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## **Canada M&A Deals Plunge in Fourth Quarter: Crosbie**

By: Susan Taylor

OTTAWA (Reuters) – The value and number of mergers and acquisitions in Canada fell sharply in the fourth quarter as market conditions and economies deteriorated, investment bank Crosbie & Co. said on Friday.

There were 271 transactions announced in the quarter, a four-year low, valued at C\$17.8 billion (\$14 billion), the report said. That represents a 31 percent drop in the volume of deals and 66 percent plunge in value from the third quarter.

"Conditions have become quite challenging for getting many M&A transactions done given difficulties in raising debt financing and the constant bombardment of negative economic news," said Ian Macdonell, managing director at Toronto-based Crosbie.

In 2008, the number of deals fell 27 percent to 1,467 transactions and their value slumped 64 percent to C\$114.8 billion relative to a record year in 2007.

The biggest decline was in deals worth more than C\$1 billion, with just four such transactions in the quarter and 21 in 2008. That compares with eight big deals in the third quarter and 60 in 2007.

Transactions valued between C\$500,000 and C\$1 million, which made up 71 percent of announced deals in the quarter, dropped 31 percent from the third quarter to 194 deals.

"In recent weeks we have seen a sharp shift in the M&A mix with more transactions involving distressed assets as companies grapple with deteriorating operating results and challenges in refinancing debt obligations," Macdonell said in a statement.

"We also expect to see more hostile bids as companies with strong balance sheets look to take advantage of the buying opportunities presented by current market valuations."

The biggest deal in the fourth quarter was George Weston's US\$2.5 billion sale of its U.S. bakery business to Grupo Bimbo, the report said.

That was followed by Bank of Nova Scotia's C\$2.3 billion acquisition of Sun Life's 37 percent stake in CI Financial Income Trust and Sinopec's C\$2 billion purchase of Tanganyika Oil, Crosbie said.

The industrial products and oil and gas sectors led M&A activity, with a combined 44 percent of transactions in the quarter.

Canadian companies buying abroad made up 58 percent of the quarter's 97 cross-border deals, but foreign companies accounted for 80 percent of the value of such transactions, the report said.