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## CANADIAN M&A ACTIVITY – FOURTH QUARTER 2004 REPORT

### Market Firing on all Cylinders

Canadian M&A activity rebounded strongly in 2004 after three consecutive years of decline, hitting transaction volumes not seen since 2001. According to data released today by investment bank Crosbie & Company Inc., there were 859 announced transactions valued at \$115 billion in 2004, compared to 833 transactions valued at \$83 billion in 2003, a 39% increase in value. Contributing to the increase were 25 transactions over \$1 billion (so called “mega deals”), the largest number since 2000, totalling \$52 billion in value compared to 12 mega-deals valued at \$38 billion in 2003.

Financial groups were very active buyers in 2004, representing 15% of the total transaction value. Private equity groups were the acquirer in 4 of the 25 mega-deals, including Kohlberg Kravis Roberts & Co.’s \$3.1 billion announced acquisition of Masonite International Corp. and Bain Capital LLC’s \$2.0 billion purchase of SuperPages Canada. Also active as acquirers in 2004 were the Trusts & REITS which accounted for about 5% of the year’s total transaction value.

“Although the strategic buyer was definitely alive and well in 2004, we also saw increasingly strong activity from private equity firms and other capital groups as buyers” said Colin Walker, Managing Director at Crosbie. “They are playing a significant role in a broad range of M&A situations, ranging from public and private company buyouts to restructurings”. He also added, “With the generally positive environment for M&A and the large amounts of private capital available for these transactions, we would expect to see this trend continue.”

**Oil & Gas** was the strongest sector by dollar volume with \$24 billion, a 175% increase from \$9 billion the prior year. **Industrial Products** was the most active sector by number of transactions with 205 compared to 183 last year, although dollar volume only increased 1% to \$16 billion. Despite a slight decline in the number of deals, **Consumer Products** saw dollar volume increase significantly to \$13 billion from \$3 billion in 2003 due to three mega-deals, including Molson Inc.’s \$4.5 billion acquisition by Adolph Coors Company. **Gold & Silver** and **Utilities** recorded increases in dollar volumes of 280% and 130%, respectively, on lower transaction volume. **Communications & Media** had another strong year with a 9% increase in transaction value to \$11 billion.

Cross-border activity continued to play a very significant role in the Canadian M&A landscape representing 50% of the total number of transactions and 70% of total deal value. With 19 of the 25 largest deals having an international component, the dollar volume of cross-border transactions increased 29% to \$81 billion up from \$62 billion in 2003 and the number of cross-border deals also increased 17% to 427, up from 364 the prior year. Canadian companies continued to exhibit a strong appetite for foreign companies, making 312 purchases valued at \$59 billion, nearly triple the number and value of foreign acquisitions of domestic companies. As usual, the largest target market was the U.S., where Canadian companies made \$37 billion in acquisitions, a 34% increase from the \$28 billion the prior 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.*

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