

Canadian M&A market

Q1 2025 quarterly report

January 1 to March 31, 2025

Prepared by The Shaughnessy Group | April 2025

For distribution to Canadian business owners

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01

Quarter at a glance

Q1 2025: key numbers at a glance

249

Q1 middle-market transactions
(MNP Corporate Finance)

+2.2%

Q1 GDP annualized
(Statistics Canada, pre-tariff
surge)

2

BoC rate cuts in Q1
(Jan. 29 to 3.0%; Mar. 12 to
2.75%)

-7.7%

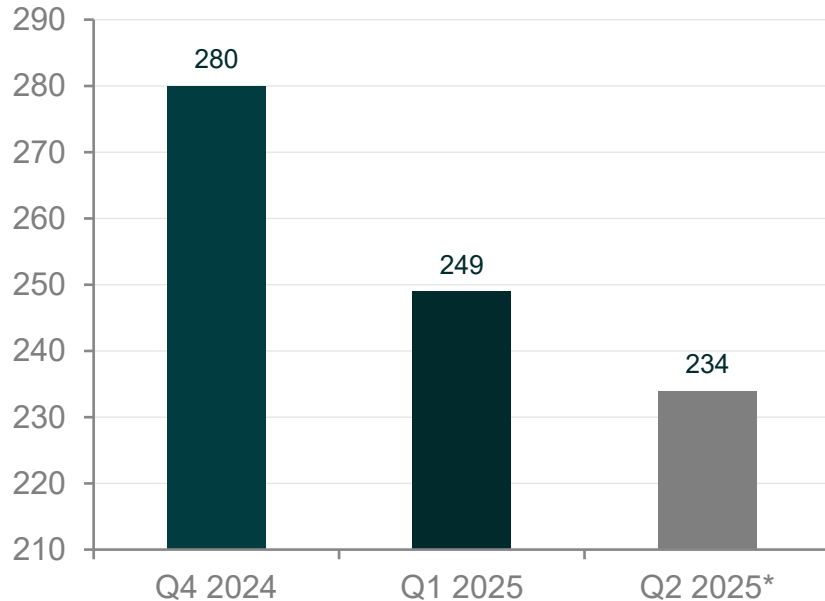
US inbound deal volume in H1
vs. same period 2024 (LSEG)

Q1 2025 was a cautious start: tariff threats froze inbound buyers, deal count declined from Q4 2024, yet large strategic transactions pushed aggregate value higher. A pre-tariff export surge flattered GDP, masking weakness in domestic demand. January was the weakest month for U.S. acquisitions of Canadian companies in 22 years.

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Deal activity overview

Deal volume and value: Q1 2025



* MNP Corporate Finance data. Q4 2024 figure estimated from context data. Q2 2025 shown for comparison. Chart in CAD mid-market transactions.

Volume fell, value rose

H1 2025 deal value reached CA\$113.7B (+70% YOY) on flat volume of ~511 deals. Fewer but larger transactions defined the period (ABA Business Law Today / Dentons).

Inbound froze in Q1

January 2025 was the weakest month for U.S. acquisitions of Canadian companies in 22 years as buyers waited for tariff clarity. Inbound recovered in Q2 (The Logic, Nov. 2025).

