

# Cross-Border M&A

## International Opportunities in Uncertain Times

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Blair Franklin is an independent investment bank offering a full range of financial advisory services and fixed-income alternative asset management products.

The firm provides objective, independent M&A advice with senior partner involvement in every stage of client transactions. Blair Franklin has extensive experience providing M&A and strategic advice to Boards, public companies, private companies, crown corporations, public-sector agencies and institutional investors

With the increased focus on independence and stronger corporate governance, Blair Franklin fills a market need for high-quality, independent advice given the increasingly concentrated nature of Canada's financial services industry.



Fred Mifflin is a Partner with Blair Franklin Capital Partners in Toronto. Throughout his investment banking career, Mr. Mifflin has been responsible for numerous M&A, financing, privatization and restructuring assignments and has extensive experience in the areas of financial services, transportation, mining and metals, and government and public sector entities.

From 1989 to 2006, Mr. Mifflin was with BMO Capital Markets, most recently as Vice Chairman and Head of Global Investment and Corporate Banking. In that role, he had responsibility for all of BMO's origination business in Canada, the United States, Europe and Asia, including the firm's expansion into China.

Mr. Mifflin is active in several Board and community organizations. He is currently a Director and Chair of the Audit and Investment Committees of Altius Minerals Corporation (TSX listed) and Chair of Trinity Capital Management Inc., a private holding and operating company. He is also an accredited Director from the Institute of Corporate Directors.

## Canadian Economic Overview

## M&A in Canada

## Cross-Border M&A in Canada

## Summary Comments

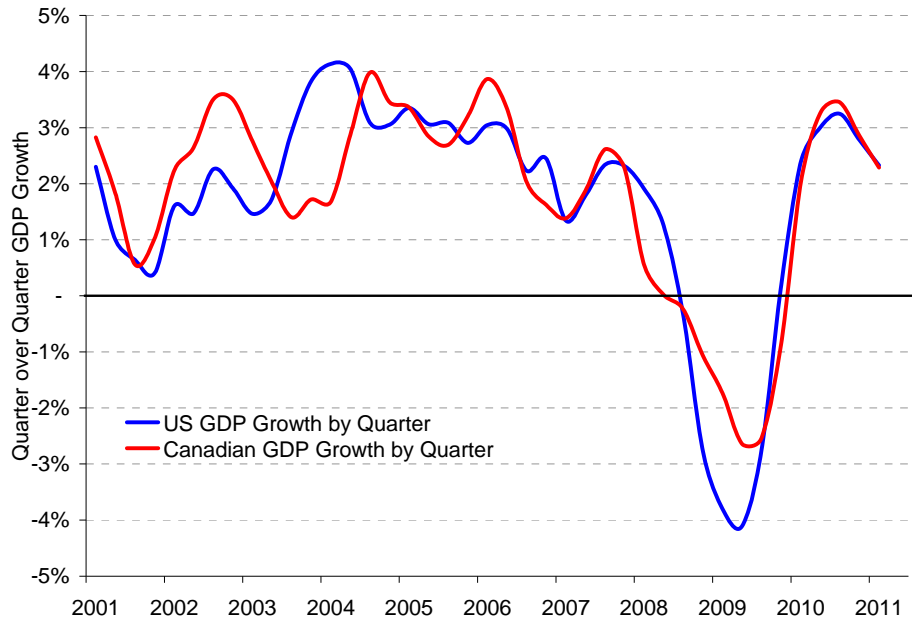
# Canadian Economic Overview

- Economy and population - one tenth the size of the United States
- Financial crisis not as deep
- Effect on unemployment less drastic
- Little effect on housing prices

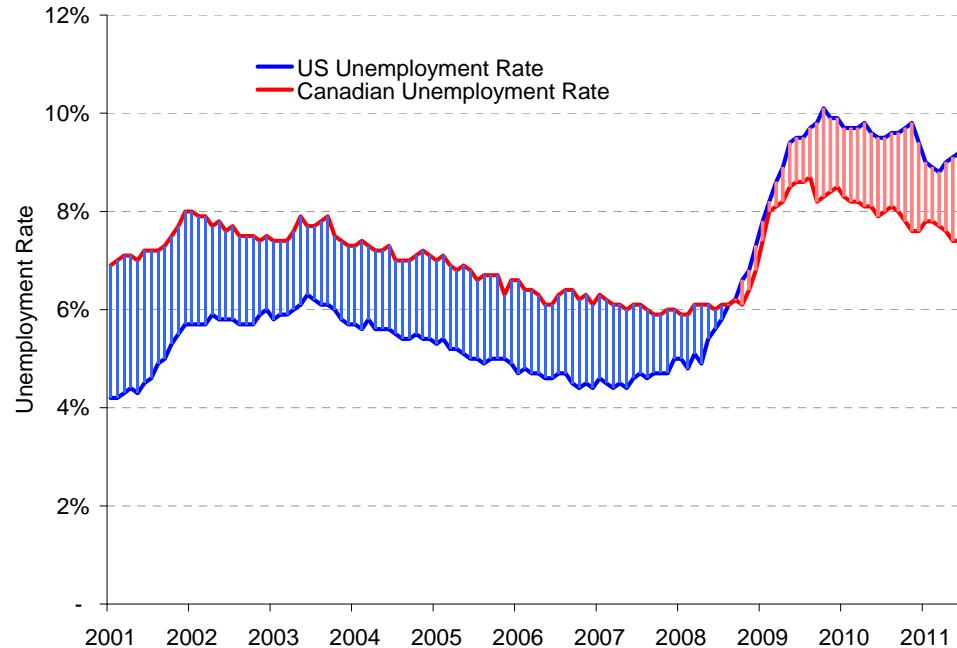
## Key Stats

	US	Canada
<b>GDP (\$ trillions)</b>	14.1	1.3
<b>Population (millions)</b>	307	34
<b>GDP / Capita</b>	45,928	38,235

