2017 Year-End M&A Review and 2018 Trends to Watch For

January 25, 2018

2017 was another busy year for mergers and acquisitions at BLG. In 2017, we advised on more than 100 M&A deals with an aggregate disclosed value of over CDN$70B. BLG is proud to have been able to help our clients with several of last year's most significant and interesting transactions. For example, we acted as counsel to:

- **Bedrock Industries** in its CDN$500M acquisition of Stelco Inc. and the associated CCAA restructuring.
- **CanniMed Therapeutics** in its ongoing contest for control with Aurora Cannabis, including hearings before the Ontario and Saskatchewan securities commissions.
- **Cabela's Inc**. on the Canadian aspects of its US$4.5B merger with Bass Pro Shops to become the largest premier outdoor and conservation company in North America.
- **Enersource Corporation** in connection with its merger with Horizon Utilities Corporation and PowerStream Inc., and the acquisition by the merged entity of Hydro One Brampton Networks Inc. to form Alectra, a consolidated electricity distributor with an enterprise value in excess of CDN$3B. This consolidation is the largest amalgamation in the history of the Ontario electricity sector.

- **HollyFrontier Corp**. in the acquisition of Petro-Canada Lubricants Inc. from Suncor for CDN$1.125B.
- **Hewlett-Packard Enterprise Canada Co. and Hewlett Packard Enterprise Company** on the Canadian aspects of its US$8.3B spin-off and subsequent merger of its software business with Micro Focus International plc.
- **Hewlett-Packard Enterprise Canada Co. and Hewlett Packard Enterprise Company** on the Canadian aspects of its US$8.5B spin-off of and subsequent merger of its enterprise service business with Computer Sciences Corporation.
- **Delbrooke Capital** in its successful election of its slate of dissident director nominees to the board of directors of Rapier Gold Inc., including the court ordered appointment of an independent chair.
- **Retirement Concepts**, British Columbia's largest retirement home chain, in its sale of 23 retirement properties to Anbang Insurance Group for an undisclosed amount.
- **VCA, Inc**. in its US$9.1B acquisition by Mars, Inc. This transaction was included in Thomson Reuters' 2017 Top Ten US Announced Deals.

Trends to Watch For in 2018

Based on our review of the trends evident from 2017's deal environment and what we have seen so far in 2018, we expect M&A in 2018 to be influenced by the following:

- **Valuations** – Interest rates have been low for a long time and asset values reflect this, with the record highs in the U.S. stock markets being one example. With central banks signalling their desire to hike interest rates, there is potential for both increased M&A activity as buyers borrow ahead of rising rates, and tougher deal-making as sellers seek to realize record prices. As a result, the trend toward mega-deals with eye-popping price-tags seems likely to continue.
- **Shareholder Activism** – The trend of shareholders pro-actively pushing for change shows no sign of abating in 2018. Even the current take-over battle for CanniMed (where BLG is acting for the target) is the result, in part, of shareholders willing to sign hard lock-up agreements in order to effect change.
- **Technology Companies** – Technology emerged as a major driver of M&A in 2017. Amazon's purchase of Whole Foods is one example of how technology-based companies can change the dynamics of an industry through M&A. The desire to not be left behind will drive some companies to acquire other businesses for their technology or talent, and see others becoming targets of technology-based giants.
- **Politics** – While stock markets have powered ahead despite uncertainties on the political front, some of these uncertainties are starting to come into focus. For example, the U.S. tax legislation finally went through and its effects on M&A – for buyers and targets alike – is now being assessed. For Canada, the fate of NAFTA remains unclear, but the risk of the U.S. terminating the agreement certainly seems higher now than a year ago, making M&A risks more difficult to quantify. Many other political events could affect M&A generally or in certain industries, from legalization of cannabis in Canada and conflicting regulation in the U.S., elections in Ontario and the U.S., the progress of Brexit, and geopolitical tensions.

BLG's M&A Building Blocks

2017 also saw the launch of BLG's M&A Building Blocks series, a client resource explaining the fundamentals of M&A. There are now six instalments available outlining the key elements of an M&A deal, from start to finish, with more to come in 2018. The instalments released to date are:

- Introduction to the Deal
- Confidentiality Agreements and Letters of Intent
- Duties of the Board or Special Committee
- Basic Deal Structures
- Dealing with Public Disclosure
- Negotiating Representations, Warranties & Material Adverse Change/Effect Clauses

For further information about BLG's Mergers and Acquisitions team and to access our bulletins and our M&A Building Blocks series, visit blg.com/ma

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