

CROSBIE & COMPANY CANADIAN M&A REPORT – Q1 2023

The “New Normal” Coming into Focus

In Q1 2023, there were 721 announced Canadian M&A transactions representing a total deal value of \$52.7B. Announcements were slightly below the prior quarter but were generally in line with the average for the prior three quarters (730 announcements); however, they remain below the average quarterly levels pre-pandemic (825) and during Covid-19 (880).

“The last few quarters seem to point to Canadian M&A activity stabilizing at a new level,” said Colin Walker, Managing Director of **Crosbie & Company Inc.** “This level reflects changes in buyer and seller behavior due to higher interest rates as well as from uncertainty related to a possible economic slowdown in the coming months. However, we are also seeing some industry specific headwinds and tailwinds as a result of these economic conditions and certain secular industry trends. For instance, we are seeing relative strength in sectors related to **energy** and future electrification. On the other hand, there is real weakness in sectors that are interest rate sensitive such as **consumer discretionary** and **real estate**.”

In the quarter, there were 13 mega-deal announcements (those with values exceeding \$1B) representing a combined value of \$41B. Five of these transactions involved energy related target companies and five involved Canadian targets. The largest deal in the quarter was the take-private transaction of **Qualtrics International Inc.**, an American-based software company, by **Silver Lake** and **CPP** for \$15B – a valuation which represents a 73% premium to the pre-announcement trading price.

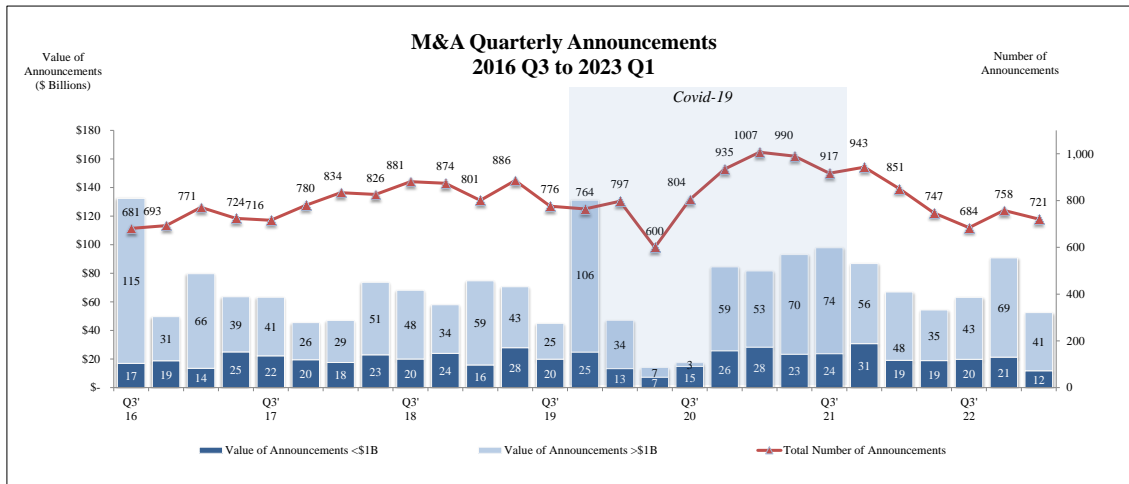
The mid-market, represented by transactions with values below \$250M, exhibited its usual stability. Mid-market announcements represented 91% of deals with disclosed values and 13% of the aggregate value. The 250 announced mid-market transactions in Q1 2023 were essentially unchanged from 248 announcements in the prior quarter, and the \$6.6B combined value of these deals represented an increase of 5% from the prior quarter.

Canadian firms announced 539 acquisitions in Q1 2023, of which 337 (63%) involved domestic targets with the remainder representing foreign targets. Acquisitions of Canadian domiciled companies by both Canadian and foreign buyers increased to 483 deals in Q1 2023, up from 431 in the prior quarter.

Cross-border activity was strong in the quarter representing 48% of all announcements and 82% of total deal value. Canada-US deals made up 59% of total cross-border activity and 85% of cross-border deal value, up from 56% and 49% in the prior quarter, respectively. This indicates that a greater proportion of cross-border transactions in the quarter were completed with parties within North America, possibly reflecting a shifting geographic focus for some companies.