## GDP



## Unemployment

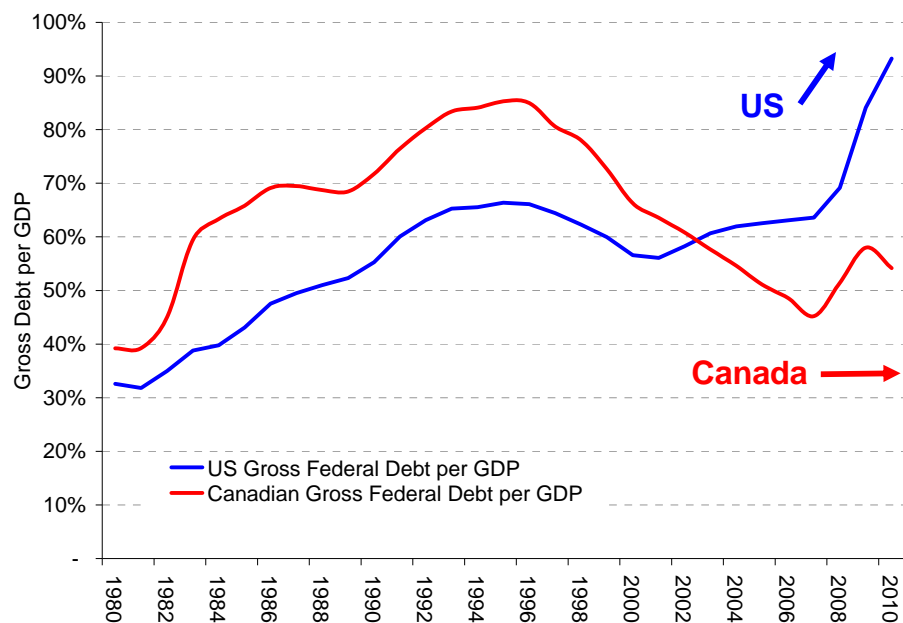


Sources: Bloomberg, US Federal Reserve, Statistics Canada, Bank of Canada

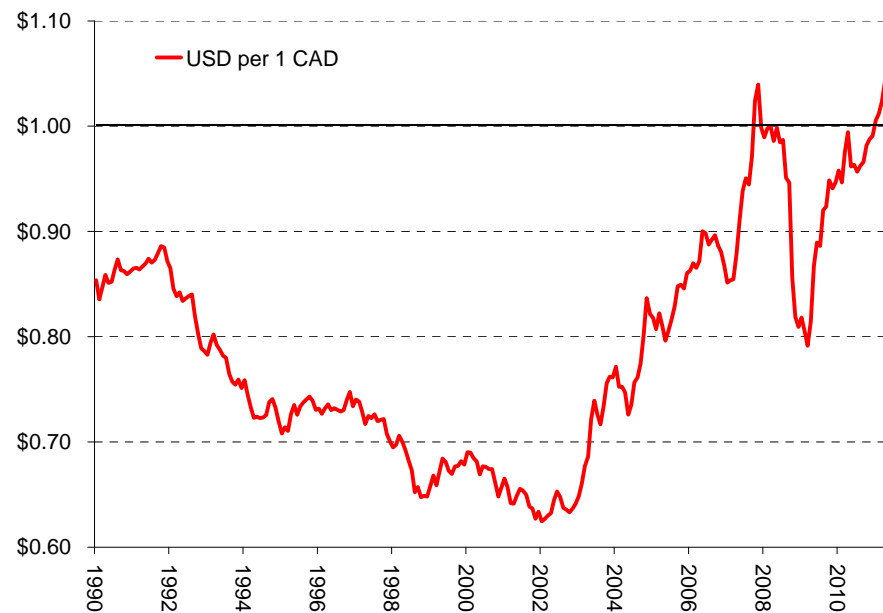
# Fiscal and Monetary Situation

- Canada's deficit in better shape than the United States
- Fiscal and monetary policy overhauled in Canada after early 1990's recession
- C\$ heavily influenced by oil prices and relative economic performance

## Gross Federal Debt as a % of GDP



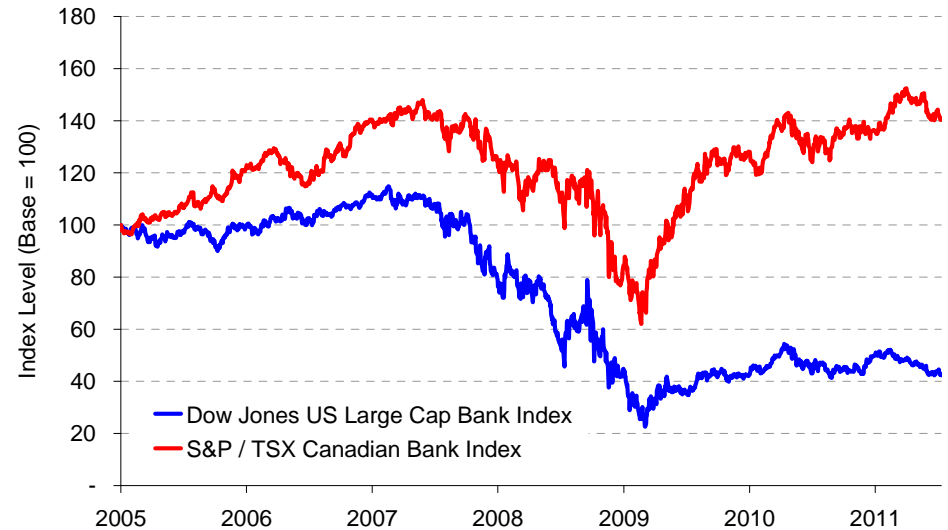
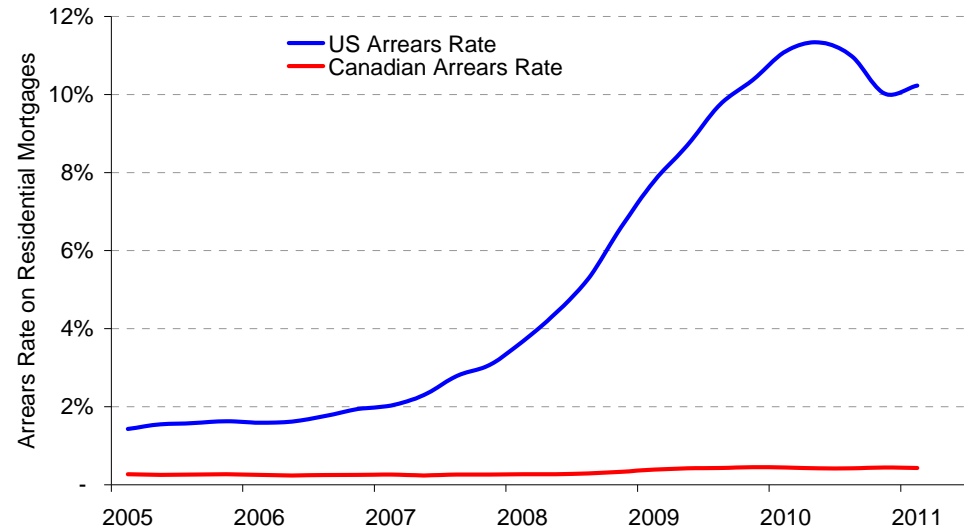
## Currency



Sources: Finance Canada, US Government Accounts, Bloomberg

# Canadian Financial System

- Strong, well-capitalized banks
- Substantial pools of institutional capital
- No mortgage crisis
- Top 6 banks control 90% of industry
- World Economic Forum ranked Canada's banking system, most sound in the world 3 years in a row



