



unquote”

analysis

uk watch

Produced in association with Corbett Keeling

Quarter 4 2013

Fourth quarter 2013 – And a happy new year?

In its regular quarterly commentary on UK private equity investment activity, Jim Keeling of Corbett Keeling gives a practitioner's view of trends in the number, value and financing of private equity deals. In his opinion, the momentum from the third quarter of last year continued in the final three months – and, judging by our survey of sentiment, should carry over into 2014



Jim Keeling,
joint chairman,
Corbett Keeling

A SOLID FOURTH quarter of 2013 rounded out a respectable year for deal activity. Anyone hoping for a repeat of 2012's final quarter, when a handful of very large transactions brought us the best three-month period since the downturn in 2008, was destined to be disappointed. Nevertheless, both the volume and value of deals held up well across all segments of the market, representing an excellent recovery from the disastrous first quarter of 2013. And the evidence from our latest survey suggests that market participants remain broadly optimistic about the outlook for this year.

First, though, let's analyse the data from the last quarter.

- In the smaller buyouts sector (transactions with enterprise value of less than £150m), both the volume and value reached similar levels to the previous quarter. A total of 33 deals were completed, compared with 35 in the third quarter, while values of £1.41bn were only marginally down on the third quarter's £1.42bn.
- Volumes of larger deals (enterprise value of £150m or above) actually picked up a little, with 13 versus 11 in the third quarter. However, the total value was down, at £4.04bn compared with £4.98bn in the previous period. November was disappointingly weak after October produced the strongest monthly values

since November 2012. Encouragingly, though, values picked up once more in December.

- After a wobble in the third quarter, early-stage and expansion deals regained their poise at the end of the year. Some 69 deals were done, which compared favourably with the third quarter's total of 60. Value, at £702m, was well up on the figure of £510m for the July-September period.

Once before (in the first quarter of 2013), we declared the demise of all-equity buyouts, only for the revised data to reveal that one all-equity deal had in fact been done. So we are reluctant to make too much of another apparent whitewash in the fourth quarter. Nevertheless, the trend is clear: the first three quarters of 2013 saw only six all-equity buyouts, barely more than a third of the already low total of 16 for the whole of 2012.

As we look ahead to the new year, we are generally encouraged by the results of our latest survey of industry participants.

- As in the previous survey, we are in the unusual position where not one of those surveyed expected a reduction in buyout activity over the next six months for either the lower-value or the larger-value market segment, while those expecting activity to remain at current levels were in a clear minority. That said, we

Corbett Keeling is a corporate finance advisory firm focused on the private equity sector. We specialise in:

- RAISING FUNDS FOR MANAGEMENT BUYOUT TEAMS
- DEBT ADVISORY
- SELLING BUSINESSES

Tel: 020 7626 6266 Web: www.corbettkeeling.com

can detect a slight decline in the number expecting increased activity in the lower-value segment.

- At the sector level, too, the mood remains buoyant. At least half of respondents say they expect activity to increase for each of the seven market sectors. The biggest improvements in sentiment were in healthcare and financials. But increased activity is also expected within media and services and, to a lesser extent, technology.
- The only sector where the optimism visibly cooled was industrials, though sentiment in the consumer sector was also fractionally down on the previous quarter's level.
- The increasing availability of debt finance could provide a boost to deal flow this year. Of our respondents, 44% expect it to be a significant driver of activity, while just over half still see leverage as comparatively limited

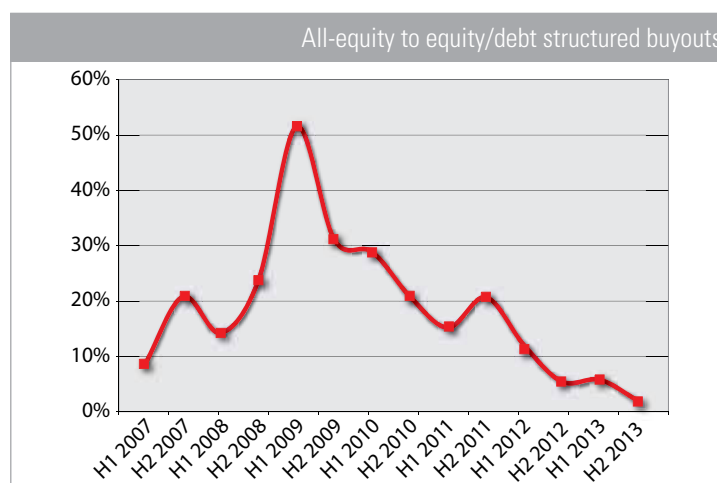
and expensive. However, only 4% think conditions for raising acquisition debt are poor.

- The generally upbeat tone is unlikely to lead to a surge in hiring, with 41% of respondents currently not planning on adding to current staff levels. Just over one quarter say they are already actively hiring, while a third may, depending on the strength of dealflow.

To conclude, the fourth quarter built on the momentum of the previous six months, and 2013 ended up as a moderately strong year by post-credit crisis standards. Meanwhile, industry participants appear in a positive frame of mind, suggesting that deal activity should maintain its decent head of steam into this year.

