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3 Questions With Martyn Curragh,

U.S. Transaction Services Leader, PwC

PricewaterhouseCoopers (PwC) Transaction Services (www.pwc.com/ustransactionservices) provides due diligence on the buy and sell sides of a deal, along with advice on M&A strategy, valuation, accounting, financial reporting and capital raising. For companies in distressed situations, the practice also advises on crisis avoidance, financial and operational restructuring and bankruptcy. With approximately 1,000 deal professionals in 16 cities in the U.S. and a global network of more than 6,000 deal professionals in 90 countries, the PwC network deploys experienced teams with deep industry and local-market knowledge, and technical experience tailored to each client's situation. Its field-proven, globally consistent, controlled deal process helps minimize their risks, progress with the right deals, and capture value both at the deal table and after the deal closes In this issue, Martyn Curragh, PwC's U.S. Transaction Services Leader, talks with us about the findings of its recent M&A outlook survey and the overall state of the M&A market in the U.S.

What were the main findings of the PwC Mid-Year M&A Outlook 2011 and were there any surprises in the report?

In the first half of 2011, we saw a continued recovery in the U.S. deal market, which surprised us a bit because the M&A market came back a lot sooner than expected. For the first half of 2011, we saw a 39 percent increase in overall M&A deal value over the same period in 2010. We attribute that increase, in part, to a general trend towards larger deals driven by competition for high quality assets.

While PwC expects U.S. M&A activity to continue to pick up steadily through the balance of 2011, we are facing some global economic headwinds and experiencing some volatility in the capital markets, which could impact the M&A recovery in the second half of 2011. If the markets stabilize and concerns over European sovereign debt eases, financing for deals – whether in cash or with leverage – will still be available, keeping transactions moving at a reasonable pace for the remainder of the year.

How would you characterize the state of the U.S. M&A market, and what are the economic or other factors that are most influencing M&A activity (or inactivity)?

Corporate buyers have emerged from the downturn as the dominant force in the deal market, particularly as a key player in larger deals. Private equity is also playing an active role and has been capitalizing on favorable market fundamentals. As companies look to pursue growth opportunities in certain emerging and fast-growing markets where economic conditions are rebounding faster than in mature markets, we see dealmakers are continuing to find ways to put capital to work and are exploring opportunities to find attractive deals for growth.

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As dealmakers continue to look offshore to take advantage of growth opportunities abroad, they will have to find the right balance of risk to realize their rewards when it comes to executing any transaction in a foreign market. Risks that need to be considered when doing deals in emerging markets include the region's regulatory environment and standard business practices, FCPA, integration challenges, tax and accounting practices, which all require rigorous due diligence to ensure the deal succeeds.

The core industries that have been driving M&A activity include pharmaceuticals, aerospace and defense, energy and power and technology.

What new or pending regulatory changes are impacting M&A activities, either positively or negatively, and why?

Regulatory changes are always a significant consideration when considering deals and key drivers of M&A activity. Coming out of the financial crisis, however, the regulatory changes accelerated significantly, especially in the financial services sector. Recent and prospective regulatory changes may drive small- and medium-sized banks to seek scale through acquisitions.

The healthcare and pharmaceutical industry is another sector that is historically always under considerable scrutiny for regulatory change. Deal activity in this space is being driven by the need to reduce costs, increase productivity and develop more integrated business models. The medical device industry will consolidate to achieve cost savings and diversify product portfolios, driven by the need to combat the impact of federal excise taxes, downward pressure on pricing and reimbursement and declining procedure volumes in certain high cost treatment areas. Pharmaceutical companies will use acquisitions in the U.S. and abroad to bulk up their pipeline of new products as they deal with the pending patent cliff and use divestitures as another way to return value to shareholders.

We are also seeing a very competitive landscape from strategic buyers for regulated assets for the utilities and power industry. The various stakeholders involved in these deals are also working together to reach timely regulatory approvals, helping to minimize risk and support the rationale behind transactions in the space.