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Number of Takeovers and Mergers Falls to Six Year Low, Study Finds

TORONTO – The number of mergers and acquisitions involving Canadian companies fell to a six-year low in the first quarter, according to a study published Tuesday by Crosbie & Co.

The Toronto-based investment bank said a total of 153 transactions were announced in the first three months of 2009, the lowest since the first quarter of 2003, according to its analysis of Financial Post data.

"Limited availability of capital and a rapid deterioration in earnings depressed M&A activity in what has been one of the most uncertain markets ever," said Ed Giacomelli, managing director at Crosbie & Company.

"The approach to M&A has definitely changed, but many buyers are still sitting on cash and looking at deals at historically attractive valuations. As the quarter progressed and a sense of calm started to return to the financial system, we saw a meaningful spike in activity," he added.

Despite the low number of transactions, the total value of deals announced in from January to March was $41.5 billion, more than double the $20.4 billion announced in the preceding October-December quarter of 2008.

There were four mega deals worth more than $1 billion each, including the merger of Petro-Canada (TSX:PCA) and Suncor Energy Inc. (TSX:SU). That deal was valued at $19.2 billion, or nearly half of the total during the quarter.

While the merger of the two oil and gas giants is well on its way to completion, having received overwhelming shareholder support last week, some of the other deals included in the Crosbie study aren’t so certain or so Canadian.

It lists a hostile attempted takeover of CF Industries by Calgary-based Agrium Inc. (TSX:AGU), even though the American target’s board has repeatedly rejected the Canadian company’s overtures.

Agrium said last week that it will walk away from its US$4.3-billion offer for CF Industries Holdings Inc. (NYSE:CF) if a "compelling majority"´ of shareholders doesn’t tender to the bid by June 22.

In addition, the list includes the US$2.3-billion takeover of Nova Chemicals Corp. (TSX:NCX) by Abu Dhabi's International Petroleum Investment Co., even though Nova long ago moved its headquarters from Alberta to the Pittsburgh area.