

## Crosbie & Company Canadian M&A 2012 Yearly Report

### Overview

The Canadian M&A market exhibited continued strength in 2012 as the effects of the financial crisis continued to fade. Figures from Crosbie & Company and Capital IQ indicated that there were 2,822 announcements in 2012, down 6% from 2011. However, in terms of value, M&A announcements increased \$20B to \$213B in 2012, a 10% year over year increase, largely due to increased mega-deal activity.

### Mega-Deals

There were 48 mega-deal transactions (transactions in excess of \$1B in value) for an aggregate value of \$123B, an increase over the 37 mega-deals valued at \$103B the prior year.

The largest transaction of the year was the highly controversial \$19.6B acquisition of oil sands producer **Nexen Energy** by **CNOOC**, a Chinese state owned enterprise. This transaction was only approved by the Canadian government after extracting significant concessions from CNOOC and establishing stricter acquisition rules for future acquisitions by foreign state owned enterprises.

In addition, Canadian agricultural giant **Viterra** was swallowed by the Swiss commodity trading behemoth **Glencore PLC** for \$7.6B.

### Cross-Border

Cross-border transactions continued to account for a significant proportion of activity with 38% of all transactions

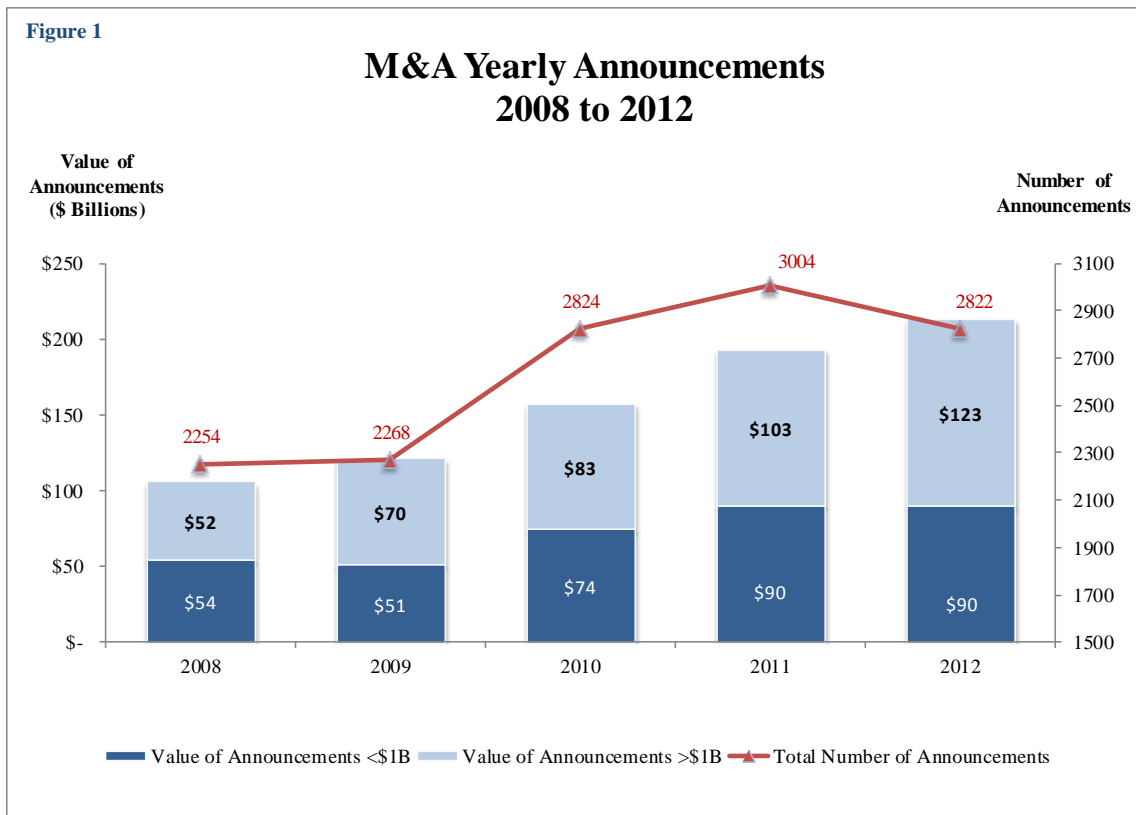
involving a foreign target or a foreign buyer, demonstrating the global nature of the Canadian economy.

