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M&A Activity Slips in Third Quarter, Says Crosbie & Co.

By James Langton

Canadian merger and acquisition activity dropped off a bit in the third quarter, but the first nine months of the year are running about 40% ahead of the dealmaking action in 2003, according to data from investment banking firm Crosbie & Co. Inc.

In the third quarter, there were 200 deals announced, worth \$31.8 billion. This is down a bit from the 250 deals worth \$34.8 billion, in the second quarter. However, in the year-to-date, there have been 649 deals worth \$86.5 billion, up from the \$62.7 billion worth of deals that were done in the same period a year ago.

Third quarter action was fueled by deals worth more than \$1 billion, Crosbie says. Three of the year's five biggest deals were announced in the quarter, led by TD Bank's \$4.9 billion offer for 51% of Banknorth Group Inc. Mega-deals were also announced in the brewing (Molson and Adolph-Coors) and gold sectors (Gold Fields and Iamgold).

Excluding the three big deals, the oil & gas and media & communications sectors were the most active in terms of dollar volume. There were 14 deals in the media sector, worth a combined \$3.8 billion; and, 24 energy sector deals totaling \$3.7 billion. In the year to date, energy companies lead the way, with 90 deals worth \$18.8 billion, up almost 200% from the same period last year.

"Market conditions continue to be favourable for M&A. Both financial and strategic buyers are active, valuations are reasonable, and the availability of financing is strong," said Colin Walker, managing director at Crosbie.

Cross-border deals also remain significant, with the top 10 deals all being cross-border transactions. Seven of the top 10 involve Canadian companies buying foreign ones. As well Canadian acquisitions of foreign firms outpace deals coming the other way across the border by a three to one margin.