U.S. Middle Market Corporate Executives and M&A Professionals Target More Cross-Border Deals

Dealmakers Search for Geographic Diversification, Access to New Markets, and Greater Efficiencies

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69% Bullish About Cross-Border M&A
92% Say Deals Met Objectives; 58% Say Took Longer than Expected

LONDON and NEW YORK, September 4, 2007 – U.S. mid-market corporate executives and merger professionals are looking to aggressively target cross-border acquisitions in the next 12 months, according to a survey of more than 200 U.S. active representatives of middle-market companies, investment banks, private equity firms, law firms, accountants and consultants by ACG (Association for Corporate Growth), Grant Thornton LLP, and Eureka Private Equity.

The survey found that nearly three-quarters (72%) of respondents have been involved in cross-border M&A, and, almost as many, 70% anticipate doing at least one cross-border deal in the next 12 months. Most are bullish on the current environment for cross-border M&A, with 69% saying the current environment is good, and 31% calling it fair.

"The trend to a higher level of cross-border transactions is permanent, and unlikely to be reversed by transitory speed bumps in the debt markets and other phenomena," said Harris Smith, Grant Thornton LLP West Region Managing Partner, and ACG Vice Chairman.

U.S. mid-market executives are generally pleased with their cross-border investment experiences, with 92% saying their transactions met their objectives. However, 58% say their deals took longer than anticipated.

A related survey by ACG and Thomson Financial, released in July, found that corporate executives and M&A professionals anticipate doing deals in the following locations:

- Western Europe (49%)
- Canada (40%)
- China (34%)

"Middle-market dealmakers are increasingly looking across borders to invest and grow their businesses – cross border M&A has truly become a global strategy," said Daniel A. Varroney, ACG President & CEO. "As companies look for top and bottom line growth, they are increasingly spanning the globe looking for deals. They want to tap into additional consumer markets for new and existing products, and gain access to cost-efficient manufacturing and production. This is becoming easier than ever due to fast and efficient communications, greater cultural understanding, and regulatory changes, coupled with a never-ending drive for greater efficiency and profitability through expansion into new markets."

Thomson Financial's second quarter *2007 Mergers & Acquisitions Review* reports that cross-border activity accounted for a record 47.5% of worldwide activity for the first half of 2007. Mergers worldwide for the first half of 2007 totaled $2.7 trillion, which is 67% higher than last year's first half total, and surpassed the previous first-half record of $1.93 trillion set in 2000. European deal volume increased 77% to $1.04 trillion in the first half of 2007, even more than the 52% increase to $1.1 trillion in the U.S.

“Especially in the United States, a lot of private equity and corporate dollars are chasing fewer and fewer deals, forcing US dealmakers to look elsewhere to deploy capital,” said Paul Stewart, ACG Chairman and Principal of PS Capital Partners. “Fortunately, cross-border investing has become increasingly easier to do as technology has made the world a smaller place, with many parties making use of electronic data rooms to facilitate deals with less time and expense.”

Driving the cross-border merger trend is:

- The need for geographic diversification (65%)
- Availability of good acquisition candidates (62%)
- Easier access to financing in many countries (25%)

“Effective M&A requires careful planning, consideration and guidance from advisers who understand the strategic, legal/regulatory, accounting and tax ramifications of a transaction,” said Grant Thornton’s Smith. “Approaching a cross-border transaction with an understanding of the added layers of cultural and language differences, legal and regulatory complexities, and business environment issues in all relevant geographic areas is an essential ingredient for ultimate success.”

Countries that currently have the **most attractive acquisition candidates** are:

- United States (36%)
- China (19%)
- Germany (10%)
- Canada (8%)
- UK (5%)
- India (5%)
- France (3%)
- Others (14%)

Martin Goddard, Global Head of Transaction Services at Grant Thornton International said:
"Last year, over £77bn was invested by foreign organisations buying UK companies with just over £36bn going in the opposite direction*. Despite a slight rise in the number of UK/US deals, in 2006 the UK-US M&A axis accounted, by value, for around 13% (£15bn) of all cross-border transactions involving a UK company, down from 33% (£27bn) the previous year."

