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Syncrude-Sinopec Deal Leads Pack as Canada Chalks up Increase in Mergers, Acquisitions

By: Dan Healing

Canadian corporations have cash to spend and are gaining the confidence to make deals, second-quarter merger and acquisition numbers show.

A report from Toronto-based Crosbie & Co. Tuesday shows that 255 transactions worth at least \$5 million were announced in the three months ended June 30 for a total of \$34.8 billion, compared with 213 transactions for a total of about \$25 billion in the same quarter of 2009.

Oil and gas, typically the most active sector, once again led the way with 65 deals valued at \$13.3 billion. The largest transaction of the quarter was China's Sinopec International's \$4.7-billion acquisition of ConocoPhillips' stake in Syncrude Canada.

Crosbie managing director Ed Giacomelli said there is plenty of parked money in Canada waiting to be deployed.

"A lot of Canadian corporations came out of the downturn with their balance sheets intact," he said.

"A lot of the pension funds are flush with cash, a lot of the private equity groups held off making investments in the latter half of 2008 and for most of 2009, so there is a lot of cash on the sidelines.

"They've been waiting for and they continue to wait for an environment where they can feel more confident about putting their money out for the long term."

He predicted the second half will be consistent with the second quarter, with potentially more deals in the \$1 billion to \$5 billion range.

The Financial Post Crosbie: Mergers & Acquisitions in Canada report shows the number of deals have recovered after hitting just 174 in the first quarter of 2009 but are still well short of the four-year peak of 416 in the second quarter of 2007.

There were 300 transactions announced in the last quarter of 2009 and 258 in the first quarter of 2010.

Five of the 14 largest deals announced in the second quarter were oil and gas deals.

They include Crescent Point Energy Corp.'s purchase of Shelter Bay Energy Inc. for \$1.1 billion, the \$975-million deal by Northern Blizzard Resources Inc. to buy heavy oil properties from Nexen Inc., ARC Energy Trust's buyout of Storm Exploration for \$680 million and Dana Petroleum PLC's \$582 million bid for Suncor's Dutch North Sea assets.

In a separate report, Victor Martinez of ATB Financial noted that there have been 21 Canadian oil and gas transactions in the third quarter so far, raising about \$4.8 billion.

The deals have averaged \$70,700 per flowing barrel of oil equivalent versus \$64,300 in the second quarter and \$47,800 in the third quarter of 2009.

Gas-weighted deals have averaged \$43,600 in the third quarter compared with \$52,700 in the second quarter and \$32,700 in the third quarter of 2009.