

# CRAIN'S

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## Dealmakers see more action ahead

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The end of 2011 and the early weeks of the new year didn't portend good things for the 2012 M&A market. AT&T Inc. backed off its \$39 billion bid for rival T-Mobile USA in mid-December. Then the \$17 billion combination of stock exchange giants NYSE Euronext and Deutsche Boerse A.G. was scuttled.

Regulators may have clamped down on the biggest trans-border deals for antitrust reasons, but the outlook for the meat-and-potatoes middle-market deals that are the bedrock of Illinois M&A activity is optimistic this year, according to most observers. The consensus is that local deal volume should rise 10 percent or more in 2012 over healthy 2011 levels.

"Both industrial and financial businesses have come back in terms of performance, and people are looking to sell them," says Mark Brady, global head of mergers and acquisitions at William Blair & Co. in Chicago. "There is a big supply of sellers right now, and if markets can stay stable in coming months, then we should see more transactions getting done."

By some estimates, U.S. companies are sitting on more than \$2 trillion in cash, while private-equity firms have more than \$400 billion for deal-making that could be leveraged into at least \$1 trillion in purchasing power.

"There is pressure on the private-equity firms to put that money to work before they have to hand it back to investors," says Patrick Goy, a managing director in the Chicago office of Lincoln International LLC, a merger advisory firm. "At the same time, we are now ready to market deals for companies that missed the window back in 2008 to sell themselves and have been waiting ever since for the window to open back up. That time has arrived."

### STILL HUNGRY

Buyers are on the hunt. Downers Grove-based Dover Corp., a diversified manufacturer, made nine acquisitions last year worth \$1.4 billion, including the \$855 million takeover of Sound Solutions, a Vienna manufacturer of speakers and receivers for cellphones. In its 2012 outlook, Dover said it was eyeing more



Robert Livingston

targets in new markets.

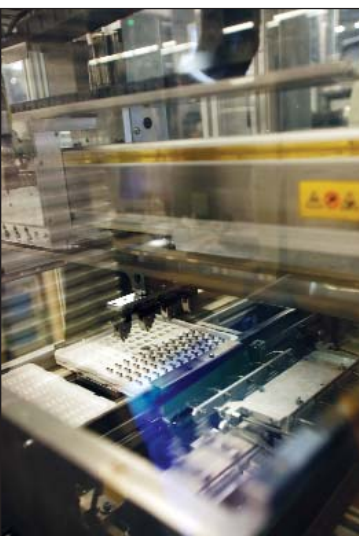
"I would not be surprised if we make another seven to 10 acquisitions in 2012," says Robert Livingston, president and CEO of Dover. "We still see plenty of targets we're interested in."

Dover didn't use stock in any of its transactions last year and isn't likely to do so this year. Even after its M&A spree, the company was still sitting on an estimated \$1 billion in cash at the end of December. Mr. Livingston calculates that he could "easily borrow another \$1 billion without affecting our credit rating."

On top of that, he expects to throw off nearly \$1 billion a year in free cash flow.

Companies are investing to turbocharge organic growth, which is stuck in low- and mid-single digits in many industries. Sellers are moved to act this year in many cases out of fear that taxes, particularly on capital gains, will rise in 2013 after the election.

On the buyer side, the market may not be as global this year as in the past. European companies are likely to tread cautiously until uncertainties about the euro come into better focus.



Sound Solutions, which makes parts for cellphones, was bought by Dover Corp.

And Mr. Goy of Lincoln says that China is no easy mark of late for investment bankers: "When their economy is growing at a 7 to 10 percent pace and the U.S. economy is growing at 1 percent or 2 percent a year, they may not see much logic in investing in acquisitions here," he says.



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