



M&A Trends: Lessons Learned

The
Bigelow Company
LLC
Established 1935

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- ❖ Lessons Learned in Value Creation
- ❖ Lessons Learned in Value Destruction
- ❖ Return of the Strategic Investor

- ❖ Mergers & Acquisitions
 - Trends / Forecast
 - Recent Transactions



Lessons Learned in Value Creation

- ❖ 2002 – **eBay** acquires PayPal for \$1.5 billion, a 40x multiple!
- ❖ 2009 – **PayPal** revenue grew at 34% versus 5% growth for eBay
- ❖ Return on capital increased from 6% in 2001 to 12% in 2009
- ❖ Initially, many thought the purchase price was too expensive – eBay executives capitalized on new growth platform for enhanced ROI and earnings
- ❖ The acquisition returned the purchase price in 48 months



Lessons Learned in Value Creation

- ❖ 1999 – **Exxon** acquires **Mobil** in an \$81 billion (12x) multiple transaction and created enterprise value because:
 - Ability to integrate better than competitors
 - Clear articulate vision communicated to employees and stakeholders
 - On agenda with strategy and governance
 - Accretive in 24 months
 - ROC increased from 20% pre-merger to 30% post-merger



EXXON
Mobil

Lessons Learned in Value Destruction

- ❖ **2000 – Time Warner (TW) acquired AOL**
for \$94.3 billion
 - AOL was valued at 1.5 times or 65% the net worth of Time Warner
 - AOL and TW failed to understand the cultures
 - TW violated most of the fundamental laws of value creation – \$121 billion in Enterprise Value was lost!



- ❖ **2008 – Fairpoint Communications acquired Verizon's (VZ) landline operations in New England for \$2.3 Billion**
 - VZ was valued at approximately 4x the net worth of Fairpoint
 - 2009 – Fairpoint filed for Chapter 11
 - Most of the laws of M&A were violated
 - \$3.0 billion in Enterprise Value was lost!

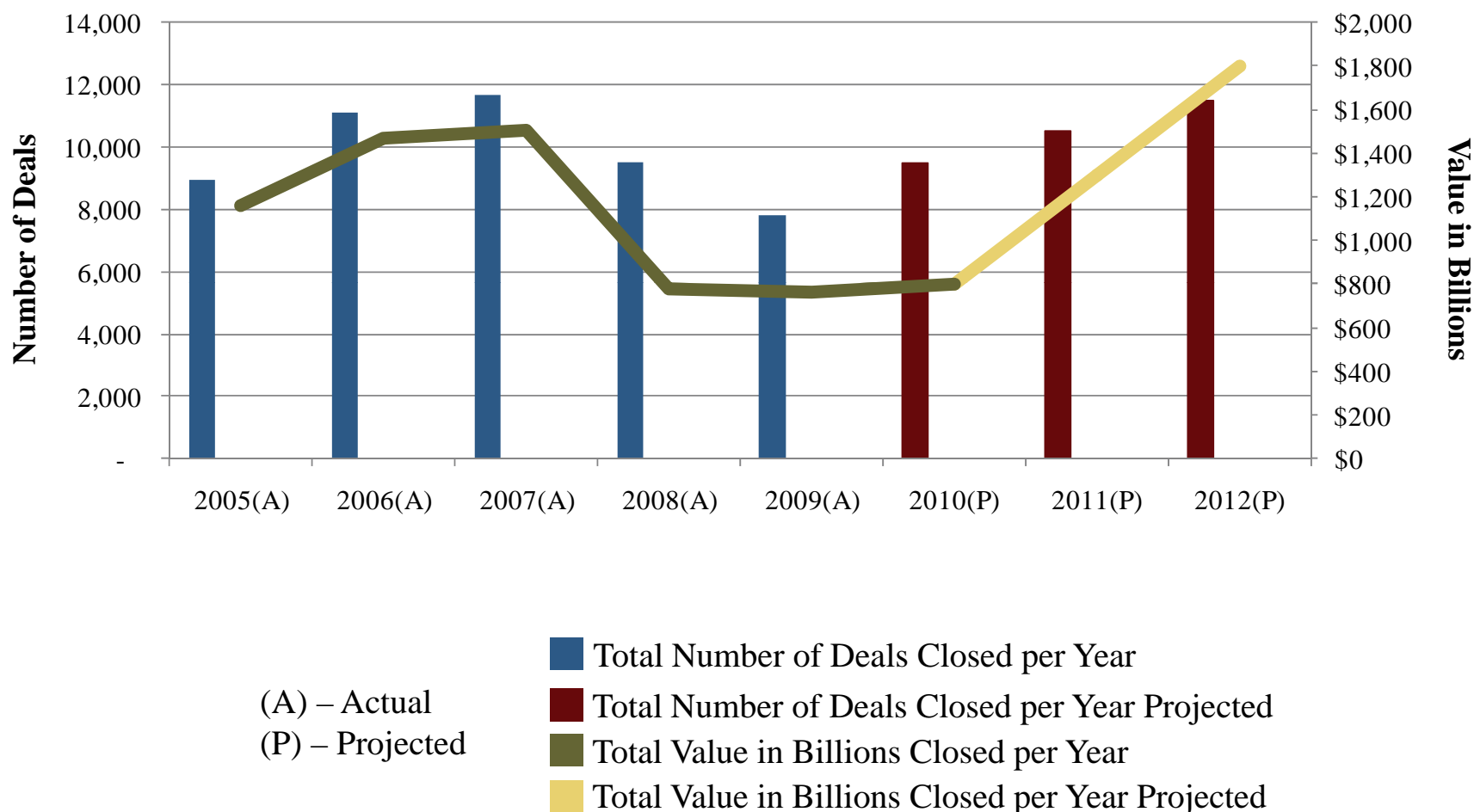


Return of the Strategic Investor

- ❖ In the past 12 months nearly \$200 billion in new investment has been made in M&A. Most by cash rich strategic investors.
- ❖ Flat revenues, cost cutting, decreased working capital, and reduction in capital expenditures has created over \$2 trillion in cash on corporate balance sheets – the most liquidity and least debt in 60 years.
- ❖ Average increase in the stock price of strategics is 40% over the past 12 months.
- ❖ Liquidity combined with higher stock prices, lower debt, and “fatigue factor” marks the dramatic return of the strategic investor’s desire to “acquire” growth.
- ❖ Result – a “V” shaped recovery is now, and will continue, over the next 3-5 years.

