

unquote” Private Equity Barometer

Q4 2009

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

Key Findings

Overall European Private Equity

- The fragility in economic sentiment saw fourth quarter investment figures dip following the rally seen over Q2 and Q3, with volume and value dropping 10% and 8% respectively against the preceding three months.
- There was, though, a relative resilience in terms of value figures. After all, the 231 deals recorded in the three months to December were worth an aggregated €10.2bn, meaning average deal value was up at more than €44m – the highest point since Q3 2008.
- This strong value performance was largely attributable to the continued presence of deals at the top end of the buyout market, where two transactions were recorded, proving that debt is not the issue it once was.
- Year-to-date figures for private equity as a whole remain dramatically out of kilter with 2008, with the volume total of 937 deals 34% down and the €29bn aggregated value 66% down.

Buyouts

- Investment figures in the buyout space ostensibly remained fairly positive in the final months of 2009, with activity recording a third successive increase. However, a closer look at the figures reveals that the three months to December reflected more of a stagnation following strong growth in the third quarter, which came on the back of positive news in the global economy.
- 77 deals were witnessed over the period, representing a drop in the rate of growth from 22% in Q3 to just 8%, while value was actually slightly down from just over €9bn to a fraction under this figure.
- Year-to-date figures remain drastically down on 2008, with 2009's 253 deals worth €23bn representing declines of 57% and 68% respectively.
- Two €1bn+ deals were recorded over the quarter, both secondary buyouts containing large debt packages: EQT's €2.3bn buyout of Candover- and Cinven-backed academic publisher Springer Science & Business Media; and Apax's €1.1bn acquisition of ICG-backed clinical trial logistics business Marken.
- The stagnation over the quarter can be explained by poor performance in the broadly defined mid-market category, which covers deals valued at between €100-1bn, where deal numbers dropped from 18 to 14 and total deal value slipped by 13% from €4.2bn to €3.7bn.
- The UK continued the strong performance of the preceding two quarters and recorded a further increase in activity of 14% to 25 deals, making it once again by far the most active market in Europe.
- Top spot in value terms went to the DACH region, which saw a staggering 89% in total value increase to €3.7bn on the back of only a modest increase in activity from 14 to 15, though close to two-thirds of this was accounted for by the Springer buyout.
- There was a substantial decline in deals coming from family and private vendors, which fell from 39 deals in Q3 to just 25 in Q4, a decrease of 34%. Equally significant was the large increase in secondary buyouts, which more than doubled from a mere nine in the third quarter to 21.

Growth Capital

- Following two consecutive quarters of growth in activity levels, the final three months of 2009 saw a significant decline in deal numbers of 15% from 114 to 97. Deal value was also down substantially against the preceding three months, dropping 35% from €1.6bn to less than €1.1bn.
- In volume terms the market is back to the levels seen during the months that followed the collapse of Lehman in Q4 2008 and Q1 2009, while the value total has only been lower at one point over the sample, in Q2 2009.
- Year-to-date numbers remain significantly down compared to 2008, with the 411 deals and €4.9bn total value representing declines of 8% and 58% respectively.
- A significant amount of activity in the growth capital space currently is accounted for by restructuring operations for previously buyout-acquired businesses that have run into trouble as a result of the recession, including all three largest investments – Cortefiel, Stahl Holding and Hilding Anders.

Early-Stage

- After seemingly making something of a comeback in the third quarter, with a modest rise in volume and value, the overall negative trend that had set in towards the end of last year in the venture community returned in the final months of the year.
- Deals numbers plunged 22% to a new low over the sample of 57, while aggregated value similarly fell 14% and dropped to a low of €243m.
- That 2009 has been a poor year overall is emphasised by the year-to-date numbers, which reveal a substantial drop in both volume and value of around 30% from 390 deals worth €1.6bn to 273 deals worth collectively €1.1bn.
- Notably, seven of the top ten largest transactions were financing rounds for biotechnology businesses, while this increases to eight if the wider healthcare sector is considered.

