

CROSBIE & COMPANY CANADIAN M&A REPORT – Q4 2023

M&A Activity Continues Decline – Mid-Market More Resilient

Canadian M&A volume decreased in the last quarter of 2023 with announced deals dropping to 546 from 579 in Q3 2023. Compared to this time last year, M&A activity is down 28% and represents the slowest quarter in the last decade. Like last quarter, a higher interest rate macro environment and economic uncertainty continues to dampen participants' motivation to transact. Deal value totalled \$40B, down \$4B from the prior quarter.

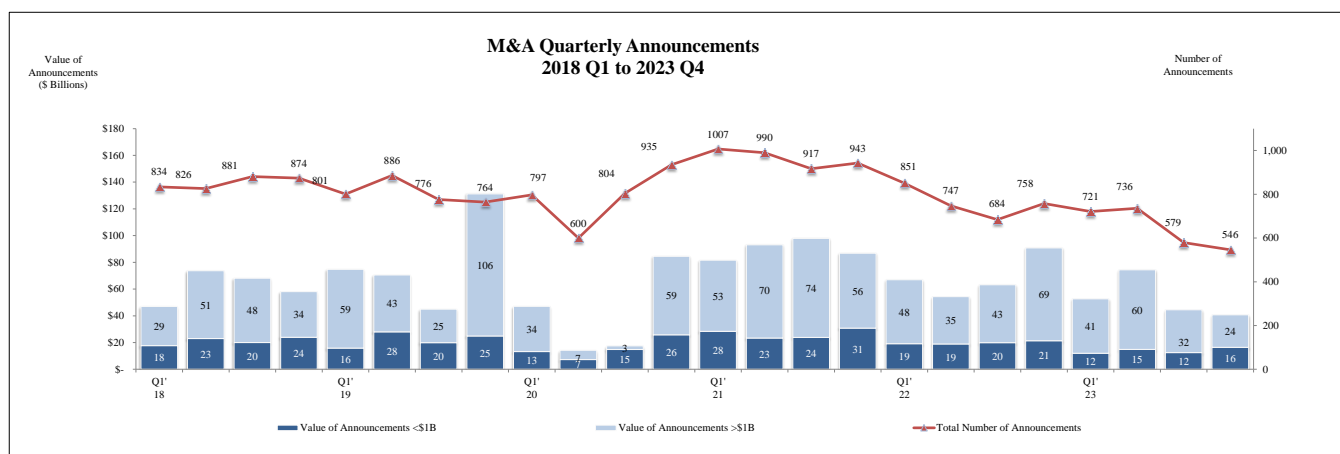
“Softness in third quarter M&A activity carried over into the year end with market pessimism on several fronts continuing to weigh on corporate confidence, notwithstanding several large M&A transactions announced in late Q4,” said **Stephen Ng**, Managing Director of **Crosbie & Company Inc.** “Several factors will impact M&A activity in 2024 including a stabilizing of interest rates and value expectations in all asset classes, elections and geopolitical events in key regions globally, and the ability for private equity to realize on exits to help with fundraising and new investments.”

During the fourth quarter, activity in the Canadian middle-market (represented by transactions with values below \$250M) slowed only slightly to 211 announced deals from 229 in Q3 yet total value increased to \$6.8B. Consistent with prior quarters, mid-market activity represented the vast majority (86%) of all announcements with disclosed values during Q4 2023. Mega-deals (those with values exceeding \$1B) remained flat at 10 announcements but deal value declined to \$24B, the lowest total since the start of the pandemic. Five of the 10 mega-deals were resource related (**Energy, Metals and Mining**) as commodity prices continued to remain buoyant.

From an industry perspective, deal flow in **Metals and Mining** experienced the steepest fall (-27), followed by **Information Technology** (-26) whilst **Communication Services** experienced the largest uptick (+19), followed by **Precious Metals** (+18).

