

CROSBIE & COMPANY CANADIAN M&A REPORT Q4 2016

Overview

Canadian M&A activity (which we define as all M&A deals involving a Canadian company as a material counterparty) was tracked at 693 transactions in Q4 of 2016. Based on figures developed by Crosbie & Company using Capital IQ and other sources, activity in Q4 was up 8% from the same quarter last year and marked the third consecutive quarter where activity remained above levels observed in 2015. Deal value, however, declined to \$49.6B, down 35% from \$76B in Q4 2015.

Activity in the fourth quarter reflects a strong year over year recovery across the industry spectrum, with increases in activity in 8 of the 14 sectors. In particular, resource sectors (Metals & Mining, Precious Metals) and Financial Services showed considerable increases in activity. This activity was slightly

offset however, against a decline in a historically active sector, Industrials. From a deal-size perspective, most of the year over year increase in activity can be attributed to the middle market (under \$250M) category.

Domestic M&A Transactions

Figure 2 illustrates the increase in Canadian domestic M&A activity during Q4. There were 445 transactions involving Canadian targets (including both those with domestic or foreign buyers) in Q4, up 2% from 435 transactions in the same quarter last year.

Mega-Deals

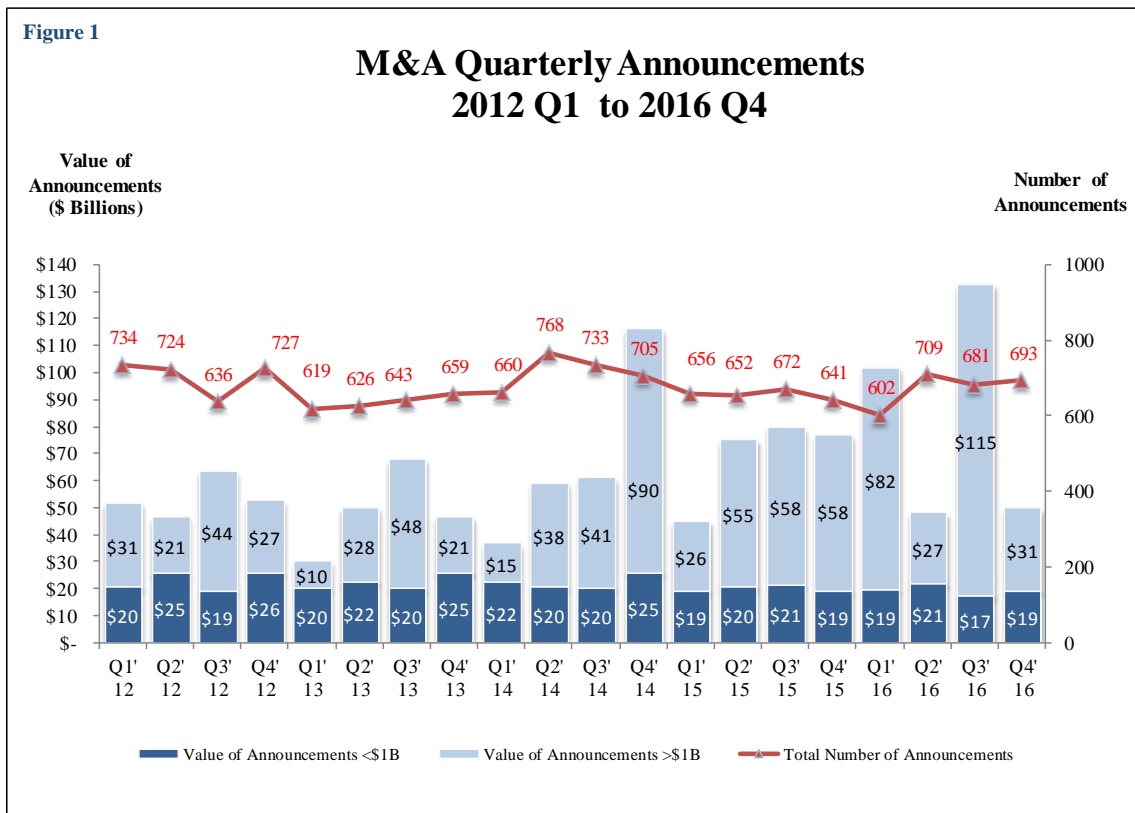
There were 15 mega-deals announced in Q4, representing an aggregate value of \$30.8B, down from the \$58B in Q4 2015 and down significantly from the high water mark observed in the previous quarter.

