CFOs remain focused on driving growth amid market volatility

The start of 2023 presented a new wave of economic risks for businesses to monitor, from banking sector volatility to continued elevated inflation levels, labour shortages and geopolitical risks. These have led to significant challenges in predicting economic outcomes, but despite these headwinds, the vast majority of business executives remain focused on driving growth strategies (albeit with prudence).

In a survey of Fortune 250 CFOs, 87% said that driving growth remained one of their top two priorities. While growth strategies are dependent on the sector and different pressures being experienced, investments are being directed towards the following strategies:

- Digital (36%)
- Research and development (29%)
- Capital expenditures (14%)
- Market and geographic expansion (7%)
- Analytics (7%)

Digital strategy has become a large focus as businesses look to use AI and other automation tools to achieve efficiencies or make up for a reduced workforce.

Despite inflation showing signs of softening, unemployment remains at historic lows. Businesses are dealing with compressed workforces and executives do not expect this trend to abate in the short term, reinforcing the emphasis on investments in digital.

As economic conditions are starting to indicate a return to normal for many businesses, executives are repositioning their organizations away from defensive stances towards a careful consideration of growth opportunities. The middle market is uniquely positioned as an avenue for growth, as valuations have remained resilient relative to public markets and strategic buyers have been able to take advantage of decreased competition from private equity players. Valuations being paid remain strong due to the following factors faced by corporates:

- Decreasing levels of organic growth
- Opportunities to enhance the scale of the business
- Potential synergies

The current climate presents an opportunity for strategic organizations to achieve their growth objectives through the acquisition of desirable assets.

Ontario M&A market activity

The Ontario M&A market remains consistent in terms of transaction volume, with 215 transactions completed in Q1 2023. The focus on sales to strategics remains a common theme, with 184 of the transactions completed with strategic buyers.

The IT products and services sector maintained its position as the leading category for M&A activity, contributing nearly a quarter of the total transaction volume. Valuations for reported deals in the Ontario market remained strong, as the average reported transaction value for deals under $500m was $69m, up from $56m in the prior quarter, signalling persistent valuation levels in the middle market.

The ongoing focus on growth and persistent strong valuation levels in the Ontario middle market will continue to offer growth avenues for strategic buyers and transaction opportunities for business owners.

87% said that driving growth remained one of their top two priorities

1 EY – How top CFOs are looking at banking volatility, inflation and China
Brightworks is an established, award winning, full-service marketing agency headquartered in Toronto, Canada. Founded in 2005, Brightworks serves marquee clients across diverse sectors, with deep expertise across pharma and healthcare.

The Transaction enables Brightworks to continue its next phase of growth as part of a market leading agency. Brightworks’ shareholder will lead Believeco as its CEO and will play an integral role in the combined business going forward.
EY’s sector focused quarterly recaps

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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 bold.

Mar 30, 2023: Power Staffing Solutions (“Power Staffing”) acquired Ontario-based HourGlass HR Inc., a provider of permanent placement, temporary employment, and recruitment processes for healthcare, IT and engineering sectors. The acquisition enables Power Staffing to grow and expand its footprint across Canada. Terms of the transaction were not disclosed.

Mar 29, 2023: Right Time Group Inc. (“Right Time”) acquired Ontario-based Oosterveld Heating & Air Conditioning Inc., a provider of residential heating, cooling, air quality and hot water services to homeowners in the Guelph area of Southern Ontario. The acquisition will complement Right Time’s existing growth strategy and further solidify its growing presence in Southern Ontario. Terms of the transaction were not disclosed.

Mar 26, 2023: Tsunami, Inc. (“Tsunami”) merged with Ontario-based Open Storage Solutions, Inc., a provider of enterprise solutions for various technology brands across the US and Canada. The merger will enable Tsunami to offer new unified solutions that would drive enhanced scalability, modern data protection and an extensive services portfolio. Terms of the transaction were not disclosed.

Mar 21, 2023: Higher Logic, LLC (“Higher Logic”) acquired Ontario-based eConverse Social Media Consulting Inc., a company that specializes in the design, launch, and management of websites and communities. The acquisition enables Higher Logic to launch Higher Logic Thrive Design, which will provide a personalized experience to the members with stronger engagement. Terms of the transaction were not disclosed.

