

CROSBIE & COMPANY CANADIAN M&A REPORT – Q4 2020

Deal Activity Bounces Back to Record High

In the fourth quarter of 2020, Canadian M&A activity increased significantly with 935 announced transactions, representing a new highwater mark for quarterly M&A activity. Despite a very weak second quarter, the annual number of transactions for 2020 was 3,136, slightly below the 3,227 transactions in 2019 but higher than many people anticipated given the impact of COVID-19.

“We saw a surge in transaction announcements in Q4 as many transactions that were put on hold in the first half of the year due to the pandemic were revived and completed,” said Ian Macdonell, Managing Director at Crosbie & Company. “It will be interesting to see how the next cohort of deals unfolds as we have a generally positive environment for M&A based partly on an expectation of a relatively rapid economic recovery despite recent delays in the rollout of COVID-19 vaccinations.”

The aggregate deal value in Q4 of \$84.5B was the second highest quarterly amount since 2016, surpassed only by Q4 2019 (\$131.2B). There were 16 mega-deals (transactions with values above \$1B) in Q4 worth a combined aggregate value of \$58.7B. The largest mega-deal in the fourth quarter was the joint \$13.6B acquisition of UK-based **RSA Insurance Group plc** by **Intact Financial Corporation** and **Tryg A/S**.

The mid-market, which is defined as transactions involving companies with enterprise values below \$250M, remained strong in Q4 with 351 transactions announced representing 88% of total deals with values disclosed and 11% of the aggregate value for such deals.

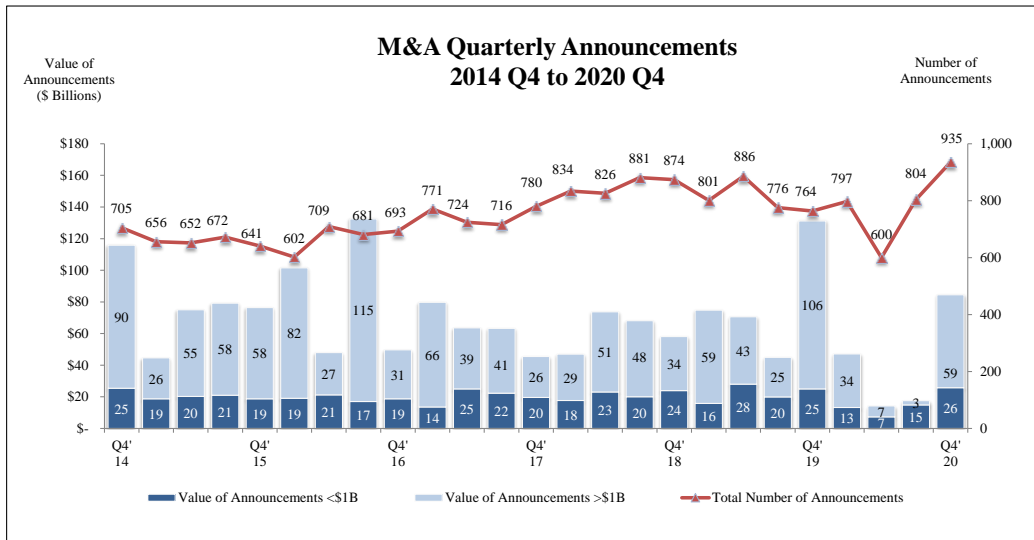
Financial sponsors were active in the fourth quarter of 2020 with 30 transactions (in excess of \$100M) valued in aggregate at \$44.9B. Twelve of the 16 mega-deals in the quarter involved financial sponsors including five transactions involving Brookfield related entities.

Cross border transactions continued to comprise a significant portion of M&A activity representing 44% of total activity and 69% of aggregate value. Consistent with most quarters, outbound activity (Canadian acquiror and foreign target) outpaced inbound activity, although by a comparatively lower factor of 1.3 times. In 2020, Canadian buyers were highly acquisitive internationally, with 830 acquisitions of foreign companies during the year. The United States continued to represent the largest market for Canadian companies that were looking to make acquisitions abroad. In 2020, Canadian companies acquired 483 US-based companies, representing 58% of all foreign acquisitions made by Canadian firms.

