Bloomberg BRIEF

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NEWS, ANALYSIS AND COMMENTARY

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THURSDAY

M&A WATCH

VODAFONE SELLS INDIA STAKE TO PIRAMAL FOR $640 MLN. The cash deal for 5.5% of Vodafone Essar follows Vodafone's purchase of 33% of the company last month for $5.46 billion.

CHINA CONSTRUCTION BANK SAID TO BID FOR BANK MASPION. Maspion holders are selling 50% of the lender, which is valued at $200 million, said people familiar.

BOFA MAY SELL CHINA CONSTRUCTION STAKE, REUTERS SAYS. Bank of America holds 10% of China Construction Bank, which is valued at $17 billion.

GOLDMAN SACHS MAY JOIN MBK IN WOORI BID, ECONOMIC DAILY SAYS. The bank may invest 600 billion won in a consortium bidding for Woori Finance Holdings led by MBK Partners, the Seoul Economic Daily reported, citing an unidentified industry official.

BAE, CHEMRING, ULTRA ELECTRONICS PLAN BUYS ON U.S. BUDGET CUTS. Nearly 40% of $52 billion in West European defense purchases since 2006 have been in the U.S.

FUBON FINANCIAL MAY BUY BANK OF GUANGZHOU STAKE, ECONOMIC DAILY NEWS SAYS. Fubon may pay $986 million for a 19.99% stake, the newspaper reported.

ZIJIN PLANS $779 MILLION IN OVERSEAS BUYS, SOUTH CHINA POST SAYS. Zijin is targeting central Asia after raising $480 million in bonds last month, the newspaper said.

BRYMEDIA TO BUY NITEL, THISDAY SAYS. Brymedia West Africa has completed due diligence to buy Nigerian Telecommunications for $900 million, the newspaper reported.

Applied Materials After Rout Returns 40%

BY DANIELLE KUCERA

The biggest stock-market rout since the financial crisis is giving traders a chance to double their profit betting **Applied Materials Inc.** will complete the largest takeover of a semiconductor-equipment maker.

Varian Semiconductor Equipment Associates Inc. traded within $1.50 of Applied Materials' $63-a-share agreement before equities plummeted in the past week as the U.S. had its AAA debt rating cut for the first time. With the gap at more than $4 a share, arbitragers betting on the acquisition now stand to make an annualized gain of almost 40 percent if the transaction wins antitrust

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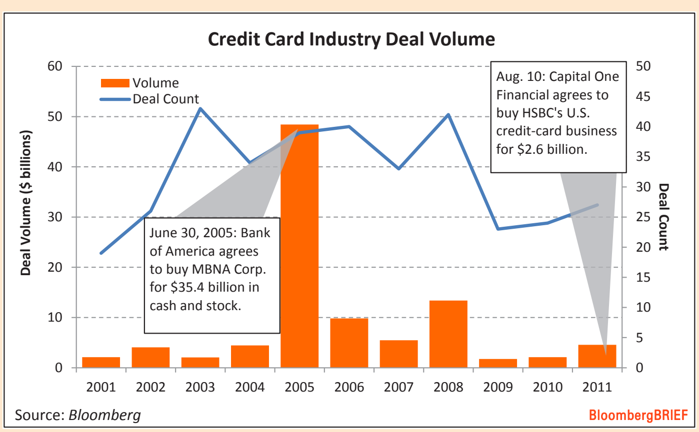
Daily Data (includes announced and amended deals)

Comparisons

SUMMARY	TOTAL	YEAR TO DATE	PRIOR YTD
Number of Deals	18	16,296	15,415
Volume	$820.8 million	$1.58 trillion	$1.25 trillion
Avg Disclosed Deal Size	$82.1 million	$178.5 million	$152.5 million
Average Premium	45%	21%	22%



Credit-card industry deal volume has risen almost threefold to $4.57 billion in 2011 from $1.68 billion a year earlier, according to data compiled by Bloomberg.

