

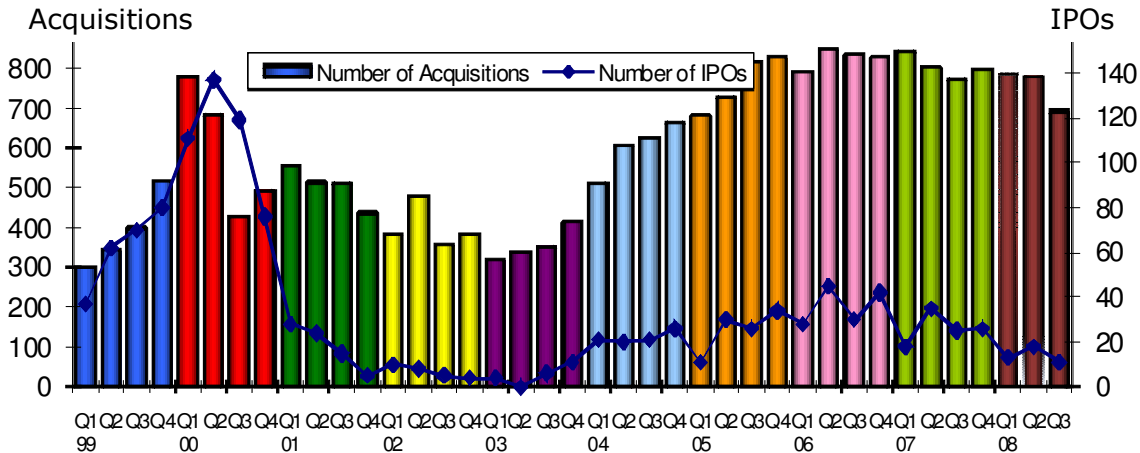
# EUROPEAN TECHNOLOGY ACQUISITIONS

## 3<sup>rd</sup> Quarter 2008 Review

An analysis of the technology acquisition transactions  
announced in the 3<sup>rd</sup> Quarter 2008 involving  
European companies.



## ANALYSIS OF EUROPEAN TECHNOLOGY ACQUISITIONS

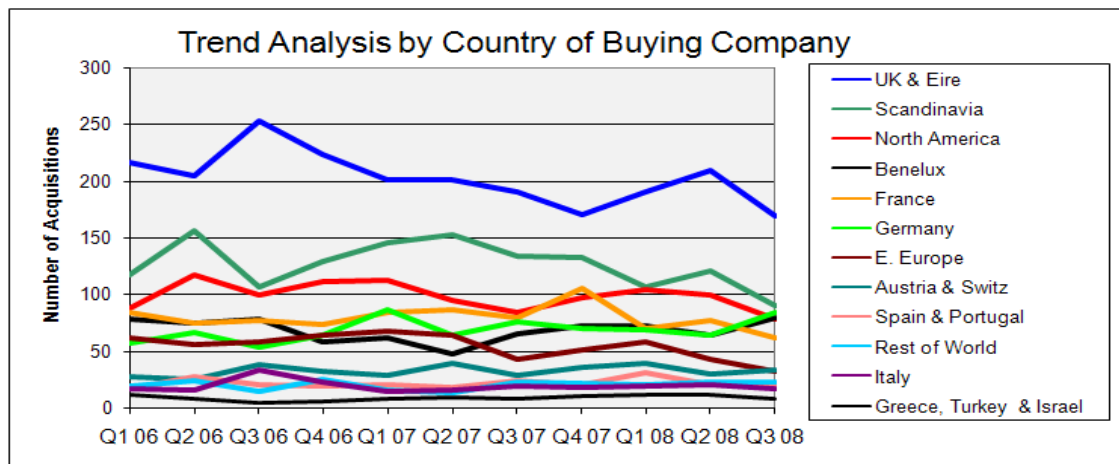


Source: Regent

For the past two years we have been predicting that any slow down in the level of acquisition activity will be driven primarily by economic factors rather than by the dynamics of the technology industry itself. There is little doubt that the reduction in deals witnessed in the third quarter of 2008 is the result of the turmoil in the economy and the various stock markets. However, considering the external disruptions that exist in the world markets, the 11% decline in Q3 2008 is probably less than would be expected. There were 692 acquisitions in the last quarter, down from the 779 deals announced in the second quarter of 2008. The combined value of the Q3 2008 acquisitions declined by a more substantial 22% to \$41.7b compared to \$53.4b in the previous quarter. IPO activity has maintained its downward trend to a point where there were just 11 flotations of technology companies in Q3 2008.

