

M&A
WATCH

KINETIC CONCEPTS TO BE BOUGHT FOR \$6.3 BILLION INCLUDING DEBT. Kinetic Concepts Inc. agreed to be acquired by a group including Apax Partners for \$68.50 a share.

MURDOCH FACES PROBES ON PHONE HACKING, BSKYB BID.

News Corp.'s Rupert Murdoch is facing six U.K. investigations stemming from a phone-hacking scandal and his bid to buy all of British Sky Broadcasting Group Plc.

CARREFOUR-PAO DE ACUCAR DEAL LOSES BRAZIL GOVERNMENT BACKING. A proposal backed by Carrefour to merge its Brazilian assets with Cia. Brasileira de Distribuicao Grupo Pao de Acucar fell through as Brazil's government withdrew financial support.

VALIDUS OFFERS \$3.5 BILLION IN STOCK, CASH FOR TRANSATLANTIC. The reinsurer offered \$55.95 a share to acquire Transatlantic Holdings.

TOYOTA TO MERGE AUTO UNITS IN JAPAN AS YEN STRENGTHENS. Japan's biggest automaker and subsidiaries Toyota Auto Body Co. and Kanto Auto Works Ltd. agreed to convert the two units to wholly owned subsidiaries through share exchanges in January 2012.

DANONE TO SELL STAKE IN WATER VENTURE TO BRIGHT FOOD UNIT. The yogurt maker agreed to sell a 50% stake in a Chinese bottled-water firm to a Bright Food unit.

BLACKSTONE UNIT IN TALKS TO BUY MILLER GROUP STAKE, TELEGRAPH SAYS. GSO Capital Partners, part of Blackstone, is discussing a deal to buy a significant stake in Miller, one of Britain's largest privately-owned construction company, citing people familiar.

Calvin Klein Margins Point to Warnaco Deal

BY TARA LACHAPPELLE, JOSEPH CIOLLI AND DANIELLE KUCERA

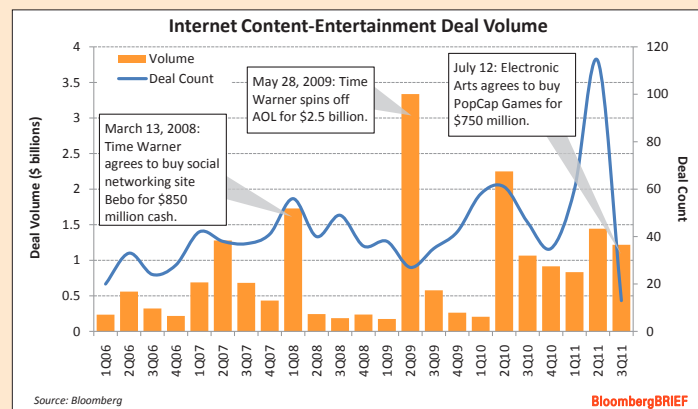
PVH Corp., owner of the Calvin Klein and Tommy Hilfiger labels, may find a takeover of **Warnaco Group Inc.** the cheapest way to boost operating margins that lag behind all of its biggest competitors.

PVH will "aggressively" look for acquisitions, CEO **Emanuel Chirico** said in a Bloomberg Television interview this month. The New York-based company earns less than 9 cents in operating income per dollar of sales, the lowest among its rivals including **VF Corp.** and **Polo Ralph Lauren Corp.**, according to data compiled by

Daily Data (includes announced and amended deals)

Comparisons

SUMMARY	TOTAL	YEAR TO DATE	PRIOR YTD
Number of Deals	37	13,939	13,385
Volume	\$7.69 billion	\$1.36 trillion	\$1.03 trillion
Avg Disclosed Deal Size	\$320.59 million	\$179.86 million	\$145.84 million
Average Premium	10.88%	22.19%	23.46%



Deal volume in the internet content-entertainment industry has risen 42% to \$3.49 billion year-to-date from 2010, according to data compiled by Bloomberg.

Breaking Deals

TARGET NAME	ACQUIRER NAME	TOTAL VALUE (\$M)	TARGET PRICE/EBITDA
Kinetic Concepts Inc	Multiple acquirers	5,727.46	7.39
Toyota Auto Body Co Ltd	Toyota Motor Corp	955.33	3.28
Kanto Auto Works Ltd	Toyota Motor Corp	359.18	3.37
Portek International Ltd	Mitsui & Co Ltd	162.12	6.08
Best Value International Ltd	Lai Sun Development	108.51	-
309 George Street	Abacus Property Group	73.16	-
Delek Israel Fuel Co Ltd	Delek Group Ltd	68.93	-
SeenTec Co Ltd	Samsung Heavy Industries Co	39.12	19.77
Trinity Electronic Group Co Ltd	Shanghai Zhongfa Electric Grp	39.07	-
Wayly Holdings Ltd	TCC International Holdings Ltd	32.84	-

Yesterday's Deals

TARGET NAME	ACQUIRER NAME	TOTAL VALUE (\$M)	TARGET PRICE/EBITDA
Transatlantic Holdings Inc	Validus Holdings Ltd	2959.55	-
PopCap Games Inc	Electronic Arts Inc	750	-
3 Operating Communities	UDR Inc	687	-
Central Vermont Public	Caisse de Depot et Placement	656.79	9.34
Uniq PLC	Greencore Group PLC	162.05	0.77
Denver-Julesburg Properties	Bill Barrett Corp	150	-
Multiple Targets	CAG Digital Investment Hldgs	75.99	-
Shandong Demian Inc Co	Zhejiang 5th Season Industrial	71.61	-
Jawbone	JPMorgan Chase & Co	70	-
Certain Assets	Box Ships Inc	55	-

CALVIN KLEIN, WARNACO ...

