Against a dynamic and challenging macroeconomic backdrop, the EY CEO Outlook Pulse survey conducted in October 2022 illustrates that CEOs remain intent on transforming their organizations through M&A to manage significant disruption underway in all businesses.

In today’s market there are two main concerns: inflation and supply chain bottlenecks. Although these challenges vary by geography and industry, CEOs view inflation as the single largest threat to growth and profitability. In this context, synergistic transactions present an opportunity for companies looking to mitigate cost pressure. By expanding their supply capabilities through vertical integration and broadening their geographic presence, companies can better position themselves to absorb the challenges faced in the market.

When navigating between inflation and supply chain bottlenecks, companies need to focus on factors that are within their control to build long-term optionality, resilience and value.

The importance of maintaining control over externalities such as inflation and supply chain constraints is demonstrated by the fact that 64% of CEOs intend to increase capital investment to proactively counter disruption and mitigate uncertainty. Digital and technology capabilities are the main areas where companies plan to increase capital spending, while 40% of the CEOs surveyed are focused on reconfiguring supply chains.

Deals are still being completed and will continue to be a focus area as businesses navigate uncertain times, while new business platforms or new growth also offer avenues. M&A is considered a critical method for boosting long-term growth strategies by acquiring companies that bolster operational capabilities and innovation. Although some of the current risks associated with completing a transaction have come from the fallout of the pandemic, geopolitical tensions, inflationary pressures and economic uncertainty have resulted in a new complexity requiring strong knowledge and agility to achieve targeted objectives.

The Ontario M&A market continues to show a softening in the number of transactions. Deal volume amounted to 234 transactions, which is down from the rolling 24-month average of 285 transactions. While deal volume decreased by 8.9% in Q3 2022, the breakdown between financial and strategic buyers remained consistent, along with the makeup of the geographic origin of transaction participants.

The IT products and services sector remained the leading category in the Ontario market, contributing to 23% of the transactions that occurred in the quarter. The contributions of all other categories remained consistent with historical results. Second in terms of volume was commercial and professional services, comprising 14% of Q3 transactions.

Q3 results continue to signal uncertainty in the market as deal volume decreases. However, a larger total value in deals achieved during Q3 signals continued strength in valuations. In particular, the valuation achieved for strategic transactions remained strong, showcasing the distinct value of strategic partnerships. As companies continue to navigate an uncertain economy ahead, it is expected that a focus on growth and implementing new technology will be at the forefront of investment decisions.

Ontario M&A market activity

M&A is considered a critical method for boosting long-term growth strategies by acquiring companies that bolster operational capabilities and innovation.

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1 The CEO Imperative: How to remain resolute on investment as inflation surges, EY October 2022.
**EY transaction snapshot**

**EY* IS PLEASED TO ANNOUNCE PROGRESSIVE COUNTERTOP**

**TO LEARN MORE**

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**About the Company**

Progressive Countertop is a market leading fabricator and installer of high-quality granite, quartz, and other solid surface countertops for commercial and retail customers across Southwestern Ontario. The Company was founded in Strathroy, Ontario by Howard, Chuck, and Dana Wilton. After many years of being fully invested in the growth of the business by expanding manufacturing operations, building a sales & support team, enhancing product offerings with key suppliers, and maintaining strong relationships.

**The Win-Win**

EY advised Progressive Countertop on its sale to AD Capital. The Transaction enables an internal succession plan for the Wilton family, allowing Chuck Wilton to retire and Howard and Doug to remain as partners through an equity roll. Additionally, the partnership with AD Capital will provide Progressive with the financial and human capital to further scale the business.
EY’s sector focused quarterly recaps

Each quarter we will feature select sector-focused recaps and thought leadership that our team produces. This quarter, we are highlighting our home and building products quarterly recap.

Interested in receiving these recaps each quarter? Reach out to us at Jason.Marley@ca.ey.com.
Ontario M&A quarterly update
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Illustrative Ontario transactions

The following is a snapshot of transactions that occurred in Ontario during the quarter, with a focus on mid-market, private company transactions. Companies headquartered in Ontario are noted in yellow.

Sep 22, 2022: IMAX Corporation ("IMAX") acquired Ontario-based SSIMWave Inc., a provider of a video experience automation platform, for C$25m. The acquisition builds on IMAX's cross-platform expansion with IMAX Enhanced, which brings the IMAX experience to streaming entertainment.

Sep 20, 2022: Zanchin Automotive Group ("Zanchin") acquired the Toronto Retail Group of Mercedes-Benz AG. Mercedes-Benz TRG consisted of 6 dealerships, one service-only location, one reconditioning centre and one dealership under construction. Mercedes-Benz divested the group as part of its global strategy to better position the company for growth in manufacturing and innovation.

