



BUSINESS
TRANSITIONS
FORUM

NOV 8, 2017
WESTIN CALGARY

ALBERTA'S M&A ACTIVITY AND THE BIG PICTURE



Grant Thornton

An instinct for growth™

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Business transition – the big picture

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Calgary
November 8, 2017



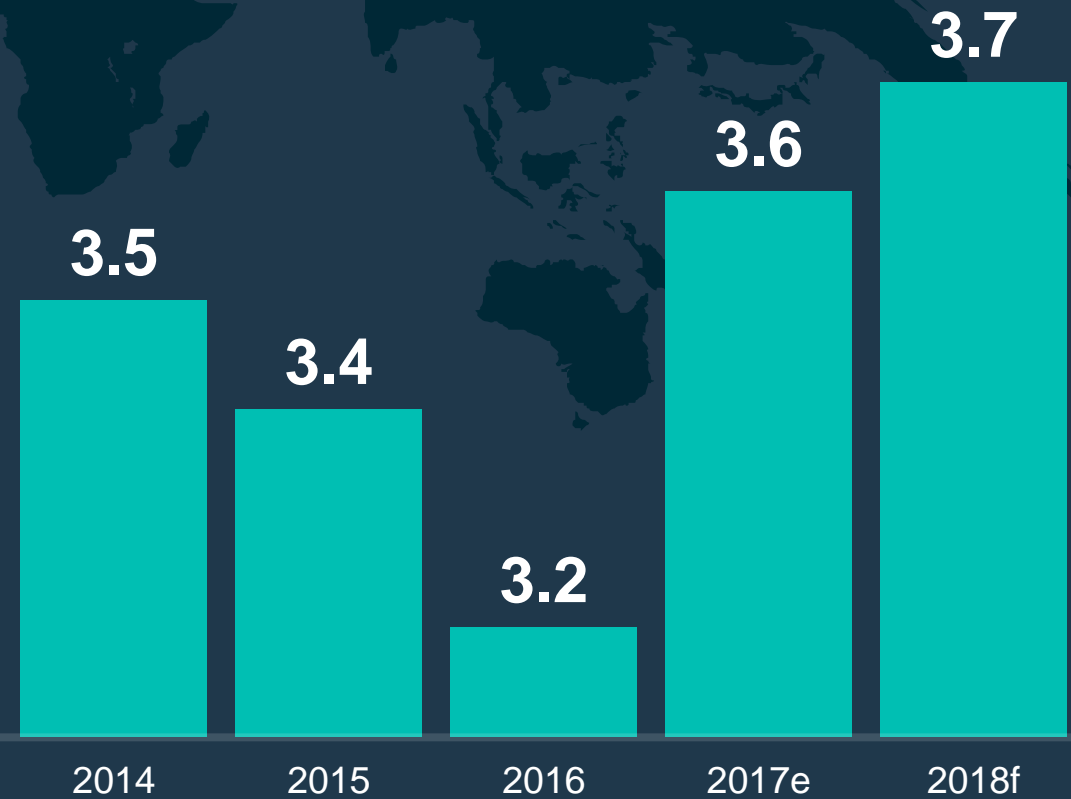
Agenda

- ① **World economic outlook**
- ② **Alberta economic outlook**
- ③ **Business transition in Canada**



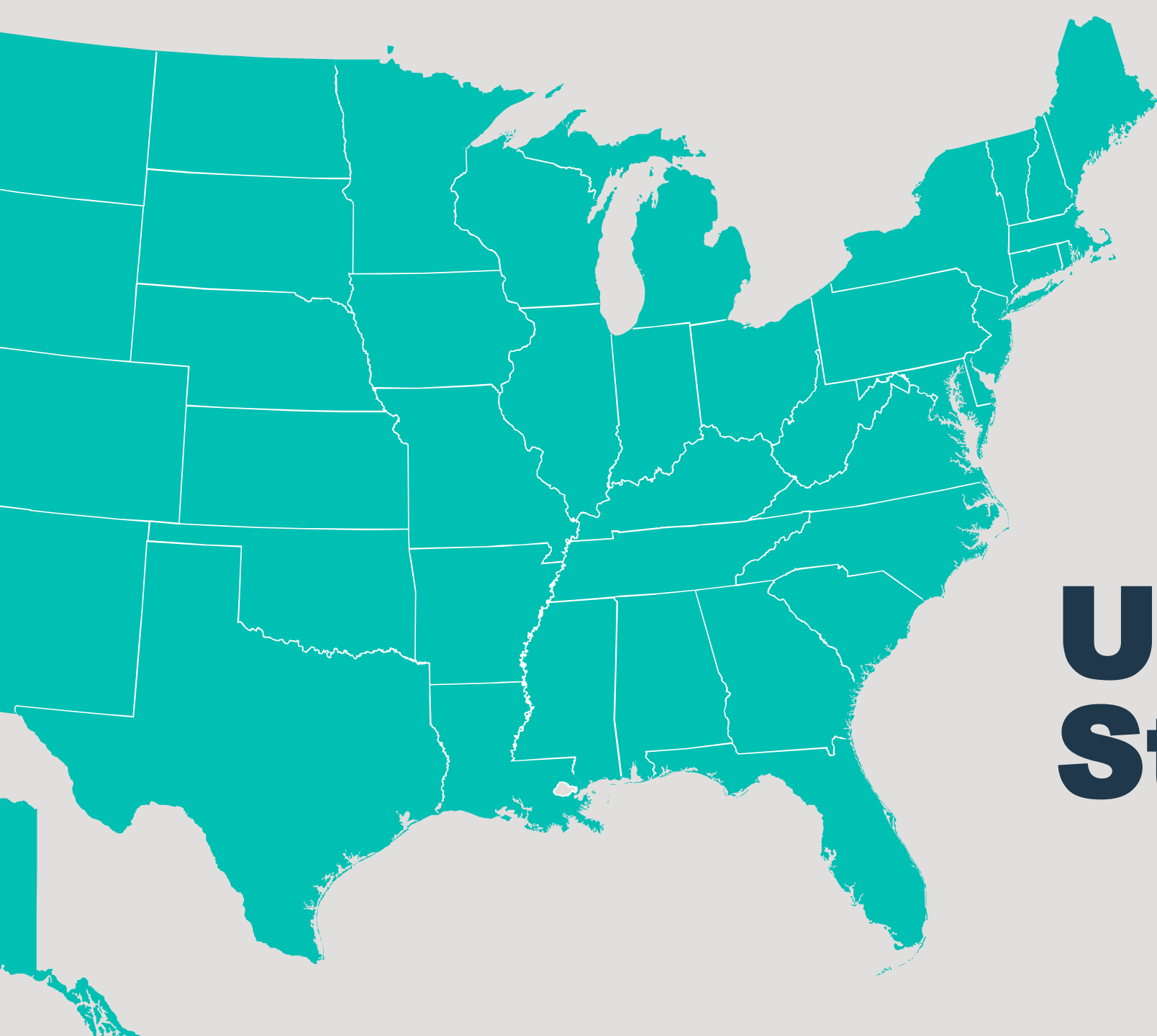
World

gross domestic product



Note: GDP 2010 constant prices, e = estimate; f = forecast

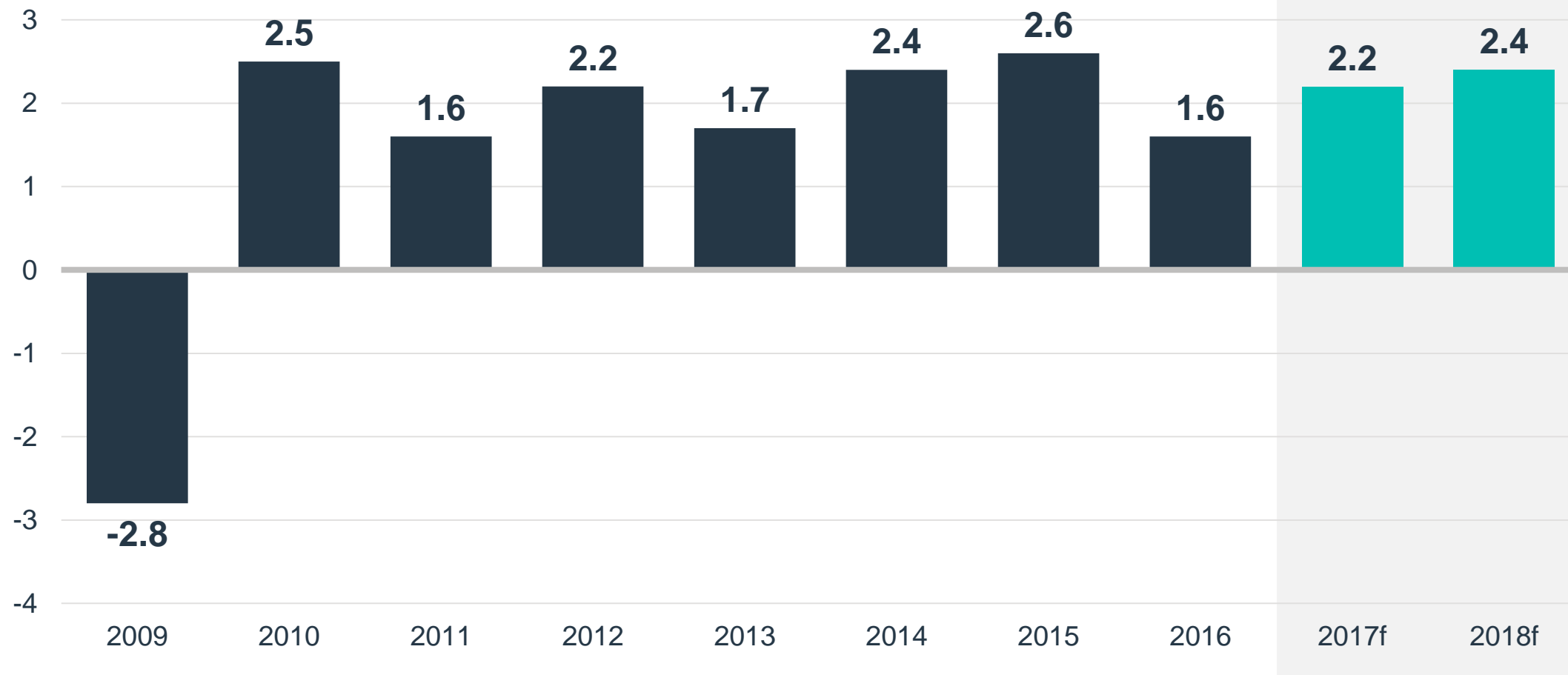
SOURCE: International Monetary Fund, *World Economic Outlook Update*, October 2017.



**United
States**

Real GDP, United States

Annual change, %



SOURCES: U.S. Bureau of Economic Analysis (historical data) and Consensus Forecasts, October 9, 2017.

