

## CROSBIE & COMPANY CANADIAN M&A REPORT Q2 2016

### Overview

Canadian M&A activity (which we define as all M&A deals involving a Canadian company as a material counterparty) rebounded in Q2 to the highest level in nearly two years, reversing a seven quarter downward trend. Figures developed by Crosbie & Company using Capital IQ and other sources indicated 709 announcements in Q2, up 9% from the same quarter last year.

The year over year increase in activity was the result of a strong recovery in the resource sectors (Metals & Mining, Precious Metals, and Energy) as well as Real Estate. From a deal-size perspective, most of the increase in activity can be attributed to the lower middle market (under \$100M) category.

However, due to a decline in mega-deal activity (transactions in excess of \$1B in

value), the value of announced transactions decreased 36% from the same quarter last year to \$47.9B in Q2, the second lowest level observed in the last eight quarters.

### Domestic M&A Transactions

Figure 2 illustrates that Canadian domestic M&A activity increased in Q2. There were 482 transactions involving Canadian targets (including both those with domestic or foreign buyers) in Q2, up 11% from 435 transactions in the same quarter last year.

### Mega-Deals

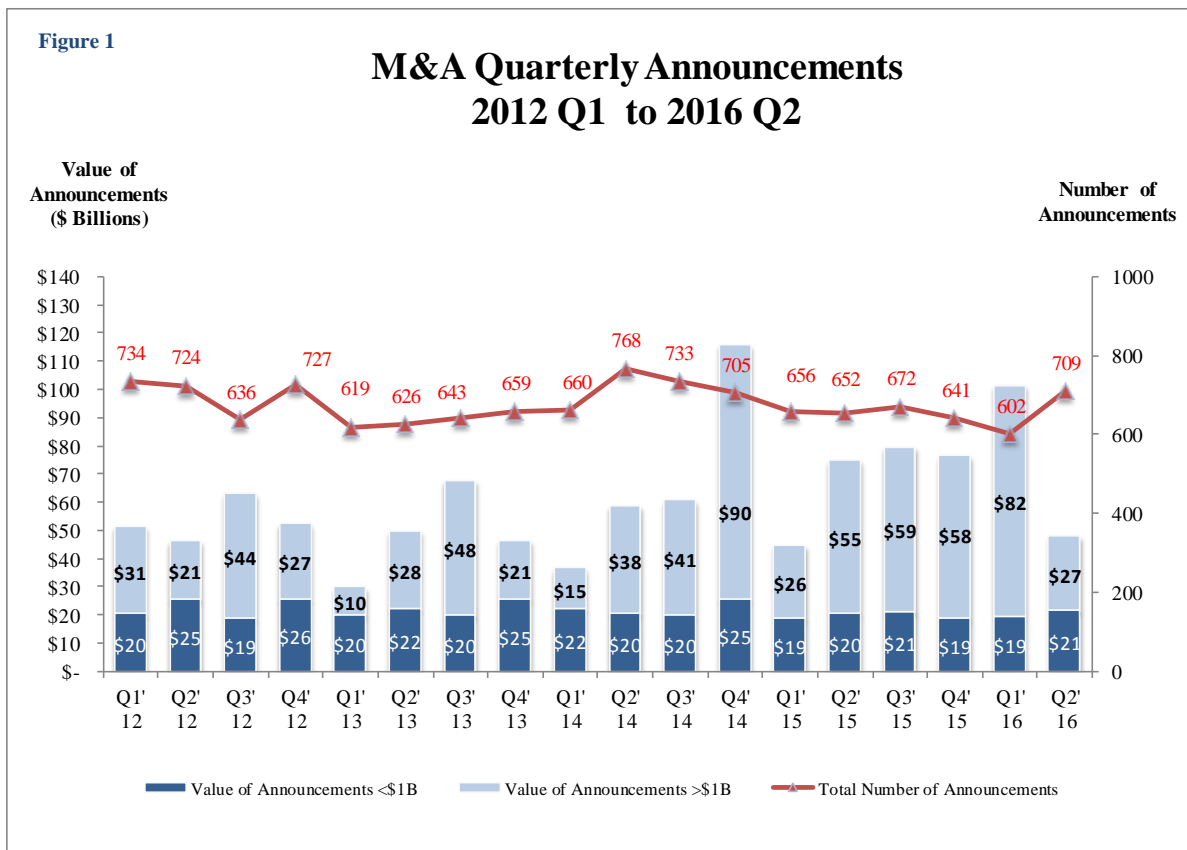
There were 10 mega-deals announced in Q2, representing an aggregate value of \$26.7B, the second lowest value total in the past two years and down 51% from the \$54.7B in Q2 2015.

