News release

Embargoed until 00.01 (BST) Monday, 31 March 2014

Adam Holden
EY Media Relations
0121 535 2128, 07917 000028
aholden@uk.ey.com

UK in the driving seat as activity with 40% of European buyout value in Q1 2014

- European buyout activity holds up with 130 deals completed achieving €13bn
- Popularity of IPOs as an exit route increases as Secondary Buyout market slows
- European assets continue to be acquired by US and Asia-Pacific buyers

LONDON, 31 March 2014. The UK is the clear leader in the European private equity (PE) buyout market, accounting for 40% of all buyout value in Q1 2014, according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by EY and Equistone Partners Europe Limited. With €5.2bn from 47 deals this quarter, the UK has seen its market-share in Europe in terms of value increase by 5% points from Q4 2013 and 8% points compared with the same period last year.

Overall volume in the European buyout market has held up - there were 130 PE-backed deals completed in Europe in Q1, compared to 135 in the final quarter of 2013 and 138 over the same period last year, with a total value in Q1 2014 of €13bn. The total value achieved is consistent with Q4 (€13.7bn) and Q1 2013 (€13bn).

Deal value in Germany totalled €2.4bn this quarter, buoyed by the Scout24 buyout that had an enterprise value of €2.0bn, an increase compared to Q4 2013 total (€1.3bn) and against the same quarter last year (€2.05bn). France’s buyout value for the last three months totalled €824m, a decline from last quarter (€1.4bn) and over the same period last year (€2.08bn).

Sachin Date, Private Equity Leader for Europe, Middle East, India and Africa (EMEIA) at EY comments: “With the final quarter of last year experiencing heightened activity, it left the pipeline for European PE going into 2014 lighter but activity has picked up towards the end of the quarter leaving volume consistent with previous quarters. Looking forward, there are a healthy number of deals in the pipeline that kick started in January and are likely to complete during the second quarter.”
Christiian Marriott, Investor Relations Director at Equistone Partners Europe Limited, comments: “These figures add further weight to the view that a recovery in European private equity activity is well underway. What is important to note however, is that this recovery is far from uniform and significant regional variances underpin this performance with Germany and the UK firmly leading the way reflecting investors’ underlying confidence in these countries’ economic fundamentals.

“As deal pipelines remain healthy, one consequence of this uneven profile of activity is the potential for localised pricing pressures due to high demand for quality assets. As we look ahead into Q2 it’s likely that this trend will intensify, particularly as investors take advantage of resurgent public markets and look to redeploy capital gained from their exits.

“With the potential for further economic headwinds still very real, increased scrutiny on valuations is likely to be a common theme, with particular attention being paid to macro-economic data from more peripheral regions.”

**PE-backed IPOs are the exit route of choice**

The popularity of the public markets as a preferred exit route continued in the first quarter of this year, with seven IPOs achieving a total value of €7.2bn. This continues from where 2013 left off, with a total €25.1bn raised through 20 IPOs. Of the IPOs this year, five out of the seven listed in the UK, showing the strength and attractiveness of the UK public markets.

With the industry working hard to clear its exit overhang, the opening of public markets has helped oil the wheels of this process, but the downside for PE is that this is having a material impact on the secondary buyout market (SBO). Both SBO volumes and values fell during Q1 – with 25 buyouts valued at a total of €2.8bn - the lowest volume level since Q1 2010 and the lowest value total since the final quarter of 2009.

Date explains: “While the opening of the public markets is helping the industry reduce its exit overhang, the increasing popularity of IPOs as an exit route is increasing competition for PE-backed assets. PE houses looking to acquire assets through SBOs are facing stiff competition from the high multiples being commanded by IPO valuations. This is having a significant impact on SBO activity and as a result both SBO volumes and values are down quite considerably.”

**Europe is seen as an attractive market for foreign buyers**
Trade sales continue to offer a viable exit route as PE houses attract corporate buyers, with values totalling €6.0bn in Q1, an increase from €5.0bn over the same period last year.

Date adds, “We continue to see corporate buyers attracted to PE assets, driven by high levels of available cash and a willingness to pay high valuations for businesses offering a clear strategic fit. A large proportion of trade sale exits have originated from Asian and US buyers with fewer European-based buyers emerging. This perhaps points to continued Eurozone volatility and domestic investors feeling less confident about investing large amounts of capital for assets.”

The trade sale of German manufacturer Grohe at €3.1bn, the second largest exit this quarter, went to joint Japanese buyers Lixil and the Development Bank of Japan. The trade sale of Spanish consulting firm Everis went to Japanese buyer NTT Data.

Date continues: “US and Asian buyers have an appetite for European assets which are viewed as a strategically important footprint in one of the largest single market economies in the world. It is worth noting, however, that only three of the top ten exits for this quarter came from the Eurozone, with two deals from Spain and one from Germany.”

**Mega and lower mid-market deals**

This quarter has seen two €1bn plus buyouts - the Unit 4 deal in the Netherlands at €1.2bn, and Scout24 which achieved an enterprise value of €2.0bn, the first deals in this range since Q3 2013. Q1 2014 also saw a slowdown in lower mid-market deals (€25 to 100m). In this range, only 14 deals equating to €775m were completed compared with 30 deals and €1.75bn recorded during the same period last year.

Date comments: “Considering there has not been a €1bn megadeal since Q3 of last year, it is encouraging that two have completed this quarter. Looking forward to the second quarter, there is a significant number of larger deals in the pipeline, with a healthy level originating from Germany.”

**Outlook for buyout activity**

Date concludes: “It is likely that the second quarter will see much of the same type of activity experienced in this quarter. Sell side activity will continue to dominate with IPOs being the preferred exit route. This does present a challenge however for some investors who, while
reaping the benefits of distributions, are facing the challenge of where to reinvest capital so they can put their money to work.

"It is also encouraging to see a healthy deal pipeline with a number of deals likely to complete over the next three months, with Germany looking particularly strong. Whether this upsurge in activity over the coming months contributes to the European PE industry being back in full recovery mode remains to be seen, but the signs are certainly positive."

-ends-

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 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 Buyout 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 Equistone Partners Europe and Ernst & Young.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the 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 ey.com.

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 €1.5bn.

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.
Equistone Partners Europe Limited is authorized and regulated by the Financial Services Authority. For further information, please visit www.equistonepe.com