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‘Respectable’ Canadian M&A Activity Comes in at \$45.5-Billion for Q3

By Christine Dobby, Financial Post

Canadian dealmakers soldiered on during the third quarter of the year, relatively undeterred by global market volatility.

The number of deals and total value of Canadian mergers and acquisitions were down about 15% compared to the second quarter but still within the range of activity seen since the start of 2010, a report released Thursday said.

There were 251 transactions announced with a total value of \$45.5-billion from July to September, according to figures from the Financial Post Crosbie Mergers & Acquisitions in Canada database.

This was down from the 292 transactions totalling \$53.3-billion announced in the second quarter and slightly lower than the 278 transactions worth \$46.8-billion announced in Q3 2010.

But Ian Macdonnell, managing director of Crosbie & Company, said the slip is no cause for alarm.

“In comparison to the poor equity markets, Canadian M&A activity remained very respectable in the third quarter,” he said.

He noted that activity was bolstered by buyers who view acquisitions as a means of creating growth in a weak-growth environment.

Sellers have also been interested in making deals, he said, because valuations have held up “reasonably well” in many sectors despite the broader economic picture.

Plus, transactions can be attractive in times of tight credit.

“Corporations have viewed the sale of non-core assets as a good alternative to the financing markets,” Mr. Macdonnell said.

There were seven mega deals worth more than \$1-billion during the quarter, down from 11 announced in Q2.

But the value of those deals amounted to \$25.9-billion or 57% of total deal value, the highest relative value since the same quarter last year, Crosbie & Company said.

TD Bank's purchase of MBNA Canada's credit card portfolio from Bank of America for \$8.6-billion announced in August was the largest deal of the quarter.

Nortel Networks Corp.'s July sale of its patent portfolio to a consortium of buyers including Research in Motion Ltd., Microsoft Corp. and Apple Inc. was the third-largest deal, worth US\$4.5-billion.

Canadian pension funds continued to snap up international assets with seven deals worth more than \$100-million totalling \$8.7-billion announced during the quarter.

The Public Sector Pension Investment Board and Canada Pension Plan Investment Board joined a consortium of buyers that threw in for the \$6-billion acquisition of Texas-based medical technology maker Kinetic Concepts Inc., the second-biggest deal of the quarter.

Now at five quarters running, real estate and oil and gas were once again the most active sectors, with 54 and 51 deals announced, respectively.

But on the strength of the Kinetic Concepts deal, the industrial products sector had the highest aggregate value of \$13.5-billion.

Finally, the international flavour of Canadian deals was reflected in the fact that eight of the 10 largest deals had an international component and cross-border activity came in at 47% of total deal volume during the quarter, a bit higher than the 43% seen in Q2.

"Canadian companies continued to be net acquirers with Canadian acquisitions of foreign companies outpacing the reverse by a ratio of more than two to one," the report said.

ond quarter after a short breather in the first quarter and a very active last quarter of 2010," Ian Macdonell, managing director at Crosbie & Company, said in a statement Thursday.

There were 10 "mega-deals" (deals worth more than \$1-billion) announced for a total of \$25.4-billion in the second quarter.

The largest deal of the second quarter was Barrick Gold Corp.'s [\\$7.3-billion acquisition](#) of Equinox Minerals Ltd., followed by Maple Group's \$3.8-billion bid for the TMX Group. (The now-defunct TMX/LSE merger announced in February is not included in the revised Q1 numbers.)

The US\$3.62-billion sale of RBC's U.S. retail operations to PNC Financial Services Group Inc. ranked third.

Cross-border deal-making continued at a rapid pace, accounting for 43% of the transactions in the quarter.

As for sectors, real estate and oil & gas were the most active, making up 21% and 19% of M&A activity respectively.

But for total value of deals, the metals & minerals and financial services sectors led the way, with \$11.7-billion and \$10.5-billion of total announcements respectively.