

unquote

Regional mid-market barometer 2010

Spring 2010

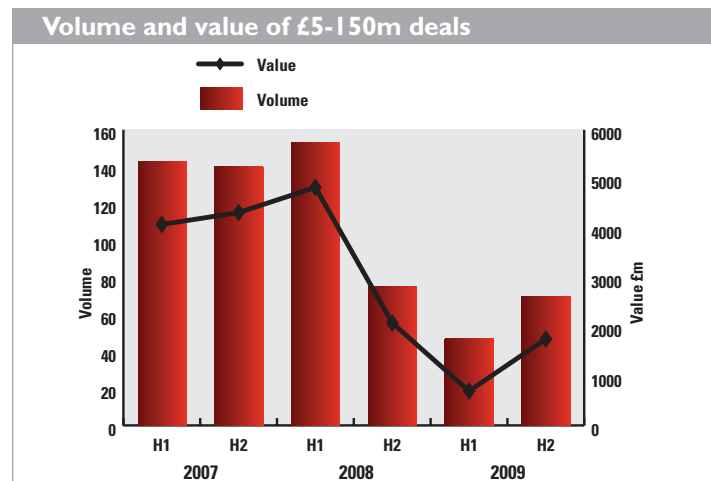
Investing through the cycle

FOR MANY MARKET participants, last year was certainly one to forget. The lull in activity that had set on in the second half of 2008, and in particular in the fourth quarter following the Lehman collapse, continued to plague the market throughout 2009. Overall activity in the £5-150m range bottomed out at just 47 transactions in the first half of the year, while total value for the same period contracted to just less than £700m – a clear indication of the market’s gravitation down the value chain. Things did improve slightly in the second half – although, with 70 deals completed worth £1.8bn, the market was still down 7% and 13% down against H2 2008.

Emphasising the downward shift in value, transactions in the £50-150m range saw the biggest fall in activity – around 75% in both volume and value – as limited debt availability severely restricted financing options. That said, banks’ unwillingness to back transactions was only one side of the story. The real stumbling block to deal activity lay in the macroeconomic uncertainty, which turned the forecasting of future trading into mere guesswork. The resulting pricing mismatch between buyers and sellers was well-documented throughout the year and often cited as the main reason for stuttering dealflow.

In the midst of the downturn, it was once again activity in the lower deal bracket that weathered the storm somewhat better, recording an overall drop of 43% to 107 deals. What is more, certain regions fared comparatively better than others. London, for example, recorded the smallest drop in volume in the £5-50m range, contracting by a fifth, while dealflow in the Southern region fell by a more dramatic 60%.

With the overall picture bleak across all regions and deal ranges, it is worth noting that deals completed in the financial sector saw a market-defying 20% increase to 11 transactions in 2009. This is unsurprising: as a counter-cyclical asset class, private equity was always likely to go bargain hunting in a sector heavily impacted by the downturn. Additionally, healthcare investments recorded a comparatively modest 22% decline to 17 deals, as investors favoured stable cashflow resilient businesses in the downturn, enforcing once again the healthcare sector’s defensive reputation.



Source: Private Equity Insight

For the deal-doers themselves, the slump brought differing fortunes. LDC, for its part, completed a noteworthy 16 deals during 2009, staying true to CEO Darryl Eales’s commitment to carry on with “business as usual” and “invest through the cycle”. LDC, though, was certainly an exception: most investors chose (or were forced) to focus on their portfolio companies and were therefore limited to either supporting the odd add-on acquisition or staying away from the market altogether.

Nonetheless, the improvement in the second half of the year does provide hope going forward. Moreover, with the UK officially coming out of recession in the final quarter, stability might return to the market and bring with it increased deal activity. Indeed, as the qualitative comments section in the barometer reveals, market participants are cautiously optimistic. There is a strong consensus that deal activity will see a rise in 2010 and, while the upcoming election is causing uncertainty, there could be a surge in dealflow if fears of a change in corporate gains tax are realised.

Quick view

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Methodology

- All data published in the *unquote* regional barometer is extracted from Private Equity Insight, the proprietary data system of Europe's leading private equity information specialist. Although every effort is made to ensure that the statistics contained within are as comprehensive as possible, the figures published in this edition are effectively a snapshot of the data held as at 29 January 2010. For this reason the statistics are likely to change over time as information on further deals comes to light.
- All details have been confirmed, where possible, with the private equity investors involved in the transactions. In some cases deal values have either been provided confidentially or have been estimated and these will not be shown in the text.
- Four regional groupings are analysed as part of this barometer. Each of these is made up of more than one of the discrete regions as defined by the BVCA. The groupings are as follows:
 - North:** North-West & Merseyside, Northern Ireland, Scotland, North-East and Yorkshire & The Humber;
 - London:** London and Eastern;
 - Midlands:** West Midlands and East Midlands;
 - South:** South-East, South-West and Wales.
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- LDC provides between £2-100m of private equity for management buyouts, institutional buyouts and development capital (replacement, expansion and acquisition).
- As an established and leading player in the UK mid-market, LDC backs ambitious, entrepreneurial management teams in companies with an established trading history, sustained pre-tax profits in excess of £1m, and growth potential.
- Since 1981 LDC has completed in excess of 400 investments and has ongoing interests in more than 60 businesses across the UK, collectively valued at greater than £2bn. Recent transactions include providing a range of equity in investments that include 1st – The Exchange, Quantum Specials, Virgin Racing, Wealth at Work, Orion Media and NES Limited.



Private Equity Less Ordinary



national overview

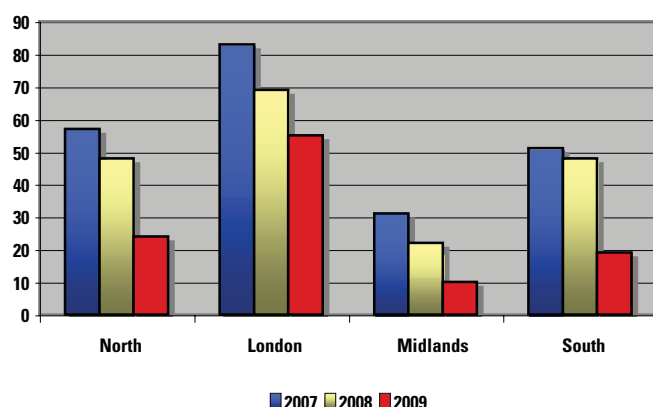
Overview of the year

- If 2008 was a difficult year for UK private equity, with the industry struggling against the backdrop of a rapidly slowing economy following the implosion in the sub-prime mortgage market, then 2009 was truly an *annus horribilis*. The collapse of investment banking giant Lehman brothers brought the banking sector to its knees and transformed the credit crunch into a crisis; investment activity inevitably crumbled.
- With the market starved of financing, it is little surprise to find that the larger of the two size ranges analysed here, comprising deals worth between £50-150m, suffered the most dramatic slides. In all there were just 10 deals completed in this bracket across the UK over the 12 months, a drop of three-quarters compared to 2008's 40 transactions. There was a similar fall in value, with the total down from £3.6bn to less than £900m.
- Though there were substantial drops across the regions, it was London that bore the brunt of the collapse in investment in this segment. There were just two deals completed worth a paltry £184m, representing a drop of around 90% in both volume and value year-on-year. The North was the

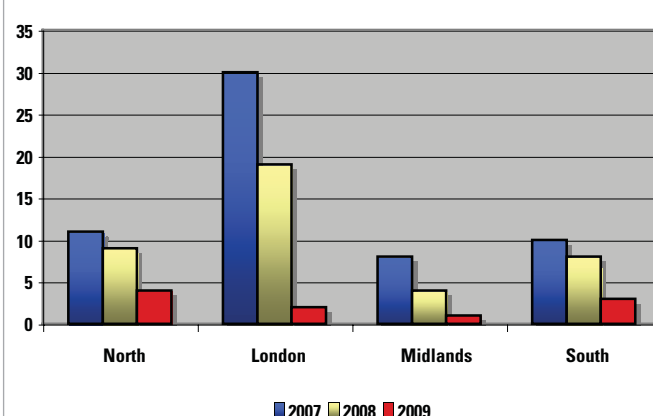
most resilient overall, recording four deals worth approximately £300m, though this still equated to declines of 56% and 64% respectively.

