

FIRST WORD:  
M&A WATCH

**BASF PICKS EUROCHEM IN \$947 MILLION FERTILIZER SALE.** The German chemicals maker chose the Russian fertilizer supplier's bid over Norway's Yara for assets that generate annual sales of 500 million euros (\$676 million).

**MAN SE SURGES AFTER VW WINS EU CLEARANCE FOR TAKEOVER.** VW obtained antitrust approval for its takeover of the German truckmaker, valued at 9.2 billion euros.

**CHINA MOBILE HOARDS \$50 BILLION AS STOCKS LOSE VALUE.** The world's biggest phone carrier's reluctance to buy means it is missing the industry's cheapest valuations in two years, fueling investor discontent over its takeover strategy.

**CONNECTEAST SAYS SHAREHOLDERS APPROVE HORIZON ROADS OFFER.** Horizon's offer for the toll-road operator was 22 percent more than ConnectEast's share price before the bid and values the company at A\$2.17 billion (\$2.14 billion).

**ATRIUM BUYS PALAC FLORA MALL IN PRAGUE FOR \$259 MILLION.** The purchase, financed with equity and debt, is the largest real estate transaction in Prague this year, Jersey-based Atrium said.

**HYNIX SHAREHOLDERS EXTEND SALE DEADLINE TO ALLOW NEW BIDDERS.** Shareholders set a Nov. 3 bidding deadline for a controlling stake in the world's second-largest maker of computer-memory chips.

## Global Rebound in Takeovers Falter

BY ZACHARY R. MIDER, JACQUELINE SIMMONS AND JEFFREY MCCrackEN

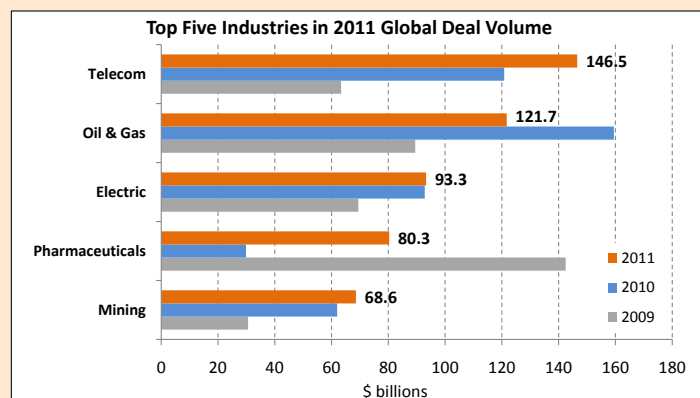
The global rebound in mergers and acquisitions stumbled in the third quarter as takeovers by U.S. and Asian acquirers failed to compensate for a 43 percent decline in purchases by European companies.

Dealmaking dropped 22 percent to \$504 billion from the prior three-month period, according to data compiled by Bloomberg, as European suitors retreated. **Express Scripts Inc.'s** \$29.1 billion bid for **Medco Health Solutions Inc.** and **Nippon Steel Corp.'s** \$9.5 billion offer for **Sumitomo Metal Industries Ltd.** blunted the drop.

## Daily Data (includes announced and amended deals)

### Comparisons

SUMMARY	TOTAL	YEAR TO DATE	PRIOR YTD
Number of Deals	52	20,050	18,586
Volume	\$2.87 billion	\$1.82 trillion	\$1.56 trillion
Avg Disclosed Deal Size	\$86.98 million	\$166.94 million	\$156.84 million
Average Premium	95.72%	21.53%	23.24%



The telecommunications industry leads in global deal volume this year, growing 21 percent to \$146.5 billion from a year earlier.

## Breaking Deals

TARGET NAME	ACQUIRER NAME	TOTAL VALUE (\$M)	TARGET PRICE/EBITDA
Fertilizer assets/Belgium	EuroChem Mineral & Chemical	946.89	-
Bk for Frgn Trade of Vietnam	Mizuho Financial Group Inc	570	-
SFO Technologies Pvt Ltd	Hitachi Ltd	324.93	-
Multiple Targets	Yanzhou Coal Mining Co Ltd	293.06	-
Palac Flora shopping centre	Atrium European Real Estate	258.48	-
Guangxi Guitang Group Co	Guangdong Hengjian Invstmt	134.25	-
Ivanhoe Mines Ltd/CA	Rio Tinto PLC	71.17	-
Newron Pharmaceuticals	Biotie Therapies OYJ	32.4	-
Bosch Auto. Diesel Systems	Weifu High-Technology Group	30.95	-
Shikoku Meitetsu Transport	Meitetsu Transport Co Ltd	25.96	-

## Yesterday's Deals

TARGET NAME	ACQUIRER NAME	TOTAL VALUE (\$M)	TARGET PRICE/EBITDA
TMD Friction Group SA	Nisshinbo Holdings Inc	592.28	-
Accuity Holdings Inc	Reed Elsevier PLC	531.79	-
36 Shopping Centers	Blackstone Group LP	473.1	-
Bow Energy Ltd	Arrow Energy	439.69	-
Vespucio Norte y del Tunel	Multiple acquirers	290.93	-
AXA Life Insurance	SSQ Financial Group	289.91	-
ReNew Wind Power Pvt Ltd	Goldman Sachs Group Inc/The	202.23	-
Marcellus Shale/The	Antero Resources Corp	193	-
Halcrow Group Ltd	CH2M Hill Cos Ltd	192.4	-
Tnuva Food Industries Ltd	Apax Partners LLP	190.76	-

## GLOBAL REBOUND FALTERS ...

U.S. and Asian companies are putting stockpiles of cash to work as a dimming economic outlook makes it more difficult for them to expand on their own. While their counterparts in Europe are also seeking growth, the deepening debt crisis there discouraged some from pursuing deals.

"The broader economic climate in Europe is bringing uncertainty to decision-making," said **Hernan Cristerna**, head of M&A for Europe, the Middle East and Africa at **JPMorgan Chase & Co.**, the top adviser on deals this year (see League Tables on p. 10). "New mandates have been coming through, but we are realistic that it might be difficult to execute some of them in the current environment."

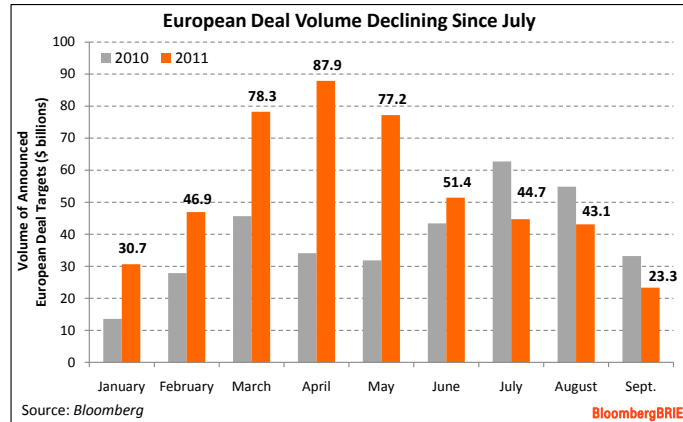
The rout in Europe imperils what is on track to be the second year of a global recovery in dealmaking. Companies have struck \$1.78 trillion of deals this year, 18 percent more than the \$1.51 trillion they put together at the same point in 2010.

For every \$2 U.S. companies spent on acquisitions in the third quarter, European ones spent less than \$1. For most of the past decade, U.S. and Europe disbursed about the same amount.

U.S. deals included two big bets by technology giants: **Google Inc.**'s \$12.5 billion offer for **Motorola Mobility Holdings Inc.** and **Hewlett-Packard Co.**'s proposed \$10.3 billion acquisition of U.K. software maker **Autonomy Corp.** **BHP Billiton Ltd.** bought **Petrohawk Energy Corp.** for about \$12 billion, its largest acquisition.

"We are continuing to see healthy activity in both the tech and in natural resources sectors, but the macro environment is such that CEOs are being prudent," said **Yoel Zaoui**, global co-head of M&A at **Goldman Sachs Group Inc.** Goldman Sachs is second to JPMorgan in advising on transactions this year.

Deal volume sank alongside the outlook for the global economy. Spanish and Italian government bond yields increased to euro-era records during the quarter as Greece attempted to avoid default. In the U.S., credit concerns increased as Standard & Poor's lowered the nation's rating, saying lawmakers haven't done enough to curb record budget deficits.



"Timelines are being stretched, and whether these deals ultimately get done remains an open question," said **Giuseppe Monarchi**, head of M&A for Europe, the Middle East and Africa at **Credit Suisse Group AG**.

**PPR**, the French owner of luxury brands such as Gucci, shelved plans this month to sell its **Redcats** online retail unit, partly because of the financing squeeze. The Paris-based company initially attracted buyout firms such as **TPG Capital** and **CVC Capital Partners Ltd.**, people with knowledge of the matter said in July.

Some companies are opting for spinoffs or breakups rather than takeovers. **Kraft Foods Inc.** last month revealed plans to spin off its North American grocery business. **Tyco International Ltd.**, the security-system maker that fielded advances from **Schneider Electric SA** this year, announced plans for a breakup this month.

