Record buy-outs sail into stormy waters...

Figures for the first nine months of this year reveal that 2007 has already been a record year for UK buyouts – reaching a remarkable £39.2 billion in value.

In the third quarter of the year buyouts hit £15.2 billion, fuelled by a number of mega-deals, such as Saga/AA, EMI, BUPA and Brake Brothers. These followed a remarkable second quarter when buyout levels reached £19.8 billion, of which Alliance Boots accounted for £11.1 billion. Figures for the first three quarters of this year are almost 50 per cent higher than the previous annual record of £26.5 billion, reached in 2006.

However, events in world markets over the past few months have cast doubt over whether this level of success can continue. Practically all of the mega deals which helped boost figures for the third quarter were announced before the sharp tightening of the credit markets in August and this will undoubtedly affect the outlook for larger buy-outs in the near future.

So as we head into 2008, it is possible there will be a slow down in buyout activity, but this should not detract from what has already been a record breaking year.
Secondary buy-outs prop-up exits

The number of secondary buy-outs has increased significantly in the first nine months of 2007 and accounted for over half of the 21 exits valued over £250 million.

At 93 secondary buy-outs across all sectors, the market is well on its way to overtaking the 2006 record of 100, with secondary buy-outs accounting for 63 per cent of Exit value.

However, Exit values remain low. In 2006, Exit value hit a record £26.9 billion, whereas values so far this year have only reached £18.8 billion.

The largest exit this year has been Saga for £3.4 billion, followed by Brake Brothers, £18.8 billion.

Deals above £250m in 2007

The UK Market for Corporate Control

Deals above £250m in 2007

The funds keep rolling in

Fundraising has continued at a very high level in the first nine months of 2007, reaching almost £15 billion.

Last year fundraising reached a record £20.2 billion – but with data for the fourth quarter still to be revealed, 2007 could match or even beat the previous record.

Testament to the strength of fundraising in the first nine months of 2007 is the closing of Barclays Private Equity European Fund III in September. The Fund has total commitments of £2.45 billion and was raised entirely from existing investors.

Buy-out share of M&A leaps

The proportion of total M&A activity provided by buy-outs has been relatively stable over recent years at around 50 per cent, but in the first half of 2007 this changed dramatically, reaching 65 per cent of total M&A value. This is up from 48 per cent of UK M&A in 2006.

Leisure declines but Business Services and TMT boom

The Business & support services and TMT sectors have shown significant levels of activity in the first nine months of this year. Business and support services reached £6.1 billion, well over double the 2006 total, while TMT is also booming, hitting £5.2 billion – an increase of 58 per cent. The leisure sector – which has typically been extremely buoyant – reached just £1.2 billion in the first three quarters of this year – a drop of 79 per cent compared to the £5.5 billion achieved in 2006.

Boots boosts PTPs

The number and value of public to private deals (PTP) has soared in the first 9 months of 2007.

There have been 20 new deals worth a record-breaking £18.1 billion: dramatically up on the 25 deals for the whole of 2006, worth just £6.6 billion. This figure was boosted by the biggest PTP ever, Alliance Boots at £11.1 billion.

The largest deal in the third quarter was EMI with a value of £3.2 billion. While PTPs make up just four per cent of buy-out volume, by value they have accounted for almost half the market in 2007 so far.
London still tops the charts

London has continued to out-strip the rest of the UK in terms of number and value of deals, with 68 deals worth £19.0 billion in total. This figure was given a significant boost by the Alliance Boots deal at a record £11.1 billion. London is comfortably ahead of its nearest rival, the South East, where there were 56 deals worth £8.8 billion.


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Year 2007 figures are for first 9 months only

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