
Values & Trends

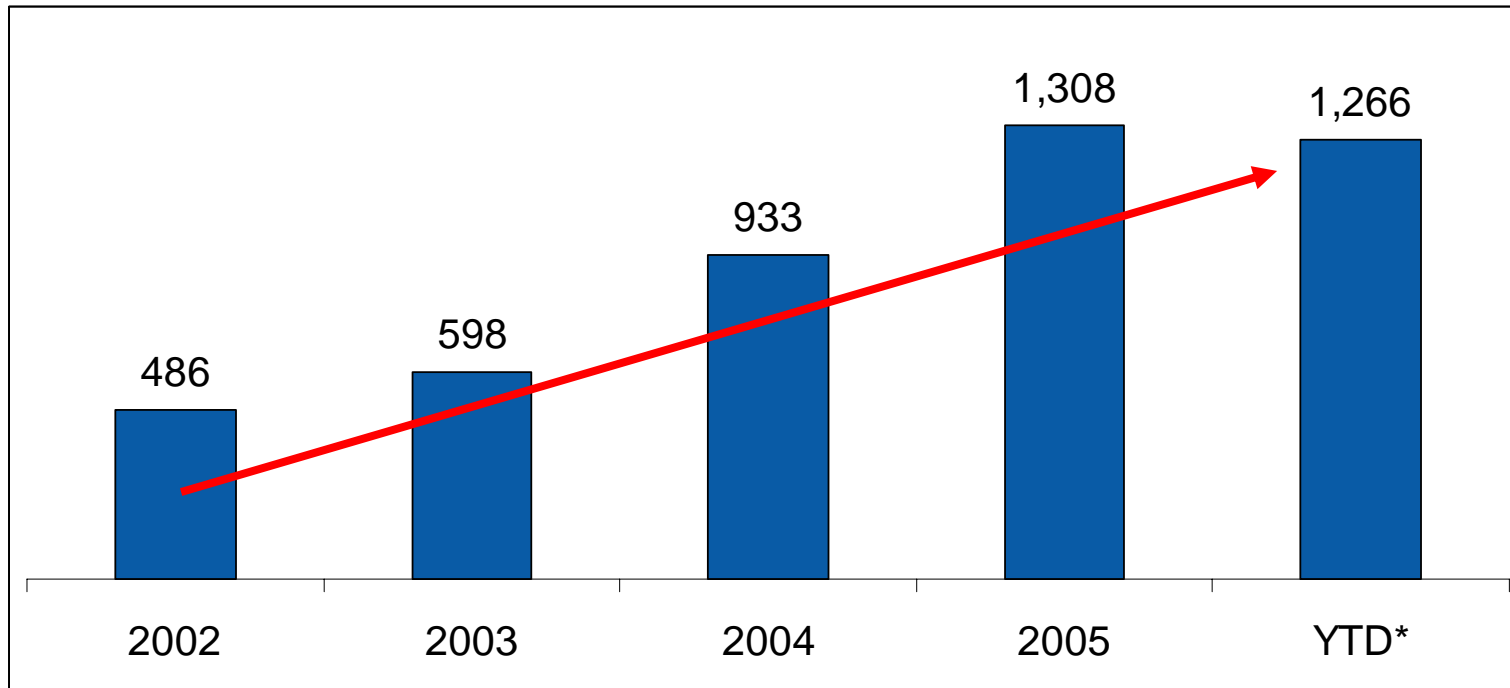
November 14th, 2006



Financial Advisory Services

M&A Trends: General Activity

Number of disclosed M&A Deals Closed in Canada*

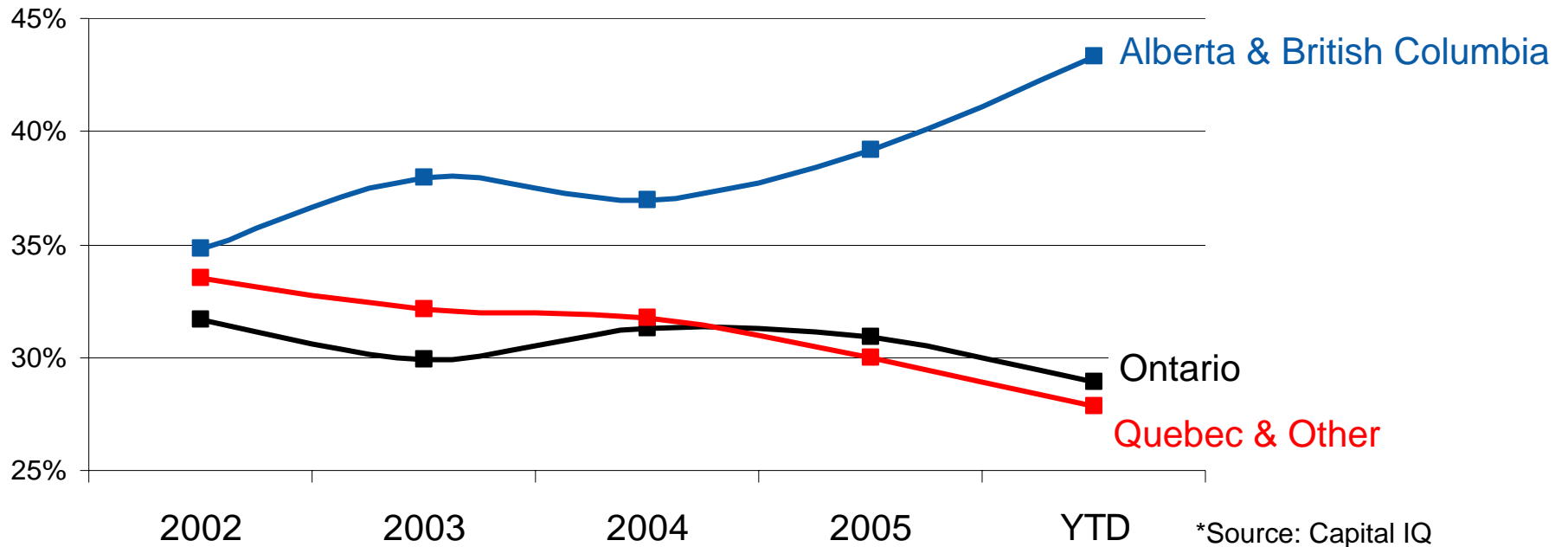


*Source: Capital IQ

- M&A activity is very healthy in Canada
- 2006, on a pro-forma basis, looks like it might hit over 1,500 completed deals
