

KREAB & GAVIN ANDERSON
WORLDWIDE

*Global M&A Activity in 2010: Outlook of
International Law firms*

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Kreab Gavin Anderson

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Contents

Contents	3
Methodology	4
Pipeline	5
Expectations of M&A Activity	6
Factors restricting M&A	11
Legal Fees	13

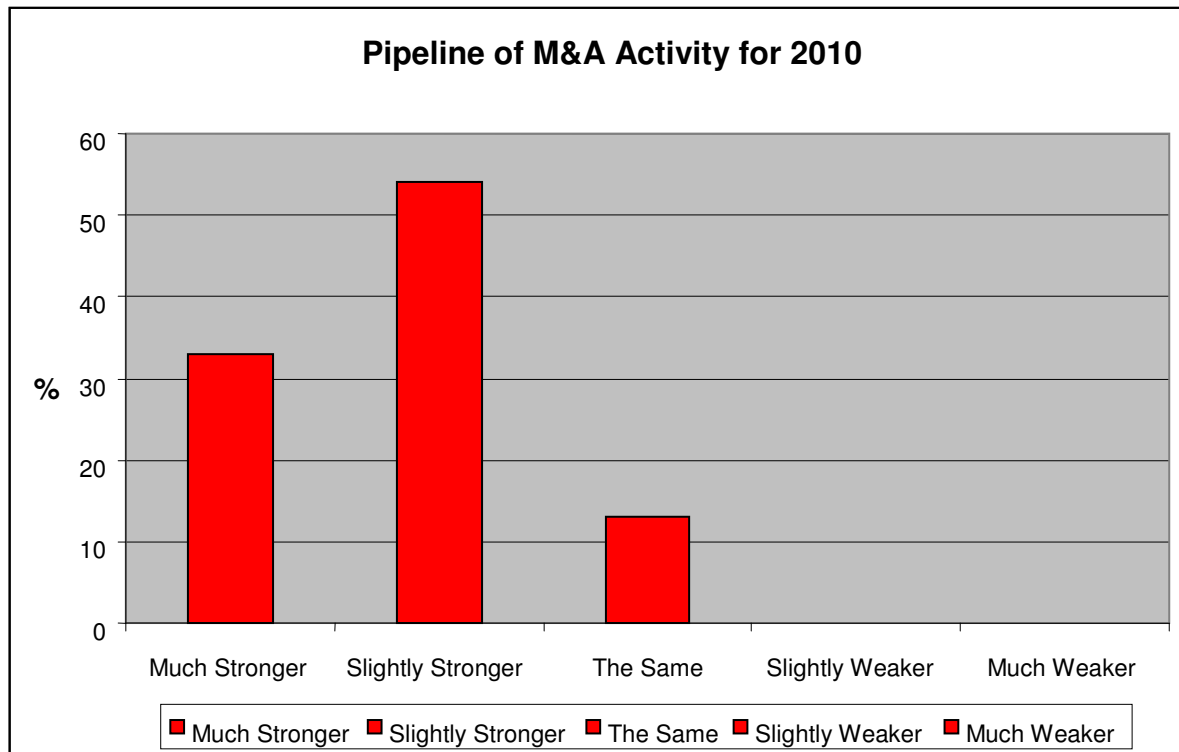
Methodology

- 30 Senior M&A lawyers based in London, Hong Kong, China and New York completed an electronic survey on an anonymous basis.
- Interviewees responded to questions across a range of subjects including their opinion on the pipeline of M&A activity they currently see for 2010 and which sectors and regions are likely to be the most active this year. Respondents were also quizzed on how the current market conditions might restrict M&A activity and how much their fees are being affected by market conditions.
- Research was undertaken from the end of December 2009 and throughout January 2010

Pipeline

How does your pipeline of M&A activity look for 2010 compared to 2009?

- Nearly 9 out of 10 respondents (87 percent) indicated that their M&A pipeline for 2010 is either much stronger or slightly stronger for 2010 compared to the previous year. 54 percent of respondents indicated that their pipeline of M&A activity is slightly stronger than last year while 33 percent stated that it was much stronger.
- Not a single respondent to the survey stated that their M&A pipeline for 2010 was either slightly weaker or much weaker than last year and just 12 percent said that it was approximately the same as 12 months ago.

