

PRIVATE EQUITY BAROMETER

Q1 2013

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

Key findings

Overall European private equity

- A return to post-crisis normality in the €1bn+ buyout segment prompted a sharp 66% drop in overall deal value from €25.7bn in Q4 2012 to less than €8.9bn – the lowest figure since Q2 2009.
- In volume terms the comparatively shallow 15% slide from 294 to 251 transactions over the three months marks a near 10-year low since Q3 2003.
- All buyout value segments saw volume and value dip in the first quarter, while the growth capital market registered falls of 14% and 48% respectively.
- Year-on-year, the first quarter saw declines of 27% and 48% in volume and value respectively from the 344 deals worth €17.1bn registered in Q1 2012.

Buyouts

- Private equity-backed acquisitions dropped by 23% from 102 in Q4 2012 to 79 in Q1 this year, while the value total plunged 68% from €23.4bn to €7.5bn.
- These figures are stark in comparison to those recorded in Q1 last year, marking 35% and 48% declines in volume and value respectively.
- The drop at the top of the market is the key to the disproportionate value slide: there was just one €1bn+ transaction, compared to seven in the preceding quarter.
- However, all categories saw declines in activity. The mid-market (€100m-1bn) range saw deal numbers fall from 31 deals to 21, with collective value sliding 56% from €10.3bn to €4.5bn.
- The €500-1bn segment was particularly hit: no transactions were recorded in that range in Q1, against seven in Q4 last year.
- The small-cap segment, covering acquisitions worth less than €100m, saw volume and total value dip 11% and 14% respectively to 57 deals worth around €2bn.
- Unsurprisingly, the UK remained the largest buyout market in both volume and value terms despite activity seeing a 35% drop in deal numbers to 24 and a 77% decline in overall value to €2.3bn.
- The Benelux region only saw seven completed deals, but the completion in the Netherlands of the single €1bn+ buyout meant it recorded the second highest regional value total of €1.6bn.
- The family and private vendor category recorded a drop of more than a third from 46 deals to 30, making it only the second most active source of deals.

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- Secondary buyouts were the most common source of deals in Q1 with 35 completed transactions coming from other institutional investors, one less than in Q4 2012.

Growth capital

- There were 132 transactions completed in the three months between January and March, 14% less than the 153 transactions recorded in the final quarter of 2012.
- Compared to the opening three months of last year the decline is steeper still, with the Q1 2013 figure down a third from the total recorded in Q1 2012.
- The growth capital value trend tracked that of the buyout market and recorded a steeper fall than volume figures, almost halving from €2.2bn to €1.2bn over the first quarter.
- Year-on-year, the decline in value terms is even starker, standing at around 50% from the Q1 2012 total of €2.4bn.
- There is a continuing dearth of bolt-on acquisitions for existing portfolio businesses, with just 16 'acquisition finance' transactions completed in the first quarter.

Early-stage

- Activity in the early-stage segment bucked the wider European trend and recorded a modest increase in the first quarter of the year, rising by a single deal from 39 transactions to 40.
- In truth, the venture capital sector remains in the doldrums following three lethargic quarters, with Q1 actually 23% down compared to the 52 transactions recorded during Q1 2012.
- Indicative of the enervation of early-stage investing is the drop in collective value over the three months to March, with the total falling by 35% from €182m to €118m.
- While this is higher than the figure recorded for Q3 2012, it is lower than at any other point in the sample and is less than a third of the €360m figure for the equivalent period in 2012.
- Germany was once again the most active market, having been home to 17 of the 19 transactions in the German-speaking DACH region over the quarter.

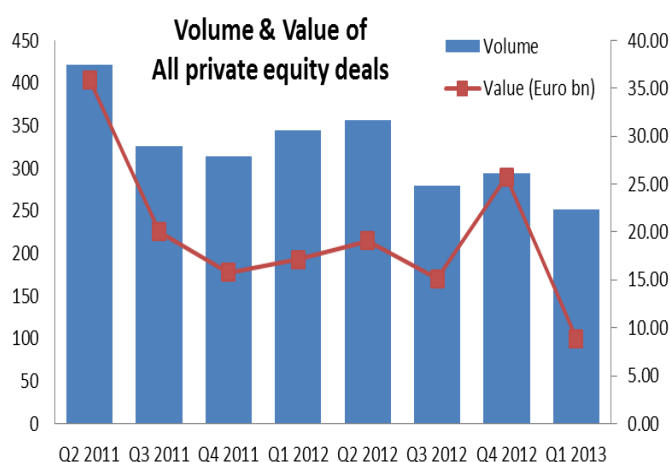
Update on Q4 2012 figures

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 Q4 2012 deals that emerged after the publication of the Barometer in January 2013.

