



Industry Insight:

Canadian Manufacturing

Year in Review 2024

**sequeira**
PARTNERS

Canadian Manufacturing Landscape

Manufacturing represents the backbone of industrial production, encompassing a broad range of companies that produce essential goods and components for various industries. As a key sector of the economy, it has been a significant area of interest for mergers and acquisitions, attracting both strategic and private equity capital. These investors are drawn to the sector's tangible asset base, skilled labor force, and critical role in supply chains, which contribute to stable and predictable revenue streams.

Manufacturing Subsector Overview

1 Industrial Machinery and Components

Includes companies providing essential machinery and equipment for automation, material handling, and fluid control across industries.

2 Parts Manufacturers

Focus on producing specialized, high-precision components critical to automotive, aerospace, and other manufacturing sectors.

6 Capital Goods

Representing heavy machinery and equipment manufacturers, this sector underpins transportation, agriculture, and industrial growth across Canada.

3 Packaging and Soft Goods

Supply essential packaging materials and solutions for consumer and industrial products, supporting sustainability and branding.

5 Electric Systems and Components

Companies here produce electrical systems and renewable energy solutions, vital for sustainable energy and advanced infrastructure.

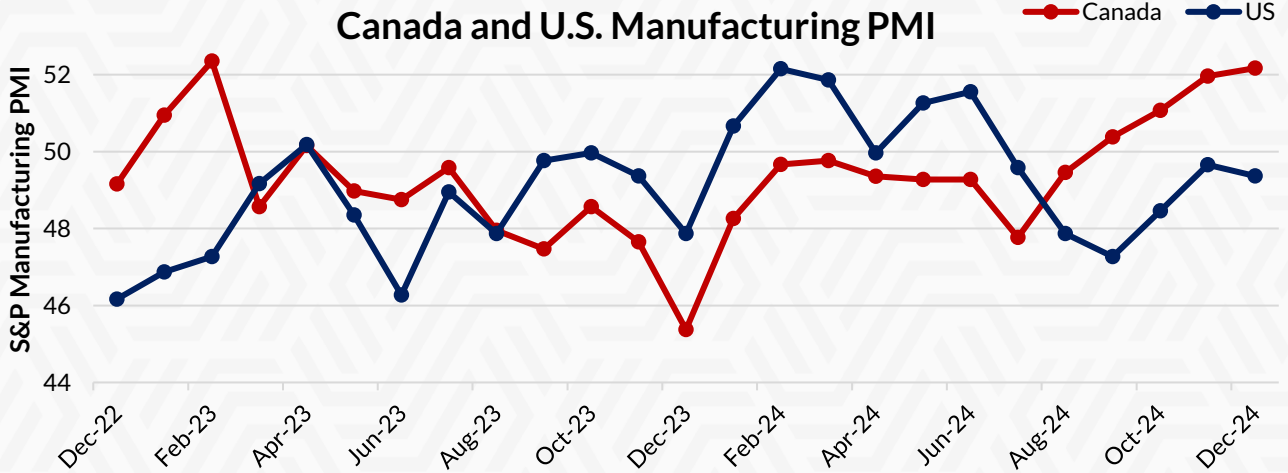
4 Building Products

Provides materials and components for construction and home improvement, essential for infrastructure development.



Activity Level Indicators

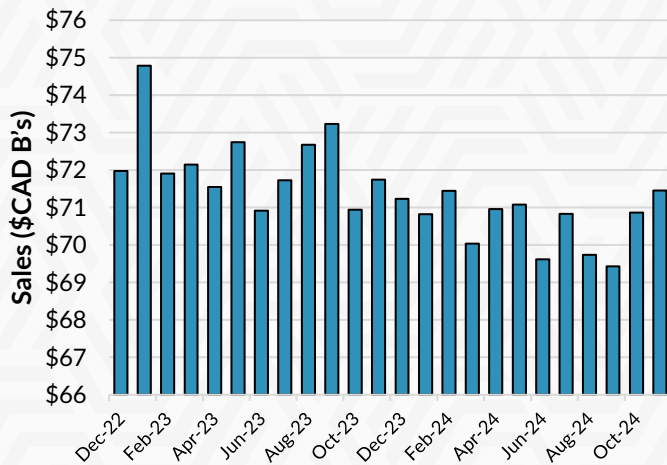
Fall of 2024 marked a significant reversal of fortune for what has been an embattled Canadian manufacturing sector, with the S&P Purchasing Manufacturer's Index ("PMI") suggesting 4 consecutive months of expansion in the face of contraction in the formerly hot U.S. market.



Note: PMI is a relative metric measuring the health of a given sector. PMI of above 50 indicates sector is expanding, a PMI below 50 indicates contraction.