Canadian companies were active in making foreign acquisitions abroad, outnumbering foreign acquisitions of Canadian businesses by 1.7:1. Despite a number of large inbound M&A deals in the energy sector, Canadian companies continued to outspend their foreign counterparts by 1.3:1 times.

Eight of the top ten largest transactions in 2012 were cross-border deals.

### Financial Sponsors

Financials sponsors remained active in 2012 with 58 transactions (in excess of \$100M), valued at \$62.6B in total. Investment in infrastructure was a



continued theme as **Canada Pension Plan** and **BC Partners** acquired **Cequel Communications**, the 7<sup>th</sup> largest cable operator in the US, for \$6.6B. In addition, **BC Investment Management** was part of a group of investors that acquired **E.ON AG**'s gas transmission assets in Germany for \$4.1B.

### Industry Sector Activity

The **Real Estate** sector was the most active sector, with 423 transactions announced for \$33B. Transaction volume and value increased 10% from 2011. Notwithstanding the strength in the sector, there was not a single transaction in excess of \$1B.

Canadian oil sands assets attracted significant attention from foreign buyers seeking to lock up long life reserves in the current high oil price environment. As a result, the **Energy** sector was the most active sector by value with 320 transactions valued at \$66B. In addition to the Nexen transaction, another state-owned enterprise, Malaysian-based **Petronas**, made a major acquisition in the oil sands with the purchase of **Progress Energy** for \$5.7B. A made in Canada deal saw **Pempina Pipeline** expand its natural gas liquids infrastructure by acquiring **Provident Energy** for \$3.8B.

The **Consumer Discretionary** sector also saw a modest decline in activity despite a large uptick in value with 262 transactions valued at nearly \$27B. **Alimentation Couche-Tard** expanded its gas station and convenience store empire into northern Europe by acquiring **Statoil**'s retail fuel business for \$3.5B. The consolidation trend continued in the Canadian media sector as broadcaster **Astral Media** was acquired by **BCE** for \$3.4B.

### Mid-Market

The mid-market continues to be the cornerstone of the Canadian M&A transaction volume with deals under \$250 million representing 90% of all the transactions with disclosed values. In aggregate, the mid-market transactions were valued at \$41B or approximately 20% of total M&A value. Mid-market deals have historically averaged close to 90% of total activity.

In 2012, transaction size was not disclosed for 45% of transactions, in line with the 46% in 2011. While this limits the precision of inferences we can make about the size distribution of transactions, it is reasonable to assume most of the undisclosed deals are within the mid-market as we define it here.

Figure 2

### ACTIVITY GROUPED BY INDUSTRY: 2012

INDUSTRY GROUPS	2011		2012	
	# of Deals	Value <sup>(1)</sup> \$Millions	# of Deals	Value <sup>(1)</sup> \$Millions
Real Estate	383	27,748	423	33,045
Metals and Mining	402	24,004	339	12,641
Industrials	351	15,333	334	13,609
Information Technology	302	6,867	329	5,885
Energy	372	24,877	320	66,282
Consumer Discretionary	288	11,902	262	27,362
Precious Metals	306	8,863	244	6,708
Financial Services	147	25,476	143	12,962
Other	121	1,709	140	4,982
Healthcare	112	14,366	112	7,296
Consumer Staples	58	2,154	67	10,677
Materials	67	2,491	53	3,262
Utilities	72	17,048	43	8,171
Telecommunication	23	10,174	13	75
<b>TOTAL</b>	<b>3,004</b>	<b>193,011</b>	<b>2,822</b>	<b>212,959</b>
Services <sup>(2)</sup>	376	18,770	332	22,414

Notes:

1. Transaction value is not disclosed for all deals
2. Captures Consumer, Industrial, and Oil and Gas Services (included in respective industry sector counts above)

