

## M&A Quarterly Report – Q4/07

### Overview

The Canadian market posted a relatively weak fourth quarter to bring an end to a record year for Canadian M&A. The value of announced transactions for the year settled at \$370B, up 44% from 2006, in spite of a 4% decline in transaction volumes. Amid the uncertainty overhanging the U.S. economy and ongoing jitters in the credit markets, announced transactions in the fourth quarter declined to 425 (worth \$52.5B) from 533 (\$70.5B) in the same period last year, and from 467 transactions (\$90.6B) in the prior quarter which included the \$40B acquisition of **Alcan Inc.**

The further softening of M&A activity in the fourth quarter contributed to a marked decline in

new deal announcements and values in the second half of 2007. Compared to the blistering pace of \$227B (including the \$51B acquisition of **BCE Inc.**) and 1049 transactions set in the first half of the year, activity in the second half of the year fell to \$143B and 892 transactions.

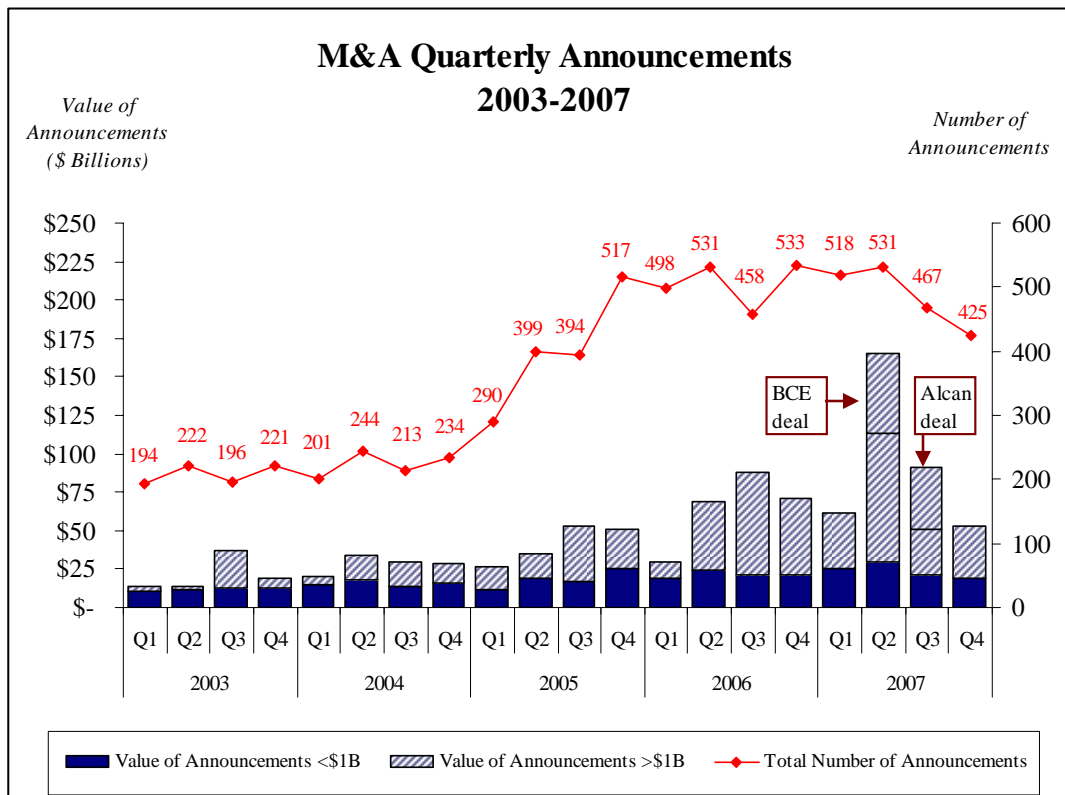
### Industry Activity

**Industrial Products** was the most active sector in the quarter and for the year, with 94 transactions in the fourth quarter and 409 transactions during the year valued at \$10.4B and \$86.4B, respectively. The sector was led in the fourth quarter by **IBM's** \$4.7B acquisition of **Cognos Inc.**