- In the smaller size bracket, comprising deals worth between £5-50m, the story was similarly one of negative growth, though the scale of the slide was significantly less pronounced. Over the UK as a whole there was a 42% year-on-year drop in activity in this range from 187 deals to 108, while value fell by around 49% from £3.1bn to £1.6bn. The more sizeable drop in terms of value is likely a reflection of poor confidence in economic forecasts and, subsequently, future trading projections, which brought a downward pressure on pricing.
- Interesting, the regional breakdown of activity in this segment is radically different to that in the larger bracket. London saw by far the most modest dip in deal numbers, falling 20% from 69 deals to 55, while it also saw the smallest drop in value, of 28% from £1bn to £746m. The South witnessed the largest slowdown overall, dropping by 60% in volume terms from 48 deals to 19 and by 71% in value terms from £893m to £249m.

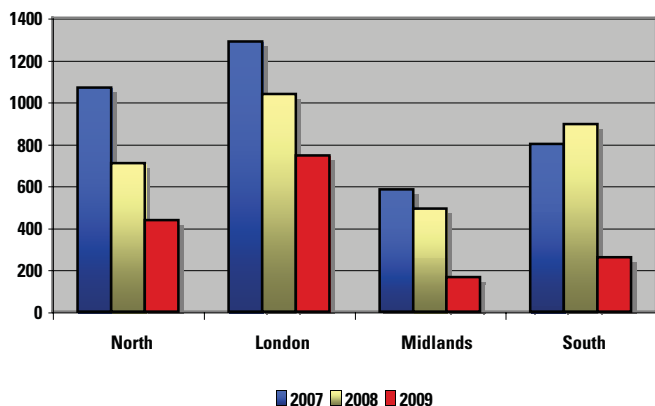
Volume of £5-50m deals by region



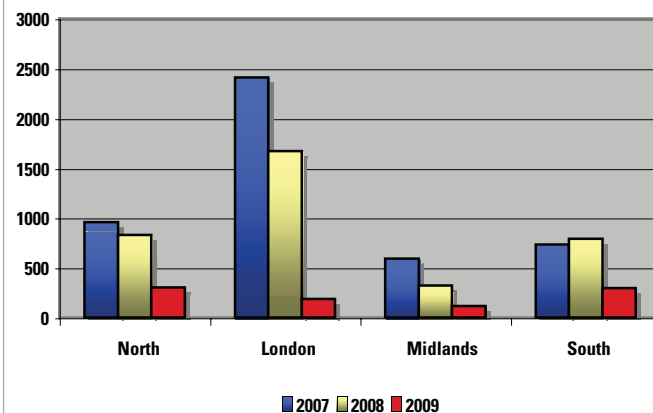
Volume of £50-150m deals by region



Value of £5-50m deals by region (£m)



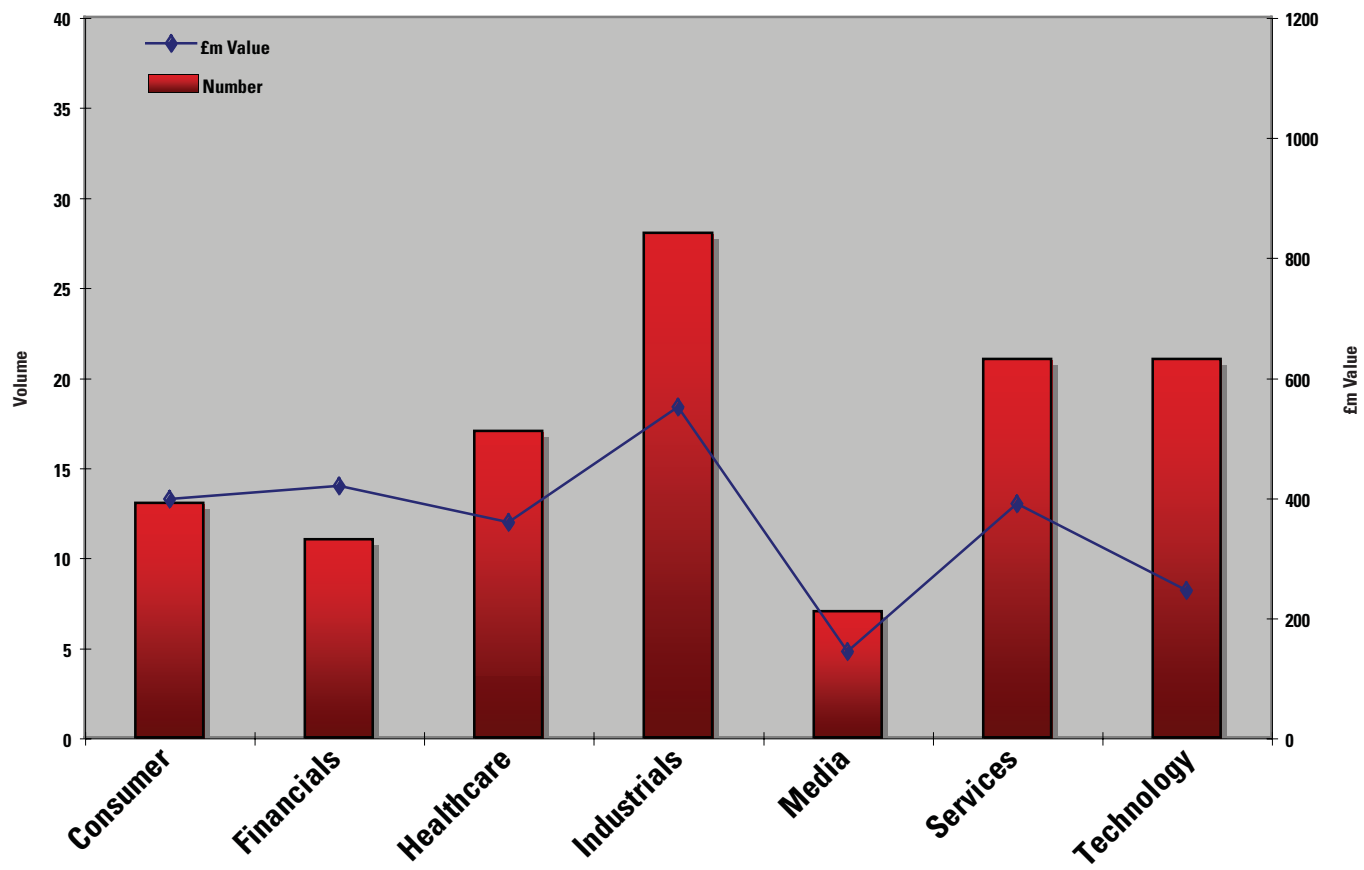
Value of £50-150m deals by region (£m)



