PRIVATE EQUITY BAROMETER

Q4 2012

Figures based on preliminary quarterly data from Europe's specialist private equity information provider.

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Key findings

Overall European private equity

- There were a total of 277 transactions completed over the three months to December, up by 21% compared to the 228 deals done in Q3 but still the second lowest total recorded over the sample period.
- The combined value of these investments was up by a staggering 82% from €13.5bn to €24.6bn in Q4, the largest quarterly value total for some eighteen months.
- Substantial growth in volume and value was recorded in all segments of the market, while the disproportionate rise in value was driven by resurgence in the €1bn+ buyout bracket that suggests access to finance is improving.
- Despite the Q4 recovery, 2012 still ended 14% and 21% in volume and value respectively behind 2011, finishing with annual figures of 1,092 transactions worth €71.2bn.

Buyouts

- Activity in the buyout market increased in Q4 with 95 deals being completed, the second highest quarterly total over the year but similarly still the second lowest total over the sample.
- Value, on the other hand, rose substantially, with the aggregated enterprise value for Q4 of €22.8bn up by 85% on the Q3 figure and the largest recorded since Q2 2011.
- On an annual basis 2012 finished some way behind both 2010 and 2011, with the 385 deals worth €63.3bn down by 12% and 22% respectively in volume terms and 7% and 13% in value.
- The Q4 value surge was driven by resurgence in the €1bn+ size range where eight transactions were completed, on a par with Q2 2011 and a quarterly total not beaten since Q3 2007.
- In the mid-market €100m to €1bn bracket deal numbers fell slightly from 30 to 28 while combined value rose to €9.1bn, pushing average deal value up from €301.8m to €324.4m.
- In the small-cap sub-€100m range activity remained static at 59 deals, though value rose 13% from €1.9bn to €2.1bn and prompted a rise in average deal value from €32.2m to €36.3m.
- On a regional basis the dominant force was the UK, which recorded 32 deals worth €10.6bn. The UK was thus home to more than a third of all buyouts and close to half of the value total.
- Of note was the 356% rise in value in the 'Rest of Europe' category, driven by the completion of three €1bn+ deals in the beleaguered southern European economies of Italy and Spain.
- Normal service resumed in the form of a return of family and private sellers as the most common vendor type, with deal numbers rising from 35 to 43 in Q4.

Growth capital

- The growth capital market saw activity levels improve considerably in the fourth quarter of 2012, with deal numbers increasing by 26% from 115 to 145.
- On an annual basis this meant 2012 finished with a total of 557 completed investments, 12% and 23% below the totals for 2011 and 2010 respectively.
- The bounce back in investment was more marked in value terms in Q4, with the aggregate €1.6bn investment total for the final quarter 45% up on the €1.1bn recorded in Q3.
- Similarly to the volume trends, the annual value total of €7.2bn for 2012 is 22% and 20% below the respective figures for 2011 and 2010.
- On a regional basis the UK was by far the most active in Q4 2012, being as it was home to 48 growth capital transactions representing more than a third of overall activity.

Early-stage

- The early-stage segment also recorded impressive growth following a stark slowdown in Q3, with activity up by more than 60% in the fourth quarter from 23 deals to 37.
- Venture activity remains subdued, however, with this total lower than any other quarter apart from Q3 and the 2012 annual total of 150 deals 41% and 43% behind 2011 and 2010.
- The fourth quarter aggregate investment of €181m was more than double the total witnessed in Q3, which pushed average deal value to €5m in Q4.
- On an annual basis the comparisons are again stark, with the €765m recorded for 2012 as a whole representing a drop of 39% and 36% respectively compared to 2011 and 2010.
- The German-speaking DACH region was the most active in early-stage investment terms in Q4 2012, with twelve deals being recorded, 11 of which occurred in Germany.

