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CANADIAN M&A ACTIVITY – FOURTH QUARTER 2006 REPORT

Private Equity Drives Strong Finish to Record Year

The Canadian M&A market concluded 2006 with another impressive quarter, recording the strongest year ever. According to data released today by investment bank Crosbie & Company Inc., there were 1,968 announced transactions in 2006, a 22% increase from the 1,613 deals in 2005. Total transaction value was \$257 billion, a 55% increase from the \$165 billion in the prior year. Contributing to the increase were 51 transactions over \$1 billion (so called “mega-deals”), totalling \$172 billion in value compared to 33 mega-deals valued at \$91 billion in 2005.

“The conditions for M&A in Canada have never been better,” said Ed Giacomelli, Managing Director at Crosbie. “The breadth of activity across all industry sectors underscores the sheer strength of this M&A cycle.”

Metals & Minerals got a strong boost from two of the largest transactions in the history of Canadian M&A. **Inco Limited** set off a bidding war for **Falconbridge Limited** with Swiss based **Xstrata plc.**, which ultimately got the nod for its \$19.2 billion offer. Soon after the transaction, Inco itself was the subject of a bidding war where Brazil’s **Compania Vale do Rio Doce** was triumphant with its \$19.8 billion bid. **Oil & Gas** however was the strongest sector by dollar volume and number of transactions with 384 transactions worth \$56.9 billion, a 32% increase from \$43.1 billion in the prior year. **Industrial Products** was one of the most active sectors by number of transactions (just behind Oil & Gas), with 382 deals compared to 281 last year, while dollar volume also increased 25% to \$24.2 billion in 2006.

“The global phenomenon of financial sponsors and private equity groups is now a driving force in M&A in Canada,” added Mr. Giacomelli. “Private equity pools continue to grow and it seems no company is too large to be acquired.”

Cross-border activity continued to play a very significant role in the Canadian M&A landscape, representing 34% of the total number of transactions and 79% of total deal value. With 9 of the 10 largest deals having an international component, the dollar volume of cross-border transactions increased by nearly 100% to \$196 billion, up from \$99 billion in 2005, and the number of cross-border deals also increased 21% to 669, up from 551 the prior year. Canadian companies continued to exhibit a strong appetite for foreign companies, making 456 purchases valued at \$70 billion, nearly quadruple the number of foreign acquisitions of domestic companies. As usual, the largest target market was the U.S., where Canadian companies made \$54 billion in acquisitions, triple the \$18 billion in 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 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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