Arrears Rates

Bank Indices

**Canadian Economic Overview**

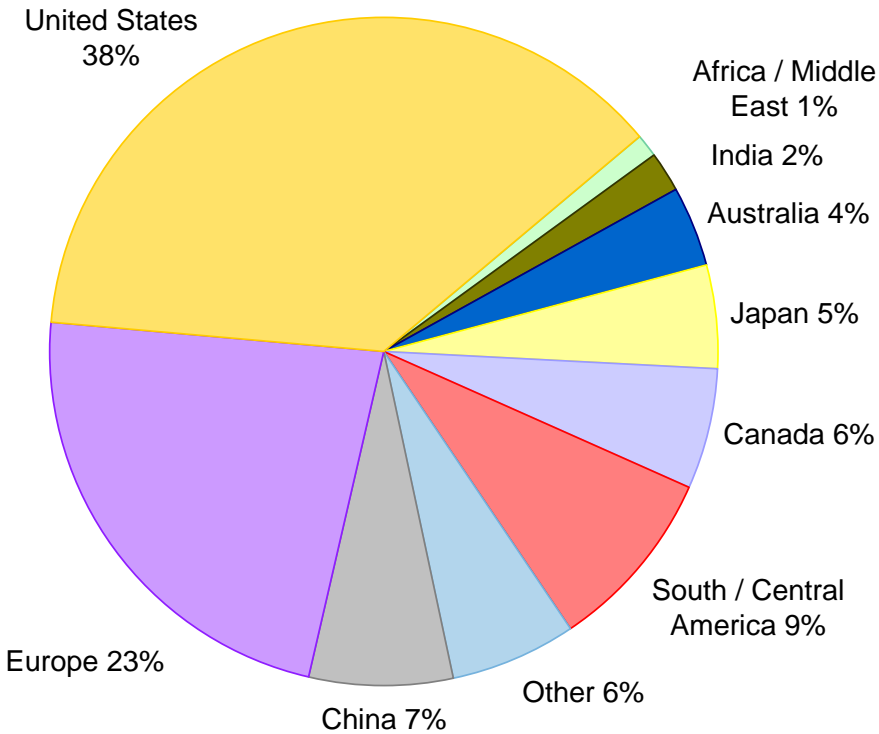
**M&A in Canada**

**Cross-Border M&A in Canada**

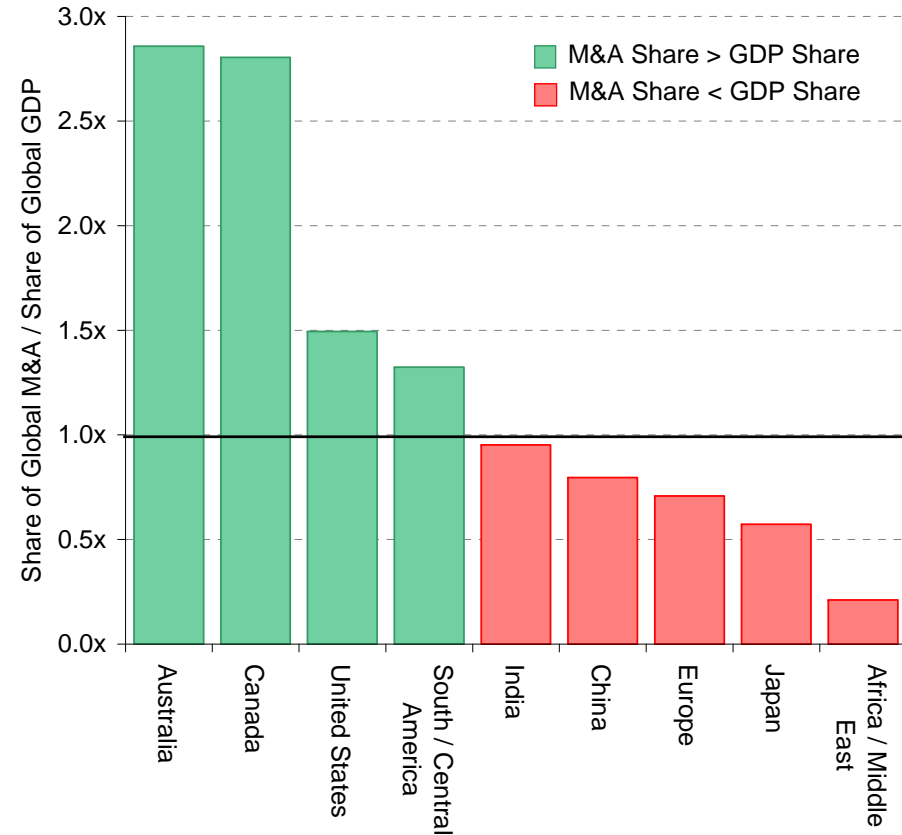
**Summary Comments**

# Overview of Global M&A

## M&A Volume by Target Region



## Target M&A vs. GDP



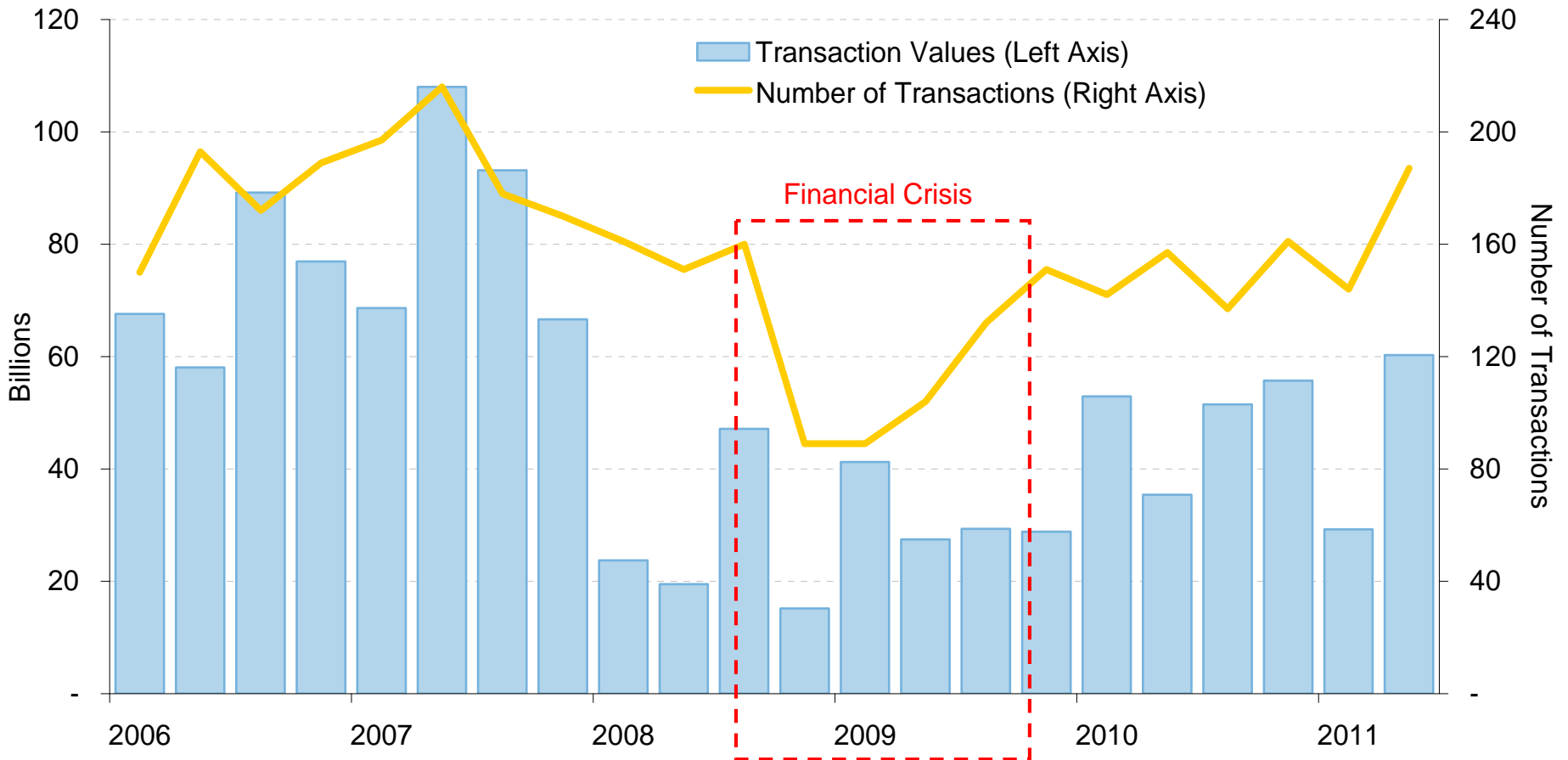
The US and Europe account for 61% of global M&A