The largest transaction of the quarter was **Canadian Imperial Bank of**

**Commerce's** announced acquisition of **PrivateBancorp**, a Chicago-based middle market commercial bank, for \$4.9B. CIBC is looking to expand its US footprint and deliver additional cross-border services to its existing commercial client base.

The second largest transaction of the quarter saw **Ontario Teachers' Pension Plan** divest their 50% interest in **Dematic Group**, a Luxembourg based provider of intralogistics and materials handling solutions in a transaction valued at \$4.2B.

Another notable mega-deal featured **BCE's** acquisition of **Manitoba Telecom Services** for \$3.9B as the telecom sector experienced further consolidation.



## Financial Sponsors

Financial sponsors remained active in the second quarter of 2016 on both the buy-side and sell-side with 13 transactions (in excess of \$100M) valued in aggregate at \$12.6B. Four of the ten largest transactions in the quarter involved a financial sponsor, including two featuring **CPPIB**, which acquired a 40% stake in **Glencore's Agricultural Products Business** for \$3.3B and **Hotelbeds Spain** in partnership with **Cinven Limited** for \$1.7B.

## Industry Sector Activity

**Real Estate** regained the title as the most active sector with 112 deals valued at \$14.2B, a 23% increase in activity from Q2 2015. The sector was also the most active by deal value, predominantly driven by a number of large deals, as four of the ten largest transactions for the quarter were Real Estate transactions. The largest deal in the sector involved **Brookfield Asset Management's** \$2.6B acquisition of a manufactured housing and real estate properties portfolio from **NorthStar Realty Finance Group**.

**Metals and Mining** also recorded 112 deals valued at \$1.6B, an increase of 53% over the level of activity in Q2 2015. The largest transaction within the sector was the acquisition of **Reservoir Minerals** by **Nevsun Resources** for \$511M. **Precious Metals** also experienced a significant rise in activity, increasing 55% to 82 deals with an aggregate transaction value of \$853M (compared to 53 transactions with an aggregate value of \$1.1B in Q2 2015).

**Energy** saw an uptick in activity with 65 deals, up 23% from 53 deals in the same quarter last year.

Experiencing notable declines in activity were the **Information Technology** and **Industrials** sectors, which decreased 14% and 26% from the same period last year respectively.

## Breakdown by Transaction Size

While the aggregate transaction value for the quarter was largely driven by mega-deals, the bulk of the activity is driven from transactions with deal values under \$250 million.

As shown in Figure 4, the middle market continues to account for the lion's share of Canadian M&A transaction volume with deals under \$250 million representing 90% of all the transactions with disclosed values. This is consistent with past trends in activity. In aggregate, the mid-market transactions were valued at \$8.5B or approximately 18% of total M&A value.

In the second quarter of 2016, transaction size was not disclosed for 50% of the transactions, consistent with 52% in 2015. While this limits the precision of inferences we can make about the size distribution of transactions, it is

Figure 2

### DOMESTIC VS FOREIGN M&A: 2016 Q2

	2015 Q2		2016 Q2	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	328	13,940	349	13,609
With Foreign Buyers	107	3,620	133	6,171
<b>Domestic M&amp;A</b>	<u>435</u>	<u>17,560</u>	<u>482</u>	<u>19,780</u>
Foreign Targets (Canadian Buyer)	170	53,041	184	18,923
Canadian Foreign Subsidiaries Sold to Foreign Buyers	47	4,372	43	9,230
<b>Foreign M&amp;A</b>	<u>217</u>	<u>57,413</u>	<u>227</u>	<u>28,153</u>
	<u>652</u>	<u>74,973</u>	<u>709</u>	<u>47,933</u>

