

Canadian SMEs Snapping up U.S. Companies



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More than five years after the 2008 credit crisis, Canadian M&A activity stubbornly remains well below its peak 2007 levels. But, while more sluggish than the feeding frenzy of six years ago, it does look as if acquisitions are starting to pick up the pace again according to new data compiled by investment bank [Crosbie & Company](#). Over the past year, Canadian firms have been aggressively snapping up U.S. companies at much faster rates, culminating in 120 takeovers in 2013 worth almost \$32 billion.

Crosbie & Company managing director Colin Walker notes that the proportion of Canadian acquisitions of U.S. firms as a total of all foreign acquisitions has fallen by about 10% to 15% in the past decade—proof, he says, that domestic businesses are increasingly operating in a "fundamentally international" market. "It shows that Canadian companies have recognized the need to push beyond [North American] markets over a long period. It's a function of globalization."

Walker says the Canadian M&A market is driven primarily by mid-sized firms with transactions worth less than \$150 million. In a typical quarter, he adds,

about 40% to 50% of those deals involve cross-border activity.

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According to the [2013 Q3 report](#) published in *The Financial Post*, the number of all year-to-date M&As—which came to an ominous total of 666—is 7% below the same period for 2012 and 11% below the first three quarters of 2011. "Despite weak activity," Crosbie & Company says, "the value of transactions increased by 9.7% to \$49 billion in the quarter due to a few large transactions, particularly in the retailing and real estate sectors."

Crosbie also reports that the number of Canadian acquisitions of foreign firms is outpacing foreign takeovers of domestic companies by a ratio of 2.2 to 1.

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Over the past decade, says Walker, this "outbound" acquisition activity has been driven by manufacturers looking to move production to low-cost jurisdictions in the southern U.S. or Asia. In other cases, such as Constellation Software, a Toronto firm, companies grow within key market segments by making strategic acquisitions.

In fact, Walker says most Canadian companies aren't just looking to boost their revenues or before-tax

profits when they make an international acquisition. "They're buying that company because of the benefits that it brings, such as windows on new markets, new products, new manufacturing capability or some really good people."