"Last year's dip in the amount of funds committed to UK/US M&A was influenced by fewer megadeals completing within the parameters of the calendar year. The survey's results indicate an appetite among mid market operators, who tend to account for the bulk of deal-making, for more international deals and the UK is likely to continue featuring as a destination of choice. US dealmakers are looking beyond their own borders for transformational deals that can help their businesses leap forward and, for several reasons such as language and a similar culture, the UK is ideally placed to continue to attract US corporates looking for opportunities and a stepping stone into Europe," continued Goddard.

Where is it **easiest place** to get a deal done?

- United States (41%)
- Canada (23%)
- United Kingdom (19%)
- Mexico (5%)
- Australia (3%)
- India (2%)
- Others (7%)

“We found in conducting the survey, interviews and from our experiences with client cross-border transactions that the perceived trend of ‘going overseas’ to find lower cost production and manufacturing opportunities has given way to a new trend,” says San Francisco-based Dan Reid, Grant Thornton LLP

National Managing Principal, Transaction Advisory Services. "Clients are looking at the new markets, such as China, India, Russia, Brazil and others, for their consumer market opportunities. Now companies entering into cross-border M&A are often driven by the objective to establish new geographic markets for existing products and services, as opposed to simply trying to find a low cost manufacturing center. This is a global trend that we have seen consistently whether the buyer is based in the U.S., Europe and often even India and Chinese companies looking to come to Western markets."

The **biggest barriers** to cross-border M&A are:

- Legal environment/dispute resolution inadequate (37%)
- Protection around intellectual property (36%)
- Cultural issues (35%)
- Regulatory environment not conducive in many countries (34%)
- Ability to do due diligence (24%)

"In the U.K. and the European Union, due diligence is more exhaustive than in the U.S," says Dennis White, ACG Director and a partner in the Boston Corporate Practice of McDermott, Will & Emery LLP. "The European Union countries are generally less litigious societies, and in those countries it is presumed that the buyer has the responsibility to adequately kick the tires."

Trends to Watch

Looking out to 2008 and beyond, ACG and Grant Thornton anticipate that a number of trends will develop and evolve to drive cross-border M&A activity, including:

- International regulatory, economic and judiciary standards will converge
- Accounting standards will need to be transparent across borders
- More specialized financing products will be developed to facilitate the ability to finance M&A in emerging markets
- Dispute resolution mechanisms in emerging economies will continue to evolve towards established and acceptable standards
- Globalization of middle class consumer products will increase and more M&A will be focused on serving the needs of new consumer markets

Survey Methodology

The results cited in this news release reflect the responses to the ACG/Grant Thornton/Eureka Private Equity Global Transaction Survey, conducted in June 2007, by 206 US-based ACG members, Grant Thornton LLP and Eureka Private Equity contacts, including Corporate Executives, comprised of Operating Company executives (20%), Private Equity professionals (10%), Investment Bankers/Intermediaries (24%), Lender/Finance provider (13%), Service Providers, such as lawyers, accountants, and consultants (31%), and Others (2%). The annual revenue for respondents' companies was: less than US$5 million (33%); $US 6-100 million (31%); US$ 101-500 million (6%); $US 501 million or more (30%).

For a copy of the white paper by Grant Thornton LLP's Harris Smith and Dan Reid on cross-border transactions, *Bridging the global, cross-border transaction gap: What more middle-market dealmakers need to know about global M&A, please visit: www.gt.com*.

***Source: Office of National Statistics 2007**

About ACG

Founded in 1954, the Association for Corporate Growth (www.acg.org) is a global association for professionals involved in corporate growth, corporate development, and mergers and acquisitions. Today ACG stands at approximately 11,000 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.

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