

CROSBIE & COMPANY CANADIAN M&A REPORT – Q2 2022

M&A Activity Retreats to Pre-COVID Levels - Mid-Market Proves Resilient

In Q2 2022, Canadian M&A decelerated sharply, falling back from the highs reached in 2021 toward activity levels seen in the pre-pandemic period. In the second quarter, there were 747 announced transactions representing deal value of \$54B, down 12% and 19% from Q1 2022, respectively. In the first half, there were 1,598 transactions, representing a decline of 20% from the same period last year.

“It’s been an unusual period with several factors surfacing that we could not have foreseen just a few months ago,” said Richard Betsalel, Managing Director of Crosbie & Company Inc. “These include inflationary concerns and the heightened possibility of recession in the coming quarters, which are weighing on valuations and buyer psychology. The impact of these factors is greater for larger transactions as well as those in cyclical sectors such as Consumer Discretionary and Metals & Mining, as well as interest rate sensitive sectors such as Real Estate. Notwithstanding the shift we’ve seen, many fundamentals remain intact, including good access to capital for many companies and strong demand from both strategic players and financial sponsors.”

There were 11 mega-deals (transactions with values above \$1B) in Q2 worth a combined value of \$35B, of which six involved a Canadian target. Notable strategic acquisitions include **TELUS Corporation’s** announced \$2.9B acquisition of **LifeWorks Inc.**, which furthers their expansion into healthcare services, as well as **Rogers** and **Shaw** conditionally divesting **Freedom Mobile Inc.** to **Quebecor Inc.**, as they attempt to satisfy regulators on their proposed merger ambitions and providing Quebecor with a national presence in wireless services.

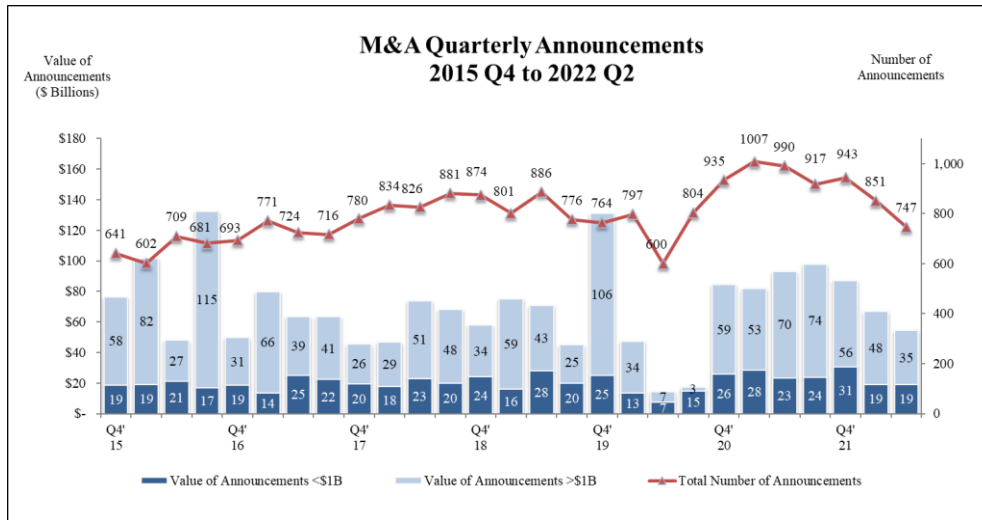
The mid-market, represented by transactions with values below \$250M, comprised 89% of total deals with values disclosed and 15% of the aggregate value for such deals. At 272 announced transactions representing \$8.2B in value, the mid-market declined -11% from Q1 2022 in terms of activity, but only a modest -4% in terms of disclosed value.

Cross-border transactions continued to be a key driver of overall M&A activity representing 49% of total announcements and 61% of aggregate value, down from 51% and 70% in the first quarter, respectively. The bulk of the decrease in cross-border activity was due to a decline in outbound M&A (-21%), whereas inbound M&A remained relatively resilient (-4%).

