

## M&A Quarterly Report – Q2/07

### Overview

The Canadian M&A market followed its record first quarter results with the largest second quarter in Canadian M&A history. Based on data compiled from the *Financial Post Crosbie: Mergers & Acquisitions in Canada* database, total transaction values announced during the second quarter of 2007 soared to \$202B, considerably higher than the \$69B recorded in Q2 of the previous year and the previous record of \$88.8B recorded in Q3 of 2006. While the total value of deals reported in the quarter is unprecedented, the 520 announcements remained consistent with the 516 deals in the previous quarter and 536 deals in Q2 of last year.

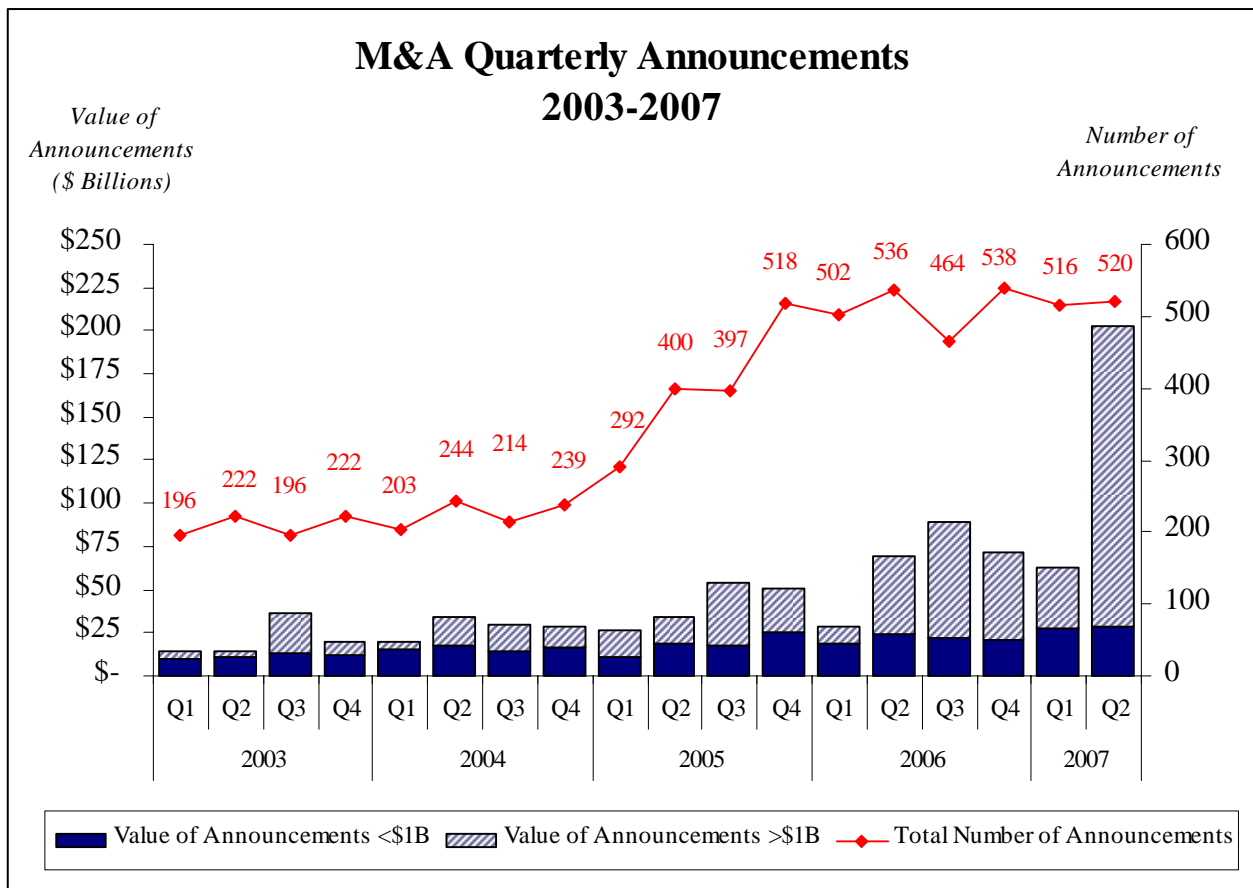
### Mega-Deals

There were 25 mega-deals (transactions greater than \$1B) announced in the second quarter of 2007, representing \$174B or 86% of the total value of deals for the quarter. By comparison, the value of all the mega-deals announced in 2006, a record year, was \$172B.