- According to updated figures in the *unquote*™ database, there are now 277 private equity-backed transactions attributed to the final quarter of 2012, 17 more than the previously published figure.
- These deals are now calculated as being worth collectively €25.7bn, a rise of €1.1bn compared to the aggregated value figure published in the January report.
- The majority of the value rise is accounted for by the seven additional buyouts that have been uncovered since the publication of the Q4 Barometer, which added around €550m to the value total.
- A similar number of growth capital deals were added, with the total rising by eight from 145 deals to 153 and value also rising by approximately €550m.
- In the early-stage segment there are now 39 deals recorded for the fourth quarter, just two more than the previously stated figure of 37. In value terms there was only a modest change of around €1m to €182m.

Quiet Q1 provides reality check

Overall European private equity



	Number	Value €m
Q2 2011	422	35,874.78
Q3 2011	326	20,008.35
Q4 2011	314	15,797.52
Q1 2012	344	17,132.21
Q2 2012	357	19,083.21
Q3 2012	280	15,100.55
Q4 2012	294	25,730.57
Q1 2013	251	8,859.98

2011	1451	8,7317.68
2012	1275	7,7046.54
YTD 2013	251	8,859.98

Source: unquote™ data

Like all markets that depend on financing liquidity and confidence in the underlying resilience of any proclaimed recovery, the private equity market has become accustomed to false dawns. Preliminary investment figures for the first three months of 2013 suggest the final flourish witnessed during the closing quarter of last year was an example of just such a fallacious re-awakening. To put it mildly, Q1 was quiet – and not just in comparison to the preceding three months.

A return to post-crisis normality in the €1bn+ buyout segment, where just one deal was completed between January and March compared to seven in Q4 2012, prompted a vertiginous 66% drop in overall value from €25.7bn to less than €8.9bn. The last time a lower quarterly total was recorded was in Q2 2009, before the market emerged from its torpor in the wake of the 2008 crash. In volume terms the market was already at a relatively low base; the comparatively shallow 15% slide from 294 to 251 deals over the three months to March therefore marks a near 10-year low since the third quarter of 2003.

The nadir reached in volume terms despite a far less severe quarterly decline is revealing. The drop-off at the top end of the buyout value spectrum – or rather the anomalous spike in activity last time around that has subsequently dissipated – masks a continued slowdown in investment in core areas of the market. All buyout value segments saw volume and value dip in the first quarter, while the growth capital market registered falls of 14% and 48% respectively. Only the early-stage category held steady in volume terms, but then it would be hard for that market to fall back further.

It is worth remembering that first quarters are often quiescent when set against final quarters if all things are equal, purely because there is no rush to close deals to act as a catalyst. Then again, the first quarter of last year saw 53% more transactions completed worth collectively 90% more than those completed this year. With a boom-era refinancing backlog still to work through and the global economy creeping to an underwhelming recovery, it seems caution remains very much the flavour *du jour*. It may remain so for some time.

Quarterly focus

Buyouts in focus: Activity trends

The buyout boom is often described almost exclusively as a value phenomenon. Ostentatious takeovers of major brand names, such as the €16bn de-listing of one of the UK high street's best known retailers, Boots, captured the popular consciousness and formed the cornerstone of a narrative of excess exacerbated by accounts of industry heavyweights' diminutive tax bills. They were also, however, necessarily isolated deals that in truth merely evidenced the confidence of a sector with unprecedented access to financing.

Indeed, the 'boom' was as much evident in the expansion in underlying deal numbers – the majority of which continued to occur in core small- and mid-market value segments – as the number of zeros being scrawled onto the metaphorical acquisition cheques. Equally, the travails of the industry since the financial crash in 2007 and particularly 2008 are perhaps more acutely expressed by a falling away of activity across the market than by the mercurial trends evident at the thick end of it.

