



News release

Merger and acquisition plans remain resilient for privately held businesses around the world

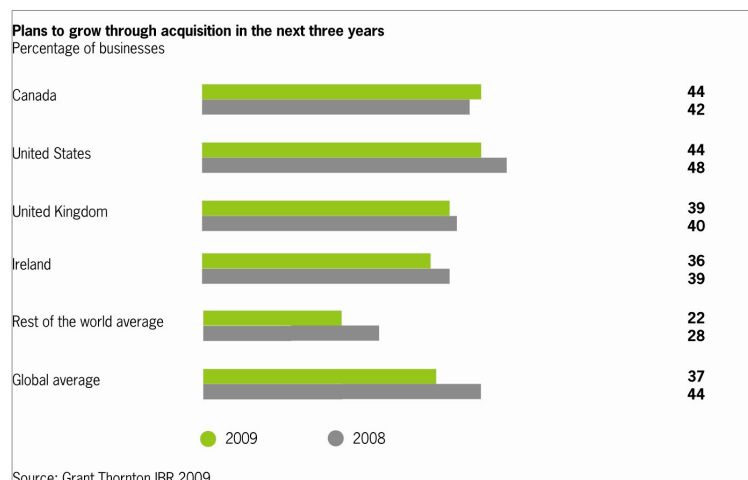
Singapore - 11 March 2009

When privately held businesses (PHBs) from 36 economies across the world were asked about their deal plans for the next three years, it surprisingly reveals a resilient attitude towards acquisitions in the prevailing global economic downturn, according to the findings of Grant Thornton International Business Report 2009.

According to the report, 37% of PHBs globally still plan for an acquisition, a drop of only 7% from the same study in 2008. Of that 37%, the proportion planning to transact cross-border has actually increased. More than 50% of the respondents also stated access to new geographic markets as the most important driver behind their acquisition plan. It suggests international mergers and acquisitions remain on the agenda as a strategic tool to drive growth. Other key drivers behind the acquisition plan are to build scale, acquire new technology or established brands and access to lower cost operation, the study shows.

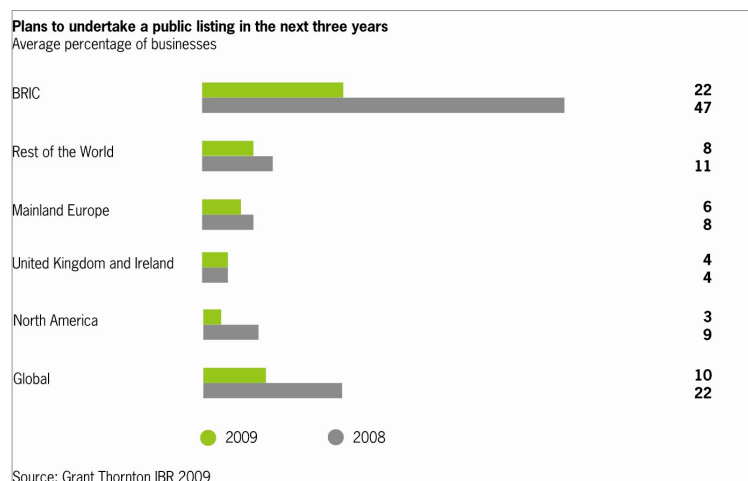
While companies in BRIC economies (Brazil, Russia, India and mainland China) are planning to be less acquisitive, however, amongst the BRIC based PHBs still considering deals, the proportion looking at cross border expansion has actually risen from 17% to 22%.

Mainland Europe has showed an overall increased appetite for deals despite the current difficult economic environment. The European PHBs, especially Poland (up 29% to 59%), revealed an increase of medium term acquisition plans. Other European countries showing a more modest rise are France, Germany and Sweden. The trend could be due to the current strength of the euro against the pound and the dollar, encouraging European companies to consider cross-border acquisition.



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Not surprisingly, the survey also reveals that the turmoil in the financial markets has reduced the appetite of PHBs to raise capital through a public listing, with the proportion of respondents considering this globally falling from 22% to a meagre 10%. The steepest fall in interest lies amongst the BRIC economies



The global leader - mergers and acquisitions for Grant Thornton International, Mike Hughes, explained, "The current tightening of lending policies is clearly impacting transaction volumes at the moment but we believe that arising from these turbulent times there will be attractive opportunities for cash rich or well capitalised businesses to achieve a step change in their business growth by acquiring struggling but fundamentally sound rivals. The next 12 months are likely to be a 'buyer's market' offering opportunities to make strategic acquisitions at attractive valuations. For PHBs considering an acquisition it has never been more important for them to make those deal decisions based on solid due diligence and ensure the correct financing structure is in place to cope with possible downsides in the short term while the economy remains sluggish."

Kon Yin Tong, director of Grant Thornton Corporate Finance Pte Ltd from Singapore, commented that although there is a sharp fall of 69% in optimism over the next 12 months for Singapore PHBs (see press release on 5 Jan 2009, "Global league table shows slump in optimism amongst privately held businesses but also pockets of hope"), the government has implemented a series of solutions to address the current downturn. For example, the shifting of foreign exchange rate policy to zero percent appreciation by MAS in October 2008 helps to maintain Singapore's export competitiveness but does not improve the ability of Singaporean companies in making cross-borders acquisitions. On the other hand, Singapore companies may now come across as relatively attractive acquisition targets if the Singapore dollar is stable, or weakens.

The Grant Thornton International Business Report is an annual survey of the views of senior executives in privately held businesses all over the world. Launched in 1992 in nine European countries the report now surveys over 7,200 PHBs in 36 economies providing territory, regional and global trend data on the economic and commercial issues affecting a sector often described as the 'engine' of the world's economy. Data for eight key industry sectors will be available for the first time in 2009.

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The research is conducted by Experian Business Strategies Ltd. Grant Thornton International donates US\$5 to UNICEF for every completed IBR questionnaire, a donation of over US\$39,000 in 2008.

Further enquiries, please contact:

Grant Thornton Corporate Finance Pte Ltd
Kon Yin Tong, Director
T +65 6304 2301
E konyintong@grantthornton.com.sg

Media Contact:

Penny Yick
T +65 6511 1475
E pyick@grantthornton.com.sg

Notes to editors:

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