

M&A Report

Global Mergers and Acquisitions Reports and Analyses

May 2010

Less M&A Activity in Greece

Whilst banks all over the world were in the midst of the economic crisis, the crisis initially passed the Greek banking sector by largely without effect. With the exception of the state-controlled Postal Savings Bank, none of the Greek institutions had invested in subprime products. Nor did they have to deal with liquidity problems, since the relationship between deposits and loans is very high in Greece. Consequently, Greek banks were able to continue their expansion and went on to invest in building up their own branch networks or in acquisitions of other institutions outside Greece.

Geographic Expansion in the Banking Sector

Almost a quarter of all M&A transactions carried out by Greek investors in the 1999 to 2009 period took place in the financial sector. In turn, a quarter of these were made up by acquisitions of foreign banks by Greek banks.

The acquisition activity of Greek financial institutions was initially limited to the neighbouring countries in the Balkan region. Four of the ten largest banks in Bulgaria are controlled by Greek financial institutions. In Serbia, this is the case for three of the top ten banks, in Romania two and in Turkey, Greek financial institutions hold the majority of one of the top ten Turkish banks. In the meantime, Greek banks have established a presence in a region which stretches from Russia, Poland and the Ukraine to the north to Turkey to the east and as far as Egypt to the south. In these countries the banks have built up a network of around 4,000 branches.

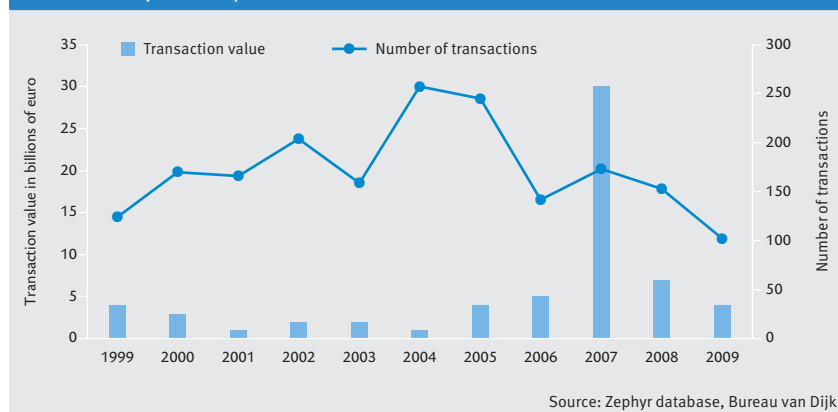
The majority of M&A transactions, including the largest, were carried out by the market leader National Bank of Greece. The bank is majority-owned by foreign investors. The largest transaction value of over 20 billion euro was recorded by the acquisition of Finansbank AS in Turkey by Fiba International Holding NV, Holland. The acquisition spanned three years, from 2006 to 2008. In 2007 the increase of its stake from 46 percent to almost 90 percent and the acquisition of the rights to the brand name Finansbank was estimated to be valued at over 17 billion euro. This

Athens, and Coca-Cola Beverages, London, in 2000 and has the bottling and distribution rights of the Coca-Cola Company for 28 countries. From its creation until 2008 it focused on external growth and acquired many local market leaders in countries like Russia, Italy, Bulgaria and Romania.

Declining M&A Activity 2009

In contrast to the positive development of M&A transactions up until 2008, a decline in both the number of transactions as well as in the total

M&A Activity of Companies in Greece



enormous deal value is reflected in the drastic leap in the cumulative value of all transactions carried out in Greece from five billion euro in 2006 to 30 billion euro in 2007.

Outside the banking sector, M&A transactions in Greece are dominated by a multitude of acquisitions in the manufacturing and bottling of non-alcoholic drinks by Coca-Cola Hellenic Bottling Company SA. Coca-Cola Hellenic was created through the mega-merger of Hellenic Bottling Company,

transaction value can be observed in 2009. At a time when the global M&A market is undergoing a period of recovery, corporate acquisitions carried out by Greek investors are being indirectly negatively affected by the difficult budgetary position in the country. It remains to be seen to what extent direct investments of Greek companies will suffer under the draconian austerity programme announced by the Greek government.

