NATIONAL POST

MARCH 14, 2011

Pensions, Banks Led M&A Charge in Q4

By Eric Lam, Financial Post

The Canadian dealmaking market closed out 2010 on a high note, posting a 12% rise and the third straight quarter overall of increased activity as banks and pension funds shelled out for some of the biggest deals on record, the latest report from the Financial Post Crosbie M&A database said Monday.

During the quarter, Canadian companies completed 302 deals worth $52-million, compared with 278 in the previous quarter for $46-billion, the report said.

And with the Ontario Teachers' Pension Plan confirming months of rumours when it announced over the weekend it was considering a sale of its 66% stake in sports and real estate property Maple Leaf Sports and Entertainment, the mergers and acquisitions market certainly looks as healthy as ever.

MLSE, of course, owns the Toronto Maple Leafs, the Toronto Raptors, Toronto FC, the Toronto Marlies, and associated real estate properties including the Air Canada Centre and adjacent condominium complex Maple Leaf Square.

December reports suggested telecom behemoth Rogers Communications Inc. had bid $1.3-billion for MLSE. Other possible suitors include rival telecom giant BCE Inc., and Larry Tanenbaum, MLSE chairman, who owns 20.5% of the company but holds right of first refusal.

"We have come a long way from the trough in the M&A market in 2009," Ed Giacomelli, managing director at Crosbie & Co., said in a release.

There were nine so-called "megadeals," or transactions worth north of $1-billion, for a total of $25-billion. This was actually an 11% drop compared with $28-billion in the third quarter.

The largest deals were both cross-border bank deals — TD Bank Financial Group's $6.4-billion pick-up of Chrysler Financial, followed by Bank of Montreal's $4.2-billion deal for Marshall & Ilsely Corp. Of the top 10 deals in the quarter, nine involved a company outside Canada's borders.

Financial sponsors, especially pension funds, also helped boost the totals higher. There were 20 deals worth at least $100-million, totalling $14-billion, and pension funds were involved with 12 of them.

The Canada Pension Plan led with four, while the Ontario Teachers' Pension Plan followed with three. The OTPP-OMERS joint acquisition of the United Kingdom's HS1, a high-speed rail between London and the Channel Tunnel worth 2.1-billion pounds, was the biggest sponsor-led deal in the quarter.