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Canada's M&A Volume Rebounds in Q2 - Crosbie

By: Susan Taylor

- * Deal volume climbs 28 pct, but value plunges 48 pct*
- * Mid-size deals increase, mega-deals languish*

OTTAWA, Sept 10 (Reuters) - The number of mergers and acquisitions announced in Canada rose 28 percent in the second quarter, snapping three consecutive quarters of decline, but the value of transactions slumped 48 percent, investment bank Crosbie & Co said on Thursday.

There were 205 transactions announced in the quarter, valued at C\$24.9 billion (\$23 billion), according to data compiled by the Financial Post Crosbie report. That compares with 160 deals valued at C\$47.6 billion in the first quarter, one of the weakest periods on recent record.

"While far below the top-of-market conditions of 2007, the M&A market had a pretty respectable quarter, given the macro-environment," Colin Walker, managing director at Crosbie & Co, said in a statement.

Market players have said M&A activity will pick up further toward the end of the year as Canadian companies target growth as they emerge from the global financial crisis.

"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," Walker said.

After a weak April and May, activity bounced significantly higher in June, the report said. Still, it is unclear whether second-quarter gains mark temporary or sustainable growth.

Mid-sized deals, which are valued under C\$250 million, made up 88 percent of all transactions, as activity increased 26 percent from the first quarter.

That lags activity in the second quarter of 2008, when 312 mid-sized transactions worth C\$10 billion were announced.

The number of cross-border deals jumped to 90 from 56 in the previous quarter. Canadian buyers accounted for 55 percent of the transactions, but just 36 percent of the deal value.

There were just two mega-deals in the quarter: the C\$8.3 billion takeover of Addax Petroleum Corp ([AXC.TO](#)) by China-based Sinopec, and Viterra Inc's ([VT.TO](#)) C\$1.4 billion acquisition of Australia's ABB Grain Ltd ([ABB.AX](#)).

For the ninth consecutive quarter, the industrial products and oil and gas sectors were the most active deal makers, accounting for almost half the volume of second-quarter deals.

Crosbie & Co also said that financial groups stayed mostly on the sidelines, with only two deals registered over C\$100 million.

The largest transaction in the category was the sale of George Gillett's 80.1 percent stake in the Montreal Canadiens National Hockey League team to an investor group led by the Molson family.