

# Canadian M&A market

## Q3 2025 quarterly report

July 1 to September 30, 2025

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Prepared by The Shaughnessy Group | October 2025

For distribution to Canadian business owners

Version 1.0

*Disclaimer: This report is prepared for general information purposes. It does not constitute financial, legal or tax advice. All data is sourced from publicly available third-party sources as cited. Consult qualified advisors before making business or financial decisions.*

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# 01

## Quarter at a glance

## Q3 2025: key numbers at a glance

**642**

Q3 deals in Canada  
(PwC Canada / CapitalIQ)

**US\$131B**

Q3 deal value (S&P Global)  
Highest since Q4 2020

**273**

Middle-market transactions  
(MNP Corporate Finance)

**+12.3%**

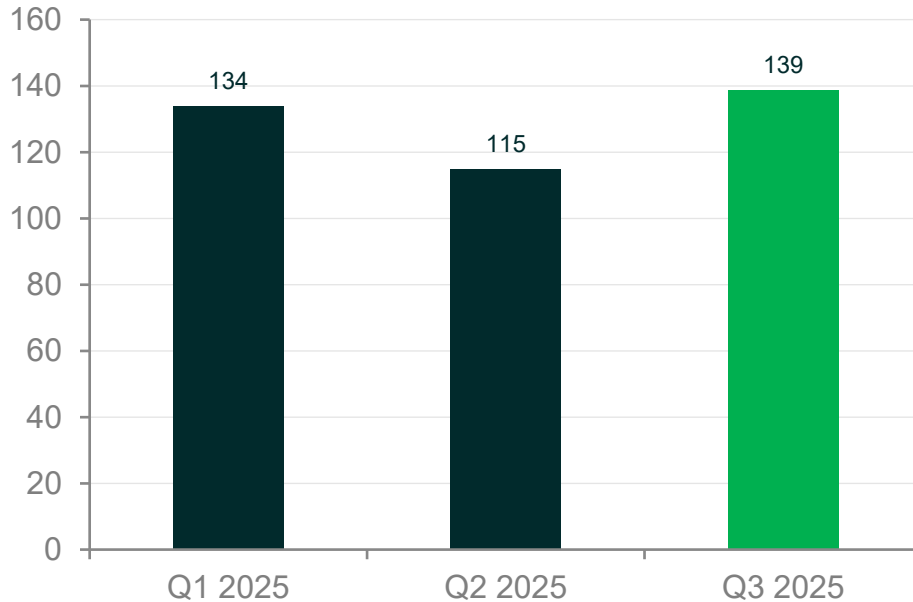
Q3 mid-market deal count  
vs. Q2 2025 (MNP)

*Q3 2025 marked a turning point: July was the most active month of 2025 by deal count, September recorded the highest monthly deal value at US\$60 billion, and the Bank of Canada cut rates on September 17 — reinvigorating deal confidence heading into Q4.*

# 02

## Deal activity overview

## Deal volume and value: Q3 2025 in context



### YTD deal value premium

US\$125.2B ahead of same period in 2024 (Bennett Jones)

### September value

US\$60B — highest single-month total in 2025 (S&P Global)

