



# Press Release

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Date	1 July 2010	For immediate release
Subject	Short term price increase expected for UK M&A targets	

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## Short term price increase expected for UK M&A targets

### Quote attributable to Chris Grove, UK Corporate Finance Partner

"Over the last year, companies have been focusing on cost reduction and now with this behind them, sights are set on the future. Growth is again on the agenda, with some companies setting themselves ambitious targets.

Current economic conditions make organic growth difficult. It is not surprising then to see that 79 percent of the companies we surveyed are looking to make an acquisition. The majority of the acquisitions are targeting gains in market share or improved product offerings. Whilst many companies are contemplating small, bolt-on acquisitions, a reasonable number have their sights on larger, transformational transactions.

60 percent of the companies we spoke to saw improvements in M&A opportunities but there are still some significant challenges. In particular, the expectation gap between buyers and sellers was noted as a barrier for 91 percent of the respondents. The expectation for raising bank debt has improved, but this understandably is still a concern for 48 percent of the respondents and over the last year, many companies have been frustrated in their attempts to raise bank debt.

So what does it all mean? **With increasing demand from corporate buyers and a build up in pressure from financial buyers to invest, prices are likely to increase, maintaining the price gap between buyers and sellers, at least in the short term.** Funding is likely to remain challenging with leverage proving difficult. Companies with low leverage, cash reserves and a real strategic reason for a transaction are likely to find themselves best placed to achieve their acquisition objectives."

### Key results from the UK Mid Market Corporate M&A Survey 2010:

- Most surveyed UK companies plan growth over the next three years and many have ambitious targets
- Acquisitions are part of the corporate strategy for nearly 80 percent of surveyed companies

- Companies surveyed considered on average eight transactions and completed two in the last 24 months
- A majority of the companies surveyed are planning acquisitions in the next 12 months
- Acquisitive companies are hoping to achieve further increased market share, increased product offering and horizontal integration
- Companies believe that there will be an improvement in M&A opportunities in the next 12 months, although some find identifying targets challenging
- The high expectation gap between vendors and buyers is the main barrier to corporate M&A activity, but financing, time and opportunities are also issues

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**Notes to editors**

BDO is the fifth largest accountancy network in the world and is the brand name for the BDO International network and for each of the BDO Member Firms.

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BDO was established in Singapore in 1972 and has been a member firm of BDO International since 1979. The firm offers **audit, tax and advisory** services including corporate finance, business restructuring, tax advisory, management consulting and risk advisory.

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