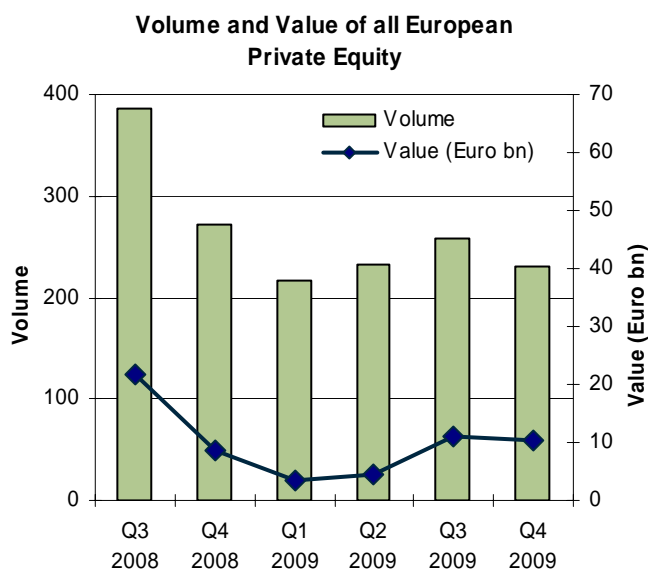
Update on Q3 2009 Figures

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 October 2009.

- Most recent figures for the three months to September 2009 reveal that a total of 258 deals were completed over the quarter, one more than the figure quoted at the time of publication. This difference is accounted for by the deletion of three deals and the addition of four deals that came to light following the Barometer's release.
- In terms of value there has been a substantial shift up from the published figure of €9.5bn to a little under €11.2bn. This was almost entirely due to the re-valuing of the Silverlake-backed buyout of Skype, which, based on erroneous information, had been valued at less than €500m and has since been correctly changed to close to €2bn.
- In the buyout space there was a net loss of three deals from the originally published figure, which has dropped from 74 to 71, which is accounted for by a single deletion of a duplicate entry, and the reclassification of two deals as growth capital investments.
- In the growth capital space there was a net uptick of six deals compares to the figure presented in the Barometer, which is the result of two transactions being deleted and eight being added – three of which were new deals, two were re-classified from the buyout segment and three were re-classified from early-stage.
- These three early-stage re-classifications were partially offset by the addition of a new deal, causing the segment to reflect a net decrease of two on the originally published numbers.

Recovery stalls as economic uncertainty prevails

Overall European Private Equity



	Number	Value (E Bn)
Q3 2008	387	22
Q4 2008	272	8
Q1 2009	216	4
Q2 2009	232	5
Q3 2009	258	11
Q4 2009	231	10
YTD 2008	1,425	86
YTD 2009	937	29

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

Once again, the market has failed to stick to the script. With strong economic news came a significant uptick in investment activity in Q3, building on the modest gains of the second quarter and prompting expectations of a resounding surge in deals as the year came to a close. But confidence in the global economy has not continued unabated into the final quarter: the UK, for one, remains mired in recession, while predictions abound of a much-feared ‘double-dip’ recession. Fragility in sentiment is reflected in the fourth quarter investment figures, which saw a drop-off in both volume and value of 10% and 8% respectively against the preceding three months.

If there is a silver lining to this return to negative growth, it is in the relative resilience in terms of value figures. After all, the 231 deals recorded in the three months to December were worth an aggregated €10.2bn, meaning average deal value was up at more than €44m – the highest point since Q3 2008. This was largely attributable to the continued presence of deals at the top end of the buyout market, where two transactions were recorded, proving that debt is not the issue it once was. Indeed, the buyout market overall continued to grow in Q4, albeit at a slower rate.

Of concern, though, will be the drop-off in the growth capital space, which would surely be expected to be experiencing a strong period but has actually seen activity fall back to levels seen in the doldrums of Q4 2008/Q1 2009. Venture too has continued to fare badly, with the slight uptick in Q3 proving to be merely a brief respite from 18 months of decline (the Q4 figure is the lowest seen over the entire sample). Year-to-date figures for private equity as a whole remain dramatically out of kilter with 2008, with the volume total of 937 deals 34% down and the €29bn aggregated value 66% down.

