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CANADIAN M&A ACTIVITY – FIRST QUARTER 2017 REPORT

Mid-Market Drives Highest Deal-Count in 5 Years

Canadian M&A continued its positive momentum from the end of 2016 and soared to new heights in the first quarter of 2017. Deal value remained strong on the back of a number of large deals but middle market transactions were the driving force behind the surge in activity. Figures developed by **Crosbie & Company** using Capital IQ and other sources indicated 771 announcements valued at \$80B in Q1 (up from 602 deals worth \$102B in Q1 2016). Announcements for the quarter were at the highest level in the last five years and marked the fourth consecutive quarter where activity increased year-over-year. For domestic transactions (where the target is in Canada) there were 505 transactions valued at \$45B (up from 408 deals worth \$36B in Q1 2016).

“While the market conditions remain extremely attractive for sellers, the up-tick in activity in the first quarter was also bolstered by buoyant equity markets and economic optimism following the US election” said Ian Macdonell, Managing Director at Crosbie & Company. “We are also seeing the mining sector contributing in a bigger way after a few quiet years”

Mid-market M&A activity represented most of the increase in total activity for the quarter. There were 329 reported transactions under \$250M valued at \$6.9B – representing 91% of all transactions with reported values (up from 237 deals in Q1 2016).

There were 17 mega-deals (transactions in excess of \$1B) announced in the quarter with a total value of \$66B compared to 16 deals valued at \$82B in Q1 2016. The largest announced transaction was **Cenovus Energy’s** \$18B acquisition of a 50% interest in the **Foster Creek and Christina Lake** oil sands projects owned by partner **ConocoPhillips**, as well as certain Deep Basin conventional assets in Western Canada. The second largest transaction of the quarter featured **AltaGas** acquiring US based **WGL Holdings** in a transaction valued at \$8.7B that will make the company a larger and more diversified energy infrastructure company. **Onex Group** also agreed to sell **USI Insurance Services**, the property & casualty, employee benefit, personal risk and retirement services provider, to **KKR & Co.** and **Caisse de dépôt et placement du Québec** for \$5.7B.

Canadian companies made 207 acquisitions of foreign targets valued at \$27B compared to 151 transactions valued at \$62B in the same quarter last year. Canada/US transactions continue to represent the majority of Canadian cross border activity. “Despite a weak Canadian dollar, Canadian companies outspent their US counterparts both in terms of the number and value of transactions reflecting the continued strategic importance of expanding in the US market” said Ian Macdonell.

The strength in activity during the quarter was widespread across the industry spectrum, with 11 of the 14 sectors showing increases over Q1 2016. **Metals and Mining** and **Precious Metals** were the most active sectors with 123 and 93 transactions, up 66% and 82% from 74 and 51 transactions in the same quarter last year respectively. However, the total value of transactions in the sectors was a modest \$2.5B combined. Information Technology activity remained flat with 92 transactions valued at \$6.6B. A noteworthy transaction within the sector saw the announced acquisition of **DH Corporation**, the Canadian provider of technology solutions to financial institutions, by **Vista Equity Partners** for \$4.7B. Vista plans to combine DH with their existing portfolio company, UK based Misys Limited, in an effort to create a global FinTech leader. **Real Estate**, historically one of the most active sectors, rebounded 23% from Q1 2016 to 90 transactions worth \$8.7B. **Utilities** was the second most active sector by deal value, with 17 deals worth \$12B.

The information contained above and within the “Crosbie & Company Canadian M&A Report” is a summary analysis of the quarter’s M&A activity. For further information, please contact Ian Macdonell at 416-362-1953 or visit www.crosbieco.com.