Mar 20, 2023: Talon Outdoor Limited (“Talon”) acquired Ontario-based Novus Media Canada Corp., an operator of a media agency. The acquisition will further boost Talon’s global presence and accelerate its growth in the Canadian market. Terms of the transaction were not disclosed.

Mar 13, 2023: Herspiegel Consulting LLC (“Herspiegel”) acquired Ontario-based Sixsense Strategy Group Inc., a boutique consultancy with a focus on insights, strategy and strategic communications for the Life Sciences industry. The acquisition will enable Herspiegel to accelerate its growth by expanding its medical services offering. Terms of the transaction were not disclosed.

Mar 13, 2023: Boudreau-Espley-Pitre Corporation (“Boudreau”) acquired Ontario-based W.G. Spencer Engineering Inc., a provider of mechanical and engineering services for the mining industry. The acquisition will provide Boudreau an additional expertise in hoists, hoist control systems, brake systems, service and production hoist plants, electrical and mechanical systems, and all auxiliary systems used in support of hoisting plant operations. Terms of the transaction were not disclosed.

Mar 09, 2023: Zoeller Company (“Zoeller”) acquired Ontario-based The Burk Group Inc., a provider of water systems and related accessories, including water pumps and tanks, for home and agricultural purposes. Terms of the transaction were not disclosed.

Mar 02, 2023: Solina Group SAS (“Solina”) acquired Ontario-based W.T. Lynch Foods Limited, a food manufacturer of specialty products for the foodservice and consumer goods industry. The acquisition will accelerate Solina’s expansion in the North American market. Terms of the transaction were not disclosed.

Mar 01, 2023: Alten S.A. (“Alten”) acquired Ontario-based QA Consultants, a provider of software testing and quality engineering solutions for businesses and government. The acquisition will enhance Alten’s service offering across all industries and sectors with even more robust end-to-end software development services. Terms of the transaction were not disclosed.

Mar 01, 2023: Imperial Dade Intermediate Holdings, LLC (“Imperial”) acquired Ontario-based Action Paper & Packaging Co. Ltd., a distributor of paper goods, packaging materials, material handling equipment and safety and janitorial products. The acquisition will enable Imperial to enhance its product and solutions offerings. Terms of the transaction were not disclosed.

Mar 01, 2023: Bloomerang, LLC (“Bloomerang”) acquired Ontario-based InitLive Inc., a provider of volunteer management software platform for non-profit organizations and live event producers. The acquisition will expand Bloomerang’s non-profit relationship management capabilities with industry-leading volunteer management solutions. Terms of the transaction were not disclosed.

Mar 01, 2023: Transdev Canada, Inc. (“Transdev”) acquired Ontario-based Priority Patient Transfer Service Inc., a provider of non-emergency medical transportation services. The acquisition enables Transdev to expand its non-emergency medical transportation business in the Ottawa region. Terms of the transaction were not disclosed.

Feb 16, 2023: BlackRock Alternatives acquired Ontario-based Environmental 360 Solutions Ltd. (“E360S”), a provider of waste management, environmental, and recycling/circular economy services to municipal, commercial and industrial customers. The acquisition will support E360S’s ongoing growth in traditional solid waste and environmental services. Terms of the transaction were not disclosed.
Feb 16, 2023: Transtar Autobody Technologies, Inc. ("Transtar") acquired Ontario-based Pro Form Products Ltd., a manufacturer of refinishing and repair products for automotive, aviation, industrial, and marine applications. The acquisition allows Transtar to enter new end markets including industrial and marine, expand its product line, and provides complementary geographic coverage across the US and Canada. Terms of the transaction were not disclosed.

Feb 14, 2023: GoCo, Inc. ("Goco") acquired Ontario-based WFHomie Inc. a provider of people analytics platform built for remote-first companies. The acquisition will help Goco unlock immediate cross-selling synergies and accelerate its product innovation in this space, thereby, helping customers automate HR workflows. Terms of the transaction were not disclosed.

