

## MID-MARKET PULSE: High hopes for consumer goods & retail

Expectations for M&A in the consumer goods and retail sector remained high in February, despite the debate over the proposed border adjustment tax, or BAT, according to *Mergers & Acquisitions'* Mid-Market Pulse (MMP).

Survey participants gave the sector a score of 74.0 for the three-month outlook and 69.2 for the 12-month outlook, about the same results gathered before the holiday shopping season. The industry's scores were near those received for overall M&A, with the three-month outlook about 2 points higher, and the 12-month outlook about 1 point lower.

One area of uncertainty in the consumer goods and retail sector surrounds the BAT proposed by

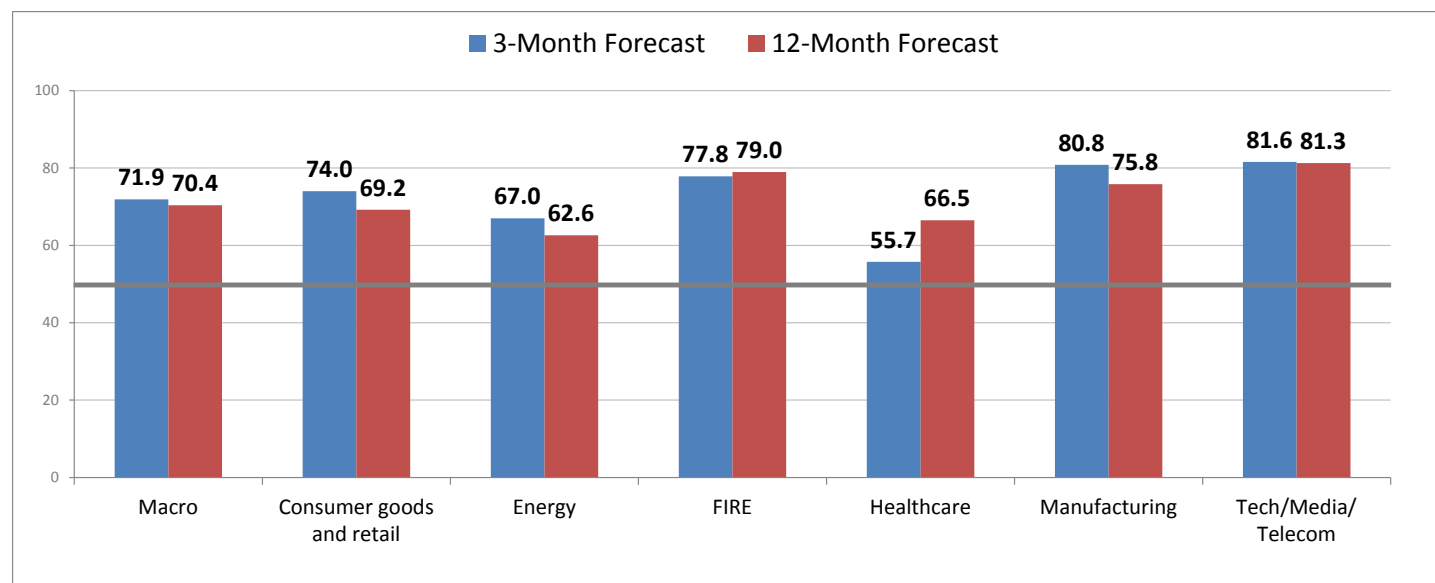
the Republican leadership of the U.S. House of Representatives. A BAT would provide tax breaks to American companies that ship products to other countries, while removing tax breaks from American companies that import goods from other countries. The strategy is intended to increase demand for goods manufactured in the U.S.

Retailers, however, argue that a BAT would drive up prices for everyday necessities, including food, gas, clothing and prescription medicines. The National Retail Federation has launched an ad campaign against the tax. "American consumers are being asked to foot the bill for a new \$1 trillion tax giveaway for multinational companies, and this campaign will make sure

those paying for it know it," says David French, the trade group's senior vice president for government relations.

Some dealmakers sounded a note of caution. A "trade war" would "affect overall dealflow negatively," as one survey participant put it. On balance, though, most respondents predicted that Republican-led policies will have a positive impact on M&A in many industries, including consumer goods and retail.

The MMP is a forward-looking sentiment indicator, published in partnership with CT, a provider of business compliance and deal support services. ■



### ABOUT THE MERGERS AND ACQUISITIONS MID-MARKET PULSE (MMP)

The MMP is a monthly barometer for the outlook of M&A activity and conditions from the collective viewpoint of approximately 250 business executives in private equity firms, investment banks, lenders and advisor firms, such as accounting, law, and consulting firms, involved in M&A activity. Various sub-indicators that make up the overall MMP composite include projected deal volumes and pricing, staffing and resource utilization levels, and the expected impacts of economic conditions, taxes, and regulatory policy on respondents' future M&A activity.

MMP results are presented as rolling aggregate indicators for both three- and 12-month outlook periods for macro M&A issues as well as for individual industry sector issues in healthcare, consumer/retail, manufacturing, energy, and technology/media/telecommunications on a monthly rolling basis. A diffusion index is produced by calculating the sum of percentages of those indicating on survey responses that describe a change in sentiment for three and 12 months (e.g., increase/positive, decrease/negative, or no change/neutral) to arrive at three-month and 12-month aggregate index values that are then averaged to create a total composite for the month. A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

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