UK deal activity by sector

- The largest slice of private equity deal activity has historically occurred in the broadly defined industrials sector and, despite the significant drops seen over the year as a whole and the well documented problems in the manufacturing space, this remained the case in 2009. By no means, though, did this sector dominate: with 28 transactions worth collectively £550m, it represented 24% and 22% respectively of the overall totals.
- Pushing it close in activity terms were the services and technology sectors, which recorded 21 deals each over the 12 months. While identical in volume, however, there was a striking disparity in terms of value in these two categories, with the former accruing a total deal value of £389m, while the latter accumulated only £245m.
- Indeed, both sectors saw fairly modest value totals compared to the other categories and, while they were a clear second in terms of deal numbers, they only came in fourth and sixth (out of only seven) respectively in value terms. Second and third spots were taken by the consumer and financials sectors, which, despite struggling in the recession and subsequently witnessing just 13 and 11 transactions, recorded value totals of £435m and £419m respectively.
- This disproportionately large value total, which equated to by far the biggest average deal values overall at £33m and £38m respectively, is likely a result of the fact that several larger acquisitions were completed in these spaces, as many previously solid and out of reach businesses suffered poor trading and became viable targets. Indeed, the two sectors accounted for the two largest mid-market deals of the year: the £150m buyout of Ambassador Theatre Group, and the investment into insurance business Hyperion Insurance Group.
- The third highest by this measure was healthcare, which has enjoyed something of a renaissance as a result of its defensive qualities that are so attractive during a downturn, recording £358m from 17 transactions. At the bottom of the pile in terms of both volume and value is the media sector, which has been severely affected by the downturn, and recorded just seven deals with an aggregated value of a little under £143m.

2009 UK volume & value of £5-150m deals by sector

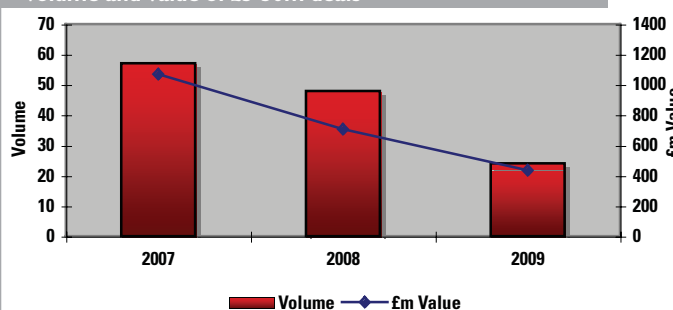


North

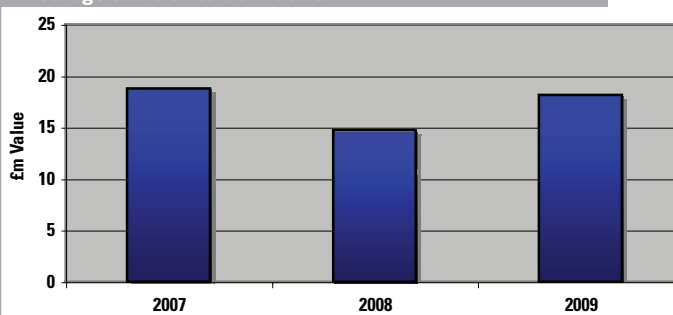
Deal activity in the £5-50m size range

- Following only a fairly modest drop in activity in the smaller size bracket in 2008, when deal numbers fell by around 16% year-on-year from 57 to 48, 2009 saw a much more pronounced decline, with the region shedding 50% year-on-year to record just 24 transactions. This is in stark contrast to the picture in terms of value, which reflects a fairly steady fall away over the past two years of 34% and 38% respectively, dropping from £1.1bn in 2007 to £707m in 2008 and £435m in 2009.
- These numbers equate to a return to form in terms of average deal value in this bracket, which has recovered to around £18m after dipping to less than £15m in 2008. This is due to a shift in deal type towards buyouts over the twelve months, perhaps as a result of falling valuations making such transactions more viable (and attractive) for smaller houses. The 18 acquisitions completed in this range in 2009 represented 75% of the total, the highest proportion over the sample.
- The largest deal in this range occurred in Scotland, with the £43m de-listing of amateur football tournament operator Powerleague by Patron Capital Partners. Reinforcing the dominance of buyouts over the statistics, only one of the five largest deals was a growth capital transaction: the £30m investment into office products supplier Vasanta by turnaround specialist Endless.

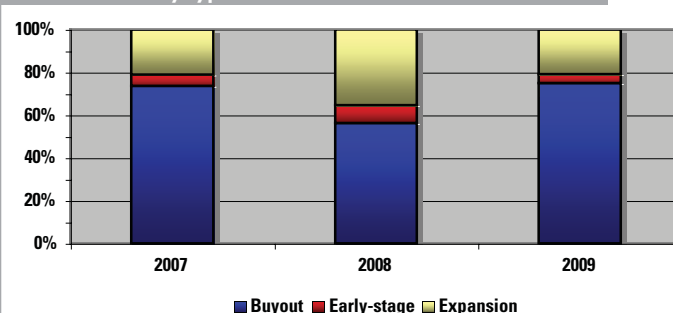
Volume and value of £5-50m deals



Average value of £5-50m deals



£5-50m deals by type



2009 top deals £5-50m

Name	£m value	Type	Region	Equity syndicate
Powerleague Plc	42.5	Buyout	Scotland	Patron Capital Partners
Quantum Specials Ltd	32.5	Buyout	North East	LDC
Vasanta	30	Expansion	Yorkshire & The Humber	Endless
Air Energi	30	Buyout	North West & Merseyside	Zeus Private Equity
The Amor Group	27.8	Buyout	Scotland	Close Growth Capital, Scottish Enterprise

Qualitative comments

Undoubtedly it has been a difficult year in the northern region, which, as it covers a vast area encompassing both Northern England and Scotland, has traditionally been the UK's second largest overall. That position was maintained in 2009, though the market did see dealflow halve against 2008 as transactions stalled without the lifeblood of financing or certainty overpricing.

“It was a difficult year for a lot of people. Dealflow was far lower than it has historically been, with drops fuelled by economic uncertainty and a

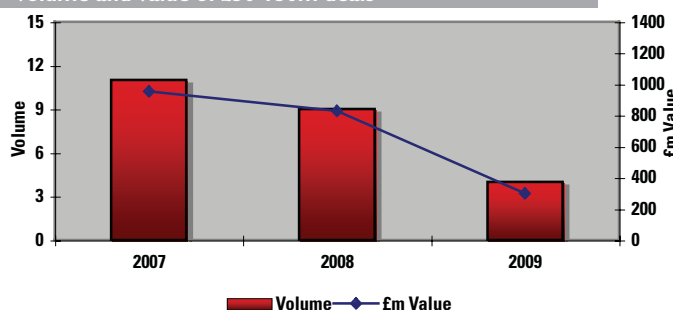
scarcity of debt. By the end of the year, though, there was more clarity on what debt was on offer and increased stability in the economy has given rise to increased confidence,” explains John Swarbrick, senior director at LDC's Leeds office.

