

CROSBIE & COMPANY CANADIAN M&A REPORT – Q1 2024

Market Adaptation Leads to M&A Activity Increase

Canadian M&A activity in Q1 2024 displayed a modest recovery after two consecutive quarters of declining deal volume and aggregate deal value. Announced deals increased by 11% to 606 from 546 in Q4 2023, though still down 16% year-over-year. Total deal value for the quarter reached \$41B, an increase from \$40B in the previous quarter. Despite the tepid economic environment, characterized by high interest rates and reduced availability of debt financing, the uptick in both deal volume and value suggests a cautious optimism among dealmakers. This quarter's performance, although below historical averages, indicates a potential stabilization in the market as participants adapt to the new economic realities.

“First quarter M&A activity remained stable, suggesting a bottoming with evidence of a potential recovery forming as financial sponsor activity increased and capital markets conditions improved,” said **Stephen Ng**, Managing Director of **Crosbie & Company Inc.** *“Businesses and dealmakers continue to adapt to the prevailing interest rate environment while the proposed increase in capital gains taxes in Canada could be a near-term catalyst for M&A discussions and activity.”*

Cooling inflation and the prospect of lower interest rates in the back half of 2024 are expected to boost deal activity, bolstered by the substantial dry powder held by private equity firms eager to deploy capital. Stabilizing economic conditions are likely to continue driving the rebound in the M&A market.

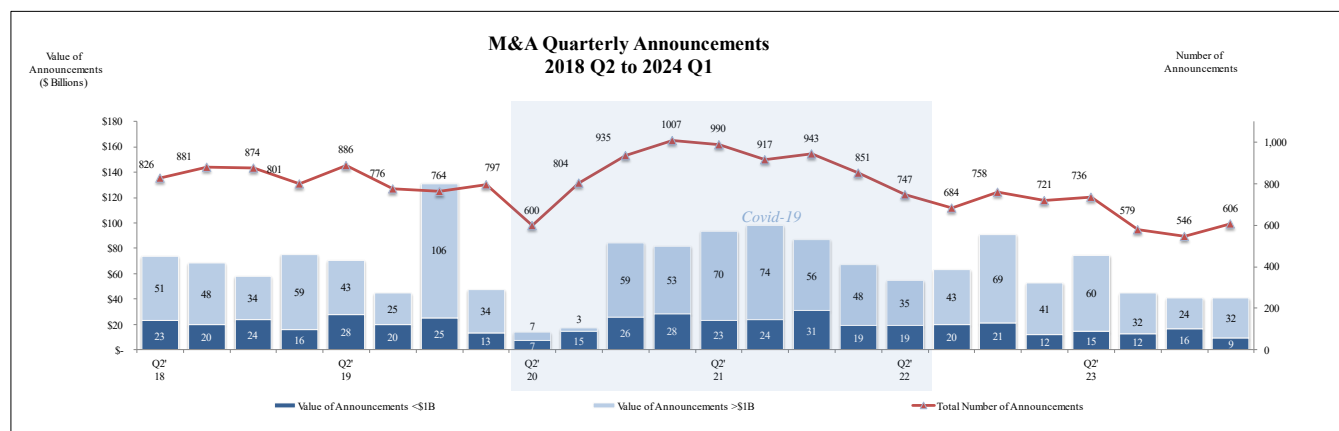
There were seven mega-deals (transactions with values above \$1B) in Q1, representing a combined value of \$32.1B. Of these, three involved Canadian targets and four involved international targets. The Canadian target transactions announced this quarter included **Blackstone Real Estate's** \$11.9B take-private of **Tricon Residential**, **AstraZeneca's** \$3.3B acquisition of **Fusion Pharmaceuticals**, and **Chord Energy Corporation's** \$5.4B acquisition of **Enerplus Corporation**.

The year began with the mid-market (represented by transactions with values below \$250M) continuing its downward trend that started in Q2 2023. In Q1, 203 deals with disclosed values were announced, representing 93% of all such transactions and accounting for 13% of the total deal value for the quarter.

