

Canada's M&A Market Softens in Q3, Crosbie says

Deal activity was at its lowest level since the third quarter of 2017

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The Canadian M&A market pulled back a bit in the third quarter after several quarters of historically strong deal flow, according to the latest data from Toronto's Crosbie & Co.

There were 776 deals announced in the third quarter of 2019, down from 886 deals in the previous quarter, and 881 transactions in the same quarter last year.

The deal activity in Q3 was at its lowest level since the third quarter of 2017.

In terms of deal value, the third quarter generated about \$45 billion, which was also down from \$71 billion in the previous quarter.

Quarterly deal value hasn't been this low since the first quarter of 2015.

"Canadian M&A activity softened somewhat in Q3 following an extended period of strong deal activity in recent quarters," said Sam Sivarajan, managing director at Crosbie & Co.

There were nine so-called "mega-deals" — transactions worth at least \$1 billion — announced in

the third quarter, accounting for over half (\$25.0 billion) of the quarterly deal value.

Crosbie notes that mid-market M&A (which includes transactions of less than \$250 million) activity also softened in Q3, with 287 deals worth a combined \$8.7 billion.

The real estate sector was the most active last quarter, with 112 announced deals for \$19.0 billion, which represents 42% of deal value.

Crosbie reports that the tech sector saw the greatest increase in deal activity in Q3, with 102 transactions, up by 32% from the same quarter in 2018. The industrial sector also generated 102 transactions in the quarter.

The firm also notes that seven of the nine mega-deals in Q3 involved financial sponsors, such as private equity groups, investment managers and pension funds.

"Even though we may be in the late innings of the longest bull market in history, there is reason to

believe in the continued strength of the M&A market,” said Sivarajan.

“Strong balance sheets, relatively easy access to capital, aging business owners looking to monetize at current high valuations and buyers seeking to boost weak organic growth all suggest that the strong M&A activity trend will continue into Q4,” he added.