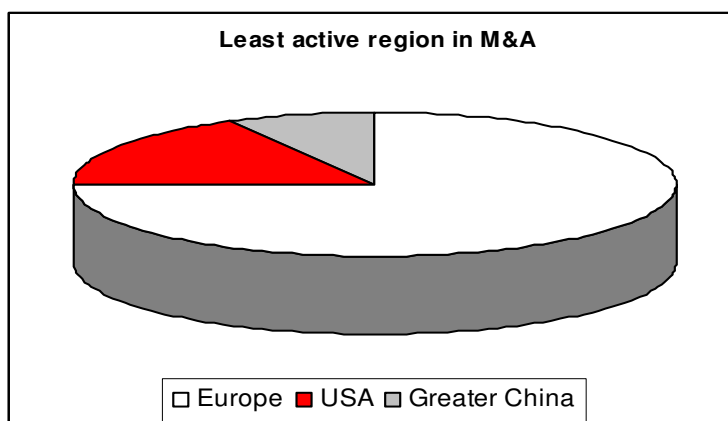
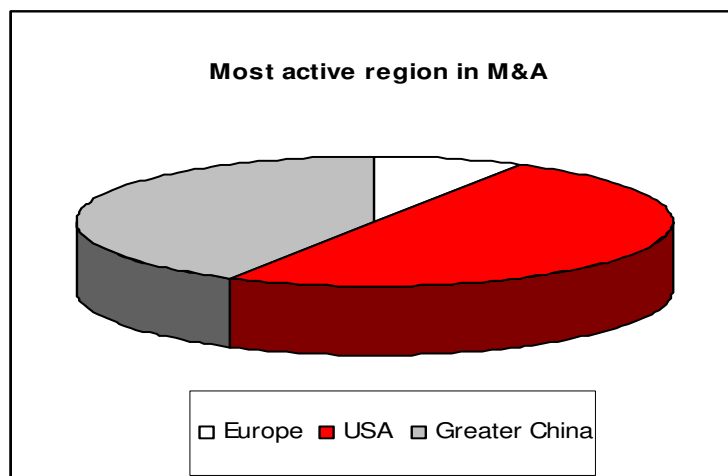


Expectations of M&A Activity

Which markets do you see as leading the way in M&A Activity in 2010?

Respondents were asked to rank, in order of M&A activity, the following markets

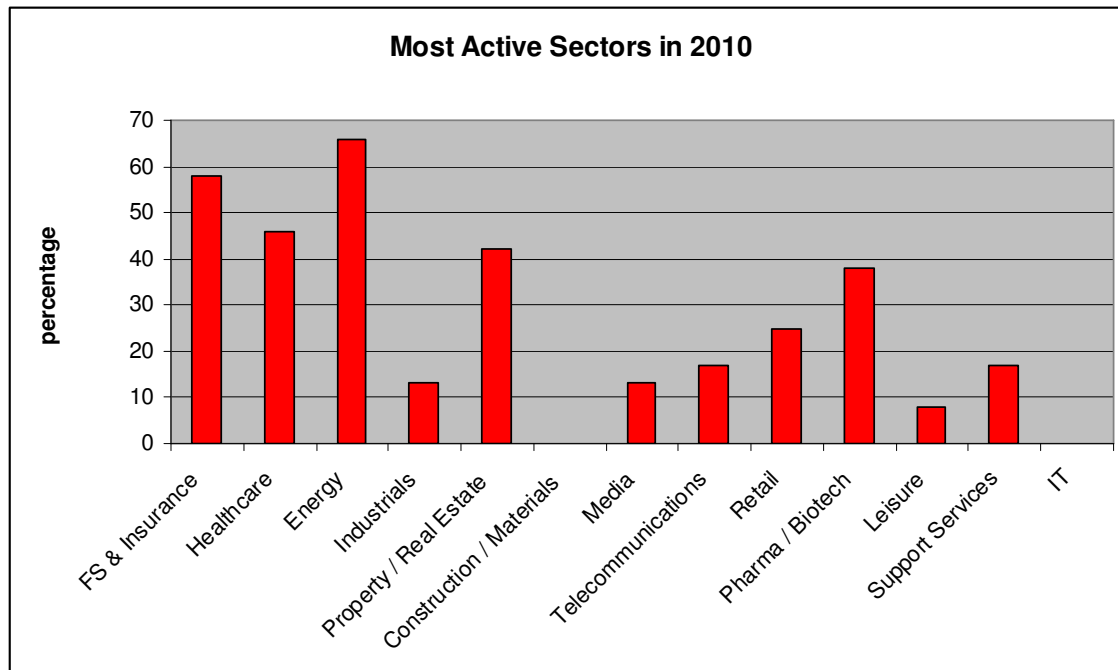
- Greater China
 - Europe Including the UK
 - The USA
- The most active market for M&A in 2010 is expected to be the United States, closely followed by Greater China. Half of respondents felt that the US would lead the way with Greater China a close second with 42 percent of respondents.
 - Less than 1 in 10 respondents (8 percent) believe that Europe will be the leading region in terms of M&A activity.
 - Looking at the question of regional activity from the opposite perspective, perhaps unsurprisingly, it is thought by a large majority (75 percent) that Europe will be the least active region this year.



