



# EVCA Barometer

EVCA Barometer June 2006

2005 activity statistics – records at all levels

Inflation rises again to 2.5% in May 2006

Dip in stock markets in May and early June 2006

5,037 European M&A deals worth €346bn in 2006 so far

## Industry Snapshot:

*Like every year, EVCA releases the annual private equity and venture capital activity statistics together with the European performance data<sup>1</sup> at the association's annual conference, the EVCA Symposium. Although many of you have joined us last week at the Symposium "[Shaping the future](#)" in Monaco, this month's Barometer will take a closer look at the key trends in the 2005 activity statistics and will provide some views on the year ahead.*

*Overall, the year 2005 will go down in history as a year of records. Fundraising, investment and divestment activity by European private equity and venture capital players have attained all-time highs. Most remarkably, fundraising has increased to €72bn in 2005, overtaking European investment levels for the first time since three years. Investment activity itself reached a new record of €47bn, mainly driven by a further rise in buyout investments. Divestments at cost added up to €30bn in 2005, of which 28% were divested by sale to another private equity house, financial institution or the company's management. Repayment of principal loans accounted for 23% of the divestments and trade sales had a similar share.*

The EVCA activity statistics are a crucial part of the association's services to its members and the European Private Equity and Venture Capital industry at large<sup>2</sup>. Not only does the annual survey compile industry activity following a standardized methodology already since 1984, it has also increased its coverage in line with the enlargement of Europe and in particular of the European Union over time. Key difference with other statistics is not only the unique coverage of 1,200 European responses collected in 2005, but also the measurement of activity in equity value, net of the bank debt included in deals.

## 2005 highlights

Private equity activity in 2005 has reached record levels on all variables. Most remarkably, European private equity funds have raised a total of €71.8bn in 2005. This is more than 2.5 times the amount raised in 2004 (€27.5bn) and over €20bn more than raised in Europe's previous record year 2000 (€48bn)<sup>3</sup>. However, funds raised are highly concentrated, with the ten largest funds combining 48% of the total capital raised in Europe.

Investments by European private equity funds continued to increase and reached a new record level of €47bn in 2005. This marks a 27% increase compared to 2004 investment activities, which at €36.9bn had been the previous record.

<sup>1</sup> The European performance data will be discussed separately in the July issue of the EVCA Barometer.

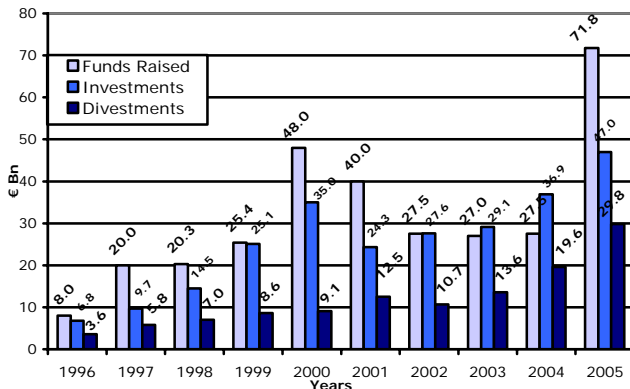
<sup>2</sup> This article refers to private equity covering both venture capital and buyout investments.

<sup>3</sup> The activity figures presented herein are published in the [EVCA Yearbook 2006](#).



Divestments at cost reached an all-time high of €29.8bn. This marks an increase of 52% compared to the €19.6bn divested by European private equity funds in 2004.

Fundraising, Investment and Divestment activity in Europe



Source: EVCA/Thomson Financial/PricewaterhouseCoopers

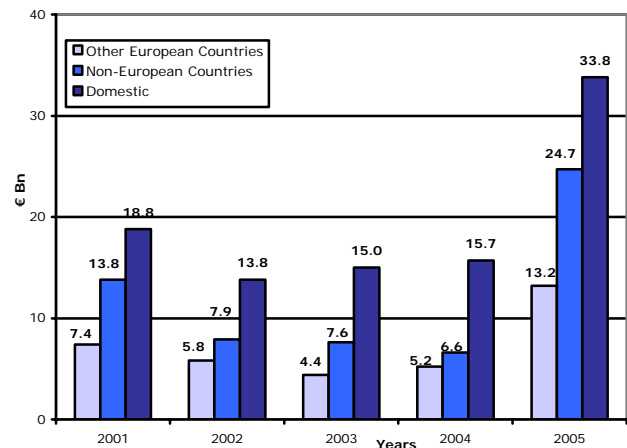
### Fundraising - Where did the money come from?

The considerable increase in private equity fundraising in 2005 cannot be attributed to a single source having provided more capital compared to previous years. The increase rather reflects a broad uptake in interest for European private equity by limited partners overall. As such, all but one source of private equity fundraising doubled the amount of its commitments between 2004 and 2005.

However, some sources committed significantly more money in 2005. Most importantly, pension funds more than tripled their contribution to European private equity fundraising and took over from banks as the number one source. In 2005, one-fourth or €16.8bn of the total funds raised was provided by pension funds. Banks contributed 18% or €11.9bn of funds raised in 2005, compared to 22% or €5.1bn in 2004. Fund of funds were the third most important source of capital, accounting for around 13% (€8.9bn) of the total European funds raised in 2005, which is in line with previous years. Although academic institutions and government agencies only represent a small percentage in overall fundraising, they were the only two sources that have more than quadrupled their contribution to European private equity players, providing 3% (€1.7bn) and 10% (€6.7bn) of total funds raised in 2005 respectively.

Overall, domestic investors again took the lion's share of European fundraising<sup>4</sup>, providing €34bn of the funds raised in 2005. This is double the volume raised in 2004, when domestic limited partners raised €16bn. However, their share in overall fundraising fell from 57% in 2004 to 47% in 2005. Funds raised from other European investors kept a stable share of around 18% of total funds raised, although more than doubling in size from €5bn in 2004 to €13bn in 2005. Most remarkable in 2005 fundraising is, the strong increase in funds raised from non-European countries, tripling in size from €7bn in 2004 to €25bn in 2005 and expanding their share from 24% in 2004 to 34% of total funds raised in 2005.

Fundraising European, non-European and domestic investors



Source: EVCA/Thomson Financial/PricewaterhouseCoopers

The largest proportion (24%) of the non-European funds raised comes from US investors, tripling their share from €6bn in 2004 to €17bn in 2005. Even stronger was the increase of the funds raised by Asian investors, who accounted for €4bn (6%) of the funds raised in 2005, which is twelve times the amount raised by Asian limited partners in 2004.

In a nutshell, there was a rising interest for European private equity in 2005 by all types of limited partners, with pension funds being affected most. They became increasingly capitalized and allocated a larger percentage to the asset class in Europe. Despite the fact that the majority of capital was provided by European limited partners, there was a rise in

<sup>4</sup> Domestic investors refer to limited partners located in the same country as the management company.

interest by non-European investors, most notably coming from the US and Asia.

