

# unquote” Private Equity Barometer

Q3 2009

Preliminary quarterly data from Private Equity Insight, Europe's specialist private equity information system

## Key Findings

### Overall European Private Equity

- Good news in the wider economy continues to abound and investment levels in the private equity industry have followed suit, with activity up almost 11% from 232 deals to 257 – the first time deal numbers have increased in successive quarters since the second half of 2007.
- In value terms the jump was more substantial, with the total more than doubling from a little under €4.6bn to close to €9.6bn – the largest quarterly figure since before the Lehman collapse, in Q3 of last year.
- Primary deal activity may be on the up, but the market still remains some way off the numbers being recorded in the corresponding period of 2008 – 33% and 56% in volume and value respectively. The disparity in the year-to-date figures is even more pronounced – 39% and 78% respectively.

### Buyouts

- Having dropped to a low of below €2bn in the first three months of this year, as leverage dried up in the wake of the collapse of Lehman Brothers in the closing stages of 2008, the aggregated value of buyout transactions has seen two consecutive quarterly increases and figures for Q3 show a total of close to €8bn – the largest figure observed since this time last year.
- Volume too is up for the second quarter in succession, though the 30% rise to 74 deals still leaves the period five shy of the number recorded in Q4 2008.
- The largest size range, covering deals worth in excess of €1bn, saw its first activity of the year, though the single deal completed in this category – the €1.7bn merger of BC Partners and Electra Partners-backed boiler manufacturer Baxi with sector rival De Dietrich Remeha Group – involved only limited new equity and resulted in an overall reduction in the company's leverage.
- However, the quarter did see a significant shift up the value chain in terms of deal size. The broadly defined mid-market category, representing deals worth between €100m-1bn, saw the largest uptick over the three month period, with volume more than doubling from 10 deals to 21, while value rose an impressive 125% from €2.1bn to over €4.8bn.
- Continuing the trend from the second quarter, the uptick seen in the wider market was reflected in almost all of the regional groupings across the continent. The UK maintained its pole position in terms of both volume and value, recording 22 buyouts worth collectively €2.7bn – representing rises of 29% and 109% respectively.
- The majority of the jump in activity is accounted for by buyouts sourced from family or private vendors, which almost doubled quarter-on-quarter from 21 deals to 41 and represented more than half of the overall total. There was a stagnation in terms of deals coming from both other institutional investors and corporate disposals, though it remains likely that these categories will see a significant uptick in the short- to medium-term.

## **Growth Capital**

- In contrast to the story in the buyout space, activity levels in the growth capital arena failed to continue the growth seen in the second quarter over the three months to September, falling two short of the previous total on 108 deals.
- There was, though, a significant uptick in value terms over the period, with the €1.3bn total representing a 36% jump against the preceding quarter and the highest figure observed since the final quarter of 2008.
- In terms of year-to-date numbers, the 13% disparity in volume terms is modest by comparison to the vast gulf in the value totals, which are 65% down. However, this is largely due to the huge investment total witnessed in Q2 2008, which was driven by several large add-on acquisitions completed by larger buyout houses.
- The increase in value terms in Q3 is in large part due to the completion of several larger deals, in particular three that were worth above €100m. Two of these deals – German Roofing business Monier Group and UK-based Aerospace company Firth Rixson – were restructuring deals involving new equity investments.

## **Early-Stage**

- The early-stage segment of the market ended three consecutive quarters of decline in Q3, with a jump in volume and value of 15% and 28% to 75 deals worth €317m respectively. However, the rally over the three months to September failed to make much impression on the overall sluggish investment pace, falling short of the already modest figures observed in the first quarter.
- Overall 2009 has therefore remained significantly behind 2008 in the year-to-date numbers, with volume and value down 25% and 23% respectively.
- There were three transactions completed in the third quarter worth in excess of €25m, compared to just one in Q2. The two most sizeable deals – the €36m investment into Swedish Internet business Spotify and the €30m fundraising for German telecommunications equipment manufacturer Ubidyne – both occurred in the technology space, which enjoyed something of a turnaround following a relatively quiet first half of the year.
- The UK matched its Q2 total and was again home to four of the top ten largest deals, while Switzerland also continued its strong run and accounted for two investments. The broader DACH region was further bolstered by the presence of a single deal occurring in Germany.

