GLOBAL M&A OUTLOOK: LET'S MAKE A DEAL

BY STEVEN LIPIN, BRUNSWICK, NEW YORK
AND DAVID ASHTON, BRUNSWICK, HONG KONG

Dealmakers predict a mergers and acquisitions surge this year, propelled by greater confidence among CEOs and board members, some signs of an improving economy, and cheaper, more abundant debt.

The results of the **6th Annual Brunswick Group M&A Survey** of bankers and their deal advisers show a significant rise in confidence that there will be more deals this year globally. M&A volume started off strong in the first quarter but softened in the second quarter, dragged down by a slowdown in the US and Europe. Still, respondents to the Brunswick survey expect that deal activity over the course of the year will be higher.

Dealmaking optimism is at its highest since Brunswick began its annual survey in 2007. There is near unanimity (97 percent) among North American advisers that the pace of dealmaking in North America will be brisker than last year. A large majority (82 percent) also expects higher volume globally.

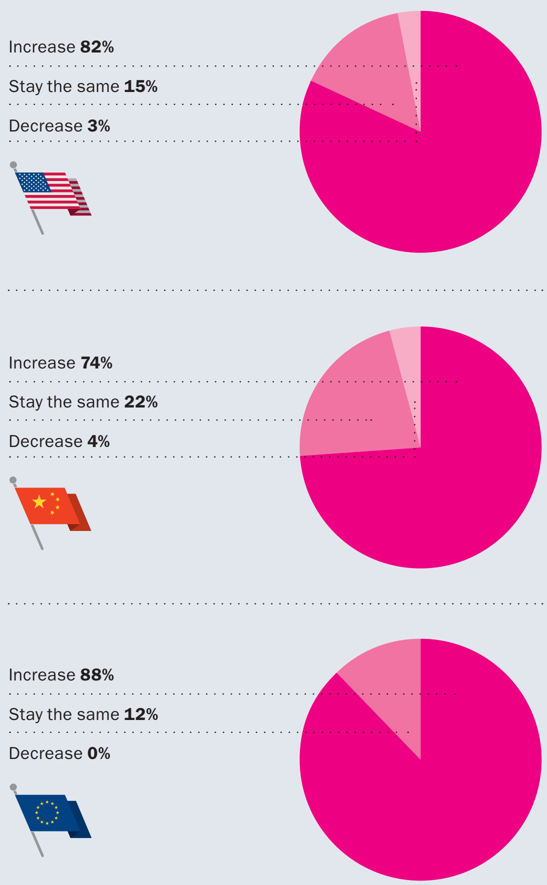
Dealmakers in Europe and Greater China are almost as bullish, with 88 percent and 74 percent, respectively, expecting global M&A volume to rise.

Confidence among CEOs and their boards will be key to boosting M&A volume, according to most North America- and Europe-based advisers. In China, advisers see a growing appetite from Chinese State Owned Enterprises for foreign expansion.

Other key trends to watch this year include a comeback for leveraged buyouts, exemplified by the debt-fueled competition for IT company Dell (valued at about $25bn), more spinoffs and divestitures in North America, and more all-cash deals.

The Brunswick survey polled more than 100 top M&A bankers and lawyers from North America, Greater China, and – for the first time – Europe, on their views about the current deal landscape and trends.

DO YOU EXPECT GLOBAL M&A TO INCREASE, DECREASE, OR STAY THE SAME IN 2013?



North America

In the first quarter, North American deal volume was up almost 89 percent from last year, at just under $270bn. Cheap debt and a slow economic recovery continue to encourage companies to pursue growth through takeovers.

The consumer goods sector is especially ripe for consolidation. The year began with several "mega deals" in the consumer space, including the acquisition of H.J. Heinz by Berkshire Hathaway and 3G Capital. First-quarter deal activity in the consumer sector was $38bn, compared to just $8.4bn in Q1 2012. Corporate spinoffs and divestitures last year – such as Kraft's $26bn split (into snacks and groceries), and Pfizer's animal health unit spinoff – are expected to increase in 2013, the survey found. Most deals in the sector are expected to remain domestic affairs.

The 6th Annual Brunswick Group M&A Survey polled more than 100 top bankers and their deal advisers in the US, Greater China and Europe about their expectations for deal trends, opportunities, and challenges in 2013. Results for the cross-border survey were released just before the annual Tulane University Law School Corporate Law Institute, the leading M&A conference in the US.

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North American advisers expect foreign acquirers to mostly come from Asia, although the overall expectation of foreign acquisitions – from Asia and elsewhere – has cooled from last year.

Greater China

M&A in Greater China last year was 4.7 percent higher by value than the previous year, at $145bn. Growth this year should be at an even faster pace, the survey found. A large majority of Greater China advisers polled (77 percent) expect foreign expansion to be key.