### Cross-country differences

As regards the 2005 funds raised by country of management, private equity players located in the UK took the lion's share, raising €45.6bn and thus representing 64% of the total European funds raised. This marks not only a strong increase compared to the €10.1bn raised from UK sources last year, but also a strengthening of the UK's relative position in Europe. The UK now manages close to two thirds of the total funds raised (by country of management) compared to only around one third in 2004.

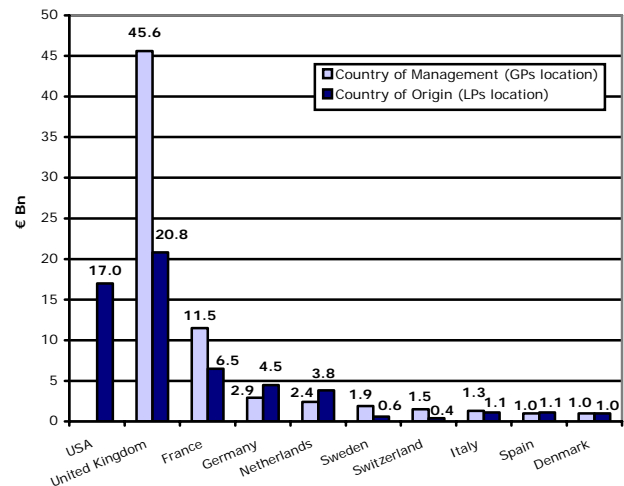
Private equity funds located in France came second, attracting €11.5bn or 16% of the total funds raised in 2005 in Europe. Third and fourth came Germany and the Netherlands, attracting €2.9bn (4%) and €2.4bn (3%) respectively of the capital raised. Interestingly, Switzerland has joined the group of countries raising above €1bn, increasing its contribution by eight times from €176m in 2004 to €1.5bn in 2005.

When looking at the origin of the capital raised (i.e. by country of the LP), limited partners located in the UK came out on top of the list, having provided €20.8bn or close to 30% of the total funds raised. This marks a strong increase compared to the €4.9bn (18%) raised from UK limited partners in 2004. Second most important were US limited partners, providing €17bn or 24% of European funds raised, followed by French limited partners (€6.5bn or 9%). Fourth and fifth came Germany and Asia, having contributed €4.5bn (6.2%) and €4.0bn (5.6%) respectively of funds raised.

When comparing the two fundraising flows, private equity players in the UK, France, Sweden, Switzerland and Italy raised more money in 2005 than limited partners in their country provided to overall European fundraising. This has resulted in a net inflow of capital managed in those countries, especially in the case of the UK.

On the contrary, private equity houses located in Germany and the Netherlands raised overall less money than limited partners in their country supplied to overall European fundraising (net outflow).

2005 Funds raised by country of management and by country of origin



Source: EVCA/Thomson Financial/PricewaterhouseCoopers

### Where to be allocated?

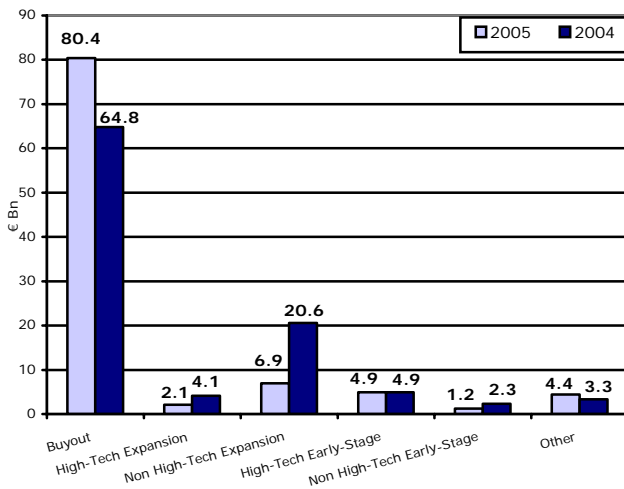
Most of the capital raised in 2005 was once more earmarked for buyout investments, raising their share from 65% (or €18bn) of funds raised in 2004 to 80% (or €58bn) in 2005. Venture capital deals, although attracting a lower overall share of 15% in 2005 fundraising (compared to 32% in 2004), still benefited from a much larger pool of money available for investing. As such, €10.9bn of the funds raised in 2005 was earmarked for venture capital investments, compared to €8.8bn in 2004.

This effect is very similar for the early stage, having attracted a decreasing proportion of overall private equity fundraising but a larger amount of capital due to the overall increase in funds raised. As such, funds earmarked for high-tech early-stage increased from €1.4bn in 2004 to €3.6bn in 2005, despite their stable share of 4.9% in total fundraising. Funds dedicated to non high-tech early-stage grew from €627m to €850m, while their share in total fundraising decreased from 2.3% in 2004 to 1.2% in 2005. Similarly, funds committed to the high-tech expansion stage attracted €1.5bn (2.1%) in 2005, compared to €1.1bn (4.1%) in 2004 funds raised.

However, a strong decrease - from a relatively high level - was noted for funds dedicated to non high-tech expansion, which fell from €5.7bn in 2004 (representing 20.6% of funds raised) to €4.9bn in 2005 (representing 6.9% of funds raised).

In summary, funds raised in 2005 allocated to early-stage investments add up to around €4.4bn, compared to €6.5bn raised for the expansion stage.

Expected allocation of funds raised



Source: EVCA/Thomson Financial/PricewaterhouseCoopers

### Investments - How was the money invested?

Overall, European private equity funds invested a total of €47bn in 2005, which marks a 27% increase compared to the €36.9bn invested in 2004 and a 62% increase compared to the 2003 investments of €29.1bn. At the same time, the number of investments increased by 7% from 10,236 in 2004 to 10,915 in 2005. Given the larger increase in amounts invested, average deal size grew by 19% from €3.6m in 2004 to €4.3m in 2005.

Of the total €47bn invested in 2005, 79% were spent on initial investments, compared to 78% in 2004 and 76% in 2003. On the contrary, when measured by number of investments, half of the deals were follow-on investments. This indicates that while the majority of capital is invested in initial investments of larger scale, follow-on investments are generally smaller in size, but more numerous.

Around 78% of the amount invested were non-syndicated deals, which is a strong decrease compared to the 84% non-syndicated deals in 2004, but still above the 65% counted in 2003. At the same time, the amount of syndicated deals increased again after a strong decrease in 2004.

As such, 12.6% of the capital invested in 2005 was syndicated nationally, compared to only 9.1% in 2004 and 17.0% in 2003. Furthermore, 9.8% of the capital invested in 2005 was syndicated transnationally, compared to 7.2% in 2004 and 18.1% in 2003.