Bloomberg. Warnaco, which has controlled the license to sell Calvin Klein jeans since 1997, is less expensive than 93 percent of U.S. apparel companies versus earnings before interest, taxes, depreciation and amortization.

Chirico, who is using acquisitions to try and turn PVH into the world's largest apparel company, may target Warnaco after purchasing Tommy Hilfiger in its biggest deal, according to **Penn Capital Management Co.** Warnaco, which began as a maker of corsets more than a century ago, would help PVH increase sales in faster-growing markets outside the U.S. and cost at least \$3 billion, **Wells Fargo & Co.** said. That would rival the amount that PVH spent to acquire Tommy Hilfiger, the second-biggest U.S. apparel takeover in history, the data show.

"It makes a lot of sense," said **Kevin Roche**, a fund manager at **Penn Capital**. "PVH is looking for more international exposure. PVH can definitely do something in the market and seems to be looking to. Warnaco is cheap right now."

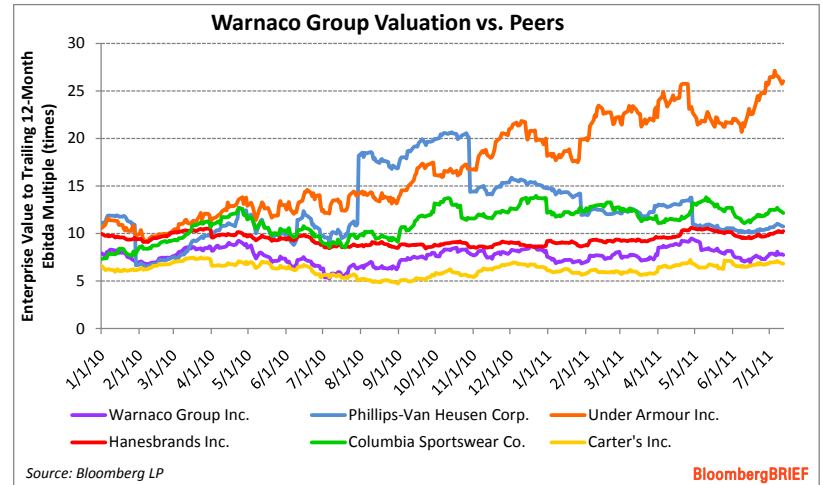
PVH, which traces its roots to a shoe company founded in 1876, currently trails rival apparel retailers VF and Polo in sales.

Formerly known as Phillips-Van Heusen Corp., PVH has grown through acquisitions, including G.H. Bass & Co. in 1987, Izod in 1995, Calvin Klein in 2003 and Tommy Hilfiger last year.

While the \$3.1 billion takeover of Tommy Hilfiger was the biggest in PVH's history, according to data compiled by Bloomberg, Chirico, 54, is looking to make more deals.

"Acquisitions will be back on the table," he said in an interview on Bloomberg Television's "InBusiness With Margaret Brennan" July 1. "We will start aggressively looking for acquisitions beginning in the fourth quarter of this year."

While PVH has gained 84 percent since Chirico was named CEO in February 2006, the stock has still underperformed VF and Polo, which have both more than dou-



bled, according to data compiled by Bloomberg. Since completing the purchase of Tommy Hilfiger in May 2010, shares have fallen behind even more.

PVH generated an operating margin of 8.5 percent in the past 12 months, data compiled by Bloomberg show. That's less than the average of 13.6 percent for its four most comparable U.S. rivals. VF, the world's largest apparel maker, had a 13.6 percent margin, while New York-based Polo had operating income equal to 15 percent of sales, the data show.

By acquiring Warnaco, PVH would narrow the gap to Greensboro, North Carolina-based VF, which agreed this year to buy **Timberland Co.**, **Evren Kopelman**, an analyst at **Wells Fargo**, wrote in a report to clients dated July 11.

Warnaco is currently valued at about 7.8 times its Ebitda in the past 12 months, less than 93 percent of comparable companies, data compiled by Bloomberg show. At a price of \$70 a share that Wells Fargo's Kopelman says Warnaco could command in an acquisition, the company is still valued at 8 times next year's projected Ebitda of \$383 million, the data show.

"Clearly it would benefit PVH because the multiple is lower and they won't have to pay up for it," said Matt Spitznagle, an analyst

at Sentinel Investments in Montpelier, Vermont, which oversees \$9.5 billion, including PVH shares. "With the addition of Warnaco, they would be right up there with one of the larger apparel companies in the world."

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PEOPLE WATCH

■ **Don Ritucci** joined **Imperial Capital LLC** as a managing Director in its New York office, the banking firm said in a press release. Ritucci will lead Imperial Capital's investment banking practice in the healthcare sector. Ritucci was most recently a managing director in the global healthcare group at **UBS AG**.

■ **Quetzal Energy Ltd.** said in a press release that it appointed **Andrew DeFrancesco** to its board of directors. DeFrancesco is chairman and chief executive officer of **Delavaco Capital Inc.**, a private equity and merchant banking group that specializes in natural resources business. Also, Quetzal said **John Martin** joined as its chief financial officer. Martin was the founding and senior partner of **EvansMartin LLP**, a midsize firm of chartered accountants and he has worked with mergers and acquisitions.

■ **Marc Moyers** was named national sector leader of **KPMG LLP's** U.S. private equity group, the auditor said in a press release. Moyers, 56, will lead a group of KPMG professionals who help private-equity firms develop and carry out cross-border mergers, acquisitions, strategic alliances, joint ventures and exit strategies. Moyers joined KPMG in 1977 and was admitted to its partnership in 1986.

