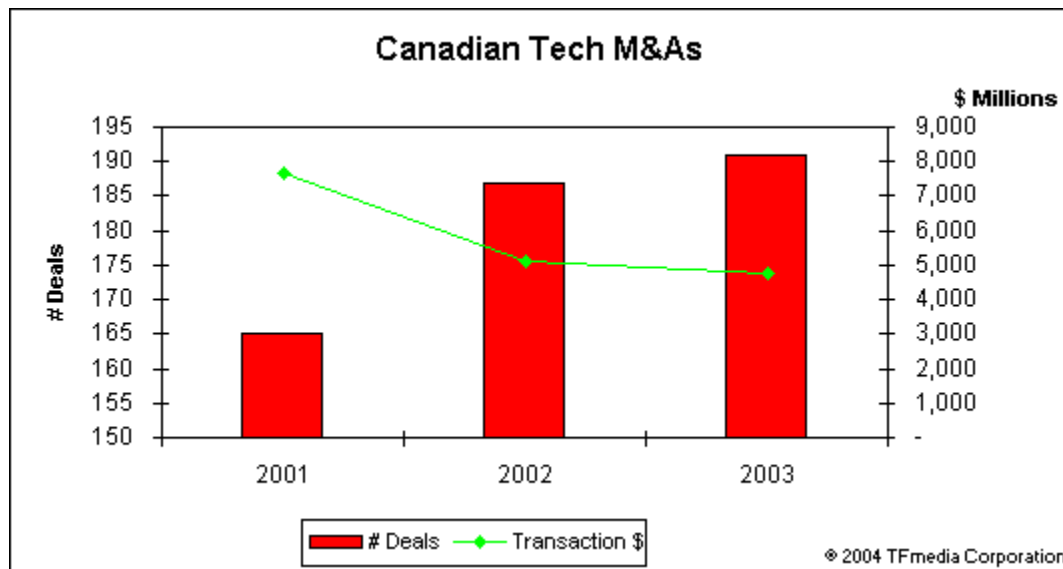


M&A Deal Number Up Slightly, Dollar Value Still Down Canadian tech M&A market continues to search for recovery

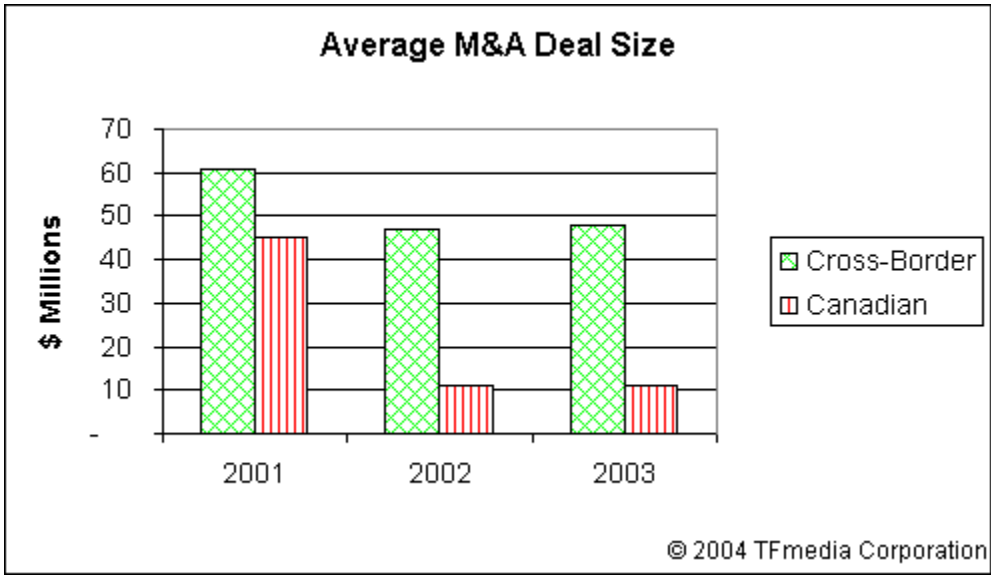
As tech financings about to emerge from a 2-year downturn, Canadian tech merger and acquisition (M&A) activities are still mired in the downward spiral and have yet to show any signs of recovery.

According to TFmedia annual study on Mergers and Acquisitions, Canadian tech industry recorded 191 M&A transactions with \$4.75 billion in transaction value, representing an increase of 5% in number of transactions and 7% decrease in transaction value from 2002 figures. The recorded transaction value for 2003 represented a 38% drop from \$7.69 billion recorded in 2001.