What sectors will be the most active?

Respondents were asked to identify which market sectors would be most active in 2010 – they were asked to pick as many as they saw fit from the following options; financial services, healthcare, energy, industrials, property / real estate, construction & materials, media, telecommunications, retail, pharmaceuticals & biotech, leisure, support services and IT.

- According to M&A lawyers the two most active sectors in 2010 will be energy and financial services (including insurance). Two thirds of all respondents (66 percent) stated that energy would be one of the most active markets while, just marginally behind was financial services (58 percent).
- Behind the 'top two' other sectors that lawyers believe will be particularly active in M&A this year are healthcare (46 percent), property (42 percent) and biotech / pharmaceuticals (38 percent)
- Sectors with low levels of M&A activity in 2010 are predicted to be construction and IT where, in both cases, no respondents believed that they would be among the most active sectors.

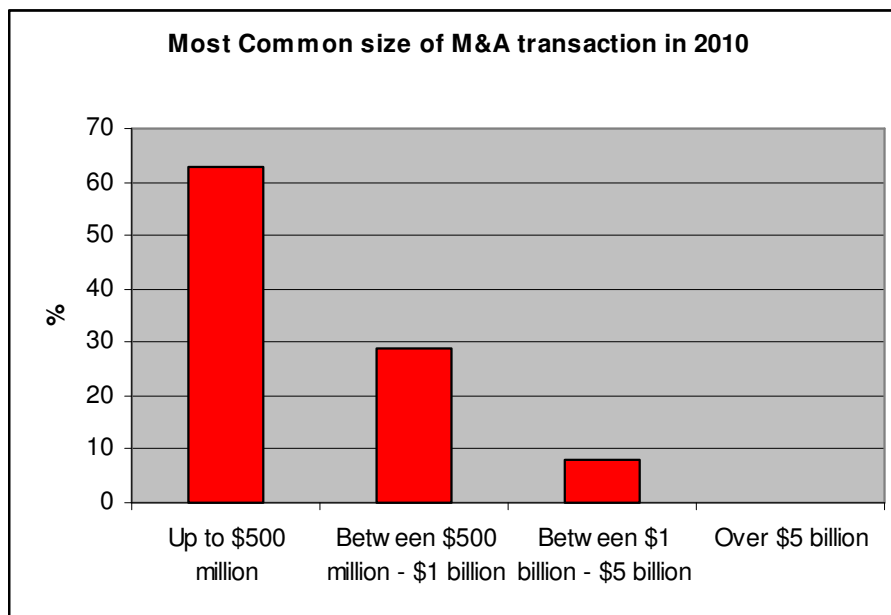


What size of transaction do you anticipate will be the most common in 2010?

