

M&A Quarterly Report – Q2/09

Overview

The Canadian M&A market rebounded from the lowest activity level in 6 years with a 28% increase in deal volume in Q2. Transaction values, however, moved in the opposite direction in Q2, posting a 48% decline in value.

According to data compiled from the *Financial Post Crosbie: Mergers & Acquisitions in Canada* database, M&A activity increased from 160 transactions in the prior quarter to 205 transactions in Q2. Notwithstanding this increase in activity, the absence of many large “mega deals” over \$1B led to a decline in transaction value, from \$48B in Q1 to \$25B in Q2.

Mid-market Deals

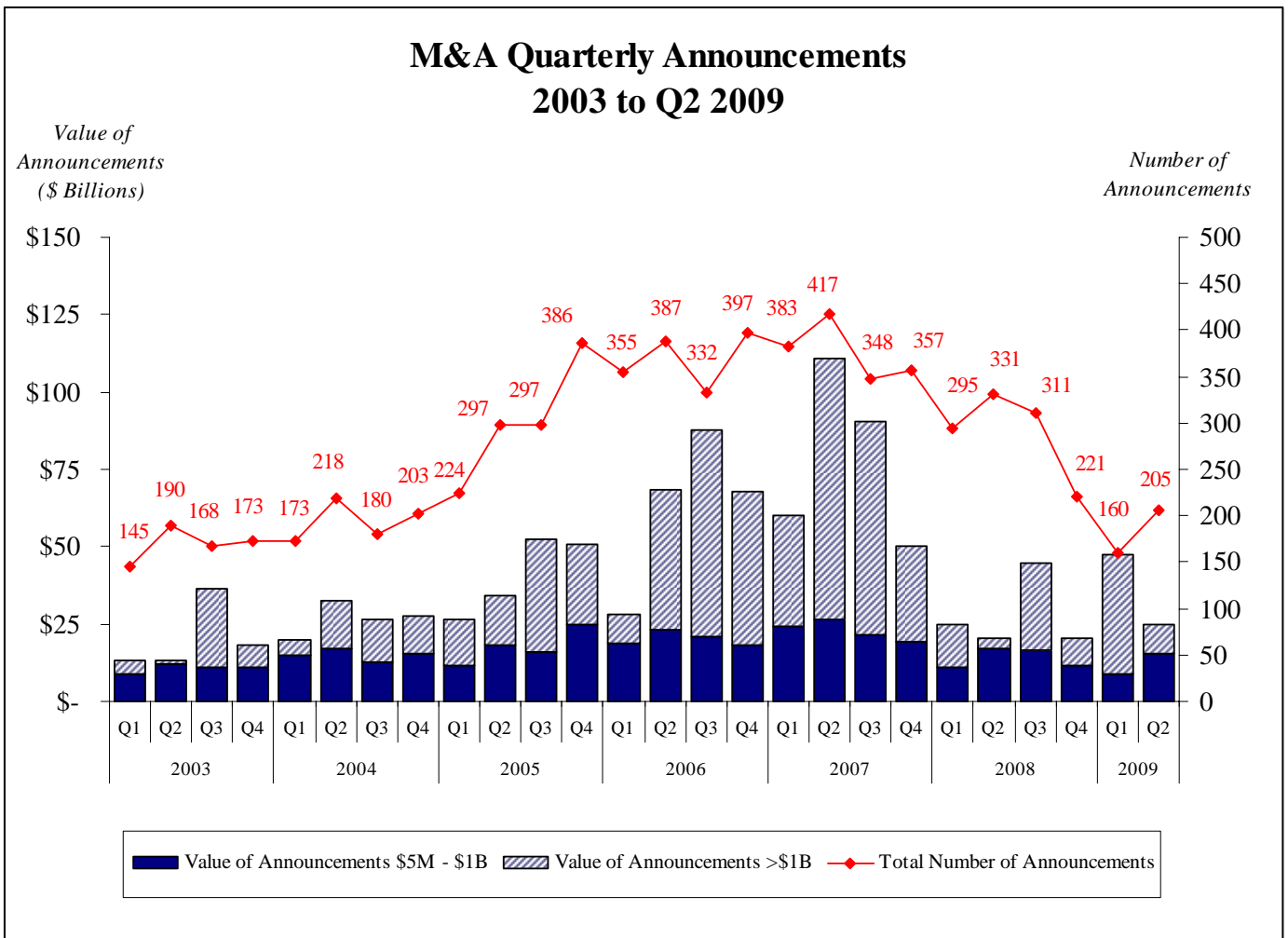
The mid-market (deals under \$250M) remained active in Q2 with 181 deals, bucking the downward trend from the last three quarters and posting a 26% increase activity from Q1. The value of these announced transactions increased even more significantly by 53%, from \$3.8B in the Q1 to \$5.7B in the current quarter.

