

May 10, 2004
For immediate release
Toronto

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FIRST QUARTER 2004 CANADIAN M&A ACTIVITY M&A Fuelled by Cross-Border Deals and Trust Activity

The Canadian M&A market showed good momentum in the first quarter of the year, according to data released today by Crosbie & Company Inc., a mid-market investment bank. A combination of higher continued cross-border activity, increasing average deal sizes, and solid income trust and REIT related activity contributed to the favourable M&A environment in the quarter, with \$23.5 billion in announced transactions during the first three months of the year, compared to \$20.4 billion last quarter and \$14.4 billion in the first quarter of 2003. The total number of announced deals remained relatively flat, with 203 announced transactions in the quarter compared to 200 during the same period last year.

“We are seeing continuing signs of a solid base in the M&A market. Activity is broadly based and there is a general increase in average transaction sizes for deals under \$1 billion,” commented Colin Walker, Partner at Crosbie.

The market for transactions under \$1 billion is noteworthy with 138 transactions totalling \$15.6 billion in the first quarter, the highest dollar volume level since the second quarter of 2001. Transactions over \$1 billion continued to be less of a factor this quarter with only four such “mega-deals” announced, representing \$8.0 billion, or 34% of the total transaction volume. By comparison, in recent years, mega-deals have contributed between 45% and 68% of total transaction volume.

An increase in cross-border transactions also contributed to the strong quarter. There were 100 cross-border transactions totalling \$13.8 billion compared to 91 transactions worth \$9.9 billion for the same period last year. Canadian companies acquiring those in the U.S. exceeded U.S. companies acquiring Canadian businesses by a ratio of more than 2 to 1, representing the high end of the historical range. There were 36 reported “southbound” acquisitions compared to only 16 “northbound” transactions.

“The pace of Canadian companies buying abroad quickened this quarter, reflecting a combination of strong balance sheets, the stronger dollar and strategically motivated transactions,” said Mr. Walker.

From an industry perspective, **Industrial Products, Oil & Gas** and **Real Estate** were the most active sectors. While there have been fewer mega-deals in Oil & Gas and Real Estate in particular, activity has been fuelled by smaller transactions involving royalty and income trusts seeking growth through acquisitions. M&A activity involving REITs (real estate investment trusts) for example, accounted for 50% of the announced Real Estate transactions and over 80% of the dollar value of all announced Real Estate transactions in the quarter. Additionally, 33% of Oil & Gas transactions were trust related. “The trusts have become a significant driver of activity in these sectors,” added Mr. Walker.

Gold & Silver, Pipelines and **Utilities** all experienced significant transactions during the first quarter, contributing to significant increases in transaction values in each of these sectors. The largest transaction in the quarter was IAMGOLD Corp.’s announced merger with Wheaton River Minerals Ltd., valued at \$2.9 billion. TransCanada Corp.’s announced acquisition of Gas Transmission Northwest Corporation, estimated at \$2.3 billion, and Manitoba Telecom Services Inc.’s planned acquisition of Allstream Inc. valued at \$1.7 billion rounded out the top three largest announcements in the quarter.

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.

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