

Canadian M&A finds stability in Q2: Crosbie & Co.

Deal volume ticked up, value surged on mega-deal strength

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Merger and acquisition activity edged higher in the second quarter, according to new data from Toronto's Crosbie & Co. Inc.

The number of deals ticked up to 736 in the second quarter from 721 in the prior period. The value of M&A deals also jumped by 41% quarter over quarter to \$74.4 billion.

"The Canadian M&A market is showing signs of stability, with the level of deal activity in the last three quarters settling into a new trading range after its mid-pandemic upsurge and subsequent decline," the firm noted in a report.

The surge in deal value came on the strength of 14 so-called "mega" deals (transactions valued at over \$1 billion), which totalled \$59.5 billion in the second quarter — up from \$41 billion in mega deals in the previous quarter.

The combined value of sub-\$1 billion deals also rose to \$15 billion from \$12 billion in the first quarter.

"Despite the impact of inflation, higher interest rates and concerns about a possible recession, M&A is at a level that is now only 10% to 15% below pre-pandemic levels, which is encouraging," said Colin Walker, managing director at Crosbie & Co.

"This aligns with our own visibility and experience which suggests that we are in a relatively balanced market," he said. "In other words, valuations and liquidity are at levels that are allowing deals to get done and at prices that make sense to many buyers and sellers."

The firm noted that the number of deals increased in most sectors, with the industrials sector leading the way.

The consumer discretionary sector also rebounded following a weak first quarter, with the number of deals doubling from 24 to 48, Crosbie noted. He cited easing inflation as a possible factor for its resurgence.

In terms of deal value, the consumer staples sector led the way, thanks almost entirely to the \$23.9 billion deal for Viterra Ltd.

Conversely, deal activity in the precious-metals sector dropped in the second quarter, and was flat for metals and the mining industry overall.

While the number of deals in the energy sector dropped in the second quarter, the value of those deals was up from the previous quarter.