



Business Transitions Forum

How to Build a Saleable Business: Your Roadmap to a Successful Transition

November 2016

State of capital markets

Excellent market conditions

	<i>Average multiple of S&P 500 companies*</i>	<i>U.S. investment grade corporate bond index yield**</i>	<i>Cash and ST Investments of S&P 500 companies (USD)*</i>	<i>Global PE 'dry powder' waiting to be deployed (USD)***</i>
2015	13.4x <i>EV/EBITDA</i>	3.3% <i>Yield</i>	\$1.3 <i>Trillion</i>	\$745 <i>Billion</i>
2016	14.0x <i>EV/EBITDA</i>	3.1% <i>Yield</i>	\$1.5 <i>Trillion</i>	\$839 <i>Billion</i>

Favourable foreign exchange rate for international buyers

* Excludes Financials and Oil & Gas (includes 375 companies in 2015 and 400 companies in 2016)

** Corporate Bond '10yr A'

*** Excludes Real Estate, Mezzanine and Distressed private equity funds

Sources: Capital IQ, Prequin, PwC research as at September 2015 and November 2016

Canadian market conditions

S&P/TSX Composite Index (excluding Energy & Financials)

EV/EBITDA Multiple



Cash & ST Investments

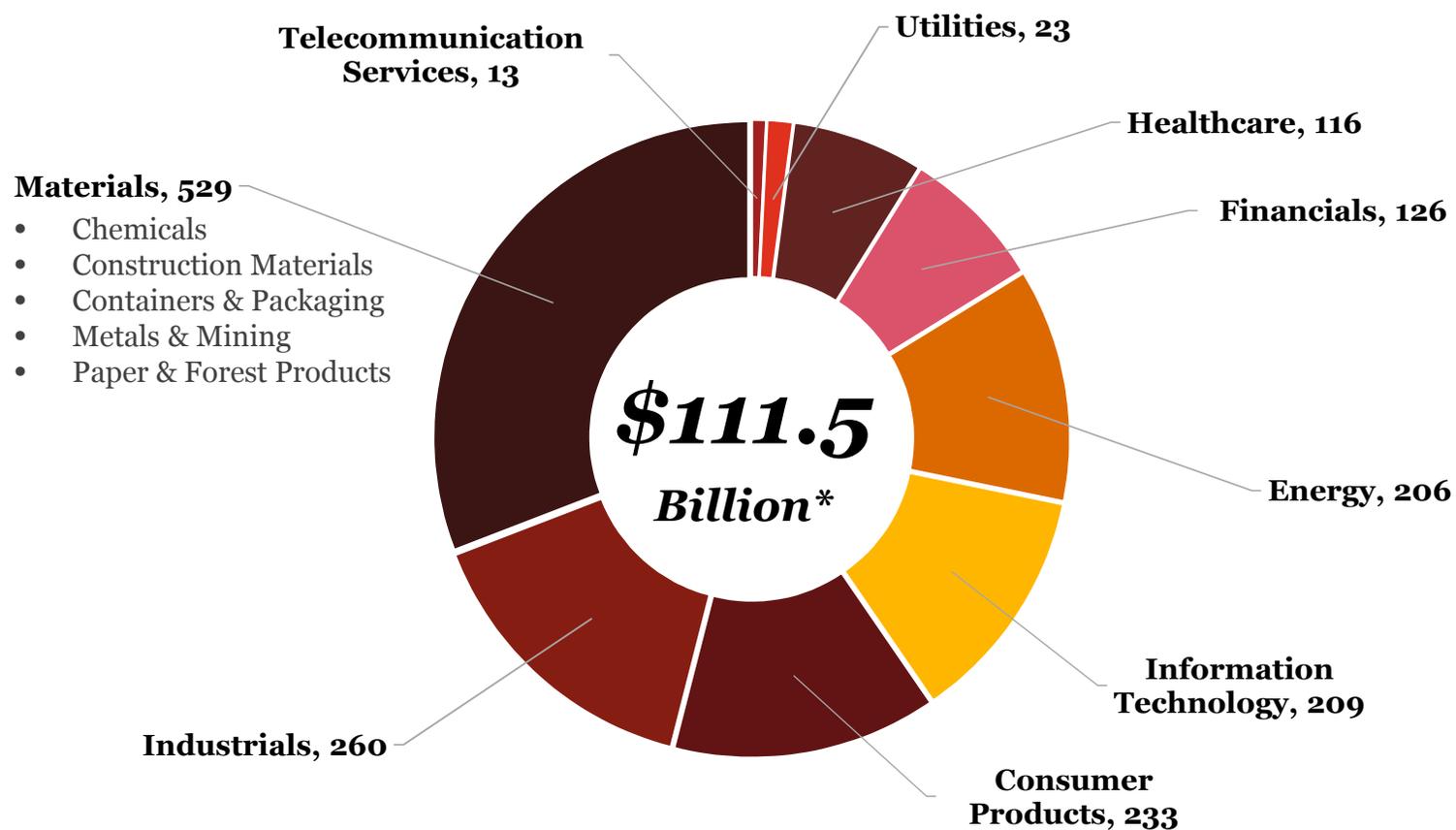


*Canadian Private
Equity Dry Powder*



Source: Capital IQ as of November 2016
170 of 247 companies on the index included

