

Webcast: Divestitures in difficult times

Survey results on the drivers of divestiture activity and the challenges for 2010 and beyond.



Introduction

Peter Edmonston
Financial Journalist

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Contents

Introduction

Survey overview

Market conditions

Divestiture process

Challenges going forward

Panelist insights

Polling questions

Participant questions

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Today's speakers are:

Mark Ross, Partner, Transactions Services
PricewaterhouseCoopers

Bryan McLaughlin, Partner, Transactions Services
PricewaterhouseCoopers

Filippo Torrigiani, Vice President, Strategy and Corporate Development
Hewlett Packard Corporation

Moderating the panel is:

Peter Edmonston
Financial Journalist

Fall 2009 Divestiture Survey Overview

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Fall 2009 Divestiture Survey Overview

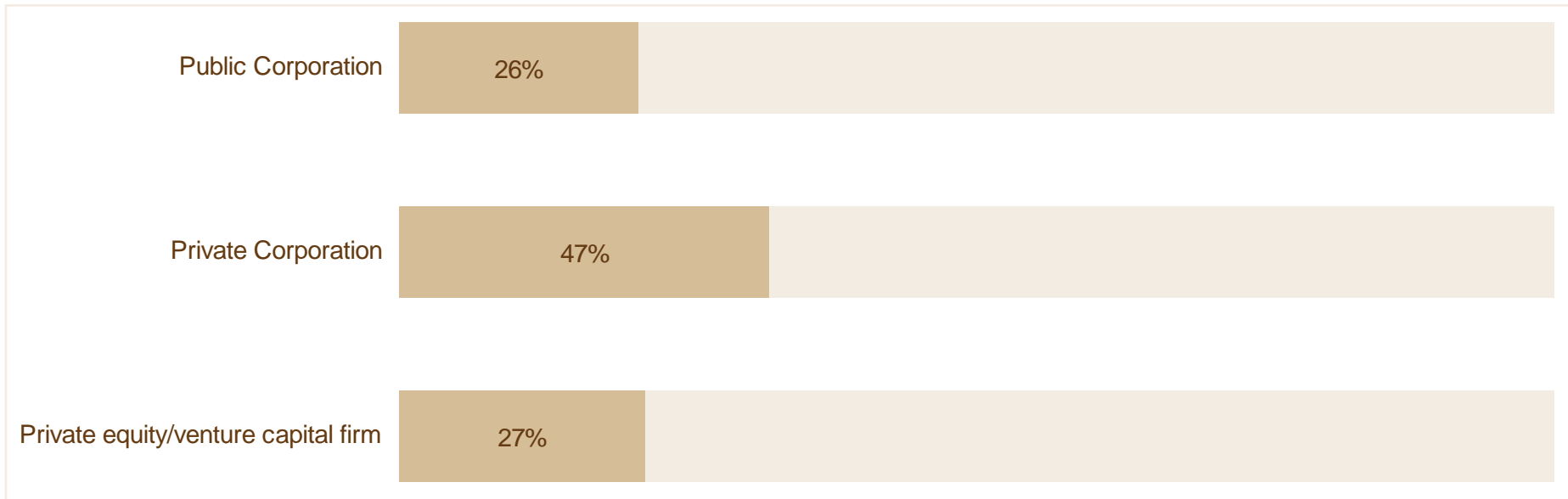
- Completed in September 2009
- Polled 215 C-suite executives and corporate development directors, as well as private equity and venture capital professionals

Job titles of respondents

Chariman/President/ Chief Executive Officer	26%
CFO/COO/General Counsel	20%
Head of Corporate Development	10%
General Partner, Partner of Investment Partnership	14%
Principal, Vice President of Investment Partnership	11%
Other	19%

