



Exitable portfolio companies

Two years ago, EVCA dedicated its February Barometer to companies ready for exit in the short-to-medium-term. The main results showed that over 60% of the portfolio companies at that time were ready to be exited immediately or in the following two years. Respondents had a clear preference for trade sales over IPOs, and estimated the valuations achieved for their exitable European companies as good. However, since then the divestment window closed substantially, against a backdrop of asset repricing triggered by the financial and economic crisis. Private equity houses chose to delay exits and instead focused on various operational performance-improving activities to help companies weather the difficult economic conditions.

In the current context of a fragile economic recovery, some signs of a reopening of the exit market have already started to appear. M&A and IPO activity picked up slightly in the fourth quarter of 2009, and a number of private equity portfolio companies are said to be getting ready for an IPO. Against this background, this month's Barometer tries to assess and present the view of private equity players on the current state of the exit market and its prospects over the medium term.

Out of the 422 private equity firms surveyed (EVCA full GP members), 55 answered (13%). From the respondents, 49% were buyout & growth firms, 36% were venture firms, and 15% were generalists. In 2008, the sample was slightly different - out of the 473 private equity firms targeted, 43 responded, of which 44% were active in the venture segment, 35% in the buyout & growth segment and 21% were generalists.

In line with the overall market, respondents report very low exit activity in 2009

In line with the general trend, respondents to this issue of EVCA Barometer reported very low divestment activity in 2009, with nearly 40% of them reporting no divestments at all. Most of these were buyout & growth firms (57%), while venture firms accounted for 24% and generalists for 19%.

Altogether, the responding 55 private equity firms had exited 69 companies during the past year. Almost half (48%) of these companies were venture-backed, 40% were buyout & growth-backed, and 12% were financed by generalist firms.

In this edition

Industry Snapshot

Technology News

GDP Growth Forecast

Libor

Inflation & Exchange Rate

Stock Market Developments

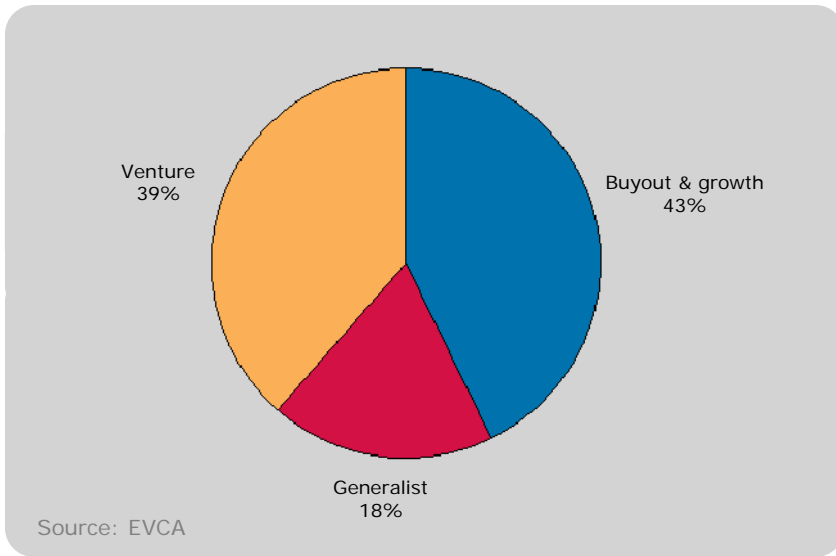
IPO Activity

M&A Activity

Leverage Loan Market Activity

Exits expected to pick up in 2010 and 2011, with trade sales as the main divestment route

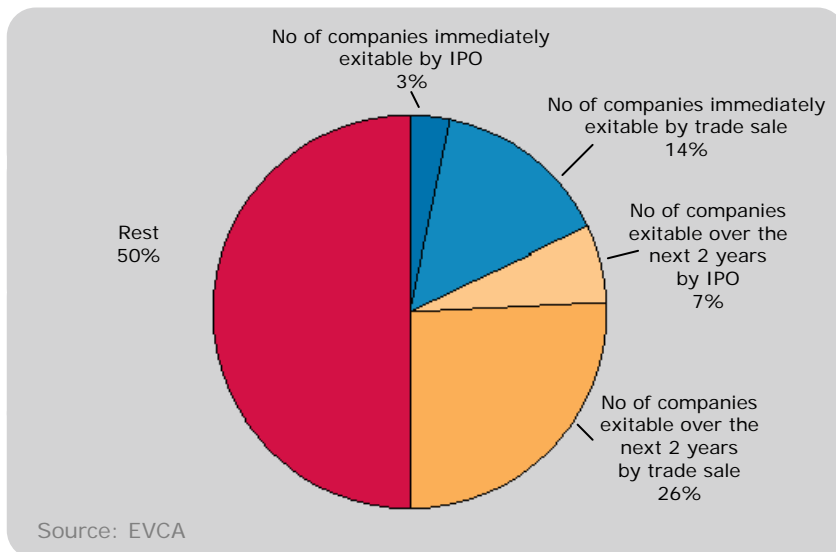
Figure 1: Portfolio broken down by type of private equity firm



At the beginning of 2010, the 55 private equity firms that contributed to the survey had 837 companies in portfolio. The majority of the companies in this portfolio were backed by buyout & growth firms (43%), 39% were venture-backed and 18% were backed by generalists firms. Buyout & growth firms had on average 14 companies in their portfolio, while venture and generalist firms had 18 and 19 portfolio companies respectively.

Half of the 837 companies in portfolio are reported to be exitable in the short-to-medium-term, which is 13 p.p. less than what was reported in February 2008 (63%). From these, a total of 148 companies are reported as exitable immediately, while 270 are expected to be ready for an exit over the medium term (two years). The number of companies ready for immediate exit thus represents 35% of the total number of companies exitable in the short-to-medium-term (41% in 2008) and 17% of the total number of companies in portfolio (26% in 2008). The majority of immediately exitable companies are venture-backed (45%), although the share of buyout- & growth-backed businesses followed closely with 43% of the total.

Figure 2: exitable companies now and in the following two years as a % of total portfolio



Of the 148 immediately exitable companies, 19% are ready for an IPO and 81% for a trade sale, as was the case in February 2008. This tends to show that, if the decision of exiting a company by an IPO depends highly on the general market conditions at a given time, the target to divest part of the portfolio businesses via a stock listing seems to constitute a constant part of the general strategy of private equity firms.



