

2008 ACG Breakfast Series

Inbound Investment Impact of Deal Flow

October 3, 2008

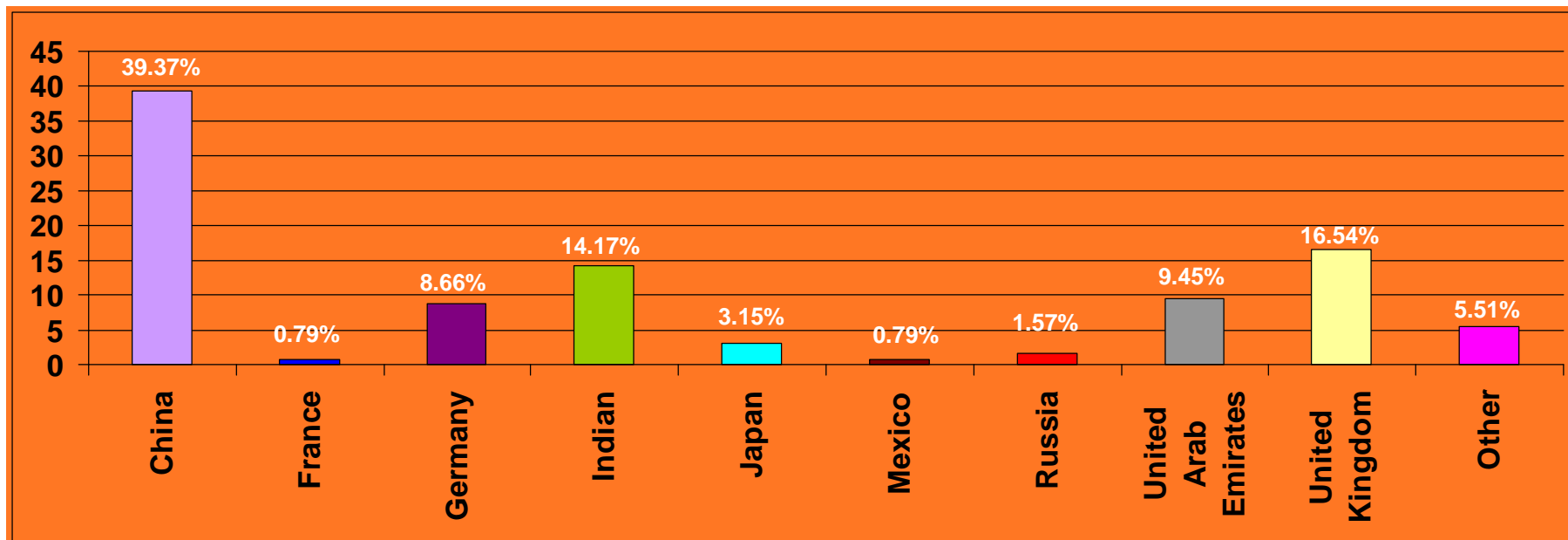
**Steve Brady, Midwest Regional Partner
Transaction Advisory Services**



2008 Inbound Market

GT/ ACG White Paper asked the following question in 2007:

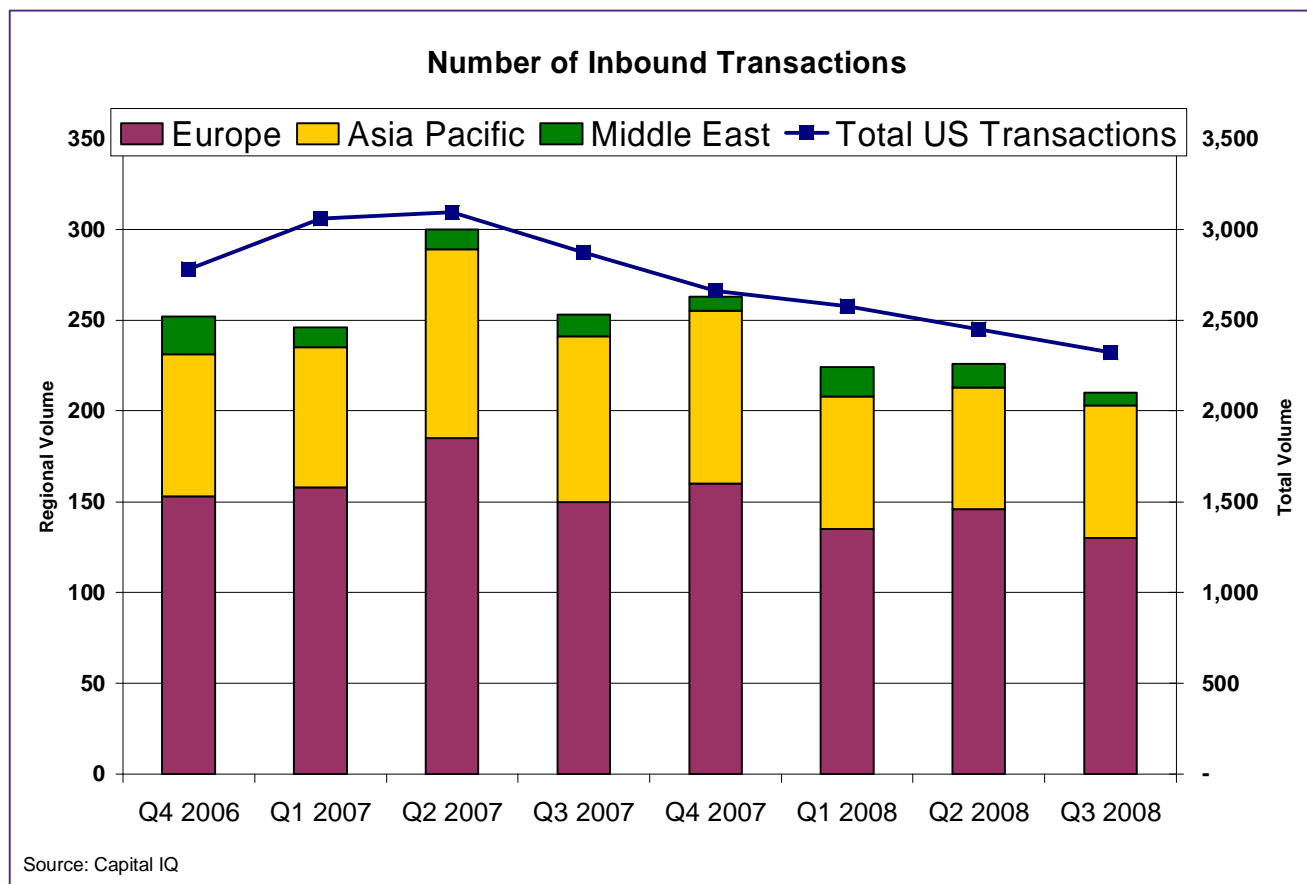
Where will the most foreign buyers for the U.S. M&A market come from in the next 12 months?



