

SEPTEMBER 3, 2008

M&A Market Favour Lawyers Over Bankers

By: Andrew Willis

The credit crunch has all but killed the mega-deals, creating a merger and acquisition market that's running on small-to-mid sized takeovers.

Merger and acquisition activity in Canada continued at a steady pace through the first half of 2008, according to a survey released Tuesday by Crosbie & Co. The second quarter saw 416 transactions announced, up slightly from 377 deals in the first three months of 2008.

However, the value of acquisitions has fallen off a cliff, reflecting the fact that lenders have pulled in their horns, slowing buyout activity. Crosbie & Co. reported just two deals more than \$1-billion in the second quarter.

The total value of those 416 transactions was \$18.4-billion, compared to \$163.5-billion of M&A activity announced in the second quarter of 2007, just ahead of the credit crunch.

“Credit available for new large leveraged transactions evaporated in the quarter”, said Ed Giacomelli, managing director at Crosbie & Company. “However, strategic buyers continue to be active in this phase of the M&A cycle.”

For those who work in M&A, this environment plays to the lawyers, rather than investment bankers.

M&A lawyers, after all, base their fees in part on hourly billings. Complexity matters more than size when it comes to a deal's impact on a law firm's bottom line.

Investment banks, on the other hand, charge fees linked to the size of a transaction. Lots of small acquisitions have less of bottom-line impact than a few massive, debt-financed deals.