The Biz Beat (http://blogs.ajc.com/business-beat)

Power Breakfast: Rise in M&A activity, traffic up as schools open, GOP debate, Hewlett-Packard, BP

5:52 am August 9, 2010, by Henry Unger

Will the recent rise in mergers and acquisitions — a good economic indicator — continue?

That's the question asked by AJC reporter Russell Grantham who writes about the issue.

Atlanta-based Eclipsys Corp.'s shareholders will vote Friday on a proposed $1.2 billion deal to merge with a Chicago medical records company. The deal puts Eclipsys on a growing list of Georgia businesses that have been involved in mergers or acquisitions this year — after such deals slowed to a virtual standstill a year ago during the financial meltdown, Grantham reports.

But it's unclear whether the revival in the volatile deal-making business will last.

Some experts believe most companies are too worried about the economy to do big strategic deals, Grantham reports.

"The uncertainty in the economy is so high right now, people don't know if we're headed for a double-dip [recession]," Campbell Harvey, a finance professor at Duke University, told Grantham. "This is not the time to bet the farm."

But some experts say companies are sitting on huge cash hoards that will send them bargain-hunting, especially if their target companies are cheap and offer strategic advantages.

The nation's largest non-financial companies — those in the Standard & Poor's 500 index — have amassed $837 billion in cash on their balance sheets, David Rosenberg, chief economist with Toronto money manager Gluskin Sheff and Associates, recently noted.

Former investment banker Michael Goldstein expects deal-making to continue rising this year because post-boom stock prices are still relatively low, companies have lots of cash, and cheap financing is available to buyers.

"CEOs are under pressure to grow revenues. The fastest way to grow revenues is to buy somebody," said Goldstein, a finance professor at Babson College.

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