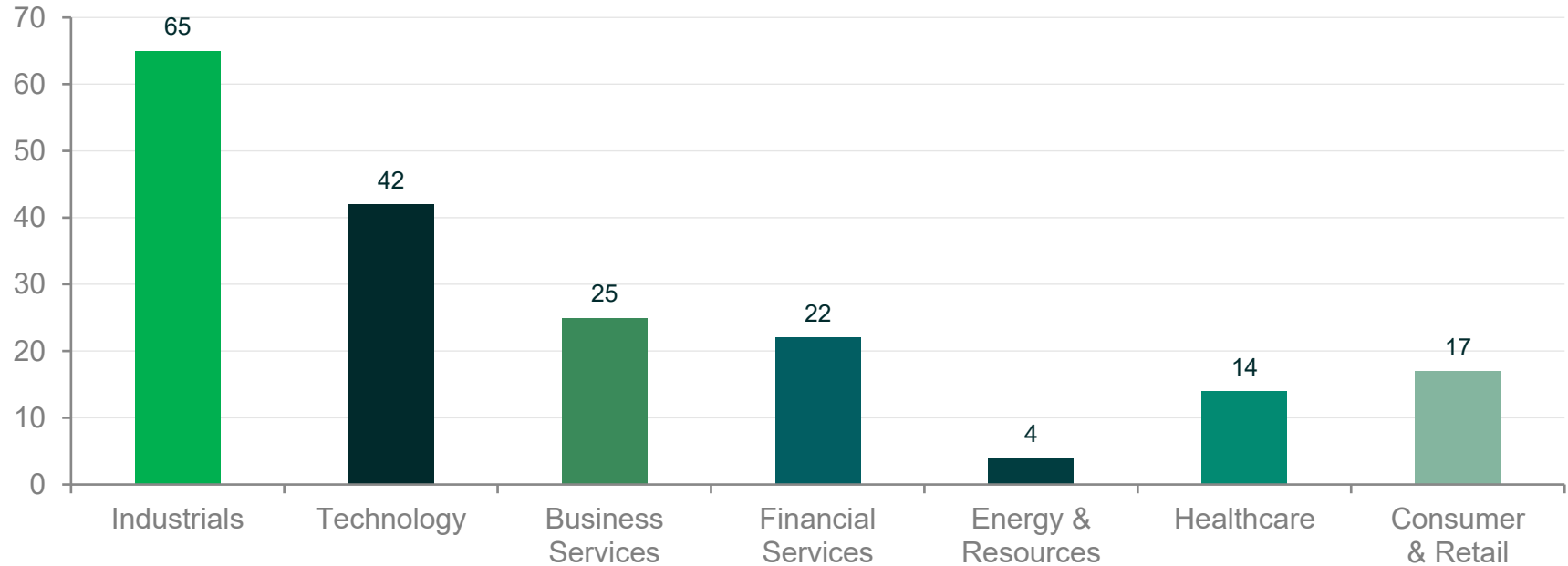
Outbound rose

Canadian funds and strategics increased outbound activity in H1, acquiring U.S. and European assets to build behind the tariff wall and diversify revenue (Dentons, Aug. 2025).

03

Sector-by-sector analysis

Sector activity: Q1 2025 transaction landscape



Source: MNP Corporate Finance Q1 and Q2 2025 Middle Market M&A Update (mnp.ca). Energy recorded only 4 mid-market deals in Q1 2025, the lowest of 2025, rising to 11 in Q2 following the new PM's energy security commitments. Sector data estimated from MNP QOQ comparatives.

Q1 sector spotlight: industrials, technology and energy

Industrials (led Q1 by count)

- Industrials led all sectors for the third consecutive quarter (MNP Corporate Finance)
- Construction, transportation, maintenance and industrial services drove consolidation
- Tariff impact limited vs. manufacturing, supporting buyer confidence in this sector
- Buyers valued businesses with domestic revenue bases insulated from cross-border trade risk
- Q1 set the pattern that Industrials would maintain throughout all four quarters of 2025

Technology

- Technology led H1 2025 by deal count — consistent with four prior quarters (Bennett Jones)
- MNP technology tracker: Q1 2025 saw mid-market tech activity, largest Canadian deal was acquisition of Qusitive Technology Solutions
- SaaS and digital infrastructure were the most active sub-sectors
- U.S. tariff exemptions on technology products supported buyer confidence in cross-border tech deals
- AI-adjacent acquisitions continued to attract premium valuations in Q1

Energy and oil and gas

- Energy was the standout sector by deal value despite low mid-market volume (4 tracked deals, MNP)
- Whitecap Resources announced merger with Veren Inc. at CA\$15B all-stock (March 2025)
- GFL Environmental closed sale of its Environmental Services division for \$8.0B (March 3, 2025)
- Oil price volatility (WTI near US\$59 in late Q1) led producers to monitor capital programs
- Strong balance sheets from years of debt repayment enabled strategic M&A despite price weakness

Sources: MNP Corporate Finance Q1 and Q2 2025 Middle Market Updates; Bennett Jones Q2 2025 M&A Landscape; ABA Business Law Today, Aug. 2025; U.S. SEC EDGAR.