In the venture and the buyout & growth segments, companies ready for an IPO represent 20% and 22% respectively of the total number of companies immediately exitable, while in the generalist segment, the proportion of companies immediately ready for an IPO was 5% only.

In the medium term, 270 companies, or one-third of the companies in the current portfolio, have the potential to be exited. Similarly to immediately exitable companies and like in February 2008, most companies are expected to be divested by trade sale (80%), while businesses with the potential for IPO represent 20% of the total. This means that the responding firms expect a total of 55 of their portfolio companies to go public in the next two years. From these, 47% are venture-backed, 40% are buyout- & growth-backed companies and 18% are backed by generalists firms.

Altogether, for both short and medium-term exits, most divestments are expected to be realised by trade sale. IPOs still represent about one-fifth of the total exits planned, showing that whatever the market conditions are, the potential of an exit via IPO remains attractive for private equity firms. However, historical data¹ shows that on average IPOs represent no more than 8% of the total number of companies divested per year by trade sale or IPO.

Trade sale: currently the most used exit route

For a large majority of the respondents, trade sale is currently the most common exit route. Indeed, 94% of them reported trade sales as being by far one of the most used exit routes today. Secondary transactions came next, stated by only 12% of respondents, followed by IPOs and write-offs stated by 10% of the respondents.

The main reasons underlying the predominance of trade sales relate to the size of the companies in portfolio (too small for an IPO), the access to immediate liquidity and problems related to the stock markets.

The size of exitable companies is not only an issue for venture firms, but also for buyout & growth firms and generalist firms. Many of them consider their companies as too small to go for an IPO, and find it more likely that small companies would be sold to strategic buyers. Small businesses usually have a specific positioning in the market and can offer synergies, product diversification or market expansion to a strategic buyer.

Moreover, many firms consider that currently strategic buyers are the only ones with enough resources for an acquisition and able to offer better valuations than any other type of investor. Particularly in the context of an economic slowdown, according to respondents, buyers are ready to pay a fair price only for a strategic acquisition.

¹ EVCA Yearbooks 2002-2008

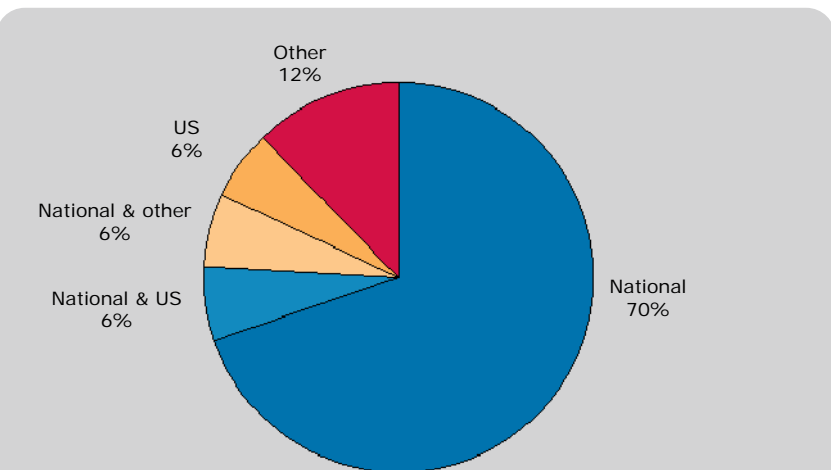
Reasons that constrain private equity firms from pursuing the IPO exit track for their portfolio companies are related to the lack of developed stock markets in some regions such as Central and Eastern Europe and the lack of liquidity on the stock market. As the IPO process is very time and resource-intensive, private equity firms prefer not to spend time and money on preparing a company for an IPO unless they believe there is very high probability that this would take place. Furthermore, the current low IPO activity is seen as an indicator for the current difficulties to successfully list a company.

If for some players trade sale is seen as the only possible exit route, for others, it offers specific advantages. Trade sales are generally seen as a more flexible process, which enables a full exit at once and thus offers immediate liquidity.

Proximity: main determinant for a stock exchange in case of IPOs

Similar to the results obtained in February 2008, respondents showed a clear preference for proximity when it comes to deciding on the stock exchange where to list their portfolio companies. A total of 70% of responding firm consider national stock exchanges as the preferred place for an IPO.

Figure 3: Preferred stock exchange for IPO



Source: EVCA

The proportion of respondents stating that national stock exchanges were their preferred stock market for an IPO was the highest in the buyout & growth segment. About 93% of the buyout & growth respondents would rather list their portfolio companies on a national stock exchange, compared with only 46% for venture respondents and 40% for generalist respondents. For the majority of respondents, proximity is the main reason to prefer a national stock exchange over any other stock exchange. The access to a large investor base, the reputation of the stock exchange or the investors' acquaintance with the company also

favour the decision to go for a national stock exchange rather than any other.

When listing on another stock exchange, respondents prefer to go for a European one. NASDAQ is the most popular stock exchange among private equity firms preferring to list their companies in the US. The large access to institutional investors and comparable companies on this market are among the main reasons to realise an IPO on NASDAQ. When listing on another stock exchange, respondents would mainly go for a European one.