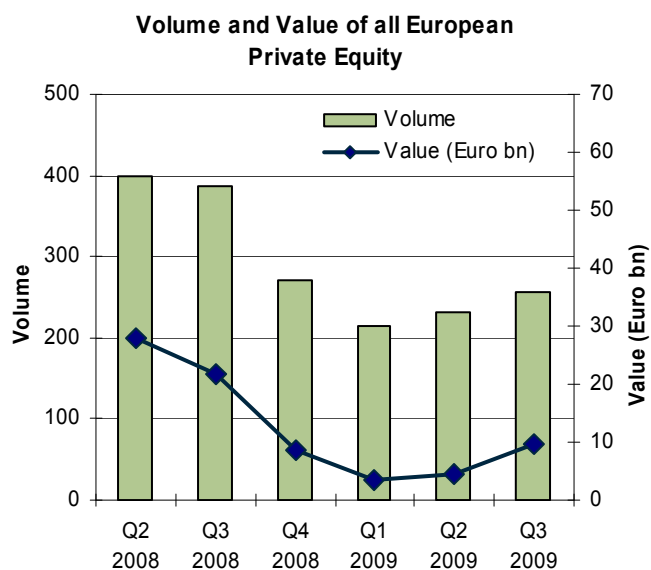
## Update on Q2 2009 Figures

**Following the publication of the Barometer each quarter, both information on new deals and updates on existing deals invariably come to light. The following bullet points provide updated information on Q2 2009 deals that emerged after the publication of the Barometer in July 2009.**

- Updated information on the second quarter reveals that a total of 232 deals were completed over the three months, two more than was reported in the previous edition of the barometer. In terms of value the change was relatively modest, and did not affect the rounded figure of €5bn that was presented.
- The highest number of amendments occurred in the buyout category, although the net difference these revisions equated to was also moderate. There are now 57 buyouts recorded for the three months to June, one more than was noted in the Q2 barometer, though this was the result of three additions and two deletions.
- These changes had a negative impact on value of just over €200m, mostly the result of the deletion of Clessida Capital Partners' acquisition of Cavalli – the value of which was estimated to be above €250m – after the deal fell through having already been announced. This difference was enough to caused the rounded figure to drop from the €4bn previously presented to €3bn.
- In the growth capital segment there was a net increase of two deals to 110, which was the result of the addition of one deal, the removal of another and the reclassification of two previously early-stage investments. In addition to these reclassified deals, a new early-stage was also added, meaning the segment was down by one deal overall to 65.

## Recovery gathers momentum as stabilisation continues

### Overall European Private Equity



	Number	Value (€ Bn)
Q2 2008	400	28
Q3 2008	386	22
Q4 2008	272	8
Q1 2009	214	3
Q2 2009	232	5
Q3 2009	257	10
YTD 2008	1,147	77
YTD 2009	703	18

Source: unquote”/Private Equity Insight ([www.privateequityinsight.com](http://www.privateequityinsight.com))

Good news continues to abound. In the three months since the publication of the Q2 Barometer both France and Germany have officially emerged from recession, while even the embattled UK is seeing continuing signs of stabilisation, with October figures suggesting that the rate of increase in unemployment has slowed. Analysts with a glass-half-empty mentality are claiming, perhaps not unfairly, that those reaching for evidence of recovery are overplaying a fairly modest slowdown in the rate of decline, warning that the worst could be yet to come. On the other hand, given the way economies are driven by sentiment the fact that there has been a shift in favour of a more positive outlook could be considered significant in itself.

It is this renewed sense of optimism that has seen global stock markets – usually a fairly decent indicator of confidence in the medium-term future – continue their prolonged rally, with the FTSE pushing up above the 5,000 mark in the past month. The private equity industry has followed suit, with investment activity increasing for the second quarter in succession for the first time since the second half of 2007. In terms of volume the rise was significant though relatively modest, up almost 11% from 232 deals to 257. In value terms the jump was more substantial, with the total more than doubling from a little under €4.6bn to close to €9.6bn – the largest quarterly figure since before the Lehman collapse, in Q3 of last year.

All of that said, the now familiar refrain of caution must still be sounded. Primary deal activity may be on the up, but the market still remains some way off the numbers being recorded in the corresponding period of 2008 – 33% and 56% in volume and value respectively. The disparity in the year-to-date figures is even more pronounced – 39% and 78% respectively. Moreover, anecdotal evidence gathered at industry meetings and conferences suggests that problems in incumbent portfolios continue to dominate the agenda for many. The anticipated flipside to this, of course, is that a focus on troubled existing investments – or, in the case of corporates, subsidiaries – will likely bring a steady new stream of potentially profitable deal opportunities in the coming months. For those who raised big funds before the boom turned to bust, this will undoubtedly be the hope.