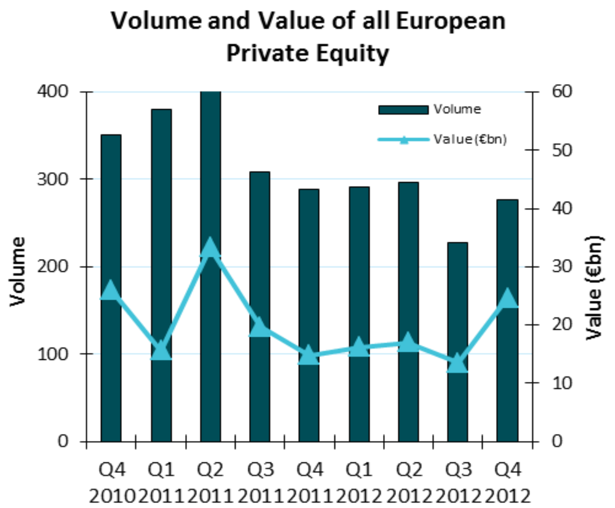
Update on Q3 2012 figures

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 Q3 2012 deals that emerged after the publication of the Barometer in October 2012.

- According to the latest figures, there are now a total of 228 private equity-backed transactions listed as having completed in Q3 2012, 46 more than the previously quoted figure.
- The larger number of deals completed over the quarter are now thought to have been worth around €13.5bn, €1.8bn more than the total published in October 2012.
- Much of this value rise can be attributed to the 14 additional buyouts recorded for Q3. There are 90 deals worth €12.3bn now listed as having been completed, 14 transactions and €1.5bn more than the figure previously published.
- The growth capital segment accounts for the largest movement in volume terms, with the number of deals rising by 28 from the previous figure of 87 to 115 and the value total rising from €865m to €1.08bn.
- In the early-stage segment there are now 23 deals recorded for the third quarter, just four more than the previously stated figure of 19. In value terms this translates to an increase of close to €9m to €89.6m.

Investment resurgence lifts 2012 gloom

Overall European private equity



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	Number	Value €bn
Q4 2010	351	25.94
Q1 2011	380	15.59
Q2 2011	402	33.30
Q3 2011	308	19.65
Q4 2011	288	14.74
Q1 2012	291	16.14
Q2 2012	296	16.98
Q3 2012	228	13.50
Q4 2012	277	24.60

2010	1425	78.58
2011	1378	83.28
2012	1092	71.22

Finally, the European private equity sector can point to tangible evidence of a turnaround in its hitherto moribund recent fortunes. The first three quarters of 2012 saw the financial crisis tighten its asphyxiating grip on the continent's economy, wreaking fresh havoc across its banking markets and prompting renewed existential fears over the future of the eurozone. Combined with the reality of boom-era loan maturation, the result was a subdued investment climate and a slowdown in deals that culminated in particularly underwhelming third quarter figures.

The statistics for the fourth quarter paint an altogether more optimistic picture. There were a total of 277 transactions completed over the three months to December, which while modest compared to the previous year - and the second lowest total recorded over the sample period – notably represents a 21% rise compared to the 228 deals done in Q3. Moreover, the combined value of these investments was up by a staggering 82% from €13.5bn to €24.6bn, the largest quarterly value total for some eighteen months.

The more one looks the more positive the statistics would appear to be. Substantial growth in volume and value was recorded in all segments of the market, while the disproportionate rise in value was driven by resurgence in the €1bn+ buyout bracket that suggests access to finance is much improved. That this comes at a time when financial commentators are sounding cautious hope that the worst of the eurozone crisis is behind us makes it all the more encouraging.

Of course, we are by no means out of the woods. Annual figures for 2012 tell their own story: despite the Q4 recovery, the year still ended 14% and 21% in volume and value respectively behind 2011. Volume in Q4 was significantly up on the preceding quarter, but was not in itself astounding. Looking forward, warnings that the prevailing uncertainty will continue have been sounded across many sectors of the economy; for the private equity buyout market the credit headache of past excess remains. There are clearly more reasons to join in the New Year cheer this January, but challenges remain ahead.

Quarterly focus

Buyouts in focus: Mega buyouts

Private equity had remained somewhat on the periphery of popular consciousness until the middle part of the last decade. This changed as a result of unprecedented hubris at the top-end of the market, typified by ostentatious raids for major brand-name businesses and facilitated by liberal access to cheap credit that prevailed in the early part of the century and precipitated the financial market meltdown in autumn 2007. Just weeks before this 'credit crunch' hit the largest and most notorious private equity acquisition in European history - the €16bn de-listing of UK pharmaceutical retail giant Boots – was completed.