Financial sponsors remained active players on both the buy and sell side, including **TorQuest Partners** and **Caisse de dépôt et placement du Québec’s** successful \$2.4B exit of **Barrette Outdoor Living**, a manufacturer and distributor of fence, railing and decking products, as well as consumer-focused private equity group **JAB Holding Company** acquiring **Fairfax Financial Holdings** pet insurance and pet healthcare services portfolio company for \$1.8B.

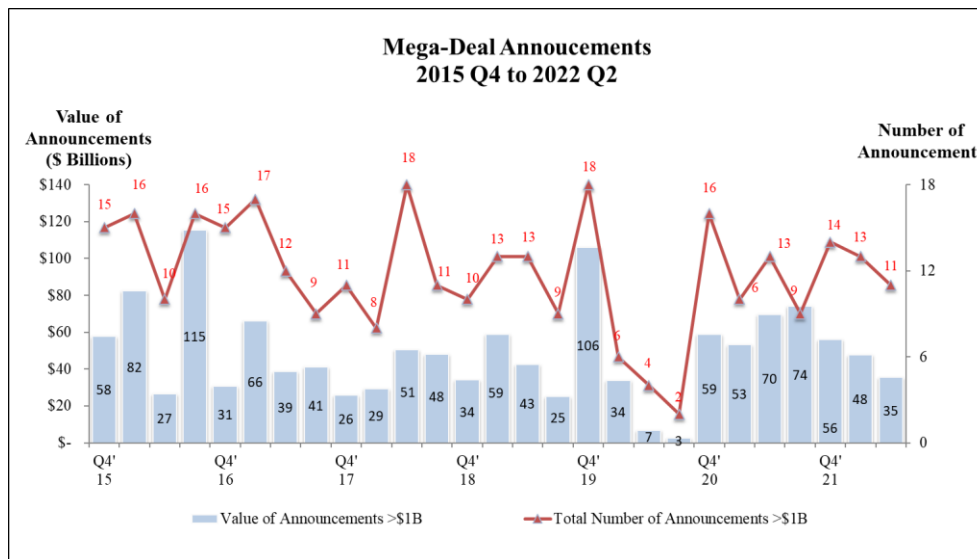
Deal count increases were witnessed in **Industrials** (+18 deals); **Precious Metals** (+10); **Energy** (+5), whereas the largest declines were seen across **Real Estate** (-34 deals), **Consumer Discretionary** (-30) and **Metals and Mining** (-19). **Industrials** and **Precious Metals** generated the largest aggregate deal values at \$14.1B and \$13.4B, respectively, as a result of several large transactions.

Q2 2022 M&A Report



Overview

- Deal activity slipped further in Q2 2022 with 747 announced transactions, a 12% decline compared to Q1 2022 and slightly below the longer-term trend line
- Aggregate deal value (\$54B) was off by -19% relative to Q1 2022 but remained significantly higher than 2020, which saw \$41B in average quarterly transaction value
- Cross-border M&A activity decreased by 15% to 366 announced transactions representing \$33B in value (61% of aggregate deal value)



Mega-Deals

- There were 11 mega-deals (deals surpassing \$1B in value) announced in Q2 2022 representing \$35B in value
- The largest deal this quarter was South Africa-based **Gold Fields Limited** \$11B acquisition of Ontario-based **Yamana Gold Inc.**, creating a top-4 global gold major
- Rogers** and **Shaw** reached an agreement to conditionally divest **Freedom Mobile** to **Quebecor Inc.** with the aim of satisfying regulators on their proposed merger. In pursuit of their healthcare services strategy, **TELUS** announced their intention to acquire **LifeWorks Inc.**, a leading provider of employer healthcare services

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INDUSTRY GROUPS	2022 Q1		2022 Q2	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Information Technology	116	2,296	116	704
Industrials	113	5,895	131	14,141
Real Estate	110	11,434	76	10,219
Metals and Mining	118	3,846	99	2,911
Health Care	60	4,686	53	374
Financial Services	61	21,598	48	2,065
Precious Metals	38	420	48	13,353
Communication Services	40	914	33	3,648
Consumer Discretionary	63	455	33	1,226
Energy	38	2,422	43	3,062
Consumer Staples	47	915	35	972
Materials	25	3,468	19	623
Other	1	0	0	-
Utilities	21	8,625	13	1,063
TOTAL	851	66,975	747	54,361
Services	130	5,413	113	11,119