## **Buyouts**

If the third quarter numbers suggest a shift in sentiment, nowhere is this more evident than in the buyout space. With total transaction value having dropped to a low of below €2bn in the first three months of this year as leverage dried up in the wake of the collapse of Lehman Brothers, the market has seen two consecutive quarterly increases and figures for Q3 show a total of close to €8bn – a substantial 135% increase on Q2 and the largest amount observed since this time last year. Volume too is up for the second quarter in succession, though the 30% rise to 74 deals still leaves the period five shy of the number recorded in Q4 2008. Unsurprisingly year-to-date comparisons continue to make gloomy reading, with the market 65% and 80% down in terms of volume and value respectively. This gap, though, will likely narrow in the final quarter should the recovery continue, given that the full force of the credit crunch only emerged in the final months of last year.

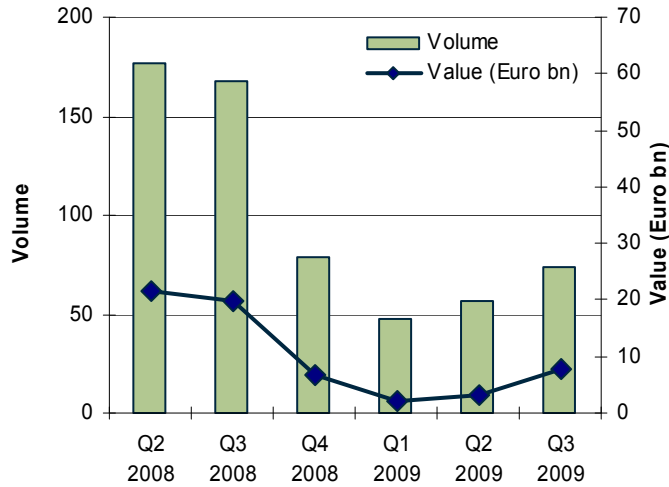
In what will doubtless be considered a major sign of confidence returning to the market, the largest size range, covering deals worth in excess of €1bn, saw its first activity of the year. True, there was just one deal recorded in the segment, but even this would have been unthinkable until recently. It would be misleading, though, to present the merger of BC Partners and Electra Partners-backed boiler manufacturer Baxi with sector rival De Dietrich Remeha Group as a deal that involved significant sums of new money or debt. In fact, the €1.7bn enterprise value involved just €100m of new equity, while all of the debt financing was rolled over by incumbent lender Royal Bank of Scotland from the previous structure (and indeed the transaction will effect a reduction in the business' overall leverage levels).

Even aside from this deal, however, the quarter did see a significant shift up the value chain in terms of deal size. The broadly defined mid-market category, representing deals worth between €100m-1bn, saw the largest uptick over the three month period, with volume more than doubling from 10 deals to 21, while value rose an impressive 125% from €2.1bn to over €4.8bn. This category therefore represented 28% of deal activity over the quarter and 61% of the overall value of transactions. The small-cap segment, accounting for deals worth less than €100m, saw a continuation of the modest but steady growth pattern recorded in Q2, rising by 11% in volume terms from 47 deals to 52 and by 13% in value from €1.2bn to close to €1.4bn. That this area of the market saw sluggish growth in comparison to its larger peers resulted in a sharp drop in market share to 17% and 70% respectively – the lowest figures seen over the 18 month sample.

Continuing the trend from the second quarter, the uptick seen in the wider market was reflected in almost all of the regional groupings across the continent. The UK maintained its pole position in terms of both volume and value, recording 22 buyouts worth collectively €2.7bn – representing rises of 29% and 109% respectively. It is, though, important to note that this latter figure is heavily inflated by the Baxi deal, without which the value numbers would have shown more of a stabilisation. The Deutsche region, covering German-speaking Europe, was the biggest winner over the quarter, with volume rising by 56% from nine deals to 14 while value saw an almost five-fold increase from €408m to more than €1.9bn – making it the second most active region over the three months. The Nordic region was alone in recording a slight decrease in volume terms, dropping by one deal to six over the quarter, though there was a modest increase in value from €364m to €385m.

