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CENTRE FOR MANAGEMENT BUY-OUT RESEARCH NEWS AND UPDATES

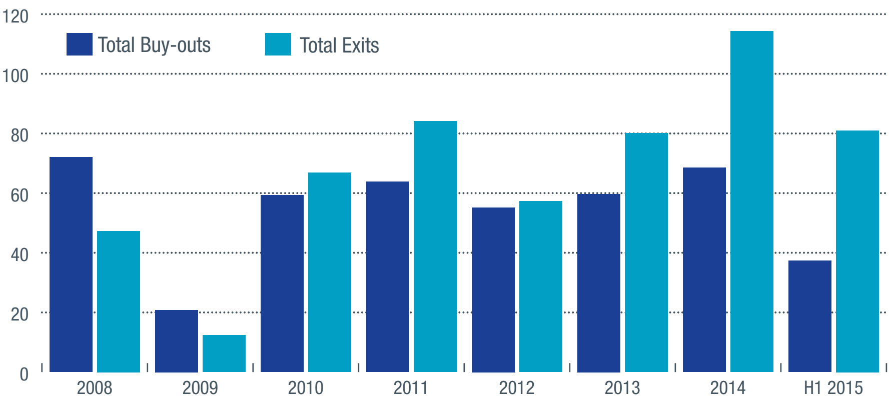
Issued by Equistone Partners Europe Limited, based on data provided by the Centre for Management Buy-out Research (CMBOR). CMBOR is supported by Equistone Partners Europe Limited, having been founded in March 1986, to monitor and analyse management buy-outs and buy-ins in the UK and continental Europe, in a comprehensive and objective way.

SUMMER 2015

Exits continue to reach new heights

European buy-out exits have been strong during H1 2015. Altogether €81bn was realised, exceeding new money invested over the same period by more than 100%.

EURO BUY-OUTS/EXITS BY VALUE 2008 – H1 2015 (€BN)



Source: CMBOR / Equistone Partners Europe

TOTAL EUROPEAN buy-out exits for H1 2015 can be broken down into: exits arising from secondary buy-outs, which raised €18.4bn across 106 transactions; trade sales, which raised €31.6bn for 90 transactions; and flotations that accounted for a combined total of €31bn across 25 IPOs. The total exit figure is significantly bolstered by buy-out flotations, and is the largest half yearly figure recorded, with the exception of H1 last year when €34.5bn was raised by 32 IPOs.

The combined exit value of €81bn for H1 2015 exceeds new money invested over the same period by more than 100%. It is the first time this has ever happened (for the full year 2014, exits exceeded new money invested by around 80%). New money invested in H1 2015 accounted for €37.3bn across 329 deals. This compares with €27.9bn across 327 new investment deals in H1 2014. Last year the bulk of new investment, by value, fell into the second half of the year (H2 2014 saw 338 new investments with a combined value of €40.5bn). Whether greater investment, and indeed exit, activity will be seen in H2 2015 could be affected by the degree of volatility in the eurozone following the fallout of Greece's third, and protracted, bailout.

European buy-out exits came from a variety of sources during H1 2015. There were four flotations in the top 10 exits, by value, and these were spread across three different stock exchanges. They include French optical retailer Grandvision that IPO'd on Euronext in February, achieving a valuation of €5bn. Investor HAL Holdings had backed Grandvision's buy-out in 2004.

Also going public on Euronext was French multi-technical services company SPIE. In June, SPIE achieved a market

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Exits continue to reach new heights

cap of €2.5bn for Clayton Dubilier & Rice, AXA Private Equity, Caisse de dépôt et placement du Québec, which had together invested in SPIE in 2011. SPIE, however, had been in private equity hands since 2006 when it was acquired from AMEC by PAI Partners.

UK online car marketplace Auto Trader floated on the London Stock Exchange in March raising €3.5bn. It had been backed by Apax Partners. Sunrise Communications, the second largest Swiss wireless carrier, took its IPO to the Swiss Stock Exchange in February raising €2.9bn with the help of its backers CVC Capital Partners.

The remaining top 10 European buy-out exits were trade sales. Three of these trade sales were of UK-based companies; United Biscuits (sold to Turkish confectionary business Yildiz Holdings), Wood Mackenzie (sold to Verisk Analytics) and Iglo Group (sold to Nomad Food Group).

United Biscuits had been acquired in 2006 by Blackstone and PAI Partners by way of a secondary buy-out. The original owner of United Biscuits was a consortium called Finalrealm backed by Nabisco, Hicks Muse Tate & Furst (which later sold its stake due to competition concerns), Cinven and PAI Partners. Finalrealm bought United Biscuits in 2000 for €1.2bn. At that time, the deal size meant an investor consortium was the only viable funding route.