This sense that the market had eased somewhat by years end is shared by many professionals across the region, with many now pointing to improved pipelines that should yield investments in the early part of 2010. “People are trying very hard to do deals and banks want to put money out where there are quality assets coming to market. There are

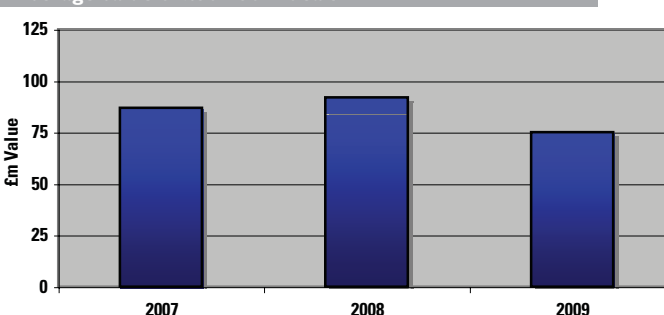
Deal activity in the £50-150m size range

- In activity terms the picture in the larger size bracket mirrors that of its smaller cousin, with a modest decline of 18% year-on-year in 2008 being followed by a much more substantial fall of almost 56% in 2009, when there were just nine deals recorded overall. The story regarding value was the same although on a larger scale, with a 13% drop in 2008 from £955m to £827m being followed by a 64% slide in 2009 to just £300m.
- Significantly, this means that the trend in terms of average deal value is the opposite of that seen in the smaller size range, rising from 2007's figure of £87m to a peak of £92m in 2008, before falling away to a mere £75m in 2009. The main factor behind this shift can be found in the smaller proportion of buyouts, which dropped over the last year as financing remained scarce. Consequently, 50% of deals were growth capital investments.
- Indeed, the movement away from buyouts is confirmed by the fact the largest deal over the quarter was an expansion investment: The £100m capital injection into aerospace business Firth Rixson led by Oak Hill Capital Partners. It is also notable that this deal represented another key 2009 trend in that it was a restructuring, with the new capital being invested in return for a reduction in senior debt and a covenant reset.

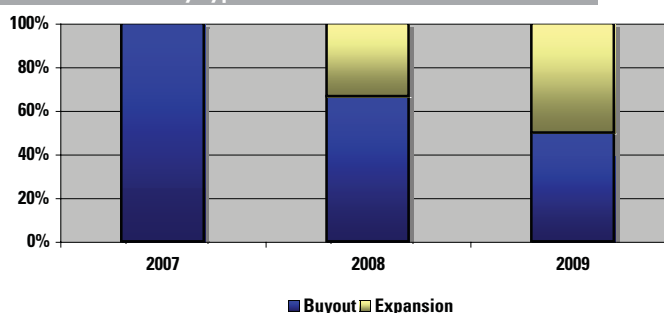
Volume and value of £50-150m deals



Average value of £50-150m deals



£50-150m deals by type



2009 top deals £50-150m

Name	£m value	Type	Region	Equity syndicate
Firth Rixson	100	Expansion	Yorkshire & The Humber	Oak Hill Capital Partners
Subocean Group	75	Buyout	Scotland	LDC
Cattles Invoice Finance (CIF)	70	Buyout	North West & Merseyside	AnaCap Financial Partners
ITS Group	55	Expansion	Scotland	Lime Rock Partners

probably six or seven deals around in our local area alone," confirms Jonathan Jones, Leeds-based partner at law firm Hammonds.

The signs are therefore positive, but it would be easy to get carried away. There are still many structural issues within the economy that many feel will prevent this trickle of dealflow from turning into a flood. "There is now confidence that if you have a good asset you'll get a fair price, which is what held the market back so much last year. But there won't be a whole raft of new deals as there is still

a lot of caution out there," notes Ray Stenton, director in LDC's Manchester office.

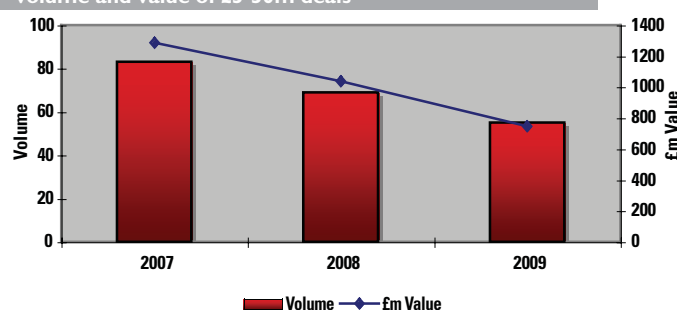
As for where deals will come from in 2010, both Swarbrick and Stenton espouse a generalist ethos and maintain the old adage of backing management teams not sectors, though Swarbrick does suggest that there will be areas that are less attractive until post-election. "Certain deals in certain areas won't happen at the moment as there is uncertainty over Government spending, people will wait until we know what flavour of Government we will get," he adds.

London

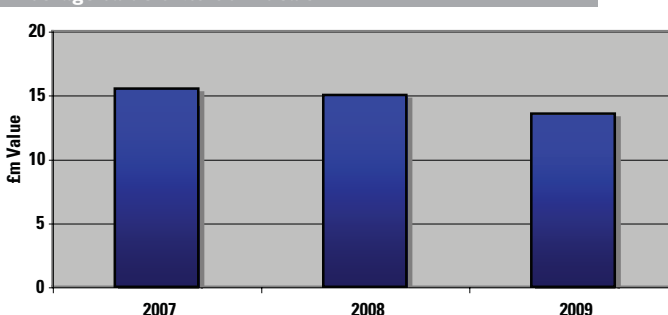
Deal activity in the £5-50m size range

- Though London has historically contributed the largest chunk of dealflow in this smallest value range, its dominance had waned somewhat in the years leading up to 2007, when it recorded 83 transactions and represented around a third of the total. This proportional share, however, has increased significantly through 2008 and 2009 as activity has declined by a comparatively modest degree, dropping 17% and 20% respectively to 69 and 55 deals, and it now accounts for more than half of the total.
- The story in terms of value is same as that for volume, though 2009 did witness a far larger decline and thus London's share of the overall total is slightly lower. From 2007's figure of £1.3bn, the market has seen declines of 19% and 28% to £1bn and £745m in 2008 and 2009 respectively, with market share increasing from 34% to 46% over the three years.
- That value has dipped more sharply than volume is a reflection of a drop in average deal value over the three years, from close to £16m in 2007 to less than £14m. This coincides with a drop in the proportion of dealflow accounted for by buyout transactions, with this deal type slipping behind growth capital in each of the last two years. Significantly, the largest transaction, Barclays Private Equity's £37 investment into Advanced Travel Partner International, was a growth capital deal.

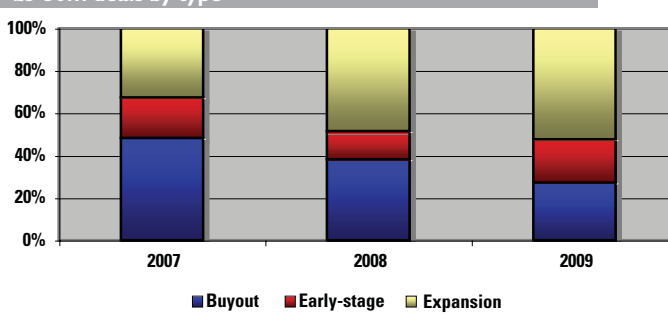
Volume and value of £5-50m deals



Average value of £5-50m deals



£5-50m deals by type



2009 top deals £5-50m

Name	£m value	Type	Region	Equity syndicate
Advanced Travel Partner	37	Expansion	London	Barclays Private Equity
London Care plc	32.5	Buyout	Eastern	Sovereign Capital
Cybit Holdings	22.8	Buyout	Eastern	Francisco Partners
Heptares Therapeutics Ltd	21	Early stage	London	Clarus Ventures, MVM Life Science Partners
Care Aspirations	20	Expansion	Eastern	GI Partners

Qualitative comments

London has historically been the heart of the UK private equity industry, though it has seen its dominance curtailed somewhat in recent years. It is therefore a testament to the market's underlying strength that it has pulled away at the top of the dealflow rankings – in the mid-market at least – though this shouldn't be taken as evidence that the region didn't suffer.