Sep 19, 2022: Yorkville Asset Management Inc. ("Yorkville") acquired British Columbia-based Back in Motion Rehab Inc., a provider of physiotherapy, massage therapy, active rehabilitation, occupational therapy, psychological services, and multidisciplinary treatment programs. The acquisition will expand Yorkville’s offerings in Ontario & other provinces and will further enhance revenue streams from government and corporate long-term contracts.

Sep 15, 2022: Slate Asset Management L.P. ("Slate") acquired a majority stake in Nova Scotia-based Roswall Development Inc. ("Roswall"), a developer of renewable energy projects offering energy solutions for infrastructure and communities. The partnership will help fund future renewables projects developed by Roswall, which has a significant pipeline of wind development opportunities.

Sep 15, 2022: Royal Unibrew A/S ("Royal") acquired Ontario-based Amsterdam Brewing Co. Limited, an operator of a brewery for C$44m. The acquisition will increase Royal's presence in Canada. The transaction implies a TEV/Revenue multiple of 1.3x and TEV/EBITDA multiple of 8.8x.

Sep 12, 2022: Converge Technology Solutions Corp. ("Converge") acquired Ontario-based Newcomp Analytics Inc., a provider of analytics-driven solutions offering advisory and development services, along with managed analytics, for C$20.3m. The acquisition will enhance Converge’s advanced analytics portfolio and offerings. The transaction implies a TEV/Revenue multiple of 0.6x and TEV/EBITDA multiple of 6.0x.

Sep 8, 2022: Beringer Capital ("Beringer") acquired a majority stake in Ontario-based Dig Insights Inc. ("Dig"), a market research consultancy firm offering consumers and market insights. The acquisition will enable Dig to increase its client base and further enhance the company’s solutions across the entire innovation lifecycle.

Sep 8, 2022: Safe Fleet Acquisition Corp. ("Safe Fleet") acquired Ontario-based Kerr Industries Limited, a provider of upfitting solutions to the law enforcement, emergency, specialty commercial, and retail end markets. The acquisition will benefit Safe Fleet’s existing portfolio of safety solutions and will extend its network of trained field installers and commercial vehicle service centres.

Sep 8, 2022: Ironbridge Equity Partners Limited ("Ironbridge") acquired Ontario-based Handi Foods Ltd. ("Handi"), a manufacturer of pita snacks and crackers offering healthy snacking alternatives. The acquisition will enable Ironbridge to further support Handi in its growth strategy.

Sep 7, 2022: Groupe Touchette Inc.** ("Groupe Touchette") acquired Ontario-based National Tire Distributors, Inc., a supplier of tires to the replacement tire market. The acquisition will enhance Groupe Touchette’s current service offerings. Terms of the transaction were not disclosed.

Sep 01, 2022: Guardian Capital Group Limited ("Guardian") acquired a majority stake in Ontario-based Rise Vision, Inc. ("Rise Vision"), a provider of software as a service-based content management solution. The acquisition will strengthen ADP’s portfolio of partners.

Sep 01, 2022: Guardian Capital Group Limited ("Guardian") acquired a majority stake in Ontario-based Rae & Lipskie Investment Counsel, Inc., a provider of asset management services offering investment strategy, portfolio design and maintenance. The acquisition will add over $1b in assets under management to Guardian’s Private Wealth segment and further extend its regional coverage in key markets.
Sep 19, 2022: Gin-Cor Industries Inc. (“Gin-Cor”) acquired Drivetec Manufacturing* (“Drivetec”). Drivetec brings expertise in service of hydraulics, drivelines, suspension systems, vehicle alterations as well as distribution of key components to the truck and trailer industry. This will allow the two companies to join forces while providing a greater service, new solutions and offerings to existing clients and new clients.

Aug 29, 2022: Accenture plc ("Accenture") acquired Ontario-based Eclipse Automation Inc.*, a provider of customized manufacturing automation and robotics solutions. The acquisition will allow Accenture to offer automated production lines that leverage the cloud, data, and artificial intelligence.

Aug 26, 2022: ADCapital US Inc. ("ADCapital") acquired a majority stake in Ontario-based Progressive Countertop Systems Ltd.*, a manufacturer of stone countertops offering fabrication and installation of natural stone countertops.

Aug 24, 2022: New State Capital Partners LLC ("NSC") acquired AFIMAC Global Inc. ("AFIMAC"), a provider of specialty business continuity solutions, including staffing, security, and logistics, from Ontario-based Dalton First Financial Inc. The investment will allow AFIMAC to develop new services and expand into new markets.

Aug 22, 2022: At-Bay, Inc. ("At-Bay") acquired Ontario-based Relay Platform Inc., a technology solutions provider enabling the digital transformation of commercial insurance placements. The acquisition will complement At-Bay’s ongoing digital distribution strategy to empower brokers and partners with industry-leading technology.