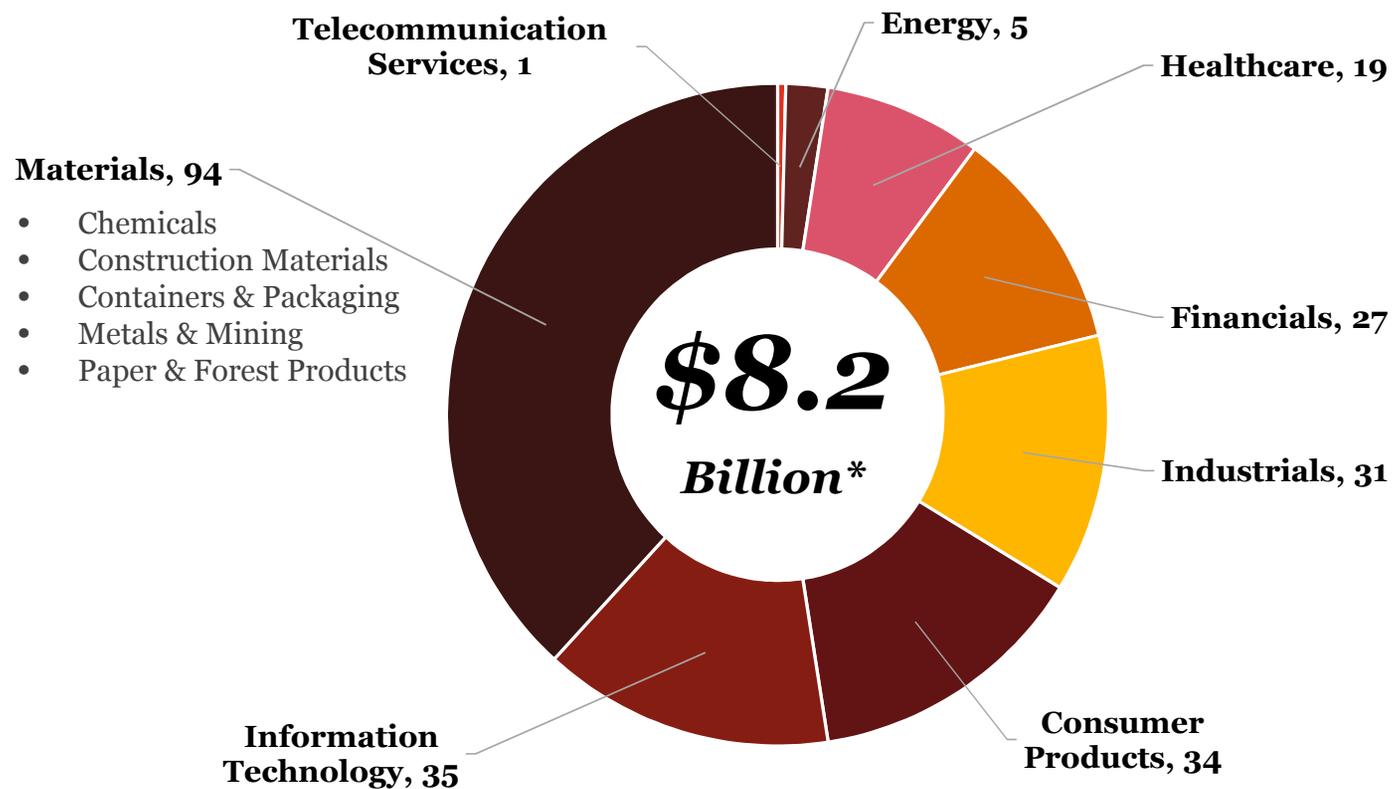
Over 1,700 transactions in Canada over the past 12 months...



Source: Capital IQ (CAD \$)

*1,715 total M&A transactions (excluding real estate) in the last 12 months, of which 776 had disclosed values totalling \$111.5 billion

