



GENEVA GROUP INTERNATIONAL

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Brooks, Pierce, McLendon, Humphrey & Leonard, LLP**

Overview of the Current M&A Environment in the United States October 2012

- Uncertainty over the global economic outlook continues to affect buyer confidence and dampen overall U.S. merger and acquisition activity, especially in the larger-size deal market. Middle market and lower middle market deal activity (\$10-\$500 million deals) has been relatively strong in 2012.
- Capital for public and private M&A transactions is abundant, available and inexpensive.
- The S&P 500 has \$1.6 trillion of aggregate cash balances on hand. In response to slowing organic growth prospects and low cost of capital, corporate acquirors are buying smaller competitors or attractive niche businesses for cash.
- Private equity sponsors are increasing their investment activity. In Q3 of 2012 alone, U.S. sponsors deployed \$45 billion, up from \$17.1 billion in Q2. Debt leverage levels are approaching pre-recession highs (up to 5-6x cash flow), with average minimum equity requirements below 40%. Borrowing terms offered by banks and the high yield bond market are attractive. Adding further fuel to M&A activity, analysts estimate that private equity sponsors have \$1.0 trillion of unspent funds to deploy. Over \$200 billion raised in 2007-2008 alone must be deployed in the next 12 months or returned to limited partners.
- Valuations being paid by both corporate acquirors and private equity sponsors are quite favorable for quality businesses.
- Use of foreign earnings is encouraging cross-border acquisitions by U.S. companies.
- In the absence of Congressional action post-election, U.S. federal tax rates for capital gains are scheduled to increase from the current 15% rate to 25% beginning on January 1, 2013.

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With a professional background in business law, investment banking and accounting, Lee helps clients navigate the entire spectrum of legal, financial, tax and strategic business considerations that go into successfully negotiating and structuring complex business transactions. Recognized in "The Best Lawyers in America" in the areas of Corporate Law and Venture Law, he has advised clients on transactions ranging from US\$5 million to US\$4 billion, including cross-border transactions in over 24 countries.

Prior to joining Brooks Pierce, Lee worked as an investment banker in the mergers and acquisitions group of Goldman, Sachs & Co. in New York and as the founder and Managing Director of Lloyd & Company, a boutique investment banking firm in Greensboro and Charlotte, NC. He began his professional career as a certified public accountant in the tax group of Arthur Andersen & Co. Lee publishes a microblog on Twitter with commentary on current M&A, legal, finance and entrepreneurship topics [@JLeeLloyd](#). He also created and curates [The M&A Daily](#), an online newspaper updated daily with a selection of deal-related articles, blog posts and videos shared by Twitter users over the last 24 hours.