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## ACCOUNTING & AUDIT

# Executives expect increase in mergers and acquisitions for second half of 2013

Deloitte: Deals to Increase, Cash Deployments to Continue in Second Half of 2013

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During the second half of 2013, executives expect mergers and acquisitions to increase (40.2 percent) and cash deployments to accelerate (21.8 percent) or hold steady (30.7 percent), according to a recent [Deloitte](#) webcast poll.

“A capital deployment—whether a transaction, cash flow planning or some other measure is an enterprise-wide negotiation and an organizational challenge,” says Charles Alsdorf, a director in Business Valuation for Deloitte Financial Advisory Services LLP (Deloitte FAS). “To avoid ‘analysis paralysis,’ we recommend that our clients start cash deployment planning by first brainstorming possible risks involved and using that information to frame their decisions. Simple as it may seem, this often overlooked step can help prevent indecisiveness later.”

To aid in cash deployment decision-making, many companies run equity risk premium (ERP) calculations to help understand return on investment details that may compensate for perceived risks. Just 11.5 percent of respondents, however, reported updating company ERP for cost analysis within the past year.

“Equity risk premiums are a crucial component of managing cash deployment risks in a volatile environment,” says [Stamos Nicholas, the Deloitte FAS national leader of Business Valuation](#). “At Deloitte, we update our ERP estimate monthly to facilitate

our understanding of how markets are operating and how investors are perceiving risk. Not every company needs to update an ERP calculation that frequently, but understanding the methodology appropriate for your company’s unique industry and operating model and refreshing it before decisions are made, can be invaluable to leaders facing challenging investment decisions.”

Respondents identified capital constraints (25.6 percent) as the biggest challenge organizations face when deploying capital followed by lack of realistic growth and operational targets (20.2 percent) and unreliable business cases (15.8 percent).

More than 1,200 professionals from industries including financial services; consumer and industrial products; and technology, media and telecommunications responded to poll questions during a recent webcast, titled “Capital Efficiency in a Volatile Market: Stop Burning Capital.”

[Deloitte Business Valuation](#) practice performs valuations of business entities, intellectual property, intangible assets, common and preferred stock, other securities, partnership interests, private debt instruments, options, warrants and other derivative products. These services are provided to assist clients with merger, acquisition and dispositions, capital efficiency, taxation planning and compliance, financial reporting, bankruptcy and reorganization, litigation and dispute resolution, and strategic planning.

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