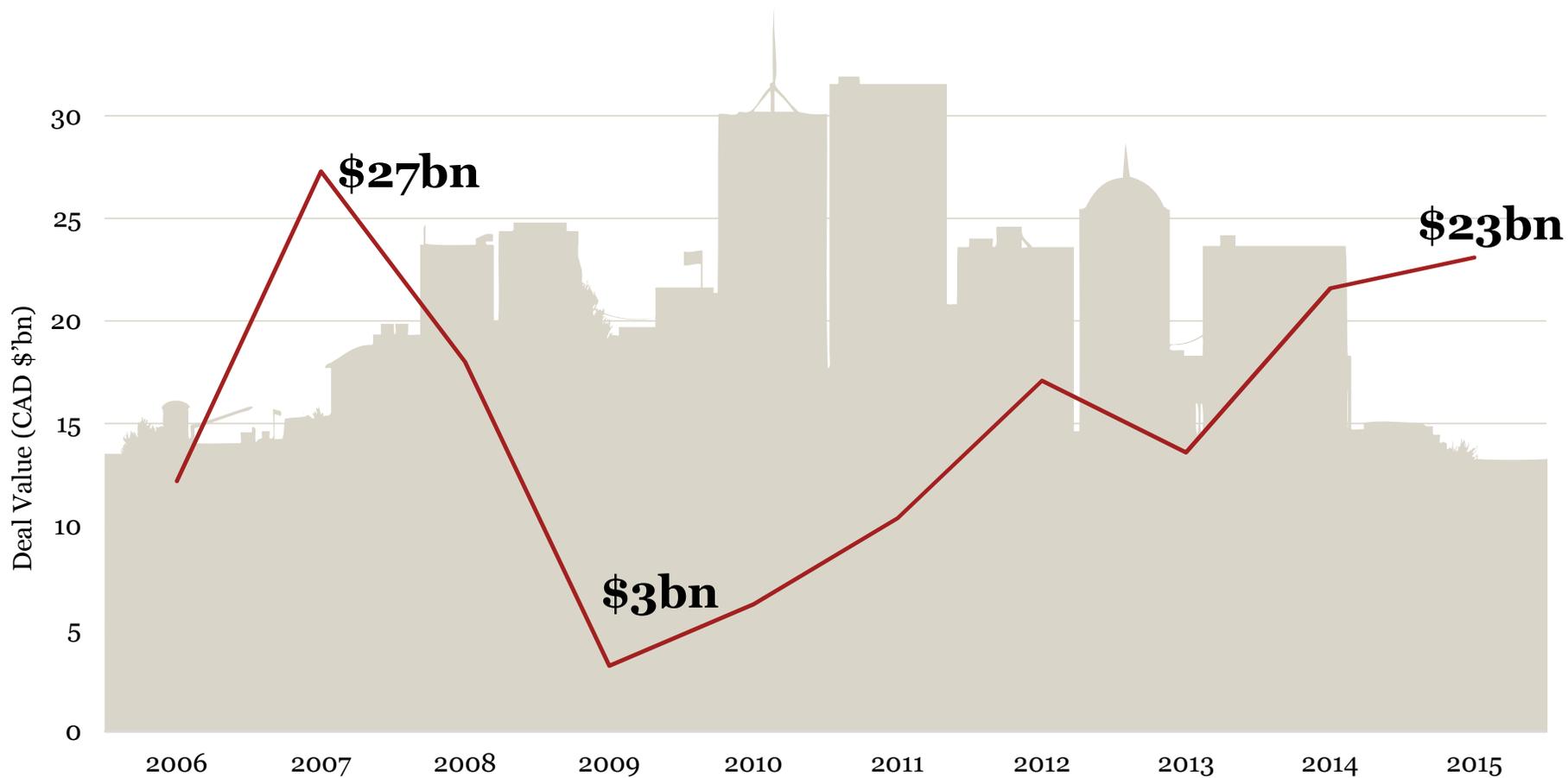
...and 14% of transactions were in BC (excluding real estate)



Source: Capital IQ (CAD \$)

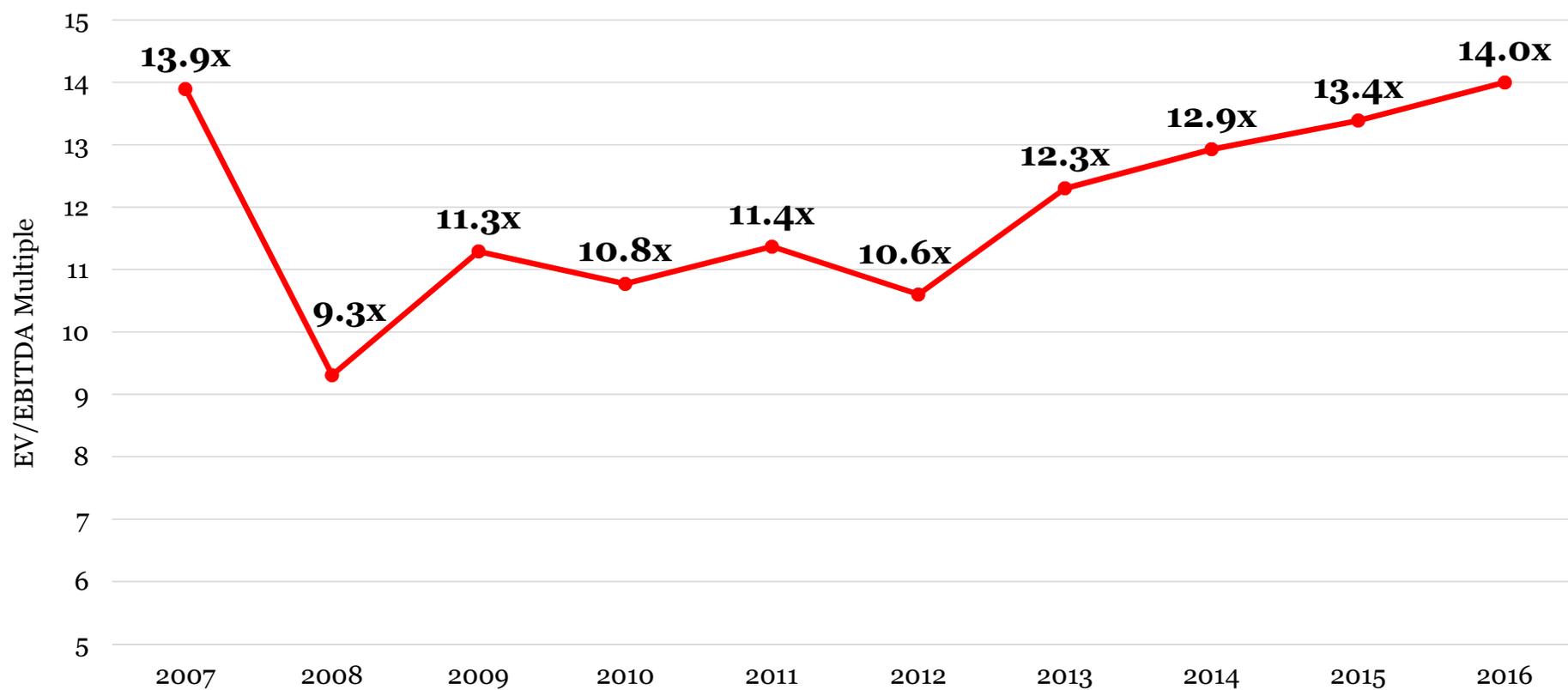
*246 total M&A transactions (excluding real estate) in the last 12 months, of which 112 had disclosed values totalling \$8.2 billion

