



## THOMPSON HINE

### Weak Dollar Means U.S. Businesses Are On Sale

January 2004

As a Brit living in the U.S., I have recently noted a marked increase in long lost friends and family from Old Blighty seeking to become reacquainted with me. I would like to think these people are motivated to visit the U.S. by my sparkling personality, but the cynic in me suspects that they are driven more by the strength of sterling against the dollar.

Much as I enjoy sharing my humble New York abode with assorted visitors salivating at the prospect of visiting Saks, Macy's and Bloomingdale's and still having change to spare, I prefer my office to be frequented by savvy Europeans seeking to investigate U.S. business acquisition opportunities.

Yes, the pound is stronger against the dollar than at any time in the last decade and the euro has seen its value rise nearly 50% against the dollar since mid-2001. So it would seem that those east of The Pond are now presented with an enticing opportunity to acquire U.S. business assets on the cheap.

Unfortunately, in recent times European investors have not shown as much willingness to purchase dollar assets as have the central banks of some Asian countries, although recent statistical evidence indicates that this is changing.

So what positive factors, besides the current exchange rate, might augur well for U.S. acquisitions by Europeans in 2004?

Well, the U.S. economy grew dramatically in the second half of 2003 and many commentators think a sustained recovery is in the cards. If so, returns generated by U.S. assets purchased at a discount now could be impressive, particularly if sluggish growth continues in Europe.

In addition, the U.S. labor market is softer than it has been in recent years and is ripe for recruiting. From an employment law perspective, acquiring a U.S. business is not as fraught with danger as it is in Europe because employment legislation is relatively more pro-employer in the U.S.

In terms of the regulatory environment, U.S. statutory pre-merger notification procedures were changed during the boom years so that higher value deals can now be completed without an antitrust filing, thus saving on filing fees and paperwork. For leveraged acquisitions in the U.S., rules on taking security over the target company's assets are not as cumbersome as they are in Europe. Furthermore, stamp duty is generally not payable on share transfers in the U.S.

In auction sales of U.S. businesses conducted by investment banks, prices have fallen as a result of lower earnings of target businesses and reduced multiples applied to those earnings by buyers. The cumulative effect of these factors and the weak dollar provides an opening for European investors with an appetite for growth to establish or build upon a U.S. platform.

Whether or not the current exchange rate situation and market conditions will continue beyond 2004 remains to be seen. But in the meantime why not enjoy the assets on sale? As Macy's (and my houseguests) will tell you "the more you buy, the more you save"!

*Stuart Welburn is a corporate partner in the New York office of U.S. law firm, Thompson Hine LLP. He is an English Solicitor and a New York Attorney.*

*Stuart can be reached by telephone at (001) 212.908.3914 or by email at [Stuart.Welburn@ThompsonHine.com](mailto:Stuart.Welburn@ThompsonHine.com).*