### Earnout usage (LMM)

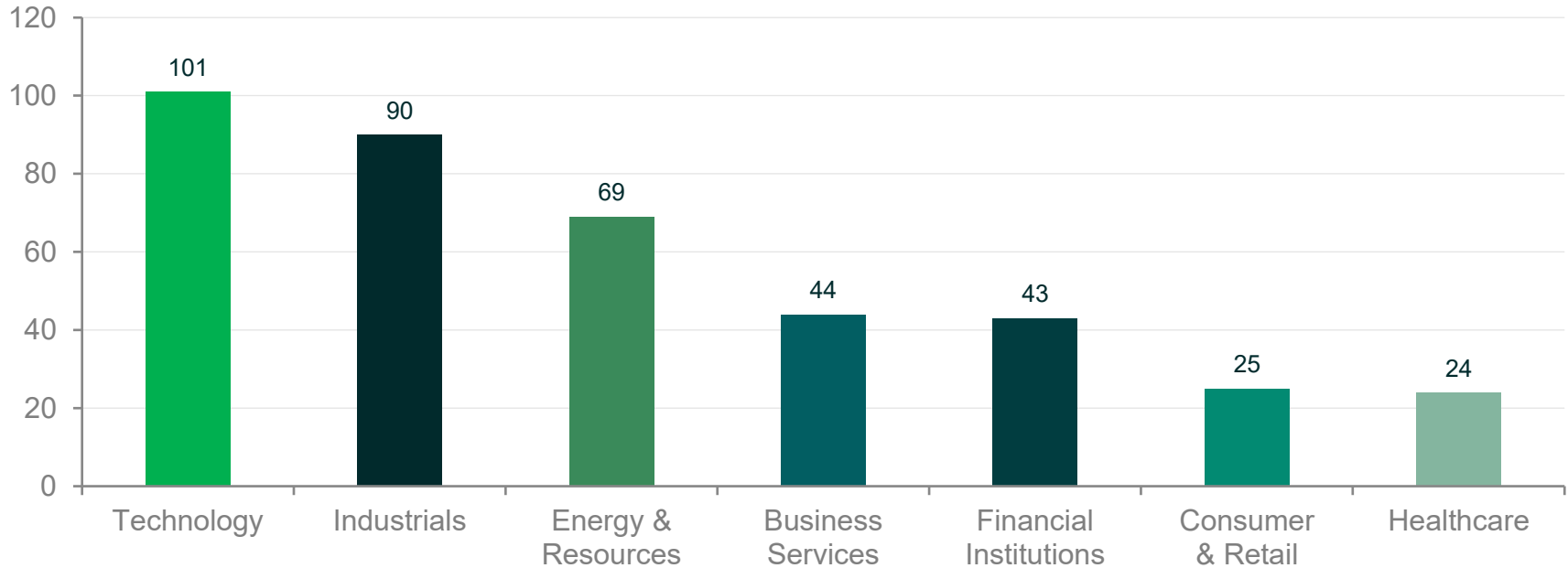
27% of sub-US\$50M deals (SRS Acquiom / Bennett Jones)

Sources: PwC Canada (CapitalIQ); Bennett Jones LLP; S&P Global Market Intelligence as of Sept. 30, 2025.

# 03

## Sector-by-sector analysis

## Sector activity: Q3 2025 transaction count by industry



Source: Mergermarket as of Sept. 30, 2025, via Bennett Jones LLP Q3 2025 M&A Landscape ([bennettjones.com](https://www.bennettjones.com)). Technology led for fifth consecutive quarter.

## Q3 sector spotlight: energy, industrials and technology

### Technology (101 deals)

- Clear leader for 5th consecutive quarter (Mergermarket)
- Software consolidation and AI-adjacent acquisitions driving activity
- Slight moderation in pure-AI enthusiasm as buyers seek clearer ROI
- Cross-border: tech remained active for both domestic and inbound deals

### Industrials (90 deals)

- MNP: 58 mid-market transactions (23.9% of all mid-market Q3 activity)
- Bird Construction acquires Fraser River Pile and Dredge (est. 1911)
- Black Diamond Group acquires Royal Camp Services at \$165M EV
- Construction, marine infrastructure and camp services consolidating

### Energy & Resources (69 deals)

- Teck / Anglo American merger of equals at US\$53B (Sept. 8, 2025)
- Cenovus acquires MEG Energy for \$7.9B (Aug. 22, 2025)
- ARC Financial takes STEP Energy Services private (Sept. 2025)
- Record gold prices expected to sustain Q4 momentum (Bennett Jones)

Sources: Mergermarket; Bennett Jones LLP Q3 2025 M&A Landscape; MNP Corporate Finance Q3 2025 Middle Market Update; Torys LLP Q3 2025 analysis.

# 04

## Valuation and market conditions

# Valuation conditions and deal structuring: Q3 2025

## Valuation conditions

- Valuation gaps narrowing as sellers adjusted expectations in Q3
- Buyers showed greater pricing discipline and lower risk appetite
- Mid-market deal count rose 12.3% from Q2 (243 to 273 transactions)
- Sectors with limited tariff exposure commanded stronger multiples

## Earnout structures rising

- Earnouts in 22% of non-life-sciences deals in 2024 (up from 15% in 2019)
- 27% of lower-middle-market deals below US\$50M included earnout in 2024
- EBITDA-based milestones were the dominant earnout metric in Q3 2025
- Tariff uncertainty reduced reliability of historical financials as value anchors

Sources: SRS Acquiom (2024 M&A Deal Terms study); Bennett Jones LLP Q3 2025 M&A Landscape (bennettjones.com); Bank of Canada (bankofcanada.ca).

