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Regional mid-market barometer

COVERING NEWS OF THE PRIVATE EQUITY MARKETS IN THE UK AND REPUBLIC OF IRELAND FOR OVER 20 YEARS

Spring 2012 27 FEBRUARY 2012

Prospering small-caps comfort recovery

ACROSS EUROPE THERE WERE signs in the first half of 2011 that private equity markets were continuing the slow recovery that had begun the year before. However, the deepening Eurozone crisis clearly hit confidence levels as the year wore on and deal completions slowed to leave overall numbers flat.

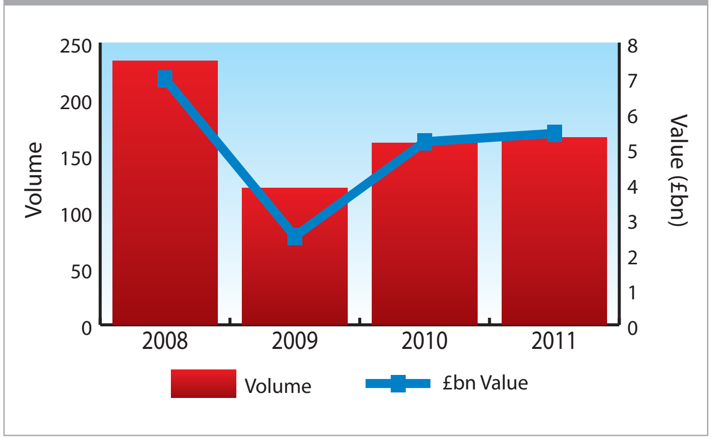
On the face of it, the same is true of the UK £5-150m market: there was growth in both the volume and value of deals in the bracket, but only just. In all, 166 deals worth £5.4bn were recorded during the year. Also, contrary to the European trend, activity in the size range actually grew from 2010 to 2011, driven by stronger activity levels in the smaller £5-50m bracket. As LDC's chief executive Darryl Eales states: "Overall, the rising tide of optimism and UK mid-market dealflow in the first half of last year ebbed away in the second six months of 2011 as economic conditions worsened. But encouragingly, both value and volume totals were marginally higher than the previous year, driven by the smaller end of the market (£5-50m) where weak lending conditions were not such an issue and where vendor pricing had also adjusted to more reflect realistic levels." A total of 128 £5-50m deals were completed, versus 125 in 2010, while the number of £50-150m deals remained unchanged at 38.

Looking at the overall figures split by UK region, there were no major changes in fortunes, though it is interesting to note that the historically less active areas gained ground on the bigger markets. The Midlands in particular saw more robust growth, with volumes and values up by 29% and 11% respectively over the previous year. The North also saw growth, albeit modest, in both volume and value, while the London and Southern regions showed mixed fortunes. Nevertheless, London remains the most active region, with 36% of the UK total by volume and 41% by value.

After 2010, when the number of deals in industrial sectors dropped on the back of well-documented problems in the construction and manufacturing areas, dealflow recovered last year, with deal numbers almost matching those seen the services sector. The most obvious casualties of the persistent economic worries were consumer-related sectors; against a backdrop of rising unemployment figures, pay freezes and comparatively high inflation, the number of deals in these areas has crashed from over 40 in 2010 to less than 30. But activity in the technology sector was strong in 2011, with both the number and value of deals rising on the back of strong activity in the software and computer services markets.

As far as activity levels among the UK's GPs are concerned, LDC accelerated significantly in 2011, stretching the already considerable lead it built up over its nearest competitors in 2010; its tally of 18 deals completed during the year matches the cumulative total achieved by the next three investors in the list – ISIS Equity Partners, Lyceum Capital and Bridgepoint Capital. Looking ahead, though, it is very difficult to predict that GPs will be braving the conditions with quite such enthusiasm in 2012. As Darryl Eales concludes: "For 2012 the outlook remains uncertain with commerce dominated by the Eurozone crisis and the need for greater business confidence. A positive assertion from both would undoubtedly affect activity positively."

UK volume and value of £5-150m deals



Source: unquote"/Private Equity Insight

Quick view

in association with

LDC

Private Equity Less Ordinary

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Regional mid-market barometer 2012

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Methodology

- All data published in the *unquote*” regional barometer is extracted from *unquote” Data*, 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 24 January 2012. 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:
  a. North: North-West & Merseyside, Northern Ireland, Scotland, North-East, and Yorkshire and The Humber
  b. London: London and Eastern
  c. Midlands: West Midlands and East Midlands
  d. South: South-East, South-West and Wales

- For more information on the regional barometer or regarding *unquote” Data*, please contact: Olivier Marty, Head of Research, unquote”. Tel: +44 (0)20 7004 7464.

Sponsor

- 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 providing a range of equity investments include A-Gas, Benson Group, Driver Hire, EDM Group, learndirect, Pertemps Network Group, and Workplace Systems.

LDC
Private Equity Less Ordinary

Overview of the year

- Somewhat in contrast to private equity activity across pan-European markets, where deal numbers dropped off dramatically after a solid first six months, the second half of 2011 actually saw a marked increase in UK completions in the £5-150m bracket. Nevertheless, choked by poor conditions in the lending market and continuing economic gloom, the late boost in activity was unable to drive any real growth in this segment and overall numbers remained only marginally above 2010 levels.

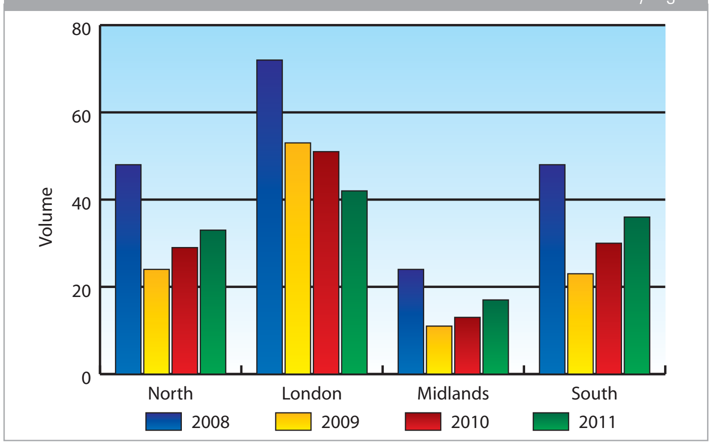
- Perhaps unsurprisingly given the year's difficult debt markets, it is the larger of these two lower mid-cap brackets that struggled to generate any momentum in 2011. In total, the number of £50-150m deals completed during the year remained flat on 2010 levels at 38. Meanwhile the overall value of deals in this larger bracket slipped by just in excess of 6% in 2010 to £3.06bn – still over three times the value of this segment in 2009.

- In regional terms, statistics for the £50-150m segment show sharply contrasting fortunes, with London and the Midlands both showing growth, while the Northern and Southern areas contracted. Of the growing regions, London saw the most robust increase, from 13 to 18 deals, while the Midlands boosted its haul of deals by one to five – the highest point in the four-year sample. The South fell most sharply, albeit from a very strong performance in 2010, while the North remained relatively flat. By value, the most significant movements were the 35% increase to £1.46bn for London and the near 50% fall in the South to £539m.

