

CROSBIE & COMPANY CANADIAN M&A REPORT – Q4 2022

A Better Quarter in a Market That is Still Settling

In Q4 2022, announced Canadian M&A transactions increased after a seeing a decline in the previous three quarters. In the most recent quarter, there were 758 announced transactions, up 11% quarter-over-quarter, with total deal value climbing to \$90B. While headed in the right direction, quarterly activity was down -20% relative to Q4 2021. On a full-year basis, there were 3,040 announced transactions, representing the lowest annual deal count since 2017 which saw 2,991 announced transactions.

“The increase in Q4 was encouraging and hopefully, we’ve seen the bottom of this cycle. But it seems to us like the market is still trying to find its new equilibrium,” said Colin Walker, Managing Director of Crosbie & Company Inc. “Both buyers and sellers have had to adjust in order to assess opportunities in the new markets which we face. New conditions include higher interest rates which impacts leverage and the cost of capital, and inflation, among other things”.

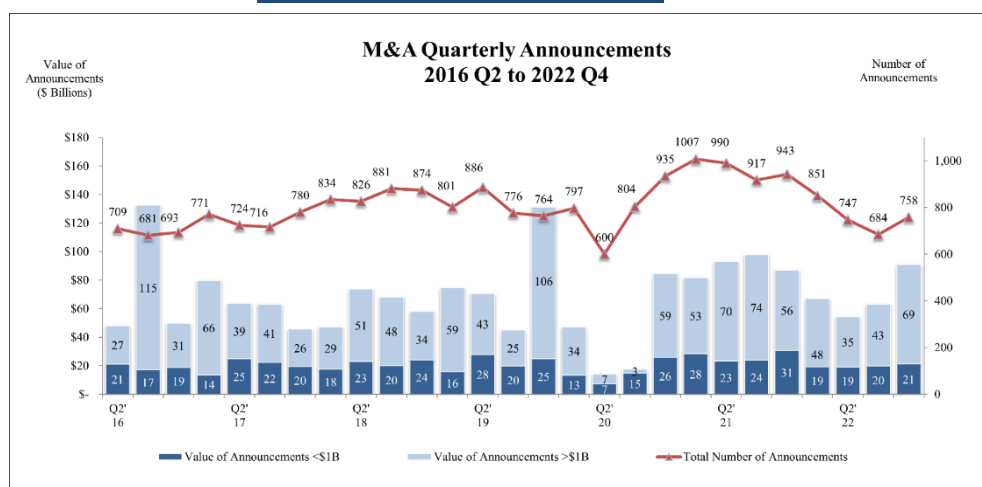
Mid-market transactions (those with values under \$250M) represented 88% of all deals with disclosed values and 7% of the aggregate value across such deals. Notable mid-market transactions included **Carlsberg Group**, an international brewery giant based out of Denmark, acquiring **Waterloo Brewing**, an Ontario-based craft brewery. This deal follows the acquisition of Ontario-based **Amsterdam Brewing** by **Royal Unibrew** in Q3, another large Danish brewer, and occurs against a backdrop of consolidation in the Canadian craft beer market, which saw 6 announced deals in Q4 2022. Among those deals, Crosbie advised **Side Launch Brewing Co.** on its sale to **Equals Brewing Company**.

Meanwhile, mega-deal transactions (those with values above \$1B) were much higher in terms of deal value (+63% quarter-over-quarter) despite the lower number of announced transactions (8 deals relative to 14 in Q3 2022). **Brookfield Corporation** dominated the league table with 3 announced mega-deals representing \$29B in value, including the \$16B acquisition of **Origin Energy Limited**, an Australian-based producer and distributor of natural gas and electricity. The Canadian **Financial Services** industry was active in the quarter, with **Royal Bank of Canada** announcing their intent to acquire **HSBC Bank Canada** for \$16B and **Stephen Smith** announcing his proposed acquisition of **Home Capital Group**, adding to his **Financial Services** empire.

Canadian firms made 517 acquisitions in the quarter, of which 305 (59%) involved domestic targets. Cross-border activity remained relatively flat in Q4 2022 at 338 transactions, down from 341 transactions in Q3 and representing 45% of all deal activity.