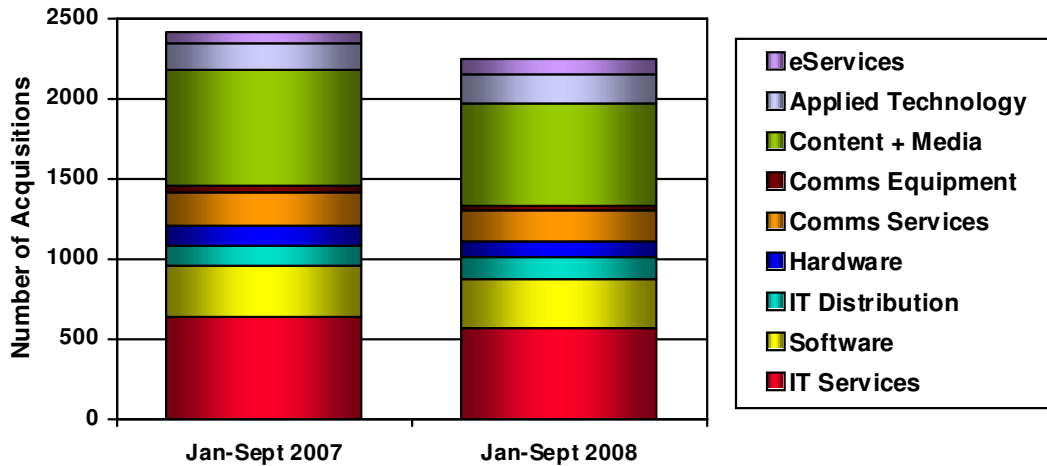
### COUNTRY ACTIVITY

Buying activity by country has tended to reflect the economic trends in those countries. We have therefore seen fewer deals by companies in the Northern European region (UK, France and the Scandinavian countries) as well as from North America. However there have been increased levels of acquisitions from companies in mid-Europe (Germany, Switzerland, Austria and the Benelux countries). There were also reduced levels of acquisition activity by Eastern European companies in all sectors except Telecoms, where deal-flow moved up by 17%. Indeed in the Telecoms Services sector, Eastern European companies were responsible for almost one quarter of all acquisitions last quarter. Although there were fewer US buyers looking this way in Q3, European companies increased acquisition activity in North America by some 13%.



