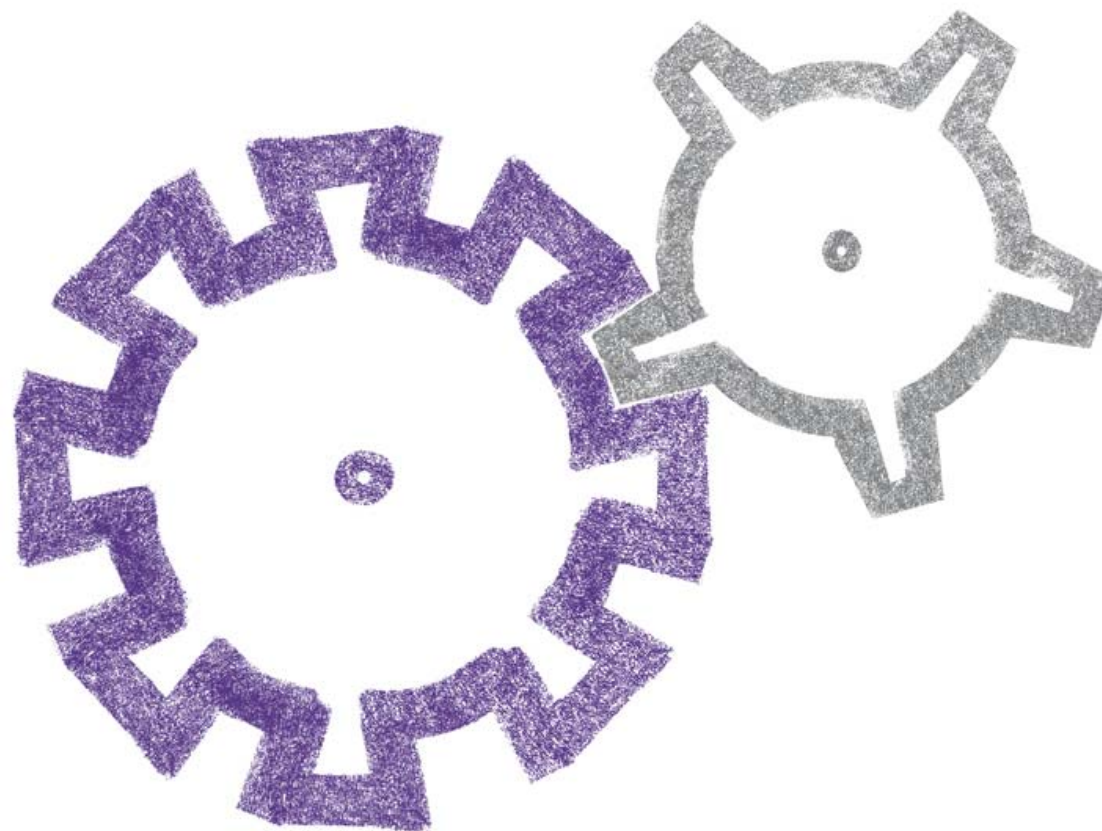




# Dealtracker

Providing business owners with **M&A** market insights

**1<sup>st</sup>** Annual Edition 2010



## Foreword

It gives us great pleasure in welcoming you to the 1<sup>st</sup> edition of the annual Dealtracker, our yearly analysis of the Swedish corporate M&A and Private Equity ("PE") market activity for 2010<sup>1</sup>.

In 2010, a total of 568 transactions were announced or completed. Of those, 508 were classified as Corporate M&A ("M&A") deals and 60 involving PE firms. It has been a rebound year for transaction activity in Sweden after the relatively weak levels seen in 2009. Total transactions increased almost 20% from 478 in 2009 to 568 in 2010. Activity by deal-makers was relatively stable, with PE companies taking 11 and 12% of the deal volume in 2009 and 2010 respectively.

In terms of sectors, deals involving industrial, consumer discretionary and IT targets led the way, accounting for over two thirds of the activity, measured by number of deals. The distribution of deals by sector was comparable for both PE and M&A acquisitions during 2010 with the exception of Healthcare & Public services, which were overrepresented in PE investments relative to corporates.