Canada, the US and Australia have a significant percent of Global M&A relative to their GDP

Sources: International Monetary Fund, Bloomberg  
 Note: Global M&A volume based upon target's headquarters

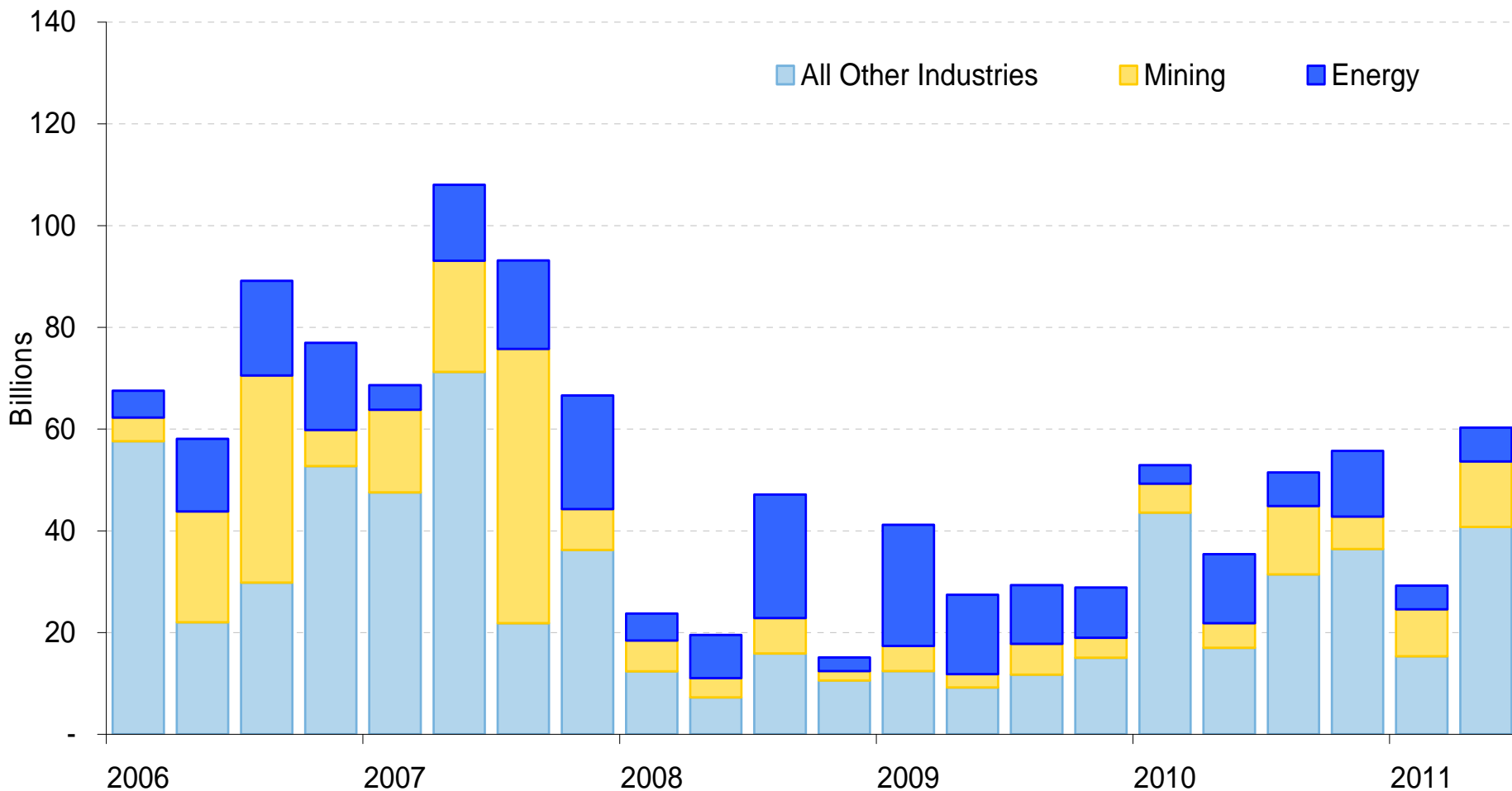
# M&A in Canada

- Canadian M&A has followed general trend of global economy
  - Lots of activity before crisis
  - Steep drop in number of deals and transaction values during financial crisis
  - Slow but steady recovery