Trump's economic agenda



**Energy sector
deregulation**



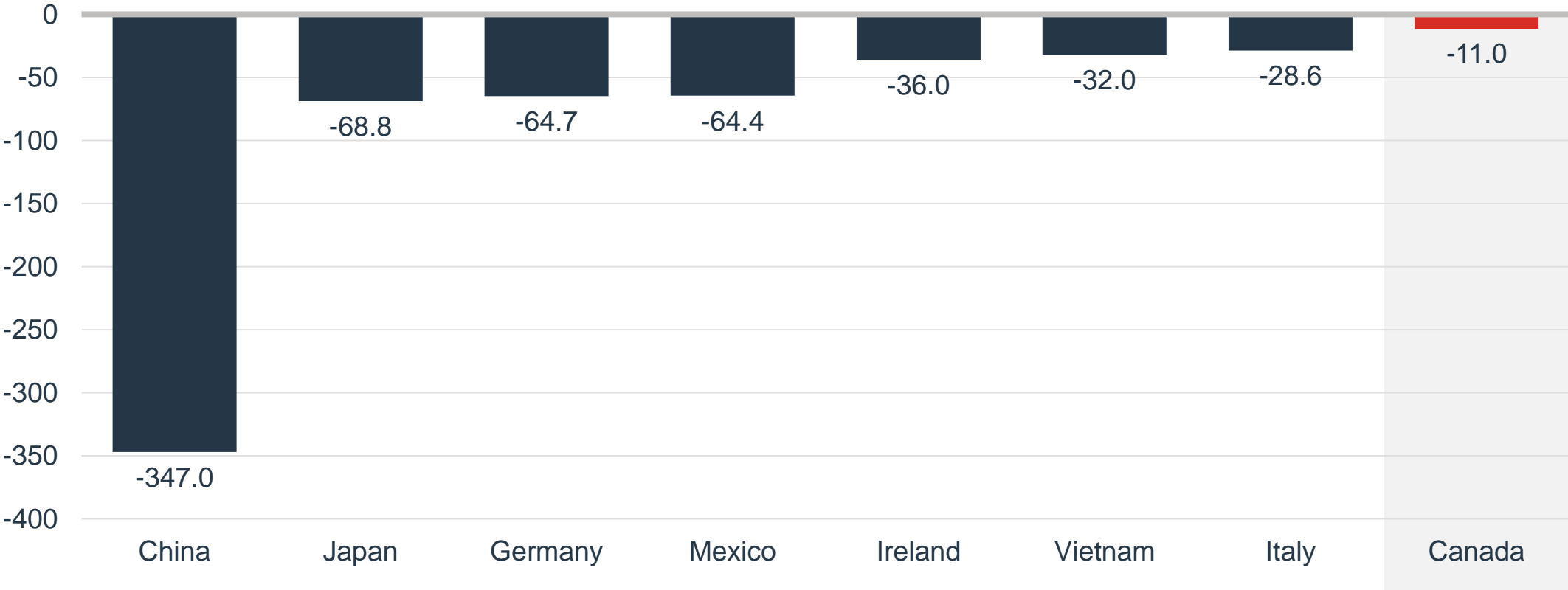
Tax cuts



**Infrastructure
spending**

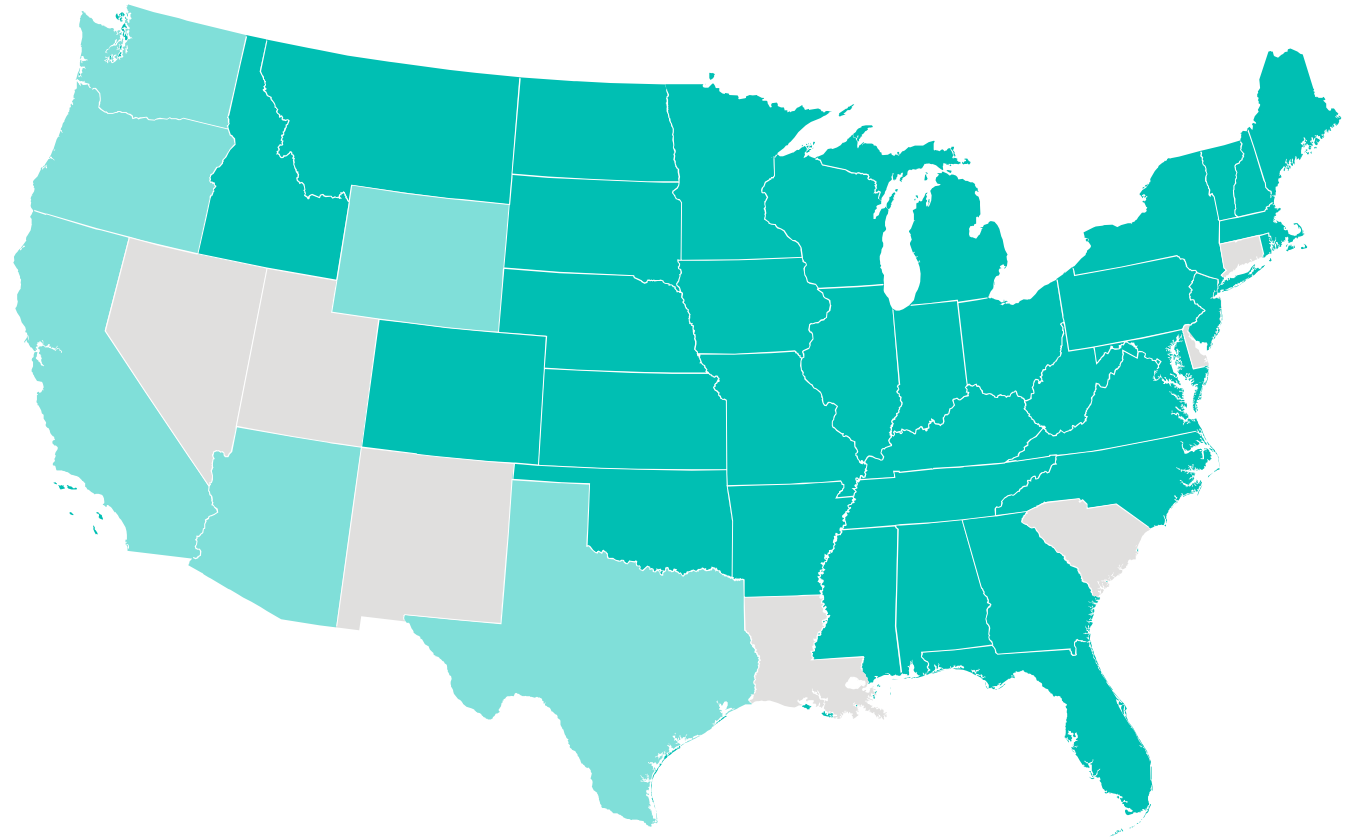
U.S. merchandise trade balance in 2016, by country

US\$ in billions



SOURCE: U.S. Census Bureau.

export market for 42 U.S. states



SOURCE: U.S. Census Bureau.

