

**Q3 2014 | Canadian deals announced, sector report and more**  
*Perspectives from your leading global mid-market M&A advisor*

# ***Capital Markets Flash***

## **Canadian M&A Deals Quarterly**

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# 92 days, 713 deals, \$50.6 billion

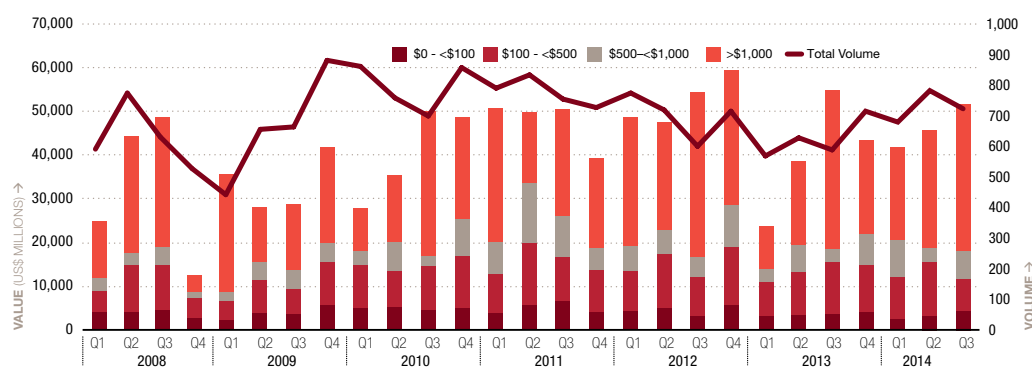
## Canadian M&A: Q3 in brief

With sustained momentum, Canadian M&A deal value continued to rise in the third quarter of 2014. With a total of 713 deals, volume was only slightly lower than the 748 transactions seen in Q2, however deal value rose 10% from \$45.8 billion to \$50.6 billion this quarter.

Big deals (greater than \$1 billion in total enterprise value) continue to dominate the market with large deals coming from all sectors including consumer, energy, industrials and software. Typically a commodities-driven environment, this cross-sector uptick in deal activity bodes well for Canadian businesses seeking partners for growth. And these partners appear to be in our own backyard, with domestic deal volume up 17% from last year, and value up a whopping 56% from Q2.

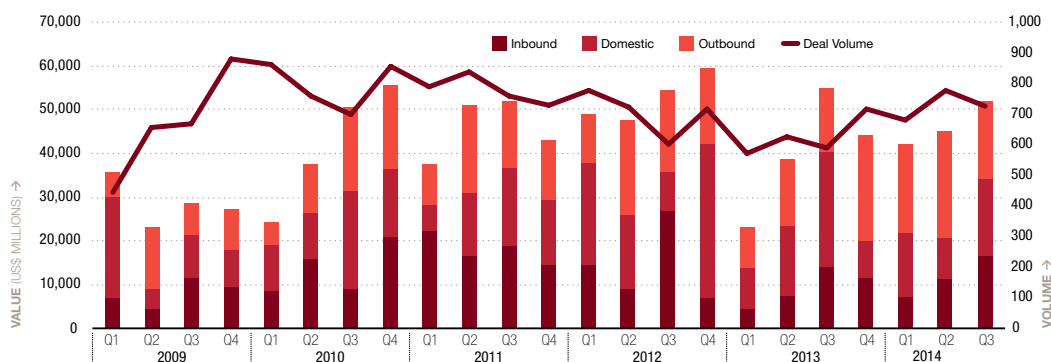
By industry grouping, consumer services took the lead in Q3 with Burger King's US\$13.4 billion acquisition of Tim Hortons. Not to be forgotten, the energy sector ranked second in terms of total deal value, led by Encana's US\$7 billion acquisition of Texas-based Athalon Inc. The acquisition adds approximately 140,000 acres of land to Encana's portfolio, focused solely in the heart of the oil-rich Midland Basin, providing Encana with a seventh growth area. "This transformative acquisition further accelerates our strategy and provides us with a prime position in what is widely acknowledged as one of North America's top oil plays," says Doug Suttles, Encana President.