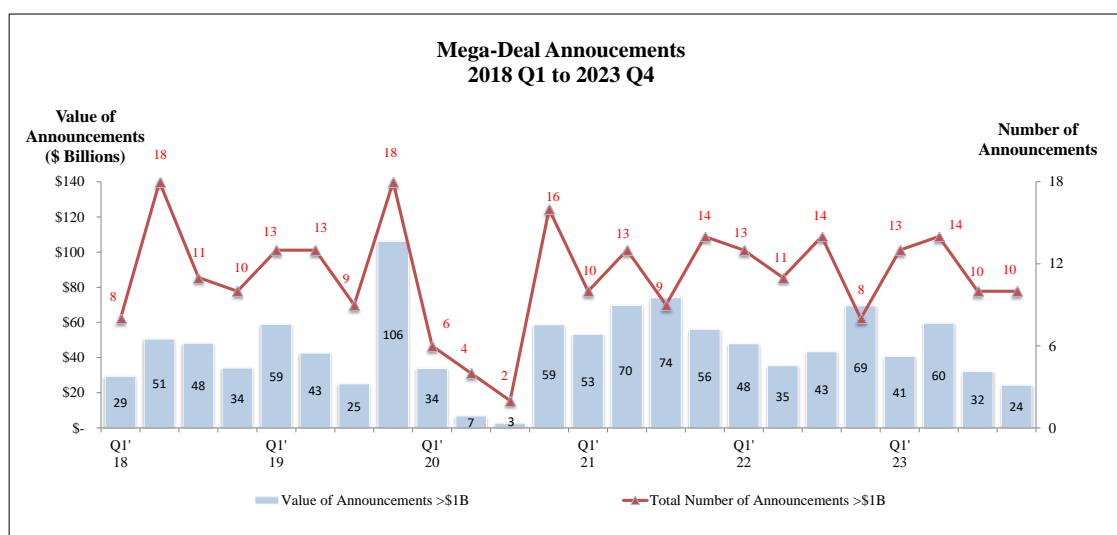
Canadian acquirors announced 415 transactions and continued to make most of their acquisitions (69%) domestically. Of total activity, 43% was cross-border, with **Canada/US** cross-border activity continuing to represent the bulk of cross-border transactions (60%) and deal value (64%). Domestic M&A (involving both Canadian and foreign acquirors) remained steady QoQ at 398 announcements.

CROSBIE & COMPANY CANADIAN M&A REPORT – Q4 2023



Overview

- Deal activity decreased marginally in Q4 2023 with 546 announcements (down 6% QoQ), and deal value decreased to \$40B (down 9% QoQ).
- Mid-market transactions represented 86% of announcements where the value was disclosed.
- The **Energy, Industrials, and Metals and Mining** sectors represented 8 of the 10 biggest deals this quarter.
- Cross-border announcements represented 43% of total activity, with **Canada/US** cross-border activity representing the bulk of cross-border activity (61%).
- Canadian firms made 415 acquisitions in the quarter, of which 288 (69%) involved domestic targets.



Mega-Deals

- Ten mega-deals were announced in the quarter and value continued to decline to \$24B, the lowest figure since the pandemic. These deals included 3 related to **Energy**, 3 related to **Industrials**, and 2 related to **Metals and Mining**.
- The largest deal was the sale of a majority stake in **Elk Valley Resources** – the steelmaking coal division of BC-based **Teck Resources** – to Swiss natural resources giant **Glencore**, and steelmakers Nippon Steel and POSCO for an implied enterprise value of \$9.5B. Through this divestment, **Teck Resources** aims to strengthen its balance sheet, return cash to shareholders, and to focus on its copper portfolio.
- Utilities giant Enbridge remained acquisitive in the fourth quarter with the \$1.6B acquisition of landfill-to-renewable natural gas assets in the US, following three significant acquisitions last quarter.

