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For Immediate Release
December 29, 2006

CFOs WEIGH IN ON MERGERS AND ACQUISITIONS
Financial Executives Expect Moderate M&A Activity in Next 12 Months

MENLO PARK, CA -- Corporate marriages may be on the rise through the end of the decade, a new survey suggests. Twenty-seven percent of chief financial officers (CFOs) polled recently said they expect the number of corporate mergers and acquisitions (M&As) overall to increase in the next 12 months. In a follow-up survey, 48 percent of CFOs polled said they anticipate greater M&A activity in the next two to three years.

The surveys were developed by Robert Half Management Resources, the world's premier provider of senior-level accounting and finance professionals on a project and interim basis. Each was conducted by an independent research firm and includes responses from 1,400 CFOs from a stratified random sample of U.S. companies with 20 or more employees.

CFOs were asked, "Do you think corporate merger and acquisition activity will increase, decrease or stay the same over the next 12 months?" Their responses:

Increase significantly	**5%**
Increase somewhat	**22%**
No change	65%
Decrease somewhat	1%
Decrease significantly	1%
Don't know/no answer	6%
	100%

In a related survey, CFOs were asked, "Thinking about your industry, in the next two to three years, do you expect the amount of activity in the following to increase, decrease or stay the same?" Their responses:

	Increase	Decrease	Stay the same	Does not apply	Don't know/ no answer
Mergers	**28%**	2%	55%	14%	1%
Acquisitions	**20%**	2%	60%	16%	2%
Consolidations	13%	2%	66%	18%	1%
Initial public offerings	8%	3%	57%	30%	2%
Publicly traded companies going private	8%	4%	53%	33%	2%
Leveraged buyouts	7%	2%	54%	33%	4%

Among industries, the greatest amount of merger activity is expected to take place in the transportation and finance sectors in the next two to three years, according to executives polled. Forty-four percent and 42 percent of CFOs, respectively, in these industries said they expect merger activity to increase within the next few years.*

"Relatively low interest rates and deep cash reserves within many companies are prompting firms to make strategic acquisitions," said Paul McDonald, executive director of Robert Half Management Resources. "The complex nature of the merger and acquisition process is driving the need for financial executives knowledgeable in this area. Companies continue to rely on senior financial analysts with specialized M&A experience to support them in conducting due diligence, analyzing financial data, developing competitive forecasts and assisting with tax compliance issues."

Robert Half Management Resources has more than 125 offices throughout North America, Europe, Asia and Australia, and offers online job search services at **www.roberthalfmr.com**.

*Note to editors: For a complete breakdown of CFOs' anticipated M&A activity by industry, please visit our Press Room at **www.roberthalfmr.com/PressRoom**.

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What are the three main takeaways from these surveys?

- Twenty-seven percent of CFOs said they expect M&A activity to increase in the next 12 months; 48 percent of executives polled said they anticipate greater M&A activity in the next two to three years.
- CFOs expect the greatest amount of merger activity in the transportation and finance industries, with 44 percent and 42 percent of the responses, respectively. [An industry breakdown is available in the RHMR Press Room]
- CFOs also weighed in on expected initial public offering (IPO) activity and the amount of publicly traded companies going private; 8 percent of executives polled said they expect increased activity in both of these areas within the next two to three years.

Why do the majority of executives think corporate merger and acquisition activity will remain unchanged over the next 12 months?

- Factors such as low valuations, large amounts or cash on corporate balance sheets or easy access to capital may allow companies to be more selective in "cherry picking" good M&A deals in the future.
- Of course, economic factors (both U.S. and global) also play a role in the M&A market.
- More than $3.5 trillion in global M&A activity took place in 2006, according to Thomson Financial Corporation. While many CFOs whom we surveyed feel this record level will remain stable in 2007, very few (2 percent) anticipate a decrease.

Why do some CFOs think mergers and acquisitions will increase over the next two to three years?

