



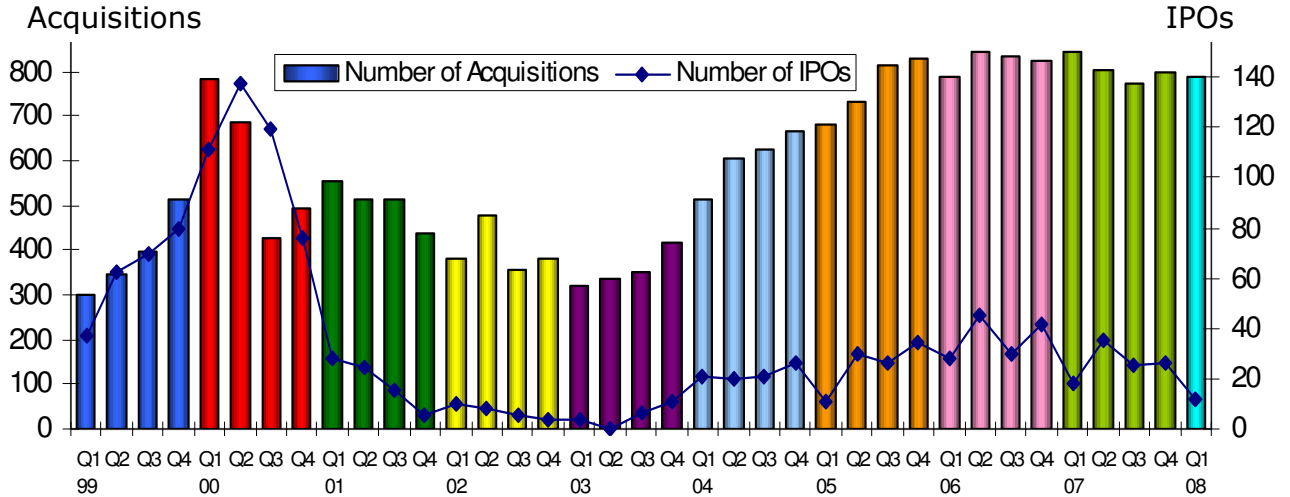
EUROPEAN TECHNOLOGY ACQUISITIONS

1st Quarter 2008 Review

An analysis of the technology acquisition transactions announced in the 1st Quarter 2008 involving European companies.



ANALYSIS OF EUROPEAN TECHNOLOGY ACQUISITIONS

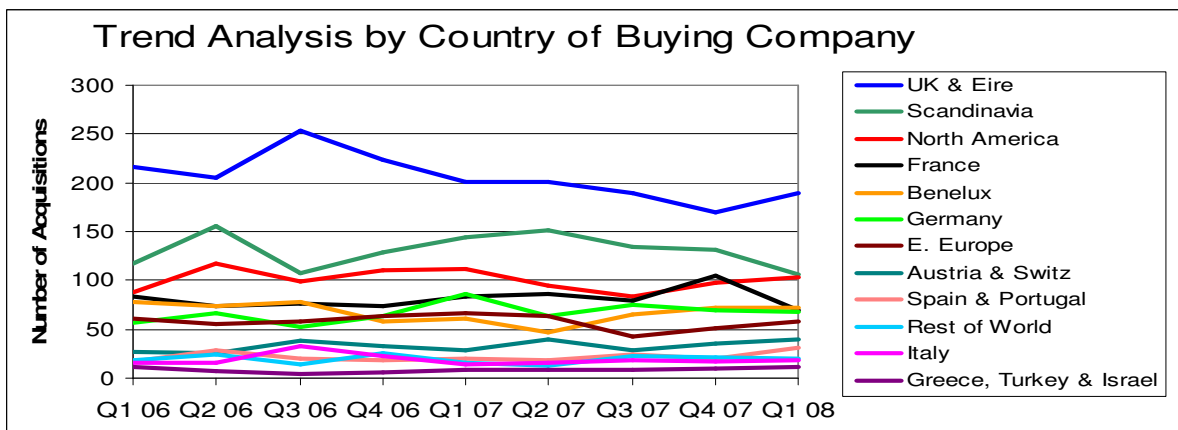


Source: Regent

Considering some of the threatening economic factors that exist in the world markets, acquisition activity in the first quarter of 2008 held up well and maintained the same level that has been seen for almost three years. There were 787 acquisitions involving European technology companies in Q1 2008, a decline of just 2% from the 799 deals announced in the final quarter of 2007. However the combined value of these acquisitions has fallen dramatically to \$45b, almost half of the \$86b recorded in the previous quarter. This indicates that whilst recessionary fears and the shortage of suitable credit has had little effect on the smaller deals, it is clearly impacting larger transactions – those valued at more than \$100m. Our prediction is that for the remainder of 2008 deal flow will continue at healthy levels, perhaps with some tailing off as the year progresses.

