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## **Canadian M&A Activity Jumps 44% to Record**

*Mega-deals boost total market value*

By James Langton

Last year was a record one for mergers and acquisitions in Canada, according to data released today by Toronto-based investment bank, Crosbie & Co.

The Canadian M&A market hosted \$370 billion worth of deals and 1,941 transactions during 2007, the firm reported. This represents a huge 44% jump from the previous record of \$257 billion set in 2006, although the previous year's activity involved 2,020 transactions.

Crosbie noted that the new record was set on the back of some of the largest deals in Canadian M&A history including the \$51 billion acquisition of BCE Inc. and the \$40 billion deal for Alcan Inc. in addition to these huge deals, there were 60 transactions valued in excess of \$1 billion (so called "mega-deals") in 2007, accounting for a combined \$275 billion. In 2006, there were 51 mega-deals, valued at \$172 billion.

"Despite the blistering pace of M&A activity in the first half of the year, 2007 ended on a weak note with a continuation of the slump that started in the third quarter," the firm noted. "With 425 announced transactions (worth \$52.5 billion), the fourth quarter represents the lowest level of M&A activity we have seen since the third quarter of 2005 (394 transactions worth \$53 billion)."

"While growing concerns about the economic outlook together with the ongoing credit crunch are certainly hurting the M&A market, overall activity levels have remained respectable by historical standards" said Ian Macdonell, managing director of Crosbie & Co. "The key issue is what happens to the economy in the first half of 2008 and whether the negative trend in M&A activity continues."

The firm added that the credit crunch continues to have a dramatic impact on leveraged buyouts by financial acquirors, such as private equity groups and pension funds. "We expect to see few large buyout transactions for at least the first half of 2008 as the market digests the backlog in buyout loans. However, we should continue to see financial groups play an active role in transactions below \$100 million where leverage is less of a factor," it said.

The financial services sector led the way in fourth quarter deal activity with TD Bank's \$8.5 billion acquisition of Commerce Bancorp and Royal Bank's \$2.2 billion purchase of RBTT Financial.

Cross-border activity also continued as a central theme accounting for 58% of deal value in the fourth quarter and 78% for 2007 with the majority of the cross-border trades involving the US, Crosbie noted. All 10 of the year's largest transactions had an international component to them, pushing cross-border dollar volume up 43% to \$290 billion, and the number of cross-border deals increased 6% to 778.