"For now, we'll continue to see strategic reorganizations, such as spinoffs and divestitures, and some sizable acquisitions by companies with substantial cash reserves," said **Henrik Aslaksen**, global head of M&A for **Deutsche Bank AG**.

The top 1,000 non-financial companies worldwide are sitting on about \$3.3 trillion in cash and equivalents, according to data compiled by Bloomberg.

**Siemens AG** CEO **Peter Loescher** said Sept. 24 that the German maker of trains, scanners and power plants is seeking acquisitions and that prices are becoming "more attractive by the day." **Nestle SA**, which had more than \$3 billion in cash and equivalents at the end of June, said in August that it opted not to buy back more shares, prompting speculation it's saving

for takeovers.

Acquirers in the Asia-Pacific region kept spending in the third quarter, with volume climbing about 4 percent to \$158 billion from the previous period.

"Given the undiminished appetite of Asian corporates for M&A opportunities globally, combined with their strong overall financial positioning, we don't expect any slowdown in M&A activity to be long drawn out," said **Colin Banfield**, Asia-Pacific head of M&A at **Citigroup Inc.**

Still, much like in Europe, market turmoil has put off or quashed some large transactions clients had contemplated, said **Stephen Gore**, head of M&A for Asia at **UBS AG**.

"Trying to take a decision to execute a large, transformational transaction when there is a high level of global uncertainty about macro-economic conditions is difficult," he said.

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## PEOPLE WATCH

■ **General Motors** said it hired **James A. Davlin** as a vice president of finance and treasurer. He joined from **Deere & Co.** where he was responsible for implementing the agriculture equipment maker's strategic initiatives and mergers. The new role is effective Oct. 3 and Davlin will report to **Dan Ammann**, GM's senior vice president and chief financial officer.

■ **Royal Bank of Scotland Group Plc** said it hired **Aubrey Adams**, the former chief executive officer of real estate broker **Savills Plc**, to oversee distressed property investments. Adams, 61, will join RBS on Nov. 1, according to a statement today from the Edinburgh-based bank, the largest controlled by the U.K. state following a 45.5 billion-pound (\$71 billion) rescue. One of Adams's responsibilities will be West Register, the unit set up by RBS to acquire properties where the borrower defaulted, managing them until their sale.

■ **London Stock Exchange Group Plc** hired former **NYSE Euronext** executive **Serge Harry** as Europe's oldest independent bourse holds takeover talks with **LCH. Clearnet Group Ltd.** The company has appointed Harry as a consultant, LSE spokeswoman Lauren Crawley-Moore said. Harry, who was previously chief financial officer at **Euronext NV**, could not be reached for a comment. Harry was hired to assist LSE in its bid to acquire LCH. Clearnet, Financial News reported, without saying how it got the information. Crawley-Moore declined to comment on the nature of the appointment. The operator of London's stock exchange said on Sept. 2 that it's in discussions with LCH. Clearnet regarding a "potential transaction" with the clearing company.

— Aleksandrs Rozens, Simon Packard, Alexis Xydias

E-mail people news to [mergerbrief@bloomberg.net](mailto:mergerbrief@bloomberg.net).

## THE WIRE

### BASF Picks EuroChem in \$947 Million Fertilizer Sale

**BASF SE** agreed to sell the bulk of its nitrogen-fertilizer assets to **OAo EuroChem** in a deal valued at 700 million euros (\$947 million), selecting the Russian crop nutrient supplier over Norway's **Yara International ASA**.

BASF, based in Ludwigshafen, Germany, expects to close the deal by the first quarter, it said in a statement. About 330 workers at a site in Antwerp, Belgium will move to EuroChem, as will 190 employees at a French joint venture.

The chemical maker put the bulk of its fertilizer operations up for sale in February as it shifts focus to less cyclical products. The assets are profitable and generate annual sales of about 500 million euros, the company has said.

OAo EuroChem has access to cheap natural gas for the production of ammonia, which would be shipped to BASF's plants for processing into fertilizer. The fertilizer industry is consolidating as rising food prices spur farmers to plant more crops, boosting demand for soil nutrients.

— Ilya Khrennikov and Richard Weiss

### China Mobile Hoards \$50 billion as Stocks Cheapen

**China Mobile Ltd.**, sitting on more cash than **Apple Inc.**, is missing the phone industry's cheapest stock valuations in two years, fueling investor discontent over its takeover strategy.

Shares of **Telefonica SA**, Spain's biggest phone company, are nearing their least expensive levels relative to estimated earnings on record as stocks in the MSCI World Telecommunication Services Index trade at their lowest multiples since July 2009, data compiled by Bloomberg show. But China Mobile's cash is better spent on network upgrades at home, Chairman **Wang Jianzhou** said.

"We do have a strategy but we do not have targets," Wang said in an interview. Minority shareholders say the world's biggest phone carrier, flush with more than \$50 billion in cash, should pursue assets or give money back.

Facing slowing subscriber growth at home, China Mobile has yet to make an overseas acquisition and its last major purchase was buying 20 percent of **Shanghai Pudong Development Bank Co.** last year.

"What they need to do is take a long look at buying European telcos. Telefonica, wow, that's cheap," said **David Fergusson**, a fund manager at **Woodside Holdings Investment Management** in Singapore.

— Bloomberg News

### MAN SE Surges as VW Wins EU Clearance for Takeover

**Volkswagen AG's** takeover bid for the German truckmaker **MAN SE** was cleared by the European Union.

MAN rose the most in more than 10 months on the news that Europe's biggest carmaker had obtained EU antitrust approval without the need for asset sales or other remedies because the "merged entity would continue to face strong competition from other well-established manufacturers."

VW triggered a mandatory bid for MAN by raising its stake to 30.5 percent from 29.9 percent on May 9 to pave the way for closer cooperation between Munich-based MAN and Sweden's **Scania AB**, which VW already controls. A three-way truck alliance may save as much as 1 billion euros (\$1.35 billion) in annual costs, according to VW.

MAN was up 7.3 percent to 63.34 euros as of 10:15 a.m. in Frankfurt trading. The shares have declined 29 percent this year, valuing the company at 9.2 billion euros.

The combination of MAN and Scania would leapfrog Gothenburg, Sweden-based

## PRIVATE EQUITY

■ **Maple Group Acquisition Corp.**, the group of Canadian banks and pension funds seeking to buy the Toronto Stock Exchange owner, will update investors this week on its \$3.61 billion offer as talks continue with regulators and **TMX Group Inc.** The bidding group plans to release a statement this week ahead of a Sept. 30 deadline for the bid, said Maple spokesman Peter Block. "Discussions continue with TMX Group," Block said. "Work continues with the Competition Bureau and provincial regulators." Maple last month extended the deadline for its tender offer to buy as much as 80 percent of TMX shares.

■ **Freescale Semiconductor Holdings**, the chipmaker mostly owned by a private-equity consortium including **Blackstone Group LP** and **TPG Capital**, fell after forecasting lower third-quarter sales than analysts projected. Slowing demand in the industrial and networking business may push net sales for the quarter down by 6 percent to 8 percent sequentially, the Austin, Texas-based company said today in a statement. The average decline projected by analysts in a Bloomberg survey was 2.5 percent. The company is the largest supplier of chips to the auto industry and also makes chips for mobile phones and portable devices such as Amazon.com Inc.'s Kindle e-reader.

■ A **Blackstone Group LP** fund agreed to buy 36 U.S. shopping centers, most anchored by grocery stores, from **Equity One Inc.** for \$473.1 million. Blackstone Real Estate Partners VII will buy the properties, which are primarily in the Southeast, Equity One said in a statement. The portfolio was 91 percent occupied at the end of June, according to the North Miami Beach, Florida-based developer. The transaction is scheduled for completion in the fourth quarter.

— by Lisa Rapaport, Doug Alexander and Brian Louis

## THE WIRE...

**Volvo AB** and **Daimler AG** to create Europe's largest truckmaker.

— Chad Thomas

## ConnectEast Shareholders Approve Horizon Roads Offer

**ConnectEast Group** shareholders approved a bid by its biggest investor to buy the part of the toll-road operator it doesn't already own in a deal valuing the company at A\$2.17 billion (\$2.14 billion).

More than 80 percent of ConnectEast investors voted in favor of the cash offer by **Horizon Roads**, an investment vehicle managed by infrastructure fund manager **CP2 Ltd.**, ConnectEast said in a statement to the Australian stock exchange.

The takeover hands CP2, which manages about A\$2 billion in funds, ownership of the EastLink toll road in Melbourne after the fund manager's offer for rival highway operator **Transurban Group** was rejected in May 2010. Horizon's 55 Australian cents a share offer was 22 percent more than ConnectEast's share price on July 21, before the bid.

— Nichola Saminather

## Intercell in Talks With Private Equity, CEO Says

**Intercell AG**, the Austrian biotech whose shares plunged 89 percent after research setbacks, is in talks about selling a stake to a private-equity firm, the chief executive officer said.

It's too early to say how much of the company a private-equity partner might purchase, CEO **Thomas Lingelbach** said in an interview. Shareholders have authorized the company to sell up to 16 million new shares. Intercell has 48.59 million shares outstanding.