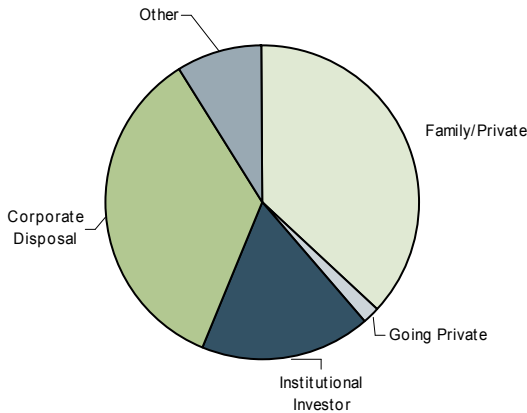
Perhaps surprisingly, the majority of the jump in activity is accounted for by buyouts sourced from family or private vendors, which almost doubled quarter-on-quarter from 21 deals to 41 and represented more than half of the overall total. This statistic though, is arguably more revealing than it is surprising. It has long been asserted that privately sourced deals have dropped off in recent quarters largely because of a pricing mis-match based on a lack of confidence in future trading visibility, which has perhaps reversed with the renewed sense of economic optimism. There was a stagnation in terms of deals coming from both other institutional investors and corporate disposals, though it remains likely that these categories will see a long-anticipated significant uptick in the short- to medium-term as both private equity funds and multi-national corporates take advantage of the improving conditions to offload difficult or unwanted assets.

**Volume and Value of European Private Equity Backed Buyouts**

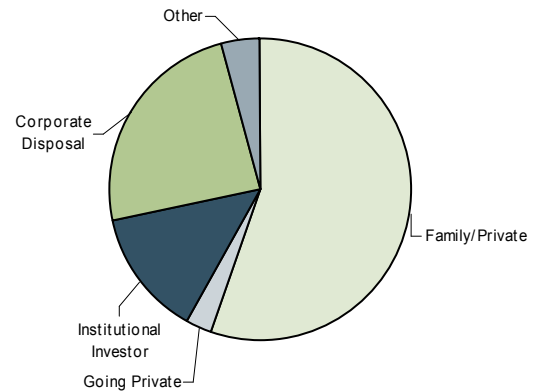


	Number	Value (€ Bn)
Q2 2008	177	22
Q3 2008	168	20
Q4 2008	79	7
Q1 2009	47	2
Q2 2009	57	3
Q3 2009	74	8
YTD 2008	505	66
YTD 2009	178	13

**Number of European Buyouts by Vendor Type, Q2 2009**

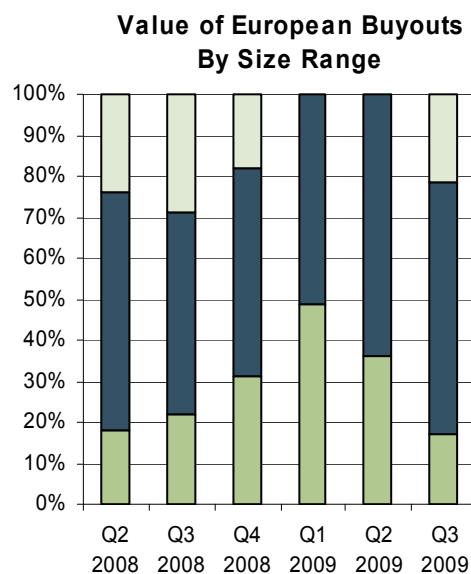
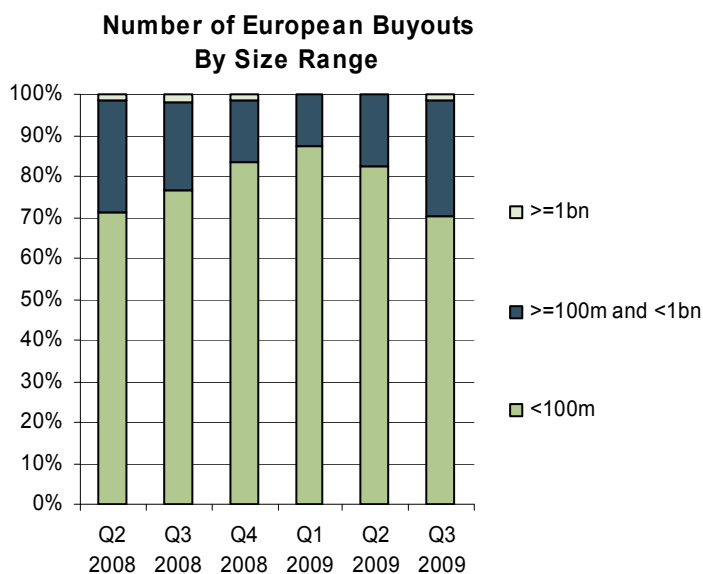