Chinese acquisitions of foreign companies fell last year by 2.4 percent after a record 2011. But after a change of government in 2012, deal advisers expect that greater certainty and stability will encourage State Owned Enterprises and private Chinese companies to do more deals. The Chinese administration's long-standing "Go Global" strategy, initiated in the late 1990s to encourage Chinese companies to make investments abroad, is expected to continue to gather momentum in the coming years.

Europe

This year, for the first time, the Brunswick survey polled M&A advisers in Europe. Though Europe-based advisers expect deal activity to pick up, they were less upbeat than their American and Chinese counterparts. Still, 61 percent predict an increase in M&A activity in their home region, compared with 97 percent and 67 percent in America and China, respectively.

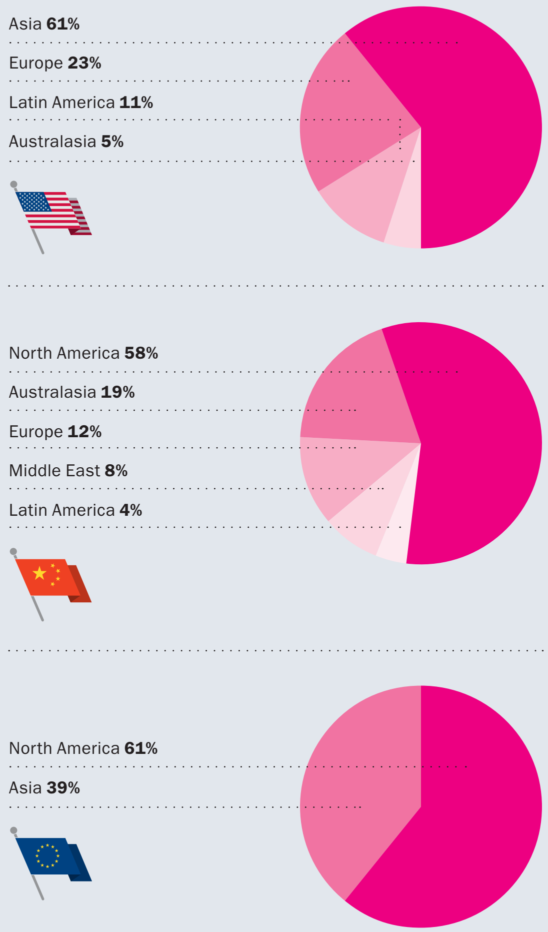
A majority of Europe-based advisers expect this uptick in activity to be driven by foreign companies making acquisitions in Europe, predominantly from the US, followed by Asia. While the ongoing debt crisis in the eurozone countries may have suppressed dealmakers' appetites in 2012, there is now optimism among deal advisers that CEO and board member confidence, coupled with the availability of credit and low interest rates, could provide the right conditions for a rebound in 2013.

Steven Lipin is Senior Partner for Brunswick's US practice.

David Ashton is an Associate Partner in Brunswick's Hong Kong office and runs its opinion research business in Asia.

Beau Allen and **Christopher Beattie** in Brunswick's New York office contributed to this article.

WHERE DO YOU ANTICIPATE FOREIGN ACQUIRERS TO COME FROM IN 2013?

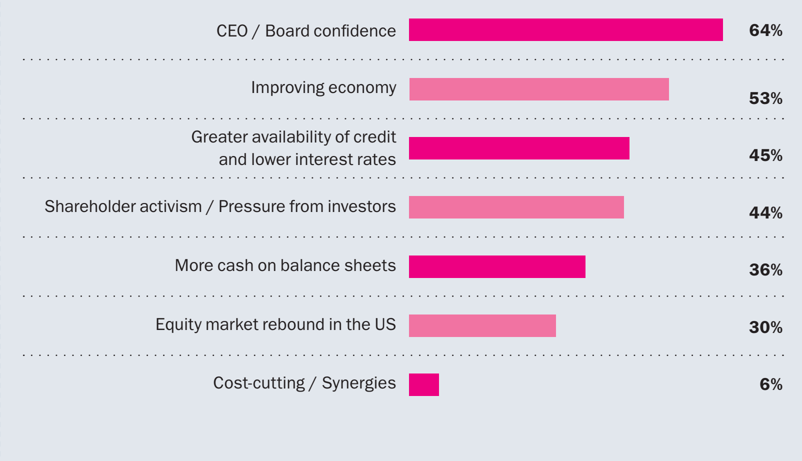


FURTHER SURVEY DETAILS FOLLOW ON NEXT PAGES

WHAT ARE THE KEY FACTORS THAT WILL DRIVE M&A IN 2013?