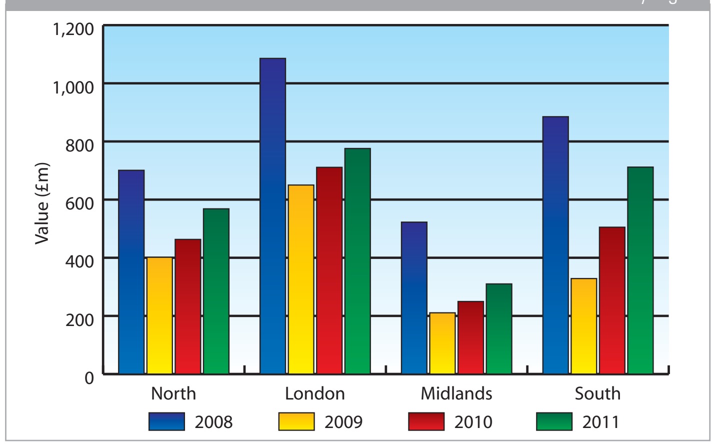
- Although the smaller £5-50m segment did see growth in 2011, it was relatively modest in volume terms, with numbers rising by just 4% across the UK to 128 (from 123 the previous year and 111 in 2009). However, the value total rose much more significantly, suggesting a concentration of activity in the upper reaches of this segment; in total the value of UK deals in the £5-50m bracket jumped by more than 22% to £2.37bn in 2011.

- London, historically the most active region in the smaller bracket, was the only one to see a contraction in 2011, with deal numbers falling nearly 18% to 42. Each of the other three regions saw a handful of deals more than in 2010, with the Midlands jumping the most in proportional terms. All four regions saw value growth, with the South showing the most sizable rise relative to the previous year.

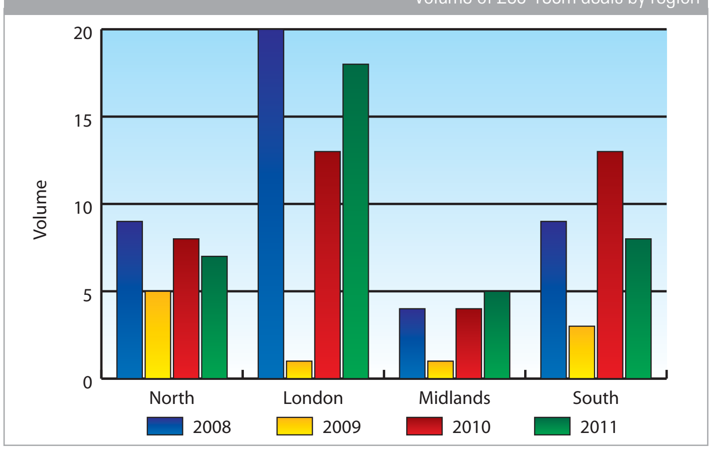
Volume of £5-50m deals by region



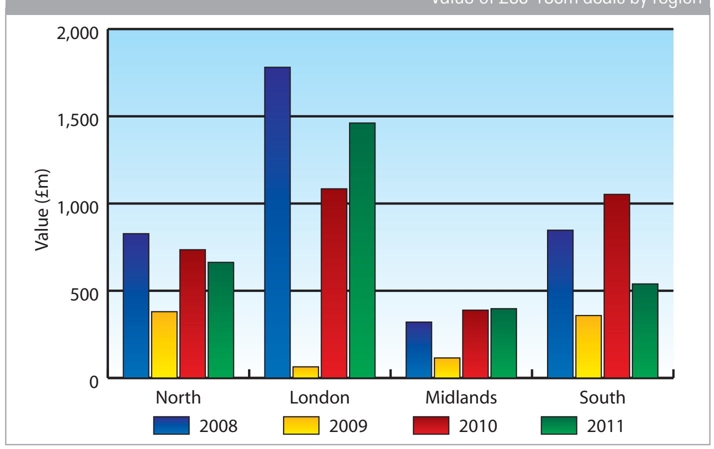
Value of £5-50m deals by region



Volume of £50-150m deals by region



Value of £50-150m deals by region



UK deal activity by sector

- The UK's hugely important **services** sector remained key to the private equity market in the £5-150m segment. The 45 deals recorded in 2011 makes it easily the most important in volume terms, while its lower average deal size leaves it number two behind industrials in value terms. The sector produced only one deal above £100m in 2011 – the acquisition of Pattonair in the Midlands for a little more than £148m. Despite the changes in public and private sector procurement and cutbacks in public spending, this sector will continue to be critical to the UK economy.

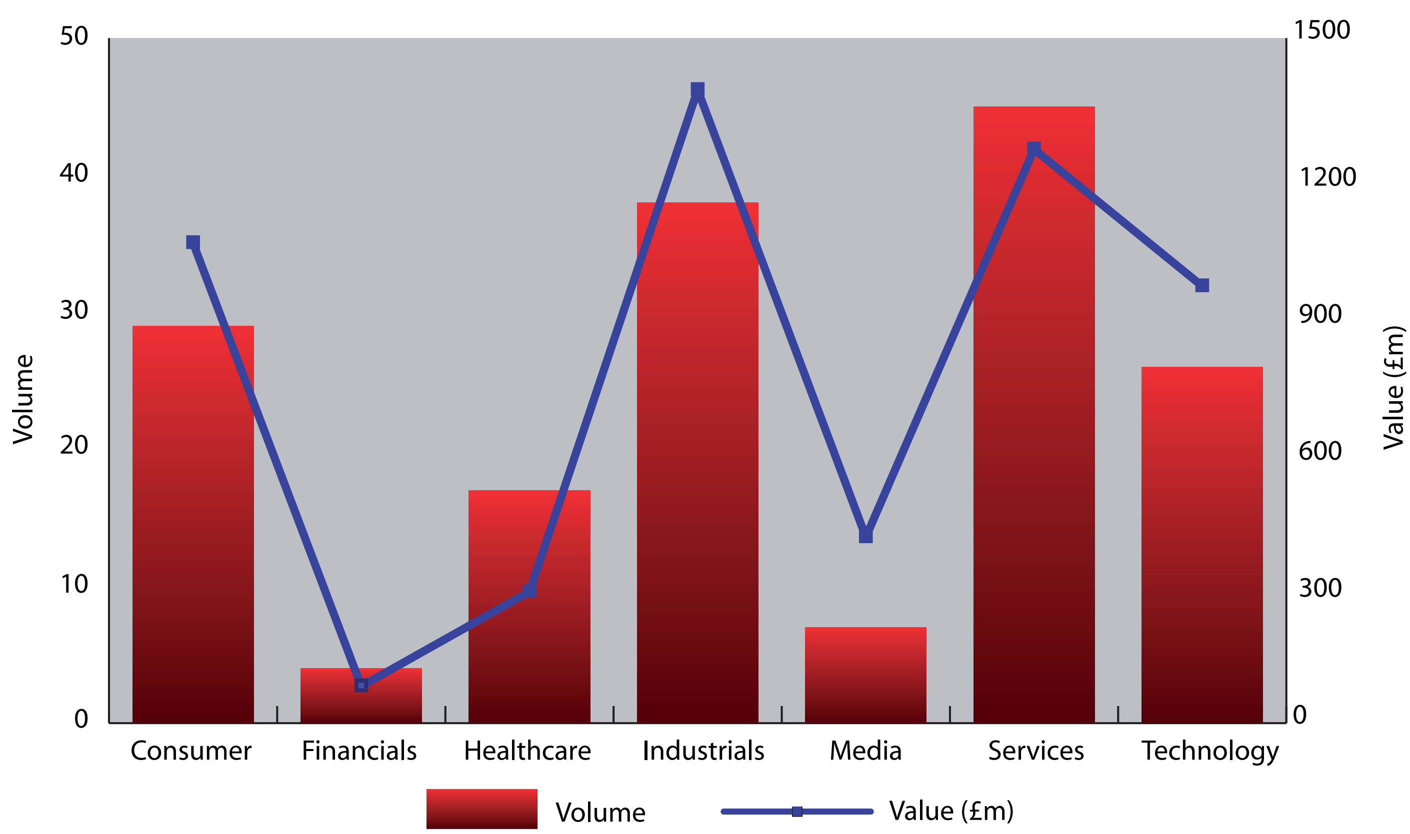
- After a poor year in 2010 and despite continuing threats to the UK's **manufacturing** and **production** industries, dealflow in the industrials sector fared comparatively well in 2011. In all, 38 deals worth a little less than £1.4bn were completed in the sector. Among them were three deals estimated to be worth more than £100m, though the largest deal with a disclosed value was the £80m buyout of Nampak Europe.