Breaking Deals

TARGET NAME	ACQUIRER NAME	TOTAL VALUE ($M)	TARGET PRICE/ EBITDA
Beats Electronics LLC	HTC Corp	309	-
South Arne oil field	Hess Corp	200	-
First Insurance Co of Hawaii	Tokio Marine Holdings Inc	165	-
Kazokutei Co Ltd	H2O Retailing Corp	81	4.2
Land & Building	Global Sources Ltd	51	-
Banksimple	Multiple acquirers	10	-
Hollywood Classics Ltd	Metrodome Group PLC	3	-
NK Co Ltd	BS Financial Group Inc	2	9.4
Nomura Korea Co Ltd	Nomura Micro Science Co Ltd	0	-
Active Energy Ltd	Active Energy Group PLC	0	-

Yesterday's Deals

TARGET NAME	ACQUIRER NAME	TOTAL VALUE ($M)	TARGET PRICE/ EBITDA
Explor. & production division	China Investment Corp	3,302	-
Card and retail services bus.	Capital One Financial Corp	2,600	-
Lenta LLC	Multiple acquirers	1,100	-
Train 1/Atlantic LNG	China Investment Corp	851	-
Vodafone Essar Ltd	Piramal Healthcare Ltd	640	-
Fawer Automotive Parts Co	Guangdong Sunrise Holdings	629	-
Silicon wafer business	Sino-American Silicon Prod.'s	457	-
Almeida Junior Shopping Ctr.	Westfield Group	457	-
ZaZa Energy LLC	Toreador Resources Corp	327	-
Land & building	Private investor	306	-

APPLIED MATERIALS AFTER ROUT RETURNS 40%...

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approval from regulators and closes in mid-October, according to data compiled by Bloomberg.

While the slump in U.S. equities is threatening to derail what had been the best year for takeovers since 2007, Applied Materials said yesterday it remained "committed" to the deal. The company, which is spending $4.9 billion to get back into a business it lost to Varian, has already raised more than a third of the total selling bonds and has $3.3 billion in cash. Applied Materials also has the highest credit rating in the industry.

"This is a good buyer with a good balance sheet," said **Yemi Oshodi**, managing director of M&A and special situations trading at WallachBeth Capital LLC. In addition, "we don't see anything that leads us to think there's going to be any concern on the regulatory front. This is the transaction that I would recommend for any client," compared with the risk involved, he said.

Howard Clabo, head spokesman for Applied Materials, said in an e-mail that the company is "committed to our acquisition of Varian." He declined to comment on the regulatory approval process.

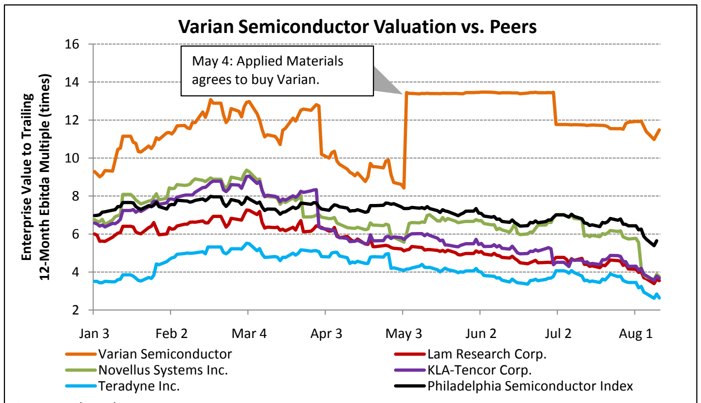
The all-cash offer from the world's largest producer of chipmaking equipment was 55 percent higher than Varian's price of $40.55 prior to the announcement in May.

After the companies disclosed the deal, Varian never fell below $60 until last week, when the Standard & Poor's 500 Index began its biggest three-day drop since November 2008.

Shares of Varian fell to a low of $56.64 during that span, before rebounding in the past two days to $58.91. Based on yesterday's closing price, traders stand to make 6.9 percent if the deal is completed by mid-October, which would equal a 39 percent gain over a full year, data compiled by Bloomberg show.

"The market sell off last week had a big impact" on the deal spread, said **Mehdi Hosseini**, an analyst at Susquehanna Financial Group. "The arbitrage opportunity is that you buy it here and assume that Applied is going to close this in October."

With $3.1 billion more cash than debt, Applied Materials has the highest reserves among producers of chipmaking equipment in the U.S., data compiled by Bloomberg show. The company also generated $1.8 billion in free cash flow in the past 12 months, more than all equipment makers except **ASML Holding NV**.



Source: *Bloomberg*

To finance the takeover, Applied Materials already raised $1.75 billion selling five-, 10- and 30-year bonds. Applied Materials is rated A- by S&P. Based on Bloomberg's Company Credit Ratings, Applied Materials has a AAA credit rating.

"I don't see financing as any issue," said **Patrick Ho**, an analyst for Stifel Nicolaus & Co. "This is an opportunity to make money."

