

M&A Market Analysis

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DECEMBER 2010 GLOBAL M&A MONTHLY

Global M&A Commentary and Deal Statistics

Despite a downturn in November, global M&A activity remains on track to register impressive growth in 2010. Year-to-date metrics include an 18.0% rise in the deal count and 32.5% growth for reported dollar volume. Through November, the global middle market posted a 26.5% increase in the number of transactions and 38.8% growth for dollar value.

U.S. M&A Commentary and Deal Statistics

In November, the deal count increased 1.3% to 678, the lowest level of monthly activity since November 2009. Dollar volume contracted 22.5% to \$76.6 billion. The deal count was below the last twelve month (LTM) average of 907, whereas dollar volume was similar to the LTM average of \$79.4 billion.

Europe M&A Commentary and Deal Statistics

The shift toward larger deals powered M&A dollar volume growth again in November despite a decline in deal count. The transaction total dropped 14.9% to 698, the lowest monthly figure of 2010. In contrast, reported dollar volume jumped 62.1% to \$64.1 billion.

U.K. Cross-Border M&A Activity

For January through November, the M&A deal count in the U.K. was up 4.1% from the prior-year period. Dollar volume displayed significant growth, jumping 81.4% to \$209.6 billion.

Germany Cross-Border M&A Activity

M&A activity in Germany was mixed through the first 11 months of the year. The deal count dipped 0.3% to 1,159, whereas dollar volume rose 11.9% to \$66.6 billion.

Asia Commentary and Deal Statistics

M&A dollar volumes remained robust in Asia (ex. Japan) in spite of a recent slowdown in the pace of deal activity. The 7.5% drop for the number of transactions in November represented the second consecutive monthly decline. However, announced dollar volume increased 23.4% to \$41.8 billion, the second-highest monthly total on record.

China M&A Activity and Deal Statistics

M&A activity in China dropped for the second month in a row. The November deal count contracted 13.6% to 216, while dollar volume fell 4.7% to \$25.4 billion. For January through November, the deal count in China increased 20.4% to 2,416, and dollar volume grew 7.0% to \$139.1 billion.

India M&A Activity and Deal Statistics

Year to date, India's M&A activity has been robust. The deal count jumped 47.6% to 788, and dollar volume spiked over 600% to \$53.5 billion.

Japan M&A Activity

Japan's M&A trends have been sluggish through the first 11 months of the year. The deal count fell 10.0% to 1,758, while dollar volume of \$72.9 billion decreased 33.0% from the prior-year period.

Economic Commentary

More than a year after the most recent recession ended, the economy remains on uncertain footing. Much of the growth in the early stages of the recovery was driven by government stimulus, either direct spending or indirect incentivizing. As these programs faded, growth stalled. Consumers were either unable or unwilling (most likely a combination of the two) to take the baton.

Restructuring News

After declining by almost 20% in the aggregate in September and October, last month the Baird CDS Index retraced some of its steps, increasing by 36.4 points or 6.9% to 562.7 on November 30 from 526.3 on October 31.

Transaction Spotlight – Sale of BHI Energy, Inc. to Harvest Partners

BHI Energy, Inc., a portfolio company of Berkshire Partners and Summit Partners, recently completed its sale to Harvest Partners. Terms of the transaction were not disclosed.

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 November, Baird added 19 companies to coverage and now covers 638 companies. These companies have a median and average market capitalization of \$2.0 billion and \$9.1 billion, respectively.

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