From a sector point of view, deal flow in **Information Technology** saw the largest increase in deal activity (+40), mirroring the strong start to the year in the broader stock market and the AI surge. On the flip side, **Consumer Staples** (-10), **Financial Services** (-11), and **Industrials** (-9) all saw marked decreases in deal volume.

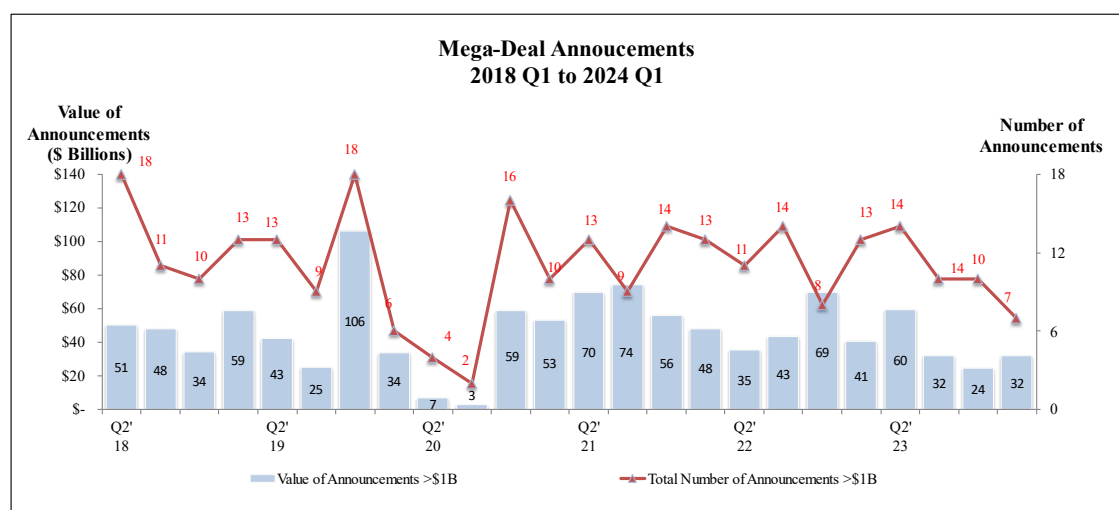
Canadian firms made 442 acquisitions this quarter, with 307 (69%) involving domestic targets. Cross-border transactions represented 44% of overall activity, with 57% of these deals involving Canada and the U.S. The value of inbound cross-border M&A saw a significant increase of 137% from the previous quarter, fueled by several mega-deals on Canadian soil.

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Overview

- Deal activity rebounded in Q1 2024 with 606 announcements, up 11% from the previous quarter, marking the first increase in two quarters
- Deal value remained relatively stable, staying within the range of the last three quarters with an aggregate deal value of \$41B, up 1% quarter-over-quarter.
- Cross-border M&A activity increased by 13% to 267 announced transactions representing \$30B in value (73% in aggregate deal value)



Mega-Deals

- There were 7 mega-deals (those over \$1B) announced in the first quarter of 2024, the lowest for a quarter since the pandemic, totaling \$32B in deal value
- The largest deal was the take \$11.9B take private of **Tricon Residential inc.** by **Blackstone Real Estate Partners X**, adding 38,000 single-family rental homes to its portfolio
- The **Energy** sector remained active with Calgary headquartered **Enerplus Corp.** being acquired by **Chord Energy Corp.** for \$5.4B, as well as **California Resources Corporation's** \$1.3B acquisition of **Aera Energy LLC.**

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INDUSTRY GROUPS ⁽¹⁾	2023 Q3		2024 Q1	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Information Technology	56	1,818	96	990
Industrials	113	7,331	104	4,097
Real Estate	37	1,616	48	13,767
Metals and Mining	90	12,656	91	328
Health Care	32	1,041	46	3,923
Financial Services	49	2,538	38	382
Precious Metals	27	1,220	28	1,382
Communication Services	33	1,716	32	3,902
Consumer Discretionary	27	803	39	2,942
Energy	36	7,073	45	9,049
Consumer Staples	27	1,768	17	48
Materials	8	237	15	94
Utilities	8	927	7	274
Other	3	-	-	-
TOTAL	546	40,744	606	41,179
Services	84	7,418	84	6,329

