



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

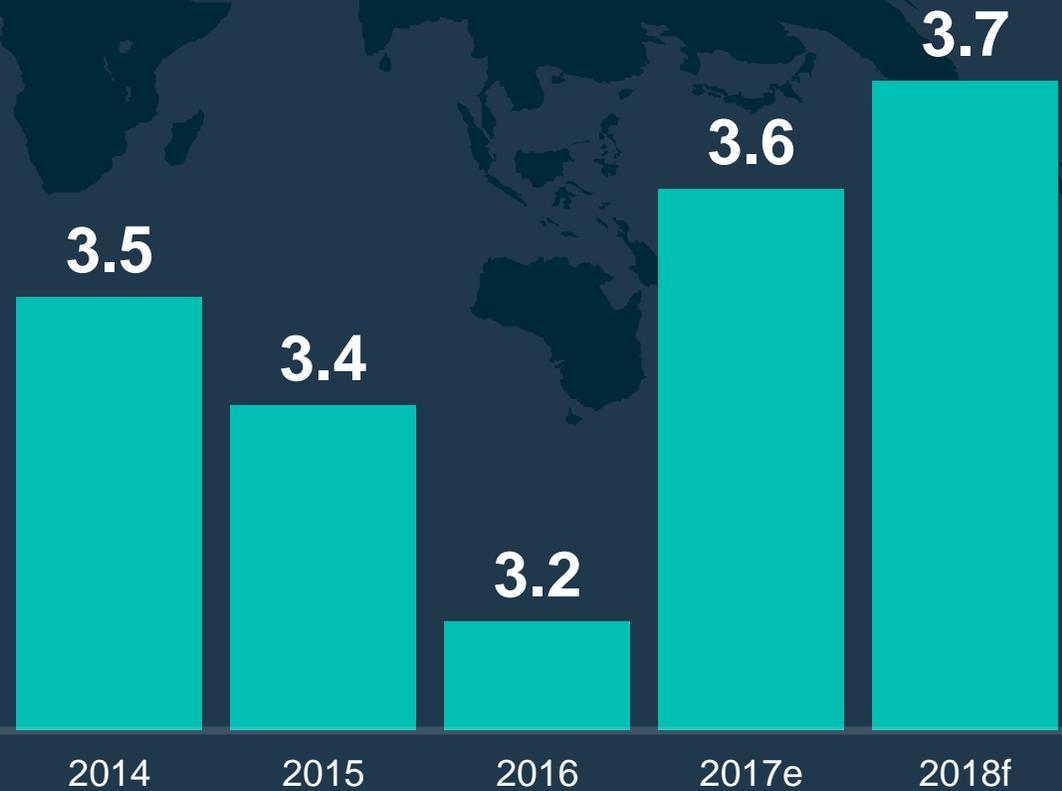


Agenda

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

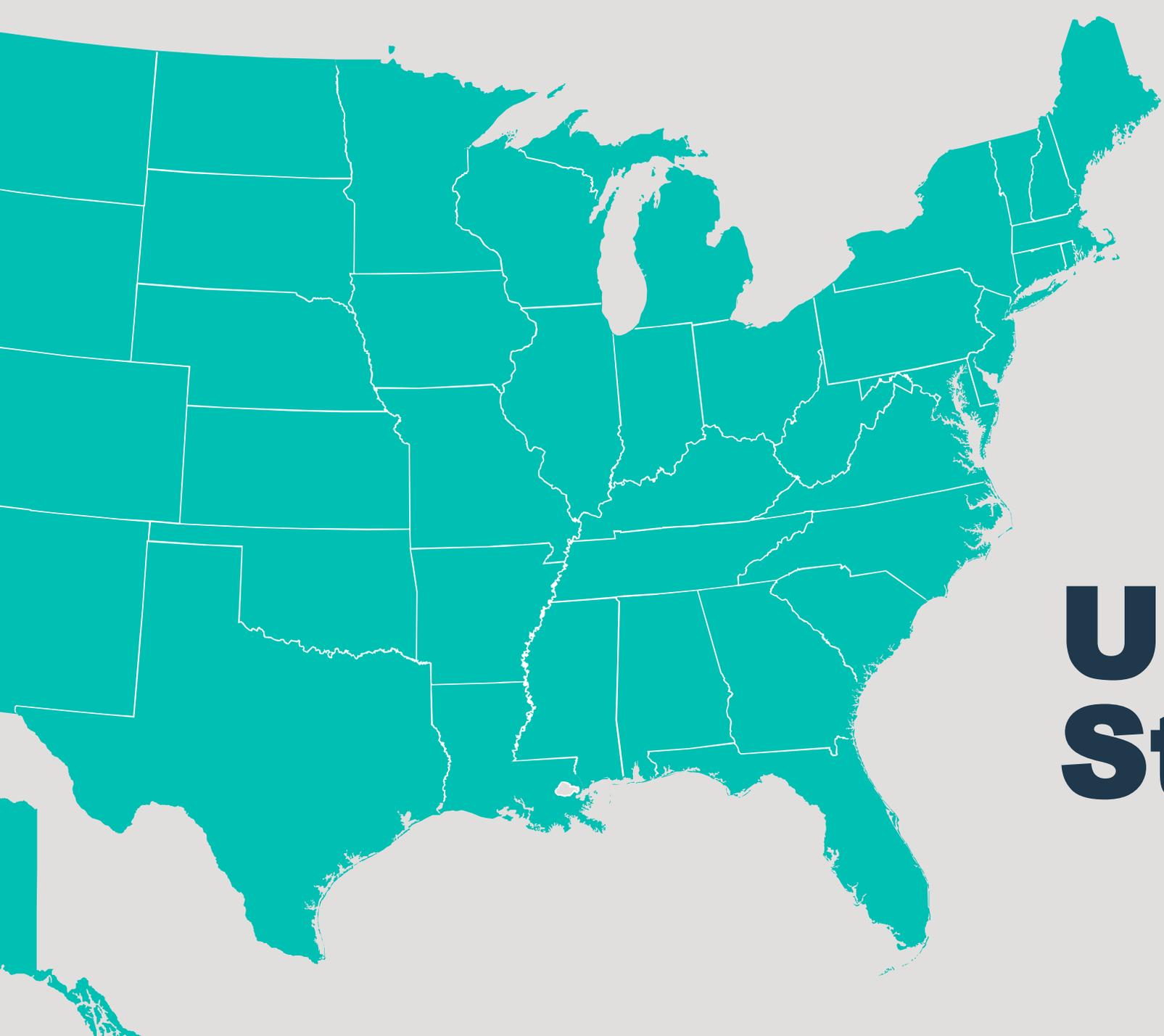
World

gross domestic product



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

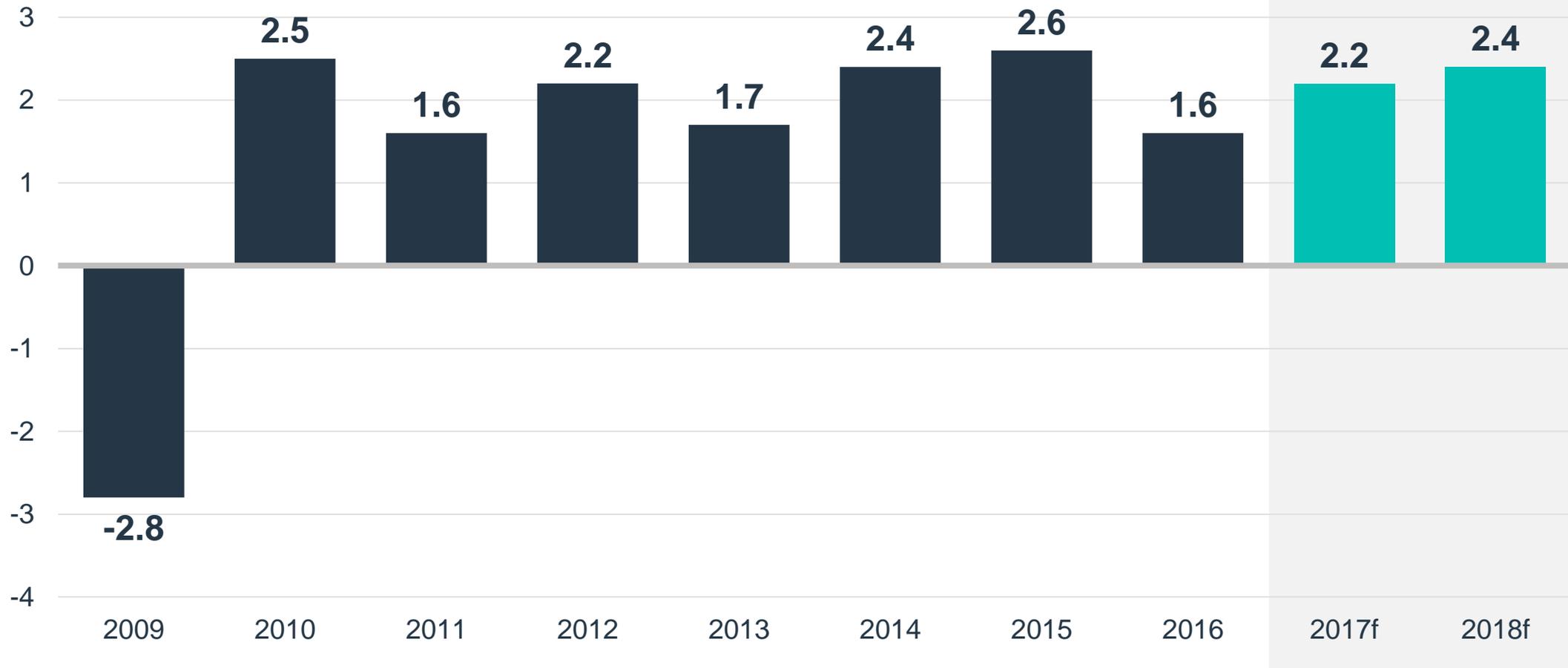
SOURCE: International Monetary Fund, *World Economic Outlook Update*, October 2017.



United States

Real GDP, United States

Annual change, %

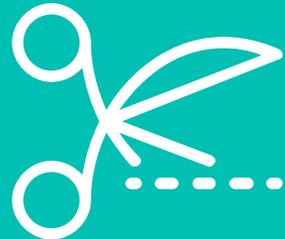


SOURCES: U.S. Bureau of Economic Analysis (historical data) and Consensus Forecasts, October 9, 2017.

