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# Mid-Market M&A Activity Turning into an Upward Trend

M&A International Quarterly Mid-Market Report  
Q3 2009

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## Foreword

Being the world's leading M&A advisory network comprising 600 professionals in 44 M&A advisory and investment banking firms operating in 39 countries, M&A International Inc. offers a unique source of information on the current state of the M&A activity in the mid-market (*Figure 1*).

We have now brought this together in a quarterly report, of which this is the first issue, that will give you an overview of the state of mid-market M&A on a global basis. Over time the report will also be able to show how sentiment develops quarter by quarter.

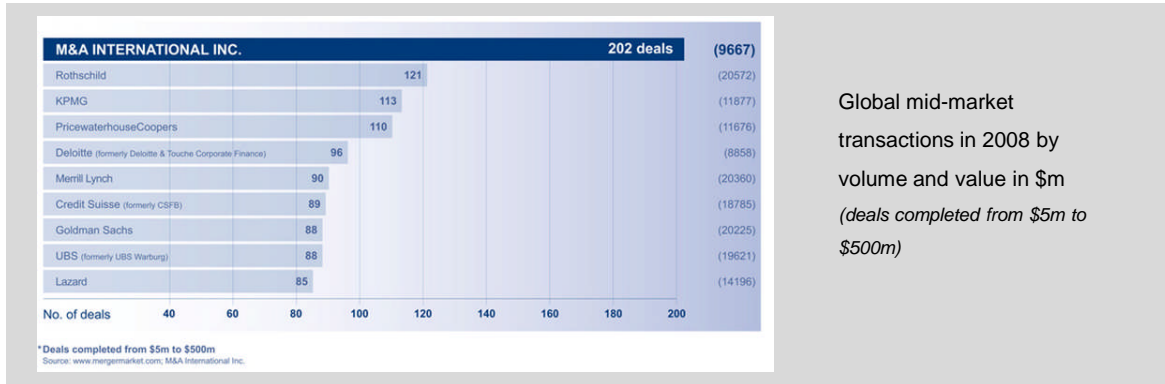
The report comprise two integral parts where we combine an analysis of all reported transactions advised on by M&A International's alliance partners with a survey answered by our senior professionals representing all firms within M&A International (*Figure 2*).

Interesting enough the report shows in several data points that the trend for mid-market M&A activity on a global basis has turned, although from a very low level, or as one respondent puts it: "Bumping along the bottom, expect upturn 2010".

It is a buyer's market where trade buyers, bidders who are in the same industry as the target, are showing the strongest increase in activity on the buy side. On the sell side family-owned businesses, primarily in Western Europe and Central Eastern Europe, are showing the strongest increase in activity.

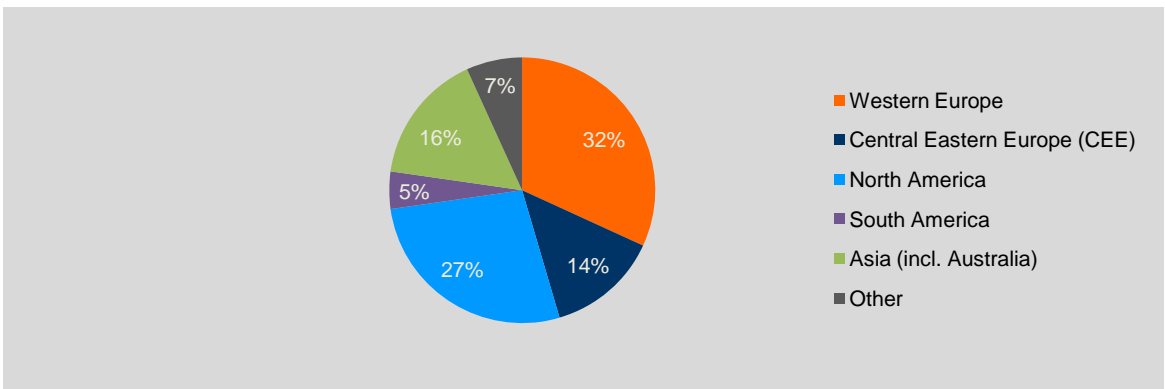
From a geographic perspective it can be seen that Asia including Australia has experienced the quickest upturn, and North America the most sustained upturn albeit turning more modestly and from a lower low. The upturn in Western Europe is somewhat slower.

