



Opportunistic Mergers, Spin-offs Can Enhance Revenue Growth and Recommitment

Mergers and acquisitions (M&A) activity may be on the rise. Although the third quarter of 2009 is expected to be the slowest quarter for deal activity in the U.S. in many years due to the recession and a lack of available credit, for financially capable firms, announcements for mergers and acquisitions are increasing. For the acquiring firm in a merger, the transaction can enhance future revenue growth and expand market share. For the parent company in a spin-off, the deal can provide cash and allow for a recommitment to focus on core businesses.

According to data from the International Strategy & Investment Group (ISI), there have been 117 deals with over \$260 billion in transaction volume on a year-to-date basis in 2009. The Godsey & Gibb Approved List companies have announced 17 deals with a total enterprise value of over \$110 billion so far this year. Total M&A activity by dollar volume has been led by the Healthcare sector, which comprised almost 50% of the total year-to-date transactions in the U.S. Similarly, the Godsey & Gibb Approved List Healthcare companies have led the way in deal volume with 8 announcements totaling over \$74 billion in enterprise value this year.

Several transactions involving Godsey & Gibb Associates Approved List companies made the list of the largest 10 M&A deals year-to-date, including Pfizer (\$64.0 billion acquisition of Wyeth), Pepsico (\$12.7 billion acquisition of Pepsi Bottling Group and \$5.1 billion acquisition of PepsiAmericas), Verizon (\$8.5 billion sale of wireline assets to Frontier Communications) and Oracle (\$5.6 billion acquisition of Sun Microsystems). Our initial analysis of these transactions indicates a number of potential positives, including increased cash flow and cost savings (Pfizer), improved operational efficiency and market share gains (Pepsico), proceeds for a recommitment to growth businesses (Verizon) and expanded market share and cross sell opportunities (Oracle). A complete list of the year-to-date Approved List merger activity is show below.

Approved List Mergers, Acquisitions and Spin-offs Year-to-Date in 2009

Sector	Announcement Date	Target Company Acquired	Buyer	Transaction Enterprise Value (in millions)
Consumer Staples	08/03/2009	Pepsi Bottling Group	Pepsico, Inc.	\$12,754
	08/03/2009	PepsiAmericas	Pepsico, Inc.	\$5,152
Industrials	03/02/2009	Roxar ASA	Emerson Electric	\$369
Healthcare	01/25/2009	Wyeth	Pfizer, Inc.	\$64,019
	04/09/2009	NextRx, LLC – Wellpoint	Express Scripts Inc.	\$3,553
	03/12/2009	CV Therapeutics	Gilead Sciences Inc.	\$1,338
	05/21/2009	Cougar Biotechnology	Johnson & Johnson	\$914
	02/23/2009	CoreValue, Inc.	Medtronic, Inc.	\$850
	02/20/2009	Ventor Technologies, Ltd.	Medtronic, Inc.	\$325
	01/12/2009	Ablation Laboratories	Medtronic, Inc.	\$235
	08/24/2009	PG's Global Pharma Unit	Warner Chilcott	\$3,100
Technology	04/19/2009 *	Sun Microsystems, Inc.	Oracle Corp.	\$5,639
	04/09/2009	Tidal Software, Inc.	Cisco Systems, Inc.	\$105
	03/19/2009	Pure Digital Technologies	Cisco Systems, Inc.	\$590
Telecommunications	05/13/2009	Verizon, Wireline Assets	Frontier Comm.	\$8,580
	06/09/2009	Verizon, Wireless Assets	Atlantic Tele-Network	\$200
	05/08/2009	Cellco, Wireless Assets	AT&T, Inc.	\$2,350
TOTAL				\$110,073

Sources: ISI Group and Godsey & Gibb Associates

* Pending approval by the European Commission

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