

## CROSBIE & COMPANY CANADIAN M&A REPORT – Q4 2019

### *Strong Canadian M&A Activity in the Fourth Quarter of 2019*

Canadian M&A activity remained robust in Q4 of 2019, with 764 announced transactions and aggregate deal value of \$131.2B, the greatest amount since Q3 of 2016. In total, there were 3,227 transactions announced in 2019, a slight decline from the record set in 2018. The Canadian M&A market continues to show signs of strength, as the average number of transactions has exceeded 700 per quarter for the third consecutive year.

“Similar to 2018, more than 2,000 Canadian companies were acquired in 2019 by domestic and international buyers,” said Sam Sivarajan, Managing Director at Crosbie & Company. In 2019, there were 2,141 transactions involving Canadian targeted companies, with 506 of these transactions occurring in Q4. This was the 9<sup>th</sup> consecutive quarter in which more than 500 Canadian companies were acquired. While domestic buyers have historically represented 75% of these acquisitions, international buyers acquired 532 Canadian companies in 2019, a 7% increase relative to the previous year. “Canada represents an attractive market and many international firms are choosing to enter Canada by acquiring existing businesses,” said Sivarajan. “We expect this momentum of M&A activity to continue into 2020.”

In 2019, Canadian buyers were also highly acquisitive internationally, with 852 acquisitions of foreign companies during the year. The United States continued to represent the largest market for Canadian companies that were looking to make acquisitions abroad. In 2019, Canadian companies acquired 526 US-based companies, representing 62% of all foreign acquisitions made by Canadian firms.

There were 18 mega-deals announced this quarter with a combined aggregate value of \$106.2B. Among the 18 mega-deals, there were 11 Canadian acquirors and 9 Canadian target companies. The largest mega-deal this quarter was **Charles Schwab Corporation’s \$37.8B** acquisition of **TD Ameritrade**, one of the largest acquisitions of a Canadian owned foreign subsidiary in history.

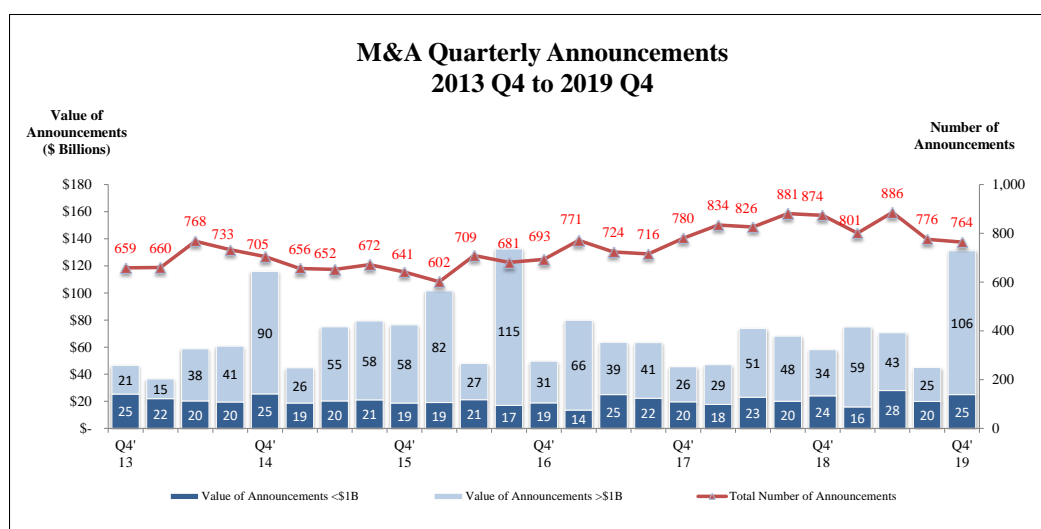
During the fourth quarter, there were 15 transactions involving financial sponsors (each in excess of \$100M) including acquisitions made by 4 Canadian pension plans. The **Canadian Pension Plan Investment Board** was involved with two acquisitions, including the acquisition of Canadian-based **Pattern Energy Group** and the acquisition of a Mexican-based industrials company **IDEAL**, which was a joint acquisition with the **Ontario Teachers’ Pension Plan**. Canadian public company **Alta Gas Ltd.** was also jointly acquired by the **Alberta Teachers’ Retirement Fund** and the **Public Sector Pension Investment Board**.

The mid-market, which is defined as transactions involving companies with enterprise values below \$250M, had 291 transactions with an aggregate value of \$9.9B. This level of activity was comparable to the previous quarter, and represented 86% of deal activity and 8% of aggregate deal value (for deals with disclosed values).