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

Industry Sector Activity

- Large deal count increases were witnessed in **Information Technology (+40)**; **Healthcare (+14)**; **Consumer Discretionary (+12)**; **Real Estate (+11)**; **Energy (+9)**
- Deal count decreases were seen in **Industrials (-9)**; **Financial Services (-11)**; **Consumer Staples (-10)**
- **Real Estate** and **Energy** generated the largest deal values at \$13.8B and \$9B, respectively, as a result of several large transactions

Size	2023 Q4				2024 Q1			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
<\$100m	188	34	2,900	7	185	31	2,632	6
\$101m-\$250m	23	4	3,852	9	18	3	2,861	7
\$251m-\$500m	19	3	6,503	16	8	1	2,777	7
\$501m-\$1b	5	1	3,142	8	1	0	829	2
>\$1b	10	2	24,344	60	7	1	32,081	78
Undisclosed	301	55	0	0	387	64	0	0
	546		40,741		606		41,179	

Breakdown by Transaction Size

- Mid-market transactions (those with values below \$250M) with disclosed values comprised 93% of the quarterly activity and 13% of quarterly value
- The mid-market experienced a decline in quarterly value (-19%) compared to the broader market which was bolstered by several larger transactions

	2023 Q4		2024 Q1	
	# of Deals	Value \$ Millions	# of Deals	Value \$ Millions
Canadian Targets				
With Canadian Buyers	288	19,286	307	4,039
With Foreign Buyers	110	9,853	132	23,350
Domestic M&A	398	29,140	439	27,390
Foreign Targets (Canadian Buyer)	127	8,505	135	6,665
Canadian Foreign Subsidiaries Sold to Foreign Buyers	21	3,096	32	7,124
Foreign M&A	148	11,601	167	13,790
	546	40,741	606	41,179

Canadian Domiciled versus Foreign M&A Targets

- Acquisitions involving Canadian targets increased moderately to 439 (up 10% from the prior quarter)
- 167 were acquisitions made abroad (up 13% QoQ)
- Canadian firms made a total of 442 acquisitions in Q1 2024, of which 307 (69%) involved domestic targets with the remainder being foreign targets
- The most significant change from the previous quarter was the shift in deal values from Canadian buyers acquiring domestic targets (\$19.B to \$4B) to foreign buyers acquiring Canadian targets (\$10B to \$23B)

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	2023 Q4		2024 Q1	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Outbound M&A (CDN Buyer/ Foreign Target)	127	8,505	135	6,665
Inbound M&A (Foreign Buyer/ CDN Target)	110	9,853	132	23,350
Total Cross Border	237	18,359	267	30,016
<i>Outbound : Inbound Ratio</i>	<i>1.15</i>	<i>0.86</i>	<i>1.02</i>	<i>0.29</i>
<i>Cross Border as % of Total Activity</i>	<i>43%</i>	<i>45%</i>	<i>44%</i>	<i>73%</i>
Canada / US Activity				
US Target	76	7,679	67	2,964
US Buyer	66	4,148	84	19,086
Total Canada/US	142	11,827	151	22,050
<i>Canada/ US as % of Cross Border</i>	<i>60%</i>	<i>64%</i>	<i>57%</i>	<i>73%</i>
	546	40,741	606	41,179

Cross-Border Deals

- Cross-border deals accounted for 73% of total deal value, a significant increase from 45% in the previous quarter
- The outbound-to-inbound ratio continued to decrease to 1.02, accompanied by an unusually low deal value ratio, a result of less active Canadian buyers
- **Canada/US** cross-border activity continued to represent the bulk of cross-border transactions (57%) and deal value (73%)

