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CORPORATE FINANCE LIMITED



INTERNATIONAL NETWORK OF M&A PARTNERS



THOMSON REUTERS

M&A Market Intelligence Update The IMAP/ Thomson Reuters Global Briefing November 2008

Buckingham Corporate Finance is a UK member of IMAP, the oldest and most prestigious global mid-market mergers and acquisitions organization in the world. In association with its strategic partner Thomson Reuters, the world's leading source of intelligent information for businesses and professionals, IMAP conducted a survey in September 2008.

94 of IMAP's merger & acquisition professionals contributed. Many of the views come from advisers to transactions valuing up to \$250m in markets which are mostly unaffected by the credit crunch, with some only being marginally affected by the global business downturn.

The survey offered some interesting insights on the state of the global market for mergers & acquisitions in the lower mid-market.

Upbeat findings.....

Key upbeat findings were:

- 81% of respondents believe that the environment for M&A activity today is fair or good, whilst overall M&A activity is sharply down on the previous year.
- 73% take the view that the number of lower mid-market transactions will remain the same or decrease only moderately from last year.

Healthy sectors....

Key industry sectors where IMAP members believe M&A activity will be most prevalent are:

- **Energy & Power, Financial, Healthcare and Industrials.**



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Exciting regions.....

Looking at the opportunities from a geographical perspective, key areas of anticipated activity are:

- **European and Latin American buyers** pouncing on US target companies; and
- Significant activity in **Central & Eastern Europe**

Power shift to strategic buyers.....

It is clear that the balance of negotiating power has shifted from seller to buyer, with some 73% of respondents believing that **buyers hold the power in today's markets**. Alongside these findings, IMAP members believe that **strategic buyers are best positioned to finance deals** and thus propel themselves into the strongest position. Private Equity, on the other hand has suffered a massive collapse in activity, which is down 80% from Q3 2007.

Better ways to close deals.....

Responding to the increased challenges of completing transactions in today's environment, IMAP members suggest that there are several **techniques which will be used more to drive deals to conclusion**:

- Greater use of earn-out and contingent payments
- Reduced deal leverage
- Seller financing; and
- Seller risk-retention

Where are the deals?

Lastly, **M&A opportunities in the next 6 months** are expected to come from these situations:

- Ownership retirement sales
- Growth by acquisition
- Buyer searches
- Distressed sales.



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