Applied Materials is unlikely to give up on the deal because it needs Varian's 70 percent share of the so-called ion-implantation business to bolster demand, he said. The machines are used in a stage of creation for all computer chips and to make solar panels and light-emitting diodes.

Sales at Applied Materials, which exited the ion-implantation business in 2007, will rise 14 percent this year, analysts' estimates compiled by Bloomberg show. Varian, which gets all its sales from selling ion-implantation machinery, will grow more than three times as much.

The lack of overlapping businesses increases the likelihood that Applied Materials, which has already gained approval from regulators in Israel, Germany and Taiwan, will get clearance from the U.S. Department of Justice, according to Ho.

The company received a second request from U.S. regulators on June 13, which usually occurs for deals of Varian's size, according to **Peter Lobravico**, a vice president of merger arbitrage trading and sales at Wall Street Access. It may take about three or four months for Applied Materials to get clearance from the time of the second request, which means the deal could be completed in mid-October, he said.

Gina Talamona, a spokeswoman for the Justice Department, declined to comment on whether it's reviewing the acquisition.

The takeover may still get held up as Applied Materials waits for regulatory approval from China, leading traders to avoid the deal, said **Keith Denninger**, vice president of event-driven strategies at MKM Partners LP. The possibility of a more than 30 percent drop if the deal unravels may also scare away investors, he said.

"Ultimately, I think what's spooking arbs is the potential downside," Denninger said. "If this thing blows up, this will ruin your year."

For Wall Street Access's Lobravico, the potential windfall from Applied Material's deal for Varian more than compensates for the odds it will fall apart.

It's "obviously a huge spread," he said. "I can't think of a fund manager that wouldn't want to make a return like that."

PEOPLE WATCH

■ **Prem Parameswaran** was named head of media and telecom investment-banking coverage in the Americas by **Deutsche Bank AG**. Parameswaran's appointment was announced in an internal memo. Parameswaran succeeds **Don Birchenough**, who left to join **Credit Suisse Group AG** in May. **Malcolm Morris** was named vice chairman for Americas media coverage. Parameswaran joined Deutsche Bank in 2003, most recently managing Americas telecom. He covers accounts including **AT&T Inc., Paetec Holding Corp., RCN Corp.** and **Frontier Corp.** Morris has been with Deutsche Bank since 1992, most recently as head of cable and tower coverage.

■ **Adam C. Peakes**, 38, joined **Tudor, Pickering, Holt & Co.**, the Houston-based investment bank focused on the energy industry, as a managing director. He previously worked at **Goldman Sachs Group Inc.** as a managing director in the firm's global natural resources investment-banking group, according to a statement. During his 11 years at Goldman, Peakes worked in the New York and Houston offices, and advised on transactions such as **Pride International Inc.'s** sale to **Ensco Plc** and **Baker Hughes Inc.'s** acquisition of **BJ Services Co.** He received an MBA from Harvard Business School.

■ **Evercore Partners Inc.'s Jane Sadowsky**, a banker to power and utility companies such as **Exelon Corp.** and **AES Corp.,** has left the New York-based investment bank. Sadowsky was a senior managing director in New York since joining Evercore from **Citigroup Inc.** in 2006. Her departure was confirmed by **Kenny Juarez**, a company spokesman, and was reported last week by Sparkspread.

—Zachary R. Mider, Serena Saitto, Rob Williams

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

THE WIRE

Vodafone Says Piramal Buys Indian Stake

Vodafone Group Plc sold a stake in its Indian unit to **Piramal Healthcare** Ltd. for $640 million, a deal that puts the world's largest mobile-phone operator back into compliance with rules limiting foreign ownership.

Piramal will pay cash for 5.5 percent of **Vodafone Essar**, the U.K. company said in a statement. The deal allows Piramal to take part in a potential IPO of Vodafone Essar, India's third-largest mobile-phone carrier, or sell its stake back to the U.K. company, the Vodafone statement said.

The sale brings Vodafone's stake in Essar back under the 74 percent that foreign companies are allowed to own in local mobile-phone operators. Vodafone had boosted its share of Essar to just above that when it paid $5.46 billion for 33 percent of the company last month.

The transaction values the Indian venture at $11.6 billion. The U.K. operator's 33 percent stake purchase had valued the whole company at more than $15 billion.

– Jonathan Browning and Jun Yang

BofA in China Construction Stake Talks, Reuters Says

China Construction Bank Corp. rose in Hong Kong trading after Reuters reported that **Bank of America Corp.** began talks with funds in Kuwait and Qatar on selling part of its stake in the Chinese lender.

