

November 23, 2016
For immediate release
Toronto

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CANADIAN M&A ACTIVITY – THIRD QUARTER 2016 REPORT *Mega Deals Soar on Southbound M&A*

Following a flurry of activity in Q2, Canadian M&A activity remained strong in the third quarter of 2016 on the strength of mega-deals which catapulted deal values to a 4-year high. Figures developed by **Crosbie & Company** using Capital IQ and other sources indicated 681 announcements valued at \$132.4B in Q3 (compared to 709 deals worth \$47.9B in Q2 2016).

“The number of mega deals is impressive by any measure,” said Ed Giacomelli, Managing Director at Crosbie & Company. “We continue to enjoy a robust M&A market across the size spectrum. Access to capital, attractive valuations, and the number of business owners looking for exits continue to set attractive conditions for M&A.”

There were 16 mega-deals announced in the quarter with a total value of \$115.4B compared to 10 deals valued at \$26.7B last quarter. The largest announced transaction was **Enbridge’s** \$61B offer to acquire **Spectra Energy**, a Texas-based natural gas and crude oil pipeline company. The deal provides Enbridge with increased scale, asset diversity, and a portfolio of operating and development projects. The transaction marks the largest foreign takeover by a Canadian company and creates the largest energy infrastructure company in North America. Another significant transaction in the quarter featured the announced merger of equals between agri-product heavyweights **Agrium** and **Potash Corporation**, in a transaction valued at \$24B. These two transactions alone contributed approximately 65% of the total deal value for the quarter.

There were 461 domestic transactions (where the target is located in Canada) valued at \$46.7B in the quarter (compared to 483 deals worth \$19.8B in Q2 2016). Cross-border transactions in the quarter represented 41% of all announcements, in line with the long-term trend. However, Canadians were involved in 173 foreign deals worth \$77.7B (compared to 185 deals worth \$21.7B in Q2 2016) as outbound M&A continued to outpace inbound M&A by a ratio of 1.7:1. In addition to the **Enbridge** deal, **Open Text’s** \$2.1B acquisition of **Dell’s Enterprise Content Division** is indicative of Canadian corporations seeking to make strategic acquisitions abroad.

“The strength in outbound M&A shines a light on the strategic importance to Canadian corporations of growth by acquisition, specifically in the United States,” added said Mr. Giacomelli.

Energy and **Materials** jumped to become the largest sectors by deal value, as mega deals within the sectors drove the aggregate transaction values for the quarter to \$71B and \$25B, respectively. **Metals and Mining** remained the most active sector by deal volume in Q3, notwithstanding the decline from 113 transactions in Q2 to 94 transactions in the current quarter. **Financial Services** saw a strong uptick in activity with 44 transactions, up 57% from 28 deals in the prior quarter. **Industrials** also experienced a significant rise in activity, increasing 31% to 92 deals compared to 70 transactions last quarter. After activity surged 53% in Q2, **Real Estate** experienced a reversion to the mean in Q3 with 90 transactions, down 20% from 112 transactions in the quarter prior.

Financial sponsors were active in the quarter with 10 transactions (in excess of \$100M), down from 13 in Q2 2016 and consistent with the recent trend.

The mid-market continued to be the foundation of M&A activity with 302 reported transactions under \$250M valued at \$7.3B, representing 91% of all transactions with reported values. Mid-market activity in Q3 decreased 5% from the 319 transactions noted in Q2 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.