

May 2009 - Monthly Briefing

8th June 2009

Carphone Warehouse Takes Second Place in UK Broadband

One of May's biggest stories in UK telecoms proved to be the acquisition of broadband provider Tiscali by Carphone Warehouse. The struggling Italian firm had failed to reach a deal on its British assets in 2008, something it put down to difficult market conditions and increasing competition both in the UK and Italy. On May 8th, Carphone Warehouse stepped in with an acquisition deal worth £236 million, which will bring the firm's total number of subscribers to 4.25 million and make it the UK's second largest broadband provider after the BT Group.

Elsewhere in Europe, Vodafone's Greek arm Vodafone-Panafon Hellenic entered into exclusive negotiations to acquire a minority stake in the broadband provider Hellas Online (HOL). If agreed, Vodafone-Panafon will transfer its fixed-line DSL assets to HOL as part of the transaction in exchange for the minority stake. Vodafone-Panafon is still in discussions regarding the acquisition with Intracom Holdings SA and World Equities Investments SA.

Vodafone was also in the news in Australia after doubts were raised over its proposed 50-50 merger with Hutchison Telecommunications by the local competition authority that the merger might lead to increased prices for Australian mobile customers. However, the deal got the regulatory nod at the end of May bringing Vodafone and Hutchison closer to forming Australia's third-largest mobile operator.

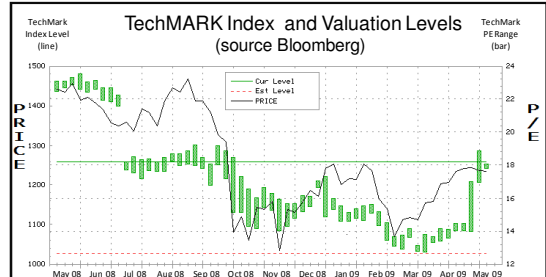
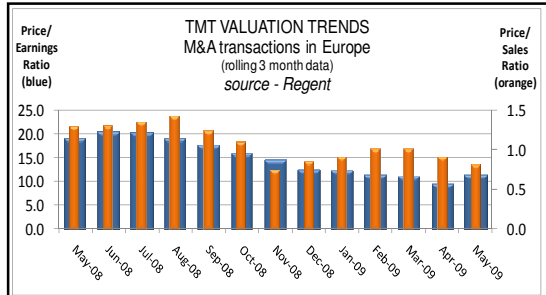
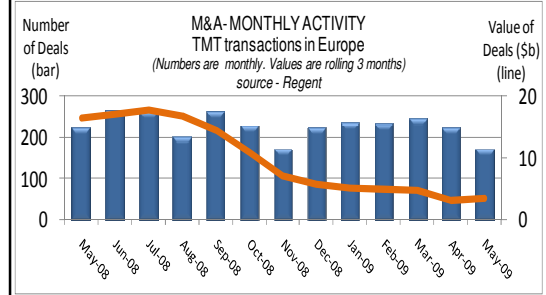
Also in May, the European Commission announced that it had given the all-clear to the acquisition of Fujitsu's hard disk drive (HDD) business by Toshiba Corporation in a deal valued at 30 billion yen (£207 million). The definitive agreement means that Toshiba will now handle the sales and marketing of all Fujitsu's HDD products, with the transfer to Toshiba of 800 Fujitsu employees in Japan and 7,000 worldwide. The transaction is scheduled to complete on July 1st.

In the software and IT services sector, Belfast-based software and services provider ICS Computing was acquired by UK share registration and employee services firm Equiniti. The purchase, agreed for an undisclosed sum, will allow Equiniti, to expand its operations through ICS's offices in Belfast and Chennai.

After acquiring Syan in January 2008, ACS, the Texas-based BPO and IT services business acquired the Anix operations from AIM-listed buy and build specialist Xploite for £31.5m at an EBIT multiple of 13.5. The move is seen as following much the same strategy as other BPO players such as Capita and Serco who have made similar acquisitions in the past to unlock further value from their customer base. The deal has generated an excellent return for Xploite having bought Anix in 2007 for £11.0m.

REGENT's view of the month

Despite lower acquisition activity in May, the month was dominated by the healthy rebound in the Price/Earnings ratios of acquisition transactions. This was mirrored on TechMARK and suggests that maybe the low points recorded in March and April are now behind us. Although there is still a lack of mega-deals in Europe, the median deal valuations reached their highest level since October 2008. The total deal value for May was \$3.7 billion



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