IPO market remains open for private equity firms in Europe
First half of 2014 busiest period for private equity exits by IPO since 1998

The first six months of 2014 have seen private equity backed IPOs rise to the highest level of all time, with 29 floatations contributing €31.0bn¹ of value, according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by Equistone Partners Europe Limited and EY.

Boosted by the revival in the capital markets, the total value of European exits in H1 2014 have totalled €50.4bn – well over double the value of buyouts (€23.7bn), and an increase of 56% on the same period in 2013 (H1 2013: €32.3bn). However, the deal pipeline for the European buyout market is expected to be strong in the second half of 2014, with over €10bn of deals expected to complete in the coming months.

Highlights

UK exit market remains strong; successful IPOs spread across Europe

- The exit market in the UK has continued to perform very strongly in 2014 with nearly half of all European exits occurring in the country – 88 out of a total of 178 – contributing 43% (€21.9bn) of the total European exit value sum (€50.4bn).
- Six out of the largest 10 exits in Europe in H1 2014 have been IPOs. There has been a geographic spread of €1bn-plus floatations across Europe in countries including the UK, Germany, France, Spain, Ireland, Denmark and Italy, the biggest of which was Acromonas Holdings/ Saga & AA’s float in the UK (June 2014) which had a valuation of €4.4bn.
- On the Continent, Germany has had a relatively slow start to 2014, with 17 private equity exits contributing a value of €5.1bn, just 10% of the total European market. Conversely, Spain has seen a significant increase in exit values so far this year, already outpacing the 2013 figure of €1.3bn, with nine deals contributing €7.2bn.
- With floatations being the preferred route of exit, the secondary buyout market has shrunk to its lowest level since 2009 with just €8.8bn worth of exits completed in the first six months of 2014 - down 25% on H1 2013 (€11.8) as private equity houses struggle to compete with IPO valuations. Just two of the 20 largest exits in H1 2014 were secondary transactions (SkillSoft plc and Ceva Sante Animale).

¹ Data for the H1 2014 is up to and including 24 June 2014
Volume of buyouts stable, but few transactions over €250m

- Overall European deals remained consistent in H1 2014 (294 deals contributing €23.7bn) with levels seen in the same period last year (278 and €23.6bn), but are still significantly lower than the second half of 2013, when €35.1bn worth of deals were completed.

- The average size of private equity backed buyouts has fallen by over a third (35%) in the first six months of 2014 to €81m compared to €125m in the second half of 2013. Similarly, the number of deals valued over €250m fell from 37 in the second half of 2013, to just 24 in H1 2014.

- As has been the case since 2011, the UK remains Europe’s largest buyout market in H1 2014, accounting for 36% (€8.6bn) of the total market by value.

- In the major markets on the Continent, Q2 2014 has been a quiet few months for buyouts. Germany saw 14 deals contribute €360m of value – 4% of the total sum of European deals. Meanwhile, France also endured a relatively slow quarter with just 14 deals completing, accounting for 19% of the overall value (€1.7bn).

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

"The European exit market has had a particularly strong start to 2014, demonstrating a significant revival in the capital markets and increased confidence in Europe’s wider economic landscape.

However, it has been a relatively slow start to the year in terms of buyout activity, with no buyouts valued at more than €1bn in the UK, and only a few mega deals completing in Continental Europe so far. That said, the next few months certainly look to be busier, with a number of pending buyouts set to complete in the second half of 2014, particularly in the UK and France.

It is also encouraging to see that funding from the debt market remains accessible in a number of forms to businesses in the lower end of the middle-market, as well as for larger transactions. This is evident in the number of refinancings that have successfully gone ahead in the first six months of 2014.

TMT and Financial Services sectors buoyant, Investment in Retail is low

- The TMT sector has had a strong start to 2014 in Europe, with total buyout values of €6.7bn - already 94% of 2013’s total figure of €7.1bn. This pick up is largely accounted for by four of the five largest deals completed this year so far: Scout24 (€2.0bn), SkillSoft (€1.7bn), Unit24 NV (€1.2bn) and Trader Media (€740m).

- The value of deal flow in the Financial Services sector, which has so far totalled €2.6bn in 2014, has already outpaced the total 2013 figure of €2.5bn. However, over a quarter of this total value is made up by Banco Santander’s sale of Altamira Asset Management to Apollo Global Management for €660m.

- There has been a significant drop-off in the number and value of deals in the Retail sector in the first six months of 2014, with nine deals contributing a total value of €622m, compared to €4.7bn from 21 deals in H1 2013. However, the attractiveness of the IPO markets has led to the Retail sector performing well in the exit markets with 2014’s value of €7.6bn having already overtaken the total 2013 figure of €6.3bn. This has been driven by the high-profile IPOs of B&M Retail (€3.3bn) and Pets at Home (€1.5bn) in the UK.
Lending markets continues its recovery in 2014, Refinancings on the rise

- The average proportion of debt used to finance European deals over €100mn in 2014 was at its highest level since 2008 at 49%. However, the percentage of equity used to fund deals has also risen from 42% in 2013 to 49% in 2014. Although this is still below the heights seen in 2009, when levels of equity used averaged 64%, the ratio of equity employed remains well above the “boom” levels of 2007 when the average proportion of equity was just 35% and debt comprised 58% of all deal structures.

- The first half of 2014 has seen 84 refinancings at a combined value of €23.7bn as there is an increased availability of debt for companies already within a portfolio. While this is in line with last year’s figure at the half year point of €23.2bn, it represents a significant rise on the period between 2008 – 2012 when the highest six month period was €18.6bn (H2 2012).

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Notes to editors

Methodology

The data compiled by CMBOR summarises 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).

The data in this press release is for deals completed by or on 24 June 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 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 36 investment professionals operating across France, Germany, Switzerland and the UK, investing as a strategic partner alongside management teams.

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

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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.