

CROSBIE & COMPANY CANADIAN M&A REPORT – Q2 2021

Near Record Quarter Contributes to the Strongest First Half Ever

Following a blistering start to the year and an all-time record Q1, Canadian M&A announcements in second quarter of 2021 essentially maintained this pace with only a slight 2% decrease. The 990 Canadian M&A transactions announced in Q2 2021 represents the second highest quarter on record and contributed to the strongest first half we have seen since Crosbie began tracking M&A data. Total transaction value the first half was \$175B across approximately 2,000 transactions – which is a testament to conditions that are highly constructive to M&A activity.

“We don’t read anything into the slight decline. There was likely some catching up that occurred in some of the prior quarters but we know from our own practice and everything we hear that there is a tremendous amount of front-end activity out there. This should drive announcements for the next few quarters,” said Colin Walker, Managing Director at Crosbie & Company. “We fully expect the trend to continue given the multiple tailwinds for M&A – both public and private.”

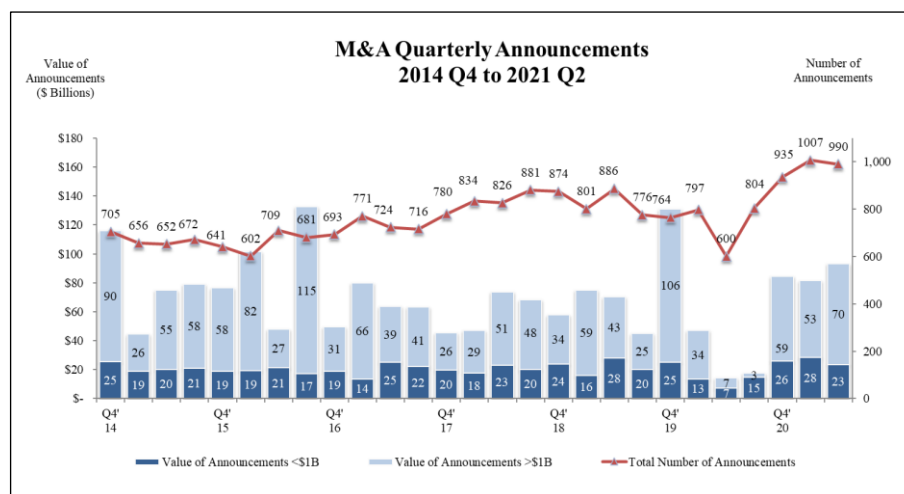
The aggregate deal value in Q2 2021 of \$93B exceeded the \$81.6B in Q1 and remains well ahead of pre-pandemic quarterly totals. There were 13 mega-deals (transactions with values above \$1B) in Q2 worth a combined aggregate value of \$69.7B. The largest transaction announced in the quarter was **Canadian National Railway’s** superior counteroffer to acquire **Kansas City Southern** for \$41.1B, outbidding rival Canadian Pacific.

Although domestic M&A activity (648 announcements) was very strong in the quarter, what might be surprising is the strength of cross-border M&A in the context of what has effectively been an 18-month border closure between the United States and Canada. Cross-border activity kept pace with overall market activity reaching another new high of 458 transactions, representing 46% of total activity. Moreover, 295 of these transactions were acquisitions abroad by Canadian companies - representing almost 30% of the announced deals in Q2. From a value perspective, cross-border deals rebounded to 68% of total value in Q2 compared to 24% in Q1 2021 which is partly a reflection of several very large domestic transactions during Q1. Canada/US transactions again accounted for the majority of cross-border deals representing 57% and 81% of total cross-border activity and deal value, respectively.

The mid-market (transactions with values below \$250M) also remained very active in Q2. With 415 announcements, this market segment represented 92% of announcements where transaction values were disclosed, and 12% of aggregate value for such deals, a lower percentage than the historical average reflecting the large amount of mega-deal activity this quarter.