Trump's economic agenda



**Energy sector
deregulation**



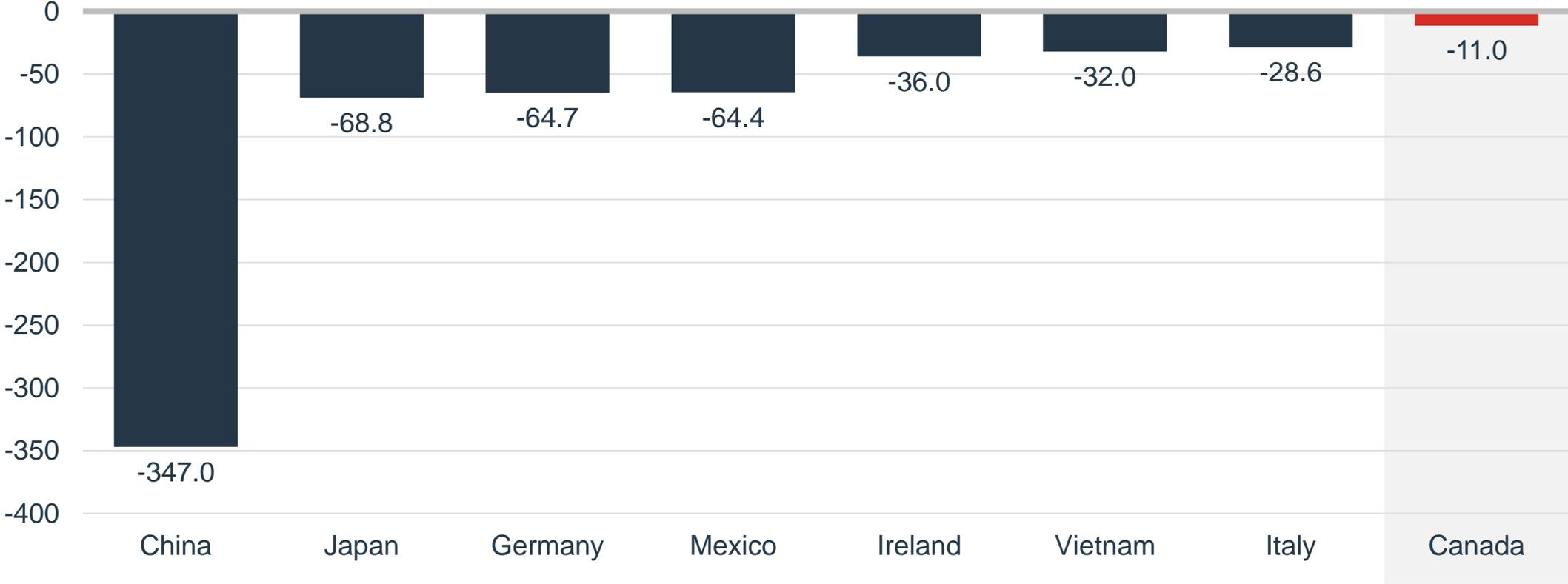
Tax cuts



**Infrastructure
spending**

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

US\$ in billions



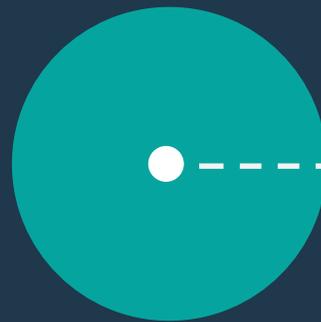
SOURCE: U.S. Census Bureau.

crude oil prices

Price of West Texas Intermediate,
US\$ per barrel

US \$105

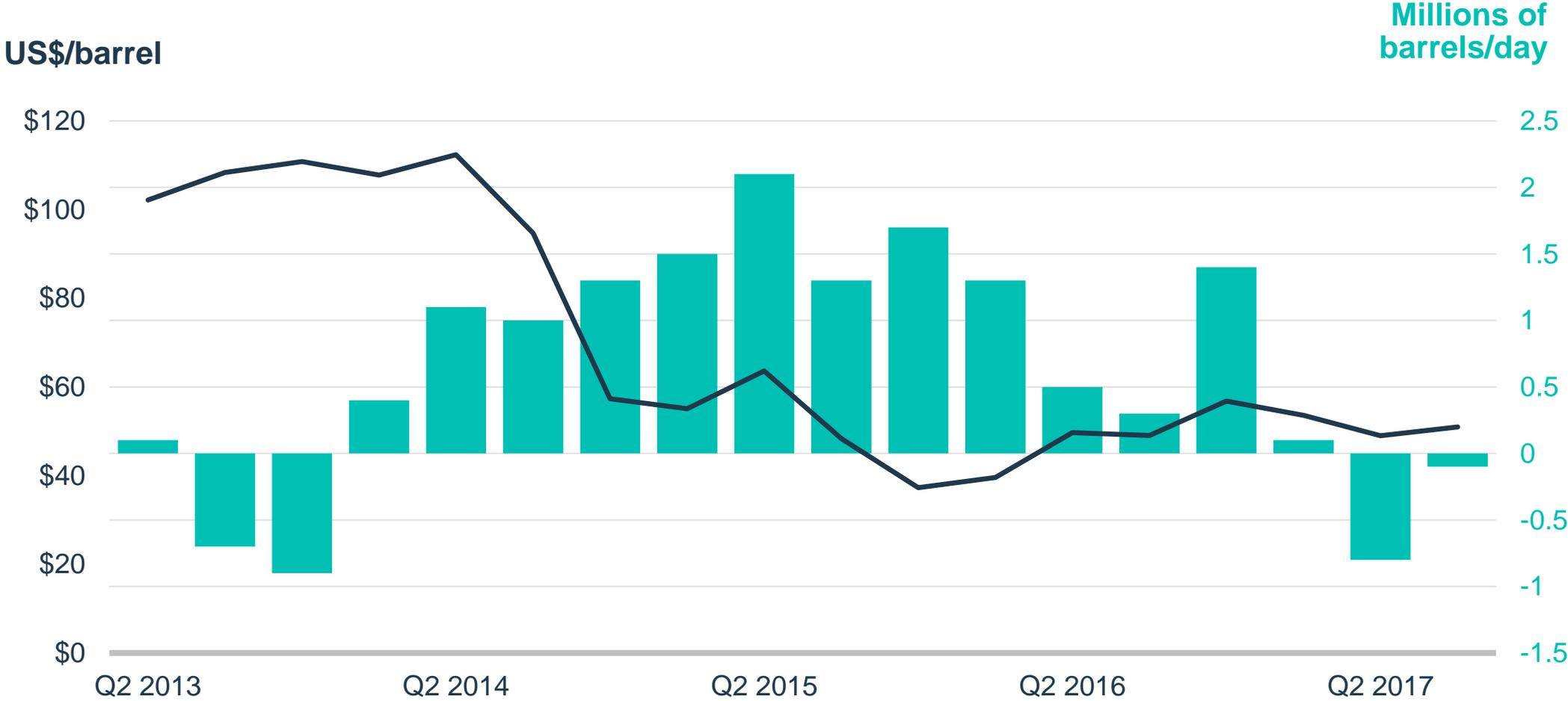
JUNE 2014



US \$57

NOVEMBER 2017

Global supply and demand of oil slowly coming into balance

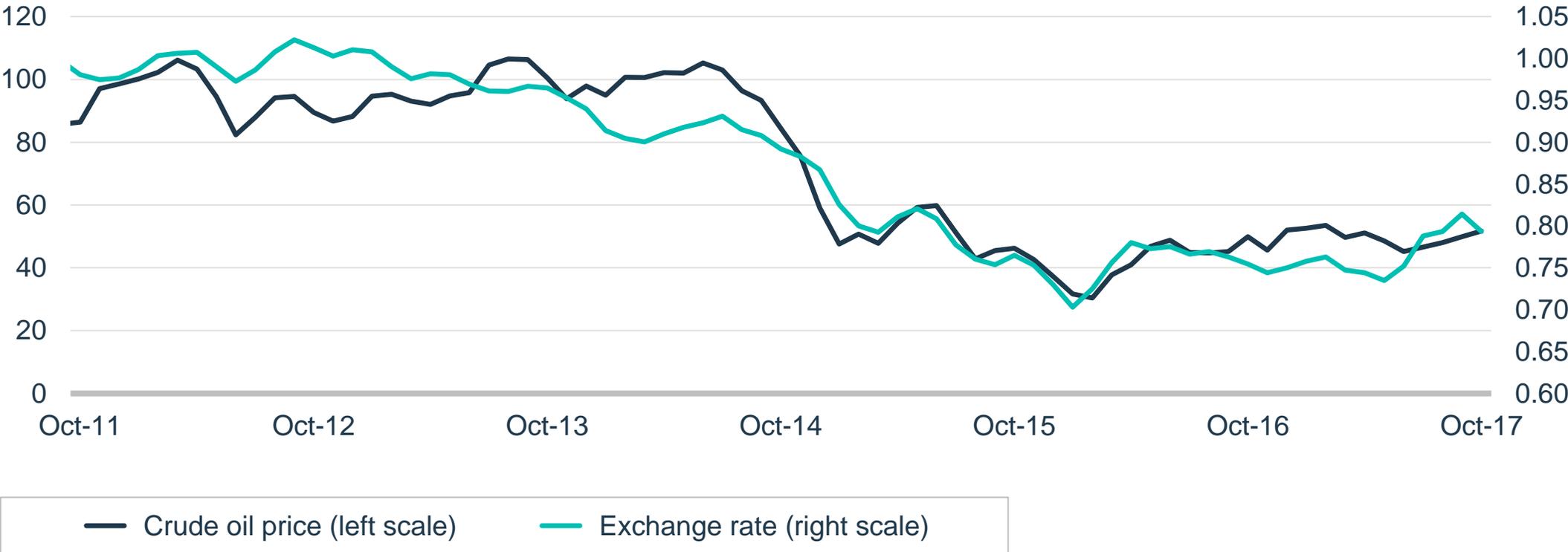


SOURCES: Thomson Reuters Eikon, International Energy Agency (IEA), BDC Economic Analysis

