

Financial Sector Buy Drives Strong Q4 M&A Activity

Schwab-TD Ameritrade transaction was the largest announced in the quarter

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The Canadian merger and acquisition (M&A) market finished 2019 with a strong quarter: the volume of deal activity held up while deal value soared in the fourth quarter, according to a new report from Crosbie & Co.

The Toronto-based investment banking firm reported that there were 764 M&A deals announced in the fourth quarter, compared to 776 from the previous quarter.

Yet, the total value of deal activity surged to \$131.2 billion, up from \$45 billion in the third quarter.

In the fourth quarter, there were 18 mega-deals (transactions worth over \$1 billion) announced, with a combined aggregate value of \$106.2 billion.

The report said that the biggest deal in Q4 was Charles Schwab Corp.'s \$37.8 billion acquisition of TD Ameritrade — the transaction is expected to close in the latter half of 2020.

Thanks to the Schwab-TD transaction, the financial sector accounted for the largest share of deal value with \$51 billion in deals.

However, the real estate sector was the most active in Q4, with 113 deals that were worth a combined \$9.8 billion.

The industrial sector was also active, Crosbie noted, with 104 transactions valued at \$9.3 billion.

For the full year, there were 3,227 deals announced during 2019, a decline from 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,” said Crosbie.

The report also noted that there were more than 2,000 Canadian companies that were acquired in 2019, by both domestic and foreign buyers.

“Canada represents an attractive market and many international firms are choosing to enter Canada by acquiring existing businesses,” said

Sam Sivarajan, managing director at Crosbie.
“We expect this momentum of M&A activity to continue into 2020.”

The firm reported that there were 15 transactions involving financial sponsors in the fourth quarter, including acquisitions made by several Canadian pension plans.