

## M&A Quarterly Report – Q4/08

### Overview

The Canadian M&A market posted a sharp decline in the final quarter of 2008 with a significant decrease in deal volumes and deal values.

According to data compiled from the *Financial Post Crosbie: Mergers & Acquisitions in Canada* database, deal volumes decreased 31% from the previous quarter to a 4 year low of 271 transactions in Q4. Deal values decreased 66% from Q3 to \$17.8B in Q4 more consistent with the levels recorded in the first two quarters of the year. The reduced deal volume and values in Q4 were also more in line with the activity seen prior to the start of the M&A boom in mid 2005.

### Mid-market Deals

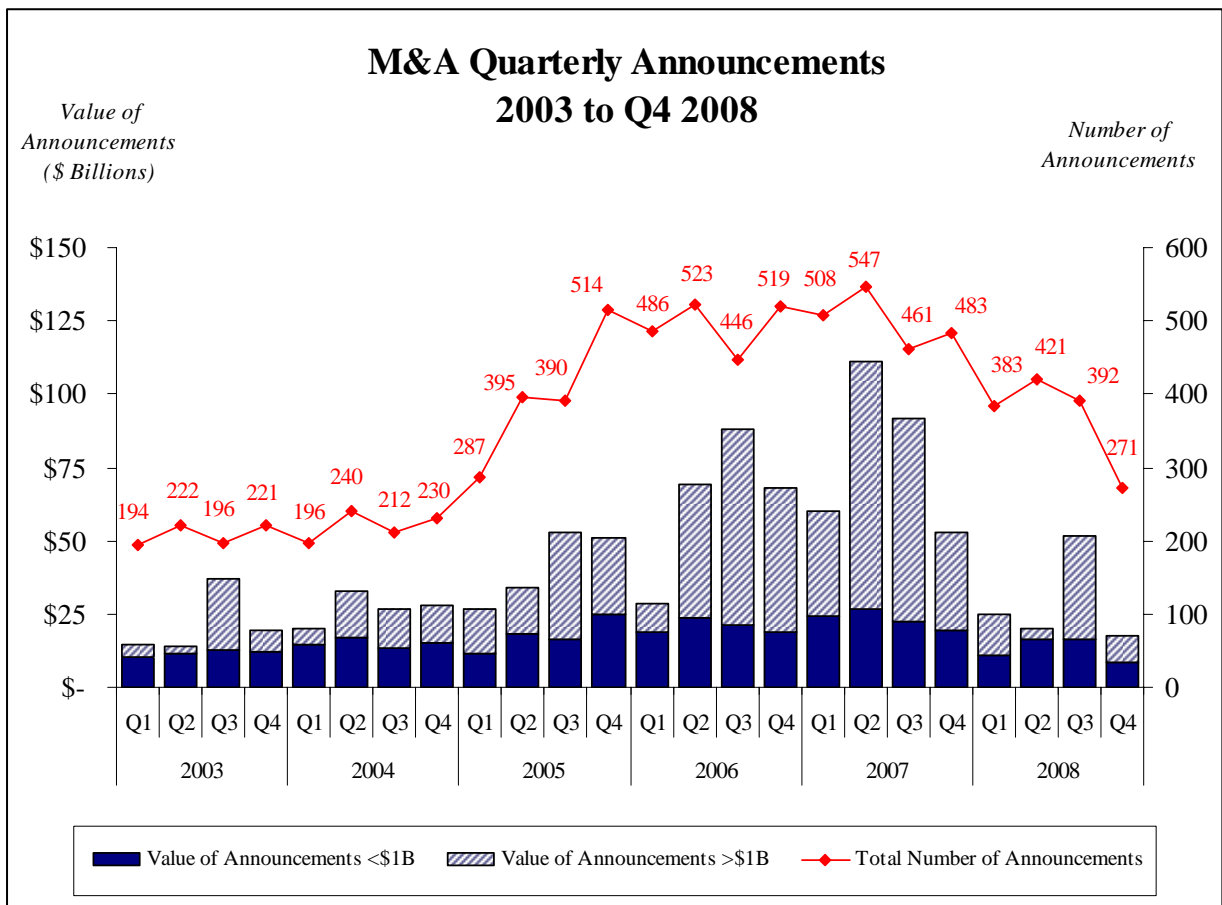
Mid-market activity (transactions valued between \$1M and \$500M) was down 31% from Q3 to 194 transactions but was once again the driver of deal volumes in Q4 representing 71% of announced transactions. The value of mid-market deals also saw a sharp decrease from the previous quarter of 50% to \$6.5B.

