

## CROSBIE & COMPANY CANADIAN M&A REPORT – Q1 2019

### *M&A Activity Remains Strong but Retreats from Recent Record High*

M&A activity was strong in the first quarter of 2019 with 801 announced transactions valued at \$74B. It is notable that this is the fifth consecutive quarter where transaction activity has exceeded the 800 deal threshold. While the number of deals is 4% below Q1 2018, this quarter is still the second strongest Q1 in the last seven years and is well above the quarterly averages seen prior to 2018. However, aggregate deal value spiked 59% in comparison to Q1 2018 due to a larger number of mega-deals, including 4 transactions in excess of \$5B.

“Canadian companies were less acquisitive in Q1 than in each of the last four quarters, both domestically and abroad” said Asim Siddiqui, Director at Crosbie. “This could be a reflection of economic uncertainty prior to the ‘Fed Pause’ late last year.”

“Following a highly acquisitive 2018, acquisitions by Canadian companies, particularly acquisitions of foreign targets, declined noticeably this quarter,” said Siddiqui. Of the 801 announced deals, there were 420 domestic acquisitions and 207 cross border acquisitions by Canadian companies, down 3% and 14%, respectively, from the quarterly averages in the prior year. There were also 132 acquisitions of Canadian companies by foreign buyers, an increase from the quarterly average of 124 such deals in 2018.

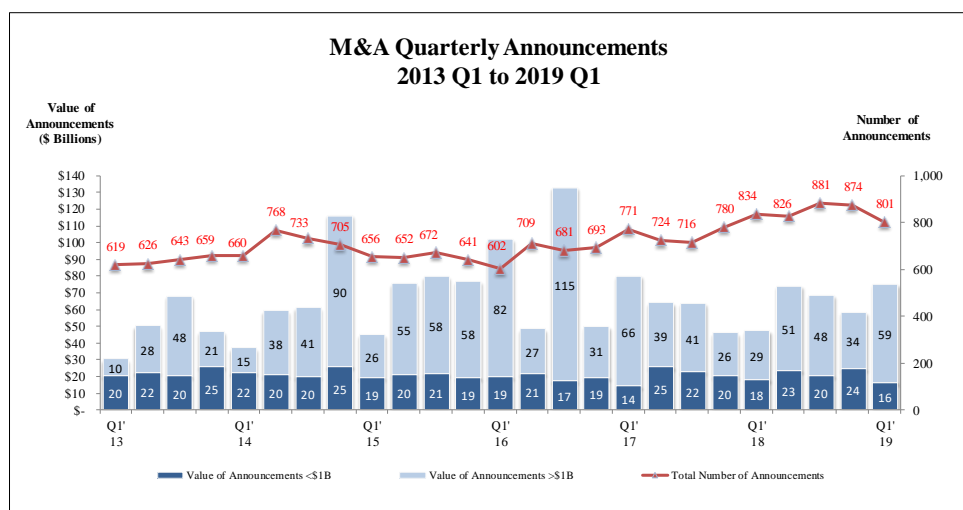
Of particular interest to service providers, there were 552 acquisitions of companies domiciled in Canada, with 38% of these based in Ontario, 26% in B.C. and 15% in Quebec. These numbers are very close to those of last year.

There were 13 mega-deals announced this quarter with a combined aggregate value of \$58.9B, the highest level since Q1 2017. The largest transaction was the \$17.4B acquisition of Vancouver based **Goldcorp** by US based **Newmont Mining Corp.** The transaction involves two gold industry leaders and the combined company will hold the world’s largest base of gold reserves and resources. The **Canadian Pension Plan Investment Board** was part of two separate consortiums of investors involved in the second and third largest deals, in which two public companies, **The Ultimate Software Group** and **Inmarsat** were taken private. Both mega-deals were cross-border acquisitions, a theme that is consistent with CPPIB’s strategy non-Canadian private investments.

During the first quarter, Canadian mid-market activity remained quite strong and dominated the M&A landscape. The mid-market, which is defined as transactions with enterprise values below \$250M, represented 90% of total deal activity and 10% of aggregate value, generally in line with historical norms.