In terms of the wider economy 2010 should see a significant improvement, with most even predicting a return to growth for the UK by the time the final year 2009 figures are released. The fragility of sentiment, however, could take much longer to fix. With debt in the market and bargains to be had, expect continued growth in the buyout space, though the rate of increase will be tempered by ongoing debates over pricing. Venture and growth should also recover, though taking into account a lag effect this may not happen until later in the year. The future is brighter, but it is likely that the 2008 numbers will remain untouched for another year.

Buyouts

In contrast to the poor figures seen in the private equity community as a whole, investment figures in the buyout space ostensibly remained fairly positive in the final months of 2009, with activity recording a third successive increase from Q1's base of just 47 deals. However, a closer look at the underlying figures reveals that, far from being a story of continued success, the three months to December reflected more of a stagnation following strong growth in the third quarter, which came on the back of positive news in the global economy. Indeed, the 77 deals witnessed over the period represented a quarter-on-quarter increase of just 8%, down from 22% in Q3, while value was actually slightly down from just over €9bn to just under this figure. Year-to-date figures remain drastically down on 2008, with 2009's 253 deals worth €23bn down by 57% and 68% respectively.

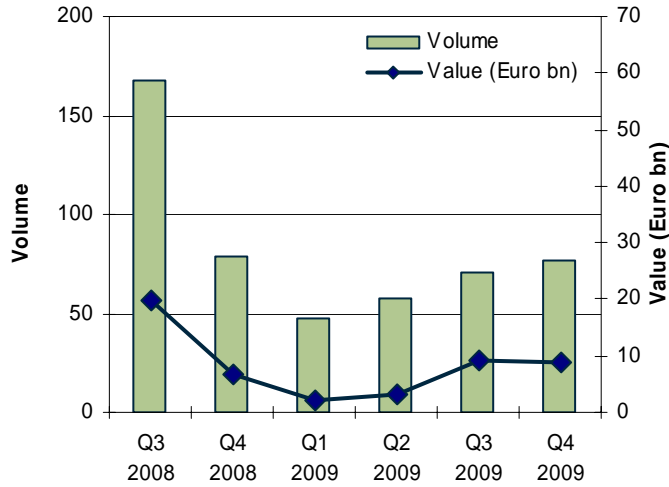
Interestingly, despite the slight decline in value the top end of the market continued to see transactions over the three months, furthering the argument that the problem of a scarcity of debt, while by no means completely resolved, is not the issue it was 6-12 months ago. In fact, the two €1bn+ deals recorded over the quarter were both secondary buyouts that contained large debt packages: EQT's €2.3bn buyout of Candover- and Cinven-backed academic publisher Springer Science & Business Media was financed with a €1bn+ financing package underwritten by Goldman Sachs International, Unicredit Group, Barclays Capital and Deutsche Bank; while Apax's €1.1bn acquisition of ICG-backed clinical trial logistics business Marken was funded in part by a €340m senior debt package underwritten by Lloyds – the largest single bank underwriting since pre-Lehmans.

Strong activity levels also continued in the smallest of the size ranges, that covering deals worth less than €100m, which witnessed a third successive quarterly increase, rising by 20% and 37% in volume and value respectively to 61 deals worth collectively €1.9bn. The stagnation over the quarter, then, can be explained by poor performance in the broadly defined mid-market category, which covers deals valued at between €100-1bn, where deal numbers dropped from 18 to 14 and total deal value slipped by 13% from €4.2bn to €3.7bn. That this segment, which had seen strong increases in Q3, has suffered at the hands of the small-cap range is likely to be a result of the continuing uncertainty regarding the economic performance, which is limiting the value buyers are prepared to pay (and reducing the number of vendors that are willing to sell).

