

# M&A Market Analysis

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### **MERGER MONTHLY – August 2008**

#### **General M&A Market Commentary**

M&A activity remains sluggish, unable to shake the effects of the turmoil in the debt markets. The total number of global transactions for July was 2,450, a 22.6% decline over the same period last year and below the last 12 months (LTM) monthly average of 2,625. The dollar volume of global M&A activity for the month totaled just \$356.3 billion, a 19.8% decline from the same period last year but significantly above the LTM monthly average of \$217.7 billion.

#### **U.S. Middle-Market M&A Deal Statistics**

There were just 878 announced transactions in July, a 13.8% decline over the same period last year. Dollar volume also decreased by 23.6% to \$163.3 billion in July partly due to the continued absence of large, multi-billion dollar deals.

#### **Transaction Spotlight – Sale of TopWorx, Inc.**

TopWorx, Inc. completed its sale to Emerson Electric for an undisclosed amount. Baird served as the exclusive financial advisor to TopWorx, Inc. on this transaction.

#### **European Middle-Market M&A Deal Statistics**

The total number of announced European middle-market transactions for July was 266, a 44.5% decline from last year and below the LTM monthly average of 315 transactions. Total European middle-market transaction volume for the month was \$28.0 billion, a 42.8% drop from the prior-year period.

#### **Transatlantic Middle-Market M&A Deal Statistics**

There were 36 announced transatlantic middle-market deals in July, a 29.4% decline compared to last year. However, the total dollar value of disclosed transatlantic middle-market acquisitions for the month was \$6.1 billion, only a 6.8% decrease from the prior-year period.

#### **Restructuring News**

The Baird CDS Index increased 3.5% during July, closing at a new record of 273.9 on July 31, up from 264.6 on June 30. The Index now exceeds its previous high water mark of 265.5 reached on February 29, just before the historic moves by the Fed to ease the credit crisis and prevent the total collapse of Bear Stearns during March, and is up by a whopping 31% from its level on May 31 when many observers surmised, incorrectly in hindsight, that the worst of the credit crisis had passed.

#### **Recent Baird M&A Transactions**

A summary of Baird's announced M&A Transactions over the past 12 months.

#### **Economic Commentary**

While the indexes have posted strong gains since bottoming in July, the longer-term trends in the indexes remain bearish and breadth gains have been relatively modest. This suggests that near-term upside for the rally could be limited, a view supported by the tendency for stocks to sell-off in advance of the Presidential election in years when the incumbent party losses (which appears likely this year).

#### **Baird U.S. Equity Research Coverage**

In July 2008, Baird added five companies to coverage and now covers 506 companies. These companies have a median and average market capitalization of \$1.5 billion and \$6.2 billion, respectively. In the past three years, Baird has increased the number of companies under coverage by more than 28%.

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