the world's leading M&A alliance

M&A INTERNATIONAL™

NORTH AMERICA SOUTH AMERICA EUROPE AFRICA ASIA AUSTRALIA

M&A has returned as a key corporate development tool

Active deal volumes on the rise

M&A International Inc. Quarterly Mid-Market Report
Q4 2009

Foreword

As the world's leading M&A alliance of over 600 professionals in 45 M&A advisory and investment banking firms operating in 42 countries, M&A International Inc. offers a unique source of information on the current state of M&A activity in the mid-market (*Figure 1).*

In this second of a series of reports, we provide a global review of M&A in the mid-market. Future reports will continue to monitor levels of M&A around the world.

The report consists of two integral parts where we combine an analysis of all reported transactions advised on by M&A International's member firms with a survey completed by our senior professionals *(Figure 2).*

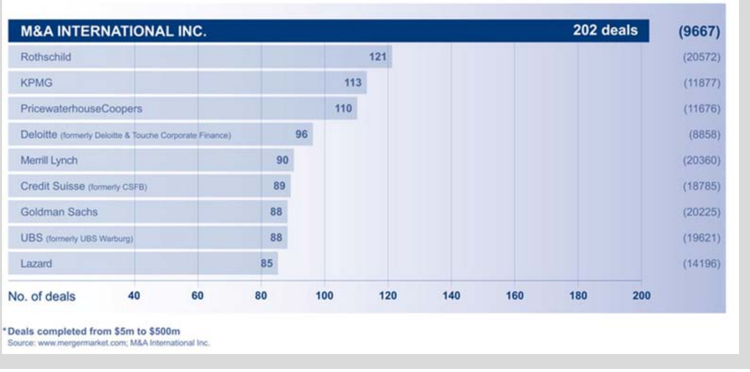
Our survey continues to indicate there will be a rebound in mid-market M&A activity in the near future despite slight stagnation in the previous quarter.

From a geographical perspective, Central Eastern Europe is recovering although coming from a deeper downturn than other regions. The slow upturn in Western Europe has turned into a slight decline, while North America is struggling to keep up.

Trade and private equity buyers are more active than in the previous quarter, and private equity buyers are now seen to be competing with trade buyers.

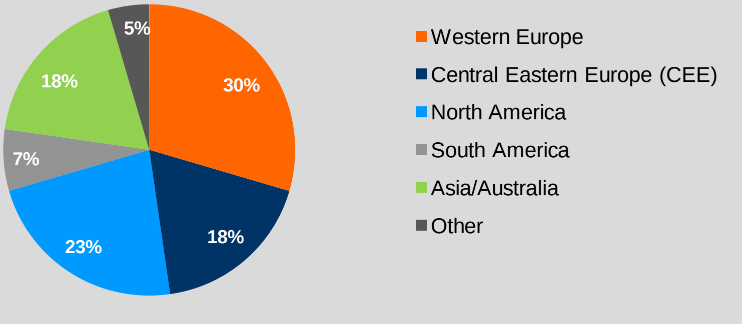
M&A markets are on the rebound as can be seen by the increasing active deal volume *(Figure 5)* but the high expectations of some advisors have not yet been realized. Therefore the rapid recovery, which was discussed in the previous report, is still to materialize. Our professionals expect that Q1-Q2 2010 will show a strong increase in closed M&A transactions.

Figure 1: **M&A International Inc. – the world's leading mid-market M&A advisor**



Global mid-market transactions in 2008 by volume and value in $m *(deals completed from $5m to $500m)*

Figure 2: **Location of M&A International Inc. members**



The upward trend for mid-market M&A activity on a global basis slowed down in Q4…

After the free fall in M&A activity in the first quarter of 2009 showing an index-adjusted decrease in transaction volume of more then 50%, the number of closed transactions in 2009 have successively increased quarter by quarter. However, there is a visible slow down of activity in the fourth quarter of 2009, possibly indicating continued uncertainty in the market, which is slowing down recovery to average levels (*Figure 3).*