The **Real Estate** sector was the most active this quarter with 113 announced deals and a total aggregate value of \$9.8B. The **Financial Services** sector represented a large portion of total value with \$51.0B, approximately 39% of aggregate deal value. The **Industrial** sector also remained active this quarter with 104 transactions valued at \$9.3B.

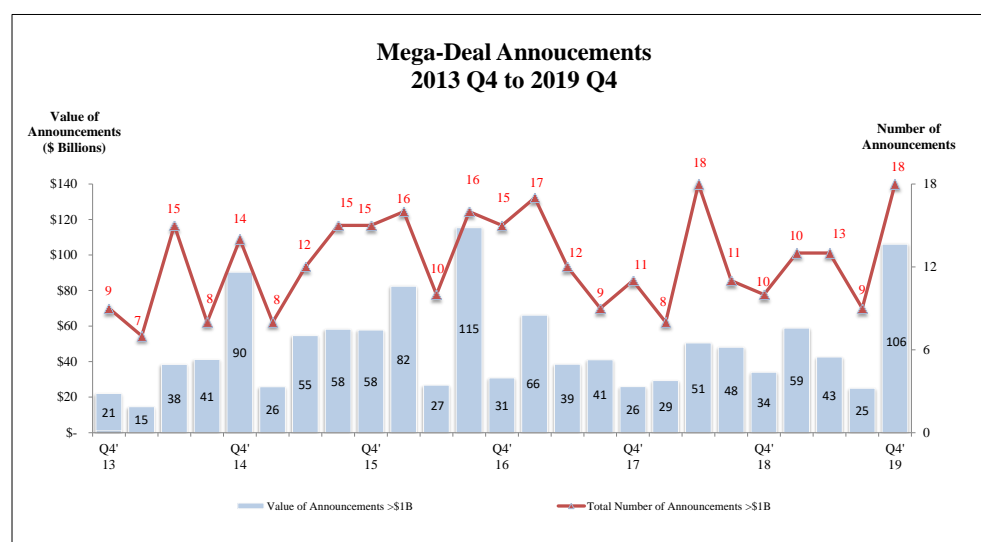
*The information contained above and within the “Crosbie & Company Canadian M&A Report” is a summary analysis of the quarter’s M&A activity. For further information, please contact Sam Sivarajan at 416.362.0020 or visit [www.crosbieco.com](http://www.crosbieco.com).*

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## Overview

- Deal activity remained strong in the fourth quarter of 2019 with 764 announced transactions
- Aggregate deal value increased significantly to \$131.2B, nearly three times the aggregate value of deals in Q3 2019, and the greatest amount since Q3 2016
- There were 506 Canadian companies acquired in the fourth quarter with an aggregate value in excess of \$50B
  - A total of 2,141 Canadian companies were acquired in 2019
- Total cross-border activity remained consistent with the previous quarter, with 330 announced acquisitions
  - Aggregate cross-border deal value increased significantly to \$61.0B



## Mega-Deals

- There were 18 mega-deals announced in the 4<sup>th</sup> quarter of 2019 with an aggregate value of \$106.2B, the second largest amount in the last 6 years
- The largest acquisition this quarter was the **\$37.8B** acquisition of **TD Ameritrade** by **Charles Schwab Corporation**
- 7 of the 10 largest acquisitions were made by Canadian companies including 3 acquisitions made by Canadian pension plans
  - **CPPIB** was involved with 2 mega-deals including the **\$8.4B** acquisition of **Pattern Energy Group Inc.** and the **\$3.4B** acquisition of **Impulsora del Desarrollo y el Empleo en América Latina (IDEAL)**

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## Industry Sector Activity

- **Real Estate** was the most active sector this quarter with 113 announced deals valued at \$9.8B, exceeding the 100 transaction threshold for the 6<sup>th</sup> consecutive quarter
- The **Industrials** sector remained robust with 104 transactions valued at \$9.3B
- The **Financial Services** sector represented a large portion of aggregate deal value, driven primarily by the \$37.8B acquisition of TD Ameritrade