Global Inbound Acquisitions

Number of Transactions

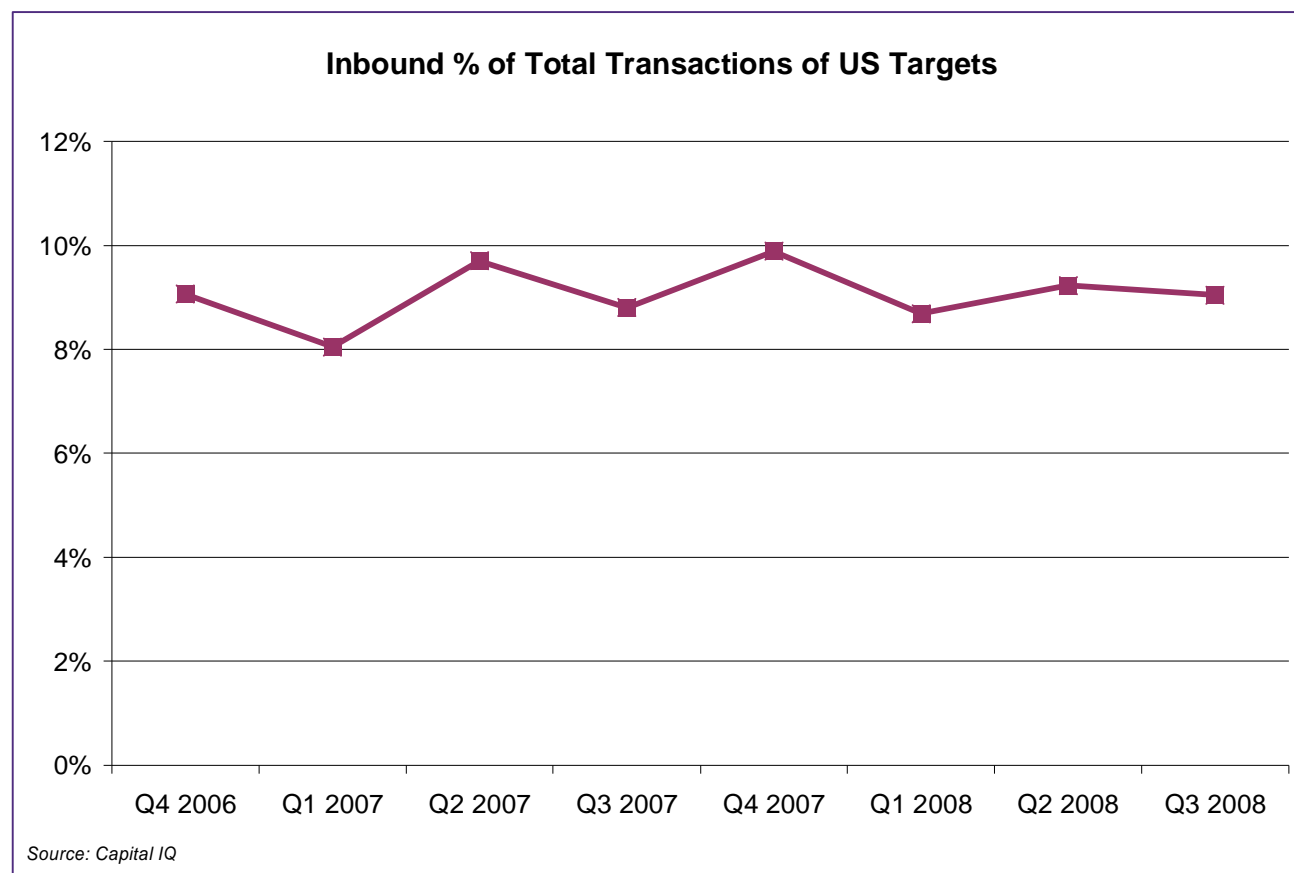
- Overall activity has slowed since a peak in Q2 2007
- Trend is consistent with overall acquisition activity of US targets
- Europe remains most active - 61.7% since Q4 2006
- Asian activity has increased relative to total - 34.8% in Q3 2008



