

## CROSBIE & COMPANY CANADIAN M&A REPORT – Q1 2022

### *Canadian M&A Activity Softens from Highs, Remains Historically Strong*

Canadian M&A activity softened in Q1 2022 with 851 announced transactions representing \$67B in deal value, below the record highs achieved in 2021 where the quarterly averages were 964 and \$90B, respectively. However, Canadian M&A activity remains quite strong relative to historical conditions—the three-year period from 2018 to 2020 saw a quarterly average of 814 deals announced representing \$61B in value.

*“It was not surprising to see the market take a bit of breather in Q1 after the record levels of M&A activity experienced in 2021,” said Richard Betsalel, Managing Director of Crosbie & Company Inc. “However, we expect to see continued robust M&A activity going forward as many of the strong fundamentals remain intact, including access to capital and strong demand from both strategic players and financial sponsors. Having said this, we are also watching for signs of how higher interest rates and the withdrawal of government support and stimulus relating to Covid-19 could impact economic growth and buyer psychology.”*

There were 13 mega-deals (transactions with values above \$1B) in Q1 worth a combined value of \$48B, of which three involved a Canadian target and six involved a U.S. target. **Financial Services** represented \$19.5B in mega-deal value as Canadian banks continue to deploy their excess capital on large cross-border acquisitions, such as **TD Bank’s** \$16.9B acquisition of U.S. regional bank **First Horizon Corporation**, **RBC’s** \$2.6B purchase of U.K. wealth manager **Brewin Dolphin Holdings**, and **BMO’s** \$21B acquisition of U.S.-based **Bank of the West** (Q4).

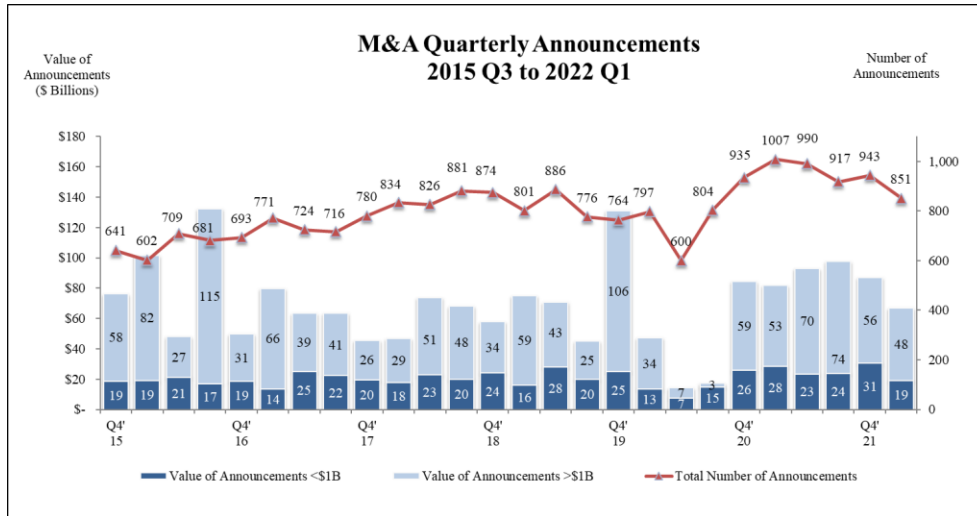
The mid-market, represented by transactions with values below \$250M, comprised 91% of total deals with values disclosed and 13% of the aggregate value for such deals. At 307 announced transactions representing \$8.6B in value, the mid-market kicked off the new year with lower activity than the quarterly average in 2021 (on average, 379 transactions representing \$12.7B) and has realigned with pre-pandemic levels (on average, 2019 witnessed 308 transactions representing \$8.7B).

Cross-border transactions continued to be a key driver of overall M&A activity representing 51% of total announcements and 70% of aggregate value. Outbound activity (-13%) decreased at a faster rate than inbound activity (-9%), whereas domestic M&A activity, buoyed by Canadian acquirors, displayed relative resilience (-5%).

Financial sponsors remained active players on both the buy and sell side. Six of the 13 mega-deals involved private equity groups, including **British Columbia Investment Management** partnering with **Macquarie Asset Management** to purchase of **National Grid’s** gas transmission and metering business in the UK for \$6.9B. As well, **Brookfield** sold **Capital Automotive** to **Ares Management** for \$4.8B.

