

Merger Deal Volume Sets Record in 2018

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James Langton

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Canadian merger and acquisition (M&A) activity reached record levels in 2018, according to new data from Crosbie & Co.

The Toronto-based investment bank reports that Canada saw a record 3,415 deals announced in 2018, which is up by 14% from the previous year. Aggregate deal value came in at \$247 billion, which is down by about 2% from 2017.

In the fourth quarter, there were 874 deals announced, Crosbie reports. This represents a dip from the third quarter, but a 12% gain compared with the same quarter in 2017.

“While the number of deal announcements was up in 2018, we saw a significant shift in the mix of buyers this year,” said Colin Walker, managing director at Crosbie. “Domestic acquisitions by Canadian companies were the major growth drivers in 2018, offsetting a slight decline in foreign buyers of Canadian companies.”

The firm also reports that total cross-border deal activity trended higher in 2018, reaching a high of 411

deals in the fourth quarter. For the full year, Canadian companies acquired 966 foreign firms for a total \$109 billion, it notes, compared with 847 transactions in 2017 for \$116 billion.

“There was a notable jump in acquisitions by Canadian companies abroad,” Walker said. “This is likely a response by Canadian companies to the uncertainty around the outcome of the NAFTA negotiations earlier in the year.”

By sector, the real estate industry was most active in the fourth quarter, with 114 deals, followed by the industrials sector at 107 deals. However, the industrials led the way in deal value, accounting for 36% of the quarter’s total value. The energy sector ranked second in total deal value in the quarter.

While so-called “mega deals”—transactions valued at more than \$1 billion—drive the leaders in deal value, Crosbie reports that mid-market M&A activity remained robust in the fourth quarter, accounting for 90% of total deal activity and 17% of total deal value.