Global Inbound Acquisitions

Number of Transactions

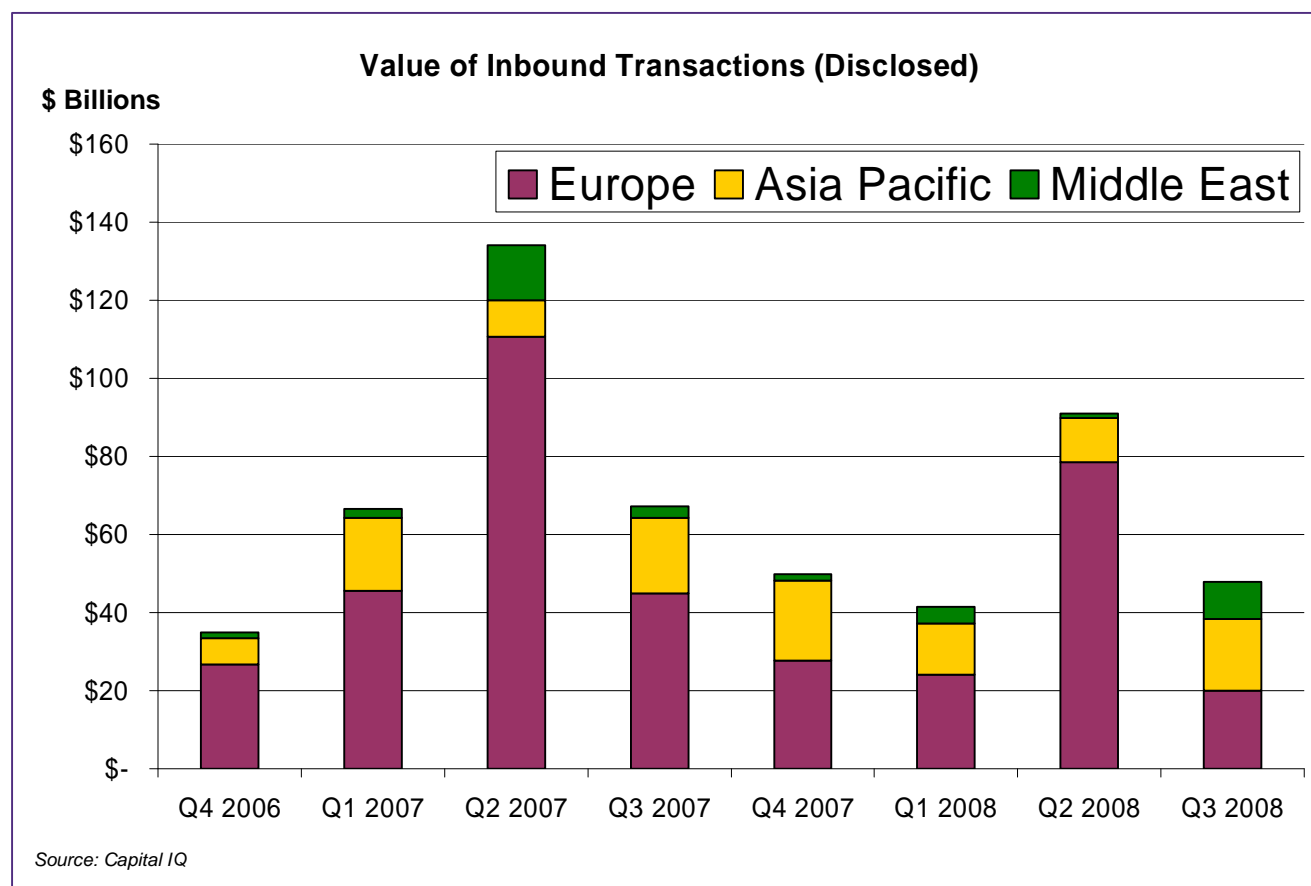
- Inbound transactions have remained consistent in relation to total acquisition activity



Global Inbound Acquisitions

Value of Transactions

- Europe responsible for a greater percentage of dollars invested – 71.0% of total
- Cross-border M&A activity accounted for a record-breaking 47.5% of worldwide activity in 2007.



Global Inbound Acquisitions

Transaction sizes

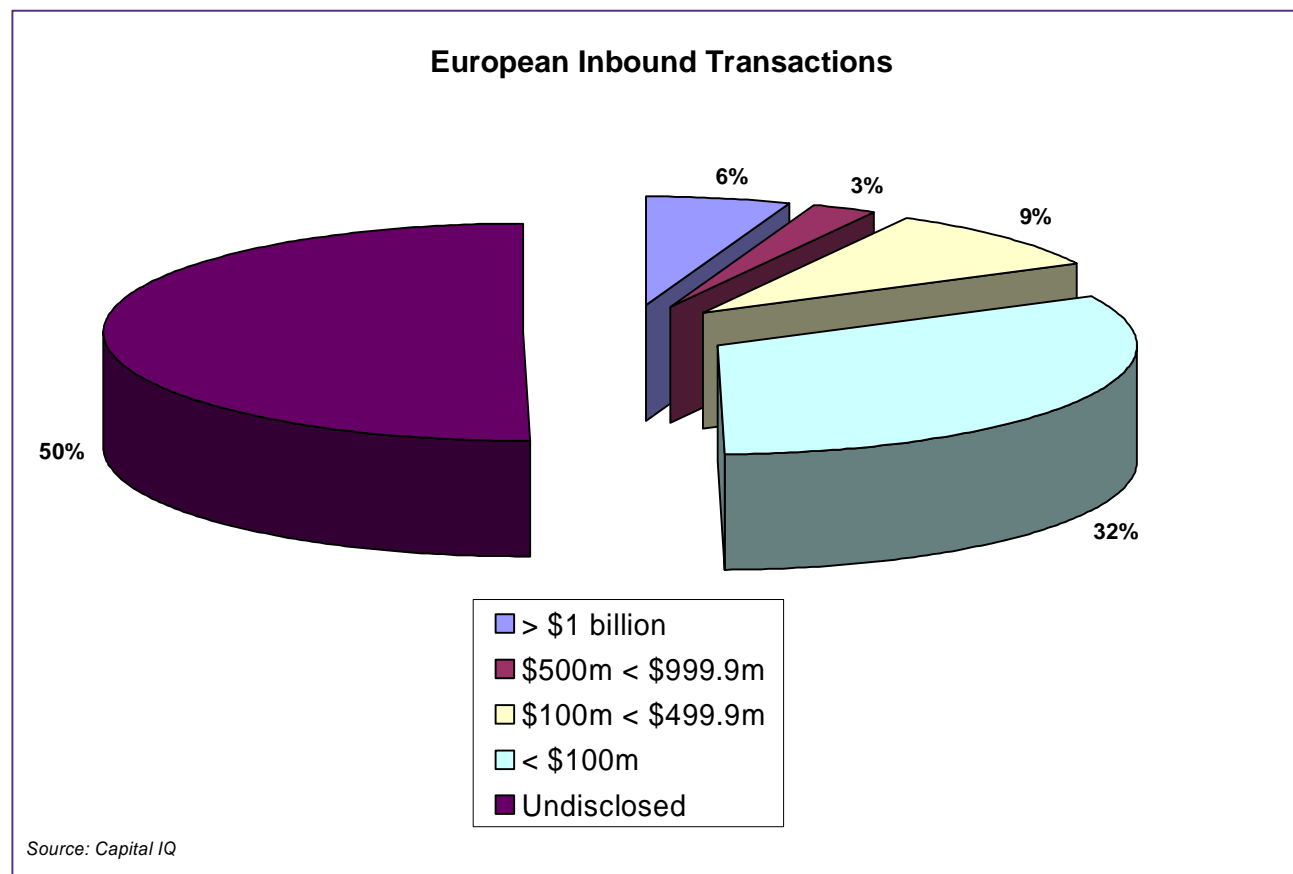
- Majority of deals are in middle market
– 94.9% valued less than \$1 Billion
- 82.9% of inbound deals have been less than \$100m or undisclosed