CROSBIE & COMPANY CANADIAN M&A REPORT – Q4 2023

INDUSTRY GROUPS ⁽¹⁾	2023 Q3		2023 Q4	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Information Technology	82	1,271	56	1,818
Industrials	127	8,566	113	7,331
Real Estate	25	1,758	37	1,616
Metals and Mining	117	2,578	90	12,656
Health Care	47	3,101	32	1,041
Financial Services	49	1,038	49	2,538
Precious Metals	9	99	27	1,220
Communication Services	14	725	33	1,716
Consumer Discretionary	23	159	27	803
Energy	42	4,569	36	7,073
Consumer Staples	23	16	27	1,768
Materials	12	463	8	237
Utilities	4	20,119	8	927
Other	5	56	3	-
TOTAL	579	44,517	546	40,744
Services	89	1,461	84	7,418

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

Industry Sector Activity

- **Metals and Mining** experienced the steepest fall (-27), followed by **Information Technology** (-26).
- **Communication Services** experienced the largest uptick in deal activity (+19), followed by **Precious Metals** (+18).
- Despite the decline in deal count in the **Metals and Mining** industry, the total value of deals increased almost five-fold QoQ.

Size	2023 Q3				2023 Q4			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
<\$100m	211	36	2,855	6	188	32	2,900	7
\$101m-\$250m	18	3	2,953	7	23	4	3,852	9
\$251m-\$500m	5	1	1,452	3	19	3	6,503	15
\$501m-\$1b	7	1	5,228	12	5	1	3,142	7
>\$1b	10	2	32,029	72	10	2	24,344	55
Undisclosed	328	57	0	0	301	52	0	0
	<u>579</u>		<u>44,517</u>		<u>546</u>		<u>40,741</u>	

Breakdown by Transaction Size

- For mid-market transactions (those with values below \$250M) there were 211 announcements, down from 229 and 274 in Q3 and Q2 respectively.
- For transactions with disclosed values, the mid-market comprised 86% of activity and 17% of value.

	2023 Q3		2023 Q4	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	309	4,618	288	19,286
With Foreign Buyers	<u>92</u>	<u>7,357</u>	<u>110</u>	<u>9,853</u>
Domestic M&A	401	11,975	398	29,140
Foreign Targets (Canadian Buyer)	127	21,969	127	8,505
Canadian Foreign Subsidiaries Sold to Foreign Buyers	<u>51</u>	<u>10,574</u>	<u>21</u>	<u>3,096</u>
Foreign M&A	178	32,543	148	11,601
	<u>579</u>	<u>44,517</u>	<u>546</u>	<u>40,741</u>

Canadian Domiciled versus Foreign M&A Targets

- M&A announcements in Q4 2023 involving Canadian targets remained relatively flat at 398 deals.
- Canadian firms made a total of 415 acquisitions in the quarter, of which 288 (69%) involved domestic targets with the remainder being foreign targets.

CROSBIE & COMPANY CANADIAN M&A REPORT – Q4 2023

	2023 Q3		2023 Q4	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	127	21,969	127	8,505
Inbound M&A (Foreign Buyer/ CDN Target)	92	7,357	110	9,853
Total Cross Border	219	29,326	237	18,359
<i>Outbound : Inbound Ratio</i>	<i>1.38</i>	<i>2.99</i>	<i>1.15</i>	<i>0.86</i>
<i>Cross Border as % of Total Activity</i>	<i>38%</i>	<i>66%</i>	<i>43%</i>	<i>45%</i>
Canada / US Activity				
US Target	70	19,430	76	7,679
US Buyer	61	1,498	66	4,148
Total Canada/US	131	20,928	142	11,827
<i>Canada/ US as % of Cross Border</i>	<i>60%</i>	<i>71%</i>	<i>60%</i>	<i>64%</i>
	579	44,517	546	40,741

Cross-Border Deals

- Cross-border deals as a percentage of total activity increased to 43% of total activity.
- The outbound-to-inbound ratio further decreased slightly to 1.15 in Q4 2023, after trending up in Q2 and Q3, resulting from flat outbound and higher inbound M&A announcements.
- **Canada/US** cross-border activity continued to represent the bulk of cross-border transactions (60%) and deal value (64%).

