

Economic weakness weighs on M&A

Deal activity declines in Q3, led by a drop in small transactions, Crosbie & Co. says

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Heightened economic uncertainty and tighter financial conditions continue to weigh on merger and acquisition activity, according to the latest data from Toronto-based Crosbie & Co. Inc.

There were 684 deals announced in the third quarter, down by 8% from the previous quarter — however, the value of deals rose to \$63 billion, up about 16% from the second quarter. So far this year, M&A activity is down by about 22% from last year, reported Crosbie & Co., a mid-market investment bank.

“The slowing of M&A we are seeing reflects the impact of uncertainty on buyer psychology as well as changing conditions in the capital markets and on main street,” said Colin Walker, managing director of Crosbie & Co., in a release.

“Due diligence is taking longer for many deals as buyers consider how inflation trends will impact company performance and the impact of tightening monetary conditions. Valuations are also shifting in some sectors causing a need for an adjustment in buyer and seller expectations,” he added.

The energy sector led the deal-making in the third quarter, with \$20.0 billion worth of transactions, followed by the tech sector at \$10.3 billion. The tech sector also accounted for the largest number of deals, 101, followed by the industrials and real estate sectors.

The overall decline in deal activity was led by smaller transactions (deals valued at less than \$250 million), Crosbie & Co. reported.

Conversely, so-called “mega deals” — transactions worth over \$1 billion — held up better. There were 14 mega deals in the third quarter, with a combined value of \$43.3 billion, up from 11 transactions, worth \$35.4 billion, in the second quarter.