Acquisitions of **BCE Inc.** and **Alcan Inc.**, two of the three largest Canadian M&A transactions in history were both announced during the quarter. Alcan has since rejected **Alcoa's** \$36B bid in favour of **Rio Tinto's** almost \$40B offer, which will be reflected in the next quarter's numbers.

### Activity by Industry Sector

**Communications & Media** drove transaction values in the quarter with 27 announced deals worth \$83B. After a flurry of news involving competing private equity heavyweights, a consortium of buyers consisting of **Ontario Teachers' Pension Plan, Madison Dearborn Partners** and **Providence Equity Partners** emerged as the eventual suitors of BCE Inc. Other significant deals included **Thomson Corporation's** \$19B acquisition of UK based **Reuters Group** and its sale of **Thomson Learning Assets** to a group of private equity buyers for \$8.6B.



**Consumable Fuels** was the most active sector in terms of the number of announcements. There were 118 transactions during the quarter which is on par with the 117 deals recorded in Q2 of 2006 but 53% greater than the number of transactions announced in the previous quarter. The biggest deal of the sector was the purchase of Canadian uranium producer **UraMin** by the French nuclear power group **Areva**.

### *Income Trust Activity*

There was a marked increase in activity in the income trust sector in Q2 with 62 deals valued at \$12.2B in the second quarter. This compares to 32 transactions valued at \$2.9B in the first quarter, and approximately 45 transactions per quarter during 2006.

### *Active Financial Groups*

Financial sponsors participated in 15% of deal volume and 35% of deal values of all transactions above \$100M, considerably higher than the 23% of transaction values they accounted for in the previous quarter. However the environment for heavily leveraged buy-out deals by financial groups has changed significantly since the end of Q2 due to changing credit markets. These changes are the result of losses in the U.S. sub-prime mortgage market which have impacted credit spreads and the liquidity of credit markets. It remains to be seen what the impact will be on M&A activity both in the U.S. and Canada. Deals by financial groups during the second quarter include the acquisition of BCE Inc. by a consortium of buyers, **Apax Partners'** and **OMERS'** acquisition of Thomson Learning Assets, the acquisition of **General Motor's Allison Transmission** by the **Carlyle Group** and **ONEX Corp.** as well as the purchase of the **UE Waterheater Income Fund** by **Alinda Capital Partners**.

### *Cross-Border Activity*

Cross-border transactions were again a very significant component of Canadian M&A markets in the second quarter. 18 of the top 25 deals have an international component to them. On a year-to-date basis, 39% of the activity and 83% of deal values involved transactions between Canadian and international parties. Canadian companies announced 278 cross-border transactions valued at \$27.8B, while there were 129 foreign acquisitions of Canadian companies valued at \$155B.

### ACTIVITY GROUPED BY INDUSTRY: Y-T-D TO JUNE 30

INDUSTRY GROUPS	2007		2006	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Consumable Fuels	195	29,017	213	22,565
Industrial Products	190	69,505	220	6,726
Real Estate	182	18,683	188	18,552
Metals & Minerals	138	16,863	102	23,734
Financial Services	78	10,285	51	6,737
Consumer Products	69	4,780	58	1,385
Merchandising	66	6,802	62	5,717
Communications & Media	40	86,993	26	2,116
Utilities	27	5,998	37	5,348
Transportation & Environmental Services	25	3,240	39	3,331
Gold	17	6,857	22	938
Paper & Forest	8	4,900	20	785
Pipelines	1	760	0	0
<b>TOTAL</b>	<b>1,036</b>	<b>264,683</b>	<b>1,038</b>	<b>97,934</b>
<i>Technology Watch:</i> (subsector of Ind. Prod.)	35	2,682	30	1,265