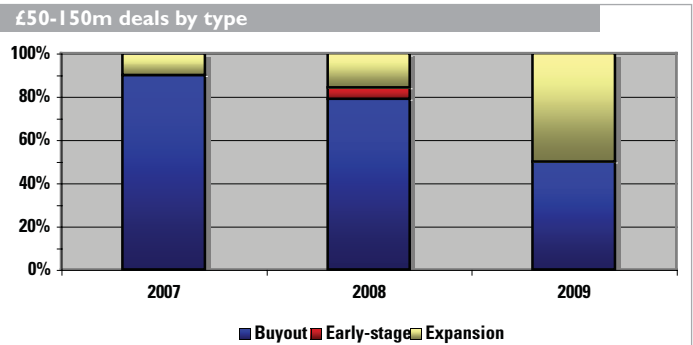
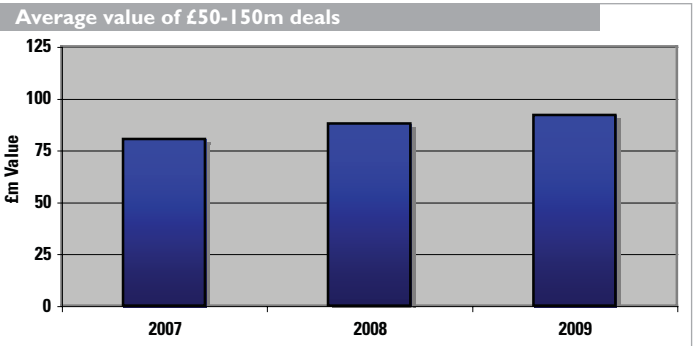
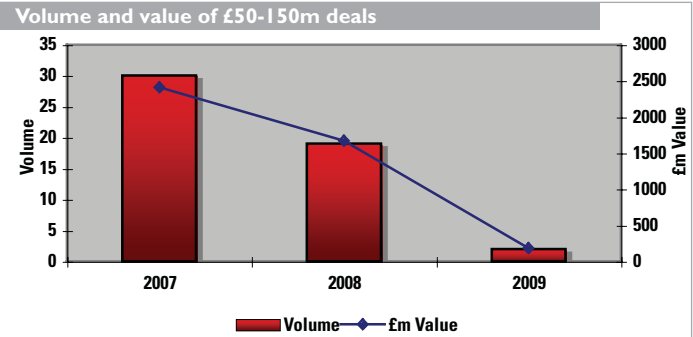
Indeed, at the larger end of the mid-market – where London has traditionally excelled compared to other regions – there were steep

declines and transacting deals was near impossible. It was, conversely, the smaller value deals that propped up dealflow. "In the lower middle market debt was always available, though obviously there was something of a flight to quality and we were required to stump up more equity," explains Peter Brooks, managing director in LDC's London office.

According to Brooks, this oft-cited flight to quality is in fact what characterised the year overall, with the recession giving rise to investment pragmatism: "Good deals get done; bad deals don't," he states simply. And he argues there were (and are) plenty of solid businesses to invest

Deal activity in the £50-150m size range

- Though inevitably this size bracket is where the minority of deals occur, London has always enjoyed a striking dominance over its UK peers in this larger range. Indeed, in both 2007 and 2008 – and despite a 50% drop in the latter – the region accounted for half of overall activity with 30 and 19 deals respectively. In 2009, however, the wheels well and truly came off at this end of the market and just two deals were completed, making London only the third most active region overall.
- These declines were unsurprisingly mirrored in the value trend over the three year period. In 2007 London had been the predominant region, having been home to more than 50% of the overall total with £2.4bn worth of deals recorded, with this figure dropping 31% to £1.7bn in 2008 and then collapsing by 90% to just £184m in 2009. London now represents just 21% of the overall total.
- Despite these declines, average deal value has been a story of growth over the sample period, rising from a little over £80m in 2007 to £88m in 2008 and then breaking the £90m barrier in 2009. It is a truism during a downturn, but anecdotal evidence suggests that the last two years have seen a flight to quality in terms of deal activity, and high competition for stand-out businesses could be responsible for this otherwise counter-intuitive uptick.



2009 top deals £50-150m

Name	£m value	Type	Region	Equity syndicate
Bounty Group Ltd	64	Buyout	Eastern	Barclays Private Equity

in, with prices inevitably more attractive. “We turned a lot of things down, but there will always be strong businesses in which to invest and we got good prices, with average EBIT multiples of around five and a half.”

Looking forward, Brooks agrees that the market is still cautious and therefore dealflow will not increase dramatically in the immediate short-term. “In terms of the economy we are still waiting for the dust to settle and the election is somewhat unsettling. The debt markets are also still not great and there is a lot of debt still to be refinanced.” On

the other hand, though, investors need to invest, and “the pressure of money might spur activity.”

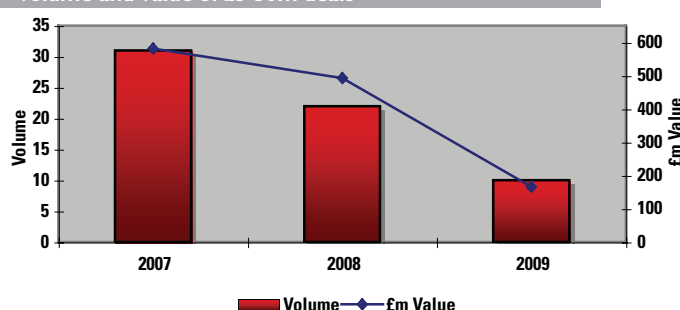
And for those that can invest, Brooks remains bullish about the prevalence of opportunities to exploit, arguing that the coming two years will undoubtedly be “a good vintage”. In London, he points to the strong opportunities in the outsourcing and financial services spaces – “London’s economy” – as particular areas of interest, suggesting that many businesses will seek development capital for growth. “Dealflow should double against last year,” he concludes optimistically.