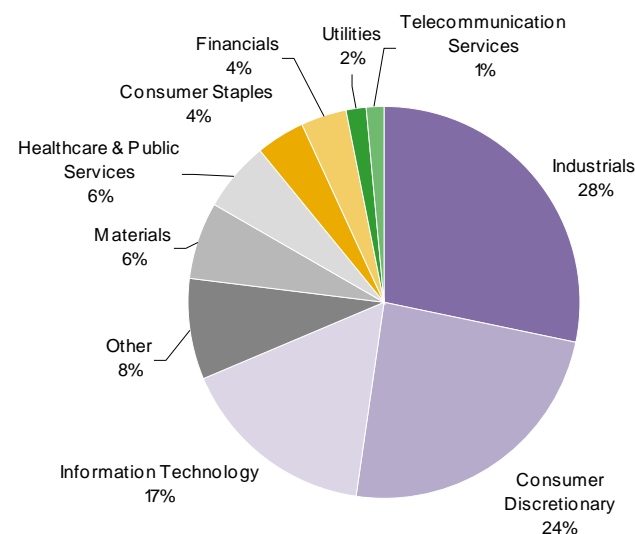
A common theme between both M&A and PE activity is that the transaction market for small and medium sized entities dominated in 2010 with over 500-plus deals. We feel this is both descriptive of the overall corporate landscape in Sweden, with the demographics skewed towards small and mid-market companies, as well as the ongoing generation shift, whereby family owned companies are turning to the transaction market as a part of their succession planning.

We have also noticed trends in pricing statistics with PE and international investors offering higher pricing multiples on both Revenue and EBITDA for their investments.

Just as 2010 saw a significant increase in the number of transactions, we expect the trend to continue in 2011 with the increasingly positive outlook for the Swedish economy fuelling more international acquisitions in the Swedish market. We look forward to continuing our Dealtracking activity in what we expect will be an exciting year.

*Note: (1) We have specifically studied transactions with change in control (>50 share).*

**Exhibit 1: Deals by sector (568 transactions)**



**“The transaction market for small and medium sized entities dominated 2010 with over 500-plus deals.”**

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



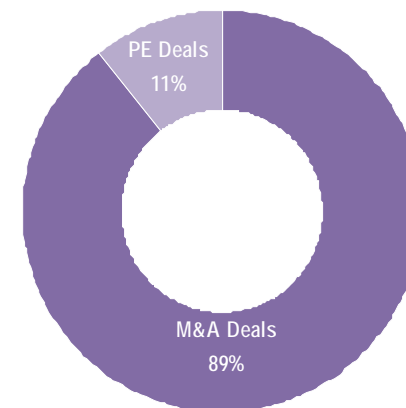
## 2010: The Year of the Corporates

With M&A activity representing almost 90% of the total deal volume, 2010 can be classified as the Year of the Corporates. While PE saw an increase in deal volume over 2009 of 4 transactions, Corporate M&A's increased by 86. As many predicted, the excess cash many companies held on their balance sheets during the financial crunch started to flow into the market through acquisitions in 2010.

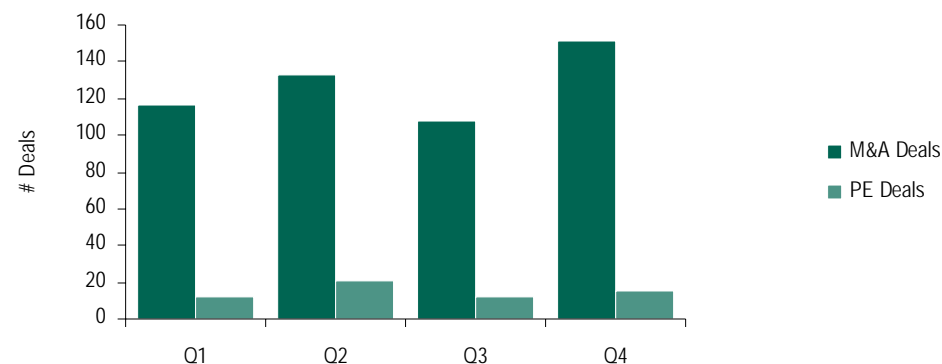
The quarterly development of the deal activity was consistent with a normal trend of increasing activity in Q2 before the summer months and Q4 prior to year end.

On the M&A side, we noticed a slight trend of increased activity over the year with 259 transactions conducted in the second half of the year compared with 249 for the first half. On the other hand, we see the opposite trend for PE firms with slightly fewer deals conducted in the second half of the year.