The increase in activity in Q4 was broadly based across industry sectors. The **Information Technology**, **Industrial** and **Real Estate** sectors were the most active this quarter with 117 (\$8.4B), 112 (\$7.3B) and 104 (\$12.8B) announced transactions respectively. Activity in all three of these sectors were up significantly in the Q4 and were at or above pre-pandemic levels. The **Precious Metals** and **Metals & Mining** sectors remained active with 88 and 89 announced transactions although the Precious Metals sector was down from the unusually high level of activity over last two quarters. The **Financial Services** sector continues to remain active, partly due to the increased use of capital pool companies as a method for taking private companies public.

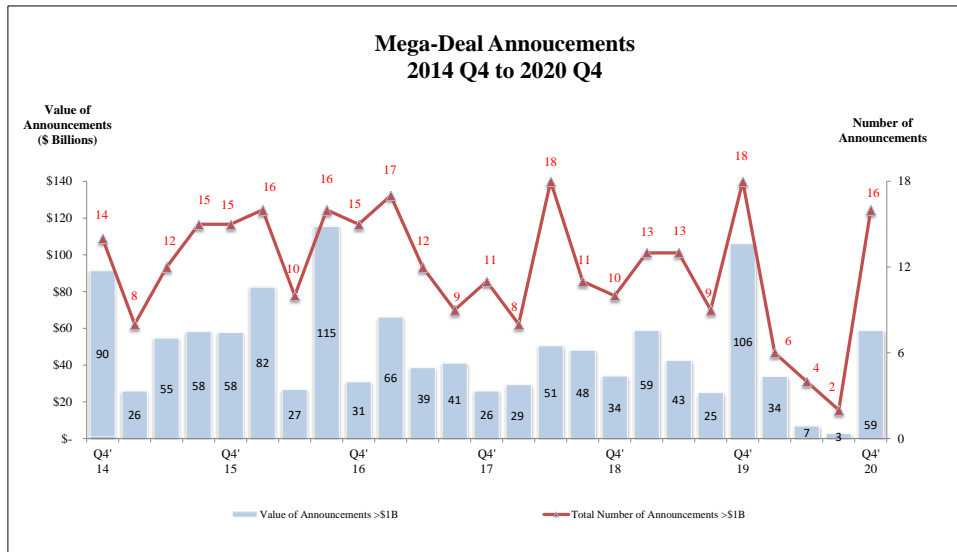
The information contained above and within the “Crosbie & Company Canadian M&A Report” is a summary analysis of the quarter’s M&A activity. For further information, please contact Ian Macdonell at 416.362.1953 or visit www.crosbieco.com.

Q4 2020 M&A Report



Overview

- Deal activity increased 16% to a new highwater mark in the fourth quarter of 2020 with 935 announced transactions, following a 34% increase in deal activity in Q3
- Aggregate deal value of \$84.5B was the second largest aggregate amount since Q3 2016 and exceeded the combined aggregate deal value of the first 3 quarters of 2020 (\$78.8B)
- Cross-border M&A activity remained strong in Q4 with 410 announced acquisitions, representing 44% of aggregate deal activity which is comparable to prior quarters
 - There were 144 acquisitions of Canadian companies by foreign acquirers despite pandemic travel restrictions



Mega-Deals

- There were 16 mega-deals announced in the fourth quarter of 2020 with an aggregate value of \$58.7B
 - This was the third largest aggregate dollar value in the last 4 years and was well above the combined value for the first three quarters of 2020 (\$43.4B)
- The largest announced transaction this quarter was the **\$13.6B** joint acquisition of UK-based **RSA Insurance Group plc (LSE:RSA)** by **Intact Financial Corporation (TSX:IFC)** and **Tryg A/S**

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Industry Sector Activity

- **Information Technology, Industrials and Real Estate** were the most active sectors this quarter with 117 (\$8.4B), 112 (\$7.3B) and 104 (\$12.8B) transactions announced respectively
- **Precious Metals and Metals & Mining** remained very active in the quarter although **Precious Metals** activity was down from unusually active levels in Q2 and Q3
- **Financial Services** also remained active relative to historical levels as this includes capital pool company transactions

