

# Dealtracker

Providing business owners with M&A market insights

**1<sup>st</sup> Half-Year Edition 2011**



## Foreword

The 1<sup>st</sup> edition of the annual Dealtracker (2010) was a success and we are pleased to present the 2nd edition, covering deal activity in Sweden for the first half of 2011.

Towards the end of 2010, we saw a significant increase in the number of transactions, and data from the first half of 2011 indicates a continuation of this trend. In the first half of 2011, a total of 351 transactions were announced or completed. Of those, 314 were classified as Corporate M&A ("M&A") deals and 37 involving Private Equity firms ("PE"). Total transactions increased by 24.5%, from 282 in the first half of 2010. Activity by deal-makers has remained relatively stable for the last three years (Jan-June), with PE firms taking roughly 11-12% of the total deal volume. While this trend is promising, it is unclear how the current market unrest in both the US and the Eurozone will effect deal volume for the rest of 2011.

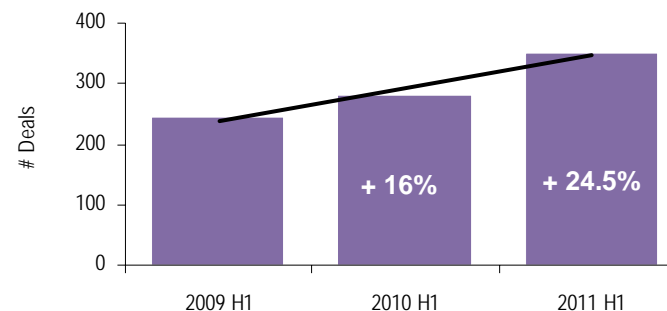
### Exhibit 1: Deals by sector

Half year	2009 H1	2010 H1	2011 H1
Industrials	71	86	109
Consumer Discretionary	48	64	78
Information Technology	42	47	69
Healthcare & Public Services	7	18	31
Materials	26	13	20
Consulting	-	-	14
Financials	20	11	14
Consumer Staples	6	8	8
Energy & Utilities	4	6	6
Telecommunication Services	6	5	2
Other	13	24	-
<b>Total</b>	<b>243</b>	<b>282</b>	<b>351</b>

*\*Consulting & Energy were included in "Other" 2010 and 2009. Consulting was part of Industrials 2009.*

*\*We have specifically studied transactions with change in control (>50 share).*

### Exhibit 2: Total Number of Deals



During the first half of 2010, we saw deals involving at least one foreign buyer amounting to approximately 24%, which has increased slightly to 26%, indicating that foreign buyers are maintaining their share of the increased transaction volume.

In terms of sectors, deals involving IT, Industrials and Consumer Discretionary accounted for 86% of the total increase of transactions as compared to 2010. Fewer deals were struck within telecommunication Services and Utilities. The distribution of deals by sector was comparable for both PE and M&A acquisitions during 2011 with the exception of Healthcare and Financials. Healthcare was overrepresented by corporate M&A, due to that PE has been consolidating the market through buy-and-build strategy, while PE deals led the financial sector.

**"We have witnessed a strong recovery in the transaction market during H1 2011 an increase with more than +100 deals compared to H1 2009."**

**Robert Nordahl,**  
Partner and Head of  
Transaction Advisory Services



## 2011: Continuing the recovery

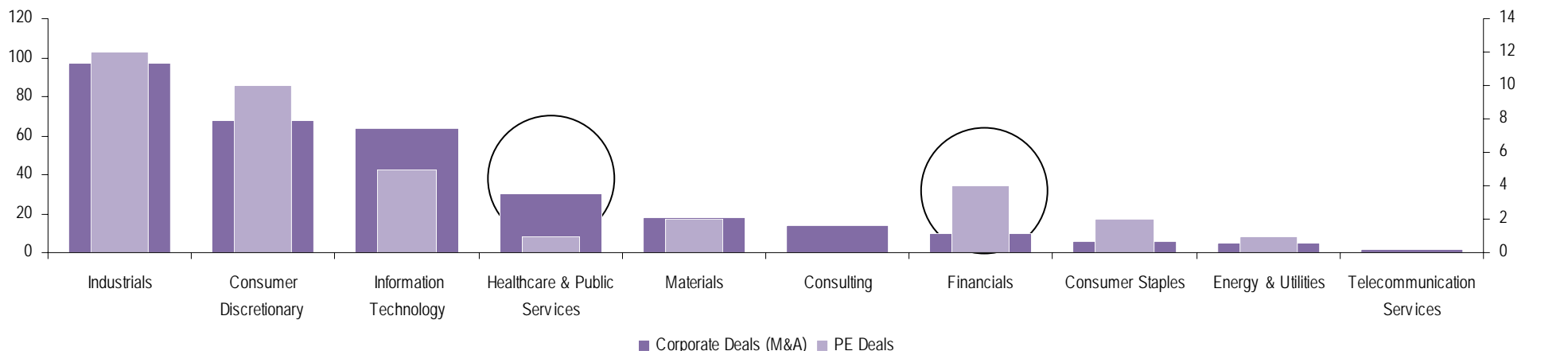
During the last three years, corporate M&A activity has represented almost 90% of the total deal volume and has remained relatively stable during the period. While PE firms saw an increase in deal volume over 2010 (Jan-June) of 3 transactions, Corporate M&A's increased by 66.