■ **Force Fuels, Inc.** said in a press release that **Gary Cohee**, an investment banker with experience in M&A, joined the firm's business advisory board. Cohee is the president of **PMB Securities Corp** and **Cohee Capital Management**. He is a founding member of Force Fuels and was instrumental in taking it public. Previously, he has also worked at **Blyth, Eastman** and **Paulson Investment Co.**

— By Aleksandrs Rozens

E-mail people news to mergerbrief@bloomberg.net.

THE WIRE

Kinetic Concepts Agrees to Be Acquired for \$4.98 Billion

Kinetic Concepts Inc., a maker of wound-care products and hospital beds, agreed to be acquired by a group including private-equity firm **Apax Partners LLP** for \$4.98 billion in cash.

Stockholders will receive \$68.50 a share, San Antonio-based Kinetic said in a statement. The price is 6.2 percent above yesterday's close on the New York Stock Exchange, and 17 percent above July 5, the day before Bloomberg News reported that the company was in talks on a buyout.

Kinetic has 40 days in which it can solicit alternative proposals from potential buyers, according to the statement. The purchase values the company at \$6.3 billion including assumed debt. The buyers include the **Canada Pension Plan Investment Board** and the **Public Sector Pension Investment Board**.

—Phil Serafino

Murdoch Faces Six U.K. Probes, Called for Hearing

News Corp.'s Rupert Murdoch, who's been asked to testify in front of U.K. lawmakers, is facing at least six investigations stemming from a phone-hacking scandal and his bid to buy all of **British Sky Broadcasting Group Plc**. Murdoch may be in the spotlight on July 19 as he's called to answer questions from the Parliament's committee on Culture, Media and Sport about prior evidence that News Corp.'s British newspaper unit, News International, had paid police to get stories. The News Corp. CEO's son, **James**, and the unit's CEO **Rebekah Brooks** were also summoned. The company said they will cooperate.

John Whittingdale, the committee's chairman, told Sky News yesterday News International needs to answer questions about who knew of the crimes and when.

"The police inquiry is the most important thing and will lead to criminal charges against some people," Whittingdale said. "Part of the problem with this saga is that everyday has brought a new revelation. I've given up being surprised."

Senator **Jay Rockefeller**, a Democrat from West Virginia, called for U.S. agencies to investigate whether alleged phone hacking at News Corp.'s U.K. newspapers targeted American victims of the Sept. 11, 2001, terrorist attacks.

"I am concerned that the admitted phone hacking in London by the News Corp. may have extended to 9/11 victims or other Americans," Rockefeller said in a statement.

—Lindsay Fortado and Thomas Penny

Carrefour-Pao de Acucar Deal Loses Brazil Backing

A proposal backed by **Carrefour SA** to merge its Brazilian assets with **Cia. Brasileira de Distribuicao Grupo Pao de Acucar** fell through as Brazil's government withdrew financial support for the deal, which was opposed by Pao de Acucar's largest shareholder. Brazil's national development bank, known as **BNDES**, rejected a plan to help fund the transaction with a 2 billion-euro (\$2.8 billion) stake purchase in the proposed new company, saying agreement from all parties was a condition for its participation, according to a statement.

Casino Guichard-Perrachon SA, the Saint Etienne, France-based company that shares control of Pao de Acucar with Brazil's **Diniz** family and competes with Carrefour, released a statement after a board meeting in Paris saying the proposed merger "grossly" overestimated cost savings, had high execution risks and would reduce Pao de Acucar's earnings per share.

"Reason prevailed," **Carlos Lessa**, who served as BNDES president from 2003 to 2004, said. "It doesn't seem smart to create a company with a French partner like Carrefour, which is having thousands of problems."

—Adriana Brasileiro and Andrew Roberts

PRIVATE EQUITY

■ **AboveNet Inc.**, the White Plains, New York-based operator of fiber-optic networks, halted a search for a buyer after so far failing to attract a bid of at least \$80 a share, said two people with knowledge of the matter. Private-equity funds that explored offers backed off in recent weeks as financing markets tightened, said the people, who declined to be identified because the process is private. **TPG Capital** and **Providence Equity Partners Inc.** both had examined bids, they said. A deal at the \$80 price would value AboveNet at more than \$2 billion, based on the shares outstanding as of May 4, compared with \$1.7 billion at yesterday's close.

■ **Better Capital Ltd.**, the private-equity firm founded by British financier **Jon Moulton**, agreed to buy luxury boatmaker **Fairline Group**. Better Capital will commit 16.6 million pounds (\$26 million) to finance the purchase, the London-based company said in a statement today. **Royal Bank of Scotland Group Plc** will invest 3.9 million pounds for a minority stake in the yachtmaker.

■ **TLG Capital**, a private equity firm focused on frontier markets, increased to 12.5 percent its investment in **Quality Chemicals Industries Ltd.**, a Ugandan antiretroviral and anti-malarial drugmaker, the company said in an e-mailed statement.

■ The Chapter 11 trustee for **GSC Group Inc.** received formal authority from the bankruptcy judge to sell the business to **Black Diamond Capital Finance LLC**, as agent for the secured lenders. Approval followed two days of hearings. U.S. Bankruptcy Judge **Arthur Gonzalez** had ruled earlier last week that the sale proposed by the trustee was preferable to the Chapter 11 plan proposed by a minority group of lenders. The judge saw the sale as the "only plausible exit strategy."

