

The Pattern of Recession Recovery

By: Doug Robbins

“Why Canada’s Lower-Middle Market is Primed for a Surge in 2026.”

Having operated through 5 major recessions since Robbinex was founded in 1974, we have learned that recessions follow a pattern.

- Six months before a recession is officially declared, buyers and their bankers gradually withdraw from acquiring financing for transactions. They return to active participation about halfway through the recession.
- The sellers withdraw from selling during the recession and resume somewhere between six months to a year after the recession has been declared ended.

Why you wonder? The true value of a business lies in its ability to earn profits in the future and a recession creates serious doubt about the future. As a recession ends, buyers and bankers return because they can more accurately forecast the future. The sellers have left the market because their revenues or profits (or both) have seriously declined. This reduces value and they don’t return to the market until revenues and profits return.

The COVID-19 outbreak started in early 2020 and, economically, this was treated much like a longer recession. As things started to return to normal, and the future looked more predictable, transactions started to return to normal in early 2024.

Economic uncertainty returned when Donald Trump was elected President of the United States in November 2024. M&A transactions in the lower-middle market slowed to a crawl due to the economic instability created by his tariffs, coupled with the uncertainty created by the threats to Canadian sovereignty. The political instability caused by the resignation of Trudeau, and the subsequent election last April left a void in how Canada would operate with the tariffs.

However, I strongly believe that **M&A transactions in the lower-middle market will start to return to normal levels as early as April 2026** and run at accelerated levels during the balance of 2026 and into 2027 to accommodate the huge pent-up demand created by these issues.

WHY APRIL 2026? Our new government’s economic and business plans, as they take effect, are positioned to make Canada an economic success. The re-tooling of the Canadian economy is taking place, and a book could be written on what will occur over the next 3 to 5 years to our country as these changes start to take effect. These changes include:

- The Security Action for Europe (SAFE) initiative just signed with Europe to permit Canada access to a \$240 billion equipment procurement budget to sell defence items to NATO countries
- Increasing defence spending to 5% of GDP by 2035 will result in approximately \$150 billion annually with 70% being core military spending and the rest being spent on infrastructure. This is more than 3 times the current level and should create a lot of Canadian jobs

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- Discussions are underway regarding the pending contract for F-35s versus 88 Gripens, with Gripen promising to build plants to assemble them in Canada, coupled with Rolls Royce expanding its jet engine plants in Montreal and Winnipeg
- Diplomatic relations restored with the Kingdom of Saudi Arabia
- 70 billion dollars in new investment from United Arab Emirates into energy, mining, AI, and logistics
- A new agreement in October 2025 expands agri-food trade with Mexico and strengthens bilateral trade and technical cooperation, particularly in the grain, oilseeds, horticulture and animal protein sectors
- Entering free trade negotiations with MERCOSUR which includes Brazil, Argentina, Uruguay and Paraguay to complete a working agreement during 2026
- Renewed free trade agreements with the European Union, United Kingdom, Australia, Japan, South Korea and Singapore
- Commencing the implementation of the free trade provisions of the Comprehensive and Progressive agreement for trans-Pacific Partnership (CPTPP), along with members of the Association of Southeast Asian Nations (ASEAN) Group
- New bi-lateral trade agreements are under consideration with China
- India has resumed talks on a highly ambitious Comprehensive Economic Partnership Agreement (CEPA) with a goal to increase trade by \$50 billion by 2030
- Expansion of shipping facilities on both the west and east coast, Montreal and most likely Hudson's Bay, to facilitate shipping to the Far East and Europe
- The extension of another pipeline to move new technically-modified low carbon fuels to Asian countries
- Development of the Ring of Fire in Ontario
- Billions of dollars of capital and tax incentives to encourage foreign investment
- Reduction of interprovincial trade barriers
- I believe that CUSMA (Canadian, United States, Mexico trade Agreement) will be renegotiated. With the mid-term elections coming in November 2026, the problems/challenges that US businesses will face if CUSMA is not maintained, along with inflationary effects of the tariffs, will incentivise the Trump administration to initiate negotiations in February/March this year

I have been attentive to governance in our country for many decades and I can sincerely say that for the first time **our country is about to be run more like a business**, with its objectives being in the best interests of all the citizens for a "United" Canada, rather than for the interests of a political party or province. The **re-tooling** of our economy will take time. The economy, while not currently growing by leaps and bounds, is relatively stable which will provide Canadian manufacturers the time needed to make other products and find new markets.

Productivity has been relatively steady, and Canada did not go into recession as many predicted. Job growth has been much higher than forecast. CUSMA will not be canceled and many of the unreasonable tariffs will be significantly reduced or eliminated.

I anticipate that by as early as **April** of this year, many of these and other programs being initiated by the current governments, both Federal and Provincial, will be well underway although some may take years to become fully effective.

We all know that **major transactions take time.**

- It takes time to sell a house, up to 6 months to find and sign a contract with a buyer, and up to 3 months to close the deal.
- As most business folks know, from start to completion, the sale of a business can easily take up to 24 months, and sometimes longer due to finding and qualifying a buyer, completing due diligence, securing financing and completing legal documentation.
- A successful mid-sized business that plans to double its revenues could easily take up to 4 years to obtain government building approvals, build a facility, equip it, hire and train staff, secure the orders, and obtain the raw materials needed to achieve the revenue increase objective.

Once it becomes clear that Canada is taking the steps to effectively reduce its economic dependence on the USA and that many initiatives and programs are starting to deliver results, **the press will start to take a more positive approach** to presenting the evolving and growing state of Canada. The various initiatives with other countries, along with the economy holding up reasonably well, will result in buyers, investors, bankers, and sellers starting to become active again.

Bottom Line

In my opinion, if someone is contemplating a business transaction in the near future, now is the time to **start the planning process.**

- If you are thinking about acquiring a business, the Robbinex **RASSP**[®] program should be considered.
- If you're contemplating retiring or stepping away from your business, our **COSATA**[®] program is a superb planning tool.
- If you're contemplating expansion, one of the experts at the **Robbinex Cooperative Network** will be able to provide support.

*the Right Decision at
The Right time, for
The Right reasons[®]*

Let's hope that 2026 will be your best year ever.

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