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Merger Mania Forecast to Continue in 2007

By Boyd Erman

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The merger binge of 2006 is likely to continue into 2007, with private-equity deal makers and corporate chieftains flush with cash and driven by a “deal or die” mentality, according to a firm that tracks takeover trends.

The number of mergers and acquisitions rose 22 per cent last year to almost 2,000 transactions worth a total \$257-billion, a 55-per-cent jump in value, according to Crosbie & Co., a boutique investment bank that compiles figures on corporate combinations.

“The market will continue to be robust, but whether that means another record year or a slight decrease, it's hard to say,” said managing director Ed Giacomelli. “What happens in a market like this — it's one of the psychological aspects of mergers and acquisitions — is that executives and boards of directors become conditioned that we are in an M&A market and this is the time to deal.”

While there may be close to 2,000 deals again this year, many merger advisers say there's a good chance that value won't approach 2006's total, which was bolstered by mega-deals such as the takeovers of Inco Ltd., Falconbridge Ltd. and Fairmont Hotels & Resorts Inc.

Fairmont, which sold to a private-equity consortium, is one of the big transactions that signals that any company in Canada could now be sold to one of the private buyout shops playing big roles in the merger game.

Private-equity groups, often called “financial investors,” were involved in 16 of the 51 so-called mega-deals of over \$1-billion in 2006.

Private-equity firms, when they can't pay enough on their own, are also increasingly partnering with corporate buyers to be able to offer top dollar, as in the case of the planned buyouts of Alliance Atlantis Communications Inc. and BCE Inc.'s Telesat satellite unit.

“Private equity firms can do virtually any kind of deal,” said Mr. Giacomelli. “They'll buy it outright if they can, but if it better fits with a strategic player they will do that, too. They are becoming very commercial. They want to get the deals done. The amount of capital that's being allocated here is growing and they have to put that money to work.”