The UK continued the strong performance of the preceding two quarters and recorded a further increase in activity of 14% to 25 deals, making it once again by far the most active market in Europe. However, despite the fact that one of these deals was the Marken transaction, total value was actually slightly down over the quarter by 5% to €2.5bn and the market was only the second largest overall. The top spot went to the DACH region, which saw a staggering 89% increase in total value to €3.7bn on the back of only a modest increase in activity from 14 to 15, though close to two-thirds of this was accounted for by the Springer buyout. The Nordic region saw an impressive uptick in deal numbers, rising almost three-fold from just six deals in Q3 to 16 in Q4, making it the second most active region, though deal sizes did decline over the quarter and total value actually fell 34% to €1.4bn. Both the Benelux and Rest of Europe categories saw large drop-offs in volume and value, with the latter sliding 64% and 75% respectively.

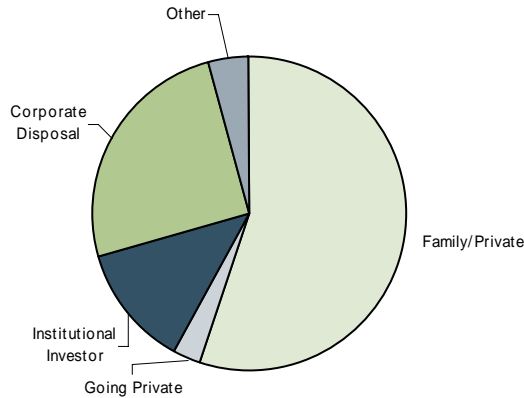
In terms of the sources of transactions, the statistic that perhaps stands out the most is the substantial decline in deals coming from family and private vendors, which fell from 39 deals in Q3 to just 25 in Q4, a decrease of 34%. Given the corresponding decline in mid-market deals over the three months, this could perhaps support the argument that a mis-match in pricing expectations between vendors and buyers, exacerbated by the prevailing economic uncertainty, continues to plague the market and stifle dealflow from this important grouping. Equally significant was the substantial increase in secondary buyouts, which more than doubled from a mere nine in the third quarter to 21. While the improvements in terms of debt availability have undoubtedly helped here, it is likely that many of these transactions were prompted primarily by need on the part of the seller, a fact that perhaps similarly explains the continued strength in corporate disposals, which maintained parity with Q3 on 18 deals.

Volume and Value of European Private Equity Backed Buyouts

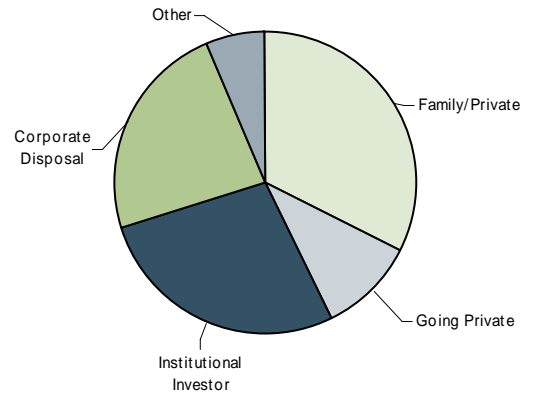


	Number	Value (E bn)
Q3 2008	168	20
Q4 2008	79	7
Q1 2009	47	2
Q2 2009	58	3
Q3 2009	71	9
Q4 2009	77	9
YTD 2008	586	72
YTD 2009	253	23

