



M&A OUTLOOK FOR 2009

May 13, 2009

According to a report issued by Thomson Reuters and the Association for Corporate Growth, the volume of announced mergers and acquisitions worldwide totaled \$480.3 billion during the first quarter of 2009, a decrease of 28% over the same period last year. The report also indicated that transactions valued under \$500 million, fell 48% compared to Q1 2008 to \$98.3 billion.

The slowed M&A activity stems from a number of factors, including:

- Uncertainties in the financial markets,
- Global economic slowdown,
- Difficulties obtaining financing for acquisitions due to the credit crunch,
- Significant differences between buyers and sellers on company valuations, and
- Dramatic decline in private equity fundraising during Q1 2009.

Glimmers of Hope

Despite the poor conditions of the deal market, there is reason to hope that deal activity will increase in the second half of 2009. President Obama recently said the economy remains under severe stress, but he is starting to see “glimmers of hope”. Likewise, there may be reason for guarded optimism about M&A activity for the second half of 2009 provided that: (i) credit markets begin to thaw, and (ii) more buyers and sellers come to a meeting of the minds on company valuations.

Distressed Company Sales

As the economic turmoil and credit crunch continues, more companies may find themselves in a distressed condition. This will pose opportunities for either financial or strategic buyers who have the means to acquire such companies and keep the businesses afloat through the economic downturn. Distressed sellers are more likely to: (i) be motivated to close a sale, and (ii) come to grips a realistic valuation of their company under the current economic conditions.

Stimulated Sectors

Shortly after taking office, President Obama signed the “American Recovery and Reinvestment Act of 2009” into law. The so-called “Stimulus Bill” calls for \$787 billion of federal spending. Among the sectors receiving substantial federal funds from the stimulus package and the President’s FY 2010 budget proposal are Infrastructure, Healthcare IT, Renewable Energy, Education and Technology. With so much federal dollars in play, dealmakers may find niche opportunities in these sectors.

Contact Us

Our attorneys regularly advise clients on all types of M&A transactions, including mergers, purchases and sales of stock and assets, management buyouts, recapitalizations and other corporate restructurings. To speak to an attorney about the legal issues related to buying or selling a business, please contact Doug McCullough at dmccullough@spain-law.com or call 713.650.9700.