Bank of America has held talks with the sovereign wealth funds of Kuwait and Qatar, Reuters reported, citing people it didn't identify. The U.S. bank may sell some of its stake in Construction Bank, the world's second-largest lender by market value, to boost capital before new international standards take effect, three people briefed on the plans told Bloomberg in June. Bank of America holds about 10 percent of Construction Bank, according to data compiled by Bloomberg, a stake valued at about $17 billion based on the Aug. 10 closing price.

– Stephanie Tong

China Construction Bank Said to Bid for Bank Maspion

China Construction Bank Corp. made a preliminary bid for control of PT **Bank Maspion Indonesia**, three people with knowledge of the matter said.

Shareholders of closely held Bank Maspion plan to sell more than 50 percent of the lender, which is valued at about $200 million, said the people, who spoke on the condition of anonymity because the negotiations are private.

Construction Bank has yet to decide if it will make a binding offer, one person said. It held off making a decision after Indonesia's government last month said it will enact new bank ownership rules this year that may bar Construction Bank from holding a majority stake, according to the people.

PT **Alim Investindo** owns 77.8 percent of Maspion, according to the bank's website. A media official at Construction Bank didn't respond to a telephone call and a text message seeking comment.

Chinese companies have announced $681 million worth of acquisitions in Indonesia in the past 12 months, data compiled by Bloomberg show. Demand for banking services in Asia's third-most populous country is expected to grow with the country's economy poised to expand as much as 7 percent next year on rising exports and investments.

– Cathy Chan and Joyce Koh

HTC to Buy Dr. Dre's Headphone Maker Stake

HTC Corp. agreed to buy control of a maker of headphones backed by rapper **Dr. Dre**

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PRIVATE EQUITY

■ **Evercore Partners Inc.'s** joint venture in Brazil, **G5 Advisors**, is aiming to raise more than $1 billion to start three private-equity funds and a commercial real-estate fund in Sao Paulo. "We see investors' continuing appetite for Brazilian assets," **Corrado Varoli**, G5's co-founder, said. "Evercore will invest with us in the funds and will help us to raise money." Takeovers of Brazilian companies this year are keeping pace with 2010's record volume, with 326 deals totaling $64.4 billion, data compiled by Bloomberg show. Last year's total for the same period was $65.3 billion. G5 wants to raise about $400 million for an oil and gas fund, $300 million for investing in power and utility assets and $200 million for luxury brands, Varoli said. The Sao Paulo-based mergers and acquisitions advisory boutique is also seeking 400 million reais ($252 million) for a commercial real-estate fund focusing on shopping centers in Brazil, he said.

■ The selloff in global equity markets in the past week won't necessarily hurt leveraged buyouts, said executives at private-equity firms **Thomas H. Lee Partners LLC** and **Apollo Global Management LLC**, as lower prices for takeover targets offset rising financing costs. "We're actually not unhappy if the credit markets slow down a little bit," **Scott Sperling**, co-president of **Thomas H. Lee Partners LP**, said. The firm prefers to put more cash into deals, as long as the purchase price "provides us more protection against the risks of the economy," he said. The buyout executives said they can thrive in volatile markets where falling equity prices play to the strengths of distressed investors who seek to buy troubled companies at a discount. Apollo took advantage of turmoil in 2008 and in past recessions, said **Marc Spilker**, president of the firm.

— Cristina Alesci, Jason Kelly, Cristiane Lucchesi, Serena Saitto

THE WIRE…

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for $300 million.

The Taiwanese company will acquire 51 percent of **Beats Electronics** LLC, HTC CFO **Winston Yung** said. Beats Electronics, formed in 2006 by Dr. Dre, also known as **Andre Young**, and **Universal Music's Interscope Records** Chairman **Jimmy Iovine**, makes headphones that sell for as much as $600.

The purchase paves the way for the Taiwanese smartphone maker to expand its offering of accessories as competition in the smartphone market escalates. HTC last month agreed to buy S3 Graphics Co. for $300 million to access its trove of patents as it defends against infringement lawsuits from Apple Inc.

Demand for phones with touchscreens and faster fourth-generation connectivity is helping HTC generate record sales as it closes in on **Nokia**'s No. 3 position in the global smartphone market after **Apple** and South Korea's **Samsung Electronics Co.** The gains have helped HTC amass a cash pile of NT$108.4 billion ($3.7 billion) as of June 30.