# 05

## Private equity and VC activity

## Venture capital and private equity: Q3 2025

**\$1.8B**

Q3 2025 VC deployed  
(123 deals, CVCA)

**\$4.9B**

YTD VC invested  
(386 deals through Q3)

**75%**

of Q3 capital in  
megadeals (CVCA/WP)

**\$23.5B**

PE take-privates YTD  
(4 transactions, CVCA)

- ICT (technology) sector: ~55% of all VC dollars YTD (approx. CAD \$2.7B)
- Life sciences: CAD \$1.07B YTD, strongest pace since 2018; agribusiness exceeded full-year 2024 total by Q3
- PE take-privates ran 60% ahead of 2024 full-year total; four deals totalling CAD \$23.5B YTD
- Exit market constrained: IPOs absent; secondary transactions at \$919M across 6 deals in Q3 (+20% YOY)

Sources: CVCA Q3 2025 Market Overview ([cvca.ca](https://cvca.ca)); Wealth Professional, Nov. 13, 2025 ([wealthprofessional.ca](https://wealthprofessional.ca)).

# 06

## Regulatory environment

# Regulatory and policy environment: Q3 2025

## Investment Canada Act

- Economic security now a distinct ICA national security factor
- Supply chains, critical minerals and data sovereignty under heightened scrutiny
- Dealmakers adopting proactive pre-closing ICA notifications
- Foreign buyers exploring pension fund / First Nations partnerships to ease approval
- ABA Business Law Section Fall Meeting (Toronto, Sept. 18-20) focused on ICA risk

## Competition Bureau

- 185 merger reviews YTD 2025 (up from 172 in same period 2024)
- Average review: 40 calendar days (up from 38 in 2024)
- New structural presumptions: >30% market share = anticompetitive presumption
- Extended 3-year look-back for non-notifiable transactions now in force
- Pre-signing market analysis now essential to manage Competition Act exposure

## Tax policy

- LCGE: \$1.25M per owner for QSBC shares (2025)
- CEI: additional \$2M at 33.33% inclusion rate for eligible founders
- CEI excludes: finance, real estate, consulting, medicine
- 3-year minimum voting share holding required for CEI
- Bill C-208 enables family sales with same tax treatment as third-party sales

Sources: Bennett Jones LLP Q3 2025 M&A Landscape; Blakes LLP Competitive Edge Nov. 2025; Norton Rose Fulbright 2026 ICA thresholds; BDC; WealthCo.

# 07

## **Business succession and owner readiness**

# Canada's succession gap: context for Q3 2025

76%

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

91%

of those planning to exit have NO formal succession plan

\$2T+

in business assets expected to change hands this decade

27%

of lower-mid-market deals included an earnout in 2024

## Three actions for Q3/Q4 2025 business owners:

1. Enter a sale process during revenue growth — buyers in Q3 applied greater scrutiny and used any softness to demand discounts or earnouts.
2. Understand earnout mechanics before signing — EBITDA-based earnouts are the norm; know how your cost structure interacts with the target.
3. Assess ICA and Competition Bureau exposure early — proactive pre-notification protects deal timelines and avoids post-closing review risk.

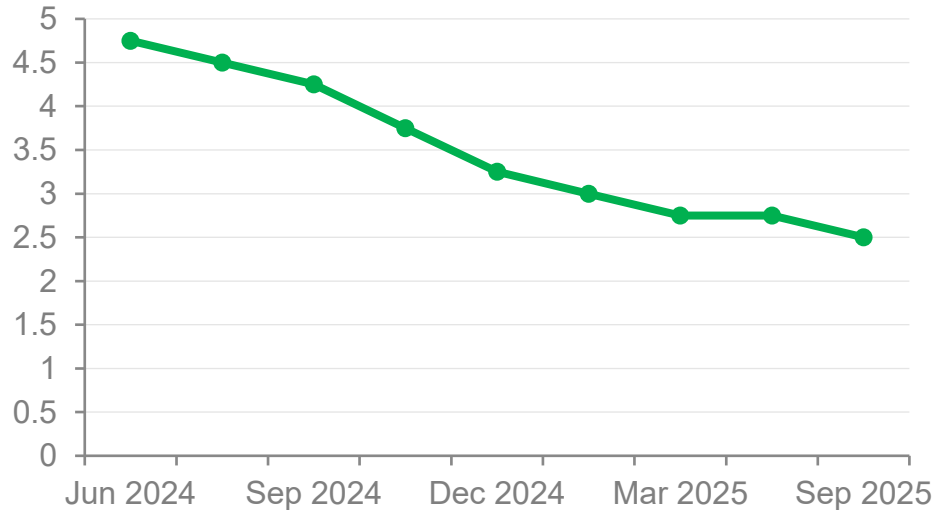
Sources: CFIB via The Logic ([thelogic.co](http://thelogic.co), Feb. 2025); MNP ExitSMART; BDC ([bdc.ca](http://bdc.ca)); SRS Acquiom 2024 M&A Deal Terms study; Bennett Jones LLP.