Number of European Buyouts by Vendor Type, Q3 2009

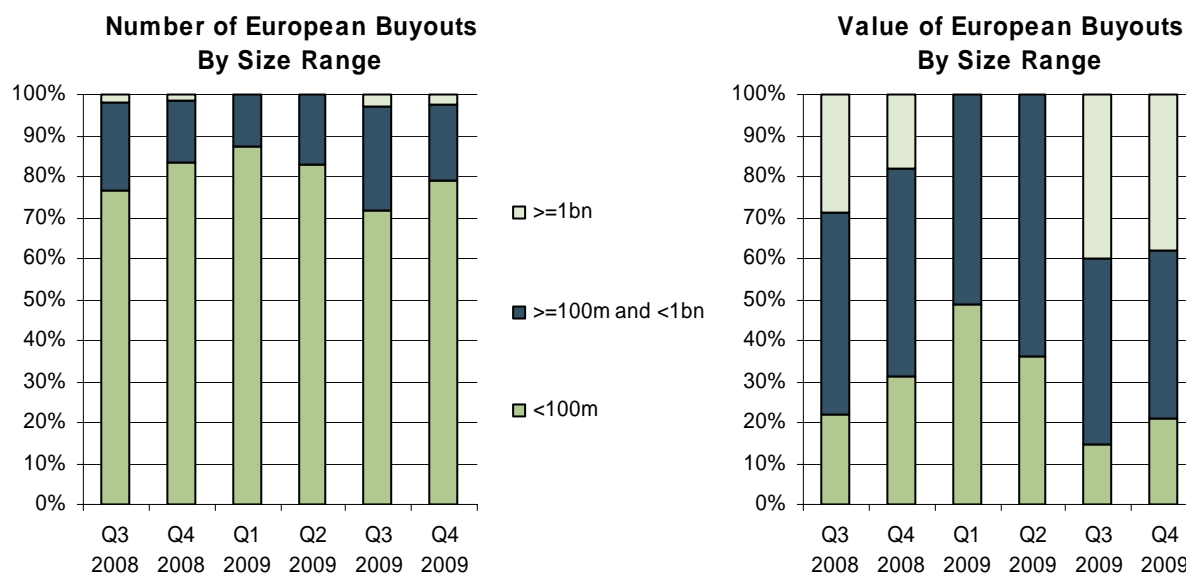


Number of European Buyouts by Vendor Type, Q4 2009



	Q3 2009	Q4 2009
Family/Private	39	25
Going Private	2	8
Institutional Investor	9	21
Corporate Disposal	18	18
Other	3	5

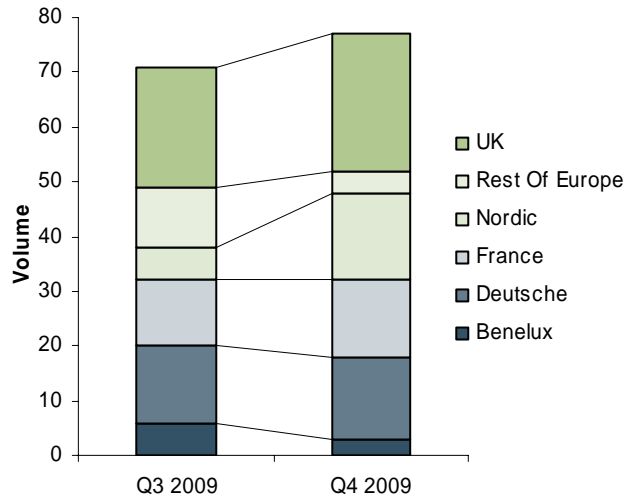
From 2009, in order to bring the report in line with the evolution of the private equity market across Europe, the buyout size ranges below have been standardised to a Euro denomination. Notably, this has resulted in a shift downwards in the boundaries between the categories, which should be taken into account when comparing with historical data.



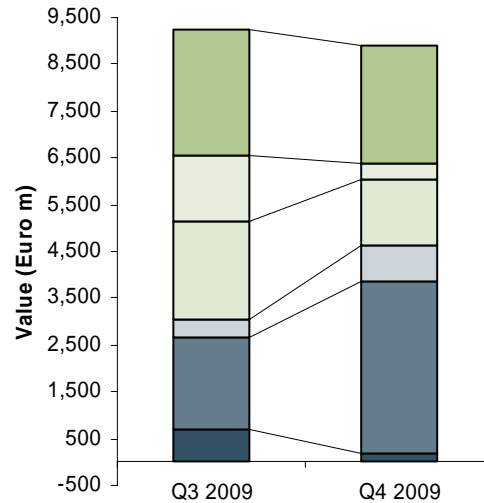
	<100m		>=100m and <1bn		>=1bn		Quarterly Totals
	Number	%	Number	%	Number	%	
Q3 2008	129	77	36	21	3	2	168
Q4 2008	66	84	12	15	1	1	79
Q1 2009	41	87	6	13	0	0	47
Q2 2009	48	83	10	17	0	0	58
Q3 2009	51	72	18	25	2	3	71
Q4 2009	61	79	14	18	2	3	77

