Press release

30 March 2015

Strong exit market helps European private equity get off to a solid start in 2015

- Total European exit value of €29.5bn is the highest opening quarter since Q1 2007
- Total European deal value of €19.9bn is the highest opening quarter since Q1 2008
- €1bn+ buyouts remain rare due to the active IPO market

European private equity got off to a strong start in 2015, following the best first quarter for exits by value since Q1 2007, according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by Equistone Partners Europe Limited. Despite lingering macro-economic concerns, the European exit market has remained buoyant with a total of €29.5bn worth of exits completed in Q1 2015.

Whilst the exit market remains notably higher than the buyout market, which stood at €19.9bn, mid-market buyouts remain robust with 10 deals between the €50-100m range and 17 deals in the €100-250m range being completed. In comparison, there have only been four €1bn+ deals in the same period (SIG Combibloc Group, Sivantos/Siemens Audiology Solutions, Advanced Computer Software and Sky Bet).

Highlights

- **Europe has remained an exit market** with 95 exits completed thus far, with secondary buyouts being the most popular method accounting for 46 transactions. Trade sales represented 27 exits and IPOs 14. However, in terms of value it is European capital markets that have remained most lucrative for private equity exits, totalling €18.1bn, whereas secondary buyouts and trade sale exits totalled €8bn and €3.4bn respectively. Following something of a hiatus in IPOs in Q4 2014 when total valuation stood at €4.3bn and a number of prospective floatations were pulled, IPOs have been the exit route for seven of the top 10 exits by value in Europe this year (Grand Vision, Auto Trader, Sunrise Communications, Elis, John Laing, Hugo Boss and Aldermore Bank).

- **The UK continues to lead the European private equity market**, accounting for over a third (39%) of overall buyout value and two fifths (41%) of the total exit value so far in 2015. The UK also saw four of the top 10 deals by value completed (Advanced Computer Systems, Sky Bet, Premium Credit and Survitec). Furthermore, the average value of UK deals was marginally higher than the average for Europe at £107.9m and €136m respectively, based on current exchange rates.

- Continuing a growing trend, Q1 2015 saw **more North American (both US and Canadian) investors execute deals in the European market**. Most notably, Onex completed 2 of the top 10 deals (SIG Combibloc and Survitec) with US firms Vista Equity Partners, Lone Star, TPG and TA Associates also making up four of the top 20 deals by value.

- Q1 2015 also saw **higher EBITDA multiples** than Q4 2014 with averages at 11.5 and 12.5 for deals between €10 – 100m and €100m and greater respectively. This compares to 8.3 and 10.7 on average for the whole of 2014.
• Totalling €19.9bn, Q1 2015 was the strongest start to a year by total deal value since Q1 2008 (€25bn). In terms of the number of transactions, deals valued less than €10m equated to over half (51%), the highest number in any quarter since Q4 2010. Deals worth €100 - €250 represented the second most numerous (12%), although the four €1bn+ deals meant this category showed the greatest total value at €7.9bn.

• The start to the year saw exits of portfolio companies with a wide range of vintage with Grandvision, the largest exit for the quarter, having a vintage of 2004 whilst others in the top ten by value had vintages between 2005 and 2014.

Christiian Marriott, Investor Relations Partner at Equistone Partners Europe Limited, commented:

“Evidently, Q1 2015 has been a good time for European private equity exits, particularly in the IPO market after we saw a tailing off towards the end of last year. In particular, the UK remains favourable to sellers with a number of firms seeking to capitalise on IPO markets, as seen by PE-backed companies including Aldermore Bank and Auto Trader floating successfully.

“The ability to exit companies, and at strong multiples, has been a boon for quality private equity firms, allowing them to demonstrate value to investors. Those who have been fundraising and made successful exits will likely have benefitted, as existing and prospective LPs can more readily see a path to a return.

“Whilst the UK’s big deal market has been quiet for successive quarters now, the mid-market, as it has across much of Europe, continues to remain robust in terms of exits and new investments. Purchase multiples for the bigger deals may have edged up due to heavy competition for assets, but the mid-market still remains the domain of specialists firms and a fertile ground for identifying businesses under the radar that can benefit from new investment and strategic repositioning.”