**Exhibit 2: Dealmakers (568 transactions)**



**Exhibit 3: Deals by quarter (568 transactions)**



## 2010: A Snapshot

**Exhibit 4: Number of Transactions by Sector (374 transactions)**

Target Sector	Deal Volume	Avg. Target Rev. (MSEK)	Avg. Target EBITDA (MSEK)	Avg. Target Employees
Industrials	118	297	18	186
Consumer Discretionary	71	287	84	124
Information Technology	71	100	8	61
Healthcare & Public services	37	307	45	354
Other	22	56	5	16
Materials	21	573	(5)	203
Financials	16	259	36	80
Consumer Staples	11	1 187	19	104
Utilities	4	173	12	12
Telecommunication Services	3	94	(5)	36
<b>Total</b>	<b>374</b>	<b>282</b>	<b>30</b>	<b>149</b>

**Exhibit 5: Summary of Deals (374 transactions)**

Type of Deal	Deal Volume	Total Target Rev. (MSEK)	Avg. Target Rev. (MSEK)	Total Target EBITDA (MSEK)	Avg. Target EBITDA (MSEK)
M&A Deals	320	68 734	215	8 664	28
PE Deals	54	36 586	678	2 198	46
<b>Total</b>	<b>374</b>	<b>105 320</b>	<b>282</b>	<b>10 862</b>	<b>30</b>

Of the transactions with available financial data, targets with revenue of less than 500 MSEK accounted for 89,8% of the total transaction volume in 2010. Transactions involving targets with revenue exceeding 1 billion SEK amounted to only 4,8% of the total deal volume. Although financing options for larger deals were difficult to come by, the small and mid-size market was very active, exceeding 350 transactions.

When divided by acquirer, M&A deals represented 85,6% of the total volume by number of transactions, but only 65,3% by total revenue acquired. While the volume of corporate deals by far out paced private equity deals, when measured by both average target revenue and EBITDA, private equity deals were larger on average than corporate acquisitions, which we view as a normal relationship.

**Exhibit 6: Number of Deals per revenue ranges (374 transactions)**

Revenue range	# Deals	% of Total
Greater than SEK 1 billion	18	4,8%
500-1 000 MSEK	20	5,3%
100-500 MSEK	86	23,0%
Less than 100 MSEK	250	66,8%
<b>Total</b>	<b>374</b>	

**Exhibit 7: Most active buyers\***

Buyer (Investor)	# Deals
Ratos AB	3
Litorina Kapital	3
Segulah Advisor AB	3

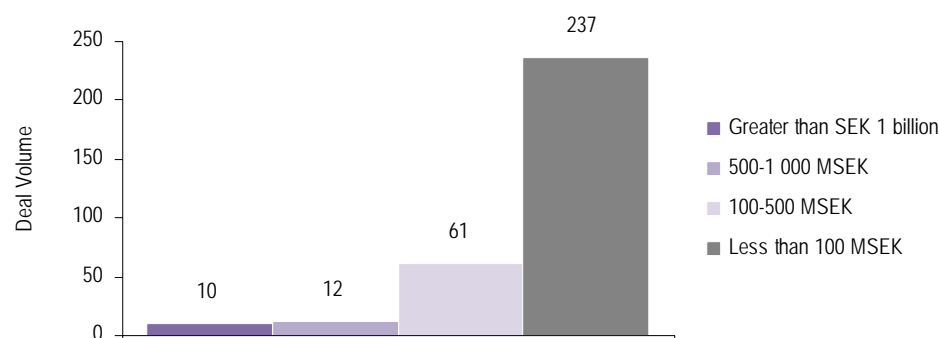
\*Includes only acquirers with an average deal value over 30 MSEK.

We believe that this higher deal value by PE firms was driven by a combination PE firms ability to gain financing through their established banking relationships as well as an increased relative appetite for risk compared to their corporate counterparts.

Private equity investments were also likely focused on growth potential with the average target EBTIDA margin amounting to 6,8% compared to 12,9% for corporate deals.

## M&A Focus

**Exhibit 8: Distribution of M&A deals**



Deals in the Industrials sector dominated corporate acquisition activity in 2010 in terms of number of acquisitions and total target revenue. The two top deals by corporate acquirers accounted for 58% of the total deal value of the 66 transactions for which pricing information was available.

However, deals involving targets with revenue under 100 MSEK dominated the market, accounting for almost three quarters of the total deal activity.

As a complement to a larger interest of trade-sales we have also noted a larger interest from actors outside Sweden. Via our Grant Thornton International M&A network we have been contacted several times the recent months regarding both disposals and buy-mandates mainly from the US, Canada, the UK and India.