Activity hit historic highs towards the back-end of the technology boom, peaking at a quarterly high of 181 in the first three months of 1998. The tech bubble collapsed and this level was not reached again until Q2 2005 - exactly one year later, the market recorded its first 200-deal quarter. This was to be the first in a seven-quarter streak of double-centuries that last lasted until Q4 2007 and saw a new high watermark of 239 deals established. Just five times in the subsequent 21 quarters has the volume total been even half as high as this prevailing record.

Moreover, four of these quarters occurred during a single 12-month period between Q4 2010 and Q3 2011. More recently the market has been falling back again, with the modest total of 79 buyouts recorded in the first three months of this year – a near four-year low since the 78-deal second quarter of 2009 - marking the culmination of three consecutive quarters of decline. While the headlines will inevitably focus on the value decline between January and March due to the paucity of large-cap deals, in reality the market has been treading water for a while.

But while this year has undoubtedly got off to a slow start, it is arguable the broader pattern is less indicative of a downturn and rather a return to long-term activity levels. Excluding the seven boom-era quarters discussed above, two-thirds of all the three-month periods since 2000 have seen between 100-150 deals completed. Similarly, only once in the past 12 quarters has the total been outside this range: Q1 2013. It is therefore reasonable to expect a bounce back in Q2, but it may be that the activity levels witnessed in recent years pervade for many more to come.

Buyouts

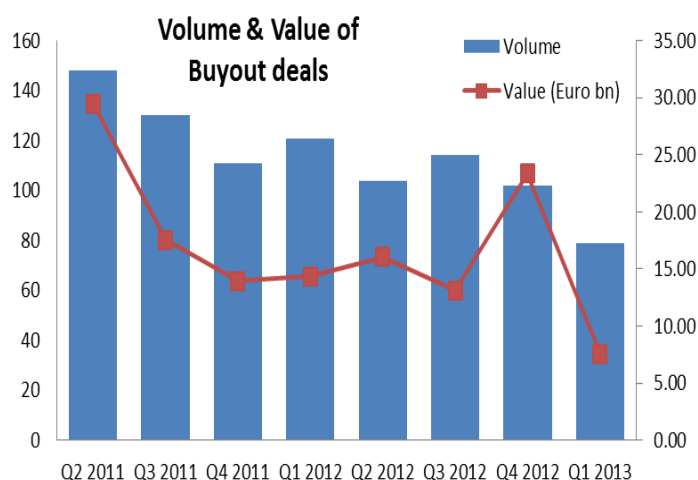
As outlined above, the substantial decline in private equity activity for the first three months of 2013 was largely attributable to a slowdown in the buyout market. The number of private equity-backed acquisitions dropped by 23% from 102 to 79 deals between Q4 2012 and Q1 2013, while the aggregated value total plunged 68% from €23.4bn to €7.5bn. These figures are stark in comparison to those for the equivalent opening period of last year, representing declines of 35% and 48% in volume and value respectively.

The drop at the top of the market is the key to the disproportionate value slide. The €1bn+ segment was surprisingly active in the final three months of 2012 with seven deals completing; between January and March there was just a single deal, repeating the relative inertia that characterised the third quarter of last year. Even this sole deal – Rhone Capital's acquisition of Dutch bakery supplies business CSM – only just scraped above the large-cap value threshold, with an enterprise value of €1.05bn.

But it would be remiss to focus exclusively on larger-buyout lethargy to explain the disappointing Q1 activity levels. For example, the mid-market (€100m-1bn) category saw deal activity drop by around a third from 31 deals to 21, with overall deal value sliding 56% from €10.3bn to €4.5bn. This equates to a quarter-on-quarter fall in the average mid-market deal value from €333.7m to €214.7m. The small-cap segment, covering acquisitions worth less than €100m, saw volume and total value dip 11% and 14% respectively.