**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 members**



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### The trend has turned for mid-market M&A activity on a global basis

Following a uniquely slow first three quarters of 2009, showing an index-adjusted decrease in transaction volume of more than 50%, everyone is now expecting an upturn in activity.

The slowdown actually started in the third quarter of 2007 in the US market, followed in the fourth quarter by Western Europe. The free fall in activity, of course, came following the fall of Lehman Brothers kicking off the financial crises with a significant low in M&A activity in the first quarter of 2009 (Figure 3).

However, while the number of successfully completed buy side transactions has continued to slow down through the third quarter of 2009, sell side transaction activity increased in the second quarter of 2009 and is now indicating an upward trend (Figure 4).

A significant part of the respondents verified that their actual deal volumes are up compared with last quarter (Figure 5).

### “Bumping along the bottom, expect upturn 2010”

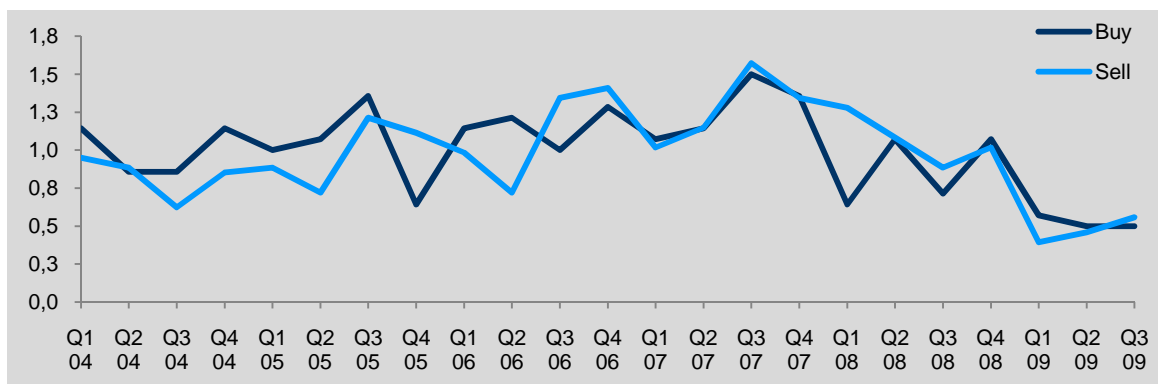
This is a picture that is supported by the survey, where an overwhelming majority replied that the market in the third quarter of 2009 is stronger than in the previous quarter. Even stronger are expectations on the mid-market M&A activity for the following four quarters compared with the previous four quarters – no one is expecting lower activity (Figure 6 and 7).

On a regional basis it can be noted that, while the overall view is very positive, Central Eastern Europe have somewhat less positive expectations of an upswing.