Quarterly Canadian M&A activity  
by value and volume, 2008–2014



Sources: S&P Capital IQ, PwC Analysis

Quarterly Canadian M&A inbound, domestic and outbound activity  
by value and volume, 2009–2014



Sources: S&P Capital IQ, PwC Analysis

Continuing on with its blockbuster acquisition strategy for growth, BCE Inc. completed its CA\$4 billion acquisition of the remaining shares of Bell Aliant Inc., taking the eastern Canadian company private after previously owning 44% of the company. “The privatization of Bell Aliant dramatically simplifies BCE’s corporate and operating structure, eliminating the requirement for two duplicate public companies and the costs associated with operating those companies,” says BCE chief executive George Cope.

Industrials take their place in the top five sectors this quarter with WSP Global’s US\$1.4 billion acquisition of New York-based Parsons Brinkerhoff Group. The acquisition is part of a growing trend in the engineering and construction sector, for global expansion. With a strong presence in the US market, Parsons provides WSP with expansion opportunities in its offerings and capabilities in core segments, such as buildings and infrastructure, to increase its expertise and offerings worldwide.

Taking the number eight spot on the top ten deals list is Shaw Communications with its US\$1.2 billion acquisition of ViaWest Inc., a data centre infrastructure, cloud technology and managed solutions provider based in Denver, Colorado. Following the lead from Rogers and Bell, Shaw’s acquisition of ViaWest expands its current technology offering for enterprise customers. According to CEO Brad Shaw, “We identified the data centre sector as an attractive opportunity adjacent to our core business and with the acquisition of ViaWest, Shaw gains significant capabilities, scale and immediate expertise in the growing marketplace for enterprise data services. We plan to leverage the ViaWest management team’s experience to accelerate the development of our Canadian data centre platform so that over time our Western Canadian customers will gain access to this industry-leading expertise for their own data management needs and scalable cloud solutions.”

#### Top five targeted industries by value

##### Q3 2014

Industry	Percentage of value
Consumer Services	28%
Energy	21%
Real Estate	15%
Industrials	9%
Insurance	8%
Others	19%
<b>Top five total</b>	<b>81%</b>

#### Top five targeted industries by volume

##### Q3 2014

Industry	Percentage of value
Metals & Mining	17%
Real Estate	16%
Industrials	14%
Energy	14%
Software & Services	9%
Others	30%
<b>Top five total</b>	<b>70%</b>

**“The increase in domestic deals is encouraging for Canadian businesses looking to engage in M&A activities. We expect that this trend will continue in the short term.”**

**Nicolas Marcoux,**  
Canadian Deals Leader

**Top 10 transactions**  
Q3 2014, by value

	<b>Announced date</b>	<b>Target / Issuer</b>	<b>Seller(s)</b>	<b>Buyer(s) / Investor(s)</b>	<b>Total transaction value</b> <i>US\$m, historical rate</i>
<b>1</b>	26 Aug 2014	Tim Hortons Inc. (TSX:THI)	Scout Capital Management, L.L.C.	Burger King Worldwide, Inc. (NYSE:BKW)	13,374
<b>2</b>	29 Sep 2014	Athlon Energy Inc. (NYSE:ATHL)	Apollo Global Management, LLC (NYSE:APO); T. Rowe	Encana Corporation (TSX:ECA)	6,980
<b>3</b>	23 Jul 2014	Bell Aliant Inc.	—	BCE Inc. (TSX:BCE)	3,764
<b>4</b>	03 Sep 2014	Standard Life Financial, Inc. and Standard Life Investments Inc.	Standard Life Oversea Holdings Limited	The Manufacturers Life Insurance Company	3,676
<b>5</b>	26 Aug 2014	Shopping Centre And Office Building Portfolio In Quebec And Ontario	Ivanhoe Cambridge, Inc	Cominar REIT (TSX:CUF.UN)	1,394
<b>6</b>	03 Sep 2014	Parsons Brinckerhoff Group Inc.	Balfour Beatty plc (LSE:BBY)	WSP Global Inc. (TSX:WSP)	1,353
<b>7</b>	16 Jul 2014	York Risk Services Group Inc.	ABRY Partners, LLC	Onex Corporation (TSX:OCX)	1,325
<b>8</b>	31 Jul 2014	ViaWest, Inc	Oak Hill Capital Partners; GI Partners; Solar Capital	Shaw Communications, Inc. (TSX:SJR.B)	1,200
<b>9</b>	17 Sep 2014	U.S. Segment of Alberta Clipper Pipeline	Enbridge Inc. (TSX:ENB)	Enbridge Energy Partners, L.P. (NYSE:EEP)	900
<b>10</b>	13 Aug 2014	HealthLease Properties Real Estate Investment Trust (TSX:HLP.UN)	TD Asset Management, Inc. ; CIBC Asset Management Inc. ; Mainstreet Property Group, LLC	Health Care REIT, Inc. (NYSE:HCN)	898
<b>Total</b>					<b>34,864</b>







