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Pension funds lead M&A activity

By Tammy Burns

Pension funds have been active in mergers and acquisitions (M&A) for the second quarter of 2011, reports the Financial Post Crosbie: Mergers & Acquisitions in Canada database.

Financial sponsors had 12 mergers and acquisitions over \$100 million in the second quarter of 2011, nine of which involved pension funds. The 12 transactions were valued at \$7.9 billion, well over the \$2.6 billion reported in Q1. The number of acquisitions marks a significant increase over the six announcements over \$100 million in the first quarter of 2011, but is still well below the record-setting 20 transactions over \$100 million involving financial sponsors in the fourth quarter of 2010.

The CPP led the pack with a total of six announcements. CPP executed on its global real estate strategy, as four of its six transactions involved acquisitions of interests in shopping malls in the U.S., Germany and Australia and an industrial property in Hong Kong.

The largest financial sponsor transaction for the quarter was the buyout of Husky International by OMERS and Berkshire Partners for \$2.1 billion.

The Public Service Pension Investment Board and British Columbia Investment Management Corporation acquisition of TimberWest Forest Corp. was 10th overall, valued at \$1.03 billion.

“The trend towards large Canadian pension funds investing directly on a global basis resumed in the second quarter after a short breather in the first quarter and a very active last quarter of 2010,” said Ian Macdonell, managing director at Crosbie & Company.

There were also 10 mega deal announcements for a total of \$25.4 billion, the second largest of which was Maple Group’s \$3.8 billion bid for the TMX Group. Maple Group includes the Alberta Investment Management Corp., Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Group, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec, GMP Capital Inc., National Bank Financial Inc., Ontario Teachers’ Pension Plan, Scotia Capital Inc., TD Securities Inc. and The Manufacturers Life Insurance Company.

Overall, the second quarter of 2011 marked a significant rebound in M&A activity from the unusually weak first quarter and a return to activity levels broadly in line with recent quarters. There were 280 transactions announced in the quarter for a total value of \$51.2 billion. This represented a 19% increase in M&A activity and a more dramatic 74% increase in aggregate transaction value compared to the prior quarter.

“The solid second quarter for Canadian M&A highlights the relative strength of the corporate sector of the economy compared to the fiscal challenges experienced by governments globally. Despite recent turmoil in equity markets, many companies continue to be in a position to go after M&A deals with strong earnings and balance sheets, positive outlooks for their businesses and access to cheap financing,” said Macdonell.