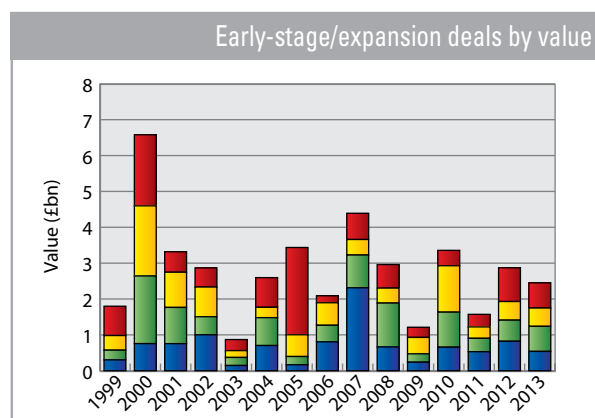
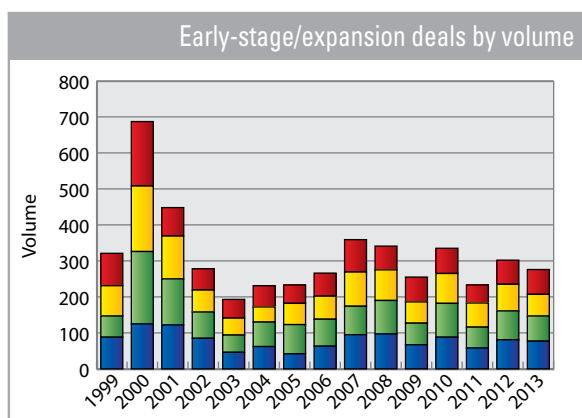
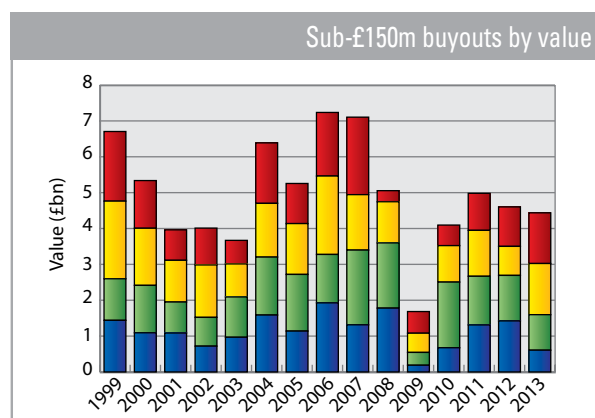
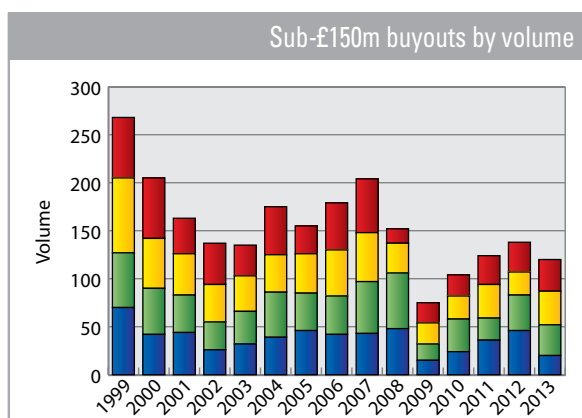
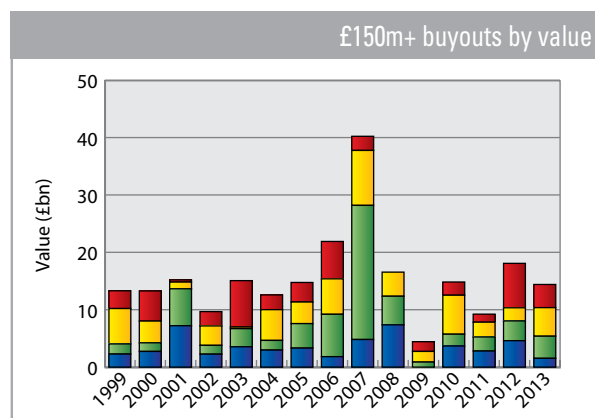
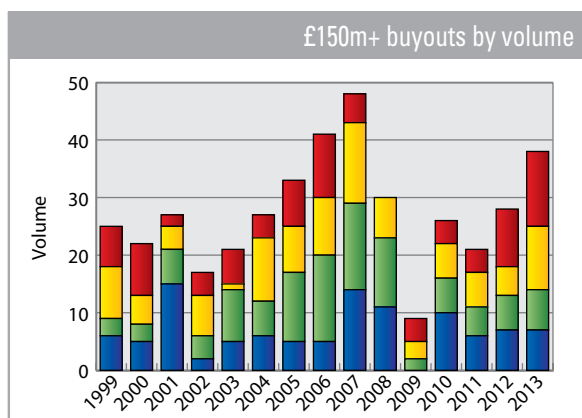
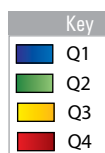
Jim Keeling,
Joint chairman,
Corbett Keeling
www.corbettkeeling.com

