



TLS **M&A QUARTERLY**

Macro-economics indicators: Canada

Continuing pressure caused by NAFTA negotiations, international tariffs and rising household debt has resulted in less positive results for several of Canada's broad indicators.

- ▶ In May the Bank of Canada held its policy interest rate at 1.25%. Conversely, the U.S. Federal Reserve increased interest rates by 25 basis points from 1.75% to 2.00% in June.
- ▶ Expectations for Real GDP growth in Canada for 2018 were projected to slow from 2.2% to 2.0%, according to the Bank of Canada's most recent April Monetary Policy Report.
- ▶ The S&P/TSX Composite Index rose to 16,277.73 by the end of the second quarter of 2018, a 5.9% increase since the close of Q4 2017.
- ▶ In the month of June, the Canadian economy added 32,300 net jobs. This net increase in Canadian jobs followed losses of 31,000 and 1,100 jobs in May and April, respectively.
- ▶ The Canadian dollar closed at 0.7603 USD at the end of Q1, representing a 2% decrease from the previous quarter.

Synergies Driving Technology Industry Transactions

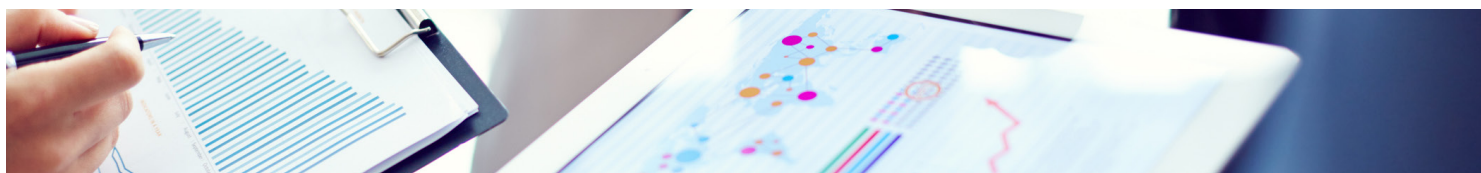
In the ever-changing technology industry, acquisitions continue to represent an attractive method for growth and business development. For many organizations, the value created through an acquisition is fuelled by synergies, i.e., material changes in revenue

and costs that become possible through the combination of two organizations. Operating cost rationalization, buying power with suppliers, or cost redundancies are commonly considered synergies that cross many industries. In this issue of the quarterly update, we highlight a few other synergies that drive technology industry deals.

Product and User Base Expansion

The relationship between a target company's product or services and the buyer's offering is typically front and centre in the acquisition business case. A product that is complementary to the buyer's existing portfolio has potential to unlock expanded capabilities and application, and further entrench a buyer's customer base. A less related product, however, has potential to de-risk existing revenue streams, and bolt on an incremental user base. Many technology companies, particularly earlier-stage entities, are built around a concentrated customer or product base, and expanding the existing lineup through an acquisition can be key to growth and longevity.

ConceptShare Inc., a Canadian business providing automated workflow solutions, acquired Deltek, Inc., the developer of an enterprise software for project-based businesses. Post-acquisition, the two products/services will be integrated with one another to provide a full-service workflow solution.



Strategic Human Capital

Technology businesses often rely on the talents of a highly educated, highly skilled, specialized labour force. The result is a broad shortage of the right human capital across many niche subsectors. As a by-product of this search for skills, technology industry transactions can often be driven by the opportunity to acquire a strategic skill set en masse.

In May 2018, Indeed Inc., an industry-leading employment search engine, acquired Resume.com, an online resume-building platform. The employees of Resume.com will become employees of Indeed Inc. This is an attempt to foster and build out a resume-building feature within Indeed Inc.'s current offering.

Capturing Market Share Scale

As a sector and its constituents evolve or mature, capturing incremental market share organically can be challenging. Acquisitions can provide a quick path to capturing critical mass market share, offering pricing power and other competitive barriers. While potentially fraught with commercial, regulatory or personal challenges, acquiring a main direct competitor can make strategic sense.

In April 2018, Indeed Inc. acquired Workopolis.com; this acquisition allowed Indeed Inc., a dominant USA player, to acquire market share of its Canadian competitors.

Tech Outside of Tech

Acquisitions of tech targets are increasingly popular amongst non-tech buyers. Technology can become mission critical to business operations, and a driver of competitive advantages, such that acquiring a technology firm can address both growth-enabling and defensive tactics. These acquisitions, among other things, can enable buyers to boost innovation, improve operational efficiency and enhance the general customer experience.

IBI Group Inc. (TSX:IBG), a Canadian professional services firm specializing in design and engineering, acquired GreenOwl Mobile Inc., a developer of mobile technologies and solutions.

Conclusion

The technology industry in North America has continued to represent an active market for M&A, led by a number of highly strategic acquisitions. Business owners looking to acquire or sell should ensure that they appropriately understand and articulate

the rationale that would underlie a strategic transaction. Doing so is necessary for both parties to unlock the maximum amount of strategic value or synergies post-close, and can offer a guiding light to help see deals through to completion.