"We are in exploratory talks," he said, without naming the other parties. Intercell rose as much as 3 percent to 1.9 euros and was trading at 1.899 euros at 9:11 a.m. in Vienna trading, giving the company a market value of 92 million euros (\$125 million).

"We are a bargain," Lingelbach said. Intercell's Ixiaro vaccine for Japanese encephalitis alone is worth more than the current share price, subtracting cash on hand and debt, he said.

Intercell hopes to be in final-stage talks with at least one prospect by the end of the year, he said.

— Naomi Kresge and Zoe Schneeweiss

## Atrium Buys Palac Flora Mall in Prague for \$259 Million

**Atrium European Real Estate Ltd.** bought the Palac Flora shopping center in Prague for 191 million euros (\$259 million) to expand its retail holdings in central Europe.

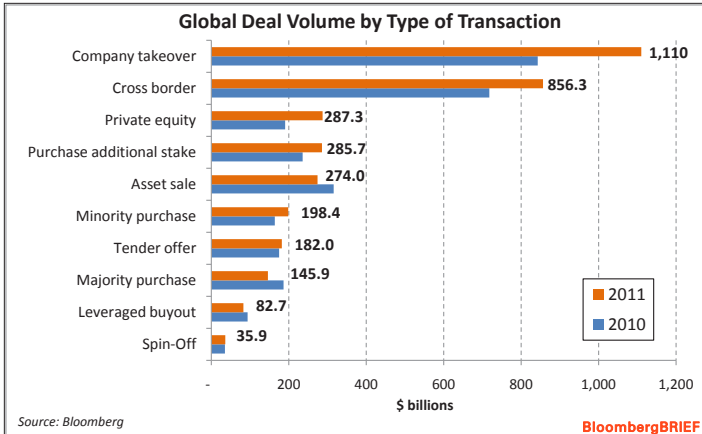
The mall was sold by **Africa Israel Group** unit **AFI Europe** and Irish private equity group **Avestus Capital Partners**, previously known as **Quinlan Private**, Jersey-based Atrium said in a statement. The Palac Flora acquisition is the largest real estate transaction in Prague this year, Atrium said in the statement.

The purchase, financed with equity and debt, will increase the value of Atrium's income-producing portfolio to about 2 billion euros, according to the statement.

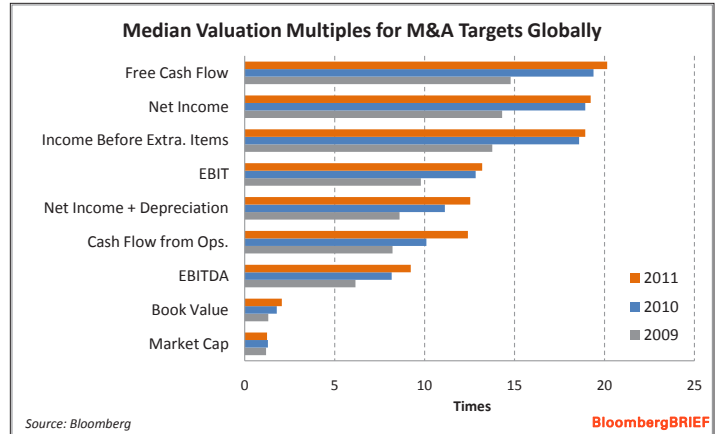
Atrium, which owns 98 properties in the Czech Republic, can improve the mall's performance through economies of scale and the company's asset management experience, Chief Executive Officer **Rachel Lavine** said in the statement.

— Neil Callanan

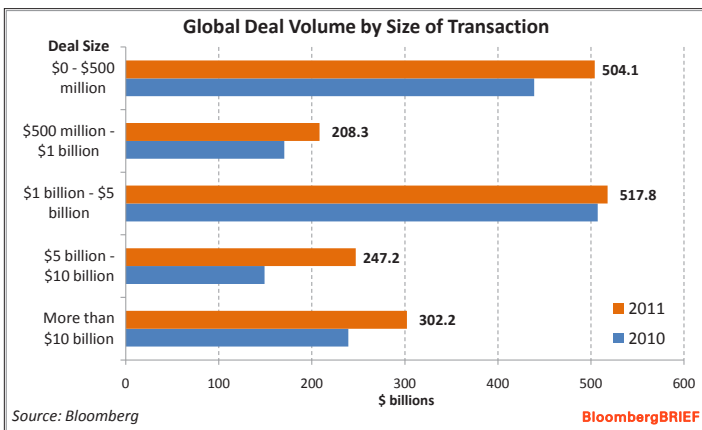
# DEAL DATA



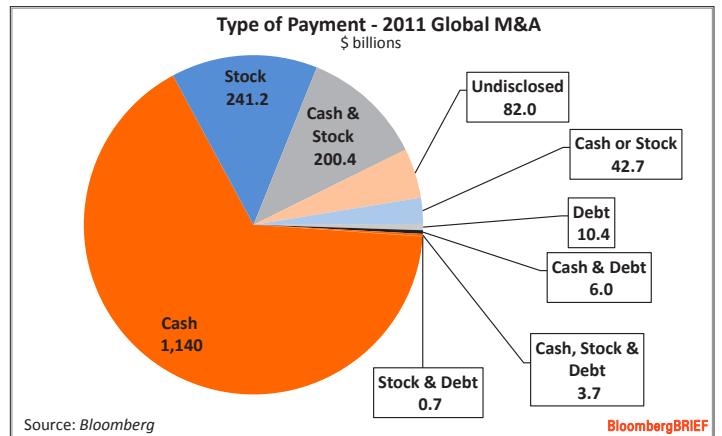
Private-equity deals grew the most among the categories of announced transactions, rising 51 percent from a year earlier to \$287.3 billion in total volume. Leveraged buyouts declined 12 percent from a year earlier to \$82.7 billion.



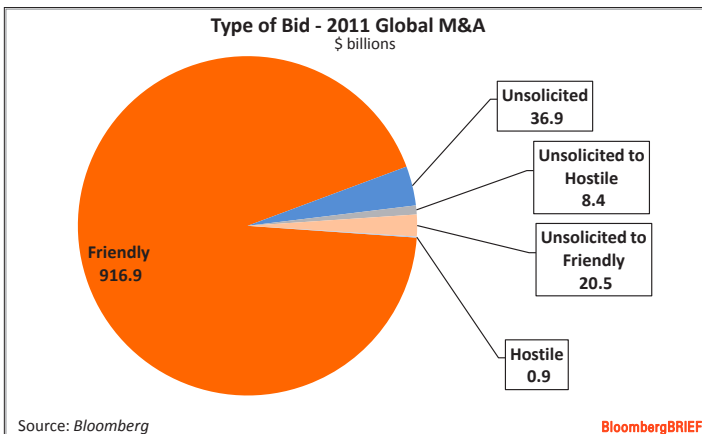
Deal multiples have risen since 2009, as the volume of announced transactions increased. The median Ebitda multiple increased 13 percent to 9.2 times from 8.2 times in 2010.



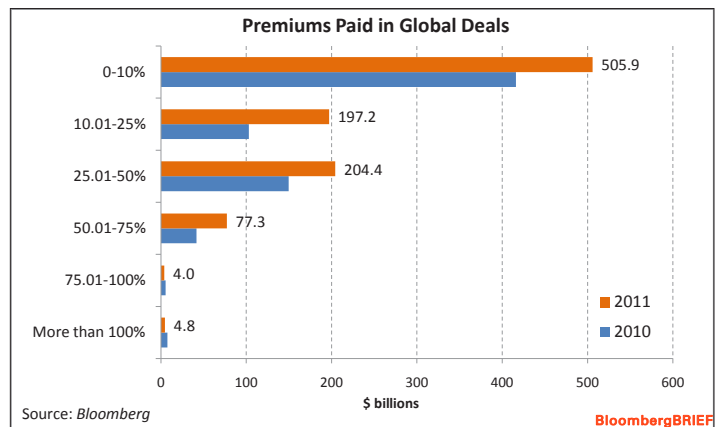
Seventeen announced deals this year have a value greater than \$10 billion, up from 12 transactions in 2010. Deals valued from \$1 billion to \$5 billion are the slowest-growing category this year, rising 2% to \$517.8 billion in total volume.



Less than 14 percent of global deal volume has been funded solely with stock this year. The biggest all-stock transaction is Duke Energy Corp.'s proposed takeover of Progress Energy Inc. for \$25.5 billion, not including net debt.



More than 99 percent of global announced transactions are considered friendly bids. The biggest takeover categorized "unsolicited to hostile" is Maple Group Acquisition Corp.'s proposed purchase of TMX Group Inc. for \$3.85 billion.



Less than \$5 billion of announced deals this year have had a premium exceeding 100 percent, such as Walgreen Co.'s purchase of Drugstore.com for \$396.9 million, not including net debt, and an announced premium of 103 percent.

