

CROSBIE & COMPANY CANADIAN M&A REPORT – Q1 2021

Another Record Quarter – Domestic and X-Border M&A Both Strong

Following a record in the fourth quarter of 2020, Canadian M&A surged in Q1 2021 to a new all-time high. 1007 Canadian M&A transactions were announced in Q1, representing an increase of 8% from the prior quarter.

“While some of this record activity likely represents a continued catchup of deals put on hold early in the pandemic, this may also be a sign of the next leg up in the M&A market,” said Ian Macdonell, Managing Director at Crosbie & Company. “The M&A market is currently benefitting from multiple tailwinds. These include expectations of a robust economic recovery as vaccinations lead to re-openings, significant buyer appetite, strong stock markets and excellent availability of low-cost debt financing.”

The aggregate deal value in Q1 2021 of \$81B was slightly less than Q4 2020’s \$84B but it compares favorably to pre-pandemic quarterly totals. There were 10 mega-deals (transactions with values above \$1B) in Q1 worth a combined aggregate value of \$53.3B. The largest transaction announced in the quarter was **Rogers Communications’** acquisition of **Shaw Communications** for \$26.5B, representing one of the largest domestic M&A deals in the last decade.

Although domestic M&A activity (683 announcements) was very strong in the quarter, what might be surprising is the strength of cross-border M&A in the context of an effectively closed border. Cross border activity kept pace with the overall market activity reaching a new high of 436 transactions, representing 43% of total activity. Moreover, 251 of these transactions were acquisitions abroad by Canadian companies - representing almost 25% of the announced deals in Q1. From a value perspective, cross border deals declined from 69% of total value in Q4 to 24% in Q1 2021 which is partly a reflection of several very large domestic transactions. Once again, Canada/US transactions accounted for the majority of cross border deals representing 57% and 71% of total cross border activity and deal value respectively.

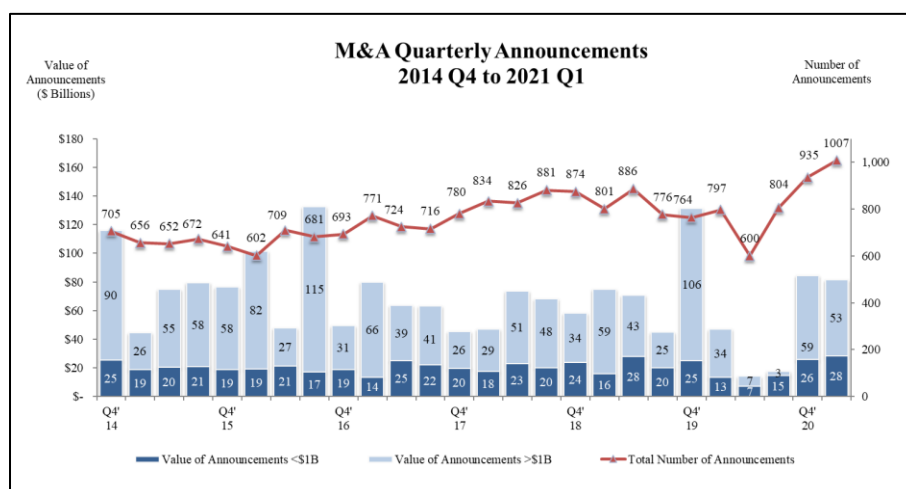
Financial sponsors were active in the first quarter of 2021 with 20 transactions (in excess of \$100M) valued in aggregate at \$25.4B, a decline from the 30 transactions with an aggregate value of \$44.5B in Q4 2020. Four of the 10 mega-deals in the quarter involved financial sponsors including two transactions where **Canadian Pension Plan Investment Board** sold portfolio investments.

The mid-market (transactions with values below \$250M) also remained very active in Q1. With 388 announcements, it represented 92% of announcements where the transaction values were disclosed, and 17% of aggregate value for such deals.

The ‘tech boom’ continues as the **Information Technology** sector was once again the most active sector this quarter with 129 announced transactions valued at \$16B. The strength in commodities was reflected in 112 **Metals and Mining** transactions although at a total value of \$219M, the average deals size was small. **Real Estate** rounded out the top three most active sector with 110 transactions announced and total deal value of \$4.3B. Healthcare related deals continue to increase for the third quarter in a row and **Precious Metals** has increased activity to 103 transactions from a low of 88 in the last quarter of 2020.