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

Price of West Texas Intermediate, US\$ per barrel;
exchange rate, US\$

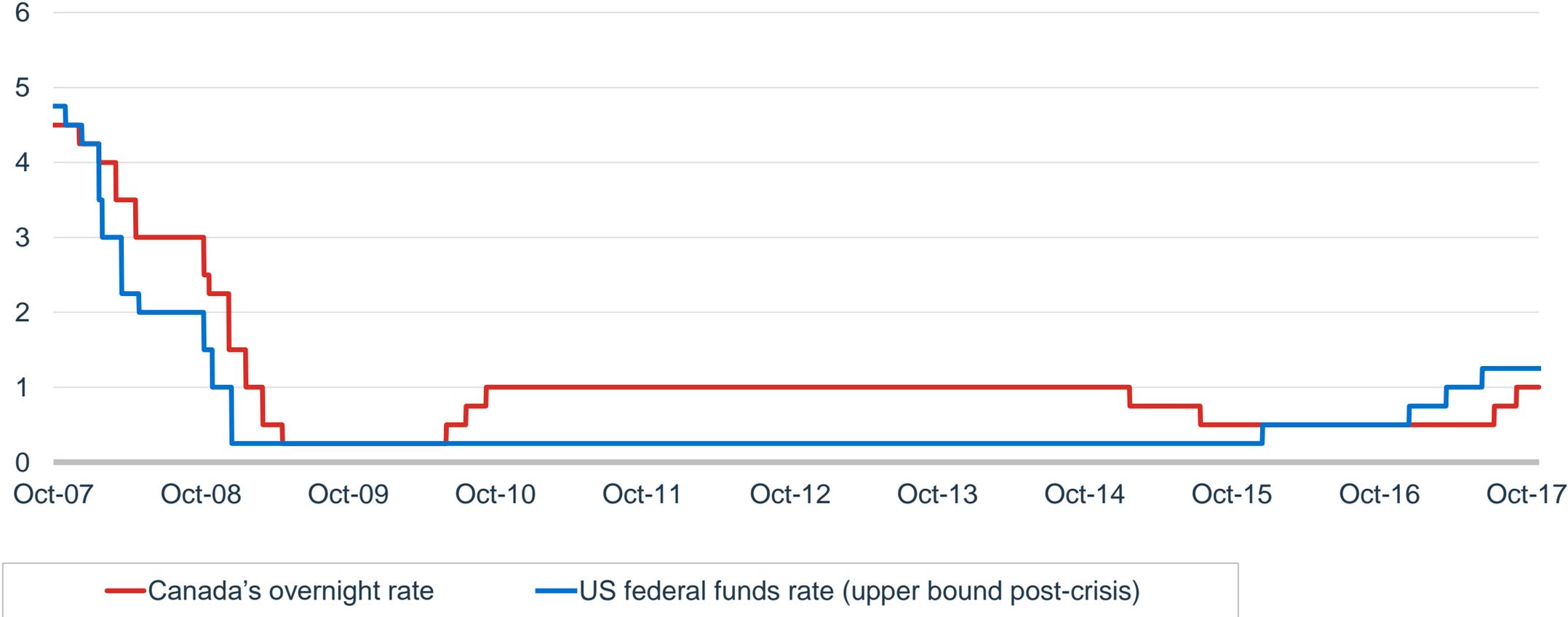
Canada/U.S.



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, %



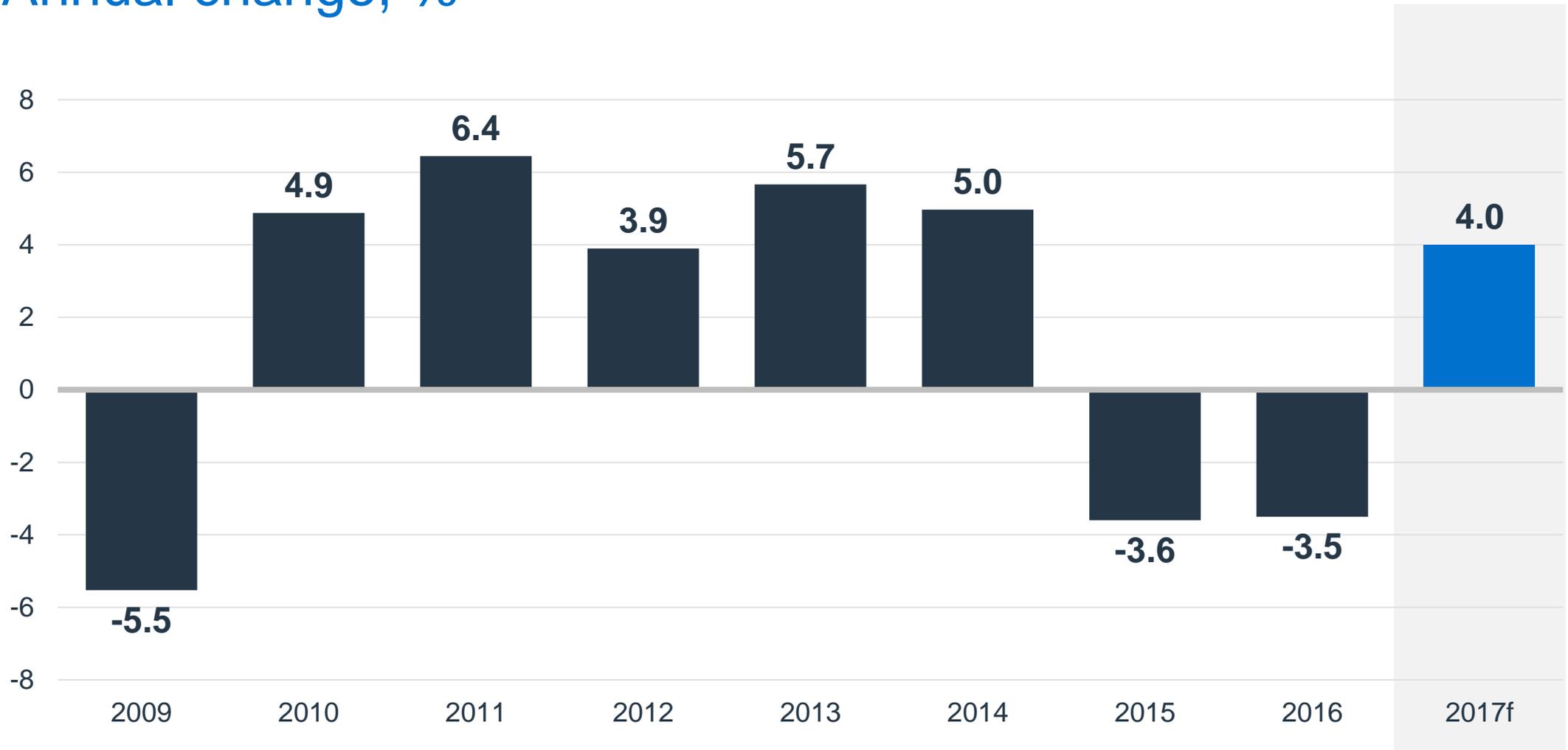
SOURCES : Federal Reserve Board and Bank of Canada.

A stylized map of Alberta, Canada, is shown in a vibrant blue color. The map is positioned on the right side of the page, with a white background and a light gray shadow effect behind it. The text 'Alberta economic outlook' is located to the left of the map.