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

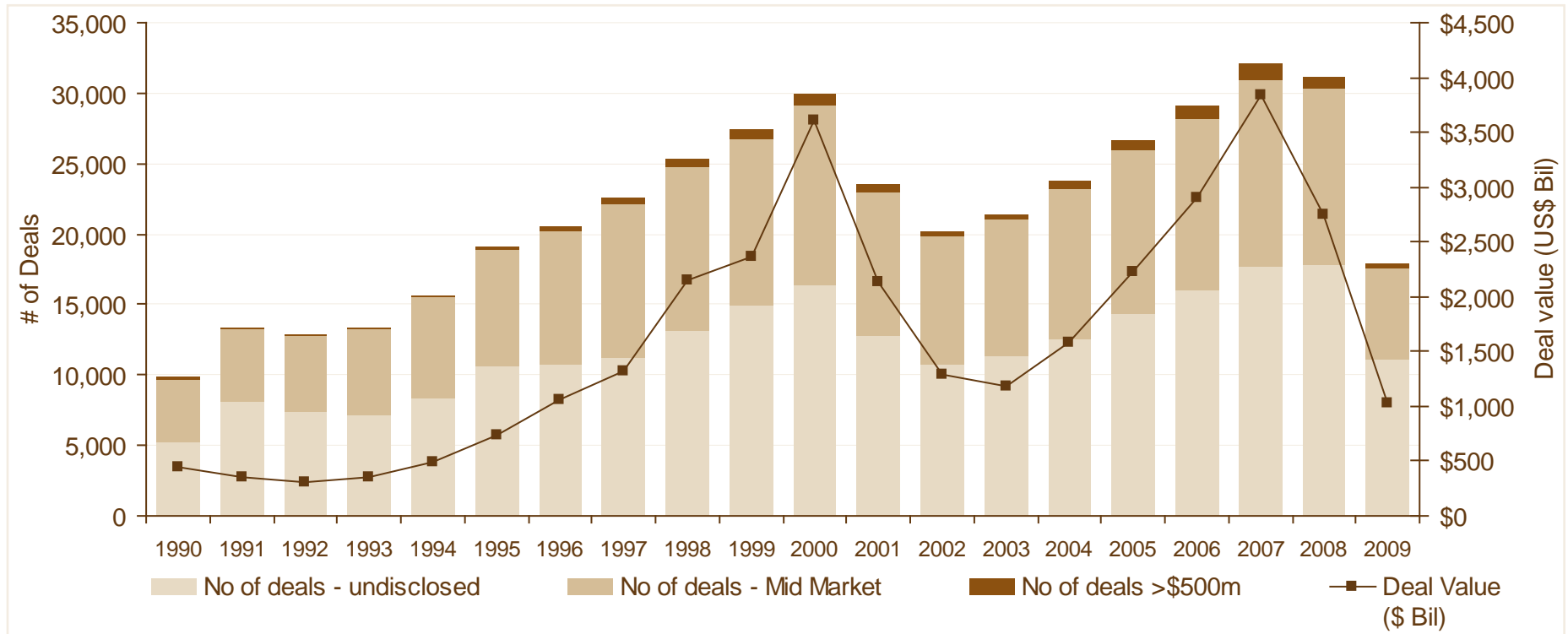
Organization type of respondents



Market Conditions

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Global M&A Activity



Note: 2009 deals through September 17

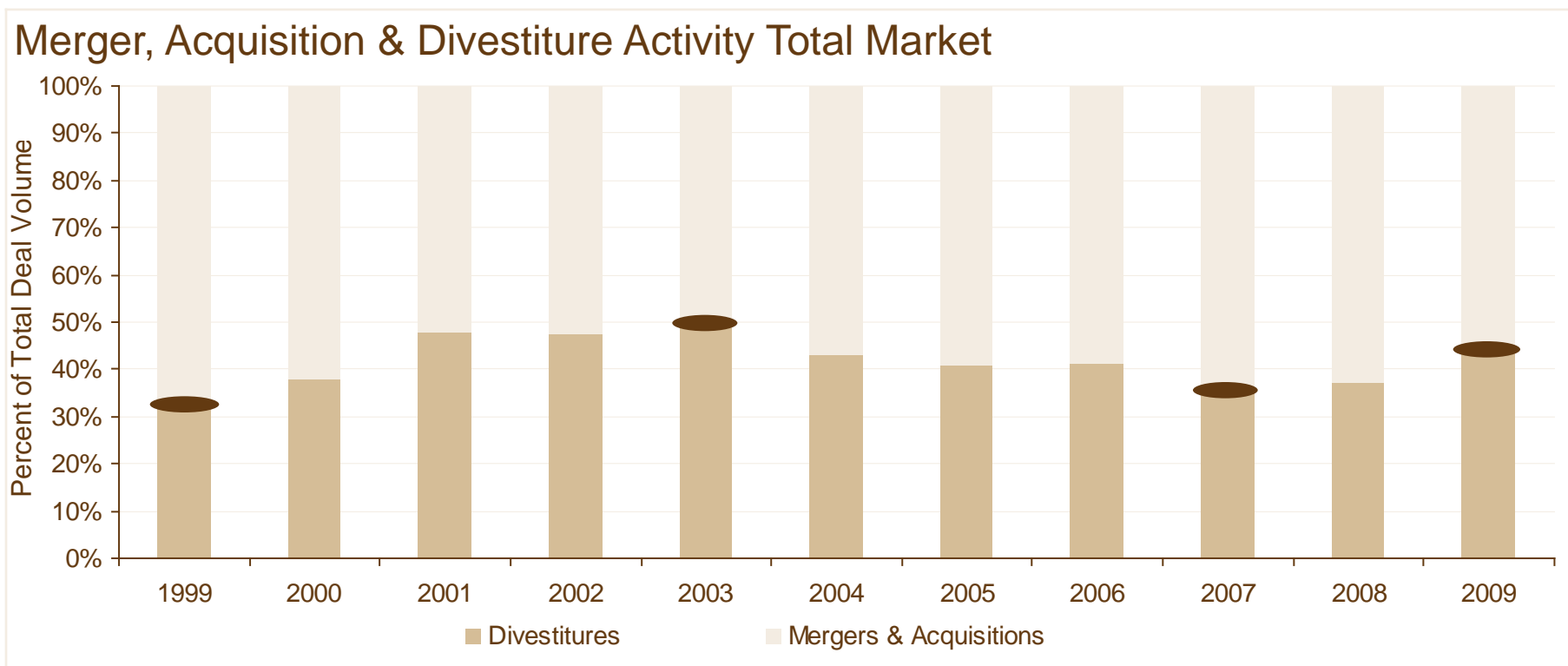
Source: Thompson Reuters

PricewaterhouseCoopers

Webcast: Divestitures in difficult times

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Divestitures as Percentage of M&A Market in the U.S.