## SPOTLIGHT ON

# *Driving for change – future outlook for the Canadian auto dealership industry*

There's a lot of positivity within the Canadian auto dealership industry, which should come as no surprise given record sales that were almost unimaginable a few short years ago. According to the Canadian Automobile Dealers Association (CADA), September new car sales were up 12.6% over 2013, making it the sixth consecutive month in which a monthly sales record was set.<sup>1</sup>

"Over the last several years, valuations of dealerships have increased significantly. Performance of dealerships has also increased as the market has improved," says Damian Peluso, a partner and head of PwC's automotive group. "The industry is very healthy right now."

That's not to say dealerships in Canada don't have their challenges. The need to meet increasingly stringent OEM standards and guidelines is having a major impact, especially on smaller dealerships in Canada. With a large number of owners at the age where retirement is starting to factor into their decision making, there's also the challenge of figuring out their succession plan or sales strategy.

We believe these issues are poised to significantly change the dynamic of the auto dealership industry over the next few years. While distinct, the issues of capitalization and succession will likely drive increased M&A activity as owners look to sell. And, with over 3,200 automotive dealers in Canada,<sup>2</sup> there is little doubt that industry consolidation offers significant opportunities for investors.

## Growing sophistication of OEM standards

When it comes to the requirements for doing business, dealership costs keep getting higher. "The capital costs to be in the business keep increasing," Peluso explains. "As OEMs grow more sophisticated, brand and other standards become tougher."

"Every few years, an OEM comes to you and tells you they want to restyle the face of building, or resurface the parking lot, or change the showroom," explains Alvaro Hernandez, a vice president in PwC's corporate finance group who has worked with a number of Canadian dealerships. Such costs might not be a major issue for larger dealerships or dealership groups – but for smaller ones, the need to make significant capital investments to address OEM demands on a regular basis can be challenging.

That's why, as OEM guidelines and standards grow more complex and sophisticated, they will likely drive further M&A in the industry. For dealers that don't have access to the capital needed to meet changing standards, selling the business to an investor or dealership group with more capital may be the most viable option.

"Owners have to invest in complying with brand standards," adds Eric Castonguay, leader of PwC's Transportation and Logistics group. "Or, when they sell, the new owner will need to commit to making the investments."



## Managing succession

For some dealerships, the need to make capital investments to address OEM requirements adds a second layer of complexity to an already challenging issue: succession planning. For owners who have built their dealership or dealership group up over twenty, thirty, or forty years, it can be difficult to think about succession. But without a plan in place, owners may not be able to achieve the outcome they desire.

"A lot of people [owners] aren't ready. They don't have the appropriate tax planning in

<sup>1</sup> Monthly Economic Review. Canadian Automobile Dealers Association. September 2014.

<sup>2</sup> CADA Year in Review. 2013.

place, whether from a corporate perspective or even a personal one, such as having a will,” Peluso says. “That’s where most need to start.”

At the same time, any successor needs to be able to give the OEM confidence that the dealership will continue to be effective and will be able to operate within the standards and guidelines – including making any required capital investments, if needed, once they take ownership. “But when it comes to the OEM, there’s no guarantee they will approve him or her,” says Hernandez. “OEMs have rejected succession plans from dealers because those new dealer principal candidates weren’t appropriate.”

