

Despite Q1 Pullback, M&A Remains Active: Crosbie

Deal-making cooled off after a hot 2021 but remains historically strong

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April 29, 2022

Canadian merger and acquisition activity retreated in the first quarter but remained strong on a historical basis, according to data from Toronto's Crosbie & Co. Inc.

The firm reported that there were 851 M&A deals announced in the first quarter, generating \$67 billion in deal value.

While this is weaker than the last year's quarterly averages of 964 transactions worth \$90 billion, it remains above the quarterly averages for the 2018 to 2020 period, which saw 814 deals announced, representing \$61 billion in value.

"It was not surprising to see the market take a bit of breather in Q1 after the record levels of M&A activity experienced in 2021," said Richard Betsalel, managing director of Crosbie & Co., in a release.

"However, we expect to see continued robust M&A activity going forward as many of the strong fundamentals remain intact, including access to capital and strong demand from both strategic players and financial sponsors," he said.

Crosbie reported that there were 13 so-called "mega deals" — transactions worth at least \$1 billion — in the first quarter, led by the financial sector "as Canadian banks continue to deploy their excess capital on large cross-border acquisitions."

This includes TD Bank's \$16.9-billion acquisition of U.S. regional bank First Horizon Corp. and RBC's \$2.6-billion purchase of U.K. wealth manager Brewin Dolphin Holdings in Q1. These deals followed Bank of Montreal's \$21-billion acquisition of U.S.-based Bank of the West in the previous quarter.

Along with the financial sector, those "viewed as inflation hedges experienced increased deal activity," Crosbie said, noting increases in the precious metals, mining, and consumer staples sectors.

Conversely, deal activity declined in the materials, energy and communications sectors, it reported.