

M&A Market Analysis

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OCTOBER 2011 GLOBAL M&A MONTHLY

Global M&A Commentary and Deal Statistics

The recent slowdown in global M&A activity has dampened year-to-date growth rates for transaction metrics. In the first nine months of 2011, the M&A deal total rose 5.2%. Reported dollar volume was up 1.4% during this period, with severe weakness in August and September offsetting strong volume growth earlier in the year.

U.S. M&A Commentary and Deal Statistics

In September, the U.S. M&A market witnessed the lowest monthly totals of the year for both deal count and announced dollar volume. The transaction total of 841, while up 4.5% on a year-over-year basis, was 16.5% under the average of the previous six months. Dollar volume dropped 59.0% to \$56.0 billion, which was lowest monthly figure since January 2010.

Europe M&A Commentary and Deal Statistics

The recent downturn in Europe's M&A market continued in September. The number of deals declined 15.7% to 830, which was the lowest figure in nearly a year. Announced dollar volume fell for the third consecutive month, dropping 10.6% to \$38.7 billion.

U.K. Cross-Border M&A Activity

Year to date, the deal count in the U.K. was up 2.6% to 2,213, with contraction in domestic activity outweighed by growth for cross-border transactions. Dollar volume slipped 3.8% to \$151.8 billion.

Germany Cross-Border M&A Activity

From January through September, the number of announced transactions in Germany surged 34.0% to 1,327. Dollar volume was up 1.5% to \$54.3 billion.

Asia Commentary and Deal Statistics

M&A metrics for September in Asia (ex. Japan) were among the weakest to date in 2011. The deal total of 431 (+3.1% year-over-year) was 17.8% below the average of the prior six months. Reported dollar volume of \$17.1 billion (+29.7%) was the lowest monthly figure since September 2010.

China M&A Activity and Deal Statistics

Year to date, the deal count in China rose 7.0% to 2,166, with notable growth for outbound transactions. Dollar volume increased 25.1% to \$117.4 billion.

India M&A Activity and Deal Statistics

From January through September, the deal count in India was up 0.4% to 677. Dollar volume fell 62.6% to \$18.9 billion.

Japan M&A Activity

Through the first nine months of the year, M&A metrics in Japan were impressive. The deal count grew 7.4% to 1,633. Dollar volume soared 57.9% to \$97.2 billion, marking the highest level through the first three quarters since 2005.

Economic Commentary

Economic fundamentals remain bearish. The latest round of data suggests that the U.S. economy is not now in recession. Forward-looking indicators (like the ECRI Weekly Leading Index) point to a recession on the horizon, and data out of Europe suggests a recession there may have already started.

Restructuring News

The Baird CDS Index rose for the fifth consecutive month in September, increasing by a whopping 334.9 points to 1,069.6 – up a staggering 45.6% from 734.7 on August 31.

Transaction Spotlight – Sale of Stromag Holding GmbH to GKN plc

Stromag Holding GmbH (“Stromag”), a privately held company whose principal shareholders include Equita GmbH & Co. Holding KGaA (“EQUITA”) and Stromag management, completed its sale to GKN plc (“GKN”) (LSE: GKN) at a transaction value of approximately €200 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 September, Baird added 5 companies to coverage and now covers 675 companies. These companies have a median and average market capitalization of \$2 billion and \$8 billion, respectively.

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