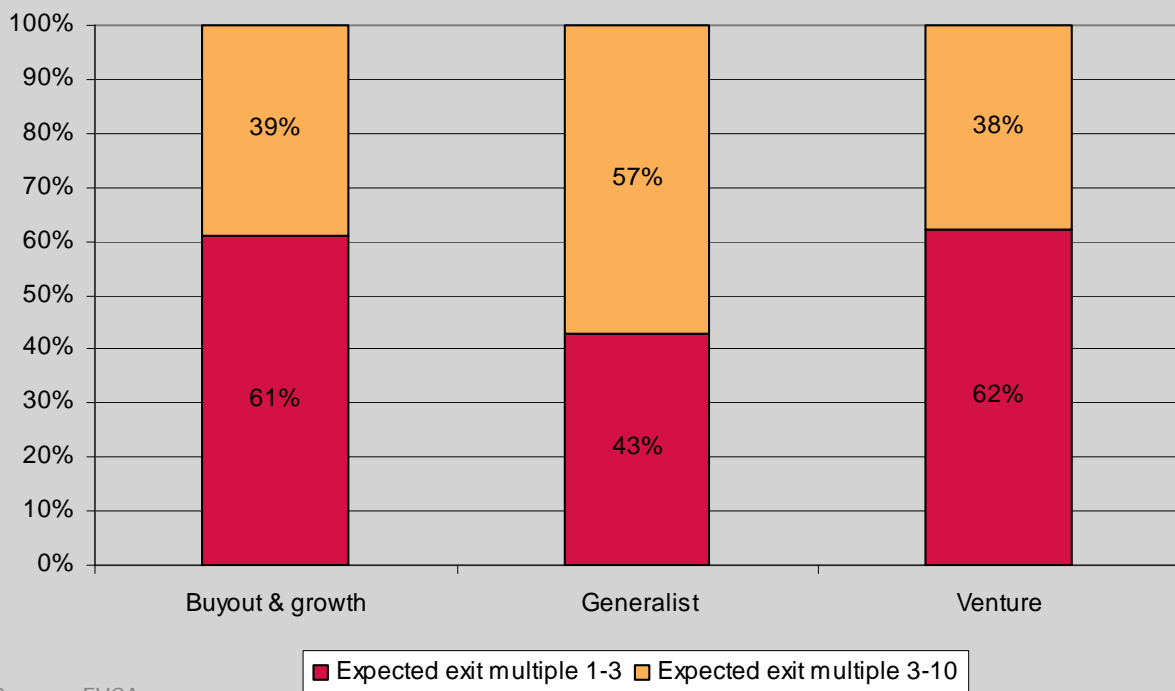
Valuations achieved for exitable companies not satisfactory for the moment

Overall, 60% of the respondents consider the current valuation of their European exitable companies as weak or very weak. In February 2008, the market sentiment regarding valuation was the opposite, with 67% of the respondents considering that the valuation achieved for their exitable companies at that time was good.

In the venture and generalist segments, the proportion of private equity firms dissatisfied with current portfolio companies' valuations is much higher than among buyout & growth respondents. Close to 80% of the venture respondents and 71% of the generalist respondents stated that the valuation achieved for exitable companies is weak or very weak, while only 44% of the buyout & growth respondents were dissatisfied with the current valuation of their exitable companies.

Unsurprisingly, most respondents considered the economic slowdown as the main cause for currently weak valuations. Even though more favourable than a year ago, the economic outlook is still uncertain, and stock exchanges, which are often used as a comparator for valuations, have not yet returned to the levels observed before the crisis. Moreover, in comparison with two to three years ago, the high valuation seen in the past makes current valuations look low.

Figure 4: Expected multiple for exitable companies by segment, % of total portfolio companies



Source: EVCA



As other reasons explaining the low current valuation levels, respondents mentioned the lack of interested buyers, too high entry prices at time of investment, sector issues for companies operating in industries particularly negatively affected by the crisis, and the ongoing restructuring in some of their portfolio companies.

In the venture and buyout & growth segments, a large majority of respondents expect a multiple in the range 1-3 for their exitable companies. Nevertheless, for about 40% of them, the exit multiple expected to be achieved at time of divestment range between 3 and 10. For generalist firms the situation is opposite, with 57% of them expecting a multiple between 3 and 10, while 43% expect to achieve a multiple between 1 and 3.

An expected improvement of the exit environment in the medium term

A large majority of the respondents expect the exit environment to improve in the next two years. Although some of the respondents expect a recovery already in the second half of 2010, the majority of them anticipate a slow revival of the exit market, with good exit opportunities starting only in 2011. The speed of improvement will depend on the general economic environment, the sector, companies' ability to attract buyers' attention, and the evolution of valuations. Financial buyers are expected to be back in the market, although depending on the return of bank financing availability. As far as IPOs are concerned, the recovery is expected to vary by country and remain dependant on the evolution of stock markets at the beginning of 2010. As a consequence, trade sale is likely to remain the prime exit route in the coming two years.

ICT Results

Faster, easier way to access audiovisual assets

What the World Wide Web is to humans, the Triple Space could become for machines, say European researchers who have helped lay the foundations for this innovative integration of web services, semantic web and tuple space technologies. [Read more...](#)

Hybrid systems get strengthened through diversity

Our everyday work and home lives are becoming increasingly dependent on complex computerised networks with built-in control systems. European researchers are working to make the controls more autonomous and intelligent. [Read more...](#)

Argumentative agents for online deal-making

Software agents that play devil's advocate and quarrel with each other may not sound like something you would want in your computer. But, say a team of European researchers, argumentative agents promise faster, cheaper and more efficient online transactions. [Read more...](#)



The grid: a new way of doing science

A European consortium has brought the power of grid computing to bear on problems ranging from the genetic origins of heart disease to the management of fish stocks and the reconstruction of ancient musical instruments. [Read more...](#)

As the refrigerator said to the hi-fi...

Networked sensors and devices have huge potential but how can we ensure that they can all talk to each other? The answer, according to a European consortium, is to link them seamlessly through a common 'middleware'. [Read more...](#)

Hearing assistance comes to the home

European researchers have combined state-of-the-art technologies to help end the isolation suffered by the hearing impaired. End users are eager to get their hands on the suite of tools. [Read more...](#)

Special feature: What connects the elderly and sports people? Smart sensor technology

Innovative smart sensing devices promise to boost mobility and quality of life for the elderly, reduce healthcare costs and even give sports people an edge through more effective training. [Read more...](#)

Latest GDP growth forecasts confirm this year's economic recovery

In its latest GDP growth forecast, *The Economist* has revised downward its estimates for last year's economic growth in some of the most developed European economies, however it has improved its economic outlook for 2010 across the board.

In 2010, GDP growth in the Euro Zone is expected to reach 1.4%, 0.2 p.p. more than what was foreseen in the September 2009 forecast. The UK and Japanese GDPs are expected to increase at the same pace of 1.5%. The US is anticipated to experience the fastest recovery, with GDP growth foreseen at 2.8%, while conversely, the Danish GDP is expected to grow by 1.1% only. Sweden could be the best performing economy in 2010 among the most developed European states, with GDP growth expected at 2.1%, well above the Euro Zone average.