The largest transaction of the quarter was **Fairfax Financial's** announced acquisition of **Allied World Assurance**, a property and casualty insurance company, for **\$6.8B**. The transaction marks another step by Fairfax to continue to expand its worldwide operations and further diversifies the company's risk portfolio.

The second largest transaction of the quarter saw the announced disposition of PointPark Properties, a European logistics property owner and developer, by **Ivanhoe Cambridge**, in a transaction valued at **\$3.6B**.

Financial Sponsors

Financial sponsors remained active in the fourth quarter of 2016 on both the buy-side and sell-side with 16 transactions (in excess of \$100M) valued in aggregate at \$19.5B. Seven of the ten largest transactions in the quarter



involved a financial sponsor, including two acquisitions by Onex Corporation. In the fourth quarter Onex acquired **Parkdean Resorts**, UK operator of caravan holiday parks for **\$2.5B** and **Moran Foods**, doing business as Save-a-Lot, one of the largest discount grocery stores in the United States, for **\$1.8B**.

Industry Sector Activity

Real Estate was the most active sector with 106 deals valued at \$10.7B, in line with Q4 2015 in terms of activity. The largest transaction within the sector was the previously discussed PointPark Properties transaction. The second largest transaction within the sector was the acquisition of **4.5M Sq. Ft. of Office and Retail Space** in India by **Brookfield Asset Management** for **\$1.3B**.

Metals and Mining soared to 81 announced transactions with an aggregate value of \$349M, up 76% from the 46 announced transactions valued at \$149M in Q4 2015.

Precious Metals also experienced a jump in activity in Q4, increasing 15% to 53 deals with an aggregate transaction value of \$53M (compared to 46 deals valued at \$372M in Q4 2015).

Financial Services experienced another active quarter, with activity increasing 50% to 48 transactions valued at \$9.8B (compared to 32 deals valued at \$3.8B in Q4 2015). The largest transaction within the sector was the aforementioned **Fairfax Financial** transaction, the largest transaction in the quarter.

Noteworthy declines in activity were observed in the **Industrials** and **Energy** sectors, which decreased 21% and 9% from the same period last year, respectively.

Breakdown by Transaction Size

While the aggregate transaction value for the quarter was largely driven by mega-deals (62% at announced transaction values), the bulk of the activity is driven from transactions with deal values under \$250M.

As shown in Figure 4, the mid-market continues to account for the vast majority of Canadian M&A transaction volume with deals under \$250M representing 90% of all the transactions with disclosed values. This is consistent with past trends in activity. In aggregate, the mid-market transactions were valued at \$8.6B or approximately 17% of total M&A value.

In the fourth quarter of 2016, transaction size was not disclosed for 50% of the transactions, consistent with 52% in 2015. While this limits the precision of inferences we can make about the size distribution of transactions, it is reasonable to assume most of the undisclosed deals are within the middle market as we define it here.