Private equity is very active in Canada



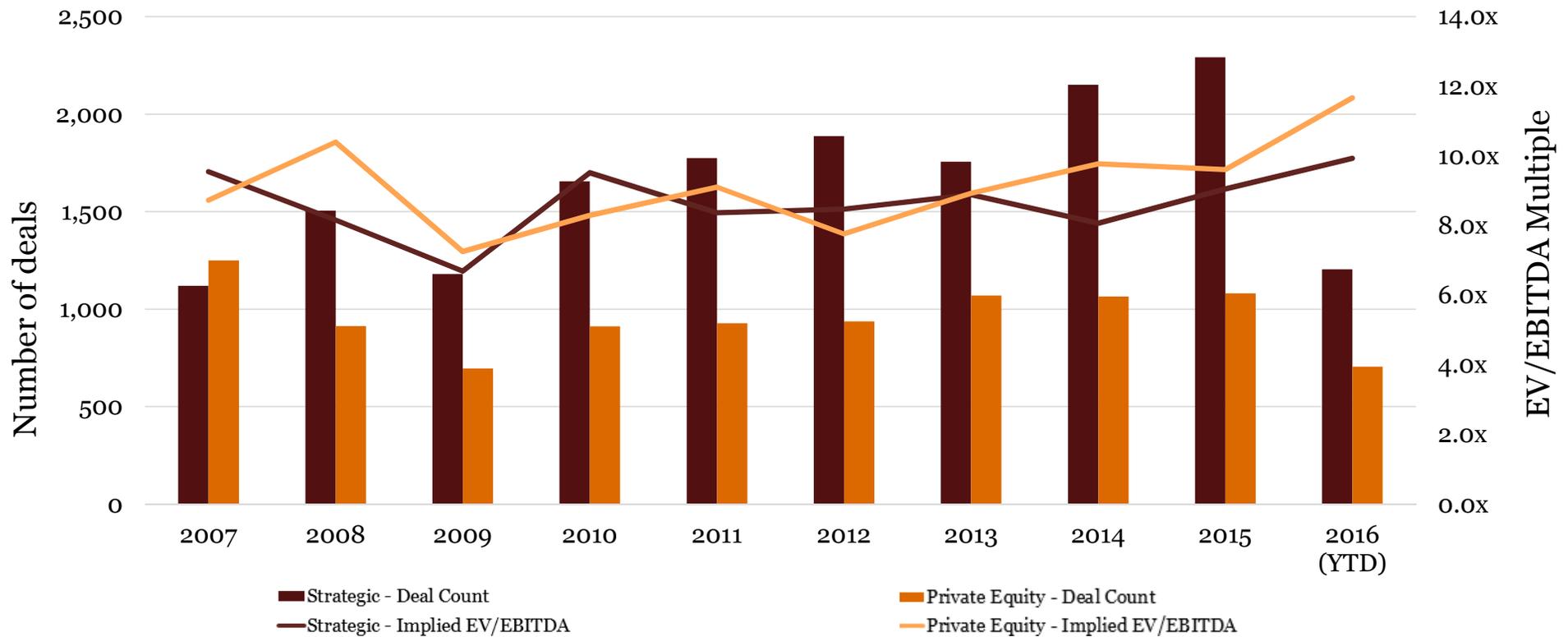
Source: Pitchbook, PwC Analysis (CAD \$ billions)

Increasing valuation multiples (S&P 500)



Note: Excludes Financials and Oil & Gas
Source: Pitchbook, PwC Analysis

Who is paying more (North America)?



Source: Pitchbook, PwC Analysis

Representative private equity
British Columbia

TRICOR FOUNDERS
TRICOR PACIFIC FOUNDERS CAPITAL

Yellow Point
EQUITY PARTNERS

 **THE JIM PATTISON GROUP**

PARALLEL49
EQUITY

 **bc imc**

 **PENDER WEST**
CAPITAL PARTNERS

FULCRUM 

sternpartners

MAXAM
CAPITAL CORP.