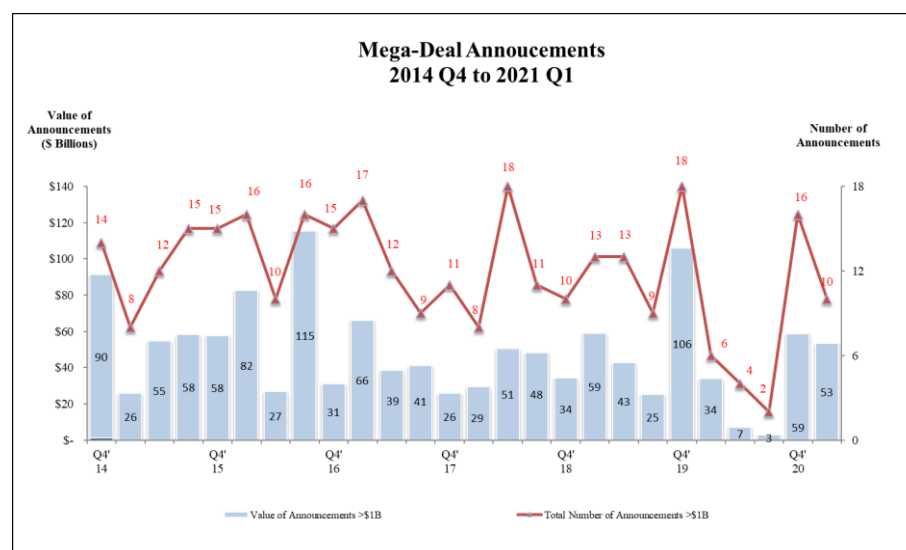
The information contained above and within the “Crosbie & Company Canadian M&A Report” is a summary analysis of the quarter’s M&A activity. For further information, please contact Ian Macdonell at 416.362.1953 or visit www.crosbieco.com.

Q1 2021 M&A Report



Overview

- Deal activity in the first quarter of 2021 reached a new high watermark with 1007 announced transactions, increasing by over 26% year-over-over, and 7.7% from the previous high in Q4 2020
- Deal value also continued its rebound from the lows observed during the second and third quarter of 2020 with an aggregate deal value of \$81B
- Despite a closed border, cross-border M&A activity remained strong, with 436 announced acquisitions, representing 43% of aggregate deal activity, in line with previous quarters
 - Canadian companies acquired 251 companies abroad in the quarter, representing almost a quarter of the total in the period



Mega-Deals

- There were 10 mega-deals (those over \$1B) announced in the first quarter of 2021 with an aggregate value of \$53B
 - This was in line with the fourth quarter of 2020 (\$59B) and well above peak pandemic values signaling the completion of some deals that were put on hold during 2020
- The largest announced transaction this quarter was **Rogers Communications Inc.'s (TSX:RCLB) \$26.5B** take over of **Shaw Communications Inc. (TSX:SJR.B)**. This deal is one of the largest M&A transactions to take place in Canada of during the last 10 years

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| INDUSTRY GROUPS | 2020 Q4 | | 2021 Q1 | |
|------------------------|------------|------------------|--------------|------------------|
| | # of Deals | Value \$Millions | # of Deals | Value \$Millions |
| Information Technology | 117 | 8,441 | 129 | 16,045 |
| Metals and Mining | 89 | 339 | 112 | 219 |
| Real Estate | 104 | 12,788 | 110 | 4,281 |
| Industrials | 112 | 7,347 | 109 | 7,742 |
| Precious Metals | 88 | 4,773 | 103 | 2,818 |
| Healthcare | 82 | 1,053 | 96 | 1,877 |
| Financial Services | 83 | 16,202 | 72 | 337 |
| Other | 38 | 1,320 | 58 | 4,304 |
| Consumer Discretionary | 43 | 6,224 | 50 | 2,769 |
| Communication Services | 49 | 5,501 | 46 | 29,630 |
| Consumer Staples | 41 | 2,662 | 43 | 826 |
| Energy | 34 | 7,310 | 41 | 9,028 |
| Materials | 29 | 5,939 | 21 | 1,389 |
| Utilities | 26 | 4,602 | 17 | 396 |
| TOTAL | 935 | 84,503 | 1,007 | 81,662 |
| Services | 116 | 17,044 | 126 | 58,643 |