For many this deal came to symbolise the essence of private equity and the widespread excess that eventually brought the global economy to its knees. This is, of course, unfair. Even at the height of the short-lived 'mega-buyout' era such transactions represented a fraction of acquisition activity in a market that has always been dominated by modest purchases of family-run businesses ripe for expansion. That said, between 2005 and 2007 tumescence in the frequency and size of such deals was undeniably the defining feature of a buoyant buyout market. The groundswell of such deals in Q4 2012 will thus be seen as a positive sign of health on the back of five anaemic years.

In volume terms the eight €1bn+ deals completed over the three months to December 2012 makes the quarter the most active for large-cap acquisitions since Q2 2011. No three-month period has seen more deals completed in this bracket since Q3 2007, when 11 were recorded. To put this further into context, the four quarters from Q4 2006 to Q3 2007 each saw double-digit numbers of mega-buyouts; this has not happened at any other time before or since. The total for Q4 2012 is in line with the averages recorded in 2005 and early 2006 and has only been matched once prior to this in Q1 2003.

In value terms the €11.6bn collective enterprise value of Q4's large-cap deals is the largest total since the third quarter of 2010, itself by some margin ahead of every quarter since Q3 2007. This was driven in large part by a single deal worth almost €4bn – the buyout by Terra Firma of UK-based Annington Homes – the largest deal completed over the past three years. If the fact a deal of this size could be completed is seen as evidence of resurgent confidence on the part of the investment houses and, more importantly, the financing banks, the fact that equity made up less than a third of the total purchase price only adds further weight to this argument.

So what does this mean? Are we going to see a return in the coming quarters of swathes of mega-buyouts and a fresh flood of credit? This is unlikely. Banks remain cautious and syndication of debt packages continues to prove challenging; larger private equity houses are currently finding it difficult to meet ambitious fundraising targets; dry powder left over from boom-era vehicles will soon begin to run out. The completion of a large number of big deals is, however, proof that investment houses are looking out rather than nervously inwards once again and that banks feel secure enough to commit to sizable debt packages without demanding a prohibitive equity counterbalance. This can only be good news for the market in the coming year.

Buyouts

Having witnessed two consecutive quarters of decline, the European buyout market saw something of a recovery in investment terms over the three months to December 2012. In volume terms the rise was modest with 95 deals being completed, the second highest quarterly total over the year but still in line with the broad average over the previous two periods and the second lowest over the sample. Value, on the other hand, rose sharply, with the total of €22.8bn up by 85% on Q3 and the largest since Q2 2011. On an annual basis 2012 finished some way behind both 2010 and 2011, down by 12% and 22% respectively in volume terms and 7% and 13% in value.

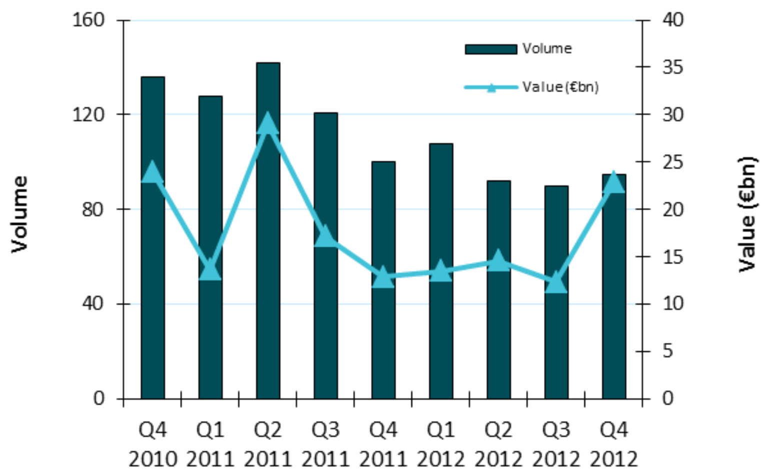
Plainly the overriding statistical story of the past quarter is therefore the surge in value – and by extension the resurgence in the €1bn+ large-cap buyout market bracket that was primarily responsible. In all there were eight transactions with a ten-figure enterprise value completed over the three months, on a par with the stand-out total in Q2 2011 and in turn the highest total since Q3 2007, before the emergence of the credit crisis and subsequent global economic slowdown. These deals were worth collectively more than €11.6bn and represented in excess of half of the buyout value total for Q4 overall.

