



EUROPEAN TECHNOLOGY ACQUISITIONS

1st Half 2008 Review

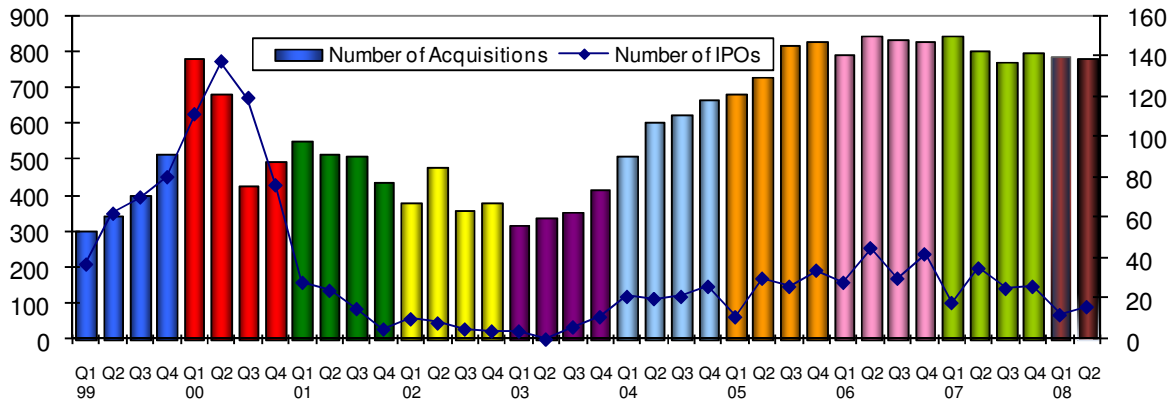
An analysis of the technology acquisition transactions
announced in the 1st Half 2008 involving
European companies.



ANALYSIS OF EUROPEAN TECHNOLOGY ACQUISITIONS

Acquisitions

IPOs

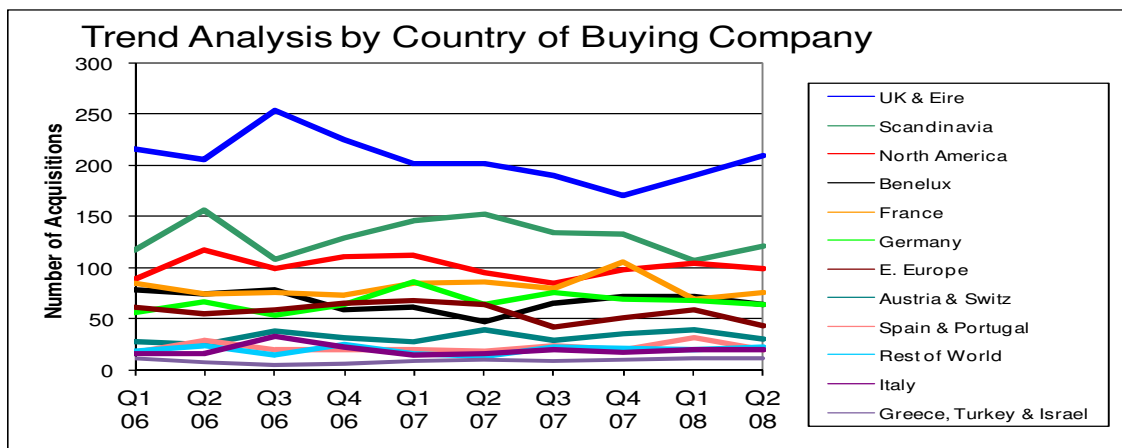


Source: Regent

Back at the beginning of 2007 our verdict on acquisition activity involving European technology companies was that we had reached the "Peak of the Plateau". 18 months later, current deal-flow suggests that it was a correct call. Considering the threatening economic factors that exist in the world markets, acquisition activity in the first half of 2008 has held up well with just a slight tailing off during that 18 month period. There were 779 acquisitions in the last quarter, a decline of just 1% from the 787 deals announced in the first quarter of 2008. However the combined value of the Q2 2008 acquisitions increased by 18% to \$53.4b compared to \$45.0b in the previous quarter. This demonstrates that there are still substantial amounts of cash available for suitable transactions despite the credit crunch severely reducing the potential for some of the highly leveraged multi-billion dollar buy-outs.

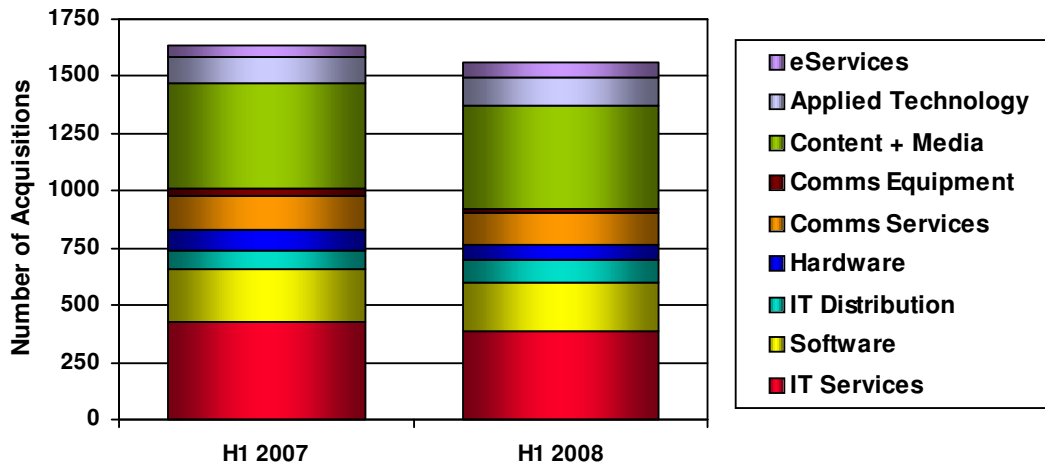
COUNTRY ACTIVITY

An examination of the chart below covering the 30 month period from the beginning of 2006 to the present day shows individual country activity has ended the period at almost identical levels to when it began. After declining buyer activity for a period of five quarters, the UK based companies showed increasing purchasing levels in H1 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 recovering activity in the quarter whilst North American activity declined slightly after two quarters of good growth. The biggest percentage fall in buying activity was amongst Eastern European buyers where telecoms transactions in particular almost halved.