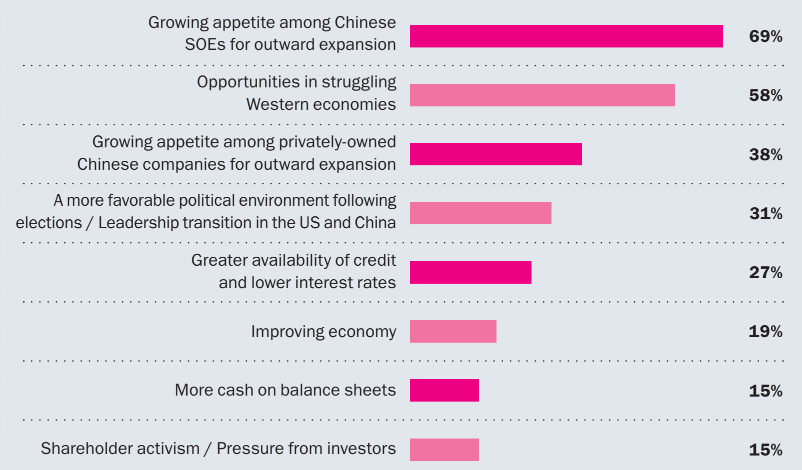
North America

- A large majority of North American advisers (89 percent) expect mega deals and leveraged private equity buyouts to increase in 2013.
- More than twice as many advisers expect deals to be all-cash as opposed to a mixture of cash and stock (69 percent versus 27 percent, respectively).
- There is cause for “cautious optimism” for higher M&A volume, according to Citigroup Global M&A Co-Head Mark Shafir, keynote speaker at the Tulane conference. But reasons for caution include political gridlock in the US and a risk that the strong bond market might collapse.



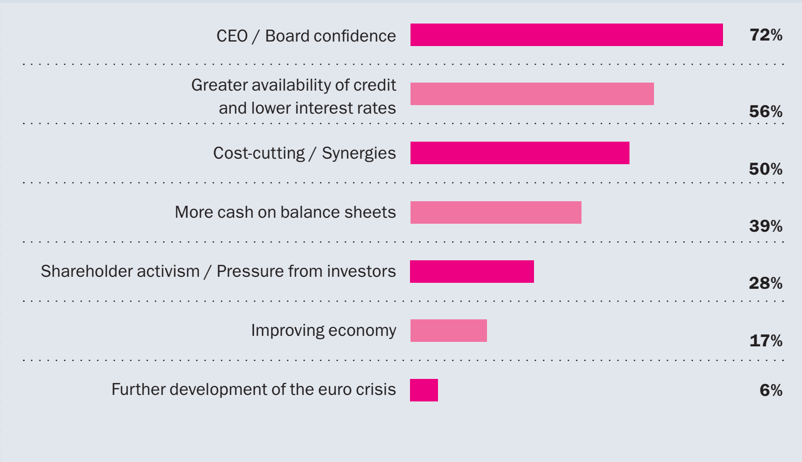
Greater China

- Advisers in China see State Owned Enterprises (SOEs) expanding internationally, with 69 percent identifying their growing appetite as a factor increasing M&A in 2013.
- Emerging markets will continue to be one of the major themes in M&A, with China topping the list of countries where a fast-developing economy is driving deals, according to Citigroup’s Shafir. The risk of a slowdown in China is one of Shafir’s caveats for a busier M&A market in 2013.
- While a majority of advisers in China still see opportunities in Western economies as a key driver of foreign expansion, this view has cooled considerably from the previous year – to 58 percent from 72 percent.



Europe

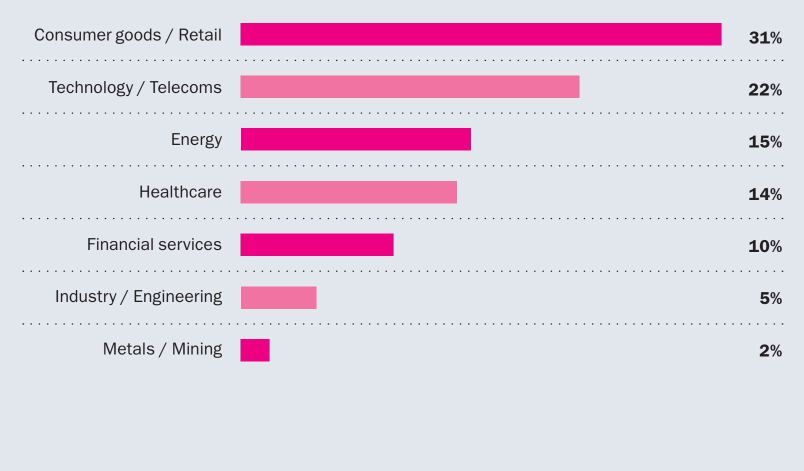
- Deal advisers in Europe – included in the survey for the first time – were optimistic about increased regional M&A activity in 2013, with 61 percent expecting more deals. But even more – 88 percent – expect more M&A deals globally.
- A majority (59 percent) of Europe-based advisers expect acquisitions by foreign companies to drive deals in the region, a sharp contrast with the US and China, where 18 percent and zero, respectively, of those surveyed expect foreign buyers to drive deals.
- The possibility that the eurozone doldrums will linger could hold back deal activity, says Citigroup’s Shafir.