Canadian Manufacturing Sales

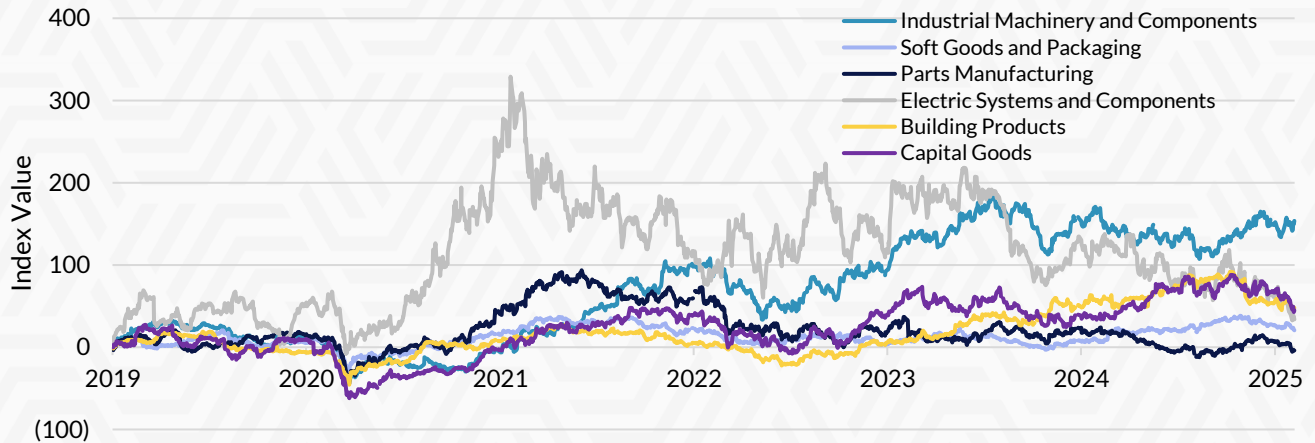
(Seasonally Adjusted)



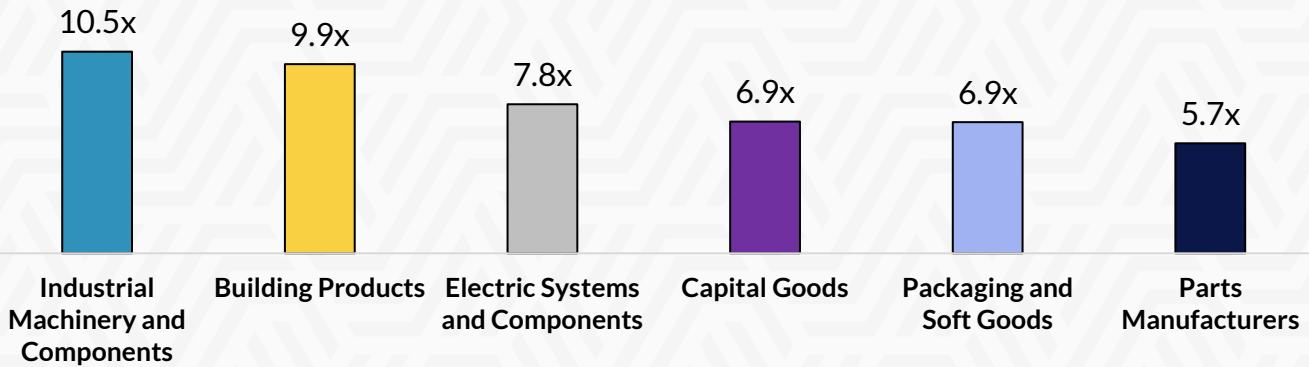
- Canada's Manufacturing PMI reached 52.2 in December 2024, marking its fourth consecutive month of growth, with solid increases in output and new orders.
- This marks a reversal of a prolonged stretch of contraction in the industry, marked by declining sales and weak activity levels, especially as compared to the U.S.
- Despite political uncertainty and higher input costs driven by a weaker Canadian dollar, confidence in the sector is at an 18-month high. We anticipate this will be reflected in dealmaking, as strategic buyers become increasingly confident deploying capital to expand.

