



AshdownCapital  
Financing Business Growth

# Ashdown Capital



**At Ashdown Capital, we are passionate about helping businesses achieve their financial goals.** We are a team of experienced and dedicated financing professionals committed to providing our clients with strategic solutions and exceptional service. We help position you in a way that gets the banks competing for your business – setting you up for success. We specialize, **purely**, in commercial financing.



# Who We Are

- Established team of experienced financing professionals
- Background in banking and financial institutions
- Offices across Western Canada, including Alberta



# Our Services

## Real Estate Finance

Assistance with purchasing commercial property, securing development funding, and refinancing existing assets

## Working Capital Finance

Solutions to bridge the gap between operating expenses and incoming revenue

## Equipment Finance

Flexible options for investing in necessary equipment

## Construction & Development

Financing for new developments and substantial renovations

## Mergers & Acquisitions Financing

Support for strategic growth through mergers and acquisitions

## CMHC Rental Programs

Access to CMHC-insured financing solutions for the rental market

# M&A Activity

- Interest rate uncertainty impacts deal timing
- Lower business investment, weaker consumer spending
- Certain sector resilience: technology, industrials, materials

## M&A Market Summary Canadian Mid-Market

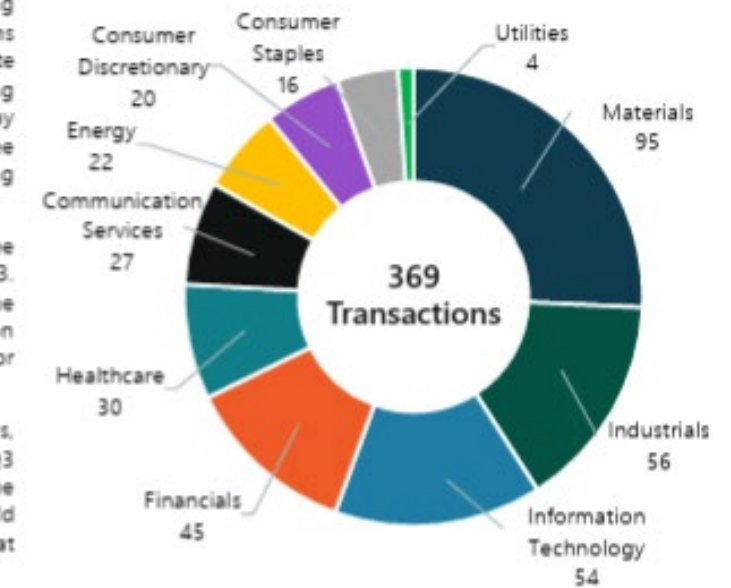


The Bank of Canada (BoC) implemented two interest rate cuts of 25 basis points (bps) each in Q3 2024, reducing the key rate from 4.75% to 4.25%. The interest rate cuts occurred in July and September 2024 in response to a weak labour market, slowing economic growth, and easing inflation. While inflation remains above its 2% target, analysts anticipate larger and faster rate cuts from the BoC in the coming months due to mounting economic challenges. Expectations of further cuts may temporarily slow M&A activity as buyers adopt a wait-and-see approach, delaying transactions until more favourable financing conditions emerge.

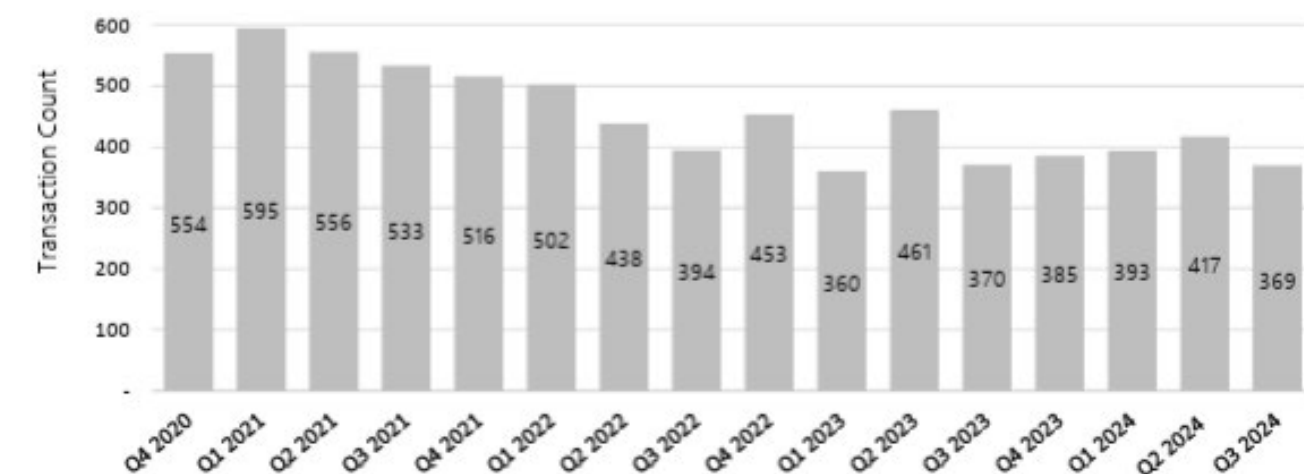
Q3 2024 saw a decline in disclosed transactions, following three consecutive quarters of growth in M&A activity since Q3 2023. 369 deals were reported this quarter, compared to 417 in the previous quarter. The adjacent chart summarizes transaction count by sector in Q3 2024, and corresponding sector highlights are noted below:

- The Materials sector led the quarter with 95 transactions, accounting for 25.7% of the total transaction count in Q3 2024. A notable transaction within the sector was the announcement of a merger between Florida Canyon Gold Inc. and Integra Resources Corp., which values the former at an Enterprise Value (EV) of \$94.7 million.
- The Industrials sector followed with 56 transactions, accounting for 15.2% of the total transaction count in Q3 2024. A notable transaction within the sector was the acquisition of Source Atlantic Limited by Lawson Products Canada Inc., which valued the former at an EV of \$105.0 million.
- The Information Technology sector saw a 35.0% increase in M&A activity quarter-over-quarter, with 54 deals in Q3 2024, up from 40 deals in Q2 2024. A notable transaction within the sector was Agilysys, Inc.'s acquisition of Book4Time Inc., which valued the latter at an EV of \$204.5 million.

Q3 2024  
Transaction Count by Sector<sup>1</sup>



Quarterly Transaction Count<sup>1</sup>





# Key M&A Terms

Key M&A Terms	Explanation	Example
Cash Equity	The amount of equity the buyer is injecting into the transaction. Ideally at close, though some instances of injecting immediately post-close so equity goes towards “growth” capital, not “share redemption”	Min 10%. Preferably more.
Earn-outs	Part of the purchase price is performance-based. Many ways to be defined. Ex. based on revenue threshold, percentage of ebitda over an agreed threshold, etc.. Makes sense for high growth profiles.	\$1.5mm earn-out, to be paid over 3-years. \$500k p.a. subject to minimum revenue of \$20mm p.a. and senior covenant compliance.
Vendor Take Back (“VTB”)	Seller financing. Part of the purchase price is paid in the future. Often postponed, interest-only in order to be viewed as equity by senior lender. Interest rate is often accommodative, below market for subordinated financing.	\$1.5mm with a 5-year term, postponed and subordinated to senior lenders, interest payments of 5% p.a. subject to senior covenant compliance.
Rolled Equity	Vendor retains some equity ownership and “rolls” existing equity over.	Buyer acquires 80% of the business, vendor retains 20% as rolled equity.