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Valuation and market conditions

Valuation conditions and deal execution: Q1 2025

Valuation conditions

- Valuation friction prominent: uncertainty around foreign investment policy and tariff impacts created wide bid-ask spreads
- Higher average deal sizes as strategic buyers with clear conviction transacted while cautious buyers deferred
- Mid-market deal value held steady YOY in H1 despite lower count — consistent with Q1 setting this tone (Bennett Jones Q2 report)
- Limited auctions and bilateral processes were more common than broad processes as sellers wanted certainty
- Capital readiness and speed of execution were the key buyer differentiators, not just price (Dentons / ABA)

Financing and credit markets

- BoC cut overnight rate twice in Q1: Jan. 29 to 3.0% and March 12 to 2.75% — seventh consecutive cut since June 2024 (Bank of Canada)
- Rate at 2.75% placed policy in the middle of BoC's estimated neutral range of 2.25% to 3.25% (RBC Economics)
- Debt markets more active than equity markets — companies took advantage of improving credit conditions (Bennett Jones Q2 outlook)
- Private credit continued to fill bank financing gaps; unitranche, NAV facilities and hybrid structures used by sponsors (Dentons)
- Variable mortgage and business loan rates responded to cuts, supporting consumer and housing recovery that offset tariff drag

Sources: Bank of Canada (bankofcanada.ca) Jan. and March 2025; RBC Economics (rbc.com); Bennett Jones Q2 2025 M&A Landscape; ABA Business Law Today / Dentons, Aug. 2025.

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Private equity and VC activity

Private equity and VC activity: Q1 2025

\$1.4B

Q1 2025 VC invested
(CAD, CVCA Q3 2025 report)

CA\$18.1B

PE sponsor-led buyouts
H1 2025 (+65% YOY)

22%

Earnout usage in non-life-sci
private-target deals (SRS
Acquiom)

4

BoC cuts since Q2 2024
bringing rate to 2.75% by Mar.
31

- CVCA Q3 2025 report confirmed Q1 VC investment was CAD \$1.4B across approximately 128 deals — a stable start before Q2 tariff impacts materialized. Year-to-date pacing through Q1 was consistent with a cautious but functional VC market.
- PE activity in H1 2025 reflected higher dollar volumes but fewer transactions; sponsor-led buyouts totalled CA\$18.1B for the half-year, up 65% YOY, while deal count shrank substantially (ABA Business Law Today / Dentons).
- Take-private activity was an established trend from 2024 that continued into Q1 2025. Four PE take-privates totalling CAD \$23.5B were tracked year-to-date through Q3 2025, suggesting significant activity originated in Q1 and Q2 (CVCA Q3 2025).
- Tariff-related uncertainty suppressed early-stage and growth-stage startup formation and VC appetite for consumer-facing businesses with U.S. supply chain exposure.

Sources: CVCA Q3 2025 Market Overview (cvca.ca); ABA Business Law Today / Dentons, Aug. 2025 (americanbar.org); SRS Acquiom 2024 M&A Deal Terms study; Bennett Jones.

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Regulatory and policy environment

Regulatory and policy environment: Q1 2025

Investment Canada Act

- March 5, 2025: government announced ICA national security guidelines now include economic security as a distinct factor
- Government stated it may invoke ICA national security provisions to prevent 'opportunistic or predatory investment behaviour by non-Canadians'
- Policy specifically addressed enhanced integration with a foreign state or its economy as a reviewable factor
- Potential shift in treatment of U.S. investors marks departure from prior focus on Chinese investors in critical minerals
- Business owners with strategic value to foreign buyers in energy, tech and critical minerals must factor ICA risk into exit planning

Competition Bureau

- Competition Act 2024 amendments remained in force: new structural presumptions, extended 3-year look-back, no efficiencies defence
- Competition Bureau pre-merger notifications on a rising trend: 247 filings in 2024-25 fiscal year (+31% YOY, Blakes Nov. 2025)
- Buyers conducting more rigorous pre-signing market analysis given new presumptive anticompetitiveness thresholds at 30%+ market share
- The \$93M size-of-transaction threshold remained frozen — growing share of deals requiring pre-closing review each year
- Draft Merger Enforcement Guidelines published later in 2025 were in development during Q1

