lucitetombstones™

The Lucite® Embedment Company for Corporate America

USA TODAY

As quoted in USA Today…

Money

Posted 12/16/2004 9:24 PM

Lucite monuments pop up to mark increase in mergers, acquisitions

By Thor Valdmanis, USA TODAY

NEW YORK — Tombstones are popping up in offices all over Wall Street, and investors are giddy.

Far from marking some deadly plague, the mushrooming corporate Lucite miniature monuments, given to bankers to commemorate big deals, represent a revival in the long-dormant world of mergers and acquisitions.

"We have definitely seen an upsurge in new business," says **LuciteTombstones.com** President Norman Faria. "We do like deals."

After a four-year lull, a new wave of merger activity, while not quite a mania, is enriching investors and heartening analysts who see the comeback as a sign of renewed confidence in the stock market and the economy.

This week, the cell phone industry was turned on its head with a $35 billion tie-up between Sprint and Nextel; drug and consumer products giant Johnson & Johnson became a bigger player in the medical devices arena with its $24 billion purchase of Guidant; and the high-tech industry consolidated with Oracle's $10.3 billion acquisition of PeopleSoft and Symantec's move to purchase Veritas for $13.5 billion.

That's a lot of action, and few industries are likely to be spared in the months ahead. No more boardroom hand-wringing about war worries, corporate fraud and an economy that seemed stuck in neutral.

"We are seeing greater business confidence and a greater willingness to take on risk," says Steve Cohen, arbitrage fund manager at Kellner DiLeo Cohen. "I wouldn't anticipate that we will get to the crazy levels seen in 2000, which was unprecedented. But activity should remain healthy."

Other analysts agree, as long as the underlying stock market remains strong. CEOs are keen to use high-priced stock as acquisition capital.

Consolidation tends to create stronger and more efficient companies. It is also generally good news for investors holding paper of target companies. Takeover premiums can be healthy. Veritas, Nextel and Guidant all traded higher, ranging from 5% to 15%, on news they were being acquired.

But long term, growth through acquisitions can be a high-risk strategy, demonstrated most starkly by the AOL Time Warner debacle. Even if they get past antitrust regulators, many mergers fail to produce cost savings, strengthen pricing power or boost profits.

By some estimates, only one-third of mergers end up creating value for shareholders.

"A lot of mergers do not work," Tom Burnett, president of Merger Insight. "The ones that do work tend to be companies that are closely related in the same industry, minimizing integration risk and management turmoil."