The UK remained the largest buyout market in both volume and value terms in Q1, despite seeing completed deals drop 35% from 37 to 24 and collective value plummet 77% from €10.8bn to €2.3bn. In fact only two regions recorded an increase in acquisition activity. France registered the largest rise of 69% from 13 deals to 22, though its contribution to the overall value total still dropped 21% to €1.4bn. Benelux saw completed deals increased from five to seven, while the completion in the Netherlands of the single €1bn+ buyout pushed the region's value total up from €439m to €1.6bn.

A steep fall in average deal value that coincides with relative resilience in the small-cap value bracket generally points to a larger share of deals being sourced from family and private buyers. This was not the case in Q1: the category recorded a drop of more than a third from 46 deals to 30 and was overtaken as the most active source of deals by secondary buyouts, which accounted for 35 transactions. If caution is prompting investors to negotiate harder on price then perhaps owner-founders are holding on-to their businesses. Institutional owners under pressure to divest investments from older funds may not have that luxury.

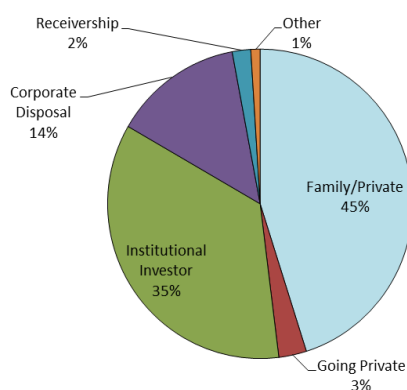


	Number	Value (€m)
Q2 2011	148	29,492.17
Q3 2011	130	17,519.95
Q4 2011	111	13,924.42
Q1 2012	121	14,372.99
Q2 2012	104	16,049.11
Q3 2012	114	13,118.31
Q4 2012	102	23,352.61
Q1 2013	79	7,549.31

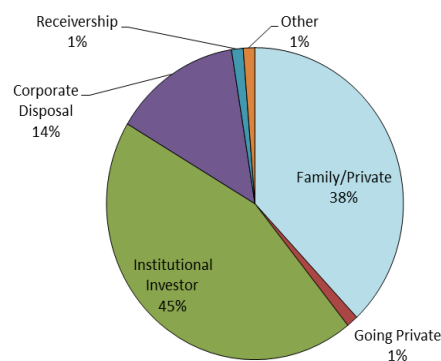
2011	517	74,593.12
2012	441	66,893.02
YTD 2013	79	7,549.31

Source: unquote" data

**Number of European Buyouts by Vendor Type
Q4 2012**



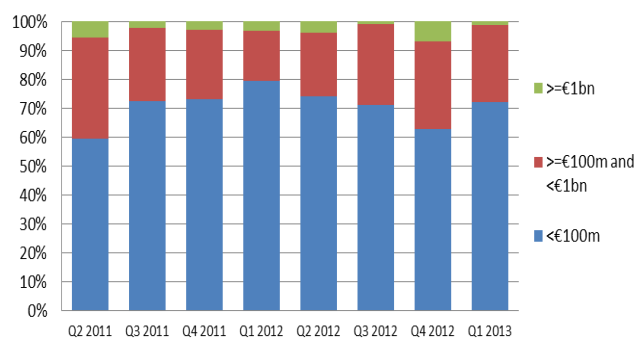
**Number of European Buyouts by Vendor Type
Q1 2013**



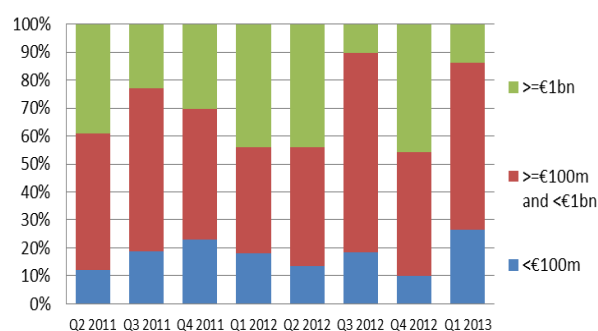
Vendor Type	Q4 2012	Q1 2013
Family/Private	46	30
Going Private	3	1
Institutional Investor	36	35
Corporate Disposal	14	11
Receivership	2	1
Other	1	1
Total	102	79