Source: FactSet Research; divestitures represents the sale of a portion of a business.
PricewaterhouseCoopers

Webcast: Divestitures in difficult times

Polling Question #1

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

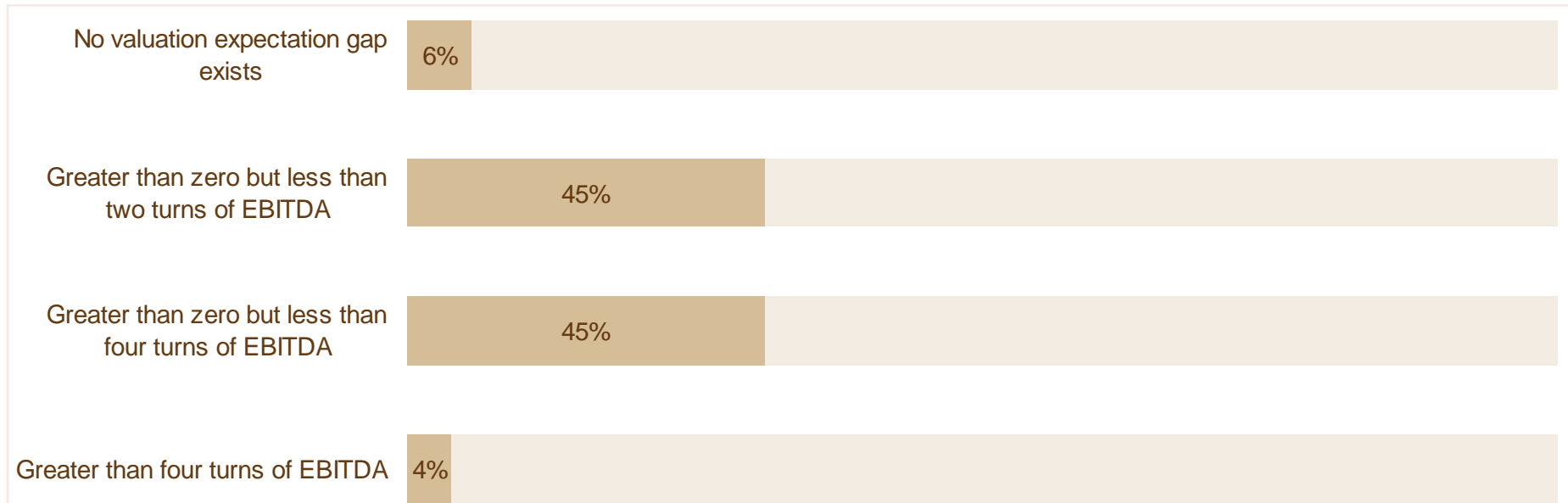
Using EBITDA multiples as a basis for this question, how do you assess the extent of a value expectation gap between buyers and sellers in 2009?

- A. No valuation gap exists
- B. Greater than zero but less than two turns of EBITDA
- C. Greater than two but less than four turns of EBITDA
- D. Greater than four turns of EBITDA

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

The valuation gap is moving.

Using EBITDA multiples as a basis for this question, how do you assess the extent of a value expectation gap between buyers and sellers in 2009?



Polling Question #2

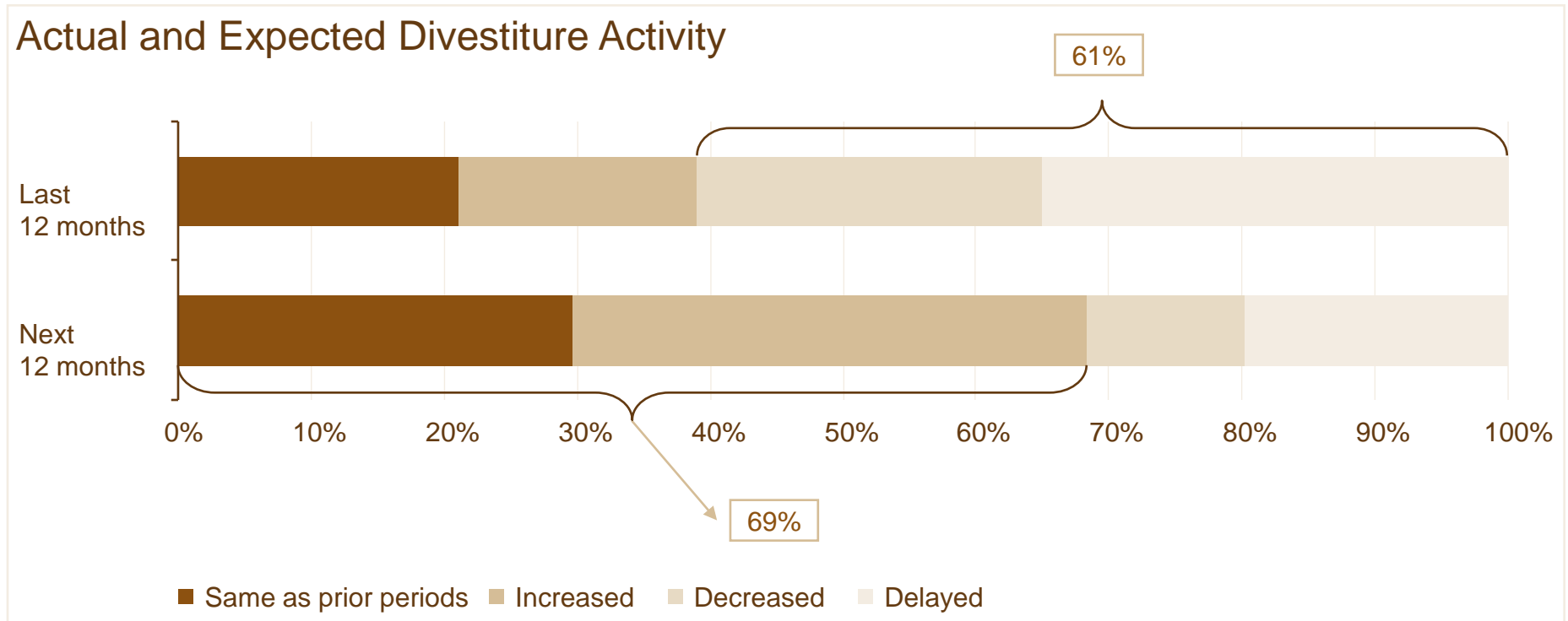
PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Do you expect to see similar or different levels of divestiture activity in 2010, compared to 2009?