– Janet Ong and Naoko Fujimura

BAE, Chemring Plan Buys on U.S. Budget Cuts

U.S. budget cuts may spur a spending spree at BAE Systems Plc and other European companies reliant on the world's biggest defense market as they rush to expand in military technologies best-placed to dodge the contraction.

BAE, **Chemring Group Plc** and **Ultra Electronics Holdings Plc** say they're seeking opportunities in electronic warfare and intelligence gathering, while **Meggitt Plc**, a maker of wheels, brakes and controls for fighter jets, is chasing energy-industry deals to offset the defense-side slump.

BAE, which exited airliner production in 2006 with the sale of its Airbus SAS stake, derived $16 billion in sales from the U.S. last year, twice the revenue from its home U.K. market and almost 50 percent of the global total. Smaller European players are even more exposed, with **Cobham Plc** deriving almost 61 percent of business from the world's No. 1 economy and Meggitt more than 54 percent, including civil work for Boeing Co.

West European companies have made 360 aerospace and defense purchases worth $52 billion over the past five years, according to Bloomberg data, of which almost 40 percent by value have been in the U.S. Just over half of the buyers have been British, with 20 percent French, 13 percent Italian and 11 percent German.

– Sabine Pirone

Li & Fung May Need More Purchases to Meet Targets

Li & Fung Ltd., the **Wal-Mart Stores Inc.** supplier that doubled its workforce after at least 11 acquisitions in the past year, may need to make still more deals to meet its earnings targets.

The world's biggest supplier of toys and clothes to retailers may report first-half profit fell 25 percent to HK$1.6 billion ($205 million) when it announces earnings, according to the median estimate of seven analysts in a Bloomberg News survey.

After pledging to focus on "organic growth" in the next three years, Li & Fung may instead need to make more purchases to meet its goal of more than doubling operating profit at its main business to $1.5 billion by 2013, according to Credit Suisse Group's **Gabriel Chan**.

Li & Fung has spent at least $3 billion on deals from 2006 to 2009, doubling both sales and profit in that period, according to data compiled by Bloomberg.

Relying on organic growth "clearly" won't be enough if the company is to meet its earnings target, said **Kenny Tang**, general manager of AMTD Financial Planning. Li & Fung had about $1 billion in its acquisition fund, CEO **Bruce Rockowitz** has said.

– Bloomberg News

M&A ROUNDUP

U.S. Should Probe Waste Management Deal, Group Says

Waste Management Inc.'s acquisition of **Oakleaf Global Holdings Inc.** should be investigated by the **U.S. Justice Department** as the garbage-hauling industry continues to consolidate, said a group that favors stronger antitrust enforcement.

By buying Oakleaf, Waste Management will rid itself of a national competitor, wrote **Bert Foer**, president of the Washington-based **American Antitrust Institute**, in a letter to Acting Assistant Attorney General **Sharis Pozen**.

The $425 million purchase would leave two dominant companies, Houston-based Waste Management and Phoenix-based **Republic Services Inc.**, which could lead to higher prices, Foer said in the letter.

—Jeff Bliss

BHP-Nyrstar Talks on Joint Lundin Bid Said to Have Failed

BHP Billiton Ltd., the world's biggest mining company, and **Nyrstar NV** failed to reach an agreement in talks on a joint bid for **Lundin Mining Corp.**, two people familiar with the matter said. The talks ended last week, the people said, declining to say why they weren't successful and asking not be identified because the discussions weren't public. While Nyrstar, the world's largest refined zinc producer, is still interested in some of Lundin's assets, it can't afford to buy the miner on its own, one of the people said.

—Firat Kayakiran

Former Facebook Executive Buys Stake in NBA's Warriors

Chamath Palihapitiya, an original member of **Facebook Inc.'s** management team, joined the ownership group of the **National Basketball Association's Golden State Warriors**. Financial terms weren't disclosed. In four years at Facebook, he worked in various roles, including vice president of user growth, mobile and international. He left in June. The Warriors about a year ago were sold for a league-record $450 million by **Christopher Cohan** to a group led by **Joe Lacob**, managing partner at venture capital firm **Kleiner Perkins Caufield & Byers**, and **Peter Guber**, chairman of **Mandalay Entertainment Group**.

—Scott Soshnick

Virgin Atlantic Reports Interest From Investors After M&A Study

Richard Branson's Virgin Atlantic Airways Ltd. said it's attracting interest from potential investors after completing a study into its strategic options.