Alberta **economic** **outlook**

Real GDP, Alberta

Annual change, %

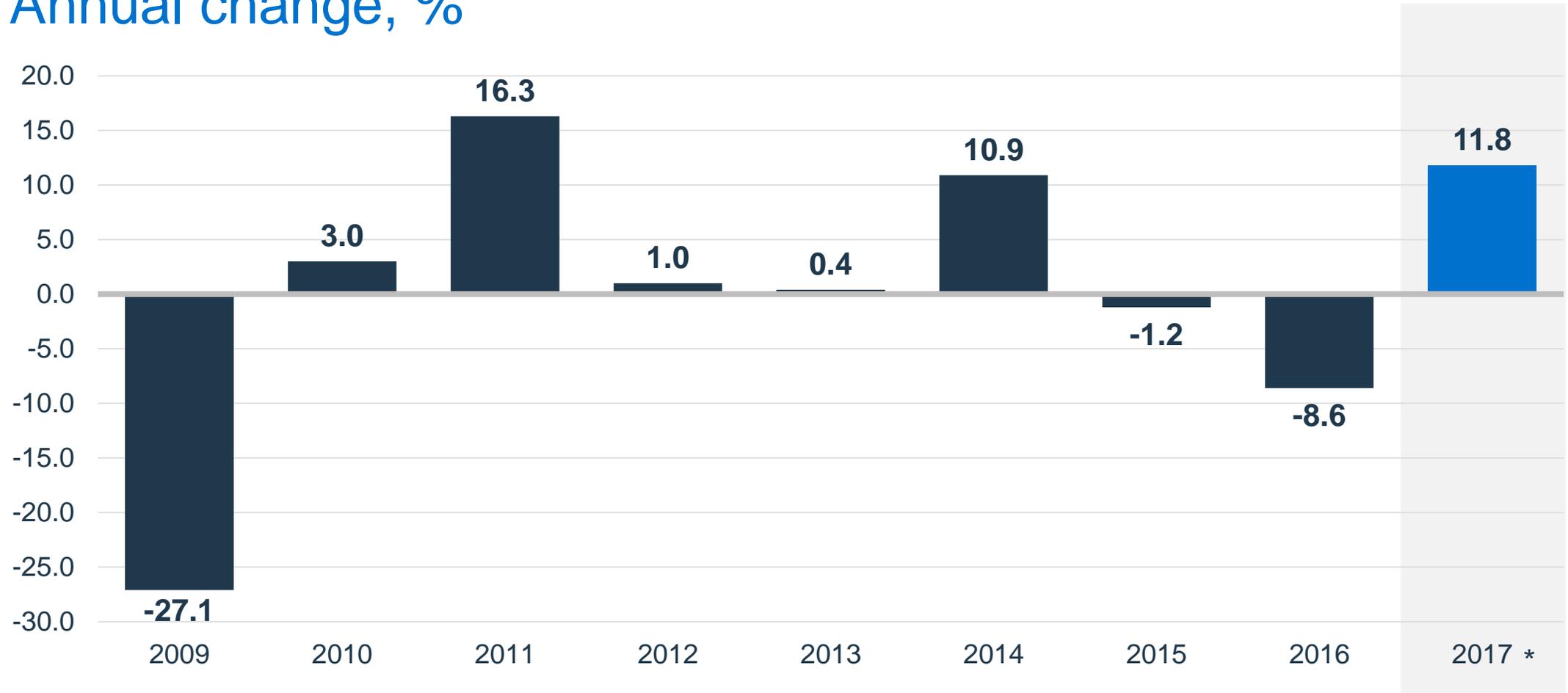


f= forecast

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

Exports, energy products excluded, Alberta

Annual change, %

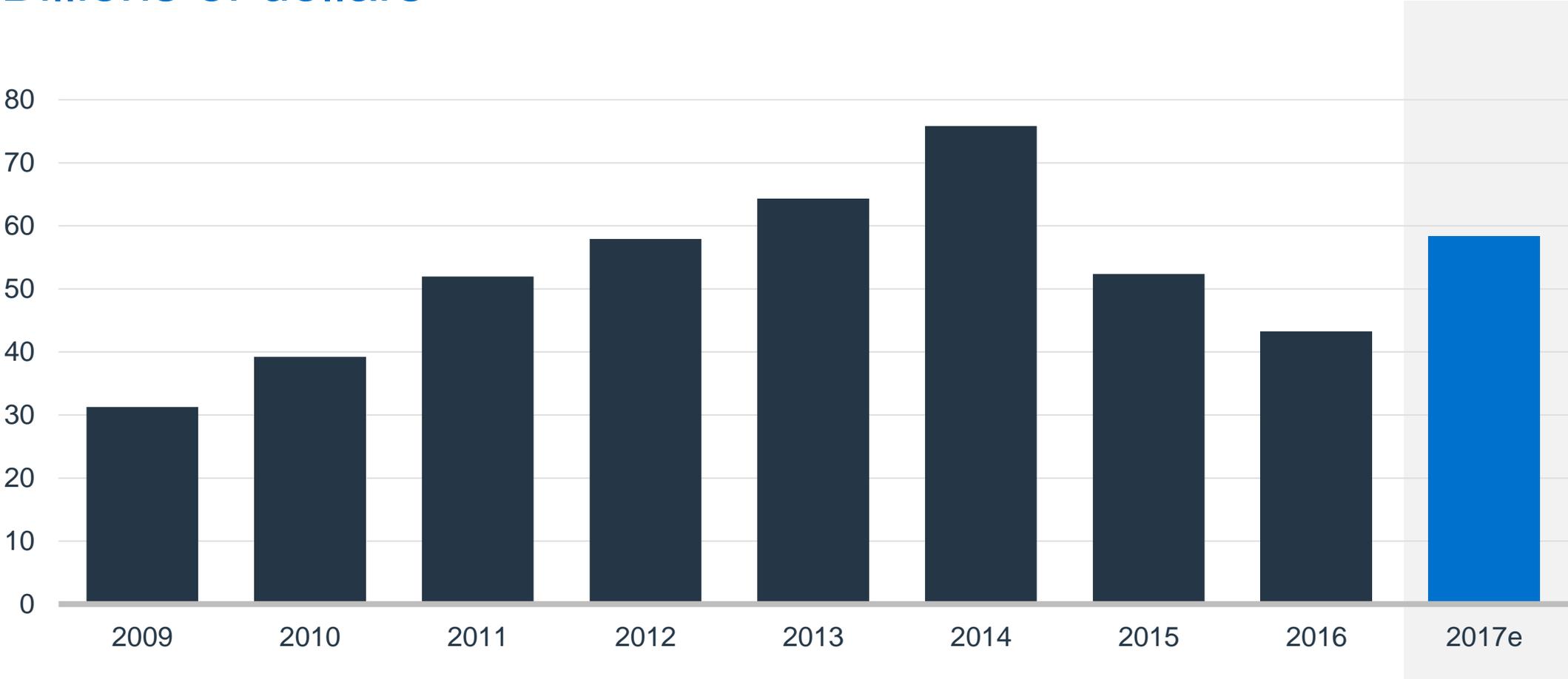


* *= year to date as available, Jan-Sept 2017 compared to same period last year

SOURCE: Statistics Canada; BDC calculations

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

