UK still leading the market; France almost matches on deal volume
European PE-IPOs bounce back
Retail takes the lead over manufacturing by value for the first time

LONDON, 1 April 2013 – The overall value of European buyouts totaled €11.1b in Q1 2013, a 17% decrease from €13.3b in Q4 2012 and 21% below the value for the same period last year (€14.1b), according to the latest data published by the Centre for Management Buyout Research at Imperial College (CMBOR), sponsored by Ernst & Young and Equistone Partners Europe.

With €3.8b from 33 deals, the UK continues to lead the European market in terms of value but has almost been matched by France in terms of deal volumes. Despite a flurry of activity that saw 47 deals close in Q4 2012, UK deal activity is now at its lowest point since Q4 2009 and has fallen by over 50% from the record high of 68 deals in Q1 2012. The French market appears to be overcoming the inertia seen throughout 2012 with 30 deals so far this quarter accounting for almost 30% of total deal activity. However, it is the smaller end of the market that has picked up and the average deal size remains low at just €53m.

Sachin Date, Europe, Middle East, India and Africa (EMEIA) Private Equity Leader at Ernst & Young comments:

“The PE buyout market across Europe continues to be led by the UK but France has recovered from low levels of activity and is not far behind in terms of deal volumes. The size of the market has reduced and this reflects the low levels of confidence from the second half of 2012 materializing in low levels of deal completion.

“The top ten exits this quarter show a healthy split across IPOs, trade sales and secondary buyouts. It is positive to see corporates still finding good, strategic businesses to acquire, and the second largest exit so far this quarter was One GmbH/Orange Austria Telecommunications’ trade sale for €1.3b to Hutchinson 3G.”
European PE-IPOs bounce back

European Private equity-backed IPOs raised €1.7b through one IPO in 2012, the Dutch cable operator Ziggo. Despite the low volumes last year, sentiment may be reaching an inflection point at the end of this quarter, thanks to the recent PE-IPOs, including Countrywide, raising €866m, Esure Group plc, raising €1.4b and Hellermann Tyton Ltd’s recent listings for €483m, all on the London Stock Exchange. Moleskine SpA has also announced their intention to list on the Milan Stock Exchange on 2 April.

Sachin comments: “The resurgence of IPO activity at the end of the first quarter is encouraging for the exit market. As long as the IPO market remains open, we expect to see more PE-backed companies make it to a public listing this year.”

Christiian Marriott, Investor Relations Partner at Equistone Partners Europe Limited comments: “March has seen some surprisingly good news in the UK market, with three initial public offerings to the London Stock Exchange of PE-backed companies. This flurry of activity has bolstered exit values at the end of a fairly slow starting quarter by more than €2.7b.”

Retail takes the lead over manufacturing by value for the first time

Retail dominates the sector picture in terms of value (€3.4b), with two of the biggest deals of the quarter – Douglas Holding and B&M Retail. Many retailers across Europe are experiencing significant signs of distress as discretionary consumer spending decreases and technology fundamentally changes their business models. This changing landscape presents significant opportunities for PE leading to an increase in activity. By number of deals, manufacturing was still the largest European sector with 35 buyouts (compared to 53 in Q1 2012) in €2.4b, followed by business services (15 buyouts at €1.2b).

Germany and the Nordics see decline

There were only 12 deals in Germany and 10 deals combined in the Nordic countries, compared to 23 for Germany and 19 in the Nordics in the previous quarter. Germany saw a

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1 CMBOR IPO data relates to European PE-backed buy-outs (in which a private equity firm or management previously had controlling stakes) that have exited by listing their shares on a recognized stock market. The deal exit value is the market capitalization value at the start of the first day of trading. CMBOR data does not include IPOs of other private equity stages such as growth and expansion capital.
30% drop in deal value from €2.7b in Q4’12 to €1.9b in Q1’13. However, the future pipeline in both the Nordics and Germany looks good and activity should pick up as the year progresses.

Christiian commented: “Although total German buyout activity is slower than it was this time last year, the market continues to demonstrate its strength by providing some of the largest deals in Europe, such as the €1.5b buyout of Douglas Holdings and the €800m sale of Dematic to AEA Investors.

“Generally lower deal volumes have prevailed across Europe, but the Nordics have seen a particularly slow start to the year, accounting for less than 3% of European buyouts by value this quarter, despite a significant amount of capital being raised for the region in the last few years. However, it is still early in the year and we will hopefully see confidence returning across the region thanks to a strong pipeline for European deals.”

**Refinancing increases as PE amend and extend**

There is still an overhang of portfolio assets originally scheduled for exit being delayed because of valuation expectations. The result has been more PE houses taking an “amend and extend” approach rather than reduce their price expectations. In 2009 only €3b of refinancing was recorded compared to over €17b in 2012. This trend of refinancing existing assets is likely to continue in 2013.

**Secondary buyouts slow**

Secondary buyouts (SBOs) are down from the previous quarter in terms of volume and value with only 31 deals and €5.4b, so far this year. Notably foreign divestments were very low with only 4 deals and €28m in Q1’13, compared to 12 deals and nearly €2b in Q4’12.

**Healthy pipeline of activity**

“It’s been a slower first quarter compared to this time last year, however, as the completion of a number of announced deals, such as Aibel (€1165m), Intertrust (€675m), together with rumoured deals such as Civica, Elior and Allflex, should improve the picture for the next couple of quarters.

Sachin concludes: “Although the market has not grown in the first quarter there is still a lot to play for in 2013. There is a healthy deal pipeline; the IPO market has regained some
momentum; and as businesses continue to adapt and accept the new norm of today's market conditions, we expect deal activity to pick up."

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Notes to editors

Methodology

The data compiled by CMBOR summarizes trends in buyouts* across Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Czech Republic, Hungary, Poland, Romania and Turkey and the UK).

Data cutoff date: the data in this press release is for deals completed by 27 March 2013

*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.

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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 Limited is an independent investment firm owned and managed by the former executives of Barclays Private Equity. In January 2013, Equistone successfully completed the final closing of Equistone Partners Europe Fund IV with total capital commitments of €1.5bn.

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.
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