

Canadian M&A Activity Surges in Q1

Deal announcements reached their highest level in the past five years and represent the fourth consecutive quarter of increased activity

James Langton

May 2, 2017

Canadian merger and acquisition (M&A) activity surged in the first quarter (Q1), according to the latest data from Toronto-based mid-market investment bank Crosbie & Co.

There were 761 deals announced in Q1, up from 602 deals in the same quarter a year ago, but the total value of that deal activity dropped to \$80 billion from \$102 billion year-over-year. Still, the Crosbie report suggests that deal announcements reached their highest level in the past five years and represent the fourth consecutive quarter of increased deal activity.

"Deal value remained strong on the back of a number of large deals, but middle-market transactions were the driving force behind the surge in activity," the Crosbie report says.

Specifically, the report notes that there were 329 reported transactions valued at less than \$250 million, up from 237 deals of that size in Q1 2016.

In addition, there were 17 mega-deals valued at least \$1 billion with a total value of \$66 billion in Q1. There were 16 mega-deals valued at \$82 billion, in Q1 2016.

"While the market conditions remain extremely attractive for sellers, the uptick in activity in the first quarter was also bolstered by buoyant equity markets and economic optimism following the U.S. election,"

says Ian Macdonell, managing director at Crosbie, in a statement. "We are also seeing the mining sector contributing in a bigger way after a few quiet years."

Indeed, deal activity increased in 11 of 14 sectors, Crosbie reports. The metals and mining sector and the precious metals sector were the most active sectors in the quarter, accounting for 123 and 93 transactions, respectively.

In terms of deal value, the energy sector led the way with almost \$23 billion in transactions, followed by the utilities sector, which had 17 deals worth \$12 billion.

The Crosbie report notes that Canadian companies made 207 acquisitions of foreign targets valued at \$27 billion in Q1 compared with 151 transactions valued at \$62 billion in the same quarter last year.

For domestic transactions (in which the target is in Canada) there were 505 transactions valued at \$45 billion, up from 408 deals worth \$36 billion in Q1 2016.

"Despite a weak Canadian dollar," Macdonell notes, "Canadian companies outspent their U.S. counterparts both in terms of the number and value of transactions reflecting the continued strategic importance of expanding in the U.S. market."