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CANADIAN M&A ACTIVITY – FIRST QUARTER 2008 REPORT

Credit Crunch Taking Toll on M&A Activity

The Canadian M&A market continued its downward trajectory in the first quarter of 2008, posting the lowest level of M&A activity since the first quarter of 2005. According to data compiled by the *Financial Post Crosbie: Mergers & Acquisitions in Canada* database, there were 338 new transactions announced in the first quarter resulting in \$24 billion of transaction value, compared with 449 transactions worth \$53 billion in the prior quarter and 523 new deals valued at \$62 billion during the same period last year. In spite of the Canadian M&A market's decline from the record levels of 2007, overall activity remained in-line with historical activity prior to the beginning of the M&A boom in 2005.

“In light of the record level of M&A activity last year and the recent market volatility we have experienced, a significant decline in M&A activity was expected,” said Ed Giacomelli, Managing Director, Crosbie & Co. “However, on balance the level of activity in the first quarter was surprisingly strong,”

From an industry perspective, the **Oil & Gas** and **Industrial Products** sectors were the most noteworthy, together accounting for close to 50% of total market activity and over 40% of total value for the quarter. However, 9 of 13 industry groups showed a decline in activity.

Also, in the first quarter there were seven “mega” deals (greater than \$1 billion) representing \$14 billion in value, compared to 12 deals valued at \$34 billion seen in the fourth quarter of 2007. Notwithstanding this decline, the level of mega deal activity in the first quarter of 2008 was still typical of the levels seen before 2005.

“We have also seen the re-emergence of the strategic buyer in this quarter, leading the way with 8 of the 10 largest deals,” added Mr. Giacomelli. “Good deals are still getting done.”

The largest announced transaction in the quarter was the takeover of Richmond, B.C.-based **CHC Helicopter Corporation** – a service provider to the oil and gas industry – by **First Reserve Corporation**. This acquisition was also significant from the perspective that it involved a financial sponsor and also had a cross-border element.

The number of cross-border transactions declined commensurately with the decrease in overall M&A activity, but still remained an important component of the market. Transactions that involved an international company represented over 40% of total activity and 66% of the value for the quarter, with the United States again being Canada's most active player on the international M&A landscape. The three largest transactions in the quarter were cross-border deals, which in addition to the First Reserve transaction, included the sale of a large electricity generating facility by **National Grid plc** to **TransCanada Corporation**, and **Barrick Gold Corporation's** purchase of **Rio Tinto plc's** 40% interest in the Cortez Joint Venture in Nevada. Consistent with historical trends, the number of Canadian acquisitions abroad exceeded foreign-led acquisitions of Canadian companies by a 2-to-1 margin, and for the second consecutive quarter, Canadian acquirers outspent their foreign counterparts.

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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