- But what's the detail behind this...

M&A Activity: Provincial Activity

% of Total Closed Deals by Region*

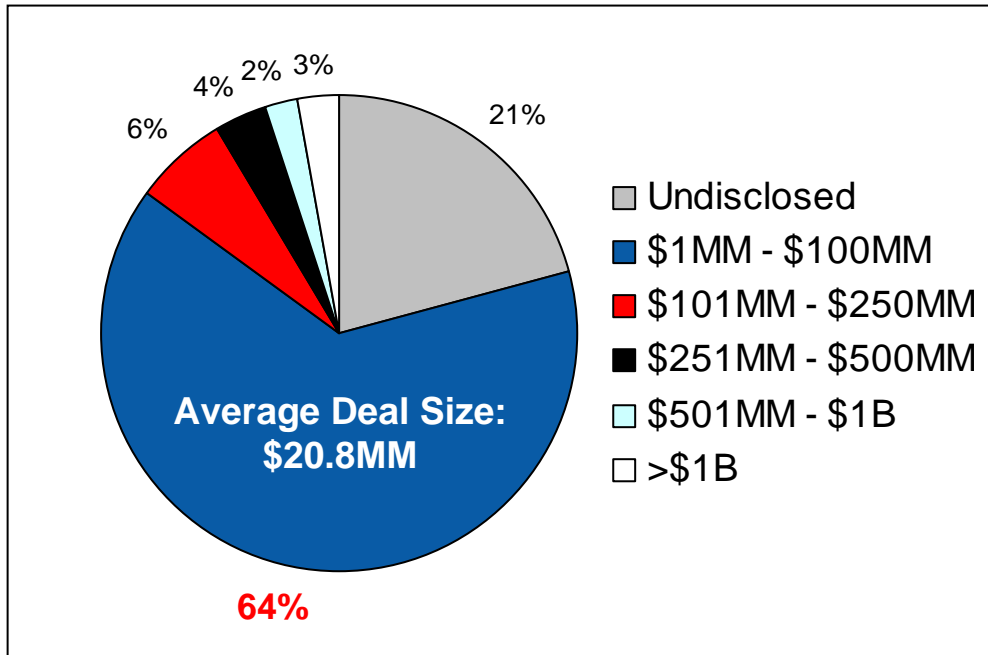


- Ontario still has the largest absolute # of closed deals versus any other single province
- However, on a relative basis, Western Canada is seeing the greatest increase in activity
- Bulk of incremental M&A activity from Western Canada