- Undoubtedly the biggest casualty in sector terms during 2011 were all the segments associated with **consumer** industries. In the equivalent report last year, consumer deals were the second most numerous, narrowly behind services. In 2011 the number of consumer deals recorded fell back by more than 25% to just 29, worth just over £1bn. The £105m buyout of AllSaints Spitalfields was the only consumer-related deal in 2011 with a confirmed value in three-figure millions, though one other is estimated to have achieved this.

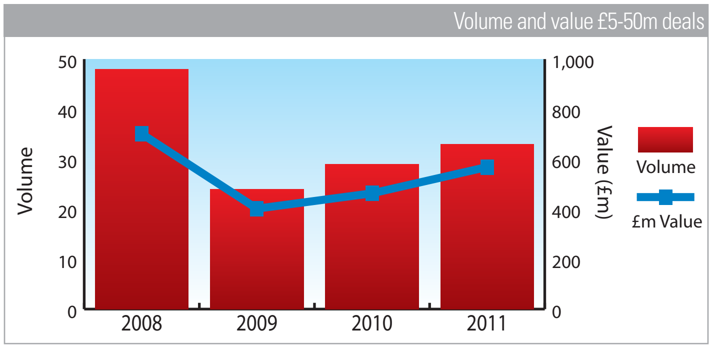
- By contrast, both the number and value of deals in the **technology** sectors climbed noticeably in 2011, boosted by activity in the software and computer services subsector. Overall 26 technology deals, worth just over £950m were recorded in the £5-150m size bracket. Two £100m+ deals were among these, including the £121m+ acquisition of SPP Process Technology Systems in Wales.

- Among the smaller sector groupings both **healthcare** and **financials** saw deal numbers falling in 2011, though activity in traditionally the least active, **media**, did grow a little. Among them healthcare was the most important with 17 deals worth around £290m. The seven media deals recorded included the buyouts of three companies for more than £100m – Bezier, The Mill and BBC Magazines – giving it a total value of £407m.

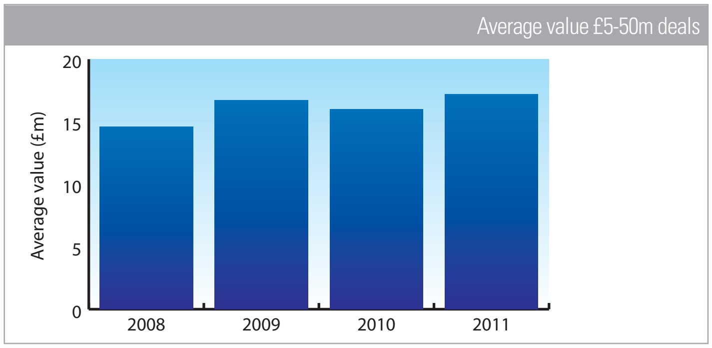
Volume and value of UK £5-150m deals by sector in 2011



Deal activity in the £5-50m size range

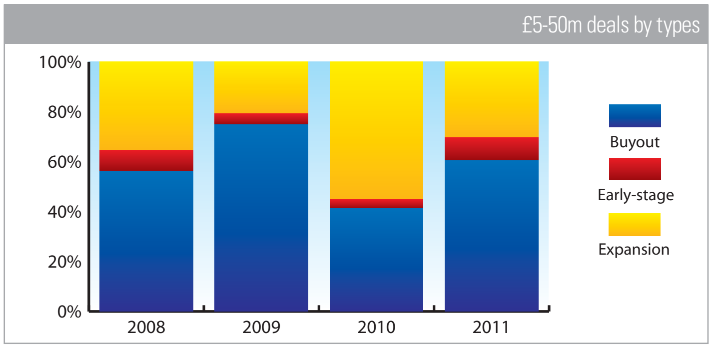


- Private equity activity in the smaller deal size bracket across the North of England has continued its slow and steady recovery since falling sharply between 2008 and 2009. In 2011, 33 deals in this size range were recorded in the region, up from 29 the previous year and 24 in 2009. Value too has been gradually recovering ground from a low point of just more than £400m to approximately £570m. However, both volumes and values have some way to go before reaching the figures seen in 2008.



- Interestingly, the average value of deals in the bracket rose to a four-year high in 2011: at £17.2m it is significantly above the level seen during the more active 2008. Somewhat counter-intuitively, given the prevailing conditions in the leveraged finance market, this comes down to a significant increase in the proportion of buyouts among the £5-50m sample and a fall in the importance of the typically smaller expansion deals.

- Four of the five deals with the largest disclosed values in this segment were buyouts, with the acquisitions of Sentinel Water Ltd, Onyx Group and Ufi/Learndirect by Electra, ISIS and LDC respectively all weighing in at £40m or above. The growth funding of Go Outdoors by 3i was the largest expansion deal on the list, while the £16.5m early-stage funding of Oxyrane by Forbion was a comparatively large example of its type.



2011 top deals £5-50m

Name	£m value	Type	Region	Equity syndicate
Sentinel Water Ltd	43	Buyout	North West & Merseyside	Electra Partners LLP
Onyx Group	42	Buyout	North East	ISIS Equity Partners
Ufi/Learndirect	40	Buyout	Yorkshire & The Humber	LDC
Silentnight	n/d	Buyout	North West & Merseyside	HIG Capital

North

The overall growth in 2011 dealflow in the Northern region was driven squarely by activity in the smaller deal bracket, with the number of larger transactions remaining virtually flat.

But, as director of LDC in the North West Carl Wormald explains, this is to be expected: "As ever, the regional market is more active in the lower £5-50m segment, which is familiar turf for the local advisory and investor communities. But the region has, however, continued to demonstrate its ability to transact at the upper end of the mid-market."

Nevertheless, as John Swarbrick, senior director of LDC in Yorkshire/North East, points out, the market has hardly been easy: "Given the turbulent backdrop, it's probably fair to say that the market has had to work harder to sustain that level of activity, with even the best quality businesses being given extensive due diligence checks and structures often being re-engineered mid-process to get deals over the line."

A key trend in the Northern region, as it is elsewhere, is the outward looking emphasis of many of the companies being backed. "Similar to the national

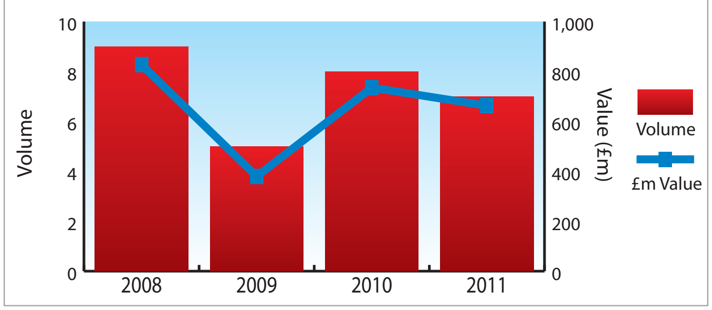
Deal activity in the £50-150m size range

- The number of larger mid-cap deals in the Northern region has not fluctuated significantly in the four-year sample. In 2011, seven deals estimated to be worth between £50-150m were recorded, one fewer than the previous year and just two fewer than the pre-crash market of 2008. In value terms, there was also a 10% fall in 2011, though again, the market remains relatively close to the levels seen three years previously.