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Strategic Restructuring of E.ON

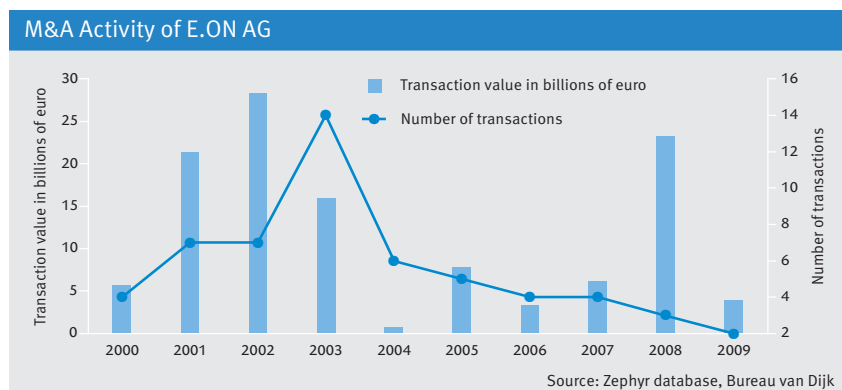
Since 2000, the strategy of E.ON has been designed to strengthen its core competences, thus business areas which no longer fit this strategy have been sold. For example, the former Viag Interkom was sold to British Telecom for 11.4 billion euro. The property arm Vitera was also sold to Deutsche Annington

Immobilien for seven billion euro. In contrast, the core energy business area has been strengthened through acquisitions in Germany, elsewhere in Europe and also in Russia. The acquisitions comprised, amongst others, Powergen plc in Great Britain (2002) for around 15 billion euro and the various subsidiaries

of Endesa (2008) for a total of around 12 billion euro.

The number of transactions carried out by E.ON has, however, significantly decreased overall since 2003, whereas the number of involuntary transactions has increased. In particular, pressure from antitrust authorities has prompted the company to sell several strategically important subsidiaries to competitors. This included, for example, the sale of its subsidiary THÜGA to a consortium of municipal utilities (2009) for 2.9 billion euro. The company has also fulfilled the obligation imposed by the European Commission and sold the 11,000 km long high-voltage network in Germany to the Dutch transmission system operator TenneT for 850 million euro.

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Significant Rise in Transaction Values

The apparent economic recovery has also led to a significant increase in the activity of investment banks and private equity firms in the past six months. The number of transactions carried out by investment banks has increased from 2,090 (March 2009 to September 2009) to 4,754 currently.

In the meantime, the combined value of transactions rose from 396 billion

euro (March 2009 to September 2009) to 1.14 trillion euro. Between October 2009 and February 2010 private equity firms carried out 2,951 transactions with a total transaction value of 115.9 billion euro. There were, however, few changes in the top positions in the ranking of investment banks. Morgan Stanley and Goldman Sachs continue to occupy the first two places. Credit Suisse

makes a new entry in the list at number three. In the ranking of private equity firms, all positions are newly-occupied. In first position is Citigroup with only one transaction. This was the acquisition of the Spanish toll road operator Itinere Infraestructuras SA from Sacry Vallehermoso. It is followed by CPP Investment Board and Aabar Investments.

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Ranking of Investment Banks				Ranking of Private Equity Firms			
Pos.	Investment Bank	Number of transactions	Transaction value (billions of euro)	Pos.	Private Equity Firm	Number of transactions	Transaction value (billions of euro)
Oct '09 - Feb '10				Okt '09 - Feb '10			
(Mar '09 - Sept '09)				(Mar '09 - Sept '09)			
1 (1)	Morgan Stanley	232	381.10	1 (-)	Citigroup	1	7.89
2 (2)	Goldman Sachs	134	364.14	2 (-)	CPP Investment Board	6	5.98
3 (-)	Credit Suisse	177	289.11	3 (-)	Aabar Investments PJSC	3	5.58
4 (10)	JP Morgan	163	260.49	4 (-)	TPG Inc.	16	4.89
5 (4)	Citigroup	149	220.82	5 (-)	Gov. of Singapore Invest. Corp. Pte	3	3.95
6 (5)	Lazard	97	200.53	6 (-)	Pershing Square Capital Management	3	3.53
7 (6)	UBS	183	180.88	7 (-)	Carlyle Group	17	3.45
8 (-)	Bank of America Corp.	141	170.85	8 (-)	Kohlberg Kravis Roberts & Company	12	3.07
9 (-)	Barclays Capital plc	65	148.76	9 (-)	Fairholme Capital Management LLC	2	3.00
10 (3)	Deutsche Bank	77	115.56	10 (-)	Bain Capital LLC	8	2.95
	Others	3,733	203.87		Others	2,886	78.76
	Total	4,754*	1142.49*		Total	2,951*	115.86*