Wood Mackenzie, the energy consultancy, was sold by US buy-out firm Hellman & Friedman. Hellman & Friedman acquired the business in 2012 from Charterhouse Capital Partners by way of a quaternary buy-out. Charterhouse invested in Wood Mackenzie in 2009 when it bought the company from Candover. Wood Mackenzie's original buy-out was led by employees and management, supported by Bank of Scotland, in 2001. Candover went on to acquire the business from the original employee and management buy-out group in 2005.

Although secondary buy-outs do not feature as an exit route in the top 10 buy-out exits for H1 2015, in the top 50 they amount to two-fifths of transactions, by number. Secondary buy-out exits become increasingly prevalent where total exit value is around €700m or less.

The most notable characteristic of European buy-out exits during H1 2015

Where are the deals?

New European buy-out investments were worth €37.3bn in H1 2015. This value represents 329 buy-outs.

IN THE previous five years, the second half of the year has seen greater buy-out values transacted than in the first half of the year. Based on this trend alone, it would seem that full year 2015 is in line for a bumper year. On paper 2015 should at least equal, if not exceed, 2014's €68.6bn total value, the best since 2008.

The UK buy-out market was vibrant in H1 2015. The UK saw 107 buy-outs with a combined value of €14.6bn transacted. This figure was boosted by eight buy-outs that made it into the top 20. The largest three UK deals were New Look, Advanced Computer Software and Sky Betting.

Apax Partners and Permira sold New Look to South African private equity firm Brait. Advanced Computer Software, the business and accounting company, was sold by Prudential to US buy-out firm Vista Partners in March for €1bn.

Also in March, Sky sold Sky Betting and Gaming to CVC Capital Partners for €1bn. In April CRH plc sold Ibstock Group, the brick manufacturer, to Bain Capital for €575m. In March Big Bus Tours, which operates in 16 cities across the US, Europe and Asia, was sold by its founding family to Exponent Private Equity for €695m.

The rest of the UK buy-outs to make

EURO BUY-OUTS DEAL SOURCES 2009 – H1 2015

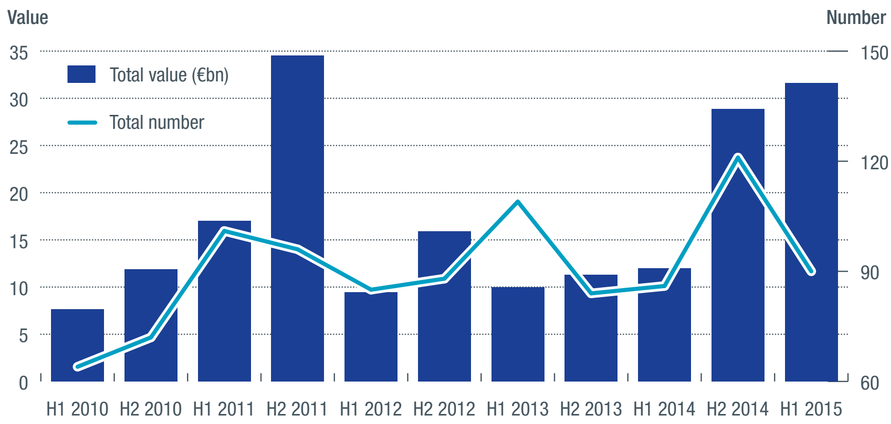
	2009		2010		2011		2012		2013		2014		H1 2015	
	No.	€m	No.	€m	No.	€m	No.	€m	No.	€m	No.	€m	No.	€m
Secondary Buy-out	52	3,900	143	28,571	179	30,904	139	27,105	159	34,803	166	29,048	99	15,790
Foreign Divestment	41	2,796	46	4,447	47	6,209	54	7,265	57	6,237	65	7,437	41	9,081
Local Divestment	101	5,031	112	8,179	106	11,737	99	7,325	115	9,109	128	19,628	54	5,735
Private	180	4,113	247	9,944	247	8,962	250	6,679	204	6,560	272	9,269	122	3,598
Public to Private	17	2,929	21	7,566	15	5,172	19	4,286	5	2,405	10	2,559	7	2,203
Public Buy-In	4	181	1	20	3	225	2	35	–	–	1	72	1	439
Privatisation	4	593	3	137	–	–	–	–	1	232	1	148	1	399
Insolvency	28	1,248	31	346	24	476	38	2,498	26	337	24	389	4	31
Unknown	8	35	6	34	10	97	1	4	3	9	–	–	–	–
Total	**435**	**20,826**	**610**	**59,245**	**631**	**63,781**	**602**	**55,196**	**570**	**59,691**	**667**	**68,550**	**329**	**37,277**

Source: CMBOR / Equistone Partners Europe is the growth in trade sales; both their combined value and actual numbers. With the exception of H2 2011 when 95 trade sales recorded a value of €34.5bn, H1 2015 is the best half year on record. The €31.6bn total (for 90 exits) for H1 2015 builds on H2 2014 when €28.8bn was raised by 119 trade sales.