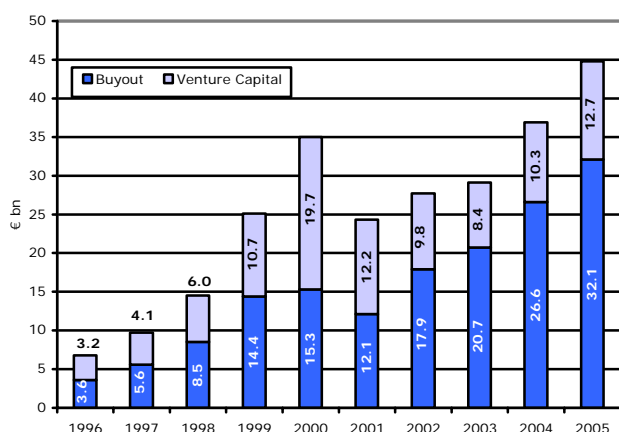
### Stage distribution

When looking at the stage distribution of European private equity investments, buyouts once more took the lion's share, attracting 68% or €32.1bn of the equity invested in 2005, compared to 70% or €25.7bn in 2004. Given the larger size of buyout deals, this represents however only one fifth of the number of investments made.

In parallel to the increase in buyout investments, the amount invested in venture capital increased from €10.3bn in 2004 to €12.7bn in 2005, representing around 27% of the invested capital in both years. This increase was mostly driven by the expansion stage, rising from €7.9bn in 2004 to €10.2bn in 2005. Start-up investments increased slightly from €2.2bn in 2004 to €2.3bn in 2005, despite a lower share of overall investments (6% in 2004 and 5% in 2005). The amount invested in the seed stage fell from €148m in 2004 to €97m in 2005. In terms of number of investments, venture capital overall accounts for up to 75% of the total deals made by European funds.

When looking back at the past five years, venture capital investments were relatively stable in the period 2001-2005, ranging between a minimum of €8.4bn in 2003 and a maximum of €12.7bn in 2005. Hence, the key driver behind the overall rising investment level in private equity was the buyout sector, more than doubling in size from €12.1bn in 2001 to €32.1bn in 2005.

Amount invested by stage 1995-2005



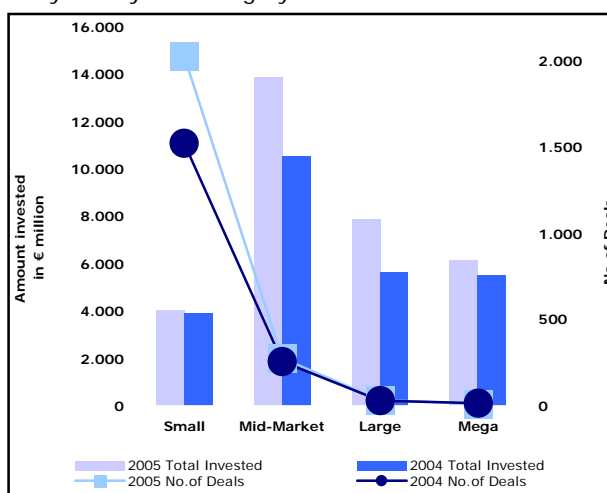
Source: EVCA/Thomson Financial/PricewaterhouseCoopers

When looking in more detail at the size of the buyout deals, the mid-market accounts for 43% or €13.9bn of the amount invested in buyouts, thus taking the largest share<sup>5</sup>. This trend has even grown since 2004, when €10.6bn or 41% of the buyout investments was invested in the mid-market. The proportion of large buyout deals also increased, rising in value from €5.7bn, representing 22% of total buyout investments in 2004, to €7.9bn, representing 25% of total buyout investments in 2005. The proportion invested in mega deals increased slightly from €5.6bn in 2004 to €6.2bn in 2005, whereas its share in overall buyouts decreased from 22% to 19% year-on-year. Even though an increasing amount of capital was invested in the large and particularly mid-market, most investments were taking place in the small market segment. 86% of all buyout investments in 2005 were small deals, accounting for 2,032 of the overall 2,366 buyout investments in 2005.

Also on the increase was the amount invested in replacement capital, which more than doubled from below €1bn in 2004 to €2.3bn in 2005.

<sup>5</sup> Buyout deals in the EVCA methodology are categorized according to the equity proportion of the transaction in small (<€15m), mid market (€15m<X<€150m), large (€150m<x<€300m) and mega deals (>€300m).

Buyouts by size category and number of investments



Source: EVCA/Thomson Financial/PricewaterhouseCoopers

When looking at the number of investments per company size, investments in companies with less than 20 employees accounted for around 42% of the deals made in 2005. This marks a slight decrease compared to 2004, when 43% of investments were made in companies with less than 20 employees. Second came deals with between 20 and 100 employees, accounting for 36% of investments in 2005 and 35% in 2004.

### Cross-border investments

In 2005, €29.1bn representing 62% of the private equity investments were made domestically. This is despite an increase in volume compared to €24.2bn invested in 2004, a lower share of domestic investments when compared to 2004 and a continuation of previous years' developments. In 2002 and 2003 domestic investments still accounted for 76% and 71% of investment volumes respectively. As a result, investments in foreign companies increased over the past four years – mainly to the benefit of other European countries, increasing their share gradually from 22% in 2002 to 35% in 2005 (to €16bn).

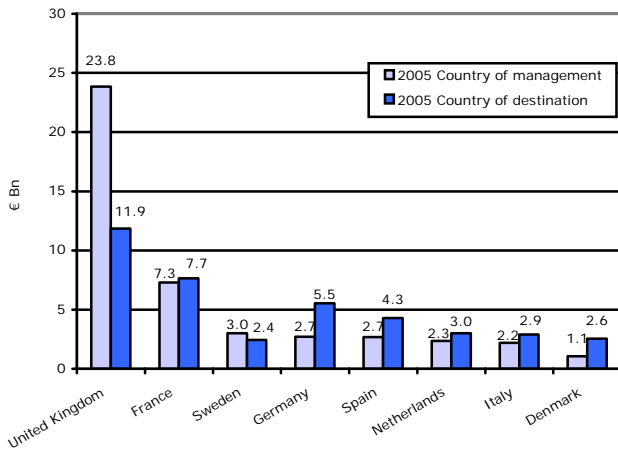
When looking at investment flows in 2005, private equity houses located in the UK invested €23.8bn, thus representing the largest share (51%) of overall capital invested. This is an increase of around €5bn when compared to the €19.1bn invested by UK players in 2004.

However, only about half of this capital was invested in UK companies themselves (€11.9bn), with the other half being invested in other countries, mainly European.

Investment activity was second highest in France, where around €7.3bn were invested by French private equity houses in 2005. Third and fourth came Sweden and Germany with €3bn and €2.7bn invested by funds located in those countries respectively. In addition, European private equity players invested around €1.7bn in non-European countries, of which 90% was invested in the US.

