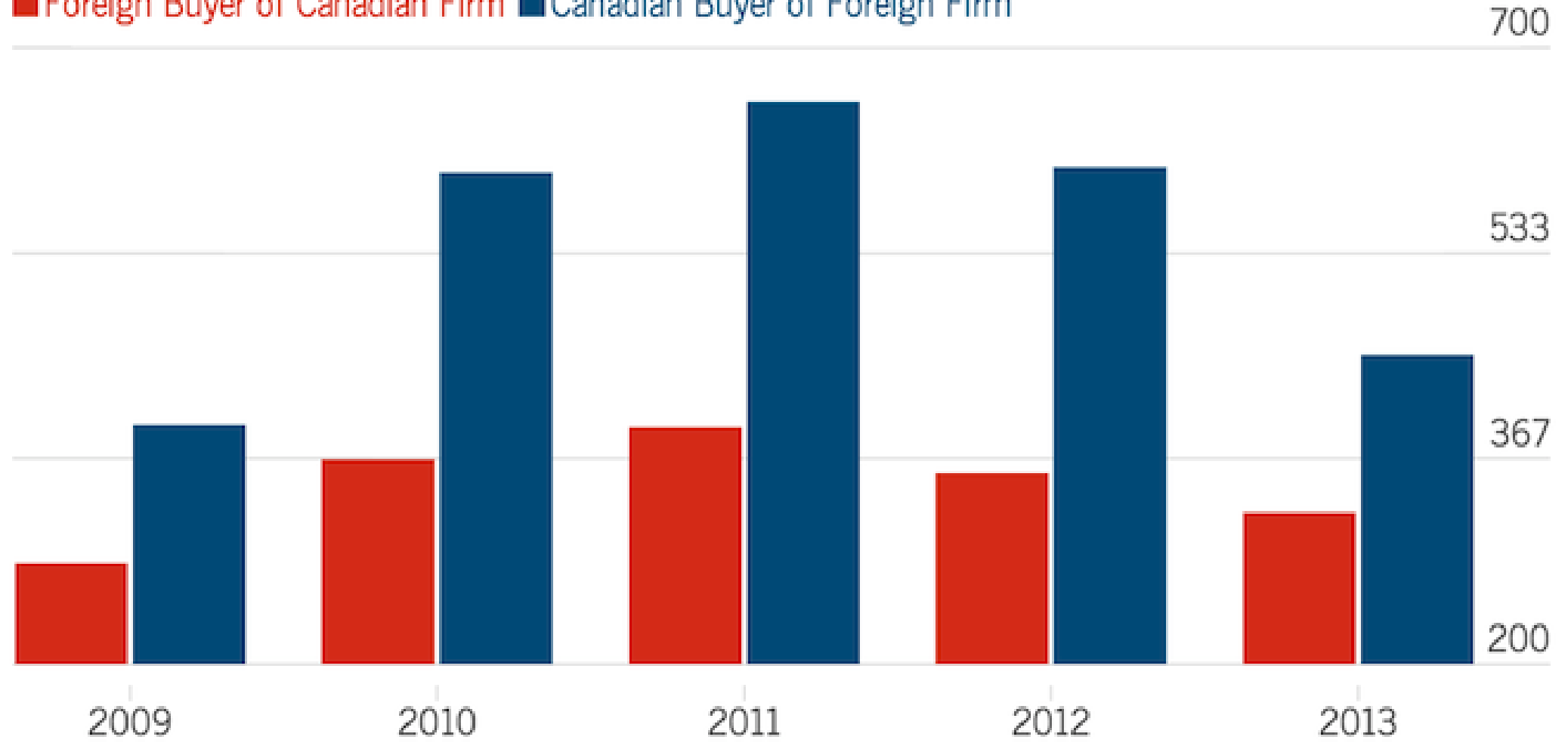


2016 Canadian M&A Activity by Sector (dollar value)



Mergers and acquisitions involving Canadian companies in the last five years

■ Foreign Buyer of Canadian Firm ■ Canadian Buyer of Foreign Firm




CanadianBusiness.com

Data: M&A International

Mergers and acquisitions by industry, 2004–2013





LOWER MIDDLE-MARKET MERGERS & ACQUISITIONS ADVISORS

The Shaughnessy Group

About us

Boutique M&A
advisory firm catering
to the needs of
acquiring privately
owned companies

Primary services:

- Mergers; sell-side advisors and
- Acquisitions; buy-side advisors

Language
capabilities; English
& Mandarin

Geographic focus;
Canada

Value proposition

Our clients seek an M&A advisors who posses

- Understanding of the Canadian market
- Access to proprietary networks of sellers
- Real-time knowledge of supply, demand and financial valuation
- Ability to add incremental value beyond financial valuation
- Aligned to buyers need to execute their transaction
- Mandarin and English language

Strive to build deep domain expertise and capabilities

- Exhaustive mapping of the domestic market
- Data base of > 25,000 Canadian companies
- World class best of breed digital infrastructure
- Evolving with the sector (we fish where the fish are...)
- Network of >15,000 senior executives and policy makers