- A. Similar
- B. Increase
- C. Decrease

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

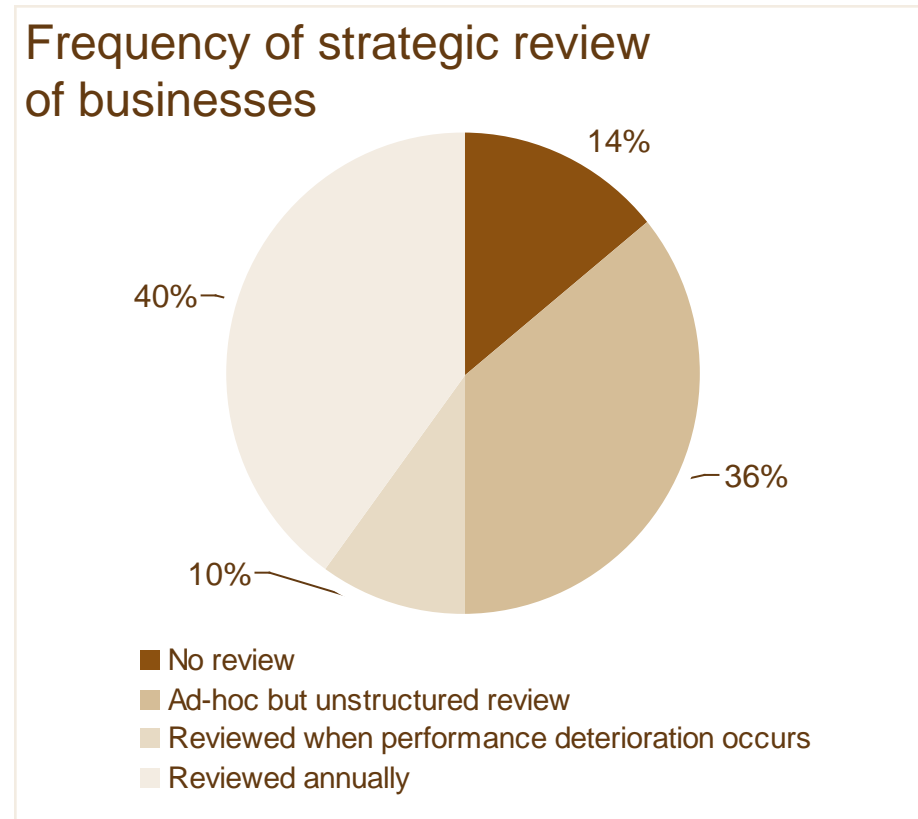
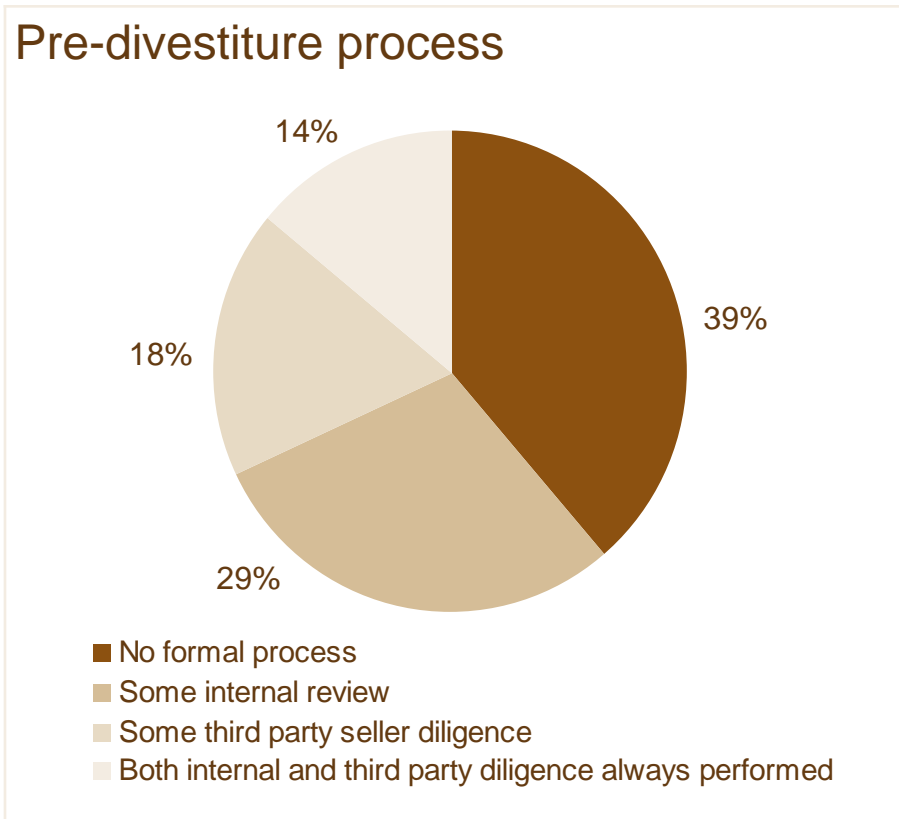
Actual and Expected Divestiture Activity