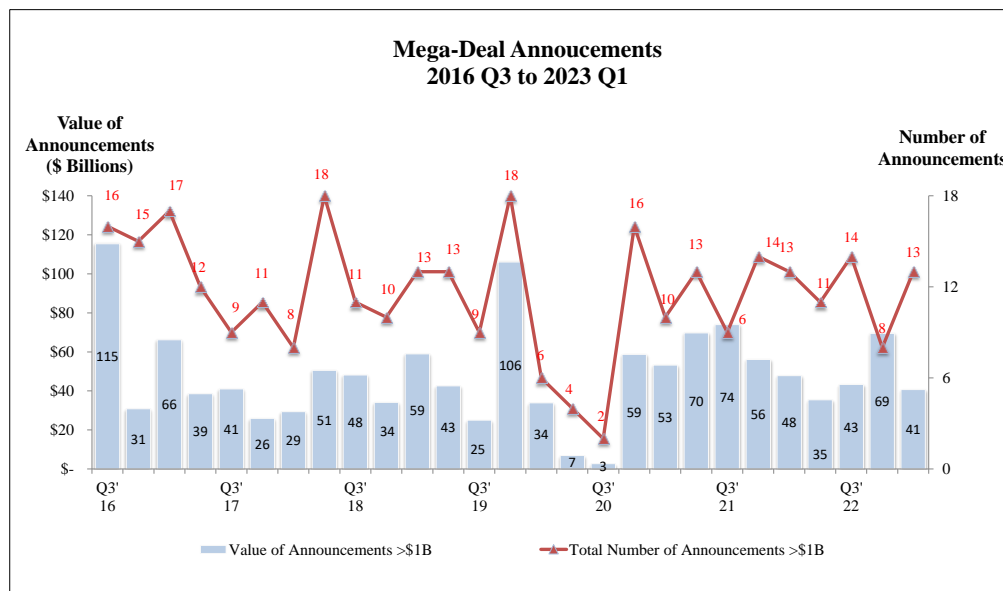
From an industry viewpoint, deal counts decreased in most sectors that we track. **Consumer Discretionary** experienced the largest drop (-40), followed by **Communication Services** (-28) and **Real Estate** (-14). However, there were strong increases in certain sectors including **Metals and Mining** (+34), **Precious Metals** (+26), and **Industrials** (+22), all of which are disproportionately large in Canada relative to other advanced economies and are positioned to benefit from the growth in energy transition initiatives.

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Overview

- Deal activity declined marginally in Q1 2023 with 721 announced transactions, a 5% decrease from Q4 2022
- There were 483 transactions of Canadian domiciled companies in Q1 2023, up from 431 in the prior quarter
- Mid-market transactions represented 91% of announcements where the value was disclosed and 13% of deal value
- Cross-border announcements represented 48% of total activity and 82% of total value in Q1 2023, with the vast majority (85%) comprised of Canada/U.S. activity
- Canadian firms made 539 acquisitions in the quarter, of which 337 (63%) involved domestic targets



Mega-Deals

- Thirteen mega-deals were announced in the quarter (up from 8 in Q4 2022) with aggregate value declining to \$41B. Of these, five mega-deals were energy related and two were mining related
- The largest deal was the \$15B sale of **Qualtrics International Inc**, an American software company, to **Canada Pension Plan** and **Silver Lake**, a Silicon Valley-based private equity firm
- **Brookfield Asset Management** continued to be active, completing the second-largest transaction of Q1 2023 (which follows the announcement of 3 Brookfield mega-deals in Q4 2022)

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INDUSTRY GROUPS	2022 Q4		2023 Q1	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Information Technology	117	1,945	107	17,881
Industrials	122	20,536	144	5,794
Real Estate	60	11,508	46	2,810
Metals and Mining	117	940	151	2,344
Health Care	52	1,053	39	297
Financial Services	49	18,537	48	3,944
Precious Metals	28	10,231	54	1,356
Communication Services	39	1,047	11	2,510
Consumer Discretionary	64	1,143	24	106
Energy	44	5,135	44	10,089
Consumer Staples	32	538	34	76
Materials	23	764	14	817
Utilities	11	17,402	3	4,665
Other	-	-	2	-
TOTAL	758	90,778	721	52,689
Services	112	2,188	77	774