However, while the number of successfully completed buy-side transactions reached a historically low level in the fourth quarter of 2009, sell-side transaction activity increased for the fourth consecutive quarter and is now very close to the average level seen over a 5-year period *(Figure 4).*

Compared with the previous report, an even larger number of the respondents verified that their active deal volumes are up compared with the previous quarter *(Figure 5).*

… but there is an enhanced optimism and an increasing number of ongoing deals

The strong overall view of an upswing presented in the previous report is further supported in this survey. An overwhelming majority replied that the market in the first quarter of 2010 is stronger than in the previous quarter. Even stronger are expectations for mid-market M&A activity for the following four quarters compared with the previous four quarters *(Figures 6 and 7).*

It can be noted that all regions have greater expectations of an upswing compared with the previous quarter.

Figure 3: **M&A International Inc.'s indexed number of closed M&A transactions per quarter***

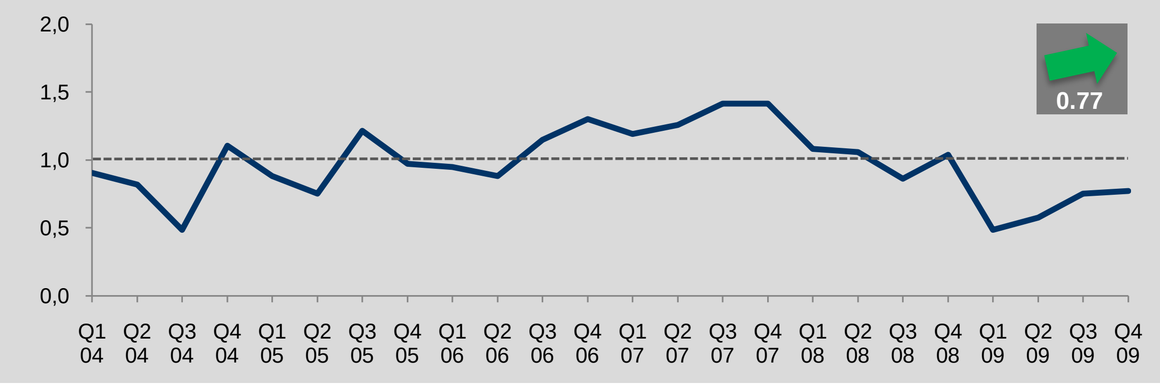
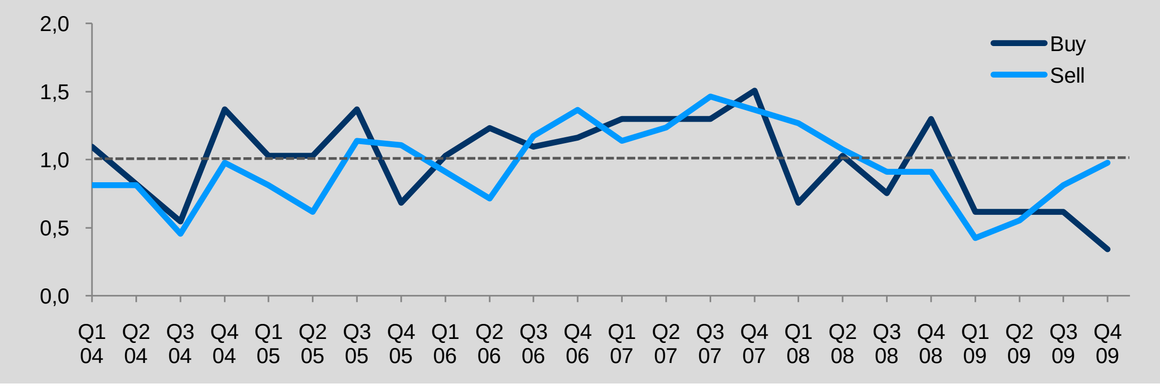


Figure 4: **M&A International Inc.'s indexed number of closed buy and sell transactions per quarter***



**Index 1.0 represents a 5-year average capturing an economic cycle. Buy-side = M&A International Inc. representing the buyer. Sell-side = M&A international Inc. representing the seller.*

