

## 90% of state dealmakers have a 'poor' outlook

*By Michael C. Juliano  
Staff Writer*

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The global economic downturn is taking its toll on corporate deal-making, creating a gloomy outlook among Connecticut-based players in the mergers and acquisitions industry.

The ACG-Thomson Reuters Year-End 2008 Deal Makers Survey reveals the "most negative outlook" in the history of the study, which has been conducted twice a year since 2003.

According to the survey, nearly 90 percent of Connecticut dealmakers said the current merger and acquisition environment is "fair or poor." And those saying it is "good or excellent" has fallen to 11 percent from 54 percent in June, and 77 percent from December 2007.

Those finding the economic environment to be good or excellent may include professionals who help distressed companies, such as turnaround consultants, crisis managers and bankruptcy attorneys, said Mark Jones, chairman of ACG's InterGrowth 2008 conference.

"Those disciplined professions, I'll imagine, are finding no shortage of work right now," he said. "It depends on your perspective."

The study also shows that 42 percent of 970 ACG members and Thomson Reuters customers polled expect the environment to get worse, 36 percent expect it to stay the same and 22 percent think it will improve.

Ramsey Goodrich, president of ACG's Connecticut chapter, said the credit crisis has "decimated" larger agreements, yet middle-market deals, which involve transactions under \$500 million, have not been as hurt because debt was used more conservatively.

"Depending on the industry, deals are still getting done," he said. "In a market like this, it is a good time for business owners to focus on operations and potentially make select acquisitions."

According to Thomson Reuters, the volume of all worldwide mergers and acquisitions totaled \$2.4 trillion in announced deals in the first three quarters of 2008, a decrease of 28 percent over the record-breaking first three quarters of 2007.

According to the study, 22 percent of private equity professionals said healthcare offers greatest

opportunities for buyout investments over the next six months. Another 17 percent said manufacturing was the best bet, while 11 percent suggested energy as a good option.

The survey also found that 67 percent said they believe today's greatest threats to their business are the credit crunch; 29 percent believe it is the economy; and 24 percent think it is possible tax changes on carried interest.

According to "Economic Meltdown," a report published by the University of Connecticut's quarterly publication, "The Connecticut Economy," new Connecticut businesses starting in the third quarter of 2007 declined 18.8 percent to the same period this year.

Private equity investors are focusing more now on companies they already own because of the uncertainty in the economy, said Elizabeth Burgess, a senior partner with Altus Capital Partners in Westport.

"Right now, people want to see how 2009 is going to shape up," she said. "If we're looking at new transactions, we're looking at them very carefully."

Next year will probably be another down year for mergers and acquisitions, but the scenario should improve by the end of 2009, said Jonathan Marino, a senior writer with the New York City-based Mergers and Acquisitions Journal.

"From a deal-making standpoint, you're looking at the worst deal-making environment in a generation," he said.

- Staff Writer Michael C. Juliano can be reached at [michael.juliano@scni.com](mailto:michael.juliano@scni.com) or 964-2417.