

M&A picks up in second quarter: Crosbie & Co.

Deal volume up, value soared driven by more “mega” deals

James Langton

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Merger-and-acquisition (M&A) activity picked up in the second quarter, and the value of deal activity soared on the strength of a handful of large deals, reports Crosbie & Co. Inc.

According to new data from the Toronto-based mid-market investment bank, the volume of M&A deals rose 7% in the second quarter, and deal value jumped 79%, as several larger deals pushed the aggregate value of transactions to \$74 billion.

“Second-quarter M&A activity demonstrated positive momentum, as deal psychology improved for both buyers and sellers amid strong capital markets performance, increasing expectations for a soft economic landing and recent rate cuts in Canada,” said Richard Betsalel, managing director with Crosbie & Co., in a release.

The total value of second-quarter M&A got a boost from 12 so-called mega deals (transactions worth at least \$1 billion), which amounted to \$60 billion in combined value.

Crosbie & Co. noted that the volume of mid-market deals (transactions worth less than \$250 million) also picked up last quarter, rising 29% in the quarter.

The mining sector was the most active in terms of deal numbers, with 125 transactions announced in the quarter, and it recorded the largest jump in deals “after a major slump last quarter,” Crosbie & Co. said. The number of deals in Q2 increased by 34.

The data also showed strong gains in deal activity for the industrials and precious metals sectors. Conversely, deal volume dropped in the tech, health-care and energy sectors.

The utilities sector was top in deal value, with \$32.6-billion worth of transactions in the quarter, driven by several mega deals.

The financial sector had a hand in the mega deal activity, with National Bank of Canada’s acquisition of Canadian Western Bank for \$5.5 billion, and a \$6.8-billion deal to take Montreal-based fintech Nuvei Corp. private.

Looking to the second half, Crosbie & Co. said, “Declining inflation, expected interest rate cuts in both Canada and the U.S., and significant private equity dry powder are providing tailwinds to dealmakers.”

“This improving environment for exits along with a moderating interest rate environment could fuel further growth in M&A activity,” said Betsalel.

“Anecdotally, we are seeing this in our M&A practice, as business owners are feeling more confident in going to market, and capital groups are seeking to realize liquidity for some of their long-held portfolio assets.”

The firm cautioned that increased market volatility, geopolitical risk and the U.S. election are “wildcards that could impact the M&A markets in the second half of the year.”