M&A Activity: Size

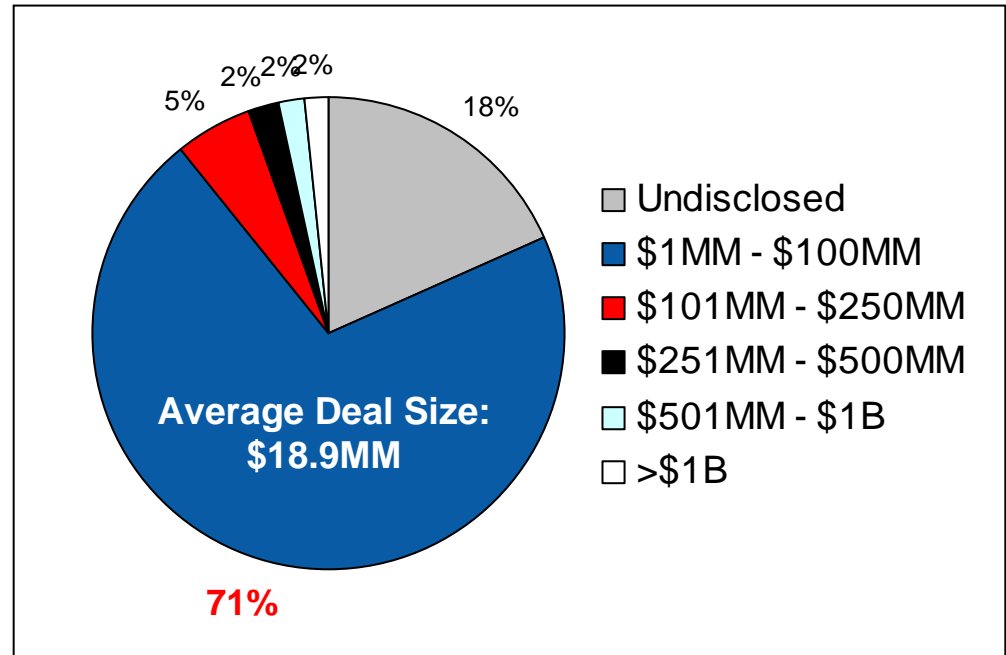
2005

(Announced Deals by Size*)



YTD to June 30, 2006

(Announced Deals by Size*)