H1 2015, at €31bn raised by 25 flotations, is one of the best half years on record for this exit route (€34.5bn was raised by 32 buy-outs exited by IPO in H1 2014). Both trade sales and flotations look set to continue dominating European buy-out exit figures going forward. Whether deal volumes will continue apace through the rest of 2015 remains to be seen in light of macro uncertainty.

Greece moved into arrears with the IMF in June. Tense negotiations with eurozone members eventually culminated in a third bailout. A more indebted Greece is likely to have minimal impact on the European buy-out market in the short to medium term. However, analysts both within Greece and outside fear the country's increased debt burden is ultimately neither sustainable nor in the best interests of Greece. This has prompted expectations in some quarters that the problem of Greek over-indebtedness will continue to cast a shadow over the eurozone. Inevitably this brings uncertainty which is neither good for businesses nor for European debt market liquidity.

EURO TRADE SALE EXITS 2010 – H1 2015



Source: CMBOR / Equistone Partners Europe

it into H1 2015's top 20 buy-outs were secondary buy-outs. In March, Exponent Private Equity sold thetrainline.com to KKR for €695m. Chicago-based GTCR sold Premium Credit, the insurance instalment payments firm, to Cinven for €642m. Also in March, Warburg Pincus sold Survitec, the survival equipment company, to Canada's Onex for €623m.

France and Germany, continental Europe's most robust buy-out markets, saw good activity levels in H1 2015. However, combined buy-out values are low.

France had 45 buy-outs in H1 2015 (compared to 93 for the full year 2014) but deal values fell away. Overall the value of French buy-outs in H1 2015 was €1.8bn but this figure was mostly accounted for by six deals. They are: Siaci Saint Honore sold by Jardine Lloyd Thomson for €337m; eFront sold by Francisco Partners for €300m; Safic Alcan sold by Parquest Capital for €250m; Metrologic Group sold by Carlyle Group for €150m; World Freight Company sold by IDI for €147m; and IMV Technologies sold by Pragma Capital for €130m.

Germany recorded 42 buy-outs worth €5.7bn in H1 2015. This is down on the full year 2014, which saw €12.7bn across 76 buy-outs. Two-thirds of the value in H1 2015 came from two mega buy-out deals. The first was the buy-out of Sivantos/ Siemens Audiology Solutions from Siemens by EQT Partners for €2.2bn in January. The second was the buy-out of Senvion, the wind energy company, from Suzion Energy for €1.1bn in May.

Business and support services buy-outs fell away in H1 2015 with just 25 deals worth €1.3bn recorded. This compares to 100 deals worth €9.3bn in 2014. The only sector to have a notable jump in buy-out activity is leisure. There were 23 deals worth €4bn recorded in H1 2015. This is similar to the number and value of buy-outs in this sector for the previous five years, at the year-end point. A renewed interest in leisure may indicate rising discretionary spend as economies move out of recession.

EURO BUY-OUTS BY COUNTRY 2012 – H1 2015

	2012		2013		2014		H1 2015	
	No.	€m	No.	€m	No.	€m	No.	€m
Austria	6	342	7	874	5	165	6	2,345
Belgium	13	2,600	15	3,641	18	883	12	1,329
Denmark	21	1,635	21	1,495	21	2,760	14	835
Finland	12	391	15	1,009	24	766	10	769
France	101	6,320	100	8,633	93	9,665	45	1,817
Germany	72	8,298	71	12,840	76	12,782	42	5,680
Ireland	5	249	7	69	6	2,164	8	1,134
Italy	40	1,542	30	3,798	35	2,490	20	1,175
Netherlands	34	1,450	34	1,923	50	4,437	22	1,631
Norway	19	1,434	21	3,098	26	6,443	8	944
Portugal	2	22	3	83	2	12	1	44
Spain	26	3,502	21	2,162	34	2,950	20	1,051
Sweden	30	3,688	23	798	32	1,298	10	121
Switzerland	13	2,782	9	1,217	14	1,409	4	3,762
UK	208	20,941	193	18,052	231	20,326	107	14,639
Total	**602**	**55,196**	**570**	**59,691**	**667**	**68,550**	**329**	**37,277**

Source: CMBOR / Equistone Partners Europe

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Euro leveraged finance: recalibration complete

REFINANCING OF European buy-outs slowed in H1 2015. This is probably explained by a glut of liquidity that began in 2011/12 and peaked in 2013/14. This glut allowed the pent up demand for liquidity to be satisfied during the years 2011 to 2014. As this residual demand has been met, refinancing activity has slowed to normal levels.

