INVESTMENT EXECUTIVE

Canadian M&A Activity Dips in Q2: Crosbie

But while both the number and value of deals dropped from the previous quarter, Q2 was the third most active quarter in the past three years

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Canadian merger and acquisition (M&A) activity declined a little in the second quarter (Q2), according to the latest data from Toronto-based Crosbie & Co.

The firm reports that there were 724 deals announced in the quarter worth a combined $64 billion, down from 771 deals valued at $80 billion in the first quarter. Despite the decline in both the number and value of deals, Q2 was still the third most active quarter in the past three years, Crosbie notes.

Cross-border deal activity largely held up in Q2, as it was the domestic deal making the drove the decline, Crosbie reports. Canadian companies made 210 acquisitions of foreign targets valued at $35 billion during the quarter, which was up from 207 cross-border deals worth $27 billion in Q1. Yet, Canadian acquisitions of other Canadian firms dropped to 468 transactions worth $23 billion in Q2 from 505 transactions worth $46 billion in Q1.

The number of so-called mega-deals — transactions valued at more than $1 billion — also declined to 12 valued at $39 billion in Q2 compared with 17 deals worth $66 billion in Q1.

"The continued strength of overall activity is indicative of a market that continues to display characteristics conducive for M&A deals," says Ian Macdonell, managing director at Crosbie & Co., in a statement. "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 metals and mining sector was the most active for M&A deals in Q2, with 100 transactions valued at $2.3 billion; followed by the real estate sector, which saw 91 transactions worth $8.5 billion. In terms of deal value, the energy sector led the way, with 57 deals worth $14 billion.

Crosbie also notes that financial sponsors, such as pension funds and private equity, continued to be active M&A participants in Q2, playing a role in five of the 10 largest deals.

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