

This note attempts to put the recent acquisition announcements of major Canadian companies in a broader perspective. It is based on the list of mergers and acquisitions involving or affecting Canadian corporations, between January 2003 and December 2006, extracted from the Financial Post Crosbie database *Summary reports*. The general conclusion is that **Canadians acquired more companies abroad than have foreigners purchased Canadian companies**. Since the values involved are lower in the case of Canadian acquisitions abroad, the difference in acquisition operations, expressed in dollars, is practically the same, with a slight advantage to Canadians. The ratio of the values of Canadian acquisitions offshore versus foreign acquisitions in Canada is 1.08 for the four years studied.

Table 1 summarizes the numbers and monetary values of the acquisitions. In total, from January 2003 to December 2006, Canadian corporations or investors acquired 1,493 companies owned by non-residents, while non-residents acquired 561 Canadian or Canadian-owned companies. The ratio is 2.7:1, and the number of acquisitions of foreign companies is clearly well over the number of acquisitions of Canadian companies by non-residents. However, the average value of the transactions is lower for Canadian acquisitions (\$158.3 million) than for acquisitions in Canada (\$391.8 million). The size difference of the transactions explains why the global value of the acquisitions is practically the same in both cases.

In the Table, *Canadian Acquisitions* include the purchases of companies located in Canada but previously owned by non-

residents (DC-FOs: domestic companies-foreign owned). Similarly, *Foreign Acquisitions* reflect transactions involving companies located outside Canada but previously owned by Canadian interests (FC-DOs: foreign companies-domestic owned). DC-FOs represent approximately 9% of the Canadian acquisitions. FC-DOs are frequently purchased by foreign investors. These transactions represent close to 33% of foreign acquisitions. In view of current concerns regarding the possible relocation of headquarters outside Canada, it is instructive to note that a large part of the acquisitions of corporations considered as Canadian enterprises involve companies owned by Canadians but located in other countries.

We have also isolated Canadian acquisitions of American companies and acquisitions of Canadian companies by American purchasers. The comparison highly favours Canadian interests. There have been 3.16 acquisitions of American companies compared to one Canadian company purchased by American interests. Between 2003 and 2006, the ratio of the values of the transactions is 1.49:1 (\$140.8 billion versus \$94.5 billion).

For each of the years considered, the number of Canadian acquisitions largely exceeds the number of foreign acquisitions. However, in 2005, the relative values of the transactions did not favour Canada due to the acquisition by foreign interests of many Canadian-controlled corporations located outside Canada (totalling over \$20 billion). In 2006, the difference was also unfavourable overall, but positive relative to the United States.

Table 1: Summary of cross-border acquisitions involving Canada, 2003-2006. DC-FOs are Canadian companies owned by non-Canadians, FC-DOs are foreign companies owned by Canadians.

	2003		2004		2005		2006		2003 – 2006	
	Number	\$MM	Number	\$MM	Number	\$MM	Number	\$MM	Number	\$MM
Canadian Acquisitions										
Cross-border	223	41.9	255	44.9	385	30.4	500	76.4	1363	193.6
DC-FOs	32	8.2	28	11.3	29	8.7	41	14.6	130	42.8
Total	255	50.1	283	56.2	414	39.1	541	91.0	1493	236.4
United States	143	33.7	143	33.7	244	18.7	262	54.8	792	140.8
Foreign Acquisitions										
In Canada	71	14.7	86	17.1	91	43.4	127	103.7	375	178.9
FC-DOs	29	2.2	33	7.3	57	20.3	67	11.0	186	40.8
Total	100	16.95	119	24.3	148	63.8	194	114.7	561	219.8
United States interests	49	12.2	64	14.0	58	24.2	80	44.1	251	94.5
Canadian Acquisitions / Foreign Acquisitions Ratio										
All countries	2.55	2.96	2.38	2.31	2.80	0.61	2.79	0.79	2.66	1.08
United States	2.92	2.76	2.23	2.40	4.21	0.77	3.28	1.24	3.16	1.49

Source : Financial Post Crosbie Mergers & Acquisitions in Canada – all amounts are in billion dollars.