

# Relatively few mega-deals closed in the fourth quarter

Despite an unusual dearth of mega-deals, last year ended on a high note in the world of mergers and acquisitions. The fourth quarter was the third-highest quarter of the past two years, both in terms of average size of deals and in the number of transactions.

Excluding large deals of more than \$500 million that may skew averages, area companies were buyers or sellers in 143 deals in the final quarter of last year, with the average deal valued \$84.6 million, compared with 133 deals averaging \$66.9 million in the fourth quarter of 2005.

In comparing last year to 2005, deal-making way up but less money changed hands. The regions matchmakers closed

13.6 percent more deals in 2006 than in 2005, however, average transaction sizes were down 8 percent, from an average of \$75.7 million to \$69.6 million.

Slightly fewer deals were done in the fourth quarter compared with the third quarter but that's partly because some late closing deals that should have been included in the numbers haven't been reported yet, hypothesized **Howard Snyder**, vice president of Philadelphia-based investment banking firm **Curtis Financial Group**, which collected the data for the report.

"There's a little bit of drop off, but I don't have any concern that the fourth-quarter data are indicative of anything. There's always a few deals that miss the

cutoff." **Snyder** noted, adding that his firm closed two transactions in late December that weren't publicized until January.

Large deals were notably lacking, with only two deals that were completed that were greater than \$1 billion, down from five or six in each of the previous quarters. The largest of them was the \$1.5 billion acquisition of Canada-based Atlas Tube inc. by fellow steel pipe manufacturer John Maneely Co. of Collingswood, NJ.

"It was very surprising," **Snyder** said. "It stands out compared to prior periods.

A large amount of private equity money remains in play. According to market research firm Dealogic, private

equity firms were involved in 18 of all deals nationwide in 2006, up from 12 percent the year before and 8 percent in 2004.

"It's an exciting time" said **Snyder**. "Both private equity investors as well as strategic investors are aggressively pursuing deals in almost all industries up and down the size spectrum.

There's a plethora of capital available well beyond the traditional senior bank loan, mezzanine debt and equity. It's just easier to get a deal done when there's more money to lend, and private business owners are enjoying the benefit."

- *Sonja Sherwood*