

August 19, 2004  
For immediate release  
Toronto

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## SECOND QUARTER 2004 CANADIAN M&A ACTIVITY Highest Activity Level Since 2001

The Canadian M&A market posted its highest activity level in three years in the second quarter of 2004, according to data released today by Crosbie & Company Inc., a mid-market investment bank. The total dollar value of transactions announced in the second quarter of 2004 jumped to levels not seen since mid-2001, thanks to significant activity in the Oil & Gas sector, a resurgence of mega-deals (transactions valued over \$1 billion) and increased cross-border activity. There were 250 announced transactions totaling \$34.8 billion in the second quarter, compared to 203 transactions totaling \$23.5 billion in the first quarter of 2004.

There were 10 mega-deals announced in the quarter, the most since Q1 2000, valued at a total of \$16.7 billion. The Oil & Gas sector contributed four of the 10 mega-deals, including the largest transaction in the quarter, **EnCana Corp.'s** \$3.6 billion acquisition of **Tom Brown Inc.** Other top transactions included **Jean Coutu Group's** purchase of 1,549 **Eckerd Drugstores** from **J.C. Penney Co.** for \$3.3 billion, **Hollinger's** \$1.8 billion sale of the **Telegraph Group Limited** to the UK's **Barclay brothers**, and **Brascan Corp.'s** \$1.3 billion purchase of hydroelectric power assets from **Reliant Energy Inc.**

In addition to the significant number of mega-deals, the balance of the M&A market continues to show steady improvement with deals below \$1 billion increasing for the third consecutive quarter. Activity in this core segment of the market rose to 180 transactions valued at \$18.0 billion in the second quarter of the year, compared to 157 transactions totaling \$11.9 billion in the first quarter.

"The broad-based strength of the Canadian M&A market in the second quarter was particularly positive given that global M&A activity declined in the second quarter following a strong recovery in the first quarter," indicated Ian Macdonell, Managing Director at Crosbie & Company Inc. "High commodity prices and continued strong demand for transactions from private equity groups bode well for activity levels for the balance of the year. However, concerns over the staying power of the US economic recovery could put a damper on transactions going forward."

From an industry perspective, the market rally was relatively widespread, with 10 of the 13 TSX sub-sectors registering increased levels of transaction dollar volume in the quarter. The **Oil & Gas** sector led the charge with 42 transactions valued at \$12.5 billion, representing 36% of the total transaction value, as energy companies flush with cash from record high oil prices chose to grow through acquisition. Other active sectors by dollar value included **Merchandising** at \$4.3 billion and **Industrial Products** at \$3.8 billion. As the acquiring party in 20% of all transactions in excess of \$250 million in value for the quarter, energy trusts, income funds and real estate investment trusts remain a major factor in the Canadian M&A market.

Cross-border transactions continue to represent a considerable portion of the Canadian M&A landscape. There were 112 cross-border transactions in the second quarter of 2004 with a total value of \$27.2 billion, representing 78% of the overall activity by dollar value. Eight of the 10 mega-deals in the quarter were cross-border transactions including the six largest. Canadian companies continued to have a strong appetite for foreign acquisitions, making 81 purchases worth \$17.6 billion, compared to 31 acquisitions by foreign interests of Canadian companies totaling \$9.6 billion.

*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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