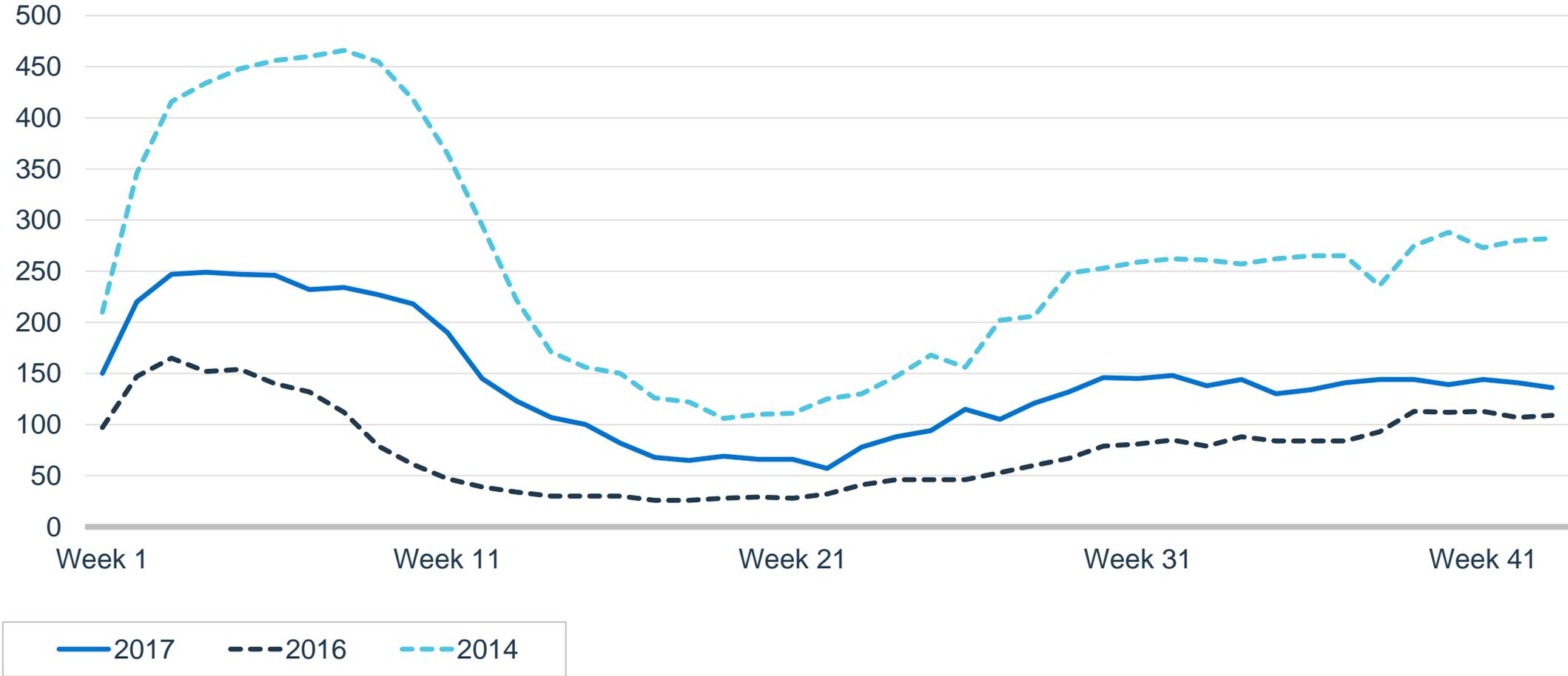
Billions of dollars



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

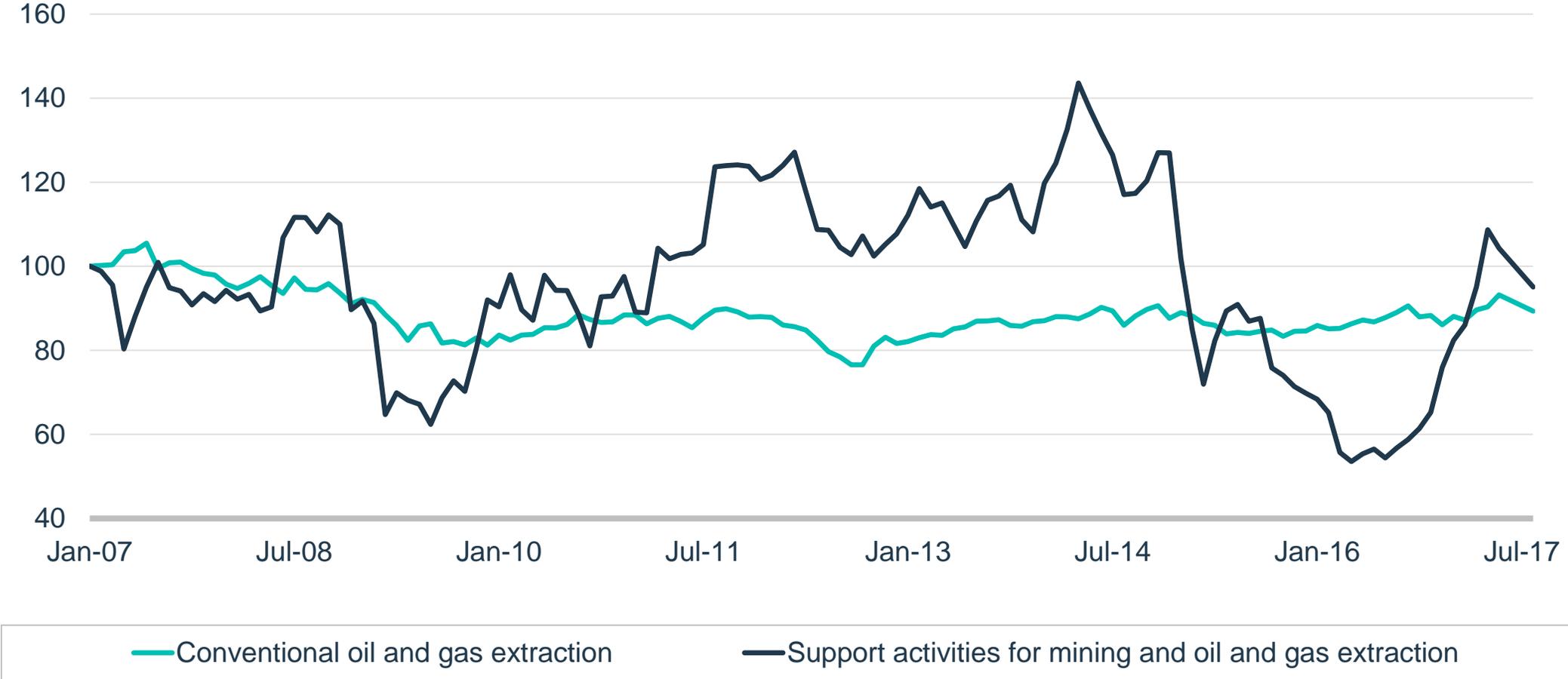


2017e

e = estimate

SOURCE: National Energy Board

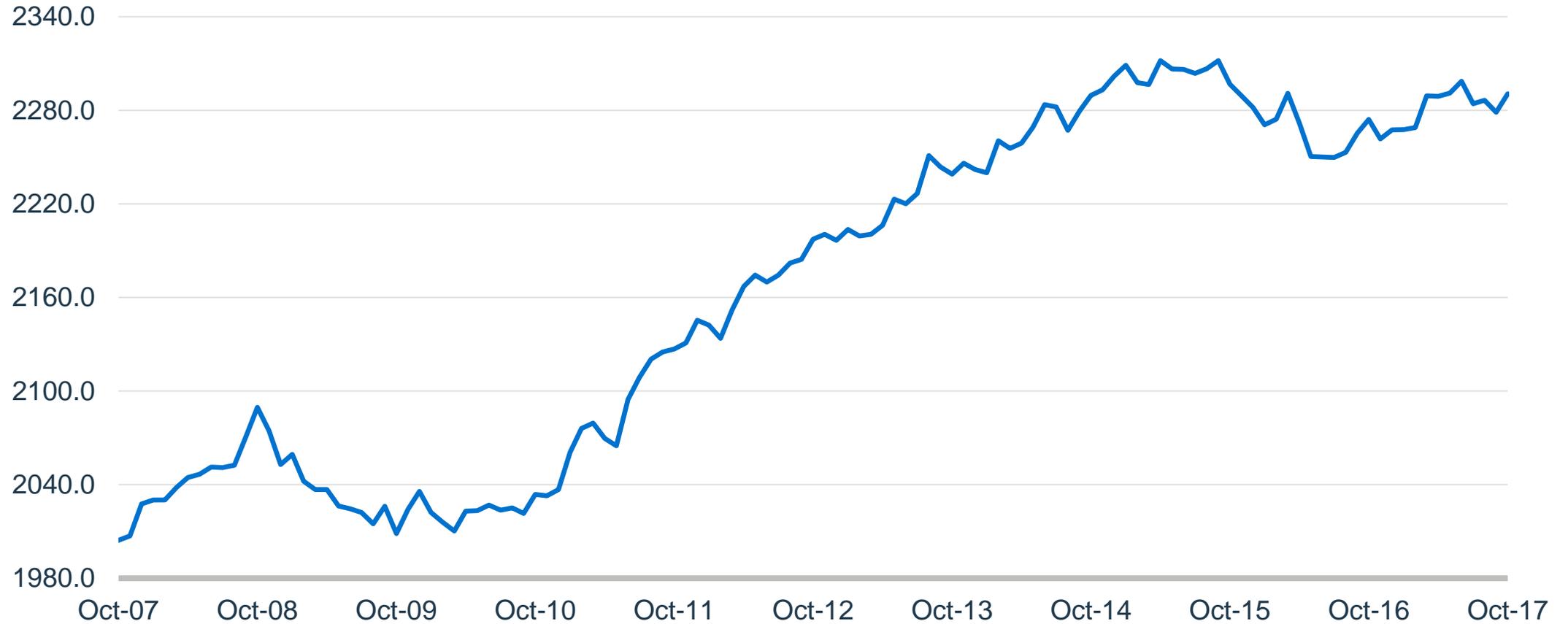
Real GDP in oil and gas sector



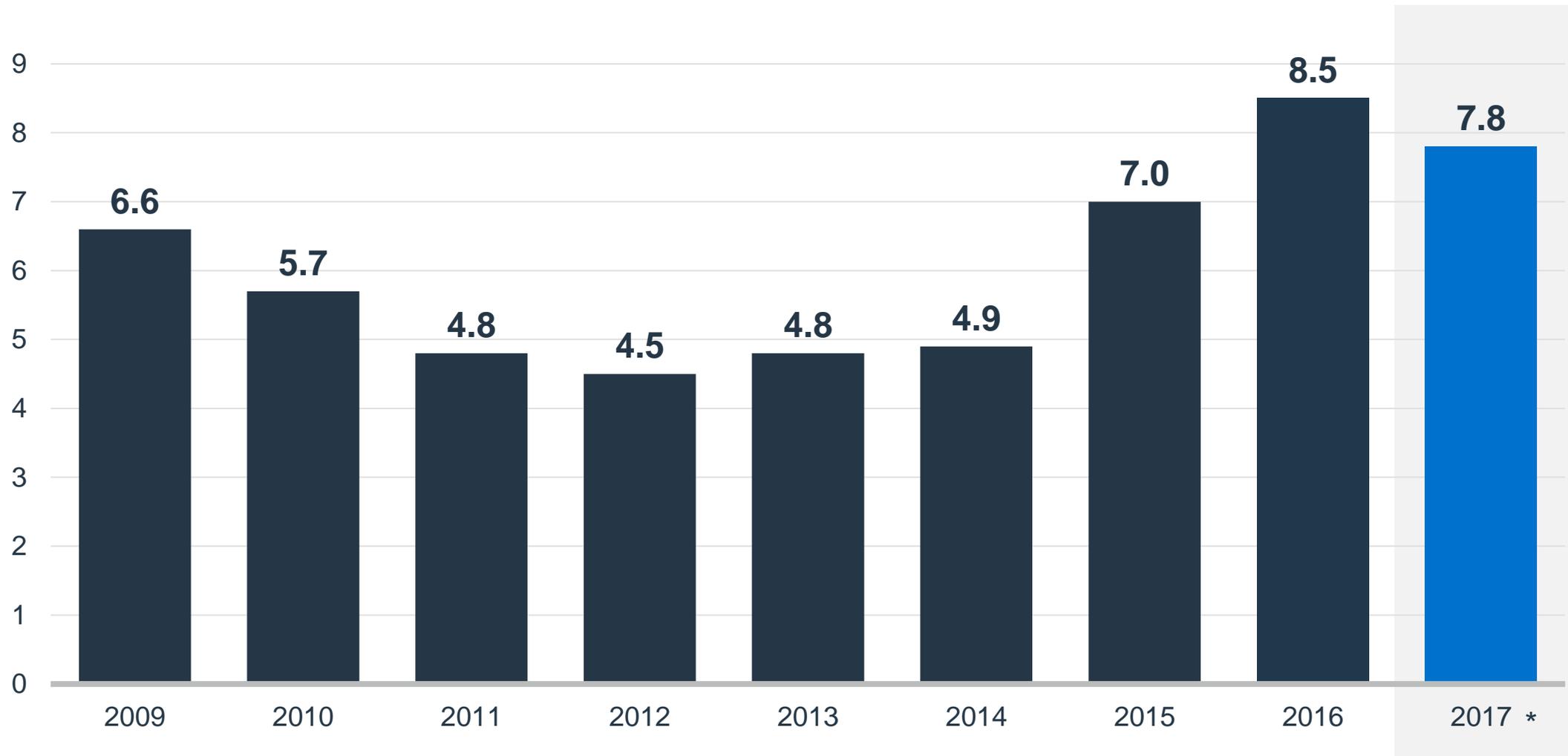
SOURCE: Statistics Canada

Employment, Alberta

Thousands of people



Unemployment rate, Alberta



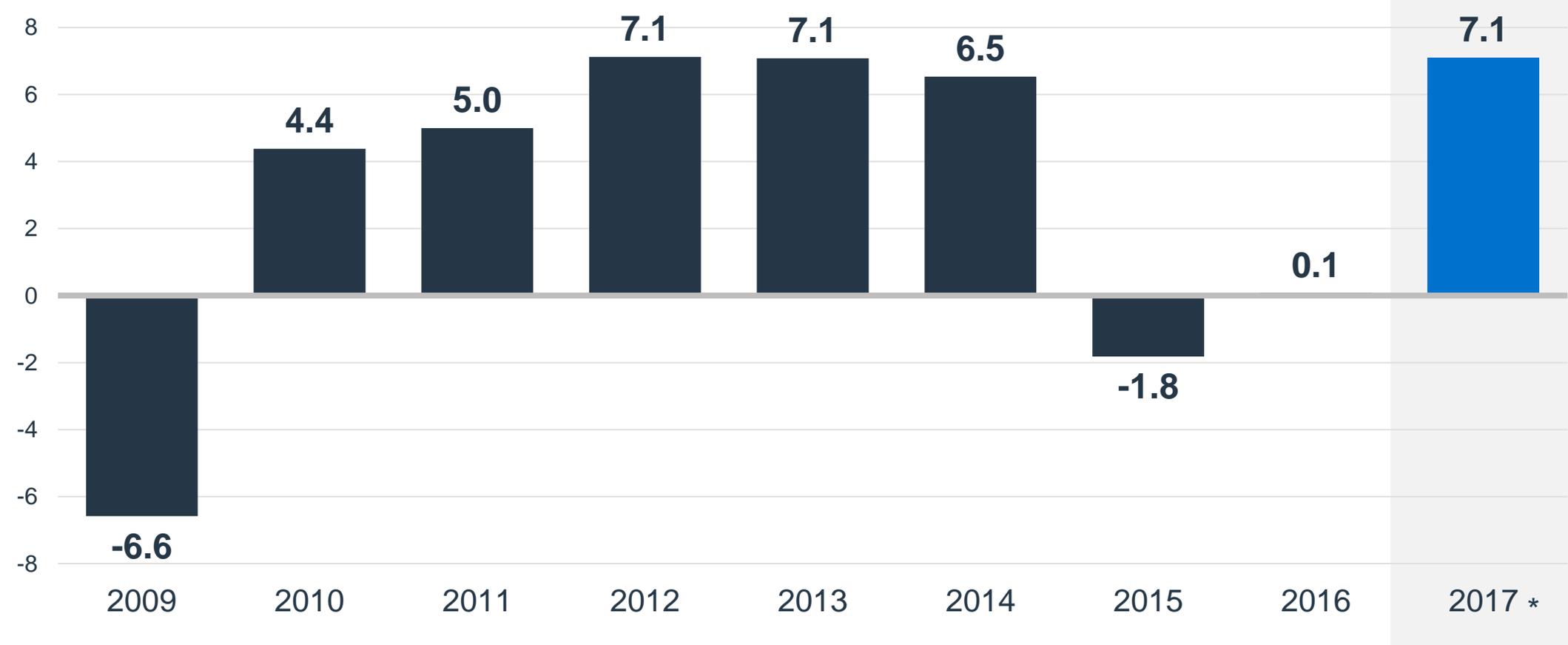
Latest data available.

