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Valeant's US$8.7-billion purchase of Bausch & Lamb Holdings was one of the largest deals of the second quarter. Paul Sakuma/AP, The Canadian Press

M&A Activity in Second Quarter: Better, but Still Muddling Along

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The investment bankers may complain about the lack of M&A activity but a recent report shows that there has been a "modest rebound."

According to Crosbie & Co. Inc. 224 transactions representing $44.7-billion in total value were announced in the second quarter — or 9.4% more activity and 52% more value than in the first quarter.

"While the increase in announcements was not overwhelming, it represents a break from a declining multi-quarter trend and a return to a more normal range of quarterly activity," said the report, noting that compared with the same quarter of 2012, activity was down by 3% while value was up by 27.2%.

According to Colin Walker, the managing director at Crosbie & Co.: "Business conditions continue to remain relatively favourable for M&A in most industry sectors and could support much higher levels of activity."

In the second quarter the largest deals were: Valeant's US$8.7-billion purchase of Bausch & Lamb Holdings; Empire Co.'s $5.8-billion purchase of Canada Safeway; Brookfield Office Properties' US$1.8-billion purchase of MPG Office Trust; OMERS' $1.2-billion acquisition of CML Healthcare; and OMERS (along with AIMCO) £935-million purchase of Britain's Vue Entertainment Ltd.

On the sell side, Canadian companies were also busy: Brookfield sold Longview Timber for US$2.65-billion; E-L Financial sold the Dominion of Canada General Insurance Co. to Travelers Cos. while TransCanada sold Gas Transmission Northwest to TC PipeLines for US$1.05-billion. In all there were 11 deals valued at $27.9-billion in the second quarter.

The numbers from Crosbie & Co. show that financial players were busy in the second quarter: they were involved in 11 transactions of more than $100-

million: those deals were valued at $9.3-billion. On both measures (number and value) the Q2 numbers were larger than Q1's comparables: 10 transactions and $8.1-billion. Pension funds had a busy quarter: five transactions for $3.6-billion.

Among sectors, real estate, for the second successive quarter, generated the most activity: 72 deals, $7.8-billion of value and 31% of total quarterly activity.

During the quarter there were 90 cross-border deals – or almost 40% of the total.

"Not only did Canadian firms continue to be very active with foreign acquisitions in the quarter but the ratio of Canadian foreign acquisitions to foreign takeovers of Canadian firms hit a record level of 3.3:1," said the report.