That’s one of the reasons advance planning is so critical. It gives the owner time to build OEM confidence in the succession plan and for any successor to begin developing the appropriate relationships. In cases where members of the owner’s family are not interested in taking ownership of the dealership, owners need to be far more proactive about sales opportunities. The challenge is that most dealerships are not ready for sale, which makes it harder for owners to get the price they believe their dealership is worth.

“The way a buyer will look at a company may be different than how they [the dealership] currently reports things,” explains Castonguay. “The reconciliation between what is reported and what the buyer wants to see is very important.” For example, buyers will typically want to examine different revenue streams (e.g. new car sales, used car sales, body shop, service, financing and insurance).

## Taking advantage of M&A opportunities

Looking to the future, there’s little doubt that M&A activity will continue to rise in the auto dealership industry – presenting opportunities for both buyers and sellers.

“Larger groups will continue to be the most active,” Peluso believes. “They will grow in size. Groups that currently have 10 to 15 dealerships might grow to 20 or 25.” There will also likely be growth in the number of public companies involved in the ownership of auto dealerships.

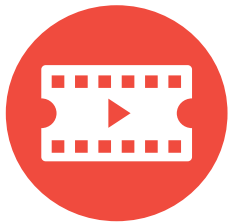
“The increasing prevalence of larger dealer groups is being driven by industry dynamics”, states Castonguay. “Many of these larger groups use M&A as a tool to strengthen their businesses, achieving back-office synergies, OEM diversification and geographic diversification.”

In fact, we believe that some of the consolidation will likely be driven by public companies. While Auto Canada is the only public company owner of multiple brand dealerships in Canada at present, it has been very successful – paving the way for others. “There’s a lot of room and appetite from institutional investors in replicating Auto Canada’s success,” explains Hernandez. While a number of OEMs, including Honda, Toyota and Ford don’t allow public company owners of their dealerships in Canada, this might change in the future given that no similar restriction exists in the United States.

## Moving ahead:

Given increasing investor interest and a relatively stable market outlook, there’s no time like the present to consider possible M&A transactions – whether as a buyer or a seller. The key is making sure that any transaction is well positioned to help you achieve your desired outcomes. As a dealer, this means avoiding surprises by doing your due diligence to prepare your business for sale, understanding who your potential buyers are, having a management succession plan, and doing the appropriate work needed to give the OEM confidence in your plan. As a buyer, this means doing your proper due diligence to identify the most attractive targets that can help you achieve your desired return, and making sure you have a plan in place that will drive OEM confidence so that you can move forward with their full support.





## SPOTLIGHT ON

# Entertainment & media

With Netflix and Google, the company that owns YouTube, making headlines recently with respect to their involvement in the CRTC's Let's Talk TV discussions, it's not surprising that some investors are curious about the potential impact that over-the-top (OTT) providers of content might have on the entertainment and media market in Canada.

### Subscription TV will not be daunted by the rise of OTT.

Global subscription TV revenues are projected to grow to US\$236 billion in 2018, compared to spend on OTT/streaming, which, while growing at a compound annual growth rate ("CAGR") of 28%, is only projected to reach US\$22.65 billion by 2018 according to PwC's Entertainment and Media Outlook 2014-2018.

However, OTT is just one example of how customers are changing the way they interact with content. "Media companies need to be smart about recognizing that their customers consume content in many different ways – from television to online to mobile, says Lisa Coulman, a Partner in PwC's Entertainment and Media group. "To be able to compete effectively, you have to own the content and all the methods of distribution."

That's something Rogers and Bell have long recognized. "Here in Canada, the telecom

companies already own the majority of the broadcasters," explains Coulman. Such vertical integration means that the industry is already well positioned to deliver content across multiple platforms according to the needs of their customers.

"We see a big growth in mobile access," Coulman offers as an example. "But the broadcasters already own that distribution method in Canada." This means broadcasters will keep the revenue in Canada, even as the platforms for content consumption evolve.

In the US, HBO recently announced a plan to offer an online streaming model that will allow viewers to watch its shows without a full cable subscription. Such a service won't be allowable in Canada until at least 2018 due to existing licensing arrangements.