— by Chris Kay, Ying Diao, Cristina Alesci and Jeffrey McCracken

THE WIRE

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Validus Offers \$3.5 Billion in Stock, Cash for Transatlantic

Validus Holdings Ltd. offered \$55.95 a share to acquire **Transatlantic Holdings Inc.** and derail a planned merger with **Allied World Assurance Company Holdings AG**. Transatlantic holders would receive 1.5564 Validus common shares and \$8 in cash for each share they hold, Bermuda-based Validus said in a statement.

That values the offer at about \$3.5 billion, based on New York-based Transatlantic's 62.4 million shares outstanding as of March 31. Transatlantic agreed last month to merge with Allied in a stock transaction valued at \$51.10 a share, or about \$3.2 billion. Transatlantic's biggest shareholder, **Davis Selected Advisers LP**, said on June 14 it may oppose the deal and approach other companies about alternatives.

"Validus has a superior business plan that will drive earnings by capturing the best-priced segments of the reinsurance market while strengthening Transatlantic's balance sheet," Validus Chairman and CEO Ed Noonan said.

— Brooke Sutherland and Noah Buhayar

Electronic Arts to Buy PopCap Games for Up to \$1.3 Bln

Electronic Arts Inc. agreed to buy **PopCap Games** for as much as \$1.3 billion in cash and stock to extend a drive into online titles played on websites like **Facebook**. Electronic Arts will pay \$650 million in cash and \$100 million in stock for the producer of games such as "Plants vs. Zombies" and "Bejeweled," according to a statement. PopCap's owners may receive as much as \$550 million more in performance-based payments.

The purchase is the biggest yet in the online area for Electronic Arts, which bought **Playfish Inc.** in November 2009. CEO John Riccitiello is seeking \$1 billion in digital sales this fiscal year. Electronic Arts, based in Redwood City, California, is paying 10 times profit before interest, tax, depreciation and amortization, Eric Brown, the company's CFO, said.

—Cliff Edwards

South Korea's Military Fund May Sell Overseas Holding

South Korea's **Military Mutual Aid Association**, the defense ministry's \$7.6 billion fund, may sell its biggest overseas holding after five years to seek out ports and other infrastructure assets.

The military welfare-fund, which bought 6.9 percent of **Thames Water Utilities Ltd.** for 300 billion won (\$281 million) through a fund managed by **Macquarie Group Ltd.** in December 2006, plans to tap investor interest by the end of this year, Chief Investment Officer **Jin Yeong Ho**, said.

"I hope to make an exit as we expect to post a gain from the investment," Jin, 53, said. "We may use the money to re-invest in a similar kind of funds focusing on social overhead capital such as ports."

—Saeromi Shin and Sangim Han

KBC to Sell Polish Units, Not Czech, Hungarian Ones

KBC Groep NV, the recipient of a 7 billion-euro (\$9.8 billion) bailout from the Belgian government, plans to sell its Polish banking and insurance units instead of stakes in Czech and Hungarian businesses to raise capital. KBC wants to sell **Kredyt Bank SA** and its **Warta SA** insurance unit in Poland, the Brussels-based company said. It also plans to sell or unwind selected asset-backed securities and CDO assets. Plans to sell minority stakes in **Ceskoslovenska Obchodni Banka AS** and **K&H Bank Zrt** via public offerings and the sale and leaseback of its Belgian headquarters have been scrapped, the company said.

—Andrew Clapham

M&A ROUNDUP

TMX More Likely to Stand Alone Than Sell to Maple, RBC Says

TMX Group Inc., owner of the Toronto Stock Exchange, is “slightly more likely” to stay a stand-alone company rather than be acquired by a group of Canadian banks and pension funds, according to **RBC Capital Markets** analyst **Geoffrey Kwan**.

The C\$3.73 billion (\$3.85 billion) bid by **Maple Group Acquisition Corp.**, whose 13 investors include **Toronto-Dominion Bank** and **Manulife Financial Corp.**, could be “attractive” to shareholders, Kwan said in a note to clients. The deal has transaction risk that can’t be ignored, he said. TMX Group shareholders rejected a bid from **London Stock Exchange Group Plc** last month.

“A ‘stand-alone’ outcome is slightly more likely given material uncertainty regarding the Maple bid, and the absence of a potential foreign M&A partner (given LSE’s departure) negates one of the two rationales for Maple’s existence,” Kwan said. He maintained a “sector perform” rating on TMX and raised his 12-month price estimate to C\$45 from C\$40 a share.

— Doug Alexander

Boeing Has Most Cash for Possible Defense M&A Surge

Boeing Co. and **BAE Systems Plc** lead the largest defense contractors in cash available for acquisitions, which may multi-

ply as U.S. military spending slows.

Boeing tops the list of defense contractors ranked by cash on hand and short-term investments with \$7.77 billion, followed by BAE with \$4.79 billion, according to data compiled by Bloomberg.

The last big surge in defense mergers followed a 1993 dinner called the “Last Supper,” when Deputy Secretary of Defense **William Perry** urged major contractors to consolidate so they might survive the post-Cold War decline in military spending. Pentagon acquisition chief **Ashton Carter** said in February the agency isn’t likely to support mergers among top contractors.

“We do expect some increased activity at the middle and lower tiers, activity that we will monitor closely,” **Frank Kendall**, deputy undersecretary for acquisitions, said in May at a Senate hearing. **United Technologies Corp.**, which ranks third on the list, led in acquisitions among the top 10 contractors during the past three years. The company completed 25 deals totaling \$2.42 billion since July 2008, according to Bloomberg data.

— Sopen Shah, Bloomberg Government Defense Analyst

Citrix Systems Buys Cloud.com for Undisclosed Price

Citrix Systems Inc. agreed to buy startup **Cloud.com Inc.** for an undisclosed price, gaining software that helps businesses shift more computing tasks to

data centers. The acquisition will let Citrix customers run cloud-computing software faster and more cheaply, Fort Lauderdale, Florida-based Citrix said.

