

M&A Quarterly Report – Q1/05

Overview

The Canadian M&A market maintained its momentum from last year into the first quarter of 2005. A combination of active financial groups, strength in resource-based sectors and continued cross-border activity, contributed to the favourable M&A environment in the quarter. The number of announced transactions remained relatively flat, with 200 announced transactions in the quarter compared to 203 during the same period last year and 210 in the fourth quarter of 2004. The total value of announced transactions was \$24.0 billion during the first three months of the year, compared to \$23.5 billion in the first quarter of 2004 and \$32.1 billion in last quarter of 2004.

Mega-Deals

The mega-deal (transaction value over \$1 billion) segment of the market remained strong with six

mega-deals in the first quarter with a total value of \$13.7 billion versus four mega-deals totaling \$8 billion during the same period last year and six mega-deals for a total of \$12.5 billion in the fourth quarter of 2004. The segment of the market below \$100 million in transaction value also remained robust with 117 transactions, flat with the 116 in the fourth quarter of 2004 and up significantly from 99 during the same period last year. Partially offsetting was the segment of the market between \$100 million and \$1 billion transaction value which declined in the first quarter to 23 transactions worth a total \$6.0 billion from 39 transactions for a total of \$13.0 billion in the first quarter of 2004 and 42 transactions for a total of \$13.2 billion in the last quarter of 2004.

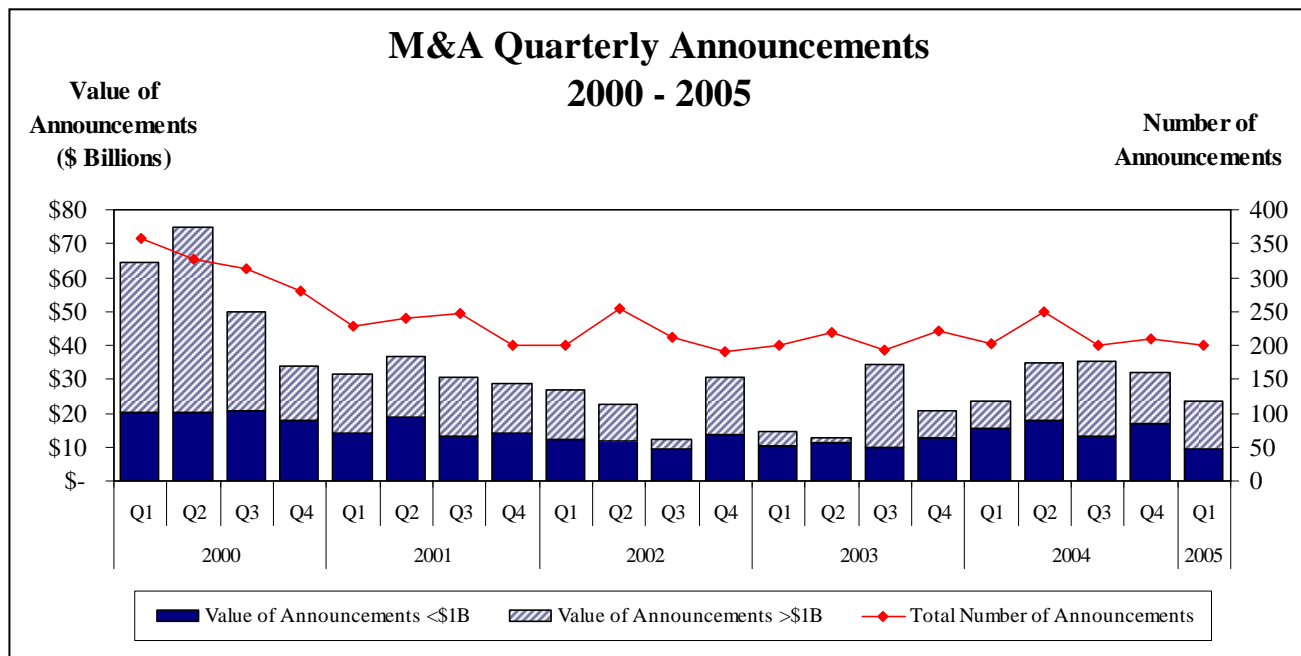
Industry Activity

Industrial Products was the most active sector with 44 transactions valued at \$4.2 billion, lead by