| Size | 2020 Q4 | | | | 2021 Q1 | | | |
|---------------|------------|----|-------------------|-----|--------------|----|-------------------|-----|
| | # of Deals | % | Value \$ Millions | % | # of Deals | % | Value \$ Millions | % |
| <\$100m | 324 | 35 | 5,479 | 6 | 361 | 36 | 8,950 | 11 |
| \$101m-\$250m | 27 | 3 | 4,067 | 5 | 27 | 3 | 4,701 | 6 |
| \$251m-\$500m | 16 | 2 | 5,865 | 7 | 18 | 2 | 7,496 | 9 |
| \$501m-\$1b | 14 | 1 | 10,387 | 12 | 10 | 1 | 7,247 | 9 |
| >\$1b | 16 | 2 | 58,705 | 69 | 10 | 1 | 53,268 | 65 |
| Undisclosed | 538 | 58 | n/a | n/a | 581 | 58 | n/a | n/a |
| | <u>935</u> | | <u>84,503</u> | | <u>1,007</u> | | <u>81,662</u> | |

| | 2020 Q4 | | 2021 Q1 | |
|--|------------|-------------------|--------------|-------------------|
| | # of Deals | Value \$ Millions | # of Deals | Value \$ Millions |
| Canadian Targets | | | | |
| With Canadian Buyers | 458 | 15,588 | 498 | 42,298 |
| With Foreign Buyers | 180 | 18,188 | 185 | 7,752 |
| Domestic M&A | <u>638</u> | <u>33,776</u> | <u>683</u> | <u>50,050</u> |
| Foreign Targets (Canadian Buyer) | 230 | 39,979 | 251 | 11,518 |
| Canadian Foreign Subsidiaries Sold to Foreign Buyers | 67 | 10,748 | 73 | 20,094 |
| Foreign M&A | <u>297</u> | <u>50,727</u> | <u>324</u> | <u>31,612</u> |
| | <u>935</u> | <u>84,503</u> | <u>1,007</u> | <u>81,662</u> |

Industry Sector Activity

- The strength of M&A activity during the quarter was widespread across the industry spectrum, with activity increasing in 9 of the 14 industry categories
- **Information Technology, Metals and Mining and Real Estate** were the most active sectors this quarter with 129 (\$16B), 112 (\$219M) and 109 (\$4B) transactions announced, respectively
- **Healthcare continues to increase for the third quarter in a row** and **Precious Metals** has increased activity to 103 transactions from a low of 88 in the last quarter of 2020

Breakdown by Transaction Size

- For transactions with disclosed values, 91% of activity in the quarter represented mid-market transactions (values below \$250M)
- Q1 mega-deal activity (deals over \$1B) continues to be strong with 10 announced deals valued at \$53B
- Rogers/Shaw transaction anchored the mega-deals table this quarter

Canadian Domiciled versus Foreign M&A Targets

- Canadian companies made 749 acquisitions in the first quarter including 498 domestic deals, up 9% from 458 acquisitions in Q4 2020
- There were 683 acquisitions of Canadian domiciled companies in Q1, a 7% increase relative to Q4 2020
- Aggregate deal value for these Canadian domiciled targets increased to \$50.1B from \$33.8B in Q4 of 2020 and \$13.5B in Q1 2020

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| | 2020 Q4 | | 2021 Q1 | |
|--|-------------|------------------|--------------|------------------|
| | # of Deals | Value \$Millions | # of Deals | Value \$Millions |
| Outbound M&A (CDN Buyer/ Foreign Target) | 230 | 39,979 | 251 | 11,518 |
| Inbound M&A (Foreign Buyer/ CDN Target) | 180 | 18,188 | 185 | 7,752 |
| Total Cross Border | 410 | 58,167 | 436 | 19,270 |
| <i>Outbound : Inbound Ratio</i> | <i>1.28</i> | <i>2.20</i> | <i>1.36</i> | <i>1.49</i> |
| <i>Cross Border as % of Total Activity</i> | <i>44%</i> | <i>69%</i> | <i>43%</i> | <i>24%</i> |
| Canada / US Activity | | | | |
| US Target | 137 | 15,937 | 155 | 10,082 |
| US Buyer | 95 | 12,553 | 95 | 3,590 |
| Total Canada/US | 232 | 28,490 | 250 | 13,672 |
| <i>Canada/US as % of Cross Border</i> | <i>57%</i> | <i>49%</i> | <i>57%</i> | <i>71%</i> |
| | 935 | 84,503 | 1,007 | 81,662 |