Recently a three-way alliance between Netflix, City television network (owned by Rogers) and shomi, the new Rogers and Shaw joint streaming venture, was announced. The parties intend to develop an original program which will be broadcast in Canada on both City and shomi, and outside Canada on Netflix. "This underscores both the broadcasters' focus on smart content development and their recognition that streaming is of ever increasing relevance," says Richard Pay, a partner in PwC's Deals group.

### Industry deals focused on content

That's not to say industry deals aren't happening. They are. They're just coming on the content creation side of the industry. "We are seeing a lot of activity from producers,

who recognize they need to have more content in order to deal with the bigger players, both in Canada and globally," says Coulman.

Here in Canada, content production is still primarily driven by a large number of independent producers. This makes it very difficult for Canadian companies to compete for attention from the larger global broadcasters and distributors, like the BBC.

At the same time, such fragmentation makes the sector a prime target for M&A as production companies look to grow their content libraries and expand their reach beyond production. "We expect to see established production companies, that have access to capital, actively acquire/consolidate those that don't," suggests Pay. DHX Media Ltd. is a prime Canadian company that has done that. Over the past couple of years, DHX has acquired a number of companies, including Cookie Jar Group and Epitome Pictures. It also expanded its reach through the acquisition of several speciality television channels for children (e.g. Family Channel, Disney), which was finalized in July 2014.

### What's coming next? Connecting consumers to content

While building strong libraries of content will continue to spur industry M&A in the future, other factors may also come into play as companies grapple with how to connect consumers to their content – even when the consumers might not know such content exists. After all, finding ways to recommend content can significantly increase consumer engagement and keep them coming back.





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**“** *Media companies in Canada need to be very focused on innovation in providing consumer choice and experience. Netflix was one of the first to provide a recommendation engine - to tell customers what they want to watch next. It was very strategic.* **”**

**Lisa Coulman,**  
Partner, PwC's Entertainment and Media group



## SPOTLIGHT ON

# *M&A in Quebec: Quebec Inc. at the Gate*

Throughout its history, the province of Quebec has remained distinctive from the rest of Canada on many fronts and this uniqueness has had a meaningful impact on its business community. Over the last few decades, La Belle Province has seen many first generation entrepreneurs, dubbed the “Quebec Inc.,” developing local businesses that successfully grow into international success stories, mostly through acquisitions. Despite not being the ground base location of many multinationals in Canada, Montreal is host to the headquarters of many global companies due to Quebec Inc.’s taste for international acquisitions.

Quebec Inc. features an incredibly diverse grouping of industries including engineering, retail, food processing, media, forest products, IT, eGaming, transportation, aerospace, telecom and more.

In recent years, M&A activity has heated up in Quebec. To the delight of its business and political communities, this activity has generally gone on the bright side of things, with Quebec-based companies acting, in aggregate, much more as predators than as prey. Many studies concluded that Quebec wins at the M&A game, in both deal count and value.

This net benefit stems in part from visionary entrepreneurs and family-controlled businesses that consistently innovate and pursue aggressive acquisition strategies on their way to becoming global champions. The table portrays significant acquisitions of selected Quebec-based companies in the past two years. A common element of many of these transactions is the involvement of the Caisse de Dépôt et Placement du Québec

(“CDPQ” or locally called “La Caisse”). La Caisse supports local companies either directly through private equity or debt, or indirectly via long-term support in public share ownership. One of La Caisse’s main investment strategies is to invest in the markets and assets it knows best, and it is apparent that this market is Quebec and these assets are its entrepreneurial-driven companies. The proximity and investment culture compatibility with Quebec entrepreneurs and companies with global vision is now at the forefront of la Caisse’s investment mapping.

In 2012, La Caisse backed the transformative acquisition of Logica by CGI for \$2.7B by investing \$1B in equity, and invested \$500M in Cominar for its acquisition of Ivanhoe Cambridge shopping malls (the real estate subsidiary of La Caisse) in August 2014. As another example, La Caisse supports the aspiration of WSP to become a top three global engineering and construction player before 2020. Interestingly, La Caisse does not only back large corporations, but also invests heavily in small and mid-size private companies (“SMEs”) such as Camoplast, Telecon, Novatech and many others to help them to reach the next stage. Just in the last 45 days, La Caisse clinched four direct investments in Quebec-based SMEs, mostly to support acquisitions.