Source: unquote" data

Number of European Buyouts by size range



Value of European Buyouts by size range

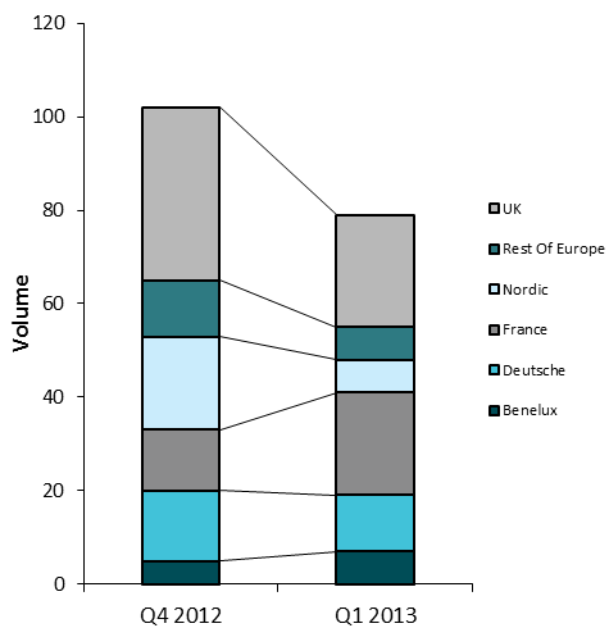


	<€100m Number	%	>=€100m and <1bn Number	%	>=€1bn Number	%	Quarterly Total
Q2 2011	88	59	52	35	8	5	148
Q3 2011	94	72	33	25	3	2	130
Q4 2011	81	73	27	24	3	3	111
Q1 2012	96	79	21	17	4	3	121
Q2 2012	77	74	23	22	4	4	104
Q3 2012	81	71	32	28	1	1	114
Q4 2012	64	63	31	30	7	7	102
Q1 2013	57	72	21	27	1	1	79

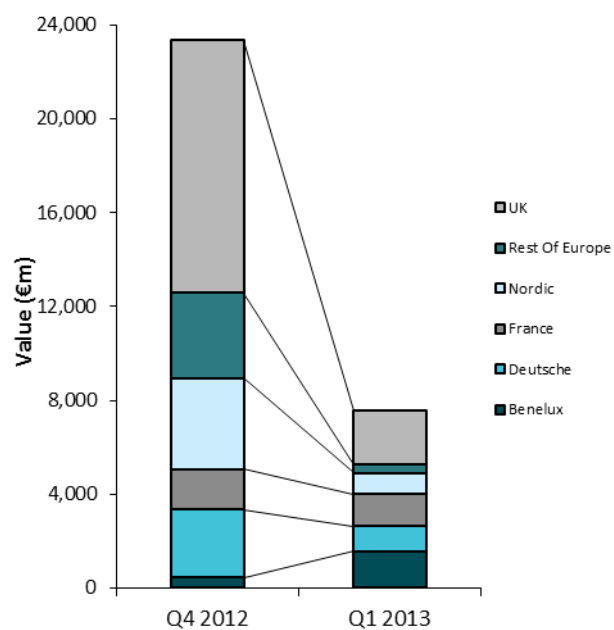
	<€100m Value	%	>=€100m and <1bn Value	%	>=€1bn Value	%	Quarterly Total
Q2 2011	3,510	12	14,429	49	11,554	39	29,492
Q3 2011	3,274	19	10,212	58	4,034	23	17,520
Q4 2011	3,197	23	6,487	47	4,240	30	13,924
Q1 2012	2,607	18	5,464	38	6,302	44	14,373
Q2 2012	2,146	13	6,862	43	7,041	44	16,049
Q3 2012	2,427	19	9,326	71	1,365	10	13,118
Q4 2012	2,321	10	10,344	44	10,688	46	23,353
Q1 2013	1,989	26	4,510	60	1,050	14	7,549

Source: unquote™ data

Number of European Buyouts by Region



€m Value of European Buyouts by Region



	Volume		Value (€m)	
	Q4 2012	Q1 2013	Q4 2012	Q1 2013
Benelux	5	7	439	1,577
DACH	15	12	2,889	1,057
France	13	22	1,747	1,377
Nordic	20	7	3,860	887
Rest Of Europe	12	7	3,655	354
UK	37	24	10,763	2,298
Total	102	79	23,353	7,549