Industry Sector Activity

- Deal count increases were witnessed in **Industrials** (+18 deals); **Precious Metals** (+10); **Energy** (+5)
- The largest deal count declines were seen across **Real Estate** (-34 deals), **Consumer Discretionary** (-30) and **Metals and Mining** (-19)
- **Industrials** and **Precious Metals** generated the largest aggregate deal values at \$14.1B and \$13.4B, respectively, as a result of several large transactions

Size	2022 Q1				2022 Q2			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
<\$100m	282	33	4,620	7	246	33	3,801	7
\$101m-\$250m	25	3	3,967	6	26	3	4,427	8
\$251m-\$500m	9	1	3,257	5	10	1	3,115	6
\$501m-\$1b	10	1	7,294	11	11	1	7,581	14
>\$1b	13	2	47,836	71	11	1	35,437	65
Undisclosed	512	60	0	n/a	443	59	0	0
	851		66,975		747		54,361	

Breakdown by Transaction Size

- Mid-market transactions with disclosed values (deal value below \$250M) comprised 89% of quarterly activity and 15% of quarterly value
- Declines in quarterly deal value were minimal in the mid-market (-4%) compared to the broader market (-19%)

	2022 Q1		2022 Q2	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	390	8,154	334	13,800
With Foreign Buyers	156	9,019	149	16,325
Domestic M&A	546	17,173	483	30,125
Foreign Targets (Canadian Buyer)	274	38,161	217	16,782
Canadian Foreign Subsidiaries Sold to Foreign Buyers	31	11,640	47	7,454
Foreign M&A	305	49,801	264	24,236
	851	66,975	747	54,361

Canadian Domiciled versus Foreign M&A Targets

- Acquisitions involving Canadian targets declined to 483 in Q2 2022, representing a 11% decrease from Q1 2022
- Canadian firms made 551 acquisitions in Q2 2022, of which 334 (61%) involved domestic targets (\$41M average deal value) and the remainder targeted foreign firms (\$77M average deal value)

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	2022 Q1		2022 Q2	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	274	38,161	217	16,782
Inbound M&A (Foreign Buyer/ CDN Target)	156	9,019	149	16,325
Total Cross Border	430	47,181	366	33,107
<i>Outbound : Inbound Ratio</i>	<i>1.76</i>	<i>4.23</i>	<i>1.46</i>	<i>1.03</i>
<i>Cross Border as % of Total Activity</i>	<i>51%</i>	<i>70%</i>	<i>49%</i>	<i>61%</i>
Canada / US Activity				
US Target	174	24,029	107	11,166
US Buyer	92	4,936	82	2,980
Total Canada/US	266	28,966	189	14,146
<i>Canada/ US as % of Cross Border</i>	<i>62%</i>	<i>61%</i>	<i>52%</i>	<i>43%</i>
	851	66,975	747	54,361

	2022 Q1				2022 Q2			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Ontario	233	43	2,835	17	203	42	22,326	74
British Columbia	125	23	3,120	18	91	19	1,514	5
Quebec	87	16	8,756	51	86	18	2,482	8
Alberta	55	10	1,428	8	54	11	3,166	11
Saskatchewan	18	3	425	2	9	2	274	1
Newfoundland	7	1	6	0	8	2	5	0
New Brunswick	4	1	17	0	9	2	30	0
Manitoba	7	1	435	3	9	2	63	0
Nova Scotia	8	1	152	1	8	2	242	1
Prince Edward Island	0	0	-	0	2	0	-	0
Northwest Territories	0	0	-	0	1	0	-	0
Nunavut	0	0	-	0	0	0	-	0
Yukon Territory	2	0	0	0	3	1	22	0
Undisclosed Province	0	0	-	0	0	0	-	0
	546		17,173		483		30,125	