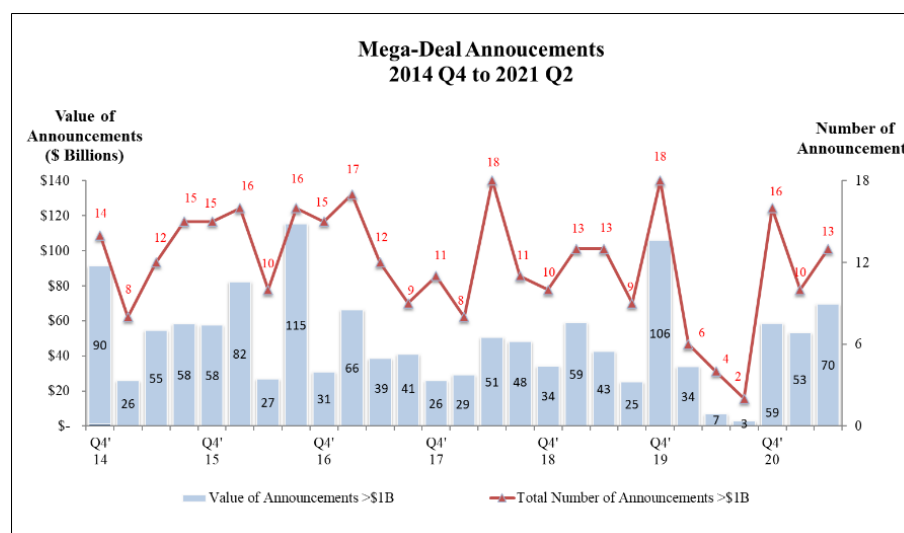
The ‘tech boom’ continues as the **Information Technology** sector was once again the most active sector this quarter with 141 announced transactions valued at \$3.3B. The strength in commodities was reflected in 126 **Metals and Mining** transactions although at a modest total value of \$1.8B, largely comprised of smaller transactions after excluding the \$1.3B Algoma transaction. For the second quarter in a row, **Real Estate** rounded out the top three most active sectors with 108 transactions announced and total deal value of almost \$10B. Lastly, **Energy** related deals continued to increase for the fourth consecutive quarter as commodity prices continue to remain strong.

Q2 2021 M&A Report



Overview

- Deal activity in the second quarter of 2021 remained strong with 990 announced transactions, increasing by 65% year-over-over, but declining 2% from all time highs achieved in Q1 2021
- Deal value of \$93B in Q2 2021 was at the highest level in 6 quarters and was well above the lows observed during the second and third quarter of 2020
- Despite a closed border, cross-border M&A activity remained strong, with 458 announced acquisitions, representing 68% of aggregate deal activity, above that of previous quarters
 - Canadian companies acquired 262 companies abroad in Q2, representing over a quarter of total activity during the period



Mega-Deals

- There were 13 mega-deals (those over \$1B) announced in the second quarter of 2021 with an aggregate value of \$93B
 - This was ahead of the last two quarters and represents the largest quarter for mega-deal value since the onset of the COVID-19 pandemic
- The largest announced transaction this quarter came as the result of a hotly contested bidding war, notably **Canadian National's** superior counteroffer for **Kansas City Southern** at a price of \$41.1B

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INDUSTRY GROUPS	2021 Q1		2021 Q2	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Information Technology	129	16,045	141	3,272
Metals and Mining	112	219	126	1,805
Real Estate	110	4,281	108	9,949
Industrials	109	7,742	99	44,456
Healthcare	96	2,818	95	2,787
Precious Metals	103	1,877	82	1,596
Financial Services	72	337	63	2,137
Energy	41	4,304	52	18,816
Communication Services	46	2,769	52	1,158
Consumer Staples	43	29,630	50	546
Consumer Discretionary	50	826	45	1,219
Other	58	9,028	41	1,099
Materials	21	1,389	24	1,210
Utilities	17	396	12	3,074
TOTAL	1,007	81,662	990	93,123
Services	126	58,643	126	59,242