Some of the European countries noted a strong inflow of capital, with more money being invested in the country compared to investment activity by domestic private equity managers. In 2005 Germany and Spain in particular, both had €2.9bn and €1.6bn more capital invested in their country than invested by domestic funds.

2005 Investments by country of management and country of destination

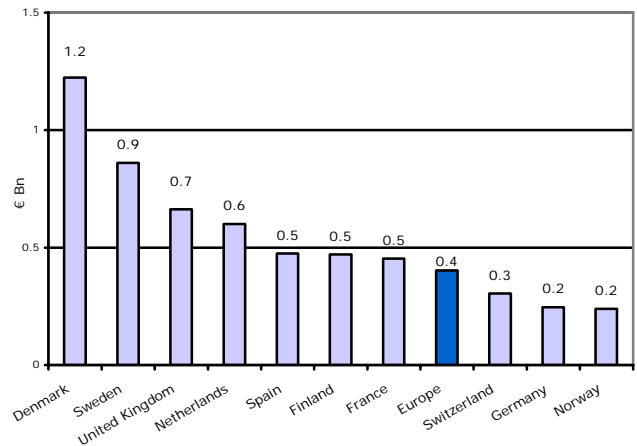


Source: EVCA/Thomson Financial/PricewaterhouseCoopers

The economic impact of private equity in a given country can further be compared when looking at the share of private equity investments (by country of destination) as a percentage of total GDP. From this comparison one can see that Denmark (1,2%), followed by Sweden (0,9%), the UK (0,7%) and the Netherlands (0,6%), received the largest share of private equity investments in 2005 relative to the respective size of their economies.

The European average is currently at 0.4%, which marks a continued increase compared to the 0.25% of private equity as a percentage of GDP measured in 2001.

2005 Private Equity Investments as % of GDP by county of destination



Source: EVCA/Thomson Financial/PricewaterhouseCoopers

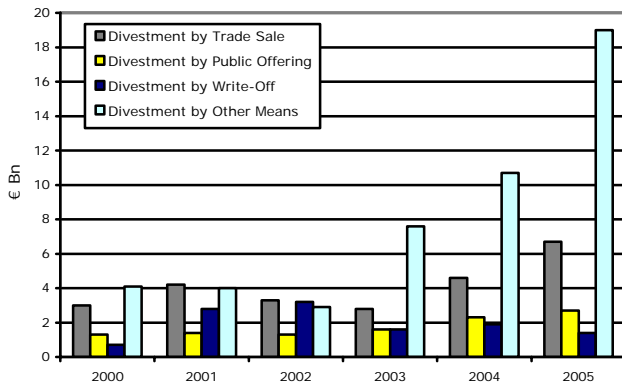
### Divestments – What were the main exit routes?

From the €29.8bn divested by European private equity players in 2005, repayment of preference shares or loans was the main exit route, with a total value of €7bn (23.3%). This marks a significant increase compared to the €2.2bn and €4.2bn divested by these means in 2003 and 2004 respectively, representing 15.9% and 21.3% of total divestments. Trade sales came second, accounting for €6.7bn (or 22.6%) of total divestments in 2005.

Sales to another private equity player, a financial institution or the portfolio company's management (buyback) all increased significantly, doubling in size from €4.1bn (21%) in 2004 to €8.3bn (28%) in 2005 divestments.

Divestments by public offerings remained relatively stable, accounting for €2.7bn (8.9%) of divestments, compared to €2.3bn (11.8%) in 2004. Write-offs decreased from €1.9bn (9.7%) in 2004 to €1.4bn (4.7%) in 2005.

European divestments at cost 2000-2005



Source: EVCA/Thomson Financial/PricewaterhouseCoopers

### What lies ahead?

When looking at some of the underlying trends in the 2005 activity statistics, a number of them will continue to shape the private equity market in the coming years. On the fundraising side, it is expected that 2006 will not replicate the record amounts raised in 2005, but rather stabilize at a lower but strong level. Pension funds are likely to keep their prominent role as the number one source for European fundraising, in line with other, more mature private equity markets. Funds raised from limited partners in the US, Asia and other parts of the world will continue to be strong and increase further. In case more funds are being raised by IPO on international capital markets (such as KKR), this trend is likely to be evident in the 2006 fundraising statistics too.

Given the large allocation to private equity by some investors, and their likely reduction in individual relationships, a further concentration of a small number of very large funds, raising the majority of funds, will remain. At the same time, a large number of smaller funds also focusing on the many smaller investors will continue to exist. The UK will remain a key country with respect to the management and investment of those international funds raised, although competition from changing legislation in the smaller and more flexible European countries or changes to the UK legislation is expected and might easily trigger a change here.

In terms of investment activity, 2006 is expected to be equally active as the year 2005. An increase in the average deal size is expected for both venture capital and buyouts, given the larger amount of capital available per fund. Despite the increasing average deal sizes, most investments will remain in the smaller segments of both the venture and the buyout stage. In the long run, the rising interest by limited partners in Central and Eastern Europe will materialize in increasing activity levels in those regions for both buyout and venture funds.

On the divestment side, trends are slightly more difficult to predict. The buoyant secondary market as seen in the 2005 divestments is very likely to remain a feature of 2006. Exit possibilities by repayment of loans depend strongly on interest rate developments and are likely to decrease in the 2006 divestment activities. Trade sales are expected to play a more prominent role in 2006 than in 2005, as the accessibility of the IPO market is still fragile and overall uncertain. Write-offs will continue to be low assuming economic conditions remain favourable.

### Latest news on emerging technologies for the Information Society

Below you will find a summary of news from the European Commission's IST Results service, featuring innovations and results from the €3.6bn Information Society Technologies research programme.

#### Bridging technologies for more accessible wireless services

Wireless communication beyond 3G will offer an unprecedented variety of innovative services. However, incompatible equipment, networks and configurations might inconvenience mobile users who want to access many different services. The End to End Reconfigurability project is working to solve this. It is part of the IST-funded Wireless World Initiative, a huge collaborative effort to shape the long-term future of global wireless communications. [Read more...](#)

## Helping to promote adoption of an open iTV standard

A recent study found that Europeans spend on average 3.5 hours a day passively watching television. Interactive digital television, or iTV, allows viewers to do much more with their TVs. However, for it to become widely deployed, there needs to be an open standard allowing full interoperability. The MHP-KDB project set out to help equipment manufacturers, and software and content developers adopt the best such standard. [Read more...](#)

## Online cost-engineering service to help SMEs build business

Small businesses supplying the automotive, semiconductor manufacturing and aerospace sectors must be able to fix their cost drivers as early in the contract development process as possible. A prototype set of online cost-engineering services is now available to help these SMEs, developed by the V-CES project and maintained by a technology spin-off company created by Cranfield University. [Read more...](#)

## Embedded software made simpler yet more powerful

The current decade will probably be known as the dawn of pervasive computing, when PCs were dethroned by embedded computer technology in almost everything. The hardware already exists to add features such as artificial intelligence and wireless connectivity to clothing or cars. Thanks to researchers in the ASAP project, software is catching up fast. [Read more...](#)

IST Results can be visited at [www.cordis.lu/ist/results/](http://www.cordis.lu/ist/results/). IST is funded by DG Information Society of the European Commission.