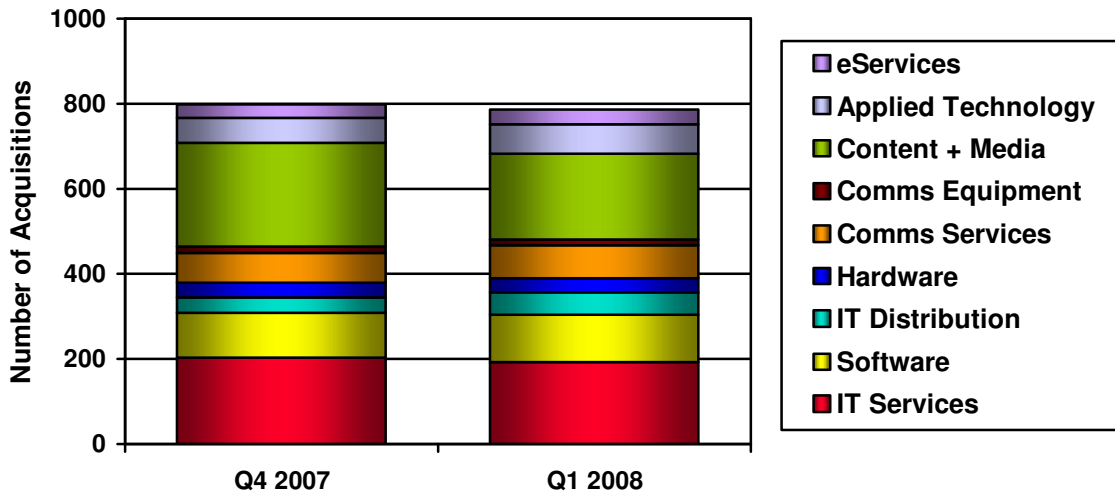
COUNTRY ACTIVITY

After declining buyer activity for the past five quarters, the UK based companies showed an increase in purchasing levels in Q1 2008. Some of this was down to the availability of companies seeking to sell because of the impending Capital Gains Tax (CGT) changes being applied in early April 2008. Scandinavian companies showed a decline in transactions but maintained the number two position in Europe just ahead of North American buyers, whose deal-making increased by 7% in the quarter. The strongest increase in performance came from the Southern European buyers (Spain and Portugal up 55%, Italy up 12%) and the Eastern European buyers (up 14%). It is probable that this trend will continue throughout 2008 having more to do with economic cycles rather than the fortunes of the technology industry.



Source: Regent

INDUSTRY SECTOR ACTIVITY

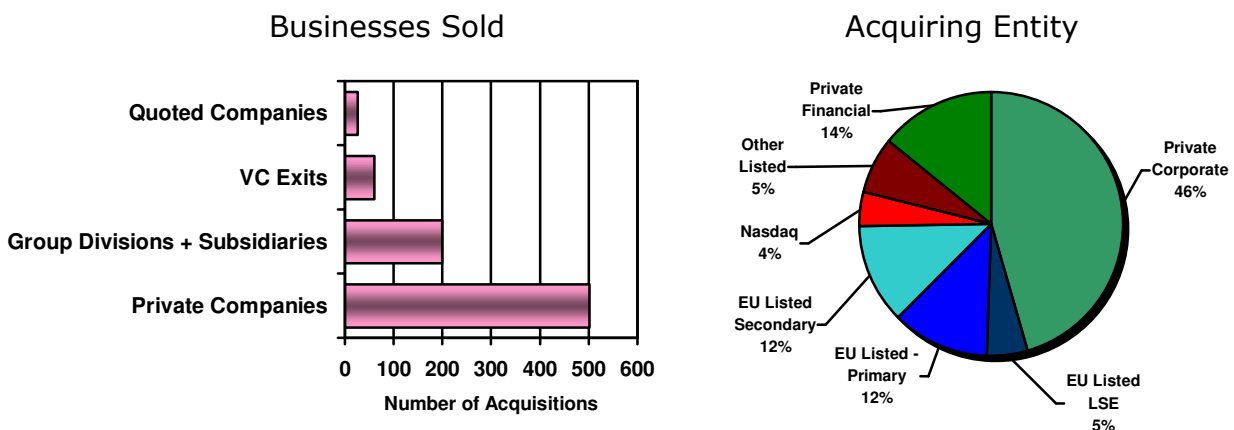


Source: Regent

As the largest sector, the content and media sector saw its first significant fall in deal flow for over three years with 201 transactions in the past quarter compared to 245 in the final quarter of 2007. This activity has been driven by a high level of consolidation and there has been a feeling that increasing valuations in the sector has frightened off some potential acquirers. The software sector, together with product distribution, which have also been the focus of consolidation, both increased acquisition activity by 7% and 47% respectively. IT Services remains an important sector of the market representing 24% of all deals but it showed a decline of 5% in the quarter. Acquisition levels have been driven more by sector expansion than by consolidation as such. Buyers appear to be taking a breather as they wait for more certainty in economic trends.

