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## **M&A Market Back to 2005 Numbers**

*Value of transactions drops 61 per cent to \$24 billion*

By Stephane Malhomme, Canwest News Service

TORONTO - The Canadian mergers-and-acquisitions market continued to slow substantially in the most recent quarter, now at its lowest level since early 2005 because of tighter equity markets and higher borrowing costs, according to the latest report published by Crosbie & Co.

The size and nature of the Canadian M&A market have changed radically over the last year, and it is now back to its 2005 "pre-boom" levels.

Compared to a year ago, the amount of deals conducted fell by 35 per cent, but the most dramatic drop was the value of the M&A transactions, which lost 61 per cent. In the first quarter of 2008, 338 transactions were conducted, down from 523 for Q1 2007. And the value of the deals involved plummeted from \$62 billion to \$24 billion over the same period.

The dramatic drop in M&A value stems largely from the unwillingness of banks to underwrite large leveraged transactions in the wake of the subprime crisis.

"This quarter, there were only seven 'mega-deals' [worth more than \$1 billion] compared to 14 for the same period last year," said Ed Giacomelli, managing director of Crosbie & Co., which manages the Financial Post Crosbie: Mergers & Acquisitions in Canada database.

"Banks are not willing to underwrite leveraged financial transactions at the same multiples as they did a year ago."

The result is a sharp drop in the large leveraged type M&A, and a relative resurgence of the "strategic" M&A.

A year ago, strategic M&A players -- buyers who would launch bids for companies in their own industry -- were often outbid by financial institutional players.

Since the credit crunch though, the terms at which debt is available have tightened and banks have come under great funding pressure. The decrease in leveraged financing has re-opened windows in the competitive M&A market.

"We have seen the re-emergence of the strategic buyer in this quarter leading the way with eight of the 10 largest deals. They can now compete again, and there are still good deals been done," Giacomelli said.