Source: Zephyr database, Bureau van Dijk

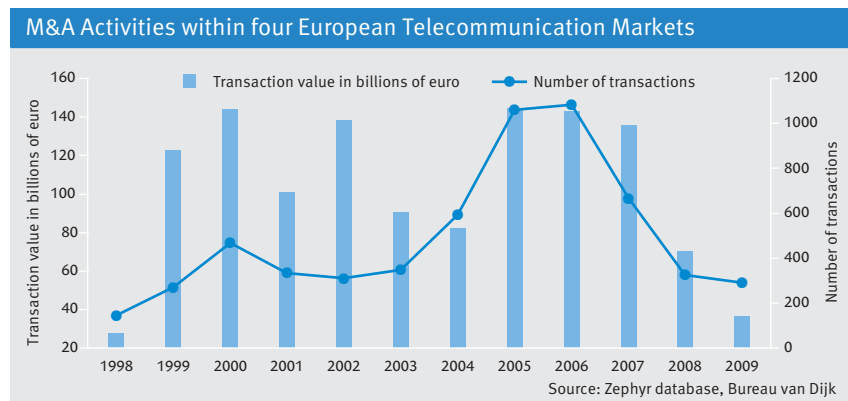
* Consolidated total amount, since single transactions can be carried out by several investment banks or private equity firms.

Source: Zephyr database, Bureau van Dijk

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Telecommunications Liberalisation Drives Transaction Activity

Telecommunication markets have undergone continuous restructuring since their liberalisation at the end of the 1990s, which can be attributed to two central aspects – on one hand, utilisation has significantly increased due to extensive technological advances in transmission technology (for instance in the areas of internet and mobile phones). On the other hand, liberalisation and the range of licences and usage rights for infrastructure have contributed to a progressive transformation of the competitive environment in telecommunications markets. This change can also be clearly seen in M&A activity. The diagram shows completed transactions since 1998 for the four largest European markets – Germany, France, Spain and Great Britain. Whilst larger transactions predominantly took place in the phase of regulatory establishment of competition



up until 2002/2003, the number of completed deals in the subsequent phase of competition regulation increased. This is certainly due, alongside the two market phases in the transition from national monopolies to competition, to developments on the capital market. The first phase corresponds with the forming and bursting of

the IT bubble. The second represents a phase of consolidation with regard to capital acquisition for telecommunications companies. Nevertheless, similarly clear observations regarding M&A in comparable markets, such as IT, cannot be identified in such a pronounced form.

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The Big Players Are Getting Bigger in the Confectionery Market

Over the last few years, the majority of market leaders in the confectionery industry have made important acquisitions. Mars became the largest confectionery manufacturer in the world in March 2008 with the acquisition of the chewing gum manufacturer Wrigley for 16.9 billion euro, replacing Cadbury in first place. Kraft, in turn, acquired Cadbury at the beginning of 2010 for 13.1 billion euro.

British Chocolate Preferred

The European Commission approved the acquisition of Cadbury by Kraft in January 2010. Kraft has a strong presence in almost every EU member state with its largest brands Milka, Côte d'Or and Toblerone. The United Kingdom and Ireland are an exception. There, Cadbury is the market leader in particular with its Dairy Milk brand, whilst the Kraft brands have a weaker presence. Since consumers in these countries continue to prefer traditional British chocolate, the brands of Kraft and Cad-

bury are not in competition with each other there. The Commission had, however, doubts with respect to competition in Poland and Romania. In order to dispel these reservations, Kraft will sell the Polish and Romanian chocolate divisions of Cadbury.

Kraft Becomes Global Market Leader

Although Kraft is a global food and drinks company, the company is relatively weakly positioned in the confectionery sector. Therefore Cadbury complements its business well. Mars, Cadbury and Nestle, followed by Hershey, Ferrero and Kraft together make up around half of the global confectionery business. With the acquisition, Kraft will be elevated to become the global market leader. Acquisitions also occur amongst smaller market players. For example, in 2008 Yiliz (Turkey) acquired Godiva chocolatier and Lotte Confectionery (Korea) acquired the chocolateeerie Guylian.

