Trade buyers and private equity groups step boldly where others fear to tread

The credit crunch may have sent a chilly blast though the capital markets but in mid-cap land the deal flow in takeovers both by trade buyers and private equity and in initial public offerings (IPOs) has kept bobbing along.

After weeks of cat-and-mouse Alfred McAlpine recommended a £572m takeover by **Carillion**, its larger rival in the construction and maintenance support services sector. The deal showed that with a bit of negotiation in volatile times deals can still be done.The shares and cash acquisition came after three separate offers from Carillion but somewhat bizarrely was settled at below the original bid price.

Carillion had initially offered 560p in cash and shares. After that was rebuffed it sweetened the offer to 570p but only after raising the bid again to 585p was the deal clinched. However as Carillion went into a month-long due diligence process, shares across the support sector plunged by up to 10%. When the boards finally agreed, the offer on the table was at 558p – 1.08 of a Carillion share plus 165.4p in cash.

McAlpine's Chairman Roger Urwin said the deal was done after Carillion had changed the mix of cash and shares from 75:25 to 70:30 securing a larger cash element for McAlpine shareholders. He said despite the cut in the offer it represented a 24% premium to where the shares were in August when McAlpine first announced plans to demerge its divisions and was still 5% ahead of the share price when news emerged that Carillion was prepared to buy.

Carillion's Chairman Philip Rogerson explained why his board was keen to do the deal. "There is an excellent strategic fit between the two companies, the combined group will be one of the UK's leading support services businesses and we are confident this transaction can deliver significant value for the shareholders of the enlarged group," he said.

Carillion said the cash element would be satisfied through a recently enlarged debt facility. Carillion was advised by Lazard with Morgan Stanley and Oriel Securities acting as joint brokers. JPMorgan Cazenove advised McAlpine on its defence, and on the deal in league with Tricorn Partners.

A £228m management buy-out of testing and inspections group **Inspicio** also showed that despite fears that the credit crisis would hit leveraged private equity deals, venture capital firms remain active.

The board of Inspicio agreed to be taken private by the venture capital house 3i after a 225p a share cash offer – 18% higher than when Inspicio first said a deal was being negotiated and more than a third higher than Inspicio's average share price in the preceding six months.

The deal is being structured through £167m of equity in the takeover vehicle Angus Newco backed by a number of 3i buyout funds and whose shareholders will include Inspicio's Chief Executive Mark Silver and Finance Director Richard McBride.

The business will be financed through £220m of credit facilities including £55m of acquisition and working capital funded through senior and mezzanine debt from Barclays Leveraged Finance and Societe Generale.

The management and 3i were advised by Rothschild with JPMorgan Cazenove acting as broker. Citigroup was Inspicio's financial adviser but, as it also acts for 3i in other capacities, Kaupthing Singer & Friedlander acted as independent financial adviser. Lansbanki acted as Inspicio's broker while Altium has been its nominated AIM market adviser.

Silver, who built up the business through a series of four acquisitions since its AIM float in 2005, said: "It will enable us to exploit fully the growth opportunities in the global testing and inspection market." Alan Giddins, 3i Director, said: "Business services is a key sector focus for 3i."

Oil rig services group **Abbot**, based in Scotland, has also fallen into private equity hands after a £906m, 390p a share cash offer from First Reserve, one of the world's largest venture capital backers in the upstream energy services sector. A fierce behind-the-scenes bidding battle, which at times involved rival UK private equity houses Candover and 3i, was overseen on Abbot's behalf by JPMorgan Cazenove and Rothschild. First Reserve and its Turbo Alpha takeover vehicle were advised by UBS.

Good quality IPOs were also being greeted by investors. **Record**, founded by foreign exchange specialist and one time Bank of England economist Neil Record, Chairman and Chief Executive, raised £88m and was valued by market capitalisation at £354m.

The company aims to make absolute returns whatever the state of the foreign exchange market for companies holding and trading currencies. JPMorgan Cazenove was Record's sole sponsor and bookrunner on the float.

In the bond market, global drinks giant **Diageo** also aimed to rise out of the crisis by raising $2bn after reopening an autumn bond offer. The company said it was adding a further $250m to $500m of five year bonds paying 5.2% and a further $250m to $1bn ten year notes paying coupons of 5.75%.

Goldman Sachs and Morgan Stanley were joint bookrunners on both issues with RBS – Greenwich Capital and HSBC acting as co-managers on the original offer.

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Global mergers and acquisitions in 2007, quarterly volumes