**Exhibit 9: Top M&A Deals (by deal value)**

Buyer	Target	Target Sector	Deal Value (MSEK)	Acquired (%)
Assa Abloy AB	Cardo AB	Industrials	11 795	100
Galderma Pharma S.A.	Q-Med AB	Healthcare & Public services	7 452	100
The Sherwin-Williams Company	Becker Acroma Group AB	Materials	1 700	100
ORC Software AB	NeoNet AB	Financials	1 358	100
ICAP Group Holdings plc	TriOptima AB	Information Technology	1 006	62

**Exhibit 10: Top M&A Deals (by target revenue)**

Buyer	Target	Target Sector	Target Rev. (MSEK)	Acquired (%)
Apotek Hjärtat	Tamro AB	Consumer Staples	11 146	100
Assa Abloy AB	Cardo AB	Industrials	8 825	100
Spyker Cars N.V.	Saab Automobile AB	Consumer Discretionary	6 080	100
Brake Bros Limited	Menigo Foodservice AB.	Consumer Discretionary	4 932	67
NVS Installation AB	NEA Gruppen AB	Industrials	2 544	100

This, combined with a larger interest among Swedish companies interested in targets outside Sweden, leads us to believe the market will experience much more cross-border transaction activity in 2011.

Acquiring suppliers or customers to control a larger part of the process and increase profitability is a trend we believe will continue during 2011. We also see a higher interest of consolidation in fragmented sectors, a trend driven by Private Equity.

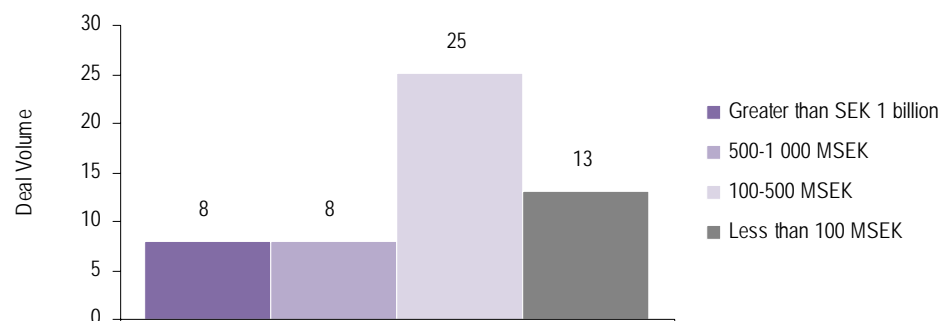
**"In 2011 we believe that the auctions will increase, leading to higher prices for companies with good potential."**

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



## Private Equity Focus

**Exhibit 11: Distribution of PE deals**



In 2010, PE firms acquired SEK 36 billion in revenue through acquisitions (Add-on investments not included). Private equity deals in 2010 were dominated by activity in industrials, with 3 of the top 5 deals occurring in this sector. Nordic Capital's acquisition of the indoor climate solutions provider Munters AB, was by far the largest PE transaction with a deal value of SEK 6,7 billion.

The year was characterized by a fairly low PE activity, especially for larger deals. Mid-market deals involving targets with revenue under 500 MSEK accounted for over 70% of the PE activity. We noted a high PE activity in the health care and education sector in the first and second quarter 2010 linked to a high activity in the sector in previous years.

In 2010 we also saw clear indications on a growing interest for the Nordic region as a whole arising mainly from the latest financial turmoil where the foundations for PE investments have appeared stable in the Nordic area.

**Exhibit 12: Top PE Deals (by deal value)**

Buyer	Target	Target Sector	Deal Value (MSEK)	Acquired (%)
Nordic Capital	Munters AB	Industrials	6 685	100
EQT Partners AB	AcadeMedia AB	Healthcare & Public services	2 353	79
Triton	Munters AB, MCS Division	Industrials	1 300	100
HgCapital	Frösunda LSS AB	Healthcare & Public services	1 249	100
Barclays Private Equity	Tricorona AB	Industrials	1 174	100

**Exhibit 13: Top PE Deals (by target revenue)**

Buyer	Target	Target Sector	Target Rev. (MSEK)	Acquired (%)
Triton	Ovako Holdings AB	Materials	8 000	100
Investor AB	Aleris Holding AB	Healthcare & Public services	3 881	65
Nordic Capital	Munters AB	Industrials	3 800	100
Triton	Munters AB (MCS) Division	Industrials	2 768	100
EQT Partners AB	AcadeMedia AB	Healthcare & Public services	2 102	79

The activity prospects for 2011 are positive since significant amount of un-invested capital exists in the PE sector. We also predict an increased competition in the mid-market in Sweden for high-quality assets as several of the larger PE firms also seem to be aiming for target companies in the middle market.

At the same time prospects are improving for a large amount of privately-owned companies coming out for sale in 2011 and 2012, leaving the worst behind from the latest financial turmoil. Being able to present increasing profits and improved cash-flow in 2010, private owners are encouraged to re-enter the M&A market to a larger extent than before.

