UK buy-out market value increases 23% in 2012 says Centre of Management Buy-out Research

- UK buy-out market viewed as safe haven for Private Equity investors keen to avoid Eurozone uncertainty
- UK Private Equity buyout activity eclipses 2011 levels
- Value of UK buyouts reaches £15.7bn
- Average deal size rises to £84m up from £68m in 2011
- Buyout numbers and value as a percentage of M&A has risen to 45% and 82% respectively

London, 17 December, 2012: The UK’s Private Equity (PE) buyout market proved to be the most bankable European PE market in 2012, boosted by Sterling’s attractiveness as a relative safe haven for investors who are keen to continue deal making in Europe without exposing themselves to Eurozone volatility.

The value of UK buyouts has risen 23% so far this year to £15.7bn from £12.7bn in 2011, and the number of deals recorded rose slightly to 189 compared to 187 over the same period. Average deal size in the UK has also increased to £84m, up from £68m, according to the latest data published by the Centre for Management Buyout Research (CMBOR) at Imperial College and sponsored by Ernst & Young and Equistone Partners Europe.

The number and value of buyouts involving divestments by foreign corporations saw a marked increase this year, rising to 19 deals and £1.9bn compared to 15 and £1bn in 2011. Of the overseas acquirers, 13 of the businesses originated from the US, and these deals alone equated to £1.7bn.

Sachin Date, Private Equity leader for Europe, Middle East, India and Africa (EMEIA) at Ernst & Young comments, “UK buyout activity has shown real resilience in the face of macroeconomic uncertainty. The PE market in the UK is being buoyed by the relative safety that Sterling offers in light of the Eurozone crisis and has helped to make it the most bankable PE market this year. PE funds are growing increasingly worried about how the Eurozone crisis will play out and as a result the UK has benefitted and held up well compared to Europe.”
Christiian Marriott, Partner at Equistone Partners Europe, says: “The UK buyout market has remained robust in 2012, outperforming its Continental European neighbours by both volume and value of deals. Notably, there has been positive growth in the lower mid-market offering excellent deal opportunities over the course of the year.

“The UK market's resilience is in part due to the willingness of the banks to offer financing for quality assets with promising growth potential. A handful of new entrants are increasing liquidity in the market and a few senior lenders are even considering underwriting again. This confidence and increased access to finance should further boost dealflow, allowing the UK to sustain a good level of activity into 2013.”

**Buyout numbers as a percentage of M&A has risen**

Buyout numbers as a percentage of UK M&A have risen to 45% in the first nine months of this year, compared to 33% in 2011. As a proportion of M&A, buyouts values have risen to 82% for the first nine months compared to 61% for the whole of 2011.

Date says, “It is positive to see private equity contributing a high percentage to the UK’s overall M&A activity in terms of value and volume. Even in a volatile market, PE houses continue to use their core skills of identifying prime assets and are bold and brave in acquiring those businesses.”

**£1bn plus ‘Mega’ buyouts on the rise**

This year saw a significant rise in the number of £1bn plus ‘Mega’ buy-outs, with three deals recorded achieving a value of £3.8bn, compared to only one in 2011 at £1bn. The MBO of Iceland Foods (£1.4bn) was the largest buyout of 2012, followed by Misys (£1.2bn) and Wood Mackenzie (£1.1bn).

He continues, “In the current environment investors are seeking high quality assets with lower risk and it appears that this has manifested itself in the rising attractiveness of the £1bn plus deals this year.”

**Mid market activity holds up**

Deal activity and values in the mid market held up well in 2012. In the deal range £50m – £250m there were 39 deals equating to £4.1bn in value, versus 36 deals and £3.8bn respectively in 2011. Total number of deals so far this year in the £250m to £1bn range totalled 10 with a combined value of £6.0bn, compared to 11 and £5.8bn in 2011.
"Buyouts involving business at the mid to 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 in the mid market," Date adds.

**Corporate inactivity breaking the PE chain**
Looking forward to 2013, Date says, “The PE houses have money to spend and assets to sell, appetite is strong and the debt markets are open, but corporates continue to be weighed down by a lack of confidence.

“The PE industry works at its best when corporates are acquisitive, snapping up targets and selling non-core assets to PE houses, who in turn churn their portfolios and sell assets back to corporates. With confidence low, however, businesses are choosing to sit and wait for conditions to improve before transacting, and the cycle has broken down. Until corporates come back to the deal table in a meaningful way, PE in the UK will continue to stutter along.”

**Other findings**

- **Exits have fallen but values are higher** - Exits have fallen in 2012, from 162 in 2011 to 134 but values are higher at £15.2bn compared to £9.7bn last year.
- **Secondary buyouts are down** - Secondary buyouts are down from 58 in 2011 to 45 in 2012
- **Creditor exits are down** and trade sale values have doubled - Creditor exits are down from 46 in 2011 to 29 this year, the lowest since 1996. Trade sale values have doubled from £4.4bn to £9.1bn.
- **Increase in the value of refinancing** - There has been an increase in the value of refinancing from £1.4bn to £6.6bn
- **Active sectors** - Business & Support Services (£4.1bn), Manufacturing (£2.4bn), Retail (£2bn) and TMT (£2.2bn) all recorded significant increases in value in 2012.

**Media Enquiries**

**Ernst & Young**  
Adam Holden, Ernst & Young media relations – 0121 535 2128 / 07917 000028

**College Hill**  
Zinka Bozovic, - 020 7457 2821 / 07769 255 380

**CMBOR**  
Mike Wright, Professor of Entrepreneurship, Imperial College London Business School and Director of CMBOR - 020 7594 2606

Rod Ball, Research Fellow, Imperial College London Business School - 0115 951 5091/ 07428 769861

**Notes to editors**
About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com.

This news release has been issued by EYGM Limited, a member of the global Ernst & Young organization that also does not provide any services to clients.

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