

### mergermarket Heat Chart Reveals Hot Areas for M&A in Europe in 2007

**London, 30 August 2007** - The H1 2007 mergermarket Heat Chart highlights the most active areas on the M&A horizon in Europe.

The Intelligence Heat Chart is a forward-looking, strategic indicator of future M&A activity based on “company for sale” stories. Press reports, company statements and mergermarket’s own proprietary intelligence are tallied and qualified according to sector and geography. Accompanying the Heat Chart is the mergermarket Announced Deals Chart, which illustrates the volume of actual announced M&A deals in H1 2007 split by industry sector and country. Direct comparison between the Intelligence and Announced Deals Charts yields several insightful findings concerning the direction of European M&A over the foreseeable future.

- **Appetite for riskier markets is strong**

High economic growth in Russia and Central and Eastern Europe is driving strong demand for inbound M&A in the area, as reflected in the Intelligence Heat Chart. However, the higher relative difficulty of completing deals is indicated by the fact that only a comparatively small number of deals are actually occurring in the Announced Deal Heat Chart. This is an illustration that, despite recent developments, some of these markets remain risky and difficult places to do deals. Nevertheless, deals can be done, and regulatory challenges, cultural factors and general market transparency are not uniformly challenging across the CEE region.

- **German Industrials set to continue driving M&A activity**

Over-capacity in industrial products and automation makes for both strong potential M&A activity and actual deal flow in Germany. The competitive pressure from emerging markets such as India and even more predominantly Central and Eastern Europe is likely to drive further consolidation in what remains, even on a European level, a fragmented market. The sector has traditionally been among the most active in Europe and larger sector players can be expected to continue buying up smaller businesses.

- **The UK as dynamic as ever for potential and actual M&A activity**

The UK has also remained active, with high levels of transparency and certainty, low barriers to entry and a long-established culture of deal-making all underpinning H1 deal flow. Looking ahead, the credit uncertainty has seen a number of deals postponed or cancelled and few people expect to see many mega-LBOs being announced – at least until the Alliance Boots debt syndication is done. However, the outlook for the rest of 2007 remains upbeat according to the intelligence Heat Chart, with small and middle markets especially active.

#### **Conclusion**

A comparison of the intelligence and deal data across Europe shows more established Western European markets having significantly higher conversion rates than the less mature ones such as Russia, Central, Eastern and Southern Europe. This may be explained by the existence of more sophisticated and transparent regulatory systems, which reduce barriers to execution and allow parties a clearer understanding of the M&A process. However,, increasing levels of interest from Middle Eastern and other international players in emerging markets, along with ever greater European integration are likely to improve both the deal making environment and the completion ratio in these countries.

### Heat Chart – Intelligence

	CEE/CIS	UK	Ger/Swi/Aus	Italy	Nordic	SEE	France	Iberia	Benelux	TOTAL
Consumer	215	121	76	186	52	129	46	35	20	880
Industrials & Chemicals	160	73	174	138	102	65	52	25	31	820
TMT	112	141	105	40	109	29	65	47	30	678
Financial Services	132	72	85	54	17	52	10	26	20	468
Business Services	56	74	49	24	66	16	21	14	20	340
Energy/Mining/Utilities	101	54	19	12	27	32	7	14	3	269
Leisure	55	58	19	27	1	32	7	23	7	229
Pharma/Medical/Biotech	25	28	62	15	28	14	7	11	15	205
Transportation	51	20	23	17	19	38	8	9	7	192
Construction	67	21	24	12	11	18	12	13	4	182
Agriculture	20	4	1	1	3	2			1	32
Defence	11	3		1	7		1	1		24
Other	2		3			1				6
Government					1					1
<b>TOTAL</b>	<b>1007</b>	<b>669</b>	<b>640</b>	<b>527</b>	<b>443</b>	<b>428</b>	<b>236</b>	<b>218</b>	<b>158</b>	<b>4326</b>

Based on "company for sale" stories published between 1 January 2007 and 30 June 2007 where dominant geography of the potential target is European.

### Heat Chart – Announced deals

	UK	Ger/Swi/Aus	Nordic	CEE/CIS	Benelux	France	Iberia	Italy	SEE	TOTAL
Industrials and Chemicals	112	133	95	80	52	54	40	59	8	633
Consumer	95	45	62	88	48	53	33	37	16	477
TMT	117	69	59	40	49	37	19	14	8	412
Financial Services	73	24	30	57	33	27	27	30	18	319
Business Services	118	10	52	18	39	35	24	11	2	309
Energy/Mining/Utilities	29	43	26	50	8	3	13	12	7	191
Construction	32	22	17	18	13	14	16	12	10	154
Pharma/Medical/Biotech	34	35	18	7	9	25	8	5	3	144
Leisure	47	10	8	7	8	16	13	9	2	120
Transport	20	4	19	16	13	7	9	6	5	99
Agriculture	2	1	6	7	3	1	0	0	2	22
Defence	1	3	2	1	0	2	0	0	0	9
<b>TOTAL</b>	<b>680</b>	<b>399</b>	<b>394</b>	<b>389</b>	<b>275</b>	<b>274</b>	<b>202</b>	<b>195</b>	<b>81</b>	<b>2889</b>

Based on announced deals between 1 January 2007 and 30 June 2007 where dominant geography of the target is Europe. Chart excludes lapsed/withdrawn bids. Includes all deals valued over EUR 5m. Activities excluded from table include property transactions and restructurings where the ultimate shareholders' interests are not changed

### M&A "Conversion Rate"

CEE/CIS	UK	Ger/Swi/Aus	Italy	Nordic	SEE	France	Iberia	Benelux
39%	102%	62%	37%	89%	19%	116%	93%	174%

### Heat Chart Detailed Criteria

The Heat Chart comprises all opportunities classified as “company for sale” including companies looking to divest parts of or all of their operations. This intelligence is classified according to dominant sector and geography to avoid double-counting. Note that “company for sale” stories do not necessarily translate into announced deals for the next three to twelve months.

#### Opps

Hot	Warm	Cold
160	100	40
140	80	20
120	60	0

#### Announced deals

Hot	Warm	Cold
80	50	20
70	40	10
60	30	0

### About mergermarket

mergermarket is part of The Mergermarket Group which has over 400 employees worldwide and regional head offices in London, New York and Hong Kong.

mergermarket is an unparalleled mergers and acquisitions (M&A) intelligence tool. In any market, the life blood of advisers is deal flow. mergermarket is unique in the provision of origination intelligence to the investment banking, legal, private equity, acquisition finance, public relations and corporate markets.

With an unrivalled network of analysts covering M&A in Europe, North America and Asia-Pacific, mergermarket generates proprietary intelligence and delivers it together with daily aggregated content, on its **mergermarket.com** platform and by real-time email alerts to subscribers.

This wealth of intelligence, together with a series of deal databases, individual and house league tables, profiles and editorial have proven time and time again that this product can and does generate real revenues for clients. This is apparent when you see that mergermarket is used by over 1000 of the world’s foremost advisory firms to assist in their origination process.

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