Cross-Border Deals

- Cross-border deals represented 49% of total activity and 61% of total value in Q2 2022
- The bulk of the decrease in cross-border activity was due to a decline in outbound M&A (-21%), whereas inbound M&A remained resilient (-4%)
- Canada/U.S. transactions represented 52% of cross-border deals and 43% of value, down from 62% and 61% in Q1 2022, respectively

Deals by Provincial Domicile

- **Ontario** remained the most active province by deal count (203) and represented 74% of all transaction value in Q2 2022
- **Quebec** (86) and **Alberta** (54) activity remained flat relative to Q1 2022, with the latter receiving a boost in value due to several energy deals
- Domestic aggregate deal value significantly increased quarter-over-quarter (+75%) as 6 mega-deals involved Canadian targets

Largest Transactions in Q2 2022

Target Industry	Announced Date	Value (\$ millions)	Target	Role	Transaction Status
Precious Metals	31-May-22	\$11,021	Yamana Gold Inc. Gold Fields Limited	Target Acquiror	Announced
Real Estate	6-May-22	\$4,948	Watermark Lodging Trust, Inc. Brookfield Asset Management Inc.; Brookfield Strategic Real Estate Partners IV-C L.P.;	Target Acquiror	Announced
Industrials	16-Jun-22	\$2,915	LifeWorks Inc. TELUS Corporation	Target Acquiror	Announced
Communication Services	17-Jun-22	\$2,850	Freedom Mobile Inc. Quebecor Inc. Shaw Telecom G.P.	Target Acquiror Vendor	Announced
Industrials	5-May-22	\$2,695	Deliverr, Inc. Shopify Inc. Eight Partners VC, LLC; Activant Capital Group LLC; Brookfield Growth Partners	Target Acquiror Vendor	Closed
Industrials	3-Jun-22	\$2,378	Barrette Outdoor Living Inc. CRH plc Caisse de dépôt et placement du Québec; TorQuest Partners, Inc.; Torquest Partners	Target Acquiror Vendor	Closed
Industrials	1-Jun-22	\$2,291	Built Environment Consulting Business of John Wood Group PLC WSP Global Inc. John Wood Group PLC	Target Acquiror Vendor	Announced
Energy	28-Jun-22	\$1,880	XTO Energy Canada Whitecap Resources Inc. Imperial Oil Limited; Exxonmobil Canada Energy Ltd.	Target Acquiror Vendor	Announced
Financial Services	20-Jun-22	\$1,819	Crum & Forster Pet Insurance Group/Pethealth Inc. Independence Pet Group, Inc. Fairfax Financial Holdings Limited	Target Acquiror Vendor	Announced
Industrials	10-Jun-22	\$1,465	The Roads Portfolio comprises three toll roads and two annuity roads L&T Infrastructure Development Projects Limited, Investment Arm; Indinfravit Trust Brookfield Asset Management Inc.; BIF India Holdings Pte. Ltd.	Target Acquiror Vendor	Announced
Industrials	31-May-22	\$1,175	Kaycan Ltd. Compagnie de Saint-Gobain S.A.	Target Acquiror	Announced
Real Estate	20-May-22	\$917	Sony Center in Berlin Norges Bank Investment Management Oxford Properties Group, Inc.; Madison International Realty, LLC	Target Acquiror Vendor	Announced
Industrials	13-Jun-22	\$899	Rent-a-Car and Used Vehicle Assets Brookfield Asset Management Inc. Companhia de Locação das Américas	Target Acquiror Vendor	Announced
Industrials	13-Apr-22	\$859	LJ Safe Holdings Inc Garda World Security Corporation	Target Acquiror	Announced
Precious Metals	2-May-22	\$855	Nomad Royalty Company Ltd. Sandstorm Gold Ltd. Yamana Gold Inc.; Orion Resource Partners; Orion Mine Finance Fund II LP; Orion	Target Acquiror Vendor	Announced
Communication Services	27-Jun-22	\$728	Arqiva Limited D9 Holdco Plc CPP Investments	Target Acquiror Vendor	Announced