Canadian Manufacturing Public Valuations

5-Year Canadian Public Companies



LTM EBITDA Multiples- Canadian Public Companies

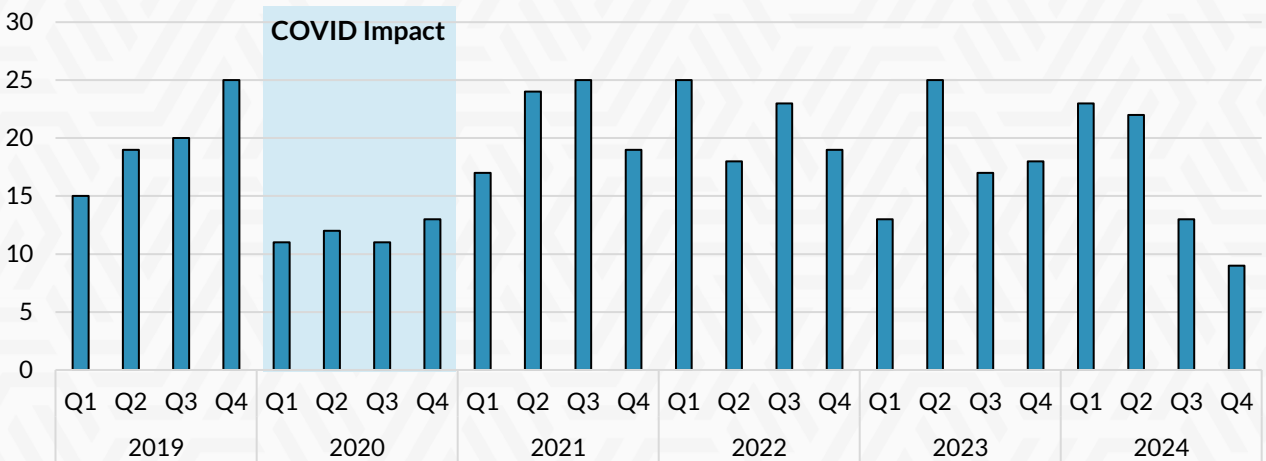


- ✦ The 5-year stock price trends and LTM valuation multiples of our Canadian manufacturing index demonstrates the significant dispersion in investor sentiment over time and across subsectors, reflecting the outlook for their customer base and end-users.
- ✦ For example, building products businesses, such as Stella Jones and Savaria have seen significant stock price appreciation in 2024, as population growth and a buoyant economy has driven a need for infrastructure and increased activity levels. Unfortunately, these gains were pared in early 2025, as a renewed U.S. focus on lumber tariffs weighed on valuations.
- ✦ On the other hand, while parts manufacturers saw strong equity pricing during 2021, current pricing and valuations lag other sectors. Both retail and commercial automotive demand has significantly decreased, and pricing has moderated industry wide.

Canadian Manufacturing M&A Overview

Despite the economic turbulence of 2024, Canada saw more manufacturing transactions in 1H 2024 than the same period of any of the five prior years. However, activity dropped off significantly in Q3 and into Q4, with the lowest number of announced transactions since 2020. Much of this pullback can be attributed to the political uncertainty through the summer and fall leading into the U.S. election, which left many deal makers sitting on their hands waiting for a clear path forward. The outcome – a Trump administration with the potential for significant policy changes – has uncertain implications for Canada but we are optimistic that capital allocators will act with increased confidence into 2025 as policies become increasingly clear.

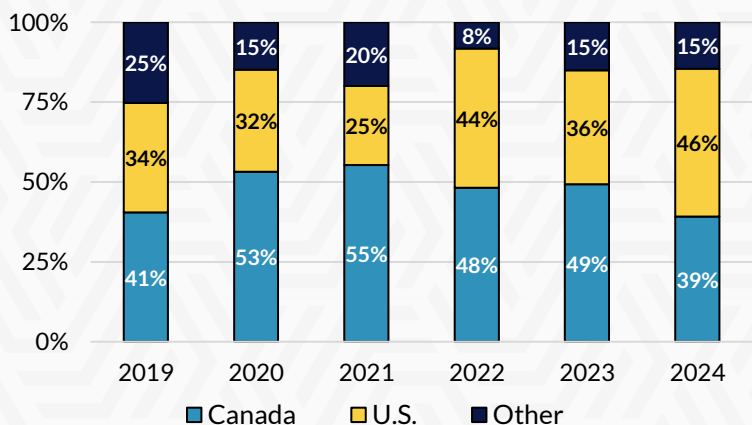
Canadian Announced Transaction Volume ¹



Transaction activity in the manufacturing sector tends to trend broadly with economic activity, as customers span a wide range of end-markets.

One trend worth keeping an eye on is the significant increase in U.S. buyers as a percentage of total buyers of Canadian manufacturing businesses. Year-to-date, 2024 saw more U.S. buyers than Canadian, as strategic acquirers and investors take advantage of the strong U.S. dollar and economy to add capacity in a cheaper environment.

Purchaser Location



⁽¹⁾ Source: S&P Capital IQ – Includes announced & closed deals, based on the sub-categories listed on page 2

Forging Ahead: The Outlook for 2025

Despite strong sector performance in recent months and domestic political turmoil, the Canadian manufacturing industry has largely been focused stateside in recent months. Specifically, uncertainty around the policies to be enacted by the incoming Trump Administration has many nervous, with unprecedented tariffs and protectionism being considered. While this uncertainty shouldn't be dismissed, our team sees many reasons for optimism beyond the headlines as we head into 2025.

