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## **Deal Making is Hot Again After Three Years of Decline**

By Carolyn Leitch

Mergers and acquisitions swung back into fashion in Canada last year as the value of deals in the oil patch swelled and cross-border asset swapping picked up, according to a report by investment bank Crosbie & Co. Inc.

The firm said the rebound in deal making in 2004 followed three years of decline, with last year marking the highest transaction volumes since 2001.

Companies announced 859 transactions valued at \$115-billion in 2004, compared with 833 transactions valued at \$83-billion in 2003, for a 39-per-cent increase in value.

The number of mega-deals -- defined as transactions of more than \$1-billion -- doubled to eight.

Colin Walker, managing director at Crosbie, said more private equity firms were stepping up their buying in 2004. Mr. Walker expects that trend to continue this year, pointing to Kohlberg Kravis Roberts & Co.'s \$3.3-billion offer to shareholders of Masonite International Corp., for example.

Mr. Walker says plenty of private capital is available and the landscape for mergers and acquisitions is strong.

Many of the so-called mega-deals last year were cross-border transactions, according to the report.

The financial services sector recorded the largest deal of the year with Toronto-Dominion Bank's \$4.9-billion purchase of Banknorth Group Inc.

Calgary-based EnCana Corp. paid \$3.5-billion to acquire Tom Brown Inc. of Denver, while Adolph Coors Co.'s high-profile merger with Molson Inc. was valued at \$4.5-billion.

All in all, Canadian companies -- likely spurred on by the strong dollar -- rang up 312 purchases of foreign names for a value of \$59-billion, which was nearly three times the value of deals made by foreign players vying for domestic companies.

Oil and gas was the strongest sector by dollar volume with \$24-billion worth of asset swapping, which was a 175-per-cent increase from \$9-billion in the previous year.

Industrial products companies also saw lots of activity, recording the largest number of deals at 205. That's up from 183 the previous year, but dollar volume edged up only 1 per cent to \$16-billion.

Crosbie & Co. said the fourth quarter saw a big jump in the size of transactions, compared with the same quarter of 2003. For the quarter, there were 210 deals announced valued at \$32-billion. Of those combinations, seven were mega-deals.

That marks a 57-per-cent increase in transaction value from the fourth quarter of the previous year, when companies announced 222 agreements with a value of \$20-billion.