All-equity to equity/debt buyouts



Source: unquote™ data

Value & volume



All graphs sourced from: unquote" data

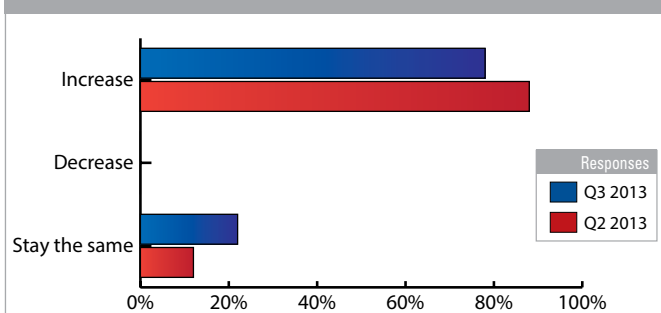
Corbett Keeling is a corporate finance advisory firm focused on the private equity sector. We specialise in:

- RAISING FUNDS FOR MANAGEMENT BUYOUT TEAMS
- DEBT ADVISORY
- SELLING BUSINESSES

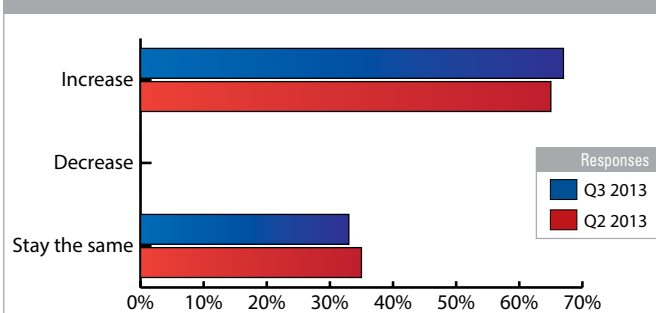
Tel: 020 7626 6266 Web: www.corbettkeeling.com

Watch survey results

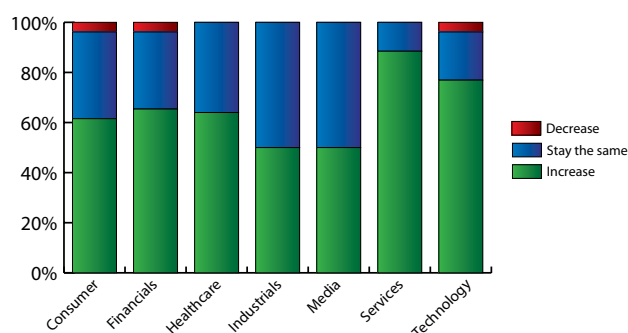
1 How do you expect activity levels in the lower mid-market buyout segment (less than £150m) to change over the next six months?



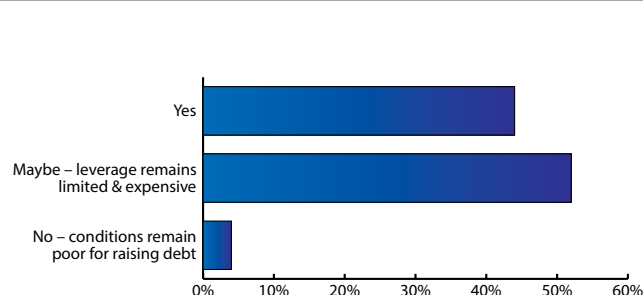
2 How do you expect activity levels in the upper mid-market and larger buyout segment (more than £150m) to change over the next six months?



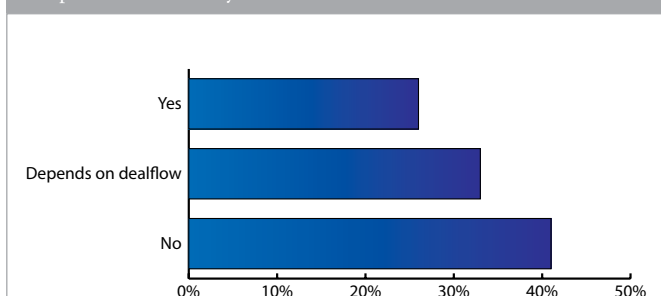
3 How do you think activity in the following sectors will evolve over the next 12 months?



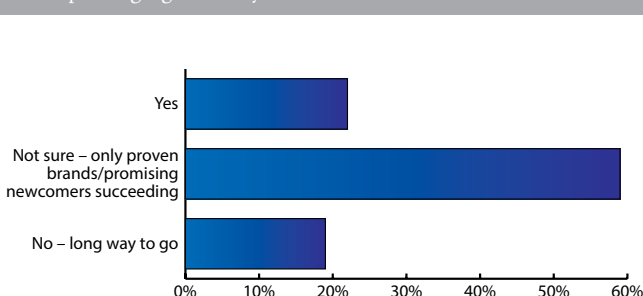
4 Will the improving availability of debt finance provide a boost to dealflow in 2014?



5 Are you considering hiring more investment professionals this year?



6 Are fundraising conditions in the UK's mid-market improving significantly?



All graphs sourced from: unquote™ data