Inbound Transactions				
Transaction sizes	Europe	Asia Pacific	Middle East	Total
> \$1 billion	67	28	6	101
\$500m < \$999.9m	32	20	7	59
\$100m < \$499.9m	114	50	13	177
< \$100m	393	229	40	662
Undisclosed	611	331	33	975
Total	1,217	658	99	1,974

Source: Capital IQ

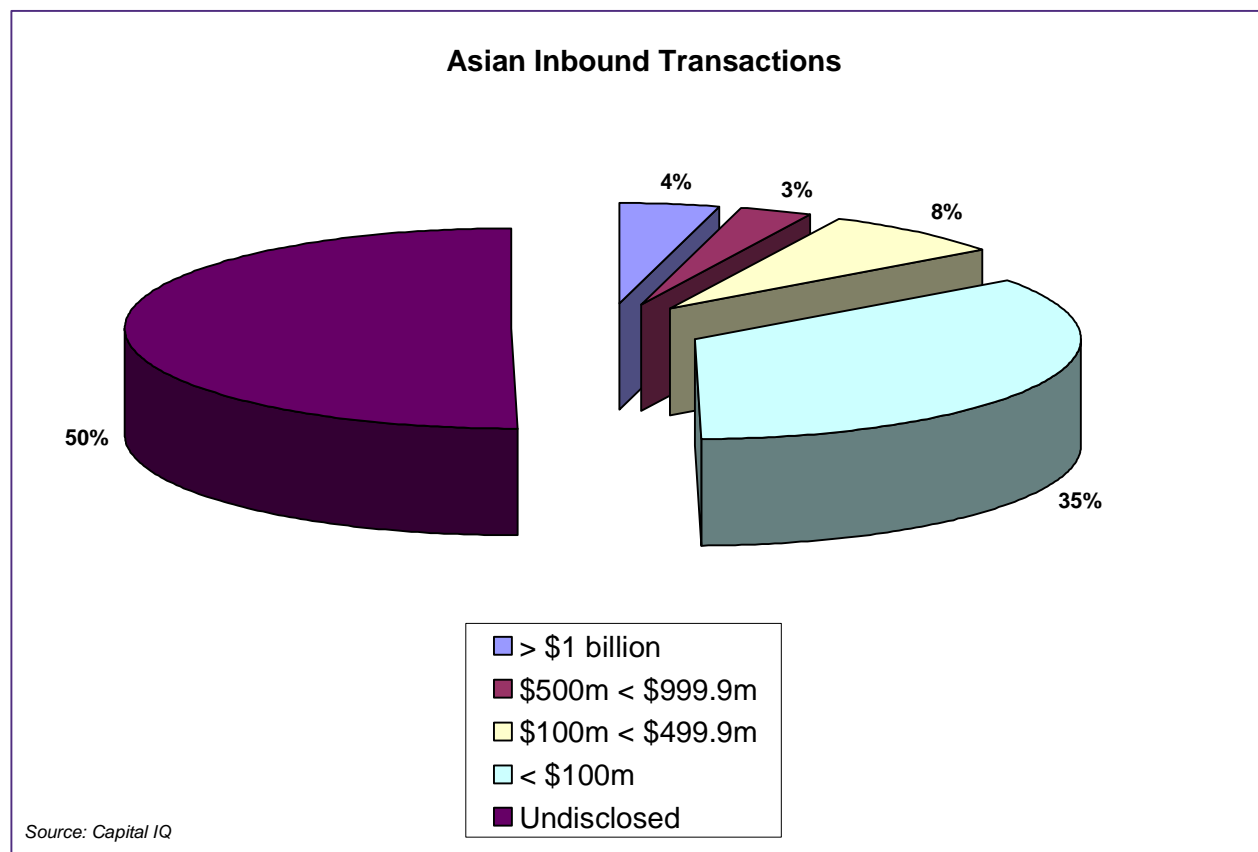
Global Inbound Acquisitions