"We have a pretty good understanding of what's happening in the market," CEO **Steve Ridgway** said. "We know where all the chess pieces are." Virgin Atlantic is reviewing its independence after U.S. and European regulators allowed **British Airways, Iberia** and **AMR Corp.'s American Airlines** to create a joint business.

—Steven Rothwell

AT&T Bid Faces Rhodes-Scholar Antitrust Review in California

AT&T Inc., looking to win approval for its proposed $39 billion acquisition of **T-Mobile USA**, is facing a challenge in California where regulators have raised questions about the deal's effect on consumers and corporate customers. The state's **Public Utilities Commission** has held seven public discussions of the bid, under the oversight of Commissioner **Catherine Sandoval.** She's delving into how a merger would affect rural communities, corporations and the evolution of wireless technologies. Through her scrutiny, the 50-year-old law professor and Rhodes Scholar may help determine whether AT&T succeeds.

—Olga Kharif

Biggest Credit-Card Acquisitions

ANNOUNCED	TARGET	BUYER	SELLER	ANNOUNCED TOTAL VALUE ($ MLN)	DEAL STATUS
6/30/05	MBNA CORP.	BANK OF AMERICA CORP.		35,366	COMPLETE
8/16/06	SHINHAN CARD CO.	SHINHAN FINANCIAL GROUP CO.		6,918	COMPLETE
9/21/95	FIRST FINANCIAL MANAGEMENT CORP.	FIRST DATA CORP.		6,026	COMPLETE
1/20/97	FIRST USA INC.	BANK ONE CORP.		6,020	COMPLETE
6/6/05	PROVIDIAN FINANCIAL CORP.	WASHINGTON MUTUAL INC.		5,627	COMPLETE
7/11/08	SHINSEI FINANCIAL CO.	SHINSEI BANK LTD.	GENERAL ELECTRIC CO.	5,464	COMPLETE
5/5/08	CREDIT CARD PORTFOLIO	JPMORGAN CHASE & CO.	TARGET CORP.	3,600	COMPLETE
1/16/02	CHASE USA MASTER TRUST	JPMORGAN CHASE & CO.	PROVIDIAN FINANCIAL CORP.	2,870	COMPLETE
8/10/11	CARD AND RETAIL SERVICES BUSINESS	CAPITAL ONE FINANCIAL CORP.	HSBC HOLDINGS PLC	2,600	PENDING
8/31/05	CREDIT AND FINANCIAL SERVICES BUSINESS	JPMORGAN CHASE & CO.	SEARS CANADA INC.	1,857	COMPLETE
1/20/04	PRIVATE LABEL CREDIT CARD OPERATIONS	BANK ONE CORP.	CIRCUIT CITY STORES INC.	1,800	COMPLETE
3/6/06	PRIVATE LABEL CREDIT CARD ACCOUNTS	JPMORGAN CHASE & CO.	KOHL'S CORP.	1,600	COMPLETE
8/4/05	METRIS COS.	HSBC HOLDINGS PLC		1,568	COMPLETE
10/22/03	BANKCARD PORTFOLIO	FLEETBOSTON FINANCIAL CORP.	CIRCUIT CITY STORES INC.	1,300	COMPLETE

Source: *Bloomberg*

Chile Constitutional Court to Review Lan-Tam Transaction

Chile's **Constitutional Court** will review **Lan Airlines SA's** planned $3.3 billion takeover of Brazil's **Tam SA** at the request of rival carrier **Pal Airlines**. The constitutional probe won't impede an ongoing review of the transaction by Chile's **Antitrust Tribunal**, known as TDLC, according to documents posted on the court's website.

—Eduardo Thomson

Nigeria's Interswitch Plans African Purchases With Helios

Interswitch Ltd., a Nigerian company that processes payments for banks in the West African nation, took a 60 percent stake in Uganda's only company of the kind amid plans for more African acquisitions. Interswitch will use the 26 billion naira ($170 million) invested by London's **Helios Investment Partners LLC**.

—Emele Onu

ARB ANALYSIS

TOM BURNETT, GUEST COLUMNIST

BHP Billiton's Bid for Petrohawk Reprices Value of U.S. Natural Gas Reserves

BHP Billiton's agreement to buy **Petrohawk Energy Corp.** values its proved gas reserves at an astonishingly high $4.44 per 1,000 cubic feet.