Selected Q2 2018—Canadian Tech Transactions

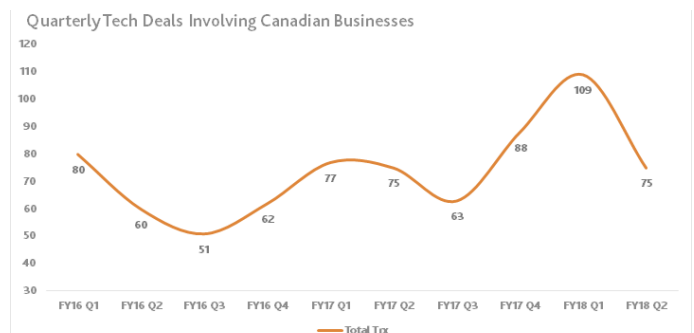
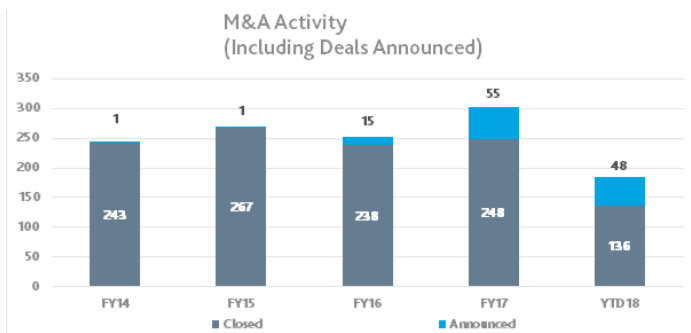
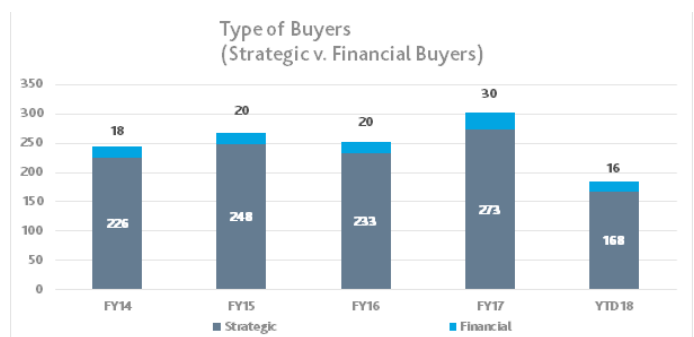
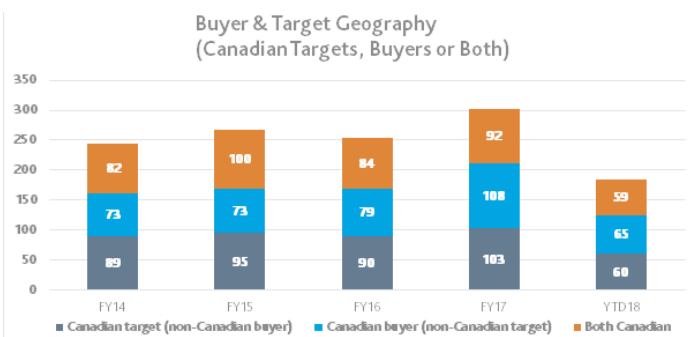
In Q2 2018, a total of 75 technology related transactions were closed or announced. Eight selected deals have been highlighted below.

1. **Recruit Holdings Co., Ltd** (TSE:6098) acquired Workopolis.com Ltd on April 12th, 2018 through its subsidiary Indeed, Inc. Financial information was not made available. Indeed, Inc., headquartered in Austin, Texas, operates as an online job search engine. Workopolis.com Ltd. operates an online job board and provides recruitment solutions. The company is based on Toronto, Ontario.
2. **Onex Corporation** (TSX:ONEX) agreed to acquire a majority stake in PowerSchool Group LLC on April 16th, 2018. No financial information was made available. Onex Corporation (TSX:ONEX) is a private equity firm headquartered in Toronto, Ontario. PowerSchool Group LLC provides web-based student information systems and performance solutions. It is headquartered in Folsom, California.
3. **IBI Group Inc.** (TSX:IBG) acquired GreenOwl Mobile Inc. on May 18th, 2018. Financial information was not made available. IBI Group Inc. (TSX:IBG) operates as a professional services firm specialized in design, planning and architecture. The company is based in Toronto, Ontario. GreenOwl Mobile Inc. develops mobile analytics applications. The company is based in Markham, Ontario.
4. **Namaste Technologies Inc.** (TSXV:N) acquired Findify AB on May 22nd for CA\$15 million. Namaste Technologies operates a cannabis e-commerce platform headquartered in Vancouver, British Columbia. Findify AB, headquartered in Stockholm, Sweden develops third-party technologies and applications for e-commerce businesses.
5. **Indeed, Inc.** acquired Resume.com on May 25th, 2018. Financial information was not made available. Indeed, Inc., headquartered in Austin, Texas, operates as an online job search engine. Resume.com provides online resume building solutions and is based in Vancouver, British Columbia, Canada.
6. **Deltek, Inc.** acquired ConceptShare Inc. on June 7th, 2018. Financial information was not made available. Deltek, Inc. provides enterprise software and information solutions for professional

services firms. The Company is headquartered in Herndon, Virginia, USA. ConceptShare Inc., based in Ottawa, Ontario, provides solutions for the creative operations management market including proofing, automated workflows, and review and approval solutions.

7. PayPal Holdings, Inc. (NasdaqGS:PYPL) agreed to acquire Hyperwallet Systems Inc. for CA\$531 million. The deal was announced on June 19th, 2018. PayPal Holdings, Inc. (NasdaqGS:PYPL) is based in San Jose, California, and provides digital and mobile payment platforms. Hyperwallet Systems Inc., headquartered in Vancouver, British Columbia, develops online payment platform solutions targeted at the global economy.

8. Shopify Inc. (NYSE:SHOP) acquired Solutions Alveo Inc. on June 26th, 2018. Financial information was not made available. Shopify Inc. (NYSE:SHOP), located in Ottawa, Ontario, provides a cloud-based multi-channel e-commerce platform to small and medium size businesses. Solutions Alveo Inc. provides a return platform for e-commerce marketplaces. The Company is based in Montreal, Quebec. a broad shortage of the right human capital across many niche subsectors. As a by-product of this search for skills, technology industry transactions can often be driven by the opportunity to acquire a strategic skill set en masse.



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