In the mid-market and small-cap brackets, defined here as covering deals worth between €100m-€1bn and less than €100m respectively, the statistics conversely display stability in volume in Q4 with a modest increase in average deal values. The former segment actually saw deal numbers fall slightly from 30 to 28 while combined value crept up to close to €9.1bn, pushing average deal value up from €301.8m to €324.4m. The number of small-cap transactions remained static at 59 over the three months, though value rose 13% from €1.9bn to €2.1bn and prompted a rise in average deal value from €32.2m to €36.3m.

On a regional basis the dominant force continued to be the UK, which was home to more than a third of all buyouts in Q4 and accounted for close to half of the value total. In all there were 32 transactions worth €10.6bn completed, with three being worth in excess of €1bn – including the close to €4bn acquisition of Annington Homes by Terra firma, the largest deal of the quarter. Also of note was the 356% rise in value recorded by the 'Rest of Europe' category, which similarly recorded three €1bn+ deals and had a combined value across its 11 transactions of €3.6bn. All of the three mega-buyouts occurred in the beleaguered southern European economies of Italy and Spain.

In terms of the sources of deals normal service resumed in the form of a return of the category for family and private vendors as the most common vendor type. In all 43 deals came from smaller sellers of this nature, up from the 35 recorded in Q3 but some way behind previous quarterly totals. Other institutional investors remained by far the second most frequent source of acquisitions despite the number of secondary buyouts dipping slightly over the three months from 39 deals to 33. Corporate disposals remain rare with 13 being completed in Q4, just one more than during the preceding three months.

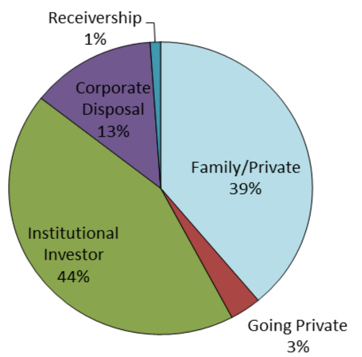
Volume and Value of European Private Equity-backed Buyouts



	Number	Value (€bn)
Q4 2010	136	23.96
Q1 2011	128	13.64
Q2 2011	142	29.08
Q3 2011	121	17.15
Q4 2011	100	12.90
Q1 2012	108	13.51
Q2 2012	92	14.59
Q3 2012	90	12.32
Q4 2012	95	22.84

2010	439	68.40
2011	491	72.77
2012	385	63.26

Number of European Buyouts by Vendor Type Q3 2012



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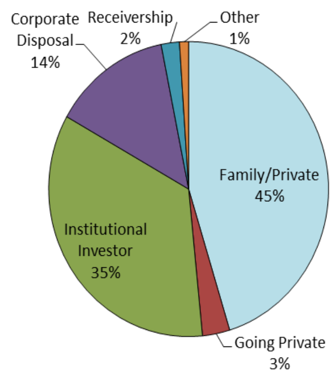
Number of European Buyouts by Vendor Type Q4 2012