This strategy is reminiscent of the 1990s when La Caisse generated excellent returns by directly supporting, via private placements, Videotron’s (now part of Quebecor Media) national development, and the international expansion of Telesystem and Canam-Manac to name a few.

“In addition to La Caisse, other Quebec-based funds have supported Quebec entrepreneurs in their quest for international growth, including: Desjardins Capital régional et coopératif, le Fonds de solidarité FTQ, Investissement Québec and Novacap,” says Nicolas Marcoux, PwC’s Canadian Deals Leader.

Entrepreneurial-driven companies seem to have inspired other publicly-held public companies, and even cooperatives, to follow the same path. Agropur, a dairy processing cooperative, made more than 12 acquisitions in 2013 and 2014. Notably, it announced three large acquisitions over a period of 15 days in July 2014. Desjardins Group, Canada’s largest financial credit union, bought State Farm Canada in January 2014 in a deal estimated at over a billion dollars. Other Quebec-based serial acquirers include Garda World, Alimentation Couche-Tard and Saputo. These companies are making it clear: they aim to become global champions in their respective industries.



## CDPQ

As of December 31, 2014, CDPQ assets under management stood at \$200B. In 2013 alone, it invested \$3.6B in assets in Quebec. According to Michael Sabia, President of CDPQ, La Caisse intends to do three things to support Quebec-based companies aiming to go global:

- 1) Identify and invest in Quebec companies capable of adopting positions in world markets;
- 2) Continue to seek out promising companies of all sizes and focus on those with the potential to develop in foreign markets.
- 3) Invest in these companies and build alongside them, for the long term.

According to Sabia, as a partner, CDPQ aims to play a role of a smart investor and help to build strong companies, capable of winning in global markets, while generating solid returns for its depositors.

To reinforce this strategy, La Caisse recently appointed Christian Dubé as Senior VP Québec, with the mandate to enhance the CDPQ's support to Quebec companies aiming to achieve international prominence.

Date	Acquirer	Target	Value <i>C\$ millions</i>	Industry	CDPQ <sup>[1]</sup>	Entrepreneurs <sup>[2]</sup>
<b>Recent Selected Transactions</b>						
Sept 2014	WSP	Parson Brinkerhoff	1,400	E&C	X	
Aug 2014	Cominar REIT	Invanhoe Cambridge Shopping malls	1,600	Real estate	X	X
Jul 2014	Transforce	Contrans Group	573	Transport		X
Jul 2014	Agropur COOP	Davisco Foods International	1,400	Dairy processing		
Jul 2014	Agropur COOP	Sobeys	356	Dairy processing		
Jun 2014	Amaya Gaming	Rational Group (Poker Star)	4,900	eGaming		X
Jun 2014	SNC-Lavalin	Kentz Corp.	1,900	E&C		
Jun 2014	Transforce	Transport America	310	Transport		X
Mar 2014	WSP	Focus	330	E&C	X	X
Feb 2014	Héroux-Devtek	APPH Ltd.	130	Aerospace	X	X
Jan 2014	Desjardins	State Farm Canada	1,600	Financial		
Jan 2014	Saputo	Warrnambool	500	Dairy processing		X

### Other Notable Transactions

Feb 2013	Permira Capital/CDPQ/FSTQ	Atrium Innovations	750	Food health	X	
Aug 2012	CGI	Logica	2,700	IT	X	X
Jun 2012	Genivar	WSP	442	E&C	X	
Apr 2012	Alimentation Couche-Tard	Statoil	2,400	Retail		X
Jan 2012	Saputo	MorningStar	1,450	Dairy processing		X
Feb 2012	Cogeco	Atlantic Broadband	1,400	Telecom		X

[1] The transaction benefited from a direct investment from the CDPQ

[2] The acquiror is considered to be largely owned and driven by an entrepreneur(s)



# Food for thought

Under President and CEO Marc Poulin, Sobeys is confronting competition in the grocery business by giving Canadians healthier choices



Marc Poulin  
President and CEO, Sobeys and Empire Co.

by **Chris Atchison**

Originally published in the Summer 2014 edition of **Up front™**, PwC's magazine for Canadian executives.