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



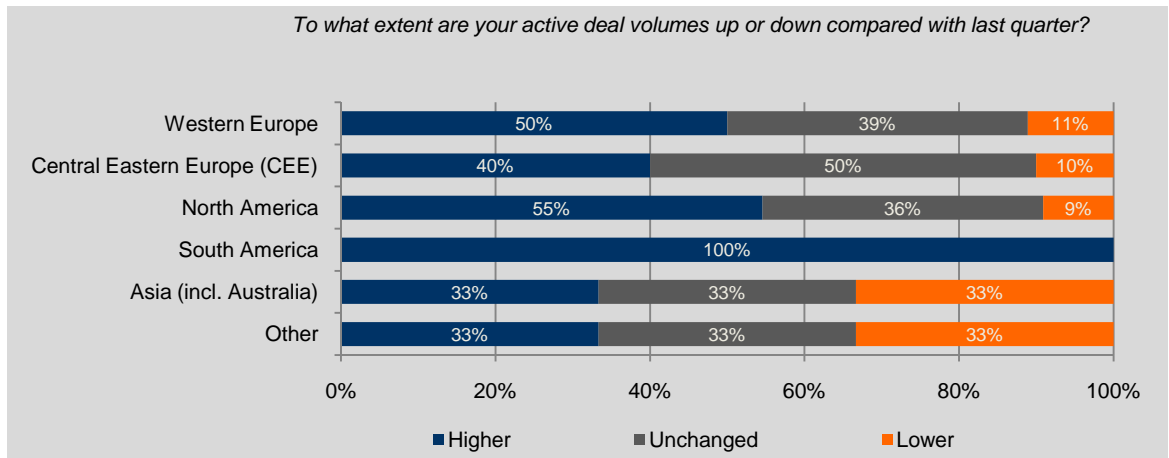
Figure 4: M&A International's indexed number of closed buy and sell transactions per quarter\*



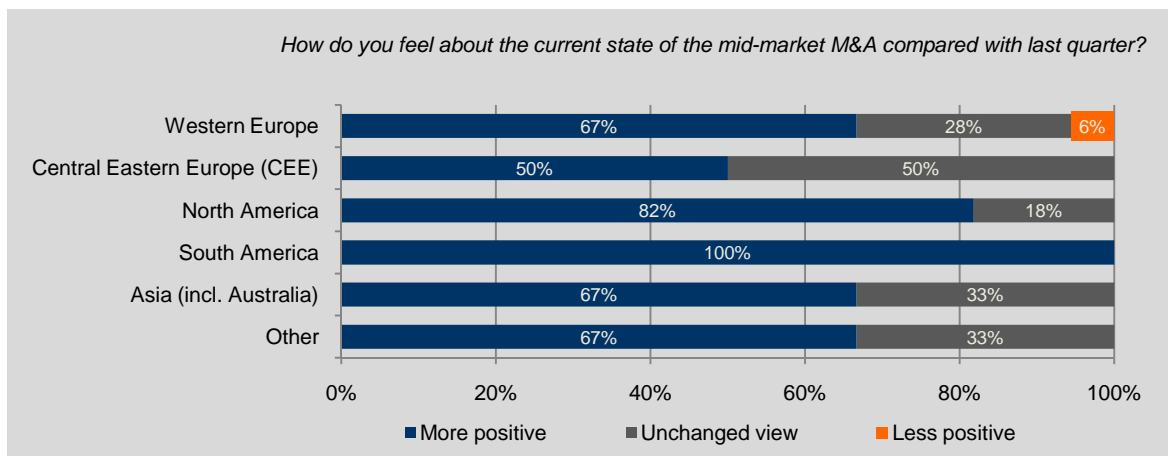
\*Index 100 represents a 5-year average capturing an economic cycle. Buy side = M&A International representing the buyer, sell side = M&A International representing the seller