Industry Sector Activity

- Deal count decreases were seen across most industries, with **Consumer Discretionary** experiencing the largest drop (-40), followed by **Communication Services** (-28) and **Real Estate** (-14)
- Metals and Mining** experienced the largest increase in deal activity (+34), closely followed by **Precious Metals** (+26), which collectively comprised a third of the total announcements
- Industrials** announcements also experienced a significant jump (+22)

Size	2022 Q4				2023 Q1			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
<\$100m	230	30	3,430	4	228	32	2,849	5
\$101m-\$250m	18	2	2,863	3	22	3	3,781	7
\$251m-\$500m	12	2	4,410	5	10	1	3,266	6
\$501m-\$1b	14	2	10,607	12	3	0	2,094	4
>\$1b	8	1	69,469	77	13	2	40,698	77
Undisclosed	476	63	0	0	445	62	0	0
	<u>758</u>		<u>90,779</u>		<u>721</u>		<u>52,689</u>	

Breakdown by Transaction Size

- Mid-market activity (deal value below \$250M) remained steady over the quarter with 250 deals
- For transactions with disclosed values, the mid-market comprised 91% of activity and 13% of value
- Mega-deal activity increased with 13 announced transactions in the quarter, up from 8 in Q4 2022

	2022 Q4		2023 Q1	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	305	33,284	337	7,884
With Foreign Buyers	126	9,011	146	7,218
Domestic M&A	<u>431</u>	<u>42,295</u>	<u>483</u>	<u>15,102</u>
Foreign Targets (Canadian Buyer)	212	43,226	202	35,919
Canadian Foreign Subsidiaries Sold to Foreign Buyers	115	5,258	36	1,668
Foreign M&A	<u>327</u>	<u>48,484</u>	<u>238</u>	<u>37,587</u>
	<u>758</u>	<u>90,779</u>	<u>721</u>	<u>52,689</u>

Canadian Domiciled versus Foreign M&A Targets

- Acquisitions involving Canadian targets increased 12% in Q1 2023 to 483 deals
- Canadian firms made 539 acquisitions in the quarter, of which 337 (63%) involved domestic targets

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	2022 Q4		2023 Q1	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	212	43,226	202	35,919
Inbound M&A (Foreign Buyer/ CDN Target)	126	9,011	146	7,218
Total Cross Border	338	52,237	348	43,137
<i>Outbound : Inbound Ratio</i>	<i>1.68</i>	<i>4.80</i>	<i>1.38</i>	<i>4.98</i>
<i>Cross Border as % of Total Activity</i>	<i>45%</i>	<i>58%</i>	<i>48%</i>	<i>82%</i>
Canada / US Activity				
US Target	118	22,781	119	32,841
US Buyer	70	2,617	85	4,040
Total Canada/US	188	25,398	204	36,881
<i>Canada/ US as % of Cross Border</i>	<i>56%</i>	<i>49%</i>	<i>59%</i>	<i>85%</i>
	758	90,779	721	52,689

Cross-Border Deals

- Cross-border deals represented 48% of total activity and 82% of total value in Q1 2023
- The outbound-to-inbound ratio declined to 1.38 in Q1, reflecting an increase in inbound acquisitions paired with a decline in outbound acquisitions
- Canada/US cross-border activity continued to represent the bulk of cross-border transactions (59%) and deal value (85%)

	2022 Q4				2023 Q1			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Ontario	184	43	19,070	45	164	34	3,339	22
British Columbia	105	24	18,038	43	126	26	9,411	62
Quebec	57	13	974	2	90	19	1,160	8
Alberta	45	10	3,226	8	51	11	514	3
Saskatchewan	10	2	201	0	24	5	319	2
Newfoundland	5	1	0	0	7	1	45	0
New Brunswick	6	1	363	1	3	1	-	0
Manitoba	11	3	418	1	10	2	1	0
Nova Scotia	4	1	1	0	5	1	177	1
Prince Edward Island	2	0	-	0	-	0	-	0
Northwest Territories	-	0	-	0	2	0	136	1
Nunavut	-	0	-	0	-	0	-	0
Yukon Territory	2	0	5	0	1	0	0	0
Undisclosed Province	-	0	-	0	-	0	-	0
	431		42,295		483		15,102	