## Euro Zone GDP growth forecasts remain stable for 2006 and 2007 at 2.1% and 1.7% respectively

GDP growth estimates published in June by *The Economist* have remained relatively stable for both 2006 and 2007 compared to last month's predictions.

The economic outlook for 2007 for the Euro Zone is still expected to grow at 1.7%.

Growth forecasts for the UK, Denmark and Sweden have also remained unchanged compared to the May assessment, foreseeing 2.5%, 2.2% and 2.8% of GDP growth in 2007 respectively. Similarly, US growth of 2.8% is still anticipated for 2007.

The GDP growth expectations for 2006 have not changed either for most countries, Denmark being the only exception. For 2006, GDP in the Euro Zone is still expected to grow at 2.1%. Forecasts for the UK and Sweden have also remained stable, with respective rates of 2.4% and 3.4%. The growth estimate for Denmark has been reviewed downwards by 0.1 percentage point, however still predicting strong GDP growth of 2.7% in 2006. For the US economy, a growth rate of 3.4% is anticipated for 2006, the same as last month.

This month the European Commission has published the first quarterly Euro Zone GDP growth projection for the second, third and fourth quarter of 2006. The Commission foresees between 0.5% and 0.9% of GDP growth in the second and third quarter of 2006. For the end of the year, the economic outlook becomes more uncertain: GDP growth is estimated to range between 0.4% and 1.0% in the fourth quarter of 2006.

The actual GDP growth for the first quarter of 2006 has remained constant compared to last month, indicating a quarterly growth rate of 0.6%.

## LIBOR continues upward trend throughout 2<sup>nd</sup> quarter of 2006

The upward trend in LIBOR continued during the month of May. LIBOR increased at the beginning of the month, but dropped slightly afterwards. Since then LIBOR was on the increase again, closing the month at 3.322%, which is slightly above the May opening value.

The average LIBOR rate for May 2006 was 3.31%, which is 112 basis points above the May 2005 average of 2.19%.

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## Inflation and Exchange Rates

After the Euro Zone inflation rate decreased in February and March, the April rate increased to 2.4%. This trend continued in May, with the annual inflation forecast for the Euro Zone rising further to 2.5%.

The \$/€ exchange rate continued its upward trend – that started at the end of March this year – into the first two weeks of May. By the end of the second week, the \$/€ exchange rate had surpassed the \$1.29/€ threshold, thus reaching a new record high with the Euro trading at US\$1.2914. During the rest of the month, the \$/€ exchange rate fluctuated around \$1.28 per Euro, closing the month at US\$1.2868 per Euro.

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## Dip in stock markets in May and early June

Following the increase of the stock markets in the first four months of 2006, stock indices presented here fell back in May and early June, closing at the cut-off date (16 June 2006) far below their May opening value. All stock markets reached a new annual low by mid-June.

The Technology All Share knew the largest decrease between early May and the cut-off date (16 June 2006). After still increasing during the first two weeks of May, the Technology All Share dropped sharply and closed at the cut-off date at 16.4% below the May opening value. The AIM stock market evolved in a similar way: despite an increase in early May and a short upswing at the end of that month, it fell by 15.7% between May and mid-June 2006.

Similarly, the FTSE Eurotop 300 and NASDAQ took a downturn, albeit to a smaller degree. Over the same period of time, the FTSE Eurotop 300 dropped by 8.5% and the NASDAQ by 7.6%.

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## IPO Activity

According to data provided by *Thomson Financial*, IPO activity by both European and US companies has continued its steady upward trend towards the end of the second quarter of 2006.

In addition, like the previous month, IPO activity in Europe has been a lot stronger than on the other side of the Atlantic.

Between April and mid-June (cut-off date: 16 June 2006), a total of 88 European companies have gone public on international stock markets, generating proceeds of €17.9bn. This is 5 IPOs and over €10bn in proceeds more than European IPO activity in the first quarter of 2006. Moreover, with two weeks of June's data yet to be released, the second quarter of 2006 has already surpassed the volume of last year's very strong second quarter in terms of number of deals.

Looking into more detail at the second quarter, both April and May have been very active months for IPOs. In April 2006, 37 European companies went public, with revenues amounting to €6.1bn. In May, 39 European companies quoted on international stock markets, with proceeds summing to €10bn. The month of May has thus been the strongest month in 2006 so far in terms of revenue generated and the second strongest in terms of number of IPOs. In June to date (cut-off date: 16 June 2006), 12 additional European companies were launched on international stock markets, generating €1.8bn in revenues.

In total, 171 IPOs by European companies have been counted in 2006 so far (cut-off date: 16 June 2006), with returns adding to €25.7bn. This is already more than 50% of last year's total IPO activity level, both in terms of number of deals and revenue generated. The average monthly deal volume is 31 transactions, with on average €4.7bn in returns.

Furthermore, another 34 European company IPOs are in the pipeline and expected to be realised in the second quarter of 2006. Of those deals, 10 are venture-backed and 7 buyout backed.

The IPO of the Italian oil refiner *SARAS* in May is the largest IPO by a European company this year to date, raising total proceeds of €2.1bn. Second and third, both also in May, are the listings of private equity backed and UK based *Debenhams PLC*, with total revenues of €1.5bn, and of the Dutch service provider *SNS Reaal Groep NV*, which raised €1.4bn.

For the US, a slightly different picture emerges. Overall, US IPO activity has been less strong compared to EU activity in the first two quarters of 2006. This year to date, a total of 82 US companies has gone public on international stock markets, collecting €18.4bn in proceeds (cut-off date: 16 June 2006). Even though this is less than half of EU's activity figures for the year 2006 so far in terms of number of IPOs, the 2006 US activity level is more or less equivalent to last year's US data.

In May, 17 US companies were launched on international stock markets, summing to €8.5bn in proceeds. In this way, May is so far the strongest month in terms of proceeds and the second strongest in terms of number of IPOs. June has so far (cut-off date: 16 June 2006) seen 10 US company IPOs, with revenues of €2.0bn.

The average US monthly deal volume is 15 IPOs, with on average €3.4bn in proceeds.

The largest IPO by a US company this year to date (cut-off date: 16 June 2006) was the €4bn public offering of *KKR Private Equity Investors* at the beginning of May, followed by the IPO of *MasterCard Inc* (worth €2bn) and of *Apollo Management's AP Alternative Assets L.P.* (worth €1.2bn).