It's a daunting task for any chief executive: finding innovative ways to compete with rivals and differentiate their brand by providing a better product or service. Just ask Marc Poulin, President and CEO of Canadian grocery giant Sobeys Inc. and its parent, Empire Co. Ltd. In his business, price wars between major retailers are fierce, profit margins are razor-thin, and keeping the in-store experience current is a costly and creatively demanding job dictated by fast-changing consumer tastes.

For Poulin – a food retail veteran who took charge of Sobeys in 2012 and has held other senior positions with the likes of Provigo Distribution and the Oshawa Group – those challenges are nothing new. But in recent years, the grocery war has seen retail square footage grow at more than double historical norms across some regions. Stiffer competition among domestic grocers such as Loblaw Cos. Ltd. and Metro Inc., as well as U.S.-based discount retailers such as Costco Wholesale Corp., Wal-Mart Stores Inc. and new player Target Corp., has battered companies' bottom lines and share prices.

"The industry is at a stage where it's redefining itself because new entrants create quite a bit of square footage, but we're also facing something new: aging consumers who tend not to buy as much food," says Poulin, who joined Sobeys in 1998 when it bought the Oshawa Group, where he was Vice President, Grocery Merchandising. "It's going to be a challenging market in the next few years."

To maintain its status as the country's second-largest grocer, Sobeys – which operates under several retail banners and posted sales of \$17.3-billion for the 2013 fiscal year – needed to retool. Poulin understood that staying price-competitive would be critical to his organization's success. So too would securing the chain's grip on a key demographic: Canadians who want a high-quality, full-service grocery experience. Poulin took it a step further, though.

About two years ago, he and his team asked how Stellarton, N.S.-based Sobeys could continue selling great products but also make a tangible difference in customers' lives. In an era of fast food, diminished cooking skills and the demise of the family meal, Poulin envisioned transforming Canadians' fundamental relationship with food.



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## “We want to bring food back to the centre of Canadians’ lives, but in a different way, as an ingredient in a healthy lifestyle.”

His goal was to help combat obesity and give consumers healthier meal options, while also establishing a critical point of brand differentiation. The strategic direction was set. Sobeys’ stores would promote better meal planning using fresh foods and hand-picked ingredients. The rallying cry: Better Food for All.

“We want to bring food back to the centre of Canadians’ lives, but in a different way, as an ingredient in a healthy lifestyle,” Poulin explains. “We have to ... [help] Canadians in their meal preparation. We’ll make it easy so you can adopt a lifestyle where you take control of your food experience, then teach you about new experiences around food.”

To achieve those lofty goals, the chain opted to expand its geographic footprint and gain access to new customers across the country, moving west beyond traditional strongholds in Atlantic Canada, Ontario and Quebec. Last year, Empire spent \$5.8-billion to acquire 213 Canada Safeway Ltd. grocery stores, along with dozens of the company’s other properties in the Western provinces, including gas stations, in-store pharmacies, manufacturing facilities and distribution centres.

This purchase not only grew Sobeys’ national market share but gave it access to real estate in key urban markets such as Vancouver and Calgary. “The deal changed the profile of our company,” Poulin says. “We’re much more diversified from a geographic perspective, which will allow us to face the bumps of this business over the long term.”

The Safeway acquisition came on the heels of a deal to supply perishable items to new rival Target, which was preparing

to open stores in Canada, and Sobeys’ 2012 purchase of 236 Shell Canada Ltd. stations in Quebec and Atlantic Canada. The latter, non-traditional approach to growth has let Sobeys cross-merchandise products by doing things like selling food in gas stations and offering gas discounts at its grocery stores.

The success of Better Food for All hinges on employees buying into the concept, then living and breathing it every day. How to reinforce that message across some 1,500 stores? Poulin and his team started by communicating the Better Food for All philosophy throughout the organization and encouraging employees to embrace a shared sense of purpose. But he knew that Sobeys needed an authentic ambassador, someone whose persona was built around introducing the kind of nutritional change that Sobeys was promoting.

Enter British celebrity chef and healthy-eating advocate Jamie Oliver. Sobeys had long sold Oliver’s products in its stores and regularly met with his team to discuss various business dealings. At one such meeting, Poulin’s team outlined Sobeys’ cultural shift. Oliver’s people instantly became excited. “Both teams realized we shared the same values and sense of purpose,” Poulin recalls.