Although the current quarter’s results were below those from the same period last year (312 transactions, \$10B in Q2-2008), the mid-market remained a key driver of the overall M&A market, accounting for 88% of all announced transactions in Q2.

Mega Deals

M&A activity in the “mega deal” segment of the market continued to languish in Q2 with only 2 transactions greater than \$1B. Deal values also declined from \$38.6B in Q1 to \$9.7B in Q2, due in large part to the **Petro-Canada / Suncor Energy Inc.** merger announced in March.

The largest announced transaction in the current quarter was the \$8.3B acquisition of **Addax Petroleum Corporation** by China-based **Sinopec International Petroleum Exploration and Production Corporation**. This deal was followed by **Viterra Inc.**’s \$1.4B bid for Australia-based **ABB Grain Ltd.**



Industry Activity

For the ninth quarter in a row, **Oil & Gas** and **Industrial Products** were the most active sectors with 51 and 48 announced transactions, respectively. Both industry groups recorded higher volumes relative to their Q1 performance, and collectively represented 48% of all M&A activity.

Oil & Gas accounted for 4 of the top 10 transactions in Q2 including the largest transaction of the quarter, and led all sectors by deal value at \$12.1B. The **Consumer Products** group was second in terms of deal value at \$2.7B which was largely driven by Viterra's \$1.4B takeover bid for ABB Grain.

Income Trust Activity

The income trust sector posted a sharp increase in activity with 18 transactions compared to 7 in the prior quarter. Total deal value also increased significantly from \$196M in Q1 to \$1.5B in Q2. Compared to the previous quarter when there were no income trust deals over \$100M, Q2 had 5 announcements that exceeded this threshold. Activity in the income trust sector was led by **Northland Power Income Fund's** \$372M acquisition of its manager and developer of power generation assets, **Northland Power Inc.**

Cross-Border Activity

As with the income trust sector, cross-border activity rebounded strongly in Q2 with 90 recorded transactions compared to 56 in the previous quarter. Cross-border transactions accounted for 44% of total M&A transaction volume and continued to represent an important component of the overall market. Moreover, almost 80% of total transaction value this quarter were cross-border deals, with 8 of the top 10 transactions having some sort of international component to them.

Consistent with historical trends, Canadian acquisitions of foreign companies outnumbered those led by foreign entities. Canadian acquirers represented 55% of all cross border deals and only 36% of cross-border deal value.

Financial Groups

M&A activity involving financial groups remained dormant in Q2, with only 2 transaction over \$100M. This included the \$500M sale of the **Montreal Canadiens**, **Bell Centre** and **Gillett Entertainment Group** by **George Gillett Jr.** to a investor group led by the **Molson family**, and **HudBay Minerals Inc.'s** \$236M sale of its 16.7% stake in **Lundin Mining Corporation** to **GMP Securities L.P.** This was the lowest level of activity from financial groups since Q4 of 2007, when only 2 transactions were announced.