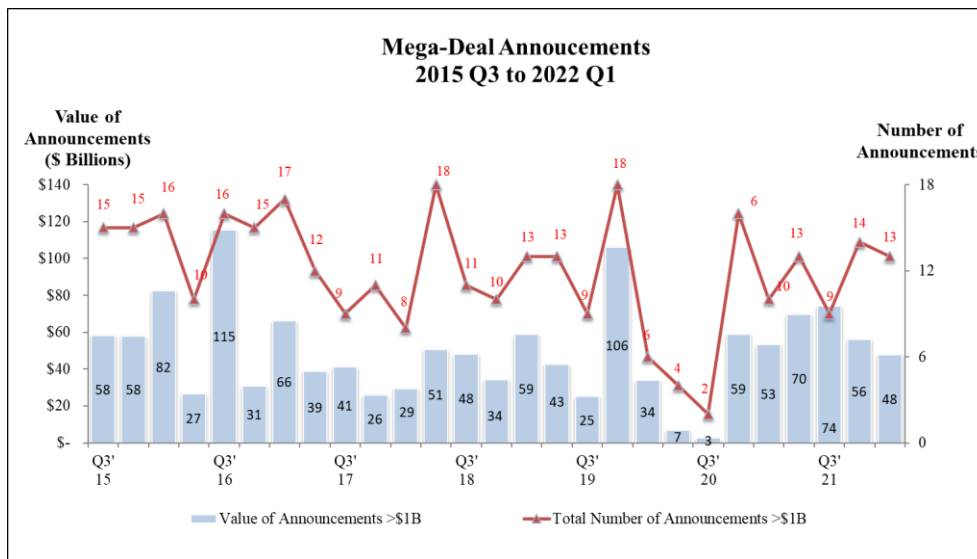
Sectors viewed as inflation hedges experienced increased deal activity, including **Precious Metals** (+9 deals), **Metals & Mining** (+5), **Financial Services** (+5), **Consumer Staples** (+3), **Real Estate** (+1) and **Utilities** (+1). Sectors that posted volume declines in excess of 25% included **Materials** (-11 deals), **Energy** (-17) and **Communication Services** (-15).

Q1 2022 M&A Report



Overview

- Deal activity experienced a modest pullback in Q1 2022 with 851 announced transactions, a 12% decline compared to the 2021 quarterly average but still above the longer-term trend line
- Aggregate deal value (\$67B) was off by -25% relative to the 2021 quarterly average but remained significantly higher than 2020, which saw \$41B in average quarterly transaction value
- Cross-border M&A activity decreased by 12% to 430 announced transactions representing \$47B in value (70% of aggregate deal value)



Mega-Deals

- There were 13 mega-deals (deals surpassing \$1B in value) announced in Q1 2022 representing \$48B in value
- The largest deal this quarter was **TD Bank's \$16.9B** cross-border acquisition of U.S.-based regional bank **First Horizon Corporation**, elevating TD Bank to become the sixth largest bank in the U.S. market
- Canadian banks continue to deploy their excess capital on large cross-border deals, including **RBC's \$2.6B** acquisition of U.K.-based wealth management firm **Brewin Dolphin Holdings**

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INDUSTRY GROUPS	2021 Q4		2022 Q1	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Information Technology	140	36,830	116	2,296
Industrials	132	1,826	113	5,895
Real Estate	109	7,627	110	11,434
Metals and Mining	113	2,431	118	3,846
Health Care	67	2,976	60	4,686
Financial Services	56	165	61	21,598
Precious Metals	29	7,584	38	420
Communication Services	55	9,580	40	914
Consumer Discretionary	84	3,817	63	455
Energy	55	5,093	38	2,422
Consumer Staples	44	2,607	47	915
Materials	36	4,195	25	3,468
Other	3	3	1	0
Utilities	20	2,119	21	8,625
<b>TOTAL</b>	<b>943</b>	<b>86,851</b>	<b>851</b>	<b>66,975</b>
Services	147	7,442	130	5,413