### Mega-Deals

There were 4 announced mega-deals (transactions valued above \$1B) valued at \$9.1B representing a 50% decrease in volume and a 75% decrease in value from Q3 which was a surprisingly resilient quarter for mega-deals. For the year, mega-deals saw declines of 65% in terms

of volumes and 72% in terms of values from the high water mark set in 2007.

The largest announced transaction in Q4 was the \$3.1B sale of **George Weston's** U.S. fresh and baked goods business to Mexican based **Grupo Bimbo S.A.B. de C.V.** The other mega-deals in the quarter included **The Bank of Nova Scotia's** \$2.3B acquisition of **CI Financial Income Fund**, China based **Sinopec International's** \$2B acquisition of Calgary's **Tanganyika Oil** and **ProEx Energy Ltd.'s** \$1.6B acquisition of **Progress Energy Ltd** and **Progress Energy Trust** in an all Calgary deal.



### Industry Activity

**Industrial Products** and **Oil & Gas** sectors again led all sectors in terms of deal activity for the seventh straight quarter with 64 (\$.07B) and 57 (\$6.4B) announced transactions, respectively. With 2 of the 4 mega-deals announced in Q4, Oil & Gas was the largest sector in regards to deal values just ahead of **Consumer Products** which recorded \$5B of deals boosted by the \$3.1B sale of George Weston's U.S. fresh and baked goods business. George Weston also sold **Neilson Dairy to Saputo Inc.** for \$465M in Q4.

### Income Trust Activity

Income trust activity also slowed in Q4 with just 26 deals (\$2.8B), down significantly from the average of 44 deals seen in the previous 4 quarters and the 47 deals announced in the Q3. The \$2.3B acquisition of CI Financial Income Fund by the Bank of Nova Scotia represented 82% of the income trust deal values as the remaining 25 deals were all significantly smaller.

### Financial Groups

After 3 straight quarters of modestly increasing activity for financial groups, Q4 saw a sharp decline in activity from 10 transactions above \$100M in Q3 to 3 transactions in Q4. The value of these transactions, all announced in December, was \$0.6B, significantly below the \$12.7B in the previous quarter. The largest deal involving a financial group was New York based **JLL Partners'** \$231M acquisition of **Patheon Inc.** of Mississauga followed by Calgary's **Storm Ventures'** acquisition of U.K.'s **Silverstone Energy Limited** valued at \$213M.

### Cross-Border Activity

Cross-border activity continued to play an important role in the Canadian M&A market with a 44% contribution to deal values and a 36% contribution to deal volumes. 2 of the 4 announced mega-deals in Q4 were acquisitions of Canadian companies by foreign companies. Cross-border activity in Q4 was in line with historical trends as acquisitions of foreign companies by Canadians comprised 58% of cross-border deal volume and the value of these acquisitions comprised 20% of cross-border deal values.

Canadian acquisitions of foreign companies contributed 65% of the deal volumes and 33% of deal values to cross-border transactions in 2008. This is consistent with the historical average of Canadian acquisitions of foreign companies representing roughly 2/3<sup>rds</sup> of the cross-border transaction volume and 1/3<sup>rd</sup> of the cross-border transaction value.