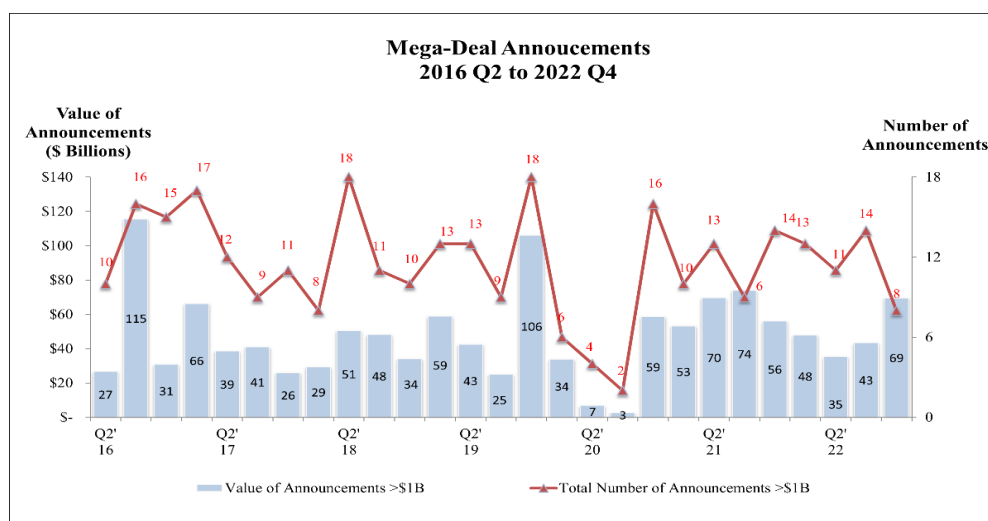
From a sector viewpoint, deal count increases were seen across most industries, with **Metals and Mining** (+30), **Industrials** (+29), and **Information Technology** (+16) leading the pack. **Real Estate** experienced the largest decline in deal count (-25), followed by **Utilities** (-6) and **Communication Services** (-3). **Industrials** and **Financial Services** generated the largest aggregate deal values at \$20.5B and \$18.5B, with mega-deals representing 90%+ of the aggregate deal value in both industries.

Q4 2022 M&A Report



Overview

- Deal activity picked up in Q4 2022 with 758 announced transactions, an 11% increase compared to Q3 2022
- Aggregate deal value (\$90B) was up by 44% relative to Q3 2022, with mega-deals representing 77% of total deal value (\$69B)
- Canadian firms made 517 acquisitions in Q4 2022, of which 305 (59%) involved domestic targets with the remainder involving foreign targets
- Cross-border deals represented 45% of all activity in Q4 2022, with the majority spanning Canada / U.S.



Mega-Deals

- There were 8 mega-deals (deals surpassing \$1B in value) announced in Q4 2022 representing \$69B in value
- **Brookfield Corporation** completed 3 mega-deals in Q4 representing \$29B in deal value, including the \$16B acquisition of **Origin Energy Limited**, an Australian-based producer and distributor of natural gas and electricity
- **Financial Services** experienced a jump in mega-deal activity with **Royal Bank of Canada** announcing their intent to acquire **HSBC Bank Canada** for \$16B and **Stephen Smith** announcing his proposed acquisition of **Home Capital Group**, adding to his significant **Financial Services** portfolio

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INDUSTRY GROUPS	2022 Q3		2022 Q4	
	# of	Value	# of	Value
	Deals	\$Millions	Deals	\$Millions
Information Technology	101	10,266	117	1,945
Industrials	93	6,058	122	20,536
Real Estate	85	4,426	60	11,508
Metals and Mining	87	1,030	117	940
Health Care	42	419	52	1,053
Financial Services	43	5,110	49	18,537
Precious Metals	28	1,051	28	10,231
Communication Services	42	2,593	39	1,047
Consumer Discretionary	60	3,514	64	1,143
Energy	41	20,037	44	5,135
Consumer Staples	29	112	32	538
Materials	16	4,253	23	764
Utilities	17	4,342	11	17,402
Other	-	-	-	-
TOTAL	684	63,210	758	90,779
Services	108	22,142	112	2,188