Tariff and trade policy

- U.S. announced 25% tariffs on all Canadian imports on Jan. 20, 2025 (later modulated and partially implemented)
- 25% tariffs on Canadian steel and aluminum implemented March 4, 2025 (U.S. Presidential Proclamation)
- Canada announced retaliatory tariffs on selected U.S. goods in response
- Carbon tax on consumer energy products removed April 1, 2025 (effective end of Q1 / start of Q2)
- CUSMA (Canada-U.S.-Mexico Agreement) renewal discussions anticipated for fall 2025, creating ongoing uncertainty

Sources: Bennett Jones Q2 2025 M&A Landscape ([bennettjones.com](https://www.bennettjones.com)); Blakes Competitive Edge Nov. 2025; Bank of Canada; Statistics Canada; U.S. Presidential Proclamations.

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Business succession and owner readiness

Succession readiness: what Q1 2025 means for owners

76%

of Canadian small-business owners plan to exit in the next decade

91%

have NO formal succession plan (CFIB, via The Logic)

\$2T+

in Canadian business assets expected to change hands

\$1.25M

LCGE per qualifying owner for QSBC share dispositions

Q1 2025 signal for owners considering an exit:

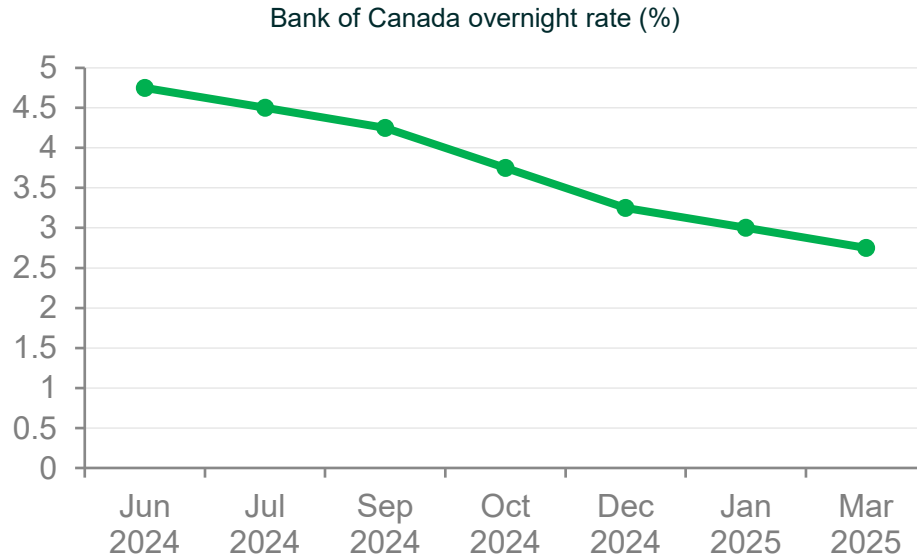
1. Q1 showed that buyers with strategic conviction transacted despite tariff uncertainty — but only with prepared sellers offering clean financials, clear tariff exposure analysis and structural flexibility. Unprepared sellers were deferred.
2. The ICA's March 5 policy update means that if a foreign buyer is part of your exit plan, legal review of ICA national security risk should begin now, not after a letter of intent arrives.
3. The Bank of Canada cut rates twice in Q1 and private credit options expanded — buyer financing capacity improved through the quarter. Owners should understand what a buyer can actually afford, not just what they will offer.

Sources: CFIB via The Logic (thelogic.co, Feb. 2025); BDC (bdc.ca); MNP ExitSMART; WealthCo (wealthco.ca); Bennett Jones Q2 2025 M&A Landscape; BDC succession guidance.