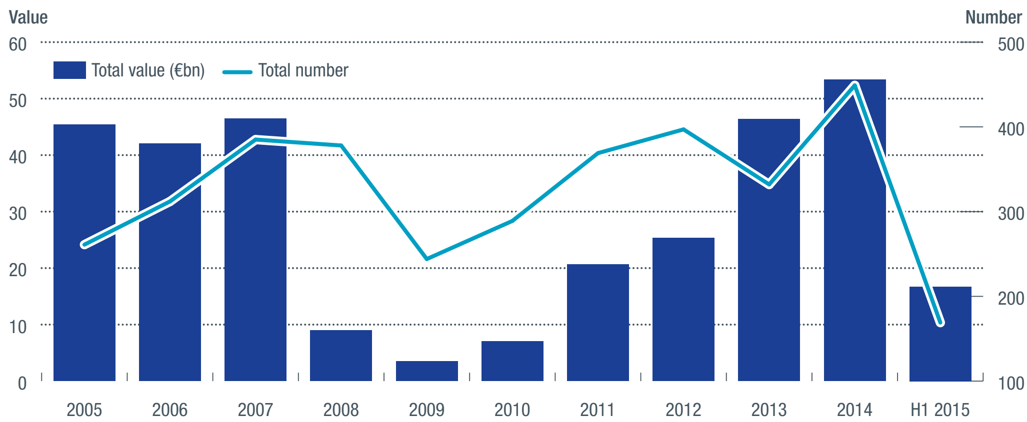
There were low levels of liquidity in the market during the period 2008-2010, immediately post the financial crash. This meant fewer new deals could find support. Consequently, European buy-out firms had to hold onto their investments for longer. As time ran short on loan maturities and liquidity in debt markets improved, buy-out firms were able to refinance existing investments.

The improvement in liquidity is attributable to quantitative easing programmes that began with the US Federal Reserve in November 2008. This was followed by the UK Bank of England's programme in late 2009 and the European Central Bank's 19-month programme that began in March this year.

Just 60 buy-out refinancings with a combined value of €16.7bn were recorded in H1 2015. This compares to: €28.9bn across 237 deals in H2 2014; €24.4bn across 212 deals in H1 2014; €22.9bn across 167 deals in H2 2013; €23.4bn across 160 deals in H1 2013 and €18.7bn across 175 deals in H2 2012. During 2008-2010, immediately post the financial crash and prior to the introduction of quantitative easing, buy-outs refinancing was at an all-time low. Full year figures were recorded at €9bn in 2008, €3.5bn in 2009 and €7bn in 2010.

The European Central Bank's quantitative easing programme will progress at €60bn a month until September 2016. This should have an ongoing stabilising influence on European debt markets. Quite what impact, if any, Greece's third bail out package will have on European debt markets in the medium term remains to be seen.

EURO BUY-OUTS REFINANCING 2005 – H1 2015



Source: CMBOR / Equistone Partners Europe

OFFICES

Birmingham
Bank House, 8 Cherry Street
Birmingham B2 5AL, UK
t +44 (0)121 631 4220
f +44 (0)121 631 1071

London
Condor House, St Paul's Churchyard
London EC4M 8AL, UK
t +44 (0)20 7653 5300
f +44 (0)20 7653 5301

Manchester
55 King Street
Manchester M2 4LQ, UK
t +44 (0)161 214 0800
f +44 (0)161 214 0805

Munich
Maximilianstrasse 11
80539 Munich, Germany
t +49 (0)89 24 2064 0
f +49 (0)89 24 2064 33

Paris
Centre d'affaires Paris-Trocadéro
112 avenue Kléber, 75116 Paris, France
t +33 (0)1 56 69 43 43
f +33 (0)1 56 69 43 44

Zurich
General Guisan Quai 34
8002 Zurich, Switzerland
t +41 (0)44 289 80 90
f +41 (0)44 289 80 91

www.equistonepe.com

THE CENTRE FOR MANAGEMENT BUY-OUT RESEARCH

The Centre for Management Buy-Out Research
Imperial College Business School
Tanaka Building
South Kensington Campus
London SW7 2AZ
t +44 (0)115 951 5493
f +44 (0)115 951 5204
e bs.cmbor@imperial.ac.uk