Transaction sizes, Europe



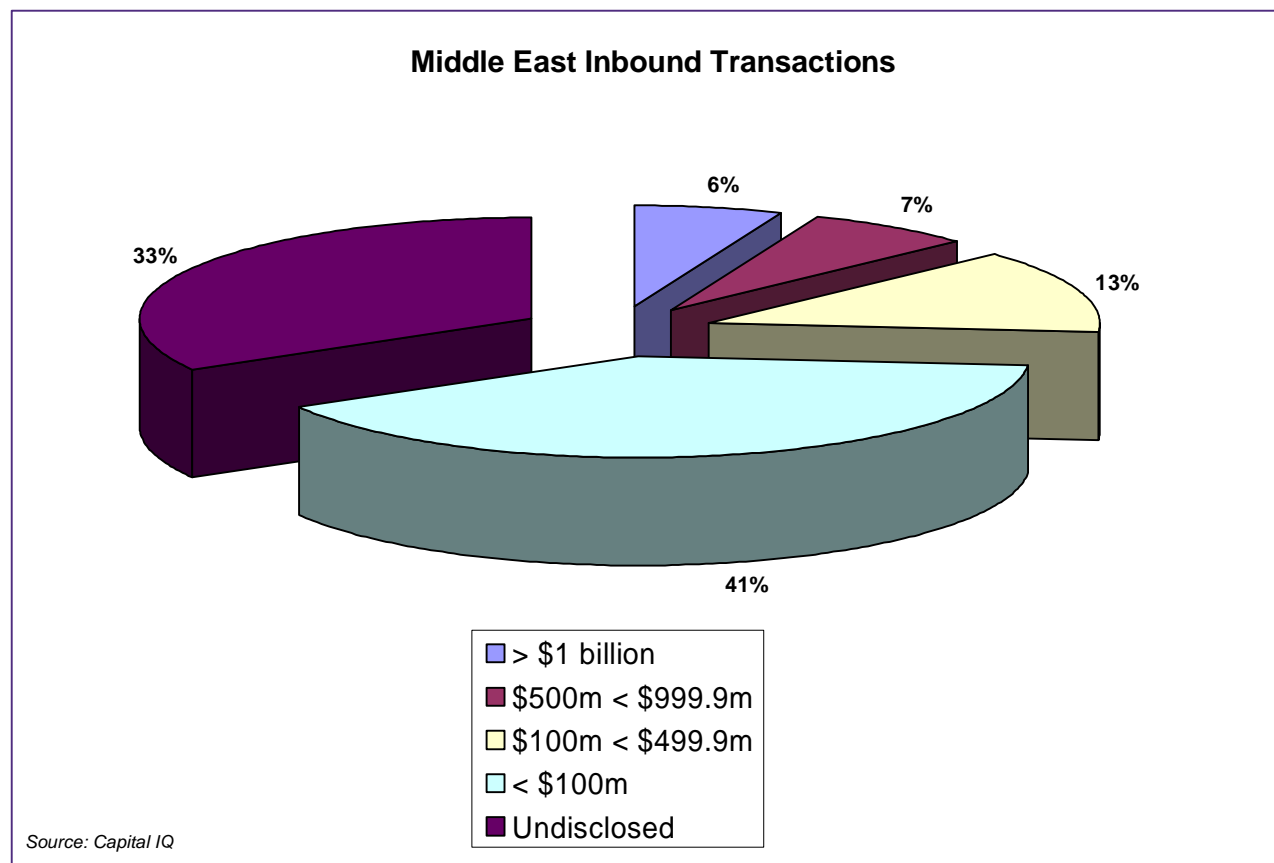
Global Inbound Acquisitions

Transaction sizes, Asia



Global Inbound Acquisitions

Transaction sizes, Middle East



Global Inbound Acquisitions

Transactions by Industry

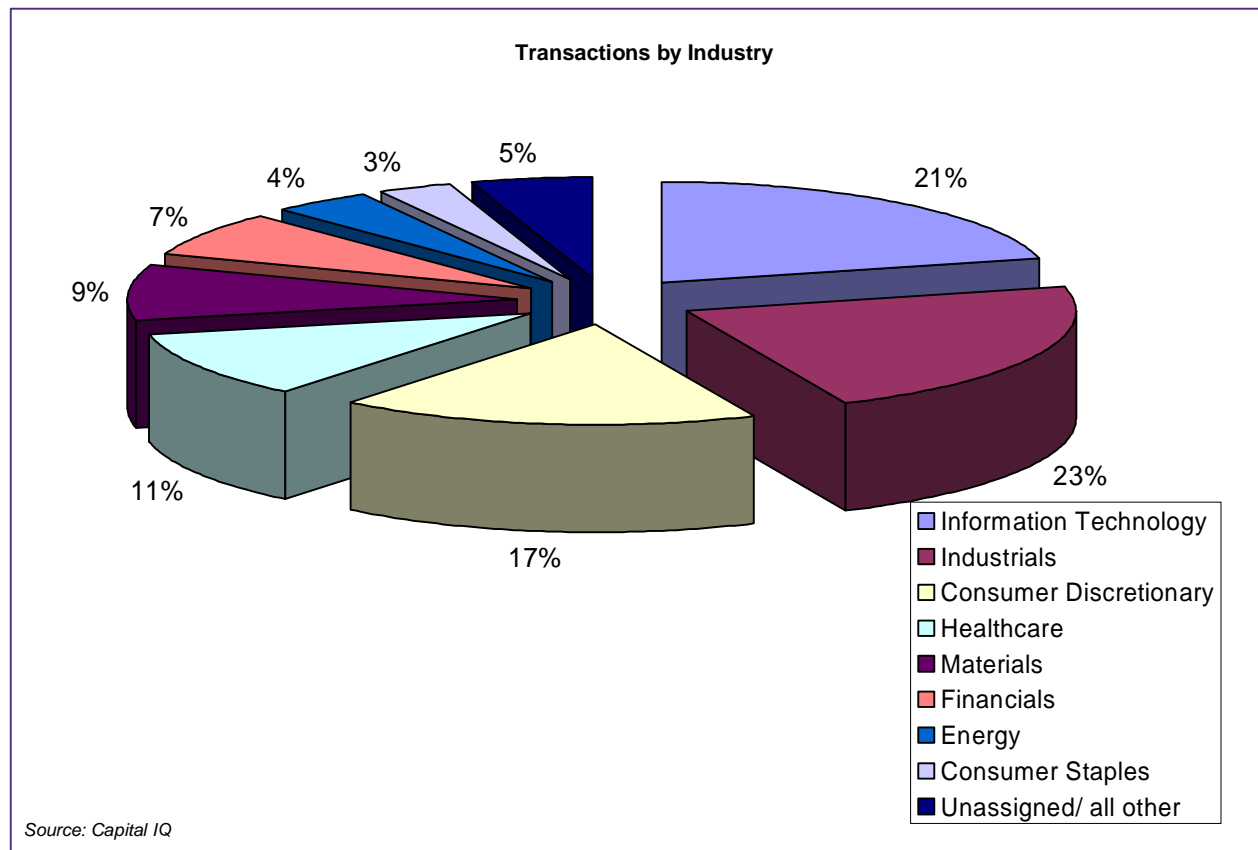
- Transactions continue in a variety of industries