	2023 Q3				2023 Q4			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Ontario	138	34	2,314	19	152	38	4,469	15
British Columbia	101	25	786	7	97	24	14,003	48
Quebec	70	17	5,857	49	60	15	3,111	11
Alberta	52	13	2,941	25	52	13	6,110	21
Saskatchewan	8	2	1	0	13	3	701	2
Newfoundland	8	2	9	0	7	2	1	0
New Brunswick	10	2	54	0	-	0	-	0
Manitoba	6	1	-	0	6	2	256	1
Nova Scotia	2	0	-	0	6	2	409	1
Prince Edward Island	-	0	-	0	-	0	-	0
Northwest Territories	3	1	10	0	1	0	75	0
Yukon Territory	3	1	1	0	2	1	4	0
Nunavut	-	0	-	0	2	1	1	0
	401		11,975		398		29,140	

Deals by Provincial Domicile

- Aggregate domestic M&A activity remained relatively steady but more than doubled in value in Q4.
- **Ontario** remained the most active province by deal count (152).

CROSBIE & COMPANY CANADIAN M&A REPORT – Q4 2023

Largest Transactions in Q4 2023

Target Industry	Announced Date	Value (\$ millions)	Target	Transaction	
				Role	Status
Metals & Mining	14-Nov-23	\$9,509	Elk Valley Resources Ltd. Glencore (1448935 B.C. Ltd.) Teck Metals Ltd.	Target Acquiror Vendor	Announced
Energy	6-Nov-23	\$2,599	Hammerhead Energy Inc. Crescent Point Energy Corp. Riverstone Holdings LLC; REL Hammerhead B.V.; Riverstone V Investment Management Coöperatief U.A.; Riverstone V Rel Hammerhead B.V.	Target Acquiror Vendor	Closed
Metals & Mining	21-Nov-23	\$2,567	Cuprous Capital Ltd. MMG Limited RCF Management, LLC; Missouri Local Government Employees Retirement System;	Target Acquiror Vendor	Announced
Energy	3-Nov-23	\$1,641	Seven Operating Landfill-to-Renewable Natural Gas Assets in Texas and Arkansas Enbridge Inc. Morrow Renewables, LLC	Target Acquiror Vendor	Announced
Industrials	22-Dec-23	\$1,559	Daseke, Inc. TFI International Inc. Osterweis Capital Management, Inc.; Magnetar Capital Partners, LP; Magnetar Financial LLC; Lyons Capital, LLC; Supernova Management LLC	Target Acquiror Vendor	Announced
Industrials	16-Oct-23	\$1,462	Logistec Corporation Blue Wolf Capital Partners LLC; Stonepeak Partners LP Sumanic Investments Inc.	Target Acquiror Vendor	Closed
Energy	16-Oct-23	\$1,450	Bonavista Energy Corporation Tourmaline Oil Corp.	Target Acquiror	Closed
Financial Services	13-Dec-23	\$1,287	ETF Flows LLC TMX Group Limited Aretex Capital Partners	Target Acquiror Vendor	Closed
Industrials	11-Dec-23	\$1,150	30 Energy Waste Treatment and Disposal Facilities in Western Canada Waste Connections of Canada Inc. Secure Energy Services Inc.	Target Acquiror Vendor	Announced
Consumer Staples	30-Oct-23	\$1,121	Lucas Meyer Cosmetics Canada, Inc. Clariant AG International Flavors & Fragrances Inc.	Target Acquiror Vendor	Announced
Precious Metals	13-Nov-23	\$702	Marathon Gold Corporation Calibre Mining Corp.	Target Acquiror	Closed
Utilities	2-Nov-23	\$658	Heartland Generation Ltd. TransAlta Corporation Energy Capital Partners, LLC	Target Acquiror Vendor	Announced
Industrials	20-Dec-23	\$640	Bourgault Industries Ltd. Linamar Corporation	Target Acquiror	Announced
Financial Services	20-Oct-23	\$637	Accredited America Insurance Holding Corporation Onex Corporation; Onex Partners V LP Randall & Quilter America Holdings, Inc.	Target Acquiror Vendor	Announced
Industrials	19-Dec-23	\$505	Terra Insights Ltd. Orica Limited Vance Street Management LLC; Vance Street Capital II, L.P.	Target Acquiror Vendor	Announced