For most of the countries, 2009 GDP growth estimates have been revised slightly upward from the previous estimates released in September 2009. However, the overall Euro Zone GDP growth estimate remained static. The figures for the UK and Denmark have been revised downward by 0.4 p.p. and 1.2 p.p. respectively. Although Japan is still expected to register the sharpest GDP contraction in 2009, its estimate improved by 0.2 p.p. compared to September 2009. The US GDP has been revised upward by 0.1 p.p., confirming the US as the country with the smallest decrease in GDP in 2009 (-2.5%).

Annual GDP Growth Forecasts in %

	January 2010 forecast		September 2009 forecast		Difference between the two forecasts	
	2009	2010	2009	2010	2009	2010
Euro zone	-3.9	1.4	-3.9	1.2	0.0	0.2
UK	-4.7	1.5	-4.3	1.1	-0.4	0.4
Denmark	-5.0	1.1	-3.8	0.7	-1.2	0.4
Sweden	-4.4	2.1	-4.8	1.7	0.4	0.4
USA	-2.5	2.8	-2.6	2.5	0.1	0.3
Japan	-5.3	1.5	-5.5	1.4	0.2	0.1

Source : The Economist

According to Eurostat, the third quarter of 2009 had marked the end of the recession in the Euro Zone, with GDP increasing for the first time since Q2 2008 (+0.4%). Nevertheless, in Q3 2009 economic activity in the Euro Zone remained more than 4% below its 2008 level.

Private consumption and investments decreased in Q3 2009 by 0.1% and 0.8% respectively, contributing negatively to the growth in GDP (-0.1 p.p. and -0.2 p.p.). Thanks to a faster increase in exports than in imports (3.1% compared to 3.0%), net external demand had a favourable impact on growth (+0.2 p.p.). However, the largest contribution to growth came from the change in inventories, which contributed +0.5 p.p. to the GDP growth.

Quarterly GDP Growth Estimates for the Euro zone in %

	January 2010	September 2009	Difference between the two estimates
4 th Quarter 2008	-1.9	-1.8	-0.1
1 st Quarter 2009	-2.5	-2.5	0.0
2 nd Quarter 2009	-0.1	-0.1	0.0
3 rd Quarter 2009	0.4		

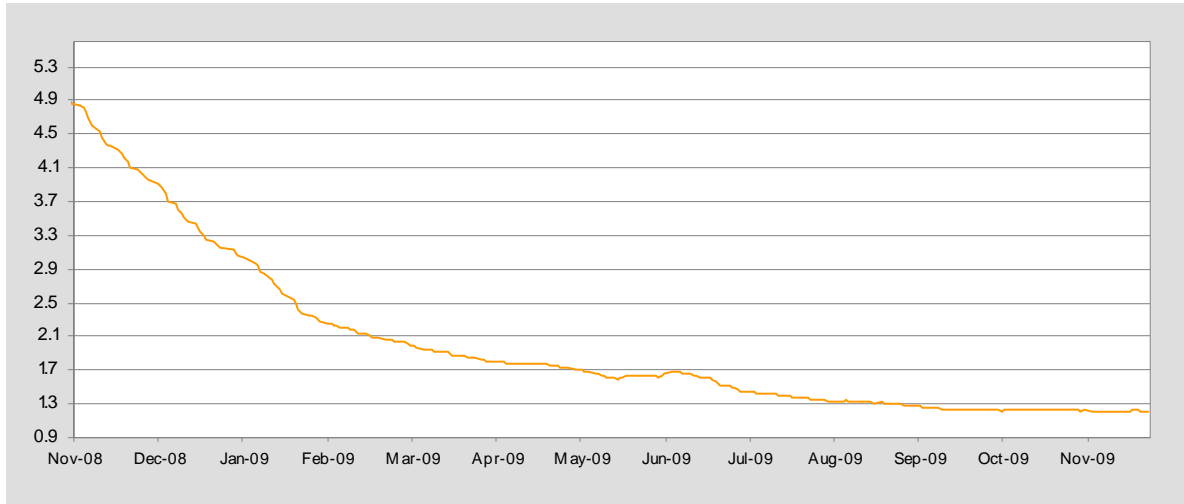
* Refers to the actual quarterly growth rates, which are revised monthly to take account of new information.

Source: Eurostat

LIBOR reaches a historical low

The 12-month LIBOR continued to decrease between August and end of November 2009, closing at 1.22% on 30 November.

Annual LIBOR



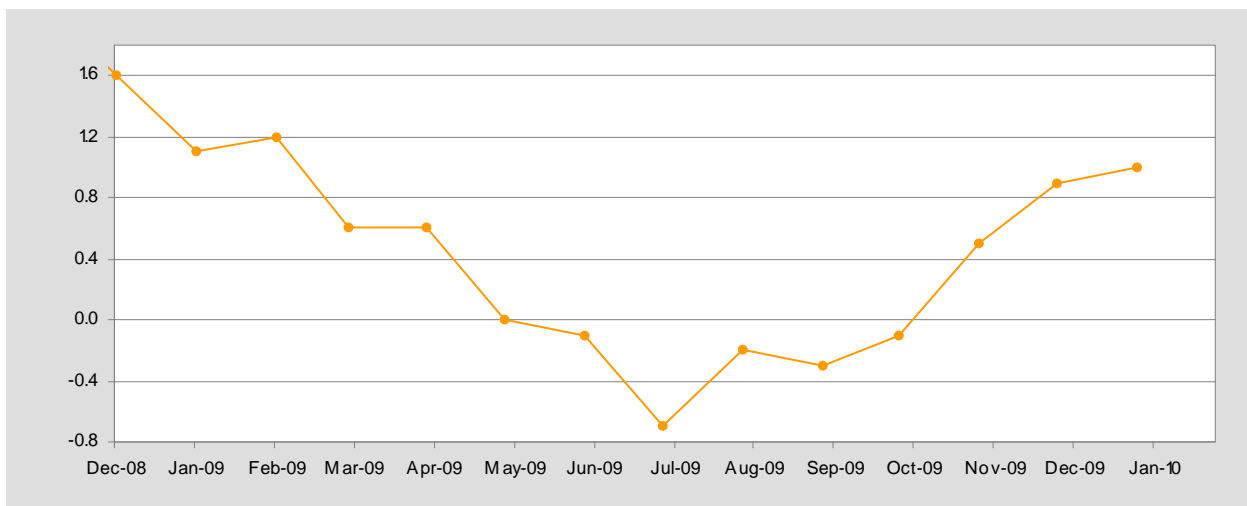
Source: British Bankers Association (BBA)

The average LIBOR rate in November 2009 was 1.22%, 313 basis points below the November 2008 level but only slightly below the October 2009 average rate (1.23%).