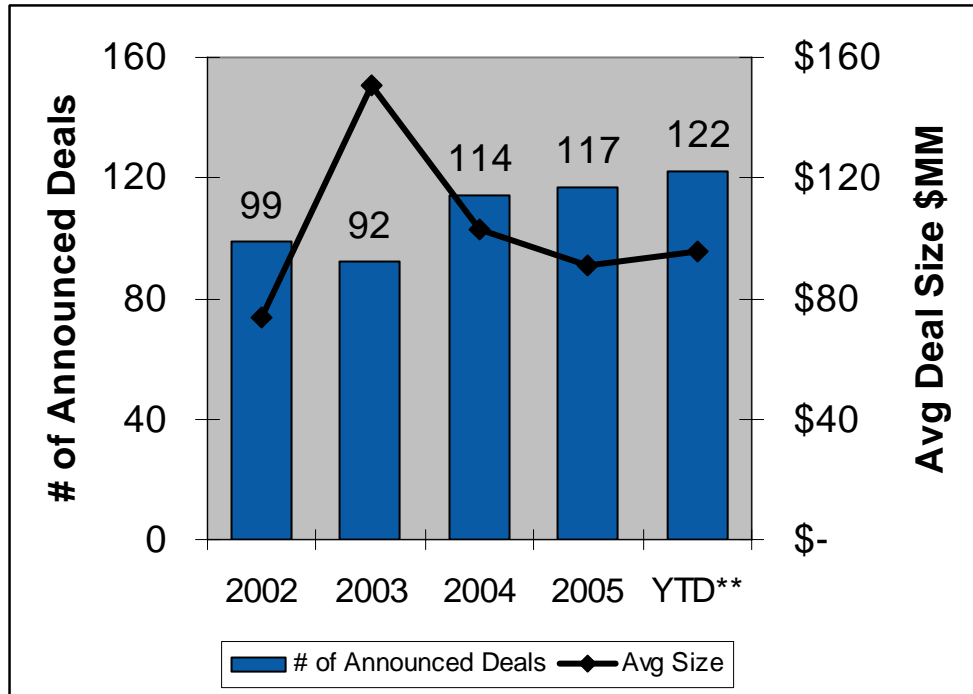


*Source: Financial Post Crosbie: Mergers & Acquisitions in Canada

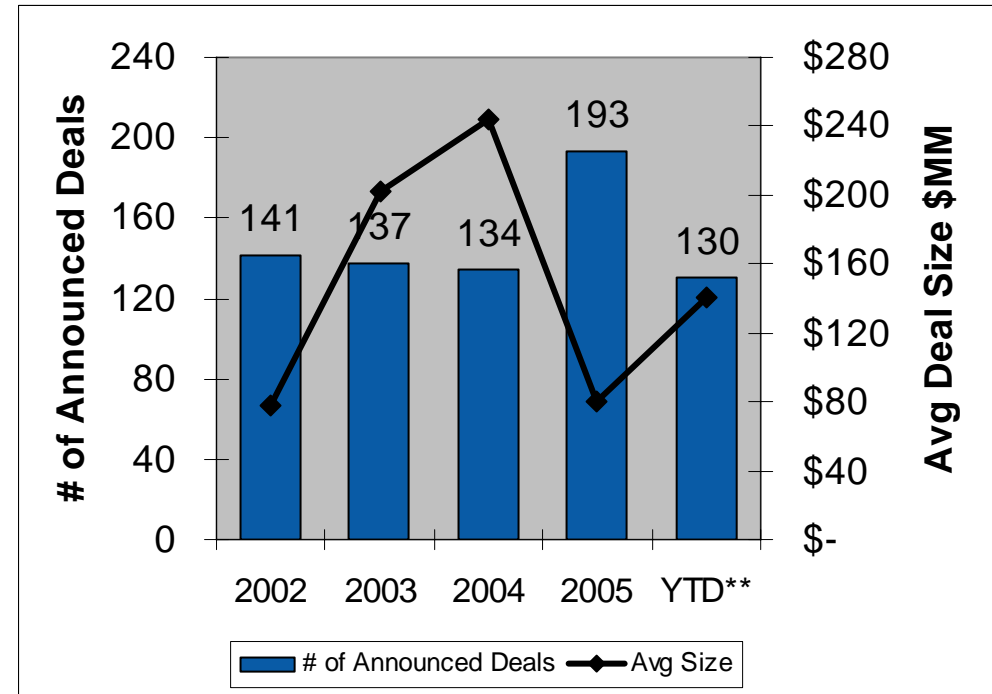
- Mid Market (\$1MM to \$100MM) dominates M&A activity
- However, as a % of deal value, this only accounts for 10-11% of total M&A value
- Canada has a very robust mid market M&A environment