	2023 Q4				2024 Q1			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Ontario	152	38	4,469	15	186	42	18,314	67
British Columbia	97	24	14,003	48	79	18	1,740	6
Quebec	60	15	3,111	11	76	17	1,083	4
Alberta	52	13	6,110	21	48	11	6,075	22
Saskatchewan	13	3	701	2	28	6	163	1
Newfoundland	7	2	1	0	2	0	0	0
New Brunswick	-	0	-	0	1	0	9	0
Manitoba	6	2	256	1	4	1	0	0
Nova Scotia	6	2	409	1	6	1	-	0
Prince Edward Island	-	0	-	0	-	0	-	0
Northwest Territories	1	0	75	0	2	0	-	0
Yukon Territory	2	1	4	0	3	1	3	0
Nunavut	2	1	1	0	4	1	2	0
	398		29,140		439		27,390	

Deals by Provincial Domicile

- Domestic deal activity increased 10% but aggregate deal value fell quarter-over -quarter with fewer mega-deals to start the year
- **Ontario**, as expected, remained the most active province by deal count (186)

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Largest Transactions in Q1 2024

Target Industry	Announced Date	Value (\$ millions)	Target	Role	Transaction Status
Utilities	19-Jan-24	\$11,876	Tricon Residential Inc. Blackstone Real Estate Advisors L.P.; Blackstone Real Estate Partners X L.P.	Target Acquiror	Closed
Financial Services	21-Feb-24	\$5,427	Enerplus Corporation Chord Energy Corporation	Target Acquiror	Announced
Industrials	4-Jan-24	\$3,369	ATC Telecom Infrastructure Private Limited Data Infrastructure Trust; Brookfield Asset Management Ltd. American Tower Corporation	Target Acquiror Vendor	Announced
Industrials	19-Mar-24	\$3,268	Fusion Pharmaceuticals Inc. AstraZeneca AB Adams Street Partners, LLC; Johnson & Johnson Innovation - JJDC, Inc.; OrbiMed	Target Acquiror Vendor	Announced
Precious Metals	29-Feb-24	\$3,017	Sterling Check Corp. First Advantage Corporation Caisse de dépôt et placement du Québec; Goldman Sachs & Co. LLC	Target Acquiror Vendor	Announced
Real Estate	7-Feb-24	\$2,822	Aera Energy LLC California Resources Corporation Canada Pension Plan Investment Board; Green Gate Resources E, LLC	Target Acquiror Vendor	Announced
Financial Services	16-Jan-24	\$2,302	Carrols Restaurant Group, Inc. Smith Financial Corporation BlackRock, Inc.; Cambridge Franchise Holdings, LLC	Target Acquiror Vendor	Closed
Real Estate	27-Mar-24	\$829	Argonaut Gold Inc. Alamos Gold Inc.	Target Acquiror	Announced
Energy	30-Jan-24	\$454	Santa Monica Business Park Boston Properties, Inc. Canada Pension Plan Investment Board	Target Acquiror Vendor	Closed
Real Estate	8-Jan-24	\$410	14 High-Quality Hotels in Canada Manga Hotels Inc.; InnVest Hotels LP Morguard Corporation	Target Acquiror Vendor	Closed
Communication Services	7-Feb-24	\$468	IngéNia Technologies Inc. SPX Technologies, Inc.	Target Acquiror	Closed
Real Estate	19-Feb-24	\$368	Osino Resources Corp. Hainan Shengwei Trading Co., Ltd. RCF Management, LLC; Dundee Precious Metals Inc.; PowerOne Capital Markets	Target Acquiror Vendor	Announced
Precious Metals	28-Feb-24	\$315	Northwest Parkway, a 14 km Section of Denver's Ring Road in Colorado VINCI Highways SAS HICL Infrastructure PLC; InfraRed Capital Partners; Northleaf Capital Partners	Target Acquiror Vendor	Closed
Utilities	11-Mar-24	\$260	mdf commerce inc. Kohlberg Kravis Roberts & Co. L.P. Fonds de solidarité FTQ; Long Path Partners, LP	Target Acquiror Vendor	Closed
Health Care	26-Feb-24	\$251	Scott Springfield Mfg. Inc. Modine Manufacturing Company Olympic International Agencies Ltd	Target Acquiror Vendor	Closed