



THOMSON REUTERS

Ohio Dealmakers Expect M&A Activity to Pick Up in Second Half of 2009

ACG-Thomson Reuters Mid-Year 2009 DealMakers Survey Reveals Obstacles and Opportunities for M&A and Private Equity Investing

Private Equity Firms Concentrating on Portfolio Company Improvements

CINCINNATI, May 13, 2009 – Ohio middle market merger professionals are close to unanimous as to the current state of the M&A market – it is not good. Yet most anticipate it will improve in the second half of 2009, led by distressed sales and by mergers in manufacturing and distribution, healthcare and life sciences, financial services, and technology. The mid-year 2009 survey results were announced today at [ACG InterGrowth](#), Wynn Las Vegas.

The latest twice-yearly survey of by the Association for Corporate Growth (ACG) and Thomson Reuters reveals that sentiment is slightly improving, with 87% of Ohio dealmakers saying the current M&A environment is fair or poor, compared to 90% in December 2008.

Over the next six months, middle market investment bankers, private equity professionals, corporate development officers, lawyers, accountants and business consultants polled expect the number of M&A transactions to:

- Increase (55%)
- Remain the same (36%)
- Slow further (9%)

The biggest obstacles facing dealmakers over the next six months are the credit crunch (39% today vs. 53% in December), the weak economy (27% today vs. 18% in December), and sellers unwilling to sell at multiples offered (18% today vs. 17% in December).

In the coming six months, survey respondents see distressed sales comprising a significant percentage of M&A transactions. Just over half of merger professionals (55%) predict that distressed deals will comprise one-quarter to one-half of all deals, while 15% say they will make up one-quarter of deals or less, and 24% say they will make up the majority of all M&A activity. Likewise, 82% of private equity respondents are pursuing acquisitions of distressed companies, either as part of an already existing or newly adopted strategy.

According to Thomson Reuters, the volume of all worldwide mergers and acquisitions totaled \$480.3 billion in announced deals during the first quarter of 2009, a decrease of 28% over the first quarter of 2008. Of this total, M&A deals in the mid-market, defined by Thomson Reuters as transactions under \$500 million, fell 48% from the first quarter of 2008, totaling \$98.3 billion. The first quarter 2009 total marks the first sub-\$100 billion quarter for mid-market M&A since the first quarter of 1996.

Private Equity Firms Focusing on Portfolio Companies

Almost all (92%) private equity professionals are spending more time working with their portfolio companies this year. In fact, 63% are spending more than half of their time tending to their portfolio companies, including:

- Working with the management team on strategy (91%)
- Renegotiating loan terms and commitments (45%)
- Looking for add-on acquisitions (45%)
- Renegotiating supplier contracts (36%)

None of the surveyed private equity firms have retained chief restructuring officers, turnaround consultants, or operating partners to help their portfolio companies.

Over three-quarters of firms (77%) say they have written down the value of their portfolio companies in the last quarter, while 23% have held steady.

Seventy-five percent of private equity firms have portfolio companies in covenant default with their lenders, including:

- One quarter to one half in default (42%)
- Up to one quarter of portfolio companies in default (25%)
- More than 50% in default (8%)

Private equity firms say lenders have treated their portfolio companies:

- Tough, but fair (55%)
- Restricted credit (18%)
- Difficult, want out of credit (18%)
- No change (9%)

Fundraising is possible, but more difficult. When asked if it is possible to raise a new fund today, private equity professionals said:

- Yes, but fund sizes will be smaller (36%)
- Yes, but only for top-tier firms (27%)
- Yes, LPs are still very interested in private equity as an asset class (18%)

Those firms able to raise funds this year may experience high returns. PE firms say the vintage year funds they expect to have the best IRR are:

- 2009 (33%)
- 2006 (33%)
- 2008 (11%)
- 2010 (11%)
- 2011 (11%)

Private equity professionals say the sectors with the greatest opportunities for buyout investments over the next six months are:

- Manufacturing and distribution (59% vs. 26% in December 2008)
- Healthcare/life sciences (16% vs. 23%)
- Energy (18% vs. 3%)
- Technology (18% vs. 0%)

The lack of acquisition financing has affected 100% of surveyed private equity professionals, and 13% expect to put 50% or more equity into their deals. Eighty-one percent of private equity professionals are investing more equity than last year.

“With today’s credit crunch, PE firms are putting more of their own money into a deal,” said Jim Beecher, publisher of *Buyouts*, a Thomson Reuters publication. “This will put more pressure on their ability to drive higher returns for their investors.”

Private equity professionals are optimistic that the debt markets will improve. Six months from now, private equity professionals expect the debt markets will be:

- Better (84% vs. 57% in December 2008)
- The same (16% vs. 28%)
- Worse (0% vs. 15%)

Additional Private Equity Responses

Other responses by private equity professionals include:

- Only 11% are concerned about their potential personal liability or that of their firm in connection with distressed portfolio companies.
- Most private equity professionals say the FASB 157 fair value accounting standard has had no significant effect on their firm (60%), while 30% say it is a drain on their time, 10% say it is bad PR for the industry, and 10% say it hurts portfolio company relationships.
- Eighty-two percent expect private equity to play a role in moving the U.S. out of recession.
- Nearly eight in 10 respondents (79%) expect the private equity business to experience significant consolidation over the next two years, while 14% expect rapid growth and innovation and 7% expect no change.

Survey Methodology

The twice-yearly survey, conducted in April 2009, was completed by 703 ACG members and Thomson Reuters customers, with 33 coming from Ohio. Respondents were comprised of private equity, venture capital and buyout firm members (15%); investment bankers, intermediaries, brokers (28%); lenders, finance providers (10%); corporate professionals, entrepreneurs (14%); Limited Partners (1%); and service providers, such as lawyers, workout specialists, accountants and consultants (32%). The majority of respondents were from the United States (673), where 38 states were represented. Internationally, executives from five countries completed the survey. For a copy of the full survey results, please go to: www.acg.org.

About ACG

The Association for Corporate Growth (ACG) is the global community for M&A and corporate growth professionals, helping connect capital with opportunity. ACG provides its members with the research, tools and networking opportunities to grow their businesses and themselves professionally. Founded in 1954, ACG has grown to more than 12,000 members from corporations, private equity, finance, and professional service firms representing Fortune 1000,

FTSE 100, and mid-market companies in 53 chapters in North America and Europe. For more information, please visit www.acg.org.

About Thomson Reuters

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. Thomson Reuters combines industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs more than 50,000 people in 93 countries. Thomson Reuters shares are listed on the New York Stock Exchange (NYSE: TRI); Toronto Stock Exchange (TSX: TRI); London Stock Exchange (LSE: TRIL); and Nasdaq (NASDAQ: TRIN). For more information, go to www.thomsonreuters.com.

###

Contact:

Phil Nunes

617-556-9982, x227

Phil.Nunes@BackBayCommunications.com

Jen Dowd

617-556-9982, x225

Jen.Dowd@BackBayCommunications.com

Peter Czyryca

617-556-9982, x226

Peter@BackBayCommunications.com