

# M&A Market Analysis

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## FEBRUARY 2012 GLOBAL M&A MONTHLY

### Global M&A Commentary and Deal Statistics

Although external conditions remain supportive, the global M&A market started the year slowly in January. The number of transactions decreased 9.0% to 2,570. After a strong December for announced dollar volume, this metric declined 33.3% to \$112.1 billion, the second-lowest total since August 2009.

### U.S. M&A Commentary and Deal Statistics

Despite a continued trend of increases in U.S. M&A deal counts, the lack of big-ticket transactions again weighed on overall dollar volume in January. The number of deals rose on a year-over-year basis for the seventh consecutive month, rising 18.1% to 1,194, which was the highest total since 2000. In contrast, reported dollar volume dropped 51.8% to \$49.9 billion, the lowest level in two years.

### Europe M&A Commentary and Deal Statistics

Results in Europe's M&A market remained lackluster in January. The deal total dropped 26.9% to 800, the lowest monthly figure since late 2010. Although announced dollar volume increased 22.6%, the \$45.6 billion total was slightly below the average for the second half of 2011, when volumes were weak.

### U.K. Cross-Border M&A Activity

In the U.K., the deal count fell 16.7% to 205 in January, below the LTM average of 243. Dollar volume declined 37.9% to \$5.6 billion, 62.0% below the LTM average and the lowest level since January 2010.

### Germany Cross-Border M&A Activity

In Germany, the deal count in January decreased 7.2% to 142, in line with the LTM average of 146. While the cross-border deal count was up for the month, contraction in domestic deal activity dampened the overall total. Dollar volume increased 140% to \$9.0 billion.

### Asia Commentary and Deal Statistics

The M&A market in Asia (ex. Japan) followed a strong December with a poor January. The deal count declined 27.3% to 349, the lowest total in almost two years. Reported dollar volume plummeted 59.9% to \$10.6 billion, which represented the least volume since February 2009.

### China M&A Activity and Deal Statistics

The deal count in China fell 38.9% to 157 in January, as domestic and cross-border deal activity contracted. Dollar volume declined 69.6% to \$5.0 billion, the lowest volume since February 2009.

### India M&A Activity and Deal Statistics

M&A activity in India was weak during January. The deal count was down 14.1% to 67, slightly below the LTM average of 75. Dollar volume of \$887 million fell 66.0% and was 49.2% under the LTM average.

### Japan M&A Activity

Deal activity was strong to start the year in Japan. The deal count in January grew 23.9% to 197, in line with the LTM average of 195. Dollar volume soared 289% to \$16.4 billion, above the LTM average of \$12.4 billion.

### Economic Commentary

Economic fundamentals are bearish. While the economy has gained some traction in recent months, and the tenor in the labor market is improving, significant headwinds remain. The U.S. economy expanded at a 2.8% rate in the fourth quarter of 2011, the best showing in six quarters, although growth for 2011 as a whole was a disappointing 1.6%.

### Restructuring News

The Baird CDS Index declined for only the second time in nine months in January, falling 133.7 points to 832.3 – down 13.8% from 966.0 on December 31, 2011 but above the last 12 month average of 692.4.

### Transaction Spotlight – Sale of ColorMatrix Group, Inc. to PolyOne Corporation

ColorMatrix Group, Inc., a portfolio company of Audax Group, recently completed its sale to PolyOne Corporation (NYSE:POL) for approximately \$486 million in cash.

### 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 January, Baird added 7 companies to coverage and now covers 673 companies. These companies have a median and average market capitalization of \$2.3 billion and \$8.8 billion, respectively.

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