

M&A Deal Outlook Rosy for 2021: Crosbie & Co.

Rising supply and demand for transactions could boost deal activity

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Between a backlog of unsold businesses and a supportive climate for deal-making, mergers and acquisitions activity may be poised for a strong rebound in 2021, according to Crosbie & Co. Inc.

“We think it is likely that M&A will rebound strongly and that conditions will be much more favorable for sellers than some might think,” the firm said in a report.

Globally, M&A declined in 2020, as the Covid-19 outbreak disrupted economies and financial markets around the world.

While certain aspects of the financial business thrived in this climate, M&A became particularly difficult, given the restrictions on travel and in-person meetings that are essential to deal-making due diligence.

“However, in recent months, we have learned to navigate some of these issues and the outlook for many businesses has begun to clarify,” Crosbie said in its report.

Additionally, the economic outlook for 2021 is relatively bright, given the development of vaccines that should allow for the eventual lifting of public health restrictions and the resumption of economic activity.

Against that backdrop, the supply of willing business buyers and sellers should increase.

The firm suggested that business owners whose exits were disrupted by the pandemic may return to their plans. For others, “The strain of navigating through Covid over the past few months could well prove to be a catalyst for some business owners to pursue an exit earlier than they otherwise might have planned.”

At the same time, companies that were hurt by the economic fallout from the pandemic may well turn to M&A to help stabilize their balance sheets, it said.

Crosbie noted that several factors may make 2021 a prime time to do a deal, rather than waiting. These factors include the presence of

fiscal stimulus and favourable financing conditions.

“Capital is plentiful, markets are liquid and the cost of money remains low,” it said.

Additionally, “there is currently significant buyer appetite for M&A,” it noted.

“From where we stand, the fundamentals for the next few quarters seem solid,” the firm said, adding that “pent-up demand throughout the economy as well as the psychology of a prospectively improving economy and business conditions are other big positives.”