

**M&A Business in Trough, To Rebound Next Year, Says Brunswick Study**

- *Survey of Leading Merger Advisers Shows Deep Skepticism of PE Firms -*
- *Results Announced to Coincide with Tulane Law School M&A Conference -*

NEW YORK, April 2, 2008 – A slight majority of leading M&A advisers polled believe that the economy is fundamentally sound and the merger business will pick up in one year to 18 months, according to a new survey by Brunswick Group LLC.

The survey polled leading bankers and lawyers in the U.S. to gauge the impact of the current downturn but did not poll private equity firms or corporate acquirers. The results were announced on the eve of the 20th Annual Tulane Law School Corporate Law Institute, the leading M&A conference that hosts the nation's top deal lawyers, Delaware judges, bankers and other market participants to discuss the latest trends.

Fifty-two percent of those polled believe the M&A market is in a trough that will turn by mid 2008, and another 41% agreed with the more bearish statement, "We are moving into a recession – it will take up to five years to return to the level of M&A activity we saw in 2007." A small minority of diehard optimists, 7%, regard the dip as "a short-term blip – less than a year."

"The survey reflects the growing uncertainty about the health of the economy and shuttering of the credit markets," said Steven Lipin, senior partner, Brunswick Group. "While there is genuine concern on the part of the deal community about the length and severity of the downturn, dealmakers still believe M&A can be quite active, particularly on the strategic side."

The survey also highlighted the view of private equity firms among Wall Street houses and law firms. Seventy-one percent of the 30 M&A advisers polled would be "more reluctant" to advise a company's Board of Directors to sell to a private equity firm, while only 29% said they would not be more reluctant. Given the number of deals that have either been terminated or are foundering as a result of the credit squeeze by lenders, along with some cases in which private equity firms are wiggling out of agreed-upon deals, growing skepticism toward private equity buyers was expected, but the extent was surprising.

"The bottom line is that private equity firms will have some work to do to both inside the board room and with banking and legal advisers when attempting to convince public companies to sell," Mr. Lipin said.

Those surveyed believe that corporate buyers will step in to fill any void left by PE firms. As evidenced by such transaction as Microsoft Corp.'s hostile bid for Yahoo, 87% of those polled predicted that corporate mega-deals will replace private equity-driven mega-deals.

In another finding that reflects both lessons learned and the spate of broken deals, an overwhelming majority of respondents, 90%, believe that reverse termination fees will continue

to play a role in transactions, although not in the same form as last year. Of the 30 leading advisers polled, 62% believe reverse termination will be tightened or amended.

When asked to identify the greatest challenge facing the M&A market in 2008, close to half of the advisers polled, 49%, regard credit deterioration as the greatest challenge. The remaining responses were CEO confidence (26%), slowing economy/recession (23%), and equity market decline (3%).

Looking ahead in an election year, an overwhelming majority of advisers (87%) do not anticipate new U.S. legislation that would restrict increased investment by sovereign wealth funds. But more than half, 57%, feel that a Democratic administration would have a negative impact on the M&A landscape. Asked to elaborate why, the most frequently cited reason was greater antitrust scrutiny or enforcement.

“Tougher antitrust policy will be bad and likely policy on taxation will be bad for economic stimulus,” one adviser predicted. Another commented, “Over-regulation in financial services will exacerbate the liquidity crisis.”

The survey also polled advisers on their view of cross-border transactions, in light of the decline of the dollar and the U.S. stock market. Asked to predict what region foreign acquirers would come from in 2008, 35% predicted European companies, 39% predicted acquirers from Asia, and 22% forecasted an increase in buyers from the Middle East.

Asked which sectors are ripe for consolidation, 24% of those polled expected financial services, while 22% looked to metals and mining. Other areas viewed by advisers as fertile deal territory were energy, health care, and consumer goods-retail.

A link to this report is available at [www.brunswickgroup.com/MandAsurvey](http://www.brunswickgroup.com/MandAsurvey)

### **About Brunswick Group LLC**

Established in 1987, Brunswick is a leading corporate communications adviser. It is a private partnership with more than 400 professionals. The firm has grown organically over 20 years and now has 14 offices in 10 countries. These include: Beijing, Berlin, Brussels, Dubai, Frankfurt, Hong Kong, Johannesburg, London, Milan, New York, Paris, San Francisco, Stockholm and Washington D.C.

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