Aug 17, 2022: SiteOne Landscape Supply, Inc. ("SiteOne") acquired Ontario-based Linzel Distributing Inc., a wholesale distributor of outdoor lighting and landscape supplies. The acquisition will help SiteOne expand the number of markets in which it offers the full range of landscape supplies and services to landscape professionals.


Aug 12, 2022: Lafayette Instrument, LLC ("Lafayette") acquired Ontario-based Limestone Technologies, Inc., a manufacturer of scientific instrumentation equipment for the polygraph, neuroscience, and human evaluation markets. The acquisition will expand Lafayette’s credibility assessment staff, product line, and market reach.

Aug 09, 2022: Ironbridge Equity Partners acquired Quebec-based Kore Outdoor Inc. ("Kore"), a manufacturer and distributor of paintballs and paintball-related products. The investment will support Kore’s growth and innovation strategy.

Aug 03, 2022: SyBridge Technologies ("SyBridge") acquired Ontario-based Calframax Technologies, Inc. ("Calframax"), a manufacturer of plastic moulds and containers for consumer goods and industrial pails. The acquisition will expand SyBridge’s presence in the consumer end-market.

Jul 18, 2022: Arthur J. Gallagher & Co. ("Arthur") acquired Ontario-based Four Corners Group Inc., a provider of executive search and recruitment services. The acquisition will expand and strengthen Arthur’s global talent and leadership advisory offerings.

Jul 12, 2022: AIIM Holdings Inc. ("AIIM") acquired Ontario-based Prime Data Inc., a provider of sustainable marketing communication solutions. The acquisition will help AIIM in extending its service offering to include carbon-neutral solutions with data enhanced personalization capabilities for direct mail.

Jul 11, 2022: Ronin Equity Partners LLC acquired Ontario-based Detail K2 Inc., a provider of outdoor power equipment, trailers, winches, snowploughs, and auto accessories. The acquisition will create a new category of high-end consumers and small-scale professional users for outdoor power equipment and utility trailers.

Jul 05, 2022: Aviat Networks, Inc. ("Aviat") acquired Ontario-based Redline Communications Group, Inc., a provider of mission-critical data infrastructure for remote and harsh environments, for C$16.2m. The acquisition expands Aviat’s share in private networks and its presence in the oil, gas and transportation verticals.

Jul 04, 2022: WonderFi Technologies Inc. ("WonderFi") acquired Ontario-based Coinberry Limited, a provider of crypto asset trading platform, for C$34.4m. The acquisition will increase WonderFi’s offering of secure and compliant crypto. The transaction implies a TEV/Revenue multiple of 2.6x.
Ontario M&A quarterly update
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### Historical M&A activity

#### Transactions involving Ontario based companies over the last eight quarters

- **Q4 2020:** 263
- **Q1 2021:** 261
- **Q2 2021:** 333
- **Q3 2021:** 371
- **Q4 2021:** 304
- **Q1 2022:** 272
- **Q2 2022:** 247
- **Q3 2022:** 216

#### Number of Ontario transactions by industry over the last eight quarters

- **IT Products & Services:** 448
- **Metals & Mining:** 282
- **Commercial & Professional Services:** 257
- **Financials:** 248
- **Healthcare:** 222
- **Real Estate:** 200
- **Retail & Distribution:** 178
- **Industrials:** 138
- **Construction & Engineering:** 128
- **Food & Beverage:** 79
- **Media & Telecommunications:** 67
- **Communications:** 45
- **Energy & Utilities:** 39

#### Transactions involving Ontario based companies over the last eight quarters by deal size (in C$)

- **$0 - $20 million:** 50
- **$20 - $100 million:** 26
- **$100 - $500 million:** 61
- **$500 - $1,000 million:** 45
- **$1,000 million+:** 40

#### Number of Ontario transactions by industry over the last quarter

- **IT Products & Services:** 56
- **Metals & Mining:** 33
- **Commercial & Professional Services:** 26
- **Financials:** 23
- **Healthcare:** 19
- **Real Estate:** 14
- **Retail & Distribution:** 13
- **Industrials:** 11
- **Construction & Engineering:** 7
- **Food & Beverage:** 7
- **Media & Telecommunications:** 4
- **Communications:** 4
- **Energy & Utilities:** 2

#### Counterparty mix over the last eight quarters

- **ON-to-ON:** 649
- **ON with rest of Canada:** 804
- **ON with US:** 424
- **ON with rest of world:** 404

#### Counterparty mix over the last quarter

- **ON-to-ON:** 59
- **ON with rest of Canada:** 81
- **ON with US:** 30
- **ON with rest of world:** 4
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