

M&A Market Analysis

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MAY 2011 GLOBAL M&A MONTHLY

Global M&A Commentary and Deal Statistics

To date in 2011, global M&A activity has reflected a pronounced shift toward larger deals. Through April, the global M&A deal count was 3.8% below the prior-year level. However, announced dollar volume grew 21.4%, driven by an increase of more than 40% for the number of deals valued above \$500 million.

U.S. M&A Commentary and Deal Statistics

U.S. M&A activity remained solid in April. Although the number of transactions was 24.6% below the strong year-ago level, the April total was well within the range of monthly figures posted over the past three quarters. Powered by larger average deal sizes in all segments, reported dollar volume increased 37.6% to \$116.2 billion, the third-highest monthly total in a span of almost three years.

Europe M&A Commentary and Deal Statistics

Europe's recent pattern of M&A dollar volume far outpacing transaction counts continued in April. The number of deals declined 27.9% to 675, the lowest monthly total in nearly two years. However, announced dollar volume rose 135% to \$53.5 billion.

U.K. Cross-Border M&A Activity

M&A activity in the U.K. was mixed through the first four months of the year. The deal count fell 2.3% to 955 despite 17.8% growth for cross-border transactions. Dollar volume increased 51.8% to \$63.3 billion.

Germany Cross-Border M&A Activity

Year to date, the German deal count dropped 4.6% to 432, as domestic and inbound segments contracted from the prior-year period. Dollar volume rose 22.5%, led by domestic dollar volume growth of 111%.

Asia Commentary and Deal Statistics

As in other regions, the M&A market in Asia (ex. Japan) registered increased dollar volume despite a deal count decline. Although the number of transactions dropped 20.2% in April, reported dollar volume climbed 72.3% to \$22.9 billion. In the middle market, the transaction total decreased 12.5%, whereas dollar value was up 24.0%.

China M&A Activity and Deal Statistics

For the year-to-date period, China announced 850 M&A transactions, a decline of 1.2%. Dollar volume jumped 41.6% to \$50.0 billion, marked by a 121% increase in outbound volume.

India M&A Activity and Deal Statistics

M&A metrics dropped in India through the first four months of the year. The deal count fell 8.8% to 279, and dollar volume plunged 53.9% to \$8.9 billion, primarily due to an 81.5% decline in volume from billion-dollar-plus transactions.

Japan M&A Activity

On a year-to-date basis, Japan's M&A activity posted divergent results. The deal count fell 6.0% to 669, whereas dollar volume advanced 30.8% to \$27.6 billion, as volume increased for domestic and cross-border transactions.

Economic Commentary

We are currently neutral on economic fundamentals, with plenty of room for disappointment. A true reading on the health of the economy is difficult to obtain as the list of macro imbalances continues to expand.

Restructuring News

In April, the Baird CDS index declined 5.0% from the prior month to 452.8. The reading is 6.1% above the 31-month low recorded in February 2011 but 15.7% below the LTM average of 536.8.

Transaction Spotlight – Sale of RC2 Corporation to TOMY COMPANY, LTD.

RC2 Corporation ("RC2") recently completed its previously announced acquisition by TOMY COMPANY, LTD. ("Tomy"), a Japan-based leading global toy and infant products company. Tomy acquired RC2 for \$27.90 per share, representing an equity value of approximately \$644 million.

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 April, Baird added 6 companies to coverage and now covers 654 companies. These companies have a median and average market capitalization of \$2.5 billion and \$9.0 billion, respectively.

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