Source: Regent

## INDUSTRY SECTOR ACTIVITY

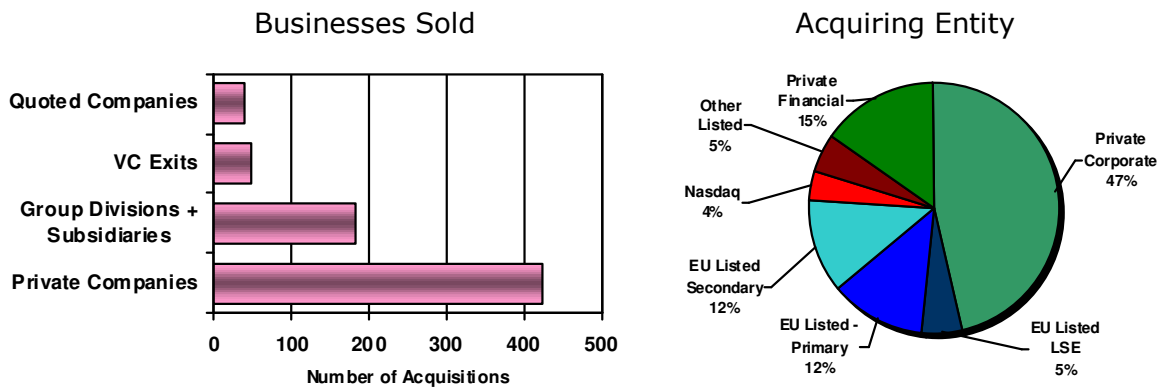


Source: Regent

The comparative chart above shows the gradual slowing of activity in the past nine months compared to the same period in 2007. The biggest declines have been in the Hardware and Equipment sectors. This is not particularly surprising as in any economic slowdown it is hardware and equipment purchases that are the easiest and first to be cut. Reductions in software purchases generally follow some two quarters later with reductions in IT services expenditure following sometime later depending upon the nature of the contracts in place. There has been growth in deal-flow in the Internet and eServices space where there is strong demand for companies with solid business models. Additionally, heavy consolidation continues to fuel high levels of transactions amongst product distribution and reseller businesses.

## OWNERSHIP STATUS

### Profile of Sellers and Buyers Q3 2008

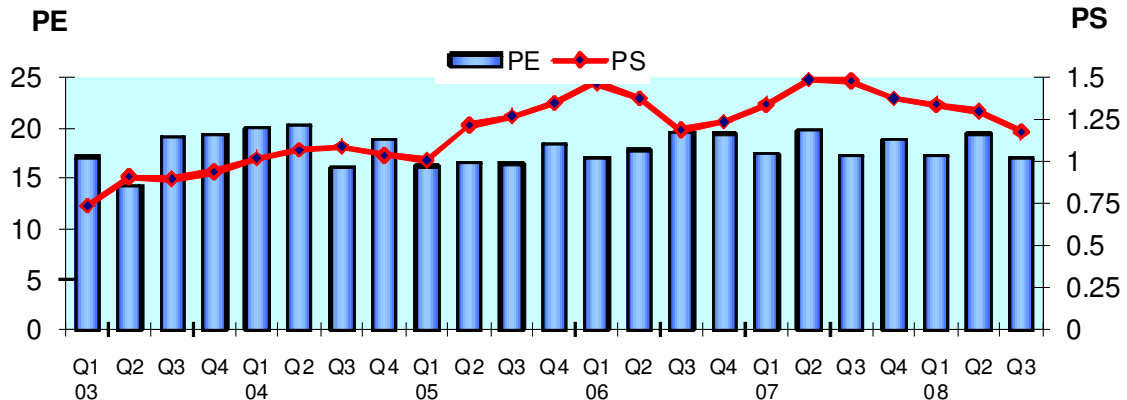


Source: Regent

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 15% of all acquisitions in Q3 2008 (up from 14% in Q2 2008) and supported many other deals through their portfolio companies. Recent comments in the press have highlighted the number of public companies that have either been acquired or are the subject of current bids. This is confirmed by the 38 such deals in Q3 2008. Divestments are holding steady at 26% of all deals – this will increase as recession starts to bite, thus presenting further opportunities for the private equity community.

## VALUATIONS

### Valuations of European Technology Companies



Source: Regent

With all of the turmoil in the Stock Market at present it is comforting to know that acquisition valuations have remained relatively stable for the past few years – at least in terms of the price to earnings (PE) ratio which ended the quarter on 17.14. It should be remembered however that the components of value are quite different between public markets and acquisitions. With acquisitions, the cash rich trade and private equity buyers are investing with a greater strategic focus for the longer term. That is clearly not the case with the public market investors at present. The price to sales (PS) ratio in acquisitions has displayed greater volatility ending the half on 1.18. *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 Partners International (formerly Regent Associates) 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 almost 500 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



To contact us - call +44 1753 800700 or go online to [www.regent.com](http://www.regent.com)  
 Peter Rowell ([prowell@regent.com](mailto:prowell@regent.com)), James Calvert ([jcalvert@regent.com](mailto:jcalvert@regent.com)), Mads Kunov ([mkunov@regent.com](mailto:mkunov@regent.com))