Source: Bloomberg

# M&A in Canada – By Sector

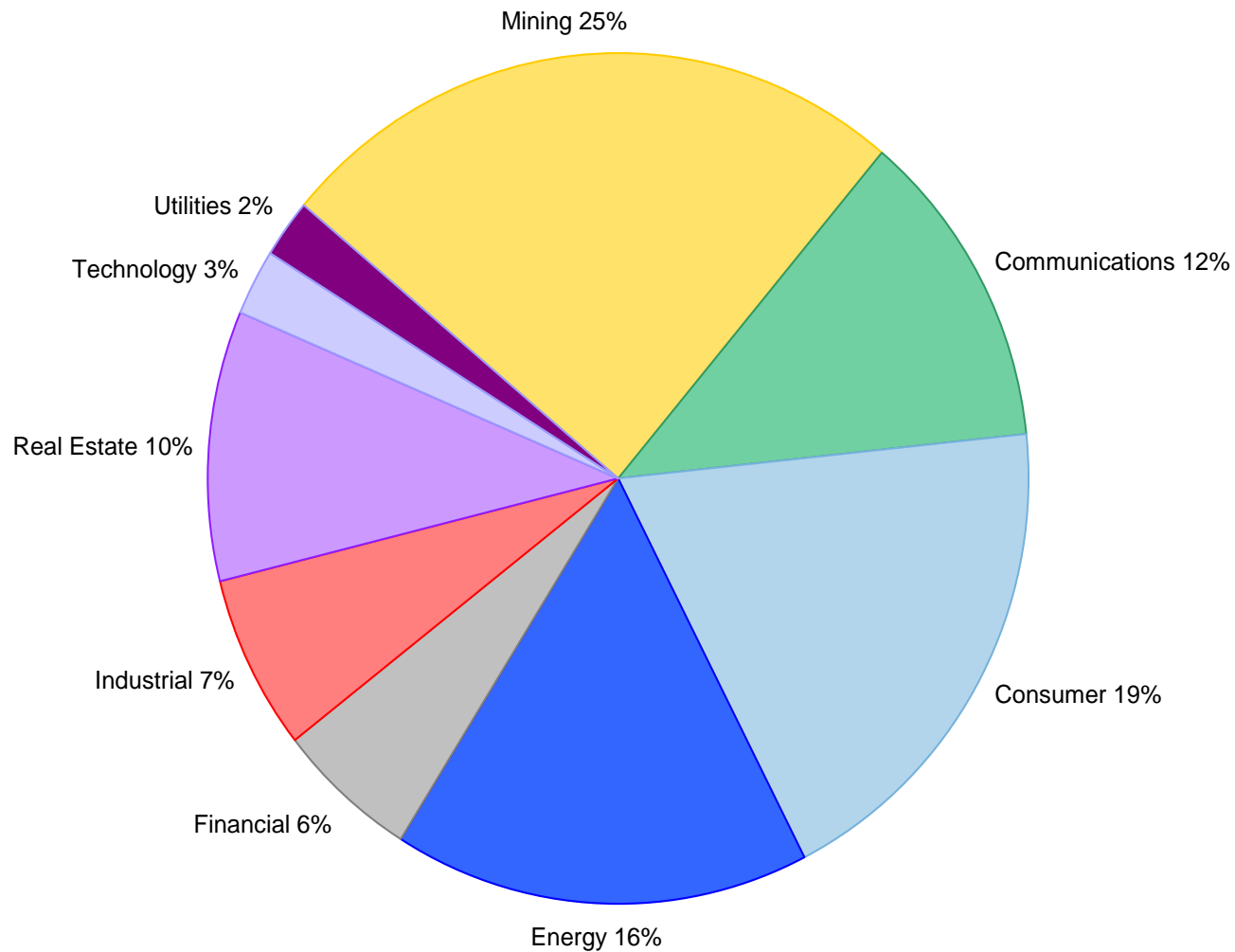


**Energy and Mining drive M&A Activity – Historically account for ~50% of all volume**

Source: Bloomberg

# M&A in Canada – By Sector 2010

- Energy, Mining and Consumer sectors led the way in 2010



Source: Bloomberg

# Energy and Mining Sectors in Canada

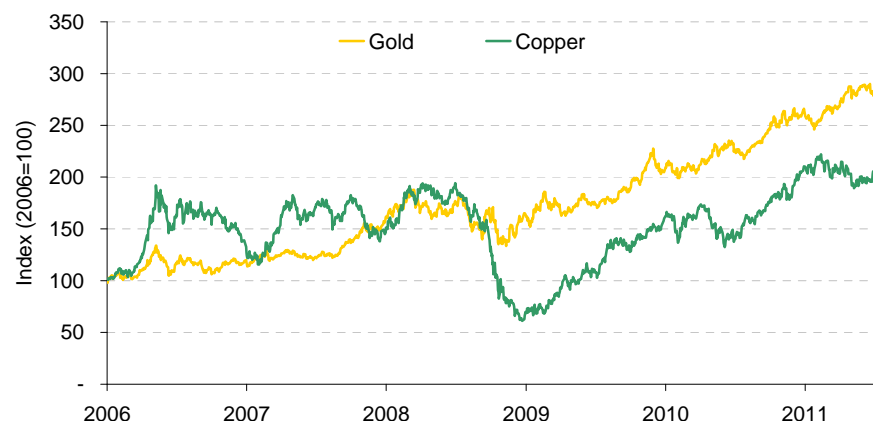
## Energy

- Western and Eastern Canada investment boom
- United States imports 22% of its oil from Canada – by far the largest supplier (Saudi Arabia is 9.5%)
- Canadian oil sands estimated to have in excess of 1.7 trillion bbl eq.
- Expensive and requires huge investment - average deal sizes > \$750 million



## Mining

- Wealth of natural resources and globally recognized expertise
- Most Canadian mining companies are now global and not domestic
- All-time high metal prices have led to large profits – global consolidation likely to continue
- M&A deal size varies depending on stage of development



Sources: US Energy Information Administration, Alberta Energy and Utilities Board