M&A Activity: Canada buying abroad

CDN Co's Buying Intl Co's*



CDN Co's Buying US Co's*

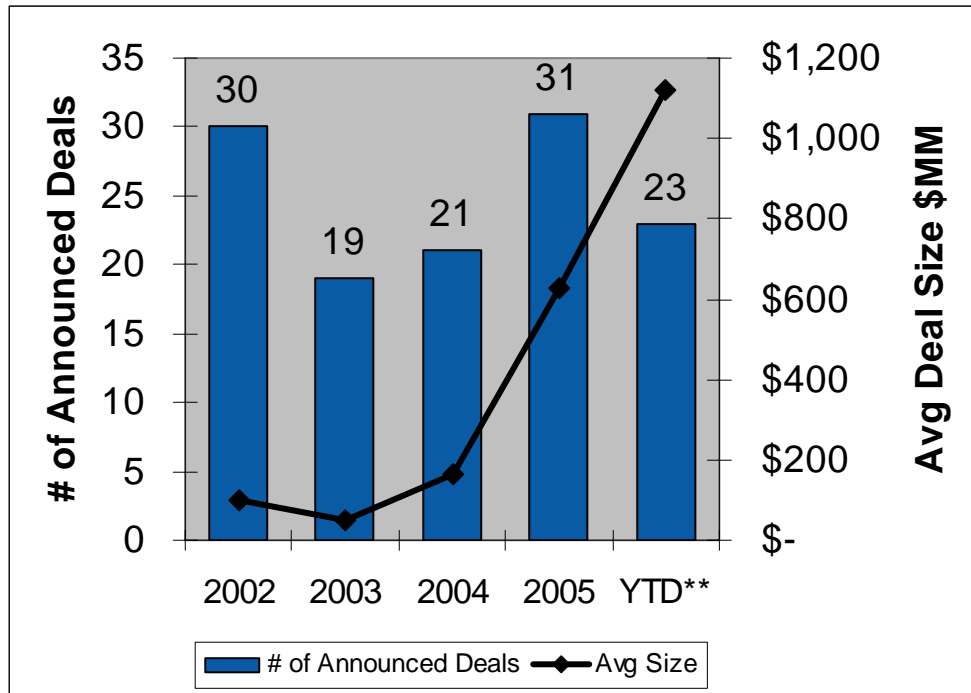


*Source: Financial Post Crosbie: Mergers & Acquisitions in Canada
 **YTD is for the six months ending June 30th, 2006

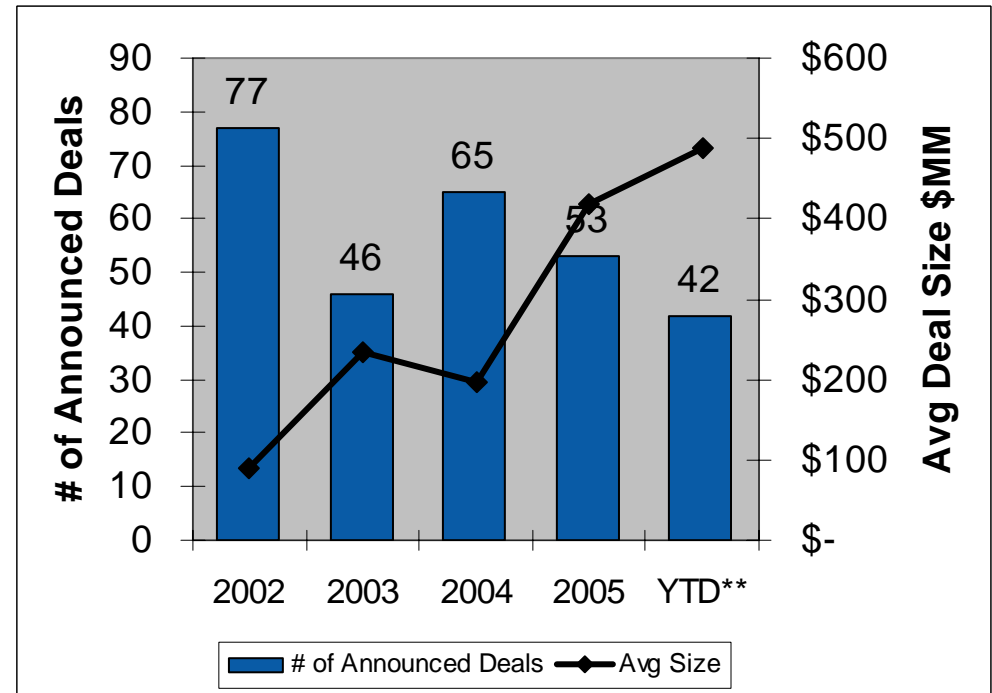
- Canadian companies buy more targets in the US alone versus the rest of the world
- In the foreign arena, Canadian companies typically acquire mid market targets

M&A Activity: Foreigners buying CDN Companies

Intl Co's Buying CDN Co's*



US Co's Buying CDN Co's*



*Source: Financial Post Crosbie: Mergers & Acquisitions in Canada
 **YTD is for the six months ending June 30th, 2006

- While figures are likely skewed by undisclosed deals, international buyers play in a relatively small number of Canadian deals
- International and US buyers tend to focus on larger mid market to bulge bracket deals

Who's Buying?

- Total Canadian M&A activity still dominated by strategic buyers (private and public)
- In the latest 12 months, Income Trusts accounted for approximately 30 disclosed and completed deals
- However, **Private Equity Buyout Shops**, have increased activity significantly

Private Equity buyers often meet or beat out strategics on valuation!