### CROSS-BORDER TRANSACTIONS: Y-T-D TO JUNE 30

	2007		2006		
	# of Deals	Value \$Millions	# of Deals	Value \$Millions	
Canadians Acquiring					
Foreign Companies	265	59,660	259	29,892	
Cdn Co's from Foreigners	13	4,688	18	1,448	
Total	278	64,348	277	31,340	
Top Foreign Target Country of Canadian Acquirors					
United States	159	27,787	United States	131	19,457
Foreigners Acquiring					
Canadian Companies	101	153,009	62	42,665	
Foreign Co's from Cdn	28	2,005	34	3,119	
Total	129	155,014	96	45,784	
Top Foreign Acquiror of Canadian Located Companies					
United States	61	117,599	United States	39	21,489

### BREAKDOWN OF ACTIVITY: Y-T-D TO JUNE 30

Size	2007				2006			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Undisclosed	169	16	N/A		152	15	N/A	
1m-100m	692	67	12,664	5	773	74	13,699	14
101m-250m	76	7	12,554	5	61	6	9,730	10
251m-500m	33	3	10,841	4	19	2	6,643	7
501m-1b	29	3	20,357	8	18	2	12,829	13
>1b	37	4	208,267	79	15	1	55,032	56

**Largest Transactions Announced During Q2 2007**

VALUE	NAME	ROLE	ANNOUNCED
\$ 51,700,000,000	BCE Inc. Madison Dearborn Partners, LLC Providence Equity Partners Inc. Ontario Teachers' Pension Plan	Target Acquiror Acquiror Acquiror	30-Jun-07
US\$ 33,000,000,000	Alcan Inc. Alcoa Inc.	Target Acquiror	7-May-07
£ 8,700,000,000	Reuters Group PLC The Thomson Corporation	Target Acquiror	15-May-07
US\$ 7,750,000,000	Thomson Learning assets Ontario Municipal Employees Retirement System Apax Partners The Thomson Corporation	Target Acquiror Acquiror Vendor	11-May-07
US\$ 7,700,000,000	IPSCO Inc. SSAB Svenskt Stal AB	Target Acquiror	3-May-07
\$ 6,820,000,000	LionOre Mining International Ltd. OJSC MMC Norilsk Nickel	Target Acquiror	3-May-07
A\$ 7,300,000,000	Multiplex Group Brookfield Asset Management Inc.	Target Acquiror	11-Jun-07
\$ 4,350,000,000	Northern Orion Resources Inc. Meridian Gold Inc. Yamana Gold Inc.	Target Target Acquiror	27-Jun-07
\$ 3,500,000,000	CCS Income Trust Investor group led by David Werklund	Target Acquiror	29-Jun-07
US\$ 2,787,500,000	Allison Transmission The Carlyle Group Onex Corporation General Motors Corporation	Target Acquiror Acquiror Vendor	28-Jun-07
US\$ 2,500,000,000	UraMin Inc. AREVA	Target Acquiror	15-Jun-07
\$ 2,400,000,000	Eastern Canada real estate assets General Electric Company Dundee Real Estate Investment Trust	Target Acquiror Vendor	4-Jun-07
\$ 2,206,000,000	North American Oil Sands Corporation Statoil ASA Paramount Resources Ltd.	Target Acquiror Vendor	27-Apr-07
US\$ 1,900,000,000	Lima Refining Company Husky Energy Inc. Valero Energy Corporation	Target Acquiror Vendor	3-May-07
\$ 1,850,000,000	Algoma Steel Inc. Essar Global Limited	Target Acquiror	15-Apr-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. (416-442-2121, toll free 1-800-661-7678, e-mail [helpdesk@canwest.com](mailto:helpdesk@canwest.com)).*