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SECOND QUARTER 2003 CANADIAN M&A ACTIVITY

Lack of Large Oil & Gas Deals Leads to 43% Drop in M&A Value

The overall Canadian M&A market demonstrated continued weakness in the second quarter of 2003. According to data released today by Crosbie & Company Inc., a mid-market investment bank, activity in the second quarter remained at a relatively low level with 219 announced transactions totalling \$13 billion, compared to 201 transactions worth \$15 billion in Q1.

Year-to-date transaction values for the first six months of the year were at their lowest levels in several years, dropping 43% to \$28 billion from \$49 billion in the same period last year. This dramatic drop is almost entirely due to the continued shortage of large deals valued in excess of \$1 billion. For the first six months of 2003 there were only 4 transactions over \$1 billion for a total value of \$5.5 billion, compared to 7 transactions totalling \$24 billion in the first half of 2002. The only transaction valued over \$1 billion in the second quarter was the proposed acquisition of **Selfridges PLC** by the Weston family's **Wittington Investments**.

Despite the low levels of overall activity and transaction values this year, the bright spot in the market continues to be the smaller end of the size spectrum. In the second quarter, there was actually an increase in both the number of transactions and total dollar value of deals under \$500 million compared to the first quarter of 2003. For the year-to-date, the value and number of transactions under \$500 million was relatively unchanged compared to last year, with a total of 281 deals valued at \$17.8 billion.

“The major story in the first half of 2003 is the absence of large deals, particularly in the Oil & Gas sector which was very active in recent years”, commented Sharla Sigmund, Vice President at Crosbie. “However, in the month of July we saw an increase in larger public transactions driven in part by the recovery in equity markets.”

While the number of transactions in the **Oil & Gas** industry increased 20% over last year, the average transaction size was significantly smaller, leading to a drop of 68% in total transaction value to only \$5 billion this year. In addition to **Oil & Gas**, the **Utilities** and **Gold & Silver** sectors experienced the most significant decline in transaction values of the 13 TSX sub-sectors in the first six months. However, the year-to-date decline in these industries was offset by modest growth in the value of announced transactions in a number of sectors, including **Industrial Products**, **Communications & Media**, **Merchandising** and **Pipelines**.

Cross border activity remains a key part of the Canadian M&A landscape. There were 179 cross-border transactions totalling \$16.5 billion in the first two quarters of the year compared to 207 transactions worth \$27 billion last year. Canadian acquisitions of foreign companies continued to outpace foreign acquisitions of Canadian interests by more than 2:1 in terms of both activity and transaction value.

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