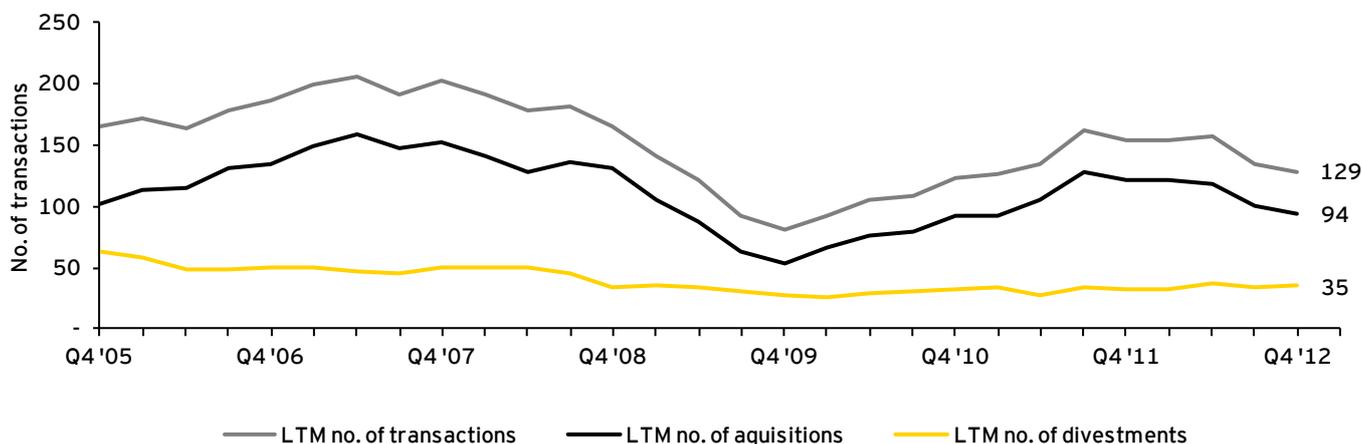


# Corporate Transaction Trends

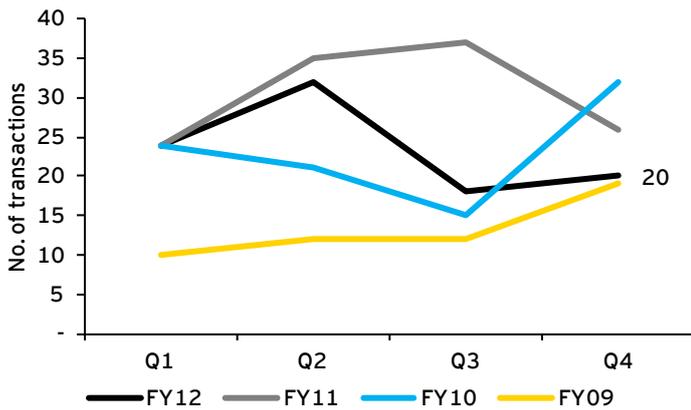
## Moderate year for transactions but outlook improving

- ▶ Corporate Transaction Trends, a quarterly publication that aims to identify trends in the level and direction of transactions completed by Sweden's largest companies, reports a significant decline in transaction activity during the second half of 2012.
- ▶ Overall, large Swedish companies completed 129 transactions in 2012. This represents a 17% decrease compared to 2011 (155 transactions) and is only slightly ahead of the number of deals in 2010 (124). Nevertheless, the number of completed deals in 2012 was still 59% above the record low level in 2009.
- ▶ Acquisitions decreased by 23% in 2012 (94) compared to the previous year almost entirely driven by a decrease in the number of medium-size deals.
- ▶ Completed divestments in 2012 increased 6% year on year to 35 deals, and the number of divestments has been fairly stable since 2008.
- ▶ Robust acquisition activity in the first half of 2012 was followed by a 40% year on year decrease in the number of completed acquisitions in the second half. The number of acquisitions completed in Q4 2012 (20) was 11% higher than in the previous quarter but is only slightly above the fourth quarter low in 2009.
- ▶ The full year outturn in 2012 is, however, ahead of our forecast for 120 deals made one year ago. Looking forward, in our view, 2013 will also see relatively robust transaction activity at the same level as in 2012 or better. On the upside, if the global economic outlook continues to improve, we could see 150 completed deals in 2013.
- ▶ The number of completed divestments in recent years has been around 40% below the levels in 2004-2007. Ernst & Young's latest *Global Corporate Divestment Survey* found that respondents would increase divestment activity if economic growth improves.