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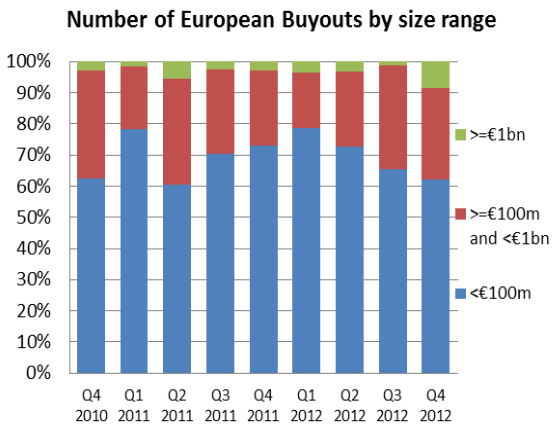
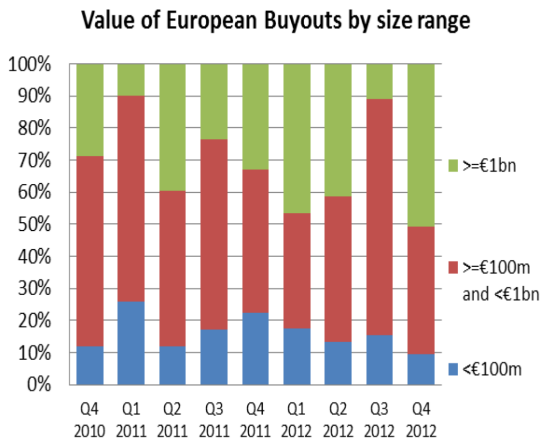
Vendor Type	Q3 2012	Q4 2012
Family/Private	35	43
Going Private	3	3
Institutional Investor	39	33
Corporate Disposal	12	13
Receivership	1	2
Other	0	1
Total	**90**	**95**

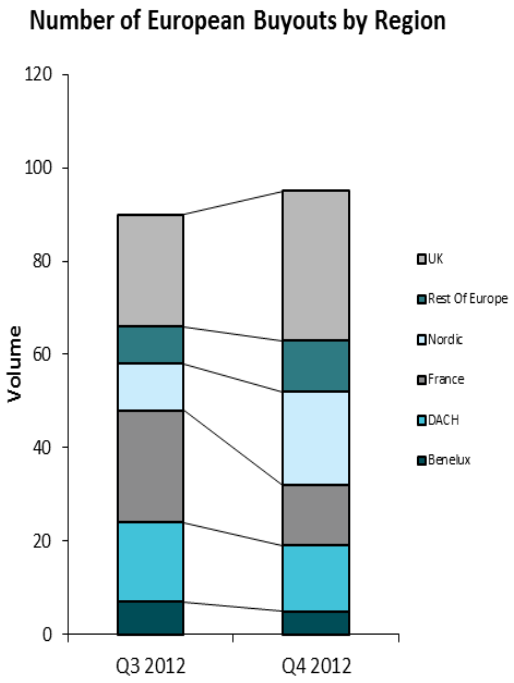


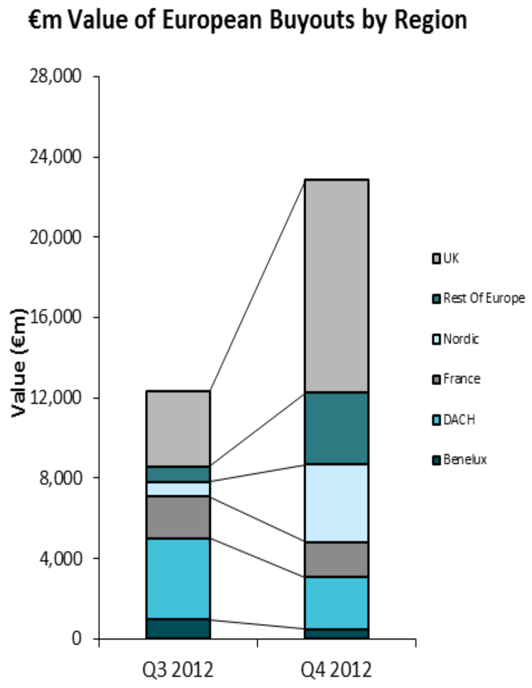


	<€100m Number	%	>=€100m and <1bn Number	%	>=€1bn Number	%	Quarterly Total
Q4 2010	85	63	47	35	4	3	136
Q1 2011	100	78	26	20	2	2	128
Q2 2011	86	61	48	34	8	6	142
Q3 2011	85	70	33	27	3	2	121
Q4 2011	73	73	24	24	3	3	100
Q1 2012	85	79	19	18	4	4	108
Q2 2012	67	73	22	24	3	3	92
Q3 2012	59	66	30	33	1	1	90
Q4 2012	59	62	28	29	8	8	95