# 08

## Macroeconomic context

# Macroeconomic snapshot: Q3 2025

Bank of Canada overnight rate (%)



**+2.6%**

**GDP Q3 2025**  
Annualized (Statistics Canada)  
Beat 0.5% consensus

**-1.8%**

**GDP Q2 2025**  
Revised annualized contraction  
(Statistics Canada)

**7.1%**

**Unemployment**  
**Sept. 2025**  
Highest since May 2016  
(ex-pandemic)

**2.4%**

**CPI (Sept. 2025)**  
Slightly above BoC target  
(Statistics Canada)

Sources: Statistics Canada (statcan.gc.ca); Bank of Canada (bankofcanada.ca); CBC News Nov. 2025; RBC Economics Dec. 2025.

# 09

## Notable transactions of the quarter

## Notable Canadian M&A transactions: Q3 2025

Target	Acquirer	Value	Sector
Teck Resources / Anglo American merger	Anglo American plc (U.K.)	US\$53B (proposed)	Mining / Critical Minerals
MEG Energy Corp.	Cenovus Energy Inc.	\$7.9B (incl. debt)	Energy / Oil Sands
Guardian Capital Group Ltd.	Desjardins Group (take-private)	Undisclosed	Financial Services / Wealth Mgmt.
STEP Energy Services Ltd.	ARC Financial Corp. (take-private)	~\$5.50/share (+29%)	Energy / Oilfield Services
Burgundy Asset Management	Bank of Montreal (BMO)	Undisclosed	Financial Services / Asset Mgmt.
Royal Camp Services Ltd.	Black Diamond Group Limited	\$165M (EV)	Industrials / Camp Services
Fraser River Pile and Dredge Inc.	Bird Construction Inc.	Undisclosed	Industrials / Construction

Sources: Bennett Jones LLP; Torys LLP; MNP Corporate Finance Q3 2025; U.S. SEC EDGAR; Lexpert; CVCA. Values in currency reported by source.

# 10

## Outlook for Q4 2025

# Outlook for Q4 2025: positive momentum building

## Bennett Jones LLP

Q3 showed positive developments and dealmakers more energized than in years. Energy and Natural Resources expected to continue strong if gold prices hold. Flexible, risk-focused deal structuring is the key to capturing Q4 opportunities.

## Torys LLP

The Canadian M&A market at Q3 close looks very different from early 2025. Billion-dollar deals up 85% in two years. Canada's strong fundamentals in industrials and basic materials continue to attract inbound strategic interest.

## PwC Canada

Market reached more stable footing in 2025 with steady deal flow. Transaction volume expected to hold through Q4 and into H1 2026, anchored by local deals. Wealth management and digital infrastructure remain active.

## Osler LLP (Dec. 2025)

For mid-market companies, the question will be how long they can afford to stay on the sidelines. Once trade clarity improves, a release of pent-up M&A activity is expected to follow in Q4 and into 2026.

Sources: Bennett Jones Q3 2025 M&A Landscape; Torys Q3 2025 analysis; PwC Canada 2026 M&A Outlook (Dec. 2025); Osler via Lexology (Dec. 2025).

## Questions to bring to your advisors now

**01**

Given that Q3 showed buyers returning but applying greater pricing discipline, has my business been prepared with a quality of earnings review, customer concentration analysis and documented management depth before entering a sale process?

**02**

Earnouts were present in 27% of lower-middle-market deals in 2024. If part of my proceeds were contingent on post-closing EBITDA performance, do I understand how tariff costs, currency movements and cost structure changes would affect my ability to achieve those targets?

**03**

With the Bank of Canada rate at 2.50% and private credit options expanding, have I engaged an advisor to understand the full range of acquisition financing structures available to buyers — which directly affects how much any given buyer can afford to pay?

# The Shaughnessy Group

Boutique sell-side M&A advisory  
For Canadian businesses with \$5M to \$50M in annual revenue

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