### Rolling last twelve months (LTM) transactions

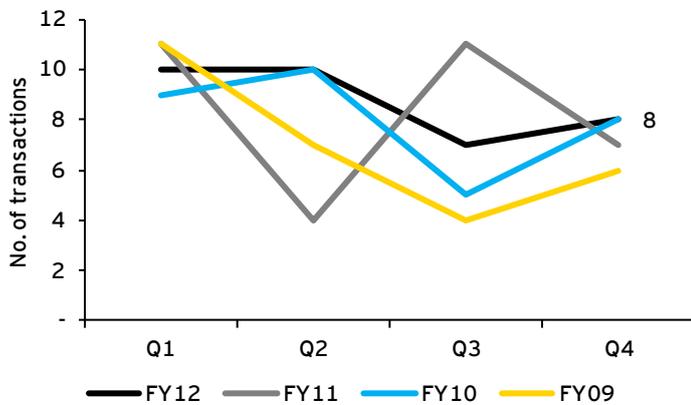


### Year on year quarterly acquisitions



- ▶ As in 2011, ABB completed the largest transaction in 2012 with the acquisition Thomas & Betts. However, SCA led the way completing four significant strategic transactions during 2012. Notable strategic divestments were made by Kinnevik, Ericsson and Volvo. Additionally, Ahsell and Bravida both gained new private equity owners during 2012.
- ▶ During 2012, the Nordic region and Western Europe again accounted for more than 60% of completed acquisitions while the share of US acquisitions increased by six percentage points to 19%. Divestments in the Nordic region were stable at 54% of total divestments. However, the share of divestments in Western Europe increased by 13 percentage points year on year to 31%. Given the low growth environment in Europe, there were still very few completed transactions in Asia during 2012 and none in Q4 2012.
- ▶ Overall, the most active industry sectors in 2012 were Manufacturing & construction and TMT representing 40% and 18% of total completed transactions, respectively.

### Year on year quarterly divestments



### Q4 2012 – largest transactions (ranked by Enterprise Value)

Date	Target	Seller	Buyer	Enterprise Value (100%)	Target Turnover
				M€	M€
<b>Acquisitions</b>					
2012/11	Epsilon	Danir	ÅF	303	243
2012/11	Kinetic Concepts (TSS unit)	Kinetic Concepts	Getinge	215	192
2012/12	Alem Communications (WiMax Operations)	Alem Communications Holding	TeliaSonera	138	n.a
<b>Divestments</b>					
2012/11	Korsnäs	Kinnevik	Billerud	1,268	929

Sources: Press releases and latest available financial reports.