	<€100m Value	%	>=€100m and <1bn Value	%	>=€1bn Value	%	Quarterly Total
Q4 2010	2,878	12	14,217	59	6,866	29	23,961
Q1 2011	3,264	26	8,067	64	1,230	10	12,561
Q2 2011	3,467	12	14,059	48	11,554	40	29,079
Q3 2011	2,926	17	10,195	59	4,034	24	17,154
Q4 2011	2,878	22	5,778	45	4,240	33	12,896
Q1 2012	2,343	17	4,866	36	6,302	47	13,511
Q2 2012	1,961	13	6,612	45	6,020	41	14,593
Q3 2012	1,900	15	9,056	73	1,365	11	12,321
Q4 2012	2,144	9	9,083	40	11,608	51	22,836

Source: unquote”





	Volume		Value (€m)	
	Q3 2012	Q4 2012	Q3 2012	Q4 2012
Benelux	7	5	966	479
DACH	17	14	4,062	2,589
France	24	13	2,047	1,747
Nordic	10	20	730	3,860
Rest Of Europe	8	11	784	3,575
UK	24	32	3,733	10,586
Total	**90**	**95**	**12,321**	**22,836**

Source: unquote”

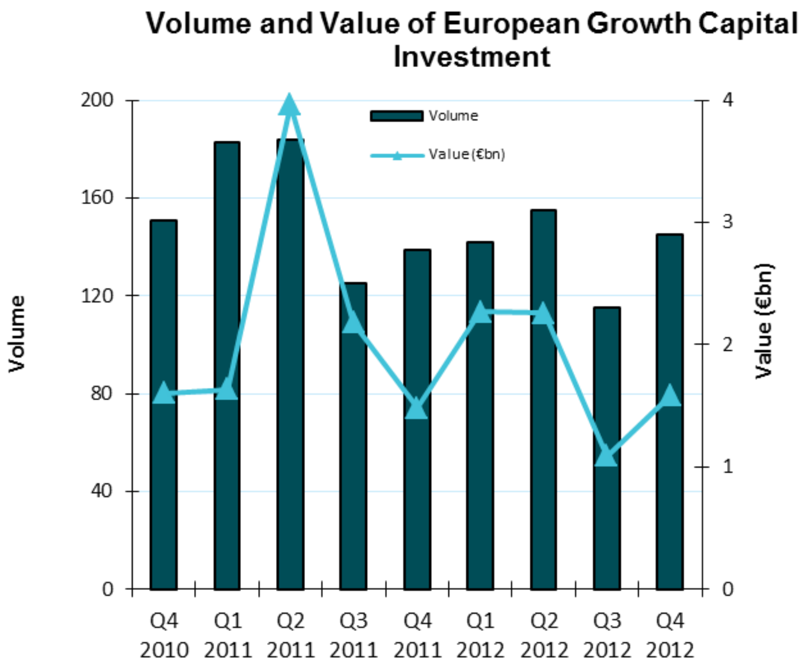
Ten largest European private equity-backed buyouts, Q4 2012*

Deal Name	Value €m	Country	Equity Provider
Annington Homes	3989.33	United Kingdom	Terra Firma Capital Partners Ltd
B&M Retail	1172.20	United Kingdom	Clayton Dubilier & Rice (CD&R) LLP
Aibel Limited	1166.19	Norway	Ferd Capital, Ratos Holding
Premium Credit	1122.00	United Kingdom	GTCR Golder Rauner
Acteon	1068.71	United Kingdom	Kohlberg Kravis Roberts
Euskaltel	1050.00	Spain	Investindustrial Limited, Trilantic Capital Partners (previously LBMB)
Atento	1040.00	Spain	Bain Capital Europe
Cerved Business Information	1000.00	Italy	CVC Capital Partners Ltd, Permira Advisers LLP
Suomen Lähikauppa Oy	800.00	Finland	Triton Advisers
Dematic GmbH	750.00	Germany	AEA Investors, Teachers' Private Capital

* Only includes deals with disclosed or publicly estimated values

Source: unquote”