Midlands

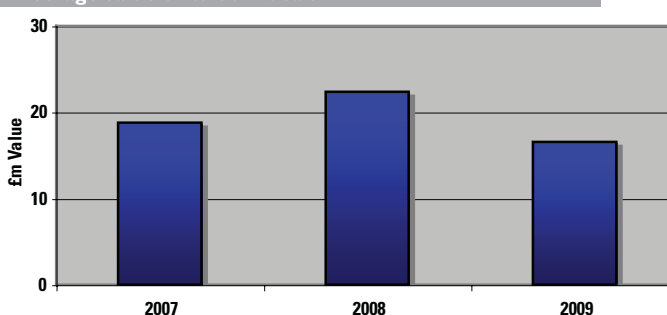
Deal activity in the £5-50m size range

- The Midlands remains an important part of the UK's private equity market, despite this industrial heartland enduring a difficult period in recent years as the country has transitioned towards a service-based economy. This is reflected in the activity figures in this core value range over the three year sample, which reveal that the region's businesses have been less likely to become involved in private equity activity than in other regions. Having dropped from 31 deals to 22 in 2008, volume fell a further 50% to 10 deals in 2009 and represented 9% of the market.
- In value terms the Midlands has also suffered in each of the three years over the sample, recording declines in each case and seeing its market share drop. From a low base of £582m in 2007, the total fell by 15% to £493m in 2008 before sliding substantially by 66% in 2009 to just £166m. This was the second largest decline overall and means the Midlands now represents 10% of the market by value.
- Average deal value has witnessed a lumpier trend in this bracket over the three years, rising from £19m in 2007 to a peak of more than £22m in 2008, before falling in 2009 to a low of £17m. This, despite the fact that the market share of buyouts over the year grew to its highest level over the period, which is most likely a reflection of declining valuations making acquisitions easier to fund.

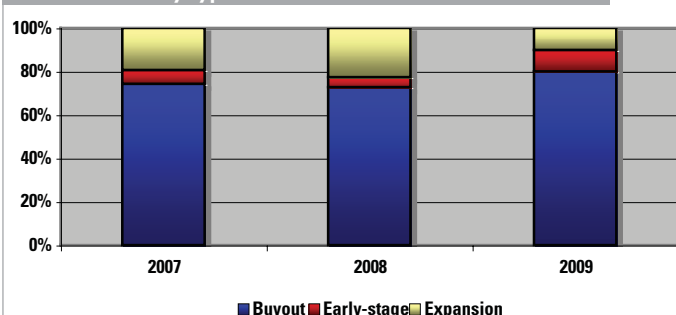
Volume and value of £5-50m deals



Average value of £5-50m deals



£5-50m deals by type



2009 top deals £5-50m

Name	£m value	Type	Region	Equity syndicate
Denby Group	30	Buyout	East Midlands	Valco Capital Partners
Bromford Industries	23.7	Buyout	West Midlands	Darwin Private Equity
Quanta Fluid Solutions	9	Early stage	West Midlands	NGBI Ventures, Seroba Kernel Life Sciences, Wellington Partners

Qualitative comments

The Midlands region has an active and experienced corporate finance community that has needed to identify and develop PE activity from an area that has, over the past decade, needed to re-invent its core sector strengths. For Martin Draper, managing director in LDC's Birmingham office, this could be the region's real strength: "The midlands had to adapt to a changing economy ten years ago and it weathered the storm, making it better placed than most to do so again. For instance the new breed of specialist industrial businesses are much better equipped to combat economic woes than the old style manufacturers."

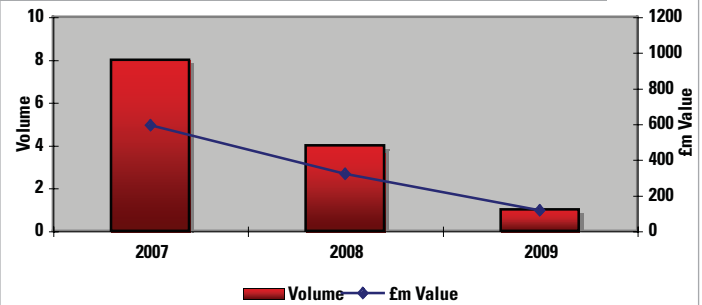
According to Draper, the major concern was earnings confidence, which, like in other regions reduced the price many were willing to pay and the amount of debt that it was possible to raise. This no doubt impacted upon the region's overall private equity performance in 2009.

Indeed, those transactions that did complete were those where the private equity firm was willing to do things differently. "Deals that have been done have been creatively structured; there weren't many plain vanilla transactions. All-equity deals were a particular feature,

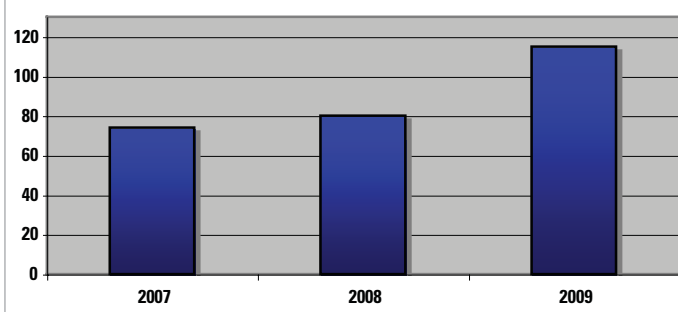
Deal activity in the £50-150m size range

- The Midlands is not known for its activity in this larger deal range and the downturn over the last two years has merely exacerbated this trend. From a total of eight deals in 2007, when it represented 14% of the market in terms of deal numbers, the region has witnessed successive drops of 50% and 75% to four deals and one deal respectively, accounting for 10% of the market in each case.
- The value total has inevitably followed the same trend as that for volume, recording a 46% decline from £593m in 2007 to £321m in 2008, before shedding 64% to hit a low of £115m in 2009. That this total is derived from just one deal – the LDC buyout of financial services support specialist 1st- The Exchange – obviously means that this also equates to the ‘average’ deal value, and furthermore is the highest it has been over the sample.
- Though it would clearly be a disingenuous to imply that this upward movement in average value is too significant in and of itself, it is true that it represents the continuation of a trend that began in 2008, when average value increased to £80m from the £74m recorded in 2007. This implies that there are quality businesses in the region capable of attracting larger investors and therefore provides a ray of hope for the coming year.

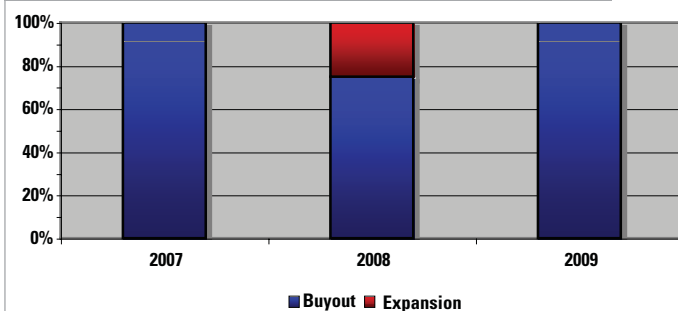
Volume and value of £50-150m deals



Average value of £50-150m deals



£50-150m deals by type



2009 top deals £50-150m

Name	£m value	Type	Region	Equity syndicate
1st - The Exchange	115	Buyout	West Midlands	LDC

given that banks appetite to lend was reduced and pricing expensive,” Draper comments.

Clearly, though, such deals involve a good understanding of the risk involved and are not suitable to all cases. “If you’re going to stump up the whole purchase price as equity then you need to focus on operational improvement to generate returns,” Draper adds.

He goes on to say that such operational improvement is likely to continue to be a feature and could indeed be a major source of deals

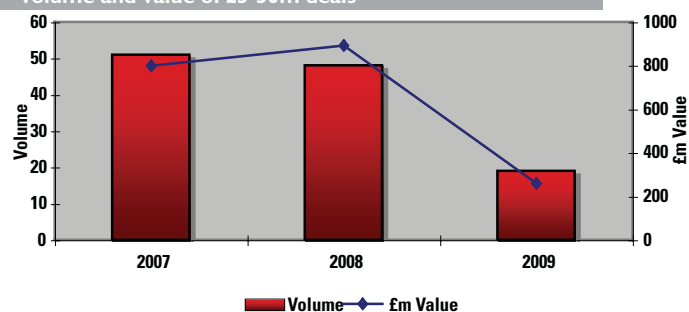
this year: “There will be opportunities to re-shape businesses that are solid but that have an inappropriate structure.”