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## 5,037 European M&A deals worth €346bn in 2006 so far

According to data from *Dealogic*, a total of 5,037 M&A transactions, valued at €346bn, have taken place in Europe in 2006 so far (cut-off date: 16 June 2006). This is an increase in deal value of €70bn or 25% compared to the previous Barometer publication in mid-May, adding 939 M&A transactions to the 2006 total (up 23% on last month's data).

The average monthly deal volume for 2006 so far (cut-off date: 16 June 2006) is 916 European M&A transactions per month, with an average value of €63bn. In 2005 the average number of deals was slightly lower counting 903, but with an average value of €62bn.

The most active sectors in 2006 so far in terms of number of deals were *Industrial Manufacturing* (as only sector surpassing the threshold of 600 deals) with 612 M&A transactions and *Media, Information and Software* (568 deals), both counting over 100 deals more than last month. Another sector that has been quite active in 2006 to date is *Professional Services*, with 523 M&A deals at the cut-off date of 16 June 2006. The leading sector in value terms in 2006 (cut-off date: 16 June 2006) is *Telecommunications*, with a total M&A value of €65bn.

Overall, 2006 M&A activity has reached 47% of last year's total activity level in terms of number of deals and 46% of last year's deal value.

## Appendix

### Annual GDP Growth Forecasts in %

	June 2006 forecast		May 2006 forecast		Difference between the two forecasts	
	2006	2007	2006	2007	2006	2007
Euro Zone	2.1	1.7	2.1	1.7		
UK	2.4	2.5	2.4	2.5		
Denmark	2.7	2.2	2.8	2.2	-0.1	
Sweden	3.4	2.8	3.4	2.8		
USA	3.4	2.8	3.4	2.8		

Source: The Economist

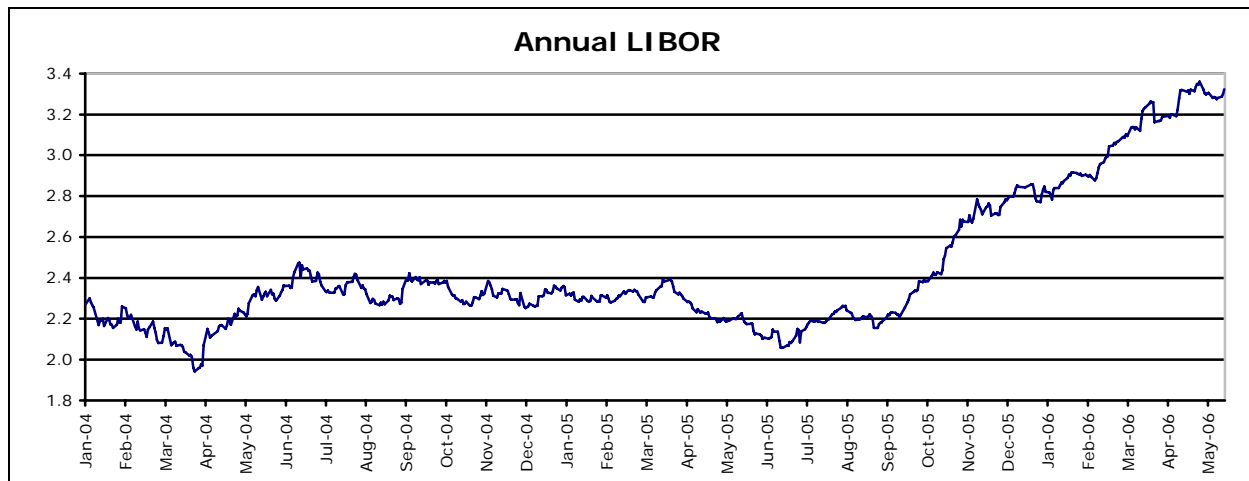
### Quarterly GDP Growth Forecasts for the Euro Zone in %

	June 2006 forecast	May 2006 forecast	Difference between the two rates/forecasts
3 <sup>rd</sup> Quarter 2005	0.7	0.7	
4 <sup>th</sup> Quarter 2005	0.3	0.3	
1 <sup>st</sup> Quarter 2006	0.6	0.6	
2 <sup>nd</sup> Quarter 2006	0.5-0.9%	Not yet published	
3 <sup>rd</sup> Quarter 2006	0.5-0.9%	Not yet published	
4 <sup>th</sup> Quarter 2006	0.4-1.0%		

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

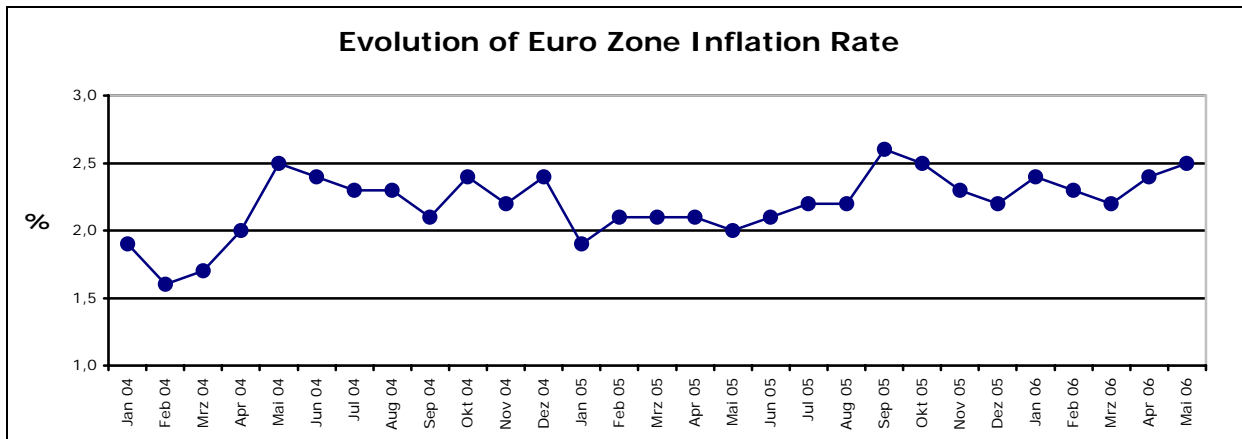
Source: ECFIN – EU Commission Directorate General for Economic and Financial Affairs