 **Empresario**
CAPITAL PARTNERS

CAI
PRIVATE EQUITY

 **HEADWATER**
EQUITY PARTNERS

Representative private equity Canada

ONCAP

TORQUEST
PARTNERS

OMERS
Private Equity

 Caisse de dépôt et placement
du Québec

CLAIRVEST

 **ONTARIO
TEACHERS'**
PENSION PLAN

 **AIMCo**
Alberta Investment Management Corp.

 **TRIWEST**

NOVACAP 

ONEX

 **CLEARSPRING**
CAPITAL PARTNERS

 **Ironbridge**
EQUITY PARTNERS

Brookfield



BIRCH HILL
equity partners

 **DIFFERENCE**
CAPITAL

 **Signal Hill**
EQUITY PARTNERS

 **PENFUND**

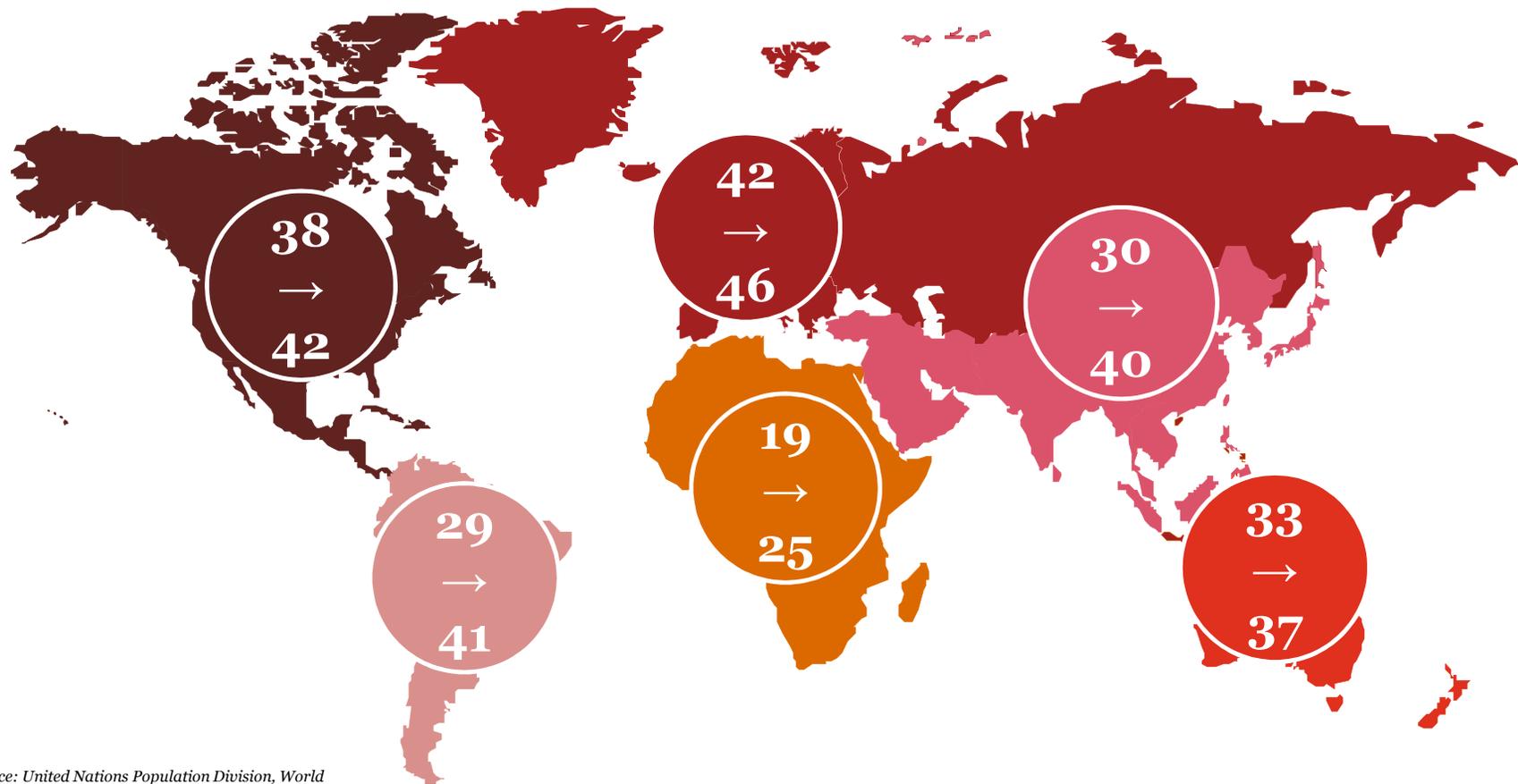
 **BEDFORD CAPITAL**

argosy partners ^{ltd.}

Representative private equity U.S. and International



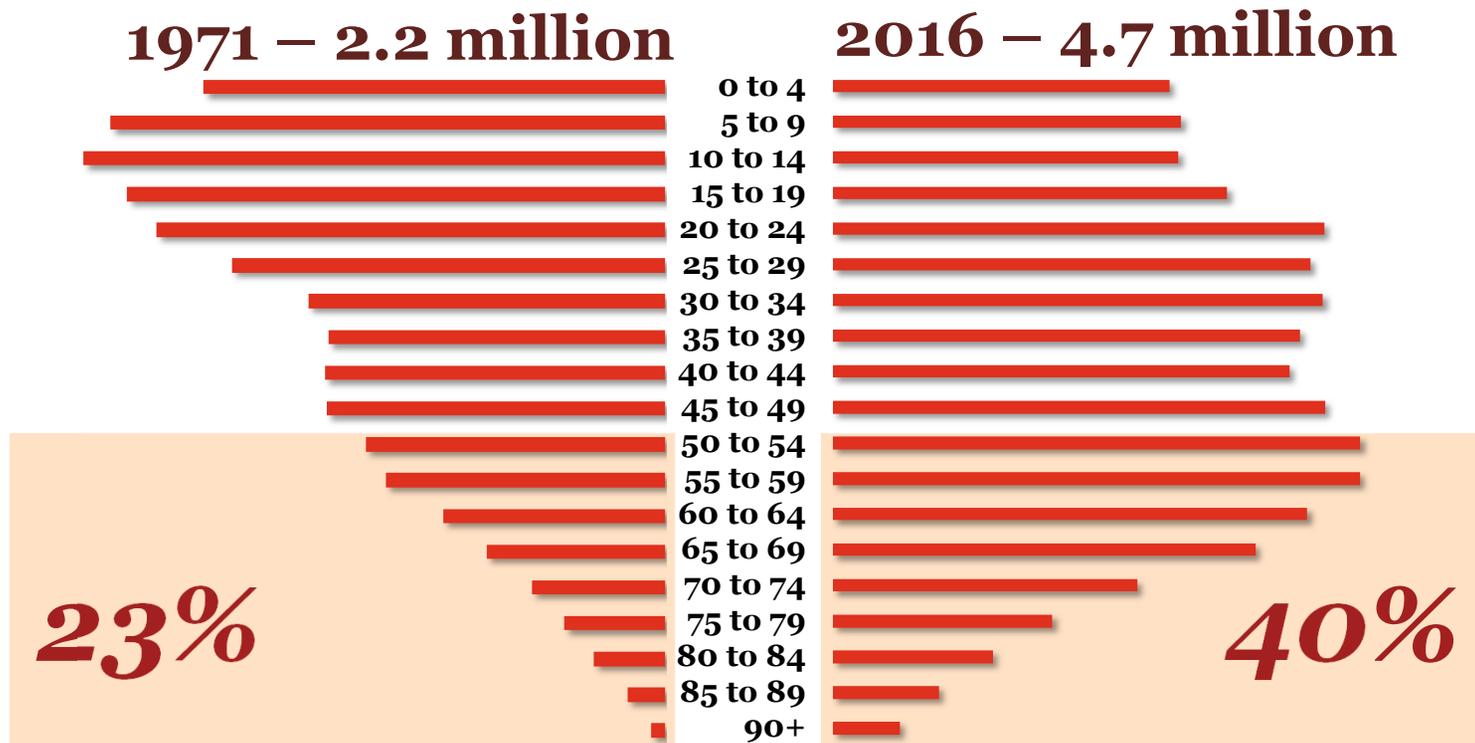
We're not getting younger... Median population age, 2015 → 2050



Source: United Nations Population Division, *World Population Prospects, 2015 revision*

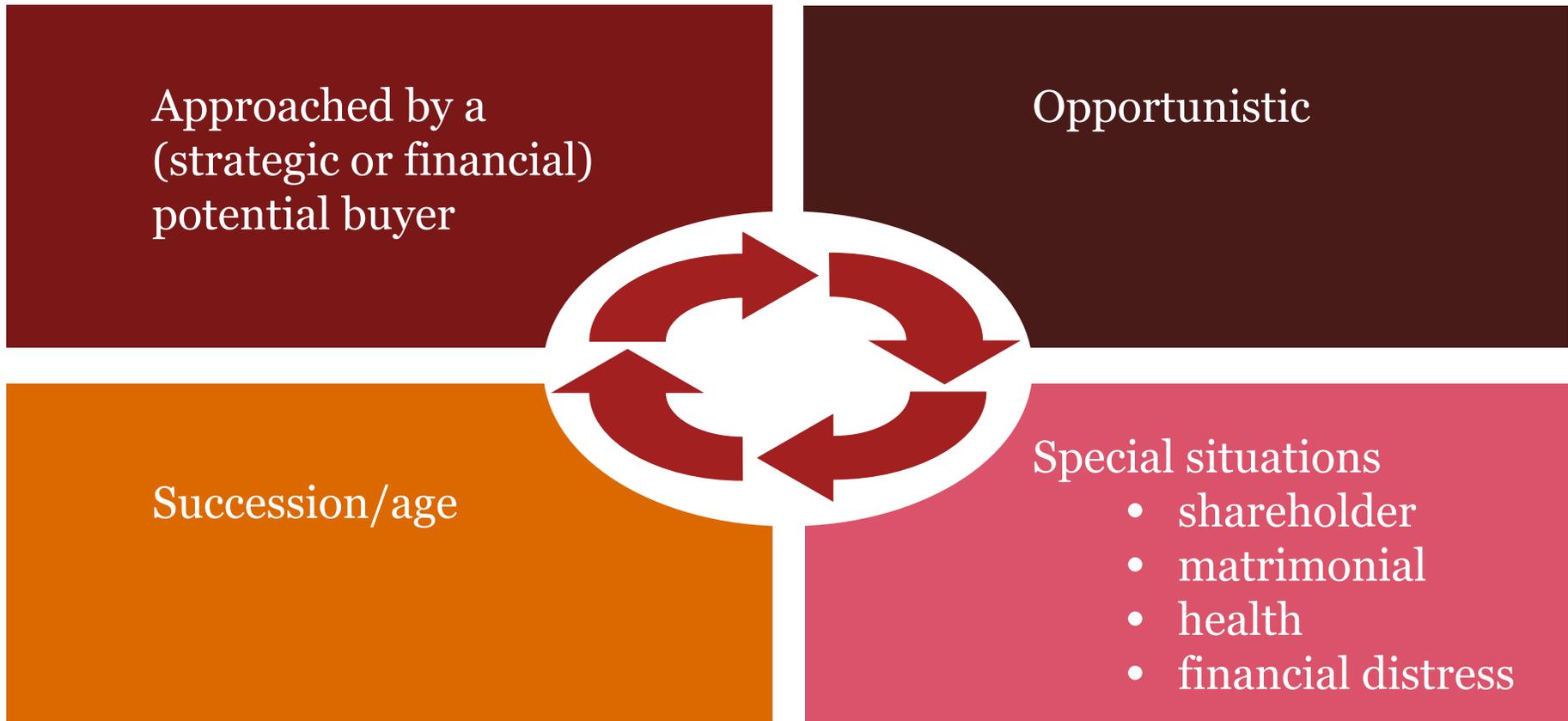
...and an aging population is driving deals locally