*October 2017

SOURCE: Statistics Canada

Retail sales, gasoline stations excluded, Alberta

Annual change, %

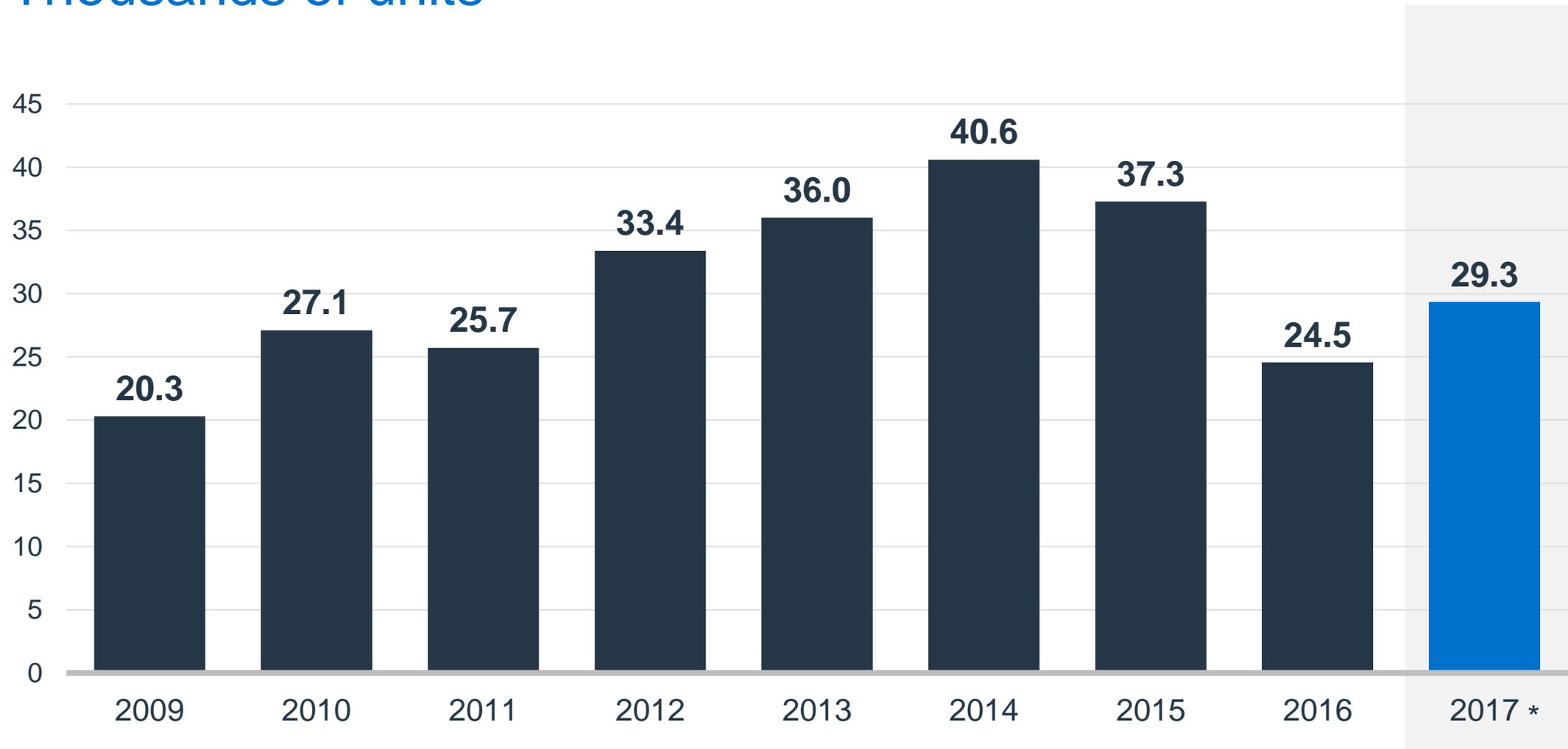


* *= year to date as available, Jan-Aug 2017 compared to same period last year

SOURCE: Statistics Canada; BDC calculations

Housing Starts, Alberta

Thousands of units

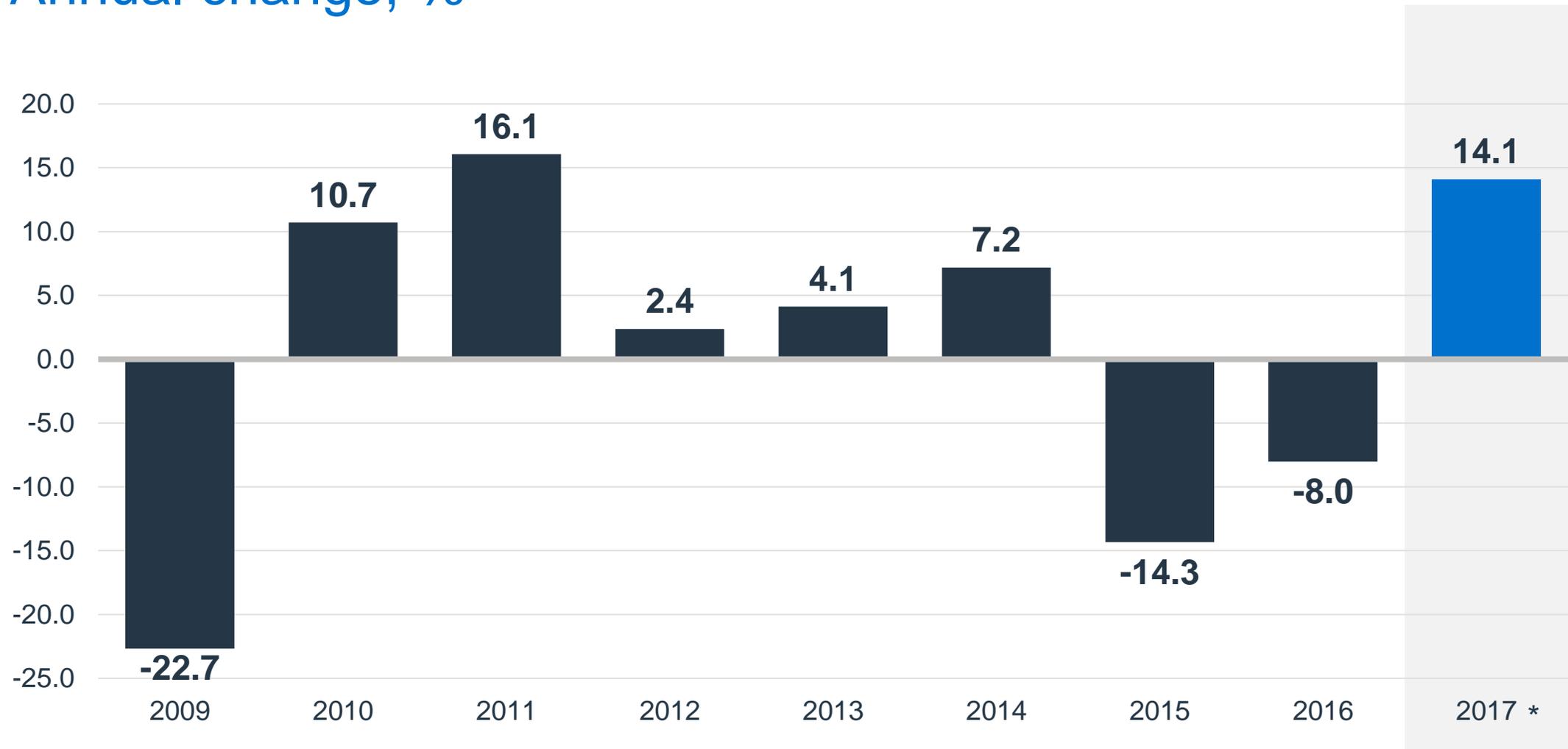


*Estimates based on first three trimesters

SOURCE: Statistics Canada

Manufacturing sales, Alberta

Annual change, %

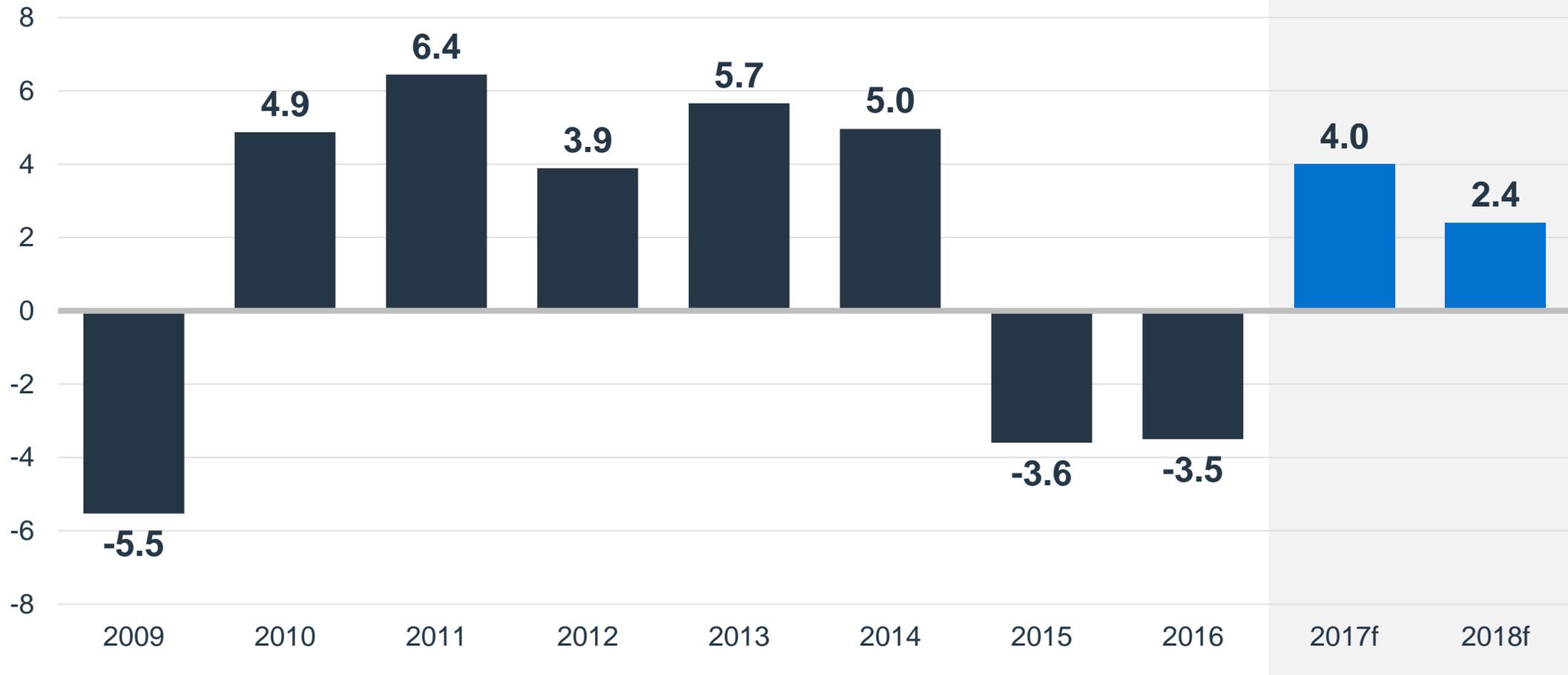


*= year to date as available, Jan-Aug compared to same period last year