### Annual LIBOR



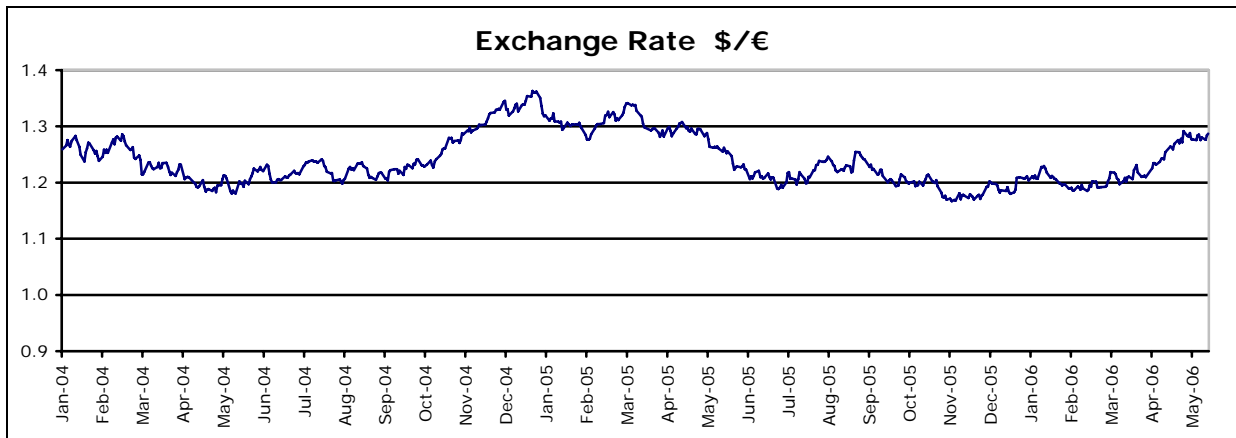
Source: British Bankers Association (BBA)

## Annual Inflation for the Euro Zone



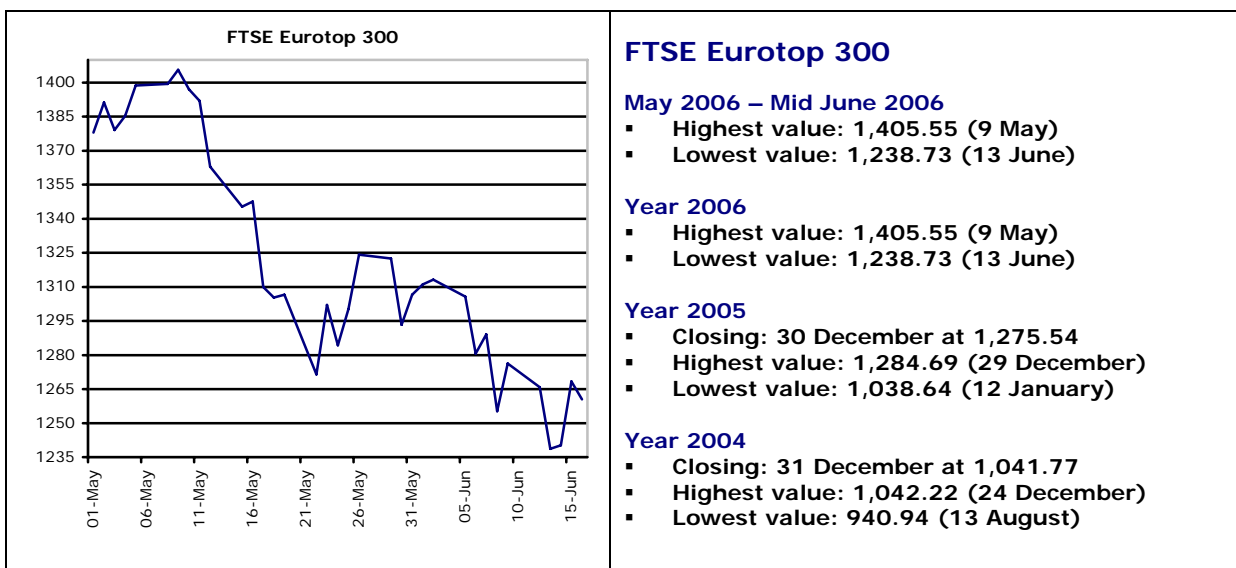
Source: Eurostat - Inflation rate for consumer price

## Exchange rate

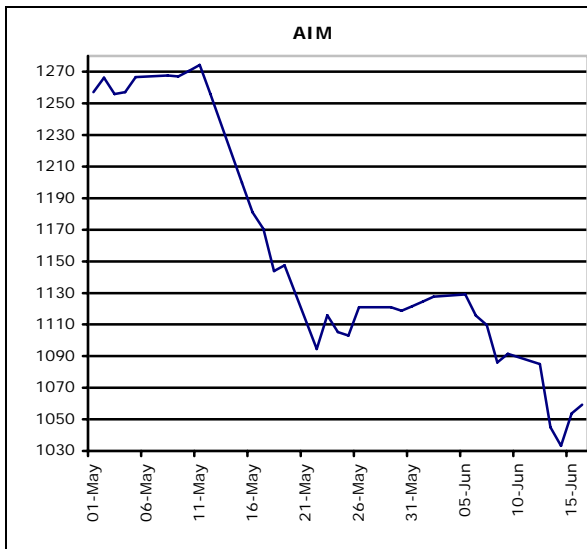


Source: European Central Bank (ECB)

## Stock markets



Source: London Stock Exchange



### AIM

#### May 2006 – Mid June 2006

- Highest value: 1,274.4 (11 May)
- Lowest value: 1,033.2 (14 June)

#### Year 2006

- Highest value: 1,274.4 (11 May)
- Lowest value: 1,033.2 (14 June)

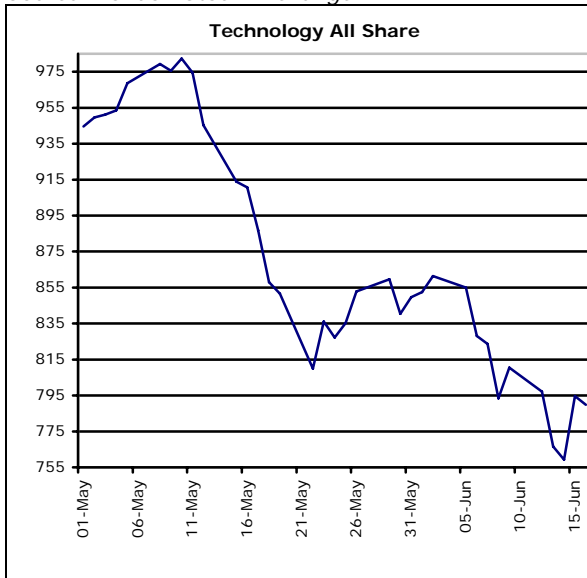
#### Year 2005

- Closing: 30 December at 1,046.1
- Highest value: 1,166.80 (7 March)
- Lowest value: 944.50 (18 May)

#### Year 2004

- Closing: 31 December at 1,005.6
- Highest value: 1,005.6 (31 December)
- Lowest value: 837.30 (2 January)

Source: London Stock Exchange



### Technology All Share

#### May 2006 – Mid June 2006

- Highest value: 982.34 (10 May)
- Lowest value: 759.29 (14 June)