crude oil prices

Price of West Texas Intermediate,
US\$ per barrel

US \$105

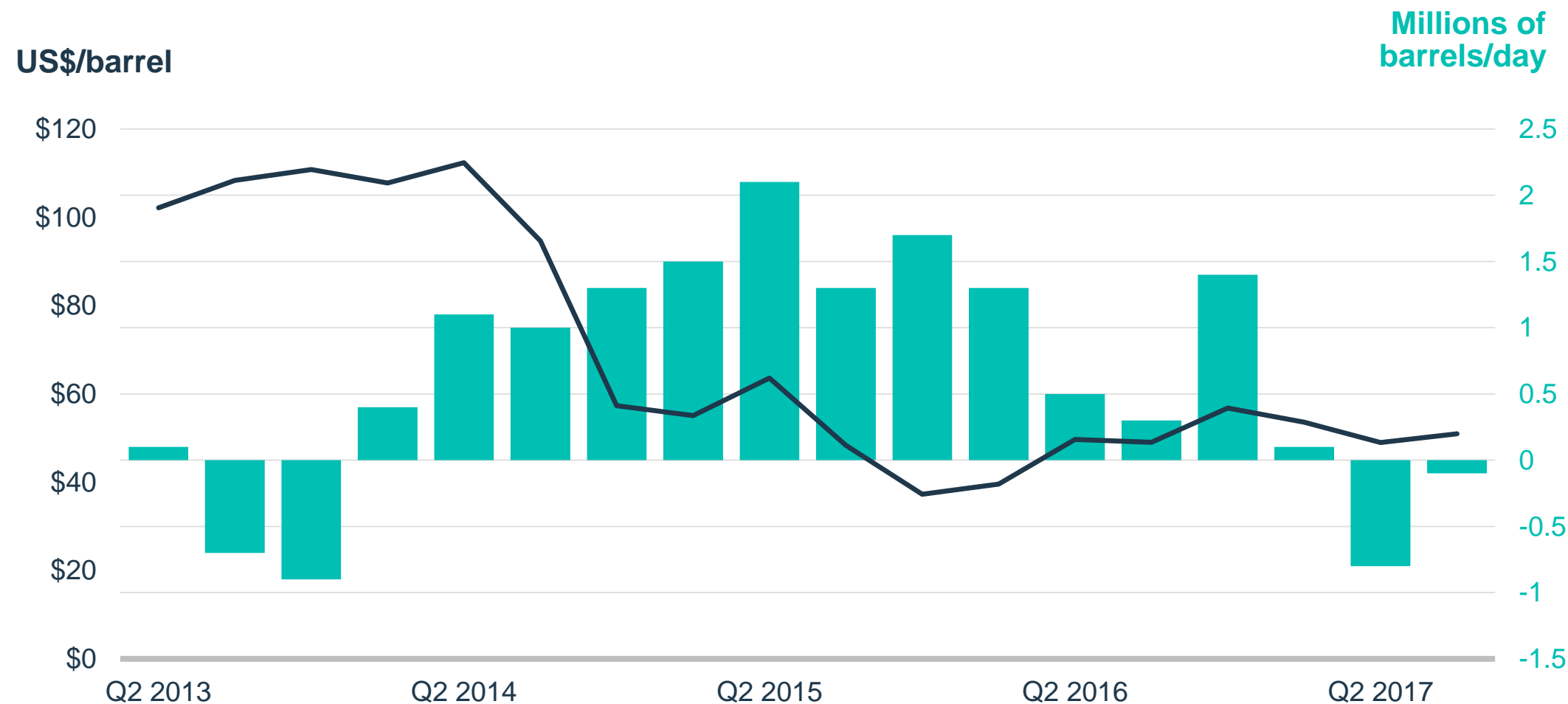
JUNE 2014



US \$57

NOVEMBER 2017

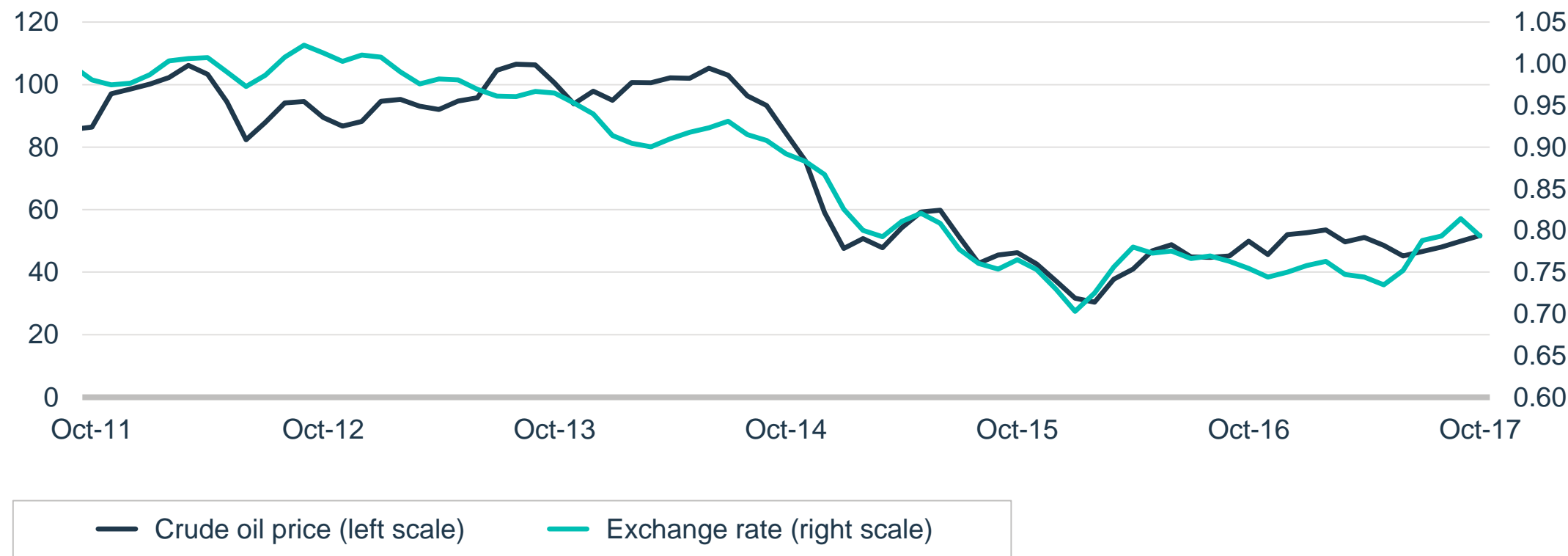
Global supply and demand of oil slowly coming into balance



SOURCES: Thomson Reuters Eikon, International Energy Agency (IEA), BDC Economic Analysis

Crude oil price and Canada/U.S. exchange rate

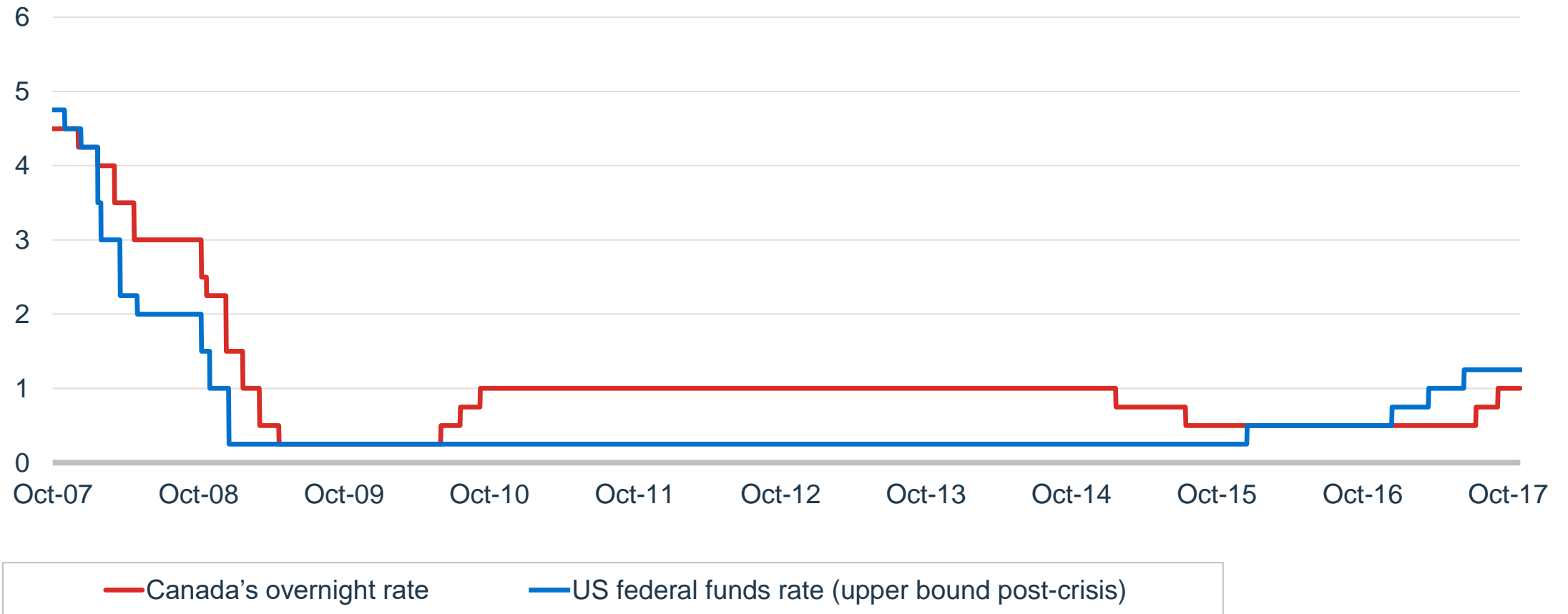
Price of West Texas Intermediate, US\$ per barrel; Canada/U.S.
exchange rate, US\$



SOURCES: U.S. Energy Information Association (spot crude oil price) and Bank of Canada (exchange rate).

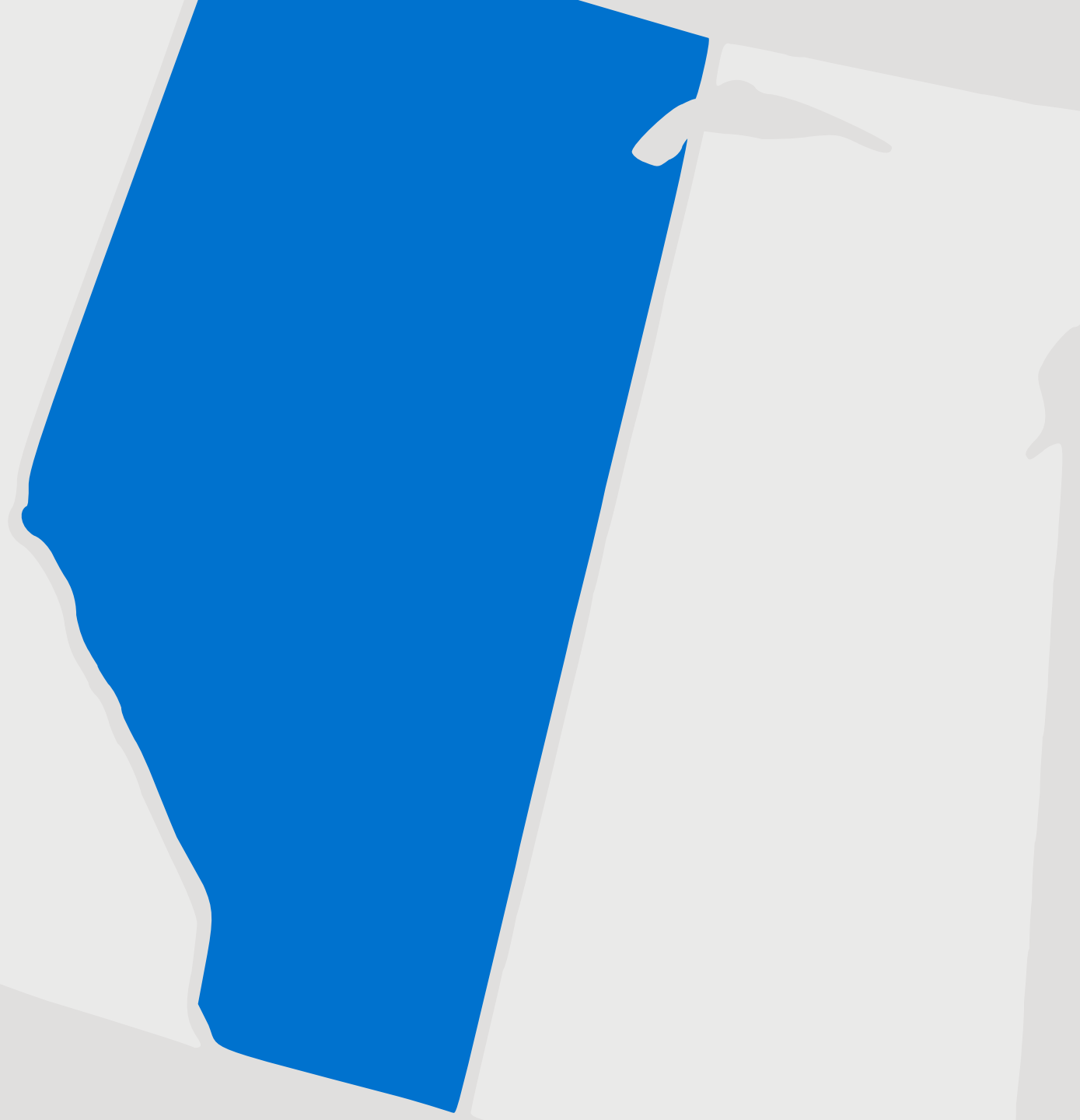
Canadian and U.S. key rates

Bank of Canada's overnight rate and Federal Open Market Committee's target federal funds rate, %



