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FIRST QUARTER 2003 CANADIAN M&A ACTIVITY

Growth in Core Market Reflects Pent-up Demand

Following some modestly encouraging numbers in the fourth quarter of 2002, overall M&A market indicators turned negative again in the first quarter of 2003. For this period, there were 200 announcements and total transaction value of \$14.4 billion. Compared to the same quarter last year, this represents a slight decline in announcements (from 202) and a 46% drop in overall value.

Despite the decline in quarterly numbers for the overall market, there appears to be a silver lining as activity in the core market segment – represented by transactions of under \$1 billion – actually increased 6% compared to last quarter. “The increase in activity in this under \$1 billion segment reflects the pent up demand that exists out there,” said Colin Walker, Partner at Crosbie. “Sellers can only wait so long and buyers are increasingly recognizing the opportunity to acquire businesses at the attractive valuations that exist today relative to a few years ago. The fact that we have had some growth at a time when there has been so much geopolitical uncertainty is an encouraging sign.”

In recent years, transactions of over \$1 billion have been a major force in shaping the M&A market, both in the number of transactions and the quantum of certain transactions. However, this quarter, there were only 3 of these “mega” deals representing about \$4 billion – this compares to 37 mega transactions worth about \$144 billion for all of 2000, which was the year M&A activity set new record highs. “The market for transactions under \$1 billion is far more stable and robust than the overall market,” said Mr. Walker. “Compared to peak levels in 2000, transaction announcements are only down a third”. Commenting on why this may be the case, he added, “although buyers are much more reluctant to bet the farm with very large deals, interest is still strong for transactions that are smaller and perceived as safer.”

From an industry perspective, **Industrial Products, Oil & Gas, Financial Services, and Communications & Media** were the four sectors that drove the overall numbers, representing about 50% of the activity and 66% of the value for the quarter. In addition, the Real Estate sector was also quite active although the value of transactions for this sector was relatively small.

Cross border activity remained a key component of the market in the first quarter. There were 91 cross-border deals worth \$9.9 billion, representing about 46% of total announcements and 69% of the total dollar for the period. Canadian owned firms acquired 65 businesses with a value of \$6.8 billion while foreign owned businesses acquired 26 Canadian owned businesses with a value of \$3.0 billion. These numbers show that Canadian acquirers outspent foreign acquirers by a ratio of about 2.3:1, a relationship which is relatively consistent with the long-term trend we have observed over many years.

The information above is a summary of Crosbie & Company Inc.'s analysis of each quarter's M&A activity. The data is compiled from Mergers & Acquisitions in Canada, the most extensive database on M&A activity in Canada. Crosbie & Company Inc. provides specialized investment banking services to the mid-size corporate market.

For Further information or to subscribe to Mergers & Acquisitions in Canada, contact: Tilak Dias, Crosbie & Company Inc. (416) 362-7726 or visit www.crosbieco.com