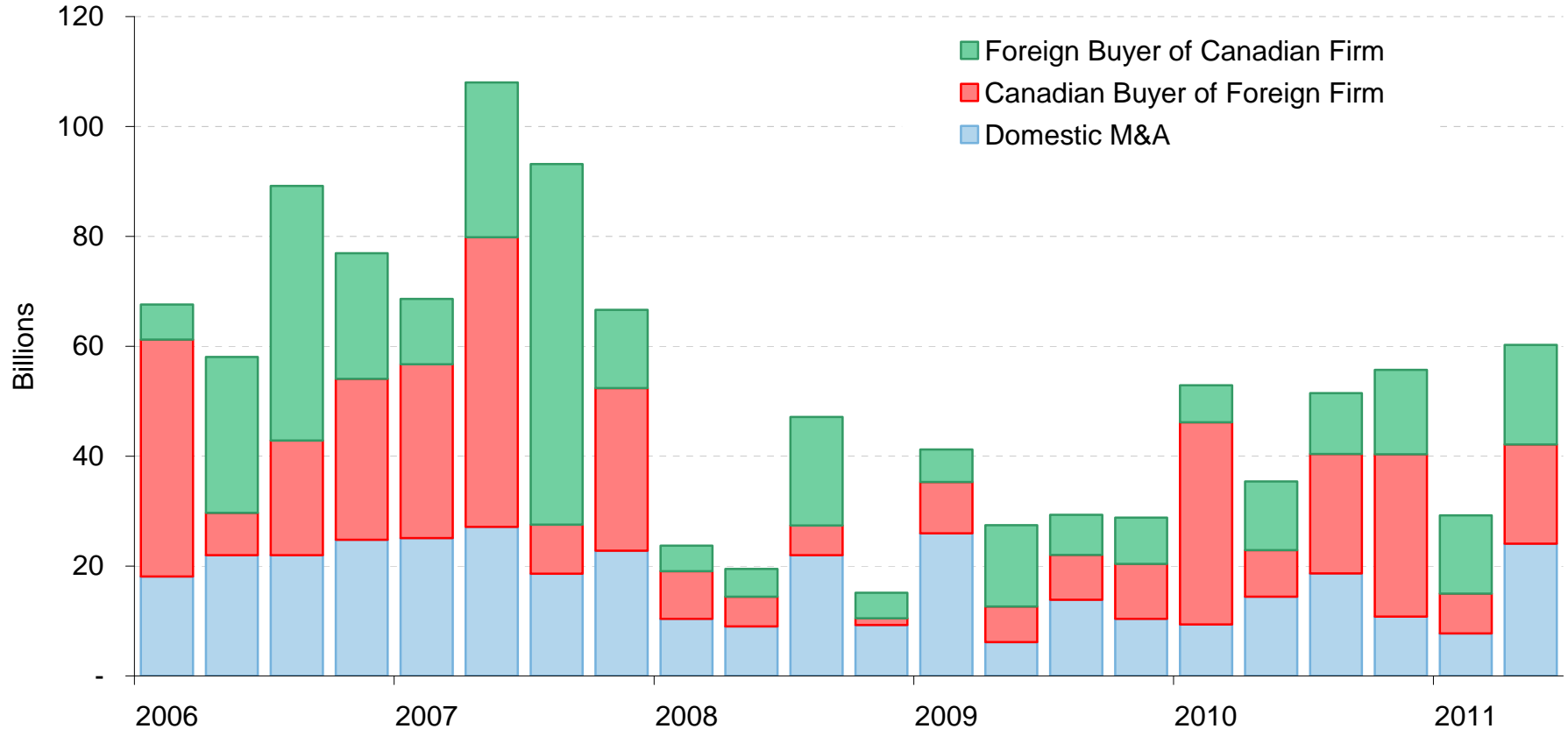
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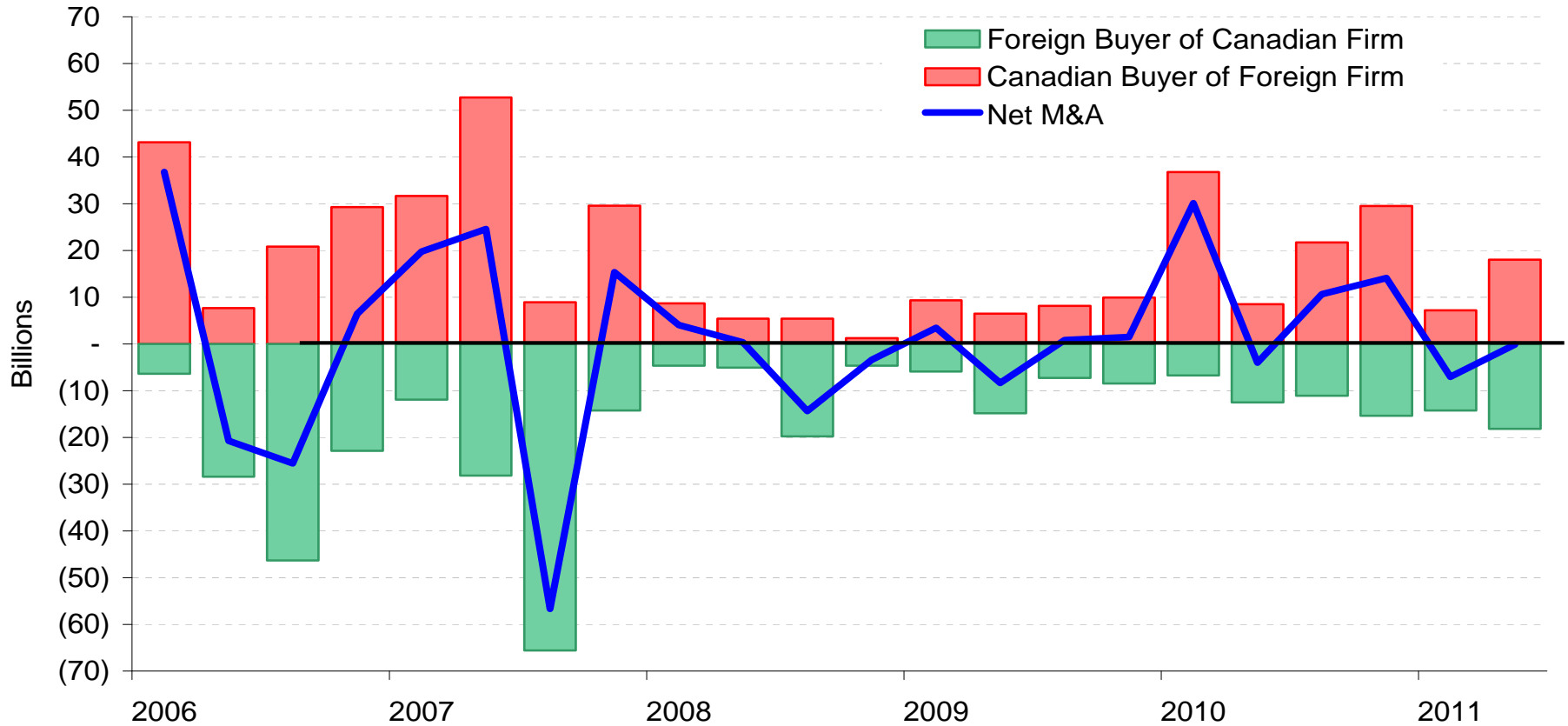
# Cross-Border M&A in Canada



~ 64% of all M&A can be attributed to Cross-Border deals  
Largest deals are usually Cross-Border

Source: Bloomberg

# Cross-Border M&A in Canada



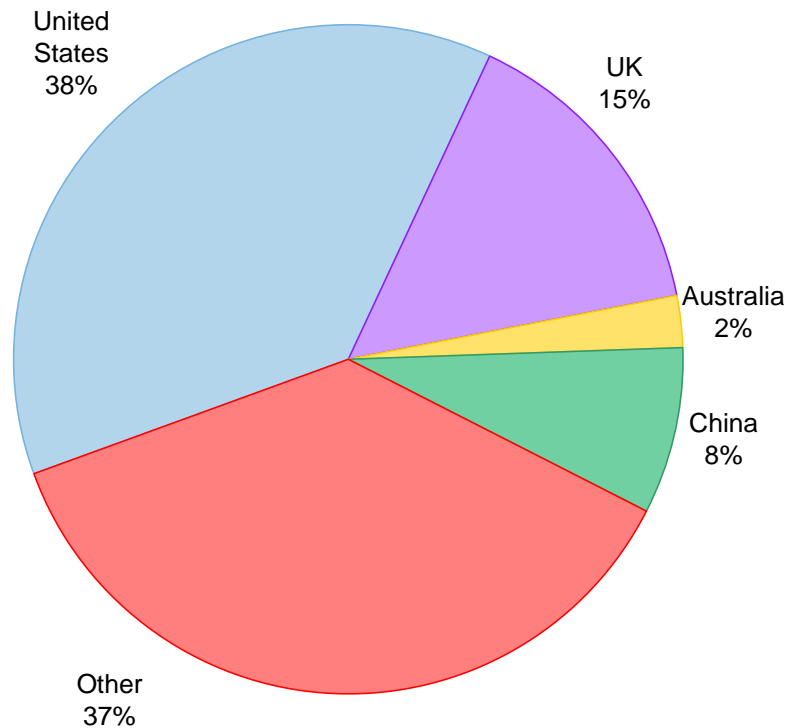
**Inbound Deals are Approximately Equal to Outbound Deals**

