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Continental European buyout market slows in Q1 2012

UK bolsters market; France declines

The total value of European private equity buyouts has decreased at the start of 2012, with 139 deals totalling €13bn completing this quarter, according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by Equistone Partners Europe and Ernst & Young. This compares with the same volume of deals (139) in Q4 2011, totalling €14bn, and 608 buyouts totalling €61.5bn for the whole of last year.

The UK has returned to dominance, accounting for nearly half of the total number and combined value of private equity-backed buyout deals in Europe this quarter. This represents the largest share of the buyout market held by a single country in any given quarter for almost ten years (since Q3 2002). Remarkably, not usually known for deal flow, the next largest countries by value this quarter were Belgium, recording a total of €2bn deals and Switzerland recording €1.6bn. These account for 15% and 13% of the total, respectively.

Highlights

- **UK prominence**: The UK recorded 62 deals with a total value of €6.3bn, accounting for 48% of the overall value across Europe (€13bn). This compares to France which, following a surge in deal activity in 2011 totalling €14.6bn and representing 24% of the market, amounted to just €531m through 24 small transactions this quarter.

- **Increase in P2Ps**: The number of public to private buyouts has increased with eight deals completed this quarter, compared to 13 in the whole of 2011 and 21 in 2010. These were predominantly smaller deals averaging €183m including the buyout of Belgium’s Omega Pharma for €848m in February and the acquisition of Swedish financial software company Orc Group by Nordic Capital for €224m in March.

- **Debt contribution**: The structures of European buyouts over €100m showed an average debt contribution of 42% this quarter compared to 44% in 2011 and a low of 37% in 2010, indicating an easing in the European debt markets in the past year. However, this is still significantly lower than an average of 57% recorded for buyouts in 2007.

- **Exits slow**: The level of exits in the first quarter of 2012 was fairly low compared to the past two years. 73 exits totalling €12.4bn in Q1 2012 equated to 19% of the overall volume of exits in Europe in 2011 (378) and just 16% of the total 2011 value (€77.5). Compared to 2010, exit levels this quarter equated to 24% of the total volume (300) and 20% of the value (€61.3bn).

- **The largest buyouts** this quarter were: The acquisition of Iceland Foods by a consortium led by Iceland’s chief executive Malcolm Walker for €1.7bn, the €1.6bn sale of Orange Communications by France Telecom in February and the sale of Taminco, a global player in the production of functional chemicals and agro sciences technology, by CVC Capital in February for €1.1bn.

1 – CMBOR / Equistone Partners Europe / Ernst & Young European buyout data Q1 2012
Only one **private equity backed IPO** has been recorded so far this year. Cable operator Ziggo backed by Warburg Pincus and Cinven floated on the NYSE Euronext in Amsterdam at a price of €18.50 per share, resulting in a market capitalisation of €3.7bn. Ziggo’s IPO represents Europe’s largest floatation since Glencore raised US$10bn in May 2011.

**Christiian Marriott, Director at Equistone Partners Europe commented:**

"The European buyout market has had a cautious start to the year, reflecting ongoing uncertainty in the Eurozone. As a result, some recent investment and sale plans have been delayed or abandoned, impacting the volume of completions this quarter. However, it is encouraging to see that banks in Europe are now showing an appetite to lend again, with a strong pipeline of deals expected to complete over the next six months."

**Sachin Date, EMEIA Private Equity Leader at Ernst & Young said:**

“Despite volatility in the Eurozone, we are starting to see the financing markets gradually relax. Debt has traditionally been fundamental to the private equity business model and deals done in Q1 on average included substantially more leverage than over the past couple of years. This said, private equity houses are increasingly looking to alternative sources of finance. The bond financing market is open and packages are being used more frequently than for some time.”

**UK dominates European market; French buyouts decrease by volume and value**

- **UK dominance is largely due to the 10 mid-market and large buyouts (all over €100m in value) completed this quarter, including the sale of Capital Safety Group by Candover Partners and Arle Capital to KKR for €851m in January.**

- **The number of buyouts in France fell in Q1 2012 to 24, compared to 30 deals in Q4 2011, 33 deals in Q3 2011 and 40 deals in Q2 2011. The total value of deals in France in the first quarter of 2012 was €531m, representing just 4% of the overall value of European buyouts in Q1 2012 and only 4% of the total value of deals in France in the whole of 2011 (€14.6bn).**

- **Buyout activity in Germany had a slow start in Q1 2012, with a total of 11 deals compared to 16 in Q4 2011, 18 in Q3 2011, and 19 in Q2 2011. The value of buyouts in Germany fell significantly in the first quarter of 2012, totalling €451m – equating to only 3% of the overall European deal value (€13bn).**