Divestiture Process

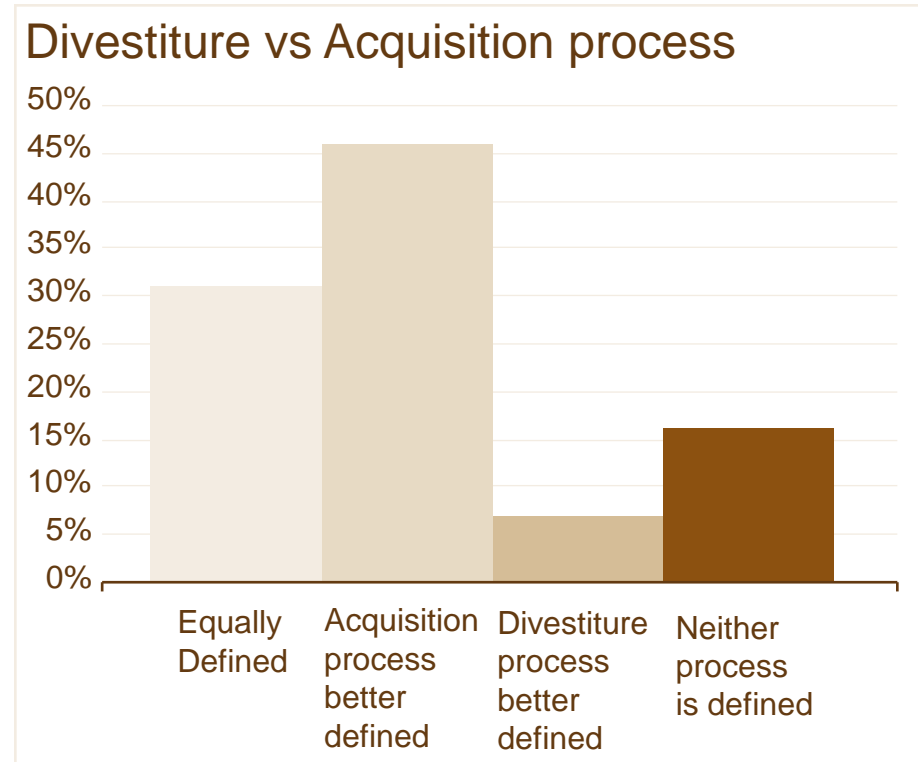
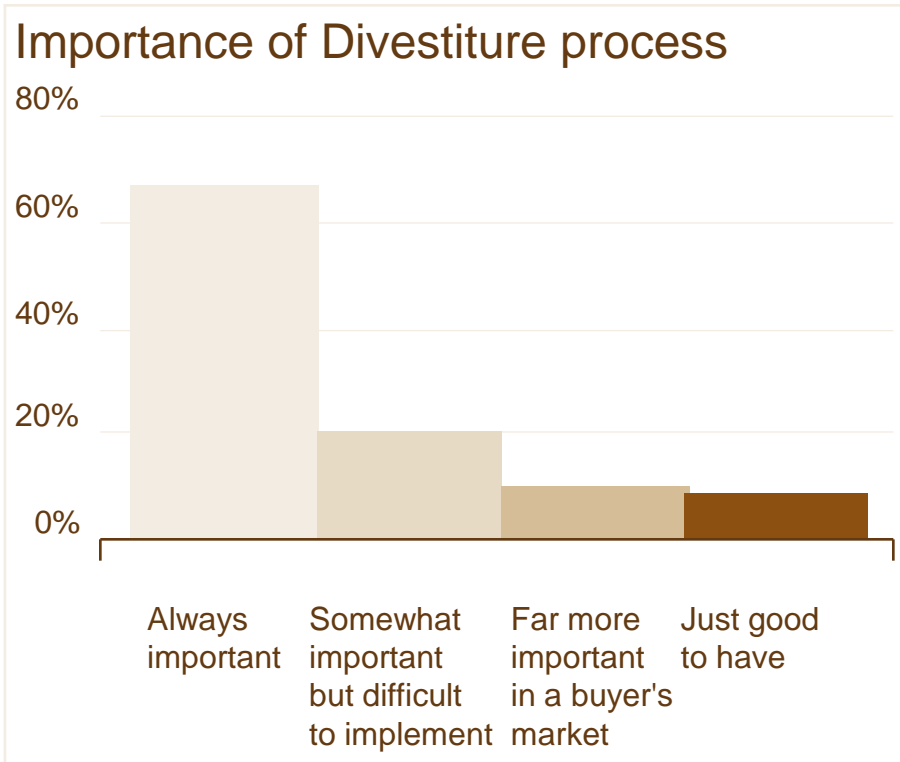
PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Mixed responses about pre-divestiture process and conducting strategic reviews.



PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

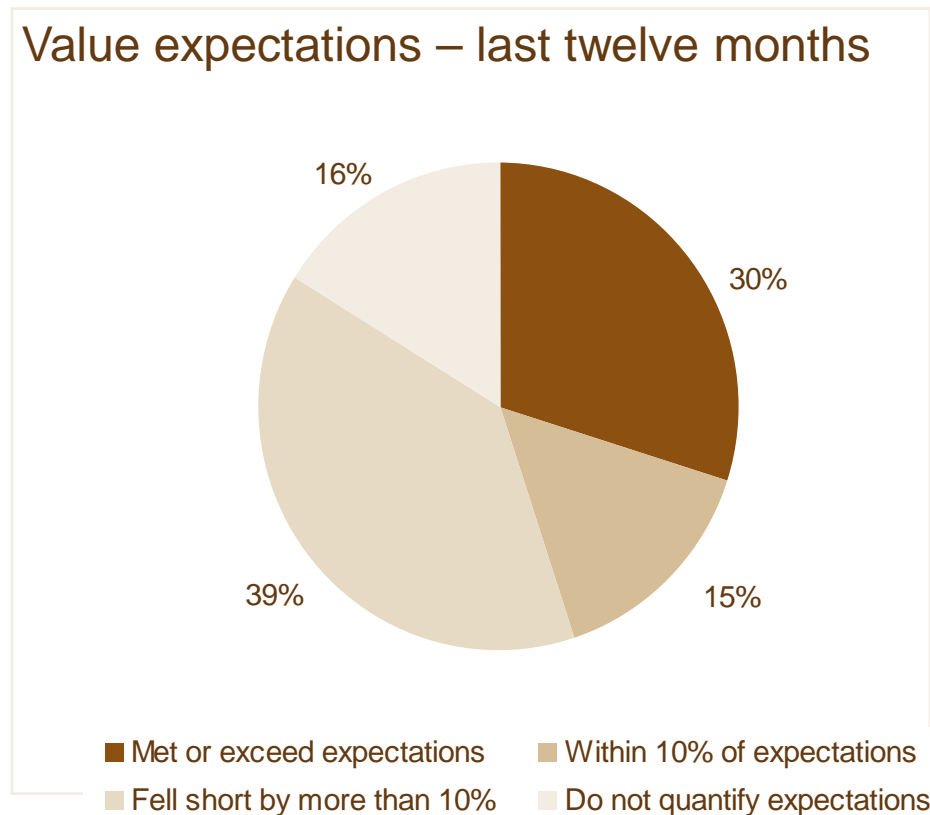
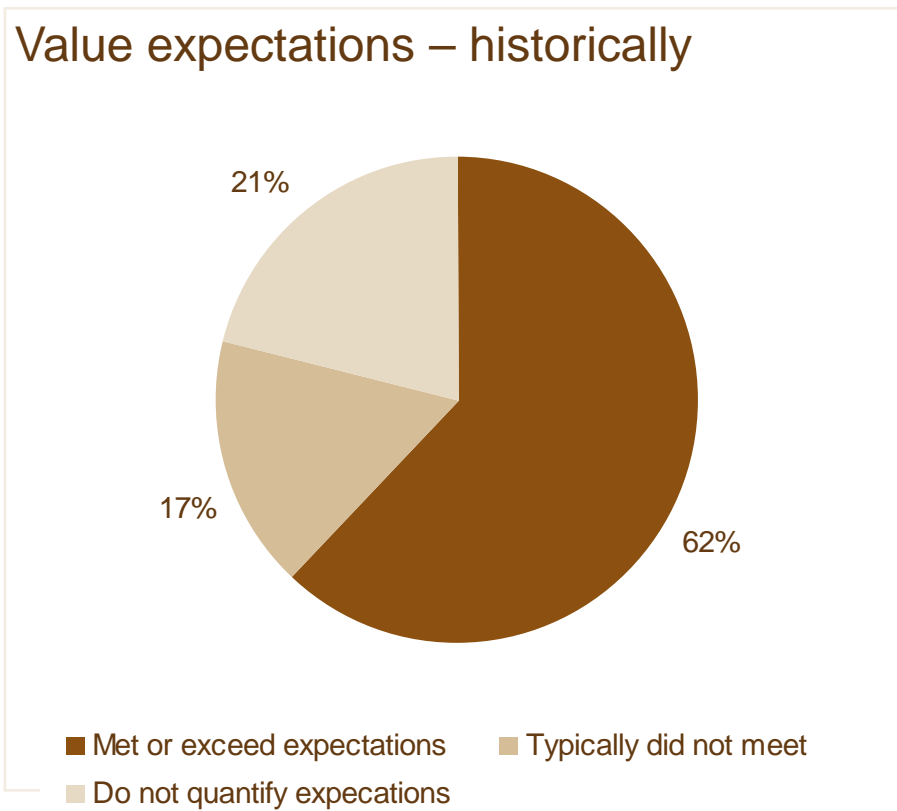
Divestiture processes are generally not as robust as acquisition processes.