The quarterly development of the deal activity among PE firms was consistent with a normal trend of increasing activity in Q2 before the summer months (20 versus 17 transactions). The same could not be said regarding corporate M&A Deals where the number of transactions increased by 8% as compared to Q1 2011.

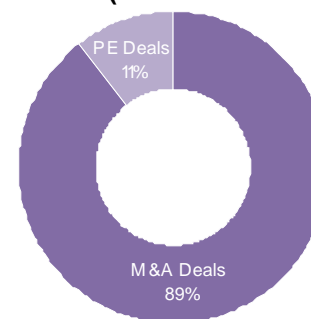
The two most notable deviations in terms of deal makers by sector include Healthcare and Financials. After being overrepresented by PE deals in 2010, M&A deals dominated the healthcare sector, possibly as a result of buy and build acquisitions. PE deals continued to dominate the Financial sector, in line with 2010.

### Exhibit 5: Dealmakers by sector (351 transactions)

Number of M&A Deals



### Exhibit 3: Dealmakers (351 transactions)\*



\*Please note that PE transactions only include direct investments from a PE fund and does not include bolt-on transactions

### Exhibit 4: Yearly Dealmakers\*

Half Year	PE Deals	M&A Deals
2009 H1	11.5%	88.5%
2010 H1	12.1%	87.9%
2011 H1	10.5%	89.5%

## 2011: A Snapshot

**Exhibit 6: Number of Transactions by Sector (274 transactions)**

Target Sector	Deal Volume	Avg. Target Rev. (MSEK)	Avg. Target EBITDA (MSEK)	Avg. Target Employees
Industrials	92	333	37	172
Information Technology	54	117	2	68
Consumer Discretionary	53	490	42	214
Healthcare/Education	26	380	35	236
Materials	17	134	8	55
Consulting	10	65	0	53
Financials	10	84	27	23
Consumer Staples	7	448	10	43
Energy & Utilities	4	722	206	274
Telecommunication Services	1	64	(17)	41
<b>Total</b>	<b>274</b>	<b>302</b>	<b>29</b>	<b>146</b>

**Exhibit 7: Summary of Deals (274 transactions)**

Target Sector	Deal Volume	Avg. Target Rev. (MSEK)	Avg. Target EBITDA (MSEK)	Avg. Target Employees
M&A Deals	242	235	17	112
PE Deals	32	808	129	425
<b>Total</b>	<b>274</b>	<b>302</b>	<b>30</b>	<b>149</b>

The small and mid-size market was very active in H1 2011. Of the transactions with available financial data, targets with revenue of less than 500 MSEK represented 90% of total transaction volume, a share which is comparable to the same period in 2010. However, the share of targets with revenue exceeding 1 billion SEK has increased from 4.8% in 2010 to 6.2% in H1 2011.

While M&A deals far out pace the number of PE deals, targets of PE deals were significantly larger than targets of M&A deals, when measured by average revenue, EBITDA and number of employees.