- **Switzerland saw a large increase in deal value in Q1 2012, reaching a total of €1.6bn, a figure which has already surpassed the total value of buyouts in Switzerland for the whole of 2011 (€1.4bn). This is due to only one deal – the €1.6bn sale of Orange Communications by France Telecom in February.**

**TMT sector leads the way**

- **Technology, media and telecommunications sector transactions accounted for almost a quarter of European deals by value in Q1 2012 with 17 deals totalling €3bn. This is largely due to the sale of Orange Communications by France Telecom.**

- **By volume, manufacturing remains the dominant sector for private equity buyouts in Europe, with 40 transactions completed in Q1 2012. By value, however, the average size of manufacturing transactions in Q1 2012 was small at under €47m (total €1.9bn).**
Deal activity in the retail sector in Europe remained fairly constant at the beginning of 2012 with the total number of deals accounting for over a quarter of retail sector transactions in the whole of 2011 by both volume (12) and value (€2bn). Retail sector deals in Q1 2012 included the aforementioned acquisition of Iceland Foods and the secondary buyout of American Golf by Sun European Partners for €96m. Eight of the 12 buyouts in the retail sector were in the UK.

Four out of 12 retail sector transactions in Q1 2012 were out of insolvency, mirroring the dip in consumer spending in Europe and reflecting the extent of struggling high street brands.

Increasing number of buyouts out of insolvency; decrease in larger deals

The number of buyouts out of insolvency is increasing in Europe indicating an improving confidence in buying distressed companies. 12 insolvency transactions were completed in the first quarter of 2012, including the acquisition of struggling UK retailer Comet which was bought out of administration by OpCapita in January for an estimated €2. This compares to 24 insolvency buyouts in the whole of 2011.

Secondary buyouts in Europe in Q1 2012 remained prominent as a percentage of overall deal activity this quarter with secondary deals accounting for 41% (€5.3bn) of the overall value of buyouts in Europe (€13bn). However, compared to the previous three quarters in 2011, there were significantly fewer secondary transactions completed in Q1 2012. Q1 2012 saw 27 completed transactions compared to 31 in Q4 2011, 45 in Q3 2011 and 52 in Q2 2011.

The level of foreign divestments was relatively high in Q1 2012, with 13 deals completed for a total value of €2.6bn. This value is already over a third (39%) of the total value of foreign divestments in 2011 (€6.7bn).

Vista Equity Partners’ acquisition of software business Kondor from Thomson Reuters for an estimated €459m was the only buyout in the €250m - €500m deal bracket to complete in the first quarter of 2012. In comparison, there were seven deals in Q4 2011 and six deals in Q3 2011 in this value range.

Large deals (€500m+) remained constant, with seven transactions in this bracket taking place this quarter, in comparison to seven in Q4 2011 and ten in Q3 2011. Deals, over €500m also remained high in value reaching €8.2bn this quarter, compared to €6.4bn in Q4 2011 and €10.7bn in Q3 2011.

Exit market slows; deal pipeline strong

The level of exits in Q1 2012 was fairly low compared to the past two years. 73 exits totalling €12.4bn this quarter equated to 19% of the overall volume of exits in Europe in 2011 (378) and just 16% of the total 2011 value (€77.5).

Secondary exits in Europe in Q1 2012 accounted for 45.2% of all exits by volume and 44% by value. This compares to trade sales which accounted for 38% by volume and 26% by value.

The overall pipeline of transactions in Q2 and Q3 2012 in Europe looks strong with a number of pending deals including the possible acquisition of banking software provider Misys PLC by Vista Equity Partners and CVC Capital Partners and the sale of building materials distribution company Ahsell by Cinven due to complete.

- Ends -

3 – CMBOR / Equistone Partners Europe / Ernst & Young European buyout data Q1 2012
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**Notes to editors**

**About CMBOR**

- The Centre for Management Buy-out Research (CMBOR) was founded at Nottingham University Business School in 1986 and has been sponsored by Equistone since its establishment. It is now based at Imperial College London and celebrated its 25th anniversary in 2011.
- CMBOR is world-renowned as the long-standing leader in providing robust analysis of the buy-out 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 only uses completed deals to calculate its data. Any pending deals at the end of each quarter are carried over to the following quarter. **The data in this press release are for deals completed by Tuesday 27th March 2012.**
- The European data provided by CMBOR in this release refers to the buyout activity in 15 countries including Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK.

**About Equistone Partners Europe**

- Equistone Partners Europe Limited is an independent investment firm owned and managed by the former executives of Barclays Private Equity.
- The management company that was formerly Barclays Private Equity was acquired by its former executives from Barclays Capital, the investment banking division of Barclays Bank PLC, in November 2011.
- 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 authorised and regulated by the Financial Services Authority.
- For further information, please visit [www.equistonepe.com](http://www.equistonepe.com)

4 – CMBOR / Equistone Partners Europe / Ernst & Young European buyout data Q1 2012
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