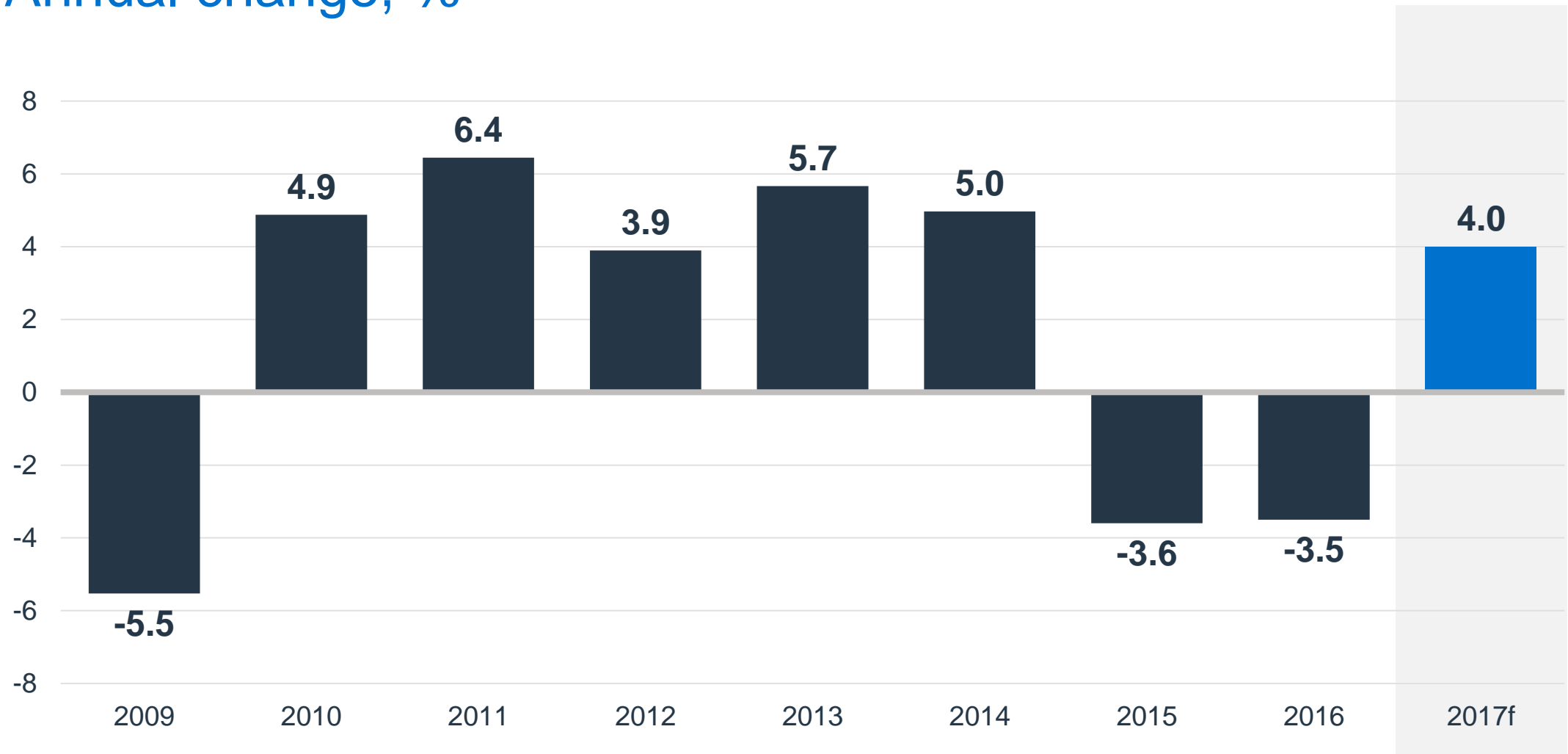
Alberta

economic outlook



Real GDP, Alberta

Annual change, %

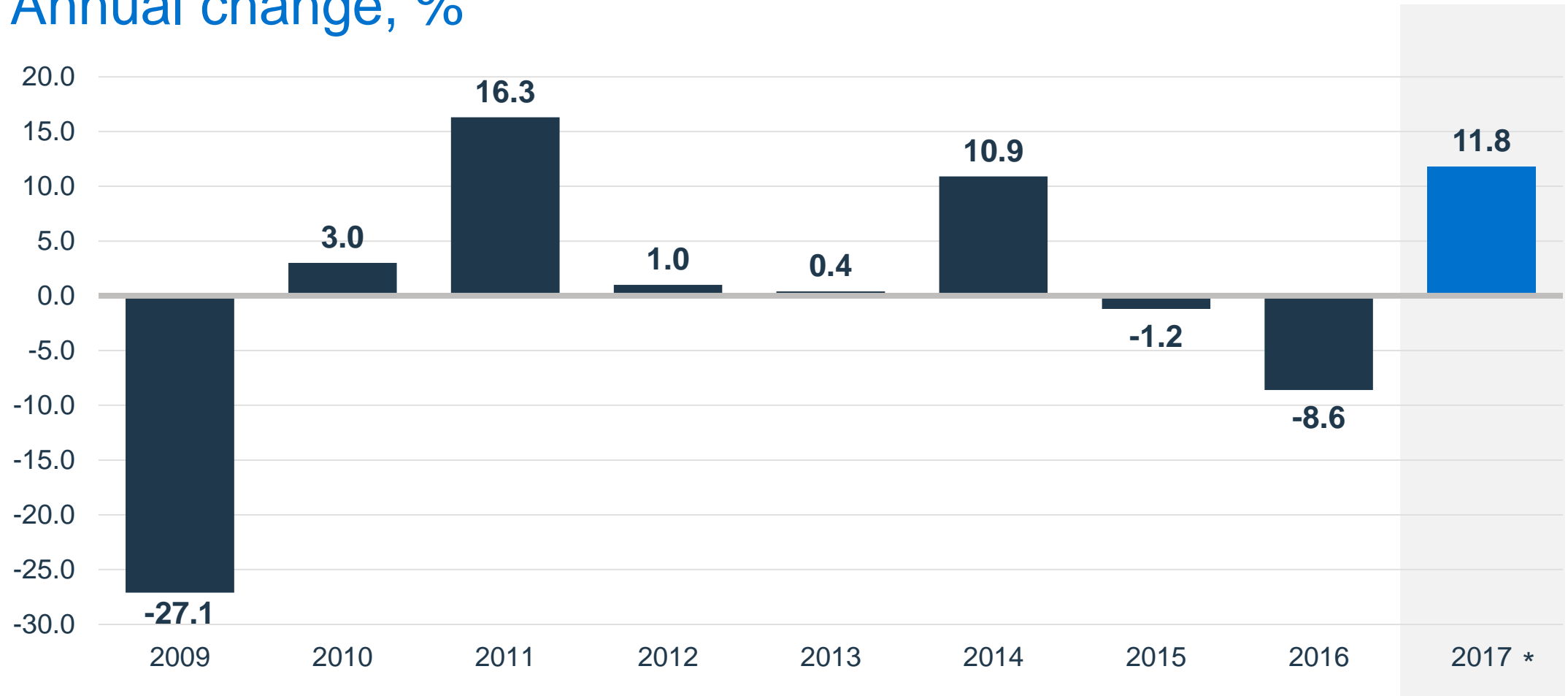


f= forecast

SOURCES: Statistics Canada (historical data) and average of chartered banks forecasts (estimate)

Exports, energy products excluded, Alberta

Annual change, %

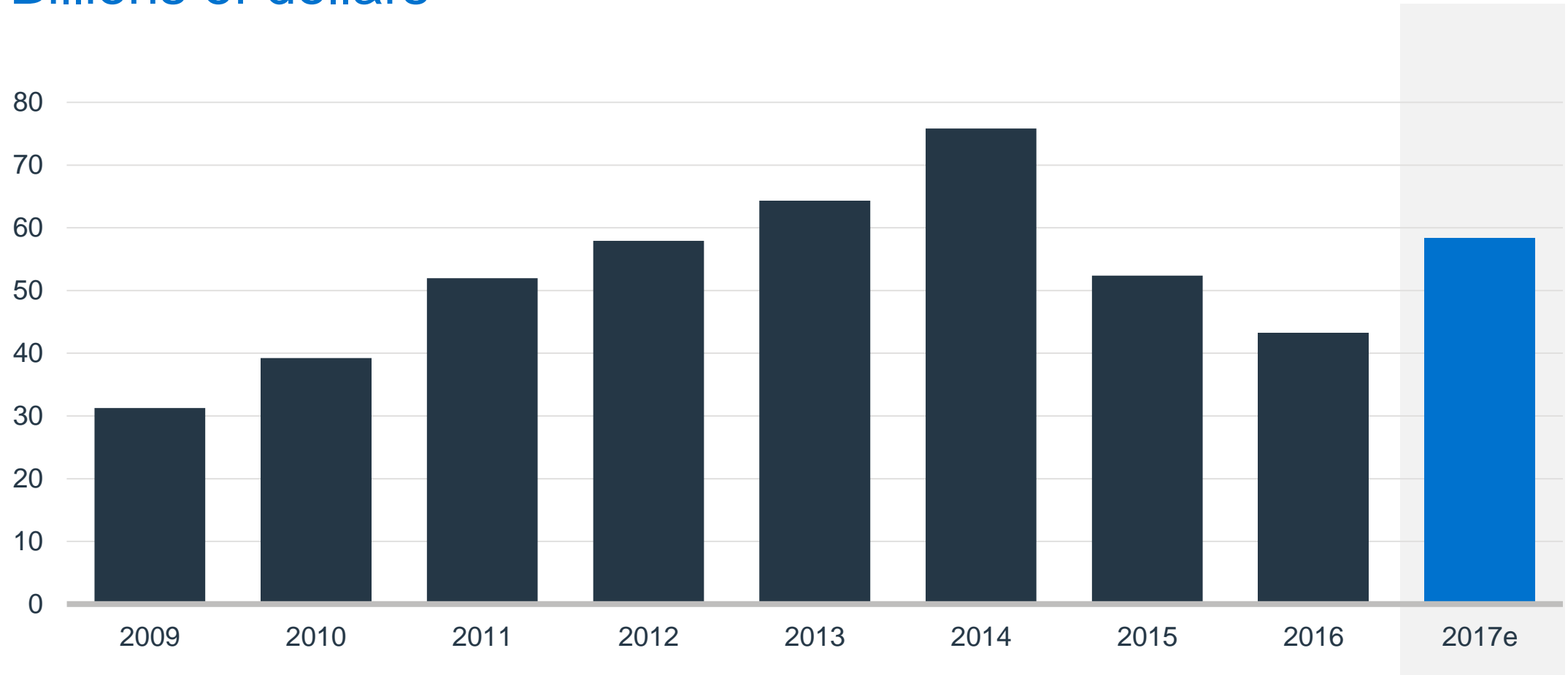


* *= year to date as available, Jan-Sept 2017 compared to same period last year

SOURCE: Statistics Canada; BDC calculations

Exports, crude petroleum oils and oils obtained from bituminous minerals, Alberta

