

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.

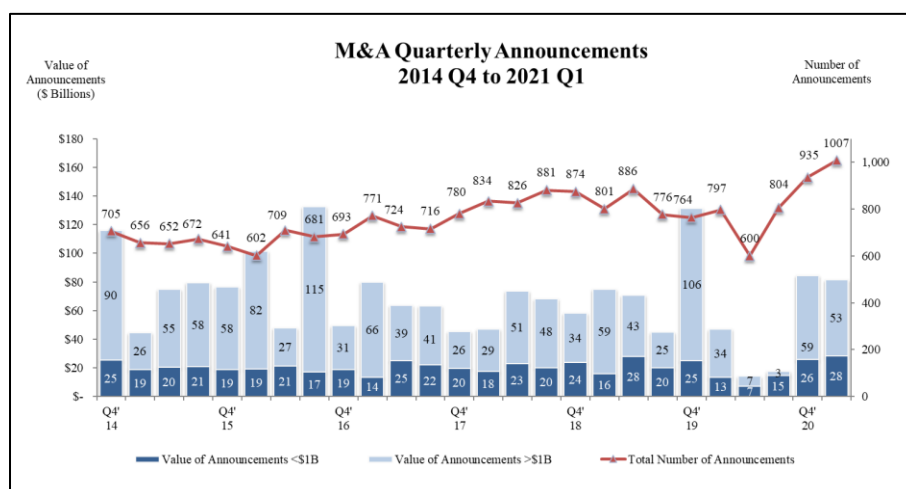
Although domestic M&A activity (683 announcements) was very strong in the quarter, what might be surprising is the strength of cross-border M&A in the context of an effectively closed border. Cross border activity kept pace with the overall market activity reaching a new high of 436 transactions, representing 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 2020 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.

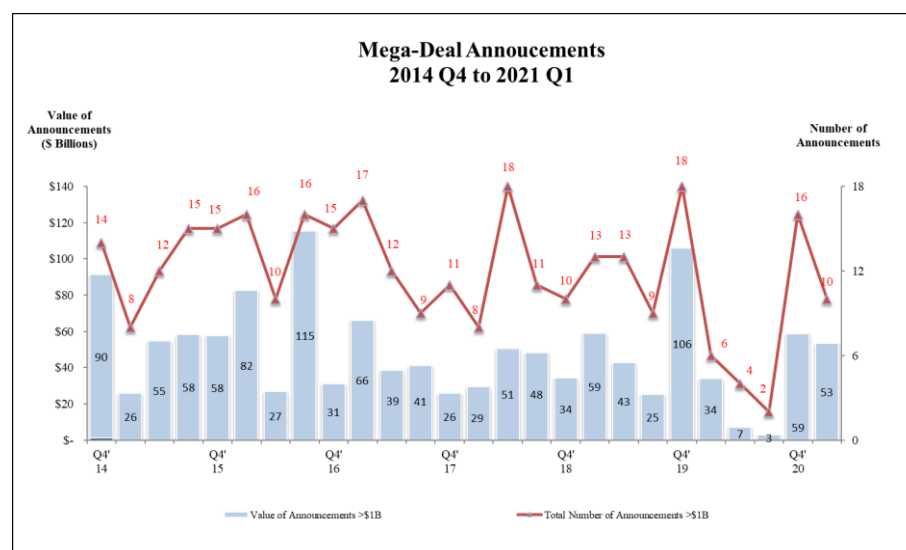
The ‘tech boom’ continues as the **Information Technology** sector was once again the most active sector this quarter with 129 announced transactions valued at \$16B. The strength in commodities was reflected in 112 **Metals and Mining** transactions although at a total value of \$219M, the average deals 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.

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	%	Value \$ Millions	%	# of Deals	%	Value \$ 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