

M&A Market Analysis

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AUGUST 2010 GLOBAL M&A MONTHLY

Global M&A Commentary and Deal Statistics

Global M&A activity in July was fairly consistent with the performance experienced during the first half of the year. The deal count increased 3.3% to 2,385 transactions, modestly below the first-half pace. Announced dollar volume was up 108% (against a low year-ago comparison) to \$170.6 billion, which was slightly above the monthly average for January-June.

U.S. M&A Commentary and Deal Statistics

Although U.S. M&A metrics again posted high year-over-year growth in July, the deal count and reported dollar volume were the second-lowest monthly figures of the year. The number of transactions increased 22.8% versus July 2009 but was 9.8% under the average for the first half of 2010.

Europe M&A Commentary and Deal Statistics

Even though M&A activity has not experienced a sustained pick-up in Europe, the shift toward larger transactions continued to fuel high growth in reported dollar volume. The number of M&A deals declined 4.4% in July, whereas dollar volume jumped 155% to \$76.3 billion, the largest monthly figure in nearly two years.

U.K. Cross-Border M&A Activity

A total of 1,636 U.K. M&A transactions were reported during the first seven months of the year, an increase of 3.8% over the prior-year period. Dollar volume climbed 130% to \$135.2 billion.

Germany Cross-Border M&A Activity

In Germany, year-over-year M&A activity was flat, as the number of announced transactions from January through July decreased 0.4% to 755. Despite stagnation in deal count, dollar volume experienced significant growth, rising 41.0% to \$47.7 billion.

Asia Commentary and Deal Statistics

The M&A market in Asia (ex. Japan) again registered good numbers in July. The number of deals increased 15.7% versus July 2009 and was 10.2% above the monthly average for the first half of the year. Announced dollar volume (+201%) tripled to \$39.0 billion.

China M&A Activity and Deal Statistics

China registered 232 M&A transactions in July, a rise of 12.6% over the prior-year period. Reported dollar volume for the month was \$19.6 billion, an increase of 109%.

India M&A Activity and Deal Statistics

Year to date, India has seen significant growth in M&A activity. The number of announced transactions increased 55.0% to 527 from the prior-year level. Dollar volume soared almost 1,200% to \$55.6 billion, as 15 billion-dollar-plus transactions were announced from January through July (versus none in 2009).

Japan M&A Activity

From January through July, M&A activity in Japan lagged significantly. Deal count decreased 14.2% to 1,108. Reported dollar volume was \$32.5 billion, a decline of 38.6%.

Economic Commentary

Economic fundamentals have been downgraded from bullish to neutral. We do not fall into the double-dip camp of those looking for another recession in the near term. We have, though, maintained the view that as the effects of government's intervention in the economy faded in the second half of 2010, economic growth would slow.

Restructuring News

After shunning risk in May and June – and driving the Baird CDS Index appreciably higher in those consecutive months – investors' appetites for risk increased in July, causing the Baird CDS Index to ease 62.1 points to 584.2 on July 31.

Transaction Spotlight – Sale of SterilMed, Inc. to Great Hill Partners and Primus Capital Funds

SterilMed, Inc. recently completed its sale to Great Hill Partners and Primus Capital Funds. SterilMed was backed by a group of private equity investors including Ascension Health Ventures, First Analysis, Prism Capital, and Sterling Partners.

Recent Baird M&A Transactions

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

Baird U.S. Equity Research Coverage

In July, Baird added five companies to coverage and now covers 624 companies. These companies have a median and average market capitalization of \$1.9 billion and \$8.9 billion, respectively.

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