The world's biggest mining company by market value on July 15 agreed to acquire **Petrohawk Energy Corp.** for $38.65 a share in cash. Including Petrohawk's outstanding debt, the transaction was valued at $15.2 billion. BHP on July 25 launched a formal cash tender offer to acquire the Petrohawk shares. The offer is currently scheduled to expire on Aug. 19.

The companies announced U.S. antitrust clearance on July 25 and the merger requires approval of the **Committee on Foreign Investment in the United States**. Material CFIUS-related delays aren't anticipated.

Not only was the $38.75 cash price a 45 percent premium to Petrohawk's 30-day average closing price, it also valued Petrohawk's 3.4 trillion cubic-feet equivalent of proved gas reserves at $4.44 per 1,000 cubic feet. BHP emphasized that Petrohawk's total resource base equaled 35 trillion cubic-feet equivalent, but most of that reserve base is not a proven reserve. The deal price equated to $26.60 per BOE, based on the energy equivalence of 6,000 cubic feet of natural gas and one barred of oil.

Even though Petrohawk is enhancing its production of crude oil and other liquids, it is primarily a gas producer. The company estimated that 87% of production will be natural gas this year, according to an investor presentation in July.

In terms of Ebitda multiples, BHP is paying 16.4 times trailing 12 months adjusted Ebitda or 10 times 2011 Petrohawk forecasts for 2011. When **Exxon Mobil Corp.** acquired **XTO Energy Inc.** in 2010, it only paid 6.5 times Ebitda and $17 per BOE ($2.83 for MCF) of reserves.

In the post-BHP/Petrohawk world, investors may benefit from searching for natural gas producers that aren't fully valued in the current marketplace. For example, we used the Bloomberg Index/MMR function for the XNG Index. The XNG covers 18 gas producers and is up about 1.0 percent in 2011.

Two index members, **Devon Energy Corp.** and **Ultra Petroleum Corp.** stand out as weak performers. Devon is down 12.4 percent and Ultra Petroleum 14.7 percent in 2011. The table below shows a comparison of essential financial and operating characteristics of both companies.

At current prices, Devon and Ultra Petroleum are trading at enterprise value to barrel of oil equivalent reserve ratios that are much lower than the amount Petrohawk is getting from the BHP offer.

Devon and Ultra Petroleum trade at lower enterprise value-to-trailing 12-month Ebitda multiples than Petrohawk is valued by the BHP bid.

BHP is paying 16.5 times the past 12 months of Ebitda for Petrohawk, compared with to Devon's multiple of 5.3 times and Ultra Petroleum's 9.3 times.

There isn't any guarantee that Devon or Ultra Petroleum will receive takeover bids, but both stocks are materially less expensive that Petrohawk, as valued by BHP.

Investors who seek out these relatively "cheap" stocks may benefit even if no bids are forthcoming since the market may revalue them more favorably in light of the price BHP is paying for Petrohawk.

Tom Burnett, CFA, is director of research at Wall Street Access. Eileen Connors, an intern, assisted with this report.

Note: Wall Street Access Merger Research is covering the BHP-Petrohawk cash merger proposal.

Valuations of Devon, Ultra Petroleum

	DEVON ENERGY	ULTRA PETROLEUM
Current Price	$68	$40
Price Range 52-Week	$93-59	$51-37
Market Cap ($ billions)	$28.6	$6.2
Net Debt ($ billions)	$1.2	$1.6
Enterprise Value ($ billions)	$29.8	$7.8
December 2010 Reserves		
Million BOE	2,873	731
Percent Natural Gas	60%	95%
Current EV/BOE Reserve	$10.37	$10.67

