

Regional Overview

Canada

Regional Brief
2018

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Data analysis

In 2018, disruptive sectors such as Technology were in the spotlight in Canada, while activity in historically dominant as well as more traditional sectors, such as Energy, Mining & Utilities (EMU) and Industrials & Chemicals (I&C) declined. Canadian private equity deals picked up by deal count in 2018, despite a marked decline in deal values from 2017. With 2018 ending on a stagnant fourth quarter, dealmakers will look for further signs of subdued M&A market conditions on the horizon.

Key Data Points:

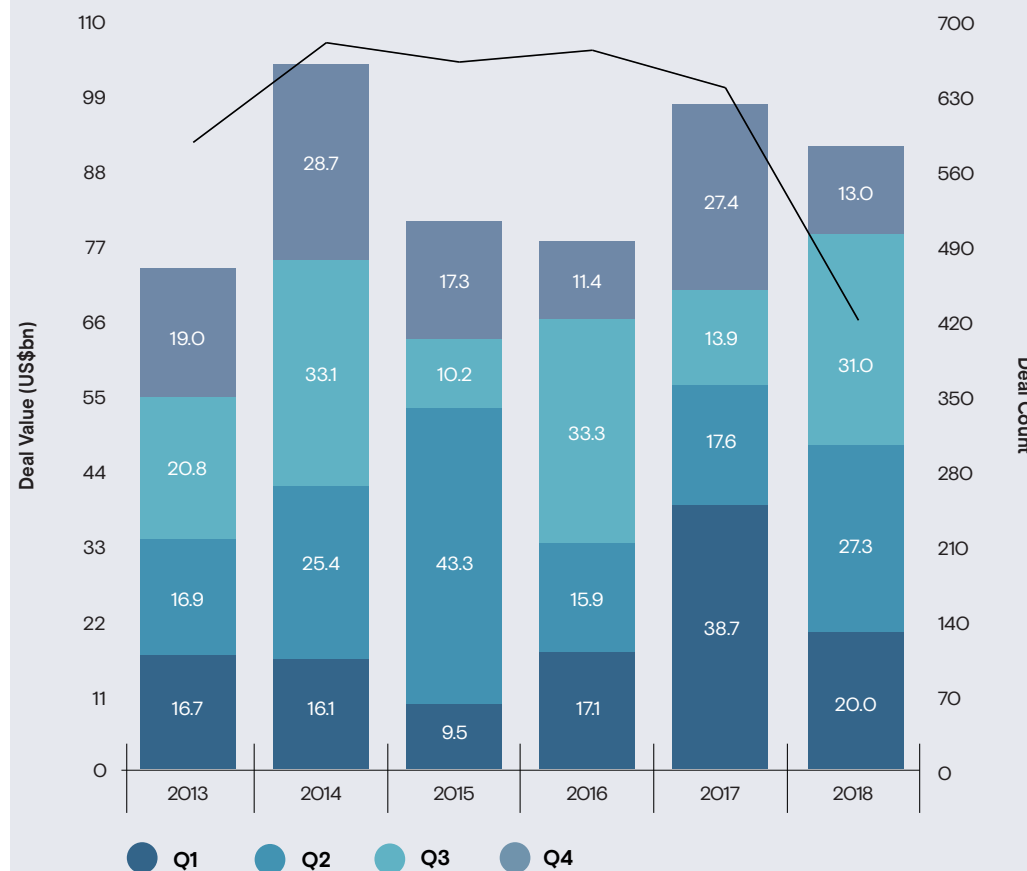
In 2018, Canada saw a decline in deal value and count, ending the year with a total of 596 deals worth a combined USD 91.4bn. This was down 6.3% by value with 32 fewer deals compared to 2017 (628 deals worth USD 97.5bn). While the year started on a strong note, 4Q18 experienced a significant decrease in activity, recording 135 deals valued at USD 12.9bn, which was down 57.9% by value from 3Q18 and down 52.4% from 4Q17. In fact, the fourth quarter of 2018 turned out to be the least active quarter by deal count since 1Q14 (136 deals) and the lowest-valued since 3Q15 (USD 10.2bn).

Canada's largest deal was for Canada Real Estate Investment Trust (CREIT), acquired by Choice Properties REIT announced early in 2018 for USD 4.6bn. In contrast, 2017's largest deal in Canada was the USD 13.2bn acquisition of Canadian energy resources of ConocoPhillips by Cenovus Energy.