France and Germany having a mixed start to the year, whilst Switzerland posts impressive figures

• France saw a notable decline in the buyout market with a total deal value of €886m compared to €3bn in Q4 2014. Conversely, the French exit market was very strong at a total value of €7.2bn – second only to the UK – led by the first (Grandvision) and fifth (Elis) largest exits across Europe for the quarter. Both exits were also by flotation, highlighting the confidence in French capital markets.

• Germany had a mixed quarter owing to only €296m worth of exits, down from €1.7bn in Q4 2014, whilst simultaneously posting a healthy start on deals with €2.4bn worth being completed. However, the Sivantos/Siemens Audiology Solutions deal marked the only top ten German transaction, albeit the second largest at €2.1bn. No German exits featured in the top 20 by value.

• Switzerland enjoyed it strongest quarter in terms of exits and deals in the post-2007/08 financial crisis era. This was thanks to three of the top seven exits by value (Sunrise Communications, Orange Communications and Infront Sports & Media) equating to €6.3bn. Similarly, Switzerland saw the biggest deal following Onex’s €3.75bn acquisition of SIG Combibloc Group. After a particularly strong Q4 2014, Sweden and Norway saw a drop off in their deal flow, with Norway posting only one exit.

The UK

• At a regional level the South East has been the UK’s main hub of activity, accounting for over a quarter (27%) of deals by value, followed by Yorkshire/Humberside (21%) and London (20%). There was also a strong regional spread for the largest deals with the top five by value (Advanced
Computer Software, Sky Bet, Premium Credit, Survitec and NEC Group) divided respectively between the South East, Yorkshire/Humberside, South East, North West and West Midlands.

- UK deals in the £250m - £500m range account for the largest proportion of overall value at £1.8bn, whilst there were only two over £500m (Advanced Computer Software and Sky Bet). Secondary buyouts, which included deals such as Ask-Zizzi’s acquisition from Cinven by Bridgepoint and Survitec’s acquisition from Warburg Pincus by Onex, accounted for the biggest source of deals by valuation at £2.4bn or 42% of the total.

- At £1.6bn leisure proved to be the UK’s most valuable sector in the first quarter for deals (8), closely followed by TMT on £1.4bn and 6 deals. At the other end of the spectrum, there were no property & construction deals recorded and only one in food & drink and one in healthcare.

Manufacturing proves to be the most attractive target for deals, with TMT leading on exits

- Manufacturing was the leading sector for deals in Q1 2015 with a total value of €6.8bn, which on an annualised basis puts the sector above 2008 levels of €22.4bn. Manufacturing deals represented over a third (34%) of all transactions by volume, with TMT, a perennially strong sector, the next biggest by value at €4bn. TMT also represented the greatest value by exits for the quarter at €11.5bn, with retail a strong second at €7.8bn.

Deal structures and sourcing support previous trends

- European refinancing has dipped by both value (€3.3bn) and number of transactions (17) from last quarter, when the figures were €7.8bn and 26. Similarly, equity funding has fallen marginally for deal structures over €100m to 39.4% in the first quarter, compared to 42.4% on average for 2014, whilst debt funding has edged up to 60.6%.

- Q1 2015 saw a further uptick in public to private deals, continuing a longer term trend. Local divestments have been marginally quieter totalling 25 deals and a value of €4.9bn compared to 28 and €5.1bn in Q4 2014. In contrast, foreign divestments were up to €6.1bn, compared to €3.1bn in the previous quarter.

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For more information, please contact:

Equisstone

Nick Woods D: 020 7866 7904 / M: 07989 855 474
nick.woods@instinctif.com

Louis Supple D: 020 7457 2831
louis.supple@instinctif.com

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 18 December 2014.

*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 buyout market. CMBOR data covers all buyout activity and therefore includes transactions funded on a cash or debt-only basis as well as traditional private equity-funded buyouts. CMBOR is independently sponsored by EY and Equistone Partners Europe.

About Equistone Partners Europe Limited
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 €1.5b. 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 31 investment professionals operating across France, Germany, Switzerland and the UK, investing as a strategic partner alongside management teams. Equistone Partners Europe Limited is authorized and regulated by the Financial Conduct Authority.