**Number of European Buyouts by Vendor Type, Q3 2009**



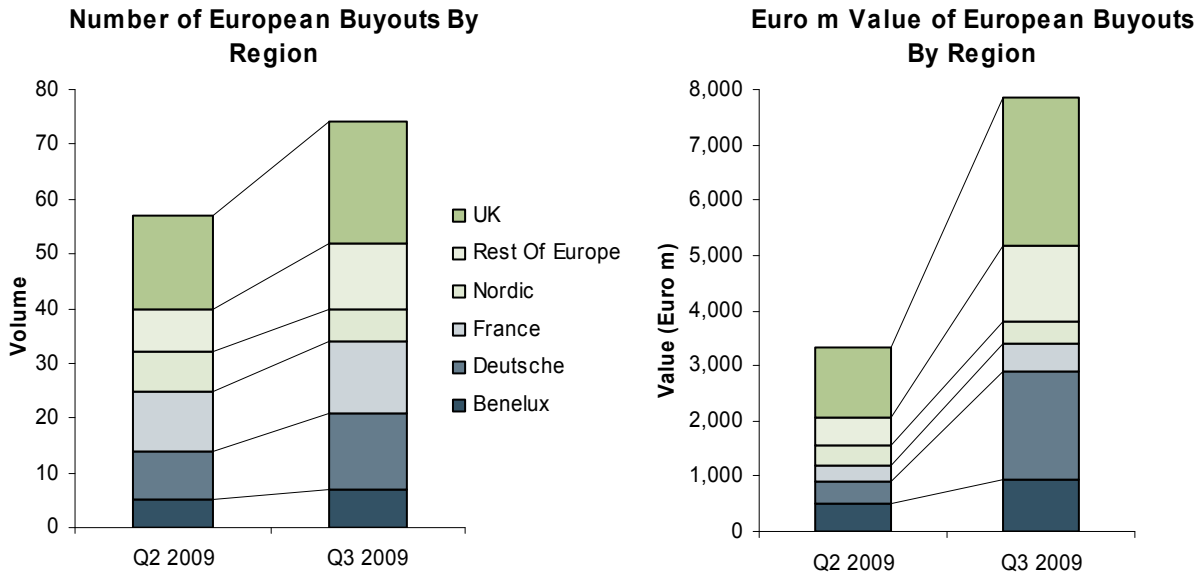
	Q2 2009	Q3 2009
Family/Private	21	41
Going Private	1	2
Institutional Investor	10	10
Corporate Disposal	20	18
Other	5	3

From this year, in order to bring the report in line with the evolution of the private equity market across Europe, the buyout size ranges below have been standardised to a Euro denomination. Notably, this has resulted in a shift downwards in the boundaries between the categories, which should be taken into account when comparing with historical data.



	<100m		>=100m and <1bn		>=1bn		Quarterly Totals
	Number	%	Number	%	Number	%	
Q2 2008	126	71	48	27	3	2	177
Q3 2008	129	77	36	21	3	2	168
Q4 2008	66	84	12	15	1	1	79
Q1 2009	41	87	6	13	0	0	47
Q2 2009	47	82	10	18	0	0	57
Q3 2009	52	70	21	28	1	1	74

	<100m		>=100m and <1bn		>=1bn		Quarterly Totals
	€m Value	%	€m Value	%	€m Value	%	
Q2 2008	3,866	18	12,480	58	5,178	24	21,525
Q3 2008	4,347	22	9,672	49	5,676	29	19,695
Q4 2008	2,087	31	3,367	51	1,200	18	6,654
Q1 2009	953	49	1,008	51	0	0	1,961
Q2 2009	1,200	36	2,143	64	0	0	3,343
Q3 2009	1,356	17	4,814	61	1,700	22	7,870



	Q2 2009	Q3 2009	Q2 2009	Q3 2009
Benelux	5	7	492	957
Deutsche	9	14	408	1,944
France	11	13	304	501
Nordic	7	6	364	385
Rest Of Europe	8	12	492	1,400
UK	17	22	1,283	2,684
<b>Totals</b>	<b>57</b>	<b>74</b>	<b>3,343</b>	<b>7,870</b>