# M&A International Quarterly Mid-Market Report Q3 2009

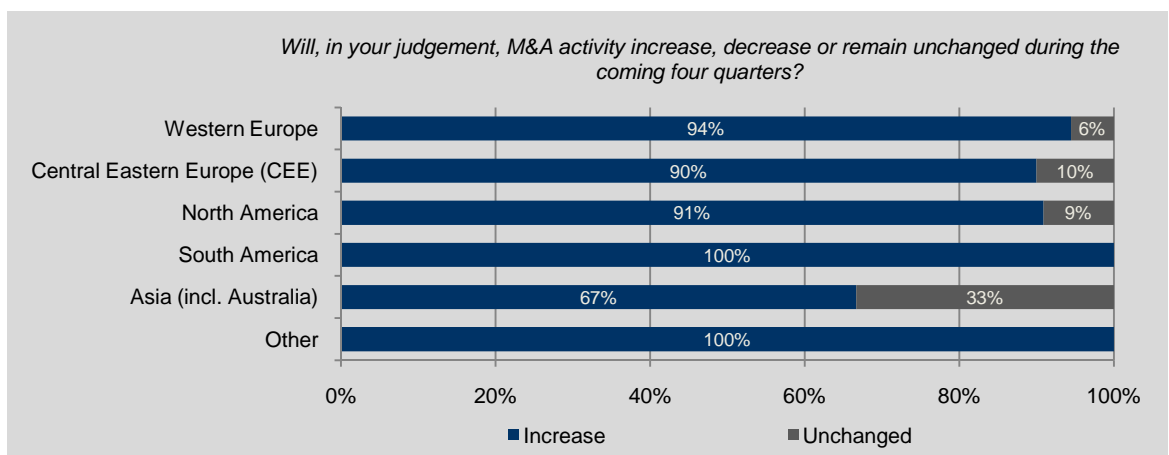
**Figure 5: For many M&A International firms, actual deal volumes are up compared with last quarter**



**Figure 6: Strong optimism in this quarter compared with last quarter**



**Figure 7: An overwhelming majority is expecting an increased M&A activity during the coming four quarters – no one is expecting lower activity**



# M&A International Quarterly Mid-Market Report Q3 2009

## It's a buyer's market

With only small regional deviations the market is still seen as more of a buyer's market. This is supported by the fact that valuations in general are seen to have remained unchanged from last quarter (*Figure 8 and 9*).

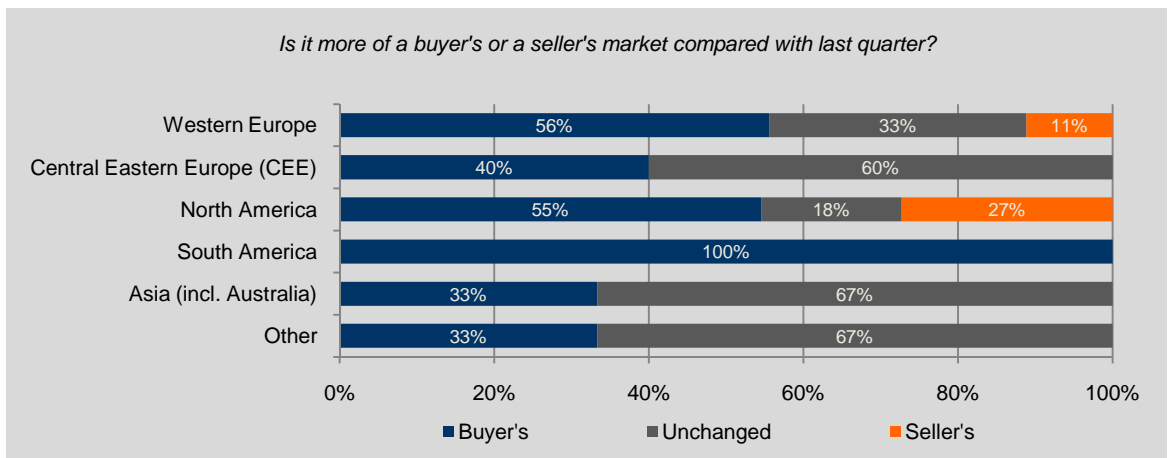
The fact that the time span in which transactions are concluded remain long or even getting longer may indicate that, while activity is picking up, there is little pressure on parties closing a transaction on a timely basis. This will continue to depress M&A valuations (*Figure 10*).