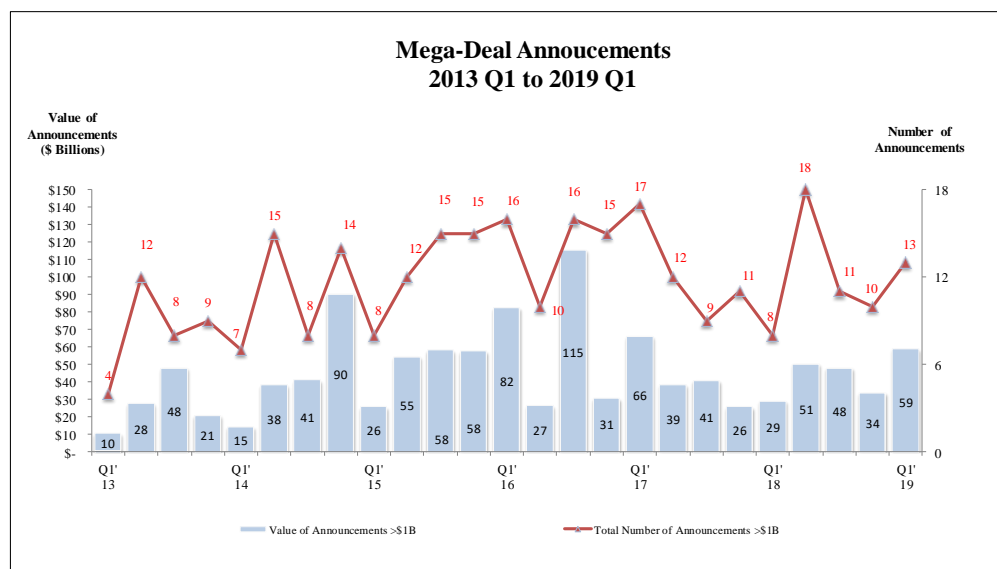
**Real Estate** was the most active sector for the third consecutive quarter with 120 deals, an increase of 13% relative to the same quarter in the previous year. The second most active sector this quarter was **Information Technology** with 98 announced transactions. Transaction value was highly concentrated in the **Precious Metals** and **Information Technology** sectors largely due to the aforementioned Goldcorp and Ultimate Software Group transactions which together accounted for 42% of total deal value for the quarter.

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## Overview

- Deal activity declined for the second consecutive quarter but remains quite high
- Q1 announcements decreased by 4% compared to the same quarter in 2018
- Fifth consecutive quarter with 800+ announced transactions
- Total deal value in Q1 was \$74.8B, up 62% from the \$47.1B of total value in Q1 2018
- Canada/US cross-border activity represented 68% of total deal activity
  - Canada/US cross-border value was \$48.2B, twice the amount in Q1 18



## Mega-Deals

- 13 mega-deals is consistent with the trend over the last 7 quarters, excluding the multi-year high in Q2 2018
- Represented \$58.9B of total value, more than double the amount in Q1 2018
- Largest announced transaction was the **\$17.4B** purchase of **Goldcorp** by **Newmont Mining**
- Canadian buyers represented 7 of the 10 largest transactions including 5 cross-border deals, indicating a strong interest by Canadian companies to make large acquisitions abroad

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## Industry Sector Activity

- **Real Estate** remains the most active sector for the third consecutive quarter with 120 transactions, a 13% increase over the same period in 2018
- **Information Technology** was also quite active this quarter with 98 transactions and \$17.4B of aggregate value, the second greatest amount this quarter following precious metals
- **Telecommunication Services** sector experienced a large increase in aggregate transaction value at \$8.3B, due to a mega-deal acquisition by CPPIB
- Total transaction value was highly concentrated in the IT and Precious Metals sectors, with two transactions comprising 42% of total deal value