Figure 5: **For many M&A International firms, active deal volumes continue to increase**

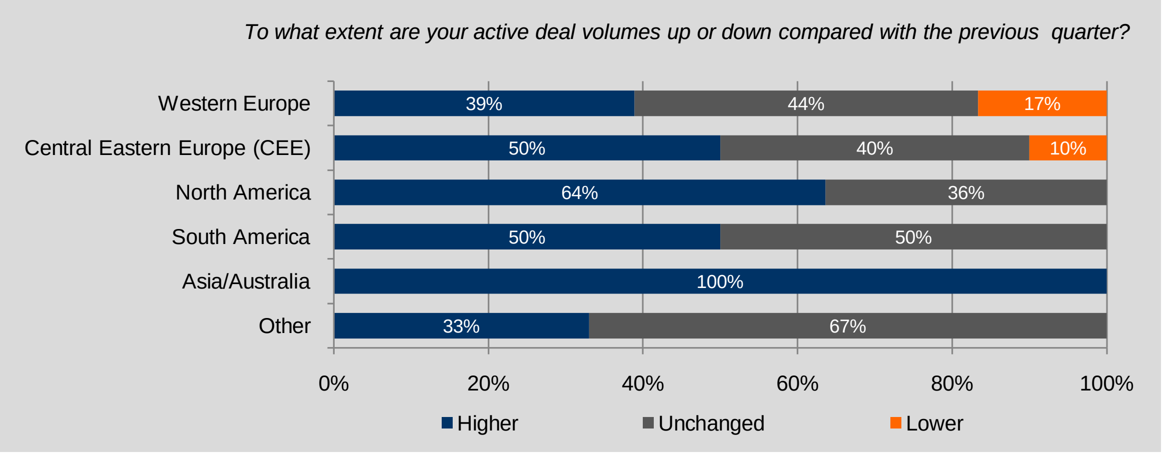


Figure 6: **Accentuated optimism in this quarter compared with the previous quarter**

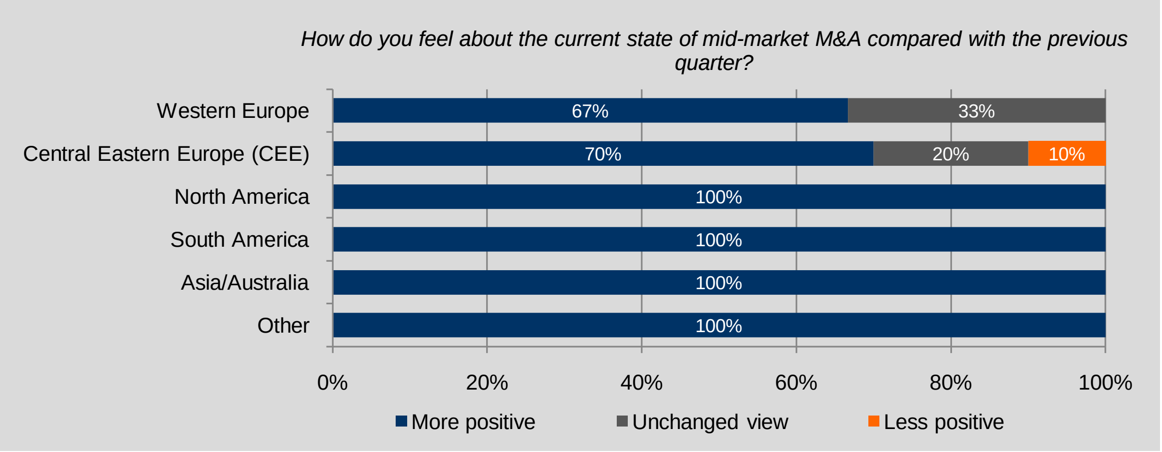
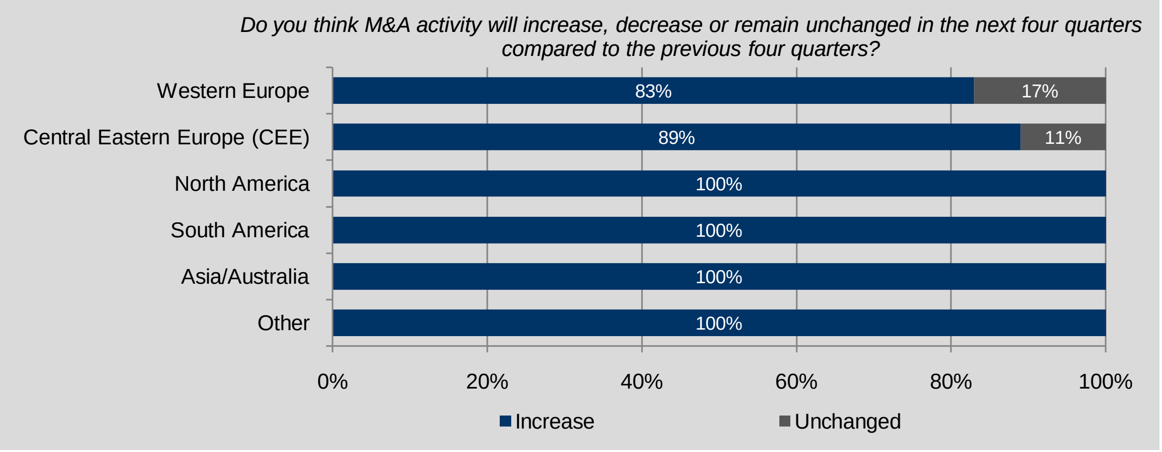