#### Year 2006

- Highest value: 982.34 (10 May)
- Lowest value: 759.29 (14 June)

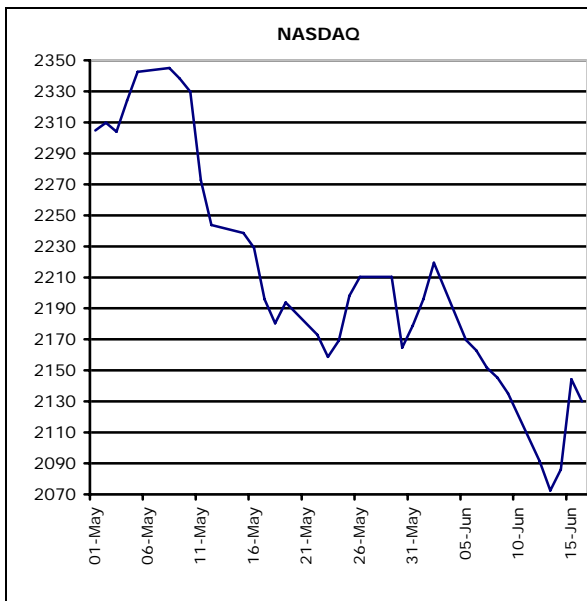
#### Year 2005

- Closing: 30 December at 765.62
- Highest value: 797.53 (4 October)
- Lowest value: 633.81 (29 April)

#### Year 2004

- Closing: 31 December at 647.96
- Highest value: 777.06 (8 March)
- Lowest value: 542.23 (12 August)

Source: Deutsche Börse



### NASDAQ

#### May 2006 – Mid June 2006

- Highest value: 2,344.99 (8 May)
- Lowest value: 2,072.47 (13 June)

#### Year 2006

- Highest value: 2,370.88 (19 April)
- Lowest value: 2,072.47 (13 June)

#### Year 2005

- Closing: 30 December at 2,205.32
- Highest value: 2,273.37 (2 December)
- Lowest value: 1,904.18 (28 April)

#### Year 2004

- Closing: 31 December at 2,175.44
- Highest value: 2,178.34 (30 December)
- Lowest value: 1,752.49 (12 August)

Source: NASDAQ

## IPO activity

	USA						Europe					
	2004		2005		2006*		2004		2005		2006*	
	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues
<b>Quarter 1</b>	5,572	41	7,896	44	5,875	42	7,042	56	6,633	57	7,782	83
January			1,702	11	1,807	13			1,244	6	656	14
February			5,214	27	3,367	21			1,925	21	3,461	24
March			980	6	701	8			3,464	30	3,665	45
<b>Quarter 2</b>	8,387	54	6,685	48	12,539	40	10,147	86	12,400	106	17,904	88
April			631	9	2,057	13			3,108	25	6,114	37
May			2,143	12	8,467	17			2,837	26	10,030	39
June			3,912	27	2,015	10			6,456	55	1,760	12
<b>Quarter 3</b>	10,754	66	8,272	73			4,742	78	9,792	51		
<b>Quarter 4</b>	11,374	79	7,110	55			7,935	98	21,906	96		
<b>Total</b>	36,087	240	29,963	220	18,414	82	29,866	318	50,731	310	25,685	171

\* Cut-off date: 16 June 2006

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

Data is continuously updated and is therefore subject to change

Source: Thomson Financial

## M&A activity in Europe

	2002		2003		2004		2005		2006*	
	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals
Telecommunications	35	524	96	470	25	386	101	498	65	234
Finance & Insurance	99	1,053	89	1,003	78	820	111	973	40	453
Industrial Manufacturing	71	1,294	43	1,162	64	1,103	83	1,352	19	612
Chemicals & Pharmaceuticals	39	521	27	464	86	509	44	519	13	256
Utilities	99	297	40	249	24	231	66	273	12	129
Mining	15	164	24	204	24	171	43	292	12	158
Media, Information & Software	31	1,336	22	974	27	1,093	31	1,281	18	568
Food, Textiles & Furniture	34	744	18	767	18	554	37	670	12	336
Leisure & Lodging	20	538	22	450	19	416	29	533	20	227
Real Estate	37	346	35	399	77	588	77	803	38	361
Computers & Electronics	13	373	8	320	10	370	14	386	8	182
Transportation & Logistics	30	376	31	319	17	324	25	406	13	177
Retail Trade	23	445	10	380	27	389	26	456	10	207
Wholesale Trade	10	499	11	413	12	405	16	542	2	198
Construction	8	283	22	211	6	207	6	283	47	163
Professional Services	8	981	10	723	12	893	16	1,074	5	523
Health Care	4	89	2	91	5	113	7	129	5	72
Other	12	351	10	288	12	276	16	361	5	181
<b>Total</b>	587	10,214	522	8,887	542	8,848	749	10,831	346	5,037

\* Cut-off date: 16 June 2006

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

## Methodology

### 1. Latest news on emerging technologies for the Information Society

Source: IST Results at [www.cordis.lu/ist/results/](http://www.cordis.lu/ist/results/)

### 2. GDP:

i) **EU Commission**, Directorate General for Economic and Financial Affairs (ECFIN):

Source: [http://europa.eu.int/comm/dgs/economy\\_finance/index\\_en.htm](http://europa.eu.int/comm/dgs/economy_finance/index_en.htm)

The growth rates presented refer to the quarterly percentage change in real GDP. The numbers given in ranges are the GDP growth forecasts estimated for two quarters in advance of the actual figures. The ranges indicate the lowest expected growth rate compared to the highest. The single numbers are the actual growth figures, for the respective quarters, which are again recalculated as new data becomes available. The area referred to is the Euro Zone (EU 12).

ii) **The Economist**: *The Economist poll forecast*

Source: [www.economist.com](http://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.

### 3. LIBOR:

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

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

### 4. Inflation:

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.

### 5. Exchange rate:

Source: European Central Bank (ECB)  
Bilateral Euro/ US Dollar exchange rate.

### 6. Stock Markets:

a) FTSE Eurotop 300

Source: [www.londonstockexchange.com](http://www.londonstockexchange.com)

b) AIM:

Source: [www.londonstockexchange.com](http://www.londonstockexchange.com)

c) Technology All Share:

Source: <http://deutsche-boerse.com>

d) NASDAQ:

Source: [www.nasdaq.com](http://www.nasdaq.com)

### 7. IPO activity

Source: Thomson Financial at <http://www.thomson.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. All amounts are given in Euros and represent total proceeds raised to the issuing company, including overallotments sold.

### 8. M&A activity in Europe:

Source: Dealogic at [www.dealogic.com](http://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. Please note that the Volume data refers to M&As of quoted and unquoted companies. Please also note that the data methodology has changed as of January 2005 and that M&A data is presented excluding company carveouts.

### 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.