Inbound Transactions By Industry	Europe	Asia Pacific	Middle East	Total
Information Technology	256	148	22	426
Industrials	273	105	18	396
Consumer Discretionary	210	112	24	346
Healthcare	133	66	10	209
Materials	110	68	4	182
Financials	85	59	9	153
Energy	52	39	2	93
Consumer Staples	36	25	3	64
Unassigned/ all other	62	36	7	105
Total	1,217	658	99	1,974

Source: Capital IQ

Global Inbound Acquisitions

Overall Transactions by Industry



Transaction statistics

Acquisition statistics

- Industry distribution consistent with overall transactions
- Of note – only 2 energy transactions from China

Inbound Transactions By Industry	China	India	Total
Information Technology	20	51	71
Consumer Discretionary	34	30	64
Industrials	17	26	43
Healthcare	14	19	33
Materials	16	12	28
Financials	23	5	28
Consumer Staples	9	4	13
Unassigned/ all other	6	6	12
Total	139	153	292

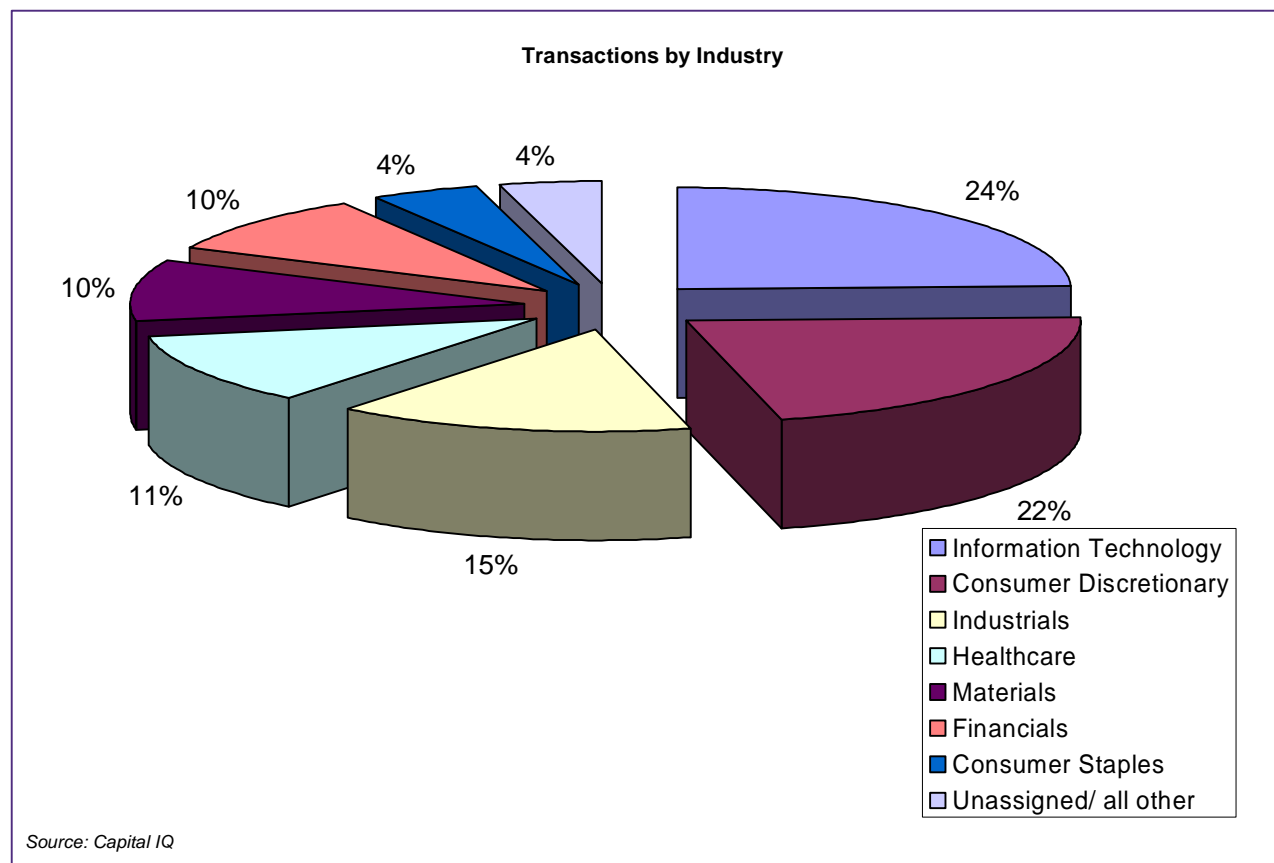
Source: Capital IQ

Inbound Transactions Transaction sizes	China	India	Total
> \$1 billion	-	4	4
\$500m < \$999.9m	-	3	3
\$100m < \$499.9m	6	8	14
< \$100m	27	68	95
Undisclosed	106	70	176
Total	139	153	292

