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M&A Activity Eases in Third Quarter: Crosbie

Cross border transactions accounted for 47% of total deal volume in the third quarter

By James Langton

Canadian merger & acquisition activity dropped in the third quarter coming off a particularly strong second quarter, according to the latest data from Crosbie & Co.

The mid-market investment bank reports that there were 251 M&A transactions announced in the third quarter in Canada, for a total value of \$45.5 billion. This is down 14% in volume and 15% in aggregate transaction value from the prior quarter. However, Crosbie notes that third quarter M&A activity remained within the range of quarterly activity experienced since the beginning of 2010.

"In comparison to the poor equity markets, Canadian M&A activity remained very respectable in the third quarter," said Ian Macdonell, managing director at Crosbie. "This activity was supported by corporate buyers that view acquisitions as a means to create growth in what is increasingly being regarded as a weak-growth environment. On the flipside, M&A has been attractive to sellers as valuations in many sectors have held up reasonably well. Additionally, corporations have viewed the sale of non-core assets as a good alternative to the financing markets."

The firm reports that there were seven mega deals (transactions over \$1 billion) announced in the third quarter compared to 11 in the prior quarter. However, mega deals accounted for \$25.9 billion of total value in Q3, which compares favourably to recent quarters, it says. The largest deal in the third quarter was TD Bank's acquisition of MBNA Canada's credit card portfolio from Bank of America for \$8.6 billion.

Cross border transactions accounted for 47% of total deal volume in the third quarter, Crosbie adds. And, it notes that 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.

Canadian pension funds continued to be active buyers of international assets with seven acquisitions in excess of \$100 million, representing an aggregate value of \$8.7 billion for the quarter, the firm says.

By sector, real estate and oil & gas were most active in M&A for the fifth consecutive quarter, accounting for over 42% of total M&A activity for the quarter. Industrial products is the leading industry by value followed by financial services, with these industries accounting for a combined 53% of total M&A transaction value, Crosbie reports.