**" The year was characterized by a fairly low PE activity, especially for larger deals."**

**Mats Fagerlund**  
Partner – Transaction  
Advisory Services



## 2010: Pricing Multiples

**Exhibit 14: Multiples – M&A vs. PE**

Investor	Deal Volume	Total Deal Value (MSEK)	Avg. Value (MSEK)	Avg. EV/Sales Multiple	Avg. EV/EBITDA Multiple
M&A	65	33 158	502	1,12	9,40
Private Equity	22	19 474	927	1,36	11,39

**Exhibit 15: Multiples – Domestic vs. International**

Buyer	Deal Volume	Total Deal Value (MSEK)	Avg. Value (MSEK)	Avg. EV/Sales Multiple	Avg. EV/EBITDA Multiple
Domestic	62	32 285	521	1,11	9,47
Cross border inbound	25	20 348	814	1,36	10,89

NOTE: Transactions with negative EBITDA and outliers have been excluded from the analysis. Classification as cross border inbound is based on the country headquarters of the acquiring company.

Of the total 87 deals with complete pricing data which were analyzed, 62 involved domestic acquirers while 25 targets were acquired by buyers outside Sweden. Foreign buyers were both interested in larger targets and were willing to pay more than their domestic counterparts. The average transaction value amounted to 814 MSEK for cross border transactions, compared with 521 MSEK for transactions involving domestic acquirers. Average EV/EBITDA multiples paid were 9,5x and 10,9x respectively. These higher multiples paid by foreign investors suggests there could be some premium paid for market access.

The multiples observed are considered high from a historical perspective. One possible explanation is that with earnings dampened by the recent financial crisis, acquirers were buying on future prospects as opposed to historical performance.

**Exhibit 16: Multiples – by Industry**

Sector	Deal Volume	Total Deal Value (MSEK)	Avg. Value (MSEK)	Avg. EV/Sales Multiple	Avg. EV/EBITDA Multiple
Industrials	23	25 025	1 088	0,80	7,73
Information Technology	23	3 945	172	1,23	10,92
Consumer Discretionary	18	4 272	237	0,98	12,12
Financials	7	5 709	634	1,87	7,20
Healthcare & Public services	7	11 552	1 925	1,81	11,05
Materials	5	1 842	368	0,89	12,39
Other	2	4	4	1,25	4,21
Telecommunication Services	1	100	100	1,19	n.a.
Utilities	1	184	184	4,58	10,24
Consumer Staples	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>87</b>	<b>52 633</b>	<b>605</b>	<b>1,18</b>	<b>9,89</b>

Corporate M&A transactions accounted for 66 of the 87 transactions with pricing data. Similar to foreign buyers, PE acquirers were also interested in larger targets and paid higher multiples of both revenue and EBITDA. These higher EBITDA multiples paid could be an indication that PE companies are buying on growth potential, more so than their corporate counterparts.

**"Higher multiples paid by foreign investors suggest there could be some premium paid for market access."**

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





## Contact details

### Pär Ekengren



Partner  
Head of Corporate Finance

Tel. (direct): +46 (0)8 563 070 84  
Tel. (mobile): +46 (0)70 878 77 05  
E-mail: par.ekengren@grantthornton.se

### Robert Nordahl



Partner  
Head of Transaction  
Advisory Services

Tel. (direct): +46 (0)8 563 070 38  
Tel. (mobile): +46 (0)70 821 70 38  
E-mail: robert.nordahl@grantthornton.se

### Isac Stenborg



Partner  
Head of M&A

Tel. (direct): +46 (0)8 563 070 47  
Tel. (mobile): +46 (0)70 821 70 47  
E-mail: isac.stenborg@grantthornton.se

### Björn Gauffin



Director  
Head of Valuation Services

Tel. (direct): +46 (0)8 563 072 81  
Tel. (mobile): +46 (0)76 133 72 81  
E-mail: bjorn.gauffin@grantthornton.se

### Mats Fagerlund



Partner  
Transaction Advisory Services

Tel. (direct): +46 (0)8 563 070 71  
Tel. (mobile): +46 (0)76 767 70 71  
E-mail: mats.fagerlund@grantthornton.se

### David Wastå



Director  
Corporate Finance Göteborg

Tel. (direct): +46 (0)31 701 37 21  
Tel. (mobile): +46 (0)70 676 37 21  
E-mail: david.wasta@grantthornton.se



## 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 have 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 2010 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 1 007 and 439 transactions were discarded due to the above criteria. Furthermore, financial information was found for 374 target companies.

The data in this report was compiled from several sources including, Standard & Poor's Capital IQ, Bureau Van Dijk's Amadeus, 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 where the industry classification regarding the target company was seen as incorrect, a re-classification was made.

Deal value was determined to the price paid in the transaction, while enterprise value or EV was obtained from the relevant databases and includes both the value of equity and liabilities.