Size	2021 Q1				2021 Q2			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
<\$100m	361	36	8,950	11	382	39	5,767	6
\$101m-\$250m	27	3	4,701	6	33	3	5,624	6
\$251m-\$500m	18	2	7,496	9	17	2	6,644	7
\$501m-\$1b	10	1	7,247	9	7	1	5,376	6
>\$1b	10	1	53,268	65	13	1	69,712	75
Undisclosed	581	58	n/a	n/a	538	54	n/a	n/a
	<u>1,007</u>		<u>81,662</u>		<u>990</u>		<u>93,123</u>	

	2021 Q1		2021 Q2	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	498	42,298	485	27,195
With Foreign Buyers	185	7,752	163	6,663
Domestic M&A	<u>683</u>	<u>50,050</u>	<u>648</u>	<u>33,858</u>
Foreign Targets (Canadian Buyer)	251	11,518	295	56,373
Canadian Foreign Subsidiaries Sold to Foreign Buyers	73	20,094	47	2,892
Foreign M&A	<u>324</u>	<u>31,612</u>	<u>342</u>	<u>59,265</u>
	<u>1,007</u>	<u>81,662</u>	<u>990</u>	<u>93,123</u>

Industry Sector Activity

- The strength of M&A activity during the quarter was widespread across the industry spectrum, with activity increasing in most industry categories except for **Precious Metals and Financial Services** that saw some retreat
- **Information Technology, Metals and Mining and Real Estate** were the most active sectors this quarter with 141 (\$3.3B), 125 (\$446M) and 108 (\$9.9B) transactions announced, respectively
- **Energy** continues to increase for the fourth quarter in a row backed by higher commodity prices and **Real Estate** has increased transaction values to almost \$10B in Q2 2021

Breakdown by Transaction Size

- For transactions with disclosed values, 92% of activity in the quarter represented mid-market transactions (values below \$250M)
- Q1 mega-deal activity (deals over \$1B) continued to be strong with 13 announced deals valued at \$69.7B
- At \$41.1B, the CN/KC Southern transaction anchored the mega-deals table this quarter

Canadian Domiciled versus Foreign M&A Targets

- Canadian companies made 780 acquisitions in the second quarter including 485 domestic deals, down 3% from 489 acquisitions in Q1 2021
- There were 648 acquisitions of Canadian domiciled companies in Q2, a 5% decrease relative to Q1 2021
- Aggregate deal value for these Canadian domiciled targets decreased to \$33.9B from \$50.1B in Q1 of 2021

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	2021 Q1		2021 Q2	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	251	11,518	295	56,373
Inbound M&A (Foreign Buyer/ CDN Target)	185	7,752	163	6,666
Total Cross Border	436	19,270	458	63,038
<i>Outbound : Inbound Ratio</i>	<i>1.36</i>	<i>1.49</i>	<i>1.81</i>	<i>8.46</i>
<i>Cross Border as % of Total Activity</i>	<i>43%</i>	<i>24%</i>	<i>46%</i>	<i>68%</i>
Canada / US Activity				
US Target	155	10,082	179	48,801
US Buyer	95	3,590	83	2,207
Total Canada/US	250	13,672	262	51,008
<i>Canada/ US as % of Cross Border</i>	<i>57%</i>	<i>71%</i>	<i>57%</i>	<i>81%</i>
	1,007	81,662	990	93,123

Cross-Border Deals

- Cross-border deals represented 46% of total activity and 68% of total deal value
- Outbound cross-border activity increased 18% and inbound cross-border activity decreased by 12% compared to Q1 2021
- Canada/US transactions represented 57% of cross-border activity and 81% of deal value

