

M&A Quarterly Report – Q1/07

Overview

The Canadian M&A market had a fast start in 2007 and surpassed the first quarter high-water mark previously set in 2000. Based on the data compiled from the *Financial Post Crosbie: Mergers & Acquisitions in Canada* database, the total value of transactions announced during the first quarter of 2007 was \$66B, up significantly from \$29B in the first quarter of 2006 – which was a record year for Canadian M&A. Announced transactions were down slightly at 483 compared to 500 transactions during the first quarter last year and 525 transactions in the last quarter of 2006. Activity in the small and mid-cap segments was very strong. Activity in the segment below \$1B set a record

high this quarter (\$25.3B) and was a major contributor to the strong quarter.

Mega-Deals

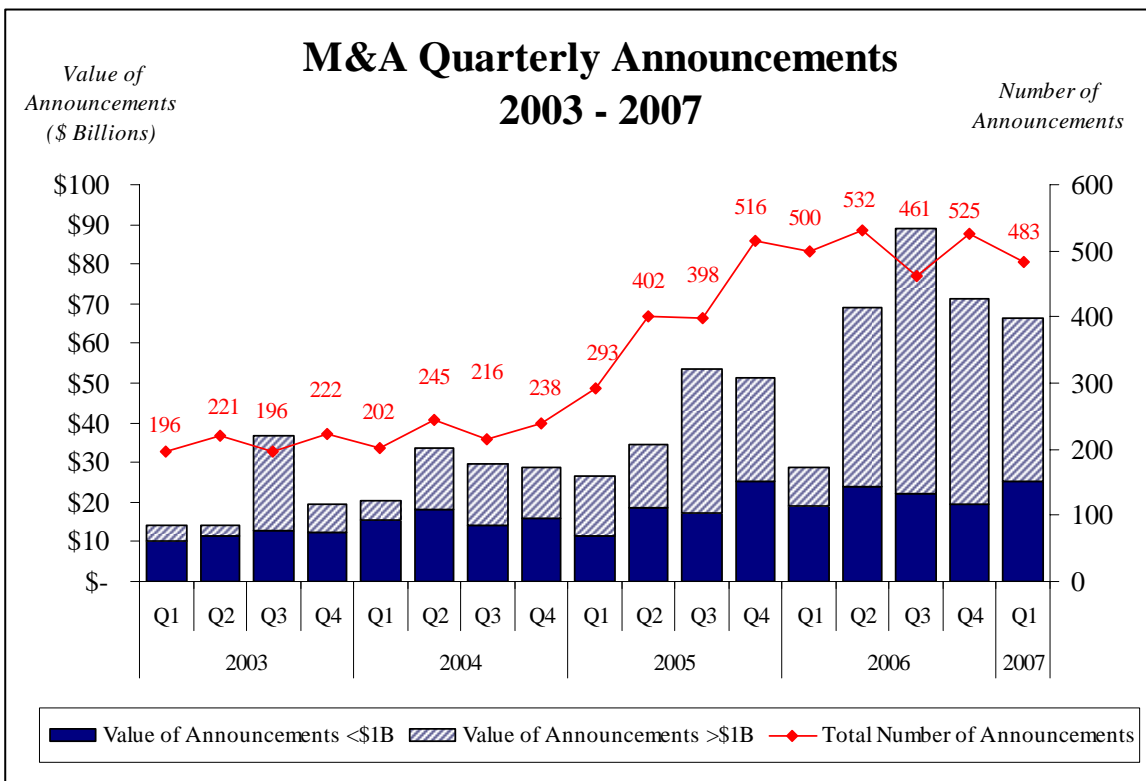
The so called mega-deals (transactions greater than \$1B) were also strong in the quarter. 14 deals accounted for \$41B or 62% of the total value recorded for the first quarter. By comparison, mega-deals during the last 3 quarters of 2006 averaged \$55B. In the first quarter of last year, there were 5 mega-deals valued at \$10B.

Activity by Industry Sector

Real Estate was the sector with the most transactions during the quarter (98 transactions valued at almost \$7.5B). The

largest deal of the sector was US based **Ventas Inc.**'s \$2B acquisition of **Sunrise Senior Living REIT** after a legal dispute over the validity of a competing bid from another US buyer.

Just behind Real Estate in terms of activity and the largest sector based on value was **Industrial Products** which registered 90 transactions worth \$15.7B. The value of transactions in this sector was up significantly from Q1 2006 (\$3B) and the fourth quarter of last year (\$8B). The largest deal of the sector was **Onex Corp.**'s \$2.6B acquisition of **Eastman Kodak's Health Group**, a deal which could grow to \$3B if certain conditions are met. This was also the largest deal by a financial buyer during the quarter.



The two largest transaction of the quarter were Indian based **Hindalco Industries Ltd.**'s \$7B acquisition of **Novelis Inc.**, a spin off of Alcan Inc., and Swiss based **Xstrata plc.**'s \$4.6B acquisition of **LionOre Mining International**.

Active Financial Groups

With financial sponsors continuing to raise ever larger funds, it appears no company is too big to be a possible acquisition target. In addition to Onex Corp., **Brookfield Asset Management Inc.**, **Goldman Sachs Capital Partners** and a consortium of **Morgan Stanley** and **Apax Capital Partners** also completed mega-deals in the first quarter of 2007. The **Ontario Teachers' Pension Plan** was also active with two large transactions, each just under \$1B. Of the deals valued in excess of \$100M, financial buyers accounted for 13% of the transactions and 23% of the total transaction value for the quarter.

