

MAY 13, 2008

Canadian M&A Activity Surprisingly Strong in Q1

Seven deals greater than \$1 billion

By James Langton

Canadian M&A deal activity in the first quarter of 2008 fell to the lowest level since the first quarter of 2005, according to Crosbie & Co. Inc.

The firm reported that there were 338 new transactions announced in the quarter resulting in \$24 billion of transaction value, compared with 449 transactions worth \$53 billion in the prior quarter and 523 new deals valued at \$62 billion during the same period last year.

In spite of the Canadian M&A market's decline from the record levels of 2007, overall activity remained in-line with historical activity prior to the beginning of the M&A boom in 2005, it said. "In light of the record level of M&A activity last year and the recent market volatility we have experienced, a significant decline in M&A activity was expected," says Ed Giacomelli, managing director at Crosbie. "However, on balance the level of activity in the first quarter was surprisingly strong."

In the first quarter there were just seven "mega" deals (greater than \$1 billion) representing \$14 billion in value, compared to 12 deals valued at \$34 billion seen in the fourth quarter of 2007. Notwithstanding this decline, the level of mega deal activity in the first quarter of 2008 was still typical of the levels seen before 2005.

"We have also seen the re-emergence of the strategic buyer in this quarter, leading the way with eight of the 10 largest deals," added Giacomelli. "Good deals are still getting done."

The oil & gas and industrial products sectors were the most active, together accounting for close to 50% of total market activity and over 40% of total value for the quarter. However, nine of 13 industry groups showed a decline in activity.

Cross-border transactions represented over 40% of total activity and 66% of the value for the quarter, with the United States remaining the most common foreign component in deals. The three largest transactions in the quarter were cross-border deals. The number of Canadian acquisitions abroad exceeded foreign-led acquisitions of Canadian companies by a two-to-one margin, and for the second consecutive quarter, Canadian acquirers outspent their foreign counterparts.