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

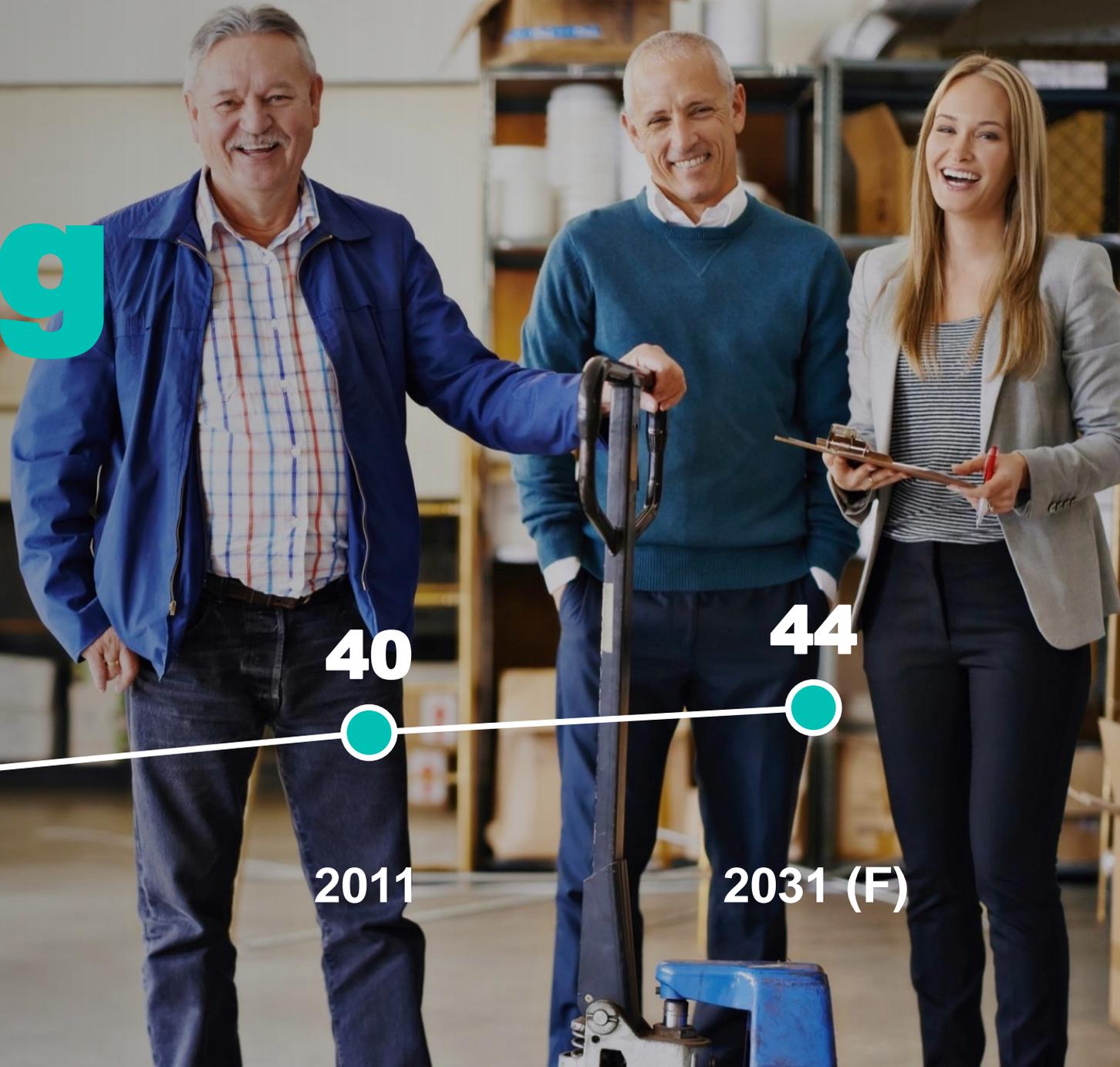
40

2011

44

2031 (F)

SOURCE: Statistics Canada





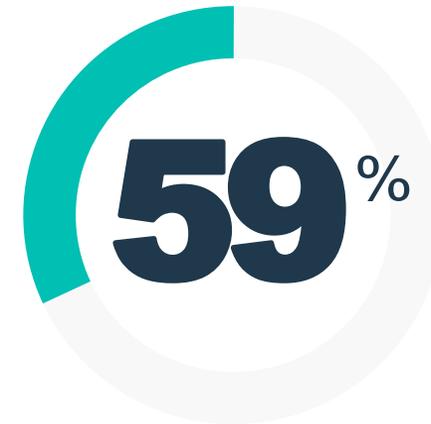
Entrepreneurs are older than the Canadian workforce



**50 years-old
or older**



Canadian workforce



Canadian entrepreneurs

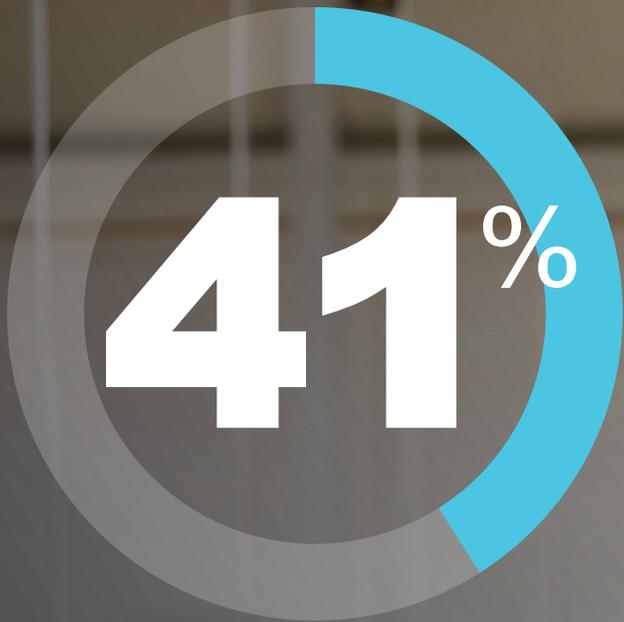
2,500+

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



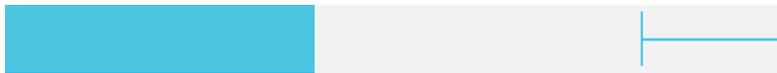
Prairies



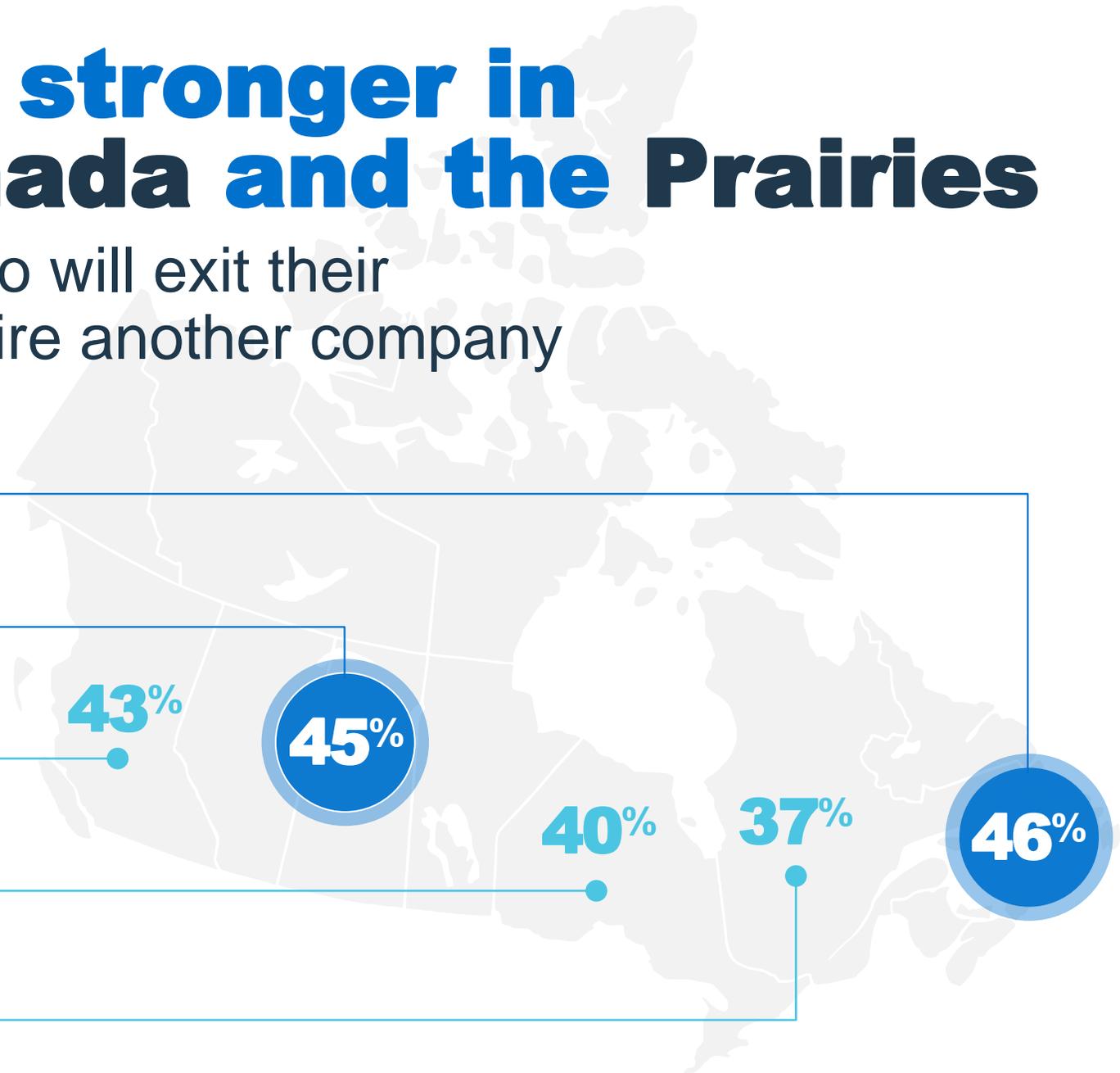
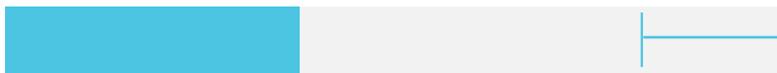
BC and Territories