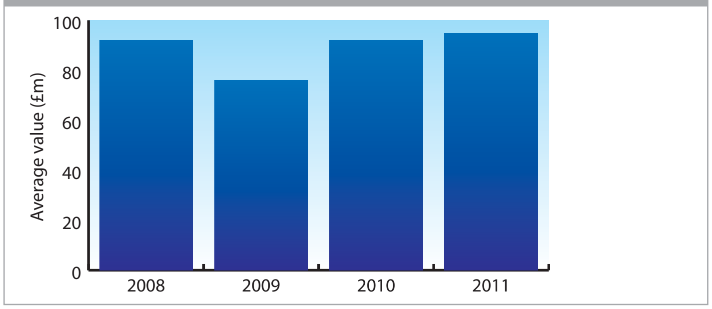
- As was the case in 2010, no larger expansion deals were recorded in the Northern region last year. However, with four of the seven deals seen in the segment estimated to have been worth £100m or more, the average deal size rose to just less than £95m – its highest level in the four-year sample.

- Only one of the seven larger mid-market transactions completed in 2011 had a publicly disclosed value; the £120m buyout by HIG Capital of Yorkshire-based media group Bezier. Among the other buyouts estimated to have involved significant total funding were the buyouts of Aesica Pharmaceuticals, Tangerine and Britton Group by Silverfleet, Blackstone and Sun European Partners respectively.

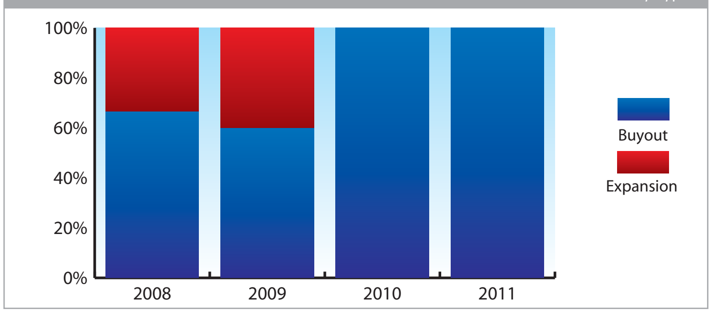
Volume and value £50-150m deals



Average value £50-150m deals



£50-150m deals by types



2011 top deals £50-150m

Name	£m value	Type	Region	Equity syndicate
Aesica Pharmaceuticals	133	Buyout	North East	Silverfleet Capital
Tangerine	120	Buyout	North West & Merseyside	Blackstone Group
Bezier	120	Buyout	Yorkshire & The Humber	HIG Capital
Britton Group	110	Buyout	North West & Merseyside	Sun European Partners
ABI Leisure	60	Buyout	Yorkshire & The Humber	LGV Capital

picture, a common thread among those companies that have received PE investment during the year is their exposure to overseas markets and longer-term export potential – a watch word for most investors given the prevailing weakness of the domestic economy," says Wormald.

Looking ahead, while there may be continuing concerns about the availability of debt funding, there is a real sense that the market is beginning to tick again. "The volume of investable businesses coming to market does appear to be gradually increasing as we move deeper into 2012," says Swarbrick. "There is a sense that some vendors are finally reconsidering their plans to sell assets given the market appetite to transact, particularly those with export potential and lower exposure to prevailing issues in the Eurozone," he continues. James Rodger, director of LDC in Scotland, is equally positive about opportunities in the region: "The challenge for 2012 is to convert those opportunities that arise in Scotland's key sectors into strong investment cases, and this is especially the case in the oil & gas and cleantech arenas where the pace of development continues to move quickly."

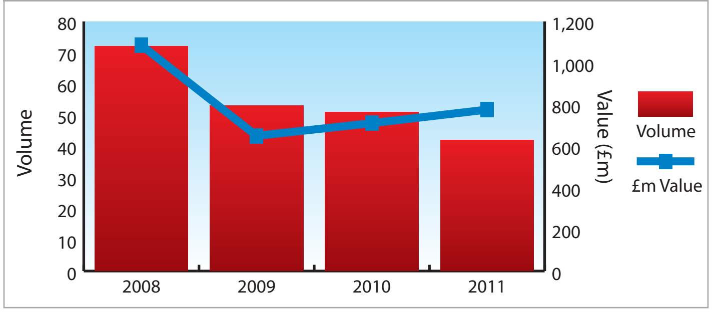
Deal activity in the £5-50m size range

- The number of deals transacted in London in this value range continued to fall this year, as only 42 transactions were recorded compared with the 51 of the previous year. But this more modest 33% share of the UK total comes with a rise of 9% in values over the previous year. This level helps this transaction bracket to surpass the 2009 total with transactions now worth £775m.

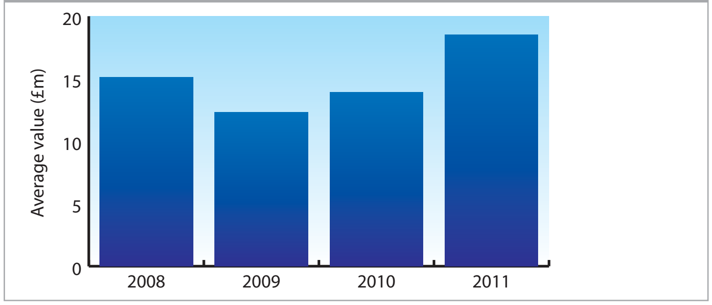
- The rise in the average deal value, which went up by 32% from £13.9m to £18.5m did not compensate the decline of London values in the national totals (from 36% to 32%) as the South made headway there. This is due to the stability of London buyouts (39% in both 2010 and 2011) and the rise in early-stage deals which, as positive as they may be, typically have lower values.

- This trend is reflected in the list of the largest disclosed transactions in this deal bracket. Whereas College Group (backed by Vitruvian), Red Commerce (backed by Dunedin), and Just Eat (backed by Greylock) made it to the top three with £45m, £44m and £41m, respectively, the South recorded two £50m deals.

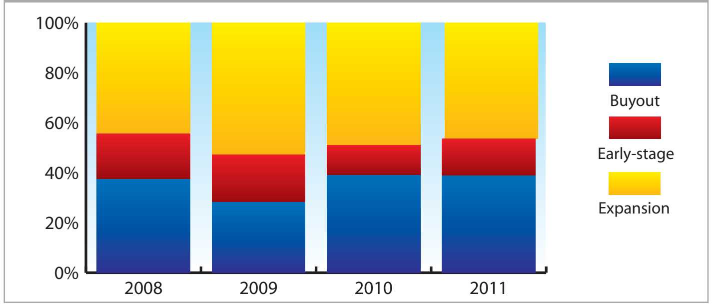
Volume and value £5-50m deals



Average value £5-50m deals



£5-50m deals by types



2011 top deals £5-50m

Name	£m value	Type	Region	Equity syndicate
College Group	45	Buyout	London	Vitruvian Partners
Red Commerce	44	Buyout	London	Dunedin Capital Partners
Just-Eat	40.92	Expansion	London	Greylock Management Corp,Redpoint Ventures
Spicers	40	Buyout	Eastern	Better Capital LLP
Bravo Life Style (BLS)	37	Buyout	London	Infinity

London

On the face of it, the London region had a mixed year in 2011, with smaller numbers of deals overall, driven primarily by a drop in smaller transactions. Yet there was a decent rise (+9%) in the value of £5-50m deals, equating to a quite substantial rise in average values. The region also saw stronger numbers of larger deals.

