

CROSBIE & COMPANY CANADIAN M&A REPORT – Q2 2023

Encouraging Signs of Stability

The Canadian M&A market is showing signs of stability, with the level of deal activity in the last three quarters settling into a new trading range after its mid-pandemic upsurge and subsequent decline. In Q2 2023, the number of M&A announcements edged up to 736, showing a modest rise from the previous quarter, while total value rose by 41% quarter-on-quarter to hit \$74.4 billion.

“While unremarkable in many respects, one thing that is notable in the Q2 data is the level at which the numbers seem to have stabilized over the past 3 quarters, particularly given the macro-economic backdrop,” said **Colin Walker**, Managing Director of **Crosbie & Company Inc.** “Despite the impact of inflation, higher interest rates and concerns about a possible recession, M&A is at a level that is now only 10-15% below pre-pandemic levels, which is encouraging. This aligns with our own visibility and experience which suggests that we are in a relatively balanced market. In other words, valuations and liquidity are at levels that are allowing deals to get done and at prices that make sense to many buyers and sellers.”

During the second quarter, there were 14 mega-deal announcements (those with values exceeding \$1B) representing an aggregate value of nearly \$60B. The largest announcement was the sale of **Viterra**, a Canadian subsidiary of Swiss-based **Glencore**, to **Bunge**, a US-based agribusiness leader. The transaction, worth \$23.9B, was structured as 75% stock and 25% cash. Two of the main vendors in this deal were Canadian financial players, namely, **CPPIB** and the **British Columbia Investment Management Corporation**. The **Energy** sector also saw three mega-announcements this quarter, including the second and third largest deals involving **Suncor Energy** and **ConocoPhillips** as acquirors.

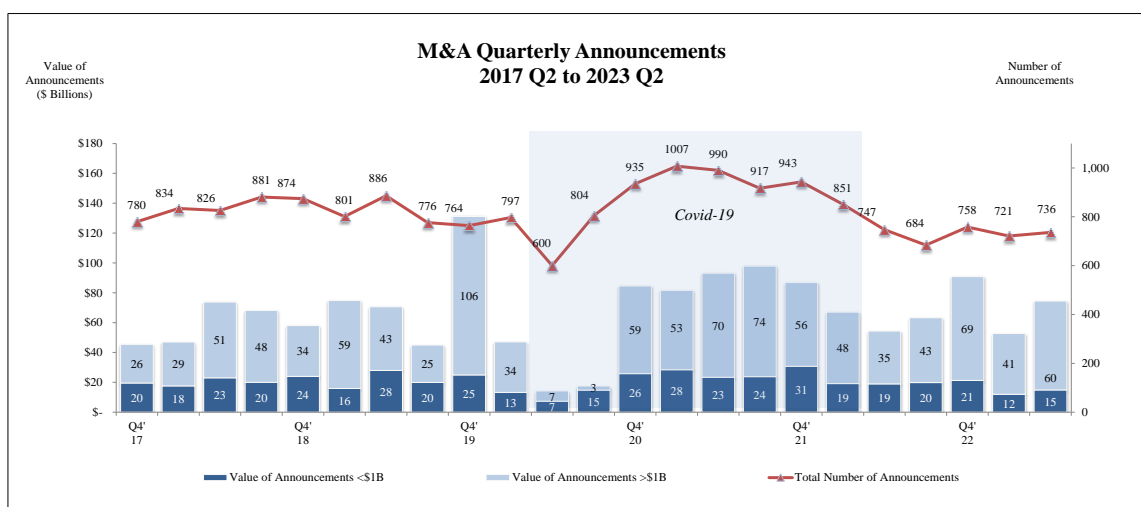
Meanwhile, the mid-market – represented by transactions with values below \$250M – proved its characteristic steadiness, with 274 announced deals (+24 QoQ) and \$6.5B in total value. Mid-market activity represented 90% of announcements with disclosed values and 8% of aggregate deal value in Q2 2023.