— Aaron Ricadela

Gaz Metro Wins Central Vermont Utility, Topping Fortis Offer

Gaz Metro LP agreed to buy **Central Vermont Public Service Corp.** for \$472.2 million in cash, beating a bid by **Fortis Inc.** to become the largest electricity supplier in Vermont.

Central Vermont holders will get \$35.25 a share under deal, the companies said today in a statement. Gaz Metro, based in Montreal, will merge the Rutland, Vermont-based company with **Green Mountain Power**, the Vermont utility it bought last year. Fortis will get \$19.5 million in termination fees and costs.

— Jim Polson

CenturyLink Combination With Savvis Approved by Regulators

CenturyLink Inc. said its proposed combination with **Savvis Inc.** was approved by the U.S. **Federal Communications Commission**. CenturyLink on April 27 agreed to buy Savvis Inc. for \$2.5 billion.

— Greg Chang

VEB May Buy Rospadskaya Stake for \$5.3 Bln, Interfax Says

VEB, Russia’s state development bank, may buy 80 percent of coal miner **OAO Rospadskaya** for \$5.3 billion, Interfax said, citing unidentified people with knowledge of the plans.

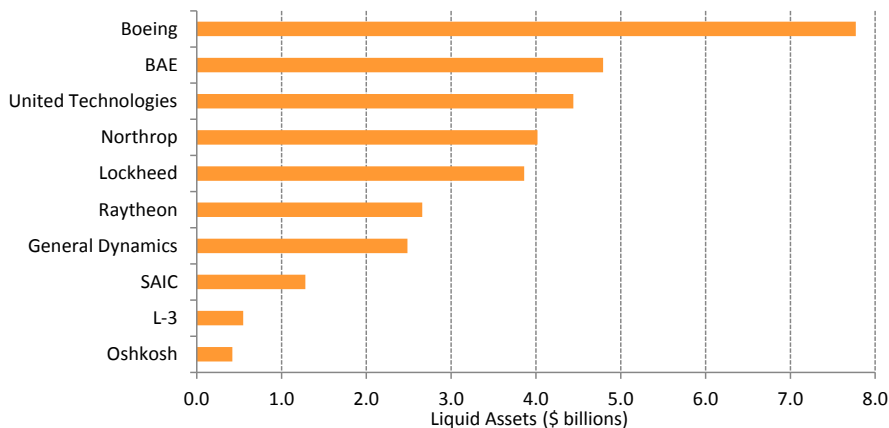
— Ilya Khrennikov

UDR to Buy Two Manhattan Apartment Complexes

UDR Inc. agreed to pay about \$581 million for two Manhattan rental communities. The company will purchase the 706-unit Rivergate complex in Murray Hill for \$443 million, and a 210-unit community called 21 Chelsea for \$138 million, the real estate investment trust said. UDR also bought a property in Washington, D.C., on June 28, paying \$106 million for a 185-home community called View 14.

— Oshrat Carmiel

Boeing Has Most Cash for Defense M&A Surge



Source: Bloomberg; cash and near cash items and short-term investments as of most recent regulatory filing.

BloombergBRIEF

ARB ANALYSIS

TOM BURNETT, GUEST COLUMNIST

Private-Equity Transactions Have Higher Equity Commitments Than During LBO Boom

Banks and other lenders have required deal sponsors to invest a greater amount of equity, of 20 percent or more of the transaction value, in the past couple of years, according to our analysis of acquisition agreements.

A notable example is **Immucor Inc.**, whose takeover has an equity component of at least 40 percent of the total deal value. The maker of blood-screening tests on July 5 agreed to be acquired by an affiliate of **TPG Capital**. According to the proposed transaction, Immucor shareholders would be paid \$27 in cash per share at the closing of the merger. Immucor on July 11 filed a Form 8-K report that described the debt financing for the cash merger.

The total deal value is approximately \$1.7 billion, composed of the fully diluted market capitalization of \$1.973 billion at \$27 a share (as stated by Immucor in the merger press release), less the approximately \$275 million of net cash on the most recent Immucor balance sheet, as of March 30.

\$1.1 Billion Debt Financing

The TPG equity portion of the deal financing has not been disclosed, but the borrowings are laid out in Immucor's Form 8-K report. The debt financing commitment is \$1.1 billion, including a \$100 million revolving loan, only \$25 million of which can be used to close the merger. Accordingly, the debt portion of the deal financing is equal to \$1.025 billion.

The equity investment can therefore be calculated as at least \$675 million (the difference between the \$1.70 billion enterprise value and the \$1.025 billion debt financing available at closing), although it may be somewhat higher to account for merger-related fees and expenses. Using the \$675 million figure as a minimum, the investor equity equates to at least 40 percent of the total deal value.

Range of Equity Invested

We have reviewed nine recently announced/completed large private-equity transactions. The range of equity invest-

ed by the deal sponsors varies from 22 per cent to 48 per cent of the total deal value. Three of the nine deals have an equity commitment above 40 per cent of the deal value.

For comparative purposes, we have selected the acquisition of power company **TXU** by a **KKR & Co.**-led private-equity group. The transaction was completed on Oct. 11, 2007, and still ranks as the largest leveraged buyout ever.

According to the TXU merger proxy statement of July 25, 2007, the total deal value was \$46.7 billion, of which the sponsors invested \$8.0 billion. The ratio of equity investment to total deal value was only 17 percent. Based on the information in the attached table, the TXU proposal would now require a much larger equity commitment than the 17 percent commitment required in 2007. For example, a 22 percent commitment equates to \$10.3 billion, about 28 percent higher than the \$8.0 billion KKR investment.