BC Population by Age Group



Source: Statistics Canada, BC Stats

Business transition - primary reasons



Strategic options for a company

Sale to strategic buyer

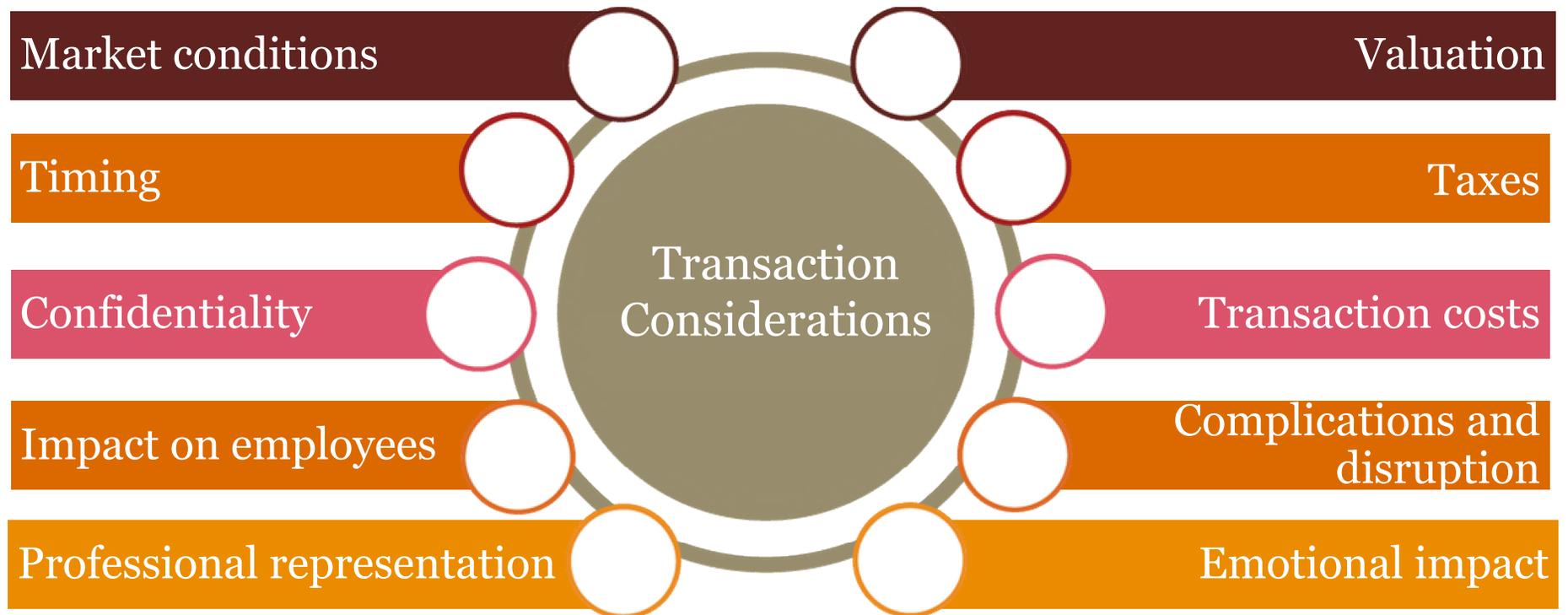
Sale to financial buyer (private equity)

Management buyout

Recapitalization

IPO

Transaction considerations



Potential sale process options



Exclusive Sale Process



Targeted Sale Process



Auction Process

Marketing approach

Exclusive Sale Process

Targeted Sale Process

Auction Process

Advantages

- ✓ Most confidential approach
- ✓ Delivers competitive tension through the option of opening up the process to other parties

