

M&A Activity Comes off the Boil: Crosbie

Deal-making declined in third quarter, but remains strong overall

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Merger and acquisition activity stayed strong in the third quarter, but the pace of deal-making is slowing from its recent record levels, according to new data from Crosbie & Co.

The volume of M&A deals slipped by 7% in the third quarter, the Toronto-based mid-market investment bank reported.

While Q3 represented the weakest quarter so far this year, deal activity is still robust, Crosbie said — the volume of deals was the fourth highest on record, and the value of transactions (\$98 billion) was the fifth strongest ever.

“We have seen a modest pullback in M&A announcements, but there are still historically strong conditions and other ingredients driving the market,” said Colin Walker, managing director with Crosbie, in a release.

The bulk of the deal value in the third quarter came on the strength of nine deals valued at more than \$1 billion, which accounted for \$74 billion of total deal value.

However, the volume of M&A action is typically driven by mid-market deals (transactions of under \$250 million), and such activity was down 15% in the third quarter, Crosbie reported.

The tech sector continued to lead in the number of deals, followed by industrials and real estate. The industrial sector produced the greatest deal value once again.

However, Crosbie noted that deal activity declined in more than half of the industry sectors it tracks, with drops of at least 20% in the precious metals, consumer staples and utilities sectors.

Looking ahead, the outlook for the future deal-making remains relatively rosy.

“Market conditions generally remain very supportive of continued strong levels of M&A activity in the coming quarters. We also think the fourth quarter could also be positively impacted by some sellers trying to get their

deals completed by year-end in anticipation of higher capital gains taxes,” Walker said.