INDUSTRY GROUPS	2018 Q4		2019 Q4	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Real Estate	114	5,930	113	9,760
Industrials	107	20,983	104	9,258
Information Technology	99	3,583	94	3,404
Healthcare	87	2,833	72	1,934
Metals and Mining	87	81	63	1,135
Financial Services	47	1,178	51	50,986
Precious Metals	46	2,052	49	9,374
Consumer Discretionary	59	922	48	15,804
Energy	58	6,289	33	11,459
Other	45	560	33	638
Communication Services	45	2,775	30	4,299
Consumer Staples	29	3,036	30	1,503
Materials	32	2,112	25	990
Utilities	19	5,719	19	10,613
<b>TOTAL</b>	<b>874</b>	<b>58,053</b>	<b>764</b>	<b>131,157</b>
Services	119	5,186	107	30,180

## Breakdown by Transaction Size

- 86% of transaction activity in the quarter was from mid-market transactions below \$250M (for transactions with disclosed values)
- Mid-market transactions were valued at \$9.9B or approximately 8% of total M&A value
- The aggregate value of all mega-deals was \$106.2B in the fourth quarter, the largest aggregate value of mega-deals in a quarter since Q3 2016

Size	2018 Q4				2019 Q4			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
<\$100m	320	37	5,030	9	255	33	4,198	3
\$101m-\$250m	32	4	5,022	9	36	5	5,659	4
\$251m-\$500m	14	2	4,925	8	18	2	6,346	5
\$501m-\$1b	13	1	8,993	15	12	2	8,751	7
>\$1b	10	1	34,083	59	18	2	106,203	81
Undisclosed	485	55	-	n/a	425	56	-	n/a
	<b>874</b>		<b>58,053</b>		<b>764</b>		<b>131,157</b>	

## Domestic versus Foreign M&A

- For the 9<sup>th</sup> consecutive quarter, more than 500 Canadian companies were acquired, with 506 announced acquisitions in Q4 2019
- In the fourth quarter, \$50.9B worth of Canadian companies were acquired, including \$25.1B of acquisitions made by foreign buyers

	2018 Q4		2019 Q4	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	402	10,982	374	25,861
With Foreign Buyers	130	2,850	132	25,052
<b>Domestic M&amp;A</b>	<b>532</b>	<b>13,832</b>	<b>506</b>	<b>50,913</b>
Foreign Targets (Canadian Buyer)	281	37,996	198	35,966
Canadian Foreign Subsidiaries Sold to Foreign Buyers	61	6,225	60	44,278
<b>Foreign M&amp;A</b>	<b>342</b>	<b>44,221</b>	<b>258</b>	<b>80,244</b>
	<b>874</b>	<b>58,053</b>	<b>764</b>	<b>131,157</b>

## Cross-Border Deals

- Inbound cross-border activity remained robust while outbound cross-border activity declined slightly
- Cross-border deals represented 43% of total activity and 37% of total deal value
- US buyers comprised 67% of the 132 Canadian targeted cross-border acquisitions while representing less than 10% of the aggregate value

	2018 Q4		2019 Q4	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	281	37,996	198	35,966
Inbound M&A (Foreign Buyer/ CDN Target)	130	2,850	132	25,052
<b>Total Cross Border</b>	<b>411</b>	<b>40,845</b>	<b>330</b>	<b>61,018</b>
<b>Outbound : Inbound Ratio</b>	<b>2.16</b>	<b>13.33</b>	<b>1.50</b>	<b>1.44</b>
<b>Cross Border as % of Total Activity</b>	<b>47%</b>	<b>70%</b>	<b>43%</b>	<b>37%</b>
Canada / US Activity				
US Target	159	8,653	120	16,382
US Buyer	92	2,001	88	2,136
<b>Total Canada/US</b>	<b>251</b>	<b>10,654</b>	<b>208</b>	<b>18,518</b>
<b>Canada/ US as % of Cross Border</b>	<b>61%</b>	<b>26%</b>	<b>63%</b>	<b>30%</b>

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### Target by Province

- **Ontario** remains the most active province this quarter with 193 deals valued at \$35.0B
- **British Columbia** was also active in the fourth quarter with 106 deals valued at just below \$2.0B
- **Quebec** had the second largest aggregate deal value of \$9.5B, comprised of 80 transactions

	2018 Q4				2019 Q4			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Ontario	200	38	7,400	29	193	36	35,041	137
British Columbia	136	26	2,433	9	106	20	1,981	8
Quebec	59	11	833	3	80	15	9,546	37
Alberta	87	16	2,693	11	68	13	3,428	13
Saskatchewan	10	2	30	0	13	2	524	2
Manitoba	7	1	14	0	12	2	69	0
Nova Scotia	13	2	30	0	11	2	489	2
Undisclosed Province	4	1	36	0	11	2	237	1
New Brunswick	11	2	362	1	8	2	5	0
Newfoundland	0	0	-	0	2	0	-	0
Prince Edward Island	1	0	-	0	2	0	12	0
Northwest Territories	0	0	-	0	0	0	-	0
Nunavut	1	0	-	0	0	0	-	0
Yukon Territory	3	1	1	0	0	0	-	0
	<u>532</u>		<u>13,832</u>		<u>506</u>		<u>51,331</u>	