## 2012 - largest transactions (ranked by Enterprise Value)

Date	Target	Seller	Buyer	Enterprise Value ( 100%)	Target Turnover
				M€	M€
<b>Acquisitions</b>					
2012/05	Thomas & Betts	Public offer	<b>ABB</b>	2,868	1,773
2012/02	GSM Kazakhstan (49%)	JSC Kazakhtelecom	<b>TeliaSonera</b>	2,376	n.a
2012/07	Georgia-Pacific European tissue business	Georgia-Pacific	<b>SCA</b>	1,320	1,250
2012/06	Ardea Biosciences		<b>AstraZeneca</b>	892	6
2012/01	Telcordia Technologies	Warburg Pincus, Providence Equity Partners	<b>Ericsson</b>	869	1,318
2012/11	Epsilon	Danir	<b>ÅF</b>	303	243
2012/06	Everbeauty		<b>SCA</b>	216	184
2012/11	Kinetic Concepts (TSS unit)	Kinetic Concepts	<b>Getinge</b>	215	192
2012/12	Alem Communications (WiMax Operations)	Alem Communications Holding	<b>TeliaSonera</b>	138	n.a
2012/02	Newave Energy Holding	Public offer	<b>ABB</b>	127	68
2012/09	Cablevision Paraguay	Cablevision	<b>Millicom</b>	122	39
2012/08	General Bearing Corp		<b>SKF</b>	95	118
<b>Divestments</b>					
2012/05	<b>Ahlsell</b>	Cinven, GS Capital Partners	CVC Capital Partners	1,800	2,300
2012/06	SCA (packaging division)	<b>SCA</b>	DS Smith	1,582	2,500
2012/01	Vattenfall's Finnish electricity distribution business	<b>Vattenfall</b>	LNI Consortium	1,540	n.a
2012/11	Korsnäs	<b>Kinnevik</b>	Billerud	1,268	929
2012/02	Sony Ericsson Mobile Communications Management (50%)	<b>Ericsson</b>	Sony Corporation	1,050	6,293
2012/01	SCA Hygiene Australia (50%)	<b>SCA</b>	Pacific Equity Partners	1,046	401
2012/09	Volvo Aero	<b>Volvo</b>	GKN	800	729
2012/07	<b>Bravida</b>	Triton Partners	Bain Capital	669	1,200
2012/07	Anticimex	<b>Ratos</b>	EQT Partners	327	216

Sources: Press releases and latest available financial reports.

## 2012 and 2011 - by size

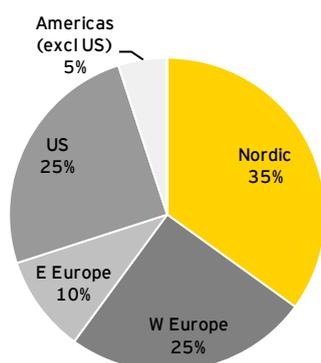
Acquisitions						
Target Turnover	Q1'12	Q2'12	Q3'12	Q4'12	2012	2011
under M€ 20	9	16	8	10	43	44
M€ 20 - 100	9	9	7	7	32	58
over M€ 100	6	7	3	3	19	20
<b>Total</b>	<b>24</b>	<b>32</b>	<b>18</b>	<b>20</b>	<b>94</b>	<b>122</b>

Divestments						
Target Turnover	Q1'12	Q2'12	Q3'12	Q4'12	2012	2011
under M€ 20	2	5	0	2	9	12
M€ 20 - 100	3	3	3	4	13	8
over M€ 100	5	2	4	2	13	13
<b>Total</b>	<b>10</b>	<b>10</b>	<b>7</b>	<b>8</b>	<b>35</b>	<b>33</b>

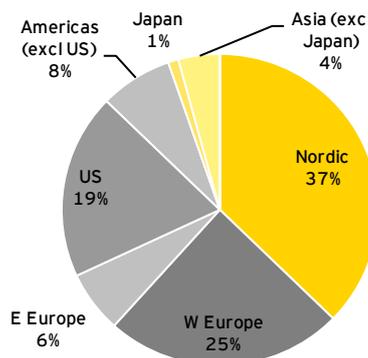
## Q4 2012 and 2012– by industry sector and size

Industry sector	Target Turnover		Q4'12		2012	
	Band		Acquisitions	Divestments	Acquisitions	Divestments
Basic industries	under M€ 20		1	-	1	-
	M€ 20 - 100		-	-	2	1
	over M€100		-	1	4	6
Manufacturing and construction	under M€ 20		5	1	20	4
	M€ 20 - 100		3	1	14	5
	over M€100		1	-	6	2
Retail and consumer goods	under M€ 20		-	-	2	1
	M€ 20 - 100		-	-	1	1
	over M€100		-	-	3	1
Finance and real estate	under M€ 20		1	1	1	2
	M€ 20 - 100		-	-	5	1
	over M€100		-	1	-	2
Healthcare	under M€ 20		-	-	3	-
	M€ 20 - 100		1	-	2	1
	over M€100		1	-	1	1
TMT	under M€ 20		1	-	9	2
	M€ 20 - 100		2	2	5	3
	over M€100		-	-	3	1
Services	under M€ 20		2	-	7	-
	M€ 20 - 100		1	1	3	1
	over M€100		1	-	2	-
<b>Total</b>	<b>under M€ 20</b>		<b>10</b>	<b>2</b>	<b>43</b>	<b>9</b>
	<b>M€ 20 - 100</b>		<b>7</b>	<b>4</b>	<b>32</b>	<b>13</b>
	<b>over M€100</b>		<b>3</b>	<b>2</b>	<b>19</b>	<b>13</b>
<b>Total</b>			<b>20</b>	<b>8</b>	<b>94</b>	<b>35</b>