- Some reports suggest that private equity firms have at least $2 trillion to spend on future mergers and acquisitions, more than ever before, playing a large role in the M&A market.
- More corporations want to shore up their core competencies and will look to make tactical acquisitions to achieve this.
- Many banks also have been more willing to lend money to companies.

What industries are possible targets for M&A activity in the next few years?
Our survey found that a number of CFOs expect M&As to occur in several industries nationwide, including:

- Transportation
- Finance, insurance and real estate
- Manufacturing
- Retail
- Wholesale

- Other industries where activity could take place include *[mention industries in which you are seeing M&A activity or in which CFOs expect activity in your local market]*.

What's expected in the IPO market?

- On a national level, less than one in 10 CFOs expect IPO activity to increase in the next two to three years. *[for a survey breakdown by geographic area, please contact your district PR manager.]*
- Of course, some industries typically experience more IPO activity, particularly in the high-tech hubs.
- *[Discuss how we may be assisting clients in the IPO process, if applicable, in your local market; do not mention client names.]*

Why are senior financial analysts so important to companies during the M&A process?

- M&As are complex in nature, requiring financial data analysis and due diligence. Companies rely on financial executives with experience in M&As to help guide them through the process.
- *[Discuss examples of areas in which financial consultants are assisting companies with the M&A process; do not mention client names.]*
- Regulations such as the Sarbanes-Oxley Act require CFOs to maintain more scrutiny in financial corporate affairs.
- Accounting professionals with SEC experience are in especially strong demand, and compensation levels are on the rise.

Once employees know they will be part of a merger, what should they do?

- **Gather information** – Learn as much as you can about the transaction and how it will affect your company, department, position and growth potential.
- **Ask questions** – Communicate with management to learn the short- and long-term implications of the merger. Make sure your supervisor understands all that you contribute to your role.
- **Seek a mentor** – Consider reaching out to a more seasoned colleague or other professional who understands the full effects of a merger. Mentors may also be able to provide advice for succeeding in the new environment and advancing your career.
- **Stay positive and focused** – Try to avoid becoming too distracted. Continue to work hard, meet deadlines and produce excellent results. You'll prove to management how valuable you are.

After the merger is official, what should employees do?

- **Make yourself indispensable** – Volunteer for new assignments, which demonstrates initiative to make greater contributions.
- **Learn about new opportunities** – Learn as much as possible about how the merger affects the finance function, and look for new opportunities.
- **Review your work history** – Review your achievements and determine if it may be possible to perform these types of activities in the new environment.

- **Start to network now** – Discuss your current situation with friends, relatives or business associates. Contact professional organizations to learn of events that give you an opportunity to speak with others in the field. They may have insight into the new company, and, if the time comes to make your move and look for a job, they may know of other opportunities available.

What should managers be doing for their employees during a merger?

- **Get staff involved** – Include staff at all levels. This will empower employees and build support for the change at hand.
- **Communicate regularly** – Managers should share as much information as they can, as appropriate. Update employees on current and upcoming plans and how these events will affect them. Otherwise, people may draw their own conclusions and assume the worst.
- **Don't sugarcoat things** – Acknowledge any potential hurdles staff may face, but also discuss how personnel can overcome them. Mention any potential opportunities that may result from the merger.
- **Stay focused** – Although there may be a lot going on, managers need to ensure day-to-day responsibilities are met. Be sensitive about employees' feelings, but make sure the work is done. If workloads become too large, consider bringing in project professionals to relieve some of the burden on full-time staff.

When were these surveys conducted?

- The surveys were conducted in Q3 and Q4 of 2006.

Why did Robert Half Management Resources commission this survey?

- Robert Half Management Resources regularly reports on a number of workplace and career issues, as well as business and staff management topics and trends.
- We share the findings with clients, candidates and the public to enhance awareness on these topics and help people do a better job of managing their careers and/or businesses.