Respondents were asked to choose between four size brackets:

- Up to US \$500m
- Between US\$500m and \$1 billion
- Between US\$1 billion and US\$5 billion
- Over \$5 billion

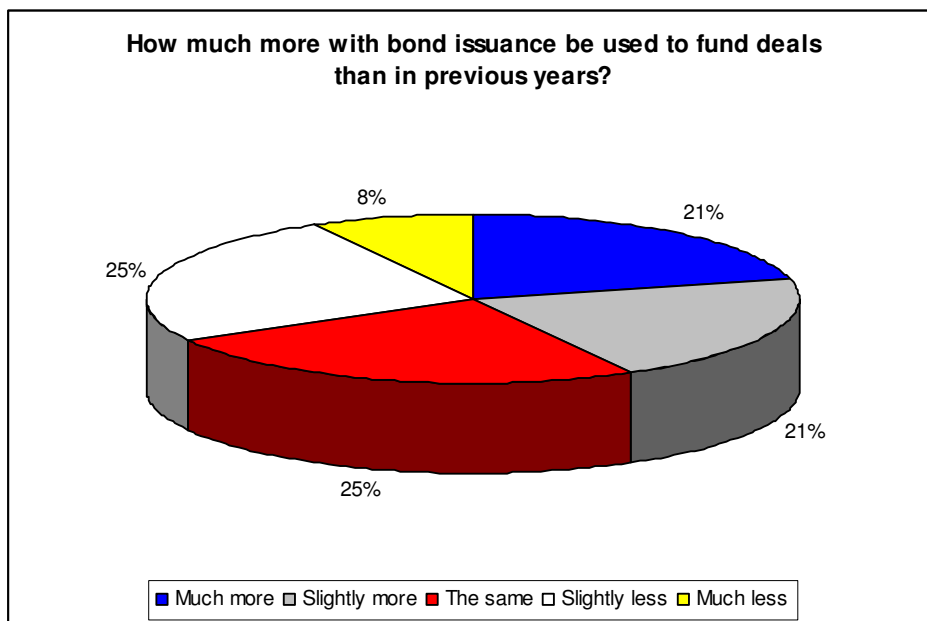
- Nearly two thirds of respondents (63 percent) indicated that they believe smaller transactions – up to US \$500m in value will be the most common M&A transaction in 2010.
- Just less than one third of M&A lawyers surveyed (29 percent) believe that deals valued between US \$500m and US \$1 billion will be the most common while just less than 1 in 10 (8 percent) believe deals worth between \$US 1 billion and \$5 billion will be most frequently this year. No respondents felt that deals worth over US \$5 billion will be most common in 2010.



Compared to previous years, do you envisage more companies using bond issuance to fund M&A activity in 2010?

Respondents were asked to indicate whether bond issuance would be used to fund M&A much more, slightly more, the same, slightly less or much less than in previous years.

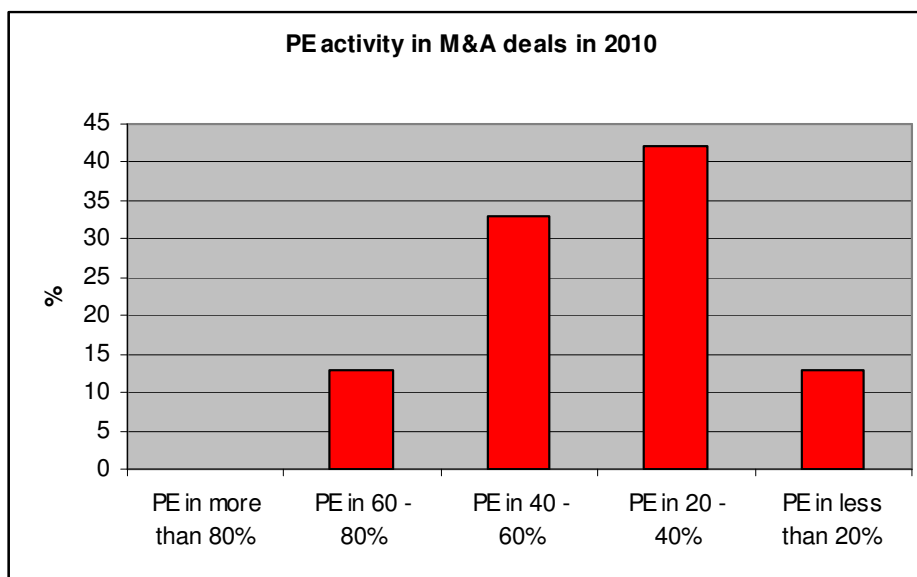
- Opinion of survey respondents was fairly evenly distributed though overall there was a slight leaning towards the opinion that bond issuance would be used more than in previous years with 42 percent of respondents stating that bond issuance would be either much more (21 percent) or slightly more (21 percent). This compares to 33 percent who said it would be either slightly lower (25 percent) or much lower (8 percent).
- Exactly one quarter of survey respondents indicated that they believe bond issuance will be used to the same level as in previous years to fund M&A activity.