Onex Corp.'s \$2.6 billion acquisition of aircraft manufacturing operations from **Boeing Co.** Also contributing to this performance were 8 **Technology** deals valued at \$1.9 billion, the highest dollar volume since the technology bubble era in 2001, including **Eastman Kodak Company**'s acquisition of **Creo Inc.** for \$1.2 billion and **Merge Technologies Inc.**'s purchase of **Cedera Software Corp.** for \$0.5 billion.

Real Estate and **Oil & Gas** were also extremely active with 27 and 25 transactions, respectively, as the REITs (real estate investment trusts) and royalty and income trusts continue to fuel their growth through acquisitions.

With base metal commodity prices remaining near recent highs, **Metals & Minerals** experienced a surge in activity with 15 transactions totaling \$3.8 billion. The largest deal in this sector was



Noranda Inc.'s announcement that it was purchasing the 41% of **Falconbridge Ltd.** that it did not already own for \$3.1 billion.

The **Paper & Forestry** sector saw **Brascan Corp.** keep its name in the headlines by acquiring the Canadian sawmill operations of **Weyerhaeuser Co.** for \$1.4 billion

Communications & Media was the most active sector by dollar value and recorded two of the largest transactions, including **Vodafone Group PLC's** announced acquisition of **Telesystem International Wireless Inc.**'s European operations, valued at \$5.5 billion, and **Bain Capital LLC's** sale of directory assets to **Yellow Pages Group Co.** for \$2.6 billion, a mere 6 months after they acquired them from Verizon.

Active Financial Groups

Financial buyers such as private equity groups and pension funds are playing an increasingly greater role in the M&A market. These groups represented approximately 20% of the overall M&A activity by transaction value in the quarter versus 15% for all of 2004. Greater availability of relatively inexpensive capital and lower investment return targets has made financial buyers formidable opponents when competing against strategic groups for transactions. **Bain Capital LLC, Onex Corp., Macquarie Bank Ltd.** and the **Caisse de Depot et Placement du Quebec** are examples of financial groups that were active during the quarter.

Cross-Border Activity

Cross-border transactions continued to be a significant driver of the overall M&A activity, representing 74% of total deal value and 43% of total deal volume. There were 86 cross border transactions totaling \$17.7 billion compared to 100 transactions worth \$13.8 billion for the same period last year, a 28% increase in total value. Five of the six transactions in the quarter valued at over \$1 billion had an international component. Canadian companies continued to acquire U.S. companies by a ratio of more than 2 to 1 – there were 32 such acquisitions compared to only 14 acquisitions of Canadian businesses by U.S. companies.

ACTIVITY GROUPED BY INDUSTRY: Y-T-D TO MARCH 31

INDUSTRY GROUPS	2005		2004	
	# of	Value	# of	Value
	Deals	\$Millions	Deals	\$Millions
Industrial Products	44	4,162	52	4,309
Real Estate	27	1,953	23	1,202
Oil & Gas	25	2,219	26	2,570
Consumer Products	21	748	19	1,081
Merchandising	18	178	12	425
Metals & Minerals	15	3,764	14	657
Communication & Media	14	8,122	6	431
Financial Services	12	249	19	3,109
Utilities	8	583	8	3,580
Paper & Forest Products	6	1,435	6	719
Transportation & Environ.	6	477	7	61
Gold & Silver	3	89	10	3,072
Pipelines	1	0	1	2,262
TOTAL	200	23,979	203	23,478
<i>Technology Watch:</i>				
(subsector of Ind. Prod.)	8	1,904	12	1,016