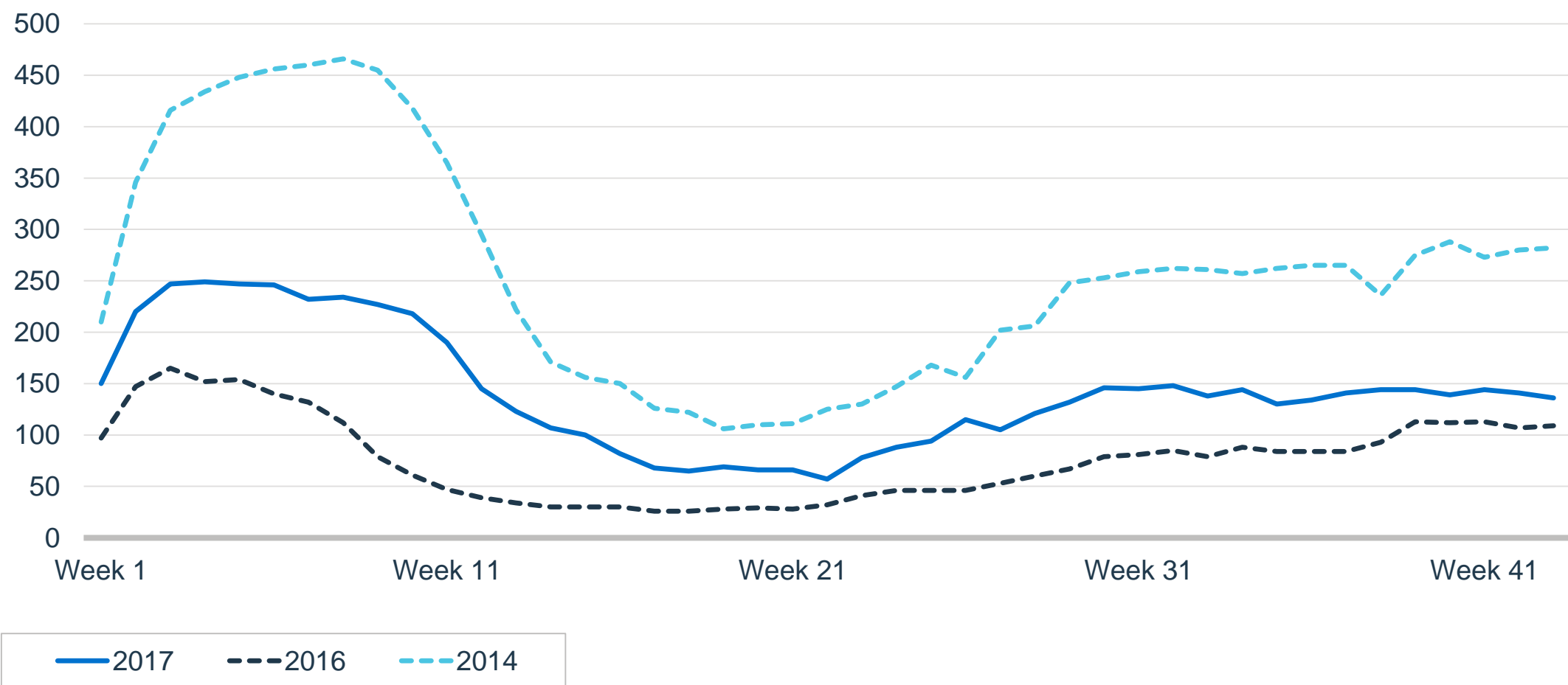
Billions of dollars



SOURCE: Innovation, Science and Economic Development Canada; BDC calculations

Active oil and gas rig count in Alberta

Number of active rigs, 2014 to present



SOURCE: Baker Hughes

Crude oil production, Alberta

Millions of barrels per day

2.9



2014

3.1



2015

3.1



2016

3.3

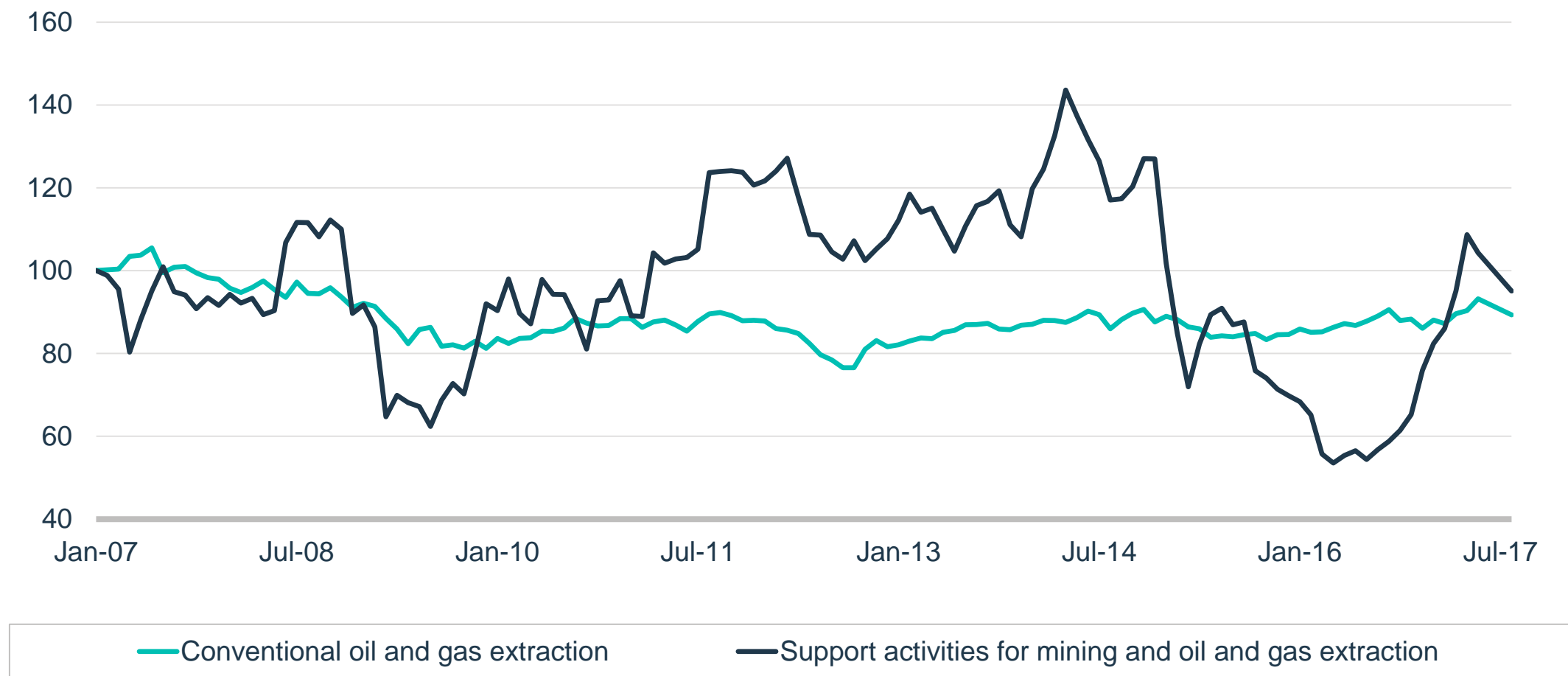