Similarly, when **Bain Capital LLC**, **KKR**, and **Merrill Lynch Private Equity** acquired **HCA Inc.** in 2006, the Oct. 17 merger proxy statement disclosed that the total deal price was \$26 billion. The investor-sponsors put up a total of \$4.5 billion and insiders rolled over holdings of 15.6 million shares, valued at \$795 million using the \$51 cash merger price. Total equity of \$5.29 billion represented only 20.3% of the total deal cost.

Again, in today's environment, the sponsors would have been forced to make a greater equity commitment.

Note: Wall Street Access M&A Research is covering the Immucor, Blackboard, BJ's Wholesale and SRA International mergers.

Tom Burnett, CFA, is director of research at Wall Street Access. Linda Varoli, CFA, vice president of M&A research at the firm, and Waters Cahill, an intern, assisted with this report.

PRIVATE-EQUITY TRANSACTIONS

TICKER	BUYER	DATE	TOTAL DEAL VALUE AT ANNOUNCEMENT DATE	TOTAL DEBT	TOTAL EQUITY	% EQUITY OF DEAL VALUE
BLUD	TPG CAPITAL	7/5/11	\$1.7 BILLION	\$1.025 BILLION	\$675 MILLION (EST.)	40%
BBBB	PROVIDENCE EQUITY	7/1/11	\$1.77 BILLION	\$1.15 BILLION	\$850 MILLION	48%
BJ	LEONARD GREENE/CVC	6/29/11	\$2.8 BILLION	\$2.575 BILLION	\$640 MILLION	22%
LWSN	GOLDEN GATE/INFOR	4/26/11	\$2.175 BILLION	\$1.675 BILLION	\$618 MILLION	28%
SRX	PROVIDENCE EQUITY	4/1/11	\$1.88 BILLION	\$1.39 BILLION	\$675.1 MILLION	36%
EMS	CLAYTON, DUBILIER & RICE	2/14/11	\$3.2 BILLION	\$2.675 BILLION	\$900 MILLION	28%
JAS	LEONARD GREENE	12/23/10	\$1.6 BILLION	\$1.425 BILLION	\$469.3 MILLION	29%
DLM	KKR/VESTAR/CENTERVIEW	11/25/10	\$5.3 BILLION	\$4.6 BILLION	\$1.7 BILLION	32%
JCG	TPG/LEONARD GREENE	11/23/10	\$2.6883 BILLION	\$1.85 BILLION	\$1.2695 BILLION	47%

Source: Company SEC filings, Wall Street Access

Note: Sum of debt and equity values do not always equal the deal value at announcement date. Total Debt often includes funds required for post-closing operations.

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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	6,155	05/02/11	09/30/11	81.50	6.81	80.09	1.76	1.41	0.00
Constellation Energy Group Inc	Exelon Corp	10,165	04/28/11	-	40.30	16.09	38.73	4.05	1.57	-0.15
DPL Inc	AES Corp/The	4,640	04/20/11	-	30.00	9.46	30.38	-1.25	-0.38	0.00
Family Dollar Stores Inc	Trias Fund Management	7,710	02/15/11	-	60.00	39.28	52.34	14.64	7.66	0.59
Graham Packaging Co Inc	Private	4,365	06/14/11	-	25.50	13.58	25.33	0.67	0.17	-0.03
Lubrizol Corp	Berkshire Hathaway Inc	9,218	03/14/11	09/30/11	135.00	24.17	134.54	0.34	0.46	-0.06
National Semiconductor Corp	Texas Instruments Inc	6,407	04/04/11	11/30/11	25.00	74.63	24.80	0.81	0.20	-0.06
Nicor Inc	AGL Resources Inc	3,138	12/07/10	-	56.27	17.61	55.76	0.92	0.51	-0.01
NSTAR	Northeast Utilities	6,842	10/18/10	-	46.42	0.03	46.10	0.69	0.32	0.11
NYSE Euronext	Deutsche Boerse AG	9,532	02/15/11	07/13/11	34.47	8.10	33.19	3.86	1.28	-0.78
Progress Energy Inc	Duke Energy Corp	25,531	01/10/11	12/31/11	49.95	6.13	48.09	3.87	1.86	0.11
Ralcorp Holdings Inc	ConAgra Foods Inc	7,002	05/04/11	-	86.00	20.90	86.94	-1.08	-0.94	0.10
SAVVIS Inc	CenturyLink Inc	2,978	04/27/11	12/31/11	40.00	10.11	39.66	0.86	0.34	0.12
Southern Union Co	Energy Transfer Equity LP	8,634	06/16/11	03/31/12	40.28	33.43	41.79	-3.62	-1.51	-0.23
Southern Union Co	Williams Cos Inc/The	8,613	06/23/11	-	39.00	28.55	41.79	-6.68	-2.79	-0.19
Temple-Inland Inc	International Paper Co	4,118	06/06/11	08/09/11	30.60	31.19	30.20	1.32	0.40	0.35
TMX Group Inc	Multiple	3,732	05/13/11	08/08/11	50.00	24.77	43.79	14.18	6.21	1.23
Transatlantic Holdings Inc	Allied World Assurance Co	3,324	06/12/11	12/31/11	49.91	15.73	49.02	1.82	0.89	0.44
Varian Semiconductor Equipment	Applied Materials Inc	4,572	05/04/11	-	63.00	41.12	61.44	2.54	1.56	0.06
Warner Music Group Corp	Private	2,963	05/06/11	09/30/11	8.25	10.73	8.22	0.36	0.03	-0.01