**Exhibit 8: Number of Deals per revenue ranges (274 transactions)**

Ranges	# Deals	% of Total
Greater than SEK 1 billion	17	6.2%
500-1 000 MSEK	11	4.0%
100-500 MSEK	66	24.1%
Less than 100 MSEK	180	65.7%
<b>Total</b>	<b>274</b>	

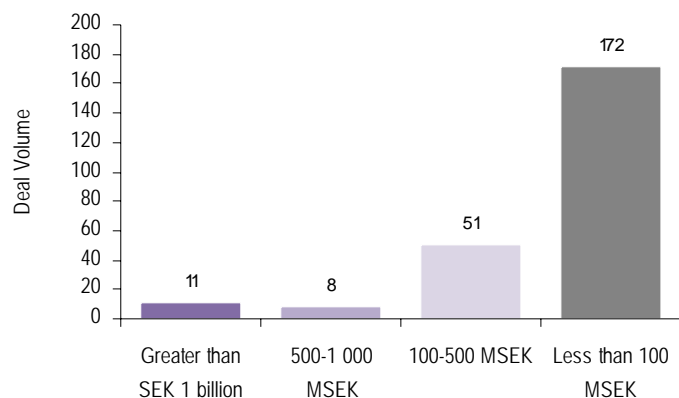
**Exhibit 9: Most active buyers**

Buyer (Investor)	# Deals
Altor Equity Partners	3
YIT Sverige AB	3
EQT Partners AB	2
Arla Foods AB	2
Accent Equity Partners AB	2
CDON Group AB	2
Segulah Advisor AB	2
Turebergs Åkeri AB	2
Humana AB	2
Per Aarsleff A/S	2
Höganäs Bjurf AB	2
Cramo AB	2
Indutrade	2
AllTele Allmänna Svenska Telefonaktiebolaget	2
Savills Sweden AB	2
Sweco AB	2

\*Includes only acquirers with an average deal value over 30 MSEK.

## M&A Focus

**Exhibit 10: Distribution of M&A deals per revenue ranges**



**Exhibit 11: Top M&A Deals (by deal value)**

Buyer (Investor)	Target	Target Sector	Status	Deal Value (MSEK)	Acquired (%)
Thermo Fisher Scientific Inc.	Phadia AB	Healthcare	Announced	22 043	N/A
DENTSPLY International Inc.	Astra Tech AB	Healthcare	Announced	11 419	100
Stanley Black & Decker Inc.	Niscayah Group AB	Industrials	Announced	7 580	100
Sulzer Ltd.	Cardo Flow Solutions Sweden AB	Industrials	Announced	5 917	100
Thai Rayon Public Co. Ltd.; PT Indo-Bharat Rayon	Domsjö Fabriker AB	Energy	Closed	2 299	100

**Exhibit 12: Top M&A Deals (by target revenue)**

Buyer (Investor)	Target	Target Sector	Status	Target Rev. (MSEK)	Acquired (%)
Martin Olsson HAB	Servera R&S AB	Consumer Discretionary	Closed	7 732	100
Stanley Black & Decker Inc.	Niscayah Group AB	Industrials	Announced	6 624	100
Thermo Fisher Scientific Inc.	Phadia AB	Healthcare	Announced	3 500	N/A
DENTSPLY International Inc.	Astra Tech AB	Healthcare	Announced	3 394	100
Sulzer Ltd.	Cardo Flow Solutions Sweden AB	Industrials	Announced	3 186	100

Continuing the trend towards the end of 2010, we witnessed a large number of deals on the market during the first half of 2011 with an increased interest in corporate deals. International buyers continue their interest in Swedish targets, using acquisitions as an expansion strategy.

We have also witnessed increases in the number of auction processes as well as increased prices often resulting in two digit multiples being paid for targets. In general, this indicates limited concerns over the risks in the EU economy as a whole despite difficulties in PIIG countries.

We are cautiously optimistic that the transaction volume to continue its upward trend with growth in IT/service sector volume to outpace. Negative developments in the US and PIIG economies could however effect EU-wide activity towards the end of 2011.

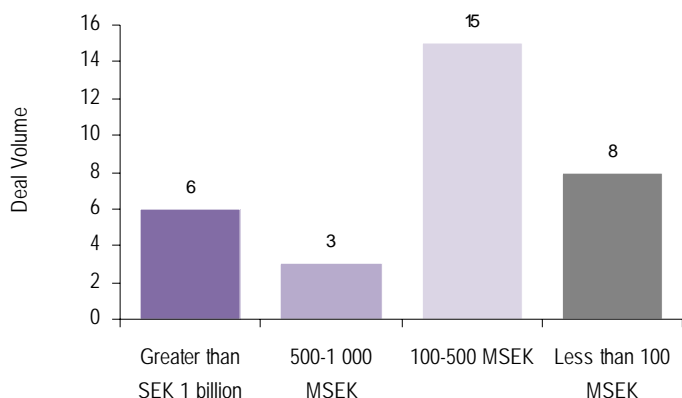
**"We believe the general upward trend will continue, at least in the short term, and that the next sector in focus will be IT/software."**

**Isac Stenberg,**  
Partner and Head of M&A



## Private Equity Focus

**Exhibit 13: Distribution of PE deals per revenue ranges**



Private equity activity has increased in line with the increased M&A activity with increasing numbers in terms of acquired revenue and the number of large transactions but a stable share of the total number of transactions.

