Definitive statistics and analysis on buy-out exits
Welcome

Welcome to Exit, the report which provides definitive statistics and analysis on buy-out exits. The data is compiled by the Centre for Management Buy-out Research with analysis and commentary provided by its sponsors, Barclays Private Equity and Deloitte.

Record year for UK buy-out exits in 2005 followed by a favourable start to 2006

Buy-out exits in the UK again reached a record in both volume and value in 2005 for the second consecutive year. There were 340 exits recorded in 2005 compared with 325 exits recorded in 2004. This is an increase in value from £18.2bn in 2004 to a new high of £21.8bn last year. Increased partial sale and recapitalisation activity brought in a further £19bn in 2005. This took place during a year of strong new deal activity, including a record number of £100m plus buy-outs (51), which helped to propel total market value to a new high of £24.2bn in 2005. Last year also saw record activity for both trade sale and secondary buy-out exits. The number of trade sales rose to 146, more than double the 2003 figure, whilst secondary buy-out numbers increased again to end 2005 at 96. The first quarter of 2006 has also started in positive fashion with the 72 exits recorded having a total exit value of £5.3bn.

Trade sale momentum continues with new record in 2005

Trade sale activity rose for the second consecutive year after falling to just 67 in 2003. Last year saw a record 146 trade sale exits, a 22 per cent increase on the 2004 total of 120. In the first quarter of 2006 numbers have remained relatively healthy with 29 recorded.

Despite year-end surge buy-out IPOs remained below the 2004 level

Now that stock markets have regained much of the lost ground since the dotcom crash, the private equity market has had more opportunity to gain market listings for suitable investments. Since falling to just eight IPOs in 2001 buy-out floats came back in 2004 to end with 31. Although last year started slowly with only nine IPOs in the first half year, the final total of 23 floats was the second highest since 1997. However, this trend has not been carried through into 2006 with only one small IPO recorded in the first three months. The largest float of a former buy-out last year was the £1.1bn listing of satellite operator Inmarsat, followed by the £958m flotation of well known brand food producer, RHM. Another household name, Pizza Express, re-joined the market last year valued at £431m.

Secondary buy-out activity reaches yet another record

Secondary buy-outs have become one of the most common routes for private equity houses to realise capital in recent years, with many of the largest exits being secondary transactions. From just 29 secondary buy-outs in 2001 the total grew to a new record of 87 secondary deals in 2004. Last year saw even more secondary transactions with a new record 96 deals completed. The first quarter of 2006 shows no signs of this pace declining with a further 26 secondary buy-outs completed by the end of March.

Number of buy-out failures falls for third successive year

Receiverships of buy-outs have now fallen for three successive years after reaching a high point in 2002 of 122. Since then company failures have decreased consistently ending last year at 75. The first quarter of 2006 has continued this positive trend with just 16 receiverships recorded.

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The average time to exit aggregated for all exits fell for the second consecutive year last year to 61 months from 63 months in 2004 and 71 months in 2003. The average holding period for trade sales increased slightly to 61 months last year, whereas all other exit types demonstrated shorter holding periods. IPOs showed a big fall from 46 months in 2004 to just under 35 months in 2005. The average time to exit for secondary buy-outs has also dropped from 84 months in 2003 to only to 71 months in 2005. Company failures have declined in recent years, with the average time to exit for receiverships falling to 55 months in 2005.

In addition to the total exit value of nearly £22bn, further capital of £19bn was released through refinancing and partial sales in 2005. Partial sales activity through selling off subsidiary companies increased further in 2005, returning an additional £6.2bn. The total amount of funds returned to private equity houses in 2005 was boosted further with £12.6bn realised through refinancing activity. With a further £3.2bn refinancing on top of the £5.3bn exit value recorded in the first quarter of 2006, this year is on course to match the record £40.6bn from 2005.

Secondary buy-outs have added much needed liquidity to the buy-out market at a time when trade sales and flotations were difficult to come by. However with general M&A activity picking up since 2005 private equity houses are having more success in divesting their assets to trade buyers. Already in 2006 there have been two huge trade sales which saw Spirit Group sold to Punch Taverns for £2.7bn in January and General Healthcare acquired by Netcare for £2.2bn in April. With stock market indices heading back to levels last seen in the technology boom era the potential to list some of the larger buy-outs has also increased. Although IPO activity has been slow at the start of 2006, the buy-out market has seen Debenhams join the London stock market this year with an enterprise value of £1.7bn. Other major IPOs have also been signalled, including the combined Gala Group and Coral Eurobet business, which has been reported as planning to float in 2007 at an estimated value of £5.5bn.
The Centre for Management Buy-out Research was founded by Barclays Private Equity Limited and Deloitte in March 1986 to monitor and analyse management buy-outs in a comprehensive and objective way. It has developed a wide-ranging and detailed database, which provides the only complete set of statistics on management buy-outs and buy-ins in the UK and continental Europe. The Centre is part of Nottingham University Business School.