Both private equity buyouts and exits saw a decline in value compared to 2017; however, deal count remained on par for buyouts and even increased for exits, reaching record levels (Mergermarket data goes back to 2001). In 2018 the country saw 85 buyouts worth a combined USD 8.1bn, compared to the same number of buyouts worth USD 12.9bn announced in 2017. At the same time, there were 63 exits valued at USD 9.4bn, a 35.8% decrease in value with five more deals compared to 58 exits valued at USD 14.7bn in 2017.

Cross-border M&A was another area with record-breaking activity. In 2018 Canadian firms made 391 investments in foreign companies worth USD 115.6bn, the highest number of outbound deals for the country on Mergermarket record (since 2001) and 12.7% higher than the previous record seen last year (347 deals).

Quarterly Breakdown 2013–2018



Data analysis

Key Trends:

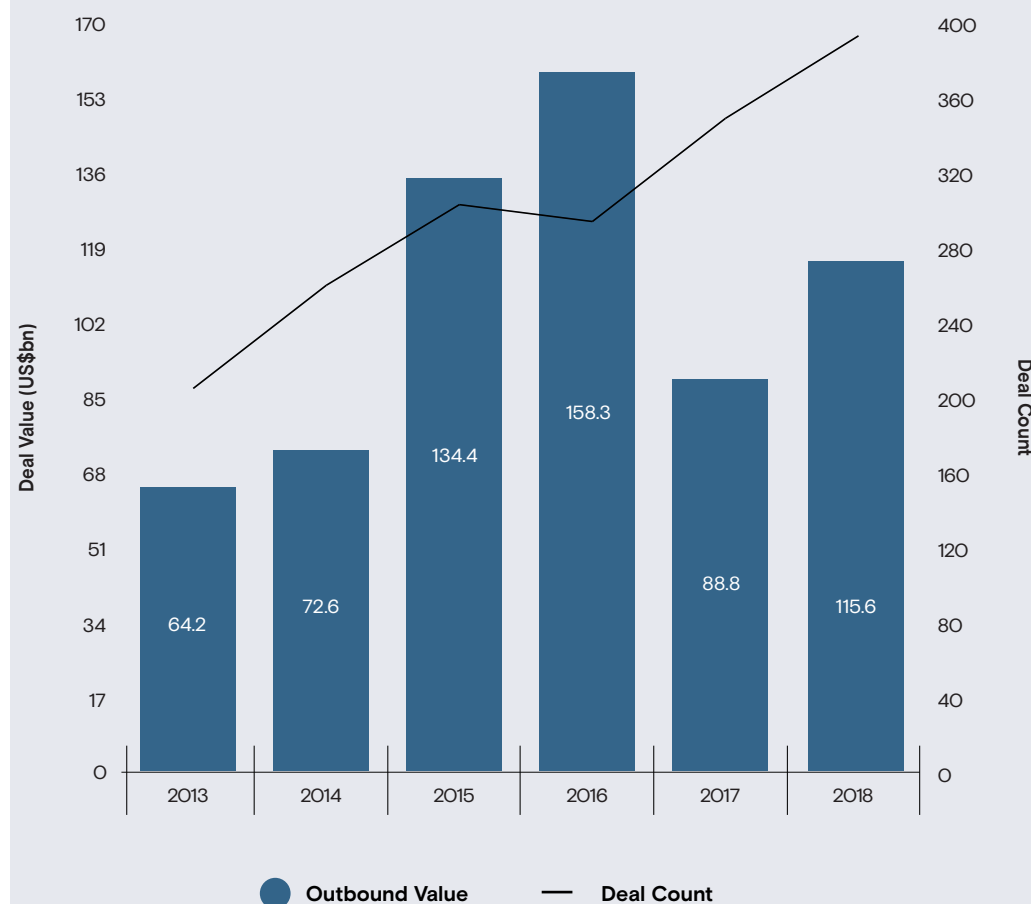
Large deals were a staple of outbound activity, with seven deals valued at USD 5bn or above, worth a combined USD 57.9bn, compared to just two deals in the same price range worth a combined USD 11.9bn in 2017. The largest among such deals in 2018 was the acquisition of Johnson Controls' Power Solutions business of by CDPQ and Brookfield Business Partners for USD 13.2bn, the fourth-biggest outbound deal for Canada on record.