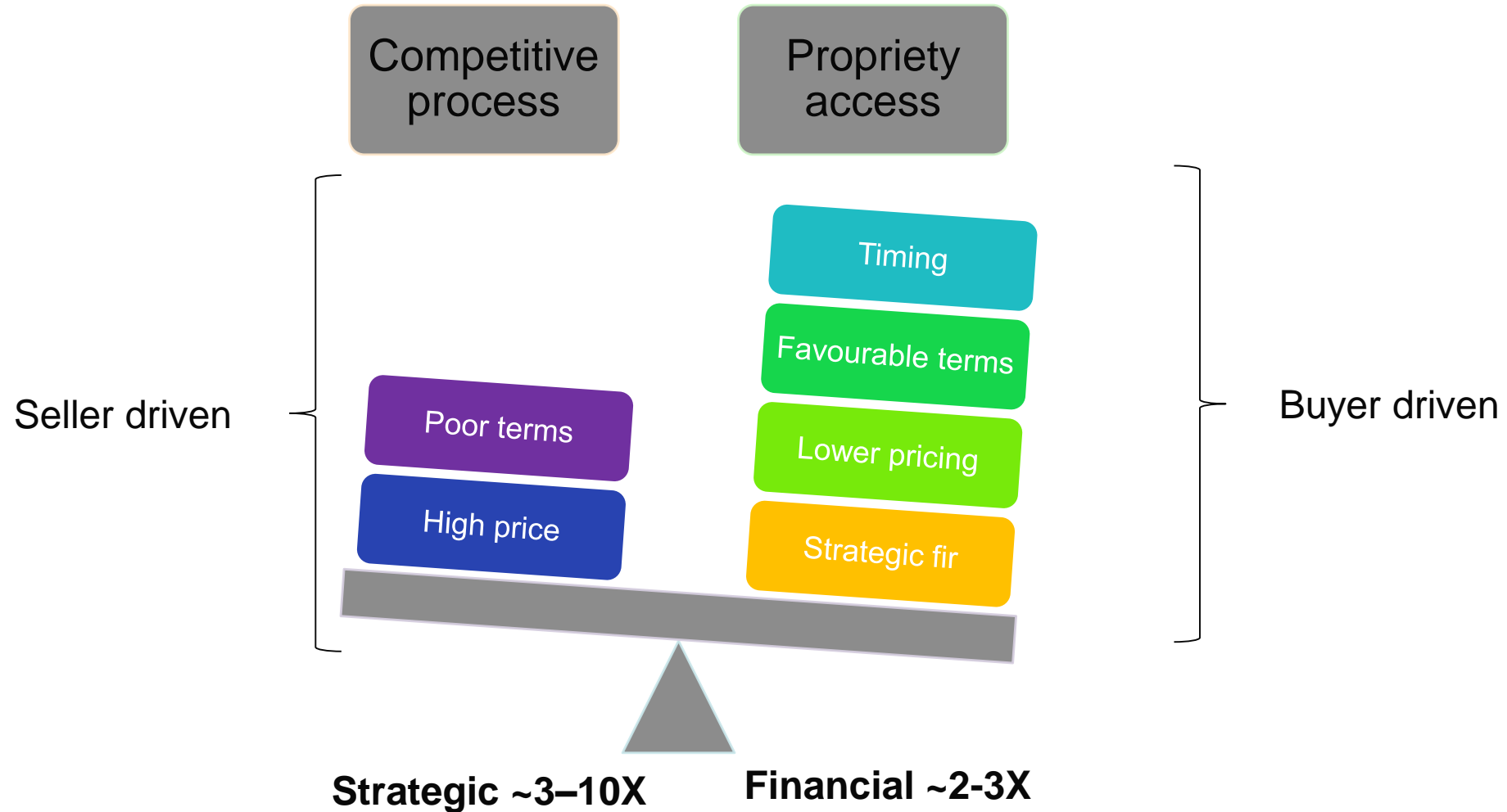
Buy-side mandates



What does our typical buy-side client want?

- Coverage of the domestic market for best strategic fit
 - Industry
 - Geography
 - Size
- Access to proprietary sourced assets
- The lowest possible price
- Most favorable terms...
- Assurance of closing...
- In the shortest amount of time...
- With the tightest measures of confidentiality.