Source: unquote" data

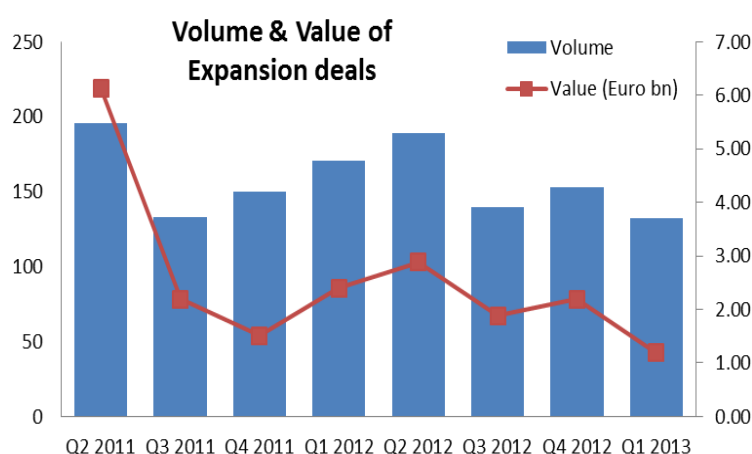
Ten largest European private equity-backed buyouts, Q1 2013*

Deal Name	Value €m	Country	Equity Provider
CSM (Bakery Supplies Businesses)	1,050.00	Netherlands	Rhone Capital
Socotec	450	France	Cobepa Belgium, Edmond de Rothschild Investment Partners, NM Rothschild
Principal Hayley	419.8	United Kingdom	Starwood Capital
Clariant	415.85	Switzerland	SK Capital Partners
GHD	349.84	United Kingdom	Lion Capital
ADB Solutions	320	Belgium	PAI partners
Ellos/Jotex	275	Sweden	Nordic Capital
Admiral Taverns	245.22	United Kingdom	Cerberus Capital Management
Cala Group	242.88	United Kingdom	Patron Capital Partners
UBM Data Services	186.58	United Kingdom	Electra Partners

* Only includes deals with disclosed or publicly estimated values

Source: unquote" data

Growth capital



	Number	Value (€m)
Q2 2011	196	6,137.68
Q3 2011	133	2,188.25
Q4 2011	150	1,510.75
Q1 2012	171	2,399.20
Q2 2012	189	2,884.04
Q3 2012	140	1,881.59
Q4 2012	153	2,195.98
Q1 2013	132	1,192.51

2011	668	11,489.71
2012	653	9,360.81
YTD 2013	132	1,192.51

Source: unquote™ data

Emphasising the pervasive nature of the activity decline in the first quarter of 2013, deal volume in the expansion category recorded a drop commensurate with that of its later-stage cousin. There were 132 transactions completed in the three months between January and March, 14% less than the 153 transactions recorded in the final quarter of 2012. Compared to the opening three months of last year the decline is steeper still, with the Q1 2013 figure 33% less than the total recorded in Q1 2012.

Again the value trend tracked that of the buyout market, with value almost halving from €2.2bn to €1.2bn. This is in line with the disparity against the first quarter of last year, with the year-on-year decline in value terms standing at around 50% from the Q1 2012 total of €2.4bn. That the growth capital sector mirrored the buyout trend – most notably in value terms – is due to the continuing dearth of bolt-on acquisitions for existing buyout-acquired portfolio businesses. There were just 16 such ‘acquisition finance’ transactions completed in the first quarter.

The largest slice of expansion deal activity occurred in the UK, which was home to 55 deals representing around 42% of overall volume. This included the second largest deal with a disclosed value completed over the three months: the €81m investment by Leeds Equity Partners into educational services provider Into University Partnerships. The largest disclosed deal was completed in Spain: the investment into online software retailer Softonic by Partners Group, which was estimated to be worth €82.5m.