This quarter, Canadian businesses were slightly less acquisitive than last, with 520 transactions involving Canadian buyers, down from 539. However, Canadian buyers seem to have shifted their efforts to acquiring domestic firms relative to international firms, as 67% of the targets were Canadian-domiciled.

Cross-border activity remained steady at 47% of total deal activity. **Canada/US** cross-border activity continued to represent the bulk of cross-border transactions (60%) and deal value (61%). Domestic M&A (involving Canadian-based target companies) has trended positively in the first half of 2023, with 515 deals in Q2 2023, exceeding Q1 2023 and Q4 2022 by 32 and 84 deals respectively.

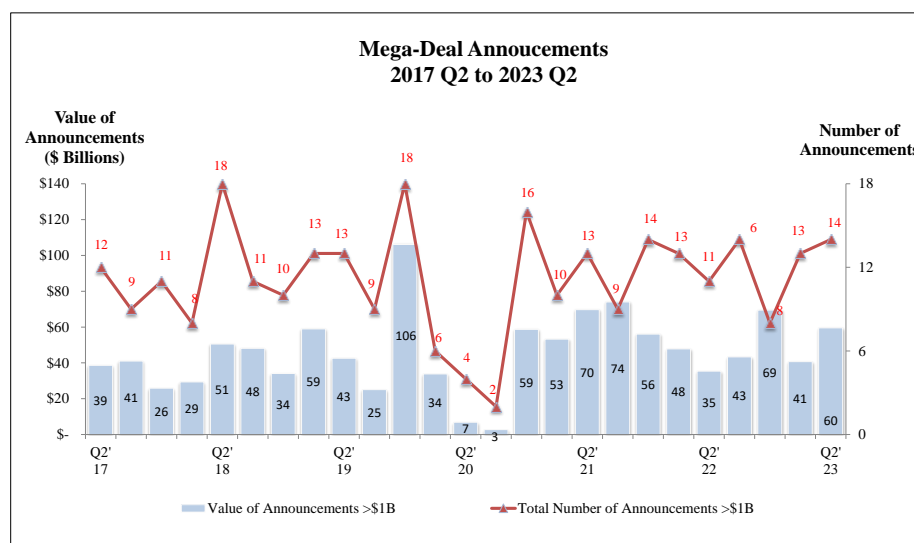
From an industry perspective, deal counts increased across most sectors. **Industrials** exhibited strong activity (+35) in line with the prior quarter, riding on the energy transition’s impetus, and **Consumer Discretionary** rebounded (+24) after a weak first quarter, possibly due to cooling inflation; contrastingly, the momentum for the **Metals and Mining** industry (which was a top performer in Q1) appears to have plateaued (-2), and **Precious Metals** declined significantly (-48).

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Overview

- Deal activity increased marginally in Q2 2023 with 736 announcements (up 2% from the prior quarter), while total value rose 41% to \$74.4B
- Announcements involving Canadian domiciled targets continued to trend up, with 515 transactions in Q2, compared to 483 in Q1 2023 and 431 in Q4 2022
- Mid-market transactions represented 90% of announcements where the value was disclosed
- Cross-border announcements represented 47% of total activity, with **Canada/US** cross-border activity representing the bulk of this (60%)
- Canadian firms made 520 acquisitions in the quarter, of which 346 (67%) involved domestic targets



Mega-Deals

- Fourteen mega-deals were announced in the quarter (up from 13 in Q1 2023) with aggregate value increasing almost 50% to \$59.5B. These deals were quite diversified across industries but included 3 that were **Energy** related and 2 in **Telecommunications**.
- The largest deal was the \$23.9B strategic purchase of **Viterra Limited** by **Bunge Limited** within the integrated agricultural sector.