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Anticipated Approvals

DATE	TARGET	ACQUIRER	DEAL VALUE (\$M)	TYPE
7/14	Cephalon Inc.	Teva Pharmaceutical Industries Ltd.	6,155	Target shareholders
7/14	Warner Music Group Corp.	Access Industries Holdings LLC	2,963	European Commission
7/14	Polyus Gold OJSC	KazakhGold Group Ltd.	8,344	Target shareholders
7/15	SRA International Inc.	Providence Equity Partners Inc.	1,372	Target shareholders
7/15	Hainan Lanhai Group	Jilin Yatai Group Co Ltd	1,129	Acquirer shareholders
7/20	Celastis Ltd.	Qiagen NV	319	Target shareholders
7/23	Gerber Scientific Inc.	Vector Capital Corp.	287	HSR expected expiration
7/26	Integral Systems Inc.	Kratos Defense & Security Solutions	260	Target, acquirer shareholders
7/27	Tong Yang Magic Co.	Tong Yang Major Corp.	91	Acquirer shareholders
7/28	Hite Brewery Co.	Jinro Ltd.	1,739	Target, acquirer shareholders
7/28	Rakuten KC Co.	J Trust Co.	513	Seller board of directors
7/29	Avis Europe PLC	Avis Budget Group Inc.	616	Target shareholders
8/4	Global Crossing Ltd.	Level 3 Communications Inc.	2,451	Target, acquirer shareholders

Calls and Meetings

DATE	TIME	COMPANY	EVENT	DESCRIPTION
7/14	Before market open	JPMorgan Chase & Co.	Quarterly earnings	JPMorgan is ranked No. 2 in Bloomberg's league tables of financial advisers with \$273.4 billion of deals this year.
7/14	After market close	London Stock Exchange Group PLC	Quarterly earnings	LSE on June 29 terminated its purchase of TMX Group Inc.
7/14	After market close	Google Inc.	Quarterly earnings	The U.S. Senate's antitrust subcommittee asked Google to provide a top executive who could deliver testimony about its market power, and threatened to issue subpoenas to compel Chairman Eric Schmidt or CEO Larry Page to attend.
7/15	Before market open	Citigroup Inc.	Quarterly earnings	Citigroup is ranked No. 7 in Bloomberg's league tables of financial advisers with \$178.0 billion of deals this year.

Conferences

DATE	EVENT	FEATURING	LOCATION	CONTACT / REGISTRATION
July 19-21	Alliance of Merger & Acquisition Advisors Summer Conference	"AM&AA members convene regularly for training and continuing education."	Hilton, Chicago	amaaonline.com
Aug. 26	KC Standard's Global Mining M&A Outlook in 2011	Breakfast roundtable briefing bringing together "leading Chinese mining and minerals executives."	TBD, Beijing	kcstandardconferences.com
Sept. 5-8	Private Equity World Africa	"Africa's only conference and business zone dedicated to growing private equity opportunities in Africa."	Sandton Convention Center, Johannesburg	terrapinn.com
Sept. 12-16	AM&AA's Certified Merger & Acquisition Advisor Credentialing Program	"Course objectives taught by seasoned M&A professionals are designed to improve leadership competencies to a new 'gold standard' level of excellence."	Graziadio Executive Conference Center, Malibu, Calif.	amaaonline.com
Sept. 14-16	Private Equity World Brazil 2011	"Brings together the leading Brazilian and international investors and fund managers to discuss sourcing deals, growing investments, successful exits."	Sofitel São Paulo Ibirapuera	terrapinn.com
Sept. 15-16	5th Annual Private Equity Summit for Institutional Investors	"New Relationships, New Markets, New Models: How to navigate the evolving and shifting landscape"	Hyatt at Fisherman's Wharf, San Francisco	opalgroup.net
Sept. 22	Latin Lawyer Private Equity Conference 2011	The 2011 conference will "offer the best of legal minds from banks, funds, law firms and government."	New York	latinlawyer.com/events
Sept. 27-28	Dow Jones Private Equity Analyst Conference	Topics include social media frenzy, international opportunities, Washington regulation	Waldorf Astoria, New York	peaconference.dow-jones.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. 25-26	NextGen Private Equity Executive Summit	"Interactive roundtable sessions representing a diverse cross-section of the most knowledgeable players from the private equity investment community."	Venetian Hotel, Las Vegas	iibig.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

Q&A

Evercore's Mandl Sees Promises In Social Networking For Businesses

**Eric Mandl**

Technology M&A likely will remain lively because large businesses with plenty of cash on their balance sheets have to

keep up with changing technology and some of this new tech can be found in smaller companies, said Eric Mandl, senior managing director at Evercore Partners. In an interview with Aleksandrs Rozens, Mandl said he does not believe that the increase in IPOs by young tech businesses is the start of a bubble. Many companies going public have established business models and they are profitable, according to Mandl.

Q: You are on the Solomon R. Guggenheim Museum acquisitions committee. How does an acquisition in the art world compare to company M&A?

A: It's not all that dissimilar. There is a uniqueness associated with a piece of art and you can argue that some of these companies we look at today and learn about are also unique. A lot of them are, in their own ways, pieces of art in that they can change the way we do things and how we think. I'd argue that if you have a piece of art that is truly unique, and of course every piece of art is unique in its own way, it's not replaceable. Whereas, in tech what we've seen over the last few cycles is that once everybody's gotten comfortable – wow this is it, now we've got it and this is the way we are going to do fill in the blank – someone comes along and says actually we are going to do it this way and it's 10 times better.

Q: As a tech banker, the biggest effort must be to keep up with all of the new technologies.