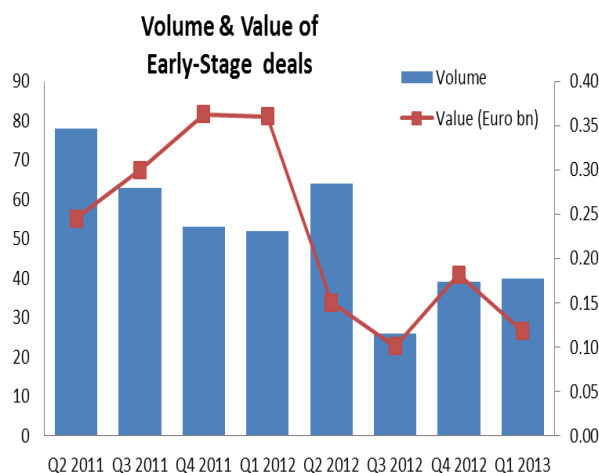
Ten largest European growth capital transactions, Q1 2013*

Deal Name	Value €m	Country	Equity Provider
Softonic	82.5	Spain	Partners Group
Into University Partnerships	80.92	United Kingdom	Leeds Equity Partners
Fives Group	75	France	AXA Private Equity
Fever-Tree	55.51	United Kingdom	LDC
Exclusive Networks	50	France	Omnes Capital
4Com	34.98	United Kingdom	GE Capital
Estro Group	n/d (25-50m)	Netherlands	Bayside Capital, Kohlberg Kravis Roberts
Raphael Michel	27	France	MBO Partenaires
Åkers Group	24.45	Sweden	Altor Equity Partners
Hailo	22.56	United Kingdom	Accel Partners, Atomico Ventures, Felicis Ventures, Phenomen Ventures, Red Swan Ventures, Union Square Ventures, Wellington Partners

* Only includes deals with disclosed or publicly estimated values

Source: unquote" data

Early-stage



	Number	Value (€m)
Q2 2011	78	244.93
Q3 2011	63	300.15
Q4 2011	53	362.35
Q1 2012	52	360.02
Q2 2012	64	150.06
Q3 2012	26	100.65
Q4 2012	39	181.98
Q1 2013	40	118.16

2011	266	1,234.85
2012	181	792.71
YTD 2013	40	118.16

Source: unquote" data

Activity in the early-stage segment bucked the wider European trend and actually recorded a modest increase in the first quarter of the year, rising by a single deal from 39 transactions to 40. In truth, however, the venture capital sector remains in the doldrums in investment terms; the last three quarters have been the three lowest over the 18-month sample period and are some way behind historical averages. Compared to the 52 transactions recorded during the first quarter of 2012, for example, deal volume is down by 23% in Q1 2013.

Indicative of the enervation of early-stage investing is the drop in collective value over the three months to March, with the total falling by 35% from €182m to €118m. While this is higher than the figure recorded for Q3 2012, it is lower than at any other point in the 18-month sample and is less than a third of the €360m figure for the equivalent period in 2012. Average deal value now stands at just €2.95m, the second lowest figure over the sample period behind only the €2.34m for Q2 2012.

Even this low average was held up by a single deal that represented around a quarter of the aggregated value: the €29m investment into UK-based cough treatment developer Infirst by Invesco Asset Management. This was one of 10 early-stage deals to complete in the UK over the three months to March, making it the second most active market. Germany was once again the most active, having been home to 17 of the 19 transactions in the German-speaking DACH region over the quarter.

Ten largest European early-stage transactions, Q1 2013*

Deal Name	Value €m	Country	Equity Provider
Infirst	28.91	United Kingdom	Invesco
McPhy Energy	10	France	CDC Entreprises, Emertec Gestion, GIMV, Sofinnova Partners
Crystalsol	8	Austria	Arax Capital Partners, Conor Venture Partners
DelfMEMS	7.95	France	CDC Entreprises, Iris Capital, Vives
Bone Therapeutics	7.7	Belgium	La SRIW, Life Science Research Partners, Sambrinvest
IndeXX Markets	n/d (<25m)	United Kingdom	Osprey Capital
AgroSavfe	5	Belgium	GIMV, PMV, Qbic Venture Partners
Zytoprotec	4	Austria	Baxter Ventures
Acarix	3.6	Denmark	Seed Capital
Saperatec	3.3	Germany	eCAPITAL entrepreneurial Partners AG, High-Tech Gründerfonds, NRW Bank

* 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 SL 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 3.
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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