(1) <https://investors.bunge.com/investors/news-and-events/press-releases/year/2023/06-13-2023>

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INDUSTRY GROUPS ⁽¹⁾	2023 Q1		2023 Q2	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Information Technology	107	17,881	91	4,218
Industrials	144	5,794	179	2,039
Real Estate	46	2,810	59	3,030
Metals and Mining	151	2,344	149	2,657
Health Care	39	297	50	3,845
Financial Services	48	3,944	59	10,468
Precious Metals	54	1,356	6	181
Communication Services	11	2,510	6	7,070
Consumer Discretionary	24	106	48	2,282
Energy	44	10,089	29	12,389
Consumer Staples	34	76	22	24,098
Materials	14	817	16	1,555
Utilities	3	4,665	15	594
Other	2	-	7	-
TOTAL	721	52,689	736	74,425
Services	77	774	99	4,944

(1) Industry Groups track those used by the S&P 500

Industry Sector Activity

- Deal counts increased across most sectors, with **Industrials** experiencing the largest gain (+35), followed by **Consumer Discretionary** (+24)
- Precious Metals** experienced the largest decline in deal activity (-48), followed by **Information Technology** (-16)
- Consumer Staples** experienced a large jump in value despite the fall in activity, driven by the **Viterra-Bunge** mega-deal

Size	2023 Q1				2023 Q2			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
<\$100m	228	32	2,849	5	254	35	3,262	4
\$101m-\$250m	22	3	3,781	7	20	3	3,212	4
\$251m-\$500m	10	1	3,266	6	12	2	4,277	6
\$501m-\$1b	3	0	2,094	4	6	1	4,144	6
>\$1b	13	2	40,698	77	14	2	59,538	80
Undisclosed	445	62	0	0	430	58	0	0
	721		52,689		736		74,425	

Breakdown by Transaction Size

- For mid-market transactions (deal values below \$250M) there were 274 announcements, up slightly from 260 in the prior quarter
- For transactions with disclosed values, the mid-market comprised 90% of activity and 8% of value

	2023 Q1		2023 Q2	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	337	7,884	346	11,177
With Foreign Buyers	146	7,218	169	15,324
Domestic M&A	483	15,102	515	26,501
Foreign Targets (Canadian Buyer)	202	35,919	174	15,933
Canadian Foreign Subsidiaries Sold to Foreign Buyers	36	1,668	47	31,991
Foreign M&A	238	37,587	221	47,924
	721	52,689	736	74,425

Canadian Domiciled versus Foreign M&A Targets

- M&A announcements in Q2 2023 involving Canadian targets increased 7% QoQ to 515 deals
- Canadian firms made a total of 520 acquisitions in the quarter, of which 346 (67%) involved domestic targets with the remainder being foreign targets

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	2023 Q1		2023 Q2	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	202	35,919	174	15,933
Inbound M&A (Foreign Buyer/ CDN Target)	146	7,218	169	15,324
Total Cross Border	348	43,137	343	31,257
<i>Outbound : Inbound Ratio</i>	<i>1.38</i>	<i>4.98</i>	<i>1.03</i>	<i>1.04</i>
<i>Cross Border as % of Total Activity</i>	<i>48%</i>	<i>82%</i>	<i>47%</i>	<i>42%</i>
Canada / US Activity				
US Target	119	32,841	103	11,309
US Buyer	85	4,040	104	7,852
Total Canada/US	204	36,881	207	19,160
<i>Canada/ US as % of Cross Border</i>	<i>59%</i>	<i>85%</i>	<i>60%</i>	<i>61%</i>
	721	52,689	736	74,425

Cross-Border Deals

- Cross-border deals as a percentage of total activity remained relatively flat at 47% of total activity, but its share of value dropped by almost half to 42% relative to Q1 2023
- The outbound-to-inbound ratio further declined to 1.04 in Q2 2023, 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 (60%) and deal value (61%) but to a lesser extent

	2023 Q1				2023 Q2			
	# of Deals	%	\$ Millions	%	# of Deals	%	\$ Millions	%
Ontario	164	34	3,339	22	188	37	6,488	24
British Columbia	126	26	9,411	62	102	20	3,419	13
Quebec	90	19	1,160	8	112	22	4,950	19
Alberta	51	11	514	3	56	11	11,315	43
Saskatchewan	24	5	319	2	13	3	7	0
Newfoundland	7	1	45	0	7	1	5	0
New Brunswick	3	1	-	0	5	1	170	1
Manitoba	10	2	1	0	17	3	74	0
Nova Scotia	5	1	177	1	8	2	53	0
Prince Edward Island	-	0	-	0	1	0	9	0
Northwest Territories	2	0	136	1	3	1	7	0
Nunavut	-	0	-	0	-	0	-	0
Yukon Territory	1	0	0	0	3	1	3	0
Undisclosed Province	-	0	-	0	-	0	-	0
	483		15,102		515		26,501	