As LDC's managing director in London Daniel Sasaki argues: "The overall decline in the regional totals for London masks a better performance than appears at first glance. Though deal volume was down in the lower bracket, deal value was up and in the larger deal bracket London was the only region to see a rise in both metrics."

Within the smaller size bracket the number of both expansion deals and buyouts contracted last year, with only the early-stage community keeping up with the numbers seen the previous year. But the number of larger buyouts did grow strongly from 10 to 17, underlining the appeal of the upper mid-cap segment in the region to many buyers, including those that had previously focused on much larger deals. As Sasaki adds: "During 2011,

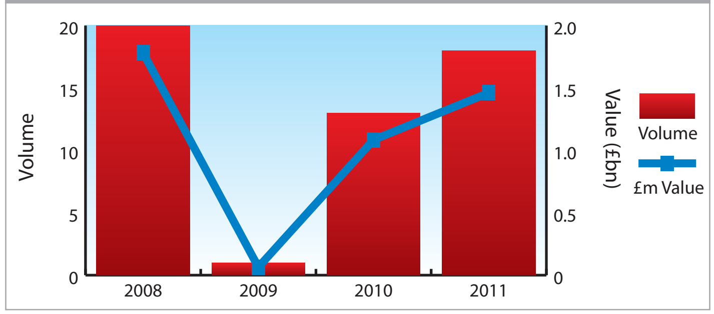
Deal activity in the £50-150m size range

- More in line with national developments, activity in the £50-150m bracket continued its upswing in both volumes (+38%) and values (+34%). This obviously came to the detriment of average deal value, however, which declined a modest 3% from £83m to £81m. This trend confirms that the rebound from the 2009 trough is robust and durable.

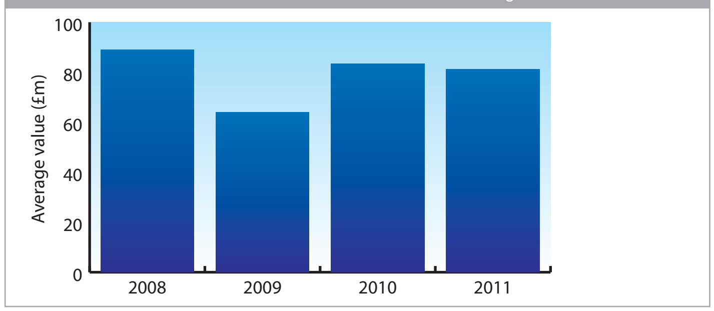
- Where some relatively large buyouts had been recorded in 2010 (United House and NSL Service Group were both worth more than £100m), 2011 only had the Office deal to significantly boost aggregate value. Sector wise, support services as well as industrials made a resounding comeback both in buyouts and in expansions (Helius Energy backed by Rabo Bank Private Equity for the latter). This is in line with national trends but also explain slightly lower values than in consumers.

- What is more, activity in this deal bracket does make London's 42% share of London stand out vis a vis all other LDC regions, as none of the latter recorded a rise in either volume or values, nor did they record any expansion deals. This is especially true of the North and the South which both declined more or less substantially.

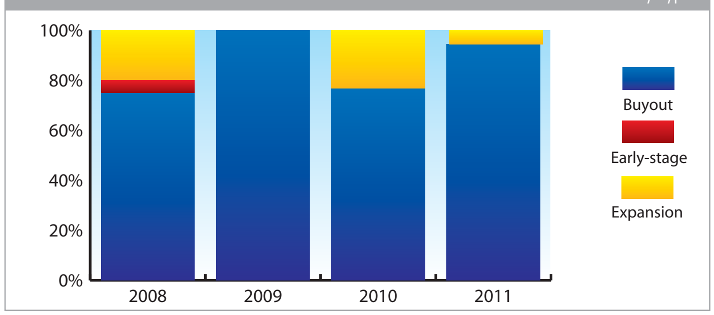
Volume and value £50-150m deals



Average value £50-150m deals



£50-150m deals by types



2011 top deals £50-150m

Name	£m value	Type	Region	Equity syndicate
The Mill	119	Buyout	London	Equistone Partners Europe (Barclays PE)
UK2 Group	n/d	Buyout	London	LDC
BBC Magazines	106.11	Buyout	London	Exponent Private Equity
AllSaints Spitalfields	105	Buyout	London	Lion Capital
Ideal Shopping Direct (ISD)	78.3	Buyout	Eastern	Inflexion

the mid-market was of greater interest to trade buyers and some of the larger private equity houses, a trend that is likely to continue in 2012."

In terms of sector developments in London, support services represented a good 29% of the lower deal bracket, while healthcare and technology were also responsible for a very robust 14% of deals. In the upper deal bracket, industrials made gains, as they have in the national and European averages. Technology again took a good share. As Sasaki points out: "TMT has been one of the most popular PE sectors globally over the past few years and it is one of our most favoured too. Last year we announced a £200m investment commitment and we are very confident in the sector's prospects for 2012."

Looking ahead, some doubt remains about the recovery in deal numbers, especially on the larger side, according to Sasaki: "Whether the uptick in larger size deals continues depends on a host of factors, including more companies having the confidence to spend the cash they have on acquisitions, further easing of access to debt – more critical in this segment – and vendors not pushing up prices again too swiftly".

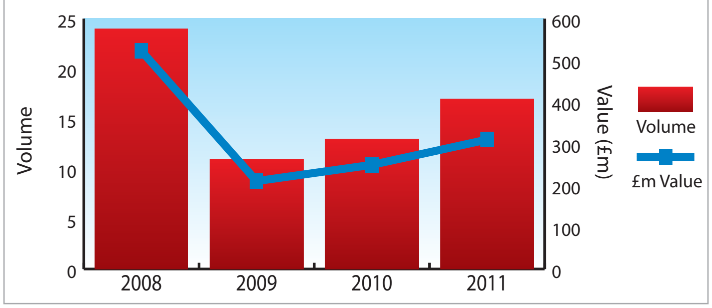
Deal activity in the £5-50m size range

- Following a very similar track to that seen in the Northern region, the Midlands investment activity in the £5-50m segment has steadily clawed back some of the ground that it lost in the post-2008 slump. In 2011, deal numbers rose by 30% to reach 17, though this remains some way behind the 24 seen during the much more investment-friendly conditions that prevailed throughout most of 2008. The total value of deals in this bracket rose by a similar proportion (24%) during the year to reach £310m.