- ✓ A middle ground – seeks to get the best of both worlds
- ✓ Competitive tension throughout process

- ✓ Maximize competitive tension
- ✓ Restricting shortlist ensures each bidder believes they have a realistic chance of success

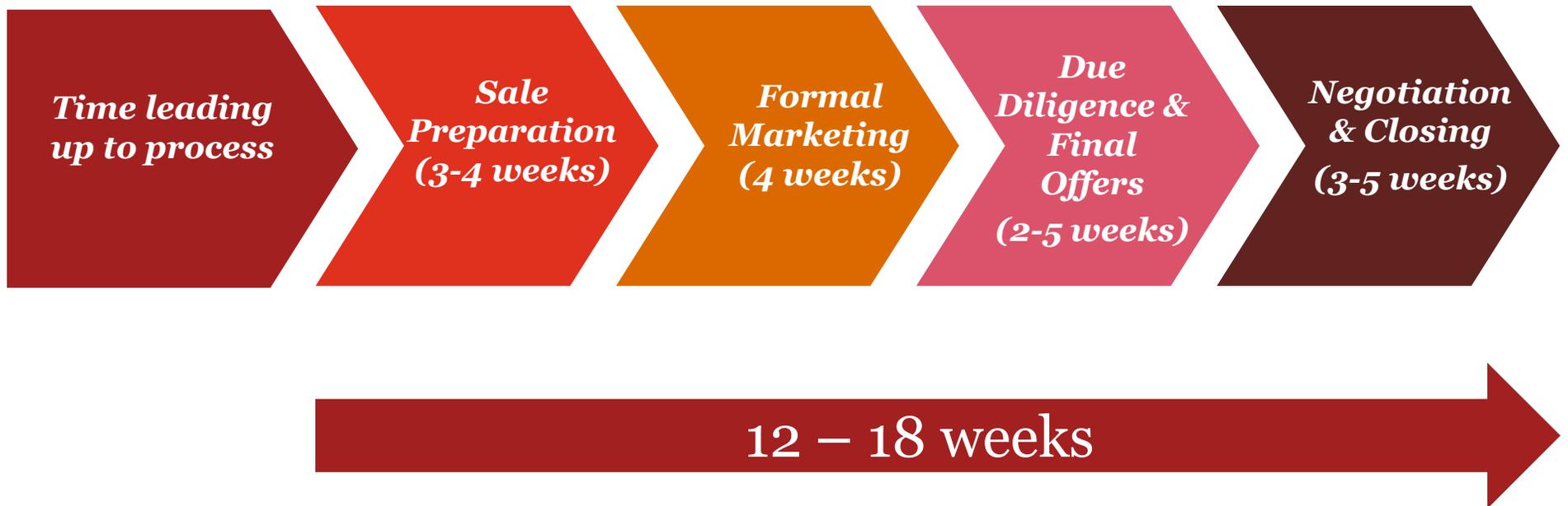
Disadvantages

- ✗ Risk that single successful party subsequently seek to change its initial LOI
- ✗ Lack of competitive tension

- ✗ Requires information disclosure with a number of parties
- ✗ May limit competitive tension

- ✗ Requires information disclosure with a number of parties
- ✗ As LOI pre due diligence, there is a risk of bidders adjusting their bids

Transaction process summary



Areas of due diligence

Commercial

Financial

Tax

Legal

Environmental

Areas of due diligence

Commercial

- *Products and/or services and life cycles*
- *New product and/or services development*
- *Geographic concentration*
- *Competitors*
- *Customer/supplier dependence*
- *Industry outlook*

Areas of due diligence

Financial

- *Quality of earnings*
- *Normalizations*
- *Working capital analysis*
- *Margin analysis*
- *Data room*
- *Business plan review*

Presentation key highlights

Market conditions are excellent for vendors

Strategic and private equity buyers are very active

Demographic shift and favourable economic conditions are impacting market activity

Continue to focus on business operations

Be prepared

PwC was the #1 ranked global mid-market M&A financial adviser in 2015



We advised on 482 mid-market M&A transactions last year

- Full range of M&A experience, including divestitures, capital raisings, mergers & acquisitions, takeovers & takeover defense, and private equity transactions including MBOs.
- The largest mid-market corporate finance team in Canada with over 50 M&A professionals.

1st

by volume of
Global deals up to
US\$500M in 2015

Top 10 Global Financial Advisors (by volume)

January 1 – December 31, 2015

Undisclosed Values & Values up to US\$500M

Rank	Financial Advisor	No. of deals
1	<i>PwC</i>	482
2	KPMG	416
3	Ernst and Young	307
4	Rothschild	290
5	Deloitte	277
6	M&A International	224
7	Morgan Stanley	208
8	BDO	199
9	Houlihan Lokey	193
10	Lazard	190

Source: Mid-Market M&A Review, Financial Advisors, Full Year 2015, Thomson Reuters

PwC Corporate Finance – Vancouver



PwCCF provides divestiture, acquisition, management buyout, and capital raising solutions to mid-market Canadian companies. We have access to PwC's dedicated global M&A network to deliver the right skills and knowledge to drive successful transactions.



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