Energy, Mining & Utilities (EMU) and Industrials & Chemicals (I&C) were the most active sectors in Canada, with a combined 212 deals worth USD 49.2bn in 2018. Nonetheless, the sectors were down a combined 15.3% by value with four fewer deals compared to 2017 (216 deals, USD 58.1bn). The EMU and I&C sectors have historically contributed the most to deal activity in the country; in 2018, their combined share amounted to 53.9%, down six percentage points from last year when it stood at 59.6%.

On the other hand, the Agriculture industry experienced a transformation in 2018, fueled by the country's move to legalize recreational cannabis. The sector, led by acquisitions of large cannabis companies, saw its deal value increase more than 10 times and its deal count double from 2017. In August 2018, Constellation Brands, a US-based beer and wine company, announced its intention to acquire a 32.05% stake in Canopy Growth Corporation for USD 3.9bn, following the earlier acquisition of a 9.9% stake in October 2017 for USD 191m. More recently in December, Altria, another US-based company, announced it had agreed to acquire a 45% stake in Cronos Group, a Canadian cannabis company listed on the NASDAQ, for USD 1.8bn. Earlier in February, Cronos had become the first cannabis stock ever listed on the NASDAQ exchange.

The Technology sector in Canada has also seen growth, with 100 deals worth a combined USD 4.2bn. By deal count, M&A activity in the sector has increased by 69.5% since 2013, with 2018 being the highest level on record. Canadian fintech and SaaS acquisitions were the main drivers behind the activity and included PayPal's acquisition of Hyperwallet Systems for USD 400m, Warburg Pincus' acquisition of Assent Compliance for USD 100m, and TD Bank's acquisition of Layer 6 for USD 100m.

**Outbound M&A Trend
2013—2018**



Top deals

Deal Details				Advisor details			
Value (USDm)	Announcement date	Target	Bidder	FA to sell-side	LA to sell-side	FA to buy-side	LA to buy-side
4,589	15-Feb-18	Canadian Real Estate Investment Trust (CREIT)	Choice Properties Real Estate Investment Trust	RBC Capital Markets	Blake Cassels & Graydon	TD Securities	Torys
4,017	22-Apr-18	GFL Environmental Inc	BC Partners Limited; Ontario Teachers' Pension Plan	Barclays; BMO Capital Markets; CIBC World Markets; Goldman Sachs & Co; RBC Capital Markets	Cleary Gottlieb Steen & Hamilton; Stikeman Elliott	Citi; Scotiabank	Osler Hoskin & Harcourt; Simpson Thacher & Bartlett
3,879	15-Aug-18	Canopy Growth Corporation (32.05% Stake)	Constellation Brands Inc	Greenhill & Co	LaBarge Weinstein; <i>Advising FA:</i> McCarthy Tetrault	Goldman Sachs & Co	Osler Hoskin & Harcourt; <i>Advising FA:</i> Sullivan & Cromwell
3,612	18-Sep-18	Enbridge Income Fund Holdings Inc (80.1% Stake)	Enbridge Inc	Tudor Pickering Holt & Co	Norton Rose Fulbright; <i>Advising FA:</i> Stikeman Elliott	Bank of America Merrill Lynch; Scotiabank	McCarthy Tetrault; Sullivan & Cromwell
3,464	29-May-18	Trans Mountain Pipe Line Company Ltd	Government of Canada	TD Securities	Blake, Cassels & Graydon; Weil Gotshal & Manges; <i>Advising FA:</i> Osler, Hoskin & Harcourt	Deloitte; Greenhill & Co; Scotiabank	Borden Ladner Gervais; Sidley Austin

Criteria

All data is based on transactions valued over USD 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds USD 10m. Deals where the effective stake acquired is less than 30% will only be included if the value is greater than USD 100m. Click [here](#) for the full deal criteria.

M&A trend: Based on the dominant geography of the target company being Canada. Excludes lapsed and withdrawn bids.

Cross-border M&A: Based on a transaction involving at least two different countries between target and bidder.

Top deals: Based on the dominant geography of the target company being Canada. Excludes lapsed and withdrawn bids.

All values are in USD.
Data correct as of 03-Jan-2019.

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