## Bloomberg Rankings

### Most Active Private-Equity Firms

RANK	FINANCIAL FIRM	DEAL VALUE (\$ BLN)
1	Blackstone Group LP (U.S.)	20.3
2	Avista Capital Partners LLC (U.S.)	14.2
3	Nordic Capital AB (Sweden)	14.1
4	Credit Suisse Group (Switzerland)	14.0
5	EQT Partners AB (Sweden)	12.6
6	Apax Partners LLP (U.K.)	12.0
7	Silver Lake Partners LP (U.S.)	11.8
8	JAFCO Co. Ltd. (Japan)	11.3
9	Clayton Dubilier & Rice LLC (U.S.)	10.7
10	Carlyle Group (U.S.)	10.3
11	KKR & Co. (U.S.)	10.1
11	TPG Capital (U.S.)	10.1
13	Providence Equity Partners (U.S.)	8.9
14	PAI Partners SAS (France)	8.8
15	Permira Advisers Ltd. (U.K.)	7.2
16	Bain Capital LLC (U.S.)	7.1
17	JPMorgan Chase (U.S.)	6.1
18	Hellman & Friedman LLC (U.S.)	5.9
19	Cinven Ltd. (U.K.)	4.9
20	BC Partners Holdings Ltd. (U.K.)	4.8

Source: Bloomberg Rankings ([BBRANK <GO>](#))

As of Sept. 26

### Top Private-Equity Advisers

RANK	FINANCIAL FIRM	DEALS	VALUE (\$ BLN)
1	JPMorgan Chase & Co.	51	66.8
2	Goldman Sachs Group Inc.	46	64.6
3	Morgan Stanley	64	49.8
4	Bank of America Merrill Lynch	53	49.4
5	Deutsche Bank AG	23	44.7
6	Barclays Capital	35	44.3
7	Credit Suisse Group AG	42	42.5
8	UBS AG	43	38.4
9	Nomura Holdings Inc.	26	37.2
10	Citigroup Inc.	34	31.8
11	Moelis & Co.	16	26.3
12	Lazard Ltd.	46	25.8
13	Rothschild	45	20.5
14	HSBC Bank Plc	21	16.5
15	RBC Capital Markets	23	14.4
16	Societe Generale	21	14.3
17	Deloitte Touche Tohmatsu	10	12.2
18	Flagstaff Partners Pty Ltd.	2	12.1
19	Jefferies Group Inc.	35	11.9
20	Wells Fargo & Co.	7	10.3

Source: Bloomberg Rankings ([BBRANK <GO>](#))

As of Sept. 26

### Biggest Private-Equity Buyers

RANK	FINANCIAL FIRM	DEALS	VALUE (\$ BLN)
1	Blackstone Group LP (U.S.)	25	15.9
2	Apax Partners LLP (U.K.)	19	9.3
3	Clayton Dubilier & Rice LLC (U.S.)	5	6.4
4	TPG Capital (U.S.)	27	6.2
5	Hellman & Friedman LLC (U.S.)	12	5.0
6	KKR & Co. (U.S.)	21	4.8
7	BC Partners Holdings Ltd. (U.K.)	7	4.6
7	Bain Capital LLC (U.S.)	17	4.6
9	Advent International Corp. (U.S.)	13	3.7
10	Carlyle Group (U.S.)	37	3.5

Source: Bloomberg Rankings ([BBRANK <GO>](#))

As of Sept. 26

### Biggest Private-Equity Sellers

RANK	FINANCIAL FIRM	DEALS	VALUE (\$ BLN)
1	Nordic Capital AB (Sweden)	5	14.1
2	Credit Suisse Group (Switzerland)	4	13.9
3	Avista Capital Partners LLC (U.S.)	1	13.7
4	JAFCO Co. Ltd. (Japan)	2	11.3
5	EQT Partners AB (Sweden)	5	10.4
6	Silver Lake Partners LP (U.S.)	4	10.3
7	PAI Partners (France)	5	8.0
8	Carlyle Group (U.S.)	16	6.9
9	Providence Equity Partners (U.S.)	4	5.6
10	KKR & Co. (U.S.)	5	5.3

Source: Bloomberg Rankings ([BBRANK <GO>](#))

As of Sept. 26

## BLOOMBERG RANKINGS...

## Top Venture Capital Investors of 2011

Venture capital investments have nearly tripled this year to \$32 billion, with e-commerce and internet content getting the bulk of the money.

RANK	FIRM	VALUE* (\$ MLN)	NUMBER OF COS.	AVERAGE DEAL SIZE (\$ MLN)	TOP FIVE TARGET COMPANIES
1	Kleiner Perkins Caufield & Byers	\$2,543.0	46	\$54.5	Groupon Inc., OSISOFT LLC, Tesaro Inc., Fisker Automotive Inc., Spotify Ltd.
2	Digital Sky Technologies	2,260.0	6	452.4	360buy, Facebook Inc., Airbnb Inc., Spotify Ltd., ZocDoc Inc.
3	Andreessen Horowitz	1,520.0	24	66.2	Groupon Inc., Airbnb Inc., Twitter Inc., Foursquare Labs Inc., Jawbone
4	Greylock Partners	1,374.5	21	65.5	Groupon Inc., Tabula Inc., Tumblr Inc., Just-Eat Holding Ltd., Pure Storage Inc.
5	Battery Ventures	1,304.5	19	68.7	Groupon Inc., Wayfair LLC, Achronix Semiconductor Corp., ExactTarget Inc., SolarBridge Technologies Inc.
6	New Enterprise Associates	1,252.4	43	28.5	Cvent Inc., Tabula Inc., Tesaro Inc., Fisker Automotive Inc., Gilt Groupe Inc.
7	Technology Crossover Ventures	1,240.0	5	310.0	Groupon Inc., OSISOFT LLC, K12 Inc., ExactTarget Inc.
8	Sequoia Capital	1,000.7	45	24.5	Innovation Works, Ganji.com, Douban, Evernote Corp., Guangzhou Vipshop Information Technology Co.
9	Goldman Sachs Group Inc.	811.2	6	187.4	Facebook Inc., Dropbox Inc., Enstar Group Ltd., Gilt Groupe Inc., CURRENT Communications Group LLC
10	Accel Partners	715.0	40	18.8	Spotify Ltd., KupuVIP, YapStone Inc., Rovio Entertainment Oy, 99designs
11	Index Ventures	665.3	27	28.9	Dropbox Inc., Privalia Venta Directa SL, Just-Eat Holding Ltd., WeatherBill Inc., Groupalia Compra Colectiva SL
12	Institutional Venture Partners	663.0	10	66.3	LivingSocial.com, Legalzoom.com Inc., Buddy Media Inc., DoubleVerify Inc., Shazam Entertainment Ltd.
13	Norwest Venture Partners	551.6	18	30.7	Ratnakar Bank Ltd., LaShou.com, Yatra Online Pvt Ltd., Lumos Labs Inc., Lending Club
14	Draper Fisher Jurvetson	497.0	15	33.1	BrightSource Energy Inc., Box.net, Genomatica Inc., TangoMe Inc., Tremor Video Inc.
15	DAG Ventures	472.1	17	27.8	Tabula Inc., Harvest Power Inc., GrubHub Inc., Wix Inc., Lockerz Inc.
16	Insight Venture Partners	470.0	10	58.8	Cvent Inc., Privalia Venta Directa SL, Buddy Media Inc., Reputation.com Inc., Wix Inc.
17	Redpoint Ventures	461.2	24	19.3	Kabam Inc., Just-Eat Holding Ltd., 2tor Inc., Pure Storage Inc., Jumtapp Inc.
18	Bessemer Venture Partners	400.8	18	23.6	KupuVIP, Reputation.com Inc., SnapDeal.com, Wix Inc., 2tor Inc.
19	HarbourVest	376.4	10	41.8	Wayfair LLC, LaShou.com, Wooga GmbH, Cotendo Inc., Inking Systems Inc.
20	Mohr Davidow Ventures	350.9	21	16.7	Verinata Health Inc., Genomatica Inc., RainDance Technologies Inc., Crescendo Bioscience Inc., nLIGHT Corp.

Source: Bloomberg Rankings (BBRANK <GO>)

As of Sept. 20

\*The aggregate value of all the transactions the VC firm participated in during the period. Includes only companies for which deal value was available.

## Highest-Premium Deals Since 2000

There were 15 deals with announced premiums of more than 70 percent since 2001. Two were announced this year.

RANK	ANNOUNCEMENT DATE	TARGET	ACQUIRER	ANNOUNCED PREMIUM (%)	ANNOUNCED VALUE (\$ BLN)	DEAL STATUS
1	4/4/2000	Nabisco Group Holdings Corp.	Private Investor	222.2	13.0	Terminated
2	5/16/2000	Lycos Inc.	Terra Networks SA	188.9	13.8	Complete
3	5/24/2000	US Airways Group Inc.	UAL Corp.	121.3	11.4	Terminated
4	5/17/2006	Falconbridge Ltd.	Xstrata Plc	109.5	18.0	Complete
5	5/18/2007	eQuantive Inc.	Microsoft Corp.	104.6	5.5	Complete
6	10/11/2005	Falconbridge Ltd.	Inco Ltd.	93.9	19.2	Terminated
7	3/17/2000	Endemol Entertainment Holding NV	Telefonica SA	90.9	6.4	Complete
8	1/27/2006	Arcelor SA	Mittal Steel Co.	87.4	35.9	Complete
9	3/13/2000	Times Mirror Co.	Tribune Co.	82.0	7.5	Complete
10	1/10/2000	Time Warner Inc.	America Online Inc.	81.1	186.2	Complete
11	11/6/2000	Willamette Industries Inc.	Weyerhaeuser Co.	80.8	7.7	Complete
12	2/21/2006	Endesa SA	E.ON AG	79.3	74.2	Terminated
13	2/23/2000	Mirage Resorts Inc.	MGM Resorts, Inc.	75.0	6.4	Complete
14	4/4/2011	National Semiconductor Corp.	Texas Instruments Inc.	74.6	6.4	Complete
15	8/15/2011	Motorola Mobility Holdings Inc.	Google Inc.	72.9	9.8	Pending

Source: Bloomberg Rankings (BBRANK <GO>)

As of Sept. 26

## REAL M&A

### Family Dollar Investors Bet on Completion of Acquisition as Short Sellers Flee Stock

BY TARA LACHAPPELLE AND DEVIN BANERJEE

**Family Dollar Stores Inc.** shareholders aren't writing off an acquisition of the second-largest U.S. dollar chain just yet.