Significant Growth in Canadian Private Equity Market

- To name a few...



Even greater growth in US Private Equity Market

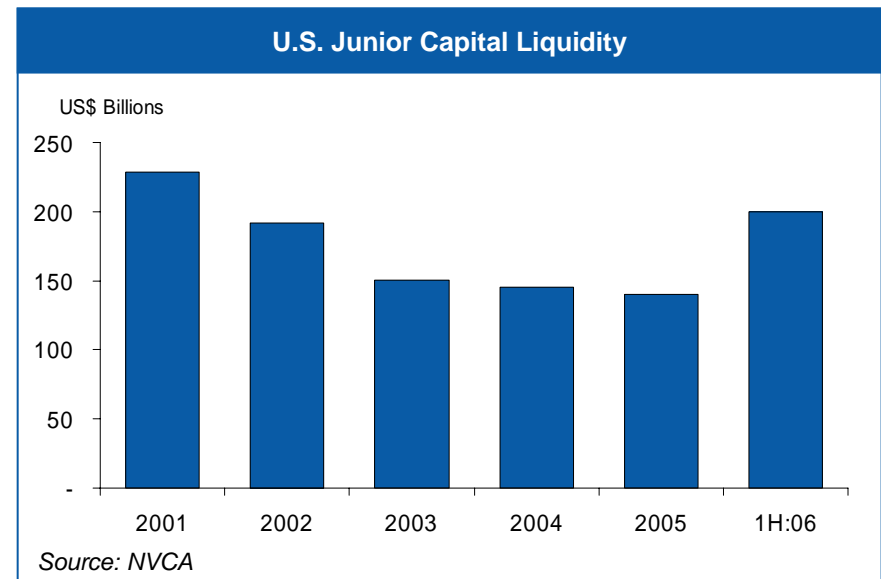
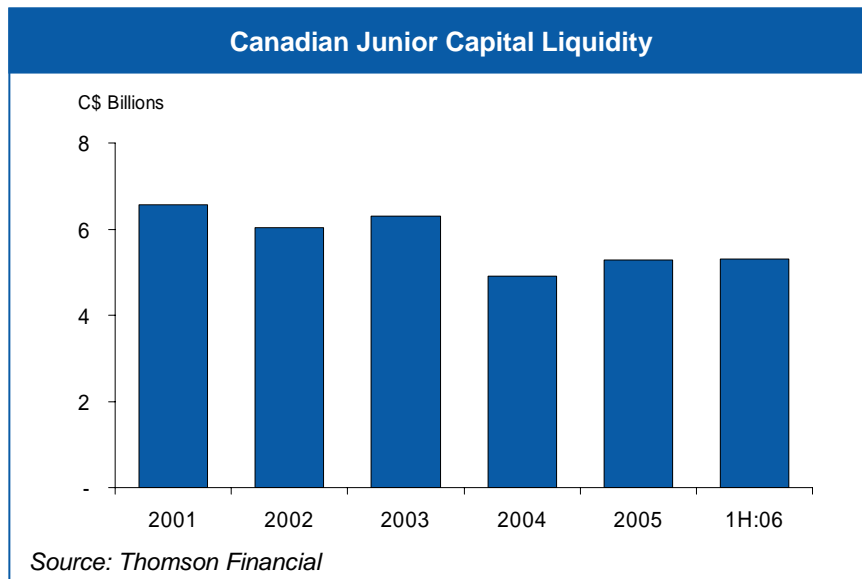
- To name a fraction...



- BMO alone covers over 200 US Equity Sponsors, many of whom are looking north of the border