Source: Bloomberg

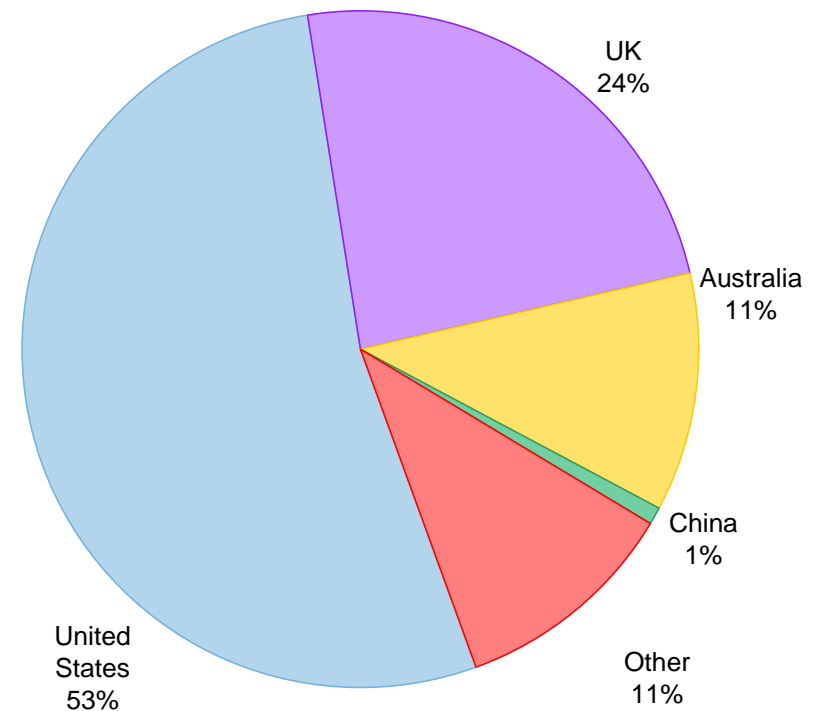
# Cross-Border M&A in Canada – Who is Acquiring?

- The US is the largest buyer of Canadian companies with 38% of all deals
- Similarly the US is the largest target for Canadian acquirers with 53% of all deals

## Foreign Buyers of CDN Companies



## CDN Buyers of Foreign Companies

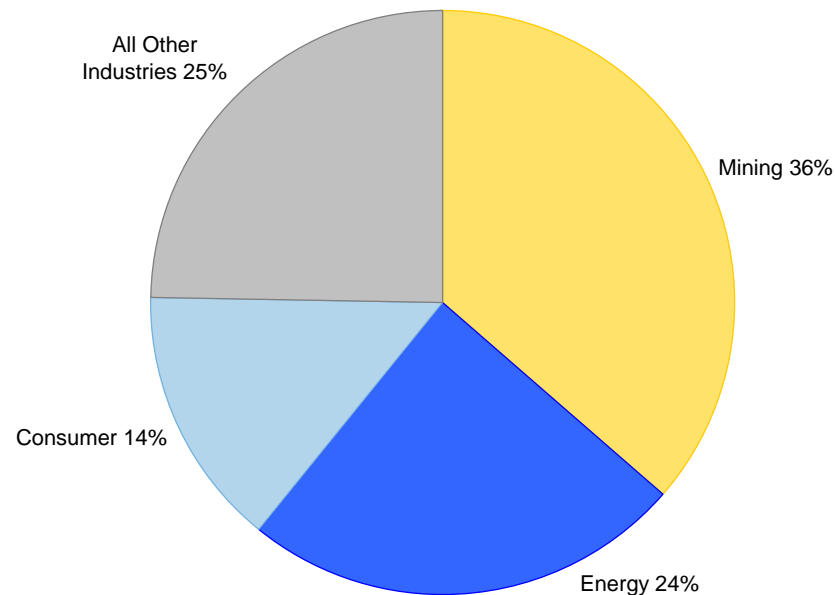
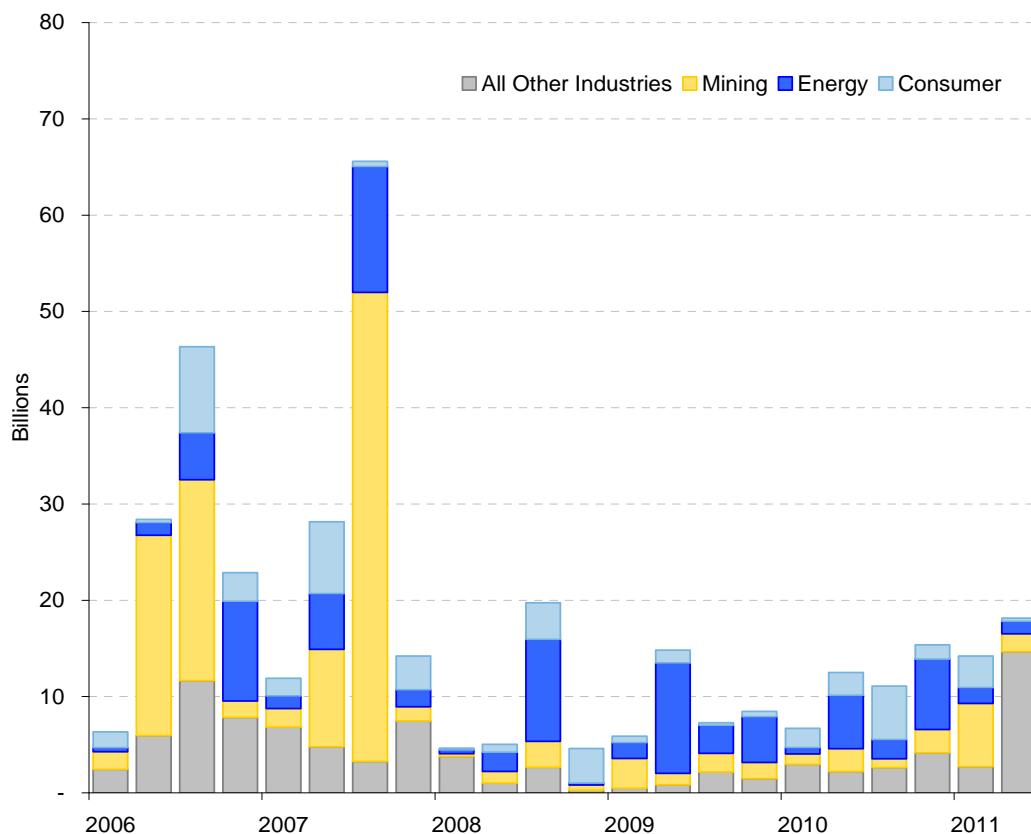


Source: Bloomberg

# Cross-Border M&A in Canada – What are Foreigners Buying?

- Energy and Mining companies largest targets for foreign acquirers
- Consumer products and services has also seen significant activity

