

## MID-MARKET PULSE: Modest expectations for FIRE

M&A in the financial services, insurance and real estate (FIRE) sector is expected to increase over the next 12 months, but not as much as in some other sectors, according to *Mergers & Acquisitions'* Mid-Market Pulse (MMP). Dealmakers surveyed in May gave the FIRE sector a score of 65.1 for the 3-month outlook (one of the lowest scores seen on the MMP that month) and 76.4 for the 12-month outlook, lower than the respective scores of 74.9 and 76.6 given to overall M&A.

While dealmakers are optimistic about many of the economic conditions that affect transactions (as is evident from the high numbers for overall M&A), uncertainty about regulation and taxes is causing a "holding pattern" in the FIRE subsectors, said some survey participants. The survey was fielded before the U.S. House

of Representatives passed the Republican bill, called the Financial Choice Act, which seeks to undo significant parts of the 2010 financial reform law.

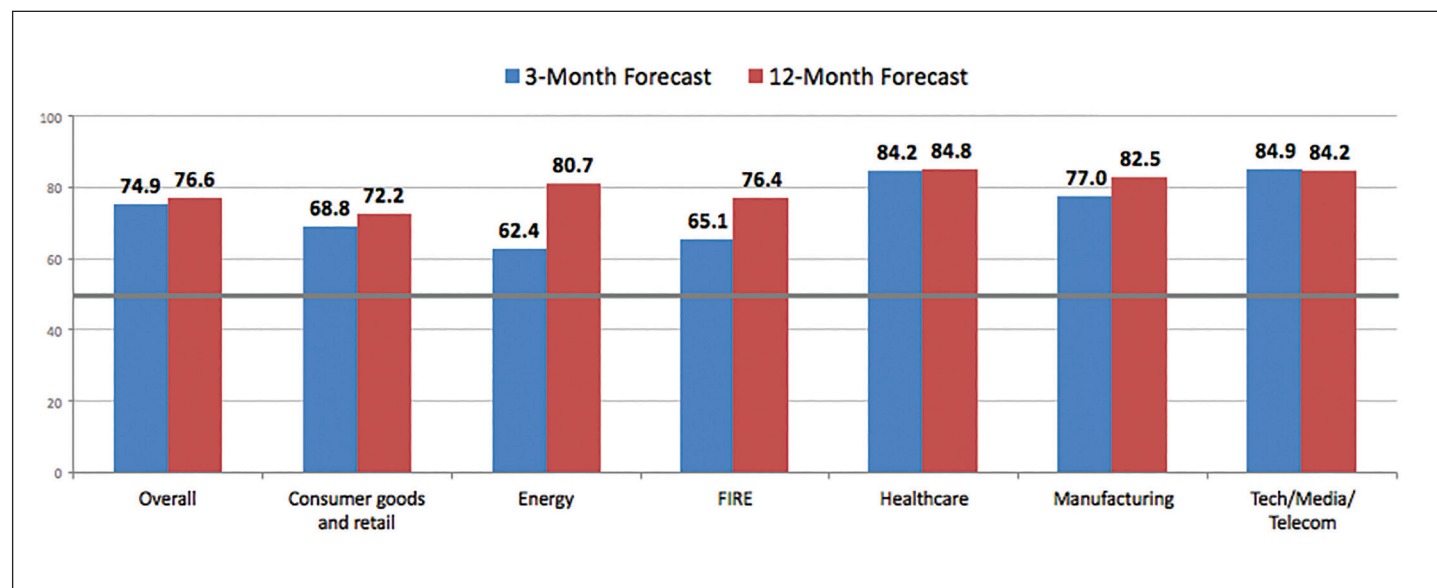
Dealmakers indicated they expected the uncertainty to be relatively short-lived, as reflected in the higher sector score for the 12-month outlook.

And M&A in FIRE has certainly not come to a halt. Continuing a years-long trend toward consolidation in the insurance industry, in May, an acquisition company created by a former Blackstone Group L.P. partner and Fidelity National Financial Inc.'s chairman reached a deal to buy life insurance provider Fidelity & Guaranty Life in an all-cash deal worth about \$1.84 billion.

In real estate, there are some long-term challenges. "The recent demise of retail trends in the industry will have a long-term impact on the real estate sector as online retail begins to replace malls, outlets, etc.," said one respondent.

In the May survey, respondents said the sectors expected to grow the most were technology, media and telecommunications (TMT), healthcare, and manufacturing.

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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