

Rebound in Merger Activity Gets Deal 4Q Setback

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Two steps forward, one step back.

After inching toward recovery for each of the previous two quarters, mergers and acquisition activity in Los Angeles fell in the fourth quarter, further delaying a wait that keeps getting longer.

In the fourth quarter, 90 companies based in L.A. County either purchased another company or were purchased in deals totaling \$2.5 billion in value, according to data from **FactSet/Mergerstat**.

That's down from 116 transactions worth \$4.5 billion in the third quarter and 99 transactions worth \$6.9 billion in the fourth quarter of 2002. The year-ago period included the \$4.7 billion purchase of TRW Inc. by **Northrop Grumman Corp.**; excluding that deal, the transaction value in that period totaled \$2.2 billion.

Despite lukewarm results, investment bankers expect activity to heat up this year because of the improving economy.

"The numbers don't show anything dramatic in the way of a recovery," said Steve Sebastian, managing director at investment bank **Chanin Capital Partners**. "But when you look at what's going on inside the (investment banking) shops, there's been a dramatic increase in the things people are looking at. The feeling is that the level of internal activity will turn into external statistics down the road."

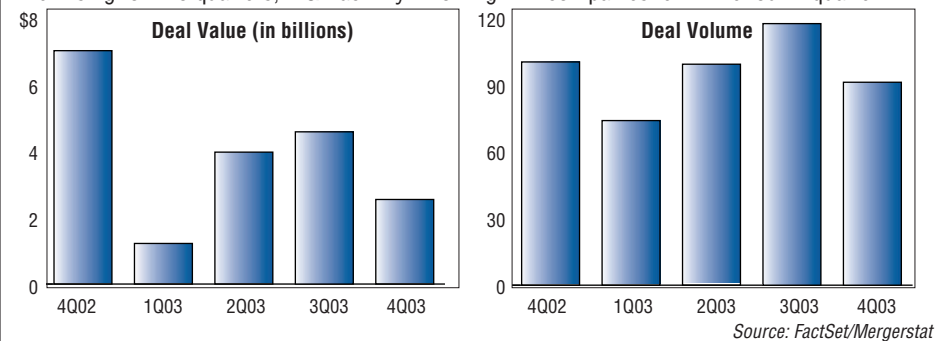
It's a theme that's been sounded more than once over the past three of years by local bankers waiting for tire-kicking to turn into action.

But aside from the occasional whopper, like the TRW deal, the scene has remained depressed. This time, though, there is reason for optimism. Stock market values rose dramatically last year, and more available financing, particularly from private equity firms, has helped push up the level of confidence, Sebastian said.

He also pointed out that two large sales did not make it into the data: The \$300 million sale of Communications & Power by Leonard Green to private equity firm **Cypress Group**

Another Dip

After rising for two quarters, M&A activity involving L.A. companies fell in the fourth quarter.



LLC, and two units owned by Cable & Wireless to **Gores Technology Group LLC** for \$125 million.

There are broader signs of a pickup in activity.

Global dealmaking

Worldwide, the value of announced acquisitions rose 14 percent in 2003, to \$528.6 billion, compared with \$462.4 billion in 2002, according to **Dealogic LLC**.

Several New York bankers are already projecting a 20 percent jump in M&A activity in 2004. As if on cue, **J.P. Morgan Chase & Co.** last week agreed to purchase **Bank One Corp.** in a \$58 billion deal that is reminiscent of the mega-mergers that took place in 1999 and 2000.

In Los Angeles, private equity firms continued to demonstrate buying power during the fourth quarter. Leonard Green's purchase of florist **FTD Ltd.** for \$407.3 million was the largest announced deal of the quarter.

Among other notable deals: **Hanmi Financial Corp.**'s purchase of Pacific Union Bank for \$295 million and **Lions Gate Entertainment Corp.**'s purchase of Artisan Entertainment Inc. for \$160 million.

Several transactions occurred in the radio industry. **Univision Communications Inc.** in Los Angeles, **Entravision Communications Corp.** in Santa Monica and **Salem Communications Corp.** in Camarillo all added to their extensive radio holdings.

A handful of private companies that are well-known in their industry niche announced in the fourth quarter that they would be sold, including **Myra L. Frank & Associates Inc.**, an environmental services firm downtown that works primarily with public agencies. It was sold to **Jones & Stokes Associates Inc.** in Sacramento, while **VanRex Gourmet Foods Inc.**, a Vernon distributor of specialty foods, merged its warehousing with **United Specialties Inc.** of Long Island, N.Y., the first importer of fresh truffles into the U.S.

Other deals included law firm **Manatt Phelps & Phillips LLP**'s purchase of the New York law firm **Parcher Hayes & Snyder**, which has a long list of entertainment and media industry clients, including Bruce Springsteen, Bob Dylan, the Rolling Stones and The Eagles.

Consolidation apparently has hit several niche industries, including online dating and pre-sorted postal services.

In the fourth quarter of 2003, Beverly Hills-based **MatchNet PLC**, the owner of AmericanSingles.com and JDate, bought **JCupid**, another online dating site, from **PointMatch Ltd.**

In addition, one of the nation's largest pre-sorting and mailing services, privately-held **Ancora Inc.** in San Fernando, made two acquisitions on the East Coast, **Barton & Cooney Inc.** in Trenton, N.J. and **CMS Complete Management Inc.** in New York.