

Canadian M&A activity drops in first quarter

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June 19, 2014

From already-low levels, Canadian M&A activity slipped even further in the first quarter of 2014, according to the latest data from mid-market investment bank, Crosbie & Co.

The firm reports that there were just 189 deal announcements, valued at \$31.1 billion, in the first quarter, down from 262 deals worth \$35.2 billion in the fourth quarter of 2013. This deal volume is at its lowest level since the first quarter of 2009 when just 169 deals were announced amid a worldwide recession.

"Despite many anecdotes from the street that activity has improved over the last few months, we are not yet seeing it in the numbers," said Colin Walker, managing director at Crosbie & Co.

The drop off in deal activity is being led by the primary sectors for M&A recently, real estate and oil & gas. Crosbie reports that deal activity in many other sectors was broadly in line with last quarter, and that the decline stems from the two largest sectors, which were down significantly. It reports that there were 42 deals in the real estate sector and 33 in oil & gas in Q1, which is down 38% and 45% respectively.

So called mega-deals (transactions valued at over \$1 billion) were actually up in the quarter, with eight

announcements in Q1, up from five in the previous quarter. And, the total value of these big deals was \$16 billion (up 28% from Q4 2013).

However, mid-market M&A activity was down, the firm says, with 164 reported transactions valued at a total \$6.6 billion. In particular, Crosbie also notes that transactions worth over \$100 million involving financial sponsors were lower in the first quarter, with just seven announcements compared to 26 last quarter and an average of about 18 per quarter since the beginning of 2012.

Cross-border deals accounted for 45% of all announcements, Crosbie notes, which is in line with the long term trend. The firm also reports that all eight \$1 billion+ deals in the quarter were cross-border transactions, including five that saw Canadian companies making acquisitions abroad. As a result, 75% of the total value of all of the deals in the quarter involved cross-border M&A, which Crosbie says is the highest level since before the financial crisis.

"There is often a lag between announcements and measurable activity," Walker said, "but we continue to see many of the conditions that should be very favourable to stronger M&A markets including good valuations and financing appetite."