## "Cash rich, trade buyers are selectively active"

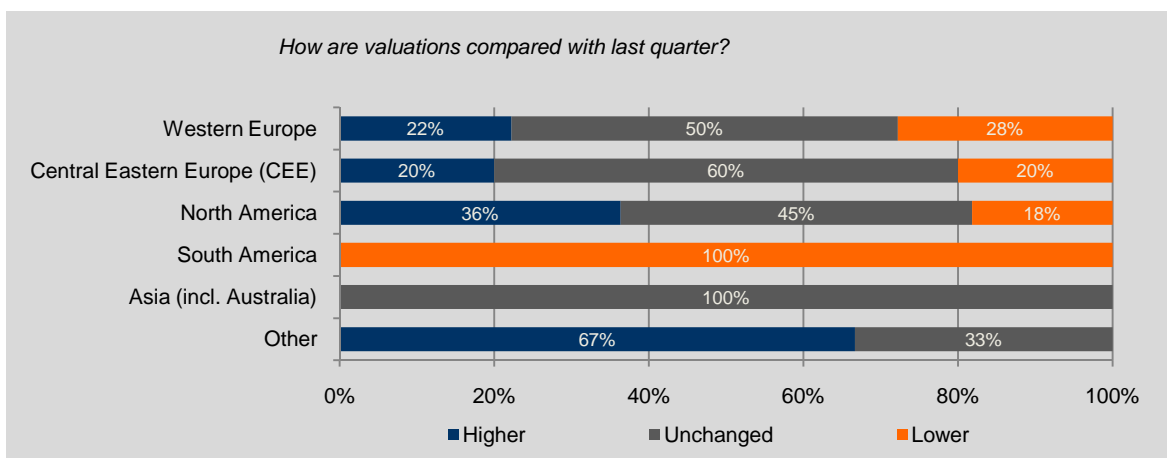
In Western Europe and Central Eastern Europe family-owned companies are increasingly active on the sell side. Succession in European family-owned companies tend to in a larger extent be solved outside the family than in North American family-owned companies, which may be the explanation for the situation in North America being reported as unchanged (*Figure 11*).

In this environment, it is interesting to note that trade buyers are significantly more active compared with last quarter (*Figure 12*).