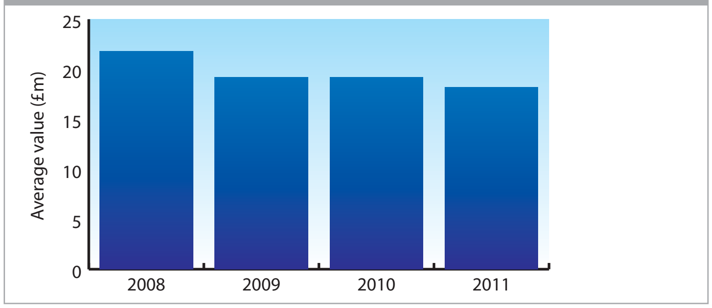
- Interestingly, the number of buyouts has remained the same since 2009, meaning that all of the growth in activity levels in the last two years has come from the growth capital market. In 2011, seven such deals were completed, compared with four in 2010 and just one in 2009. Over the four-year period, the average size of deals in the bracket has varied very little, ranging between £18.1m (2011) and £21.8m (2008).

- In terms of the most significant £5-50m deals in 2011, the West Midlands dominates, with the £25m+ buyouts of Brintons Carpets, Niagara LaSalle and Laidlaw Interiors Group all hailing from that part of the region. Two smaller deals, including the £10m expansion funding of Eco Plastics led by Ludgate, were among the significant deals seen in the East Midlands.

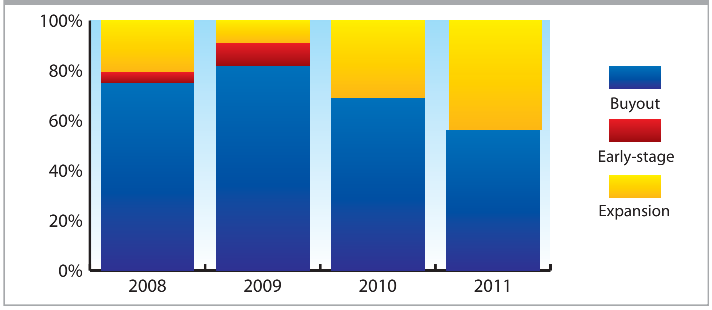
Volume and value £5-50m deals



Average value £5-50m deals



£5-50m deals by types



2011 top deals £5-50m

Name	£m value	Type	Region	Equity syndicate
Brintons Carpets	36	Buyout	West Midlands	Carlyle Group
Niagara LaSalle UK Limited	27	Buyout	West Midlands	Endless LLP
Laidlaw Interiors Group	24.5	Buyout	West Midlands	Rutland Trust
Fairline Boats	20.5	Buyout	East Midlands	Better Capital, Royal Bank of Scotland
Equip Outdoor Technologies	20	Expansion	East Midlands	Matrix Private Equity

Midlands

Activity in the Midlands held up well in 2011, with rising volumes and values in both transaction brackets.

As Martin Draper, UK new business managing director, states: "Levels of mid-market deal activity in the Midlands remained reasonably stable during 2011, despite a slight fall back in activity towards the end of the year."

While average values fell in both deal brackets, the rise in volume and value of expansion deals in the £5-50m segment helped push aggregate value upwards. In the £50-150m bracket, some larger buyouts compensated the extinction of other types of deals, stabilising aggregate values.

Among the £50-150m deals were a number of larger transactions, including the buyout of Leicestershire-based Benson Group, one of the UK's largest manufacturers of printed folding carton and sleeve packaging, for an undisclosed, but substantial sum. According to Draper, this deal underlined both the positive state of the industrial sector

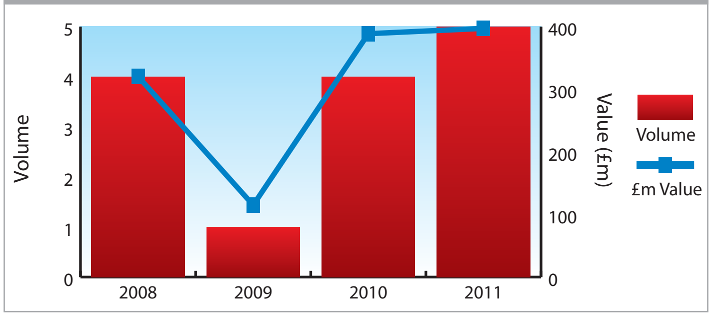
Deal activity in the £50-150m size range

- Although larger deals are generally more scarce in the Midlands than they are in the other regional groupings, 2011 put in a stronger performance than any other year in the sample. The five deals completed in the region is one better than was seen in both 2008 and 2010. This puts the Midlands contribution at 13% of the whole UK £50-150m range by volume, ahead of any other year in the 2008-2010 period.

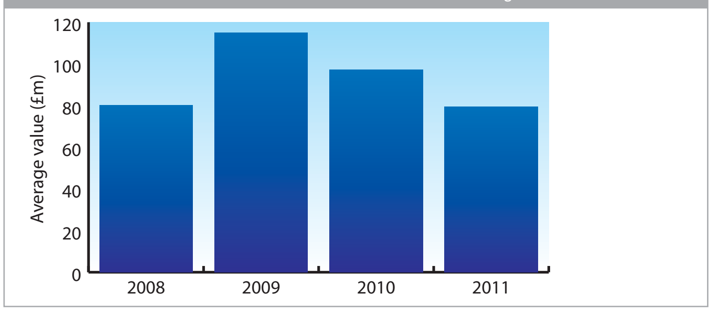
- Similarly, the combined estimated value, at a little less than £400m, is the highest point reached in the four-year period covered, as is its contribution to the UK value in this bracket (also 13%). The average value of just less than £80m is a little lower than 2010 when there were a couple of deals completed at the top end of the scale.

- Only two of the five deals completed involved a publicly disclosed value. The larger of these, the acquisition of Pattonair by Exponent Private Equity, was towards the top of the range at £145.8m, while LDC's buyout of Kee Safety was at the other end at £53.5m. The three undisclosed deals that are estimated to sit between these two include another by LDC's Midlands team. As far as geographical spread is concerned, the picture is the reverse of the smaller size bracket: of the five deals completed (all buyouts), the East Midlands saw three completions.

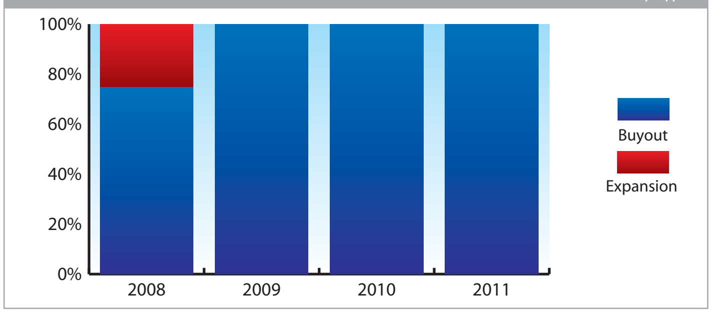
Volume and value £50-150m deals



Average value £50-150m deals



£50-150m deals by types



2011 top deals £50-150m

Name	£m value	Type	Region	Equity syndicate
Pattonair	145.8	Buyout	West Midlands	Exponent PE
Kee Safety	53.5	Buyout	East Midlands	LDC
Benson Group	n/d	Buyout	East Midlands	LDC
The Binding Site	n/d	Buyout	West Midlands	Nordic Capital
Fourth Hospitality	n/d	Buyout	East Midlands	ECI Partners

and the commitment among LDC's regional teams to support these businesses: "Manufacturing and specialist engineering will remain firmly on our investment radar in 2012 and we have committed £200million of new investment funding to this sector."

Furthermore, as Draper continues, these positive trends are likely to continue into 2012 as "manufacturing and engineering businesses can benefit from demand from emerging economies, and export demand based on strong trading relationships and a relatively weak currency".