Figure 7: **Almost everybody is expecting an increase in M&A activity during the coming four quarters and particularly in the first half of 2010**



It's still a buyer's market but signs of higher valuations can be seen

The market is still more of a buyer's market although the overall picture is complex and there are some regional deviations *(Figures 8).*

Based on the overall economic recovery and higher valuation ratios on stock exchanges, it is not surprising that valuations have increased or remained unchanged from the previous quarter, which implies a slight but gradual improvement in the last 6 months *(Figures 9).*

The fact that the time span in which transactions are concluded remains long, and is even getting longer, may be one explanation behind the modest recovery of actual M&A activity in the fourth quarter of 2009 *(Figure 10).*

Accentuated increase in trade buyer activity as well as participation of family-owned businesses on the sell-side

From the sell-side perspective, the number of deals with family-owned companies has continued to increase substantially across all regions compared with the previous quarter *(Figure 11).*

The picture of cash-rich trade buyers being selectively active as noted in the previous report is given further support in this quarter *(Figure 12).*

Figure 8: **It's still more of a buyer's market**

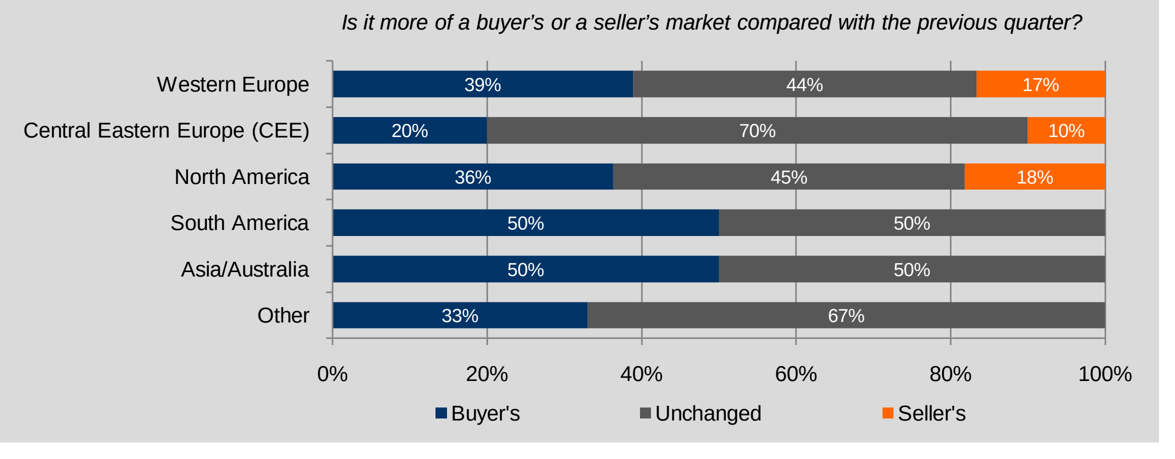


Figure 9: **Signs of higher valuations**

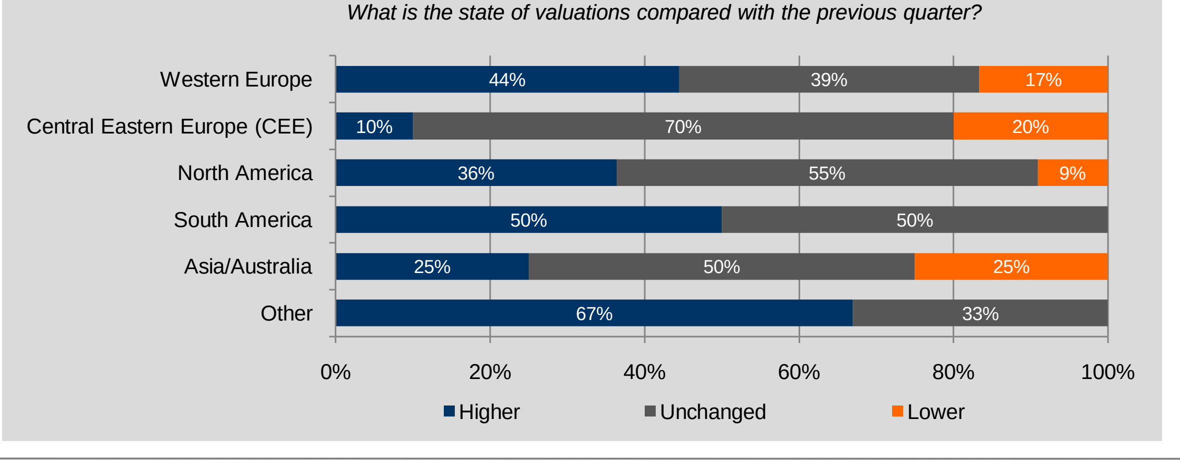


Figure 10: **Marginal support of deals taking shorter time to conclude – quite opposite observations**

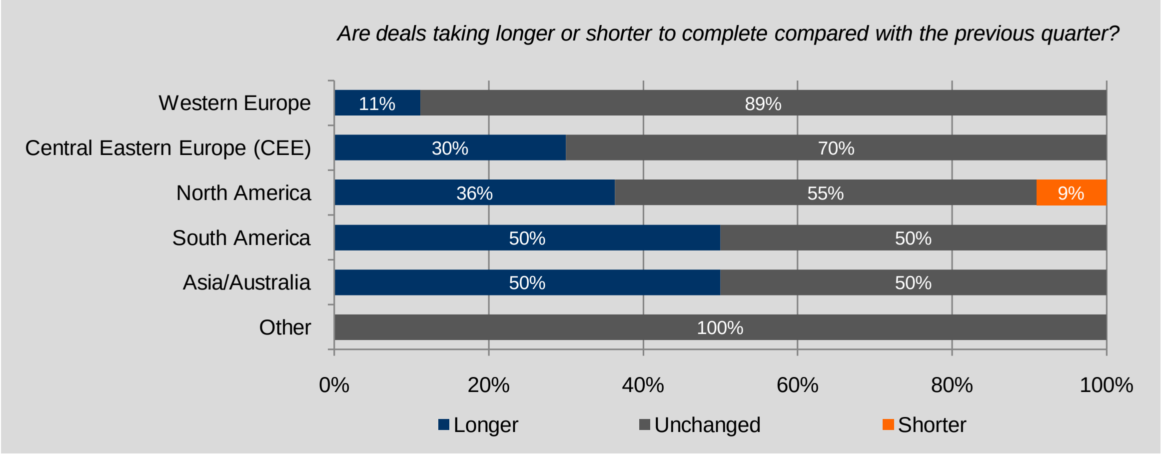


Figure 11: **Family-owned businesses across all regions are increasingly active on the sell-side**