**Figure 8: It's a buyer's market**

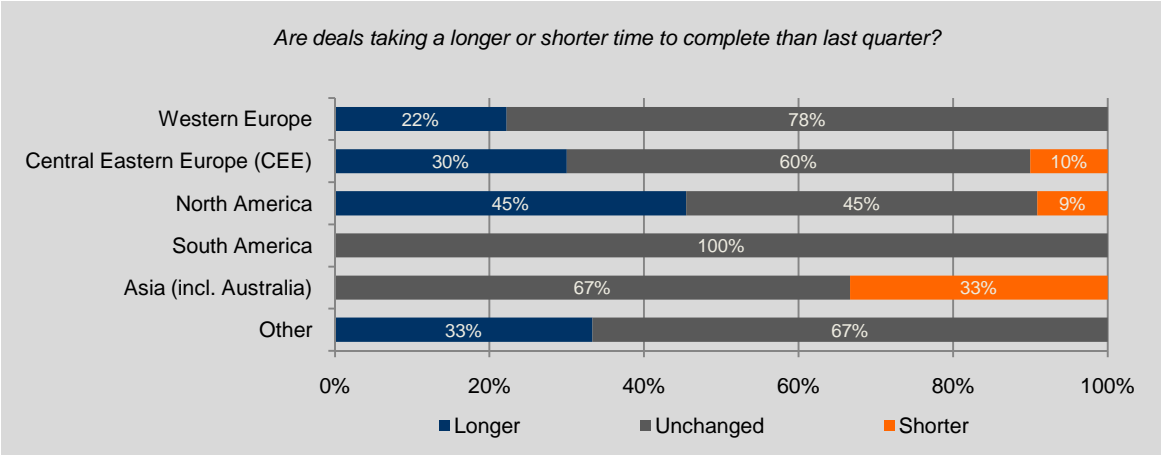


**Figure 9: Mainly unchanged valuations albeit regional differences**

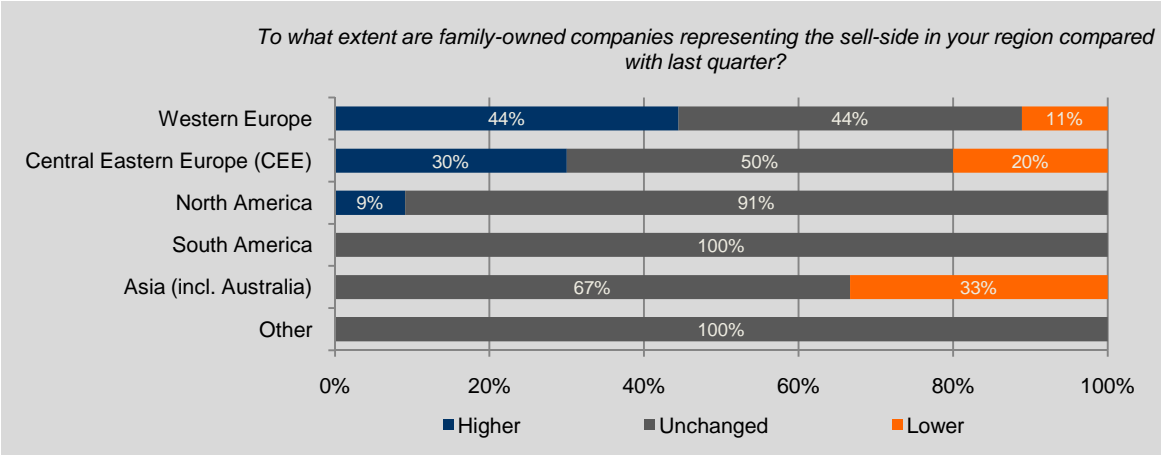


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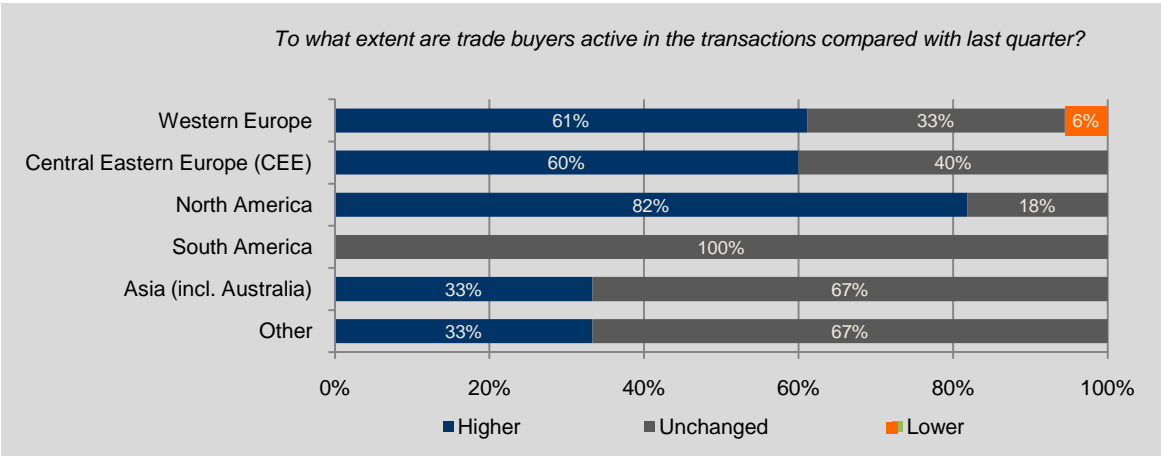
**Figure 10: The time span in which transactions are concluded remain long / are getting longer**



**Figure 11: European family-owned business are showing the strongest increase in activity**



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



## M&A International Quarterly Mid-Market Report Q3 2009

### Private Equity activity is picking up slower

Private Equity related M&A activity is seen to be higher in all geographies, except in South America where it remained unchanged. In North America, PE related activity was especially higher.

As a whole, Private Equity related M&A activity is seen to be increasing at a much slower rate than that of trade buyers (Figure 13).

### “Panic is over, leverage is still scarce”

One reason for this is likely to be availability of debt where, as a total, the situation is unchanged compared with last quarter. There is, however, a mixed picture in all regions when it comes to availability of debt (Figure 14).