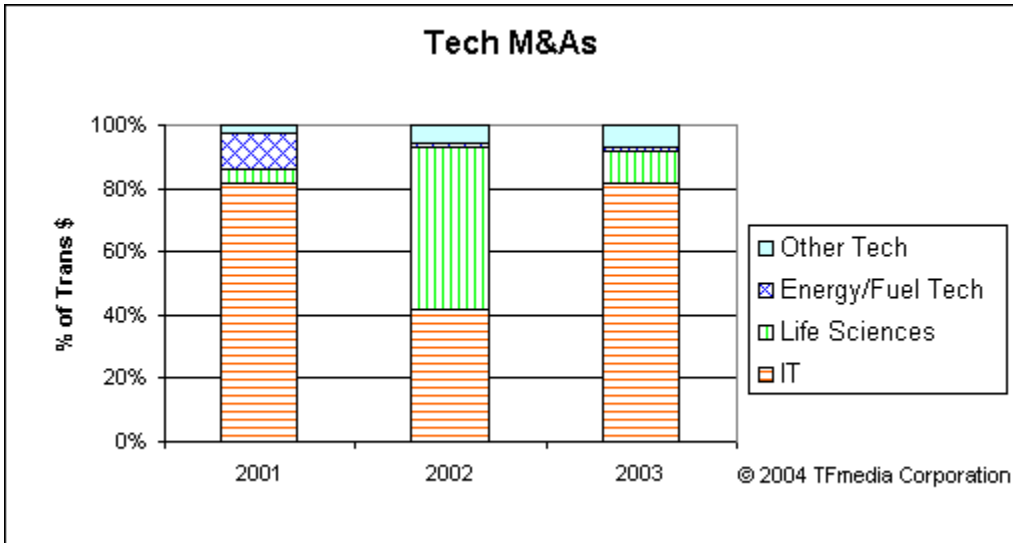
Cross Border Transactions Dominate

Cross border deals dominated the activities, accounting for over 80% of the total value in 2002 and 2003 and just over 50% in 2001. The average deal size for cross-border transaction was substantially higher than that of Canadian ones. In 2002 and 2003, the average cross-border deal was over four times of that of the Canadian deals.



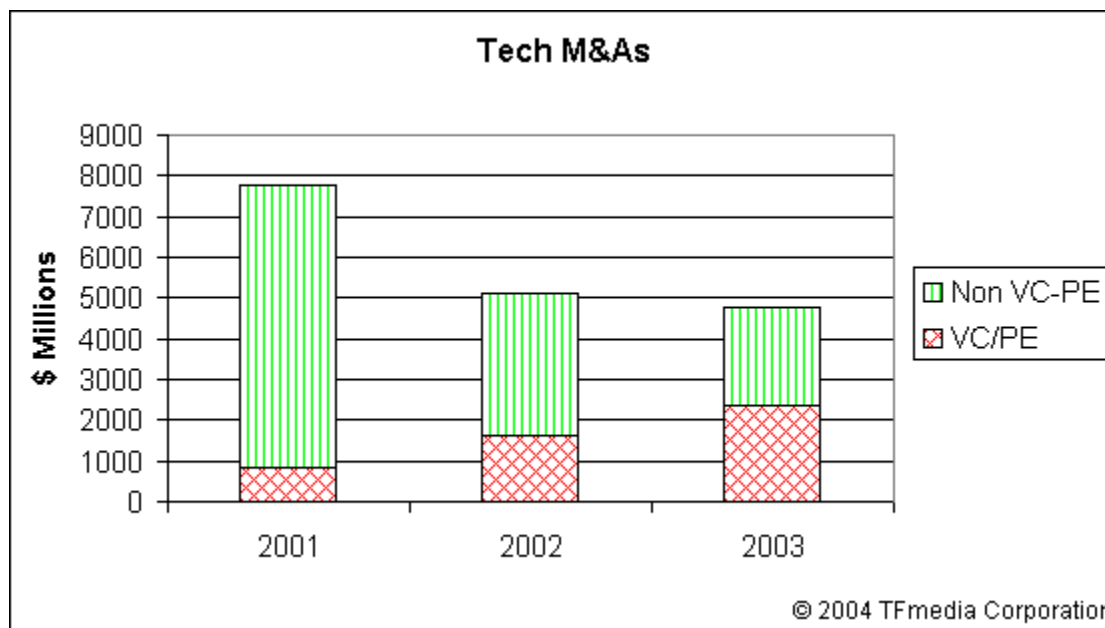
IT Sector Led the Activity

With the exception of 2002, IT companies led the M&A activities in Canada. In 2002, life sciences M&A transactions totaled \$2.62 billion in value, comparing to \$2.14 billion recorded by the IT companies. The Dynacare (\$716 million) and ALI Technologies (\$530 million) transactions accounted for almost half of the life science transaction value in 2002.