Growth capital



	Number	Value (€ bn)
Q4 2010	151	1.60
Q1 2011	183	1.63
Q2 2011	184	3.96
Q3 2011	125	2.18
Q4 2011	139	1.48
Q1 2012	142	2.27
Q2 2012	155	2.26
Q3 2012	115	1.09
Q4 2012	145	1.58

2010	722	8.99
2011	631	9.26
2012	557	7.20

Source: unquote"

In line with its later-stage investment cousin, the growth capital market saw activity levels improve considerably in the fourth quarter of 2012 following the nadir reached over the preceding three months. In volume terms there was a 26% increase in deals completed from 115 to 145, which is encouraging in so much as it suggests a return of confidence to the market. While this remains below the 155 transactions recorded in Q2, it is higher than at any time over the preceding year. On an annual basis this meant 2012 finished with a total of 557 completed investments, 12% and 23% below the totals for 2011 and 2010 respectively.

Similarly in line with the buyout market, the bounce back in investment was more marked in value terms. The aggregate €1.6bn investment total for the final quarter was some 45% up on the €1.1bn recorded in Q3, though it is worth noting that it remains low in comparison to recent historical averages. Leaving aside the anomalous third quarter dip the figure is the second lowest recorded over the nine-quarter sample period, with the average deal value of €10.9m also lower than any other period over that time with the exception of Q4 2011. The annual value total of €7.2bn for 2012 is 22% and 20% below the respective figures for 2011 and 2010.

On a regional basis the UK was by far the most active in Q4 2012, being as it was home to 48 growth capital transactions representing more than a third of overall activity. This included two of the top 10 largest deals with a disclosed value and, notably, the most sizable transaction in this segment during the quarter - the €190m investment into Aston Martin by Investindustrial. There was further evidence of the turnaround in fortunes for the southern European markets of Spain, Portugal and Italy, which recorded 24 deals in total over the three months including the second largest for Q4 – the €120m investment into Spain-based PortAventura, also by Investindustrial.

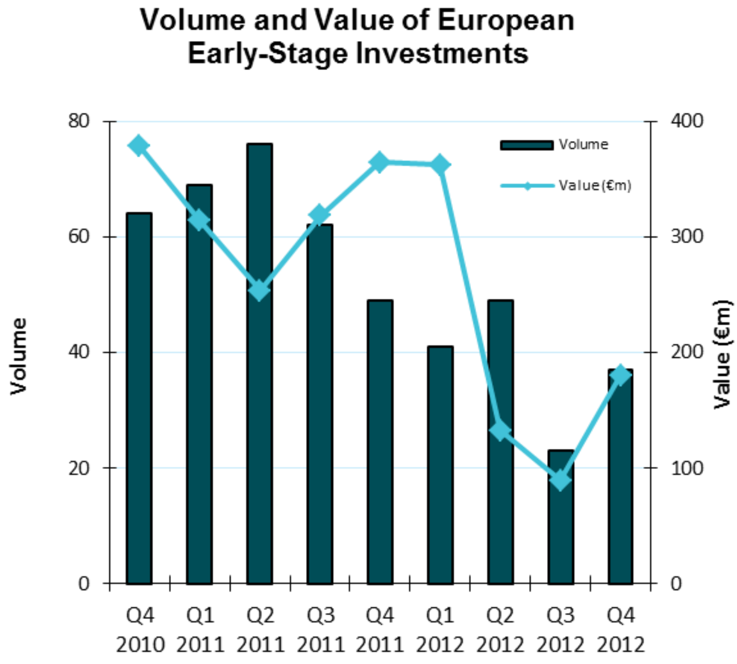
Ten largest European growth capital transactions, Q4 2012*