In the first half of 2011, PE firms acquired SEK 25.8 billion in revenue through acquisitions (add-on investments not included), which represents over 70% of acquired revenue in the full year 2010. The first half of 2011 alone includes 6 transactions with target revenue exceeding SEK 1 billion (8 in the full year 2010).

The largest acquisition by far with a deal value of SEK 22 billion was the acquisition of the security and alarm company Securitas Direct by a private equity consortium led by Bain Capital and Friedman. The seller, EQT, took the company private in 2008. The deal as such is interesting since a private equity firm managed to outstrip strategic buyers.

**Exhibit 14: Top PE Deals (by deal value)**

Buyer (Investor)	Target	Target Sector	Status	Deal Value (MSEK)	Acquired (%)
Bain Capital LLC; Hellman & Friedman LLC	Securitas Direct AB	Industrials	Announced	21 900	100
EQT Partners AB	Dometic Group	Consumer Discretionary	Closed	12 400	100
Investment AB Latour	Säk I AB	Financials	Closed	3 822	100
Altor Equity Partners	Älö Intressecenter AB	Industrials	Announced	2 200	100
EQT Partners AB	Coromatic Group AB	Information Technology	Announced	356	100

**Exhibit 15: Top PE Deals (by target revenue)**

Buyer (Investor)	Target	Target Sector	Status	Target Rev. (MSEK)	Acquired (%)
EQT Partners AB	Dometic Group	Consumer Discretionary	Closed	8 000	100
Bain Capital LLC; Hellman & Friedman LLC	Securitas Direct AB	Industrials	Announced	5 510	100
Altor Equity Partners	E.ON ES	Industrials	Announced	2 700	91
Altor Equity Partners	Älö Intressecenter AB	Industrials	Announced	1 609	100
Triton	AB Gustaf Kähr	Industrials	Closed	1 330	N/A

The second largest transaction, EQT's acquisition of Dometic Group from a consortium of lenders and the board and employees of Dometic Group, is an example of banks selling companies taken over during the financial crisis indicating improved market conditions.

Despite the positive start of the year prospects for the second half of 2011 are uncertain due to the volatility in US markets and the Eurozone crisis with soaring interest rates on sovereign debt in both Italy and Spain. How the banks will react to leveraged buy-outs will effect the transaction market for PE firms going forward.

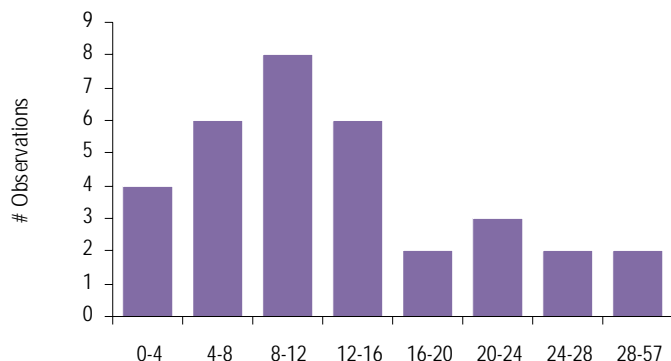
**"While stable in terms of volume, PE showed a trend towards larger transactions during the first half of 2011"**

