

M&A Quarterly Report – Q1/09

Overview

The Canadian M&A market continued to experience a sharp decline in deal volumes in the first quarter of 2009. Total deal value, on the other hand, was significantly higher due to a few very large transactions.

According to data compiled from the *Financial Post Crosbie: Mergers & Acquisitions in Canada* database, deal volumes decreased 31% from 223 in the previous quarter to a 6 year low of 153 in Q1. Notwithstanding the decline in activity, total deal value increased from \$20.4B in Q4 to \$41.5B in Q1. The increase was due in large part to the \$19.2B Suncor/Petro-Canada announcement. Adjusted for the transaction, total deal value in Q1 was relatively in line with Q4.

Mid-market Deals

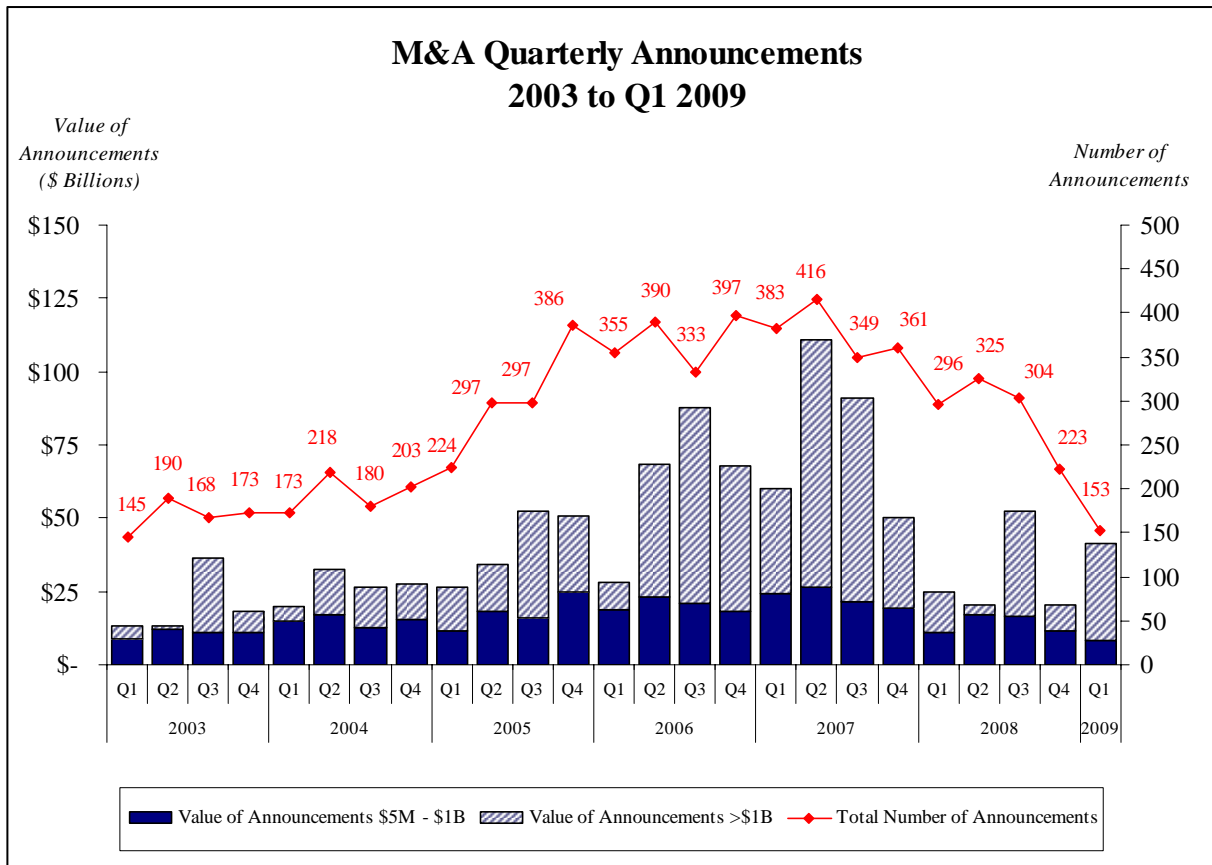
Mid-market activity (transactions valued between \$5M and \$500M) was down 27% from 147 transactions in Q4 to 108 in Q1 but was once again the driver of deal volumes representing 71% of announced transactions. The value of mid-market deals saw a 26% decrease from the previous quarter to \$5.8B.