Tariff Threats: More Bark Than Bite?



The spectre of U.S. tariffs has resurfaced, understandably causing unease; however, history offers a reassuring precedent. During the previous Trump administration, threatened tariffs on Canadian manufacturing were largely avoided due to integrated supply chains and mutual economic interests. While vigilance is warranted, the expectation is that the impact will again be limited. Additionally, even if tariffs do come to pass, interest rate and FX tailwinds should absorb some of the impact.

Macroeconomic Tailwinds: Rate Cuts to Fuel Growth.



The anticipated easing of monetary policy by the Bank of Canada in 2025 further supports a positive outlook. Expected interest rate cuts will reduce borrowing costs, encouraging capital investment in equipment and expansion. Coupled with moderating inflation, this shift is poised to improve sector profitability and potentially boost valuations, creating a more favorable climate for investment and growth.

U.S. Buyer Activity: A Strong Dollar and PE Appetite Fuel Interest.



U.S. dollar strength makes Canadian businesses attractive acquisition targets for American companies looking to add cost-effective capacity. Beyond strategic buyers, U.S. private equity firms are increasingly turning their attention north. Faced with intense competition for quality deal flow within the U.S., Canada offers an attractive alternative with potentially less crowded auction processes for comparable assets. This dual dynamic – strong USD and active PE interest – broadens the pool of potential acquirers for Canadian manufacturers, potentially driving more competitive valuations for those considering a sale.

Our Perspective

Save for a worst-case tariff outcome, we expect Canadian manufacturing transaction activity to be robust in 2025 and increase through the year, as trade uncertainty lifts and incremental capital enters the market.

Recent Manufacturing Transactions

Advisor to



on the sale to



Alberta Wilbert Sales

AWS is a leading Western Canadian manufacturer and distributor of water and wastewater septic systems, cisterns, lift stations and holding tanks. The Company also exclusively manufactures and markets Wilbert burial vaults in Alberta and Northern Saskatchewan. The transaction closed in Q4 2024.

"As the founder, not only did I own the business, but I created the culture and nurtured it for 57 years. I knew what I wanted out of a sale, but it was an emotional journey. Sequeira was fantastic. I'm a firm believer we would not have achieved this outcome without Sequeira Partners." – Leonard Traub, AWS

Advisor to



on the sale to



Prairie Steel

Prairie Steel manufactures engineered steel building systems, steel culverts, and Goebel-branded steel grain bins and hoppers. The Company has a team of over 50 employees and is a leader in manufacturing quality steel products for commercial and industrial customers. The transaction closed in Q2 2024.

"I would highly recommend Sequeira Partners. The process of selling your business will take preparation, time, and thought. It could be a long journey, or a short one, but every step is important along the way. The team at Sequeira have the information and skills to see you through this process successfully." – Kelly Goebel, Prairie Steel

Select Other Manufacturing Transactions

Advisor to



on the sale to



Advisor to



on the sale to



Advisor to

HALLIBURTON

on the sale of



to



Advisor to



on the sale to



Advisor to



on the sale of



to



Interested in Learning More?

Sequeira Partners is a leading Canadian mid-market transaction advisor. If you are interested in learning more as a potential buyer, seller or fellow manufacturing industry enthusiast, we would love to hear from you.

Our dedicated team is always available and eager to discuss market trends and strategize on opportunities.

Manufacturing Team



Julie Afanasiff, CA, CBV
Partner



Ryan Turpin, CPA, CBV
Vice President



John Scott, CPA, CBV
Senior Associate



Mccoy Lum, CPA
Analyst

About Us

Sequeira Partners is Western Canada's largest boutique advisory firm, specializing in sell-side deal advisory and corporate valuations. Having completed more than 175 national and cross-border transactions, and over 500 valuation mandates, we are proud of our diverse industry experience and credentials. At Sequeira Partners, we combine decades of experience and top-tier credentials to deliver client-centric service with a personalized, boutique approach.

www.sequeirapartners.com



Our Partners

M&A

Scott Acheson, CA, CBV, CFA
sacheson@sequeirapartners.com
780.784.0124

Julie Afanasiff, CA, CBV
jafanasiff@sequeirapartners.com
780.784.0116

Erica McGuinness, CA, CBV
emcguinness@sequeirapartners.com
236.317.6353

Mark McRae, CA, CBV
mmcrae@sequeirapartners.com
780.784.0115

Ken Tarry, MBA
ktarry@sequeirapartners.com
236.317.6351

Valuations

Kira Gregson, CA, CBV
kgregson@sequeirapartners.com
780.784.0125

Jordan Martel, CBV, ASA, MBA
jmartel@sequeirapartners.com
587.943.7222