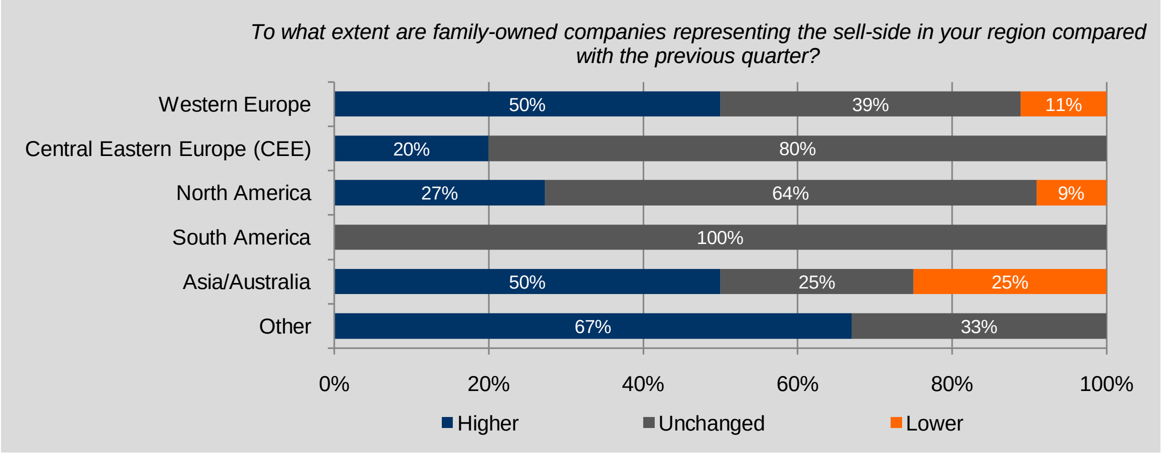
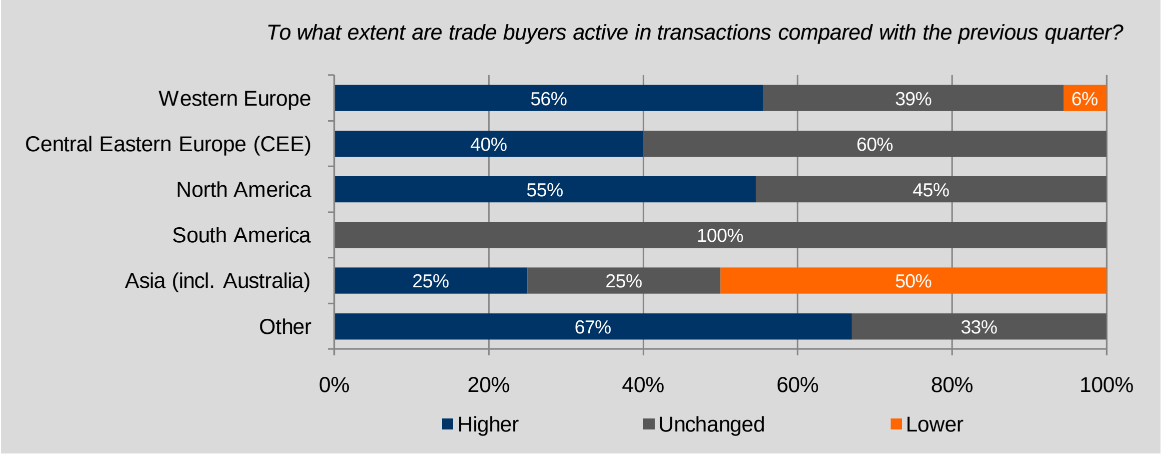


Figure 12: **Accentuated increase in trade buyer activity**



Private equity buyers return to compete with trade buyers

Compared with the previous quarter, where private equity activity was seen to pick up more slowly than that of trade buyers, private equity-related M&A activity is now seen to be increasing at the same rate as the trade buyer activity.