Oliver signed on as Sobeys’ chief brand spokesperson in 2013, delivering his unique brand appeal and authenticity. “With customers, Jamie’s been a great ambassador,” Poulin explains. “But I would argue at this stage as we embark on our journey and want 124,000 employees to understand [Better Food for All] ... the day we announced he would be the spokesperson for Sobeys, a light bulb went on for a lot of our people.”

Better Food for All is also enhancing the customer experience at Sobeys stores, which are being transformed as the company trains staff to share their unique expertise everywhere from the produce aisle to in-store sushi bars. It’s a move designed to help educate customers and rekindle their interest in food. “Twenty years ago, sushi was exotic, but now it’s mainstream,” Poulin says. “Habits and influences are changing what Canadians are expecting from a food store, and we need to respond to that. That’s our challenge.”

There’s more. A new Sobeys app offers mealplanning tips and healthy recipes to help direct shoppers’ experience; it will eventually enable mobile shopping by allowing purchases directly from smartphones. In-store signage gets specific about the origins of certain products, listing the local farm where fresh apples were picked, for example.

To enact such sweeping change, Poulin keeps it simple: put the right people in the right places, give brand direction and let them go to work. “The Jamie Oliver relationship is something I consider a big win, but that didn’t happen from the C-suite,” he notes. “It happened because our people understood what we’re all about, connected the dots and made it happen. There’s nothing I find more satisfying than seeing people connect those dots to make a difference in our customers’ lives.”

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## *PwC survey shows up-and-down 2014 IPO market outpacing year-ago levels*

The market for initial public offerings (IPOs) on Canadian exchanges produced just five new issues in the third quarter, the same volume of new equity issued in the previous quarter but enough to push total proceeds from the first three quarters of 2014 to the same level as all of 2013, the quarterly PwC survey of IPO markets shows.

Two issues on the TSX in the third quarter and three IPOs on the TSX Venture brought the total for the quarter to \$531 million, the PwC survey revealed. In the first three quarters of 2014, issuers generated more than \$2.6 billion in new equity vs \$2.7 billion for all of 2013.

The third quarter of 2013 saw seven new offerings on all Canadian exchanges with a total value of \$802 million.

The largest issue in the third quarter of 2014 came from the oil and gas sector — the \$500 million placement on the TSX by Northern Blizzard Resources Inc.

**Dean Braunsteiner, national IPO services leader at PwC,** points to the Northern Blizzard issue as an example of two notable trends in 2014. “It’s a classic ‘good news/bad news’ story,” Braunsteiner says. “The higher volume of new issues we have seen in previous years has been swapped for fewer issues of a larger deal size. While that speaks to the quality of the issues reaching the market, the number of issues is less encouraging. Then there’s the activity in the oil and gas sector: four new issues this year compared to just one last year suggests the sector has replaced REITs as a driver of the market. That’s good for Canada but a broader market with issues from a variety of sectors would be more reassuring.”

It is not unusual for a single sector to drive the IPO market, Braunsteiner points out. The US market has relied heavily on the technology industry to drive its IPO activity this year while consumer products have dominated in Europe and Hong Kong. The larger IPOs from the tech sector in the US have yet to ignite activity in Canada, Braunsteiner notes.

The departure of the mining industry from the TSX Venture exchange has left a gap that could be filled by companies in medical technology and healthcare, says Braunsteiner, industries where early stage funding from public markets can propel growth.

PwC has conducted its survey of the IPO market in Canada for more than 10 years. The reports are issued on a quarterly basis to provide information to the corporate sector, investors, the media and others that will help them put the market into better perspective.

For the purposes of the survey, investment vehicles such as structured products are not considered IPOs because they do not represent new equity raised for operating companies.





# Achieving deal success— from concept to close and beyond

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- Total Transaction Value: Equal to Total Consideration to Shareholders + Total Other Consideration + Total Deferred/Earnout/Contingent Payments + Total Rights/Warrants/Options + Cash and Short Term Investments + Net Assumed Liabilities + Adjustment Size.

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