



M&A ANALYSIS – The low point appears to have been reached in France (Translated by Calyon)

* Transactions involving French companies dropped by 71% in value in the first nine months of 2009

* Sector professionals expect a very gradual recovery in this activity

By Julien Ponthus

Paris, September 25 (Reuters) – The market for mergers and acquisitions continued its plunge in France during the first nine months of the year according to data compiled by Thomson Reuters that was published on Friday.

Sector professionals queried by Reuters nonetheless expect a gradual recovery in transactions following a series of recently launched acquisitions, such as the takeover bid by Vivendi <VIV.PA> for Brazilian operator GVT <GVTT3.SA>. (For more information [ID:nL9631417])

Announced transactions involving at least one French company dropped by 71% compared to the same period in 2008, a sharper decline than the 55% observed at the global level. The collapse in the business in France has been especially dramatic if we compare the USD 47.4 billion (EUR 32.3 billion) recorded over the first nine months of 2009 with the USD 254.8 billion (EUR 173.63 billion) recorded for the same period in 2006.

2006 is now considered to be one of the peaks of the speculative bubble that led to the financial crisis.

For Andréa Bozzi, the head of the M&A division at Calyon, the scenario of a return to growth as anticipated by the market must materialize if transactions are to pick up on a durable basis.

"The improvement in financial markets still needs to be confirmed by the quality of corporate earnings," he told Reuters.

The investment banker said that in the meantime he expects to see companies follow the example of Vivendi in Brazil and seek acquisitions abroad.

"I believe that we can have certain structuring transactions, especially in emerging countries."

LARGE COMPANIES READY TO MAKE A MOVE

"There are transactions under way and that means that the market's low point is behind us," said Peter Martyr, the general manager of the Norton Rose law firm.

"Another positive element is that things are beginning to pick up in Asia. Our Hong Kong office has suddenly returned almost to its level of activity of two years ago," said the lawyer pointing out that the former British colony was a good indicator of the trend.

Peter Martyr nonetheless noted that while large transactions are taking place, the market for medium-sized deals, the core business for investment banks, is still lackluster.

Dominik Belloin, the head of the new corporate finance subsidiary of Kepler, a financial institution, believes that the market is in a recovery phase and should offer opportunities for investment bankers.

"Certain large companies are ready to make a move," he said in an interview with Reuters last week.

Kepler has joined the ranks of those entering the market such as Blackstone <BX.N> which are seeking to carve out a place in the French M&A advisory market despite the collapse in the business.

Other players such as Close Brothers and Société Générale have said they wanted to step up recruitment to be in a stronger position as they exit the crisis, which they believe is gradually coming to an end.

To view the rankings of the investment banks active in France, click on [ID:nLO271319]

(Written by Matthieu Protard and Marc Angrand)

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