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More but Smaller Canadian M&A Deals: Crosbie

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TORONTO -- The number of mergers and acquisitions in Canada grew in the second quarter as the market showed resiliency, investment bank Crosbie & Co. said on Wednesday.

But the M&A value continued its downward trend as fallout from the credit crunch cut into big leveraged deals, putting the aggregate value at the lowest level in almost five years, the report said.

There were 416 new transactions announced in the second quarter worth \$18.4 billion (US\$17.3 billion). That compares with 377 deals worth \$24.5 billion in the prior quarter. The second quarter was well off the record 552 new announcements worth \$163.5 billion seen in the same quarter the year before.

The mid-market showed the most strength, while "mega-deal" activity sagged with only two transactions greater than \$1 billion seen in the quarter.

"Credit available for new large leveraged transactions evaporated in the quarter", Ed Giacomelli, managing director at Crosbie & Co said in a release.

"The dislocation in credit markets in the first quarter and overhang related to previously announced mega-deals took a toll on leveraged deals in the second quarter. However, strategic buyers continue to be active in this phase of the M&A cycle."

The largest announcement was Precision Drilling Trust's \$2.1 billion bid for U.S.-based Grey Wolf Inc.

The oil and gas, and industrial products sectors led M&A activity, accounting for 47% of total volume, worth \$9.1 billion, the report said.