**Mats Fagerlund**  
Partner – Transaction  
Advisory Services



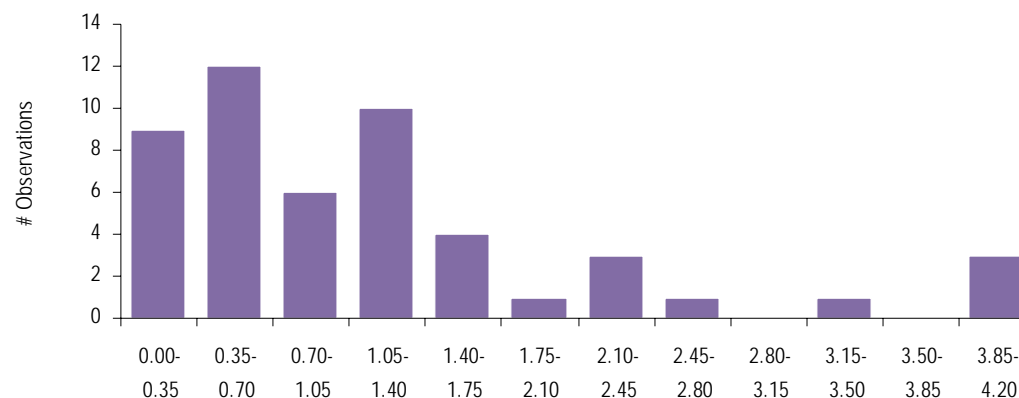
## 2011: Development of Pricing Multiples

Exhibit 16: EV/EBITDA



\*Transactions with negative EBITDA and outliers have been excluded from the analysis.

Exhibit 17: EV/Sales



Of the 274 transactions with available financial data, 33 could be analyzed on an EV/EBITDA basis and 50 could be analyzed on an EV/Sales basis. The largest single group of observations in terms of EV/EBITDA and EV/Sales falls into the range 8-12x and 0.35-0.70x respectively.

Our study shows that the average EV/EBITDA multiple\* paid reached a peak in 2011 Q1 with a multiple of 14.88, before declining slightly in 2011 Q2 to 12.61. The overall development shows an increasing trend from 2010 Q1, where the EV/EBITDA multiple was observed at 6.39. The low multiple in 2010 Q1 was probably mainly driven by the financial crunch. As deal volume by sector has been relatively stable, the trend indicates an easing of the apprehension over future target earnings in the wake of the financial crisis. No similar trend is indicated by the EV/Sales multiple development apart from lows seen in 2010 Q1 when uncertainty surrounding the global financial crisis prevailed.

180 transactions involved domestic acquirers and 72 involved foreign acquirers, while 22 could not be classified based on available information. Although foreign acquirers were outnumbered by more than 2 to 1, they managed to acquire a total deal value of SEK 74.2 billion, three times the amount of the domestic counterparts. The US firms represented a total acquired deal value of SEK 64.3 billion in only 19 transactions.

**"Trends in EV/EBITDA multiples indicate an easing in the apprehension over future target earnings."**

**Brad Albright, CFA, CPA**  
Manager – Valuation Services



\*Calculated as a mean value of the observed multiples. Outliers have been excluded.

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## Methodology

Factual information in the following report is derived from public sources, as well as other sources which we have judged to be trustworthy. Grant Thornton Sweden AB does not guarantee the correctness of such information nor its completeness. Despite that all reasonable actions has been observed to ensure that the information in this report is not false or misleading Grant Thornton Sweden AB does not accept any liability for damage incurred as a result of faults or deficiencies in the report, nor for any direct or indirect loss which has been caused by the use of material from this report. Conclusions and judgments reflect our assessments at the time of the report's completion.

This publication covers announced or closed transactions in the first half of 2011 where (i) the target company is located in Sweden, (ii) the acquirer gains control of the target company (>50% share) and (iii) recent target company financial data is available for a period of 12 months prior to the announcement date. Certain industries such as real estate, and mineral exploration have been excluded.

Number of transactions that were identified in total was 545 and 194 transactions were discarded due to the above criteria. Furthermore, financial information was found for 274 target companies.

The data in this report was compiled from several sources including, Standard & Poor's Capital IQ and Bisnode's Infotorg databases as well as other publicly available documents and press releases.

Our calculations are based on the assumptions that the information derived from the different sources, see above, are correct and that no vital information is missing.

PE transactions involving add-on acquisitions to existing portfolio companies have been classified as M&A transactions. Accordingly, PE driven deals may make up a larger portion of this year's activity.

Transactions classified as belonging to the industry classification "Other" have been classified as such based on a lack of target description.

In some cases were the industry classification regarding the target company was seen as incorrect, a re-classification was made.

Deal value was determined to the total net transaction value (i.e. Total Consideration to Shareholders plus Total Other Considerations, Net Assumed Liabilities and Adjustment Size), while enterprise value or EV was determined to the Total Consideration to Shareholders divided by Percent Sought plus Total Other Considerations, Adjustment size, and Net Assumed Liabilities obtained from the relevant databases.

Revenue, EBITDA and number of employees for the target companies have been obtained from Bisnode's Infotorg database.