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CANADIAN M&A ACTIVITY – FIRST QUARTER 2005 REPORT

Financial Groups Increase M&A Market Share

The Canadian M&A market maintained its momentum from last year into the first quarter of 2005, according to data released today by Crosbie & Company Inc., a Toronto-based investment bank. A combination of active financial groups, strength in resource-based sectors and continued cross-border activity, contributed to the favourable M&A environment in the quarter. The number of announced transactions remained relatively flat, with 200 announced transactions in the quarter compared to 203 during the same period last year and 210 in the fourth quarter of 2004. The total value of announced transactions was \$24.0 billion during the first three months of the year, compared to \$23.5 billion in the first quarter of 2004 and \$32.1 billion in last quarter of 2004.

“While the total dollar value was down relative to the last few quarters, we are continuing to see a very positive M&A environment with strategic buyers, private equity groups and pension funds all actively participating in the market,” commented Ian Macdonell, Managing Director at Crosbie.

Financial groups such as private equity groups and pension funds are playing an increasing role in the M&A market. These groups accounted for 20% of the overall M&A activity by transaction value in the quarter versus 15% for all of 2004. **Bain Capital LLC, Onex Corp., Macquarie Bank Ltd.** and the **Caisse de Depot et Placement du Quebec** are examples of financial groups that were active during the quarter.

“Greater availability of inexpensive capital and lower investment return targets have made financial buyers formidable opponents when competing against strategic groups for transactions,” said Mr. Macdonell.

The mega-deal (transaction value over \$1 billion) segment of the market remained strong with six mega-deals in the first quarter with a total value of \$13.7 billion versus four mega-deals totalling \$8 billion during the same period last year and six mega-deals for a total of \$12.5 billion in the fourth quarter of 2004. The segment of the market between \$100 million and \$1 billion transaction value was down in the first quarter with 23 transactions worth a total \$6.0 billion versus 39 transactions for a total of \$13.0 billion in the first quarter of 2004 and 42 transactions for a total of \$13.2 billion in the last quarter of 2004.

Industrial Products was the most active sector with 44 transactions valued at \$4.2 billion. Contributing to this performance were 8 **Technology** deals valued at \$1.9 billion, the highest dollar volume since the technology bubble era in 2001. **Real Estate** and **Oil & Gas** were also extremely active with 27 and 25 transactions, respectively, as the REITs (real estate investment trusts) and royalty and income trusts continue to accelerate their growth through acquisitions. **Metals & Minerals** experienced a surge in activity with 15 transactions totalling \$3.8 billion as base metal commodity prices remained near recent highs, while the **Gold & Silver** sector recorded only three small transactions after a flurry of activity throughout 2004.

In the **Communications & Media** sector, **Vodafone Group PLC** announced the acquisition of **Telesystem International Wireless Inc.**'s European operations, valued at \$5.5 billion, and **Bain Capital LLC** sold directory assets to **Yellow Pages Group Co.** for \$2.6 billion, a mere 6 months after they acquired them from **Verizon**. On the **Technology** front, **Eastman Kodak Company** acquired **Creo Inc.** for \$1.2 billion and **Merge Technologies Inc.** acquired **Cedera Software Corp.**

Cross-border transactions continued to be a significant driver of the overall M&A activity, representing 74% of total deal value and 43% of total deal volume. There were 86 cross-border transactions totalling \$17.7 billion compared to 100 transactions worth \$13.8 billion for the same period last year. Five of the six transactions in the quarter valued at over \$1 billion had an international component. Canadian acquisitions of U.S. companies continued to outpace US acquisitions of Canadian by a ratio of more than 2 to 1.

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

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