# Capital Structure

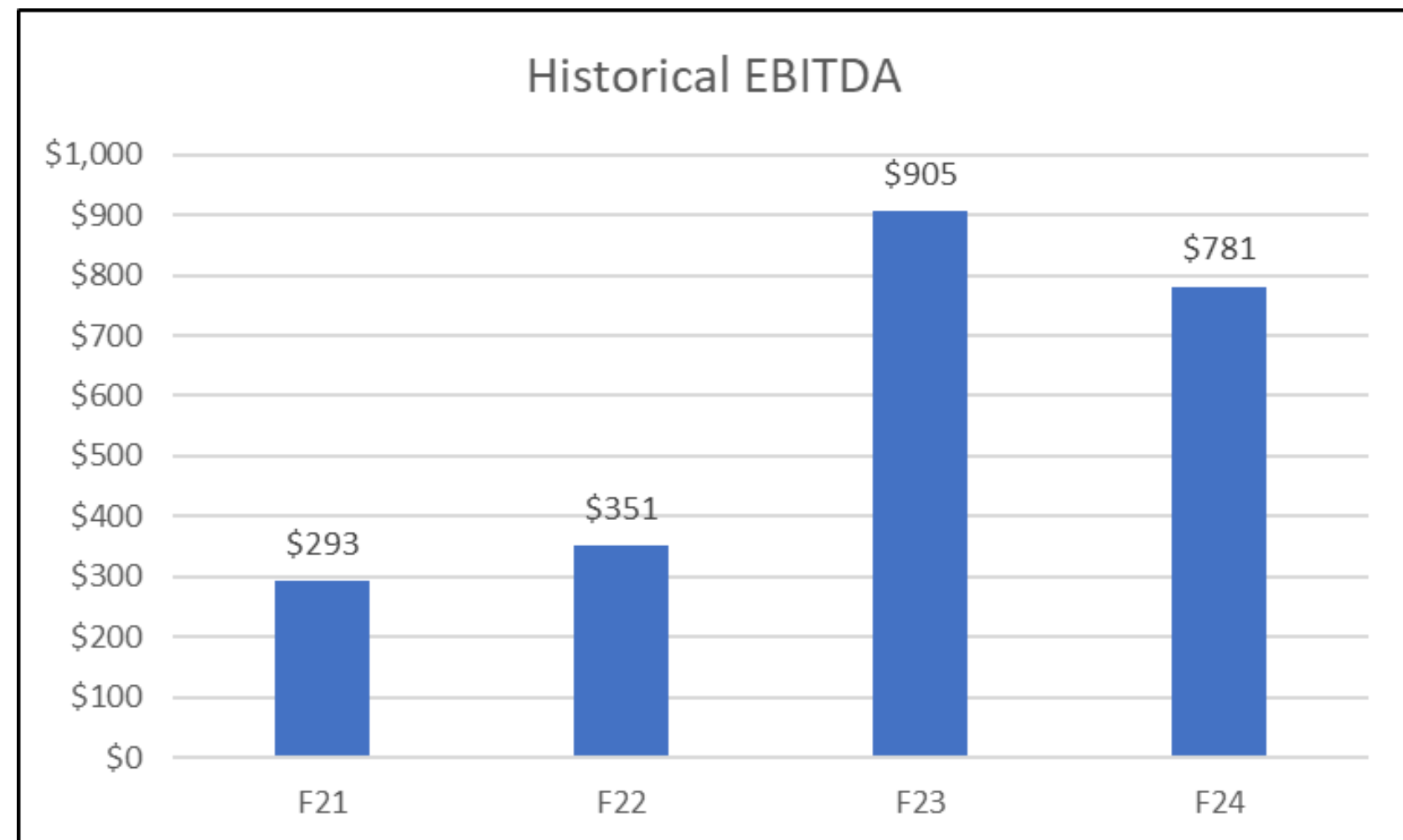
- How much equity is available?  
Minimum 10%
- What is transaction EBITDA?  
Case-by-case
- How much senior debt can it support?  $\geq 1.5x$  FCCR, subject to cash flow sustainability
- What's left? Equity gap

Capital Structure	%
Cash Equity - Min 10%	10%
Debt – Subject to $\geq 1/5x$ FCCR	60%
Equity Gap – E/O, VTB, Other?	30%
<b>Total</b>	<b>100%</b>

# Example #1

- \$4,000,000 based on 4.75x 2-year average EBITDA (\$843k)
- 50% cash-at-close, bank debt and cash equity
- Minimum 10% cash equity
- Equity plug consists of Earn-out and buyer's shares
- Short track record = Less upfront

Sources - 000		% Cap		Uses	
Mortgage	800	20%	41%	Building	1,000
Acquisition Term	800	20%		Business	3,000
LOC	100	2%		Closing Costs	100
Cash Equity	400	10%	59%		
Earn-out	1,500	37%			
Buyer Shares	500	12%			
4,100		100%		4,100	