Inflation and exchange rate

According to Eurostat's January 2010 flash estimate, inflation continued to increase in the Euro Zone for the third month in a row. After reaching a bottom of -0.7% in July 2009, inflation climbed up to +1% in the first month of this year.

Annual Inflation rate for the Euro Zone



Source: Eurostat - Inflation rate for consumer price

From January to December 2009, the Euro appreciated by 4% against the US\$, closing the year at US\$1.44 per Euro. However, since the beginning of 2010, the Euro already lost 4% vis-à-vis the dollar, on the backdrop of deteriorated public finances in the Euro Zone.

Exchange rate \$ / €

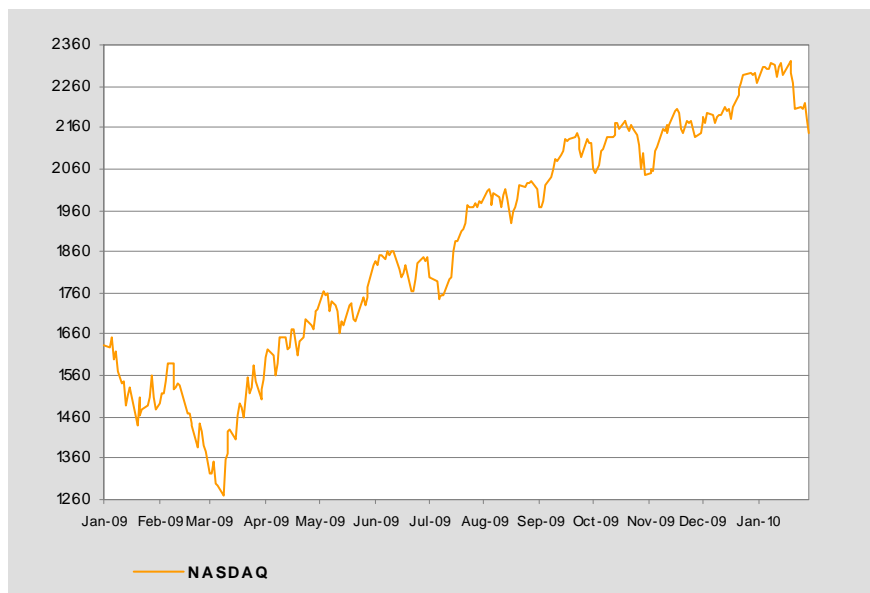


Source: European Central Bank (ECB)

Stock markets decline

After a sharp increase during 2009, all major stock markets with the exception of the AIM went slightly down in January 2010.

The NASDAQ, which went up by 39% in 2009 fell by 7% in January 2010 to 2,147 points. The FTSEurofirst 300 experienced a similar decline, down by 4.6% in January, after a 22% increase over the year 2009.



NASDAQ

Year 2010

- Highest value: 2,320.4 (19 January)
- Lowest value: 2,147.4 (29 January)

Year 2009

- Closing: 31 December at 2,269.2
- Highest value: 2,291.3 (30 December)
- Lowest value: 1,268.6 (9 March)

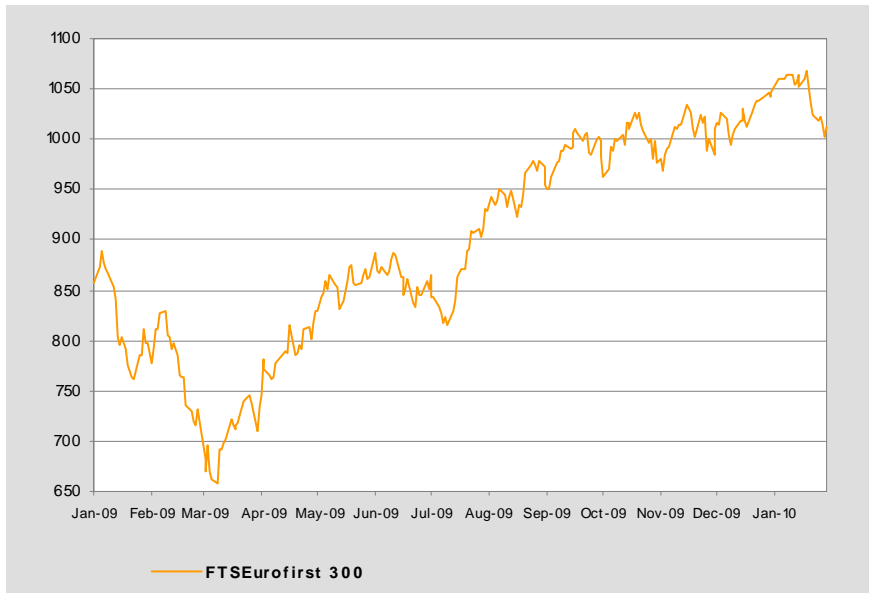
% change on year opening

- -7.0%

% change year on year

- +45.4%

Source: NASDAQ



FTSEurofirst 300

Year 2010

- Highest value: 1,069.03 (19 January)
- Lowest value: 1,001.73 (28 January)

Year 2009

- Closing: 31 December at 1,045.76
- Highest value: 1,046.89 (29 December)
- Lowest value: 657.3 (9 March)

