

# M&A Market Analysis

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## FEBRUARY 2011 GLOBAL M&A MONTHLY

### Global M&A Commentary and Deal Statistics

Global M&A activity in January was generally consistent with recent trends. The transaction total dipped 5.5% from the prior-year level and equaled the monthly average for the second half of 2010. Announced dollar volume increased 10.0% to \$160.6 billion, continuing a pattern of double-digit volume growth.

### U.S. M&A Commentary and Deal Statistics

U.S. M&A activity remained healthy in January. Although the transaction count was 5.8% below the year-ago figure, the January total of 899 was 8.6% above the monthly average for the second half of 2010. Reported dollar volume increased 122% from January 2010 (the lowest monthly total of last year) and exceeded the second-half 2010 average by 9.4%.

### Europe M&A Commentary and Deal Statistics

The M&A market in Europe started the year slowly. January's deal count decrease of 10.8% represented the fourth consecutive monthly decline. After showing substantial growth during most of 2010, announced dollar volume dropped 43.0% to \$33.1 billion, the second-lowest total in the past 17 months.

### U.K. Cross-Border M&A Activity

M&A activity in the U.K. was mixed during January. The deal count fell 23.5% to 173, representing the lowest monthly level since November 2003. Dollar volume grew 50.9% to \$7.7 billion, led by a spike of over 750% for inbound volume.

### Germany Cross-Border M&A Activity

In Germany, the number of announced deals decreased 9.2% to 118 during January. Deal volume rose 33.3% to \$2.1 billion, highlighted by 62.0% growth in cross-border volume.

### Asia Commentary and Deal Statistics

As in the second half of 2010, the M&A market in Asia (ex. Japan) experienced slight growth in the deal count and a large increase in reported dollar volume during January. The number of transactions was up 1.2%, and dollar volume increased 70.1% to \$25.9 billion, a record level for January.

### China M&A Activity and Deal Statistics

China registered 218 M&A transactions for the first month of the year, an increase of 19.1% over the prior-year level. Dollar volume advanced 125% to \$16.7 billion, led by growth in billion-dollar-plus volume of almost 190%.

### India M&A Activity and Deal Statistics

In India, the M&A deal count contracted 19.3% to 71 in January, and dollar volume dropped 31.5% to \$2.4 billion.

### Japan M&A Activity

January was a good month for M&A activity in Japan. The deal count experienced an uptick of 1.4% to 141, while dollar volume rose 61.2% to \$4.2 billion.

### Economic Commentary

These are uncertain times. Long-term issues for the economy that have perpetually been just over the horizon are now coming into focus. For years we have resisted the urge to alter our course. What in the past would have required only the mildest change of heading now compels a more significant pull on the steering wheel (raising the risk of over-correction), and will tomorrow elicit even more evasive actions.

### Restructuring News

The Baird CDS Index eased slightly last month, declining by 18.6 points or 4.0% to 450.9 on January 31 from 469.5 on December 31, 2010. This brought the Index to its lowest level since the collapse of Lehman Brothers in September 2008 at the outset of the credit crisis, and also to a level almost 17% below its six month moving average of 541.6.

### Transaction Spotlight – Sale of Lincoln Holdings Enterprises, Inc. to AB SKF

Lincoln Holdings Enterprises, Inc., an operating company of Harbour Group, recently completed its sale to SKF USA Inc., a subsidiary of AB SKF for \$1.0 billion in cash.

### 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 January, Baird added 5 companies to coverage and now covers 633 companies. These companies have a median and average market capitalization of \$2.2 billion and \$13.8 billion, respectively.

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