Source: unquote”/Private Equity Insight ([www.privateequityinsight.com](http://www.privateequityinsight.com))

**Twenty largest European private equity-backed buyouts, Q3 2009\***

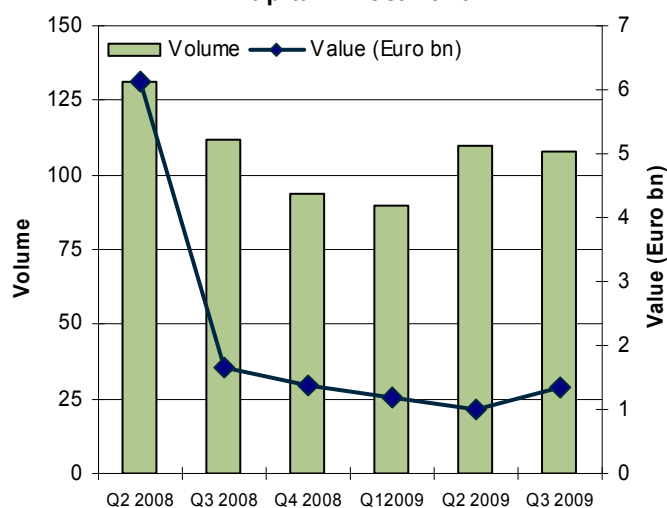
Deal Name	€m Value	Country	Equity Providers
Baxi Group	1,700	United Kingdom	BC Partners Ltd, Electra Partners
Enel Rete Gas	516	Italy	AXA Private Equity
FutureLAB	500	Austria	BC Partners
Permasteelisa	350	Italy	ALPHA Associes Conseil, Investindustrial
Just Retirement	257	United Kingdom	Permira
BMG Rights Management	250	Germany	KKR
Wireline Communications	250	Germany	Golden Gate Capital
Kalle GmbH	213	Germany	Silverfleet Capital
Viking Moorings	198	United Kingdom	HSBC Private Equity, Inflexion Private Equity
1st - The Exchange	135	United Kingdom	LDC
Geoxia	100	France	LBO France
Cattles Invoice Finance	82	United Kingdom	AnaCap Financial Partners
CeDo Group	61	Germany	Rutland Trust
Ingesport	50	Spain	Corpfin Capital
London Care	37	United Kingdom	Sovereign Capital
Air Energi	35	United Kingdom	Zeus Private Equity
Hallhuber	29	Germany	Change Capital Partners
TSC Foods	28	United Kingdom	Key Capital Partners
Bromford Industries	28	United Kingdom	Darwin Private Equity
James Grant Group Limited	24	United Kingdom	Gresham Private Equity

**Source:** unquote”/Private Equity Insight ([www.privateequityinsight.com](http://www.privateequityinsight.com))

\*Only includes deals with disclosed or publicly estimated values

## Growth Capital

Volume and Value of European Growth Capital Investment



	Number	Value (E m)
Q2 2008	131	6,134
Q3 2008	112	1,655
Q4 2008	94	1,387
Q1 2009	90	1,178
Q2 2009	110	988
Q3 2009	108	1,343
YTD 2008	354	9,954
YTD 2009	308	3,509

Source: unquote”/Private Equity Insight ([www.privateequityinsight.com](http://www.privateequityinsight.com))

In contrast to the story in the buyout space, activity levels in the growth capital arena failed to continue the growth seen in the second quarter over the three months to September, falling two short of the previous total on 108 deals. There was, though, a significant uptick in value terms over the period, with the €1.3bn total representing a 36% jump against the preceding quarter and the highest figure observed since the final quarter of 2008. In terms of the year-to-date numbers, 2009 is still falling some way short of last year, though the 13% disparity in volume terms is modest by comparison to the vast gulf in the value totals, which are 65% off. However, this is largely due to the huge investment total witnessed in Q2 2008, which was driven by several large add-on acquisitions completed by larger buyout houses.

What these numbers point to is a reversal of the trend observed in the previous quarter, when a declining average deal size caused value to drop in spite of a significant uptick in activity. That average value was significantly up in Q3 is in large part due to the completion of several larger deals, in particular three that were worth above €100m – there were no such transactions completed in the second quarter. Significantly, two of these deals – German Roofing business Monier Group and UK-based Aerospace company Firth Rixson – were restructuring deals involving new equity investments. In the case of Monier, a consortium of led by distressed investors Apollo Management and York Capital, and including Towerbrook Capital, reportedly invested more than €150m into the business in a deal that saw debt almost halved and incumbent backers PAI Partners squeezed out of the ownership structure.

