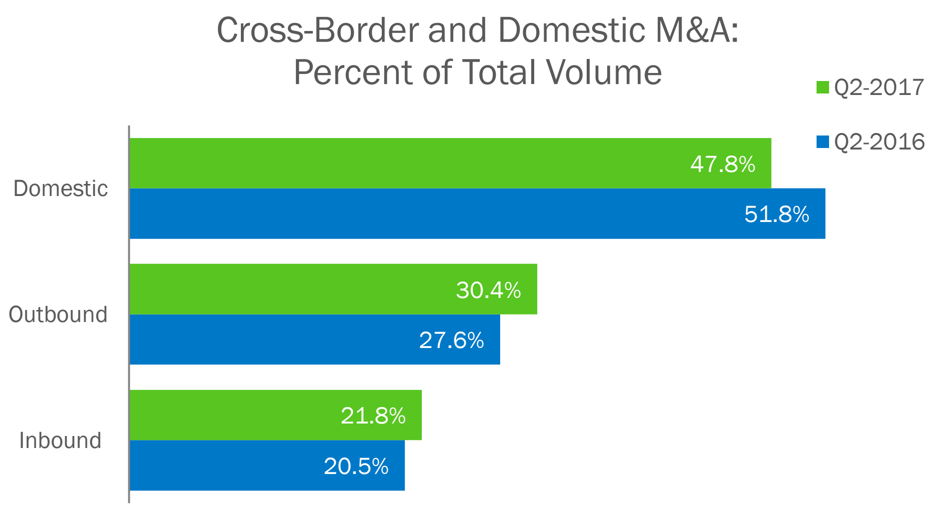
Valitas Insights: Canadian M&A – Our Q2/2017 Review

At Valitas, with our focus on Canadian mid-market M&A, it's been a busy second quarter. This week, we reviewed announced deal data sourced from *Capital IQ* to measure activity for the broader Canadian market. We were also fortunate to speak with Jay Hoffman, Leader of Miller Thomson's National Corporate and Mergers and Acquisitions Practice, about his perspective on mid-market M&A activity.

While Q2, 2017 lacked the energy sector mega-deals[1] that propelled value in Q1, total deal value was up almost 15% over Q2, 2016, at $59 billion[2], with volume remaining relatively flat at 757 transactions. Energy and Utillities were top performers, with the two largest deals of the quarter coming out those sectors. Excluding transactions exceeding $1 billion, deal value increased by 10% in the quarter on volume that was almost unchanged from Q2, 2016. Cross-border transactions represented more than half of activity by value and volume, with inbound and outbound deals increasing slightly in both categories over the previous year.

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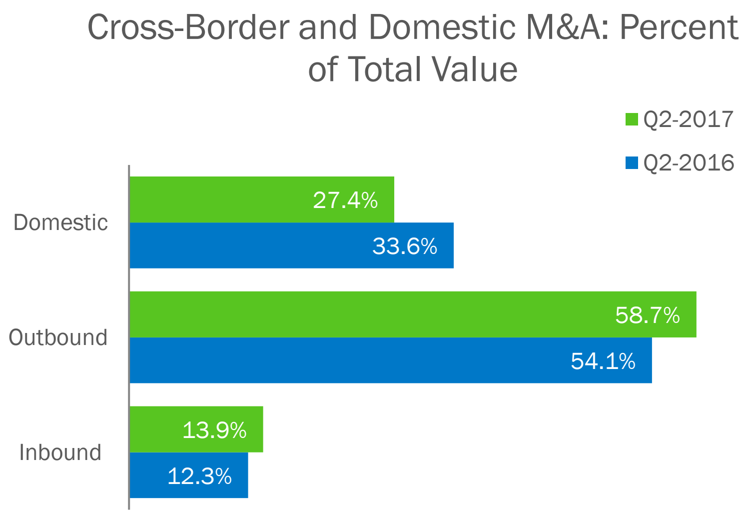
[1] For example, the $17.7 billion Cenovus acquisition of ConocoPhillips' Canadian oil sands assets.
[2] All dollar amounts are Canadian unless stated otherwise.




To provide a more comprehensive snapshot of recent mid-market deal activity, we spoke with Jay Hoffman, Leader of Miller Thomson's National Corporate and Mergers and Acquisitions Practice, where he focuses on mid-market M&A.

**Valitas:** What type of deal activity have you been seeing at Miller Thomson?

**JH:** We've experienced strong deal flow in mid-market M&A in 2017, with about 60 announced deals to date and a healthy pipeline.

**Valitas:** How much of that is cross-border activity?

**JH:** About 40% of our deals have been cross-border with approximately 75% of those transactions being inbound. Of our cross-border deal counterparties, about 65% were U.S. and 25% European, with the balance from Asia or Latin America.

**Valitas:** Have you noticed a shift in the geographic location of cross-border counterparties?

**JH:** Yes. European interest and deal flow seems to have increased over last year and there has been a slight decrease in U.S. deals. Of the U.S. deals, we've seen a significant increase in the number of our deals that involve U.S. financial sponsors, typically focused on the lower mid-market.

Our key takeaways for 2017 to date: Canadian deal makers are showing resilience in the face of geopolitical uncertainty. Deal value was up over the second quarter of 2017, and distinct from the global M&A environment, deal volume remained steady. Cross-border activity represented more than half of deal activity for the second quarter, with an increase in inbound value and volume. This should be a sustained trend as companies pursue geographic expansion, and, over a longer time-line, leverage the benefits of CETA. We've had a positive couple of quarters, and if the tempered optimism that [we reported on last week] is sustained, we expect to see more of the same through the balance of 2017.