Source: Capital IQ

Global Inbound Acquisitions

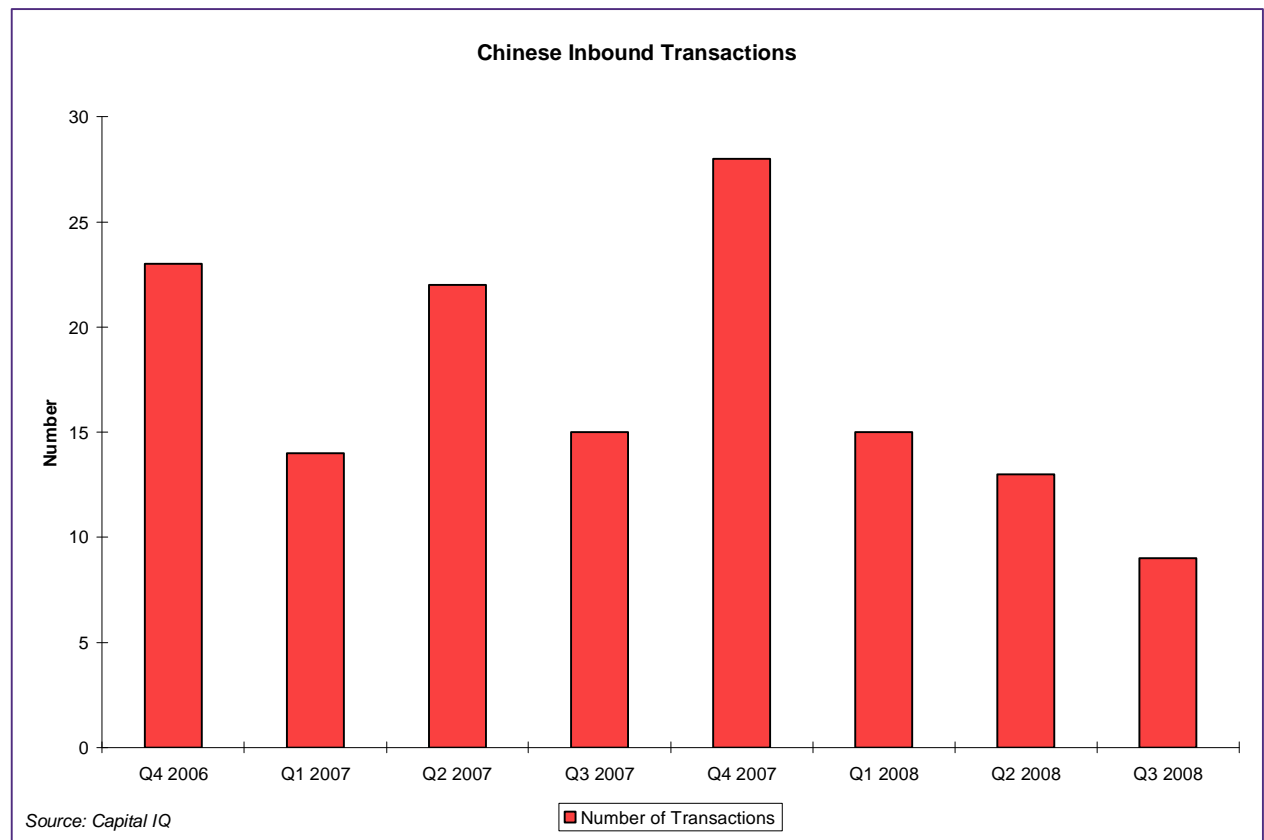
Chinese and Indian Transactions by Industry