Ontario

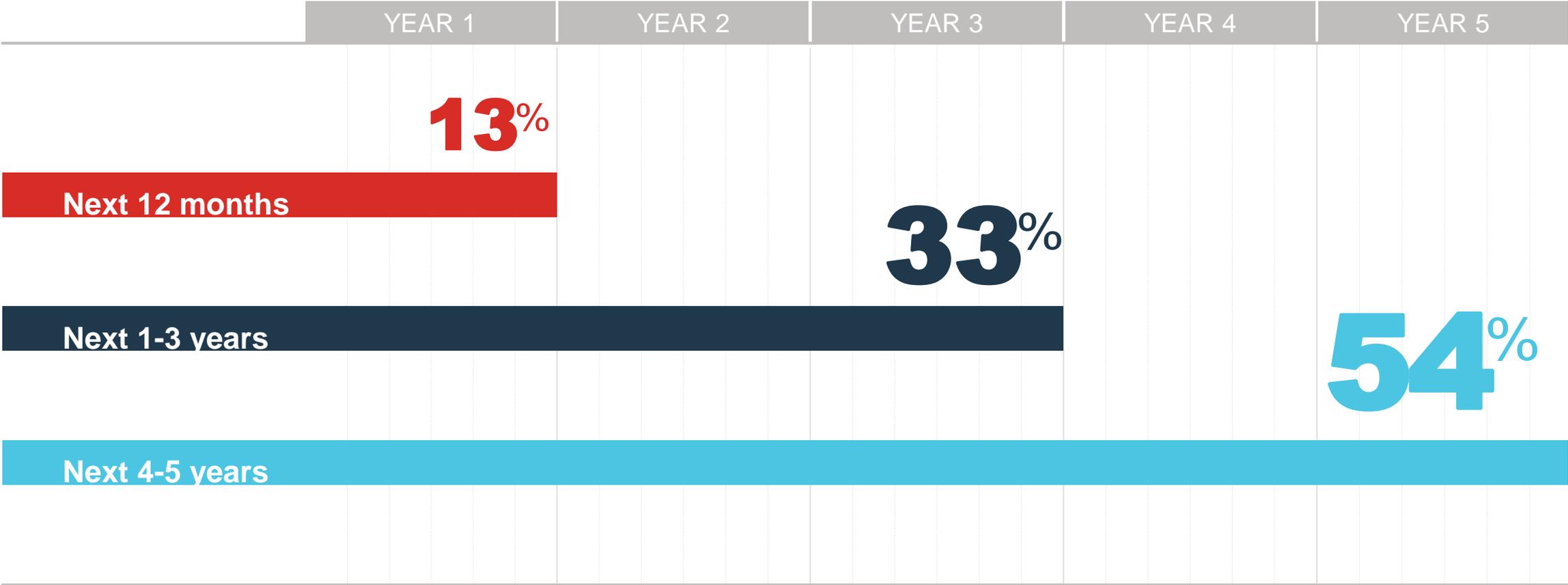


Quebec



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 meeting. A laptop and a small potted plant are on the table. The image is overlaid with a dark blue gradient at the bottom.

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?**





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**



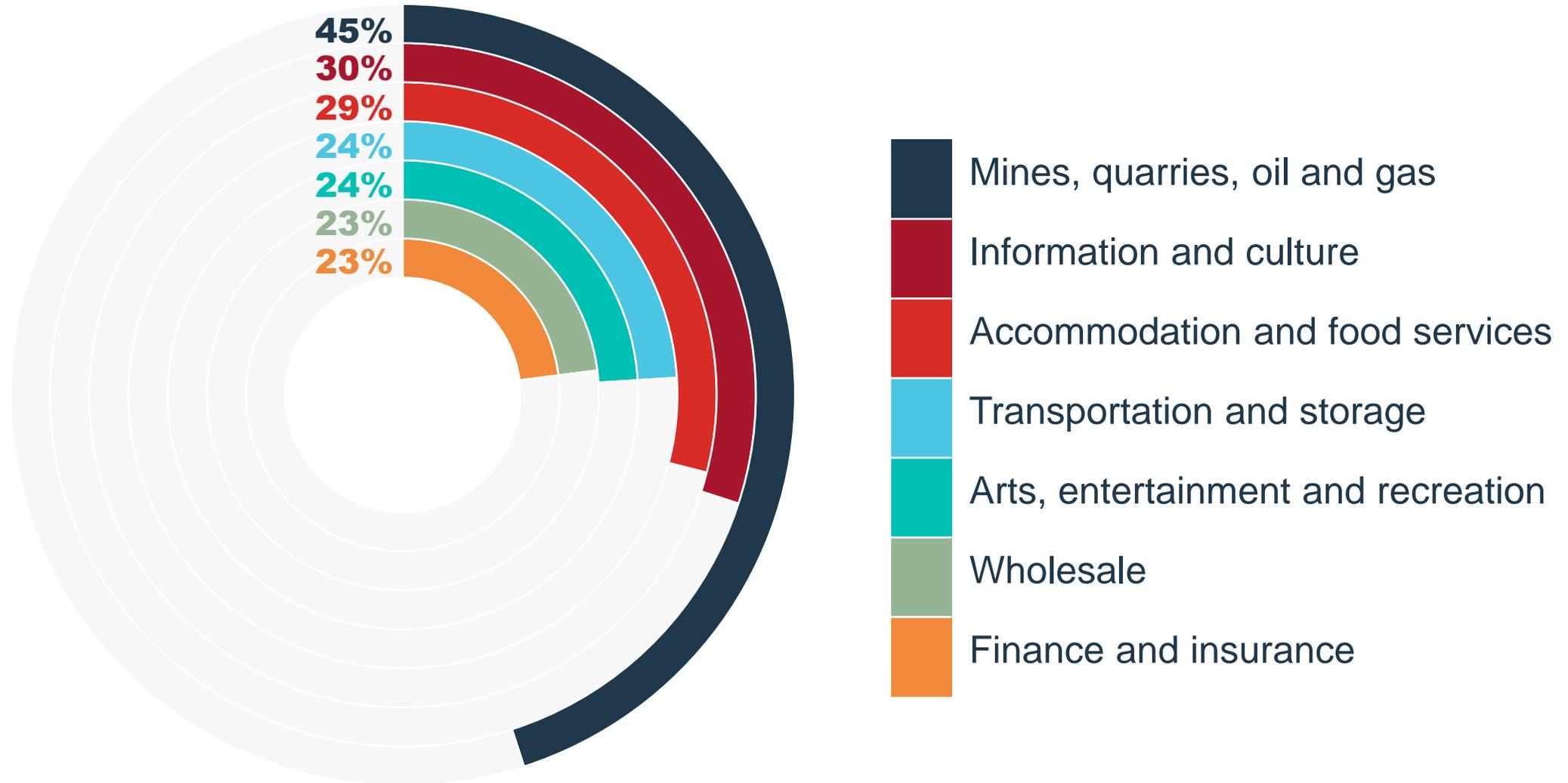
31%

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

62%

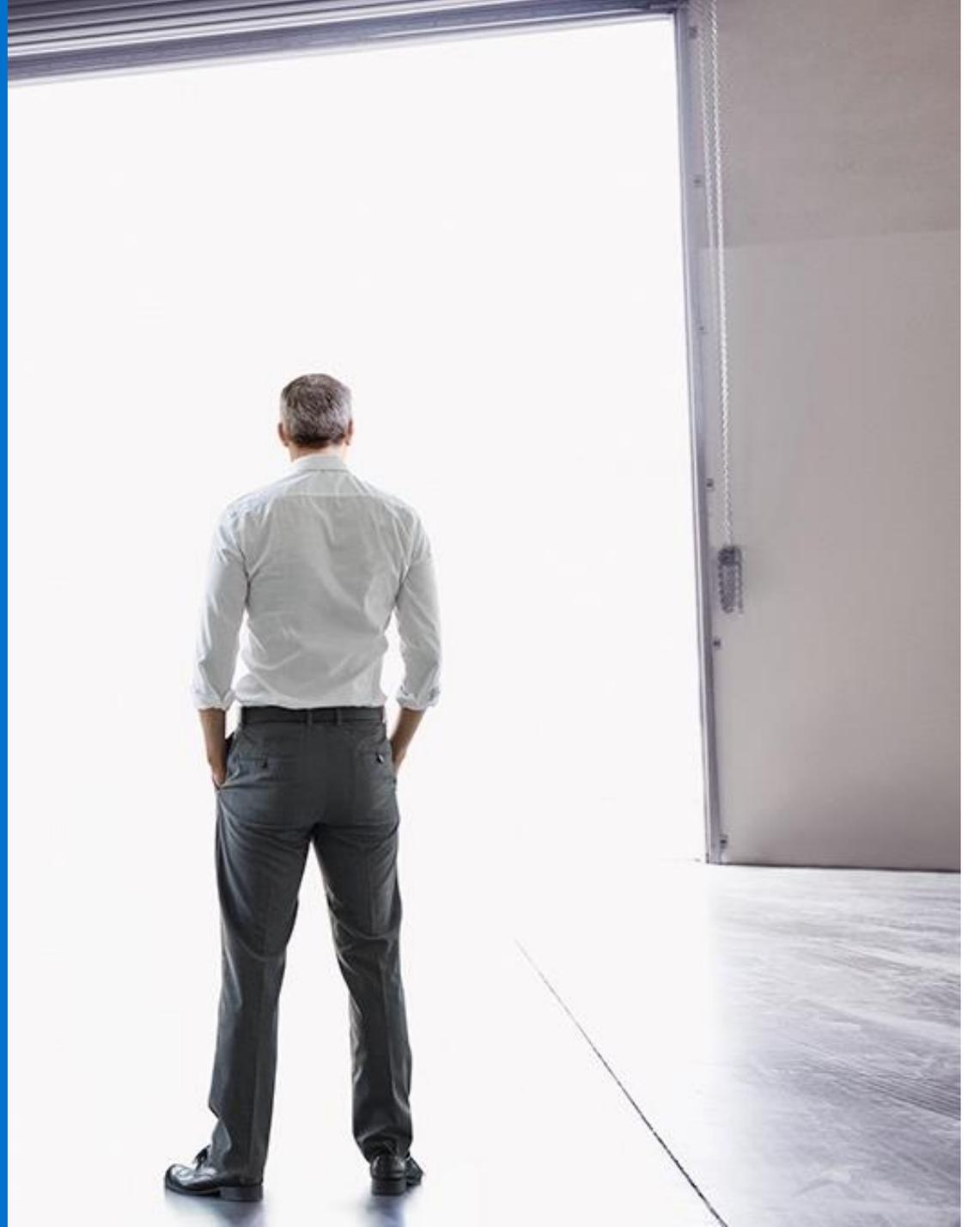
**of potential buyers
want a business the
same size or
smaller than
their own**

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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