	2021 Q1				2021 Q2			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Ontario	251	37	8,546	17	233	58	8,174	194
British Columbia	155	23	3,483	7	178	44	2,085	50
Quebec	118	17	2,652	5	102	25	2,846	68
Alberta	79	12	35,183	70	77	19	20,414	485
Saskatchewan	21	3	78	0	17	4	188	4
Newfoundland	17	2	13	0	15	4	2	0
New Brunswick	17	2	80	0	8	8	8	0
Manitoba	6	1	6	0	6	1	71	2
Nova Scotia	6	1	6	0	5	5	44	1
Prince Edward Island	5	1	1	0	3	1	26	-
Northwest Territories	3	0	3	0	1	0	0	0
Nunavut	2	0	0	0	0	0	n/a	-
Yukon Territory	1	0	0	0	1	0	n/a	-
Undisclosed Province ⁽²⁾	2	0	0	0	2	0	n/a	-
	683		50,050		648		33,858	

Deals by Provincial Domicile

- **Ontario** remains the most active province this quarter with 233 announced deals valued at \$8.17B
- **British Columbia** was also active this quarter with 178 deals valued at \$2.08B
- **Alberta** had the largest aggregate deal value of \$20.4B, primarily due to the **Inter Pipeline** mega-deal

Largest Transactions in Q2 2021

Target Industry	Announced		Target	Role	Transaction Status
	Date	Value			
Railroads	04-20-2021	\$41,177	Kansas City Southern (NYSE:KSU) Canadian National Railway Company (TSX:CNR)	Target Acquirer	Announced
Oil and Gas Storage and Transportation	06-01-2021	\$15,360	Inter Pipeline Ltd. (TSX:IPL) Pembina Pipeline Corporation (TSX:PPL)	Target Acquirer	Announced
Renewable Electricity	04-14-2021	\$1,592	Portfolio of Operating Onshore Renewable Assets in Spain Northland Power Inc. (TSX:NPI) Bankinter Capital Riesgo, SGEGR, S.A.; Plenium Partners	Target Acquirer Vendor	Announced
Metals and Mining	05-24-2021	\$1,359	Legato Merger Corp. (NasdaqCM:LEGO) Algoma Steel Inc.	Target Acquirer	Announced
Real Estate Operating Companies	06-17-2021	\$1,228	Arlington Brookfield Asset Management Inc. (TSX:BAM.A) TPG Real Estate Partners	Target Acquirer Vendor	Closed
Building Products	06-07-2021	\$1,207	Insulated Metal Panels Business of Cornerstone Building Brands Vulcraft Canada, Inc.; Nucor Insulated Panel Group Inc Cornerstone Building Brands, Inc. (NYSE:CNR)	Target Acquirer Vendor	Announced
Oil and Gas Exploration and Production	06-11-2021	\$1,148	Black Swan Energy Ltd. Tourmaline Oil Corp. (TSX:TOU) Warburg Pincus LLC; Azimuth Capital Management	Target Acquirer Vendor	Closed
Gold	04-26-2021	\$1,143	Roxgold Inc. Fortuna Silver Mines Inc. (TSX:FVI) International Finance Corporation; Appian Capital Advisory LLP	Target Acquirer Vendor	Closed
Independent Power Producers/Energy Traders	06-07-2021	\$1,140	Noverco Inc. Trencap s.e.c. Enbridge Inc. (TSX:ENB)	Target Acquirer Vendor	Announced
Building Products	04-09-2021	\$1,093	Silent-Aire Limited Partnership Johnson Controls International plc (NYSE:JCI)	Target Acquirer	Closed
Real Estate Operating Companies	06-23-2021	\$1,090	Plantation Place at 30 Fenchurch Street Brookfield Asset Management Inc. (TSX:BAM.A)	Target Acquirer	Closed
Asset Management and Custody Banks	04-12-2021	\$1,089	EMEA Asset Management Business of Bank of Montreal Columbia Threadneedle Investments Bank of Montreal (TSX:BMO)	Target Acquirer Vendor	Announced
Real Estate Operating Companies	06-24-2021	\$1,086	Portfolio of 31 Institutional Quality, Logistics Properties Dream Industrial Real Estate Investment Trust (TSX:DIR.UN) Clarion Partners Europe	Target Acquirer Vendor	Closed