### Industry Sector Activity

- Deal count increases were witnessed in sectors viewed as inflation hedges: **Precious Metals (+9 deals)**; **Metals & Mining (+5)**; **Financial Services (+5)**; and **Consumer Staples (+3)**
- **Materials (-11 deals)**, **Energy (-17)** and **Communication Services (-15)** each posted deal volume declines in excess of 25%
- **Financial Services and Real Estate** generated the largest aggregate deal values at \$21.6B and \$11.4B, respectively, as a result of several large transactions

Size	2021 Q4				2022 Q1			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
<\$100m	310	33	6,136	7	282	33	4,620	7
\$101m-\$250m	48	5	7,783	9	25	3	3,967	6
\$251m-\$500m	23	2	8,174	9	9	1	3,257	5
\$501m-\$1b	12	1	8,678	10	10	1	7,294	11
>\$1b	14	1	56,080	65	13	2	47,836	71
Undisclosed	536	57	0	n/a	512	60	0	n/a
	<b>943</b>		<b>86,851</b>		<b>851</b>		<b>66,975</b>	

### Breakdown by Transaction Size

- Mid-market transactions with disclosed values (deal value below \$250M) comprised 91% of quarterly activity and 13% of quarterly value
- Declines in quarterly deal value were more pronounced in the mid-market (-38%) compared to the broader market (-23%)

	2021 Q4		2022 Q1	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	405	12,578	390	8,154
With Foreign Buyers	172	13,308	156	9,019
<b>Domestic M&amp;A</b>	<b>577</b>	<b>25,886</b>	<b>546</b>	<b>17,173</b>
Foreign Targets (Canadian Buyer)	314	46,656	274	38,161
Canadian Foreign Subsidiaries Sold to Foreign Buyers	52	14,308	31	11,640
<b>Foreign M&amp;A</b>	<b>366</b>	<b>60,965</b>	<b>305</b>	<b>49,801</b>
	<b>943</b>	<b>86,851</b>	<b>851</b>	<b>66,975</b>

### Canadian Domiciled versus Foreign M&A Targets

- Acquisitions involving Canadian targets declined to 546 in Q1 2022, representing a 7% decrease relative to the trailing 8-quarter average (585)
- Canadian firms made 664 acquisitions in Q1 2022, of which 390 (59%) involved domestic targets (\$21M average deal value) and the remainder targeted foreign firms (\$139M average deal value)

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	2021 Q4		2022 Q1	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	314	46,656	274	38,161
Inbound M&A (Foreign Buyer/ CDN Target)	172	13,308	156	9,019
<b>Total Cross Border</b>	<b>486</b>	<b>59,965</b>	<b>430</b>	<b>47,181</b>
<i>Outbound : Inbound Ratio</i>	<i>1.83</i>	<i>3.51</i>	<i>1.76</i>	<i>4.23</i>
<i>Cross Border as % of Total Activity</i>	<i>52%</i>	<i>69%</i>	<i>51%</i>	<i>70%</i>
<b>Canada / US Activity</b>				
US Target	199	36,198	174	24,029
US Buyer	101	4,979	92	4,936
<b>Total Canada/US</b>	<b>300</b>	<b>41,177</b>	<b>266</b>	<b>28,966</b>
<i>Canada/ US as % of Cross Border</i>	<i>62%</i>	<i>69%</i>	<i>62%</i>	<i>61%</i>
	<b>943</b>	<b>86,851</b>	<b>851</b>	<b>66,975</b>

	2021 Q4				2022 Q1			
	# of Deals	%	\$ Millions	%	# of Deals	%	\$ Millions	%
Ontario	220	38	5,323	21	233	43	2,835	17
British Columbia	147	25	11,327	44	125	23	3,120	18
Quebec	87	15	3,855	15	87	16	8,756	51
Alberta	68	12	4,783	18	55	10	1,428	8
Saskatchewan	19	3	156	1	18	3	425	2
Newfoundland	7	1	2	0	7	1	6	0
New Brunswick	8	1	69	0	4	1	17	0
Manitoba	8	1	59	0	7	1	435	3
Nova Scotia	9	2	313	1	8	1	152	1
Prince Edward Island	0	0	-	0	0	0	-	0
Northwest Territories	3	1	-	0	0	0	-	0
Nunavut	1	0	-	0	0	0	-	0
Yukon Territory	0	0	-	0	2	0	0	0
Undisclosed Province	0	0	-	0	0	0	-	0
	<b>577</b>		<b>25,889</b>		<b>546</b>		<b>17,173</b>	