Cross-Border Deals

- Cross-border deals represented 43% of total activity and 24% of total deal value
- The proportion of domestic deal value was lower this quarter compared to historical averages due to several large domestic Mega-Deals
- Outbound cross-border activity increased 9% and inbound cross-border activity increased by 3% compared to Q4 2020
- Canada/US transactions represented 57% of cross-border activity and 71% of deal value

| | 2020 Q4 | | | | 2021 Q1 | | | |
|-----------------------|------------|-----|---------------|-----|------------|----|---------------|----|
| | # of Deals | % | \$ Millions | % | # of Deals | % | \$ Millions | % |
| Ontario | 247 | 39 | 21,391 | 63 | 251 | 37 | 8,546 | 17 |
| British Columbia | 158 | 25 | 1,335 | 4 | 155 | 23 | 3,483 | 7 |
| Quebec | 98 | 15 | 2,372 | 7 | 118 | 17 | 2,652 | 5 |
| Alberta | 57 | 9 | 2,443 | 7 | 79 | 12 | 35,183 | 70 |
| Saskatchewan | 15 | 2 | 96 | 0 | 21 | 3 | 78 | 0 |
| Manitoba | 13 | 2 | 1,308 | 4 | 17 | 2 | 13 | 0 |
| Nova Scotia | 12 | 2 | 1,020 | 3 | 17 | 2 | 80 | 0 |
| New Brunswick | 10 | 2 | 36 | 0 | 6 | 1 | 6 | 0 |
| Newfoundland | 11 | 2 | 3,645 | 11 | 6 | 1 | 6 | 0 |
| Northwest Territories | 2 | 0 | 0 | 0 | 5 | 1 | 1 | 0 |
| Yukon Territory | 6 | 1 | 3 | 0 | 3 | 0 | 3 | 0 |
| Nunavut | 1 | n/a | - | n/a | 2 | 0 | 0 | 0 |
| Prince Edward Island | - | n/a | - | n/a | 1 | 0 | 0 | 0 |
| Undisclosed Province | 8 | 1 | 128 | 0 | 2 | 0 | 0 | 0 |
| | 638 | | 33,776 | | 683 | | 50,050 | |

Deals by Provincial Domicile

- **Ontario** remains the most active province this quarter with 251 announced deals valued at \$8.55B
- **British Columbia** was also active this quarter with 155 deals valued at \$3.5B
- **Alberta** had the largest aggregate deal value of \$35.2B, primarily due to the **Rogers/Shaw** mega-deal

Largest Transactions in Q1 2021

| Target Industry | Announced Date | Value | Target | Role | Transaction Status |
|--|----------------|----------|--|------------------------------|--------------------|
| Cable and Satellite | 2021-03-15 | \$26,553 | Shaw Communications Inc. (TSX:SJR.B) Rogers Communications Inc. (TSX:RCLB) | Target Acquiror | Announced |
| IT Consulting and Other Services | 2021-03-31 | \$11,950 | Globallogic Worldwide Holdings, Inc. Hitachi Global Digital Holdings Corporation Consortium including Canada Pension Plan Investment Board | Target Acquiror Vendor | Announced |
| Oil and Gas Exploration and Production | 2021-02-10 | \$4,798 | Seven Generations Energy Ltd. ARC Resources Ltd. (TSX:ARX) Canada Pension Plan Investment Board, among others | Target Acquiror Vendor | Closed |
| Real Estate | 2021-03-25 | \$2,937 | Commercial Real Estate Business of Annaly Capital Management, Inc. Slate Asset Management L.P.; Slate Grocery REIT (TSX:SGR.UN) Annaly Capital Management, Inc. (NYSE:NLY) | Target Acquiror Vendor | Announced |
| Oil and Gas Equipment and Services | 2021-03-09 | \$1,311 | Tervita Corporation (TSX:TEV) Secure Energy Services Inc. (TSX:SES) Solus Alternative Asset Management L.P. | Target Acquiror Vendor | Announced |
| Personal Products | 2021-02-23 | \$1,259 | DECIEM Inc. The Estée Lauder Companies Inc. (NYSE:EL) | Target Acquiror | Announced |
| Specialty Stores | 2021-03-18 | \$1,176 | New Look Vision Group Inc. (TSX:BCI) FFL Partners, LLC; Caisse de dépôt et placement du Québec Benvest Holdings, Ltd.; Bennett Church Hill Capital Inc. | Target Acquiror Vendor | Announced |
| Household Products | 2021-01-08 | \$1,170 | Attends Healthcare Products/Domtar Personal Care Absorbent Journey Personal Care Corp. Domtar AI Inc. | Target Acquiror Vendor | Closed |
| Hotels, Resorts and Cruise Lines | 2021-01-12 | \$1,093 | Transat A.T. Inc. (TSX:TRZ) Gestion MTRHP Inc. | Target Acquiror | Announced |
| Trucking | 2021-01-25 | \$1,021 | UPS Ground Freight, Inc. TFI International Inc. (TSX:TFII) United Parcel Service, Inc. (NYSE:UPS) | Target Acquiror Vendor | Announced |