OWNERSHIP STATUS

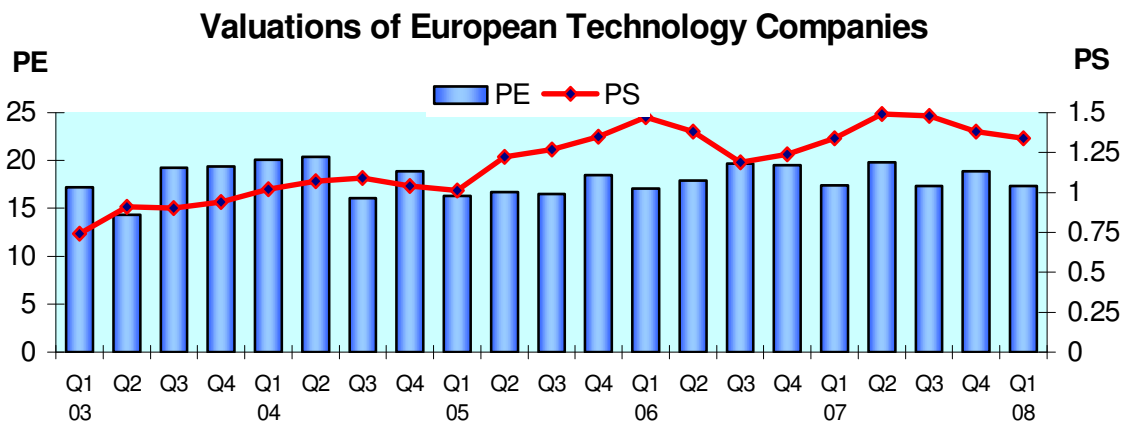
Profile of Sellers and Buyers Q1 2008



Source: Regent

Active acquirers are finding rich pickings amongst private companies, many of whom, even if they were capable of undertaking an IPO, are finding acquisition valuations highly attractive. The supply of suitable private company targets limits the attractiveness of purchasing listed organisations even though public company valuations appear to be relatively low at present. Despite serious concerns that sub-prime problems and the resulting tightening of credit would mean that private equity investors would be less active, that appears not to be the case so far for deals other than the large (greater than \$100m). Private Equity players have directly accounted for over 14% of all acquisitions in Q1 2008 and supported many other deals through their portfolio companies.

VALUATIONS



Source: Regent

Price to earnings (PE) ratios have remained reasonably consistent for the past few years. The Q1 2008 PE ratio was 17.36 compared to 17.45 a year earlier. This contrasts to the price to sales (PS) ratio which has displayed greater volatility starting the year on 1.34, exactly the same as a year earlier but below the peak of 1.51 in the middle of 2007. These shifts are not unexpected and reflect a return to normal valuation metrics following improvements in the profitability of the industry. Sharply increased profitability causes the PS to increase in the short term. These profit levels are now factored into the valuation multiples. *Note – the recorded valuations include 50% of the maximum contingent consideration in deals with earn-outs and apply to historic performance.*

RESEARCH METHODOLOGY

For over 15 years the research group at Regent has tracked all of the acquisitions involving European technology companies. Data is drawn from the press, company reports, investor statements and through direct investigation. The resulting proprietary database is used to produce comprehensive analysis of current market dynamics as a critical ingredient in Regent’s acquisition services to identify targets and predict valuation trends.

REGENT

Regent is Europe’s leading advisor to organisations in the information technology, communications and electronic media industries on all aspects of corporate development including, acquisitions, divestments, company sales, financing, valuations and strategic advice.

With a successful track record of over 400 completed assignments, Regent’s client base includes many of the world’s best-known technology companies. Through teams based in Europe, USA and Asia Pacific, Regent is able to handle assignments ranging from local deals to complex international transactions.



To contact us - call +44 1753 800700 or go online to www.regent.com
 Peter Rowell (prowell@regent.com), James Calvert (jcalvert@regent.com), Derek Alway (dalway@regent.com)