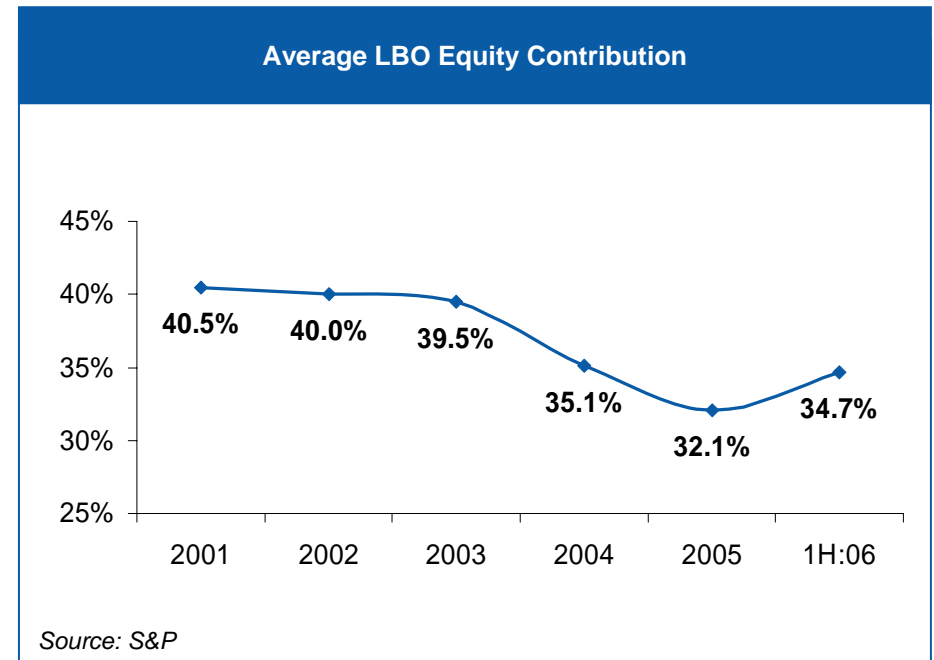
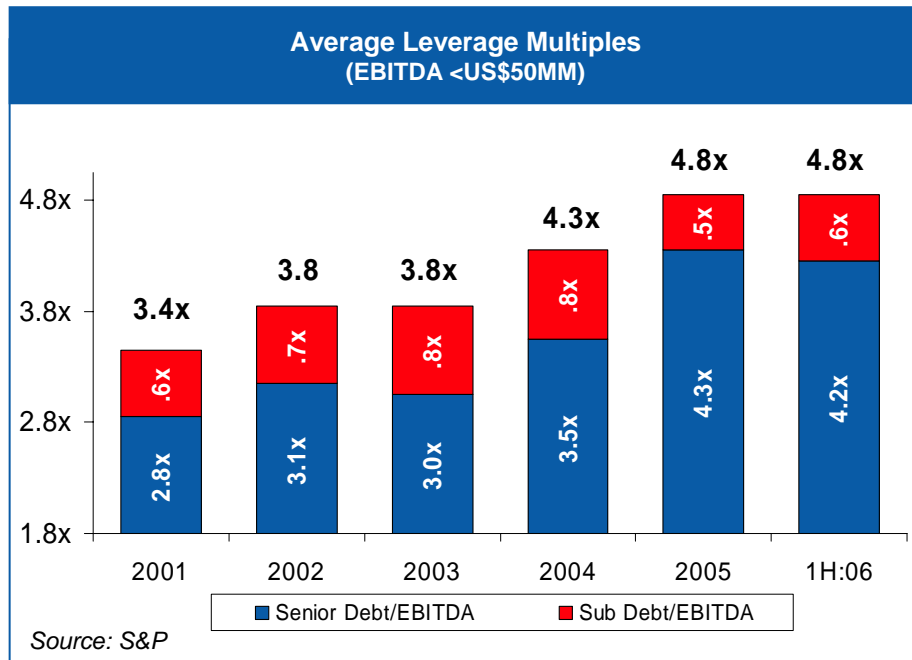
Capital Market Trends – Junior Capital

- Continued oversupply of funds / lack of deals leading to overheated market for quality deals
 - Approximately \$200 billion of junior capital remains uninvested in North America
 - Financial sponsors are facing the challenge of putting their large pools of capital to work
 - Sponsors continue to be aggressive bidders in the M&A market



