

## Mergers and Acquisitions Cool Alongside Economy

*Deal activity settling at lower level, post-pandemic, Crosbie & Co. reports*

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Canadian merger and acquisition activity dipped a bit in the first quarter, reflecting a gloomier economic outlook and tighter financial conditions, according to new data from Toronto's Crosbie & Co. Inc.

There were 721 M&A deals announced in the first quarter, down from 758 transactions in the previous quarter. Deal value also dropped quarter over quarter to \$52.7 billion from \$90.0 billion.

Crosbie reported that deal activity has cooled over the past three quarters, averaging 730 transactions per quarter, compared to an average of 880 deals during the pandemic, and 825 deals pre-pandemic.

"The last few quarters seem to point to Canadian M&A activity stabilizing at a new level," said Colin Walker, managing director at Crosbie & Co. in a release.

"This level reflects changes in buyer and seller behaviour, due to higher interest rates as well as from uncertainty related to a possible economic slowdown in the coming months," he said.

"However, we are also seeing some industry

specific headwinds and tailwinds as a result of these economic conditions and certain secular industry trends."

He cited relative strength in sectors related to energy and future electrification, and weakness in sectors that are interest-rate sensitive, such as consumer discretionary and real estate.

Indeed, the firm reported that the consumer discretionary sector saw the largest drop in deal count in the first quarter, down by 40 transactions from the prior quarter. Sectors following close behind in deal declines include the communication services and real estate sectors.

On the upside, deal activity ramped up in the mining sector, precious metals and industrials.

Crosbie noted there were 13 "mega deals" (transactions worth at least \$1 billion) in the first quarter, which accounted for \$41 billion in total deal value.

Five of these big deals involved energy sector companies, the release said.