% change on year opening

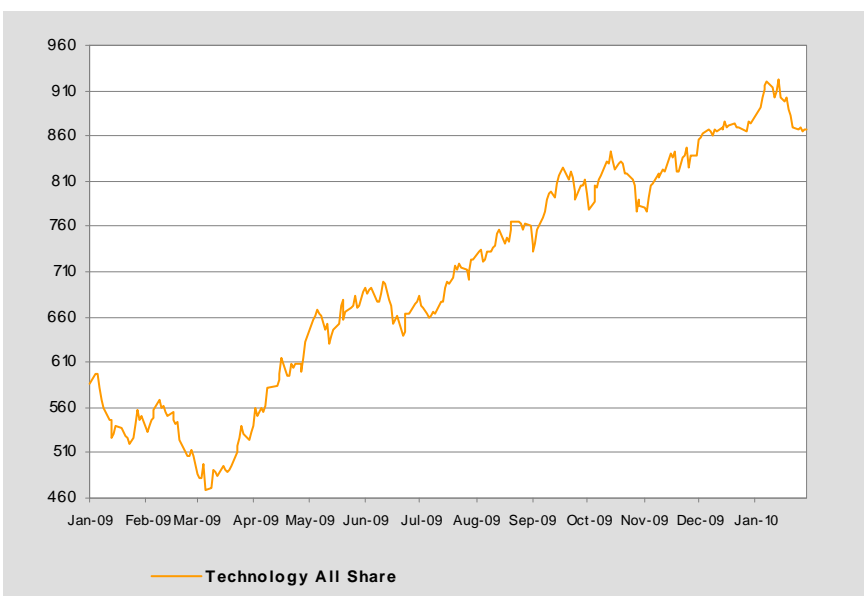
- -4.6%

% change year on year

- +27.0%

Source: London Stock Exchange

The Technology All Share was slightly more resilient than the NASDAQ and the FTSEurofirst 300 in January 2010, down by only 2.7%. In 2009 it had registered the second highest increase (+49%) after the AIM (+62%). The AIM was the only stock exchange to remain stable in January 2010, up by 0.4% from its early January level.



Technology All Share

Year 2010

- Highest value: 922.26 (14 January)
- Lowest value: 867.48 (28 January)

Year 2009

- Closing: 30 December at 874.44
- Highest value: 876.05 (29 December)
- Lowest value: 469.33 (6 March)

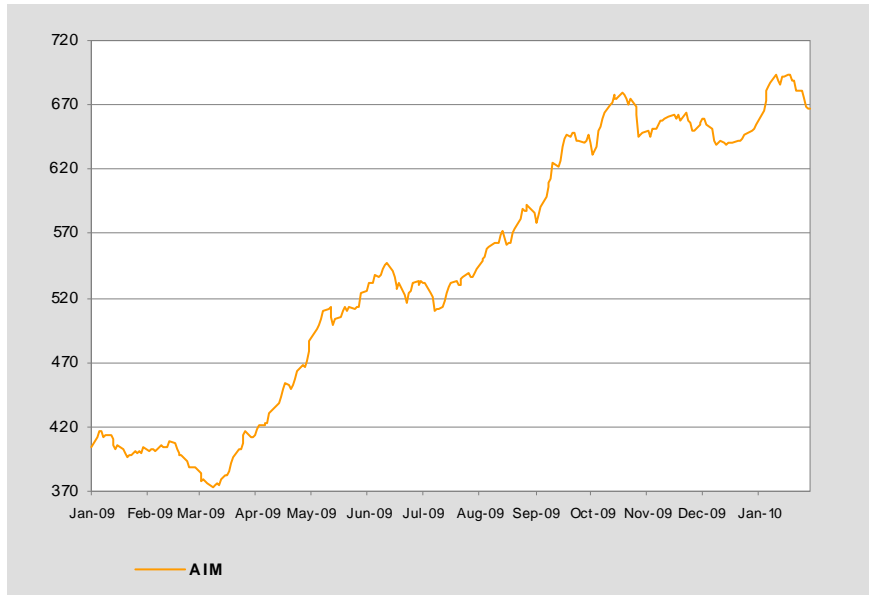
% change on year opening

- -2.7%

% change year on year

- +57.9%

Source: Deutsche Börse



AIM

Year 2010

- Highest value: 694.31 (11 January)
- Lowest value: 664.95 (4 January)

Year 2009

- Closing: 31 December at 654.17
- Highest value: 679.27 (19 October)
- Lowest value: 373.76 (9 March)

% change on year opening

- +0.4%

% change year on year

- +64.9%

Source: London Stock Exchange

IPO Activity

In the last quarter of 2009, 221 IPOs of European, US and Asian companies were registered, more than five times the total number of IPOs registered in Q4 2008, representing 48% of the full-year 2009 total.

According to data by Thomson Reuters, 19 European companies went public in the fourth quarter of 2009, generating €4.6bn in proceeds. Throughout the whole year, a total of 34 European companies went public, 70% less than in 2008.

The IPO of the Polish electric company *Polska Grupa Energetyczna (PGE)* in October is the largest IPO in Europe in 2009, raising total proceeds of €1.4bn. Second is the listing of the Dutch Delta Lloyd Bank in November, with total revenues of €1.1bn.

In the fourth quarter of 2009, 26 US companies were listed, double the number of IPOs in the third quarter of 2009. They generated €6.1bn, a 73% increase on the proceeds generated in the third quarter. Throughout the whole of 2009, 52 companies went public in the US, compared to only 31 companies in 2008. However, the proceeds generated in 2009 represent a decrease of one-third compared to the proceeds generated in 2008.

The largest US IPO throughout 2009 was the listing of *Verisk Analytics Inc* in October, which generated €1.5bn in proceeds. It was followed by *Hyatt Hotels* in November, worth €735m.



	USA				Europe				Asia ¹			
	2008		2009*		2008		2009*		2008		2009*	
	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Is- sues
Quarter 1	13,221	10	828	1	569	32	1	1	9,198	96	356	38
Quarter 2	2,987	14	1,608	12	7,411	47	529	7	6,802	119	3,289	41
Quarter 3	595	4	3,930	12	869	20	143	8	3,011	69	26,523	94
July	472	3	320	1	847	14	86	5	1,411	35	8,799	25
August	122	1	1,440	4	2	2	41	1	1,500	22	5,700	31
September			2,170	7	21	4	16	2	100	6912	12,024	38
Quarter 4	116	1			1,286	13			658	2829		
Total	16,919	29	6,366	25	10,135	112	672	16	19,668	313	30,168	173

* Cut-off date: 31 December 2009

IPO activity is classified by the domicile nation of the issuer's headquarters

Data is continuously updated and is therefore subject to change

¹Asia here excludes Japan

Source: Thomson Reuters

In Asia, in the fourth quarter of 2009, the number of IPOs grew by 50% compared to the third quarter of 2009, while the proceeds increased by 17%. A total of 176 companies went public in Q4 2009, generating €36.4bn in proceeds. Altogether, 373 IPO companies went public in 2009, worth €71bn. This is more than double the proceeds generated in 2008, but a 22% increase in terms of number of companies only.