Source: Regent

INDUSTRY SECTOR ACTIVITY

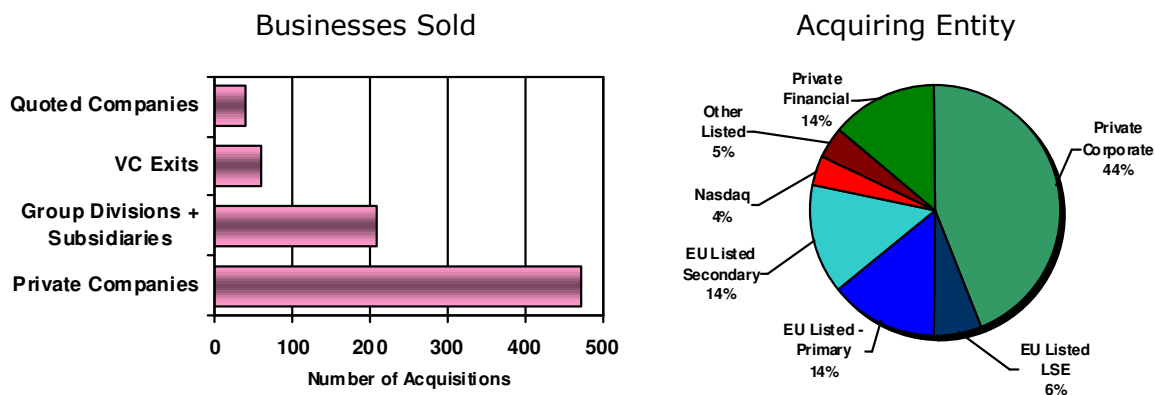


Source: Regent

The remarkable fact in comparing H1 2007 with the same period last year is that there have been very few changes. The content and media sector witnessed exactly the same number of deals - 464 transactions in H1 2007 and H1 2008. Software was virtually the same with 225 transactions in H1 2008, just one less than a year earlier. However this did mask a decline in Application Software deals and corresponding increases in both Consumer and System Software acquisitions. IT Services deals have fallen some 10% over the course of the year, driven down by falls in Consulting and Outsourcing transactions. Conversely there has been strong interest in IT Solutions companies with a vertical focus. The telecommunications sector has been the primary casualty, particularly in the latest quarter with deal flow down 29% on Q1 2008.

OWNERSHIP STATUS

Profile of Sellers and Buyers Q2 2008

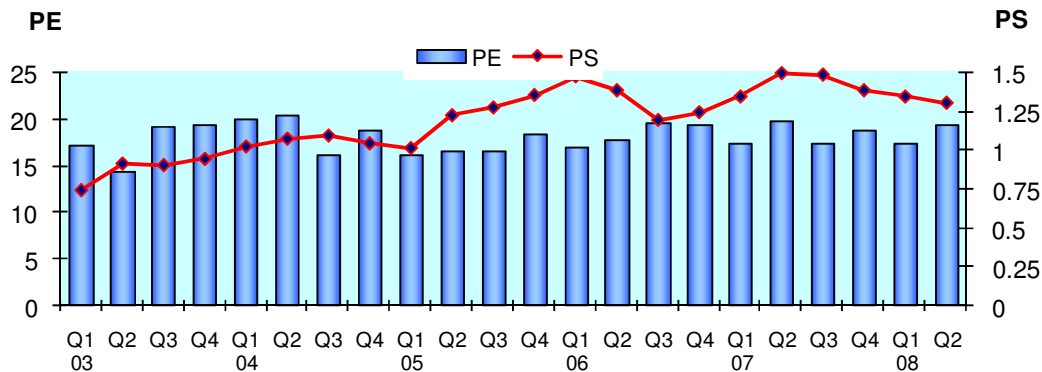


Source: Regent

Recent comments in the press have highlighted the number of public companies that have either completed acquisitions or are the subject of current bids. This is confirmed by the 38 such deals in Q2 2008, up 46% on the 26 deals in Q1 2008. But this is nothing new. To put it in perspective it compares to 37 and 39 deals respectively in Q1 and Q2 2007. 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 very large (greater than \$1b). Private Equity players have directly accounted for over 14% of all acquisitions in Q2 2008 and supported many other deals through their portfolio companies.

VALUATIONS

Valuations of European Technology Companies



Source: Regent

Although public company valuations have fallen substantially in 2008, we have seen price to earnings (PE) ratios remain reasonably consistent for the past few years. Indeed they staged a small recovery in Q2 2008. It should be remembered however that the components of value are quite different between public markets and acquisitions. With the former, the institutional investors are looking more to the short term and are seeking liquidity amongst the small cap stocks. Whereas, with acquisitions, the cash rich trade and private equity buyers are investing with a greater strategic focus for the longer term. The price to sales (PS) ratio has displayed greater volatility ending the half on 1.30. *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.

SOME OF THE REGENT DIVESTMENT CLIENTS



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