Cross-Border Activity

There continued to be significant cross-border activity in the first quarter. Transactions with a cross-border element represented 37% of the activity and 56% of the overall value. The United States was again the leading foreign player in the Canadian M&A landscape with involvement in 62% of the cross-border deals. Consistent with long-term trends, Canadian acquisitions of foreign companies outnumbered the foreign acquisition of Canadian companies by a ratio of 2.9:1 in the first quarter. Canadian companies made 134 foreign acquisitions valued at \$22B, the largest of which was **Great West Life**'s \$4.6B transaction for **Putnam Investments Trust** and **TH Lee, Putnam Capital, Limited Partnership** while foreign acquisitions of Canadian companies came in at 46 transactions valued at \$15B.

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

INDUSTRY GROUPS	2007		2006	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Real Estate	98	7,463	91	2,865
Industrial Products	90	15,749	98	3,115
Consumable Fuels	77	8,406	96	6,461
Metals & Minerals	63	7,151	60	3,780
Financial Services	46	8,962	22	2,797
Consumer Products	39	2,619	26	790
Merchandising	30	1,431	36	5,101
Communications & Media	13	4,027	14	286
Utilities	12	5,154	16	1,931
Transportation & Environmental Services	6	242	18	433
Paper & Forest	5	3,977	11	612
Gold	3	430	12	466
Pipelines	1	760	0	
TOTAL	483	66,371	500	28,637
<i>Technology Watch:</i> (subsector of Ind. Prod.)	17	1,478	11	1,031

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

	2007		2006		
	# of Deals	Value \$Millions	# of Deals	Value \$Millions	
Canadians Acquiring					
Foreign Companies	131	17,614	125	6,720	
Cdn Co's from Foreigners	3	4,473	13	573	
Total	134	22,087	138	7,293	
Top Foreign Target Country of Canadian Acquirors					
United States	87	15,366	United States	58	3,101
Foreigners Acquiring					
Canadian Companies	40	15,017	36	10,417	
Foreign Co's from Cdn	6	299	14	1,155	
Total	46	15,316	50	11,572	
Top Foreign Acquiror of Canadian Located Companies					
United States	24	7,926	United States	26	9,670

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

Size	2007				2006			
	# Deals	%	Value \$ Millions	%	# Deals	%	Value \$ Millions	%
Undisclosed	111	23	N/A		74	15	N/A	
1m-100m	295	61	5,831	9	375	75	6,586	23
101m-250m	35	7	5,619	8	32	6	5,274	18
251m-500m	16	3	5,442	8	9	2	2,984	10
501m-1b	12	2	8,393	13	5	1	3,995	14
>1b	14	3	41,087	62	5	1	9,797	34

Largest Transactions Announced During Q1 2007

VALUE	NAME	ROLE	ANNOUNCED
US\$ 6,000,000,000	Novelis Inc. Hindalco Industries Ltd.	Target Acquiror	11-Feb-07
\$ 4,600,000,000	LionOre Mining International Ltd. Xstrata plc	Target Acquiror	26-Mar-07
US\$ 3,900,000,000	TH Lee, Putnam Capital, Limited Partnership Putnam Investments Trust The Great-West Life Assurance Company Great-West Lifeco Inc. Marsh & McLennan Companies Incorporated	Target Target Acquiror Acquiror Vendor	1-Feb-07
\$ 3,700,000,000	Terasen Inc. Fortis Inc. Kinder Morgan Inc.	Target Acquiror Vendor	26-Feb-07
\$ 3,386,000,000	UrAsia Energy Ltd. srx Uranium One Inc.	Target Acquiror	12-Feb-07
US\$ 2,550,000,000	Health Group Onex Corporation Eastman Kodak Company	Target Acquiror Vendor	10-Jan-07
US\$ 2,150,000,000	Longview Fibre Company Brookfield Asset Management Inc.	Target Acquiror	5-Feb-07
\$ 2,300,000,000	Alliance Atlantis Communications Inc. Goldman Sachs Capital Partners CanWest Global Communications Corp.	Target Acquiror Acquiror	10-Jan-07
\$ 2,280,000,000	Sunrise Senior Living Real Estate Investment Trust Ventas, Inc.	Target Acquiror	14-Jan-07
US\$ 1,900,000,000	Hub International Limited Morgan Stanley Apax Partners Northbridge Financial Corporation Fairfax Financial Holdings Limited	Target Acquiror Acquiror Vendor Vendor	26-Feb-07
\$ 1,800,000,000	Agricore United James Richardson International Limited	Target Acquiror	21-Feb-07
\$ 1,370,000,000	Abitibi-Consolidated Inc. Bowater Incorporated	Target Acquiror	29-Jan-07
\$ 1,250,000,000	Harris Steel Group Inc. Nucor Corporation	Target Acquiror	2-Jan-07
A\$ 1,130,000,000	The Colt Companies WorleyParsons Limited	Target Acquiror	7-Feb-07
US\$ 825,000,000	GNC Parent Corp. Ontario Teachers' Pension Plan Apollo Management L.P.	Target Acquiror Vendor	9-Feb-07

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).