INVESTMENT EXECUTIVE
CANADA'S NEWSPAPER FOR FINANCIAL ADVISORS

SEPTEMBER 5, 2012

M&A Activity Softens Amid Economic Uncertainty

By James Langton

Canadian merger and acquisition activity continued its slide in the second quarter amid ongoing economic uncertainty, mid-market investment bank Crosbie & Co. reports.

The firm said on Wednesday that the Canadian M&A market experienced its second straight quarter-over-quarter slowdown this year, with 222 transactions announced in the second quarter, which is a 14% reduction in deal activity from the first quarter. The aggregate value of transactions announced in the quarter was $33.9 billion, a 34% decline in value from the above average $51.3 billion announced in the previous quarter.

Crosbie indicates that the primary source of the decline in activity was the natural resource sectors, oil & gas and metals & minerals, which saw deal activity decline by 32% and 42%, respectively, compared to the prior quarter. Activity in all other sectors was roughly in line with the prior quarter.

"M&A activity in mining and energy proved to be highly sensitive to the weakness in commodity prices that have prevailed for most of this year," said Ed Giacomelli, managing director at Crosbie.

Real estate was the most active sector in the quarter, with 55 announced transactions, and a value of $5.2 billion. Energy was the second most active sector with a total of 41 announced transactions for a value of $9.4 billion.

Crosbie reports that the number of transactions valued over $1 billion returned to historical levels following an above average first quarter. A total of seven so-called mega deals were announced in the quarter for an aggregate value of $15.6 billion, it says, compared to the 14 deals announced in the prior quarter for $31.3 billion.

Capital groups continued to be active in the M&A market, Crosbie reports, with eight transactions in excess of $100 million valued at $9.2 billion. Canadian pension funds were involved in four of these transactions including three mega-deals, it says.

Cross-border M&A also remained very active, Crosbie notes, with 105 cross-border transactions announced in the quarter, representing $25 billion in deal value. Cross-border transactions accounted for over 47% of all announcements in the quarter and 74% of total quarterly M&A value, including nine of the 10 largest announced deals in the quarter, it says.

"Despite the slowdown in activity, Canadian companies continue to pursue strategic M&A internationally," said Giacomelli.