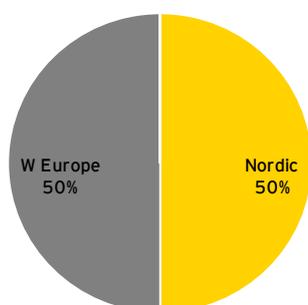
## Q4 2012 – by geographic region Acquisitions



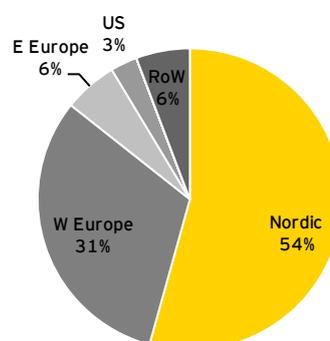
## 2012 – by geographic region Acquisitions



## Divestments



## Divestments



## Hot Topic – Corporate divestments



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- ▶ Ernst & Young's 2012 *Global Corporate Divestment Survey*, based on feedback from 600 senior corporate executives and interviews with clients, investment banks and law firms, reveals that the rationale for a divestment is often focused on short-term financial motives rather than the longer term strategic benefit of the business.
- ▶ 60% of respondents say the main factor that determines whether a business stays within a company portfolio are short-term financial measures. For example, whether an asset dilutes or enhances earnings per share or its return on capital employed compared to a benchmark.
- ▶ Divestments are seen as a short-term tool to raise cash or pay down debt. However, many companies have prioritised operational improvements and cutting costs in recent years. There is evidence that companies may be missing out by delaying divestments, and more than half of respondents say they would increase divestment activities if economic growth improves.
- ▶ When asked about their most recent divestment, only a fifth of companies overall exceeded their expectations, and 73% of sellers leave money on the buyer's table.
- ▶ However, more than half of those selling assets are not presenting their divestment as attractively as they could. Essential steps such as validating the market/product/growth story with independent review (50% of respondents), tailoring an M&A plan for potential investors (45%) and providing their own view of synergy opportunities to buyers (43%) are being carried out by a minority of companies that divest.
- ▶ Sellers are also not always considering the full range of potential buyers for their asset. Only a third of sellers consider overseas buyers in the same sector while just a fifth look to domestic buyers in a different sector. An overseas buyer in a different sector is considered to be the most likely buyer by only 13% of respondents while even fewer consider private equity a likely buyer.
- ▶ However, some companies are taking a more structured approach to portfolio management. They view a divestment as important as an acquisition in meeting strategic objectives and creating value for stakeholders. Such respondents were more likely to have achieved strategic goals: 55% divested on time and exceeded price expectations. They widened the net, stood in the buyer's shoes and had robust processes in place.

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Transactions covered in this publication are transactions completed by large Swedish companies, defined to mean (i) companies which are listed on the Stockholm Stock Exchange and have a market capitalization over MSEK 5,000; and (ii) other Swedish companies with a turnover of more than MSEK 10,000. Swedish companies that are controlled by foreign groups have been excluded, unless they are headquartered in Sweden. Only transactions completed or declared unconditional in the period with an estimated deal value over approximately 50 MSEK and which have resulted in a change of control or significant change of influence have been included. If large Swedish companies are present on both sides of the same transaction, the transaction is recorded as an acquisition. Public takeovers by third parties and demergers are recorded as divestments.

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