Challenges Going Forward

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

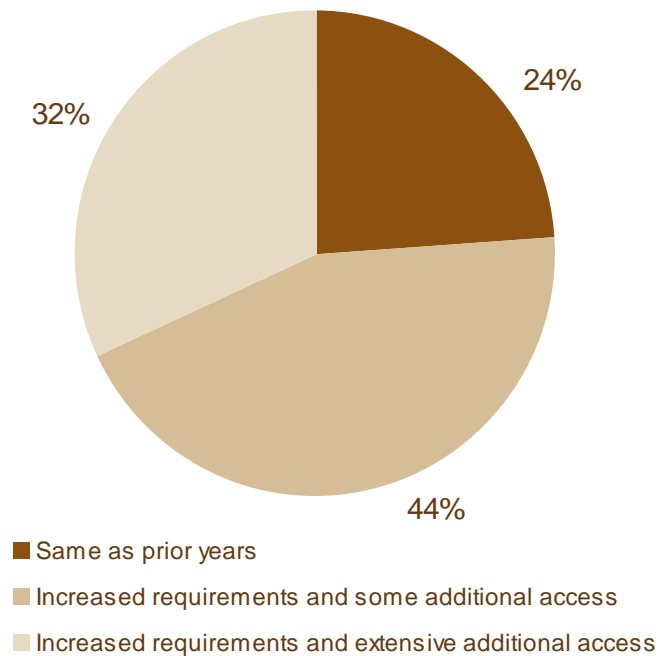
Meeting value expectations in divestitures is mixed.



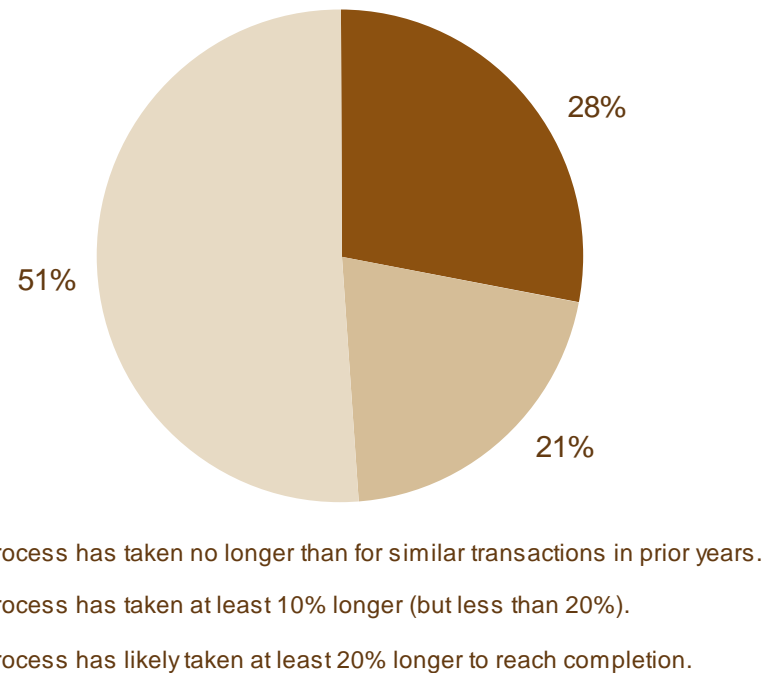
PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Access, information required and time have increased.