Figure 13: Private Equity activity is picking up slower

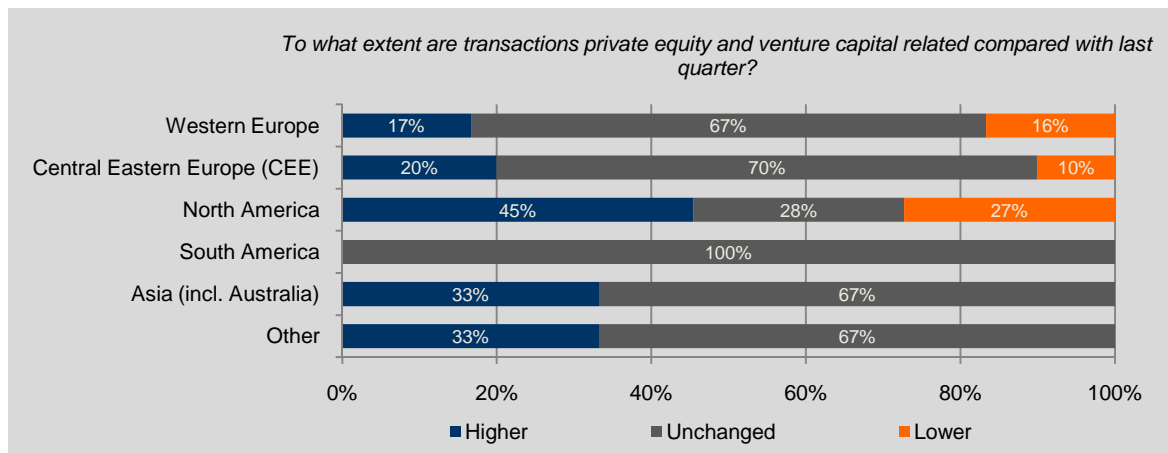
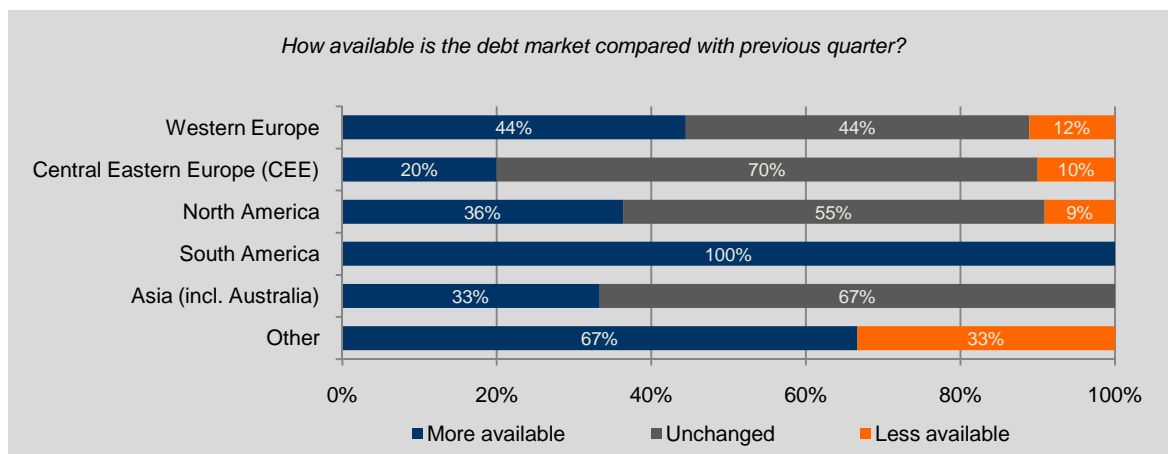


Figure 14: Availability of debt is slightly improving



# M&A International Quarterly Mid-Market Report Q3 2009

**Australasia the quickest, USA the most solid and Western Europe struggling to keep up**

While activity in all regions has increased following a low in the first quarter of 2009, markets have developed somewhat differently. On a 12 months rolling perspective, Australasia is the only market that shows a positive trend, however with a slightly lower activity in the third quarter of 2009.