Overall, there are signs of higher private equity-related M&A activity in all regions, except in South America where it has remained unchanged. In Western and Central Eastern Europe as well as North America, PE-related activity was especially higher *(Figure 13).*

Debt is more available

One reason for the increased private equity activity is the availability of debt where, in general, the situation has improved compared with the previous quarter. However, around the world there is a mixed picture *(Figure 14).*

Figure 13: **Private equity activity picking up at the same rate as those of trade buyers**

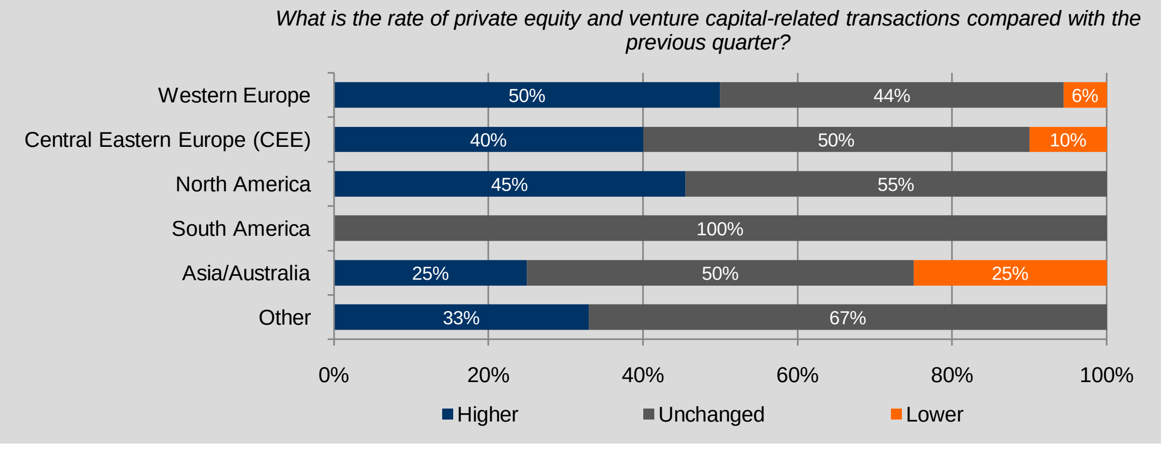
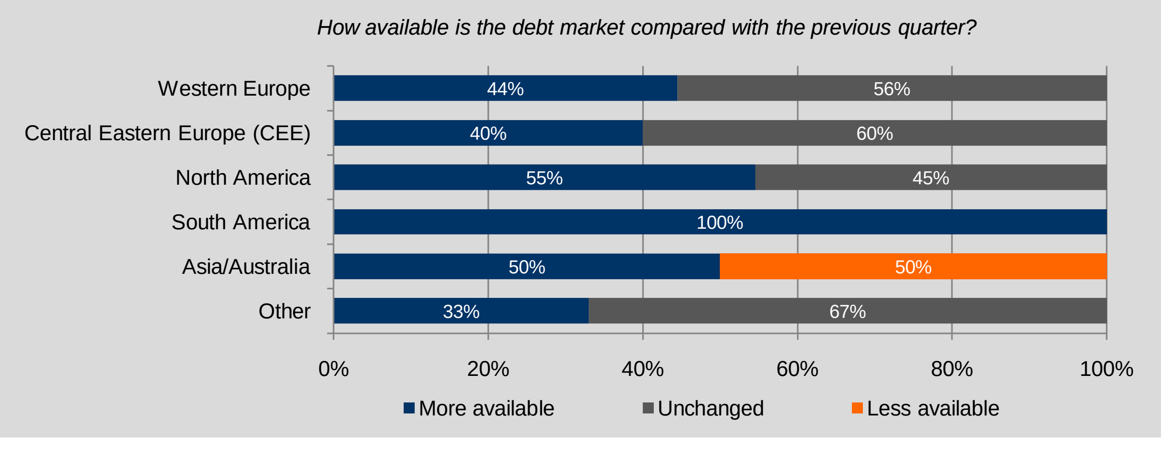


Figure 14: **Availability of debt is improving**



Central & Eastern Europe recover while Western Europe and North America loose ground

Although activity in all regions increased during the first to the third quarter of 2009, markets have developed somewhat differently in the last quarter of 2009.