Feb 14, 2023: Trivest Partners, L.P. announced the acquisition of Ontario-based Central Sanitation Inc. a provider of portable toilets and washrooms; Stewart Gilbert Ltd. a provider of portable toilets rentals in Canada; Johnson's Sanitation Service Ltd., a provider of sewage and waste hauling from septic tanks and portable toilet rental services; Chantlier's Environmental Services Limited, a provider of portable sanitation services for various applications; and Lacombe LSC, a provider of portable toilets, to form Total Sanitation Services ("Total Sanitation"). The acquisitions strengthen Total Sanitation's ability to drive increased route density and geographic coverage whilst enhancing its penetration across local markets. Terms of the transaction were not disclosed.

Feb 10, 2023: Power Staffing Solutions LLC ("Power Staffing") acquired Ontario-based Stay Home Forever Inc., a provider of services including caregiver, therapy, companionship, homemaking, cleaning, and age-in-place renovations for seniors and people with injuries, disabilities and restrictions. The acquisition strengthens Power Staffing's geographical presence across Northern and Western Ontario, and enables it to provide holistic healthcare staffing and private care services. Terms of the transaction were not disclosed.

Feb 07, 2023: Cooper Equipment Rentals ("Cooper Equipment") acquired Ontario-based Hub Equipment, a provider of solutions including buying, selling and renting equipment for the automotive industry. The acquisition strengthens Cooper Equipment's market presence in Western Canada. Terms of the transaction were not disclosed.

Feb 01, 2023: Polycor Inc. ("Polycor") acquired Ontario-based Ebel Quarries Inc., a provider of services including extraction and processing of genuine natural limestone products. The acquisition will enable Polycor to expand its presence in Ontario, and capture the increasing demand for natural stone and diversifying its comprehensive product line by adding a new subsidiary to its extraction and finishing network. Terms of the transaction were not disclosed.

Jan 31, 2023: Right Lane Industries LLC ("Right Lane") acquired Ontario-based London Machinery, Inc., a provider of concrete mixer trucks and replacement drums in North America. The acquisition will enable Right Lane to deliver enhanced value to its customers. Terms of the transaction were not disclosed.

Jan 30, 2023: RENK Group ("Renk"), through its suspension specialist Horstman Holdings Ltd., acquired Ontario-based General Kinetics Engineering Corporation to form Horstman Canada. The acquisition will enable the new company to continue to provide superior mobility solutions and join with RENK's US, European, and global footprint to deliver a full range of suspension and vibration mitigation solutions. Terms of the transaction were not disclosed.

Jan 30, 2023: Empire Communities Corp. ("Empire") acquired Ontario-based Erth Inc., a provider of improved indoor air quality solutions, to enhance homebuyers' health and well-being. The acquisition will enable Empire to drive innovation, test new technologies, and build upon its position as a leader in the green building space. Terms of the transaction were not disclosed.

Jan 25, 2023: ATIS Elevator Inspections, LLC; Liberty Elevator Experts LLC and KJA Consultants Inc. have merged to form ATIS Ascenda Partners, LLC ("Atis"), a provider of comprehensive elevator and escalator management and advisory services. The merger will strengthen Atis's position in vertical transportation consulting, inspections and managed services. Terms of the transaction were not disclosed.

Jan 18, 2023: Mod Op, LLC ("Mod Op"), acquired Ontario-based Context Creative Inc. ("Context Creative"), an operator of a digital marketing agency intended to serve clients in the energy, healthcare, manufacturing, transportation, education and financial sectors. The acquisition will enable Mod Op to benefit from cross-border business relationships and will strengthen its position because of Context Creative's well-rounded staff and expertise in the renewable energy and government sectors. Terms of the transaction were not disclosed.

Jan 12, 2023: Technology Recovery Group Ltd. ("TRG") acquired Ontario-based Real World Communications Incorporated ("RWC") a provider of mobility devices and wireless and network solutions. The acquisition will enable TRG to benefit from RWC's expertise in its core service areas including healthcare, transportation, logistics and manufacturing. Terms of the transaction were not disclosed.

Jan 11, 2023: ERIKS North America Inc. ("ERIKS"), acquired Ontario-based DeeTag, Ltd., a distributor and fabricator of hydraulic and industrial hose assemblies. The acquisition will expand ERIKS's geographic footprint and key capabilities. Terms of the transaction were not disclosed.
Historical M&A activity

Transactions involving Ontario-based companies over the last eight quarters

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

Number of Ontario transactions by industry over the last eight quarters

Number of Ontario transactions by industry over the last quarter
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