Industry Sector Activity

- Deal count increases were seen across most industries, with **Metals and Mining** (+30), **Industrials** (+29), and **Information Technology** (+16) leading the pack
- **Real Estate** experienced the largest decline in deal count (-25), followed by **Utilities** (-6) and **Communication Services** (-3)
- **Industrials** and **Financial Services** generated the largest aggregate deal values at \$20.5B and \$18.5B, with mega-deals representing 90%+ of the aggregate deal value in both industries

Size	2022 Q3				2022 Q4			
	# of	Value		# of	Value			
	Deals	%	\$ Millions	%	Deals	%	\$ Millions	%
<\$100m	225	33	4,026	6	230	30	3,430	4
\$101m-\$250m	26	4	3,803	6	18	2	2,863	3
\$251m-\$500m	21	3	7,410	12	12	2	4,410	5
\$501m-\$1b	6	1	4,625	7	14	2	10,607	12
>\$1b	14	2	43,346	69	8	1	69,469	77
Undisclosed	392	57	0	0	476	63	0	0
	684		63,210		758		90,779	

Breakdown by Transaction Size

- Mid-market activity (deal value below \$250M) proved resilient in Q4 relative to mega deals, which fell -43% quarter-over-quarter
- For those transactions with disclosed values, the mid-market comprised 88% of activity and 7% of value in Q4

	2022 Q3		2022 Q4	
	# of	Value	# of	Value
	Deals	\$ Millions	Deals	\$ Millions
Canadian Targets				
With Canadian Buyers	299	10,199	305	33,284
With Foreign Buyers	145	9,763	126	9,011
Domestic M&A	444	19,962	431	42,295
Foreign Targets (Canadian Buyer)	196	23,158	212	43,226
Canadian Foreign Subsidiaries Sold to Foreign Buyers	44	20,090	115	5,258
Foreign M&A	240	43,248	327	48,484
	684	63,210	758	90,779

Canadian Domiciled versus Foreign M&A Targets

- Acquisitions involving Canadian targets remained relatively flat in Q4 2022 with 431 deals, but were down from 577 deals in the same quarter last year
- Canadian firms made 517 acquisitions in Q4 2022, of which 305 (59%) involved domestic targets (\$109M average deal value) with the remainder representing foreign targets (\$204M average deal value)

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	2022 Q3		2022 Q4	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	196	23,158	212	43,226
Inbound M&A (Foreign Buyer/ CDN Target)	145	9,763	126	9,011
Total Cross Border	341	32,920	338	52,237
<i>Outbound : Inbound Ratio</i>	<i>1.35</i>	<i>2.37</i>	<i>1.68</i>	<i>4.80</i>
<i>Cross Border as % of Total Activity</i>	<i>50%</i>	<i>52%</i>	<i>45%</i>	<i>58%</i>
Canada / US Activity				
US Target	101	9,378	118	22,781
US Buyer	68	6,546	70	2,617
Total Canada/US	169	15,924	188	25,398
<i>Canada/ US as % of Cross Border</i>	<i>50%</i>	<i>48%</i>	<i>56%</i>	<i>49%</i>
	684	63,210	758	90,779

Cross-Border Deals

- Cross-border deals represented 45% of total activity and 58% of total value in Q4 2022
- The ratio of outbound-to-inbound announcements climbed to 1.68 from an unusually low level last quarter; acquisitions by Canadian companies abroad continue to outpace foreign acquisitions of Canadian targets by a wide margin
- Canada/U.S. activity continued to represent the bulk of cross-border transactions at 56%

	2022 Q3				2022 Q4			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Ontario	167	38	6,559	33	184	43	19,070	45
British Columbia	113	25	3,062	15	105	24	18,038	43
Quebec	55	12	4,354	22	57	13	974	2
Alberta	64	14	5,608	28	45	10	3,226	8
Saskatchewan	12	3	247	1	10	2	201	0
Newfoundland	5	1	0	0	5	1	0	0
New Brunswick	3	1	54	0	6	1	363	1
Manitoba	13	3	62	0	11	3	418	1
Nova Scotia	9	2	13	0	4	1	1	0
Prince Edward Island	-	0	-	0	2	0	-	0
Northwest Territories	-	0	-	0	-	0	-	0
Nunavut	-	0	-	0	-	0	-	0
Yukon Territory	3	1	2	0	2	0	5	0
Undisclosed Province	-	0	-	0	-	0	-	0
	444		19,962		431		42,295	