The **Financial Services** sector was the largest contributor to

transaction values with 33 announced deals worth \$14.3B in the fourth quarter. Much of this value can be attributed to **TD Bank's** \$8.5B purchase of US based **Commerce Bancorp Inc.**, which was the largest transaction of the quarter, and **Royal Bank's** \$2.2B acquisition of Caribbean **RBTT Financial Holdings Ltd.**

**Penn West Energy Trust's** \$5.2B acquisition of **Canetic Resources Trust** and **EnCana Corp.'s** \$2.2B purchase of natural gas and land interests from Texas' **Leor Energy** propelled the **Oil & Gas** sector to the second highest in terms of deal value for the quarter. The sector closed out the year with 65 deals valued at \$13.3B in the fourth quarter, and 350 announced deals worth \$60.3B for the year.



## Mega-Deals

There were 12 “mega-deal” (transactions greater than \$1B) announcements in the fourth quarter, comparable to the 12 announced in the previous quarter. However, without a blockbuster deal such as the Alcan transaction in Q3, the value of announced mega deals was down significantly from \$69B to \$34B in the current quarter. The 60 mega-deals announced in 2007 valued at \$275B was a record high for the Canadian market both in terms of volume and value.

## Financial Groups

Financial groups were visibly absent from the M&A landscape in the fourth quarter. For deals valued over \$100M, financial groups had only two acquisitions valued at a total of \$2.6B representing 4.9% of deals in Q4. Transactions which involved financial buyers plummeted in the second half of 2007 with \$10.6B in announced deals, compared to \$85B in the first half of the year.

Acquisitions by financial groups included **Canada Pension Plan’s takeover of Auckland International Airport Ltd.** and the acquisition of **Axcan Pharma Inc.** by **Texas Pacific Group**, both valued at \$1.3B.

## Cross-Border Activity

Cross-border transactions contributed to 78% of the value of announced deals during the year and 40% of the volume, with the United States being the most active player. Canadian acquisitions of foreign companies outnumbered the acquisition of Canadian companies by foreigners by over 2:1 in both the fourth quarter and 2007. While the value of acquisitions by Canadian companies in the quarter exceeded those led by foreigners, the results for the full year reflect the value of foreign-led acquisitions surpassing those led by Canadian companies by a 2-to-1 margin, skewed by the Alcan and BCE deals. Notably, 7 of the 10 largest deals announced in the quarter and all 10 of the largest deals during the year had an international component to them.

## Income Trust Activity

Income trust activity remained strong with 42 deals (\$3B) compared to 40 deals (\$5.1B) in the previous quarter. On an annual basis, while deal values increased from \$11.4B in 2006 to \$23.1B in 2007, total volume decreased from 199 deals to 176.

### ACTIVITY GROUPED BY INDUSTRY: Y-T-D TO DECEMBER 31

INDUSTRY GROUPS	2007		2006	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Industrial Products	409	86,425	400	24,789
Oil & Gas	350	60,333	383	58,028
Real Estate	304	25,251	346	32,711
Consumer Products	123	11,781	111	7,453
Financial Services	141	29,115	109	13,199
Gold	34	11,305	47	18,297
Merchandising	132	12,904	136	19,658
Utilities	51	8,953	67	11,895
Communications & Media	69	87,434	64	5,182
Transportation & Environmental Services	50	7,587	87	7,794
Metals & Minerals	258	23,392	238	53,069
Paper & Forest	19	4,765	36	5,291
Pipelines	1	1,060	1	6
<b>TOTAL</b>	<b>1,941</b>	<b>370,305</b>	<b>2,025</b>	<b>257,372</b>
<i>Technology Watch:</i> (subsector of Ind. Prod.)	61	2,879	62	7,864

