

November 7, 2003
For immediate release
Toronto

www.crosbieco.com

THIRD QUARTER 2003 CANADIAN M&A ACTIVITY

Mega-Deals Revive M&A Market in Third Quarter

The Canadian M&A market saw renewed life in the third quarter of 2003, according to data released today by Crosbie & Company Inc., a mid-market investment bank. The total dollar value of transactions announced in the third quarter of 2003 spiked to levels not seen since mid-2001, thanks to a resurgence of mega-deals (transactions valued over \$1 billion) in the quarter. There were 194 announced transactions totalling \$34.1 billion in the third quarter, compared to 219 transactions totalling \$12.8 billion in Q2.

The rise in transaction value was largely a result of the four mega-deals announced in the quarter. Of most significance were the \$15 billion announced acquisition of **John Hancock Financial Services, Inc.** by **Manulife Financial Corporation**, and **Alcan Inc.**'s proposed acquisition of **Pechiney SA** in France, valued at approximately \$6.3 billion. Manulife's proposed acquisition of John Hancock, in particular, was one of the largest transactions announced in Canadian corporate history.

However, ignoring the impact of these two mega-deals, the dollar value of announced transactions in the quarter was at levels consistent with Q2. "While large transactions create excitement, we continue to see strength exhibited in the core market segment – those transactions under \$500 million," said Mel Margolese, Partner at Crosbie. "Year-to-date activity in that category has remained at a par with last year with approximately 400 announced transactions valued at \$25 billion. The combination of improved operating performance by potential strategic buyers, forecasts of good economic growth, valuation multiples generally in line with historical norms and capital pools seeking homes for their ample cash resources, augurs well for activity in that segment of the market."

From an industry perspective, **Financial Services** and **Industrial Products** were the top two sectors, due in part to the significant mega-deals announced in the quarter. The **Utilities, Communications & Media** and **Gold & Silver** sectors also showed strong growth in both the number and dollar value of announced transactions. The **Oil & Gas** sector continued to be modestly active, but the average deal size continued to fall – for the nine months ending September 30, 2003, there were 76 Oil & Gas transactions totalling \$6.4 billion, compared to 76 transactions totalling \$18.4 billion for the same period last year.

Cross-border activity remained an important element of the Canadian M&A landscape. There were 267 cross-border transactions totalling \$47.6 billion in the three quarters to September 30, 2003, compared to 315 transactions totalling \$36.5 billion in the same period last year, an increase of over 30% in value. Interestingly, the number of acquisitions of Canadian companies by U.S. companies has declined 48% this year to 34 transactions worth \$4.5 billion, compared to 65 transactions totalling \$6.6 billion in the same period last year.

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