The listing of the Chinese construction company *China State Construction Engineering* in July 2009 was the largest IPO in Asia in 2009, with €5.2bn in proceeds. It was followed by the listing of *Maxis*, a Malaysian communication company, which generated €2.2bn in proceeds.

Top IPO Stock Exchange

In 2009, the Warsaw Stock Exchange topped the ranking of the most popular European stock exchanges in terms of proceeds, with 9 listings worth €1.6bn. However, Euronext Paris came first in terms of number of issues with 14 IPOs worth €928m.

The New York Stock Exchange topped the list of most important US IPO markets, with 29 IPOs worth €7.6bn. It was followed by the NASDAQ with 18 IPOs worth €3.8bn.



Ranking	USA			Europe			Asia ¹		
	Name	Proceeds €m	No. issues	Name	Proceeds €m	No. issues	Name	Proceeds €m	No. issues
1	New York	5,333	16	London AIM	405	3	Hong Kong	12,838	28
2	Nasdaq	948	6	Channel Islands	349	1	Shanghai	11,834	4
3	Taiwan	79	1	Warsaw	182	6	The Bombay Stock Exchange	2,689	10
4	Frankfurt	5	1	Euronext	74	9	National Stock Exchange	2,689	10
5	TSX Venture Exchange	1	1	Frankfurt	41	5	Shenzhen	2,139	25

* Cut-off date: 31 December 2009

¹Asia here excludes Japan

Source: Thomson Reuters

In Asia, the Hong Kong stock exchange reached €18.5bn in proceeds from 257 IPOs. It was followed by the Shanghai stock exchange with €13.8bn generated by 11 IPOs. In terms of number of issues, the Shenzhen stock exchange came first with 102 IPOs.

Over 13,000 European M&A transactions worth €600bn in 2009

According to data from *Dealogic*, a total of 13,155 M&A deals valued at €600bn took place in Europe in 2009. This represents a 10% decrease in number and 40% decrease in value compared to 2008. The average monthly deal volume for 2009 was 1,096 M&A transactions per month, for an average of €50bn.

In 2009, the most active sectors in terms of deal number were professional services with 1,448 M&A transactions and computers & electronics with 1,279 M&A transactions, similar to 2008. The leading sectors in value terms were finance with €182bn generated through 1,085 M&A deals, and utility & energy with €101bn generated through 606 M&A transactions.



	2006		2007		2008		2009*	
	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals
Aerospace	8	31	6	37	3	45	1	45
Agribusiness	3	105	1	121	2	118	0	126
Auto/Truck	12	221	22	267	21	322	44	333
Chemicals	34	308	23	371	25	372	6	271
Computers & Electronics	32	1,265	40	1,384	37	1,617	14	1,279
Construction/Building	80	808	56	877	40	987	18	887
Consumer Products	14	442	28	565	49	555	3	497
Dining & Lodging	35	311	20	292	24	282	2	274
Finance	110	874	288	889	195	1,045	182	1,085
Food & Beverage	25	648	44	689	21	693	13	749
Forestry & Paper	2	112	4	107	3	125	1	114
Government	0	13	0	10	0	16	0	17
Healthcare	68	459	65	574	15	652	15	554
Holding Companies	4	99	18	104	8	110	7	132
Insurance	41	274	48	346	50	379	21	343
Leisure & Recreation	14	250	16	233	4	263	3	252
Machinery	12	363	18	475	11	516	3	424
Metal & Steel	50	285	39	338	13	374	2	296
Mining	20	181	7	137	39	155	6	158
Oil & Gas	57	340	87	308	48	307	48	377
Professional Services	23	1,312	30	1,542	26	1,754	6	1,448
Publishing	26	270	17	318	23	292	1	281
Real Estate/Property	134	1,016	170	1,338	72	961	51	824
Retail	24	445	50	474	19	585	7	544
Telecommunications	110	515	61	526	45	561	16	448
Textile	4	161	15	142	3	163	1	124
Transportation	61	561	47	621	29	677	27	653
Utility & Energy	73	392	141	436	169	606	101	606
Total	1,075	12,067	1,365	13,533	994	14,540	600	13,155

* Cut-off date: 31 December 2009

Data is continuously updated and is therefore subject to change.

Note: the industry classification has changed as of April 2007, following the implementation of a new analytics system. Please also note that the data methodology has changed as of January 2005 and is presented excluding company carveouts.

Source: Dealogic



Over 9,400 deals worth €537bn in Western Europe in 2009, compared to 3,725 deals worth €63bn in Eastern Europe

Based on data from Dealogic, in 2009 the M&A activity in Western Europe decreased by 18% in number to 9,430 M&A transactions, and 36% in value to €537bn from the 2008 levels. The UK, with €140bn in transactions accounted for more than one quarter of total transactions in Western Europe in value terms, followed closely by Germany with one fifth of the total. By number, the UK topped the ranking with 2,350 deals, almost twice more than in France, the second most active country in terms of deal number (1,297 deals).

	2006		2007		2008		2009*	
	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals
Eastern Europe	127	2,773	167	2,468	157	3,049	63	3,725
Russian Federation	68	1,226	96	827	105	1,188	31	2,185
Kazakhstan	4	26	5	32	6	47	9	45
Czech Republic	3	134	4	119	6	164	4	105
Poland	6	368	14	277	7	466	4	338
Turkey	19	126	17	124	12	119	3	76
Western Europe	947	9,294	1,198	11,065	837	11,491	537	9,430
Germany	122	1,155	148	1,842	83	1,539	107	1,144
United Kingdom	303	2,937	292	3,132	251	3,118	140	2,350
Spain	96	726	115	924	73	952	76	932
Belgium	9	182	16	252	28	238	26	228
France	126	915	116	1,039	117	1,303	42	1,297
Total	1,075	12,067	1,365	13,533	994	14,540	600	13,155

* Cut-off date: 31 December 2009

Data is continuously updated and is therefore subject to change.

