June 27 2012

UK private equity buyout market value increases by 38% in first half of 2012
Private equity buyouts account for 83% of the overall UK M&A market in Q1

The UK private equity buyout market was resilient in the first half of 2012, totalling £8.0bn buyouts, and representing a 38% increase on the second half of 2011 (£5.8bn), according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by Equistone Partners Europe Limited and Ernst & Young.

Private equity buyouts accounted for 83% of the total value of M&A in the UK during the first quarter of the year and over half (55%) by volume of deals. Overall M&A activity in the UK was slow during the first quarter, with a total value of £1.1bn recorded (Source: ONS*). Private equity comprised 61% of total M&A value and 33% of volume of transactions in 2011.

Highlights

- **UK market resilient** with 103 private equity buyouts totalling £8.0bn in value in the first half of 2012 – already more than 60% of the full year 2011 value (£12.7bn). This followed 183 deals totalling £18.8bn in 2010 and 120 deals totalling only £4.8bn in 2009.

- **Buyout activity declined in the second quarter** after a strong start to the year with 66 deals totalling £5.4bn in Q1 and 37 deals totalling £2.6bn in Q2 – the lowest quarter by value since the £1.0bn recorded for the final quarter of 2009.

- **Increase in buyouts out of insolvency** with 13 in the UK so far this year compared to 16 in the whole of 2011 and 16 in 2010. Half of these were in the retail sector including the acquisitions of well-known brands such as Iceland Foods and Bonmarche.

- **‘Mega’ buyouts increase** with two deals larger than £1bn in value completed in this size bracket in the first two quarters of 2012. These were the buyouts of Iceland Foods and the British banking software provider Misys, which together account for 34% of the overall UK buyout value. There was only one deal over £1bn in the whole of 2011 and two in 2010.

- **Retail sector buoyant** with a total value of £2.0bn recorded so far this year. This is already higher than the overall value reached in 2011 (£1.3bn), predominantly due to the buyout of Iceland Foods for £1.5bn in March.

- **Exit market healthy** with a total value of £5.5bn transactions so far this year, more than triple the total value in second half of 2011 (£1.5bn). In line with buyout activity, exits declined in the second quarter, recording £1.9bn compared to £3.6bn in Q1.

*Office of National Statistics data is available up to Q1 2012 only. All other points show all transactions including Q2.

1 – CMBOR / Equistone Partners Europe Limited / Ernst & Young UK buyout data half year 2012
Christiian Marriott, Director at Equistone Partners Europe Limited commented:

“The UK private equity market has shown robust performance in the first half of 2012, though a decline in buyouts in the past few months indicates that confidence is fragile, especially for larger transactions. It is encouraging to see an increase in buyouts of companies out of insolvency, demonstrating the positive role that private equity can play in rescuing high profile retail brands such as Game Group from collapse.

“We may see an uplift in buyouts towards the end of the year if macroeconomic uncertainties are resolved and as availability of financing for transactions continues to improve, indicated by a promising pipeline for the rest of the year.”

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

“It is positive to see private equity contributing a high percentage to the UK’s overall M&A activity in terms of value and volume. Even in a volatile market, PE houses continue to use their core skill sets of identifying attractive assets and are bold and brave in acquiring those businesses. Although activity is showing signs of improvement on last year, it is all relative, and there is still only a trickle of quality assets coming to market which is hindering activity in the UK.”

Increase in public to private transactions

- The overall value of public to private transactions in the UK increased to seven deals totalling £1.6bn in H1 2012, already overtaking five deals totalling £1.2bn in the whole of last year. The largest PTP this year was the £1.3bn acquisition of Misys by Vista Equity Partners.

- The level of foreign divestments to private equity buyers in the first half of 2012 was higher than in previous years – 11 deals totalling £651m, compared to 15 totalling £1.1bn in the whole of 2011, 11 totalling £520m in 2010 and just eight totalling £131m in 2009.