Deal Name	Value €m	Country	Equity Provider
Aston Martin	190.00	United Kingdom	Investindustrial Limited
PortAventura	120.00	Spain	Investindustrial Limited
Deezer	100.00	France	IDInvest Partners (AGF Private Equity)
Provalliance	80.00	France	Chequers Capital
Alain Afflelou	75.00	France	Apax France SA
Towry Group	43.19	United Kingdom	AlpInvest Partners N.V.
Conscia	40.22	Denmark	Via Venture Partners
Delcredere NV	36.00	Belgium	GIMV
Rete Rinnovabile	35.00	Italy	Terra Firma Capital Partners Ltd, UniCredit MedioCredito Centrale SpA (Formerly Mediocredito Centrale S.p.A.)
Endosense	31.63	Switzerland	Edmond de Rothschild Investment Partners, GIMV, Initiative Capital Romandie, Neomed Innovations, NGN Capital, VI Partners, Ysios Capital Partners

* Only includes deals with disclosed or publicly estimated values

Source: unquote”

Early-stage



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	Number	Value (€m)
Q4 2010	64	378.48
Q1 2011	69	314.06
Q2 2011	76	253.60
Q3 2011	62	318.71
Q4 2011	49	364.76
Q1 2012	41	362.17
Q2 2012	49	132.76
Q3 2012	23	89.64
Q4 2012	37	180.64
2010	264	1189.51
2011	256	1251.13
2012	150	765.21

Completing the set of strong investment performance in the three months to December 2012, the early-stage segment also recorded impressive growth following a stark slowdown in Q3. Activity was up by more than 60% as the number of deals rose from 23 to 37, although comparisons with past quarters show that the problems affecting European venture capital clearly continue to weigh heavily on the sector. The volume total was lower than any other quarter apart from Q3 over the sample period and the figure is around half of the averages witnessed between Q1 and Q3 2011. The 2012 annual total of 150 deals is 41% and 43% behind 2011 and 2010 respectively.

Once again the rise in value was stronger, with the fourth quarter aggregate investment of €181m more than double the total witnessed in Q3. Average deal value rose to €5m in Q4, higher than both of the preceding quarters and a figure that has only twice been bested since 2010. However, in value terms the early-stage segment remains in the doldrums having recorded three consecutive sub-€200m totals for the first time since 1999. On an annual basis the comparisons are again stark, with the €765m recorded for 2012 as a whole representing a drop of 39% and 36% respectively compared to 2011 and 2010.

The German-speaking DACH region was the most active in early-stage investment terms in Q4 2012, with twelve deals being recorded, 11 of which occurred in Germany. This included the second largest deal with a disclosed value for the quarter – the €34m investment into Switzerland-based Biocartis by a syndicate led by PMV. The UK saw just six deals completed over the three months, though this did include the largest deal of the quarter – the €82m invested by US giant JC Flowers as start-up capital for mortgage investment business Castle Trust.

Ten largest European early-stage transactions, Q4 2012*

Deal Name	Value €m	Country	Equity Provider
Castle Trust	81.73	United Kingdom	JC Flowers & Co UK Ltd
Biocartis SA	34.50	Switzerland	PMV
Poxel	13.00	France	CDC Entreprises, Edmond de Rothschild Investment Partners, Omnes Capital (formerly Crédit Agricole Private Equity)
Lanthio Pharma	4.80	Netherlands	BioGeneration Ventures, INKEF Capital
Proveca	3.21	Ireland	Albion Ventures (formerly Close Venture)
Kreditech	3.08	Germany	Blumberg Capital, Point Nine Capital (Formerly Team Europe Ventures)
Hojoki	3.00	Germany	Creathor Venture Management GmbH, KIZOO Technology Ventures
Applifier	3.00	Finland	Lifeline Ventures, MHS Capital, PROfounders Capital
HowDo	3.00	Sweden	Wellington Partners
Datahug	2.49	Ireland	Draper Fisher Jurvetson

* Only includes deals with disclosed or publicly estimated values

Source: unquote data”

Notes

1. All data published in the unquote” Private Equity Barometer (in association with Arle Capital Partners) is extracted from the unquote” database, 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. DACH (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 Pierre Le Saux on +44 (0)20 7316 9609.

6. Further data is available on unquote.com and the unquote” database

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Arle’s portfolio currently comprises 12 European-headquartered businesses with an aggregate value of over €10bn. Arle’s approach is based on active management, working closely with portfolio companies to help drive growth and long term value and generate strong returns for its Limited Partners. For more information, please see www.arle.com

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