U.S. Mergers & Acquisition Activity

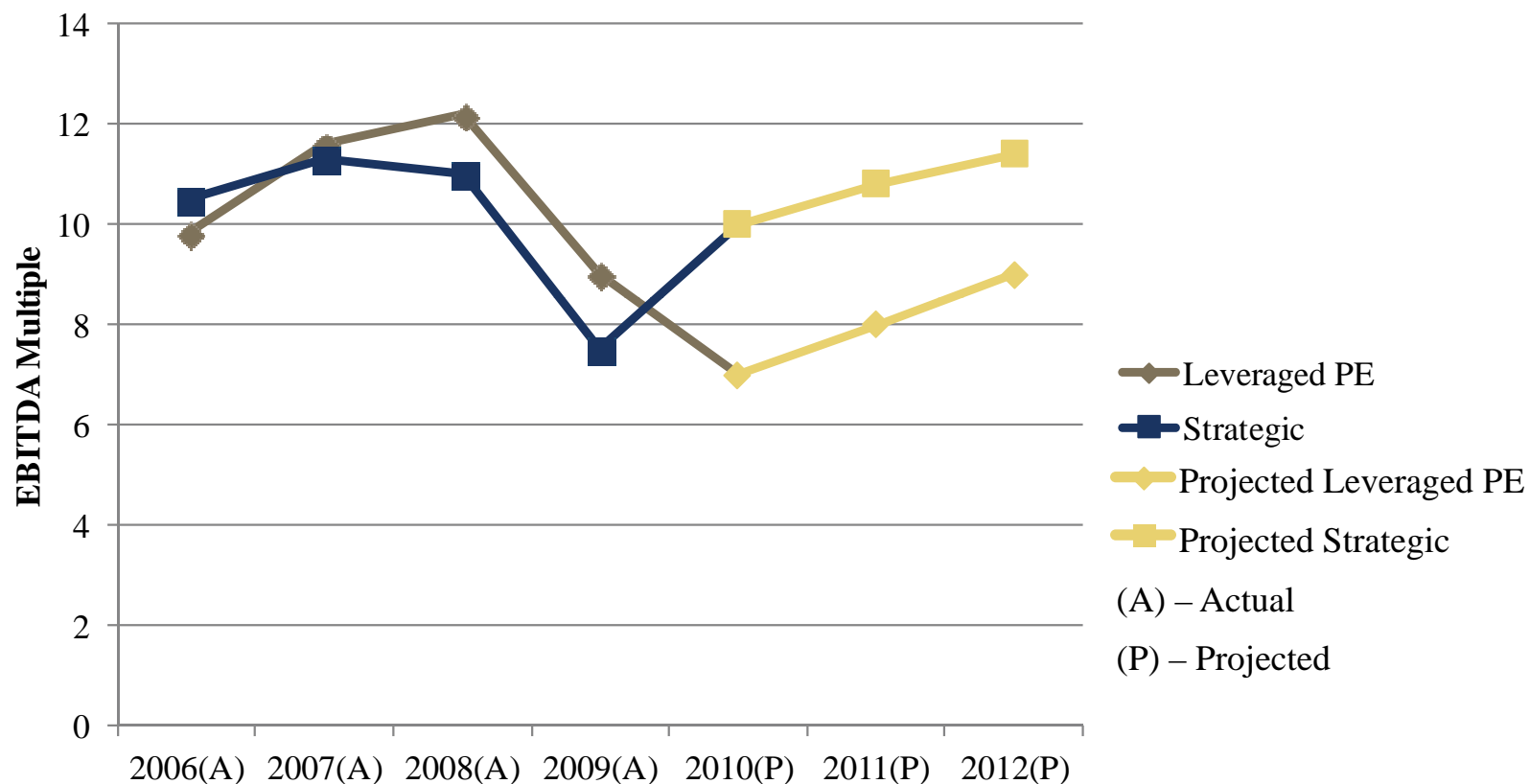
M&A Deal Volume 2005(A) – 2012(P)



Source: Robert W. Baird & Co.;
2010 and beyond based on The Bigelow Company's forecast


U.S. Mergers & Acquisition Activity

Median Enterprise Value / EBITDA



Source: Robert W. Baird & Co.;
2010 and beyond based on The Bigelow Company's forecast

Most Recent (2009-2010) Notable M&A Transactions

Acquirer	Target	Amount (in billions)
 BNY MELLON	 PNC	\$2.3 (35x EBITA)
 EXXON	 XTO ENERGY	\$41 (6.3x EBITA)
 KRAFT	 Cadbury	\$22.3 (19.5x EBITDA)
 ORACLE	 Sun microsystems	\$8.3 (8.2x EBITA)
 Disney	 MARVEL	\$3.9 (14.9x EBITA)

Source: CapitalIQ and Industry Press Releases

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