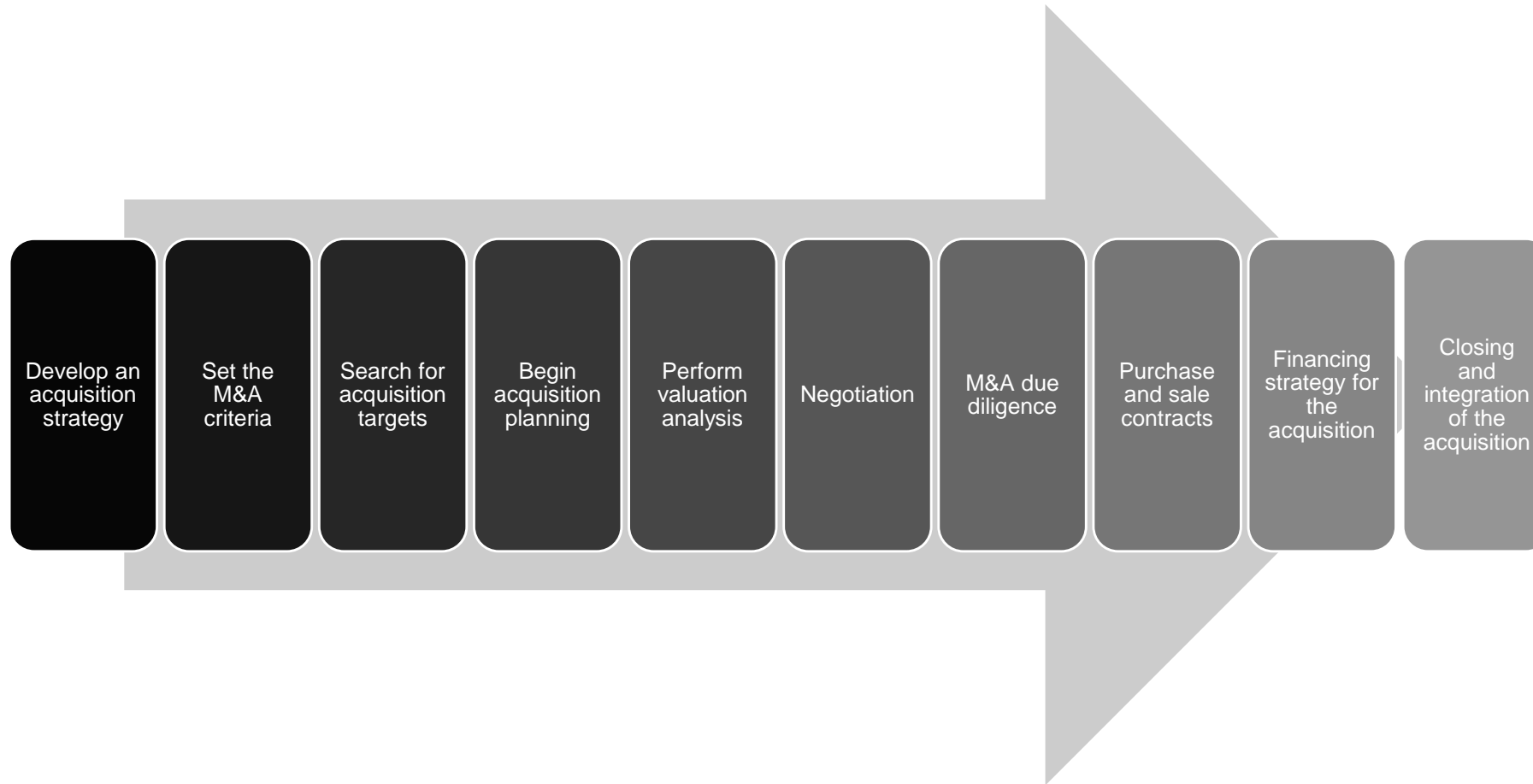
Our process creates buyer leverage



The steps to a typical buy-side process

1. Develop an acquisition strategy – Develop a solid strategy outlining why the business should make acquisitions, and what the desired outcomes are
2. Set the M&A criteria – Set specific criteria such as company value, industry, geography, revenue, margins, growth, employees, etc.
3. Search for acquisition targets – Use the above criteria to filter and identify an addressable market of potential acquisition candidates (proprietary deal flow) or respond to opportunities, which can arise from in-bound interest (non-proprietary deal flow).
4. Begin acquisition planning – This step involves reaching out to selected companies that meet the criteria and commencing a dialogue with management
5. Perform valuation analysis – Once preliminary discussions have taken place a target company will likely provide detailed financial information which can be used to value the company in more detail
6. Negotiation – After a view on valuation has been established an offer can be made and negotiations will go back and forth
7. M&A due diligence – Once an offer has been accepted it will be subject to due diligence, a process of confirming that all information about the target is accurate
8. Purchase and sale contracts – Upon successful completion of due diligence the final purchase and sale agreement can be signed (share purchase or asset purchase)
9. Financing strategy for the acquisition – This step may occur earlier, but the final strokes of financing will come into place after the deal has been signed but before it closes
10. Closing and integration of the acquisition – Finally, the official transaction closes (tombstones are handed out) and the long process of integration begins

The steps to a typical buy-side process



Contact our team for; a confidential, no-obligation conversation, to explore your acquisition objectives

Free download:

“Corporate Overview”

<https://shaughnessy.group/resources>



The Shaughnessy Group

Vancouver 1150 West Pender Street
Suite 1350
Vancouver, British Columbia
Canada V6E 4S9
604 754 5375
dmoriyama@shaughnessy.group

Toronto 130 King Street West
Suite 1800
Toronto, Ontario
Canada M5X 1K6
1 647 558 1230
ksigerist@shaughnessy.group

Montreal 1250 René Lévesque Boulevard West
Montréal, Québec
Canada H3B 4W8
1 416 274 5222
jmarandola@shaughnessy.group

Web www.shaughnessy.group

