European private equity reaches its highest ever half year exit value

- Total European exit value reaches half year record of €72.9bn in H1 2015
- Total European buyout value of €37.0bn is the greatest first half since H1 2008
- Steady flow of €1bn+ buyouts indicates it is not just a seller’s market

European private equity reached a record cumulative exit value for any half year in H1 2015, according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by Equistone Partners Europe Limited. H1 2015 saw €72.9bn worth of exits, eclipsing the previous record of €68.7bn set pre-crisis in H1 2007.

However, although the exit market remains more buoyant than the buyout market, which totalled €37.0bn in H1 2015, it was the strongest first half for deals since H1 2008 when activity totalled €42bn. This is characterised by the fact the UK saw its first £1bn+ buyout (New Look at £1.9bn) since Q3 2012. Similarly, there have been 6 other €1bn+ deals across Europe (SIG Combibloc Group, Constantia Packaging, Sivantos/Siemens Audiology Solutions, Advanced Computer Software, Sky Bet and Senvion) in the first half – which on an annualised basis this would be the greatest number since 2007.

Highlights

- **The European exit market has strengthened further.** Despite the total number of exits in H1 2015 being down on H2 2014 – 215 and 259 respectively – the collective value of exits reached the greatest total ever, thanks to €24.2bn worth of IPOs and €30.4bn worth of trade sales. Whilst trade sales represented the greatest collective value for exits, secondary buyouts remained the most popular exit route with 102 such transactions being completed. Whilst H1 2015 delivered, only 21 IPO exits, this route was the most lucrative with the greatest average value per exit, whilst trade sales accounted for 81 deals. Arguably, the success of large IPOs has curtailed large secondary buyouts, with none of the top 10 largest exits being executed this way.

- **The UK remains Europe's most active market for private equity,** with the highest total value for exits (£21.6bn) and buyout deals (£10.5bn). The UK also had the greatest volume of buyout deals (101) and exits (92) for the half year, with France a distant second with 43 deals and 29 exits. The UK also saw 3 of the top 10 deals by value for the half year (Advanced Computer Software, Sky Bet and Trainline) as well as five of the top 10 exits by value for the half year (Auto Trader, United Biscuits, Wood Mackenzie, New Look (Trinitybrook)and Iglo Group). As a percentage, the UK accounted for 42.3% and 32.3% of all exits and deals across Europe.

- **Debt climbs to pre-crisis levels.** For transactions over €100m, senior debt averaged 60%, a comparable level to 2007 when that figure was 58.6%, whilst in 2010, with lenders reeling from the credit crunch, average senior debt was as low as 35.1%, rising to 46.4% in 2011.

- **Germany is establishing its position as Europe’s number two for new investments** with the second greatest deal value (£5.7bn) or 15% of the total activity, continuing a trend seen over recent years. However, Germany only saw two of the top 10 European deals (Sivantos/Siemens Audiology Solutions and Senvion). Similarly, despite seeing the third greatest collective value of
exits, second to France, only one German exit makes into the European top 10 by value (Springer Science & Business Media).

- **More exits are being made within the typical private equity 3-5 year cycle period**, although the spread of vintages remains broad as GPs offload older assets in a favourable exit market. Of the top 20 exits by value, 11 had vintages of 5 years or less, with a number of assets being held for a minimal period, such as Apax’s flotation of Auto Trader after only acquiring it in 2014. Whilst other deals have much older vintages, including that of the second largest exit for the half year (GrandVision) of 2004, the typical 3-5 year private equity model is proving to be successful in the post-2007 era.

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

“That H1 2015 represents the highest ever half year exit value for European private equity shows that we’re still very much in a seller’s market. The continued run of equity markets has meant IPOs have been a particularly popular method for exiting assets, especially those of a value over €0.5bn such as Auto Trader, Sunrise Communications and Spie.

Whilst the exit market has arguably become even stronger, the impressive new deal flow should also be noted, with the greatest first half by value since H1 2008 being recorded. Clearly, for GPs with strong origination and a good reputation that appeals to management teams, there are deals to be made, particularly in the UK and Germany. In this respect, the mid-market continues to be a fertile ground for potentially lesser known assets that specialist firms can take to the next level through investment and strategic support.