Figure 3

### CROSS-BORDER TRANSACTIONS: 2012

	2011		2012	
	# of Deals	Value <sup>(1)</sup> \$Millions	# of Deals	Value <sup>(1)</sup> \$Millions
<b>Outbound M&amp;A (CDN Buyer/ Foreign Target)</b>	709	60,452	671	63,580
<b>Top Foreign Target Country for CDN Acquirors</b>				
United States	411	29,311	405	32,294
United Kingdom	23	2,479	39	4,957
<b>Inbound M&amp;A (Foreign Buyer/ CDN Target)</b>	429	29,850	397	48,425
<b>Top Foreign Acquiror for CDN Companies</b>				
United States	298	21,539	274	12,396
United Kingdom	17	1,185	28	1,375
<b>Total Cross Border</b>	1,138	90,302	1,068	112,005
<b>Outbound : Inbound Ratio</b>	1.65	2.03	1.69	1.31
<b>Cross Border as % of Total Activity</b>	38%	47%	38%	53%

Note:

1. Transaction value is not disclosed for all deals

**Figure 4**

**ACTIVITY BY SIZE OF DEAL: 2012**

Size	2011				2012			
	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%	# of Deals	%	Value <sup>(1)</sup> \$ Millions	%
<\$100m	1,360	45	21,918	11	1,273	45	21,233	10
\$101m-\$250m	119	4	19,154	10	123	4	20,120	9
\$251m-\$500m	70	2	25,048	13	72	3	25,603	12
\$501m-\$1b	33	1	23,762	12	33	1	23,005	11
>\$1b	37	1	103,129	53	48	2	122,998	58
Undisclosed	1,385	46	n/a	n/a	1,273	45	n/a	n/a

*Note:*

1. Transaction value is not disclosed for all deals

## Largest Transactions Announced During 2012

	<b>VALUE</b> (C\$ MILLIONS)	<b>NAME</b>	<b>ROLE</b>	<b>ANNOUNCED</b>
1.	\$19,550	Nexen Energy ULC CNOOC Ltd.	Target Acquiror	23-Jul-12
2.	\$7,575	Viterra Inc. Glencore Plc	Target Acquiror	20-Mar-12
3.	\$6,654	Cequel Communications Holdings I, LLC CPPIB Equity Investments Inc.; BC Partners Charterhouse Equity Partners LLC; Oaktree Capital Management, L.P.; and others	Target Acquiror Vendor	18-Jul-12
4.	\$6,535	Inmet Mining Corporation First Quantum Minerals Ltd.	Target Acquiror	28-Nov-12
5.	\$5,705	Progress Energy Resources Corp. PETRONAS Carigali Canada Ltd	Target Acquiror	28-Jun-12
6.	\$4,114	Open Grid Europe GmbH BC Investment Management Corporation; and others E.ON Ruhrgas AG	Target Acquiror Vendor	16-May-12
7.	\$3,771	Provident Energy Ltd. Pembina Pipeline Corporation	Target Acquiror	16-Jan-12
8.	\$3,675	Ally Credit Canada Limited and ResMor Trust Company, Inc. Royal Bank of Canada Ally Financial Inc.	Target Acquiror Vendor	23-Oct-12
9.	\$3,535	Statoil Fuel & Retail ASA Alimentation Couche-Tard Inc. Statoil ASA; J.P. Morgan Securities Ltd., Investment Arm; and others	Target Acquiror Vendor	18-Apr-12
10.	\$3,447	Tangerine Bank The Bank of Nova Scotia ING Bank N.V.	Target Acquiror Vendor	29-Aug-12
11.	\$3,393	Astral Media Inc. Bell Media Inc. Caisse de dépôt et placement du Québec	Target Acquiror Vendor	16-Mar-12
12.	\$3,156	Celtic Exploration Ltd. Exxonmobil Canada Energy Ltd.	Target Acquiror	17-Oct-12
13.	\$3,115	Medicis Pharmaceutical Corporation Valeant Pharmaceuticals International, Inc.	Target Acquiror	3-Sep-12

The information above and on preceding pages is a summary of Crosbie & Company Inc.'s analysis of the year's M&A activity. For further information, please go to [www.crosbieco.com](http://www.crosbieco.com).