Chinese Inbound Acquisitions

Chinese acquisitions

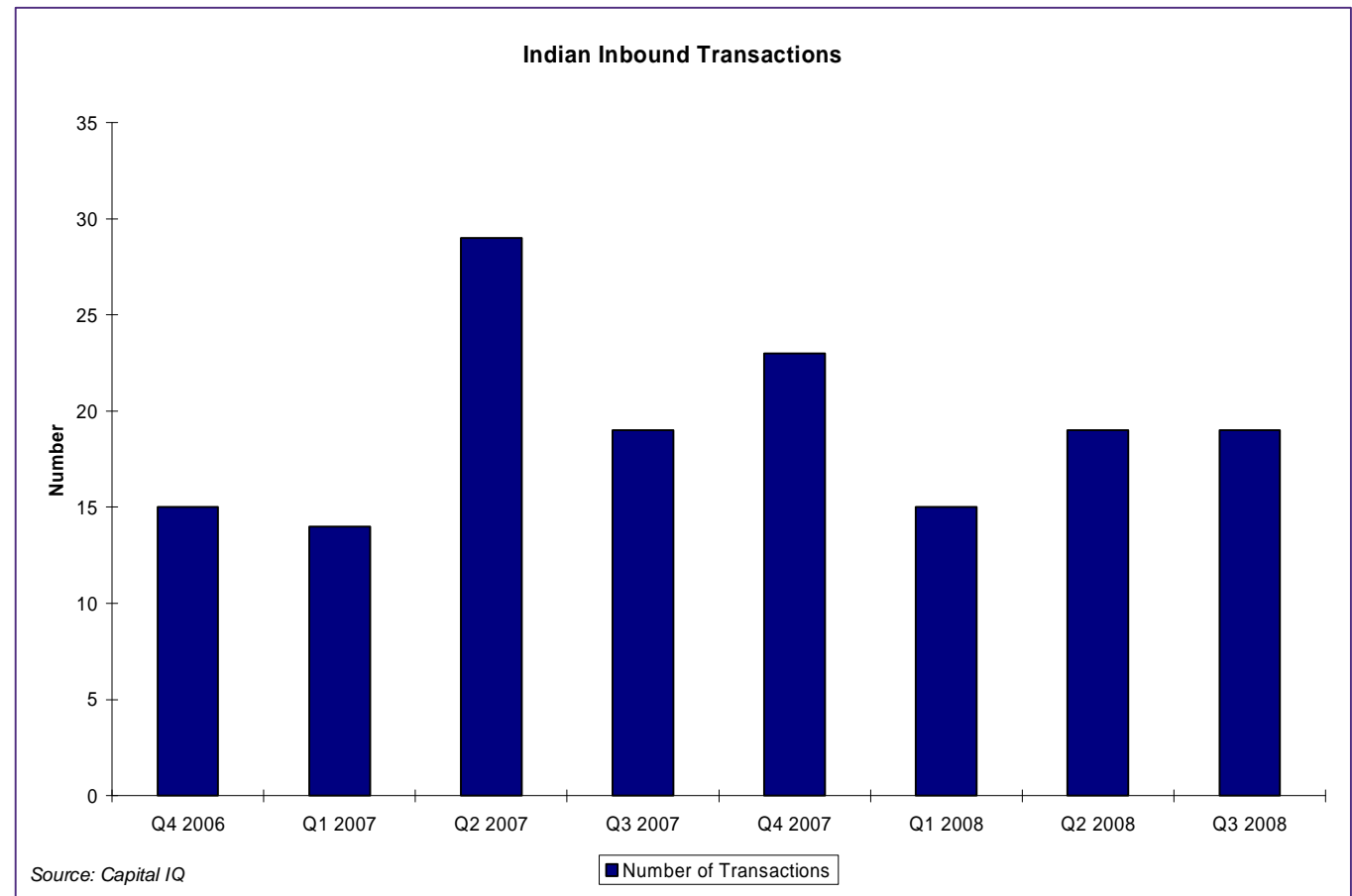
- Activity has decreased in 2008 from a peak in Q4 2007



Indian Inbound Acquisitions

Indian acquisitions

- Activity more stable than Chinese



Current Environment

What Asian strategic buyers are looking for:

- **Supply chain** disintermediation – i.e. buying potential customers or suppliers to their business
- **New market** opportunities
- **New product** opportunities – often to be exploited in Asia
- **New management** talent that comes with acquisition
- A **strategic foothold** in the US market that would be difficult (expensive and timely) to build organically
- Image enhancement, **public market perception** – ultimately share price improvement!

Trends to watch

- Convergence of international regulatory, economic and judicial standards
- Accounting standards transparency
- Specialization of financial products for emerging markets M&A
- Standardization of dispute resolution mechanisms in emerging economies
- Increased globalization of middle-class consumer products

Representative Case Study

Indian manufacturer expanding in the U.S.

Indian Activity

- This manufacturer was looking for rapid **market expansion** in North America
- Strategy included acquiring **production capacity** for the U.S. market
- Assistance with multiple transactions simultaneously
- Targets with **unique technologies** were of particular interest
- Ability of Target management teams to expand **management capabilities** in North America

Deal issues were:

- Speed of transaction
- Validation of business model
- Synergies
- Impact of commodity prices

Representative Case Study

Chinese manufacturer seeking U.S. branded products

Chinese Activity

- Strategy was to obtain **U.S. and European brands**
- **Acquisition strategy** through either acquisition of branded products or entire business operations
- Primary goal was to use U.S. or European brands for **Chinese marketplace**

Deal issues were:

- Distressed U.S. company which previously had failed transactions was sold to Chinese buyer within 6 months
- Value of brand in U.S. marketplace was not of critical importance
- Ability to use or expand market in U.S. or Europe was not important

Grant Thornton International



*International Business Center Locations

- | | | | | | | | | |
|------------|--------------------|-------------|-------------|---------------|--------------|---------------------|------------------|----------------------|
| Antilles | Cambodia | Ecuador | Guyana | Jordan | *Mexico | Peru | *South Africa | United Arab Emirates |
| *Argentina | *Canada | Egypt | Honduras | Kenya | Monaco | Philippines | Spain | *United Kingdom |
| Armenia | Cayman Islands | El Salvador | Hungary | Korea | Morocco | Poland | Sri Lanka | *United States |
| *Australia | Channel Islands | Estonia | Iceland | Kosovo | Mozambique | Portugal | *Sweden | Uruguay |
| Austria | Chile | Finland | *India | Kuwait | Namibia | Puerto Rico | Switzerland | Venezuela |
| Bahamas | *China (PRC) | *France | Indonesia | Latvia | *Netherlands | Qatar | Taiwan | Vietnam |
| Belgium | Colombia | Gabon | Iran | Lebanon | New Zealand | Romania | Tanzania | Yemen |
| Bermuda | Costa Rica | *Germany | *Ireland | Liechtenstein | Nicaragua | Russia | Thailand | Zambia |
| Bolivia | Croatia | Ghana | Isle of Man | Luxembourg | Nigeria | Saudi Arabia | Tunisia | |
| Botswana | Cyprus | Gibraltar | *Israel | Macedonia | Norway | Serbia & Montenegro | Turkey | |
| *Brazil | Czech Republic | Greece | Italy | Malaysia | Oman | *Singapore | Turks and Caicos | |
| Brunei | *Denmark | Guam | Jamaica | Malta | Pakistan | Slovak Republic | Uganda | |
| Bulgaria | Dominican Republic | Guatemala | *Japan | Mauritius | Panama | Slovenia | Ukraine | |