Transaction Activity Breakdown by Industry	Pre-COVID				Value
	4 Qtr. Avg Q2'19 - Q1'20	Q2 2020	Q3 2020	Q4 2020	\$Millions Q4 2020
Information Technology	94	62	94	117	8,441
Industrials	106	39	74	112	7,347
Real Estate	111	34	64	104	12,788
Metals and Mining	66	87	94	89	339
Precious Metals	66	111	140	88	4,773
Financial Services	53	37	56	83	16,202
Healthcare	76	82	60	82	1,053
Communication Services	40	26	35	49	5,501
Consumer Discretionary	50	16	47	43	6,224
Consumer Staples	39	30	36	41	2,662
Other	28	27	36	38	1,320
Energy	40	28	37	34	7,310
Materials	21	14	21	29	5,939
Utilities	18	7	10	26	4,602
TOTAL	806	600	804	935	84,503

Breakdown by Transaction Size

- 88% of transaction activity in the quarter was from mid-market transactions below \$250M (for transactions with disclosed values)
- In this segment, there were 351 transactions valued at \$9.5B or approximately 11% of total M&A value
- Q4 mega-deal activity (deals over \$1B) was strong with 16 announced deals valued at \$58.7B exceeding the combined value of the prior three quarters (\$43.4B)

Size	2020 Q3				2020 Q4			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
<\$100m	317	41	3,578	8	324	35	5,479	6
\$101m-\$250m	15	2	2,535	6	27	3	4,067	5
\$251m-\$500m	15	2	5,371	12	16	2	5,865	7
\$501m-\$1b	5	1	3,342	7	14	1	10,387	12
>\$1b	2	0	2,697	6	16	2	58,705	69
Undisclosed	450	58	0	n/a	538	58		n/a
	804		17,522		935		84,503	

Canadian Domiciled versus Foreign M&A Targets

- There were 638 acquisitions of Canadian domiciled companies in Q4, a 20% increase relative to Q3 2020
- Aggregate deal value for these Canadian domiciled targets increased to \$33.8B from \$8.2B in Q3 2020
- 297 transactions this quarter (32% of the total) were for companies domiciled outside of Canada
- Canadian companies made 688 acquisitions in the fourth quarter including 458 domestic deals

	2020 Q3		2020 Q4	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	386	4,234	458	15,588
With Foreign Buyers	144	3,971	180	18,188
Domestic M&A	530	8,205	638	33,776
Foreign Targets (Canadian Buyer)	222	7,413	230	39,979
Canadian Foreign Subsidiaries Sold to Foreign Buyers	52	1,904	67	10,748
Foreign M&A	274	9,317	297	50,727
	804	17,522	935	84,503

Cross-Border Deals

- Cross-border deals represented 44% of total activity and 69% of total deal value
- Outbound cross-border activity increased 4% and inbound cross-border activity increased by 25% compared to the prior quarter
- As a percentage of total cross-border activity, Canada/US transactions represented 57% of cross-border activity and 49% of cross-border deal value

	2020 Q3		2020 Q4	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	222	7,413	230	39,979
Inbound M&A (Foreign Buyer/ CDN Target)	144	3,971	180	18,188
Total Cross Border	366	11,384	410	58,167
<i>Outbound : Inbound Ratio</i>	<i>1.54</i>	<i>1.87</i>	<i>1.28</i>	<i>2.20</i>
<i>Cross Border as % of Total Activity</i>	<i>46%</i>	<i>65%</i>	<i>44%</i>	<i>69%</i>
Canada / US Activity				
US Target	128	3,552	137	15,937
US Buyer	76	3,348	95	12,553
Total Canada/US	204	6,901	232	28,490
<i>Canada/ US as % of Cross Border</i>	<i>56%</i>	<i>61%</i>	<i>57%</i>	<i>49%</i>

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Deals by Provincial Domicile

- **Ontario** remains the most active province this quarter with 247 announced deals valued at \$21.4B
- **British Columbia** was also active this quarter with 158 deals valued at \$1.3B
- **Newfoundland** had the second largest aggregate deal value of \$3.6B, primarily due to the **Verafin Inc.** mega-deal

	2020 Q3				2020 Q4			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Ontario	180	34	2,738	33	247	39	21,391	63
British Columbia	136	26	858	10	158	25	1,335	4
Quebec	99	19	1,963	24	98	15	2,372	7
Alberta	50	9	2,438	30	57	9	2,443	7
Saskatchewan	13	2	1	0	15	2	96	0
Manitoba	4	1	-	n/a	13	2	1,308	4
Nova Scotia	8	2	96	1	12	2	1,020	3
Newfoundland	20	4	14	0	11	2	3,645	11
New Brunswick	9	2	70	1	10	2	36	0
Undisclosed Province	8	2	26	0	8	1	128	0
Yukon Territory	2	0	1	0	6	1	3	0
Northwest Territories	1	0	0	0	2	0	-	n/a
Nunavut	0	0	-	n/a	1	0	-	n/a
Prince Edward Island	0	0	-	n/a	0	0	-	n/a
	<u>530</u>		<u>8,205</u>		<u>638</u>		<u>33,776</u>	

