

Value of M&A Activity Soared in Q2 2018

The surge in deal value was largely due to 18 megadeals, the highest quarterly total in more than five years

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Canadian merger and acquisition (M&A) remained strong in the second quarter of 2018 (Q2 2018) as the value of deal activity soared, according to a report published Thursday from Toronto-based Crosbie & Co.

There were 826 M&A transactions in Q2 2018, which was just shy of Q1 2018 and, total deal value jumped to \$74 billion from \$47 billion in Q1 2018. The surge in deal value was largely due to 18 megadeals (transactions valued at more than \$1 billion). In Q2 2018, the highest quarterly total in more than five years, Crosbie says.

In addition, a high number of purely domestic deals has been powering the recent surge in Canadian M&A. There were 440 transactions involving buyers and targets that were both Canadian in Q2 2018. This is in line with 434 homegrown deals in Q1 2018, and represents a 33% increase compared with Q2 2017.

“A ‘Made in Canada’ phenomenon has been a driver of activity in the first half of 2018, with more than half of all transactions involving both a Canadian target and

buyer,” says Richard Betsalel, managing director at Crosbie, in a statement.

“Cross-border transactions have historically comprised the majority of total M&A activity in Canada, as Canadian companies sought growth opportunities outside our relatively small economy. We are interested to see if this new trend of inward-focused M&A continues through the balance of the year or reverts to historical norms,” he adds.

Canadian pension funds and other financial sponsors also remained active in the M&A markets in Q2 2018. They were involved with 15 transactions valued at a total \$30 billion, including eight of the 18 megadeals, the report says.

By sector, the mining group was the most active in Q2 2018, generating 107 transactions valued at \$2.3 billion, followed closely by real estate, with 97 transactions valued at \$8.1 billion. The energy sector contributed the highest total deal value, \$15.8 billion worth, while the tech sector had 94 transactions valued at \$10.4 billion.