A strong industrial base, together with a close-knit and committed business community should help make the Midlands thrive in 2012:

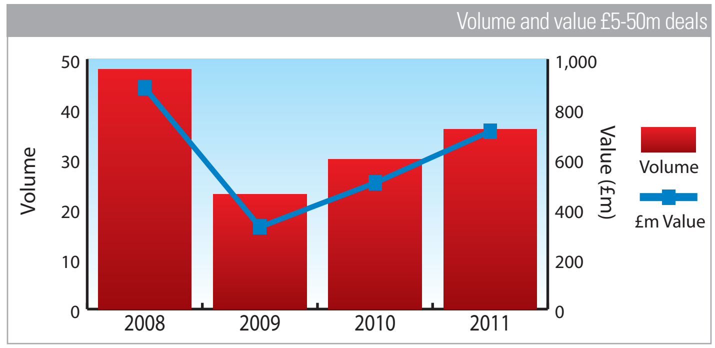
"There is a healthy pipeline of opportunities to complete deals in 2012. There is a significant proportion of the region's largest deals handled entirely within the area from conception to completion", concludes Draper.

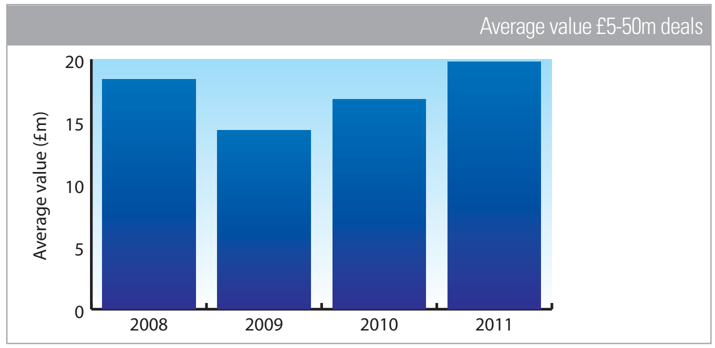
Deal activity in the £5-50m size range

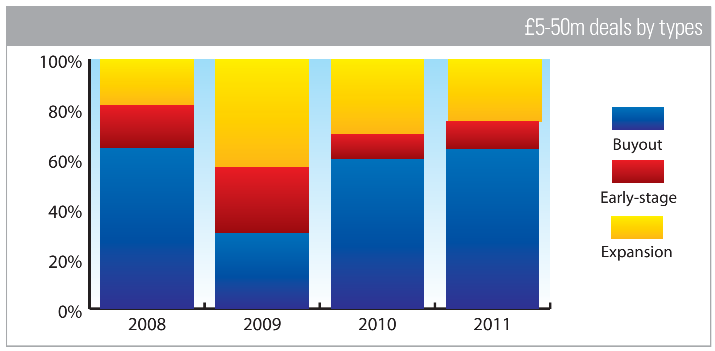
- Unlike London, small deals in the South are continuing their steady rise with increases of 20% in volumes and 40% in values from 2010 to 2011. This is particularly positive, and indeed confirms the South's strength on this segment as deal values have now more than doubled since 2009 lows. Average value is meanwhile above its 2008 level at £19.8m.

- This increase is due to a number of quite large buyouts beyond the Unipart deal, the latter being expected to fall in the upper-end of this category: Fibercore, Frontier Medex Group, Glenside are expected to be more than £40m while Meeting zone reached £38.5m. These deals were made across different sectors, from support services to electronic equipment, healthcare and telecommunications.

- With this good number of deals helped mostly by GMT, HIG and MML, the South recovered its proportion in national activity in this bracket, mainly taking up for the market shares that London lost. Indeed, the region was able to top its 2008 market share with a 28% contribution in volumes, and managed to seize a good third of national values in this bracket.







2011 top deals £5-50m

Name	£m value	Type	Region	Equity syndicate
Attenda	50	Buyout	South East	Darwin Private Equity
Nexeon	40	Early Stage	South East	Imperieal Innovations
Meeting Zone	38.5	Buyout	South East	GMT Communications Partners
Advanced Vetcare/Rowe	35	Buyout	South West	August Equity Partners

South

In a similar pattern to that seen in the North, the Southern region saw rising activity levels in the lower £5-50m deal bracket, particularly during the first half of the year, but a declining upper-market.

Commenting on the stats, Yann Souillard, managing director of LDC's Southern team states: "While the fall in activity in the £50-150m deal range is disappointing, the region has retained an active approach to transact at the smaller end of the mid-market, with a steady increase in both volume and value of transactions in the £5-50m bracket. This shift in activity is unlikely to be a permanent trend, but is simply reflective of pricing pressure that currently exists across the mid-market."

As far as the upper bracket is concerned, the South reveals a parallel trend to that of the North, with the market completely dominated by buyouts.

No expansion deals were recorded at all in this segment, where five had been the previous year. The smaller bracket, meanwhile, reveals

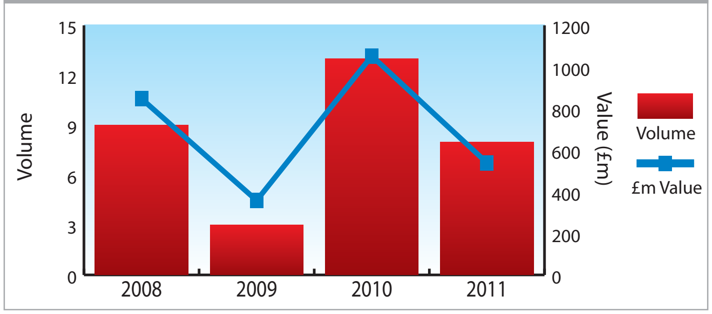
Deal activity in the £50-150m size range

- Contrasting with that of London, the £50-150m activity range in the South went down after the promising 2010 rise. In fact, values halved their 2010 level to just £540m while volumes continued their rocky evolution, going from nine to three between 2008 and 2009, up to 13 in 2010, and then down to eight in 2011. Average value of deals followed and fell by 17%.

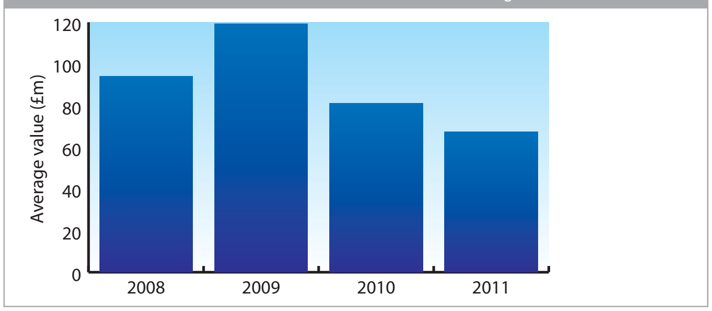
- The decline in the region's value share in national totals (from 32% in 2010 to 17% in 2011), that is some way below the 2008 level of 22%, is explained by the disappearance of expansions deals. Some of the five recorded the year before were quite high (SAV Credit for £80m backed by Electra Partners, Independent Clinical Services for £75 backed by Blackstone, 2e2 Holdings for £85m backed by Hutton Collins). The £121m SPP Process Technology Systems (SPP) buyout by Bridgepoint was not enough to make up for this decline.

- Deals were mostly industrials (five out of 11) while technology remained on its long term trend of around 40%. SPP Process Technology Systems appeared the most successful technology deal in Wales, while Nampak symbolised the return of industrials.