“H1 2015 has also seen a number of firms successfully close their latest funds, so we have a continuation of the imbalances between capital raised and investment activity. However the fact that the UK has seen its first £1bn+ since 2012 is an encouraging sign for the larger buyout funds who focus hard on the UK.”

**French deal market softens whilst Germany pulls ahead; mixed picture for the rest of Europe**

- Despite executing the second highest number of deals 43 in H1, the cumulative value of these only places France fifth, indicating a lower average deal size highlighted by the fact France did not seeing a single top 20 deal by value. Comparatively, Germany saw 40 deals completed but with a significantly larger total value of €5.7bn. However, the French exit market remains buoyant with the second highest collective value at €14.7bn owing to GrandVision (€5bn), TDF (€3.6bn) and Spie (€2.5bn).

- On an annualised basis Spain is on target for its greatest number of deals since 2007, with 20 already completed in H1 2015. Similarly, Austria is on target for its strongest year by value since 2007, owing to the €2.3bn acquisition of Constantia Packaging. On the flipside, Portugal continues its barren run of failing to deliver an exit since 2013, and Ireland €39m and Norway €56m fail to surpass €100m worth of exits.

**The UK sees its first £1bn+ deal since 2012 and a record half for exits**

- New Looks’ recent £1.9bn deal ends the UK’s run of no £1bn+ deals since 2012. Furthermore, H1 2015 was the UK’s best ever half year by exit value with £21.6bn worth of exits completed. The value of new deals completed were broadly up on H2 2014 at £10.5bn versus £8.4bn, representing a steady improvement in the UK’s deal market strength. Deals between £500m-£1bn stand at a half year value of £2.4bn, which already surpasses the full year of 2014 when it was £2bn. The cumulative value of mid-market deals, those between £25m and £250, are in line with previous 2014 standing at £3.3bn or 39% of all deals.

- Regionally, London and the South East continue to see the greatest cumulative deal value at £2.6bn and £2.3bn respectively. However, Yorkshire/Humberside saw an excellent first half with
deal value reaching £1.4bn owing in part to the £720m Sky Bet deal. The West Midlands performed solidly with 10 deals completed in the first half versus 15, 9 and 10 for the full 2014, 2013 and 2012 years respectively. The perennially small market of Northern Ireland is yet to chalk up a single deal in 2015.

Manufacturing and TMT are the major sectors for deals across Europe

- Manufacturing continues its position from 2014 as the dominant sector for new deals across Europe, topping the table in both value (€12.7bn) and volume (88) – comparatively, the total deal value for manufacturing in 2014 was €15.3bn, which looks like it will be easily surpassed. TMT, which also generated a value of €13.9bn new deals in 2014, has maintained its position as the second most valuable sector with investments totalling €5.8bn in H1 2015. In terms of exits, TMT has been the most lucrative totalling €22.0bn or 17.7% of all exits across Europe.

Refinancings fall as deal sources remain consistent

- The wave of refinancing appears to be slowing with €16.7bn in H1 2015 after a record €53.4bn in 2014 and €46.4bn in 2013. The total number of refinancings for the half year stands at 60, so we are unlikely to see the respective 2014 and 2013 numbers of 163 and 148. Similarly, the number of partial sales have fallen to 25 totalling €3.7bn versus 73 and €12bn for the full year in 2014.

- Foreign divestments prove to be an increasingly popular deal source, with the highest value recorded for a year since 2007 already achieved. H1 2015 saw €9bn worth of deals sourced via foreign divestment, with noteworthy deals including Reynolds Group’s (New Zealand) €3.8bn disposal of SIG Combibloc Group and Suzlon Energy’s (India) disposal of Senvion in a €1.1bn deal. However, secondary buyouts represent the greatest cumulative deal source value at €15.7bn, although privately sourced deals were the most popular with 115 acquisitions being sourced this way, equating to over a third 37% of all deals.

- Ends -

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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 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.