Retail highest industry sector

- Retail is the dominant sector so far this year, with 13 deals totalling £2.0bn. This figure represents 25% of the overall value of buyouts and has surpassed the value of retail deals for the whole of 2011 (£1.3bn). Buyouts in this sector included the acquisitions of Garden Centre Group by Terra Firma, as well as a number of popular, high end clothing retailers such as Jaeger by Better Capital and Nicole Farhi by US private equity firm OpenGate Capital.

- Buyout value was high in the Technology, Media and Telecoms (TMT) sector with 16 deals totalling £1.9bn and representing 24% of the overall buyout value. This high value is mainly due to the acquisition of British banking software provider Misys by Vista Equity Partners for £1.3bn.

- Business and support services is the largest sector by total number of deals, recording 20 deals so far in 2012. This compares to 38 in the whole of 2011 and 42 in 2010.

Large deals struggle in first half of 2011; robust mid-market

- Whilst ‘mega’ buyouts have increased in 2012 with two deals over the £1bn mark, there have been few other deals of a value over £250m in H1 2012 with only six such deals completed compared to 12 in 2011 and 20 in 2010.

- Buyouts in the mid-market remained robust, with total values on track to reach 2011 levels. There were 46 deals in the lower mid-market (£10m - £100m), totalling £1.5bn. The upper mid-market (£100m - £250m) recorded eight deals totalling £1.3bn.
There were 43 deals valued below £10m completed in H1 2012. This accounts for 42% of the total volume of deals in the UK this year so far.

**Exit market on track to exceed 2011 value**

- With a total value of £5.5bn, the UK exit market is on track to exceed the total exit value in 2011 (£8.7bn). This is despite a drop in value in Q2 2012 (£1.9bn compared to £3.6bn in Q1 2012).
- Sale of assets to a trade buyer is the dominant exit route in H1 2012, with 34 transactions compared to 27 secondary buyouts and 16 creditor exits.
- There were 27 secondary exits completed in H1 2012 – exactly half of the total number of secondary exits in the whole of 2011 and almost double the number of secondary sales in 2009 (15). The largest exit this year was the secondary buyout of CPA Global by Cinven for £950m.
- There were 16 creditor exits recorded in the UK in the first half of 2012 – just a third of the total volume of creditor sales in 2011 (45) and 38% of the total in 2010 (39).
- There have been no successful private equity backed IPOs in the UK since Q2 2010, when two took place.

**London remains dominant; North West and South West regions increase**

- London remained dominant in H1 2012 despite a slow 2011, when the overall value of buyouts completed fell to £4.7bn from £9.8bn in 2010. The total value of deals in London in the first half of 2012 was £2.9bn – already over half of the total reached last year (2011: £4.7bn).
- Deal flow in London accounted for 36% (£2.9bn) of all UK buyouts (£8.0bn) in H1 2012.
- Deal flow in the North West accounted for 21% (£1.7bn) of all UK buyouts (£8.0bn) in H1 2012 – already reaching the overall value of buyouts in the North West in the whole of 2011. This was mainly due to the acquisition of Iceland Foods for £1.5bn. By quarter however, Q2 2012 was slower in the North West region, with the total deal value dropping to £125m compared to £1.6bn in Q1 2012.
- There were 11 deals in the South West in Q1 2012, totalling £1.1bn. This compares to Q2 2011 when just two deals totalling £20m were completed in the region.

- Ends -
For more information:

Merlin
Toby Bates 0207 726 8400
Zinka Bozovic 07930 480 391

CMBOR
Mike Wright, Professor of Entrepreneurship, Imperial College London Business School and Director of CMBOR 0115 951 5257 / 07717 340917
Rod Ball, Research Fellow, Imperial College London Business School 0115 951 5091 / 07904 214639

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.

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.
- Equistone acquired the management company of Barclays Private Equity 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 is authorised and regulated by the Financial Services Authority.
- For further information, please visit www.equistonepe.com