

M&A Market Analysis

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July 2009 GLOBAL M&A MONTHLY

Global M&A Commentary and Deal Statistics

In the first six months of 2009, the number of global transactions declined 24.5%. The first-half deal count was 13.3% below the second-half 2008 level.

U.S. M&A Commentary and Deal Statistics

In the first half of 2009, the number of announced deals declined 23.9% while dollar volume was down 34.8%.

Europe M&A Commentary and Deal Statistics

In the first six months of the year, the number of announced European deals fell 25.6% versus the prior-year period, essentially in line with the global trend. The first-half transaction count was down 2.9% compared to the second half of 2008, and M&A activity in April-June was 18.8% under the Q1 2009 level.

U.K. Cross-Border M&A Activity

There was a total of 1,146 announced U.K. M&A transactions year to date, a 40.6% decrease from last year. Dollar volume was flat at \$132.7 billion, helped by the Xstrata/Anglo American deal, which accounted for 36.4% of year-to-date dollar volume.

Germany Cross-Border M&A Activity

A total of 557 German M&A transactions were announced during the first half of 2009, a 32.2% decrease compared to the prior-year period. Dollar volume was \$32.8 billion, with the 20.3% increase due to RWE AG's \$12.6 billion acquisition of Essent N.V. and the Federal Republic of Germany's \$4.5 billion acquisition of Hypo Real Estate Holding.

Asia Commentary and Deal Statistics

On a year-to-date basis, the number of announced Asia (ex. Japan) M&A transactions declined 31.4% from the first half of 2008. The first-half deal count dropped 24.3% relative to the second half of 2008. Signs of an upturn were evident in the second quarter, when activity increased 9.6% versus Q1 2009.

China M&A Activity and Deal Statistics

Year to date, there was a total of 927 announced China M&A deals, a 27.6% decline from the first half of 2008. Dollar volume of \$54.5 billion registered a 39.3% drop compared to the year-ago figure.

India M&A Activity and Deal Statistics

Through the first half of 2009, there was a total of 258 announced India M&A transactions, a 52.3% drop from last year. Dollar volume of \$3.1 billion represented an 87.5% decline.

Japan M&A Activity

The developed Japan M&A market was a relative bright spot in Asia during the first half of 2009. There were 978 announced M&A deals, down 9.0% from 2008. Dollar volume of \$44.4 billion represented a 23.3% decline.

Economic Commentary

The U.S. economy continues to navigate a perilous path towards a recovery, although not perhaps a recovery that will bear much similarity to its domestic predecessors. While the recession ultimately will likely be determined to have ended in the second half of the year (probably in the third quarter), the recovery that follows will lack many of the hallmarks that accompanied previous recoveries.

Restructuring News

Confirming that the price of risk continues to step down from the nosebleed levels seen in the first quarter of 2009, the Baird CDS Index declined in June for the fourth consecutive month, which indicates that the cost to insure against a credit default for non-investment grade companies outside of the financial sector has now fallen for four months in a row. The Index decreased by 10.0% in June, falling to 954.0 on June 30, a drop of 106.3 points from 1,060.3 on May 31. This brings the Index down by a significant 44.0% from its all time record high of 1,703.8 set on February 28.

Transaction Spotlight – PREMIUMcommunications Group's acquisition of adm Group

Switzerland-based PREMIUMcommunications Group, a portfolio company of Barclays Private Equity, Munich and Zurich, recently announced that it has acquired Germany-based adm Group for an undisclosed amount.

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 June 2009, Baird added 42 companies to coverage, bringing the total coverage to 571 companies.

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