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M&A Deal Value Surges in First Quarter: Crosbie

By James Langton

The number of merger and acquisition transactions dropped in the first quarter of the year, but the value of those deals rose substantially, driven by a number of large deals, according to the latest data from Crosbie & Co.

The value of Canadian M&A surged by 51% to $50.7 billion from $33.5 billion worth of transactions in the last quarter of 2011. The increase in value came on 245 announced transactions in the quarter, down from 286 announced transactions in the previous quarter.

Crosbie says that the surge in M&A transaction value was driven primarily by an increase in the number of so-called ‘mega-deals' (transactions worth over $1 billion). The first quarter of 2012 saw 14 mega-deal announcements for a combined value of $31.3 billion, which was a substantial increase over the seven deals announced last quarter worth $12.9 billion.

Almost all of these mega-deals (13) were completed by strategic buyers. "Strategic buyers tell us repeatedly that they continue to look for the right opportunities across many sectors," said Ed Giacomelli, managing director at Crosbie. "While the deal flow this quarter confirms a steady M&A market, we do not expect a break-out in M&A activity any time soon."

While financial sponsors weren't very involved in the mega-deal category they were still reasonably active, playing a part in nine transactions the quarter worth in excess of $100 million. Pension funds were involved in five of these transactions, it notes, largely in the real estate sector. This was a continuation of the trend seen in the previous three quarters where pension funds have acquired real estate assets both locally and abroad.

"Like the strategic buyers, financial sponsors continue to actively seek out opportunities ranging from small to mid-sized businesses to larger infrastructure assets," said Giacomelli.

The most active sector in the quarter was oil & gas, with 58 deals totaling $16.3 billion in value, replacing real estate as the top sector, Crosbie reports. Real estate was the second most active sector, with a total of 50 announced transactions for a value of $6.2 billion. Combined, these two sectors accounted for 44% of both total activity and aggregate transaction value in the quarter.

The firm notes that cross-border activity continued to be a cornerstone of Canadian M&A, accounting for 42% of the transactions announced in the quarter. This is consistent with the previous quarter and historical levels in general, it notes. Nine of the 14 largest announced deals in the quarter were cross-border transactions, of which Canadian companies were targets in six of them.