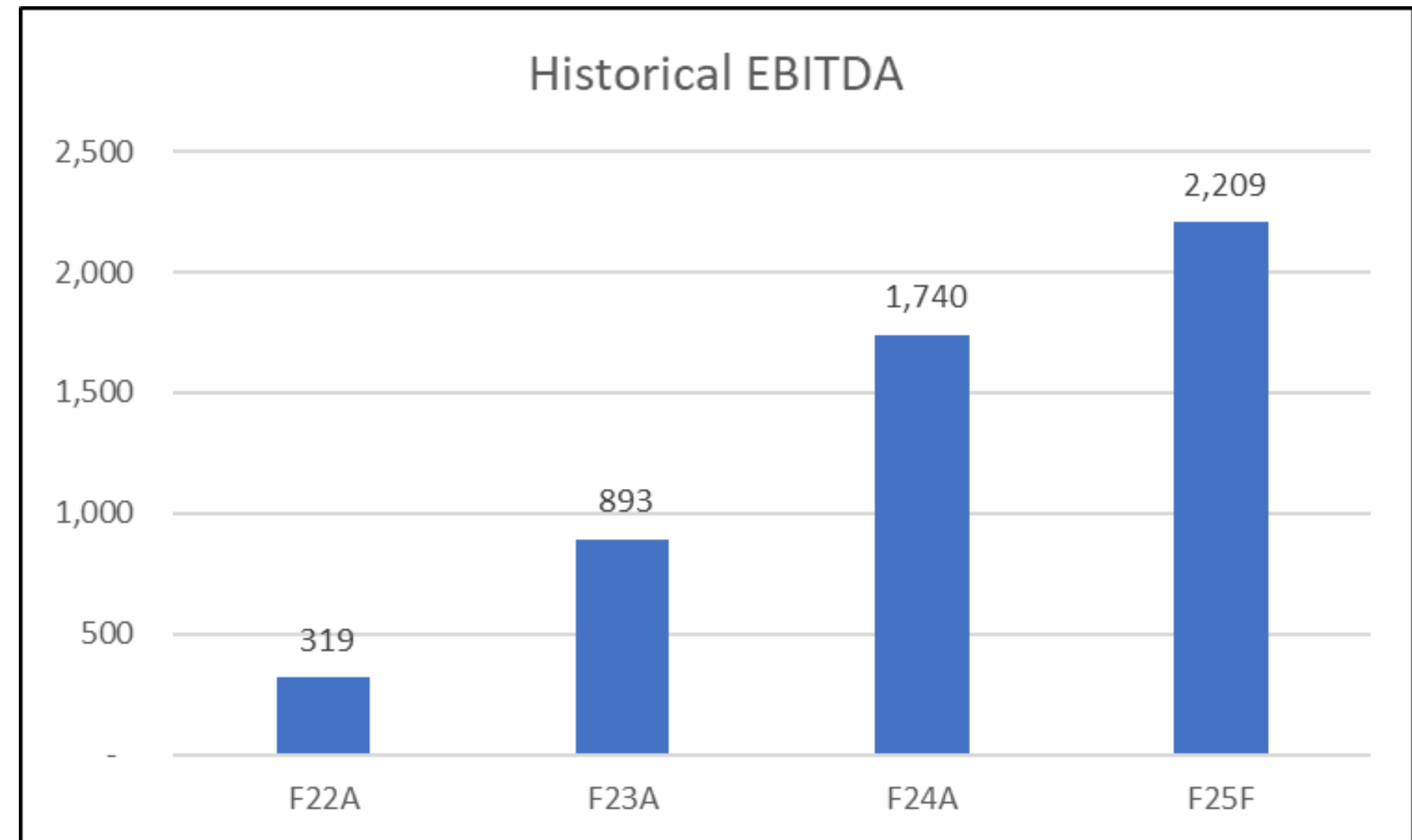




# Example #2

- CBV est. value of ~\$8.2mm, based on 4x \$2mm EBITDA
- Lenders resistant to growth profile and industry
- Revised metrics make sense, but most lenders still passed
- Intangibles behind the numbers matter

Sources	3-yr avg \$1,000		% Cap	Uses	
Senior Debt	2,700	2.70x	60%	Acquisition	4,500
Earn-out / VTB	900	0.90x	20%	Trans. Fee Allow.	
Buyer Equity	900	0.90x	20%		
Total	4,500	4.50x	100%		4,500