	<100m		>=100m and <1bn		>=1bn		Quarterly Totals
	€m Value	%	€m Value	%	€m Value	%	
Q3 2008	4,344	22	9,672	49	5,676	29	19,692
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	1,203	36	2,143	64	0	0	3,346
Q3 2009	1,356	15	4,190	45	3,687	40	9,233
Q4 2009	1,861	21	3,665	41	3,378	38	8,904

Number of European Buyouts By Region



Euro m Value of European Buyouts By Region



	Q3 2009	Q4 2009	Q3 2009	Q4 2009
Benelux	6	3	707	170
DACH	14	15	1,949	3,686
France	12	14	401	779
Nordic	6	16	2,098	1,384
Rest Of Europe	11	4	1,395	346
UK	22	25	2,684	2,540
Totals	71	77	9,233	8,904

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

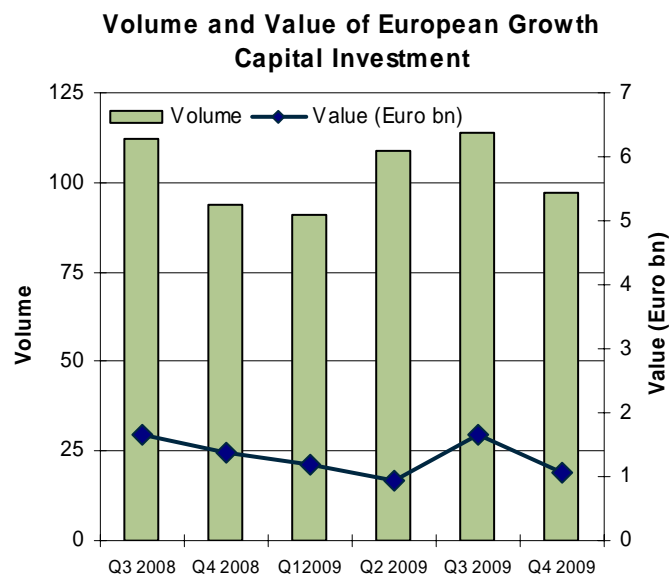
Twenty largest European private equity-backed buyouts, Q4 2009*

Deal Name	€m Value	Country	Equity Providers
Springer Science & Business Media	2,300	Germany	EQT Partners
Marken	1,078	United Kingdom	Apax Partners
Constantia Packaging AG	650	Austria	One Equity Partners
Gras Savoye	450	France	Astorg Partners
British Car Auctions	428	United Kingdom	Clayton Dubilier & Rice
Master Marine	300	Norway	Nordic Capital
Web Reservations International Ltd	200	Ireland	Hellman & Friedman
Goldshield Group	198	United Kingdom	HgCapital
Home Shopping Europe (HSE)	180	Germany	AXA Private Equity
Ambassador Theatre Group	166	United Kingdom	Exponent Private Equity
Associated Dental Practice	150	United Kingdom	AlpInvest Partners, LDC, Morgan Stanley, Palamon Capital Partners
Bjerge ASA	93	Norway	Converto Capital Management, HitecVision
Powerleague Plc	88	United Kingdom	Patron Capital Partners
Subocean Group	82	United Kingdom	LDC
Clear2Pay	50	Belgium	Aquiline Capital
Car et Bus Maintenance	44	France	Synergies Finance, Union Expansion Ouest
Grenland Group	41	Norway	HitecVision
FDM Group	37	United Kingdom	Inflexion
Urban & Civic	33	United Kingdom	GI Partners
Easyvoyage	31	France	GIMV, UFG Private Equity