How much of a role do you see private equity playing in the M&A market in 2010?

Respondents were asked to indicate whether they believe that private equity would participate in more than 80 percent of M&A deals, between 80 – 60 percent, between 60 – 40 percent, between 40 -20 percent or below 20 percent in 2010.

- Three quarters of all respondents (75 percent) indicated that they thought Private Equity houses would be involved in between 20 percent and 60 percent of M&A deals this year with 42 percent stipulating PE involvement would be between 20 and 40 percent of deals and a further one third (33 percent) stipulating PE would be in between 40 and 60 percent of deals.
- At the top end of the spectrum, 13 percent of respondents believe that PE will be involved in between 60 and 80 percent of deals while, at the lower end, the same percentage of respondent think that PE will be involved in less than 20 percent of all M&A deals this year.

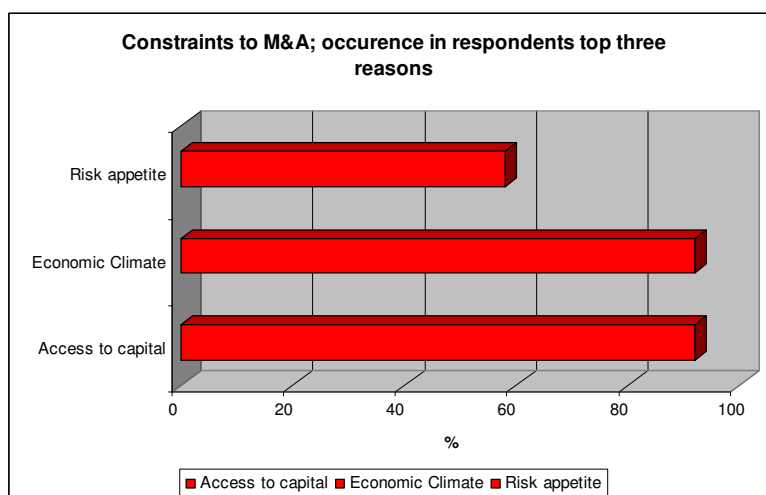
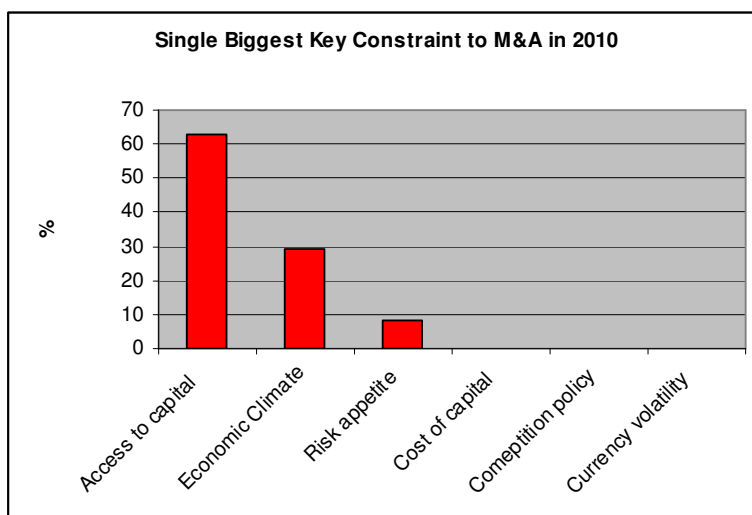


Factors restricting M&A

What are the biggest factors constraining an increase in M&A activity in 2010?