Family Dollar has gained 21 percent in the past seven weeks to \$54.84 yesterday as **Bill Ackman's** hedge fund disclosed it doubled its stake in the Matthews, North Carolina-based company and the deteriorating economic recovery drove investors to discount retailers. The shares are now just 16 cents below a rejected February takeover bid of at least \$55 a share from billionaire investor **Nelson Peltz** for the narrowest spread since July 7, according to data compiled by Bloomberg.

Short selling of Family Dollar shares are also falling to the lowest level since at least 2006. While the retailer rejected Peltz's offer and adopted a poison pill capping shareholders at 10 percent ownership, Family Dollar may still draw interest from **Dollar General Corp.**, or Ackman and Peltz may team up to convince Chief Executive Officer **Howard Levine** to sell, according to **Tullett Prebon Plc.**

"There's a high probability that something gets done," **Sachin Shah**, a New Jersey-based merger arbitrage strategist for **Tullett Prebon**, said in a telephone interview. "Dollar General is the most logical buyer, but there could also be some dialogue among Peltz, Ackman and

Levine and the board to take it private. You have all these interested parties out there."

**Josh Braverman**, a spokesman for Family Dollar, didn't respond to a phone call or e-mail requesting comment. **Tawn Earnest**, a spokeswoman for Tennessee-based Dollar General, said the company doesn't comment on rumors or speculation.

**Carrie Bloom**, a spokeswoman for Peltz's **Triam Fund Management LP**, said Peltz declined to comment regarding Family Dollar. Ackman didn't respond to a phone call or e-mail requesting comment.

Peltz's Triam hedge fund offered on Feb. 15 to buy Family Dollar for \$55 to \$60 a share, or as much as \$7.7 billion including net debt. The proposal represented a premium of as high as 39 percent to the company's 20-day trading average of \$43.08 prior to the bid. Peltz, 69, invited Chairman and CEO Levine, 52, to join him in the acquisition.

Family Dollar's board rejected the bid in March, saying it "substantially" undervalued the business. The board also said pursuing a sale wasn't in the best interest of shareholders.

Family Dollar then fell to a six-month low of \$45.14 on Aug. 8 as the Standard & Poor's 500 Index posted the biggest drop since 2008. Since then, the shares have rebounded 21 percent, outpacing a 3.9 percent gain for the S&P 500. The closing

price of \$54.84 yesterday was less than 1 percent below the low end of Peltz's all-cash offer, as traders pushed the gap to the narrowest since July 7, data compiled by Bloomberg show.

"The stock seems to be pricing in continued interest or speculation of a takeout," **Patrick McKeever**, an analyst at **MKM Partners**, said in a phone interview. "There's still plenty of big-money, activist-investor interest in the dollar store space."

Discount stores such as Family Dollar are "the venue of choice in down times for large parts of the country where jobless rates are high and the desire to stretch a buck is intense," **Thomas Russo**, who manages about \$4 billion as a partner at **Gardner Russo & Gardner** in Lancaster, Pennsylvania, said in a phone interview.

Family Dollar was also one of more than 40 companies Bloomberg identified in March that met the acquisition criteria Warren Buffett listed in his annual letter to shareholders.

Buffett typically prefers "simple" businesses with pretax profit exceeding \$75 million, "consistent" earning power, and "good" returns on equity while employing little or no debt, according to his report.

Ackman's **Pershing Square Capital Management LP** hedge fund disclosed in a regulatory filing Aug. 15 that it boosted its holdings of Family Dollar by 5.33 million shares to 11.1 million in the quarter ended June 30.

Ackman, founder of New York-based Pershing, said in May that he bought a "passive" stake in Family Dollar because it was "very reasonably priced" and "attractive" for a leveraged buyout.

Ackman, 45, and Peltz may collaborate to take the company private rather than push independently for a sale, Tullett Prebon's Shah said. Ackman is known for investing in companies he deems undervalued and urging changes he says will improve shareholder returns, while Peltz often buys stakes and agitates for changes to increase the valuation.

Peltz's offer for as much as \$60 a share may not be enough to complete a deal, Shah said. That leaves the door open for Dollar General, the biggest U.S. dollar discount retailer, to potentially bid about \$70 a share in cash and stock, he said.

### Biggest Announced Deals Among Discount Retailers

ANNOUNCED	TARGET NAME	ACQUIRER NAME	ANNOUNCED TOTAL VALUE (\$M)	STATUS
2/15/2011	Family Dollar Stores Inc.	Triam Fund Management	7,710	Pending
3/12/07	Dollar General Corp.	KKR & Co.	7,321	Complete
6/29/11	BJ's Wholesale Club Inc.	Multiple acquirers	2,366	Pending
7/29/04	Mervyn's LLC	Investor group	1,650	Complete
10/3/05	ShopKo Stores Inc.	Sun Capital Partners Inc.	1,136	Complete
11/5/97	MAC Frugals Bargains Close Inc.	Big Lots Inc.	935	Complete
5/10/06	ShopKo Stores Inc.	Spirit Finance Corp.	815	Complete
5/6/03	Sears Holdings Corp.	Creditors	815	Complete
7/3/97	World Duty Free Americas	BAA Airports Ltd.	776	Complete
3/11/11	99 Cents Only Stores	Multiple acquirers	675	Pending
6/30/04	50 Stores	Sears Roebuck and Co.	576	Complete
7/29/04	Retail card receivables	General Electric Co.	475	Complete
5/11/99	Pamida Holdings Corp.	ShopKo Stores Inc.	335	Complete
11/5/09	Two regional malls	Multiple acquirers	320	Complete

Source: Bloomberg

## M&A ROUNDUP

### UBS Bankers Face Few Options as Securities Unit Shrinks

As **UBS AG** prepares to shrink its investment bank following a \$2.3 billion loss from unauthorized trading, bankers pushed out or looking to leave may find few opportunities as Wall Street rivals slash jobs.

Switzerland's biggest bank said on Sept. 24 that its investment bank will carry less risk and use less capital in the future, after the loss by a trader on the Delta One desk in London spurred demands to scale back the division.

"As soon as the news about Delta One came in, CVs from UBS started flying," said **Jason Kennedy**, CEO of London-based recruiter the **Kennedy Group**, using an abbreviation for resumes. "There are some very good people at UBS and they will be in demand. But for many there's nowhere to go."

Even before the trading scandal, Zurich-based UBS had announced plans to cut 3,500 jobs, with 45 percent of those reductions at the investment bank. The firm now may accelerate that shrinkage, throwing more bankers out of work at a time when European rivals including **HSBC Holdings Plc**, **Barclays Plc** and **Credit Suisse Group AG** have announced plans for more than 70,000 cuts.

—Giles Broom, Nicholas Comfort and Elisa Martinuzzi

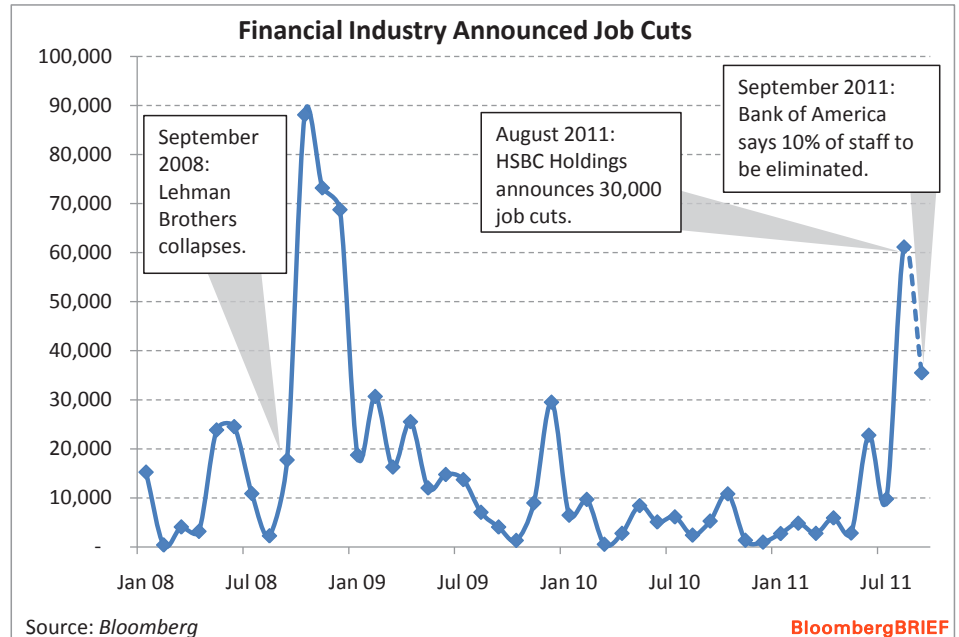
### Clorox Drops After Carl Icahn Withdraws Slate of Directors

**Clorox Co.** declined the most in more than a month after investor **Carl Icahn** withdrew a slate of directors for the company and said shareholders wouldn't support his plan for a sale.