In terms of geographic spread the UK was responsible for the bulk of the most substantial transactions, accounting for half of the top ten disclosed investments. The largest of these was the €117m restructuring of Firth Rixson, which saw incumbent backers led by Oak Hill Capital inject new equity into the business to pay down some of the business’ senior debt in return for a reset of the financial covenants. Spain was home to the largest growth capital deal of the quarter, with DLJ South American Partners leading an investment of close to €250m into publishing business Santillana, acquiring a 25% stake in the business. Italy, Ireland, France and the Netherlands all also recorded a deal apiece from the top ten.

Ten largest European growth capital transactions, Q3 2009\*

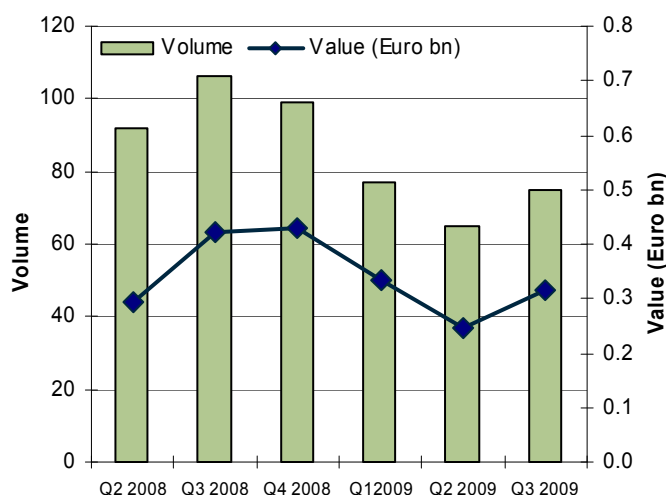
Deal Name	€m Value	Country	Equity Providers
Santillana	247	Spain	DLJ South American Partners
Firth Rixson	117	United Kingdom	Oak Hill Capital Partners
Aldermore Bank (Ruffler Bank)	52	United Kingdom	AnaCap Fiancial Partners
Aquafil	45	Italy	Hutton Collins
Vasanta	35	United Kingdom	Endless
Imperative Energy	30	Ireland	Rockfield Energy
Direct Energie Neoen	20	France	Crédit Agricole Private Equity
SpinVox	18	United Kingdom	BlueMountain, GLG Partners, Goldman Sachs Private Equity, Toscafund Asset Management
VNU Media	17	Netherlands	3i, HIG Capital
SkyVision Holdings Limited	17	United Kingdom	Citicorp Venture Capital

Source: unquote”/Private Equity Insight ([www.privateequityinsight.com](http://www.privateequityinsight.com))

\*Only includes deals with disclosed or publicly estimated values

## Early Stage

**Volume and Value of European Early-Stage Investment**



	Number	Value (E m)
Q2 2008	92	294
Q3 2008	106	422
Q4 2008	99	430
Q1 2009	77	334
Q2 2009	65	247
Q3 2009	75	317
YTD 2008	288	1,171
YTD 2009	217	897

**Source:** unquote”/Private Equity Insight ([www.privateequityinsight.com](http://www.privateequityinsight.com))

The early-stage segment of the market ended three consecutive quarters of decline in Q3 by recording a significant uptick in both volume and value terms. Having peaked in the second half of 2008 as the space reaped the benefits of a lag effect afforded by its insulation from the banking sector, activity had plunged to lows of 65 deals worth just €247m by Q2 of this year. Indeed even the rally over the three months to September, which saw volume and value jump 15% and 28% to 75 deals worth €317m respectively, failed to make much impression on the overall sluggish investment pace, falling short of the already modest figures observed the first quarter. Overall 2009 has therefore remained significantly behind 2008 in the year-to-date numbers, with volume and value 25% and 23% down respectively.

