

Canada: M&A Activity Bolstered By Financial Sponsors and Real Estate Sector

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[Crosbie & Company](#) recently released its [Canadian M&A Activity – Fourth Quarter 2013 Report](#). The report explains that while M&A activity in Q4 didn't deviate much from the year's previous quarters, suggesting a relatively stable year from a numbers perspective, a closer look at 2013 deal activity as a whole tells a slightly different story.

As reported in the [Financial Post](#):

"The mix of deals in the Canadian M&A market has really shifted in recent years," said Colin Walker, [Crosbie's] managing director, noting that some of the sectors that historically were key contributors (such as mining) have become noticeably quiet, while others (such as real estate) have surfaced as the new leaders.

Crosbie's report sets out the following key shifts in 2013 Canadian M&A activity as a whole:

- Activity in the **Real Estate** sector flourished in 2013, representing nearly a third of total deal activity and value
- Transactions by **Financial Sponsors** in excess of \$100 million represented 23% of announcements and 24% of overall value in 2013
- While historically strong contributors to the overall market, the **Base Metals** and **Gold** sectors declined significantly in 2013, with base metal announcements falling 77%

- Transaction value in the **Oil & Gas sector** declined by 71% to \$17.6B in 2013, and deal activity fell from 224 transactions in 2012 to 164 transactions last year
- 114 deals worth \$11.3B were reported in the **Industrial Products** sector, representing a decline of 23% in both number of announcements and value
- The **Consumer Products** sector was the only area to see M&A results which nearly mirrored its performance in 2012, both in terms of activity (60 transactions) and value (\$17.4 B).

While Crosbie's report considered key trends in Canadian M&A in 2013 as a whole, it also looked at results from Q4 2013 in particular. Of note is that the 240 transaction announcements in Q4 (compared to 230 announcements in Q3 2014) represented a total value of only \$33.5B, considerably below the average of \$41.6B for the year's previous 3 quarters. Despite what may appear to be discouraging results, however, the report interpreted the numbers positively:

"Although M&A activity has been lower than we would have expected, it is nevertheless a good time to sell businesses," said Colin Walker. "We continue to see strong buyer interest in most sectors and financing for buyers has never been better. These conditions support attractive valuations and provide the ingredients for stronger M&A activity in 2014."