Mega-Deals in Q4 2019

Target Industry	Announced Date	Value	Target	Role	Transaction Status
Financial Services	25-Nov-19	\$37,816	TD Ameritrade Holding Corporation (NasdaqGS:AMTD) The Charles Schwab Corporation (NYSE:SCHW) The Toronto-Dominion Bank (TSX:TD)	Target Acquiror Vendor	Announced
Consumer Discretionary	2-Oct-19	\$14,958	The Stars Group Inc. (TSX:TSGI) Flutter Entertainment PLC (ISE:FLTR) Caledonia (Private) Investments Pty Limited; Valueact Holdings, L.P.	Target Acquiror Vendor	Announced
Energy	26-Nov-19	\$9,746	Caltex Australia Limited (ASX:CTX) Alimentation Couche-Tard Inc. (TSX:ATD.B)	Target Acquiror	Announced
Utilities	4-Nov-19	\$8,417	Pattern Energy Group Inc. (NasdaqGS:PEGI) Canada Pension Plan Investment Board	Target Acquiror	Announced
Financial Services	13-Dec-19	\$8,011	Power Financial Corporation (TSX:PWF) Power Corporation of Canada (TSX:POW)	Target Acquiror	Announced
Precious Metals	25-Nov-19	\$5,047	Detour Gold Corporation (TSX:DCG) Kirkland Lake Gold Ltd. (TSX:KL)	Target Acquiror	Closed
Telecommunication Services	16-Dec-19	\$4,202	Cineplex Inc. (TSX:CGX) Cineworld Group plc (LSE:CINE)	Target Acquiror	Announced
Industrials	21-Nov-19	\$3,446	Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. (BMV:IDEAL B- Canada Pension Plan Investment Board; Ontario Teachers' Pension Plan Board	Target Acquiror	Announced
Information Technology	11-Nov-19	\$1,975	Carbonite, Inc. Open Text Corporation (NasdaqGS:OTEX)	Target Acquiror	Closed
Real Estate	8-Nov-19	\$1,735	44 Building High-Rise Greater Toronto Area Portfolio Starlight Investments Continuum Residential Real Estate Investment Trust	Target Acquiror Vendor	Closed
Utilities	21-Oct-19	\$1,678	AltaGas Canada Inc. (TSX:ACI) Alberta Teachers' Retirement Fund Board; Public Sector Pension Investment Board	Target Acquiror	Announced
Precious Metals	2-Dec-19	\$1,662	Continental Gold Inc. (TSX:CNL) Zijin Mining Group Company Limited (SEHK:2899) Newmont Corporation (NYSE:NEM); Invesco Ltd. (NYSE:IVZ); Van Eck Associates	Target Acquiror Vendor	Announced
Financial Services	27-Dec-19	\$1,500	Leisure Acquisition Corp Gateway Casinos & Entertainment Limited	Target Acquiror	Announced
Industrials	31-Oct-19	\$1,434	Short Brothers plc/Bombardier Aerospace North Africa SAS/Assets Of Business In Spirit AeroSystems, Inc. Bombardier Inc. (TSX:BBD.B); Bombardier Services Corporation; Bombardier Aerospace	Target Acquiror Vendor	Announced
Industrials	4-Dec-19	\$1,341	CCC Holding GmbH TELUS International (Cda) Inc. Ardian	Target Acquiror Vendor	Closed
Precious Metals	16-Dec-19	\$1,179	Leagold Mining Corporation (TSX:LMC) Equinox Gold Corp. (TSX:EQX) Orion Mine Finance	Target Acquiror Vendor	Announced
Financial Services	8-Nov-19	\$1,054	FirstCaribbean International Bank Limited (TTSE:FCI) GNB Financial Group Limited Canadian Imperial Bank of Commerce (TSX:CM)	Target Acquiror Vendor	Announced
Precious Metals	7-Oct-19	\$1,002	North American Palladium Ltd. (TSX:PDL) Impala Platinum Holdings Limited (JSE:IMP) Brookfield Business Partners L.P. (NYSE:BBU)	Target Acquiror Vendor	Closed