Capital Market Trends - Leverage

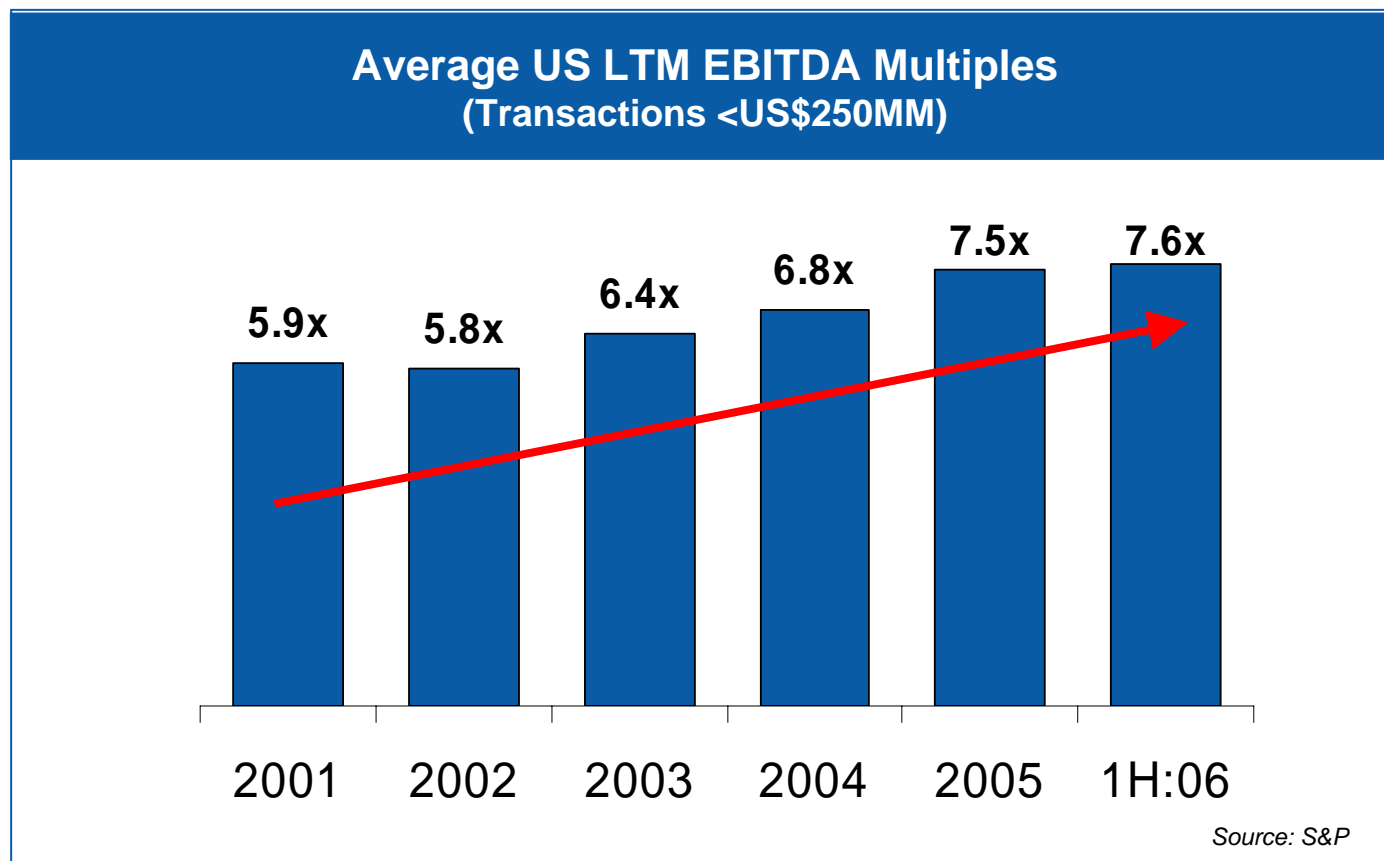
- Senior debt has become an increasingly more significant part of the capital structure
 - Total leverage currently ranges from 3.0 – 4.0x for Canadian mid market transactions
 - As a result, equity contribution as a percentage of total capital structure has been decreasing
- US Market Statistics:



- Directly Impacting Valuations...

Valuation Trends

- As purchasers are able to raise more of the purchase price through less expensive capital, financing costs are decreasing and allowing valuation multiples to increase



M&A Outlook

- Possibly increased privatization activity (Sarbanes, depressed Income Trusts)
- Less emphasis on scaling up purely to reach scale to become an Income Trust
- Should US economy resist recessionary trends, continued upwards multiple pressure on base metals, oil & gas (including companies servicing this segment), aggregates, commodities (and anything else feeding global growth)
- Increased succession activity
- Increased activity from US Private Equity shops looking for Canadian targets
- Increased activity of Canadian companies purchasing US companies

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