Clorox, based in Oakland, California, fell \$2.96, or 4.3 percent, to \$66.44 at 4 p.m. in New York Stock Exchange composite trading, the most since Aug. 8. The shares have gained 5 percent this year.

Several large shareholders don't consider it a good time to try to sell Clorox because of the deteriorating financial markets and the company's opposition, New York-based **Icahn Capital LP** said Sept. 23 in a filing with the U.S. Securities and Exchange Commission.

—James Callan and Lauren Coleman-Lochner



### Oracle May Buy Software Makers, Hurd Says

**Oracle Corp.**, facing mounting competition from smaller, "boutique" rivals, may make more deals to purchase industry-specific software companies, co-President **Mark Hurd** said. Oracle is focused on so-called vertical markets, such as financial-services customers, and acquisitions could be a part of that strategy, Hurd said in his first interview with a business publication since joining the company. Still, Redwood City, California-based Oracle doesn't feel pressure to tap its \$31.7 billion in cash to make a deal, he said.

—Aaron Ricadela

### Ranieri, WL Ross to Buy Deutsche Bank Loan Unit

**Ranieri Real Estate Partners LP** and private-equity funds affiliated with **WL Ross & Co.** agreed to buy **Deutsche Bank Berkshire Mortgage**, an originator of multifamily loans, from **Deutsche Bank AG**.

The firm services a \$28 billion apartment portfolio, Ranieri Real Estate and WL Ross said in a statement. It originates loans for **Fannie Mae** and **Freddie Mac**, as well as the Federal Housing Administration.

—Katie Spencer

### Tronox Sells 39% Stake to Exxaro Resources

**Tronox Inc.**, the pigment producer that exited bankruptcy in February, agreed to sell a stake to **Exxaro Resources Ltd.** to gain controlling interests in mineral operations and become the largest integrated maker of titanium dioxide.

Tronox will gain the 50 percent stake of the **Tiwest** venture in Australia that it doesn't already own and a 74 percent stake in **KZN Sands** and **Namakwa Sands** in South Africa. In exchange, Exxaro gains a 38.5 percent stake in Tronox, the Pretoria, South Africa-based company said in a statement.

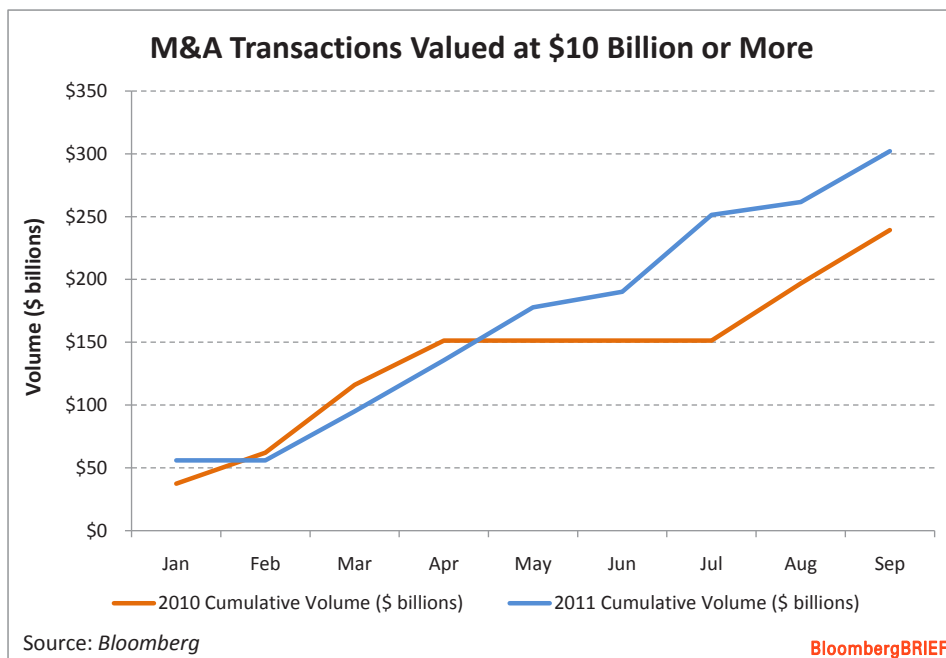
—Jana Marais and Jack Kaskey

### InterDigital Plunges on Report of Lower-Than-Expected Bids

**InterDigital Inc.** plunged 14 percent on the Nasdaq Stock Market after a report said bidders are offering \$1 billion to \$2 billion — less than investors had expected. "A large Asian mobile device company" has made a bid, DealReporter said, citing an unnamed source familiar with the matter. A price of less than \$2 billion would come in below InterDigital's market value, which was \$2.6 billion at the end of last week. It has now fallen to \$2.3 billion.

—Ari Levy

## Snapshot



The number of transactions with a total announced value of more than \$10 billion, often labeled “mega-deals,” is 17 this year. They have a combined value of \$302 billion, topped by **AT&T Inc.’s** \$39 billion cash and stock offer to purchase **T-Mobile USA** from **Deutsche Telekom**.

This total represents a 26% increase from the same period a year earlier, when 12 such transactions were announced for an aggregate value of \$239 billion. In the past week, two transactions with deal values of more than \$10 billion each were announced: **Nippon Steel Corp.’s** \$25 billion stock bid for **Sumitomo Metal Industries Ltd.** and **United Technologies Corp.’s** \$18 billion all-cash offer for **Goodrich Corp.**

– Pratik M. Patel, Data Analyst

## League Tables

### Global Financial Advisers

FINANCIAL FIRM	2011 YEAR-TO-DATE			
	RANK	MKT SHARE	VOLUME USD (MLN)	DEAL COUNT
JP Morgan	1	24.1	428,876	219
Goldman Sachs & Co	2	23.0	409,265	213
Morgan Stanley	3	20.9	372,296	239
Credit Suisse	4	18.9	335,292	175
Citi	5	15.2	269,976	145
Bank of America Merrill Lynch	6	14.2	251,773	181
Deutsche Bank AG	7	13.2	234,529	135
Barclays Capital	8	11.9	212,390	105
Lazard Ltd	9	10.7	190,609	147
UBS	10	7.9	140,245	138
Rothschild	11	6.8	120,753	163
Evercore Partners Inc	12	5.3	95,053	42
HSBC Bank PLC	13	4.5	79,609	75
Nomura Holdings Inc	14	4.3	77,097	133
BNP Paribas Group	15	3.5	61,999	78
Societe Generale	16	3.3	58,853	56
Moelis & Co	17	3.0	53,961	36
Greenhill & Co	18	3.0	53,847	19
RBC Capital Markets	19	2.8	49,457	83
Perella Weinberg Partners	20	2.4	42,075	16

Source: Bloomberg  
Excludes terminated deals.

As of: 9/26/2011

### Global Legal Advisers

LEGAL FIRM	2011 YEAR-TO-DATE			
	RANK	MKT SHARE	VOLUME USD (MLN)	DEAL COUNT
Sullivan & Cromwell	1	15.2	269,590	97
Simpson Thacher & Bartlett	2	14.1	249,957	132
Wachtell Lipton Rosen & Katz	3	13.5	239,669	56
Skadden Arps Slate Meagher & Flom	4	13.3	236,067	170
Dewey & LeBoeuf LLP	5	9.5	168,526	85
Latham & Watkins LLP	6	9.0	160,645	212
Shearman & Sterling LLP	7	9.0	159,678	98
Cleary Gottlieb Steen & Hamilton	8	8.2	146,147	74
Freshfields Bruckhaus Deringer	9	7.9	139,778	170
Linklaters LLP	10	7.5	133,179	180
Allen & Overy LLP	11	6.8	121,753	154
Cravath Swaine & Moore	12	6.5	115,671	44
Davis Polk & Wardwell	13	5.5	97,082	85
Gibson Dunn & Crutcher	14	5.1	89,897	84
Jones Day	15	4.9	87,927	275
Weil Gotshal & Manges LLP	16	4.5	80,037	71
Blake Cassels & Graydon LLP	17	3.9	68,865	86
Fried Frank Harris Shriver & Jacobson	18	3.6	63,364	31
Dechert	19	3.5	62,766	45
Greenberg Traurig LLP	20	3.3	58,668	59

Source: Bloomberg  
Excludes terminated deals.

As of: 9/26/2011

## ARB ANALYSIS

TOM BURNETT, GUEST COLUMNIST

# Coal Miners Make Likely Acquisition Targets After Shares Decline on Profit Warnings

Companies that produce coal for steel making may become takeover targets after seeing their values decline on the possibility of a global economic slowdown.