Deals by Provincial Domicile

- Aggregate domestic M&A activity increased to 483 announced transactions during Q1 2023
- **Ontario** remained the most active province by deal count (164) but witnessed a large decline of \$15.7B in deal value
- **British Columbia** was the runner-up in terms of deal activity (126) and represented the highest share of value (62%)
- **Quebec** and **British Columbia** benefited from the heightened activity in **Metals and Mining** and **Precious Metals** sectors, both of which represented over 35% of activity in those provinces

Largest Transactions in Q1 2023

Target Industry	Announced Date	Value (\$ millions)	Target	Role	Transaction Status
Information Technology	24-Feb-23	\$15,206	Qualtrics International Inc. Silver Lake Technology Management, L.L.C.; Canada Pension Plan Investment Board The Vanguard Group, Inc.; SAP America, Inc.	Target Acquiror Vendor	Announced
Utilities	2-Feb-23	\$4,659	FirstEnergy Transmission, LLC Brookfield Corporation; Brookfield Super-Core Infrastructure Partners L.P. FirstEnergy Corp.	Target Acquiror Vendor	Announced
Energy	28-Feb-23	\$4,235	Ranger Oil Corporation Baytex Energy Corp. State Street Corporation; BlackRock, Inc.; The Vanguard Group, Inc.; Hotchkis and	Target Acquiror Vendor	Announced
Industrials	27-Feb-23	\$2,945	Uni-Select Inc. LKQ Corporation Birch Hill Equity Partners Management Inc.; EdgePoint Wealth Management Inc.;	Target Acquiror Vendor	Announced
Communication Services	1-Mar-23	\$2,274	Radius Global Infrastructure, Inc. Public Sector Pension Investment Board; EQT AB (publ); EQT Active Core Centerbridge Partners, L.P.; Imperial Landscape Sponsor Llc; Toms Acquisition Ii Llc	Target Acquiror Vendor	Announced
Financial Services	9-Jan-23	\$2,082	Paya Holdings Inc. Nuvei Corporation GTCR-Ultra Holdings, LLC	Target Acquiror Vendor	Closed
Energy	22-Feb-23	\$1,761	Unregulated Renewables Assets of American Electric Power Company, Inc. Blackstone Inc.; Caisse de dépôt et placement du Québec; Invenergy LLC; Blackstone American Electric Power Company, Inc.	Target Acquiror Vendor	Announced
Energy	28-Mar-23	\$1,700	Oil and Liquids Rich Montney Assets of Spartan Delta Corp. Crescent Point Energy Corp. Spartan Delta Corp.	Target Acquiror Vendor	Announced
Metals & Mining	27-Mar-23	\$1,301	Caserones Copper Mine in Chile Lundin Mining Corporation JX Nippon Mining & Metals Corporation	Target Acquiror Vendor	Announced
Energy	2-Mar-23	\$1,200	Suncor Energy UK Limited Equinor UK Limited Suncor Energy Inc.	Target Acquiror Vendor	Announced
Information Technology	20-Jan-23	\$1,141	Magnet Forensics Inc. Morpheus Purchaser Inc. Nellore Capital Management LLC	Target Acquiror Vendor	Closed
Industrials	2-Mar-23	\$1,130	GaN Systems, Inc. Infineon Technologies AG BDC Capital Inc.; Chrysalix Venture Capital; RockPort Capital Partners; Tsing Capital;	Target Acquiror Vendor	Announced
Precious Metals	13-Feb-23	\$1,065	Sabina Gold & Silver Corp. B2Gold Corp. Wheaton Precious Metals Corp.; Orion Mine Finance; Zhaojin International Mining Co.,	Target Acquiror Vendor	Announced
Financial Services	9-Jan-23	\$879	Canaccord Genuity Group Inc. Officers and Employees of Canaccord Genuity Group (take-private) Crescendo Partners, L.P.; SKKY Capital Corporation Limited	Target Acquiror Vendor	Announced
Information Technoogy	7-Feb-23	\$691	U.S. Data Mining Group, Inc. Hut 8 Mining Corp.	Target Acquiror	Announced