Deals by Provincial Domicile

- Aggregate domestic M&A activity increased to 515 announced transactions during Q2 2023
- **Ontario** remained the most active province by deal count (188), with deal value almost doubling QoQ
- **Quebec** continued to benefit from activity levels in the **Metals and Mining** sector (albeit lower than Q1)
- **Alberta** saw a large inflow of value due to transactions in the **Energy** sector and got the largest share of deal value amongst the provinces. Most of these deals pertained to the **Oil, Gas, & Consumable fuels** sub-sector

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Largest Transactions in Q2 2023

Target Industry	Announced Date	Value (\$ millions)	Target	Role	Transaction Status
Consumer Staples	13-Jun-23	\$23,872	Viterra Limited Bunge Limited Glencore plc; British Columbia Investment Management Corporation; Danelo Limited; CPPIB; Venus Investment Limited Partnership	Target Acquiror Vendor	Announced
Energy	26-Apr-23	\$6,100	Total E&P Canada Ltd. Suncor Energy Inc. TotalEnergies SE	Target Acquiror Vendor	Announced
Energy	26-May-23	\$4,440	Surmont Oilsands Project ConocoPhillips Total E&P Canada Ltd.	Target Acquiror Vendor	Announced
Telecommunication Services	13-Apr-23	\$3,756	Consolidated Communications Holdings, Inc. British Columbia Investment Management Corporation; Searchlight Capital Partners, L.P. Wildcat Capital Management, LLC	Target Acquiror Vendor	Announced
Financial Services	21-Apr-23	\$3,579	Network International Holdings plc Brookfield Asset Management Ltd.	Target Acquiror	Announced
Telecommunication Services	7-Jun-23	\$3,313	One New Zealand Group Limited Infracore Limited Brookfield Asset Management Ltd.	Target Acquiror Vendor	Closed
Financial Services	22-May-23	\$3,242	Portfolio of 74 Real Estate Construction Loans Kennedy-Wilson Holdings, Inc.; Fairfax Financial Holdings Limited Pacific Western Bank	Target Acquiror Vendor	Closed
Health Care	18-Apr-23	\$2,638	BELLUS Health Inc. GSK plc	Target Acquiror	Closed
Financial Services	31-May-23	\$1,764	Putnam LLC Franklin Resources, Inc. Great-West Lifeco Inc.	Target Acquiror Vendor	Announced
Energy	14-Jun-23	\$1,461	South Texas Gateway Terminal LLC Gibson Energy Inc. Buckeye Partners, L.P.	Target Acquiror Vendor	Announced
Consumer Discretionary	14-Apr-23	\$1,459	Autogrill S.p.A. Dufry AG Hunsbury Capital - Belco Special Situations Fund LP	Target Acquiror Vendor	Closed
Information Technology	21-Jun-23	\$1,350	UDC Portfolio in Downtown Toronto of Allied Properties Real Estate Investment Trust KDDI Corporation Allied Properties Real Estate Investment Trust	Target Acquiror Vendor	Announced
Materials	12-Jun-23	\$1,325	Building Products of Canada Corp. Compagnie de Saint-Gobain S.A. Canada Corp.	Target Acquiror Vendor	Announced
Information Technology	11-May-23	\$1,238	Absolute Software Corporation Officers and Employees of Canaccord Genuity Group (take-private) Edenbrook Capital, Llc	Target Acquiror Vendor	Announced
Metals and Mining	13-Apr-23	\$947	Copper Mountain Mining Corporation Hudbay Minerals Inc.	Target Acquiror	Closed