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

INDUSTRY GROUPS	2009		2008	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Industrial Products	86	10,346	147	4,766
Consumable Fuels	76	39,218	126	15,361
Metals & Minerals	42	1,650	64	4,643
Financial Services	36	2,674	44	4,030
Gold	28	2,228	18	3,741
Consumer Products	19	2,804	45	1,870
Real Estate	19	456	74	2,761
Communications & Media	15	8,024	15	514
Merchandising	14	244	39	561
Utilities	12	2,521	25	4,835
Transportation & Environmental Services	7	344	20	283
Paper & Forest	6	223	7	234
Pipelines	5	1,850	2	1,883
TOTAL	365	72,582	626	45,482
<i>Technology Watch:</i> (subsector of Ind. Prod.)	8	916	29	369

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

	2009		2008		
	# of Deals	Value \$Millions	# of Deals	Value \$Millions	
Canadians Acquiring					
Foreign Companies	74	18,870	151	15,318	
Cdn Co's from Foreigners	9	2,015	8	105	
Total	83	20,885	159	15,423	
Top Foreign Target Country of Canadian Acquirors					
United States	36	7,399	United States	88	11,121
Foreigners Acquiring					
Canadian Companies	37	15,069	66	11,027	
Foreign Co's from Cdn	26	2,601	28	2,993	
Total	63	17,670	94	14,020	
Top Foreign Acquiror of Canadian Located Companies					
United States	23	1,644	United States	40	8,526

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

Size	2009				2008			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Undisclosed	76	21	N/A		164	26	N/A	
5m-100m	218	60	4,836	7	382	61	9,576	21
101m-250m	31	8	4,706	6	44	7	7,167	16
251m-500m	24	7	8,259	11	20	3	7,072	16
501m-1b	10	3	6,532	9	7	1	4,310	9
>1b	6	2	48,250	66	9	1	17,357	38

Largest Transactions Announced During Q2 2009

VALUE	NAME	ROLE	ANNOUNCED
\$ 8,270,000,000	Addax Petroleum Corporation Sinopec International Petroleum Exploration and Production Corporation	Target Acquiror	24-Jun-09
\$ 1,400,000,000	ABB Grain Ltd. Viterra Inc.	Target Acquiror	19-May-09
US\$ 750,000,000	Keystone pipeline system TransCanada Corporation ConocoPhillips	Target Acquiror Vendor	16-Jun-09
\$ 825,000,000	Waneta hydroelectric facility British Columbia Hydro and Power Authority Teck Resources Limited	Target Acquiror Vendor	17-Jun-09
US\$ 650,000,000	CDMA business & LTE access assets Nokia Siemens Networks B.V. Nortel Networks Corporation	Target Acquiror Vendor	19-Jun-09
US\$ 520,000,000	Uranium Mine Uranium One Inc. JSC Atomredmetzoloto	Target Acquiror Vendor	15-Jun-09
€ 350,000,000	Adam Opel GmbH Magna International Inc. General Motors Corporation	Target Acquiror Vendor	22-May-09
\$ 500,000,000	Gillett Entertainment Group Bell Centre Club de hockey Canadien, Inc. Investor group George Gillett Jr.	Target Target Target Acquiror Vendor	20-Jun-09
\$ 454,000,000	Eveready Inc. Clean Harbors, Inc.	Target Acquiror	29-Apr-09
US\$ 395,000,000	North Baja pipeline system TC Pipelines, LP TransCanada Corporation	Target Acquiror Vendor	20-May-09
US\$ 370,000,000	Custom House Ltd. The Western Union Company	Target Acquiror	7-May-09
\$ 400,000,000	Petro Andina Resources Inc. Pluspetrol Resources Corporation N.V.	Target Acquiror	18-Jun-09
\$ 371,500,000	Northland Power Inc. Northland Power Income Fund Northland Power Holdings Inc.	Target Acquiror Vendor	4-May-09
US\$ 310,000,000	Vignette Corporation Open Text Corporation	Target Acquiror	6-May-09
£ 195,000,000	Lincoln National (UK) plc Sun Life Financial Inc. Lincoln National Corporation	Target Acquiror Vendor	15-Jun-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).