The Mars/Wrigley and Kraft/Cadbury transactions suggest several trends in the global confectionery market.

Great Potential in Emerging Markets

Confectionery manufacturers are trying both to satisfy the growing demand for confectionery and to come to terms with rising raw material costs, reservations regarding nutritional value and a growing concern for health. Whilst the markets in western Europe and the United States are saturated, emerging markets such as China, India and Russia, display the greatest potential for growth. This is also reflected in the acquisition strategy of confectionery manufacturers. Hershey, for example, has acquired Godrej Beverage&Foods in India (2007) and Van Houten in Singapore (2009). The trend towards consolidation in the global chocolate market is therefore very likely to continue over the next few years.

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The IPO Market Remains Stagnant

In the first quarter of 2010 there are still no clear signs that the stagnation on the markets for initial public offerings (IPOs) in Europe, which has prevailed since the beginning of the financial crisis, could soon come to an end. The backdrop is a nervousness on the stock markets as a whole. The consequences of the economic crisis, anxiety regarding the debt problems of several EU countries and uncertainty with regard to sustained economic recovery is keeping the demand for in the most part risky stock market newcomers low. There are, however, the first signs of a

slow improvement. The number of IPOs in the fourth quarter rose from 44 to 61, and the total value of capital raised climbed in the same period from 1.8 billion euro to almost five billion euro. Several candidates have been preparing IPOs either in the long or short term. Private equity investors in particular are feeling increasing pressure to carry out exits.

Several companies have already floated on the stock market this year, mostly with considerable discounts such as Medica France for example. Others, for instance the Irish travel re-

servation specialist Travelport, announced a stock market listing and later cancelled it due to lack of interest from investors. On the other hand, other companies have had not particularly successful stock market debuts. This includes for example the much publicised initial public offering of the largest aluminium company in the world Rusal, which floated simultaneously on the stock markets in Paris and in Hong Kong. The new issue was disappointing since on the first day of trading the share price fell by almost ten percent.

In 2010 up until the beginning of March 200 initial public offerings have taken place globally (compared with 864 in the whole of the previous year). Almost a third of these were Chinese companies which listed on the Chinese Shenzhen Stock Exchange. In terms of values, the new listings on the markets in Shenzhen and Shanghai represented more than 60 percent of global offerings. A long way behind in next place was the Canadian TSX Venture and the Toronto Stock Exchange. The stock markets in New York, London or Frankfurt only occupy the lower positions in the IPO rankings. In contrast, alongside China with Shenzhen and Shanghai, other Asian marketplaces and countries are increasingly coming to the fore, for instance Taiwan, India, Hong Kong, Korea or Singapore. It is not only local companies or only the large companies that are surging onto the stock markets in the Far East. Smaller companies are also venturing stock market listings in Asia, as they promise easier access to the markets in that region, whose role will grow further in the future.

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IPOs on Various Stock Markets (January to March 2010)

Stock market	Country	Number of IPOs	Value of IPOs (billions of euro)
Shenzhen SME Board Stock Exchange	China	38	2.72
Shenzhen Stock Exchange	China	21	1.41
TSX Venture	Canada	17	0.01
Australian Stock Exchange	Australia	8	0.06
New York Stock Exchange	United States	7	0.40
Taiwan Emerging Stock Board	Taiwan	7	0.00
Frankfurt Stock Exchange	Germany	6	0.22
Indian Stock Exchange / Mumbai Stock Exchange	India	6	0.25
KOSDAQ Stock Market	Korea	6	0.09
London AIM Stock Exchange	United Kingdom	6	0.13
Shanghai Stock Exchange	China	6	4.08
Belgrade Stock Exchange	Serbia	5	0.00
Paris	France	5	0.39
Kong Stock Exchange	Hongkong	5	0.63
Toronto Stock Exchange	Canada	5	0.11
NASDAQ International	United States	4	0.25
Singapore SGX	Singapore	4	0.08
Warsaw Stock Exchange	Poland	4	0.01
Others		40	2.68
Total		200	13.52

Source: Zephyr database, Bureau van Dijk

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I M P R I N T

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