**Walter Energy Inc.** spiked upward by 21 percent on Sept. 7 on speculation that **Anglo-America PLC** was considering a hostile bid for the company. With no confirmation of the rumored bid, Walter Energy's shares fell back to the range of \$75-\$80 in subsequent weeks.

The company's stock has been particularly volatile in 2011 as the company utilized acquisitions to become one of the leading North American producers of coking, or metallurgical coal, a key ingredient for making steel. When Walter Energy completed its acquisition of **Western Coal Corp.**, a large Canadian met coal producer, Walter Energy's shares closed at \$140 on April 7.

On June 30, Walter Energy announced that its CEO would be leaving the company. The Walter Energy stock then traded down to about \$110 by Aug. 4, when Walter Energy reported its June quarterly operating results. Walter Energy's reported June quarterly EPS of \$2.36, much less than consensus estimates.

### Reduced Guidance

This disappointment was augmented by Walter Energy's reduced guidance for coal sales and production for the second half of 2011. These negative developments pushed the Walter Energy shares down 32 percent to \$77.89 on Aug. 4, on their way to the \$70 level where the stock closed on Aug. 8.

Two other large met coal producers also completed large acquisitions in 2011 and saw their stocks decline sharply after

the closings. On June 2, **Alpha Natural Resources Inc.** completed the \$8.2 billion purchase of **Massey Energy Co.** On that date, Alpha Natural shares closed at \$51, before falling sharply to their recent price range.

Similarly, **Arch Coal Inc.** purchased **International Coal Group Inc.** for \$3.2 billion on June 15. Arch Coal closed at \$25.10 on that date and has since traded down to the range of \$18 to \$20 a share. Walter and Alpha Natural announced profit warnings on Sept. 21, citing reduced coal production.

All four companies currently have a market value exceeding \$1.0 billion, big enough to represent a significant potential takeover target. The four companies have seen their stock prices fall sharply in 2011, ranging from a decline of 48 percent at **Patriot Coal Corp.** to a 64 percent drop for Alpha Natural.

These sharp declines compare with a year-to-date decline of less than 8 percent for the Standard & Poor's 500 Stock Index. Each company has a history of growing its met coal production and reserve base, and accounts for a meaningful share of current U.S. met coal production.

For example, Alpha Natural estimates that its combined met coal 2011 production, with Massey, will exceed 20 million tons. The U.S. Energy Information Administration on June 11 estimated 2010 met coal production at 77.2 million tons, including 21.1 million for domestic use and 56.1 million for export. Accordingly, Alpha Natural's 2011 production would represent 26 percent of the total U.S. 2010 met coal production.

Met coal production and sales levels are driven by demand from steel producers whose order books will suffer from a global economic slowdown. If Europe or the U.S. economies retreat into recessions, demand

for steel and coal will decline materially. Similarly, a slowdown in China will lead to lower steel production and lower orders for met coal, most of which is imported from Australia and North America.

While many observers admit that a global slowdown is possible, the stocks of these met coal producers imply that such slowing has become a reality. At today's prices, the stocks represent a relatively cheap way to play for an economic recovery that eludes a global recession. A growth recovery will lead to higher steel demand which in turn will feed directly into enhanced demand and order flow for met coal.

Importantly, prices for met coal appear to be holding at attractive levels. Met coal typically sells at a premium to the more abundant steam or thermal coal used by utilities to generate electricity. In 2010, for example, the June 1 EIA report placed U.S. electric power demand at 975 million tons, compared with 21 million tons for U.S. met coal demand. Another 56 million tons of met coal was dedicated to the export market. In the U.S., electric power producers paid an average of \$45.09 per ton of steam coal, compared with a price of \$153.59 paid by met coal customers.

### Outlook for Coal Prices

In the 2010 export market, which benefits from a weak dollar, met coal sold for an average price of \$145.44 a ton. At a conference in August, Alpha Natural issued its met coal price guidance for 2011 at \$157 a ton. In the latest EIA report of Sept. 19, average U.S. met coal prices for the March 2011 quarter exceeded \$160 a ton.

All the coal stocks have performed poorly in 2011. The Stowe Global Coal Index of 35 companies is down 32 percent this year and more than 37 percent from its April 4 yearly high.

In this depressed state, the met coal stocks represent an overlooked opportunity that may generate significant takeover activity in the next several months. For investors willing to investigate this possibility, these coal stocks could be a good place to start looking.

Tom Burnett, CFA, is director of research at Wall Street Access. William Harrington, vice president at the firm, assisted in the preparation of this report.

### Coal Companies May Become Takeover Targets on Stock Declines

COMPANY	SYMBOL	MARKET CAP (\$B)	NORTH AMERICAN 2011 SALES (MILLIONS OF TONS)	RECENT PRICE	2011 CHANGE IN STOCK PRICE
Alpha Natural Resources	ANR	\$6.30	20.0	\$21.43	-64%
Walter Energy	WLT	\$4.90	11.0	\$66.77	-48%
Arch Coal	ACI	\$4.10	9.0	\$16.39	-53%
Patriot Coal	PCX	\$1.10	8.0	\$10.06	-48%

Source: Company filings, Bloomberg

## ARB ANALYSIS SCOTT KELLER, GUEST COLUMNIST

### Antitrust Reviews Make Timing Risk in Merger Arbitrage More Difficult to Anticipate

With increasing frequency, the timing of U.S. and foreign antitrust and other regulatory reviews are becoming more difficult to monitor and predict. These reviews include not only Hart-Scott-Rodino and **Committee of Foreign Investment in the U.S.** clearances, but also in particular the Chinese **Ministry of Commerce**.

#### Current Environment

Time is money, particularly in merger arbitrage. And as one old-school trader told me several years ago, "Arbitrage isn't the get-rich business, it's the stay-rich business." Unfortunately, despite the recent surge in M&A volume, the various international antitrust regulatory bodies fail to appreciate this adage.

Most regulatory agencies in the U.S., such as the **Federal Trade Commission** and the Antitrust Division of the **Justice**

**Department**, and most abroad follow statutory guidelines that regulate the length of a merger review. Although the FTC has never adhered to its so-called 180-day ruling clock, another U.S. regulatory body is developing an equally poor track record.

The Committee of Foreign Investment in the U.S. (CFIUS) follows a two-phase process. The statutory timeline of this process has become blurred in several deals this year. Unlike the U.K. **Office of Fair Trading** and the European Union, the recently expanded CFIUS seems unable to follow its own guidelines.

Even worse, the Chinese Ministry of Commerce (MOFCOM) simply refuses either to play by its own rules or to provide any substantive guidance to outside investors. While MOFCOM has played an integral – and sometimes detrimental – role in many U.S. mergers over the past several years, the ministry seems now increasingly ready

to fall back on the excuse of being too busy. Companies are being advised that there is a significant backlog of merger applications pending and just to wait in line.

Both the proposed acquisitions of **National Semiconductor Corp.** by **Texas Instruments Inc.** – China's review has now been pending more than five months – and **NetLogic Microsystems Inc.** by **Broadcom Corp.** are being affected directly.

In the case of NetLogic, the companies have indicated only a general mid-2012 timeline for what could otherwise be a somewhat more predictable merger closing. Each company cites uncertainty surrounding the timing of the MOFCOM review as being their biggest uncertainty.

Although under China's Anti-Monopoly Law, there are set review timelines for each phase of the review process, those do not begin until MOFCOM receives all information requested and formally commences those timelines. This ambiguity allows the MOFCOM to stall by not deeming a merger file complete until it is ready to review a case.

#### Biggest Company Takeovers Awaiting Approval

ANNOUNCED	TARGET NAME	COUNTRY	ACQUIRER NAME	ANNOUNCED TOTAL VALUE (\$ M)	DAYS SINCE ANNOUNCEMENT
Mar 20	T-Mobile USA Inc.	U.S.	AT&T Inc.	39,000	191
Jul 21	Medco Health Solutions Inc.	U.S.	Express Scripts Inc.	34,322	68
Jan 10	Progress Energy Inc.	U.S.	Duke Energy Corp.	25,531	260
Sep 22	Sumitomo Metal Industries Ltd.	Japan	Nippon Steel Corp.	22,521	5
Apr 27	Synthes Inc.	U.S.	Johnson & Johnson	19,358	153
Sep 21	Goodrich Corp.	U.S.	United Technologies	17,975	6
May 24	Tele Norte Leste Participacoes SA	Brazil	Brasil Telecom SA	17,238	126
May 19	Nycomed A/S	Switzerland	Takeda Pharm. Co.	13,733	131
Jun 21	Foster's Group Ltd.	Australia	SABMiller PLC	12,523	98
Jul 15	Clorox Co.	U.S.	Icahn Enterprises LP	11,979	74
Aug 18	Autonomy Corp.	Britain	Hewlett-Packard Co.	10,296	40
Apr 28	Constellation Energy	U.S.	Exelon Corp.	10,165	152
Aug 15	Motorola Mobility Holdings Inc.	U.S.	Google Inc.	9,813	43
Feb 15	NYSE Euronext	U.S.	Deutsche Boerse AG	9,532	224
Jun 16	Southern Union Co.	U.S.	Energy Transfer Equity	9,278	103
Jun 16	ING Direct USA	U.S.	Capital One Financial	9,109	103
May 10	Skype SARL	Luxembourg	Microsoft Corp.	8,500	140
Jul 20	Nalco Holding Co.	U.S.	Ecolab Inc.	8,042	69
Feb 15	Family Dollar Stores	U.S.	Triam Fund Mgmt LP	7,710	224
Jul 11	Northumbrian Water Group PLC	Britain	UK Water 2011 Ltd.	7,527	78

Source: Bloomberg

#### Dead Money

To a merger-arbitrage investor, several factors determine how and when to establish a long or short position. While deal and financing risks remain of major importance, timing risk can turn good money into dead money.