WHAT SECTOR DO YOU THINK IS MOST RIPE FOR CONSOLIDATION IN 2013?

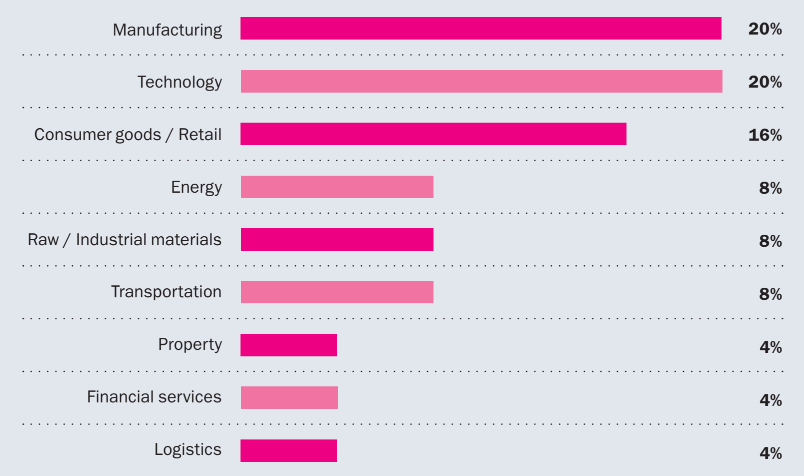
North America

- North American advisers see the consumer goods sector as likely to be most active in M&A – 31 percent in the latest survey, up from 10 percent in 2011.
- After several years near the top, healthcare dropped out of the top three, with only 14 percent of advisers seeing it as likely to be very busy in 2013, down from 21 percent in 2011.
- Domestic strategic deals are expected to dominate M&A generally, with 71 percent of respondents picking this category. For foreign acquisitions, 61 percent expect buyers to be Asian, down from 78 percent in 2012.



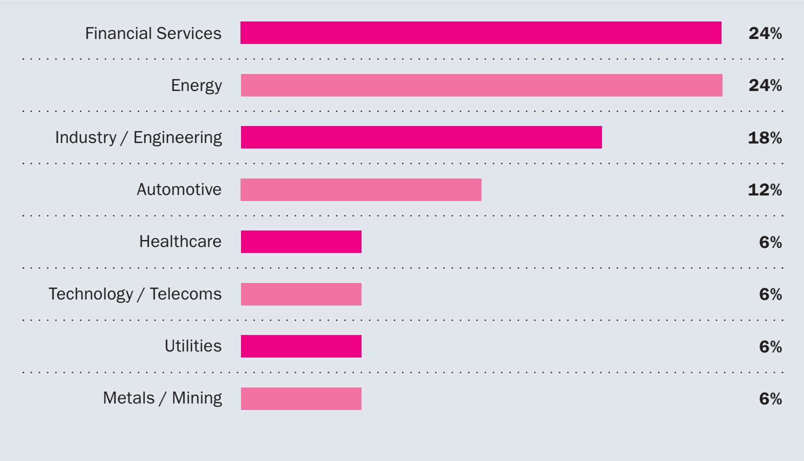
Greater China

- The largest percentage of Chinese advisers expect the manufacturing and technology sectors will be the busiest in 2013, though consumer goods/retail is not far behind.
- A large majority of deal advisers expect the most common type of deal to be Chinese companies pursuing foreign opportunities, with 77 percent opting for this category compared with just 12 percent expecting domestic strategic buyers to drive the market in 2013.
- Deal advisers see much less appetite from privately-owned Chinese companies for outward expansion, with 38 percent expecting this to be a deal driver compared with 84 percent in 2012.



Europe

- A combination of the aftereffects of the banking crisis and European Union rules for a single market are expected to make financial services one of the busiest sectors for M&A. For similar reasons, energy is seeing consolidation.
- Europe-based advisers expect most foreign acquirers to come from North America, though a significant minority see them coming from Asia: 61 percent versus 39 percent, respectively.
- A preponderance of advisers surveyed expect deals in Europe to be all-cash (78 percent), indicating the relatively cheap debt available compared to the valuations of company shares.



In some charts, percentages do not total 100 due to multiple response options