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Buyers Out in Force: Crosbie

By Steven Lamb

It may come as no shock that the first quarter of 2007 set new records in terms of merger and acquisition activity in Canada, but what might come as a surprise is that it is the smaller deals that are driving the market.

According to investment banking firm Crosbie & Company, there were 483 deals announced in the first three months of the year, totalling \$66 billion. Crosbie's most recent quarterly report points out that Q1 is typically a weak period, and that this record value could point to a full-year record being set.

Within that \$66 billion total, \$25.3 billion in deals involved price tags under \$1 billion, representing another record for the quarter. This continues a trend that has developed over the past six quarters, with increasing attention to the small- and mid-cap segment of the market.

"This growth demonstrates how important M&A strategies have become for companies and shareholders across the entire economic landscape," said Colin Walker, managing director of Crosbie & Company Inc.

Walker points to a number of factors driving M&A value, including the low cost of financing and the frequent emergence of competing bids for a given takeover target. Acquisitions are increasingly global in nature, and a near-universal optimism among investors makes it "an ideal time to get deals closed."

Cross-border deals accounted for 37% of the deals and 56% of the value, demonstrating a clustering of cross-border deals at the higher end of the spectrum. Foreign firms were involved in 10 of the 14 deals in excess of \$1 billion.

The 14 so-called mega-deals represent a total value of \$41 billion, marking an increase of four deals and \$9 billion in value over the same quarter in 2006.

Despite widespread hand-wringing over the "hollowing out" of corporate Canada, there were nearly three times as many transactions involving Canadian acquirers of foreign firms than the reverse.

The largest single deal announced in the quarter was the acquisition of rolled-aluminum manufacturer Novelis by Hindalco Industries for \$6 billion US. The broad materials sector also took the second spot, with Xstrata's \$4.6 billion bid for Lionore.

The largest acquisition by a Canadian firm took the number-three spot, as Great-West Life offered \$3.9 billion for Putnam Investments. Also within the financial services industry was Morgan Stanley and Apax Partners' \$1.9 billion US acquisition of Hub International from Northbridge Financial and Fairfax Financial.