2017e

e = estimate

SOURCE: National Energy Board

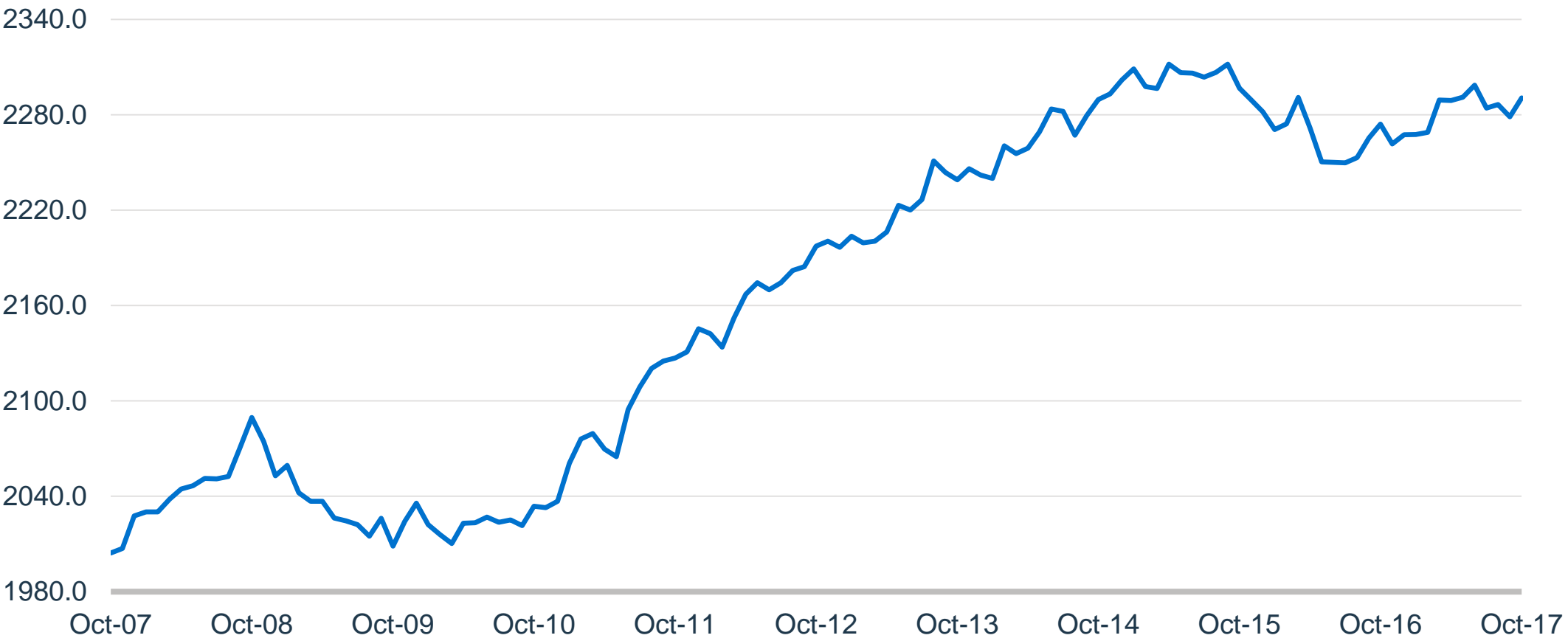
Real GDP in oil and gas sector



SOURCE: Statistics Canada

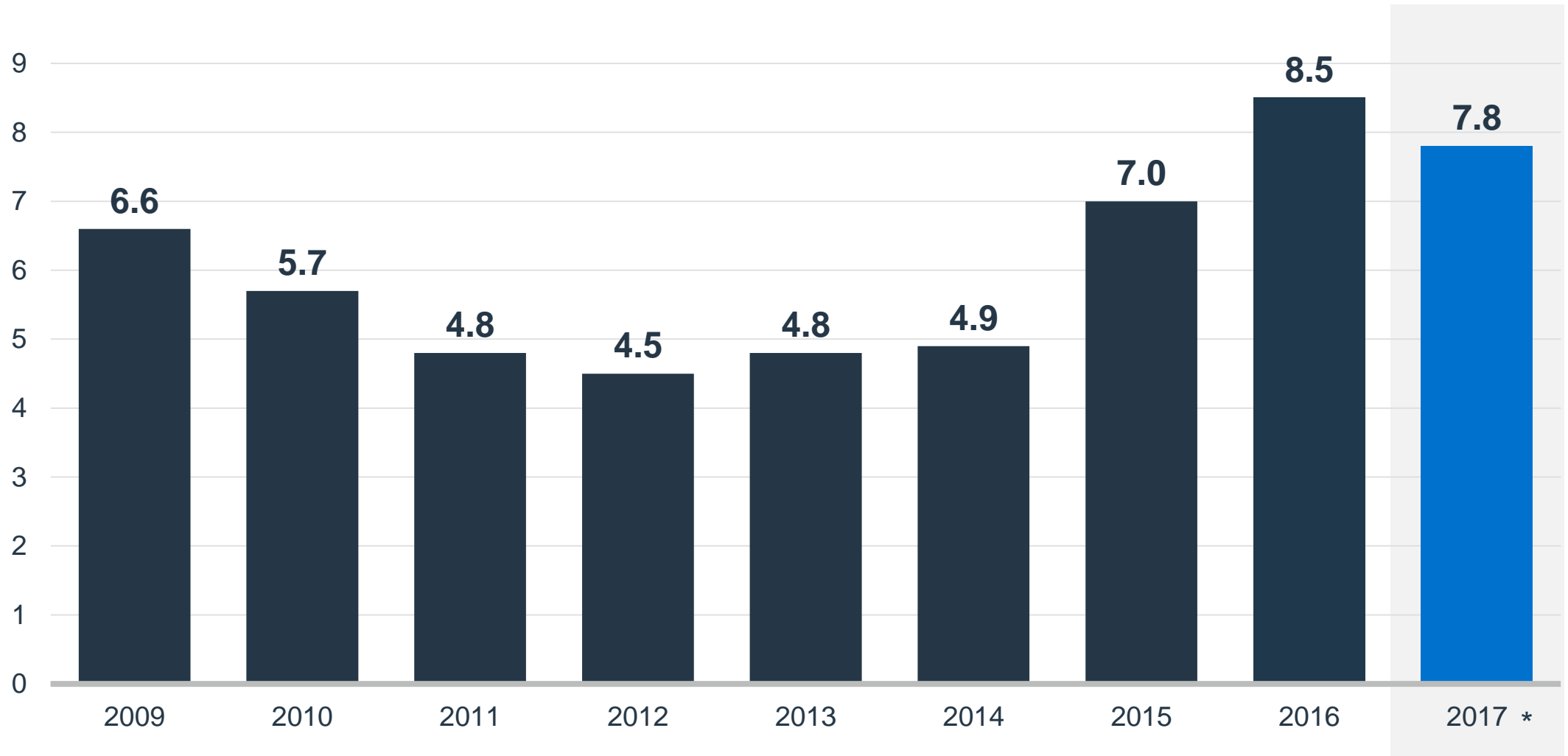
Employment, Alberta

Thousands of people



SOURCE : Statistics Canada

Unemployment rate, Alberta



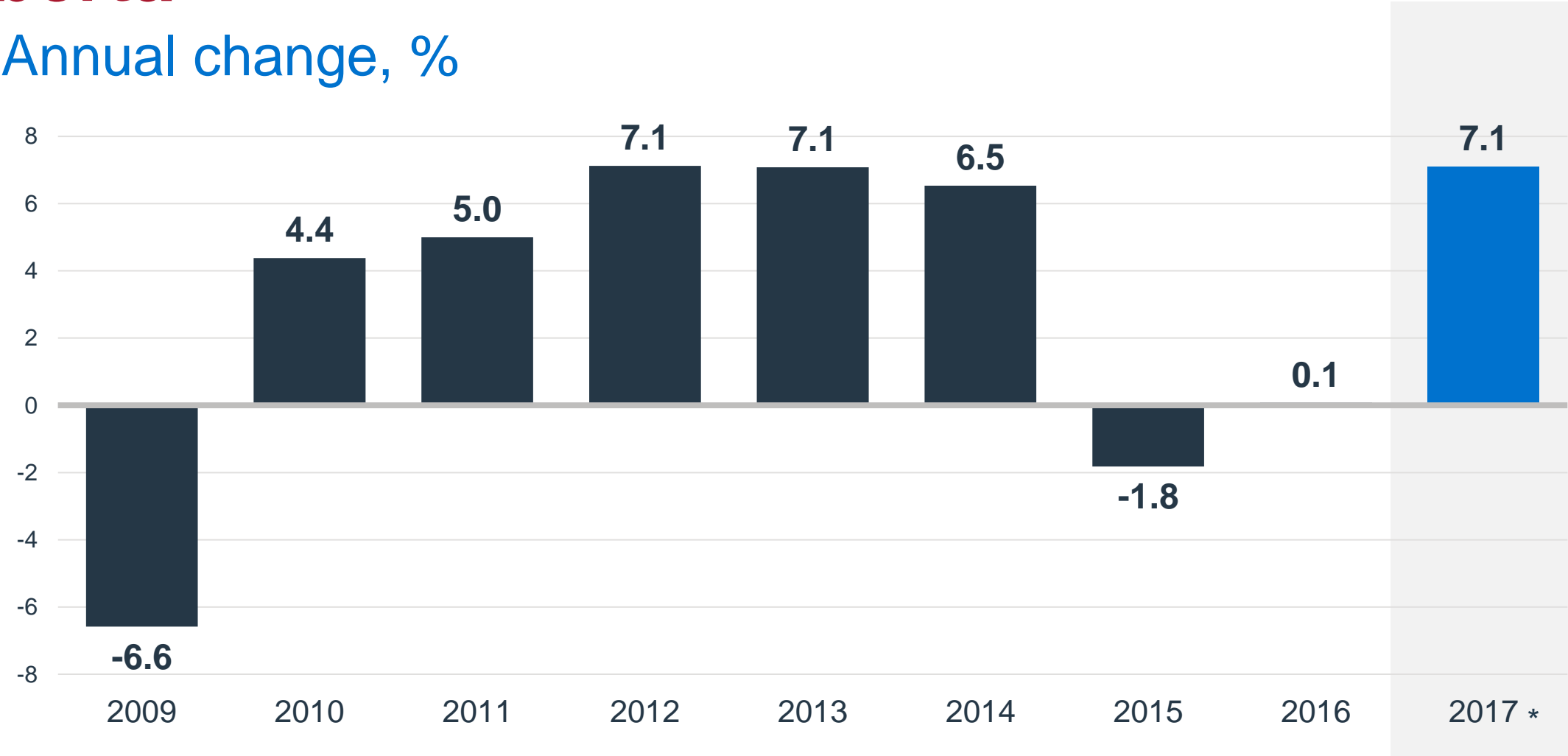
Latest data available.