While Australasia is the only market that shows a positive trend on a 12-month rolling perspective, activity in that region declined in the fourth quarter of 2009. However, it should also be noted that Australasia is the only region where current activity is above the historical average.

Central Eastern Europe, starting from lower levels, is the only region showing a noticeable upswing in M&A activity. This trend is confirmed by the survey where respondents from Central Eastern Europe now have a significantly more positive view on the current state than in the previous quarter.

Following a modest upturn during the first to the third quarter of 2009, the Western European market is loosing ground.

North America, however, is struggling to maintain current activity levels.

Figure 15: **M&A International Inc.'s indexed number of closed M&A transactions per quarter and region***

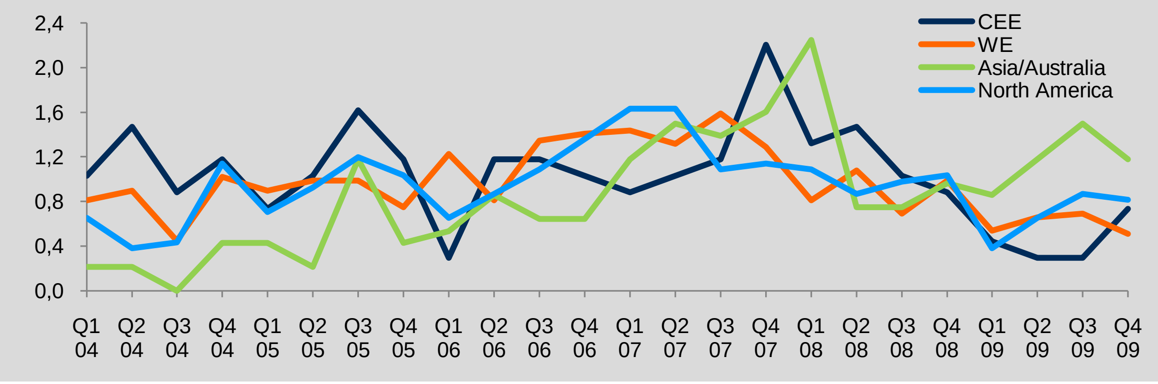
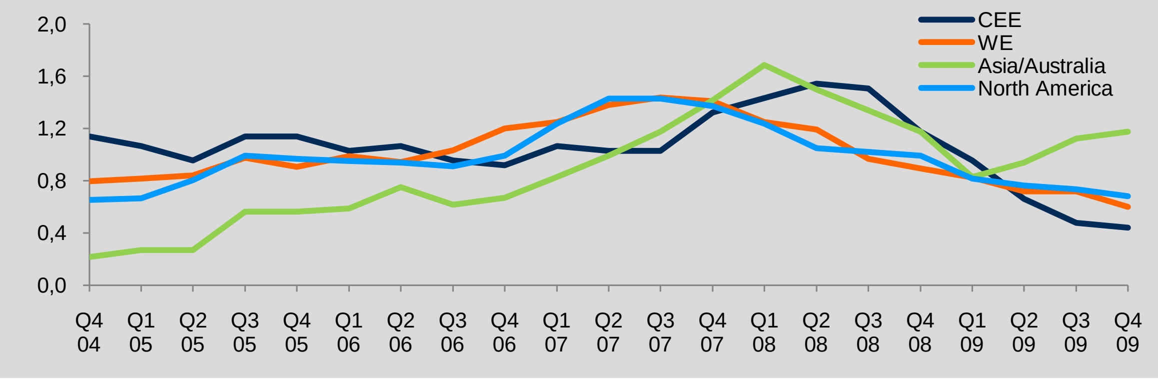


Figure 16: **M&A International Inc.'s indexed number of closed M&A transactions per quarter and region on a 12-month rolling basis***



**Index 1.0 represents a 5-year average capturing an economic cycle*

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