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Overseas acquirers swoop on UK private equity assets to gain foothold in Europe

- UK Buyout activity holding up well versus 2011
- Deal value from 2012 trade sales highest since 2007
- Total deal value in first three quarters close to 2011 full year total
- Activity driven across a range of deal sizes not just one off mega buy-outs

London, 1 October, 2012: Private Equity (PE) buyout activity in the UK is showing renewed signs of resilience, buoyed by overseas trade buyers who are keen to gain a foothold in Europe without exposing themselves to Eurozone volatility.

The value of PE exits via trade sales over the first three quarters of 2012 reached £7bn, its highest total since 2007, with a high proportion of acquirers coming from US (11) and Japan (3), according to the latest data published by the Centre for Management Buyout Research (CMBOR) and sponsored by Ernst & Young and Equistone Partners Europe.

The data reveals that the value of UK buyouts in the first three quarters of 2012 reached £11.7bn, close to last year’s overall total of £12.6bn, and the number of deals recorded hit 144, compared to 187 for the whole of 2011.

Sachin Date, Private Equity leader for Europe, Middle East, India and Africa (EMEIA) at Ernst & Young comments, “UK buyout activity is holding up well, in relative terms, with both the value and number of deals over the last three quarters nearing the total over the same period in 2011. It is encouraging to see that values are being boosted, not only by one off mega deals, but a healthy spread of transactions across the value range.

“There has been a marked increase in the number and value of PE trade sales this quarter. What we are seeing is a trend towards overseas buyers, which are keen to establish a foothold in Europe, acquiring UK PE assets to mitigate the risks and volatility currently associated with the Eurozone.”

Christian Marriott, Partner at Equistone Partners Europe, says: “This quarter’s CMBOR data for the UK market tells a fairly positive story, showing better deal flow at the large end of the
market, with three deals over the £1bn mark so far this year. At the same time an increased proportion of debt used in buyouts suggests improving conditions in the debt market. Although the market has shown signs of returning to more normal conditions this year, the pipeline for the final quarter of the year seems weak, reflecting continued economic uncertainty stifling a sustained recovery in the UK buyout market. On the sell-side, strong appetite from overseas trade buyers has enabled some buyout firms to sell high quality assets effectively."

**Lower mid market and mega buyouts favoured**

Smaller deals in the £10-100m range continue to do well, with both the number and value of deals achieving higher numbers over the first three quarters of this year when compared to the same period in 2011. Total number of deals so far this year totalled 70 versus 66 in 2011, with values reaching £2.2bn and £2.4bn respectively.

There have been three deals during the first three quarters of this year above the £1bn mark, with values totalling £3.8bn, compared to only one in the whole of 2011 achieving a value of £1bn. The last time there were three £1bn plus deals recorded in one year was 2008, according to the data.

Date says, “In the current environment investors are seeking high quality assets with perceived lower risk and it appears that this is manifesting itself in the rising attractiveness of £1bn plus deals this quarter.

“At the other end of the scale, buyouts involving business at the lower end of the value range continue to hold up well and we have seen an increase in the number and values of deals being done.”

**Increased leverage on transactions**

At 45%, the proportion of debt to equity on deal is the highest it has been since 2008. This points to an increase in the level of bank liquidity and banks' willingness to fund good quality deals. Equally, three of the top ten deals have been bank driven sales, with institutions looking to PE to offload assets from their portfolios.

**Smaller pipeline of deals for Q4**

While activity has positive signs of improvement during Q3, the pending deals for the UK feeding in to the final quarter of this year appear lighter in both quantity and value.
Date concludes, “This quarter has continued the trend throughout 2012, with PE activity showing signs of improvement and buoyancy when compared to the last few years. There is no doubt that economic conditions are still very challenging but the PE sector is continuing to transact and attract investors.

“What is also encouraging is the apparent return of the trade buyer this year – UK PE houses clearly have attractive assets, particularly for overseas acquirers looking to gain a foothold in Europe without exposing themselves to the Eurozone volatility. This trend may well continue into the final quarter of this year and beyond.”

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Methodology
Multiple is a quarterly publication raise funds for new investments summarizing trends in buyouts* across Europe.
Ernst & Young and Equistone Partners Europe are proud to sponsor CMBOR, the Centre for Management Buyout Research whose data is analyzed in Multiple. Countries covered: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Czech Republic, Hungary, Poland, Romania and Turkey and the UK.

*Buyouts: CMBOR defines buyouts as over 50% of shares changing ownership with management or private equity, or both having a controlling stake upon deal completion. Equity funding must primarily be from private equity funds and the bought-out company must have its own financing structure, e.g., MBO/MBI.
About CMBOR

The Centre for Management Buy-out Research (CMBOR) was founded in 1986 and moved to Imperial College Business School in 2011. CMBOR is world-renowned as the long-standing leader in providing robust analysis of the buy-out market. CMBOR data covers all buy-out activity and therefore includes transactions funded on a cash or debt-only basis as well as traditional private equity-funded buy-outs. CMBOR is independently sponsored by Equistone Partners Europe and Ernst & Young.

About Equistone Partners Europe

• Equistone Partners Europe is an independent investment firm owned and managed by the former executives of Barclays Private Equity
• Equistone acquired the management company of Barclays Private Equity from Barclays Capital, the investment banking division of Barclays Bank PLC, in November 2011
• The Company is one of Europe’s leading investors in mid-market buyouts with a successful track record spanning over 30 years, with more than 350 transactions completed in this period
• Equistone has a strong focus on change of ownership deals and aims to invest between €25m and €125m of equity in businesses with enterprise values of between €50m and €300m
• The Company has a team of 33 investment professionals operating across France, Germany, Switzerland and the UK, investing as a strategic partner alongside management teams
• The three country teams operate with a high degree of autonomy to source and manage investments, leveraging their European franchise but as local participants
• For further information, please visit www.equistonepe.com