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Canada's M&A Activity Seen Strong for Rest of Year

By: Nicole Mordant

VANCOUVER, British Columbia , Nov 13 (Reuters) - Mergers and acquisitions in Canada stayed buoyant in the third quarter, data showed on Tuesday, and should remain so for the rest of the year, driven by strategic buyers but also the resurgence of private equity groups.

Canadian companies announced transactions worth C\$91 billion (\$95 billion) in the third quarter, according to data compiled by Toronto niche investment bank Crosbie & Co. and the Financial Post newspaper.

That's the second-highest quarter on record in terms of value and was largely driven by the announcement of aluminum producer Alcan Inc's US\$38.1 billion purchase by Anglo-Australian metals giant Rio Tinto.

"Activity in the fourth quarter will continue to be reasonably strong," said Crosbie Managing Director Ian Macdonell.

Debt-financed leveraged buyout transactions by private equity groups have ground to a virtual halt because of a drying up of available credit. But Macdonell said the market would return once LBO groups had adjusted to new market conditions.

"They still have a huge amount of committed funds," he told Reuters in an interview.

Macdonell expected Canada's resources sector, dominated by oil and gas companies as well as metals producers, to remain the most active buyers and sellers.

The technology sector was also likely to remain busy from an M&A perspective, like it is globally, he said, pointing to IBM's announcement on Monday to buy Canada's Cognos Inc for US\$5 billion.

During the third quarter, there were 460 transactions announced in Canada, 12 of which were each worth more than C\$1 billion.

Macdonell said strategic buyers remained active with purchases driven by globalization, strong corporate balance sheets and a reasonably positive economic outlook.

After the Alcan transaction, the second-largest deal in the third quarter was U.S.-based Marathon Oil Corp's C\$7.05 billion announcement to buy Canada's Western Oil Sands Inc.

The third-biggest transaction was Abu Dhabi National Energy Co's approximately C\$5 billion purchase of PrimeWest Energy Trust.

(\$1 = \$0.96 Canadian)