

February 2010 - Monthly Briefing

9th March 2010

Telecoms lead the way with the first big deal for over two years

Kuwait-based Mobile Telecommunications Company, KSC, which trades as Zain, has accepted a proposal received from Bharti Airtel Limited of India to enter into exclusive discussions regarding the sale of its Dutch-based business, Celtel, which owns the Zain African operations. The proposal does not include Zain's operations in Sudan or its investment in Morocco. Bharti's offer implies an enterprise value of approximately US\$10.7 billion with \$10 billion to be paid upon closing whereas the remaining \$700 million will be paid one year after the conclusion of the deal. Upon successful conclusion, this transaction would reflect an equity value of approximately \$9.0 billion for Celtel.

In the UK's telecoms market, the proposed merger of Orange with T-Mobile was cleared following a European Commission investigation, upon the condition of a network sharing agreement with certain competitors. The request by the Office of Fair Trading to have the case reviewed was withdrawn after both parties agreed to divest a quarter of the combined spectrum in the 1800MHz band.

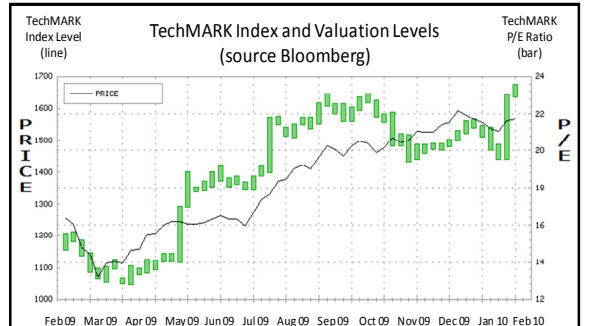
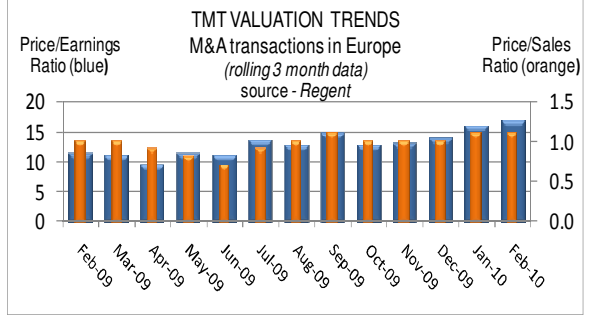
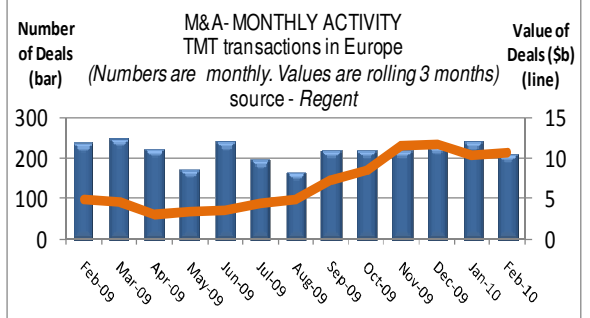
Computer giant IBM was active in February, buying Initiate Systems, a provider of data management solutions, and Intelliden, a supplier of intelligent network automation solutions, from Wilshire Credit Corporation. Speaking about the Intelliden deal, Arvind Krishna, general manager of information management at IBM, said that it will give the firm's government clients enhanced capabilities for gathering and using data. "With the addition of Initiate's software and its industry expertise, IBM will offer clients a comprehensive solution for delivering the information they need to improve the well-being of patients at a lower cost," he commented.

Also in the health sector, primary care software provider, Advanced Computer Software (ACS), acquired Redac Holdings, owner of COA Solutions, from Alchemy Partners for a total of £100 million, in a move designed to solidify its position, particularly in the public sector markets. COA has been a leading supplier of software solutions for over 25 years with more than 5,000 direct and indirect customers in healthcare, public/emergency services and the private sector. "There are substantial opportunities to cross-sell our current healthcare products into the COA markets while many of our existing healthcare clients could benefit from management tools in the COA product suite," said Vin Murria, CEO of ACS Group.

Google was again on the acquisition trail, announcing the takeover of advanced video compression firm On2 Technologies for \$124.6 million in a combination of cash and Google stock. This was added to the search giant's acquisition of mobile email search company, reMail, and photo editing software firm, Picnik, in the same month, as Google strives to bolster its position amid growing competition.

REGENT's view of the month

In January we complained that there were no big deals in the month. February promptly produced the first deal in Europe above \$10 billion since Q3 2007. The number of transactions decreased slightly in February, as usual, after hectic activity around the year end. Valuations continue to improve, particularly for high quality businesses. This is reflected in the five month trend which shows Price/Earnings ratios increasing at a greater rate than Price/Sales ratios.



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