The North American market however, turning more modestly and from a lower low, is sustaining increased activity.

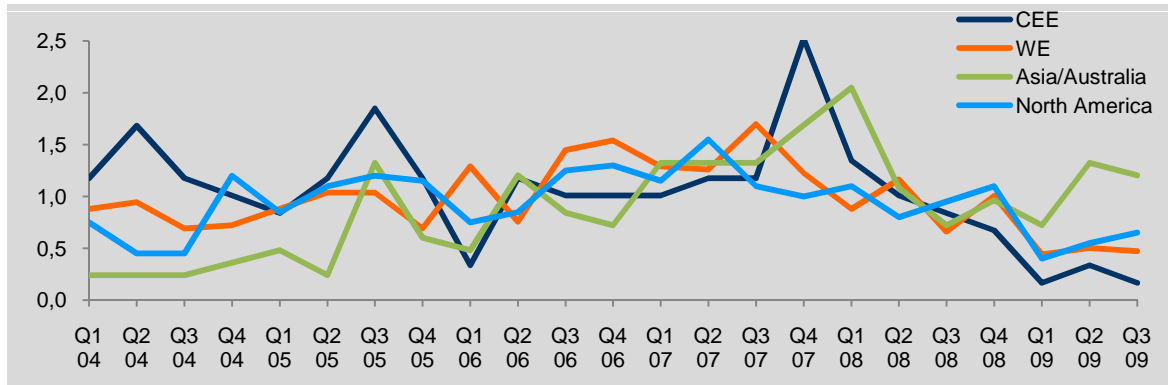
Activity has picked up also in Western Europe, however modestly and with a slightly slower third quarter of 2009.

This picture is confirmed by the survey where the opinion on the current state is slightly more positive for North America than for Western Europe and Central Eastern Europe.

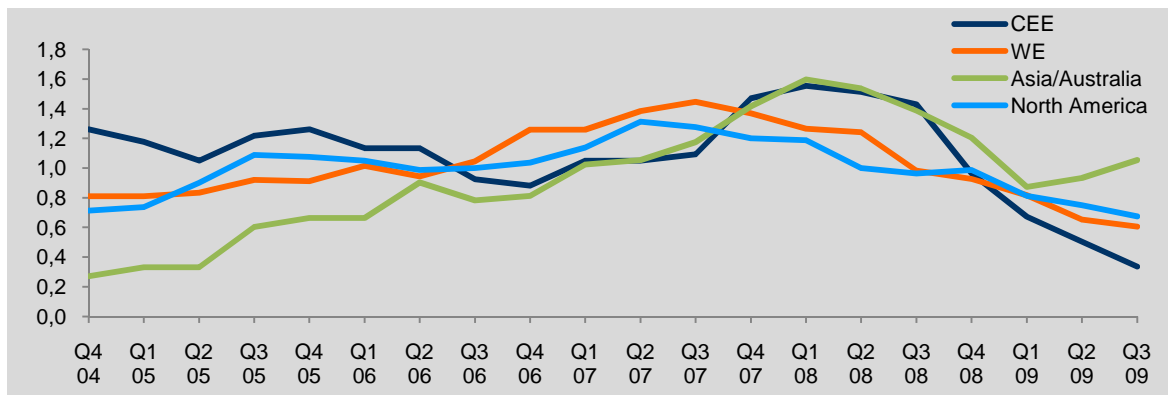
**Selective cross border interest is also increasing**

Also cross border activity is picking up. In particular the survey shows an increase in Asian interest in Western Europe and North America, Western European interest into Central Eastern Europe and Asia as well as North American interest into Asia.

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



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



\*Index 100 represents a 5-year average capturing an economic cycle

M&A International Inc. offers the unparalleled resources of over 600 professionals in M&A advisory and investment banking firms operating around the globe.

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