*October 2017

SOURCE: Statistics Canada

Retail sales, gasoline stations excluded, Alberta

Annual change, %



* * = year to date as available, Jan-Aug 2017 compared to same period last year

SOURCE: Statistics Canada; BDC calculations

Housing Starts, Alberta

Thousands of units

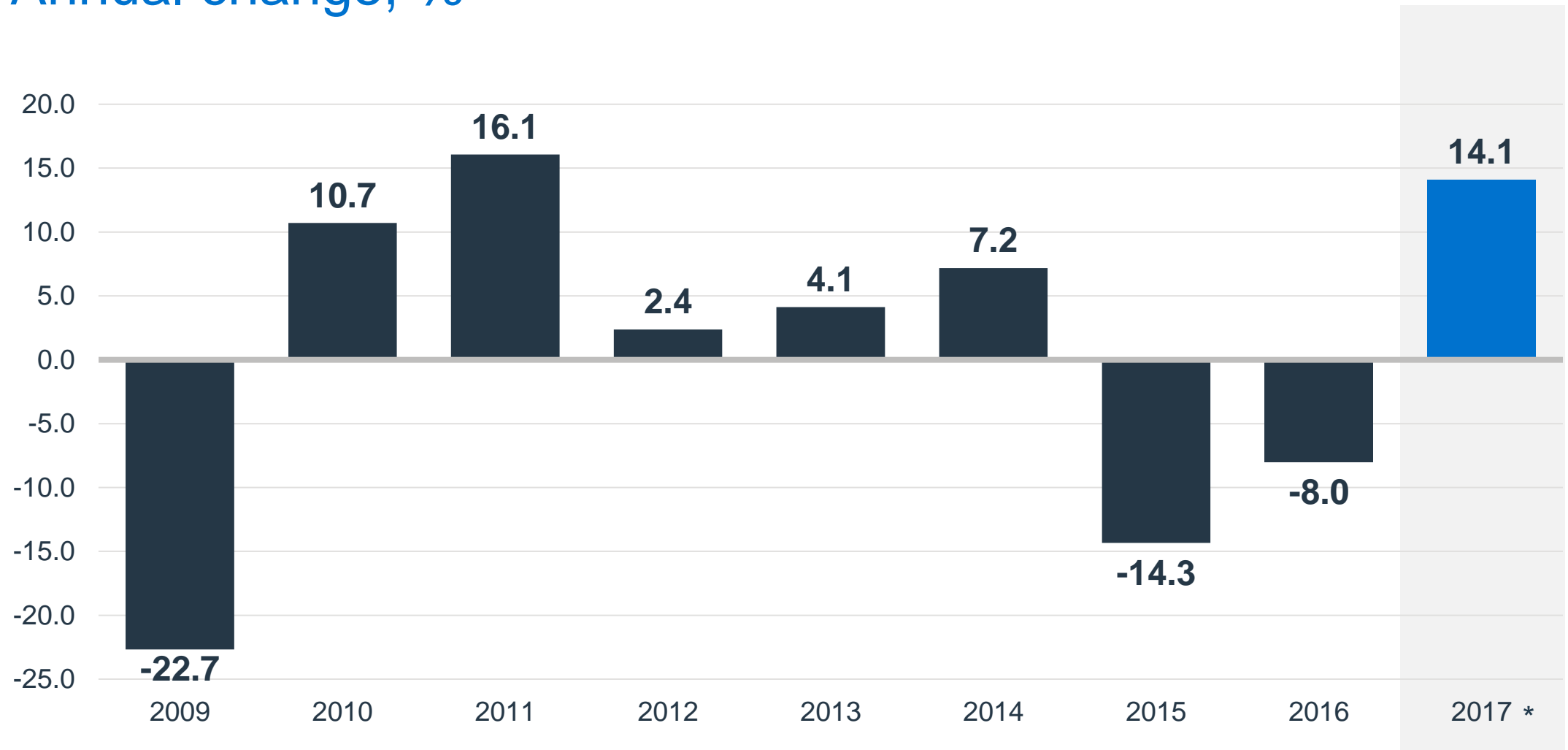


*Estimates based on first three trimesters

SOURCE: Statistics Canada

Manufacturing sales, Alberta

Annual change, %

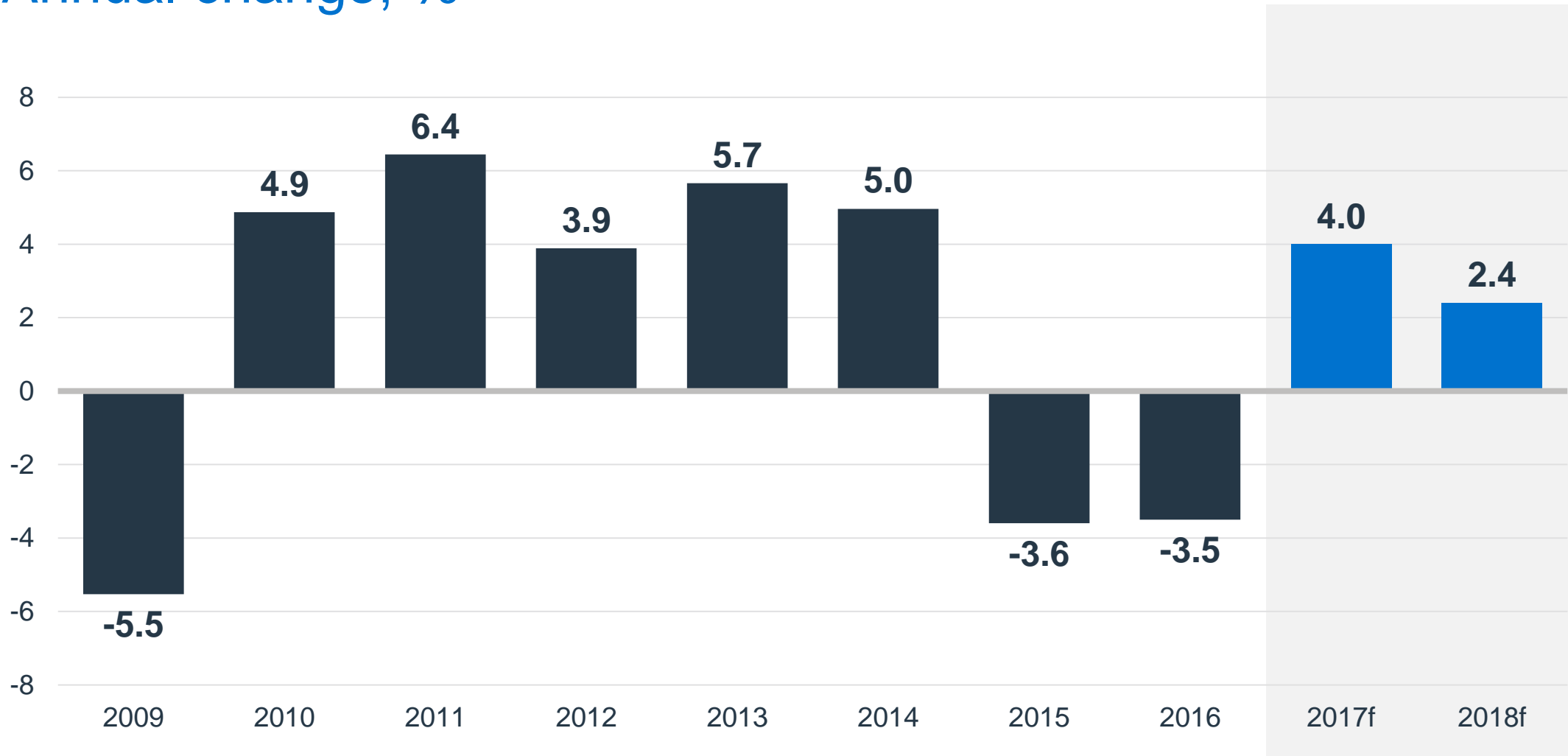


*= year to date as available, Jan-Aug compared to same period last year

SOURCE: Statistics Canada; BDC calculations

Real GDP, Alberta

Annual change, %



f= forecast

SOURCES: Statistics Canada (historical data) and average of chartered banks forecasts



business **transition**

**Understanding the Canadian
market to successfully buy
or sell a company**

The Canadian
population is

**getting
older**

Median age

26

1971

33

1991

40

2011

44

2031 (F)

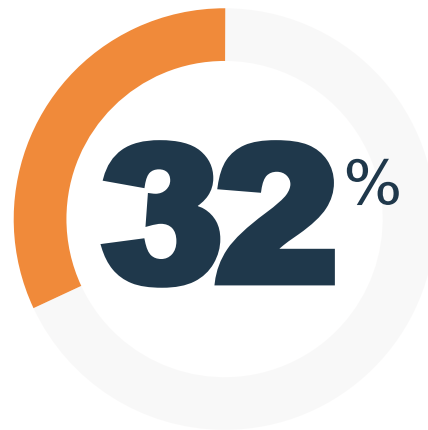
SOURCE: Statistics Canada



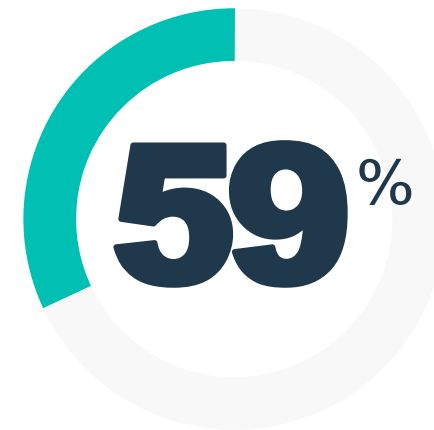
Entrepreneurs are older than the Canadian workforce



**50 years-old
or older**



Canadian workforce



Canadian entrepreneurs

SOURCE: Statistics Canada, CANSIM Table 282-0001 and Statistics Canada, Survey on Financing and Growth of SMEs, 2014.

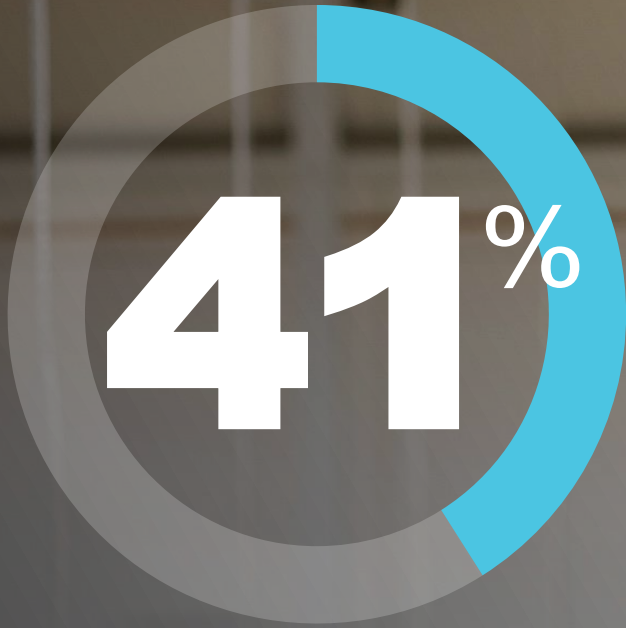
2,500+

**Owners of Canadian small and
medium-sized businesses surveyed**



**Who are
the sellers?**





of entrepreneurs
**plan to exit their
business and not
acquire another**



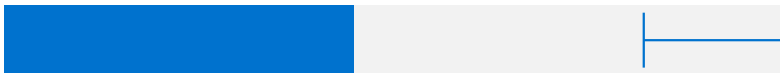
The trend is stronger in Atlantic Canada and the Prairies

% of entrepreneurs who will exit their business and not acquire another company

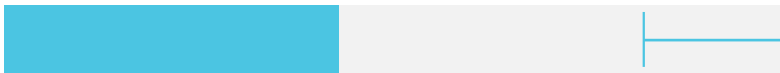
Atlantic



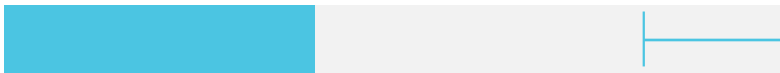
Prairies



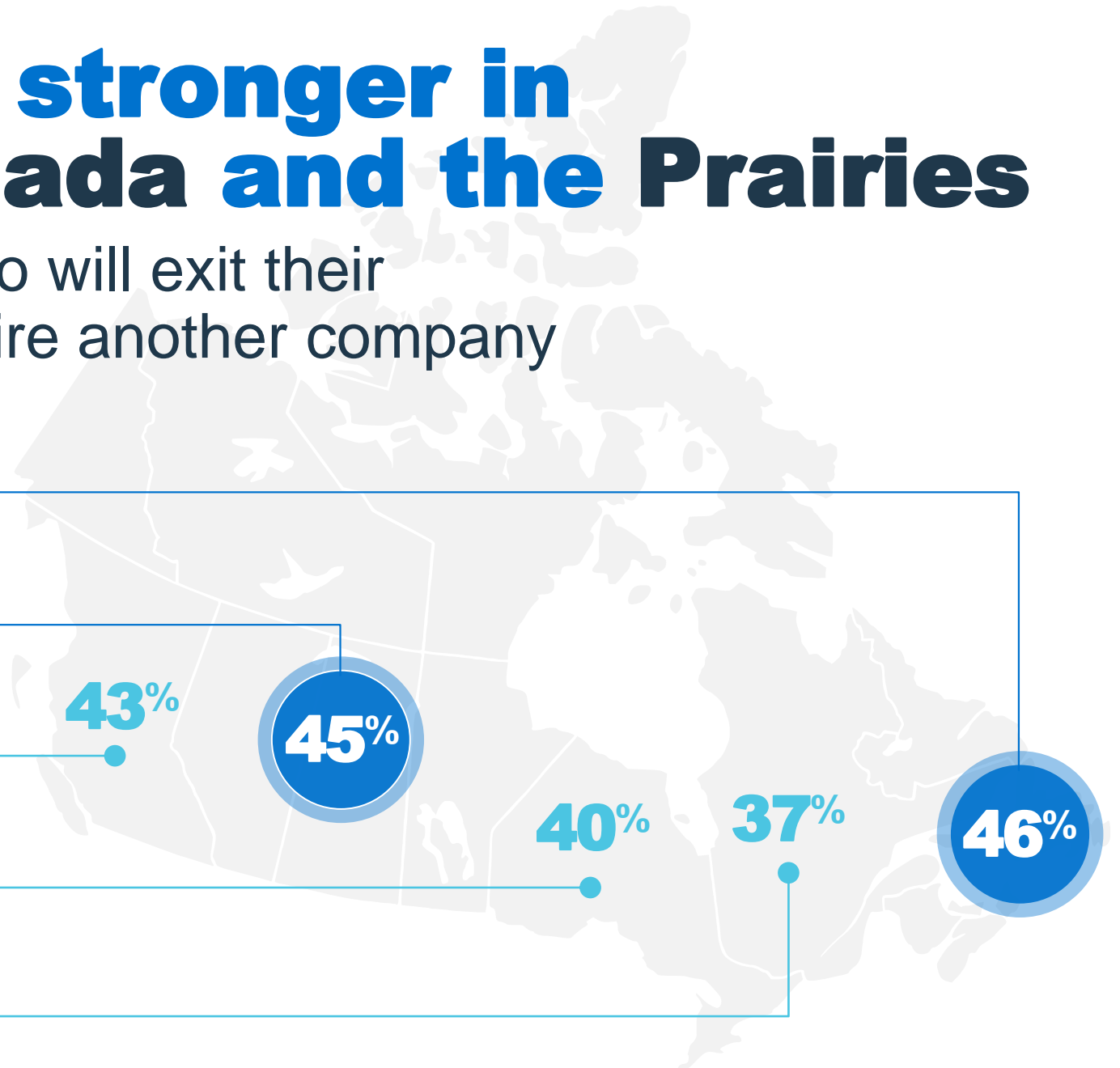
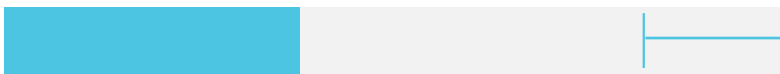
BC and Territories