## Foreign Buyers of CDN Companies

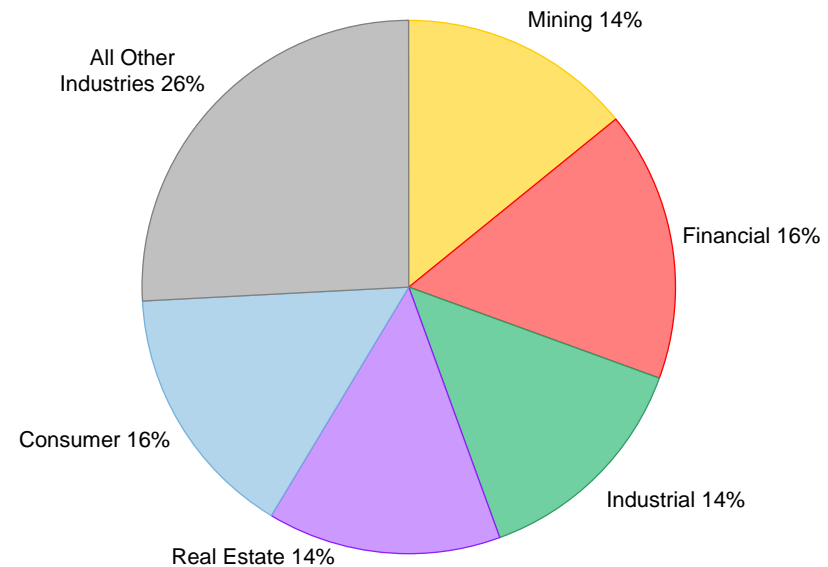
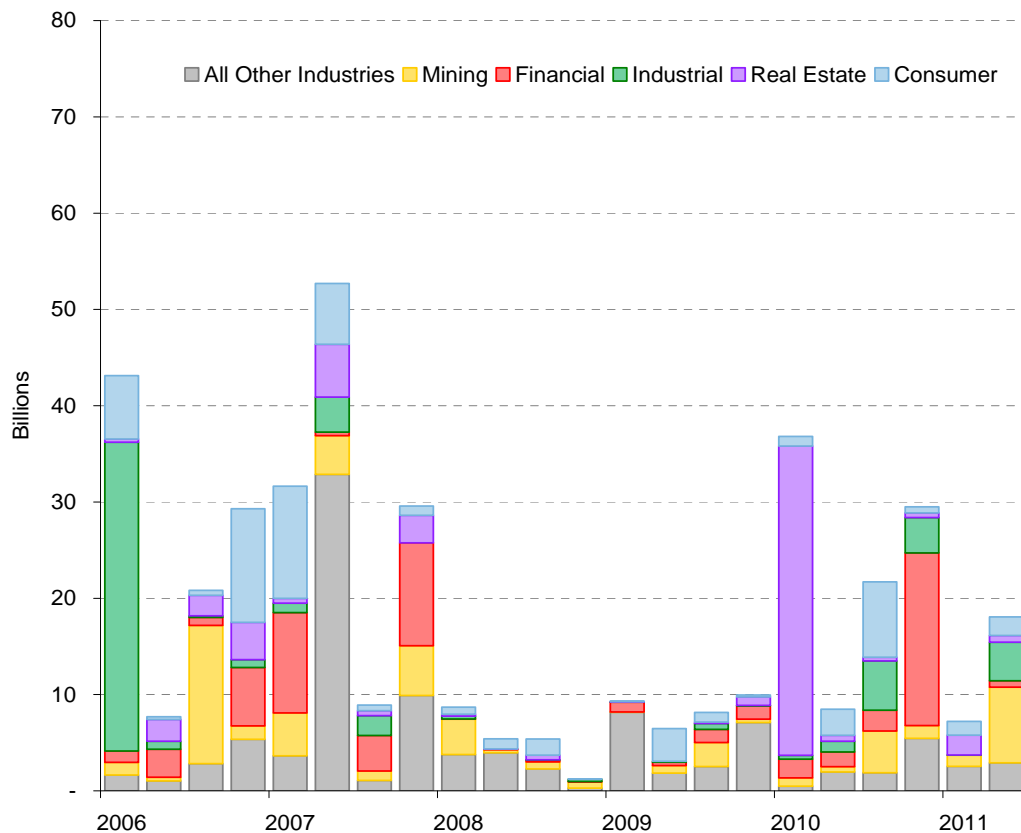


Source: Bloomberg

# Cross-Border M&A in Canada – What are Canadians Buying?

- Global ambitions of strong Canadian banks has led to significant M&A
- Industrial and Real Estate acquisitions have been popular with Pension Plan groups

## Canadian Buyers of Foreign Companies

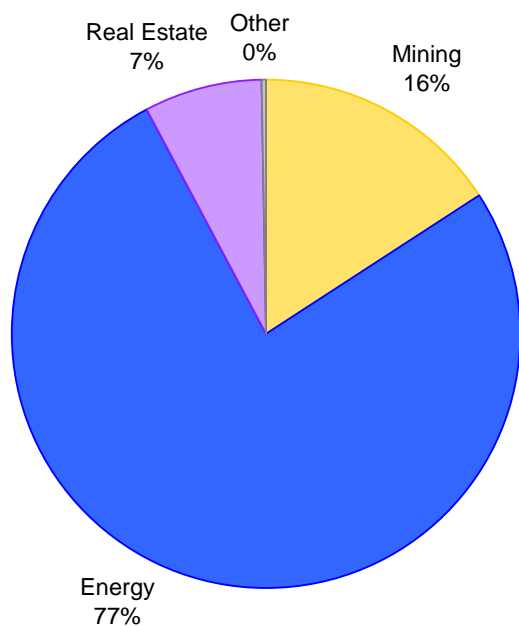


Source: Bloomberg

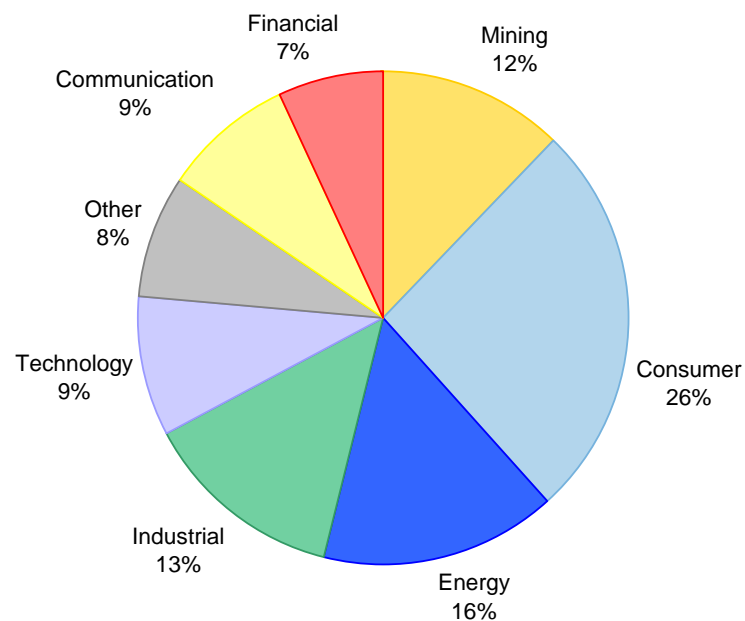
# Focus on China and US

- China has had almost a singular focus on Mining and Energy to fuel their rapidly growing economy
- Most Chinese deals are large and backed by state-owned entities
- Unlike China, US buyers have acquired across all sectors of the Canadian economy

## Chinese Acquisitions of CDN Companies



## US Acquisitions of CDN Companies



Source: Bloomberg

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**Cross-Border M&A in Canada**

**Summary Comments**

- Inbound deals will continue to be driven by the Energy and Mining sectors
- Outbound deals will continue upward trend given relative strength of Canadian dollar and strength of Canadian companies' acquisition currency
- Economic partnership between US and Canada will continue fueling M&A between the two economies – China has an insatiable appetite for resources
- Canada's strong banking system will continue to support M&A activity
- Canadian financial institutions will continue to acquire globally – particularly US
- Canada's large pension funds and pools of institutional capital will drive future outbound M&A in sectors such as Real Estate, Industrial and Utilities



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