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Macroeconomic context

Macroeconomic snapshot: Q1 2025



+2.2%

GDP Q1 2025
Annualized (Statistics Canada)
Pre-tariff export surge

+1.6%

Exports Q1 2025
Driven by pre-tariff pull-forward
(passenger vehicles +16.7%)

6.6%

**Unemployment
Mar. 2025**
Relatively stable entering Q1
before tariff-driven softening

~2.3%

CPI (Q1 2025)
Slightly above BoC 2% target
(MNP Q2 2025 update)

Sources: Statistics Canada (statcan.gc.ca), May 30, 2025; Bank of Canada (bankofcanada.ca); CBC News; Global Affairs Canada Q1 2025 Quarterly Report; MNP Q2 2025 Middle Market Update.

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Notable transactions of the quarter

Notable Canadian M&A transactions: Q1 2025

Target	Acquirer	Value	Sector
GFL Environmental Services division	Apollo Global Mgmt. / BC Partners	\$8.0B (EV)	Environmental Services
Veren Inc.	Whitecap Resources (all-stock merger)	CA\$15B (~US\$10.8B)	Energy / Oil and Gas
Quisitive Technology Solutions Inc.	Undisclosed acquirer	Undisclosed	Technology / SaaS
Nord Anglia Education (UK)	Canadian-led pension consortium	US\$20.1B	Education (private)
Neoen S.A. (France)	Brookfield, Temasek, Brookfield Renewable	\$14.6B	Renewable energy / infra.
ARC Resources Montney assets	ARC Resources (from Strathcona)	Undisclosed	Energy / Natural Gas
Various dealership acquisitions	Go Auto, Toner Auto Group	Undisclosed	Automotive Retail

Sources: U.S. SEC EDGAR (GFL); Kroll Canadian M&A Industry Insights Summer 2025; Intellizence Q1 2025 M&A deals; MNP Corporate Finance Technology Q1 2025 Update; Bennett Jones. Values in currency reported by source.

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Outlook for Q2 2025

Outlook for Q2 2025: tariffs will test the market

Bennett Jones LLP (Q2 retrospective, July 2025)

Market confidence improved in Q2 after a cautious Q1. By late spring, early-year pressures eased, unlocking new and previously delayed transactions. The number of deals declined but total deal value rose — buyers with strategic alignment transacted.

Global Affairs Canada (Q1 2025 Quarterly Trade Report)

Canada's Q1 GDP was boosted by pre-tariff export and inventory build-up. The Bank of Canada forecast that growth would slow later in 2025 and possibly contract in 2026 if trade uncertainty persisted. Export and investment weakness was expected in Q2.

RBC Economics (Q1 GDP commentary, May 2025)

Q1 GDP growth of 2.2% annualized was flattered by pre-tariff inventory building. Analysts expected Q2 to show the real pain from tariffs, with exports likely to retrace sharply. Canada's favourable CUSMA position relative to other trading partners was the key risk mitigant.

Torys LLP (M&A Outlook for 2025, Q1 2025)

Conditions were expected to be right for continued M&A momentum through 2025. However, tariff threats, foreign investment scrutiny and elevated regulatory review timelines posed challenges. Strategic M&A would continue; opportunistic M&A would remain subdued.

Sources: Bennett Jones Q2 2025 M&A Landscape ([bennettjones.com](https://www.bennettjones.com)); Global Affairs Canada Q1 Quarterly Report (international.canada.ca); RBC Economics; Torys LLP M&A Outlook Q1 2025.

Questions to bring to your advisors now

01

Q1 2025 showed that buyers with strategic conviction transacted even in an uncertain market — but only with prepared sellers. Is my business ready to transact within 90 days, with clean financials, resolved tariff exposure analysis and documented management depth?

02

The ICA's March 5, 2025 update means foreign buyer interest in my business may trigger a national security review on economic security grounds. Have I had early legal counsel assess whether this risk applies to my industry and how it would affect deal timing and structure?

03

The Bank of Canada cut rates twice in Q1 and private credit is more accessible than ever. Have I understood what these financing improvements mean for what potential buyers can actually afford to pay — and how that affects whether now is a better or worse time to sell than 12 months ago?

The Shaughnessy Group

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Selling Your Canadian Business
A Step-by-Step Guide to Maximizing Value and Securing Your Legacy
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