A: The most important thing for me is twofold. It is to make sure that I'm

up to speed as to what's important and relevant to my clients. Number two, from a personal perspective, it's important for me to know what those leading-edge technologies are because I can guarantee you that my clients spend all of their time doing the same. I have a computer science background, so that helps, but it requires a tremendous amount of focus, reading and speaking to executives in the VC community and tech industry at large.

Q: The biggest risk is some kid in an Ivy League dorm room cooking something up. How do you keep abreast of that?

A: Typically, the most unique innovations come through the VC community. Even when someone creates something amazing, a lot of its success is associated with the way it's ultimately positioned to be a product. And, if an adviser is doing his or her job well, they are going to have their finger on the pulse as to what is the next gap that needs to be filled. A lot of it actually is being in front of the companies that are currently displacing the big guys and understanding what the big guys are thinking about or worried about to make sure they adapt.

Q: Are we in the middle of another tech boom? Are we at risk of making the same mistakes?

A: There are a fair number of large companies that have a lot of cash. These large companies have very big gaps they need to fill. As the technology gets more and more leading-edge – whether we are talking about virtualization, cloud, social networking, big data – all of these concepts are real and often reside in very small companies. If you are a large-cap tech provider with gaps to fill, the longer you wait to fill that gap, the bigger it becomes. It's almost like a crack in a dam. And, these tiny companies get to feed off of that. When you combine these two elements – a lot of cash and companies trying to fill

those gaps – it creates a very vibrant M&A market. I don't believe there is any way to say, 'OK, this where we are from a cycle perspective.' Companies that you see going public are a lot healthier. They have real business models. They have much more defined boards and management teams and there is profitability involved. Where we have to be careful is when we switch to companies that are not as healthy and start representing the second, third, fourth or fifth tier of companies to just say, 'This a great market – let's try and go public.' I don't think we are there yet.

Q: So, a lot of the M&A involves larger companies trying to maintain their relevance in the market?

A: It's a relevance factor and it's the ability to create a full solution for your customer. If you go back 40 years, the ultimate for a full solution was a company like IBM that did everything. Today, that's what people are trying to actually replicate. They are trying to provide a full solution that gives you a service, software, that gives you some holistic view of your communications strategy. The social networking aspect has a great ability to have employees speak with one another and customers.

Q: A social networking business can pass like a fad. Can this make it tricky for a dealmaker to value a business whose worth can evaporate if the cool factor goes away?

A: Your observation on social networking is very astute in that first-mover advantage generally does not work. Another way to think about it is to compartmentalize social networking into consumer and enterprise. Consumer is the traditional social networking engine that we typically think about. The way to be successful is to maximize the amount of time that a user is on your website. It's just that simple. What we've seen recently is that Facebook was able to surpass Google in the number of

Q&A

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moments that a user is actually on a website. That's significant because the ability to attach revenue to the amount of time you are actually on there is directly linked. The more time you have someone looking at the screen, there is a higher probability you can generate advertising revenue or other attached rates of revenue to other products you sell.

Q: Isn't that akin to page hits 10 or 15 years ago?

A: To me it's a little different because then we had a flawed valuation model which was 'OK, we have eyeballs hitting this page and because of those number of eyeballs I'm going to value you this way.' What I think Google has done is it's changed that paradigm; it says the number of eyeballs has become less relevant. What's relevant is 'I'm able to get you very good data as to how people search, use that search and ultimately make purchases.' That concept is not only alive in search but it's alive and well in the social networking world. I'd argue it's actually not a fad from an impact perspective. It remains to be seen what it will mean from a long term valuation perspective. I think people are apt to assign value because it's human nature. You want to know what something is worth. But the way our system works is today's value should be the aggregation of everything the company is doing today and what the market believes it's going to be doing

as far as we can see in the future. Where I think it's very fascinating – and it's unclear whether the consumer social networkers will be able to attack this or whether the traditional tech companies or media companies will be able to attack this – but how does this affect the enterprise as well? Someone who is a salesperson and is typically linked to a Rolodex or CRM system that is legacy or traditional could potentially have a lot more leverage if they are using a CRM system that is socially enabled. The ability to do that exists in some formats today but my prediction would be is that's where you are going to see tremendous growth. The beauty of technology like that is it allows you to leverage what is, typically, a strained workforce that is very thin and generates a lot of data and is not able to access it in a way that's easy. Anything that creates efficiencies, is cost-effective and allows people to speak with one another better in my mind is the way to go. People don't talk about social networking that way; when you think of social networking you typically think of a news feed on Facebook, which is very powerful. But that concept being poured into the corporate world is going to be a catalyst for a lot of other interesting vendors that will help utilize the way that information is created and stored and accessed.

Q: How much does a weak dollar play into the considerations of**a cross border deal? Or is the dollar versus yen or euro not as relevant as other issues?**

A: If it was up to me I'd say it's always relevant. I believe it always factors into the equation. The thing that is atypical in the tech world is you have companies that are very large, typically headquartered in the U.S., but have substantial operations overseas. And those operations generate a lot of cash and that cash is trapped. From a tax perspective, it's efficient to deploy the capital to buy assets outside the U.S. rather than bring it back. For company X, let's say, 50 percent of their cash is trapped overseas and of that 50 percent, half of it is in Europe. The ability to deploy those euros to buy a European company is a lot more efficient, not just from the perspective of increasing footprint. It is also more efficient than bringing back that cash and potentially having FX issues in addition to tax issues.

Q: Is this thinking relegated only to tech or does it apply to other industries?

A: We have seen it a lot in tech, but from a general, M&A-themed perspective it's a huge consideration for U.S. companies, especially in the industrial world and consumer products world where cash is generated all over the place. It does make sense from a tax perspective to deploy it outside rather than bring it back.

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