VC/PE Backed Transaction Value Appears on the Rise

The transaction value for VC/PE backed has been on the rise since 2001, with recorded values of \$841 million, \$1.61 billion and \$2.64 billion respectively in 2001, 2002 and 2003. If the \$1.56 billion Business Objects acquisition of Crystal Decision were to be excluded, the total value of VC/PE transaction would only be \$1.08 billion, a 33% drop from 2002 level.

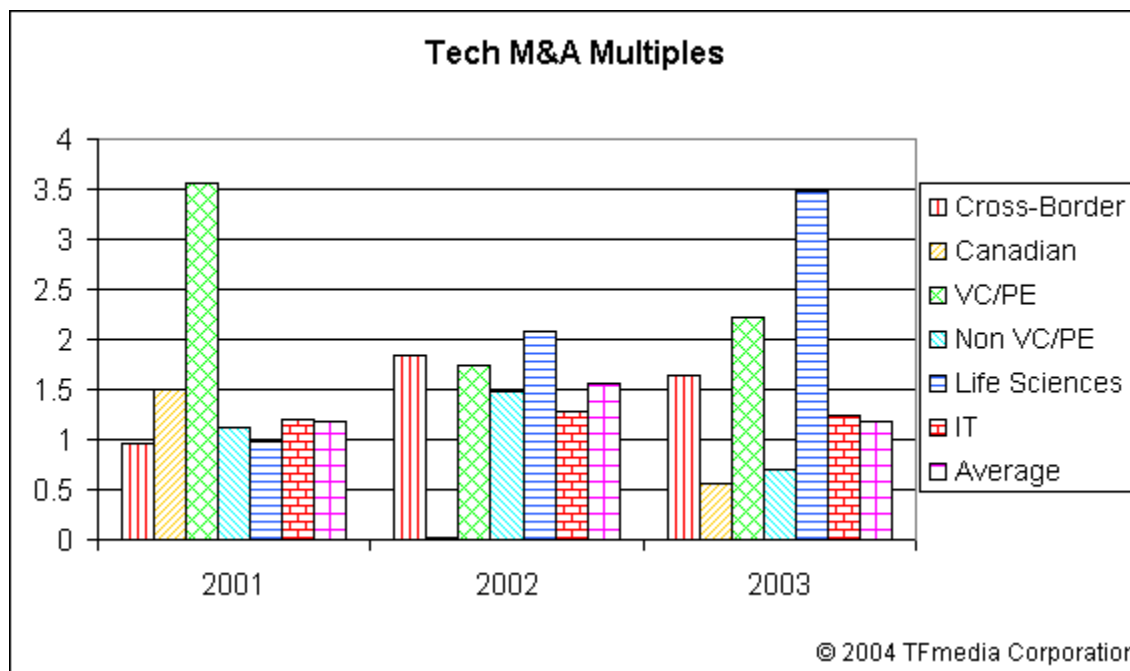


It Pays to be a VC/PE Backed Company

VC/PE backed companies garnered much higher valuation than non VC/PE counterparts. The multiple for VC/PE backed companies on average was 2.23, 1.18, and 3.20 respectively for 2003, 2002 and 2001.

Cross-border transactions received relatively high multiples in 2002 and 2003. In case of 2003, the multiple was as much as 3 times of that for Canadian transactions in 2003. In 2001, however, the Canadian transactions on average received much higher valuation multiple. Several IT deals were principally responsible for the higher Canadian multiple.

With the exception of 2001, Life sciences companies on average received much higher valuation than IT companies. This may partly due to the fact that life sciences firms overall tend to have a low revenue figures.



Top 10 M&As in 2003

Acquirer	Target	Value (\$ Millions)	VC/PE Backed?
Business Objects	Crystal Decision	1,569	Yes
CGI Group Inc.	COGNICASE	322	No
360networks	Group Telecom	250	No
Cognos Incorporated	Adaytum	249	Yes
Lions Gate	Artisan Entertainment	208	Yes
SR Telecom	Netro Corporation	167	No
Vector Capital	Corel	133	No
Electromed*	INPHACT	90	Yes
Honeywell	Silent Witness	87	No
GE Medical Systems	Triple G Systems	78	Yes

*technically, RTO of Electromed by INPHACT