Change in access and info request



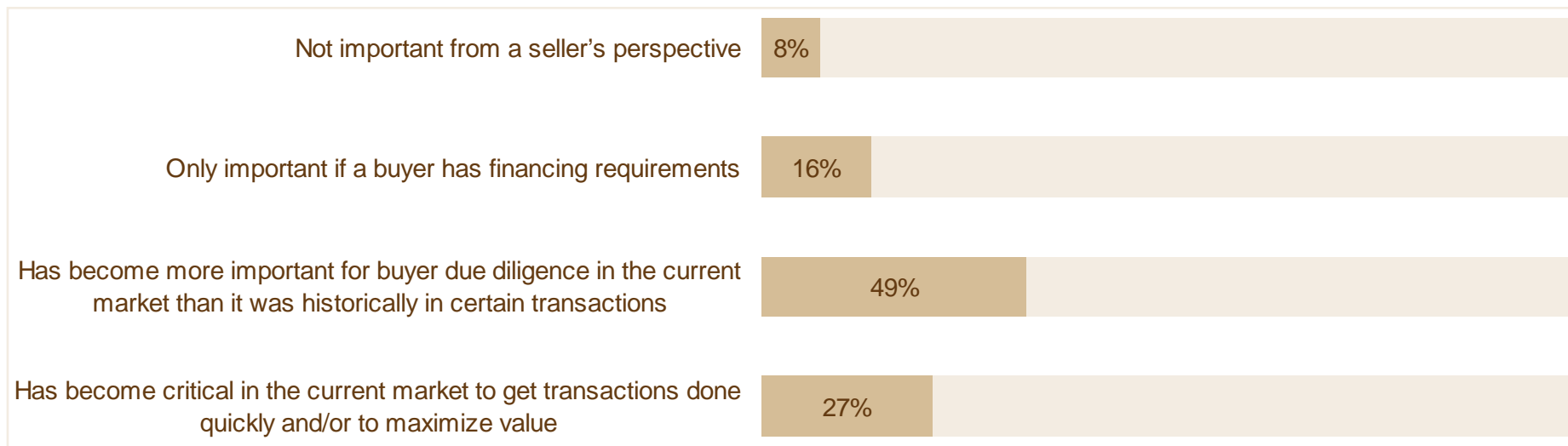
How has time to complete divestitures changed in the last 12 months?



PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Need for audited financial statements has increased.

Given your divestiture experience, how important do you believe it is to have audited financial statements available for a divestiture target?*

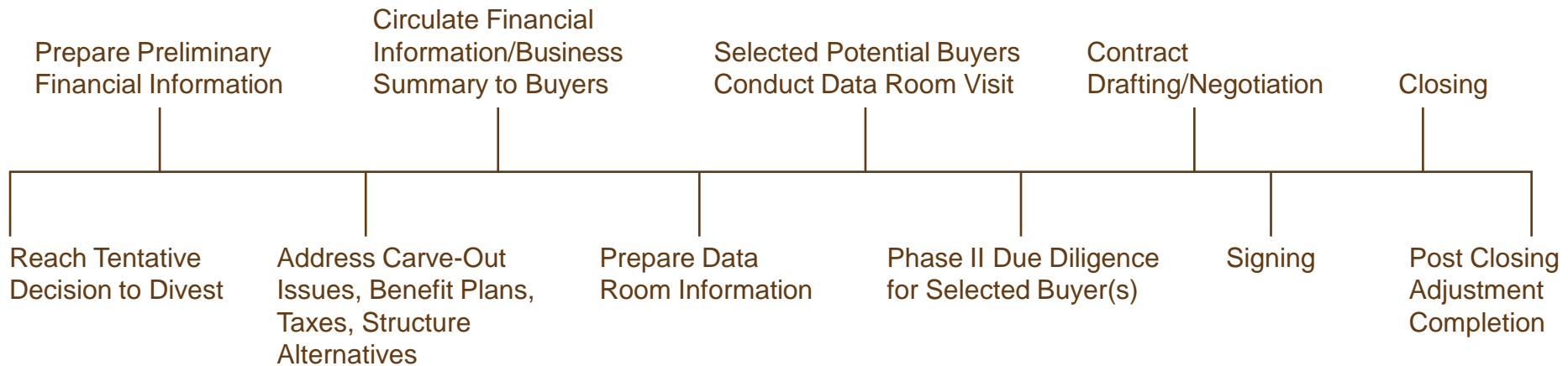


* Data reflects responses only from those who reported divestiture activity.
PricewaterhouseCoopers

PricewaterhouseCoopers' Transaction Services

Webcast: Divestitures in difficult times

To execute a successful divestiture, you must focus on the process from beginning to end.



Overriding Objectives

- Maximize Deal Value
- Minimize Time to Closing
- Maintain Control Over the Process
- Avoid Value Deterioration During Due Diligence
- Avoid Surprises

Corporate Perspectives

Filippo Torrigiani, Vice President, Strategy and Corporate Development
Hewlett Packard Corporation

Polling Question #3

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

To what extent do you feel adequate credit will be available to complete M&A transactions during 2010?

- A. Still constrained - similar to 2009
- B. Generally available for mid-tier deals but not for the larger ones
- C. Somewhat greater (up to 20%) than 2009 levels for all deals
- D. Generally available for all transactions

Polling Question #4

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

In what period do you expect that the M&A market activity will first exhibit significant/consistent improvement/recovery?

- A. First calendar quarter 2010
- B. Second calendar quarter 2010
- C. Third calendar quarter 2010
- D. Fourth quarter 2010
- E. Not until 2011
- F. Not until 2012
- G. Never

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Polling Question #5

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

Setting aside traditional divestitures, what do you expect will be a significant driver in exit activity in 2010?

- A. Spin-off transactions (or spin-off IPO's)
- B. Distressed sales / bankruptcy transactions
- C. Recapitalizations
- D. None of these factors will be significant

Q&A

PricewaterhouseCoopers' Transaction Services Webcast: Divestitures in difficult times

PricewaterhouseCoopers would like to thank you for joining this webcast.

To watch the replay visit:

www.pwc.com/ustransactionservices

To download “Divestitures in difficult times” visit:

www.pwc.com/us/divestituresurvey