

Megamergers Boost Canadian M&A Activity in Q1: Crosbie

High profile acquisitions by Canadian companies of foreign targets have masked an underlying weakness in core domestic M&A activity

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While numerous super-sized mergers boosted the value of Canadian mergers and acquisitions (M&A) activity in the first quarter of 2016, the volume of deals declined to its lowest level since 2012, Toronto-based Crosbie & Co. announced on Wednesday.

There were 602 deal announcements in the first quarter, according to the Crosbie announcement, down from 656 deals in the same quarter a year ago. However, with a collection of megadeals (worth more than \$1 billion) this year, the total value of M&A more than doubled to \$101 billion in Q1, up from \$45 billion in the same quarter in 2015.

Most of the decline in deal volume came in the mid-market, Crosbie notes. There were 237 transactions worth under \$250 million in the first quarter, down from 269 deals in Q1 2015. At the same time, there were 16 deals worth more than \$1 billion announced in the quarter, with a total value of \$82 billion, Crosbie says.

"High profile acquisitions by Canadian companies of foreign targets have masked the underlying weakness in core domestic M&A activity," says Ed Giacomelli, managing director at Crosbie, in a statement. "In particular, the prolonged slump in oil prices has

resulted in a flight of capital and depressed M&A activity in the energy sector. However, in time we expect to see a rebound in M&A activity as buyers begin to move from the sidelines to acquire distressed assets."

There were 408 domestic transactions (where the target is in Canada), valued at \$36 billion, down from 428 deals worth \$9 billion in Q1 2015. Conversely, Canadian companies made 151 acquisitions of foreign targets valued at \$62 billion, compared to 165 deals valued at \$30 billion in the same quarter last year, Crosbie says.

"The volatility of the Canadian dollar vs the US dollar has not deterred Canadian companies from making foreign acquisitions," adds Giacomelli. "Utilities and infrastructure assets continue to be the flavour of the month for both strategic and financial buyers seeking greater exposure to regulated or contractual returns."

The tech sector was the most active in the first quarter with 92 transactions, up from 79 deals in the same quarter last year. However, the total value of these deals was just \$1.7 billion, it notes. In terms of deal value, the industrials sector was the most active, with 72 deals worth \$23.7 billion.