



ACG-Thomson Reuters Year-End 2009 DealMakers Survey Finds 77 Percent of Massachusetts DealMakers Expect M&A Activity to Increase Over Next Six Months

Strategic Investors and Distressed Sales to Lead Way in 2010

BOSTON, MA – December 8, 2009 – The Association for Corporate Growth (ACG) and Thomson Reuters today announced the results of its year-end 2009 survey, which found that despite the current M&A environment, 77% of Massachusetts dealmakers expect an increase in merger activity over the next six months. According to the survey, Massachusetts merger professionals believe strategic investors and distressed sales will lead the way in 2010.

The twice-yearly survey by the Association for Corporate Growth (ACG) and Thomson Reuters reveals that negative sentiment about the dealmaking environment has not changed during the last year, with 92% of dealmakers from Massachusetts saying the current M&A environment is fair or poor.

71% of survey respondents identified the current environment as a buyer's market. 70% of respondents said the current market favors strategic investors. And, 94% of respondents expect strategic investments to accelerate in 2010. 40% of respondents are actively pursuing distressed and undervalued companies.

Dealmakers expect the following percentage of M&A deals to be distressed in the first half of 2010:

- 0-10% (13%)
- 11-25% (59%)
- 26-50% (25%)
- More than 50% (3%)

"Despite a difficult year in 2009, we expect that middle-market M&A activity will improve from the levels experienced this year," said Jan Shields, president of ACG Boston, the Boston Chapter of the Association for Corporate Growth. "There are regional banks that continue to lend and there is more interest from both sellers and buyers. Both financial and strategic buyers are in the marketplace taking advantage of the liquidity within their funds or in the strength of their balance sheets."

The ACG-Thomson Reuters Year-End 2009 DealMakers Survey polled investment bankers, private equity professionals, corporate development officers, lawyers, accountants and business consultants in October and November 2009.

While the credit crunch remains as the biggest obstacle to M&A activity (29%), the gap between the prices at which companies are willing to sell and the prices that buyers are willing to pay was reported as the second biggest obstacle (27%).

Although average middle-market EBITDA levels have fallen to 8.4 today from a high of 10.1 in 2007, dealmakers are still looking for bargains. In fact, 78% expect to pay no more than 5x EBITDA for companies over the next six months.

Massachusetts dealmakers expect the following sectors to experience the most merger activity in the first half of 2010:

- Healthcare/life sciences (38%)
- Financial services (15%)
- Technology (15%)
- Manufacturing and distribution (10%)

They expect the following sectors to experience the most organic growth:

- Healthcare/life sciences (41%)
- Technology (16%)
- Energy (15%)
- Government-related (11%)

According to Thomson Reuters, the volume of all worldwide mergers and acquisitions totaled \$1.8 trillion in announced deals through November 30, 2009, a decrease of 33% over the comparable period in 2008. Of this total, M&A deals in the mid-market, defined by Thomson Reuters as transactions under \$500 million, fell 31% from the 2008 level, totaling \$461.9 billion.

Through November 30, 2009, strategic M&A activity totaled \$1.7 trillion, a 32% decline from the comparable period in 2008. Overall, strategic merger activity accounts for 94% of total announced M&A this year, the highest percentage since 2001.

Dealmakers See Improved Debt Markets, But Plan on Increased Equity

Dealmakers are optimistic that the debt markets will continue to rebound, with 80% saying they will improve over the next six months, 20% saying they will remain the same and nobody saying they will worsen.

Respondents say the maximum leverage level in today's environment is:

- 1-2x (18%)
- 2-2.5x (52%)
- 2.5-3x (16%)
- 3-3.5x (11%)
- More than 3.5x (2%)

Most deal professionals (56%) do not expect leverage levels to increase in the next six months.

Despite an expected improvement in access to credit, 53% of dealmakers expect to put more equity into deals over the next six months, with more than half (54%) saying they expect to invest 40% or more equity in companies in the next six months.

Private Equity Eyes Opportunities

Dealmakers say the best strategy for success in the current environment is:

- Consider more minority/growth capital investments (17%)
- Focus more on add-on acquisitions than platform acquisitions (16%)
- Focus more on deal sourcing/marketing (14%)
- Focus more on our portfolio companies (14%)

Industries that present the best opportunities for buyouts are:

- Healthcare/life sciences (28%)
- Manufacturing and distribution (17%)
- Consumer products and services (10%)

Industries that present the best opportunities for distressed investing are:

- Real Estate (28%)
- Manufacturing and distribution (24%)
- Consumer products and services (15%)
- Retail (15%)

Respondents say they have written down their portfolio company values in the last 12 months by:

- 15% or less (37%)
- 16-25% (16%)
- More than 25% (5%)
- Held steady (42%)
- Marked up (0%)

The majority (39%) of private equity professionals say they expect to maintain portfolio company values at year-end 2008 levels; while the remainder forecast write-ups over 2008 year-end levels of:

- 15% or less (23%)
- 16-25% (26%)
- More than 25% (13%)

34% of respondents say that 50% or more of their portfolio companies are performing below their prior year in EBITDA.

In 2010, private equity will change in the following ways:

- Increased need for PE firm differentiation (54%)
- Significant consolidation, winnowing out (33%)
- No change (10%)
- Rapid growth, innovation (0%)
- Other (3%)

Some 55% of respondents are concerned about the public's perception of private equity.

"The value of middle market private equity comes through loud and clear in this survey," said Gary A. LaBranche, CAE, president and chief executive officer, ACG. "Even as the growth community works to recover from the Great Recession, dealmakers are confident in the future of free enterprise and the job growth and opportunity that it provides to society. That speaks volumes about why middle market private equity is so vital to our economy."

Survey Methodology

The twice-yearly survey, conducted in October and November 2009, was completed by 921 ACG members and Thomson Reuters customers, including 63 from Massachusetts. Respondents from Massachusetts were comprised of private equity, venture capital and buyout firm members (23%); investment bankers, intermediaries, brokers (22%); lenders, finance providers (3%); and service providers, such as lawyers, workout specialists, accountants and consultants (25%). For a copy of the full global survey results, please go to: www.acg.org.

About ACG

The Association for Corporate Growth (ACG) is the global community for middle market M&A dealmakers and business leaders focused on driving growth. ACG members have access to data, content and networking opportunities to find the opportunities, capital and knowledge they need to drive and sustain corporate growth. Founded in 1954, ACG has grown to more than 12,000 members organized in 54 chapters throughout North America, Europe and Asia. For more information, please visit www.acg.org.

About ACG Boston

ACG Boston (www.acgboston.org) is one of 54 local chapters around the world that form the international ACG organization, which focuses on corporate growth, corporate development, and mergers and acquisitions. ACG Boston, with close to 900 members, holds more than 40 networking and educational events per year, including monthly Dealmaker's Breakfasts, Buyer's Roundtables, Corporate Development Forums, Women's Roundtables, Networking Nights, Emerging Professionals networking events, an annual M&A Growth Conference in June, an annual DealMakers M&A Outlook Conference in February, and an annual Fall Conference in December. More than 5,000 people attended ACG Boston events in the last year.

About Thomson Reuters

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Editors Note: ACG leadership are available for interviews. Please contact Jason Newberg for assistance.