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

INDUSTRY GROUPS	2008		2007	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Industrial Products	349	9,326	413	86,541
Consumable Fuels	322	33,929	359	56,668
Metals & Minerals	180	21,380	220	23,158
Real Estate	145	4,449	355	18,904
Financial Services	103	8,881	139	35,637
Consumer Products	100	10,165	129	11,919
Merchandising	83	1,159	133	13,016
Utilities	58	13,963	58	8,342
Gold	41	7,176	30	11,221
Transportation & Environmental Services	34	969	69	8,405
Communications & Media	32	1,066	69	35,849
Paper & Forest	14	309	18	4,226
Pipelines	6	2,016	7	1,817
<b>TOTAL</b>	<b>1,467</b>	<b>114,788</b>	<b>1,999</b>	<b>315,703</b>
<i>Technology Watch:</i> (subsector of Ind. Prod.)	52	1,683	63	2,924

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

	2008		2007		
	# of Deals	Value \$Millions	# of Deals	Value \$Millions	
Canadians Acquiring					
Foreign Companies	340	20,256	505	93,570	
Cdn Co's from Foreigners	21	849	26	5,425	
Total	361	21,105	531	98,995	
Top Foreign Target Country of Canadian Acquirors					
United States	182	13,618	United States	291	50,055
Foreigners Acquiring					
Canadian Companies	139	34,976	186	134,469	
Foreign Co's from Cdn	53	7,728	55	4,994	
Total	192	42,704	241	139,463	
Top Foreign Acquiror of Canadian Located Companies					
United States	79	21,198	United States	106	48,909

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

Size	2008				2007			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Undisclosed	332	23	N/A		290	15	N/A	
1m-100m	987	67	17,219	15	1418	71	23,976	8
101m-250m	69	5	10,957	10	132	7	21,085	7
251m-500m	42	3	15,450	13	57	3	19,252	6
501m-1b	14	1	9,088	8	40	2	28,590	9
>1b	21	1	62,075	54	60	3	222,799	71

## Largest Transactions Announced During Q4 2008

VALUE	NAME	ROLE	ANNOUNCED
US\$ 2,500,000,000	U.S. fresh & baked goods business Grupo Bimbo S.A.B. de C.V. George Weston Limited	Target Acquiror Vendor	10-Dec-08
\$ 2,300,000,000	CI Financial Income Fund The Bank of Nova Scotia Sun Life Financial Inc.	Target Acquiror Vendor	6-Oct-08
\$ 2,000,000,000	Tanganyika Oil Company Ltd. Sinopec International Petroleum Exploration and Production Corporation	Target Acquiror	31-Oct-08
\$ 1,647,100,000	Progress Energy Ltd. Progress Energy Trust ProEx Energy Ltd.	Target Target Acquiror	17-Nov-08
\$ 735,000,000	Oil and gas assets Nexen Inc. OPTI Canada Inc.	Target Acquiror Vendor	17-Dec-08
\$ 686,000,000	Northbridge Financial Corporation Fairfax Financial Holdings Limited	Target Acquiror	1-Dec-08
\$ 578,800,000	Forsys Metals Corp. George Forrest International Afrique S.P.R.L.	Target Acquiror	14-Nov-08
\$ 465,000,000	Neilson Dairy Saputo Inc. George Weston Limited	Target Acquiror Vendor	22-Oct-08
\$ 416,000,000	InStorage Real Estate Investment Trust TKG-StorageMart Partners, L.P.	Target Acquiror	16-Oct-08
€ 218,000,000	Wavecom S.A. Sierra Wireless, Inc.	Target Acquiror	2-Dec-08
\$ 230,500,000	Patheon Inc. JLL Partners, Inc.	Target Acquiror	8-Dec-08
US\$ 179,000,000	MAG Silver Corp. Fresnillo plc	Target Acquiror	2-Dec-08
\$ 212,500,000	Silverstone Energy Limited Storm Ventures International Inc.	Target Acquiror	24-Dec-08
\$ 197,500,000	ACH Limited Partnership AbitibiBowater Inc.	Target Vendor	22-Dec-08
US\$ 140,000,000	Minera Santa Rosa SCM Kinross Gold Corporation Anglo American plc	Target Acquiror Vendor	20-Nov-08
US\$ 139,000,000	Orezone Resources Inc. IAMGOLD Corporation	Target Acquiror	11-Dec-08
\$ 165,000,000	Office building Cominar Real Estate Investment Trust	Target Acquiror	1-Oct-08
\$ 143,000,000	Jacques Whitford Group Limited Stantec Inc.	Target Acquiror	24-Nov-08

*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)).*