That value has made a more substantial recovery compared to the previous three months, there were several substantial funding rounds completed over the period. In particular, there were three transactions completed in the third quarter that were worth in excess of €25m, compared to just one in Q2. Noticeably, the two most sizeable deals – the €36m investment into Swedish Internet business Spotify and the €30m fundraising for German telecommunications equipment manufacturer Ubidyne – both occurred in the technology space, which enjoyed something of a turnaround following a relatively quiet first half of the year. In addition to these deals, three more of the top ten most significant deals occurred in the technology sector – Nanoradio, Livebookings and Light Blue Optics respectively – meaning that this area accounted for half of the list overall.

Once again biotechnology featured prominently in the list, accounting for two deals – Novacta Biosystems and Symetis – while the healthcare space in general was further represented by two investments into medical equipment business – Endosense and Quanta Fluid Solutions. The UK matched its Q2 total and was again home to four of the top ten largest deals, while Switzerland also continued its strong run, unsurprising given the high number of healthcare deals, and accounted for two investments, while the broader DACH region was further bolstered by the presence of a single deal occurring in Germany. The Nordic region also matched this tally of three, with two deals occurring in Sweden and one in Denmark.

Ten largest European early-stage transactions, Q3 2009\*

Deal Name	€m Value	Country	Equity Providers
Spotify	36	Sweden	Creandum, Northzone Ventures , Wellington Partners
Ubidyne GmbH	30	Germany	BayTech Venture Capital, Doughty Hanson, GIMV, TVM Capital
Endosense	25	Switzerland	GIMV, Initiative Capital Romandie, LCF Rothschild, Neomed Innovations, VI Partners, Ysios Capital Partners
Novacta Biosystems	15	United Kingdom	Celtic Pharma
Symetis AG	15	Switzerland	Aravis Venture Associates, BioMedPartners, BNP Paribas Private Equity, Truffle Venture, Vinci Capital, Wellington Partners
Nanoradio AB	13	Sweden	Creandum, Ferd Venture, Innovacom, Nordic Venture Partners, Swedish Industrial Development Fund, Teknoinvest, Viking Venture
Stirling DK	11	Denmark	RWE Venture Capital Funds GmbH, Seed Capital, Vækstfonden
Livebookings	11	United Kingdom	Balderton Capital, Wellington Partners
Light Blue Optics	11	United Kingdom	3i, Capital-E, Earlybird Venture Capital, NESTA, Robert Bosch Venture Capital
Quanta Fluid Solutions	10	United Kingdom	BrainsToVentures, NGBI Ventures, Seroba Kernel Life Sciences, Wellington Partners

\*Only includes deals with disclosed or publicly estimated values

Source: unquote”/Private Equity Insight ([www.privateequityinsight.com](http://www.privateequityinsight.com))

## Notes

1. All data published in the unquote” Private Equity Barometer (in association with Candover) is extracted from **Private Equity Insight**, the proprietary data system of Europe’s leading private equity information specialist (see below for more information). Although every effort is made to ensure that the statistics and data contained within are as comprehensive as possible, figures for the latest quarter should be considered preliminary and are likely to increase as further deals come to light over the coming weeks. Figures for historical quarters are fully updated in each new edition of the Barometer to reflect the latest intelligence. A summary of the key revisions can be found in the highlights section on page 4.
2. Wherever possible, data has been fully validated with direct contact with the investment professionals themselves. Deal value relates to the total funding raised to complete the transaction, including any leverage. In some cases, deal values and as a consequence contain, where relevant, both debt and mezzanine.
3. The data is pan-European and based on deals backed by at least one formalised venture capitalist or mezzanine provider. Debt-only transactions are not included.
4. Where data is analysed by geography, the following six regions have been used:
  - a. Benelux (Belgium, Luxembourg, Netherlands)
  - b. Deutsche (Austria, Germany, Switzerland)
  - c. France (France)
  - d. Nordic (Denmark, Finland, Norway, Sweden)
  - e. UK (United Kingdom)
  - f. Rest of Europe (Ireland, Italy, Portugal, Spain)
5. For further information on the content of the unquote” Private Equity Barometer, please contact Ashley Wassall on +44 (0)20 7004 7449.
6. Further data is available via **Private Equity Insight**, Incisive Media’s proprietary private equity data system, as well as a through wide range of publications and reports.



Private Equity Insight is the most comprehensive market analysis service available to the private equity professional. It has been the market leader in private equity intelligence for nearly 20 years. Clients include leading private equity firms, investment banks, corporate financiers, law firms, placement agents and other advisers.

For more information or to apply for a FREE TRIAL, please contact Nicola Tillin, Commercial Director: Tel:+44 (0)20 7484 9700