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## CANADIAN M&A ACTIVITY – SECOND QUARTER 2017 REPORT

### *Cross Border Shopping Continues While Domestic Activity Pulls Back*

Canadian M&A activity maintained its positive momentum following the surge in the first quarter of 2017 while aggregate deal value softened. Figures developed by **Crosbie & Company** using Capital IQ and other sources indicated 724 announcements valued at \$64B in Q2 (down from 771 deals worth \$80B in Q1 2017). Despite the pullback relative to Q1, activity during the quarter represents the third highest total in the last three years and marks the fifth consecutive quarter where activity increased year-over-year.

Canadian companies made 210 acquisitions of foreign targets valued at \$35B up from 207 transactions valued at \$27B last quarter. However, domestic activity (where the target is in Canada) declined to 468 transactions worth \$23B from 505 transactions worth \$46B last quarter.

“The continued strength of overall activity is indicative of a market that continues to display characteristics conducive for M&A deals” said Ian Macdonell, Managing Director at Crosbie & Company. “While still early days, the pullback in domestic M&A coincides with increased concerns about the impact of potential NAFTA changes on Canadian targets, and a tempering of the economic optimism that followed the US election.”

The number of mega-deals (transactions in excess of \$1B) announced in the quarter declined to 12 with a total value of \$39B compared to 17 deals valued at \$66B in Q1. The largest announced transaction was the \$11.9B acquisition of a 50.4% interest in the Australian electric utility, **Endeavor Energy**, by a Macquarie Group led consortium that included **BC Investment Management Corporation**. The second largest transaction of the quarter saw **Pembina Pipeline Corporation** announce the acquisition of **Veresen Inc.** for \$7.8B, creating one of Canada’s largest energy infrastructure companies. The transaction marks the continuation of the consolidation trend within the industry, as companies look to diversify their asset bases and gain scale and financial strength. The Pembina/Veresen transaction follows similar consolidation moves in the sector including the AltaGas/WGL Holdings transaction last quarter and the Enbridge/Spectra Energy and TransCanada/Columbia Pipeline transactions last year. Also during the quarter, Canadian engineering and construction firm **SNC-Lavalin Group** acquired UK based **WS Atkins plc** in a transaction valued at \$4B.

Financial sponsors (including pension funds and private equity) were active in the quarter with 5 of the 10 largest transactions in the quarter involving a financial sponsor as a buyer or seller, including BCIM’s participation in the Endeavour Energy acquisition, the largest transaction in Q2. In addition to its acquisition of Parkway, Inc., **CPPIB** also partnered with **Baring Private Equity Asia** in a \$1.6B acquisition of **Nord Anglia Education**, a Hong Kong-based operator of international schools.

“Canadian pension funds continue to aggressively pursue overseas investments in high quality operating businesses in addition to real estate and infrastructure assets” said Ian Macdonell. “Partnering with local private equity groups on these investments is the preferred approach for pension funds to leverage their internal private equity capabilities.”

**Metals and Mining** remained the most active sector in terms of activity with 100 announced transactions valued at \$2.3B, although activity was down 19% relative to the prior quarter. **Real Estate** remained the second most active sector with 91 transactions worth \$8.5B. A 10% increase in the number of transactions, coupled with a number of large deals within the sector, made **Energy** the most active sector by deal value, with 57 deals worth \$14B.

*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 Ian Macdonell at 416-362-1953 or visit [www.crosbieco.com](http://www.crosbieco.com).*