Figure 3

### ACTIVITY GROUPED BY INDUSTRY: 2016 Q2

INDUSTRY GROUPS	2015 Q2		2016 Q2	
	# of Deals	Value <sup>(1)</sup> \$Millions	# of Deals	Value <sup>(1)</sup> \$Millions
Information Technology	91	6,930	78	5,774
Industrials	95	14,825	70	679
Metals and Mining	73	213	112	1,572
Real Estate	91	14,642	112	14,195
Consumer Discretionary	53	4,770	55	2,833
Precious Metals	53	1,139	82	853
Energy	53	11,314	65	4,890
Financial Services	37	16,104	28	5,796
Healthcare	30	1,787	37	1,074
Other	29	356	23	410
Consumer Staples	24	1,442	15	4,427
Utilities	10	786	13	563
Materials	8	192	15	974
Telecommunication Services	5	472	4	3,893
<b>TOTAL</b>	<u>652</u>	<u>74,973</u>	<u>709</u>	<u>47,933</u>
Services <sup>(2)</sup>	89	15,119	99	4,942

#### Notes:

1. Transaction value is not disclosed for all deals
2. Captures Consumer, Industrial, and Oil and Gas Services (included in respective industry sector counts above)

Figure 4

### ACTIVITY BY SIZE OF DEAL: 2016 Q2

Size	2015 Q2				2016 Q2			
	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%
<\$100m	253	39	4,404	9	297	42	4,670	10
\$101m-\$250m	19	3	3,404	11	22	3	3,807	8
\$251m-\$500m	13	2	4,767	9	18	3	6,618	14
\$501m-\$1b	12	2	7,721	13	9	1	6,108	13
>\$1b	14	2	54,678	58	10	1	26,729	56
Undisclosed	341	52	n/a	n/a	353	50	n/a	n/a

#### Note:

1. Transaction value is not disclosed for all deals

reasonable to assume most of the undisclosed deals are within the middle market as we define it here.

### Target by Province

As shown in Figure 5, domestic M&A activity varies considerably by province. In Q2 2016, the provinces with the most announcements (in declining order of activity) were Ontario, British Columbia, Quebec and Alberta. These four provinces represent 85% of activity in the quarter.

The increase in domestic activity year over year (482 announcements in Q2 2016 vs 435 in Q2 2015), was partially attributable to a 61% increase in activity in Quebec, (79 versus 49 in Q2 2015).

The most active province by number of targets was Ontario with 158 transactions with an aggregate value of \$5.5B, consistent with recent M&A activity trends. The largest transaction with an Ontario target was the acquisition of **InnVest Real Estate Investment Trust by Bluesky Hotels and Resorts** for \$2.1B

### Cross-Border Deals

As the data in Figure 6 indicates, cross-border transactions continued to account for a significant proportion of activity with 45% of all transactions involving a foreign target or buyer, demonstrating the global nature of the Canadian economy.

Canadian companies making acquisitions abroad (“outbound” transactions) outnumbered the number of foreign companies acquiring in Canada (“inbound” transactions) by a factor of 1.4 times. Additionally, the value of outbound transactions exceeded the value of inbound transactions in Q2 by over three times. In this quarter, we saw a continuation of the trend observed recently where Canadian firms were both more active abroad and spending more than foreigners acquiring Canadian companies. Inbound activity increased significantly as foreign firms acquired more Canadian companies in Q2 compared to the same quarter last year (133 vs 107 in Q2 2015). Similarly, the value of inbound transactions increased 70% compared to same quarter last year (\$6.2B vs \$3.6B in Q2 2015).