Source: *Company filings, Bloomberg*

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	79.17	2.94	2.33	0.41
Clorox Co	Icahn Enterprises LP	11,979	07/15/11	-	80.00	17.90	65.28	22.55	14.72	1.92
Constellation Energy Group Inc	Exelon Corp	10,165	04/28/11	-	37.51	16.09	35.00	7.16	2.51	-0.19
DPL Inc	AES Corp/The	4,640	04/20/11	-	30.00	9.46	29.93	0.23	0.07	0.27
Family Dollar Stores Inc	Private	7,710	02/15/11	-	60.00	39.28	46.27	29.67	13.73	0.92
Graham Packaging Co Inc	Private	4,365	06/14/11	-	25.50	13.58	25.31	0.75	0.19	0.09
Kinetic Concepts Inc	Multiple	5,727	07/13/11	12/31/11	68.50	16.52	63.40	8.04	5.10	-0.13
Lubrizol Corp	Berkshire Hathaway Inc	9,218	03/14/11	09/30/11	135.00	24.17	134.00	0.75	1.00	0.18
Medco Health Solutions Inc	Express Scripts Inc	34,322	07/21/11	06/30/12	65.32	30.72	52.02	25.57	13.30	-0.25
Nalco Holding Co	Ecolab Inc	8,042	07/20/11	12/31/11	33.58	37.71	31.32	7.23	2.26	-0.41
National Semiconductor Corp	Texas Instruments Inc	6,407	04/04/11	11/30/11	25.00	74.63	24.65	1.42	0.35	0.00
NSTAR	Northeast Utilities	6,842	10/18/10	-	40.97	0.03	40.77	0.50	0.20	-0.03
NYSE Euronext	Deutsche Boerse AG	9,532	02/15/11	-	30.14	8.10	26.87	12.18	3.27	1.72
Petrohawk Energy Corp	BHP Billiton Ltd	14,887	07/15/11	08/19/11	38.75	60.90	38.33	1.10	0.42	0.03
Progress Energy Inc	Duke Energy Corp	25,531	01/10/11	12/31/11	45.07	6.13	43.56	3.46	1.51	-0.61
Ralcorp Holdings Inc	ConAgra Foods Inc	7,002	05/04/11	-	86.00	20.90	75.97	13.20	10.03	-0.94
Solvay Pharma India Ltd	Abbott India Ltd	7,314	11/24/10	-	2177.40	-28.96	2094.80	3.94	82.60	-50.67
Southern Union Co	Williams Cos Inc/The	9,246	06/23/11	-	44.00	45.65	41.33	6.46	2.67	-0.43
Southern Union Co	Energy Transfer Equity LP	9,134	06/16/11	03/31/12	41.14	48.34	41.33	-0.47	-0.20	-0.17
Varian Semiconductor Equipment	Applied Materials Inc	4,572	05/04/11	-	63.00	41.12	58.91	6.94	4.09	-1.12

Calendars

To submit an event email mergerbrief@bloomberg.net

Anticipated Approvals

DATE	TARGET	ACQUIRER	DEAL VALUE (SM)	TYPE
8/12	FPIC Insurance Group Inc.	Doctors Co.	357	Target shareholders
8/17	Petrohawk Energy Corp.	BHP Billiton Ltd.	14,887	Committee on Foreign Investment in the U.S.
8/17	Telvent GIT SA	Schneider Electric SA	1,650	European Commission
8/19	Century Mining Corp.	White Tiger Gold Ltd.	771	Target, acquirer shareholders
8/22	Continucare Corp.	Metropolitan Health Networks Inc.	362	Target shareholders
8/23	Progress Energy Inc.	Duke Energy Corp.	25,531	Target, acquirer shareholders
8/30	optionsXpress Holdings Inc.	Charles Schwab Corp.	1,091	Target shareholders
9/5	Reserve Coal Pty	Strategic Pooled Development Ltd.	102	Acquirer shareholders
9/7	Duncan Energy Partners LP	Enterprise Products Partners LP	1,057	Target shareholders
9/7	Universe Co.	Arcs Co.	110	Target, acquirer shareholders

Calls and Meetings

DATE	TIME	COMPANY	EVENT	DESCRIPTION
8/12	Before market open	ThyssenKrupp AG	Quarterly earnings	ThyssenKrupp on Aug. 4 said it didn't plan to form a joint venture or merge its marine systems unit with French naval contractor DCNS SA.
8/12	Before market open	Hynix Semiconductor Inc.	Quarterly earnings	Hynix shareholders may restrict voting rights of foreign investors who would team up with Korean companies, when they select a successful bidder for their controlling stake, Korea Economic Daily reported Aug. 7.
8/12		Gazprom OAO	Quarterly earnings	Gazprom has participated in eight deals in the last 12 months. Its purchase of assets from TNK-BP Holding had an announced value of $700 million on March 2.
8/12		Petroleo Brasileiro SA	Quarterly earnings	Petrobras may sell a stake in its Japanese business, Nansei Sekiyu K.K., said Osvaldo Kawakami, head of the unit, on Aug. 9.

Conferences

DATE	EVENT	FEATURING	LOCATION	CONTACT / REGISTRATION
Aug. 26	KC Standard's Global Mining M&A Outlook in 2011	Breakfast roundtable briefing bringing together "leading Chinese mining and minerals executives."	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.dowjones.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