In fact, Draper is positive overall about the prospects for a revival in fortunes for the Midlands in 2010. “There will be activity this year that will be driven by a couple of factors. Firstly, firms haven’t done anything for a while and many may take the view that the market is at a point where the value differential is not going to improve much over the next year. Also, uncertainty is down and this will drive confidence in pricing and an improvement in the debt situation.”

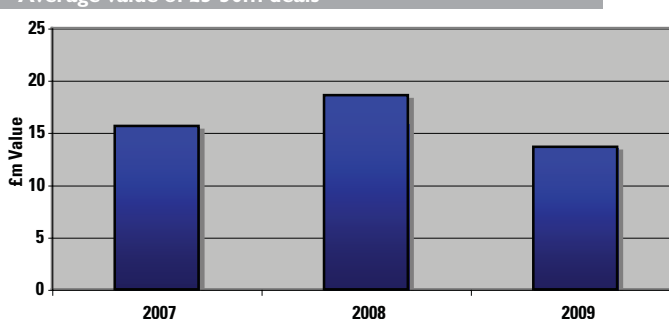
Deal activity in the £5-50m size range

- The Southern region had been amongst the most resilient in 2008 and was the joint second most active overall in the £5-50m range over the twelve months, recording 48 deals – a drop of only three compared to 2007. 2009, however, was a different story, with the market recording the largest decline in activity at 60% and hitting a low of just 19 transactions, the third highest total overall and a market share of just 18%.
- The strength of the Southern region in this smaller value range in 2008 is reinforced by the value figures, which reveal that the year witnessed an increase of 12% from £799m to £893m. Mirroring the trend in terms of volume, however, the total plummeted in 2009, dropping by 72% – the largest drop of the four regions – to just £260m.
- That value has declined by a significantly higher degree than volume is a result of a drop in average deal value, which, having hit a peak of close to £19m in 2008 (up from £16m in 2007), declined to a meagre £14m in 2009. This corresponds to a sharp drop in the proportion of buyouts completed, which had been the dominant deal type in both 2007 and 2008 with 59% and 68% market share respectively, dropped behind development capital in 2009, and accounted for 30% of the overall total.

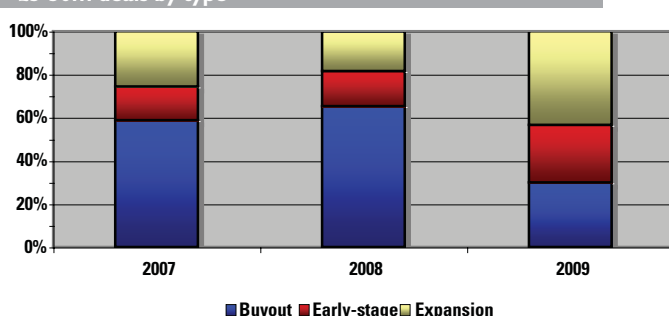
Volume and value of £5-50m deals



Average value of £5-50m deals



£5-50m deals by type



2009 top deals £5-50m

Name	£m value	Type	Region	Equity syndicate
Aldermore Bank (Ruffler Bank)	45	Expansion	South East	AnaCap Financial Partners, Morgan Stanley
FDM Group	33.3	Buyout	London	Inflexion
Vanguard Healthcare Solutions	31	Buyout	South West	MML Capital Partners
Urban & Civic	30	Buyout	London	GI Partners
Premier Asset Management	23	Expansion	South East	Electra Partners

Qualitative comments

The southern region has never been a powerhouse in terms of private equity activity, historically coming in behind both London and the North, and, following a strong 2008 where it showed resilience amid deteriorating market conditions, the market fell away substantially in 2009. “It was clearly a year where activity was significantly down. There was a lack of confidence driven by poor earnings visibility and obviously a lack of debt,” explains Kevan Leggett, managing director in LDC’s Reading office.

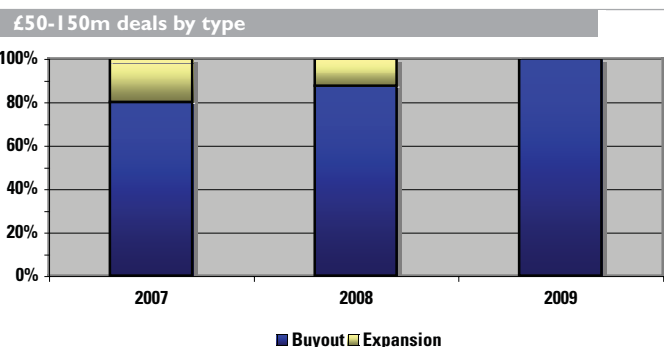
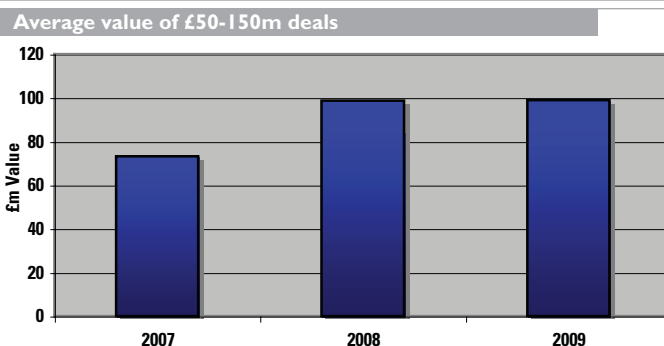
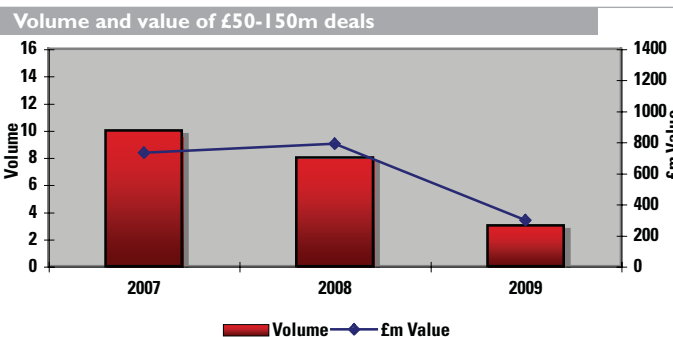
The premier issue, according to Leggett, was “the lack of willingness

on the part of vendors to vend”, as poor pricing provided a disincentive to doing deals. However, he goes on to say that this changed as the year wore on, though this has yet to translate into transactions. “During the course of the year things did improve and exit mandates began to be awarded in Q4. The uptick, though, will likely come in Q2 and after, as it does take time to get deals through at the moment.”