Mega Deals

There were only 4 mega deals (transactions valued above \$1B) announced in Q1, which is the same as Q4. However, aggregate deal value nearly quadrupled from \$9.1B in Q4 to \$33.2B in Q1. Total deal value in Q1 was comparable to that in Q3, which was a surprisingly resilient quarter with 8 mega deal announcements.

The largest announced transaction in Q1 was the \$19.2B merger of **Suncor Energy Inc. and Petro-Canada**. The other mega deals in the quarter included **Canada Pension Plan Investment Board's \$6.4B** acquisition of Australia-based **Macquarie Communications Infrastructure Group**, **Agrium Inc.'s \$4.7B bid** for U.S. based **CF Industries Holdings Inc.***, and the \$2.9B acquisition of **Nova Chemicals Corporation** by **International Petroleum Investment Company** of Abu Dhabi.

** Agrium subsequently revised its bid on May 11th to \$5.14B*



Industry Activity

Industrial Products and **Oil & Gas** once again led all sectors in terms of deal activity for the eighth straight quarter with 36 (\$8.1B) and 22 (\$22.3B) announced transactions, respectively. With 5 of the top 10 deals announced in Q1, **Oil & Gas** was the largest sector in regards to aggregate deal value and accounted for 54% of total deal value for the quarter. The **Industrial Products** sector emerged as the second largest sector in terms of deal value (\$8.1B), due in large part to the two mega deals announced in the sector (i.e., Agrium/CF Industries, IPIC/Nova Chemicals)

Income Trust Activity

Income trust activity continued to slow down in Q1 with just 7 deals, down from 11 in Q4. Activity was considerably lower than last year with 28 transactions reported in Q1. Total deal value (\$196M) was down significantly from \$2.8B in Q4, which was higher because of Bank of Nova Scotia's \$2.3B acquisition of CI Financial Income Fund that represented 82% of the income trust deal value in Q4. There were no income trust deals over \$100M announced in Q1.

Financial Groups

M&A activity led by financial groups remained low in Q1 with only 3 transactions over \$100M. However, total deal value increased significantly from \$0.6B in Q4 to \$9.6B in Q1. The sharp increase in aggregate deal value was primarily attributable to two mega deals in the quarter (i.e., CPPIB/Macquarie and IPIC/Nova Chemicals). The CPPIB/ Macquarie transaction is consistent with the pension fund's strategic focus to invest in foreign infrastructure.

Cross-Border Activity

Cross-border activity declined by 48% over last quarter and by 59% over Q1 of last year. Cross-border transactions continued to play an important, but a relatively smaller, role in the Canadian M&A market with 31% of deal volume and 42% of deal value, down from 40% and 48% in the last quarter respectively.

Interestingly, the ratio of Canadian companies acquiring abroad to foreign acquirers was close to 1:1 in Q1, which is lower than 1.4:1 in last quarter and much lower than the 2:1 ratio experienced in Q1 of last year. Aggregate transaction value for Canadians acquiring abroad was \$12.3B compared to \$5.2B for their foreign counterparts, as 2 of the top 3 transactions of the quarter were cross-border deals led by Canadian companies.