INDUSTRY GROUPS	2018 Q1		2019 Q1	
	# of Deals	Value <sup>(1)</sup> \$Millions	# of Deals	Value <sup>(1)</sup> \$Millions
Real Estate	106	14,795	120	5,815
Information Technology	120	2,867	98	17,404
Industrials	84	2,468	94	929
Metals and Mining	110	540	80	1,742
Healthcare	52	3,005	70	3,784
Precious Metals	55	1,064	51	17,675
Financial Services	57	14,975	50	8,475
Consumer Discretionary	50	1,938	45	99
Consumer Staples	26	483	44	3,132
Energy	59	3,444	36	1,211
Telecommunication Services	15	180	34	8,254
Other	80	1,188	31	558
Materials	5	31	28	581
Utilities	15	114	20	5,144
<b>TOTAL</b>	<b>834</b>	<b>47,091</b>	<b>801</b>	<b>74,803</b>
Services <sup>(2)</sup>	106	7,605	105	2,868

## Breakdown by Transaction Size

- 90% of transaction volume in the quarter was from mid-market transactions below \$250M (for transactions with disclosed values)
- Mid-market transactions were valued at \$7.1B or approximately 10% of the total M&A value

Size	2018 Q1				2019 Q1			
	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%
<\$100m	301	36	5,084	11	288	36	4,574	6
\$101m-\$250m	28	3	4,619	10	16	2	2,554	3
\$251m-\$500m	11	1	4,218	9	16	2	5,678	8
\$501m-\$1b	5	1	3,840	8	4	0	3,058	4
>\$1b	8	1	29,330	62	13	2	58,940	79
Undisclosed	481	58	n/a	n/a	464	58	n/a	n/a
	<b>834</b>		<b>47,091</b>		<b>801</b>		<b>74,803</b>	

## Domestic versus Foreign M&A

- Domestic M&A activity exceeded 500 transactions for the sixth consecutive quarter with 552 transactions, well above the 4-year average of 481
- Canadian companies acquired 207 foreign targets, the lowest level since Q4 2016
- The total value of transactions involving foreign buyers of Canadian companies (\$24.5B) was the most spent on Canadian targets since Q3 2013, largely due to the \$17.4B acquisition of Goldcorp

	2018 Q1		2019 Q1	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	434	15,133	420	9,172
With Foreign Buyers	116	22,745	132	24,535
<b>Domestic M&amp;A</b>	<b>550</b>	<b>37,878</b>	<b>552</b>	<b>33,707</b>
Foreign Targets (Canadian Buyer)	218	5,832	207	37,636
Canadian Foreign Subsidiaries Sold to Foreign Buyers	66	3,381	42	3,460
<b>Foreign M&amp;A</b>	<b>284</b>	<b>9,213</b>	<b>249</b>	<b>41,096</b>
	<b>834</b>	<b>47,091</b>	<b>801</b>	<b>74,803</b>

## Cross-Border Deals

- The historical trend of outbound M&A activity exceeding inbound M&A by a ratio of approximately 2:1 continued this quarter
- Cross-border deals represented 40% of total activity and 83% of total deal value
- The United States remains Canada's most active M&A partner, representing 68% of cross-border activity

	2018 Q1		2019 Q1	
	# of Deals	Value <sup>(1)</sup> \$Millions	# of Deals	Value <sup>(1)</sup> \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	218	5,832	207	37,636
Inbound M&A (Foreign Buyer/ CDN Target)	116	22,745	116	24,535
<b>Total Cross Border</b>	<b>334</b>	<b>28,577</b>	<b>323</b>	<b>62,171</b>
<b>Outbound : Inbound Ratio</b>	<b>1.88</b>	<b>0.26</b>	<b>1.78</b>	<b>1.53</b>
<b>Cross Border as % of Total Activity</b>	<b>40%</b>	<b>61%</b>	<b>40%</b>	<b>83%</b>
<b>Canada / US Activity</b>				
US Target	137	4,210	128	25,895
US Buyer	80	20,166	92	22,323
<b>Total Canada/US</b>	<b>217</b>	<b>24,376</b>	<b>220</b>	<b>48,218</b>
<b>Canada/US as % of Cross Border</b>	<b>65%</b>	<b>85%</b>	<b>68%</b>	<b>78%</b>

