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Number of Deals Jumps, but Value of Deals Plunges, Crosbie & Co. Reports

By James Langton

The number of M&A deals announced in Canada in the second quarter jumped, but the value of those deals plunged, according to the latest data from mid-market investment bank, Crosbie & Co.

The firm reported on Thursday that the Canadian M&A market ended three consecutive quarters of declining deal activity in the second quarter with a 28% increase in announced transactions compared with the previous quarter. However, the aggregate value of those deals fell from \$47.6 billion in the first quarter to \$24.9 billion in Q2, primarily due to a dearth of transactions worth more than \$1 billion. Crosbie reported that deal activity bounced significantly in June following a weak April and May.

“While far below the top-of-market conditions of 2007, the M&A market had a pretty respectable quarter given the macro-environment,” said Colin Walker, managing director at the firm. “We are not yet out of the woods but valuations and psychology are beginning to improve. Some of the deal activity that ground to a halt for a few months seems to have resumed. But one has to still ask the question - was Q1 the bottom or are we seeing the proverbial dead cat bounce?”

The firm reported that mid-market transactions (those valued under \$250 million) were a notable source of strength in the quarter, accounting for 88% of all transactions with 181 announced deals. Conversely, there were only two deals in the large deal segment.

Activity in the income trust sector picked up in the quarter, with 18 announced transactions in the quarter compared to seven in the previous period. But for the ninth quarter in a row, the oil & gas and industrial products sectors were the most active in the quarter, as they collectively accounted for almost half of all transaction volume.

Additionally, cross-border M&A also rebounded with 90 announced transactions in Q2, compared to 56 in Q1.