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

INDUSTRY GROUPS	2009		2008	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Industrial Products	36	8,139	77	2,894
Consumable Fuels	22	22,344	45	7,407
Metals & Minerals	20	627	26	2,193
Financial Services	18	982	19	2,203
Real Estate	14	348	43	1,652
Gold	11	678	9	3,197
Merchandising	7	28	15	234
Communications & Media	6	6,856	8	228
Consumer Products	5	76	22	712
Transportation & Environmental Services	5	59	15	267
Paper & Forest	4	144	5	219
Utilities	3	632	12	3,639
Pipelines	2	537	0	0
TOTAL	153	41,450	296	24,845
<i>Technology Watch:</i>				
(subsector of Ind. Prod.)	4	147	16	318

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

	2009		2008		
	# of Deals	Value \$Millions	# of Deals	Value \$Millions	
Canadians Acquiring					
Foreign Companies	23	11,957	74	9,543	
Cdn Co's from Foreigners	1	375	4	71	
Total	24	12,332	78	9,614	
Top Foreign Target Country of Canadian Acquirors					
United States	12	5,172	United States	43	8,233
Foreigners Acquiring					
Canadian Companies	15	4,009	25	6,213	
Foreign Co's from Cdn	8	1,142	13	589	
Total	23	5,151	38	6,802	
Top Foreign Acquiror of Canadian Located Companies					
United States	8	298	United States	18	5,863

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

Size	2009				2008			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Undisclosed	38	25	N/A		78	26	N/A	
5m-100m	91	59	2,215	5	186	63	4,475	18
101m-250m	10	7	1,634	4	15	5	2,284	9
251m-500m	6	4	2,015	5	8	3	2,843	11
501m-1b	4	3	2,349	6	2	1	1,289	5
>1b	4	3	33,239	80	7	2	13,952	56

Largest Transactions Announced During Q1 2009

VALUE	NAME	ROLE	ANNOUNCED
\$ 19,200,000,000	Petro-Canada Suncor Energy Inc.	Target Acquiror	23-Mar-09
A\$ 7,320,000,000	Macquarie Communications Infrastructure Group Canada Pension Plan	Target Acquiror	31-Mar-09
US\$ 3,780,000,000	CF Industries Holdings, Inc. Agrium Inc.	Target Acquiror	25-Feb-09
US\$ 2,300,000,000	NOVA Chemicals Corporation International Petroleum Investment Company	Target Acquiror	23-Feb-09
\$ 720,000,000	Oil and gas assets TriStar Oil & Gas Ltd. Crescent Point Energy Trust Talisman Energy Inc.	Target Acquiror Acquiror Vendor	4-Mar-09
\$ 615,000,000	Manicouagin Power Company Hydro-Québec AbitibiBowater Inc.	Target Acquiror Vendor	13-Mar-09
US\$ 400,000,000	OCENSA pipeline Ecopetrol S.A. Enbridge Inc.	Target Acquiror Vendor	16-Mar-09
\$ 505,000,000	Oilexco North Sea Limited Premier Oil PLC Oilexco Incorporated	Target Acquiror Vendor	25-Mar-09
\$ 499,000,000	Verenex Energy Inc. China National Petroleum Corporation Vermilion Energy Trust	Target Acquiror Vendor	26-Feb-09
\$ 375,000,000	AIG Life Insurance Company of Canada Bank of Montreal American International Group, Inc.	Target Acquiror Vendor	13-Jan-09
\$ 310,056,000	Western Goldfields Inc. New Gold Inc.	Target Acquiror	4-Mar-09
US\$ 255,000,000	TV Guide Network & TVGuide.com Lions Gate Entertainment Corp. Macrovision Solutions Corporation	Target Acquiror Vendor	5-Jan-09
\$ 270,000,000	Thanachart Bank Public Company Limited The Bank of Nova Scotia	Target Acquiror	3-Feb-09
\$ 257,000,000	TUSK Energy Corporation Teachers Insurance and Annuity Association of America	Target Acquiror	10-Feb-09
\$ 240,000,000	Bow Valley Energy Ltd. Dana Petroleum plc	Target Acquiror	16-Feb-09
\$ 226,978,919	Northbridge Financial Corporation Fairfax Financial Holdings Limited	Target Acquiror	23-Jan-09
\$ 220,000,000	Lockerbie & Hole Inc. Aecon Group Inc.	Target Acquiror	1-Feb-09

Note: Effective May 1, 2009 the inclusion criterion for the minimum deal value was increased from \$1M to \$5M. The number of transactions and aggregate deal value were revised retroactively.

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).