Figure 2

DOMESTIC VS FOREIGN M&A: 2016 Q4

	2015 Q4		2016 Q4	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	340	16,046	333	11,414
With Foreign Buyers	95	3,835	112	4,619
Domestic M&A	435	19,881	445	16,032
Foreign Targets (Canadian Buyer)	151	44,681	165	18,239
Canadian Foreign Subsidiaries Sold to Foreign Buyers	55	11,899	83	15,361
Foreign M&A	206	56,580	248	33,600
	641	76,461	693	49,633

Figure 3

ACTIVITY GROUPED BY INDUSTRY: 2016 Q4

INDUSTRY GROUPS	2015 Q4		2016 Q4	
	# of Deals	Value ⁽¹⁾ \$Millions	# of Deals	Value ⁽¹⁾ \$Millions
Consumer Discretionary	58	12,058	67	3,643
Consumer Staples	29	1,041	29	2,957
Energy	65	11,449	59	6,084
Financial Services	32	3,848	48	9,785
Healthcare	40	641	40	608
Industrials	82	8,389	65	3,049
Information Technology	79	1,018	83	2,030
Materials	18	1,113	10	2,689
Metals and Mining	46	149	81	349
Other	28	563	31	775
Precious Metals	46	372	53	53
Real Estate	101	21,817	106	10,670
Telecommunication Services	6	622	6	2,173
Utilities	11	13,383	15	4,767
TOTAL	641	76,461	693	49,633

Note:

1. Transaction value is not disclosed for all deals

Figure 4

ACTIVITY BY SIZE OF DEAL: 2016 Q4

Size	2015 Q4				2016 Q4			
	# of Deals	%	Value ⁽¹⁾ \$ Millions	%	# of Deals	%	Value ⁽¹⁾ \$ Millions	%
<\$100M	242	38	4,230	6	287	41	4,871	10
\$101M-\$250M	28	4	4,185	5	22	3	3,696	7
\$251M-\$500M	15	2	5,090	7	11	2	3,636	7
\$501M-\$1B	7	1	5,193	7	9	1	6,585	13
>\$1B	15	2	57,763	76	15	2	30,845	62
Undisclosed	334	52	n/a	n/a	349	50	n/a	n/a

Note:

1. Transaction value is not disclosed for all deals

Target by Province

As shown in Figure 5, domestic M&A activity varies considerably by province. In Q4 2016, the provinces with the most announcements (in declining order of activity) were Ontario, British Columbia, Alberta and Quebec. These four provinces represent 85% of activity in the quarter.

The increase in domestic activity year over year (445 announcements in Q4 2016 vs 435 in Q4 2015), was partially attributable to increases in activity in Ontario, Quebec and British Columbia.

The most active province by number of targets was Ontario with 167 transactions and an aggregate value of \$4.3B, consistent with recent M&A activity trends. The largest transaction with an Ontario target was the acquisition of **Petro Canada Lubricants** by **HollyFrontier Corporations** for **\$1.1B**.

Cross-Border Deals

As the data in Figure 6 indicates, cross-border transactions continued to account for a significant proportion of activity with 40% of all transactions involving a foreign target or buyer, demonstrating the global nature of the Canadian M&A activity.

Canadian companies making acquisitions abroad (“outbound” transactions) outnumbered the number of foreign companies acquiring in Canada (“inbound” transactions) by a factor of 1.5 times. Additionally, the value of outbound transactions exceeded the value of inbound transactions in Q4 by almost 4 times. In this quarter, we saw a continuation of the trend observed recently where Canadian firms were both more active abroad and spending more than foreigners acquiring Canadian companies. Inbound activity increased as foreign firms acquired more Canadian companies in Q4 compared to the same quarter last year (112 vs 95 in Q4 2015). Similarly, the value of inbound transactions increased 20% compared to same quarter last year (\$4.6B vs \$3.8B in Q4 2015).

