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M&A in 2007

Global M&A transactions in 2006 are just under $4,000 billion; approximately $500 billion more than in 2000, the previous record year. It is interesting to note that M&A activity quadrupled from approximately $250 billion in 1986, to approximately $1,000 billion in 1996 and then again, to approximately $4,000 billion in 2006.

At this time it appears that, absent a political or military catastrophe, 2007 will be another record year. The factors that stimulated M&A activity in 2006 will do the same in 2007. High on the list of factors are:

- Tremendous global liquidity, with readily available debt financing at attractive rates.
- The benefits of consolidation in industries such as, energy, financial services, mining and metals, healthcare and media.
- Tremendous buying power of private equity funds, greatly enhanced by the "club" approach and the new receptivity to buyouts engendered by pressures on public companies for consistent short-term performance, the media attacks on executive compensation, the requirement to devote inordinate attention to corporate governance and Sarbanes-Oxley-type compliance and the constant threat of strike-suits and media embarrassment.
- The desire of some countries to create "national champions" in basic industries, and of a few countries, like Russia, to create "global champions."
- The dismantling of defenses against hostile takeovers in response to shareholder pressure and the reluctance of boards of directors to "just say no."
- The arrival of mergers and LBO's in countries that until now have had little such activity.
- The receptivity (and strong encouragement) of institutional investors and activist hedge funds, and the equity markets, to M&A transactions.
- Enlightened competition/antitrust policies.
- Greatly expanded privatization of infrastructure.
- Dispositions, demergers and spinoffs by companies adopting (often in response to shareholder pressure) policies to focus on core competencies.

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