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

*Only includes deals with disclosed or publicly estimated values

Growth Capital



	Number	Value (E m)
Q3 2008	112	1,655
Q4 2008	94	1,387
Q1 2009	91	1,198
Q2 2009	109	940
Q3 2009	114	1,646
Q4 2009	97	1,073
YTD 2008	449	11,578
YTD 2009	411	4,857

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

The current climate should be ripe for growth capital investments, with access to debt financing remaining limited (albeit improved) and many companies in need of growth financing to ease the strain taken on during the recession and adapt to recovery. However, following two consecutive quarters of growth in activity levels, the final three months of 2009 saw a significant decline in deal numbers of 15% from 114 to 97. Deal value was also down substantially against the preceding three months, dropping 35% from €1.6bn to less than €1.1bn. In volume terms the market is back to the levels seen during the months that followed the collapse of Lehman in Q4 2008 and Q1 2009, while the value total has only been lower at one point over the sample, in Q2 2009. Year-to-date numbers remain significantly down compared to 2008, with the 411 deals and €4.9bn total value representing declines of 8% and 58% respectively.

While the inference here is that the continuing economic issues are stifling new deal activity, it is also true that a significant amount of activity in the growth capital space currently is accounted for by restructuring operations for previously buyout-acquired businesses that have run into trouble as a result of the recession (classified here as expansion investments). Indeed, all of the three largest investments – Cortefiel, Stahl Holding and Hilding Anders – were restructuring deals. It is worth noting that without these deals total value would be significantly lower, with the largest non-restructuring deal being worth a mere €40m. This is due to a continued lack of the larger acquisition finance investments that had been so prolific in the market in 2007 and early 2008, which also explains the gulf in terms of the scale of year-on-year decline in volume and value.

In terms of geographic spread the UK lost its dominance of previous quarters, accounting for just one of the top ten deals, down from five in Q3. Sweden and France both came out on top in terms of big deals over the quarter, accounting for two deals each from this list, with one Swedish deal, the €59m restructuring of Candover-backed bed maker Hilding Anders, coming at third overall. The biggest deal overall – the €100m restructuring of CVC Capital Partners-, PAI Partners- and Permira-backed clothing producer Cortefiel – occurred in Spain, while the second biggest – the €60m restructuring of Wendel Investissement-backed chemicals business Stahl Holding – occurred in the Netherlands, one of two Benelux deals to make the list alongside the €40m investment into energy business Electrawinds by Dexia and GIMV.

Ten largest European growth capital transactions, Q4 2009*

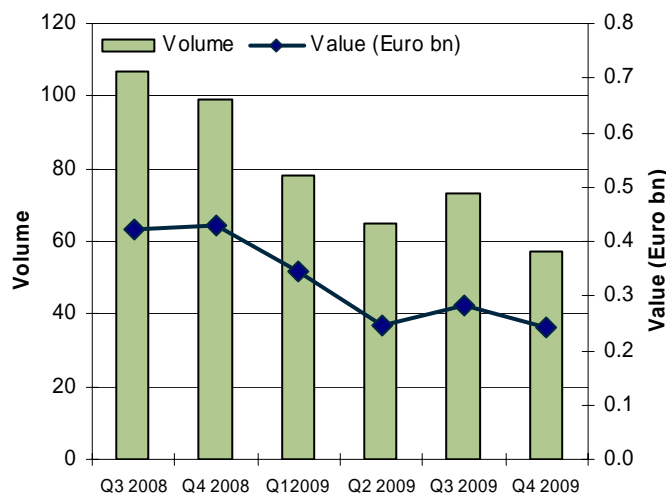
Deal Name	€m Value	Country	Equity Providers
Cortefiel	100	Spain	CVC Capital Partners, PAI Partners, Permira Advisers
Stahl Holding	60	Netherlands	Wendel Investissement
Hilding Anders	59	Sweden	Candover
Electrawinds	40	Belgium	Dexia Group, GIMV
Probiodrug	36	Germany	BB Biotech, Biogen Idec New Ventures, CFH Corporate Finance Holding, Compagnie Financière Edmond de Rothschild, Goodvent, HBM Partners, Life Sciences Partners, TVM Capital
Premier Asset Management	25	United Kingdom	Electra Partners
TravelHorizon	20	France	AGF Private Equity, CIC, Wellington Partners
Evolve	18	Switzerland	Aravis Venture Associates
EuroMaint	18	Sweden	Ratos Holding
Dailymotion	17	France	Advent Venture Partners, AGF Private Equity, Atlas Venture, Fonds Stratégique d'investissement, Partech