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### Target by Province

- Ontario remains the most active province this quarter with 207 deals valued at \$6.5B
- British Columbia experienced a large increase in deal value, primarily due to the Goldcorp transaction, the largest acquisition in the province's history
- Quebec and Alberta remained active markets for M&A activity with 84 and 71 transactions this quarter respectively

	2018 Q1				2019 Q1			
	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%
Ontario	193	35	25,504	67	207	38	6,528	19
British Columbia	130	24	6,821	18	145	26	20,449	61
Quebec	80	15	2,642	7	84	15	3,416	10
Alberta	64	12	2,505	7	71	13	2,692	8
Undisclosed Province <sup>(2)</sup>	1	0	0	0	10	2	68	0
Saskatchewan	23	4	73	0	9	2	42	0
Manitoba	10	2	67	0	7	1	422	1
Nova Scotia	14	3	52	0	7	1	68	0
New Brunswick	15	3	158	0	5	1	14	0
Newfoundland	12	2	7	0	3	1	0	0
Northwest Territories	1	0	1	0	2	0	5	0
Yukon Territory	5	1	48	0	2	0	3	0
Prince Edward Island	2	0	0	0	0	0	0	0
	550		37,878		552		33,707	

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## Mega-Deals in Q1 2019

Target Industry	Announced Date	Value	Target	Role	Transaction Status
Precious Metals	14-Jan-19	\$17,368	Goldcorp Inc. (TSX:G) Newmont Mining Corporation (NYSE:NEM)	Target Acquiror	Closed
Information Technology	4-Feb-19	\$14,421	The Ultimate Software Group, Inc. (NasdaqGS:ULTI) Canada Pension Plan Investment Board; Hellman & Friedman LLC;	Target Acquiror	Announced
Communication Services	19-Mar-19	\$7,747	Inmarsat Plc (LSE:ISAT) Apax Partners LLP; Warburg Pincus LLC; Canada Pension Plan Investment Board;	Target Acquiror	Announced
Financial Services	13-Mar-19	\$6,322	Oaktree Capital Group, LLC (NYSE:OAK) Brookfield Asset Management Inc. (TSX:BAM.A)	Target Acquiror	Announced
Consumer Staples	22-Feb-19	\$2,104	Dairy Crest Group plc (LSE:DCG) Saputo Inc. (TSX:SAP)	Target Acquiror	Closed
Utilities	25-Mar-19	\$1,745	Emera Maine ENMAX Corporation Emera Incorporated (TSX:EMA)	Target Acquiror	Announced
Health Care	25-Feb-19	\$1,710	Clementia Pharmaceuticals Inc. (NasdaqGS:CMTA) Ipsen S.A. (ENXTPA:IPN) New Enterprise Associates; OrbiMed Advisors, L.L.C.; BDC Capital Inc.	Target Acquiror	Closed
Financial Services	24-Jan-19	\$1,602	Individual Life Insurance and Annuity Business Protective Life Insurance Company The Great-West Life Assurance Company; The Canada Life Assurance Company; Great-	Target Acquiror Vendor	Announced
Real Estate	11-Mar-19	\$1,342	Brookfield Global Integrated Solutions Canada LP CCMP Capital Advisors, LP Brookfield Business Partners L.P. (NYSE:BBU)	Target Acquiror Vendor	Announced
Utilities	27-Mar-19	\$1,207	Valener Inc (TSX:VNR) Noverco Inc.	Target Acquiror	Announced
Information Technology	11-Feb-19	\$1,149	Solium Capital Inc. (TSX:SUM) Morgan Stanley (NYSE:MS)	Target Acquiror	Closed
Health Care	11-Mar-19	\$1,141	Verano Holdings, LLC Harvest Health & Recreation Inc. (CNSX:HARV)	Target Acquiror	Announced
Metals & Mining	10-Mar-19	\$1,083	Red Chris Development Company Ltd. Newcrest Mining Limited (ASX:NCM) Mount Polley Mining Corporation	Target Acquiror Vendor	Announced