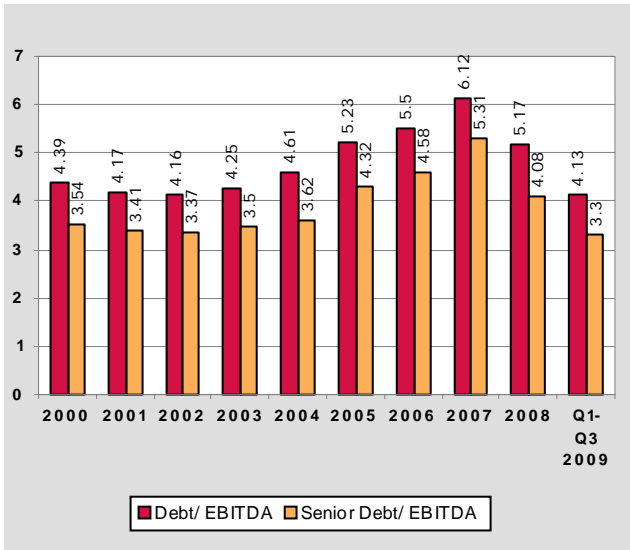
Note: the data methodology has changed as of January 2005 and is presented excluding company carveouts.

Source: Dealogic

In 2009, the total number of M&A deals in Eastern Europe decreased by 22% from 2008 to 3,725, while the total value of M&A deals decreased by 60% to €63bn. Despite a sharp increase in the total number of M&A transactions in Russia (+84%), the total value of M&A deals in the country decreased by more than 70%. Kazakhstan ranked second in terms of deal value after Russia, with 45 deals worth €9bn. By number of deals, Poland remained the second most active country in the region after Russia, with 338 M&A transactions.

Leverage Loan Market Activity

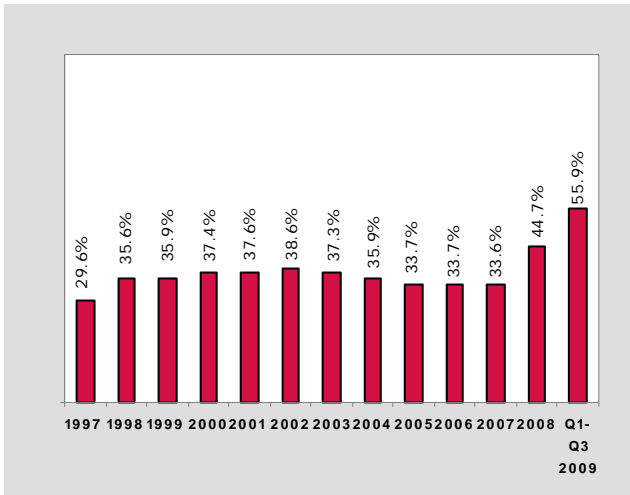
European leverage ratios, 2000-Q3 2009



Source: S&P LCD

According to data provided by Standard & Poor's Leveraged Commentary & Data (S&P LCD), debt to EBITDA multiples decreased by 20%, from 5.17x in 2008 to 4.13x in the first three quarters of 2009. The decrease in senior debt to EBITDA multiple was similar - 19% - from 4.08x in 2008 to 3.30x over the period January-September 2009.

Average European equity contributions, 1997-Q3 2009 (as of total enterprise value)



Source: S&P LCD

After a sharp increase in 2008 over 2007, the average equity contribution for European LBO transactions continued its steep upward trend, reaching 55.9% in the first nine months of 2009, from 44.7% in 2008.



Methodology

GDP

i) Eurostat

Source: <http://epp.eurostat.ec.europa>

The growth rates presented refer to the actual quarterly growth rates, which are revised monthly to take account of new information. The area referred to is the Euro Zone (EU 15).

ii) The Economist: The Economist poll forecast

Source: www.economist.com

The Economist poll forecast is a monthly estimate for the GDP growth rate in the Euro Zone for the coming year. To obtain this forecast, 17 banks and financial institutions are questioned on their current growth projections. For the final figure, the arithmetic average of individual projections is calculated.

LIBOR

Source: British Bankers Association (BBA), Home Page: www.bba.org.uk

The data presented is the 12 month Euro LIBOR, measured at spot value.

Inflation rate

Source: Eurostat

The numbers displayed are the annual consumer price inflation rates published by Eurostat on a monthly basis. The most recent value is an estimate, which is published at the end of the month and incorporates all information available at the time. This figure is restated in the middle of the following month. The data presented measures price changes in the Euro Zone between the current month and the same month in the previous year.

Exchange rate

Source: European Central Bank (ECB)

Bilateral Euro/US Dollar exchange rate.

Stock Markets

FTSE Eurotop 300:

Source: www.londonstockexchange.com

AIM:

Source: www.londonstockexchange.com

Technology All Share:

Source: www.deutsche-boerse.com

NASDAQ:

Source: www.nasdaq.com



IPO activity and Top 5 IPO stock exchanges

Source: Thomson Financial at www.thomsonreuters.com

IPO data includes the first public offering of a company's common stock. Secondary listings or re-listings on other markets are not considered IPOs. The data is attributed geographically by the domicile nation of the issuer's headquarters, regardless of the target market. European data comprises IPOs of companies domiciled in Europe, including Central and Eastern Europe. Asian data refers to companies domiciled in Asia, excluding Japan. All amounts are given in Euros and represent total proceeds raised to the issuing company, including over-allotments sold.

M&A activity in Europe

Source: Dealogic at www.dealogic.com

The M&A data accounts for completed deals between January 1999 and the time of publication. Deals that are pending, withdrawn or in which shares have been bought back are excluded. Europe refers to both Western and Eastern Europe. Volume data refers to M&As of quoted and unquoted companies. The geographical M&A flows are classified by target nationality. Please also note that the data methodology has changed as of January 2005 and that M&A data is presented excluding company carveouts.

European leverage ratios and average equity contributions

Source: S&P LCD at www.lcdcomps.com

The data is referring to the leverage loan market, covering loans for LBO transactions that are syndicated to borrowers (banks) in Europe. Transactions include all sponsored activity, such as refinancing and recapitalizations. Europe refers to both, Western and Eastern Europe.

Disclaimer

The data provided in this Barometer has been collected from different sources. EVCA has taken steps to ensure the reliability of the information presented. However, EVCA cannot guarantee the ultimate accuracy of the data and therefore EVCA does not accept responsibility for any decision made or action taken based on the information provided.

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