Deals by Provincial Domicile

- **Ontario** remained the most active province by deal count (184) and represented 45% of all transaction value in Q4 2022, up from 167 deals and 33% of all transaction value
- **Alberta** (45) witnessed the largest declines in quarterly activity, followed by **British Columbia** (105)
- Aggregate domestic deal value increased significantly quarter-over-quarter (+112%), with **Ontario** and **British Columbia** representing 88% of the total

Largest Transactions in Q4 2022

Target Industry	Announced Date	Value (\$ millions)	Target	Role	Transaction Status
Utilities	9-Nov-22	\$16,480	Origin Energy Limited Brookfield Asset Management Inc. (nka:Brookfield Corporation); Brookfield Global Transition Fund I; MidOcean Energy, LLC	Target Acquiror	Announced
Financial Services	29-Nov-22	\$15,600	HSBC Bank Canada Royal Bank of Canada HSBC Overseas Holdings (UK) Limited	Target Acquiror Vendor	Announced
Industrial Services	11-Oct-22	\$10,890	Westinghouse Electric Company LLC Brookfield Asset Management Inc. (nka:Brookfield Corporation); Cameco Corporation; Brookfield Business Partners L.P.	Target Acquiror Vendor	Announced
Industrial Services	16-Dec-22	\$8,996	Maxar Technologies Inc. Advent International Corporation; British Columbia Investment Management Corporation BlackRock, Inc.; The Vanguard Group, Inc.	Target Acquiror Vendor	Announced
Precious Metals	4-Nov-22	\$8,741	Yamana Gold Inc. Agnico Eagle Mines Limited; Pan American Silver Corp. Van Eck Associates Corporation	Target Acquiror Vendor	Announced
Real Estate	7-Nov-22	\$5,886	Summit Industrial Income REIT GIC Real Estate Pte Ltd.; Dream Industrial Real Estate Investment Trust	Target Acquiror	Announced
Financial Services	21-Nov-22	\$1,550	Home Capital Group Inc. Smith Financial Corporation Turtle Creek Asset Management Inc.	Target Acquiror Vendor	Announced
Real Estate	30-Nov-22	\$1,325	EduCo AB Brookfield Asset Management Inc. (nka:Brookfield Corporation); Brookfield Super-Core Samhällsbyggnadsbolaget i Norden AB (publ)	Target Acquiror Vendor	Announced
Energy	22-Dec-22	\$980	Certarus Ltd. Superior Plus Corp. PFM Capital, Inc.; APEX II Investment Fund Limited Partnership; Apex III Investment	Target Acquiror Vendor	Announced
Real Estate	11-Nov-22	\$950	Fifth + Broadway in Nashville Northwood Investors LLC Brookfield Residential Properties Inc.	Target Acquiror Vendor	Closed
Telecommunication Services	14-Dec-22	\$941	1,124 mobile towers assets of Two Degrees Mobile Limited Ontario Teachers' Pension Plan Board; Connexa Limited Two Degrees Mobile Limited	Target Acquiror Vendor	Announced
Real Estate	8-Nov-22	\$938	1,988 homes Tricon Residential Inc.	Target Acquiror	Closed
Precious Metals	10-Nov-22	\$855	Maverix Metals Inc. Triple Flag Precious Metals Corp. Newmont Corporation; Kinross Gold Corporation; Pan American Silver Corp.	Target Acquiror Vendor	Closed
Utilities	14-Dec-22	\$800	Hai Long offshore wind project in Taiwan Gentari International Renewables Pte. Ltd. Northland Power Inc.	Target Acquiror Vendor	Announced
Healthcare	20-Oct-22	\$723	BGP Acquisition Corp. Natively LLC LTD BGP Acquisition Sponsor LP	Target Acquiror Vendor	Announced