Ontario

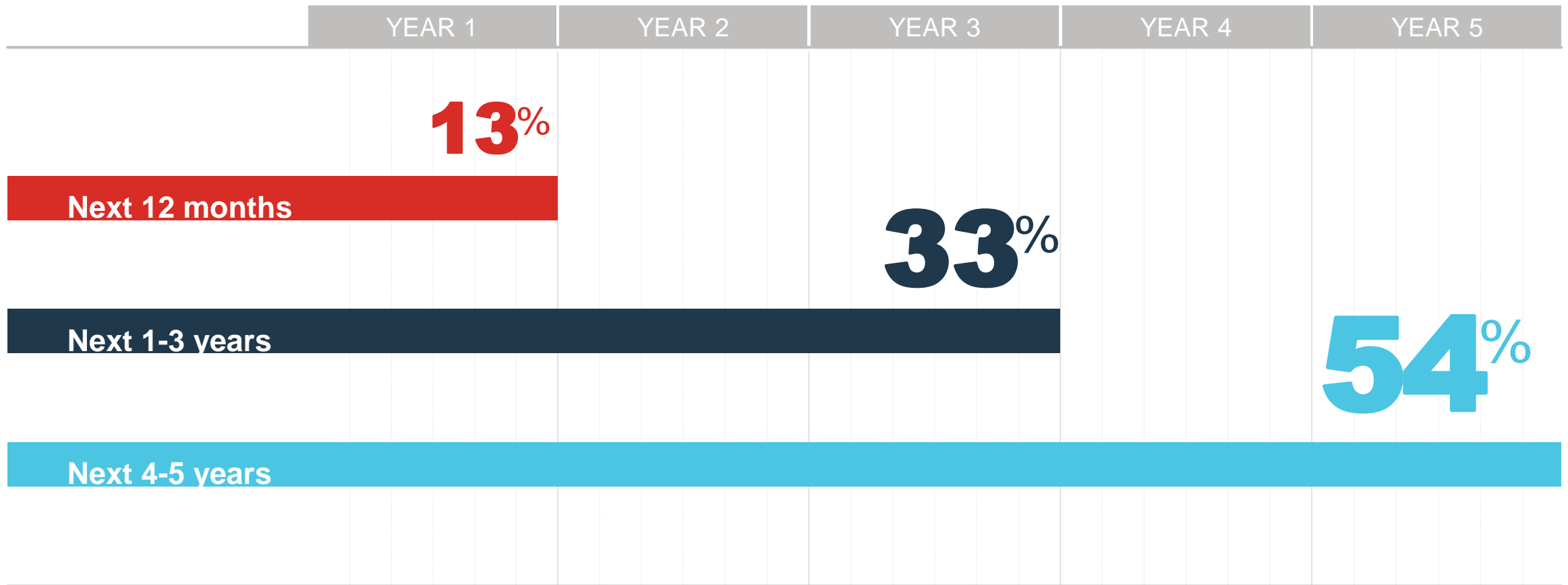


Quebec



A boom in transitions coming up

When do they expect to leave?



A photograph of three business professionals (two men and one woman) sitting around a table in a modern office setting, engaged in a discussion. A laptop and some papers are on the table. The image is used as a background for the top half of the slide.

Are entrepreneurs leaving money on the table?

ONLY...

48%

plan to expand
their business

49%

have sound
financial reporting

37%

have taken action
to maximize profits

**Who are
the buyers?**

A large, solid orange shape occupies the bottom right portion of the image. It has a rounded top-right corner and a diagonal edge separating it from the dark blue background.



19%

of entrepreneurs
**intend to make
an acquisition**



44%

of leaders of
larger businesses
**intend to make
an acquisition**

The buyers, among the most dynamic businesses in Canada



84%

Eager
to grow



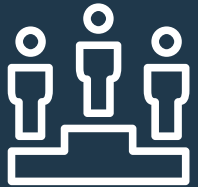
63%

Willing
to take risks

No.1 motivation is **buying a competitor**

36%

Horizontal integration
(acquire a competitor)



27%

Expand geographic
presence



23%

Acquire a known brand
to increase reputation



23%

Vertical integration
(acquire a supplier/client)



Stable, profitable businesses – **most sought-after**



61%

of buyers are looking
for a **stable, profitable business**



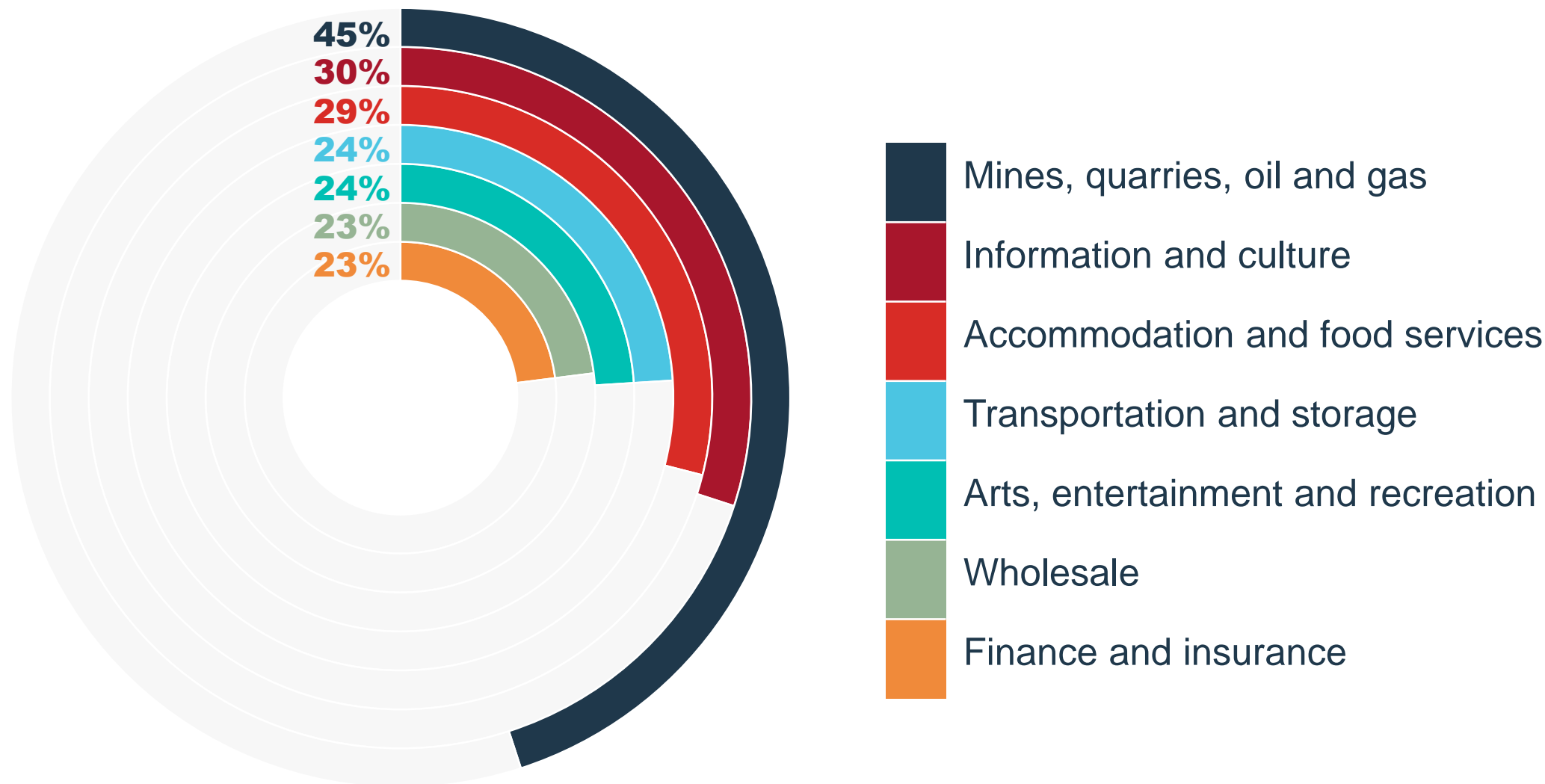
31%

of buyers are looking
for a **growing, profitable business**

62%

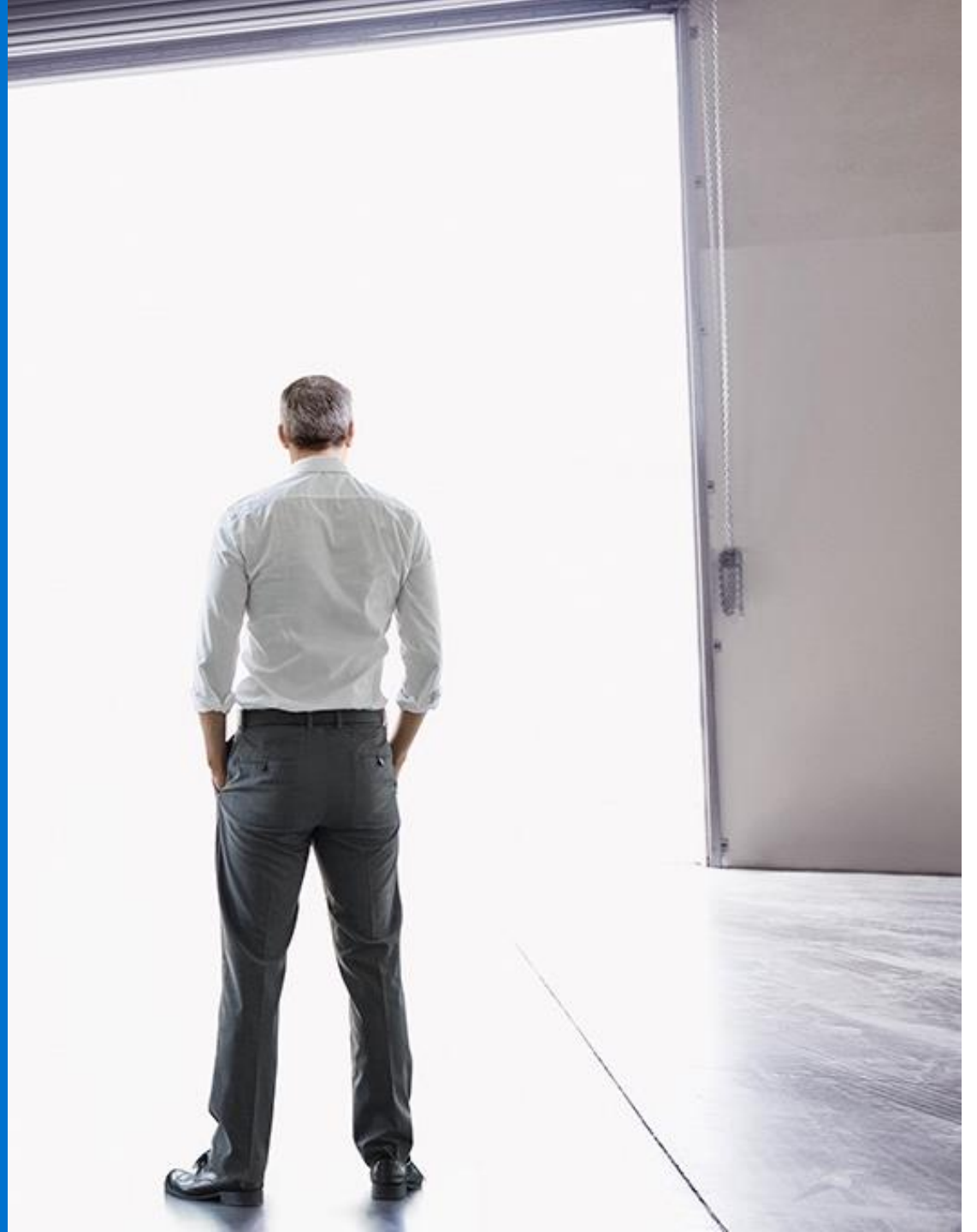
**of potential buyers
want a business the
same size or
smaller than
their own**

Breakdown of buyers by industry



A boom
in transitions
coming up

Significant
opportunities
for consolidation
and expansion



In summary

Global economic growth has gained momentum in 2017 and it is expected to continue in 2018.

With oil prices stabilizing and strong economic expansion in the U.S., the Albertan economy is expected to continue its recovery.

Part of this story will no doubt be how mining and oil and gas companies scale up through acquisition and become more internationally competitive.



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Questions?

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