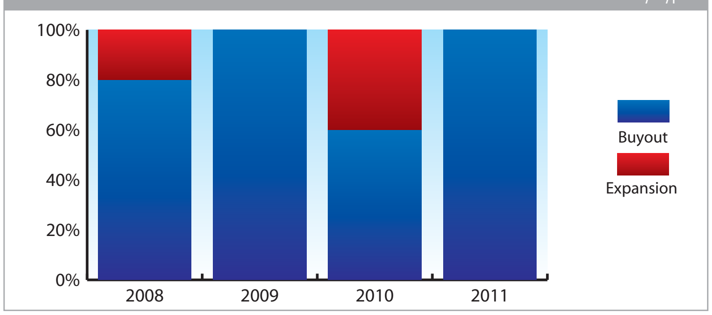
Volume and value £50-150m deals



Average value £50-150m deals



£50-150m deals by types



2011 top deals £50-150m

Name	£m value	Type	Region	Equity syndicate
SPP Process Technology Systems (SPTS)	121.28	Buyout	Wales	Bridgepoint
Nampak Europe	80	Buyout	South East	Platinum Equity
A-Gas International	61.68	Buyout	South West	LDC
Shimtech Industries	51.15	Buyout	South East	Bridgepoint

a surprisingly similar pattern to the one seen in 2010, however, with all three deal types matching or exceeding the previous year's figures.

As far as sectors are concerned Souillard notes: "It will be interesting to see if there is an increase in activity from the high proportion of technology-led firms in our region in 2012, which may be looking to take advantage of consolidation opportunities through buy-and-build strategies."

The £121m SPP Process Technology Systems (SPTS) deal was a good example of this trend in 2011. Services held up very well too, with twelve deals recorded out of the overall 44.

Looking ahead to 2012, there remains a sense of confidence. "Business in the South of the UK are slowly beginning to embrace the recovery process and set about re-focusing their attention on future growth and expansion plans that may have previously been delayed," Souillard concludes. This should favour growth funding, which will perhaps recover to the levels seen back in 2010.

Legal

North £5-150m	Volume	Value (£m)
Travers Smith LLP	5	301.11
HBJ Gateley Wareing	5	68.92
Pinsent Masons	4	179.44
DLA Piper LLP	4	98.5
SJ Berwin LLP	2	145

London £5-150m	Volume	Value (£m)
DLA Piper LLP	7	303.5
Pinsent Masons	7	163.4
Travers Smith LLP	5	444.3
Eversheds LLP	5	145.5
Wragge & Co	4	99.65

Midlands £5-150m	Volume	Value (£m)
Eversheds LLP	5	102
Pinsent Masons	3	67
Travers Smith LLP	2	152.8
Dickson Minto WS	2	140
Osborne Clarke	2	88.29

South £5-150m	Volume	Value (£m)
Pinsent Masons	7	204
Eversheds LLP	4	119.15
DLA Piper LLP	4	169.15
Macfarlanes	4	168.65
Olswang Solicitors	4	114

United Kingdom £5-150m	Volume	Value (£m)
Pinsent Masons	21	613.84
Eversheds LLP	19	591.95
DLA Piper LLP	18	644.15
Travers Smith LLP	14	1069.49
Osborne Clarke	11	456.75
Wragge & Co	11	377.45
HBJ Gateley Wareing	10	163.43
Addleshaw Goddard LLP	9	219
CMS Cameron McKenna	8	383.5
Olswang Solicitors	8	187

Corporate finance

North £5-150m	Volume	Value (£m)
KPMG's Private Equity Group	4	62.5
PricewaterhouseCoopers	3	188.8
Deloitte	3	146
Baker Tilly - M&A and Private Equity	3	22.62
Rothschild	2	100

London £5-150m	Volume	Value (£m)
Deloitte	4	152.15
Hawkpoint Partners	3	261
Oakley Corporate Finance	3	165.78
PricewaterhouseCoopers	2	115
BDO Stoy Hayward	2	33

Midlands £5-150m	Volume	Value (£m)
Clearwater Corporate Finance	2	57
BDO Stoy Hayward	2	30
Grant Thornton UK LLP	1	78
KPMG's Private Equity Group	1	50
Gambit	1	27

South £5-150m	Volume	Value (£m)
Ernst & Young - Transaction Advisory Services	6	374.56
BDO Stoy Hayward	3	149.28
KPMG's Private Equity Group	3	138.8
Harris Williams & Co	2	62.82
Catalyst Corporate Finance LLP	2	29

United Kingdom £5-150m	Volume	Value (£m)
KPMG's Private Equity Group	9	265.3
Deloitte	8	305.15
BDO Stoy Hayward	7	212.28
Clearwater Corporate Finance	7	112.35
Ernst & Young - Transaction Advisory Services	6	374.56
PricewaterhouseCoopers	6	341.8
Oakley Corporate Finance	5	205.78
Grant Thornton UK LLP	5	149.72
Hawkpoint Partners	4	281
Livingstone Partners	4	169.29

Financial due diligence

North £5-150m	Volume	Value (£m)
KPMG's Private Equity Group	5	143.72
PricewaterhouseCoopers	4	190.3
BDO Stoy Hayward	3	62
Grant Thornton UK LLP	2	72
Alvarez & Marsal	2	63

London £5-150m	Volume	Value (£m)
PricewaterhouseCoopers	10	601.96
KPMG's Private Equity Group	9	462.6
BDO Stoy Hayward	3	73
Deloitte	2	57.15
Arma Partners	1	110

Midlands £5-150m	Volume	Value (£m)
BDO Stoy Hayward	4	57.5
KPMG's Private Equity Group	3	156
Grant Thornton UK LLP	2	59.5
PricewaterhouseCoopers	2	51
Ernst & Young - Transaction Advisory Services	2	22

South £5-150m	Volume	Value (£m)
KPMG's Private Equity Group	7	160.3
PricewaterhouseCoopers	4	162.44
RSM Tenon	3	31
Deloitte	2	70
BDO Stoy Hayward	2	49

United Kingdom £5-150m	Volume	Value (£m)
KPMG's Private Equity Group	25	934.62
PricewaterhouseCoopers	20	1005.7
BDO Stoy Hayward	12	241.5
Deloitte	8	217.65
Grant Thornton UK LLP	6	198.5
Ernst & Young - Transaction Advisory Services	6	147.5
RSM Tenon	5	60.5
Alvarez & Marsal	4	123
Tenon Corporate Finance	4	73
Dow Schofield Watts	2	26.2

Private equity

North £5-150m	Volume	Value (£m)
LDC	4	120.2
Sun European Partners	2	170
HIG Capital	2	155
Elysian Capital	2	45
Palatine Private Equity	2	14.72

London £5-150m	Volume	Value (£m)
LDC	7	292.28
ISIS Equity Partners	4	124
Lyceum Capital	3	160
Index Ventures	3	58.49
Imperial Innovations	3	17.84

Midlands £5-150m	Volume	Value (£m)
LDC	5	181.5
Lyceum Capital	2	25
Key Capital Partners	2	13
Exponent Private Equity	1	145.8
Nordic Capital	1	70

South £5-150m	Volume	Value (£m)
Phoenix Equity Partners	3	60
Bridgepoint Capital Limited	2	172.43
HIG Capital	2	110
LDC	2	67.68
Alcuin Capital	2	40

United Kingdom £5-150m	Volume	Value (£m)
LDC	18	661.66
ISIS Equity Partners	7	190
Lyceum Capital	6	215
Bridgepoint Capital Limited	5	229.43
HIG Capital	4	265
ECI Partners	4	155
Better Capital LLP	4	96.5
Phoenix Equity Partners	4	80
Imperial Innovations	4	57.84
Matrix Private Equity Partners	4	46.5