

Energy, mining M&A deals highest by value

17 Jul 2008

By Saikat Das, ECONOMICTIMES.COM

MUMBAI: Of the merger and acquisition deals announced in the first half of 2008, the ones in the energy, mining and utilities sectors were at substantially higher value compared to the Jan 1 to Jun 30 period of 2007, according to UK-based research firm Mergermarkets.

M&As worth \$425 billion were announced in the first six months of this year, up 25 per cent from the same period last year. The number of deals announced in the first half was 656 as against 662 valued at \$340.756 billion in H1 of 2007 in the energy, mining and utilities space globally.

These sectors accounted for almost a third of total deal values worldwide, although volume was just over 10 per cent of all M&A transactions in the period.

"Even as dollar weakened, global investors started taking exposure in minerals & metals and energy, on the back of future growth expectancy. This sentiment is reflected through the deals," said Sunil Shirole, MD and CEO, YEN Management Consultants.

The biggest acquisition was that by Australia-based BHP Billiton's acquisition of Rio Tinto at \$1,90,344 million.

The second biggest deal, at \$21,545 million, was between Canada's EnCana Corporation (Shareholders) and EnCana Corporation (Integrated Oil and Canadian Plains divisions).

Furthermore, bidders in nine out of the top ten deals were strategic players, indicating that private equity is still crippled by the tribulations of the credit market.

Shirole believes this is a temporary phenomenon. "Actually, the sentiment is cautious. Private equity funds who have already raised money are a little hesitant to invest due to global turbulence. They will start allocating their funds sooner or later," he said.

Driven by record price of oil, majority of players in this sector, particularly those with upstream (exploration and production) assets, have become acquisition targets.

This is evident from the \$5.4 billion bid for Canadian oil and gas group Duvernay Oil, and the \$2.6 billion bid for UK-listed Russian oil company Imperial Energy by Indian state-owned oil company ONGC.

Alternative energy is also coming into the limelight through large deals, particularly in wind and solar. The sale of European renewable assets of Babcock & Brown is an instance in this regard.

URL for this article:

<http://economictimes.indiatimes.com/articleshow/3246134.cms?prtpage=1>