CROSS-BORDER TRANSACTIONS: Y-T-D TO MARCH 31

	2005		2004	
	# of	Value	# of	Value
	Deals	\$Millions	Deals	\$Millions
Canadians Acquiring				
Foreign Companies	54	4,448	65	9,229
Cdn Co's from Foreigners	7	4,812	8	895
Total	61	9,260	73	10,124
Top Foreign Target Country of Canadian Acquirors				
United States	32	2,621	36	7,041
Foreigners Acquiring				
Canadian Companies	18	2,815	20	2,892
Foreign Co's from Cdn	7	5,621	7	769
Total	25	8,436	27	3,661
Top Foreign Acquiror of Canadian Located Companies				
United States	14	1,750	16	2,333

BREAKDOWN OF ACTIVITY: Y-T-D TO MARCH 31

Size	2005				2004			
	#	Value		#	Value			
	Deals	\$ Millions	%	Deals	\$ Millions	%	%	
Undisclosed	54	27	N/A	61	30	N/A		
1m-100m	117	59	2,864	12	99	49	2,608	
101m-250m	15	8	2,328	10	20	10	3,253	
251m-500m	5	3	1,806	8	11	5	4,441	
501m-1b	3	2	1,830	8	8	4	5,321	
>1b	6	3	15,150	63	4	2	7,967	

Mergers & Acquisitions in Canada Largest Transactions Announced During Q1 2005

VALUE (*ESTIMATE)	NAME	ROLE	ANNOUNCED
\$5,455,188,000	Vodafone Group Plc	Acquiror	15-Mar-2005
	Wireless Communication business (Europe)	Target	
	Telesystem International Wireless Inc.	Vendor	
\$3,060,280,000	Noranda Inc.	Acquiror	9-Mar-2005
	Falconbridge Ltd.	Target	
\$2,550,000,000	Yellow Pages Group Co.	Acquiror	7-Mar-2005
	Advertising Directory Solutions Inc.	Target	
	Bain Capital LLC	Vendor	
\$1,470,000,000	Onex Corp.	Acquiror	22-Feb-2005
	Commercial aircraft manufacturing plants (U.S.)	Target	
	Boeing Co.	Vendor	
\$1,400,000,000	Brascan Corp.	Acquiror	18-Feb-2005
	Sawmill operations (Can.)	Target	
	Weyerhaeuser Co.	Vendor	
\$1,216,000,000	Eastman Kodak Company	Acquiror	1-Feb-2005
	Creo Inc.	Target	
\$752,232,000	Brascan Corp.	Acquiror	3-Mar-2005
	20 Canada Square (U.K.)	Target	
	Canary Wharf Group	Vendor	
\$550,000,000	Manulife Financial Corp.	Acquiror	18-Jan-2005
	NAL Oil & Gas Trust	Acquiror	
	Addison Energy Inc.	Target	
	EXCO Resources Inc.	Vendor	
\$528,000,000	Macquarie Bank Ltd.	Acquiror	22-Mar-2005
	Leisureworld Care Giving Centres	Target	
\$476,571,000	Merge Technologies Inc.	Target	18-Jan-2005
	Cedara Software Corp.	Target	
\$440,000,000*	British Columbia Investment Management Corp.	Acquiror	19-Jan-2005
	Industrial real estate properties (ON)	Target	
	Menkes Developments Inc.	Vendor	

The information above and on preceding pages is a summary of Crosbie & Company Inc.'s analysis of each quarter's M&A activity. The data is compiled from Financial Post Crosbie: Mergers & Acquisitions in Canada, the most extensive database on M&A activity in Canada. To subscribe to Financial Post Crosbie: Mergers & Acquisitions in Canada, contact CanWest Interactive Inc. (phone 416-442-2121 toll free 1-800-661-7678 e-mail helpdesk@canwest.com).