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CANADIAN M&A ACTIVITY – FOURTH QUARTER 2016 REPORT

M&A Ends on a High Note

Canadian M&A activity remained strong in the fourth quarter of 2016 while aggregate deal value reverted to the mean after reaching a 4-year high in the previous quarter. Figures developed by **Crosbie & Company** using Capital IQ and other sources indicated 693 announcements valued at \$49.6B in Q4 (compared to 681 deals worth \$132.4B in Q3 2016). Activity during the quarter increased both on a quarter-over-quarter and year-over-year basis (641 deals worth \$76.5B in Q4 2015), and marks the third consecutive quarter where activity remained above levels observed in 2015. For the year as a whole, there were 2685 announcements valued at \$331.5B in 2016, up from the 2621 announcements valued at \$275.7 in 2015.

“M&A has shown considerable strength for the last three quarters,” said Ed Giacomelli, Managing Director at Crosbie & Company. “The headwinds that appeared in early 2016 have abated, and the M&A outlook remains steady.”

There were 15 mega-deals announced in the quarter with a total value of \$31B compared to 16 deals valued at \$115.4B last quarter. The largest announced transaction was **Fairfax’s \$6.8B** offer to acquire **Allied World Assurance**, a global provider of property and casualty insurance based in Switzerland. The deal continues Fairfax international expansion and diversifies the company’s risk portfolio.

There were 445 domestic transactions (where the target is located in Canada) valued at \$16B in the quarter (compared to 461 deals worth \$46.7B in Q3 2016). Cross-border transactions in the quarter represented 40% of all announcements, in line with the long-term trend. However, Canadians were involved in 165 foreign deals worth \$18.2B (compared to 151 deals worth \$44.7B in Q3 2016) as outbound M&A continued to outpace inbound M&A by a ratio of 1.5:1.

During the fourth quarter, activity was up in 9 of the 14 industry sectors compared to Q3 2016. This, however, was offset against significant declines in activity in historically active sectors, including **Industrials** and **Precious Metals**, with activity down 29% and 26% from the prior quarter, respectively. **Real Estate** was the most active sector by both activity and deal value with 106 announcements valued at \$10.6B in Q4, increasing 18% from the 90 announcements worth \$8.5B in the quarter prior. Activity in **Information Technology** surged 26% to become the second most active sector in Q4, with 83 announcements valued at \$2B (compared to 66 and \$15B in Q3).

Financial sponsors were active in the quarter with 16 transactions (in excess of \$100M), up from 10 in Q3 2016 and slightly above the recent trend. 7 of the 10 largest transactions in the quarter involved a financial sponsors (acting on the buy or sell-side) including two acquisitions by **Onex Corporation**. In the fourth quarter, Onex acquired **Parkdean Resorts**, the UK operator of caravan holiday parks for \$2.25B and **Moran Foods**, doing business as Save-a-Lot, one of the largest discount grocery stores in the United States, for \$1.8B.

“Financial sponsors accounted over half of the mega-deals during the quarter,” said Mr. Giacomelli. “Private equity and pension funds have both the means and appetite for larger transactions, domestically and abroad.”

The mid-market continued to be the foundation of M&A activity with 309 reported transactions under \$250M valued at \$8.6B, representing 90% of all transactions with reported values. Mid-market activity in Q4 increased 2% from the 302 transactions valued at \$7.3B noted in Q3 2016.

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 Ed Giacomelli at 416-362-0020 or visit www.crosbieco.com.