Largest Transactions in Q4 2020

Target Industry	Announced		Target	Role	Transaction Status
	Date	Value			
Financial Services	5-Nov-20	\$13,566	RSA Insurance Group plc (LSE:RSA) (United Kindom) Intact Financial Corporation (TSX:IFC); Tryg A/S (CPSE:TRYG)	Target Acquiror	Announced
Energy	5-Oct-20	\$5,015	TC PipeLines, LP (NYSE:TCP) (United States) TC Energy Corporation (TSX:TRP) Steel City Capital Investments, LLC	Target Acquiror Vendor	Announced
Consumer Discretionary	10-Nov-20	\$4,941	Great Canadian Gaming Corporation (TSX:GC) Apollo Global Management, Inc. (NYSE:APO)	Target Acquiror	Announced
Materials	19-Nov-20	\$4,894	Norbord Inc. West Fraser Timber Co. Ltd. (TSX:WFG) Brookfield Asset Management Inc. (TSX:BAM.A)	Target Acquiror Vendor	Closed
Communication Services	12-Nov-20	\$4,454	Summit Digital Infrastructure Pvt. Ltd. (India) Brookfield Asset Management Inc. (TSX:BAM.A)	Target Acquiror	Closed
Real Estate	14-Dec-20	\$4,411	2.3 Million Square Foot Portfolio Of Lab Office Buildings (United States) Blackstone Property Partners Life Sciences Brookfield Asset Management Inc. (TSX:BAM.A)	Target Acquiror Vendor	Announced
Information Technology	19-Nov-20	\$3,599	Verafin Inc. Nasdaq, Inc. (NasdaqGS:NDAQ) Spectrum Equity Management, L.P.; Information Venture Partners; BDC Capital Inc.;	Target Acquiror Vendor	Announced
Utilities	28-Dec-20	\$3,431	605 MW Greater Changhua 1 Offshore Wind Farm (Taiwan) Caisse de dépôt et placement du Québec; Cathay Private Equity Co., Ltd. Ørsted A/S (CPSE:ORSTED)	Target Acquiror Vendor	Announced
Precious Metals	16-Nov-20	\$3,193	Teranga Gold Corporation (TSX:TGZ) Endeavour Mining Corporation (TSX:EDV) Barrick Gold Corporation (TSX:ABX); Tablo Corporation	Target Acquiror Vendor	Announced
Industrials	16-Dec-20	\$2,791	Transurban Chesapeake - Network of Interstate Toll-Road Highways (United States) Canada Pension Plan Investment Board; UniSuper Limited; AustralianSuper Pty. Ltd. Transurban Group (ASX:TCL)	Target Acquiror Vendor	Announced
Financial Services	26-Oct-20	\$1,646	Genworth MI Canada Inc. (TSX:MIC) Brookfield Business Partners L.P. (NYSE:BBU)	Target Acquiror	Announced
Industrials	25-Oct-20	\$1,577	Simply Storage Management, LLC (United States) Blackstone Real Estate Income Trust, Inc. Brookfield Asset Management Inc. (TSX:BAM.A)	Target Acquiror Vendor	Closed
Industrials	3-Dec-20	\$1,500	Golder Associates Corporation WSP Global Inc. (TSX:WSP) Enterra Holdings Ltd.	Target Acquiror Vendor	Announced
Other	14-Dec-20	\$1,304	People Corporation (TSXV:PEO) West Street Capital Partners VII Investments, L.P.	Target Acquiror	Announced
Information Technology	6-Nov-20	\$1,224	Lionbridge AI (United States) TELUS International (Cda) Inc. (NYSE:TIXT) Lionbridge Technologies, Inc.	Target Acquiror Vendor	Closed
Consumer Discretionary	2-Nov-20	\$1,160	Dorel Industries Inc. (TSX:DILB) Cerberus Capital Management, L.P. Brandes Investment Partners, L.P.; Letko, Brosseau & Associates Inc.	Target Acquiror Vendor	Announced