Source: unquote”/Private Equity Insight (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)
Q3 2008	107	423
Q4 2008	99	430
Q1 2009	78	344
Q2 2009	65	247
Q3 2009	73	283
Q4 2009	57	243
YTD 2008	390	1,604
YTD 2009	273	1,117

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

The venture capital community endured a particularly difficult 2009, coming off the back of a 2008 in which activity levels had held up while the later stage segments saw investment levels crumble. This had seemingly abated somewhat in the third quarter, with a modest rise in volume and value, though the overall negative trend that had set in towards the end of last year returned in the final months of the year. Deal numbers plunged 22% to a new low over the sample of 57, while aggregated value similarly fell 14%, dropping to a low of €243m. That 2009 has been a poor year overall is emphasised by the year-to-date numbers, which reveal a substantial drop in both volume and value of around 30% from 390 deals worth €1.6bn to 273 deals worth collectively €1.1bn.

The value total held up considerably better than overall deal numbers over the three month period, due mainly to the completion of several larger funding rounds completed – five transactions closed with a value in excess of €15m, compared to just three such deals in Q3. Notably, all but one of these investments occurred in the biotechnology space, which despite debates over its future enjoyed a strong quarter. Indeed, seven of the top ten largest transactions were financing rounds for biotechnology businesses, while this increases to eight if the wider healthcare sector is considered. The other two transactions – Intune Networks and Moorland Energy – were completed in the telecommunications and exploration & production sectors respectively.

For the third quarter in a row, the UK was home to four of the top ten early-stage transactions, and was again the dominant force. Given the high concentration of biotechnology investments, it is also unsurprising to see Switzerland, a stronghold for the pharmaceuticals and biotechnology industries, featuring strongly on the list. For the second consecutive quarter the country was home to two of the top ten largest deals, including the largest – the €30m investment into Swiss biotechnology business Molecular Partners by a consortium comprising BB Biotech Ventures, Endeavour Vision, Essex Woodland and Index Ventures. Germany, always a strong player in the venture scene, also featured highly with two deals from the list occurring there. Austria and, for the first time in recent memory, Ireland both made the list with a deal each.

Ten largest European early-stage transactions, Q4 2009*

Deal Name	€m Value	Country	Equity Providers
Molecular Partners	30	Switzerland	BB Biotech Ventures, Endeavour Vision, Essex Woodlands, Index Ventures
Intune Networks	22	Ireland	Amadeus Capital Partners, Balderton Capital, Enterprise Equity, Invest Northern Ireland, Kernel Capital Partners, Spark Capital
Curetis AG	19	Germany	Aeris Capital, BioMedPartners, KfW-Kreditanstalt für Wiederaufbau, Life Sciences Partners
Oxagen	18	United Kingdom	Abingworth Management, Advent Venture Partners, Bessemer Venture Partners, MPM Capital, Omega Capital, Red Abbey, SV Life Sciences, Wellcome Trust
Circassia	16	United Kingdom	Imperial Innovations, Invesco, Lansdowne Partners
Nabriva GmbH	15	Austria	GLS Holding, HBM Partners, Nomura Securities, Wellcome Trust
Activaero	11	Germany	Abalis Finance, BioMedPartners, Vesalius BioCapital, VI Partners
Spirogen Ltd	10	United Kingdom	Celtic Therapeutics
Biocartis SA	10	Switzerland	Advent Venture Partners, Aescap Venture, Biovest, KBC Private Equity
Moorland Energy Ltd.	8	United Kingdom	Epi-V

*Only includes deals with disclosed or publicly estimated values

Source: unquote”/Private Equity Insight (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.



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