Arbitrage investors are being forced to sit on long positions, which are subject to valuation swings caused by exogenous market moves. Spreads widen and unrealized losses appear on the portfolio books.

Meanwhile, bureaucratic regulators grind away slowly at their stacks of merger applications, oblivious to the money that is being wasted because of their sluggishness.

The best solution for arbitrage investors is to wait until a deal that is subject to these reviews to be nearly completed. Keep position sizes limited, or hold none at all despite tempting internal rates of return.

Interim trading is fine, as long as long and short positions are actively managed. Some opportunities will be foregone. However, rates of return will be more stable and more predictable. And the "stay rich" business will be better served.

Scott Keller is founder and president of DealAnalytics.com. Reach him at research@dealanalytics.com.

## Deal Arbitrage

TARGET	ACQUIRER	DEAL SIZE (\$M)	ANNOUNCED DATE	EXPECTED COMPLETION DATE	OFFER PER SHARE	ANNOUNCED PREMIUM IN %	LAST TARGET PRICE	CURRENT PREMIUM %	SPREAD	LAST SPREAD MOVE
Cephalon Inc	Teva Pharmaceutical Industries Ltd	6,155	05/02/11	09/30/11	81.50	6.81	81.07	0.53	0.43	-0.09
Clorox Co	Icahn Enterprises LP	11,979	07/15/11	-	80.00	17.90	66.44	20.41	13.56	2.96
Constellation Energy Group Inc	Exelon Corp	10,165	04/28/11	-	39.55	16.09	38.15	3.68	1.40	-0.11
DPL Inc	AES Corp/The	4,640	04/20/11	-	30.00	9.46	30.08	-0.27	-0.08	0.09
Emdeon Inc	Blackstone Group LP	3,013	08/04/11	12/31/11	19.00	37.11	18.78	1.17	0.22	-0.01
Family Dollar Stores Inc	Private	7,710	02/15/11	-	60.00	39.28	54.84	9.41	5.16	-0.20
Goodrich Corp	United Technologies Corp	17,975	09/21/11	-	127.50	43.57	121.40	5.02	6.10	0.35
Kinetic Concepts Inc	Multiple	5,727	07/13/11	12/31/11	68.50	16.52	65.44	4.68	3.06	0.01
Medco Health Solutions Inc	Express Scripts Inc	34,322	07/21/11	-	60.65	30.72	48.78	24.33	11.87	-0.36
Motorola Mobility Holdings Inc	Google Inc	9,813	08/15/11	-	40.00	72.94	37.96	5.37	2.04	-0.06
Nalco Holding Co	Ecolab Inc	8,042	07/20/11	12/31/11	36.29	37.71	35.48	2.28	0.81	0.07
Netlogic Microsystems Inc	Broadcom Corp	3,397	09/12/11	06/30/12	50.00	68.82	48.34	3.43	1.66	-0.04
Nicor Inc	AGL Resources Inc	3,138	12/07/10	-	54.68	17.61	54.60	0.14	0.08	-0.03
NSTAR	Northeast Utilities	6,842	10/18/10	-	44.71	0.03	44.99	-0.62	-0.28	0.04
NYSE Euronext	Deutsche Boerse AG	9,532	02/15/11	-	25.58	8.10	25.30	1.12	0.28	-0.10
Progress Energy Inc	Duke Energy Corp	25,531	01/10/11	12/31/11	52.09	6.13	51.84	0.49	0.25	-0.10
Southern Union Co	Energy Transfer Equity LP	9,331	06/16/11	03/31/12	40.39	48.34	41.12	-1.79	-0.73	0.19
Temple-Inland Inc	International Paper Co	4,276	06/06/11	03/31/12	32.00	37.19	31.39	1.94	0.61	-0.09
TMX Group Inc	Multiple	3,732	05/13/11	09/30/11	50.00	24.77	39.23	27.45	10.77	2.19
Varian Semiconductor Equipment	Applied Materials Inc	4,572	05/04/11	-	63.00	41.12	61.23	2.89	1.77	0.57

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## Calendars

To submit an event email mergerbrief@bloomberg.net

## Anticipated Approvals

DATE	TARGET	ACQUIRER	DEAL VALUE (\$M)	TYPE
9/28	Motorola Mobility Holdings Inc.	Google Inc.	9,813	Hart-Scott-Rodino expiration
9/28	Renaissance Learning Inc.	Permira Holdings Ltd.	427	Hart-Scott-Rodino expiration
9/29	Central Vermont Public Service Corp.	Multiple acquirers	657	Target shareholders
9/30	Primerio Mining Corp.	Northgate Minerals Corp.	453	Target, acquirer shareholders
9/30	TSI Acquisition Holdings LLC	Hunting PLC	775	Acquirer shareholders
10/4	Multiple targets	OneSteel Ltd.	361	Seller shareholders
10/5	Ameron International Corp.	National Oilwell Varco Inc.	617	Target shareholders
10/7	Vastned Offices/Industrial NV	Nieuwe Steen Investments NV	1,187	Acquirer shareholders
10/12	APAC Customer Services Inc.	JPMorgan Chase & Co.	404	Target shareholders
10/14	Ichigo Real Estate Investment Corp.	FC Residential Investment Corp.	806	Target, acquirer shareholders
10/17	Renaissance Learning Inc.	Permira Holdings Ltd.	427	Target shareholders

## Calls and Meetings

DATE	TIME	COMPANY	EVENT	DESCRIPTION
9/28	10:00 a.m.	Family Dollar	Fourth quarter earnings call	Billionaire investor Nelson Peltz's Trian Fund Management LP offered 8.5 times to 9.3 times 2012 Ebitda for Family Dollar Stores in February. The company rejected the bid, but Peltz asked the retailer to reconsider.
9/28		Liberty Media	Telsey Advisory Group Fall Consumer Conference	Liberty Media recently backed off of a deal with Barnes & Noble
10/3	10:45 a.m.	Google Inc.	Interop New York 2011 conference/presentation	Google has been one of the most active strategic buyers this year, agreeing to buy Motorola Mobility Holdings Inc. in August. This month it purchased Zagat Survey LLC.
10/4	9 a.m.	Microsoft Corp.	Interop New York 2011 conference/presentation	In May, Microsoft announced it would buy Skype for \$8.5 billion.

## Conferences

DATE	EVENT	FEATURING	LOCATION	CONTACT / REGISTRATION
Sept. 27	Bloomberg Link Dealmakers Summit	Speakers include Henry Kravis, Daniel Akerson, Barry Sternlicht, Guy Hands, James B. Lee, Nouriel Roubini and J. Christopher Flowers.	Museum of Modern Art, New York	bloomberglink.com
Sept. 27-28	Dow Jones Private Equity Analyst Conference	Topics include social media frenzy, international opportunities, Washington regulation	Waldorf Astoria, New York	peaconference.dowjones.com
Sept. 27-28	Jefferies Group Global Healthcare Conference	A forum for financial and strategic investors to meet companies from healthcare industry.	Waldorf Hilton, London	londonhealthcareconf@jefferies.com
Oct. 16-19	SuperReturn Middle East	Bringing together global experts from around the region and the world; Dedicated Turkey Summit	Ritz-Carlton, Dubai International Financial Centre	informaglobalevents.com
Oct. 31-Nov. 4	AM&AA's Certified Merger & Acquisition Advisor Credentialing Program	"Course objectives taught by seasoned M&A professionals. The 2011 conference will offer the best of legal minds from banks, funds, law firms and government."	Chicago	amaaonline.com
Nov. 15-18	SuperInvestor Conference	"SuperInvestor 2011 will see even bigger numbers than last year's 750 senior attendees, including more than 230 LPs."	Westin Paris	informaglobalevents.com
Dec. 5-9	AM&AA's Certified Merger & Acquisition Advisor Credentialing Program	"Course objectives taught by seasoned M&A professionals."	Graziadio Executive Conference Center, Malibu, Calif.	amaaonline.com
Dec. 6	Latin American M&A 2011		Sao Paulo	latinlawyer.com/events
Jan. 25-26	Dow Jones Private Equity Analyst Outlook	"Private equity's premier forecasting event."	Grand Hyatt, New York	peaoutlook.dowjones.com
March 21-22	NextGen Private Equity Executive Summit	A forum for the mid-market-focused private-equity community	Venetian, Las Vegas	iiig.com
Dec. 8	ACG New York	Monthly Luncheon Meeting	Union League Club, New York	acg.org/nyc