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CANADIAN M&A ACTIVITY – SECOND QUARTER 2016 REPORT

Resource Revival Drives M&A Rebound

Canadian M&A activity broke its recent downward trend in the second quarter of 2016, increasing to the highest level since Q3 2014. Deal value, however, was down significantly due to a decline in large mega-deals (transactions over \$1B). Figures developed by **Crosbie & Company** using Capital IQ and other sources indicated 709 announcements valued at \$47.9B in Q2 (compared to 602 deals worth \$101.6B in Q1 2016). For domestic transactions (where the target is in Canada) there were 482 transactions valued at \$19.8B (compared to 408 deals worth \$35.8B in Q1 2016).

“The resource sectors were the driving force behind the rebound as commodity prices began to stabilize, enticing buyers in the market who had previously remained on the sidelines,” said Ed Giacomelli, Managing Director at Crosbie & Company. “This spike in M&A activity should provide a strong psychological boost to the commodity sectors.”

Real Estate, fueled by low interest rates and investors seeking real assets with yield, regained the title as the most active sector in Q2 with 112 transactions, up 53% from 73 transactions in the quarter prior. The sector was also the most active by deal value, as a number of mega deals drove the aggregate transaction value for the quarter to \$14.2B. **Metals and Mining** activity surged in the quarter, with 112 transactions worth \$1.6B, up significantly from 74 transactions during the previous quarter. **Precious Metals** also experienced a significant rise in activity, increasing 61% to 82 deals compared to 51 transactions last quarter. **Energy** saw a strong uptick in activity with 65 transactions, up 38% from 47 deals in the prior quarter.

In terms of overall sector activity, 8 of 14 sectors showed sequential improvement in activity compared to Q1 2016 when only 3 showed improvement. “The improvement across so many sectors underscores the attractive conditions that exist for M&A activity,” said Mr. Giacomelli.

There were 10 mega-deals announced in the quarter with a total value of \$26.7B compared to 16 deals valued at \$82.4B last quarter. The largest announced transaction was **CIBC’s** \$4.9B offer to acquire **PrivateBancorp**, a Chicago-based mid-market commercial bank. The deal provides CIBC with exposure to the faster growing U.S. market and will allow it to deliver additional cross-border services to its increasingly important commercial client base.

The Mid-market continued to be the foundation of M&A activity, representing most of the increase in total activity. There were 319 reported transactions under \$250M valued at \$8.5B – representing 90% of all transactions with reported values (up from 237 deals in Q1 2016).

Cross-border transactions in the quarter represented 45% of all announcements, in line with the long term trend. However only 52% of the total value of the deals in the quarter represented cross-border M&A, down from the 70-80% we have observed over the preceding five quarters. Canadian companies continued to be very active internationally in Q2, acquiring 1.4 times more companies abroad than foreigners acquired Canadian companies while outspending their foreign counterparts \$19B to \$6B.

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.