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Canada M&A Deals Drop 15 Pct in Q3 as Sellers Wait

TORONTO, Nov 14 (Reuters) - The volume of merger and acquisition activity in Canada slowed 15 percent in the third quarter from the second as market uncertainty held back prospective deals, though a blockbuster bid by China's CNOOC Ltd for oil producer Nexen Inc helped boost the overall value of transactions, a report showed on Wednesday.

There were 195 deals announced in the third quarter, the first time M&A activity fell below the 200-transaction mark since the first quarter of 2009, according to a report by investment banker Crosbie & Co. That's a 15 percent drop from the second quarter and a 25 percent year-over-year decline.

But the total value of transactions climbed 18 percent to C$40.5 billion ($40.4 billion), due mostly to the quarter's largest deal, CNOOC 's proposal to acquire Nexen , valued at C$15.4 billion.

"In the resource sectors, volatile commodity prices and lower financing activity led to lower M&A activity, whereas industrial products was flat," Ed Giacomelli, managing director at Crosbie & Co, said in a statement.

"It appears that in many sectors activity level has more to do with sellers being in a holding pattern than it does with buyers being reluctant to transact," he said.

The real estate and oil-and-gas sectors were the most active in the quarter, with 39 deals each, but that was still down from 58 deals and 44 deals, respectively, in the previous quarter.

The CNOOC deal is under review by the Canadian government and if approved would represent the fifth-largest foreign acquisition of a Canadian company, the report said.

CNOOC was not the only mega-deal in the quarter. There were eight transactions valued at more than C$1 billion in the period, including the C$3.1 billion acquisition of ING Bank of Canada by Bank of Nova Scotia, as well as Valeant Pharmaceuticals International Inc's C$2.6 billion takeover of Arizona-based MedicisPharmaceutical Corp.

China-based Sinopec International Petroleum Exploration and Production Corp was also active, acquiring a 49 percent stake in Talisman Energy (UK) Ltd from Talisman Energy Inc for C$1.5 billion.

"It is noteworthy that Canadian companies were involved on the buy side in seven of the 10 largest transactions this quarter," Giacomelli said.

"As uncertainty subsides, we feel that buyer appetite for acquisitions will grow, which will lead to an increase in activity."

Canadian companies continued to be active as both buyers and sellers of businesses in the quarter, but acquired foreign businesses in greater number than foreign-led takeovers of Canadian companies, the report showed.

International deals accounted for 54 percent of all M&A volume - the highest level since the first quarter of 2004 - and played a role in 11 of the 12 largest transactions in the quarter, the report said.