Figure 5

### CANADIAN TARGETS BY PROVINCE: 2016 Q2

	2015 Q2				2016 Q2			
	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%
Ontario	150	34	5,807	33	158	33	5,506	28
British Columbia	99	23	2,026	12	96	20	2,476	13
Alberta	75	17	7,613	43	76	16	3,163	16
Quebec	49	11	186	1	79	16	453	2
Saskatchewan	17	4	708	4	23	5	1,919	10
New Brunswick	5	1	95	1	4	1	1	0
Manitoba	16	4	29	0	8	2	3,902	20
Newfoundland	5	1	430	2	1	0	0	0
Nova Scotia	6	1	601	3	9	2	31	0
Northwest Territories	0	0	0	0	1	0	23	0
Prince Edward Island	0	0	0	0	0	0	0	0
Nunavut	0	0	0	0	2	0	0	0
Yukon Territory	0	0	0	0	0	0	0	0
Undisclosed Province <sup>(2)</sup>	13	3	65	0	25	5	2,306	12
	435		17560		482		19,780	

Notes:

1. Transaction value is not disclosed for all deals
2. Target province is not disclosed for all deals

Figure 6

### CROSS-BORDER TRANSACTIONS: 2016 Q2

	2015 Q2		2016 Q2	
	# of Deals	Value <sup>(1)</sup> \$Millions	# of Deals	Value <sup>(1)</sup> \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	170	53,041	184	18,923
Inbound M&A (Foreign Buyer/ CDN Target)	107	3,620	133	6,171
<b>Total Cross Border</b>	277	56,661	317	25,094
<b>Outbound : Inbound Ratio</b>	1.59	14.65	1.38	3.07
<b>Cross Border as % of Total Activity</b>	42%	76%	45%	52%
<b>Canada / US Activity</b>				
US Target	105	38,582	125	12,857
US Buyer	77	1,962	63	782

Note:

1. Transaction value is not disclosed for all deals

## Largest Transactions Announced During Q2 2016

VALUE (C\$ MILLIONS)	NAME	ROLE	ANNOUNCED
\$4,856	PrivateBancorp, Inc. Canadian Imperial Bank of Commerce	Target Acquiror	29-Jun-16
\$4,163	Dematic Group S.à r.l. KION GROUP AG AEA Investors LP; Ontario Teachers' Pension Plan	Target Acquiror Vendor	21-Jun-16
\$3,893	Manitoba Telecom Services, Inc. BCE Inc.	Target Acquiror	2-May-16
\$3,282	Glencore Plc, Agricultural Products Business Canada Pension Plan Investment Board Glencore Plc	Target Acquiror Vendor	6-Apr-16
\$2,638	RHP Western Portfolio Group And American Home Portfolio Group And AMC Portfolio And MHC Portfolio IV Brookfield Asset Management Inc. NorthStar Realty Finance Corp.; Northstar Asset Management Group	Target Acquiror Vendor	10-May-16
\$2,122	InnVest Real Estate Investment Trust Bluesky Hotels and Resorts Inc.	Target Acquiror	10-May-16
\$1,776	Office Tower at 1 New York Plaza in the Financial District China Investment Corporation Brookfield Office Properties Inc.	Target Acquiror Vendor	11-May-16
\$1,691	Hotelbeds Spain, S.L.U. Cinven Limited; Canada Pension Plan Investment Board TUI AG	Target Acquiror Vendor	28-Apr-16
\$1,155	1211 Avenue of the Americas Ivanhoé Cambridge, Inc.; Callahan Capital Partners Beacon Capital Partners LLC	Target Acquiror Vendor	15-Jun-16
\$1,154	Husky Energy Inc., Lloydminster Assets Power Assets Holdings Limited; Cheung Kong Infrastructure Holdings Husky Energy Inc.	Target Acquiror Vendor	25-Apr-16
\$975	Penn West Petroleum Ltd., Saskatchewan Assets Teine Energy Ltd. Penn West Petroleum Ltd.	Target Acquiror Vendor	10-Jun-16
\$932	Kerr Investment Holding Corp. Xiwang Foodstuffs Co., Ltd.; Primavera Capital Group	Target Acquiror	13-Jun-16
\$821	Green Park in Reading Mapletree Investments Pte Ltd. Oxford Properties Group, Inc.	Target Acquiror Vendor	18-May-16

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](http://www.crosbieco.com).