

NOVEMBER 22, 2006

## **M&As Roar to Record High on Inco Deal**

VANCOUVER, British Columbia (Reuters) - Merger and acquisition activity in Canada reached a record high in the third quarter, hitting C\$90.3 billion (\$79.2 billion), boosted by the purchase of the country's biggest nickel company Inco Ltd. (N.TO: [Quote](#)), data showed on Wednesday.

Crosbie & Co. Inc., a Toronto-based investment bank, said that was up 68 percent from the same quarter last year, fueled by solid economic fundamentals, the availability of acquisition financing, continued strength in mid-sized deals, and foreign interest.

The dollar amount was the highest quarterly value yet, topping the previous record of C\$79.1 billion racked up at the height of the technology boom in the second quarter of 2000.

“We are in a white-hot M&A market that is broadly based and would appear to have very strong legs going into the fourth quarter,” said Colin Walker, managing director at Crosbie.

“It is proving to be an ideal time to sell businesses, and on very favorable terms,” he said in a statement.

Some C\$187 billion worth of deals were done in the first nine months of this year, up 64 percent from the same period in 2005 and equal to that in the first three quarters of 2000.

The purchase by Brazil's Companhia Vale do Rio Doce (VALE5.SA: [Quote](#)), or CVRD, of Inco boosted the M&A total in the third quarter by C\$19.9 billion. The transaction was shifted from second quarter totals after CVRD's bid topped a proposed Inco-Falconbridge Ltd. merger.

Crosbie said the market was strong for both large and medium-sized transactions. Eighteen qualified as mega-deals with values of over C\$1 billion. Foreign appetite for Canadian companies was strong in these large deals, with five of the 10 largest representing foreign purchases.

Private equity groups were relatively quiet between July and the end of September, Crosbie said. The only mega-deal here was U.S.-based Fortress Investment Group's C\$3.1 billion purchase of leisure resort operator Intrawest Corp. (ITW.TO: [Quote](#)).

However, the firm said Ottawa's recent decision to tax income trusts is expected to be a catalyst for more merger and acquisitions involving financial groups.

“I think you'll see the financial buyers resurface with a storm... There's going to be a lot of reordering of the landscape,” Walker told Reuters in an interview.

Ranked by sectors, the mining and minerals industry took top spot for deal value in the third quarter, with C\$23.8 billion worth, driven by the Inco transaction.

In second place was the consumable fuels sector, with transactions worth C\$17 billion. The largest deal here was Canadian Natural Resources Ltd.'s (CNQ.TO: [Quote](#)) purchase of Anadarko Petroleum Corp.'s (APC.N: [Quote](#)) western Canadian subsidiary Anadarko Canada Corp. for C\$4.6 billion.

(\$1=\$1.14 Canadian)