Figure 5

CANADIAN TARGETS BY PROVINCE: 2016 Q4

	2015 Q4				2016 Q4			
	# of Deals	%	Value ⁽¹⁾ \$ Millions	%	# of Deals	%	Value ⁽¹⁾ \$ Millions	%
Ontario	163	37	3,345	17	167	38	4,275	27
British Columbia	81	19	1,585	8	84	19	2,154	13
Alberta	73	17	11,123	56	68	15	6,498	41
Quebec	52	12	1,042	5	59	13	313	2
Undisclosed Province ⁽²⁾	21	5	29	0	26	6	1,772	11
Saskatchewan	13	3	2,008	10	9	2	828	5
Manitoba	9	2	748	4	8	2	118	1
Nova Scotia	9	2	0	0	11	2	30	0
Newfoundland	6	1	0	0	3	1	0	0
New Brunswick	4	1	0	0	6	1	39	0
Yukon Territory	2	0	1	0	3	1	5	0
Prince Edward Island	1	0	0	0	0	0	0	0
Northwest Territories	1	0	0	0	1	0	0	0
Nunavut	0	0	0	0	0	0	0	0
	435		19,881		445		16,032	

Notes:

1. Transaction value is not disclosed for all deals
2. Target province is not disclosed for all deals

Figure 6

CROSS-BORDER TRANSACTIONS: 2016 Q4

	2015 Q4		2016 Q4	
	# of Deals	Value ⁽¹⁾ \$Millions	# of Deals	Value ⁽¹⁾ \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	151	44,681	165	18,239
Inbound M&A (Foreign Buyer/ CDN Target)	95	3,835	112	4,619
Total Cross Border	246	48,516	277	22,858
Outbound : Inbound Ratio	1.59	11.65	1.47	3.95
Cross Border as % of Total Activity	38%	63%	40%	46%
Canada / US Activity				
US Target	89	78,626	98	2,471
US Buyer	73	3,053	62	2,451

Note:

1. Transaction value is not disclosed for all deals

Largest Transactions Announced During Q4 2016

VALUE (C\$ MILLIONS)	NAME	ROLE	ANNOUNCED
\$6,781	Allied World Assurance Company Holdings Fairfax Financial Holdings Limited	Target Acquiror	18-Dec-16
\$3,549	PointPark Properties s.r.o. GIC Pte. Ltd. Ivanhoé Cambridge, Inc.; TPG Real Estate	Target Acquiror Vendor	7-Nov-16
\$2,947	TransCanada Corporation, Power Generation Portfolio in Northeast Helix Generation, LLC TransCanada Corporation	Target Acquiror Vendor	1-Nov-16
\$2,248	Parkdean Resorts Limited Onex Corporation Alchemy Partners LLP; Electra Private Equity Plc; others	Target Acquiror Vendor	16-Dec-16
\$2,173	Reliance Infratel Limited Brookfield Asset Management Inc. Reliance Communications Limited	Target Acquiror Vendor	14-Oct-16
\$1,795	Moran Foods, LLC Onex Corporation SUPERVALU Inc.	Target Acquiror Vendor	17-Oct-16
\$1,427	TransCanada Corporation, TC Hydro Asset ArcLight Capital Partners, LLC TransCanada Corporation	Target Acquiror Vendor	1-Nov-16
\$1,394	Rock-Green, Inc China Investment Corporation Canada Pension Plan Investment Board	Target Acquiror Vendor	23-Dec-16
\$1,372	Shell Canada Energy Ltd., Non-Core Properties in Western Canada Tourmaline Oil Corp. Shell Canada Energy Ltd.	Target Acquiror Vendor	20-Oct-16
\$1,326	4.5 Million Square Foot Of Office and Retail Space in Powai, India Brookfield Asset Management Inc. Hiranandani Developers Pvt. Ltd.	Target Acquiror Vendor	6-Oct-16
\$1,300	Lightsream Resources Ltd. Ridgeback Resources Inc.	Target Acquiror	22-Nov-16
\$1,250	SVG Capital UK Private Equity Investment Portfolio Canada Pension Plan Investment Board; Goldman Sachs Asset Management Int. SVG Capital Plc	Target Acquiror Vendor	6-Oct-16
\$1,130	Innovia Group (Holding 1) Limited CCL Industries Inc. Electra Private Equity Plc; Epiris Managers LLP; others	Target Acquiror Vendor	19-Dec-16

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.