### Cross-Border Deals

- Cross-border deals represented 51% of total activity and 70% of total value in Q1 2022
- Inbound activity decreased 9% quarter-over-quarter while outbound cross-border activity was off 12%
- Canada/U.S. transactions represented 62% of cross-border deals and 61% of cross-border deal value

### Deals by Provincial Domicile

- **Ontario** remained the most active province by deal count (233) and was the only province to experience an increase in activity (+6%)
- **British Columbia** (125) and **Alberta** (55) each experienced a decrease in activity in excess of 15%
- Domestic aggregate deal value significantly declined quarter-over-quarter (-34%), with **Ontario**, **British Columbia** and **Alberta** each declining in excess of 45%

Largest Transactions in Q1 2022

Target Industry	Announced Date	Value (\$ millions)	Target	Role	Transaction Status
Financial Services	28-Feb-22	\$17,174	First Horizon Corporation The Toronto-Dominion Bank	Target Acquiror	Announced
Utilities	27-Mar-22	\$6,923	UK gas transmission and metering business of National Grid plc British Columbia Investment Management Corporation; Macquarie Asset Management National Grid plc	Target Acquiror Vendor	Announced
Real Estate	17-Feb-22	\$4,824	Capital Automotive LLC Ares Real Estate Group; Ares Alternative Credit Brookfield Asset Management Inc.	Target Acquiror Vendor	Closed
Metals and Mining	13-Mar-22	\$3,367	Turquoise Hill Resources Ltd. Rio Tinto Group; Rio Tinto International Holdings Limited	Target Acquiror	Announced
Materials	8-Mar-22	\$3,280	Intertape Polymer Group Inc. Clearlake Capital Group, L.P.	Target Acquiror	Announced
Financial Services	31-Mar-22	\$2,567	Brewin Dolphin Holdings PLC Royal Bank of Canada	Target Acquiror	Announced
Industrials	9-Feb-22	\$2,129	Pilot Freight Services, Inc. A.P. Møller - Mærsk A/S British Columbia Investment Management Corporation; ATL Partners	Target Acquiror Vendor	Announced
Health Care	25-Feb-22	\$2,039	AmeriVet Partners Management Inc. AEA Investors LP; Abu Dhabi Investment Authority Imperial Capital Limited; Imperial Capital Acquisition Fund VI	Target Acquiror Vendor	Closed
Information Technology	8-Feb-22	\$1,448	DPCM Capital, Inc. D-Wave Systems Inc.	Target Acquiror	Announced
Information Technology	15-Mar-22	\$1,119	Matrox Electronic Systems Ltd. Zebra Technologies Canada ULC	Target Acquiror	Announced
Industrials	4-Jan-22	\$1,103	GeelongPort Pty Limited Spirit Super; Palisade Investment Partners Limited Brookfield Asset Management Inc.; SAS Trustee Corp.	Target Acquiror Vendor	Announced
Industrials	27-Feb-22	\$1,089	Falko Regional Aircraft Limited Chorus Aviation Inc. Fortress Investment Group LLC	Target Acquiror Vendor	Announced
Industrials	24-Jan-22	\$1,033	Exterran Corporation Enerflex Ltd.	Target Acquiror	Announced
Health Care	2-Mar-22	\$887	Net Assets of Allscripts Hospitals and Large Physician Practices Business Segment Constellation Software Allscripts Healthcare Solutions, Inc.	Target Acquiror Vendor	Announced
Utilities	3-Feb-22	\$871	Aela Generacion, S.A./Aela Energia S.L. Innergex Renewable Energy Inc. Actis LLP; Mainstream Renewable Power Limited	Target Acquiror Vendor	Announced
Health Care	14-Mar-22	\$845	Lifemark Health Group. Shoppers Drug Mart Corporation Audax Management Company, LLC	Target Acquiror Vendor	Announced