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Canadian M&A Activity Surges Back, Totals $51.2b in Second Quarter

By Christine Dobby, Financial Post

With a multitude of billion-dollar-plus deals and pension funds investing around the world, Canadian mergers and acquisitions activity stormed back from a disappointing first quarter to total $51.2-billion in the second quarter of the year.

The value of the 280 transactions announced in Q2 represented a 74% increase over the $29.4-billion from the 235 announcements in the first three months of the year, according to the Financial Post Crosbie Mergers & Acquisitions in Canada database.

This quarter's showing was the second strongest by transaction value in almost four years, behind only Q4 2010, which posted a total of $57-billion.

The increase also bore out Crosbie & Company's comment last quarter that the decline in both transaction numbers and value in the first part of the year was merely a "pause" and not the start of a downward pattern.

Financial sponsors were involved in 12 transactions worth more than $100-million in the second quarter, of which pension plans accounted for nine. The Canada Pension Plan alone announced six transactions including interests in shopping malls in the United States, Germany and Australia, and an industrial property in Hong Kong.

"The trend toward large Canadian pension funds investing directly on a global basis resumed in the second quarter after a short breather in the first quarter and a very active last quarter of 2010," Ian Macdonell, managing director at Crosbie & Company, said in a statement Thursday.

There were 10 "mega-deals" (deals worth more than $1-billion) announced for a total of $25.4-billion in the second quarter.

The largest deal of the second quarter was Barrick Gold Corp.'s $7.3-billion acquisition of Equinox Minerals Ltd., followed by Maple Group's $3.8-billion bid for the TMX Group. (The now-defunct TMX/LSE merger announced in February is not included in the revised Q1 numbers.)

The US$3.62-billion sale of RBC's U.S. retail operations to PNC Financial Services Group Inc. ranked third.

Cross-border deal-making continued at a rapid pace, accounting for 43% of the transactions in the quarter.

As for sectors, real estate and oil & gas were the most active, making up 21% and 19% of M&A activity respectively.

But for total value of deals, the metals & minerals and financial services sectors led the way, with $11.7-billion and $10.5-billion of total announcements respectively.