### CROSS-BORDER TRANSACTIONS: Y-T-D TO DECEMBER 31

	2007		2006	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Canadians Acquiring				
Foreign Companies	508	93,005	497	73,586
Cdn Co's from Foreigners	24	4,971	41	14,128
Total	532	97,976	538	87,714
Top Foreign Target Country of Canadian Acquirors				
United States	285	49,723	United States	263 55,073
Foreigners Acquiring				
Canadian Companies	192	186,841	125	100,998
Foreign Co's from Cdn	54	5,188	69	13,240
Total	246	192,029	194	114,238
Top Foreign Acquiror of Canadian Located Companies				
United States	108	101,008	United States	79 43,391

### BREAKDOWN OF ACTIVITY: Y-T-D TO DECEMBER 31

Size	2007				2006			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Undisclosed	334	17	N/A		295	15	N/A	
1m-100m	1314	68	23,202	6	1479	73	25,415	10
101m-250m	132	7	21,303	6	110	5	17,396	7
251m-500m	57	3	19,167	5	49	2	18,087	7
501m-1b	44	2	31,735	9	36	2	24,691	10
>1b	60	3	274,897	74	51	3	171,585	67

## Largest Transactions Announced During Q4 2007

	VALUE	NAME	ROLE	ANNOUNCED
US\$	8,500,000,000	Commerce Bancorp, Inc. The Toronto-Dominion Bank	Target Acquiror	2-Oct-07
\$	5,210,000,000	Canetic Resources Trust Penn West Energy Trust	Target Acquiror	31-Oct-07
US\$	5,000,000,000	Cognos Incorporated International Business Machines Corporation	Target Acquiror	12-Nov-07
US\$	2,650,000,000	UAP Holding Corp. Agrium Inc.	Target Acquiror	3-Dec-07
US\$	2,550,000,000	Deep Bossier natural gas and land interests EnCana Corporation Leor Energy L.P.	Target Acquiror Vendor	5-Nov-07
US\$	2,200,000,000	RBTT Financial Holdings Limited Royal Bank of Canada	Target Acquiror	2-Oct-07
US\$	1,600,000,000	Great-West Healthcare CIGNA Corporation Great-West Lifeco Inc.	Target Acquiror Vendor	26-Nov-07
\$	1,500,000,000	Miramar Mining Corporation Newmont Mining Corporation	Target Acquiror	9-Oct-07
\$	1,387,900,000	Enerplus Resources Fund Focus Energy Trust	Acquiror Target	3-Dec-07
\$	1,300,000,000	Montréal Exchange Inc. TSX Group Inc.	Target Acquiror	10-Dec-07
NZ\$	1,765,400,000	Auckland International Airport Limited Canada Pension Plan	Target Acquiror	16-Nov-07
US\$	1,300,000,000	Axcan Pharma Inc. Texas Pacific Group	Target Acquiror	29-Nov-07
US\$	965,000,000	Brazilian shopping centres Brookfield Asset Management Inc.	Target Acquiror	11-Dec-07
US\$	915,200,000	Aspreva Pharmaceuticals Corporation Galenica AG	Target Acquiror	18-Oct-07
\$	773,000,000	Arizona Star Resource Corp. Barrick Gold Corporation	Target Acquiror	29-Oct-07
\$	763,000,000	Emergis Inc. TELUS Corporation	Target Acquiror	29-Nov-07
£	368,000,000	Loyalty Management Group Aeroplan Income Fund	Target Acquiror	3-Dec-07
\$	759,000,000	Pacific Stratus Energy Ltd. Petro Rubiales Energy Corp.	Target Acquiror	12-Nov-07
\$	680,000,000	10 shopping centres Calloway Real Estate Investment Trust SmartCentres Inc. Wal-Mart Canada Corp.	Target Acquiror Vendor Vendor	6-Dec-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](mailto:helpdesk@canwest.com)).