Respondents were asked to rank from 1-6 (most important to least important) the following constraining factors on M&A activity: access to capital, cost of capital, competition policy and regulation, currency volatility, risk appetite and the economic climate / market conditions.

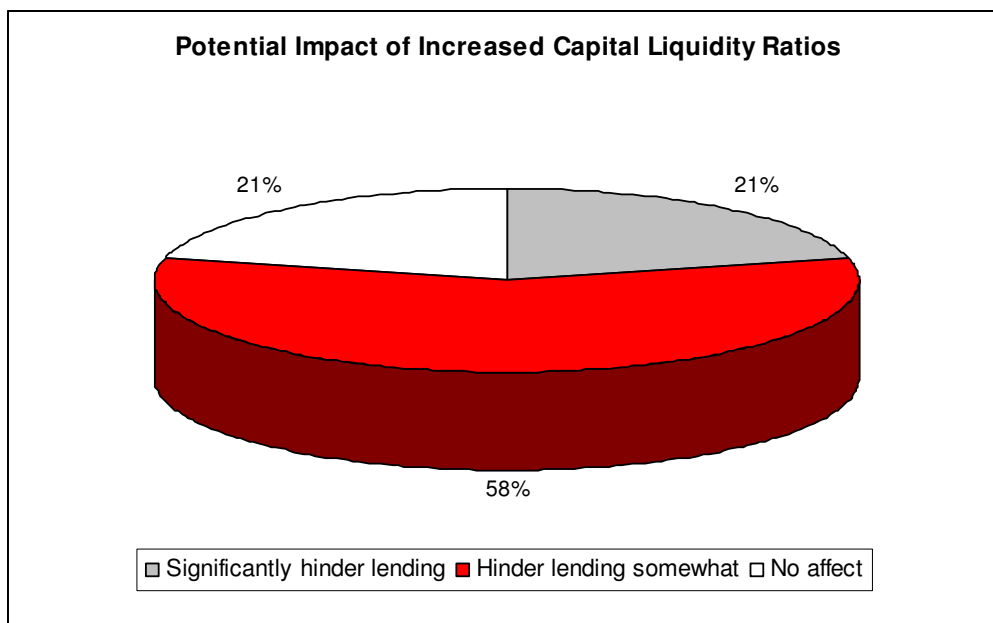
- The number one constraint on M&A activity in 2010 according to nearly two thirds of all respondents (63 percent) will be access to capital.
- Other key constraints identified by M&A lawyers will be the economic climate which was ranked as the number 1 constraint by 29 percent of respondents and risk appetite, which was identified as the number 1 constraint by the remaining eight percent of respondents.
- Looking at the top three reasons given by respondents (as opposed to just the top one), once again risk appetite, the economic climate and access to capital were seen as key. Both access to capital and the economic climate were in the top three constraining factors of 94 percent of respondents while risk appetite was stated as one of the top three factors by 58 percent.



How would increased capital liquidity ratios impact the willingness of banks to lend to companies engaging in M&A activity?

Respondents were asked to indicate whether increased capital ratios would: significantly hinder lending, hinder it somewhat or have no affect on lending.

- Nearly 8 out of every 10 respondents (79 percent) indicated that increased capital liquidity ratios would have a detrimental impact on the willingness of banks to lend for M&A activity with 58 percent saying it would hindering lending somewhat and a further 21 percent stating that it would significantly hinder lending.
- Less than a quarter of respondents (21 percent) believe that increased capital liquidity ratios would have no affect on bank lending for M&A activity.



Legal Fees

Are your fees likely to come under pressure for the work you do in M&A transactions this year?

Respondents were asked to indicate whether their fees were significantly under pressure, under some pressure, were likely to remain constant, were likely to increase somewhat or were likely to increase significantly in 2010.

- A majority of 63 percent of M&A lawyers indicated that their fees are either under significant (17 percent) or some pressure (46 percent) to decrease this year.
- One third of respondents indicated that they are expecting their fees to remain constant this year while just four percent of respondents said that they expect their fees on M&A transactions to increase in 2010.