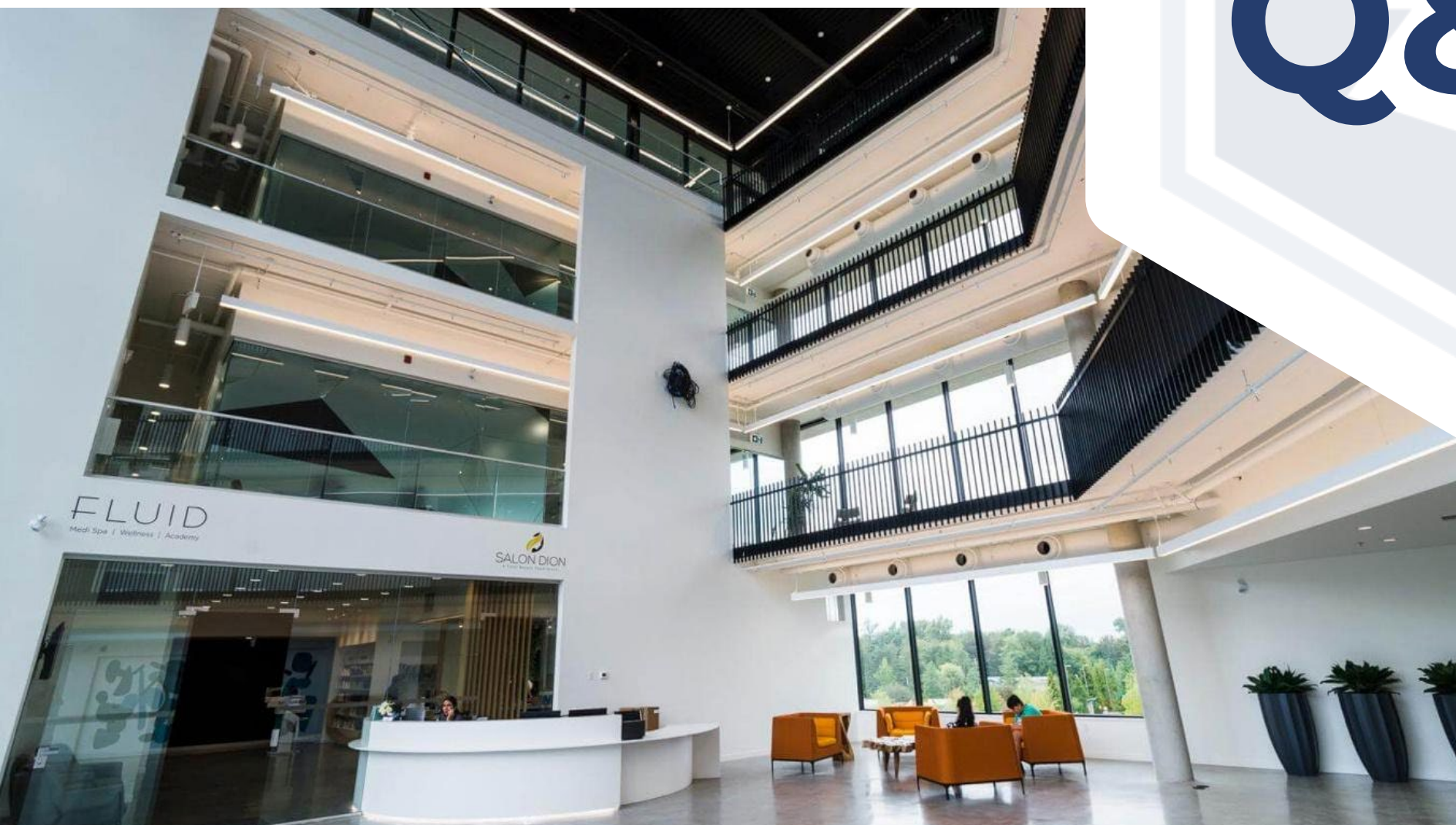
# Next Steps



## Free Consultations

- Direct: 403-660-2698
- Email: [Kyle@ashdowncapital.ca](mailto:Kyle@ashdowncapital.ca)
- Website: [AshdownCapital.ca](http://AshdownCapital.ca)







# Client Success Stories



\$2,700,000



\$26,500,000



\$1,300,000



\$2,000,000



\$2,000,000



\$6,200,000

Base Element

Energy

\$3,000,000

*"We were introduced to Kyle by our Accountant. We didn't really want to change banks, but we also felt our current bank was being somewhat apathetic.*

*Originally, we were going to manage our current lender directly, but once we saw how effective Ashdown was, we had them negotiate with our house bank too.*

*In all honesty, we would not have secured these terms without Ashdown, and certainly would not have been able to run our business, nor care for our customers, the way we did without their support."*

*– Crystal Lee, Co-Owner*