Andrew Killock, head of corporate finance for the southern region at Baker Tilly, agrees, pointing to a wide range of deals that have materialised in recent months. “We’ve seen a whole range of new

Deal activity in the £50-150m size range

- The trend in the larger value segment has followed the same course as that of the smaller value segment over the three years, falling modestly in 2008 from ten deals to eight, before declining more significantly to just three transactions in 2009. These declines, though, are more modest than those witnessed in other regions, meaning that the South's proportion of the overall total has risen year-on-year from 17% in 2007 to 20% and 30% in 2008 and 2009 respectively.
- In value terms, again the trend mirrored that of the smaller size range, rising moderately in 2008 from £732m to £789m, before plummeting by 62% to a low of £297m in 2009. As was the case in terms of volume, however, the market share has consistently risen, jumping from 16% in 2007 to 22% in 2008 and 33% in 2009, emphasising the Southern regions comparative resilience in this segment, albeit from a relatively low base.
- In terms of average value the story is one of growth over the three year sample, with the figure rising from £73m in 2007 to £99m in 2009. This is likely a result of the fact that all three deals completed in the region in this segment were buyouts, continuing a downward trend in terms of growth capital in the region. The largest transaction was the £150m buyout of Ambassador Theatre Group, backed by Exponent Private Equity.



2009 top deals £50-150m

Name	£m value	Type	Region	Equity syndicate
Ambassador Theatre Group	150	Buyout	South East	Exponent Private Equity
Associated Dental Practice	136	Buyout	South East	AlpInvest Partners
Snell & Wilcox	72	Buyout	South East	Advent Venture Partners, LDC

mandates of late, everything from fundraisings to buyouts and company sales. Importantly, the common theme for all of the companies that are now coming through as potential investment opportunities is they are strong businesses that are growing.”

Indeed, Killock goes on to suggest that the appetite for deals on the buy-side has increased substantially along with the uptick in quality. “On some deals competition is very high and the auction is definitely back; successful companies in strong sectors will always be in demand. If a business is merely doing ok you’d have to question why to invest

at the moment.” He is therefore bullish over the year ahead, arguing there will be a “substantial” uptick in private equity deals in 2010.

Leggett too is optimistic, suggesting that over the year as a whole there could be an increase of 30-40% on 2009. In terms of where these deals will occur, he argues that across the region there is not much of a pattern emerging with regard to sector groupings. He does, though, suggest that the services sector will continue to be appealing, not least because of the coming Government austerity drive, which could prompt an increase in outsourcing.

league tables

Legal

North £5-150m	Volume	Value (£m)
Eversheds	6	70
Maclay Murray & Spens	5	76
DLA Piper	4	83
Walker Morris	2	100
Berwin Leighton Paisner	2	86

London £5-150m	Volume	Value (£m)
Osborne Clarke	4	36
Brown Rudnick	4	30
SJ Berwin	3	30
Taylor Wessing	3	26
DLA Piper	3	16

Midlands £5-150m	Volume	Value (£m)
HBJ Gateley Wareing	3	65
Pinsent Masons	2	125
Freeth Cartwright	2	55
Browne Jacobson	2	30
Martineau Johnson	2	15

South £5-150m	Volume	Value (£m)
Osborne Clarke	3	134
SJ Berwin	2	82
Clifford Chance	2	35
Over Taylor Biggs	2	26
Martineau Johnson	2	13

United Kingdom £5-150m	Volume	Value (£m)
Eversheds	9	138
DLA Piper	8	122
Osborne Clarke	7	170
Pinsent Masons	6	302
CMS Cameron McKenna	6	175
SJ Berwin	5	112
Maclay Murray & Spens	5	76
Brown Rudnick	5	46
Martineau Johnson	5	33
Travers Smith	4	218

Corporate finance

North £5-150m	Volume	Value (£m)
Deloitte	4	66
Simmons & Co	3	113
KPMG's Private Equity Group	3	99
BDO Stoy Hayward	3	68
Livingstone Guarantee	2	46

London £5-150m	Volume	Value (£m)
Grant Thornton	3	19
KPMG's Private Equity Group	2	33
BDO Stoy Hayward	2	21
Baker Tilly - M&A and Private Equity	2	15
Deloitte	1	37

Midlands £5-150m	Volume	Value (£m)
Clearwater Corporate Finance	1	115
Hawkpoint Partners	1	115
Torch Partners	1	115
PricewaterhouseCoopers	1	15
Baker Tilly - M&A and Private Equity	1	10

South £5-150m	Volume	Value (£m)
Deloitte	1	150
Goldman Sachs	1	150
Ernst & Young - Transaction Advisory Services	1	72
Grant Thornton	1	72
Q3 Corporate Finance	1	31

United Kingdom £5-150m	Volume	Value (£m)
Deloitte	6	253
BDO Stoy Hayward	6	99
KPMG's Private Equity Group	5	131
Ernst & Young - Transaction Advisory Services	3	138
Simmons & Co	3	113
Grant Thornton	3	90
Livingstone Guarantee	3	59
Clearwater Corporate Finance	2	123
PricewaterhouseCoopers	2	31
Baker Tilly - M&A and Private Equity	2	20

Financial due diligence

North £5-150m	Volume	Value (£m)
PricewaterhouseCoopers	4	98
KPMG's Private Equity Group	3	96
Ernst & Young - Transaction Advisory Services	2	83
Deloitte	2	24
Vantis Numerica Corporate Finance	1	70

London £5-150m	Volume	Value (£m)
Ernst & Young - Transaction Advisory Services	5	89
PricewaterhouseCoopers	3	110
Tenon Corporate Finance	2	38
KPMG's Private Equity Group	2	25
BDO Stoy Hayward	1	33

Midlands £5-150m	Volume	Value (£m)
BDO Stoy Hayward	4	164
Ernst & Young - Transaction Advisory Services	1	115
Hazelwoods	1	40
PricewaterhouseCoopers	1	24
Steen Associates	1	24

South £5-150m	Volume	Value (£m)
PricewaterhouseCoopers	3	358
PKF (UK)	2	15
Deloitte	1	31
Ernst & Young - Transaction Advisory Services	1	13
First Capital Partners	1	10

United Kingdom £5-150m	Volume	Value (£m)
PricewaterhouseCoopers	11	590
Ernst & Young - Transaction Advisory Services	9	300
BDO Stoy Hayward	5	197
KPMG's Private Equity Group	5	121
Tenon Corporate Finance	5	54
Deloitte	3	55
PKF (UK)	2	15
Vantis Numerica Corporate Finance	1	70
Simmons & Co	1	55
Hazelwoods	1	40

Private equity

North £5-150m	Volume	Value (£m)
LDC (Lloyds TSB Development Capital)	7	167
Maven Capital Partners (Aberdeen)	3	43
Scottish Enterprise	2	34
Lyceum Capital (West Private Equity)	2	27
Oak Hill Capital Partners	1	100

London £5-150m	Volume	Value (£m)
3i	4	144
Sovereign Capital	4	76
Accel Partners	4	36
Balderton Capital	3	33
Index Ventures	3	29

Midlands £5-150m	Volume	Value (£m)
LDC (Lloyds TSB Development Capital)	5	202
Inflexion	1	45
Valco Capital Partners	1	30
Darwin Private Equity	1	24
NGBI Ventures	1	9

South £5-150m	Volume	Value (£m)
Advent Venture Partners	3	95
LDC (Lloyds TSB Development Capital)	2	208
Morgan Stanley	2	181
AnaCap Financial Partners	2	55
Abingworth Management	2	31

United Kingdom £5-150m	Volume	Value (£m)
LDC (Lloyds TSB Development Capital)	16	596
Maven Capital Partners (Aberdeen)	5	58
Accel Partners	5	43
3i	4	144
Advent Venture Partners	4	103
Sovereign Capital	4	76
Index Ventures	4	39
AnaCap Financial Partners	3	125
Inflexion	3	94
Valco Capital Partners	3	48

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