



MID-MARKET INVESTMENT BANKING

May 2022 M&A Dashboard



May 2022 M&A Trends

For the third straight month, the volume of M&A transactions both in Canada and the U.S. has remained relatively stable at the lower end of the range observed over the last twelve months. In terms of volume by sector, the only vertical which has experienced a drastic deviation from the average of the last twelve months is real estate. The sector only represented 5% of transactions during April 2022, compared to an average of 10% over the last twelve months. Rapidly rising interest rates are bound to have an impact on real estate transaction volume, which is likely one of the main drivers of the decrease.

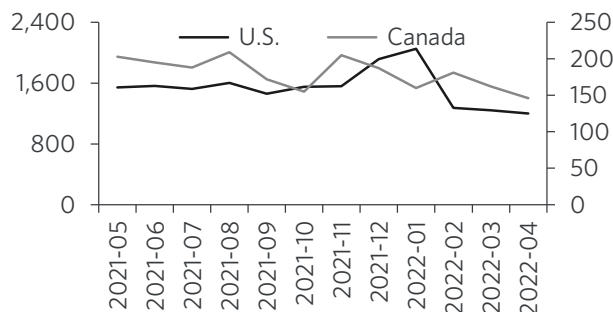
As a follow-up to encouraging emerging trends noted a few months back in the tourism sector, longer-term data shows a marked recovery in M&A transactions in this industry. The volume of transactions in the hotels, restaurants and travel sectors has increased by 45% over the last twelve months, compared to an increase in overall M&A volume of 24%. As travel restrictions continue to ease and consumers anxious to resume international travel, we expect this positive trend to continue over the short to medium term.

Quarterly Valuation and Leverage Analysis

Valuation multiples in the U.S. and Canada mid-market maintained the elevated levels reached in the third quarter of 2021 at 7.5x EBITDA. The valuation gap enjoyed by high-performing businesses widened further in 2021, with a 30% valuation premium over other businesses, compared to a 27% premium in 2020 and an average premium of 16% for the 2003 to 2021 period.

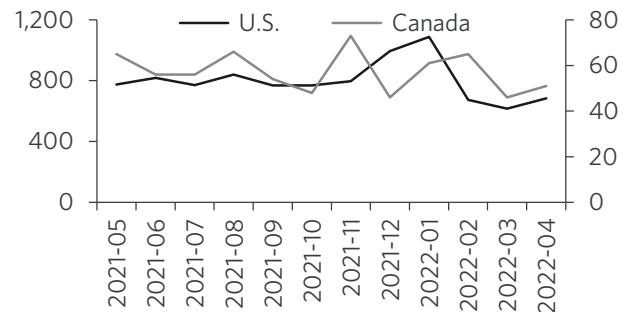
Leverage ticked up as well in Q2 2021 with total leverage increasing to a high of 4.2x from the previous high of 4.0x registered over the last two years.

M&A volume - U.S. and Canada



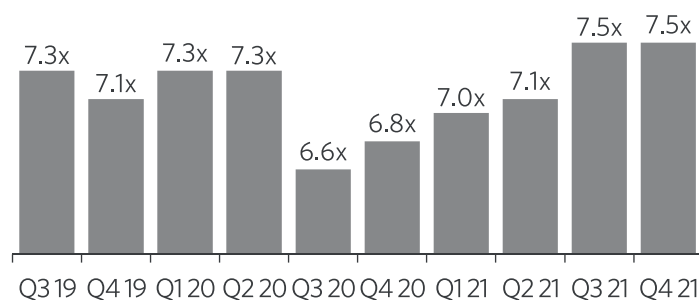
Source: Capital IQ.

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



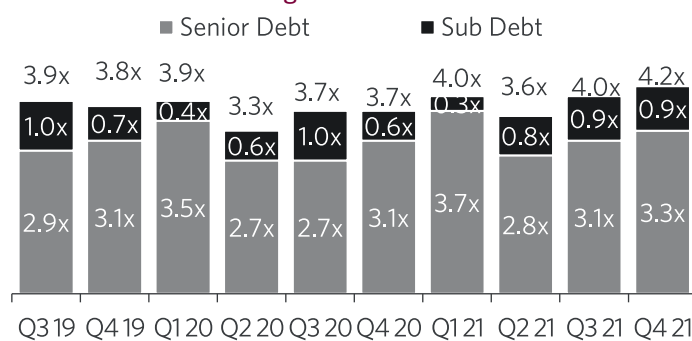
Source: Capital IQ.

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	April 2022: 23%			Gold mining exploration firm
	Last twelve months: 22%			
Information technology	17%			Developer of planning and scheduling software
	13%			
Industrials	17%			Provider of supply chain solutions for temperature-sensitive products
	14%			
Financials	9%			Insurance brokerage firm
	8%			
Consumer staples	6%			Roaster, contract manufacturer and distributor of packaged coffees
	6%			
Health care	6%			Network of psychiatry clinics
	8%			
Consumer discretionary	6%			Buying group for restaurants and pubs
	7%			
Real estate	5%		Office complex	1.2 million square foot office complex
	10%			
Communication services	5%			Internet service provider
	6%			
Energy	4%			Oil and gas exploration firm
	5%			
Utilities	1%		Natural gas power plants	Natural gas-fired power generation facilities
	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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